

how can we help you?

Livestock and Fibre markets

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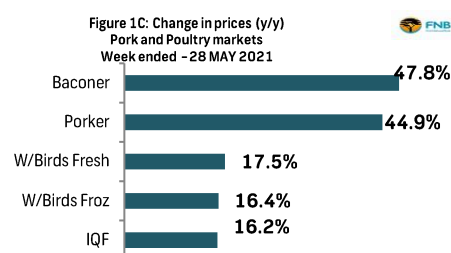
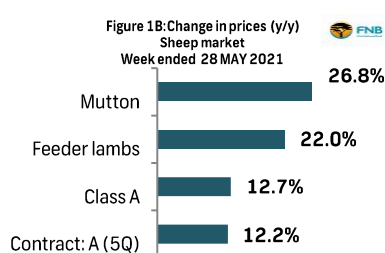
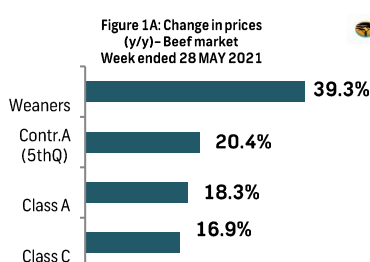


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UPDATE ON LIVESTOCK MARKETS

- Latest development on the international market is the Argentinean government has suspended operations of twelve beef exporters and reportedly seized over 220 tons citing irregular operations. This follows a 30-day export ban on meat exports imposed earlier to contain domestic price pressures and stymie the country's runaway inflation.
- A sustained onslaught on the industry has serious ramifications for world supplies given the country's status as the fifth largest exporter of beef. Supply shortages could drive beef prices higher in the short to medium term but may also discourage domestic herd expansion and eventually loss of world market share especially to China which accounted for a whopping 76% of Argentina's total exports using 2020 numbers.
- International meat prices have already been on an upward trajectory in recent months with the FAO food price index (FPI) showing an increase of 1.7% month-on-month (m/m) and 5.1% year-on-year (y/y) in the meat category during April 2021. The May FAO FPI update is due for release tomorrow 3rd of June 2021 and further reduction in availability will keep prices elevated in the months ahead.
- On the local market, South Africa recorded another outbreak of the Foot and Mouth Disease (FMD) in the northern areas on KZN. Though localised, FMD is a notifiable disease in terms of the World Organization for animal Health's requirements and some countries may choose to impose bans on imports such as in the recent case by Botswana. The weekly trend in livestock prices came in on the upside across the board in last week's trade with pork and baconer posting the biggest weekly rebound. The poultry category's IQF portions were however the exception and eased slightly lower on the week but still 16% and 9% above last year and the 3-year average (see figures 1A to 1C).

Figure 1: Changes in average weekly livestock prices (% change y/y)



Source: Own calculations from FNB AgriComms.

- This week saw further gains in the grain markets with prices of raw feed inputs remaining stubbornly above the R3200/ ton level for maize while soybeans edged closer to R7400/ ton (table 1).
- High feed costs will continue to test the profitability of intensive livestock feeding systems given the huge contribution to operations.
- We have seen increased volatility in the grain markets recently despite a massive rand appreciation which is at its best level around R13.70/ US dollar. Elevated international prices remain supportive and developments in that market with the US crop in its infancy will continue to be the main catalyst for price direction on the local market.

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

01 JUNE 2021	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Sep 21	R3 263	1.9%	R3 393	2.0%	R8 926	-1.1%	R7 368	0.8%
Dec 21	R3 342	2.0%	R3 467	2.0%	R8 854	-1.7%	R7 479	0.9%
Mar 22	R3 359	1.8%	R3 462	2.3%	R8 649	-2.2%	R7 468	1.3%
May 22	R3 263	0.1%	R3 233	0.3%	-	-	R7 020	-0.5%
Jul 22	R3 270	2.0%	R3 300	3.1%	-	-	-	-

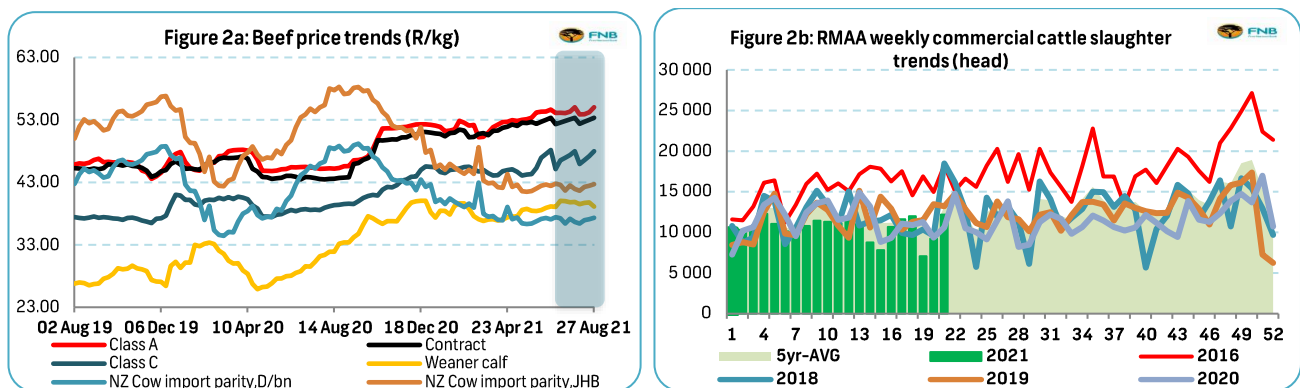
Source: JSE

- Although back below R3,500/ ton across most futures contracts for both WMAZ and YMAZ, livestock feeding margins remain under pressure at levels above R3 000/ ton for maize especially for YMAZ which continues to trade at a premium way above its white counterpart.
- The oilseed complex however remains firm and though sunflower eased lately, prices are still at historical highs across the 2021 futures. The increased availability of soybeans with harvest estimate now at 1.9 million tons will see processing for oilcake garnering pace which bodes well for the intensive livestock feeding systems.

International update on beef markets

- The US import market saw further gains on the back of good demand ahead of the Memorial Day holiday amid tight supplies.
- At wholesale level, domestic US boxed beef values saw further gains with Choice and the Select categories up by over 2% w/w but still down by almost 12% and 13% respectively y/y.
- In the cattle markets, the CME Feeder Cattle Index edged 0.8% higher w/w at US\$136.25/ cwt which is 5.3% ahead of the 2020 levels.

Figure 2: Beef 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	28 May 21	% Δ w/w	% Δ y/y	3-Year Avg	21 May 21	14 May 21

Class A (R/kg)	53.34	0.5%	18.3%	11.3%	53.10	53.01
Class C (R/kg)	44.32	0.2%	16.9%	10.7%	44.25	44.08
Contract: A (*Incl.5thQ)	52.68	0.3%	20.4%	12.1%	52.50	52.54
Import parity (R/kg)	41.59	0.2%	-12.5%	-6.9%	41.49	41.58
Weaner calves (R/kg LW)	38.46	-0.8%	39.3%	24.1%	38.76	38.57

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

Domestic beef market update:

- Beef prices are currently at best levels on the back of the resilient domestic demand and supply tightness as producers hold on to their stock a bit longer to take advantage of increased fodder from the harvested maize lands as well as better grazing conditions.
- Weaner calf prices eased marginally last week on limited uptake and seasonal supply pressures from the recent weaning. The average weekly weaner calf prices are still 39% ahead of the same week in 2020 at R38.46/ kg live weight (LW), which is 24% above the 3-year average.

OUTLOOK

Seasonal demand pressures are yet to manifest, and this has helped prices remain elevated. 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.

Weekly summary of the sheep market

International sheep market update

- New Zealand lamb and mutton prices continued to trend higher on the back of limited availability and increased processor demand. However, there are concerns over the mutton slaughter for the longer-term lamb supplies.
- In Australia, the benchmark Eastern States Lamb Indicator (ESTLI) rose to its best level since early April 2021 at AU8.43/ kg cwt but still sharply lower by 8% y/y.

Domestic sheep market update

- Weekly lamb and mutton prices retained the recent uptrend on the back of solid demand and limited availability. The current contract class A lamb and mutton prices are still up 12% and 27% respectively relative to last year and are both almost 15% and 19% above the 3-year average for this time of the year.

Figure 3: Lamb and mutton prices and sheep slaughter trends

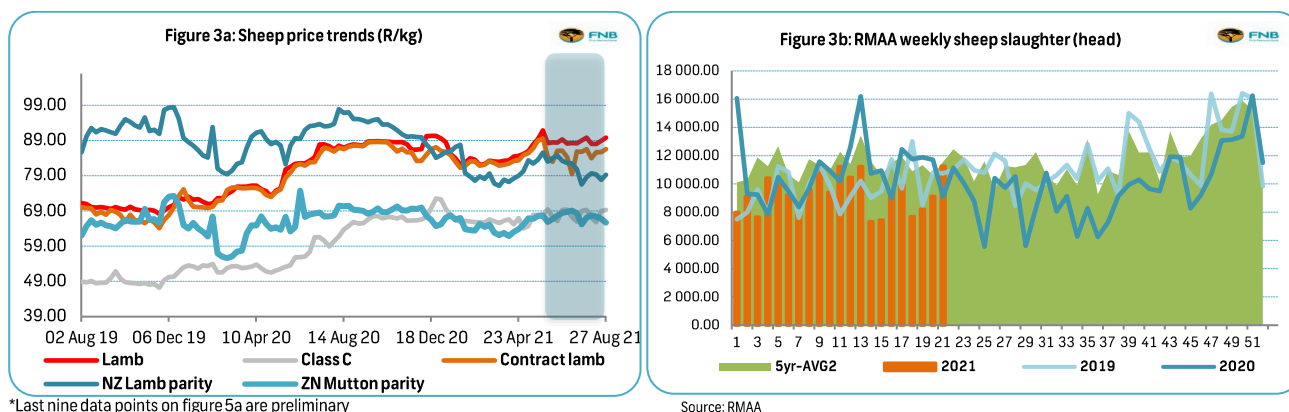


Table 3: Sheep producer price trends in South Africa

Sheep market - South Africa						
Date	28 May 21	% Δ w/w	% Δ y/y	3-Year Avg	21 May 21	14 May 21
Class A (R/kg)	91.88	2.7%	12.7%	14.1%	89.44	87.88
Mutton (R/kg)	67.95	0.1%	26.8%	19.0%	67.90	67.86

Contract: A (*Incl.5thQ, R/kg)	89.57	0.7%	12.2%	15.2%	88.96	86.80
Import parity (R/kg)	85.58	2.4%	-2.2%	1.5%	83.58	82.46
Feeder lambs (R/kg LW)	48.30	0.7%	22.0%	20.1%	47.98	45.78

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

- The US domestic pork market saw further gains due to the combination of strong domestic and export demand. The weekly pork carcass cutout values jumped 5.6% week-on-week (w/w) to US\$124.73/cwt which is 37% higher y/y. Weekly pig slaughter eased marginally lower by 0.6% w/w at 2.38 million head but still 20% higher y/y. This brought the cumulative YTD pig slaughter to 53.60 million head which is almost 3% ahead of last year.

Domestic pork market update

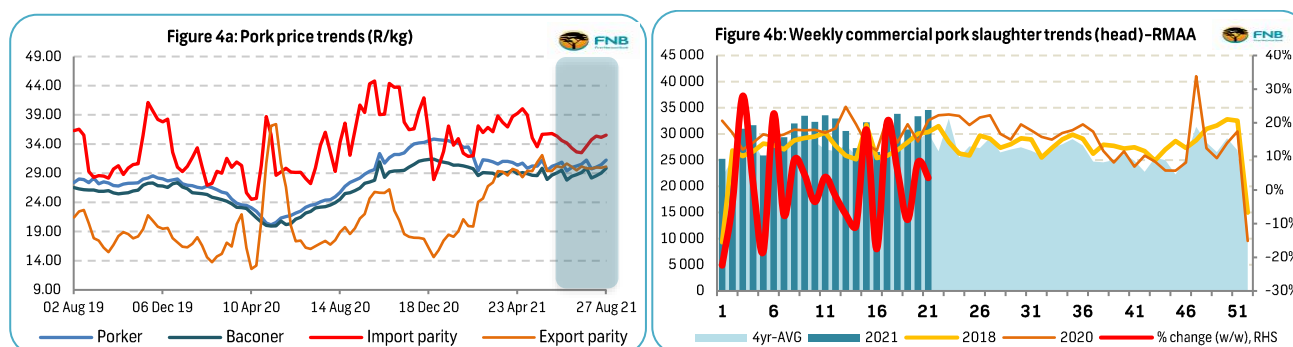
- Last week saw good gains in porker and baconer prices on strong uptake across markets. The current pork and baconer prices are however still sharply higher by 48% and 45% respectively relative to the same week in 2020 and are 33% and 39% above the 3-year average for this time of the year.

Table 4: Pig producer prices and slaughter trends

Date	Pork market – South Africa					
	28 May 21	% Δ w/w	% Δ y/y	3-Year Avg	21 May 21	14 May 21
Porker (R/kg)	31.24	3.5%	44.9%	32.8%	30.20	30.23
Baconer (R/kg)	29.86	4.4%	47.8%	38.5%	28.60	28.64
Import parity (R/kg)	35.67	6.4%	19.5%	13.8%	33.52	35.06

Source: USDA, JSE, FNB Agric

Figure 4: Pork prices and slaughter trends



*Last nine data points on figure 6a are preliminary

Source: RMAA

OUTLOOK

Although showing signs of easing lately, elevated raw feed input prices remain a threat to profitability as pork and producer prices have eased from the recent highs. Nonetheless, we expect prices to retain the current momentum with limited downside due to the spill over strength from the red meat complex.

Weekly poultry market update

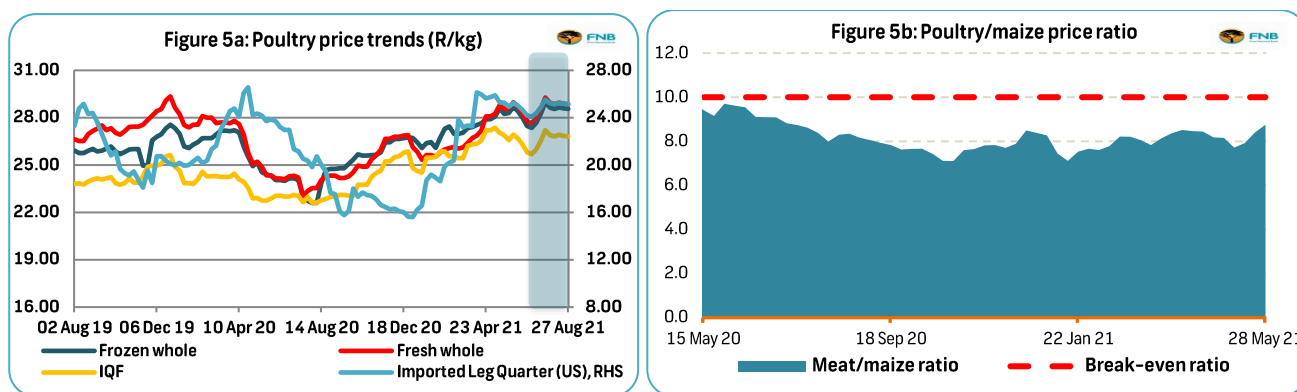
International poultry market update

- The US poultry market saw good gains in the mechanically separated chicken (MSC) (15–20%) for both the fresh and frozen categories. Market activity was reportedly moderate ahead of the Memorial Day holiday. In the whole bird category, US prices eased marginally in last week's trade on volume pressure.

Domestic poultry market update

- The IQF category saw further losses while whole birds retained the upside across the fresh and frozen categories. Although easing slightly w/w, IQF prices are almost 16% ahead of last year and 9% above the three-year average for this time of the year.
- Import parity prices came under downward pressure due to the renewed rand strength as the local unit is now at its best level since January 2020.
- On the feeding front, there is no sign of improvement in the meat/maize ratio as the maize prices remain high thereby maintaining a wider gap between the break-even level and meat/maize ratio as illustrated in figure 5b. The meat/maize ratio is an indication of profitability in the industry.

Figure 5: 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					
	28 May 21	% Δ w/w	% Δ y/y	3-Year Avg	21 May 21	14 May 21
Fresh whole birds (R/kg)	28.60	0.2%	17.5%	8.7%	28.54	28.80
Medium Frozen whole birds (R/kg)	28.30	0.2%	16.4%	9.3%	28.25	28.60
Individually Quick Frozen (IQF) (R/kg)	26.58	-1.2%	16.2%	8.7%	26.89	27.04
Import parity (R/kg)	24.92	-1.4%	4.4%	2.0%	25.27	25.28

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. Disease challenges remain a concern for the industry following the recent outbreak of the avian influenza in Gauteng.

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