

how can we help you?

Livestock and Fibre markets

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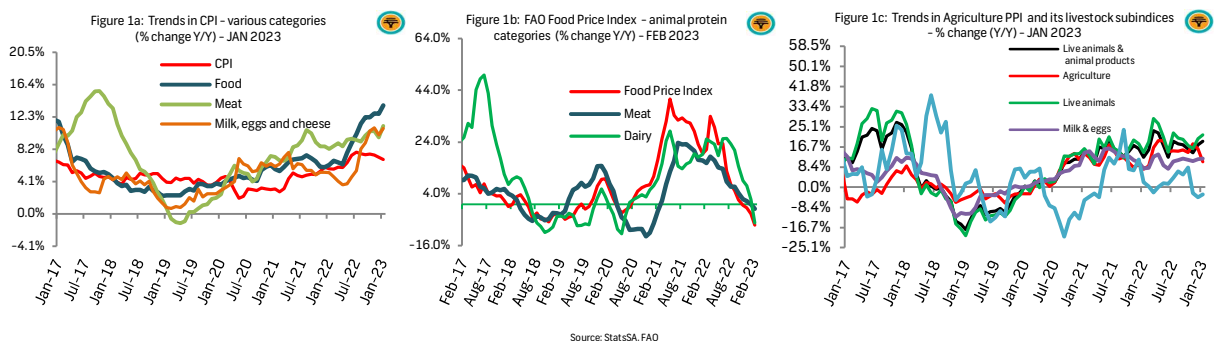
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UPDATE ON LIVESTOCK MARKETS

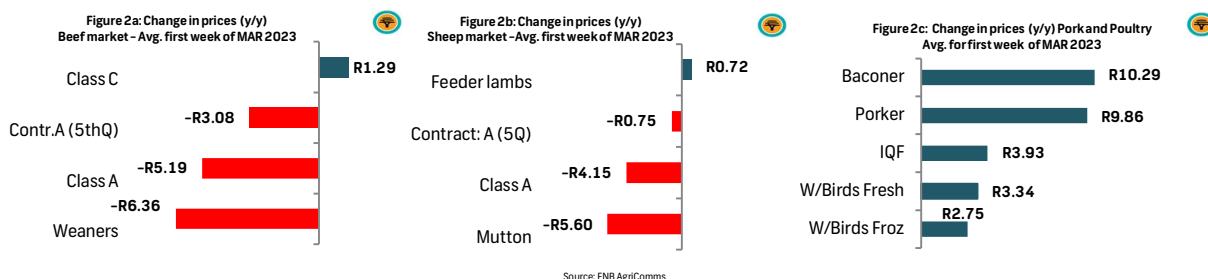
Food inflation on a sustained downtrend globally, but remains sticky on the upside locally

- The February 2023 Food and Agriculture Organization (FAO) update on global food price inflation (FPI) still shows further weakness with the monthly index trending in negative territory for the ninth consecutive month.
- The FAO FPI fell by 0.6% month-on-month (m/m) and was sharply down by 8.1% year-on-year (y/y) in February 2023 underpinned by declines in vegetable oils, dairy, cereals, and meat prices. In contrast, South Africa's food inflation remains sticky on the upside at double digit levels and reaching a fourteen-year high of 13.8% y/y in January 2023.
- In the animal protein complex, the dairy index posted the biggest decrease of 7.2% y/y which its first negative outcome since June 2020. Although easing marginally by 0.1% m/m, the meat index retained its downtrend since June 2022 by falling by 1.7% y/y under pressure due to the combined effect of increased availability and the subdued demand.
- Weakness in meat prices continued despite diseases challenges such as the outbreak of the avian influenza that caused an exponential growth in bird culling in the past five months relative to the same period in the previous year, according to the World Organization for Animal Health. Recently in South America, Argentina suspended exports and adopted measures to contain the virus spread as it is a threat to its exports estimated to be 10% of its domestic production.
- In the pork market, the Africa Swine Fever (ASF) remains a problem in Europe with Germany and Poland reported to have confirmed outbreaks of the disease which may eventually limit their export capacity should it spread further.
- Meanwhile, global grain prices have been favourable for livestock feeders recently, but the supply outlook is tightening with maize production estimates lowered in the latest USDA update which poses an upside risk to feed costs.

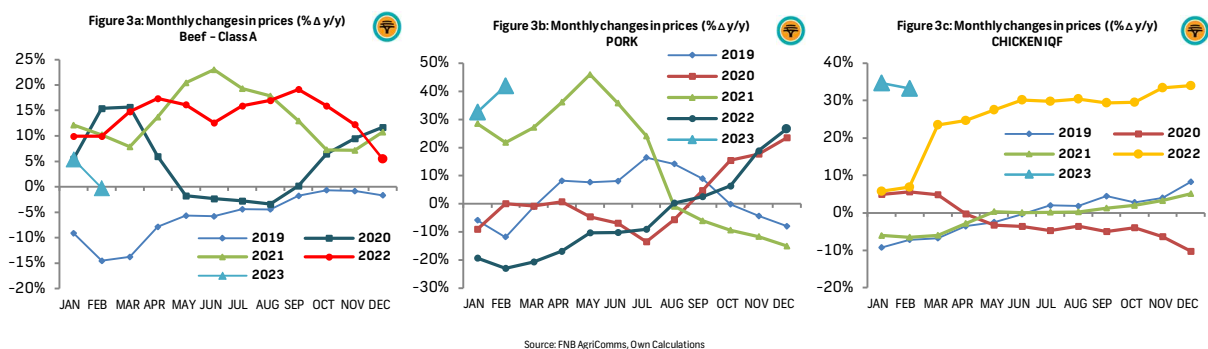
Figure 1: Food price inflation trends



- On the US import market, beef prices remained firm on the back strong domestic demand for lean beef. US domestic beef boxed beef carcass cutout values were a bit firmer on the week and sharply higher by 13% and 11% y/y respectively for the Choice and Select categories at US\$288.59/cwt and US\$277.87/cwt. Although firmer on the week, US pork carcass values were 21% below the 2022 levels at US\$85.43/cwt.
- On the domestic market, March 2023 started on a softer note for South Africa's livestock market as prices came under extreme downward pressure due to weak demand amid tough economic conditions.
- Average class A beef carcass prices for the first week of March 2023 fell by 8.6% y/y (-R5.19/kg) to average at R54.89/kg, which is way off the record high of R64/kg in 2022. In the weaner market, prices were down by 16% y/y (-R6.36/kg) at R33.50/kg live weight (LW).

Figure 2: Changes in average monthly livestock prices (% Δ y/y)

- Sheep prices also weakened with lamb and mutton carcasses prices falling by 4.6% (-R4.15/kg) and 7.9% (-R5.60/kg) relative to the 2022 levels. Weaner lambs posted a sharp decrease of 12.8% y/y (-R5.60/kg) to R37.98/kg LW due to the subdued uptake on markets.
- While weekly pork prices weakened relative to the week earlier, they remained sharply higher y/y. Porker and baconer prices were 40% (+R9.86/kg) and 39.7% (+R10.29/kg) higher y/y at R34.40/kg and R36.18/kg.
- Chicken meat softened early in March but the individually quick-frozen (IQF) portions were 14% (+R3.93/kg) higher y/y at R31.98/kg (table 6). In the whole bird category, fresh and whole bird prices were 8.9% and 11.3% y/y at R33.54/kg and R33.02/kg.

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

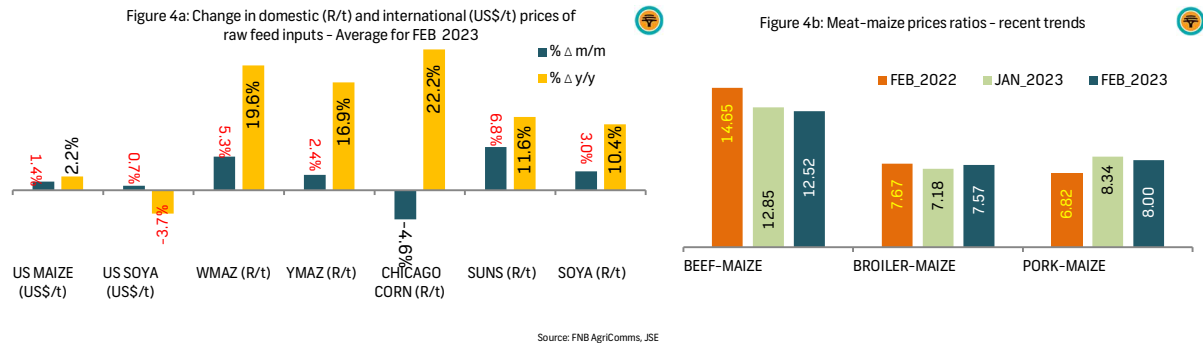
- The historical growth trend in prices shows strong gains for pork and poultry in 2022 particularly in the fourth quarter while beef was in deceleration with a price increase dipping way below the past two years at 5% y/y for class A (figs.3b & c).

Raw feed input prices still elevated y/y in February 2023

- The average price of yellow maize, a major ingredient in livestock feed, was 16.9% higher (+R647/t) y/y while its white counterpart was up 19.6% (+R724/t) (figure 4a).
- For sunflower and soybeans, average prices for the February were 11.6% (+R1,150/t) and 10.4% (+R923/t) higher y/y respectively.

- Except for chicken, the meat-maize price ratios for beef and pork softened by 3% and 4% respectively m/m. The meat-maize price ratio for chicken improved by 5% m/m but still 1% lower relative to the same month in 2022 (figure 4b).

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



Signs of moderation in grain and oilseed futures as the improved crop outlook weighs heavily prices

- Grain futures continue to be on the backfoot with the latest May-2023 and Jul-2023 contracts both falling by R135/t and R188/t respectively m/m for WMAZ (table1). Although still trading at a premium over its white counterpart, YMAZ prices are off the record highs of above R5,000/t. The latest May-2023 and Jul-2023 contracts for YMAZ fell by R108/t and R119/t m/m respectively at R4,312/t and R4,298/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 futures softened despite the tighter supply outlook on the reduced planted area and crop expectations. The latest May-2023 and Jul-2023 sunflower contracts fell by R483/t and R456/t respectively m/m at R9,500/t and R9,694/t. Soybeans futures strengthened with the May-2023 and Jul-2023 futures gaining R169/t and R174/t respectively m/m at R8,937/t and R9,083/t.

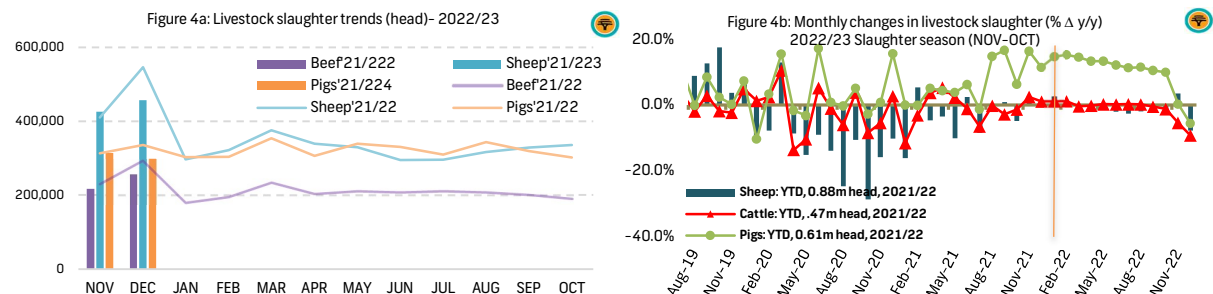
Table 1: Raw feed inputs - Latest price trends in JSE grain and oilseed futures market (R/ton)

08 MAR 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	R4,181	-3.1%	R4,312	-2.4%	R9,500	-4.8%	R8,937	1.9%
Jul-23	R4,098	-4.4%	R4,298	-2.7%	R9,694	-4.5%	R9,083	2.0%
Sep-23	R4,179	-4.3%	R4,357	-3.3%	R9,893	-	R9,192	1.9%
Dec-23	R4,287	-3.9%	R4,458	-2.6%	R10,090	-	R9,334	2.1%
Mar-24	R4,265	-3.9%	R4,433	-	-	-	-	-

Source: JSE,

- Meanwhile, livestock slaughter commenced on a softer note for the 2022/23 slaughter season. The cumulative YTD beef, sheep, and pork slaughter for the first two months of the 2022/23 season (Nov, Dec 2022) fell by 9%, 7.8%, and 5.6% respectively y/y (fig.4).

Figure 5: South Africa's livestock slaughter trends



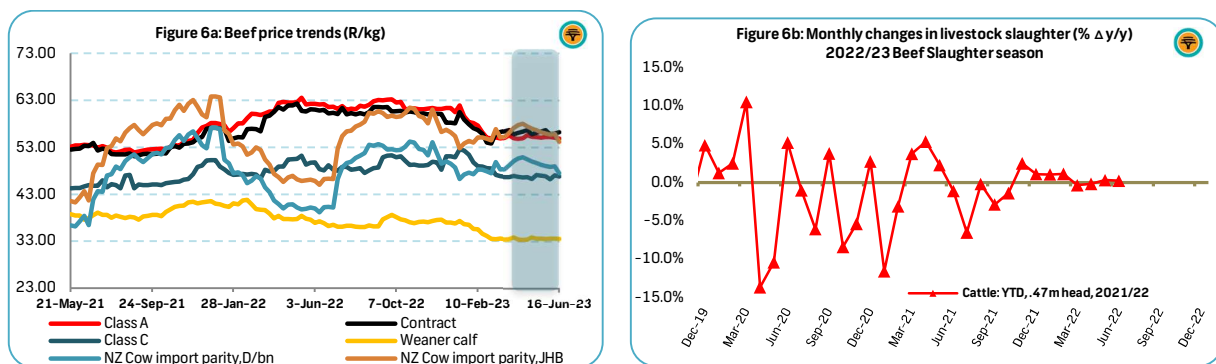
Source: Own calculations from Red Meat Levy Admin data.

OUTLOOK

- We still expect the summer season to end on a positive note with good build-up of grass cover ahead of winter in few months. Favourable production conditions will boost background efforts in an environment of elevated feed costs.
- However, the lingering El Nino weather pattern in recent forecasts poses upside risk to prices in the longer term as a deterioration in conditions may lead derail herd rebuilding and induce stock liquidation.

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

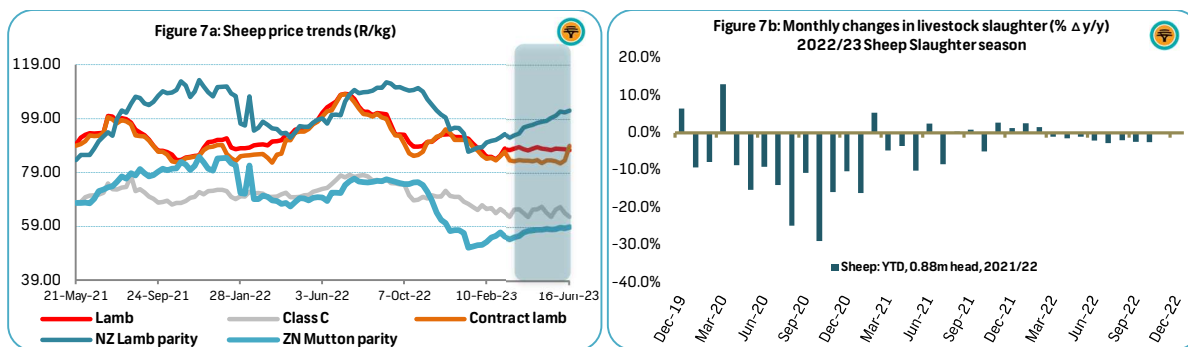
Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa						
Date	3-Mar-23	% Δ w/w	% Δ y/y	3-Year Avg	24-Feb-23	17-Feb-23
Class A (R/kg)	54.89	-0.2%	-8.6%	-1.4%	55.02	56.18
Class C (R/kg)	48.47	-0.2%	2.7%	3.0%	48.55	48.87
Contract: A (*Incl.5thq)	53.80	-0.3%	-5.4%	0.3%	53.98	55.89
Import parity (R/kg)	54.43	-0.7%	2.7%	7.1%	54.81	55.08
Weaner calves (R/kg LW)	33.50	-1.8%	-16.0%	-10.4%	34.10	34.58

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

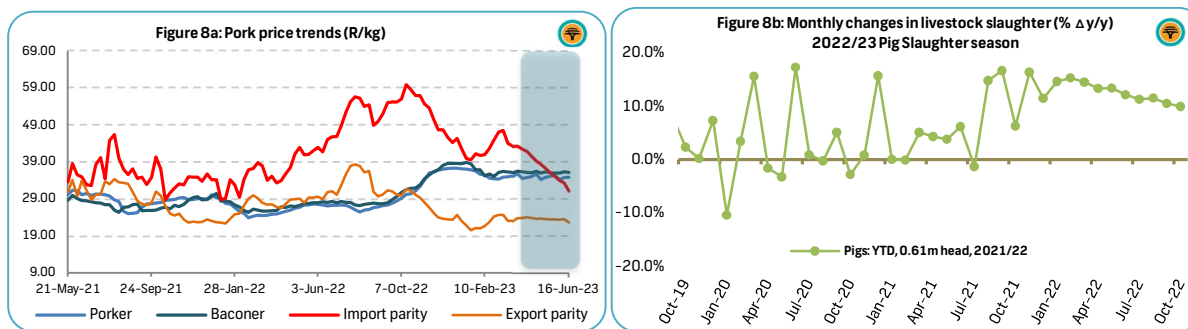
Table 3: Sheep producer price trends in South Africa

Sheep market – South Africa						
Date	3-Mar-23	% Δ w/w	% Δ y/y	3-Year Avg	24-Feb-23	17-Feb-23
Class A (R/kg)	85.33	1.7%	-4.6%	-0.3%	83.89	84.86
Mutton (R/kg)	65.48	2.5%	-7.9%	-2.9%	63.90	65.78
Contract: A (*Incl.5thQ, R/kg)	85.08	1.8%	-0.9%	1.0%	83.57	84.45
Import parity (R/kg)	92.06	1.0%	-5.9%	2.8%	91.12	90.79
Feeder lambs (R/kg LW)	37.98	6.7%	-12.8%	-6.2%	35.60	37.25

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

Source: Red Meat LevyAdmin

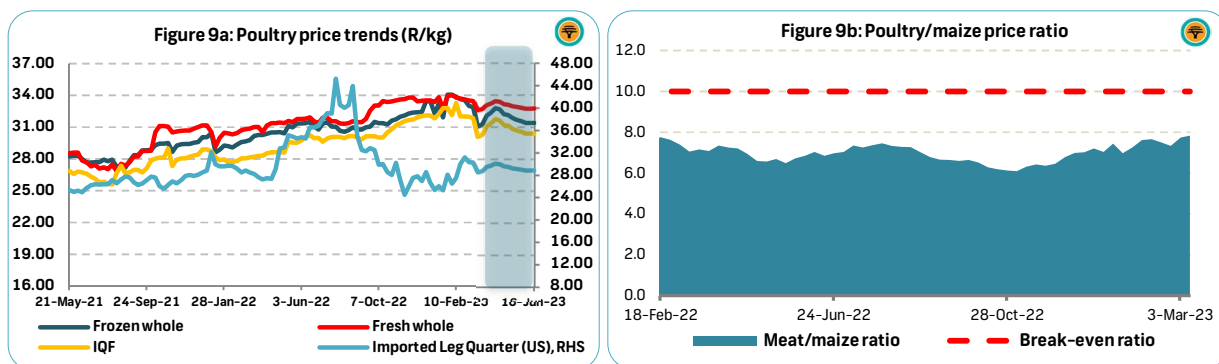
Table 4: Pig producer prices and slaughter trends

Pork market – South Africa						
Date	3-Mar-23	% Δ w/w	% Δ y/y	3-Year Avg	24-Feb-23	17-Feb-23
Porker (R/kg)	34.40	-0.1%	40.2%	46.2%	34.44	34.65
Baconer (R/kg)	36.18	3.4%	39.7%	67.9%	34.98	35.77
Import parity (R/kg)	47.09	4.9%	21.4%	50.3%	44.88	42.66

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	3-Mar-23	% Δ w/w	% Δ y/y	3-Year Avg	24-Feb-23	17-Feb-23
Fresh whole birds (R/kg)	33.54	-0.2%	8.9%	11.2%	33.60	33.70
Medium Frozen whole birds (R/kg)	33.02	-1.6%	11.3%	9.8%	33.55	33.63
Individually Quick Frozen (IQF) (R/kg)	31.98	-0.1%	14.0%	12.0%	32.02	32.02
Import parity (R/kg)	30.31	-2.6%	5.3%	15.2%	31.13	29.90

Source: USDA, JSE, FNB Agric

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