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# Livestock and Fibre markets

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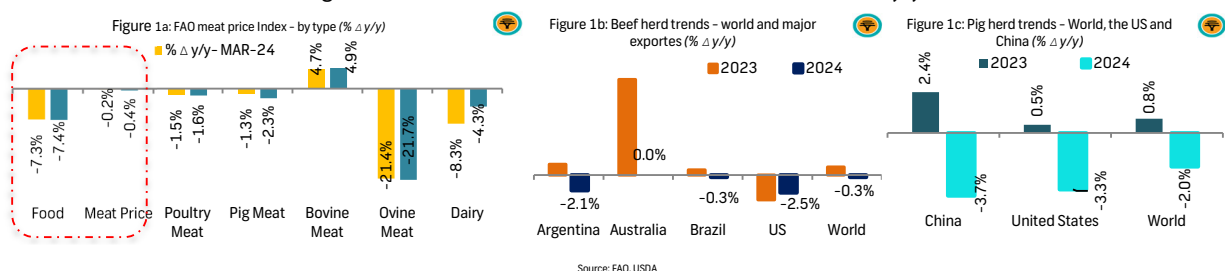
Paul Makube | Vhutshilo Mabela | 16 MAY 2024

## UPDATE ON LIVESTOCK MARKETS

*Global meat inflation rebounds after lifting 1.6% m/m in April 2024*

- The latest update on global meat inflation showed a slight rebound of 1.6% m/m in April 2024 which is a third consecutive monthly increase since the index reversed course earlier in February, according to the United Nation's Food and Agriculture Organization (FAO) data.
- The combination of the avian influenza-induced production cuts and strong import demand for poultry in the Middle East, as well as the uptick in bovine and sheep prices underpinned the recent upside in the monthly meat inflation. Poultry meat inflation posted the biggest increase of 2.7% m/m followed by bovine and sheep meat with monthly increases of 2.3% and 1% respectively.
- However, the annual trend in meat inflation remained in negative territory for the sixteenth consecutive month at -0.4% y/y (figure 1a). Poultry, pig, and sheep meats remained in deflation in 2024 with decreases of 1.6%, 2.3%, and 21.7% y/y respectively in April 2024. Beef was however an exception after posting a modest gain of 4.9% y/y in April which is the sixth consecutive annual increase.
- Meanwhile, forecasts for the world beef and sow herds showed contraction of 0.3% and 2% y/y respectively to 206.33 million and 69.95 million head in 2024 according to data from the United States Department of Agriculture (USDA) (figs 1).
- For beef, most of the decrease was for the US as high feeds costs and drought in some areas in the past few years forced producers to reduce their stocks by 2.9% and 3.4% y/y respectively in 2022 and 2023. A further contraction of 2.5% y/y is expected for 2024. In South America, Argentina and Brazilian herd forecasts were reduced by 2.1% and 0.3% y/y respectively for 2024.
- The Chinese sow herd is forecast to drop by 3.7% y/y to 412 million herd in 2024 which poses upside risk to international prices due to a potential surge in imports.

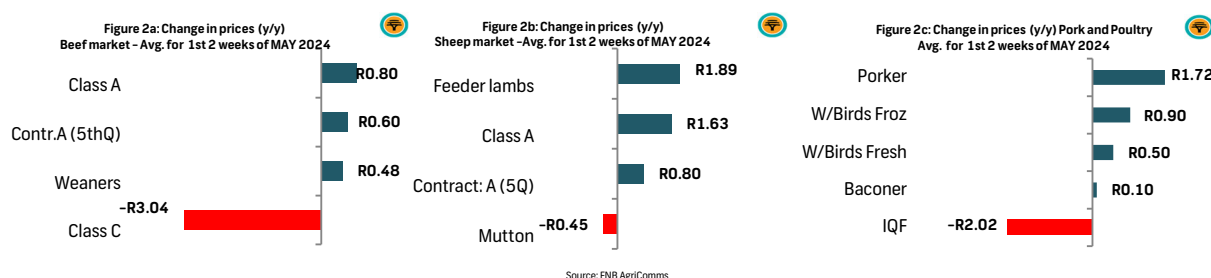
Figure 1: Global meat inflation and livestock herd trends (%  $\Delta$  y/y)



*A surprise recovery in the beef market early in May 2024 despite increased availability*

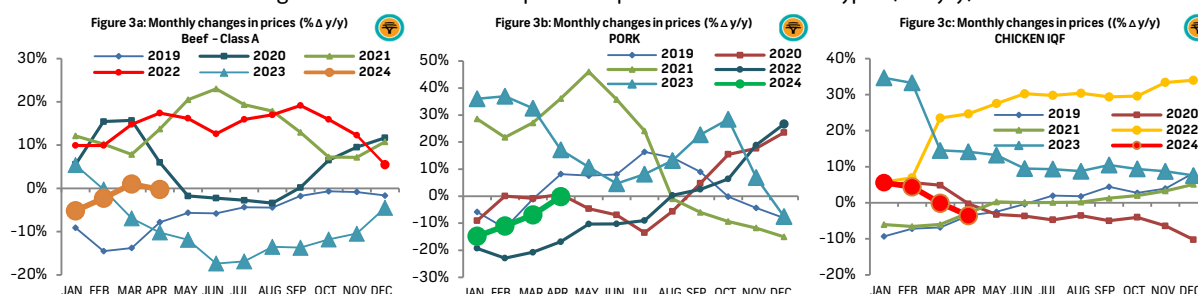
- Our analysis of weekly livestock prices on the domestic beef market so far for May shows that although under pressure towards midmonth, average class A carcass prices for the first two weeks were a bit better relative to the same period last year (figure 2a). However, the Class C category still trails last year's by 6.6% (-R3.04/kg).
- The weaner market seems to have weathered the storm due to weaning pressure with prices ahead of the same period last year by 1.5% (+R0.48/kg live weight (LW)).
- We saw a similar trend in the sheep carcass market with average class Cs for the first two weeks of May easing by 0.8% (-R0.45/kg) y/y as illustrated in figure 2b. However, they edged 0.6% (+R0.32/kg) higher m/m. Feeder lambs posted monthly gains of 3.1% (+R1.33/kg LW) m/m and were 4.4% (+R1.89/kg LW) higher y/y.
- Except for the IQF which softened by 0.8% (-R0.27/kg) m/m and still down by 6.1% (-R2.02/kg) y/y, poultry prices are so far mostly on the upside underpinned by the resilient demand (figure 2c). Meanwhile, low value items have enjoyed strong price growth due to the seasonal upswing in demand.
- Monthly pressure in the pig market saw pork and baconer prices falling by 1.7% (-R0.56/kg) and 1.8% (-R0.57/kg) m/m respectively. However, the average pork and baconer prices for the first two months of May were up by 5.8% (+R1.72/kg) and 0.3% (+R0.10/kg) y/y respectively as illustrated in figure 2c.

Figure 2: Changes in average monthly livestock prices (R/kg  $\Delta$  y/y)



- On the import front, poultry imports were modestly lower by 6.5% m/m and 34.1% y/y in March 2024 at 30,111 tons according to the recent data from the South African Revenue Services (SARS). Chicken which accounts for the bulk (95%) of the imported poultry fell by 6.3% m/m and 35.5% y/y at 28,619 tons.
- By import subcategory, the mechanically de-boned (MDM) frozen meat which accounts for over 50% of the total fell by 18% m/m and 36% y/y at 14,556 tons. Frozen chicken bone-in portions dropped by 17.9% m/m and 63% y/y at 4,993 tons. The cumulative total for the year-to-date (YTD) was 41% below the 2023 levels at 15,328 tons.
- Brazil continued to dominate the poultry import market with a share of 78.5% of the total during March 2024 followed by Argentina and the US with shares of 7.4% and 6.8% respectively.
- After drifting out of negative growth territory in March, beef reversed course and dipped slightly in April 2024 (figure 3a).
- Although still in negative territory, the historical annual growth trend in pork prices shows an improvement since the beginning of the year (figure 3b). Chicken IQF price growth extended losses with annual growth trending a bit deeper into negative territory in April 2024 (figures 3c).

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



Near term maize futures stabilise below R5,000/t as harvest seem certain to be above 13m tons

- After surging earlier in the year due to the initial expectation of a huge drop in the 2023/24 maize harvest, prices have since pulled back below R5,000/t as it appears the 13m ton level will be exceeded.
- The latest Jul-24 futures trended 12% and 7.2% below last month for yellow and white maize respectively, see table 1.
- This is good news for livestock feeders as a further acceleration in prices would erode profit margins in intensive livestock feeding operations such as poultry, pigs, feedlots.

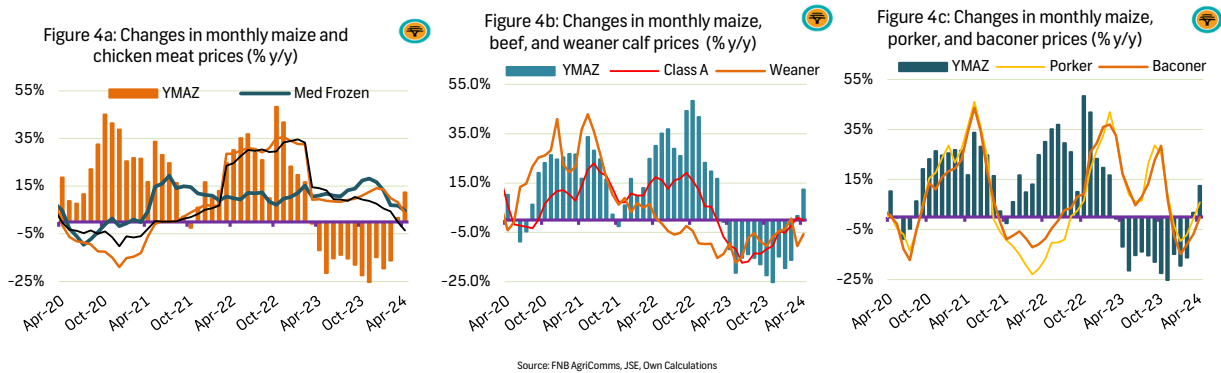
Table 1: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

15 MAY 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	R4,877	-11.5%	R4,071	-7.2%	R9,164	-3.6%	R8,948	-0.3%
Sep-2024	R4,952	-11.0%	R4,164	-6.7%	R9,373	-3.2%	R9,107	-0.2%
Dec-2024	R5,018	-11.2%	R4,258	-6.5%	R9,580	-2.6%	R9,296	-0.2%
Mar-2025	R4,719	-10.2%	R4,174	-6.9%	R9,349	-	R9,175	0.3%
May-2025	R4,326	-6.4%	R4,030	-4.2%	-	-	R8,251	-

Source: JSE

- Monthly changes in prices of various meats and maize are illustrated in figure 4 (a, b, and c). Annual growth in prices of maize now outpaces that of all meat types and is likely to erode feeding margins in the medium term.

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



## AgroMetrics: Livestock Charts

Figure 5: Beef and sheep meat price trends

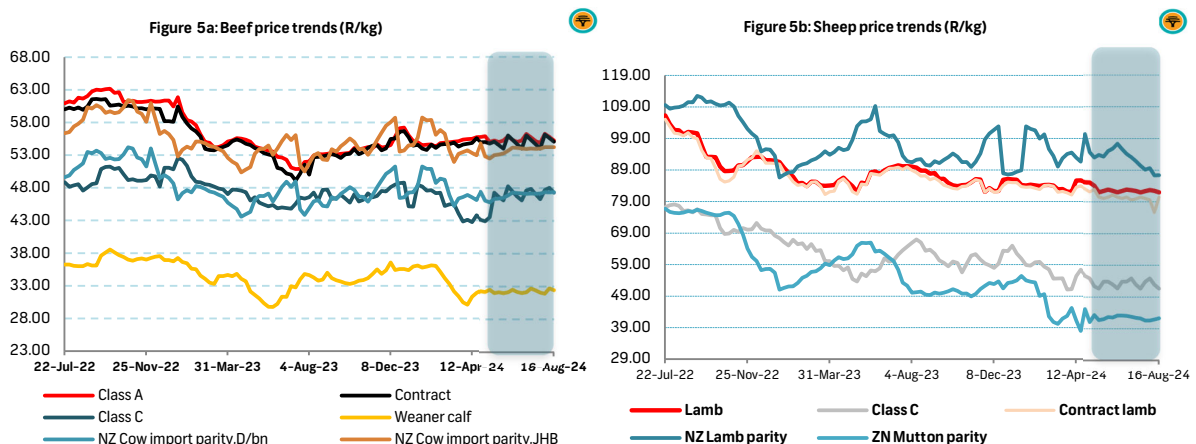
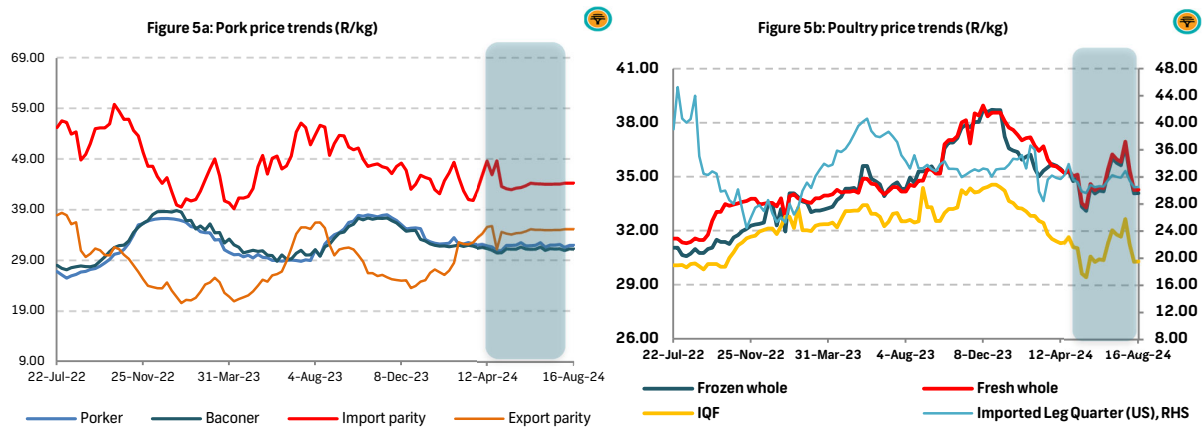


Figure 6: Pork and poultry price trends



\*Last nine data points are preliminary

## OUTLOOK

- The recent rand exchange rate strength coupled with lower international crude oil prices bode well for the fuel price outlook. Indications so far are that we might get a fuel cut in June given the current over recovery of between 68 and 69 cents per litre of petrol and between 77 and 80 cents per litre for diesel.
- A strong rand will also help limit further upside for the domestic grain market. Further, the domestic maize supply outlook remains solid due to good carryover stock and the expected harvest is sufficient to meet the country's domestic requirements.
- We expect limited upside for red meat during the winter period due to supply pressure and softer seasonal demand.

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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	<a href="mailto:grewar.oosthuizen@fnb.co.za">grewar.oosthuizen@fnb.co.za</a>
Edmund, De Beer	Eastern Cape – Port Elizabeth	084 656 5634	<a href="mailto:edebeer1@fnb.co.za">edebeer1@fnb.co.za</a>
Fred, Terblanche	Eastern Cape – Graaff Reinet	064 500 5880	<a href="mailto:frederik.terblanche@fnb.co.za">frederik.terblanche@fnb.co.za</a>
Setumo, Pertunia	Gauteng – Pretoria	079 982 5149	<a href="mailto:modipadipertunia.setumo@fnb.co.za">modipadipertunia.setumo@fnb.co.za</a>
Martin, Louw	Free State – Theunissen	082 784 8880	<a href="mailto:mlouw1@fnb.co.za">mlouw1@fnb.co.za</a>
Leon, Bergman	Free State – Bethlehem	083 387 7977	<a href="mailto:leon.bergman@fnb.co.za">leon.bergman@fnb.co.za</a>
Krohn, Jo-Ann	Free State – Bloemfontein	064 542 3548	<a href="mailto:Jo-Ann.Krohn@fnb.co.za">Jo-Ann.Krohn@fnb.co.za</a>
Da Silva, Kristin	North-West	079 693 8268	<a href="mailto:Kristin.DaSilva@fnb.co.za">Kristin.DaSilva@fnb.co.za</a>
Sarah, Collins	KwaZulu-Natal – Pietermaritzburg	082 371 1040	<a href="mailto:sarah.collins@fnb.co.za">sarah.collins@fnb.co.za</a>
Stratford, Kim Ann	KwaZulu-Natal – Pietermaritzburg	079 784 6854	<a href="mailto:kimann.stratford@fnb.co.za">kimann.stratford@fnb.co.za</a>
Gao, Ngakantsi	Limpopo – Polokwane	072 471 6040	<a href="mailto:gaopalelwe.ngakantsi@fnb.co.za">gaopalelwe.ngakantsi@fnb.co.za</a>
Sosie Matla	Limpopo – Polokwane	083 413 9734	<a href="mailto:Sosie.matla@fnb.co.za">Sosie.matla@fnb.co.za</a>
Theo, Verwey	Mpumalanga – Lowveld	082 419 6086	<a href="mailto:tverwey@fnb.co.za">tverwey@fnb.co.za</a>
Phoka, Nkhua	Mpumalanga – Highveld	060 992 7487	<a href="mailto:phoka.nkhua@fnb.co.za">phoka.nkhua@fnb.co.za</a>
Du Plessis, Hanro	Mpumalanga – Highveld	082 895 1762	<a href="mailto:hanro.duplessis@fnb.co.za">hanro.duplessis@fnb.co.za</a>
Pedrie, Van der Merwe	Northern Cape – Kimberley	071 351 3439	<a href="mailto:pedrie.vandermerwe@fnb.co.za">pedrie.vandermerwe@fnb.co.za</a>
Ischaan, Van Wyk	Northern Cape – Upington	073 0306277	<a href="mailto:ischaan.vanwyk@fnb.co.za">ischaan.vanwyk@fnb.co.za</a>
Johan, De Klerk	North West – Brits	082 776 3477	<a href="mailto:jdeklerk2@fnb.co.za">jdeklerk2@fnb.co.za</a>
Andries, Van Zyl	Western Cape – Willowbridge	073 280 8703	<a href="mailto:andries.vanzyl@fnb.co.za">andries.vanzyl@fnb.co.za</a>
Chrismaine, Abrahams	Western Cape – Willowbridge	072 605 3862	<a href="mailto:chrismaine.abrahams@fnb.co.za">chrismaine.abrahams@fnb.co.za</a>
Grewar, Oosthuizen	Eastern Cape – Port Elizabeth	071 607 6850	<a href="mailto:grewar.oosthuizen@fnb.co.za">grewar.oosthuizen@fnb.co.za</a>

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