



## Agri Trends: Livestock Report

### Red meat prices ease, whilst output prices for intensive industries continue an upward price trend

**Beef:** In contrast to global red meat price dynamics, local carcass prices continue to remain firm..As in the previous versions of this report we attribute this to low supply which is in turn a result of high input costs and elevated disease risks associated with FMD. The strong price run apparent during the first half of 2022, has however subsided due to increased pressures on consumers' disposable income. These opposing forces are causing carcass prices to trade in a close band around R60.00 per kg for class A beef prices. Weaner calf prices, in turn, seem to have peaked after stronger stocking demand at the end of September.

**Mutton:** Local lamb carcass prices have continued on a downward trajectory since the start of July. Prices are under pressure as a result of soft demand and a seasonal increase in supply. Increased fuel costs and interest rates are causing consumers to move to more affordable sources of protein whilst global prices are also driving import parity prices lower.

**Pork:** Locally, porker prices breached R30.00 per kg in the first week of October since Christmas 2021. Before this, such price highs occurred in mid-2021. These firmer prices are a result of persistently high input costs which have resulted in lower supply, combined with higher demand for more affordable meat protein options. Pork prices are extremely responsive to an increase in supply and the lows in porker prices during the first half of 2022 were a result of increased availability associated with broad-based expansion.

**Poultry:** Local poultry prices continue to remain firm on the back of strong global prices and a weakening rand. Firm demand for affordable meat protein options is providing further price support. IQF prices are 10% higher than the corresponding time a year ago.

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## Beef market trends

### International beef market

During September global beef prices fell as a result of increased exportable supplies available from Brazil and higher liquidation numbers due to dry conditions in certain regions of the US. According to the FAO food price index, this is the third consecutive decline in their meat sub-index. Higher global interest rates are starting to weigh on demand for higher-value products such as red meat. This, combined with firm supply is resulting in a downward trajectory in average prices.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	AMIE carcass import parity price for beef trimmings (R/kg)
Price	17.89	10.11	341.56	No trade
w/w	0.7%	-1.9%	-1.2%	-%
m/m	3.3%	-4.2%	-4.5%	-%
y/y	24.7%	-1.3%	-16.1%	--%

### Local beef market

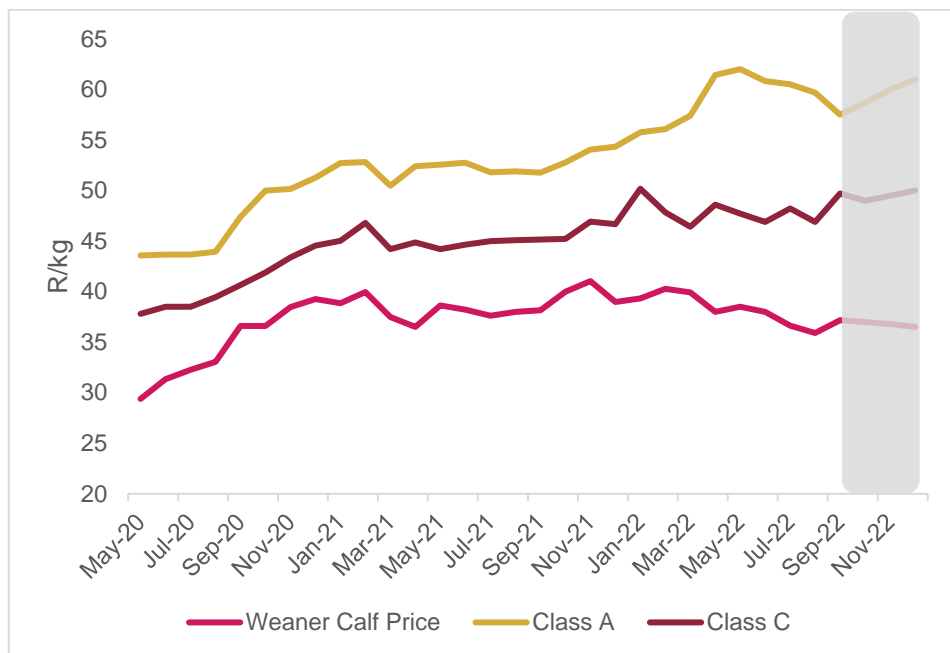
In contrast to global red meat price dynamics, local carcass prices continue to remain firm. As in the previous versions of this report we attribute this to low supply which is in turn a result of high input costs and elevated disease risks associated with FMD. The strong price run apparent during the first half of 2022, has however subsided due to increased pressures on consumers' disposable income. These opposing forces are causing carcass prices to trade in a close band around R60.00 per kg for class A beef prices. Weaner calf prices, in turn, seem to have peaked after stronger stocking demand at the end of September.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	60.8	48.5	61.40	37.60
w/w	0.9%	-2.2%	0.9%	-0.3%
m/m	-0.7%	2.0%	-0.7%	4.6%
y/y	17.3%	-0.6%	15.9%	-3.1%

### Outlook

We expect beef carcass prices to increase towards the end of the year based on seasonal trends associated with festive demand. Here ongoing cost of living pressures could weigh on the rate of increase.

Figure 1: Local beef and weaner calf prices



\*Area in grey represents Absa AgriBusiness forecasts

## Sheep market trends

### International sheepmeat market

Although not yet apparent in the prices below, market analysts have noted that ovine prices out of Oceania are under pressure due to currency and interest rate dynamics. Recent wet weather in Australia and New Zealand could however support prices over the next two to three weeks.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ mutton (R/kg)
Price	10.11	9.55	6.13	63.47
w/w	-1.9%	0.0%	0.0%	-1.9%
m/m	-3.4%	0.2%	0.5%	-2.9%
y/y	-2.9%	1.6%	-8.2%	-10.6%

### Local sheepmeat market

Local lamb carcass prices have continued on a downward trajectory since the start of July. Prices are under pressure as a result of soft demand and a seasonal increase in supply. Increased fuel costs and interest rates are causing consumers to move to more affordable sources of protein whilst global prices are also driving import parity prices lower.

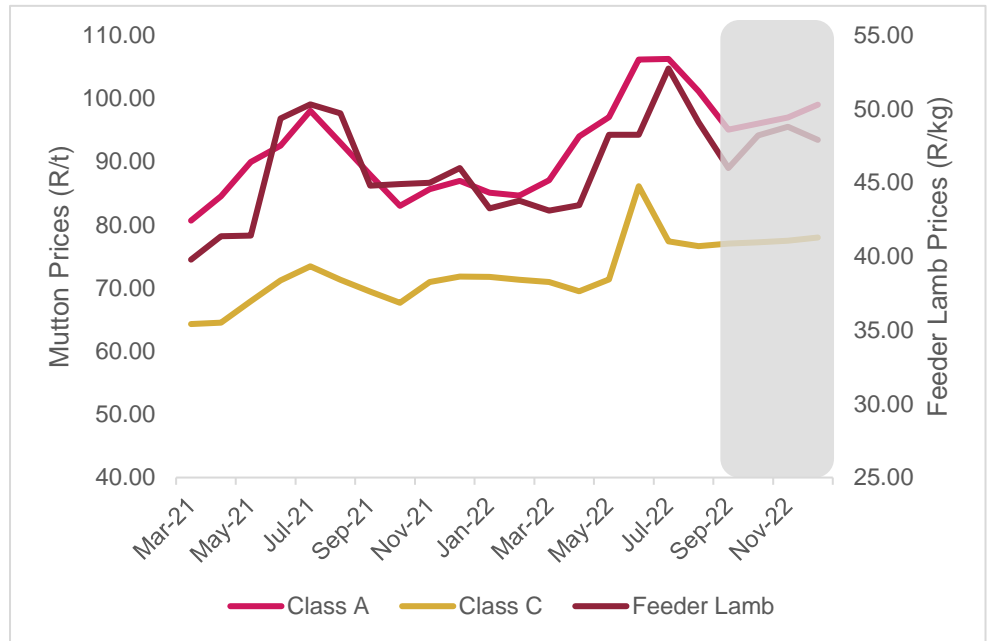
	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	89.37	74.51	42.50	30.00	45.67
w/w	-3.0%	21.1%	-1.2%	-13.9%	-18.9%
m/m	-5.2%	-1.0%	-6.2%	0.0%	-14.9%
y/y	4.3%	7.9%	-5.6%	-26.8%	-28.1%

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### 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. Indications of more interest rate hikes could weigh on price growth prospects for lamb and mutton over the coming months.

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



\*Area in grey represents Absa AgriBusiness forecasts

## Pork market trends

### International pork market

In the US lean hog and pork cutout prices were decreasing on the back of the liquidation of long positions by speculative buyers and due to seasonal trends after the US summer grilling season. In contrast to this, pork prices in China continue to hold firm and fuel food inflation. In response to this state reserves of pork were released in China on 30 September, this has however not stopped the upward price momentum entirely and market analysts note that prices are likely to follow an increasing trend into the new year.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	17.89	97.69	59.00	46.34
w/w	0.7%	-0.5%	-1.7%	1.8%
m/m	3.3%	-4.2%	0.1%	5.5%
y/y	14.4%	4.4%	-1.9%	31.7%

### Local pork market

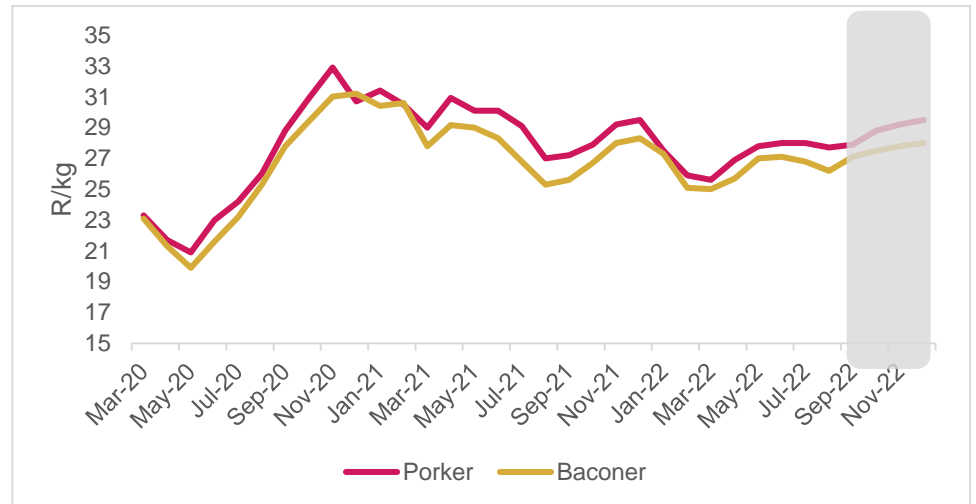
Locally, porker prices breached R30.00 per kg in the first week of October. The last time this occurred was in the week of Christmas in 2021 and before that in mid-2021. These firmer prices are a result of persistently high input costs which have resulted in lower supply, combined with higher demand for more affordable meat protein options. Pork prices are extremely responsive to an increase in supply and the lows in porker prices during the first half of 2022 were a result of increased availability associated with broad-based expansion.

	Porker (R/kg)	Baconer (R/kg)
Price	30.47	28.74
w/w	3.1%	2.0%
m/m	11.9%	7.0%
y/y	1.5%	0.1%

### Outlook

We expect prices to follow a modest upward trajectory over the coming months due to broad-based increases in costs combined with a tightening in supply. Price dynamics within the broader meat complex will be a key determinant of the rate of price growth. If price growth for red meat remains subdued, pork prices are likely to increase only modestly over the rest of 2022.

**Figure 3: Local porker and baconer prices**



\*Area in grey represents Absa AgriBusiness forecasts

## Poultry market trends

### International poultry markets

The FAO food price index notes that poultry prices have eased somewhat as global import purchases have been subdued. This was however countered by ongoing supply issues related to the disease.

	R/USD	US MDM fresh (USD/lb.)	US MDM frozen (USD/lb.)	AMIE EU leg quarters (R/kg)
Price	17.89	33.46	49.60	No Trade
w/w	0.7%	-3.7%	0.9%	-%
m/m	3.3%	2.6%	-0.3%	-%
y/y	14.4%	7.2%	-5.1%	-%

### Local poultry market

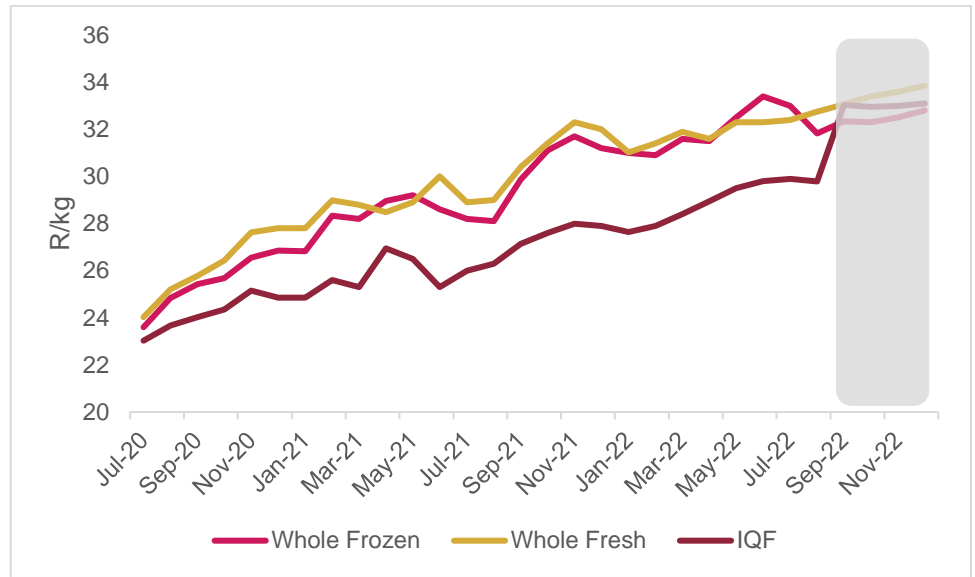
Local poultry prices continue to remain firm on the back of strong global prices and a weakening rand. Firm demand for affordable meat protein options is providing further price support. IQF prices are 10% higher than the corresponding time a year ago.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	32.65	33.30	30.15
w/w	0.3%	0.2%	0.3%
m/m	2.1%	2.0%	1.2%
y/y	4.0%	8.3%	10.0%

### Outlook

We expect prices to follow a modest upward trajectory towards the end of the year. This is underpinned by firm demand and persistent cost pressures. This could be offset by a strengthening exchange rate and global interest rate increases and the local load-shedding context will be key to watch in this regard.

**Figure 4: Local chicken prices**



\*Area in grey represents Absa AgriBusiness forecasts