



Agri Trends: Livestock Report

Weak red meat demand still weighing on prices

Beef: Local prices for class A beef increased marginally month on month and week on week. We believe that the marginal movement in prices is a combination of relatively lower slaughter numbers countered by weak demand. Compared to August 2020 slaughter numbers are down by roughly 2%, although monthly slaughter figures between July and August have increased by around 9%. The monthly increase between July and August is, in part, attributable to the foot and mouth disease which affected producers and feedlots in Kwazulu Natal during July and August, with production from these facilities now back online. Weaner calf prices have also traded sideways over the past month but are expected to show increases over the coming weeks as the local beef value chain prepares for increased demand during the festive season.

Mutton: Class A2/A3 lamb prices were down by around 0.7% compared to last week and have decreased by slightly more than 5% over the past month. In August slaughter numbers decreased by almost 2% since July and were 3% lower compared to August 2020. Lower slaughter number trends combined with the downward trajectory in prices suggest that demand for lamb and mutton remains under pressure. Sluggish demand is also apparent in feeder lamb prices with current price levels almost 1% lower compared to last month. It is expected that carcass and feeder lamb prices could increase over the coming weeks in anticipation of the festive season.

Pork: Local pork prices increased by an average of 1.9% over the past week and 3.9% over the past month. Official slaughter data shows that there has been an upward trend in slaughterings between July and August with slaughter numbers increasing by 5.8%. Trade data, in turn, shows that August trade decreased by almost 16% year on year. The combined effect of this has led to subdued prices in August. Although official trade figures for September are not available yet, it is believed that increased regional export demand during September has picked up and helped prices to firm over the past four weeks.

Poultry: Average local poultry prices increased by 2.2% over the past month. This is on the back of a weaker exchange rate which was to some extent countered by easing global prices. Average yearly gains amounted to around 16.5% and are also a key contributor to the significant meat and food inflation that South Africa has experienced over the past months. Local poultry prices are the meat category that currently shows the largest yearly gains in the meat complex. We believe that this is a symptom of demand gains as a result of relatively high red meat and pork prices that caused a portion of red meat consumption to shift to poultry.

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Beef market trends

International beef market

The ban on beef shipments from Brazil to China continues. As mentioned in earlier Agritrend reports, Brazil voluntarily suspended beef exports to China on detection of asymptomatic BSE or mad cow diseases traces. Although the World Health Organization found that this does not pose a threat to global meat supply chains, the Chinese have not resumed with shipments of beef from Brazil. This suggests that Chinese beef inventories are high enough not to warrant a speedy solution to the current disruptions. The economic fall out from the Chinese real estate bubble, combined with issues such as electricity shortages is having a dampening effect on Chinese demand in general. This could also be a reason for the slow speed at which beef trade from Brazil is reopened.

	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	10.42	388.78	631	474	58.99
w/w	1.5%	0.1%	-3.4%	0.6%	-0.6%	1.7%
m/m	3.9%	1.9%	-15.2%	1.6%	0.6%	1.7%
y/y	-10.9%	-6.3%	31.2%	13.7%	14.2%	-21.3%

Local beef market

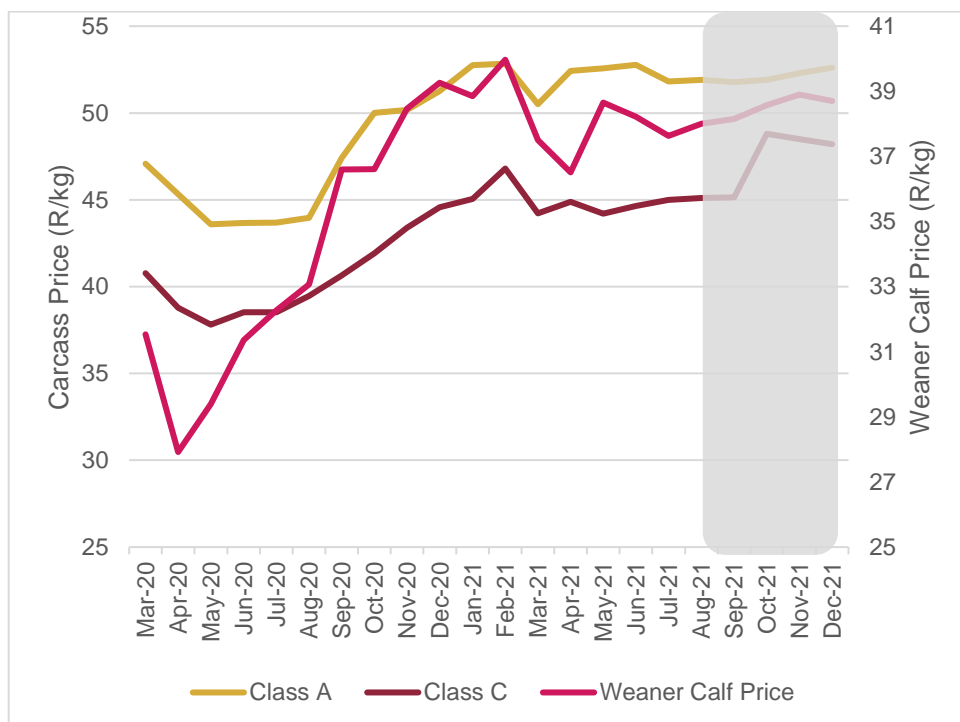
Local prices for class A beef increased marginally month on month and week on week. We believe that these marginal price movements are a combination of relatively lower slaughter numbers countered by weak demand. Compared to August 2020 slaughter numbers were down by roughly 2%, although monthly slaughter figures between July and August have increased by around 9%. The monthly increase is attributable to the foot and mouth disease which affected producers and feedlots in Kwazulu Natal during July and August, which have now resumed their operations. Weaner calf prices have also traded largely sideways over the past month but are expected to show increases over the coming weeks as the local beef value chain prepares for increased demand during the festive season.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	51.86	45.12	52.66	38.60
w/w	0.5%	1.6%	-0.1%	-0.5%
m/m	0.3%	2.6%	-0.5%	1.0%
y/y	4.8%	8.6%	6.0%	0.8%

Outlook

Our outlook from our previous Agri-Trends report remains unchanged. Historical price trends suggest that weaner calf prices and class C carcass prices increase in October to peak in November and subsequently start decreasing in January. Class A carcass prices, in turn, historically showed an increasing trend throughout the fourth quarter of the year. This is underpinned by festive season dynamics associated with increased demand. Based on this our projections class A prices follow an increasing trend, albeit modest given economic pressures on consumers. Weaner calf prices are expected to increase up to December after which it is projected to decrease and end the year at just below R39.00 per kg.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheepmeat market

New Zealand lamb prices increased marginally over the past week by 0.3%. Prices are however substantially higher than the corresponding time last year with lamb prices trading almost 33% higher and ewe prices almost 40% higher on the back of constrained supply. Slaughter numbers in Newzealand have started to pick up compared to the past few months but continue to remain below the corresponding period last year. This is keeping prices firm.

	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	10.42	9.43	6.68	98.26	71.11
w/w	0.1%	0.3%	0%	0.4%	0.1%
m/m	1.9%	2.5%	0%	4.4%	1.8%
y/y	-6.3%	32.8%	38.3%	12.1%	11.3%

Local sheepmeat market

Class A2/A3 lamb prices were down by around 0.7% compared to last week and have decreased by slightly more than 5% over the past month. In August slaughter numbers

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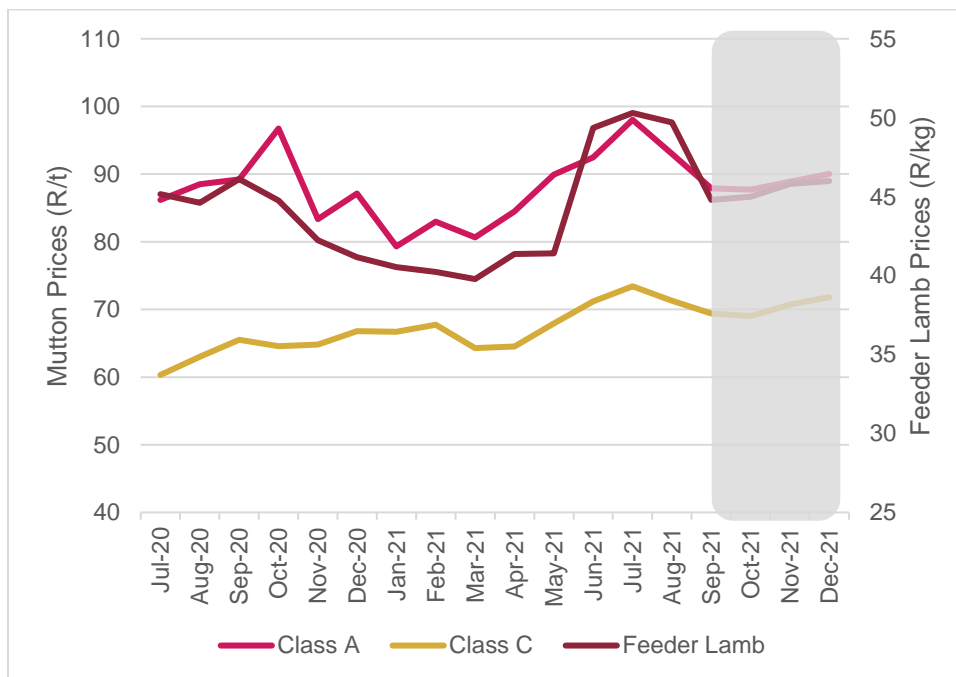
decreased by almost 2% since July and were 3% lower compared to August 2020. Lower slaughter numbers combined with the downward trajectory in prices suggest that demand remains under pressure. Sluggish demand is also apparent in feeder lamb prices with current price levels almost 1% lower compared to last month. It is expected that carcass and feeder lamb prices could increase over the coming weeks in anticipation of the festive season.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	85.1	69.43	44.50	41.00	64.0
w/w	-0.7%	0.5%	-1.1%	0%	0.0%
m/m	-5.4%	-2.9%	-0.9%	0%	0.0%
y/y	-3.4%	6.2%	-3.9%	43.1%	35.4%

Outlook

Historical seasonal trends suggest that lamb and mutton prices follow an upward trend during the fourth quarter of the year with feeder lamb prices holding firm during the corresponding time. This is underpinned by increases in demand as we approach the festive season. Given this, our price projection towards the end of the year remains unchanged from our previous Agri-trends report in late September. Noting consumer pressures, the rate of price increases for the next three months could be modest compared to corresponding historical periods.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

US pork prices firmed over the past week with carcass prices increasing by 7.1%. Monthly gains amounted to 3.4%. Official data from the USDA suggests that lower sow numbers are likely to keep pork prices firm over the coming months. In China, government procurement of 30 000 metric tonnes of pork for state reserves has also bolstered prices on the Dalian exchange. It is expected that over the coming months, lower production in the US and China will be offset by strong production in the EU.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	15.03	111.68	50.8	34.15
w/w	1.5%	7.1%	2.5%	17.5%
m/m	3.9%	3.4%	21.8%	11.4%
y/y	-10.9%	23.8%	-25.6%	-25.7%

Local pork market

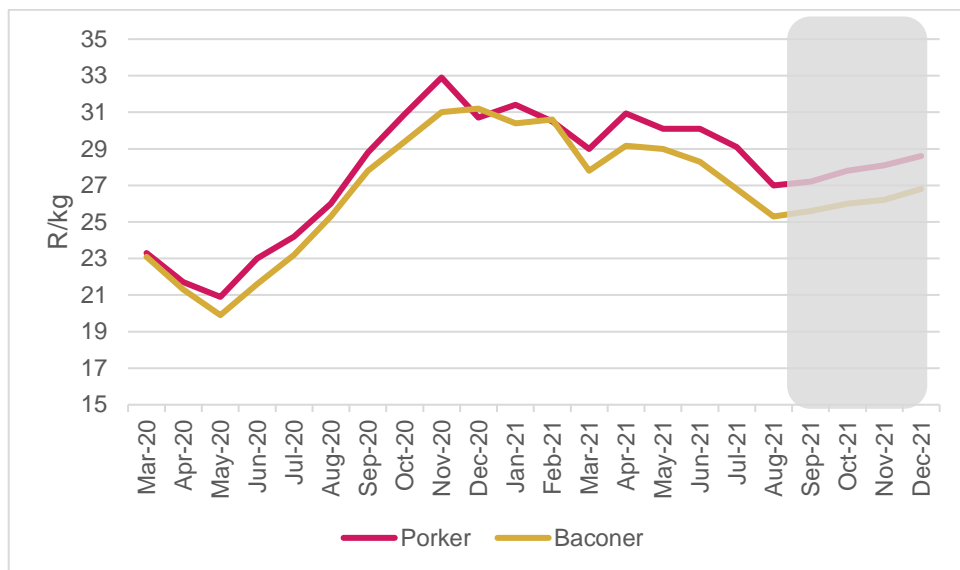
Local pork prices increased by an average of 1.9% over the past week and 3.9% over the past month. Official slaughter data shows that there has been an upward trend in slaughterings between July and August with slaughter numbers increasing by 5.8%. Trade data, in turn, shows that August trade decreased by almost 16% year on year. The combined effect of the above-mentioned factors has led to subdued prices in August. It is believed that increased regional export demand during September has helped prices to firm over the past four weeks.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	27.72	26.28	40.99
w/w	1.6%	2.1%	0%
m/m	4.6%	3.1%	0%
y/y	-8.7%	-8.8%	-13.7%

Outlook

Historical price trends suggest that pork prices follow an upward trajectory throughout the fourth quarter of the year to peak in December. Given this, we expect prices to follow an upward trend as demand is expected to improve towards the festive season. Last year, a strong demand pull for regional exports supported prices during Q4. Developments in these markets will therefore also be key to watch to anticipate the extent of price growth over the coming months.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry markets

US MDM prices decreased by an average of 5.4% over the past month, whilst parity prices for leg quarters from this region increased by around 1.1%. The latter was largely driven by exchange rate dynamics. Short-term price changes for leg quarters from the EU remained flat. The FAO food price index report, in turn, notes that September saw the first decrease in global poultry prices, on the back of increased supply. This comes after 9 months of consecutive price increases. Higher price levels seem to now have induced increased production and trade. Avian influenza and labor constraints however remain issues that are constraining production in key production areas such as Thailand and selected countries in the EU.

	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	15.03	30.4	52.02	2886	30.99
w/w	1.5%	-8.2%	1.6%	0.9%	0.0%
m/m	3.9%	-6.2%	-4.6%	1.1%	0.0%
y/y	-10.9%	14.6%	75.6%	86.3%	19.2%

Local poultry market

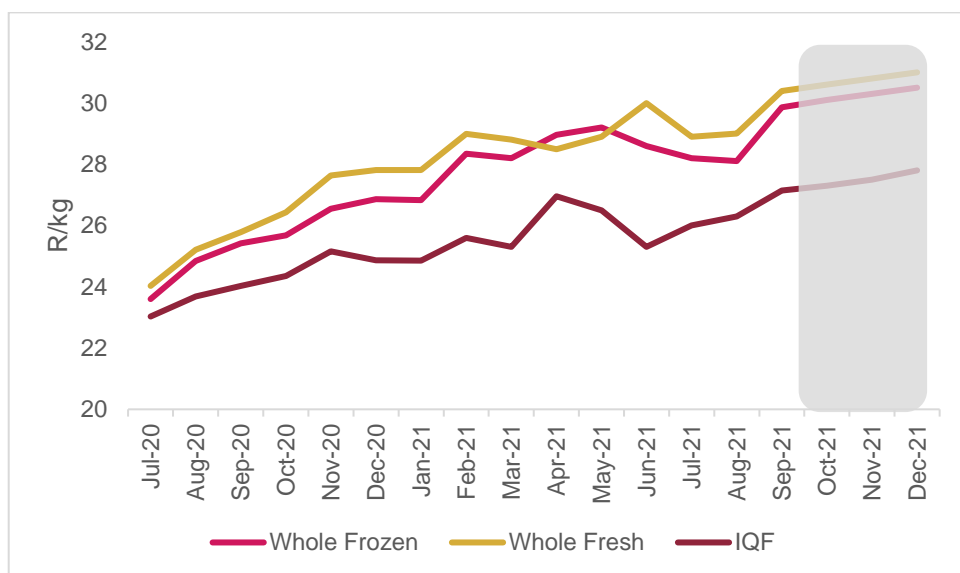
Average local poultry prices increased by 2.2% over the past month. This is on the back of a weaker exchange rate which was to some extent countered by easing global prices, as mentioned above. Average yearly gains amounted to around 16.5% and are also a key contributor to the significant meat and food inflation that South Africa has experienced over the past months. Local poultry prices are the meat category that currently shows the largest yearly gains in the meat complex. We believe that this is a symptom of demand gains as a result of relatively high red meat and pork prices which caused a portion of red meat consumption to shift to poultry.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	30.52	31.06	27.41
w/w	6.8%	1.0%	0.0%
m/m	3.1%	2.6%	0.9%
y/y	19.2%	17.2%	13.0%

Outlook

Our outlook for poultry products follows an upward price trajectory over the next three months. This is underpinned by two factors. The first is that historical seasonal trends suggest that the fourth quarter of the year is usually associated with upward movements in poultry product prices. The second is the weakening of the exchange rate over the past weeks and the general sentiment that global prices could increase due to strong demand and restricted supply. The September prices from the FAO food price index report do however suggest that poultry prices have softened due to strong supply response to high prices. If this persists local price increases for the rest of the year could follow a more modest upward trajectory.

Figure 4: Local chicken prices



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