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# Livestock and Fibre markets

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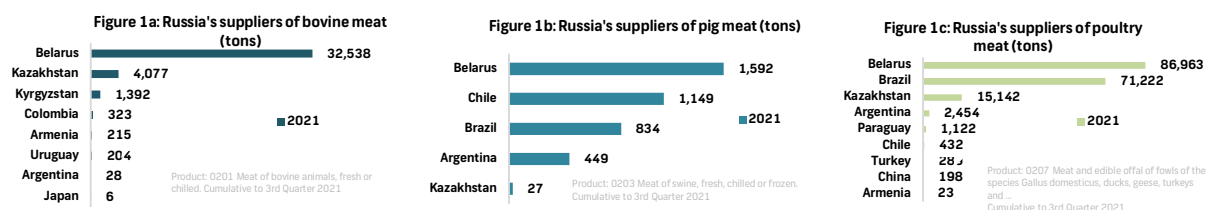


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## UPDATE ON LIVESTOCK MARKETS

- Although there are signs of potential de-escalation in the conflict between Russia and Ukraine with their Foreign Ministers expected to hold high-level talks in Turkey, the stalemate continues and the impact on global agriculture markets is already being felt. Some shipping lines such as Maersk, CMA, and CGM have reportedly dropped the Russian destination with others likely to follow suite.
- Agriculture commodity prices have been on a steep uphill recently and it is important to further assess the impact of the conflict on global meat trade. Brazil leads on poultry and pork supplies to Russia and would likely divert just over 1 million tons elsewhere if one considers the total imported during 2021 according to the quarterly data from TradeMap (figure 1b and 1c). Nonetheless, this conflict provides an opportunity for Brazilian exporters to fill the gap in markets where Russia faces a complete ban or reduced imports especially in Europe where some meat companies were restricted from trading due to the 2018 food scandal.
- Russian trade with Belarus is likely to continue given the close relationship between the two countries. Almost 67% of the 432,307 tons of poultry imports for South Africa in 2021 came from Brazil. This share might increase as Brazil is forced to redirect its products to alternative markets due to the challenging trading conditions. Russia and Ukraine are small players in the meat market and account for just 0.6%, 4.9%, and 1.5% respectively of total world beef, chicken, and pork exports (table 1).
- Meanwhile, the global food inflation for FEB 2022 as measured by the United Nation Food and Agriculture Organization (FAO) showed an uptick of 3.9% month-on-month (m/m) and were 20.7% higher year-on-year (y/y) at an 11-year high of 140.7 points. Gains in prices of the vegetable oils, dairy, cereals, and meat categories underpinned the uptick in inflation.
- Global meat prices accelerated further by 1.1% m/m in FEB 2022 driven by increases in bovine meat which enjoyed strong demand amidst tight volumes due to limited slaughtering in Brazil and Australia. Although the meat price inflation has been in deceleration since SEP 2021, the FEB 2022 print remained relatively high at a double-digit level of 15.3% y/y (fig. 2a, b).

**Figure 1: Russia's meat import trends by country**



Source: TradeMap

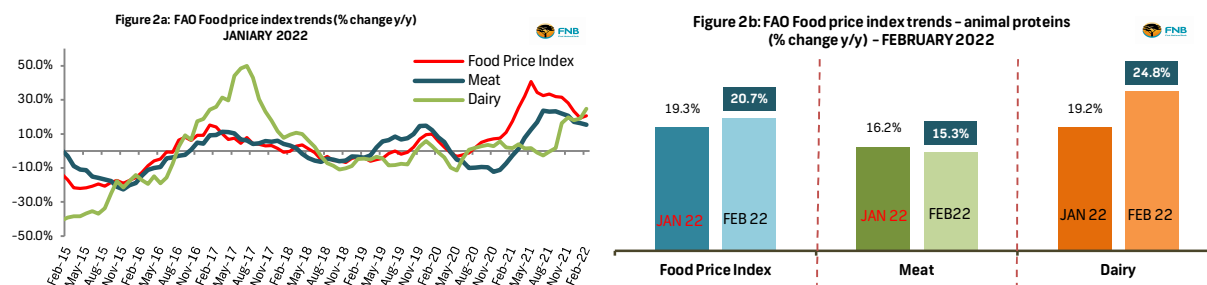


Table 1: Russia and Ukraine meat trade ('000 tons)

YEAR	RUSSIA						UKRAINE					
	BEEF		CHICKEN		PORK		BEEF		CHICKEN		PORK	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
2021	320	45	230	215	13	185	3.0	29	125	430	45	5.0

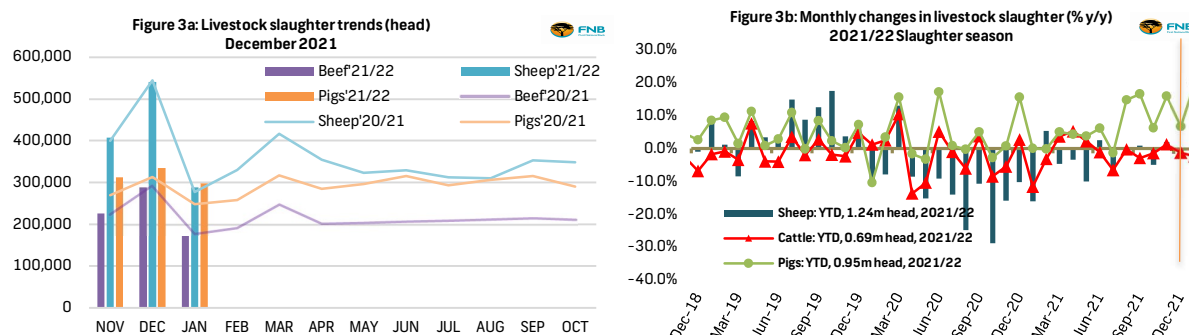
Source: USDA

Figure 2: FAO food price inflation trends – February 2021 update



Source: FAO,

Figure 3: South Africa's livestock slaughter trends



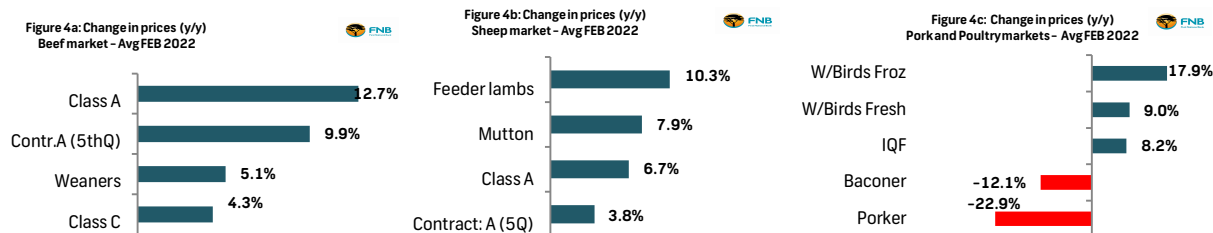
Source: Own calculations from Red Meat Levy Admin data.

- The latest available statistics on number of livestock slaughtered shows a sharp decrease early in the year across all categories as illustrated in figure 3a.
- Cattle numbers fell by almost 40% month-on-month (m/m) at 173,548 head in JAN 2022 which is 2.2% below the same month last season (2019/20). This brought the cumulative YTD total for the 2021/22 slaughter season to 687,565 head which is 0.6% lower y/y (figure 3a & 3b).
- Sheep posted the biggest monthly decline of 46.8% m/m at 287,911 head but almost 4% ahead of the 2020/21 levels which brought the cumulative season-date number up 1.2% y/y to 1.24 million head.
- For pigs, the monthly slaughter fell by 11% m/m but still 20% higher y/y at 298,153 head. The season-date number reached 945,227 head which is 13.8% higher y/y (fig.3).

- The monthly trend in meat prices still shows an uptrend across most categories except for the pork market that remains under pressure with sharp decreases of 12% and 22.9% y/y for porkers and baconer respectively as illustrated in figures 4a to 4c. Meanwhile, import parity prices are likely to strengthen further considering the recent developments on the international market.



Figure 4: Changes in average weekly livestock prices (% change y/y)



Source: Own calculations from FNB AgriComms.

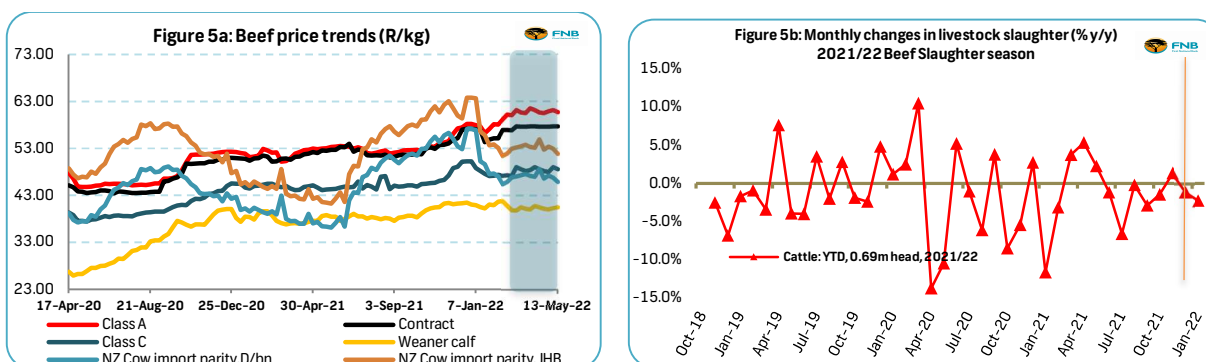
### International update on beef markets

- Australia's beef and veal exports started on a negative note for 2022 with total volumes shipped falling by 12% y/y as availability for the slaughter market was tight due to the higher demand for the ongoing herd rebuilding process. Shipments to AU's biggest beef markets namely Japan, China, and the USA fell by 19%, 4%, and 4% respectively y/y.
- The tight supply situation from the world's second largest beef exporter contributed to the upsurge in prices as reflected in the recent FAO meat inflation update.

### Domestic beef market update:

- The weekly trend in beef prices showed some weakness across most category post month end.
- After weeks of an unprecedented rally, weaner calf prices lost steam and are now back below the R40/kg live weight (LW) level at R39.86/kg LW. The current weaner calf prices are however 6% ahead of the 2021 levels for this time of the year and 9% above the three-year average.

Figure 5: Beef prices and cattle slaughter trends



\*Last nine data points on figure 2a are preliminary

Source: RMAA

Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	4-Mar-22	% Δ w/w	% Δ y/y	3-Year Avg	25-Feb-22	18-Feb-22
Class A (R/kg)	60.08	-0.2%	15.0%	13.0%	60.18	59.18
Class C (R/kg)	47.18	-0.3%	5.0%	7.0%	47.33	47.18
Contract: A (*Incl. 5thQ)	56.88	-0.1%	13.0%	11.0%	56.94	56.89
Import parity (R/kg)	52.98	2.0%	19.0%	14.0%	51.91	51.39
Weaner calves (R/kg LW)	39.86	-2.0%	6.0%	9.0%	40.85	41.80

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

### OUTLOOK

The medium-term price outlook remains on the upside on resilient demand ahead of the Easter period. However, the higher feed costs due to the elevated grain and oilseed prices will continue to squeeze producer margins for feeders.



## Weekly summary of the sheep market

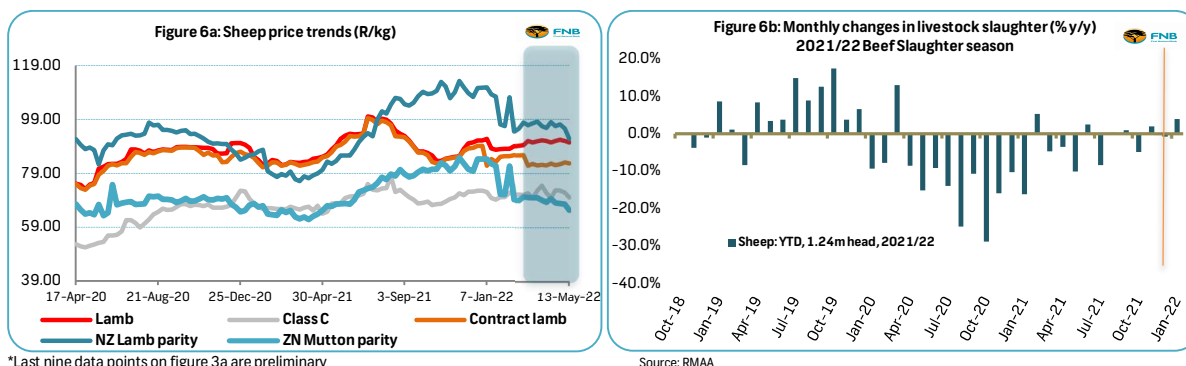
### International sheep market update

- The increased availability of ovine meat pushed global prices lower according to the FAO meat inflation update. Export volumes from Australia, the world's leading sheep meat exporter with a share of 36%, increased sharply by 24% y/y with top five destinations being China, the USA, Malaysia, UAE, and Papua Guinea. Malaysia posted the biggest growth of 63% y/y, followed by Papua Guinea and the UAE with increases of 45% and 43% respectively y/y during January 2022.

### Domestic sheep market update

- Lamb and mutton prices trended mostly sideways to lower due to the moderation in demand.
- In the feeder lamb market, prices remain elevated although easing marginally toward midmonth at R43.58/kg LW. At current levels, weaner lamb prices are 17% higher y/y and 14% 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 3: Sheep producer price trends in South Africa**

Date	Sheep market - South Africa					
	4-Mar-22	% Δ w/w	% Δ y/y	3-Year Avg	25-Feb-22	18-Feb-22
Class A (R/kg)	89.48	0.2%	8.7%	9.0%	89.32	91.22
Mutton (R/kg)	71.08	-0.3%	8.0%	12.0%	71.30	69.96
Contract: A (*Incl. 5thQ, R/kg)	85.83	0.1%	4.0%	6.0%	85.75	87.69
Import parity (R/kg)	97.85	2.0%	25.0%	15.0%	95.63	106.29
Feeder lambs (R/kg LW)	43.58	-0.1%	17.0%	14.0%	43.61	41.64

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

## OUTLOOK

We expect near-term prices to maintain the current momentum with a potential rebound ahead of the Easter period.

## Weekly pork market

### International pork market update

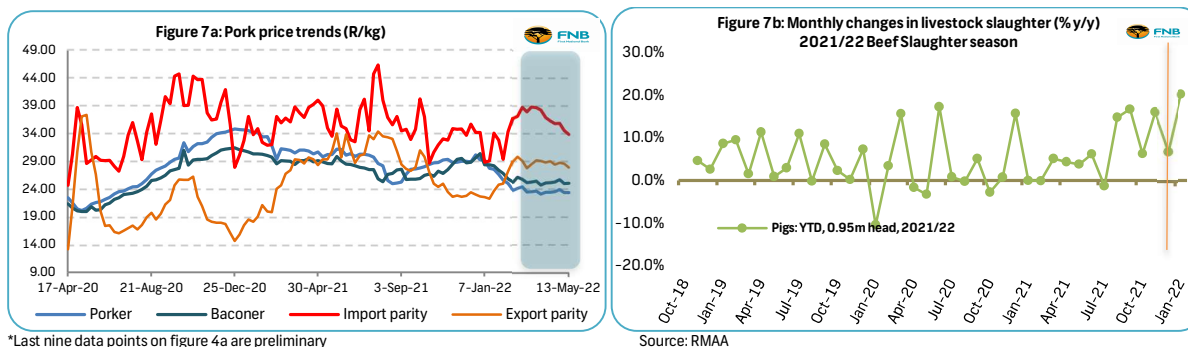
- With world pork exports already forecast down by 1.2% y/y in the latest USDA data, the next update may see an even bigger cut due to the continued disruption to logistics exacerbated by the breakout of war between Russia and Ukraine. A further contraction is expected in the USA due to the reduced slaughter and lighter carcass weights as higher grain prices reduces margins.

### Domestic pork market update

- Following weeks of downward pressure, pork rebounded marginally last week but still 22% below the 2021 levels. Baconers remained under pressure and weakened on subdued demand and increased availability. Baconer prices are now way below the 2021 levels by 11% but still 24% higher than the 5-year average for this time of the year.
- With feed grain prices still unrelenting at higher levels, we can expect further downward pressure on profitability in the industry.



Figure 7: Pork prices and slaughter trends



\*Last nine data points on figure 4a are preliminary

Source: RMAA

Table 4: Pig producer prices and slaughter trends

Pork market - South Africa						
Date	4-Mar-22	% Δ w/w	% Δ y/y	3-Year Avg	25-Feb-22	18-Feb-22
Porker (R/kg)	24.54	1.2%	-22.0%	4.0%	24.25	23.87
Baconer (R/kg)	25.89	-1.3%	-11.0%	20.0%	26.23	25.34
Import parity (R/kg)	38.82	4.0%	8.0%	24.0%	37.19	36.80

Source: USDA, JSE, FNB Agric

## OUTLOOK

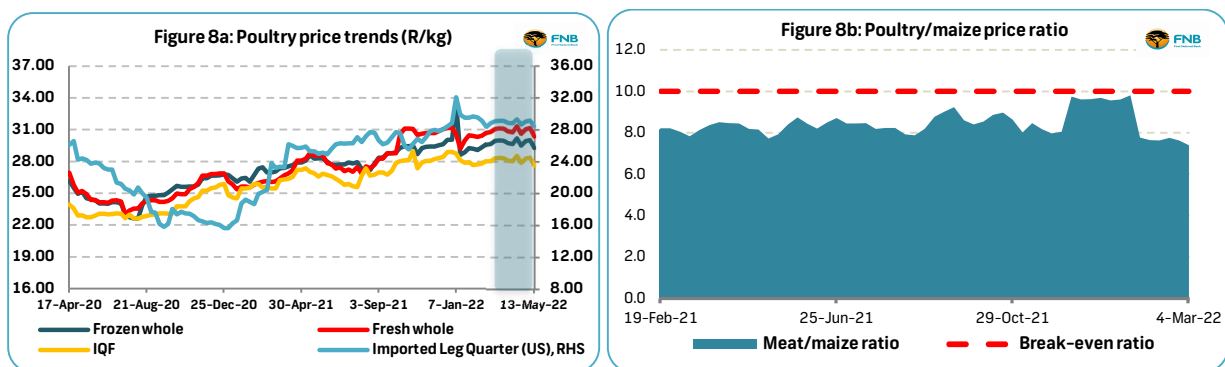
We expect prices to maintain the current momentum in the short term. The medium-term outlook however shows a potential improvement due to the spill over strength in the red meat complex as pork trades at a discount relative to other meat types. The potential contraction in import volumes due to the higher international prices will help improve the competitiveness of the local product.

## Weekly poultry market update

### International poultry market update

- The USDA's latest update on USA broiler production indicates a further contraction due to lower slaughter and the reduced rate of recovery in hatchability. US broiler export forecast was lowered as higher prices reduce their competitiveness on international markets.
- In Brazil, the benchmark contract for difference (CFD) has bottomed out from the January lows and still 7% higher y/y at BRL6.84/kg in recent trade. Brazil accounts for 15% and 32% of world production and exports respectively and it is projected to raise its exports by 2.4% y/y in 2022.

Figure 8: Poultry prices and meat/maize ratio trends



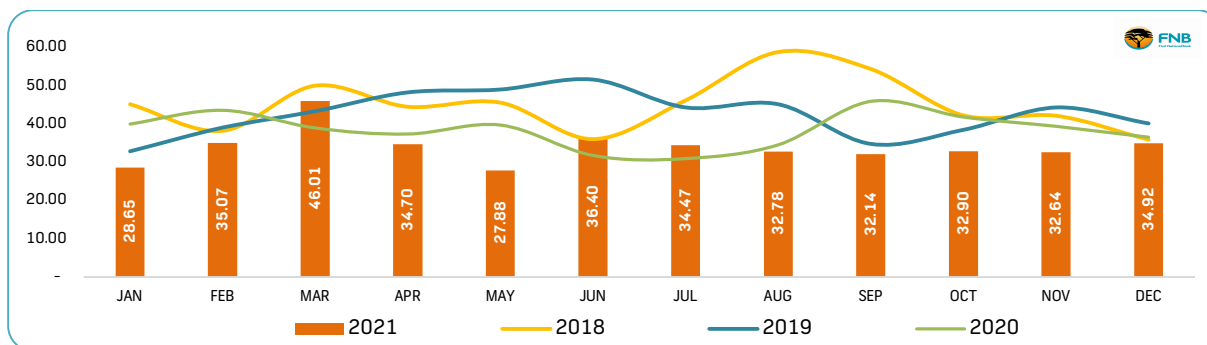
Source: FNB Agriculture, \*Last nine data points on figure 5a are preliminary



### Domestic poultry market update

- The weekly trend in prices was sideways across most categories in last week's trade. 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 9: South Africa's broiler import trends ('000 tons)**



Source: SARS,

**Table 5: Poultry producer price trends in South Africa**

Week ending	Poultry market - South Africa					
	4-Mar-22	% Δ w/w	% Δ y/y	3-Year Avg	25-Feb-22	18-Feb-22
Fresh whole birds (R/kg)	30.79	0.2%	18.0%	9.0%	30.72	30.43
Medium Frozen whole birds (R/kg)	29.68	0.3%	10.0%	7.0%	29.60	29.35
Individually Quick Frozen (IQF) (R/kg)	28.05	0.0%	10.0%	8.0%	28.05	27.82
Import parity (R/kg)	28.82	1.5%	41.0%	17.0%	28.39	29.12

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.

### Raw feed input price update

- The trend in local maize prices remains upwards with both the white and yellow maize above R4000/ ton and over 10% m/m across the board. We saw a similar trend in the oilseed complex with sunflower back above R10,000/ ton and now trading at a record high of R12,259/ ton for the JUL-22 futures which is 34% higher m/m. Soybeans came in 8% higher m/m and back above R9000/ ton at R9,463/ ton for JUL-22.
- At current levels and if sustained, the profitability of intensive feeding system will come under huge pressure and producers might need to cutback of future expansions (see table 6).

**Table 6: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)**

09 MAR 2022	WMAZ	change m/m	YMAZ	change m/m	SUNS	change m/m	SOY	% change m/m
May-22	R4,033	11.3%	R4,204	11.9%	R12,259	33.3%	R9,370	8.2%
Jul-22	R4,014	10.3%	R4,203	12.1%	R12,387	33.5%	R9,463	8.1%
Sep-22	R4,068	10.2%	R4,238	11.4%	R12,443	-	R9,528	7.5%
Dec-22	R4,154	10.1%	R4,310	11.2%	R12,618	-	R9,583	-
Mar-23	R4,146	9.7%	R4,284	11.4%	-	-	R8,999	-

Source: JSE,



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