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Livestock and Fibre markets

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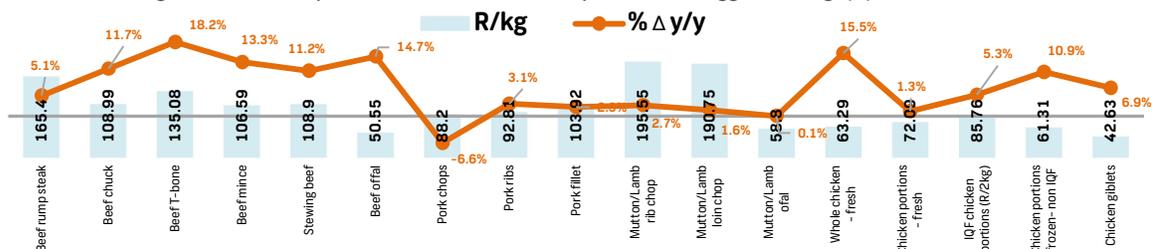
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UPDATE ON LIVESTOCK MARKETS

Another expensive braai festive ahead

- South Africa's October 2022 consumer price inflation (CPI) accelerated marginally to 7.6% year-on-year (y/y) from 7.5% September but was still off the 2022 peak of 7.8% y/y reached during July, according to recent data from Statistics South Africa (Stats SA).
- Food inflation however steadied at 12.3% y/y but nudged 0.9% higher month-on-month (m/m) and still the highest level since May 2009. Within the food CPI subindex, the meat CPI jumped 1% month-on-month (m/m) and reached the highest level in thirteen months at 10.5% y/y. The strength in prices was underpinned by a relatively resilient consumer demand despite tough economic conditions with the consumer's financial welfare under strain.
- A Deep dive into the meat CPI data shows a surge of 18% y/y in beef T-bone steak at R135.08/kg, followed by mince, chuck, and brisket with increases of 13.3%, 11.7%, and 11.5% respectively y/y. Interestingly, beef offal fell sharply by 23% m/m due to a strong rebound in supplies but was still 14.7% y/y at R50.55/kg. Pork was mixed with slight gains of 3.1% and 2.3% y/y for ribs and fillet at R92.81/kg and R103.92/kg while chops fell by 6.6% y/y at R88.20/kg.
- Our analysis of the weekly trends in domestic meat prices shows a persistent strong growth in the pork market due to the combination of resilient demand and higher import parity prices. The average porker and baconer prices for November 2022 rose by 19.2% and 23.9% respectively.
- We saw a similar strong run in the chicken market with the individually quick-frozen (IQF) category advancing by 12.9% y/y and the fresh and frozen whole bird prices increased by 9.7% and 9.9% y/y. Increased cost pressures have been mounting for months in the sector which saw some of the big players indicating a potential sharp increase in prices to recoup costs.

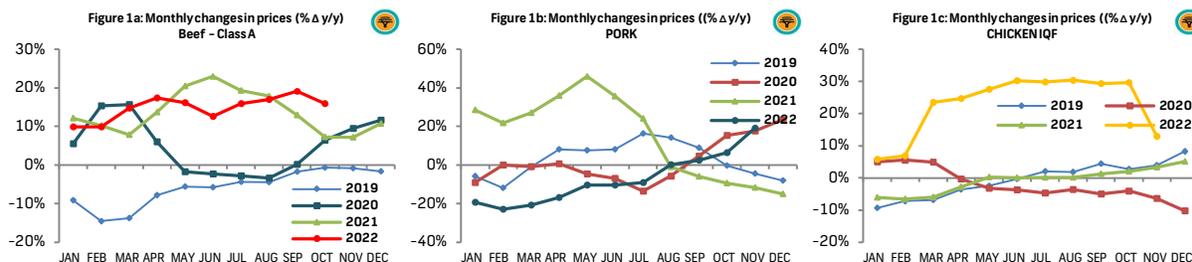
Figure A: Consumer price index for selected meat products and eggs (% change y/y) - NOV 2022



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

- At producer level, livestock producers have faced elevated feed costs for most of the second half of 2022 as prices of major raw inputs mainly maize, soybean and sunflower surged. Maize prices have so far surged by 58% and 41% y/y respectively for the white and yellow types. Although soybeans and sunflower prices eased by 2% and 7% respectively m/m they were still 24% and 7% higher y/y.

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

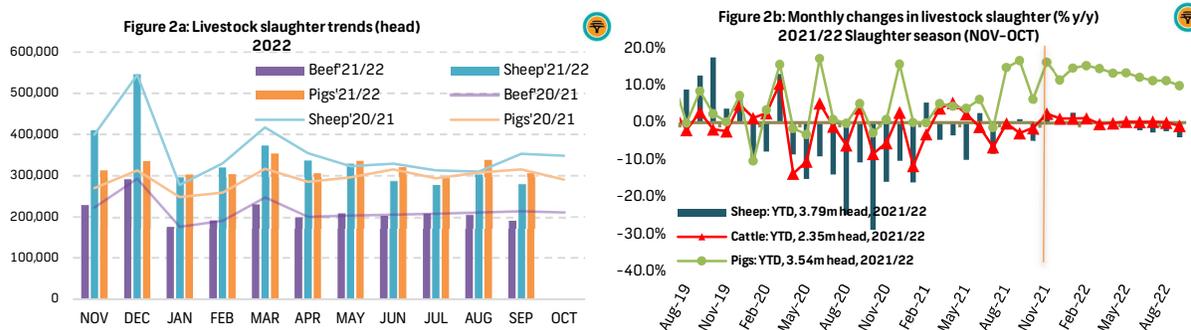


Source: FNB AgriComms, Own Calculations

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

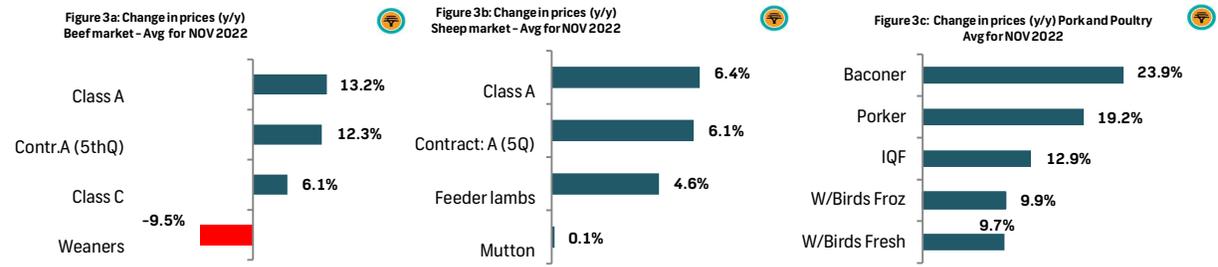


Source: Own calculations from Red Meat Levy Admin data.

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).

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



Source: FNB AgriComms

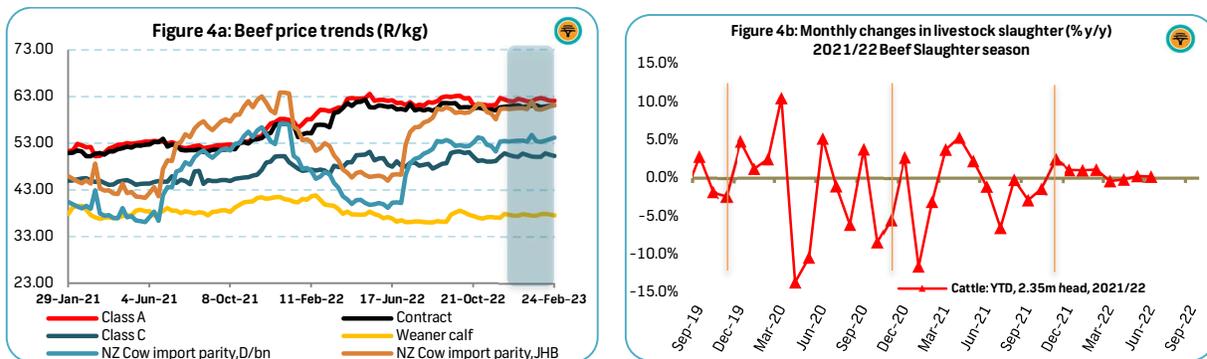
International update on beef markets

- The US import market saw pressure from weak seasonal demand and lower domestic prices according to the USDA. At wholesale level, US boxed beef values are currently 8% to 12% lower relative to last year this time.

Domestic beef market update:

- A slight reversal in the weaner market and still on a sideways trend as elevated grain prices erode producer margins for feeders.

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	25-Nov-22	% Δ w/w	% Δ y/y	3-Year Avg	18-Nov-22	11-Nov-22
Class A (R/kg)	61.22	0.1%	12.3%	9.6%	61.13	61.13
Class C (R/kg)	49.18	0.2%	4.0%	5.6%	49.10	49.09
Contract: A (*Incl.5thQ)	60.01	-0.3%	11.0%	9.6%	60.20	60.18
Import parity (R/kg)	58.11	-2.0%	-7.8%	0.8%	62.37	61.81
Weaner calves (R/kg LW)	37.02	-0.4%	-10.6%	-4.4%	37.18	37.08

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

OUTLOOK

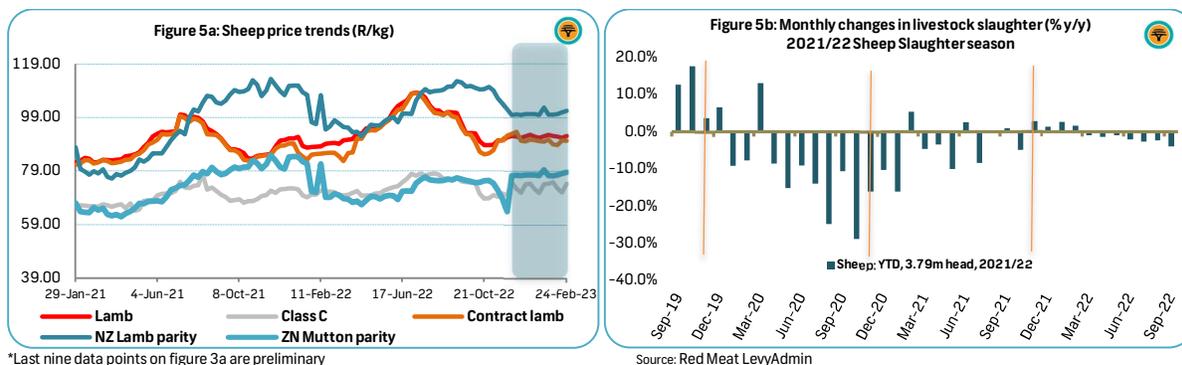
New two weeks should see some upswing in prices as consumers stock up for the festive season.

Weekly summary of the sheep market

International sheep market update

- Demand on export markets for lamb remains under pressure with Covid-19 restrictions in China persisting. The lifting of restrictions is critical for improved activity and ramping up supplies as the Chinese New Year draws closer

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					
	25-Nov-22	% Δ w/w	% Δ y/y	3-Year Avg	18-Nov-22	11-Nov-22
Class A (R/kg)	91.76	1.4%	7.5%	4.5%	90.50	90.45
Mutton (R/kg)	70.10	-0.6%	-2.2%	1.1%	70.55	69.35
Contract: A (*Incl.5thQ, R/kg)	92.25	1.9%	8.3%	5.2%	90.52	90.22
Import parity (R/kg)	102.08	-2.0%	-9.9%	0.2%	104.22	106.18
Feeder lambs (R/kg LW)	41.35	0.9%	-10.2%	-2.7%	40.98	41.30

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

Domestic sheep market update:

- The mutton extended losses under pressure on demand contraction while supply tightness and renewed demand lifted lamb prices.

OUTLOOK

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

Weekly pork market

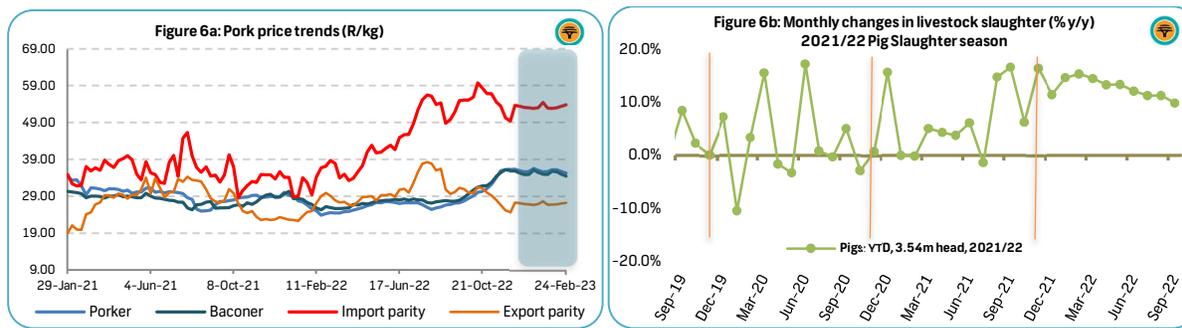
International pork market update

- The elevated grain prices on continued to constrain profit margins and future expansions as the Ukraine war does not show any signs of ending.

Domestic pork market update

- As further upswing in the pork market on due to the combination of supply tightness and resilient demand. Average porker and baconer prices are now 26% and 24% higher respectively y/y and still 54% and 69% above the 3-year average.
- This will help open the feeding margins despite the elevated raw feed input prices.

Figure 6: Pork prices and slaughter trends



*Last nine data points on figure 4a are preliminary

Source: Red Meat LevyAdmin

Table 3: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	25-Nov-22	% Δ w/w	% Δ y/y	3-Year Avg	18-Nov-22	11-Nov-22
Porker (R/kg)	36.22	0.6%	25.5%	53.9%	36.02	34.02
Baconer (R/kg)	36.30	2.2%	23.8%	68.5%	35.52	34.48
Import parity (R/kg)	50.36	-6.1%	44.5%	60.7%	53.61	55.57

Source: USDA, JSE, FNB Agric

OUTLOOK

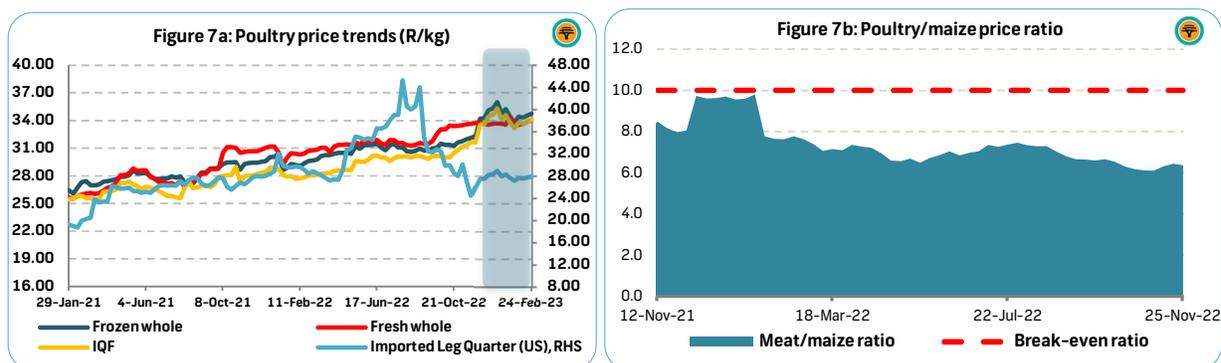
We expect prices to maintain the current momentum with further upside on seasonal improvement in demand.

Weekly poultry market update

International poultry market update

- The outbreak of the Highly Pathogenic Avian Influenza (HPAI) continues to be a problem in Europe and the US thus curtailing export availability. This will place upward pressure on global prices.

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

- Prices moved mostly sideways as the tight supply situation helped offset demand pressures down the value chain.
- Loadshedding remains a concern for producers as cutbacks may constrain availability of the domestic product. This further erodes producer margins as cost of fuel for generators may not be easily recouped due to the potential consumer resistance to further price acceleration.
- The unrelenting strength in grain prices however remains a concern for producers as feed costs do not any signs of moderating.

Table 4: Poultry producer price trends in South Africa

Poultry market – South Africa						
Week ending	25-Nov-22	% Δ w/w	% Δ y/y	3-Year Avg	18-Nov-22	11-Nov-22
Fresh whole birds (R/kg)	33.78	0.4%	10.0%	11.2%	33.65	33.60
Medium Frozen whole birds (R/kg)	32.28	0.6%	9.8%	9.9%	32.10	31.98
Individually Quick Frozen (IQF) (R/kg)	31.67	0.3%	12.9%	11.6%	31.58	31.35
Import parity (R/kg)	25.94	6.3%	-6.7%	10.6%	24.39	27.09

Source: USDA, JSE, FNB Agric

OUTLOOK

The price outlook remains bullish for the near term as demand accelerates closer to the festive period.

Raw feed input price update

- Although easing from the recent highs, local prices remain too expensive for feeders. However, some positive developments are that the farthest futures for yellow maize (YMAZ) and white maize (WMAZ) have decreased across the board and back below the R5,000/ ton as illustrated in table 5.

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

28 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
Mar-23	R5,127	-4.9%	R4,959	-5.7%	R10,886	-7.4%	R10,418	-4.4%
May-23	R4,747	-3.4%	R4,560	-7.1%	R9,875	-5.7%	R9,032	-0.5%
Jul-23	R4,564	-7.2%	R4,506	-8.0%	R10,065	-3.2%	R9,131	-1.0%
Sep-23	R4,621	-7.8%	R4,550	-8.7%	-	-	R9,231	-0.6%
Dec-23	R4,702	-7.4%	R4,640	-8.2%	-	-	R9,392	-0.1%

Source: JSE.

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