



Retail and Business Banking  
Sector Economics  
4 April 2023



## Agri Trends: Livestock Report

### Load-shedding and pressured consumers to remain the key factors shaping local livestock markets

**Beef:** Carcass prices have moved largely sideways as a result of stronger demand in the weeks leading up to Easter. Fundamentally, demand is however likely to remain under pressure as consumers are battling with the increased cost of living pressures and increasing interest rates. The recent 50 basis point hike is likely to further constrain consumers' ability to purchase high-value red meat cuts. This, combined with the effect of load-shedding, is changing consumption patterns within the red meat value chain, which is, in turn, adding to production cost pressures.

**Mutton:** Local lamb prices have improved slightly over the past week as demand firmed before Easter. Lamb and mutton carcass prices are however lower than a month and a year ago. This signals that demand is under pressure. Feeder lamb prices have, in turn, increased by more than 8% compared to a month ago as grain producers demand feeder lambs to utilise summer crop residues. Lamb prices are expected to benefit from a firm Middle Eastern market as currency dynamics make exports favourable and seasonal factors come into play towards June.

**Pork:** Following the red meat prices discussed above, local prices improved slightly week on week but continue their downward trend apparent since the start of the year if monthly metrics are concerned. Pork prices are limited by demand pressures in red meat markets but continue to be supported by prices holding firms in poultry markets.

**Poultry:** Muted price movements continue to be a feature of local poultry products over the past weeks. This is a symptom of severe cost pressures in the chain, which is countered by consumers' inability to absorb higher prices. The most notable pressures weighing on producers and processors are the increased frequency and intensity of load-shedding stages. This is limiting the capacity of the chain to process slaughter-ready birds and also adds to the cost of production due to the effect of extended feeding times.

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## Beef market trends

### International beef market.

Analysts note that the contraction in the beef herd in the US is likely to keep prices at elevated levels into 2025. Although the effect of increased global interest rates has not notably impacted beef demand in the US yet, some of the contraction in supply could be offset by softer demand over the coming months as higher interest rates start to bite. Lower global grain and oilseed prices are also good news for livestock producers around the globe.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	AMIE carcass import parity price for beef trimmings (R/kg)
Price	18.16	11.28	373.91	No trade
w/w	-0.8%	-2.6%	-4.4%	-%
m/m	-0.8%	-0.5%	0.8%	-%
y/y	24.9%	11.7%	-0.8%	-%

### Local beef market

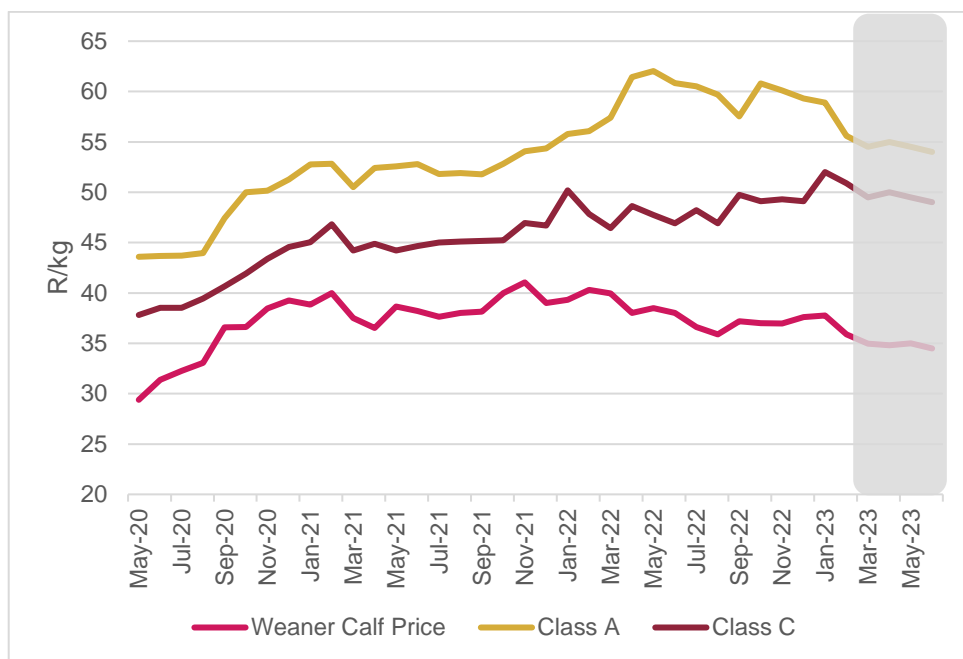
Carcass prices have moved largely sideways as a result of stronger demand in the weeks leading up to Easter. Fundamentally, demand however is likely to remain under pressure as consumers are battling with the increased cost of living pressures and increasing interest rates. The recent 50 basis point hike is likely to further constrain consumers' ability to purchase high-value red meat cuts. This, combined with the effect of load-shedding, is changing consumption patterns within the red meat value chain, which is, in turn, adding to production cost pressures.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	54.5	47.6	54.5	35.45
w/w	-0.2%	-0.3%	-0.2%	0.0%
m/m	0.1%	-1.9%	0.1%	-0.1%
y/y	-6.4%	3.2%	-7.7%	-10.7%

### Outlook

We expect red meat prices to continue to follow a modest downward trend as consumers' income pressures continue to strain. Certain weeks in April could however see a slight uptick in prices due to increased Easter demand. Weaner calf prices are also expected to remain under pressure as the final demand for red meat products remains constrained.

Figure 1: Local beef and weaner calf prices



\*Area in grey represents Absa AgriBusiness forecasts

## Sheep market trends

### International sheepmeat market

The FAO food price index is reporting that export prices of mutton and lamb are holding firm despite increased supply from key producing countries such as Australia. This points to strong global demand, which is especially robust in the Middle East.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ mutton (R/kg)
Price	11.28	7.15	4.03	80.62
w/w	-2.6%	1.0%	2.5%	-1.7%
m/m	-0.5%	3.9%	8.0%	3.4%
y/y	11.7%	-13.1%	-28.4%	-2.9%

### Local sheepmeat market

Local lamb prices have improved slightly over the past week as demand firmed before Easter. Lamb and mutton carcass prices are however lower than a month and a year ago. This signals that demand is under pressure. Feeder lamb prices have, in turn, increased by more than 8% compared to a month ago. Lamb prices are expected to also benefit from a firm Middle Eastern market as currency dynamics make exports very favourable.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	82.41	58.62	40.3	60.00	60.53
w/w	2.3%	-0.4%	0.0%	6.8%	0.5%
m/m	-1.8%	-9.0%	8.3%	3.2%	1.9%
y/y	-6.0%	-18.8%	-7.6%	32.2%	-7.7%

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### Outlook

We expect carcass prices to continue on a modest downward trajectory as local consumers remain under pressure. Seasonal export growth and limited supply could however see prices recovering somewhat into June and July. For feeder lambs, prices are expected to remain around R40.00 per kg with some upside scope as grain and oilseed producers are demanding feeder lambs to capitalise on summer rainfall area harvest residues.

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



\*Area in grey represents Absa AgriBusiness forecasts

## Pork market trends

### International pork market

News articles are reporting that China is battling a resurgence of African Swine Fever (ASF). The disease is expected to affect production and cause price increases over the second half of 2023. In the US, hog prices continue to be under pressure as cold storage inventories and strong poultry supplies limit price growth. European prices, in turn, are high due to the low availability of slaughter-ready hogs, combined with a gradual increase in demand.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	18.16	78.65	54.9	31.25
w/w	-0.8%	-0.3%	-3.1%	0.1%
m/m	-0.8%	-5.2%	0.9%	-11.9%
y/y	24.9%	-24.9%	-17.5%	13.6%

### Local pork market

Following the red meat prices discussed above, local prices improved slightly week on week but continue their downward trend apparent since the start of the year, if monthly metrics are concerned. Pork prices are limited by demand pressures in red meat markets but continue to be supported by prices holding firms in poultry markets.

	Porker (R/kg)	Baconer (R/kg)
Price	32.73	30.25
w/w	1.5%	-1.9%
m/m	-6.1%	-12.1%
y/y	27.6%	23.4%

### Outlook

We expect downward pressure on pork prices as red meat prices ease. Chicken prices are however holding firm which could limit the degree of price changes over the coming weeks. Intensive livestock industries are also impacted severely by load-shedding and this price view has upside scope due to the cost and volume implications that high levels of load shedding could have. This should however be seen in the context of consumers having extremely limited capacity to absorb further cost increases in food prices.

Figure 3: Local porker and baconer prices



\*Area in grey represents Absa AgriBusiness forecasts

## Poultry market trends

### International poultry markets

Global poultry prices have been on a downward trend despite disease pressures in certain key exporting countries such as the EU. Analyst note that production in the EU is expected to expand during 2023, but that disease risks and the costs of energy would be a large determinant of prospects for the industry. Throughout 2022, EU poultry imports have increased as a result of disease and energy cost pressures with increased supply from countries such as Brazil and Thailand filling the gap.

	R/USD	US MDM fresh (USD/lb.)	AMIE EU leg quarters (R/kg)
Price	18.16	30.51	No Trade
w/w	-0.8%	-1.6%	-%
m/m	-0.8%	-3.4%	-%
y/y	24.9%	-2.9%	-%

### Local poultry market

Muted price movements continue to be a feature of local poultry products over the past weeks. This is a symptom of severe cost pressures in the chain, which South African consumers are unable to absorb. The most notable of the pressures weighing on producers and processors are the increased frequency and intensity of load-shedding stages. This is limiting the capacity of the chain to process slaughter-ready birds, and also adds to the cost of production due to the effect of extended feeding times.

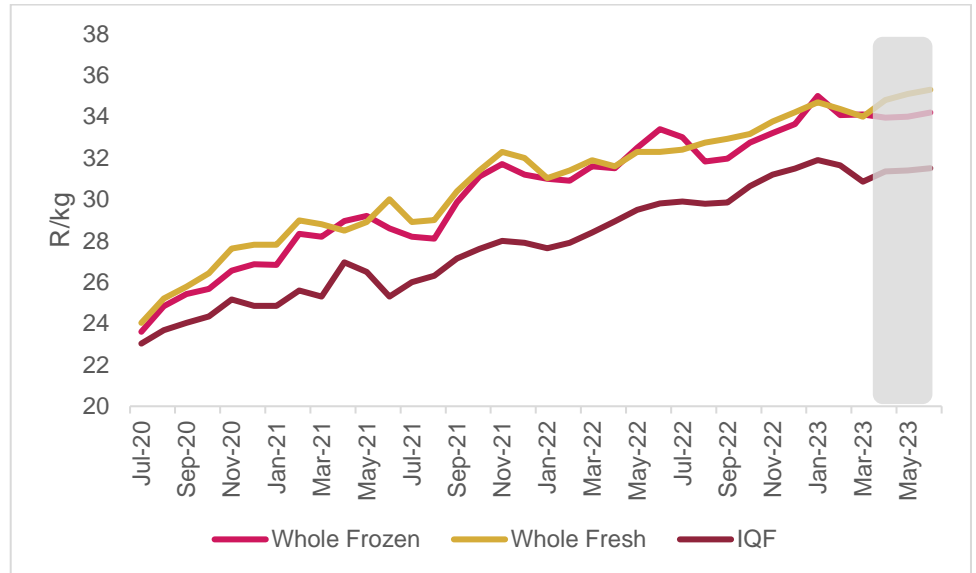
	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	33.90	34.51	31.92
w/w	0.0%	0.0%	0.0%
m/m	0.3%	0.7%	0.7%
y/y	7.0%	8.1%	12.0%

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### Outlook

We expect poultry prices to move sideways over the coming months as increased cost pressures are offset by constrained consumer demand. Fresh chicken portions are becoming increasingly unaffordable to a large share of the South African chicken-consuming population. In this regard, budget options like IQF pieces could see some price support as consumers opt for more affordable options.

**Figure 4: Local chicken prices**



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