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Livestock and Fibre markets

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UPDATE ON LIVESTOCK MARKETS

- In a surprise move, South Africa's Minister of Trade and Industry announced the suspension of the imposition of anti-dumping duties on chicken imports following their expiry in June 2022.
- The anti-dumping duties on frozen bone-in chicken portions from Brazil, Denmark, Ireland, Poland, and Spain were initially imposed for six months in December 2021 following the preliminary investigation by the International Trade Administration Commission (ITAC) of South Africa that showed evidence of dumping.
- On conclusion of the investigation ITAC determined that there was indeed dumping of chicken products from the above-mentioned countries thus causing material injury to the Southern African Custom Union (SACU) industry. ITAC's recommendation to the Minister was to impose definitive anti-dumping duties of which he acceded to but opted to defer the implementation by twelve months given the recent spike in food prices and that chicken is the major and cheapest source of animal protein for the poor.
- Food inflation jumped to a new record high since FEB 2017 at 9% year-on-year (y/y) in June 2022 and increased by 5.7% since the beginning of 2022. The meat CPI reached its highest level in nine months to 9.5% y/y and was up 4.5% from the JAN 2022 levels.
- Poultry has the biggest weight in the meat CPI basket. As reflected in table 1, fresh whole bird prices are the only ones to register modest decline of 6.5% y/y and have fallen by almost 6% since the beginning of the year. The rest of the products posted modest gains with the IQF portions which is the highly traded and in fierce competition with imports increasing by 13% y/y and almost 7% above the Jan 2022 levels. Poultry imports for Jan to June 2022 increased by 7.7% y/y with Brazil still the major supplier with a share of 67% of the total.
- Meanwhile, there is no respite on the feeding front as feed grain and oilseed prices remain elevated thus squeezing producer margins. The producer price index for live animals and animal products rose sharply by 17% y/y in May 2022 reflecting profitability pressures in the livestock industry.

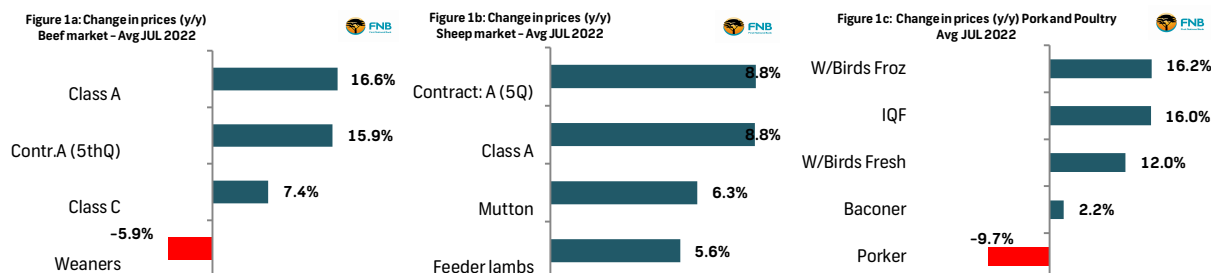
Table 1: Average consumer prices of selected chicken meat products – June 2022

	Whole chicken - fresh	Chicken portions - fresh	IQF chicken portions (R/2kg)	Chicken portions frozen- non IQF	Chicken giblets
R/kg	55.51	70.82	87.69	59.55	38.45
% Δ m/m	2.1%	-3.8%	1.0%	0.7%	1.9%
% Δ since JAN-2022	-5.9%	3.0%	6.6%	7.0%	0.9%
% Δ y/y	-6.5%	2.8%	13.3%	9.2%	-0.3%

Source: StatsSA, FAO

- Our analysis of the monthly trend in livestock prices for JUL 2022 still showed an uptrend across most categories except for the pork market that remains mixed with average prices for porkers still in negative territory and fell by 9.7% y/y (figures 1a to 1c).
- 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 5.9% below the 2021 levels for July.

Figure 1: Changes in average weekly livestock prices (% change y/y)

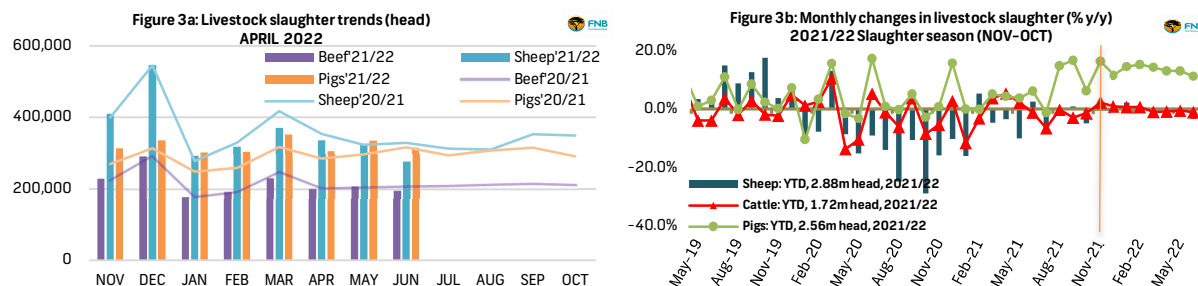


Source: Own calculations from FNB AgriComms.

Livestock slaughter declines in June 2022

- The latest data on livestock slaughter in South Africa shows a moderate to sharp decrease in numbers for June 2022 led by sheep which fell by 15.4% month-on-month (m/m) and 16% y/y. Beef slaughter fell by 5.8% m/m and 5.3% y/y while pigs were down by 5.9% m/m and 0.2% y/y.
- The revised LevyAdmin data showed that the cumulative number of cattle and sheep slaughtered for year-to-June 2022 (YTD) fell by 1.1% and 3.3% at 1.72 million and 2.88 million head respectively relative to the same period in 2021. Pigs however remain the exception with the cumulative YTD slaughter number increasing by a whopping 11.2% y/y at 2.56 million head. (See figures 2a and 2b).

Figure 2: South Africa's livestock slaughter trends



Source: Own calculations from Red Meat Levy Admin data.

International update on beef markets

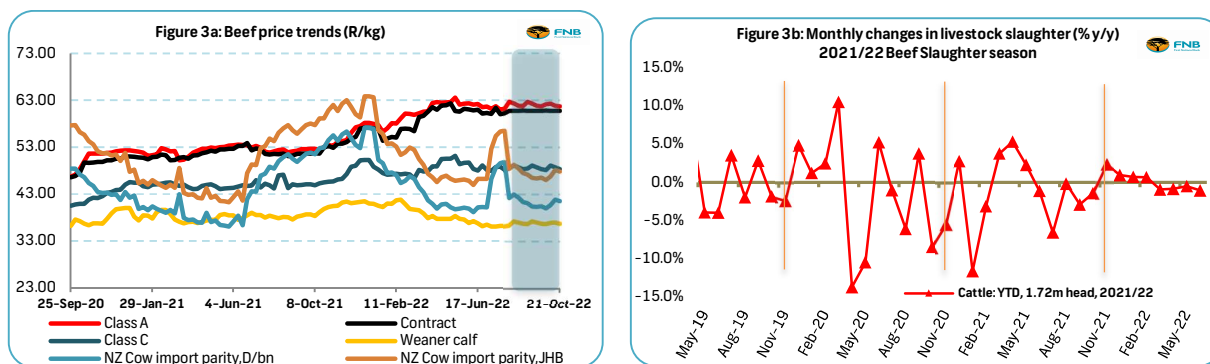
- The latest update on US domestic prices showed some weakness with beef carcass cutout values at wholesale level falling by 2% and 5% y/y respectively for the Choice and Select categories at US\$269.45/cwt and US\$242.75/cwt. On the import front, prices remained subdued due to limited activity amid increased availability from Brazil and the pedestrian uptake for the Australia and New Zealand products.

Domestic beef market update:

- No respite on the weaner market as calf prices continued to trend sideways on subdued demand. Weaner calf prices are currently 6% lower y/y at R36.10/kg live weight (LW). The current weaner calf prices are still 3% above the three-year average for this time of the year.

- It appears the season is likely to start on a positive note as early rains boost pasture recovery post the winter period with Spring less than 30 days away.

Figure 3: 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	29-Jul-22	% Δ w/w	% Δ y/y	3-Year Avg	22-Jul-22	15-Jul-22
Class A (R/kg)	61.23	0.5%	18.0%	16.0%	60.95	61.76
Class C (R/kg)	48.17	-1.4%	7.0%	10.0%	48.84	48.79
Contract: A (*Incl.5thQ)	60.28	0.4%	17.0%	16.0%	60.02	61.39
Import parity (R/kg)	56.53	0.0%	3.0%	2.0%	56.37	55.36
Weaner calves (R/kg LW)	36.25	0.0%	-6.0%	3.0%	36.25	36.10

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

OUTLOOK

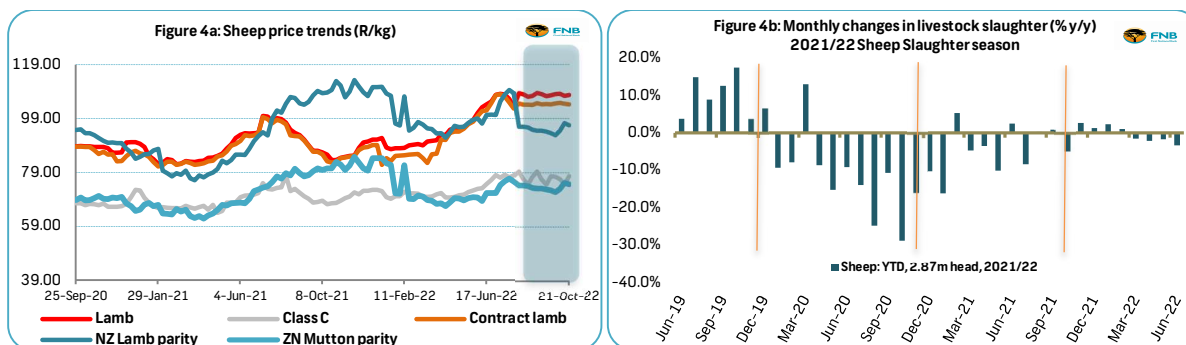
Expectations are for the market to continue trending relatively sideways in the near term. Although showing signs of easing, raw feed input prices continue to pose upside risk to feedlot profitability as they are still at high levels relative to last year.

Weekly summary of the sheep market

International sheep market update

- Australian lamb prices extended losses on subdued demand amid increased availability of sheep post the lambing season. Thus, sheep slaughter was reported up 57% on the year while lambs reached 352,084 head which is slightly ahead of the 2021 levels. A similar trend has been reported for New Zealand lamb market.

Figure 4: Lamb and mutton prices and sheep slaughter trends



*Last nine data points on figure 3a are preliminary

Source: Red Meat LevyAdmin

Domestic sheep market update

- The lamb market surprised on the downside during month-end as the switch to cheaper cuts saw mutton coming in a bit firmer. Averaging R77.86/kg, mutton prices were 6% ahead of last year and 11% above the 3-year average.
- In the weaner market, prices fell by 2% w/w and 1% y/y and were back below the R50/kg level at R49.94/kg LW. At current levels, weaner lamb prices are however still 5% above the 3-year average for this time of the year.

Table 3: Sheep producer price trends in South Africa

Date	Sheep market – South Africa					
	29-Jul-22	% Δ w/w	% Δ y/y	3-Year Avg	22-Jul-22	15-Jul-22
Class A (R/kg)	103.56	-2.6%	4.4%	7.0%	106.32	107.97
Mutton (R/kg)	77.86	0.8%	6.0%	11.0%	77.23	78.12
Contract: A (*Incl. 5thQ, R/kg)	102.76	-2.2%	4.0%	7.0%	105.11	107.18
Import parity (R/kg)	108.41	-1.0%	6.0%	7.0%	109.63	107.98
Feeder lambs (R/kg LW)	49.94	-2.0%	-1.0%	5.0%	50.96	52.06

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

OUTLOOK

Although consumers still face a tough financial situation, the recent signs of potential easing of fuel costs bodes well for demand as we head to Spring in less than 30 days.

Weekly pork market

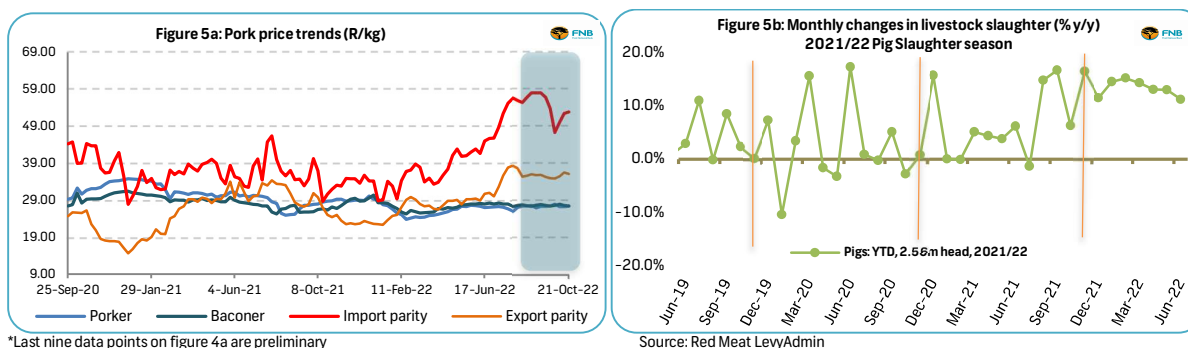
International pork market update

- US domestic prices showed modest gains in last week's trade with the pork carcass cutout at wholesale level closing 3% higher y/y at US\$127.50/cwt. Pig slaughter for the YTD fell by almost 4% y/y to 71.18 million head.
- Record high feed prices have curtailed production expansions and forced herd sow herd reduction in the EU which will ultimately impact on export availability and potential loss of market share in global trade.

Domestic pork market update

- Weakness in the pork market continued with prices down by just over 2% on the week due the improved volumes and subdued uptake. Average porker prices are 9% lower y/y but still 11% above the 3-year average. Baconers are 6% higher y/y and 27% above the 3-year average for this time of the year.
- Although showing signs of easing m/m, there are still concerns over the relatively elevated feed grain prices as they are yet to fall to reasonable levels to achieve improved profitability in the market.

Figure 5: Pork prices and slaughter trends



*Last nine data points on figure 4a are preliminary

Source: Red Meat LevyAdmin

- On monthly imports, pork imports fell by 10.8% m/m to 2,310 tons in June 2022 with total value (FOB) easing by 2.6% m/m to R98.04 million. The average prices were however 9% higher m/m at R42.43/kg.
- Pork exports rebounded by 4.5% m/m to 715 tons with export earnings increasing sharply by 11% m/m to R24.70 million. This yielded an average product price of R34.52/kg which almost 7% higher m/m.

Table 4: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	29-Jul-22	% Δ w/w	% Δ y/y	3-Year Avg	22-Jul-22	15-Jul-22
Porker (R/kg)	26.08	-2.5%	-9.0%	11.0%	26.75	27.18
Baconer (R/kg)	27.35	-2.3%	6.0%	27.0%	28.00	28.05
Import parity (R/kg)	56.57	2.0%	21.9%	81.0%	55.28	52.50

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. However, the potential decline in fuel costs with Spring around the corner may see some recovery in demand.

Weekly poultry market update

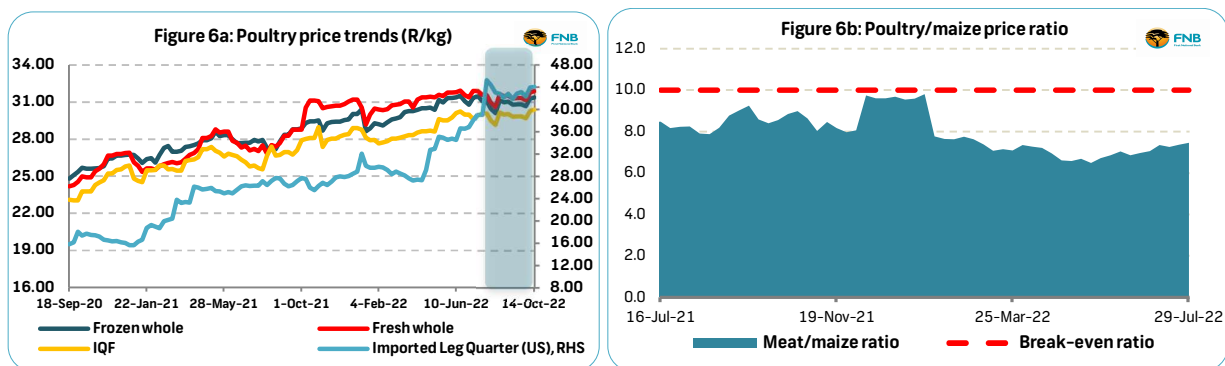
International poultry market update

- Brazil's poultry prices have rebounded from the May lows but still 2.3% shy of the 2022 peak. At BRL8.01/kg, the benchmark contract for difference for this commodity was 23% higher relative to the beginning of the year and almost on par with the 2021 levels in the latest trade.

Domestic poultry market update

- Downside pressure continued which saw prices steady during the month end period. However, the current fresh whole bird, frozen (medium) whole bird, and IQF portion prices are 15%, 11%, and 18% respectively above the 2021 levels.
- 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 that remain at record highs.

Figure 6: Poultry prices and meat/maize ratio trends



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

Table 5: Poultry producer price trends in South Africa

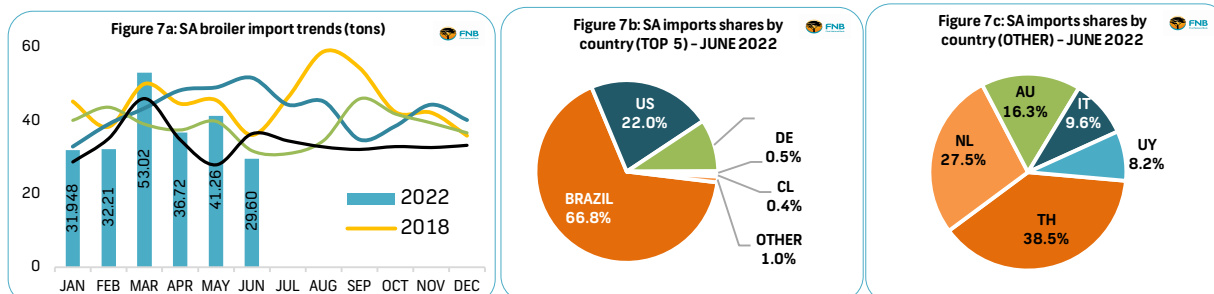
Poultry market – South Africa						
Week ending	29-Jul-22	% Δ w/w	% Δ y/y	3-Year Avg	22-Jul-22	15-Jul-22
Fresh whole birds (R/kg)	31.56	0.0%	15.0%	16.0%	31.56	31.89
Medium Frozen whole birds (R/kg)	31.06	0.0%	11.0%	15.0%	31.06	31.48
Individually Quick Frozen (IQF) (R/kg)	30.08	0.0%	18.0%	13.0%	30.08	29.91
Import parity (R/kg)	45.28	16.1%	67.0%	48.0%	39.01	39.04

Source: USDA, JSE, FNB Agric

- Poultry imports fell sharply by 28% m/m in June 2022 and still 18% below last year at 29.60 thousand tons. The cumulative YTD imports were however 7% higher relative to the same period in 2021 at 224.77 thousand tons (figure 7).

- Brazil still accounted for the largest share of almost 66.8% of the total SA imports during June 2022 from 74.6% in May although its volumes fell by 4% m/m (figure 7b). The average price (FOB) was however 4% higher m/m.

Figure 7: South Africa's broiler import trends ('000 tons)



Source: SARS,

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 6b. Competition with imports is expected to resume following the suspension of the anti-dumping duties on imported chicken products for the next 12 months.

Raw feed input price update

- Early week trends in the grain market show some moderation in prices relative to the previous month. White maize (WMAZ) and yellow maize (YMAZ) prices are however both still trending above R4,000/ ton.
- Nearby futures prices for yellow maize (YMAZ) fell by 1.1% m/m to R4,196/t while WMAZ which steadied m/m at R4,220/ ton with most of the contracts closing a bit firmer.
- In the oilseed complex, sunflower futures remained elevated above R10,000/ ton but off the 2022 peak of R12,259/t at R10,360/t which is 1.1% higher m/m (table 6). Nearby soybeans for Sep22 delivery rebounded by 5.2% m/m at R8,634/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 6).

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

02 AUG 2022	WMAZ R/ton	%Δ m/m	YMAZ R/ton	%Δ m/m	SUNS R/ton	%Δ m/m	SOY R/ton	%Δ m/m
Sep-22	R4,196	-1.1%	R4,220	0.0%	R10,360	1.1%	R8,634	5.2%
Dec-22	R4,261	-0.2%	R4,284	0.0%	R10,480	0.4%	R8,748	4.9%
Mar-23	R4,254	0.2%	R4,270	0.3%	R10,240	-0.8%	R8,632	3.0%
May-23	R4,110	2.4%	R4,080	1.2%	R9,680	-2.5%	R8,196	1.9%
Jul-23	R4,063	2.6%	R4,045	2.1%	-	-	-	-

Source: JSE,

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