

Meat price trends

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Domestic meat prices trends

All traditional meat types (beef, mutton, pork and poultry) realised increases in prices during 2006. The strong trend in the domestic meat market was largely driven by strong consumer demand coupled with limited supplies especially in the case of beef due to rebuilding of herds and reduced imports from Namibia. The price of maize which is a major ingredient in feed continued to increase and as a result raised feed costs. Prices more than doubled from below R500 per ton in 2005 to more than R1 430 per ton by November 2006.

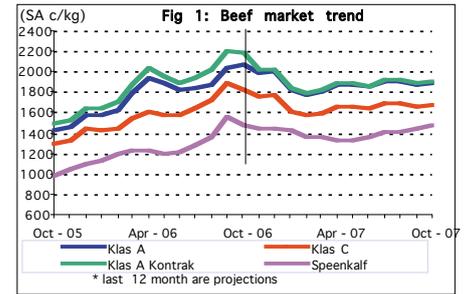
Beef price trends

South Africa's beef prices have continued to increase since 2004 despite normal seasonal trends. The course of events was as follows:

- Strong economic growth and improved welfare of the consumer as a result of lower interest rates.
- Improved production conditions as a result of good rains have prompted producers to withhold stock creating shortage on the market. The swing towards beef

production started early in 2005 when maize prices were almost halved creating uncertainty regarding the future of grain production..

- On the international front, there was an outbreak of Foot-and-Mouth Disease (FMD) in Brazil and Argentina, the world's largest beef exporters. As a result imports declined sharply during the early part of 2006. However, the positive impact on domestic prices was somewhat muted by a strong Rand. The currency has however weakened since the beginning of the second half of the year and traded around R7.50-R7.80 to the US Dollar compared to R6.00 at the beginning of the year.
- Prices increased across all classes (A to C) with contract class A beef price increasing by almost 34% in August 2006 compared to 2005. By September, beef prices reached almost R22.10 and R18.82 per kg for Class A and Class C respectively. In an environment of rising interest rates these levels tested consumer resistance which subsequently started declining by mid-October. This trend is expected to continue well into the New Year as demand tapers off.



- As with beef prices, the prices of weaner calves continued to strengthen due to huge demand for weaners coupled with tight supplies as producers held back stock to take advantage of improved grazing conditions. This has resulted in weaner calf prices fetching premium prices on markets – in some cases prices reached R 17.00/ kg live weight. Weaner calf prices traded about R 14.72/ kg live weight in October 2006, which is almost 51% higher than October 2005.
- Another factor that has contributed to the tight supply situation is the increase in game farming at the expense of beef – game is considered more profitable