

how can we help you?

Livestock and Fibre markets

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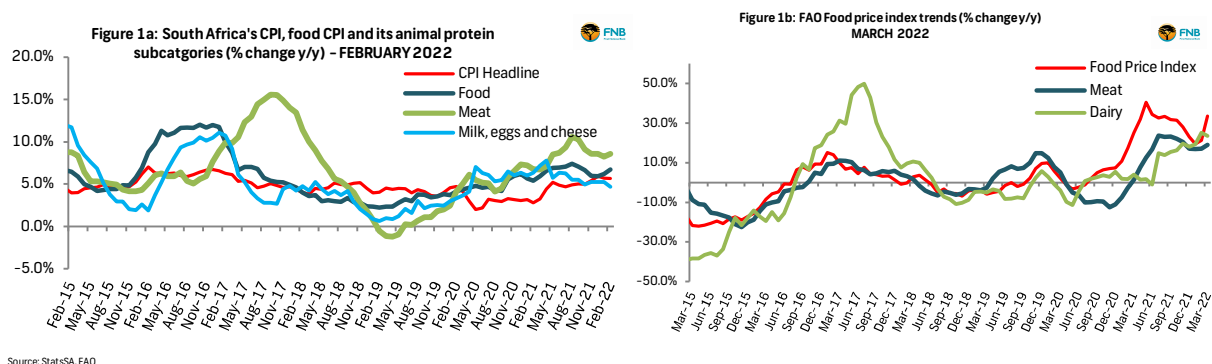


Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 14 APR 2022

UPDATE ON LIVESTOCK MARKETS

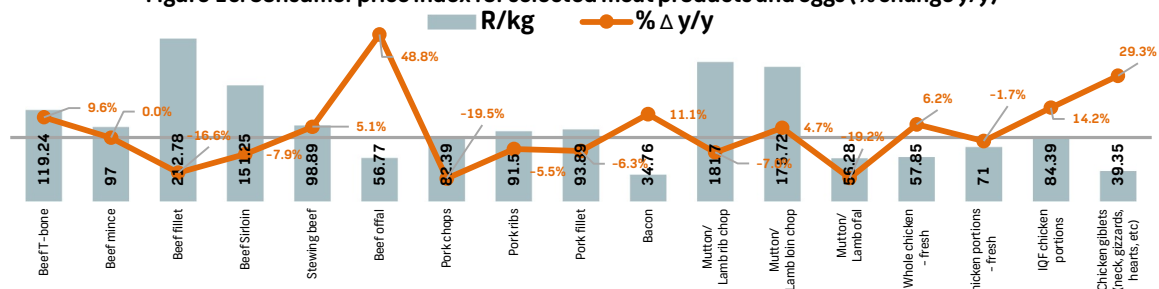
- Global food inflation as measured by the United Nation Food and Agriculture Organization (FAO) accelerated sharply to a record high since 1990 in March 2022. Averaging 159.3 points, the FAO food price index jumped 12.6% month-on-month (m/m) and 33.6% year-on-year (y/y) underpinned by gains in vegetable oils, cereals, and meat subcategories.
- In the animal protein category, the global meat subindex lifted by 4.8% m/m and 19% y/y in March 2022 underpinned by a strong rebound in pork, poultry, and bovine prices. Tight global supplies due to the combination of reduced slaughter and strong demand provided the recent upside in pig prices.
- The Foot-and-Mouth Disease (FMD) debacle in South Africa continues with latest reports indicating an arrest of one of the livestock handlers for the illegal movement of goats from the FMD-controlled zone into the free zone. The current outbreak is significant given the numbers and the provinces affected and is obviously not good news as it will have a 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 as is the case with China recently.
- On the local 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% higher y/y.

Figure 1: Food price inflation trends – February 2022 update



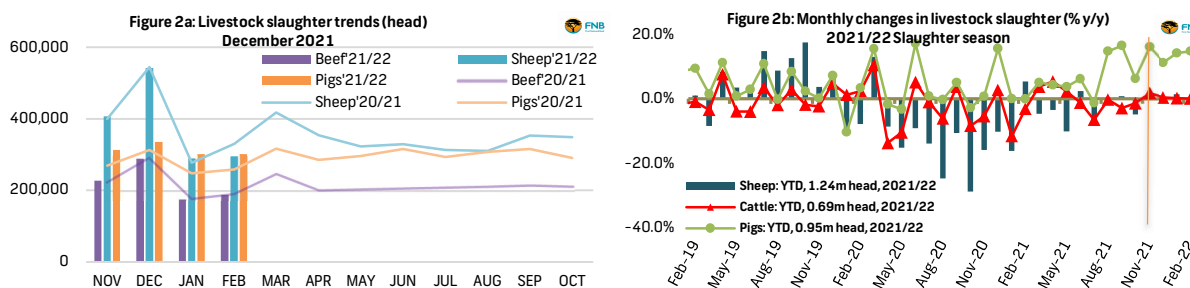
- In the beef category, fillet and sirloin prices dropped 16.6% and 7.9% respectively y/y at R212.78/kg and R151.25/kg while T-bone and stewing beef rose by 9.6% and 5.1% respectively y/y at R119.24/kg and R98.89/kg. Beef oval retained the uptrend and closed sharply higher by 48.8% y/y at R56.77/kg (figure 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).

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



Source: FAO,

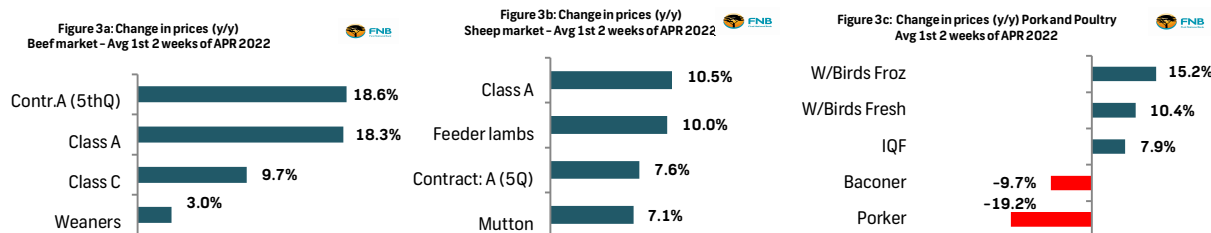
Figure 2: South Africa's livestock slaughter trends



Source: Own calculations from Red Meat Levy Admin data.

- 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 (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 9.7% and 19.2% 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.

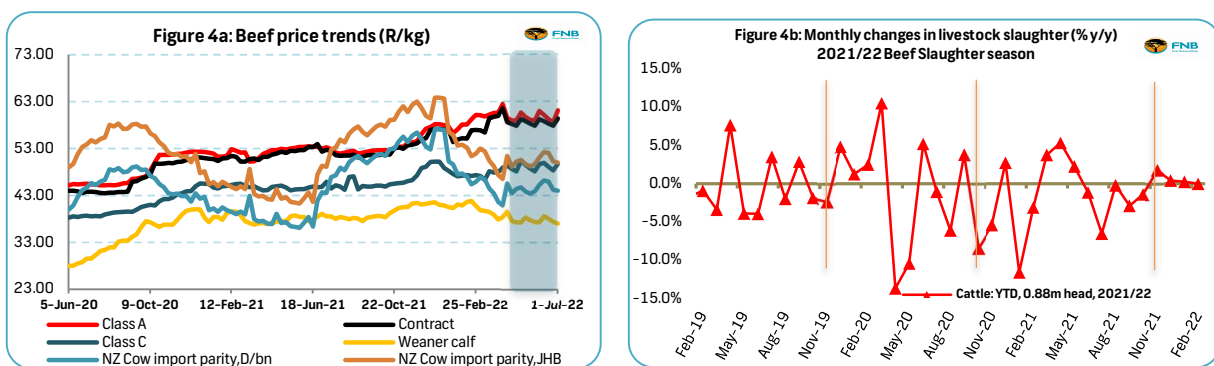
International update on beef markets

- US imported beef prices continued to soften in slow trading activity despite limited volumes from the traditional suppliers Australia and New Zealand. Trading activity was reportedly slow heading into the Easter weekend. 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:

- A surprise upswing in last week's trade despite the FMD challenge.
- In the weaner market, negative news about FMD outbreaks continued to impact negatively on demand for calves but the limited availability due to inclement weather helped keep prices a bit firmer. At R38.36/kg live weight (LW), the current weaner calf prices are however 4% 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	8-Apr-22	% Δ w/w	% Δ y/y	3-Year Avg	1-Apr-22	25-Mar-22
Class A (R/kg)	62.45	3.0%	20.0%	15.0%	60.63	60.58
Class C (R/kg)	48.89	2.1%	11.0%	10.0%	47.90	47.86
Contract: A (*Incl. 5thQ)	61.56	2.6%	20.0%	15.0%	59.98	59.70
Import parity (R/kg)	46.55	-2.0%	10.0%	3.0%	47.41	49.25
Weaner calves (R/kg LW)	38.36	1.0%	4.0%	10.0%	37.88	38.92

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

OUTLOOK

The near-term price outlook remains on the upside on good holiday demand. 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

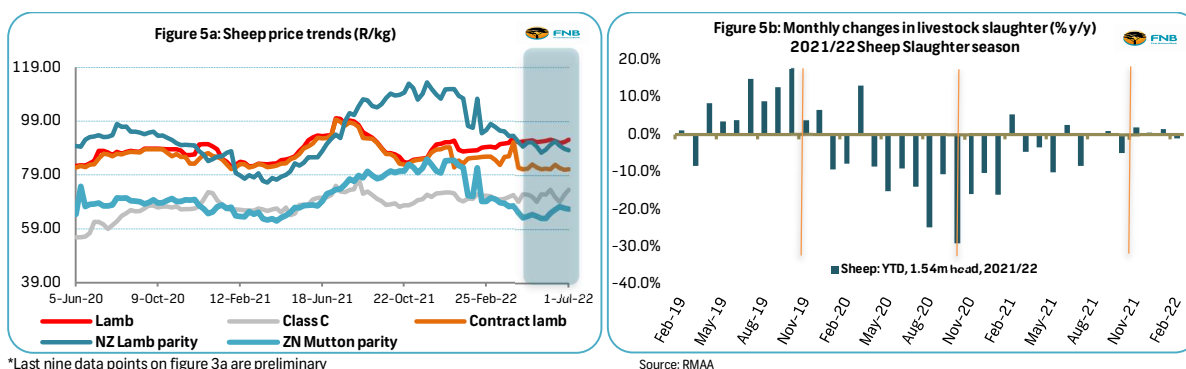
International sheep market update

- The Australian national trade lamb indicator bottomed out and strengthened on improved uptake and limited availability ahead of Easter. Lamb slaughter was reportedly at a seasonal high relative to the past two years at 394,712 head which brought the cumulative YTD number to 4.86 million head.

Domestic sheep market update

- Another strength in the lamb and mutton markets on strong Easter demand. In the feeder lamb market, prices remain elevated at R42.31/kg LW but still way off the 2021 highs. At current levels, weaner lamb prices are 9% 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

Sheep market – South Africa						
Date	8-Apr-22	% Δ w/w	% Δ y/y	3-Year Avg	1-Apr-22	25-Mar-22
Class A (R/kg)	93.08	2.3%	11.6%	11.0%	90.97	90.74
Mutton (R/kg)	71.45	0.8%	7.0%	12.0%	70.86	70.11
Contract: A (*Incl.5thQ, R/kg)	91.18	6.1%	11.0%	10.0%	85.96	85.70
Import parity (R/kg)	93.46	0.0%	21.0%	8.0%	93.58	95.15
Feeder lambs (R/kg LW)	43.31	0.3%	9.0%	11.0%	43.18	42.77

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

OUTLOOK

We expect near-term prices to maintain the current momentum with a potential strength on good demand in the holidays ahead.

Weekly pork market

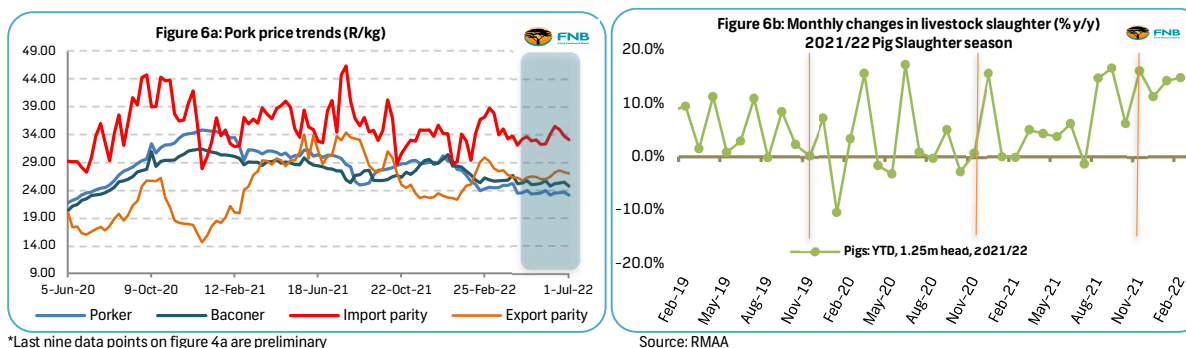
International pork market update

- US pork carcass values slowed last week to US\$104.12/ cwt on subdued demand despite a marginal contraction in volumes traded. 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.

Domestic pork market update

- Baconer and porker prices continued to post a modest rebound from the recent lows on improved uptake and the spill over strength in the meat complex. Porker and baconer prices are however still way below the 2021 levels by 19% and 8% respectively but still 7% and 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 margins to remain under pressure in the industry.

Figure 6: Pork prices and slaughter trends



*Last nine data points on figure 4a are preliminary

Table 3: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	8-Apr-22	% Δ w/w	% Δ y/y	3-Year Avg	1-Apr-22	25-Mar-22
Porker (R/kg)	25.27	1.4%	-19.0%	7.0%	24.91	24.85
Baconer (R/kg)	26.78	3.8%	-8.0%	24.0%	25.81	25.77
Import parity (R/kg)	33.83	2.0%	-8.4%	8.0%	33.33	35.06

Source: USDA, JSE, FNB Agric

OUTLOOK

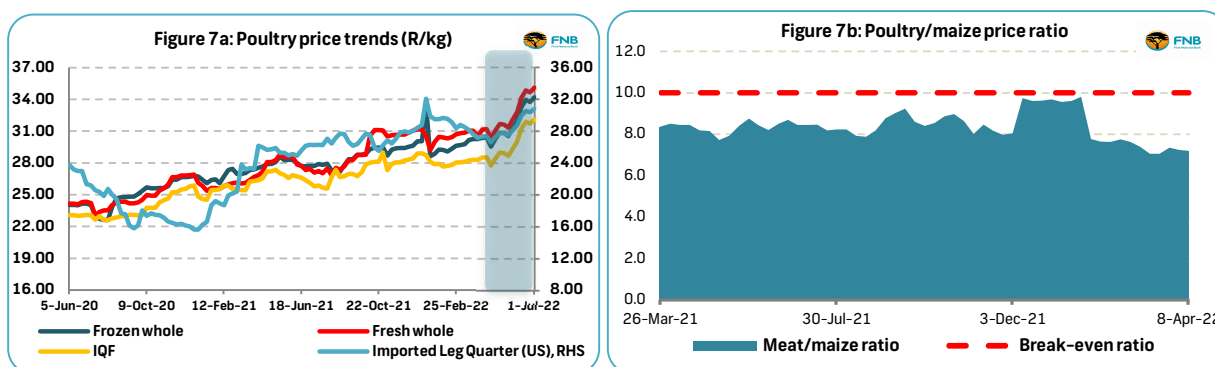
We expect prices to maintain the current momentum in the short term but with further upside due to the spill over strength in the red meat complex as pork trades at a discount relative to other meat types.

Weekly poultry market update

International poultry market update

- In Brazil, the benchmark contract for difference (CFD) strengthened further to BRL8.14/kg in last week's trade which is almost 40% higher than the 2022 low and pre-Russia-Ukraine war. At current level, the CFD is 29% higher y/y but still off the 2021 peak of BRL8.60/kg. Using the 5-year average to 2021, Brazil accounts for 14% and 31% of world production and exports respectively and it is projected to raise its exports by 9% y/y in 2022 according to the USDA estimates.

Figure 7: Poultry prices and meat/maize ratio trends

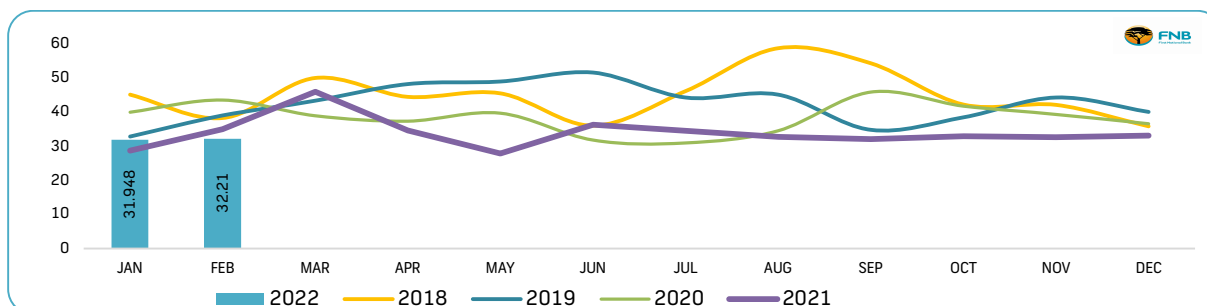


Source: FNB Agriculture, *Last nine data points on figure 5a are preliminary

Domestic poultry market update

- The weekly trend in prices a bit on the upside across most categories in last week's trade. However, prices are mostly over 10% higher relative to the 2021 levels which reflects the strength in the local market underpinned by resilient demand.
- Poultry imports showed a contraction of 2.7% m/m in February 2022 at 32,869 tons. However, the broiler component came in at 32,214 tons which is marginally higher by 0.8% m/m but still down by 8.1% y/y (see figure 8). Brazil still accounted for the largest share of almost 78% 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					
	8-Apr-22	% Δ w/w	% Δ y/y	3-Year Avg	25-Mar-22	18-Mar-22
Fresh whole birds (R/kg)	31.18	2.1%	16.0%	9.0%	31.04	31.04
Medium Frozen whole birds (R/kg)	30.38	0.4%	10.0%	7.0%	30.27	30.18
Individually Quick Frozen (IQF) (R/kg)	28.53	0.8%	8.0%	8.0%	28.30	28.21
Import parity (R/kg)	27.35	0.6%	5.0%	5.0%	27.61	28.13

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 it continues to fall further away from the breakeven level as illustrated in figure 7b.

Raw feed input price update

- Although showing signs of easing relative to the previous month, the current maize, soybean, and sunflower prices remain high relative to the previous year. White maize (WMAZ) prices are now back above the R4000/ ton recently but still trading at a discount over its yellow counterpart.
- For yellow maize (YMAZ), prices remain elevated by 0.6% m/m by mid-week at R4,305/t.
- In the oilseed complex, sunflower still above R10,000/ ton but off the 2022 peak of R12,259/t at R11,046/t which is down 5.5% m/m.
- Soybeans on the other hand showed some moderation with nearby Jul22 and Sep22 futures easing by 0.5% and 0.6% m/m respectively.
- 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)

14 APR 2022	WMAZ	change m/m	YMAZ	change m/m	SUNS	change m/m	SOY	% change m/m
Jul-22	R4,175	2.3%	R4,305	0.6%	R11,046	-5.5%	R9,177	-0.5%
Sep-22	R4,221	2.1%	R4,350	0.4%	R11,087	-6.4%	R9,248	-0.6%
Dec-22	R4,311	2.0%	R4,428	0.9%	R11,247	-5.3%	R9,360	-0.7%
Mar-23	R4,327	2.5%	R4,410	1.3%	-	-	R8,400	-7.0%
Jul-23	R4,190	3.0%	R4,230	5.8%	-	-	-	-

Source: JSE,

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