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# Livestock and Fibre markets

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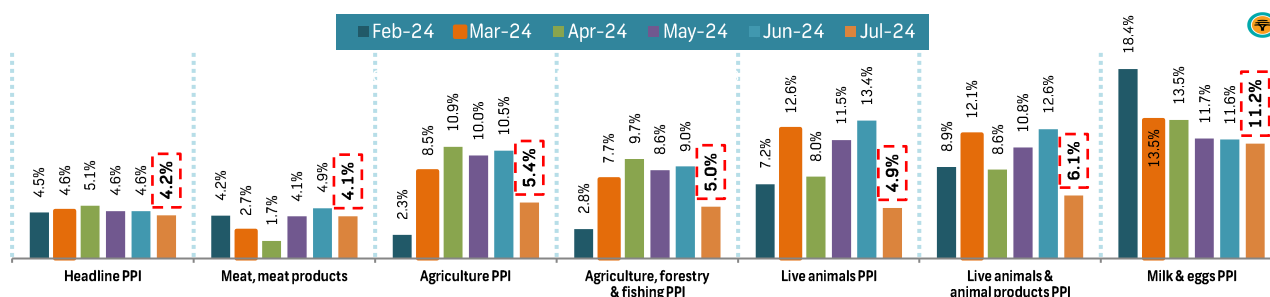
Paul Makube | Vhutshilo Mabela | 02 SEP 2024

## UPDATE ON LIVESTOCK MARKETS

*Cost pressures dissipate in July which bodes well for livestock profit margins*

- The latest trends on producer price inflation (final manufacturing) showed a modest deceleration in headline PPI to 4.2% y/y in July 2024 relative to the June outcome of 4.6%. Monthly, headline PPI decreased further by 0.2% m/m in July 2024.
- Food manufacturing fell by 0.1% m/m and decelerated by 0.7pts from the previous month to 3.3% y/y in July 2024. The annual “meat and meat products” subindex slowed to 4.1% y/y in July from 4% previously, and monthly decreased by 0.3% m/m.
- After lifting by 1.2% m/m in June, the monthly agriculture PPI reversed course and fell by 2.6% m/m in July 2024. Annually, agriculture PPI decelerated sharply from the prior three consecutive months of double-digit growth by 5pts from June to 5.4% y/y in July 2024.
- The “live animals and animal products” PPI showed an even sharper monthly decrease of 4.8% m/m in July after falling by 0.4% m/m in June 2024. Annually, the “live animals and animal products” PPI posted a sharp deceleration of 6.5ppt to 6.1% y/y in July 2024. The “live animals” PPI fell by a whopping 6.1% m/m and further decelerated sharply by 8.5pts from the previous month to 4.9% y/y in July 2024.
- On the energy front, the uninterrupted electricity supply with the country now over 150 days without loadshedding have contributed immensely to reduced costs for livestock operations such as poultry businesses, piggeries, abattoirs, and other intensive production systems.
- Further, fuel costs decreased in July 2024 with the two grades of diesel of 0.05% and 0.005% sulphur content cut by 30.38 and 24.38 cents/ litre respectively relative to the previous month. Similarly, the ULP and LRP grades of petrol decreased by R1.05/l and 99 cents/l respectively which reduced distribution costs.

Figure 1: South Africa's producer price index trends (%  $\Delta$  y/y)



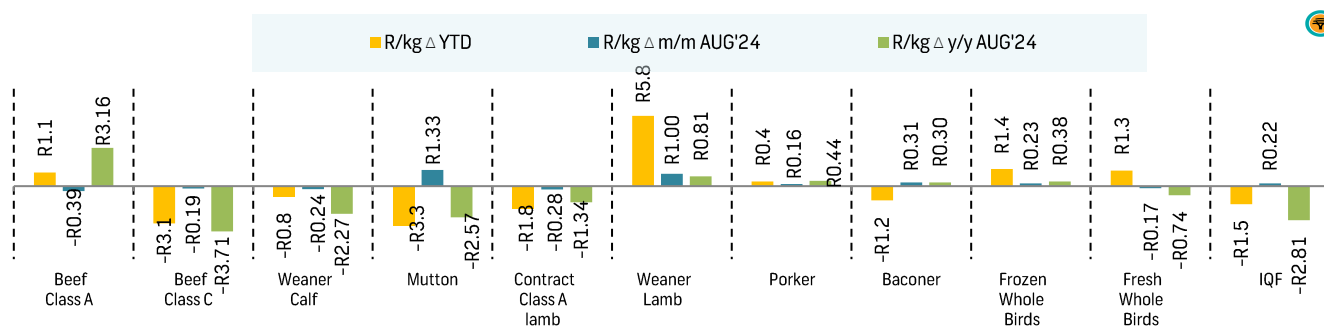
Source: Stats SA

- We saw further decreases in fuel costs in August, and the good news is that the wholesale prices of the 0.05% and 0.005% sulphur content diesel was cut by R1.05/l and R1.03/l respectively effective from the 4<sup>th</sup> of September 2024. This will go a long way in helping offset the impact of elevated raw feed input prices such as yellow maize which increased by 12% (+R441/t) y/y at an average of R4,068/t, while its white counterpart was up 48% y/y at R5,358/t in August 2024.
- This has forced processors and feed manufactures to look for alternative cheaper supplies such as imports from Argentina and Brazil for the coastal areas.

*Meat prices moderated in August on the back of subdued demand.*

- Our analysis of trends on the domestic livestock market shows moderation in monthly prices across the meat complex underpinned by the seasonal downturn in demand in August 2024. In the beef market, average contract class A beef prices fell by 0.7% (-R0.39/kg) m/m but were still 6.1% (+R3.16/kg) higher y/y at R55.22/kg in August 2024. Class C beef eased by 0.4% (-R0.19/kg) m/m at R43.20/kg which is 7.9% (-R3.71/kg) below the same month last year (figure 2).
- The weaner market was also depressed on weak season demand. The average weaner calf price for August was R31.90/kg live weight (LW) which is down 0.8% m/m (-R0.24/kg/LW) and still below last year by 6.6% (-R2.27/kg LW) (figure 2).
- On the chicken side, the price trend was mixed with frozen whole birds posting monthly gains of 0.7% (+R0.23/kg) m/m and 1.1% (+R0.38/kg) y/y at R35.19/kg. The individually quick frozen (IQF) category also increased marginally by 0.7% (+R0.22/kg) m/m but still down by 8.6% (-R2.81/kg) y/y at R29.71/kg. A good build-up of the IQF stock during the month helped limit further upside for prices. The fresh whole bird category however extended losses and averaged R33.76/kg which is down by 0.5% (-R0.17/kg) m/m and 2.1% (-R0.74/kg) y/y.
- The pig market however surprised on the upside with monthly gains across the board. Average pork prices for August increased by 0.5% (+R0.16/kg) m/m and 1.4% (+R0.44/kg) y/y at R31.99/kg, while baconers jumped 1% (+R0.31/kg) m/m and 1% (+R0.30/kg) y/y at R31.46/kg.
- In the case of sheep, weaner lambs posted good gains of 2.3% (+R1/kg LW) m/m and 1.8% (+R0.81/kg LW) at R44.92/kg LW. Mutton prices edged 2.1% (+R1.33/kg) higher m/m but still 3.9% (-R2.57/kg) below last year at R63.35/kg. Contract class A lamb however eased marginally by 0.3% (-R0.28/kg) m/m at R87.20/kg, which is still 1.5% (-R1.34/kg) lower y/y.

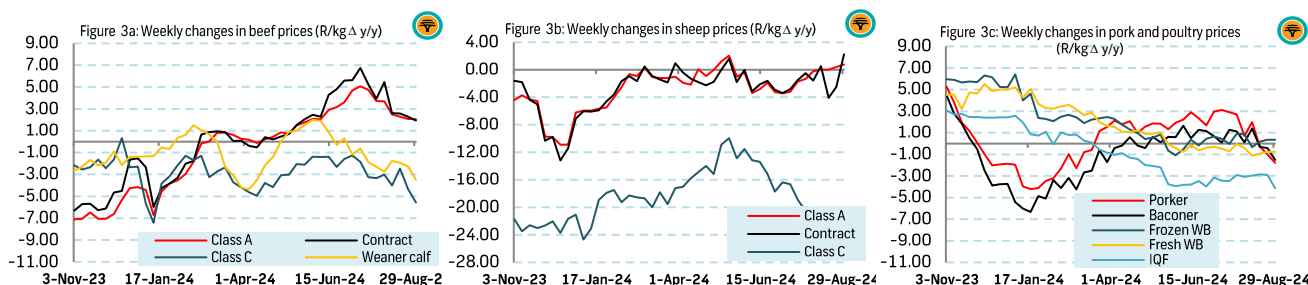
Figure 2: Changes in average monthly livestock prices (R/kg  $\Delta$  m/m, y/y)– AUG 2024.



Source: FNB AgriComms

- Figures 3a, b, and c illustrate weekly changes in meat prices for the various livestock categories that we track. Annual price growth is more pronounced in beef with pork trending sideways while sheep and chicken remained in negative territory.

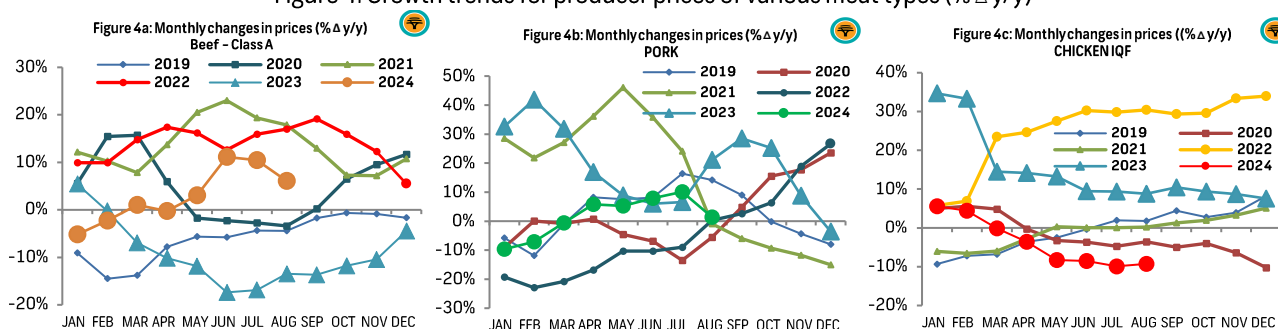
Figure 3: Changes in average weekly livestock prices (R/kg  $\Delta$  y/y).



Source: FNB AgriComms

## Annual 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 August 2024 (figure 4a).
- Chicken IQF remained in deflationary mode with the annual price growth trend remaining deep in negative territory in August 2024 (figure 4c) while pork was almost unchanged relative to last year (figure 4b).

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

Source: FNB AgriComms, Own Calculations

## Unrelenting price pressure on raw feed inputs but upbeat about the longer-term outlook

- Elevated raw feed input prices continue to pose upside risk to livestock profitability. Average YMAZ and WMAZ maize prices surged by 12% (+R441/t) and 48% (+R1,742/t) y/y respectively in August 2024 which is an indication that feeding margins remain tight.
- Nonetheless, the price outlook for the year ahead has turned positive for livestock feeders with the latest Jul-25 YMAZ falling to R3,702/ ton which is 9% (-R366/t) lower than the current average for August 2024. This indicates a potential decline in feed prices should YMAZ sustain this trend.
- The return of the La Nina weather pattern will encourage farmers to increase production thus replenishing domestic maize supplies in 2025. This is a further downside risk for maize prices.

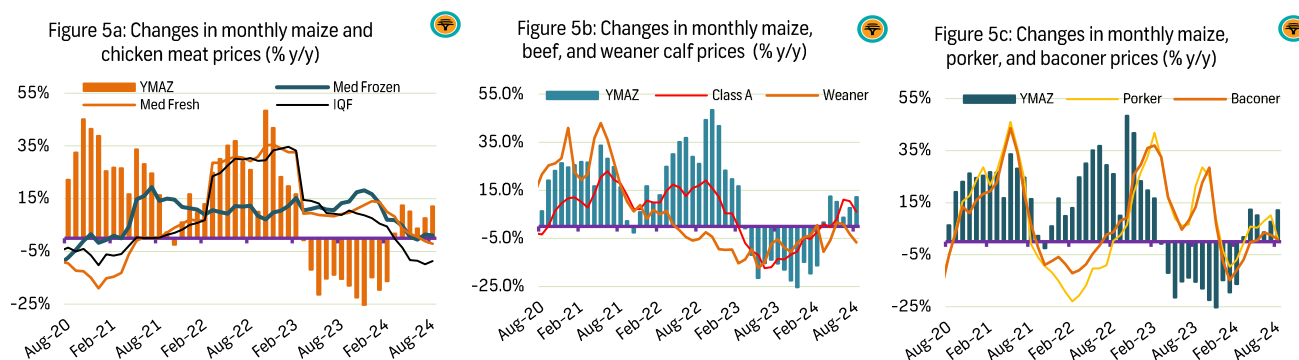
Table 1: Raw feed inputs – Latest price trends in JSE grain and oilseed futures market (R/ton)

02 SEP 2024	WMAZ R/ton	% $\Delta$ m/m	YMAZ R/ton	% $\Delta$ m/m	SUNS R/ton	% $\Delta$ m/m	SOY R/ton	% $\Delta$ m/m
Dec-2024	R5,468	2.7%	R4,056	-3.4%	R9,236	-0.8%	R8,575	-3.3%
Mar-2025	R5,075	2.4%	R4,026	-2.9%	R9,091	-0.2%	R8,391	-1.3%
May-2025	R3,982	-3.4%	R3,722	-4.6%	R8,695	-3.2%	R7,635	-1.6%
Jul-2025	R3,859	-3.1%	R3,702	-3.5%	-	-	-	-
Dec-2025	R4,005	-4.6%	R3,857	-5.2%	-	-	-	-

Source: JSE

- Figure 5 (a, b, and c) illustrates the monthly changes of 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

- We expect a modest rebound in seasonal demand in medium term as warmer weather returns and stimulate outdoor activities.
- Meanwhile, biosecurity remains a challenge for the country and heightened vigilance is required to ensure no outbreaks of Food-and-Mouth Disease and avian flu as they disrupt markets.
- Tighter poultry import supplies due to disease challenges in Brazil will improve the competitiveness of domestic product thus price supportive.

### AgroMetrics: Livestock Charts

Figure 6: Beef and sheep meat price trends.

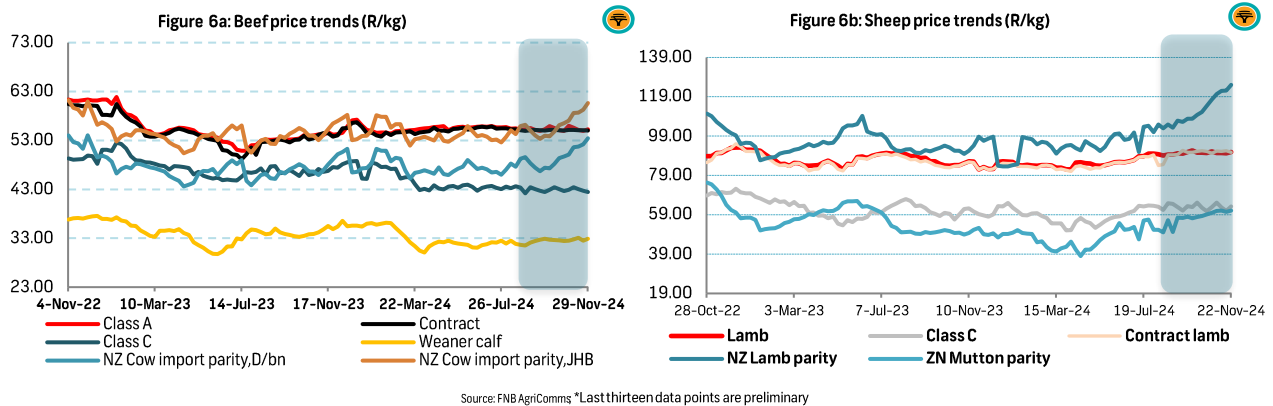
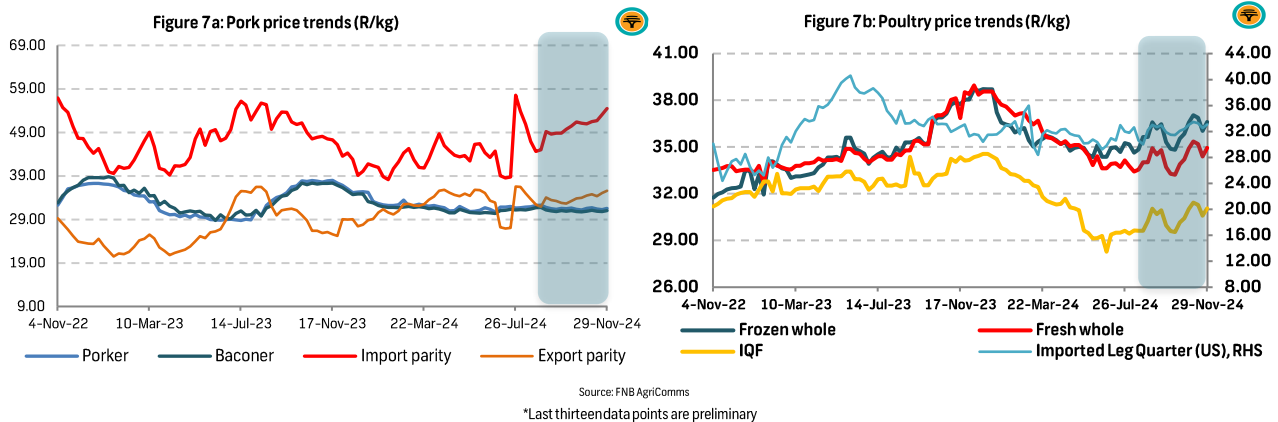


Figure 7: Pork and poultry price trends.



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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>
Arno, De Klerk	Limpopo	082 538 5970	<a href="mailto:arno.deklerk@fnb.co.za">arno.deklerk@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>

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