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# Livestock and Fibre markets

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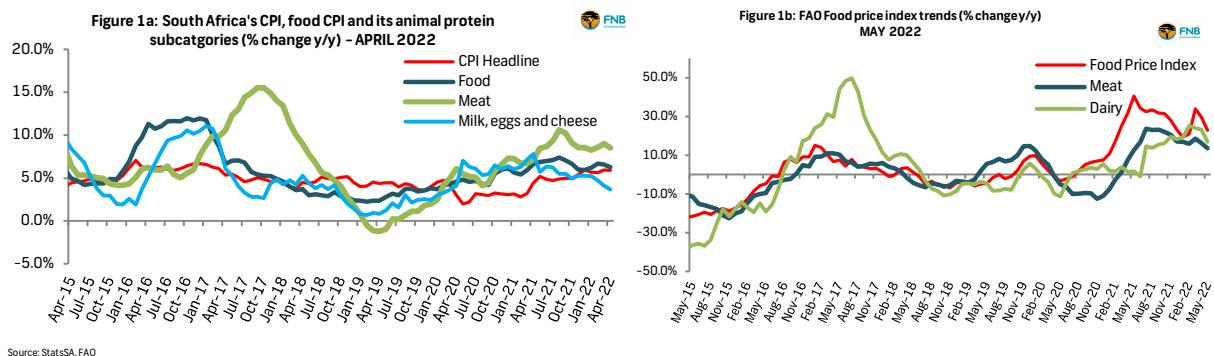


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## UPDATE ON LIVESTOCK MARKETS

- The Food and Agriculture Organization (FAO) of the United Nations recently provided an update on the global food price inflation in this time of crisis. The May 2022 FAO food price index decreased for the second consecutive month by 0.3% month-on-month (m/m) and decelerated by 6.8 percentage points (ppts) to 22.8% year-on-year (y/y). Although still elevated above 20% y/y, global food prices are showing signs of cooling off with declines in the vegetable oils, dairy, and sugar categories more than offsetting increases in meat and cereals.
- In the animal protein category, the meat price index increased by 0.5% m/m in May from 1.7% in April 2022 and although decelerating by 2.7 ppts to 13.6% y/y it reached a new record of 121.99 points. This was largely due to the strong pricing in the poultry category due to the combination of avian flu outbreaks in Europe, the continued Russia-Ukraine war-induced supply chain disruptions, and strong demand from Europe and Asia.
- Meanwhile, France has reportedly removed avian influenza (AI) restrictions imposed earlier following the outbreaks which saw a depopulation of 16 million birds. This follows the reduced AI incidences with only four reported on farms since then and no cases from mid-May 2022.
- Domestically, the meat price inflation as reported by Statistics South Africa in its May update showed elevated trend after jumping 0.7% m/m and was close to the 2021 highs (9.1% to 10.6% y/y) recorded during August to October at 9% y/y in April 2022.
- Our analysis of the monthly trend in meat prices during May 2022 still showed an uptrend across most categories except for the pork market that remains under pressure with average prices for May 2022 falling by 10% and 5% y/y for porkers and baconer respectively. This trend continued into June as illustrated in figures 2a to 2c.

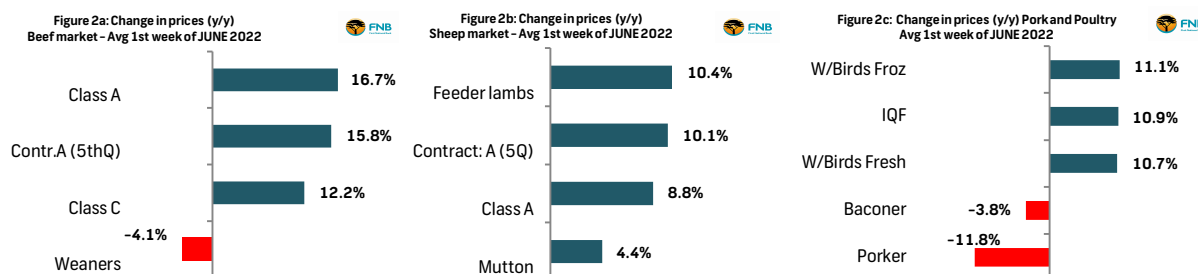
**Figure 1: Food price inflation trends**



Source: StatsSA, FAO

- The implication of this strong price trend is 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)**

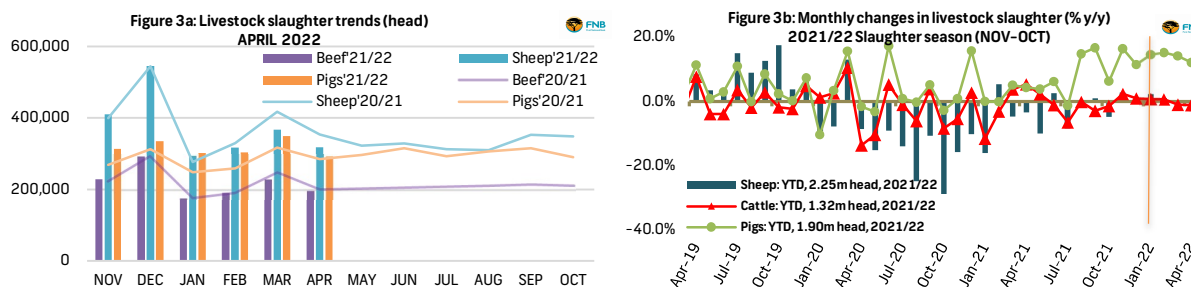


Source: Own calculations from FNB AgriComms.

### Livestock contracts sharply in April 2022

- 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 3a and 3b).

**Figure 3: South Africa's livestock slaughter trends**



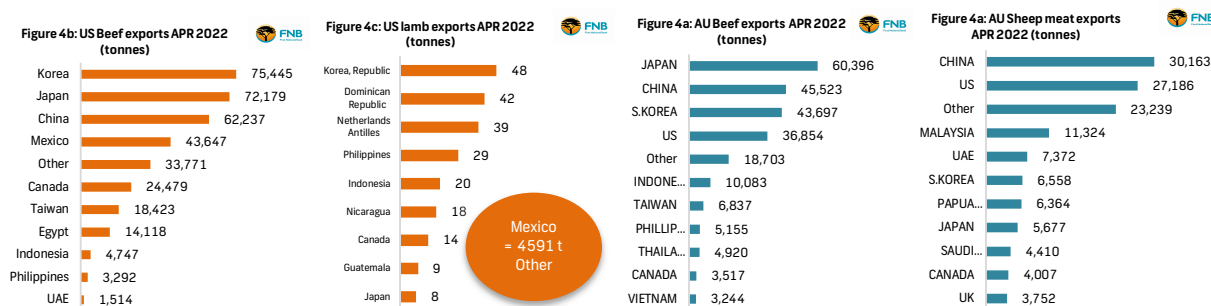
Source: Own calculations from Red Meat Levy Admin data.

### 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 4c).
- 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 4: US meat exports – top destinations



Source: USMEF,

### International update on beef markets

- The update on the US import market showed moderate price gains in a slow trading week on limited demand. Gains were however limited as weakness on the domestic market amid heavy supplies pressured the market. Inflationary pressures due to higher energy prices continue to hurt demand and could soon see prices relenting if the trend is sustained for a bit longer.
- In the US cattle market, the CME Feeder Cattle Index closed firmer by 0.7% on the week and was 9.4% higher y/y at US\$154.29/cwt.
- US processors last week slaughtered 6.4% less cattle at 603 thousand head but were still 11% ahead of last year according to the USDA. This brought the cumulative YTD cattle slaughter to 14.24 million head, up 1.1% y/y.

### Domestic beef market update:

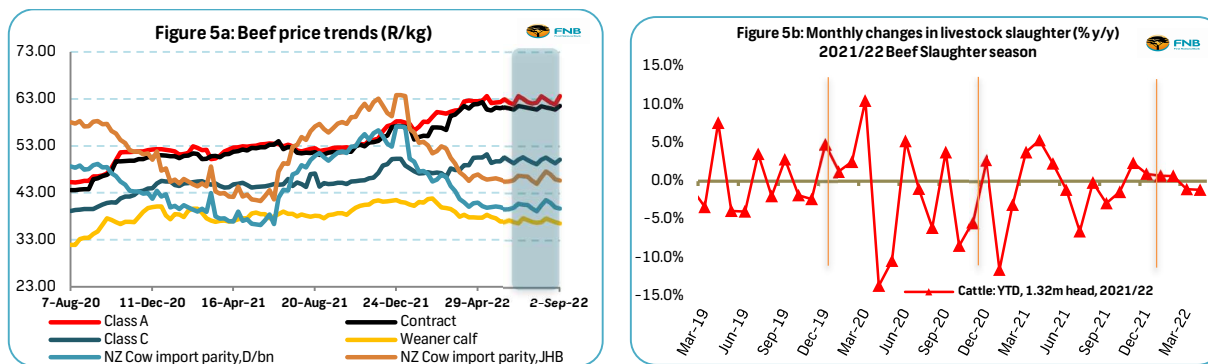
- Last week saw a sideways trend in the beef market but prices were above 13% across the board relative to the 2021 levels.
- Weaner calf prices continued to trend way below the peak of over R40/kg live weight (LW) earlier in the year, weakening further on the week by 2% to R36.89/kg live weight (LW). The current weaner calf prices are 4% lower y/y but still % 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	3-Jun-22	% Δ w/w	% Δ y/y	3-Year Avg	27-May-22	20-May-22
Class A (R/kg)	62.30	0.1%	17.0%	16.0%	62.25	62.08
Class C (R/kg)	49.76	0.1%	12.0%	13.0%	49.70	49.36
Contract: A (*Incl.5thQ)	61.02	-0.2%	16.0%	16.0%	61.13	60.60
Import parity (R/kg)	45.84	-1.0%	8.0%	1.0%	46.09	45.96
Weaner calves (R/kg LW)	36.89	-2.0%	-4.0%	7.0%	37.56	37.80

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

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

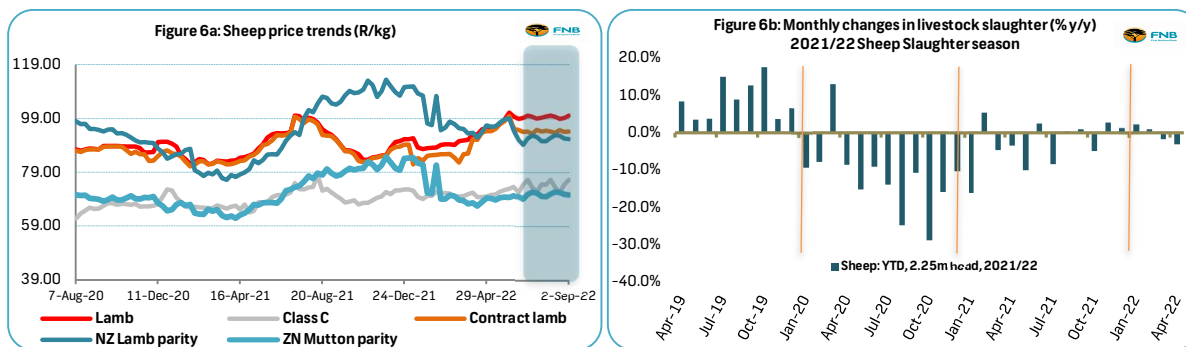
### International sheep market update

- NZ lamb supplies were reportedly abundant but the appetite for slaughter was subdued. The weekly lamb slaughter prices extended gains and the 2021/22 seasonal rebounded strongly recently, trending way above last year and the 5-year average for this time of the year. The reopening of the Chinese markets following the Covid-induced lockdowns bodes well for the rebound in demand and could see some uptick in exports.

### Domestic sheep market update

- Lamb and mutton markets retained the firmer trend in last week's trade on resilient demand amid tight volumes.
- The feeder lamb market saw further gains of 3.7% week-on-week (w/w) at R51.64/kg LW. At current levels, weaner lamb prices are 5% higher y/y and 10% 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	3-Jun-22	% Δ w/w	% Δ y/y	3-Year Avg	27-May-22	20-May-22
Class A (R/kg)	101.18	2.8%	8.8%	10.0%	98.46	97.18
Mutton (R/kg)	72.92	0.8%	4.0%	11.0%	72.36	71.80
Contract: A (*Incl. 5thQ, R/kg)	99.89	2.0%	10.0%	11.0%	97.89	96.90
Import parity (R/kg)	99.07	0.0%	16.0%	9.0%	98.61	97.48
Feeder lambs (R/kg LW)	51.64	3.7%	5.0%	10.0%	49.81	48.57

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

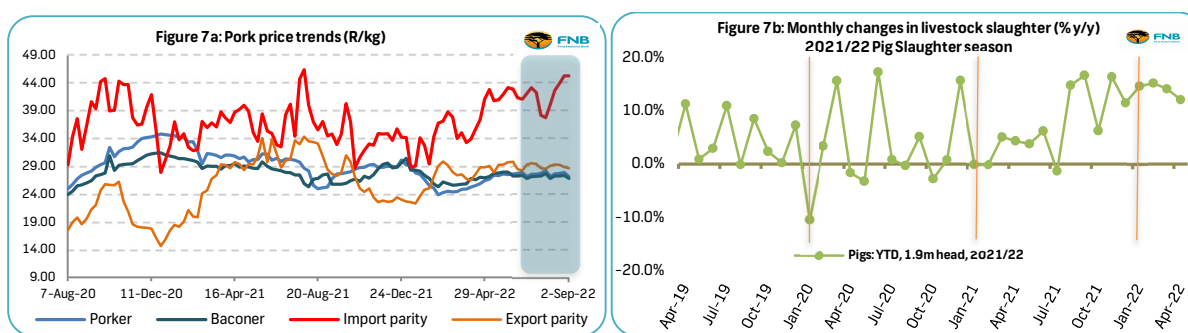
### International pork market update

- US pork futures posted further gains on good demand. Pork cutout values were 2% higher w/w but still 16% below the 2021 level. Weekly slaughter fell sharply by almost 13% w/w but still 3% higher y/y at 2.04m head. This saw the cumulative YTD number of pigs slaughtered falling by 5% y/y to an estimated 53.05 million head.

### Domestic pork market update

- Last week saw a sideways trend in the market. There are growing concerns over the relatively elevated feed grain prices as they are showing no signs of falling to reasonable levels to achieve improved profitability in the market.

**Figure 7: Pork prices and slaughter trends**



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

Source: Red Meat LevyAdmin

- On monthly imports, 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.

**Table 3: Pig producer prices and slaughter trends**

Pork market - South Africa						
Date	3-Jun-22	% Δ w/w	% Δ y/y	3-Year Avg	27-May-22	20-May-22
Porker (R/kg)	27.51	-0.3%	-12.0%	17.0%	27.60	27.33
Baconer (R/kg)	27.96	0.1%	-4.0%	30.0%	27.92	27.80
Import parity (R/kg)	43.21	3.0%	22.1%	38.0%	42.01	41.04

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

- In Brazil, the benchmark contract for difference (CFD) continued to drift lower since early March and now 7.7% lower relative opening levels for 2022 at BRL20.22/kg. Higher feed grain prices continue to provide downward pressure on prices across the globe as profit margins come under pressure.

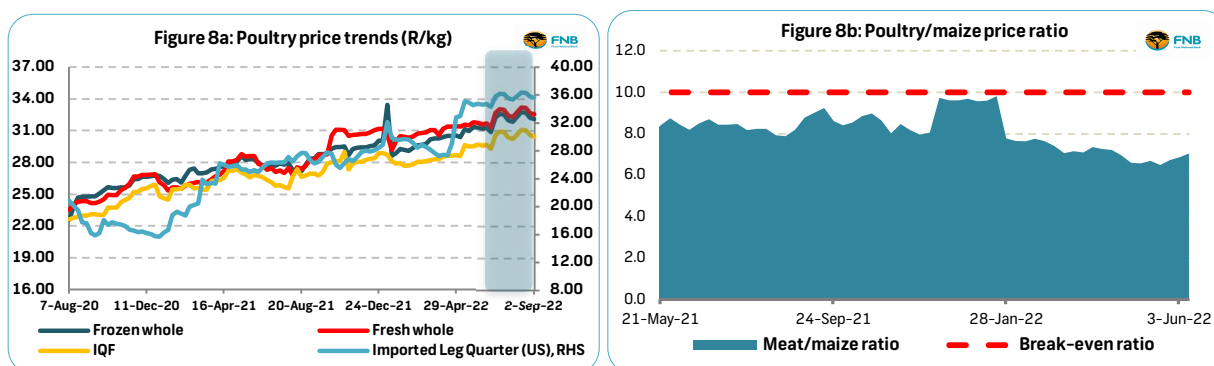


- The US mechanically separated chicken (MSC, 15–20% fat) market were mixed with 0.8% gains for the frozen category while the fresh fell by 3.1% w/w. However, the fresh and frozen categories were still 15.3% and 37% lower relative to last year.
- In the whole bird category, US prices eased lower last week but still 86% higher y/y and 37% above the opening for 2022. For the portions category, leg quarters strengthened by 2.1% w/w and was 11% and 12% higher above last year and the Jan 2022 level respectively.

### Domestic poultry market update

- The weekly trend in prices was sideways across most categories. However, the current fresh whole bird, frozen (medium) whole bird, and IQF portion prices are 11% above the 2021 levels which reflects the strength in the local market underpinned by resilient demand and the relatively limited stock.

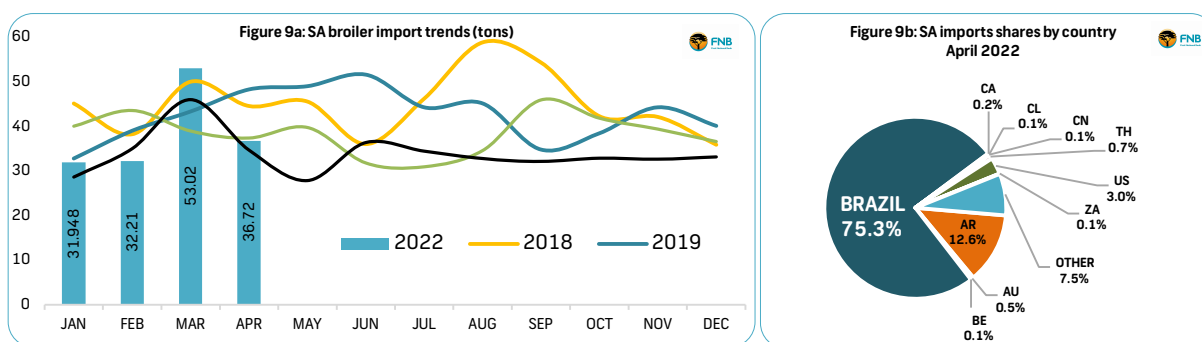
**Figure 8: Poultry prices and meat/maize ratio trends**



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 9).
- 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					
	3-Jun-22	% Δ w/w	% Δ y/y	3-Year Avg	27-May-22	20-May-22
Fresh whole birds (R/kg)	31.77	0.0%	11.0%	14.0%	31.77	31.48
Medium Frozen whole birds (R/kg)	31.33	0.0%	11.0%	12.0%	31.33	30.96
Individually Quick Frozen (IQF) (R/kg)	29.74	0.8%	11.0%	12.0%	29.51	29.51
Import parity (R/kg)	34.78	0.8%	38.0%	25.0%	34.52	34.91

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 relatively weaker rand is likely to provide some support for the local market as it makes imports a bit expensive.

### Raw feed input price update

- The latest trends show some weakness in the maize market relative to the previous month but at a relatively high level. White maize (WMAZ) prices are still trending above 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.
- Latest data showed nearby futures prices for yellow maize (YMAZ) fell by 2.2% m/m at R4,530/ ton with the rest of the contracts falling by over 1.7% m/m across the board.
- In the oilseed complex, sunflower futures remained elevated above R10,000/ ton but off the 2022 peak of R12,259/t at R10,970/t which is 4% higher m/m (table 5).
- Soybeans rebounded slightly but still off the 2022 highs with the nearby Jul22 and Sep22 futures increasing by 1.2% and 1.6% respectively m/m at R9,227/t and R9,352/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)**

08 JUNE 2022	WMAZ	change m/m	YMAZ	change m/m	SUNS	change m/m	SOY	% change m/m
Jul-22	R4,435	-1.4%	R4,530	-2.2%	R10,970	4.0%	R9,227	1.2%
Sep-22	R4,496	-1.4%	R4,597	-1.8%	R11,150	3.9%	R9,352	1.6%
Dec-22	R4,583	-1.3%	R4,669	-1.9%	R11,338	4.2%	R9,513	2.4%
Mar-23	R4,557	-2.1%	R4,638	-1.7%	R10,893	-	R9,302	0.2%
May-23	R4,294	-3.8%	R4,348	-2.9%	R10,419	-	R8,630	2.7%

Source: JSE,

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