

how can we help you?

Livestock and Fibre markets

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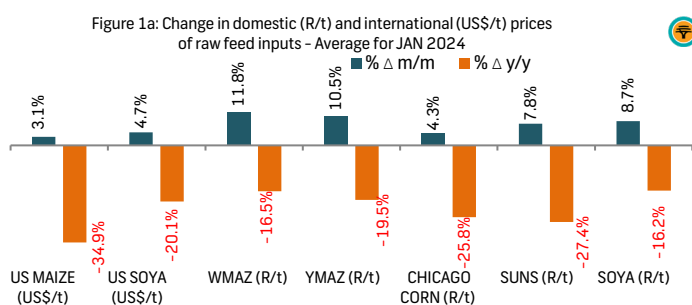
Paul Makube | Tumi Kgasago | Vhutshilo Mabela | 05 FEB 2024

UPDATE ON LIVESTOCK MARKETS

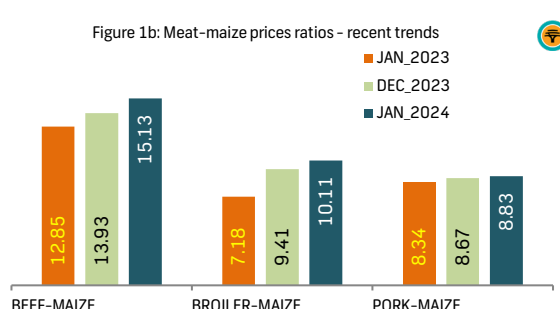
A decent 2023/24 grain harvest outlook bodes well for livestock feeding margins in 2024.

- Feeding margins in the livestock industry particularly poultry seem set to improve further into 2024 given the favourable grain harvest outlook as El Niño conditions surprised on the downside in the current crop season.
- Grain farmers were upbeat ahead of the new crop season despite the El Nino warnings which saw planted area for the country's major raw feed ingredient maize increasing by 2% y/y to 2.64 million hectares. With relatively better production conditions, harvest could easily exceed 15 million tons if one uses long term average yield of about 5.8 tons/ hectare.
- This coupled with a relatively good carryover stock will place downward pressure on maize prices in 2024. We have already seen a moderation in feeding costs in the past few months as reflected in recent updates by major chicken producers.
- Although there were slight monthly price pressures, the average maize, soybean, and sunflower prices for January 2024 were sharply down by 19.5%, 27.4%, 16.2% y/y (figure 1a).
- The latest futures show that maize has fallen below R4,000/t and continues to trade at a huge discount relative to the December levels. Yellow maize for May-24 and Jul-24 delivery fell by 2.5% (-R95/t) and 2.7% (-R103/t) m/m at R3,678/t and R3,681/t respectively for May-24 and Jul-24 contracts (table1).
- In the oilseed complex, soybeans and sunflower futures for May-24 delivery were 6.9% (-R583/t) and 6.6% (-R5.76/t) lower respectively from last month at R7,901/t and R8,099/t.
- Meat-maize price ratios continued to improve across the board with biggest gains for broilers which came in up 7.4% m/m and 40.7% y/y in January 2024. They were followed by beef with an improvement of 8.6% m/m and 17.8% y/y, and pork gaining 1.8% m/m and 5.8% y/y (figure 1b). Meat-maize price ratios serve as indicators of profitability in the industry.

Figure 1: Changes in prices of raw feed inputs and the meat-maize price ratios for beef, broiler, and pork.



Source: JSE, FNB Agriculture



- Meanwhile, the much-vaunted El Niño seems to have left domestic agriculture almost unscathed in the first half of the crop season as weather conditions have been relatively favourable. Another decent harvest is expected for the 2023/24 production season.

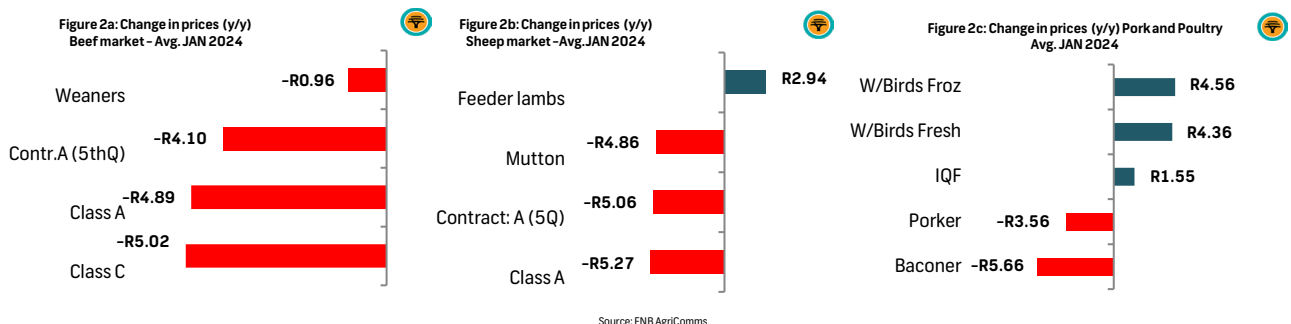
Table 1: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

05 FEB 2024	WMAZ R/ton	%Δ m/m	YMAZ R/ton	%Δ m/m	SUNS R/ton	%Δ m/m	SOY R/ton	%Δ m/m
May-2024	R3,778	-3.0%	R3,678	-2.5%	R8,099	-6.6%	R7,901	-6.9%
Jul-2024	R3,793	-2.7%	R3,681	-2.7%	R8,199	-7.3%	R8,053	-6.8%
Sep-2024	R3,870	-2.6%	R3,747	-2.7%	-	-	R8,110	-
Dec-2024	R3,970	-2.0%	R3,855	-2.3%	-	-	R8,275	-
Mar-2025	R3,895	-	R3,842	-	-	-	-	-

Source: JSE

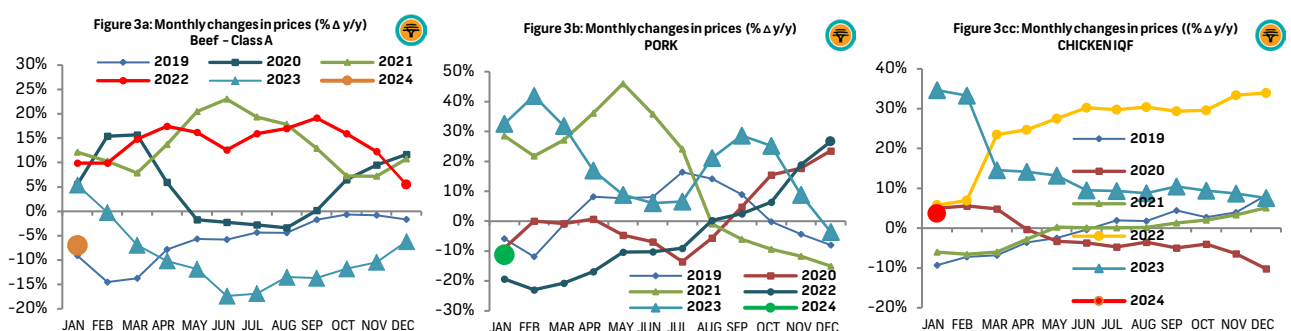
- Our analysis of monthly trends on domestic livestock market shows weakness across the red meat complex in January 2024 relative to the same period in 2023 (figure 2a). Chicken however remained an exception, posting gains of 13%, 14%, and 4.8% y/y respectively.

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



- The historical annual growth trend in prices shows a decline for beef and pork at the beginning of 2024 relative to last year (figure 3a and 3b). However, chicken price growth remained in positive territory into 2024 due the impact of the earlier outbreak of avian influenza on prices (figures 3c).

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



OUTLOOK

- The relatively good agriculture conditions bodes well for feed availability and the potential moderation in raw feed input prices. This bodes well for livestock producers as good pastures help reduce feeding costs. While poultry has seen some improvement in margins in the recent past, the mooted partial rebate in the recent government gazette that would see imported boneless cuts and frozen chicken levied at full duty less 30% on the current 42%, is likely to reverse gains to recovery following the disease-induced decimation of profits in the industry during 2023. Bone-in frozen or unfrozen chicken would see a partial rebate of full duty less 25% from the current 62% if implemented.

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
Jo-ann Krohn	Free State - Bloemfontein	064 542 3548	Jo-AnnKrohn@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
Kristin Da Silva	North-West	079 693 8268	Kristin.dasilva@fnb.co.za
Johan De Klerk	North-West	082 776 3477	jdeklerk2@fnb.co.za
Sosie Matla	Limpopo- Polokwane	083 413 9734	Sosie.matla@fnb.co.za
Gao Ngakantsi	Limpopo- Polokwane	072 471 6040	gaopalelwe.ngakantsi@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
Gasa Penny	KwaZulu-Natal - Pietermaritzburg	081 718 9019	Penny.gasa@fnb.co.za
Hanro Du Plessis	Mpumalanga - Highveld	082 895 1762	hanro.duplessis@fnb.co.za
Phoka Nkhua	Mpumalanga - Highveld	060 9927 487	phoka.nkhua@fnb.co.za
Theo Verwey	Mpumalanga - Lowveld	082 419 6086	tverwey@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
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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