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Livestock and Fibre markets

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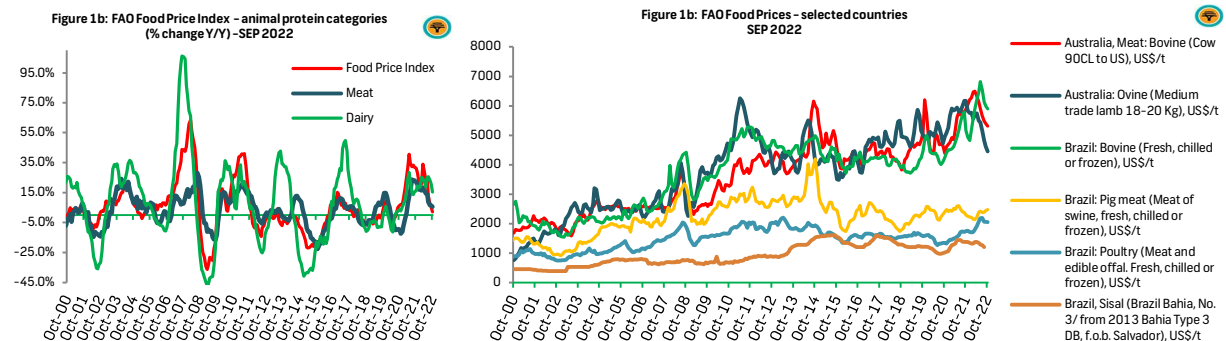
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UPDATE ON LIVESTOCK MARKETS

Monthly global food inflation falls further in OCT 2022

- Global food inflation as measured by the United Nation Food and Agriculture Organization (FAO) declined for the seventh consecutive month by 0.1% month-on-month (m/m) in OCT 2022 and decelerated back to single digit level of 2% year-on-year (y/y). Gains in cereals which increased by 3% m/m and 11.1% y/y were more than offset by declines across most commodity categories led by the vegetable oils which fell by 1.6% m/m and a whopping 18.8% y/y.
- In the animal protein complex, the monthly global meat price inflation fell for the fourth consecutive month by 1.4% m/m in OCT and decelerated to 5.8% y/y from 6.5% y/y in the SEP 2022 update. The ovine meat prices posted the biggest decrease as export demand slipped amid increased currency volatility and abundance of product from the Oceania region.
- The downturn in import demand particularly from China whose production rebounded from the recent rebuilding of the country's pig herd underpinned the downside global pig meat prices. For example, US pork exports to China for the year to SEP 2022 fell by a whopping 61% y/y to just 137,074 tons according to the US Meat Exporters Association (USMEF).
- Higher beef supplies placed downward pressure on beef prices amid subdued demand in a weakening global economy which is expected to slow to 3.2% in 2022 from 6% in 2021 and further falling to 2.7% in 2023.
- Australian beef prices (cow 90CL) on international markets fell by 1.5% m/m and 9.7% y/y in OCT 2022 at US\$5318.12/t (figure 1b). Ovine meat prices (medium trade lamb 18-20 Kg) were down by 3.2% m/m and 27.7% y/y at an average of US\$4463.76/t.

Figure 1: Global food price inflation trends and meat prices by selected countries

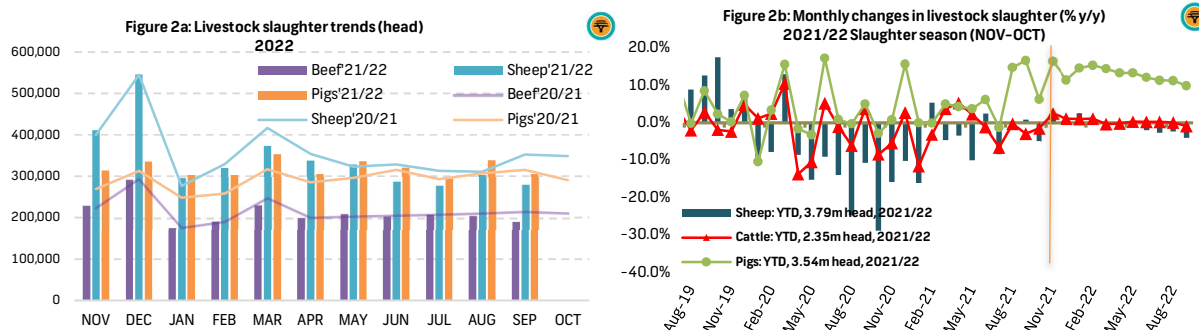


Source: FAO

A further cattle slaughter contraction in SEP 2022 from the FMD-induced supply crunch

- As per expectations, the SEP 2022 livestock slaughter numbers came in on the downside which reflects the impact of the ban on movement of cattle due to the outbreak of Foot-and-Mouth Disease (FMD) earlier in the third quarter of 2022.
- Cattle slaughter fell by 7.1% m/m and 10.3% y/y at 192,419 head. This brought the cumulative season-to-date number to 2.35 million head which is marginally down by 0.9% y/y (figures 2a and 2b).
- Sheep numbers fell by 11.4% m/m in SEP and were 21.1% below the 2021 levels at 278,661 head. Cumulatively, the number of sheep slaughtered reached 3.79 million head which is 4% lower y/y.
- Pig slaughter fell sharply by 10.5% m/m and 3.2% y/y at 305,417 head thus raising the cumulative STD number by 9.9% y/y to 3.54 million head.

Figure 2: South Africa's livestock slaughter trends

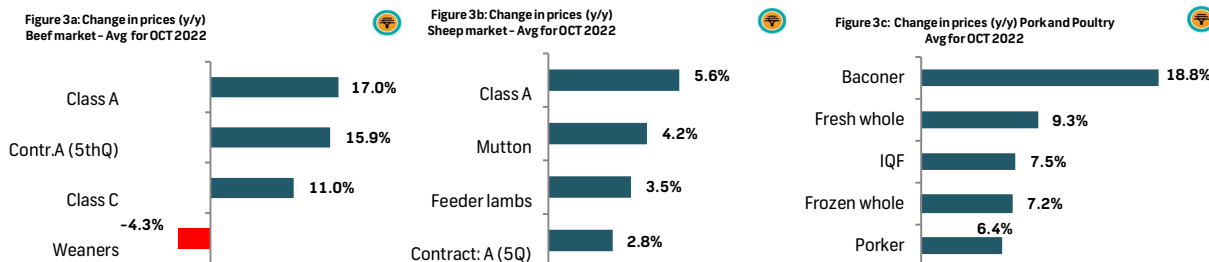


Source: Own calculations from Red Meat Levy Admin data.

Domestic livestock prices still elevated y/y in October 2022

- Domestic livestock prices showed no sign of pulling back as demand remained resilient amid supply tightness (see figures 3a to 3c).
- On the weaner market, the current average of R37.56/kg LW for OCT 2022 is 4.3% lower y/y and off the peak of R45/kg live weight (LW).

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



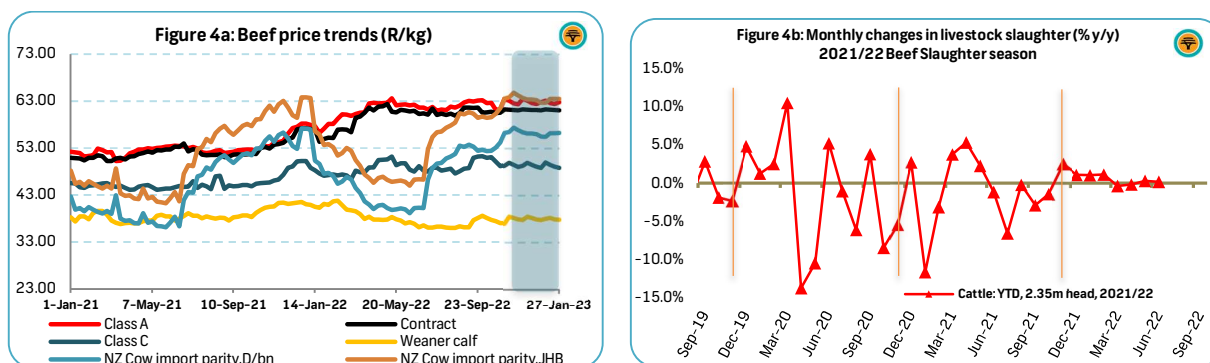
Source: StatsSA, FAO

International update on beef markets

- The USMEF reported a modest uptick in beef exports for the year to SEP 2022 with volumes up 5% y/y to 894,387 tons. Exports to its third largest market, China, saw growth of 14% and 30% y/y respectively in quantity and value at 186,306 tons and US\$1.85 billion.
- DA estimate of the 2023 US production was revised upwards due to increased marketing and improved calf numbers placed in feedlots in the last half of 2022. Robust export demand from Asia boosted the export forecast which came in on the upside.

Domestic beef market update:

- It was a mixed bag during the OCT month end with class C easing while class A beef prices firmed.
- No respite on the weaner market as prices softened due to increased availability and limited demand.

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	28-Oct-22	% Δ w/w	% Δ y/y	3-Year Avg	21-Oct-22	14-Oct-22
Class A (R/kg)	61.18	0.1%	14.4%	10.4%	61.12	62.65
Class C (R/kg)	49.18	-1.8%	7.8%	8.0%	50.09	51.05
Contract: A (*Incl. 5thQ)	60.58	0.3%	13.7%	11.1%	60.42	60.75
Import parity (R/kg)	61.45	1.8%	1.0%	4.4%	60.33	59.57
Weaner calves (R/kg LW)	37.02	-1.0%	-8.1%	-2.3%	37.40	37.70

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

OUTLOOK

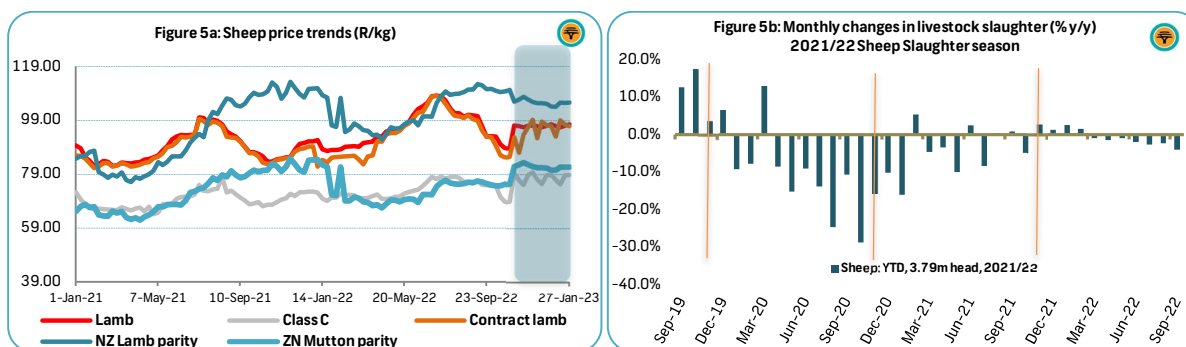
We expect a strong rebound in supplies as slaughter activity returns to normal in the medium term.

Weekly summary of the sheep market**International sheep market update**

- Elevated inventories in overseas markets coupled with poor economic conditions continue to pose downside risk to export prices in the near term.

Domestic sheep market update

- The carcass market recovered somewhat on renewed month end uptake. At current levels, lamb and mutton prices are 3% to 6% higher respectively y/y and just over 1% 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

Source: Red Meat LevyAdmin

Table 2: Sheep producer price trends in South Africa

Date	Sheep market – South Africa					
	28-Oct-22	% Δ w/w	% Δ y/y	3-Year Avg	21-Oct-22	14-Oct-22
Class A (R/kg)	88.72	0.1%	6.1%	2.0%	88.65	90.08
Mutton (R/kg)	68.85	0.2%	1.7%	1.4%	68.72	70.54
Contract: A (*Incl.5thQ, R/kg)	85.53	0.4%	3.0%	0.3%	85.22	86.10
Import parity (R/kg)	110.37	0.7%	-2.3%	4.7%	109.64	109.48
Feeder lambs (R/kg LW)	40.87	-2.6%	-10.7%	-4.8%	41.96	41.86

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

OUTLOOK

The improved seasonal upswing in demand as we head closer to the festive period will boost prices.

Weekly pork market*International pork market update*

- Reports out of China are that the country's sow herd advanced by 2% y/y in SEP 2022 to 43.62 million head as the rebuilding drive continues. An expansion in the country's pig herd has helped reduce its import demand recently.
- However, pork prices in China are reportedly strong despite attempts to alleviate pressure on the consumer through the release from State reserves. Feed prices continue to place downward pressure on profitability as tightening soymeal supplies force companies to raise prices.

Domestic pork market update

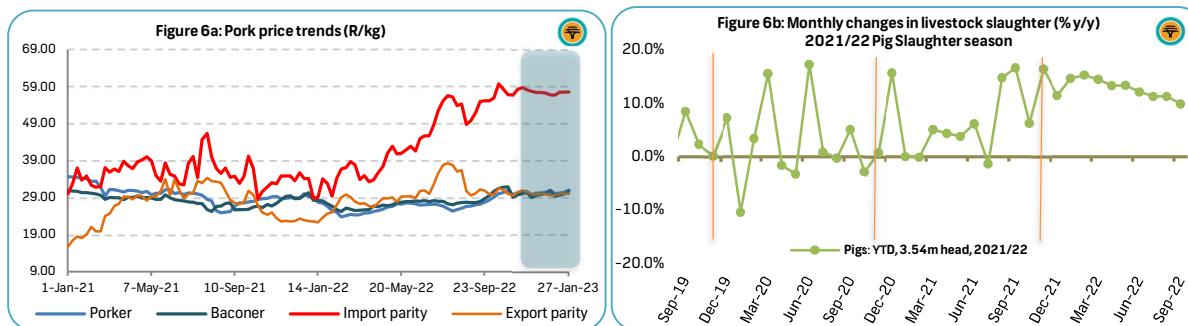
- The upswing in the pork market persisted on the back of limited availability and firmer demand. Average porker and baconer prices are now 8% and 17.4% higher respectively y/y and still 32% and 48% above the 3-year average.
- However, there is not respite on the feeding front as the relatively elevated feed grain prices continue to erode profitability in the market.

Table 3: Pig producer prices and slaughter trends

Date	Pork market – South Africa					
	28-Oct-22	% Δ w/w	% Δ y/y	3-Year Avg	21-Oct-22	14-Oct-22
Porker (R/kg)	31.13	2.5%	8.0%	32.3%	30.38	30.18
Baconer (R/kg)	31.96	0.3%	17.4%	48.3%	31.86	31.52
Import parity (R/kg)	56.88	-2.8%	78.2%	81.5%	58.50	59.85

Source: USDA, JSE, FNB Agric

Figure 6: Pork prices and slaughter trends



*Last nine data points on figure 4a are preliminary

Source: Red Meat LevyAdmin

OUTLOOK

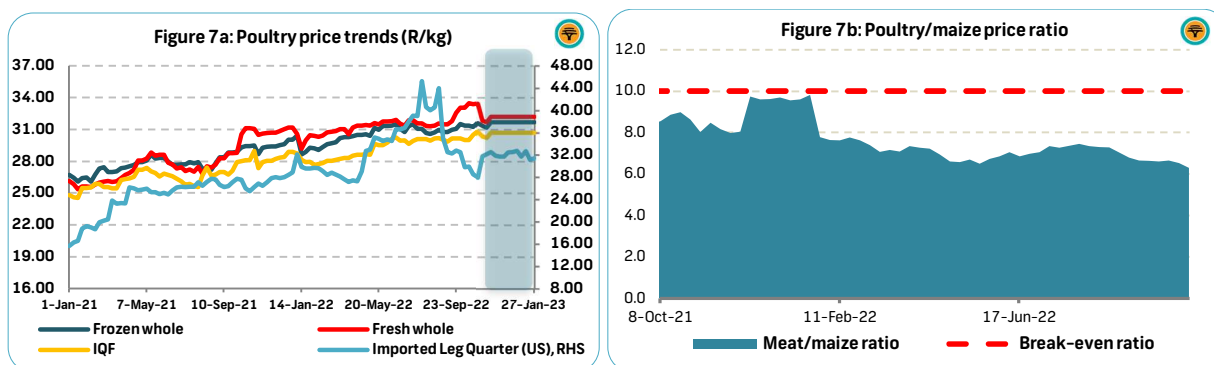
We expect prices to maintain the current momentum with further upside on seasonal improvement in demand.

Weekly poultry market update

International poultry market update

- Following the completion of a tight Presidential Elections in Brazil, unhappy supporters of the outgoing President embarked on massive protests that caused blockages thus limiting activity in the poultry sector. Closure of some plants will result in reduced export availability in the near term with December around the corner.
- The USDA made an upward revision to their broiler production estimates for the US based on improved production and hatchery data. The outbreak of the Highly Pathogenic Avian Influenza (HPAI) in September caused the downward revision to their forecasts as placement is curtailed towards year end.
- The Chinese chicken consumption is expected to rebound in the year ahead as normality returns following the increased lockdowns this year. Production is expected to remain relatively stable at 14.3 million tons in 2023, according to the USDA.

Figure 7: Poultry prices and meat/maize ratio trends



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

Domestic poultry market update

- Loadshedding remains a concern for producers as cutbacks may constrain availability on the domestic market. This further erodes producer margins as cost of fuel for generators may not be easily recouped due to the limited upside for pricing.
- The weaker rand hopefully will curtail import levels in the near term. The rand exchange rate has been very volatile although settling a bit firmer lately on positive Medium Term Budget Statement.
- The unrelenting strength in grain prices however remains a concern for producers as feed costs do not any signs of moderating. This will tighten feeding margins as further price increases are constrained by the tough economic conditions.

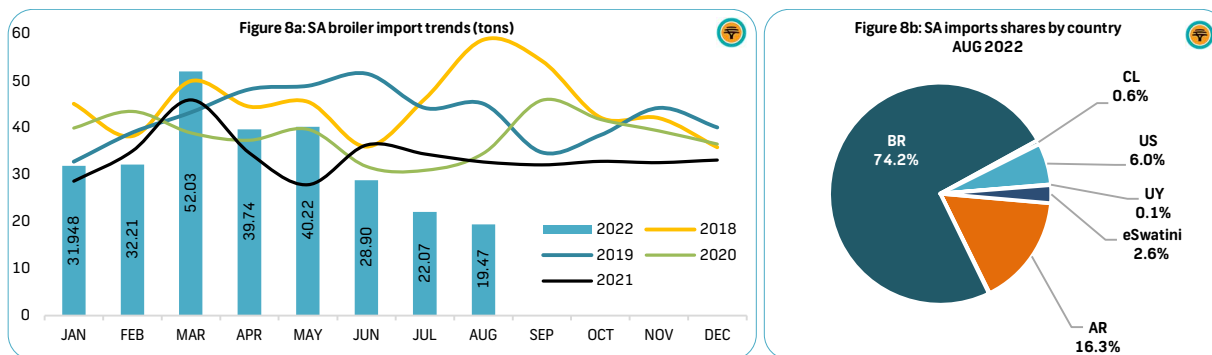
Table 4: Poultry producer price trends in South Africa

Week ending	Poultry market - South Africa					
	28-Oct-22	% Δ w/w	% Δ y/y	3-Year Avg	21-Oct-22	14-Oct-22
Fresh whole birds (R/kg)	33.45	0.2%	7.7%	12.9%	33.38	33.48
Medium Frozen whole birds (R/kg)	31.63	1.2%	7.2%	10.5%	31.26	31.38
Individually Quick Frozen (IQF) (R/kg)	30.81	1.1%	6.3%	12.8%	30.48	30.00
Import parity (R/kg)	27.97	-1.9%	6.8%	16.1%	28.52	29.93

Source: USDA, JSE, FNB Agric

- Broiler imports declined further by 12.6% m/m and were sharply lower by 40.6% y/y in AUG 2022 at 19.47 thousand tons. The cumulative YTD imports were 3.3% lower relative to the same period in 2021 at 266.80 thousand tons (figure 9).

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



Source: SARS,

OUTLOOK

The price outlook remains bullish for the medium term as imports contract and demand improve as we head closer to the festive period. However, the relatively high maize prices remain a concern as they continue to maintain a wide gap between the meat/maize ratio and the breakeven level as illustrated in figure 8b.

Raw feed input price update

- Dec-22 futures for yellow maize (YMAZ) and white maize (WMAZ) increased by 8.8% and 7% respectively m/m and now remain way above R5,000/ ton as illustrated in table 5.
- The strength in the oilseed complex continues with sunflower and soybean futures now above R12,000/t and R11,000/t respectively.
- 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)

04 NOV 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	R5,423	8.8%	R5,273	7.0%	R12,160	19.4%	R11,112	18.7%
Mar-23	R5,398	8.9%	R5,287	7.8%	R11,881	18.0%	R10,874	17.9%
May-23	R4,926	6.5%	R4,901	6.2%	R10,748	14.2%	R9,216	6.7%
Jul-23	R4,928	5.7%	R4,909	6.2%	R10,622	15.2%	R9,350	6.4%
Sep-23	R5,010	4.4%	R4,976	4.7%	-	-	R9,440	-

Source: JSE,

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