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Livestock and Fibre markets

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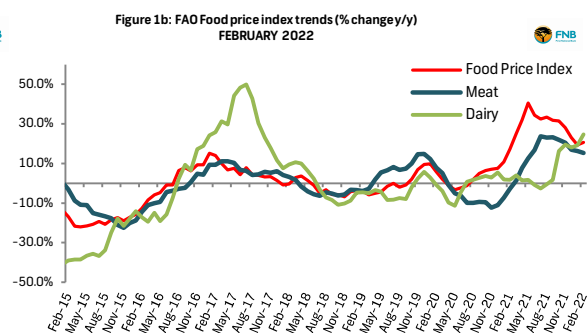
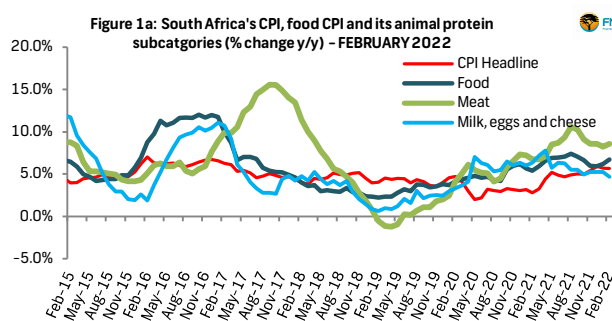


Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 30 MAR 2022

UPDATE ON LIVESTOCK MARKETS

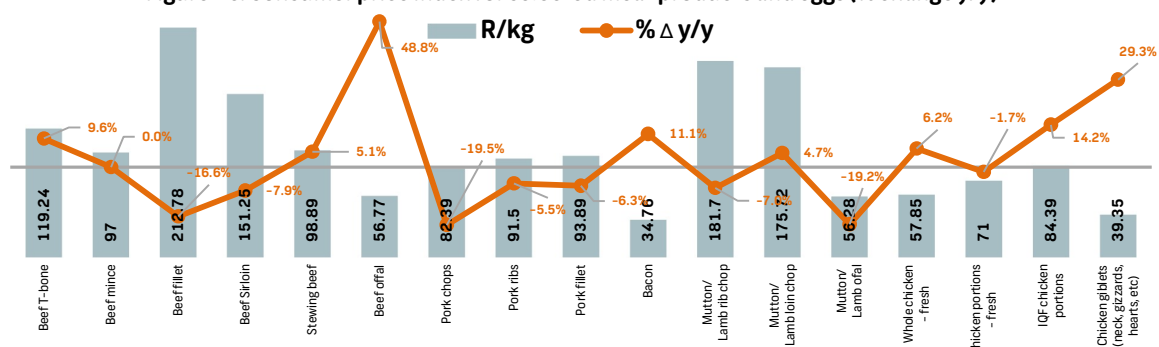
- The latest development on livestock health issues for South Africa is that an outbreak of Foot-and-Mouth Disease (FMD) was recently detected in the Provinces of the North West and Limpopo prompting quarantine and surveillance activities by the authorities to contain the spread. In KZN the outbreak is reportedly continuing, and vaccinations are being conducted in the affected areas with further surveillance and quarantine measures enforced.
- This is obviously not good news as it has negative impact on exports due to FMD being a notifiable disease in terms of the World Organization for Animal Health (OIE) and importing countries may elect to place a ban on imports.
- Meanwhile, the latest update on livestock slaughter shows a modest rebound of 7.1% and 2.2% month-on-month (m/m) respectively in beef and sheep numbers in February 2022 while pigs were almost unchanged. The yearly trend however shows declines of 0.9% and 10% respectively year-on-year (y/y) for beef and sheep. Pig slaughter jumped 16.5% y/y with the cumulative 2021/22 (Nov-Oct) season-to-date (STD) number up 14.8% relative to the same period in the previous season.
- On the inflation front, Statistics South Africa's (StatsSA) February 2022 consumer price inflation (CPI) print steadied at 5.7% y/y (figure 1a). Its food subcomponent however increased by 0.7% m/m and 6.7% y/y as spill over global price pressures continued to influence local market conditions. The meat CPI steadied m/m but accelerated further to 8.6% y/y in February from 8.2% in January which reflects the resilient demand despite tough economic conditions (figure 1a).
- A further drilldown into the meat data shows sharp declines in pig product prices with pork chops, ribs, and fillet falling by 19.5%, 5.5%, and 6.3% respectively y/y at R82.39/kg, R91.50/kg, and R93.89/kg. Bacon however came in on the upside at R34.76/kg which is 11.1% y/y.

Figure 1: Food price inflation trends – February 2022 update



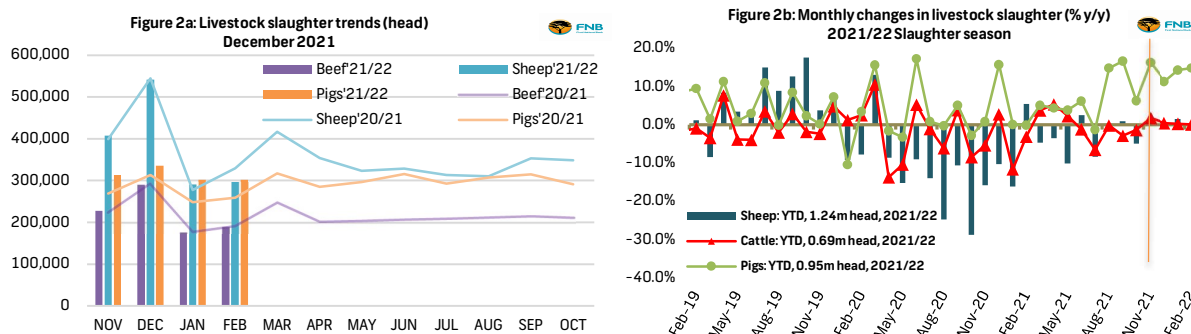
- In the beef category, fillet and sirloin prices dropped 16.6% and 7.9% respectively y/y at R212.78/kg and R151.25/kg while T-bone and stewing beef rose by 9.6% and 5.1% respectively y/y at R119.24/kg and R98.89/kg. Beef oval retained the uptrend and closed sharply higher by 48.8% y/y at R56.77/kg (figure 1c).
- Except for the fresh chicken portions which eased by 1.7% y/y at R71/kg, the rest of the categories came in on the upside. Monthly consumer prices for whole fresh chicken, IQF chicken portions, and chicken gIBLETS (neck, gizzards, hearts, etc) increased by 6.2%, 14.2%, and 29.3% respectively y/y at R57.85/kg, R84.39/kg, and R39.35/kg (figure 1c).
- On global price trends, the global food inflation 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 in February 2022. 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 (figures 1a & 1b). The FAO March 2022 update is due for release next week.

Figure 1c: Consumer price index for selected meat products and eggs (% change y/y)



Source: FAO,

Figure 2: South Africa's livestock slaughter trends

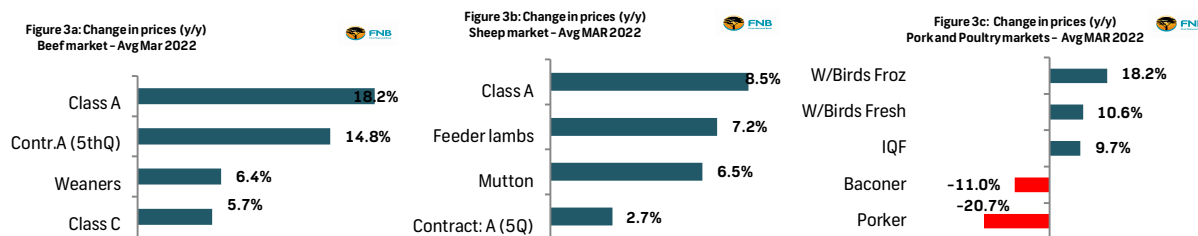


Source: Own calculations from Red Meat Levy Admin data.

- Cattle slaughter numbers for February 2022 came in 189,709 head which brought the cumulative STD to 883,159 head which is almost unchanged y/y (figure 2a).
- At 296,583 head, the number of sheep slaughtered increased by 2.2% m/m but still down 10% y/y. The cumulative number for the STD is 1.54 million head which still trails that of the previous season by 1% y/y (figure 2a).
- On the pig side, the cumulative total for the STD is 1.25 million head which is almost 15% ahead of the previous season. The total number of pigs slaughtered for the first two months of 2022 were sharply higher by 19% relative to the same period in 2021 (figure 2a).

- 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 11% and 21% 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.

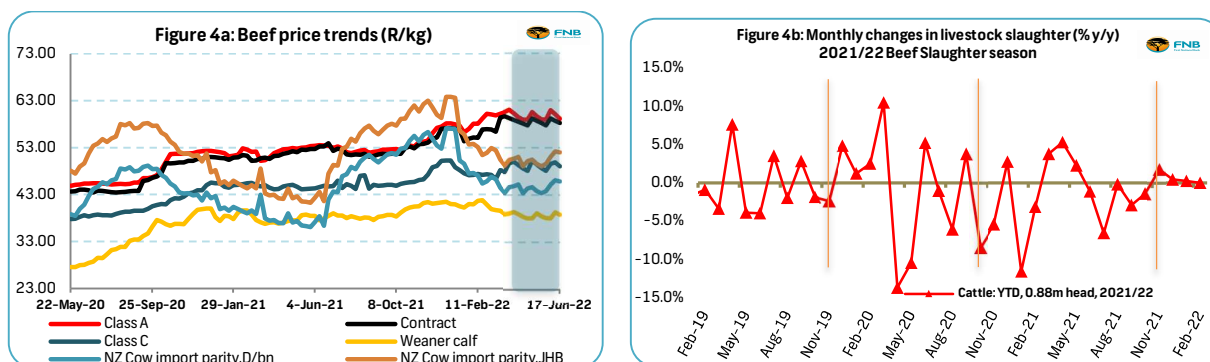
International update on beef markets

- US imported beef prices trended mostly on the downside in slow trading activity despite limited supplies this week. Weakness in prices was underpinned by limited demand on both the domestic and import markets. Prices are however expected to move upwards on improved seasonal demand as the summer braai period commences in the near term.

Domestic beef market update:

- Prices were mixed ahead of the month end period with gains for class A carcasses while class C ended a bit softer in last week's trade.
- In the weaner market, calf prices pressure continued as negative news about FMD outbreaks impacted negatively on demand for calves. At R38.92/kg live weight (LW), the current weaner calf prices are however 5% ahead of the 2021 levels and 10% above the three-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	25-Mar-22	% Δ w/w	% Δ y/y	3-Year Avg	18-Mar-22	11-Mar-22
Class A (R/kg)	60.58	0.6%	19.0%	14.0%	60.24	59.85
Class C (R/kg)	47.86	-0.7%	8.0%	8.0%	48.18	46.34
Contract: A (*Incl. 5thQ)	59.70	0.4%	18.0%	14.0%	59.44	56.39
Import parity (R/kg)	49.25	-2.0%	15.0%	9.0%	50.43	52.44
Weaner calves (R/kg LW)	38.92	-2.0%	5.0%	10.0%	39.57	39.72

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

OUTLOOK

The near-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

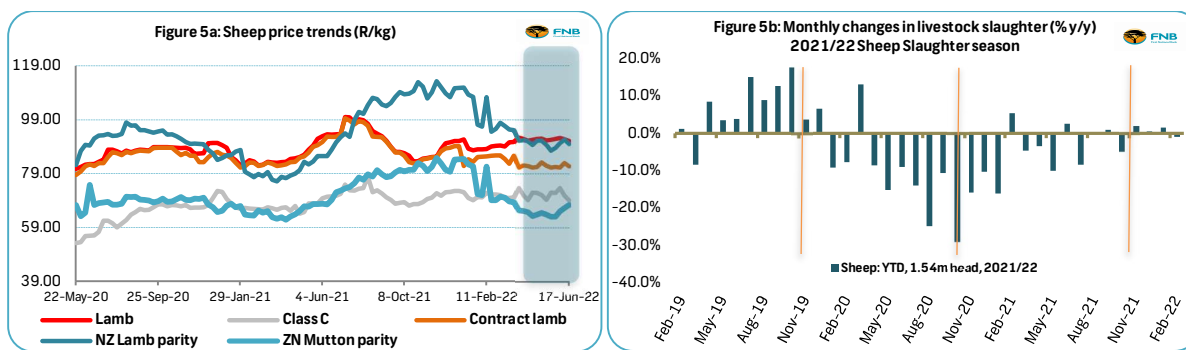
International sheep market update

- After a modest decline in last week's trade, the Australian national trade lamb indicator bottomed out and strengthened on improved uptake despite larger offerings on markets. Lamb slaughter was reported up 5% on the week at 371,311 head with mutton well ahead of the 2021 levels by 14% at 105,560 head.

Domestic sheep market update

- Lamb and mutton prices bounced back on improved demand ahead of month end. In the feeder lamb market, prices remain elevated at R42.77/kg LW. At current levels, weaner lamb prices are 12% higher y/y and 11% above the 3-year average for this time of the year.

Figure 5: Lamb and mutton prices and sheep slaughter trends



*Last nine data points on figure 3a are preliminary

Table 2: Sheep producer price trends in South Africa

Date	Sheep market - South Africa					
	25-Mar-22	% Δ w/w	% Δ y/y	3-Year Avg	18-Mar-22	11-Mar-22
Class A (R/kg)	90.74	0.2%	9.4%	9.0%	90.54	89.11
Mutton (R/kg)	70.11	0.2%	7.0%	12.0%	69.96	70.04
Contract: A (*Incl. 5thQ, R/kg)	85.70	3.7%	5.0%	6.0%	82.62	84.41
Import parity (R/kg)	95.15	0.0%	25.0%	12.0%	97.55	96.77
Feeder lambs (R/kg LW)	42.77	0.5%	12.0%	11.0%	42.54	43.26

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

- US pork carcass values were slightly higher last week at US\$106.52/ cwt and this week saw further strength in prices by mid-week at US\$109.28/cwt. Meanwhile, the USDA inventory data update showed a decline of 2.3% y/y to 72.21 million head as of March 1, 2022. Breeding stocks was almost 3% lower y/y at 6.10 million head.
- In China, the recent USDA update indicates a further expansion in production as commercial farmers move to increase market share. The rapid increase in output placed downward pressure on prices which has discouraged the demand for imports of breeding stock.

Domestic pork market update

- Baconer and porker prices bounced back from the recent lows on improved uptake. Porker and baconer prices are however still way below the 2021 levels by 19% and 10% respectively but still 6% and 20% higher than the 5-year average for this time of the year.

- With feed grain prices still unrelenting at higher levels, we can expect margins to remain under pressure in the industry.

Figure 6: Pork prices and slaughter trends

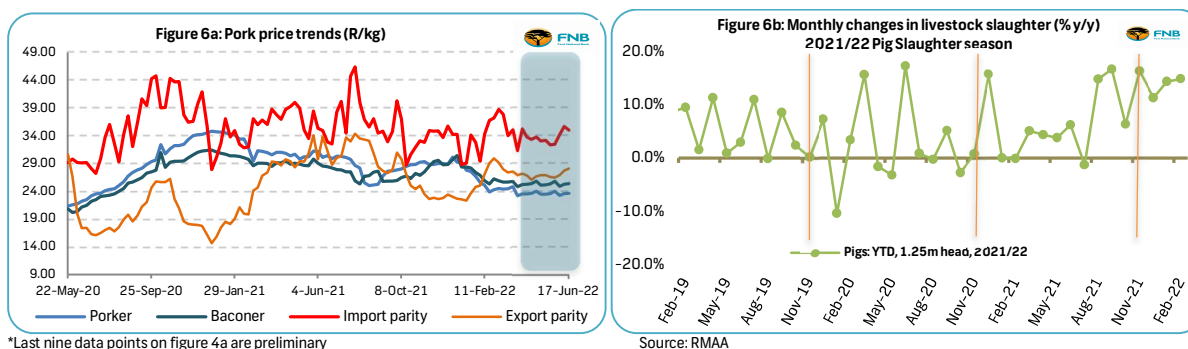


Table 3: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	25-Mar-22	% Δ w/w	% Δ y/y	3-Year Avg	18-Mar-22	11-Mar-22
Porker (R/kg)	24.85	1.5%	-19.0%	6.0%	24.49	24.41
Baconer (R/kg)	25.77	0.4%	-10.0%	20.0%	25.68	25.63
Import parity (R/kg)	35.06	3.0%	-9.7%	12.0%	34.00	37.94

Source: USDA, JSE, FNB Agric

OUTLOOK

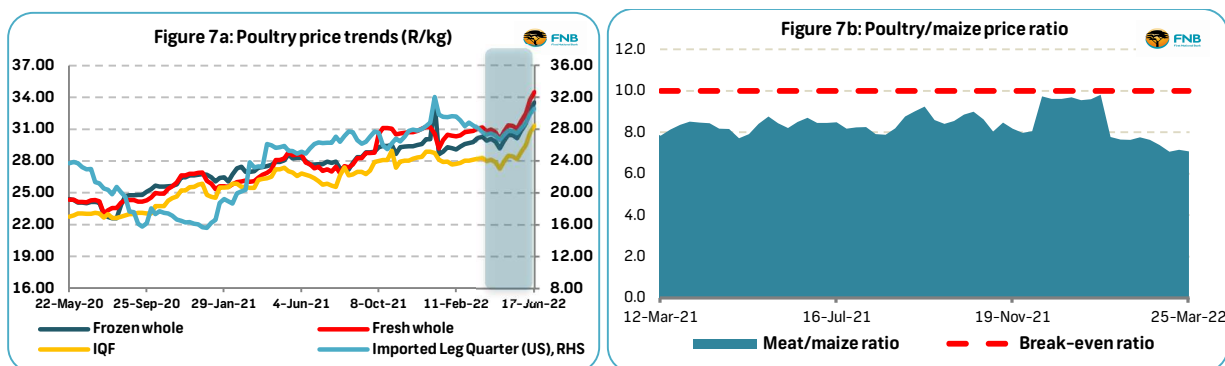
We expect prices to maintain the current momentum in the short term but with upside due to the spill over strength in the red meat complex as pork trades at a discount relative to other meat types.

Weekly poultry market update

International poultry market update

- In Brazil, the benchmark contract for difference (CFD) strengthened further to BRL7.84/kg in recent trade which is 30% higher from the pre-Russia-Ukraine war and 24% higher y/y but still off the 2021 peak of BRL8.60/kg by 9%. Brazil accounts for 125% and 32% of world production and exports respectively and it is projected to raise its exports by 2.4% y/y in 2022.

Figure 7: Poultry prices and meat/maize ratio trends

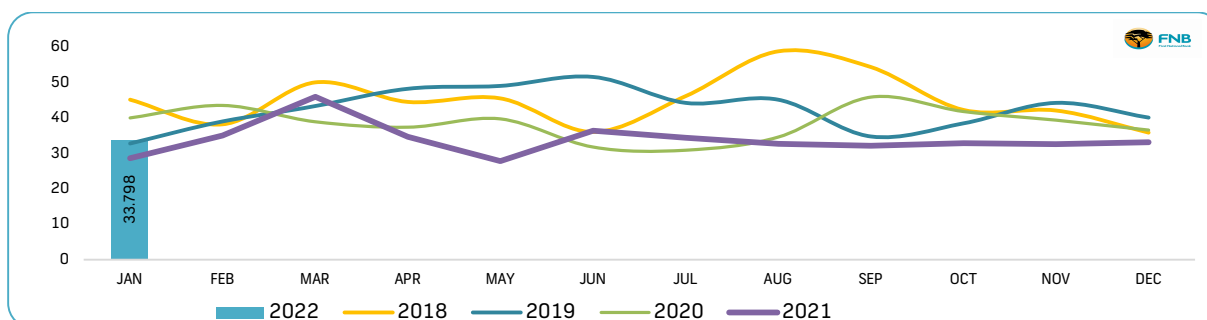


Source: FNB Agriculture, *Last nine data points on figure 5a are preliminary

Domestic poultry market update

- The weekly trend in prices was sideways to firmer across most categories in last week's trade. However, prices are over 10% higher relative to the 2021 levels which reflects the strength in the local market underpinned by resilient demand.
- Poultry imports improved further by 1.8% month-on-month (m/m) during JAN 2022 and were 18% higher relative to the same month in 2021 (see figure 8). Brazil still accounted for the largest share of almost 79% of the total SA 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					
	18-Mar-22	% Δ w/w	% Δ y/y	3-Year Avg	18-Mar-22	11-Mar-22
Fresh whole birds (R/kg)	31.04	0.6%	19.0%	9.0%	31.04	30.85
Medium Frozen whole birds (R/kg)	30.18	1.4%	12.0%	7.0%	30.18	29.77
Individually Quick Frozen (IQF) (R/kg)	28.21	0.3%	11.0%	8.0%	28.21	28.12
Import parity (R/kg)	28.13	-1.2%	21.0%	13.0%	28.13	28.48

Source: USDA, JSE, FNB Agric

OUTLOOK

- There is still room for further upside in prices across the board in the near term. There seems to be no respite on the feeding front as the relatively high maize prices lowered the meat/maize ratio recently, thus prevent it from edging above the breakeven level as illustrated in figure 7b.

Raw feed input price update

- Although showing signs of easing relative to the previous, current maize, soybean and sunflower prices remain high relative to the previous year. White maize (WMAZ) prices have dipped below the R4000/ ton recently which is down by 5.7% week-on-week (w/w) at R3,949/ t for the nearest futures. WMAZ is currently trading at a discount over its yellow counterpart. At current level, WMAZ prices are however almost 6% higher m/m.
- For yellow maize (YMAZ), prices remain sticky on the upside by almost 6% m/m although having eased lower by 5.8% w/w by mid-week at R4,107/t.
- We saw further strength in the oilseed complex with sunflower still above R10,000/ ton but off the 2022 peak of R12,259/t at R10,894/t which is 5.8% higher m/m. This is however slightly down by 2% w/w.
- Soybeans on the other hand showed some moderation with nearby futures falling by 5.4% w/w and 8% m/m.
- At current levels and if sustained, the profitability of intensive feeding system will remain under huge pressure and producers might need to cutback of future expansions (see table 6).

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

30 MAR 2022	WMAZ	change m/m	YMAZ	change m/m	SUNS	change m/m	SOY	% change m/m
May-22	R4,050	8.6%	R4,229	8.8%	R11,206	8.8%	R8,821	-5.1%
Jul-22	R4,054	8.9%	R4,241	9.2%	R11,301	9.0%	R8,918	-5.0%
Sep-22	R4,113	8.7%	R4,293	9.1%	R11,401	-	R9,018	-4.5%
Dec-22	R4,192	8.5%	R4,355	8.8%	R11,519	10.0%	R9,106	-3.9%
Mar-23	R4,200	8.4%	R4,325	7.8%	-	-	R8,680	-5.1%

Source: JSE,

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