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Livestock and Fibre markets

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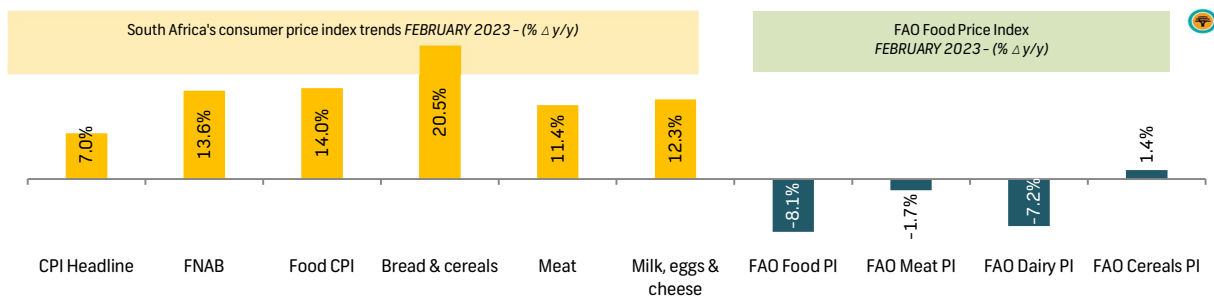
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 23 MAR 2023

UPDATE ON LIVESTOCK MARKETS

Unrelenting cost pressures lift South Africa's meat inflation to a record high in 5 years

- Statistic South Africa's latest update is that headline inflation accelerated to 7% y/y in February 2023 underpinned by food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services. This follows a slowdown to 6.9% y/y in January 2023 from 7.4% and 7.2% respectively in November and December 2022.
- In the food category, prices jumped to a fourteen-year record high of 14% y/y (since March 2009). However, the monthly food CPI slowed from 2% m/m in January to 0.9% m/m in February 2023.
- Meat, with a higher weight of 35% in the food basket saw an increase of 11.4% y/y in February 2023 but decelerated to 0.2% m/m after jumping 2.6% m/m in January. Unrelenting cost pressures emanating from elevated feed costs and load shedding were the biggest drivers of higher meat inflation as producers especially of intensive production systems were left with no choice but to push for cost recovery given the already thin margins that threatened business sustainability.
- In contrast, global food price inflation (FPI) still showed further weakness with the monthly index trending in negative territory for the ninth consecutive month. The FPI as measured by the Food and Agriculture Organization (FAO) fell by 0.6% m/m and was sharply down by 8.1% y/y in February 2023 underpinned by declines in vegetable oils, dairy, cereals, and meat prices. 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.
- Disease challenges such as the outbreaks of the avian influenza and the African Swine Fever (ASF) have disrupted operations in poultry and pig industries globally. Argentina recently suspended poultry exports while the ASF outbreaks in Germany and Poland disrupted exports.

Figure 1: Food price inflation trends



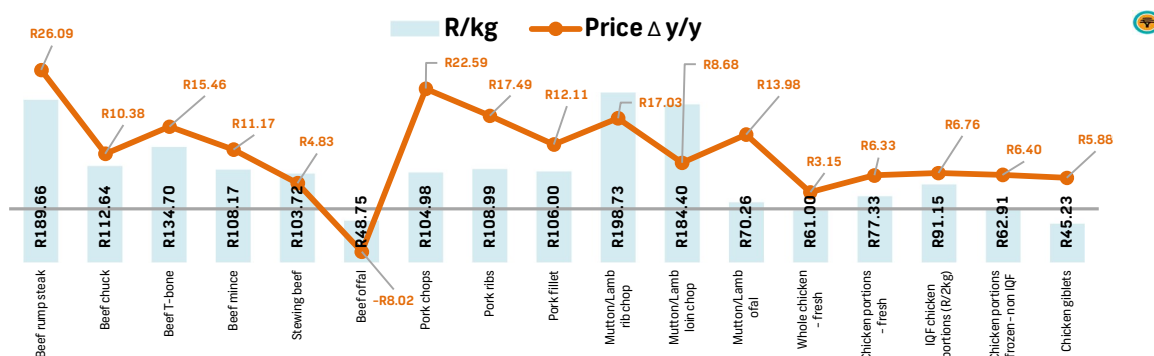
Source: StatsSA, FAO

- Meanwhile, global grain prices have been favourable for livestock feeders recently with the average US corn and soybean prices for March 2023 to date falling by 16% and 11% respectively relative to the 2022 level for the same period.

Meat cuts remain elevated relative to 2022 levels across all categories

- A further analysis of the meat data shows an elevated trend in all beef categories relative to last year. Beef rump steak increased by R26.09/kg (+16.0%) y/y but slightly down by R9.57/kg (-4.8%) m/m. Other big gainers were T-bone steak with an increase of R15.46/kg (+13.0%) y/y, and mince which rose by R11.17/kg (+11.5%) y/y.
- Pork still showed excellent gains relative to last year with chops, ribs, and fillet increasing by 27.4% (+R22.59/kg) y/y, 19% (+R17.49/kg) y/y, and 12.9% (+R12.11/kg) y/y respectively in February 2023.
- On the chicken side, the trend was upwards across all categories with IQF portions posting the biggest gain of R6.76/kg (+8%) y/y at R91.15/kg. Fresh whole bird prices were R3.15/kg (+5.4%) higher y/y at R61.00/kg. The “low value products” or chicken giblets (neck, gizzards, hearts, etc.) rebounded strongly with an increase of R0.86/kg (+1.9%) m/m and were R5.88/kg (+14.9%) higher y/y at R45.23/kg.

Figure 2: Consumer price index for selected meat products (% change y/y) – FEB 2023

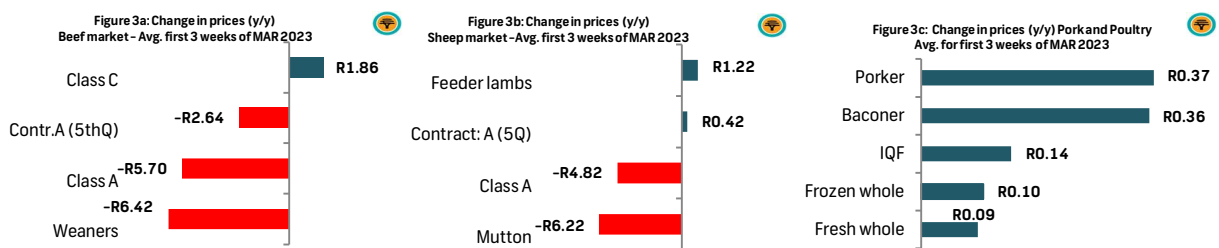


Source: StatsSA

Short-term downward pressure on producer prices for beef and sheep in March 2023

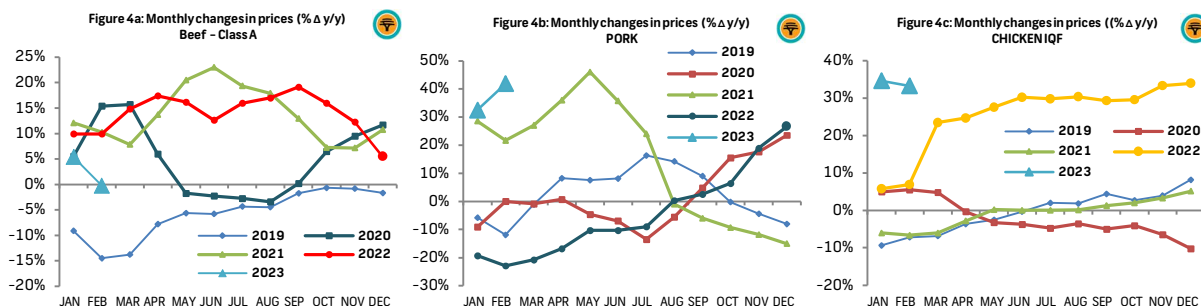
- At producer level, the market showed some weakness in the past few weeks with the average class A beef carcass prices for the first three weeks of March 2023 falling by 9.5% (-R5.70/kg) y/y at R54.15/kg, which is way off the record high of R64/kg achieved in 2022 (fig.3a).
- In the weaner market, prices were down by 16% (-R6.42/kg) y/y at R33.30/kg live weight (LW). Class Cs were however the exception, posting a moderate gain of 4% (+R1.86/kg) y/y.
- However, the pork and poultry markets have retained the uptrend relative to 2022 as cost pressures forced producers to push hard to recover costs amid the already thin margins that threatened business sustainability (figure 3c).

Figure 3: Changes in average monthly livestock prices (% Δ y/y)



Source: FNB AgriComms

- The sheep meat market so far trended mixed with mutton a bit firmer by 0.5% (+R0.42/kg) y/y R64.14/kg. Weaner lambs rebounded slightly by 2.8% (+R1.22/kg) y/y at R44.91/kg LW on recovery in demand as we head closer to the Easter Holidays. Class A lamb saw modest loss of 5.4% (-R4.82/kg) y/y at R84.89/kg (fig.3b).
- 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. 4b & c).

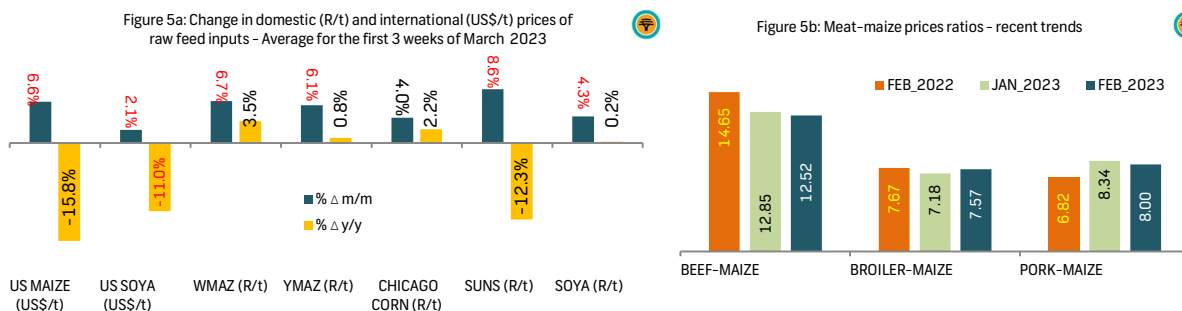
Figure 4: Growth trends for producer prices of various meat types (% Δ y/y)

Source: FNB AgriComms, Own Calculations

Raw feed input prices a bit firmer, but still off the 2022 highs

- The average (month-to-date) price of yellow maize, a major ingredient in livestock feed, was 0.8% (+R32.67/t) higher y/y at R4,208/t, while its white counterpart was up 3.5% (+R139.93/t) (fig.5a) at R4,143/t. Both are however off the 2022 highs of over R5,000/t. For sunflower, average prices for March fell by 12% (-R1,443/t) while soybeans saw marginal gains of 0.2% (+R20.67/t) y/y.
- Except for chicken, the meat-maize price ratios for beef and pork softened by 3% and 4% respectively m/m in February 2023. The meat-maize price ratio for chicken improved by 5% m/m but still 1% lower relative to 2022 levels (fig.5b).

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



Source: FNB AgriComms, JSE

Grain and oilseed futures fall sharply m/m as the improved crop outlook weighs heavily on prices

- As of mid-March 2023, grain and oilseed futures showed a sharp decline relative to February which bodes well for improved feeding margins if sustained. The latest May-2023 and Jul-2023 contracts fell by R526/t and R567/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 YMAZ contracts fell by R498/t and R496/t m/m respectively at R3,869/t and R3,787/t.
- We saw a similar trend on the plant protein side both with sunflower and soybean near term futures both falling by 10% m/m at R8,855/t and R8,223/t respectively.

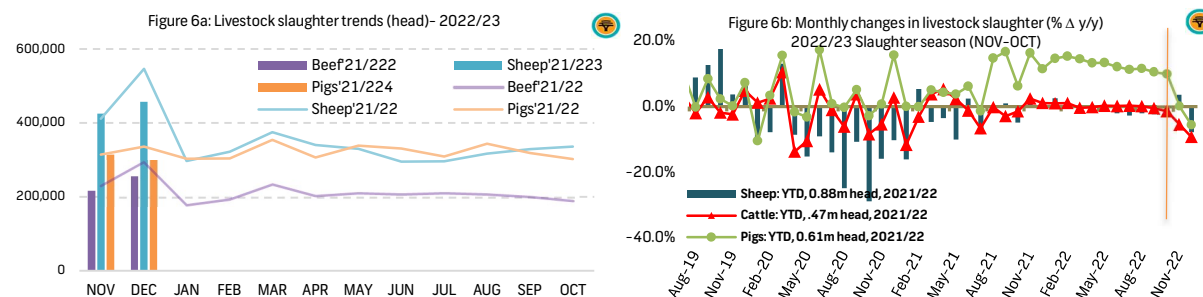
Table 1: Raw feed inputs - Latest price trends in JSE grain and oilseed futures market (R/ton)

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	R3,869	-12.0%	R4,015	-11.0%	R8,855	-10.1%	R8,223	-9.9%
Jul-23	R3,787	-13.0%	R3,996	-11.0%	R9,050	-9.1%	R8,367	-9.9%
Sep-23	R3,867	-12.6%	R4,071	-11.0%	R9,367	-	R8,500	-9.6%
Dec-23	R3,981	-12.2%	R4,169	-10.3%	R9,475	-	R8,677	-8.9%
Mar-24	R4,006	-10.5%	R4,203	-8.3%	-	-	-	-

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.6).

Figure 6: South Africa's livestock slaughter trends



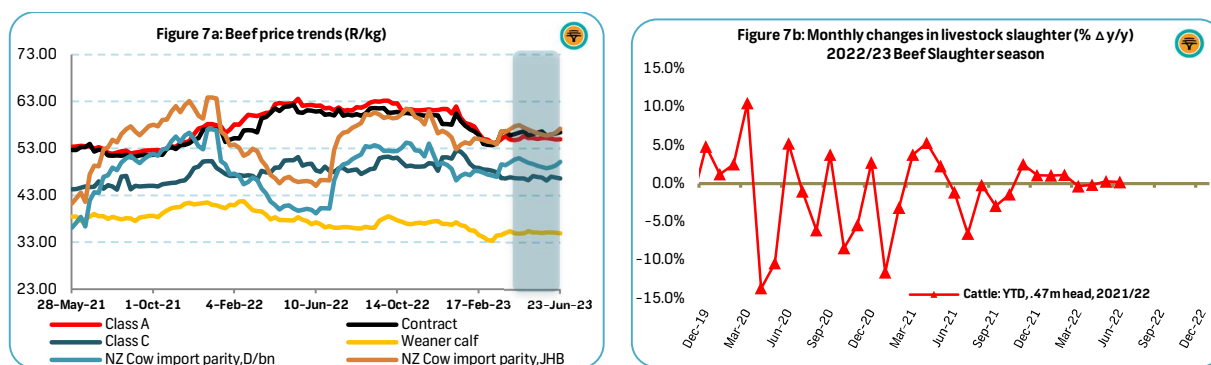
Source: Own calculations from Red Meat Levy Admin data.

OUTLOOK

- Meat prices are expected to follow the normal seasonal upside into the Easter period, but gains will be limited due to the deteriorating consumer welfare with food inflation at a 15-year high.
- 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 derail herd rebuilding and induce stock liquidation.

AgroMetrics: Livestock Charts & Data Tables

Figure 7: 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	17-Mar-23	% Δ w/w	R/kg Δ w/w	% Δ y/y	R/kg Δ y/y	3Yr. Avg. (% Δ)	3Yr. Avg. (Δ R/kg)	10-Mar-23	3-Mar-23
Class A (R/kg)	54.25	0.2%	R10.00	-9.9%	-R5.99	-1.2%	-R65.00	54.15	54.89
Class C (R/kg)	47.89	-0.6%	-R31.00	-0.6%	-R0.29	2.0%	R95.33	48.20	48.47
Contract: A (*Incl.5thQ)	54.04	0.5%	R29.00	-9.1%	-R5.40	-1.3%	-R70.67	53.75	53.80
Import parity (R/kg)	53.90	-0.7%	-R38.01	6.9%	R3.47	5.7%	R291.69	54.28	54.43
Weaner calves (R/kg LW)	34.50	3.6%	R120.00	-12.8%	-R5.07	-6.9%	-R255.67	33.30	33.50

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

Weekly summary of the sheep market

Figure 8: Lamb and mutton prices and sheep slaughter trends

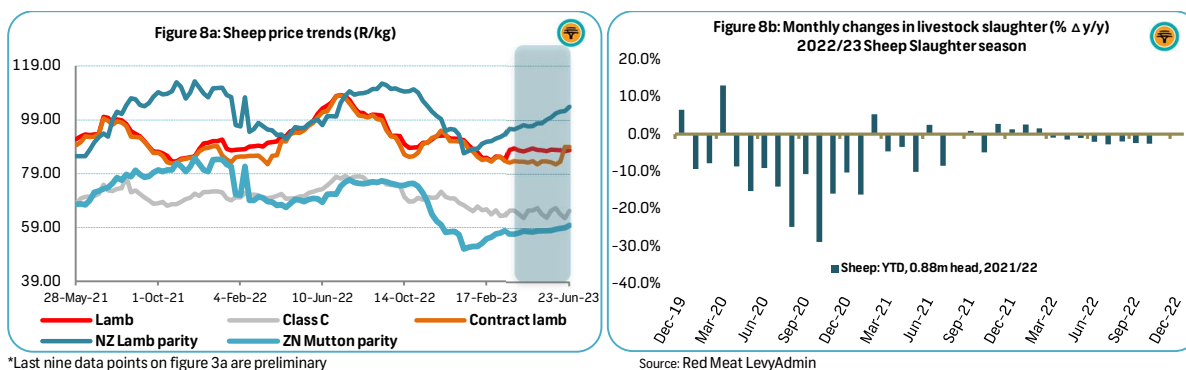


Table 3: Sheep producer price trends in South Africa

Sheep market - South Africa									
Date	17-Mar-23	% Δ w/w	R/kg Δ w/w	% Δ y/y	R/kg Δ y/y	3Yr. Avg. (% Δ)	3Yr. Avg. (Δ R/kg)	10-Mar-23	3-Mar-23
Class A (R/kg)	84.08	-1.4%	-R1.17	-7.1%	-R6.46	-2.2%	-R188.64	85.25	85.33
Mutton (R/kg)	63.58	0.4%	-R0.77	-9.1%	-R6.38	-4.7%	-R313.55	63.35	65.48
Contract: A (*Incl. 5th Q, R/kg)	83.78	-1.7%	-R1.47	1.4%	R1.16	0.7%	R61.28	85.25	85.08
Import parity (R/kg)	93.64	1.1%	-R38.01	-1.8%	-R1.75	4.6%	R407.61	92.59	92.06
Feeder lambs (R/kg LW)	39.74	2.0%	R0.79	-6.6%	-R2.80	-1.1%	-R43.14	38.95	37.98

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

Weekly pork market

Figure 9: Pork prices and slaughter trends

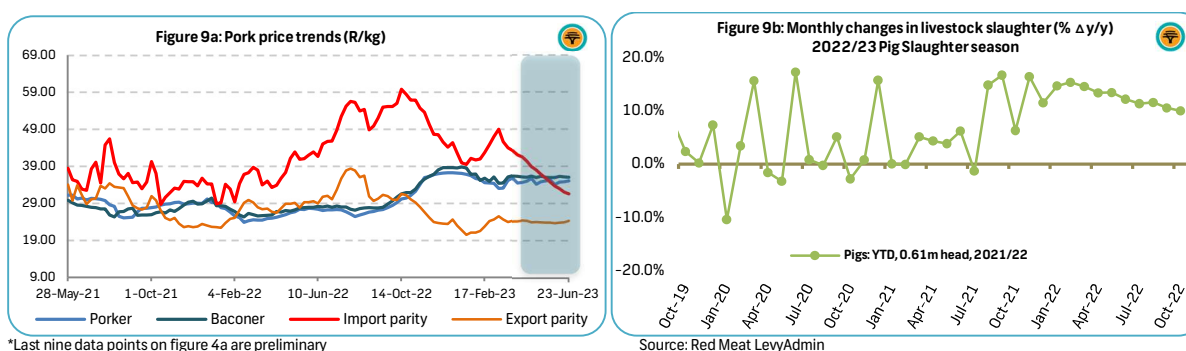


Table 4: Pig producer prices and slaughter trends

Pork market - South Africa									
Date	17-Mar-23	% Δ w/w	R/kg Δ w/w	% Δ y/y	R/kg Δ y/y	3Yr. Avg. (% Δ)	3Yr. Avg. (Δ R/kg)	10-Mar-23	3-Mar-23
Porker (R/kg)	33.08	0.3%	R0.10	35.1%	R8.59	40.6%	R9.55	32.98	34.40
Baconer (R/kg)	34.45	0.1%	R0.04	34.2%	R8.77	59.9%	R12.90	34.41	36.18
Import parity (R/kg)	45.72	-6.8%	-R3.31	34.5%	R11.72	45.9%	R14.38	49.03	47.09

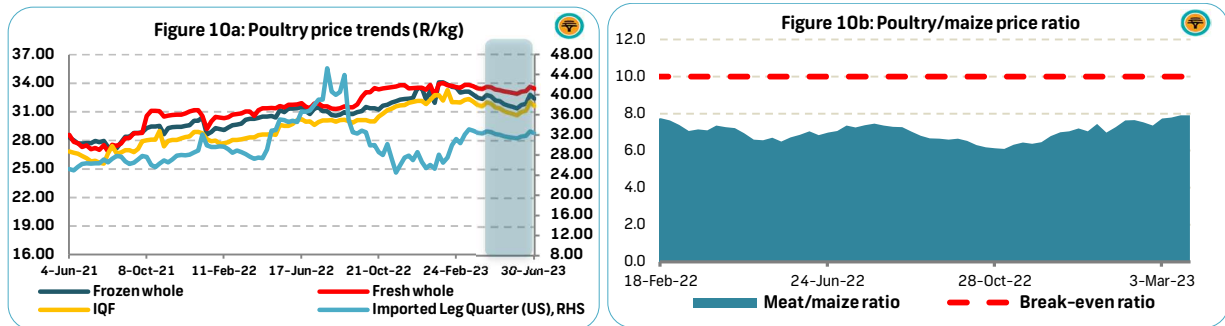
Source: USDA, JSE, FNB Agric

Weekly poultry market update

Poultry market - South Africa									
Date	17-Mar-23	% Δ w/w	R/kg Δ w/w	% Δ y/y	R/kg Δ y/y	3Yr. Avg. (% Δ)	3Yr. Avg. (Δ R/kg)	10-Mar-23	3-Mar-23
Fresh whole birds (R/kg)	33.80	0.0%	R0.00	8.9%	R2.76	11.6%	R3.50	33.12	33.02
Medium Frozen whole birds (R/kg)	33.12	0.0%	R0.00	9.7%	R2.94	9.9%	R3.00	33.12	33.02
Individually Quick Frozen (IQF) (R/kg)	32.35	0.2%	R0.08	14.7%	R4.14	12.7%	R3.65	33.80	33.54
Import parity (R/kg)	33.05	3.1%	R0.99	17.5%	R4.92	17.4%	R4.90	74.90	67.30

Source: USDA, JSE, FNB Agric

Figure 10: Poultry prices and meat/maize ratio trends



Source: FNB Agriculture, *Last nine data points on figure 5a are preliminary

To find out more or to speak to one of our **agricultural specialists**, please contact us.

Name	City	Cell	Email
Grewar, Oosthuizen	Eastern Cape - Port Elizabeth	071 607 6850	grewar.oosthuizen@fnb.co.za
Edmund, De Beer	Eastern Cape - Port Elizabeth	084 656 5634	edebear1@fnb.co.za
Fred, Terblanche	Eastern Cape - Graaff Reinet	064 500 5880	frederik.terblanche@fnb.co.za
Martin, Louw	Free State - Theunissen	082 784 8880	mlouw1@fnb.co.za
Leon, Bergman	Free State - Bethlehem	083 387 7977	leon.bergman@fnb.co.za
Krohn, Jo-Ann	Free State - Bloemfontein	064 542 3548	Jo-Ann.Krohn@fnb.co.za
Voutsas, Philip	Limpopo	082 820 4202	philip.voutsas@rmb.co.za
Da Silva, Kristin	North-West	079 693 8268	Kristin.DaSilva@fnb.co.za
Greg, Sparrow	KwaZulu-Natal - Pietermaritzburg	071 684 8420	greg.sparrow@fnb.co.za
Sarah, Collins	KwaZulu-Natal - Pietermaritzburg	082 371 1040	sarah.collins@fnb.co.za
Penny, Gasa	KwaZulu-Natal - Pietermaritzburg	081 718 9019	penny.gasa@fnb.co.za
Papi Moseki	Limpopo - Polokwane	061 523 1472	Papi.Moseki@fnb.co.za
Theo, Verwey	Mpumalanga - Lowveld	082 419 6086	tverwey@fnb.co.za
Gao, Ngakantsi	Mpumalanga - Highveld	072 471 6040	gaopalelwe.ngakantsi@fnb.co.za
Du Plessis, Hanro	Mpumalanga - Highveld	082 895 1762	hanro.duplessis@fnb.co.za
Pedrie, Van der Merwe	Northern Cape - Kimberley	073 0306277	Ischaan.vanwyk@fnb.co.za
Ischaan, Van Wyk	Northern Cape - Upington	071 351 3439	pedrie.vandermerwe@fnb.co.za
Johan, De Klerk	North West - Brits	082 776 3477	jdeklerk2@fnb.co.za
Johan, Beukes	Western Cape - Stellenbosch	082 372 4656	johan.beukes@fnb.co.za
Andries, Van Zyl	Western Cape - Willowbridge	073 280 8703	andries.vanzyl@fnb.co.za
Chrismaine, Abrahams	Western Cape - Willowbridge	072 605 3862	chrismaine.abrahams@fnb.co.za

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