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Livestock and Fibre markets

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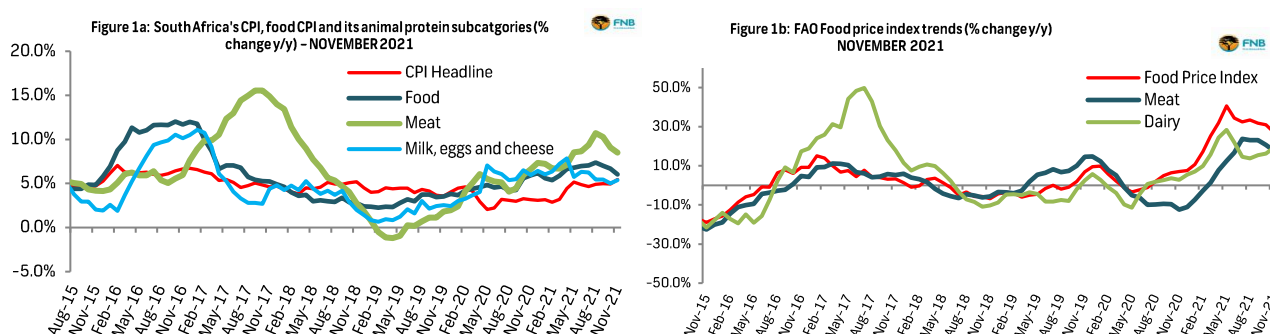


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UPDATE ON LIVESTOCK MARKETS

- It is now December midmonth, and some people have already retired for the holidays while others are gearing themselves for the most deserved summer break. This is the time for family and friends to spend quality time together and braais are central to these engagements.
- Unfortunately, braai budgets are expected to come under pressure as meat prices have surged to a new record high for December underpinned by the resilient seasonal consumer demand and supply contraction. Favourable production conditions boosted the herd rebuilding process thus raising the demand for weaners calves, thereby constraining the availability for both the slaughter and feedlot markets. Beef prices have now reached a historical high above R56/kg and R49/kg for class A and class C grades respectively which is almost 9% and 11% higher than the 2020 levels. The lamb and mutton category strengthened to more than R89/kg and R71/kg respectively and further retained their premium above all meat types. In the poultry category, we saw an upswing in prices on strong seasonal demand and the spill over strength from the red meat market. The relatively tighter domestic and import supplies underpins the current strength in poultry prices which are currently at double-digit percentages above the 2020 levels for this time of the year.
- Nonetheless, pork lovers remain the exception as they should be paying less relative to last year. The average producer prices of pork and baconers for the first two weeks of December 2021 were 6% and 15% lower year-on-year (y/y) respectively just above R29/kg.
- Globally, the meat price index as measured by the United Nations Food and Agriculture Organization (FAO) showed a deceleration with a fourth consecutive month decline of 0.9% month-on-month (m/m) in November 2021. Although still elevated at 17.6% y/y, the November meat price print was lower than the 20.7% recorded in October (figure 1b).

Figure 1: Inflation trends – South Africa and World – November 2021 update



Source: FAO, StatsSA

Figure 1c: FAO Food price index trends – animal proteins (% change y/y) – NOVEMBER 2021

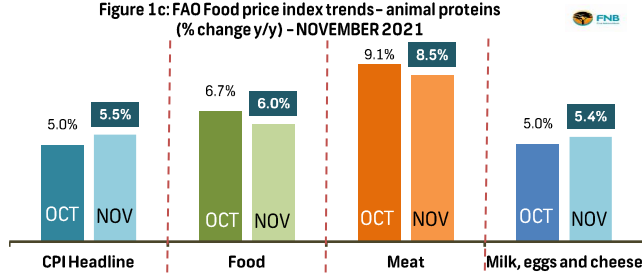
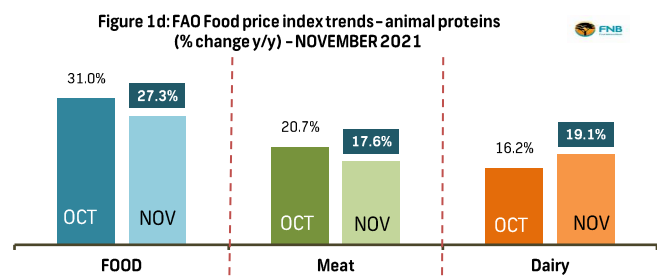


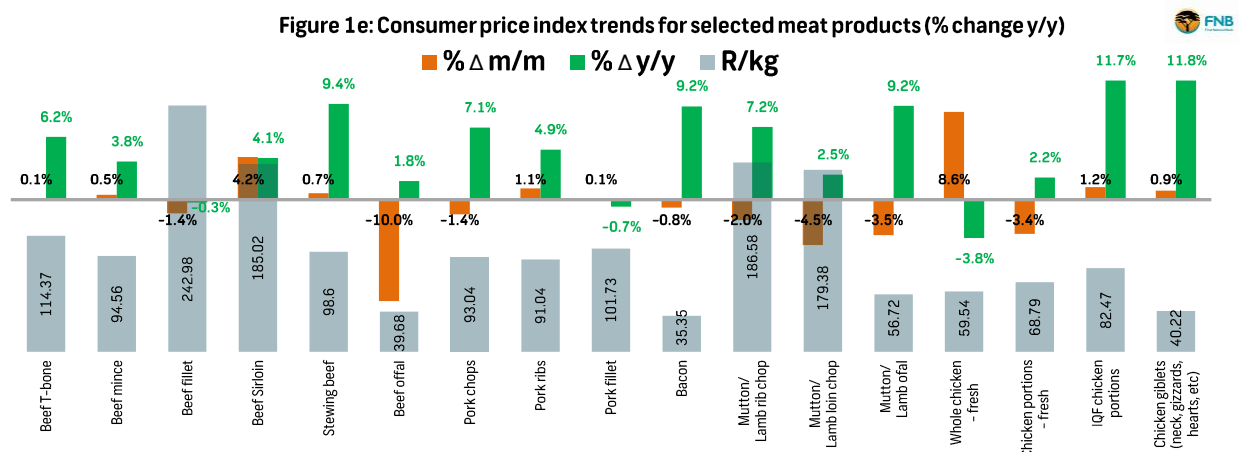
Figure 1d: FAO Food price index trends – animal proteins (% change y/y) – NOVEMBER 2021



Source: FAO, StatsSA

- The dynamics that informed the recent deceleration in global meat prices include the slow Chinese import demand that slashed the international prices of pork, while the increased availability from Oceania, largely Australia, weighed heavily on the sheep meat category. The beef category however was reportedly stable with decreases in values from Brazil more than offset by the 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.
- While producers appreciated the strong meat prices, cost pressures kept on mounting with a surge in fuel and feed costs. Grain prices were unrelenting and continued to push feed costs higher. The price of raw maize, a major livestock feed ingredient, remained elevated despite the record harvest and the bullish seasonal outlook boosted by the strong La Nina weather pattern.
- The nearby Mar-22 maize futures for both the white and yellow categories recently topped R3,584/ ton and R3,879/ ton respectively, which is 12% and 23% above the 2020 levels. However, the direction of raw plant protein sources, mainly soybeans and sunflower, was mixed with the former easing from the recent highs while the latter remained stubbornly high. The Mar-22 futures prices for soybeans recently traded 4% below last year at R7,617/ ton, while that of sunflower breached the R10,000/ ton level in 2021 at R10,980/ ton which 32% higher y/y.
- Nonetheless, we expect a short-term breather for consumers early in the New Year as the lower seasonal demand post the December holidays amid higher food, electricity, and transport costs might place downward pressure on meat prices.
- On the domestic inflation front, the November CPI came accelerated to the highest level since March 2017 at 5.5% y/y with transport being the major driver with an annual increase of 15%. Food inflation however continued to surprise on the downside with a third consecutive monthly deceleration of 0.1 m/m and 6% y/y in November 2021.
- The meat subcomponent decelerated for the fourth consecutive month to 8.5% y/y from 9.1% y/y in October 2021. A further drilldown into the meat subcomponent shows strong gains for the chicken giblets (giblets (neck, gizzards, hearts, etc) and IQF chicken portions with an annual increase of 11.8% and 11.7% y/y respectively (figure 1e). The only decline in the poultry product range was the fresh whole chicken prices which fell by 3.8% y/y. Beef, pork, and mutton categories remained elevated relative to the 2020 levels with stewing beef, bacon, and mutton/lamb offal posting the biggest annual increases of 9.4%, 9.2%, and 9.2% y/y respectively.

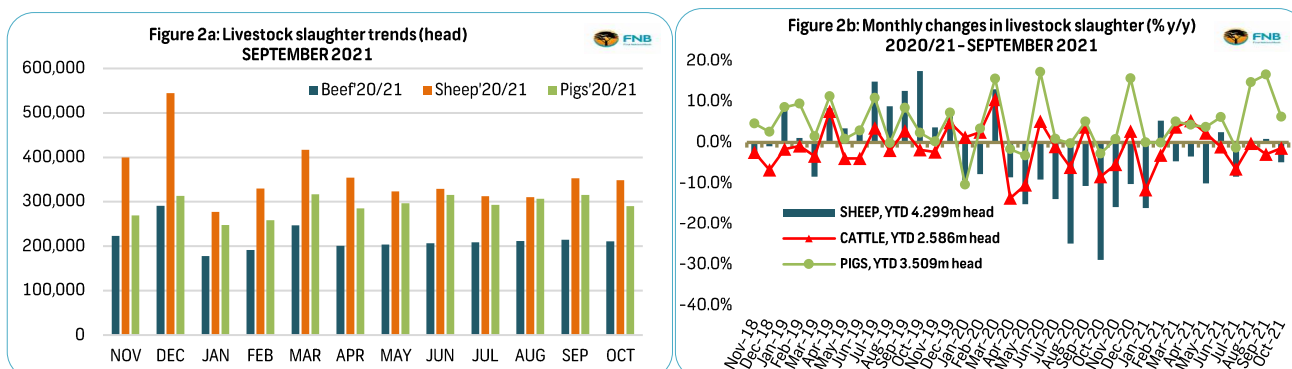
Figure 1e: Consumer price index trends for selected meat products (% change y/y)



Source: FAO, StatsSA

- 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.

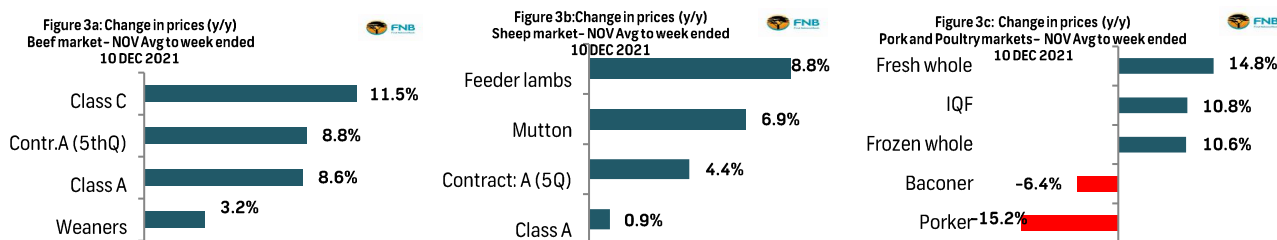
Figure 2: South Africa's livestock slaughter trends



Source: Own calculations from Red Meat Levy Admin data.

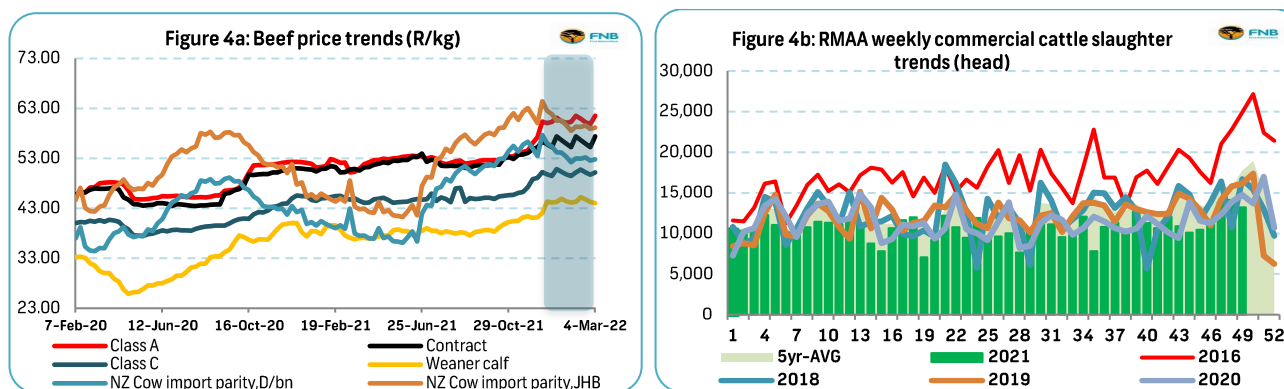
- Meanwhile, the average prices for first two weeks of December 2021 still shows an uptrend across most categories except for the pork market with a 6.4% and 15.2% decrease for baconers and porkers respectively as illustrated in figures 3a to 3c.

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



Source: Own calculations from FNB AgriComms.

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	10-Dec-21	% Δ w/w	% Δ y/y	3-Year Avg	3-Dec-21	26-Nov-21
Class A (R/kg)	57.24	2.1%	9.5%	11.5%	56.09	54.52
Class C (R/kg)	49.08	0.5%	11.7%	13.0%	48.85	47.27
Contract: A (*Incl. 5thQ)	55.18	0.5%	9.1%	10.0%	54.89	54.08
Import parity (R/kg)	60.03	-2.6%	19.9%	7.9%	61.62	62.59
Weaner calves (R/kg LW)	41.23	0.4%	3.2%	14.2%	41.08	41.40

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

Figure 5: Lamb and mutton prices and sheep slaughter trends

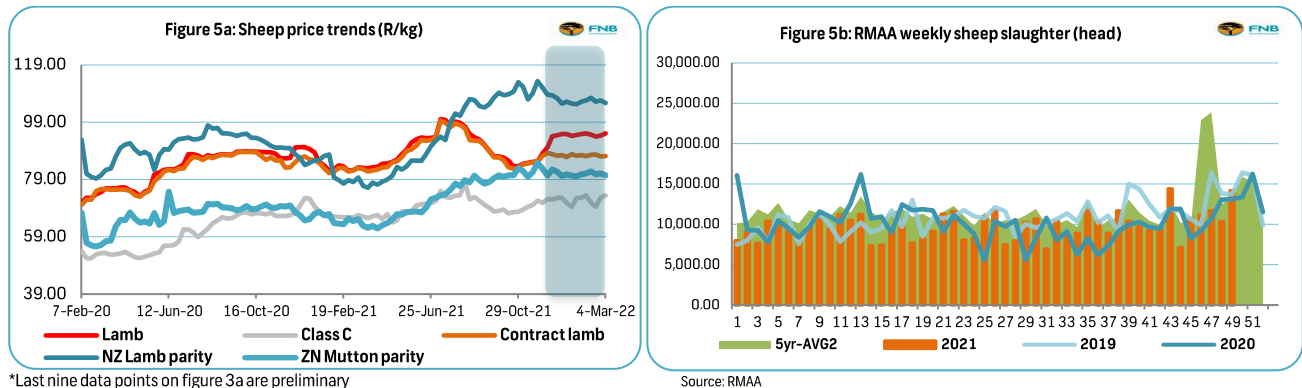


Table 2: Sheep producer price trends in South Africa

Sheep market – South Africa						
Date	10-Dec-21	% Δ w/w	% Δ y/y	3-Year Avg	3-Dec-21	26-Nov-21
Class A (R/kg)	90.24	2.0%	0.0%	8.0%	88.15	85.33
Mutton (R/kg)	72.19	2.0%	7.0%	14.0%	70.86	71.65
Contract: A (*Incl. 5thQ, R/kg)	88.34	1.0%	4.0%	10.0%	87.32	85.18
Import parity (R/kg)	108.64	-2.0%	24.0%	11.0%	111.02	113.35
Feeder lambs (R/kg LW)	45.08	1.0%	11.0%	16.0%	44.48	46.04

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

OUTLOOK

We expect near-term prices to maintain the current momentum but the tough economic conditions and the seasonal decrease in demand early in the New Year will limit further upside.

Weekly pork market

Figure 6: Pork prices and slaughter trends

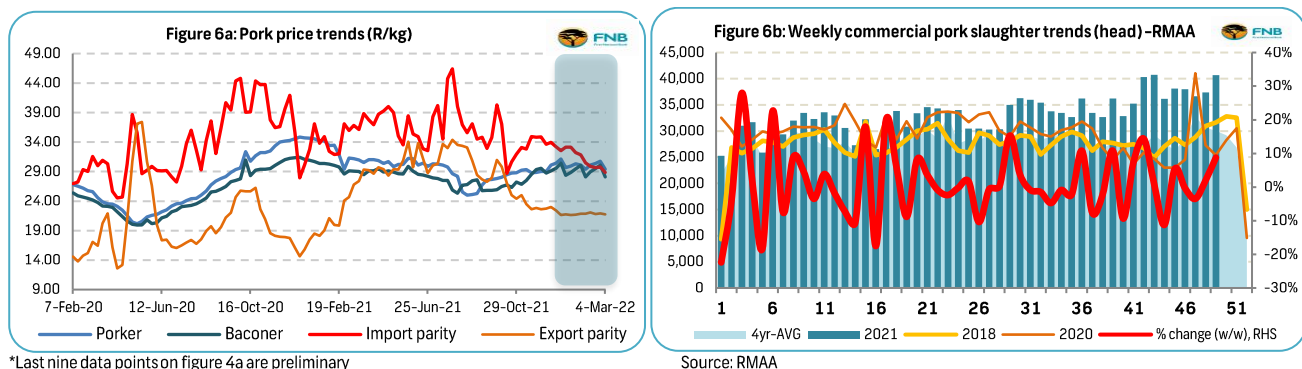


Table 3: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	10-Dec-21	% Δ w/w	% Δ y/y	3-Year Avg	3-Dec-21	26-Nov-21
Porker (R/kg)	29.04	0.0%	-15.0%	23.0%	29.04	28.85
Baconer (R/kg)	28.73	-3.0%	-8.0%	33.0%	29.46	29.33
Import parity (R/kg)	33.63	-4.0%	-20.0%	7.0%	32.45	34.84

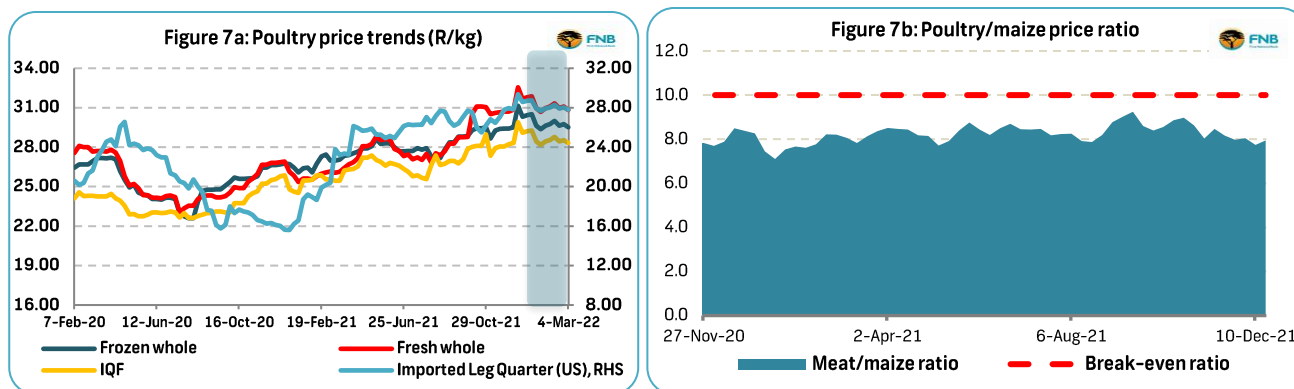
Source: USDA, JSE, FNB Agric

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

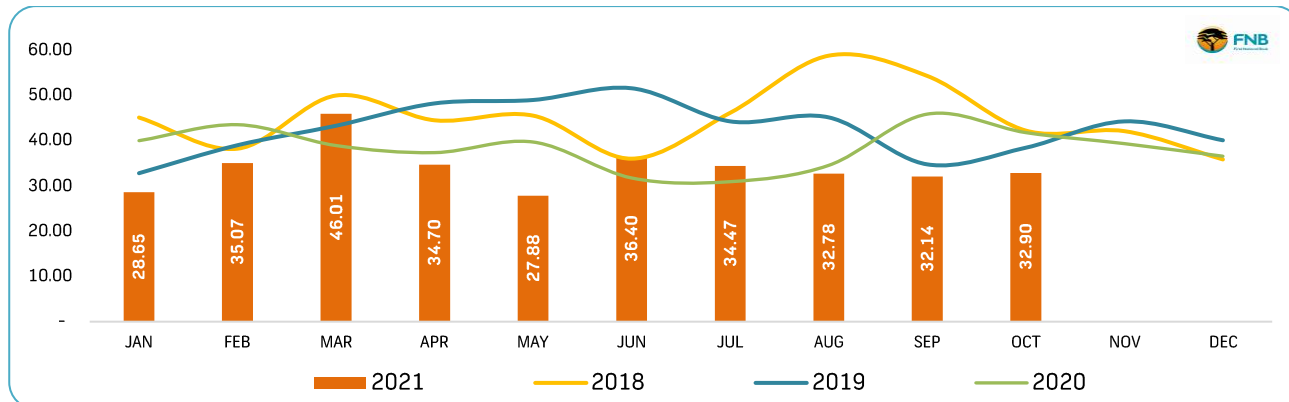
Figure 7: Poultry prices and meat/maize ratio trends



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

- Poultry imports have been relatively slow this year and have provided some breather for the local market lately. Although rebounding by 2.4% m/m in October 2021, total imports were still 21% lower y/y at 32,900 tons as illustrated in figure 8.
- The YTD-October cumulative broiler imports reached 340,993 tons which is 11% lower relative to the 2020 levels. This is so far about 74% of the total for 2020 and 89% of the 3-year average to 2020.

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					
	10-Dec-21	%Δ w/w	%Δ y/y	3-Year Avg	3-Dec-21	26-Nov-21
Fresh whole birds (R/kg)	30.85	0.5%	15.0%	7.0%	30.70	30.70
Medium Frozen whole birds (R/kg)	29.52	0.4%	11.0%	7.0%	29.41	29.41
Individually Quick Frozen (IQF) (R/kg)	28.33	0.4%	11.0%	7.0%	28.22	28.05
Import parity (R/kg)	27.83	-0.5%	73.0%	29.0%	27.96	27.80

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

- The year ends on a positive note in the grain markets which bodes well for profitability of grain farming. However, this not good news for intensive livestock feeding systems as it raises the cost of feeding.
- Yellow maize futures for Mar-22 reached a high of R3,822/ ton by mid-December 2021, which is 5% higher on last month while the white category advanced by 3.3% to R3,530/ 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 m/m	YMAZ	change m/m	SUNS	change m/m	SOY	% change m/m
Mar-22	R3,530	3.3%	R3,822	5.2%	R3,743	4.1%	R6,002	7.7%
May-22	R3,392	2.0%	R3,554	2.1%	R3,781	3.9%	R6,104	7.7%
Jul-22	R3,384	1.5%	R3,542	1.7%	R3,806	3.5%	R6,120	7.4%
Sep-22	R3,442	2.0%	R3,602	2.4%	-	-	R6,120	-
Dec-22	R3,523	2%	R3,678	1.8%	R3,586	2.3%	-	-

Source: JSE,

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