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# Livestock and Fibre markets

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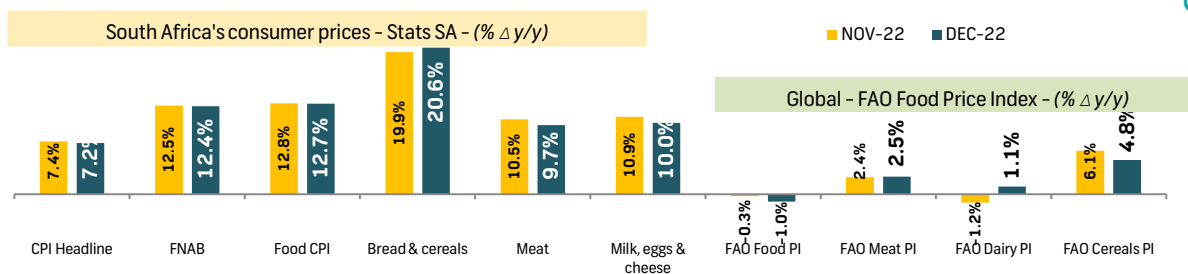
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## UPDATE ON LIVESTOCK MARKETS

*Stubborn food inflation decelerates, but renewed loadshedding muddies the outlook for 2023*

- After spiralling and breaching the upper end of South African Reserve Bank's target range of 3% to 6%, consumer price inflation (CPI) ended 2022 on a positive note as it slowed to 7.2% year-on-year (y/y) in December 2022 according to the January 2023 update from Statistics South Africa (StatsSA). The sticky food and alcoholic beverages; housing and utilities; transport; and miscellaneous goods and services were the main contributors to the elevated CPI in December 2022.
- Although food inflation remained stubbornly high at 12.7% y/y, it was a slight deceleration from the 2022 peak of 12.8% recorded in November 2022 which is an indication that huge burden on consumers might lessen in the near term.
- However, 2023 started on a negative note with the extended loadshedding of up to stage 6 which has devastating consequences for the agriculture value chain from irrigating crops to processing of produce. The loadshedding-induced losses and production cutbacks across the agriculture value chain have the potential to muddy the food inflation outlook.
- Meanwhile, global food inflation remained in negative territory after falling by 0.3% and 1.0% y/y during November and December 2022 respectively. The subdued price growth of agriculture commodities globally so far augurs well for the local market as it limits further upside for food prices.
- How has meat fared? The December meat CPI showed a modest deceleration of 0.8 percentage points to 9.7% y/y from the 2022 high of 10.5% y/y recorded in October and November 2022 (fig.1). A combination of factors played a huge role in the elevated meat CPI which included tight supplies due to the pedestrian livestock slaughter, reduced imports of chicken, and the strong seasonal consumer demand.

Figure 1: SA and global inflation trends for selected product categories – Update DEC 2022 (%  $\Delta$  y/y)



Source: Stats SA, FAO

- In addition, livestock producers faced enormous cost pressures emanating from elevated raw feed input prices and intermittent electricity supply that necessitated cost recovery as profit margins were severely squeezed.

#### Seasonal downturn in demand pressures livestock prices early in 2023

- The year started on a softer note in the livestock market as the seasonal downturn in demand and loadshedding challenges placed downward pressure on prices across the board.
- Nonetheless, the average meat prices in the early part of January 2023 were still way above the 2022 levels for the same period. Mutton prices were however the exception, falling by 4.5% y/y as illustrated in figure 3.
- Meanwhile, the pork and poultry posted strong gains throughout the second half of 2022 with price growth exceeding levels achieved in the few years as illustrated in figure 2b and 2c.
- Although still elevated, beef was in deceleration in the fourth quarter of 2022 with the December price increase dipping way below the past two years at 5% y/y for class A (fig.2a).
- In the live market, weaner calf prices had a false start to 2023 due to weak seasonal demand. Average weaner calf prices early in Jan-2023 were down by 9% y/y at R37.01/kg live weight (LW).

Figure 2: Growth trends for producer prices of various meat types (%  $\Delta$  y/y)

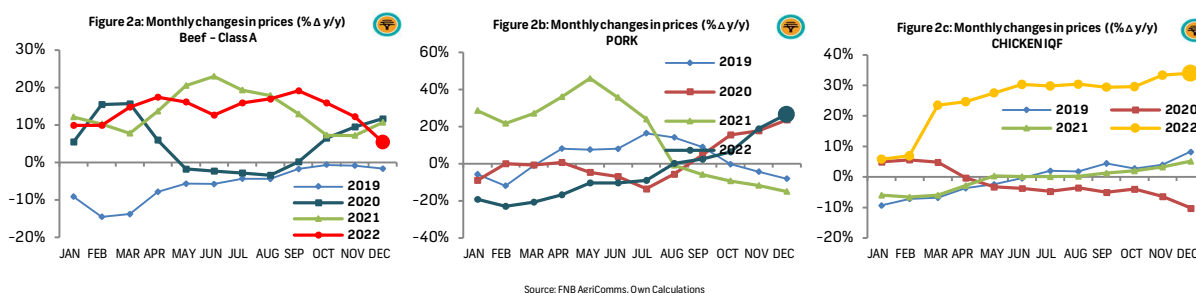
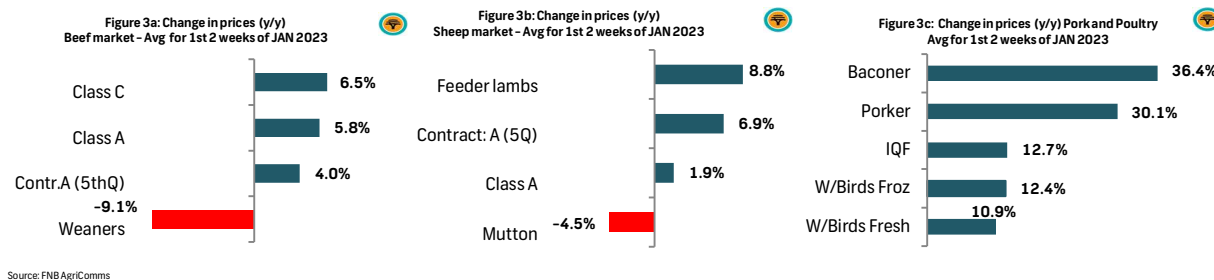


Figure 3: Changes in average monthly livestock prices (%  $\Delta$  y/y)



#### Raw feed input prices show signs of slowing but still at high levels

- Although still elevated, the recent price trends for raw feed inputs on both the domestic and international market show prices off the 2022 highs (fig.4a & 4b). Feed accounts for a significant portion of intensive livestock production costs and prices of raw inputs mainly maize (+70%) and other plant protein sources have a huge influence on profitability.

Figure 4: Changes in prices of raw feed inputs and the meat-maize price ratios for beef, broiler, and pork.

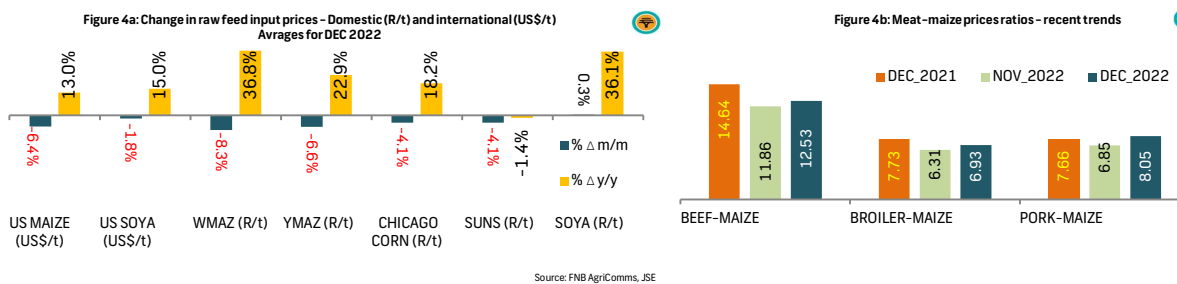


Table 1: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

19 JAN 2023	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	R4,613	4.2%	R4,635	2.9%	R10,906	3.2%	R9,916	2.2%
May-23	R4,479	4.0%	R4,530	3.1%	R9,694	1.6%	R9,086	2.2%
Jul-23	R4,440	4.0%	R4,517	3.9%	R9,833	3.1%	R9,194	2.2%
Sep-23	R4,525	3.8%	R4,578	3.8%	-	-	R9,330	1.8%
Dec-23	R4,610	3.7%	R4,680	3.7%	-	-	R9,525	2.4%

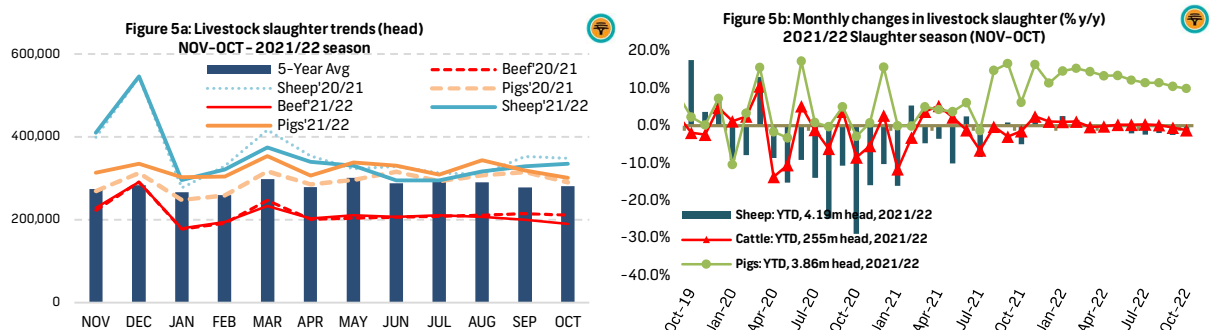
Source: JSE.

- Maize prices have fallen back below R5000/t but at current levels white maize (WMAZ) and yellow maize (YMAZ) prices so far 4% above last month (table 1). The plant protein category also remains elevated with soybean futures so far up by 1% to 3% m/m.
- The meat-maize prices ratio, an indicator of profitability in the livestock sector showed a marginal improvement in December 2022 largely due to the slight decrease in maize prices (fig.4b).

#### FMD-induced trade disruptions slowed livestock slaughter in 2022

- As expected, cattle and sheep slaughter during the 2021/22 slaughter season (NOV-OCT) was rather pedestrian with the average kill rate falling by 1.2% and 2.5% y/y at 2.55 million and 4.19 million head respectively. Pigs were however the exception with a cumulative seasonal harvest of 3.86 million head which is 10% above the 2020/21 season.

Figure 5: South Africa's livestock slaughter trends



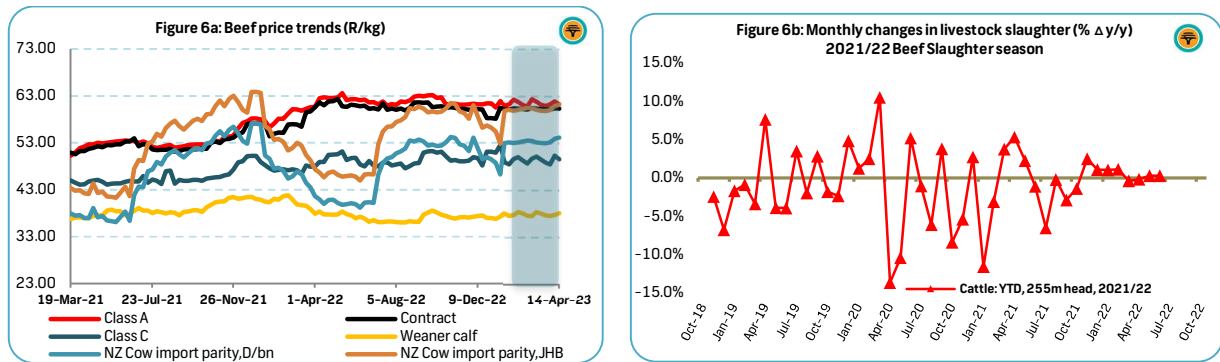
Source: Own calculations from Red Meat Levy Admin data.

#### OUTLOOK

- The weather outlook still points to an excellent pasture season, a positive development in a high feed cost environment.
- While meat prices remain at best levels, the higher input costs coupled with disease challenges that disrupted livestock trade have eroded producer margins.
- Loadshedding has caused havoc in the industry particularly poultry and this has a potential to induce production cutbacks and consequently surging meat prices in the medium to longer term.

## AgroMetrics: Livestock Charts &amp; Data Tables

Figure 6: Beef prices and cattle slaughter trends



\*Last nine data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

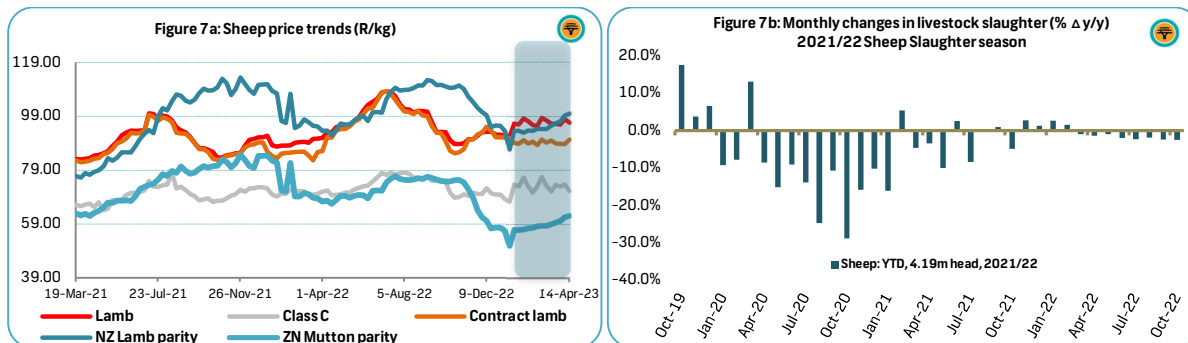
Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	13-Jan-23	% Δ w/w	% Δ y/y	3-Year Avg	6-Jan-23	23-Dec-22
Class A (R/kg)	61.89	2.4%	7.3%	8.2%	60.46	61.38
Class C (R/kg)	52.54	3.3%	8.9%	7.8%	50.85	51.08
Contract: A (*Incl.5thQ)	60.45	4.1%	6.3%	7.8%	58.09	58.22
Import parity (R/kg)	52.79	-4.6%	-6.7%	2.4%	55.34	56.72
Weaner calves (R/kg LW)	37.26	1.4%	-8.0%	-2.9%	36.75	36.94

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

## Weekly summary of the sheep market

Figure 7: Lamb and mutton prices and sheep slaughter trends



\*Last nine data points on figure 3a are preliminary

Source: Red Meat LevyAdmin

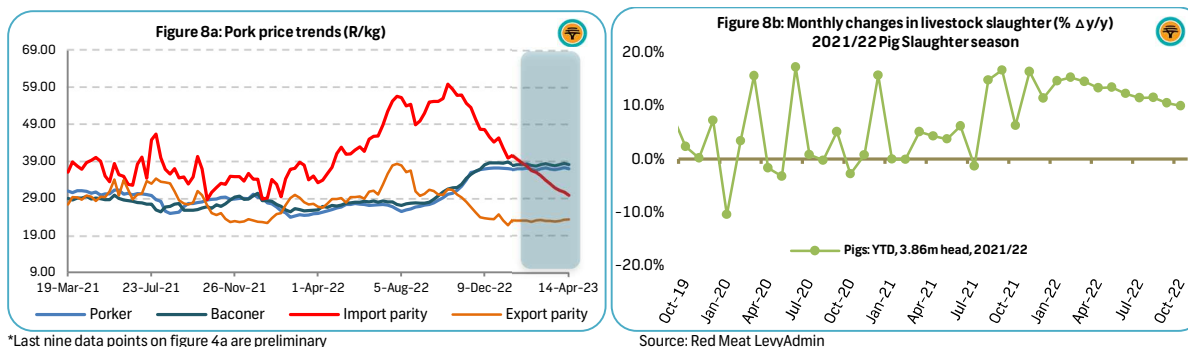
Table 3: Sheep producer price trends in South Africa

Sheep market – South Africa						
Date	13-Jan-23	% Δ w/w	% Δ y/y	3-Year Avg	6-Jan-23	23-Dec-22
Class A (R/kg)	91.54	-0.4%	3.7%	2.3%	91.94	92.10
Mutton (R/kg)	67.38	-1.2%	-3.6%	-2.3%	68.18	69.86
Contract: A (*Incl.5thQ, R/kg)	90.89	-0.2%	7.7%	4.5%	91.08	91.18
Import parity (R/kg)	86.63	-7.4%	-20.0%	-7.4%	93.51	95.63
Feeder lambs (R/kg LW)	38.35	-4.4%	-6.9%	-3.6%	40.11	41.35

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

## Weekly pork market

Figure 8: Pork prices and slaughter trends



\*Last nine data points on figure 4a are preliminary

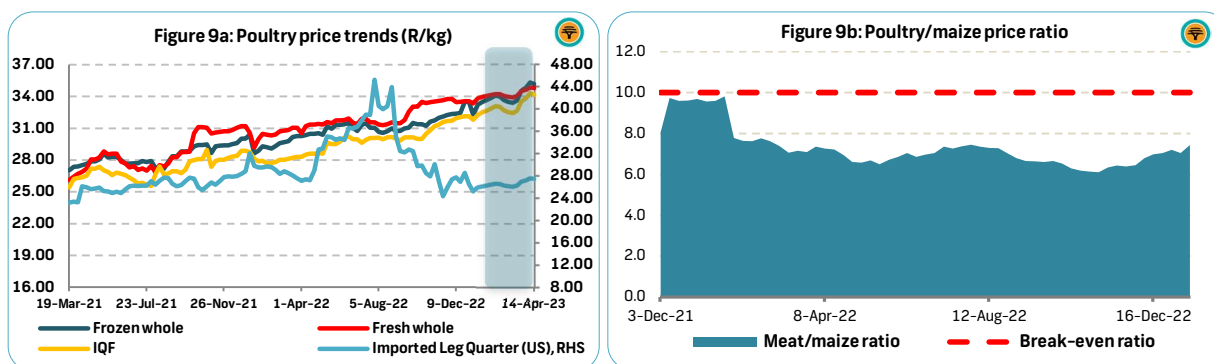
Table 4: Pig producer prices and slaughter trends

Pork market - South Africa						
Date	13-Jan-23	% Δ w/w	% Δ y/y	3-Year Avg	6-Jan-23	23-Dec-22
Porker (R/kg)	37.06	-0.3%	33.4%	57.5%	37.16	37.25
Baconer (R/kg)	38.82	0.7%	36.9%	80.1%	38.54	38.62
Import parity (R/kg)	39.92	-6.2%	37.3%	27.4%	42.57	44.20

Source: USDA, JSE, FNB Agric

## Weekly poultry market update

Figure 9: 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	13-Jan-23	% Δ w/w	% Δ y/y	3-Year Avg	6-Jan-23	23-Dec-22
Fresh whole birds (R/kg)	33.80	1.3%	15.8%	13.1%	32.29	33.48
Medium Frozen whole birds (R/kg)	33.21	2.8%	16.0%	12.5%	32.29	33.48
Individually Quick Frozen (IQF) (R/kg)	32.25	1.4%	14.7%	14.1%	33.35	33.54
Import parity (R/kg)	25.96	2.7%	-13.0%	8.6%	62.86	76.35

Source: USDA, JSE, FNB Agric

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