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UPDATE ON LIVESTOCK MARKETS

Meat inflation decelerates further to less than 1% y/y in April 2024

- The latest update on South Africa's consumer inflation shows headline beating expectations to land at 5.2% in April 2024 from 5.3% in March. Monthly, headline inflation nudged 0.3% higher m/m underpinned by rebound in core items and fuel price pressures.
- Food inflation continued to decelerate and reached the lowest level in 46 months at 4.4% y/y in April 2024 from 4.9% y/y in March. Further deceleration across most food categories, except for fruit and vegetables, unpinned this downbeat inflation outcome. Monthly food inflation lifted 0.2% m/m following a 0.1% m/m decrease in February and March. In contrast, global food inflation as measured by the United Nation's Food and Agriculture Organization (FAO) continued to trend in negative territory with the April update coming in at -7.4% y/y.
- In the meat subindex, prices came in a bit on the downside by slowing for the fourth consecutive month to 0.5% y/y in April from 0.8% y/y in March (figure 1). The monthly trend however shows a third consecutive decrease by 0.3% m/m on the back of higher volumes due to higher slaughter rates and a rebound in production in poultry following the avian flu-induced culling late in 2023.
- This trend is likely to continue in the medium term due to the seasonal downturn in demand during the winter months and increased availability.
- However, the FAO global meat inflation decelerated further to 1.6% m/m in April from 1.8% in March but continued to trend negatively for the sixteenth consecutive month at -0.4% y/y in April 2024 (figure 2). 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.

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

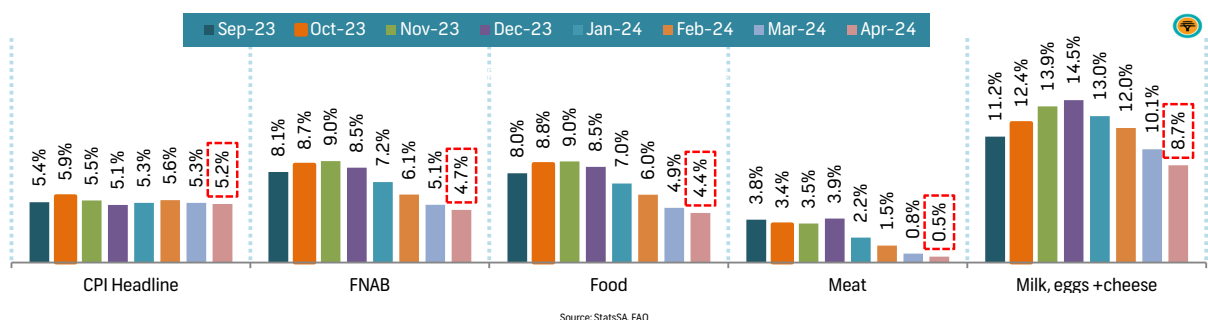
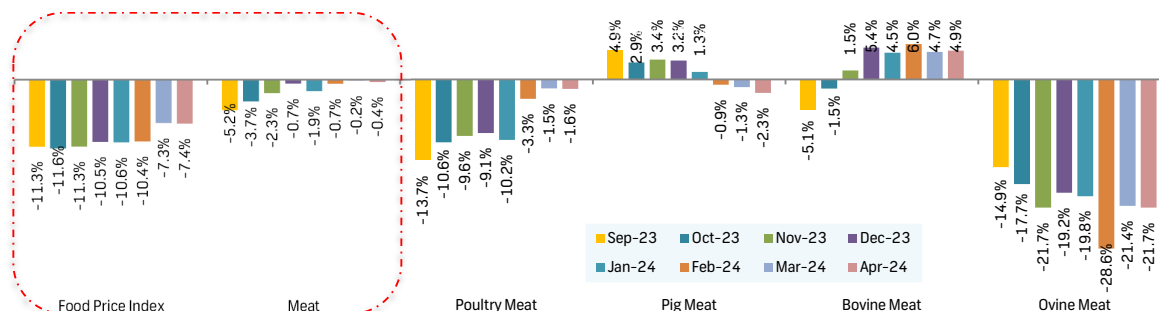


Figure 2: Global food and meat inflation trends – the FAO April 2024 update (% Δ y/y)

Source: FAO

- A drilldown into the meat category shows pork chops and pork ribs posting biggest decreases of 15.2% (-R15.95/kg) y/y and 11.6% (-R12.87/kg) y/y respectively (table 1). In the beef category, beef rump stake was the biggest loser with a decline of 10% (-R17.95/kg) y/y followed by beef mince and T-bone with decreases of 4.3% (-R4.62/kg) y/y and 4.1% (-R5.54/kg) y/y respectively. What colloquially referred to as “low value” items continued to post strong price gains with beef offal increasing by 0.3% (+R0.13/kg) m/m and 1% (+R0.50/kg) y/y, and mutton/lamb offal up by 0.1% (+R0.07/kg) and 0.3% (+R0.19/kg).
- These more than offset gains for chicken meat which remained sticky on the upside across all portions with fresh whole bird prices being the biggest gainer lifting 10.8% (+R6.22/kg) y/y at R63.81/kg. The individually quick frozen (IQF) portions increased by 1.2% (+R1.10/kg) at R93.60/kg (table 2). However, monthly pressures due to subdued demand coupled with increased stocks saw a slight reduction of 2.2% (-R1.45/kg) and 0.3% (-R0.23/kg) m/m respectively for whole chicken (fresh) and chicken portions (fresh) while IQF fell 0.8% (-R0.23/kg) m/m.

Table 1: Meat price changes by selected cuts per red meat type in South Africa

APRIL2024	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	161.13	108.55	129.34	103.42	104.52	49.81	89.07	98.06	108.13	191.44	195.11	63.59
% Δ m/m	0.64%	0.82%	-0.61%	-0.07%	9.17%	0.26%	-2.27%	-0.51%	-0.56%	-0.59%	-0.02%	0.11%
R/kg Δ m/m	1.02	0.88	-0.79	-0.07	8.78	0.13	-2.07	-0.50	-0.61	-1.13	-0.04	0.07
% Δ y/y	-10.02%	-2.63%	-4.11%	-4.28%	-1.62%	1.01%	-15.19%	-11.60%	1.57%	-3.23%	5.24%	0.30%
R/kg Δ y/y	-17.95	-2.93	-5.54	-4.62	-1.72	0.50	-15.95	-12.87	1.67	-6.39	9.72	0.19
YTD-% Δ y/y	-15.51%	-2.26%	-3.29%	-3.34%	-5.69%	1.80%	-13.49%	-8.78%	0.92%	-4.25%	5.58%	-2.90%
YTD-R/kg Δ y/y	-29.40	-2.54	-4.43	-3.61	-5.97	0.88	-14.15	-9.56	0.99	-8.56	10.38	-1.91

Source: StatsSA

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

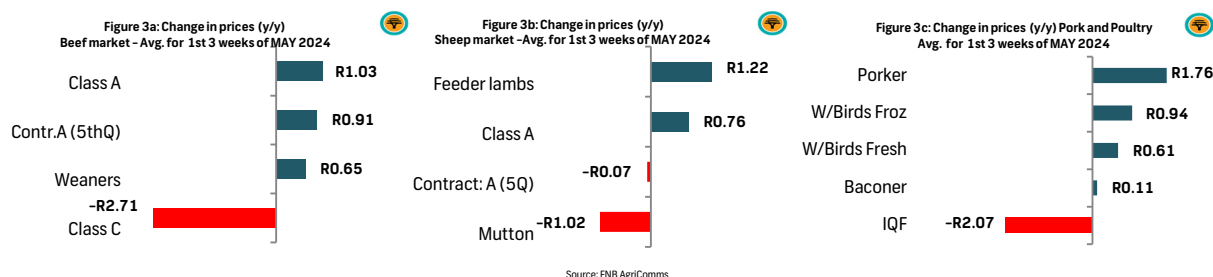
APRIL2024	Whole chicken – fresh	Chicken portions – fresh	IQF chicken portions	Chicken portions frozen – non IQF	Chicken giblets (neck, gizzards, hearts, etc)
R/kg	63.81	82.03	93.60	66.40	46.62
% Δ m/m	-2.22%	-0.28%	-0.25%	-0.79%	-1.38%
R/kg Δ m/m	-1.45	-0.23	-0.23	-0.53	-0.65
% Δ y/y	10.80%	3.77%	1.19%	5.25%	1.95%
R/kg Δ y/y	6.22	2.98	1.10	3.31	0.89
YTD-% Δ y/y	9.15%	6.26%	2.20%	7.31%	5.00%
YTD-R/kg Δ y/y	5.44	4.84	2.02	4.58	2.26

Source: StatsSA

Beef prices relatively firmer so far in May 2024 despite increased availability

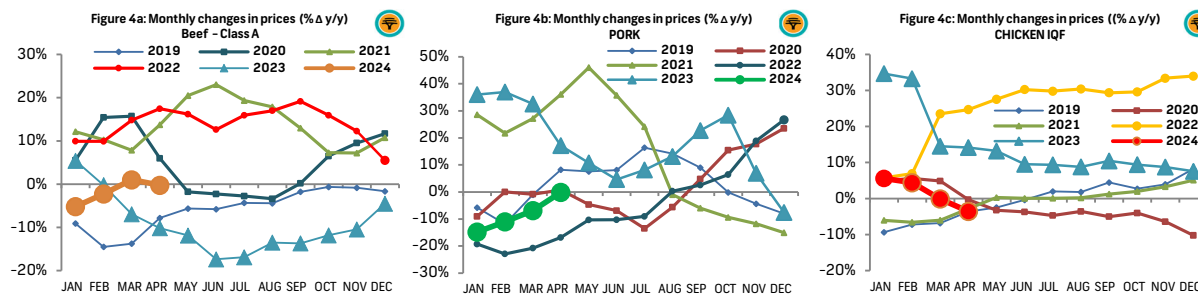
- Our analysis of weekly livestock prices on the domestic beef market so far for May shows that although under pressure during midmonth, average class A carcass prices for the first three weeks were a bit better relative to the same period last year (figure 3a). Class A carcass prices lifted 1.7% (+R0.91/kg) y/y.
- However, the Class C category still trails last year's by 5.9% (-R2.71/kg).
- The weaner market continued to buck the seasonal trend with prices increasing by 3.6% (+R1.13/kg live weight (LW)) m/m and 2.1% (+R0.65/kg LW) y/y.

- We saw a similar trend in the sheep carcass market with average class Cs for the first three weeks of May falling by 1.7% (-R0.91/kg) m/m and 1.9% (-R1.02/kg) y/y as illustrated in figure 3b. Feeder lambs posted monthly gains of 2.6% (+R1.15/kg LW) m/m and were 2.8% (+R1.22/kg LW) higher y/y.
- Except for the IQF which extended losses with a decrease of 1% (-R0.32/k) m/m and still down by 6.3% (-R2.07/kg) y/y, poultry prices are so far mostly on the upside underpinned by the resilient demand (figure 3c). Meanwhile, low value items have enjoyed strong price growth due to the seasonal upswing in demand as we head into the colder months.
- Monthly pressure in the pig market saw pork and baconer prices falling by 1.5% (-R0.47/kg) and 1.3% (-R0.41/kg) m/m respectively. However, the average pork and baconer prices for the first three months of May were up by 5.9% (+R1.76/kg) and 0.3% (+R0.11/kg) y/y respectively as illustrated in figure 3c.

Figure 3: Changes in average monthly livestock prices (R/kg Δ y/y)

Growth trends for producer prices of various meat types

- After drifting out of negative growth territory in March, beef reversed course and dipped slightly in April 2024 (figure 4a).
- Although still in negative territory, the historical annual growth trend in pork prices shows an improvement since the beginning of the year (figure 4b). Chicken IQF price growth extended losses with annual growth trending a bit deeper into negative territory in April 2024 (figures 4c).

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

The downturn of near-term maize futures bodes well for livestock feeding costs

- Prices of a major raw feed input, maize, pulled back from the recent highs as the 2023/24 harvest seem set to be above 13m tons with the estimated carryover stock as of 30 April 2024 coming in at 2.42 million tons, and 1.67 million tons for the 2024/25 marketing season.
- White maize prices peaked above R5,500/t earlier in the year but have since pulled back below R5,000/t, see table 3.

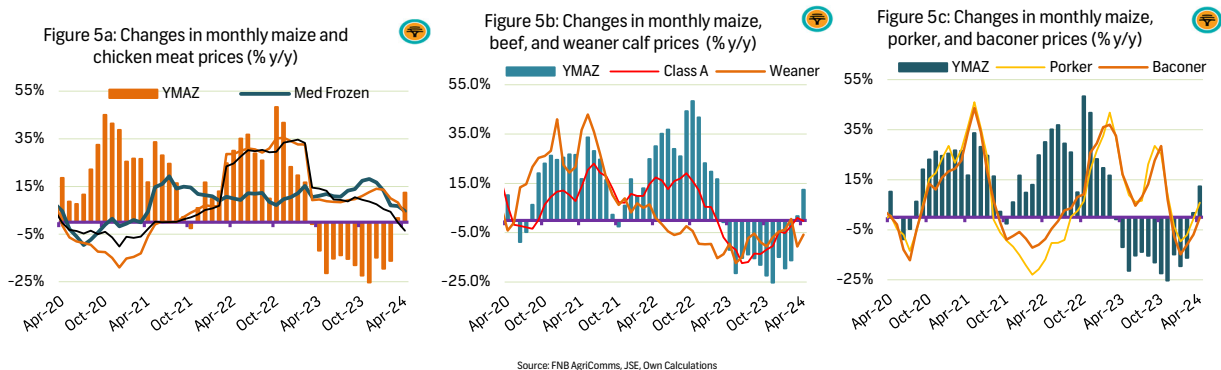
Table 3: Raw feed inputs - Latest price trends in JSE grain and oilseed futures market (R/ton)

21 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	R4,865	-11.9%	R3,966	-11.4%	R9,068	-4.8%	R8,933	2.6%
Sep-2024	R4,944	-11.2%	R4,060	-10.9%	R9,296	-3.9%	R9,099	2.9%
Dec-2024	R5,015	-11.4%	R4,161	-10.3%	R9,526	-3.7%	R9,298	2.8%
Mar-2025	R4,720	-8.8%	R4,108	-8.4%	R9,349	-	R9,164	3.0%
May-2025	R4,172	-9.3%	R3,930	-7.7%	-	-	R8,340	-

Source: JSE

- As shown in table 3, both white and yellow maize prices for Jul-24 delivery have fallen by over 11% relatively to the previous month.
- 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.
- Monthly changes in prices of various meats and maize are illustrated in figure 5 (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 5: Changes in maize prices in relation to various meat types



AgroMetrics: Livestock Charts

Figure 6: Beef and sheep meat price trends

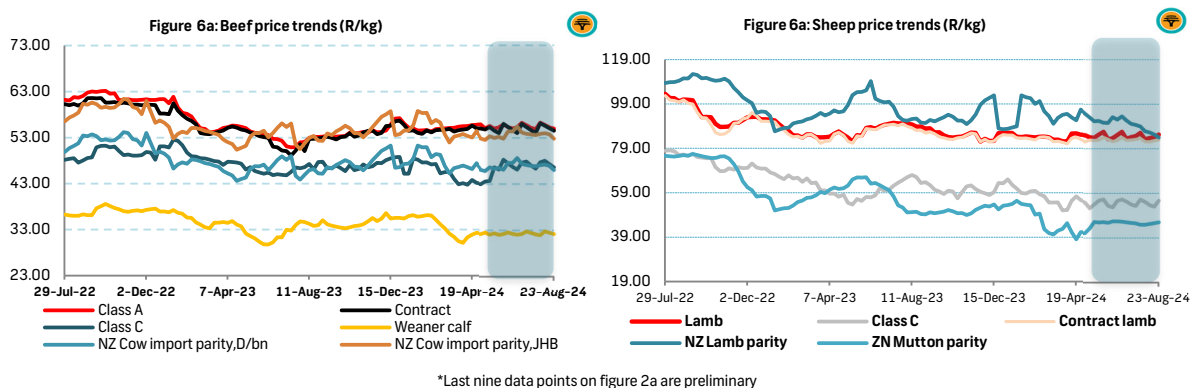
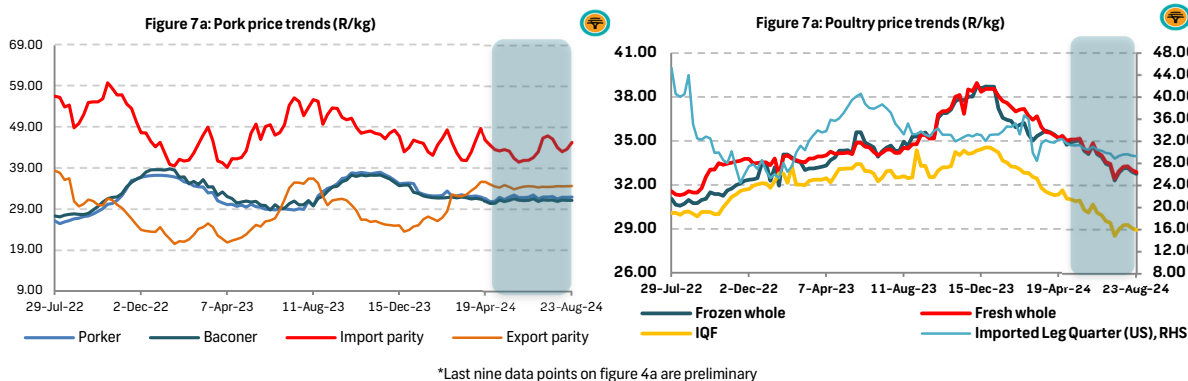


Figure 7: Pork and poultry price trends



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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 87 and 88 cents per litre of petrol and between 92 and 87 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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