

how can we help you?

Livestock and Fibre markets

Brought to you by **FNB Business**

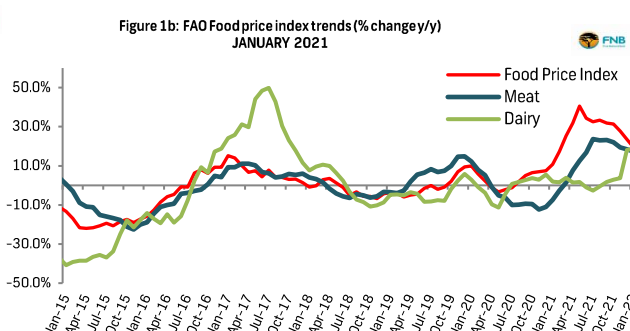
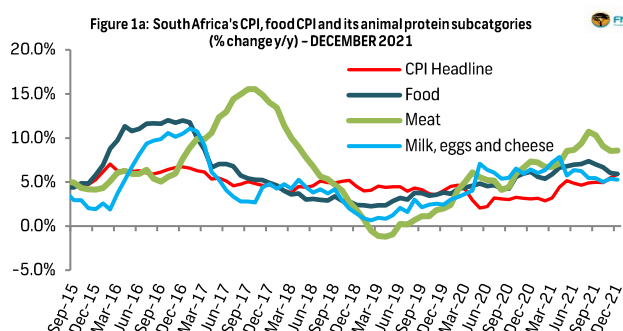


Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 03 FEB 2022

UPDATE ON LIVESTOCK MARKETS

- On the inflation front, the global meat price index as measured by the United Nations Food and Agriculture Organization (FAO) rose marginally by 0.2% m/m in January 2022 and decelerated for the fourth consecutive month by 17.3% y/y. The increase was underpinned by sharp gains in bovine prices due to tight supplies from Brazil and Oceania. Pork prices also saw slight gains on the back of limited supplies due to the reduced processing because of the Covid-19 induced labour shortages. The overall global FAO food price inflation accelerated by 1.1% m/m and was 19.5% y/y largely due to increases in prices in the vegetable (see figure 1b).
- The latest update on global beef market is that Australia's national herd is projected to increase by 4% year-on-year (y/y) to 27.2 million head according to Meat and Livestock Australia. This is underpinned by the sustained herd rebuilding process that ensured the increased retention of heifers for the breeding stock. The excellent seasonal conditions have so far helped to sustain the herd rebuilding process.
- Consequently, the 2022 AU cattle slaughter is projected to increase by 11% y/y to about 2.1 million tons thereby boosting product availability for exports which had a challenging 2021 with volumes contracting by 15% y/y.
- The United States Department of Agriculture (USDA) earlier projected a recovery in global cattle slaughter numbers by 1.3% in 2022 following a reduction in numbers between 2019 and 2020 as economic activity gains momentum. USDA's data shows a rebound of 0.8% and 11% respectively y/y for the slaughter market in Argentina and Australia (see figure 2).
- Of the five major beef exporting nations the US and New Zealand (+2% y/y) seem to have enjoyed good traction in exports during 2021. US beef and veal exports for the year to November 2021 increased by 16% y/y to 1.14 million tons with a large increase to China (+421% y/y) according to the latest update from the US Meat Exporters Forum.

Figure 1: Inflation trends – South Africa and World updates



Source: FAO, StatsSA

Figure 1c: StatsSA consumer price index trends – animal proteins (% change y/y) – DECEMBER 2021

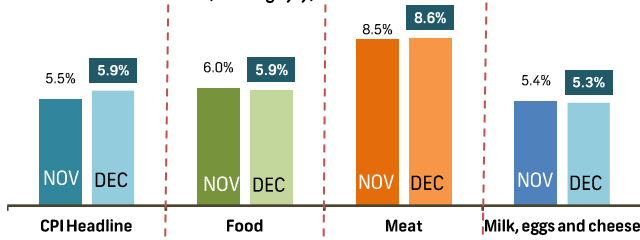
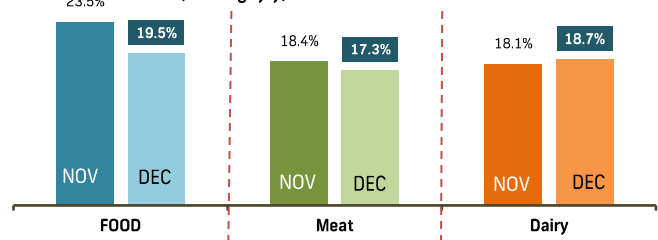


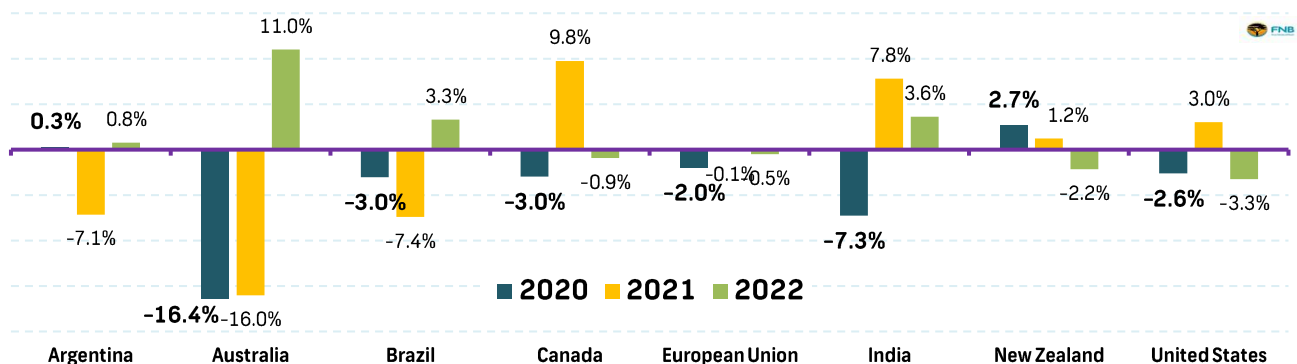
Figure 1d: FAO Food price index trends – animal proteins (% change y/y) – JANUARY 2022



Source: FAO, StatsSA

- Regarding other meats, the total US pork exports for the eleven months of 2021 were almost unchanged relative to the same period in 2020 at just 2.71 million tons with volumes to China which is its second biggest market by volume falling by 27% y/y. In the case of mutton, US export volumes rose by 8% y/y to 12,440 tons.

Figure 2: Changes in cattle slaughter for selected major exporting countries as per USDA data (% change y/y)



Sources: USDA, PSD

- On the domestic market, the average prices for JAN 2022 still shows an uptrend across most categories except for the pig market that remains under pressure with decreases of 19% and 8% y/y for porkers and baconers respectively as illustrated in figures 3a to 3c.

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

Figure 3a: Change in prices (y/y)
Beef market – JANUARY 2022

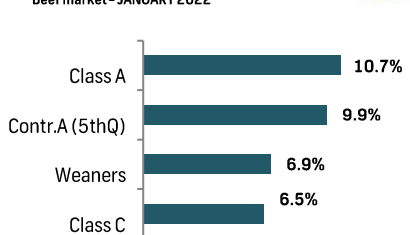


Figure 3b: Change in prices (y/y)
Sheep market JANUARY 2022

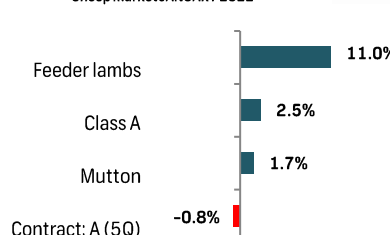
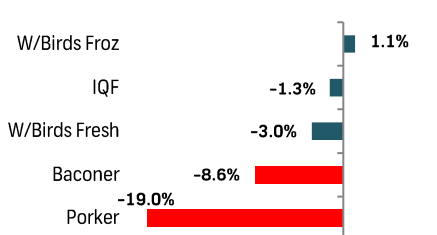


Figure 3c: Change in prices (y/y)
Pork and Poultry markets – JANUARY 2022

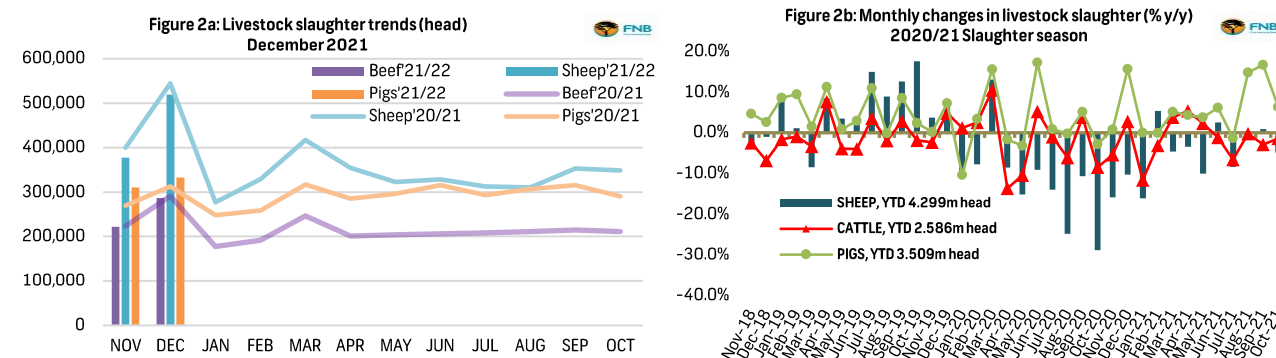


Source: Own calculations from FNB AgriComms.

- The 2020/21 rainfall fall season boosted pastures which saw farmers holding, buying, and holding stocks a bit longer on their lands thereby reducing the reliance on purchased feed.
- Consequently, cattle slaughter took a knock which saw the number slaughtered for 2020/21 (NOV–OCT) season falling by 5.4% y/y to 2.59 million head. The number of cattle slaughtered during DEC 2022 were sharply higher by 28.9% m/m but still down on the previous season by 1.6% at 286,430 head. The cumulative total cattle slaughtered for the first two months of the 2021/22 slaughter season shows a decrease of 1.1% relative to the same period during the 2020/21 season at 508,710 head (fig.4).

- For sheep, number slaughtered during DEC 2022 were sharply higher by 37.6% m/m but still down on the previous season by 4.6% at 519,415 head. The cumulative total sheep slaughtered for the first two months of the 2021/22 slaughter season shows a decrease of 5.5% relative to the same period during the 2020/21 season at 896,924 head (fig.4).
- In the pig category, number slaughtered during DEC 2022 increased by 7% m/m and up by 6.2% on the previous season at 332,518 head. The cumulative total pig slaughtered for the first two months of the 2021/22 slaughter season shows an increase of 10.5% relative to the same period during the 2020/21 season at 643,329 head (fig.4).

Figure 4: South Africa's livestock slaughter trends



Source: Own calculations from Red Meat Levy Admin data.

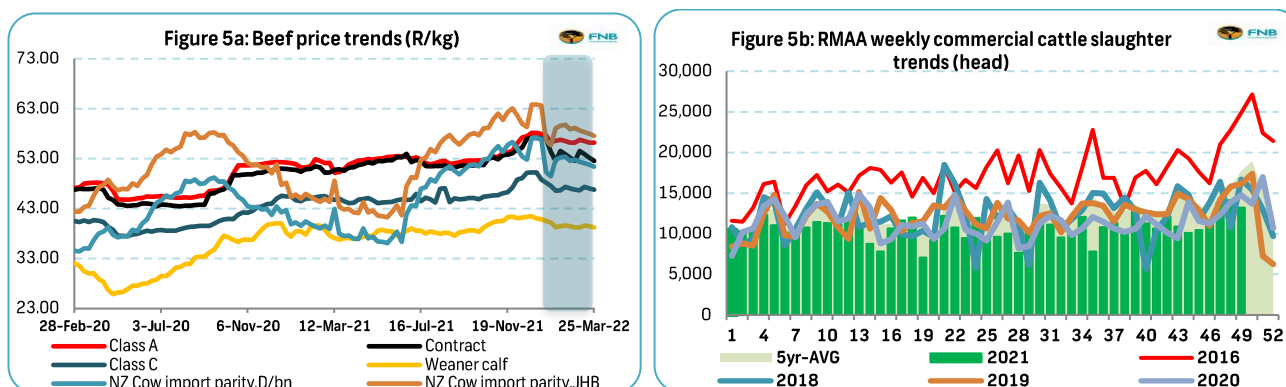
International update on beef markets

- Global logistics challenges continued to resurface with shipping delays and labour shortages reportedly being a challenge in some of the ports in the USA. Slow trade limited further upside for prices on the USA import market.

Domestic beef market update:

- Good rains have ensured good grass cover and producers have held back on their stock for herd rebuilding. However, this comes with its own perils with animal health costs likely to increase due to the increased incidences of animal pests and diseases. The price of grains particularly maize, a major ingredient in livestock feed, also remains sky-high due to the inclement weather that caused crop damages and further threatening yield prospects for the 2021/22 harvest.
- Resilient consumer demand continues to help keep beef price elevated despite tough economic conditions with cost of transport eroding disposable incomes.

Figure 5: 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 | 28-Jan-22 | % Δ w/w | % Δ y/y | 3-Year Avg | 21-Jan-22 | 24-Dec-21 |
| Class A (R/kg) | 57.08 | 1.4% | 11.0% | 12.0% | 56.27 | 58.18 |
| Class C (R/kg) | 47.10 | -1.0% | 5.0% | 7.0% | 47.54 | 50.25 |
| Contract: A (*Incl.5thQ) | 54.89 | 1.0% | 8.0% | 9.0% | 54.36 | 57.18 |
| Import parity (R/kg) | 53.63 | -4.0% | 17.0% | 8.0% | 55.70 | 63.82 |
| Weaner calves (R/kg LW) | 41.05 | 2.0% | 8.0% | 10.0% | 40.28 | 41.50 |

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

OUTLOOK

Although a bit softer, beef prices are expected to rebound due to limited availability.

Weekly summary of the sheep market

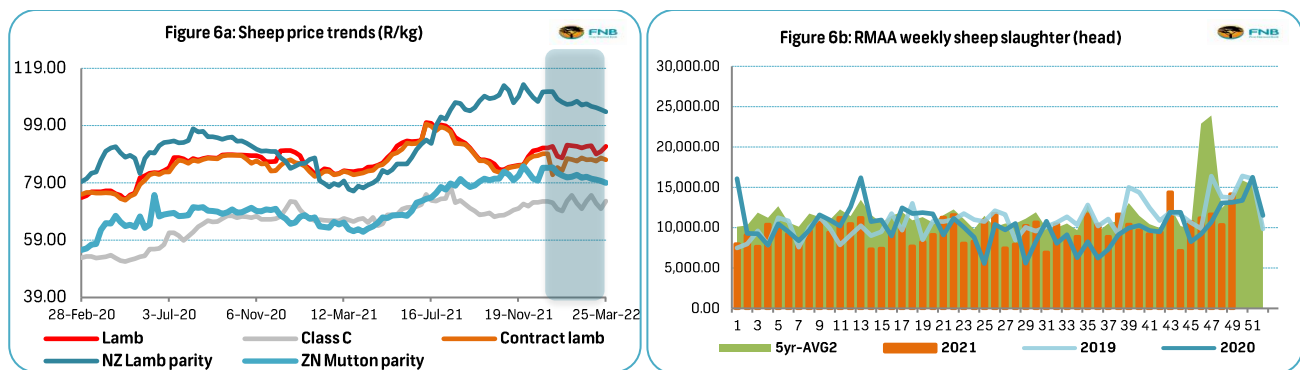
International sheep market update

- Global demand for lamb and mutton remains relatively strong. However, Chinese demand have reportedly fizzled out as their uptake for their New Year festivities has already been concluded. Elsewhere, the things have improved in European and UK markets as Covid-10 conditions eases thereby allowing more economic activity.

Domestic sheep market update

- The January month end was slightly better for the sheep market with gains across all categories.
- In the feeder lamb market, prices continued to trade way below the 2021 peak of closer to R45/kg Live weight (LW) due to the limited uptake. Feeder lamb prices are however still 3% higher y/y and 10% above the 3-year average for this time of the year.

Figure 6: 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 | 28-Jan-22 | % Δ w/w | % Δ y/y | 3-Year Avg | 21-Jan-22 | 24-Dec-21 |
| Class A (R/kg) | 87.96 | 0.3% | 7.1% | 9.0% | 87.69 | 91.18 |
| Mutton (R/kg) | 70.24 | 1.6% | 7.0% | 11.0% | 69.15 | 72.55 |
| Contract: A (*Incl.5thQ, R/kg) | 85.13 | 2.2% | 5.0% | 8.0% | 83.28 | 89.24 |
| Import parity (R/kg) | 97.15 | -10.0% | 11.0% | 8.0% | 107.19 | 110.71 |
| Feeder lambs (R/kg LW) | 40.82 | 0.7% | 3.0% | 10.0% | 40.52 | 45.32 |

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

International pork market update

- In the US pork market, prices rebounded in last week's trade on the back of improved demand despite the increased availability from the higher pig slaughter. The pork carcass values were still 17% ahead of the same period last year at 9.91 million head.

Domestic pork market update

- Latest developments on the pork market indicate further downward pressure on prices due to the seasonal dip in demand and increased availability. Both baconer and porker prices are now way below the 2021 levels by 10% and 22% respectively.
- However, at current levels pork and baconer prices are still way above the 3-year average by 27% and 13% (see table 3). With feed grain prices still unrelenting at higher levels we can expect further downward pressure on profitability the industry.

Figure 7: Pork prices and slaughter trends

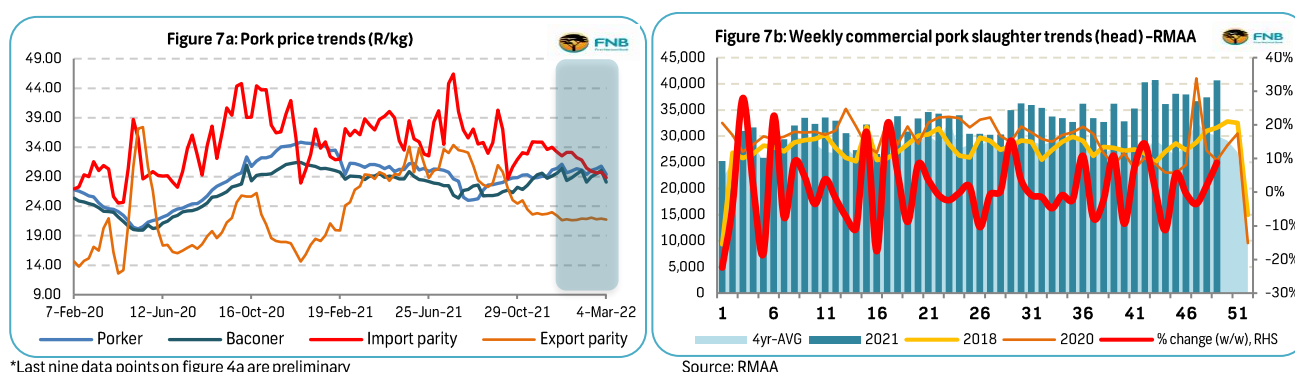


Table 3: Pig producer prices and slaughter trends

| Pork market – South Africa | | | | | | |
|----------------------------|-----------|---------|---------|------------|-----------|-----------|
| Date | 28-Jan-22 | % Δ w/w | % Δ y/y | 3-Year Avg | 21-Jan-22 | 24-Dec-21 |
| Porker (R/kg) | 26.67 | -3.3% | -22.0% | 13.0% | 27.58 | 30.16 |
| Baconer (R/kg) | 27.39 | -2.8% | -10.0% | 27.0% | 28.18 | 29.65 |
| Import parity (R/kg) | 32.82 | -4.0% | -6.0% | 5.0% | 34.04 | 34.24 |

Source: USDA, JSE, FNB Agric

OUTLOOK

We expect prices to maintain the current momentum in the short term. The medium-term outlook however shows a potential improvement due to the spill over strength in the red meat complex as pork trades at a discount relative to other meat types.

Weekly poultry market update

International pork market update

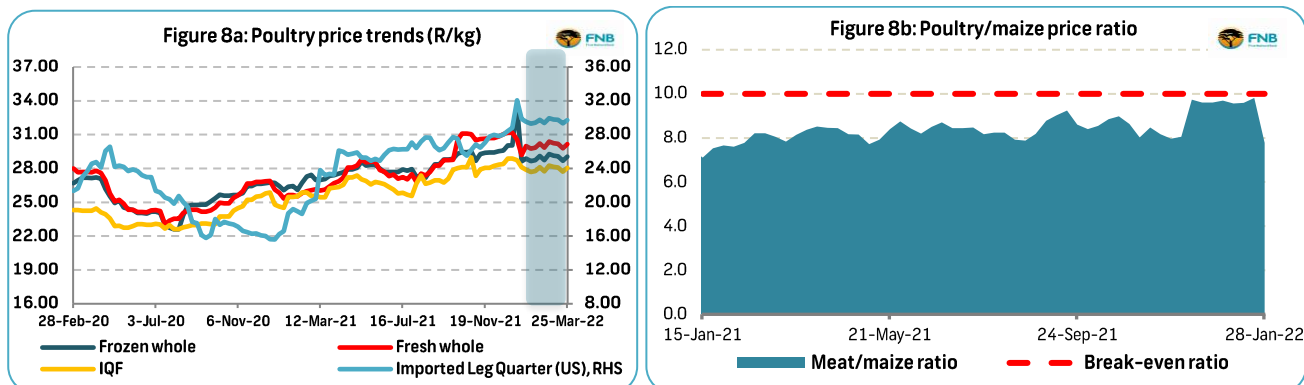
- In Brazil, the benchmark contract for difference for poultry has been on a downward trend since mid-September 2021 due to higher volumes and the suspension of its beef imports by China. At BRL5.85/kg, the CFD was down 10% since start of 2022 and 32% lower from the 2021 peak in September.

Domestic pork market update

- Although easing from the December 2021 high due to normal seasonal demand trends, broiler meat prices remain quite elevated relative to last year. Limited stock amid the increased tariff regime and lower imports continue to provide upside support for the poultry market.
- The pace of poultry imports for 2021 has been relatively slow thus providing some breather for the local market. Total imports for November 2021 were marginally down by 0.8% m/m at 32.64 thousand tons and were still 17% lower relative

to the same month last year. The cumulative YTD imports reached 373.63 thousand tons which is 12% lower y/y, the lowest level in the past four years and 80% of the 3-year average to 2021 (see figure 8).

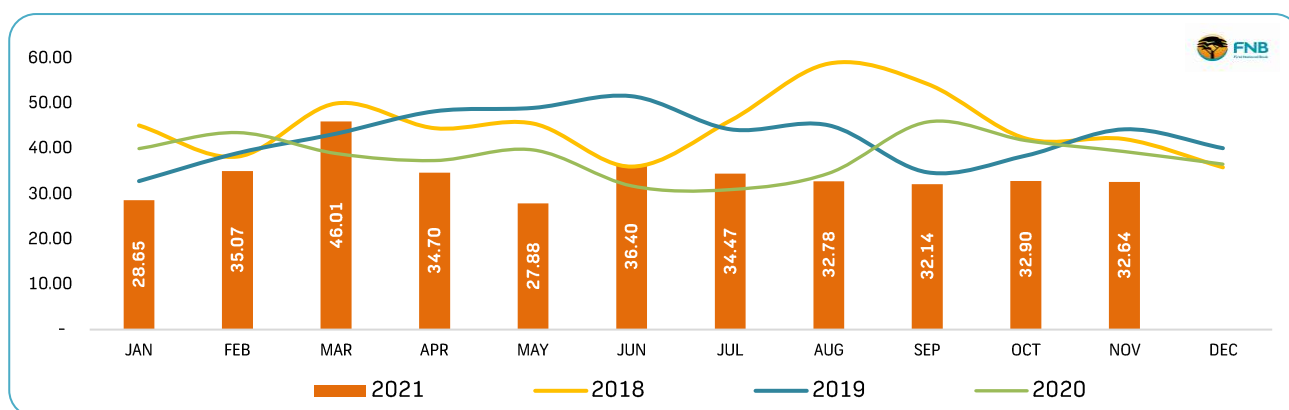
Figure 8: Poultry prices and meat/maize ratio trends



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

- Although the meat/maize ratio improved modestly in the past month on the back of strong broiler meat prices, the elevated maize prices continued to prevent it from edging above the breakeven level as illustrated in figure 7b.

Figure 9: 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 | | | | | |
|--|-------------------------------|--------|--------|------------|-----------|-----------|
| | 28-Jan-22 | %Δ w/w | %Δ y/y | 3-Year Avg | 21-Jan-22 | 24-Dec-21 |
| Fresh whole birds (R/kg) | 30.47 | 1.6% | 19.0% | 10.0% | 29.98 | 30.01 |
| Medium Frozen whole birds (R/kg) | 29.28 | 1.4% | 11.0% | 8.0% | 28.88 | 20.51 |
| Individually Quick Frozen (IQF) (R/kg) | 27.95 | 0.2% | 10.0% | 8.0% | 27.89 | 31.47 |
| Import parity (R/kg) | 29.31 | -0.8% | 53.0% | 29.0% | 29.53 | 29.23 |

Source: USDA, JSE, FNB Agric

OUTLOOK

Tight domestic stocks and a contraction in the volume of imports will continue to provide upside support for the market. Nonetheless, the good rains turned out to be bad for the industry as heavy rains caused damages to the grain fields thereby exerting upward pressure on feed grain prices.

Raw feed input price update

- Concerns over the extensive rain damage to crops in some areas has somewhat dissipated and prices are now slightly off the January 2022 levels.
- The nearby Mar-22 futures for white and yellow maize have decreased by 2.6% and 3.6% m/m at R3,619/ ton and R3,780/ ton respectively but still not enough to reduce pressure on feed costs (see table 5).
- In the oilseed complex, we saw a similar trend with sunflower falling by 15% m/m largely due to a sharp rebound in planted area which signals increased availability of by-products during 2022.
- Soybeans prices however continue to be elevated above R7,000/ ton with the nearby sunflower futures reaching R8,490/t recently but still way off the 2021 peak of R10,000/t (table 5).

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

| 03 FEB 2022 | WMAZ | change m/m | YMAZ | change m/m | SUNS | change m/m | SOY | % change m/m |
|-------------|--------|------------|--------|------------|--------|------------|--------|--------------|
| Mar-22 | R3,619 | -2.6% | R3,780 | -3.6% | R9,632 | -15.3% | R8,490 | 6.1% |
| May-22 | R3,554 | -1.3% | R3,678 | 1.0% | R9,141 | -4.3% | R8,400 | 5.9% |
| Jul-22 | R3,565 | -0.7% | R3,662 | 0.7% | R9,200 | -4.2% | R8,387 | 4.4% |
| Sep-22 | R3,622 | -0.3% | R3,713 | 1.0% | R0 | - | R8,501 | #DIV/0! |
| Dec-22 | R3,696 | -0.6% | R3,791 | 0.8% | R0 | - | R8,616 | #DIV/0! |

Source: JSE,

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

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

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.