

how can we help you?

Livestock and Fibre markets

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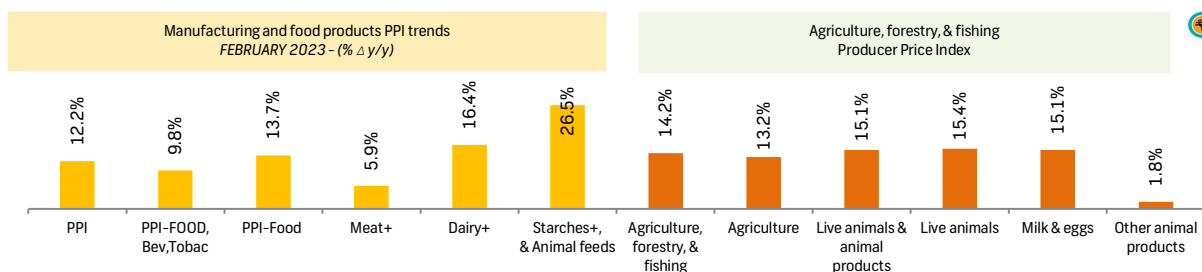
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 31 MAR 2023

UPDATE ON LIVESTOCK MARKETS

Producer price inflation for live animals and animal products posted a modest decrease in February 2023

- The much-awaited update on headline producer price inflation (PPI) showed a consistent deceleration to 12.2% y/y in February 2023 from 12.7% y/y in January but edged 0.6% higher m/m after declining by the same margin in the previous month.
- The food products, beverages and tobacco products category posted the second biggest of contribution of 2.6 percentage points to the headline inflation after rising by 9.8% y/y.
- The intermediate manufactured goods PPI decelerated to 5% y/y in February from 5.6% in January 2023 and again posted a negative monthly outcome of -0.1% m/m from -1.7% m/m previously. This is an indication of improving supply chains and softening raw input prices which should provide a much-needed breather for manufactures amid a high energy cost environment.
- Food products at manufacturing level fell by 0.2% m/m and decelerated to 13.7% y/y in February from an early year spike to 14.6% y/y. In contrast, food prices at consumer level jumped to a fourteen-year record high of 14% y/y (since March 2009) although slowing from 2% m/m in January to 0.9% m/m in February 2023. This reflects the delayed passthrough to the consumer as expected.
- Meat and meat products at manufacturing fell for the second consecutive month by 3% m/m from -2.3% m/m previously, and decelerated for the fifth consecutive month to the lowest level in two years at 5.9% y/y.
- The PPI for live animals and animal products fell by 1.7% m/m from -2.1% m/m previously and decelerated by 3.9 percentage points (ppt) from last month to 15.1% y/y in February 2023.

Figure 1: Producer price index (PPI) trends – Manufacturing, Food products, and Agriculture, forestry, and fishing



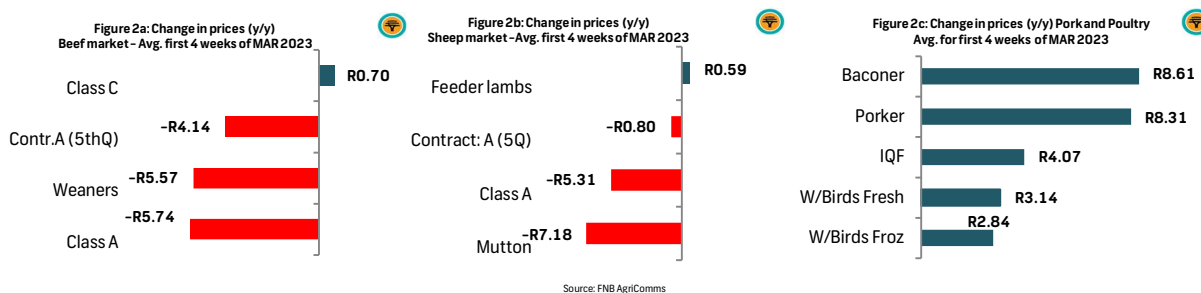
Source: StatsSA, FAO

- For live animals alone, the PPI dropped by 3.4% m/m in February from -3.5% m/m in January. Although still elevated by 15.4% y/y in February 2023, it reflects a 6.2ppts deceleration from the 19% y/y recorded in January. The above is consistent with our observation at producer level where monthly prices of beef, sheep, and pork have been under downward pressure in the past two months (fig.2a&b)
- However, the CPI for meat which has 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 in February after jumping 2.6% m/m in January.
- South Africa's food and meat prices are still above trend relative to their global counterparts. The February 2023 FAO global food price inflation (FPI) still showed further weakness with the monthly index trending in negative territory for the ninth consecutive month. The FPI decreased 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.

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

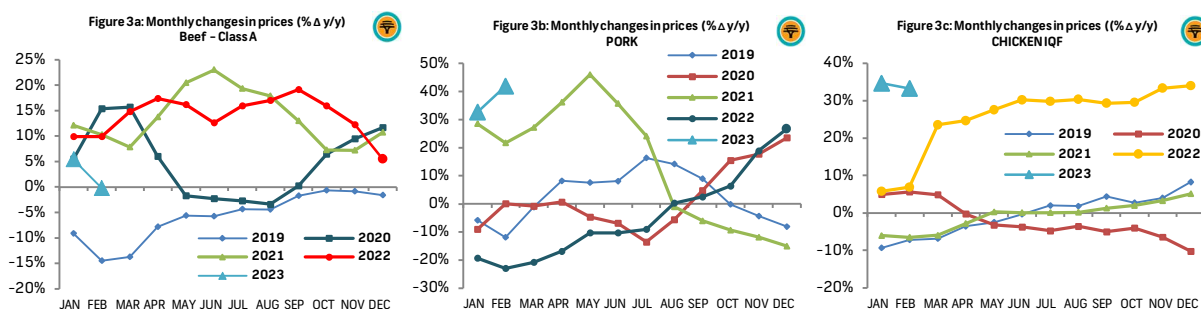
- At producer level, the market showed some weakness in the past few weeks with the average class A beef carcass prices for the first four weeks of March 2023 falling by 9.5% (-R5.74/kg) y/y at R54.45/kg, which is way off the record high of R64/kg achieved in 2022 (fig.2a).
- In the weaner market, prices were down by 14% (-R5.57/kg LW) y/y at R33.95/kg live weight (LW). Class Cs were however the exception, posting a moderate gain of 1.5% (+R0.70/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 2c).

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



- The sheep meat market saw losses with mutton falling by 10% (-R7.18/kg) y/y R63.11/kg. Weaner lambs gained 1% (+R0.59/kg LW) y/y at R44.71/kg LW on recovery in demand as we head closer to the Easter Holidays. Class A lamb saw modest loss of 5.9% (-R5.31/kg) y/y at R84.66/kg (fig.2b).
- 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).

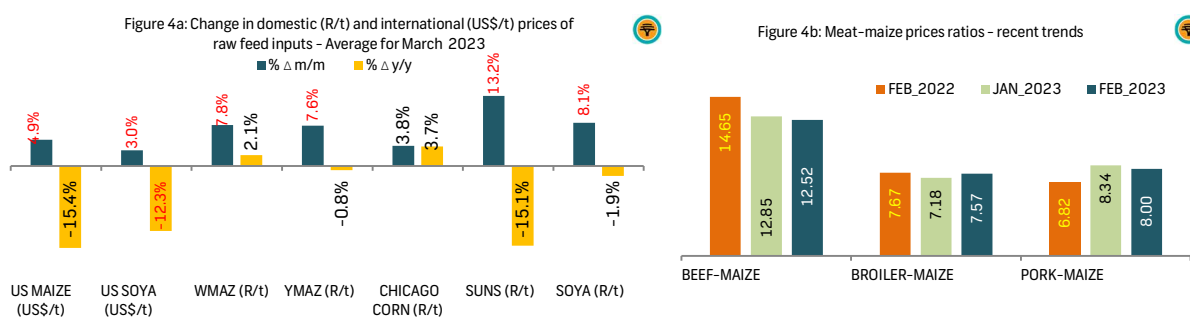
Figure 3: Growth trends for producer prices of various meat types (% Δ y/y)



Raw feed input prices still elevated but now off the 2022 highs

- The average price of yellow maize, a major ingredient in livestock feed, was 7.6% (+R316.25/t) higher m/m but still down 0.8% (-R32.86/t) y/y at R4,146/t, while its white counterpart was up 7.8% (+R316.86/t) and up 2.1% (+R82.77/t) y/y (fig.4a) at R4,087/t. Both are however off the 2022 highs of over R5,000/t.
- For plant protein sources, average sunflower prices for March were up 13.2% (+R1,293/t) m/m but fell by 15% (-R1,731/t) y/y at R9,765/t. Soybeans on the other hand saw modest gains of 8% (+R737/t) but still 1.9% (-R173.27/t) lower y/y at R9,078/t.
- 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.4b).

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



Source: FNB AgriComms, JSE

Bearishness in the futures as the harvest outlook turns bullish

- The latest 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 R322/t and R349/t respectively m/m for WMAZ (table1) at R3,887/t and R3,799/t. 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 R317/t and R301/t m/m respectively at R4,008/t and R4,007/t.
- We saw a similar trend on the plant protein side with the May-2023 and Jul-2023 soybean futures falling by R890/t and R900/t respectively at R8,708/t and R8,949/t. Sunflower futures for May-2023 and Jul-2023 delivery fell by R1,142/t and R1,068/t respectively at R8,080/t and R8,224/t.

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

31 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	R3,883	-7.7%	R4,008	-7.3%	R8,708	-11.6%	R8,080	-9.9%
Jul-23	R3,799	-8.4%	R4,007	-7.0%	R8,949	-10.7%	R8,224	-9.9%
Sep-23	R3,883	-8.2%	R4,075	-7.0%	R9,204	-	R8,360	-9.4%
Dec-23	R3,997	-7.8%	R4,171	-6.7%	R9,380	-8.0%	R8,550	-9.8%
Mar-24	R4,013	-7.8%	R4,182	-6.7%	-	-	-	-

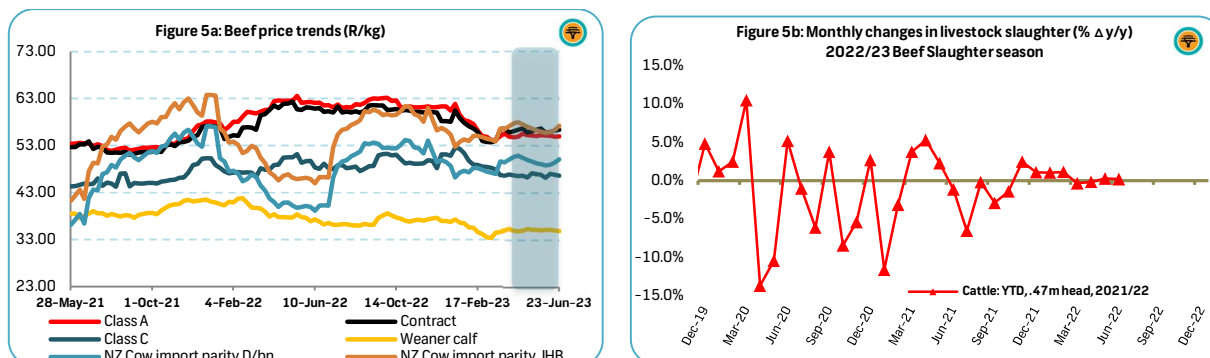
Source: JSE,

OUTLOOK

- We expect meat prices to follow the normal seasonal upside into the Easter period, but gains will be limited due to the deteriorating consumer welfare with higher interest rates and food inflation reaching a 15-year high of 14% y/y.
- 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 5: Beef prices and cattle slaughter trends



*Last nine data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

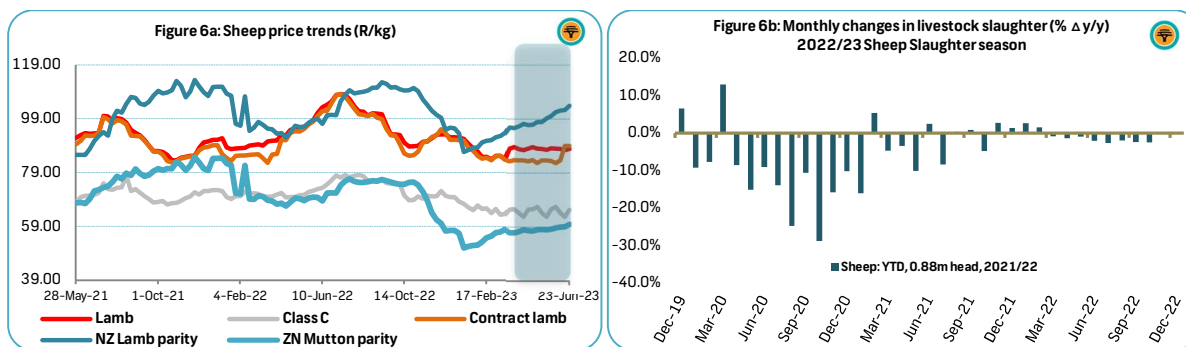
Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa									
Date	24-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)	17-Mar-23	10-Mar-23
Class A (R/kg)	54.52	0.5%	R27.00	-10.0%	-R6.06	-1.1%	-R61.33	54.25	54.15
Class C (R/kg)	47.78	-0.2%	-R11.00	-0.2%	-R0.08	1.9%	R90.67	47.89	48.20
Contract: A (*Incl.5thQ)	54.25	0.4%	R21.00	-9.1%	-R5.45	-1.3%	-R69.33	54.04	53.75
Import parity (R/kg)	53.60	-0.6%	-R29.93	8.8%	R4.35	10.0%	R487.99	53.90	54.28
Weaner calves (R/kg LW)	34.50	0.0%	R0.00	-11.4%	-R4.42	-6.1%	-R224.00	34.50	33.30

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

Source: Red Meat LevyAdmin

Table 3: Sheep producer price trends in South Africa

Sheep market – South Africa									
Date	24-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)	17-Mar-23	10-Mar-23
Class A (R/kg)	83.98	-0.1%	-R0.10	-7.4%	-R6.76	-2.3%	-R195.33	84.08	85.25
Mutton (R/kg)	60.04	-5.6%	-R3.54	-14.4%	-R10.07	-8.2%	-R537.67	63.58	63.35
Contract: A (*Incl.5thQ, R/kg)	81.26	-3.0%	-R2.52	-5.2%	-R4.44	-2.3%	-R193.33	83.78	85.25
Import parity (R/kg)	94.95	1.4%	R1.32	-0.2%	-R0.19	6.7%	R599.62	93.64	92.59
Feeder lambs (R/kg LW)	40.05	0.8%	R0.31	-6.4%	-R2.72	-0.5%	-R21.00	39.74	38.95

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

Weekly pork market

Figure 7: Pork prices and slaughter trends

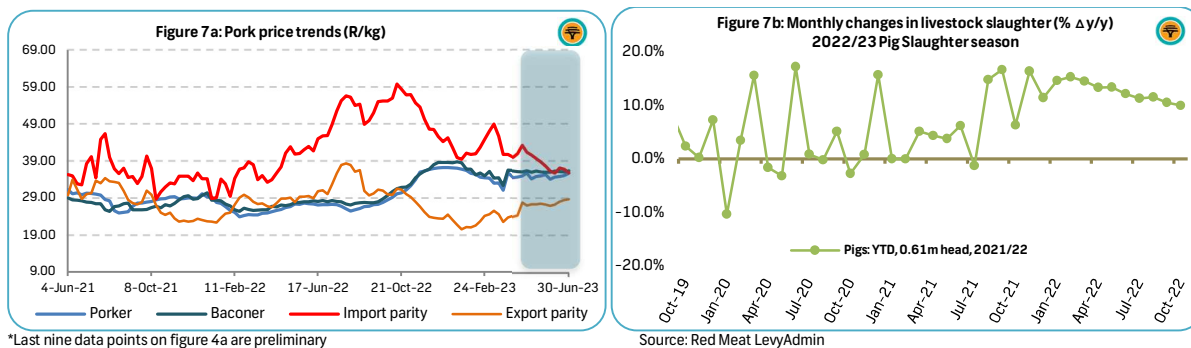


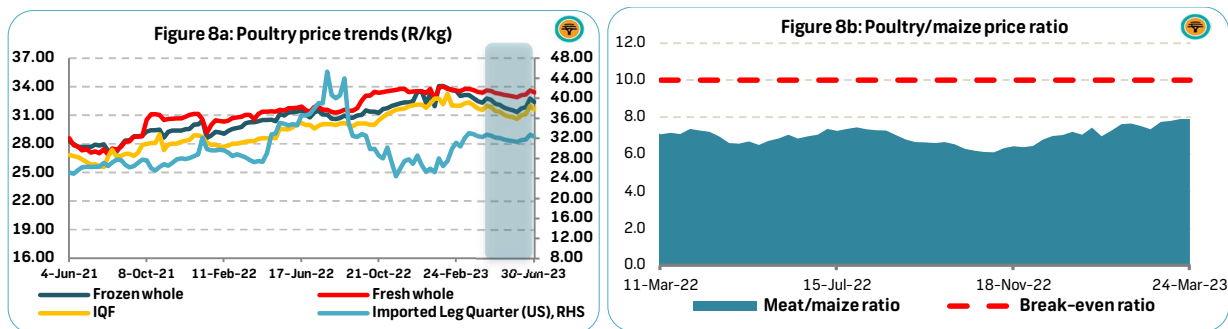
Table 4: Pig producer prices and slaughter trends

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)	31.05	-6.1%	-R2.03	24.9%	R6.20	31.9%	R7.52	33.08	32.98
Baconer (R/kg)	32.38	-6.0%	-R2.07	25.6%	R6.61	50.3%	R10.83	34.45	34.41
Import parity (R/kg)	40.74	-10.9%	-R4.98	16.2%	R5.68	30.0%	R9.40	45.72	49.03

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

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)	33.95	0.4%	R0.15	9.4%	R2.91	12.4%	R3.74	33.12	33.12
Medium Frozen whole birds (R/kg)	33.18	0.2%	R0.06	9.6%	R2.91	10.0%	R3.01	33.12	33.12
Individually Quick Frozen (IQF) (R/kg)	32.36	0.0%	R0.01	14.3%	R4.06	12.8%	R3.66	33.80	33.80
Import parity (R/kg)	33.93	2.6%	R0.88	22.9%	R6.32	20.8%	R5.83	80.97	74.90

Source: USDA, JSE, FNB Agric

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