

how can we help you?

Livestock and Fibre markets

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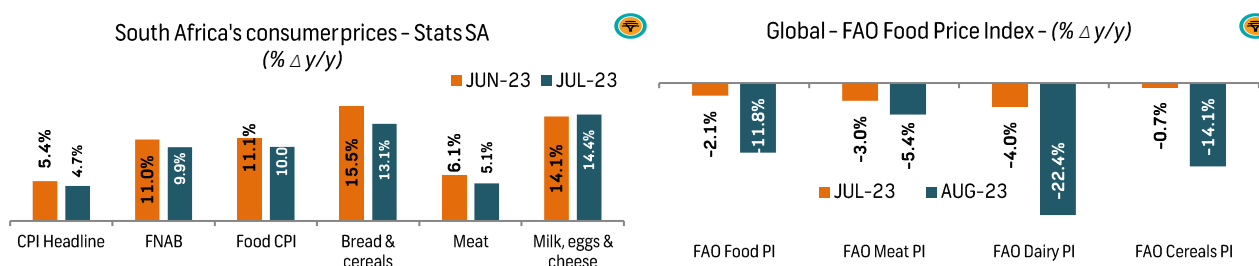
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 13 SEP 2023

UPDATE ON LIVESTOCK MARKETS

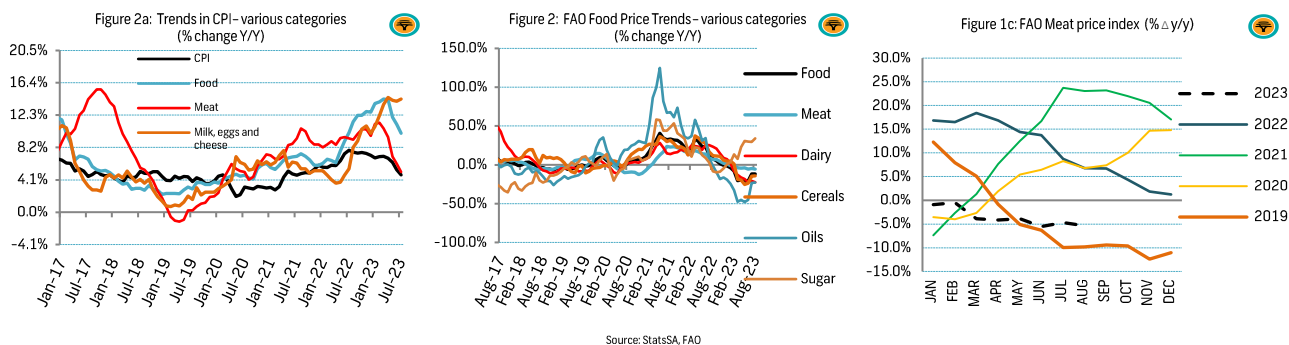
Global meat inflation falls further on subdued demand amid increased availabilities during August 2023

- The latest United Nation's Food and Agriculture Organization (FAO) monthly update on global food inflation showed a further decrease in global meat inflation in August 2023 due to the combination of a subdued demand and increased availabilities from major exporters.
- The FAO monthly meat inflation remained in negative territory after falling by 3% month-on-month (m/m) in August from -0.6% m/m in July. Annually, meat inflation decreased by 5.4% year-on-year (y/y) after recording -4.7% y/y in July 2023. Ovine meat recorded the biggest monthly decrease of -7.5% m/m and -20.3% y/y on weak Chinese import demand and increased supplies from Australia. Major ovine meat exporters, Australia and New Zealand saw monthly decreases of 13.8% and 3.9% in ovine meat prices, respectively.
- Pig meat also relented and fell for the first time in 2023 by 4% m/m reflecting the higher volumes out of Europe while imports particularly from China, the world major importer, lost steam. Nonetheless, the global pig meat price index remained elevated at 9.1% y/y although off the 2023 high of 14.3% y/y recorded in July 2023.
- Poultry and bovine meat prices continued to weaken and registered monthly decreases of 3.8 and 1.1% m/m respectively and were sharply down by 11.9% and 8.6% y/y. Regionally, Brazilian poultry export prices fell by 5.8% m/m while bovine meat was mixed with a marginal decreases of 0.2% m/m for Australia and that for the US rebounding marginally by 0.3% m/m.
- The overall monthly FAO Food Price Index (FPI) surprised on the downside at -2.1% m/m in August following a July uptick of 1.1% m/m. The FAO FPI was however unchanged at -11.8% y/y reflecting decreases for dairy products, vegetable oils, meats, and cereals. The sugar category was however an exception as prices posted a slight increase on looming supply tightness.

Figure 1: SA and global inflation trends for selected product categories - (% Δ y/y)



Source: StatSA, FAO

Figure 2: Detailed SA and global inflation trends for selected product categories (% Δ y/y)

- Domestically, meat inflation eased by -0.5% m/m in July 2023 and decelerated to 5.1% y/y from 6.1% previously although still sticky on the upside. Overall SA food inflation decelerated to 0.2% m/m and still at a double-digit high of 10% y/y.

Avian flu outbreaks and the renewed strength in grain prices remain a big concern for poultry producers

- The industry is currently grappling with outbreaks of the highly pathogenic avian influenza which has a potential to constrain domestic supplies and producer earnings. Reduced supplies of both eggs and chicken meat may see a further hike for the cheaper sources of animal protein for consumers.
- The medium-term grain price outlook has recently turned to the upside. Although still off the 2022 highs, grain prices have recently drifted upwards with the Dec-23 and Jul-24 white maize futures on Wednesday 13 September 2023 closing just above R4,000/ ton from R3,600/t earlier in the year at R4,044/t and R4,070/t (table 2).
- Yellow maize settled closer to R4,000/t at R3,991/t and R3,965/t respectively for the Dec-23 and Jul-24 contracts, which is up 6% and 3.7% m/m. In the oilseed complex, soybeans and sunflower prices have improved from the early year levels although still off the high of R11,292/t at R9,150/t respectively. Although there are ample domestic supplies from a record harvest of 2.76 million tons, soybean futures for Dec-23 and Jul-24 delivery were 4% and 2.9% higher respectively from last month at R9,769/t and R8,994/t. A further uptrend in both grain and oilseed prices will threaten the profitability of intensive livestock feeding operations as feeding costs may drift upwards thus squeezing profit margins.
- Meat-maize price ratios have improved slightly for broilers, beef, and pork in August relative to July and much better from the 2022 levels (fig.3b). Meat-maize price ratios serve as indicators of profitability in the industry.

Figure 3: Changes in prices of raw feed inputs and the meat-maize price ratios for beef, broiler, and pork.

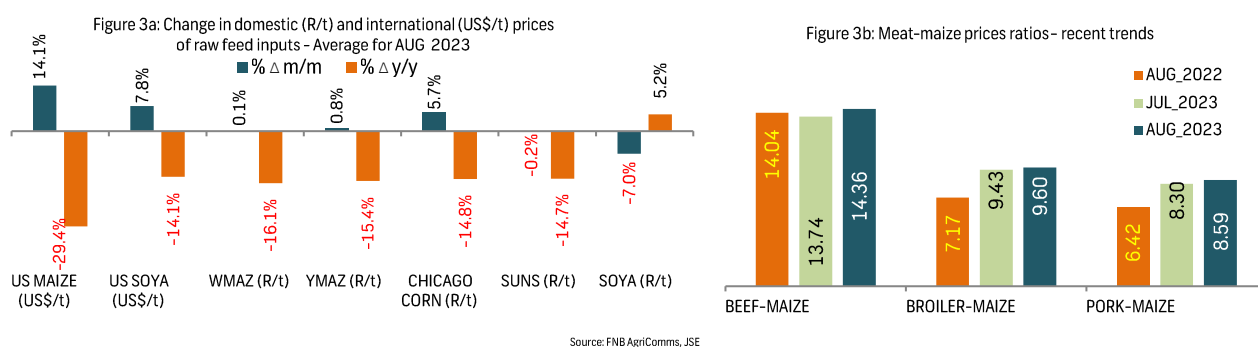


Table 1: Raw feed inputs - Latest price trends in JSE grain and oilseed futures market (R/ton)

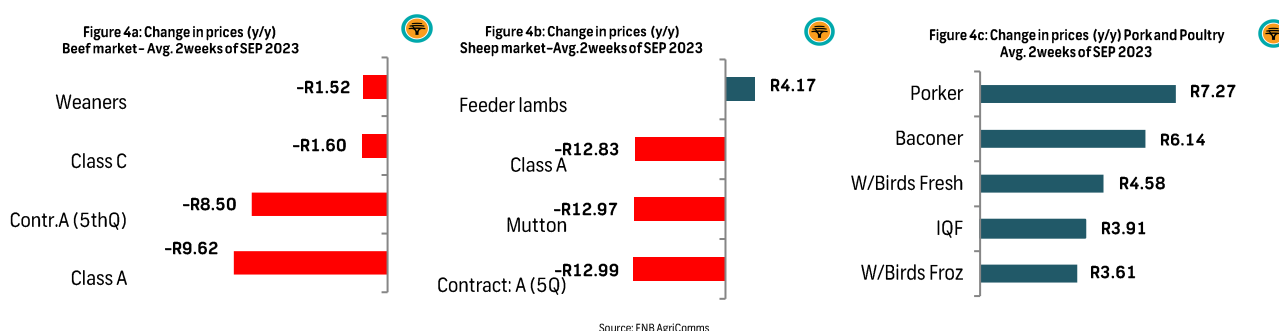
13 SEP 2023	WMAZ R/ton	% Δ m/m	YMAZ R/ton	% Δ m/m	SUNS R/ton	% Δ m/m	SOY R/ton	% Δ m/m
Dec-23	R4,044	8.4%	R3,991	6.0%	R9,150	-4.3%	R9,769	4.2%
Mar-24	R4,091	7.9%	R4,035	5.9%	R9,070	-3.8%	R9,668	4.7%
May-24	R4,029	5.4%	R3,970	3.5%	R8,704	-1.6%	R8,875	3.4%
Jul-24	R4,070	6.0%	R3,965	3.7%	-	-	R8,994	2.9%
Dec-24	R4,244	5.5%	R4,143	3.9%	-	-	-	-

Source: JSE

A modest rebound in the pork market while poultry prices remain above the 2022 levels

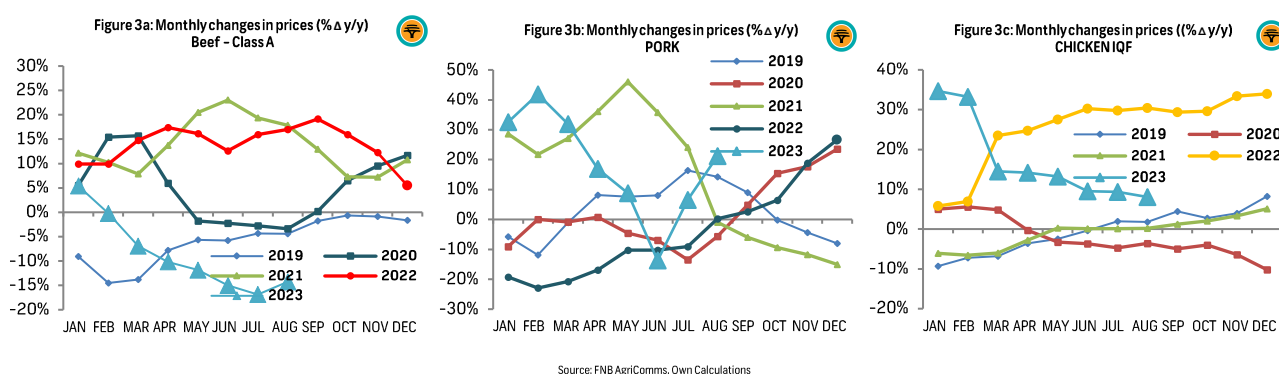
- Figures 4a to 4c illustrate changes in average beef, sheep, pork, and poultry for the first two weeks of September 2023 relative to 2022 levels. Beef and sheep prices have been on the back foot due to the seasonal contraction in demand. Weaner lambs were however an exception as average prices were up 2.5% (+R1.13/kg LW) m/m and 10% (+R4.17/kg LW) y/y at R41.51/kg LW.
- In contrast, pork, baconer, and poultry prices extended gains relative to 2022 levels. The average pork and baconer prices for the first two weeks of September were 26.9% (+R7.27/kg) and 22% (+R6.14/kg) higher y/y respectively relative to the same period in 2022 (figure 4c).
- We observed a similar trend in the chicken market with frozen and fresh whole bird prices increasing by 14.9% (+R4.58/kg) and 11.5% (+R3.61/kg) y/y, respectively (fig. 4c). IQF prices increased by 13% (+R3.91/kg) y/y at R33.84/kg.

Figure 4: Changes in average monthly livestock prices (% Δ y/y)



- The historical growth trend in prices shows a further deceleration for poultry in 2023 and remain way below the 2022 levels (figure 3c). However, pork price growth rebounded strongly since June 2023 (figures 3b). 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).

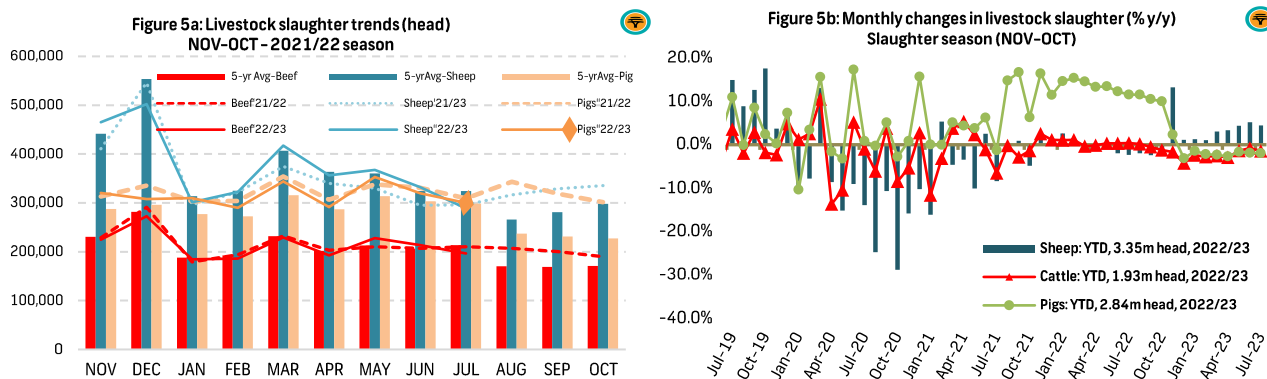
Figure 5: Growth trends for producer prices of various meat types (% Δ y/y)



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 according to the revised figures from the Re. 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 6: South Africa's livestock slaughter trends



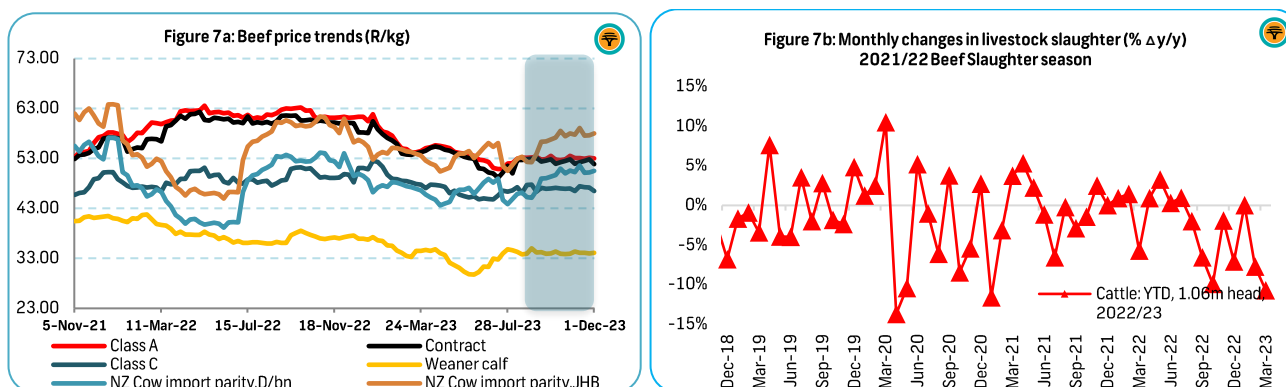
Source: Own calculations from Red Meat Levy Admin data.

OUTLOOK

- We expect demand to start lifting due to 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 we head into the summer months. Further, we expect an early pasture season given the wet conditions experienced in the past few months in most areas. This bodes well for livestock producers as good pastures help reduce feeding costs. Nonetheless, the lingering El Nino remains a concern.

AgroMetrics: Livestock Charts & Data Tables

Figure 7: Beef prices and cattle slaughter trends

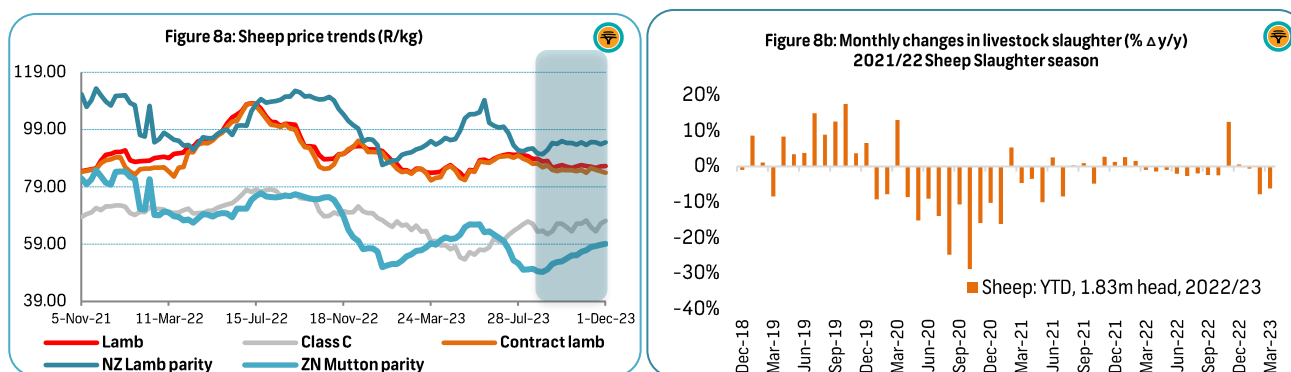


*Last thirteen data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

Weekly summary of the sheep market

Figure 8: Lamb and mutton prices and sheep slaughter trends

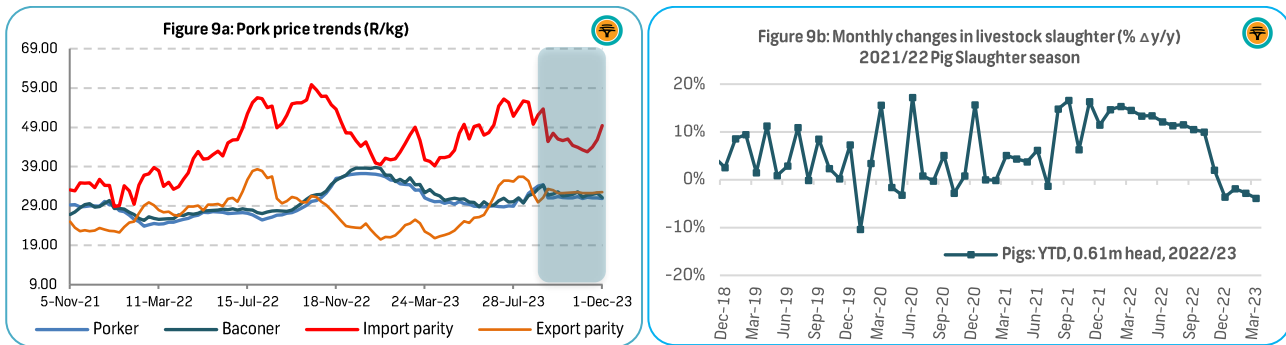


*Last thirteen data points on figure 3a are preliminary

Source: Red Meat LevyAdmin

Weekly pork market

Figure 9: Pork prices and slaughter trends

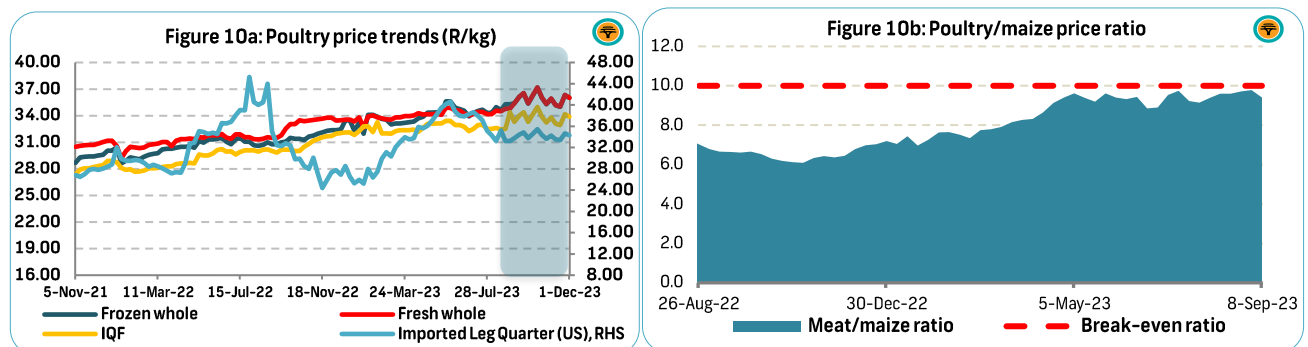


*Last thirteen data points on figure 4a are preliminary

Source: Red Meat LevyAdmin

Weekly poultry market update

Figure 10: Poultry prices and meat/maize ratio trends



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

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