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Livestock and Fibre markets

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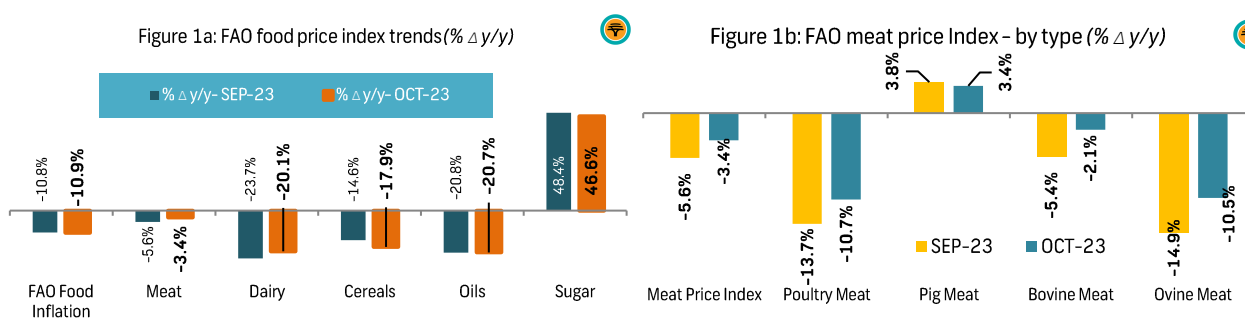
Paul Makube | Tumi Kgasago | Vhutshilo Mabela | 15 NOV 2023

UPDATE ON LIVESTOCK MARKETS

Global meat inflation remains in the doldrums after falling for the fourth consecutive month in October 2023

- Global food inflation continues to trend on the downside according to the latest update from the United Nation's Food and Agriculture Organization (FAO). The monthly FAO food price index decreased further for the third consecutive month by -0.5% m/m in October from -0.2% m/m in September 2023. The annual FAO food inflation has remained in negative territory for the past twelve consecutive months, clocking a -10.8% y/y in October 2023.
- We saw further losses in the meat category with a negative price growth of -0.6% m/m in October and annually coming in at -3.4% y/y but slightly off the 33-month low of -5.6% y/y recorded in September 2023. Sluggish demand amid abundant exportable supplies weighed heavily on prices in the pig category which more than offset gains in the poultry and bovine meats.
- FAO's breakdown of prices by meat type showed the biggest decrease for poultry meat which fell to -10% y/y, followed by ovine and bovine meat respectively at -10.5% y/y and -2.1% y/y (figure 1b). The increased supplies sheep meat in Oceania helped limit price growth for ovine meat which nudged 0.4% m/m.
- Regionally, abundant supplies from Australia since the beginning of the year saw prices falling by a whopping -30.5% from the January 2023 levels. Pig meat prices from the US, Brazil, and the European Union fell by -1.7%, -1.4%, and -6.3% m/m respectively in October 2023 under pressure due to heavy supplies and weakness in demand (table2).
- Meanwhile, the global meat supply outlook remains solid with the latest United States Department of Agriculture (USDA) data projecting an increase of 1.5%, 2.9%, and 2.2% y/y respectively for beef, chicken, and pork exports in 2024.

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



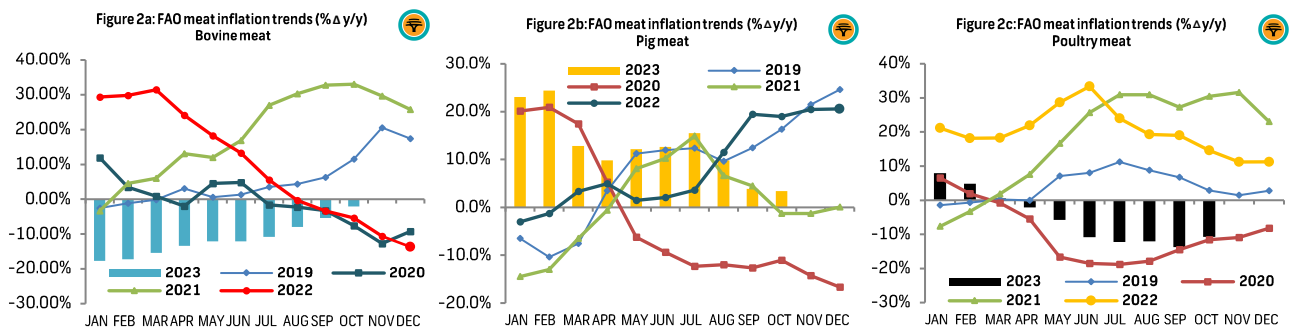
Source: FAO

Table:1 FAO 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	NZOvine meat	AU Medium Ovine meat
% Δ m/m	0.6%	1.7%	-1.7%	-1.4%	-6.3%	-0.6%	0.8%	1.2%	-2.1%	4.8%
% Δ since Jan 2023	9.4%	-10.3%	4.4%	-7.6%	5.5%	5.7%	17.8%	-5.2%	-7.4%	-30.5%

Source: FAO

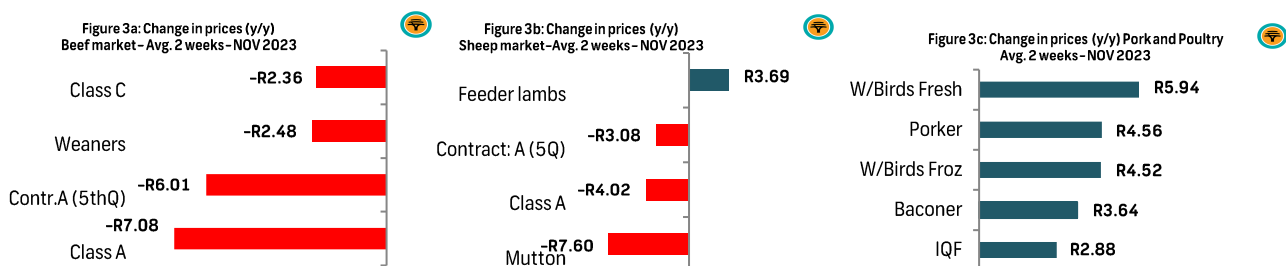
- Regarding annual price growth for the major meats, pig meat is the only one that still trends in positive territory. The rest remain in negative territory and performing way below the pre-pandemic levels as illustrated in figures 2a and 2c.

Figure 2: Growth trends for prices of various meat types tracked by the FAO (% Δ y/y)

Source: FAO

Domestic market: Unseasonably timid midmonth demand kept meat prices on the downside.

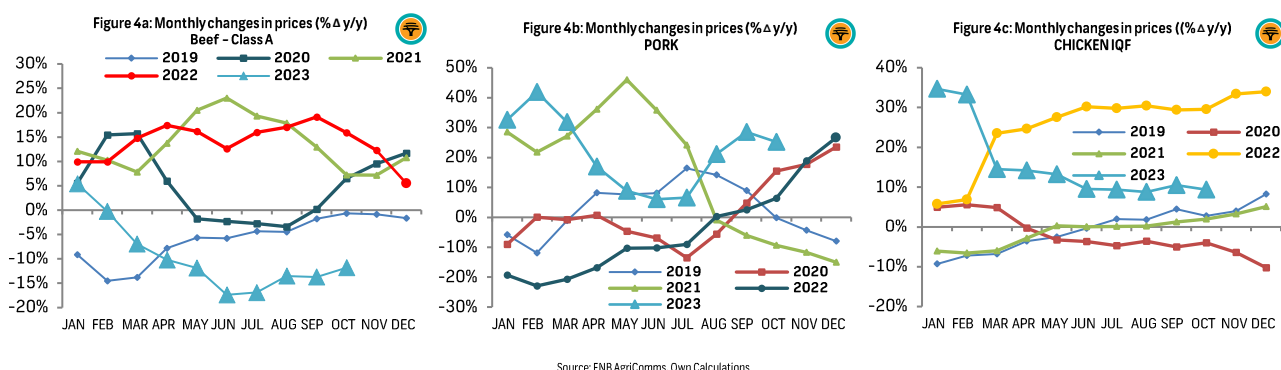
- Indications so far are that the consumer finances remain under strain as evidenced by the unseasonably timid midmonth demand for meat across the board. In the chicken market, we hear of slow uptake amid bulging inventories which implies limited upside for prices in the near term.
- Meanwhile, the latest import data indicate a sharp contraction in volumes. Although sharply down by 25% m/m at 22,53 tons in September 2023, chicken imports were 13% higher y/y with the cumulative YTD volumes up 9% ahead of the 2022 levels at 311,932 tons according to the recent data from the South African Revenue Services (SARS). The September volumes were sharply down by 26% relative to the 4-year average for the month.
- Our analysis of the recent trends on the domestic livestock market showed modest gains across the meat complex early in November 2023 but faltered towards midmonth due to weak demand. Meanwhile, the average beef and sheep prices for the first two weeks of November remain way below the 2022 levels for the same period (figures 3a and 3b).
- The pig market saw a mixed trend with a rebound for porkers while baconers reversed gains to finish softer during midmonth. Chicken prices were also mixed as weak demand amid signs of inventory build up weighed heavily on the IQF category while whole birds retained firmness during midmonth. However, the average IQF and whole bird prices (fresh and frozen) for the first two week of November continue to trend way higher than last year (figure 3c).

Figure 3: Changes in average monthly livestock prices (% Δ y/y)

Source: FNB AgriComms

- Although there are still concerns over the avian flu, indications are that stocks are relatively adequate to meet medium term demand. However, disease containment and repopulation will be critical beyond December 2023.

- The growth trend for beef showed some improvement in October 2023 relative to 2022 although still in negative territory. The historical growth trend in pork remains the highest despite a slowing down after a good posting in the previous month (figure 4b). For chicken, the trend was sideways and still way below the 2022 levels as illustrated in figure 4c.

Figure 4: Growth trends for producer prices of various meat types (% Δ y/y)

Source: FNB AgriComms, Own Calculations

Renewed pressure on maize prices due to rand appreciation and optimism about the 2023/24 seasonal outlook.

- The combination of rand appreciation and *optimism about the 2023/24 seasonal outlook on the back of favourable weather conditions* and higher planted area continued to weigh heavily on the local maize market.
- Prices have responded accordingly, and so far, nearest maize futures have fallen by just over 2% relative to the October 2023 levels as shown in table 2 and are slightly below the R4,000/t mark.
- This bullish outlook limits further upside for maize prices thus indicating a potential for softer feed prices in the year ahead which bodes well for profitability for livestock feeders.
- Oilseeds however showed some strength with futures (14 NOV 2023) closing modestly higher in the range 3% to 7.5% m/m for sunflower and soybeans (table 2).

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

14 NOV 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
Mar-24	R3,958	-2.4%	R3,860	-2.9%	R9,202	5.2%	R9,456	4.2%
May-24	R3,966	-2.5%	R3,905	-1.7%	R8,900	4.5%	R9,077	7.4%
Jul-24	R4,008	-1.0%	R3,918	-1.1%	R8,926	3.0%	R9,200	7.5%
Sep-24	-	-	R3,988	-	-	-	-	-
Dec-24	R4,170	-2.2%	R4,110	-1.2%	-	-	-	-

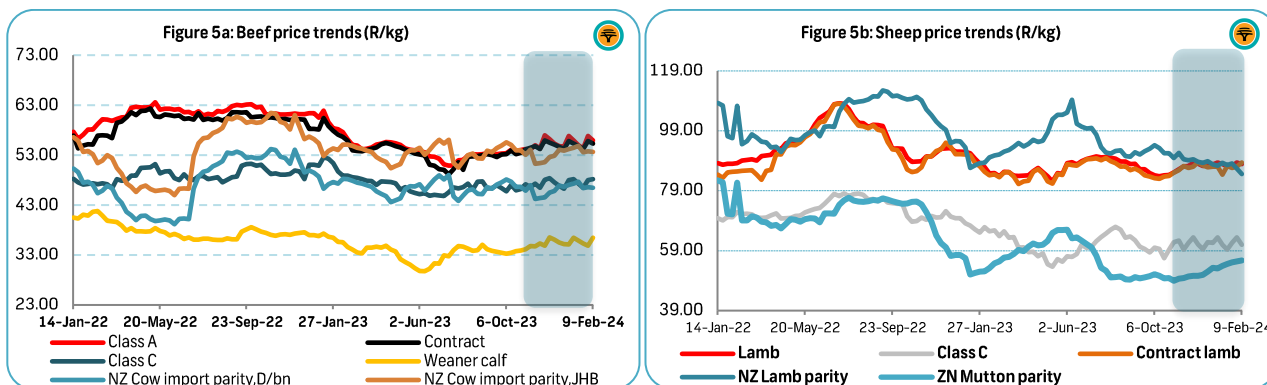
Source: JSE

OUTLOOK

- Weather forecasts still point to some rains in the early part of summer thus boosting pasture conditions. However, the prevalence of the extremely high temperatures associated with the El Nino may cause production losses due to morbidity in animals.
- A potential build-up of chicken stocks might constrain price growth in the near term thus offsetting the avian flu effect.
- A renewed Rand appreciation coupled with Brent crude oil prices hovering just around US\$80/ barrel in the past week bodes well for both producers and consumers during the December festive.
- The outlook for good feeding margins is positive should grain and oilseed prices continue to trend at current levels in to the New Year.

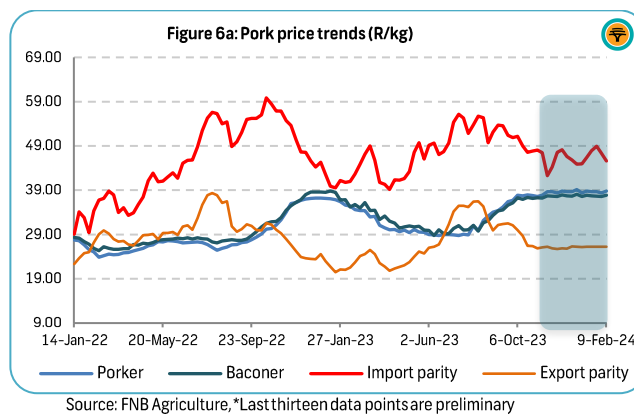
AgroMetrics: Livestock Charts & Data Tables

Figure 5: Beef, lamb, and mutton price trends



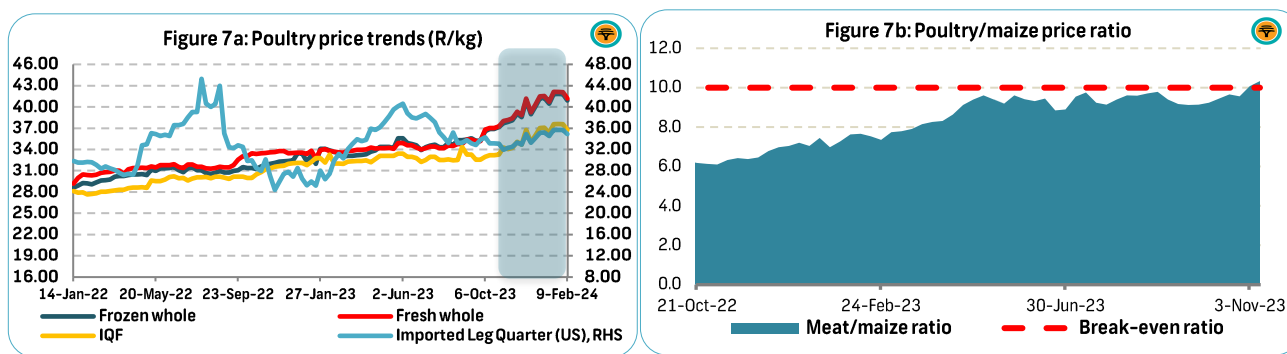
Weekly summary of the pork market

Figure 6: Pork prices and slaughter trends



Weekly poultry market update

Figure 7: Poultry prices and meat/maize ratio trends



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To find out more or to speak to one of our **agricultural specialists**, please contact us.

Name	City	Cell	Email
Grewar, Oosthuizen	Eastern Cape – Port Elizabeth	071 607 6850	grewar.oosthuizen@fnb.co.za
Edmund, De Beer	Eastern Cape – Port Elizabeth	084 656 5634	edebeer1@fnb.co.za
Fred, Terblanche	Eastern Cape – Graaff Reinet	064 500 5880	frederik.terblanche@fnb.co.za
Martin, Louw	Free State – Theunissen	082 784 8880	mlouw1@fnb.co.za
Leon, Bergman	Free State – Bethlehem	083 387 7977	leon.bergman@fnb.co.za
Krohn, Jo-Ann	Free State – Bloemfontein	064 542 3548	Jo-Ann.Krohn@fnb.co.za
Da Silva, Kristin	North-West	079 693 8268	Kristin.DaSilva@fnb.co.za
Sarah, Collins	KwaZulu-Natal – Pietermaritzburg	082 371 1040	sarah.collins@fnb.co.za
Penny, Gasa	KwaZulu-Natal – Pietermaritzburg	081 718 9019	penny.gasa@fnb.co.za
Gao, Ngakantsi	Limpopo – Polokwane	072 471 6040	gaopalelwe.ngakantsi@fnb.co.za
Sosie Matla	Limpopo – Polokwane	083 413 9734	Sosie.matla@fnb.co.za
Theo, Verwey	Mpumalanga – Lowveld	082 419 6086	tverwey@fnb.co.za
Phoka, Nkhua	Mpumalanga – Highveld	060 992 7487	phoka.nkhua@fnb.co.za
Du Plessis, Hanro	Mpumalanga – Highveld	082 895 1762	hanro.duplessis@fnb.co.za
Pedrie, Van der Merwe	Northern Cape – Kimberley	071 351 3439	pedrie.vandermerwe@fnb.co.za
Ischaan, Van Wyk	Northern Cape – Upington	073 030 6277	ischaan.vanwyk@fnb.co.za
Johan, De Klerk	North West – Brits	082 776 3477	jdeklerk2@fnb.co.za
Johan, Beukes	Western Cape – Stellenbosch	082 372 4656	johan.beukes@fnb.co.za
Andries, Van Zyl	Western Cape – Willowbridge	073 280 8703	andries.vanzyl@fnb.co.za
Chrismaine, Abrahams	Western Cape – Willowbridge	072 605 3862	chrismaine.abrahams@fnb.co.za

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