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Livestock and Fibre markets

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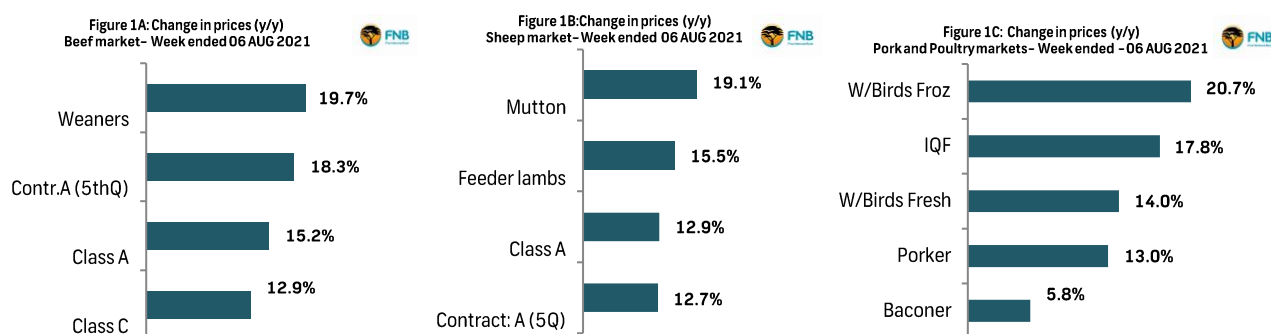


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UPDATE ON LIVESTOCK MARKETS

- In the midst of the current global Covid-19 challenges at human levels, the latest news on world meat trade is that some countries continue to experience animal health issues such as diseases outbreaks and meat safety concerns resulting in imposition of import bans from importers.
- The Dominican Republic suffered another blow as Mexico is the latest after the US to impose a ban on the country's imports of pork and pork products following the outbreak of the African Swine Fever (ASF). In another development, Brazil also saw its food processor BRF SA's plant reportedly been banned from exporting to China.
- Meanwhile, the US posted strong export sales of beef for the first half of 2021 with the June number coming in sharply higher by 46% and 21% respectively year-on-year (y/y) and year-to-June at 88,443 ton and 551,106 tons. The top three leading destinations were Korea, Japan, and China/Hong Kong with shares of 25%, 23%, and 18% respectively. China/ Hong Kong recorded the biggest increase of 157% y/y in total US beef imports for the YTD.
- In the case of pork, volumes for the YTD were almost unchanged y/y with China importing 33% less from the US to a total of 1.31 million tons as higher domestic slaughter amid lower prices increased availability thereby reducing import demand.
- Domestically, the latest weekly price continues to show a sideways to lower trend across most categories except for mutton which retained the firmer trend. The yearly trend however shows strength of double-digit margins across the meat complex relative to last year 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

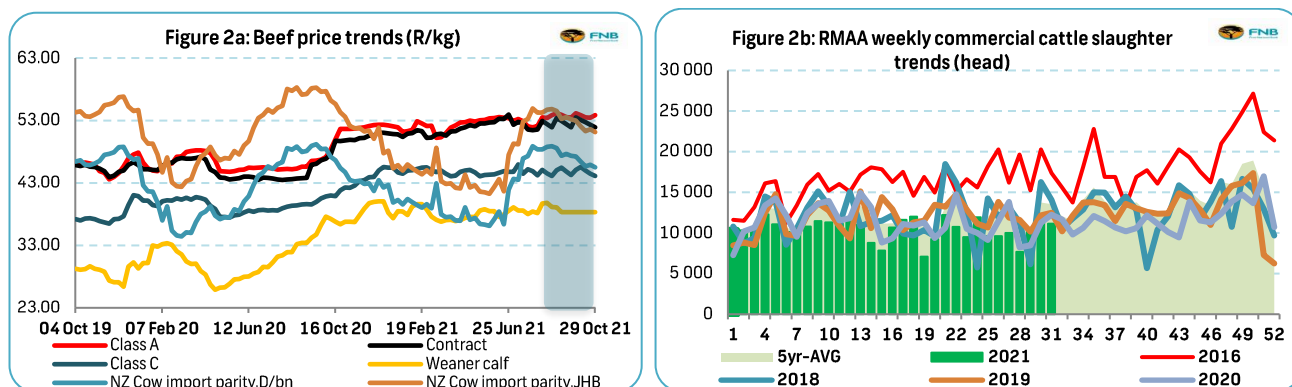
- The situation with supplies on the US import market was again reportedly tight which helped lift prices sharply in last week's trade. On the US domestic market, wholesale beef prices jumped 6% w/w and almost 42% higher y/y for both the Choice and Select beef categories at US\$289/cwt and US\$270.58/cwt. The spill over gains from the wholesale market saw the weekly CME Feeder Cattle Indicator increasing by 1.6% w/w and 10% y/y to close at US\$156.55/cwt.
- In Brazil, the country's benchmark contract for difference (CFD) for beef continued to soften and closed last week marginally down by 03% w/w and almost 4% off the June peak at BRL20.15/ kg but still 31% higher y/y.

Table 1: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	06 Aug 21	% Δ w/w	% Δ y/y	3-Year Avg	30 Jul 21	23 Jul 21
Class A (R/kg)	52.12	0.5%	15.2%	9.2%	51.88	52.08
Class C (R/kg)	44.23	-1.5%	12.9%	9.8%	44.89	45.18
Contract: A (*Incl.5thQ)	51.53	0.2%	18.3%	10.1%	51.44	51.56
Import parity (R/kg)	54.28	-1.1%	-6.5%	0.3%	54.90	53.22
Weaner calves (R/kg LW)	38.18	-0.7%	19.7%	18.2%	38.43	38.02

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

Figure 2: Beef prices and cattle slaughter trends



*Last nine data points on figure 2a are preliminary

Source: RMAA

Domestic beef market update:

- The domestic market saw some firmness in the class A beef carcass category ahead of the Women's Day long weekend. Class C was however the exception and remained under downward pressure.
- 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 demand conditions are expected to rebound in the medium term as the warm weather returns and hopefully vaccinations reach an advanced stage to allow for the much needed and awaited outdoor activities.

Weekly summary of the sheep market

International sheep market update

- Trading conditions have not been favourable for Australia in 2021 which saw exports of both lamb and mutton for the first seven months of the year (Jan-Jul) falling by 6% y/y to 404,409 tonnes swt. Shipments to the Middle East fell sharply by over 20% y/y while shipments to China fell by 12% y/y for the YTD but still the leading destination with 124,032 tonnes swt.
- Meanwhile, 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

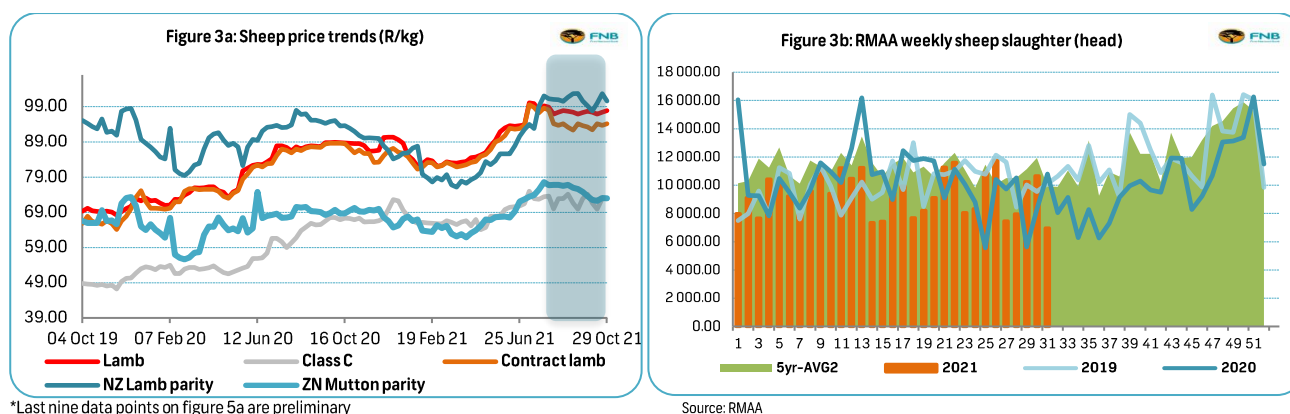
- Unlike other meat types, mutton prices retained gains on resilient demand and limited volumes on markets. Weekly feeder lamb prices fell back to below the R50/ kg level at R49.92/kg LW which is down 1.8% w/w but still 15.5% y/y and 15.7% above the 3-year average for this time of the year.

Table 2: Sheep producer price trends in South Africa

	Sheep market – South Africa					
Date	06 Aug 21	%Δ w/w	%Δ y/y	3-Year Avg	30 Jul 21	23 Jul 21
Class A (R/kg)	98.86	-0.4%	12.9%	15.1%	99.23	97.89
Mutton (R/kg)	73.58	0.3%	19.1%	19.8%	73.38	72.66
Contract: A (*Incl. 5thQ, R/kg)	98.04	-0.5%	12.7%	15.3%	98.56	97.26
Import parity (R/kg)	101.24	-0.8%	3.4%	6.6%	102.03	99.01
Feeder lambs (R/kg LW)	49.72	-1.8%	15.5%	15.7%	50.65	49.86

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

- The US pork market saw further gains with weekly pork carcass cutout values closing last week up 1.1% w/w at US\$125.23/cwt, which is almost 83% ahead of the same week last year.

Domestic pork market update

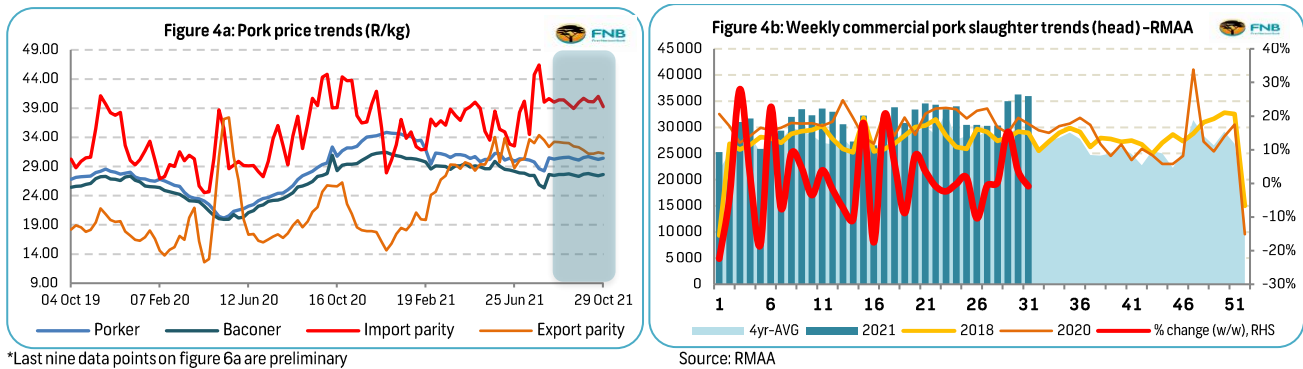
- It was another week saw losses in the pig market due to the subdued demand. However, at current levels pork and baconer prices are still 13% and 6% higher y/y and were 20% and 18% above the 3-year average for this time of the year.

Table 3: Pig producer prices and slaughter trends

	Pork market – South Africa					
Date	06 Aug 21	%Δ w/w	%Δ y/y	3-Year Avg	30 Jul 21	23 Jul 21
Porker (R/kg)	28.23	-1.4%	13.0%	20.0%	28.63	29.76
Baconer (R/kg)	25.34	-2.0%	5.8%	17.6%	25.87	27.48
Import parity (R/kg)	40.02	-13.8%	36.6%	27.7%	46.41	44.77

Source: USDA, JSE, FNB Agric

Figure 4: Pork prices and slaughter trends



OUTLOOK

The softer trend seem set to continue in the short term on demand pressure. However, a rebounded is expected in the medium term due to improved competitiveness as pork is already selling at a discount over other meat types.

Weekly poultry market update

International poultry market update

- In Brazil, the benchmark contract for difference (CDF) for poultry extended gains and closed last week 3.4% higher w/w and 64% above last year at BRL8.10/ kg. The firmer trend continued this week with prices trading above the BRL8.10/kg level and has been up by 34% 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.

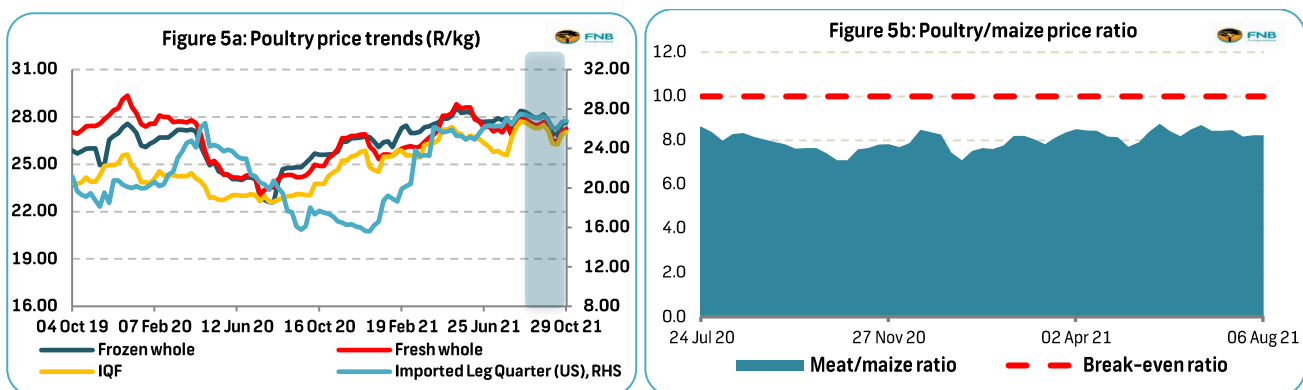
Domestic poultry market update

Table 4: Poultry producer price trends in South Africa

Week ending	Poultry market – South Africa					
	06 Aug 21	%Δ w/w	%Δ y/y	3-Year Avg	30 Jul 21	23 Jul 21
Fresh whole birds (R/kg)	26.84	-2.3%	14.0%	3.9%	26.85	27.02
Medium Frozen whole birds (R/kg)	27.29	-2.3%	20.7%	6.2%	27.58	27.80
Individually Quick Frozen (IQF) (R/kg)	26.65	4.2%	17.8%	9.2%	25.57	25.67
Import parity (R/kg)	26.44	-2.3%	27.5%	13.7%	27.07	26.28

Source: USDA, JSE, FNB Agric

Figure 5: Poultry prices and meat/maize ratio trends



- Poultry prices ended mixed with marginal losses in the whole bird category while the individually quick frozen (IQF) edged higher by 4% w/w and were almost up 19% y/y.

- 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 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 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 remain stubbornly high on the back of strong exports particularly for yellow maize. At current levels, yellow maize is trading at a premium over its white counterpart which makes the latter more attractive for use in animal feeding. Maize prices are now back above R3300/ ton as reflected in table 5.
- Although prices of the oilseed complex have eased from the early year highs, sunflower and soybean prices have increased by 4% and 6% respectively w/w.
- Elevated raw feed input prices will continue to squeeze producer margins for intensive livestock production systems such as poultry, pork, sheep, and beef feedlots.

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

11 AUG 2021	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Sep 21	R3 314	4.1%	R3 472	4.1%	R9 531	3.9%	R7 789	6.1%
Dec 21	R3 400	4.2%	R3 557	4.4%	R9 506	4.1%	R7 898	6.0%
Mar 22	R3 413	3.9%	R3 534	4.1%	R9 168	3.2%	R7 844	5.0%
May 22	R3 323	3.1%	R3 340	3.3%	R8 120	2.8%	R7 650	5.4%
Jul 22	R3 343	3.8%	R3 356	3.7%	-	-	-	-

Source: JSE,

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