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Livestock and Fibre markets

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UPDATE ON LIVESTOCK MARKETS

- Biosecurity remains a challenge across the world livestock value chains and trade with the most prevalent outbreaks in recent years being the African Swine Fever (ASF), Food and Mouth Disease (FMD), and the Avian Influenza (AI). The latest to the list is the Bovine Spongiform Encephalopathy (BSE) of which the atypical form was reported recently in the Minas Gerais state in Brazil, thus eliciting an import ban from Saudi Arabia. Brazil has reportedly imposed a temporary suspension of beef exports to China to comply with agreed health protocols.
- BSE in cattle affects the nervous system with fatal consequences and generally has a long incubation period in the range two to eight years or even longer. Brazil is the world second largest beef producer and the number one exporter with estimated shares of 15% and 22% respectively. The absence of Brazil from the Chinese market with a 32% share of world imports poses upside risk to beef prices if the situation is sustained for a bit longer.
- A further analysis of the broader world meat import market reveals that China accounts for 32% of the bovine and veal, 9% of chicken, and 45% of the world imports. Brazil on the other hand accounts for 32% of the world chicken exports but a relatively smaller player on the pork market with a share of just 4.1% (figure 1b).
- In the latest update from the Food and Agriculture Organization (FAO), the average FAO meat price sub-index jumped 22% y/y to 112.51 points (figure 1c) in August 2021 underpinned by gains in ovine and bovine prices as China ramped up imports while Oceania experienced a contraction in supplies on reduced slaughter. A further tightening of supplies will help maintain the current meat inflation trajectory.

Figure 1: Trends in world and Brazil's meat production and exports

Figure 1a: World beef+veal, chicken, pigmeat Production and Export trends (million tons)

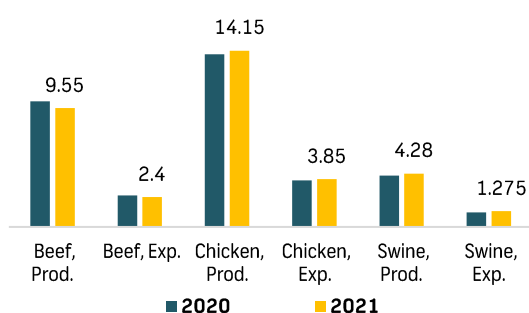
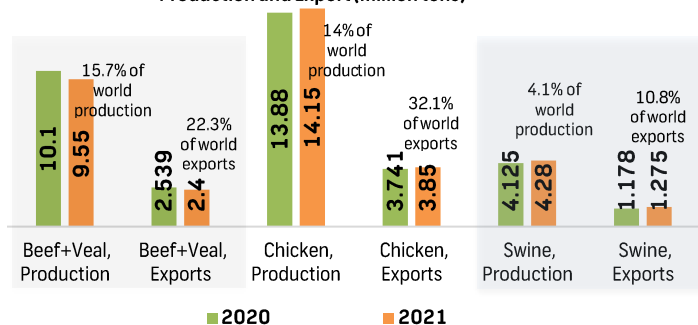
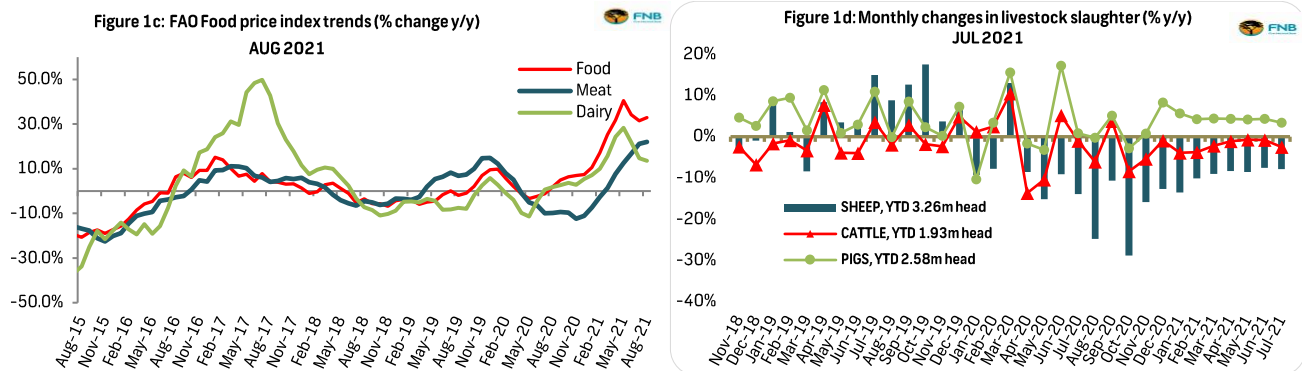


Figure 1b: Brazil meat trends Production and Export (million tons)



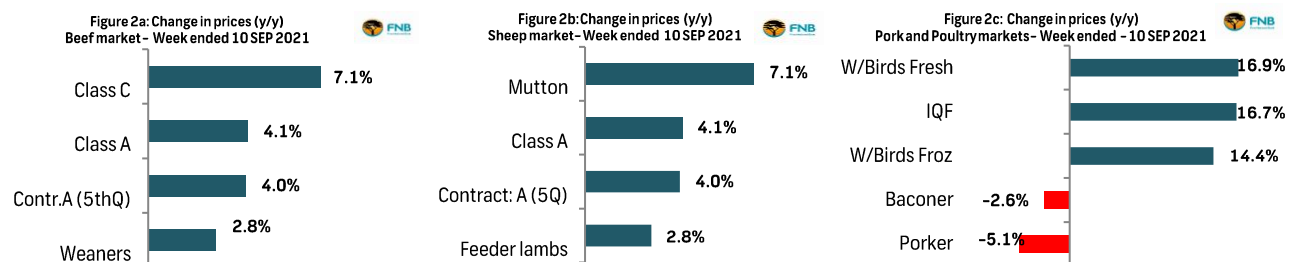
Source: USDA, PSD



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

- 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 figure 1d and 2a respectively. 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 the pig market with pork and baconer prices already in negative territory and closed 2.6% and 5.1% lower y/y in last week's trade (figure 2c).

Figure 2: Changes in average weekly livestock prices (% change y/y)

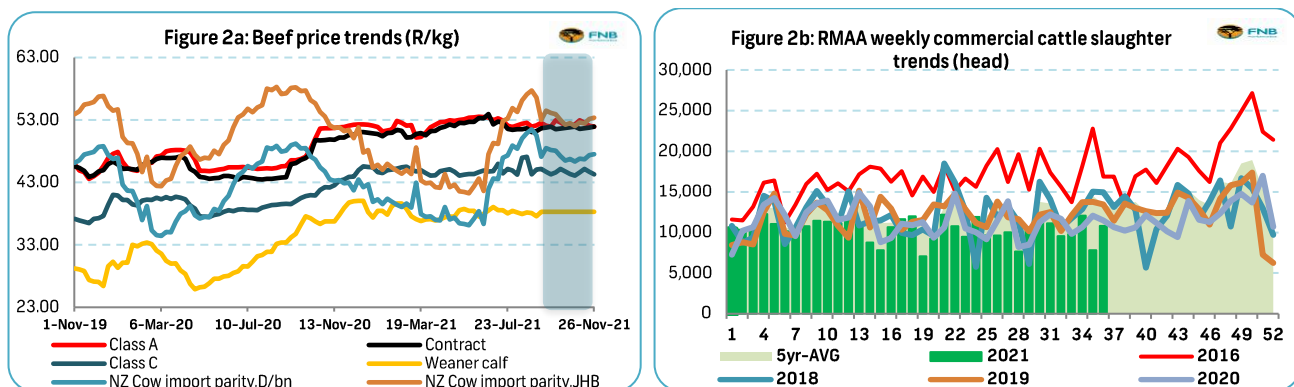


Source: Own calculations from FNB AgriComms.

International update on beef markets

- The latest update from the USDA indicates a deterioration pasture conditions with overall condition rating just over 20% in the good to excellent category where a significant number of cattle are situated. This has impacted negatively on the US beef industry which saw lighter weights for slaughter. However, the USDA still forecasts higher beef exports on the back of strong demand.

Figure 3: Beef prices and cattle slaughter trends



*Last nine data points on figure aa are preliminary

Source: RMAA

Table 1: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	10-Sep-21	% Δ w/w	% Δ y/y	3-Year Avg	3-Sep-21	27-Aug-21
Class A (R/kg)	52.26	0.3%	12.3%	7.7%	52.11	51.92
Class C (R/kg)	44.89	-0.4%	13.5%	10.6%	45.08	44.30
Contract: A (*Incl.5thQ)	51.56	0.6%	12.3%	8.5%	51.23	51.08
Import parity (R/kg)	55.82	-1.4%	-4.0%	0.8%	56.61	57.72
Weaner calves (R/kg LW)	38.25	1.8%	11.8%	15.6%	37.56	38.08

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

Domestic beef market update:

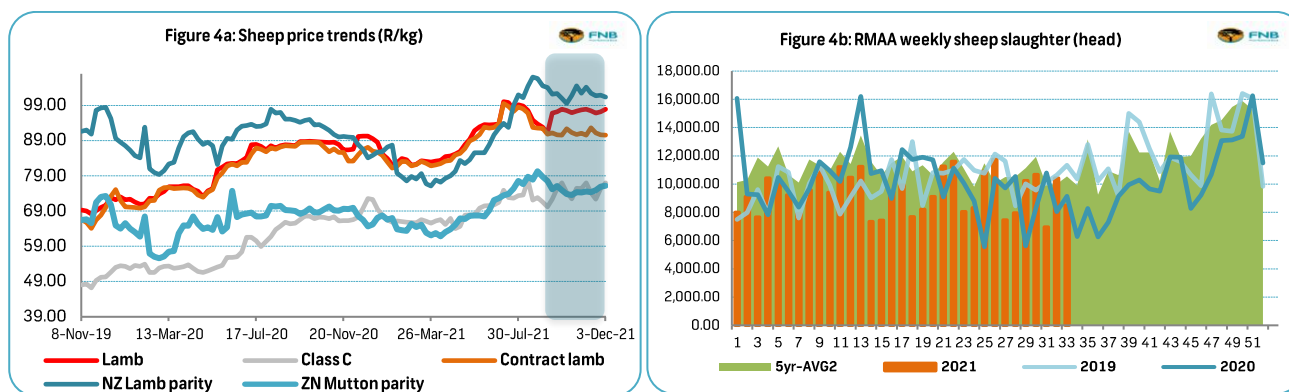
- The domestic market moved mostly sideways across most categories except for class C beef which eased marginally towards midmonth.
- At feeding level, there is abundance in terms of fodder from the harvested maize lands as well as good overwintering grass cover. Some Eastern and Northern Cape areas 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**

- Tighter supplies continued to place upward pressure on US lamb markets. This saw the lamb carcass values advancing last week by 1.3% relative to the week earlier at US\$629.56/ cwt which is sharply higher by 72% year-on-year (y/y). Weekly sheep slaughter numbers contracted by 20% week-on-week (w/w) and were 27% below the 2020 levels at 24,00 head, which brought the YTD total 1.4% lower y/y at 23 million head.
- In Australia, the weekly Eastern Trades Lamb Indicator (ESTLI) posted a modest rebound last week after two weeks of consecutive decrease as volumes tightened. The ESTLI finished 2% higher w/w and was up 39% y/y at AU9.45/kg cwt.

Figure 4: Lamb and mutton prices and sheep slaughter trends

*Last nine data points on figure 5a are preliminary

Source: RMAA

Table 2: Sheep producer price trends in South Africa

Sheep market – South Africa						
Date	10-Sep-21	%Δ w/w	%Δ y/y	3-Year Avg	3-Sep-21	27-Aug-21
Class A (R/kg)	91.20	-1.8%	4.1%	10.0%	92.89	93.80
Mutton (R/kg)	70.18	-1.9%	7.1%	14.2%	71.54	72.86
Contract: A (*Incl.5thQ, R/kg)	90.89	-1.7%	4.0%	10.7%	92.48	92.60
Import parity (R/kg)	104.14	-0.5%	9.9%	7.4%	104.62	106.69
Feeder lambs (R/kg LW)	44.22	-0.4%	2.8%	8.0%	44.38	44.85

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

Domestic sheep market update

- Last week saw further losses in the sheep market as demand slipped towards midmonth. 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 R44.22/kg LW, but still 3% higher y/y and almost 8% 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

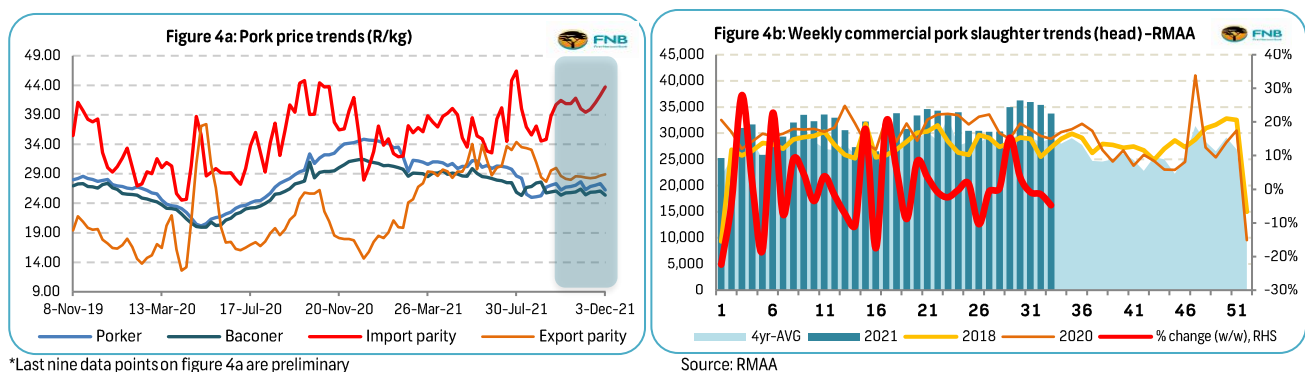
International pork market update

- The US pork market saw further losses with weekly pork carcass cutout values falling by 1% w/w in last week's trade at US\$107.47/cwt but still sharply higher by 33% relative to the same week last year. Pig slaughter fell by 5% w/w and 2.7% y/y at 2.27 million head with the cumulative YTD total reaching 88.19 million head which is almost down by 3% on 2020 levels.

Domestic pork market update

- Last week saw further gains for the porker market while baconers retreated on limited uptake. However, at current levels pork and baconer prices are now back in negative territory relative to last year.

Figure 5: Pork prices and slaughter trends



*Last nine data points on figure 4a are preliminary

Source: RMAA

Table 3: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	10-Sep-21	%Δ w/w	%Δ y/y	3-Year Avg	3-Sep-21	27-Aug-21
Porker (R/kg)	26.74	5.8%	-5.1%	13.6%	25.28	25.10
Baconer (R/kg)	25.75	-6.7%	-2.6%	19.5%	27.60	27.45
Import parity (R/kg)	34.82	0.9%	-14.4%	11.1%	34.52	37.10

Source: USDA, JSE, FNB Agric

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.

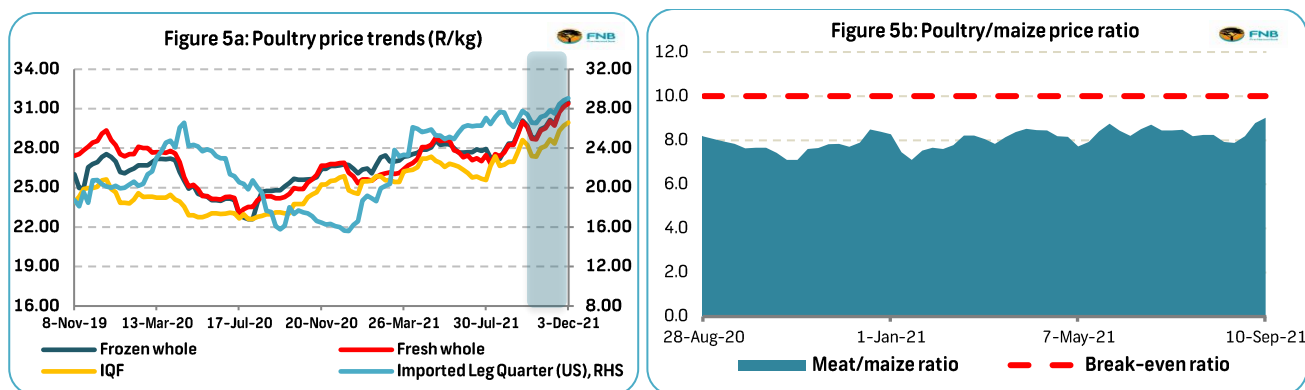
Weekly poultry market update

International poultry market update

- In Brazil, the benchmark contract for difference (CDF) for poultry was again stronger after lifting 2% w/w at BRL8.23/ kg and has increased by 42% since January and now 44% above the 2020 levels for the same week.
- In the US, poultry prices saw further gains with the whole bird category edging higher on the week on good uptake at US106.30 cents/lb, up 0.8% w/w and 65% higher y/y. The mechanically separated chicken (MSC) category rebounded strongly with frozen and fresh MSC prices gaining by 3.9% and 18% respectively w/w but were still 81% and 25% higher y/y.

Domestic poultry market update

Figure 6: Poultry prices and meat/maize ratio trends



*Last nine data points on figure 4a are preliminary

- Poultry prices moved sideways across the board in last week's trade. 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					
	10-Sep-21	%Δ w/w	%Δ y/y	3-Year Avg	27-Aug-21	20-Aug-21
Fresh whole birds (R/kg)	28.26	0.0%	16.9%	6.3%	27.80	27.18
Medium Frozen whole birds (R/kg)	28.36	0.0%	14.4%	7.7%	22.16	15.35
Individually Quick Frozen (IQF) (R/kg)	26.96	0.0%	16.7%	9.0%	27.68	27.38
Import parity (R/kg)	26.17	-1.7%	62.4%	19.7%	31.91	34.35

Source: USDA, JSE, FNB Agric

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 lock down 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

- This week saw a surpassing turn of events with maize prices edging higher relative to the previous. The combination of rand losses and strength on the international market helped lift the market. WMAZ and YMAZ prices have now pulled away from the R3,000/ ton levels as reflected in table 5.
- The oilseed complex also saw some firmness and both the sunflower and soybean prices remain elevated relative to last year and must ease further to help improve feeding margins for producers (table 5).

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

16 SEP 2021	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Dec-21	R3,227	7.9%	R3,390	7.7%	R9,715	4.4%	R7,761	4.5%
Mar-22	R3,239	7.8%	R3,375	7.6%	R9,001	0.2%	R7,750	4.3%
May-22	R3,172	7.3%	R3,231	6.3%	R8,200	0.2%	R7,470	4.1%
Jul-22	R3,190	7.9%	R3,263	7.3%	R8,262	-0.4%	R7,475	2.4%
Sep 22	-	-	-	-	-	-	-	-

Source: JSE,

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