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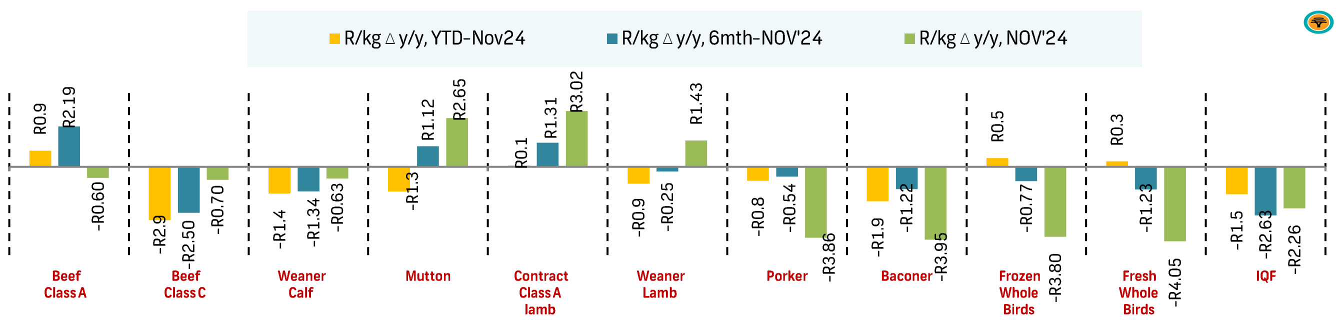
UPDATE ON LIVESTOCK MARKETS

A tough year for livestock producers as meat prices remained lethargic in 2024

- Our review of trends in the livestock market indicate a tough year which reflects a downbeat economic environment with GDP struggling to breach the 1% level.
- After growing by a paltry 0.7% in 2023, South Africa's GDP for 2024 is expected to remain sluggish despite the improved electricity supply due to weakness in private sector gross fixed-capital formation and poor agriculture, fishing, and forestry outcomes.
- Meat demand faltered in 2024 due to the constrained consumer finances amid elevated interest rates. Although there were two 25-basis points cuts in 2024, they were only implemented towards the end of the year in September and November respectively.
- At producer level, higher feeding costs due to the drought-induced surge in raw feed input prices eroded profit margins. The El Nino-induced drought cut South Africa's commercial maize harvest by 2% y/y to a 5-year low of 12.72 million tons for the 2023/24 crop season.
- However, the average prices of soybeans which is a source on plant protein in animal feed fell by 3.6% y/y to average R8,618/ ton for the year to November 2024. This provided an opportunity to review ration formulations and elevate utilization to lower the impact of higher maize prices on overall feed costs.
- Livestock prices on the domestic market trended mostly sideways to lower across the board in the last six months to November due to the constrained consumer demand (figure 1). However, we saw a modest price uplift early in December on the back of improved seasonal demand conditions.

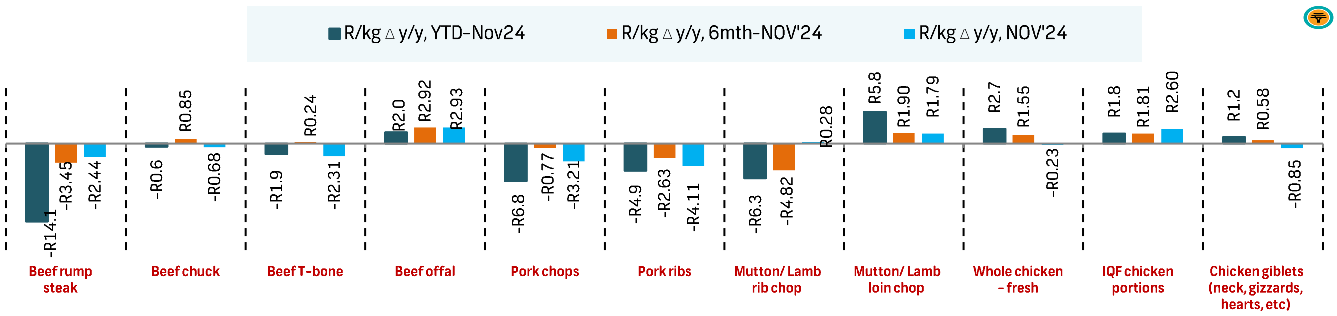
Figure 1: Changes in average livestock prices (R/kg △ y/y).



Source: FNB AgriComms

- The annual trend in pork and baconer prices remained subdued, posting on average decreases of 2.3% (-R0.80/kg) and 5.5% (-R1.9/kg) y/y respectively for the year to November 2024. A combination of strong domestic production and sluggish consumer demand kept prices on the downside during the year.
- At consumer level, average pork chops prices for the year-November 2024 decreased by 4.8% (-R4.90/kg) y/y at R97.65/kg. Similarly, pork ribs fell by 7.0% (-R6.79/kg) y/y at R90.08/kg.
- Beef had a mixed trend with average class C prices falling by 6.1% (-R2.9/kg) y/y at 44.35/kg for the year-Nov 2024 while contract class A carcasses were a bit firmer by 1.6% (+R0.9/kg) at R54.59/kg. Higher production and sluggish beef demand amid the downbeat economic conditions forced a decline in consumer prices across most categories with beef fillet falling by 12.5% (-R34.65/kg) to an average of R242.63/kg and beef mince averaging R103.05/kg which is down by 3.6% (-R3.84/kg) (figure 2).
- Beef offal was however the exception as it posted gains of 4.1% (+R2.03/kg) y/y at R51.12/kg underpinned by a strong uptake which is typical for low-value meats during a downturn in economic conditions.

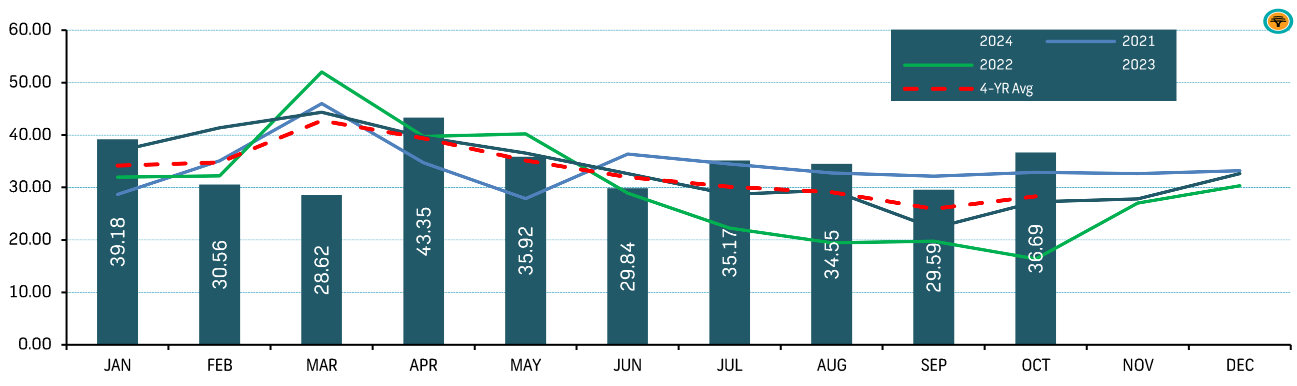
Figure 2: Changes in average consumer prices (R/kg △ y/y).



Source: Calculated from Stats SA data

- In the live market, the weaner market saw losses as the poor production conditions and elevated grain prices forced producers to reduce their stock holdings. This saw a robust seasonal cattle slaughter (NOV-OCT) of 2.79 million head slaughtered which is 6.8% higher y/y. The average weaner calf prices for the YTD fell by 4.2% (-R1.4/kg LW) y/y at R32.44/kg live weight (LW).
- For the chicken market, the trend was mixed with the highly traded IQF portions prices for the year-November 2024 falling by 4.5% (-R1.5/kg) y/y at R31.4/kg while the whole bird category posted slight gains of 1.4% (+R0.5/kg) y/y and 0.9% (+R0.3/kg) y/y respectively at R35.20/kg and at R35.10/kg. Meanwhile, average monthly chicken imports up to October 2024 were 1.2% higher relative to 2023 levels with the total for the YTD reaching 343,462 tons (figure 3).
- Despite being relatively contained the avian influenza outbreaks have been a challenge for the industry. However, the good news is that there is reportedly some progress in a local vaccine development for the H7 avian influenza although it still quite a distant from registration.

Figure 3: Monthly chicken imports – thousand tons.

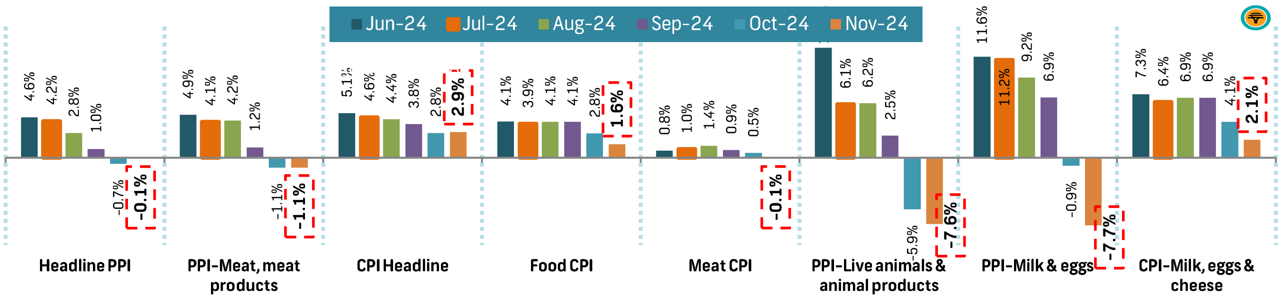


Source: SARS

Food inflation at a 14-year low of 1.6% y/y while meat enters deflationary territory in November 2024

- Consumers breathed a sigh of relieve as meat inflation entered a deflationary territory for the first time since May 2019 after clocking a negative growth of -0.1% y/y in November 2024.
- While elevated feed costs remained a concern, the overall producer inflation (PPI) for live animals and animal products decreased for the second consecutive month in November to -7.6% y/y while the live animals PPI fell to -7.8% y/y. The average YTD PPI for live animals and animal products slowed to 5.4% y/y in 2024 relative to 8.7% in 2023 (figure 4).
- Overall food inflation fell to an almost 14-year low of 1.6% y/y in November 2024 from 2.8% in October with two of the nine categories in deflation and four positing lower rates which included bread and cereals; milk, eggs and cheese; sugar, sweets and deserts; and other food. The food inflation sub-categories of milk, eggs and cheese; oils and fats; and fruit accelerated in November while fish was unchanged from the October level.
- Headline manufacturing PPI remained in deflationary mode for the second consecutive month, reaching a record low of -0.1% y/y in November 2024.

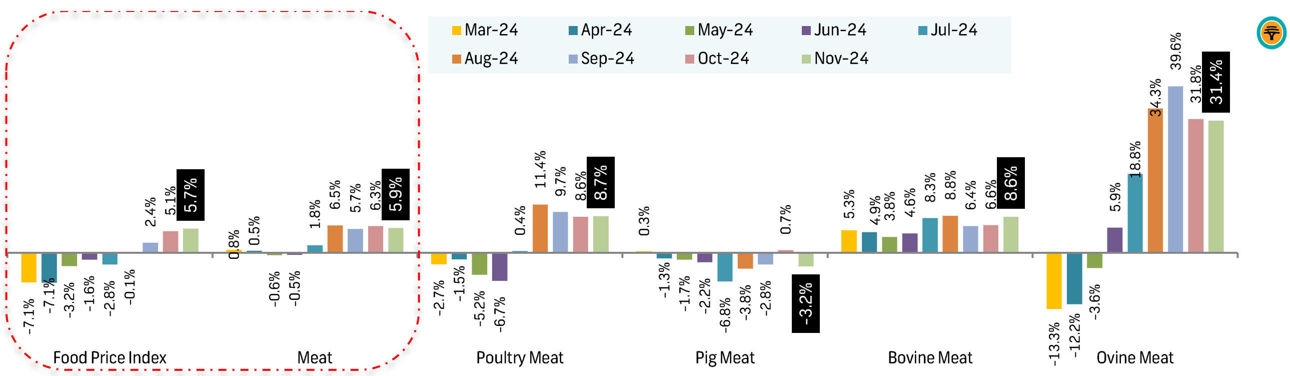
Figure 4: South Africa's consumer and producer price index trends (% ∆ y/y)



Source: FNB AgriComms

- In contrast, global food price inflation as measured by the United Nations Food and Agriculture Organization (FAO) was much higher at 5.7% y/y in November 2024, but slowed monthly to 0.5% m/m from 1.8% m/m previously. Global meat inflation however remained in deceleration mode at 5.9% y/y in November from 6.3% in October, and it was in deflation at -0.8% m/m (figure 5).
- The supply response for beef has been strong thus placing downward pressure on global prices across markets. Although improving slightly towards year end, overall global poultry supplies were suppressed due to earlier disease outbreaks that disrupted exports and production.
- The FAO pork price index remained in deflationary mode for most of 2024 due to the strong pork export availabilities and lower Chinese import demand.
- Although decelerating faster towards year end, sheep meat prices rebounded strongly from last year since the second half of 2024 with increases above 30% y/y from August.

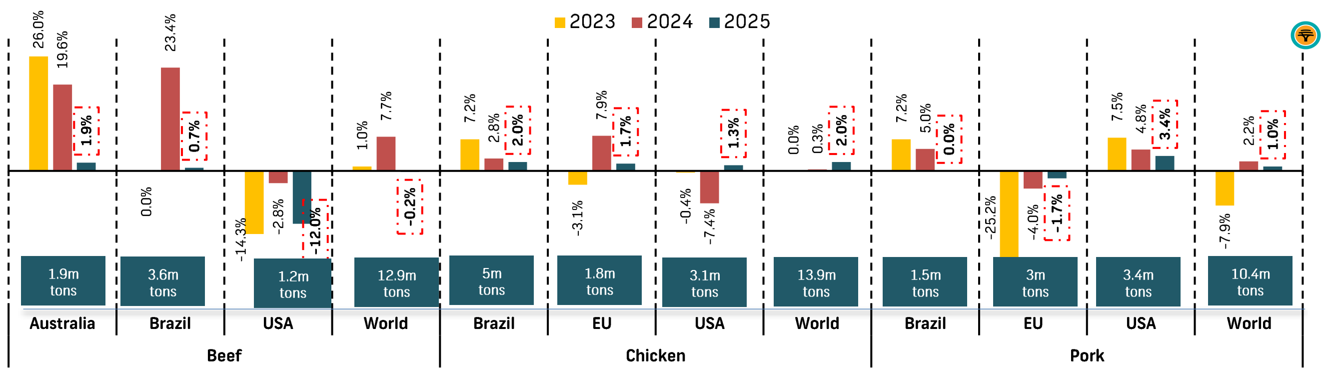
Figure 5: Global food and meat inflation trends - FAO NOV 2024 update (% ∆ y/y)



Source: FAO

- Meanwhile, the United States Department of Agriculture (USDA) projected a marginal decline of 0.2% y/y in global beef exports to 12.94 million tons for 2025 led by decreases of 12% and 7% y/y for the US and the EU, respectively (figure 6). Following a 2.4% y/y increase for 2024, global beef production is expected ease marginally by 0.8% y/y to 60.90 million tons with declines for the US and the EU by 4% and 1.5% y/y, respectively.
- The USDA projections indicate a good rebound of 2% y/y in global chicken meat exports at 13.85 million tons for 2025 underpinned by increases of 2% y/y for Brazil, 1.7% y/y for the EU, and the US posting a rebound of 1.3% as it recovers from the AI outbreaks. Global chicken production is expected to recover and increase by .8% y/y to 104 million tons.
- The USDA forecasted a slight acceleration in exports to 10.42 million tons, up 1% y/y with strong US export sales of 3.4% y/y more than offsetting declines of 1.7% y/y from the European Union (table 1). However, pork production is expected decline by 0.8% y/y in 2025 weighed by losses of 2.2% and 1.6% in China and the EU respectively. China and the EU account for 48% and 18.2% of global pork production.

Figure 6: Annual changes in global beef, chicken, and pig meat exports – % ∆ y/y; million tons.



Source: USDA

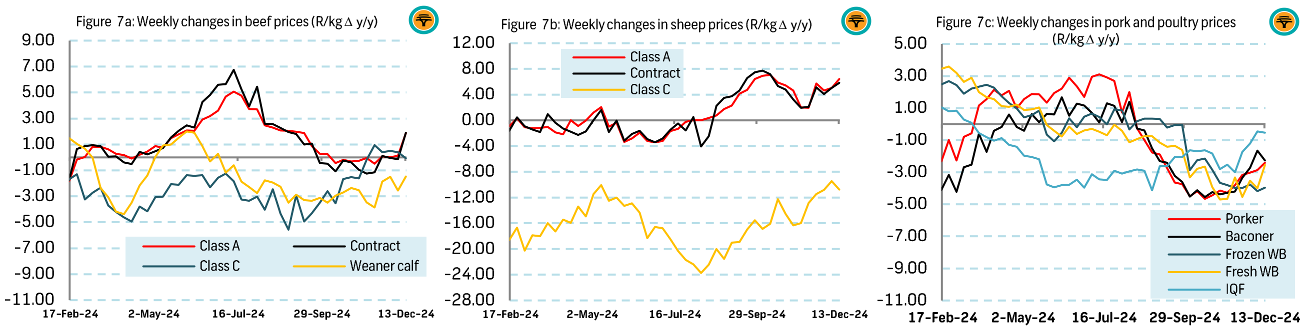
Table 1: Annual changes in global meat production forecasts – % ∆ y/y; thousand tons

Meat, Beef and Veal				Meat, Chicken				Meat, Swine			
Country	2025	2024 % ∆ y/y	2025 % ∆ y/y	Country	2025	2024 % ∆ y/y	2025 % ∆ y/y	Country	2025	2024 % ∆ y/y	2025 % ∆ y/y
Argentina	3,175	-5.5%	2.4%	Argentina	2,545	2.0%	2.4%	Argentina	835	5.0%	4.4%
Australia	2,615	14.9%	2.3%	Australia	1,485	3.3%	1.7%	Australia	490	2.8%	2.1%
Brazil	11,750	8.2%	-0.8%	Brazil	15,100	0.7%	0.7%	Brazil	4,550	1.0%	1.2%
EU	6,500	2.2%	-1.5%	EU	11,530	2.7%	1.3%	EU	20,900	2.0%	-1.6%
USA	11,811	0.1%	-4.0%	USA	21,726	1.4%	1.6%	USA	12,941	2.4%	2.0%
World	**60,895**	**2.4%**	**-0.8%**	**World**	**104,931**	**-0.8%**	**1.8%**	**World**	**115,130**	**-0.2%**	**-0.8%**

Source: USDA

- Figures 7a, 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. However, carcass prices rebounded towards year end supported by the upswing in seasonal demand.
- Pork prices continued to decelerate while chicken remaining in negative territory (see figure 7c).
- A mixed trend for sheep with negative growth for mutton while class A carcasses retained the upside.

Figure 7: Changes in average weekly livestock prices (R/kg ∆ y/y).

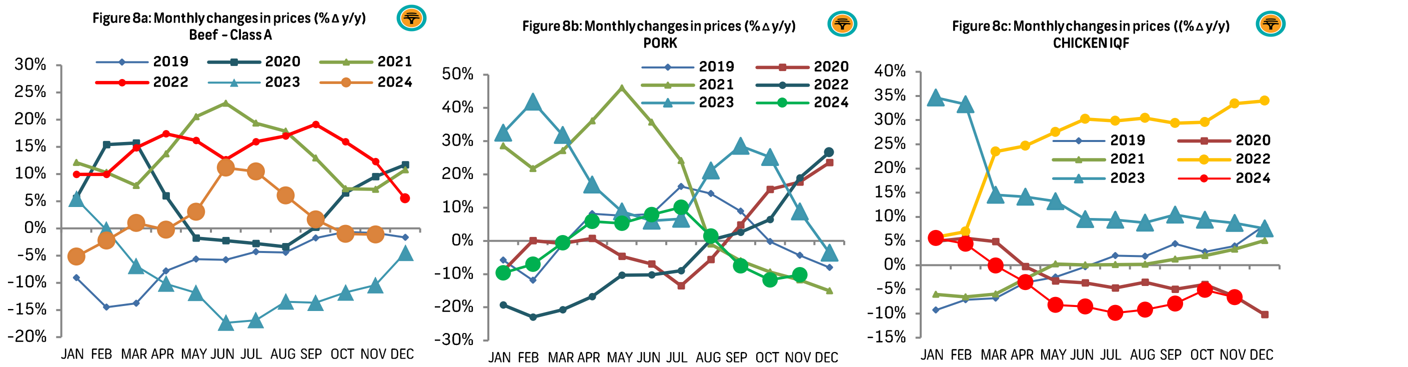


Source: FNB AgriComms

Annual growth trends for producer prices of various meat types

- Annual class A beef carcass prices have been in deceleration since June, while pork and IQF weakened further relative to last year up to November 2024 (figures 8a, 8b, and 8c).

Figure 8: Growth trends for producer prices of various meat types (% ∆ y/y)



Source: FNB AgriComms, Own Calculations

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

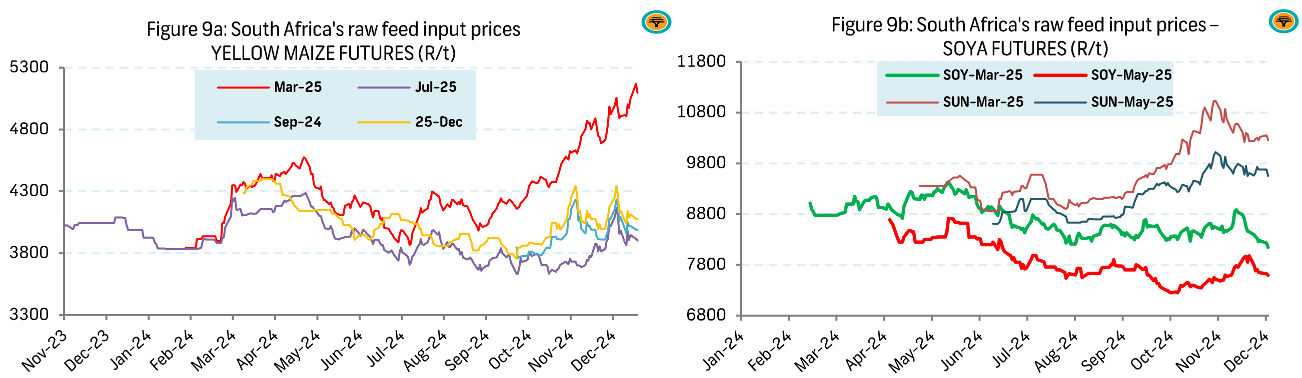
- The average price of yellow maize (YMAZ), a major ingredient in animal feed, increased by 12% in the six months to November 2024 relative to the same period in 2023 at R4,208/ ton. Average YMAZ prices for the year to November 2024 were 6.4% higher y/y R4,126/ ton. YMAZ prices surged to above R5,000/ ton early in December on the back of the tightening domestic stocks and delayed rains that may derail production rebound for the 2024/25 season.
- New season contracts for July 2025 delivery are however way below the R5,000/t level at R3,976/t yellow maize in the latest trades (table 1, figure 9a). This indicates a potential decline in feed prices should YMAZ sustain this trend.
- In the oilseeds complex, soybean futures show declines into 2025 with the Mar-25 contract 12% below the current spot price at R8,073/t. Similarly, the May-25 sunflower futures trended 6% below the current spot prices in recent trades at R9,550/t.
- The weather outlook remains optimistic which encouraged to increase their 2024/25 summer crop plantings by 0.8% y/y to 4.47 million ha, according to the Crop Estimates Committee's First Intentions to Plant report.

Table 2: Raw feed inputs - Latest price trends in JSE grain and oilseed futures market (R/ton).

19 DEC 2023	WMAZ R/ton	% ∆ m/m	YMAZ R/ton	% ∆ m/m	SUNS R/ton	% ∆ m/m	SOY R/ton	% ∆ m/m
Mar-2025	R6,315	5.3%	R5,190	7.6%	R10,106	-5.2%	R8,073	-5.7%
May-2025	R4,477	6.3%	R4,012	3.0%	R9,550	-2.2%	-	-
Jul-2025	R4,276	4.6%	R3,976	2.6%	R9,720	-1.6%	-	-
Sep-2025	-	-	R4,044	2.8%	-	-	-	-
Dec-2025	R4,446	4.9%	R4,137	2.3%	-	-	-	-

Source: JSE

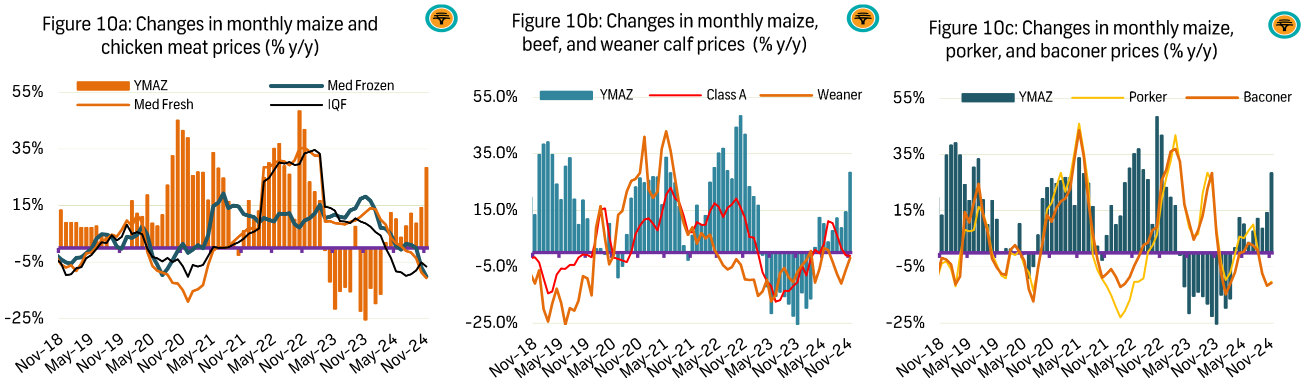
Figure 9: Raw feed input prices - futures trends.



Source: JSE

- However, sunflower prices have since increased towards year end with spot prices breaching the R10,000/t level by mid-December 2024. Sunflower futures for May25 delivery dipped slightly below the above level and 4% below the November levels in recent trades (table 2 and figure 9b).
- Figure 10 (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.

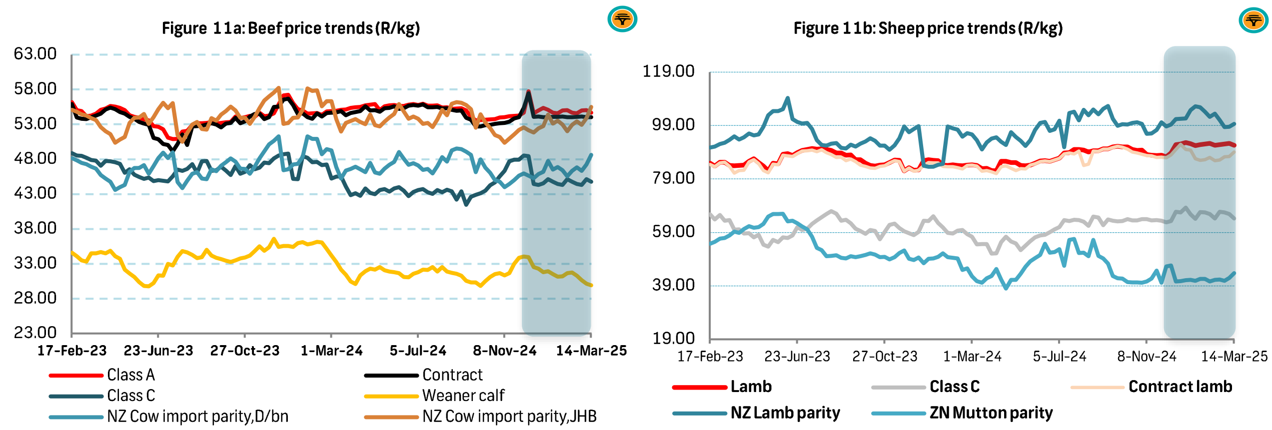
Figure 10: Changes in maize prices in relation to various meat types.



Source: FNB AgriComms, JSE, Own Calculations

AgroMetrics: Livestock Charts

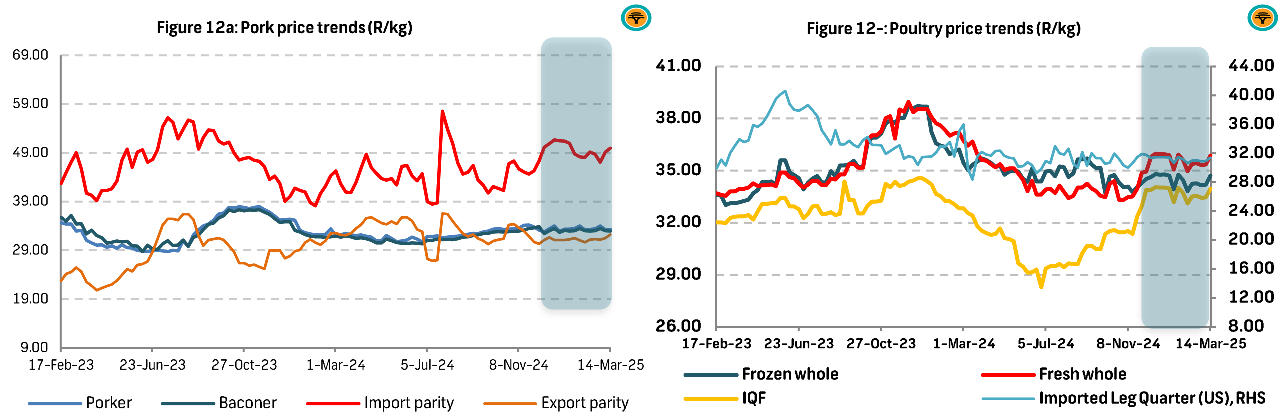
Figure 11: Beef and sheep meat price trends.



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

- Beef prices rebounded strongly in the buildup to the December holidays on good seasonal demand.
- Delayed rains were a bit of a concern as prolonged dryness in the producing areas might force producers to liquidate their stock.
- Although the foot-and-mouth disease (FMD) situation is under control in other parts of the country, the Eastern Cape (EC) and KwaZulu-Natal are yet to be stabilized. In KZN, three new outbreaks in the uPongolo Local Municipality were reported to the WOAH in November 2024 (DALRD).
- In the EC, FMD was detected on 30 April 2024 on a farm in Humansdorp which saw 73 farms being placed under quarantine since May 2024 according to DALRAD. About 96 thousand cattle and 635 sheep were vaccinated with a follow up dose on 48 thousand cattle to reduce the severity of the clinical signs.
- The reopening of the export markets in China and Saudi Arabia in 2024 was a positive development for the livestock market.

Figure 12: Pork and poultry price trends.



Source: FNB AgriComms

*Last thirteen data points are preliminary

- Sentiment on the poultry market is that the momentum is strong due to a big push for final sales before the holidays begin. Whole bird prices are reportedly stable to strong while IQF continues to increase.
- Globally, disease outbreaks such the New Castle Disease (NCD) in Brazil and the avian influenza in the US, Australia, Canada, and Chile disrupted trade in 2024. Nonetheless, Brazil still enjoyed a lion share of South Africa's poultry imports with a share of about 80% during first nine months of 2024 totalling 259,530 tons.
- The renewed feed cost pressures remain a big concern as margins are likely to come under pressure if the situation persists.

OUTLOOK

- The slight improvement in the consumer's financial welfare following the recent interest rate easing and the liquidity injection in the economy due to the two-pot retirement withdrawals will boost meat demand during the holiday period.
- 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.
- However, we expect a downturn in prices early in the New Year due to the seasonal decline in demand post the festive period as consumers are cash strapped and are facing competing financial needs such as school expenditures.

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