



Retail and Business Banking
Sector Economics
12 April 2021



Agri Trends: Livestock Report

Increased Easter demand causes short-term price rise

Beef: The FAO food price index shows that beef prices are stable, but notes that this is because of diverging price trends in different regions of the world. Brazilian and US export quotations are increasing on the back of strong demand from China, while countries such as Australia are seeing lower export prices associated with tight exportable supplies. Locally, Class A prices were up week on week and month on month due to increased demand associated with Easter. Historical seasonal price trends suggest that prices could trend marginally lower as we approach mid-2021.

Mutton: Prevailing dry weather in New Zealand could result in increased slaughtering, which will have a negative effect on export prices. Locally, strong demand over Easter bolstered prices and week-on-week increases amounted to 2.7% for A2/A3 carcasses. Historical seasonal trends suggest that prices could increase further until the middle of the year. Weak demand associated with the current economic climate could, however, counter this.

Pork: Global prices of pork remain firm on the back of economic recovery. US prices are also benefitting from strong export demand from East Asian countries. Locally, short-term movements in porker prices were marginal. Year on year, prices are, however, still more than 30% higher compared to the corresponding period in 2020. Based on historical seasonal trends, it is expected that prices will trend downward over the coming months.

Poultry: Prices product in general are between 6.5% and 7.5% higher than a year ago. This increase is, however, far less than input cost pressures such as feed, electricity and wages, which all increased with double digits since last year. It is expected that these pressures will have to start manifesting in prices soon. However, certain market players are still reporting that they are struggling to move volumes.

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 prices increased by slightly less than 10% week on week, with monthly prices only 3.4% higher. US prices are, however, substantially higher compared to a year ago. This is because a pork deficit in China is creating demand for other meat products, which, in turn, is supporting beef exports from the US to China. This, combined with herd rebuilding in Australia and New Zealand, which traditionally provide strong competition for US beef in East Asian markets, are supporting prices. In the FAO food price index report, released on 8 April, it is noted that global bovine meat prices are steady, but that this is as a result of increasing Brazilian and US quotations being off-set by lower export prices in Australia.

	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	10.34	369.41	495	340	No Trade
w/w	-0.8%	-1.1%	9.8%	2.1%	-0.3%	-
m/m	-2.4%	-5.4%	3.4%	2.1%	-0.3%	-
y/y	-18.6%	-7.3%	27.5%	2.1%	2.1%	-

Local beef market

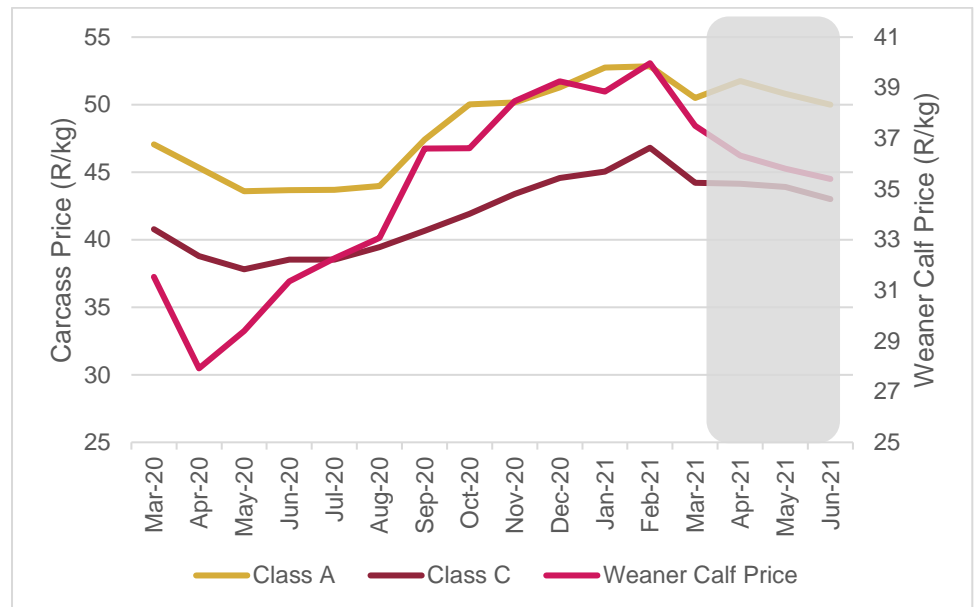
Class A and Class C beef prices showed divergent trends, with Class A prices increasing by 0.4% and 2.4% in a weekly and monthly context respectively. This contrasts with Class C prices, which decreased by 2.1% week on week and 0.7% month on month. The increase in Class A was likely supported by seasonal demand increases associated with Easter. Prices are around 10% higher compared to prices in the corresponding period of 2020. This can still be attributed to tight supply associated with lower slaughter numbers.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	51.75	44.14	52.55	36.32
w/w	0.4%	-2.1%	0.4%	-2.1%
m/m	2.4%	-0.7%	2.5%	-3.8%
y/y	9.7%	10.1%	11.1%	23.1%

Outlook

As with our Agri Trends Livestock Report from 25 March, our projections show a slight downward trajectory for carcass and weaner calf prices. This is consistent with historical seasonal price trends for this time of the year, combined with disposable income pressures limiting the cost increases that consumers can absorb.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheep meat market

Week on week and month on month, New Zealand lamb prices increased by 2.0% and 2.8% respectively. The FAO food price index report notes that dry weather in New Zealand seems to be persisting and that this could put pressure on prices as producers offload animals to avoid the effects of the drought.

	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	10.34	6.53	5.08	67.52	54.03
w/w	-1.1%	2.0%	0.6%	1.0%	-0.5%
m/m	-5.4%	2.8%	0.0%	-2.7%	-5.3%
y/y	-5.6%	-3.7%	15.5%	-18.1%	6.7%

Local sheep meat market

Like beef, Class A2/A3 lamb prices and Class C prices showed divergent trends, with Class A2/A3 prices increasing by 2.7% since the previous week and Class C prices decreasing by 3% for the corresponding period. It is expected that the boost in week-on-week price growth is supported by increased demand over Easter. Feeder lamb prices are still increasing on the back of tight supplies.

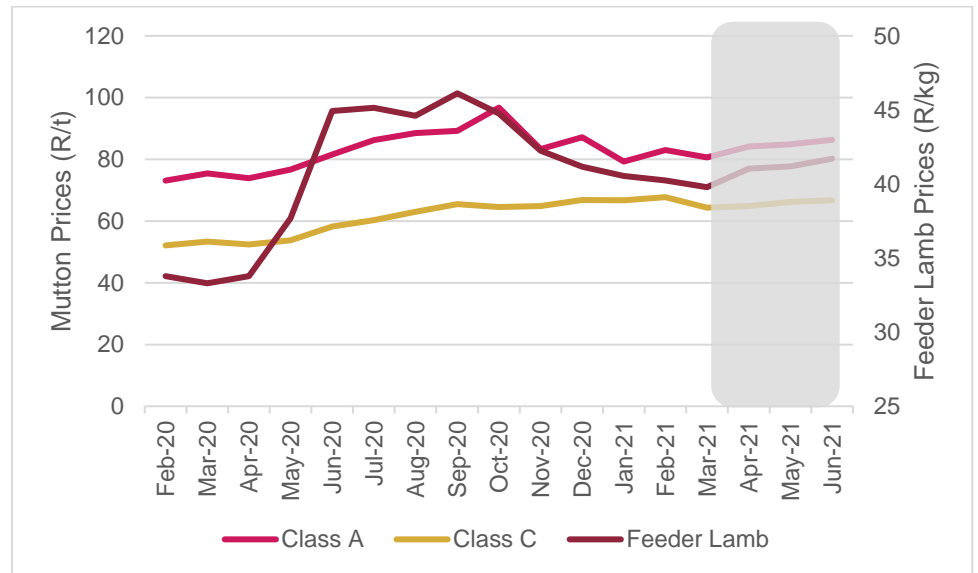
	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	83.14	64.85	41.03	31.83	49.00
w/w	2.7%	-3.0%	2.0%	-9.5%	-10.9%
m/m	1.3%	-4.7%	2.9%	-17.0%	-5.2%
y/y	10.9%	22.0%	21.8%	-10.7%	16.1%

Outlook

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.

The price momentum increase due to increased demand over Easter is expected to continue, albeit at a slower rate. As a result, our forecast shows a marginal upward trend in carcass and feeder lamb prices. This is consistent with historical seasonal trends where prices generally increase throughout the winter months. As highlighted in previous reports, weak demand is, however, a factor that could constrain price growth.

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 1% week on week and almost 16% month on month. This upward price trend has resulted in yearly price growth of 72.3%, which is driven by solid US demand and robust exports. Improving economic conditions in the US and continued export opportunities to East Asia and Mexico, is expected to continue to provide price support. In China, hog production is reported to still be 25% below pre-ASF levels, but did increase markedly year on year. High feed prices are likely to put pressure on China carcass weights and limit output growth. ASF issues remain in East Asia, with countries such as the Philippines expected to have a significant reduction in production as a result.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	14.76	107.07	70.2	31.76
w/w	-0.8%	1.0%	5.5%	-2.4%
m/m	-2.4%	15.9%	3.9%	-20.2%
y/y	-18.6%	72.3%	12.5%	-14.8%

Local pork market

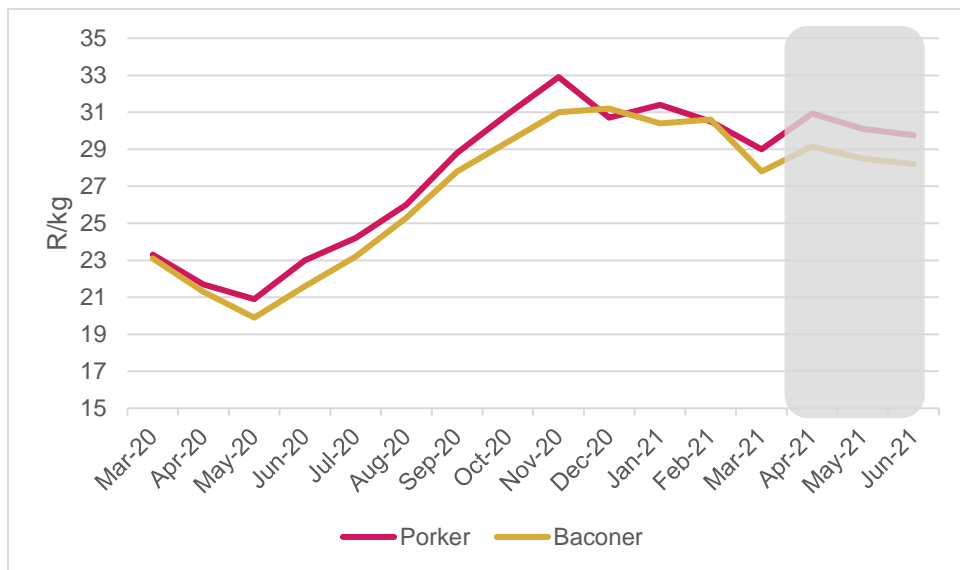
Porker and baconer prices are down slightly compared to a week ago. While monthly prices of porkers are slightly higher, industry stakeholders report that demand is increasingly under pressure and expect prices to decrease. Baconer prices have showed a substantial decrease since the beginning of March. Pork prices in general are, however, still significantly higher than a year ago. This seems to be supported by strong export opportunities to the region. Locally, animal disease issues also remain concerning, with another ASF outbreak in the North West reported in the media in the second week of April.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	30.93	29.16	No Trade
w/w	-0.5%	-0.5%	-
m/m	0.1%	-8.6%	-
y/y	35.9%	31.0%	-

Outlook

Historical seasonal price trends suggest that prices could be on a downward trajectory until around July. Continued strong exports to the region could provide some upside scope for the price projection, along with local feed prices losing momentum from the rapid increases earlier in the year.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry market

Global economic recovery is supporting modest demand growth, outweighing rising feed prices. As Chinese pork production picks up, it is expected that poultry imports into China will trend lower and large producers such as Brazil would have to find alternative markets for their production. US MDM prices are lower week on week, but higher month on month and substantially higher than the levels of the corresponding period in 2020. Parity prices, in turn, are higher throughout with US parity prices increasing more than EU parity prices. This is most probably underpinned by strong local demand in the US. In contrast to this, EU markets have low levels of marketable export supplies due to multiple Avian Influenza outbreaks in various member states.

	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	38.16	44.14	28.48	30.00
w/w	-0.8%	-6.5%	-6.9%	2.7%	3.5%
m/m	-2.4%	29.0%	32.2%	9.0%	3.5%
y/y	-18.6%	60.5%	65.1%	34.0%	0.0%

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.

Local poultry market

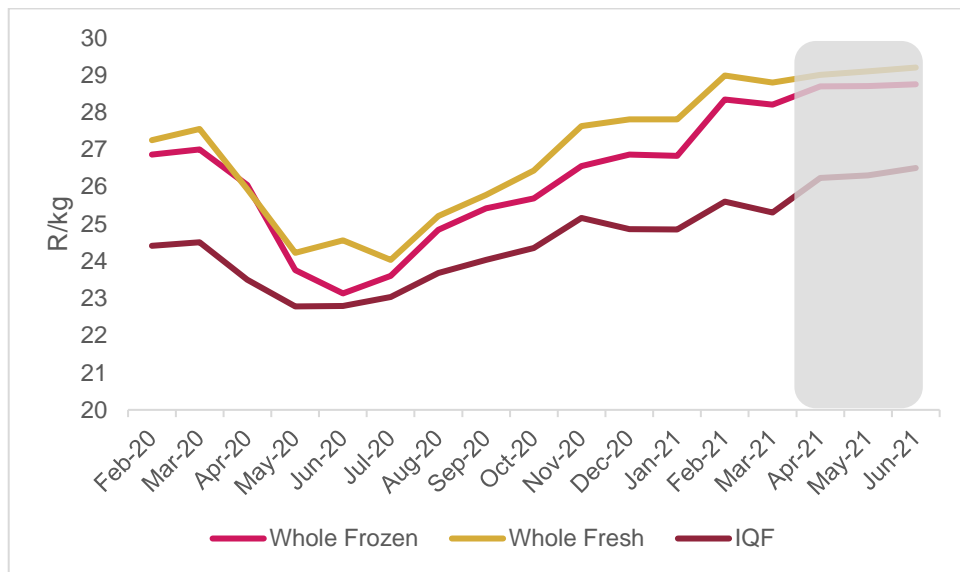
Frozen whole bird prices are up 1% week on week and just below 3% month on month. Fresh whole birds, in turn, increased marginally week on week, but were around 0.8% less than in early March with IQF pieces increasing slightly more than 3% for the corresponding period. Prices in general are between 6.5% and 7.5% higher than a year ago. This increase is, however, far less than input cost pressures such as feed, electricity and wages, which all increased with double digits since last year. It is expected that these pressures will have to start manifesting in prices soon. However, certain market players are still reporting that they are struggling to move volumes.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	28.69	27.79	26.23
w/w	1.0%	0.2%	3.0%
m/m	2.8%	-0.8%	3.3%
y/y	6.6%	3.2%	7.2%

Outlook

Seasonal trends suggest that one can expect a slight downward trajectory throughout autumn and winter. Given the input cost pressures, we do, however, expect some upward price pressures over the coming months. Based on this, our projections until June show prices changing largely sideways with room for upside price dynamics if demand improves.

Figure 4: Local chicken prices



*Area in grey represents Absa AgriBusiness forecasts