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# Livestock and Fibre markets

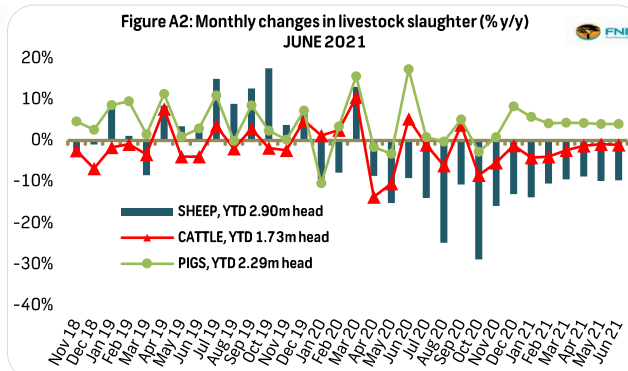
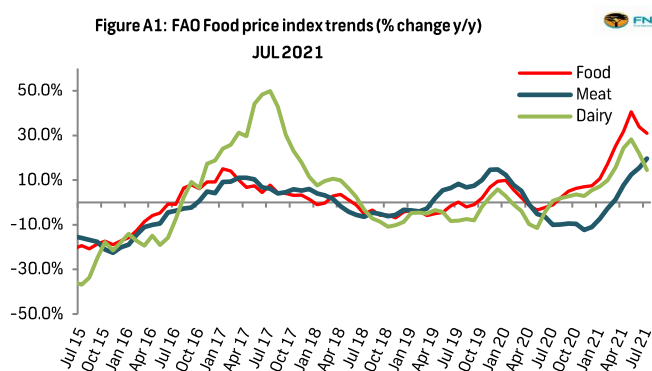
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Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 05 AUG 2021

## UPDATE ON LIVESTOCK MARKETS

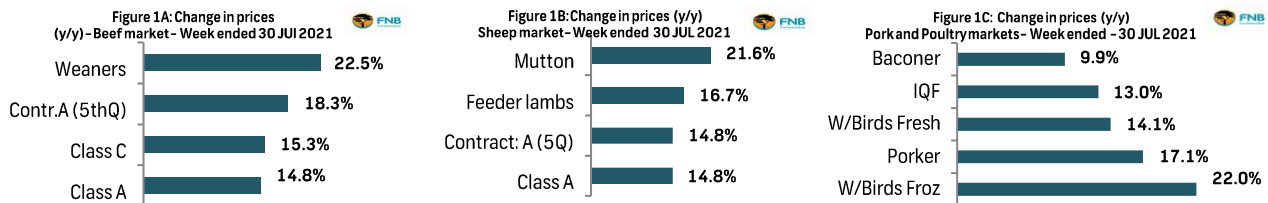
- In the recent Food and Agriculture Organization (FAO) update on international price trends, the FAO food price index decreased by 1.2% month-on-month (m/m) in July 2021 to 123 points but still sharply higher by 31% year-on-year (y/y) due to declines in the cereals, dairy, and vegetable sub-categories.
- The meat subcategory however remained sticky on the upside at 110.3 points, up 0.8% m/m and almost 20% higher y/y. Poultry led with biggest increases due to the combination of supply tightness amid lower production from major suppliers and higher import demand in East Asia. Limited availability from Oceania and strong imports from China boosted bovine prices in July. Pork however saw losses on the back of reduced import demand from China despite its continued African Swine Fever (ASF) challenges that have constrained its herd recovery.
- In the European Union (EU), average pig prices have reportedly trended lower towards the end of July 2021 on lower demand especially in Germany as well as increases supplies. Reduced import demand from China also contributed to the general price decrease in the region.
- On domestic livestock slaughter, an indicator for availability of domestic animal products saw a further contraction of 0.1% and 1.1% m/m respectively for the cattle and sheep categories in June 2021 while pig numbers jumped 5% m/m (see figure A2). Cattle numbers dropped 2.4% y/y at 202,561 head while sheep posted the biggest decrease of 7.9% y/y 291,940 head. The monthly slaughter number for pigs on the other hand rose by 4% y/y at 309,084 head.
- The cumulative cattle and sheep slaughter for the current slaughter season (NOV-OCT) to June 2021 fell by 1.1% and 9.6% respectively relative to the same period last season. Pig slaughter however advanced by 4% y/y to a total of 2.29 million head for the YTD.



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

- The situation with riots seems to have subsided and trading is cautiously back. The latest weekly price shows a sideways to lower trend across most categories except for mutton and lamb. The yearly trend however shows meat prices still elevated across the board relative to last year by double-digit margins as illustrated in figure 1.

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



Source: Own calculations from FNB AgriComms.

### International update on beef markets

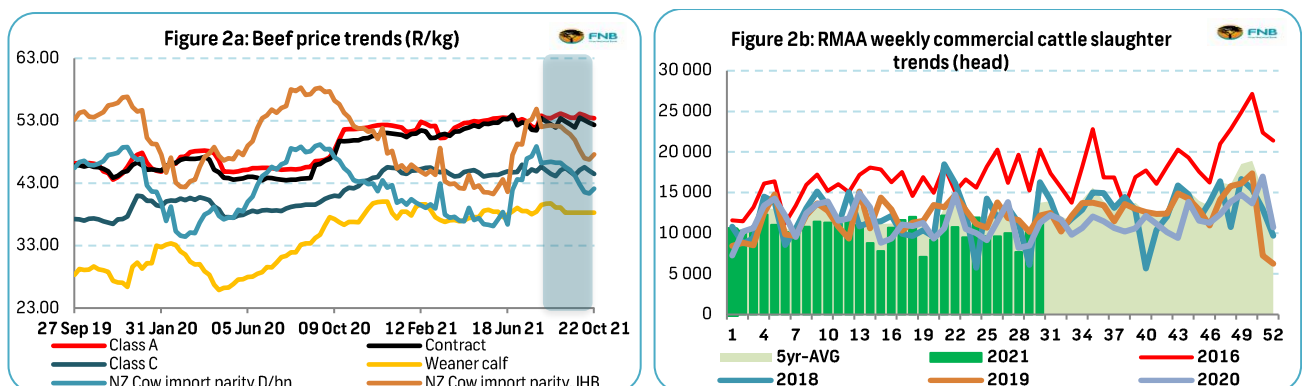
- Tight import supplies and improved demand helped push the US imported beef prices higher in last week's trade. The domestic market was also resilient with boxed beef values for Choice and the Select categories gaining 2.6% and 2.4% respectively week-on-week (w/w) and were both sharply higher by almost 35% y/y at US\$272.90/cwt and US\$255.40/cwt.
- In Australia, the benchmark Eastern Young Cattle (EYCI) and the Feeder Steer Indicator prices strengthened in recent weeks underpinned by strong export demand with beef exports reportedly up 10% m/m in July to 81,171 tons.
- The Brazilian benchmark contract for difference (CFD) for beef eased last week by 1% w/w to BRL20.21/ kg but still 33% higher y/y and has increased by almost 11% since the beginning of the year.

**Table 1: Beef producer price trends in South Africa**

Beef producer prices: Beef market - South Africa						
Date	30 Jul 21	% Δ w/w	% Δ y/y	3-Year Avg	23 Jul 21	16 Jul 21
Class A (R/kg)	51.88	-0.4%	14.8%	9.1%	52.08	52.89
Class C (R/kg)	44.89	-0.6%	15.3%	11.2%	45.18	44.46
Contract: A (*Incl.5thQ)	51.44	-0.2%	18.3%	10.2%	51.56	52.54
Import parity (R/kg)	54.90	3.2%	-0.8%	2.8%	53.22	44.90
Weaner calves (R/kg LW)	38.43	1.1%	22.5%	18.8%	38.02	38.56

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

**Figure 2: Beef prices and cattle slaughter trends**



\*Last nine data points on figure aa are preliminary

Source: RMAA

### Domestic beef market update:

- The domestic market saw losses across the beef carcass complex on limited uptake. The weaner market however remains the exception with gains of 1.1% w/w at R38.43/ kg live weight (LW), which is almost 23% higher y/y.

- At feeding level, there is abundance in terms of fodder from the harvested maize lands as well as good overwintering grass cover. Some Eastern and Northern Cape areas however remain an exception as production conditions are yet to recover from the drought conditions.

## OUTLOOK

Seasonal production conditions remain solid and helps maintain good fodder supplies for overwintering as Spring approaches in just over a month's time.

## Weekly summary of the sheep market

### International sheep market update

- In New Zealand, the rebound in export demand as supplies tighten in major markets helped lift domestic prices. The below trend slaughter last month added to the firmer tone.
- Australian lamb prices have strengthened lately especially in the heavier category which were reported at a record high. The country's flock rebuilding is reportedly on course with the latest update showing lambs on hand reportedly up by 35% to 19.7 million head according to the MLA/AWI Sheepmeat and Wool Survey for June 2021.

### Domestic sheep market update

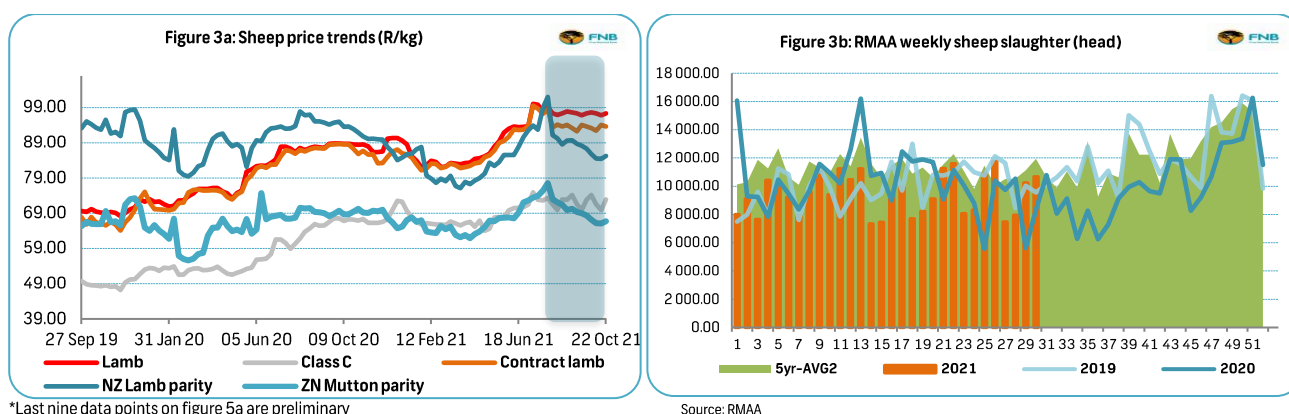
- Unlike other meat types, lamb and mutton prices saw gains on good month end demand and limited volumes on markets. Weekly feeder lamb prices breached the R50/ kg level at R50.65/kg LW which is 16.7% y/y and 16% above the 3-year average for this time of the year.

**Table 2: Sheep producer price trends in South Africa**

	Sheep market – South Africa					
Date	30 Jul 21	% Δ w/w	% Δ y/y	3-Year Avg	23 Jul 21	16 Jul 21
Class A (R/kg)	99.23	1.4%	14.8%	16.0%	97.89	99.83
Mutton (R/kg)	73.38	1.0%	21.6%	21.6%	72.66	72.83
Contract: A (*Incl. 5thQ, R/kg)	98.56	1.3%	14.8%	16.2%	97.26	98.77
Import parity (R/kg)	102.03	3.1%	8.8%	9.2%	99.01	92.75
Feeder lambs (R/kg LW)	50.65	1.6%	16.7%	16.4%	49.86	49.54

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

**Figure 3: Lamb and mutton prices and sheep slaughter trends**



## OUTLOOK

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

## Weekly pork market

### International pork market update

- Last week saw good gains in the US pork market with weekly pork carcass cutout values closing last week 1.7% higher w/w at US\$123.83/cwt, which is almost 81% ahead of the same week last year.
- Meanwhile, the AFS remains a challenge in world markets as outbreaks are reported in different regions this year. Lately, the USDA reported confirmation of ASF in pigs in the Dominican Republic and subsequently placed restrictions on imports of pork and pork products from the country.

### Domestic pork market update

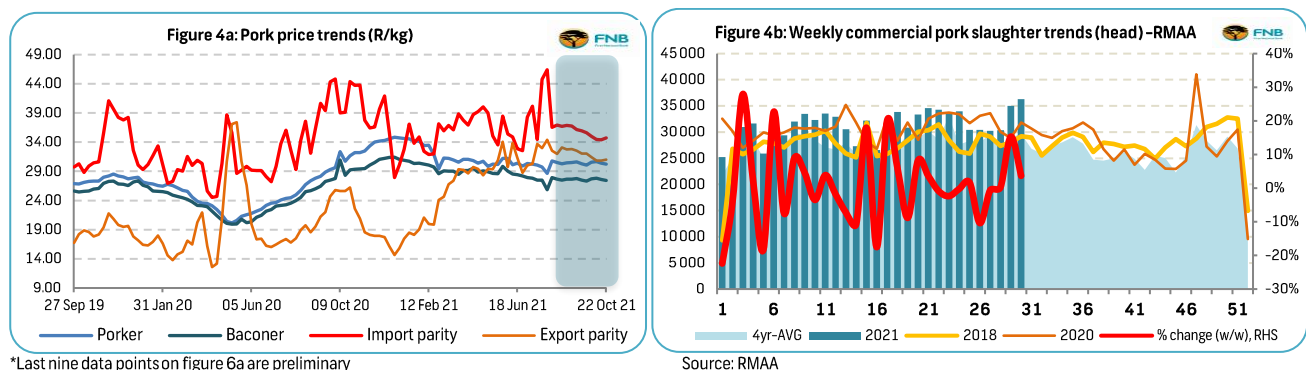
- Last week saw losses in the pig market due to the subdued demand and improved supplies. However, at current levels pork and baconer prices are still 17% and 10% higher y/y and were 22% and 20% above the 3-year average for this time of the year.

**Table 3: Pig producer prices and slaughter trends**

Date	Pork market – South Africa					
	30 Jul 21	% Δ w/w	% Δ y/y	3-Year Avg	23 Jul 21	16 Jul 21
Porker (R/kg)	28.63	-3.8%	17.1%	21.7%	29.76	30.09
Baconer (R/kg)	25.87	-5.9%	9.9%	20.0%	27.48	27.48
Import parity (R/kg)	46.41	3.7%	42.2%	48.1%	44.77	34.48

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 still expect pork prices to 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 retained the recent uptrend and closed last week 2% higher w/w and almost 61% above last year at BRL7.83/ kg. The firmer trend continued this week with prices breaching the BRL8/kg level and has been up by over 30% since January 2021.
- The latest update on the global poultry trade is that the situation is improving as vaccinations accelerate in developed economies and emerging markets according to Rabobank. The bank cautioned about elevated feed prices that may constrain production expansions as margins come under pressure.

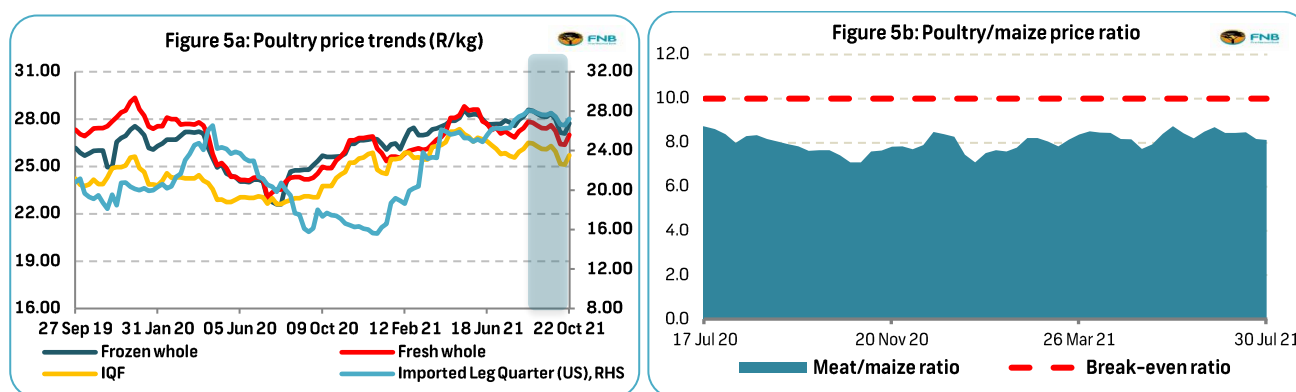
## Domestic poultry market update

Table 4: Poultry producer price trends in South Africa

Week ending	Poultry market – South Africa					23 Jul 21	16 Jul 21
	30 Jul 21	%Δ w/w	%Δ y/y	3-Year Avg			
Fresh whole birds (R/kg)	26.85	-0.6%	14.1%	4.6%		27.02	27.22
Medium Frozen whole birds (R/kg)	27.58	-0.8%	22.0%	8.8%		27.80	27.92
Individually Quick Frozen (IQF) (R/kg)	25.57	-0.4%	13.0%	5.9%		25.67	25.85
Import parity (R/kg)	27.07	3.0%	36.5%	14.8%		26.28	26.22

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 softened across most categories as major economic hubs slowly return to normality. Meanwhile, recent disruptions to operations and infrastructure such as warehouses reduced the availability of mechanically deboned meat (MDM) and may lifted prices in the medium term.
- 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 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.

## OUTLOOK

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

## Raw feed input price update

- Prices of raw feed inputs domestically have been very volatile largely due to the Rand exchange rate changes and higher international prices. This week however saw some moderation in prices across the grain and oilseed futures but remain elevated with yellow maize above R3,300/ ton which continues to squeeze feeding margins as it is the major ingredient in feed (table 1).

Table 5: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

05 AUG 2021	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Dec 21	R3 280	-1.9%	R3 432	-1.7%	R9 137	-1.9%	R7 446	-5.7%
Mar 22	R3 301	-1.9%	R3 420	-1.6%	R8 868	-1.5%	R7 470	-5.0%
May 22	R3 222	-2.5%	R3 235	-2.0%	R7 900	-2.5%	R7 260	-4.3%
Jul 22	R3 249	-1.8%	R3 262	-1.6%	-	-	-	-

Source: JSE,



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To find out more or to speak to one of our **agricultural specialists**, please contact us.

Name	City	Cell	Email
Grewar, Oosthuizen	Eastern Cape – Port Elizabeth	071 607 6850	<a href="mailto:grewar.oosthuizen@fnb.co.za">grewar.oosthuizen@fnb.co.za</a>
Edmund, De Beer	Eastern Cape – Port Elizabeth	084 656 5634	<a href="mailto:edebeer1@fnb.co.za">edebeer1@fnb.co.za</a>
Fred, Terblanche	Eastern Cape – Graaff Reinet	064 500 5880	<a href="mailto:frederik.terblanche@fnb.co.za">frederik.terblanche@fnb.co.za</a>
Martin, Louw	Free State – Theunissen	082 784 8880	<a href="mailto:mlouw1@fnb.co.za">mlouw1@fnb.co.za</a>
Chris, Bekker	Free State – Bloemfontein	082 560 1894	<a href="mailto:cbekker@fnb.co.za">cbekker@fnb.co.za</a>
Leon, Bergman	Free State – Bethlehem	083 387 7977	<a href="mailto:leon.bergman@fnb.co.za">leon.bergman@fnb.co.za</a>
Krohn, Jo-Ann	Free State – Bloemfontein	064 542 3548	<a href="mailto:Jo-Ann.Krohn@fnb.co.za">Jo-Ann.Krohn@fnb.co.za</a>
Humphreys, Freddy	Free State – Bloemfontein	060 975 0273	<a href="mailto:freddy.humphreys@fnb.co.za">freddy.humphreys@fnb.co.za</a>
Voutsas, Philip	Gauteng – Sandton	082 820 4202	<a href="mailto:philip.voutsas@rmb.co.za">philip.voutsas@rmb.co.za</a>
Da Silva, Kristin	Gauteng – Sandton	079 693 8268	<a href="mailto:Kristin.DaSilva@fnb.co.za">Kristin.DaSilva@fnb.co.za</a>
Greg, Sparrow	KwaZulu-Natal – Pietermaritzburg	071 684 8420	<a href="mailto:greg.sparrow@fnb.co.za">greg.sparrow@fnb.co.za</a>
Sarah, van der Merwe	KwaZulu-Natal – Pietermaritzburg	082 371 1040	<a href="mailto:sarah.vandermerwe@fnb.co.za">sarah.vandermerwe@fnb.co.za</a>
Bertram, July	KwaZulu-Natal – Pietermaritzburg	061 518 7165	<a href="mailto:bertram.july@fnb.co.za">bertram.july@fnb.co.za</a>
Strydom, Marc	KwaZulu-Natal – Pietermaritzburg	082 497 4781	<a href="mailto:mstrydom@fnb.co.za">mstrydom@fnb.co.za</a>
Arno, De Klerk	Limpopo – Polokwane	082 538 5970	<a href="mailto:arno.deklerk@fnb.co.za">arno.deklerk@fnb.co.za</a>
Theo, Verwey	Mpumalanga – Emalahleni	082 419 6086	<a href="mailto:tverwey@fnb.co.za">tverwey@fnb.co.za</a>
Gao, Ngakantsi	Mpumalanga – Emalahleni	072 471 6040	<a href="mailto:gaopalelwe.ngakantsi@fnb.co.za">gaopalelwe.ngakantsi@fnb.co.za</a>
Du Plessis, Hanro	Mpumalanga – Emalahleni	082 895 1762	<a href="mailto:hanro.duplessis@fnb.co.za">hanro.duplessis@fnb.co.za</a>
Pedrie, Van der Merwe	Northern Cape – Kimberley	071 351 3439	<a href="mailto:pedrie.vandermerwe@fnb.co.za">pedrie.vandermerwe@fnb.co.za</a>
Johan, De Klerk	North West – Brits	082 776 3477	<a href="mailto:jdeklerk2@fnb.co.za">jdeklerk2@fnb.co.za</a>
Johan, Beukes	Western Cape – Stellenbosch	082 372 4656	<a href="mailto:johan.beukes@fnb.co.za">johan.beukes@fnb.co.za</a>
Michelle, Swarts	Western Cape – Willowbridge	072 020 5181	<a href="mailto:michelle.Swarts@fnb.co.za">michelle.Swarts@fnb.co.za</a>
Andries, Van Zyl	Western Cape – Willowbridge	073 280 8703	<a href="mailto:andries.vanzyl@fnb.co.za">andries.vanzyl@fnb.co.za</a>

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