



Retail and Business Banking
Sector Economics
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Agri Trends: Livestock Report

Weaner calf prices are steady, with supply resistance for prices below R30.00 per kg

Beef: Despite a reprieve in load-shedding intensity in June, demand for red meat remains soft and carcass prices continued on its downward trend apparent since the start of the year. This is likely the effect of persistent pressure on consumers' disposable income from higher food, fuel, and interest rate costs. Higher municipal electricity prices, effective from 1 July, are also likely to add a further blow to consumers' disposable income. Weaner calf prices, in turn, have shown some recovery in the last week of June. We sense that this is due to resistance from producers to sell at levels below R30.00 per kg.

Mutton: Local lamb and mutton carcass prices have started to pick up over the past month. Higher prices are usually associated with winter months but the trend has been more muted in comparison to previous years, especially for lamb. Feeder lamb prices are also higher on the back of firm demand and seasonal price dynamics

Pork: Porker prices continued on a downward trend pressured by lower beef prices over the past weeks. Differentials between pork and chicken prices, in turn, continue to shrink as poultry prices are increasing and pork prices following a downward trend. In this regard, in 2022, we saw that when pork prices dipped below chicken prices, there was an associated demand shift with a number of consumers opting to buy more affordable pork. Given this, further significant decreases in pork prices could be limited by the price dynamics in poultry markets.

Poultry: Local poultry prices remain firm on the back of a weak exchange rate and elevated global prices. Being an affordable meat protein, poultry is also likely to benefit from increased demand in favour of higher-priced meat protein products such as red meat.

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Beef market trends

International beef market.

Dry conditions in the US have led to large-scale herd liquidation over the past seasons. This has supported the increasing price trends as shown in the table below. Given a smaller herd, lower supply is likely to remain supportive of prices over the medium term.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	AMIE carcass import parity price for beef trimmings (R/kg)
Price	18.63	11.51	494.52	No trade
w/w	1.6%	1.3%	20.5%	-%
m/m	-5.6%	-3.1%	36.1%	-%
y/y	17.9%	15.6%	22.6%	-%

Local beef market

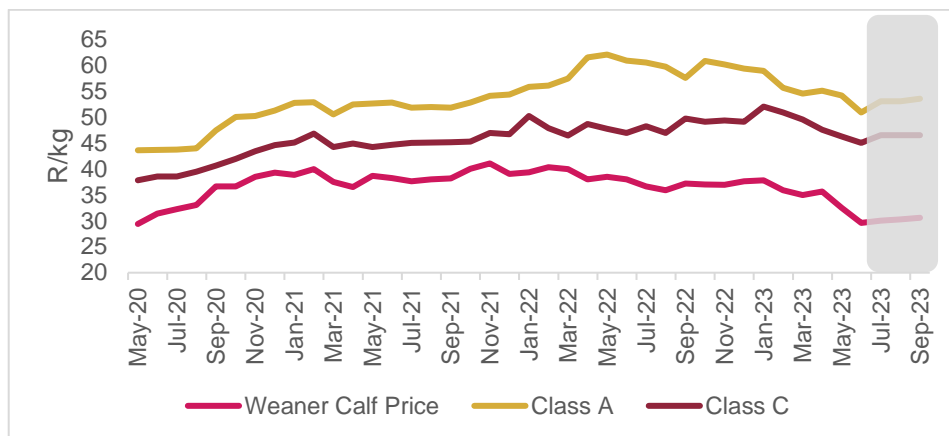
Despite a reprieve in load-shedding intensity in June, demand for red meat remains soft and carcass prices continued on its downward trend apparent since the start of the year. This is likely the effect of increased pressure on consumers' disposable income from food, fuel, and interest rate costs. Higher municipal electricity prices are also likely to add a further blow to consumers' disposable income. Weaner calf prices, in turn, have shown some recovery in the last week of June. We sense that this is due to resistance from producers to sell at levels below R30.00 per kg.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	50.50	45.2	50.94	29.86
w/w	-0.8%	1.0%	-0.8%	0.1%
m/m	-4.9%	-0.9%	-4.9%	-2.2%
y/y	-16.3%	-2.2%	-16.3%	-19.1%

Outlook

Given lower levels of load shedding we do expect some scope for recovery in red meat prices. This is also likely to filter through to weaner calf prices. Here, the extent to which calf prices can increase will largely be determined by grain price trajectories over the coming months.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheepmeat market

Exports from Oceania are taking strain on softer Chinese and European demand. Pressures on export prices have eroded processor margins in New Zealand and Australia and there are likely to be cutbacks in slaughtering over the coming weeks.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ lamb (R/kg)
Price	11.51	7.68	4.33	88.42
w/w	-0.6%	0.7%	-1.1%	1.0%
m/m	-3.1%	1.3%	11.0%	-1.9%
y/y	9.1%	-16.3%	-28.8%	-8.7%

Local sheepmeat market

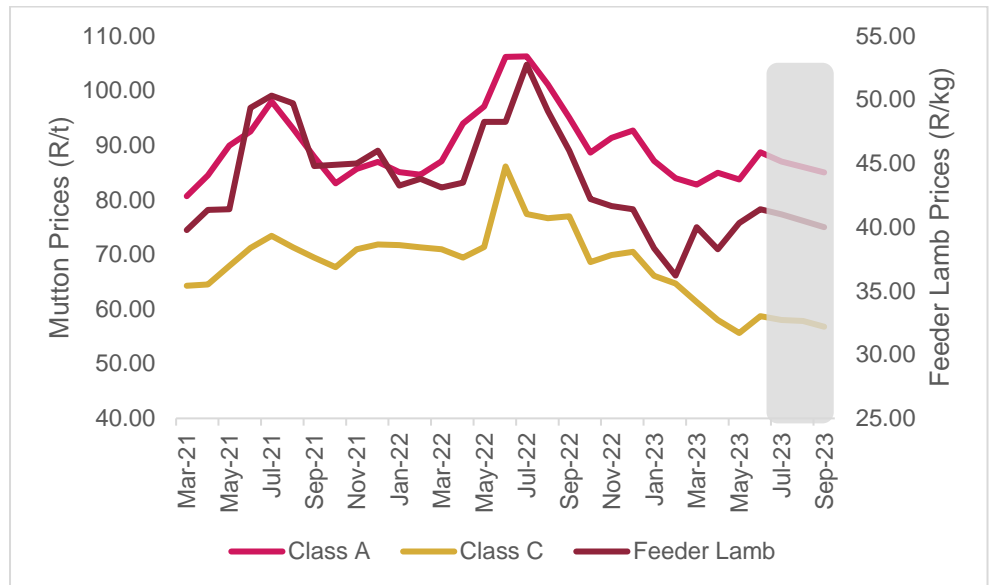
Local lamb and mutton carcass prices have started to pick up over the past month. Higher prices are usually associated with winter months but the trend has been more muted in comparison to previous years, especially for lamb. Feeder lamb prices are also higher on the back of firming demand and seasonal price dynamics.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	88.10	61.57	41.93	44.60	44.67
w/w	0.0%	5.2%	7.3%	-12.3%	-21.2%
m/m	1.3%	6.7%	-0.9%	28.1%	-24.6%
y/y	-13.8%	-21.5%	-16.9%	7.0%	-9.4%

Outlook

Based on seasonal trends, prices are expected to peak in the coming weeks to start on a downward trend towards August.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

Lower slaughter numbers and lighter hog weights in the US have contributed to an increasing price trend over the past month. Prices are however still lower compared to levels in the corresponding time last year. Analysts note that price could remain firm as supplies contract.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	18.63	93.72	67.9	39.03
w/w	1.6%	5.7%	13.9%	3.7%
m/m	-5.6%	14.2%	14.7%	1.7%
y/y	17.9%	-14.6%	-10.8%	2.8%

Local pork market

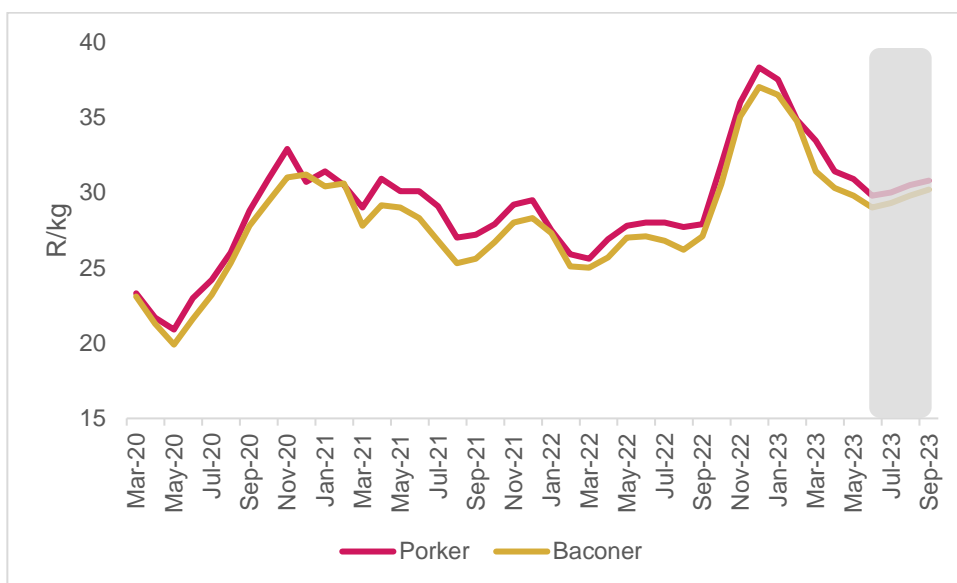
Porker prices continued on a downward trend pressured by lower beef prices over the past weeks. Differentials between pork and chicken prices, in turn, continue to shrink as poultry prices are increasing and pork prices following a downward trend. In this regard, in 2022, we saw that when pork prices dipped below chicken prices, there was an associated demand shift with numerous consumers opting to buy more affordable pork. Given this, further significant decreases in pork prices could be limited by the price dynamics in poultry markets.

	Porker (R/kg)	Baconer (R/kg)
Price	29.19	28.83
w/w	-3.4%	0.3%
m/m	-6.8%	-6.8%
y/y	5.1%	6.3%

Outlook

Pork prices are expected to increase slightly as poultry prices firm due to higher poultry prices. The modest rate of increase is attributable to ongoing consumer pressures that are likely to limit the potential for notable increases in red meat.

Figure 3: Local porker and baconer prices



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Poultry market trends

International poultry markets

Disease outbreaks remain a concern for poultry markets and trade around the globe. Brazil which is a major exporter of poultry has experienced HPAI in wild birds. Should this spread to their poultry flock it could have major implications for global poultry trade.

	R/USD	US MDM fresh (USD/lb.)	AMIE EU leg quarters (R/kg)
Price	18.63	30.92	No Trade
w/w	1.6%	2.5%	-%
m/m	-5.6%	1.1%	-%
y/y	17.9%	-13.3%	-%

Local poultry market

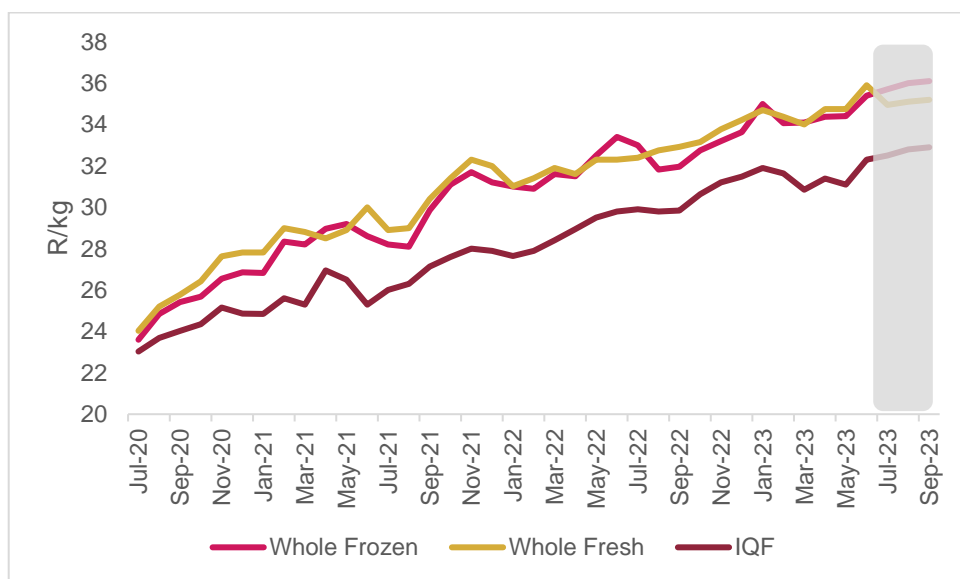
Local poultry prices remain firm on the back of a weak exchange rate and elevated global prices. Being an affordable meat protein, poultry is also likely to benefit from increased demand in favour of higher-priced meat protein products such as red meat.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	35.43	35.92	32.40
w/w	1.3%	1.3%	1.8%
m/m	2.9%	3.4%	4.1%
y/y	5.3%	6.2%	11.3%

Outlook

Higher global poultry product prices combined with a weaker exchange rate are expected to support local poultry prices. This is likely to also support local prices over the coming months.

Figure 4: Local chicken prices



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