



Agri Trends: Livestock Report

Demand is expected to support prices as we approach the festive season

Beef: The U.S. beef production is expected to fall for the remainder of 2023 putting pressure on global prices. Given that the U.S. plays a significant role in the global beef market, its declining production has notable effects on the overall global price dynamics. Local beef prices moved sideways month-on-month due to slightly higher demand coupled with increased slaughter numbers. Weaner calf prices increased by 4.1% compared to a month ago. 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.

Mutton: Australian sheep oversupply continues to push prices lower and disrupt export markets. The global economic downturn has led to soft demand for higher-priced meat cuts leaving major importing countries such as China with multiyear highs of frozen sheepmeat stocks. Both slaughter lamb and mutton prices improved slightly month-on-month, increasing by 1.9% and 1.4% respectively due to an uptick in pre-festive season demand. Prices however remain under pressure compared to a year ago as a result of low consumer demand. Additional price pressure is due to high competition in the export market as a result of Australia scrambling for alternative export markets such as the Middle East which is South Africa's major export market.

Pork: Global pig meat prices have eased for the third consecutive month underpinned by low import demand from some Asian countries. The US pork carcass price decreased by 11.5% month on month and by 12.5% compared to a year ago. Local pork prices increased by 3% month-on-month. Firmer pork prices are supported by an increase in demand as consumers turn to more affordable sources of meat protein. Historical price trends suggest that pork prices follow an upward trajectory throughout the fourth quarter of the year to peak in December.

Poultry: The high pathogenicity avian influenza (HPAI) situation is unique to South Africa with several American and European countries currently facing outbreaks of the H5N1 strain. As a result, global poultry meat prices have experienced a slight rebound. Local prices have traded sideways week on week but were higher compared to a month ago. Industry analysts have suggested that the number of reported outbreaks has significantly decreased. We expect prices to remain firm over the coming months underpinned by pressured chicken domestic supply coupled with firm festive season demand.

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Beef market trends

International beef market.

U.S. beef production is expected to fall for the remainder of 2023 putting pressure on global prices. The average U.S. cattle weight deteriorated towards the latter months of 2023 due to producer losses derived largely from high feed costs and drought. Given that the U.S. plays a significant role in the global beef market, its declining production has notable effects on the overall global price dynamics. U.S. beef carcass prices increased by 3.4% compared to a month ago and were 15.4% higher year on year, reflecting the robust import demand by the U.S. Gaps in supply are being filled by Australia and New Zealand, as their production grows throughout the year.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	AMIE carcass import parity price for beef trimmings (R/kg)
Price	18.44	10.95	405.0	No trade
w/w	-2.4%	2.0%	2.0%	-%
m/m	-5.2%	-4.4%	3.4%	-%
y/y	1.7%	3.4%	15.4%	-%

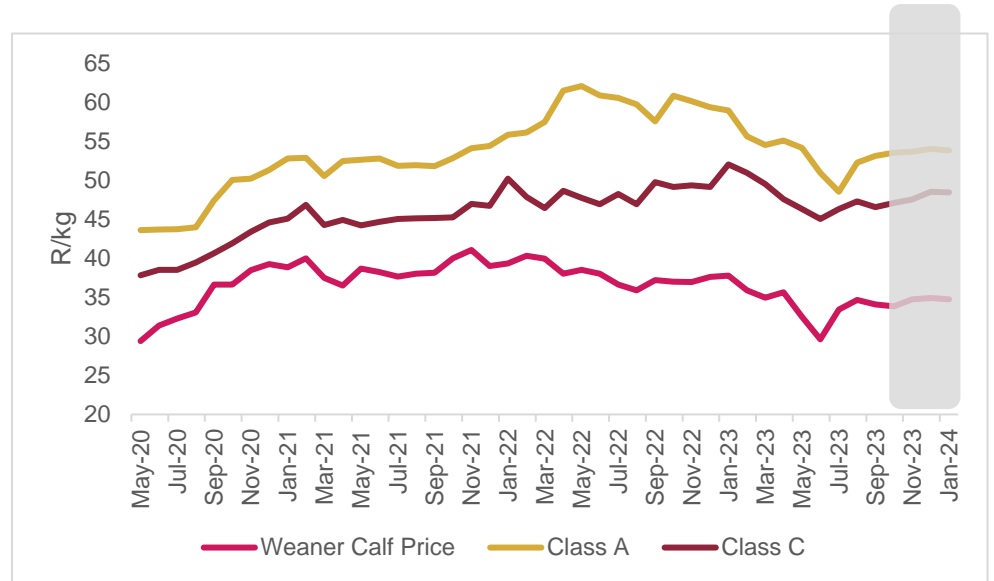
Local beef market

Class A carcass prices have moved in a band of R52.80 per kg and R53.60 per kg since the end of August while Class C carcass prices moved in a band of R46.10 per kg and R47.90 per kg. We attribute this month-on-month sideways price movement to slightly higher demand coupled with increased slaughter numbers. The higher slaughter numbers are also reflected in weaner calf prices increasing both weekly and monthly by 2.5% and 4.1% respectively. While the fire danger index remains high in certain key production areas of the country, this week has seen welcomed rains decreasing the risks of veld fires going forward.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	53.5	46.7	53.9	34.7
w/w	-0.1%	-2.6%	-0.1%	2.5%
m/m	0.3%	0.3%	0.3%	4.1%
y/y	-12.0%	-5.2%	-12.1%	-4.6%

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 early in 2024.

Figure 1: Local beef and weaner calf prices


*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheepmeat market

The global economic downturn has led to soft demand for higher-priced meat products such as lamb. Large exporters such as Australia heavily relied on China as a market for mutton exports however the recent downturn in prices due to oversupply has seen sheepmeat frozen stocks at multiyear highs in China. The soft global demand coupled with Australian sheep oversupply continues to push prices lower and disrupt export markets as relatively cheap Australian sheepmeat floods the market. As a result, both New Zealand lamb and ewe prices decreased notably compared to a month ago.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ lamb (R/kg)
Price	10.95	6.75	2.98	73.91
w/w	2.0%	-1.9%	-2.3%	0.1%
m/m	-4.4%	-3.6%	-8.3%	-7.8%
y/y	3.4%	-27.0%	-40.7%	-24.6%

Local sheepmeat market

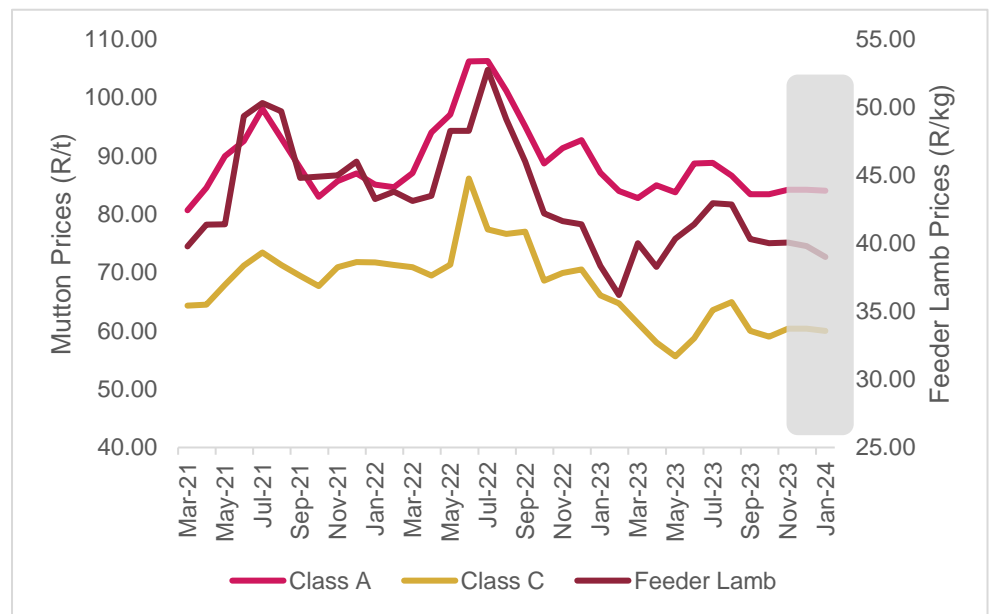
Both slaughter lamb and mutton prices improved slightly month-on-month, increasing by 1.9% and 1.4% respectively due to an uptick in pre-festive season demand. Prices are however lower than a year ago, when they breached R90.00 per kg from the first week of November and remained at these highs throughout the festive season. Local prices remain under pressure due to the pressured consumer and high competition in the export market as a result of Australia scrambling for alternative export markets such as the Middle East which is South Africa's major export market.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	84.2	60.4	40.1	34.3	44.5
w/w	0.4%	1.1%	-1.8%	-0.6%	0.0%
m/m	1.9%	1.4%	-2.3%	-5.9%	-1.6%
y/y	-4.2%	-14.2%	-5.1%	-34.1%	-22.7%

Outlook

Local carcass prices are likely to remain under pressure over the coming months, with the potential for modest increases as we enter the festive period. Pressures for consumers as a result of “higher for longer” interest rates, coupled with an oversupply of sheep meat on global markets present downward price risks. Historical seasonal price trends also suggest that post-festive season prices will come under pressure due to lower demand.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

The FAO food price index notes that global pig meat prices have eased for the third consecutive month underpinned by low import demand from some Asian countries with additional downward pressure arising from ample exportable supplies in some leading suppliers. The US pork carcass price decreased by 11.5% month on month and by 12.5% compared to a year ago.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	18.44	86.1	51.3	38.3
w/w	-2.4%	0.3%	-2.7%	-0.6%
m/m	-5.2%	-11.5%	-7.8%	-9.3%
y/y	1.7%	-12.5%	-7.1%	-19.4%

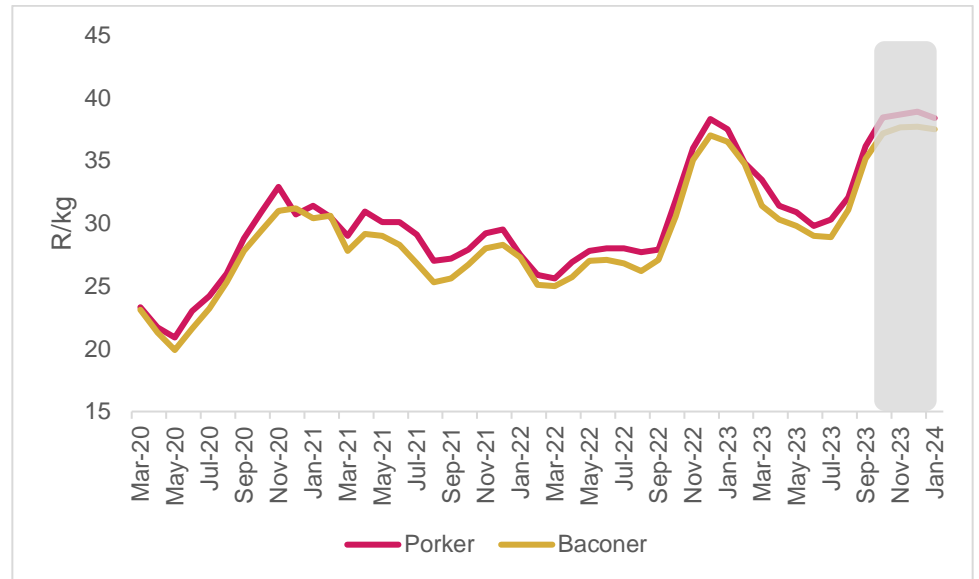
Local pork market

Local pork prices traded sideways week on week but increased by 3% month on month. Year on year porker and baconer prices increased by 18.9% and 18.0%, respectively. Firmer pork prices are supported by an increase in demand as consumers turn to more affordable sources of meat protein. Profitability as measured by the pork-to-maize ratio increased marginally as a result of higher pork prices and slightly lower yellow maize prices.

	Porker (R/kg)	Baconer (R/kg)
Price	38.7	37.6
w/w	-0.3%	1.4%
m/m	3.0%	3.1%
y/y	18.9%	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, as well as higher poultry prices, 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 2024. The extent to which this manifests will be determined by chicken price dynamics, with increasing prices posing an upward price risk for pork.

Figure 3: Local porker and baconer prices

*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry markets

The high pathogenicity avian influenza (HPAI) situation is unique to South Africa with several American and European countries currently facing outbreaks of the H5N1 strain. As a result, global poultry meat prices have experienced a slight rebound. This price increase comes amid strong consumer demand, driven by the comparatively affordable nature of poultry meat.

	R/USD	US MDM fresh (USD/lb.)	AMIE EU leg quarters (R/kg)
Price	18.44	-	No Trade
w/w	-2.4%	-	-%
m/m	-5.2%	-	-%
y/y	1.7%	-	-%

Local poultry market

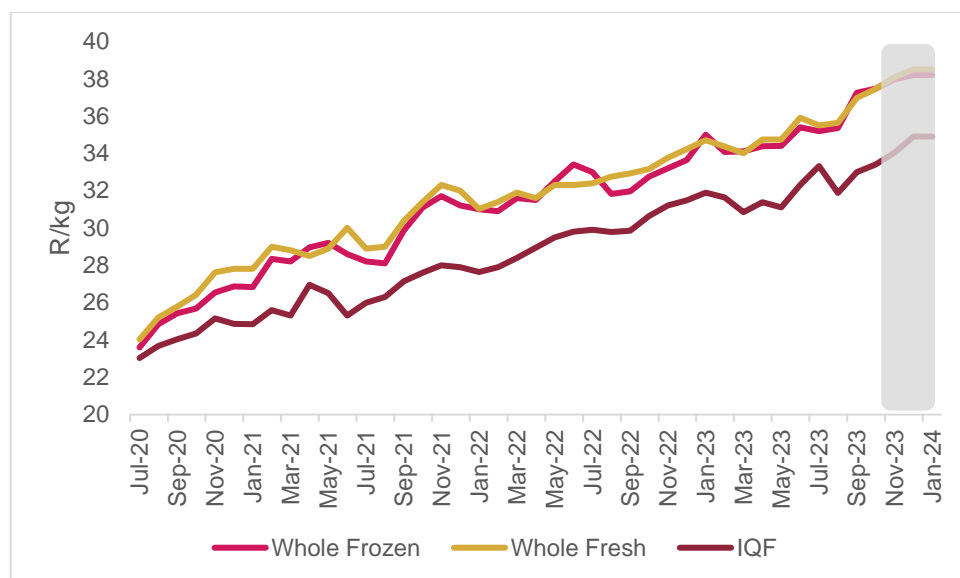
Local prices have traded sideways week on week but were higher compared to a month ago. Industry analysts have suggested that the poultry industry has seen a decrease in the number of reported outbreaks, reportedly peaking at the beginning of September. This positive development is attributed to rigorous chicken culling, with over 8 million chickens culled to date to control the outbreak. While the industry suffered immense bird losses, supply shortages are anticipated to be minimal due to high frozen chicken stocks and plans to rebuild the domestic chicken flock. Increased imports could also buffer the effect of bird losses. The financial losses incurred due to bird culling are significant, and it's worth noting that the poultry industry has not received any government support to offset these losses.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	37.97	38.1	34.0
w/w	0.0%	0.0%	0.0%
m/m	1.9%	3.0%	3.2%
y/y	15.6%	13.9%	10.4%

Outlook

We expect prices to remain firm over the coming months underpinned by pressured chicken domestic supply coupled with firm festive season demand. This could be further exacerbated by the weak exchange rate. While historical seasonal price trends suggest that chicken prices could trend lower as we enter the new year, however, supply is likely to remain under pressure as the industry recovers thus continuing to support prices.

Figure 4: Local chicken prices



*Area in grey represents Absa AgriBusiness forecasts