



Retail and Business Banking  
Sector Economics  
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## Agri Trends: Livestock Report

### Recovery in calf prices could serve as a leading indicator for upward scope in retail prices for red meat

**Beef:** Class A carcass prices continue to remain under pressure, although weekly price declines lost momentum and could signal that this market is approaching a turning point. Over the past months, load shedding and higher interest rates were key factors that impacted retail demand negatively. With a decrease in load-shedding intensity, there seems room for upward price scope over the coming weeks. Weaner calf prices, in turn, have recovered notably from the lows apparent at the start of June. Our view is that this points to firmer intermediate demand from feedlots on the back of an anticipated retail recovery as mentioned above. This is likely also due to seasonal factors related to the utilization of crop residues after the summer crop harvests.

**Mutton:** Lamb carcass prices continue to be under pressure whilst mutton prices showed notable price recovery over the past week and month. Price increases over the past month are also apparent in feeder lamb prices which usually trade at higher levels during winter months. Feeder lamb prices are however still 14.4% lower than the corresponding time last year. This suggests that local and export demand for both feeder and slaughter lambs are lower than usual for this time of the year.

**Pork:** Local prices recorded divergent trends, albeit marginal over the past week. There have however been double-digit increases from the lows experienced during the winter months last year. Intensive industries have benefited from the reprieve in load shedding apparent from the start of June. This has likely resulted in improved demand and a slight ease in costs throughout the chain.

**Poultry:** Local prices have traded sideways over the last weeks. IQF prices did however record a modest decline over the past month on the back of a firmer ZAR. It is expected that this, combined with lower trending feed, will provide some downward scope for prices over the weeks to come.

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## Beef market trends

### International beef market.

Large volumes of Australian beef are disrupting global markets, especially in China and the US. Within this context, Australia shipped nearly double their normal amount of beef for June into the US. Local volumes in the US markets are however tight due to the dry conditions apparent over the last few seasons which resulted in herd liquidation of which the lower slaughter numbers are now starting to drive US prices up.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	AMIE carcass import parity price for beef trimmings (R/kg)
Price	17.96	11.10	350.00	No trade
w/w	-0.4%	-3.4%	-3.2%	-%
m/m	-3.6%	-3.6%	-29.3%	-%
y/y	5.5%	5.2%	2.0%	-%

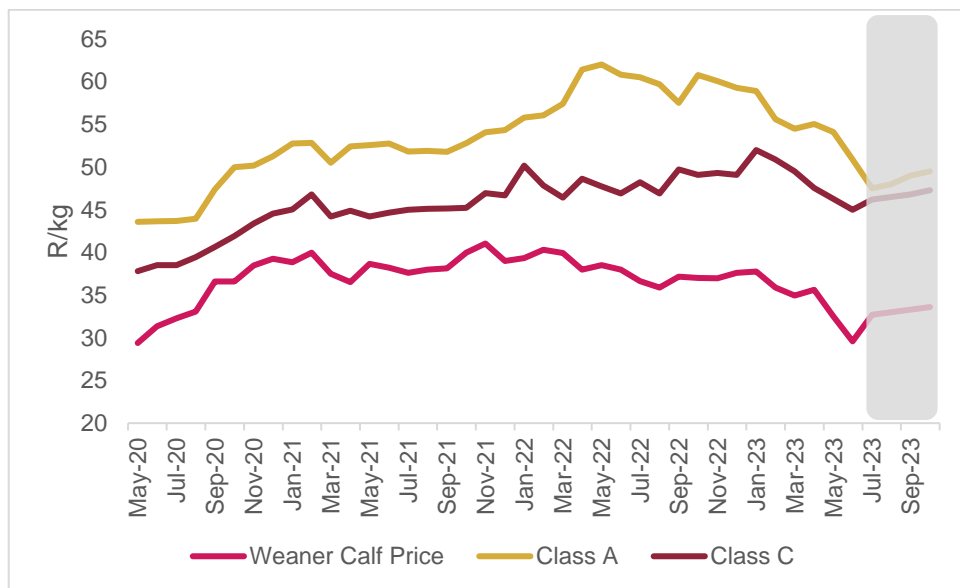
### Local beef market

Class A carcass prices continue to remain under pressure, although weekly price declines lost momentum and could signal that this market is approaching a turning point. Load shedding and higher interest rates were key factors that impacted retail demand negatively. With a decrease in load-shedding intensity, there seems room for upward scope over the coming weeks. Weaner calf prices, in turn, have recovered notably from the lows apparent at the start of June. Our view is that this points to firmer intermediate demand from feedlots on the back of an anticipated retail recovery as mentioned above. Calf prices are also likely to be firmer due to seasonal factors related to the utilization of crop residues after the summer crop harvests.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	47.60	46.4	48.06	33.37
w/w	0%	0%	1.4%	1.4%
m/m	-5.7%	2.7%	-5.7%	11.8%
y/y	-16.5%	-1.1%	-21.1%	-7.6%

### 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

Analysts are noting that global sheep meat prices remain under pressure due to soft demand. This is especially the case for sheep products out of Oceania. Here, lacklustre Chinese demand is continuing to weigh on export prices for this major exporting region.

	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

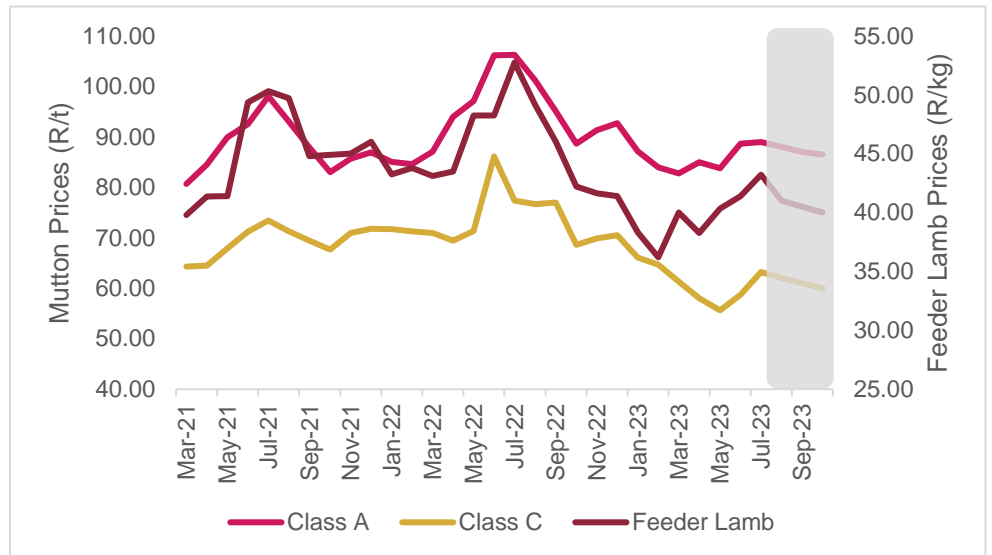
Slaughter lamb carcass prices continue to be under pressure whilst mutton prices showed notable price recovery over the past week and month. Price increases over the past month are also apparent in feeder lamb prices which usually trade at higher levels during winter months. Feeder lamb prices are however still 14.4% lower than the corresponding time last year. This suggests that local and export demand for both feeder and slaughter lambs are lower than usual for this time of the year.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	88.10	65.78	43.19	41.67	45.56
w/w	-2.2%	3.2%	0.4%	-0.4%	-5.1%
m/m	-0.1%	6.3%	3.0%	6.6%	2.0%
y/y	-13.8%	-16.6%	-14.4%	0.0%	-7.6%

### Outlook

Winter price peaks were less pronounced than in previous years, and as a result, lamb and mutton prices are expected to follow a modest downward trend over the coming weeks. With some upward scope in the price of beef, as we approach the last quarter of the year, these seasonal trends for lamb and mutton could be more muted than in previous years.

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



\*Area in grey represents Absa AgriBusiness forecasts

## Pork market trends

### International pork market

Prospects in pork markets around the globe are mixed. Analysts note that production in the US, Canada, Brazil, and China is increasing whilst the EU, the Philippines and Mexico are likely to experience a decreasing production trend. This could lead to alternate trade patterns and are also likely to result in some short-term diverging price trends in key global markets.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	17.96	112.80	56.7	46.30
w/w	-0.4%	2.0%	-12.4%	0.8%
m/m	-3.6%	20.4%	-16.5%	18.6%
y/y	5.5%	-8.1%	-25.8%	-1.6%

### Local pork market

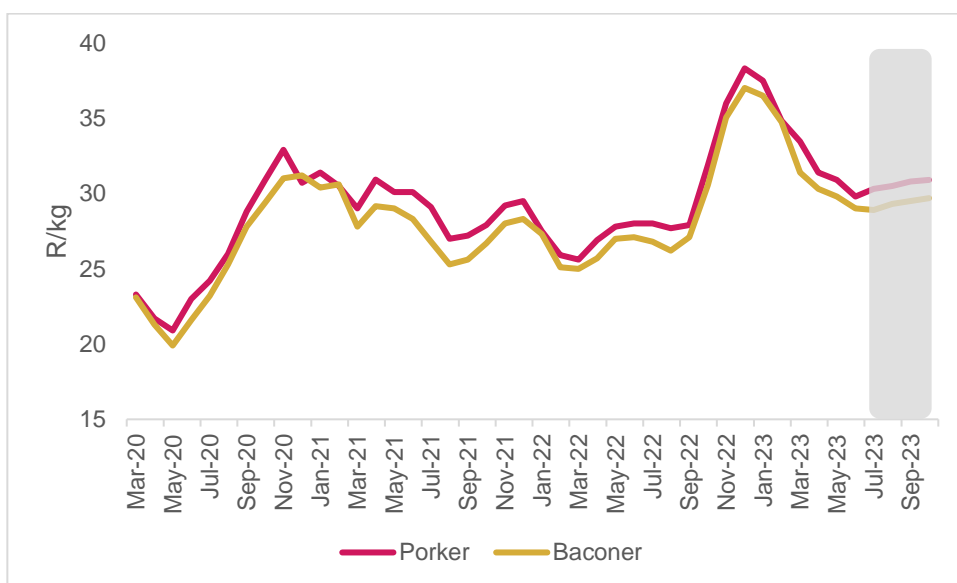
Local prices also recorded divergent trends, albeit marginal over the past week. There have however been double-digit increases from the lows experienced during the winter months last year. Intensive industries have also benefited from the reprieve in load shedding apparent from the start of June. This has likely resulted in improved demand and a slight ease in costs throughout the chain.

	Porker (R/kg)	Baconer (R/kg)
Price	29.90	29.04
w/w	-1.1%	0.9%
m/m	2.4%	0.7%
y/y	10.2%	12.8%

### 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

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## Poultry market trends

### International poultry markets

Global poultry prices are on a modest downward trend as disease issues in key production regions are easing and feed costs are coming down. Avian influenza however remains a risk to production and could see a price spike if widespread infections flare up again.

	R/USD	US MDM fresh (USD/lb.)	AMIE EU leg quarters (R/kg)
Price	17.96	29.13	No Trade
w/w	-0.3%	-2.9%	-%
m/m	-3.6%	-5.8%	-%
y/y	5.5%	-10.6%	-%

### Local poultry market

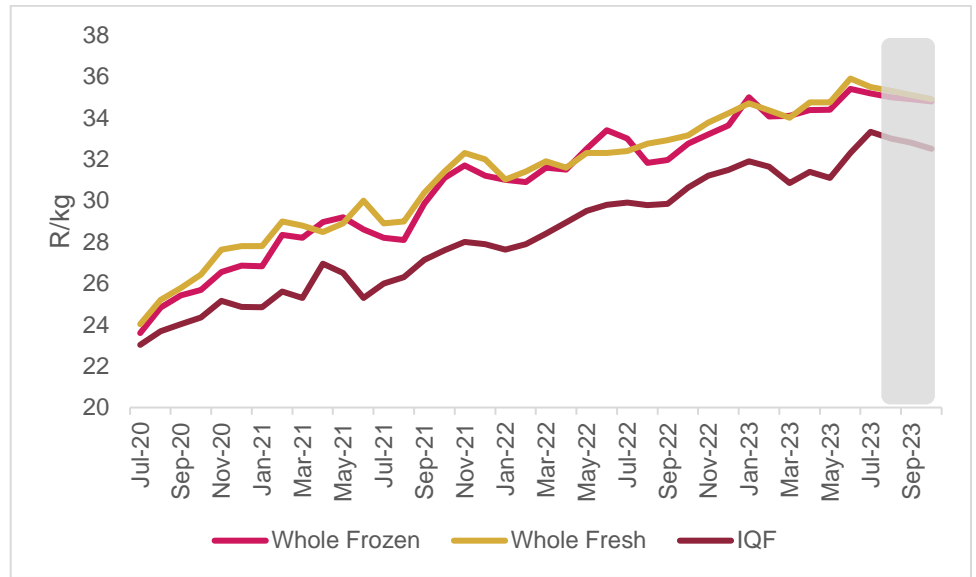
Local prices have traded sideways over the last weeks. IQF prices did however record a modest decline over the past month on the back of a firmer ZAR. It is expected this, combined with lower trending feed costs will provide some downward scope for prices over the weeks to come.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	35.20	35.47	33.62
w/w	0.1%	0.0%	1.1%
m/m	0.2%	1.0%	-1.3%
y/y	8.8%	8.9%	12.9%

### Outlook

As mentioned above, we expect some room for modest price declines over the coming weeks. This is underpinned by a stronger currency, decreasing global prices and lower feed costs. There are however risks associated with all the aforementioned factors, ranging from drought in the US, which would impact feed, to a weaker ZAR. This view presented here should therefore be seen with the possibility of upward price scope if risks materialise.

**Figure 4: Local chicken prices**



\*Area in grey represents Absa AgriBusiness forecasts