

how can we help you?

Livestock and Fibre markets

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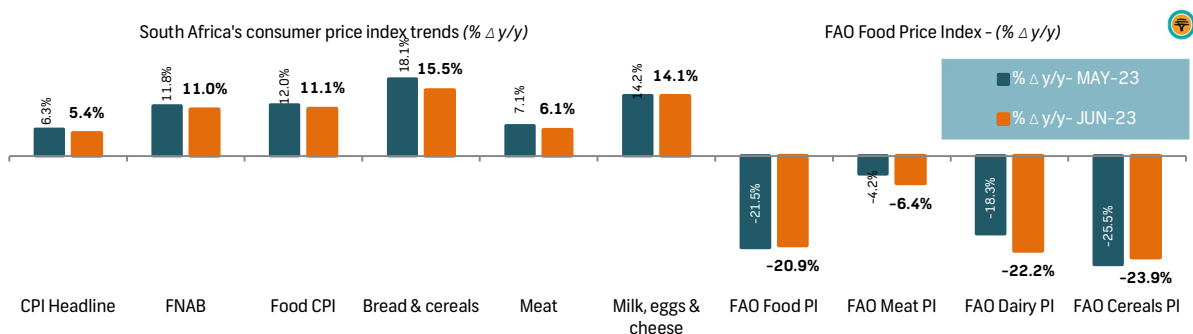
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UPDATE ON LIVESTOCK MARKETS

The SARB's cumulative rate hikes whipped headline inflation back into the target band at 5.4% y/y in June 2023

- The consumer price inflation (CPI) finally relented to the seven consecutive interest rate attacks since May 2022 when it breached the upper end of the South African Reserve Bank (SARB) target range of 3% to 6%.
- Headline inflation remained outside and above the target range for thirteen consecutive months but has since fallen by 0.9ppt from May to 5.4% y/y in June 2023 according to the latest update from Statistics South Africa (StatsSA) (figure 1).
- Although nudging 0.5% m/m and annually still sticky on the upside at double digit levels, the food and non-alcoholic beverages (FNAB) CPI showed a 0.8ppt deceleration from May to 11% y/y. Food alone increased by 0.5% m/m but decelerated by 0.9ppt to 11.1% y/y, which is a 10-month low.
- South Africa's food inflation is slowly catching up with the downward trend on the international market where food price inflation has been in negative territory since the beginning of 2023 and reaching a low of -1% m/m and -21% y/y in June.
- In the meat subcategory, the meat CPI steadied m/m after falling by 0.4% m/m in May and further decelerated by 0.9ppt to a 31-month low of 6.1% in June 2023 which reflects the seasonal downturn in demand associated freezing winter months. We saw a similar trend at producer level indicating that the benefit has been passed through to the consumer. Weakness in the livestock market with meat prices remaining on the backfoot imply a further softening in meat inflation in the near term.
- Conversely, the global meat inflation declined further to -6% y/y in June 2023 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 (figure 1).

Figure 1: Headline and food price inflation trends

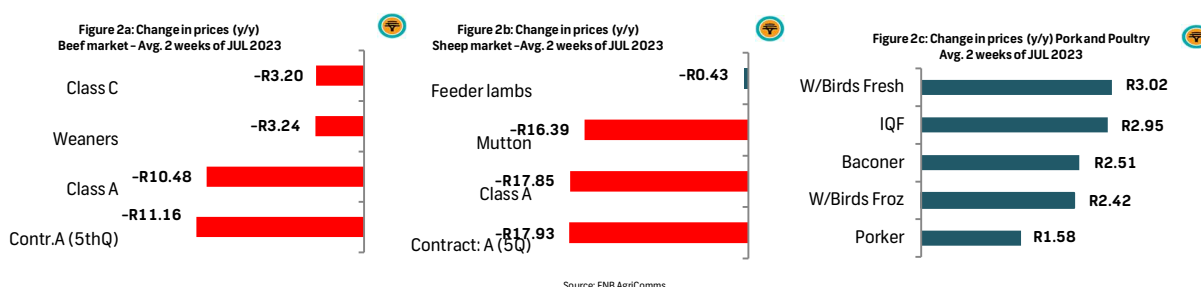


Source: StatsSA, FAO

Limited upside for meat prices as demand remains subdued in July 2023

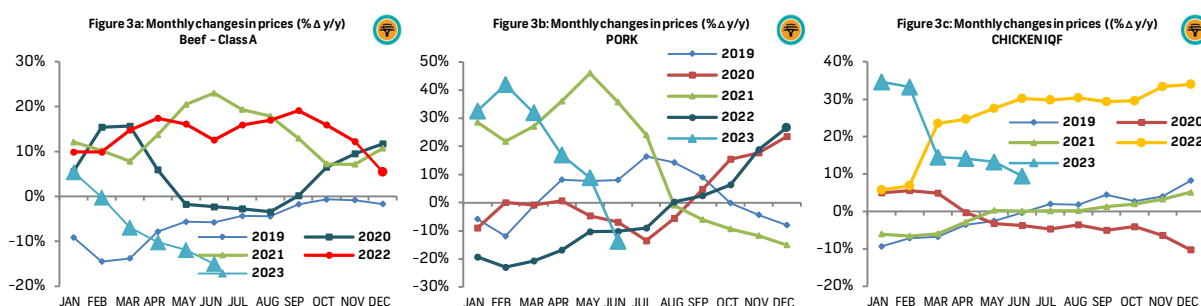
- After starting on a positive note early in July 2023, both weaner lambs and calf prices reversed course towards midmonth as the extremely low temperatures impacted negatively on activity and demand. Average weaner calf prices closed mid-July at R32.76/kg live weight (LW) which is down 0.6% (-R0.20/kg LW) w/w and 9.3% (-R3.34/kg LW) y/y. Weaner lamb prices closed last week down by 0.2% (-R0.10/kg LW) and were 17% (-R9.01/kg LW) lower y/y at R4.05/kg LW.
- In the beef market, the struggle to lift demand continues as prices sustained a sideways trend and almost back to levels reached over two years ago after attaining the lofty highs of over R60/kg for most of 2022.
- Poultry: Demand was reportedly subdued with lack of movement early in July, but stocks have normalised after bulging in the last few months. Although imports are still trickling in, volumes have slowed. Import data normally comes with a lag of two months and the latest update for May 2023 showed a modest decrease of 6% m/m and 7.2% y/y to 38,082 tons for total poultry. The corresponding FOB value fell by 1.3% m/m and 11.4% y/y to R450 million. Broiler meat which accounted for the biggest share of the total monthly imports fell by 7.8% m/m and 9.1% y/y at 36,553 tons. Although the outbreak of the avian flu remains a concern, there is so far no significant impact to alter market dynamics but any further spread to big commercial farms will curtail output and expansion plans.
- Pork: The trend was again mixed with an extended weakness in porker prices while baconers lifted slightly in last week's trade. Porker prices eased by 0.5% (-R0.14/kg) w/w but were still 5.8% (+R1.58/kg) higher y/y at R28.70/kg. Baconers on the other hand lifted by 2.1% on the week (+R0.63/kg) and were 10.4% (+R2.93/kg) higher y/y and back above R30/kg at R30.98/kg.
- Monthly trends so far for July 2023: Figures 2a to 2c illustrate changes in average monthly prices for beef, sheep, pork, and poultry relative to 2022 levels. There is no respite in the beef and sheep market as seasonal weakness in demand kept average prices for the first two weeks of July on the backfoot and meat sold at a huge discount relative to last year. However, pork and baconer prices remained elevated relative 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)



Renewed rand strength helps maintain downward pressure on maize prices amid a huge harvest underway

- Despite the renewed strength in international prices due to inclement weather in the US and the lapse of the Black Sea Grain initiative, domestic maize prices sustained losses on the back a stronger rand and harvest pressure. Weakness in the grain markets bodes well for livestock feeders as it creates the potential for margins to widen again thus improving profitability.
- Recent maize futures for Sep-23 delivery fell by 4.4% (-R173/t) m/m at R3,715/ ton for white maize while its yellow counterpart fell by 5.3% (-R208/t) at R3,740/t as of 18th 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 6.3% m/m (+R518/t) at R8,696/t while sunflower futures increased by 6.1% (+R535/t) m/m to R9,340/t as reflected in Table 1.

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

18 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	R3,719	-4.4%	R3,740	-5.3%	R9,340	6.1%	R8,696	6.3%
Dec-23	R3,817	-4.0%	R3,841	-4.9%	R9,540	5.7%	R8,909	6.2%
Mar-24	R3,882	-3.4%	R3,881	-4.1%	R9,270	4.0%	R8,844	5.3%
May-24	R3,844	-	R3,871	-3.7%	-	-	R8,296	4.4%
Jul-24	R3,893	-4.5%	R3,864	-4.5%	-	-	R8,295	3.1%

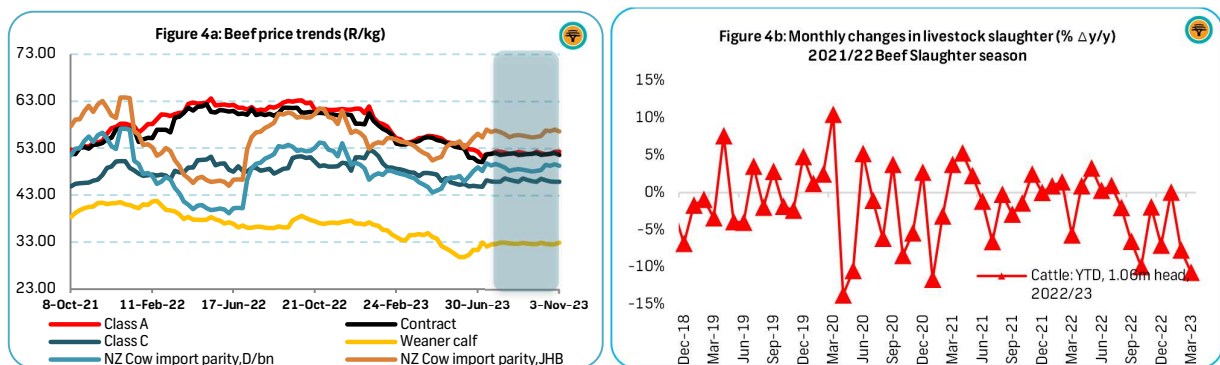
Source: JSE,

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

Figure 4: Beef prices and cattle slaughter trends



*Last nine data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

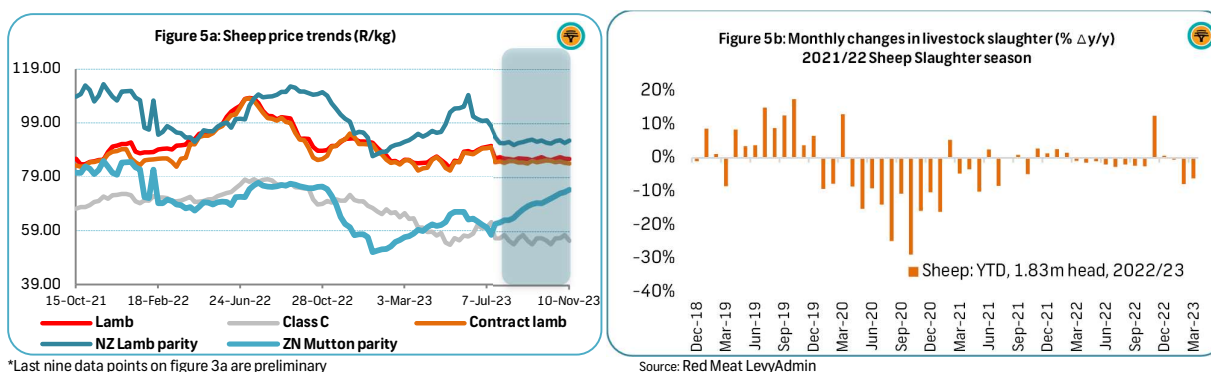
Table 2: Beef producer price trends in South Africa

Beef producer prices: Beef market – South Africa									
Date	14-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)	07-JUL-23	30-JUN-23
Class A (R/kg)	50.89	-0.4%	-R0.21	-17.6%	-R10.87	-8.0%	-R4.41	51.10	52.30
Class C (R/kg)	45.57	1.7%	R0.76	-6.6%	-R3.22	-2.6%	-R1.20	44.81	44.89
Contract: A (*Incl.5thQ)	49.12	-1.8%	-R0.92	-20.0%	-R12.27	-9.7%	-R5.30	50.04	50.20
Import parity (R/kg)	56.07	1.4%	R0.76	1.3%	R0.70	4.7%	R2.53	55.31	56.09
Weaner calves (R/kg LW)	32.76	-0.6%	-R0.20	-9.3%	-R3.34	-8.5%	-R3.05	32.96	31.30

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

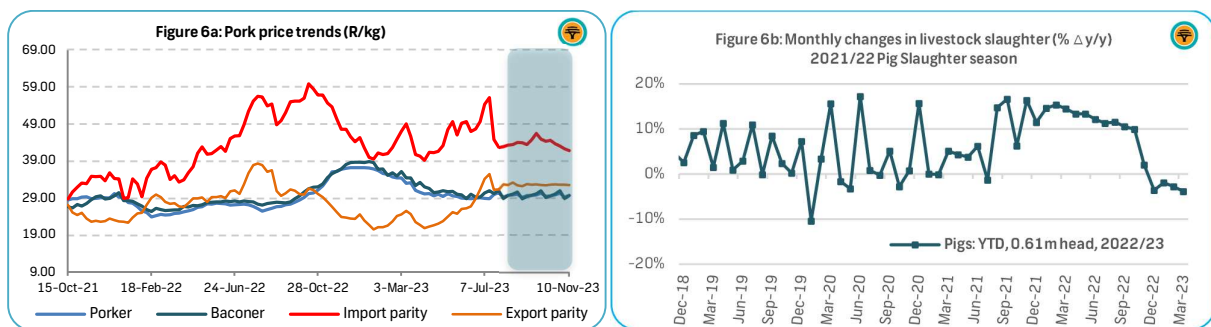
Table 3: Sheep producer price trends in South Africa

Sheep market – South Africa									
Date	14-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)	07-JUL-23	30-JUN-23
Class A (R/kg)	90.45	0.5%	R0.41	-16.2%	-R17.52	-9.1%	-R9.05	90.04	89.65
Mutton (R/kg)	62.18	3.0%	R1.84	-20.4%	-R15.94	-13.4%	-R9.58	60.34	59.90
Contract: A (*Incl.5thQ, R/kg)	89.86	0.3%	R0.28	-16.2%	-R17.32	-9.1%	-R9.01	89.58	89.50
Import parity (R/kg)	97.77	-2.3%	-R2.25	-9.5%	-R10.21	-2.1%	-R2.13	100.02	99.72
Feeder lambs (R/kg LW)	43.05	-0.2%	-R0.10	-17.3%	-R9.01	-10.8%	-R5.23	43.15	42.87

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

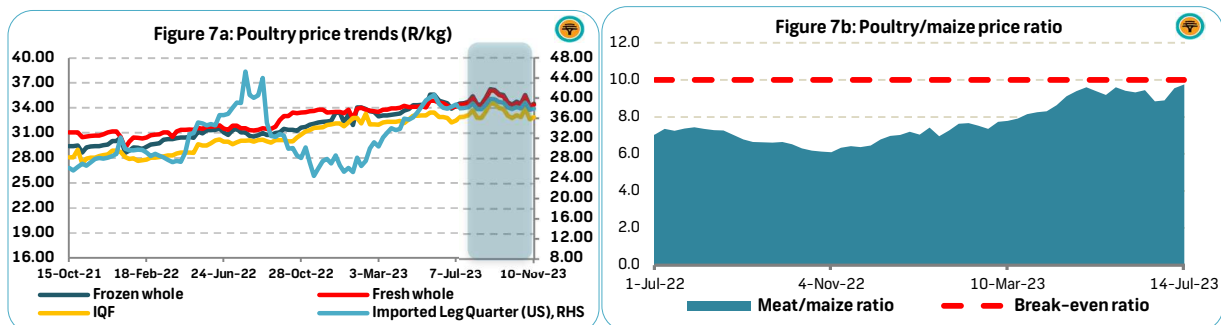
Table 4: Pig producer prices and slaughter trends

Pork market – South Africa									
Date	14-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)	07-JUL-23	30-JUN-23
Porker (R/kg)	28.76	-0.5%	-R0.14	5.8%	R1.58	22.2%	R5.23	28.90	29.02
Baconer (R/kg)	30.98	2.1%	R0.63	10.4%	R2.93	43.8%	R9.43	30.35	29.20
Import parity (R/kg)	56.17	3.3%	R1.79	7.0%	R3.67	79.2%	R24.83	54.38	49.63

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	14-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)	07-JUL-23	30-JUN-23
Fresh whole birds (R/kg)	34.42	0.6%	R0.22	7.9%	R2.53	11.0%	R3.40	34.30	33.92
Medium Frozen whole birds (R/kg)	34.54	0.7%	R0.24	9.7%	R3.06	11.1%	R3.44	34.30	33.92
Individually Quick Frozen (IQF) (R/kg)	32.94	1.4%	R0.44	10.1%	R3.03	11.3%	R3.34	34.20	34.02
Import parity (R/kg)	37.96	-1.8%	-R0.71	-2.8%	-R1.08	10.3%	R3.56	83.35	75.79

Source: USDA, JSE, FNB Agric

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