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# Livestock and Fibre markets

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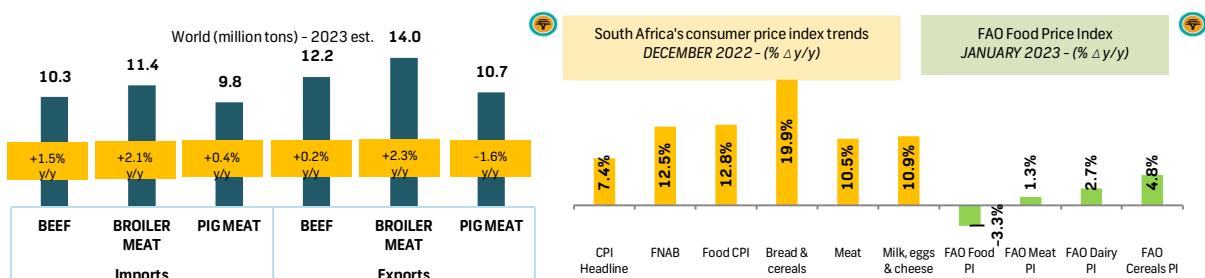
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## UPDATE ON LIVESTOCK MARKETS

### Global food and meat inflation on the backfoot January 2023

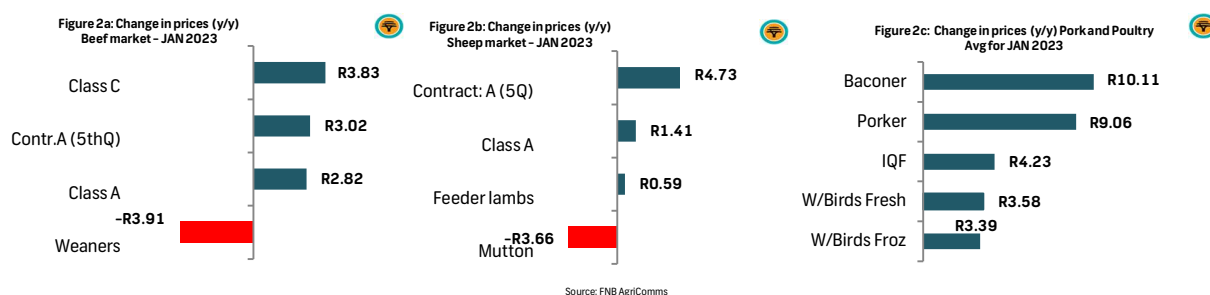
- The monthly global food price inflation as measured by the United Nation's Food and Agriculture Organization (FAO) remained in negative territory for the tenth consecutive month after posting a decrease of 0.8% month-on-month (m/m) in January 2023. The FAO food price index fell further by 3.3% year-on-year (y/y) after declining by 1.1% y/y and 0.4% y/y in December and November respectively in 2022.
- In the animal protein complex, the monthly meat price index decreased for the seventh consecutive month to -0.1% m/m and decelerated by 1.3% y/y from 2.4% in December 2022. Dairy prices fell by 1.4% m/m and decelerated by 4.5 percentage points from the previous month to 2.7% y/y.
- Meanwhile, the latest USDA projections show a sideways trend in global meat production with beef volumes decreasing marginally by 0.3% y/y to 59.21 million tons in 2023 led by declines of 6.5% y/y for the US followed by Argentina (-3.5% y/y), Canada (-1.4% y/y), and the EU (-1.3% y/y). In contrast, production of broiler and pig meats are expected to rise by 1.8% y/y and 0.3% y/y respectively.
- Consequently, US beef exports are expected to slow down on tighter supplies due to herd contraction with rebuilding in the offing for the season ahead. Nonetheless, the US had a slightly better year with shipment up 2% y/y in 2022 to 1.47 m tons. Annual decreases of 6.1% and 7.3% in Uruguay and Argentina beef exports will help solidify Brazil's dominance in world beef exports with its current share of 25% and 62% of the Chinese market.
- Domestically, meat prices were moderate to sharply lower across most categories in January as expected due to the subdued due seasonal demand amid the deteriorating economic conditions.

Figure 1: World meat trade and food inflation trends

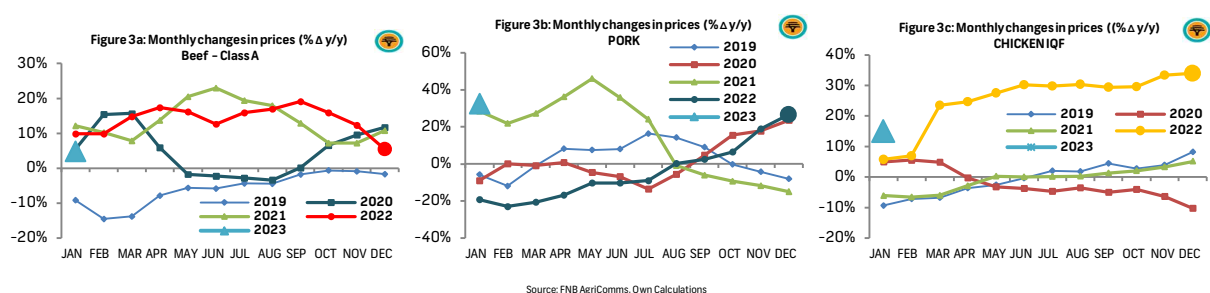


Source: USDA, FAO, STATSSA

- However, meat prices at producer level remained elevated across most categories relative to January 2022 (fig.2) with mutton (R-3.66/kg) being the only exception. In the live market, weaner calf prices saw dropped by R0.46/kg m/m and R3.91/kg live weight (LW) y/y at R36.78/kg LW. A slight rebound is expected in the period leading to the Easter period, thereafter, price will come under pressure due to the seasonal weaning volumes.
- The trend in the chicken meat category was mixed with frozen and the individually quick-frozen (IQF) categories holding ground despite demand pressures. The IQF category posted a monthly gain of 1.3% m/m (R0.42/kg) and 15% y/y (+R4.23/kg).
- Loadshedding remains a big challenge for the industry as it disrupts operations and planning from hatcheries to slaughtering and further add huge costs in terms of fuel for generators that must be run for extended periods.
- A further deterioration in electricity supply in the medium to longer term may necessitate production cutbacks and consequently a domestic supply crunch. While a domestic supply deficit is normally met through imports, they may also come at a huge cost given the weaker rand exchange rate and the avian-induced strength in international prices

Figure 2: Changes in average monthly livestock prices (%  $\Delta$  y/y)

- The historical growth trend in prices shows strong gains for pork and poultry in 2022 particularly in the fourth quarter while beef was in deceleration with a price increase dipping way below the past two years at 5% y/y for class A (fig.3b &c).
- Although monthly pork price growth eased considerably recently, they are still sharply higher by almost 33% y/y (+R9.06/kg).

Figure 3: Growth trends for producer prices of various meat types (%  $\Delta$  y/y)

#### Downside risk to maize prices as good rains help improve the crop outlook

- After so much concern about the potential El Niño weather pattern with crops already under pressure from excessive heat, good rains helped improve the situation recently.
- We have seen some downside on the local grain market with maize prices now off the 2022 highs of above R5,000/t. The May-2023 and Jul-2023 futures eased m/m to R4,334/t and R4,301/t respectively for white maize (table1). Although still firmer and trading at a premium over its white counterpart, yellow maize prices are off the record highs.
- Hopefully, this trend continues throughout 2023 thus providing a breather for livestock feeders in terms of moderation in feed costs.
- On the plant protein side, soybeans futures extended losses with the May-2023 and Jul-2023 futures falling by almost 2% m/m and way off the 2022 high of over R12,000/t at R8,888/t and R9,042/t respectively.

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

09 FEBRUARY 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
May-23	R4,334	-1.3%	R4,443	0.4%	R10,050	6.3%	R8,888	-1.8%
Jul-23	R4,301	-0.3%	R4,431	1.2%	R10,157	6.0%	R9,042	-1.2%
Sep-23	R4,374	-0.7%	R4,519	0.9%	-	-	R9,141	-2.0%
Dec-23	R4,480	-0.3%	R4,594	1.0%	-	-	R9,281	-2.2%
Mar-24	R4,440	2.3%	-	-	-	-	-	-

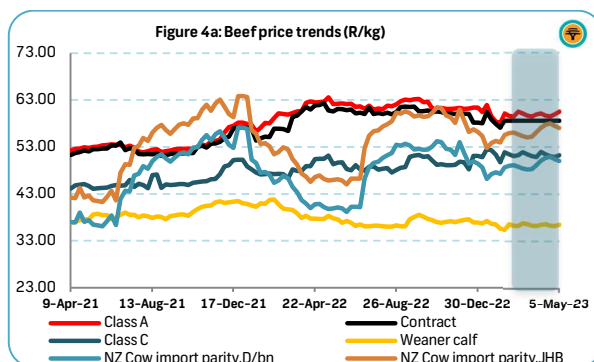
Source: JSE,

## OUTLOOK

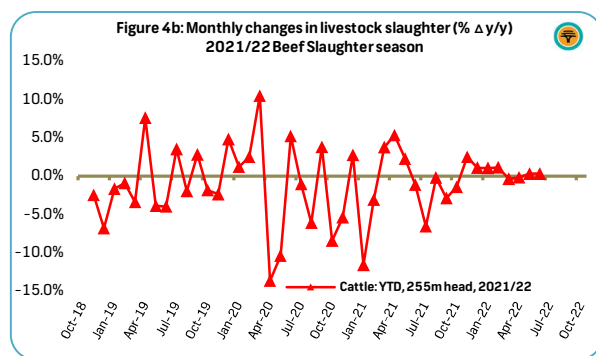
- While weather outlook has turned negative with a sharp decline in the La Niña conditions and the subsequent emergence of El Niño pattern for the months ahead, good rains recently have boosted pasture and crop conditions which is a positive development for livestock feeding.
- Loadshedding has caused 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 & Data Tables

Figure 4: Beef prices and cattle slaughter trends



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



Source: Red Meat LevyAdmin

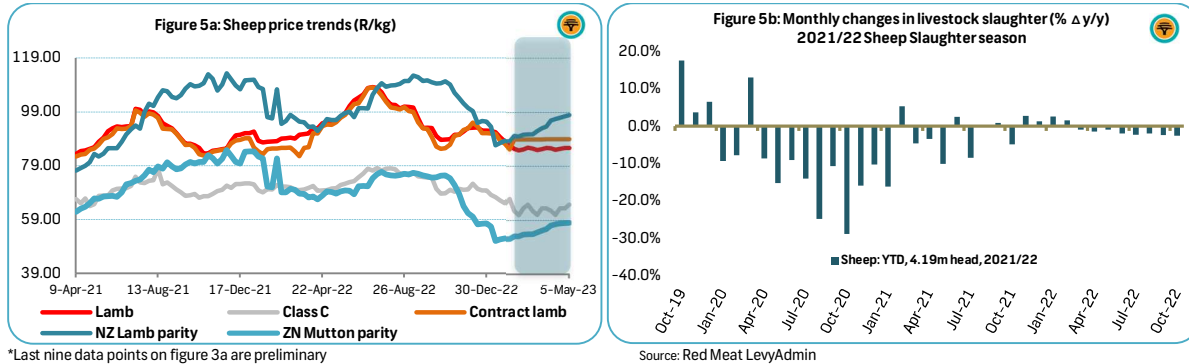
Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	3-Feb-23	% Δ w/w	% Δ y/y	3-Year Avg	27-Jan-23	20-Jan-23
Class A (R/kg)	58.15	-0.4%	0.1%	4.1%	58.38	59.56
Class C (R/kg)	49.75	-3.1%	5.4%	5.2%	51.36	52.30
Contract: A (*Incl.5thQ)	57.10	-1.3%	3.5%	5.0%	57.86	58.85
Import parity (R/kg)	53.99	-0.6%	0.3%	5.3%	54.29	53.82
Weaner calves (R/kg LW)	35.60	-2.4%	-12.9%	-6.6%	36.46	36.65

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

## Weekly summary of the sheep market

Figure 5: Lamb and mutton prices and sheep slaughter trends



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

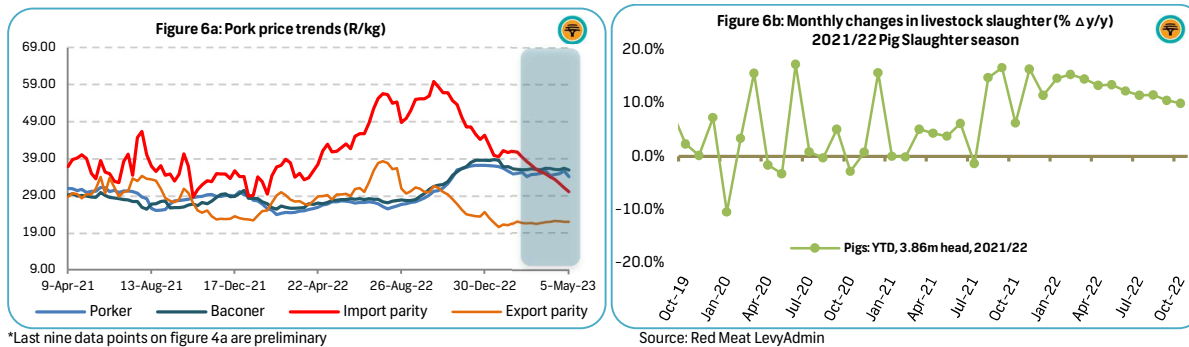
Table 3: Sheep producer price trends in South Africa

Sheep market - South Africa						
Date	3-Feb-23	% Δ w/w	% Δ y/y	3-Year Avg	27-Jan-23	20-Jan-23
Class A (R/kg)	86.89	-1.4%	-1.3%	1.4%	88.08	89.70
Mutton (R/kg)	66.89	2.8%	-4.7%	-1.1%	65.08	66.10
Contract: A (*Incl.5thQ, R/kg)	85.29	-2.2%	-0.1%	1.6%	87.18	88.35
Import parity (R/kg)	88.31	0.1%	-8.5%	-2.8%	88.22	87.45
Feeder lambs (R/kg LW)	39.10	1.5%	-5.8%	-2.6%	38.52	38.80

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

## Weekly pork market

Figure 6: Pork prices and slaughter trends



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

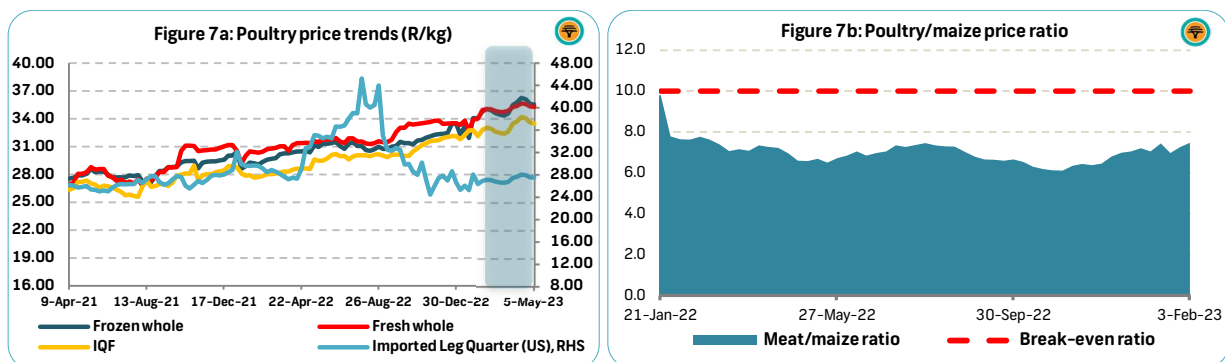
Table 4: Pig producer prices and slaughter trends

Pork market - South Africa						
Date	3-Feb-23	% Δ w/w	% Δ y/y	3-Year Avg	27-Jan-23	20-Jan-23
Porker (R/kg)	35.65	-2.2%	39.4%	51.5%	36.46	36.85
Baconer (R/kg)	36.87	0.2%	37.4%	71.1%	36.80	38.55
Import parity (R/kg)	40.73	-1.1%	38.5%	30.0%	41.17	39.53

Source: USDA, JSE, FNB Agric

## Weekly poultry market update

Figure 7: 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

Week ending	Poultry market - South Africa					
	3-Feb-23	% Δ w/w	% Δ y/y	3-Year Avg	27-Jan-23	20-Jan-23
Fresh whole birds (R/kg)	34.03	0.3%	11.9%	13.4%	33.92	32.67
Medium Frozen whole birds (R/kg)	34.08	0.0%	16.7%	14.1%	34.08	31.95
Individually Quick Frozen (IQF) (R/kg)	32.15	-1.9%	16.2%	13.0%	32.78	32.78
Import parity (R/kg)	26.39	-5.8%	-11.0%	5.3%	28.00	25.21

Source: USDA, JSE, FNB Agric

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