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# Livestock and Fibre markets

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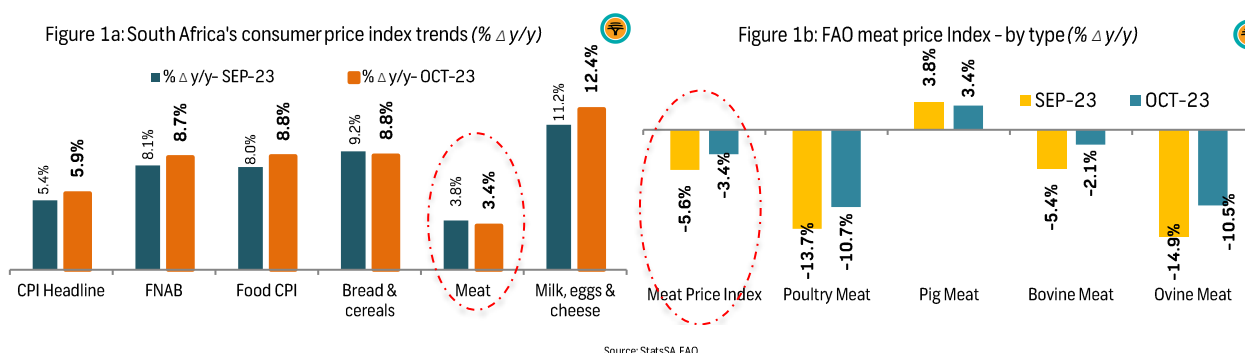
Paul Makube | Tumi Kgasago | Vhutshilo Mabela | 23 NOV 2023

## UPDATE ON LIVESTOCK MARKETS

*Meat inflation surprised on the downside with a deceleration to 3.4% y/y in October 2023 from 3.8% y/y in September*

- South Africa's headline inflation quickened more than expectations and edged closer to the upper end of the SARB's target range of 3% to 6%, coming in 5.9% year-on-year (y/y) in October, from 5.4% y/y in September 2023.
- Food inflation reversed course and for the first time in six consecutive months accelerated slightly by 0.8ppt to 8.8% y/y in October 2023. A surprise surge in prices of lightweight items in the food basket, fruit and vegetables, more than outweighed the moderation in cereals and meat.
- Contrary to expectations of a surge following the avian influenza outbreak and its potential knock-on effect of a supply crunch for chicken, meat inflation surprised on the downside with a deceleration to 3.4% y/y in October from 3.8% y/y previously and further steady at 0.6% m/m (figure 1a).
- However, SA's meat inflation is still way ahead of its global counterpart. Global meat inflation as measured by the United Nation's Food and Agriculture Organization (FAO) saw 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 (figure 1b).
- A drill down into the meat inflation data shows that the declines for most beef cuts weighed heavily on the overall index with stewing beef, T-bone steak, rump steak prices falling by 12.4%, 7.3%, 3.9% y/y respectively in October 2023. Pork and chicken however saw good gains across most cuts with pork ribs and fillets up by 8.4% y/y (+R7.83/kg) and 6.4% y/y (+R6.61/kg) respectively at R100.64/kg and R110.53/kg. The biggest gainers in the chicken category were fresh chicken portions which were up 10.3% y/y (+R743/kg) at R79.52/kg. Low-value products (Chicken giblets, neck, gizzards, hearts, etc) followed closely with increases of 9.7% y/y (+R4.12/kg) at R46.75/kg (see table 1 and figure 2).

Figure 1: Food and meat price inflation trends – OCT 2023



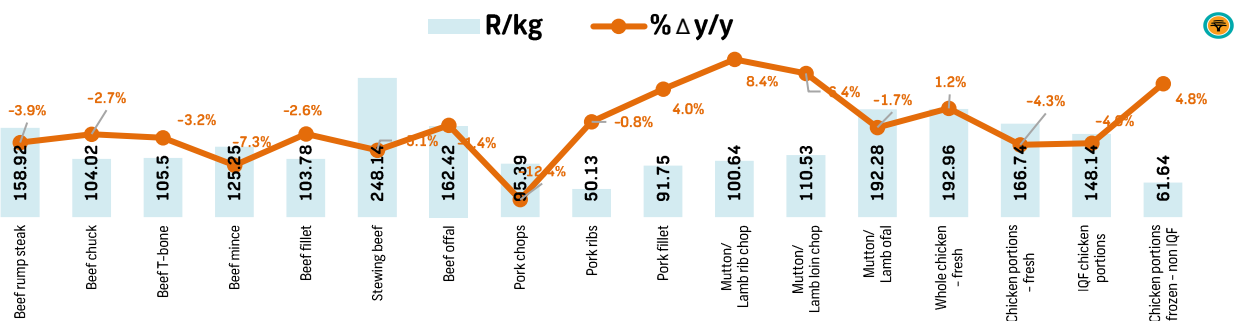
- Although we still see near-term price strength at producer level due to attempts at cost recovery, a combination of demand pressure due to the constrained consumer finances and strong inventory continue to limit further upside.
- Further, port delays may see more imported chicken products hitting the shelves early in the New Year, thus coinciding with the seasonal downswing in demand due to competing needs such as education fees and credit repayments post the December festive.
- Meanwhile, egg stocks are reported to be improving following the government's intervention to expedite the importation of poultry products and this seems to be bearing fruit.
- With fertilized eggs now imported, normal cycles will resume, and domestic volumes should improve from the second quarter of 2024.
- So, egg prices are likely to moderate in the medium term and the current upside in the milk, eggs, and cheese inflation index may prove to be short lived.

Table 1: Meat price changes by selected cuts per meat type in South Africa

	Beef rump steak	Beef chuck	Beef T-bone	Beef mince	Stewing beef	Beef offal	Pork chops	Pork ribs	Pork fillet	Mutton/Lamb rib chop	Mutton/Lamb loin chop	Mutton/Lamb ofal
R/kg	R158.92	R105.50	R125.25	R103.78	R95.39	R50.13	R91.75	R100.64	R110.53	R192.28	R192.96	R61.64
% Δ m/m	0.2%	0.4%	-1.3%	0.7%	-0.2%	2.5%	1.9%	0.9%	2.1%	0.4%	-0.4%	0.5%
R/kg Δ m/m	R0.26	R0.45	-R1.65	R0.71	-R0.15	R1.22	R1.74	R0.87	R2.25	R0.84	-R0.76	R0.28
% Δ y/y	-3.9%	-3.2%	-7.3%	-2.6%	-12.4%	-0.8%	4.0%	8.4%	6.4%	-1.7%	1.2%	4.8%
R/kg Δ y/y	-R6.48	-R3.49	-R9.83	-R2.81	-R13.51	-R0.42	R3.55	R7.83	R6.61	-R3.27	R2.21	R2.84

Source: StatsSA

Figure 2: Consumer prices for selected meat products (% change y/y) – OCT 2023



Source: Stats SA, FAO; Note: Chicken giblets - (neck, gizzards, hearts, etc)

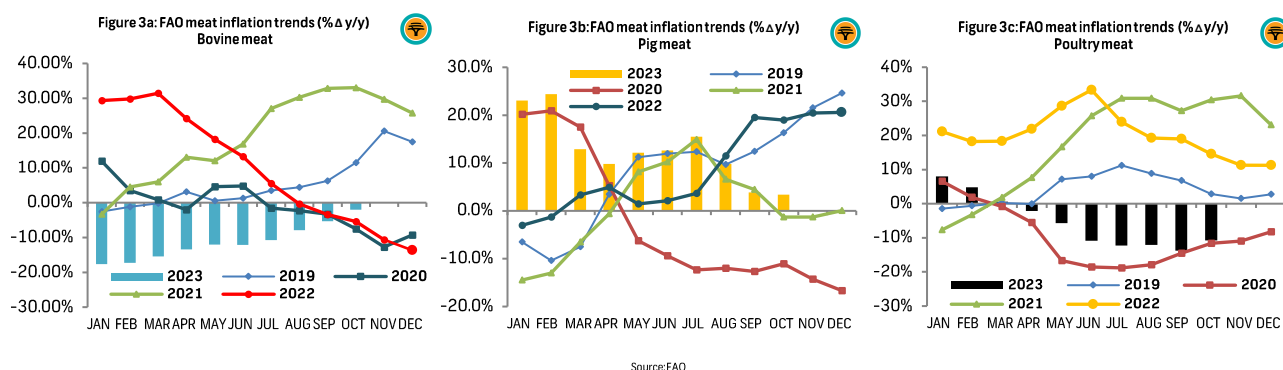
- Regionally, abundant supplies from Australia since the beginning of the year saw prices falling by a whopping -30.5% from the January 2023 levels. Pig meat prices from the US, Brazil, and the European Union fell by -1.7%, -1.4%, and -6.3% m/m respectively in October 2023 under pressure due to heavy 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.

Table:2 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	NZ Ovine 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%

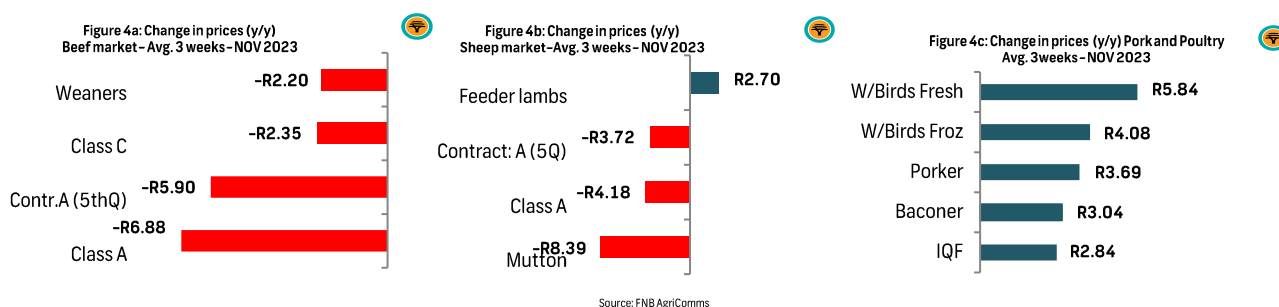
Source: FAO

- 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 3a and 3c.

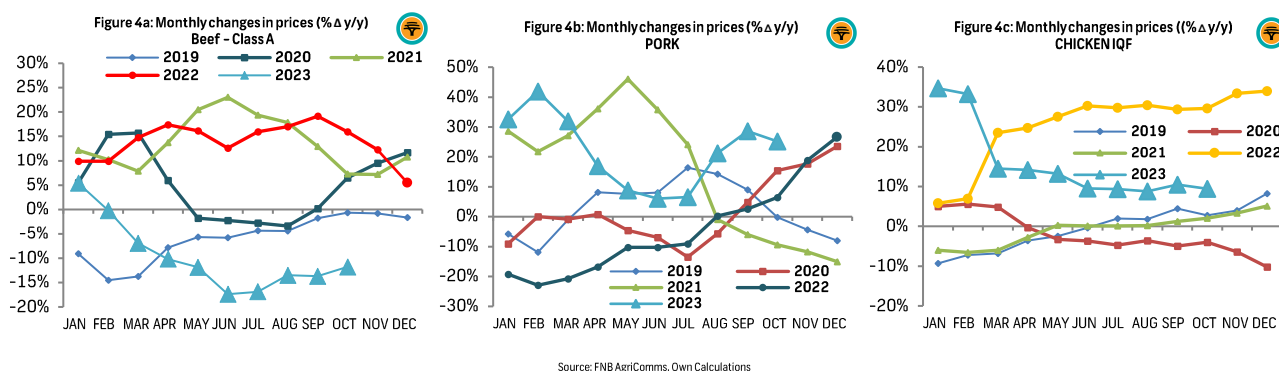
Figure 3: Growth trends for prices of various meat types tracked by the FAO (%  $\Delta$  y/y)

Some downside pressure for lamb but pork and chicken remain resilient

- Our analysis of the recent trends on the domestic livestock market showed some pressure for lamb and mutton while the pork and poultry categories retained the upside during midmonth.
- Average beef and sheep prices for the first three weeks of November remain way below the 2022 levels for the same period (figures 4a and 4b).
- On the chicken side, average IQF and whole bird prices (fresh and frozen) for the first three weeks of November continued to trend way higher than last year (figure 4c). At R34.21/kg, average IQF prices are so far up by 3.3% (+R1.08/kg) m/m and 9.1% y/y (+R2.84/kg).
- Average pork and baconer prices advanced by 10.8% (+R3.69/kg) and 8.9% (+R3.04/kg) y/y respectively at R37.80/kg and R37.30/kg for the first three weeks of November 2023.

Figure 4: Changes in average monthly livestock prices (%  $\Delta$  y/y)

- 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 5: Growth trends for producer prices of various meat types (%  $\Delta$  y/y)

Feeding cost pressures have dissipated from the second half of 2023 as huge harvest weighed heavily on maize prices

- Although near-term futures indicate yellow maize at R4,000/t, the farthest futures seem to reflect optimism about the seasonal crop outlook (table 3).
- Oilseeds however remain on the upside relative to last month with futures closing modestly higher in the range 2.7% to 5.3% m/m for sunflower and soybeans. However, average sunflower and soybean prices in October were down by 20% and 8% y/y respectively at R8,785/t and R9,236/t which is still positive form a livestock feeding perspective.

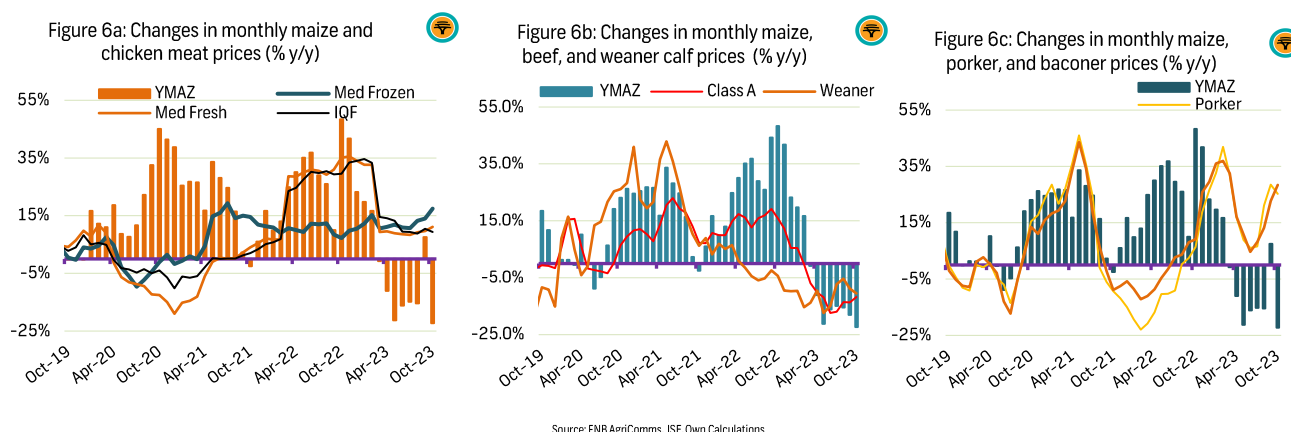
Table 3: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

23 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	R4,180	0.2%	R4,000	-1.2%	R9,088	4.7%	R9,416	1.4%
May-24	R4,138	-0.4%	R3,986	-0.2%	R8,750	2.7%	R9,094	4.9%
Jul-24	R4,150	-0.5%	R3,984	-1.3%	R8,926	3.0%	R9,258	5.3%
Sep-24	-	-	R4,047	-	-	-	-	-
Dec-24	R4,308	-0.2%	R4,149	-1.2%	-	-	-	-

Source: JSE

- Except for beef, annual growth in monthly prices of other meat types is far outpacing that of maize is illustrated figures 6a to 6c.
- A negative price growth for maize augurs well for livestock feeders as it constitute over 70% of feed. Consequently, lower maize prices will help improve profitability in the livestock sector.

Figure 6: Changes in maize prices in relation to various meat types

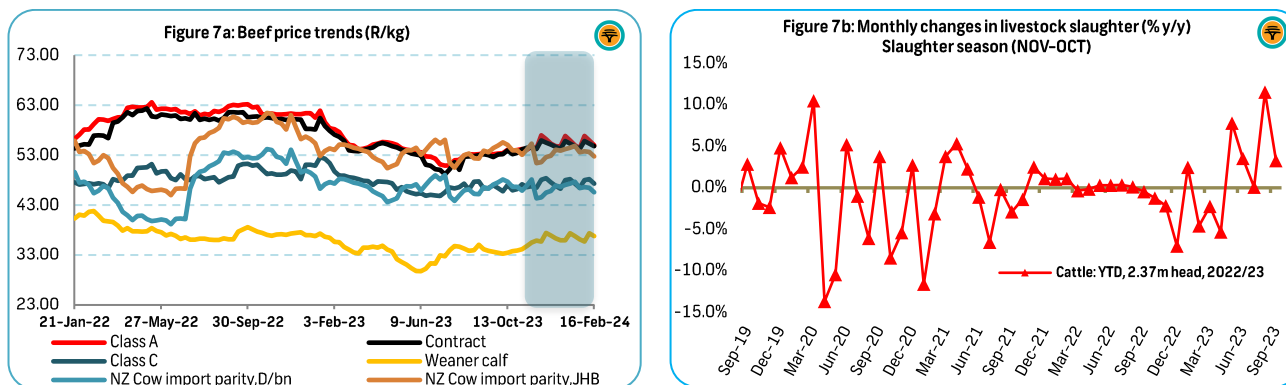


## OUTLOOK

- The good news on the consumer front is that fuel prices are expected to drop in December which is good for seasonal demand.
- 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 Niño may cause production losses due to morbidity in animals.
- The outlook for good feeding margins is positive should grain and oilseed prices continue to trend at current levels into the New Year.

## AgroMetrics: Livestock Charts &amp; Data Tables

Figure 7: Beef prices and cattle slaughter trends

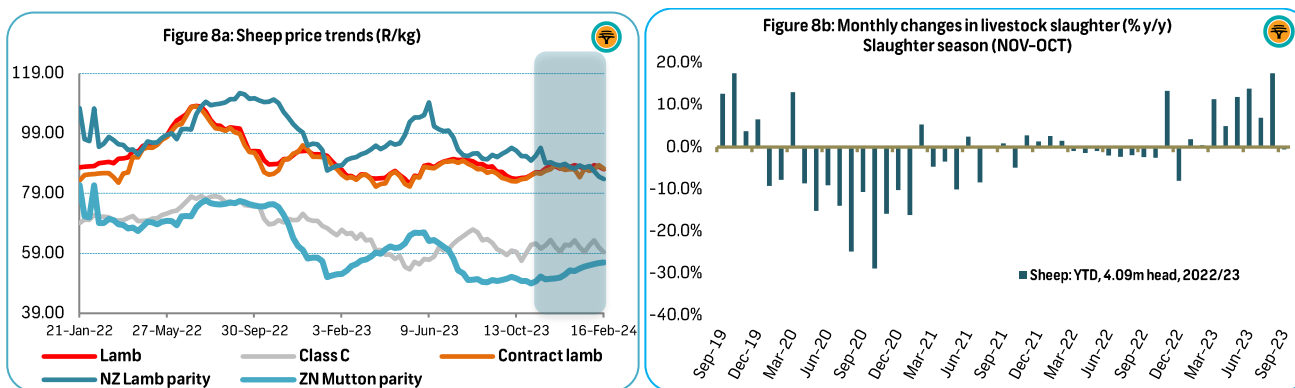


\*Last thirteen data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

## Weekly summary of the sheep market

Figure 8: Lamb and mutton prices and sheep slaughter trends

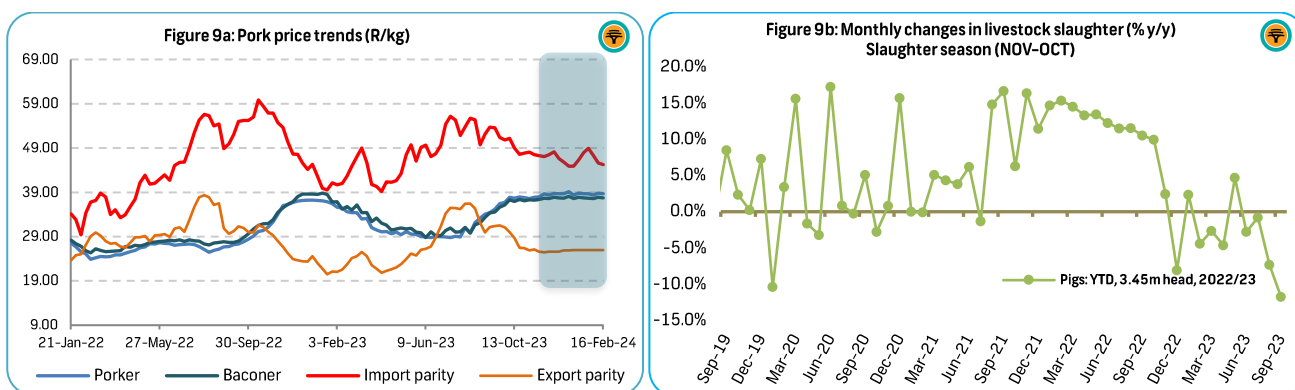


\*Last thirteen data points on figure 3a are preliminary

Source: Red Meat LevyAdmin

## Weekly pork market

Figure 9: Pork prices and slaughter trends



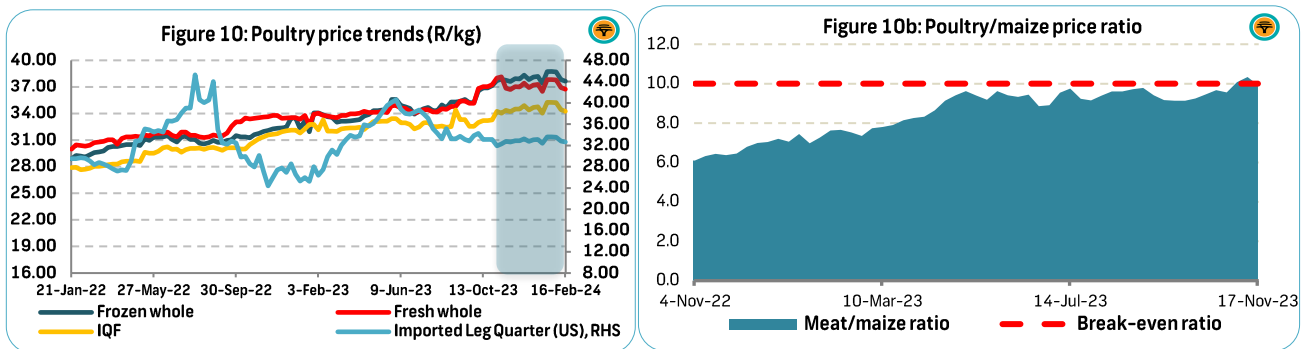
\*Last thirteen data points on figure 4a are preliminary

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 7a are preliminary

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