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# Livestock and Fibre markets

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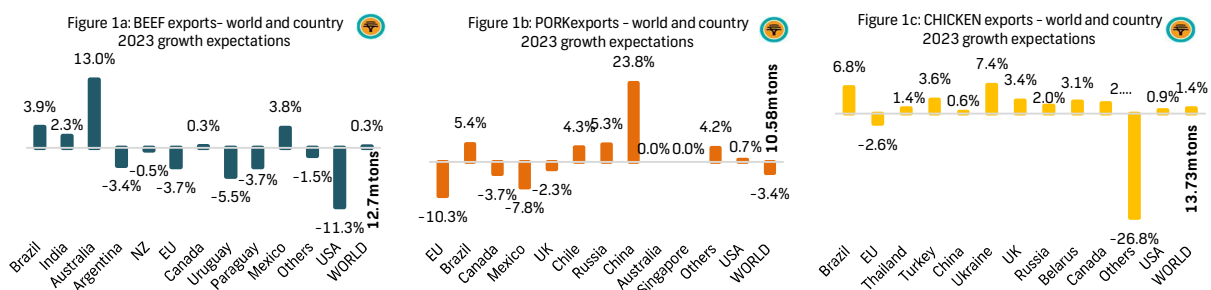
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 04 APR 2023

## UPDATE ON LIVESTOCK MARKETS

### Looming contraction in global meat exports for 2023

- The latest update on global meat trade provides a mixed picture with a modest decline in pork exports while beef is expected to stagnate in 2023 according to the United States Department of Agriculture (USDA). The forecast for beef exports was almost unchanged from the 2022 level at 12.07 million tons with a 13% year-on-year (y/y) growth from Australia more than offsetting the declines from the rest of the world including the USA's sharp contraction of 11% y/y.
- Pork exports are expected to contract by 3.4% y/y to 10.58 million tons led by a 10% y/y reduction for the EU which has the largest share of 35% of global pork exports.
- Chicken was however an exception with forecasts indicating a 1% y/y increase to 13.73 million tons with the world largest exporter, Brazil, posting a 7% y/y growth to 4.8 million tons. Meanwhile, other regions such as Europe and the US have struggled with the outbreaks of the highly pathogenic avian influenza (HPAI) which disrupted operations, but Brazil remained unscathed thus continuing to dominate the global export market.
- Meanwhile, the annual global meat inflation has been on the downside since the beginning of 2023 with the Food and Agriculture Organization's (FAO) March update showing a decrease 5.3% y/y - the FAO meat inflation for April is due for release on Friday 5 May 2023.
- Domestically, the latest negative news has been the outbreak of the avian flu in the Western Cape. Disease challenges, high input cost that emanated from the high grain prices last year as well as the ongoing loading shedding have placed industry profitability under pressure.

Figure 1: Growth expectations for global meat exports - 2023



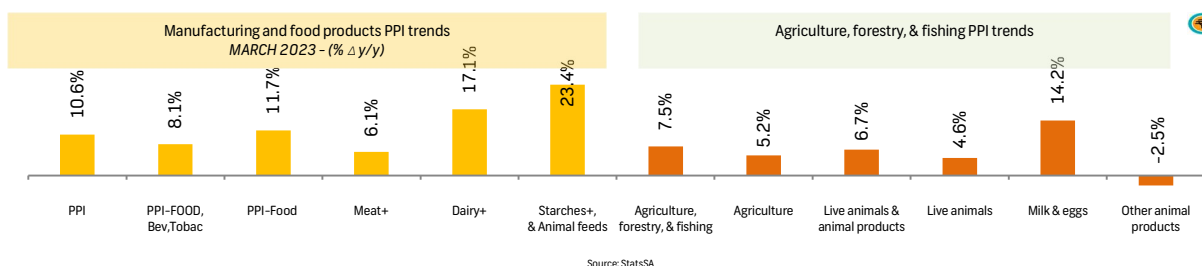
Source: USDA

- Nonetheless, the good news is that feed costs are likely to soften given the recent decline in grain and oilseed prices. The price of maize, a major livestock feed ingredient, recently fell from the 2022 high of over R5,000/ ton to R3,442/t and R3,560/t for white and yellow maize respectively. Similarly, soybean and sunflower prices have fallen sharply relative to last year.

*Despite load shedding, there are signs of dissipation of cost pressures in the recent PPI outcomes for March 2023*

- Producer price inflation decelerated to 10.6% y/y in March from 12.2% y/y in February as base effects kicked in following a sharp increase last year. However, the monthly producer price saw a slight acceleration to 1.0% m/m from 0.6% in the previous month.
- The agriculture PPI fell by 3% m/m in March 2023 and posted a sharp deceleration to 5.2% y/y from 13.2% y/y in February which reflects dissipation of cost pressures for the sector.
- For live animals and animal products, the monthly PPI which has been on the downside since January and has fallen by 1.4% m/m and further decelerated from 15.1% y/y in February to 6.7% y/y in March 2023. For live animals only, the monthly PPI decreased for the third consecutive month to 3.2% m/m and decelerated to 4.6% y/y in March from 15.4% y/y in February.

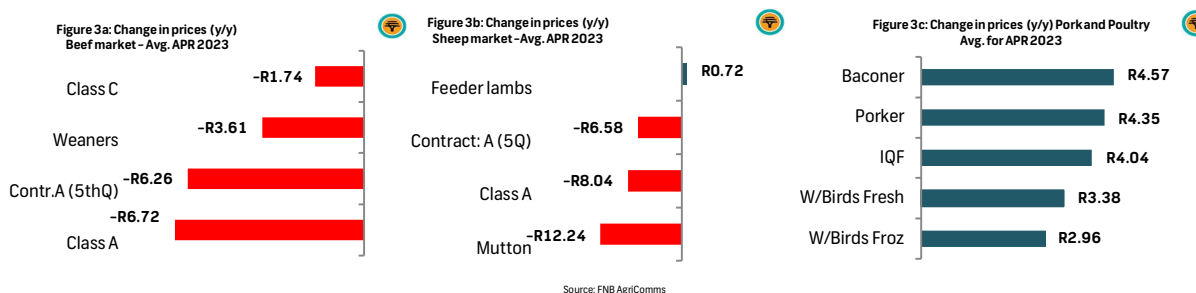
Figure 2: Producer price index (PPI) trends – Manufacturing, Food products, and Agriculture, forestry, and fishing



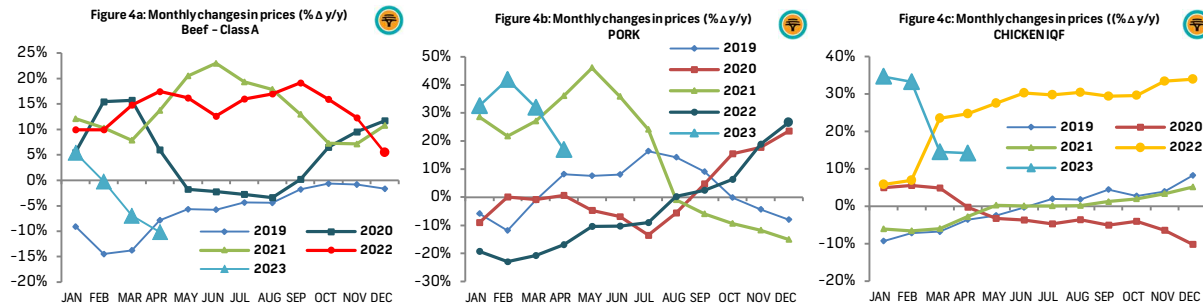
*Beef and sheep meat prices fall short of last year's level in April 2023*

- Our analysis of recent trends in the livestock market shows some weakness in April as constrained consumer disposable incomes weighed heavily on demand.
- At producer level, average class A beef carcass prices for April fell by 10.8% (-R6.72/kg) y/y at R55.45/kg, which is way off the record high of R64/kg achieved in 2022 (fig.3a). Class Cs were down by 3.5% (-R1.74/kg) y/y at R47.59/kg.
- In the weaner market, prices were down by 9.5% (-R3.61/kg LW) y/y at R34.28/kg live weight (LW). This trend is likely to continue as we head into the weaning season.
- The pork and poultry markets however continued to buck the trend and retained the uptrend relative to 2022. Pork prices have however decelerated from the early year highs of R37/kg and R38/kg respectively for porkers and baconers to R29.97/kg and R31.19/kg.
- For poultry, load shedding has caused havoc as it disrupted normal operations and further lifted costs due to the increased use of generators. While grain prices have declined recently, the benefit is yet to filter through to the producers in terms of lower feed costs. Nonetheless, we expect feed costs to ease in the medium term.

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



- The sheep meat market saw further losses with class A lamb prices falling by 8.6% (-R8.04/kg) y/y R85.39/kg. Mutton prices fell sharply by 17.4% (-R12.24/kg) y/y to R58.13/kg. Weaner lambs were the exception on strong Easter demand, gaining 1.6% (+R0.72/kg LW) y/y at R44.71/kg LW (fig.3b).
- The historical growth trend in prices shows a deceleration for pork and poultry in 2023. However, the pork price growth in 2023 remains way above the 2022 levels while chicken has slowed considerably below last year's achievement. Beef on the other hand has posted a negative growth trend which is way below the past three years for class A carcass (figs.4b &c).

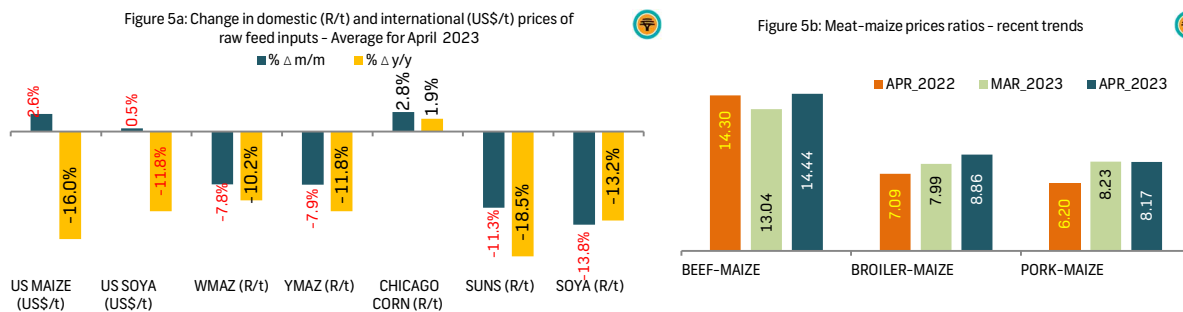
Figure 4: Growth trends for producer prices of various meat types (%  $\Delta$  y/y)

Source: FNB AgriComms, Own Calculations

**Raw feed input prices still on the decline and off the 2022 highs**

- The average price of yellow maize, a major ingredient in livestock feed, declined by 7.9% (-R328/t) m/m and was down 11.8% (-R511/t) y/y at R3,819/t in April 2023. Similarly, its white counterpart fell by 7.8% (-R320/t) m/m and was 10.2% (-R428/t) lower y/y (fig.5a) at R 3,768 /t. Both are now off the 2022 highs of over R5,000/t.
- For the plant protein sources, the average sunflower prices for April decreased by 11.3% (-R1,104/t) m/m and by a whopping 18.5% (-R1,961/t) y/y at R8,660/t. Soybeans also saw a sharp decrease of 13.8% (-R1,251.67/t) m/m and 13.2% (-R1,187/t) lower y/y at R 7,826/t.
- Except for pork, the meat-maize price ratio for beef improved by 10.7% m/m and 1% y/y during April 2023 while that of chicken advanced by 10.8% m/m and almost 25% y/y. On the back of the recent downside pressures on pork prices, the meat-maize price ratio for pork deteriorated by 0.7% m/m but still showed a marked improved of 31.7% relative to the 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

**Bearishness in grain and oilseed futures continues due to the bullish harvest outlook**

- As widely expected, the 3<sup>rd</sup> harvest estimate was revised upwards with maize coming in at 15.89 million tons which is marginally higher than the 2<sup>nd</sup> estimate. This is largely on the back on a strong tail-off of the summer rainfall season which boosted crop prospects. The total maize including the non-commercial crop now sits comfortably at 16.55 million tons and considering a local consumption of 11.8 million tons, SA goes into 2023/24 season with a good carry over stock. Soybeans were the biggest gainers with a 1.7% jump in harvest estimate to another record high of 2.76 million tons.

- Consequently, grain and oilseed futures continued to trend on the downside which bodes well for improved feeding margins if sustained. The latest Jul-2023 contracts fell by 9.6% (-R366/t) and 9.7% (-R391/t) respectively m/m for WMAZ (table1) at R3,461/t and R3,620/t. Although still trading at a premium over its white counterpart, YMAZ prices are off the record highs of above R5,000/t.
- We saw a similar trend on the plant protein side with the Jul-2023 soybean futures falling by 11.9% (-R988/t) m/m at R7,344/t. Sunflower futures for Jul-2023 delivery fell by 9.1% (-R835/t) m/m at R8,320/t.

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

04 MAY 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
Jul-23	R3,461	-9.6%	R3,620	-9.7%	R8,320	-9.1%	R7,344	-11.9%
Sep-23	R3,542	-9.4%	R3,695	-9.7%	R8,520	-8.9%	R7,496	-11.3%
Dec-23	R3,655	-9.1%	R3,794	-9.5%	R8,751	-8.9%	R7,673	-11.4%
Mar-24	R3,710	-8.2%	R3,809	-9.6%	R8,680	-	R7,745	-
May-24	-	-	-	-	-	-	R7,695	-

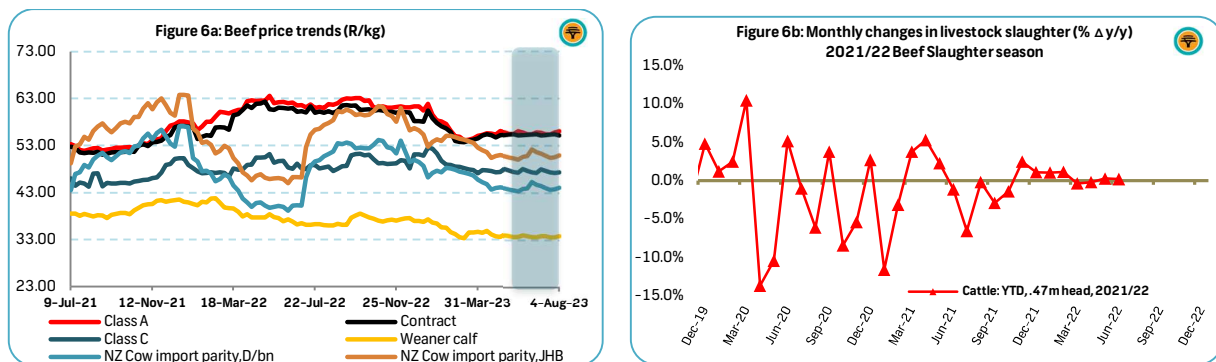
Source: JSE,

## OUTLOOK

- The onset of the winter season will see increased availability of weaner calves due to weaning, thus downward pressure on prices. Meat price growth will be curtailed by the seasonal demand contraction amid higher interest rates and food inflation reaching a 15-year high of 14.4% y/y.
- Fodder availability will be sufficient to carry livestock through winter following an excellent summer rainfall season. The continued decline in grain prices bodes well for feeding margins in the medium term.
- However, the lingering El Niño 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 in the next summer.

## 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	28-Apr-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)	21-Apr-23	14-Apr-23
Class A (R/kg)	55.35	-0.3%	-R0.19	-11.5%	-R7.20	-2.7%	-R1.52	55.54	55.62
Class C (R/kg)	47.33	-0.5%	-R0.25	-6.3%	-R3.17	-0.6%	-R0.27	47.58	47.70
Contract: A (*Incl.5thQ)	54.76	-0.8%	-R0.42	-11.6%	-R7.16	-2.6%	-R1.44	55.18	55.40
Import parity (R/kg)	49.93	-0.9%	-R0.44	6.5%	R3.03	6.1%	R2.88	50.38	51.62
Weaner calves (R/kg LW)	33.70	-1.1%	-R0.38	-10.6%	-R4.00	-7.1%	-R2.57	34.08	34.85

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

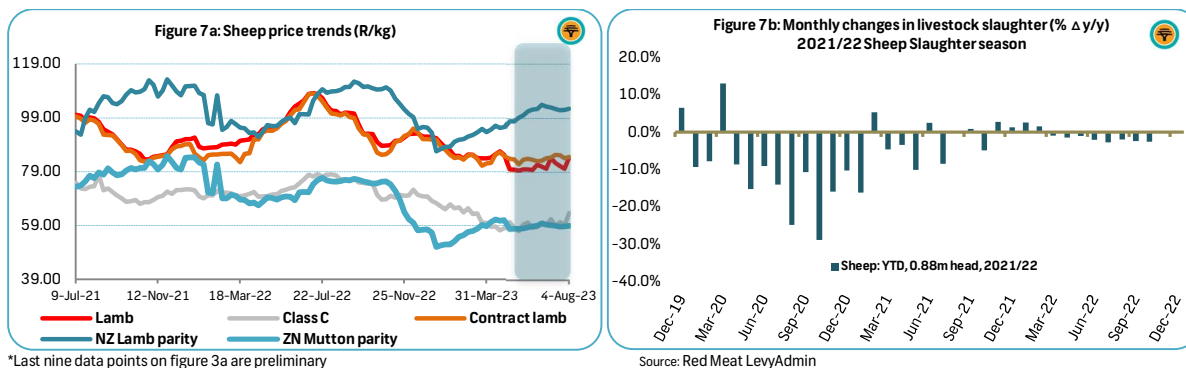


Table 3: Sheep producer price trends in South Africa

Sheep market - South Africa									
Date	28-Apr-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)	21-Apr-23	14-Apr-23
Class A (R/kg)	85.18	-1.6%	-R1.39	-10.6%	-R10.12	-3.6%	-R3.20	86.57	85.58
Mutton (R/kg)	58.10	1.6%	R0.92	-17.0%	-R11.88	-10.6%	-R6.91	57.18	58.67
Contract: A (*Incl. 5thQ, R/kg)	84.78	-1.7%	-R1.44	-10.1%	-R9.50	-3.1%	-R2.70	86.22	85.35
Import parity (R/kg)	95.67	0.4%	R0.40	-0.7%	-R0.65	5.9%	R5.34	95.28	96.06
Feeder lambs (R/kg LW)	41.70	0.8%	R0.32	-7.1%	-R3.19	-1.4%	-R0.60	41.38	40.75

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

## Weekly pork market

Figure 8: Pork prices and slaughter trends

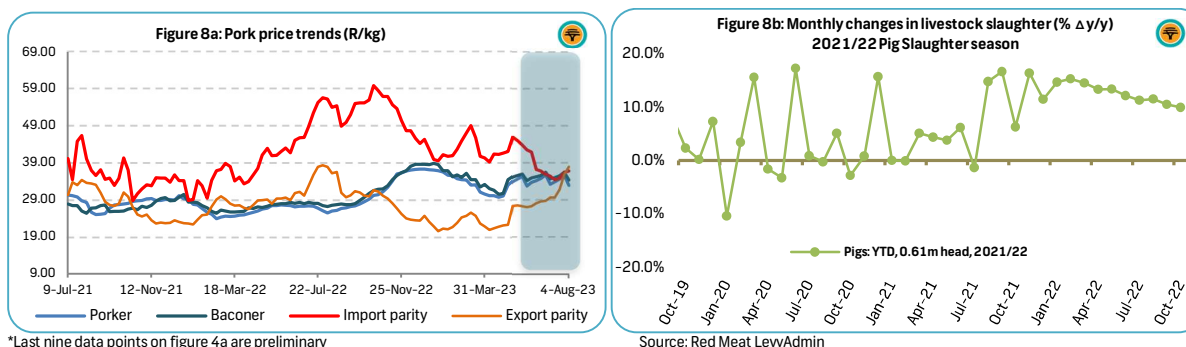


Table 4: Pig producer prices and slaughter trends

Pork market - South Africa									
Date	28-Apr-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)	21-Apr-23	14-Apr-23
Porker (R/kg)	29.98	1.1%	R0.33	13.3%	R3.53	27.4%	R6.45	29.65	30.15
Baconer (R/kg)	30.70	0.8%	R0.25	14.2%	R3.81	42.5%	R9.15	30.45	31.58
Import parity (R/kg)	41.62	0.8%	R0.34	1.3%	R0.52	32.8%	R10.28	41.28	41.32

Source: USDA, JSE, FNB Agric

## Weekly poultry market update

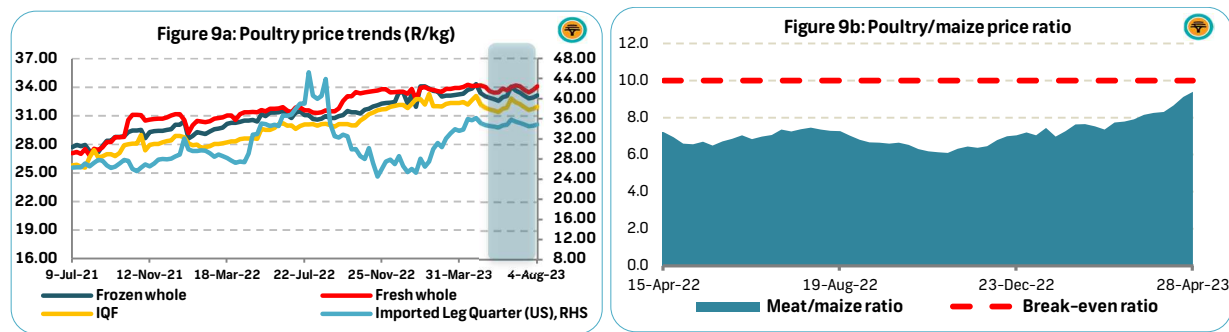
Table 5: Poultry producer price trends in South Africa

Poultry market - South Africa									
Date	28-Apr-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)	21-Apr-23	14-Apr-23
Fresh whole birds (R/kg)	34.16	0.1%	R0.04	8.7%	R2.74	9.5%	R2.95	33.88	33.70
Medium Frozen whole birds (R/kg)	34.34	1.3%	R0.46	12.4%	R3.80	11.2%	R3.46	33.88	33.70
Individually Quick Frozen (IQF) (R/kg)	33.09	1.3%	R0.44	15.4%	R4.42	11.7%	R3.46	34.12	34.27
Import parity (R/kg)	36.13	1.3%	R0.48	10.3%	R3.38	14.4%	R4.56	72.92	80.83

Source: USDA, JSE, FNB Agric



Figure 9: Poultry prices and meat/maize ratio trends



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

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