



Agri Trends: Livestock Report

Red meat prices firm on short supply

Beef: Global meat prices have increased on the back of global economic recovery combined with supply disruptions such as export bans from Argentina and drought in Oceania. Locally, prices have also continued their upward trajectory due to tight supplies. Due to this and increased input cost pressures, we expect prices to increase modestly over the next three months.

Mutton: Similar to beef, global mutton and lamb prices are benefiting from firm global demand combined with tight supplies. Locally, prices are also firm due to short supply. Based on this, combined with historical trends which suggest that prices trend higher during winter months, we expect prices to increase up until August.

Pork: Global prices of pork are firm driven by strong demand, especially in the US and China. Analysts however note that global production volumes can increase during the coming months which will put downward pressure on prices. Locally, strong regional exports have kept prices high in comparison to 2020 levels. We expect prices to move sideways over the coming months with some upside scope due to input cost pressures that are squeezing producer margins.

Poultry: Despite being between 17.5% and 26% higher compared to prices last year, short-term poultry prices are struggling to find direction. This is as a result of mounting input costs that producers need to pass on to the final consumer. It does however seem that weak demand is not allowing for this. Our price projection follows a modest upward trend as a result of higher costs. We are however mindful of the current economic conditions that could limit demand growth.

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Beef market trends

International beef market

Inflationary concerns have been building around the world and meat prices have not been exempted from this. This is driven by global factors such as an increase in demand on the back of increased economic activity as the world emerges from the pandemic and its associated lockdowns and high feed prices due to the surging prices of grains and oilseeds. There are however also local issues in key beef production and consumption countries. For example, in China, pork production is still below pre-African Swine Fever levels in 2018. This is bolstering demand for meat imports across the board. In Argentina, export bans have been implemented and in Oceania, production conditions are still plagued by dry weather. The combination of these factors are creating an environment in which prices are increasing rapidly. US prices, for example, are almost 7% higher compared to mid-May and just more than 46% higher compared to the corresponding time last year.

	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	13.76	9.83	507.06	532	366	52.99
w/w	-0.4%	-1.8%	2.1%	3.5%	8.3%	-3.6%
m/m	-3.8%	-4.6%	6.9%	4.9%	8.3%	-3.6%
y/y	-19.6%	-10.4%	46.2%	7.3%	6.4%	-29.3%

Local beef market

Class A beef prices increased by 1% whilst class C increased by roughly 2% since last week. This marks a general trend of increased prices since the second quarter of 2020. In the South African context, higher carcass prices are a symptom of tight supplies. This is a typical phenomenon in times of favourable grain prices and/or grain production conditions, where increased grain revenue allows for more aggressive herd rebuilding. This is also allowing the prices of weaner calves to remain firm compared to the corresponding time in 2020. The increase in weaner prices does however seem to have lost momentum with prices struggling to find direction over the last two months. This is most likely the result of high feed prices combined with carcass prices that increasing at a slower rate compared to late 2020 and the first two months of 2021.

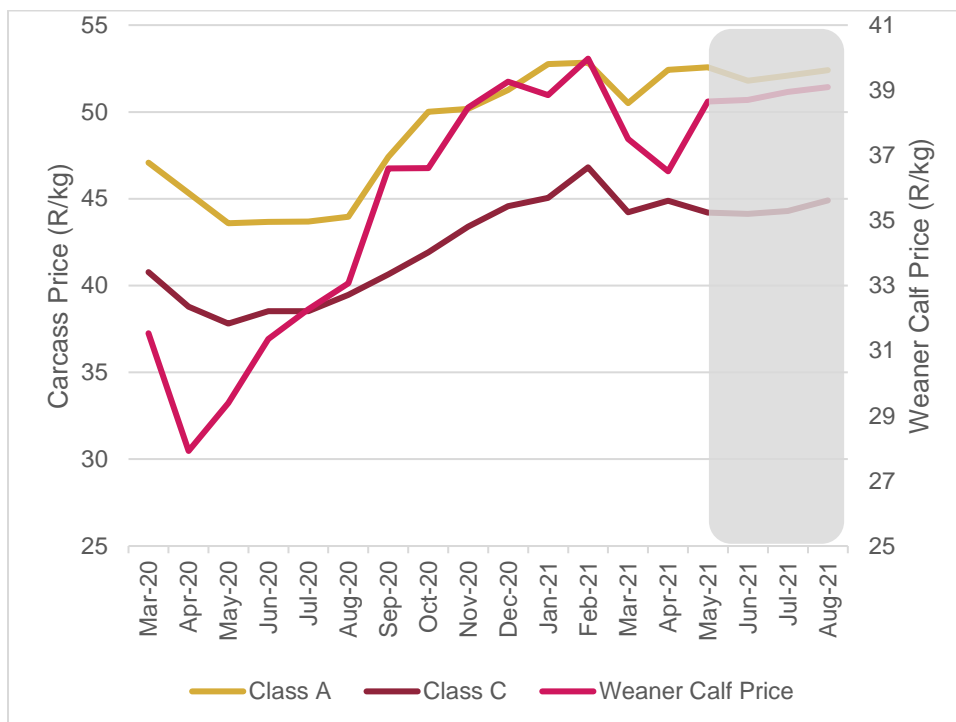
	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	53.37	44.85	54.38	38.12
w/w	1.0%	2.2%	1.1%	-1.6%
m/m	1.3%	2.5%	1.3%	-1.4%
y/y	21.7%	16.6%	23.7%	18.0%

Outlook

Our projection for the next three months remains unchanged from the projection made in the Agritrends of 25 May. 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. Consumer income is however under continued pressure and economic recovery is expected to lose

momentum as a result of increased frequency of load shedding and the high levels of Covid cases currently being recorded. 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 mutton and lamb prices continued their increasing price trend with price for all periods under consideration showing positive growth. Analysts note that lamb and mutton prices from New Zealand are benefitting from strong export demand and that tight supplies. The increase in NZ prices also resulted in increased South African parity prices although the effect of this has been less pronounced due to the strength of the rand.

	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	9.83	7.80	5.95	76.67	59.99
w/w	-1.8%	2.9%	2.6%	1.1%	0.7%
m/m	-4.6%	10.2%	8.2%	5.1%	3.2%
y/y	-19.6%	15.6%	33.7%	-6.8%	2.6%

Local sheepmeat market

Lamb and mutton prices have been trading at elevated levels since mid-2020 with price growth seemingly gaining new momentum since Easter. Lamb prices are almost 12% higher compared to the corresponding time last year and mutton prices almost 30%. This is largely driven by extremely tight supplies as a result of the ongoing drought in key lamb and mutton-producing areas. Some of these areas have received rains over the past couple of weeks but much more would be needed to break the drought.

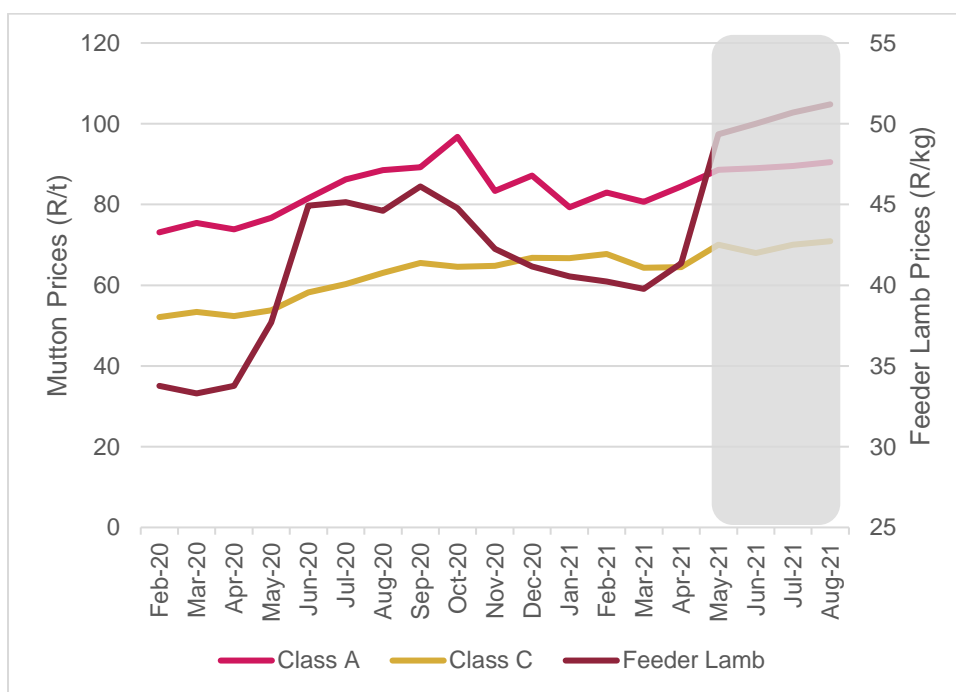
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	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	92.77	71.32	50.14	40.83	61.67
w/w	0.2%	1.3%	0.4%	6.1%	-5.1%
m/m	7.4%	1.9%	0.1%	9.5%	8.8%
y/y	11.5%	29.3%	11.3%	27.2%	46.1%

Outlook

Our outlook from the end of May remains unchanged with expectations 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.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

Global prices of pork have continued on their increasing trend as a result of strong local demand in key pork-consuming countries such as the US and China. US pork carcass prices have increased for all the periods under consideration and are more than 70% higher than the corresponding time in 2020. Analysts note that these prices could lose momentum over the coming months as it is projected that hog supplies in the US especially will rise over the coming months

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	13.76	127.90	101.3	32.61
w/w	-0.4%	3.8%	-2.4%	7.9%
m/m	-3.8%	15.7%	10.6%	-1.9%
y/y	-19.6%	70.9%	55.8%	5.5%

Local pork market

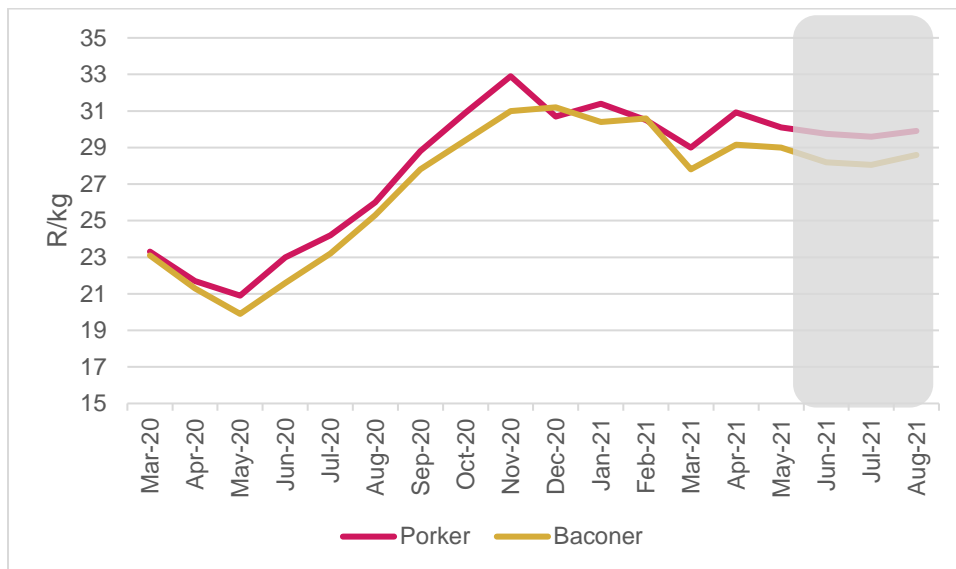
Porker prices increased by slightly less than 3% compared to the week before, whilst baconer prices decreased marginally. Both categories are however substantially higher compared to the corresponding time in 2020. In April, pork exports increased by 55% compared to April 2020, which can be considered as a very low base given that this was the height of the first lockdown in South Africa. If we compare it to April 2019, exports are 12.5% higher. It is expected that the firm export demand from April is still present and that this is providing support for the upward movement in prices.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	30.03	28.33	R43.99
w/w	2.6%	-1.1%	-10.2%
m/m	1.1%	-5.0%	-10.2%
y/y	34.4%	34.4%	-17.0%

Outlook

Historical seasonal price trends suggest that prices could come down towards July and start increasing again in August. Continued strong demand, especially from regional exports, is however expected to provide some price support, and as a result, prices are expected to move largely sideways.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry market

Global poultry prices are increasing on the back of firm local demand in countries such as the US and China. As a case in point, mechanically deboned meat in the US is more than double the price recorded at the corresponding time last year. South African parity prices, in turn, recorded more modest increases of just below 70%. Here the strong rand is again expected to have countered some of the rapid increases in global prices.

	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	13.76	58.08	56.36	29.16	31.99
w/w	-0.4%	7.6%	2.2%	0.2%	0.0%
m/m	-3.8%	20.7%	3.1%	-0.7%	0.0%
y/y	-19.6%	115.6%	102.7%	57.6%	14.7%

Local poultry market

Despite being between 17.5% and 26% higher compared to prices last year, short-term poultry prices are struggling to find direction. This is as a result of mounting input costs that producers need to pass on to the final consumer. It does however seem that weak demand is not allowing for this. To add to this, regional exports from 4 neighboring countries have been stopped due to Avian Influenza concerns and although exports make up a small share of total production, this can put intermittent pressures on volumes and prices for certain

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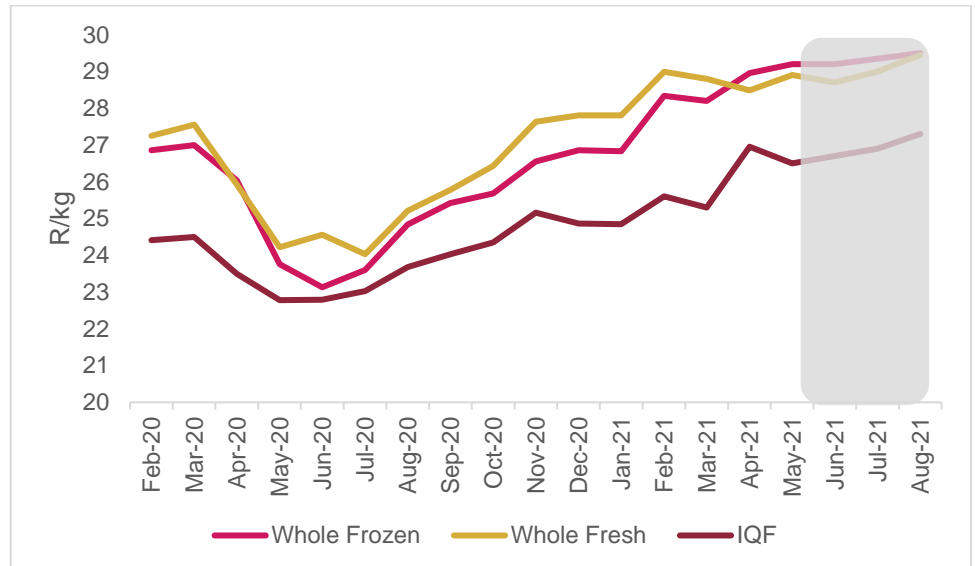
market stakeholders. With the winter ahead concerns around the spread of Avian Influenza remains high.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	29.03	30.66	26.85
w/w	-0.1%	-0.2%	-1.1%
m/m	-1.2%	8.3%	0.4%
y/y	24.0%	26.0%	17.5%

Outlook

Our forecast from the end of May remains unchanged. Whilst seasonal trends suggest that prices will decrease until around August, we are however of the opinion that the significant increase in input cost will push poultry product prices higher over the coming months. As a result, our projection follows a modest upward trend, being mindful of the current economic conditions. As mentioned with beef, the high prevalence of load shedding and Covid cases in 2021Q2 is expected to weigh on economic recovery and could, in turn, affect the upward price potential of protein products.

Figure 4: Local chicken prices



*Area in grey represents Absa AgriBusiness forecasts