

how can we help you?

Livestock and Fibre markets

Brought to you by **FNB Business**



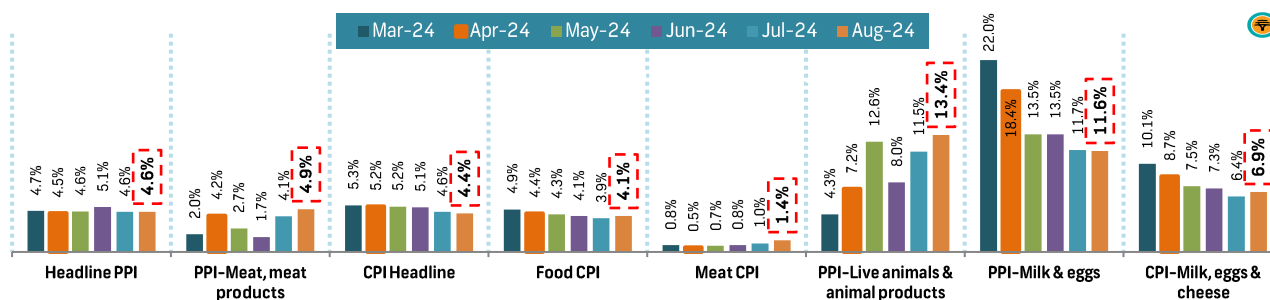
Paul Makube | Vhutshilo Mabela | 19 SEP 2024

UPDATE ON LIVESTOCK MARKETS

A silver lining for meat producers as a 25-bps rate cut and lower inflation boost demand prospects for meat

- Following an extended period of elevated interest rates, a pedestrian economic growth, and constrained consumer budgets, the situation has since turned positive given recent economic indicator updates.
- First, South Africa's consumer price inflation showed a further slowdown to 4.4% y/y in August 2024, which is a 40-month low and now back below the SARB's target midpoint of 4.5%. Monthly pressures from food and electricity saw headline inflation edging up marginally by 0.1% m/m but still below the July gain of 0.4% m/m.
- Secondly, the South African Reserve Bank (SARB) announced the much-awaited rate cut of 25-basis points which broad the benchmark repo rate to 8% with prime falling to 11.5% effective from the 20th of September 2024. The SARB's growth outlook was nudged upwards on the back of rising confidence as electricity supply stabilised coupled with extra spending due to withdrawals from the new Two-Pot retirement system.
- Although food inflation ended its 8-month deceleration, ticking up 4.1% y/y in August 2024 and back at the June level, it remains at its lowest level in fifty months outside the July 2024 reading of 3.9%. Most food subcategories posted slight increases including *bread and cereals; meat; fish; milk, cheese, and eggs; oils and fats; and vegetables*. The magnitude of *bread and cereals* inflation increase was surprisingly timid given the runaway grain prices due to the drought-induced harvest contraction in 2024.
- Meat inflation has remained downbeat so far in 2024 with the only high of 2% recorded in January 2024. This reflects the constrained consumer finances and the increased availability of meat due to elevated livestock slaughter so far in 2024. Meat inflation jumped by 0.4ppts from July to 1.4% y/y in August 2024. Monthly meat inflation declined by 0.4% m/m for the second consecutive month in August 2024.

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



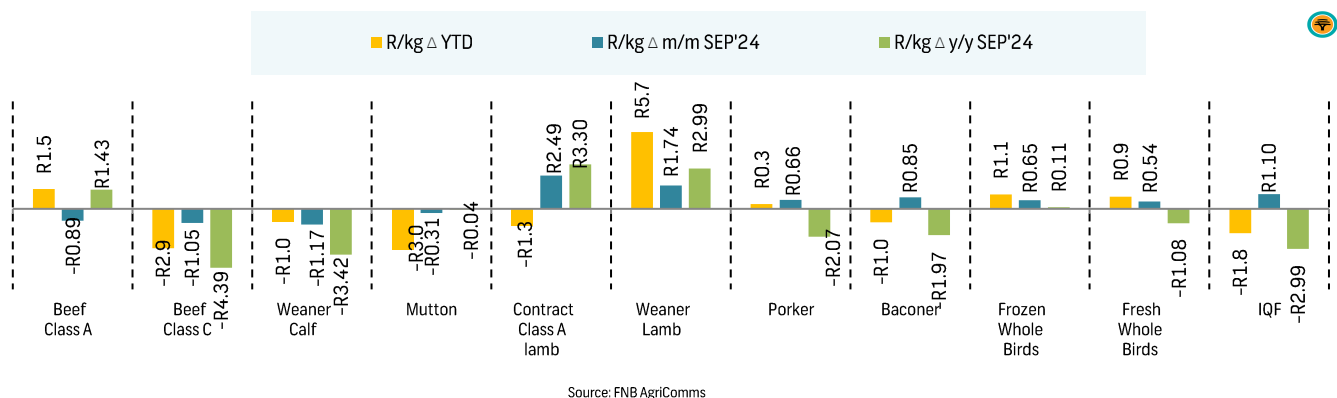
Source: FNB AgriComms

- Falling inflation and reduced interest rates coupled with declining fuel costs and stability in electricity supply have boosted prospects of a rebound in meat demand as consumer financials improve heading into the December festive season.
- At manufacturing level, the last headline producer prices inflation (PPI) update showed a slowdown to 4.2% y/y in July 2024 and was -0.3% m/m. *Meat and meat products* PPI decelerated to 4.1% y/y and fell for the second consecutive month by 0.3% m/m.
- For agriculture at producer level, the annual *live animals and animal products* PPI decelerated faster from 12.6% y/y in June to 6.1% y/y in July 2024 and monthly fell by 4.8% m/m. The *live animals* PPI decelerated sharply from a 16-month high of 13.4% in June to 4.9% y/y in July 2024. This indicates easing cost pressures which should help open profit margins again for livestock producers. See figure 1 for further details.

Average livestock prices remain weak due to the subdued demand

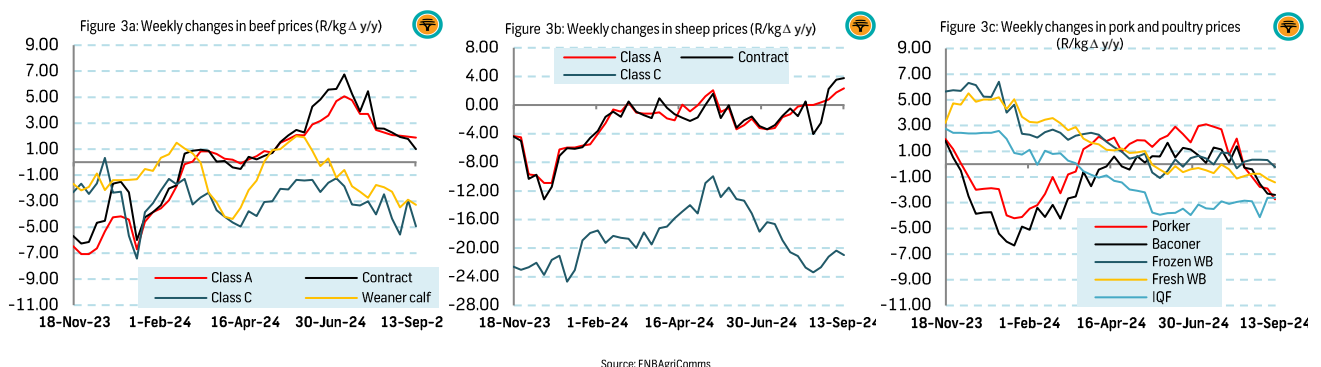
- Our analysis of trends on the domestic market shows weakness across most categories in the first half of September relative to last year on the back of subdued demand.
- In the live market, the weaner market saw further losses on weak demand and the general weakness in carcass prices and elevated feed costs. We however observe resilience in the weaner lamb market due to the limited availability on markets.
- Although advancing slightly m/m, pork and baconer prices continued to trend way below the 2023 levels due to supply pressure (figure 2).
- We saw a similar trend on the chicken side with monthly gains but annually coming in on the downside particularly the individually quick frozen (IQF) category which posted the biggest drop of 8.9% (-R2.99/kg) y/y at R30.67/kg.

Figure 2: Changes in average monthly livestock prices (R/kg Δ m/m, y/y) – SEP 2024 (first 2 weeks).



- Figures 3a, b, and c illustrate weekly changes in meat prices for the various livestock categories that we track.
- For beef, weaner calf prices so far remain in deflationary mode relative to the 2023 levels since mid-June 2024. Class C carcass continues to trend in negative territory reflecting the tough demand conditions. However, class A carcass prices continued to show gains although in deceleration mode.
- Pork price growth continued trending sideways while chicken remained in negative territory (see figure 3c).

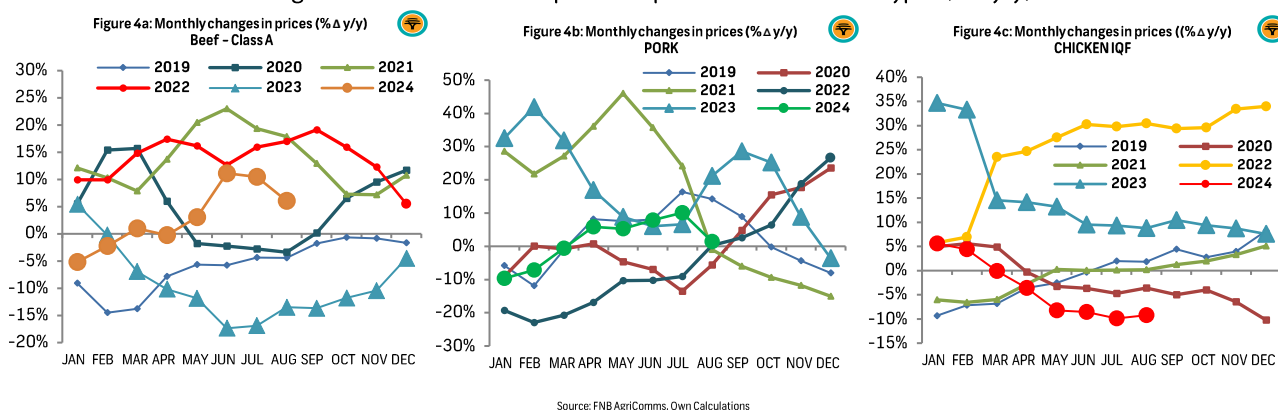
Figure 3: Changes in average weekly livestock prices (R/kg Δ y/y).



Annual growth trends for producer prices of various meat types

- Annual beef class A carcass price growth remain solid, pork sideways, while IQF weakened further relative to last year in August 2024 (figures 4a, 4b, and 4c).

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



Strong maize prices put pressure on feeding costs, but the long-term outlook remains positive for livestock feeders

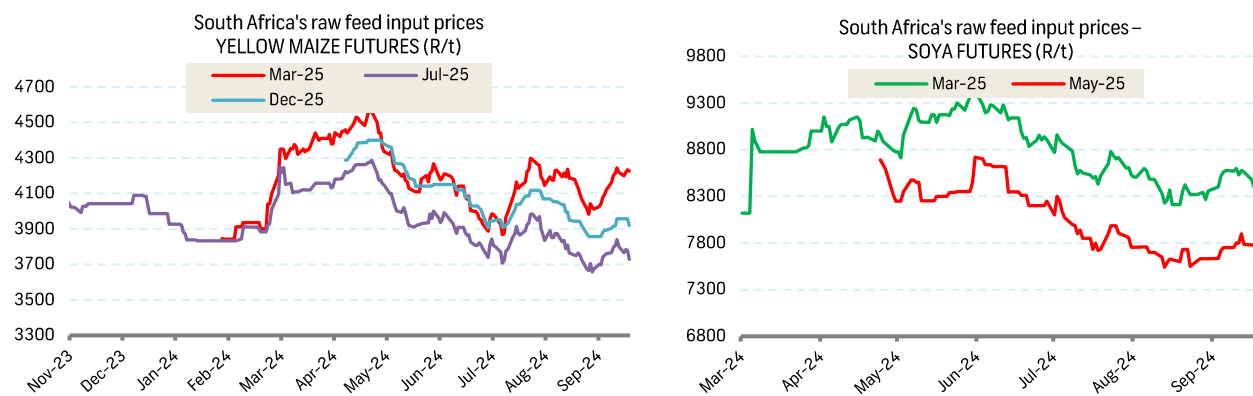
- Although near term YMAZ futures remain elevated above R4,000/t in recent trades, the price outlook for the year ahead shows a decline with the Jul-25 YMAZ falling to R3,919/ ton (table 1, figure 5a). This indicates a potential decline in feed prices should YMAZ sustain this trend.
- Similarly, soybeans have shown a downward trend into 2025 (figure 5b).
- The return of the La Nina weather pattern will encourage farmers to increase production thus replenishing domestic maize supplies in 2025. This poses downside risk for prices.

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

19 SEP 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
Dec-2024	R5,462	1.5%	R4,283	1.4%	R9,330	1.7%	R8,526	0.1%
Mar-2025	R5,152	2.4%	R4,227	1.1%	R9,210	2.6%	R8,370	1.9%
May-2025	R3,936	-2.9%	R3,768	-0.8%	R8,950	3.6%	R7,700	1.3%
Jul-2025	R3,810	-3.0%	R3,728	-0.6%	-	-	-	-
Dec-2025	R3,986	-3.0%	R3,919	-0.6%	-	-	-	-

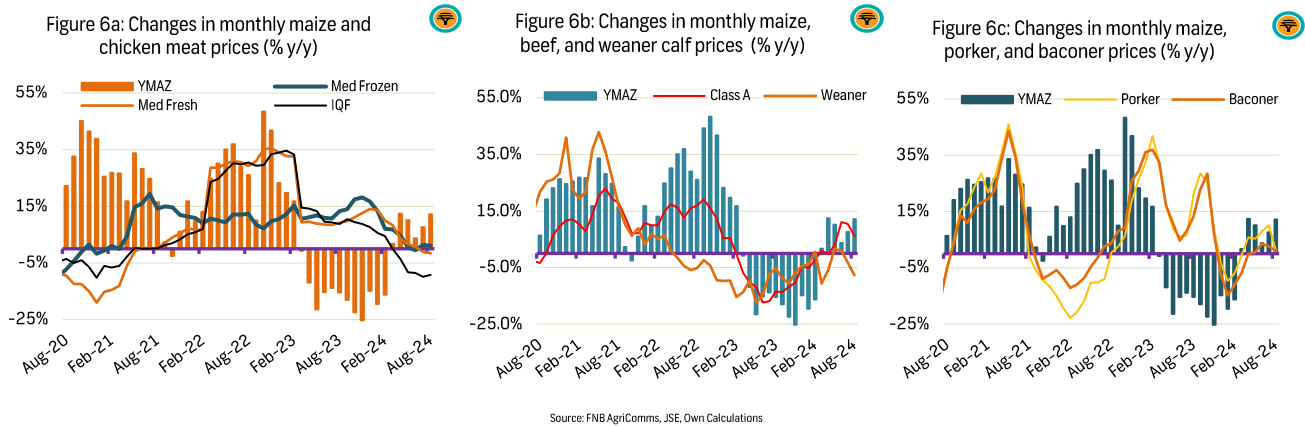
Source: JSE

Figure 5: Raw feed input prices – futures trends.



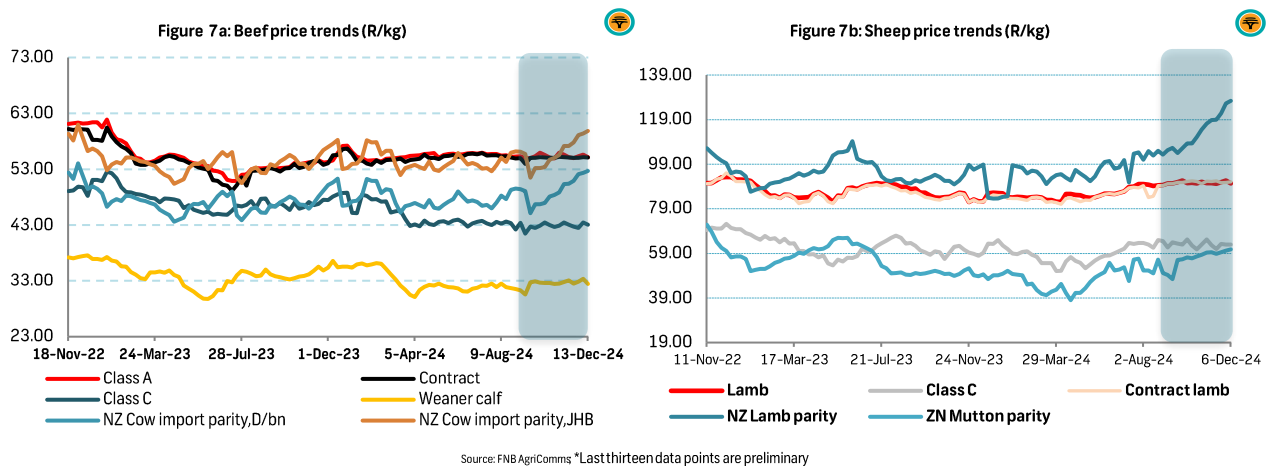
- Figure 6 (a, b, and c) illustrates the monthly changes in various meats and maize prices. Annual growth in prices of maize now outpaces that of all meat types and is likely to constrain margin growth in the medium term.

Figure 6: Changes in maize prices in relation to various meat types.



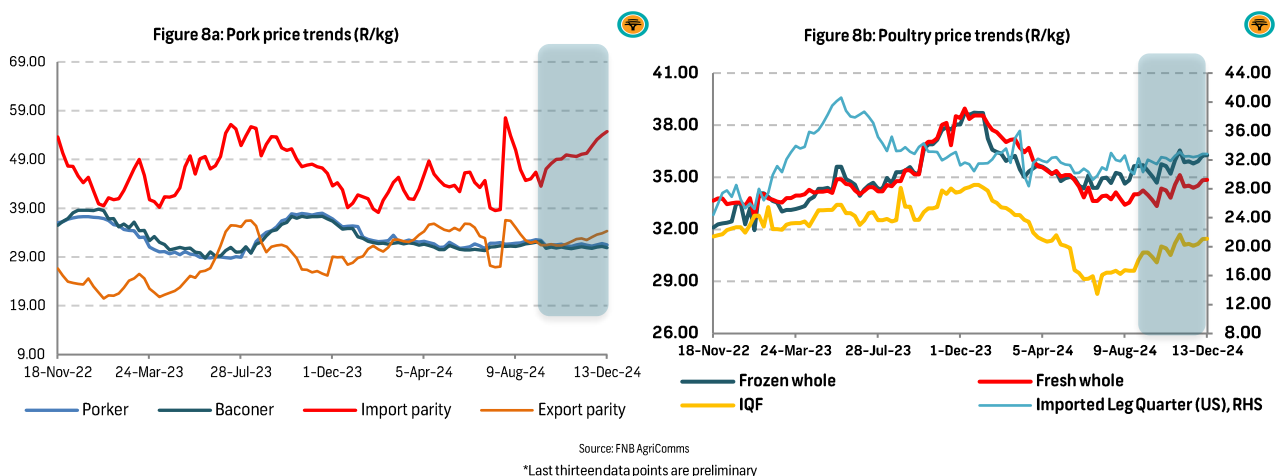
AgroMetrics: Livestock Charts

Figure 7: Beef and sheep meat price trends.



- The beef market is currently under pressure with higher maize prices exacerbating the situation. Drought conditions elevated the pace of livestock slaughter this season as producers offloaded to maintain appropriate stock levels that match feed availability.
- The reopening of the export markets in China and Saudi Arabia in 2024 was a positive development for the livestock market.

Figure 8: Pork and poultry price trends.



- The chicken market has been under pressure recently due to good stocks although news of an outbreak of New Castle Disease (NCD) in Brazil which elicited an export ban helped limit further downside.

- Brazil enjoys a lion share of South Africa's poultry imports with a share of 83% during July 2024. However, we will only feel the impact of the NCD-induced export ban in later months.
- The renewed feed cost pressures remain a big concern as margins are likely to come under pressure if the situation persists.

OUTLOOK

- Benign inflation outlook with prospects of another rate cut before the end of year and a further reduction in fuel costs should provide a breather for the cash strapped consumers.
- This combined with the seasonal uptick in outdoor activities will boost demand for meat in the medium term.
- For producers, elevated feed costs remain a concern in the near term. Nonetheless, the longer-term outlook is positive for livestock feeders as feed prices are expected to decline.

Disclaimer:

This report may contain certain opinions, predictions and assumptions and has been compiled from a variety of sources. Accordingly, you use the information in this report ("this information") at your own risk and should not rely on it as a substitute for obtaining any specific professional advice you require. Accordingly, First National Bank, a division of FirstRand Bank Limited ("FNB") provides no warranties or undertakings of any kind, whether express, implied or otherwise, concerning this information, its accuracy and/or reliability. Neither FNB nor its holding company, subsidiaries or other group companies will be liable to you for any claims, demands, expenses, losses or damages, of whatsoever

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	grewar.oosthuizen@fnb.co.za
Edmund, De Beer	Eastern Cape – Port Elizabeth	084 656 5634	edebeer1@fnb.co.za
Fred, Terblanche	Eastern Cape – Graaff Reinet	064 500 5880	frederik.terblanche@fnb.co.za
Setumo, Pertunia	Gauteng – Pretoria	079 982 5149	modipadipertunia.setumo@fnb.co.za
Martin, Louw	Free State – Theunissen	082 784 8880	mlouw1@fnb.co.za
Leon, Bergman	Free State – Bethlehem	083 387 7977	leon.bergman@fnb.co.za
Krohn, Jo-Ann	Free State – Bloemfontein	064 542 3548	Jo-Ann.Krohn@fnb.co.za
Da Silva, Kristin	North-West	079 693 8268	Kristin.DaSilva@fnb.co.za
Sarah, Collins	KwaZulu-Natal – Pietermaritzburg	082 371 1040	sarah.collins@fnb.co.za
Stratford, Kim Ann	KwaZulu-Natal – Pietermaritzburg	079 784 6854	kimann.stratford@fnb.co.za
Arno, De Klerk	Limpopo	082 538 5970	arno.deklerk@fnb.co.za
Theo, Verwey	Mpumalanga – Lowveld	082 419 6086	tverwey@fnb.co.za
Phoka, Nkhua	Mpumalanga – Highveld	060 992 7487	phoka.nkhua@fnb.co.za
Du Plessis, Hanro	Mpumalanga – Highveld	082 895 1762	hanro.duplessis@fnb.co.za
Pedrie, Van der Merwe	Northern Cape – Kimberley	071 351 3439	pedrie.vandermerwe@fnb.co.za
Ischaan, Van Wyk	Northern Cape – Upington	073 0306277	ischaan.vanwyk@fnb.co.za
Johan, De Klerk	North West – Brits	082 776 3477	jdeklerk2@fnb.co.za
Andries, Van Zyl	Western Cape – Willowbridge	073 280 8703	andries.vanzyl@fnb.co.za
Chrismaine, Abrahams	Western Cape – Willowbridge	072 605 3862	chrismaine.abrahams@fnb.co.za

Disclaimer:

This report may contain certain opinions, predictions and assumptions and has been compiled from a variety of sources. Accordingly, you use the information in this report ("this information") at your own risk and should not rely on it as a substitute for obtaining any specific professional advice you require. Accordingly, First National Bank, a division of FirstRand Bank Limited ("FNB") provides no warranties or undertakings of any kind, whether express, implied or otherwise, concerning this information, its accuracy and/or reliability. Neither FNB nor its holding company, subsidiaries or other group companies will be liable to you for any claims, demands, expenses, losses or damages, of whatsoever nature, which you may suffer or incur by using this information.