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Livestock and Fibre markets

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UPDATE ON LIVESTOCK MARKETS

Ravaging avian influenza poses upside risk to domestic meat inflation

- The spread of the highly pathogenic avian influenza (HPAI) with the dominant strains being the H5 and H7 threatens the sustainability of the poultry industry in South Africa. Poultry accounted for 39% and 16% of the total gross producer values of animal products and agriculture respectively in the previous season. Thus, the decimation of the industry will have negative consequences for the economy. Focus is now on implementation of measures to contain the disease spread as well as the possibility of importation of fertilized eggs to replenish the parent stock and table eggs to address the current supply shortages in the country. Vaccination of birds to curb the virus spread is also under consideration and will be guided by regulators' comfort with efficacy, quality, and safety.
- Other short-term measures to address the potential HPAI-induced shortages of chicken on the domestic market include the possibility of short-term rebates for imported poultry products. However, a proper analysis is required to prevent the unintended consequences of hurting the domestic industry. Price pressures have already manifested in the egg value chain and estimates indicate a duration of six to eighteen months before the situation normalise.

Global meat inflation continue to surprise on the downside while domestically things have turned sour

- The latest United Nation's Food and Agriculture Organization (FAO) update on global trends in food inflation showed a further downtrend in prices for most subindices except for sugar which remained stubbornly high and accelerate faster by 9.8% month-on-month (m/m) and 48.4% year-on-year (y/y) in September 2023.
- Global food inflation eased by 0.1% m/m in September after falling by 2% m/m in August. The annual global food inflation remained in negative territory for the eleventh consecutive month at -10.7% y/y.

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

Figure 2a: Global - FAO Food Price Index - (% Δ y/y)

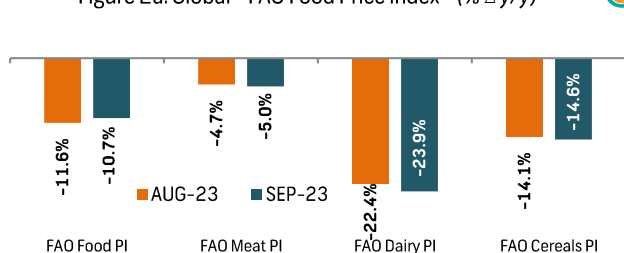
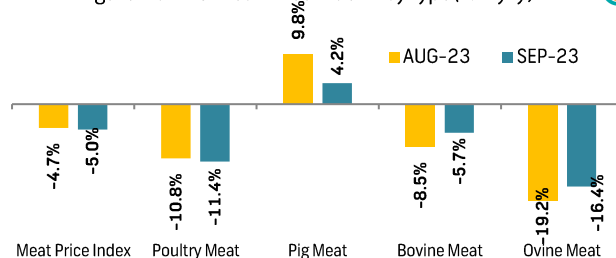


Figure 2b: FAO meat Price Index - by type (% Δ y/y)



Source: FAO

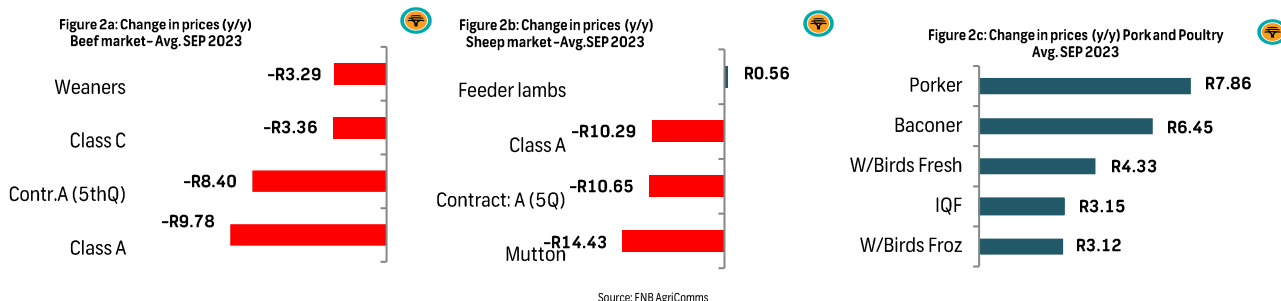
- The meat subindex continued to trend on the downside and has remained in negative territory since December 2022 due to the combination of demand contraction and improved availabilities for poultry and ovine meat. Although the decrease was slower than the month earlier, the monthly global meat inflation fell by 1% m/m with decreases for poultry, pig, and ovine meat types more than offsetting the slight uptick in the bovine category which was underpinned by a strong import demand for lean beef. The annual meat inflation however posted a sharp decrease of -5% y/y in September 2023.
- FAO's breakdown of prices by meat type showed the biggest decrease for ovine meat which fell by a whopping 16.4% y/y, followed by poultry and bovine meat respectively at -11.4% y/y and -5.7% y/y (figure 2b). Regionally, the oversupply of sheep meat in Oceania saw prices from the biggest supplier Australia falling by a whopping 5.6% m/m and were down by 37.7% from the January 2023 levels. Although falling by 2.6% m/m, the pig meat price index lifted by 4.2% y/y which indicates that supplies have not recovered fully especially from Europe (table 1).

Table 1: Meat price changes by various regions and countries

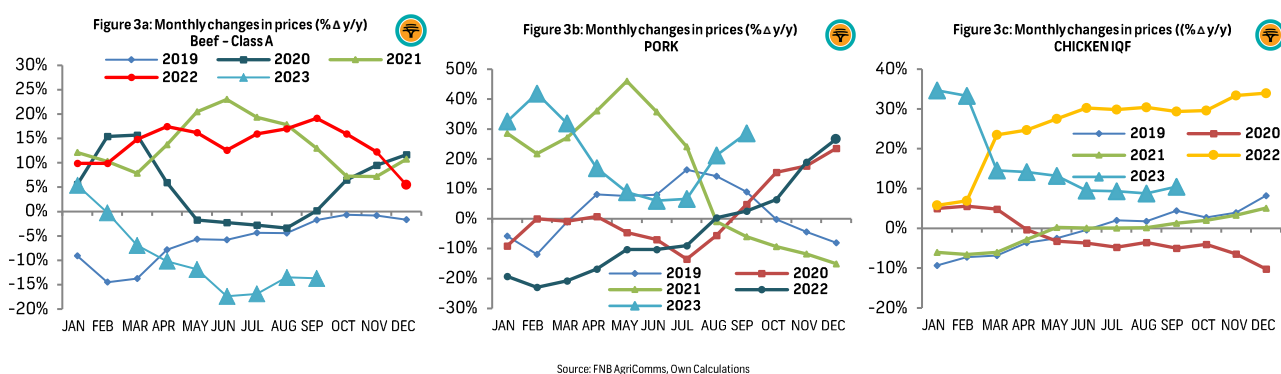
	USA Poultry meat	Brazil Poultry meat	USA pig meat	Brazil Pig meat	EU (Germany) Pig meat	Australia Bovine meat	USA Bovine meat	Brazil Bovine meat	NZ Ovine meat	AU Medium Ovine meat
% Δ m/m	0.8%	-3.9%	-1.4%	-1.9%	-4.1%	2.9%	0.8%	0.3%	2.3%	-5.6%
% Δ since Jan 2022	15.6%	-10.7%	6.3%	-5.7%	13.2%	6.2%	16.3%	-6.5%	-4.8%	-37.7%

Source: FAO

- Monthly trends for September 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. Pork was the biggest gainer in September with increases of 29% (+R7.86/kg) and 23% (+R6.45/kg) y/y respectively for porkers and baconers (figure 2c).

Figure 2: Changes in average monthly livestock prices (% Δ y/y)

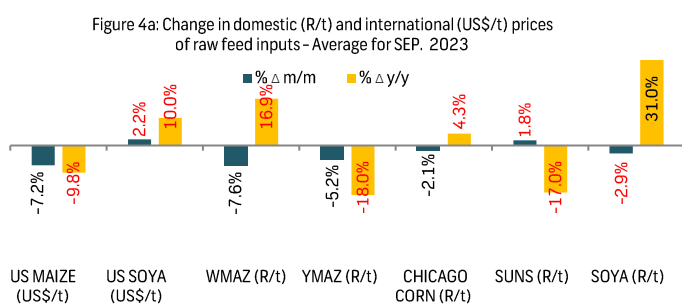
- The historical growth trend in prices shows a strong rebound for pork and poultry in 2023 while that for chicken remained flat (figures 3b & c). Beef on the other hand continues to trend in negative territory, which is way below the past three years for class A carcass (figure 3a).

Figure 3: Growth trends for producer prices of various meat types (% Δ y/y)

Downside surprise in domestic maize prices in September despite renewed rand weakness

- Maize prices softened in September under pressure due to the spill over weakness from the international market and the bullish domestic supply outlook. This is despite the increased rand volatility which saw the currency depreciating by 1.3% m/m and 24% y/y at R18.98/US\$. International maize prices fell by 7% m/m and 8% y/y as the global production outlook remains solid (fig.4a).
- However, recent trends on the futures market shows a renewed upswing in grain and oilseed prices with both white and yellow maize prices for Jul-24 increasing by over 1% m/m. Soybeans futures for May-24 delivery was down by almost 4% m/m while sunflower eased by 0.9% m/m (table 2).
- Profitability indicators: The monthly meat-maize price ratios showed strong growth of 6% m/m and 14% y/y for pork while broilers and beef fell by 4% m/m in September relative to August. However, the beef and broiler meat-maize ratios were much better than last year by 5% and 6% y/y (fig.4b).

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



Source: FNB AgriComms, JSE

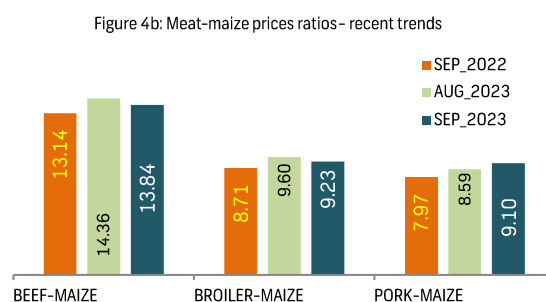


Table 2: Raw feed inputs - Latest price trends in JSE grain and oilseed futures market (R/ton)

09 OCT 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	R4,181	3.5%	R4,106	1.8%	R9,151	-0.9%	R9,415	-3.4%
Mar-24	R4,195	2.6%	R4,145	1.3%	R9,017	-0.9%	R9,268	-3.6%
May-24	R4,140	2.5%	R4,008	0.7%	R8,737	0.3%	R8,660	-1.5%
Jul-24	R4,163	1.8%	R4,056	1.5%	R8,788	-	R8,824	-1.7%
Dec-24	R4,313	1.4%	R4,195	1.3%	-	-	-	-

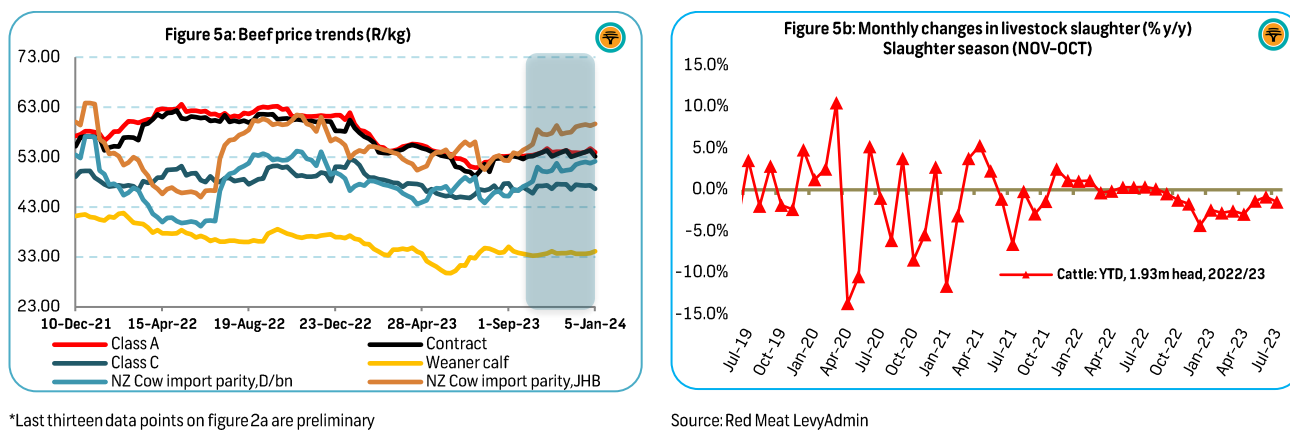
Source: JSE,

OUTLOOK

- Although there are challenges on the consumer front with fuel prices increasing by almost R5/l in two months, demand is still expected to improve as we head closer to the festive period.
- We expect upside pressure on meat prices due to the HPAI-induced supply tightness in the medium term. However, the potential government intervention such as short-term rebates on imports for poultry products may help curtail further upside in prices.
- Indications so far are that feed availability is still adequate following a relatively wet Spring. However, the prevalence of the extremely high temperatures associated with the El Nino may cause production losses due to morbidity in animals.

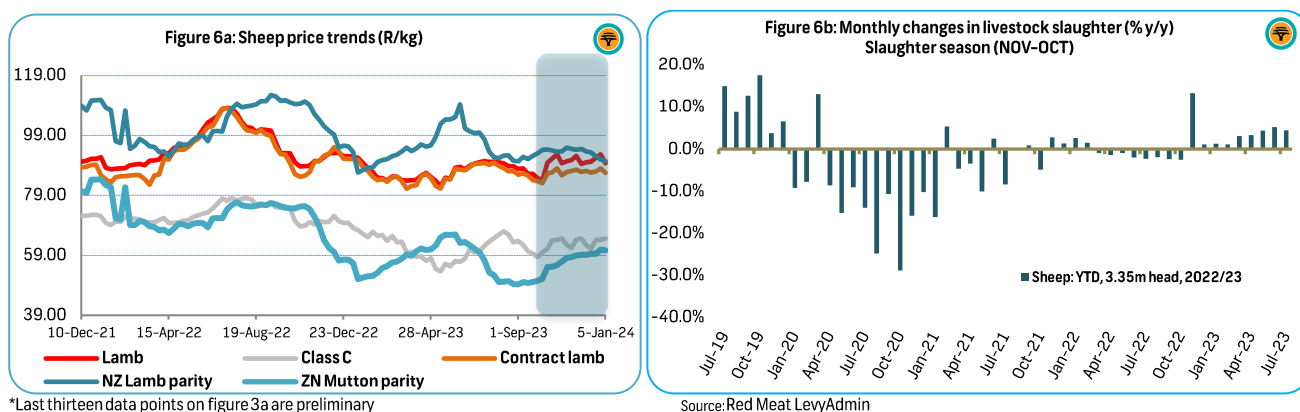
AgroMetrics: Livestock Charts & Data Tables

Figure 5: Beef prices and cattle slaughter trends



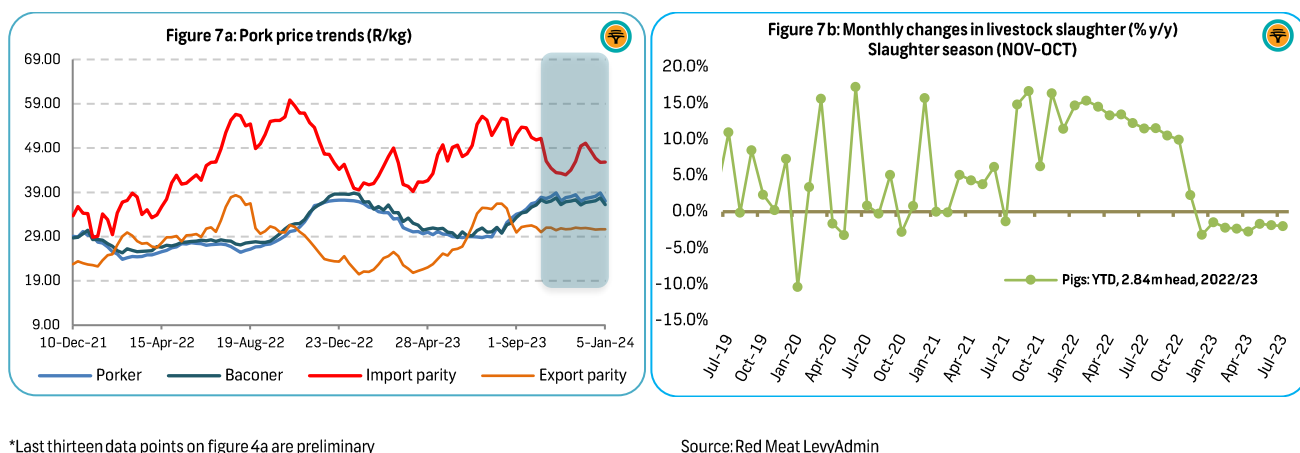
Weekly summary of the sheep market

Figure 6: Lamb and mutton prices and sheep slaughter trends



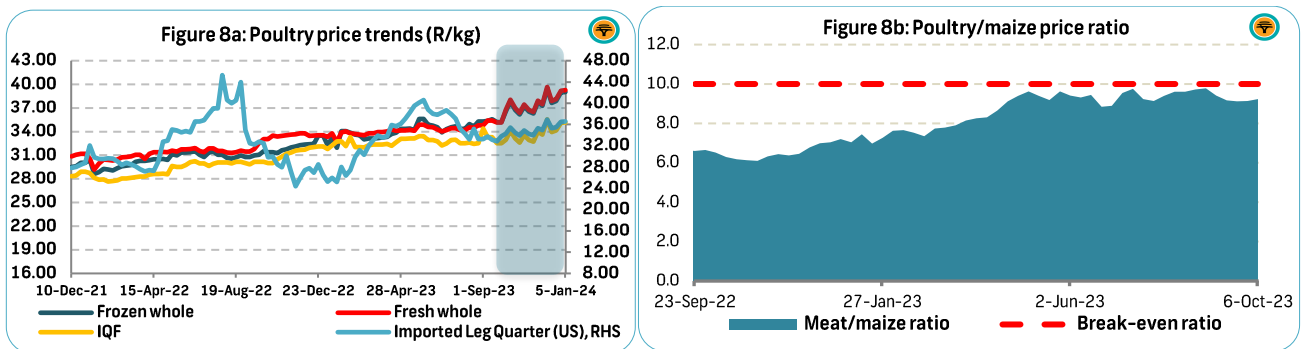
Weekly pork market

Figure 7: Pork prices and slaughter trends



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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