

how can we help you?

Livestock and Fibre markets

Brought to you by **FNB Business**



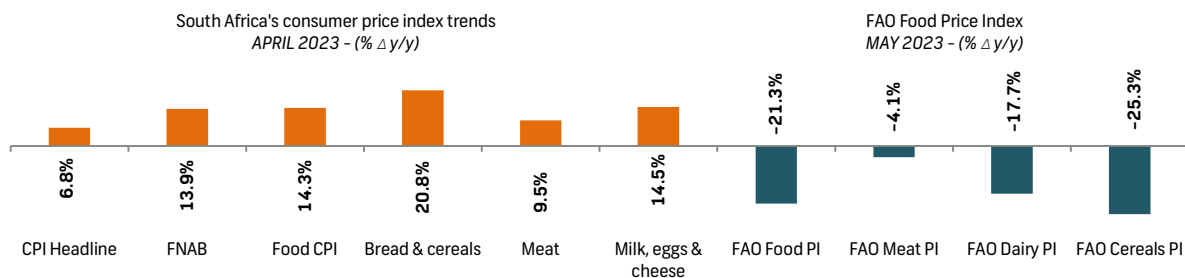
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 02 JUNE 2023

UPDATE ON LIVESTOCK MARKETS

Global food inflation falls further in May 2023 while still elevated at double-digit levels locally

- The latest update on global food price inflation from the United Nations' Food and Agriculture Organization (FAO) showed a further decrease of 2.6% month-on-month (m/m) in May 2023 and was 21.3% lower year-on-year (y/y). Decreases in prices in the cereals, vegetables oils, and dairy products categories underpinned the recent decrease in the food price index.
- Although the FAO meat price index maintained a monthly upside for the fourth consecutive month in May by edging 1% higher m/m, it posted a fifth consecutive month decrease at -4% y/y.
- The rebound in poultry prices amid strong Asian demand coupled with concerns over the near-term bird flu induced supply tightness underpinned the rise in the meat price index. Beef and pork prices also advanced though marginally on slight uptick in demand.
- In contrast, South Africa's consumer price food inflation softened to 14.3% y/y in April from 14.4% in March as a slowdown in the meat, oils and fats, and fruit categories more than offset the marginal increases in other product categories. At double digit level, the food CPI is back to the levels recorded during the second half of 2016 and early months of 2017.
- Although decelerating for the second consecutive month, South Africa's meat inflation remained sticky on the upside in April 2023 at 9.5% y/y from 10.6% previously. The monthly meat CPI steadied for the second consecutive month (0.0% m/m) which reflects the trend we have observed already at producer level in the last few months.
- The monthly meat supplies were already robust into April with the March slaughter figures showing increases of 16.0%, 83.2%, and 14.0% m/m respectively for beef, sheep, and pigs. We expect the meat CPI to continue the current trajectory in the near term due to the seasonal downturn in demand and availability following the calf weaning period.

Figure 1: Food price inflation trends



Source: StatsSA, FAO

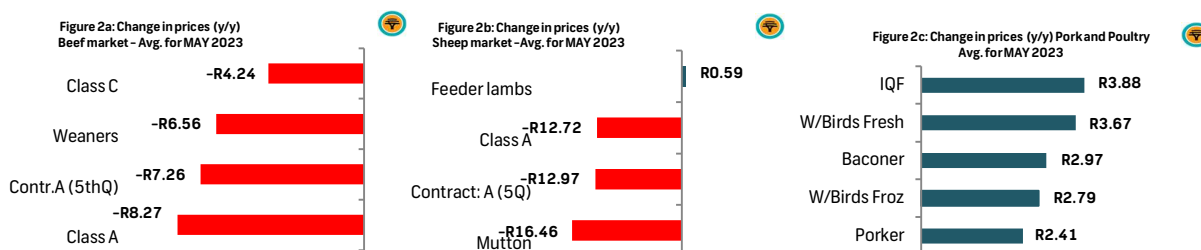
A further global biosecurity challenge as Brazil and South Africa report outbreaks of the highly pathogenic avian influenza

- The biosecurity challenge continues as more cases of the highly pathogenic avian influenza (HPAI) are reported across the globe. The HPAI virus is highly contagious among birds and the usual response from authorities is culling and quarantine of affected properties followed by import bans.
- Recent cases include an outbreak in wild birds in Brazil's Rio Grande do Sol according to the country's association of animal protein (ABPA). An outbreak of HPAI in Mexico recently prompted the Hong Kong authorities to suspend the country's imports of poultry meat and products.
- In South Africa, a total of five HPAI cases were detected and confirmed in commercial chicken in the Western Cape province. The properties were subsequently placed under quarantine to prevent the distribution of live birds and eggs from the affected properties.
- This is obviously disruptive to trade, causes serious losses for producers, and may increase consumer prices as domestic supplies tighten due to production cutbacks. Brazil remains the world's second major chicken meat producer and top exporter with shares of 14% and 33% respectively of the world total in 2022. A worsening of the situation may attract import bans with a negative consequence for global prices and food inflation.

A seasonal downturn in the domestic red meat market while poultry retained some strength

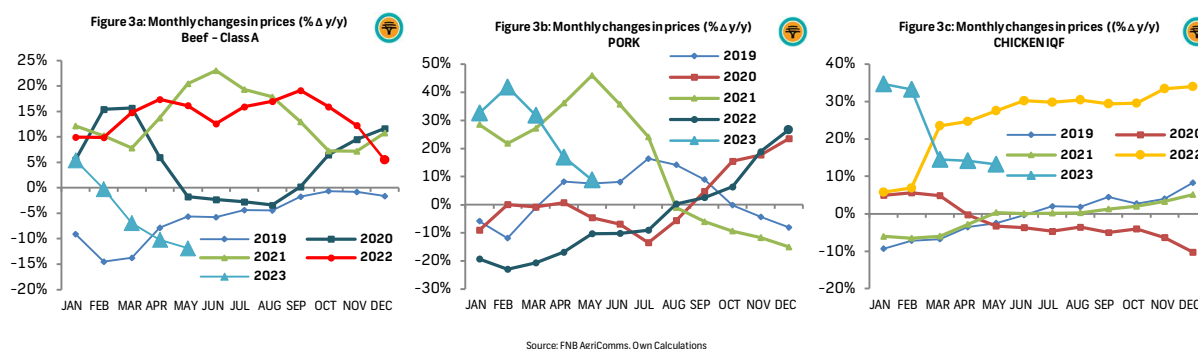
- **Beef:** Our analysis of trends in the beef market shows continued weakness with contract class A carcass prices falling by 2% (-R1.18/kg) m/m and 12% (-R7.26/kg) y/y at R53.94/kg during May 2023 (figure 2a). Class Cs fell by 3.4% (-R1.64/kg) m/m and 8.5% (-R4.24/kg) y/y at R45.95/kg. The biggest loser has been the weaner market as the seasonal weaning volumes increased. Weaner calf prices have fallen by 8.7% (-R2.98/kg) m/m and were down by a whopping 17% (-R6.56/kg) y/y at R31.30/kg live weight (LW).
- **Sheep:** Lamb and mutton prices posted moderate to sharp losses due to the seasonal weakness in demand at the onset of winter. Lamb prices fell by almost 2% (-R1.59/kg) m/m and 14% (-R12.97/kg) y/y at R83.08/kg. Mutton prices posted the biggest loss of 5.5% (-R3.22/kg) m/m and a whopping 23% (-R16.46/kg) y/y to an average of R54.91/kg. The weaner lamb market was however an exception as prices closed on the upside. Weaner lamb prices gained 1.8% (+R0.79/kg) m/m and 1.3% (+R0.59/kg) y/y to R44.71/kg LW (figure 2b).
- **Pork:** We saw a continued downturn in the pork market as the subdued seasonal demand and increased availability weighed heavily on prices. Pork prices continued to trend below the R30/kg level for the second consecutive month at R29.66/kg, which is down 1% (-R0.30/kg) m/m but still 8.9% (+R2.41/kg) above the May 2022 level. Baconers have also pulled back from the 2023 high of above R38/kg to a low of R30.63/kg which is down by 1.8% (-R0.57/kg) m/m but still 10.7% (+R2.97/kg) higher y/y (figure 2c).
- **Poultry:** This market has shown some resilience despite the tough trading conditions with consumers under a huge financial strain. The whole bird category saw fresh and frozen whole bird prices gaining 0.6% (+R0.20/kg) and 2.4% (+R0.81/kg) respectively m/m and were 9% (+R2.79/kg) and 12% (+R3.67/g) higher y/y at R34.34/kg and R34.63/kg. The individually quick frozen (IQF) portions gained 1.8% (+R0.60/kg) m/m and 13% (+R3.88/kg) and averaged R33.19/kg in May 2023 (figure 2c).

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



Source: FNB AgriComms

- Meanwhile, poultry imports fell 11% m/m but still up 1% y/y at 40,727 tons during April 2023. The YTD volumes were however 32% ahead of last year at 167,453 tons. Broiler meat was down 10.7% m/m at 39,588 tons with an average price of R10.39/kg which is down 8% m/m and 10.5% y/y. Leg quarter volumes fell sharply by 27% m/m and 13% y/y at 7,069 tons but the average FOB price was up 5.3% m/m and 16.4% y/y at R17.64/kg according to the latest South African Revenue Services (SARS) data. The cumulative YTD leg quarter volumes reached 25,583 tons in May 2023 which is however 16% below the same month in 2022.
- The historical growth trend in prices shows a further deceleration for pork and poultry in 2023. However, the pork price growth in 2023 remains way above the 2022 levels while chicken has slowed below last year's achievement (figures 3b & c). Beef on the other hand has posted a negative growth trend which is way below the past three years for class A carcass (figures 3a).

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

Renewed rand weakness provides upside support for grain prices but the harvest pressure limit gains

- The recent rand weakness on the back of growth challenges amid load shedding as well as geopolitical tensions regarding Ukraine war has helped lift grain prices. However, harvest pressure continues to limit price gains.
- The subdued grain and oilseed prices bodes well for feeding margins in the livestock industry.
- The latest Jul-2023 and Sep-23 are way off the 2022 high of over R5,000/t for both the white and yellow maize.
- We saw a similar trend on the plant protein side with the Jul-2023 and Sep-23 futures falling below last year's record high of over R12,000/ ton and R11,000/ ton respectively for soybeans and sunflower as reflected in Table 1.

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

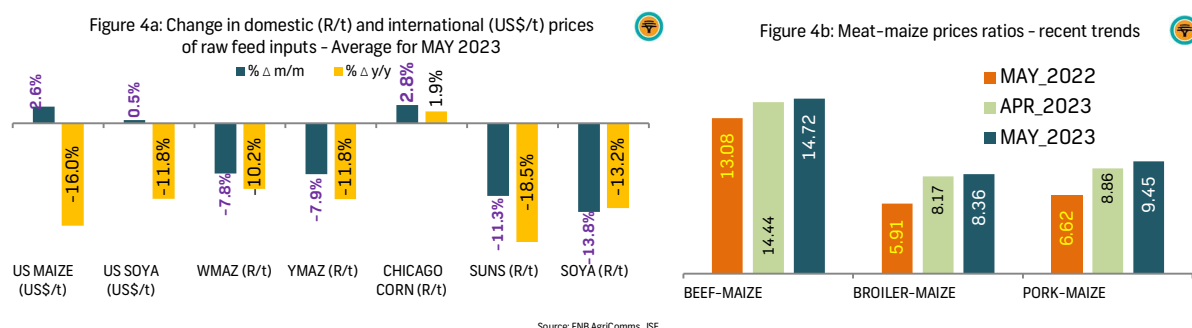
02 JUNE 2023	WMAZ R/ton	% Δ m/m	YMAZ R/ton	% Δ m/m	SUNS R/ton	% Δ m/m	SOY R/ton	% Δ m/m
Jul-23	R3,695	6.1%	R3,813	5.0%	R8,300	-0.6%	R7,811	4.1%
Sep-23	R3,775	5.9%	R3,885	4.9%	R8,499	-0.7%	R7,988	4.2%
Dec-23	R3,884	5.5%	R3,997	5.0%	R8,752	-0.5%	R8,178	4.4%
Mar-24	R3,944	5.7%	R4,001	4.8%	R8,597	-1.7%	R8,149	3.0%
May-24	-	-	R4,038	-	-	-	R7,808	-0.7%

Source: JSE.

- Average raw input prices for May 2023:**
 - The average price of yellow maize rebounded by 3.7% (+R135/t) m/m but still down 11.8% (-R999/t) y/y at R3,684/t. Similarly, its white counterpart gained 4.9% (+R176/t) m/m but still 22% (-R982/t) lower y/y (figure 4a) at R 3,592/t.
 - In the case of the plant protein sources, the average sunflower prices for May increased by 3.7% (+R312/t) m/m but still down by a whopping 22% (-R2,336/t) y/y at R8,660/t. Soybeans also saw a sharp decrease of 13.8% (-R1,251.67/t) m/m and were 13.2% (-R1,187/t) lower y/y at R 8,348/t (figure 4a).

- **Profitability ratios:** The meat-maize price ratio for beef improved by 2% m/m and 12.5% y/y during May 2023 while that of pork advanced by 6.7% m/m and almost 43% y/y. For broiler, the meat-maize price ratio improved by 2.3% m/m and was 4.1% higher relative to the 2022 levels (figure 4b).

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

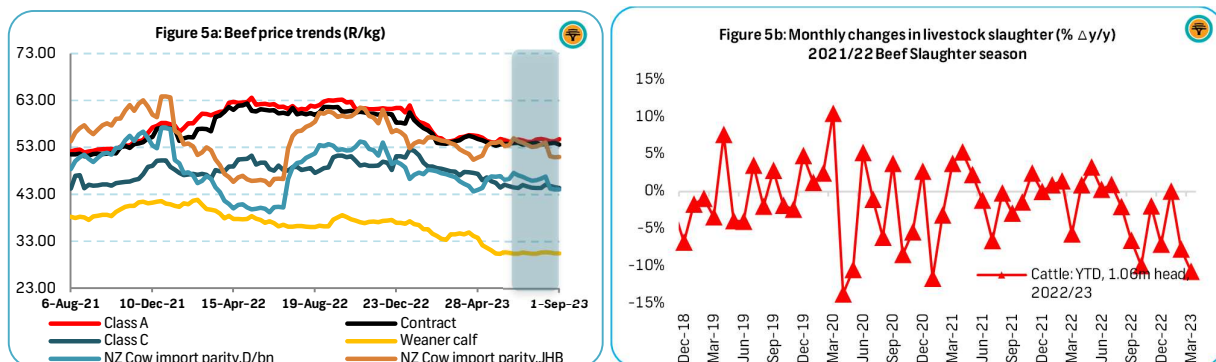


OUTLOOK

- Load shedding continues to complicate the profit outlook as the increased the cost of operations such as processing and maintaining the cold chain due to the perishability of meat may force producers to pass on costs.
- The South African consumer is already under financial strain with debt service costs having risen sharply in the past twelve months following another 50bp rise in interest rates.
- Consumer yet to benefit from weakness in international agriculture commodity prices as domestic challenges continue to outweigh their impact. Nonetheless, we expect the recent decrease in domestic agriculture commodity prices to start filtering through to consumers in the second half of 2023.
- The renewed rand weakness will help curb imports as they make them more expensive thus improving the competitiveness of the local products in the pork and poultry categories. Tight supplies due to the reduced imports will help lift domestic prices of poultry and pork meats.
- Weaner calf prices will remain under pressure due to the seasonal increase from the recent weaning coupled with low demand.
- 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 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	26-May-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)	19-May-23	12-May-23
Class A (R/kg)	53.95	-0.2%	-R0.13	-13.3%	-R8.30	-4.4%	-R2.48	54.08	54.32
Class C (R/kg)	45.44	-0.7%	-R0.32	-8.6%	-R4.26	-2.2%	-R1.02	45.76	46.57
Contract: A (*Incl.5thQ)	53.33	-0.8%	-R0.45	-12.8%	-R7.80	-4.2%	-R2.32	53.78	54.10
Import parity (R/kg)	53.97	0.0%	R0.01	17.1%	R7.88	14.4%	R6.79	53.96	53.23
Weaner calves (R/kg LW)	30.36	-2.3%	-R0.72	-19.2%	-R7.20	-14.6%	-R5.20	31.08	31.60

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

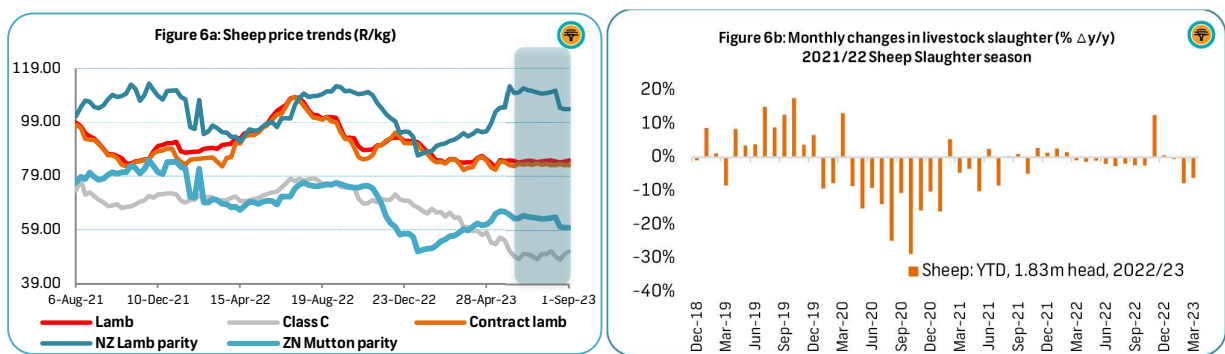
Weekly summary of the sheep market

Table 3: Sheep producer price trends in South Africa

Sheep market – South Africa									
Date	26-May-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)	19-May-23	12-May-23
Class A (R/kg)	84.63	-0.4%	-R0.33	-14.0%	-R13.83	-6.8%	-R6.21	84.96	82.08
Mutton (R/kg)	55.34	-1.5%	-R0.84	-23.5%	-R17.02	-15.1%	-R9.86	56.18	53.65
Contract: A (*Incl.5thQ, R/kg)	84.27	-0.3%	-R0.29	-13.9%	-R13.62	-6.8%	-R6.10	84.56	81.34
Import parity (R/kg)	104.40	0.0%	R0.03	5.9%	R5.79	9.3%	R8.87	104.37	102.90
Feeder lambs (R/kg LW)	40.94	-2.8%	-R1.17	-17.8%	-R8.87	-11.5%	-R5.30	42.11	41.38

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

Figure 6: Lamb and mutton prices and sheep slaughter trends

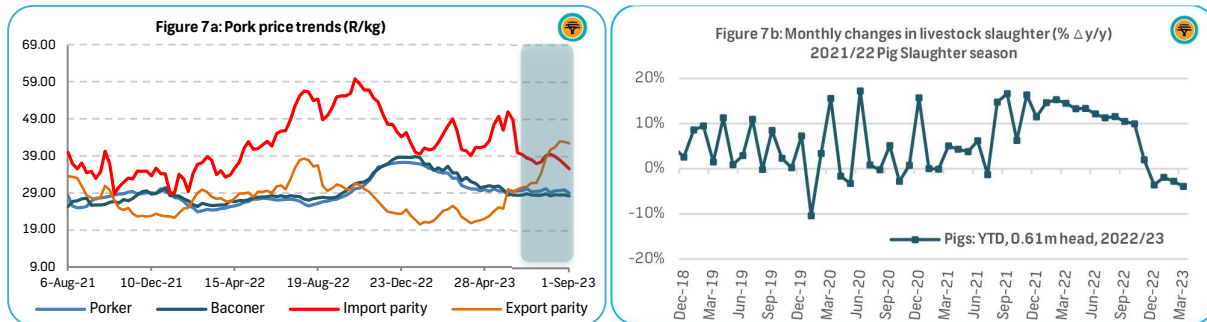


*Last nine data points on figure 3a are preliminary

Source: Red Meat LevyAdmin

Weekly pork market

Figure 7: Pork prices and slaughter trends



*Last nine data points on figure 4a are preliminary

Source: Red Meat LevyAdmin

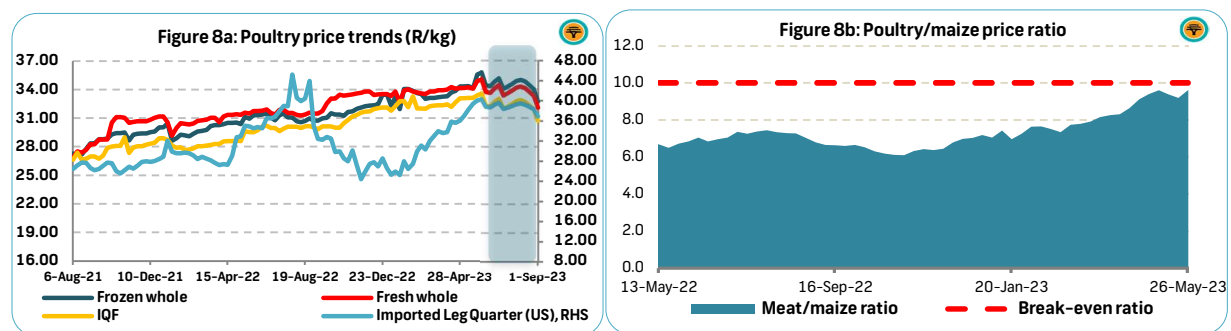
Table 4: Pig producer prices and slaughter trends

Pork market – South Africa									
Date	26-May-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)	19-May-23	12-May-23
Porker (R/kg)	29.47	-0.4%	-R0.11	6.8%	R1.87	25.2%	R5.94	29.58	30.15
Baconer (R/kg)	29.98	-2.8%	-R0.87	7.4%	R2.06	39.1%	R8.43	30.85	30.72
Import parity (R/kg)	46.03	-7.5%	-R3.72	9.6%	R4.03	46.9%	R14.69	49.75	47.53

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	26-May-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)	19-May-23	12-May-23
Fresh whole birds (R/kg)	34.89	2.3%	R0.79	9.8%	R3.12	9.9%	R3.16	34.18	34.38
Medium Frozen whole birds (R/kg)	35.60	4.2%	R1.42	13.6%	R4.27	12.2%	R3.87	34.18	34.38
Individually Quick Frozen (IQF) (R/kg)	33.42	0.9%	R0.30	13.2%	R3.91	11.3%	R3.40	34.10	34.22
Import parity (R/kg)	40.13	1.6%	R0.63	16.2%	R5.61	20.2%	R6.74	63.79	82.91

Source: USDA, JSE, FNB Agric

Disclaimer:

This report may contain certain opinions, predictions and assumptions and has been compiled from a variety of sources. Accordingly, you use the information in this report ("this information") at your own risk and should not rely on it as a substitute for obtaining any specific professional advice you require. Accordingly, First National Bank, a division of FirstRand Bank Limited ("FNB") provides no warranties or undertakings of any kind, whether express, implied or otherwise, concerning this information, its accuracy and/or reliability. Neither FNB nor its holding company, subsidiaries or other group companies will be liable to you for any claims, demands, expenses, losses or damages, of whatsoever nature, which you may suffer or incur by using this information.

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	edebeer1@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
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
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	071 351 3439	Ischaan.vanwyk@fnb.co.za
Ischaan, Van Wyk	Northern Cape - Upington	073 0306277	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

Disclaimer:

This report may contain certain opinions, predictions and assumptions and has been compiled from a variety of sources. Accordingly, you use the information in this report ("this information") at your own risk and should not rely on it as a substitute for obtaining any specific professional advice you require. Accordingly, First National Bank, a division of FirstRand Bank Limited ("FNB") provides no warranties or undertakings of any kind, whether express, implied or otherwise, concerning this information, its accuracy and/or reliability. Neither FNB nor its holding company, subsidiaries or other group companies will be liable to you for any claims, demands, expenses, losses or damages, of whatsoever nature, which you may suffer or incur by using this information.