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# Livestock and Fibre markets

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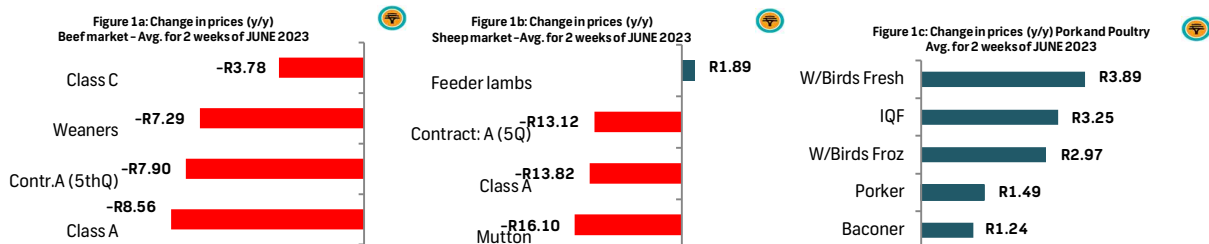
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 15 JUNE 2023

## UPDATE ON LIVESTOCK MARKETS

*No respite on the domestic livestock markets as prices remain depressed*

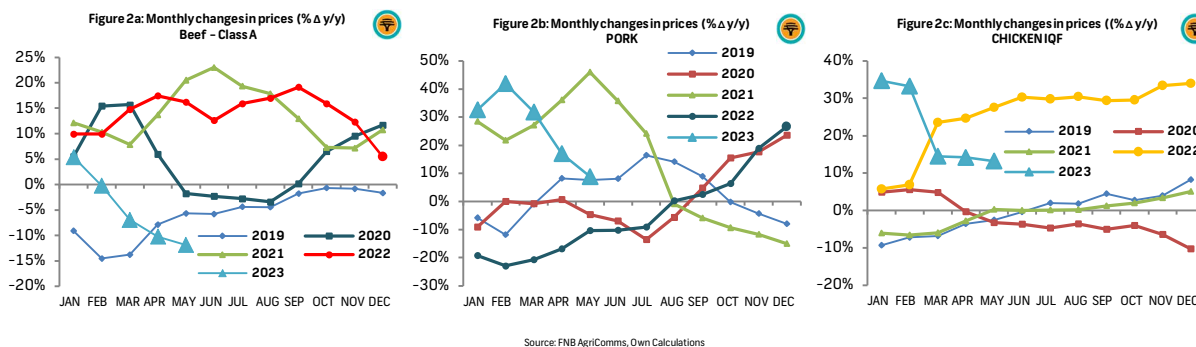
- **Beef:** The latest trends on the US import market showed a downtrend in prices largely due to a pedestrian trading and weaker domestic demand. Meanwhile, the United States Department of Agriculture (USDA) raised its estimate of US beef production for 2023 on expected upswing in cattle slaughter across all categories. Australia, the second largest beef exporter saw a sharp increase of 27% month-on-month (m/m) and 14% year-on-year (y/y) in beef exports at 91,479 tons during May 2023. China was the biggest destination with volumes up 44% y/y to 19,569 tons.
- Our analysis of trends on the domestic beef market shows continued weakness as winter demand dipped amid a constrained consumer financial situation. The average contract class A carcass prices for the first two weeks of June 2023 saw a decrease of 1.9% (-R1.60/kg) m/m and were sharply down by almost 14% (-R8.56/kg) y/y at R53.63/kg. We saw a similar trend on the weaner market with prices falling sharply by 6.6% (-2.10/kg) m/m and 19.7% (-R7.29/kg LW) at R29.78/kg live weight (LW) (figure 1a).
- **Poultry:** This market has shown some resilience despite the tough trading conditions with consumers under a huge financial strain. The outbreak of the avian flu remains a concern as a spread to commercial farms will curtail output and expansion plans. Currently layers are affected in the Western Cape and other areas it is still wild birds.
- The whole bird category saw average prices of fresh and frozen whole birds during the first two weeks of June increasing by 2.6% (+R0.89/kg) and 1.6% (+R0.56/kg) respectively m/m and were 12.4% (+R3.89/kg) and 9.3% (+R2.97/kg) higher y/y at R35.25/kg and R34.75/kg. The individually quick frozen (IQF) portions were almost unchanged m/m and still 11% (+R3.25/kg), averaging R33.18/kg (figure 1c). 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.

Figure 1: Changes in average monthly livestock prices (%  $\Delta$  y/y)



Source: FNB AgriComms

- 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.
- Pork: The US pork market posted strong gains in last week's trade with USDA's weekly national pork carcass cutout values up 2% on the week but still sharply down by almost 20% y/y at US\$86.65/cwt. Anticipating reduced carcass weights, USDA lowered its estimate of US pork production despite the higher pace of slaughter. YTD US pig slaughter is already 1.3% ahead of the same period in 2022.
- Locally, downside pressure continues in 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 R28.94/kg, which is down 2.91% (-R0.87/kg) m/m but still 5.4% (+R1.49/kg) above the May 2022 level. Baconers have also pulled back from the 2023 high of above R38/kg to a low of R29.33/kg which is down by 4.9% (-R1.52/kg) m/m but still 4.4% (+R1.24/kg) higher y/y (figure 1c).
- Sheep: Internationally, prices of lamb in the Australian market firmed recently on the back of improved conditions due to rains. The export market was also buoyant with overall sheep meat volumes for May rising by 25% y/y to reach the highest monthly record of 48,108 tons.
- Domestically, lamb and mutton prices rebounded slightly early in June due to supply contraction. The weaner lamb market was again an exception as prices closed on the upside. Weaner lamb prices gained 3% (+R1.33/kg) m/m and 4.4% (+R1.89/kg) y/y to R44.87/kg LW (figure 1b).
- 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 (figure 3a).

Figure 2: Growth trends for producer prices of various meat types (%  $\Delta$  y/y)

#### Maize futures a bit on the upside m/m but still off the 2022 high

- Recent maize futures trended a bit on the upside relative to last month but were still way off the 2022 high of over R5,000/t for both the white and yellow maize.
- White maize for Sep-23 delivery closed Thursday 15 June 2023 up 2% (+R73/t) m/m at R3,755/ ton while its yellow counterpart was marginally higher by 0.5% (+R18/t) at R3,817/t.
- However, the oilseed complex posted losses with the Sep-23 futures falling below last year's record high of over R12,000/ ton and R11,000/ ton respectively for soybeans and sunflower. Latest sunflower futures for Sep-23 delivery were down by 1.5% (-R130/t) m/m at R8,590/t while soybeans fell by 1.6% (-R126/t) m/m at R7,098/ ton as reflected in Table 1.

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

15 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
Sep-23	R3,755	2.0%	R3,817	0.5%	R8,590	-1.5%	R7,908	-1.6%
Dec-23	R3,833	1.2%	R3,898	-0.2%	R8,793	-1.6%	R8,115	-1.2%
Mar-24	R3,892	1.6%	R3,934	0.3%	R8,700	-3.1%	R8,134	-0.5%
May-24	-	-	R3,971	-	-	-	R7,950	1.8%
Jul-24	R3,970	2.5%	R3,962	2.1%	-	-	R8,046	2.0%

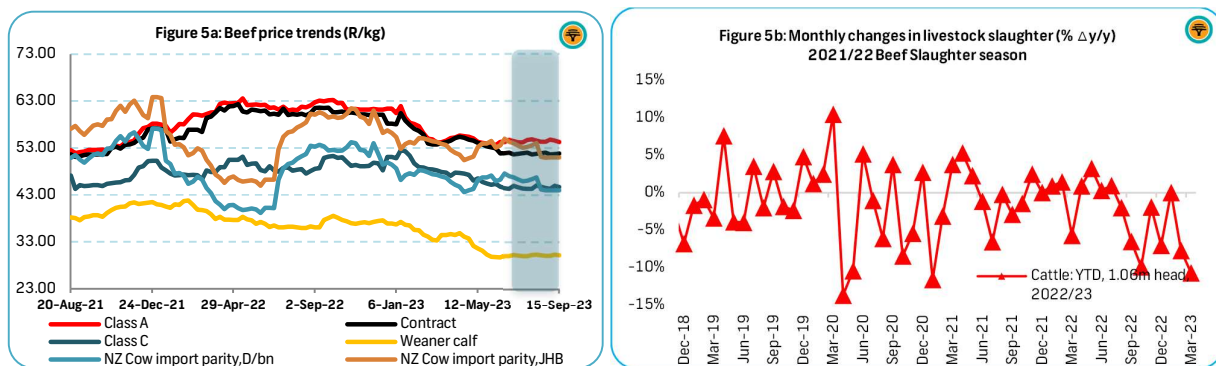
Source: JSE,

## 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.
- 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 &amp; Data Tables

Figure 3: 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	09-Jun-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)	26-May-23	19-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

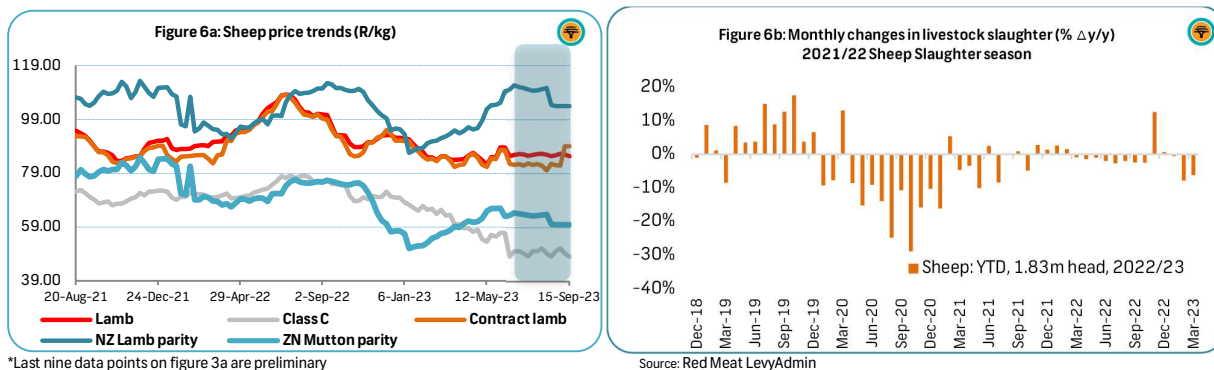
## Weekly summary of the sheep market

Table 3: Sheep producer price trends in South Africa

Sheep market – South Africa									
Date	09-Jun-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)	26-May-23	19-May-23
Class A (R/kg)	88.56	0.4%	R0.32	-14.2%	-R14.69	-6.7%	-R6.37	88.24	84.63
Mutton (R/kg)	56.87	-0.4%	-R0.25	-22.4%	-R16.40	-14.7%	-R9.78	57.12	55.34
Contract: A (*Incl. 5thQ, R/kg)	87.63	-0.3%	-R0.25	-14.0%	-R14.22	-6.2%	-R5.78	87.88	84.27
Import parity (R/kg)	109.34	4.1%	R4.26	12.6%	R12.20	12.3%	R11.98	105.08	104.40
Feeder lambs (R/kg LW)	42.45	2.4%	R1.00	-19.7%	-R10.43	-12.0%	-R5.79	41.45	40.94

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

Figure 4: Lamb and mutton prices and sheep slaughter trends



## Weekly pork market

Figure 5: Pork prices and slaughter trends

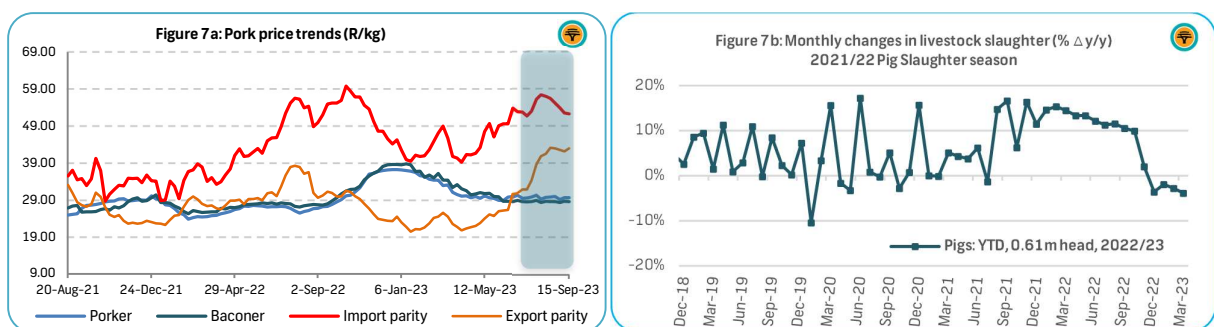


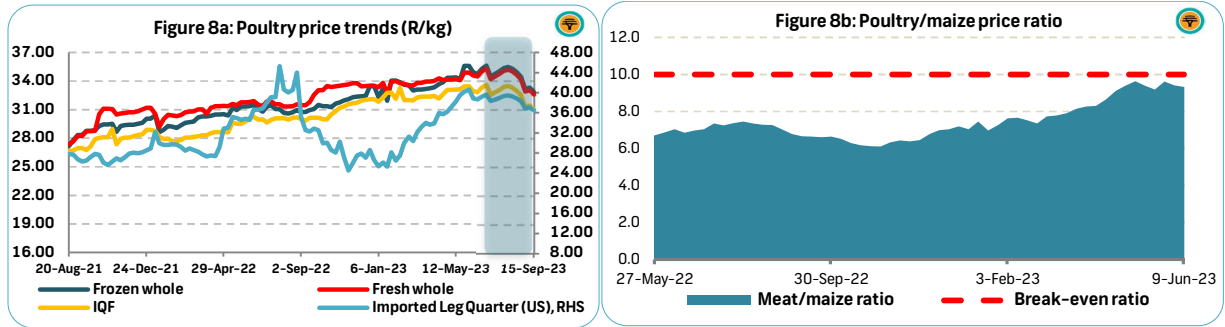
Table 4: Pig producer prices and slaughter trends

Pork market – South Africa									
Date	09-Jun-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)	26-May-23	19-May-23
Porker (R/kg)	28.90	-0.2%	-R0.07	5.6%	R1.52	22.8%	R5.37	28.97	29.47
Baconer (R/kg)	28.76	-3.8%	-R1.13	1.9%	R0.54	33.5%	R7.21	29.89	29.98
Import parity (R/kg)	49.64	0.9%	R0.45	19.1%	R7.94	58.4%	R18.30	49.18	46.03

Source: USDA, JSE, FNB Agric

## Weekly poultry market update

Figure 6: 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	09-Jun-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)	26-May-23	19-May-23
Fresh whole birds (R/kg)	34.89	0.0%	R0.00	9.8%	R3.12	9.8%	R3.13	35.60	34.18
Medium Frozen whole birds (R/kg)	35.60	0.0%	R0.00	13.6%	R4.27	12.1%	R3.84	35.60	34.18
Individually Quick Frozen (IQF) (R/kg)	33.42	0.0%	R0.00	12.4%	R3.68	11.3%	R3.38	34.89	34.10
Import parity (R/kg)	40.61	1.2%	R0.48	16.8%	R5.83	21.8%	R7.26	59.11	63.79

Source: USDA, JSE, FNB Agric

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