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# Livestock and Fibre markets

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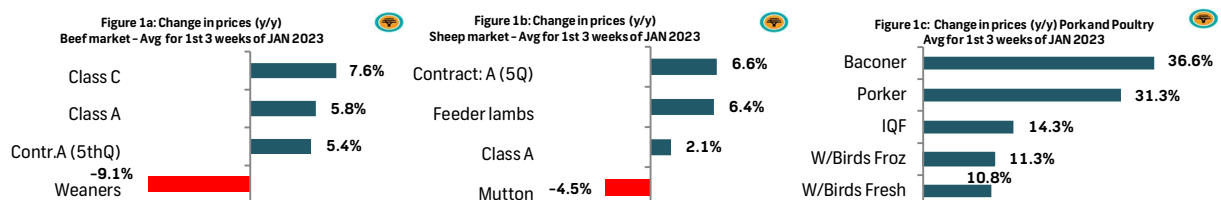
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 25 JAN 2023

## UPDATE ON LIVESTOCK MARKETS

### Seasonal downturn in demand pressures livestock prices during January 2023

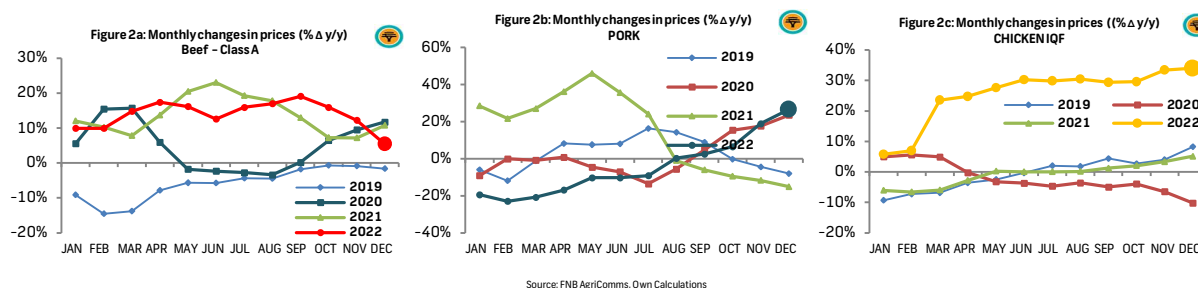
- The latest trends on the domestic livestock market shows weakness across the board due to the seasonal dip in demand post the December festive. Midmonth prices for the beef category were down across the board with class A carcass prices falling by almost 4% on the week at R59.56/kg. In the live cattle market, weaner calf prices were down 1.6% on the week earlier and 9% below the 2021 levels at R36.65/kg live weight (LW).
- Sheep prices saw weekly losses of up to 2.8% week-on-week (w/w) for class A carcasses while the pig category posted marginal losses below 1% w/w for both the porkers and baconers.
- The trend in the chicken meat category was mixed as the downturn in demand during midmonth saw whole bird prices weakening by just over 3% w/w for the frozen and the fresh categories, respectively. The individually quick-frozen (IQF) categories were however the exception with weekly gains of 1.6% and almost 18% higher year-on-year (y/y) R32.78/kg. Loadshedding challenges have impacted negatively on the poultry value chain with delays in bird harvest resulting in bigger birds that are not suitable for the QSR market.
- Nonetheless, the average meat prices for the three weeks 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 2.
- Although meat prices still elevated y/y, cost pressures have also remained unrelentingly on the upside with loadshedding exacerbating the situation as it forces producers to run their generators for a bit longer at a huge cost.
- 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 1: Changes in average monthly livestock prices (%  $\Delta$  y/y)



Source: FNB AgriComms

- 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.2a).

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

Source: FNB AgriComms, Own Calculations

**Upside risk for feed costs as maize prices remain elevated**

- The medium-term outlook on raw feed input costs remains on the upside due to the elevated maize prices. Maize alone account for over 70% of livestock feed.
- Nonetheless, maize prices are now off the 2022 highs of above R5000/t with the nearest futures at R4,700/t and R4,773/t for white and yellow maize respectively (table 1). 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 have declined significantly relative to the previous month with the Mar-23 contract falling by almost 8% month-on-month (m/m) and off the 2022 high of over R12,000/t at R9,600/t.

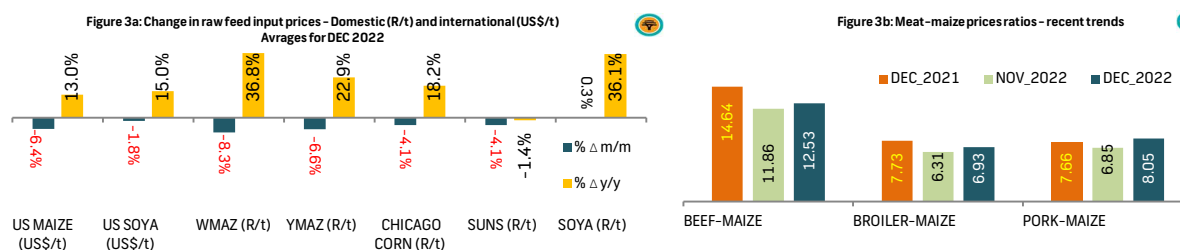
Table 1: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

25 JAN 2023	WMAZ R/ton	% $\Delta$ m/m	YMAZ R/ton	% $\Delta$ m/m	SUNS R/ton	% $\Delta$ m/m	SOY R/ton	% $\Delta$ m/m
Mar-23	R4,700	-2.0%	R4,773	1.6%	R11,606	14.7%	R9,600	-7.9%
May-23	R4,584	1.9%	R4,636	3.0%	R10,114	5.7%	R8,833	-3.9%
Jul-23	R4,508	1.4%	R4,591	3.0%	R10,254	5.8%	R8,996	-3.2%
Sep-23	R4,596	1.5%	R4,654	3.1%	RO	#DIV/0!	R9,176	-2.4%
Dec-23	R4,681	1.3%	R4,756	3.3%	RO	#DIV/0!	R9,304	-3.1%

Source: JSE,

- Meanwhile, the meat-maize prices ratio, an indicator of profitability in the livestock sector showed a marginal improvement in December 2022 due to the slight decrease in maize prices (fig.4b).

Figure 3: Changes in prices of raw feed inputs and the meat-maize price ratios for beef, broiler, and pork.

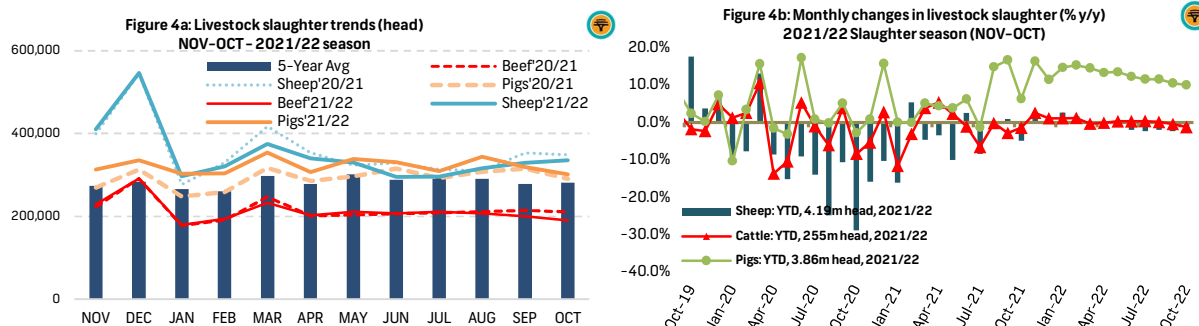


Source: FNB AgriComms, JSE

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

- As expected, cattle and sheep slaughter during the 2021/22 slaughter season (NOV-OCT) was 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 4: South Africa's livestock slaughter trends



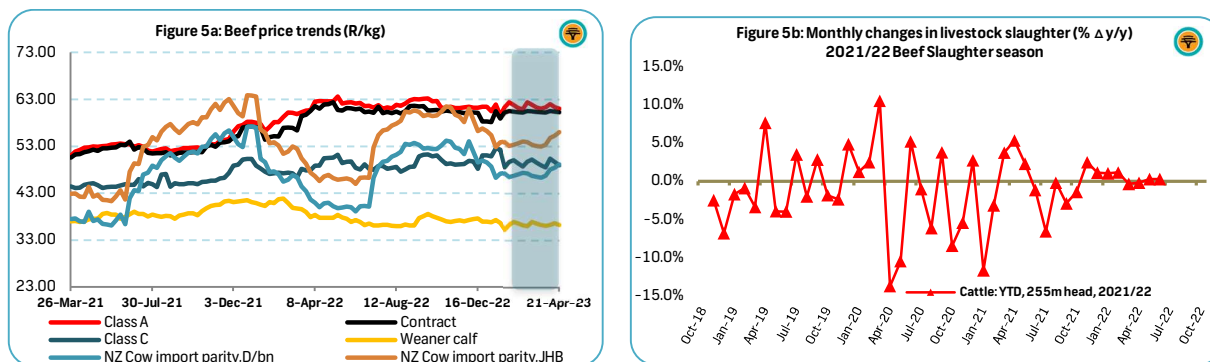
Source: Own calculations from Red Meat Levy Admin data.

## 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, the near-term rainfall forecast shows rains across the producing areas in the next few weeks. This will boost pasture conditions which is a positive development in a high feed cost environment.
- 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 5: Beef prices and cattle slaughter trends



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

Source: Red Meat LevyAdmin

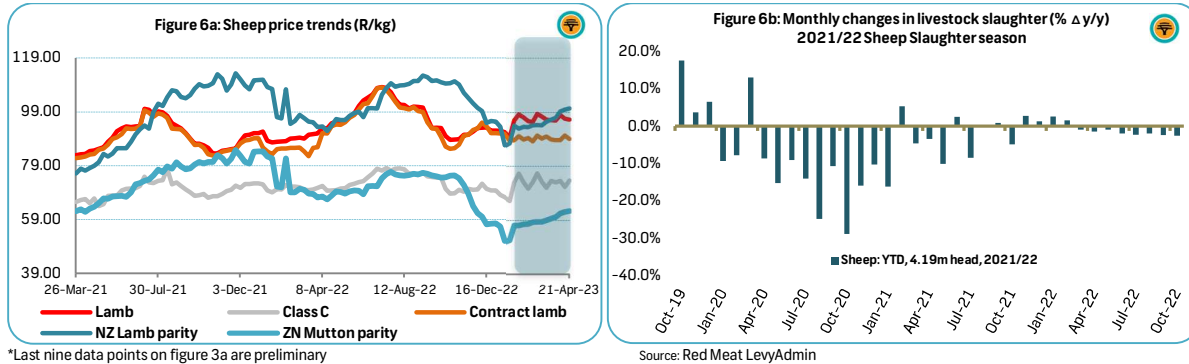
Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	20-Jan-23	% Δ w/w	% Δ y/y	3-Year Avg	13-Jan-23	6-Jan-23
Class A (R/kg)	59.56	-3.8%	5.8%	6.5%	61.89	60.46
Class C (R/kg)	52.30	-0.5%	10.0%	8.6%	52.54	50.85
Contract: A (*Incl.5thQ)	58.85	-2.6%	8.3%	7.7%	60.45	58.09
Import parity (R/kg)	53.82	1.9%	-3.6%	3.8%	52.79	55.34
Weaner calves (R/kg LW)	36.65	-1.6%	-9.0%	-4.7%	37.26	36.75

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

## Weekly summary of the sheep market

Figure 6: Lamb and mutton prices and sheep slaughter trends



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

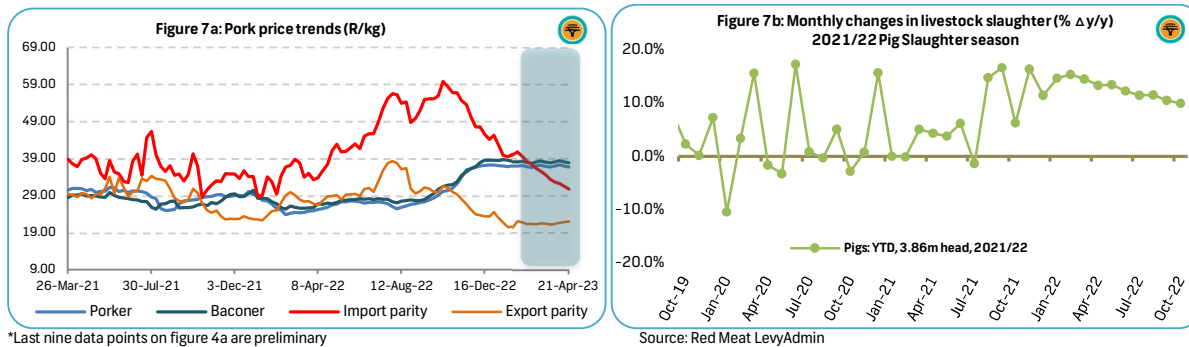
Table 3: Sheep producer price trends in South Africa

Sheep market – South Africa						
Date	20-Jan-23	% Δ w/w	% Δ y/y	3-Year Avg	13-Jan-23	6-Jan-23
Class A (R/kg)	89.70	-2.0%	2.3%	2.5%	91.54	91.94
Mutton (R/kg)	66.10	-1.9%	-4.4%	-2.4%	67.38	68.18
Contract: A (*Incl.5thQ, R/kg)	88.35	-2.8%	6.1%	3.4%	90.89	91.08
Import parity (R/kg)	87.45	0.9%	-18.6%	-6.6%	86.63	93.51
Feeder lambs (R/kg LW)	38.80	1.2%	-4.2%	-1.7%	38.35	40.11

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

## Weekly pork market

Figure 7: Pork prices and slaughter trends



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

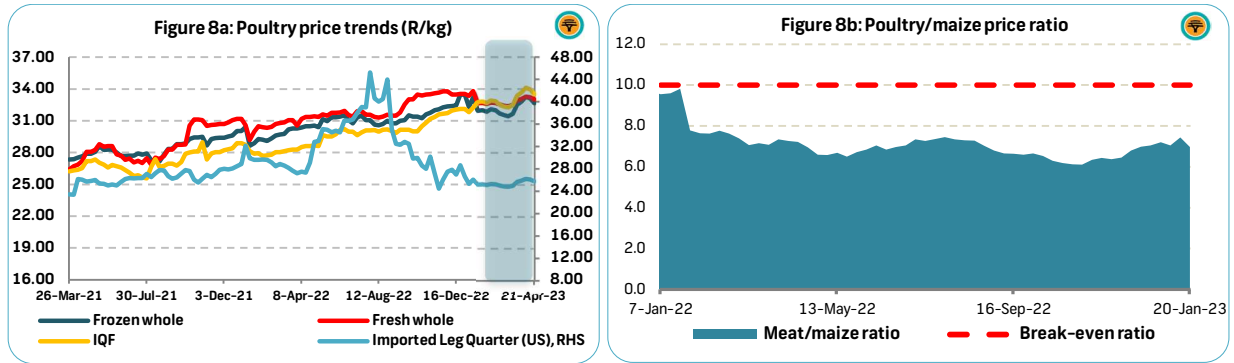
Table 4: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	20-Jan-23	% Δ w/w	% Δ y/y	3-Year Avg	13-Jan-23	6-Jan-23
Porker (R/kg)	36.85	-0.6%	33.6%	56.6%	37.06	37.16
Baconer (R/kg)	38.55	-0.7%	36.8%	78.9%	38.82	38.54
Import parity (R/kg)	39.53	-1.0%	15.8%	26.1%	39.92	42.57

Source: USDA, JSE, FNB Agric

## Weekly poultry market update

Figure 8: 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					
	20-Jan-23	% Δ w/w	% Δ y/y	3-Year Avg	13-Jan-23	6-Jan-23
Fresh whole birds (R/kg)	32.67	-3.3%	9.0%	10.8%	33.80	32.29
Medium Frozen whole birds (R/kg)	31.95	-3.8%	10.6%	9.8%	33.21	32.29
Individually Quick Frozen (IQF) (R/kg)	32.78	1.6%	17.5%	15.4%	32.25	33.35
Import parity (R/kg)	25.21	-2.9%	-14.6%	6.1%	25.96	62.86

Source: USDA, JSE, FNB Agric

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