



Agri Trends: Livestock Report

Red meat prices are under pressure whilst pork and poultry prices trend higher

Beef: Historical seasonal trends suggest that carcass and weaner calf prices can increase over the coming months. Due to the economic shocks in July, we expect these increases to be muted and delayed. We expect weaner calf prices to steadily increase toward November. In terms of carcass prices, the expectation is that prices will move largely sideways until November when prices will start to benefit from an increase in demand associated with the festive season.

Mutton: Sheep meat and feeder lamb prices have continued on their downward trajectory apparent since mid-July, decreasing by around 2% compared to last week. As in the case of beef, the slower than anticipated economic recovery due to economic shocks in July is expected to put demand and prices under pressure.

Pork: Historical seasonal trends suggest that pork carcass prices could follow an increasing trend for the rest of the year. Due to the slow growth in red meat prices, as mentioned above, we however only expect a modest increase in prices. We anticipate that pork prices could get demand support as an affordable meat option but that the effect of this on prices would be limited due to slower price growth in beef.

Poultry: Our outlook for poultry products follows an upward price trajectory over the next three months. As mentioned above, this is supported by higher global prices combined with a weaker exchange rate. Firm local demand, due to the relative affordability of chicken is also expected to support prices. As with pork, the effect of this might be limited due to the expected price trajectory of beef.

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Beef market trends

International beef market

Prices in Oceania increased substantially over the past week and month due to tight supplies from meat processors in these countries. Throughput at processors has been lower due to renewed lockdown and social distancing regulations as the Delta variant in these countries spread. Despite this, exports from New Zealand and Australia, to countries such as the US held firm which further supported prices. In the US, beef prices remain high as retailers stock up for higher demand usually associated with the Labour day holiday which is on 6 September. Prices in the US usually peak just before Labour day and follow a downward trend to wintertime.

	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	15.03	10.37	478.60	617	471	56.99
w/w	1.6%	0.1%	15.4%	1.6%	2.2%	0.0%
m/m	2.6%	1.5%	37.0%	4.9%	6.1%	3.6%
y/y	-13.2%	-8.7%	64.8%	13.2%	14.9%	-26.5%

Local beef market

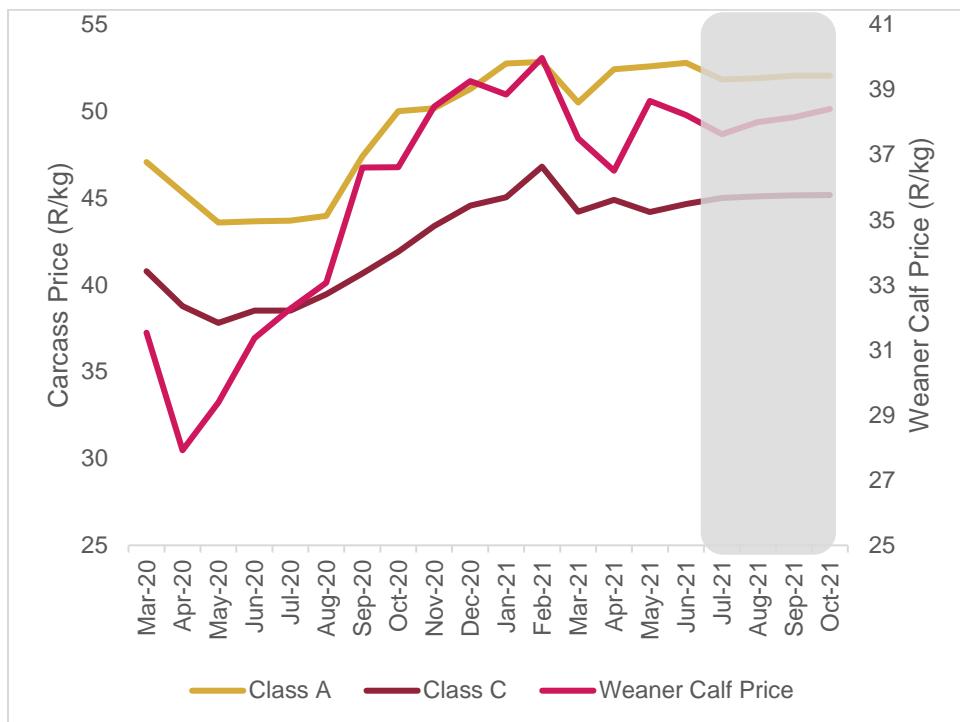
Local beef prices decreased on a week on week and month on month basis, with class A beef prices decreasing by almost 2% over the past week and by almost 0.7% compared to last month. Movement in class C prices was less pronounced. The downward trend in prices is a symptom of weaker demand in a response to high red meat prices which was already highlighted in earlier versions of this report. The lower price trend has now also filtered through to weaner calf prices which are 1.6% compared to last week and almost 1% lower compared to a month ago. Carcass prices are on average still 13.7% higher compared to the corresponding time last year and in our view, dramatic decreases in livestock prices will be limited by the significant increase in input costs.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	50.79	44.27	52.00	37.60
w/w	-1.8%	-0.5%	-1.7%	-1.6%
m/m	-0.7%	-0.4%	0.1%	-0.9%
y/y	15.4%	11.9%	17.9%	12.3%

Outlook

Historical seasonal trends suggest that carcass and weaner calf prices can increase over the coming months. Due to the economic shocks in July, we expect these increases to be muted and delayed. We expect weaner calf prices to steadily increase toward November. In terms of carcass prices, the expectation is that prices will move largely sideways until November when prices will benefit from an increase in demand due to the festive season.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheep meat market

As with beef, some supply issues were reported in key producing countries such as New Zealand, resulting in tighter local and export supplies. Market stakeholders are also reporting strong export demand for ovine meat from Oceania despite the delta wave spreading here and in key export markets such as the US. This resulted in prices continuing to recover compared to the lows of 2020. Parity prices were also higher on the back of higher global prices and a weaker 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	10.37	9.15	6.68	94.89	70.77
w/w	0.1%	0.8%	1.2%	0.9%	1.3%
m/m	1.5%	4.6%	3.9%	6.1%	5.3%
y/y	-8.7%	28.3%	39.2%	5.6%	9.1%

Local sheep meat market

Sheep meat and feeder lamb prices have continued their downward trajectory apparent since mid-July decreasing by around 2% compared to last week. For A2/A3 prices specifically, monthly decreases amounted to slightly more than 6.0%. The relative resilience in C-grade prices is a symptom of weak demand and constrained consumer spending with spending focused on more affordable meat products and cuts.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	92.28	71.75	45.80	47.71	64.00
w/w	-1.8%	-0.9%	-1.1%	-8.0%	0.00%
m/m	-6.3%	-1.9%	-7.8%	-3.3%	4.9%
y/y	6.0%	14.0%	3.0%	47.1%	46.9%

Outlook

Our outlook from our previous Agritrends report in August remains unchanged. As in the case of beef, the slower than anticipated economic recovery due to economic shocks in July is expected to put demand and prices under pressure.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

US pork prices have decreased in weekly and monthly terms as demand from China has waned over recent months as the country recovered from the severe African Swine Fever Outbreak in 2018. High global commodity prices combined with increased global supply have however resulted in producers suffering losses in certain key production countries. To counter this China has started with an initiative to buy pork for state reserves to boost prices. In late July analysts report that Chinese pork purchases from the rest of the world amounted to more than 50 000 tonnes. Despite this, prices in August have followed a downward trajectory.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	15.03	111.57	58.4	30.92
w/w	1.6%	-1.7%	6.0%	3.8%
m/m	2.3%	-3.2%	8.5%	-25.2%
y/y	-13.2%	63.2%	-16.6%	-22.0%

Local pork market

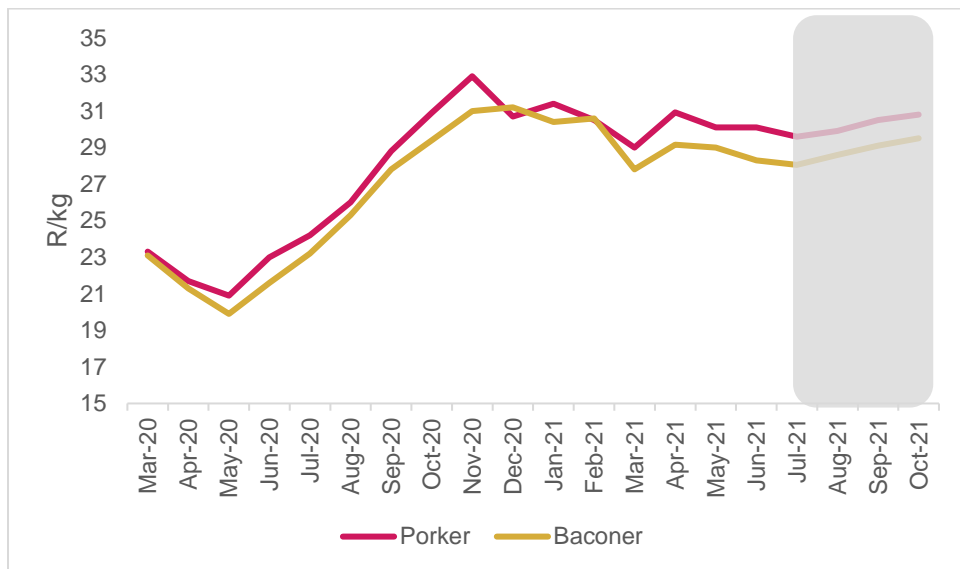
Pork prices have increased by around 1% over the past week but are still notably lower compared to the same time last month, with porker prices being 3.4% lower and baconer prices being 2.5% lower. Although official slaughter numbers are not available for August it is believed that the lower prices are a result of increased slaughtering combined with constrained consumer spending that has lowered local and export demand.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	27.34	25.40	40.99
w/w	1.2%	0.8%	0%
m/m	-3.4%	-2.5%	2.4%
y/y	2.5%	-0.8%	-3.5%

Outlook

Historical seasonal trends suggest that pork carcass prices could follow an increasing trend for the rest of the year. Due to the slow growth in red meat prices, as mentioned above, we however only expect a modest increase in prices. We anticipate that pork prices could get demand support as an affordable meat option but that the price effect of this would be limited due to slower price growth in beef.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry markets

Prices of mechanically deboned meat have seen substantial price decreases over the past weeks and months but are still, on average, more than 50% higher compared to the corresponding time last year. Other poultry products have benefited from global demand recovery in July and early August. This is expected to be impacted by the effects of the spread of the Delta variant of the Covid 19 virus which could affect consumers' disposable income and demand from the hospitality industry. Poultry parity prices in South Africa are higher on the back of firm global prices and a weaker exchange rate.

	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	15.02	36.19	53.00	31.75	30.99
w/w	1.6%	-11.0%	-5.8%	8.0%	0.0%
m/m	2.6%	-5.2%	-5.7%	10.1%	0.0%
y/y	-13.2%	36.5%	70.0%	43.8%	14.8%

Local poultry market

Local poultry prices are, on average 14.3% higher compared to a year ago with all products follow increasing trends for the time frames considered here. This is likely the result of a shift in demand as consumers demand more affordable meat protein options combined with a weaker rand and higher global prices that are supporting import parity prices.

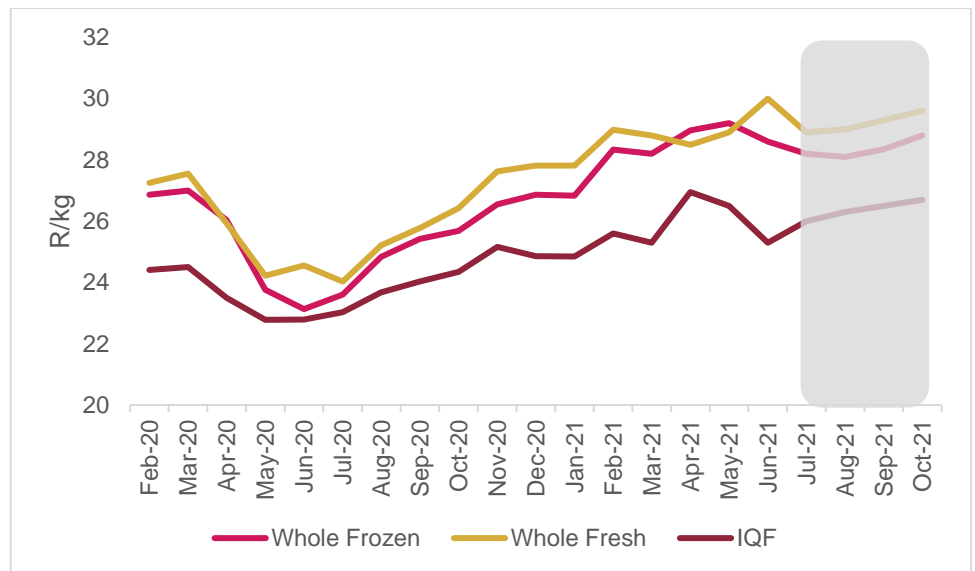
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	SA whole bird, frozen (R/14kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	28.71	29.12	26.93
w/w	3.3%	0.4%	1.7%
m/m	1.1%	1.0%	6.0%
y/y	15.0%	14.8%	13.0%

Outlook

Our outlook for poultry products follows an upward price trajectory over the next three months. As mentioned above, this is supported by higher global prices combined with a weaker exchange rate. Firm local demand, due to the relative affordability of chicken is also expected to support prices. As with pork, the effect of this might be limited due to the expected price trajectory of beef. As mentioned above, global price growth could however be impacted by the spread of the Delta variant. This could also impact price growth in local markets.

Figure 4: Local chicken prices



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