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Livestock and Fibre markets

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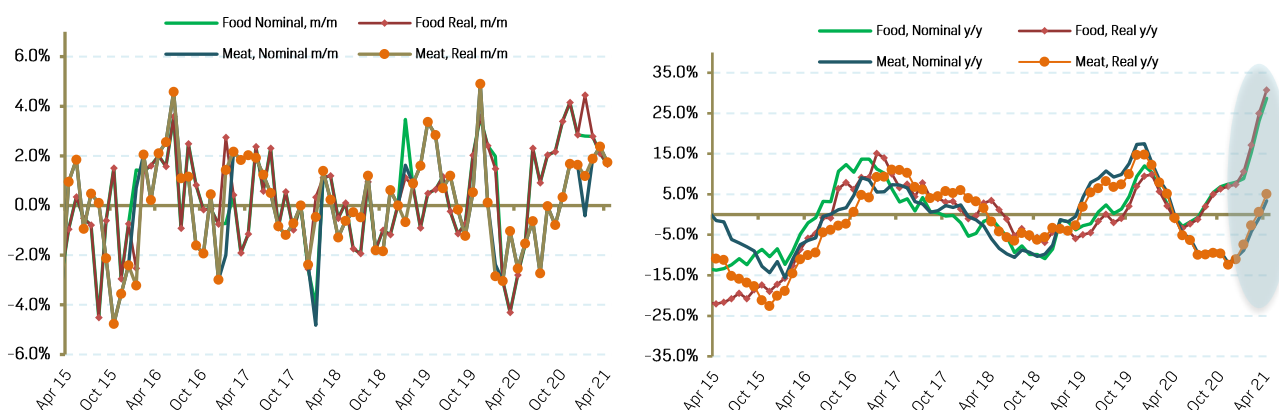


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UPDATE ON LIVESTOCK MARKETS

- The latest monthly update on international food prices from the Food and Agriculture Organization (FAO) shows a further acceleration in April 2021 on the back of gains in sugar, oils, meat dairy and cereals.
- The FAO food price index rose for the 11th consecutive month to a record high since 2014 at 120.9 points, which is up 1.7% month-on-month (m/m) in April and 30.8% higher relative to the same month in 2020.
- A combination of tightening global stocks of major commodities in the cereal complex as well as inclement weather early in the production season in the US including the deterioration in crop conditions in Brazil and Argentina contributed immensely to the sharp increases in prices. Maize and wheat prices surged to record highs and not only impacted on consumer prices but also reduced producer margins in the intensive livestock production systems.
- In the meat complex, prices were across most categories with biggest increases for beef, sheep, and pork prices due to the combined influence of solid demand in East Asia and strong domestic uptake in major producing nations, as well as supply tightness arising from the herd rebuilding in countries such as Australia. AU's exports consequently began 2021 on a softer note with beef, lamb, and mutton falling by 25%, 20%, and 26% respectively for the year-to-March 2021 relative to the 2020 levels.
- The FAO meat price index remained elevated in April and posted a seventh consecutive monthly increase by 1.7% m/m to 101.8 points, which is 5.1% above the 2020 level for the same month as reflected in figure 1.

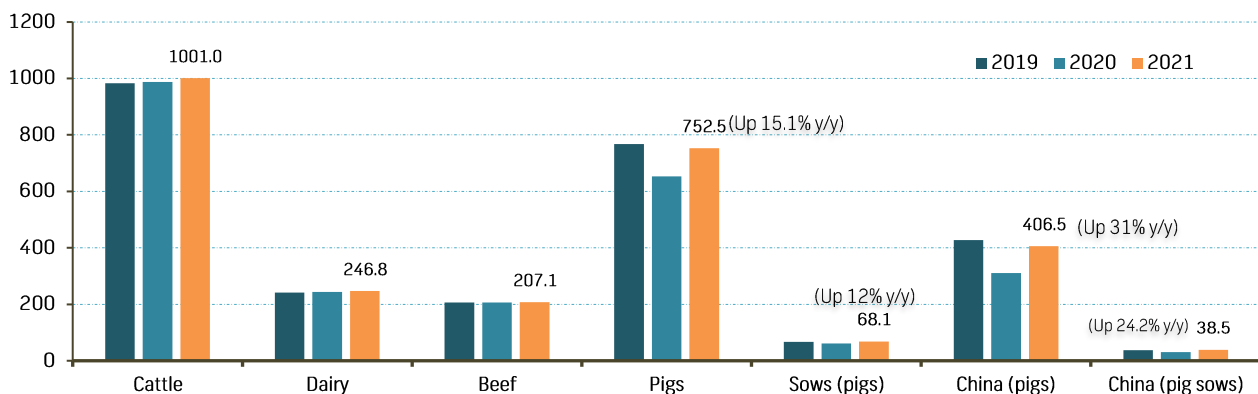
Figure 1: International food and meat price trends (% change by period)



Source: FAO.

- Recent world livestock numbers point to some improvement in herds with potential increase in meat production in the year ahead. As shown in figure 2, livestock numbers for 2021 are expected to be slightly above last year particularly pigs with beginning stocks and sow numbers up by 15% and 12% respectively y/y.
- Good news is that China's pork production is on the mend despite recent the African Swine Fever (ASF) challenges. The latest development out of the country is that China's pork production has reportedly surged by almost 32% year-on-year (y/y) to 13.7 million tons in the first quarter of 2020. The country's imports of feed grain such wheat, barley, and sorghum were up 131%, 135%, and 22% respectively y/y due to efforts to diversify livestock feed given the record high prices of maize on global markets.

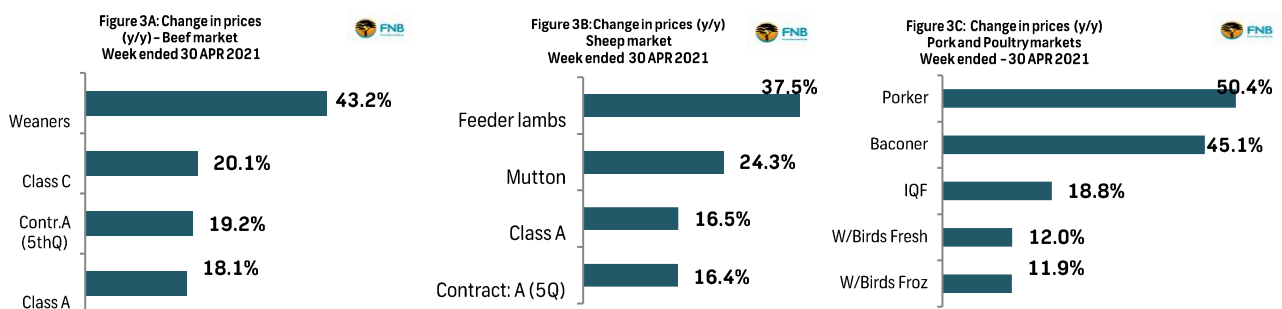
Figure 2: World livestock beginning stocks trends (million head) – cattle, dairy, and pigs.



Source: FAO.

- On the domestic market, the weekly price trend has been firmer across the meat complex led by beef which continues to enjoy strong demand amid supply-induced tightness as producers hold on to their stock to take advantage of good pasture conditions and the increased availability of fodder from harvested maize lands.
- The yearly trend in livestock prices shows elevation across the board as reflected in figures 3A to 3C, implying elevated consumer inflation for meat which edged marginally higher by 0.3% m/m in March and up 6.7% y/y.

Figure 3: Changes in average weekly livestock prices (% change y/y)



Source: Own calculations from FNB AgriComms.

- In the grain markets: Weather challenges in the US and the tightening global stocks of grain and oilseeds continue to underpin the recent strength in international prices. Domestic grain prices ticked higher most of the week with limits up for maize earlier on Monday this week.

- Maize prices have now reached a seasonal high and are back above R3,500/ ton across the board. At levels above R3 000/ ton for maize, livestock feeding margins remain under pressure and currently yellow maize is trading at a premium way above its white counterpart.
- After a brief reprieve in the week earlier, oilseed prices strengthened on spill over gains from the grain markets. Nonetheless, the increased availability of soybeans with harvest estimate now above 1.7 million tons will see processing for oilcake garnering pace which bodes well for the intensive livestock feeding systems.

Table 1: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

05 MAY 21	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Jul 21	R3 579	9.2%	R3 727	9.2%	R9 096	1.5%	R7 642	5.2%
Sep 21	R3 637	9.2%	R3 779	9.0%	R9 186	1.5%	R7 733	5.0%
Dec 21	R3 717	8.8%	R3 848	8.7%	R9 233	2.1%	R7 834	5.0%
Mar 22	R3 728	8.3%	R3 802	8.3%	R8 800	0.7%	R7 807	4.1%
May 22	R3 485	-	R3 565	9.0%	-	-	R7 300	-

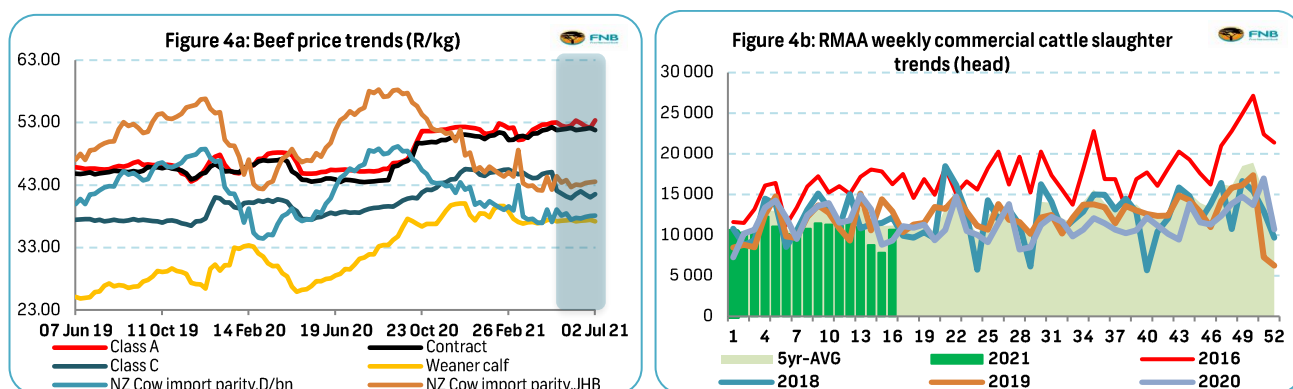
Source: JSE,

International update on beef markets

- In the US market, gains in the imported market continues underpinned by good demand and supply tightness due to logistic challenges at ports in the West Coast.

Domestic beef market update:

- Beef carcass prices extended gains on demand improvement as well as better production conditions that encourage producers to hold on to their stock a bit longer. The increased availability of fodder as grain harvest in some areas increased the demand for weaner calves. Weaner calf prices are 43% ahead of the same week in 2020 and 22% above the 3-year average.

Figure 4: Bee prices and cattle slaughter trends

*Last nine data points on figure aa are preliminary

Source: RMAA

Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	30 Apr 21	% Δ w/w	% Δ y/y	3-Year Avg	23 Apr 21	16 Apr 21
Class A (R/kg)	52.96	0.5%	18.1%	11.2%	52.70	52.65
Class C (R/kg)	45.10	0.3%	20.1%	11.4%	44.96	44.78
Contract: A (*Incl. 5thQ)	52.27	0.7%	19.2%	11.7%	51.92	51.72
Import parity (R/kg)	42.26	-4.6%	-9.4%	-5.1%	44.32	42.12
Weaner calves (R/kg LW)	37.54	0.4%	43.2%	22.0%	37.40	37.04

LW – Live Weight; *Fifth quarter. Source: USDA, JSE, FNB Agric

OUTLOOK

Despite seasonal pressure due to weaning, the weaner calf market remains robust. Seasonal production conditions remain solid and will help maintain good fodder supplies for overwintering in just over two months' time. Demand remains solid near term.

Weekly summary of the sheep market

International sheep market update

- AU lamb production is reportedly on the upside and above historical average since mid-March as producers liquidate stock that were in cropped lands as the winter crop season begins. Favourable conditions with quality feed boosted growth rates. The country's exports were not that fantastic with the AU-China tensions doing further harm. AU shipments to China for the YTD (March) decreased by 17% y/y. AU export to the Middle East also fell sharply by 42% y/y following Qatar's decision to end import subsidies in December 2020.

Domestic sheep market update

- Except for mutton, weekly prices were mostly firmer on the back of gains in the red meat complex. The current contract class A lamb and mutton prices are however up 17% and 24% respectively relative to last year and are both almost 14% and 16% above the 3-year average for this time of the year.

Figure 5: Lamb and mutton prices and sheep slaughter trends

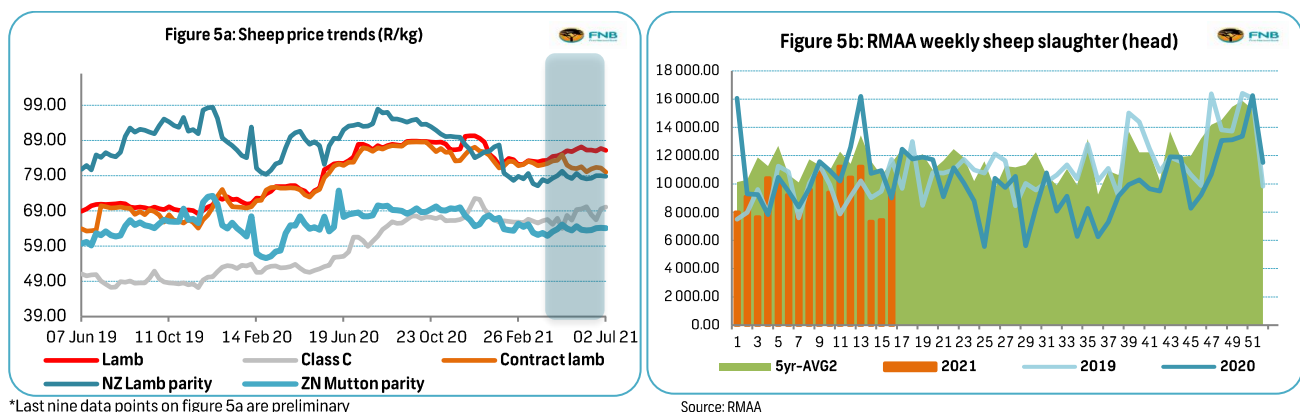


Table 3: Sheep producer price trends in South Africa

Sheep market – South Africa						
Date	30 Apr 21	% Δ w/w	% Δ y/y	3-Year Avg	23 Apr 21	16 Apr 21
Class A (R/kg)	85.21	0.6%	16.5%	13.5%	84.66	84.46
Mutton (R/kg)	64.05	-4.3%	24.3%	15.9%	66.96	65.18
Contract: A (*Incl. 5thQ, R/kg)	84.90	1.8%	16.4%	14.4%	83.38	83.18
Import parity (R/kg)	80.28	1.6%	-8.7%	-2.2%	79.00	78.26
Feeder lambs (R/kg LW)	42.96	6.5%	37.5%	19.8%	40.32	40.32

LW – Live Weight; *Fifth quarter. Source: USDA, JSE, FNB Agric

OUTLOOK

We expect near-term prices to hold on stable demand. However, tough trading expected during the winter period ahead.

Weekly pork market

International pork market update

- A combination of strong domestic and export demand helped maintain the recent uptrend in US pork prices in recent trades. At wholesale level, US pork carcass values were sharply higher by 16% y/y at US\$109.24/ cwt in last week's trade and have reached a high of US\$116.93/cwt by Wednesday 05 May 2021 this week.
- China's pork imports continued to surge with latest reports showing growth of 16% y/y for March 2021 at 460,000 tons which raised the cumulative YTD total by 22% y/y to 1.16 million tons.

Domestic pork market update

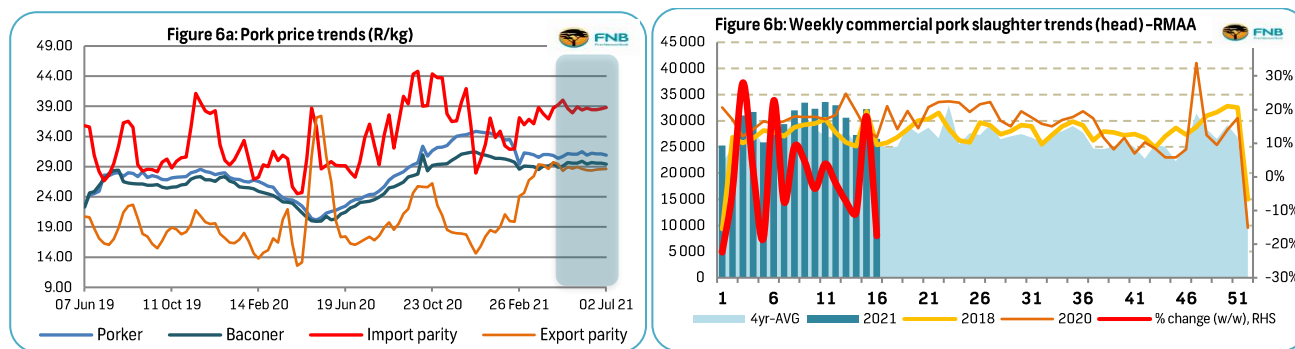
- Last week saw a slight rebound on the back improved uptake and the spill over gains in the red meat complex. The current pork and baconer prices are still sharply higher by 50% and 45% respectively relative to the same week in 2020 and are 31% and 35% above the 3-year average for this time of the year.
- Disease challenges internationally will continue to determine price direction in the medium to longer term due to the influence on import parity levels. Earlier ASF challenges in SA have subsided and authorities are monitoring the situation.

Table 4: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	30 Apr 21	% Δ w/w	% Δ y/y	3-Year Avg	23 Apr 21	16 Apr 21
Porker (R/kg)	30.72	1.1%	50.4%	30.5%	30.38	30.85
Baconer (R/kg)	29.10	0.7%	45.1%	35.0%	28.89	29.52
Import parity (R/kg)	40.05	2.0%	3.5%	27.8%	39.26	38.72

Source: USDA, JSE, FNB Agric

Figure 6: Pork prices and slaughter trends



*Last nine data points on figure 6a are preliminary

Source: RMAA

OUTLOOK

The short to medium term price outlook still points to further upside on the back of the resilience in the red meat complex.

Weekly poultry market update

International poultry market update

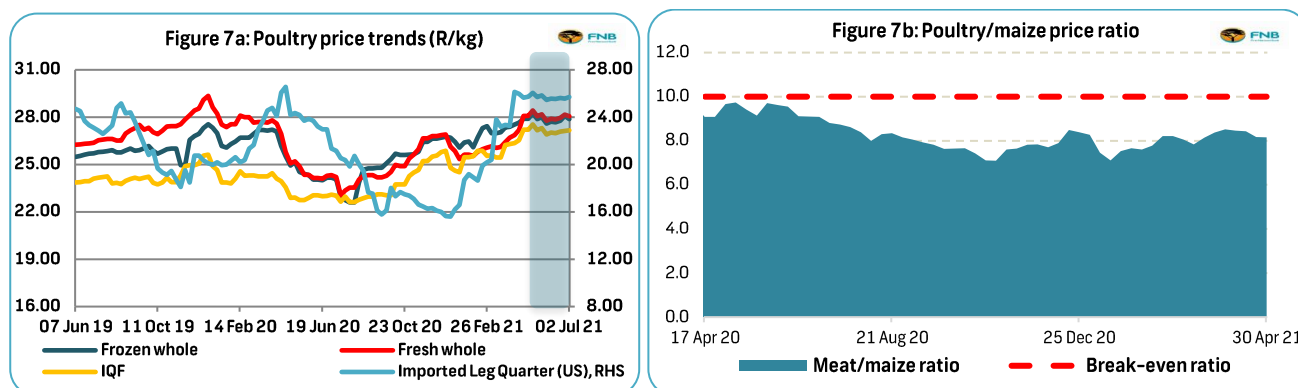
- Despite the recent surge in global grain prices and the potential hike in feed costs, chicken meat production is expected to reach a record high of 102.1 million tons according to the USDA's April 2021 forecasts. The rebound in global economic growth and the resurgent demand seem to far outweigh cost pressures from the higher feed grain prices.

Domestic poultry market update

- Poultry prices moved mostly sideways for the week, but fundamentals remain supportive for further upside.

- On the feeding front, there is no sign of improvement in the meat/maize ratio as the runaway maize prices continue to widen the gap between the break-even level and meat/maize ratio as illustrated in figure 7b. The meat/maize ratio is an indication of profitability in the industry.

Figure 7: Poultry prices and meat/maize ratio trends



*Last nine data points on figure 4a are preliminary

Table 5: Poultry producer price trends in South Africa

Week ending	Poultry market – South Africa					
	30 Apr 21	% Δ w/w	% Δ y/y	3-Year Avg	23 Apr 21	16 Apr 21
Fresh whole birds (R/kg)	28.08	0.0%	12.0%	5.8%	28.08	27.18
Medium Frozen whole birds (R/kg)	27.90	0.0%	11.9%	6.7%	27.90	27.65
Individually Quick Frozen (IQF) (R/kg)	27.20	0.0%	18.8%	10.6%	27.20	26.54
Import parity (R/kg)	25.73	0.4%	6.3%	5.2%	25.64	25.96

Source: USDA, JSE, FNB Agric

OUTLOOK

The short to medium term price outlook remains solid on the back of strength in the red meat market and tightening import volumes.

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