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Livestock and Fibre markets

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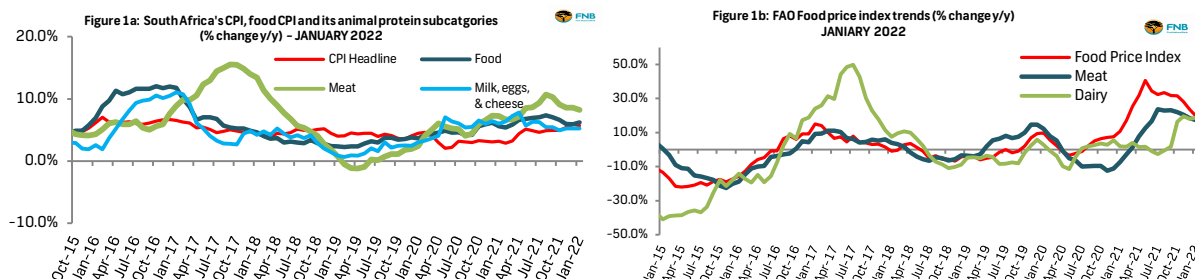


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UPDATE ON LIVESTOCK MARKETS

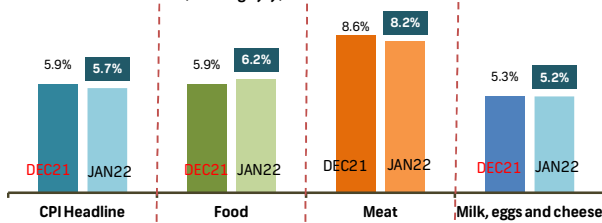
- Statistics South Africa's (SA) January 2022 consumer price inflation print slowed to 5.7% year-on-year (y/y) from 5.9% in December 2021 (fig.1a). Gains in the food and non-alcoholic beverages, housing and utilities, transport, and the miscellaneous goods and services underpinned the upside in the CPI outcome.
- Underpinned by elevated prices in the prices of fish, oils and fats, and vegetables, SA's food CPI for January 2022 accelerated by 6.2% y/y relative to the 5.9% recorded in the previous month. On the global front, the United Nation's Food and Agriculture Organization's (FAO) food price inflation slowed for the fifth consecutive month to 19.5% y/y in January 2022 although still elevated at double digit levels (fig. 1b).
- In the animal protein category, SA's meat price inflation decelerated to 8.2% y/y from the previous month and was unchanged at 1.2% month-on-month (m/m) (fig. 1a). The seasonal moderation in demand post the December holidays helped limit further upside for meat prices. In the beef subcategory, beef offal posted the biggest increase of 30.3% m/m and 39.6% y/y at R59.28/kg which reflects the high demand as consumers switch to more cheaper products. Pork remained under pressure with declines across most cuts with pork fillet decreasing by 4.4% m/m and 12.8% y/y at R93.98/kg. Although easing m/m across most cuts, chicken prices were moderate to sharply higher relative to last year with the fresh whole chicken and IQF chicken portions increasing 18.3% and 6% respectively y/y at R58.98/kg and R82.23/kg (fig.1e).
- Global meat prices also decelerated for the fourth consecutive month to 17.3% y/y but marginally higher m/m. A combination of strong import demand and reduced availability of slaughter cattle in Brazil and Oceania underpinned the recent strength in bovine prices. Similarly, pork prices advanced on supply shortages and contraction in production due to the elevated input costs. The poultry and ovine prices however came in on the downside due to volume pressure.

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



Source: FAO, StatsSA

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



Source: FAO, StatsSA

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

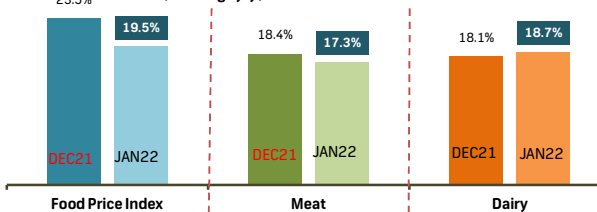
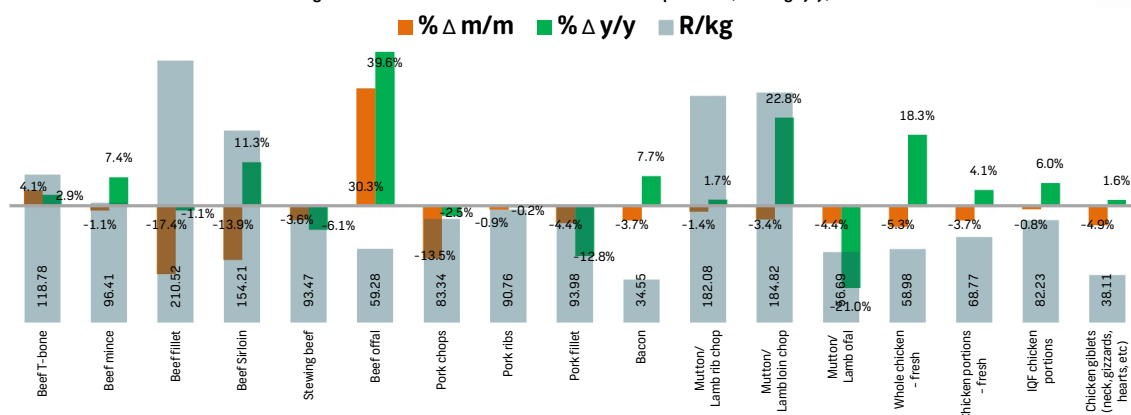
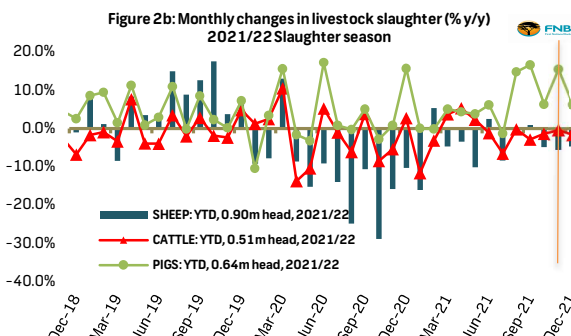
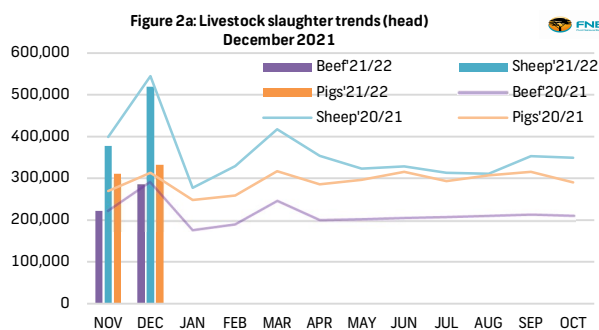


Figure 1e: SA Consumer Price Index for selected meat products (% change y/y)



Source: FAO, StatsSA

Figure 2: South Africa's livestock slaughter trends

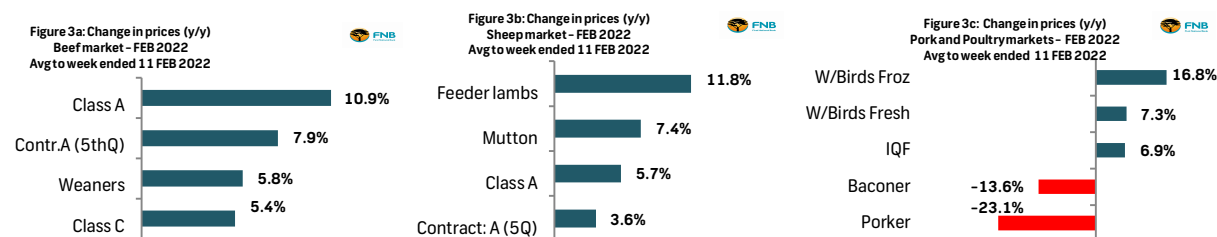


Source: Own calculations from Red Meat Levy Admin data.

- The latest available statistics on number of cattle slaughtered shows a sharp increase of 28.9 m/m in December 2020/21 but still down on the previous season (2021/22) by 1.6% at 286,430 head. However, 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.3).
- For sheep, the number slaughtered during DEC 2021 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.3).
- In the pig category, the number slaughtered during DEC 2021 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.3).

- Meanwhile, the average prices for first two weeks of FEB 2022 still shows an uptrend across most categories except for the pork market that remains under pressure with sharp decreases of 23% and 13.6% y/y for porkers and baconer 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.

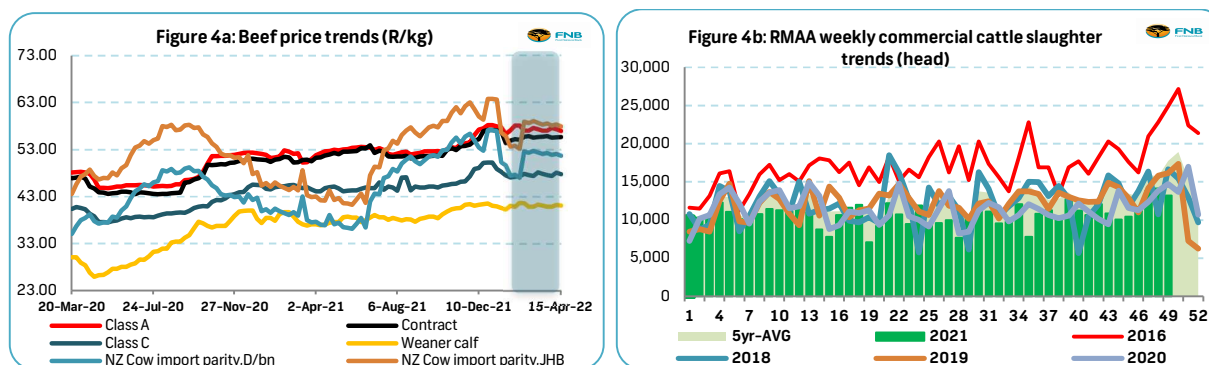
International update on beef markets

- The US import market saw moderate to sharp gains in prices supported by limited availability and strong domestic demand. The issue of logistics bottlenecks does not seem to go away with reported cases of shipping delays in the US West Coast ports. Domestically, US wholesale beef prices were on the backfoot in last week's trade but still sharply higher relative to last year by over 18% y/y. Cattle slaughter has been relative slow with the year-to-date number down by 3% y/y at 3.83 million head.

Domestic beef market update:

- Beef prices moved mostly sideways during midmonth on moderation in demand. However, the current beef prices are holding well relative to last year with class As and Cs both over 7% higher relative to last year.
- The weaner market has been relatively buoyant as availability is limited and demand very solid given the best seasonal conditions due to the higher rainfall received during the past few months. At R41.67/ kg live weight (LW), the current weaner calf prices are 5% ahead of the 2021 levels for this time of the year and 9% above the three-year average.

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	21-Jan-22	% Δ w/w	% Δ y/y	3-Year Avg	24-Dec-21	17-Dec-21
Class A (R/kg)	56.27	-2.5%	10.0%	10.0%	58.18	57.52
Class C (R/kg)	47.54	-1.0%	7.0%	8.0%	50.25	50.18
Contract: A (*Incl.5thQ)	54.36	-4.0%	8.0%	9.0%	57.18	56.97
Import parity (R/kg)	55.70	-2.0%	24.0%	11.0%	63.82	59.38
Weaner calves (R/kg LW)	40.28	-1.0%	5.0%	11.0%	41.50	41.37

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

OUTLOOK

A relatively resilient demand for beef will continue to provide upside support for prices in the medium term amid tight supplies. Feeder margins remain a challenge as feed cost pressures are unrelenting.

Weekly summary of the sheep market

International sheep market update

- In Australia, the latest industry projections are that the national flock will increase by almost 5% y/y to 74.4 million head underpinned by the rebound in seasonal production conditions across the major producing areas during 2022. Consequently, AU's lambs for the slaughter market will increase by 7% y/y to 21.6 million head with exports reaching a high of 307,000 tons.

Domestic sheep market update

- Lamb and mutton prices trended sideways to firmer despite demand pressures due to the relatively limited availability on markets. At current levels, lamb and mutton prices were up 5% and 9% respectively ahead of the 2021 levels.
- In the feeder lamb market, prices reached R41.60/kg LW, which is down 4% y/y and 10% above the 3-year average for this time of the year.

Figure 5: Lamb and mutton prices and sheep slaughter trends

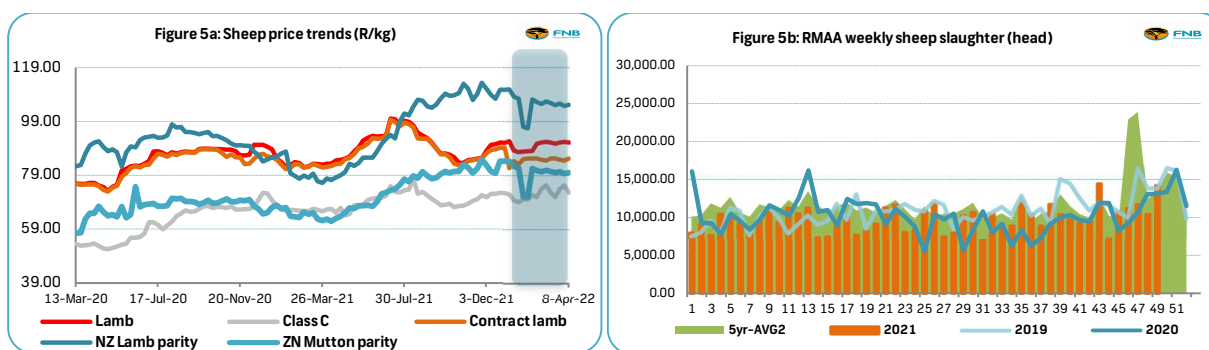


Table 2: Sheep producer price trends in South Africa

Sheep market - South Africa						
Date	11-Feb-22	% Δ w/w	% Δ y/y	3-Year Avg	4-Feb-22	21-Jan-22
Class A (R/kg)	88.18	0.1%	5.0%	9.0%	88.05	87.69
Mutton (R/kg)	71.83	2.4%	9.0%	12.0%	70.18	69.15
Contract: A (*Incl. 5thQ, R/kg)	85.42	0.1%	3.0%	7.0%	85.34	83.28
Import parity (R/kg)	96.12	0.0%	22.0%	8.0%	96.51	107.19
Feeder lambs (R/kg LW)	41.60	0.2%	4.0%	10.0%	41.52	40.52

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.

Weekly pork market

International pork market update

- In the US pork market, prices rebounded modestly and closed last week 7% higher on the week earlier and the pork carcass cutout values were still 28% higher y/y. The tight supply situation due to higher input costs and limited availability of labour for processing will continue to provide upside support.
- On pig slaughter, the cumulative YTD pig slaughter showed a 10% contraction relative to last year to 14.85 million head.

Domestic pork market update

- Downward pressure on prices continued due to the seasonal dip in demand. Both baconer and porker prices are now way below the 2021 levels by 14% and 25% respectively.
- However, at current levels pork and baconer prices are still way above the 3-year average by 7% and 20% respectively (see table 3). With feed grain prices still unrelenting at higher levels, we can expect further downward pressure on profitability in the industry.

Figure 6: Pork prices and slaughter trends

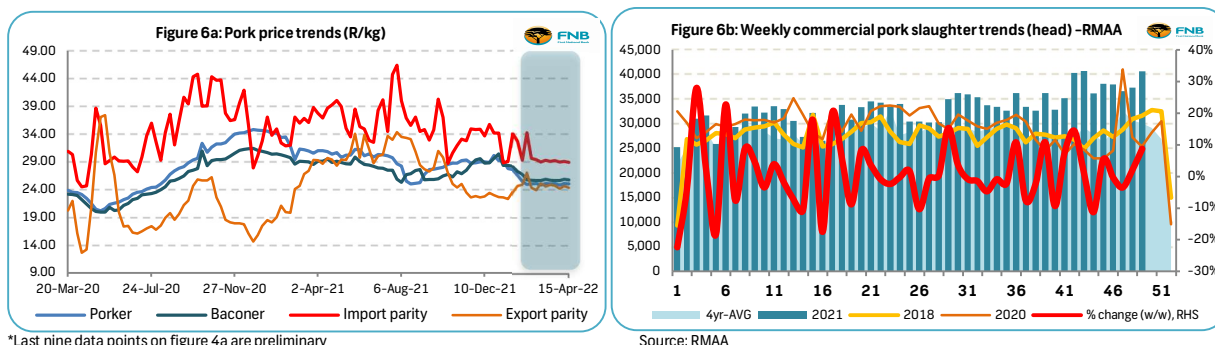


Table 3: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	11-Feb-22	%Δ w/w	%Δ y/y	3-Year Avg	4-Feb-22	21-Jan-22
Porker (R/kg)	25.08	-2.0%	-25.0%	7.0%	25.58	27.58
Baconer (R/kg)	25.85	-3.7%	-14.0%	20.0%	26.83	28.18
Import parity (R/kg)	34.32	17.0%	7.7%	10.0%	29.40	34.04

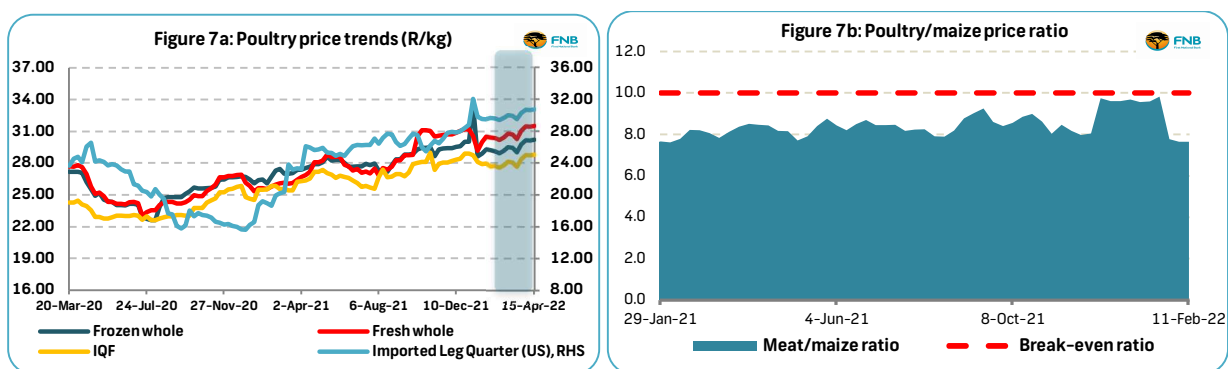
Source: USDA, JSE, FNB Agric

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

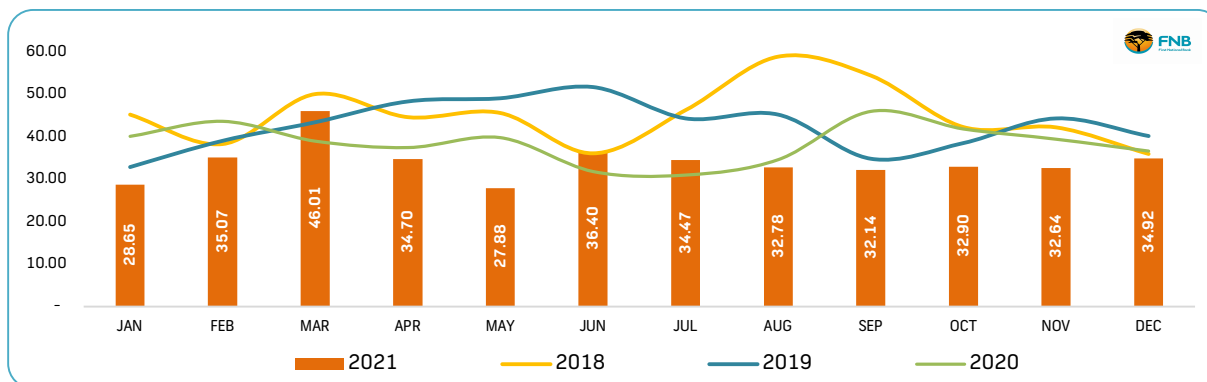
Figure 7: Poultry prices and meat/maize ratio trends



- 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.

- Poultry imports rebounded slightly by 1.2% m/m during Dec 2021 but were almost 9% lower relative to the same month in 2020. This brought the overall total poultry imported during 2021 to 432,307 tons which is down by 11% y/y (see fig.8).
- 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 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					
	11-Feb-22	% Δ w/w	% Δ y/y	3-Year Avg	4-Feb-22	21-Jan-22
Fresh whole birds (R/kg)	30.33	-0.2%	18.0%	8.0%	30.40	29.98
Medium Frozen whole birds (R/kg)	29.08	-0.4%	9.0%	5.0%	29.20	28.88
Individually Quick Frozen (IQF) (R/kg)	27.72	0.2%	7.0%	7.0%	27.66	27.89
Import parity (R/kg)	29.57	-0.3%	59.0%	27.0%	29.66	29.53

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

- The nearby yellow maize futures have recently eased from the December 2021 high of R3,822/ ton to just above R3,700/ ton. However, this is still not enough to reduce pressure on feed costs which have strained the profitability of intensive livestock feeding systems (see table 5).
- In the oilseed complex, we saw a similar trend with soybeans above R7,000/ ton with the nearby sunflower futures reaching R9,215/t recently from a high of over R10,000/t in 2021 (table 5).

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

16 FEB 2022	WMAZ	change m/m	YMAZ	change m/m	SUNS	change m/m	SOY	% change m/m
May-22	R3,599	0.9%	R3,746	4.0%	R9,215	0.2%	R8,609	-0.6%
Jul-22	R3,626	2.3%	R3,747	4.7%	R9,300	0.2%	R8,710	-0.5%
Sep-22	R3,682	2.5%	R3,801	4.9%	-	-	R8,821	-0.5%
Dec-22	R3,756	2.1%	R3,869	4.8%	-	-	R8,969	-
Mar-23	R3,764	5.4%	R3,869	6.9%	-	-	-	-

Source: JSE,

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