

Monthly Meat Matters.

1 October 2021



Beef+LambNZ forecasts undercooked.

- Beef+LambNZ's New Season Outlook paints a relatively positive picture for the season ahead.
- However, in our view, Beef+LambNZ has undercooked their beef and lamb farmgate forecast prices.
- In fact, we expect farmgate prices to even settle above Beef+LambNZ's upside scenarios.

Nathan Penny, Senior Agri Economist

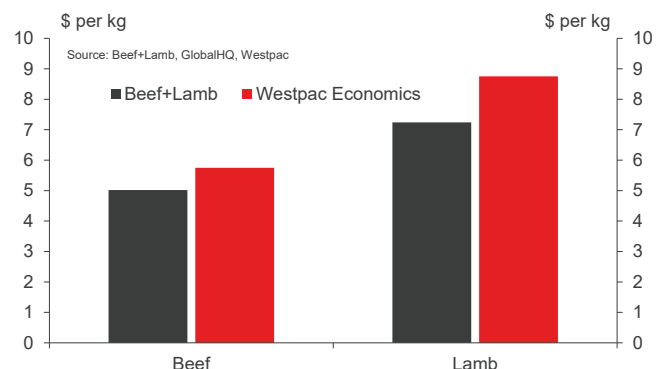
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Beef+LambNZ have released their 2021/22 New Season Outlook this week. It's a very comprehensive document and is useful to farmers and industry participants alike.

Generally, the outlook document paints a relatively positive picture for the season. However, in our view, Beef+LambNZ has severely undercooked their beef and lamb farmgate forecast prices.

We expect the farmgate lamb price to average \$8.75/kg over the season. This forecast is \$1.51/kg above Beef+LambNZ's forecast of \$7.24/kg. Meanwhile, we expect the farmgate beef price to average \$5.75/kg over the season. This forecast is \$0.73/kg above Beef+LambNZ's forecast of \$5.02/kg.

Farmgate beef and lamb forecasts, 2021/22 season average



Essentially, we agree with much of Beef+LambNZ's demand and supply analysis (see the discussion in 'Meat Unpacked' below for our views). However, current prices are inconsistent with their forecasts. For example, the current farmgate lamb forecast is around \$9.30/kg. Assuming that prices remain near or at these levels for the next month or two, then prices would have to decline well below \$7.00/kg later



in the season to average \$7.24/kg for the season as a whole. It is a similar dynamic for beef. Prices (P2 Steer) are currently around \$6.25/kg, so prices would need to decline well below \$5.00/kg later in the season to average \$5.02/kg.

Price declines of these magnitudes are also inconsistent with the current demand and supply outlooks. In other words, current very strong market fundamentals would have to rapidly give way to very weak conditions for price falls of this magnitude to occur.

It is a similarly unlikely story for Beef+LambNZ's New Zealand dollar assumptions. Their central view is that the NZD/USD averages US\$0.75 over the season. But as we go to print, the NZD/USD is trading below US\$0.69. For Beef+LambNZ's forecast to hold, we'd have to see a dramatic rise in the NZD up towards 80c over the course of the season.

All up, we're confident in our beef and lamb farmgate price forecasts with balanced risks around our forecasts for \$5.75/kg and \$8.75/kg, respectively. In contrast, the risks to Beef+LambNZ's forecasts are very clearly to the upside.

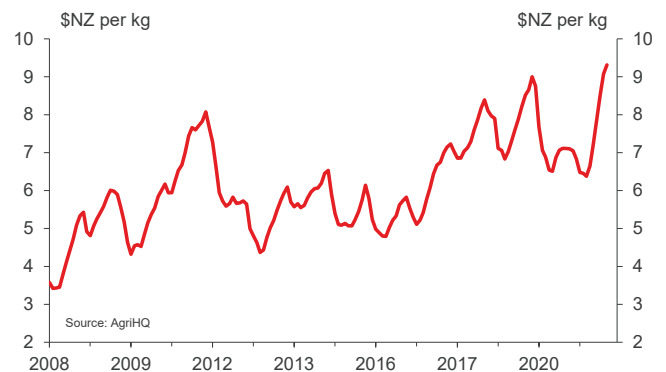
Meat unpacked.

Lamb.

Farmgate lamb prices have set fresh record highs. After averaging \$9.08/kg over August, September averaged a whopping \$9.31/kg. Moreover, prices have jumped an almost unfathomable \$2.94/kg since March.

From here, we're picking that lamb prices will push towards a peak of around \$9.50/kg this month or next. We expect demand in the US, EU and UK can still strengthen further as consumers regain freedoms and increasingly eat out. In addition, as these economies strengthen, we anticipate that demand for pricier lamb cuts will also improve further. Importantly, on the back of that high tide water mark, we also expect prices next autumn will set record highs relative to previous autumns.

Farmgate lamb prices

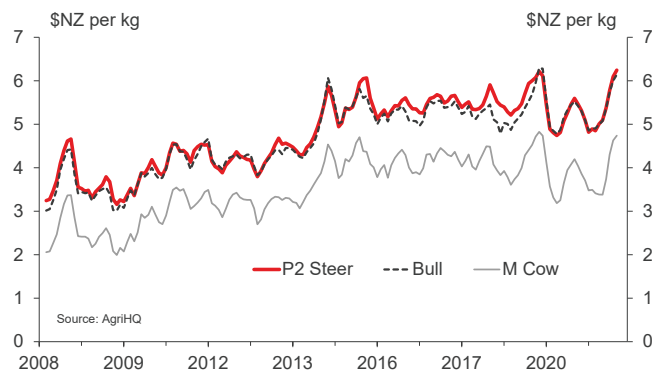


Beef.

September farmgate beef prices have set a new record high. P2 Steer prices, for example, averaged \$6.25/kg over the month, leapfrogging the previous record set back in November 2019. In addition, prices have surged around 30% since the start of the year.

From here, we expect beef prices to remain at or near these record highs over the remainder of this year and into 2022. Notably, demand remains strong in China as African Swine Fever continues to hit pork production, and thus leading consumers to seek out alternatives such as beef. Meanwhile, Brazil's exports to China have been suspended following an outbreak of mad cow disease. Elsewhere, supply is relatively tight, with grain prices high in the USA, and as cattle stocks are rebuilt following drought in Australia.

Farmgate beef prices

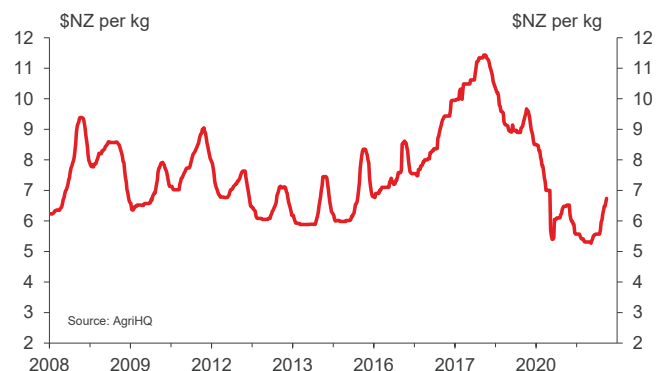


Venison.

Venison prices have turned the corner. Since May, prices have jumped nearly \$1.50/kg or around 28%.

From here, we expect there's more to come. Critically, consumers in key markets such as Germany have regained many of their freedoms and can thus return to restaurants and pubs. As a result, the key channel for venison demand is being restored. On this basis, we expect prices to continue to lift over the next month or so and are likely to test the \$7.00/kg mark.

Farmgate venison prices



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