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Livestock and Fibre markets

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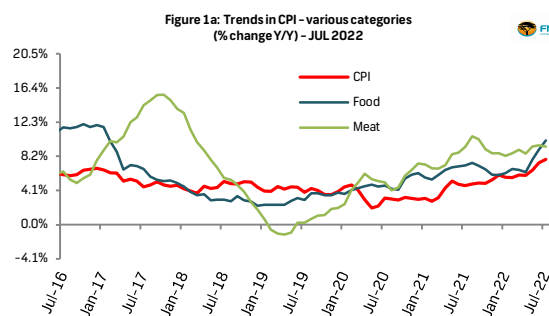


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UPDATE ON LIVESTOCK MARKETS

- Positive development regarding the Foot-and-Mouth Disease (FMD) situation is that the ban on movement on cattle across the country has been lifted after the 21-day ban. The Minister of Agriculture, Land Reform and Rural Development (DALRRD) announced the repeal of the FMD control measures as prescribed in Government Notice No 2075 of 10 May 2022, and Government Notice No 2391 of 18 August 2022. However, all movements of cattle are subject to some conditions that applies to the rest of the country except the new Disease Management Areas in Limpopo, KZN, and the Free State provinces. The new conditions for movement of animals include:
 - an owner declaration,
 - the recipient undertaking to isolate the animals for at least 28 days before introducing them onto the herd,
 - and all stock theft documents
- Hopefully, the situation will come under control sooner to ensure that the country retains its FMD free status as defined by the World Organization for Animal Health (OIE) and meat exports can resume unhindered.
- On the inflation front, global food prices decreased by 1.9% month-on-month (m/m) in August 2022 which is the fifth consecutive monthly decrease and further decelerated sharply for the second consecutive month to 7.9% year-on-year (y/y) at 138 points.
- In the meat category, monthly average prices fell by 1.5% m/m which is a second consecutive decline but still 8.2% higher y/y in August from 9.2% y/y in July. Prices were down for poultry and beef due to a combination of increased supplies and weak import demand which more than offset gains in pork and ovine meat. Pork and ovine meat prices finished a bit firmer on supply tightness and increased demand from the EU despite the subdued Chinese uptake.

Figure 1: Food price inflation trends



Source: StatsSA, FAO

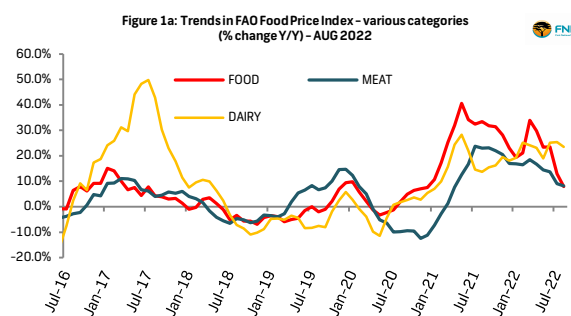
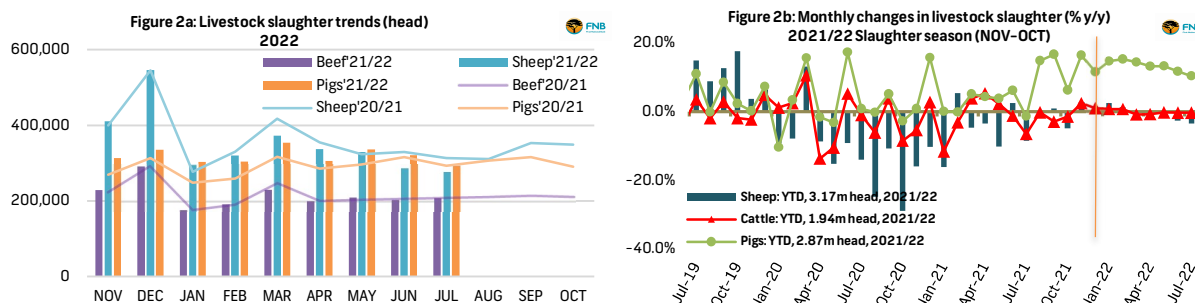


Figure 2: South Africa's livestock slaughter trends



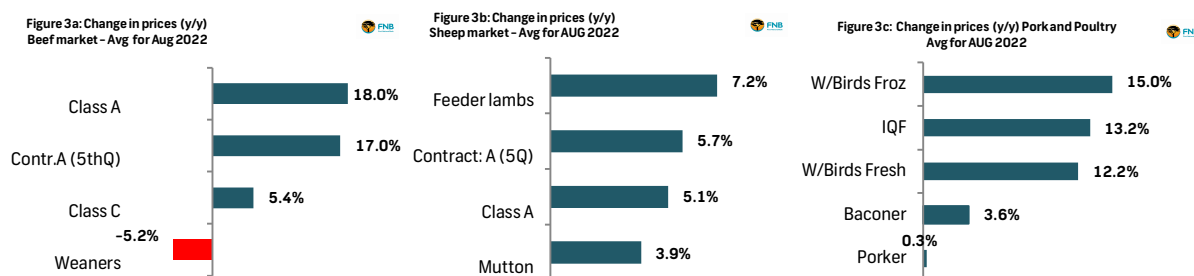
Source: Own calculations from Red Meat Levy Admin data.

- The latest data on livestock slaughter in South Africa shows a modest decline in numbers for July 2022 led by pigs which fell by 8.7% month-on-month (m/m), but almost unchanged y/y. Sheep numbers followed closely with a monthly decline of 3.3% and were 11.5% lower y/y. Beef was however the exception with a slight increase of 2.2% m/m in slaughter numbers. The total livestock slaughter for the three categories fell 4% m/m and 4.4% y/y which indicates limited domestic availability of meat thus a relatively elevated price trend.

Trends at producer level

- At producer level, prices remain elevated underpinned by the resilient demand and supply tightness.
- Contrary to expectations, the FMD outbreak is yet to make a significant dent on livestock prices as they remain elevated relative to last year (see figures 3a to 3c).
- Although trading currently halted, the weaner market remains an exception with prices continuing to trend on the downside and off the peak of R45/kg live weight (LW) to the current average of R36.10/kg LW for August 2022.

Figure 3: Changes in average weekly livestock prices (% change y/y)



Source: FNB Agriulture

International update on beef markets

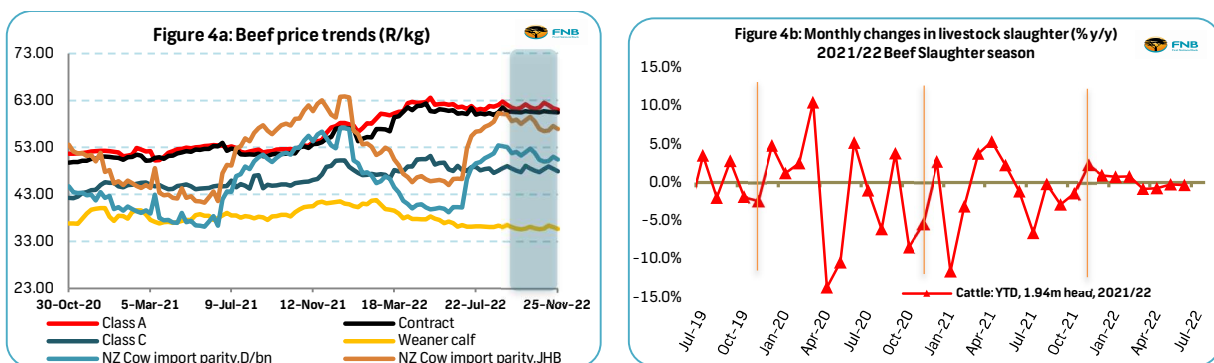
- The latest update on the US import market is that prices were generally weak under pressure due to higher domestic volumes and subdued seasonal demand.
- At wholesale market the price trend was mixed for the boxed beef cutout values with the Choice category extending losses on the week and was down 4% respectively relative to the 2021 levels.
- Although a bit firmer on the week earlier, the Select boxed beef cutout values were still sharply lower by 22.4% relative to the 2021 levels at US\$239.07/cwt.
- In the US cattle market, the weekly slaughter number dropped by 5.9% week-on-week (w/w) to 638 thousand head but almost 3% ahead of last year. This brought the cumulative YTD total cattle slaughtered of 22.76 million head, up 1.3% y/y.

- In Brazil, the benchmark contract for difference has recently traded at a BRL19.88/kg, which is 10% off the 2022 high but still 2.8% higher y/y.

Domestic beef market update:

- With trading at a standstill, indicative prices for weaners show a potential for a strong rebound in the medium-term as feedlots resume restocking following the FMD disruptions.
- On the carcass market, limited availability continued to push prices higher as buyers scurry for product.

Figure 4: Beef prices and cattle slaughter trends



*Last nine data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

Table 1: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	2-Sep-22	% Δ w/w	% Δ y/y	3-Year Avg	26-Aug-22	12-Aug-22
Class A (R/kg)	62.76	1.2%	20.0%	17.0%	62.04	61.82
Class C (R/kg)	48.58	1.1%	8.0%	9.0%	48.05	48.55
Contract: A (*Incl.5thQ)	61.56	1.8%	20.0%	18.0%	60.45	60.32
Import parity (R/kg)	60.15	0.0%	6.0%	4.0%	60.34	57.80
Weaner calves (R/kg LW)	36.12	-1.0%	-4.0%	1.0%	36.32	36.00

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

OUTLOOK

We expect a strong rebound in supplies as slaughter activity returns to normal in the medium term. Though ban on cattle movement has been lifted, upside pressure remains due to uncertainty over normalization of the FMD situation as well as lack of import availability from Botswana.

Weekly summary of the sheep market

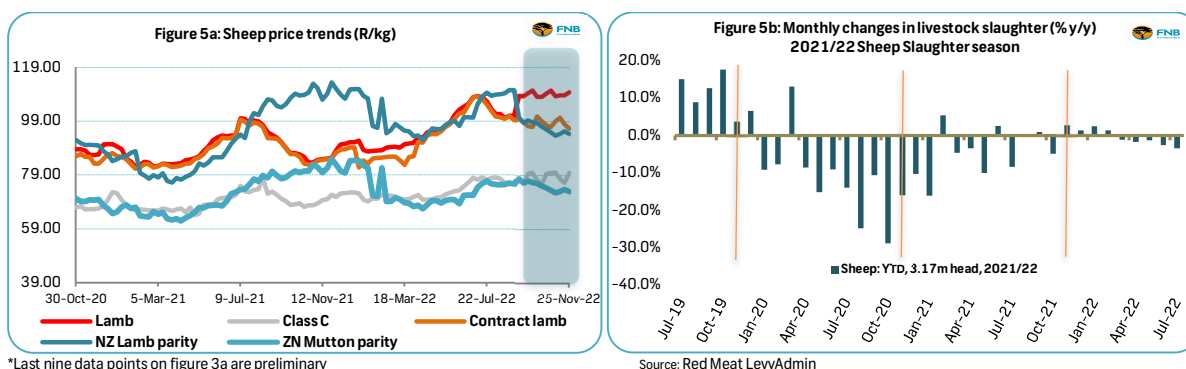
International sheep market update

- In Australia, the benchmark Eastern Trades Lamb indicator closed modestly higher by 8% w/w but still sharply lower by 22% at AU\$7.27/kg. This is despite the increased supplies with availability reportedly up 126% to 28,518 head.

Domestic sheep market update

- The carcass market eased marginally lower but still at elevated levels relative to last year as demand slipped. At current levels, lamb and mutton prices are 6% to 9% higher respectively y/y and 6% to 7% 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

Sheep market - South Africa						
Date	2-Sep-22	% Δ w/w	% Δ y/y	3-Year Avg	26-Aug-22	12-Aug-22
Class A (R/kg)	100.89	-0.1%	8.6%	7.0%	101.04	101.58
Mutton (R/kg)	75.55	-0.9%	6.0%	6.0%	76.22	77.64
Contract: A (*Incl.5thQ, R/kg)	99.35	-1.5%	7.0%	7.0%	100.83	100.48
Import parity (R/kg)	110.48	0.0%	6.0%	7.0%	110.50	108.92
Feeder lambs (R/kg LW)	46.62	-1.2%	5.0%	5.0%	47.18	47.56

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

OUTLOOK

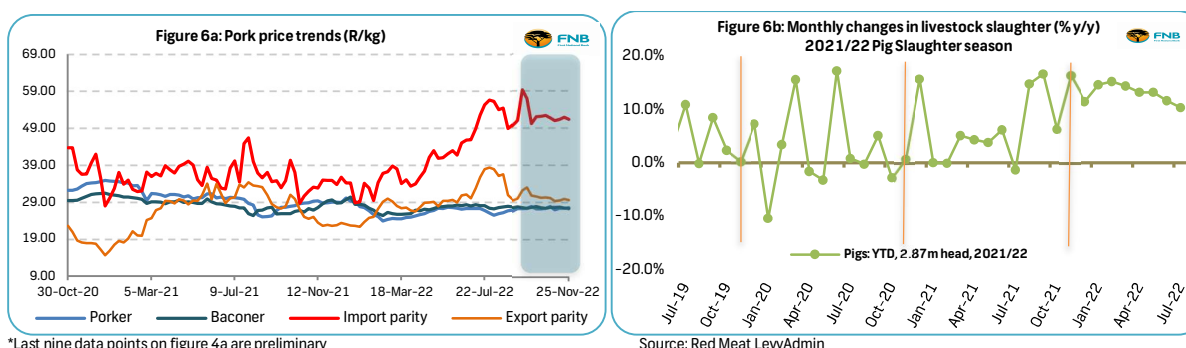
Improved seasonal upswing in demand as the warmer months return are supportive for prices in the medium term.

Weekly pork market

International pork market update

- Last week saw further weakness in weekly US pork carcass values on subdued demand despite reduced availability on markets. Weekly pork cutout values fell by 3.5% on the week and were 6% lower y/y at US\$102.41/ cwt. On the slaughter front, pig slaughter slowed on the week and were 2% lower y/y with the cumulative YTD total falling by 3% y/y to 83.02 million head.
- Facing tighter domestic supplies and rising consumer prices, China is reportedly planning to intervene with the release of pork in reserves this month to meet rising seasonal demand.
- In July 2022, China's pork import volumes were reported unchanged m/m at 120 thousand tons but sharply down by 65% relative to the 2021 levels. The YTD cumulative pork imports in China fell by 65.1% y/y at 930 thousand tons. The decline in imports emanate from the strong rebound in domestic production due to the rebuilding of the sow herd.

Figure 6: Pork prices and slaughter trends



*Last nine data points on figure 4a are preliminary

Domestic pork market update

- Some renewed strength in the pork market with porker prices advancing marginally by 0.5% on the week, 6% higher y/y and still 14% above the 3-year average. Baconers were almost unchanged but still 29% 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.

Table 3: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	2-Sep-22	% Δ w/w	% Δ y/y	3-Year Avg	26-Aug-22	12-Aug-22
Porker (R/kg)	26.78	0.5%	6.0%	14.0%	26.65	25.87
Baconer (R/kg)	27.71	-0.4%	0.0%	29.0%	27.83	27.52
Import parity (R/kg)	49.92	2.0%	44.6%	59.0%	48.84	53.97

Source: USDA, JSE, FNB Agric

OUTLOOK

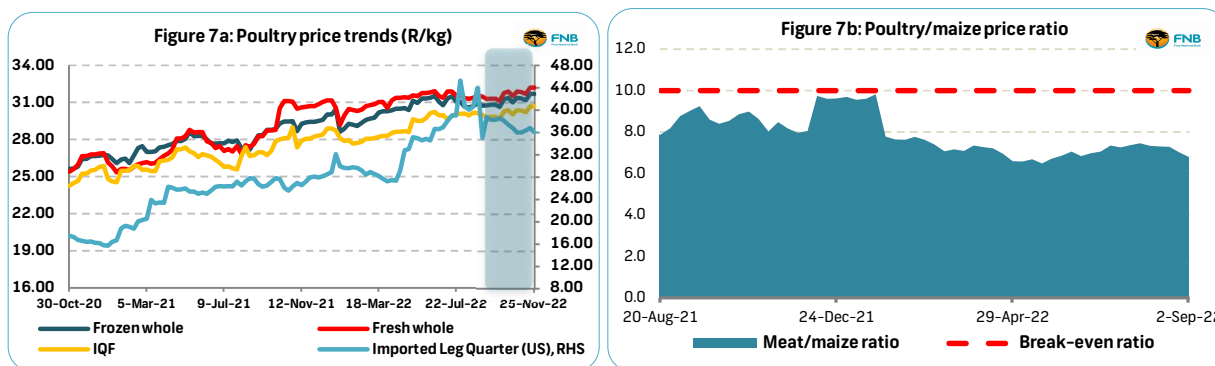
We expect prices to maintain the current momentum with further upside given the FMD-induced supply tightness in the beef market.

Weekly poultry market update*International poultry market update*

- No respite in the Brazilian poultry market with prices extending losses. This saw the benchmark contract for difference for this commodity closing at BRL8.03/kg in the latest trade which is down 2.2% from the 2022 peak and still 4% below the 2021 levels.
- In the US, cold storage supplies of poultry as of end of July were reported 5% higher m/m but still 6% above the 2021 levels. Chicken in cold storage was however up 6% m/m and 12% above the 2021 levels.

Domestic poultry market update

- Last week saw a slight reversal in trend on the local market as strong dealings continued amid higher domestic volumes.
- However, the current fresh whole bird, frozen (medium) whole bird, and IQF portion prices are still 12%, 10%, and 13% respectively above the 2021 levels.
- The recent announcement of a cut in fuel prices bodes well for consumers as the braai season begins.

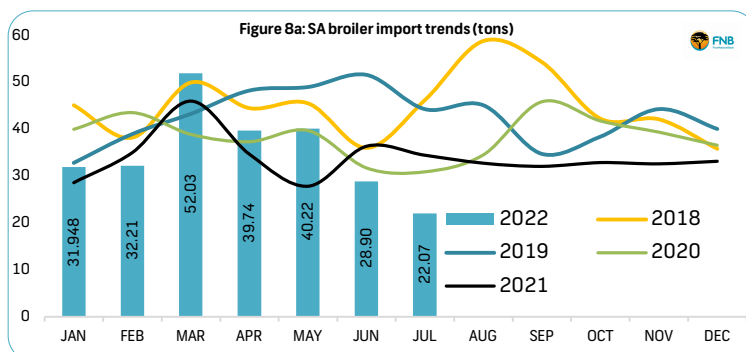
Figure 7: Poultry prices and meat/maize ratio trends

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

- Broiler imports fell sharply by 28% m/m and 36% y/y in July at 22.08 thousand tons. The cumulative YTD imports were however still 1.6% ahead relative to the same period in 2021 at 247.13 thousand tons (figure 8).

- Meanwhile, the total poultry imports for July came in at 23.25 thousand tons of which the majority in broiler meat. The July 2022 poultry imports fell by 22% m/m and were valued at R275.22 million (fob) which is down 26% m/m.

Figure 8: South Africa's broiler import trends ('000 tons)



Source: SARS,

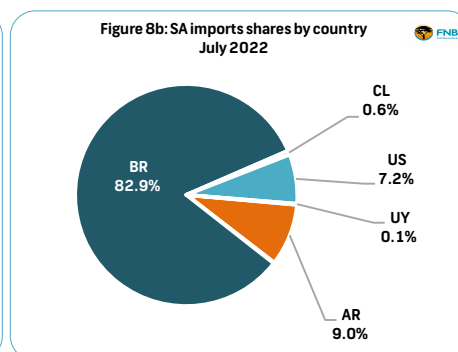


Table 4: Poultry producer price trends in South Africa

Week ending	Poultry market - South Africa					
	2-Sep-22	% Δ w/w	% Δ y/y	3-Year Avg	26-Aug-22	12-Aug-22
Fresh whole birds (R/kg)	31.48	-0.3%	11.0%	12.0%	31.57	31.30
Medium Frozen whole birds (R/kg)	30.76	-0.7%	8.0%	10.0%	30.98	30.58
Individually Quick Frozen (IQF) (R/kg)	30.02	-0.5%	11.0%	13.0%	30.18	29.96
Import parity (R/kg)	35.02	-20.4%	32.0%	33.0%	43.99	40.02

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. With the rand exchange rate now hovering around R17/US\$, import prices are expected come in bit higher thus providing some cushion for the local market.

Raw feed input price update

- No respite on the feed side as grain futures rebounded strongly to the upside despite the bullish domestic supply outlook with the maize harvest estimate adjusted upwards to just over 15 million tons. The latest Dec-22 futures for yellow maize (YMAZ) and white maize (WMAZ) increased by 11.4% and 10.4% respectively m/m to R4,778/t and R4,739/t.
- In the oilseed complex, sunflower futures remained elevated above R10,000/ ton but off the 2022 peak of R12,259/t at R10,837/t which is almost 3% higher m/m for the Dec-22 contract (table 5). Nearby soybeans for Dec-22 delivery however eased marginally by 0.2% m/m at R8,982/t.
- The recent upswing in prices does not bode well for livestock feeders as feed costs will remain elevated thus maintaining profit margins under pressure (see table 5).

Table 5: Raw feed inputs - Latest price trends in JSE grain and oilseed futures market (R/ton)

08 SEP 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
Dec-22	R4,778	11.4%	R4,739	10.4%	R10,837	2.8%	R8,982	-0.2%
Mar-23	R4,752	11.0%	R4,727	10.4%	R10,770	4.8%	R8,969	0.8%
May-23	R4,435	9.0%	R4,433	8.5%	R10,208	6.0%	R8,440	0.9%
Jul-23	R4,440	10.1%	R4,433	10.0%	-	-	-	-
Dec-23	R4,590	-	R4,595	-	-	-	-	-

Source: JSE,

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