

# Monthly Meat Matters.

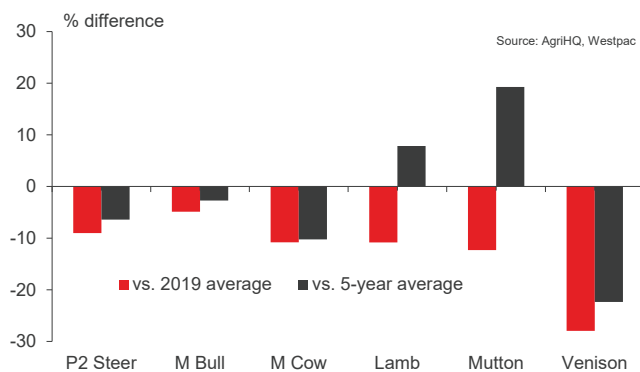
21 December 2020



## 2020: down, but not out.

- After a stellar 2019, 2020 has been more challenging for meat markets.
- However, all things considered, farmgate prices have been resilient over the year.
- Looking to 2021, we anticipate that the Covid vaccine rollout and accompanying rebound in world economic growth will boost meat demand and prices over the course of the year.

### 2020 farmgate prices



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For meat markets, the spectacular 2019 year was always going to be hard to match. And so it proved. All farmgate meat prices over 2020 averaged lower than over 2019.

A more relevant comparison then was to the 5-year average. On this basis, beef and lamb prices were pretty close to the respective 5-year averages (see chart). One exception was venison, with Covid inducing a drop in demand which took prices on average 22% lower than over 2019. On the flipside, mutton prices held on to much of their recent structural lift, recording prices 19% above their five-year average.

If the demand and supply ducks lined up over 2019, then what could go wrong basically did go wrong over 2020. The year started with the drought, which led to a surge in slaughtering and an accompanying fall in prices. Then Covid struck and meat processors had to reduce capacity to allow for physical distancing. Covid then also translated into lower global demand. Both these Covid impacts lowered farmgate meat prices further.

All things considered though, farmgate meat prices have proved relatively resilient. The Covid recession has been very deep. For example, the world economy is set to shrink 3.7% over 2020, whereas it shrank just 0.2% over 2009 during the Global Financial Crisis. With that in mind, we might have expected a larger impact on farmgate prices than we ended up seeing.

Looking ahead to the start of 2021, we expect prices to continue recent trends allowing for the usual seasonal patterns i.e. beef and lamb prices normally fall over the summer and early autumn. However, with Covid vaccines rolling out and the global economy set to rebound (we expect the world economy to grow by 5.8% over 2021), we anticipate a pickup in farmgate meat prices from around mid-year. Notably, we expect a larger pick up for the more expensive cuts and meats like venison as consumers gradually return to restaurants and the like.



## Sector snapshots.

### Lamb.

Farmgate lamb prices fell as they normally do over December. For the record, prices fell 3.1% or 22 cents per kg over the month. This fall is a touch smaller than the average fall recorded over the five previous seasons.

Looking over the remainder of the season, we continue to take the glass half full view. While prices will decline as they normally do into the new year, we expect that the seasonal decline will be relatively modest. We base that view on the fact that Chinese demand continues to be firm, while New Zealand and Australian supply remains tight.

### Farmgate lamb prices

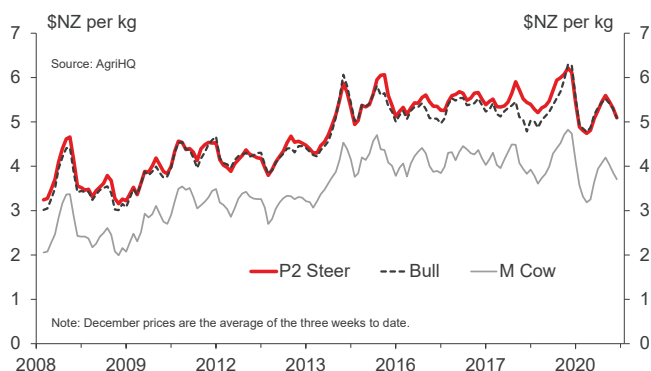


### Beef.

Farmgate beef prices dipped for the third consecutive month over December. The combined falls over that period range from around 8% (for M bulls) to 12% (for M cows).

We continue to take a glass half empty view on beef prices. Farmgate prices are noticeably down on their December averages over the past five years and we expect that this softness will continue into 2021. Indeed, Covid is still likely to weigh on US and European beef demand in the short term. Meanwhile, global beef supply is also likely to remain robust.

### Farmgate beef prices

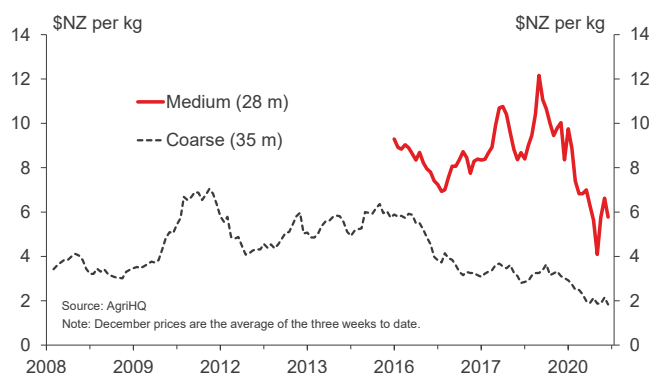


### Wool.

Since we last discussed wool prices back in September, prices have lifted off their lows in some cases or tracked sideways in others. Notably, prices for fine and medium wools have bounced higher, with medium wool (28m) up over 40% since September.

Even with the lifts, prices remain low and we expect that the price weakness will remain in the short term. However, there is now light at the end of the tunnel. The rollout of Covid vaccines means that global economies will start to return to normal over the course of 2021. As that happens demand and prices for wool should start to rebound. On timing, we anticipate that the price recovery is likely occur from mid - 2021.

### Farmgate wool (clean) prices



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