



Retail and Business Banking
Sector Economics
09 October 2023



Agri Trends: Livestock Report

The effect of Avian Influenza and veld fires likely to affect market prospects well into 2024.

Beef: Given lower levels of load shedding and the decreased supply of poultry, we expect red meat prices to increase over the next few weeks and as demand increases with the approaching festive season. This could however be offset by increased marketing of animals due to a reduction in pasture that could increase the number of animals marketed

Mutton: As with beef, increased festive season demand could support prices over the coming months. Mounting pressure on consumers which includes higher petrol prices and high interest rates could however cause this upward seasonal trend to be more modest than in previous years.

Pork: Local pork prices increased by 17.1% and 18.3% month-on-month for porkers and baconers respectively. The load-shedding reprieve as well as increased poultry prices is likely driving strong demand for pork prices in South Africa.

Poultry: Seasonal patterns typically indicate heightened demand during this time of year, often resulting in higher poultry prices. The restricted supply this season, along with increased demand, poses an upward price risk. Additionally, the combination of elevated global poultry product prices and a weaker exchange rate is anticipated to bolster local poultry prices. The outcome of the decision to give a rebate on poultry meat imports could also be a key determinant in giving prices direction as we enter 2024.

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Beef market trends

International beef market.

In September, consumer confidence in the US fell for the second consecutive month weighed by rising prices and elevated interest rates. Persistent worries about higher prices for food and credit have raised recession fears. The willingness to pay for more expensive cuts of meat has decreased weighing on prices. Brazil's live cattle exports increased by 220% over the previous year. This can be attributed to an increase in shipments to the Middle East, particularly to Turkey, which is anticipating a twofold increase in live cattle imports due to high prices for meat and dairy products caused by low cattle stocks.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	AMIE carcass import parity price for beef trimmings (R/kg)
Price	19.46	11.45	391.7	No trade
w/w	3.3%	2.4%	-2.9%	-%
m/m	3.7%	2.0%	-7.0%	-%
y/y	8.7%	13.2%	14.7%	-%

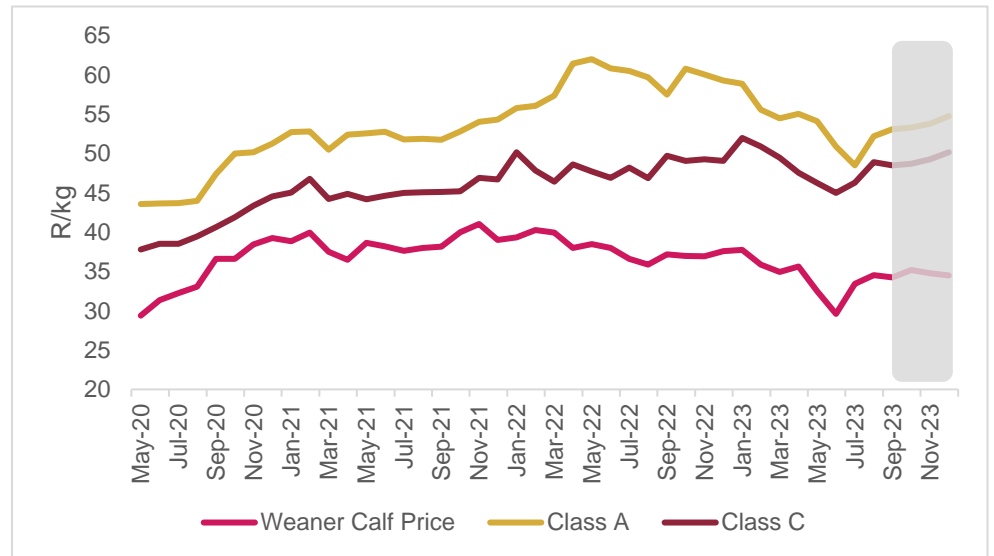
Local beef market

Class A carcass prices traded sideways over the previous month while Class C carcass prices increased by 1.4%. The reprieve in load-shedding intensity over the past weeks as well as the lower supply of poultry have led to increased demand for Class C beef. Weaner calf prices decreased both week on week and month on month by 1.8% and 4.3% respectively due to lower demand reflected by lower slaughter numbers. Ongoing veld fires are also likely to weigh on livestock prices as more animals are marketed due to the lower availability of pasture.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	53.4	47.2	53.8	33.4
w/w	0.8%	2.5%	2.5%	-1.8%
m/m	0.4%	1.4%	2.7%	-4.3%
y/y	-12.3%	-2.7%	-14.2%	-11.3%

Outlook

Given lower levels of load shedding and the decreased supply of poultry, we expect red meat prices to increase over the next few weeks and as demand increases with the approaching festive season. This could however be offset by increased marketing of animals due to a reduction in pasture that could increase the number of animals marketed.

Figure 1: Local beef and weaner calf prices


*The area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheepmeat market

In August and September, Australia recorded record lamb exports. Analysts note that market conditions in key export destinations such as the UK are improving whilst trading circumstances remain challenging in the USA and China. In the case of the US, high interest rates are likely weighing on pricing prospects for lamb whilst a general economic slowdown in China will likely curb demand over the medium term.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ lamb (R/kg)
Price	11.45	7.0	3.25	80.13
w/w	2.4%	0.0%	0.0%	2.4%
m/m	2.0%	1.0%	0.6%	3.0%
y/y	13.2%	-26.7%	-47.0%	17.0%

Local sheepmeat market

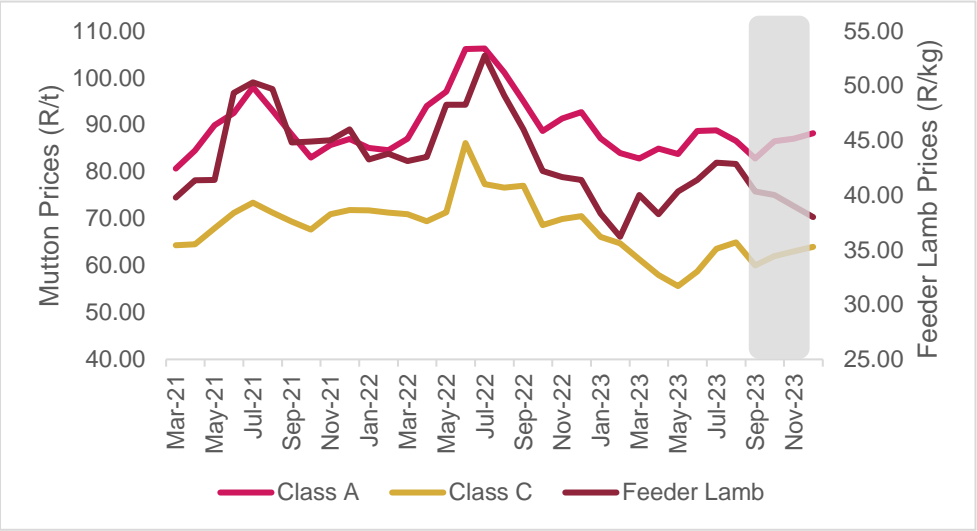
Both slaughter lamb and mutton prices remain under pressure month on month. Slaughter lamb prices were 6.1% lower compared to a month ago while Class A2/A3 and Class C mutton decreased by 2.4% and 4.8% respectively. Prices are under pressure as a result of soft demand and a seasonal increase in supply.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	83.0	59.5	39.82	36.43	45.19
w/w	-0.4%	1.3%	5.1%	1.9%	-0.5%
m/m	-2.4%	-4.8%	-6.1%	-5.1%	0.6%
y/y	-7.2%	-20.1%	-6.3%	21.4%	-1.1%

Outlook

As with beef, increased festive season demand could support prices over the coming months. Mounting pressure on consumers which includes higher petrol prices and high interest rates could however cause this upward seasonal trend to be more modest than in previous years.

Figure 2: Local sheep and feeder lamb prices



*The area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

The U.S. pork carcass price traded sideways week-on-week, but it saw a 4.5% increase on a month-on-month basis. Prices are still below levels seen in the corresponding time last year due to weak import demand from key importing regions such as China.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	19.46	97.3	55.6	42.3
w/w	3.3%	-0.7%	0.0%	-29.9%
m/m	3.7%	4.5%	-0.4%	2.8%
y/y	8.7%	-1.0%	-	-8.8%

Local pork market

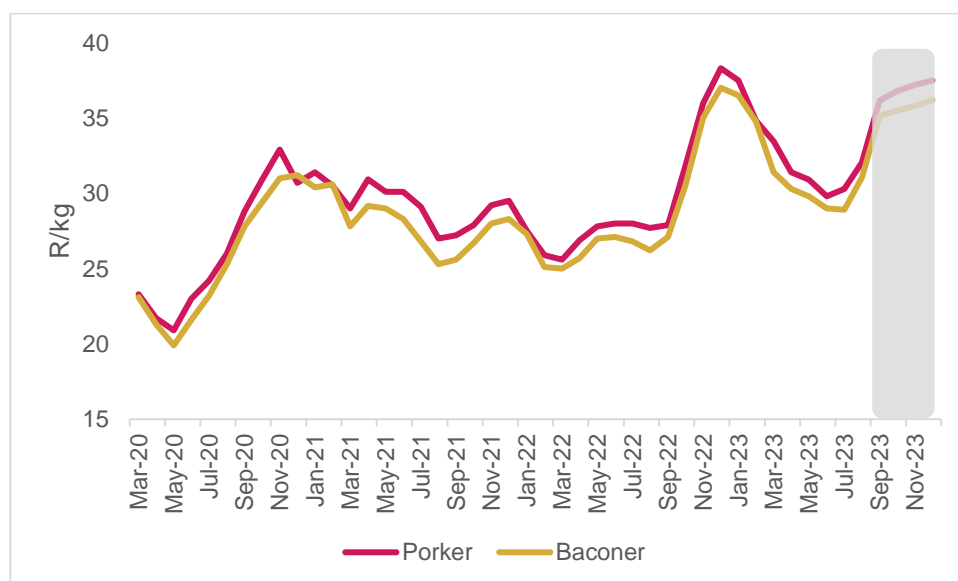
Local pork prices increased by 17.1% and 18.3% month-on-month for porkers and baconers respectively. The load-shedding reprieve as well as increased poultry prices is likely driving strong demand for pork prices in South Africa.

	Porker (R/kg)	Baconer (R/kg)
Price	35.02	34.35
w/w	1.1%	4.7%
m/m	17.1%	18.3%
y/y	28.7%	27.9%

Outlook

Pork prices are expected to increase slightly on the back of an expected lift in both beef and poultry prices. Seasonal demand is also likely to support prices as we approach the festive season.

Figure 3: Local porker and baconer prices



*The area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry markets

The FAO food price index notes that poultry prices are under pressure as ample supplies from especially Brazil, are setting the supply constraints due to bird flu, that have plagued numerous key production regions since 2022. Although there are no reports of avian influenza in the Brazilian poultry flock, it remains a major risk that can push global prices higher over the coming months.

	R/USD	US MDM fresh (USD/lb.)	AMIE EU leg quarters (R/kg)
Price	19.46	-	No Trade
w/w	3.3%	-	-
m/m	3.7%	-	-
y/y	8.7%	-	-

Local poultry market

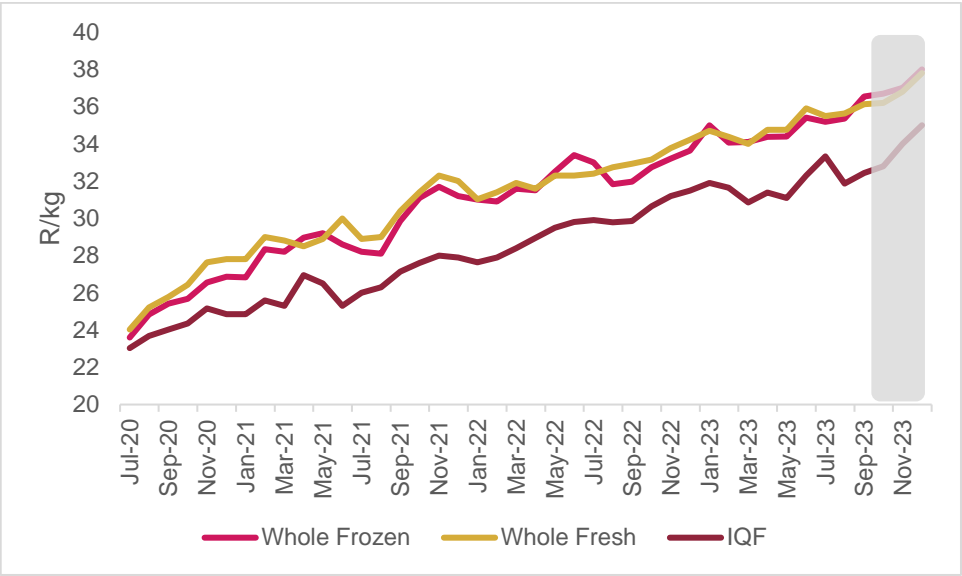
Namibia has taken the precautionary measure of suspending the import of live poultry, birds, and poultry products from South Africa until further notice due to the spread of highly pathogenic avian influenza (HPAI). Local prices have traded sideways week on week. Prices were mixed month on month, but notably high year on year. Fresh whole bird prices traded sideways month on month and increased by 9.4% year on year. Although the brunt of the H6N7 Avian Influenza outbreak was borne by the layer industry, various integrated broiler companies did report outbreaks amongst their breeding flock which is expected to result in a reduction of poultry meat supply of between 10%-30% over the coming months. Current frozen stock levels could, to some extent, compensate for this reduction. The Department of Trade and Industry is also evaluating the merit of a rebate on anti-dumping tariffs to shield consumers against rapid price increases in poultry meat.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	36.14	35.73	32.57
w/w	0.9%	-0.8%	0.7%
m/m	-1.5%	-0.6%	1.4%
y/y	13.0%	9.4%	9.3%

Outlook

Seasonal patterns typically indicate heightened demand during this time of year, often resulting in higher poultry prices. The restricted supply this season, along with increased demand, poses an upward price risk. Additionally, the combination of elevated global poultry product prices and a weaker exchange rate is anticipated to bolster local poultry prices. The outcome of the decision to give a rebate on poultry meat imports could also be a key determinant in giving prices direction as we enter 2024.

Figure 4: Local chicken prices



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