



Retail and Business Banking  
Sector Economics  
08 September 2023



## Agri Trends: Livestock Report

### Improved export prospects for South African beef

**Beef:** The South African beef industry has gained renewed access to China and the kingdom of Saudi Arabia export markets. Class A carcass prices increased by 2.8% over the previous month while Class C carcass prices only saw a 0.7% increase. The increases can be attributed to the decrease in load-shedding intensity over the past weeks, but the recent Stage 6 implementation could undo some of the gains related to this. Weaner calf prices increased by 2.4% week on week, but they were 4.5% lower compared the same time a month ago. Our view is that this points to firmer intermediate demand from feedlots on the back of an anticipated retail recovery as mentioned above, with additional support coming from the positive export prospects associated with Saudi Arabia and China opening.

**Mutton:** Analysts maintain that global economic conditions as well as seasonal conditions indicate little hope for lamb or mutton price increase support over the coming months. This notion is supported by strained global demand as a result income pressures for consumers coupled with an oversupply of sheep meat on global markets. Both slaughter lamb and mutton prices are under pressure. With slaughter lamb prices 1.6% lower compared to a month ago while Class A2/A3 and Class C mutton decreased by 3.7% and 2.4% respectively.

**Pork:** US pork prices are on the decline after they peaked in July. The US pork carcass price was down 7.7% week on week and 17.5% month on month. Local pork prices showed double-digit increases month on month, increasing by 17.1% and 18.3% for porkers and baconers respectively. Pork prices are expected to increase slightly on the back of an expected lift in red meat prices.

**Poultry:** Local prices have traded sideways over the last weeks. More provinces have reported bird flu outbreaks over the past weeks. This, as well as increased loadshedding present supply side constraints and upside price risks however income pressures for consumers as well as the depreciating rand leave limited room for price increases over the coming weeks

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## Beef market trends

### International beef market.

The US beef cow herd fell to a 52-year low in July as a result of drought conditions over multiple seasons. Compared to a year ago, U.S beef carcass price was 15% higher, while lower demand in most parts of the world as well as large volumes in Australia are causing diverging price trends.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	AMIE carcass import parity price for beef trimmings (R/kg)
Price	18.76	11.00	418.8	No trade
w/w	0.6%	-2.6%	-1.2%	-%
m/m	3.5%	-3.3%	-0.3%	-%
y/y	10.9%	6.0%	15.2%	-%

### Local beef market

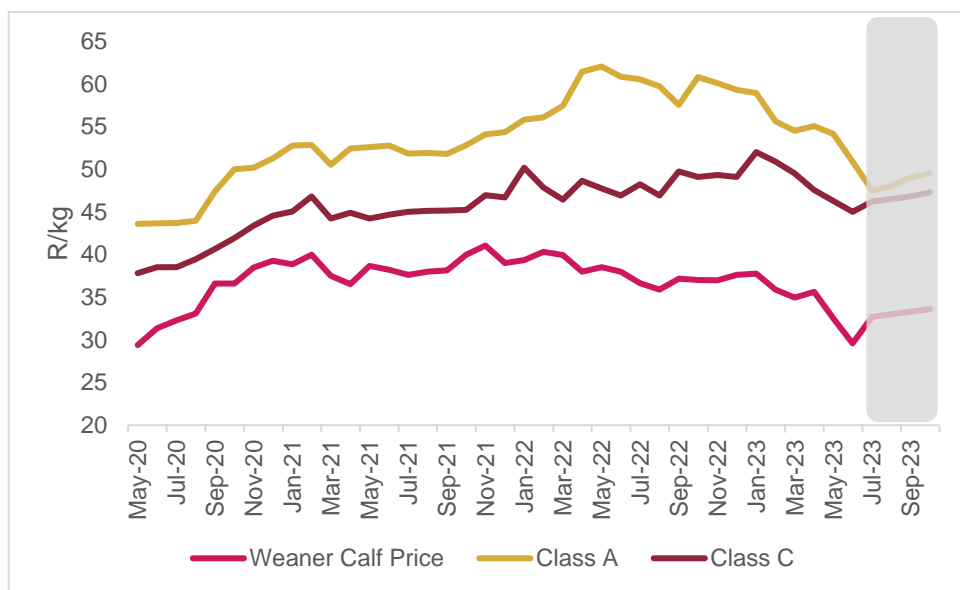
The South African beef industry has gained renewed access to China and the kingdom of Saudi Arabia export markets. This bodes well for local beef production and prices. Class A and Class C carcass prices increased both week on week for the week ending September 1, and month on month. Class A carcass prices increased by 2.8% over the previous month while Class C carcass prices only saw a 0.7% increase. These increases can be attributed to the decreases in the load-shedding intensity seen over the past few weeks. This picture is expected to change due to the recent dramatic escalation in load-shedding. Weaner calf prices increased by 2.4% week on week, but they were 4.5% lower compared the same time a month ago. Profitability as measured by the beef to maize ratio stood at 14.5 at the end of August firming by 6.2% month on month and by 9.2% compared to the corresponding time last year.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	52.8	46.7	53.2	34.9
w/w	2.6%	1.3%	2.5%	2.4%
m/m	2.8%	0.7%	2.7%	-4.5%
y/y	-14.1%	-2.01%	-14.2%	-5.2%

### Outlook

The increasing bouts of loadshedding present a downside price risk, however the improved trade prospects on the back of the renewed export opportunities will offer some price support. Prices are therefore expected to follow a modest increasing price trends on the back of the improved export prospects. Loadshedding might dampen the effect.

Figure 1: Local beef and weaner calf prices



\*Area in grey represents Absa AgriBusiness forecasts

## Sheep market trends

### International sheepmeat market

Analysts maintain that global economic conditions as well as seasonal conditions indicate little hope for lamb or mutton price increase support over the coming months. This notion is supported by strained global demand as a result income pressures for consumers coupled with an oversupply of sheep meat on global markets. Big market players, Australia and New Zealand have an oversupply of sheep. In Australia, retail prices remain elevated despite the decreased demand and thus causing a backlog in market.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ lamb (R/kg)
Price	11.00	6.90	3.23	75.84
w/w	-2.6%	0.0%	0.0%	-2.6%
m/m	-3.3%	-2.1%	-4.4%	1.1%
y/y	6.0%	-25.6%	-46.9%	-21.2%

### Local sheepmeat market

Both slaughter lamb and mutton prices remain under pressure. With slaughter lamb prices 1.6% lower compared to a month ago while Class A2/A3 and Class C mutton decreased by 3.7% and 2.4% respectively. This is largely due to the subdued demand.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	84.4	63.1	42.1	43.4	35.28
w/w	-1.0%	0.0%	-2.8%	13.6%	-12.7%

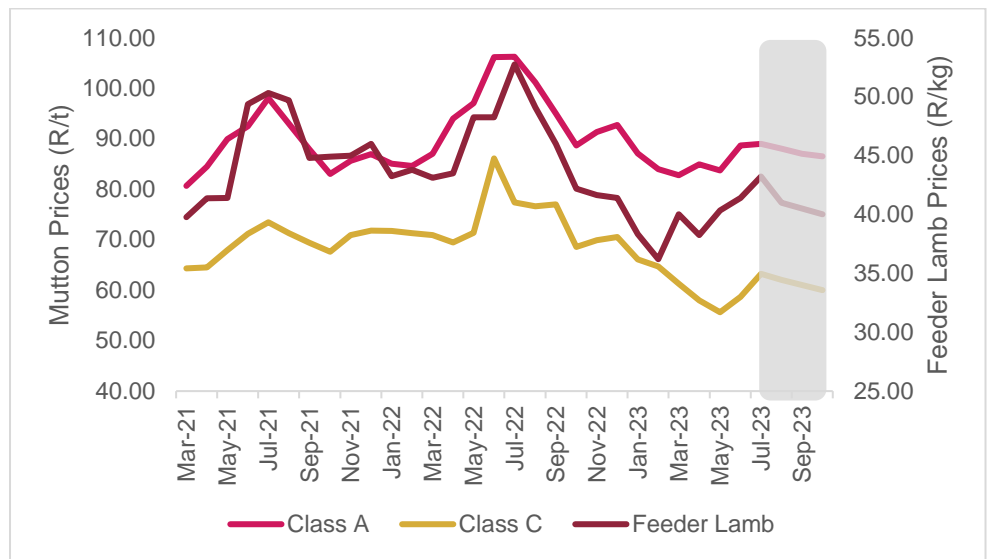
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m/m	-3.7%	-2.4%	-1.6%	-10.5%	-26.5%
y/y	-15.3%	-17.0%	-13.6%	28.6%	-32.8%

### Outlook

Lamb and mutton prices are expected to follow a modest downward trend over the coming weeks due to lower consumer demand. Prices could pick up towards the outer part of the outlook period as we approach the festive season. The interest rate cut in China however presents some price support globally

**Figure 2: Local sheep and feeder lamb prices**



\*Area in grey represents Absa AgriBusiness forecasts

## Pork market trends

### International pork market

US pork prices are on the decline after they peaked in July. The seasonal trend is for lower prices each month after the annual peak, until the end of the year. The US pork carcass price was down 7.7% week on week and 17.5% month on month.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	18.76	93.11	45.0	41.1
w/w	0.6%	-7.7%	-7.2%	2.6%
m/m	3.5%	-17.5%	-13.8%	-11.2%
y/y	10.9%	-8.7%	-1.1%	-6.4%

### Local pork market

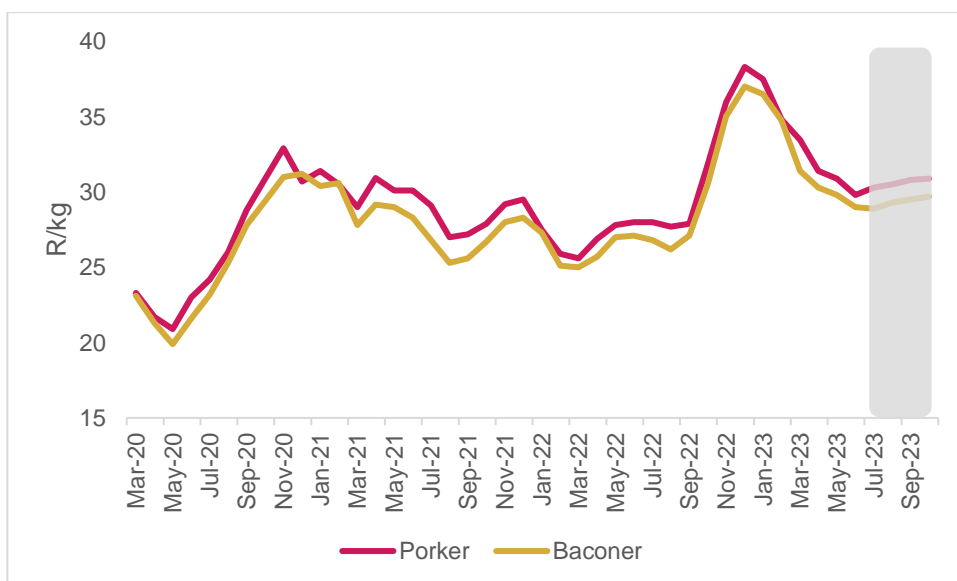
Local pork prices showed double-digit increases month on month, increasing by 17.1% and 18.3% for porkers and baconers respectively. The loadshedding reprieve from the start of June likely led to an increase in demand however the reimplementing of stage 6 loadshedding presents downside risk for prices, depending on how long it lasts.

	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 red meat prices. With the growth in poultry prices expected to lose momentum, the scope for dramatic shifts in pork prices however seems unlikely.

Figure 3: Local porker and baconer prices



\*Area in grey represents Absa AgriBusiness forecasts

## Poultry market trends

### International poultry markets

The continued shortage of red meat in U.S has presented some price support on fresh chicken with prices increasing by over 20% compared to a month ago. Globally, the easing Avian flu cases as well as lower feed costs have resulted in prices following a modest downward trend.

	R/USD	US MDM fresh (USD/lb.)	AMIE EU leg quarters (R/kg)
Price	18.76	35.29	No Trade
w/w	0.6%	2.6%	-%
m/m	3.5%	21.4%	-%
y/y	10.9%	1.6%	-%

### Local poultry market

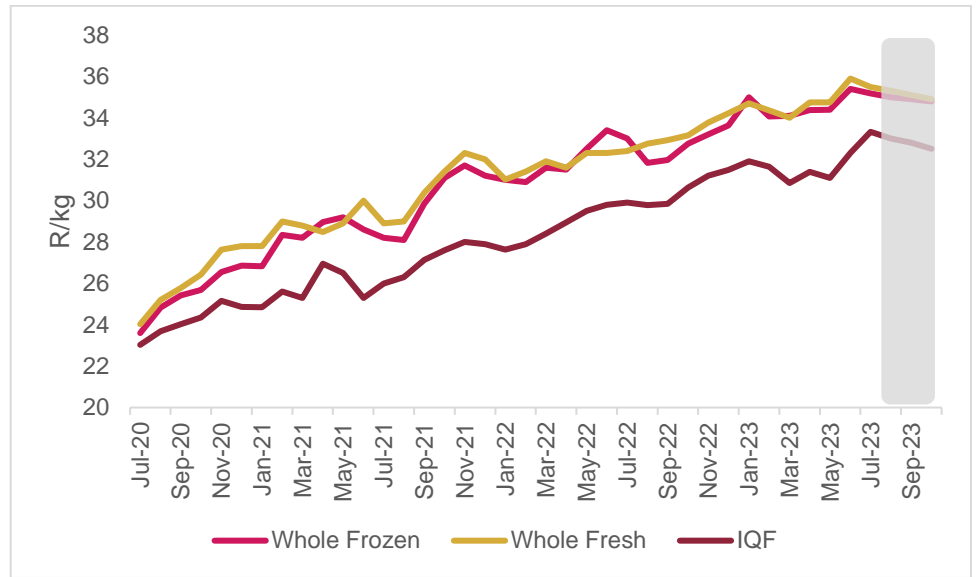
Local prices have traded sideways week on week. IQF prices did however record a 5.8% decline over the past month due to an increase supply of IQF in the market. More provinces have reported bird flu outbreaks over the past weeks lowering supply.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	35.56	35.94	31.31
w/w	0.0%	0.0%	0.0%
m/m	1.0%	1.1%	-5.8%
y/y	11.7%	10.3%	5.9%

### Outlook

The increase in Avian influenza outbreaks as well as increased loadshedding present supply side constraints and upside price risks. This, coupled with the prevalent income pressures for consumers exacerbated by the recent petrol hike by R1.71/l this week as well as the depreciating rand leave limited room for price increases over the coming weeks. Prices are expected to continue trading sideways.

Figure 4: Local chicken prices



\*Area in grey represents Absa AgriBusiness forecasts