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# Livestock and Fibre markets

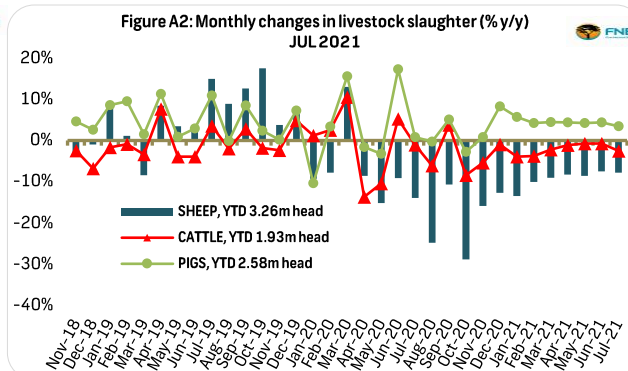
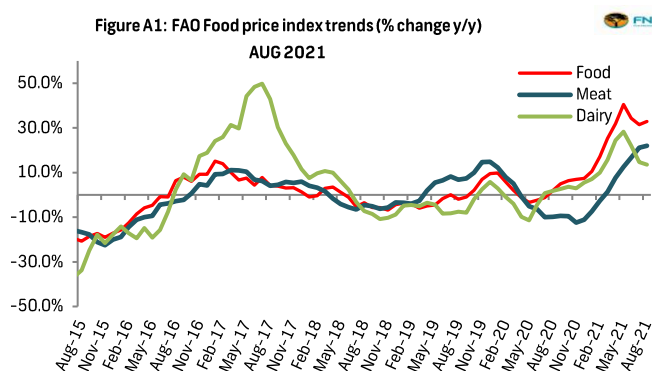
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## UPDATE ON LIVESTOCK MARKETS

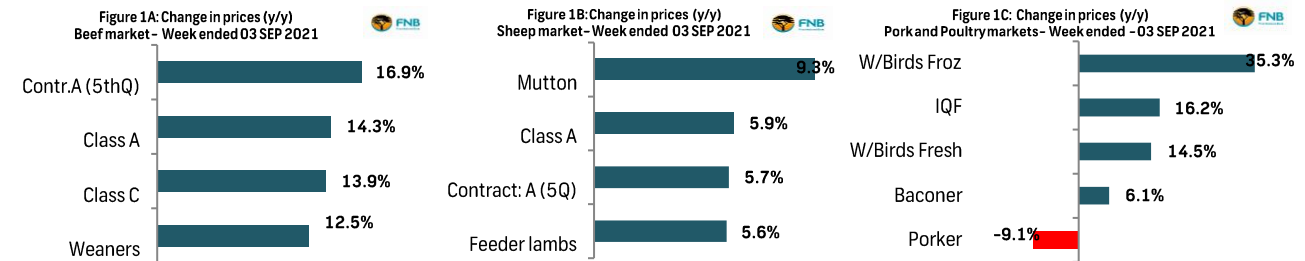
- The latest update from the Food and Agriculture Organization (FAO) shows a further acceleration in world food prices during August 2021. The average FAO Food Price Index (FPI) rebounded by 3.1% month-on-month (m/m) after two consecutive months of monthly decreases to 12.4 points in July (figure A1). The yearly trend shows further acceleration after slowing in June and July, coming in 32.9% higher year-on-year (y/y) on the back of a spike in sugar, vegetable oils, and cereal sub-categories.
- In the animal protein complex, the meat and dairy sub-indices remained elevated in August due to the combination of strong demand and supply tightness respectively. Although decelerating by 0.7% m/m in August (figure A1), the meat price index jumped 22% y/y to 112.51 points underpinned by gains in ovine and bovine prices as China ramped up imports while Oceania experienced a contraction in supplies on reduced slaughter. In Australia, both the calendar year and 12-months to July 2021 export stats show declines of 22% and 24% respectively in total beef exports at 900,531 tons swt and 503,584 tons swt.
- Poultry prices saw gains supported by strong demand from East Asia and the Middle East coupled with supply tightness in major export nations as higher feed costs and labour availability curbed production expansions. In contrast, the pork market saw contraction in prices due to the combination of limited Chinese import demand and softer uptake in Europe. For example, US pork exports for the year to July 2021 are already down 1% y/y with volumes to China (+Hong Kong) falling sharply by 37% y/y to 323,209 metric tons.
- Domestically, we still observe a contraction in beef and cattle slaughter relative to the previous season which to some extent underpins the elevated trend in prices as illustrated in fig. A2 and fig.1 respectively.



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

- Cattle slaughter for the current slaughter season (Nov-Oct) up to July 2021 is already 2.5% below the previous season while sheep numbers are down 7.8%. In contrast, pig numbers are 3.4% higher on the previous season which had a downside impact on prices with pork already in negative territory and down 9% y/y in last week's trade (fig. 1c).

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

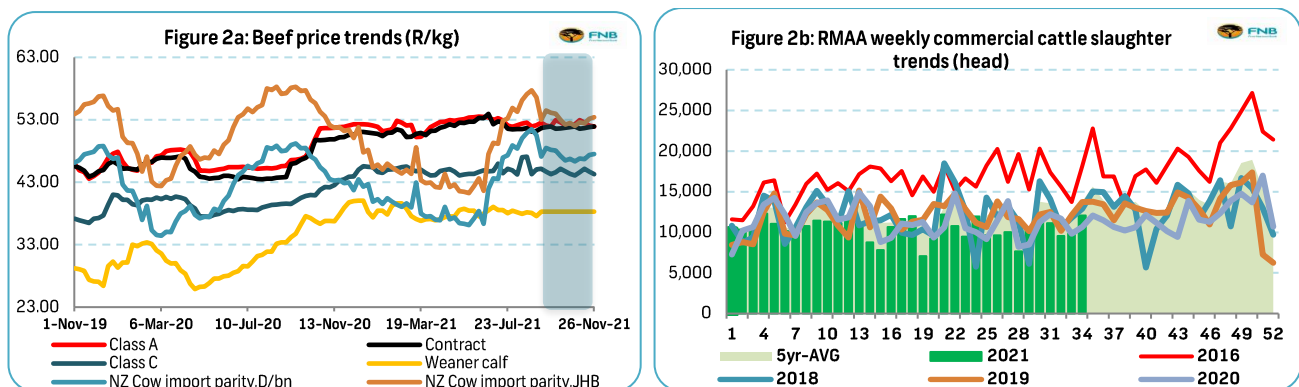


Source: Own calculations from FNB AgriComms.

### International update on beef markets

- Last week saw a moderation in beef prices with wholesale beef cutout values for Choice and Select categories both just over 2% down week-on-week (w/w) ahead of the long holiday weekend in the US. However, the Choice and Select boxed beef cutout values remained sharply higher relative to last year by 49% and 45% respectively at US\$340/cwt and US\$308/cwt. In the cattle markets, the CME Feeder Cattle Index also saw losses and closed down 1% w/w but still 13% ahead of the 2020 levels at US\$158/cwt.
- Meanwhile, the USDA recently showed a slight contraction of 1% year-on-year (y/y) in the country's herd at 100.9 million head as of July 2021. The report shows a further decline in the US's 2021 calf crop relative to the 2020 levels at 35.1 million head. The implication of these numbers is that the US exports will suffer in 2021 and 2022 and may contract following robust half year performance for 2021.

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



\*Last nine data points on figure 2a are preliminary

Source: RMAA

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

Beef producer prices: Beef market - South Africa						
Date	3-Sep-21	% Δ w/w	% Δ y/y	3-Year Avg	13-Aug-21	13-Aug-21
Class A (R/kg)	52.11	0.4%	14.3%	8.3%	52.40	52.40
Class C (R/kg)	45.08	1.8%	13.9%	10.7%	46.98	46.98
Contract: A (*Incl. 5thQ)	51.23	0.3%	16.9%	9.6%	51.50	51.50
Import parity (R/kg)	56.61	-1.9%	-1.1%	1.9%	56.11	56.11
Weaner calves (R/kg LW)	37.56	-1.4%	12.5%	15.4%	37.92	37.92

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

*Domestic beef market update:*

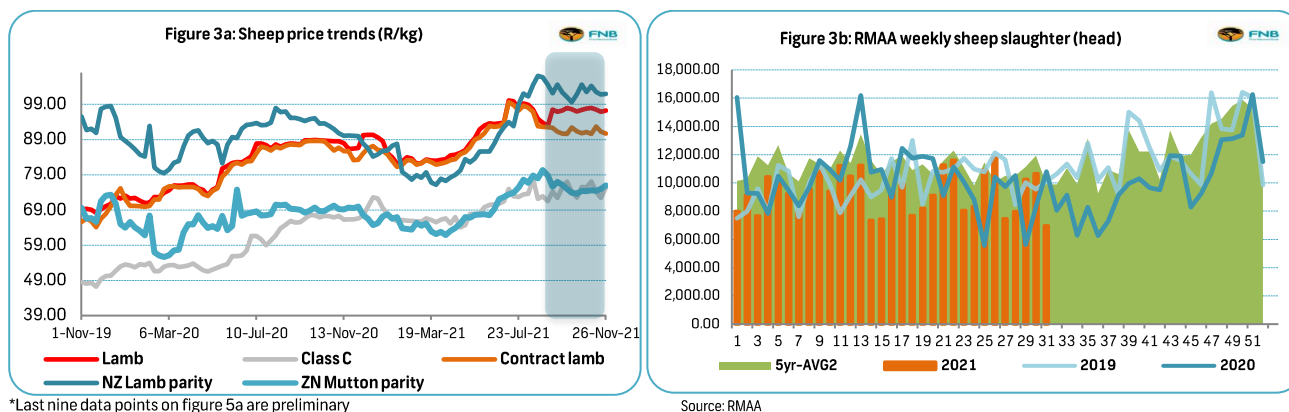
- The domestic market reversed losses and firmed across the board on renewed uptake during the month end period.
- At feeding level, there is abundance in terms of fodder from the harvested maize lands as well as good overwintering grass cover. Some Eastern and Northern Cape areas however remain an exception 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. Already, indications are that lockdown conditions are to be downgraded by 1 level. In the weaner market, we expect the normal seasonal trend of an uptick ahead of the December festive to continue, peaking in November.

**Weekly summary of the sheep market***International sheep market update*

- Continued concerns over labour shortages in the US supply chains with consequent volume contraction for the year to date helped maintain an elevated trend in mutton prices on a y/y basis. Although the US Lamb Carcass Cutout values eased slightly by 1.3% in last week's trade, prices were still sharply higher by 72% higher y/y at US\$622/ cwt while the cumulative year-to-date sheep slaughter contracted by 1% y/y last week to just over 1.28 million head.
- 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 tons 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 tons 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.

**Figure 3: Lamb and mutton prices and sheep slaughter trends****Table 2: Sheep producer price trends in South Africa**

Sheep market – South Africa						
Date	3-Sep-21	%Δ w/w	%Δ y/y	3-Year Avg	13-Aug-21	13-Aug-21
Class A (R/kg)	92.89	-1.0%	5.9%	11.1%	97.54	97.54
Mutton (R/kg)	71.54	-1.8%	9.3%	15.7%	77.86	77.86
Contract: A (*Incl. 5thQ, R/kg)	92.48	-0.1%	5.7%	11.5%	96.89	96.89
Import parity (R/kg)	104.62	-1.9%	10.0%	7.5%	104.49	104.49
Feeder lambs (R/kg LW)	44.38	-1.0%	5.6%	8.4%	48.65	48.65

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

### Domestic sheep market update

- Prices reversed recent gains across most categories on the back of limited uptake.
- Weak carcass values continue to place downward pressure on the feeder lamb market which saw the weekly feeder lamb prices continuing to trade well below the R50/ kg level at R44.38/kg LW which is down 1% w/w but still 6% higher y/y and almost 9% above the 3-year average for this time of the year.

### 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. The medium-term demand outlook might be constraint by the July unrest related dampening of consumer welfare following the decimation of some business and the resultant job losses.

### Weekly pork market

#### International pork market update

- As with other meat types, the US pork market saw further losses with weekly pork carcass cutout values falling by 4.4% w/w in last week's trade at US\$108.54/cwt but still sharply higher by 42% relative to the same week last year. Pig slaughter fell by 1.6% w/w and 2.8% y/y at 2.40 million head with the cumulative YTD total reaching 85.93 million head which is almost down by 2% on 2020 levels.

#### Domestic pork market update

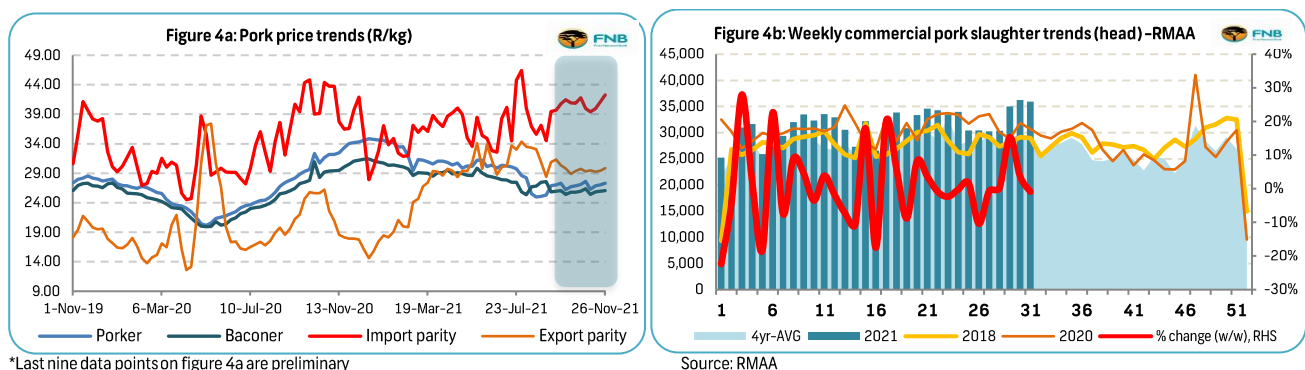
- Last week saw renewed firmness in the pig market on improved uptake. However, at current levels pork prices have fallen by 9% y/y while baconers are still 6% ahead of last year and 28% above the 3-year average.

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

	Pork market – South Africa					
Date	3-Sep-21	% Δ w/w	% Δ y/y	3-Year Avg	13-Aug-21	13-Aug-21
Porker (R/kg)	25.28	0.7%	-9.1%	7.4%	25.54	25.54
Baconer (R/kg)	27.60	0.5%	6.1%	28.1%	26.69	26.69
Import parity (R/kg)	34.52	-7.0%	-5.0%	10.1%	36.93	36.93

Source: USDA, JSE, FNB Agric

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



### OUTLOOK

We expected a slight rebound in the medium term due to improved competitiveness as pork is already selling at a discount over other meat types.



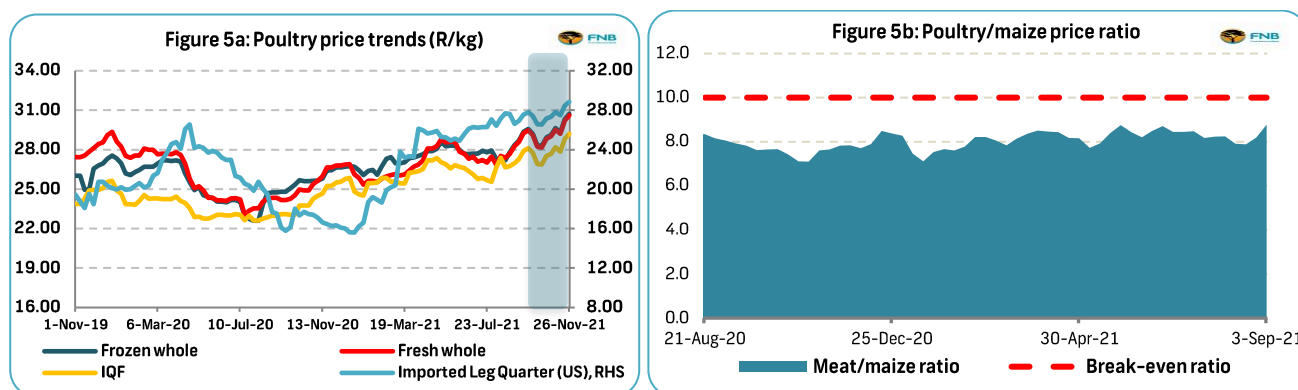
## Weekly poultry market update

### International poultry market update

- In Brazil, the benchmark contract for difference (CDF) for poultry extended gains and closed last week slightly up by 3% w/w and 53% above last year at BRL8.23/ kg. The firmer trend continued this week with prices trading above the BRL8.39/kg level.
- US poultry prices saw further gains with the whole bird category edging higher on the week on good uptake at US105.49 cents/lb, up 1% w/w and 32% higher y/y. The mechanically separated chicken (MSC) category however came in on the downside with frozen and fresh MSC prices falling by 0.9% and 1.4% respectively w/w but were still 76% and 4% higher y/y.

### Domestic poultry market update

**Figure 5: Poultry prices and meat/maize ratio trends**



\*Last nine data points on figure 4a are preliminary

- Poultry prices ended firmer across most categories except the frozen whole birds on limited availability and improved uptake.
- Although broiler imports rose sharply by 31% in June 2021 from May, the first half of 2021 saw volumes contracting by 10% relative to the same period last year. Meanwhile, the International Trade Administration (ITAC) has extended the anti-dumping duties on the UK, Germany, and the Netherlands bone-in chicken portions imports for another five years due to concerns over the potential harm to the country's poultry industry if lifted. The following will continue to apply on bone-in chicken portions: UK (30.09%); Netherlands (22.81%); and Germany (73.33%).
- 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.

**Table 4: Poultry producer price trends in South Africa**

Week ending	Poultry market – South Africa					
	3-Sep-21	%Δ w/w	%Δ y/y	3-Year Avg	13-Aug-21	13-Aug-21
Fresh whole birds (R/kg)	28.36	2.0%	14.5%	7.5%	27.54	27.54
Medium Frozen whole birds (R/kg)	21.31	-3.8%	35.3%	26.1%	27.18	27.18
Individually Quick Frozen (IQF) (R/kg)	28.26	2.1%	16.2%	6.5%	27.38	27.38
Import parity (R/kg)	30.87	-3.3%	4.2%	5.9%	27.16	27.16

Source: USDA, JSE, FNB Agri

## OUTLOOK

We expect prices to retain the current momentum in the short term, but the return of warmer months ahead will help lift demand. The gradual return to more outdoor activity with the looming downgrade of the lockdown restriction is likely to spur demand for poultry. The pace of the reconstruction of the infrastructure decimated by the July unrest will also influence demand in the medium term as more people get back to work.

### Raw feed input price update

- Good news for the feeder market is that WMAZ prices have now edged closer to the R3,000/ ton levels after being elevated for the better part of the third quarter of 2021. Although easing lately, YMAZ prices remain stubbornly high at current levels and continues to trade at a premium over its white counterpart which makes the latter more attractive for use in animal feeding. Yellow maize prices still trade above R3,200/ ton as reflected in table 5.
- Although prices of the oilseed complex have eased from the early year highs, sunflower and soybean prices are still elevated relative to last year and must ease further to help improve feeding margins for producers (table 2).

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

08 SEP 2021	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Dec-21	R3,051	-3.1%	R3,223	-2.9%	R9,480	-0.2%	R7,506	-0.7%
Mar-22	R3,070	-3.2%	R3,210	-2.9%	R9,120	-0.1%	R7,537	-0.8%
May-22	R3,018	-2.6%	R3,082	-1.8%	R8,225	0.2%	R7,275	-1.2%
Jul-22	R3,014	-2.7%	R3,086	-2.2%	R8,297	-1.4%	R7,410	-1.6%
Sep 22	-	-	-	-	-	-	-	-

Source: JSE,

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