



## Agri Trends: Livestock Report

### New Castle Disease in Brazil likely to support chicken prices in South Africa over months to come

**Beef:** Local carcass prices have traded sideways over the past month after showing a modest increase during June. Our view is that the increase in June is due to lower petrol prices, decreasing by more than 10% since May. This adds to the discretionary income that consumers spend on luxury items such as red meat. The rise in yellow maize prices since the notable start of June has however contributed to the loss in momentum of weaner calf prices.

**Mutton:** As with beef, local carcass prices have increased over the past month as discretionary spending from consumers benefited from lower fuel prices. The larger increases in mutton prices, compared to lamb, suggest that consumers are however still value-conscious.

**Pork:** Pork prices have shown notable increases over the past weeks. This is underpinned by seasonal market dynamics where we usually see carcass prices increasing from July throughout the second half of the year. In addition to this, higher trending maize prices apparent since the start of July are also supporting pork prices at higher levels.

**Poultry:** Disease issues remain a key risk for global poultry markets. New Castle disease has been reported in Brazil this week. This caused exports to be suspended which implies that around 60 000 tons per month will not be available for trade out of Brazil. This is likely to exert upward pressure on global prices.

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## Beef market trends

### International beef market.

US beef prices have eased slightly over the past months from the highs apparent during the first half of the year. Analysts attribute this to easing demand in response to high prices combined with lower maize/feed prices that supported supplier profitability.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	AMIE carcass import parity price for beef trimmings (R/kg)
Price	18.38	10.22	473.6	No trade
w/w	2.4%	-1.3%	-5.4%	-%
m/m	0.9%	-3.0%	-5.8%	-%
y/y	-1.3%	-5.5%	-4.2%	-%

### Local beef market

Local carcass prices have traded sideways over the past month after showing a modest increase during June. Our view is that the increase in June is due to lower petrol prices, decreasing by more than 10% since May. This adds to the discretionary income that consumers spend on luxury items such as red meat. The rise in yellow maize prices, underpinned by a weaker ZAR, has however contributed to the loss in momentum of weaner calf prices.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	55.38	43.04	55.38	31.92
w/w	0.0%	-0.4%	-0.6%	-0.2%
m/m	-0.6%	-0.5%	-1.3%	-0.2%
y/y	9.6%	-4.8%	8.7%	6.9%

### Outlook

We expect prices to trade largely sideways, with some upward scope towards the end of the outlook period. This is underpinned by the view that some more relief is on its way for consumers in the form of lower interest rates and further possible cuts to petrol prices as the exchange rate firms. Weaner calf prices also have upward scope as demand improves but higher grain prices could serve as a countering effect to this.

Figure 1: Local beef and weaner calf prices



\*Area in grey represents Absa AgriBusiness forecasts

## Sheep market trends

### International sheepmeat market

Analysts note that ovine prices from Oceania are rising due to shortages. Slow weight gain has delayed bookings for slaughtering in this region and this is coupled with good import demand from the EU and UK. Prices in China are trading sideways due to soft demand. Increased slaughterings are expected towards September. Year on year, prices remain under pressure.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ lamb (R/kg)
Price	10.88	6.70	3.20	72.91
w/w	-1.3%	1.5%	1.6%	0.2%
m/m	-3.0%	8.5%	8.5%	1.0%
y/y	-5.5%	-26.1%	-17.5%	-17.5%

### Local sheepmeat market

As with beef, local carcass prices have increased over the past month as discretionary spending from consumers benefited from lower fuel prices. The larger increases in mutton prices, compared to lamb, suggest that consumers are however still value-conscious.

	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	87.61	63.72	42.10	28.87	43.46
w/w	-0.1%	0.9%	-1.9%	3.1%	-0.2%
m/m	2.7%	6.1%	-0.4%	3.1%	0.9%
y/y	-0.6%	3.5%	0.4%	-35.3%	-2.7%

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### Outlook

Historical seasonal prices suggest that lamb prices could follow a modest increasing trend over the coming months. Although we expect that this trend will remain subdued during quarter 3, the start of a lower interest rate cycle could fuel more dramatic price increases in the last quarter of the year as we approach the festive season.

**Figure 2: Local sheep prices**



\*Area in grey represents Absa AgriBusiness forecasts

## Pork market trends

### International pork market

US pork product prices have increased notably over the past month underpinned by strong export demand. Pork exports from the US continue to perform well as European exports are trending lower due to disease-related issues. Similar price trends are observed in other key exporting countries such as Brazil.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	18.38	102.31	50.02	50.02
w/w	1.7%	6.9%	17.6%	17.6%
m/m	0.9%	6.9%	28.2%	28.2%
y/y	2.4%	-9.3%	8.0%	8.0%

### Local pork market

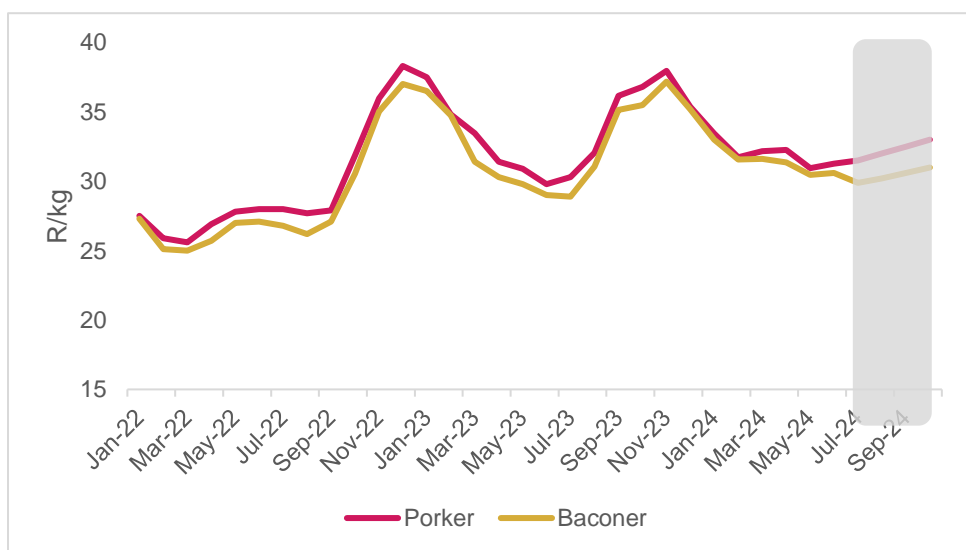
Pork prices have shown notable increases over the past weeks. This is underpinned by seasonal market dynamics where we usually see carcass prices increasing from July throughout the second half of the year. In addition to this, higher trending maize prices apparent since the start of July are also supporting pork prices at higher levels.

	Porker (R/kg)	Baconer (R/kg)
Price	32.11	31.18
w/w	4.1%	13.0%
m/m	2.6%	1.6%
y/y	7.4%	7.4%

### Outlook

We expect pork prices to have bottomed out in mid-May and for prices to start increasing towards the end of the year. Historically, prices have followed an increasing trend throughout the second half of the year. This rise is expected to be supported by higher chicken and feed prices.

Figure 3: Local porker and baconer prices



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## Poultry market trends

### International poultry markets

Disease issues remain a key risk for global poultry markets. New Castle disease has been reported in Brazil this week. This caused exports to be suspended which implies that around 60 000 tons per month will not be available for trade out of Brazil. This is likely to exert upward pressure on global prices.

	R/USD	US MDM fresh (USD/lb.)	AMIE EU leg quarters (R/kg)
Price	18.38	29.00	No Trade
w/w	2.4%	7.6%	-
m/m	2.4%	7.2%	-
y/y	2.3%	-0.4%	-

### Local poultry market

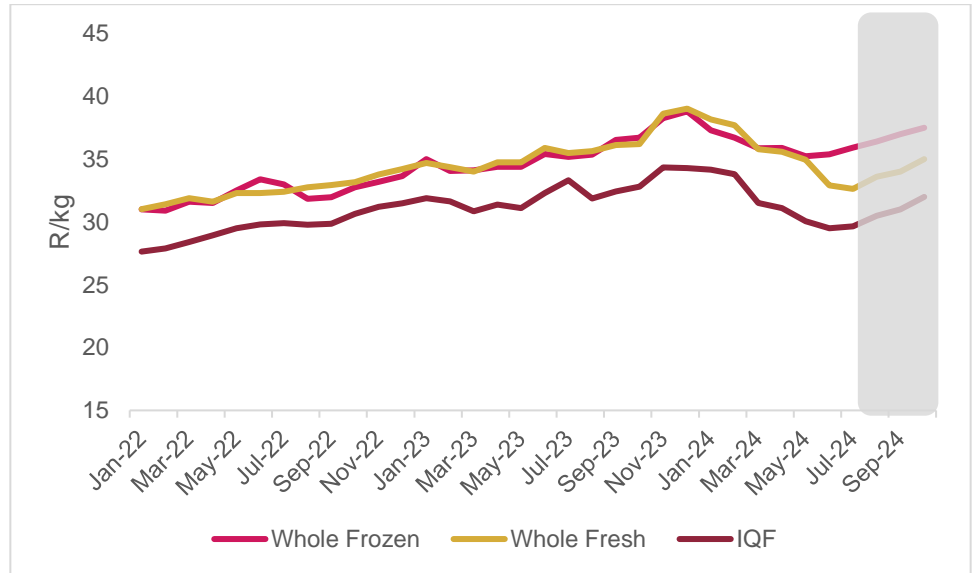
With its strong link to global markets, prices of individually quick frozen (IQF) pieces are under pressure in comparison to price levels of a month ago. This is likely the effect of softer global prices with strong supply out of key exporters such as Brazil. The above-mentioned New Castle outbreak is however likely to have a significant upward effect on local prices with Brazil a major import destination for individually quick frozen products into South Africa.

	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	35.91	32.63	29.65
w/w	0.0%	0.0%	0.0%
m/m	-0.5%	-1.5%	1.0%
y/y	2.0%	-8.2%	-10.8%

### Outlook

We expect chicken prices to increase over the coming months as the effect of decreased supply out of Brazil increases global prices. This could be offset somewhat by a stronger ZAR.

**Figure 4: Local chicken prices**



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