



Agri Trends: Livestock Report

Weaker demand cause prices to lose momentum

Beef: Local market stakeholders note that consumers are providing some resistance to high red meat prices experienced over the past months and as a result prices have trended down. Traditionally we see carcass and calf prices trending higher from June to August. For this year, however, our expectation is that constrained demand combined with carcass prices that are almost 20% higher compared to a year ago would taper this trend.

Mutton: During June, tight supplies of local lamb and mutton were further amplified by a large shipment of live exports and although average prices traded sideways prices for lamb on the highest end of the price spectrum reached levels of around R110/kg. Historical seasonal trends suggest that carcass and feeder lamb prices peak in July and trend downwards during spring. This, combined with market stakeholders noting local demand constraints, leads us to believe that prices could trend lower.

Pork: Week on week, pork price tracked beef prices lower although the price effect of pork was less pronounced in pork than in beef. As mentioned in previous reports it is expected that high red meat prices are allowing for a shift in demand from red meat to pork which is creating longer-term price support. Firm regional and local demand are expected to provide some price support, and as a result, prices are expected to follow a conservative upward trend.

Poultry: Market stakeholders note that poultry prices, especially that of IQF are under pressure. Historically prices have trended lower during winter months to bottom out in July or August and start increasing again in spring. Historical price trends suggest that poultry prices tend to bottom out during the winter months and start to increase during spring. As with pork, high prices of red meat are expected to support the prices of poultry as demand is diverted from red meat to more affordable options.

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Beef market trends

International beef market

Global meat supplies remain tight due to several reasons. The first, mentioned in the previous Agritrends report on Livestock, is export restrictions on beef from Argentina. On 19 May the Argentine government banned all beef exports in an attempt to curb local food inflation. This measure was revised on the 22 of June to only include certain cuts and is scheduled to be reviewed in again August. Analysts note that there is a strong possibility that this could remain in place until the end of the year. With Argentina a key player in world markets, this is expected to support global prices. Another ongoing issue is herd rebuilding in Australia and New Zealand which is limiting exports from that region. This is keeping prices in this region elevated. Global demand is also firm on the back of economic recovery from the pandemic. This combined with seasonal strong demand from the US associated with their holidays and Independence day celebrations have supported prices over the past few weeks as processors built stocks. US prices did however start to show a slight decrease week on week but remain more than 61% higher than in the corresponding time of 2020.

	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	14.25	10.01	570.55	548	396	No Trade
w/w	0.7%	-1.8%	-3.5%	0.9%	4.8%	-
m/m	5.0%	-4.6%	-5.2%	6.6%	17.2%	-
y/y	-17.2%	-10.4%	61.3%	8.1%	8.5%	-

Local beef market

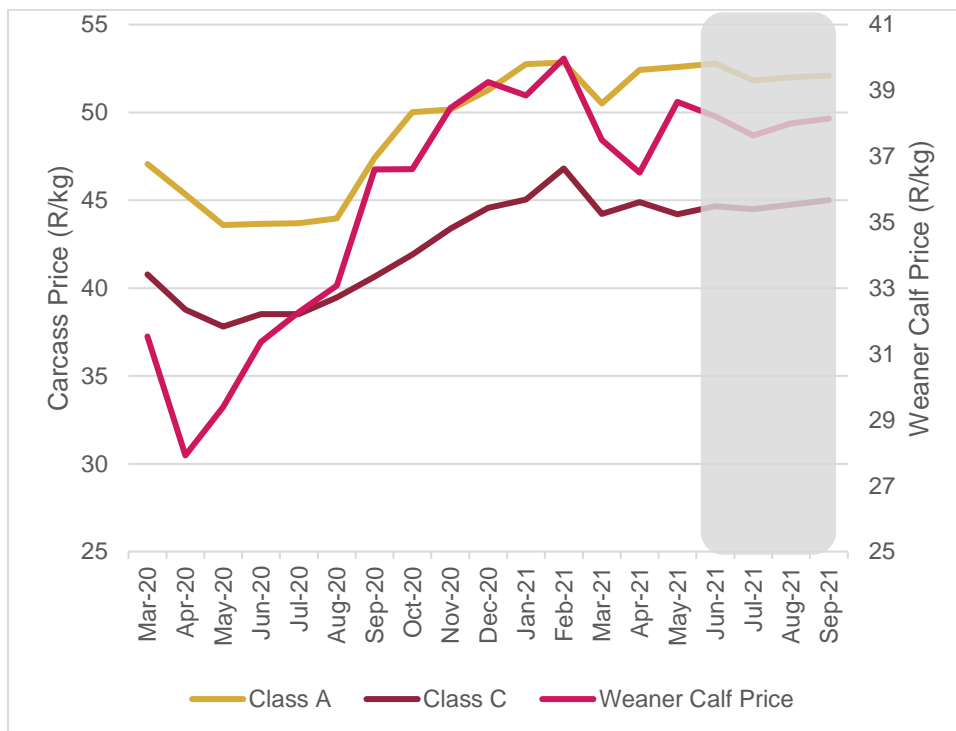
Local class A prices of beef decreased by 1.6% week on week and are almost 2% lower compared to a month ago. Market stakeholders note that consumers are providing some resistance to high prices experienced over the past months and as a result prices have trended down. In terms of supply, slaughter numbers in May and April remained fairly constant at around 200 000 but slaughterings are around 1% higher compared to the corresponding time last year. A setback for the local beef industry is the recent ban on physical livestock auctions due to rising covid numbers. This includes auctions of stud and breeding animals

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	51.82	44.49	52.85	37.63
w/w	-1.6%	1.1%	-1.5%	-2.8%
m/m	-1.9%	1.3%	-1.7%	-2.9%
y/y	18.2%	14.7%	20.3%	22.3%

Outlook

Our projection for the next three months sees prices moving sideways. Traditionally we see carcass and calf prices trending higher from June to August. For this year, our expectation is that constrained demand combined with prices that are almost 20% higher compared to a year ago would taper this trend.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheepmeat market

New Zealand lamb and mutton prices increased for all the time frames under consideration. Analysts note that this is driven by a shortage of supply which is expected to push prices to all-time highs over the coming weeks. This increase in prices combined with a weakening rand has also resulted in parity prices for lamb and mutton increasing week on week and month on month.

	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	10.01	8.05	6.20	80.58	63.56
w/w	1.5%	1.3%	2.5%	2.8%	3.9%
m/m	0%	6.2%	6.9%	6.2%	6.7%
y/y	-9.8%	17.0%	33.3%	-4.8%	3.6%

Local sheepmeat market

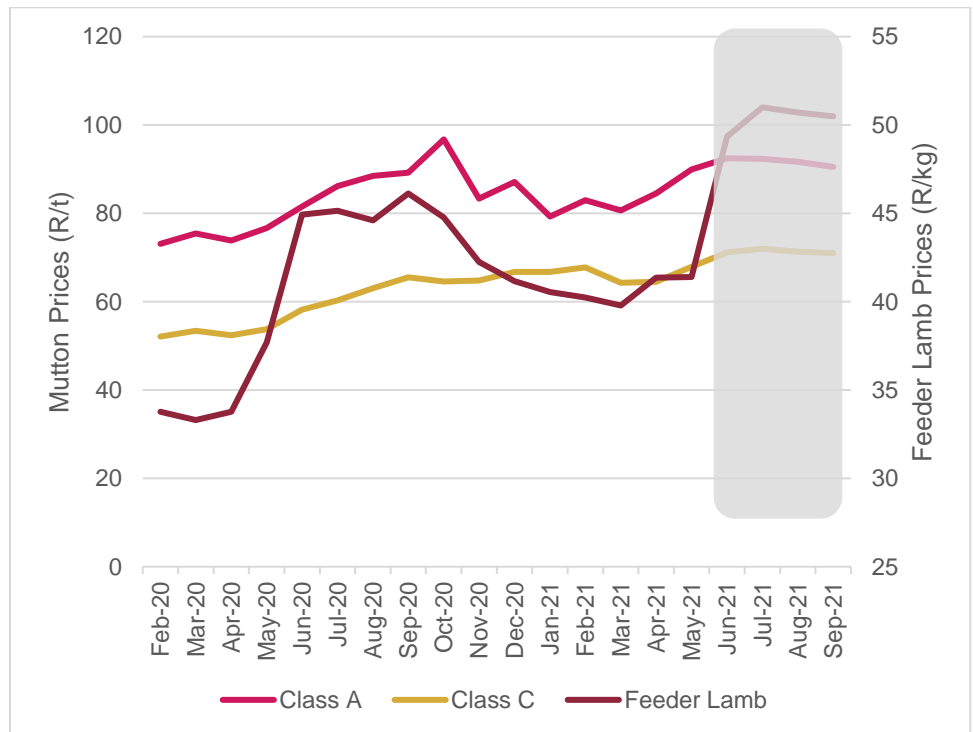
During June, tight supplies of local lamb and mutton were further amplified by a large shipment of live exports and although average prices traded sideways prices for lamb on the highest end of the spectrum reached levels of around R110/kg. Dry conditions in key production areas are persisting which is expected to keep supplies constrained going forward. As with beef, high prices are starting to be met by local consumer resistance which could limit dramatic price increases going forward.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	92.3	72.03	51.00	42.21	66.00
w/w	-0.2%	2.5%	-0.3%	7.7%	11.9%
m/m	-0.3%	2.3%	2.1%	23.5%	29.8%
y/y	10.4%	16.6%	14.2%	46.0%	40.0%

Outlook

Our outlook from July to September follows a slight downward trend. This differs from our outlooks in May and early June which showed a marginal upward trajectory. Historical seasonal trends suggest that carcass and feeder lamb prices peak in July and trend downwards during spring. This, combined with market stakeholders noting demand constraints, leads us to believe that prices could trend lower.

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 have decreased by almost 10% compared to a week ago. This was as a result of a sell-off in lean hog futures but analysts note that the market is stabilizing and firmer prices could be expected due to lower US furrowing intention data released last week. Carcass weights are also under pressure due to high feed costs. Lower furrowing combined with lower carcass weights is expected to support the US and global prices for the rest of 2021.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	14.19	109.86	72.7	26.8
w/w	1.3%	-9.8%	-15.8%	-2.8%
m/m	2.7%	-10.8%	-30.0%	-11.3%
y/y	-18.1%	70.4%	-0.7%	-10.2%

Local pork market

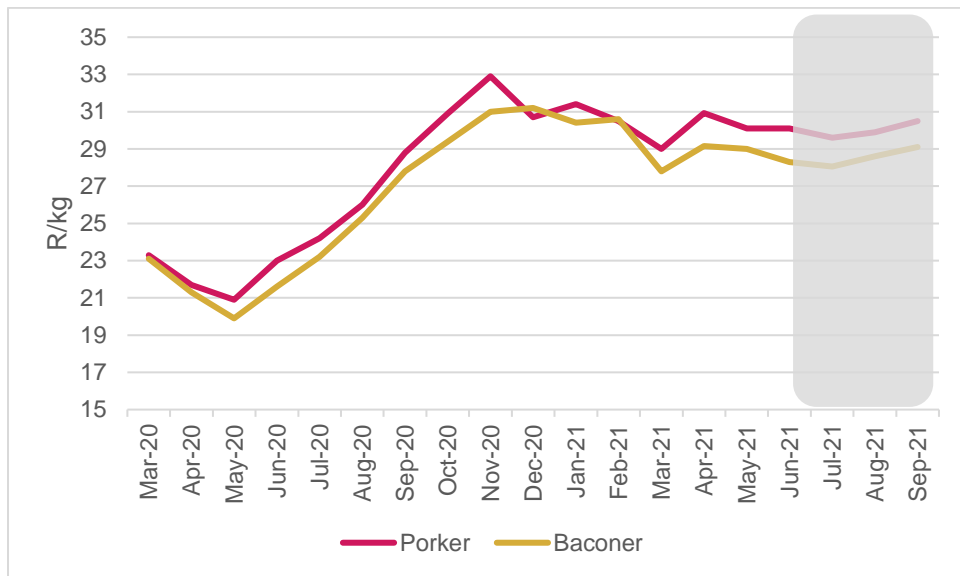
The week on week, pork price tracked beef prices lower although the price effect of pork was less pronounced in pork than in beef. As mentioned in previous reports it is expected that high red meat prices are allowing for a shift in demand from red meat to pork which is creating longer-term price support. This can be seen in prices that have increased by 3.4% month on month and 28.4% year on year.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	30.25	28.04	No Trade
w/w	-0.2%	-1.5%	-
m/m	3.4%	-2.1%	-
y/y	28.4%	27.0%	-

Outlook

Historical seasonal price trends suggest that prices could come down in July and start increasing again in August and September. Firm regional and local demand is however expected to provide some price support, and as a result, prices are expected to follow a conservative upward trend.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry market

Global poultry prices remain firm. As a case in point, mechanically deboned meat in the US is roughly 70% higher compared to last year. South African parity prices, in turn, recorded increases of just around 62%.

	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	14.19	38.44	58.10	28.36	30.99
w/w	1.3%	-25.8%	-4.2%	0.0%	0.0%
m/m	2.7%	-28.8%	1.8%	-2.5%	-3.1%
y/y	-18.1%	41.3%	95.3%	62.0%	14.8%

Local poultry market

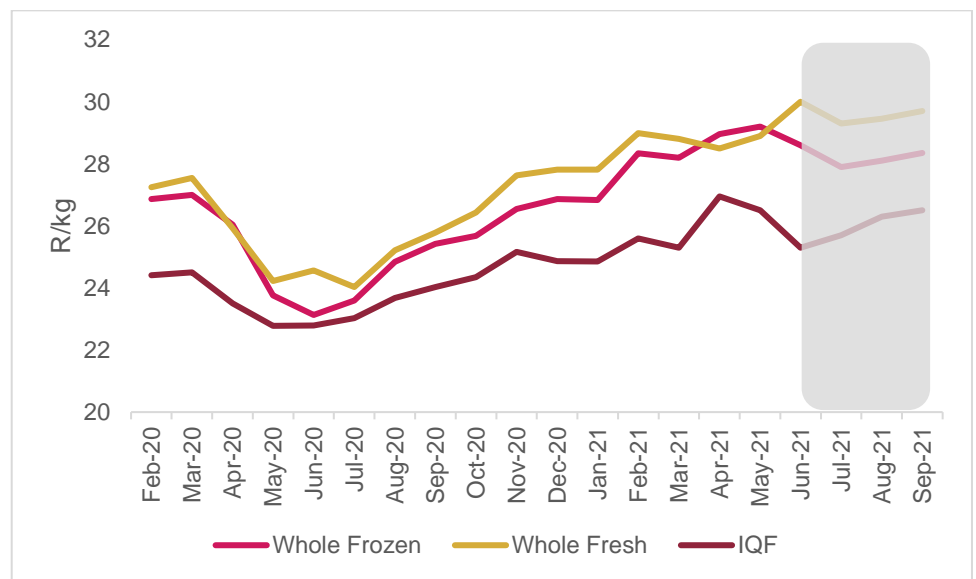
Weekly and monthly poultry prices decreased on the back of weak demand. Market stakeholders note that poultry prices, especially that of IQF are under pressure. Historically prices have trended lower during winter months to bottom out in July or August and start increasing again in spring. Poultry product prices around 17.7% higher compared to the corresponding time in 2020. This increase is however insufficient to cover the surge in input costs such as feed, wages, and electricity.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	27.93	29.27	25.66
w/w	-1.9%	-2.0%	-1.7%
m/m	-4.5%	-4.7%	-5.3%
y/y	21.6%	18.8%	12.9%

Outlook

As mentioned above, historical price trends suggest that poultry prices tend to bottom out during the winter months and start to increase during spring. High prices of red meat are also expected to support prices of poultry as demand is diverted from red meat to more affordable options. The combination of these factors combined with the significant increase in input costs leads us to expect a conservative upward trajectory in prices over the next three months.

Figure 4: Local chicken prices



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