

# Agri-Weekly

06 September 2013

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## Beef market trends (Graph 1)

### International:

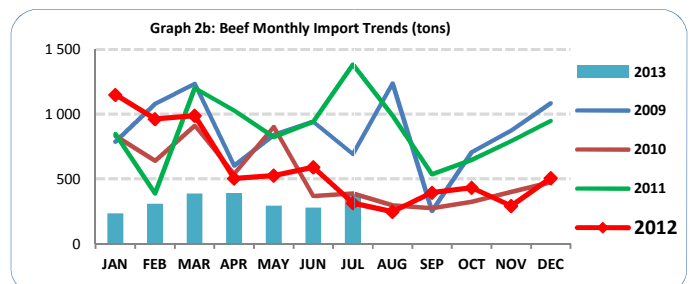
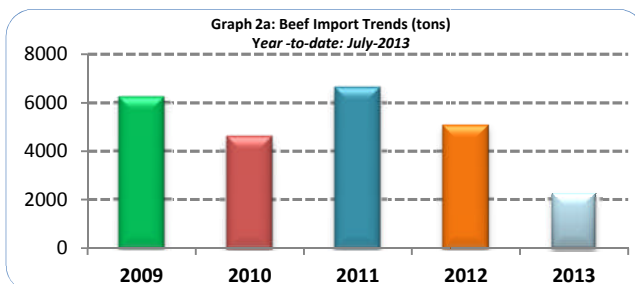
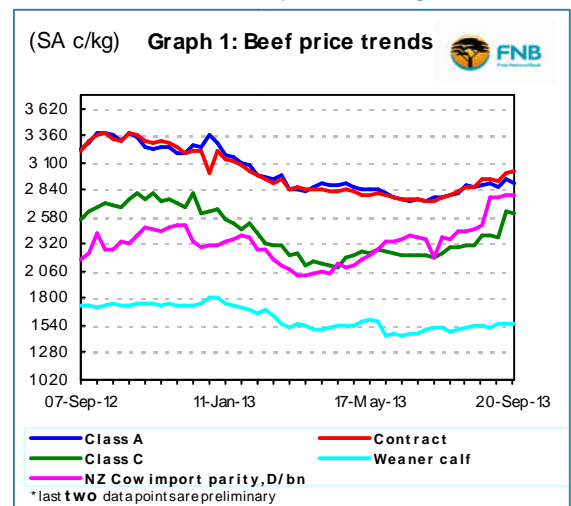
- US lean domestic manufacturing beef prices continued to post strong gains due to good demand and limited supplies on markets.
- It was another week of slow activity on the US import market with prices reportedly firm to higher on the back of tight supplies and strong domestic and import demand.
- Meanwhile, the US cow slaughter has reportedly started falling behind both year-ago and 5-year average levels, driven entirely by declines in beef cow processing.
- The estimated year to date US cattle slaughter was down by 1.4% y/y.
- This is an indication of herd rebuilding after the devastating drought last year. This is likely to boost import demand in the medium term as domestic meat supplies tighten further.
- In Australia, the cattle market posted modest losses on the back of limited demand. This saw the Eastern Young Cattle Indicator (EYCI) falling by 1.3% w/w and 15.0% y/y to close the week at AU\$3.13/kg cwt.

### Domestic:

- The beef market posted marginal losses on softer uptake towards midmonth. Meanwhile, production conditions remain poor in most areas and there is an urgent need for early spring rains to stimulate pasture growth.
- Weekly Class A beef prices were down by 1.1% w/w and 11.2% y/y at R28.63 per kg.
- Contract Class A beef prices fell by 0.3% w/w and 8.7% y/y to close the week at R29.32 per kg.
- Class C beef prices were down by 0.7% w/w and 6.9% y/y at R23.80 per kg.
- Weaner calf prices were however the exception, gaining 2.8% w/w to close at R15.55 per kg live weight. This is however down on last year by 10.3%.

## OUTLOOK

The beef market is expected to trend sideways firmer in the medium term on improved seasonal demand during the summer months.



**Mutton market trends (Graph 2)**
**International:**

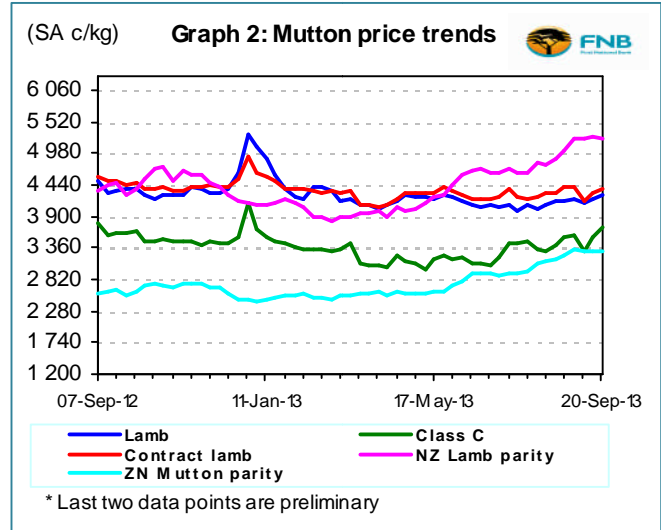
- In New Zealand (NZ), domestic producer prices maintained a firmer trend across most categories.
- Lamb production is reportedly at a seasonal low with current supplies destined for exports markets.
- NZ exporters are reportedly focussed on planning for the new season in anticipation for a recovery in traditional markets.
- According to the NZ Agrifax, the latest export figures show NZ shipped 22,540 tons of lamb in July, which was the highest volume for the month since 2009. That brings the season-to-date total to 281,700 tons, up by 24.0% y/y and 9.0% above the five-year average.
- In Australia, the lamb market reversed recent gains and weakened on improved supplies.
- This saw the Eastern States Trade Lamb Indicator (ESTLI) dropping by 6.7% w/w and 2.3% y/y to finish the week at AU\$4.17/kg cwt.
- In the US, the Lamb Carcass Cutout prices recovered somewhat and closed at US\$251.06/cwt, up by 1.3% w/w but still down by 11.1% y/y.
- US sheep for slaughter remained on the extended downtrend. Weekly sheep slaughter fell sharply by 16.3% w/w at 36,000 head but still up by 2.9% y/y. The year-to-date sheep slaughter reached 1.45m head, up by 6.5% y/y.

**Domestic:**

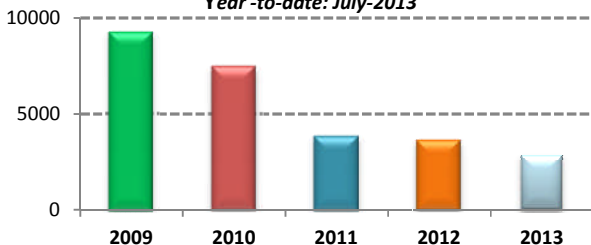
- The lamb and mutton markets trended softer on limited demand.
- Weekly Class A lamb prices were down by 2.0% w/w and 8.2% y/y at R41.25 per kg.
- Contract Class A lamb prices dropped by 5.4% w/w and 8.9% y/y at R41.76 per kg.
- Mutton prices moved sharply lower by 7.3% w/w and 12.5% y/y at R33.17 per kg.
- The weaner lamb market saw slight gains on the back of tight supplies across most markets. Weekly weaner lamb prices closed up by 1.2% w/w but still down by 11.8% y/y at R20.63 per kg live weight.

**OUTLOOK**

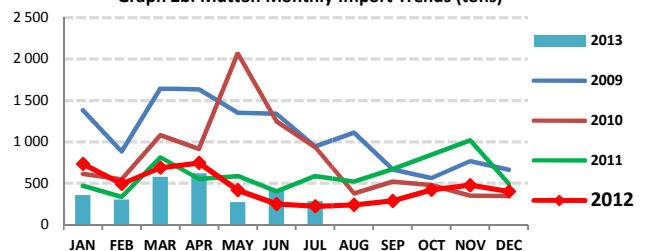
Lamb and mutton markets are expected to trend sideways in the short term with further upward potential as demand improves during the warmer months.



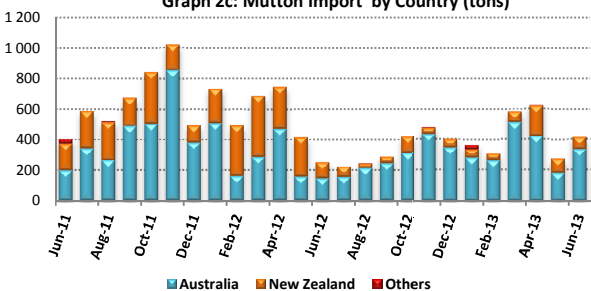
**Graph 2a: Mutton Import Trends (tons)**  
 Year-to-date: July-2013



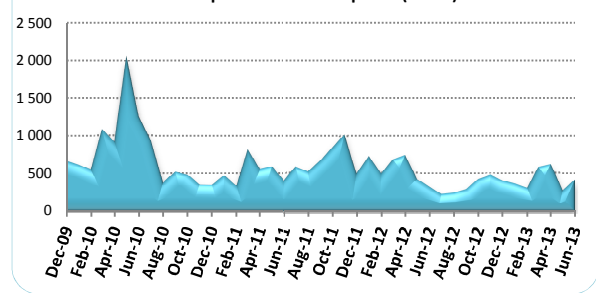
**Graph 2b: Mutton Monthly Import Trends (tons)**



**Graph 2c: Mutton Import by Country (tons)**



**Graph 2d: Mutton Imports (TONS)**

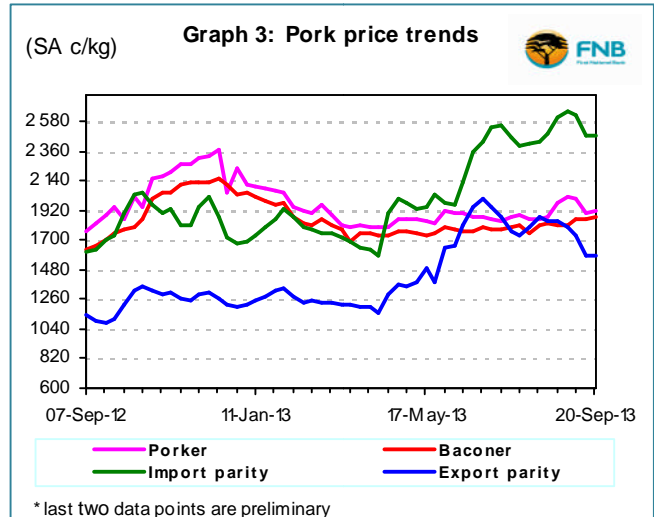


**Pork market trends (Graph 3)**
**International:**

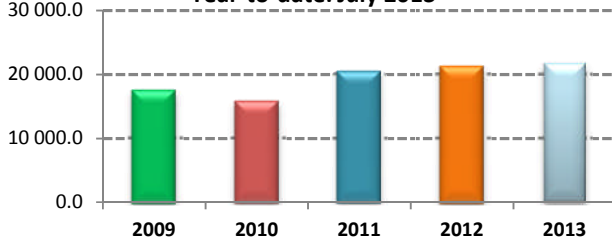
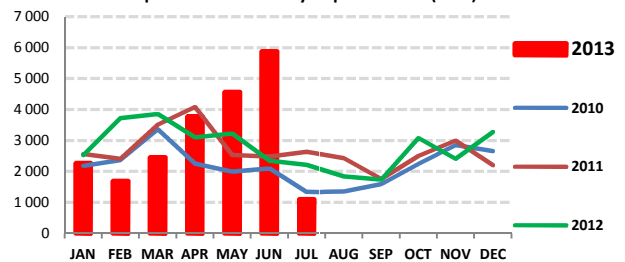
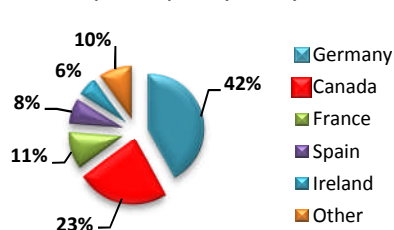
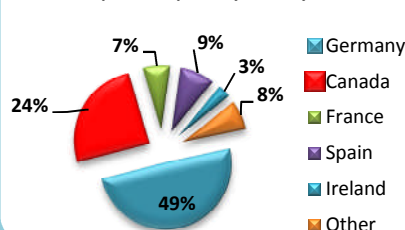
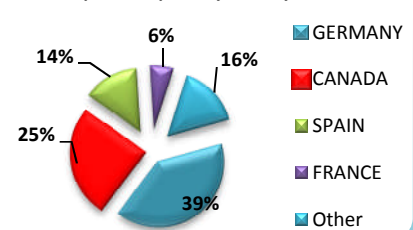
- The US Pork Carcass (FOB Plant) Cutout prices continued on a softer trend, falling further by 2.3% w/w to close at US\$95.30/cwt.
- The number of pigs for slaughter in the US came in at 1.97m head, down by 10.9% w/w and 4.7% y/y.
- The total number of pigs slaughtered for the year-to-date in the US reached 74.68m head, which is marginally down by 0.3% compared to the corresponding period last year.

**Domestic:**

- Prices ended mixed with baconers rebounding on improved uptake.
- Weekly porker prices closed at R20.07 per kg, down by 0.6% w/w but up by 13.8% y/y.
- Baconer prices gained 2.5% w/w and 13.4% y/y to close at R18.54 per kg.
- Pork import parity prices eased lower due to the effect of the gains in the Rand/ US\$ exchange rate. Weekly import parity prices fell by 1.1% w/w but still 63.4% higher y/y.
- Pork imports dropped sharply during July 2013. The monthly pork imports fell by a whopping 81.4% m/m and 50.7% y/y, coming in at 1,093 tons. This brings the cumulative year-to-date imports to 21,683 tons, which is 3.3% higher compared to the corresponding period last year.
- Major import sources were Canada with 702 tons (64.3%), Germany with 205 tons (18.7%), Ireland with 50 tons (4.6%), France with 49 tons (4.4%), Denmark with 25 tons (2.3%) and the USA with 2.3%. Other countries contributed 3.4% of the total imports.


**OUTLOOK**

Prices are expected to trend sideways with limited upside potential towards midmonth.

**Graph 3a: Pork Import Trends (tons)**
**Year-to-date: July 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**


Source: SAPPO, SARS, Own Calculations

**Poultry market trends (Graph 4)**
International:

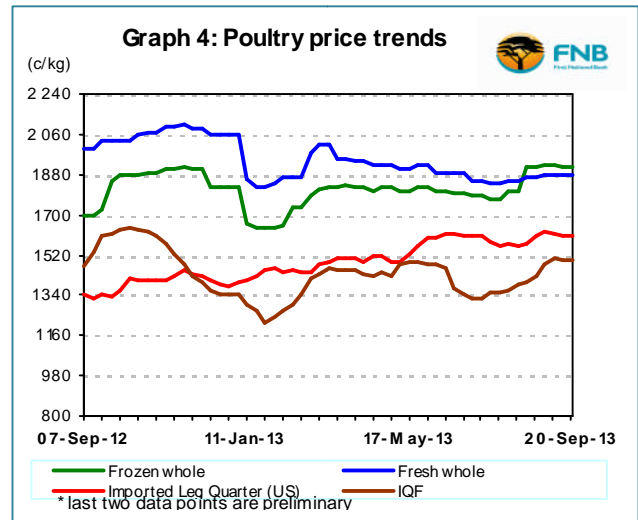
- US prices retained the weaker trend on volume pressure.
- Demand at retail and food service was reportedly moderate.
- Weekly whole bird prices eased lower by 0.2% w/w but still up by 11.3% y/y at US106.25c/lb.
- Leg quarters were down by 0.2% w/w but still 11.3% higher y/y at US53.50c/lb.
- Breast cuts fell by 2.2% w/w but up 17.2% y/y at US120.67c/lb.
- Wings were reportedly in balance with good uptake ahead of the weekend. Weekly wing prices closed at US144.50c/lb, down by 0.1% w/w and 21.8% y/y.
- Weekly US broiler egg sets for the week ended 31 August 2013 came in at 200m, up by 5.0% y/y. Average hatchability for chicks hatched remained at 84.0%. Broiler chick placements came in 4.0% higher y/y at 166m head.
- Cumulative broiler placements from December 30, 2012 through August 31 2013 were up by 1.0% y/y at 5.78b head.
- According to the USDA, US Broiler meat production in second quarter 2013 increased by 1.0% y/y at 4.3m tons. This is the third consecutive quarter of a year-over-year increase in broiler production. The year to June broiler meat production reached 8.4m tons, up 0.8% y/y.
- US broiler meat production is expected to continue to expand in the second half of 2013, with production in the third and fourth quarter significantly higher than a year earlier.
- Further, the anticipated declines in feed costs and the improvement in the domestic economy are expected to boost broiler production through to 2014.

Domestic:

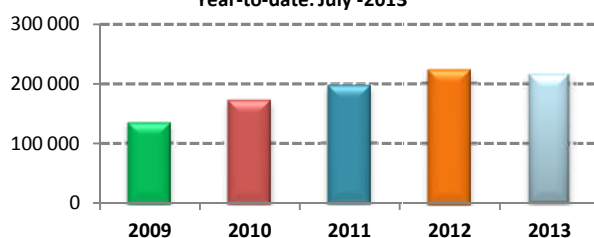
- The broiler market retained the firmer trend on the back of improved uptake and moderation in supplies. The weaker Rand has been supportive over the past few weeks as it improves the competitiveness of the locally produced product.
- Poultry imports declined for the third consecutive month largely due to a weaker Rand/US dollar exchange rate. Total imports for July fell by 16.6% m/m but still 31.9% higher y/y. Year to July poultry imports fell by 1.7% compared to the corresponding period last year. The total broiler meat, which accounts for about 90.0% of the total poultry imports, fell by 14.7% m/m but still 27.5% higher y/y. Year to June broiler meat imports were down by 5.3% compared to the corresponding period last year.
- Weekly frozen whole bird prices steadied at R19.22 per kg, but up by 13.4% y/y.
- Fresh whole bird prices steadied at R18.80 per kg, but down by 5.8% y/y.
- Weekly Individually Quick Frozen (IQF) portions extended recent gains, closing at R15.03 per kg which is up by 1.9% w/w and 2.0% y/y.

**OUTLOOK**

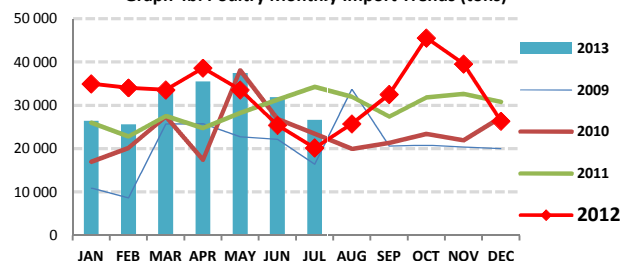
The market is expected to retain the upside momentum in the short to medium term due to improved seasonal demand.



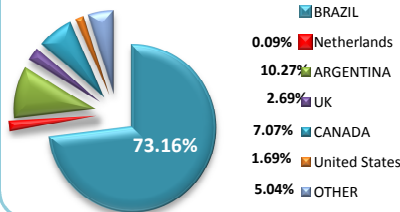
**Graph 4a: Poultry Import Trends**  
Year-to-date: July -2013



**Graph 4b: Poultry Monthly Import Trends (tons)**

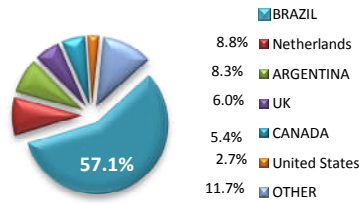


Graph 4c: Imports by Country - 2010

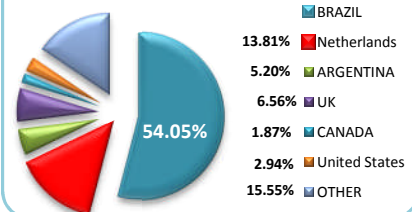


Source: SARS, Own Calculations

Graph 4d: Imports by Country - 2011



Graph 4e: Imports by Country - 2012



Producer prices for selected livestock commodities 06 September 2013	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh w4hole birds(R/kg)	28.63	41.25	20.07	18.80
Open market: Class C / Baconer / Frozen whole birds(R/kg)	23.80	33.17	18.00	19.22
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	29.32	41.76	18.54	15.03
Import parity price (R/kg)	27.73	33.17	26.33	16.12
Weaner Calves / Feeder Lambs (R/kg)	15.55	20.63		

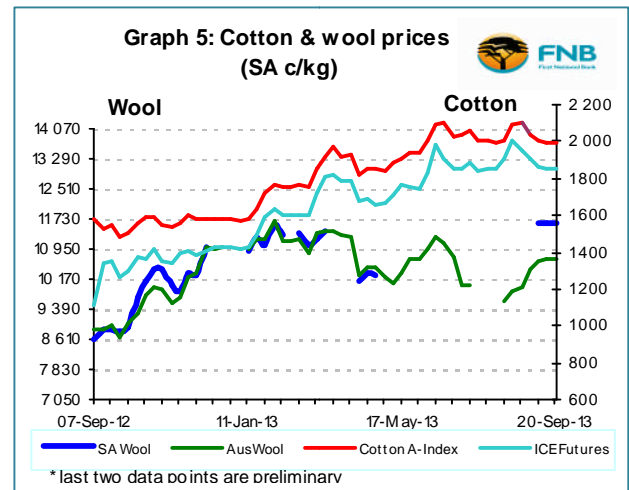
### Wool and cotton market trends (Graph 5)

#### International:

- Cotton prices continued to weaken on demand concerns and improving crop conditions in the US. However, crops progress remains behind the normal pace for this time of the year.
- Elsewhere, weather conditions were reportedly unfavourable for the crops in China.
- The Cotlook A index fell by 1.0% w/w but still 3.5% higher y/y at US88.93c/lb.
- Cotton Futures on ICE: Cotton for Mar-14 was down by 0.2% w/w at US82.59c/lb, May-14 was unchanged w/w at US82.68c/lb, and Jul-14 gained 0.1% w/w at US82.74c/lb.
- Wool: In Australia, the wool market trended firmer with the AWEX EMI closing up by 0.4% w/w and 15.2% y/y at AU\$10.68/kg clean wool. Volumes of sales reached 98.3% of the 37,509 bales offered.

#### Domestic:

- The wool market posted sharp gains with the Cape Wools Merino indicator closing up by 13.8% compared to the opening sale of the new season, closing at R116.03 per kg clean wool which is 13.8% higher y/y.
- Major buyers were G Modiano SA with 2,498 bales (25.3%), Standard Wool SA with 2,448 bales (24.8%), Stucken & Co with 2,052 bales (20.8%), and Lempriere SA with 1,800 bales (18.2%).



Fibre market prices 06 September 2013	SA prices (R/kg)	Australian prices (R/kg)	Australian futures Dec-13 (AU\$/kg)	Australian futures Mar-14 (AU\$/kg)
Wool market indicator (R/kg)	116.03	99.83		
19µ long length wool (R/kg)	-	112.74	12.05	11.85
21µ long length wool (R/kg)	113.73	108.33	11.65	11.45
23µ long length wool (R/kg)	-	105.65	10.45	10.25
	<b>SA derived Cotton (R/kg)</b>	<b>New York A-Index (US\$/kg)</b>	<b>Cotton Futures Mar-14 (US\$/kg)</b>	<b>Cotton Futures May-14 (US\$/kg)</b>
Cotton Prices (R/kg)	20.04	1.96	1.82	1.82

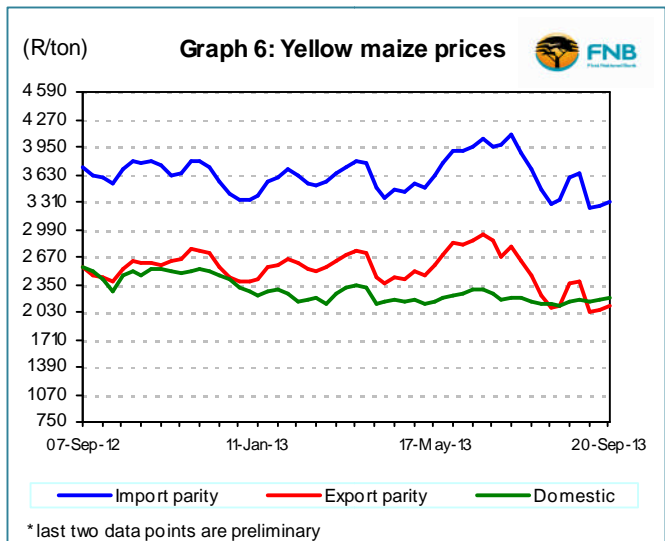
 Cotton Futures on the InterContinental Exchange (ICE); South Africa –sales for the new wool season starts on the 21<sup>st</sup> of August

**Yellow maize market (Graph 6)**
**International:**

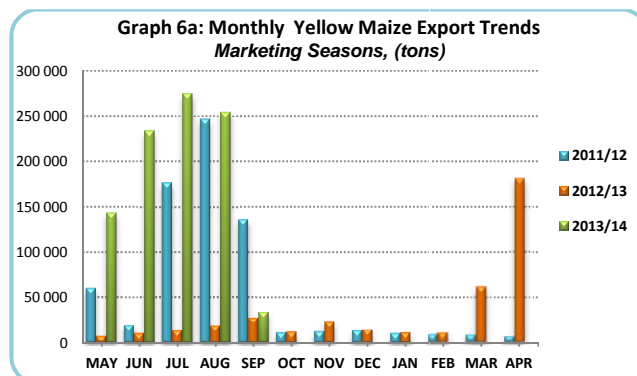
- US yellow maize prices posted sharp losses despite bullish dry conditions and expectation of a further reduction in yields in the next estimate report.
- The market seemed to be comfortable with the current situation as the crop has gone through the critical stage of pollination.
- Meanwhile, quality and yields for some areas are reportedly good with positive implication for production.

**Domestic:**

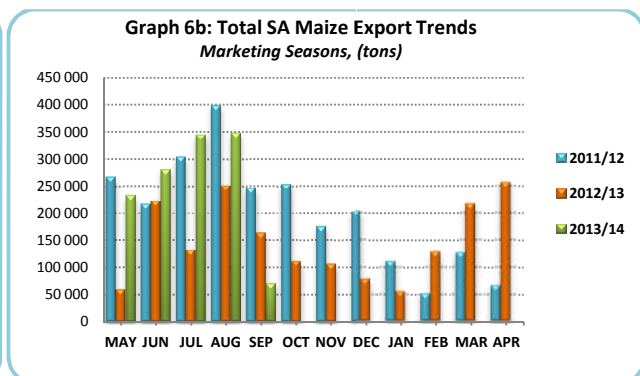
- Yellow maize prices eased marginally lower on the back of renewed weakness on international markets and further gains in the Rand US dollar exchange rate.
- Weekly yellow maize prices closed at R2,149 per ton, down by 0.9% w/w and 15.9% y/y.
- Yellow maize export sales were pegged at 33,334 tons and 940,504 tons for the season to date, according to the latest SAGIS report. Total maize exports (WMZ and YMZ) reached 1.29m tons. So far, major export destinations for YMZ are Japan (61.4%), Taiwan (17.2%), and Korea (15.5%).


**OUTLOOK**

Weather conditions in the US will continue to influence price direction in the short to medium term.



Source: SAGIS



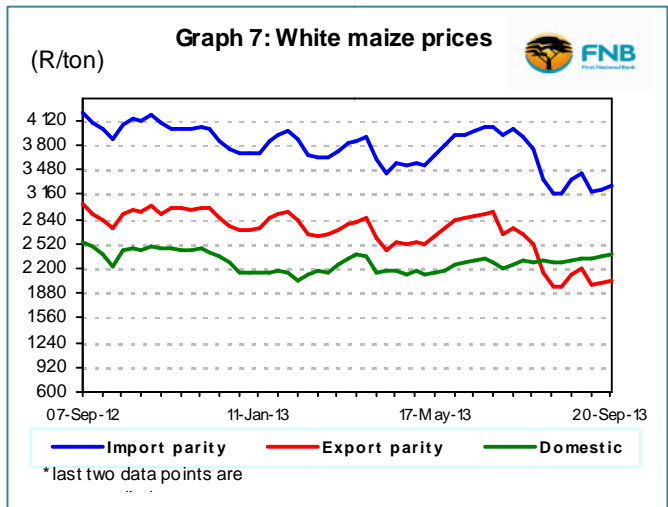
Yellow Maize Futures 06 September 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14			
CBOT (\$/t)	181.63	186.76	190.07	192.51	193.93			
JSE (R/t)	2 152	2 127	2 157	2 055	-			
CHICAGO CORN (R/t)	1 849	1 930	-	2 023	-			
Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Sep-13			Dec-13			Mar-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 200	113	65	2 160	133	100	2 200	177	134
2 160	90	82	2 120	111	118	2 160	155	152
2 120	70	102	2 080	92	139	2 120	134	171

**White maize market trends (Graph 7)**
International:

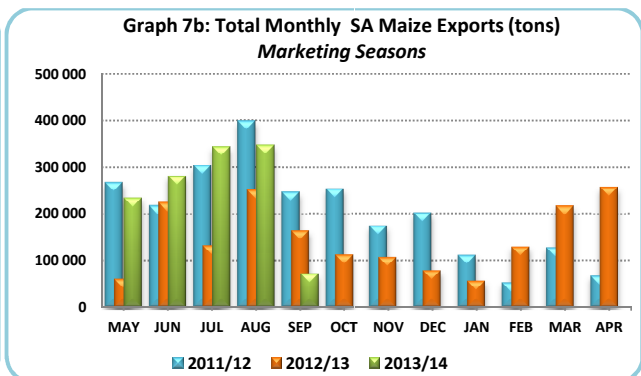
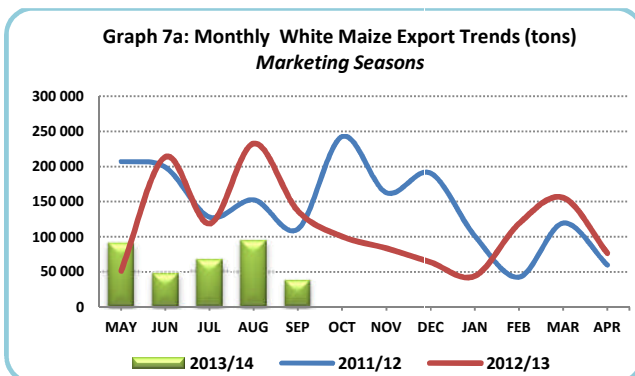
- US white maize spot prices extended recent losses despite bullish dry conditions in the growing areas.
- The weekly average white maize prices closed at US\$199 per ton, down by 8.0% w/w and 45.3% y/y.

Domestic:

- White maize prices eased marginally lower on spill over weakness from the international market. The stronger Rand added to the weaker tone.
- Weekly white maize prices closed at R2,319 per ton, down by 0.3% w/w and 8.6% y/y.
- White maize exports for the week came in at 37,728 tons with the season to date figure reaching 351,888 tons.
- Major export destinations for WMZ so far are Mexico (48.4%), Botswana (17.0%) and Zimbabwe (11.5%). Major export destinations for all maize are Japan (44.7%), Mexico (13.2%), Taiwan (12.5%), and Korea (11.3%).


**OUTLOOK**

Weather conditions in the US will continue to influence price direction in the short to medium term.



Source: SAGIS;

White Maize Futures 06 September 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14			
JSE (R/t) WM <sub>1</sub>	2 330	2 316	2 184	2 092	-			
<b>Calculated White Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)</b>								
Dec-13			Mar-14			Jul-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 380	115	65	2 360	143	99	2 220	167	131
2 340	92	82	2 320	121	117	2 180	145	149
2 300	72	102	2 280	101	137	2 140	125	169

**Wheat market trends (Graph 8)**
**International:**

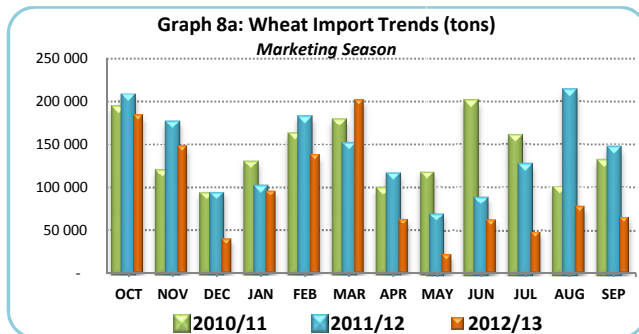
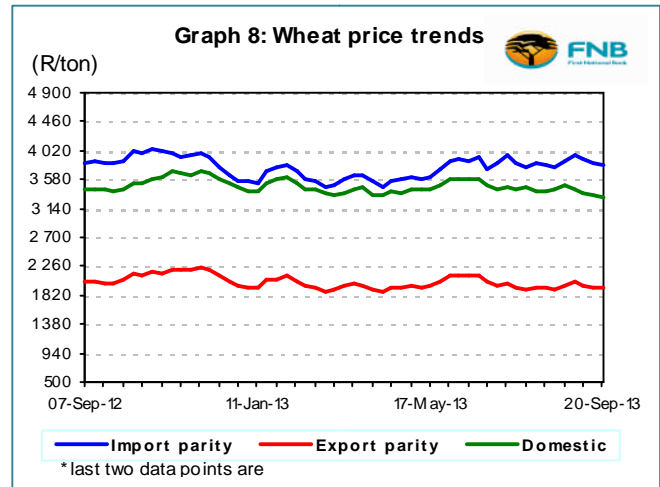
- US wheat prices continued to weaken on spill over weakness from the maize market and harvest pressure.
- The spring wheat harvest in the US has reportedly made good progress with better than expected yields.
- Weekly export sales were strong at 668 tons for the 2013/14 marketing season.
- Demand for use in the feed market as well as exports remained good with the weaker US dollar improving the competitiveness of US wheat.
- Elsewhere, the crop in Canada has reportedly made good progress with higher production estimates. Good harvests were also reported for production areas in Europe.

**Domestic:**

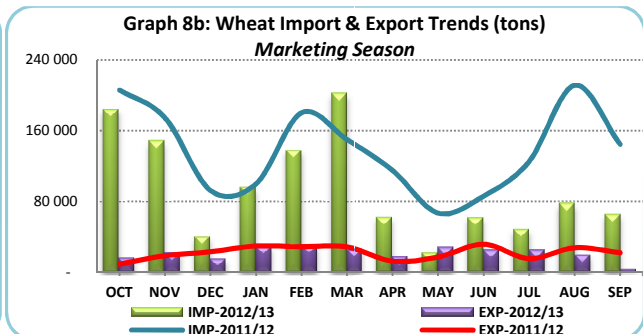
- The wheat market posted slight losses on spill over weakness from the international markets.
- Weekly wheat prices closed at R3,368 per ton, which is down by 1.8% w/w and 1.7% y/y.
- Volumes of wheat imports increased sharply w/w, coming in at 65,584 tons with main suppliers being Russia (48%) and the Ukraine (52%).
- The cumulative season to date imports reached 1.15m tons with major suppliers so far being Brazil (20.4%), Ukraine (20.1%), Australia (16.5%), Russia (12.6%), Uruguay (8.6%), and Argentina (8.5%).

**OUTLOOK**

The medium term outlook for international prices remains bearish as fundamentals point to abundant world supplies. This will however boost demand for wheat for human consumption and livestock feeding.



Source: SAGIS;



Wheat Futures 06 September 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14			
KCBT (\$/t)	255.52	258.46	260.29	255.96	259.19			
JSE (R/t)	3 385	3 461	-	3 564	-			
<b>Calculated Wheat Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)</b>								
Dec-13			Mar-14			Jul-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3 420	134	102	3 500	240	195	3 580	307	275
3 380	112	120	3 460	218	213	3 540	285	293
3 340	93	141	3 420	197	232	3 500	264	312



**Oilseed market trends (Graph 9)**
**International:**

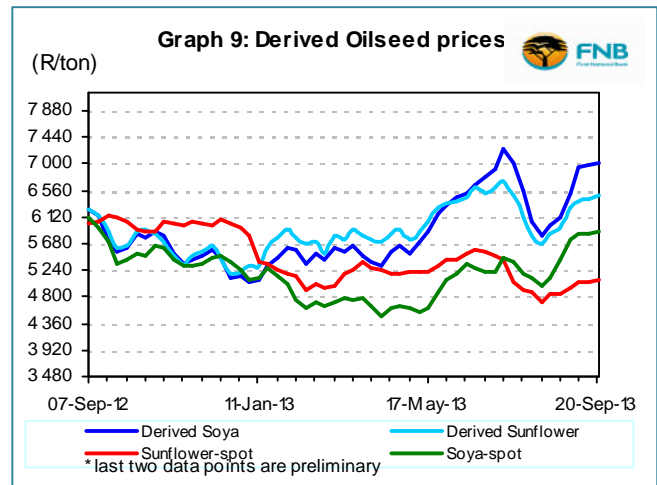
- The soybean complex ended mixed with sharp gains for soybean meal and losses for soybean and soybean oil prices.
- Spill over weakness in the grain markets provided added pressure on soybean prices
- Bullish crop conditions with hot and dry weather in the producing areas of the US helped limit losses for soybean prices.
- The US crop progress report showed the soybean deteriorated for a fourth consecutive week, coming in at 54.0% in good to excellent condition.

**Domestic:**

- Oilseeds traded on the JSE posted slight gains despite Rand gains.
- Weekly soybean prices increased by 1.7% w/w but still 4.3% lower y/y at R5,838 per ton.
- Sunflower prices gained 1.6% w/w but down by 16.3% y/y at R5,034 per ton.

**OUTLOOK**

Prices are expected to strengthen in the short term with weather developments in the US providing further direction for the medium term given tight near term supplies.



Oilseeds Futures 06 September 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14
CBOT Soybeans (US \$/t)	-	493.47	481.56	479.21	451.21
CBOT Soya oil (US c/lb)	43.72	44.23	44.51	44.79	44.86
CBOT Soya cake meal (US\$/t)	472.78	459.88	442.91	437.73	410.72
JSE Sunflower seed (R/t)	5 269	5 240	4 900	-	-
JSE Soybean seed (R/t)	5 802	-	-	-	-

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

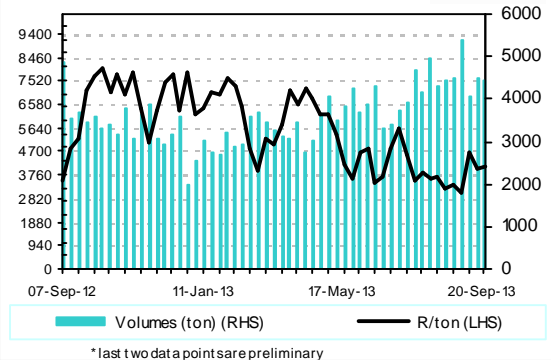
Dec-13			Mar-14			May-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5 240	238	198	5 240	359	319	4 920	391	351
5 200	217	217	5 200	337	337	4 880	370	370
5 160	197	237	5 160	316	356	4 840	348	388

**Vegetable Market Trends (Graphs 10 to 14)**
**Tomatoes**

Tomato prices continued to weaken under pressure due to softer demand across markets.

Weekly tomato prices closed at R4,639 per ton, up by 50.6% w/w and 32.0% y/y. Volumes of tomatoes traded were pegged at 4,043 tons, down by 25.1% w/w and 17.2% y/y.

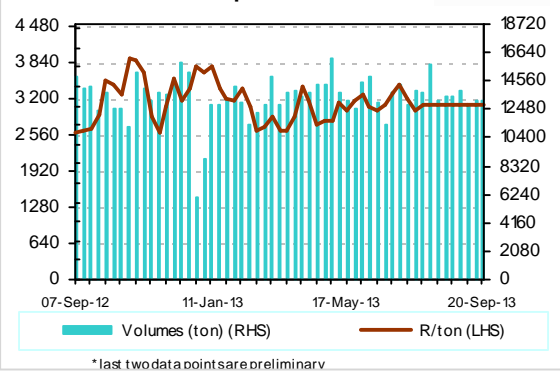
It is expected that prices will trend sideways in the short term on volume pressure.

**Graph 10: Fresh Produce Markets - Tomatoes prices**

**Potatoes**

Potato prices continued to trend sideways on limited uptake on markets.

Weekly potato prices steadied at R3,067 per ton, which is 18.5% higher y/y. Volumes of potatoes traded fell by 6.9% w/w and 13.8% y/y at 12,837 tons.

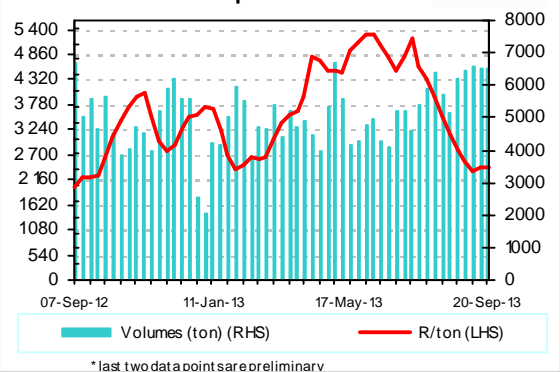
Prices are expected to remain flat in the short term with limited upward potential on improved supplies.

**Graph 11: Fresh Produce Markets - Potatoes prices**

**Onions**

Onion prices remained on an extended downtrend due to improved supplies and softer uptake across markets.

Weekly onion prices fell by 9.5% w/w but still 15.4% higher y/y at R2,327 per ton. Volumes traded came in at 6,584 tons, up by 2.4% w/w but down by 1.5% y/y.

It is however expected that prices will rebound in the short to medium term on moderation in supplies.

**Graph 12: Fresh Produce Markets - Onion prices**


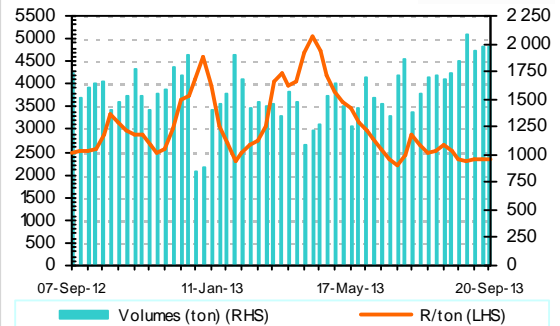
### Carrots

Carrot prices posted slight gains due to reduced volumes across most markets.

Weekly carrot prices closed at R2,354 per ton, up by 2.8% w/w but still 5.2% lower y/y. Volumes of carrots traded were pegged at 1,942 tons, down by 6.6% w/w but still up by 12.4% y/y.

The short term price outlook remains bearish towards midmonth.

**Graph 13: Fresh Produce Markets - Carrot prices**



\* last two data points are preliminary.

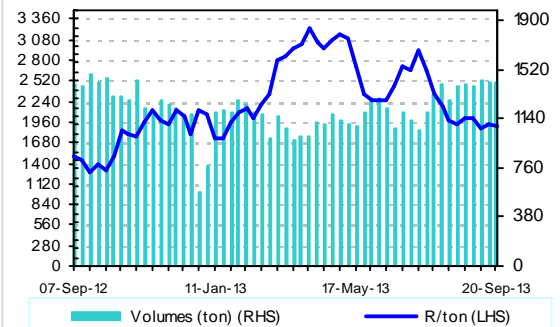
### Cabbages

Cabbages again saw a decrease in prices mainly due to volume pressure across most markets.

Weekly cabbage prices closed at R1,867 tons, down by 6.7% w/w but up by 24.3% y/y. Volumes of cabbages traded were pegged at 1,439 tons, up by 3.4% w/w and 2.4% y/y.

It is expected that prices will improve slightly in the short to medium term on moderation in supplies.

**Graph 14: Fresh Produce Markets - Cabbage prices**



\* last two data points are preliminary.

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Week ending 06 September 2013	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	4 639	50.6%	32.0%	4043	-25.1%	-17.2%
Potato	3 067	0.0%	18.5%	12837	-6.9%	-13.8%
Onion	2 327	-9.5%	15.4%	6584	2.4%	-1.5%
Carrot	2 354	2.8%	-5.2%	1942	-6.6%	12.4%
Cabbage	1 867	-6.7%	24.3%	1439	3.4%	2.4%

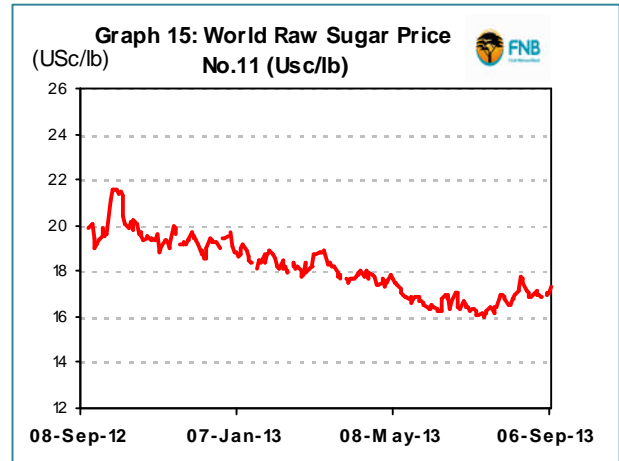
\* Daily prices also available at <https://www.fnbagricomms.co.za>

**Sugar market trends (Graph 15)**
International:

- International Raw Sugar prices rebounded from the recent lows but the abundant world supplies limited further gains.
- In Brazil, processors are reportedly focused on ethanol production due to better prices.
- Elsewhere, favourable weather conditions were reported for India which will boost production.
- Weekly raw sugar prices gained 0.8% w/w but still 10.7% y/y at US17.09c/lb.
- Sugar futures: Raw sugar for May-14 gained 2.4% w/w at US17.23c/lb, Jul-14 was up by 2.4% w/w at US17.16c/lb, and Oct-14 was up 2.3% w/w at US17.41c/lb.

Domestic:

- According to the Cane Growers Association, the RV price in respect of cane delivered in July 2013 was declared at R3,083.80 per ton. The price was R2.87 per ton higher than the previous estimate of the cane delivered in June.
- The increase was attributed to a number of factors:
  - the 10 375 ton decline in sugar production (2,379m tons vs. 2,390m tons) and
  - the higher No.11 spot price (16.78USc/lb vs. 16.25USc/lb).
- With respect to the 2013/14 season, 588 354 tons have been made available for marketing and pricing. Of this allocation 510 062 tons have been priced and contracted at an average of US18.37c/lb. This pricing includes the overpriced tonnage of 68 142 tons that was transferred from last season. Despite the recent downward adjustment to the 2013/14 sugar production estimate, export availability is estimated at 828 179 tons. This implies that there is still potentially 318 117 tons of export sugar (unpriced and unallocated) that may be exposed to world market price and R/\$ exchange rate volatility. (SACGA)



ICE Sugar Futures 06 September 2013	Mar-14	May-14	Jul-14	Oct-14	Mar-15
Sugar No.11 (US c/lb)	17.23	17.16	17.41	17.84	17.80
% Change w/w	2.4%	2.4%	2.3%	1.9%	2.0%

**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.