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# Livestock and Fibre markets

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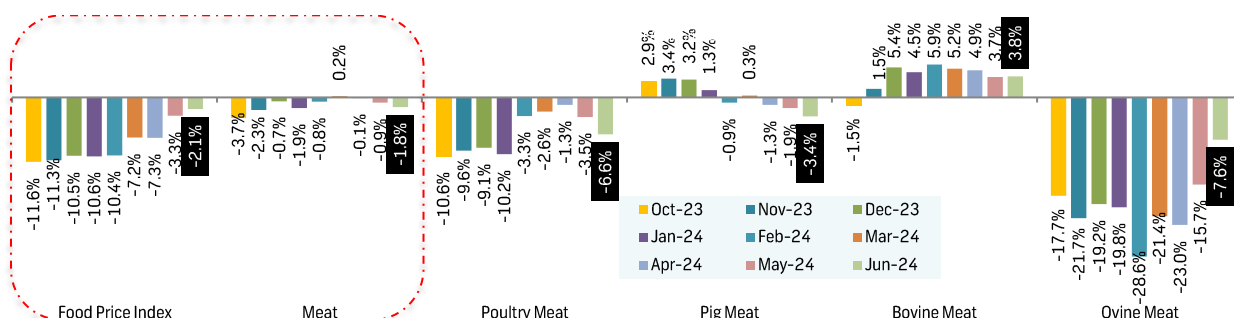
Paul Makube | Vhutshilo Mabela | 12 JULY 2024

## UPDATE ON LIVESTOCK MARKETS

### Global meat inflation remained subdued in June 2024

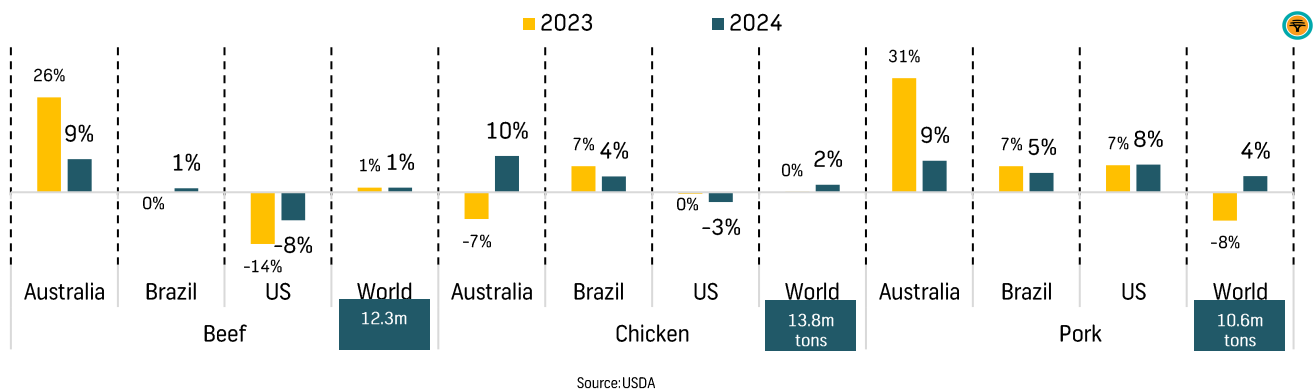
- Global meat inflation steadied in June 2024 and was 1.8% lower relative to the same month a year ago, according to the latest update from the United Nation's Food and Agriculture Organization (FAO). Gains in ovine meat, pig, and bovine prices helped offset the downtrend in poultry prices. The rebound in poultry volumes weighed heavily on prices from major producing countries despite the avian influenza-induced production cuts in some countries.
- In the sheep market, prices increased due to the strong import demand despite pressure from higher exportable volumes from Australia as the deteriorating weather conditions encouraged producers to liquidate their stock.
- Pork saw a modest increase in prices on the back of the improved seasonal demand. Regionally, Brazilian pig meat prices posted a biggest increase of 2.4% m/m and were 7.6% higher y/y, followed by the US with increases of 1.1% m/m and 7.4% y/y. European quotations were the exception and came in a bit on the downside by -0.5% m/m but still 6% higher y/y.
- Poultry prices fell by 2% m/m and were 6.6% lower y/y with Brazil posting the biggest decline of 3.7% m/m but still 4.5% higher y/y. US prices however have been resilient, finishing June 1.5% higher m/m and still 12.7% higher y/y.
- Monthly global beef prices were sideways to lower with marginal gains for the US and Australia offset by declines for Brazil. Brazil beef prices eased by 0.8% m/m and 1.2% y/y in June 2024, according to the FAO data.
- US beef exports have been pedestrian in 2024 with total volumes for the year-to-May falling by 3.7% relative to same period in 2023 at 1.29 million tons, according to the US Meat Exporters Forum data. Meanwhile, the United States Department of Agriculture (USDA) recently projected 2024 beef exports to decline by 8% y/y but expects a rebound in production for 2025 underpinned by higher cattle weights and a shift in cattle marketed from late 2024 to early 2025.

Figure 1: Global food and meat inflation trends - the FAO JUNE 2024 update (%  $\Delta$  y/y)



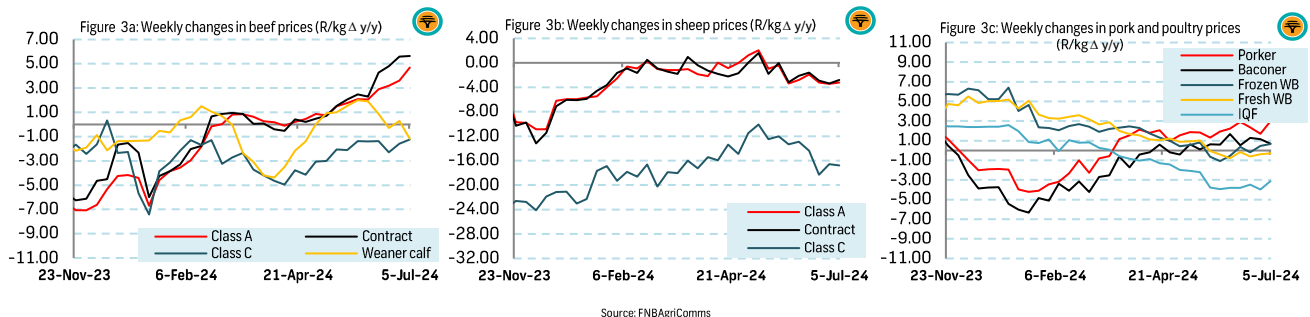
Source: FAO

- USDA's 2024 global chicken meat production projections show a slight increase of 1% y/y at 104m tons, while pork is seen contracting by 1% y/y to 115m tons. However, global exports are expected to jump by 2% and 4% y/y for chicken and pork respectively in 2024 (fig.2).
- The USDA forecasted a massive decline of 21% y/y in China pork imports in 2024 as the improved domestic supplies and lower prices dented import demand. Imports are now expected to be just 3% of China pork consumption from the highs of 13% in 2020. This poses downside risk to global pork prices as China remains the world's largest importer.

Figure 2: Annual changes in global meat exports – %  $\Delta$  y/y; million tons

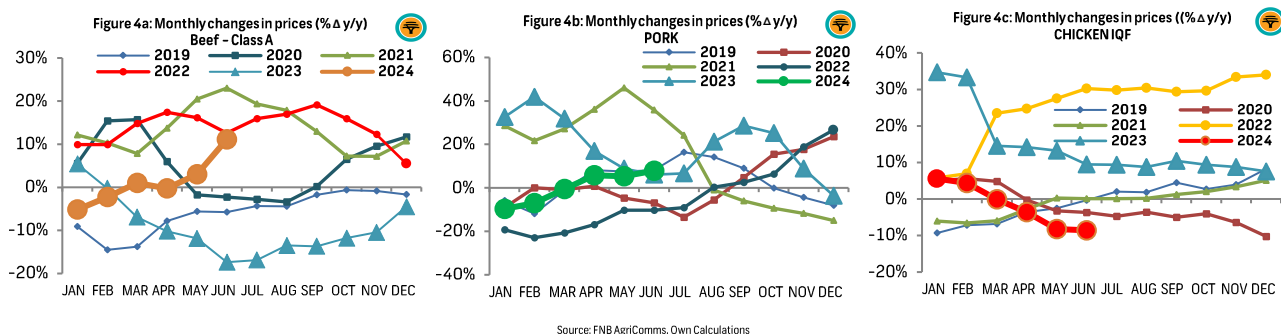
A mixed trend in meat prices towards midmonth as cold conditions curtail demand.

- Our analysis of weekly trends on domestic livestock markets showed a mixed trend towards midmonth with pork, poultry, and sheep meat demand dented by extreme weather conditions across the country.
- In the live market, there was no respite for weaner calves as prices extended losses under pressure due to the limited uptake across markets (fig.3).

Figure 3: Changes in average weekly livestock prices (R/kg  $\Delta$  y/y).

Growth trends for producer prices of various meat types

- Annual beef price growth continued to surprise on the upside and trended in positive territory in June 2024 (figure 4a).
- Similarly, annual growth in pork prices continued to trend on the upside signalling a better season than last year (figure 4b). Chicken IQF prices however continued in a deflationary mode with annual growth trend remaining deep in negative territory in June 2024 (figures 4c).

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

Good news for livestock feeders as yellow maize prices continue to trade below R4,000/t

- 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 extended losses 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 1).

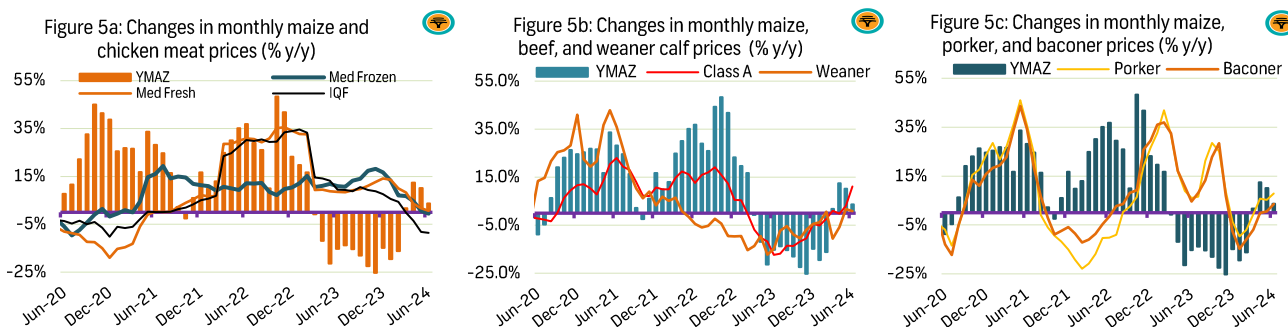
Table 1: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

12 JULY 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
Sep-2024	R5,313	0.8%	R3,933	-3.7%	R9,250	-0.9%	R8,720	-5.5%
Dec-2024	R5,380	0.8%	R4,027	-3.4%	R9,478	-1.0%	R8,883	-5.6%
Mar-2025	R4,982	0.6%	R3,991	-3.4%	R9,245	-2.0%	R8,550	-7.1%
May-2025	R4,208	-2.4%	R3,800	-5.0%	R8,851	-	R7,850	-8.9%
Jul-2025	R4,075	-3.7%	R3,784	-3.1%	-	-	-	-

Source: JSE

- Figure 5 (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 constrain margin growth in the medium term.

Figure 5: Changes in maize prices in relation to various meat types



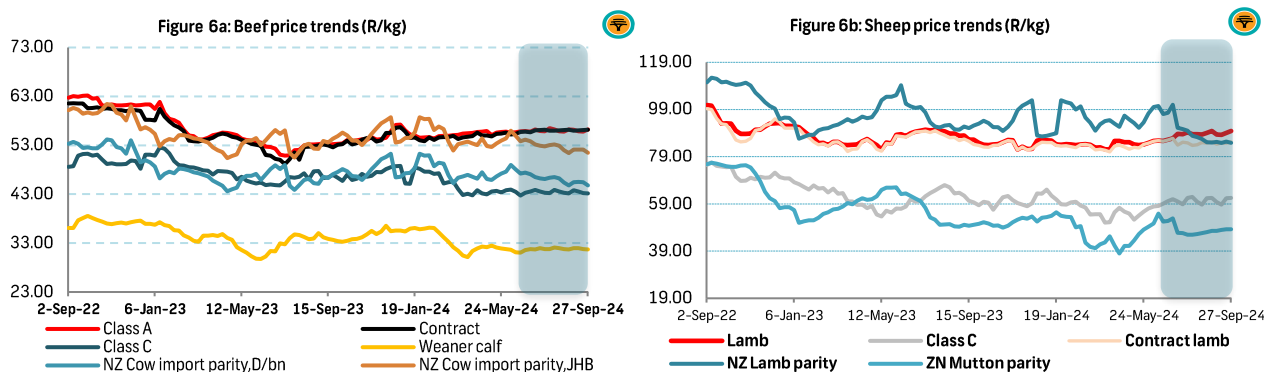
Source: FNB AgriComms, JSE, Own Calculations

## OUTLOOK

- The recent cold spell across the country has curtailed demand for meat as consumers spend more time indoors. However, 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.
- Further rand appreciation will continue to limit further upside for grain and oilseed prices and the subsequent reduction in feeding costs. However, it improves the competitiveness of on imported meat such as poultry and pork which may place domestic profitability under pressure.

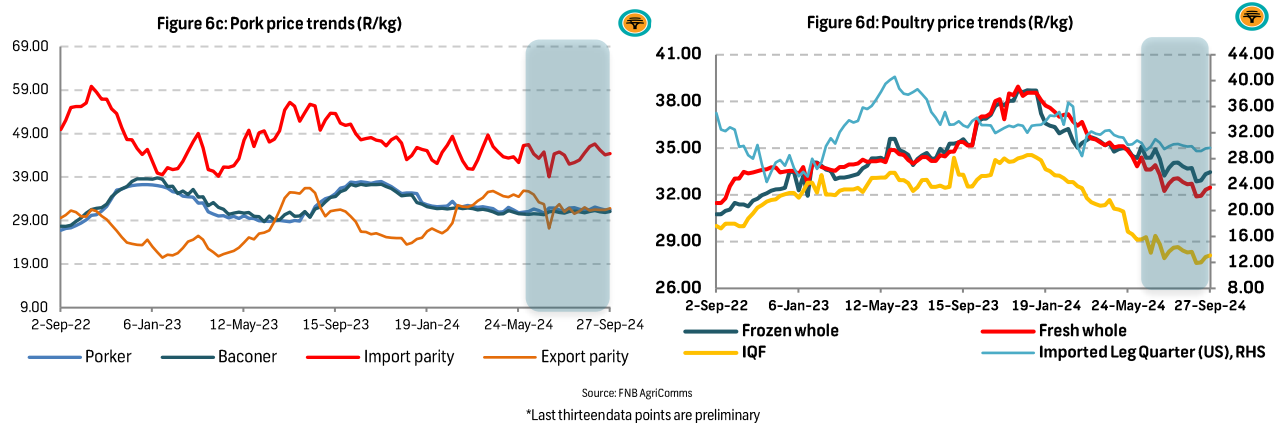
## AgroMetrics: Livestock Charts

Figure 6: Beef and sheep meat price trends



Source: FNB AgriComms \*Last thirteen data points are preliminary

Figure 7: Pork and poultry price trends



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