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Livestock and Fibre markets

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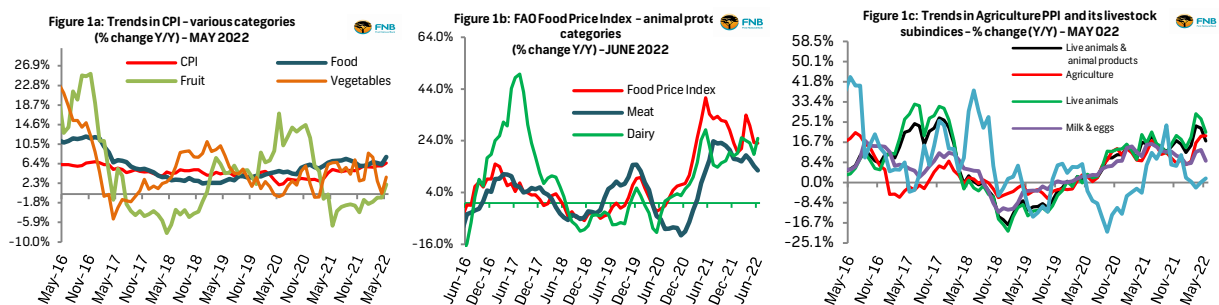


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UPDATE ON LIVESTOCK MARKETS

- The latest update from the United Nation's Food and Agriculture Organization (FAO) showed world food price inflation posted a third consecutive monthly decrease by 2.3% month-on-month (m/m) and decelerated further to 23.1% y/y in June 2022 from 23.3% y/y in May (figure 1b). This was largely due to declines in global prices of vegetable oils, cereals, and sugar which more than offset gains in the dairy and meat categories.
- Global meat price inflation jumped 1.7% m/m and was 12.7% higher y/y in June from 14.2% y/y in May 2022, which is a fourth consecutive month of deceleration. Gains in poultry (+28.9% y/y) and bovine (+15.5% y/y) prices more than offset declines in pig meat (-1.3% y/y) and ovine meat (-2.9% y/y) categories (table 1). The combination of the bird flu outbreaks in the Northern Hemisphere and the supply tightness due to the war impact on global trade were cited as reasons for the sharp upswing in poultry prices, while gains in beef was underpinned by renewed demand from China after it lifted its earlier embargo on Brazilian imports.
- On the domestic front, the June inflation update is due for release next week. However, the headline inflation for May 2022 quickened to 6.5% year-on-year (y/y) 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.

Figure 1: Food price inflation trends



- 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.

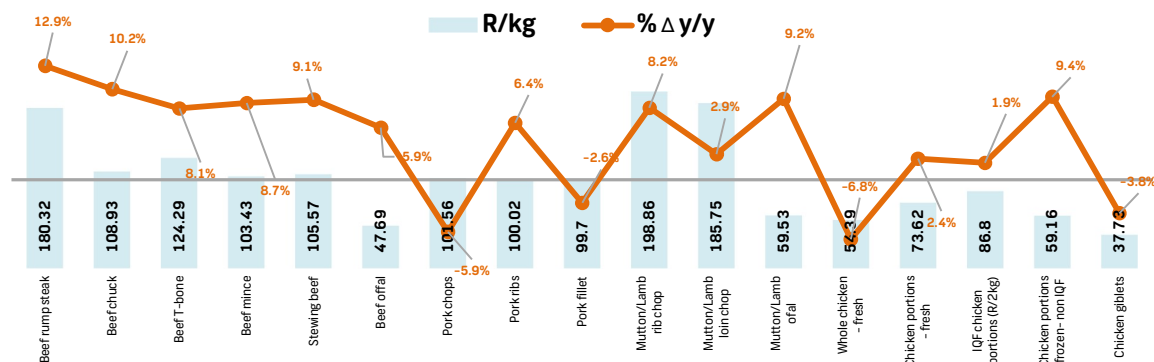
Table 1: FAO meat price indices by type

	Meat Price Index	Poultry Meat	Pig Meat	Bovine Meat	Ovine Meat
% Δ m/m	1.7%	4.5%	0.4%	0.6%	2.0%
% Δ y/y	12.7%	28.9%	-1.3%	15.5%	-2.9%

Source: FAO

- 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.
- Meanwhile, mounting cost pressures saw the agriculture producer price index (PPI) edging marginally higher by 0.8% m/m and still elevated at 19.3% y/y in May 2022. The PPI for live animals and animal products fell by 2.8% m/m but still 17.2% higher y/y in May from 22.5% y/y in April. The PPI for live animals alone decreased by 2.8% m/m but still 20.8% higher y/y which is a second consecutive month of deceleration after reaching a record high of 28.5% y/y in five years during March 2022.
- A further analysis of the various meat products shows price 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 1d).

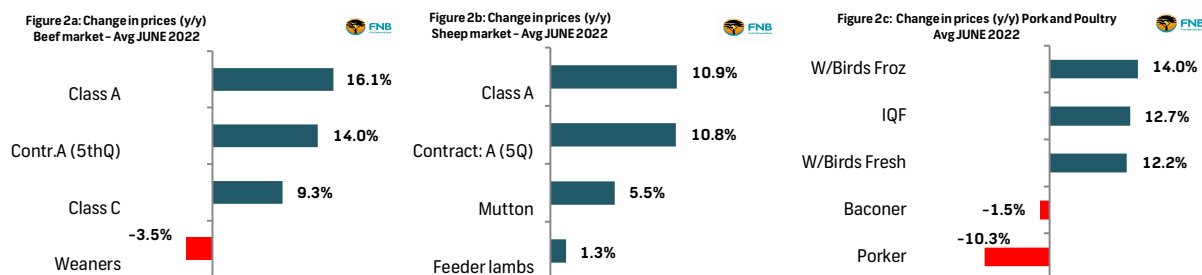
Figure 1d: Consumer price index for selected meat products and eggs (% change y/y) – MAY 2022



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

- Our analysis of the monthly trend in livestock prices for June 2022 still showed an uptrend across most categories except for the pork market that remains under pressure with average prices falling by 10.3% and 1.5% y/y for porkers and baconer respectively (figures 2a to 2c).
- The weaner market saw further weakness due to the subdued buyer market which continued to place downward pressure on prices. Weaner calf prices are now almost 4% below the 2021 levels for June.
- The elevated livestock prices are expected to 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)

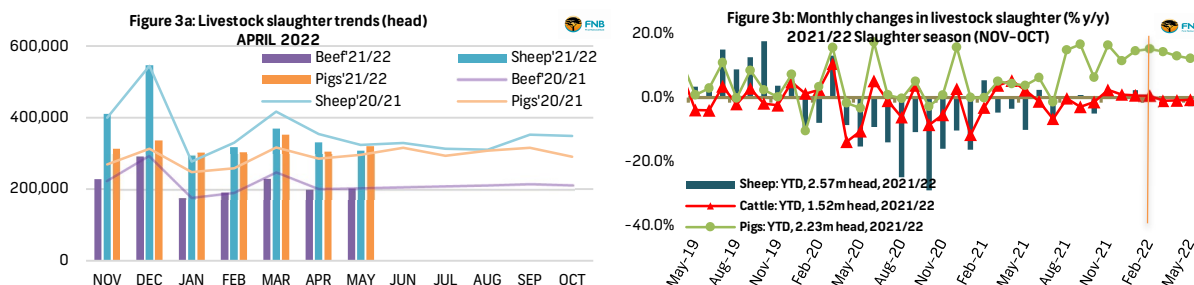


Source: Own calculations from FNB AgriComms.

Livestock slaughter contracts sharply in May 2022

- The latest data on livestock slaughter in South Africa shows a marginal rebound in numbers for May 2022 led by pigs which increased by 7.9% y/y with beef just 0.1% higher y/y at 204,004 head and 319,799 head respectively. Sheep saw the slaughter numbers falling by 5% y/y at 306,863 head.
- Nonetheless, the revised LevyAdmin data showed that the cumulative number of cattle and sheep slaughtered for year-to-May 2022 (YTD) were down 0.7% and 2.7% respectively relative to the same period in 2021. Pigs however remain the exception with the cumulative YTD slaughter number increasing by a whopping 12.2% y/y at 2.23 million head. The May pig slaughter rebounded by 5% m/m to 319,799 head, up 7.9% higher y/y (see figure 3a and 3b).

Figure 3: South Africa's livestock slaughter trends

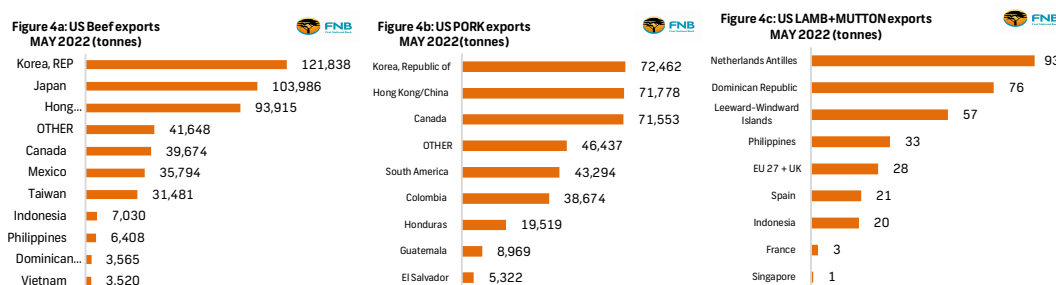


Source: Own calculations from Red Meat Levy Admin data.

Some trends on global meat exporters

- US Market:** The latest update from the US Meat Exporters Forum (USMEF) shows a slight increase of 1.5% m/m in US beef exports with top destinations being Korea (25%), Japan (22%), Canada (19%), and China (17%). The cumulative YTD volumes were almost 6% higher y/y at 488,859 tonnes. The average beef export price was 34% higher y/y at US\$9.44/kg.
- On the pork side, US shipments saw a 21% contraction in monthly pork exports for May led by Mexico (-21% m/m) and Japan (-4% m/m). The YTD volumes contracted by the same margin at 884,385 tonnes with Mexico enjoying the lion share of 40% followed by Japan at 17% of the total. The average export price for pork was also down by 20% y/y at US\$2.82/kg.

Figure 4: US meat exports - top destinations



Source: USMEF.

- Although smaller relative to other meat types, the US lamb and mutton exports for May jumped 62% m/m while the cumulative YTD total reached 875 tonnes which is up 80% y/y. The average price was 80% higher y/y at US\$5.97/kg (fig.4c).
- Australian Market:** In Australia, 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 4d).
- 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 4e). AU remains the world's biggest lamb and mutton exporter and accounted for 36% of total exports in 2020.

Figure 4d: AU Beef exports MAY 2022 (tonnes)

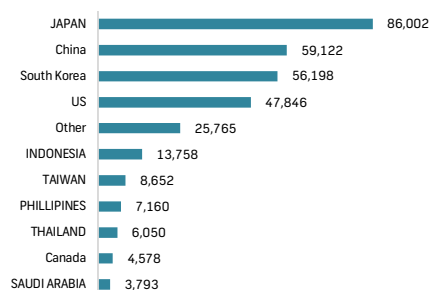
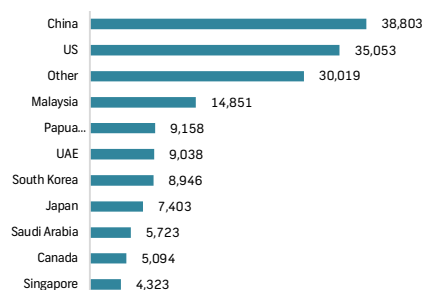


Figure 4e: AU Sheep meat exports MAY 2022 (tonnes)



Source: MLA,

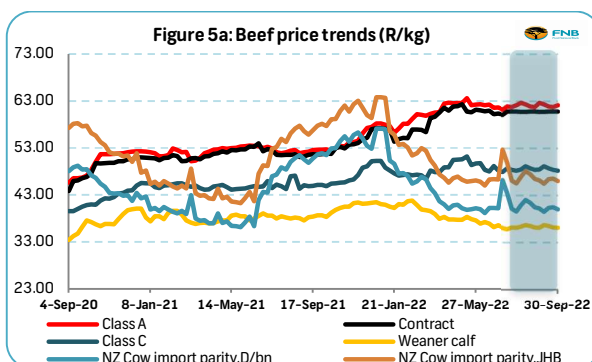
International update on beef markets

- US import market continued to weaken due to heavy supplies and weaker lean prices. On the domestic market, wholesale beef prices moved mostly sideways in last week's trade and were 6% and 7% lower y/y at US\$267.17/cwt and US\$241.81/cwt respectively for the Choice and Select beef categories.

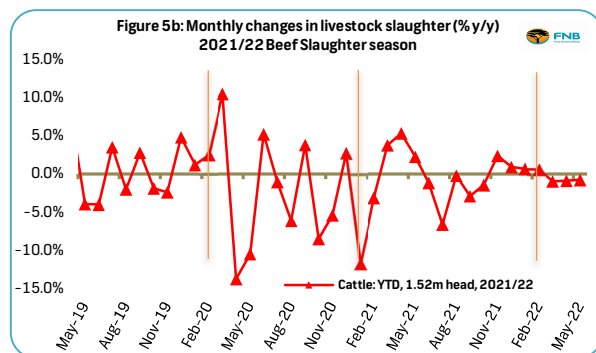
Domestic beef market update:

- Beef prices softened in last week's trade but still at elevated levels relative to last year. The current prices for class Cs were 7% higher y/y while class A and Contract class A were 15% and 14% above the 2021 levels.
- No respite on the weaner market as calf prices continued to weaken as demand slipped. This saw weaner calf prices easing by 1% on the week and were 6% lower y/y at R36.10/kg live weight (LW).
- The current weaner calf prices are still 4% above the three-year average for this time of the year.

Figure 5: Beef prices and cattle slaughter trends



*Last nine data points on figure 2a are preliminary



Source: Red Meat LevyAdmin

Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	8-Jul-22	% Δ w/w	% Δ y/y	3-Year Avg	1-Jul-22	24-Jun-22
Class A (R/kg)	61.18	-0.7%	15.0%	15.0%	61.64	61.56
Class C (R/kg)	47.98	-0.4%	4.0%	9.0%	48.18	49.13
Contract: A (*Incl.5thQ)	60.09	-0.4%	14.0%	15.0%	60.34	60.21
Import parity (R/kg)	52.73	14.0%	7.0%	2.0%	46.25	46.32
Weaner calves (R/kg LW)	36.10	-1.0%	-6.0%	4.0%	36.51	36.17

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

OUTLOOK

Expectations are for the market to continue trending relatively sideways in the near term. Although showing signs of easing, raw feed input prices continue to pose upside risk to feedlot profitability as they are still at high levels relative to last year.

Weekly summary of the sheep market

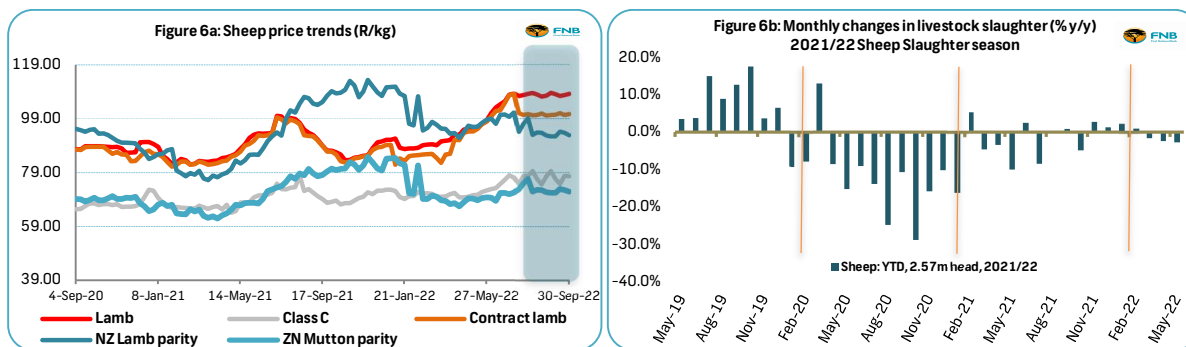
International sheep market update

- In New Zealand, average export values for lamb posted a marginal recovery on supportive exchange rate despite the slowdown in traditional markets such as China.
- Australian lamb markets reported some strength in light and merino lambs in last week's trade. Seasonal market conditions saw sheep slaughter reportedly at its lowest in 12 months with volumes falling by 40% on the week and closer to levels of over two years ago.

Domestic sheep market update

- Post month end demand saw prices moving sideways across the board. In the weaner market, prices were 1.5% higher on the week at R53.96/kg LW, which is 9% above the 2021 levels. At current levels, weaner lamb prices are 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 3: Sheep producer price trends in South Africa

Sheep market – South Africa						
Date	8-Jul-22	% Δ w/w	% Δ y/y	3-Year Avg	1-Jul-22	24-Jun-22
Class A (R/kg)	108.21	0.3%	8.1%	11.0%	107.89	105.45
Mutton (R/kg)	77.18	-1.0%	3.0%	8.0%	77.98	76.22
Contract: A (*Incl.5thQ, R/kg)	108.11	0.3%	9.0%	12.0%	107.77	104.89
Import parity (R/kg)	101.35	2.0%	8.0%	5.0%	99.78	100.48
Feeder lambs (R/kg LW)	53.96	1.5%	9.0%	12.0%	53.18	53.21

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

OUTLOOK

Subdued seasonal demand associated with the winter months will continue to limit further upside for the market.

Weekly pork market

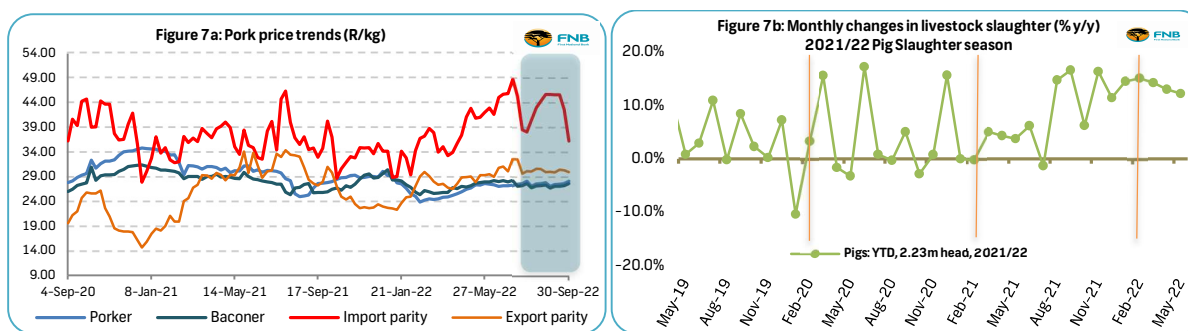
International pork market update

- The latest update from the USDA is that the Chinese import demand has waned with its forecast showing a 1.4 million tons decrease from its April report due to the modest recovery in the country's pork production. China however retains its place as the world's top pork importer with a share of 20% although this is way off the lofty highs of 42% in 2020. Implications are for further pressure on prices as major exporters have to find alternative markets which could see trade falling by 13% in 2022.

Domestic pork market update

- Last week saw some marginal recovery in the pork market on improved uptake. Porker prices are 10% lower y/y but still 16% above the 3-year average. Baconers are 2% higher y/y and 31% above the 3-year average for this time of the year.
- There is still concern over the relatively elevated feed grain prices as they are yet to fall 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 jumped 11% m/m at 2,589 tons with total value (FOB) rising by 29% m/m to R100.67 million and the average prices down by almost 16% m/m.
- On the export front, pork exports remained on the downside as the FMD-induced export ban continues to bite. Pork imports fell further by 12% m/m to 684 tons. Export earnings eased by 0.6% m/m to R22.14 million however the average product price rose by 12.4% m/m to R32.36/kg.

Table 4: Pig producer prices and slaughter trends

Date	Pork market – South Africa					
	8-Jul-22	% Δ w/w	% Δ y/y	3-Year Avg	1-Jul-22	24-Jun-22
Porker (R/kg)	27.32	0.3%	-10.0%	16.0%	27.23	27.18
Baconer (R/kg)	28.27	1.2%	2.0%	31.0%	27.94	28.26
Import parity (R/kg)	48.79	6.0%	21.4%	56.0%	45.85	45.77

Source: USDA, JSE, FNB Agric

OUTLOOK

We expect prices to maintain the current momentum with limited upside given the current tough economic conditions on the consumer front.

Weekly poultry market update

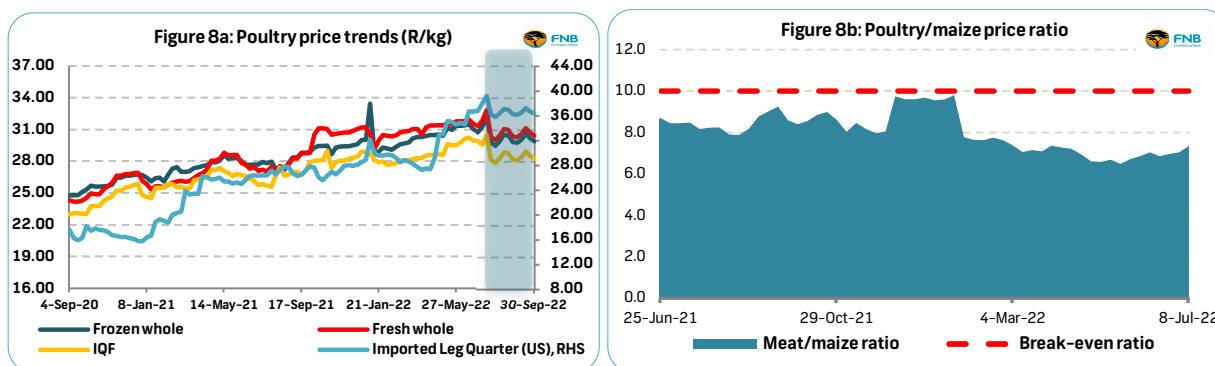
International poultry market update

- The USDA updated forecasts came in unchanged from the previous estimate in April at 101.0 million tons with renewed optimism about Ukraine output which more than offset declines for Brazil and the EU where production is constrained by higher feed prices and the avian influenza outbreaks.

Domestic poultry market update

- The weekly trend in prices was firmer across most categories. However, the current fresh whole bird, frozen (medium) whole bird, and IQF portion prices are 18%, 13%, and 15% respectively above the 2021 levels.
- Although demand has come under pressure lately it has not made a significant dent on price level. Demand has been relatively stable in the past few months as chicken remains a relatively cheaper animal protein source compared to beef, lamb and mutton which remain at record highs.

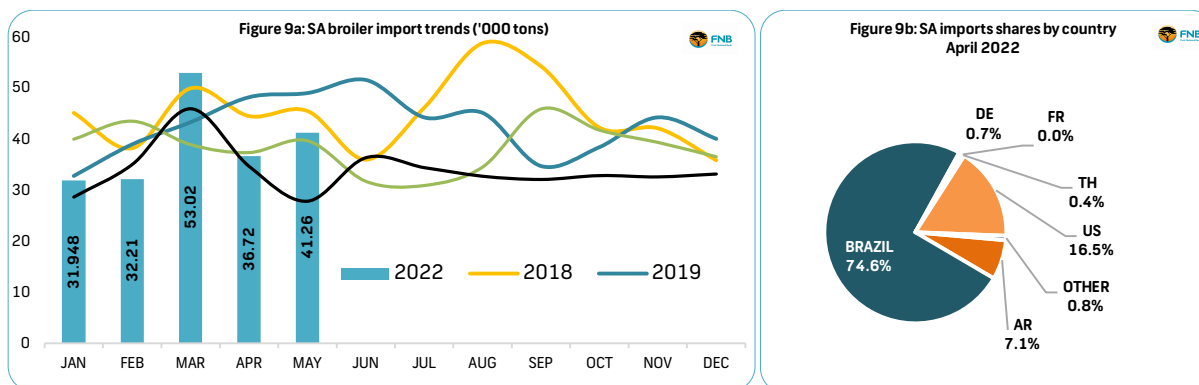
Figure 8: Poultry prices and meat/maize ratio trends



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

- Poultry imports rebounded strongly by 12.4% m/m in May 2022 and still 48% ahead of last year at 41.26 thousand tons. The cumulative YTD imports were 13.3% higher relative to the same period in 2021 at 195.17 thousand tons (figure 9).
- Brazil still accounted for the largest share of almost 74.6% of the total SA imports during May 2022 from 75% in April although is volumes increased by 3% m/m (figure 9b).

Figure 9: South Africa's broiler import trends ('000 tons)



Source: SARS,

Table 5: Poultry producer price trends in South Africa

Week ending	Poultry market – South Africa					
	8-Jul-22	% Δ w/w	% Δ y/y	3-Year Avg	1-Jul-22	24-Jun-22
Fresh whole birds (R/kg)	31.89	1.6%	18.0%	15.0%	31.38	31.54
Medium Frozen whole birds (R/kg)	31.33	1.8%	13.0%	13.0%	30.78	31.06
Individually Quick Frozen (IQF) (R/kg)	29.63	-1.2%	15.0%	13.0%	29.98	29.96
Import parity (R/kg)	38.06	3.3%	45.0%	33.0%	36.83	36.55

Source: USDA, JSE, FNB Agric

OUTLOOK

- The relatively high maize prices continued to maintain a wide gap between the meat/maize ratio and 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 month but still at relatively high levels. White maize (WMAZ) and yellow maize (YMAZ) prices are both still trending above R4,000/ ton recently.
- Nearby futures prices for yellow maize (YMAZ) fell by 5.1% m/m to R4,351/t while WMAZ decreased by 7.8% m/m at R4,327/ ton with most of the contracts falling by over 7% m/m.
- In the oilseed complex, sunflower futures remained elevated above R10,000/ ton but off the 2022 peak of R12,259/t at R10,527/t which is 4.1% lower m/m (table 6).
- Nearby soybeans for Sep22 delivery fell by 11.1% m/m at R8,371/t.
- Signs of the reversal in price trend bodes well for potential cooling-off of feed costs but the current levels are still relatively high to reduce pressure on profitability of intensive feeding system (see table 5).

Table 6: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

13 JUL 2022	WMAZ	change m/m	YMAZ	change m/m	SUNS	change m/m	SOY	% change m/m
Sep-22	R4,351	-5.1%	R4,327	-7.8%	R10,527	-4.1%	R8,371	-11.1%
Dec-22	R4,409	-5.7%	R4,405	-7.8%	R10,723	-4.1%	R8,533	-10.7%
Mar-23	R4,378	-5.9%	R4,383	-7.6%	R10,546	-3.2%	R8,550	-9.0%
May-23	R4,152	-4.0%	R4,200	-5.3%	R10,050	-3.8%	R8,200	-4.8%
Jul-23	R4,099	-6.0%	R4,112	-7.3%	-	-	-	-

Source: JSE,

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