

# Livestock and poultry input costs might soften

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The poultry and the livestock sectors have had to contend with higher input costs such as grains and soya beans prices since 2020, which have squeezed farmers' profitability. Improved grazing veld conditions resulting from heavy rain will, to some degree, be beneficial to the livestock industry.



Source: [123RF.com](#)

While the heavy rainfall of the past few months has improved the grazing conditions in South Africa (SA), oilseeds and grains prices have remained elevated, thus boosting input costs for farmers, specifically poultry producers. The higher grains and oilseeds prices were not a factor in the domestic market conditions but were underpinned by the global dynamics.

The poor crop conditions in South America, strong demand for oilseeds in China and India, poor palm oil harvest in Indonesia, and recently the Russia-Ukraine tension have been among the major upside drivers of prices in the past few months. This has, in turn, influenced the price dynamics in SA and the costs of feed for the livestock and poultry sector.

Global grains and oilseed prices could soften somewhat in the coming months because of the expected improvement in the global supplies and stock levels. The International Grains Council and the United States Department of Agriculture expect this recovery in global grains stocks despite the possible poor crop in South America.

## Hope for a potential recovery

However, recent data shows that global grains and oilseeds prices are still at firmer levels. For example, the FAO Food Price Index averaged 136 points in January 2022 – up by 1% from December 2021 and at its highest since April 2011. The recent increases in the Food Price Index were mainly underpinned by vegetable oils and dairy products.

The grains prices, which we are closely monitoring, were roughly unchanged from December 2021 and up by 13% from January 2021. Only a downward price change in vegetables oils and grains would provide much-needed relief in the livestock and the poultry industry. The interplay of a potential recovery in stocks and consumption levels, and ultimate harvest size in South America will be the main determinants of these prices in the coming months.

Overall, the higher input costs environment of 2021 has not changed much at the start of this year. The year's livestock and poultry farmers' input costs direction will be more precise over the coming months. Still, there is hope that a potential recovery in stocks could add a slight downward pressure on global grains prices, which will affect prices here in SA. – Wandile Sihlobo, Agbiz

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