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# Livestock and Fibre markets

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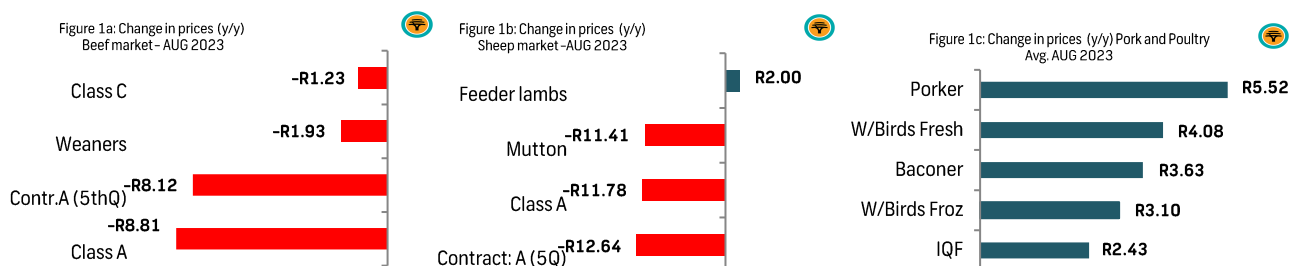
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## UPDATE ON LIVESTOCK MARKETS

*Feathers ruffled as avian flu hits, fuel prices jump, and grains costs gain some traction*

- Recent developments in the livestock markets indicate tough trading conditions especially for poultry. Although having achieved a slight victory with an increase in tariffs on meat imports from Brazil and other European countries, the industry has recently grappled with outbreaks of the highly pathogenic avian influenza which has a potential to constrain domestic supplies and producer earnings.
- Additionally, the recently announced increase of R2.84/l and R2.76/l in the price of the two grades of diesel namely, the 0.05% and 0.005% Sulphur content respectively, reintroduces cost pressures across the agriculture value chain. The return of the intensive loadshedding means chicken producers are now forced to run their generators for a bit longer at a huge cost. While feed costs moderated after the 2022 rally with grain and oilseed prices down by just over 15% year-on-year (y/y) in August 2023, the recent trends show some uptick. The Dec-23 white and yellow maize futures on Thursday 7 September traded closer to R4,000/ton from R3,600/t earlier in the year. Similarly, average soybean prices for August were still 15% lower y/y, but the futures market has rebounded with the Dec-23 contract closer to R10,000/t relative to R8,000/t earlier in the year. This does not bode well for producers as feeding costs may drift upwards as prices of raw inputs increase thus squeezing profit margins.
- Meanwhile, poultry imports have declined modestly in the past four consecutive months as per the July update from the South African Revenue Services (SARS). Total poultry imports fell by 18% month-on-month (m/m) to 29,556 tons but still 28% higher y/y. However, the YTD volumes were 5.6% higher y/y at 268,645 tons.
- Domestic chicken prices continued to trend above the 2022 levels while red meat has retained the downtrend in August 2023 as illustrated in figure 1a to c. As with chicken, pork continued to enjoy strong price growth on supply tightness.

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



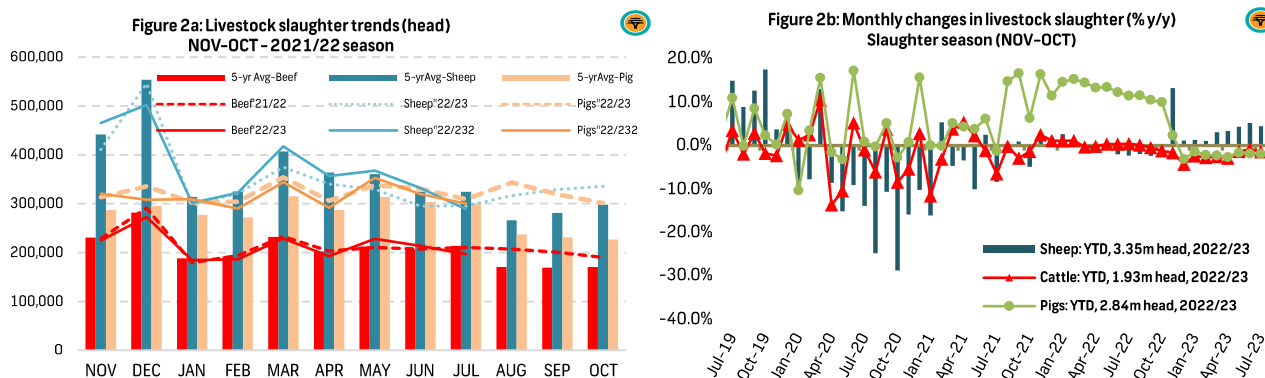
Source: FNB AgriComms

- The average monthly pork and baconer prices increased by 21% (+R5.52/kg) and 13.2% (+R3.63/kg) y/y on slaughter contraction.
- In the poultry market, fresh whole birds were the biggest gainers with a monthly increase of 13.3% (+R4.08/kg) y/y, followed by fresh whole birds and the IQF with increases of 9.9% (+R3.10/kg) and 8.1% (+R2.43/kg) respectively y/y.
- Beef saw a monthly contraction of 14% (-R8.81/kg) and 13.5% (-R8.12/kg) respectively for class A and contract class A carcass prices. Class C beef fell by 2.6% (-R1.23/kg).
- In the weaner market, increased availability and the seasonal slowdown in demand kept the market on the downside with prices falling by 5.3% (-R1.93/kg LW).
- We observed a similar trend in the sheep market with class A and contract class A carcass prices decreasing by 11.7% (-R11.78/kg) and 12.6% (-R12.64/kg) y/y, respectively (fig.1b). Mutton was the biggest loser, falling by 14.8% (-R11.41/kg) y/y at R65.59/kg.

#### *A pedestrian seasonal cattle and pig slaughter during the winter months*

- Although coming in with a lag of 2 months, cattle slaughter was pedestrian in 2023 that saw the monthly volumes for June and July falling by 6.4% and 8% respectively m/m at 213,456 head and 196,387 head. The total number slaughtered for the season-to-date (STD) which starts from November to October was down 1.5% y/y at 1.93 million head (figure 2a).
- The sheep market saw a monthly decrease of 13% m/m in number slaughtered in July at 288,783 head, which is still 5.4% lower y/y. However, the STD sheep slaughter number was modestly higher by 4.5% y/y at 3.35 million head.
- In the pig market, the total for July was down 6.2% m/m at 300,200 head but still up 5.5% y/y. The number slaughtered for the STD fell by 2% y/y to 2.84 million head.

**Figure 2: South Africa's livestock slaughter trends**



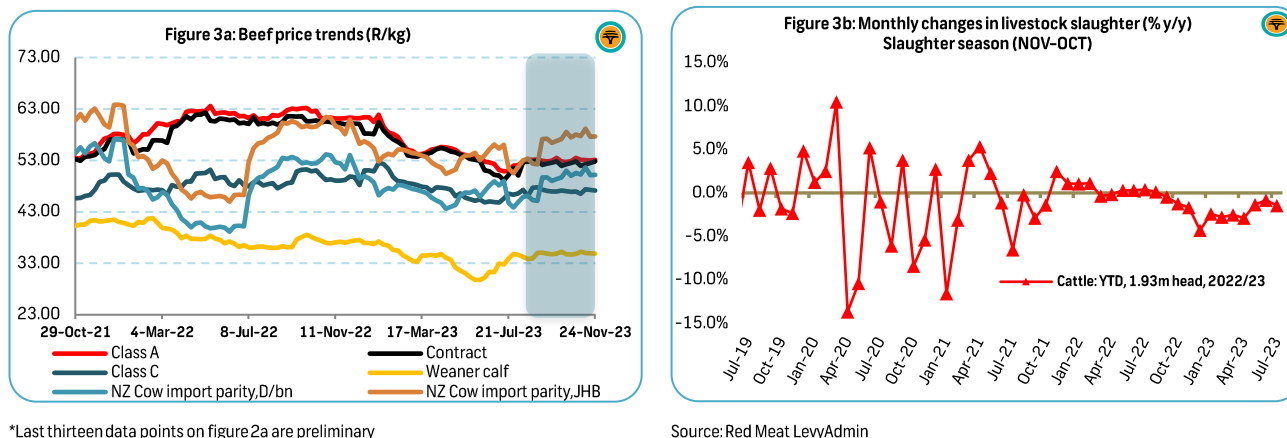
Source: Own calculations from Red Meat Levy Admin data.

## OUTLOOK

- With signs of improved consumer confidence and slight economic growth, we expect demand for meat to start lifting in summer as warmer conditions spur outdoor activity.
- No red flags on the pasture side as conditions remain relatively favourable. However, an uptick in grain prices might constrain margins for intensive livestock feeding systems such as poultry, pork, and feedlots.

## AgroMetrics: Livestock Charts &amp; Data Tables

Figure 3: Beef prices and cattle slaughter trends

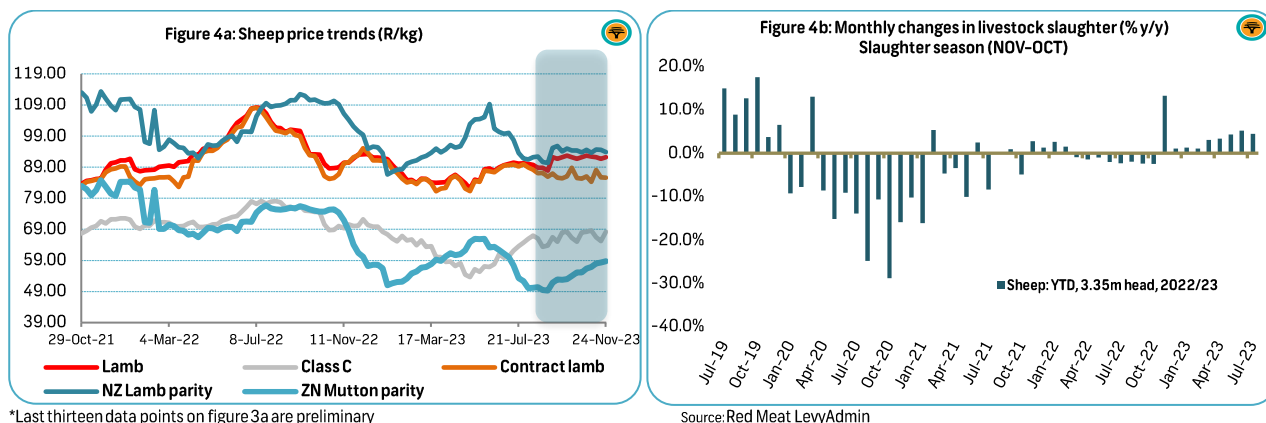


\*Last thirteen data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

## Weekly summary of the sheep market

Figure 4: Lamb and mutton prices and sheep slaughter trends

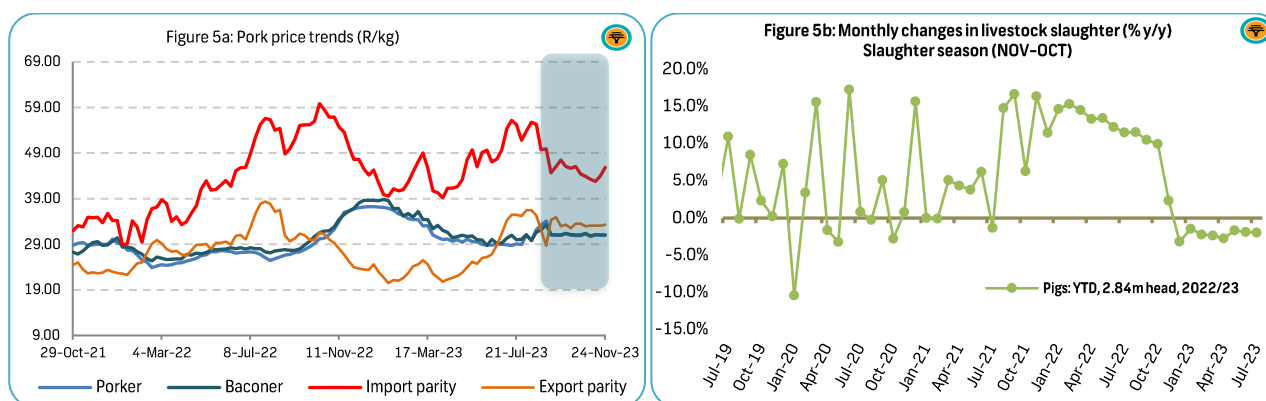


\*Last thirteen data points on figure 3a are preliminary

Source: Red Meat LevyAdmin

## Weekly pork market

Figure 5: Pork prices and slaughter trends

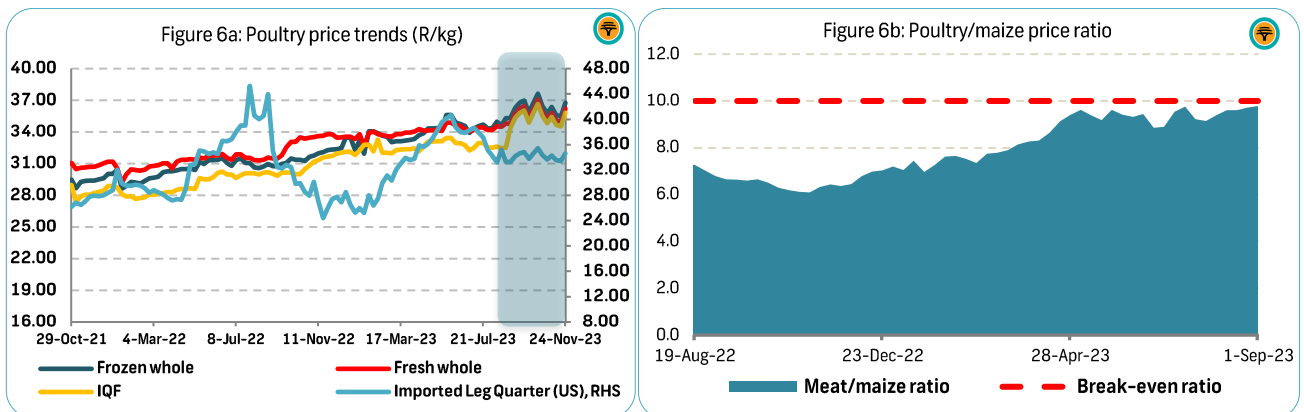


\*Last thirteen data points on figure 4a are preliminary

Source: Red Meat LevyAdmin

## Weekly poultry market update

Figure 6: Poultry prices and meat/maize ratio trends



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

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