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# Livestock and Fibre markets

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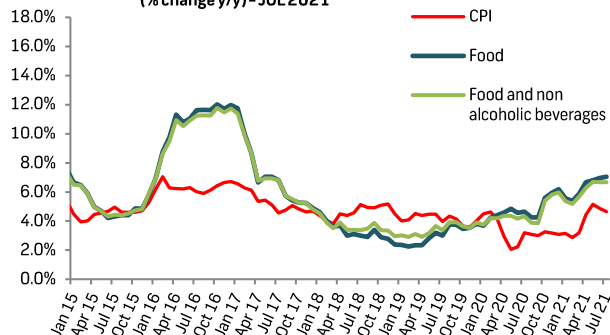


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## UPDATE ON LIVESTOCK MARKETS

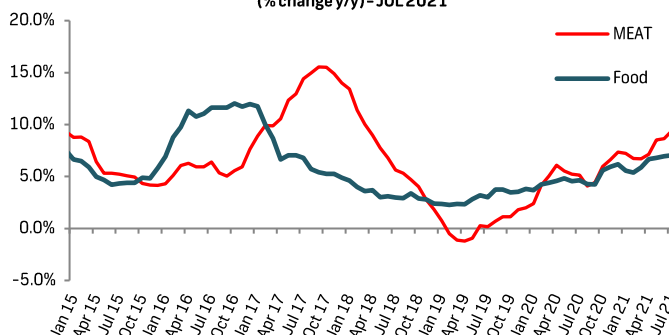
- The latest consumer price inflation print shows a deceleration in July 2021 at 4.6% year-on-year (y/y) which is lower than the 4.9% y/y recorded in June 2021. The food and non-alcoholic beverages (FNAB) sub-component contributed 1.1 percentage points to the overall 4.6% y/y increase in the CPI (figure A1). However, the FNAB steadied for the second and third consecutive month respectively by 0.2% m/m and 6.7% y/y. The food category was also stable at 0.2% m/m and 7% y/y in July 2021 with the deceleration in the bread and cereals, vegetables, sugars (sugar, sweets, and desserts), as well as the decline in fruits more than offsetting the stickiness in the meat and oils and fats categories.
- Meat remained sticky on the upside with a further acceleration of 9.4% y/y although steadying at 0.7% m/m in July 2021 (figure A2). The strength in meat prices was underpinned by limited availability due to reduced slaughter as well as retention on farms to take advantage of the increased availability of fodder from the harvested maize lands.
- At producer level, there is no respite as prices remain elevated across the board relative to last year as illustrated in figures 1a to 1c.
- On the global front, cost pressures are reportedly mounting due to the elevated feed prices that are yet to cool off from the recent highs. This will continue to squeeze producer margins as it becomes increasingly difficult to pass on cost due to the current global economic environment.
- News out of the UK is that the British Poultry Council has warned about limited availability of workers across the value chain with vacancy rate reportedly at 16% which is the after effect of Brexit.

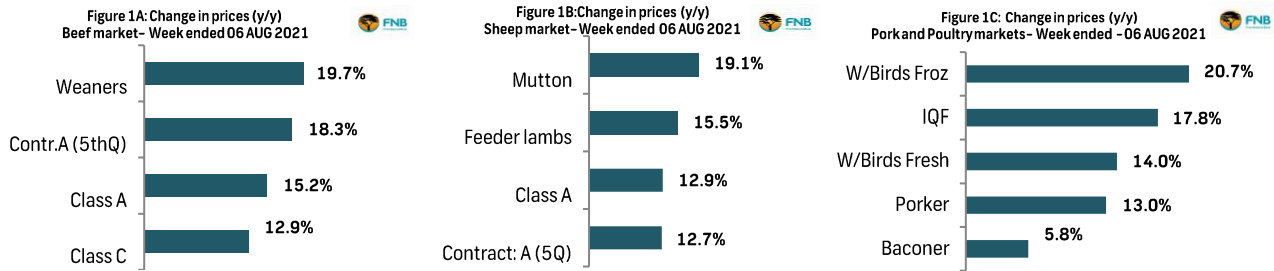
Figure A1: Trends in CPI All, Food & FNAB  
(% change y/y) – JUL 2021



Source: StatsSA

Figure A2: Trends in CPI – MEAT  
(% change y/y) – JUL 2021



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

Source: Own calculations from FNB AgriComms.

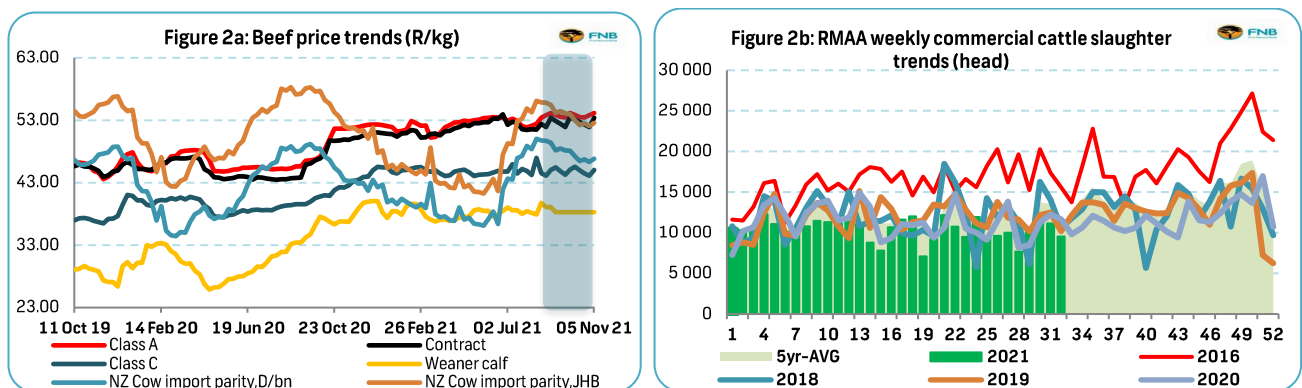
**International update on beef markets**

- The US domestic wholesale beef market has remained resilient in the past few weeks with the Choice and Select beef categories gaining 8% and 7% respectively w/w at US\$311.73/cwt and US\$288.35/cwt. At current levels, Choice and Select beef are up 49% and 47% respectively relative to the same period in 2020. The cattle market however softened with the weekly CME Feeder Cattle Indicator closing marginally lower by 0.5% w/w but still 10% higher y/y at US\$155.83/cwt.
- The Brazilian benchmark contract for difference (CFD) for beef rebounded slightly and finished last week 0.5% higher week-on-week (w/w) at BR20.26/ kg but still up 31% y/y.

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

Beef producer prices: Beef market – South Africa						
Date	13 Aug 21	% Δ w/w	% Δ y/y	3-Year Avg	06 Aug 21	30 Jul 21
Class A (R/kg)	52.40	0.5%	15.9%	9.4%	52.12	51.88
Class C (R/kg)	46.98	6.2%	19.4%	14.0%	44.23	44.89
Contract: A (*Incl.5thQ)	51.50	-0.1%	18.2%	10.1%	51.53	51.44
Import parity (R/kg)	56.11	3.4%	-2.8%	1.5%	54.28	54.90
Weaner calves (R/kg LW)	37.92	-0.7%	18.9%	17.5%	38.18	38.43

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 weekly trend was mixed with class A category moving sideways while limited availability saw class C beef prices jumping 6% w/w 19% y/y at R46.98/kg.
- 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

- Latest trends out of New Zealand indicate a supply crunch as the 2020/21 lamb slaughter pace fell below the 5-year average by almost 33% since about the middle on June to July 2021 and way lower than the 2019/20 season according to the NZ AgriHQ. This pushed lamb prices to the highest level since 2019 at NZ\$9.08/ kg. The mutton slaughter trend however came in on the upside with the season to date number reported up 8% ahead of the previous season. Mutton prices strengthened on spill over gains from the lamb market.
- Australian prices also posted strong gains since June 2021 and have recently reached the pre-Covid-19 levels of AU\$9.78/ kg cwt and AU\$6.80/ kg cwt for lamb and mutton respectively according to MLA.

### Domestic sheep market update

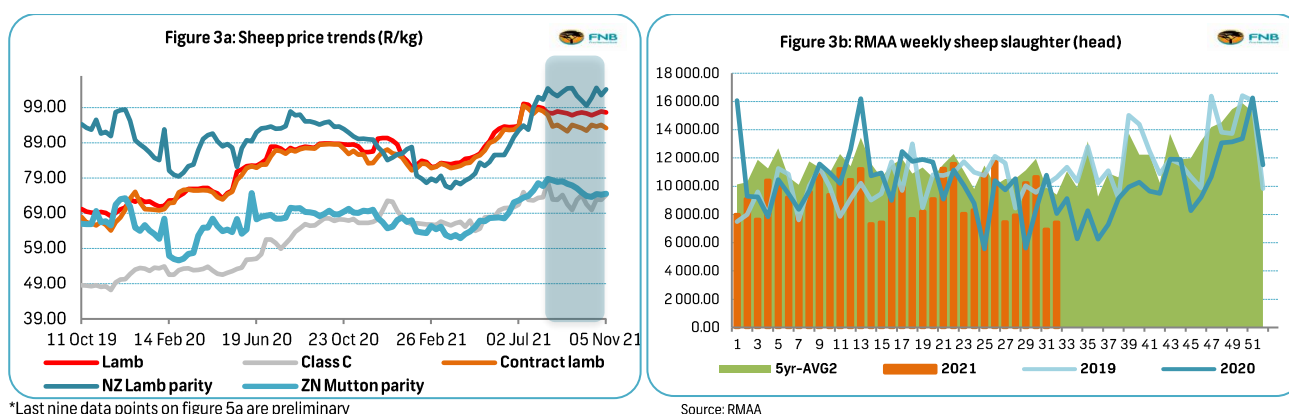
- After a strong showing in the past few weeks, class A lamb prices eased towards mid-month while mutton rebounded strongly and closed last week up 5.8% w/w and 22% above last year at R77.86/kg on limited availability.
- The feeder lamb market also saw further losses with weekly prices back 2.2% w/w in last week's trade at R48.65/ kg live weight (LW) but still 14% ahead of the 2020 levels for this time of the year.

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

	Sheep market – South Africa					
Date	13 Aug 21	%Δ w/w	%Δ y/y	3-Year Avg	06 Aug 21	30 Jul 21
Class A (R/kg)	97.54	-1.3%	12.2%	14.5%	98.86	99.23
Mutton (R/kg)	77.86	5.8%	22.1%	22.7%	73.58	73.38
Contract: A (*Incl. 5thQ, R/kg)	96.89	-1.2%	12.0%	14.8%	98.04	98.56
Import parity (R/kg)	104.49	3.2%	7.9%	7.5%	101.24	102.03
Feeder lambs (R/kg LW)	48.65	-2.2%	14.3%	14.9%	49.72	50.65

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 reversal in recent gains on volume pressure. This pushed weekly pork carcass cutout values lower by 1.7% w/w at US\$123.13/cwt, but still 70% ahead of the same week last year.
- On the export front, weekly US pork export sales came in down 3% w/w and below the prior 4-week average at 27,600 tons with major destinations being Mexico (12,600 tons), China (5,200 tons), Japan (3,800 tons), Canada (1,700 tons, and South Korea (1,500 tons) according to the USDA.

### Domestic pork market update

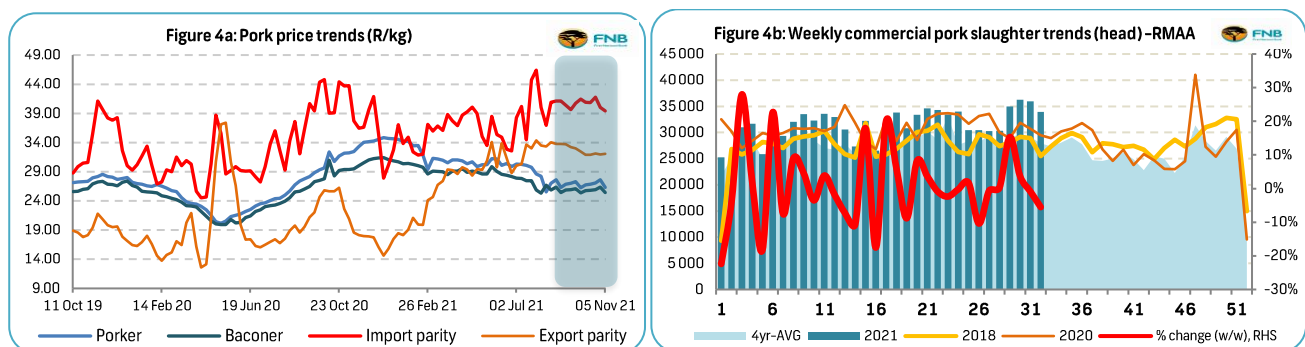
- It was another week of a mixed bag in the pig market which saw a rebound in baconers while porker prices fell sharply relative to the week earlier as demand slipped during mid-month. At current levels pork prices are marginally down on last year by 0.7% but still 9% above the 3-year average for this time of the year. Baconer prices on the other hand are almost 8% and 18% higher respectively relative to the 2020 levels and the 3-year average for this time of the year.

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

Pork market – South Africa						
Date	13 Aug 21	% Δ w/w	% Δ y/y	3-Year Avg	06 Aug 21	30 Jul 21
Porker (R/kg)	25.54	-9.5%	-0.7%	8.5%	28.23	28.63
Baconer (R/kg)	26.69	5.3%	8.8%	23.9%	25.34	25.87
Import parity (R/kg)	36.93	-7.7%	7.7%	17.8%	40.02	46.41

Source: USDA, JSE, FNB Agric

**Figure 4: Pork prices and slaughter trends**



\*Last nine data points on figure 6a are preliminary

Source: RMAA

## 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

- Prices were mixed in the US market with whole birds easing by 1.4% w/w at US106.80 cents/ lb while the mechanically separated chicken (MDC) category saw gains across the board. Prices of 15-20% MSC saw gains of 2.3% and 11% w/w for the frozen and fresh categories respectively in last week's trade. At US55.88 c/lb and US36.19 c/lb, the frozen and fresh MSC were 82% and 37% higher respectively relative to the 202 levels.
- In Brazil, the benchmark contract for difference (CDF) for poultry extended gains and closed last week up 3.2% w/w and 39% above last year at BRL8.36/ kg.

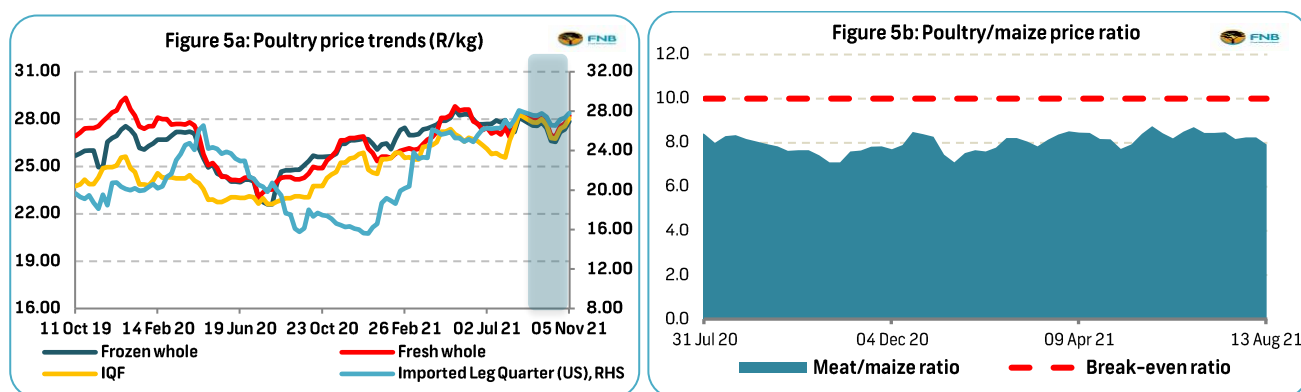
## Domestic poultry market update

Table 4: Poultry producer price trends in South Africa

Week ending	Poultry market – South Africa					
	13 Aug 21	% Δ w/w	% Δ y/y	3-Year Avg	06 Aug 21	30 Jul 21
Fresh whole birds (R/kg)	27.54	2.6%	14.5%	5.5%	26.84	26.85
Medium Frozen whole birds (R/kg)	27.18	-0.4%	13.9%	5.1%	27.29	27.58
Individually Quick Frozen (IQF) (R/kg)	27.38	2.7%	20.2%	10.9%	26.65	25.57
Import parity (R/kg)	27.16	2.8%	35.6%	14.1%	26.44	27.07

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 were again mixed with marginal losses in the frozen whole bird category while the individually quick frozen (IQF) and fresh whole birds edged higher by 2.7% and 2.6% respectively w/w.
- Limited availability of imported mechanically deboned meat (MDM) will shift focus to local processing and subsequently lift 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 with both white and yellow trading above R3,400/ ton 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 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 R3400/ ton as reflected in table 5.
- In the oilseed complex, prices of sunflower and soybeans eased slightly this week but still at high levels above R9,000/ ton and R7,800/ ton respectively (table 5).
- 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)**

18 AUG 2021	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Dec 21	R3 400	0.3%	R3 557	0.1%	R9 506	-2.1%	R7 898	-0.1%
Mar 22	R3 413	0.0%	R3 534	0.1%	R9 168	-1.4%	R7 844	-0.7%
May 22	R3 323	-0.2%	R3 340	-1.0%	R8 120	-1.5%	R7 650	-0.3%
Jul 22	R3 343	-0.2%	R3 356	-1.2%	-	-	-	-

Source: JSE,

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