



## Agri Trends: Livestock Report

### Input costs and animal health issues remain at the forefront

**Beef:** Class A beef prices decreased marginally week on week and increased by almost 1% since mid-April. Prices are however more than 20% higher than a year ago. In the South African context producer margins are under increased pressure with maize prices roughly 30% higher compared to a year ago.

**Mutton:** Carcass prices of lamb and mutton are finding continued support from lower slaughter numbers. Slaughter numbers released for 2021Q1 are 3.5% lower compared to 2020Q1. This is expected to have continued into April and May 2021. Feeder lamb prices, in turn, have breached the R50/kg level due to tight supplies. The ongoing drought in the Southern Cape and Klein Karoo is contributing to the low supply of feeder lambs.

**Pork:** Porker prices increased for all periods under consideration whilst baconer prices decreased by 4.5% week on week and 5.9% month on month. Prices are however still substantially higher compared to a year ago. Slaughter numbers for 2021Q1 are up by almost 1% compared to 2020Q1. The strong growth in prices since last year, combined with increased slaughtering suggest firm demand.

**Poultry:** Year on year increase is between 15.9% and 23.7%. With maize prices, about 30% compared to last year it shows that margins are increasingly under pressure. This was also confirmed with the release of the Astral interim results where a decrease in operating profit of 37% was attributed, in part, to surging input cost.

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## Beef market trends

### International beef market

US beef prices increased by 2% week on week and are up almost 14% compared to last month. Analysts note firm demand as the US emerges from the year-long pandemic combined with seasonal demand which usually increases in the spring and summer. High commodity prices are also contributing to input cost pressures which, in the presence of strong demand is passed on to retail level. In other global news, a ban has been placed on Argentinian beef exports. Argentinian beef exports have tripled since 2017. From total exports, 75% is exported to China. This seems to be a move to win favour before national elections to be held in October, but there has been significant push back from producers.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	NZ steers NZ/kg	NZ cows NZc/kg	AMIE carcass import parity price for beef trimmings (R/kg)
Price	14.07	10.11	483.91	510	338	53.99
w/w	-1.6%	-1.3%	2.0%	0.6%	0.0%	-1.8%
m/m	-2.2%	-0.5%	13.5%	2.6%	-0.6%	1.9%
y/y	-23.6%	-10.3%	4.3%	7.4%	6.0%	-28.5%

### Local beef market

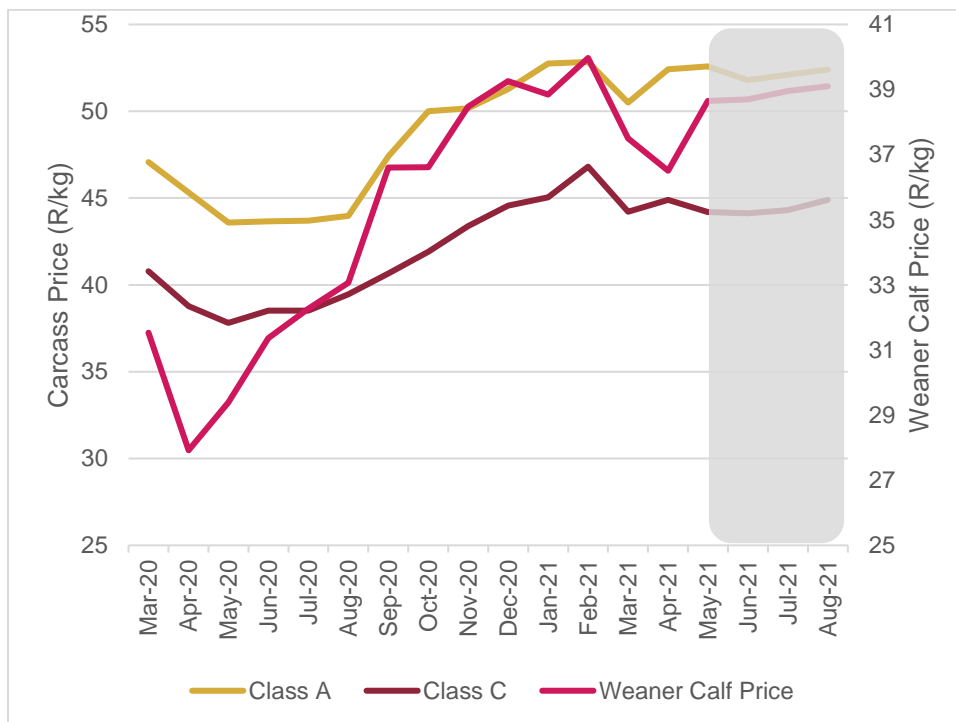
Class A beef prices decreased marginally week on week and increased by almost 1% since mid-April. Prices are however more than 20% higher than a year ago. In the South African context producer margins are under increased pressure with maize prices roughly 30% higher compared to a year ago. The increases in meat prices have therefore not kept up with the increases in input cost. In 2021Q1 cattle slaughter numbers were down by 3.7% compared to 2020Q1, which sustained prices. It is expected that this decrease in supply is accompanied by waning demand on the back of disposable income pressures of consumers.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	52.50	44.5	52.47	38.62
w/w	-0.4%	1.8%	-0.4%	-0.1%
m/m	0.8%	-1.3%	-1.1%	4.9%
y/y	20.8%	17.5%	20.6%	30.9%

### Outlook

Historical seasonal trends suggest that weaner calf and carcass prices increase from June to August. Based on this, combined with the input price pressures mentioned above, we expect prices to increase over the next three months. This should however be seen in the context of consumer income still being under pressure with additional pressures originating from increased fuel cost and other administered prices. As a result, our increasing trajectory follows a modest slope.

**Figure 1: Local beef and weaner calf prices**



\*Area in grey represents Absa AgriBusiness forecasts

## Sheep market trends

### International sheepmeat market

New Zealand prices for all mutton products increased for all the periods considered here. Exports from New Zealand to China seem to have lost some momentum but analysts report that it is still higher than the 5-year average. New Zealand prices are further finding support from tight supplies due to ongoing herd rebuilding and low inventories. This has also supported import parity prices of NZ lamb to South Africa. It is expected that parity prices for frozen products were further bolstered by constraints related to shipping availability in April and May.

	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	10.17	7.20	5.65	73.22	58.96
w/w	-1.3%	1.7%	2.7%	0.4%	1.4%
m/m	-0.5%	7.8%	8.7%	7.3%	7.9%
y/y	-7.8%	11.6%	32.0%	-7.4%	4.0%

### Local sheepmeat market

Class A2/A3 prices increased for all time frames considered here. Class C prices did however decrease compared to early May. Carcass prices of lamb and mutton are finding continued support from lower slaughter numbers. Slaughter numbers released for 2021Q1 are 3.5% lower compared to 2020Q1. This is expected to have continued into April and May 2021.

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Feeder lamb prices, in turn, have breached the R50/kg level due to tight supplies. The ongoing drought in the Southern Cape and Klein Karoo is contributing to the low supply of feeder lambs.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	89.71	64.03	50.05	40.83	61.67
w/w	3.9%	-8.5%	-0.2%	6.1%	-5.1%
m/m	8.3%	-1.1%	21.0%	9.5%	8.8%
y/y	12.7%	19.3%	31.1%	27.2%	46.1%

### Outlook

It is expected that carcass prices and feeder lamb prices will trend higher over the coming months. This view is supported by limited supply and historical price movements that suggest prices trend higher during the winter months. As mentioned in the previous Agri trend report on livestock, weak demand could, however, constrain some of the usual price growth seen during this time of the year and as a result, we remained conservative with the trajectory of the projected upward trend.

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 1.8% week on week and 1.9% month on month. It is however 1.4% lower compared to the corresponding time in 2020. Overall, global prices are increasing on the back of high purchases by East Asia and analyst note that prices are firm due to tight supplies. Animal health concerns remain an issue in the global pork market with ongoing outbreaks of African Swine Fever of which the latest being reported in Vietnam in early May.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	14.07	112.58	102.6	27.56
w/w	-1.6%	1.8%	4.5%	-10.7%
m/m	-2.2%	1.9%	20.5%	-10.4%
y/y	-23.6%	-1.4%	-6.8%	-1.6%

### Local pork market

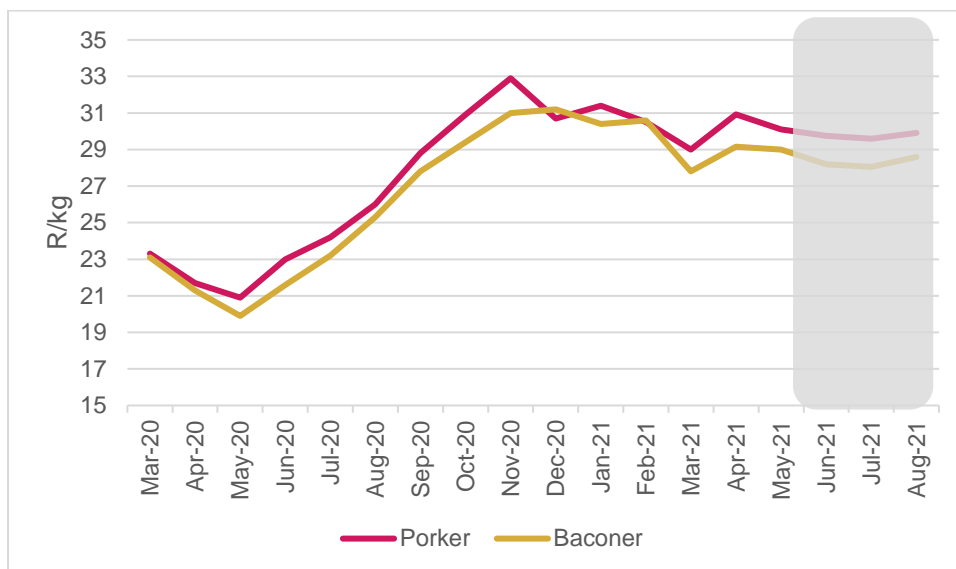
Porker prices increased for all periods under consideration whilst baconer prices decreased by 4.5% week on week and 5.9% month on month. Prices are however still substantially higher compared to a year ago. Slaughter numbers for 2021Q1 are up by almost 1% compared to 2020Q1. The strong growth in prices since last year combined with increased slaughtering suggest firm demand. As mentioned in previous trend reports, this is likely a symptom of the value for money consumers with pressured disposable income can get from pork products.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	30.39	28.75	R48.99
w/w	2.0%	-4.5%	0.0%
m/m	2.5%	-5.9%	-7.5%
y/y	47.7%	35.6%	-1.3%

### Outlook

Historical seasonal price trends suggest that prices could come down towards July and start increasing again in August. Continued strong demand support could provide some upside scope for the price projection. Firm international prices could also support local prices and as a result, our projection moves sideways with a slight increase in August.

**Figure 3: Local porker and baconer prices**



\*Area in grey represents Absa AgriBusiness forecasts

## Poultry market trends

### International poultry market

Poultry prices are firm on the back of strong demand as countries such as the US are emerging from the pandemic. In other regions of the world, such as India, short supplies as a result of a severe second wave of COVID-19 and related lockdowns are also pushing up prices. Due to high grain prices and strong demand global prices are likely to remain firm. In terms of import prices into South Africa, the increases in global poultry prices have, to a large extent, been offset by the strong rand.

	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	14.07	52.6	56.2	29.23	31.99
w/w	-1.6%	16.4%	2%	-0.4%	0.0%
m/m	-2.2%	58.3%	23.3%	-1.1%	0.0%
y/y	-23.6%	115.8%	107.8%	51.3%	4.1%

### Local poultry market

Month on month prices of local poultry products decreased, ranging from a marginal decrease of 0.3% in frozen whole birds to a substantial decrease of 4.2% in IQF pieces. Year on year increases are however between 15.9% and 23.7%. With maize prices about 30% compared to last year it shows that margins are increasingly under pressure. This was also confirmed with the release of the Astral interim results where a decrease in operating profit of 37% was

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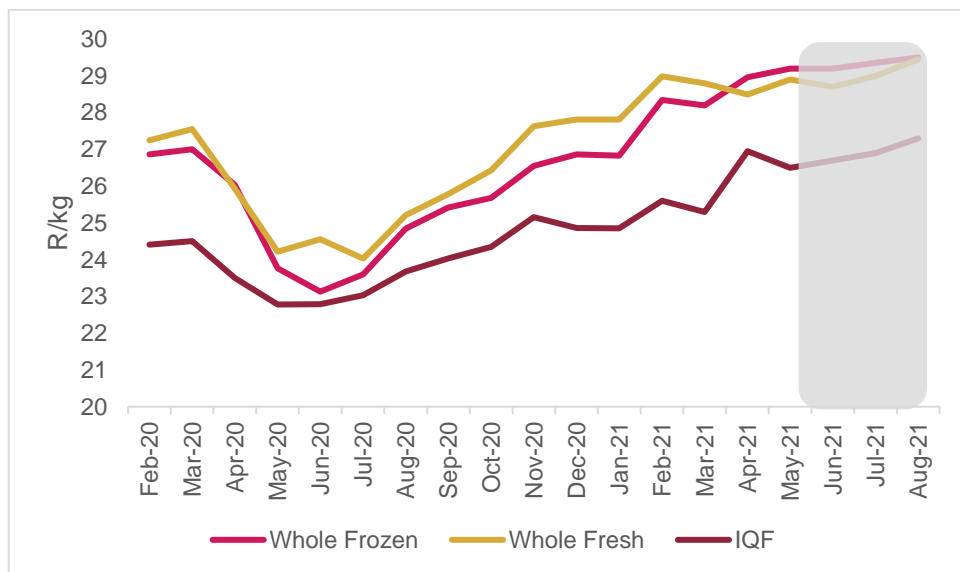
attributed, in part, to surging input cost. Locally there have been 10 cases of Highly Pathogenic Avian Influenza, which resulted in poultry exports to the region being blocked. Although regional exports make up a small share of total production, it is plausible that the volumes that cannot be exported could have an interim negative effect on the price for certain companies. The spread of this virus remains a significant concern for the industry.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	29.16	29.42	26.23
w/w	-1.4%	2.0%	-1.0%
m/m	-0.3%	-1.0%	-4.2%
y/y	23.7%	18.6%	15.9%

### Outlook

Seasonal trends suggest that one can expect a slight downward trajectory in the winter months to start increasing again in August. We are however of the opinion that the significant increase in input cost will start to filter through to retail prices over the coming months. As a result, our projection follows a conservative upward trajectory, being mindful of the consumer’s disposable income pressures and intermittent price effects as a result of the loss of regional export markets.

Figure 4: Local chicken prices



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