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Livestock and Fibre markets

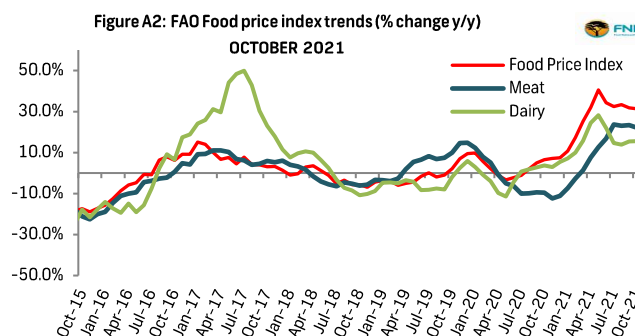
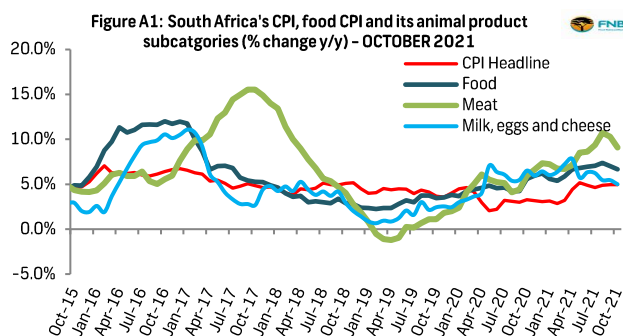
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UPDATE ON LIVESTOCK MARKETS

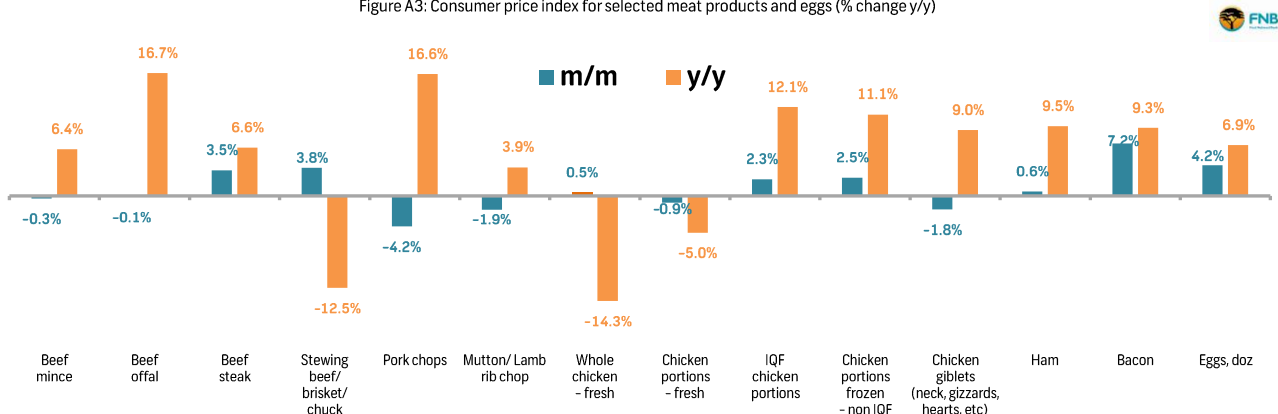
- Statistics South Africa earlier today released its latest update of the consumer price index (CPI) which showed headline inflation steady at 5.0% year-on-year (y/y) in October 2021 and still unchanged at 0.2% relative to the September level.
- After reaching a 54-month high of 7.4% in August, food prices continued to decelerate to 6.7% y/y on the back of a slowdown in price growth across most categories particularly the heavy weights in the basket namely, bread, cereals, and meat categories. The oils and fats which have been sticky above the 20% level also decelerated to 20.9% y/y, while the vegetable subcomponent surprised on the upside and increased by three percentage points (ppts) to 7.2% y/y.
- South Africa's meat inflation is now back below the double-digit level at 9.1% y/y of the back of the combined influence of improved supplies due to the increased livestock and the switch in demand to cheaper. Meat inflation however edged 0.5% higher month-on-month (m/m) in October from -0.2% in September (see figure A1).
- We further saw a similar trend across the animal protein subcomponents with the milk, eggs and cheese inflation almost unchanged m/m but decelerated to 5.0% y/y, while fish eased by 0.1% m/m and decelerated by 1 ppt to 4.2% y/y.
- A drill down into the data of various selected meat products shows some pressure in the chicken meat category with both whole fresh and frozen whole birds decreasing by 14.3% and 5% respectively y/y, although IQF prices came in up 2.5% m/m and 11% y/y.
- For beef, stewing beef fell by 12.5% y/y while offal posted the biggest increase of 16.7% y/y (figure A3) which reflects the strong demand for the lower-value meat products in tough economic conditions amid constrained household disposable incomes. The recovery in the pork market continued across most categories with pork chops and bacon prices coming in 16.6% and 9.3% higher y/y respectively.



Source: Stats SA (figure A1), FAO (figure A2)

- On the international front, global food prices decelerated in October according to the Food and Agriculture Organization's (FAO) monthly food price index. The monthly FAO FPI decelerated to 31.3% y/y but still up 3.0% m/m underpinned by increases for cereals and vegetable oils.
- The meat price subcomponent however remained in negative territory at -0.7% m/m but still at elevated level of 22.1% y/y in October relative to 23.3% y/y in September as pressure on pork and beef prices due to the reduced Chinese import demand for pork and uncertainty over the suspension of beef exports in Brazil respectively more than offset increases for poultry and ovine meat (see figure A2).

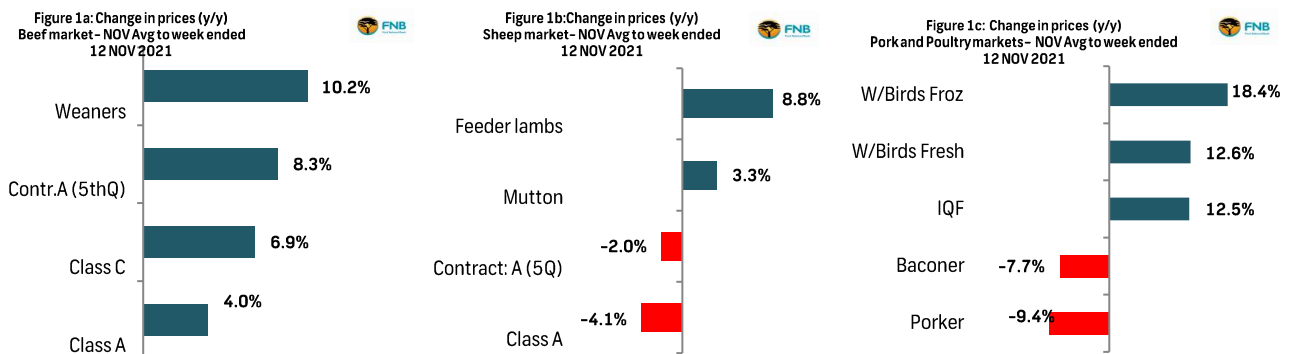
Figure A3: Consumer price index for selected meat products and eggs (% change y/y)



Source: Stats SA

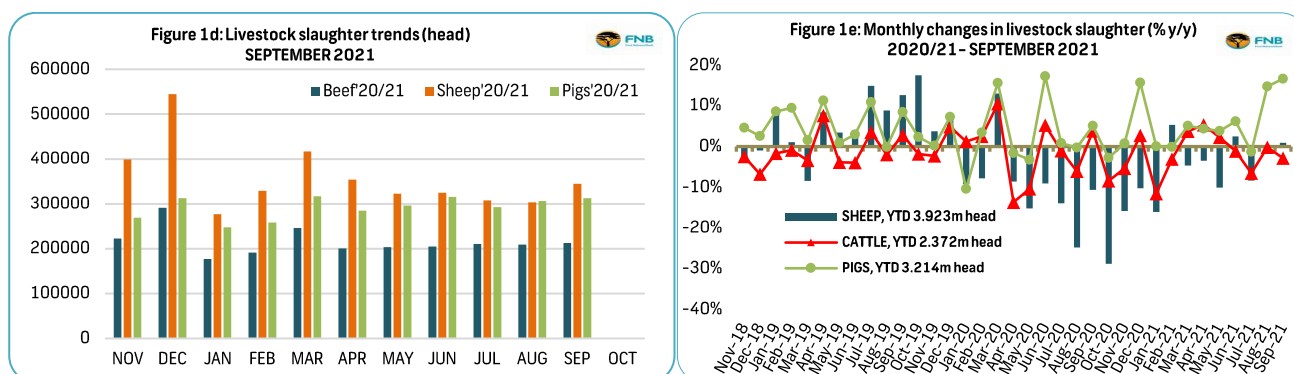
- At producer level, the average prices for the two weeks of November so far still reflect an uptrend with double digit percentage increases for whole birds (fresh and frozen) and the individually quick-frozen portions (IQF) (see figure 1c). Producer prices for lamb and mutton however declined during the same period while mutton remains relatively strong as illustrated in figure 1b.
- On the slaughter market, the latest LevyAdmin monthly update on livestock slaughter statistics show a moderate to sharp rebound in livestock numbers with sheep posting the biggest monthly increase of 13.7% m/m in September 2021 and were 0.9% ahead of the previous season (Nov-Oct) at 344,754 head. This to some extent underpinned the recent reversal in price direction especially in lamb carcasses as illustrated in figure 1d and 1e. However, the cumulative season-to-date total sheep slaughtered reached 3.924 million head which is down 6.2% y/y.
- In the pig market, the monthly number came in up 1.9% m/m and sharply higher by 16.7% y/y at 312,387 heads which brought the season-to-date cumulative total to 3.21 million head and 6% higher relative to the same period during the 2019/20 slaughter season.

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



Source: Own calculations from FNB AgriComms.

- Cattle numbers rebounded by 1.5% m/m at 212,750 head but much slower than the last season by 2.9%. The cumulative slaughter for the current slaughter season fell by 1.4% relative to the previous season at 2.372 million head (figure 1c).



Source: Own calculations from Red Meat Levy Admin data.

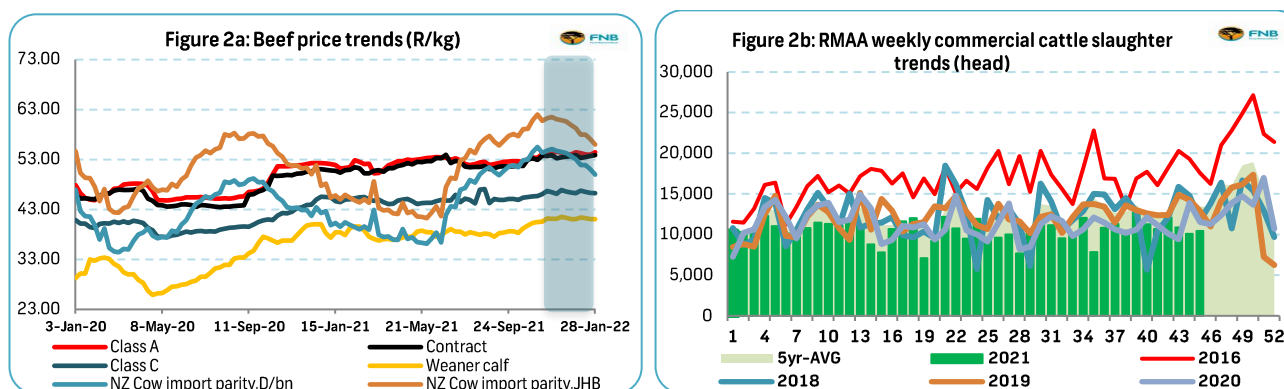
International update on beef markets

- On the US import front, logistics challenges continue to have a negative impact on trade with slow movement in some ports causing a backlog and reports indicating warehouses completely packed. Tight import supplies from traditional suppliers such as Australia continue to support prices.
- In Australia, the production outlook has turned positive with rains expected due to the La Niña weather pattern. This will boost pasture conditions and encourage stock retention as the herd rebuilding efforts continue. Industry projections out of Australia shows 5.5% and 3% y/y increases in the country's cattle numbers for 2022 and 2023 respectively to 27.82m head and 28.64m head according to the Meat and Livestock Australia.

Domestic beef market update:

- The weekly trend in beef prices showed some resilience during midmonth underpinned by solid uptake. Renewed seasonal demand has created some optimism on the market.
- At current levels, the three classes of beef carcasses are on average 4.8% to 8.3% ahead of the same period last year and almost 7.8% to 10% higher than the 3-year average for this time of the year.
- In the weaner market, prices remained elevated amid strong grain prices which continued to erode producer margins for intensive feeders.
- At current levels, weaner calf prices are on average 10% ahead of the same period last year and almost 14% higher than the 3-year average for this time of the year.

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	12-Nov-21	% Δ w/w	% Δ y/y	3-Year Avg	5-Nov-21	29-Oct-21
Class A (R/kg)	54.16	1.6%	4.8%	7.8%	53.30	53.46
Class C (R/kg)	46.09	0.9%	8.3%	10.1%	45.70	45.64
Contract: A (*Incl.5thQ)	53.73	1.6%	7.8%	8.3%	52.90	53.27
Import parity (R/kg)	60.07	-3.1%	16.1%	8.4%	62.01	60.86
Weaner calves (R/kg LW)	40.54	0.1%	10.3%	14.3%	40.48	40.28

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

OUTLOOK

Our short-term prices expectations are that good seasonal demand will boost further upside for the market while the further improvement in production conditions will continue to encourage producers to rebuild the herds.

Weekly summary of the sheep market

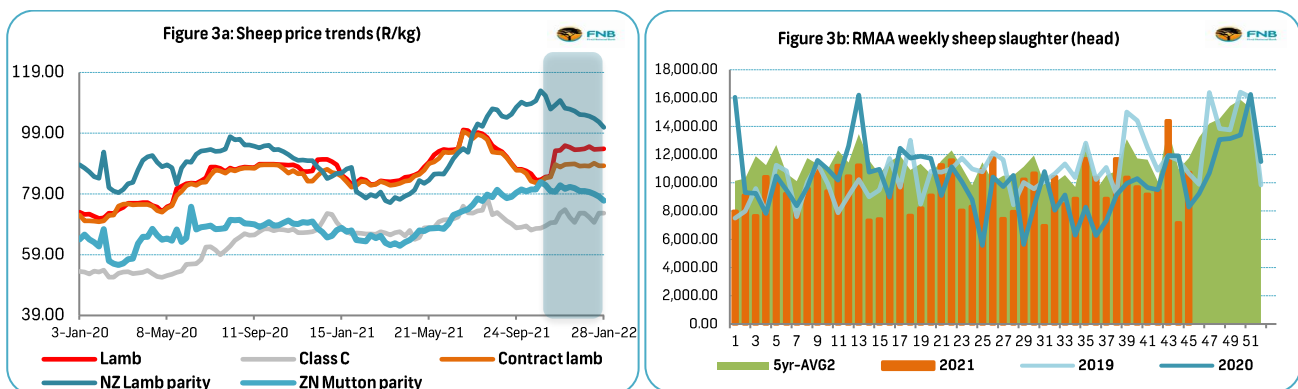
International sheep market update

- Australian lamb supplies are reportedly in short supply due favourable production conditions amid the good seasonal weather outlook. Meanwhile, the country's lamb and mutton exports for the last 12 months continue to trail last year by 3% with the biggest decline to the Middles East. For example, volumes of AU lamb and mutton exports to the Jordan, Qatar, the UAE, Kuwait, and Saudi Arabia fell by 45%, 44%, 27%, 23%, and 22% respectively y/y. Nonetheless, shipments to Hong Kong increased sharply by 184% y/y although China was back 3% y/y. Interestingly, South Africa imported 53% more lamb and mutton from AU relative to the previous period at 2,140 tons swt.
- In NZ, lamb exports are reportedly within the previous year and the 5-year average range in the latest updates. While China accounted for about 65% of frozen cuts, the EU was the biggest importer of NZ chilled lamb with a 53% share of the total.

Domestic sheep market update

- Following some demand contraction for both lamb and mutton in the last two months, prices have since rebounded with mutton in the lead. Weekly mutton prices advanced by 1.5% on the week and were 5% higher y/y in last week's trade and remains 14% ahead of the 3-year average for this time of the year.
- The current class A lamb and contract lamb prices have however pulled back from the lofty highs for 2021 and are now down by almost 4% and 1% respectively on 2020 levels.
- The feeder lamb market was however the exception and saw a marginal contraction of 0.5% in weekly prices at R45.35/kg LW. The current feeder lamb prices are however 8% higher y/y and 15% above the 3-year average for this time of the year.

Figure 3: Lamb and mutton prices and sheep slaughter trends



*Last nine data points on figure 3a are preliminary

Source: RMAA

Table 2: Sheep producer price trends in South Africa

	Sheep market – South Africa					
Date	12-Nov-21	%Δ w/w	%Δ y/y	3-Year Avg	5-Nov-21	29-Oct-21
Class A (R/kg)	84.79	0.3%	-3.6%	5.1%	84.54	83.65
Mutton (R/kg)	69.55	1.5%	5.0%	13.5%	68.50	67.71
Contract: A (*Incl.5thQ, R/kg)	84.57	0.3%	-1.3%	7.1%	84.28	83.05
Import parity (R/kg)	110.93	-3.5%	23.1%	13.7%	114.90	112.98
Feeder lambs (R/kg LW)	45.35	-0.5%	8.0%	14.7%	45.58	45.77

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

OUTLOOK

We expect near-term prices to maintain the current momentum with increased upside as we head deep into the warmer months.

Weekly pork market

International pork market update

- The US pork market posted losses on higher pig slaughter and limited uptake. The weekly pork carcass cutout values decreased by almost 3% w/w in last week's trade at US\$93.70/cwt but were sharply higher by 13% relative to the same week last year.
- In China, prices are reportedly on the mend after falling sharply in 2021 as the disease outbreaks, the below cost of production values earlier in the year, and the subsequent exiting of the industry by smaller unprofitable players have started to limit availability on domestic market.

Domestic pork market update

- Strong demand underpinned the recent rebound in the pig market despite the higher pace of slaughter. However, at current levels pork and baconer prices are still in negative territory relative to last year by 9% and 7% respectively but way above the 3-year average by 25% and 28% (see table 3).

Figure 4: Pork prices and slaughter trends

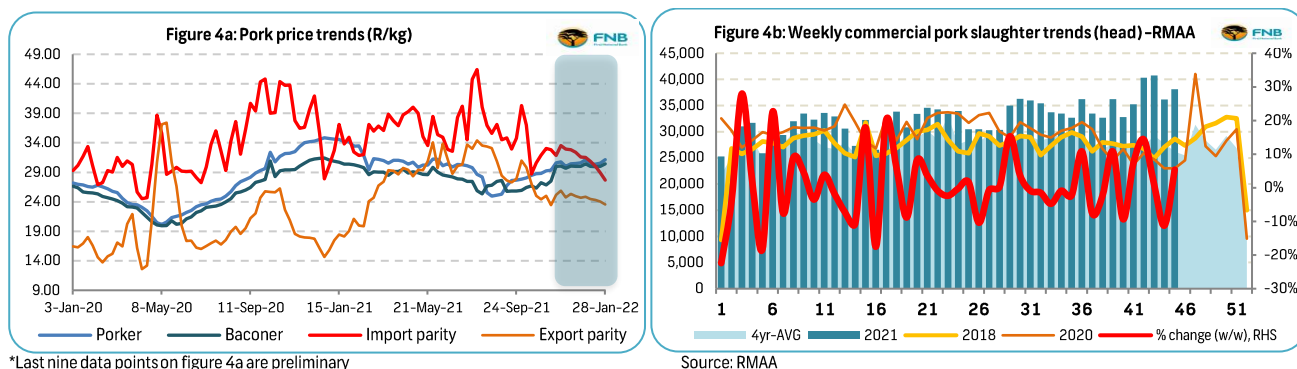


Table 3: Pig producer prices and slaughter trends

	Pork market – South Africa					
Date	12-Nov-21	%Δ w/w	%Δ y/y	3-Year Avg	5-Nov-21	29-Oct-21
Porker (R/kg)	29.35	0.3%	-9.6%	24.7%	29.25	28.82
Baconer (R/kg)	27.52	2.5%	-6.6%	27.7%	26.84	27.23
Import parity (R/kg)	33.69	-1.3%	-10.8%	7.5%	34.15	31.93

Source: USDA, JSE, FNB Agric

OUTLOOK

We expect a further uptick in prices in the medium term due to improved competitiveness as pork is still selling at a discount over other red meat types.

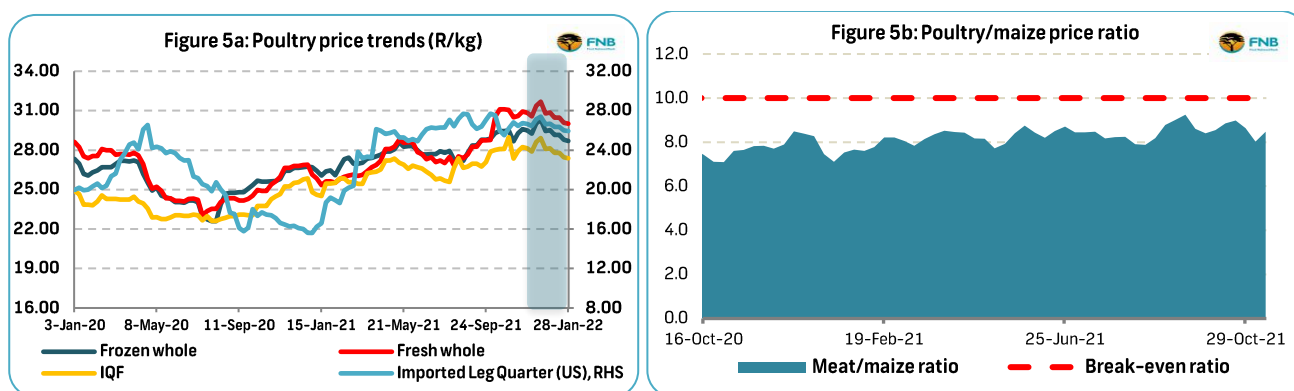
Weekly poultry market update

International poultry market update

- In the US, the mechanically separated chicken (MSC) categories were sideways to firmer in last week's trade on moderate domestic and export demand. The weekly frozen and fresh MSC prices were almost unchanged w/w but sharply higher by 51% y/y at US\$5.88 cents/lb. The frozen category however closed at US\$1.09 cents/lb which is 5% higher w/w and 23% ahead of last year this time.

Domestic poultry market update

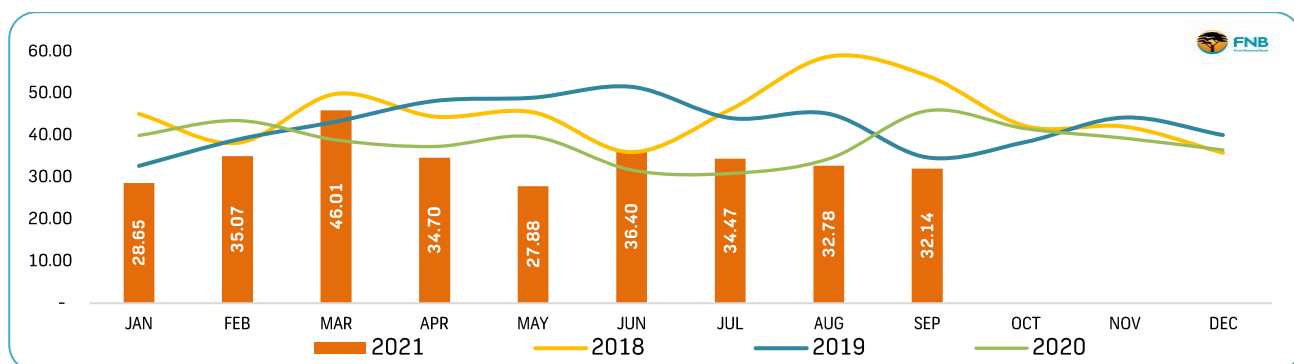
Figure 5: Poultry prices and meat/maize ratio trends



Source: FNB Agriculture, *Last nine data points on figure 5a are preliminary

- The poultry market extended gains on the back of renewed demand and tight domestic supplies. Indications are that local supplies will remain limited as we head into the festive period which is supportive for upside pricing.
- Poultry imports have been relatively slow this year and have provided some breather for the local market lately. Total imports of broiler meat slowed by 2.0% in September 2021 relative to the August levels and were 30% lower y/y at 32,136 tons as illustrated in figure 6.
- The YT-September cumulative broiler imports reached 308,093 tons which is 10% below the 2020 levels. This is so far about 67% of the total for 2020 and 61% of the 3-year average to 2020 which means an average of just over 50 thousand tons a month from OCT to DEC is needed to at least achieve last year's volumes. This is however unlikely given the current pedestrian pace of imports.

Figure 6: South Africa's broiler import trends ('000 tons)



Source: SARS,

Table 4: Poultry producer price trends in South Africa

Week ending	Poultry market – South Africa					
	12-Nov-21	% Δ w/w	% Δ y/y	3-Year Avg	5-Nov-21	29-Oct-21
Fresh whole birds (R/kg)	30.60	0.3%	17.8%	8.4%	30.50	31.05
Medium Frozen whole birds (R/kg)	29.28	2.1%	13.5%	7.5%	28.67	29.50
Individually Quick Frozen (IQF) (R/kg)	27.92	2.1%	13.3%	8.7%	27.35	28.17
Import parity (R/kg)	26.46	-1.4%	59.2%	28.7%	26.82	26.20

Source: USDA, JSE, FNB Agric

OUTLOOK

We expect prices to retain the recent upside on demand improvement and the relatively limited availability. The gradual return to more outdoor activity is likely to spur demand for poultry. Poultry's profitability is highly influenced by the developments on the grain and oilseed front as they major ingredient in feed. The elevated feed price levels will continue to place downward pressure on feeding margins.

Raw feed input price update

- The raw feed input market has been very volatile in the past few months despite a huge domestic harvest. Maize prices have moved from a low of around R3,100/ ton to just above R3,500/ ton thus maintaining an uptrend in feed costs and pressure on livestock producer margins (see table 5).
- Soybeans also strengthen but still way off the record high of R10,000 achieved earlier in the season at just above R7,000/ ton as the huge harvest and further softening on the international market continue to weigh heavily on prices (table 5).

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

16 NOV 2021	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Mar-22	R3,399	4.9%	R3,602	4.7%	R10,443	5.5%	R7,364	5.5%
May-22	R3,298	3.8%	R3,455	4.1%	R9,362	5.5%	R7,285	5.7%
Jul-22	R3,316	3.7%	R3,453	3.9%	R9,406	5.3%	R7,370	5.1%
Sep-22	R3,358	3.1%	R3,493	3.2%	-	-	-	-
Dec-22	R3,439	2.9%	R3,588	3.3%	-	-	-	-

Source: JSE,

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