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Livestock and Fibre markets

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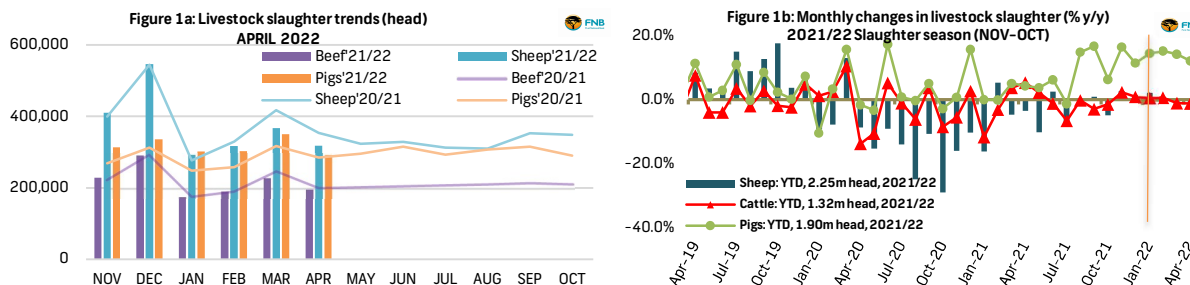


Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 02 JUNE 2022

UPDATE ON LIVESTOCK MARKETS

- The latest data on livestock slaughter in South Africa shows a massive contraction in numbers which to some extent explains the continued elevation in domestic meat prices. This saw meat inflation as reported by Statistics South Africa edging 1% higher month-on-month (m/m) and 8.5% year-on-year (y/y) in April 2022.
- The pace of livestock took a knock in April 2022 due to the combination of stock retention and holiday disruptions. Cattle, sheep, and pig slaughter fell sharply by 13.6%, 13.4%, and 16.9% respectively month-on-month (m/m) during April 2022. The revised LevyAdmin data showed that the cumulative number of cattle and sheep slaughtered for year-to Apr2022 (YTD) were down 2.5% and 6.0% respectively relative to the same period in 2021.
- Pigs however remain the exception with the cumulative YTD slaughter number increasing by a whopping 12.4% y/y at 1.90 million head. Although the April pig slaughter slowed by almost 17% m/m at 290,975 head, this was however 2% higher year-on-year (y/y) (see figure 1a and 1b).
- On the import front, we saw a reversal in trend for broiler meat with the total for April coming in 25.2% lower m/m but still 14% higher relative to the same month in 2021 at 39.68 thousand tons. The decrease was largely due to an almost 17% drop in volumes of imports from Brazil which however still enjoys the lion share of 75.3% of the total imported.
- On the pork side, pork imports posted slight gains of 1.6% m/m at 2,332 tons with total value (FOB) falling by 8.3% m/m to R78.32 million and the average prices down by almost 10% m/m. After posting a massive increase of 59% m/m in March 2022, pork exports reversed trend and fell sharply by almost 22% m/m to 775 tons. Export earnings fell by 27% m/m to R22.33 million with average product price falling by almost 7% m/m to R28.82/kg.

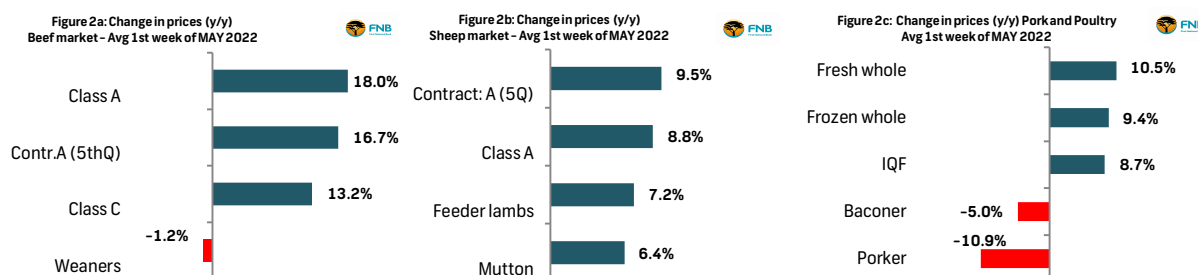
Figure 1: South Africa's livestock slaughter trends



Source: Own calculations from Red Meat Levy Admin data.

- Meanwhile, the monthly trend in meat prices during May 2022 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 5% y/y for porkers and baconer respectively. These trends are illustrated in figures 2a to 2c. The implications are that meat inflation outcomes for May will remain on the upside. However, lower seasonal demand in the near term coupled with cost pressures on the consumer following the recent spike in fuel prices might limit further upside in meat prices.

Figure 2: Changes in average weekly livestock prices (% change y/y)

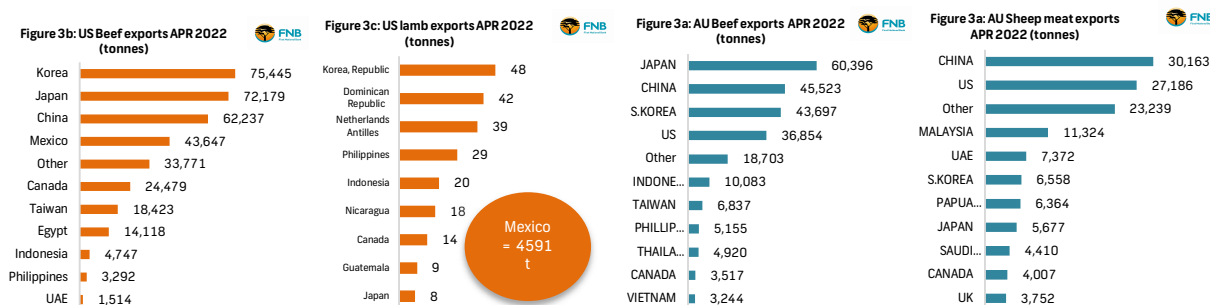


Source: Own calculations from FNB AgriComms.

Some trends on global meat exports

- Latest development on Australian exports is that the cumulative year-to-April 2022 beef (+veal) shipments fell by 12% y/y to 238,929 tonnes with major destinations such as Japan, China, South Korea, and the US falling by 13%, 2%, 14%, and 11% respectively relative to the same period in 2021 (figure 3c).
- Australian sheep meat exports for the YTD however showed some good traction and increased by 5% y/y to 130,052 tonnes with gains of 4%, 43%, 21%, and 23% respectively y/y for the US, Malaysia, the UAE, and South Korea more than offsetting a drop of 20% y/y to China which remains the top destination with a share of 23% of total (figure 3d). AU remains the world's biggest lamb and mutton exporter and accounted for 36% of total exports in 2020.
- In the earlier update by the US Meat Exporters Forum (USMEF), 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,

International update on beef markets

- Trading on the US import market was reportedly pedestrian this week due to the observance of the Memorial Holiday. This follows another week of slow activity previously with higher volumes placing downward pressure on prices.
- In Australia, the benchmark Eastern Young Cattle indicator posted strong gains on good uptake and adequate supplies. Cattle slaughter was reported up by 9,625 head week-on-week (w/w) and brought volumes to reach almost the same level as last year this time.

Domestic beef market update:

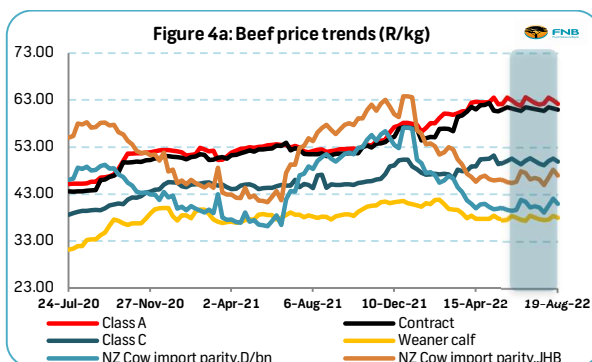
- Last week saw a marginal rebound in the beef market on better month end uptake.
- Weaner calf prices continued to trend below the peak of over R40/kg live weight (LW) earlier in the year at R37.56/kg live weight (LW). The current weaner calf prices are 2% lower y/y but still 9% above the three-year average for this time of the year.

Table 1: Beef producer price trends in South Africa

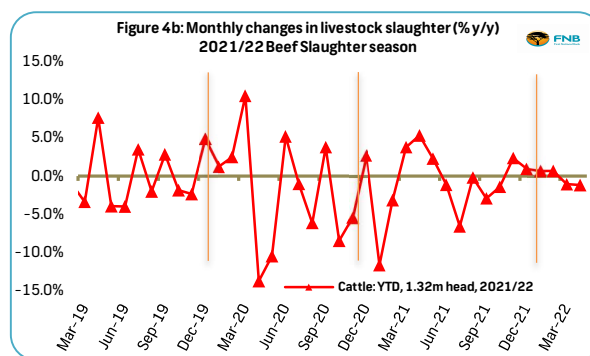
Beef producer prices: Beef market – South Africa						
Date	27-May-22	% Δ w/w	% Δ y/y	3-Year Avg	20-May-22	13-May-22
Class A (R/kg)	62.25	0.3%	17.0%	16.0%	62.08	63.57
Class C (R/kg)	49.70	0.7%	12.0%	13.0%	49.36	51.18
Contract: A (*Incl.5thQ)	61.13	0.9%	16.0%	16.0%	60.60	60.73
Import parity (R/kg)	46.09	0.0%	12.0%	2.0%	45.96	45.83
Weaner calves (R/kg LW)	37.56	-1.0%	-2.0%	9.0%	37.80	38.35

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

Figure 4: 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

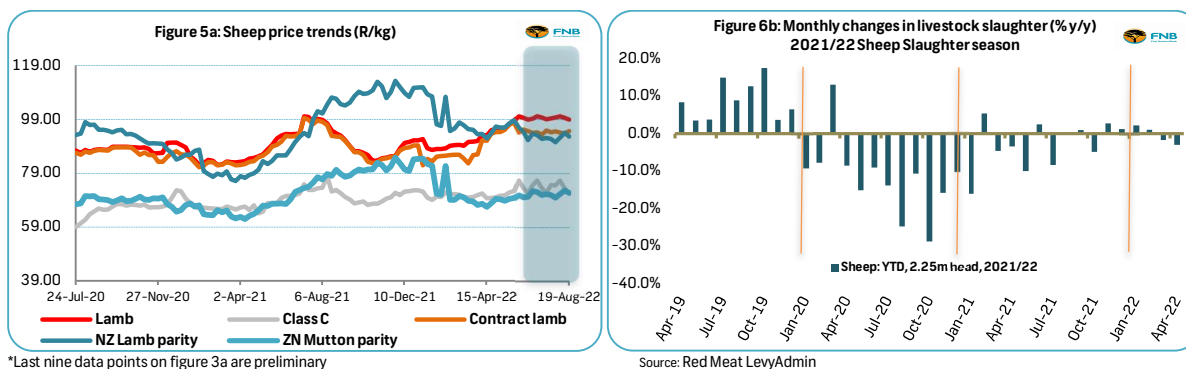
International sheep market update

- The Australian national trade lamb indicator extended gains on last week on improved demand. NZ experienced a contraction in export values across markets with the average for April reported down US\$1.18/kg to US\$12.42/kg. The contraction in volumes especially chilled product was due to the combination of limited supplies and global logistics challenges exacerbated by the Chinese lockdowns that caused delays in ports.

Domestic sheep market update

- As with beef, lamb and mutton markets closed firmer on resilient demand amid tight volumes.
- The feeder lamb market saw further gains of 2.6% w/w at R49.81/kg LW. At current levels, weaner lamb prices are 3% higher 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



*Last nine data points on figure 3a are preliminary

Table 2: Sheep producer price trends in South Africa

Date	Sheep market – South Africa					
	27-May-22	% Δ w/w	% Δ y/y	3-Year Avg	20-May-22	13-May-22
Class A (R/kg)	98.46	1.3%	7.2%	9.0%	97.18	95.63
Mutton (R/kg)	72.36	0.8%	6.0%	12.0%	71.80	70.72
Contract: A (*Incl. 5thQ, R/kg)	97.89	1.0%	9.0%	10.0%	96.90	95.18
Import parity (R/kg)	98.61	1.0%	15.0%	11.0%	97.48	95.99
Feeder lambs (R/kg LW)	49.81	2.6%	3.0%	10.0%	48.57	47.38

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

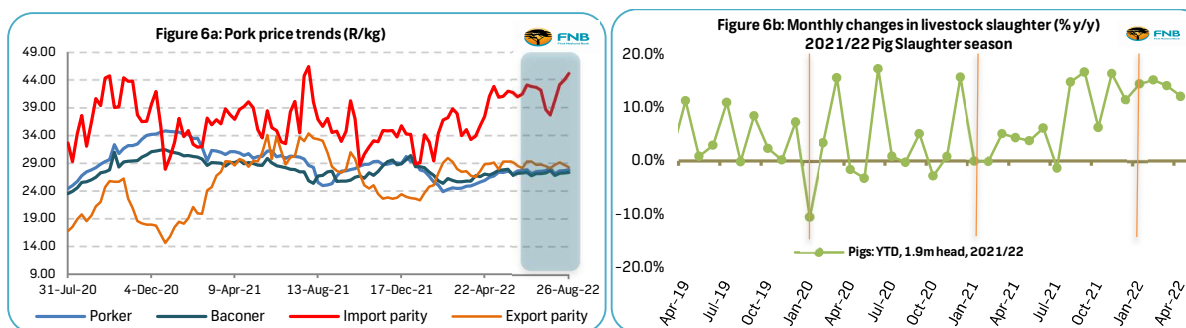
International pork market update

- With the braai season on the horizon, US pork futures posted some gains on good demand prospects. Pork cutout values were almost 4% higher w/w still 14% below the 2021 levels while the YTD number of pigs slaughtered fell by 5% y/y at an estimated 51.03 million head.

Domestic pork market update

- A further resilience in the baconer and porker market after a bumpy ride earlier in the year. This is a good development for this market as unrelenting feed grain prices have been hard on producer margins.

Figure 6: Pork prices and slaughter trends



*Last nine data points on figure 4a are preliminary

Table 3: Pig producer prices and slaughter trends

Date	Pork market – South Africa					
	27-May-22	% Δ w/w	% Δ y/y	3-Year Avg	20-May-22	13-May-22
Porker (R/kg)	27.60	1.0%	-12.0%	17.0%	27.33	27.38
Baconer (R/kg)	27.92	0.4%	-6.0%	30.0%	27.80	27.72
Import parity (R/kg)	42.01	2.0%	9.2%	34.0%	41.04	40.88

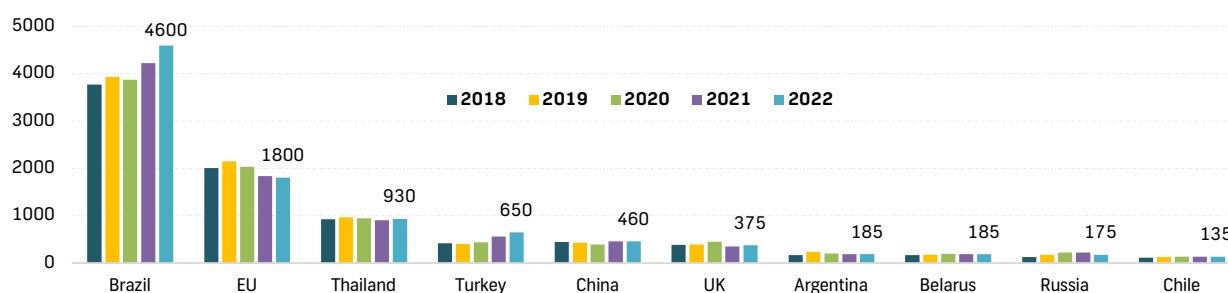
Source: USDA, JSE, FNB Agric

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 were steady to lower w/w and sharply lower by 10% and 33% respectively for the frozen and fresh categories.
- In the whole bird category, US prices steadied last week but still 92% higher y/y and 37% above the opening for 2022. For the portions category, leg quarters continued to firm w/w and still 12% and 10% 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 (fig. 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 7: Global chicken meat export trends by country (000'tons)

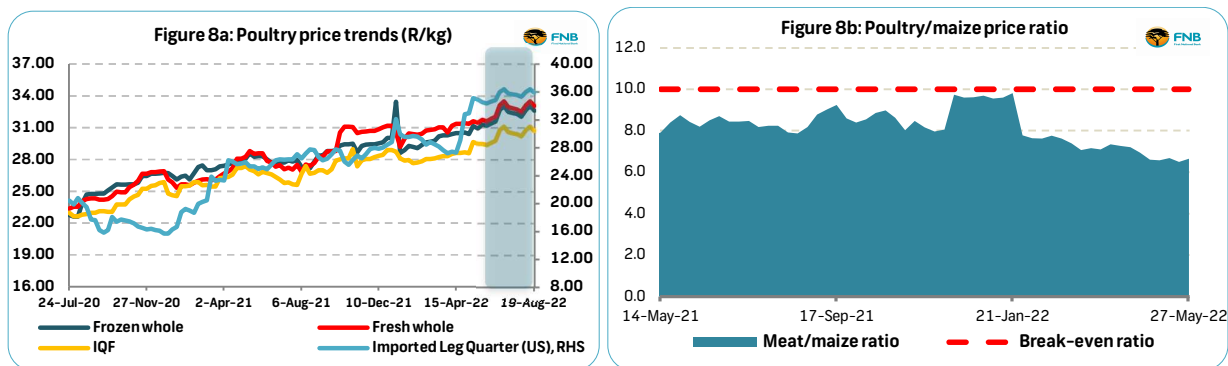
Source: USDA,

- 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.

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.

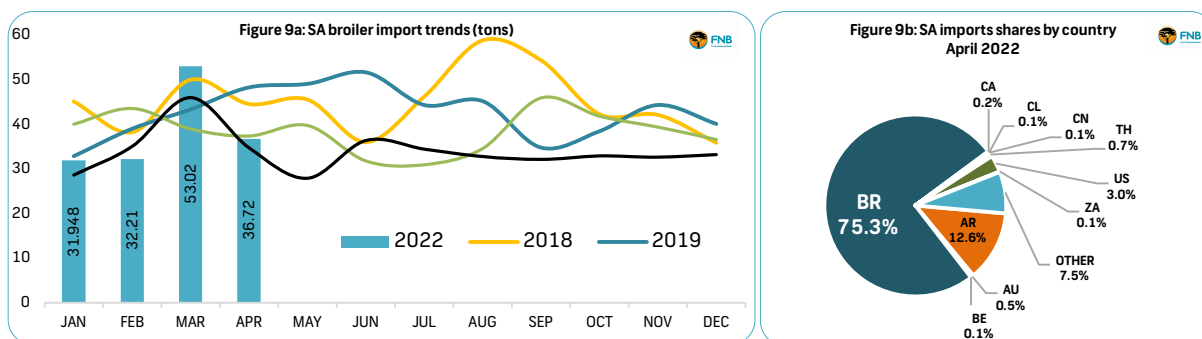
Figure 8: Poultry prices and meat/maize ratio trends



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

- Poultry imports reversed course and fell sharply by 25.2% m/m in April 2022 but still 14% ahead of last year at 39.68 thousand tons. The cumulative YTD imports were however 8% higher relative to the same period in 2021 at 155,871 tons (figure 10). Brazil still accounted for the largest share of almost 75.3% of the total SA imports during April 2022 although its volumes fell by 7.5% m/m.

Figure 9: 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					
	27-May-22	% Δ w/w	% Δ y/y	3-Year Avg	20-May-22	13-May-22
Fresh whole birds (R/kg)	31.77	0.9%	11.0%	13.0%	31.48	31.59
Medium Frozen whole birds (R/kg)	31.33	1.2%	11.0%	12.0%	30.96	31.15
Individually Quick Frozen (IQF) (R/kg)	29.51	0.0%	11.0%	12.0%	29.51	29.63
Import parity (R/kg)	34.52	-1.1%	39.0%	24.0%	34.91	35.09

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 8b. 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

- Although showing signs of easing m/m, 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 R4,400/ ton recently but still trading at a discount over its yellow counterpart, which is trading above R4,500/ ton for the Jul22 contract.

- Yellow maize (YMAZ) nearby futures prices fell by 5% m/m at R4,486/ ton with the rest of the contracts increasing by over 4.7% 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 2.7% higher m/m across the board (table 5).
- Soybeans eased further of the 2022 highs with the nearby Jul22 and Sep22 futures falling by 5.4% and 4.9% respectively m/m at R9,108/ t and R9,220/ 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)

02 JUNE 2022	WMAZ	change m/m	YMAZ	change m/m	SUNS	change m/m	SOY	% change m/m
Jul-22	R4,428	-3.7%	R4,486	-5.3%	R10,935	2.7%	R9,108	-5.4%
Sep-22	R4,490	-3.5%	R4,550	-4.9%	R11,123	2.7%	R9,220	-4.9%
Dec-22	R4,570	-3.6%	R4,630	-4.8%	R11,278	2.7%	R9,348	-4.6%
Mar-23	R4,540	-4.1%	R4,598	-4.7%	R10,815	#DIV/0!	R9,070	-6.4%
May-23	R4,335	-3.0%	R4,329	-4.8%	R0	#DIV/0!	R8,300	-6.6%

Source: JSE.

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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

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