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Livestock and Fibre markets

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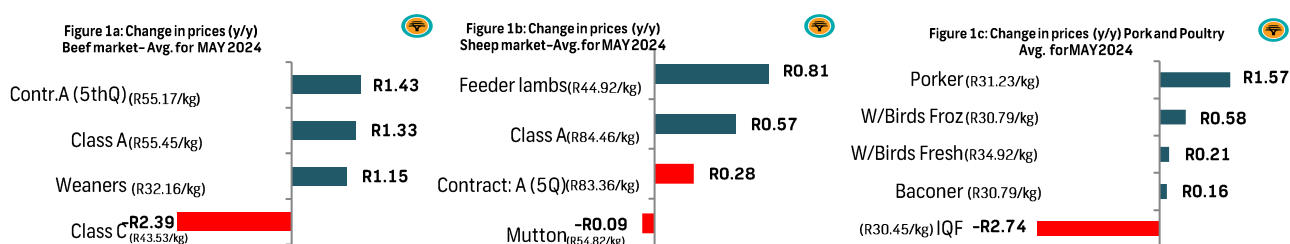
Paul Makube | Vhutshilo Mabela | 05 JUNE 2024

UPDATE ON LIVESTOCK MARKETS

Seasonal demand pressure knocks prices across the livestock market in May 2024

- Our analysis of weekly livestock prices on the domestic livestock market shows monthly pressure across most categories in May 2024 due to softer seasonal demand at the onset of winter months. However, the annual trend shows prices mostly ahead of the 2023 levels as illustrated in figures 1a to 1c.
- In the pig market, monthly pork and baconer prices eased by 1.5% (-R0.47/kg) and 1.2% (-R0.36/kg) m/m respectively in May at R31.23/kg and R30.79/kg. However, pork and baconer prices were still 5.3% (+R1.57/kg) and 0.5% (+R0.16/kg) higher y/y.
- On the international market, US pork prices saw declines during month-end, but the pork carcass cutout values were 19% ahead of last year at US\$100.07/cwt. Pig slaughter was also pedestrian, coming in at 51.97 million head which is just 0.5% ahead of the 2023 levels.
- Poultry saw a modest reversal in prices in May with the IQF category positing declines of 3% (-R0.98/kg) m/m and 8% (-R2.74/kg) y/y, closing the month at R30.45/kg. While the whole bird category saw monthly pressures with declines of 1.6% (-R0.55/kg) and 1.3% (-R0.46/kg) m/m for frozen and fresh whole birds respectively, they remained slightly higher than last year (figure 1c). The low-value category however still showed some resilience with prices relatively strong backed by strong demand as colder conditions continue to set in.
- Monthly beef prices trended mostly sideways on subdued seasonal demand and increased availability. In the live market, weaner calf prices advanced slightly 1% (+R0.30/kg LW) m/m and 3.7% (+R1.15kg LW) y/y at R32.16/kg live weight (LW) despite the increased seasonal volumes due to weaning.
- Internationally, the US domestic beef market saw strong gains in both boxed beef cutout values and the CME feeder cattle Index which closed 18.5% higher y/y as cattle slaughter slowed to 12.59 million head which is down by 3% y/y.

Figure 1: Changes in average monthly livestock prices (R/kg Δ y/y)



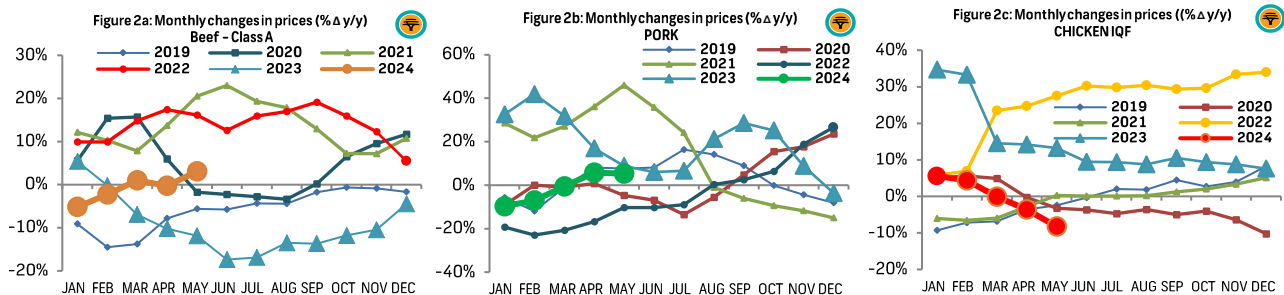
Source: FNB AgriComms

- The sheep carcass market was mixed with mutton falling under pressure due to softer demand. Monthly mutton prices eased by 0.2% (-R0.09/kg) both on a m/m and y/y basis at R54.82/kg. In the live market, demand for weaner lambs rebounded which saw prices lifting by 2.3% (+R1/kg LW) m/m and 1.8% (+R0.81/kg LW) y/y at 44.92/kg LW.

Growth trends for producer prices of various meat types

- Annual beef price growth bounced back to positive territory in May 2024 (figure 2a).
- The historical annual growth in pork prices continued to trend on the upside signalling a better season than last year (figure 2b). Chicken IQF price extended losses with annual growth trend sinking a bit deeper into negative territory in May 2024 (figures 2c).

Figure 2: Growth trends for producer prices of various meat types (% Δ y/y)



Source: FNB AgriComms, Own Calculations

Although spiking recently, maize futures are still way below last month which 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.
- Yellow maize (YMAZ) futures spiked recently on rand weakness and a downward adjustment to the harvest estimate. Nonetheless, the latest YMAZ futures are modestly lower relative to the same period last month. As a major input in livestock feeding, the limited further upside for YMAZ prices bodes well for reducing costs in intensive livestock feeding operations such as poultry, pigs, feedlots, see table 3.

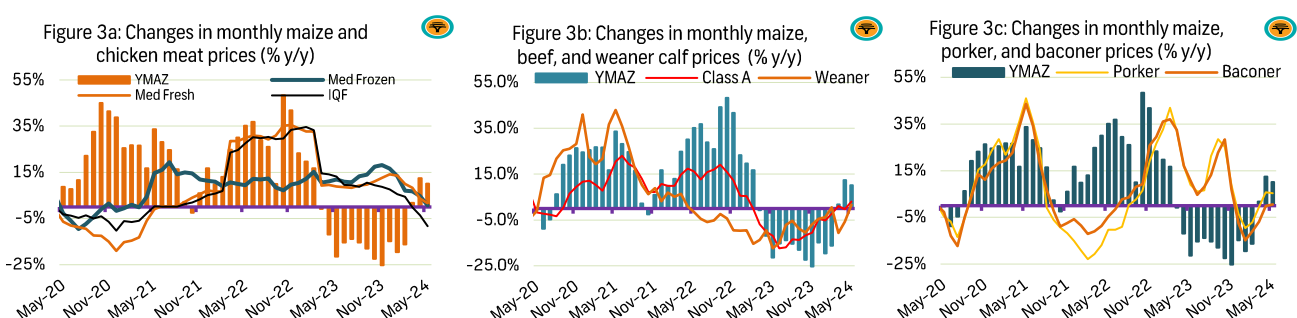
Table 1: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

04 JUNE 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	R5,163	-0.2%	R4,039	-4.5%	R9,281	3.3%	R9,023	2.9%
Sep-2024	R5,235	-0.1%	R4,131	-4.4%	R9,512	3.2%	R9,171	2.7%
Dec-2024	R5,295	-0.5%	R4,220	-4.3%	R9,769	3.5%	R9,369	2.6%
Mar-2025	R4,892	-2.6%	R4,175	-3.4%	R9,520	-	R9,195	2.7%
May-2025	R4,300	-1.8%	R4,000	-4.4%	-	-	R8,639	3.5%

Source: JSE

- Monthly changes in prices of various meats and maize are illustrated in figure 3 (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 3: Changes in maize prices in relation to various meat types



Source: FNB AgriComms, JSE, Own Calculations

AgroMetrics: Livestock Charts

Figure 4: Beef and sheep meat price trends

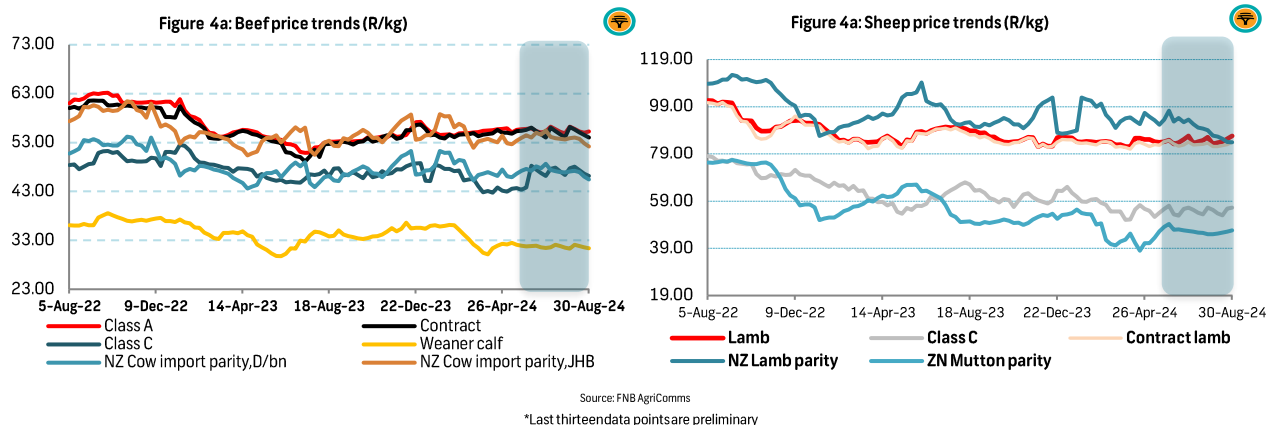
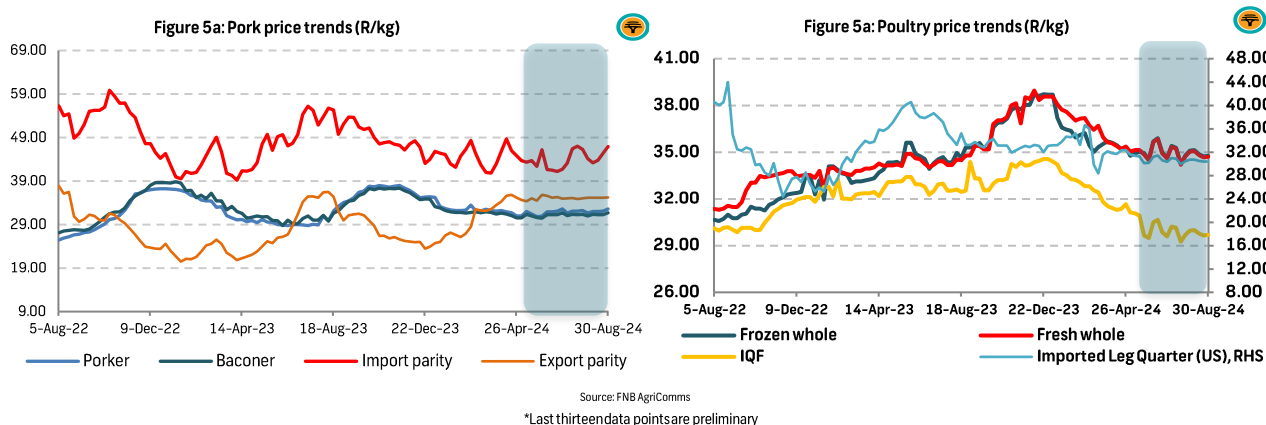


Figure 5: Pork and poultry price trends



OUTLOOK

- The recent downtrend in international crude oil prices bode well for the fuel price outlook. The fuel cut for June 2024 came in at R1.24/ litre of petrol and R1.09/l and R1.19/l for the 0.05% Sulphur and 0.005% Sulphur grades of diesel respectively. We might get another cut in July if this trend continues with the rand appreciating from current levels.
- A strong rand will also help limit further upside for prices in 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 still expect limited upside for red meat during the winter period due to supply pressure and softer seasonal demand.

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