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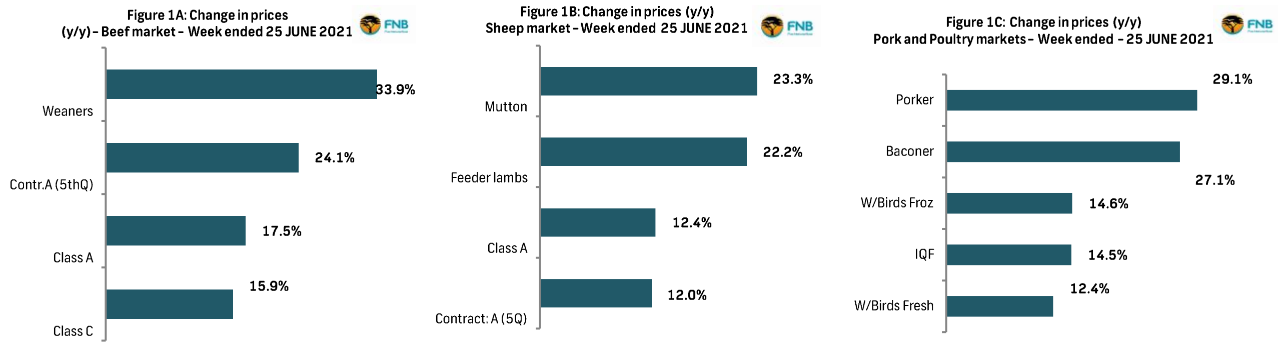
UPDATE ON LIVESTOCK MARKETS

- The latest development on the international market is that China's appetite for beef imports surged in 2021, taking the world's number one spot on the back of strong economic recovery post the devastating Covid-19 last year. The African Swine Fever (ASF) induced supply tightness and the subsequent spike in pork prices encouraged a switch to other meat types such as beef.
- China's beef imports for the first five months on 2021were reported up 28% relative to the same period last year with strong growth from major suppliers. The traditional suppliers such as Australia however lost market share due to China's suspension of seven meat processors earlier in the year as well as limited domestic supplies due to herd rebuilding. Argentina suffered a similar fate due to the country's decision to suspend operations of twelve beef exporters and reportedly seized over 220 tons citing irregular operations. It further imposed a 30-day export ban on meat exports to contain domestic price pressures and stymie the country's runaway inflation.
- The US so far seems to be the biggest beneficiary of the AU and AR slump in exports to China. The US-China Phase-One Agreement signed last year further contributed to an upswing in US beef exports to China thus improving market share. In the US domestic market, total quantity of beef in freezers fell by 8% month-on-month (m/m) and 1% year-on-year (y/y) as of 31 May 2021 according to the monthly Cold Storage report from the United States Department of Agriculture (USDA)
- On the domestic market, the recent trend in South Africa's livestock prices shows elevation with double-digit gains across the board as illustrated in figure 1. However, weekly trends show some moderation during midmonth.

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



Source: Own calculations from FNB AgriComms.

- The harvest outlook remains impressive and the recent Crop Estimates Committee's monthly estimates showed a further upward adjustment to the maize harvest by 0.3% to 16.32 million tons with soybeans still at a record high of 1.92 million tons.
- While a bit firmer this week, maize prices have started cooling off from the recent highs with nearby futures already below R3,200/ ton for the WMAZ. Although the YMAZ is still above this level, they have shown signs of further moderation in recent weeks. The current levels are however 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)

30 JUNE 2021	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Sep 21	R3 130	1.3%	R3 249	0.7%	R8 507	3.9%	R7 202	0.9%
Dec 21	R3 200	1.1%	R3 326	0.6%	R8 570	3.5%	R7 308	1.2%
Mar 22	R3 225	1.3%	R3 323	0.9%	R8 301	2.0%	R7 320	0.8%
May 22	R3 184	1.1%	R3 180	1.3%	R7 550	1.1%	R7 000	0.7%
Jul 22	R3 170	1.1%	R3 197	1.4%	-	-	-	-

Source: JSE,

International update on beef markets

- The US import market saw the price of imported beef weakening in a slow trading week on heavy domestic supplies and sluggish demand. US domestic wholesale boxed beef values extended losses in last week's trade with Choice and the Select categories falling by 5.3% and 5% respectively week-on-week (w/w) but still sharply higher by almost 49% and 38% y/y.
- In Brazil, the benchmark contract for difference (CFD) for beef closed last week marginally down by 0.9% w/w at BRL20.55/ kg after reaching a peak of BRL21/kg.

Figure 2: Beef prices and cattle slaughter trends

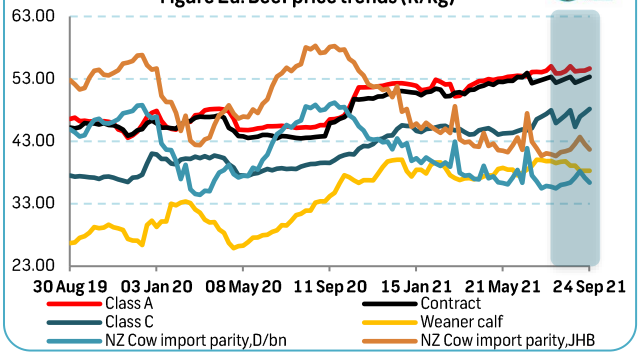


Figure 2a: Beef price trends (R/kg)

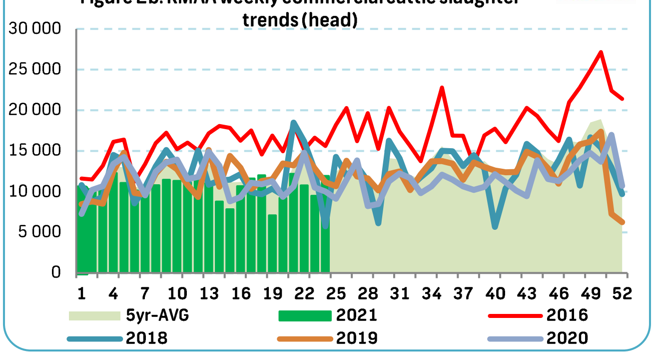


Figure 2b: RMAA weekly commercial cattle slaughter trends (head)

*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	25 Jun 21	% ∆ w/w	% ∆ y/y	3-Year Avg	18 Jun 21	11 Jun 21
Class A (R/kg)	53.40	-0.1%	17.5%	10.9%	53.45	53.52
Class C (R/kg)	44.76	-0.3%	15.9%	11.0%	44.90	44.65
Contract: A (*Incl.5thQ)	53.95	1.3%	24.1%	13.7%	53.25	53.30
Import parity (R/kg)	47.50	14.1%	-11.0%	-3.7%	41.64	43.11
Weaner calves (R/kg LW)	38.50	1.4%	33.9%	25.3%	37.96	37.54

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 relative to last year.
- The weaner market remains the exception with weekly gains of 1.4% w/w and 34% y/y at R38.50/kg.
- Producers continue to 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.

OUTLOOK

Despite seasonal pressure due to weaning, the weaner calf market remains robust and prices are yet to fall closer to the R30/kg LW level. 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

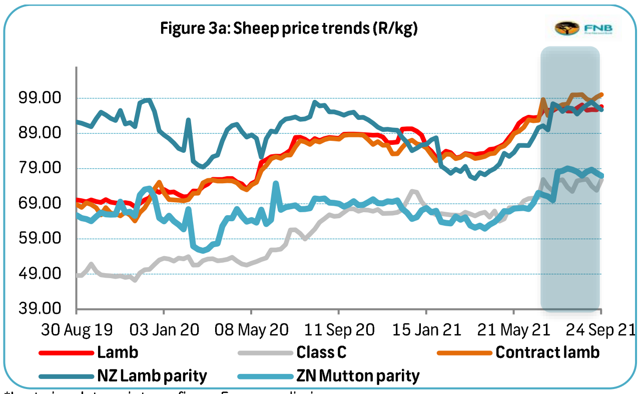
International sheep market update

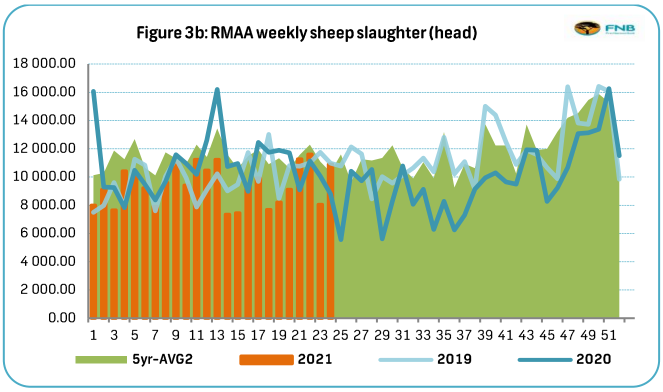
- In New Zealand, supply shortages continued to place upward pressure on domestic lamb and mutton prices on markets. Processor demand remained strong. In the US, prices were stronger with the weekly carcass cut out prices gaining 2% w/w and almost 54% higher y/y at US$530.53/cwt.

Domestic sheep market update

- Weekly lamb and mutton prices trended firmer on slight uptake on markets. The current contract class A lamb and mutton prices are however still up 12% and 23% respectively relative to last year and are both almost 16% and 19% above the 3-year average for this time of the year.

Figure 3: Lamb and mutton prices and sheep slaughter trends





*Last nine data points on figure 5a are preliminary

Source: RMAA

Table 3: Sheep producer price trends in South Africa

	Sheep market - South Africa					
Date	**25 Jun 21**	**% Δ w/w**	**% Δ y/y**	**3-Year Avg**	**18 Jun 21**	**11 Jun 21**
Class A (R/kg)	93.58	0.1%	12.4%	13.5%	93.45	93.62
Mutton (R/kg)	70.76	0.3%	23.3%	18.6%	70.58	70.45
Contract: A (*Incl.5thQ, R/kg)	92.75	0.2%	12.0%	16.4%	92.60	92.85
Import parity (R/kg)	90.63	3.1%	-2.7%	2.9%	87.89	85.56
Feeder lambs (R/kg LW)	49.26	2.5%	22.2%	19.0%	48.08	48.08

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

OUTLOOK

We expect near-term prices to maintain a sideways to firmer trend in the near term but with increased upside as we head into the warmer months in three months ahead.

Weekly pork market

International pork market update

- The US domestic pork market saw further losses, finishing last week down 9.4% w/w but still 71% higher y/y US11.89/cwt on limited uptake despite a contraction in volumes. Pig slaughter was sharply down by 9.8% y/y at 2.37 million heads with the YTD number up 0.9% y/y at 62.82 million head.

Domestic pork market update

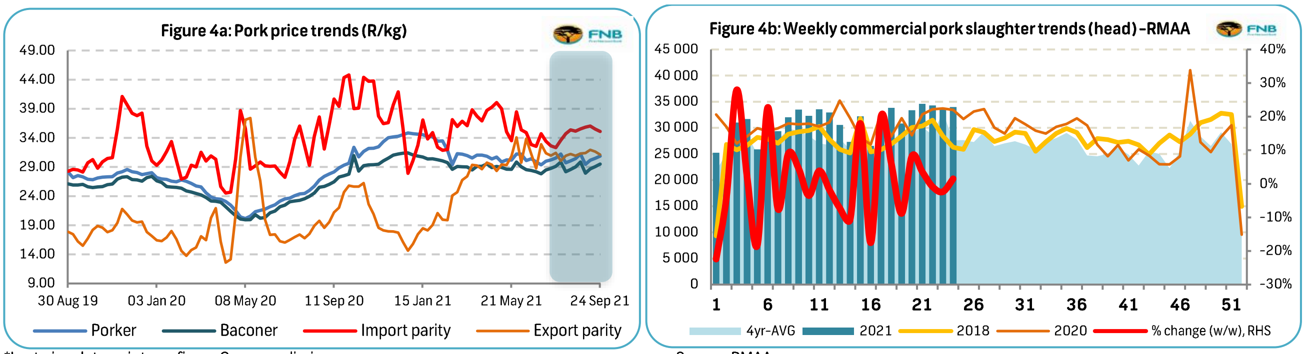
- Last week saw further losses in the pig market but porkers and baconers were still 29% and 27% higher y/y and were 27% and 30% above the 3-year average for this time of the year.

Table 4: Pig producer prices and slaughter trends

	Pork market - South Africa					
Date	25 Jun 21	%∆ w/w	%∆ y/y	3-Year Avg	18 Jun 21	11 Jun 21
Porker (R/kg)	29.88	-1.8%	29.1%	27.0%	30.42	30.12
Baconer (R/kg)	28.20	-0.7%	27.1%	30.9%	28.40	28.54
Import parity (R/kg)	32.54	-1.0%	15.8%	3.8%	32.86	34.92

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 pork prices improve in the medium term as demand gains traction in the warmer months ahead.

Weekly poultry market update

International poultry market update

- In Brazil, the benchmark contract for difference (CDF) for poultry last week gained 4.2% w/w at BRL7.42/ kg which is a record high for the commodity.
- USDA monthly update on US poultry in storage showed total frozen stock as of May 31, 2021 increased by 3% m/m but still down 12% on the same month in 2020. In the chicken category, total stocks increased by 1% m/m but were 15% below the 2020 levels.
- On pricing, the US weekly whole bird price was a bit softer at US106.18 cents/lb led by declines in the heavier categories. However, the current price is still 43% higher relative to last year.
- In the mechanically separated chicken (MSC) category, US prices of 15-20% MSC weakened on limited demand into both domestic and export channels. Weekly frozen MSC closed last week 4% lower w/w but sharply higher by 95% y/y, while the fresh category came in sharply down by 26% w/w but still 41% above the same week last year.

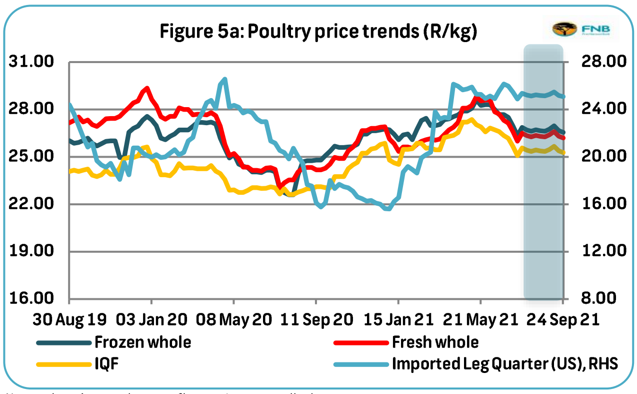
Domestic poultry market update

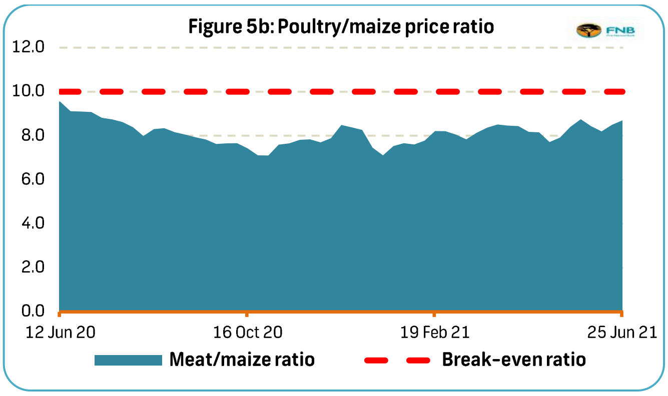
Table 5: Poultry producer price trends in South Africa

Week ending	Poultry market - South Africa					
	25 Jun 21	% ∆ w/w	% ∆ y/y	3-Year Avg	18 Jun 21	11 Jun 21
Fresh whole birds (R/kg)	27.31	-1.4%	12.4%	5.1%	27.71	27.85
Medium Frozen whole birds (R/kg)	27.68	0.0%	14.6%	7.2%	27.68	28.00
Individually Quick Frozen (IQF) (R/kg)	26.35	-0.9%	14.5%	7.7%	26.60	26.71
Import parity (R/kg)	26.14	2.2%	13.8%	10.2%	25.57	24.91

Source: USDA, JSE, FNB Agric

Figure 5: Poultry prices and meat/maize ratio trends





*Last nine data points on figure 4a are preliminary

- Poultry prices moved sideways across the board under pressure due to the subdued demand.
- On the feeding front, raw 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 widen the 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.

OUTLOOK

We expected prices to retain the current momentum in the short term, but the return of warmer months ahead will help lift demand.

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