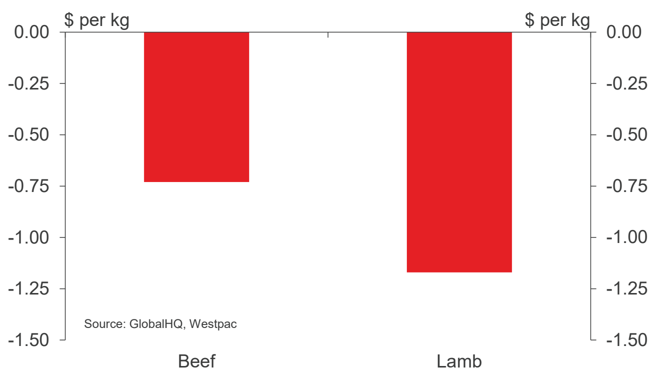
Monthly Meat Matters.

18 November 2021

Descending from the twin peaks.

- Beef and lamb farmgate prices have peaked, setting record highs in the process.
- From here, we expect prices to fall in line with the normal seasonal patterns through to the autumn.
- With that in mind, we expect prices this autumn to also set record highs relative to previous autumns.

Average peak-to-trough decline in farmgate meat prices



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Beef and lamb farmgate prices have continued their record-breaking run. For example, P2 steer prices have cracked $6.50/kg, with November likely to be the third month in a row of record highs. Lamb prices, too, have set fresh record highs, topping $9.50/kg at one stage.

However, farmgate prices appear to have peaked. Lamb prices have declined for two weeks in a row, while P2 steer prices fell over the past week. This begs the question: where do prices head from here?

We expect prices to fall in line with the normal seasonal patterns through to the autumn and, as a result, we expect prices this autumn to also set record highs relative to previous autumns. Beef prices normally fall by around 75 cents per kg from the spring peak to the autumn low. On this basis, we anticipate that the autumn low for prices will be in the vicinity of $5.75/kg. Meanwhile, lamb prices normally fall by around $1.20/kg from the spring peak to the autumn low. On this basis, we expect prices to fall to circa $8.25/kg.

In short, we expect the current factors underpinning prices have further to run. Global meat supply remains very tight, with feed grain prices still very high. With no short-term resolution in sight, we expect tight supply to continue to underpin prices. Meanwhile, global meat demand remains firm. And while slowing Chinese economic growth may moderate demand in 2022, we expect that the economic recoveries in the US and Europe will generate sufficient demand to offset any Chinese weakness.

With the above in mind, the autumn is shaping up as one for the record books.

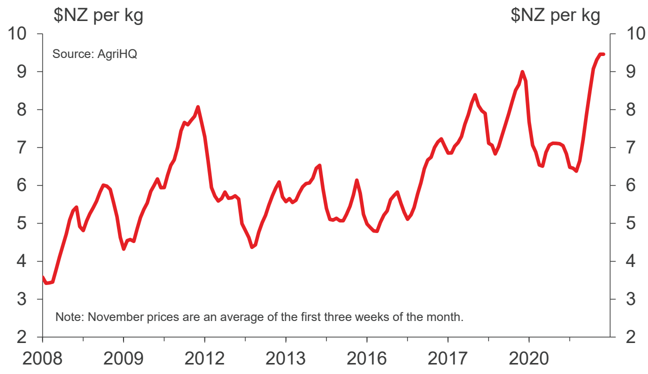
Meat unpacked.

Lamb – Everest.

Farmgate lamb prices have set a string of records, with prices peaking around $9.50/kg during the last month. Looking back, prices have been on a spectacular run. Indeed, since March, prices have jumped by over $3.00/kg.

Importantly, with that high tide water mark, we expect prices this autumn will also set record highs relative to previous autumns. Normally, prices fall around $1.20/kg from the spring peak to the autumn low. Lamb supplies remain tight in New Zealand and Australia, and demand is strong in China and improving in the US and Europe. We expect these factors to continue to underpin prices.

Farmgate lamb prices

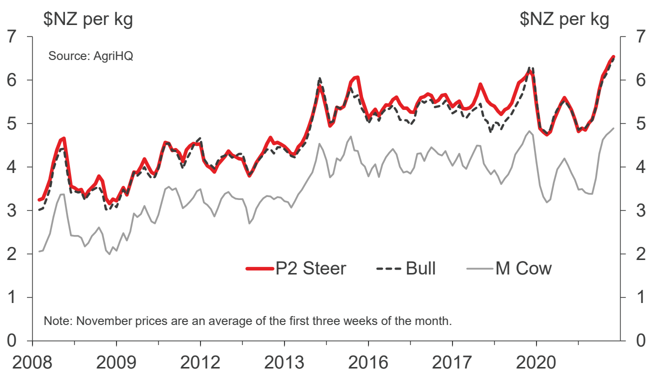


Beef – K2.

Farmgate beef prices have set a string of records, with prices cracking $6.50/kg over the last month. P2 steer prices, for example, have jumped over $1.70/kg (36%) since January.

However, prices appear to have now peaked. Demand is firm (for now) in China and US demand is rising as the US economic recovery gathers pace. Meanwhile, high grain prices and supply chain issues are still crimping global beef supply. With this in mind and allowing for the normal seasonal patterns, we expect prices this autumn to set record highs relative to previous autumns.

Farmgate beef prices

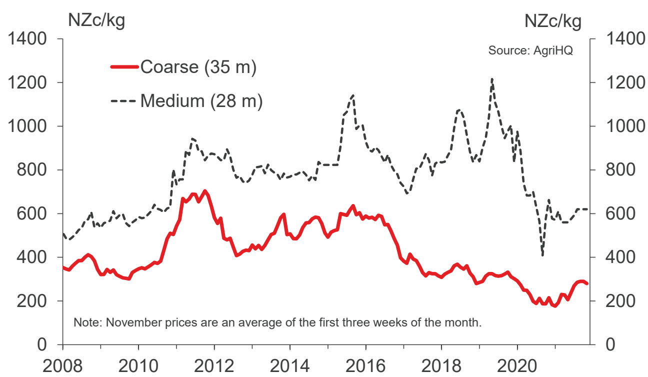


Wool – fine split.

Fine wool prices are back on the horse so to speak. Prices have lifted by around 50% so far this year. Moreover, prices have surpassed their pre-Covid levels. The price recovery follows the improvement in the US and European economies and, in turn, rebounding apparel demand.

However, the earlier improvement in coarse wool prices has stalled. While prices remain higher than a year ago, coarse wool prices have declined over recent months. From here and with structural demand issues still in play, we expect little price movement in either direction.

Farmgate wool prices



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