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Livestock and Fibre markets

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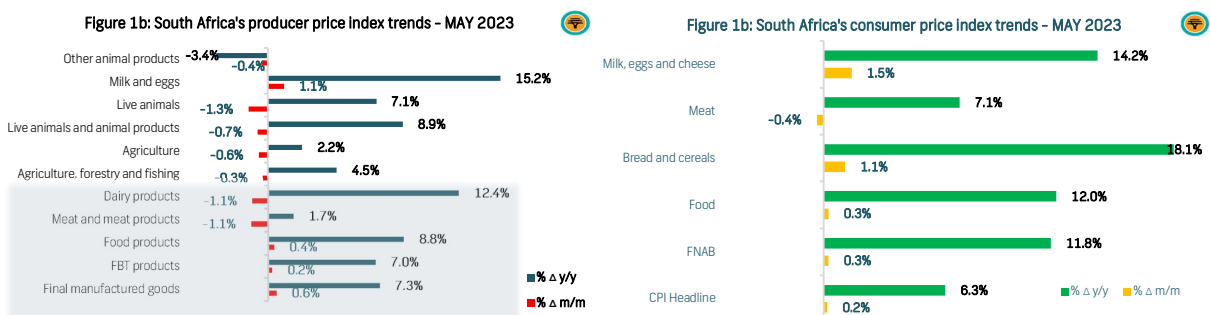
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UPDATE ON LIVESTOCK MARKETS

A breather for meat lovers as meat inflation decelerates to the lowest level in 2023

- The latest update from Statistics South Africa (StatsSA) showed that producer price inflation (PPI) decelerated for the tenth consecutive month to 7.3% year-on-year (y/y) in May 2023 from 8.6% y/y in April with higher base effects at play. The PPI nudged 0.6% higher month-on-month (m/m) after steadying in April.
- Similarly, the consumer price inflation (CPI) for May 2023 decelerated for the second consecutive month and the lowest level in 2023 to 6.3% y/y. The CPI slowed from 0.4% m/m in April to 0.2% m/m in May 2023.
- The food and non-alcoholic beverages CPI remained sticky on the upside although posting a modest deceleration of 2.1 percentage points (ppts) to reach the lowest level in nine months at 11.8% y/y and a paltry 0.3% m/m in May. Food alone decelerated by 2.2ppts to 12% y/y, also a nine-month low.
- At producer level, the agriculture PPI slowed down significantly and reached a low of 2.2% y/y in thirty-two months and further declined by 0.6% m/m in May. Seasonal price pressures saw the *live animals and animal products* PPI subcategory falling by 0.7% m/m in May but reflecting an uptick of 8.9% y/y. The *live animals* PPI alone decreased by 1.3% m/m but still 7.1% higher y/y. The *other animal products* PPI remained in negative territory and decreased by 0.4% m/m and 3.4% y/y.
- At manufacturing level, the *meat and meat products* subcategory fell by 1.1% m/m and decelerated by 3.1ppts from April to 1.7% y/y in May 2023. We have observed a consistent downtrend in meat prices at farm level over the past few months and the benefit has started to reflect at consumer level. After steadying for two consecutive months in March and April, the *meat CPI* decreased by 0.4% m/m in May and decelerated to the lowest level of 7.1% y/y in 2023 (figure 1b).

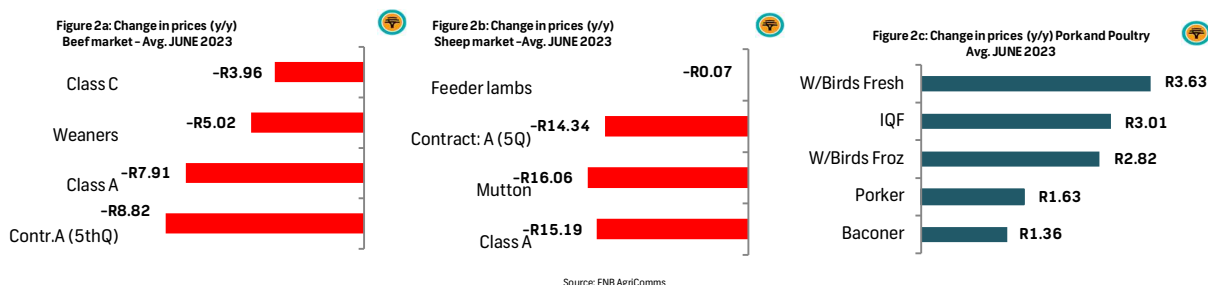
Figure 1: Producer and consumer price inflation trends



Pressure on the beef market as prices fall back to the 2021 levels

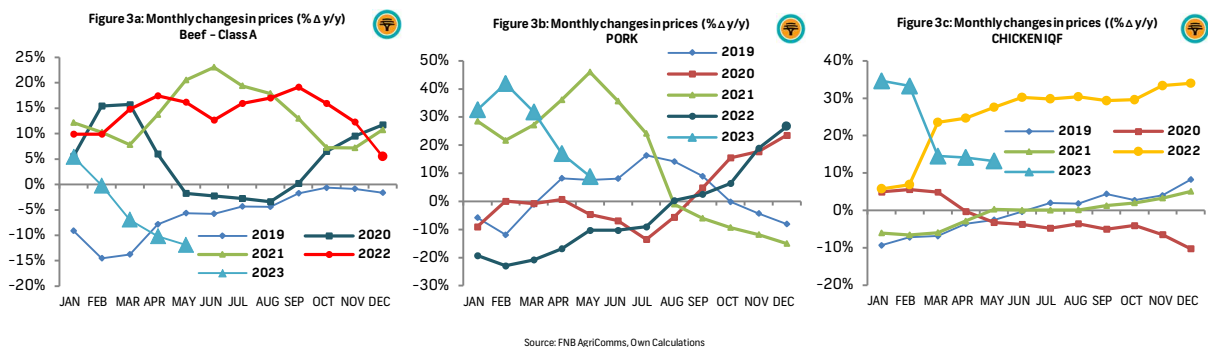
- Our analysis of trends on the domestic livestock market shows a sustained downtrend in red meat prices due to the seasonal weakness in demand amid a constrained consumer financial situation. Elevated interest rates and the pedestrian economic growth with the sustained loadshedding continue to curtail consumer spending.
- Beef:** The average contract class A carcass prices so far for June 2023 have fallen back to levels recorded in 2021 which reflects the constraint buying power of the consumer. At R51.46/kg, contract class A prices decreased by 3% m/m (-R1.76/kg) m/m and were sharply down by almost 15% y/y (-R8.82/kg). We saw a similar trend in the weaner market as seasonal volumes and demand contraction pushed prices to the lowest level since July 2020 at R31.32/kg live weight (LW) (figure 2a).
- Poultry:** This market has shown 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, the avian flu in the Western Cape is confined to layers while other areas it is still wild birds. The most traded category, the individually quick frozen (IQF) portions shed 0.5% (-R0.17/kg) m/m but still 10% (+R3.01/kg) higher y/y, so far averaging R33.18/kg (figure 2c).
- Pork:** There was no respite as the market saw accelerated weakness with pork and baconer prices falling by 2.5% (-R0.75/kg) and 3.8% (-R1.15/kg) respectively m/m at R29.81/kg and R29.48/kg. However, pork and baconer prices remained elevated by 6% (+R1.63/kg) and 4.8% (+R1.36/kg) related to the same period in 2022 (figure 2c).

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



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



Global meat production and trade forecast to rise in 2023

- Globally, the recent forecasts from the United Nation's Food and Agriculture Organization point to an upswing in production underpinned by gains in the poultry meat category as the industry defies the avian flu challenges. Global meat production is expected marginally up by 0.4% y/y to 364 million tons (carcass weight equivalent).

- Poultry meat which accounts for the biggest share of 39% of global production is projected up 1.3% y/y to 143 million tons (cwe). Pork, the second biggest meat by type with a share of 33% of global production will see a marginal contraction of 0.5% y/y in production to 122 million tons (cwe) due to outbreaks of the African Swine Fever (ASF) virus which has restricted output in Europe.
- FAO further expects global meat trade to rise by 0.6% y/y to 42.1 million tons (cwe) in 2023 with increases across most meats except for pork with a 1% y/y decrease to 11.4 million tons (cwe). Although having a smaller share of global trade, ovine meat is forecast to post the biggest increase of 5.2% y/y followed by bovine and poultry meats with increases of 1.2% and 1% respectively y/y.
- Meanwhile, the bullish supply outlook for global coarse grains bodes well for livestock production as raw feed input prices are likely to remain depressed thus lifting margins for producers. This will in turn help maintain meat inflation at lower levels. Annual global meat inflation as measured by FAO has remained in negative territory since the beginning of 2023 with the May update showing a decrease of 4.1% y/y.

Another bullish estimate for SA's maize crop raises prospects of lower feed costs

- The National Crop Estimates Committee (CEC) made a further upward adjustment to the country's maize harvest estimate by 1% from its May update to 16.35 million tons which is 5.7% higher y/y and makes it the second largest crop on record. Although the soybean harvest estimate was unchanged from last month, is still 24% higher y/y and at a record high of 2.76 million tons.
- Recent maize futures trended a bit on the downside relative to last month but were still way off the 2022 highs of over R5,000/t for both the white and yellow maize.
- White maize for Sep-23 delivery closed Thursday 29 June 2023 down 0.1% (-R3/t) m/m at R3,745/ ton while its yellow counterpart fell by 1.8% (-R71/t) at R3,807/t.
- In the oilseed complex, prices were mixed with soybeans for Sep-23 delivery falling below last year's record high of over R12,000/ ton to R8,069/t which is 0.2% (-R14/t) lower m/m. Sunflower futures for Sep-23 delivery however edged 0.4% (+R38/t) higher m/m at R8,560/t which is way below the 2022 record of over R11,000/t. as reflected in Table 1.

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

29 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	R3,745	-0.1%	R3,807	-1.8%	R8,560	0.4%	R8,069	-0.2%
Dec-23	R3,833	-0.4%	R3,894	-2.1%	R8,747	-0.3%	R8,274	-0.2%
Mar-24	R3,900	-0.2%	R3,924	-1.6%	R8,725	0.7%	R8,252	-0.2%
May-24	-	-	R3,973	-	-	-	R7,998	2.4%
Jul-24	R3,952	-1.1%	R3,928	-1.4%	-	-	R8,225	-

Source: JSE,

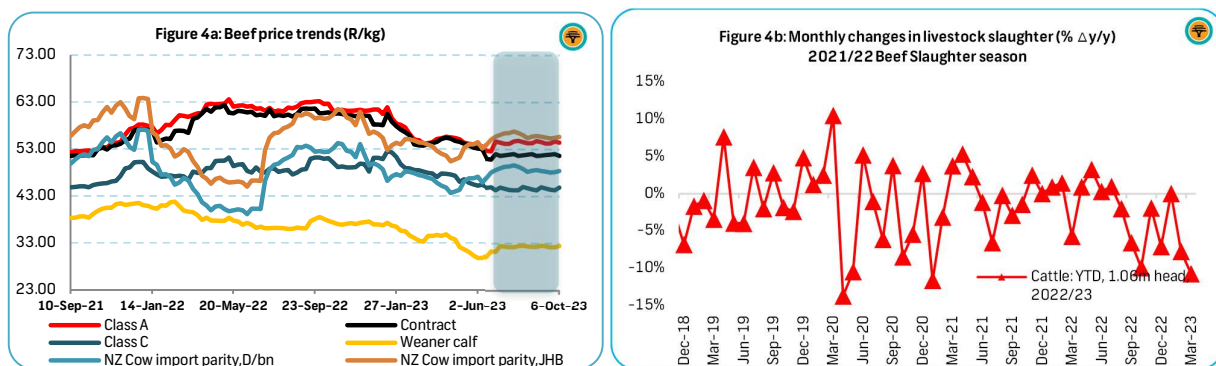
OUTLOOK

- While inflation shows signs of a sustained deceleration, loadshedding 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.
- This is however difficult in a depressed consumer financial situation with disposable income significantly eroded as debt service costs have risen sharply in the past twelve months following another 50bp rise in interest rates in the last SARB meeting.
- A rebound in economic activity coupled with the return of the warmer (braai) months towards year end should help lift meat demand and subsequently improve producer prices.

- Weaner calf prices will remain under pressure due to the seasonal increase in weaning volumes 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 4: Beef prices and cattle slaughter trends



*Last nine data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

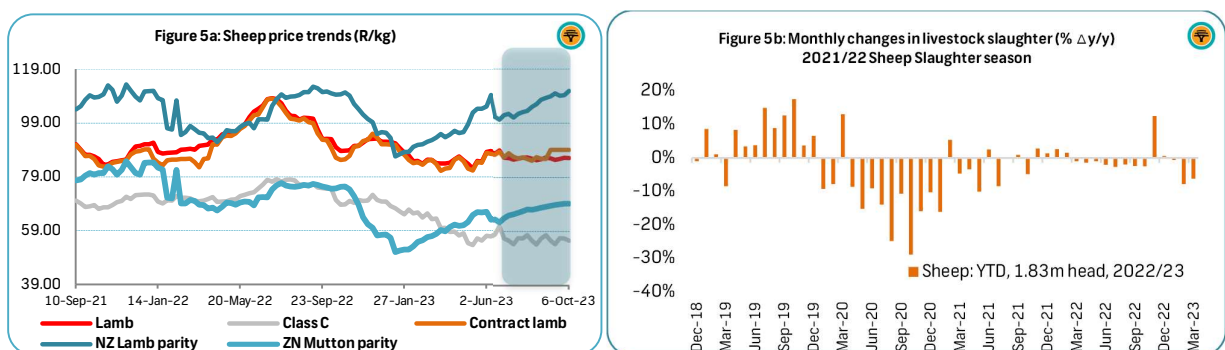
Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa									
Date	23-Jun-23	%Δw/w	R/kg Δw/w	%Δy/y	R/kg Δy/y	3Yr. Avg. (%Δ)	3Yr. Avg. (ΔR/kg)	16-May-23	9-June-23
Class A (R/kg)	52.65	-0.2%	-R0.09	-14.5%	-R8.91	-5.8%	-R3.24	52.74	53.56
Class C (R/kg)	45.02	0.4%	R0.17	-8.4%	-R4.11	-2.9%	-R1.33	44.85	45.38
Contract: A (*Incl.5thQ)	50.89	-0.3%	-R0.15	-15.5%	-R9.32	-7.1%	-R3.89	51.04	52.94
Import parity (R/kg)	55.16	2.1%	R1.15	19.1%	R8.85	15.6%	R7.46	54.02	53.05
Weaner calves (R/kg LW)	31.35	3.6%	R1.10	-13.3%	-R4.82	-10.8%	-R3.81	30.25	29.76

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

Weekly summary of the sheep market

Figure 5: Lamb and mutton prices and sheep slaughter trends



*Last nine data points on figure 3a are preliminary

Source: Red Meat LevyAdmin

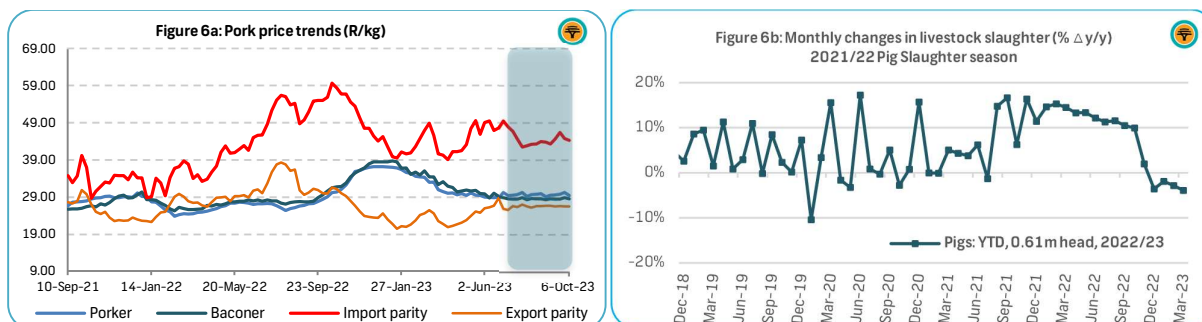
Table 3: Sheep producer price trends in South Africa

Sheep market – South Africa									
Date	23-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)	16-May-23	9-June-23
Class A (R/kg)	88.90	1.3%	R1.15	-15.7%	-R16.55	-7.3%	-R7.03	87.75	88.56
Mutton (R/kg)	61.03	5.5%	R3.18	-19.9%	-R15.19	-11.9%	-R8.25	57.85	56.87
Contract: A (*Incl. 5th Q, R/kg)	88.45	1.2%	R1.07	-15.7%	-R16.44	-7.2%	-R6.86	87.38	87.63
Import parity (R/kg)	107.04	5.6%	R5.67	6.5%	R6.56	8.7%	R8.57	101.37	109.34
Feeder lambs (R/kg LW)	42.35	4.4%	R1.79	-20.4%	-R10.86	-11.5%	-R5.53	40.56	42.45

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

Weekly pork market

Figure 6: Pork prices and slaughter trends



*Last nine data points on figure 4a are preliminary

Source: Red Meat LevyAdmin

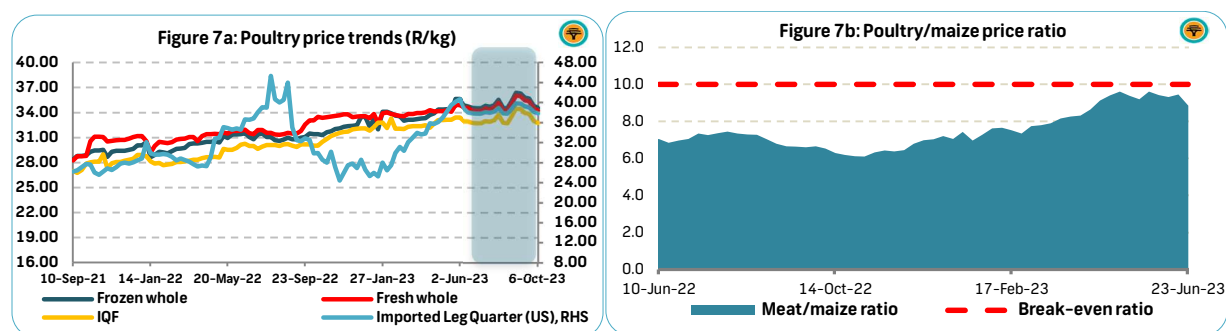
Table 4: Pig producer prices and slaughter trends

Pork market – South Africa									
Date	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)	28.98	0.6%	R0.18	6.6%	R1.80	23.1%	R5.45	28.80	28.90
Baconer (R/kg)	29.21	-2.8%	-R0.84	3.4%	R0.95	35.5%	R7.66	30.05	28.76
Import parity (R/kg)	47.68	1.3%	R0.63	4.2%	R1.91	52.1%	R16.34	47.05	49.64

Source: USDA, JSE, FNB Agric

Weekly poultry market update

Figure 7: 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)	34.25	-0.9%	-R0.32	8.6%	R2.71	10.1%	R3.14	34.75	34.89
Medium Frozen whole birds (R/kg)	34.57	-0.5%	-R0.18	11.3%	R3.51	11.5%	R3.56	34.75	34.89
Individually Quick Frozen (IQF) (R/kg)	32.77	-0.5%	-R0.17	9.4%	R2.81	10.0%	R2.99	34.57	34.61
Import parity (R/kg)	37.86	-0.4%	-R0.14	3.6%	R1.31	13.3%	R4.44	61.56	84.60

Source: USDA, JSE, FNB Agric

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