

how can we help you?

Livestock and Fibre markets

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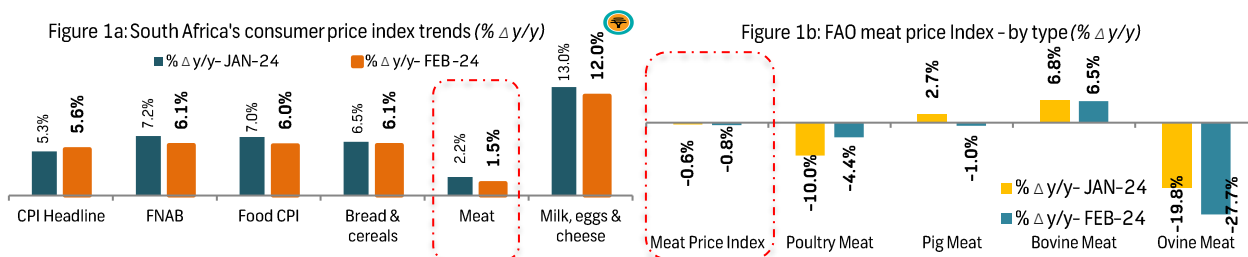
Paul Makube | Tumi Kgasago | Vhutshilo Mabela | 22 MAR 2024

UPDATE ON LIVESTOCK MARKETS

Meat lovers breathe a sigh of relieve as inflation eased further in February 2024

- Headline inflation accelerated faster to 5.6% y/y in February from 5.3% in January 2024, which is slightly above market expectations of 5.5% y/y. The monthly headline inflation outcome was 1% m/m. However, food inflation decelerated faster to the lowest level in twenty-five months at 6% y/y in February from 7% y/y in January.
- Except for the sugar, sweets and deserts which remained flat, the rest of the food subcategories decelerated with oils and fats extending their trend in negative territory. Oils and fats inflation has been trending negatively for the past ten months which is line with the trend on the international market.
- Good news for meat lovers is that inflation decelerated for the fifth consecutive month, coming in at 1.5% y/y and falling by 0.5% m/m. The seasonal downturn in demand early in the New Year as well as an improvement in supplies continued to place meat prices on the backfoot.
- This trend is likely to continue in the medium term on the back of increased supplies due to the dryness that reduced feed availability for overwintering. The mooted implementation of certain rebates on imported poultry following the recommendation by the International Trade Administration Commission of South Africa (ITAC) to the Minister of Trade and Industry poses further downside risk.
- In contrast, globally meat inflation as measured by the United Nation's Food and Agriculture Organization (FAO) bumped up slightly by 1.8% m/m but continued to trend negatively for the fourteenth consecutive month at -0.8% y/y in February 2024 (figure 1b).
- A drilldown into the meat category shows beef rump steak and pork chops posting biggest decreases of 16% (-R30.34/kg) y/y and 14% (-R14.73/kg) y/y respectively (table 1).

Figure 1: Food and meat price inflation trends – FEBRUARY 2024



Source: StatsSA, FAO

- These more than offset gains for chicken meat which remained sticky on the upside across all portions with the individually quick frozen (IQF) increasing by 6.1% (+R2.62/kg) at R93.33/kg. Fresh whole bird prices were 6.2% (+R3.77/kg) higher y/y at R64.77/kg. However, monthly pressures due to subdued demand coupled with increased stocks saw a slight reduction of 1.5% (-R0.97/kg) and 0.4% (-R0.30/kg) m/m respectively for whole chicken (fresh) and chicken portions (fresh).
- Provincially, the WC was the most expensive for rump stake and beef offal as illustrated in figures 3a and 3b. Pork chops and pork ribs were the most expensive in the provinces of the WC and EC respectively (figures 3c and 3d). For mutton/lamb loins and mutton/lamb loins, GP consumers paid the most (figures 3e and 3f). For chicken, the WC was the most expensive for the IQF portions while the FS paid more for the fresh whole birds (figures 3g and 3h).

Table 1: Meat price changes by selected cuts per red 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 offal
R/kg	159.32	110.85	131.27	105.07	97.77	50.23	90.25	100.36	108.09	191.83	197.84	64.16
% Δ m/m	-0.47%	-1.45%	0.25%	-0.82%	-0.31%	1.03%	-2.56%	0.01%	-0.53%	-2.15%	0.43%	-1.78%
R/kg Δ m/m	-0.76	-1.63	0.33	-0.87	-0.30	0.51	-2.37	0.01	-0.58	-4.21	0.84	-1.16
% Δ y/y	-16.00%	-1.59%	-2.55%	-2.87%	-5.74%	3.04%	-14.03%	-7.92%	1.97%	-3.47%	7.29%	-8.68%
R/kg Δ y/y	-30.34	-1.79	-3.43	-3.10	-5.95	1.48	-14.73	-8.63	2.09	-6.90	13.44	-6.10

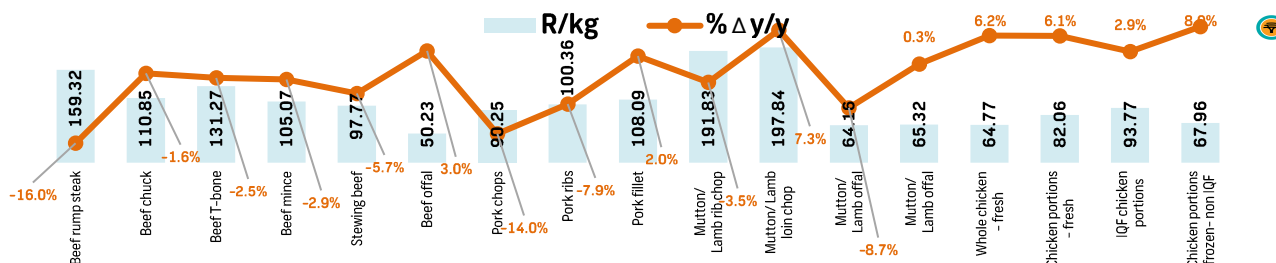
Source: StatsSA

Table 2: Meat price changes by selected cuts for poultry in South Africa

FEBRUARY 2024	Whole chicken - fresh	Chicken portions - fresh	IQF chicken portions	Chicken portions frozen - non IQF	Chicken giblets (neck, gizzards, hearts, etc)
R/kg	64.77	82.06	93.77	67.96	47.98
% Δ m/m	-1.48%	-0.36%	0.34%	0.34%	-0.44%
R/kg Δ m/m	-0.97	-0.30	0.32	0.23	-0.21
% Δ y/y	6.18%	6.12%	2.87%	8.03%	6.08%
R/kg Δ y/y	3.77	4.73	2.62	5.05	2.75

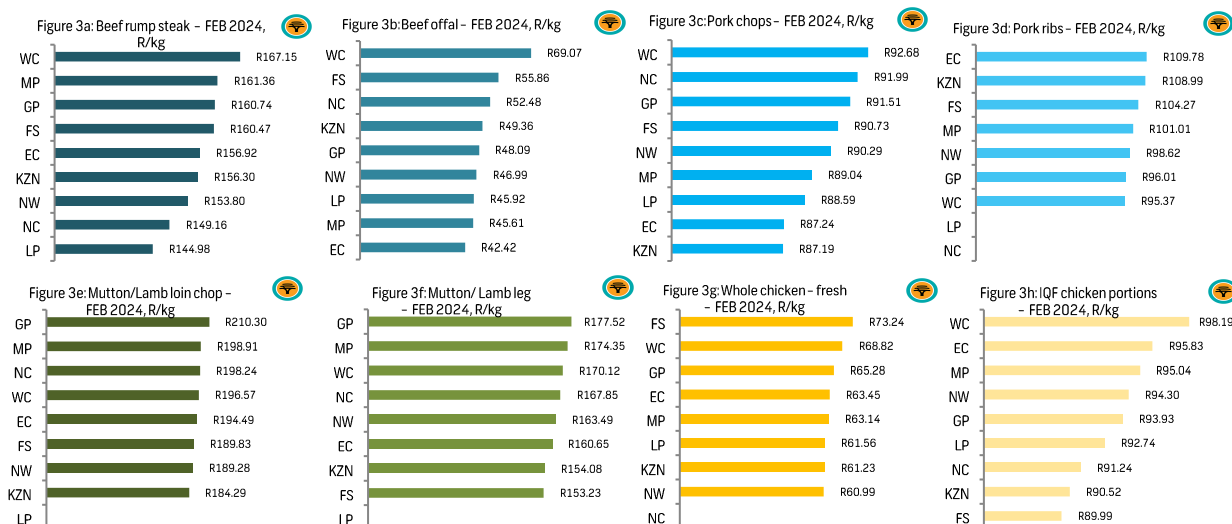
Source: StatsSA

Figure 2: Consumer prices for selected meat products (% change y/y) - FEBRUARY 2024



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

Figure 3: Who pays the most? Meat prices by type at provincial level.

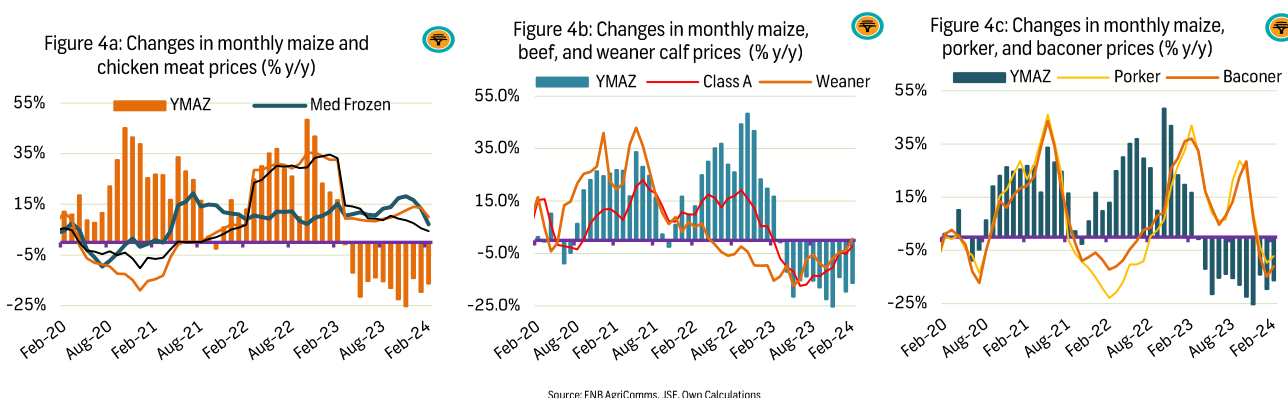


Source: Stats SA

Feed cost containment becomes critical for livestock producers as grain prices rise

- Latest rains recorded in summer crop areas bode well for crop recovery although it may be too late for some crops. Indications are for another cut in crop estimates as the situation deteriorated further after the previous assessment.
- On the back of an expected uptick in raw feed input prices in the medium term, producers will focus on containing feed costs and efficiencies in their operations. (See table 3).
- Monthly changes in prices of various meats and maize are illustrated in figure 4 (a, b, and c). In the meat category, annual growth in prices of chicken meat still far outpaces that of maize as illustrated in figure 4a.
- However, feeding margins were thin in the beef and pork category as their price growth remained in negative territory since the second half of 2023 and early in 2024.

Figure 4: Changes in maize prices in relation to various meat types



- Commodity futures in the grain and oilseed complex remained elevated relative to the previous month as of March 22, 2024.

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

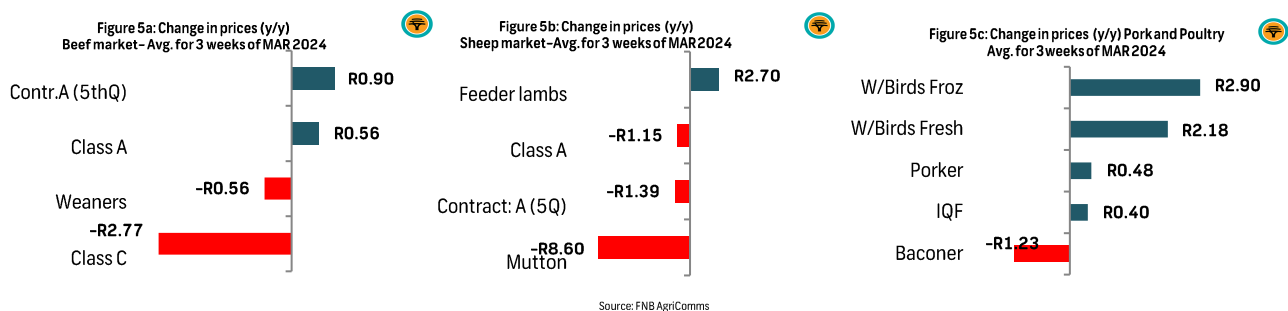
22 MAR 2023	WMAZ R/ton	%Δ m/m	YMAZ R/ton	%Δ m/m	SUNS R/ton	%Δ m/m	SOY R/ton	%Δ m/m
May-2024	R5,125	20.0%	R4,281	14.7%	R9,321	16.6%	R8,599	8.6%
Jul-2024	R5,140	21.1%	R4,305	15.9%	R9,485	14.5%	R8,729	8.2%
Sep-2024	R5,202	20.9%	R4,371	15.4%	R9,528	11.5%	R8,827	7.0%
Dec-2024	R5,258	19.1%	R4,453	14.6%	R9,659	9.5%	R9,074	7.9%
Mar-2025	R5,097	14.5%	R4,365	11.9%	–	–	R8,778	–

Source: JSE

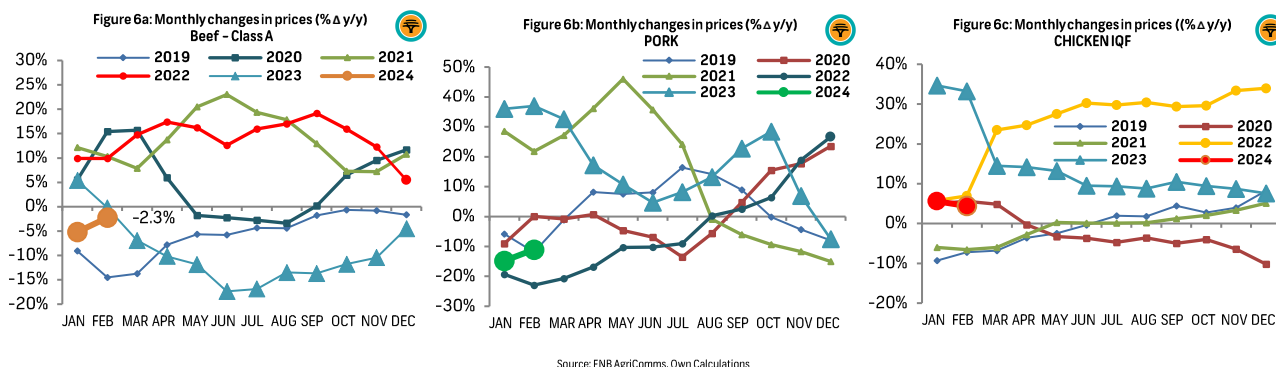
Some recovery for beef heading to the Easter holidays

- Our analysis of weekly livestock prices on the domestic market for the first three weeks of March showed a slight rebound for beef carcass prices as we head closer to the Easter holidays. However, class C and weaner calves remained under pressure and declined.
- Sheep meat extended losses across all categories under consideration relative to last year. Pork and baconers posted good monthly gains but were still down on 2022 levels.

Figure 5: Changes in average monthly livestock prices (R Δ y/y)

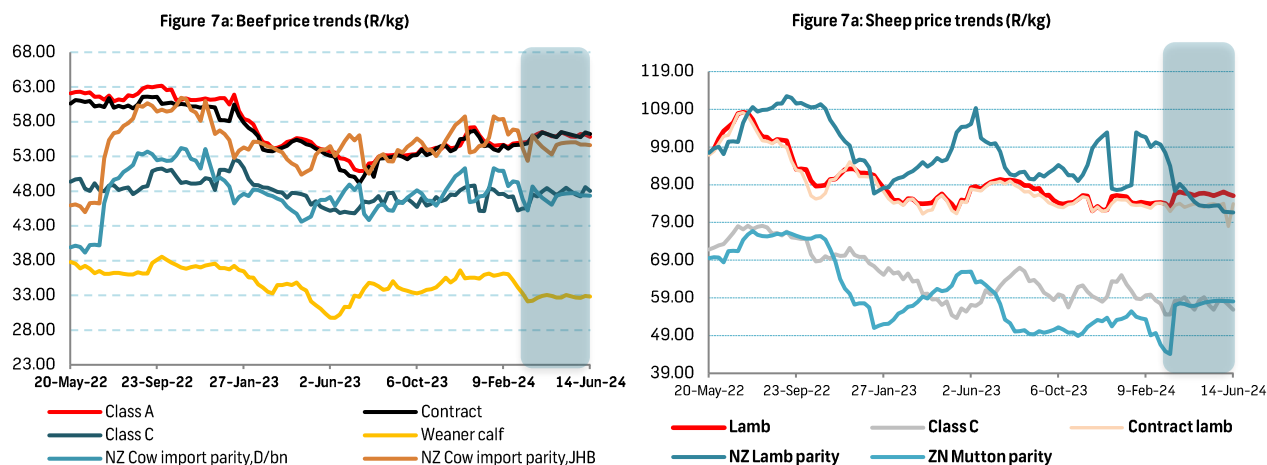


- Poultry categories surprised on the downside in March but were still ahead of last year (figure 5c).
- The historical annual growth trend in prices shows beef and pork still in negative territory in February 2024 relative to last year (figure 6a and 6b). However, chicken price growth remained in positive territory in February 2024 but slowed from the previous month (figures 6c).

Figure 6: Growth trends for producer prices of various meat types (% Δ y/y)

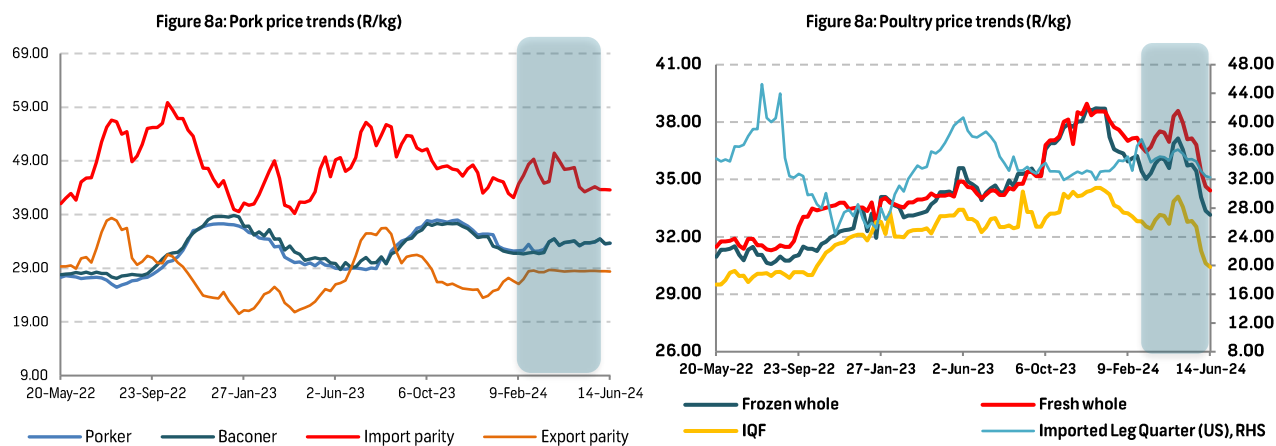
AgroMetrics: Livestock Charts

Figure 7: Beef and sheep meat price trends



*Last nine data points on figure 2a are preliminary

Figure 8: Pork and poultry price trends



*Last nine data points on figure 4a are preliminary

OUTLOOK

- Upward pressure on raw feed input prices will continue in the near term given the dim summer harvest outlook. A sustained uptrend in maize prices poses downside risk to the profitability of intensive livestock feeding.
- Further, the early-year dryness prevented the good build-up of grass cover for overwintering thus forcing producers to recalibrate their stock holdings.
- Nonetheless, the longer-term weather outlook seems to have turned for the better with forecasts of the return of La Nina as the current El Niño weather pattern tails off (figure 9c).
- The near-term rainfall outlook calls for rains of about 20 to 40 mm in the summer crop areas which may alleviate moisture stress and help crops to recover (figures 9a and 9b). However, indications so far are that crops in some areas may be beyond recovery despite the recent rains.

Figure 9: Short to medium term rainfall forecasts and summary of the status of El Niño, La Niña, and the Southern Oscillation (ENSO)

Figure 9a: Precipitation (mm) – Period 22 MAR at 00Z to 30 MAR 2024 at 00Z

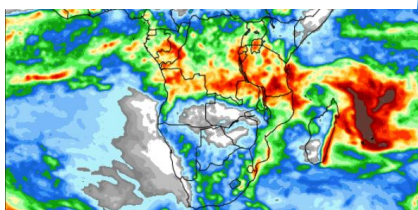


Figure 9b: Precipitation (mm) – Period 30 MAR at 00Z to 07 APR 2024 at 00Z

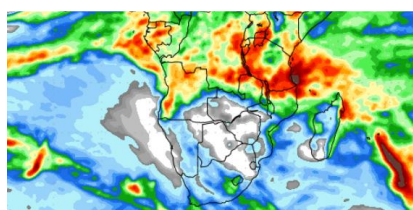
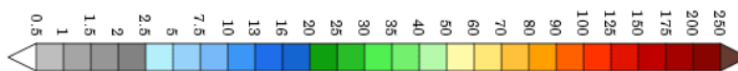
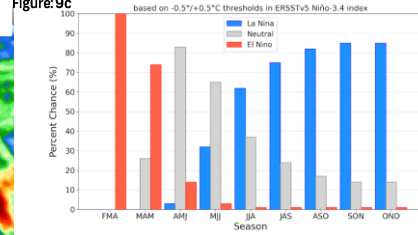


Figure 9c: Official NOAA CPC ENSO Probabilities (issued Mar. 2024)



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