

how can we help you?

Livestock and Fibre markets

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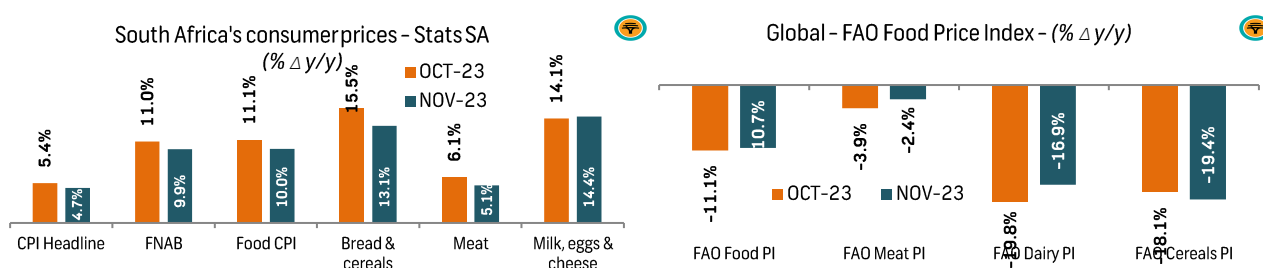
Paul Makube pmakube@fnb.co.za | Tumi Kgasago | Vhutshilo Mabela | 08 DEC 2023

UPDATE ON LIVESTOCK MARKETS

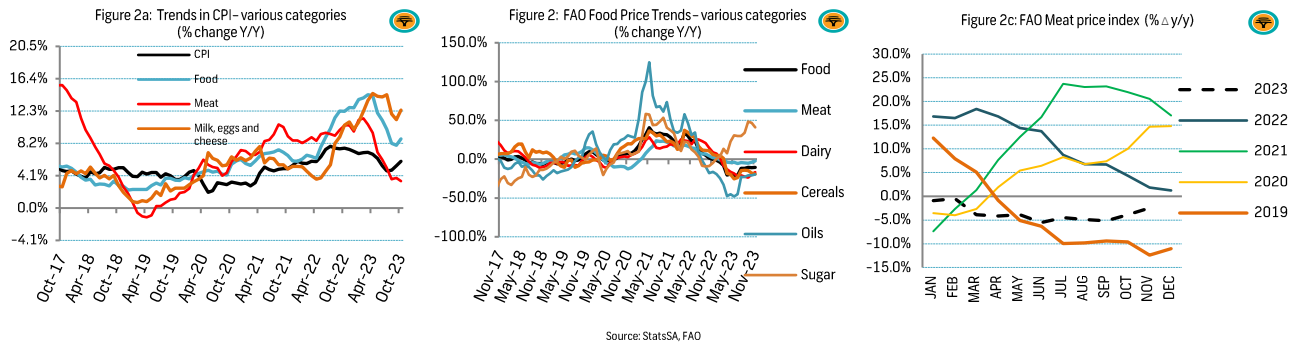
Global and domestic meat prices lose steam heading into the festive period.

- No respite on the international market as global food inflation remained in negative territory for the thirteenth consecutive month after falling by 10.7% year-on-year (y/y) although steady month-on-month (m/m) in November 2023 according to the recent update from the United Nation's Food and Agriculture Organization (FAO).
- We saw a similar trend with the FAO meat subindex which fell by 2.4% y/y and still in negative territory for the past eleven months. The monthly meat inflation fell 0.4% m/m in November from -1.6% m/m in October. Again, the combination of improved supplies and lacklustre demand for poultry and pig meat respectively exerted downward pressure on prices. Bovine meat prices also came under pressure from heavy supplies from major suppliers, the Oceania region and Brazil.
- Poultry prices posted the biggest decline of 9.8% y/y as Brazil ramped up its exportable supplies, further coming in marginally down by 0.4% m/m in November 2023. Although easing by -0.4% m/m on subdued demand, pig meat prices remained in positive territory but decelerated to 1.9% y/y in November relative to a 3.5% y/y in October (figure 1c).
- In contrast, South Africa's food inflation reversed course and accelerated faster for the first time in six consecutive months to 8.8% y/y in October 2023 as prices of lightweight items in the food basket, fruit and vegetables, more than outweighed the moderation in cereals and meat.
- Meat prices lost steam and decelerated to 3.4% y/y in October from 3.8% y/y previously and further steady at 0.6% m/m despite earlier concerns about the avian influenza outbreak and its potential knock-on effect of a supply crunch for chicken (figure 1a).
- Our analysis of monthly trends on domestic livestock markets shows weakness for beef and sheep meat prices while pork and poultry remain elevated relative to the 2022 levels (figures 3a to 3c).

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

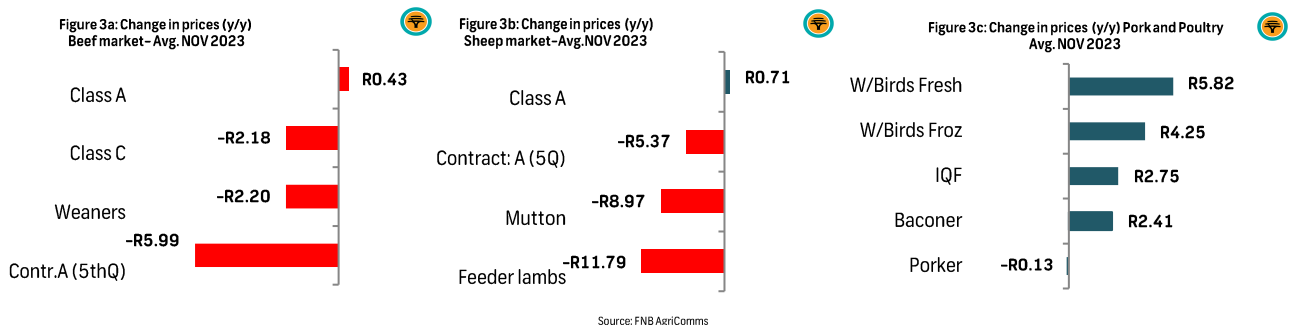


Source: StatSA, FAO

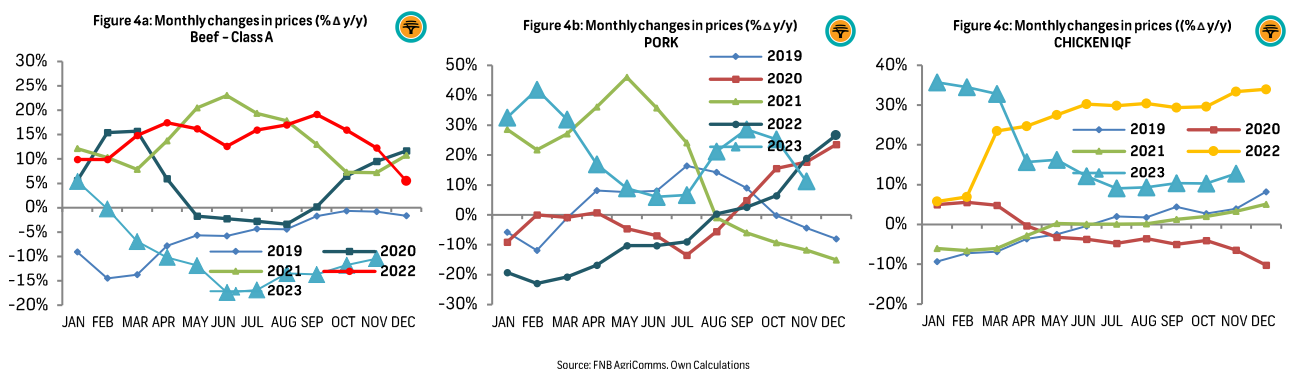
Figure 2: Detailed SA and global inflation trends for selected product categories (% Δ y/y)

Modest gains for poultry prices but the rest of the meat complex were subdued.

- Figures 3a to 3c illustrate changes in average beef, sheep, pork, and poultry for November 2023 relative to 2022 levels. Beef and sheep prices lost steam and remained on the backfoot due to the unseasonal faltering in demand which is reflective of tough economic times for the consumers.
- In contrast, poultry prices posted biggest gains after the initial response to the avian flu outbreak. Pork and baconer prices were mixed with marginal losses for the former while the latter remained elevated relative to 2022 levels (figure 3c).
- The avian flu situation seems to have subsided, and it has also emerged that domestic stocks have been relatively adequate to meet demand thus preventing a potential surge in prices during the December holidays.

Figure 3: 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 4c). However, pork price growth rebounded strongly since June 2023 (figures 4b). Beef on the other hand continues to trend in negative territory, which is way below the past three years for class A carcass (figure 4a).

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

Near term strength in grain prices remain a big concern for intensive livestock producers

- Recent concerns over dryness in the central and western parts of the country lifted white maize prices back above R4,000/t. White maize futures for Mar-24 and Jul-24 traded at R4,368/t and R4,265/t respectively on 08 November 2023 (table 1).
- Yellow maize however struggled and briefly breached this level at R4,122/t and R4,072/t for the Mar-24 and Jul-24 futures respectively. Yellow maize is mainly used for livestock feed and the good production prospects will help limit further upside for prices which bodes well for livestock feeding.
- We saw a similar trend in the oilseed category with sunflower for Mar-24 and May-24 delivery up by 5% and 3.9% m/m respectively. A bumper harvest and increased plantings continued to limit soybean price gains as reflected in table 1.
- Meat-maize price ratios continued to improve across the board for broilers, beef, and pork in November relative to October and were much better than the 2022 levels (figure 4b) underpinned by the earlier moderation in maize prices (figure 5a). Meat-maize price ratios serve as indicators of profitability in the industry.

Figure 5: Changes in prices of raw feed inputs and the meat-maize price ratios for beef, broiler, and pork.

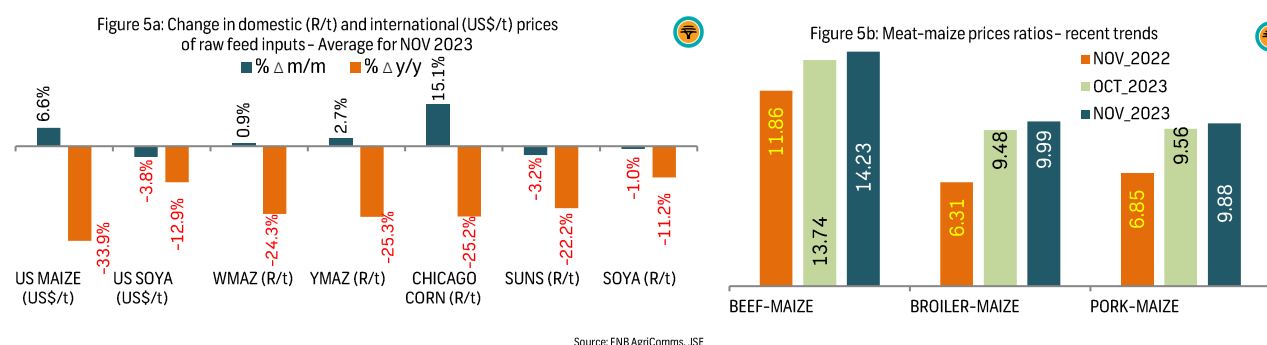


Table 1: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

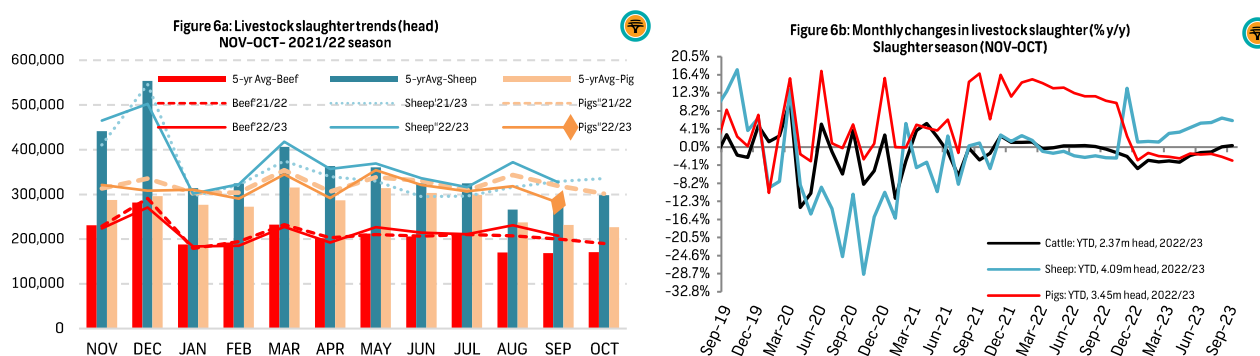
08 NOV 2023	WMAZ R/ton	%Δ m/m	YMAZ R/ton	%Δ m/m	SUNS R/ton	%Δ m/m	SOY R/ton	%Δ m/m
Mar-24	R4,368	13.7%	R4,122	9.9%	R9,407	5.1%	R9,197	-1.6%
May-24	R4,265	10.6%	R4,072	7.6%	R9,082	3.9%	R9,104	1.2%
Jul-24	R4,249	9.0%	R4,080	7.7%	R9,122	2.6%	R9,196	1.3%
Sep-24	-	-	R4,133	6.5%	-	-	-	-
Dec-24	R4,389	7.4%	R4,238	6.5%	-	-	-	-

Source: JSE,

A slight uptick in livestock slaughter helped increase availability of livestock products during the 2022/23 season.

- Livestock slaughter increased slightly by 1.3% to 9.91 million head for the season to September 2023 (NOV-OCT slaughter season). The 6% and 0.4% y/y increases in slaughter rates in the sheep and cattle markets respectively compensated for the 3% y/y decline for pigs (figures 6a and 6b).

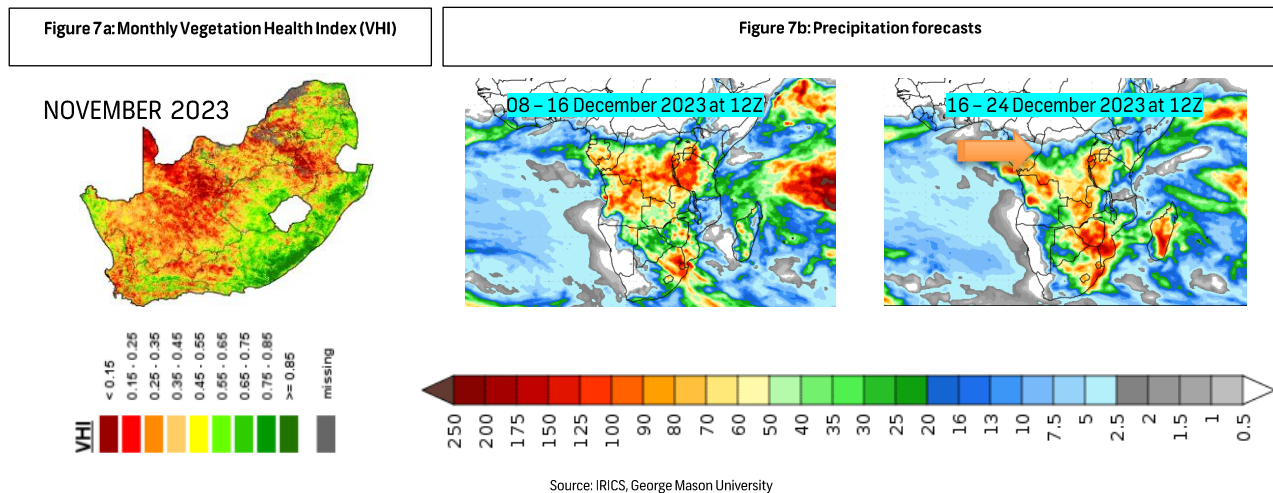
Figure 6: South Africa's livestock slaughter trends



OUTLOOK

- With just over a week before Christmas, we expect no fireworks in terms of pricing across the meat complex. Prices are expected to hold or move just marginally up in the remaining days of the rush period sales.
- We then head into the January period which is likely to be tough for producers given the expected increase in product particularly imported chicken as well the depressed demand conditions post-holiday period.
- Although seasonal conditions indicate a good start to the summer period with rains expected across most areas towards the end of December 2023 (figure 7b), El Niño remains a concern heading into deep summer.

Figure 7: Monthly Vegetation Health Index (VHI) and precipitation forecasts



Notes: The official ENSO probabilities for the Niño 3.4 seas surface temperature index (5°N–5°S, 120°W–170°W); The precipitation plot shows the accumulation over day 0–8 and day 9–16 plus the percentage of normal for the day 0–8 accumulation: NOAA – National Oceanic and Atmospheric Administration, US Department of Commerce; CPC – Climate Prediction Centre.

El Niño now in full swing but likely to be a single year event

- The recent update on the status of El Niño in the central-eastern equatorial Pacific remain strong and most of the atmospheric variables are consistent with the El Niño event, according to the International Research Institute (IRI) on Climate Change.
- As depicted in figure 8a, the El Niño conditions are expected to persist into the mid-summer with over 90% chance but starts dissipating from late summer and autumn with probabilities of 80% and 60% respectively (figure 8a). The SST anomalies are illustrated in figure 8b and indicates a moderate to strong El Niño weather pattern.

Figure 8: Summary of the status of El Niño, La Niña, and the Southern Oscillation (ENSO) – NINO3.4 index (120–170W, 5S–5N)

Figure 8a: Official NOAA CPC ENSO Probabilities (issued Nov. 2023)

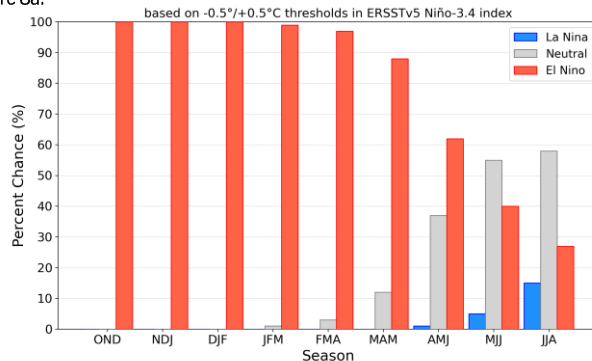
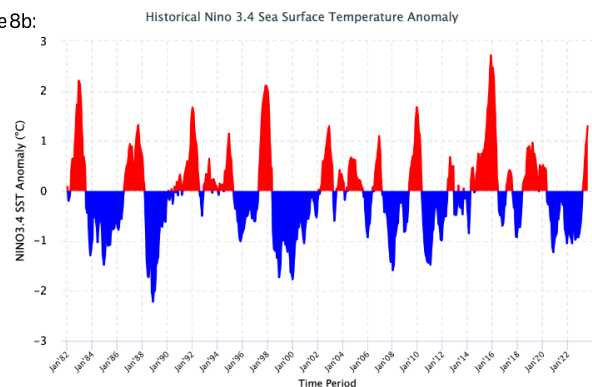


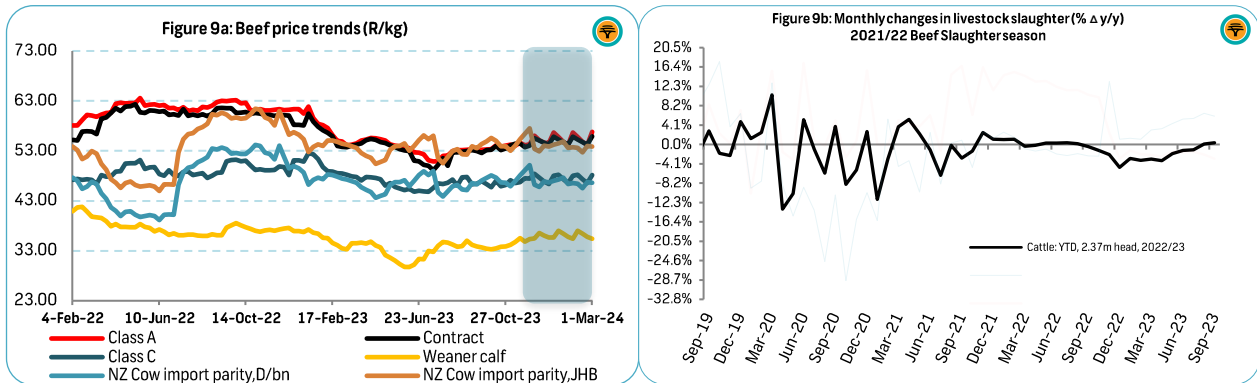
Figure 8b:



Sources: IRI

AgroMetrics: Livestock Charts & Data Tables

Figure 9: Beef prices and cattle slaughter trends

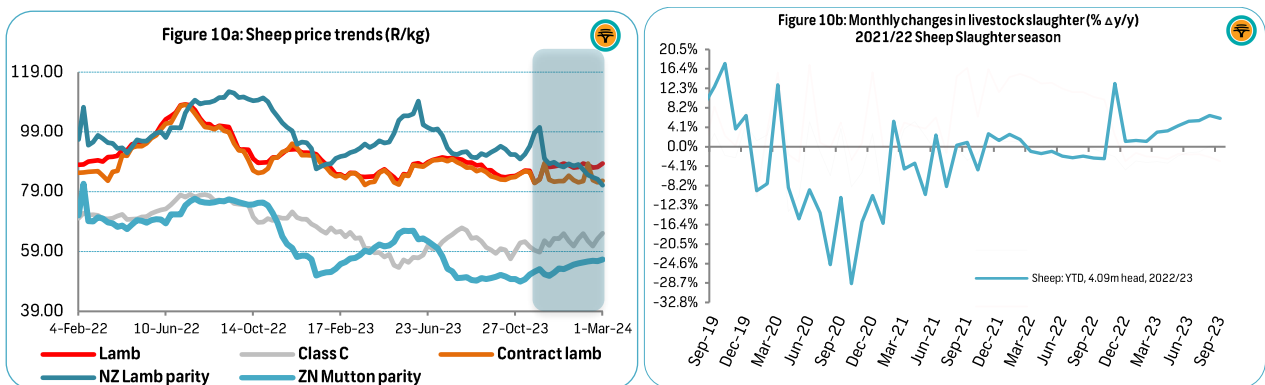


*Last thirteen data points on figure 2a are preliminary

Source: Red Meat LevyAdmin

Weekly summary of the sheep market

Figure 10: Lamb and mutton prices and sheep slaughter trends

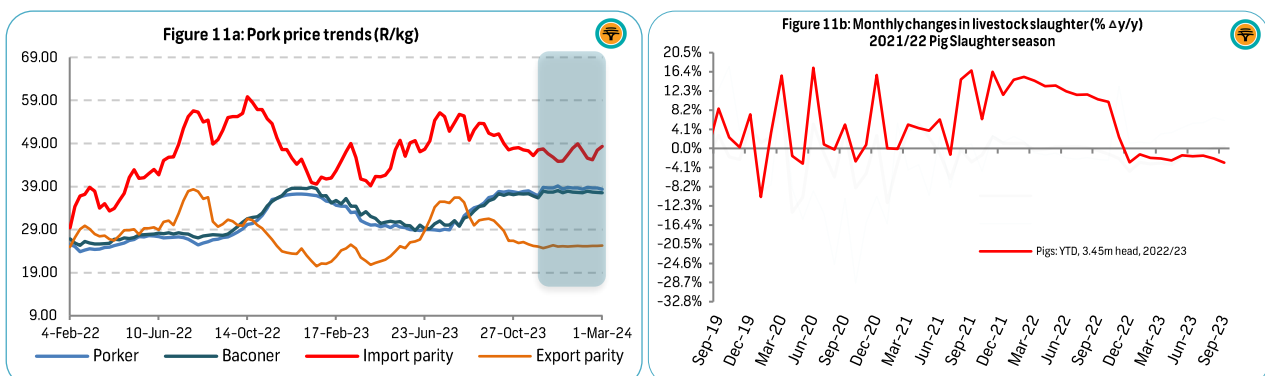


*Last thirteen data points on figure 3a are preliminary

Source: Red Meat LevyAdmin

Weekly pork market

Figure 11: Pork prices and slaughter trends

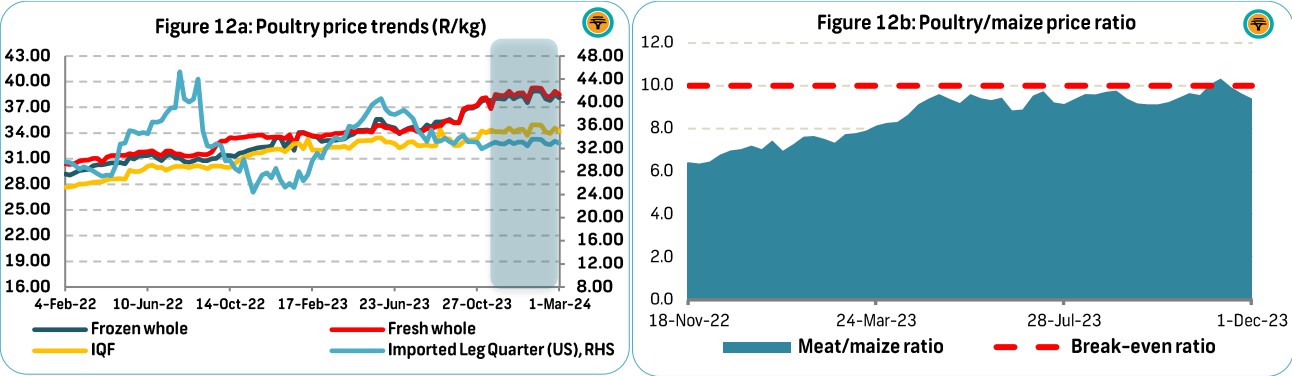


*Last thirteen data points on figure 4a are preliminary

Source: Red Meat LevyAdmin

Weekly poultry market update

Figure 12: Poultry prices and meat/maize ratio trends



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

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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
Greg, Sparrow	KwaZulu-Natal – Pietermaritzburg	071 684 8420	greg.sparrow@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
Sosie Matla	Limpopo-Polokwane	083 413 9734	Sosie.matla@fnb.co.za
Theo, Verwey	Mpumalanga – Lowveld	082 419 6086	tverwey@fnb.co.za
Gao, Ngakantsi	Mpumalanga – Highveld	072 471 6040	gaopalelwe.ngakantsi@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	lschaan.vanwyk@fnb.co.za
Ischaan, Van Wyk	Northern Cape – Upington	073 030 6277	pedrie.vandermerwe@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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