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# Livestock and Fibre markets

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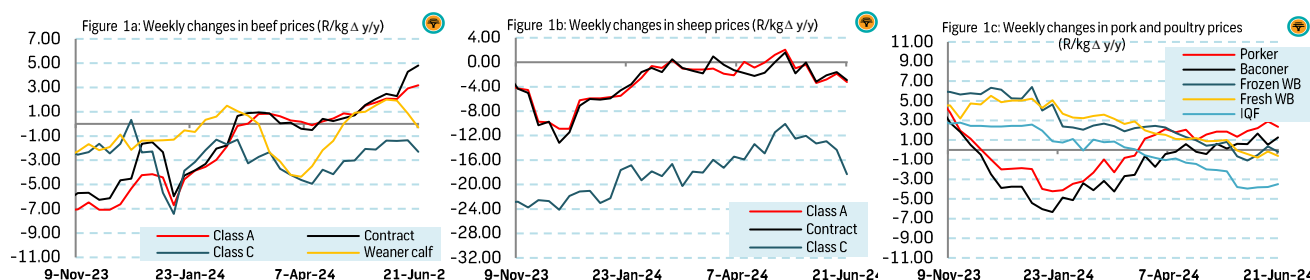
Paul Makube | Vhutshilo Mabela | 27 JUNE 2024

## UPDATE ON LIVESTOCK MARKETS

*Weaner calf prices extended losses on subdued seasonal demand amid elevated supplies*

- Our analysis of weekly trends on domestic livestock markets shows downward pressure on prices across most categories due to the subdued demand during midmonth.
- In the live market, there was no respite for weaners as prices softened further last week to R31.05/kg live weight (LW) which is 1% (-R0.30/kg LW) below the 2023 level and 6% (-R2.03/kg LW) lower than the 3-year average. So far, the average weekly weaner calf prices for the first three weeks of June 2024 was R31.28/kg LW which is down by 2.8% (-R0.89/kg LW) m/m but still 3.3% (+R0.99/kg LW) higher y/y.
- For beef, class C carcass prices dipped slightly in last week's trade on limited uptake in a short trading week due to June 16 holiday. Class Cs carcass prices fell by 1.8% (-R0.77/kg) w/w and 5.1% (-R2.30/kg) y/y at R42.72/kg. However, the average class C prices for the first three weeks of June was R43.39/kg which is almost unchanged m/m by still 3.8% (-R1.71/kg) lower relative to the same period in 2023.
- Although coming in with a lag of two months, data on cattle slaughter showed a modest decline for April by 3% m/m at 213,554 head but still up by 11% y/y. The cumulative cattle slaughter for the 2023/24 slaughter season (NOV-OCT) to April 2024 reached 1.36 million head which is 6.3% higher y/y. This reflects an earlier downturn in seasonal production conditions due to the midsummer drought that restricted pasture growth thus forcing farmers to reduce their stock.
- Poultry saw further downward pressure due to weak seasonal demand and constrained consumer disposable incomes in a low growth environment. Average frozen and fresh whole bird prices are so far down by 0.9% (-R0.30/kg) and 3.1% (-R1.08/kg) m/m respectively at R34.62/kg and R33.96/kg which is 1.0% (-R0.34/kg) and 1.8% (-R0.62/kg) lower y/y. Nonetheless, the low value category continued to enjoy good price growth due to the seasonal upswing in demand.

Figure 1: Changes in average weekly livestock prices (R/kg  $\Delta$  y/y).



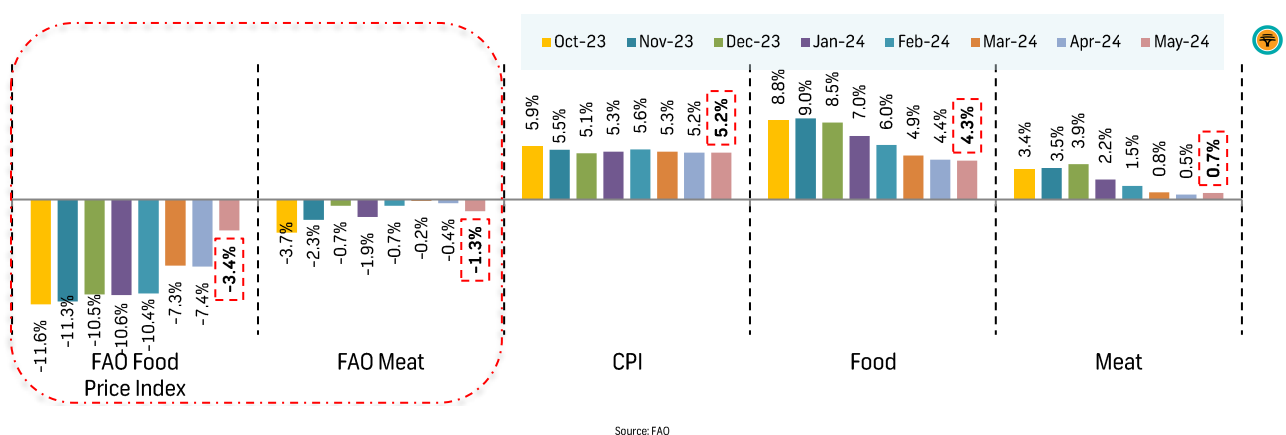
Source: FNB AgriComms

- On cost pressures, the good news are that they have slowed recently as loadshedding temporarily ceased and fuel prices continued to decline. Further, raw feed input prices have eased from the recent highs with the SEP-24 yellow maize prices now down by 5% m/m and back below R4,000/t at R3,914/t which bodes well for profitability in the industry (table 3).
- Poultry imports rebounded strongly by 50.6% m/m and 11.2% y/y in April 2024 at 45,332 ton with chicken accounting for 95.6% of the total. Further increases in import volumes poses downside risk for prices on the domestic market.
- The pig market was mixed with baconers extending weekly losses during midmonth while porkers trended a bit firmer. However, both porker and baconer prices continued to trend modestly higher relative to the 2023 levels. Average porker and baconer prices so far for June 2024 are 8.5% (+R2.47/kg) and 3.4% (+R1.02/kg) higher y/y respectively at R31.38/kg and R30.49/kg.

#### Monthly meat inflation continued to weaken in May 2024

- Headline inflation for May 2024 came in steady at 5.2% y/y and was in line with market expectations. Monthly, headline decelerated for the third consecutive month to 0.2% m/m underpinned by gains in core categories with a 0.1 percentage point (ppt) contribution, and food and fuel with 01ppt.
- However, food inflation was flat m/m and decelerated for the sixth consecutive month to reach the lowest level in forty-six months at 4.3% y/y in May from 4.4% y/y in April (figure 2). Except for the meat, fish, fruit, and vegetables which posted gains, most food subcategories decelerated with oils and fats extending their trend in negative territory for the thirteenth consecutive month.
- Monthly meat inflation continued to weaken and remained in negative territory for the third consecutive month at -0.2% m/m. However, annually meat inflation edged marginally higher to 0.7% y/y in May from 0.5% y/y in April 2024.
- This is in line with trends on the global market which saw meat inflation posting a marginal decrease of 0.2% m/m in May 2024 after trending in positive territory in the prior three consecutive months, according to the last update from the United Nation's Food and Agriculture Organization (FAO). Declines in the poultry and bovine meat prices underpinned the decrease in the overall meat index. The FAO Meat inflation was down 1.3% y/y in May after steadying in April 2024.
- Although lifting by 1% and 1.7% m/m respectively in May 2024, pig and ovine meat prices remained in deflation mode in 2024 with decreases of 0.9%, and 18.9% y/y (figure 2). Supply tightness amid ASF outbreaks in Europe and the rebound in demand underpinned the recent monthly strength in pig prices.
- The overall FAO food price index nudged 0.9% higher m/m but still 3.4% lower y/y in May 2024 with the monthly upward pressure stemming from gains in cereals and dairy product prices.

Figure 2: Food and meat inflation trends – South Africa and the FAO May 2024 updates (%  $\Delta$  y/y)



- A drilldown into the meat inflation basket shows pork fillet posting the biggest decrease of 1.8% (-R1.99/kg) m/m but still 1.6% (+R1.66/kg) higher y/y (table 1). In the beef category, beef chuck saw a decline of 0.6% (-R0.65/kg) m/m and 1% (-R1.12/kg) y/y.
- Chicken meat prices at consumer level surprised on the upside across most categories in May 2024. The highly traded frozen IQF portions saw gains of 0.5% (+R0.44/kg) m/m and were 1.1% (+R0.98/kg) higher y/y at R94.04/kg.

- Fresh chicken portions were however the exception, posting marginal declines of 0.8% (-R0.67/kg) m/m but were still 2.9% (+R2.33/kg) higher y/y at R81.36/kg.
- What colloquially referred to as “low value” items, chicken giblets (neck, gizzards, hearts, etc), extended gains on seasonal upswing in demand. Chicken giblets increased by 0.6% (+R0.29/kg) m/m and were 0.3% (+R0.16/kg) higher y/y at R46.91/kg (table 2).
- See tables 1 and 2 for further details on other meat cuts.

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

| MAY 2024       | Beefrump 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 |
|----------------|----------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|---------------|----------------------|-----------------------|-------------------|
| <b>R/kg</b>    | <b>161.15</b>  | <b>107.90</b> | <b>129.60</b> | <b>103.29</b> | <b>105.63</b> | <b>49.71</b> | <b>90.07</b> | <b>98.02</b> | <b>106.14</b> | <b>190.94</b>        | <b>195.85</b>         | <b>65.09</b>      |
| % Δ m/m        | 0.01%          | -0.6%         | 0.2%          | -0.1%         | 1.1%          | -0.2%        | 1.1%         | -0.04%       | -1.8%         | -0.3%                | 0.4%                  | 2.4%              |
| R/kg Δ m/m     | R0.02          | -R0.65        | R0.26         | -R0.13        | R1.11         | -R0.10       | R1.00        | -R0.04       | -R1.99        | -R0.50               | R0.74                 | R1.50             |
| % Δ y/y        | -9.5%          | -1.0%         | -3.5%         | -5.5%         | 7.7%          | 2.6%         | -13.0%       | 0.1%         | 1.6%          | -3.0%                | 5.7%                  | 2.0%              |
| R/kg Δ y/y     | -R16.99        | -R1.12        | -R4.72        | -R6.06        | R7.58         | R1.26        | -R13.46      | R0.09        | R1.66         | -R5.95               | R10.58                | R1.29             |
| YTD-% Δ y/y    | -14.4%         | -2.0%         | -3.3%         | -3.8%         | -3.1%         | 2.0%         | -13.4%       | -7.1%        | 1.1%          | -4.0%                | 5.6%                  | -1.9%             |
| YTD-R/kg Δ y/y | -R26.92        | -R2.26        | -R4.49        | -R4.10        | -R3.26        | R0.96        | -R14.01      | -R7.63       | R1.13         | -R8.04               | R10.42                | -R1.27            |

Source: StatsSA

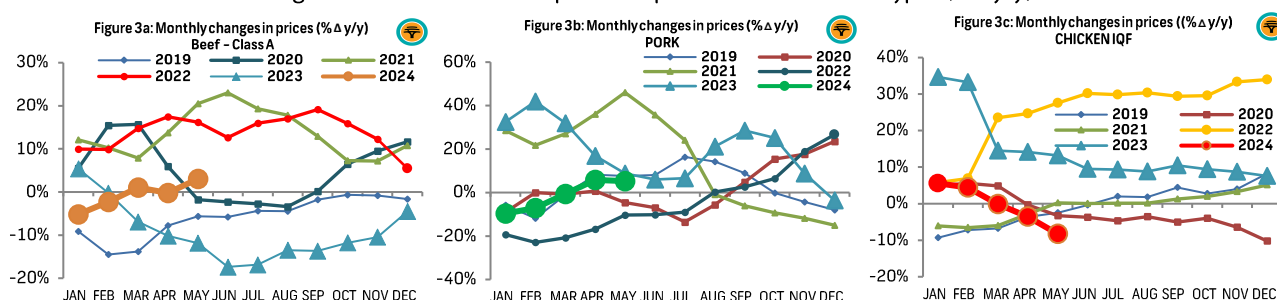
Table 2: Meat price changes by selected cuts for poultry in South Africa

| MAY 2024       | Whole chicken - fresh | Chicken portions - fresh | IQF chicken portions | Chicken portions frozen - non IQF | Chicken giblets (neck, gizzards, hearts, etc) |
|----------------|-----------------------|--------------------------|----------------------|-----------------------------------|---|
| <b>R/kg</b>    | <b>65.10</b>          | <b>81.36</b>             | <b>94.04</b>         | <b>73.42</b>                      | <b>46.91</b>                                  |
| % Δ m/m        | 2.0%                  | -0.8%                    | 0.5%                 | 10.6%                             | 0.6%  |
| R/kg Δ m/m     | R1.29                 | -R0.67                   | R0.44                | R7.02                             | R0.29   |
| % Δ y/y        | -2.7%                 | 2.9%                     | 1.1%                 | 17.3%                             | 0.3%  |
| R/kg Δ y/y     | -R1.79                | R2.33                    | R0.98                | R10.83                            | R0.16   |
| YTD-% Δ y/y    | 6.6%                  | 5.6%                     | 2.0%                 | 9.3%                              | 4.0%  |
| YTD-R/kg Δ y/y | R4.00                 | R4.34                    | R1.81                | R5.83                             | R1.84   |

## Growth trends for producer prices of various meat types

- Annual beef price growth bounced back to positive territory in May 2024 (figure 3a).
- 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 3c).

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



Source: FNB AgriComms, Own Calculations

## Yellow maize prices reversed early year gains which bodes well for livestock feeding costs

- Good news is that yellow maize (YMAZ) futures reversed early year gains and trended lower relative to 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.
- All YMAZ futures showed a trend below R4,000/t in recent trades and have a potential to fall even further as we approach the 2024/25 planting season given the bullish weather outlook with La Niña in the forecasts (table 3).

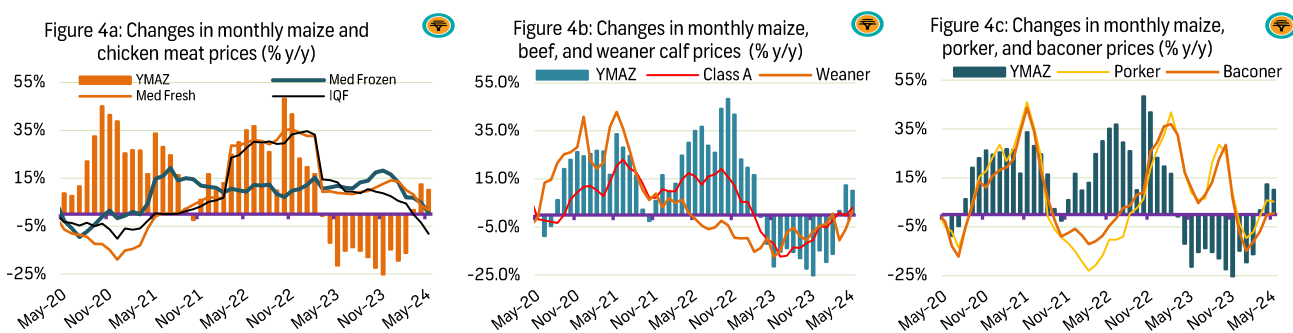
Table 3: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

| 26 JUNE 2023 | WMAZ<br>R/ton | %Δ<br>m/m | YMAZ<br>R/ton | %Δ<br>m/m | SUNS<br>R/ton | %Δ<br>m/m | SOY<br>R/ton | %Δ<br>m/m |
|--------------|---------------|-----------|---------------|-----------|---------------|-----------|--------------|-----------|
| Sep-2024     | R5,256        | 5.1%      | R3,914        | -5.1%     | R8,835        | -3.7%     | R8,948       | -3.6%     |
| Dec-2024     | R5,329        | 5.0%      | R3,994        | -5.3%     | R9,068        | -3.7%     | R9,147       | -3.5%     |
| Mar-2025     | R4,971        | 4.5%      | R3,958        | -5.0%     | R8,861        | -5.2%     | R8,905       | -4.2%     |
| May-2025     | R4,370        | 1.7%      | R3,850        | -2.3%     | -             | -         | R8,200       | -1.8%     |
| Jul-2025     | R4,284        | 3.0%      | R3,822        | -2.8%     | -             | -         | -            | -         |

Source: JSE

- Figure 4 (a, b, and c) illustrates the monthly changes in various meats and maize prices. 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



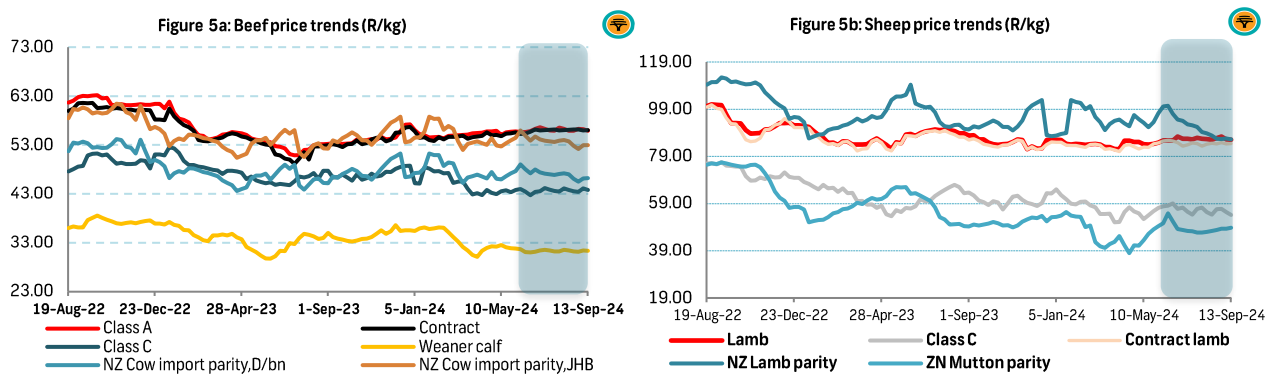
Source: FNB AgriComms, JSE, Own Calculations

## OUTLOOK

- Recent rand gains continue to limit further upside for prices on the domestic grain market. However, it improves the competitiveness of on imported meat such as poultry and pork which may place domestic profitability under pressure.
- We still expect limited upside for red meat during the winter period due to supply pressure and softer seasonal demand. The low value products such as offal and poultry gizzards, necks, heads, and feet will continue to enjoy strong seasonal demand, thus firmer prices in the short to medium term.

## AgroMetrics: Livestock Charts

Figure 5: Beef and sheep meat price trends



Source: FNB AgriComms

\*Last thirteen data points are preliminary



Table 4: Beef producer price trends in South Africa

| Beef producer prices: Beef market – South Africa |           |       |              |       |              |                   |                       |           |           |
|--|-----------|-------|--------------|-------|--------------|-------------------|-----------------------|-----------|-----------|
| Date   | 21-JUN-24 | %Δw/w | R/kg<br>Δw/w | %Δy/y | R/kg<br>Δy/y | 3Yr. Avg.<br>(%Δ) | 3Yr. Avg.<br>(Δ R/kg) | 14-JUN-24 | 07-JUN-24 |
| Class A (R/kg)                                   | 55.83     | 0.3%  | R0.18        | 6.0%  | R3.18        | -1.9%             | -R1.07                | 55.65     | 55.62     |
| Class C (R/kg)                                   | 42.72     | -1.8% | -R0.77       | -5.1% | -R2.30       | -5.6%             | -R2.53                | 43.49     | 43.97     |
| Contract: A (*Incl.5thQ)                         | 55.70     | 0.7%  | R0.38        | 9.5%  | R4.81        | -0.3%             | -R0.15                | 55.32     | 55.23     |
| Import parity (R/kg)                             | 53.85     | -1.9% | -R1.06       | -2.4% | -R1.31       | 4.0%              | R2.09                 | 54.91     | 55.97     |
| Weaner calves (R/kg LW)                          | 31.05     | -0.2% | -R0.07       | -1.0% | -R0.30       | -6.1%             | -R2.03                | 31.12     | 31.67     |

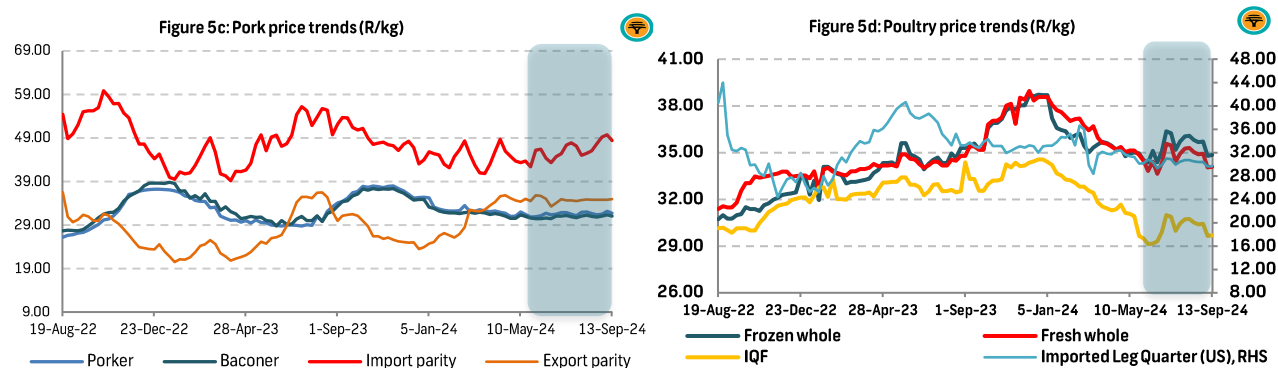
LW – Live Weight; \*Fifth quarter. Source: USDA, JSE, FNB Agric

Table 5: Sheep producer price trends in South Africa

| Sheep market – South Africa    |           |       |              |       |              |                   |                       |           |           |
|--------------------------------|-----------|-------|--------------|-------|--------------|-------------------|-----------------------|-----------|-----------|
| Date                           | 21-JUN-24 | %Δw/w | R/kg<br>Δw/w | %Δy/y | R/kg<br>Δy/y | 3Yr. Avg.<br>(%Δ) | 3Yr. Avg.<br>(Δ R/kg) | 14-JUN-24 | 07-JUN-24 |
| Class A (R/kg)                 | 85.67     | -0.2% | -R0.18       | -3.6% | -R3.23       | -7.8%             | -R7.29                | 85.85     | 85.75     |
| Mutton (R/kg)                  | 59.05     | 1.6%  | R0.93        | -3.2% | -R1.98       | -9.0%             | -R5.87                | 58.12     | 57.90     |
| Contract: A (*Incl.5thQ, R/kg) | 85.52     | -0.3% | -R0.25       | -3.3% | -R2.93       | -7.1%             | -R6.50                | 85.77     | 85.50     |
| Import parity (R/kg)           | 97.10     | -3.3% | -R3.34       | -3.3% | -R3.29       | -2.2%             | -R2.19                | 100.43    | 100.11    |
| Feeder lambs (R/kg LW)         | 41.89     | 2.6%  | R1.06        | -1.1% | -R0.46       | -8.4%             | -R3.84                | 40.83     | 40.48     |

LW – Live Weight; \*Fifth quarter. Source: USDA, JSE, FNB Agric

Figure 6: Pork and poultry price trends



Source: FNB AgriComms

\*Last thirteen data points are preliminary

Table 6: Pig producer prices and slaughter trends

| Pork market – South Africa |           |       |              |       |              |                   |                       |           |           |
|----------------------------|-----------|-------|--------------|-------|--------------|-------------------|-----------------------|-----------|-----------|
| Date                       | 21-JUN-24 | %Δw/w | R/kg<br>Δw/w | %Δy/y | R/kg<br>Δy/y | 3Yr. Avg.<br>(%Δ) | 3Yr. Avg.<br>(Δ R/kg) | 14-JUN-24 | 07-JUN-24 |
| Porker (R/kg)              | 31.33     | -1.2% | -R0.37       | 8.1%  | R2.35        | 33.1%             | R7.80                 | 31.70     | 31.12     |
| Baconer (R/kg)             | 30.48     | -0.3% | -R0.09       | 4.3%  | R1.27        | 41.4%             | R8.93                 | 30.57     | 30.43     |
| Import parity (R/kg)       | 43.31     | -2.4% | -R1.05       | -9.2% | -R4.37       | 38.2%             | R11.97                | 44.36     | 46.44     |

Source: USDA, JSE, FNB Agric

Table 7: Poultry producer price trends in South Africa

| Poultry market – South Africa          |           |       |              |        |              |                   |                       |           |           |
|--|-----------|-------|--------------|--------|--------------|-------------------|-----------------------|-----------|-----------|
| Date                                   | 21-JUN-24 | %Δw/w | R/kg<br>Δw/w | %Δy/y  | R/kg<br>Δy/y | 3Yr. Avg.<br>(%Δ) | 3Yr. Avg.<br>(Δ R/kg) | 14-JUN-24 | 07-JUN-24 |
| Fresh whole birds (R/kg)               | 33.63     | -2.3% | -R0.78       | -1.8%  | -R0.62       | 1.3%              | R0.44                 | 34.41     | 33.83     |
| Medium Frozen whole birds (R/kg)       | 34.38     | -2.1% | -R0.73       | -0.5%  | -R0.19       | 3.3%              | R1.11                 | 35.11     | 34.36     |
| Individually Quick Frozen (IQF) (R/kg) | 29.30     | 0.5%  | R0.15        | -10.6% | -R3.47       | -4.2%             | -R1.29                | 29.15     | 29.13     |
| Import parity (R/kg), US Leg Q         | 29.28     | -3.7% | -R1.12       | -22.7% | -R8.58       | -15.6%            | -R5.43                | 30.40     | 30.81     |

Source: USDA, JSE, FNB Agric

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