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Livestock and Fibre markets

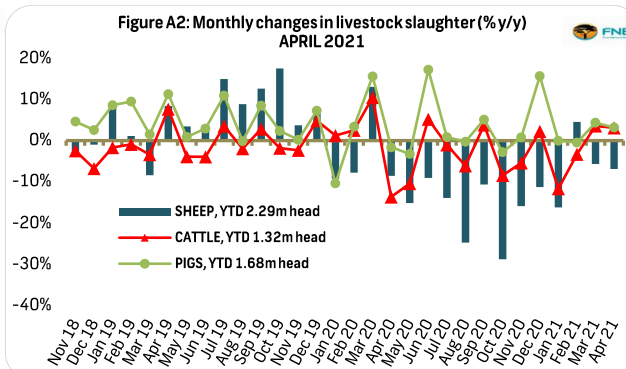
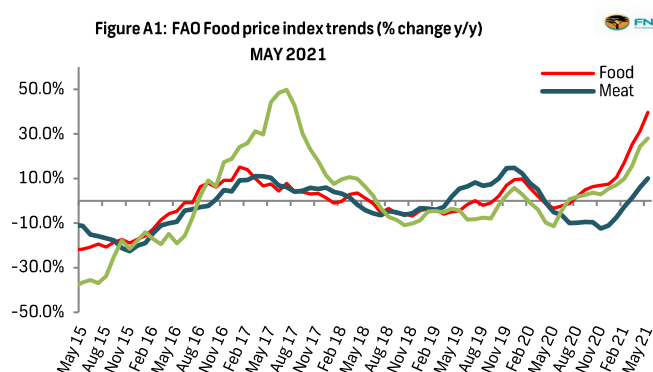
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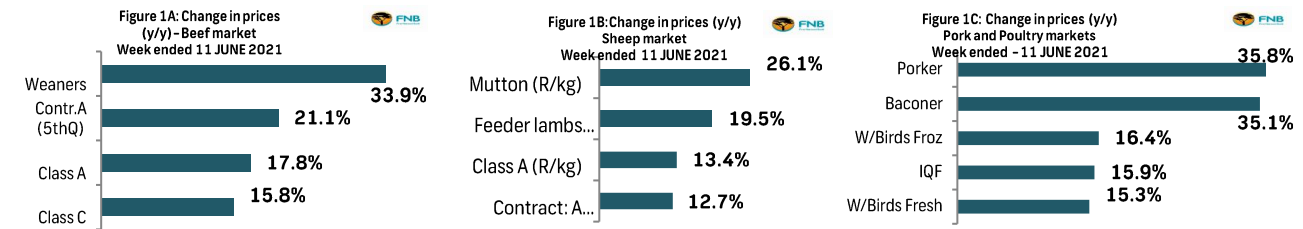
UPDATE ON LIVESTOCK MARKETS

- Last week saw prices trending mostly firm to lower across the livestock market with pork and poultry coming in a bit softer towards midmonth. Beef and sheep carcass prices were firmer on resilient demand and supply tightness while the weaner calf and lamb markets came under pressure and eased lower by 2.4% and 2.6% respectively week-on-week (w/w) at R37.54/kg live weight (LW) and R48.08/kg LW. The current weaner calf and lamb prices are however sharply higher by almost 34% and 20% relative to the 2020 levels. The combination of limited availability and the resilient consumer demand helped maintain prices in the meat complex elevated across the board with the pork and baconer categories being the biggest gainers as illustrated in figure 1.
- The May 2021 Food and Agriculture Organization (FAO) meat price index update showed an eighth monthly gain of 2.2% month-on-month (m/m) to 2.3 points which is 10% higher y/y. Contribution to the increase in the meat price index was across meat types underpinned by the strong import demand from Asia and tightening global stocks with livestock slaughter taking a nosedive in some regions. The dairy price index rose by 1.5% m/m and a whopping 28% y/y due to the combination of tight stocks and surging demand in the skim milk powder and cheese categories in the EU with China raising its appetite for whole milk powder.
- On domestic livestock slaughter, an indicator for availability of domestic animal products, saw a contraction of almost 4% and 6% y/y respectively for the cattle and sheep categories in the 1st quarter of 2021 while pig numbers were slightly up by 1.5% y/y (see figure A2). For the current slaughter season (NOV-OCT), the cumulative cattle and sheep slaughter to April 2021 fell by 1.6% and 9.6% respectively relative to the same period last season.



Source: Own calculations from FAO (fig.A1) and Red Meat Levy Admin (fig.A2) data.

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



Source: Own calculations from FNB AgriComms.

- In the grains markets, we saw further softening across the board on the back of the improved global outlook with the USDA World Agriculture Supply and Demand Estimates (WASDE) report for June 2021 pegging the 2021/22 world maize production output and ending stocks estimates slightly higher y/y at 1.19 billion tons and 289.4 million tons respectively. Although slightly down on the May estimate, the 2021/22 world maize ending stocks are 9 million tons higher y/y. The expected moderation in maize prices will be beneficial to livestock feeders across the world as the crop is a major feed ingredient and therefore a huge influence on profitability.
- Local grain prices remain elevated which means feed costs are unlikely to ease in the short term. Although maize prices are hovering around the R3300/ ton level and showing signs of further downside, the current levels are still not good enough to effect good margins for feeders (table 1). High feed costs will continue to test the profitability of intensive livestock feeding systems given the huge contribution to operations.

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

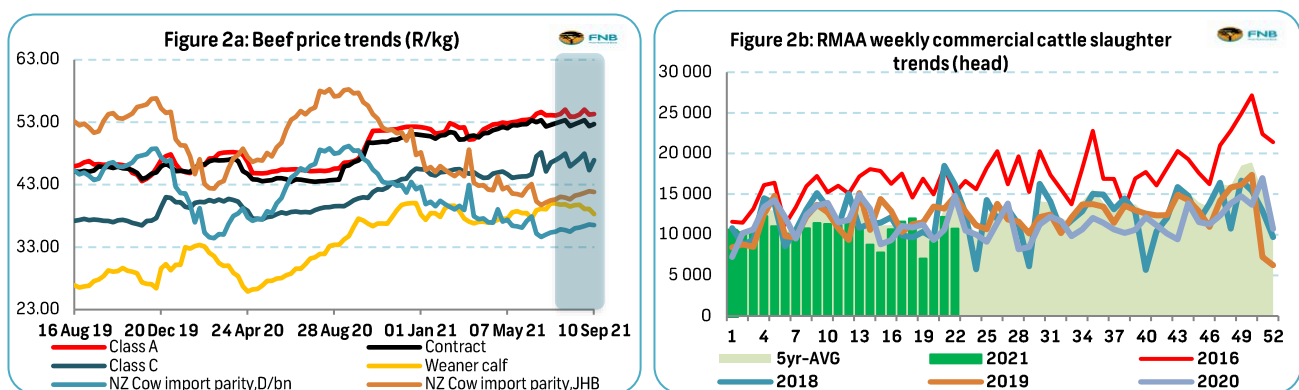
15 JUNE 2021	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Sep 21	R3 224	-4.8%	R3 356	-4.6%	R8 387	-3.3%	R7 218	-3.3%
Dec 21	R3 303	-4.6%	R3 434	-4.5%	R8 451	-2.6%	R7 317	-3.4%
Mar 22	R3 325	-4.6%	R3 416	-4.8%	R8 309	-2.1%	R7 390	-3.1%
May 22	R3 306	-3.0%	R3 264	-4.1%	-	-	R7 100	-0.3%
Jul 22	R3 235	-5.3%	R3 261	-5.1%	-	-	-	-

Source: JSE.

International update on beef markets

- The US domestic wholesale boxed beef values reversed recent gains in last week's trade with Choice and the Select categories both easing slightly w/w but were respectively higher by almost 41% and 37% y/y.

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	11 Jun 21	% Δ w/w	% Δ y/y	3-Year Avg	04 Jun 21	28 May 21
Class A (R/kg)	53.52	0.2%	17.8%	10.9%	53.40	53.34
Class C (R/kg)	44.65	0.7%	15.8%	11.0%	44.35	44.32
Contract: A (*Incl. 5thQ)	53.30	1.1%	21.1%	12.5%	52.70	52.68
Import parity (R/kg)	43.11	1.8%	-13.3%	-7.6%	42.37	41.59
Weaner calves (R/kg LW)	37.54	-2.4%	33.9%	24.2%	38.46	38.46

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

Domestic beef market update:

- Beef carcass prices continued to trend sideways to firmer but still 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 softened last week with limited uptake and seasonal supply pressures from the recent weaning limiting further upside. The average weekly weaner calf prices are however still 34% ahead of the same week in 2020 at R37.54/ 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 supported by increased competition and limited availability on markets. However, there are concerns over the mutton slaughter for the longer-term lamb supplies.

Domestic sheep market update

- Weekly lamb and mutton prices retained the recent uptrend on the back of solid month end demand and limited availability. The current contract class A lamb and mutton prices are still up 13% and 26% respectively relative to last year and are both almost 17% and 19% above the 3-year average for this time of the year.
- In the weaner lamb market, although easing slightly w/w prices are almost 20% and 18% above last year and the 3-year average respectively.

Figure 3: Lamb and mutton prices and sheep slaughter trends

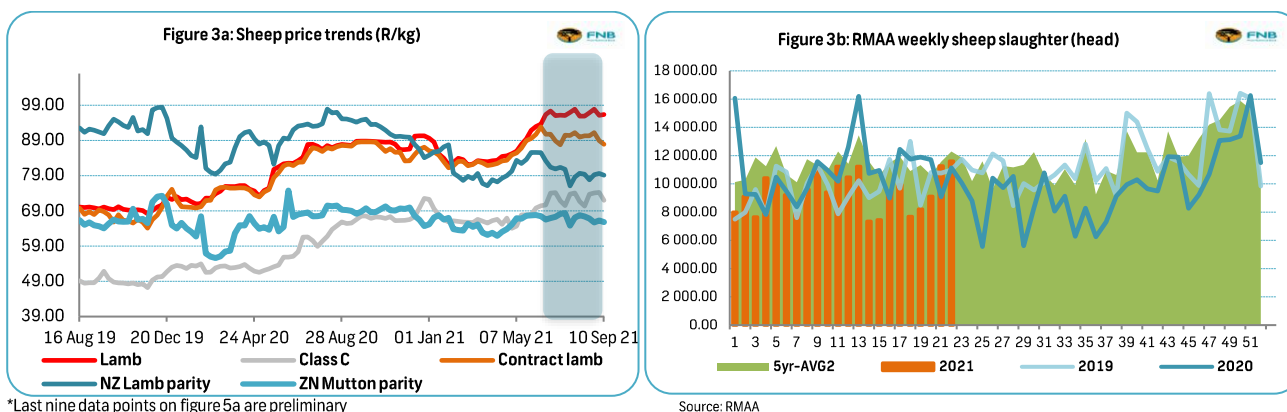


Table 3: Sheep producer price trends in South Africa

Date	Sheep market - South Africa					
	11 Jun 21	% Δ w/w	% Δ y/y	3-Year Avg	04 Jun 21	28 May 21
Class A (R/kg)	93.62	0.7%	13.4%	14.6%	92.98	91.88
Mutton (R/kg)	70.45	0.9%	26.1%	19.1%	69.82	67.95
Contract: A (*Incl.5thQ, R/kg)	92.85	2.3%	12.7%	16.5%	90.74	89.57
Import parity (R/kg)	85.56	0.0%	-4.3%	0.3%	85.60	85.58
Feeder lambs (R/kg LW)	48.08	-2.6%	19.5%	18.1%	49.38	48.30

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.

Weekly pork market

International pork market update

- The US domestic pork market extended recent gains due to the combination of strong domestic and export demand. The weekly pork carcass cutout values were up 2.9% w/w and almost 93% higher y/y at US\$134.13/ cwt. The USDA has recently lowered its expectation of the US pork production due to the reduction in carcass weights that more than offset higher slaughter pace. The US YTD pig slaughter is already 1.8% ahead of last year at 55.57 million head.

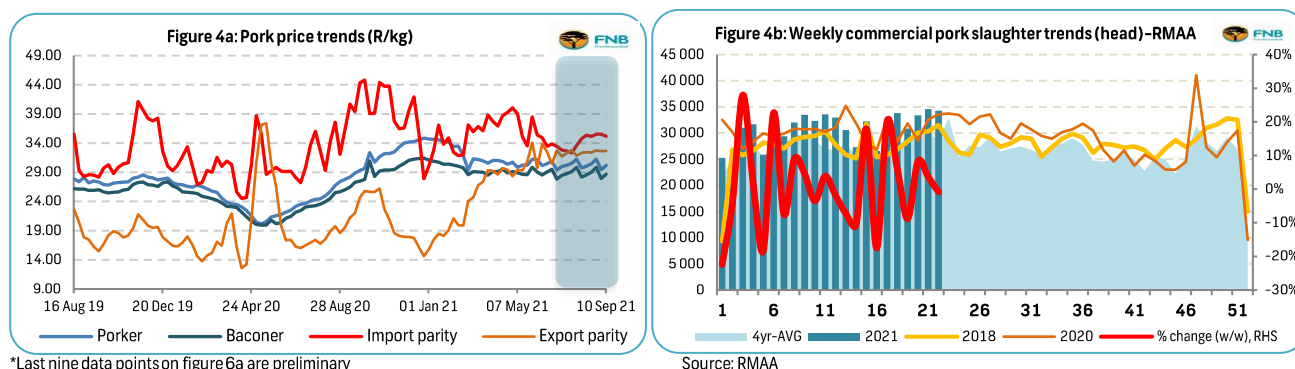
Domestic pork market update

- Last week saw pork and baconers reversing trend and easing lower as demand slipped towards midmonth. The current pork and baconer prices are both sharply higher by over 35% relative to the same week in 2020 and are 28% and 32% above the 3-year average for this time of the year.

Table 4: Pig producer prices and slaughter trends

Date	Pork market - South Africa					
	11 Jun 21	% Δ w/w	% Δ y/y	3-Year Avg	04 Jun 21	28 May 21
Porker (R/kg)	30.12	-3.5%	35.8%	28.0%	31.20	31.24
Baconer (R/kg)	28.54	-1.8%	35.1%	32.4%	29.05	29.86
Import parity (R/kg)	34.92	-1.3%	19.9%	11.4%	35.39	35.67

Source: USDA, JSE, FNB Agric

Figure 4: Pork prices and slaughter trends

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

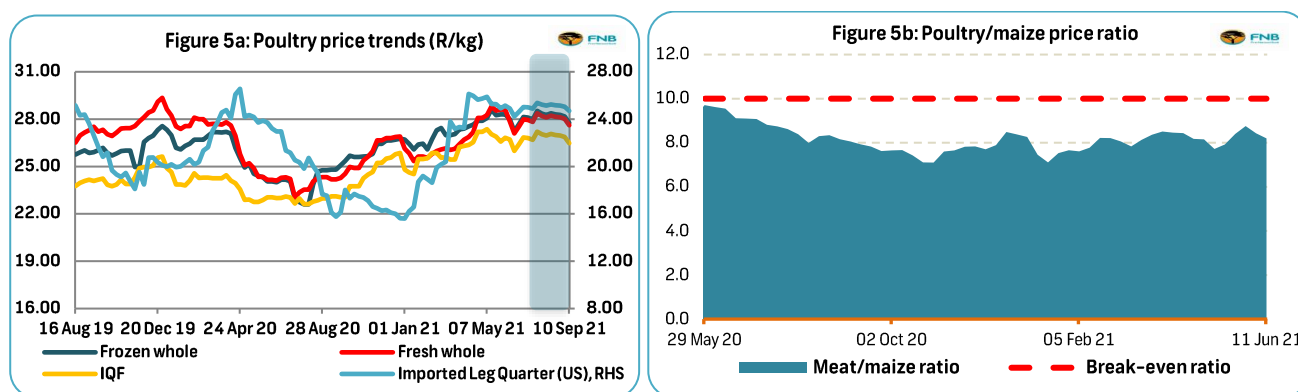
International poultry market update

- The US poultry market saw some weakness in the mechanically separated chicken (MSC, 15–20%) for both the fresh and frozen categories in last week's trade. The frozen whole bird category however posted good gains on strong uptake.

Domestic poultry market update

- Poultry prices eased lower across the board on limited uptake towards midmonth.
- On the feeding front, war feed prices are yet to fall to acceptable levels to significantly lift the meat/maize ratio. The current maize prices are relatively high thereby maintaining a wide gap between the break-even level and meat/maize ratio as illustrated in figure 5b. The meat/maize ratio is an indication of profitability of feeding chicken 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					
	11 Jun 21	%Δ w/w	%Δ y/y	3-Year Avg	04 Jun 21	28 May 21
Fresh whole birds (R/kg)	27.85	-2.6%	15.3%	6.8%	28.60	28.60
Medium Frozen whole birds (R/kg)	28.00	-1.1%	16.4%	8.4%	28.30	28.30
Individually Quick Frozen (IQF) (R/kg)	26.71	-0.4%	15.9%	8.9%	26.82	26.58
Import parity (R/kg)	24.91	-0.9%	7.3%	3.0%	25.14	24.92

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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