



Agri Trends: Livestock Report

Input cost pressures and weak demand cause prices to trade sideways

Beef: Although maize prices remain strong, weaner calf prices are trending lower and is expected to continue this trend based on historical seasonal price patterns. This is providing some reprieve from cost pressures apparent in February. We expect meat prices to trade sideways over the next three months, with some upside risk associated with a weaker exchange rate and weaner calf price deviations from seasonal norms.

Mutton: Local prices moved sideways week on week. We expect this to continue due to upward price pressures due to tight supplies countered by downward price pressure due to weak demand.

Pork: Pork prices remain on a downward trajectory already identified in previous versions of our Agri Trends Reports. We expect this to continue based on historical seasonal trend.

Poultry: Poultry prices firmed when compared to the first few weeks of 2020, but decreased slightly week on week. Industry stakeholders mentioned that there is weak demand and that they are struggling to move volumes.

We are implementing some changes to our Agri Trends Reports to improve your user experience and generate the insights in a shorter time for timelier reporting. If you have any feedback, please send it to Marlene.Louw@absa.africa

Reporting on Hide prices are included in a separate report. Kindly contact us to subscribe.

Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Retail and Business Banking
Sector Economics
9 March 2021



Abrie Rautenbach
+27 67 417 1645
Abrie.Rautenbach@absa.africa

Marlene Louw
+27 060 881 2450
Marlene.Louw@absa.africa

Paige Bowen
+27 66 288 9429
Paige.Bowen@absa.africa

www.absa.co.za

<https://www.absa.co.za/business/sector-solutions/agribusiness/agri-smart-insights/>

Beef market trends

International beef market

US beef carcass equivalent prices increased 2.0% week on week and 24.7% year on year while New Zealand steer prices, in turn, decreased by 1.4% week on week and only showed a marginal increase year on year. The latter is not uncommon in the weeks after Chinese New Year, which was on 22 February. Traditionally, export demand for New Zealand red meat slows after the festivities associated with this holiday. According to the Food and Agricultural Organization (FAO), global beef prices are still finding support from tight supplies in key production regions.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	NZ steers NZc/kg	NZ cows NZc/kg	AMIE carcass import parity price for beef trimmings (R/kg)
Price	14.76	10.84	362.26	485	342	71.75
w/w	1.2%	2.7%	2.0%	-1.4%	-1.4%	0.0%
m/m	-2.7%	-1.1%	7.6%	0.0%	-2.3%	-15.6%
y/y	-3.7%	12.0%	24.7%	2.3%	1.8%	31.1%

Local beef market

Average Class A prices moved sideways over the past week, with monthly prices increasing by 3.6% and 7.1% respectively. The larger month-on-month increase in Class C prices seems to support the notion that strong demand for value meat products are providing price support for these products. Local weaner calf prices decreased to R38.50 week on week, but are 17.8% higher compared to the corresponding period in 2020. Weaner calf prices are seeing price support from lower availability and strong seasonal demand. Prices are expected to trend lower as we approach weaning season.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	52.89	48.13	53.50	38.5
w/w	0.0%	0.0%	0.2%	-9.2%
m/m	3.6%	7.1%	3.8%	3.4%
y/y	12.6%	16.3%	13.5%	17.8%

Outlook

In our previous Agri Trends Livestock Report, we noted that cost pressures are expected to put upward pressure on meat prices. Since then, the rand has depreciated from below R15 to the dollar to around R15.35. This was reflected in maize prices trading roughly 5% higher in the first weeks of March compared to the end of February. This has contributed to cost pressures. Weaner calf prices are, however, expected to be trending lower based on seasonal trends. This, combined with consumers' inability to absorb significant price increases, leads us to expect that meat prices will trend sideways. If decreases on weaner calves do not materialise, upside risk for meat prices remain significant.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheep meat market

Similar to beef, New Zealand prices showed a slight week-on-week decline based on lower export demand. Import parity prices into South Africa showed a week-on-week increase mainly driven by a weaker rand. It did, however, show a more substantial month-on-month decline. The FAO notes that herd rebuilding in Oceania has supported global mutton and lamb prices in February.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ lamb (R/kg)	Import parity NZ ewe (R/kg)
Price	10.84	6.35	5.08	68.83	56.57
w/w	2.7%	-0.8%	-0.4%	1.9%	2.3%
m/m	-1.1%	-1.6%	1.5%	-13.1%	-12.0%
y/y	-3.7%	-7.3%	16.0%	-7%	9.7%

Local sheep meat market

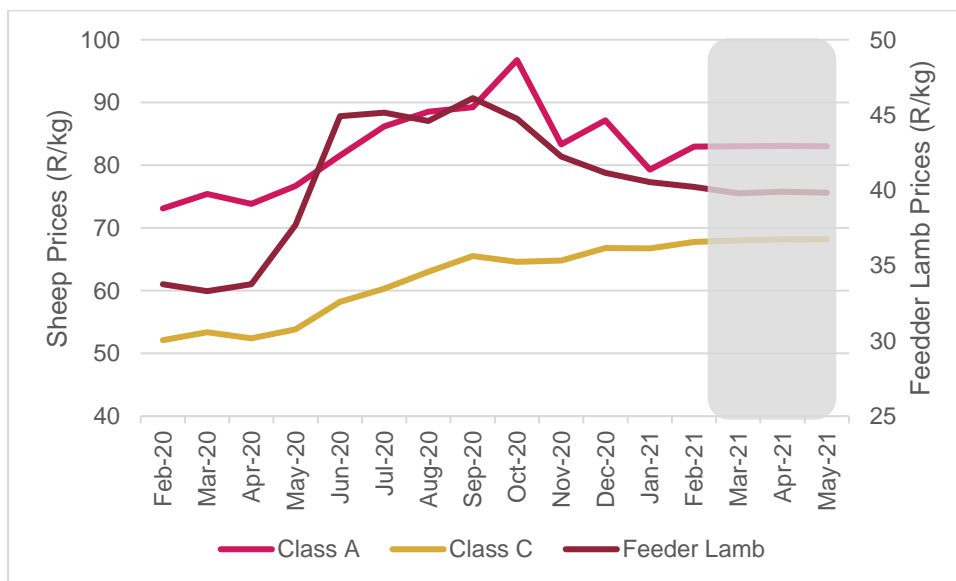
Class A2/A3 and Class C carcass prices traded sideways week on week at R82.95 R/kg and R68.18R/kg respectively. Feeder lamb prices were 2.5% lower from a week ago and 28.7% higher year on year. Feeder lamb prices is supported by tight supply.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	82.95	68.18	40.16	34.70	47.50
w/w	0.0%	0.0%	-2.5%	0.6%	-5.0%
m/m	3.2%	-0.3%	5.0%	5.0%	-6.6%
y/y	9.6%	28.7%	20.0%	-6.8%	8.2%

Outlook

In our previous Agri Trends Report of 23 February we noted that prices are trending upwards due to reduced slaughtering. Since then, it seems that the prices have lost some momentum. Historical price trends show a decrease in prices between January and April. In 2021, however, this period exhibited strong price growth on the back of tight supply. Like beef, we expect prices to level off and trade sideways based on a combination of tight supplies and weak demand.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

US pork carcass prices increased by 2.2% week on week and almost 30% month on month. These price increases are driven by strong US and export demand, combined with input cost price pressures. In January and February 2021, US pork exports to China were reported to be 30% higher compared to the same period in 2020. As a result, US pork carcass prices are almost 44% higher than in the corresponding period last year. African Swine Fever concerns remain, with recent outbreaks in Germany and China. Prices are expected to remain firm based on the underlying positive sentiment in the US economy associated with the recently announced stimulus programme. Slaughter numbers are also lower and will contribute to the price support.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	14.76	81.82	65.4	40.82
w/w	1.2%	2.2%	1.2%	6.7%
m/m	-2.7%	29.4%	-13.3%	21.1%
y/y	-3.7%	43.4%	4.8%	21.7%

Local pork market

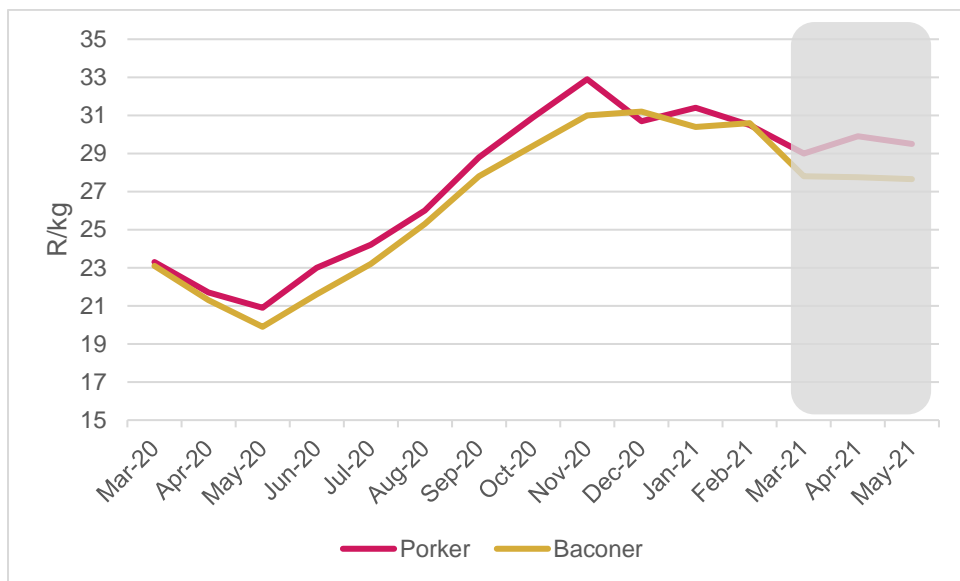
As noted in our previous Agri Trends Reports, local pork prices seem to have lost the momentum apparent during the last half of 2020 and weekly and monthly price changes remain negative across the board. Import parity prices for pork loin decreased week on week despite global prices trending higher based on the strong exchange rate experienced in the last half of February. Monthly and yearly price changes show similar trends.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	28.57	27.79	43.99
w/w	-4.1%	-5.5%	-2.2%
m/m	-13.1%	-6.1%	-6.4%
y/y	12.6%	14.3%	-4.3%

Outlook

Based on the above, we expect local pork prices to trade marginally lower over the next three months and our projection from 23 February remains almost unchanged. While price support could be given by general increases of prices in the meat complex, our opinion is that a small correction in relative meat prices, combined with seasonal trends, will counter this and cause prices to decrease marginally.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry market

Global chicken prices increased across the board with the FAO noting that Avian Influenza remains a key factor constraining trade. Winter storms in the middle of February in the US also constrained production.

	R/USD	US MDM fresh (USD/lb.)	US MDM frozen (USD/lb.)	AMIE US leg quarters (R/kg)	AMIE EU leg quarters (R/kg)
Price	14.76	27.29	34.41	26.14	No Trade
w/w	1.2%	6.5%	4.1%	2.6%	-
m/m	-2.7%	5.0%	5.9%	7.9%	-
y/y	-3.7%	26.2%	31.2%	18.9%	-

Local poultry market

All local poultry product prices decreased across the board in terms of week-on-week dynamics. Month-on-month movements point to prices firming since the first weeks of 2021 when industry reports indicated that volumes sold were low and prices were under pressure

All data contained in this document is the intellectual property of Absa. Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

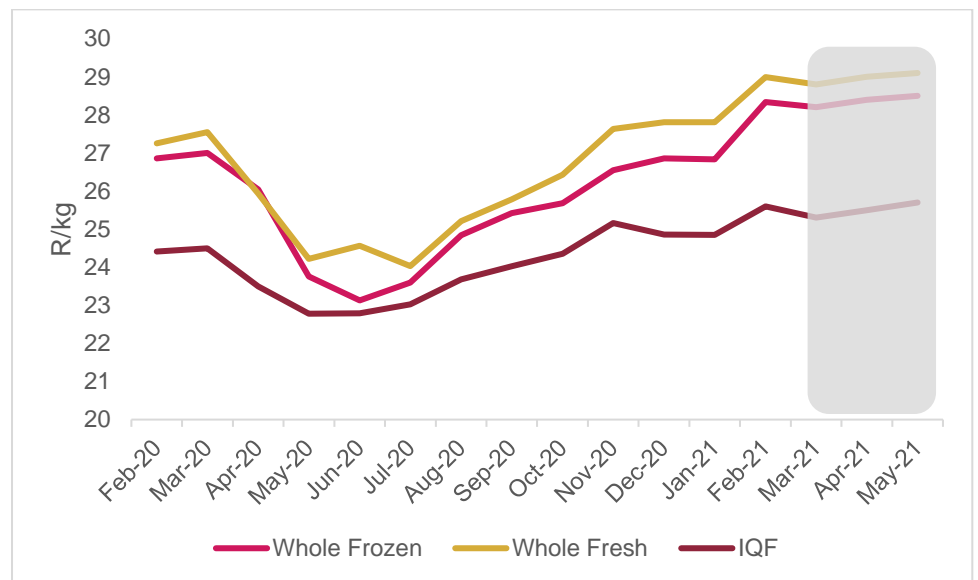
due to weak demand. Margins in the poultry industry are under severe pressure due to the high costs of grain. This could push prices higher if demand also firms.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	27.84	28.66	25.07
w/w	-1.7%	-1.8%	-2.6%
m/m	4.5%	6.8%	-3.8%
y/y	3.4%	6.5%	2.5%

Outlook

It is expected that poultry prices could trade sideways over the coming three months, with some upside potential due to underlying production cost pressures, as mentioned above. A strengthening of consumer demand will allow for some of the cost pressures to be passed through to the final retail price.

Figure 4: Local chicken prices



*Area in grey represents Absa AgriBusiness forecasts