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Livestock and Fibre markets

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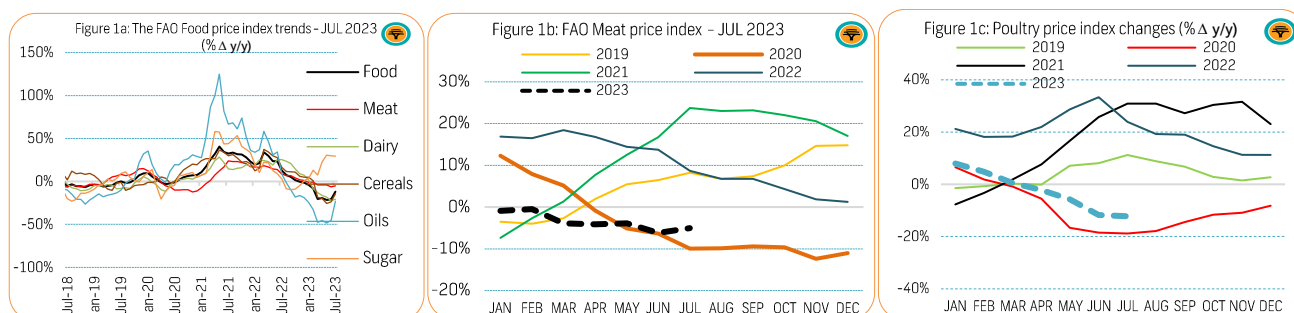
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 18 AUG 2023

UPDATE ON LIVESTOCK MARKETS

Global meat inflation remains on the downside after falling by 5.1% y/y in July 2023

- The August 2023 update on global meat inflation from the United Nation's Food and Agriculture Organization (FAO) showed decreases across all meat types except for pork whose index rose by 2.7% m/m and was sharply higher by 14.9% y/y due to the combination of supply tightness and improved seasonal demand. The FAO meat price index eased by 0.3% m/m and fell to a low of -5.1% y/y which is a seventh consecutive decrease.
- The poultry, bovine, and ovine meats registered monthly decreases of 0.8%, 2.3%, 1.7% m/m respectively and posted sharp declines of 12%, 12%, and 15% y/y as illustrated in figures 1c, 1e, and 1f. Regionally, the oversupply of sheep meat in Oceania with the biggest suppliers being Australia and New Zealand saw prices falling by a whopping 5.7% m/m and 30.5% y/y. Constrained supplies of European pork saw a 4.7% m/m and a 27.6% y/y jump in pig meat prices in July 2023. In Brazil, a major supplier of poultry and bovine meats saw prices falling by 0.8% and 5.9% m/m respectively and were 2.5% and 1.8% lower y/y (table 1).
- The overall monthly FAO Food Price Index (FPI) rebounded slightly by 1.3% m/m underpinned by price gains in the vegetable oils complex particularly sunflower oil as the expiry of the Black Sea Grain Deal and the subsequent escalation in the conflict unnerved markets. However, the FAO FPI continued to trend in negative territory for the thirteenth consecutive month at 123.9 points in July 2023, which is 11.81% below the 2022 level for the same month.
- Although the July 2023 food inflation for South Africa is not yet released, it remained elevated at 11.1% y/y although having decelerated by 0.9ppts in June 2023. In the meat category, SA's meat CPI steadied m/m in June and decelerated to the lowest level of 6.1% y/y in 2023. SA's inflation update is due next week, and a further moderation is expected for July 2023.

Figure 1: FAO food and meat price inflation trends – JUL 2023



Source: USDA

- Brazil posted a strong export growth of 6.6% y/y in July 2023 432.1 thousand tons according to the country's Animal Protein Association (ABPA). The YTD total exports reached 3,061 tons which is up 8.2% y/y. China accounted for the biggest share at 50.8 thousand tons in July, up 35% y/y. SA is one of the destinations of the Brazilian chicken with a total of 25.7 thousand tons for July which is 73% higher y/y. Brazil has dominated the SA chicken import market with a share of 75.6% in 2022, followed by the US and Argentina at 12.8% and 9% respectively.
- Meanwhile, SA has finally decided to reinstate the anti-dumping duties that were suspended twelve months ago to protect the local industry. The gazetted chicken import anti-dumping tariffs were as follows: a 265% on top of the 62% already in place for Brazil, 158.4% additional tariff for Ireland, 96.9% for Poland, 85.5% for Spain, and 67.4% for Denmark.

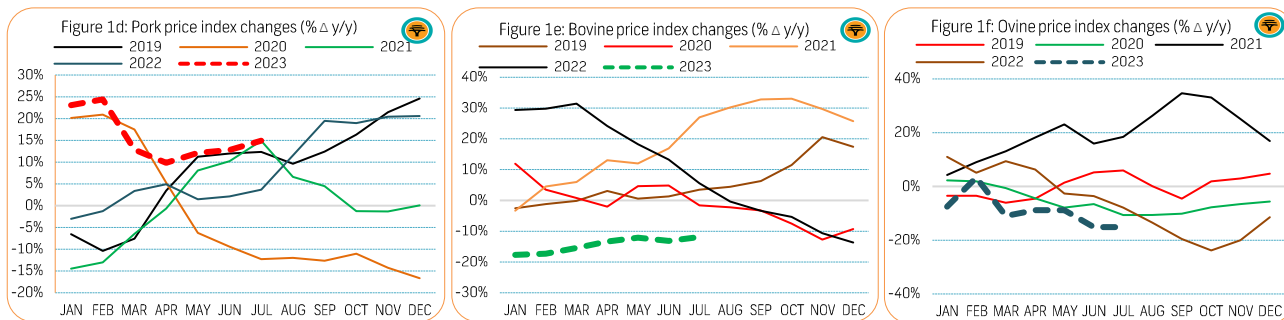


Table 1: Meat price changes by various regions and countries

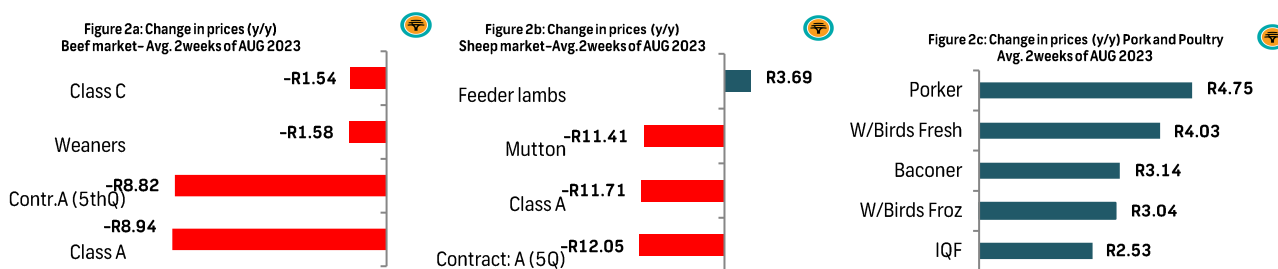
	USA Poultry meat	Brazil Poultry meat	USA Pig meat	Brazil Pig meat	EU (Germany) Pig meat	Australia Bovine meat	USA Bovine meat	Brazil Bovine meat	NZ Ovine meat	AU Medium Ovine meat
% Δ m/m	-0.9%	-0.8%	1.8%	-2.2%	4.7%	-2.0%	-0.4%	-5.9%	0.8%	-5.7%
% Δ since Jan 2022	11.0%	-2.5%	7.5%	1.0%	27.6%	3.2%	11.5%	-1.8%	-0.2%	-30.5%

Source: FAO

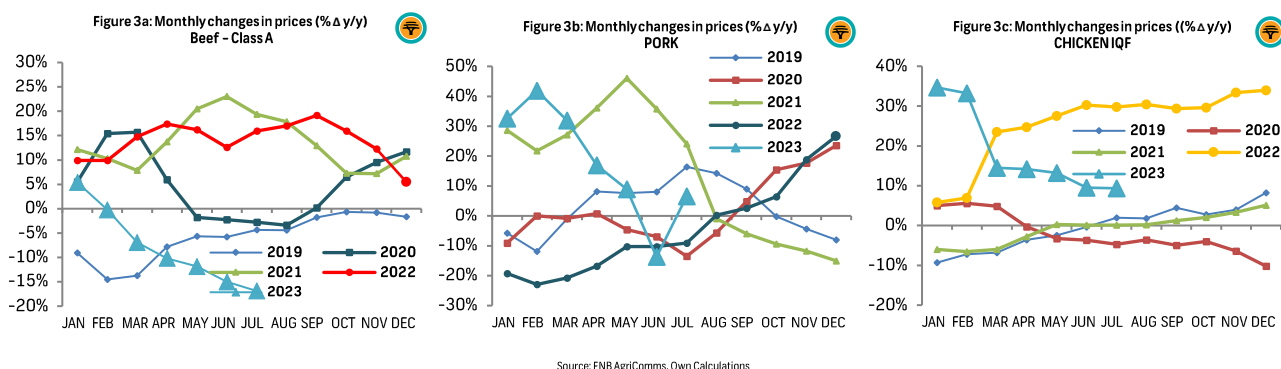
Renewed optimism for South Africa's meat exports following the lifting of the 2-decade ban by Saudi Arabia

- The hard work by meat industry players and government to access to international markets has finally paid off following the decision by the Saudi Arabia to lift the ban on imports of red meat imports from South Africa.
- This follows negotiations and subsequent inspections of SA's abattoirs and feedlots in June 2023 to ensure compliance with the Saudi market access protocols and *halaal* certification. The Saudi Food and Drug Authority (SAFDA) has since approved the lifting of the ban for SA's meat and red meat products.
- Monthly trends for July 2023: Figures 2a to 2c illustrate changes in average monthly prices for beef, sheep, pork, and poultry relative to 2022 levels. No respite for the beef and sheep markets as prices remained under pressure and continued to trade at a huge discount relative to last year.
- In contrast, the pork, baconer, and poultry markets extended gains relative to 2022 levels. The average pork prices for the two weeks of August were 18.5% (+R14.75/kg) and 11.5% (+R3.14/kg) higher respectively related to the same period in 2022 (figure 2c).
- We observed a similar trend in the chicken market with frozen and fresh whole bird prices increasing by 13.2% (+R4.03/kg) and 9.7% (+R3.04/kg) y/y, respectively (fig.2c). Although a bit softer m/m, the IQF prices increased by 8.4% (+R2.53/kg) y/y at R32.56/kg.

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 continues to trend in negative territory, 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)

Sustained weakness in domestic grain prices bodes well for livestock feeders

- Grain prices rebounded slightly m/m in July due to turbulence on the international market following the expiry of the Black Sea Grain Deal and a further escalation between Russia and Ukraine (fig. 4a). A huge domestic harvest and further rand strengthening of 3% m/m in the rand/US\$ exchange rate kept the market helped limit gains and prices way below the 2022 levels.
- Prices started August on a softer note with maize spot prices falling below the R3600/t level by mid-Aug 2023. Maize futures however indicate further weakness with the Dec-23 and Mar-23 contracts for white (WMAZ) and yellow (YMAZ) maize all falling by 4% m/m (table 2).
- In the oilseed complex, the trend was mixed with sunflower easing by 0.5% (-R52/t) m/m for the Dec-23 contract while soybeans saw strong gains of 6.9% (+R615/t) m/m as reflected in Table 1.
- Meanwhile, the meat-maize price ratios have improved slightly for broilers and beef while pork fell modestly m/m but better relative to last year (fig. 4b). Meat-maize price ratios serve as indicators of profitability in the industry.

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

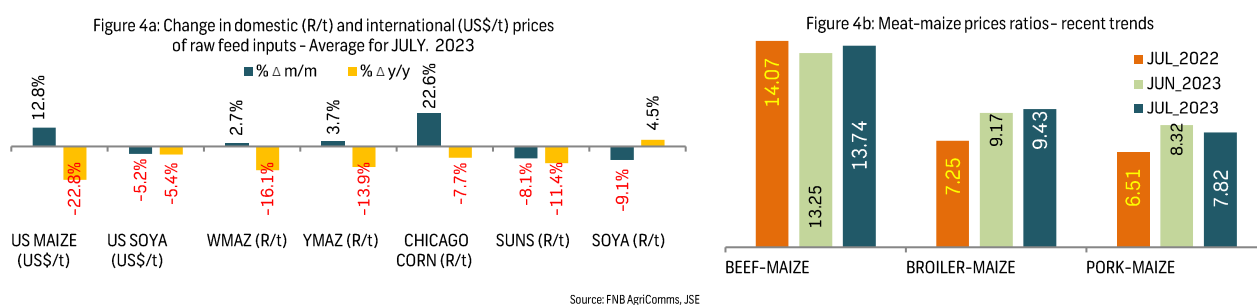


Table 2: Raw feed inputs - Latest price trends in JSE grain and oilseed futures market (R/ton)

17 AUG 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
Dec-23	R3,685	-4.2%	R3,735	-4.0%	R9,485	-0.5%	R9,520	6.9%
Mar-24	R3,760	-4.0%	R3,788	-3.7%	R9,340	0.8%	R9,393	6.8%
May-24	R3,793	-1.3%	R3,833	-1.0%	R8,849	-	R8,662	6.9%
Jul-24	R3,803	-3.4%	R3,823	-1.9%	-	-	R8,775	5.8%
Dec-24	R3,998	0.2%	R3,989	-0.2%	-	-	-	-

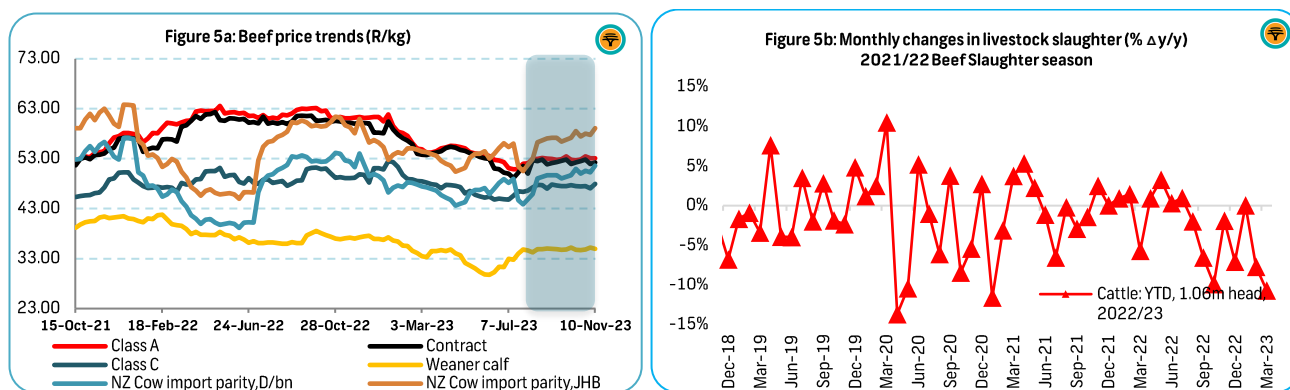
Source: JSE,

OUTLOOK

- We expect demand to start lifting ahead of Spring around the corner and the return of warmer conditions which will boost outdoor activity after the freezing winter months.
- Indications so far are that feed availability is still adequate as winter tapers off. Further, we expect an early pasture season given the relatively wet conditions experienced in the past few months in most areas. This bodes well for livestock producers as good pastures help reduce feeding costs.

AgroMetrics: Livestock Charts & Data Tables

Figure 5: Beef prices and cattle slaughter trends

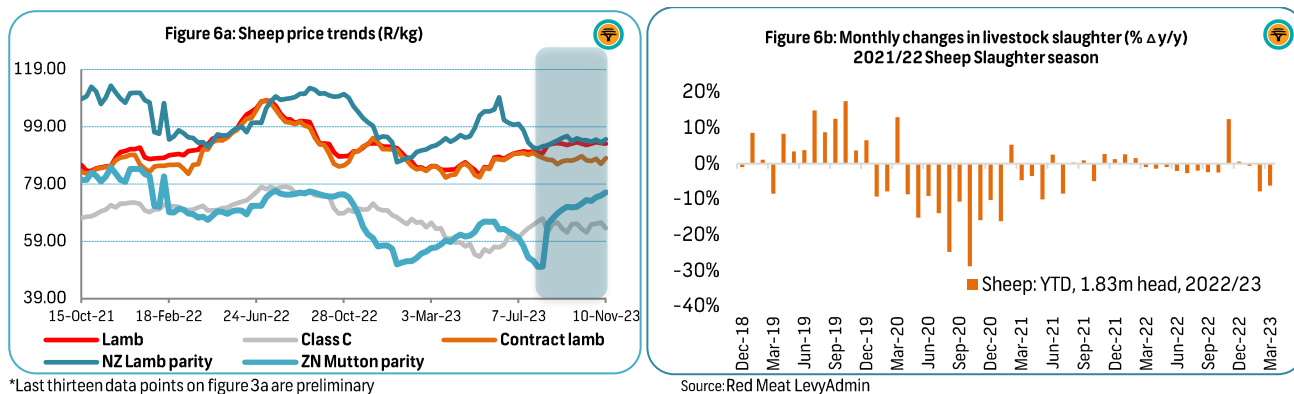


*Last thirteen data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

Weekly summary of the sheep market

Figure 6: Lamb and mutton prices and sheep slaughter trends

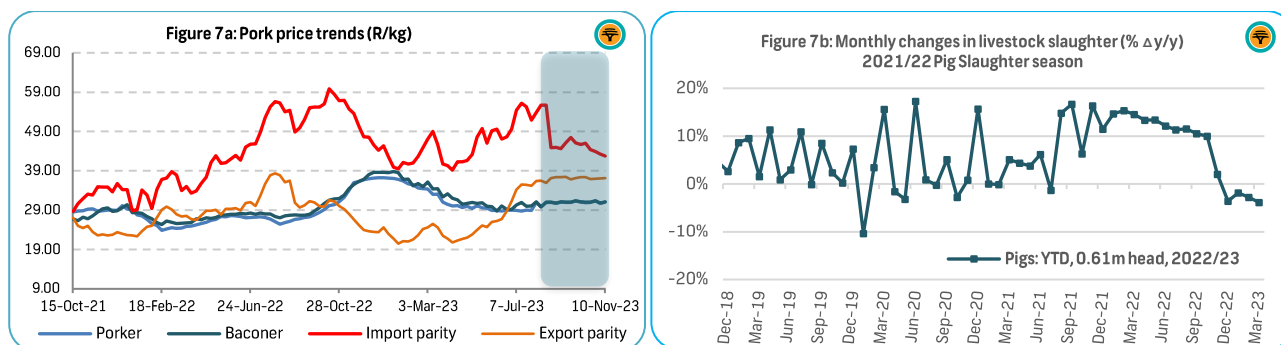


*Last thirteen data points on figure 3a are preliminary

Source: Red Meat LevyAdmin

Weekly pork market

Figure 7: Pork prices and slaughter trends

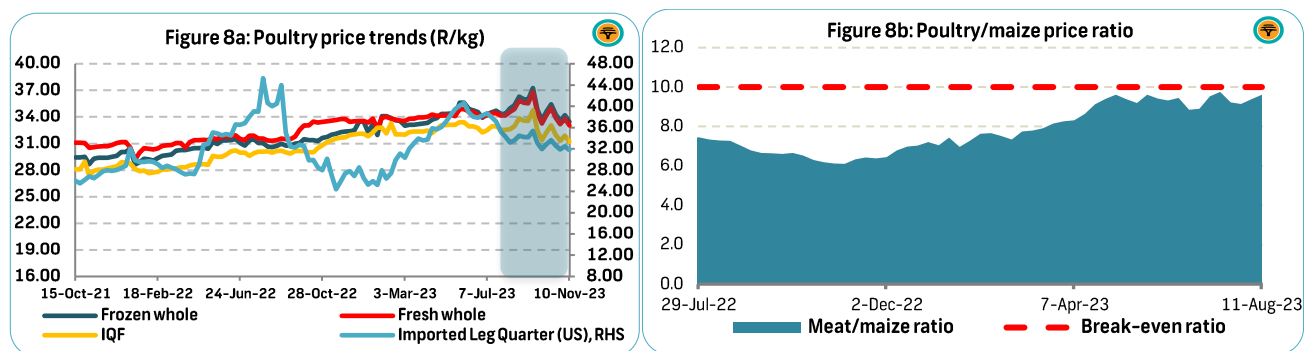


*Last thirteen data points on figure 4a are preliminary

Source: Red Meat LevyAdmin

Weekly poultry market update

Figure 8: Poultry prices and meat/maize ratio trends



Source: FNB Agriculture, *Last thirteen data points on figure 5a are preliminary

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