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Livestock and Fibre markets

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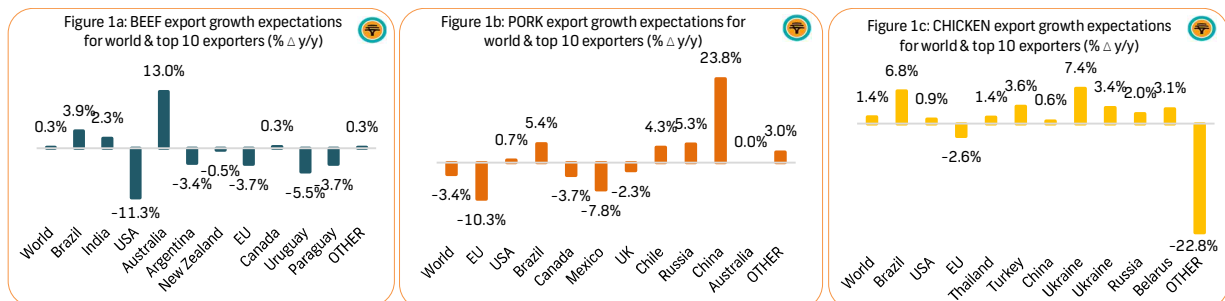
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 11 JUL 2023

UPDATE ON LIVESTOCK MARKETS

A sustained downtrend in global food inflation with meat falling by 6% y/y in June 2023

- The United Nation's Food and Agriculture Organization (FAO) provided its update on global food prices last week. The FAO Food Price Index (FPI) showed a sustained downtrend and remained in negative territory for the seventh consecutive month at 122 points in June 2023, which is down by 1% month-on-month (m/m) and 21% below the 2022 level for the same month. The monthly decline was underpinned by losses in the sugar, vegetable oils, cereals, and dairy products indices.
- Although steadying m/m in June, global meat inflation continued to fall with the index down by 6% y/y as declines in the beef and ovine categories more than offset gains in poultry and pork. A combination of strong import demand and the disease-induced supply tightness helped lift prices in the poultry and pork categories.
- In contrast, South Africa's food inflation remained elevated at a double-digit level of 12% y/y although having decelerated by 2.2ppts in May 2023. In the meat category, SA's meat CPI decreased by 0.4% m/m in May and decelerated to the lowest level of 7.1% y/y in 2023.
- FAO earlier projected global meat production and trade to increase marginally by 0.4% and 0.6% respectively y/y at 363.9 million tons and 42.1 million tons carcass weight equivalent (cwe) in 2023. Expansions in poultry on the back of elevated demand in the food services sector amid subdued international feedgrain prices underpinned the increase in the production forecast.
- Meanwhile, production and export forecasts for chicken meat were even higher by 1.4% y/y respectively in 2023 led by Brazil with increases of 2.8% and 6.8% y/y respectively in output and exports according to the United States Department of Agriculture (USDA) data. Interestingly, Brazil has been grappling with the outbreak of avian flu but mostly in wild birds.

Figure 1: Growth expectations for global meat exports – 2023



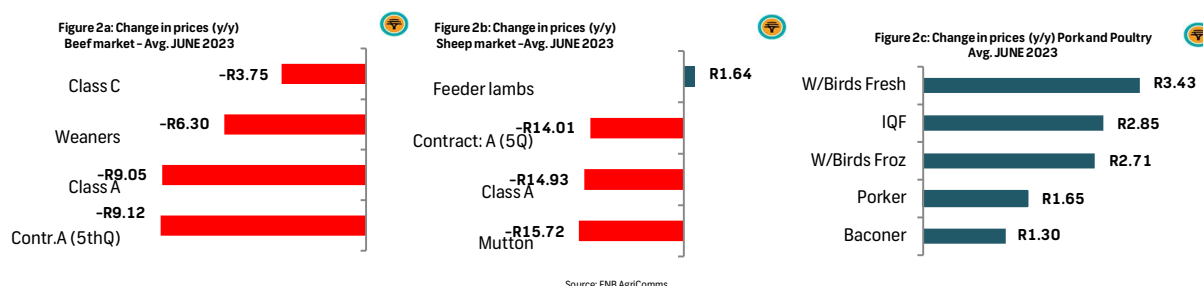
Source: USDA

- 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.
- The USDA forecast for beef exports was almost unchanged from the 2022 level at 12.07 million tons (+0.3% y/y) 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. Global beef production however eases by 0.3% y/y in 2023 according to the USDA data
- Domestically, the latest negative news has been the outbreak of the avian flu which has a potential to curtail expansion.

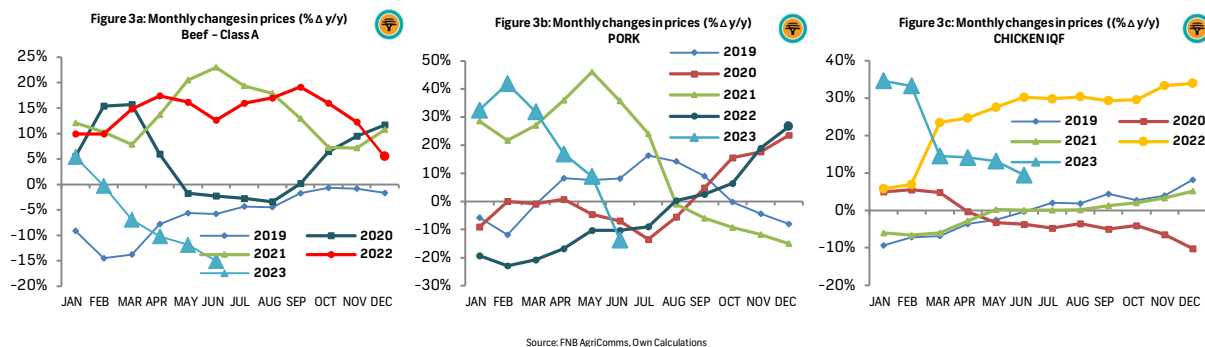
Weaner calf and lamb prices posted a strong rebound early in July 2023

- July 2023 started on a positive note in the weaner market with lambs and calf prices lifting 0.7% (+R0.28/kg) and 5.3% (+R1.66/kg) on limited availability and good demand ahead of the Spring in over a month's time. Average weaner calf prices closed at R32.96/kg live weight (LW) with some areas reporting even greater demand.
- However, we are still in the last stretch of the winter months with cold conditions intensifying thus further denting demand.
- In the beef market, the average contract class A carcass prices were a bit softer towards midmonth and struggled to get back to the lofty highs of over R60/kg.
- Poultry: This market remains an exception as prices continued to hold their ground despite downward pressure in the meat complex. Chicken remains the cheapest form of protein for most of the populace hence it often outcompetes other meat types especially during tough economic times. The outbreak of the avian flu remains a concern as a spread to commercial farms will curtail output and expansion plans.
- Pork: It was a mixed bag last week in this market with weakness in porker prices continuing post month end. Porker prices eased by 0.4% (-R0.12/kg) in the first week of July but were still 5.8% (+R1.58/kg) higher y/y at R28.90/kg. Baconers on the other hand lifted by 3.9% on the week (+R1.15/kg) and were 7.4% (+R2.08/kg) higher y/y and back above R30/kg at R30.35/kg.
- Monthly trends for June 2023: Figures 2a to 2c illustrate changes in average monthly prices for beef, sheep, pork, and poultry relative to 2022 levels. Beef and sheep market were under pressure in June and sold at a huge discount relative to last year. However, pork and baconer prices remained elevated by 6% (+R1.63/kg) and 4.8% (+R1.36/kg) respectively 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)

Harvest pressure amid a bullish estimate continues to weigh heavily on maize prices thus raising prospects of reduced feed costs

- We saw further decreases in maize futures across the board relative to last month. Recent maize futures for Sep-23 delivery fell by 3.4% (-R124/t) m/m at R3,573/ ton for white maize while its yellow counterpart fell by 3.5% (-R131/t) at R3,650/t as of 10th July 2023. Maize is a major ingredient in livestock feed.
- In the oilseed complex, spill over gains from the international market helped lift prices with soybeans for Sep-23 delivery jumping 11.5% m/m (+R904/t) at R8,734/t while sunflower futures increased by 6.7% (+R572/t) m/m to R9,143/t as reflected in Table 1.

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

11 JUL 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	R3,573	-3.4%	R3,641	-3.5%	R9,143	6.7%	R8,734	11.5%
Dec-23	R3,654	-3.2%	R3,726	-3.4%	R9,334	6.5%	R8,948	11.6%
Mar-24	R3,732	-2.8%	R3,768	-3.1%	R9,070	4.6%	R8,886	10.7%
May-24	R3,743	-	R3,780	-3.4%	-	-	R8,250	5.4%
Jul-24	R3,781	-3.6%	R3,780	-3.4%	-	-	R8,413	5.1%

Source: JSE,

OUTLOOK

- Extreme cold conditions will place downward pressure on demand for meat particularly premium cuts in the short term. Nonetheless, we are approaching the last stages of winter and soon the braai months will boost demand. Inflation is also trending back towards the upper end of the SARB's target range of 3% to 6% and expectations are for a breather for consumers as interest rates might be steady for the near term.
- Wet winter conditions might be positive for post winter pasture recovery as reserve moisture boost regrowth.
- 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.

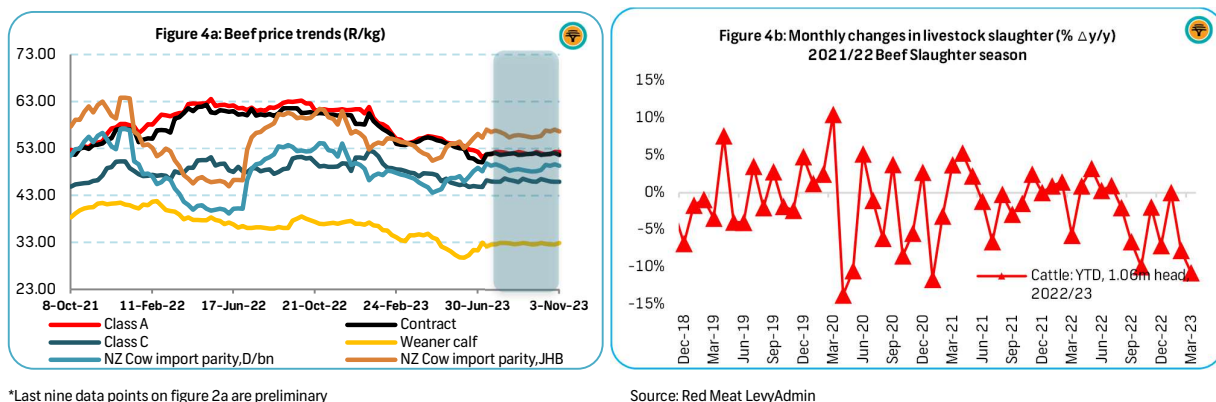
AgroMetrics: Livestock Charts & Data Tables

Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market - South Africa									
Date	07-Jul-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)	30-JUN-23	23-JUN-23
Class A (R/kg)	51.10	-2.3%	-R1.20	-16.5%	-R10.08	-7.2%	-R3.97	52.30	52.65
Class C (R/kg)	44.81	-0.2%	-R0.08	-6.6%	-R3.17	-2.3%	-R1.05	44.89	45.02
Contract: A (*Incl.5thQ)	50.04	-0.3%	-R0.16	-16.7%	-R10.05	-7.6%	-R4.10	50.20	50.89
Import parity (R/kg)	55.31	-1.4%	-R0.78	4.9%	R2.58	5.4%	R2.86	56.09	55.16
Weaner calves (R/kg LW)	32.96	5.3%	R1.66	-8.7%	-R3.14	-8.5%	-R3.08	31.30	31.35

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

Figure 4: Beef prices and cattle slaughter trends



Weekly summary of the sheep market

Figure 5: Lamb and mutton prices and sheep slaughter trends

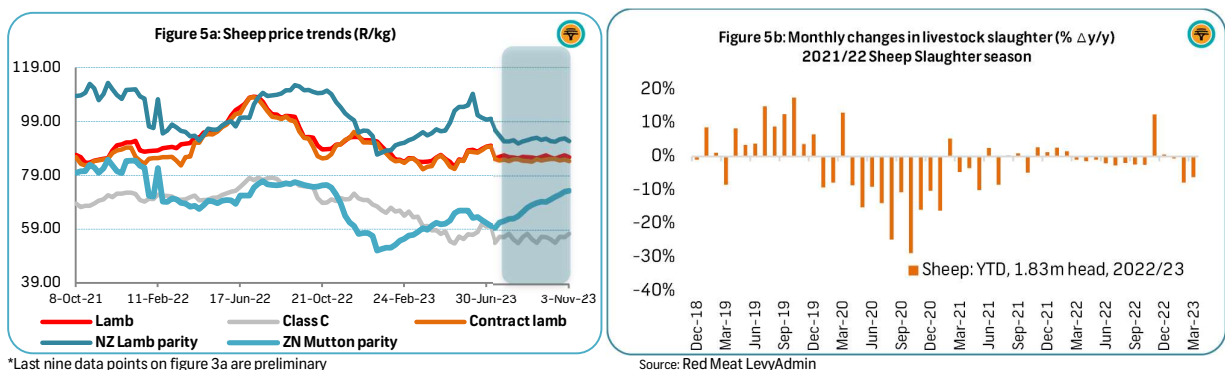


Table 3: Sheep producer price trends in South Africa

Sheep market - South Africa									
Date	07-Jul-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)	30-JUN-23	23-JUN-23
Class A (R/kg)	90.04	0.4%	R0.39	-16.8%	-R18.17	-7.5%	-R7.29	89.65	88.90
Mutton (R/kg)	60.34	0.7%	R0.44	-21.8%	-R16.84	-13.4%	-R9.32	59.90	61.03
Contract: A (*incl. 5thQ, R/kg)	89.58	0.1%	R0.08	-17.1%	-R18.53	-7.8%	-R7.56	89.50	88.45
Import parity (R/kg)	100.02	0.3%	R0.30	-5.1%	-R5.37	0.7%	R0.71	99.72	100.39
Feeder lambs (R/kg LW)	43.15	0.7%	R0.28	-20.0%	-R10.81	-11.6%	-R5.67	42.87	42.35

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

Weekly pork market

Figure 6: Pork prices and slaughter trends

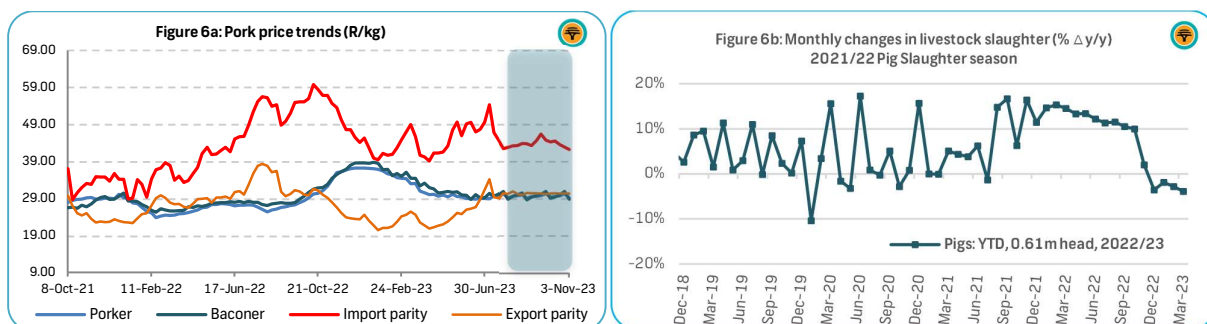


Table 4: Pig producer prices and slaughter trends

Pork market – South Africa									
Date	07-Jul-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)	30-JUN-23	23-JUN-23
Porker (R/kg)	28.90	-0.4%	-R0.12	5.8%	R1.58	22.8%	R5.37	29.02	28.98
Baconer (R/kg)	30.35	3.9%	R1.15	7.4%	R2.08	40.8%	R8.80	29.20	29.21
Import parity (R/kg)	54.38	9.6%	R4.75	11.5%	R5.59	73.5%	R23.04	49.63	47.68

Source: USDA, JSE, FNB Agric

Weekly poultry market update

Figure 7: Poultry prices and meat/maize ratio trends

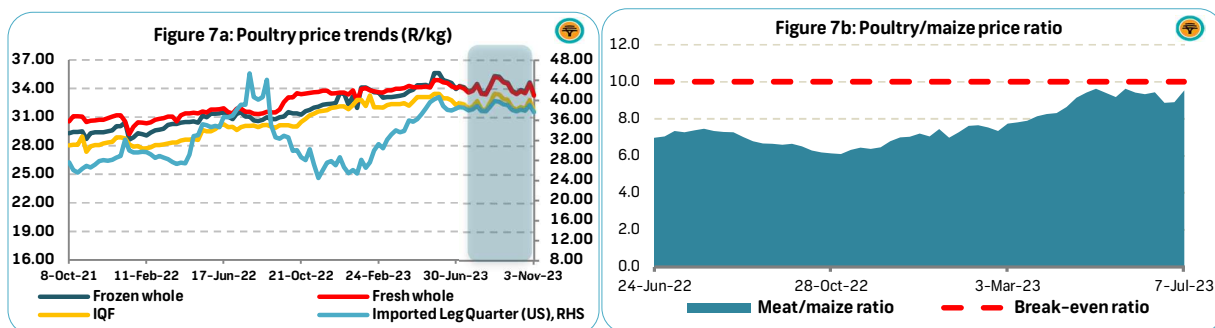


Table 5: Poultry producer price trends in South Africa

Poultry market – South Africa									
Date	07-Jul-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)	30-JUN-23	23-JUN-23
Fresh whole birds (R/kg)	34.20	0.5%	R0.18	7.2%	R2.31	9.7%	R3.02	33.92	34.57
Medium Frozen whole birds (R/kg)	34.30	1.1%	R0.38	9.5%	R2.97	10.1%	R3.14	33.92	34.57
Individually Quick Frozen (IQF) (R/kg)	32.50	0.8%	R0.25	9.7%	R2.87	10.1%	R2.99	34.02	34.25
Import parity (R/kg)	38.66	1.1%	R0.41	1.7%	R0.63	11.5%	R4.00	75.79	56.19

Source: USDA, JSE, FNB Agric

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