



Retail and Business Banking
Sector Economics
22 November 2021



Agri Trends: Livestock Report

Increasing price trends as momentum builds for the festive season

Beef: Class A price decreased marginally over the past month and is around 1.6% higher than a month ago with the same price trends apparent in weaner calves. As mentioned in the previous reports, slaughter numbers remain low in comparison to last year due to high feed cost and ongoing herd rebuilding which is providing price support.

Mutton: Lamb and mutton prices increased marginally over the past week and continued the upward momentum apparent over the past month. It appears that the price pressures apparent during quarter 3 might have abated as prices are gaining momentum towards the festive season. In the latest slaughter numbers released for September, sheep slaughter numbers increased more than 10% month on month and around 1% if compared to September 2020. This upward trend in slaughter numbers typically runs from September to December in anticipation of good festive season demand.

Pork: Porker and baconer prices have firmed considerably compared to a month ago, despite indications of an upward trend in slaughtering numbers since August. This suggests strong local and regional demand. Trade statistics for September show a contraction of pork exports from South Africa of around 3% compared to last year, which is, in part, why year on year prices are moving lower.

Poultry: Average poultry prices decreased by 1% week on week and except for frozen whole birds, increased by around 1.6% month on month. Frozen whole birds recorded a marginal decrease month on month. Yearly prices are up by around 11.5% and are finding support from a weaker rand and higher global prices. It is expected that higher local demand is allowing more room for international price increases and higher feed costs to be passed through to the consumer.

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Beef market trends

International beef market

Rising global meat prices have increased consistently and with substantial amounts over the past months. This has resulted in popular media now colloquially referring to “meatflation” to describe the recent trends. In the US, port congestion at the Los Angeles ports is hampering meat imports which cause prices to US prices to surge. In this regard, President Biden has announced that the port will be operational 24 hours a day in an attempt to work away from the backlogs. In China, the resurgence of Covid in the port city of Dalian has also disrupted trade flows. This, in turn, limited export price growth in Australasia.

	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	15.19	10.76	414.70	655	487	58.99
w/w	-0.7%	0.6%	14.4%	0.0%	0.0%	0.0%
m/m	3.4%	5.1%	9.8%	1.4%	2.1%	0.0%
y/y	-2.4%	1.2%	47.5%	23.1%	23.9%	-27.6%

Local beef market

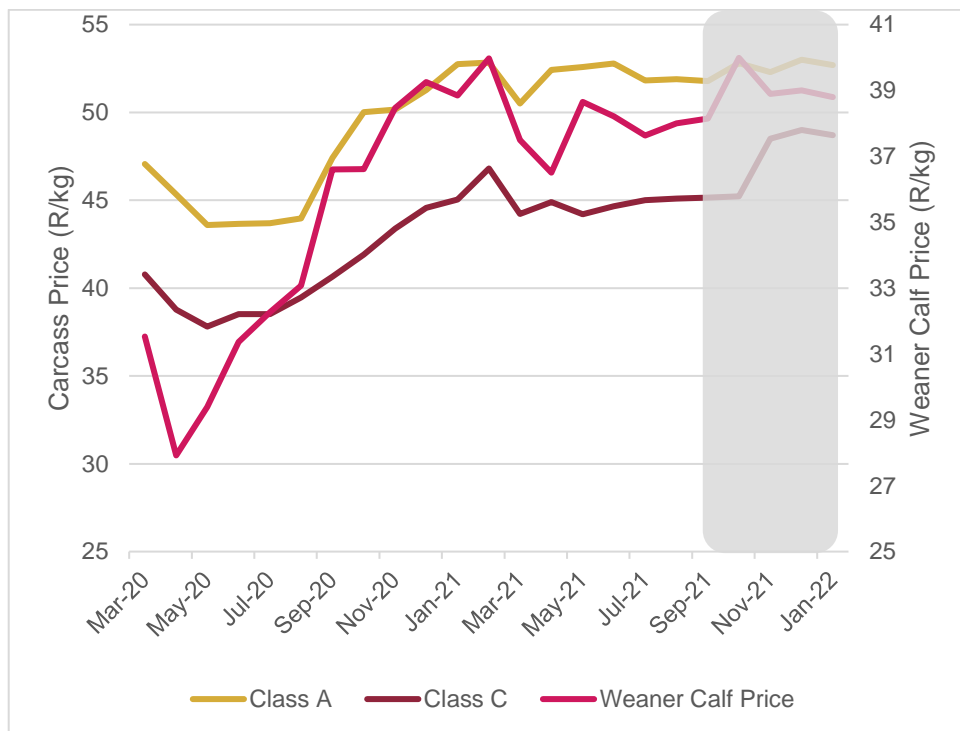
Class A prices decreased marginally over the past month and are around 1.6% higher than a month ago with the same price trends apparent in weaner calves. As mentioned in the previous reports, slaughter numbers remain low in comparison to last year due to high feed cost and ongoing herd rebuilding which is providing price support.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	53.8	46.5	54.33	41.10
w/w	-0.2%	0.2%	-0.2%	0.5%
m/m	1.6%	3.3%	1.4%	4.1%
y/y	8.9%	6.8%	9.4%	8.6%

Outlook

Our outlook for carcass prices follows an increasing trend until the festive season after which it moderates in January on the expectation of softer demand. Seasonal trends suggest that weaner calf prices will remain firm over the coming months but could also moderate slightly in January 2022.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheepmeat market

In monthly terms, New Zealand prices for lamb and mutton have increased marginally due to solid export demand from regions such as China and the EU but prices continue to be substantially above the levels in the corresponding time of 2020 due to tighter supply. Analysts note that lamb and mutton prices are likely to stay above their long-term averages due to strong demand for sheepmeat from Oceania.

	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	10.76	9.50	6.73	102.22	73.91
w/w	0.6%	0.0%	0%	0.6%	0.5%
m/m	5.1%	0.5%	0%	5.6%	5.0%
y/y	1.2%	34.8%	32.5%	22.8%	15.9%

Local sheepmeat market

Lamb and mutton prices increased marginally over the past week and continued the upward momentum apparent over the past month. It appears that the price pressures apparent during quarter 3 might have abated as prices are gaining momentum towards the festive season. In the latest slaughter numbers released for September, sheep slaughter numbers increased more than 10% month on month and around 1% if compared to September 2020. This upward trend in slaughter numbers typically runs from September to December in anticipation of good festive season demand.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	84.30	70.34	46.00	39.50	65.00
w/w	0.4%	0.1%	-0.2%	-2.0%	1.6%

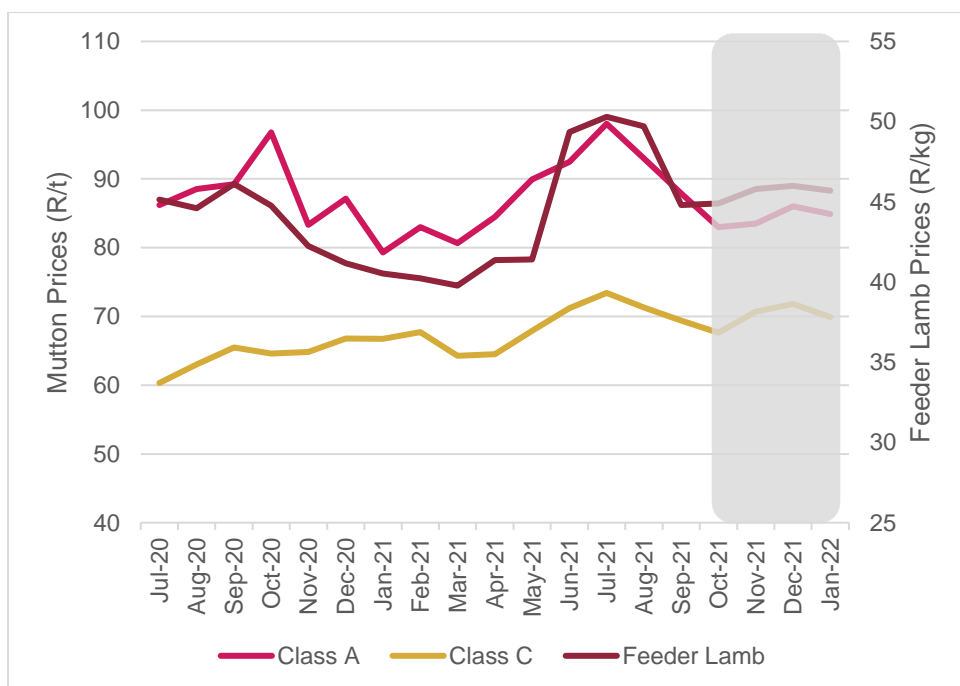
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m/m	3.4%	3.8%	2.0%	-3.7%	1.6%
y/y	2.3%	8.2%	10.0%	67.4%	62.5%

Outlook

Our outlook for the coming months remains unchanged from our previous Agritrends report. 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. Noting consumer pressures, the rate of price increases for the next two months is expected to be modest. Historical trends suggest that prices will ease in January 2022.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

In China, a key region in terms of global consumption and production for pork, prices have followed an increasing trend throughout the past month. This increase was on the back of strong increases in Chinese demand with slowing production growth due to pressures on margins. In the US, in turn, high retail prices for pork have resulted in demand shifts to more affordable sources of protein. In terms of an outlook for US prices, analysts note that production is lower compared to a year ago which is expected to keep prices firm 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	15.19	91.86	51.7	27.95
w/w	-0.7%	-2.8%	1.0%	3.6%
m/m	3.4%	-4.9%	11.6%	1.3%
y/y	-2.4%	12.1%	-17.2%	-35.1%

Local pork market

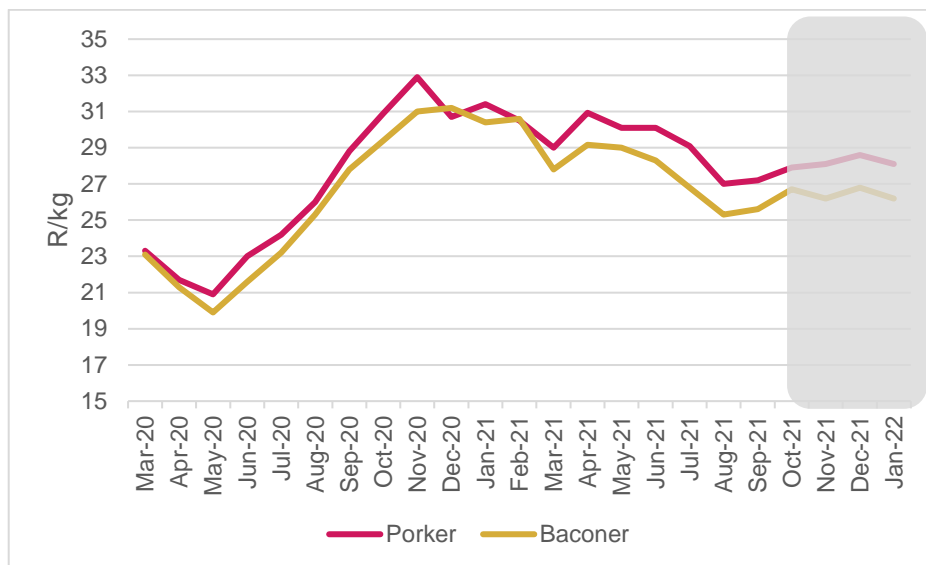
Porker and baconer prices have firmed considerably compared to a month ago, despite indications of an upward trend in slaughtering numbers since August. This suggests strong local and regional demand. Trade statistics for September show a contraction of pork exports from South Africa of around 3% compared to last year, which is, in part, why year on year prices are moving lower.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	29.03	27.89	39.99
w/w	-1.3%	0.6%	0%
m/m	4.2%	3.0%	-2.4%
y/y	-11.1%	-9.5%	-24.5%

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 a modest upward trend as demand is expected to improve towards the festive season and then soften again in January 2022.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry markets

Global poultry prices are remaining firm on the back of supply recovery lagging behind demand recovery. As global foodservice operations are returning to normal demand has bounced back from low levels during the start of the pandemic and its associated lockdowns. Supply remains constrained due to high input costs and disease concerns, especially in Europe. The renewed COVID restrictions in countries such as Austria and the Netherlands could also signal that another round of COVID waves around the globe could taper demand.

	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	15.19	30.30	46.50	29.61	32.99
w/w	-0.7%	-2.5%	1.4%	0.0%	0.0%
m/m	3.4%	1.0%	-10.9%	0.9%	6.5%
y/y	-2.4%	20.3%	52.7%	NA	17.9%

Local poultry market

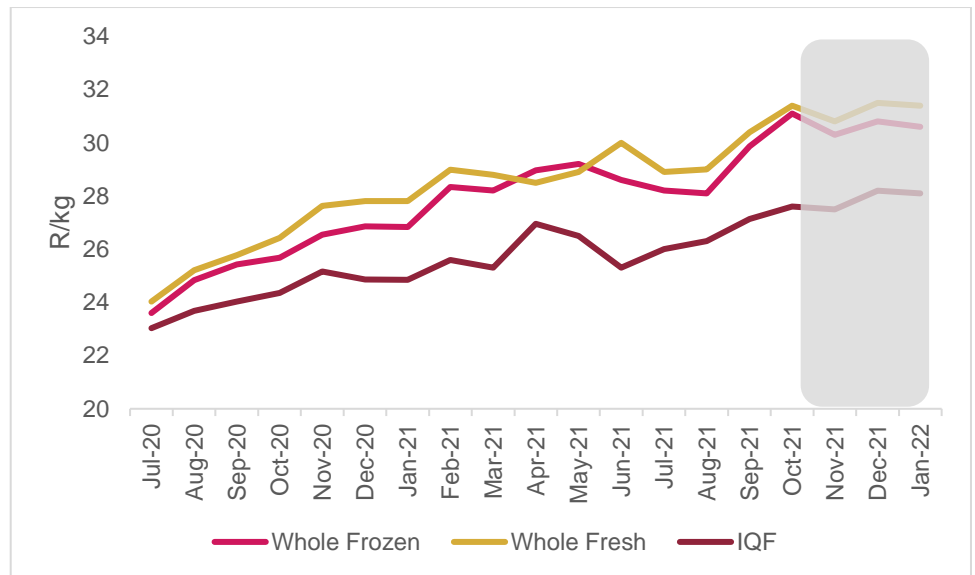
Average poultry prices decreased by 1% week on week and except for frozen whole birds, increased by around 1.6% month on month. Frozen whole birds recorded a marginal decrease month on month. Yearly prices are up by around 11.5% and are finding support from a weaker rand and higher global prices. It is expected that higher local demand is allowing more room for international price increases and higher feed costs to be passed through to the consumer.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	30.50	31.08	28.31
w/w	-1.2%	-1.6%	-0.2%
m/m	1.3%	-0.2%	1.8%
y/y	13.5%	10.6%	10.9%

Outlook

Our view is still that prices will follow a modest upward trajectory to the end of the year as demand firms towards the festive season. As mentioned above, increased demand combined with a weakening exchange rate provides a conducive environment for price increases. Historical seasonal trends suggest that prices soften in January as demand cools after the festive season.

Figure 4: Local chicken prices



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