



Retail and Business Banking
Sector Economics
1 July 2022



Agri Trends: Livestock Report

Red meat prices have stabilized at high levels

Beef: Class A carcass prices have been fairly stable over the past weeks at levels above R60.00 per kg. Class C prices, in turn, have come down from the highs experienced during mid-June. Recent high carcass prices combined with income pressures due to rising fuel costs and interest rates are likely to be the factor that is weighing on prices but constrained supply is providing a limit to the degree to which prices can come down. Weaner calf prices are continuing on a downward trend due to weaker demand. This is underpinned by high grain costs and lower retail demand for red meat. Firm supply from Namibia and Botswana is also adding to price pressures.

Mutton: Despite local consumers being under increased economic pressures, lamb prices have continued to firm over the past week due to constrained availability. Mutton prices, in turn, have eased somewhat but are around 8% higher compared to a month ago. Feeder lamb prices have also eased but continue to trade at firm levels. Analysts attribute this to the strong demand for lambs to utilize crop residues from the recent summer crop harvest.

Pork: In contrast to the red meat dynamics as explained above, local pork prices have been fluctuating around R28.00 per kg over the past weeks for porkers and R 27.00 for baconers. Compared to the corresponding time in 2021, prices are also on average 5.8% lower. This is on the back of expanded supply and weaker regional export demand.

Poultry: Local poultry prices continue to remain firm, underpinned by global price growth and a weakening exchange rate. Recent bouts of load-shedding have pushed the ZAR/USD exchange rate well beyond the R16.00 mark and this, combined with robust local demand for poultry as the most affordable meat protein is likely to keep prices firm in the months to come.

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

Market analysts note that there is high cattle supply in the domestic US market, which has affected the global beef trade negatively over the past weeks. This is also reflected in US beef carcass equivalent prices that moved only marginally over the past month. Prices are however still around 10% higher compared to a year ago which is adding to the broad-based inflationary pressures in the US and globally.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	AMIE carcass import parity price for beef trimmings (R/kg)
Price	15.80	9.98	303.15	No trade
w/w	-1.1%	-1.2%	0.0%	-%
m/m	1.0%	-2.2%	0.2%	-%
y/y	11.4%	-0.3%	9.9%	--%

Local beef market

Class A carcass prices have been fairly stable over the past weeks at levels above R60.00 per kg. Class C prices, in turn, have come down from the highs experienced during mid-June. Recent high carcass prices combined with income pressures due to rising fuel costs and interest rates are likely to be the factor that is weighing on prices but constrained supply is providing a limit to the degree to which prices can come down. Weaner calf prices are continuing on a downward trend due to weaker demand. This is underpinned by high grain costs and lower retail demand for red meat. Firm supply from Namibia and Botswana is also adding to price pressures.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	60.3	46.2	60.85	36.90
w/w	-0.2%	-2.5%	-0.2%	-1.9%
m/m	-1.5%	-2.8%	-1.5%	-2.9%
y/y	16.4%	3.9%	-1.9%	-1.9%

Outlook

We expect carcass prices to remain stable at around R60.00 per kg for class A and R47.00 per kg for class C over the coming months. Weaner calf prices are, in turn, expected to continue on their downward trend, and could stabilize at levels of around R37.00 per kg around late September as demand will start to pick up then in preparation for the festive season.

Figure 1: Local beef and weaner calf prices

*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheepmeat market

Analysts note that inventories in key importing markets such as China, the EU and the UK have increased the difficulty to export lamb to these markets. As a result, prices have moved largely sideways. Global demand is also under pressure due to the inflationary and growth issues that are expected to weigh on consumers' purchasing power for luxury products such as lamb. Warmer months in the Northern hemisphere are usually also associated with lower demand for lamb and mutton.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ mutton (R/kg)
Price	9.98	8.83	5.95	60.88
w/w	-1.2%	0.0%	0.0%	-1.2%
m/m	1.0%	1.7%	2.9%	0.7%
y/y	11.4%	9.7%	-4.0%	-4.2%

Local sheepmeat market

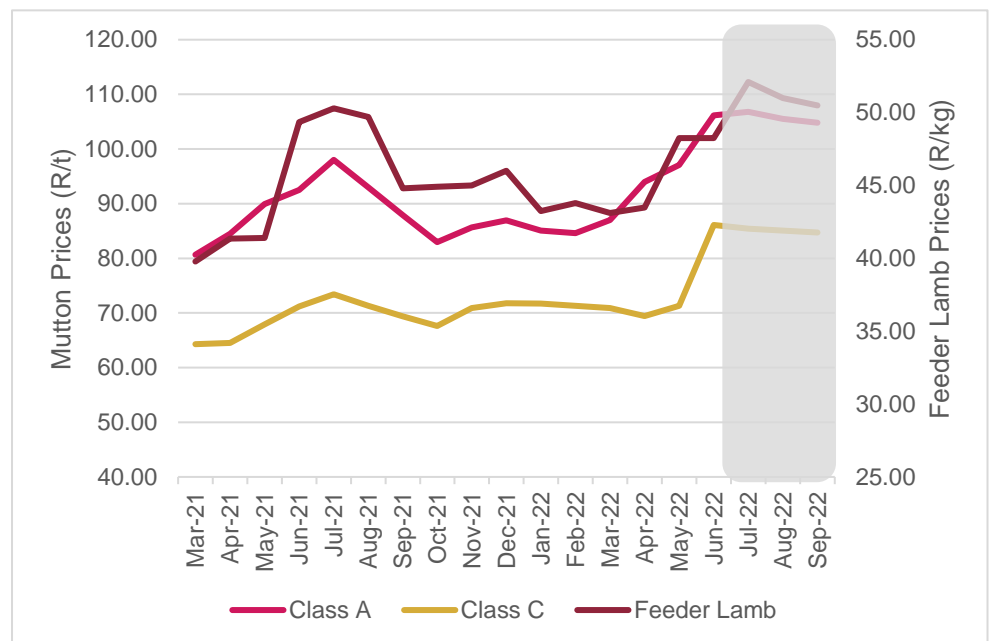
Despite local consumers being under increased economic pressures, lamb prices have continued to firm over the past week due to constrained availability. Mutton prices, in turn, have eased somewhat but are around 8% higher compared to a month ago. Feeder lamb prices have also eased but continue to trade at firm levels. Analysts attribute this to the strong demand for lambs to utilize crop residues from the recent summer crop harvest.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	107.28	77.69	52.1	29.75	47.75
w/w	1.5%	-1.2%	-1.1%	-35.3%	-10.7%
m/m	5.8%	8.0%	0.6%	-32.4%	-17.9%
y/y	16.2%	7.9%	2.2%	-29.5%	-27.7%

Outlook

We expect lamb and feeder lamb prices to ease slightly over the coming months due to seasonal effects. Supply is however constrained and as a result prices are not expected to decrease significantly.

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 picking up across global markets as inventories move lower and the effect of high input costs starts to filter through to retail prices. In China, the world's largest pork consumer, prices are also supported by increasing demand after lockdowns related to its zero-covid policy are relaxed.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	15.80	109.75	76.1	37.96
w/w	-1.1%	1.7%	0.1%	1.0%
m/m	1.0%	2.4%	-3.1%	4.9%
y/y	11.4%	-0.1%	4.7%	41.6%

Local pork market

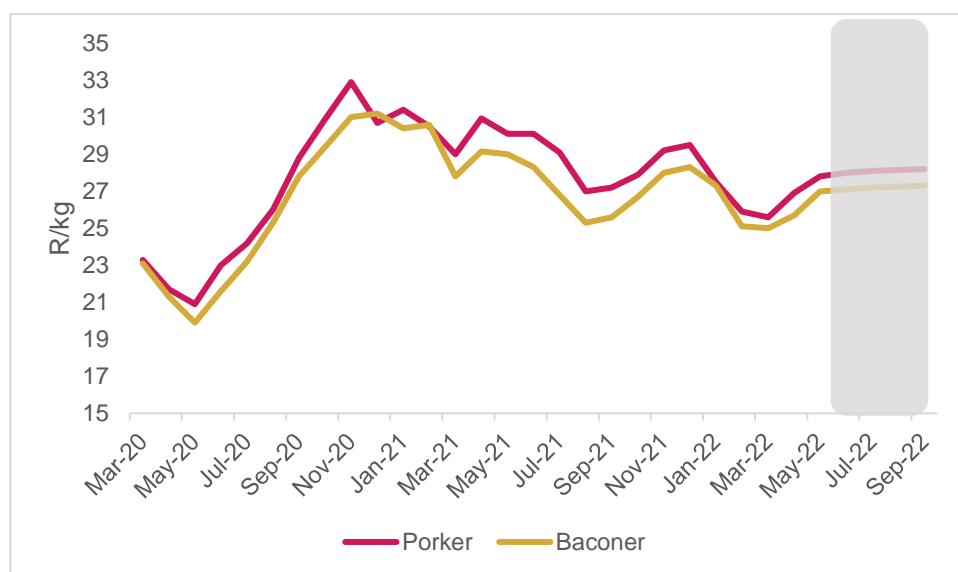
In contrast to the red meat dynamics as explained above, local pork prices have been fluctuating around R28.00 per kg over the past weeks for porkers and R 27.00 for baconers. Compared to the corresponding time in 2021, prices are also on average 5.8% lower. This is on the back of expanded supply and weaker regional export demand.

	Porker (R/kg)	Baconer (R/kg)
Price	27.78	27.12
w/w	-1.5%	0.0%
m/m	-0.8%	-0.5%
y/y	-8.2%	-3.3%

Outlook

We expect pork prices to remain fairly stable over the coming months due to the effect of two opposing forces. The first is cost pressures that are affecting margins in intensive industries causing inflationary pressures to pass through to retail prices. The second, countering the first is constrained consumer income that causes demand to weaken.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

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Poultry market trends

International poultry markets

Global poultry prices continue to remain firm on the back of Avian Influenza outbreaks in key exporting regions, over the past months. This, combined with high input costs and strong demand for poultry products as the most affordable meat protein has contributed to meat price growth and inflationary pressures around the globe.

	R/USD	US MDM fresh (USD/lb.)	US MDM frozen (USD/lb.)	AMIE EU leg quarters (R/kg)
Price	15.8	35.67	50.37	No Trade
w/w	-1.1%	1.4%	2.9%	-%
m/m	1.0%	1.4%	3.0%	-%
y/y	11.4%	-7.2%	-13.3%	-%

Local poultry market

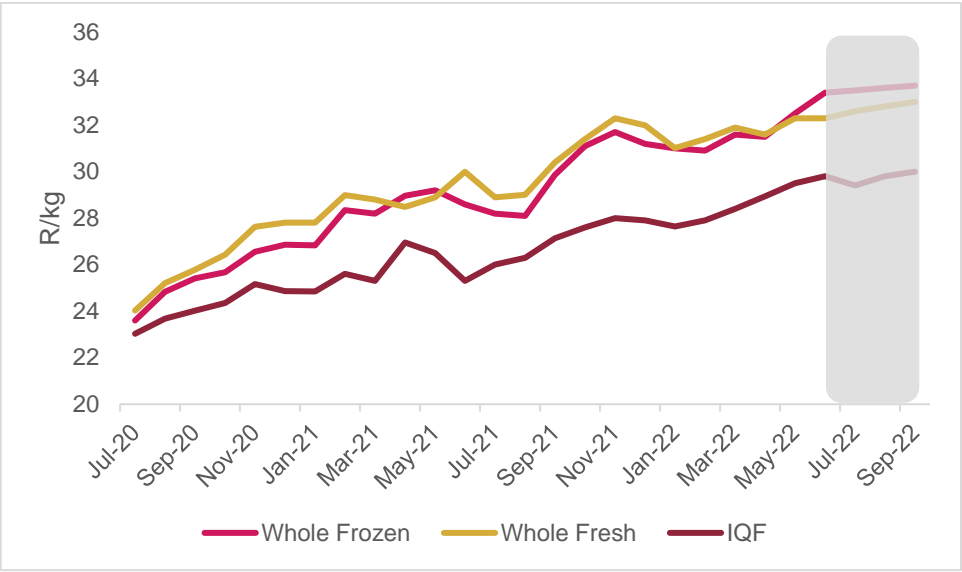
Local poultry prices continue to remain firm, underpinned by global price growth and a weakening exchange rate. Recent bouts of load-shedding have pushed the ZAR/USD exchange rate well beyond the R16.00 mark and this, combined with robust local demand for poultry as the most affordable meat protein is likely to keep prices firm in the months to come.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	33.65	31.5	30.13
w/w	4.1%	4.2%	-0.7%
m/m	4.1%	4.2%	-0.7%
y/y	20.5%	15.6%	13.3%

Outlook

We expect chicken prices to follow an upward trend over the coming weeks, supported by a weaker exchange rate, sustained high input costs, and firm consumer demand for affordable sources of meat protein. The upward trend has however been adjusted to reflect a more modest growth rate, due to economic pressures that are constraining consumer spending power.

Figure 4: Local chicken prices



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