

how can we help you?

Livestock and Fibre markets

Brought to you by **FNB Business**

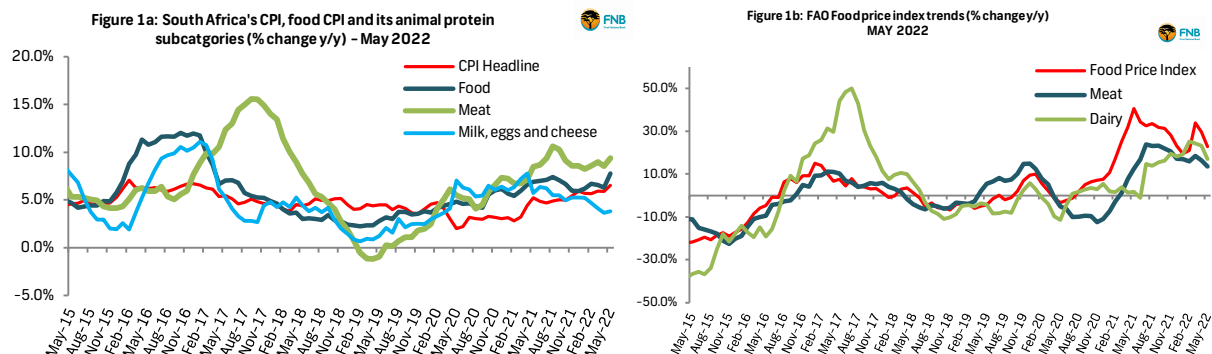


Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 23 JUNE 2022

UPDATE ON LIVESTOCK MARKETS

- Headline inflation quickened to 6.5% year-on-year (y/y) in May 2022 from 5.9% in April underpinned by the surprise acceleration in food and non-alcoholic beverages, including increases in housing and utilities; transport; and miscellaneous goods and services.
- Food and non-alcoholic beverages inflation jumped 2.1% month-on-month (m/m) and 7.6% y/y. Food alone posted a monthly increase of 2.2% m/m which is the highest since FEB 2016 and jumped to a new record high since MAR 2017 at 7.8% y/y largely on the back of spill over price pressures from the global market.
- In the animal protein category, meat posted the biggest monthly increase since JAN 2018 at 1.9% m/m and was at its highest level in eight months at 9.4% y/y. The increase in meat inflation was underpinned by a combination of resilient demand, the limited supplies of slaughter cattle, and input cost pressures particularly from the higher grain and oilseed prices that are major ingredients in livestock feed. Again, the Foot-and-Mouth Disease (FMD) outbreak failed to make a significant dent on prices as they remain elevated relative to last year.
- We saw a similar trend in the milk, eggs and cheese category which saw an acceleration of 1.8% m/m and 3.8% y/y. Producers in this category had to content with rising cost of fuel which is critical for product distribution and the higher feed prices.
- Globally, the last update from the Food and Agriculture Organization (FAO) of the United Nations showed world food inflation decreased by 0.3% m/m and further decelerated by 6.8 percentage points (ppts) to 22.8% y/y in May 2022. Global meat inflation was 13.6% higher y/y with large increases for poultry (+25.4% y/y) and bovine (+20.8% y/y).

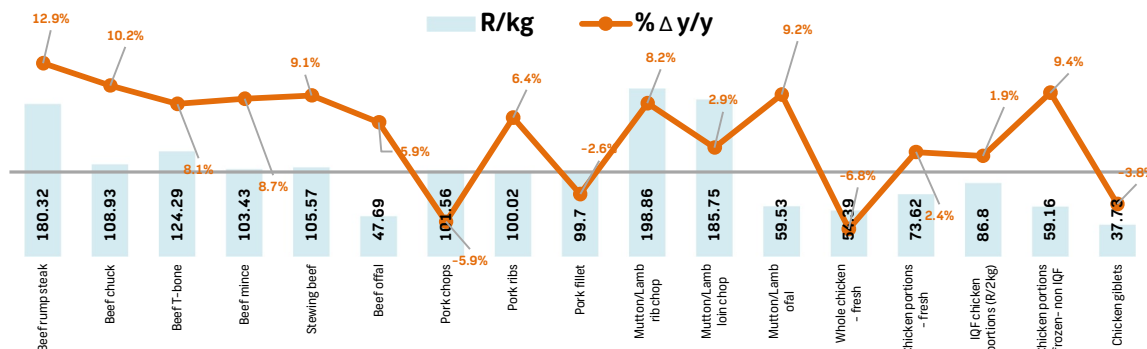
Figure 1: Food price inflation trends



Source: StatsSA, FAO

- Our analysis of the various meat products shows prices gains across most categories except for fresh whole chickens and chicken giblets (neck, gizzards, hearts, etc). Fresh whole chicken prices fell by 7% m/m and 6.8% y/y at R54.39/kg while giblets were down 3.8% y/y at R37.73/kg (figure 1c).

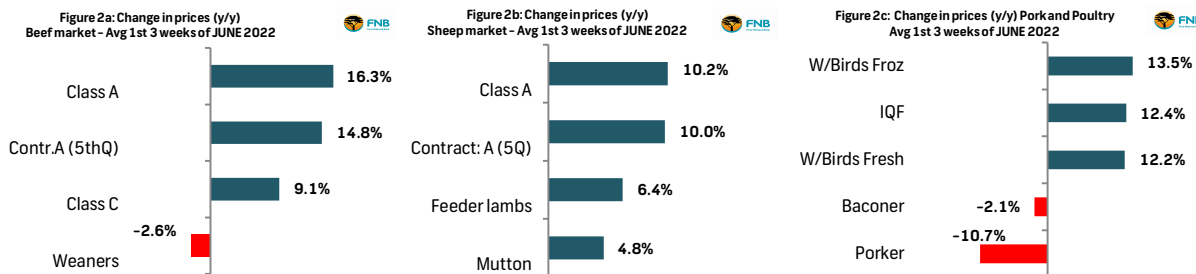
Figure 1c: Consumer price index for selected meat products and eggs (% change y/y) – MAY 2022



Source: Stats SA, FAO; Note: Chicken giblets - (neck, gizzards, hearts, etc)

- Our analysis of the monthly trend in livestock prices during the first three weeks of June 2022 still showed an uptrend across most categories except for the pork market that remains under pressure with average prices falling by 10.7% and 2.1% y/y for porkers and baconer respectively (figures 2a to 2c).
- We however saw a reversal in trend for the weaner calves as the increased availability from the recent weaning season and the subdued buyer market continued to place downward pressure on prices.
- The elevated livestock prices will place upward pressure on meat inflation outcomes for June 2022. 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)

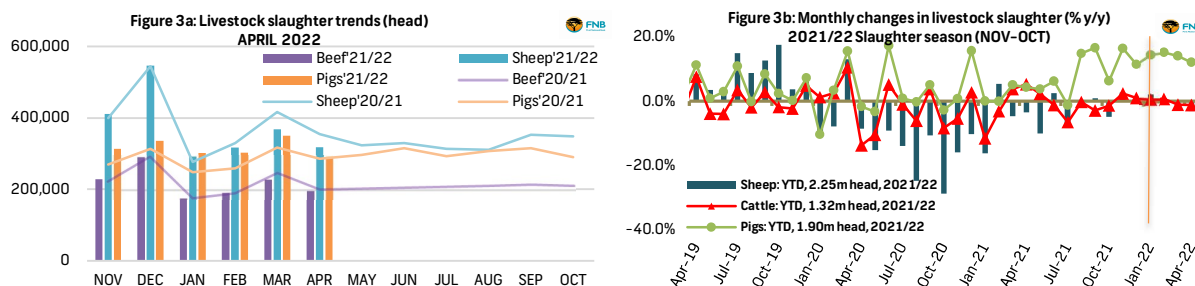


Source: Own calculations from FNB AgriComms.

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

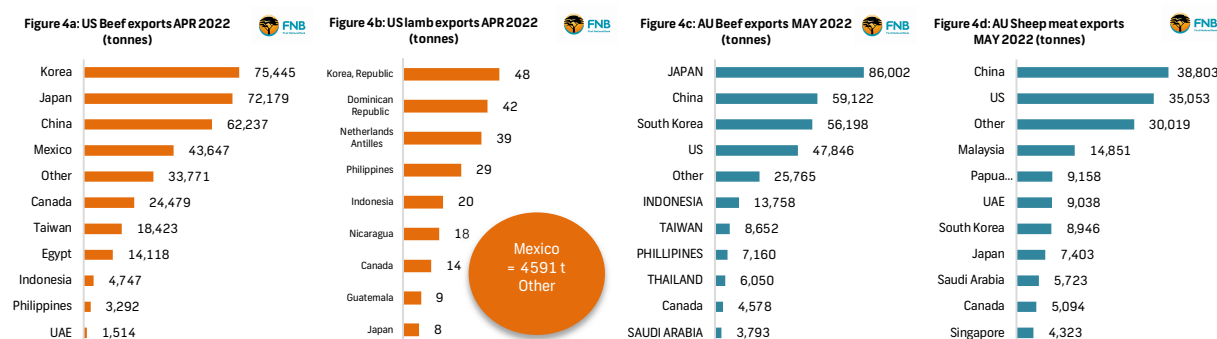


Source: Own calculations from Red Meat Levy Admin data.

Some trends on global meat exports

- Latest development on Australian exports is that the cumulative year-to-May 2022 beef (+veal) shipments have so far fallen by 9% y/y at 318,924 tonnes with volumes to major destinations such as Japan, China, South Korea, and the US falling by 5%, 2%, 11%, and 10% respectively relative to the same period in 2021 (figure 4c).
- Australian sheep meat exports for the YTD however again showed good traction, increasing by 6% y/y to 168,411 tonnes with gains of 3%, 34%, 69%, 16%, and 30% respectively y/y for the US, Malaysia, Papua New Guinea, the UAE, and South Korea more than offsetting a drop of 19% y/y to China which remains the top destination with a share of 23% of total (figure 4d). 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 (APR) with a total of 353,852 tonnes, which is 6% higher y/y.

Figure 4: US meat exports – top destinations



Source: USMEF,

International update on beef markets

- US import market continued to weaken on slow trading amid subdued demand. Weakness on the domestic market as supplies improved added to the negative tone. 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.

Domestic beef market update:

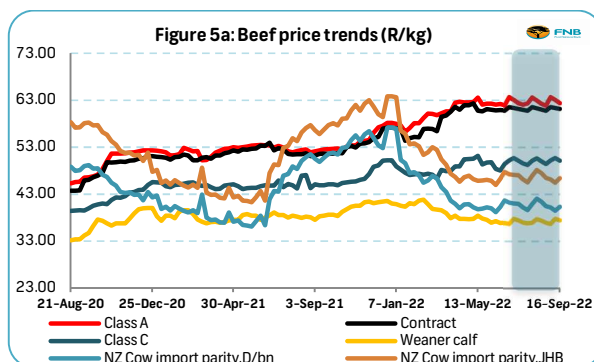
- The beef market again saw a sideways trend in prices in last week's trade. However, the current prices for class Cs were 7% higher y/y while class A and Contract class A were both 16% above the 2021 levels.
- No respite on the weaner market as calf prices continued to trend way below the peak of over R40/kg live weight (LW) earlier in the year. Prices closed last week down by 1% w/w to R36.84/kg live weight (LW).
- The current weaner calf prices are 3% lower y/y but still 7% above the three-year average for this time of the year.

Table 1: Beef producer price trends in South Africa

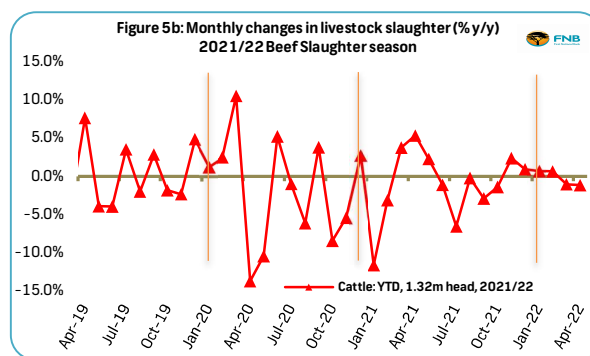
Beef producer prices: Beef market – South Africa						
Date	17-Jun-22	% Δ w/w	% Δ y/y	3-Year Avg	10-Jun-22	3-Jun-22
Class A (R/kg)	62.21	0.2%	16.0%	16.0%	62.08	62.30
Class C (R/kg)	48.02	-0.7%	7.0%	10.0%	48.36	49.76
Contract: A (*Incl.5thQ)	60.96	0.2%	14.0%	16.0%	60.83	61.02
Import parity (R/kg)	46.28	3.0%	11.0%	1.0%	44.98	45.84
Weaner calves (R/kg LW)	36.84	-1.0%	-3.0%	7.0%	37.25	36.89

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

There is still no respite on the feeding front as the elevated raw feed input prices continue to pose upside risk to feedlot profitability.

Weekly summary of the sheep market

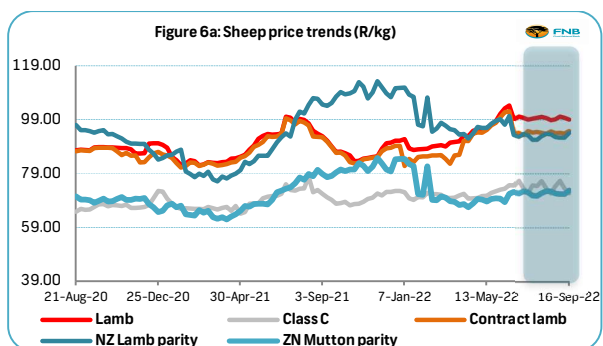
International sheep market update

- Australian lamb markets reported some losses in last week's trade despite reduced availability. Seasonal market conditions saw sheep slaughter reportedly falling 22% on the week with lambs easing to 396,112 head but still above the levels achieved in the past two years levels.

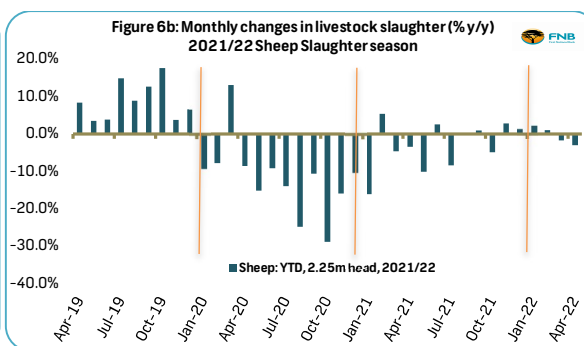
Domestic sheep market update

- The firmer trend continued in the lamb and mutton markets in last week's trade supported by resilient demand amid tight volumes.
- Feeder lamb prices were a bit firmer at R52.96/kg LW. At current levels, weaner lamb prices are 10% higher y/y and 12% 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

Date	Sheep market – South Africa					
	17-Jun-22	% Δ w/w	% Δ y/y	3-Year Avg	10-Jun-22	3-Jun-22
Class A (R/kg)	104.32	1.0%	11.6%	12.0%	103.25	101.18
Mutton (R/kg)	74.69	1.9%	6.0%	11.0%	73.27	72.92
Contract: A (*Incl. 5thQ, R/kg)	102.08	0.2%	10.0%	11.0%	101.85	99.89
Import parity (R/kg)	100.39	3.0%	14.0%	8.0%	97.14	99.07
Feeder lambs (R/kg LW)	52.96	0.2%	10.0%	12.0%	52.88	51.64

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.

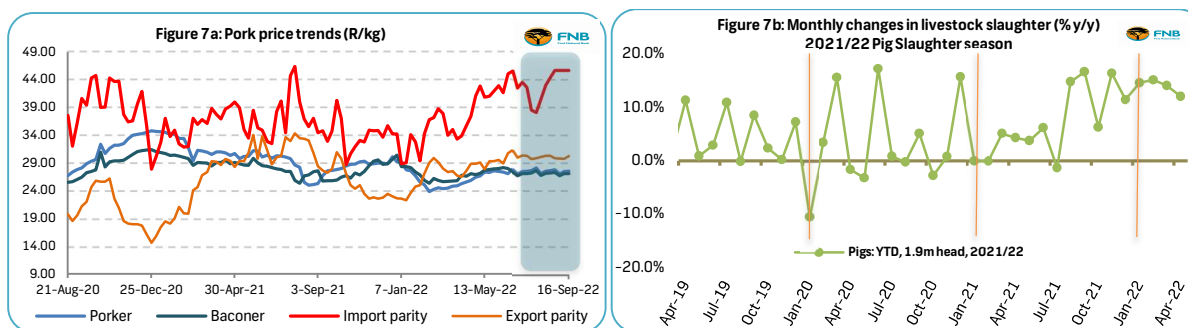
Weekly pork market*International pork market update*

- US pork cutout values were 2% higher w/w but still 11% below the 2021 level at US\$110.36/cwt. Weekly slaughter was unchanged on the week but still 3% below last year at 2.37m head. This saw the cumulative YTD number of pigs slaughtered falling by 4% y/y to an estimated 57.80 million head.

Domestic pork market update

- Last week saw some weakness in the pork market on subdued uptake during midmonth. 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

Date	Pork market – South Africa					
	17-Jun-22	% Δ w/w	% Δ y/y	3-Year Avg	10-Jun-22	3-Jun-22
Porker (R/kg)	27.07	-1.1%	-11.0%	15.0%	27.38	27.51
Baconer (R/kg)	28.03	-0.7%	-1.0%	30.0%	28.22	27.96
Import parity (R/kg)	45.07	8.0%	37.2%	44.0%	41.69	43.21

Source: USDA, JSE, FNB Agric

OUTLOOK

We expect prices to maintain the current momentum in the short term on seasonal dip in demand.

Weekly poultry market update

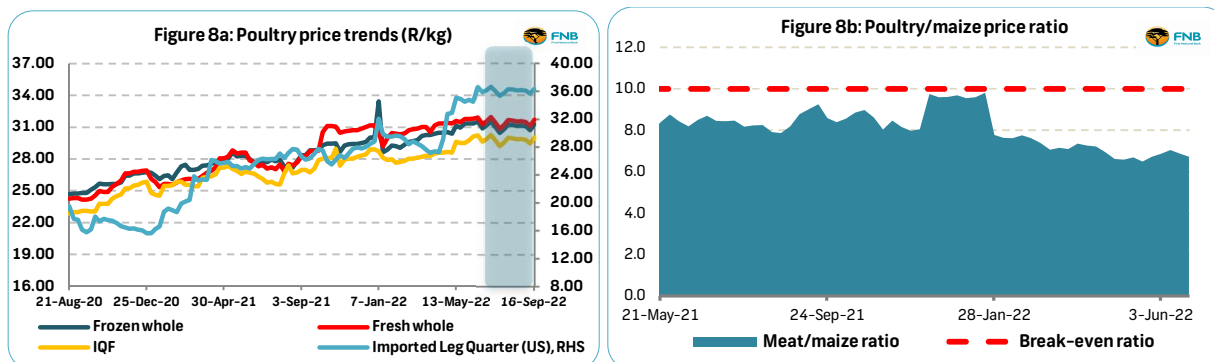
International poultry market update

- In Brazil, the benchmark contract for difference (CFD) rebounded marginally in latest trades but still off the March peak and now 19% lower relative opening levels for 2022 at BRL7.79/kg. Higher feed grain prices continue to provide downward pressure on prices across the globe as profit margins come under pressure.

Domestic poultry market update

- The weekly trend in prices was sideways to firmer across most categories. However, the current fresh whole bird, frozen (medium) whole bird, and IQF portion prices are 15%, 14%, and 14% respectively above the 2021 levels.
- Demand has been relatively stable to strong as chicken remains a relatively cheaper animal protein source compared to beef, lamb and mutton.

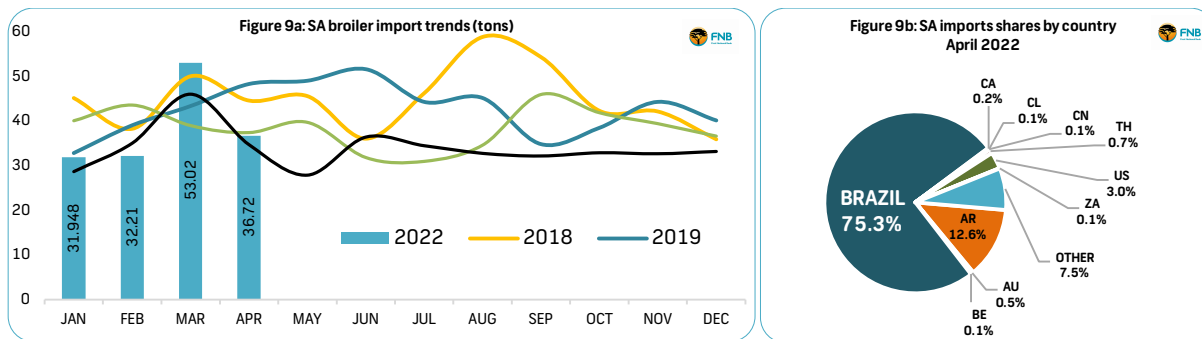
Figure 8: Poultry prices and meat/maize ratio trends



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					
	17-Jun-22	% Δ w/w	% Δ y/y	3-Year Avg	10-Jun-22	3-Jun-22
Fresh whole birds (R/kg)	31.92	0.4%	15.0%	15.0%	31.80	31.77
Medium Frozen whole birds (R/kg)	31.51	0.4%	14.0%	14.0%	31.38	31.33
Individually Quick Frozen (IQF) (R/kg)	30.23	0.4%	14.0%	14.0%	30.12	29.74
Import parity (R/kg)	36.60	6.0%	43.0%	28.0%	34.53	34.78

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. At around R16/US\$, 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 midweek trends show some weakness in the maize market relative to the previous week but still at relatively high levels. White maize (WMAZ) and yellow maize (YMAZ) prices are both still trending above R4,400/ ton recently with WMAZ trading at a discount over its yellow counterpart for the nearby Jul22 contract.
- Nearby futures prices for yellow maize (YMAZ) fell by 3% w/w to R4,467/t while WMAZ decreased by 2.5% w/w at R4,403/ ton with most of the contracts falling by over 2% w/w.
- In the oilseed complex, sunflower futures remained elevated above R10,000/ ton but off the 2022 peak of R12,259/t at R10,398/t which is 3% lower w/w (table 5).
- Nearby soybeans for Jul22 and Sep22 delivery eased by 1.5% and 1.3% respectively w/w at R8,922/t and R9,060/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)

22 JUNE 2022	WMAZ	change m/m	YMAZ	change m/m	SUNS	change m/m	SOY	% change m/m
Jul-22	R4,403	-2.5%	R4,467	-3.0%	R10,398	-3.1%	R8,922	-1.5%
Sep-22	R4,469	-2.6%	R4,541	-2.8%	R10,575	-3.0%	R9,060	-1.3%
Dec-22	R4,571	-2.3%	R4,640	-2.6%	R10,788	-2.9%	R9,186	-1.4%
Mar-23	R4,538	-2.5%	R4,600	-2.7%	R10,750	-	R9,107	-1.4%
May-23	R4,290	-0.9%	R4,380	-1.3%	R10,410	-	R8,350	-

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.