



## Agri Trends: Livestock and Hide Report

# Global food prices rebounded in July as lockdown restrictions eased

**Beef:** New Zealand's average export value for beef in June increased month on month, due to strong demand for frozen beef exports to the US. Export values for chilled beef were not as strong as in June, owing to the downturn in restaurant dining globally. Prices in the local beef market this week traded positively across the classes. Local beef prices are expected to increase in the coming months as we head into the spring season. The warmer weather is expected to support demand for beef.

**Mutton:** New Zealand experienced a decline in the average export volume of lamb in May and June consecutively, which is unusual at this time of the year. New Zealand's lamb farmers could expect a sharp downturn in farm-gate lamb prices if the lamb export market does not improve significantly. In the local sheep meat market, the national average Class A carcass lamb price and the average Class C carcass price increased, while the feeder lamb price decreased from last week.

**Pork:** The US pork carcass price in the international pork market increased 2.8% this week from last week. According to Reuters, China is auctioning frozen pork from its state reserves in an attempt to stabilise soaring domestic pork prices, following the outbreak of African Swine Fever that devastated its domestic pig herd. Locally, the number of pigs slaughtered this week, as reported by the Red Meat Abattoir Association (RMAA), declined 3.7% compared with the previous week. Local pork prices are expected to increase, as the lockdown restrictions are eased and restaurant dining is permitted.

**Poultry:** International poultry prices traded negatively this week. Locally, cheaper protein sources, such as poultry, were more favourable; however, consumers are sensitive to price changes. The industry was largely impacted by the initial lockdown restrictions that prevented quick service restaurants from operating. In addition, the late maize harvest has resulted in high moisture content, impacting the feed rations for birds.

**Hides:** The average price of hide dropped 16.5% to R0.51/kg from last week. The local and global hide markets remain under significant pressure, with demand at very low levels, resulting in prices reaching almost zero for many players.

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## Beef Market Trends

### International Beef Market

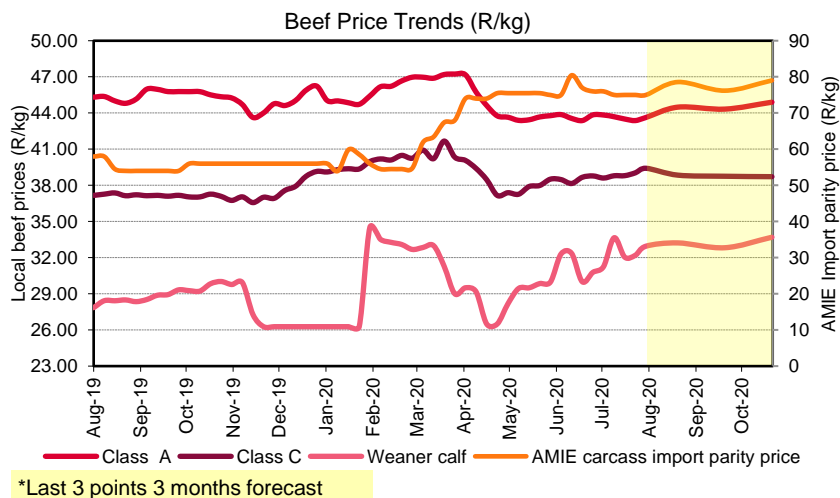
Prices of topside and brisket decreased 7.9% and 9.7% in the international beef market from last week. Prices of rump, striploin and chuck increased 6.3%, 1.1% and 2.6%, respectively, week on week. New Zealand's average export value for beef in June increased month on month, due to strong demand for frozen beef exports to the US. Export values for chilled beef were not as strong as in June, due to the downturn in restaurant dining globally. Covid-19-led issues have been affecting some South American meat processing plants, resulting in some plants in Argentina and Brazil stopping exports to China until these issues are resolved.

	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 Steer NZc/kg	NZ Cows NZc/kg
Price	198.00	281.74	550.00	199.00	190.00	255.35	527.00	399.00
w/w	-7.9%	6.3%	1.1%	2.6%	-9.7%	-0.9%	0.5%	1.3%
m/m	-5.7%	9.2%	-14.3%	-3.4%	-13.6%	-10.0%	3.9%	9.3%
y/y	-5.2%	-6.1%	-2.7%	-7.4%	-25.1%	-14.3%	-9.6%	-8.3%

### Local Beef Market

Prices in the local beef market this week traded positively across the classes. Average Class A prices increased 0.59% to R43.63/kg and Class C prices were up 1% to R39.42/kg week on week. Weaner calf prices rose 2.3% week on week, with the current weaner price 18.3% higher than a year ago.

	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 Trimming (R/kg)
Price	16.62	11.10	43.63	39.42	43.70	32.95	77.14	75.00
w/w	0.2%	1.1%	0.59%	1.0%	0.6%	2.3%	1.3%	0.0%
m/m	-3.1%	-0.2%	-0.5%	2.1%	-0.5%	5.4%	10.1%	-1.3%
y/y	15.8%	17.0%	-3.7%	6.1%	-4.0%	18.3%	7.3%	29.4%



### Outlook

Global beef prices are expected to increase going forward due to growth in demand, as sit-down and takeaway restaurants reopen, given the easing of Covid-19 lockdown restrictions.

Local beef prices are expected to increase in the coming months as we head into the spring season. The warmer weather is expected to support demand for beef. The lockdown restrictions that have prevented social gatherings, which may keep a cap on beef price increases this year compared with previous years.

# Sheep Market Trends

## International Sheep Meat Market

The price of lamb in New Zealand increased 1.4% week on week, while the price of ewe remained unchanged from the previous week. The price of mutton ribs and shoulders also remained the same this week; prices of mutton ribs and shoulders were up 14% and 5.1%, respectively, compared with a year ago. New Zealand experienced a decline in the average export volume of lamb in May and June consecutively, which is unusual at this time of the year. The decline was due to a lack of lamb supply in the global market, which normally supports the price of lamb in New Zealand.

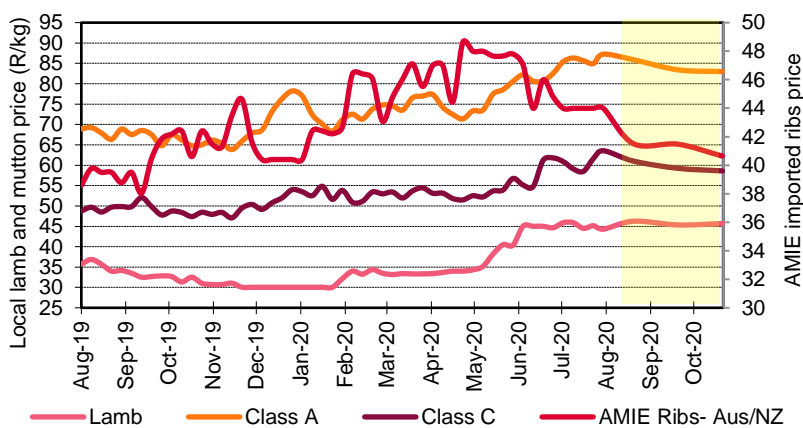
	NZ Lamb Price (NZD/kg)	NZ Ewe Price (NZD/kg)	Import Parity NZ Lamb (R/kg)	Import Parity NZ Ewe (R/kg)	NZ Mutton Ribs (R/kg)	NZ Mutton Shoulders (R/kg)
Price	7.10	4.75	86.83	62.24	43.99	72.00
w/w	1.4%	0.0%	2.5%	1.1%	0.0%	0.0%
m/m	3.2%	1.5%	2.7%	1.6%	0.0%	-0.7%
y/y	-11.8%	-13.3%	3.6%	2.2%	14.0%	5.1%

## Local Sheep Meat Market

The national average Class A carcass lamb price increased 2.7% to R87.25/kg and the average Class C carcass price rose 3.1% to R63.55/kg in the local sheep meat market this week. The price of merino skin remained unchanged at R43.13/skin this week, while the price of dorper skin decreased 1.7% to R25.19/skin week on week. The price of dorper skin and merino skin was 12.4% 3.5% lower than a year ago.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	11.10	87.25	63.55	44.31	25.19	10784
w/w	1.1%	2.7%	3.1%	-1.9%	-1.7%	29.8%
m/m	-0.2%	2.1%	4.4%	-3.5%	6.8%	10.8%
y/y	17.0%	26.6%	30.3%	24.1%	-12.4%	6.5%

Lamb and Mutton Price Trends (R/kg)



\*Last 3 points 3 months forecast

## Outlook

New Zealand's lamb farmers could expect a sharp downturn in farm-gate lamb prices if the lamb export market does not improve significantly. Global lamb and mutton prices are expected to be fairly stable.

Local lamb and mutton prices are expected to remain fairly stable going forward due to increased demand, as sit-down and takeaway restaurants reopen, given the easing of lockdown restrictions. Prices are expected to trade sideways to lower, in line with seasonality.

## Pork Market Trends

### International Pork Market

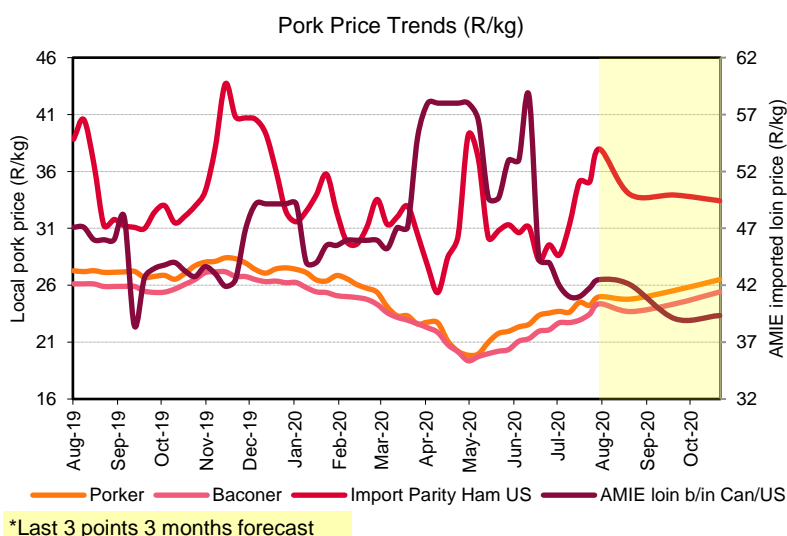
The US pork carcass price increased 2.8% in the international pork market from last week. The price of US pork loins and ham rose 2.9% and 10.9%, respectively, this week, while the price of US pork ribs declined 1.8%. The import parity price of pork ribs decreased 1.3%; however, the import parity price of ham was up 8.2% week on week. According to Reuters, China is auctioning frozen pork from its state reserves in an attempt to stabilise soaring domestic pork prices, following the outbreak of African Swine Fever that devastated its domestic pig herd. An auction of 20,000 tonnes of frozen pork was scheduled for 07 August, following the auctions of 10,000 tonnes each that took place on 23 July and 30 July 2020. Prior to these auctions, China had sold approximately 420,000 tonnes of pork from its state reserves in 2020.

	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	69.94	68.79	111.70	68.02	57.15	37.97
w/w	2.8%	2.9%	-1.8%	10.9%	-1.3%	8.2%
m/m	8.8%	2.7%	-20.2%	55.5%	-20.0%	32.5%
y/y	-18.9%	-7.8%	3.9%	-17.9%	17.9%	-2.2%

### Local Pork Market

The number of pigs slaughtered this week, as reported by the RMAA, declined 3.7% compared to the previous week. The average porker price increased 3.1% to R24.99/kg and the average baconer price rose 3.9% to R24.37/kg week on week. The average price increased 0.4% to R24.19/kg for cutters, 0.9% to R22.85/kg for heavy baconer and 3.3% to R18.23/kg for sausage from last week. Pork remains a cheaper protein alternative for consumers during this economically tough time.

	R/USD	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	16.62	30674	24.68	24.99	24.37	42.50
w/w	0.2%	-3.7%	3.5%	3.1%	3.9%	1.8%
m/m	-3.1%	-8.7%	6.4%	5.4%	7.4%	1.2%
y/y	15.8%	6.0%	-7.6%	-8.4%	-6.7%	-9.8%



### Outlook

The coronavirus pandemic has led to a disruptive environment, which is uncertain. The question of how long the pandemic will last is on everyone’s minds. How quickly economies can recover from the pandemic will have an impact on livestock prices. Global pork prices are expected to trade sideways to higher as demand picks up due to the easing of lockdown restrictions.

Local pork prices are expected to increase as the lockdown restrictions are eased and restaurant dining is permitted. Pork remains among the cheaper protein alternatives available on the shelves, which usually increases consumer uptake.

## Poultry Market Trends

### International Poultry Market

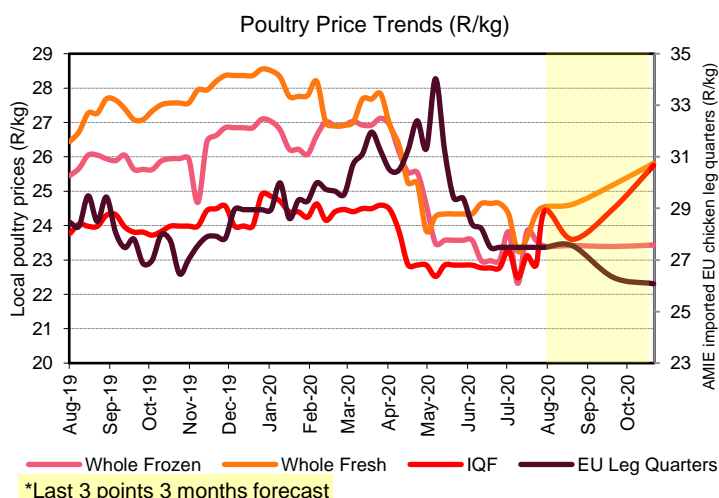
International poultry prices traded negatively this week. The price of US whole birds decreased 1.8% week on week, while the price of US chicken breasts dropped 7.1% compared with last week. Prices of US whole birds and US chicken breasts were 21.8% and 24.4% lower than a year ago. The price of fresh and frozen MDM decreased 1.6% and 1.1%, respectively, week on week. The price of US leg quarters decreased 4.3% and the price of EU leg quarters remained unchanged week on week.

	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	64.89	65.00	26.60	30.41	15.89	26.99
w/w	-1.8%	-7.1%	-1.6%	-1.1%	-4.3%	0.0%
m/m	-13.4%	-35.0%	-2.8%	-0.2%	-8.3%	0.0%
y/y	-21.8%	-24.4%	17.1%	12.6%	-22.4%	-3.5%

### Local Poultry Market

The average price decreased 0.7% to R23.40/kg for frozen birds, while it increased 0.9% to R24.55/kg for fresh whole birds in the local poultry market this week; IQF poultry prices were 7% higher at R24.44/kg week on week. The local market has experienced an increased demand for fresh poultry products, resulting in a slight increase in the price of fresh whole birds. As this is an economically difficult time, many consumers are struggling, impacting the overall demand for protein products – cheaper protein sources, such as poultry, are more favourable; however, consumers are sensitive to price changes. The industry was largely impacted by the initial lockdown restrictions that prevented quick service restaurants from operating. Moreover, the late maize harvest has resulted in high moisture content, impacting the feed ration for birds. This has led to poultry producers experiencing a lower live bird mass, which in turn has resulted in higher plant costs.

	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	16.62	23.40	24.55	24.44	37.35	28.38
w/w	0.2%	-0.7%	0.9%	7.0%	-1.0%	-5.9%
m/m	-3.1%	-1.7%	0.9%	5.0%	-11.1%	-33.1%
y/y	15.8%	-8.1%	-7.2%	2.8%	-5.8%	-10.2%



### Outlook

Global food prices are expected to rebound as economies worldwide ease the lockdown restrictions put in place. Poultry imports to China were revised higher in the USDA quarterly meat report. This was due to strong demand for imported meat in China following the protein deficit caused by the African Swine Fever outbreak last year.

Local prices for frozen whole birds are expected to remain fairly stable in the coming months, while prices for fresh whole birds and IQF are expected to increase going forward, due to increased demand, as sit-down and take-away restaurants reopen, given the easing of lockdown restrictions

## Hide Market Trends

### Local Hide Market

The average price of hide dropped 16.5% to R0.51/kg from last week. The current price is 30.5% lower than the price a month ago and 68.1% 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	1.36	0.91	0.51
w/w	47.8%	0.0%	-16.5%
m/m	-6.8%	-5.2%	-30.5%
y/y	-32.3%	-43.5%	-68.1%

### Outlook

The local and global hide markets remain under significant pressure, with demand at very low levels, resulting in prices reaching almost zero for many players. Industry players are not very 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.

