

Agri-Weekly

05 July 2013

pmakube@fnb.co.za

<https://www.fnbagricomms.co.za>

Beef market trends (Graph 1)

International:

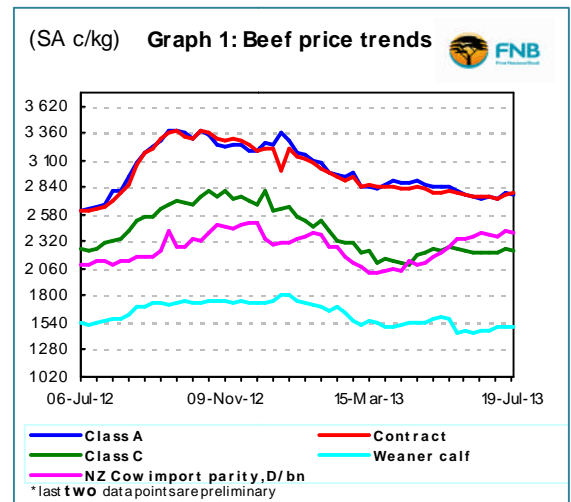
- US lean manufacturing beef prices were firm to higher on moderate to good demand leading to the Independence Holiday. The reduced slaughter numbers added to the firmer tone.
- On the import front, market activity was reportedly slow with prices trending lower as procurement requirements were already met ahead of the holiday.
- At wholesale, US prices were again mixed with the Choice category down 0.3% w/w but still 1.8% higher y/y at US\$196.95/cwt. Select beef gained 0.2% w/w and 6.1% y/y at US\$187.15/cwt.
- The CME Feeder Cattle Index posted slight gains at US\$140.61/cwt, up 2.1% w/w but down 3.8% y/y.
- US cattle slaughter numbers dropped sharply with the estimated weekly number coming in at 559,000 head, down 14.3% w/w and 2.8% y/y. Year to date cattle slaughter reached 16.41m head and still 1.5% lower y/y.
- In Australia, the cattle market extended recent gains on the back of rainy conditions that impacted on supplies. The Eastern Young Cattle Indicator (EYCI) gained 3.3% w/w but still 12.8% lower y/y at AU\$3.30/cwt.

Domestic:

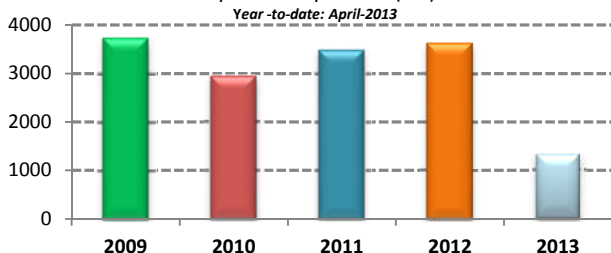
- The beef market softened as demand slipped towards midmonth. The losers were mostly Class A beef while the C-grades recovered on the back of tight supplies on markets.
- Weekly Class A beef prices fell by 0.2% w/w but still 4.6% higher y/y at R27.39 per kg.
- Contract Class A beef prices were down by 0.7% w/w but still 4.5% higher y/y at R27.33 per kg.
- Class C beef gained 0.5% w/w but down by 1.7% y/y at R22.15 per kg.
- There was slight rebound in the weaner calf market with the prices gaining 2.5% on the week to close at R14.95 per kg live weight, but still 2.3% lower y/y.

LOOK

The softer trend is expected in the medium term on subdued demand and increase in supplies as producers continue to destock in areas with limited fodder availability.

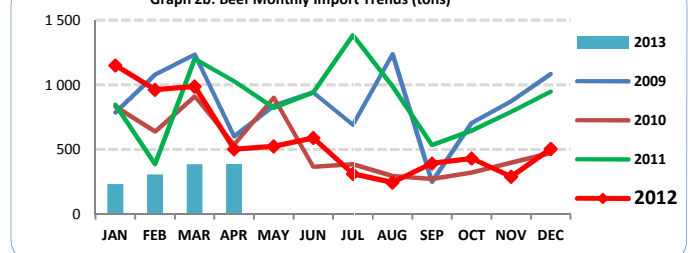


Graph 2a: Beef Import Trends (tons)
Year-to-date: April-2013



Source: SARS, Own Calculations

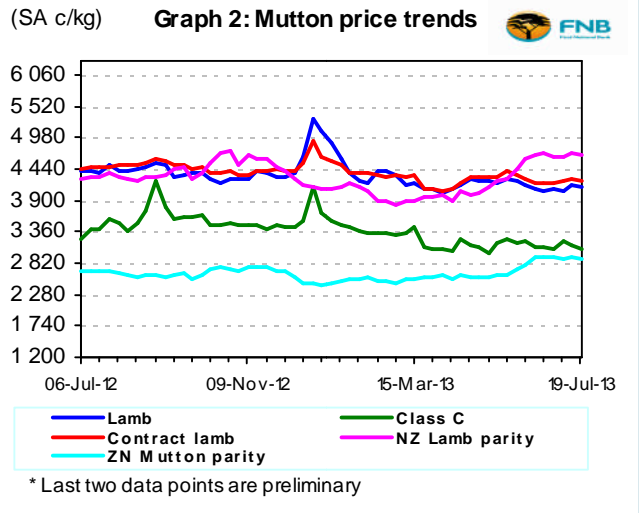
Graph 2b: Beef Monthly Import Trends (tons)



Mutton market trends (Graph 2)

International:

- In New Zealand (NZ), domestic producer prices were steady to firmer across most categories.
- NZ lamb exports to the UK are reported to have increased by 17.0% y/y in May 2013. UK sales for the 12 weeks to May 2013 were strong spurred by a sharp drop in domestic retail prices.
- In Australia, lamb and mutton markets saw further losses despite tight supplies due to wet conditions.
- The Eastern States Trade Lamb Indicator (ESTLI) fell by 0.6% w/w but up 17.6% y/y at AU\$4.87/kg cwt.
- In the US, the Lamb Carcass Cutout prices reversed recent gains and closed down 2.0% w/w and 19.0% y/y at US\$249.87/cwt.
- The estimated weekly US sheep slaughter dropped by 7.5% w/w at 37,000 head, but up by 19.4% y/y. Year-to-date sheep slaughter was up by 5.7% y/y at 1.1m head.



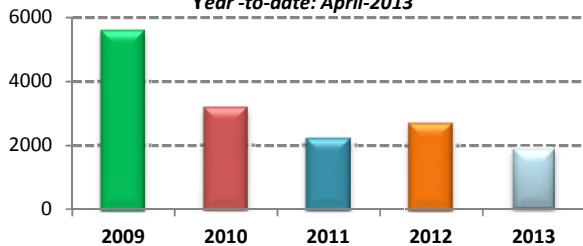
Domestic:

- The lamb and mutton markets were again mixed with mutton regaining ground on the back of tight supplies.
- Weekly Class A lamb saw marginal losses on softer demand. Prices were down by 0.5% w/w and 7.6% y/y at R40.62 per kg.
- Contract Class A lamb however posted slight gains on tight supplies. Weekly Contract Class A lamb gained 1.1% w/w but still 4.8% lower y/y at R42.37 per kg.
- Mutton prices recovered modestly to close at R32.05 per kg, up 5.3% w/w but still 1.0% lower y/y.
- Weaner lamb prices posted marginal gains at R20.13 per kg live weight, up by 0.6% w/w but down 10.2% y/y.

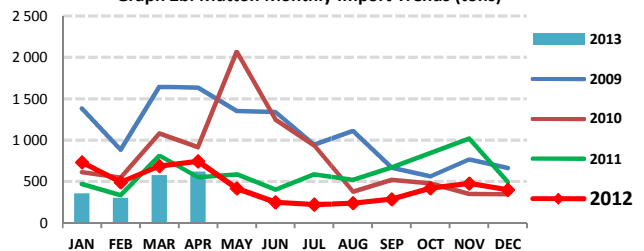
OUTLOOK

Lamb and mutton markets are expected remain under pressure in the short term due to weak seasonal demand.

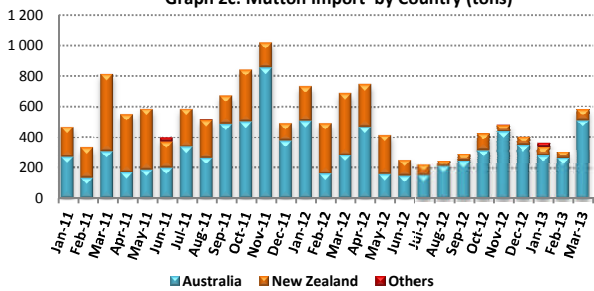
Graph 2a: Mutton Import Trends (tons)
Year-to-date: April-2013



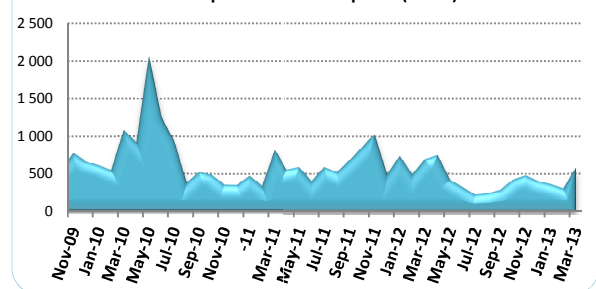
Graph 2b: Mutton Monthly Import Trends (tons)



Graph 2c: Mutton Import by Country (tons)

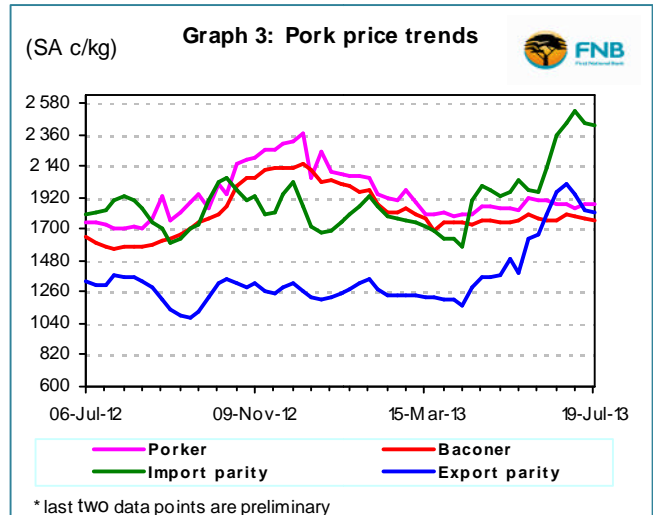


Graph 2d: Mutton Imports (TONS)



Pork market trends (Graph 3)
International:

- The US Pork Carcass (FOB Plant) Cutout prices weakened and finished at US\$106.85/cwt, down by 2.7% w/w.
- The number of pigs slaughtered came in sharply lower at 1.8m head, down by 11.1% w/w but still 2.9% higher y/y. The estimated year to date slaughter reached 56.0m head, down by 0.1% y/y.
- According USDA's latest WASDE report, second-quarter US pork production was adjusted lower to account for slower than expected slaughter and slightly lower dressed weights in June.
- Second-quarter commercial pork production was pegged at 2.5m tons, down 4.4% from the previous estimate and almost unchanged y/y.
- The total 2013 pork production is expected to be sharply lower than last year by 9.6% at 10.5m tons.
- A rebound in production is however expected for 2014. Pork production for 2014 was raised by 2.6% y/y to 10.8m tons.

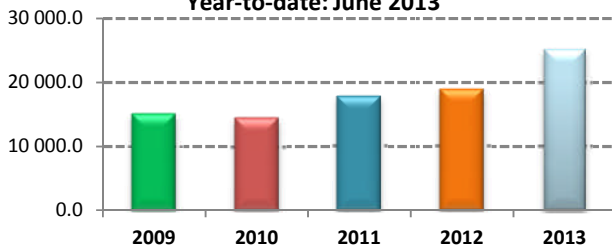

Domestic:

- Pork and baconer prices posted losses under pressure due to weak demand towards midmonth.
- Weekly porker prices closed at R18.51 per kg, down by 1.5% w/w but up 5.8% y/y.
- Baconers fell by 0.8% w/w at R17.86 per kg, but still up by 8.1% y/y.
- Pork import parity prices closed up 4.0% and 40.8% y/y, mainly due to better international prices.
- June saw a sharp increase in pork imports. The monthly pork imports rose sharply by 28.7% m/m and 150.4% y/y at 5,872 tons. This brings the year-to-date figure to 20,591 tons, up 9.7% y/y.
- Major import sources were Germany with 2711 tons (46.2%), Canada with 1902 tons (32.4%), Spain with 521 tons (8.9%), Belgium with 172 tons (2.9%), Denmark with 151 tons (2.6%), and the rest contributing 415 tons (7.1%).

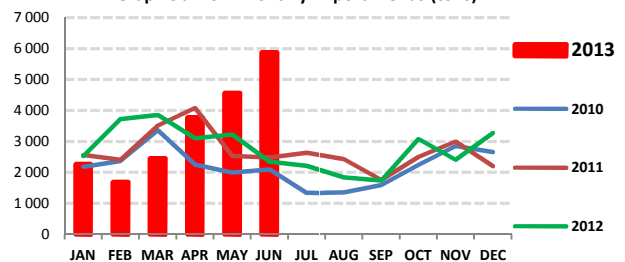
OUTLOOK

Prices are expected to trend sideways in the medium term with limited upward potential due to the seasonal weakness in demand.

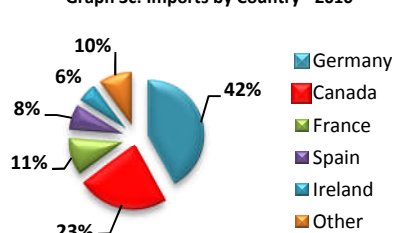
Graph 3a: Pork Import Trends (tons)
Year-to-date: June 2013



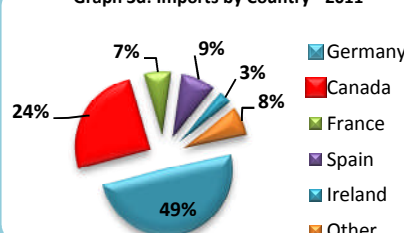
Graph 3b: Pork Monthly Import Trends (tons)



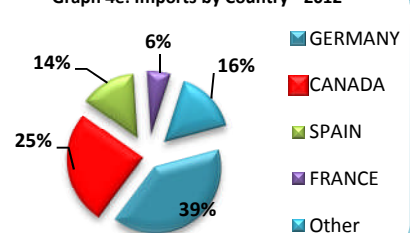
Graph 3c: Imports by Country - 2010



Graph 3d: Imports by Country - 2011



Graph 4e: Imports by Country - 2012



Poultry market trends (Graph 4)
International:

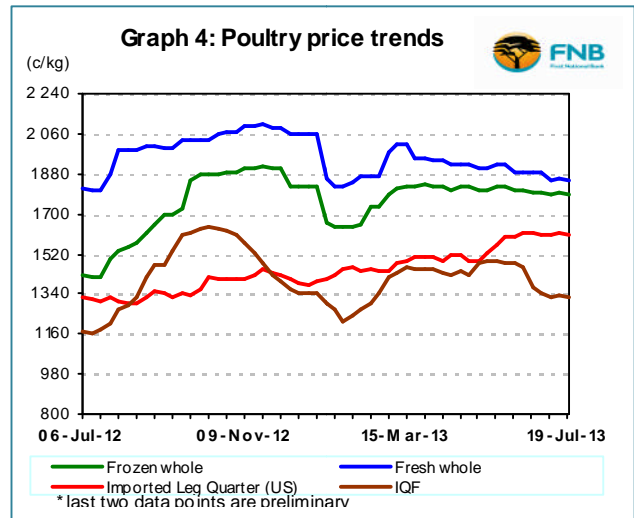
- US prices were mostly higher, with the exception of breast cuts.
- Weekly whole bird prices were firmer at US106.17c/lb, up 12.1% y/y.
- Leg quarter prices settled at US54.50c/lb, unchanged w/w and up 4.1% y/y.
- Wings steadied at US141.67c/lb, but still 23.2% lower y/y.
- Breast cuts again trended lower and closed down by 1.6% w/w at US129.67c/lb, but up 29.2% y/y.
- Weekly US broiler egg sets for the week ended 29 June 2013 came in slightly lower w/w at 200m but up by 2.0% y/y. Average hatchability for chicks hatched remained at 84.0%. Broiler chick placements came in slightly lower y/y at 168m head.
- Cumulative broiler placements from December 30, 2012 through June 29 2013 were slightly higher y/y at 4.28b head.

Domestic:

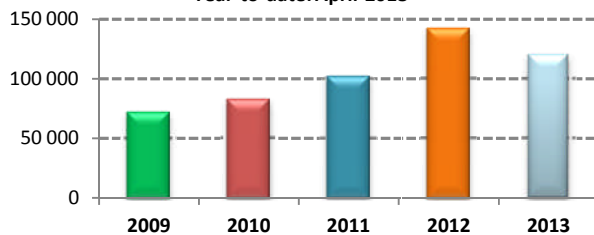
- The broiler market extended the softer trend on improved availability. Market activity remains subdued with slow movement of product across the value chain.
- Weekly frozen whole bird prices were down 0.7% w/w at R17.87 per kg, but still up by 25.2% y/y.
- Fresh whole birds fell by 2.2% w/w at R8.50 per kg, but still up by 1.9% y/y.
- In the case of the Individually Quick Frozen (IQF) portions, prices continued to weaken. Weekly IQF prices came in at R13.24 per kg, down 1.1% w/w but up by 13.1% y/y.
- Import parity eased lower mainly on gains in the Rand/ US Dollar exchange rate. Meanwhile, the gap between import and domestic IQF prices continues to widen with the weaker Rand over the past few weeks helping to raise the import parity level.

OUTLOOK

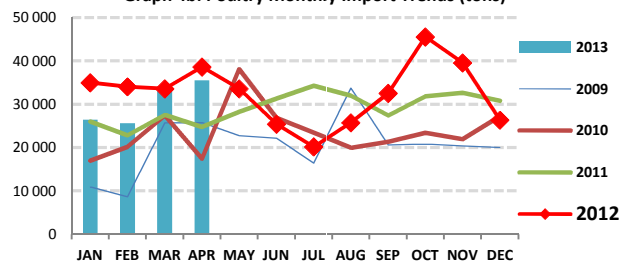
The market is expected to remain under downward pressure in the short to medium term on volume pressure and subdued demand conditions.



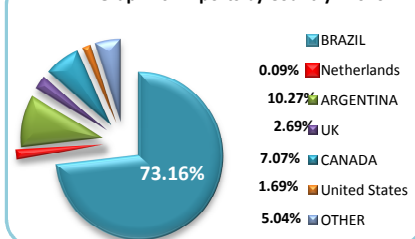
Graph 4a: Poultry Import Trends
Year-to-date: April-2013



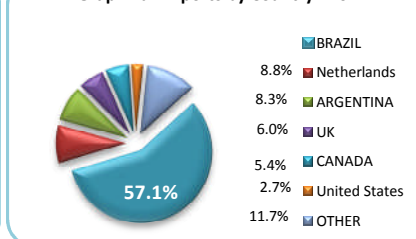
Graph 4b: Poultry Monthly Import Trends (tons)



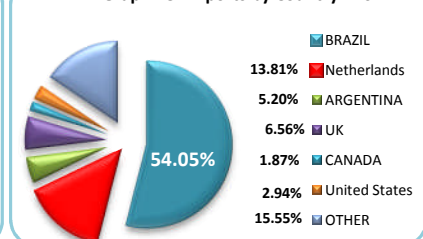
Graph 4c: Imports by Country - 2010



Graph 4d: Imports by Country - 2011



Graph 4e: Imports by Country - 2012



Source: SARS, Own Calculations

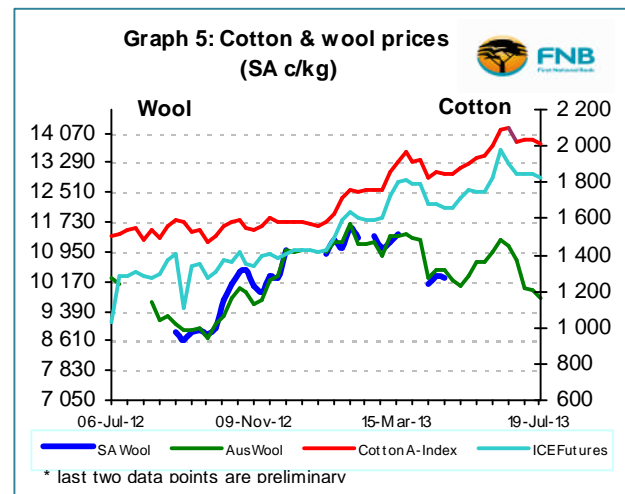
Producer prices for selected livestock commodities 05 July 2013	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh whole birds(R/kg)	27.39	40.62	18.51	18.50
Open market: Class C / Baconer / Frozen whole birds(R/kg)	22.15	32.05	17.47	17.87
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	27.33	42.37	17.86	13.24
Import parity price (R/kg)	23.74	28.92	25.33	16.02
Weaner Calves / Feeder Lambs (R/kg)	14.95	20.13		

Wool and cotton market trends (Graph 5)
International:

- Prices recovered slightly on tight volumes. However, favourable crop conditions in the US, and other major producers such as India, Pakistan and China limited further gains.
- Planted area under cotton was raised by 2.2% from the March 2013 estimate to 4.2m hectares. This is however still 17.0% lower y/y.
- The Cotlook A index gained 1.1% w/w and 10.2% y/y at US92.40c/lb.
- Cotton Futures on ICE trended lower across the board: Cotton for Dec-13 gained 1.4% w/w at US85.03c/lb, Mar-14 was up by 2.2% w/w at US83.93c/lb, and Jul-14 was up 2.1% w/w at US83.89c/lb.
- Wool: In Australia, the softer trend continued on wool market with the weekly Eastern Market Indicator (EMI) falling by 3.4% w/w and 6.1% y/y at AU\$10.11 per kg clean wool.
- Volumes offered were pegged at 34,185 bales with sales reaching 86.3%.

Domestic:

- The wool market is closed for the 2012/13 season and the first sale of the 2013/14 season is penned for the 21st August 2013.
- Overall, it was a strong wool season with the market indicator hovering around the R100/kg level. The Rand provided added support at the tail end of the season as it slumped to weakest level since January 2009.
- The final sale saw the wool market indicator Cape Wools Merino closing at R110.31/ kg clean wool, up by 7.5% and 26.3% compared to the season's average and the opening sale respectively.
- Major buyers for the season were Standard Wool SA with a total of 89,479 bales (29.0%), G Modiano SA with 73,347 bales (23.8%), Lempriere SA with 65,845 bales (21.4%), and Stucken & Co with 47,820 bales (15.5%).



Fibre market prices 05 July 2013	SA prices (R/kg)	Australian prices (R/kg)	Australian futures Oct-13 (AU\$/kg)	Australian futures Mar-13 (AU\$/kg)
Wool market indicator (R/kg)	-	92.05		
19 μ long length wool (R/kg)	-	101.56	10.30	9.50
21 μ long length wool (R/kg)	-	99.65	10.10	9.30
23 μ long length wool (R/kg)	-	100.88	8.90	8.10
	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	Cotton Futures Dec-13 (US\$/kg)	Cotton Futures Mar-13 (US\$/kg)
Cotton Prices (R/kg)	20.32	2.03	1.87	1.85

Cotton Futures on the InterContinental Exchange (ICE); South Africa – wool season closed.

Yellow maize market (Graph 6)
International:

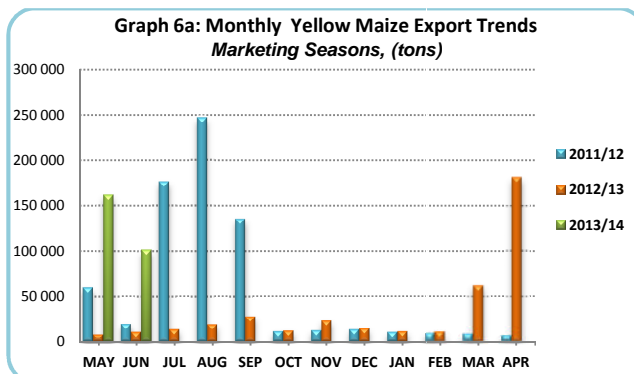
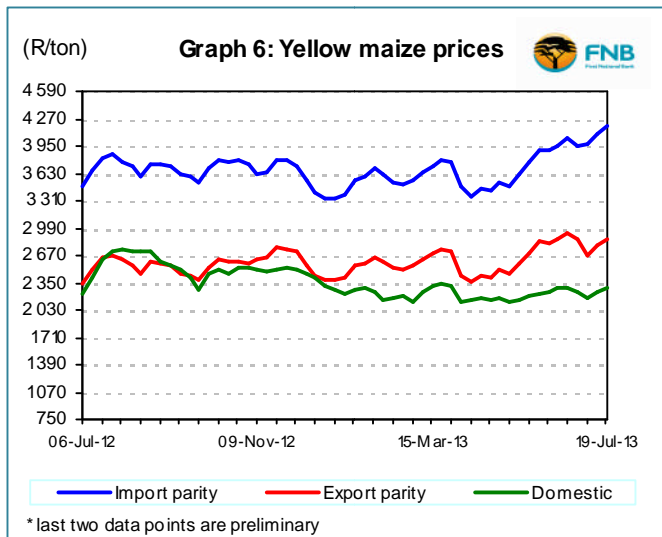
- US maize prices extended losses on improved production conditions with weather forecasts coming out favourable for crops.
- The maize crop progress rating showed 67.0% of the crop was rated in good to excellent condition, which is way ahead of last year's 48.0%.
- Weekly ethanol production was reported down by 28,000 to 863,000 barrels per day, with stocks reportedly at a record low.

Domestic:

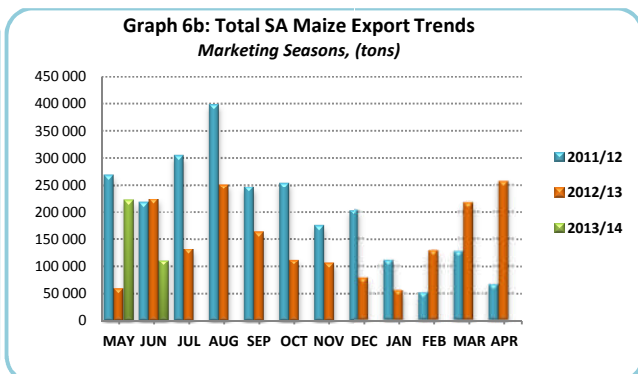
- Yellow maize prices continued to decline on weakness on CBOT and further gains in the Rand/ US dollar exchange rate.
- Weekly yellow maize prices closed at R2,172 per ton, down 3.6% w/w and 2.7% y/y.
- The yellow maize crop came in at 5.5m tons, up 1.3% from the previous estimate.
- Maize futures on the JSE: Maize for Sep-13 fell by 1.3% w/w (-R29/t), and Dec-13 was down 1.7% w/w (-R40/t).

OUTLOOK

The improved supply outlook due to the large planted area amid favourable weather conditions for the US will continue place the market under pressure in the short to medium term.



Source: SAGIS



Yellow Maize Futures 05 July 2013	Sep-13	Dec-13	Mar-14	May-14	Jul-14			
CBOT (\$/t)	265.00	210.00	198.02	202.75	205.83			
JSE (R/t)	2 231	2 259	2 241	-	2 128			
CHICAGO CORN (R/t)	2 154	2 048	-	-	2 220			
Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Sep-13			Dec-13			Mar-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 280	125	76	2 300	179	138	2 280	242	203
2 240	103	94	2 260	157	156	2 240	219	220
2 200	82	113	2 220	136	175	2 200	198	239

White maize market trends (Graph 7)
International:

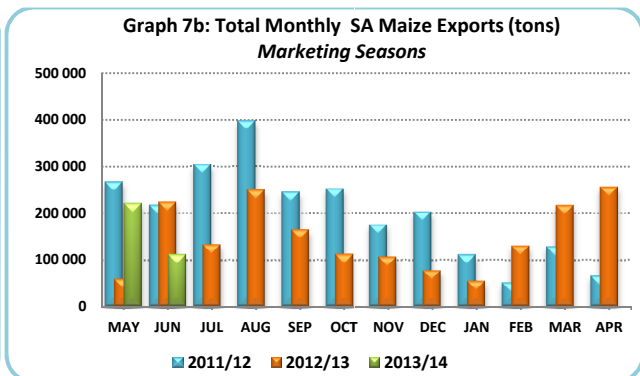
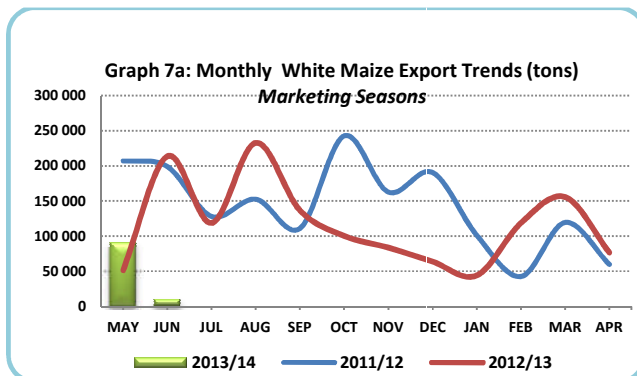
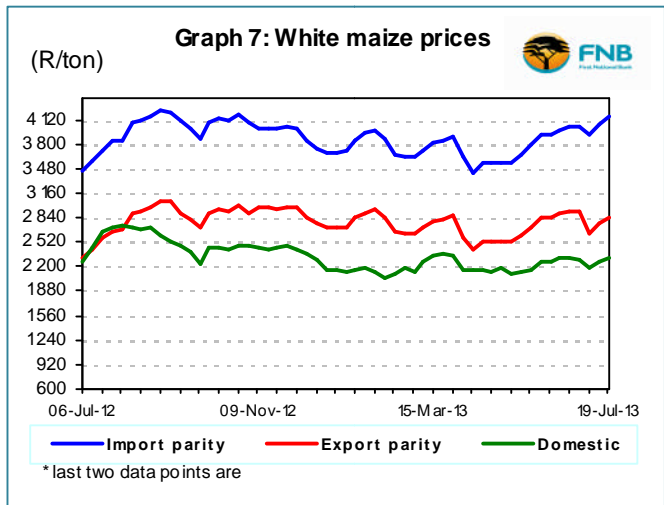
- US white maize spot prices fell sharply on favourable weather and good crop condition ratings.
- The weekly average white maize prices closed at US\$265 per ton, down 7.2% w/w and 7.5% y/y.

Domestic:

- White maize prices remained under pressure and declined due to weakness on the international market and the stronger Rand/ US dollar exchange rate.
- Weekly white maize prices fell by 3.6% w/w and 2.7% y/y at R2,196 per ton.
- The expected harvest has been projected lower by 0.6% in the June report, coming in at 11.4m tons for all maize.
- The white maize crop is now seen at 5.9m tons, down 2.3% from the previous estimate on lower expected yields as a result of a poor season for some of the growing areas.
- White maize for Jul-13 fell by 0.4% w/w (-R10/t), and Sep-13 was down by 1.2% w/w (-R27/t).

OUTLOOK

The improved supply outlook due to the large planted area amid favourable weather conditions for the US will continue place the market under pressure in the short to medium term.



Source: SAGIS;

White Maize Futures 05 July 2013	Sep-13	Dec-13	Mar-14	May-14	Jul-14			
JSE (R/t) WM ₁	2 258	2 303	2 311	-	2 146			
Calculated White Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Sep-13			Dec-13			Mar-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 300	121	79	2 340	180	143	2 360	251	202
2 260	98	96	2 300	158	161	2 320	228	219
2 220	79	117	2 260	137	180	2 280	206	237

Wheat market trends (Graph 8)
International:

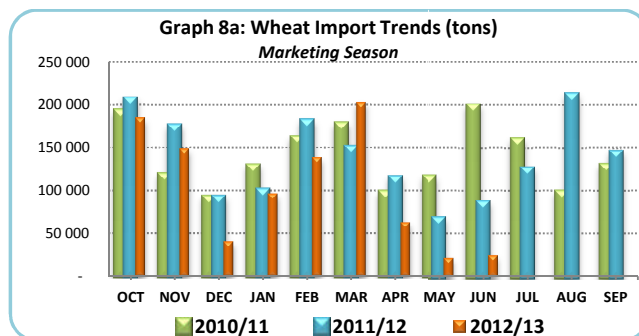
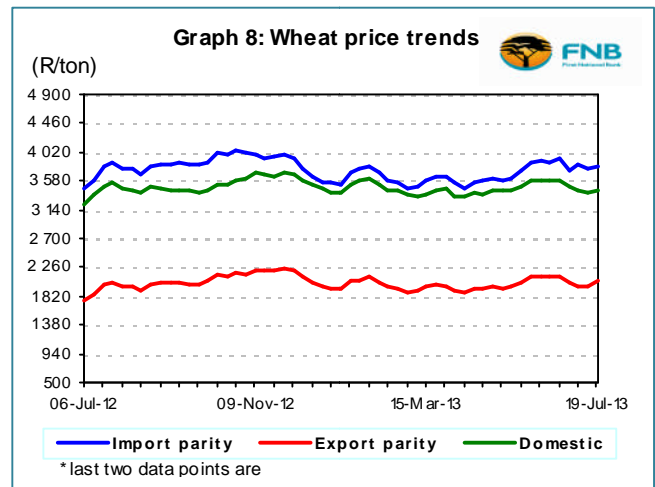
- The wheat market again posted modest losses on harvest pressure and good yields.
- Weak export sales and a large world production outlook added further pressure.
- The USDA's earlier announcement of purchases by China helped limit losses.
- Spring wheat conditions declined 2.0 percentage points to 68.0% in the good to excellent category while winter wheat harvest advanced to 43.0% complete.
- Higher wheat production is expected out of the Russia and the Eastern Europe.

Domestic:

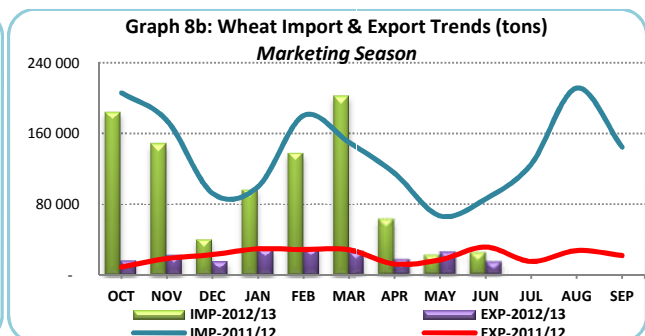
- The wheat market continued to trend lower on firmer Rand and spill over weakness from the international markets.
- Weekly wheat prices closed at R3,447 per ton, down by 1.7% w/w but still 19.1% higher y/y.
- Import sales for the week ended 30 June 2013 came in at 14,054 tons and 958,193 for the season to date.

OUTLOOK

Fundamentals on the international wheat market still favour the downside for prices in the short to medium term, with bigger output out of the Black Sea region and harvest pressure and better yields in the US.



Source: SAGIS;



Wheat Futures 05 July 2013	Sep-13	Dec-13	Mar-14	May-14	Jul-14			
KCBT (\$/t)	258.53	265.66	270.29	272.71	271.90			
JSE (R/t)	3 467	3 444	3 464	-	-			
Calculated Wheat Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Sep-13			Dec-13			Mar-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3 500	137	104	3 480	181	145	3 500	272	236
3 460	115	122	3 440	159	163	3 460	250	254
3 420	96	143	3 400	140	184	3 420	230	274

Oilseed market trends (Graph 9)
International:

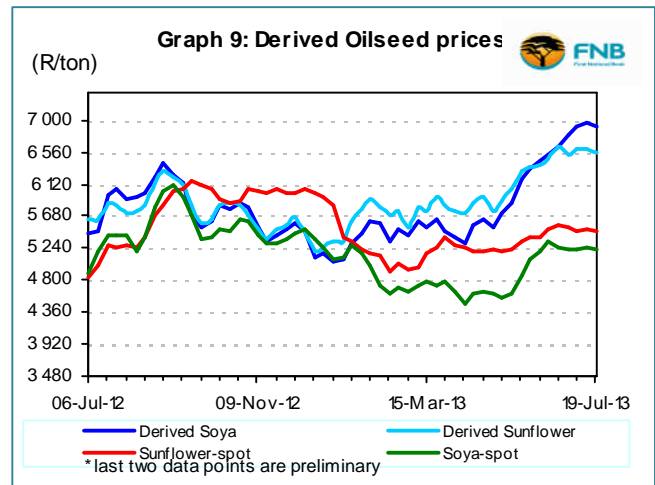
- Prices were up across the soybean complex on strong export sales.
- However, favourable weather and advances in crop condition ratings limited further gains.
- The soybean crop condition rating advanced 2.0 percentage points w/w to 67.0% in good to excellent condition compared to 45.0% last year.
- Favourable growing conditions for the US will boost yields and result in a large crop.

Domestic:

- Oilseeds traded on the JSE were again down across the board mainly on gains in the Rand/ US dollar exchange rate.
- Weekly soybean prices were almost unchanged w/w but still up 6.4% y/y at R5,218 per ton.
- Sunflower prices were down by 1.1% w/w but up 13.3% y/y at R5,470 per ton.
- Sunflower production was raised by almost 2.0% from the previous estimate to 565,500 tons from 504,700 ha.
- The expected soybean crop is seen at 802,250 tons, down 2.8% from the previous estimate.

OUTLOOK

Prices are expected to remain under pressure due to improved weather conditions in the US.



Oilseeds Futures 05 July 2013	Sep-13	Dec-13	Mar-14	May-14	Jul-14
CBOT Soybeans (US \$/t)	485.90	-	470.69	469.44	471.27
CBOT Soya oil (US c/lb)	46.64	45.97	46.19	46.31	46.46
CBOT Soya cake meal (US\$/t)	450.96	417.67	419.65	418.00	419.87
JSE Sunflower seed (R/t)	5 556	5 681	-	5 000	-
JSE Soybean seed (R/t)	5 350	5 383	-	-	-

Calculated Sunflower Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)

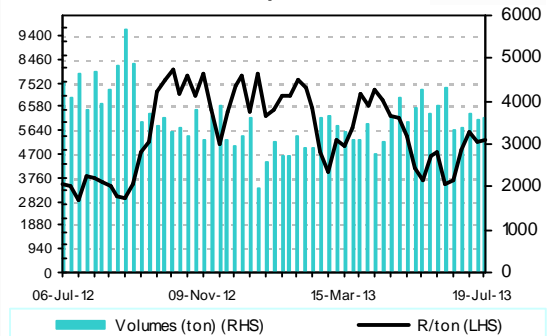
Sep-13			Dec-13			Mar-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5 600	202	158	5 720	337	298	5 040	318	278
5 560	181	177	5 680	315	316	5 000	296	296
5 520	161	197	5 640	294	335	4 960	275	315

Vegetable Market Trends (Graphs 10 to 14)
Tomatoes

Tomato prices again posted sharp gains supported by strong uptake across most markets.

Weekly tomato prices closed at R5,594 per ton, up by 15.6% w/w and 60.1% y/y. Volumes traded were pegged at 3,715 tons, up by 9.7% w/w but still 16.3% lower y/y.

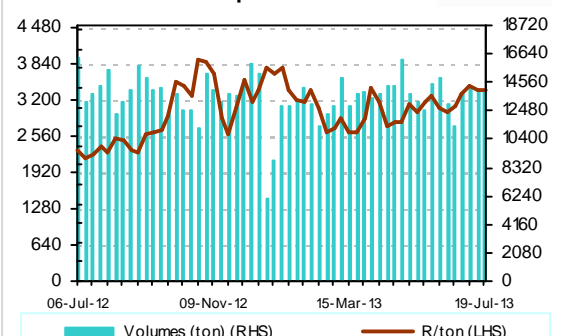
Prices are however expected to ease somewhat in the short term on volume pressure.

Graph 10: Fresh Produce Markets - Tomatoes prices

Potatoes

Potato prices extended recent gains on the back of good uptake across markets.

Weekly potato prices gained 4.0% w/w and 49.6% y/y to close at R3,435 per ton. Volumes traded reached 14,250 tons, up by 3.8% w/w but still 13.0% lower y/y.

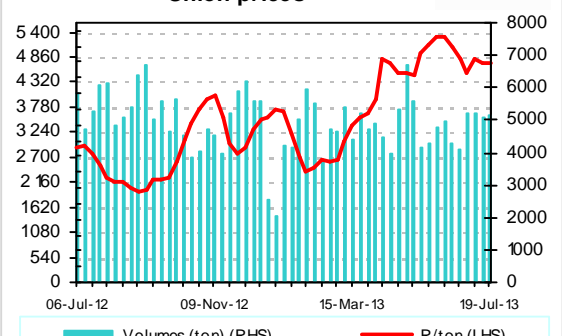
It is expected that prices will trend sideways to lower in the short term on volume pressure.

Graph 11: Fresh Produce Markets - Potatoes prices

Onions

Onion prices bottomed out and strengthened supported by good uptake across markets.

Weekly onion prices closed at R4,818 per kg, up 6.6% w/w and 66.3% y/y. Volumes of onions traded were pegged at 5,224 tons, up by 0.5% w/w but still 10.5% lower y/y.

Prices are however expected to soften somewhat as volumes improve.

Graph 12: Fresh Produce Markets - Onion prices


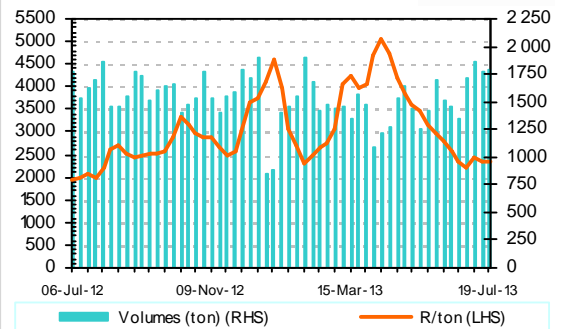
Carrots

The carrot market finally bottomed out and strengthened as demand improved. Carrot prices have been trending lower over the past few weeks due to a combination of increased volumes and weak demand.

Weekly carrot prices reached R2,423 per ton, up by 8.6% w/w and 24.4% y/y. Volumes traded came in at 1,861 tons, up by 8.6% w/w and 5.0% y/y.

Prices are expected to trend sideways to lower on volume pressure.

Graph 13: Fresh Produce Markets - Carrot prices



* last two data points are preliminary

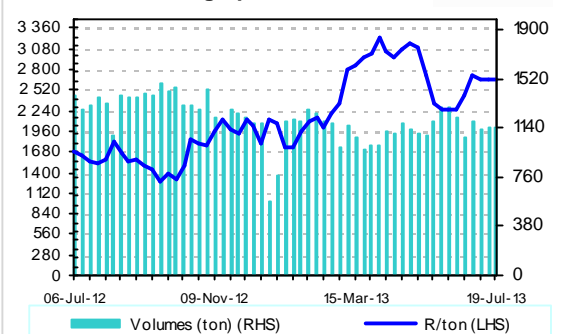
Cabbages

Cabbage prices reversed recent gains as demand slipped towards midmonth.

Weekly cabbage prices fell by 1.5% w/w and closed at R2,674 per ton, but still up by 59.9% y/y. Volumes traded fell by 4.5% w/w and 18.1% y/y, coming in at 1,136 tons.

Prices are however expected to move sideways with limited upward potential in the short term on softer uptake.

Graph 14: Fresh Produce Markets - Cabbage prices



* last two data points are preliminary

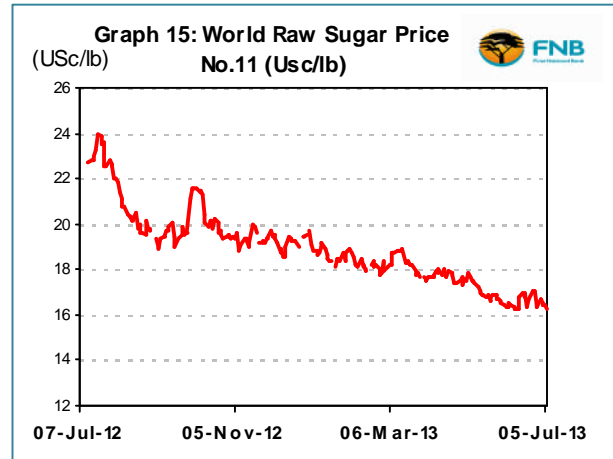
Vegetable prices: South Africa's Major Fresh Produce Markets. (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)

Week ending 05 July 2013	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	5 594	15.6%	60.1%	3715	9.7%	-16.3%
Potato	3 435	4.0%	49.6%	14250	3.8%	-13.0%
Onion	4 818	6.6%	66.3%	5224	0.5%	-10.5%
Carrot	2 423	8.6%	24.4%	1861	8.6%	5.0%
Cabbage	2 674	-1.5%	59.9%	1136	-4.5%	-18.1%

* Daily prices also available at <https://www.fnbagricomms.co.za>

Sugar market trends (Graph 15)
International:

- International Raw Sugar prices eased slightly lower as estimates out of Brazil showed ample supplies.
- Elsewhere, reports indicate that crop conditions remain favourable in India on the back a good start to the monsoon season.
- The International Sugar Organization (ISO) is reported to have pegged the world sugar surplus for the 2013/14 season to 3.5m tons.
- The ISO further sees world sugar production for 2013/14 reaching 178.5m tons, while consumption is expected at 175m tons. Brazil's estimate came in at 41.0m tons, up 1m y/y.
- Weekly raw sugar prices fell by 1.9% w/w and 24.6% y/y at US16.46c/lb.
- Sugar futures: Mar-14 was down by 3.4% w/w at US17.14c/lb, May-14 was down by 3.4% w/w at US17.10c/lb, and Jul-14 was down by 3.6% w/w at US17.05c/lb.


Domestic:

According to the Cane Growers Association, the RV price in respect of cane delivered in May 2013 was declared at R3,064.47 per ton. The price was R16.40 per ton higher than the previous estimate of the cane delivered in April.

The increase was attributed to a number of factors:

- The weaker Rand/US\$ exchange rate (9.97 vs. 9.04) and
- The improved Sugar:RV ratio (94.35% vs. 94.15%)

Factors that had a negative impact on the price included:

- The increased sugar production (2.383m tons vs. 2.363m tons)
- The sharply lower No.11 world market sugar price (16.21 USc/lb vs. 17.47 USc/lb.)

Export availability estimate was pegged at 831,000 tons due to increased production. About 60.0% of this volume is expected to be exposed to the world market price and exchange rate volatility.

ICE Sugar Futures 05 July 2013	Mar-14	May-14	Jul-14	Oct-14	Mar-15
Sugar No.11 (US c/lb)	17.14	17.10	17.05	17.21	17.62
% Change w/w	-3.4%	-3.4%	-3.6%	-3.6%	-3.5%

Disclaimer:

Although everything has been done to ensure the accuracy of the information, the Bank takes no responsibility for actions or losses that might occur due to the usage of this information.