

how can we help you?

Livestock and Fibre markets

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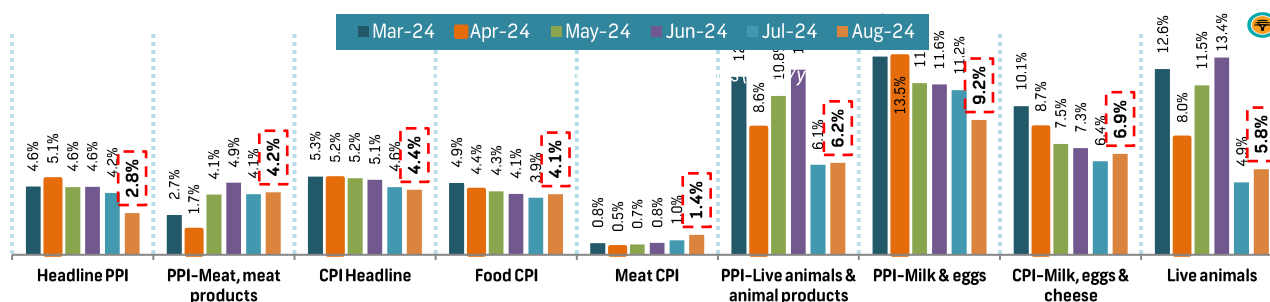
Paul Makube | Vhutshilo Mabela | 27 SEP 2024

UPDATE ON LIVESTOCK MARKETS

Monthly "live animals and animal products" PPI remained in a deflationary mode at -1.9% m/m in August 2024

- The August 2024 headline producer price inflation (PPI) showed a further slowdown from 4.2% y/y in July 2024 to 2.8% y/y, and monthly coming in at -0.3% m/m. *Meat and meat products* PPI was almost unchanged at 4.2% y/y in August from 4.1% y/y in July. The monthly *meat and meat products* PPI continued to decline for the third consecutive month at -0.4% m/m in August 2024.
- For agriculture, the annual PPI rebounded after a steep deceleration of 5-percentage points (ppts) in July to 7.3% y/y in August and monthly nudging 0.9% m/m from a -2.6% m/m in the previous month.
- The annual *live animals and animal products* PPI accelerated slightly in August to 6.2% y/y and monthly remained in a deflationary mode at -1.9% m/m from a -4.8% m/m in the previous month. Following a sharp deceleration of 8ppts to 4.9% y/y in July 2024, the *live animals* PPI rebounded marginally to 5.8% y/y in August 2024. See figure 1 for further details.
- While cost pressures remain a concern with elevated raw feed input prices such as yellow maize which has so far increased by 9.6% y/y in September 2024, a positive development is that fuel costs were slashed for the past three consecutive months and there is a potential for another cut of R1.12 and R1.09 per litre for the diesel 0.05% and 0.005% grades respectively for October 2024, according to the Central Energy Fund's daily update on the 25th of September 2024.
- Further, the South African Reserve Bank (SARB) 's 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 will have a positive impact on producer margins as debt servicing costs decrease. Stability in electricity supply coupled with the potential extra spending will help reduce costs while the cash injection that will flow from withdrawals from the new Two-Pot retirement system will boost demand for meat.

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

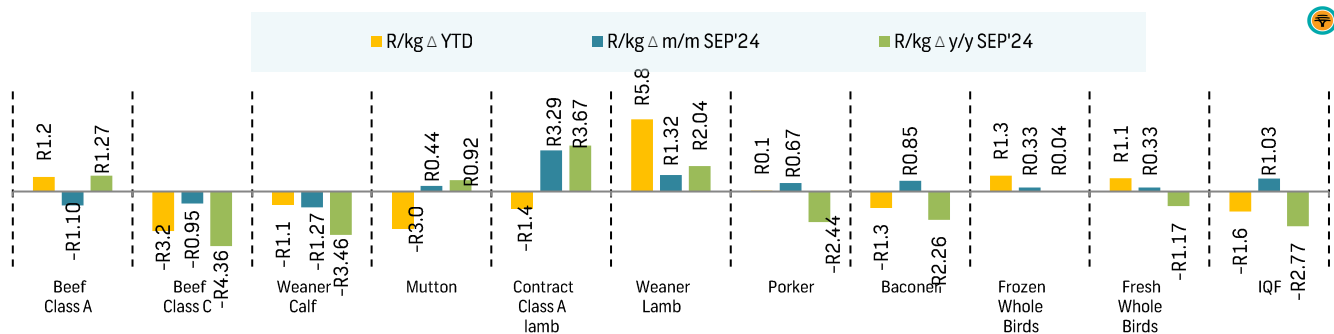


Source: FNB AgriComms

Freezing conditions dampen September holiday demand, particularly for beef

- Except for beef which remained under pressure in the first half of September, other meat categories showed a slight improvement in prices.
- In the live market, weaner calves remained in deflation under pressure from lower carcass and elevated maize prices. The weaner lamb market however remained resilient due to the limited availability on markets.
- Pork and baconer prices showed a slight uptick so far in September but continued to trend way below the 2023 levels (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 8.3% (-R2.77/kg) y/y at R30.61/kg.

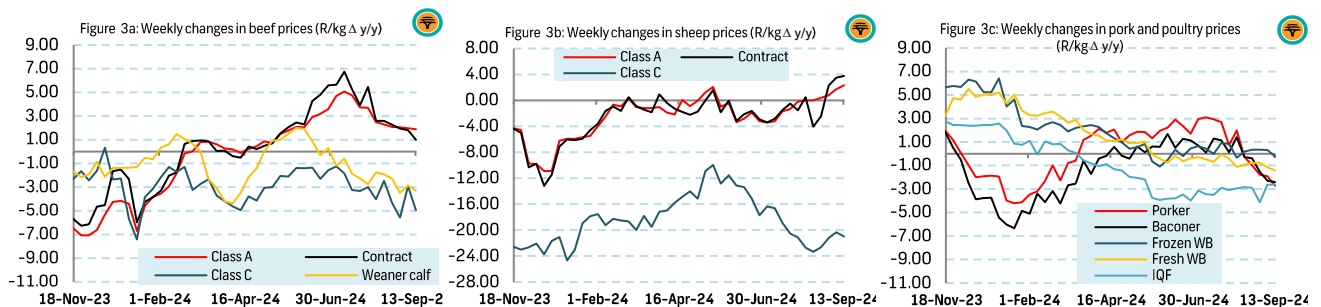
Figure 2: Changes in average monthly livestock prices (R/kg Δ m/m, y/y) – SEP 24 (first 3 weeks).



Source: FNB AgriComms

- 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).

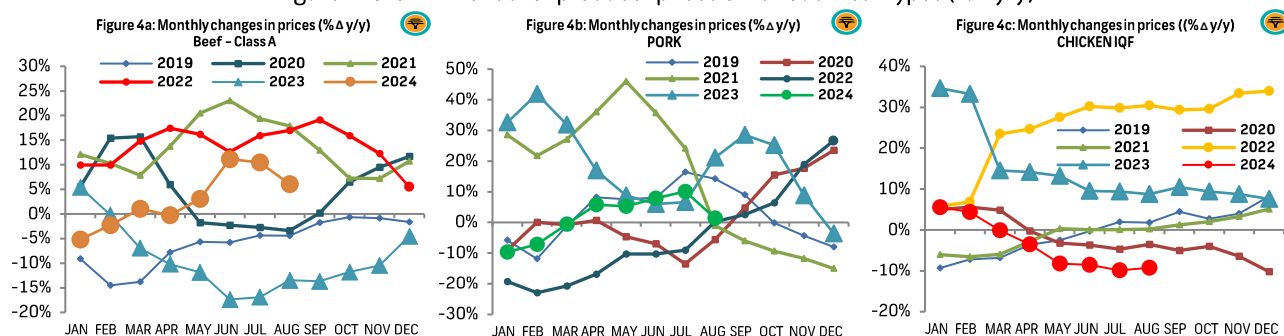
Figure 3: Changes in average weekly livestock prices (R/kg Δ y/y).



Source: FNB AgriComms

Annual growth trends for producer prices of various meat types.

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



Source: FNB AgriComms, Own Calculations

- 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).

Maize harvest falls below 13m tons for the first time in 5 years, a near term upside for maize prices

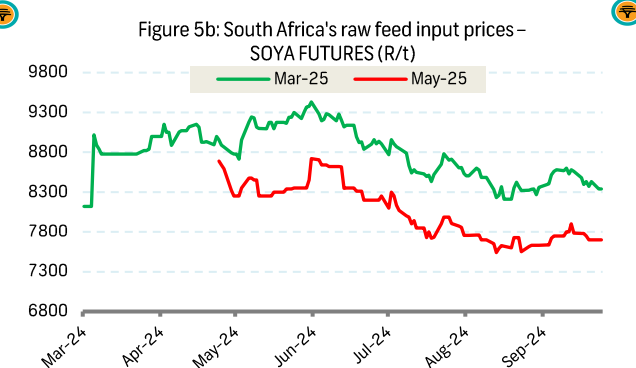
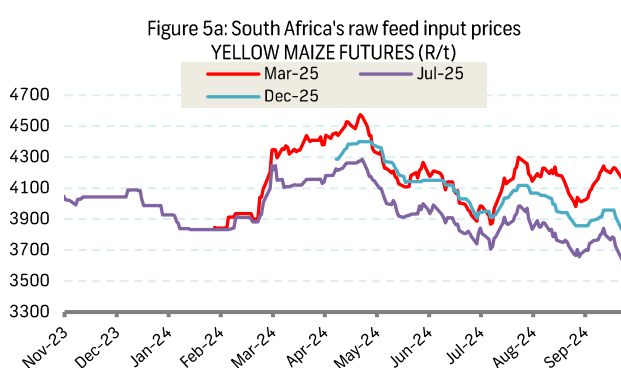
- After an initial optimism of a 14.36 million tons in the first estimate despite the drought conditions, the National Crop Estimates Committee (CEC) downgraded their forecast in the subsequent updates. Now, the maize harvest estimate fell below 13.00 million tons for the first time in five years at 12.80 million tons which is down by 22% y/y and 5% below the 10-year average of 13.47 million tons, according to the CEC's 8th production forecast.
- On plant protein sources for livestock feed, the CEC downgraded the sunflower harvest estimate by 2% from the previous month to 635,750 tons which is 11.7% lower y/y. However, soybeans were revised upwards by 1.8% m/m to 1.81 million tons but still down by 34.6% y/y, thus indicating a potential increase in imports of oil cake after building domestic self-sufficiency over the past few years.
- Near term grain and oil futures remain elevated but the outlook for 2025 shows a bearish trend (figure 5b).

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

27 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	R5,373	0.5%	R4,290	6.8%	R9,678	5.0%	R8,593	-0.4%
Mar-2025	R5,159	3.5%	R4,216	5.9%	R9,478	4.7%	R8,340	0.1%
May-2025	R3,900	-1.6%	R3,738	0.6%	R9,190	5.6%	R7,791	2.1%
Jul-2025	R3,807	-0.6%	R3,730	1.8%	-	-	-	-
Dec-2025	R3,954	-1.3%	R3,865	0.2%	-	-	-	-

Source: JSE

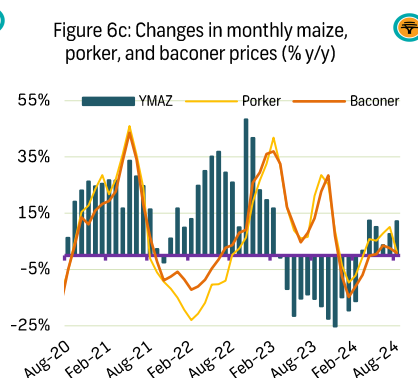
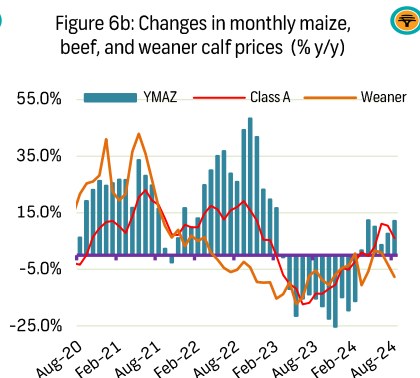
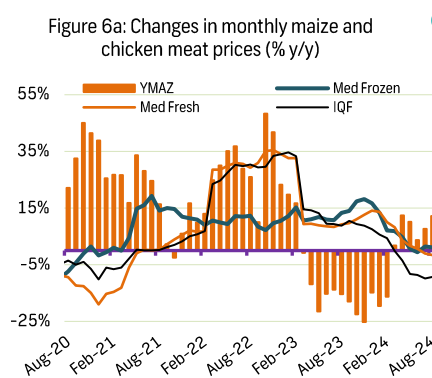
Figure 5: Raw feed input prices – futures trends.



Source: JSE

- 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.

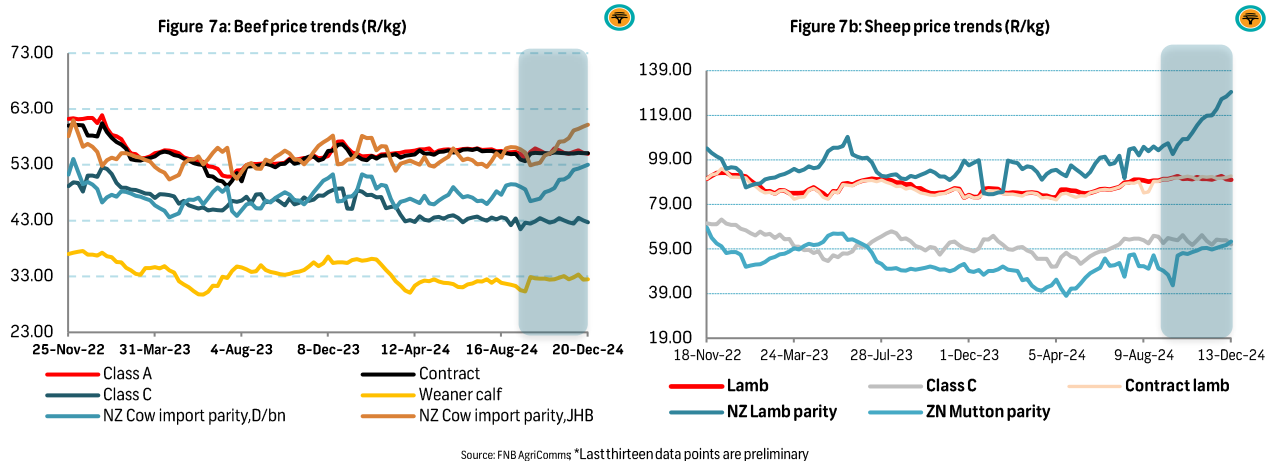
Figure 6: Changes in maize prices in relation to various meat types.



Source: FNB AgriComms, JSE, Own Calculations

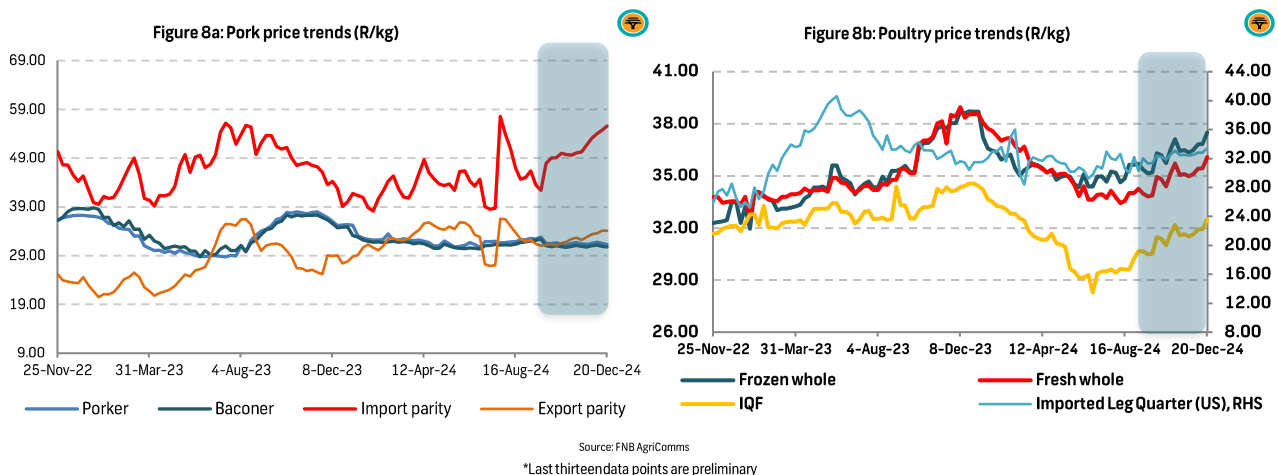
AgroMetrics: Livestock Charts

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.
- Thereopening 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.

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