



## Agri Trends: Livestock and Hide Report

# High maize prices impact margins as feed costs rise

**Beef:** The international beef market traded positively last week. New Zealand's steer and cow prices were 7.7% and 7.9% lower, respectively, than prices last year. Feeder calf prices in New Zealand are reported to be well below last year's prices. The local weaner calf price has been trading upwards in recent weeks due to high demand. However, weaner calf prices dipped by a slight 0.1% week on week. Demand for beef products remained strong. High maize prices are likely to have an impact on feed costs for cattle.

**Mutton:** The price of ewes in New Zealand remained the same as the previous week at NZD4.80/kg, while the price of lamb decreased 0.4% week on week. The average lamb export price in New Zealand would typically increase between June and July as buyers compete for products during the off-season. However, this year, due to the pandemic, New Zealand's lamb export value decreased. The national average Class A carcass lamb price increased 0.1% to R88.72/kg and the average Class C carcass price increased 0.8% to R63.45/kg in the local sheep meat market this week.

**Pork:** Pork carcass prices in the US increased 2.0% in the international pork market compared with the previous week. US hog slaughter numbers remained strong, up almost 200,000 heads compared to a year ago. The number of pigs slaughtered locally this week, as reported by the RMAA, declined 1.8% compared with the previous week. Pork remains among the cheaper protein alternatives available on the shelves.

**Poultry:** The price of US whole birds decreased 4.2%, while the price of US chicken breasts dropped 22.8% compared with last week. Hong Kong's food safety and health authorities lifted the temporary ban on Brazilian imports after the Brazilian government provided assurance on the safety of the products. The domestic poultry market is under pressure due to high maize prices, resulting in increased feed costs. Local consumers are sensitive to price increases during these tough economic times.

**Hides:** The average price of hide decreased 2.2% to R0.57/kg from last week. The current price is 11.8% higher than the price a month ago and 62.7% lower than the price a year ago.

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## Agri Trends

# Beef Market Trends

### International Beef Market

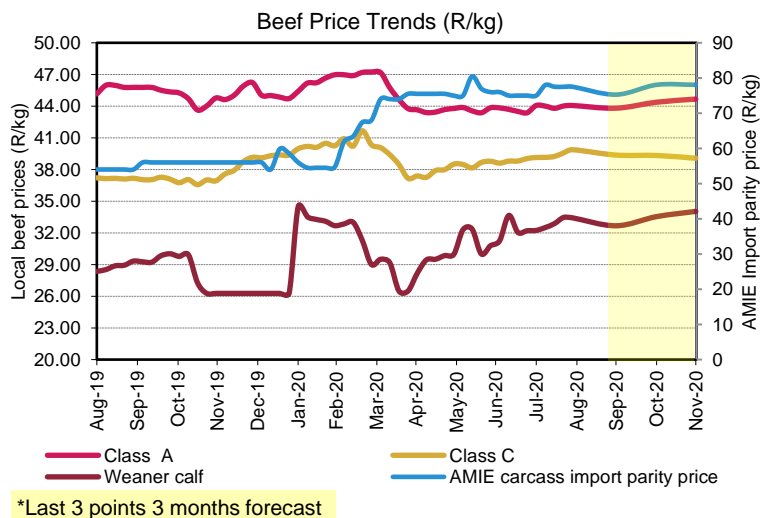
The international beef market traded positively last week. Prices of topside and brisket increased 0.1% and 4.8%, respectively, while prices of rump and chuck were up 7.1% and 8.1%, respectively, week on week. Striploin prices rose 15.0% compared with prices a week ago. The price for steers rose 0.9%, while the price of cows dipped 0.5% in New Zealand. New Zealand's steer and cow prices were 7.7% and 7.9% lower, respectively, than prices last year. Feeder calf prices in New Zealand are reported to be well below last year's prices due to a lack of calf rearing contracts, as well as a depressed bobby (veal) calf schedule.

	US Beef Topside USD/cwt	US Beef Rump USD/cwt	US Striploin USD/cwt	US Beef Chuck USD/cwt	US Brisket USD/cwt	US Beef Carcass Equivalent USD/cwt	NZ Steers NZc/kg	NZ Cows NZc/kg
Price	224.97	331.30	673.00	234.00	220.00	318.52	550.00	408.00
w/w	0.1%	7.1%	15.0%	8.1%	4.8%	9.7%	0.9%	-0.5%
m/m	13.6%	17.6%	22.4%	17.6%	15.8%	19.0%	4.4%	2.3%
y/y	0.1%	15.0%	-10.3%	4.9%	-20.6%	-7.6%	-7.7%	-7.9%

### Local Beef Market

Average Class A prices increased a marginal 0.10% to R44.06/kg in the local market last week, while Class C prices rose 0.7% to R39.87/kg week on week. The local weaner calf price has been trading upwards in recent weeks due to high demand. However, weaner calf prices dipped by a slight 0.1% week on week, with the current weaner price 17.9% higher than a year ago. Demand for beef products remained strong. High maize prices are likely to have an impact on feed costs for cattle.

	R/USD	R/NZD	Class A (R/kg)	Class C (R/kg)	Beef Contract Price (includes hides) (R/kg)	Weaner Calf (R/kg)	NZ Cows Carcass Equivalent 0-1 mm (R/kg)	AMIE Carcass Import Parity Price for Beef Trimmings (R/kg)
Price	16.86	11.17	44.06	39.87	44.13	33.42	79.39	77.50
w/w	-2.6%	-1.6%	0.10%	0.7%	0.1%	-0.1%	-2.1%	0.0%
m/m	1.4%	0.6%	0.0%	1.9%	0.0%	3.7%	2.9%	3.3%
y/y	10.3%	15.1%	-2.4%	7.1%	-2.7%	17.9%	6.0%	43.5%



### Outlook

Both global and local beef prices are expected to increase going forward, as sit-down and takeaway restaurants reopen, given the easing of Covid-19 lockdown restrictions, resulting in improved demand levels.

Domestic prices will be supported further by warmer weather conditions as the summer season approaches.

# Sheep Market Trends

## International Sheep Meat Market

The price of ewes in New Zealand remained the same as the previous week at NZD4.80/kg, while the price of lamb decreased 0.4% week on week. The price of both mutton ribs and shoulders also remained the same this week compared with a week ago. Under normal circumstances, the average lamb export price in New Zealand would typically increase between June and July, as buyers compete for products during the off-season. However, this year, due to the pandemic, New Zealand's lamb export value decreased, which does not bode well for New Zealand's lamb farmers.

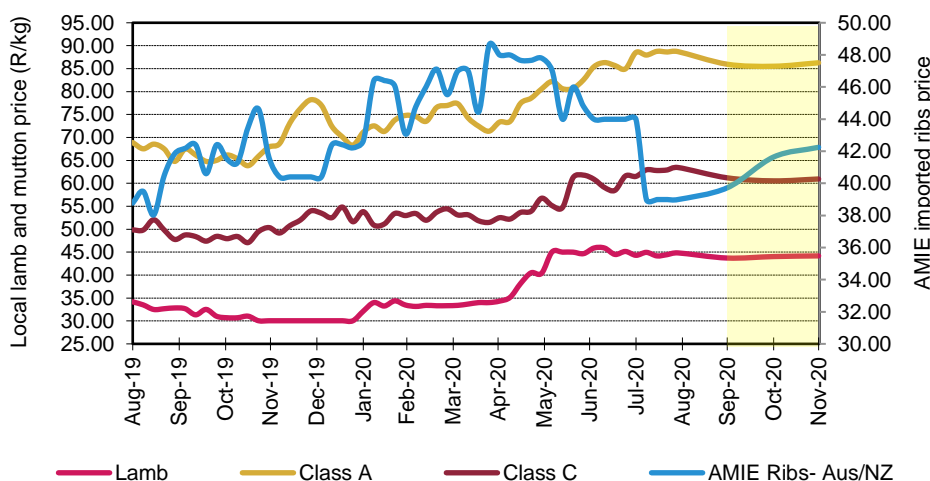
	NZ Lamb Price (NZD/kg)	NZ Ewe Price (NZD/kg)	Import Parity NZ Lamb (R/kg)	Import Parity NZ Ewe (R/kg)	NZ Mutton Ribs (R/kg)	NZ Mutton Shoulders (R/kg)
Price	7.10	4.80	88.02	63.83	38.99	77.00
w/w	-0.4%	0.0%	-2.0%	-1.6%	0.0%	0.0%
m/m	0.0%	1.5%	0.6%	1.5%	-11.4%	6.9%
y/y	-14.8%	-12.7%	-0.4%	2.2%	0.6%	12.4%

## Local Sheep Meat Market

The national average Class A carcass lamb price increased 0.1% to R88.72/kg and the average Class C carcass price was up 0.8% to R63.45/kg in the local sheep meat market this week. Prices of dorper skin were up 8.8% to R27.88/skin week on week, while prices of merino skin remained the same at R43.57/skin. Prices of dorper skin and merino skin were 7.9% and 19.8% higher than a year ago.

	R/NZD	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	11.17	88.72	63.45	44.83	27.88	8277
w/w	-1.6%	0.1%	0.8%	0.8%	8.8%	31.8%
m/m	0.6%	0.2%	3.2%	1.2%	10.7%	-23.2%
y/y	15.1%	28.8%	27.3%	31.2%	7.9%	-35.4%

Lamb and Mutton Price Trends (R/kg)



\*Last 3 points 3 months forecast

## Outlook

As New Zealand's lamb market has been following a slight downward price trajectory, the upcoming lamb season may not see prices reach high levels. Improved demand levels in the global market for red meat products would provide support for lamb and mutton prices.

Local lamb and mutton prices are expected to trade sideways to lower, in line with seasonality. The market has witnessed increased demand as lockdown restrictions are eased and the weather becomes warmer, both of which supports prices.

## Pork Market Trends

### International Pork Market

The US pork carcass price increased 2.0% in the international pork market compared to the previous week. The price of US pork loins rose 0.5% this week, while the price of US pork ribs and ham increased 3.8% and 5.6%, respectively, week on week. Import parity prices of pork ribs and ham were up 0.5% and 1.3%, respectively, week on week. US hog slaughter numbers remained strong, up almost 200,000 heads compared with a year ago. According to Reuters, China auctioned a further 20,000 tonnes of frozen pork from its state reserves on 4 September, following the auction of 10,000 tonnes that took place on 28 August 2020. China has sold approximately more than 500,000 tonnes of pork from its state reserves in 2020 to help reduce high pork prices caused by the production shortfall amid the ongoing outbreaks of African Swine Fever.

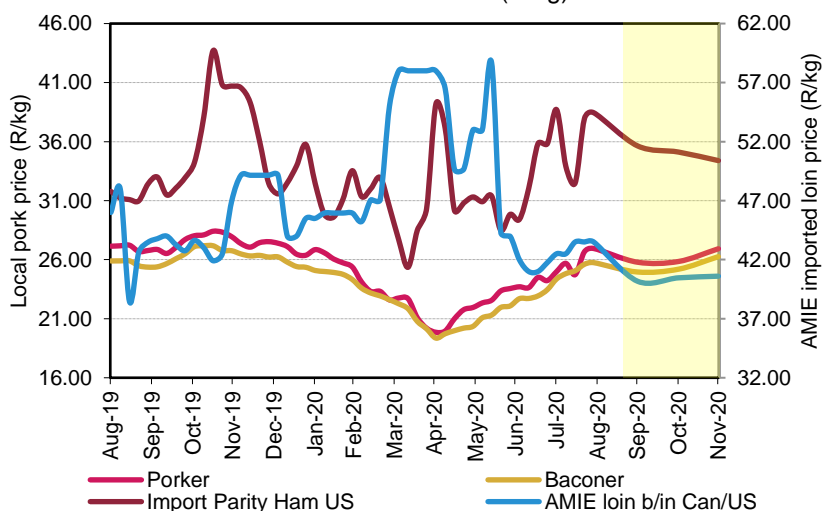
	US Pork Carcass Price (USD/cwt)	US Loin (USD/cwt)	US Rib (USD/cwt)	US Ham (USD/cwt)	US Import Parity Rib (R/kg)	US Import Parity Ham (R/kg)
Price	73.93	72.39	127.44	66.10	65.56	38.45
w/w	2.0%	0.5%	3.8%	5.6%	0.5%	1.3%
m/m	5.7%	5.2%	14.1%	-2.8%	13.2%	-0.7%
y/y	-1.0%	1.8%	14.5%	13.9%	23.4%	21.0%

### Local Pork Market

The number of pigs slaughtered this week, as reported by the RMAA, declined 1.8% compared with the previous week. The average price of porkers increased 1.0% to R26.95/kg, while the average price of baconers rose 0.5% to R25.75/kg week on week. The average price was up 0.6% to R26.50/kg for cutters, 1.7% to R24.53/kg for heavy baconers and 2.5% to R20.10/kg for sausages from last week.

	R/USD	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	16.86	30,736	26.35	26.95	25.75	43.50
w/w	-2.6%	1.8%	0.8%	1.0%	0.5%	0.0%
m/m	1.4%	0.2%	6.8%	7.8%	5.7%	2.4%
y/y	10.3%	2.9%	-0.6%	-0.7%	-0.6%	-5.4%

Pork Price Trends (R/kg)



\*Last 3 points 3 months forecast

### Outlook

Global pork prices are expected to trade sideways to higher, as demand picks up due to the easing of lockdown restrictions.

Locally, pork remains among the cheaper protein alternatives available on the shelves, which usually increases consumer uptake. This should continue to support pork prices.

# Poultry Market Trends

## International Poultry Market

The price of US whole birds decreased 4.2%, while the price of US chicken breasts dropped 22.8% compared with last week. Prices of US whole birds and US chicken breasts were 16.3% and 5.3% lower, respectively, than prices a year ago. The price of fresh and frozen MDM decreased 2.7% and 1.1%, respectively, week on week. The price of US leg quarters dropped 6.1%, while the price of EU leg quarters remained unchanged week on week. As reported in the Absa Agri Trends on 21 August, chicken wings imported by China from Brazil tested positive for Coronavirus. Following this, China implemented a temporary ban on poultry imports from the plant in Brazil where the chicken wings originated. Reuters reported that on 28 August, Hong Kong's food safety and health authorities lifted the ban after the Brazilian government provided assurance that the products are safe.

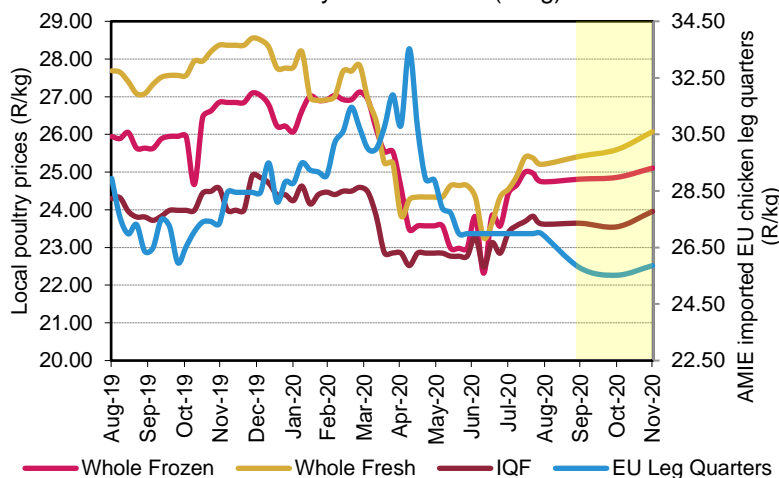
	US Whole Bird (USD/lb.)	US Breasts (USD/lb.)	US MDM Fresh (USD/lb.)	US MDM Frozen (USD/lb.)	US Leg Quarters (R/kg)	EU Leg Quarters (R/kg)
Price	63.82	71	26.45	30.63	15.47	26.99
w/w	-4.2%	-22.8%	-2.7%	-1.1%	-6.1%	0.0%
m/m	-1.6%	9.2%	-0.6%	0.7%	-3.8%	0.0%
y/y	-16.3%	-5.3%	14.2%	13.7%	-25.3%	-6.7%

## Local Poultry Market

The average price of frozen birds and fresh whole birds decreased 0.9% and 0.6% to R24.75/kg and R25.21/kg, respectively, in the local poultry market this week. IQF poultry prices were 0.8% lower at R23.63/kg week on week. The domestic poultry market is under pressure due to the high price of maize, resulting in increased feed costs. The issue of lower live bird mass has improved, although this does remain a concern.

	R/USD	SA Whole Bird, Frozen (R/kg)	SA Whole Bird, Fresh (R/kg)	SA Individually Quick Frozen (R/kg)	US Whole Bird Import Parity (R/kg)	US Breasts Import Parity (R/kg)
Price	16.86	24.75	25.21	23.63	37.54	31.17
w/w	-2.6%	-0.9%	-0.6%	-0.8%	-4.5%	-22.0%
m/m	1.4%	1.3%	2.7%	1.0%	0.0%	9.1%
y/y	10.3%	-4.6%	-9.0%	-2.8%	-4.4%	4.5%

Poultry Price Trends (R/kg)



\*Last 3 points 3 months forecast

## Outlook

Global poultry prices are expected to recover in the short term after consumer confidence was impacted by the presence of Coronavirus in imported food products. China's increased poultry production is expected to keep a cap on global poultry prices.

Local consumers are sensitive to price increases during these tough economic times. However, to cover the increased feed costs, poultry prices are likely to increase in the short term. Demand remains high for the low-value poultry cuts.

## Hide Market Trends

### Local Hide Market

The average price of hide decreased 2.2% to R0.57/kg from last week. The current price is 11.8% higher than the price a month ago and 62.7% lower than the price a year ago.

	Weighted Feedlot Hide Price (RMAA) R/skin	Average Field Hide Price (RMAA) R/skin	Average Local Hide Price (Calculated) R/skin
Price	1.26	0.81	0.57
w/w	-2.3%	-2.4%	-2.2%
m/m	-7.4%	-11.0%	11.8%
y/y	-32.6%	-44.5%	-62.7%

### Outlook

The local and global hide markets remain under significant pressure, with demand at low levels, resulting in prices reaching almost zero for many players. Industry players are not optimistic, given expectations that demand will remain low in the coming months.

NB\* hide prices are determined as the average of the RMAA prices and prices of independent companies.

