



Agri Trends: Livestock Report

Festive season dynamics are shaping price expectations for Q4

Beef: Lower supply is providing renewed price support for beef carcass prices after the slowdown in prices during July. With grain and oilseed prices also remaining firm on the back of a weaker rand, feedlot input cost pressures are expected to keep slaughter numbers relatively low compared to last year. Given this, our projections for class A prices follow an increasing trend albeit modest, given economic pressures on consumers, over the next three months.

Mutton: Sheepmeat and feeder lamb prices have continued their downward trajectory apparent since mid-July decreasing by around 3.4% compared to last week. For A2/A3 prices specifically, monthly decreases amounted to 9%. Decreases in carcass prices have also affected the direction of feeder lamb prices, decreasing for all periods under consideration. Our price projection follows an upward trajectory towards the end of the year, noting consumer pressures, the rate of price increases are however modest.

Pork: Pork prices increased marginally by an average of 0.65% week on week and almost 1% month on month but are down by almost 18% compared to the highs of around R34 per kg for porkers and R31.00 per kg for baconers in January 2021. Historical price trends suggest that porker 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 trajectory as demand is expected to improve towards the festive season.

Poultry: 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 demand, as mentioned above.

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Beef market trends

International beef market

Over the past few months, there have been multiple disruptions in global beef supply chains. In previous Agritrends reports, we covered the export bans in Argentina, which was implemented in an attempt to curb their local inflation currently printing at around 48%. These bans have been extended at the end of August to run until the end of October. More recently, selected traces of BSE also known as mad cow disease have been found in bovine animals in Brazil. This has also led to an export ban. Both Argentina and Brazil are key exporters of beef to China and given the rise in demand for beef from China, global prices benefited. This was however countered by the end of the so-called barbecue season in the US which caused local US demand to ease. As a result weekly US carcass prices are down by almost 3%. Compared to last month, however, prices have remained relatively constant.

	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	14.35	10.24	407.2	628	471	57.99
w/w	0.8%	1.2%	-2.8%	0%	0%	0.0%
m/m	-4.5%	-1.3%	0.3%	1.8%	1.3%	1.8%
y/y	-12.6%	-7.5%	109.2%	12.3%	12.2%	-25.5%

Local beef market

Weekly price changes for beef were largely sideways with class A prices increasing marginally and class C prices decreasing marginally. Prices are however substantially higher compared to a month ago. Here, the latest slaughter numbers, indicative of slaughter rates in July, suggest that this has slowed markedly from the levels in the corresponding period in 2020 with month-on-month decreases amounting to around 7% and year-on-year decreases amounting to 16%. It is expected that this trend has spilled over into August and September and that the decrease in supply is providing renewed price support after the slowdown in prices during July. With grain and oilseed prices also remaining firm on the back of a weaker rand, feedlot input cost pressures are expected to keep slaughter numbers relatively low compared to last year.

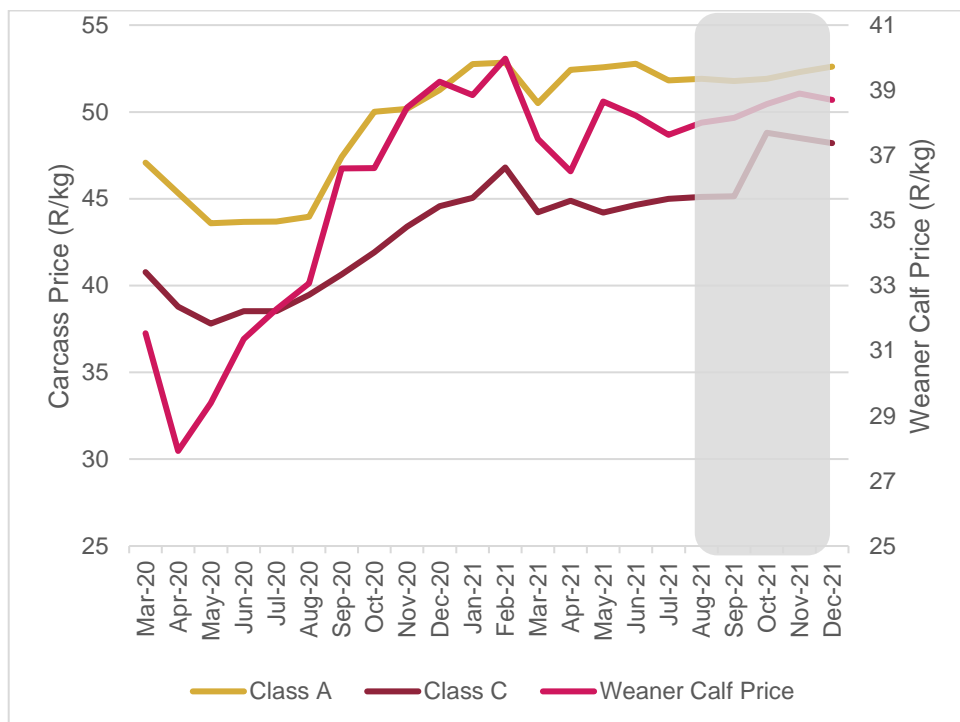
	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	51.9	48.9	53.00	38.8
w/w	0.2%	-0.7%	0.2%	0.3%
m/m	2.1%	10.2%	1.9%	3.2%
y/y	8.4%	19.5%	10.5%	2.7%

Outlook

Historical price trends suggest that weaner calf prices and class C carcass prices increase in October to peak in November and to 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 around R38.70 per kg.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheepmeat market

The main news in international meat markets is the shortage of CO2 in the UK which is leading to meat shortages. This gas is mainly used in the slaughtering process of pigs and poultry but is also important in extending the shelf life of red meat products. This could provide opportunities for exports by key exporters such as New Zealand, Australia and the US imports into the US are not without its challenges. Shipments from Oceania face shipping delays to the UK which could impact the feasibility of meat trade from these countries into the UK. If CO2 becomes available it could also result in built-up stocks flooding the market which could cause prices to crash. As of yet, prices in NZ and Australia have not risen on the back of the dynamics indicated above.

	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	10.24	9.40	6.68	96.26	69.9
w/w	1.2%	0.5%	0%	1.7%	1.2%
m/m	-1.3%	2.7%	0%	1.6%	-1%
y/y	-7.5%	31.8%	39.7%	9.9%	10.8%

Local sheepmeat market

Sheep meat and feeder lamb prices have continued their downward trajectory apparent since mid-July decreasing by around 3.4% compared to last week. For A2/A3 prices specifically, monthly decreases amounted to 9%. Decreases in carcass prices have also affected the direction of feeder lamb prices decreasing for all periods under consideration. In July 2021, which is the latest slaughter numbers available, month-on-month slaughtering for mutton

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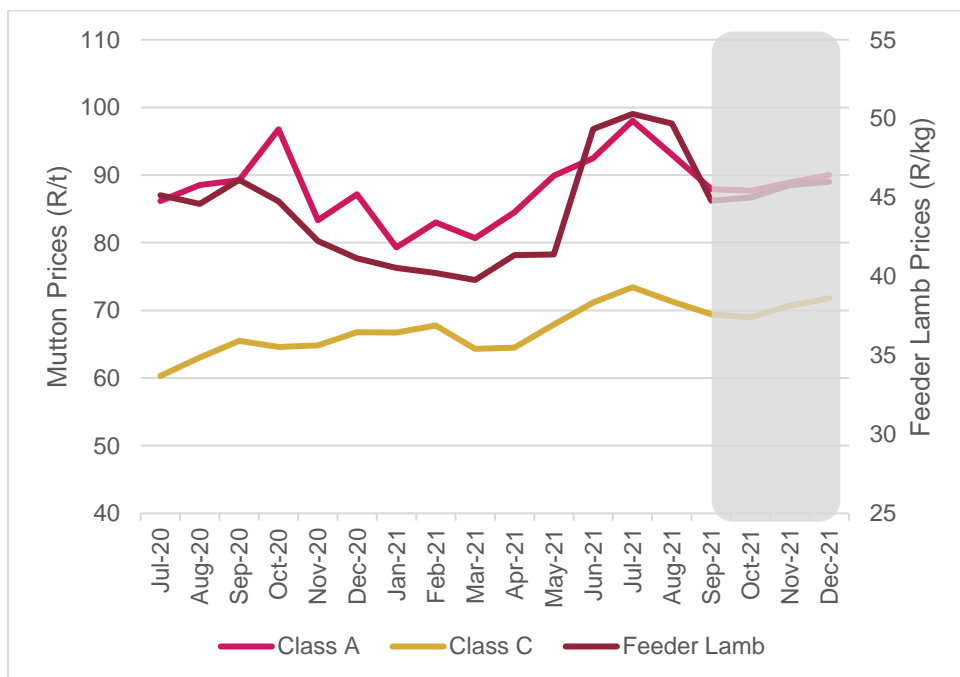
were 7.6% lower compared to June 2021 and almost 11% lower than July 2020. The continued downward trend in prices suggests that slaughter numbers could've increased in August and September.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	84.0	68.33	44.50	39.6	65.0
w/w	-3.4%	-0.1%	-1.1%	2.2%	0.00%
m/m	-9.0%	-4.8%	-2.8%	5.0%	1.6%
y/y	-3.9%	3.3%	-2.4%	44.5%	49.2%

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 follows an upward trajectory towards the end of the year. Noting consumer pressures, the rate of price increases of the next three months could be modest compared to corresponding historical periods.

Figure 2: Local sheep and feeder lamb prices



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Pork market trends

International pork market

Although US lean hog futures prices for December were up on the back of a USDA report indicating smaller than expected hog herd, US pork carcass prices softened week on week by 6.3% and by 7.8% month on month. This decrease is a result of the end of barbeque season as also indicated in the beef section above and a significant drop in demand from China. The latter is also reflected in Chinese hog prices which are down more than 50% compared to the start of the year. Several factors have depressed prices in China. Firstly, farmers who fattened their pigs as they waited for a recovery in prices rushed to sell their heavy hogs when prices declined earlier this year. Secondly, new outbreaks of African swine fever in parts of China also caused some panic selling, as farmers feared the disease would affect their herds. Analysts do not expect prices to rebound given the structural changes that occurred in Chinese pork production and protein demand.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	14.35	109.1	47.4	32.4
w/w	0.8%	-6.3%	-11.0%	25.1%
m/m	-4.5%	-7.8%	-12.9%	9.3%
y/y	-12.6%	36.7%	-23.9%	-19.2%

Local pork market

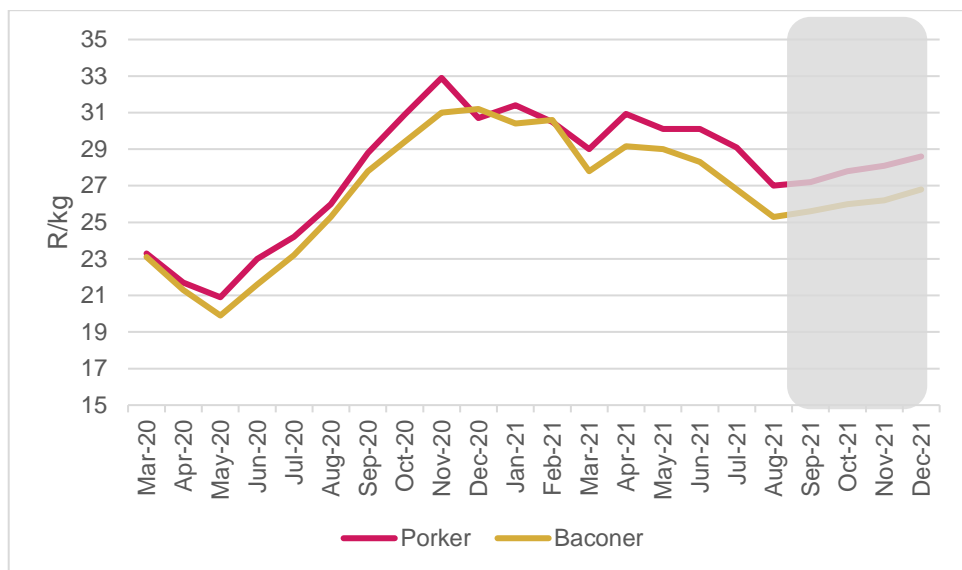
Pork prices increased marginally by an average of 0.65% week on week and almost 1% month on month but are down by almost 18% compared to the highs of around R34 per kg for porkers and R31.00 per kg for baconers in January. This seems to be a combination of an increase in supply, where slaughter numbers for July are around 8% higher compared to slaughter numbers for January 2021, and weak demand. In the case of the latter, due to continued economic pressures on consumers, the meat complex, in general, has been struggling to realise the rate of price increases apparent last year this time. This is also apparent in the modest weekly and monthly price increases in beef.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	27.54	25.70	39.49
w/w	0.5%	0.8%	0%
m/m	0.7%	1.2%	-6.0%
y/y	-5.5%	-8.2%	-11.3%

Outlook

Historical price trends suggest that porker 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.

Figure 3: Local porker and baconer prices



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Poultry market trends

International poultry markets

Prices of mechanically deboned meat have shown divergent trends for fresh and frozen products, with the former being 7.4% up compared to last week whilst the latter is down. Monthly trends for both products have however followed a downward trajectory. Most global broiler-producing regions have seen a return to profitability in quarters 2 and 3 of 2021 on the back of good demand as the foodservice industry shows post-pandemic recovery. There has also been a restricted supply. This is the case in Europe, Russia, and Ukraine as a result of avian influenza. Demand from South East Asia also remains weak and uncertain due to the Delta strain of the Covid-19 virus.

	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	14.35	33.5	51.2	28.61	30.99
w/w	0.8%	7.4%	-2.1%	-0.8%	0.0%
m/m	-4.5%	-14.3%	-2.7%	0.5%	0.0%
y/y	-12.6%	28.5%	67.8%	87.6%	19.2%

Local poultry market

Local poultry prices are, on average around 17% higher compared to a year ago with strong increases in whole bird prices in weekly and monthly terms. Weekly price movements in IQF pieces are however only marginally up. It is expected that higher global prices combined with a weaker exchange rate and the renewal of anti-dumping tariffs of bone-in portions into South Africa will provide additional price support over the coming months.

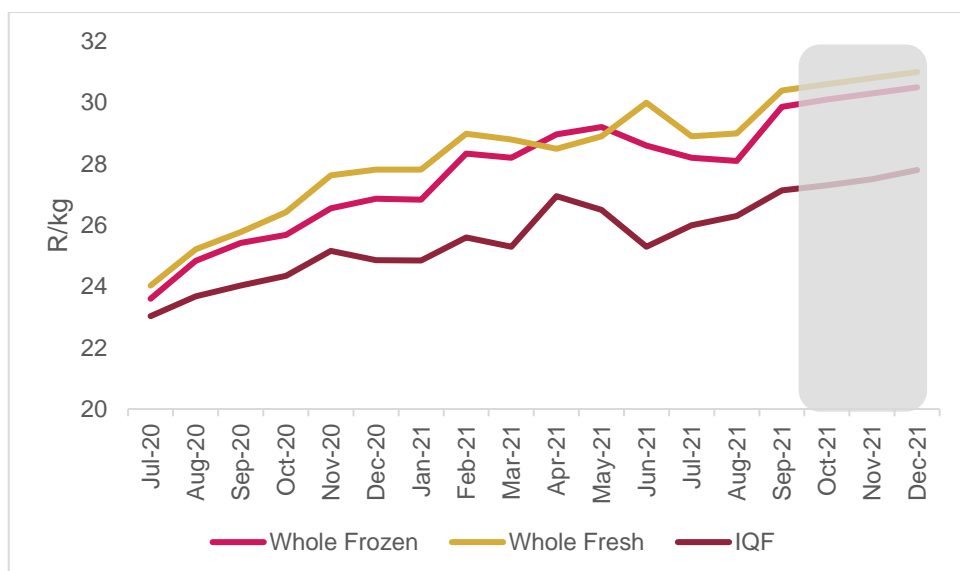
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	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	30.31	30.6	27.1
w/w	2.3%	1.1%	-0.2%
m/m	5.6%	5.2%	0.6%
y/y	19.5%	18.9%	12.6%

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 demand, as mentioned above.

Figure 4: Local chicken prices



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