

how can we help you?

Livestock and Fibre markets

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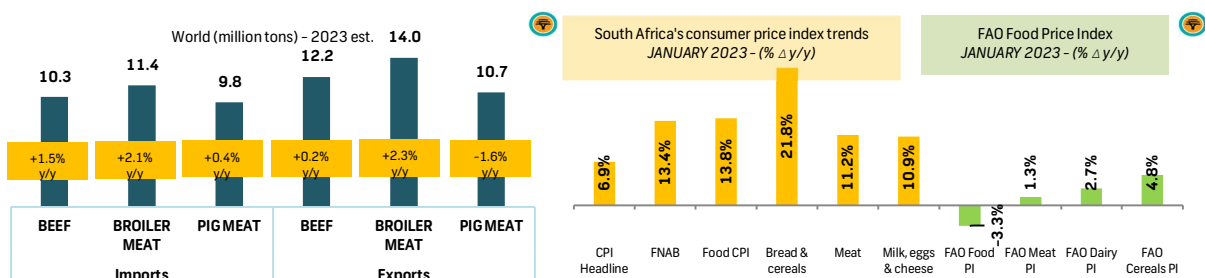
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 15 FEB 2023

UPDATE ON LIVESTOCK MARKETS

A surprisingly faster acceleration in South Africa's meat in January 2023

- Headline consumer price inflation (CPI) decelerated further to 6.9% year on-year (y/y) in January 2023 slowdown from 7.2% in December 2022.
- Food however remained sticky on the upside in January after posting a modest deceleration in December 2022, a trend we initially expected to persist. It appears the combination of the spill over elevated prices of raw agriculture commodities from 2022 and the intermittent loadshedding lifted production costs thus forcing cost recovery by manufactures and producers across the food value chain.
- Food inflation surprised on the upside by 2% month-on-month (m/m) and further clocked a 14-year high of 13.8% year-on-year (y/y).
- Meat inflation posted a faster acceleration of 1.5 percentage points from the December 2022 level to 11.2% y/y thus hitting a record high in almost five years. This is despite downside pressure we observed at producer levels owing to the seasonal demand contraction post the December holidays.
- In contrast, the Food and Agriculture Organization (FAO) monthly global food price inflation remained in negative territory for the tenth consecutive month and fell further by 3.3% year-on-year (y/y) in January 2023. Except for pig meat, the global meat export outlook shows a modest uptick across all categories (fig.1). Thus, domestic fundamentals are the cause of the elevated food CPI.
- Meanwhile, the monthly FAO 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.

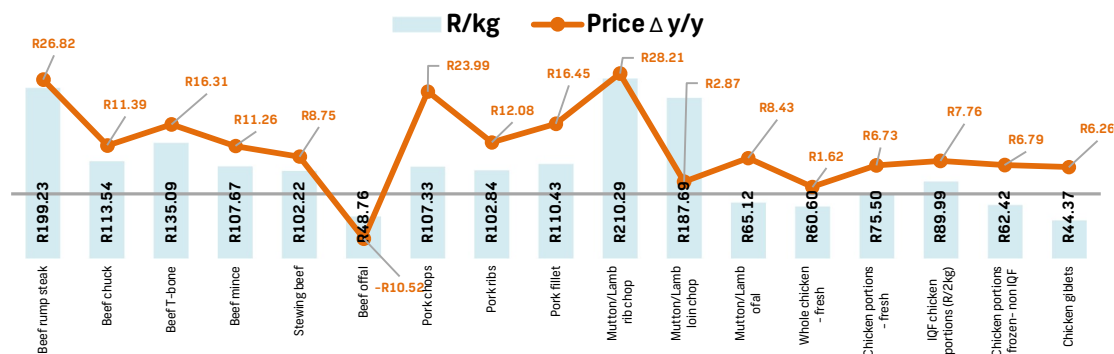
Figure 1: World meat trade and food inflation trends



Source: USDA, FAO, STATSSA

- A further analysis of the meat data shows big gains for the beef category with fillet prices increasing by R49/kg m/m (+18.9% y/y) and R98.42/kg y/y (+47% y/y) to R308.94/kg. Beef offal was however the only category to decline, falling by 3.8% m/m (-R1.95/kg) and 18% y/y (-R10.52/kg) at R48.76/kg (fig.2).
- Pork showed excellent gains with chops, fillet, and ribs increasing by 29% y/y (+R23.99/kg), 18% y/y (+R16.45/kg), and 13% y/y (+R12.08/kg) respectively in January.
- On the chicken side, prices were moderate to sharply higher with IQF portions posting the biggest gain of R7.76/kg y/y (+9%) at R89.99/kg. Whole bird prices only edged 3% higher y/y (+1.62/kg) to R60.60/kg. The “low value products” or chicken giblets (neck, gizzards, hearts, etc.) eased slightly lower by 2.6% m/m (-R1.20/kg) but were still 16% higher y/y (+R6.26/kg) at R44.37/kg.

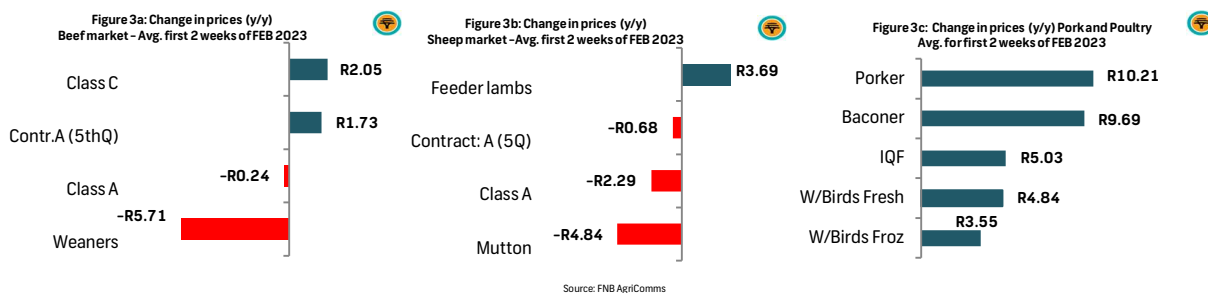
Figure 2: Consumer price index for selected meat products and eggs (% change y/y) - JAN 2023



Source: USDA, FAO, STATSSA

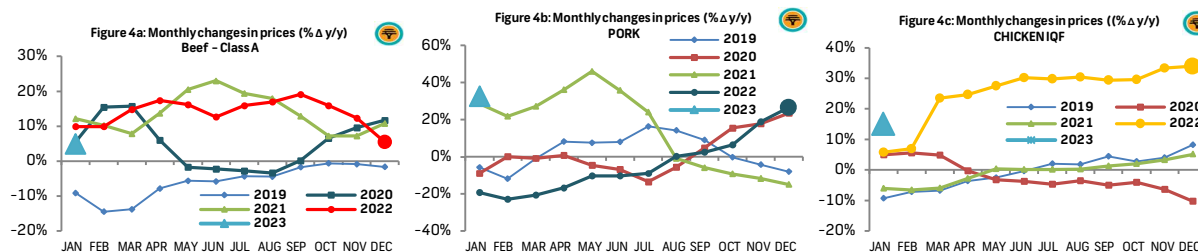
- Loadshedding remains a big challenge for the industry as it disrupts operations and planning from hatcheries to slaughtering and further add huge costs in terms of fuel for generators that must operate for extended periods.
 - A further deterioration in electricity supply in the medium to longer term 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.
- At producer level, we see pressure on prices especially for mutton and beef while chicken and pork remained elevated in first two weeks of February 2023 (fig.3). In the live market, weaner calf prices extended losses due to the push back by buyers considering elevated feed costs.

Figure 3: Changes in average monthly livestock prices (% Δ 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.43b &c).
- Although monthly pork price growth eased recently, they are still sharply higher by almost 33% y/y (+R9.06/kg).

Figure 4: Growth trends for producer prices of various meat types (% Δ y/y)*Signs of potential improvement in feeder margins as maize prices cool off*

- A further downside on the local grain market relative to the previous month due to the improving production conditions. The May-2023 and Jul-2023 futures eased m/m to R4,301/t and R4,257/t respectively for white maize (table1) in the latest trade. Although still firmer and trading at a premium over its white counterpart, yellow maize prices are off the record highs of above R5,000/t at R4,410/t.
- Hopefully, this trend continues as we head into harvest time in two to three months which will provide a breather for livestock feeders in terms of moderation in feed costs.
- On the plant protein side, sunflower retained strength considering the reduced planted area and crop expectations. Soybeans futures extended losses with the May-2023 and Jul-2023 futures easing m/m and way off the 2022 high of over R12,000/t at R8,940/t and R9,090/t, respectively.

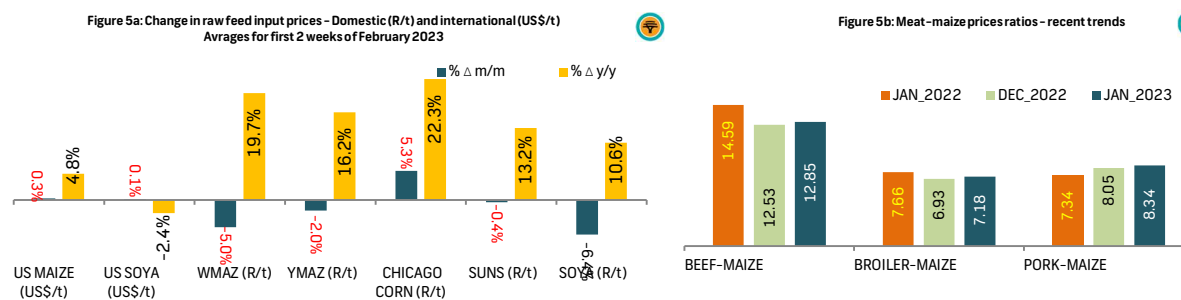
Table 1: Raw feed inputs - Latest price trends in JSE grain and oilseed futures market (R/ton)

15 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	R4,307	-1.9%	R4,410	-1.0%	R10,035	2.3%	R8,940	-1.0%
Jul-23	R4,257	-2.2%	R4,394	-0.6%	R10,200	4.0%	R9,090	-0.9%
Sep-23	R4,341	-1.8%	R4,475	-0.1%	-	-	R9,195	-0.4%
Dec-23	R4,438	-1.7%	R4,558	-0.3%	-	-	R9,340	-0.9%
Mar-24	R4,440	-0.8%	R4,557	3.9%	-	-	-	-

Source: JSE,

- Meanwhile, the meat-maize prices ratio, an indicator of profitability in the livestock sector showed a marginal improvement in January 2023 due to the slight decrease in maize prices (fig.5b).

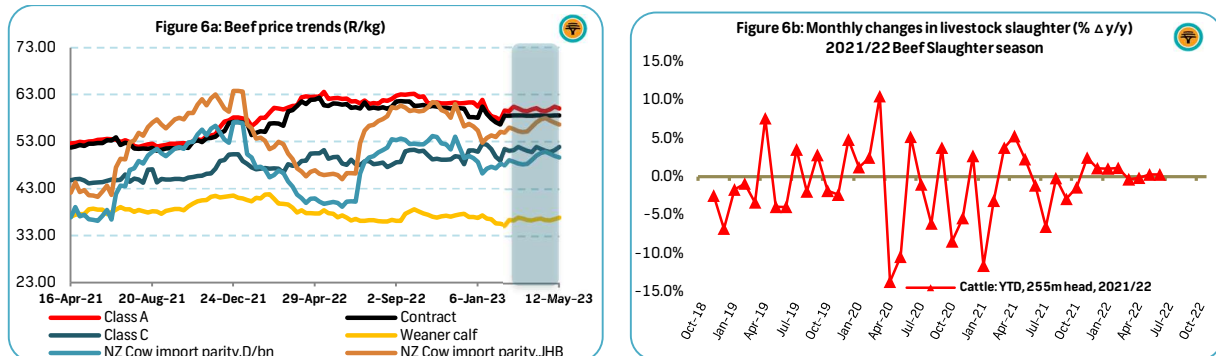
Figure 5: Changes in prices of raw feed inputs and the meat-maize price ratios for beef, broiler, and pork.

**OUTLOOK**

- The summer season is likely to end on a positive note with good build-up of grass cover ahead of winter in few months.
- Loadshedding remains a challenge and may induce production cutbacks and consequently surging meat prices in the medium to longer term. We expect a slight rebound in prices in the period leading to the Easter period ahead.

AgroMetrics: Livestock Charts & Data Tables

Figure 6: Beef prices and cattle slaughter trends



*Last nine data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

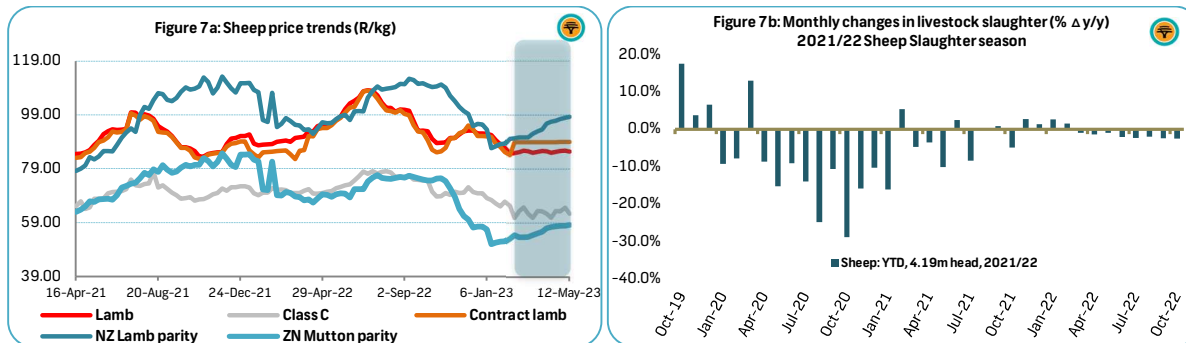
Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	10-Feb-23	% ? w/w	% ? y/y	3-Year Avg	3-Feb-23	27-Jan-23
Class A (R/kg)	57.60	-0.9%	-0.9%	3.4%	58.15	58.38
Class C (R/kg)	48.92	-1.7%	3.3%	3.8%	49.75	51.36
Contract: A (*Incl.5thQ)	56.63	-0.8%	2.8%	4.4%	57.10	57.86
Import parity (R/kg)	55.10	2.1%	3.6%	7.6%	53.99	54.29
Weaner calves (R/kg LW)	35.54	-0.2%	-14.7%	-8.4%	35.60	36.46

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	10-Feb-23	% ? w/w	% ? y/y	3-Year Avg	3-Feb-23	27-Jan-23
Class A (R/kg)	84.77	-2.4%	-3.9%	-0.5%	86.89	88.08
Mutton (R/kg)	65.45	-2.2%	-8.9%	-3.5%	66.89	65.08
Contract: A (*Incl.5thQ, R/kg)	84.12	-1.4%	-1.5%	0.4%	85.29	87.18
Import parity (R/kg)	90.18	2.1%	-16.0%	-2.4%	88.31	88.22
Feeder lambs (R/kg LW)	37.08	-5.2%	-10.9%	-6.2%	39.10	38.52

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

Weekly pork market

Figure 8: Pork prices and slaughter trends

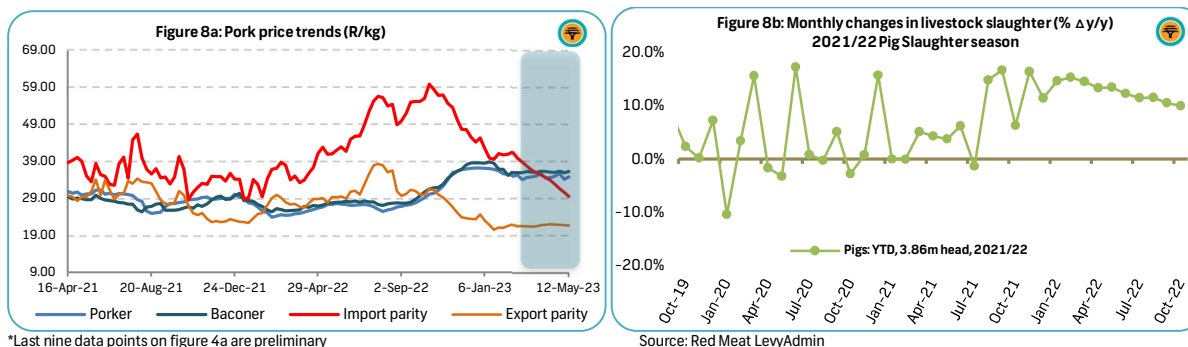


Table 4: Pig producer prices and slaughter trends

Pork market - South Africa						
Date	10-Feb-23	% ? w/w	% ? y/y	3-Year Avg	3-Feb-23	27-Jan-23
Porker (R/kg)	35.43	-0.6%	41.3%	50.6%	35.65	36.46
Baconer (R/kg)	35.18	-4.6%	36.1%	63.3%	36.87	36.80
Import parity (R/kg)	40.98	0.6%	19.4%	30.8%	40.73	41.17

Source: USDA, JSE, FNB Agric

Weekly poultry market update

Figure 9: Poultry prices and meat/maize ratio trends

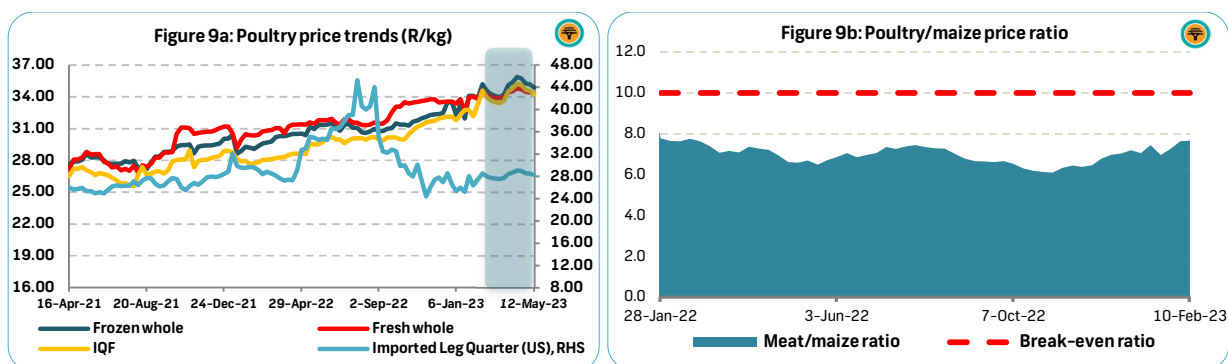


Table 5: Poultry producer price trends in South Africa

Poultry market - South Africa						
Week ending	10-Feb-23	% ? w/w	% ? y/y	3-Year Avg	3-Feb-23	27-Jan-23
Fresh whole birds (R/kg)	33.79	-0.7%	11.4%	12.9%	34.03	33.92
Medium Frozen whole birds (R/kg)	33.87	-0.6%	16.5%	13.8%	34.08	34.08
Individually Quick Frozen (IQF) (R/kg)	33.28	3.5%	20.1%	15.3%	32.15	32.78
Import parity (R/kg)	27.45	4.0%	-7.2%	9.1%	26.39	28.00

Source: USDA, JSE, FNB Agric

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