



Agri Trends: Livestock Report

Weaker exchange rate and festive season demand-pull meat prices higher

Beef: Class A carcass prices have continued on their upward trajectory as demand firms during festive season weeks. It is expected that prices will remain firm until January. Weaner calf prices in turn have moved sideways over the past week and are slightly lower compared to a month ago as animals purchased now will only be ready in the new year when red meat demand could ease. Over the coming months, demand is expected to remain relatively weak on the back of increased pressures on consumers' disposable income. This could be further amplified by Omicron, its associated travel restrictions and more cautious consumers.

Mutton: Lamb prices have shown a solid increase over the past week on the back of an uptick in festive season demand, combined with constrained supply. Feeder lamb prices have started to move lower and decreased by almost 5% compared to last month.

Pork: Porker and baconer prices have shown divergent trends over the past month, with porker prices decreasing by 0.3% and baconer prices increasing by almost 2%. Official trade statistics for October suggest that exports have picked up and are roughly 5% more than in September. Year on year, export volumes in October were up by almost 20%. It is expected that strong export demand could support prices over the coming months.

Poultry: Local poultry prices are expected to benefit from the significant depreciation in the rand although it is not yet apparent in figures in the table below, with weekly prices showing decreases. Monthly prices for whole birds did however increase by around 1.7%, whilst IQF pieces are almost 3% lower compared to a month ago. As noted in the earlier reports, there have been broad-based cost pressures in the poultry value chain ranging from feed to packaging to storage. It is therefore expected that increased festive season demand combined with a weaker exchange rate will allow for some of this pressure to be passed through to consumers.

Please note that this is the final full Absa Agritrend report for 2021. Short updates for grains and oilseeds will be sent by email for December 2021 and reports will commence again in the week of 10 January 2022.

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Beef market trends

International beef market

The US beef sector is currently in a herd liquidation phase on the back of high prices and dry conditions in the west. This is expected to keep prices firm throughout 2022 and analysts note that a second La Nina season would support liquidation as a global trend. The identification of the new Omicron variant of the Coronavirus is something that could affect foodservice demand over the festive season and could potentially depress prices slightly over the coming months.

| | 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 | 16.31 | 11.02 | 393.74 | 641 | 493 | 59.99 |
| w/w | 4.5% | 0.0% | 0.8% | -1.4% | 0.0% | 0.0% |
| m/m | 6.9% | 0.7% | 9.0% | -2.1% | 1.2% | 1.7% |
| y/y | 7.1% | 3.3% | 96.9% | 21.4% | 27.7% | -27.7% |

Local beef market

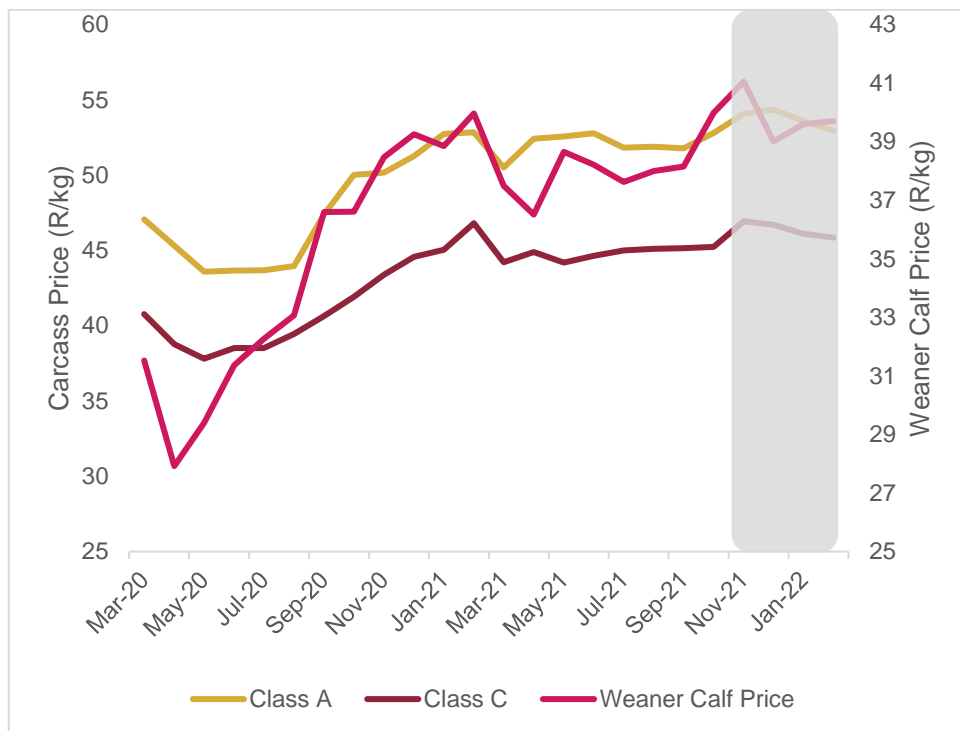
Class A carcass prices have continued on their upward trajectory as demand firms during festive season weeks. It is expected that prices will remain firm until January. Weaner calf prices in turn have moved sideways over the past week and are slightly lower compared to a month ago as animals purchased now will only be ready in the new year when red meat demand could ease. Over the coming months, demand is expected to remain relatively weak on the back of increased pressures on consumers' disposable income. This could be further amplified by Omicron, its associated travel restrictions and more cautious consumers

| | Class A (R/kg) | Class C (R/kg) | Beef contract price (includes hides) (R/kg) | Weaner calf (R/kg) |
|-------|----------------|----------------|---|--------------------|
| Price | 54.4 | 47.0 | 55.01 | 40.90 |
| w/w | 0.2% | -1.8% | 0.3% | 0.0% |
| m/m | 2.4% | 1.7% | 2.4% | -1.4% |
| y/y | 7.5% | 7.3% | 7.9% | 3.5% |

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 and economic pressures as mentioned above. Seasonal trends suggest that weaner calf prices will remain firm over the coming months but could also moderate slightly in January 2022. Historical seasonal trends suggest that weaner calf prices firm in February as a result of increased demand for purchases associated with tax seasons.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheepmeat market

Analysts note that lamb prices in New Zealand are trading at lower prices than expected and note that this can be to several reasons. As mentioned in earlier reports a slow start to spring in Oceania has compromised the conditions of lambs which could be affecting price. Another possible reason is that producers could be holding off to sell until autumn based on the high prices achieved in previous seasons during the autumn period. Prices are however expected to firm as demand increases during the festive season.

| | 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 | 11.02 | 9.28 | 6.68 | 103.03 | 75.66 |
| w/w | 0.0% | -0.7% | -0.7% | 0.0% | 0.0% |
| m/m | 0.7% | -2.6% | -0.7% | -1.2% | 0.7% |
| y/y | 3.3% | 31.6% | 30.2% | 23.5% | 17.4% |

Local sheepmeat market

Lamb prices have shown a solid increase over the past week on the back of an uptick in festive season demand, combined with constrained supply. Feeder lamb prices have started to move lower and decreased by almost 5% compared to last month.

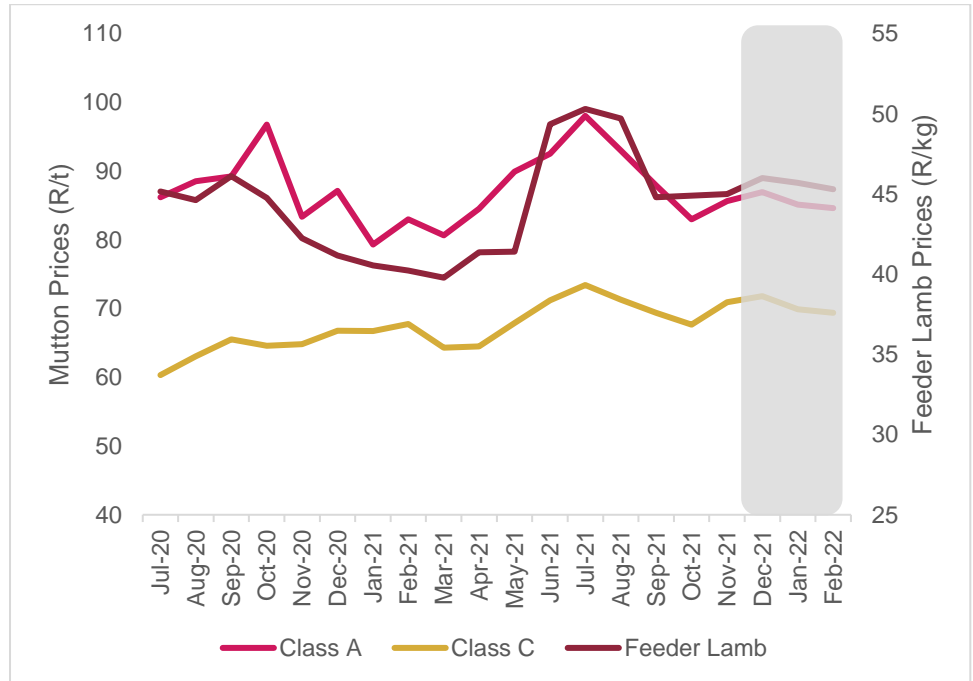
| | Class A2/A3 (R/kg) | Class C (R/kg) | Feeder lamb (R/kg) | Dorper skin (R/skin) | Merino skin (R/skin) |
|-------|--------------------|----------------|--------------------|----------------------|----------------------|
| Price | 87.12 | 71.06 | 43.87 | 38.75 | 65.00 |
| w/w | 3.3% | -1.3% | -0.3% | -10.9% | 0.0% |
| m/m | 3.8% | 2.0% | -4.8% | -13.9% | 1.6% |
| y/y | 5.3% | 8.6% | 3.1% | 7.6% | 32.7% |

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Outlook

Our outlook is that lamb and mutton prices will peak in December on the back of increased festive season demand. Historical trends suggest that carcass and feeder lamb prices soften as we enter a new year but that feeder lamb prices rise slightly in February. As with beef, this seasonal trend is underpinned by increased demand in February where increased stock levels are procured for tax considerations.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

With a significant share of global pork production situated in China, changes in the Chinese pork market affect the rest of the globe. As Chinese production rebounds after the 2018 African Swine Fever, import demand from China has decreased putting downward pressure on prices across the globe.

| | R/USD | US pork carcass price (USD/cwt) | US import parity rib (R/kg) | US import parity ham (R/kg) |
|-------|-------|------------------------------------|-----------------------------|--------------------------------|
| Price | 16.31 | 81.68 | 57.0 | 24.12 |
| w/w | 4.5% | -7.8% | 5.2% | -24.6% |
| m/m | 6.9% | -13.6% | 11.2% | -10.6% |
| y/y | 7.1% | -22.9% | -14.5% | -25.8% |

Local pork market

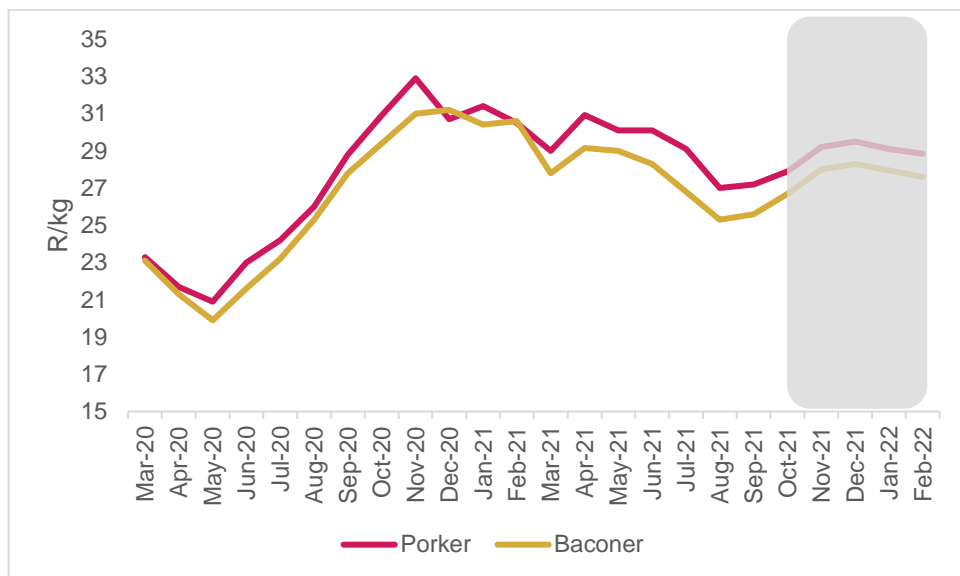
Porker and baconer prices have shown divergent trends over the past month, with porker prices decreasing by 0.3% and baconer prices increasing by almost 2%. Official trade statistics for October suggest that exports have picked up and are roughly 5% more than in September. Year on year, export volumes in October were up by almost 20%. It is expected that strong export demand could support prices over the coming months.

| | Porker (R/kg) | Baconer (R/kg) | AMIE loin (R/kg) |
|-------|---------------|----------------|------------------|
| Price | 29.32 | 28.20 | 39.99 |
| w/w | 0.3% | 0.3% | 0.0% |
| m/m | -0.3% | 1.8% | 0.0% |
| y/y | -5.7% | -3.5% | -4.8% |

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

According to the Food prices index of the FAO, poultry prices have been stable over the past month and it seems that supply has caught up with recovering demand. High feed prices and avian influenza however continue to provide supply-side risk and shipping and container issues continue to affect global poultry trade flows.

| | 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 | 16.31 | 30.82 | 46.67 | 31.99 | 33.99 |
| w/w | 4.5% | -1.6% | -1.4% | 8.0% | 3.0% |
| m/m | 6.9% | -0.9% | -0.5% | 9.0% | 3.0% |
| y/y | 7.1% | 19.2% | 49.2% | NA | 17.9% |

Local poultry market

Local poultry prices are expected to benefit from the significant depreciation in the rand although it is not yet apparent in figures in the table below, with weekly prices showing decreases. Monthly prices for whole birds did however increase by around 1.7% over the past month, whilst IQF pieces are almost 3% lower compared to a month ago. As noted in the earlier reports, there have been broad-based cost pressures in the poultry value chain ranging from feed to packaging to storage. It is therefore expected that increased festive season demand combined with a weaker exchange rate will allow for some of this pressure to be passed through to consumers.

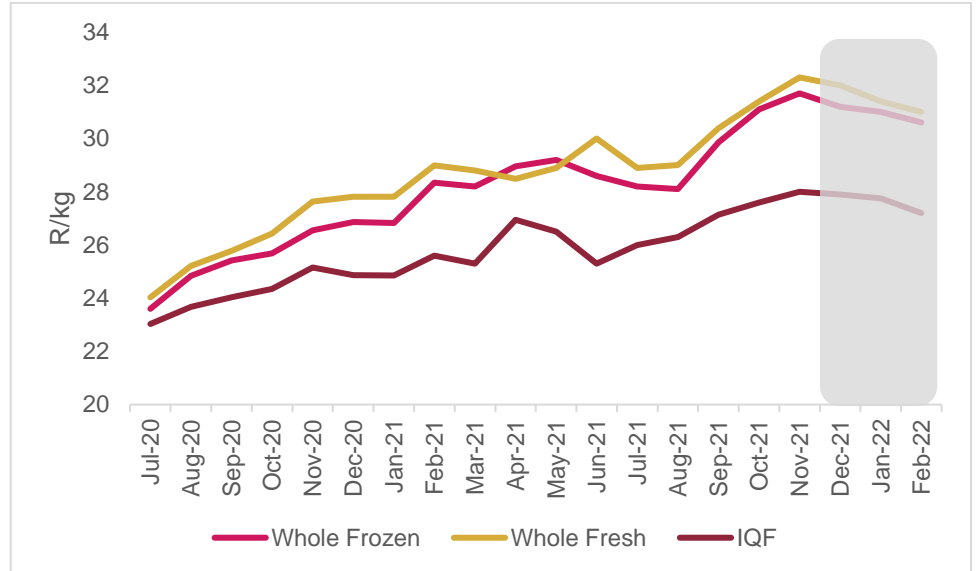
| | SA whole bird, frozen (R/kg) | SA whole bird, fresh (R/kg) | SA individually quick frozen (R/kg) |
|-------|------------------------------|-----------------------------|-------------------------------------|
| Price | 31.50 | 31.97 | 27.57 |
| w/w | -1.7% | -2.4% | -0.7% |
| m/m | 2.0% | 1.3% | -2.8% |
| y/y | 19.2% | 16.9% | 11.5% |

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Outlook

Our views is that poultry prices will peak in December and then follow a downward trajectory as the festive season demand wanes. The degree that prices will decrease will however be limited by a weakening exchange rate and continued input costs pressures as mentioned above.

Figure 4: Local chicken prices



*Area in grey represents Absa AgriBusiness forecasts