

how can we help you?

# Livestock and Fibre markets

Brought to you by **FNB Business**

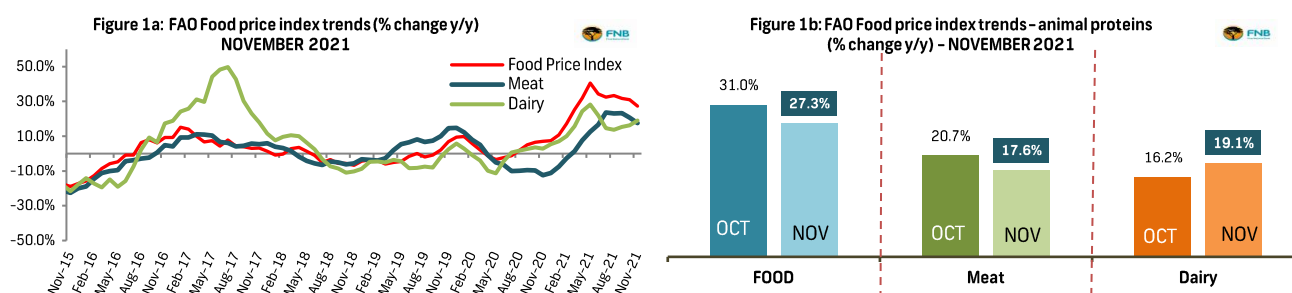


Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 09 DEC 2021

## UPDATE ON LIVESTOCK MARKETS

- The UN Food and Agriculture Organization's (FAO) latest update on world food price inflation (FPI) showed a deceleration of 1.2% month-on-month (m/m) and 27.3% year-on-year (y/y) relative to the 2.8% m/m and 31% y/y recorded in October 2021. The FAO FPI has been trending elevated at double-digit levels in the past eleven months which is the highest since March 2017 (Figure A1). Higher cereals, dairy, and sugar prices underpinned the recent strength in the FAO FPI as they outweighed the decreases in the meat and vegetable oils.
- In the animal protein complex, the FAO meat price index eased marginally lower by 0.9% m/m which is a fourth consecutive month decline at 109.8 points. Although still elevated at 17.6% higher y/y, the November meat price print was lower than the 20.7% recorded in October (figure A2). Slow Chinese import demand slashed the international prices of pork while the increased availability from Oceania largely Australia weighed heavily on ovine meat prices. The beef category however was reportedly stable with decreases in values from Brazil more than offset by stronger Australian prices due to supply tightness. Poultry values also steadied as the heavy supplies were balanced out by a combination of logistical challenges and avian flu outbreaks.
- Meanwhile, the US posted another strong month in red meat exports with beef quantity and value up 9% and 50% y/y respectively in October 2021 relative to the 2020 levels at 93,337 tons. This brought the total year-to-October volumes up 19% y/y at 945,617 tons with shipments to China, the third largest destination, increasing by 125% y/y according to data from the US Meat and Exporters Federation.
- The pork market however showed a decline of 8.4% m/m in volumes shipped with total value down by 5.5% y/y. The cumulative total for the ten months of 2021 reached 2.02 million tons, which is down 2% y/y as the Chinese imported 41% less pork from the US relative to the same period in 2020.

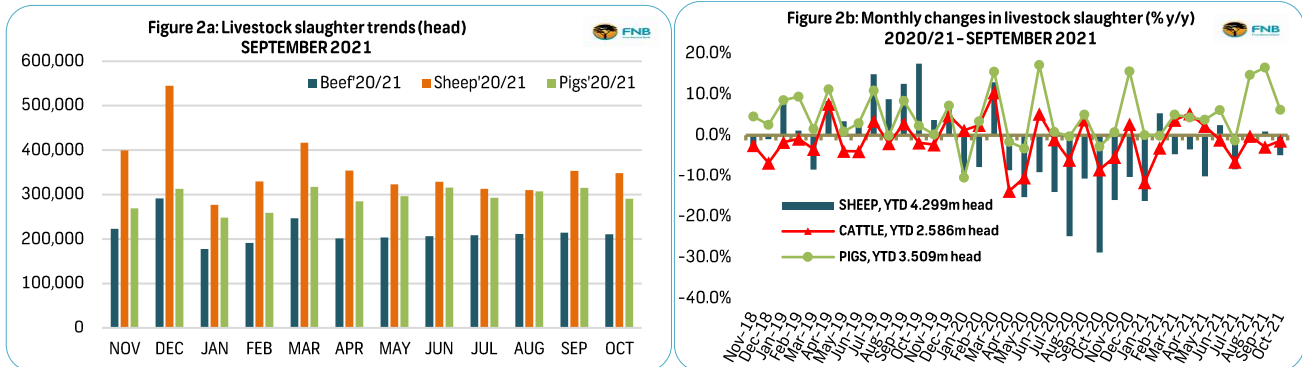
**Figure 1: The FAO Food Price Index trends – November 2021 update**



Source: FAO,

- On the domestic market, the latest livestock slaughter figures show a relatively slow pace for the 2020/21 (Nov-OCT) season with declines of 1.4% and 4.9% y/y respectively for cattle and sheep. The pig market was however the exception with the total seasonal slaughter rising by 6.3% y/y as reflected in figures 2a and 2b.

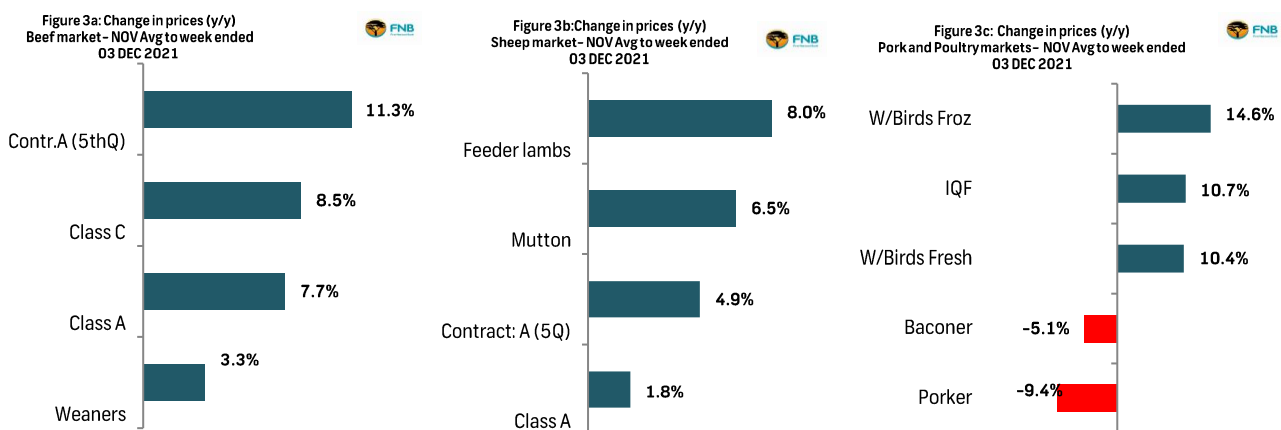
**Figure 2: South Africa's livestock slaughter trends**



Source: Own calculations from Red Meat Levy Admin data.

- Meanwhile, the average prices for first week of December 2021 still shows an uptrend across most categories except for the pork market with a 5% and 9.4% decrease for baconers and porkers respectively as illustrated in figures 3a and 3c.

**Figure 3: Changes in average weekly livestock prices (% change y/y)**



Source: Own calculations from FNB AgriComms.

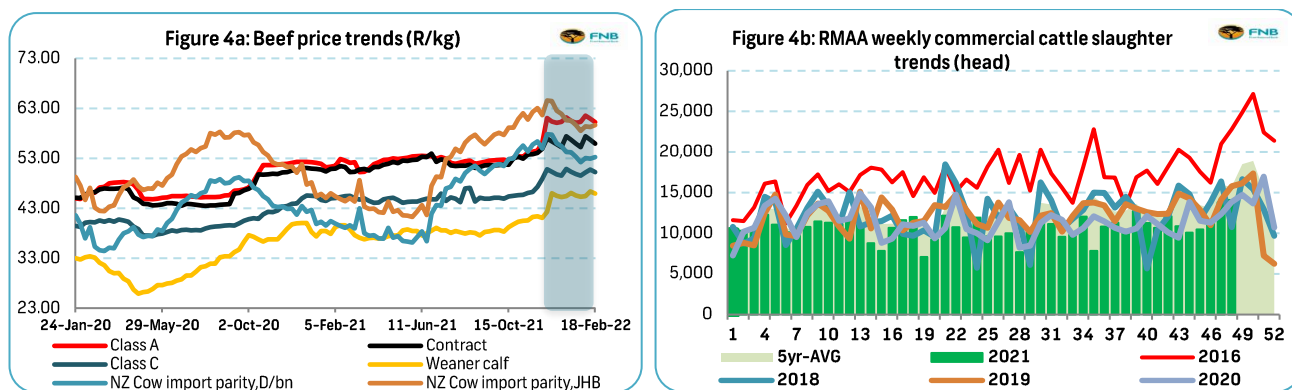
### International update on beef markets

- Reports out of Brazil are that one of its large food processor BRF's growth plan is to establish physical presence in China and produce locally considering the recent Covid-19-induced global logistics challenges. This may be achieved through local acquisitions according to reports.

### Domestic beef market update:

- Another week of strong gains in the beef market on back of the renewed seasonal demand and supply tightness lifted prices across the board.
- The weaner market was however an exception as they pulled back from the recent rally. The improved seasonal production conditions encourage demand as the herd rebuilding efforts continue. However, grain prices are unrelenting and continue to erode producer margins for intensive feeders.
- At current levels, weaner calf prices are on average 0.8% below the week earlier but still 3.3% ahead of the same period last year and almost 14% higher than the 3-year average for this time of the year.

Figure 4: 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-Dec-21	% Δ w/w	% Δ y/y	3-Year Avg	26-Nov-21	19-Nov-21
Class A (R/kg)	56.09	2.9%	7.7%	10.6%	54.52	54.30
Class C (R/kg)	48.85	3.3%	11.3%	12.8%	47.27	46.25
Contract: A (*Incl. 5thQ)	54.89	1.5%	8.5%	10.1%	54.08	53.80
Import parity (R/kg)	61.62	-2.3%	19.9%	9.5%	62.59	62.27
Weaner calves (R/kg LW)	41.08	-0.8%	3.3%	14.2%	41.40	41.25

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

## OUTLOOK

Our short-term prices expectations are a fantastic December finish with prices setting a record high for beef. Solid demand is expected as indications so far are that there will be no further restrictions on outdoor activity.

## Weekly summary of the sheep market

### International sheep market update

- New Zealand saw another week of weakness in the lamb market on improved supplies with buyers reportedly starting the season on a cautious note. Expectations are for supplies to increase further in the next few weeks on strong seasonal lambing following favourable production conditions.
- In Australia, favourable production conditions as the La Niña weather pattern continues to manifest will provide upside support for the sheep market. The implications are for flock rebuilding to continue and numbers to grow into 2022.

### Domestic sheep market update

- Weekly lamb prices were again on the upside supported by stable month end demand. Expectations are prices to trend above R90/kg in the short term on strong demand. The current prices for lamb are 1.8% higher y/y in last week's trade and remains 9% ahead of the 3-year average for this time of the year.
- Mutton prices however pulled back from the recent high and closed 1.1% lower on the week but still 6% ahead of the 2020 levels. The current prices for mutton remain 14% ahead of the 3-year average for this time of the year.
- The feeder lamb market continued to trend on the downside at R44.48/kg Live weight (LW) which is down 3.4% on the week earlier. The current feeder lamb prices are however 9% higher y/y and 13% above the 3-year average for this time of the year.

Figure 5: Lamb and mutton prices and sheep slaughter trends

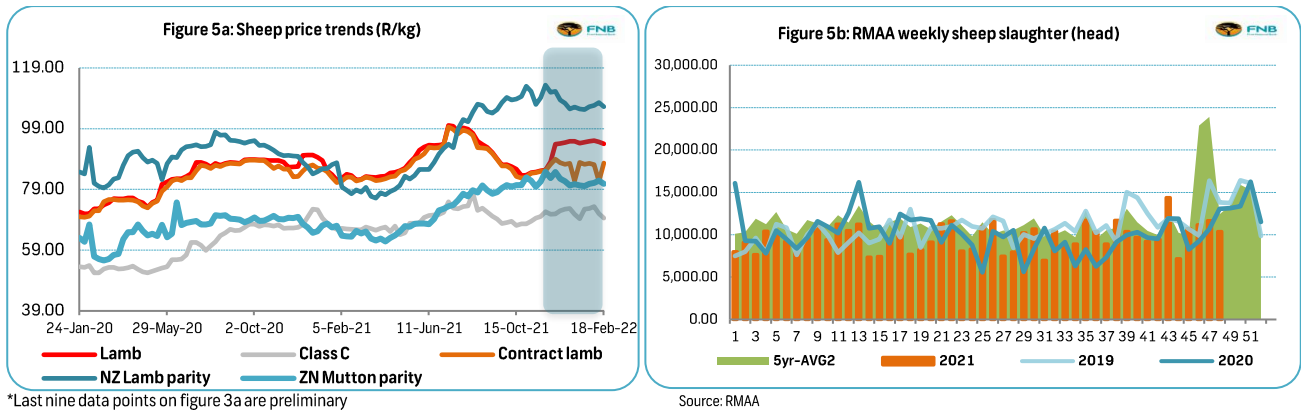


Table 2: Sheep producer price trends in South Africa

Sheep market – South Africa						
Date	3-Dec-21	%Δ w/w	%Δ y/y	3-Year Avg	26-Nov-21	19-Nov-21
Class A (R/kg)	88.15	3.3%	1.8%	8.5%	85.33	85.18
Mutton (R/kg)	70.86	-1.1%	6.5%	13.8%	71.65	70.04
Contract: A (*Incl. 5th Q, R/kg)	87.32	2.5%	4.9%	10.5%	85.18	84.95
Import parity (R/kg)	111.02	-2.1%	23.5%	11.5%	113.35	109.14
Feeder lambs (R/kg LW)	44.48	-3.4%	9.2%	15.3%	46.04	45.30

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

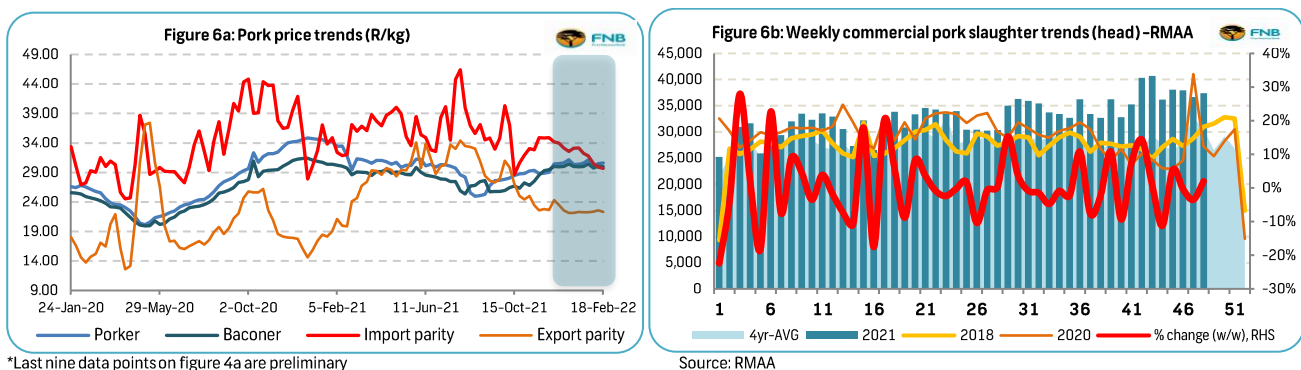
### International pork market update

- In the US pork market, prices moved sideways after weeks of losses as the tight supplies helped limit further downside. The weekly pork carcass cutout values are however almost 9% ahead of last year at US\$85.25/cwt. Although pig slaughter increased sharply by 18% w/w, it still trailed last year by 4% with the cumulative year-to-date falling by 2% y/y at 118.98 million head.

### Domestic pork market update

- Last week saw further gains in the pork and baconer market on the back of good demand. However, at current levels pork and baconer prices are still in negative territory relative to last year by 15% and 5% respectively but still way above the 3-year average by 24% and 37% (see table 3).

Figure 6: Pork prices and slaughter trends



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

	Pork market – South Africa					
Date	3-Dec-21	% Δ w/w	% Δ y/y	3-Year Avg	26-Nov-21	19-Nov-21
Porker (R/kg)	29.04	0.7%	-15.0%	23.4%	28.85	28.80
Baconer (R/kg)	29.46	0.4%	-5.1%	36.7%	29.33	28.55
Import parity (R/kg)	32.45	-6.8%	-18.2%	3.6%	34.84	34.92

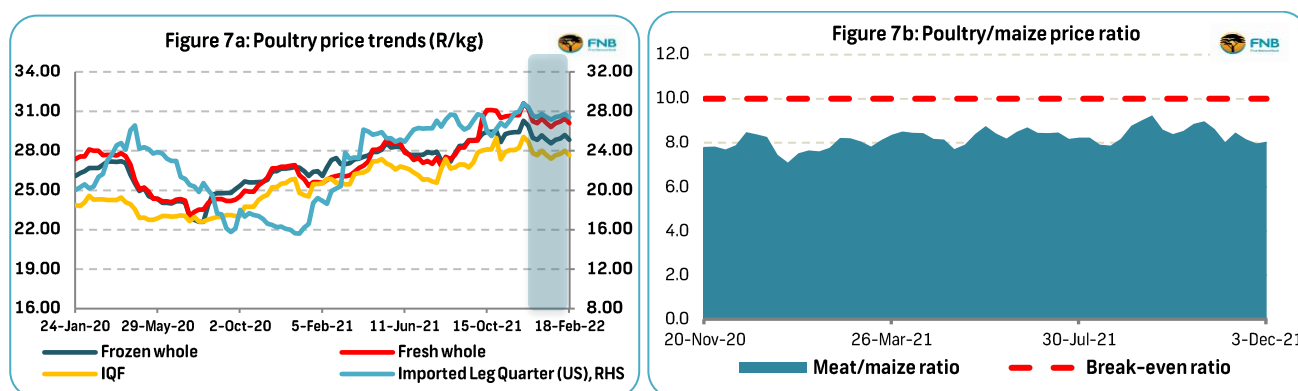
Source: USDA, JSE, FNB Agric

**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 Brazil, the benchmark contract for difference closed last week Friday down 4.6% w/w at BRL6.75/kg and now 21% below the 2021 peak in September. The lowered trend continued this week, and the price indicator has fallen by almost 12% relative to the opening levels for 2021.
- US broiler portions were again sideways to lower across most categories with wings extending losses to close 3.7% lower on the week but still 20% higher y/y. Leg quarters steadied but way ahead of the 2020 levels by 84%. Whole birds rebounded strongly by 9.6% on the week and were 41% higher y/y at US113.23/lb.
- The mechanically separated chicken (MSC) categories came in on the downside with the weekly fresh prices falling by 2% from the week earlier but still sharply higher by 18% y/y at US30.82 cents/lb. The frozen category fell by 1% on the week at US45.67 cents/lb which is however still 47% ahead of last year this time.

*Domestic poultry market update***Figure 7: Poultry prices and meat/maize ratio trends**

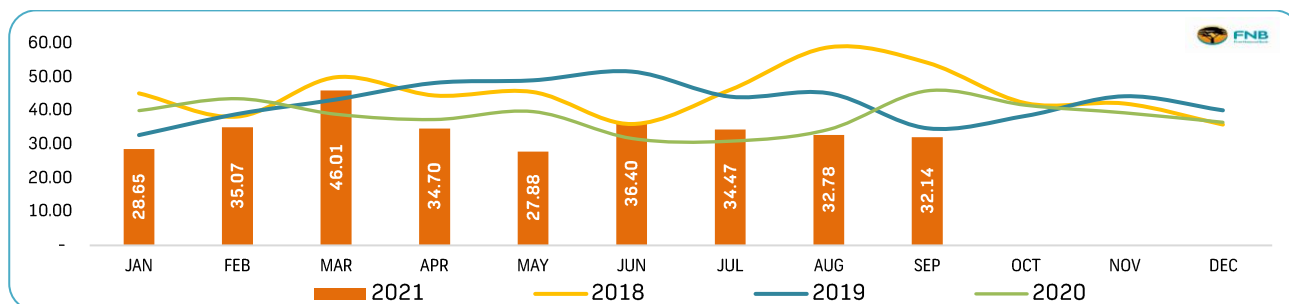
Source: FNB Agriculture, \*Last nine data points on figure 5a are preliminary

- The poultry market extended the firmer trend on resilient demand, but supply pressure limited further gains. At current levels, poultry prices remain elevated at double-digit levels relative to last year and are 6% to 8% above the 3-year average for this time as reflected in table 4.
- However, cost pressures remain a concern following the recent fuel hikes which will erode producer margins amid higher feeding costs.
- 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 8.



- The YTD-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 8: 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					
	3-Dec-21	%Δ w/w	%Δ y/y	3-Year Avg	26-Nov-21	19-Nov-21
Fresh whole birds (R/kg)	30.70	0.0%	14.6%	7.6%	30.70	30.65
Medium Frozen whole birds (R/kg)	29.41	0.0%	10.4%	6.8%	29.41	29.38
Individually Quick Frozen (IQF) (R/kg)	28.22	0.6%	10.7%	7.5%	28.05	28.05
Import parity (R/kg)	27.96	0.6%	71.3%	34.1%	27.80	27.05

Source: USDA, JSE, FNB Agric

## OUTLOOK

We expect prices to retain the recent upside on demand improvement and the spill over strength from the red meat market which saw record gains across most categories in recent trades.

### Raw feed input price update

- Volatility in the grain markets continues and near-term yellow maize is scarily high for livestock feeders if current levels are sustained.
- Yellow maize futures for Mar-22 reached a high of R3,785/ ton by Wednesday this week, which is 5% higher on last week while the white category advanced by 4.7% to R3,509/ ton (see table 5).
- In the oilseed complex, we saw a similar trend with soybeans above R7,000/ ton despite the huge harvest and further bullish production outlook (table 5).
- Nonetheless, the latest production estimates point to another bumper crop for 2021/22 production season with total maize and soybean expected planted area coming in at 2.76m ha and 827,100 ha respectively.
- This is bearish for prices in the medium term and bodes well for feed price outlook.

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

08 Dec 2021	WMAZ	change w/w	YMAZ	change w/w	SUNS	change w/w	SOY	% change w/w
Mar-22	R3,509	4.7%	R3,785	5.0%	R10,737	1.7%	R7,510	1.1%
May-22	R3,389	3.0%	R3,549	2.3%	R9,356	0.8%	R7,365	1.1%
Jul-22	R3,386	2.9%	R3,543	2.4%	R9,420	1.0%	R7,483	1.4%
Sep-22	R3,447	2.9%	R3,604	2.4%	-	-	R7,608	-0.3%
Dec-22	R3,529	2.7%	R3,681	2.1%	-	-	-	-

Source: JSE,

To find out more or to speak to one of our **agricultural specialists**, please contact us.

Name	City	Cell	Email
Grewar, Oosthuizen	Eastern Cape – Port Elizabeth	071 607 6850	<a href="mailto:grewar.oosthuizen@fnb.co.za">grewar.oosthuizen@fnb.co.za</a>
Edmund, De Beer	Eastern Cape – Port Elizabeth	084 656 5634	<a href="mailto:edebeer1@fnb.co.za">edebeer1@fnb.co.za</a>
Fred, Terblanche	Eastern Cape – Graaff Reinet	064 500 5880	<a href="mailto:frederik.terblanche@fnb.co.za">frederik.terblanche@fnb.co.za</a>
Martin, Louw	Free State – Theunissen	082 784 8880	<a href="mailto:mlouw1@fnb.co.za">mlouw1@fnb.co.za</a>
Chris, Bekker	Free State – Bloemfontein	082 560 1894	<a href="mailto:cbekker@fnb.co.za">cbekker@fnb.co.za</a>
Leon, Bergman	Free State – Bethlehem	083 387 7977	<a href="mailto:leon.bergman@fnb.co.za">leon.bergman@fnb.co.za</a>
Krohn, Jo-Ann	Free State – Bloemfontein	064 542 3548	<a href="mailto:Jo-Ann.Krohn@fnb.co.za">Jo-Ann.Krohn@fnb.co.za</a>
Humphreys, Freddy	Free State – Bloemfontein	060 975 0273	<a href="mailto:freddy.humphreys@fnb.co.za">freddy.humphreys@fnb.co.za</a>
Voutsas, Philip	Gauteng – Sandton	082 820 4202	<a href="mailto:philip.voutsas@rmb.co.za">philip.voutsas@rmb.co.za</a>
Da Silva, Kristin	Gauteng – Sandton	079 693 8268	<a href="mailto:Kristin.DaSilva@fnb.co.za">Kristin.DaSilva@fnb.co.za</a>
Greg, Sparrow	KwaZulu-Natal – Pietermaritzburg	071 684 8420	<a href="mailto:greg.sparrow@fnb.co.za">greg.sparrow@fnb.co.za</a>
Sarah, Collins	KwaZulu-Natal – Pietermaritzburg	082 371 1040	<a href="mailto:sarah.collins@fnb.co.za">sarah.collins@fnb.co.za</a>
Bertram, July	KwaZulu-Natal – Pietermaritzburg	061 518 7165	<a href="mailto:bertram.july@fnb.co.za">bertram.july@fnb.co.za</a>
Strydom, Marc	KwaZulu-Natal – Pietermaritzburg	082 497 4781	<a href="mailto:mstrydom@fnb.co.za">mstrydom@fnb.co.za</a>
Arno, De Klerk	Limpopo – Polokwane	082 538 5970	<a href="mailto:arno.deklerk@fnb.co.za">arno.deklerk@fnb.co.za</a>
Theo, Verwey	Mpumalanga – Emalahleni	082 419 6086	<a href="mailto:tverwey@fnb.co.za">tverwey@fnb.co.za</a>
Gao, Ngakantsi	Mpumalanga – Emalahleni	072 471 6040	<a href="mailto:gaopalelwe.ngakantsi@fnb.co.za">gaopalelwe.ngakantsi@fnb.co.za</a>
Du Plessis, Hanro	Mpumalanga – Emalahleni	082 895 1762	<a href="mailto:hanro.duplessis@fnb.co.za">hanro.duplessis@fnb.co.za</a>
Pedrie, Van der Merwe	Northern Cape – Kimberley	071 351 3439	<a href="mailto:pedrie.vandermerwe@fnb.co.za">pedrie.vandermerwe@fnb.co.za</a>
Johan, De Klerk	North West – Brits	082 776 3477	<a href="mailto:jdeklerk2@fnb.co.za">jdeklerk2@fnb.co.za</a>
Johan, Beukes	Western Cape – Stellenbosch	082 372 4656	<a href="mailto:johan.beukes@fnb.co.za">johan.beukes@fnb.co.za</a>
Michelle, Swarts	Western Cape – Willowbridge	072 020 5181	<a href="mailto:michelle.Swarts@fnb.co.za">michelle.Swarts@fnb.co.za</a>
Andries, Van Zyl	Western Cape – Willowbridge	073 280 8703	<a href="mailto:andries.vanzyl@fnb.co.za">andries.vanzyl@fnb.co.za</a>

**Disclaimer:**

*This report may contain certain opinions, predictions and assumptions and has been compiled from a variety of sources. Accordingly, you use the information in this report ("this information") at your own risk and should not rely on it as a substitute for obtaining any specific professional advice you require. Accordingly, First National Bank, a division of FirstRand Bank Limited ("FNB") provides no warranties or undertakings of any kind, whether express, implied or otherwise, concerning this information, its accuracy and/or reliability. Neither FNB nor its holding company, subsidiaries or other group companies will be liable to you for any claims, demands, expenses, losses or damages, of whatsoever nature, which you may suffer or incur by using this information.*