



Retail and Business Banking
Sector Economics
3 May 2021



Agri Trends: Livestock Report

Carcass prices move higher as input costs climb

Beef: Class A and Class C beef prices increased week on week, but lost some of the price momentum apparent during the Easter period, which is traditionally associated with an increase in demand.

Mutton: A2/A3 carcass prices and feeder lamb prices increased due to tight supplies. This is expected to keep prices high over the coming months. Seasonal price trends usually also follow an upward trajectory during winter months.

Pork: Although short-term price movements of pork is marginal, average year-on-year price movements of carcass prices are still around 46% higher. Pork prices traditionally also trend downward from April to June, but demand support provides some upside scope for the projected trend.

Poultry: Prices are on average 17.1% higher compared to a year ago. The latter seems to indicate that the lethargy that the economy exhibited during 2021Q1 seems to have abated and similar to the international context, that firmer demand is providing for the pass through of notable input cost pressures. Input cost pressures remain a concern and extend beyond feed to packaging and storage.

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/>

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

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.

Beef market trends

International beef market

US beef prices increased marginally week on week, but monthly and yearly increases were more substantial at 27.7% and 63.4% respectively. This phenomenon is supported by several factors. The first is consistent and strong exports from the US, mainly to China. Secondly, supplies are tight. Thirdly, grain prices have increased substantially, which is contributing to input cost pressures in livestock production. In New Zealand, price effects have been less pronounced, although meat prices in Oceania are also bullish due to herd rebuilding supported by favourable rains. Analysts agree that global red meat prices are expected to stay firm throughout 2021.

	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	14.26	10.26	429.00	497	340	54.99
w/w	-0.9%	0.4%	0.8%	0.0%	0.0%	3.8
m/m	-4.2%	-1.8%	27.7%	2.5%	-0.3%	-35.3%
y/y	-24.8%	-10.3%	63.4%	5.3%	8.6%	-27.2%

Local beef market

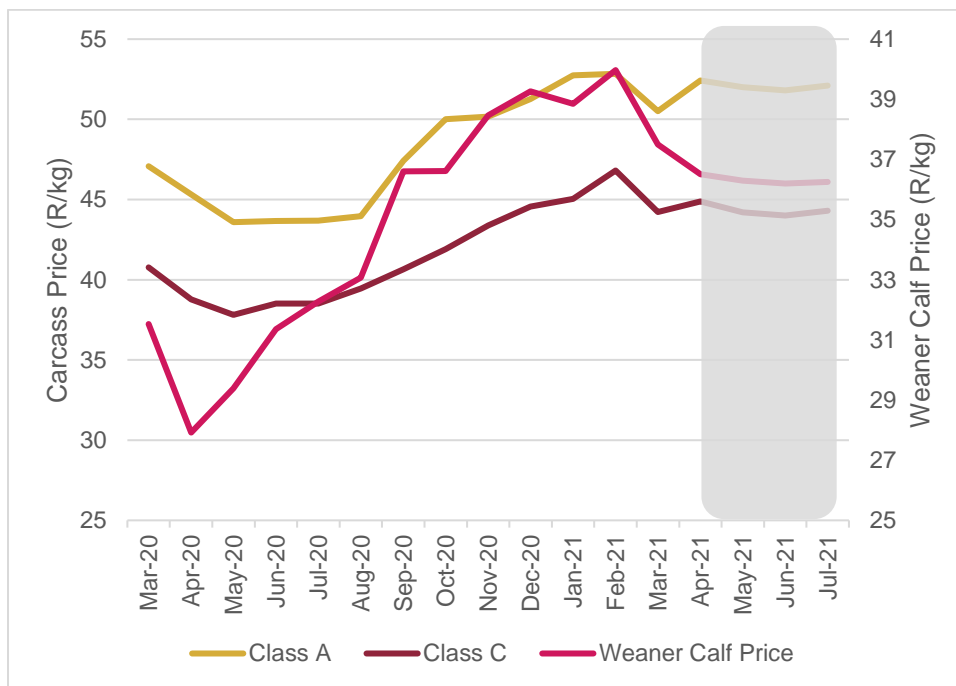
Class A and Class C beef prices increased week on week, but lost some of the price momentum apparent during the Easter period, which is traditionally associated with an increase in demand. Yearly prices are also firmer with indicators pointing to low slaughter numbers and tight supplies. Prices for both classes are around 20% higher compared to the corresponding period in 2020.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	52.30	45.10	53.46	36.58
w/w	0.6%	0.1%	0.7%	-0.7%
m/m	1.5%	0.1%	2.1%	-1.4%
y/y	19.6%	21.5%	21.8%	38.0%

Outlook

Historical seasonal trends suggest that slaughter and weaner calf prices could trend downward from April to June, after which it could start increasing. In the current season, this has not occurred and prices were predominantly on an upward trajectory supported by tight supply. We therefore adjust our previous projection to move largely sideways with an uptick towards July. Although input cost pressures and tight supplies seem here to stay, consumers' ability to absorb more increases seems limited.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheep meat market

New Zealand prices for all mutton products increased for all the periods considered here. Analysts note that there have been strong exports, especially to China since mid-February, which allowed prices to trend higher. Ongoing dry weather in New Zealand remains a concern. Import parity prices were also higher in monthly and weekly terms, but were slightly lower if compared to the corresponding period in 2020. The latter can be attributed to the stronger exchange rate.

	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	10.26	6.78	5.30	69.56	55.88
w/w	0.4%	1.5%	1.9%	1.9%	2.3%
m/m	-1.8%	5.9%	5.0%	4.0%	3.0%
y/y	-10.3%	5.9%	23.8%	-15.0%	-5.4%

Local sheep meat market

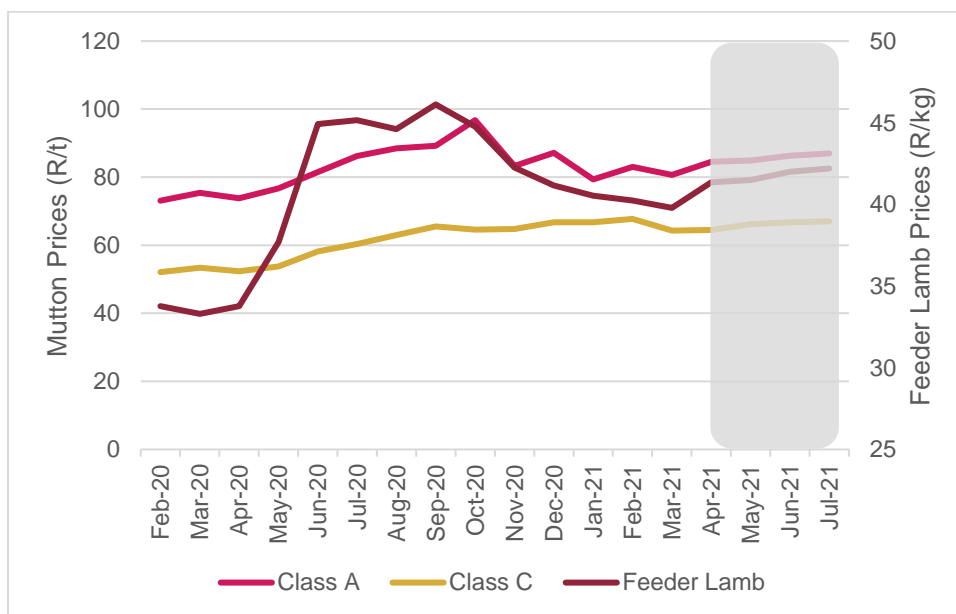
Class A2/A3 prices increased for all the timeframes concerned. Class C, in turn, had a slight month-on-month decrease. This can probably be attributed to public holidays towards the end of March and the beginning of April that bolstered demand, which have now eased. Feeder lamb prices are continuing its price run due to tight supplies.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	83.54	66.22	42.00	40.96	62.00
w/w	0.8%	2.2%	1.5%	9.9%	9.5%
m/m	2.8%	-0.9%	4.5%	16.5%	13.9%
y/y	14.9%	28.6%	23.5%	21.1%	35.6%

Outlook

Tight supplies are expected to continue to provide price support over the coming three months. Historical price movements suggest that prices will increase and find support during winter months. Soft demand could, however, constrain some of the usual price growth seen during this time of the year.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

US pork prices increased on the back of sustained local and export demand and tight supplies. Seasonal dynamics in the US are limiting hog supplies. This, combined with high feed prices, are creating an environment where prices are likely to stay firm. Higher world prices were a key driver of parity prices also trending higher.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	14.26	112.3	84.4	33.48
w/w	-0.9%	1.7%	6.2%	1.1%
m/m	-4.2%	6.0%	26.7%	2.9%
y/y	-24.8%	20.5%	18.1%	10.4%

Local pork market

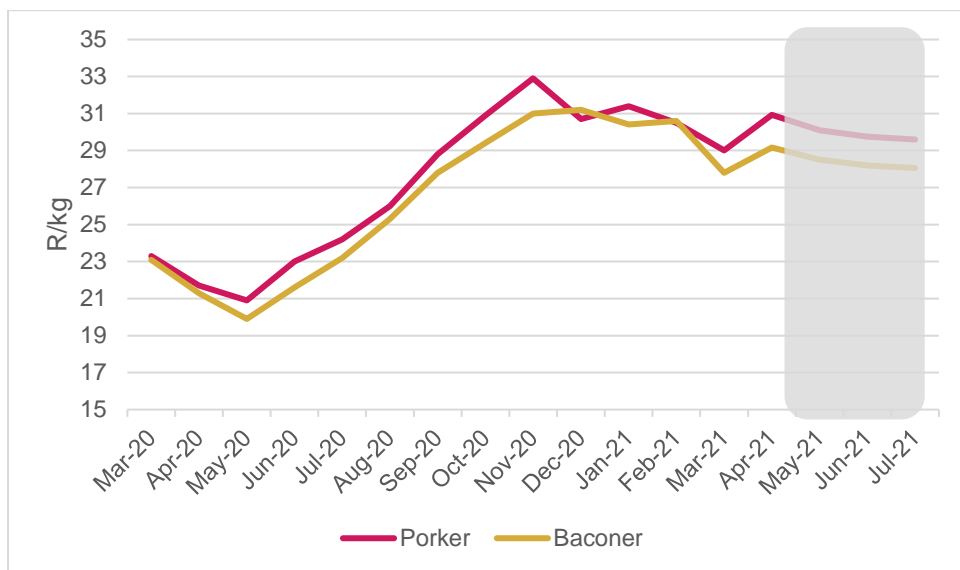
Porker and baconer prices have increased marginally week on week. In contrast to this, prices were 1.3% and 0.9% lower compared to last month for porkers and baconers respectively. Since the beginning of 2020Q4, porker prices have varied between R34.75 and R28.57, reaching the mentioned high in the second week of December. Likewise, baconer prices ranged between R31.65 and R26.86 over the corresponding period. The significant price increase since April 2020 suggests that pork is still finding demand support as a value meat option in a time where consumer income is under pressure.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	30.59	R29.05	R52.99
w/w	1.1%	0.9%	0.0%
m/m	-1.3%	-0.9%	26.2%
y/y	47.8%	44.2%	-8.6%

Outlook

Our view on pork prices presented in mid-April remains largely unchanged. Historical seasonal price trends suggest that prices could come down towards July. Continued strong demand support could provide some upside scope for the price projection.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry market

International poultry prices are increasing rapidly on the back of strong demand as the world recovers from the lockdowns and downturns associated with the pandemic. High feed costs, combined with strong demand, are creating an environment in which poultry producers can pass the cost pressures to the final consumers. The strength of the rand has, however, curbed some of the effects of higher global prices for parity prices from the US.

	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	14.26	39.47	53.30	26.90	No Trade
w/w	-0.9%	11.6%	13.7%	-9.0%	-
m/m	-4.2%	-3.3%	12.5%	-3.0%	-
y/y	-18.6%	60.3%	97.4%	35.6%	-

Local poultry market

Local poultry prices changed marginally for all the products under consideration. Monthly prices increased between 2.8% for frozen whole birds and 8.8% for IQF pieces. Prices are on average 17.1% higher compared to a year ago. The latter seems to indicate that the lethargy that the economy exhibited during 2021Q1 seems to have abated and similar to the international context, that firmer demand is providing for the pass through of notable input cost pressures.

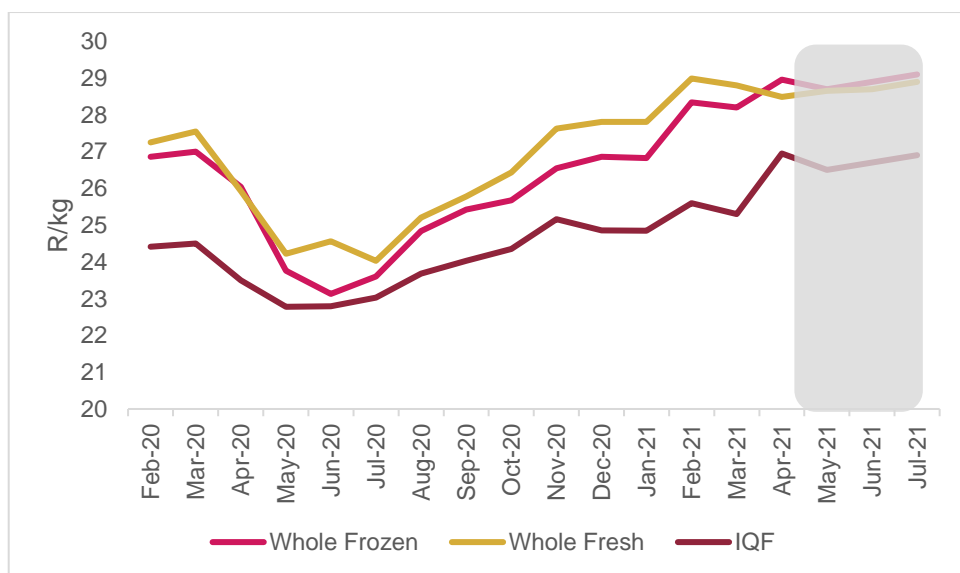
All data contained in this document is the intellectual property of Absa. Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	29.20	29.22	27.71
w/w	-0.1%	0.2%	0.2%
m/m	2.8%	5.3%	8.8%
y/y	14.3%	15.8%	21.2%

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. Industry stakeholders note that cost pressures go beyond feed and site, increased packaging and electricity costs as factors weighing on margins. Based on this, our projections until June show prices changing largely sideways with room for upside price dynamics if demand strengthens.

Figure 4: Local chicken prices



*Area in grey represents Absa AgriBusiness forecasts