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Livestock and Fibre markets

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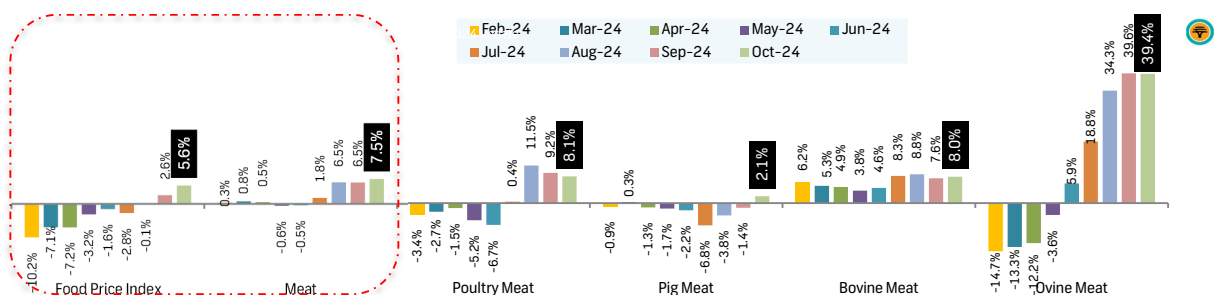
Paul Makube | Vhutshilo Mabela | 15 NOV 2024

UPDATE ON LIVESTOCK MARKETS

Global meat inflation surged to a 25-month high of 7.5% y/y in October 2024

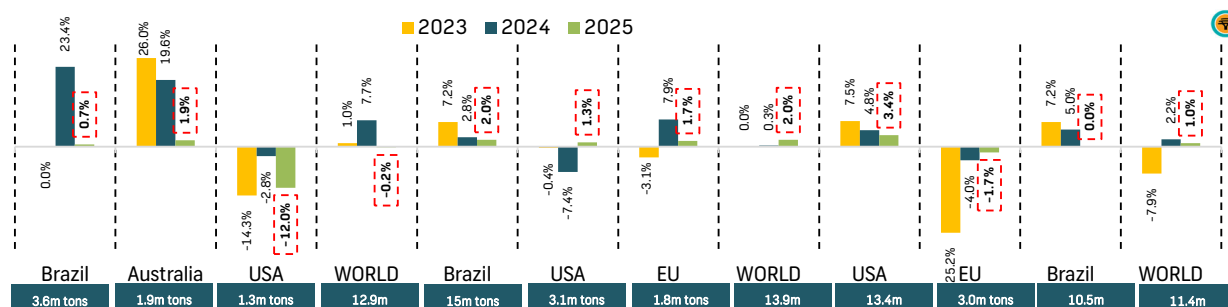
- The latest update on global food inflation is that it has now rebounded after trending in negative territory for the 21-month period until August 2024, according to data from the United Nation's Food and Agriculture Organization (FAO).
- Global food inflation rallied to the highest level since October 2022 at 5.6% y/y on the back of gains across all commodities except for meat. However, the monthly trend showed a slowdown of 0.6ppt from September at 2% m/m in October 2024.
- In the meat category, the monthly trend showed a second consecutive decline of -0.3% m/m in October underpinned by significant decreases for pig meat and poultry prices which more than offset gains for beef and the stable ovine meats. The increased availability of exportable supplies amid a depressed import demand curtailed the monthly price growth. However, the annual FAO meat inflation surged to a 25-month high of 7.5% y/y in October 2024 with ovine meat prices posting strong gains of 39.4% y/y, followed by poultry, bovine, and pig with increases of 8.1%, 2.1%, and 8.0% y/y respectively.
- Meanwhile, the United States Department of Agriculture (USDA) projected a marginal decline of 0.2% y/y in global beef exports at 10.42 million tons for 2025 led by decreases of 12% and 7% y/y for the US and the EU respectively. Chinese imports slowed in the four consecutive months to September at 166,000 tons due to constrained consumer spending.
- Brazilian exports are reported to have increased during August and September with the latter's volumes up 29% y/y at 251,756 tons mainly destined for the Chinese market. The USDA expects the 2025 Brazilian beef exports to increase marginally by 0.7% y/y to 3.6 million tons (figure2).
- On the chicken front, the USDA projections indicate a good rebound of 2% y/y in global exports at 13.85 million tons for 2025 underpinned by increases of 2% y/y for Brazil and the 1.7% y/y for the US after a sharp decrease of -7.4% y/y.

Figure 1: Global food and meat inflation trends - the FAO OCT 2024 update (% Δ y/y)



Source: FAO

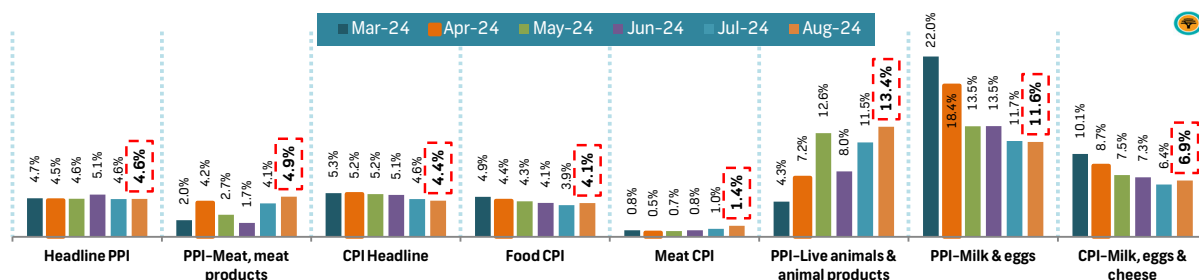
- The USDA forecasted a slowdown of global pork exports to 10.42 million tons in 2025, reflecting an annual growth of 1% from 2% in 2024. Strong expected US export sales of 3.4% y/y more than offset declines of 1.7% y/y from the European Union. From a 31.5% drop in pork imports in 2023, China is expected to rebound by 7.7% y/y to 1.4 million tons in 2025.
- The latest US pork export data from the US Meat Exporters Forum (USMEF) shows a massive decrease of 12% y/y at 344,432 tons in shipments to China for the year to September 2024. The lingering tariff war between the US and China following the election of President Elect Donald Trump may accelerate the decline in US shipments to the country.

Figure 2: Annual changes in global meat exports – % Δ y/y; million tons.

Source: USDA

South Africa's inflation has remained downbeat so far in 2024

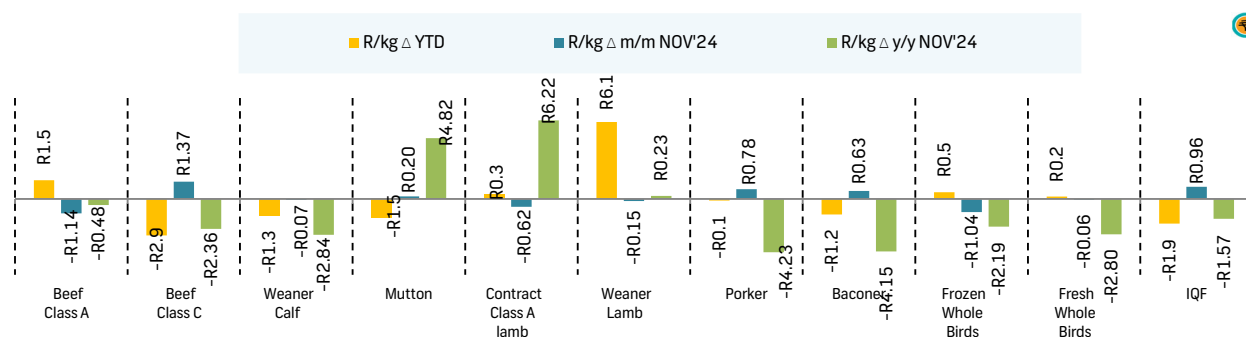
- No respite for the meat producers as meat inflation remained subdued so far in 2024 after reaching the only high of 2% y/y recorded in January 2024 (figure 3). Meat inflation cooled to 0.9% y/y in September 2024 but had a marginal bump up of just 0.2% m/m on seasonal demand effects after two consecutive monthly declines of 0.4% for both July and August.

Figure 3: South Africa's consumer and producer price index trends (% Δ y/y)

Source: FNB AgriComms

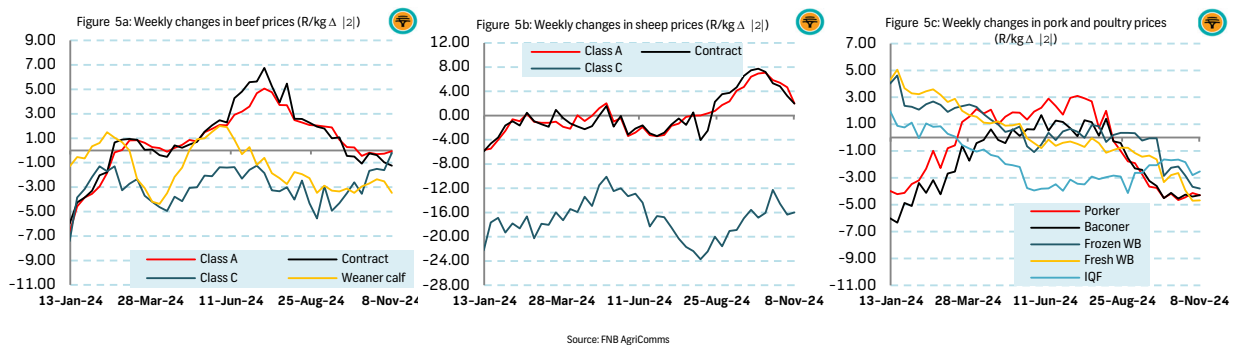
Average livestock prices continue to trend sideways as seasonal demand conditions remain subdued

- Our analysis of trends on the domestic market shows a sideways trend across the board early in November relative to last month, which signals weak seasonal demand conditions.
- Annually, the trend is still negative with porkers and baconers posting the biggest decreases of just over 11% y/y (-R4/kg).

Figure 4: Changes in average monthly livestock prices (R/kg Δ m/m, y/y)– NOV 2024 (first 2 weeks).

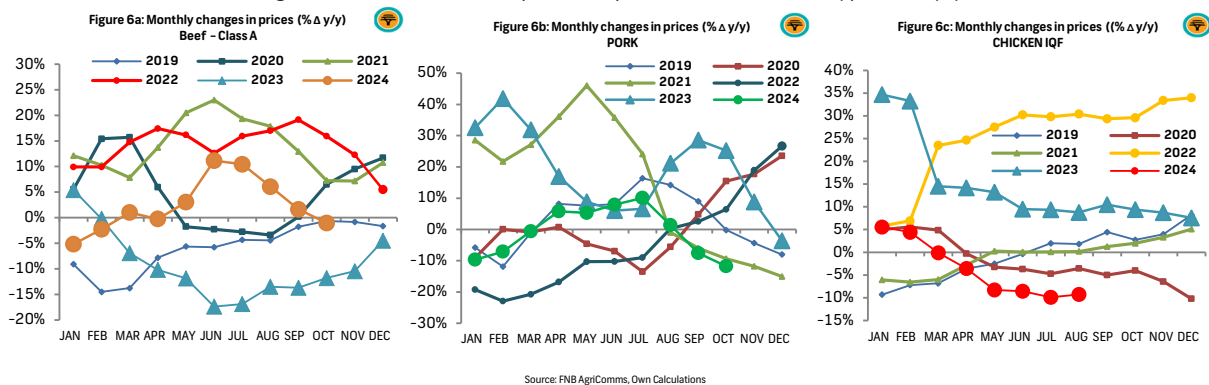
Source: FNB AgriComms

- They are followed closely by frozen whole birds, fresh whole birds, and the individually quick-frozen portions (IQF) with decreases of 7.6% (-R2.80/kg), 6.0% (-R2.19/kg), and 4.8% (-R1.57/kg) y/y respectively.
- In the live market, the weaner market edged a bit higher on renewed demand and further supported by recent rains that improved pasture prospects in the livestock areas.
- Although advancing modestly by 4% (+R1.27/kg), the average weaner calf prices for the first two weeks of November 2024 were still down by 7.8% (-R2.66/kg) y/y at R31.50/kg live weight (LW) as illustrated in figure 4.
- 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.
- Figures 5a, b, and c illustrate weekly changes in meat prices relative to last year for the various livestock categories that we track.
- For beef, weaner calf prices extended the trend in deflationary mode relative to the 2023 levels since mid-June 2024. Carcass prices are now back in negative territory reflecting the tough demand conditions.
- Pork price growth continued to decelerate while chicken remained in negative territory (see figure 3b and c).

Figure 5: Changes in average weekly livestock prices (R/kg Δ y/y).

Annual growth trends for producer prices of various meat types

- Annual class A beef carcass price has been in deceleration since June, while pork and IQF weakened further relative to last year in October 2024 (figures 6a, 6b, and 6c).

Figure 6: 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

- Spot prices recently increased sharply to new record highs of R5,929/t and R4,793/t for white and yellow maize respectively an indication of pressure on feeding margins.
- However, new season contracts for July 2025 delivery are way below these levels at R3,894/t and R3,778/t for white and yellow maize respectively (table 1, figure 7a). This indicates a potential decline in feed prices should YMAZ sustain this trend.
- We saw a similarly trend for the plant proteins futures with soybeans remaining elevated near term but trending sideways into of 2025 (figure 7b). However, sunflower surged higher as illustrated in figure 7b.

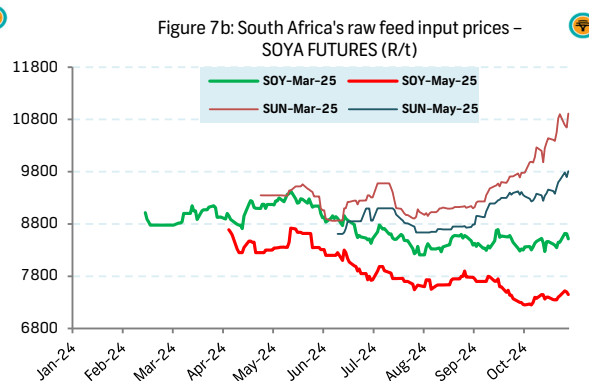
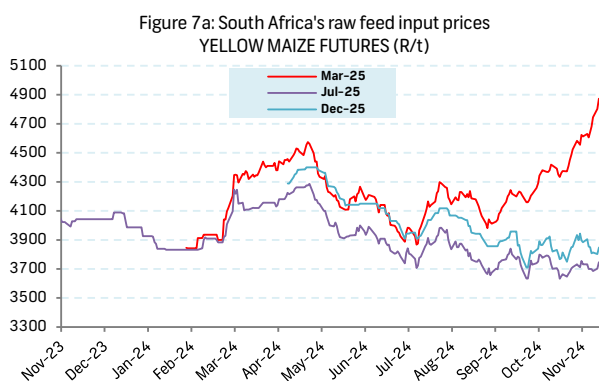
- The weather outlook remains optimistic with recent predictions indicating a development of a weak La Niña pattern in the early part of the summer season, according to the South African Weather Service (SAWS). This still indicates normal rainfall conditions which should allay fears given the recent hot conditions.
- Consequently, farmers were encouraged to increase their 2024/25 summer crop plantings by 0.8% y/y to 4.47 million ha, according to the CEC's First Intentions to Plant report. The expected maize area is 2.64m ha with yield a potential crop of just over 14 million tons using a 10-year average of 5.33 tons/ha.

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

14 NOV 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
Mar-2025	R5,870	4.3%	R4,855	4.8%	R11,029	12.9%	R8,554	2.6%
May-2025	R4,045	-0.7%	R3,800	-0.1%	R9,970	5.8%	-	-
Jul-2025	R3,894	-0.3%	R3,778	1.2%	R10,062	5.5%	-	-
Sep-2025	-	-	R3,840	0.7%	-	-	-	-
Dec-2025	R4,044	-0.7%	R3,932	1.3%	-	-	-	-

Source: JSE

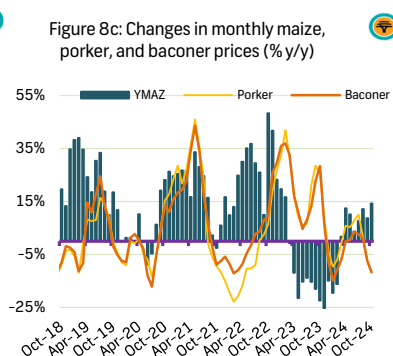
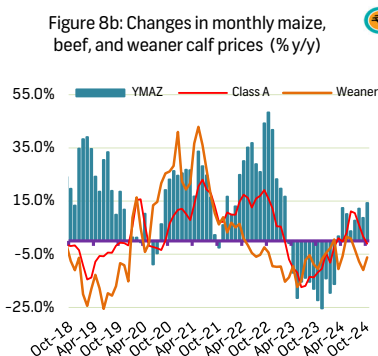
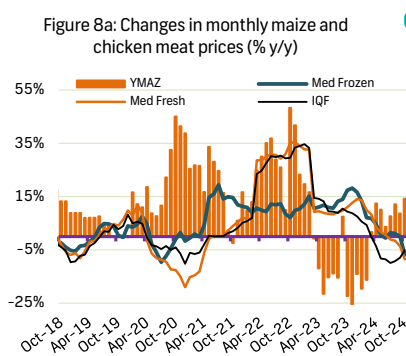
Figure 7: Raw feed input prices – futures trends.



Source: JSE

- Figure 8 (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 profit margin growth in the medium term.
- The uplift in maize prices poses downside risk to profit margins for intensive livestock feeders for the medium term. The constrained meat (output) price growth may exacerbate the situation should the current continue into the December festive.

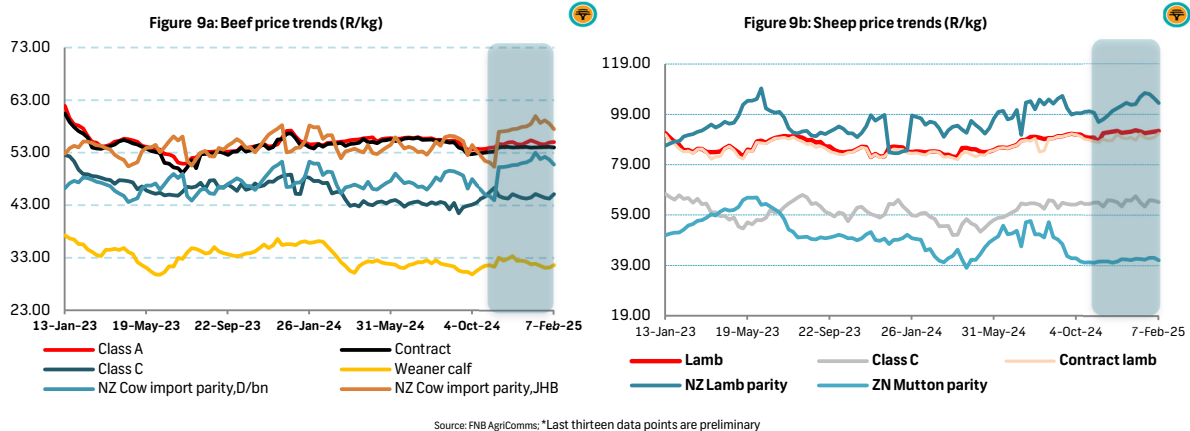
Figure 8: Changes in maize prices in relation to various meat types.



Source: FNB AgriComms, JSE, Own Calculations

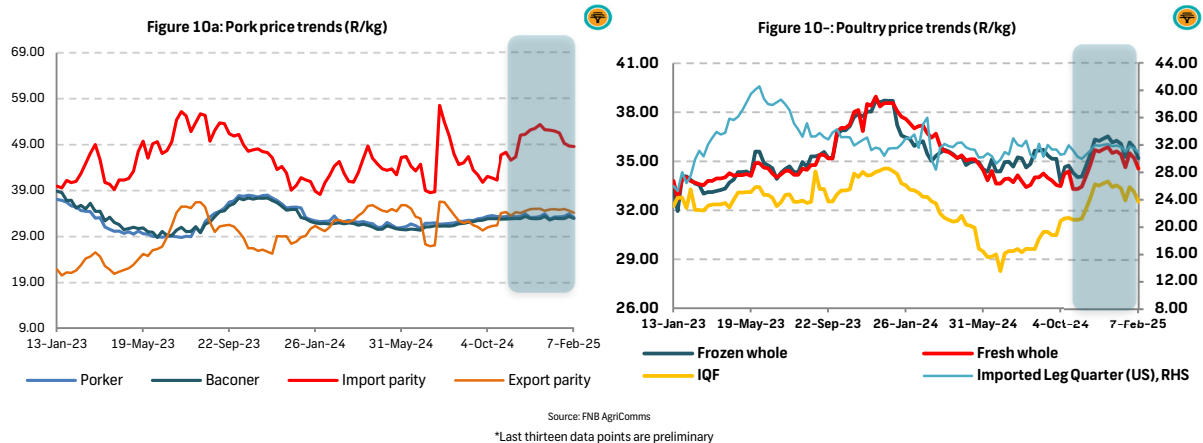
AgroMetrics: Livestock Charts

Figure 9: Beef and sheep meat price trends.



- The beef market is currently under pressure with higher maize prices exacerbating the situation.
- Profit margins remain under pressure.
- However, good seasonal rains have improved the pasture regrowth which should alleviate pressure for extensive livestock systems.
- The reopening of the export markets in China and Saudi Arabia in 2024 was a positive development for the livestock market.

Figure 10: Pork and poultry price trends.



- Price growth remains downbeat across all categories.
- The resumption of exports from Brazil following an outbreak of New Castle Disease (NCD) during mid-year may limit further upside for domestic prices. Brazil enjoys a lion share of South Africa's poultry imports with a share of 81% during first nine months of 2024 totalling 259,530 tons. However, we will only feel the impact of the resumption of the Brazilian exports from the affected regions in later months as DALRRD lifted the restrictions only recently on 13 November 2024.
- The renewed feed cost pressures remain a big concern as margins are likely to come under pressure if the situation persists.

OUTLOOK

- The improved prospects for an upswing in seasonal demand for meat on the back of the benign inflation outlook, another rate cut before the end of year, and a further reduction in fuel costs should provide a breather for the cash strapped consumers.
- 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 into the second half of 2025.

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