

how can we help you?

Livestock and Fibre markets

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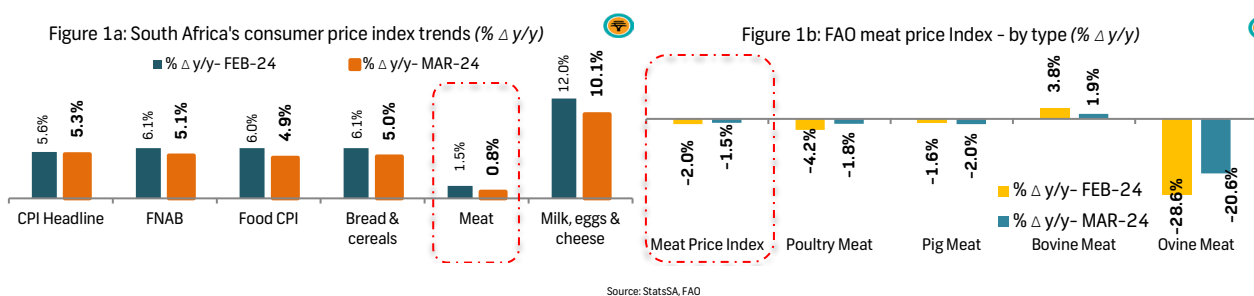
Paul Makube | Tumi Kgasago | Vhutshilo Mabela | 17 APR 2024

UPDATE ON LIVESTOCK MARKETS

Annual meat inflation slows for the third consecutive month to 0.8% y/y in March 2024

- Headline inflation reversed course and beat expectations by decelerating to 5.3% y/y in March 2024, which is on par with the January level but below February's 5.6%. Drifting away from the upper end of the SARB's target range is good news for the monetary policy outlook as consumers wait in anticipation for a relieve from the higher interest rates.
- Worryingly though, average fuel prices jumped by 2.3ppts to 5.3% m/m and 0.8ppt to 6.2% y/y thus reaching the highest level since October 2023.
- Further, the estimated under/over recovery on various fuel categories as of 16 April 2024 indicated a potential increase of 24 cents and 29 cents for the diesel 0.05% and 0.005% grades respectively in May. This not good news for producers as cost of distribution of produce and running electricity generators during loadshedding increases operational costs. However, there is a potential relieve for consumers as the petrol price might decrease by 34 cents and 33 cents for the 95 ULP and 93 ULP/LRP respectively.
- Food inflation decelerated to a 42-month low of 4.9% y/y and fell by 0.1% m/m in March 2024. Except for fish which rebounded from 3.2% previously to 4.1% y/y in March, most food subcategories continued to decelerate.
- Meat inflation continued to decelerate in 2024 and reached the lowest level of 0.8% y/y since August 2019. The monthly meat inflation remained in negative territory for the second consecutive month at -0.7% m/m.
- 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. Increased seasonal supplies due to weaning in the cattle market will further limit near term price growth. For poultry, the implementation of certain rebates on imported poultry following the announcement by the Department of Trade and Industry and the International Trade Administration Commission of South Africa (ITAC) earlier in the year poses further downside risk for prices.

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



- In contrast, global meat inflation as measured by the United Nation's Food and Agriculture Organization (FAO) extended the 16-month run in negative territory at -7.7% y/y although having nudged 1.1% m/m in March.
- We saw a similar trend in the FAO meat inflation which fell to -1.5% y/y although rebounding by 1.7% m/m. Except for bovine meat which decelerated to 1.9% y/y, all categories tracked declined with ovine meat posting the biggest decline of 20.6% y/y, followed by pig meat (-2% y/y), and poultry (-1.8% y/y).

Beef fillet outpaced other meat cuts by posting the biggest decline of 20.1% y/y in March 2024

- A drilldown into the meat category shows beef fillet posting the biggest decrease of 20.1% (-R6.91/kg) y/y and 3.9% (-R9.73/kg) m/m at R242.18/kg. Other beef cuts with significant declines were beef sirloin (-18.25% y/y; -R36.57/kg), beef rump steak (-15.86%; -R30.17/kg), and stewing beef (-11.19%; -R12.06/kg) as reflected in table 1.
- In contrast, chicken meat cuts were mostly on the upside with fresh whole bird chicken closing 11.33% (+R6.64/kg) higher y/y followed by fresh chicken portions which increased by 6.2% (+R4.80/kg), see table 1.
- Except for pork fillet, pork cuts were mostly down relative last year with pork chops decreasing by 10.95% (-R11.21/kg) y/y and pork ribs falling by 12.62% (-R14.23/kg) y/y (table 1).
- Similarly, mutton and lamb cuts were mostly down on last year except for the mutton/lamb loin chop which was 4.85% (+R9.03/kg) y/y. Mutton/lamb leg decreased by 3.84% (-R6.67/kg) y/y while rib chops were down by 3.36% (-R6.69/kg) y/y.
- Provincial trends: For beef, the FS was the most expensive for rump stake while the WC saw higher cost for beef offal as illustrated in figures 3a and 3b. Pork chops and pork ribs were the most expensive in the provinces of the FS and EC respectively (figures 3c and 3d). For mutton/lamb loins and mutton/lamb loins, GP and MP 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

MARCH 2024	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	R160.11	R107.67	R130.13	R103.49	R95.74	R49.68	R91.14	R98.56	R108.74	R192.57	R195.15	R63.52
% Δ m/m	0.50%	-2.87%	-0.87%	-1.50%	-2.08%	-1.09%	0.99%	-1.79%	0.60%	0.39%	-1.36%	-1.00%
R/kg Δ m/m	R0.79	-R3.18	-R1.14	-R1.58	-R2.03	-R0.55	R0.89	-R1.80	R0.65	R0.74	-R2.69	-R0.64
% Δ y/y	-15.86%	-3.92%	-3.43%	-4.60%	-11.19%	1.18%	-10.95%	-12.62%	1.85%	-3.36%	4.85%	-2.98%
R/kg Δ y/y	-R30.17	-R4.39	-R4.62	-R4.99	-R12.06	R0.58	-R11.21	-R14.23	R1.97	-R6.69	R9.03	-R1.95

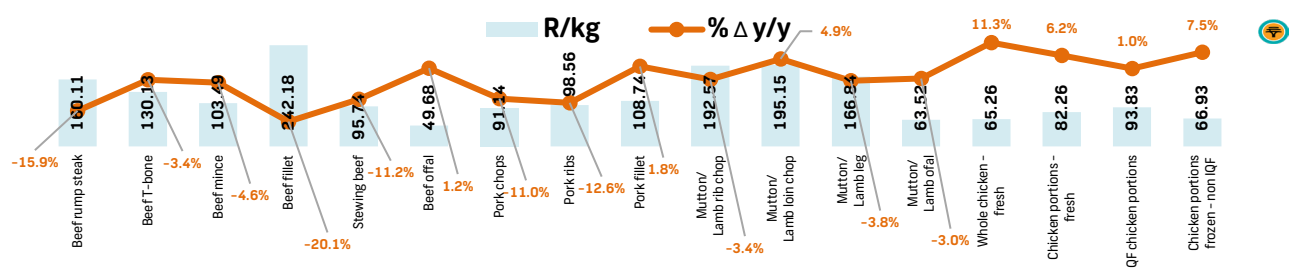
Source: StatsSA

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

MARCH 2024	Whole chicken - fresh	Chicken portions - fresh	IQF chicken portions	Chicken portions frozen - non IQF	Chicken giblets (neck, gizzards, hearts, etc)
R/kg	R65.26	R82.26	R93.83	R66.93	R47.27
% Δ m/m	0.76%	0.24%	0.06%	-1.52%	-1.48%
R/kg Δ m/m	R0.49	R0.20	R0.06	-R1.03	-R0.71
% Δ y/y	11.33%	6.20%	0.96%	7.48%	3.48%
R/kg Δ y/y	R6.64	R4.80	R0.89	R4.66	R1.59

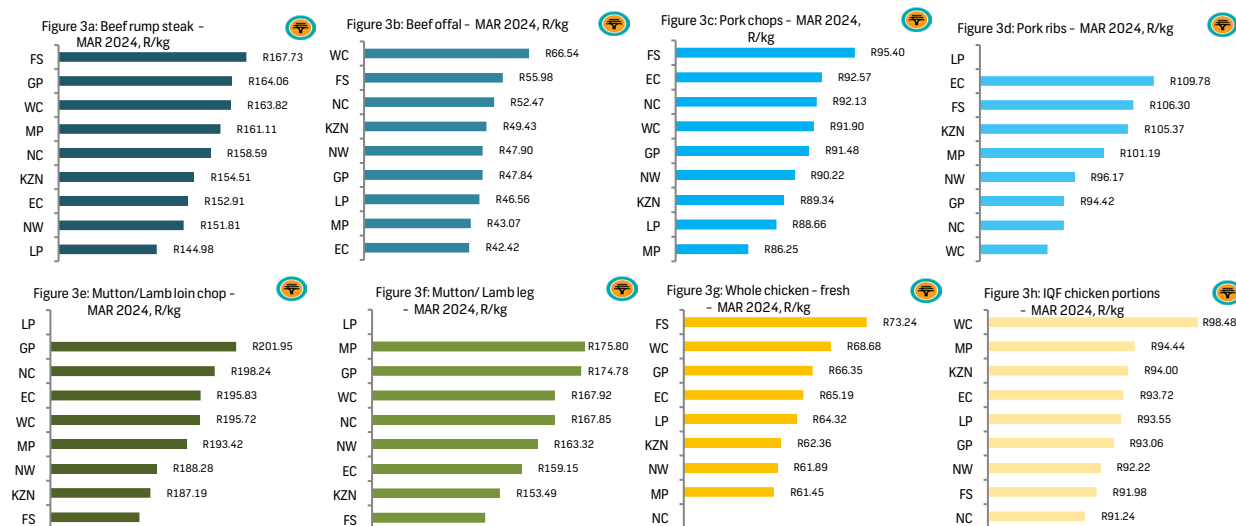
Source: StatsSA

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



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

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

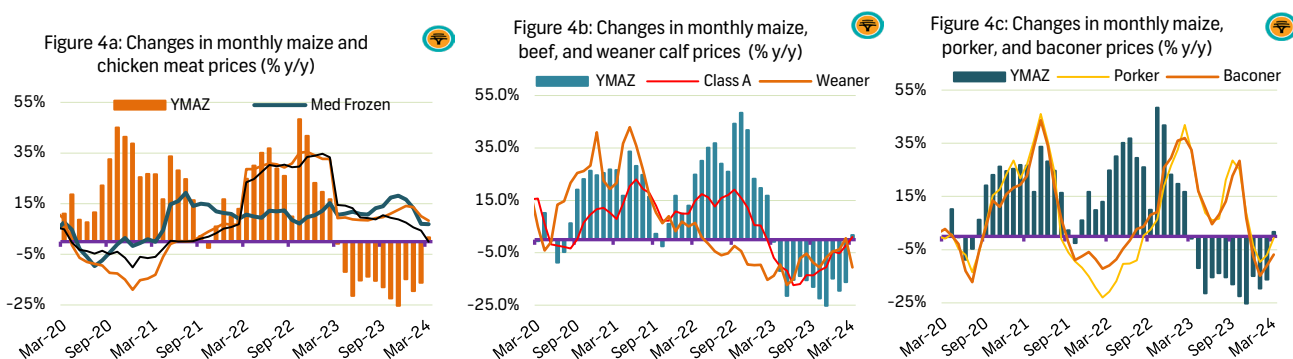


Source: Stats SA.

No respite on the feeding front as maize prices remain elevated

- Maize futures continued to trend on the upside on the back of reduced harvest outlook. Maize futures are now trending above R4,400/t and R5,500/t respectively for the yellow and white categories respectively, see table 2.
- The implications of surging maize futures is higher feeding costs given that it is a major input in feed manufacturing.
- Monthly changes in prices of various meats and maize are illustrated in figure 4 (a, b, and c). Annual growth in prices of chicken meat still far outpaces that of maize although the outlook points to a rebound as illustrated in figure 4a.
- However, feeding margins remained thin in the beef and pork categories as their price growth remained in negative territory since the second half of 2023 and early in 2024 (figures 4b and 4c).

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



Source: FNB AgriComms, JSE, Own Calculations

- Commodity futures in the grain and oilseed complex remained elevated relative to the previous month as of April 17, 2024.
- Oilseed futures price growth however slowed recently after a massive surge in February.

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

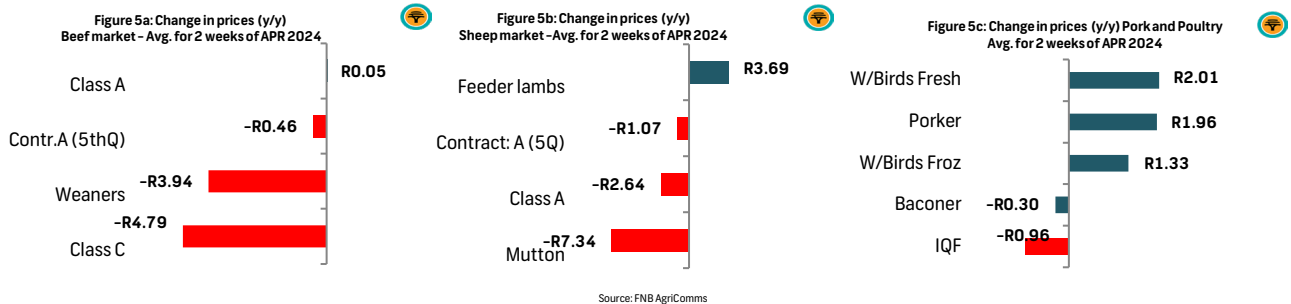
17 APR 2023	WMAZ R/ton	%Δ m/m	YMAZ R/ton	%Δ m/m	SUNS R/ton	%Δ m/m	SOY R/ton	%Δ m/m
Jul-2024	R5,580	7.7%	R4,445	3.5%	R9,384	0.1%	R8,676	-0.6%
Sep-2024	R5,641	8.1%	R4,524	3.9%	R9,646	2.2%	R8,842	-0.3%
Dec-2024	R5,720	8.0%	R4,610	3.5%	R9,765	1.9%	R9,041	0.2%
Mar-2025	R5,280	2.6%	R4,530	4.1%	-	-	R8,928	1.7%
May-2025	R4,600	1.0%	R4,270	3.6%	-	-	-	-

Source: JSE

Weaner calf prices rebound marginally during mid-April but still at lower levels

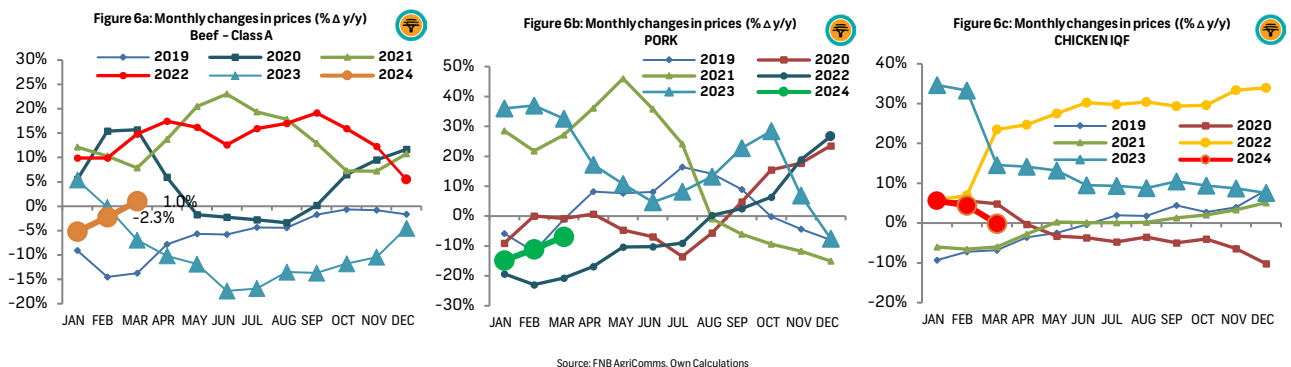
- Our analysis of weekly livestock prices on the domestic market for the first two weeks of April showed weakness across most categories. Weaner calf prices posted the biggest fall of almost 9% (-R3/kg LW) m/m and 11% (-R3.94/kg LW) at R30.73/kg live weight (LW). Increased seasonal supplies due to weaning and subdued winter demand poses downside risk for weaner prices.
- Stock build-up amid subdued demand continued to limit further upside for poultry and pork markets. Sheep meat extended losses across all categories under consideration relative to last year (figure 5c).

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



- The historical annual growth trend in prices shows pork still in negative territory in March 2024 relative to last year (figure 6b). Beef bottomed out and was back in positive territory after nudging 0.1% y/y. Chicken IQF price growth declined marginally by 0.1% y/y in March (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

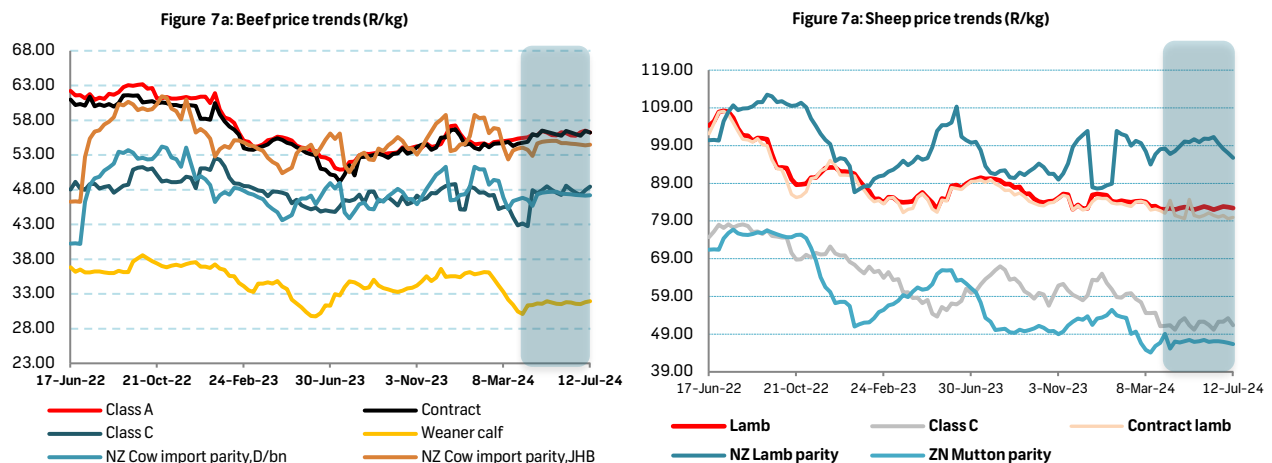
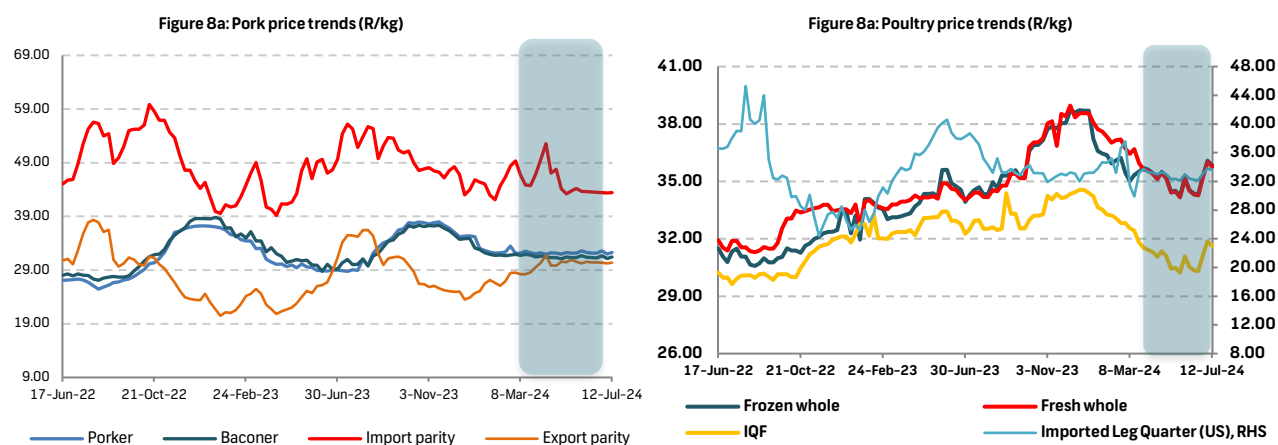


Figure 8: Pork and poultry price trends



*Last nine data points on figure 4a are preliminary

OUTLOOK

- Limited upside for red meat during the winter period due to supply pressure and softer seasonal demand.
- Rising maize prices and consequently higher feed costs remain a big concern for livestock producers as they will erode profit margins in the medium term.

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