



Retail and Business Banking
Sector Economics
3 November 2021



Agri Trends: Livestock Report

Demand expected to support prices as we approach the festive season

Beef: 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.

Mutton: 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.

Pork: 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.

Poultry: Our view is that prices will follow a modest upward trajectory to the end of the year as demand firms towards the festive season. 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.

Abrie Rautenbach
+27 67 417 1645
Abrie.Rautenbach@absa.africa

Marlene Louw
+27 060 881 2450
Marlene.Louw@absa.africa

Nkhensani Mashimbyi
Nkhensani.Mashimbyi@absa.africa

www.absa.co.za

<https://www.absa.co.za/business/sector-solutions/agribusiness/agri-smart-insights/>

Beef market trends

International beef market

US beef carcass prices have increased marginally over the last week but are still down compared to a month ago on the back of weak export demand from China. The embargo of Brazilian beef into China is also ongoing and has now been instituted for more than 50 days which is much longer than similar historical events where BSE traces were found in Brazilian beef. Previous exports bans to China have only lasted for about ten days. Analysts note that the reluctance to reopen the Chinese market to the Brazilian beef trade could be indicative of high meat inventories in China. News reports do however suggest that this issue could be resolved soon.

	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	14.62	10.63	383.74	646	487	58.99
w/w	-0.5%	3.8%	1.6%	0.0%	0.0%	0.0%
m/m	-1.3%	2.1%	-4.7%	2.9%	2.1%	1.7%
y/y	-10.7%	-2.3%	43.9%	20.3%	23.9%	-27.6%

Local beef market

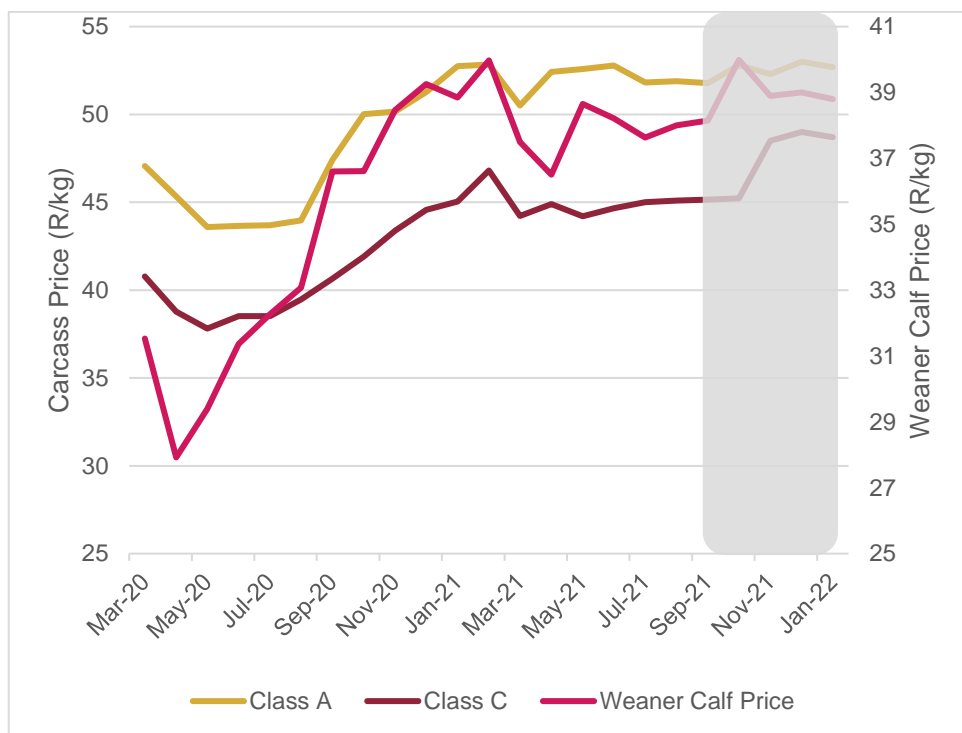
After losing some price momentum during September, beef prices made a strong comeback during October with Class A prices trading 3.4% higher and class C prices trading 2.5% higher. These higher prices are suggestive of restricted supply as consumer demand is constrained. In an Investment and Savings report released by Old Mutual in July, it is indicated that 56% of surveyed consumers reported that they are under financial pressure. This was recently further exasperated by rising fuel and food costs. In terms of weaner calf prices, an increasing trend over the past weeks was apparent in anticipation of higher festive season meat demand. The good rains during the last half of October also had a slightly negative effect on the number of animals that were marketed.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	53.4	45.5	54.02	40.2
w/w	0.9%	1.2%	0.8%	1.8%
m/m	3.4%	2.5%	2.5%	3.6%
y/y	6.7%	7.4%	7.4%	11.5%

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 New Zealand, a slow start to spring and improvement in feed conditions has resulted in new season lambs running a few weeks behind in terms of condition. This has resulted in lower slaughter numbers which supported prices over the past month. As availability increases, prices could pull back somewhat. Higher prices in New Zealand combined with the weaker exchange rate have also resulted in higher parity prices over the past month, with lamb import parity prices increasing by 2.7%.

	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	10.63	9.45	6.73	100.45	73.04
w/w	3.8%	0.0%	0%	3.8%	3.7%
m/m	2.1%	0.5%	0.7%	2.7%	2.8%
y/y	-2.3%	34.0%	33.3%	31.0%	12.5%

Local sheepmeat market

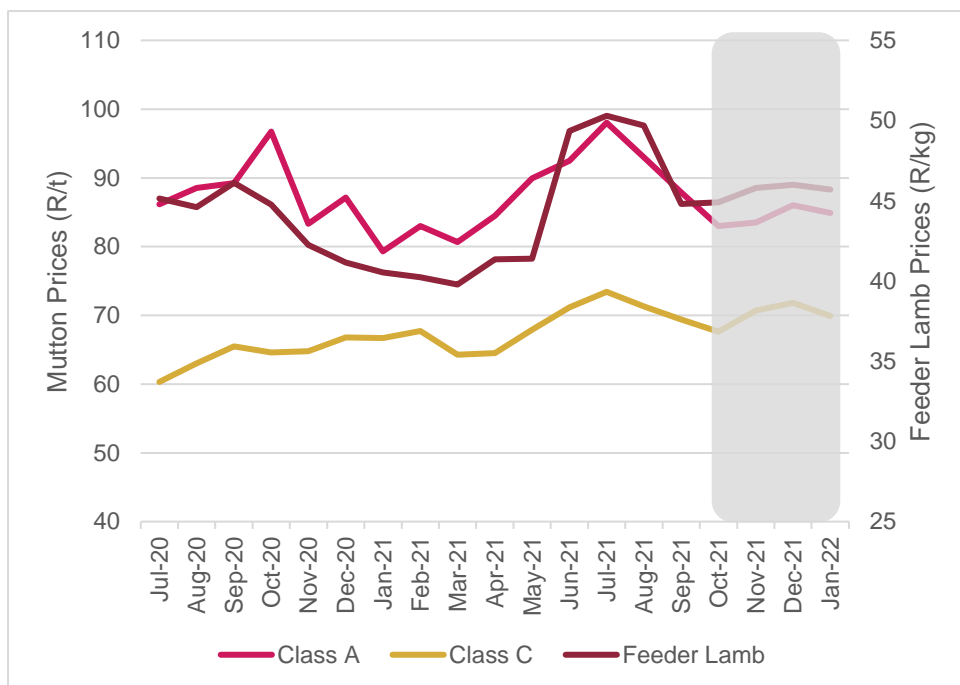
Local mutton and lamb prices showed divergent trends over the past week with lamb prices increasing by 1.5% and mutton prices decreasing marginally by 0.2%. This comes after 3 months of downward pressure on prices on the back of weak demand and could be an indication that prices have bottomed out as demand increases are expected towards December. Feeder lamb prices are also up by almost 1% in anticipation of higher 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	82.74	67.64	45.48	45.00	64.0
w/w	1.5%	-0.2%	0.8%	9.8%	0.0%
m/m	-3.4%	-2.1%	1.1%	9.8%	0.0%
y/y	-1.0%	6.5%	2.4%	48.1%	32.4%

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. 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

Analysts report that pork prices are on a downward trend across the globe. As with beef, lower import demand from China has affected prices in the US and the EU on the back of high Chinese pork inventory. This, combined with high grain and oilseed prices have affected the profitability of the Chinese pork sector which lead to some destocking and an oversupply. African Swine Fever, in turn, remains a concern in certain key pork-producing countries such as Belgium and Germany.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	14.62	96.85	46.9	23.87
w/w	-1.7%	-7.3%	-1.1%	-14.2%
m/m	2.4%	-11.5%	-2.3%	-14.8%
y/y	-11.3%	0.4%	-37.4%	-35.3%

Local pork market

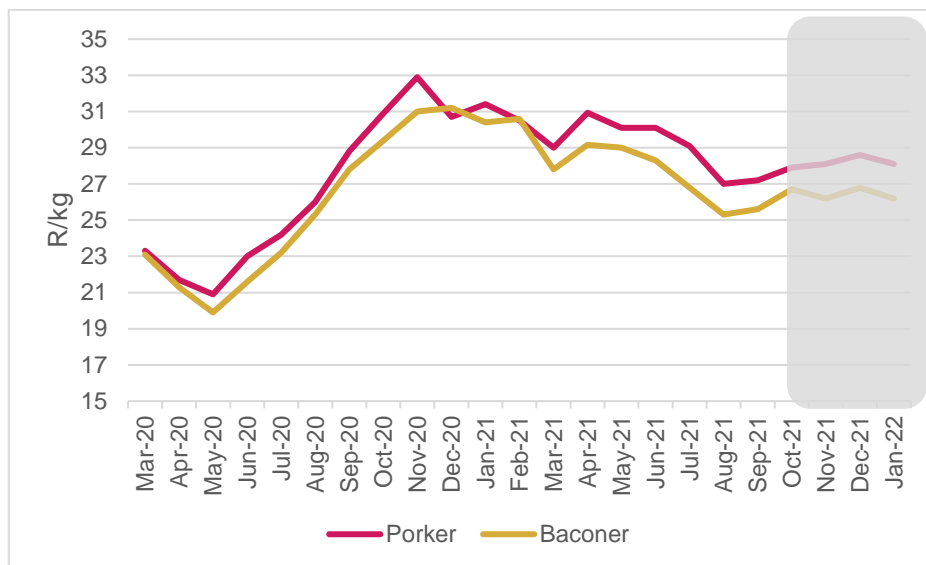
Average local pork prices increased by 3.4% over the past month. Weekly prices, however, showed divergent trends with porker prices increasing marginally by 0.2% whilst baconer prices decreased by 0.4%. Prices are on average however still almost 10% than the corresponding time last year. During the second half of 2020, prices benefitted from strong regional export demand. Based on the latest trade figures for August it does seem that 2021 figures are lower.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	27.81	26.96	40.99
w/w	0.2%	-0.4%	0%
m/m	1.9%	4.8%	3.8%
y/y	-11.0%	-8.5%	-18.0%

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 remain firm on the back of global supply lagging behind recovering demand. Supply is constrained due to high input costs and disease and labour issues in certain countries. Demand, in turn, is recovering rapidly due to improving income levels and the hospitality sector opening up. In terms of the figures below, MDM prices have shown a decreasing trend for the past month but are still higher compared to a year ago.

	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	14.62	30.83	48.23	29.36	30.99
w/w	0.9%	2.8%	-7.5%	0.0%	0.0%
m/m	-1.3%	-7.2%	-5.8%	-7.0%	0.0%
y/y	-10.7%	21.0%	58.6%	21.0%	17.0%

Local poultry market

Average local poultry prices decreased marginally over the past week but are still higher than the corresponding time last month. Price growth is supported by a weakening exchange rate and firm global prices. Yearly dynamics point to average price growth of 17.3%, with the largest increases in whole bird prices.

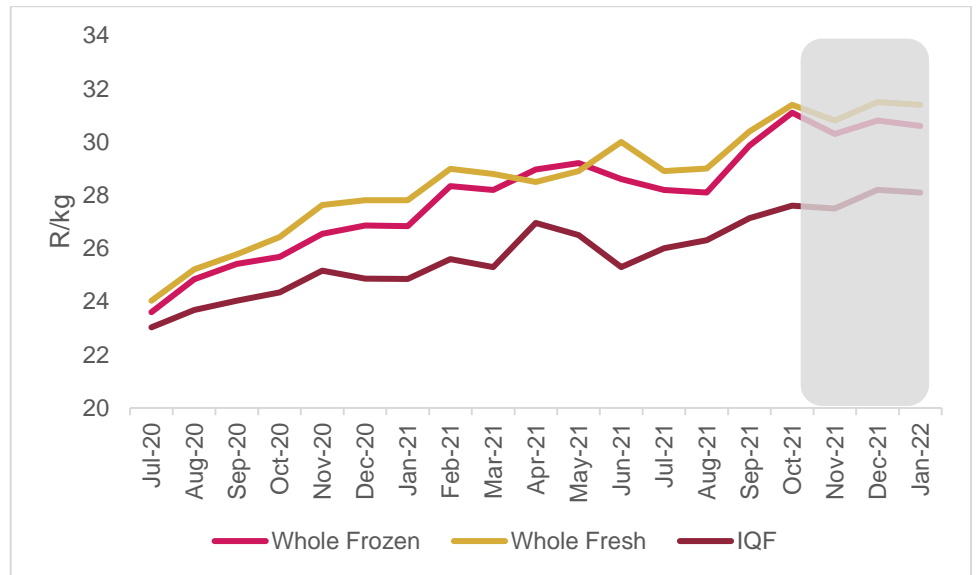
	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	30.11	31.15	27.81
w/w	-1.3%	-0.4%	0.0%
m/m	0.7%	1.7%	2.6%
y/y	17.7%	18.2%	15.9%

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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. 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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