

how can we help you?

Livestock and Fibre markets

Brought to you by **FNB Business**

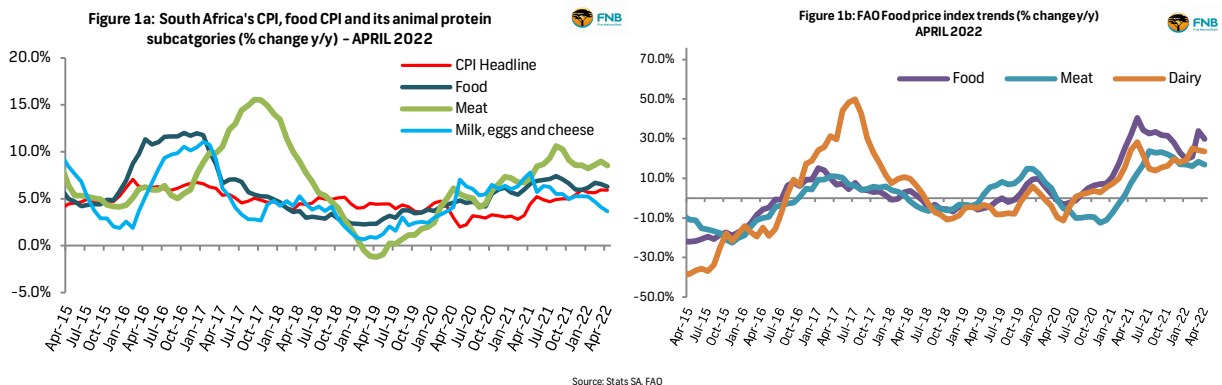


Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 25 MAY 2022

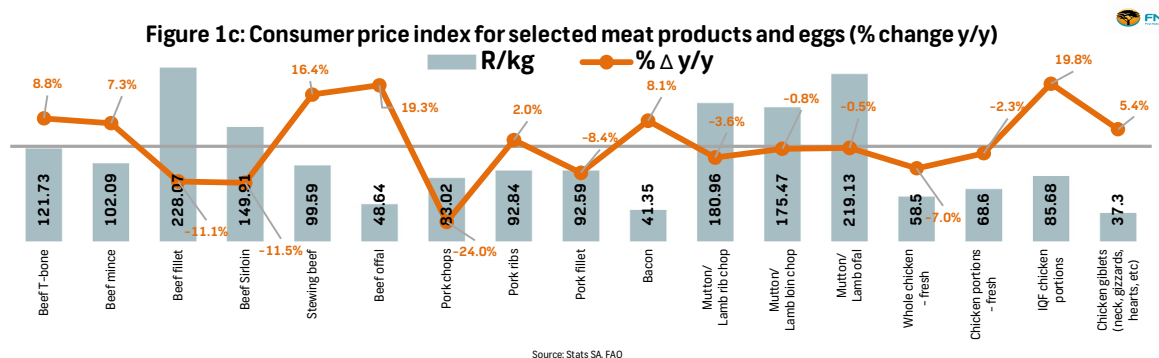
UPDATE ON LIVESTOCK MARKETS

- Latest developments on the global meat market are that both the US and Australia ramped up their feedlot placements in 2022. US cattle numbers on feed rose by 2% year-on-year (y/y) as of May 1, 2022, while that of Australia jumped by 9.5% y/y in the first quarter of 2022 which reflects confidence in the sector in a challenging global environment.
- For the US, the relatively poor production conditions due to dryness forced producers to offload stock thus boosting availability for the feedlot markets. Although attractive, feeder margins have not been great due to high feed costs.
- The continued Covid-19 challenges in China with the current outbreak being a record for Beijing while the city of Shanghai has been on lockdown for over a month poses a threat to world meat demand in the near term. China accounts for 32%, 7%, and 32% of world beef, chicken, and pork meat imports respectively.
- On the domestic market, the monthly trend in meat prices still shows an uptrend across most categories except for the pork market that remains under pressure with average prices for the three weeks of May 2022 falling by 9.8% and 4% y/y for porkers and baconer respectively. These trends are illustrated in figures 4a to 4c.
- Consequently, the latest Statistics South Africa's consumer price inflation (CPI) update showed the meat CPI jumped 1% month-on-month (m/m) in April 2022 from 0.7% in the previous month but decelerated to 8.5% y/y from a five-month high of 9% in March. It appears the Foot-and-Mouth Disease (FMD) impact failed to make a significant dent on prices as they remain elevated relative to last year.
- The overall CPI remained steady at 5.9% y/y while its food subcomponent decelerated to 6.3% y/y in April 2022 led by a slowdown in meat, milk, eggs and cheese, as well as the vegetables categories (figure 1a).

Figure 1: Food price inflation trends – APRIL 20221 update



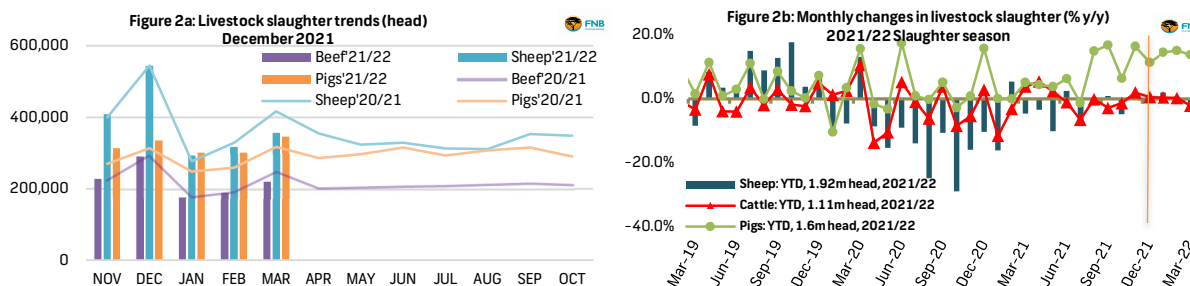
- Globally, food inflation as measured by the United Nation Food and Agriculture Organization (FAO) surprised on the downside, falling by 0.8% month-on-month (m/m) in April 2022 after posting a record monthly increase of 13.2% in March. Averaging 158.5 points, the FAO food price index decelerated to 29.8% year-on-year (y/y) from 33.9% y/y underpinned by losses in vegetable oils and cereals (figure 1b). Although still elevated at a new record high of 121.92 points, the global meat subindex decelerated to 2.2% m/m and 16.8% y/y in April 2022 from 5.1% m/m and 18.4% y/y in March.
- A drilldown into the various meat products shows declines in sheep meats relative to last year with stewing beef and beef offal posting the biggest increases of 16.4% and 19.3% y/y respectively. In the pork category, pork chops and pork fillet fell by a whopping 24% and 8.4% y/y (figure 1c).



Livestock slaughter on the rebound

- The pace of cattle, sheep, and pig slaughter increased by 16%, 12.3%, and 14.7% respectively m/m during April 2022. The cumulative YTD cattle and sheep slaughtered were however down by 2.1% and 15% y/y at 1.11 million and 356,277 head respectively. Pigs were the exception with the cumulative YTD slaughter number up by a whopping 13.7% y/y at 1.6 million head.

Figure 2: South Africa's livestock slaughter trends



Source: Own calculations from Red Meat Levy Admin data.

- On the global front, the US posted modest gains in beef exports for the YTD (MAR) with a total of 353,852 tonnes, which is 6% higher y/y. Korea, Japan, and China (+HK) were the biggest destinations with shares of 21.3%, 20.4%, and 17.6% respectively. However, China posted the biggest increase of 36% y/y while shipments to Japan were 4% down on last year.
- US pork exports on the other hand saw a sharp contraction of 20% y/y for the YTD at 629,928 tonnes led by Mexico, China, and Japan which collectively accounted for 70% of the total with shares of 39%, 17%, and 14% respectively. However, China and Japan procured 56% and 13% respectively less pork from the US in 2022 while Mexico saw a 30% y/y jump in quantity imported.
- The main market for the US lamb and mutton is Mexico which accounts for 91% of the total and it is followed by the Caribbean at 5% share of the total while the rest are less 5%.

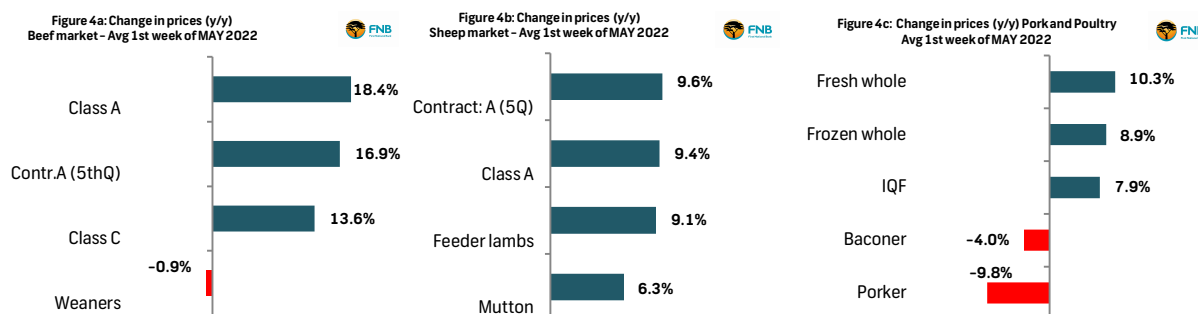
Figure 3: US meat exports – top destinations



Source: USMEF,

- The world's biggest lamb and mutton exporters are Australia and New Zealand which collectively accounted for 66% of total with shares of 36% and 30% respectively of total exports in 2020. AU exports for the YTD were up 6% y/y with large destinations being China and the US with shares of 23% and 20% respectively. Although China remains the dominant market, its volumes of imported AU lamb and mutton fell by 23% y/y.

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



Source: Own calculations from FNB AgriComms.

International update on beef markets

- Slow trading activity on the US import market together with higher volumes helped place downward pressure on prices. A combination of heavy supplies and softer domestic prices added to the weaker tone on the import market. US whole beef prices have already fallen by over 18% y/y in last week's trade.

Domestic beef market update:

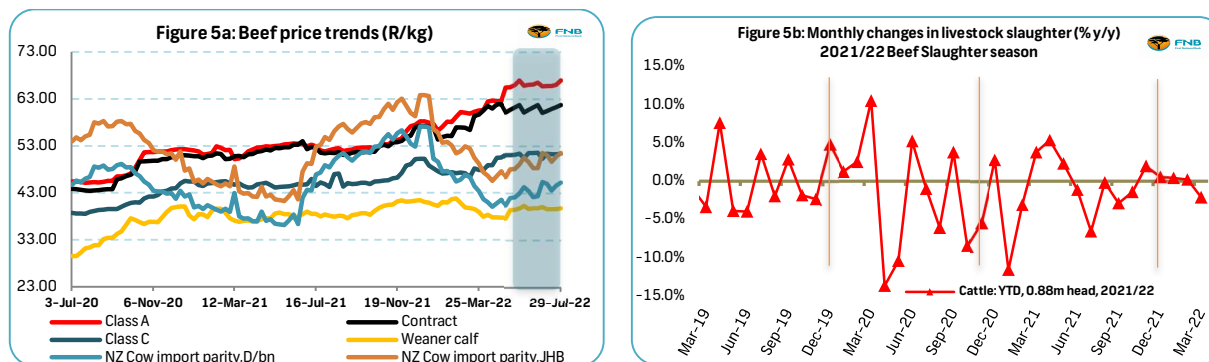
- Beef saw midmonth lows as demand contracted across most categories.
- Weaner calf prices continued to trend below the peak of over R40/kg live weight (LW) earlier in the year at R37.80/kg live weight (LW). The current weaner calf prices are 2% lower y/y but still 10% above the three-year average for this time of the year.

Table 1: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	20-May-22	% Δ w/w	% Δ y/y	3-Year Avg	13-May-22	6-May-22
Class A (R/kg)	62.08	-2.3%	17.0%	16.0%	63.57	65.50
Class C (R/kg)	49.36	-3.6%	12.0%	13.0%	51.18	51.18
Contract: A (*Incl.5thQ)	60.60	-0.2%	15.0%	16.0%	60.73	60.21
Import parity (R/kg)	45.96	0.0%	11.0%	3.0%	45.83	46.20
Weaner calves (R/kg LW)	37.80	-1.0%	-2.0%	10.0%	38.35	37.72

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

Figure 5: Beef prices and cattle slaughter trends



*Last nine data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

OUTLOOK

Increased availability due to seasonal weaning will continue to limit further upside in the weaner market. Subdued winter demand will place downward pressure on beef prices in the medium term. Meanwhile, there is no respite on the feeding front as the elevated raw feed input prices continue to pose upside risk to feed costs.

Weekly summary of the sheep market

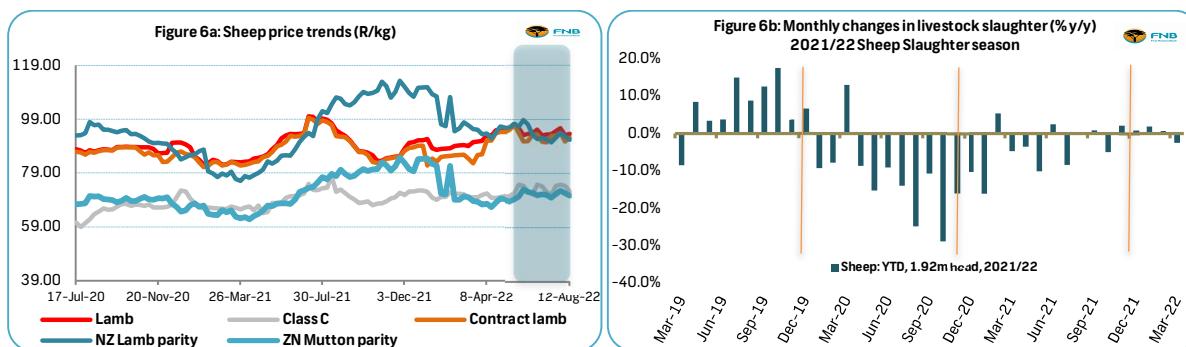
International sheep market update

- The Australian national trade lamb indicator rebounded last week on improved demand and limited supplies for the slaughter market. NZ experienced a similar trend with slaughter lamb tightening on slight improvement in conditions.

Domestic sheep market update

- Unlike beef, lamb and mutton markets closed firmer on resilient demand amid tight volumes.
- The feeder lamb market saw further gains at R48.57/kg LW. At current levels, weaner lamb prices are 1% higher y/y and 11% 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: Red Meat LevyAdmin

Table 2: Sheep producer price trends in South Africa

Sheep market – South Africa						
Date	20-May-22	% Δ w/w	% Δ y/y	3-Year Avg	13-May-22	6-May-22
Class A (R/kg)	97.18	1.6%	8.7%	11.0%	95.63	95.18
Mutton (R/kg)	71.80	1.5%	6.0%	12.0%	70.72	70.59
Contract: A (*Incl. 5thQ, R/kg)	96.90	1.8%	9.0%	11.0%	95.18	94.23
Import parity (R/kg)	97.48	2.0%	17.0%	9.0%	95.99	95.95
Feeder lambs (R/kg LW)	48.57	2.5%	1.0%	11.0%	47.38	45.63

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

OUTLOOK

Subdued seasonal demand associated with the winter months will place downward pressure on the market in the medium term.

Weekly pork market

International pork market update

- With the braai season on the horizon, US pork futures posted some gains on good demand prospects. Nonetheless, the pork cutout values were still 12% below the 2021 levels while the YTD number of pigs slaughtered fell by 5% y/y at an estimated 48.69 million head.

Domestic pork market update

- There was some resilience in the baconer and porker market after a bumpy ride earlier in the year. Porker and baconer prices are however still way below the 2021 levels by 10% and 3% respectively but still 16% and 29% higher than the 5-year average for this time of the year.
- This is a good development for this market as unrelenting feed grain prices have been hard on producer margins.

Figure 7: Pork prices and slaughter trends

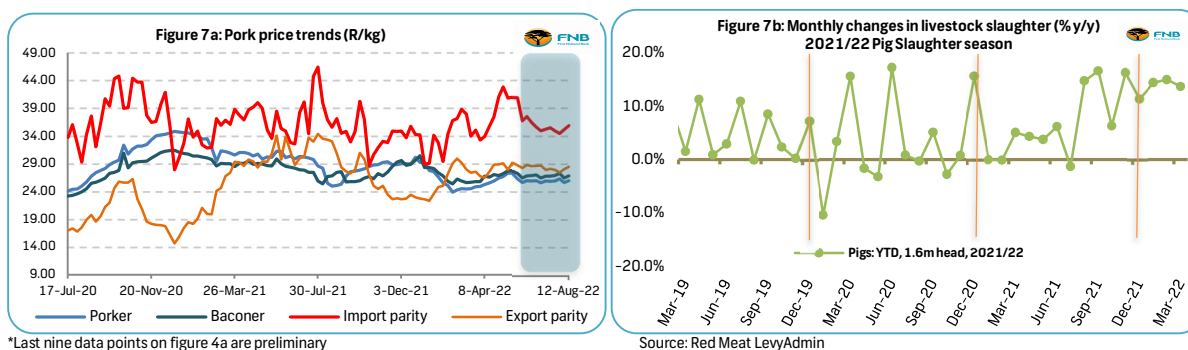


Table 3: Pig producer prices and slaughter trends

Pork market - South Africa						
Date	20-May-22	% Δ w/w	% Δ y/y	3-Year Avg	13-May-22	6-May-22
Porker (R/kg)	27.33	-0.2%	-10.0%	16.0%	27.38	26.69
Baconer (R/kg)	27.80	0.3%	-3.0%	29.0%	27.72	27.18
Import parity (R/kg)	41.04	0.0%	22.4%	31.0%	40.88	42.89

Source: USDA, JSE, FNB Agric

OUTLOOK

We expect prices to maintain the current momentum in the short term on moderation in volumes.

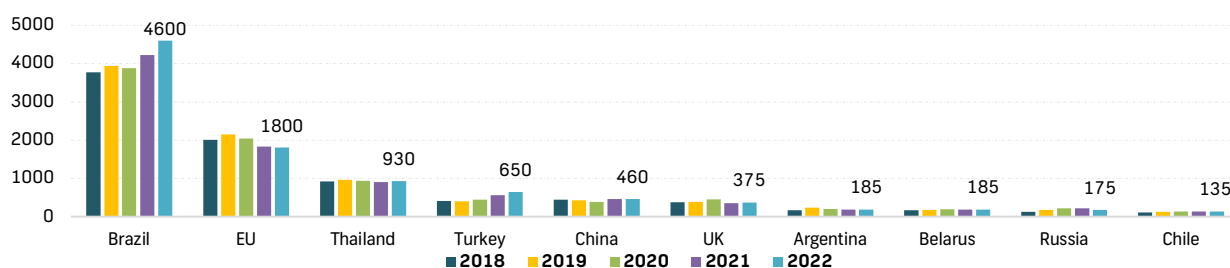
Weekly poultry market update

International poultry market update

- The US mechanically separated chicken (MSC, 15-20% fat) market showed a mixed trend with the frozen category posting modest gains of 5% on the week but still down by 14% y/y. The fresh MSC category however weakened sharply by 10% on the week earlier but still 25% below the 2021 level at US48.64 cents/lb.
- In the whole bird category, US prices softened last week but still 105% higher y/y and 38% above the opening for 2022. For portions, leg quarters continued to trend sideways but still 11% and 14% respectively above last year and the Jan 2022 level.

- Meanwhile, USDA estimates show a marginal increase of 0.4% y/y in global chicken meat output for 2022. This is still a record high at 100.97 million tons with Turkey, Russia, and Brazil posting the biggest increases of 6.4%, 4.3%, and 2.4% y/y (figure 8).
- Higher feed costs have curtailed output in other areas and Brazil stands in a better position as the leading exporter to fill the void especially the loss of Ukraine and Russia whose volumes are expected to shrink by almost 20% y/y.
- Turkey and UK exports are expected to jump 15.5% and 7% respectively y/y on rebound in demand in the region as the world's second major chicken meat exporter, the EU, sees volumes falling by 2% y/y.

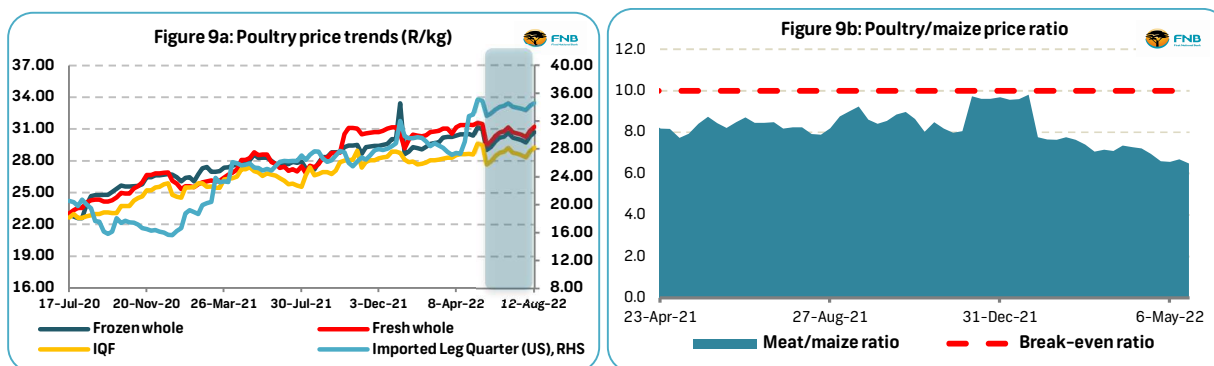
Figure 8: Global chicken meat export trends by country (000'tons)



Source: USDA.

- 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 almost 9% y/y in 2022 according to the USDA estimates.

Figure 9: Poultry prices and meat/maize ratio trends

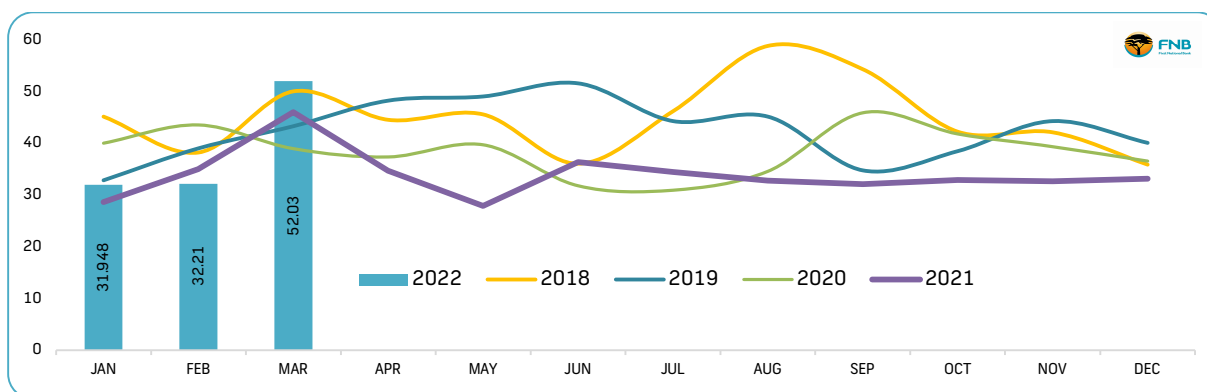


Source: FNB Agriculture, *Last nine data points on figure 5a are preliminary

Domestic poultry market update

- The local market experienced some weakness during midmonth on softer consumer demand. The weekly trend in prices was on the downside across most categories.
- However, the current fresh whole bird, frozen (medium) whole bird, and IQF portion prices are 11%, 11%, and 12% above the 2021 levels which reflects the strength in the local market underpinned by resilient demand and the relatively limited stock amid tight import volumes relative to last year.
- Poultry imports rebounded sharply in March 2022, coming in up 61.4% m/m and 9.6% y/y at 53,038 tons. The majority was still broiler meat which increased by 61.5% m/m and 13.1% y/y at 52,030 tons with a total value of R645.60 million.
- The cumulative YTD broiler imports reached 116,192 tons which is 5.9% ahead of the same period in 2021 (see figure 10) with the total value reaching R4.63 billion. Brazil still accounted for the largest share of almost 68% of the total SA imports during March 2022 with a total value of R436.60 million.

Figure 10: 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					
	20-May-22	% Δ w/w	% Δ y/y	3-Year Avg	13-May-22	6-May-22
Fresh whole birds (R/kg)	31.48	-0.3%	10.0%	11.0%	31.59	31.37
Medium Frozen whole birds (R/kg)	30.96	-0.6%	10.0%	11.0%	31.15	30.39
Individually Quick Frozen (IQF) (R/kg)	29.51	-0.4%	10.0%	12.0%	29.63	28.60
Import parity (R/kg)	34.91	-0.5%	38.0%	25.0%	35.09	32.95

Source: USDA, JSE, FNB Agric

OUTLOOK

- 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 9b. The recent rand weakness is likely to provide some support for the local market as it makes imports a bit expensive.

Raw feed input price update

- There has not been any respite on the feeding front as raw input prices remain elevated. White maize (WMAZ) prices are still trending above the R4,500/ ton recently but still trading at a discount over its yellow counterpart, which is trading above R4,600/ ton.
- Yellow maize (YMAZ) nearby futures prices began this week a stronger note, rising by almost 0.9% m/m at R4,607/ ton with the rest of the contracts increasing by over 1% m/m across the board. In the oilseed complex, sunflower futures are still above R10,000/ ton but off the 2022 peak of R12,259/t and marginally higher m/m (table 5).
- Soybeans eased of the highs, but the nearby Jul22 and Sep22 futures have both increased by 3% m/m at R9,147/ t and R9,260/ t.
- At current levels and if sustained, the profitability of intensive feeding system will remain under huge pressure and producers might need to cut back on future expansions (see table 5).

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

10 MAY 2022	WMAZ	change m/m	YMAZ	change m/m	SUNS	change m/m	SOY	% change m/m
Jul-22	R4,512	1.8%	R4,607	0.9%	R10,968	0.7%	R9,147	-3.2%
Sep-22	R4,571	2.0%	R4,667	1.1%	R11,145	0.8%	R9,260	-3.0%
Dec-22	R4,664	2.1%	R4,744	1.2%	R11,318	1.0%	R9,384	-2.5%
Mar-23	R4,644	1.7%	R4,707	1.4%	R10,815	-	R9,265	-
May-23	R4,427	-	R4,422	0.7%	-	-	R8,890	1.0%

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 whatsoever nature, which you may suffer or incur by using this information.

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
Papi Moseki	Limpopo - Polokwane	061 523 1472	Papi.Moseki@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.