

Agri-Weekly

11 October 2013

pmakube@fnb.co.za
<https://www.fnbagricomms.co.za>

Beef market trends (Graph 1)

International:

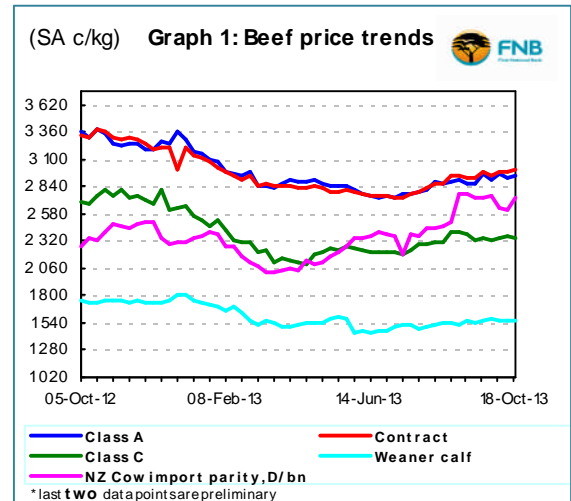
- US livestock markets have been affected by the shutdown of non-essential government services until Congress resolves the political impasse over a funding agreement. As a result, the statistics that are vital for the functioning of most agricultural markets are still not available.
- The CME uses the USDA price marketing data for the calculation of the final price for its Feeder Cattle contracts at expiration.
- At farm level, US domestic production is reportedly below last year and the five-year average levels as the herd rebuilding has commenced on the back of improved production conditions.
- However, heavy snow was reported in the northern central states and came in much earlier than expected. This is reported to have caused losses of thousands of cattle estimated up to 20.0% in some places. This is expected to impact on supplies in the short to medium term in those areas.
- In Australia, beef and veal production for August was reported up by 8.0% y/y and 13.0% above the five-year average at 208,173 tons cw due to drought induced slaughtering in the producing areas. Total adult cattle slaughter was reported up by 11.0% y/y and 13.0% above the five-year average. The female cattle slaughter was up by 19.0% y/y and 17.0% higher than the five-year average.
- The cattle market in Australia posted slight losses as the drought conditions in the Northern areas continued to weigh heavily on prices. The Eastern Young Cattle Indicator (EYCI) fell by 1.7% w/w and 11.9% y/y to close at AU\$3.08/kg cwt.

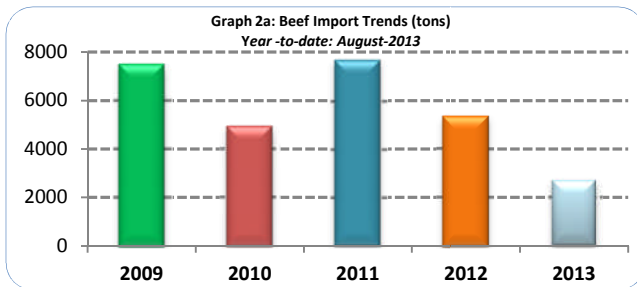
Domestic:

- The beef market saw marginal declines in prices due to weak demand during midmonth.
- Weekly Class A beef prices were down by 1.0% w/w and 11.5% y/y at R29.34 per kg.
- Contract Class A beef prices fell by 1.0% w/w and 10.5% y/y at R29.55 per kg.
- Class C beef prices fell by 0.4% w/w and 12.6% y/y to close at R23.39 per kg.
- The weaner calf market was the exception and closed firmer on the back of reduced supplies. Weekly weaner calf prices gained 0.2% w/w but still 10.5% lower y/y at R15.58 per kg.

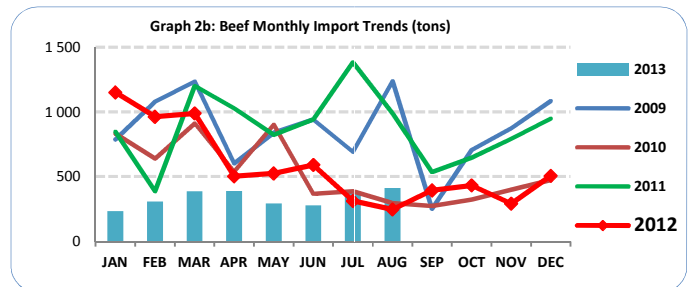
OUTLOOK

Production conditions in most cattle areas remain poor and more rain is needed urgently to kick-start pasture growth. The persistent dry conditions will force producers to reduce their stock holdings as fodder availability diminishes.





Source: SARS, Own Calculations



Mutton market trends (Graph 2)

International:

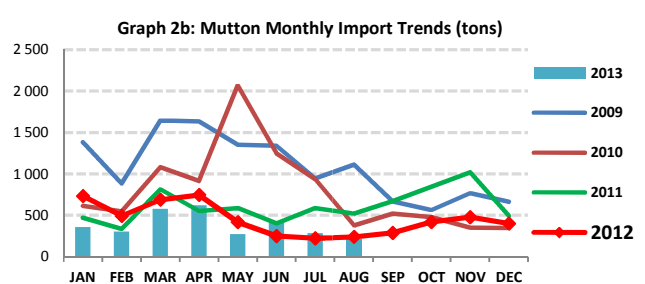
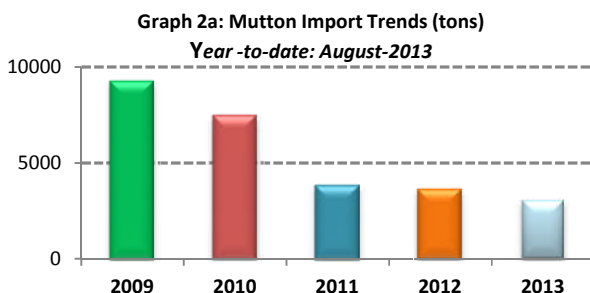
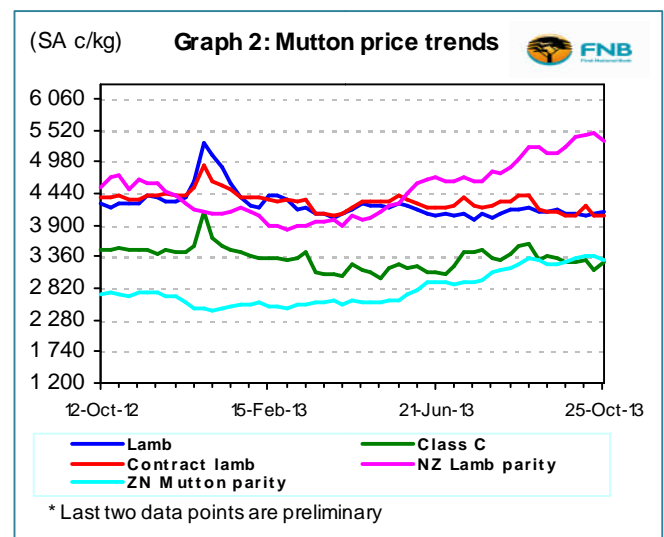
- In New Zealand (NZ), domestic producer prices were marginally higher for the week. The weekly 17.5kg lamb price closed slightly higher at NZ\$100/ head but was unchanged y/y.
- Processing of the cuts for the export market ahead of Christmas is reportedly underway in NZ. Lamb inventory levels in China are reportedly low and this is likely boost import demand.
- In Australia, exports surged during September on the back of strong Chinese demand. Australian lamb exports increased by 22.0% y/y and reached 17,114 tons swt with China accounting for 26.0% of total exports. Exports to China were reported up by 87.0% y/y at a record 4,371 tons swt. Exports to the EU increased by 39.0% m/m but eased slightly y/y while shipments to the Middle East were up 9.0% y/y.
- Domestic lamb and mutton markets in Australia weakened further across all categories under pressure due to increased supplies particularly new season lambs. As a result, the Eastern States Trade Lamb Indicator (ESTLI) fell by 0.2% w/w but still 10.0% higher y/y at AU\$4.20/kg cwt.

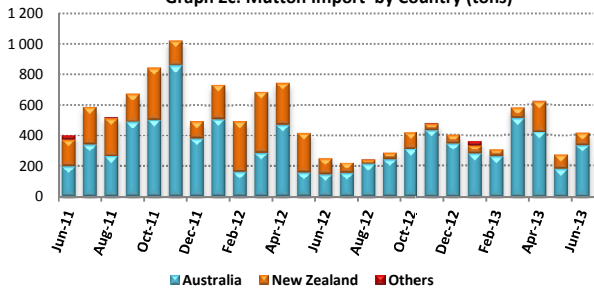
Domestic:

- There was a slight rebound on the mutton market as supplies tightened. The lamb market however ended mixed with Class A lamb prices easing lower by 0.5% w/w and 5.0% y/y to close at R40.70 per kg.
- Weekly Contract Class A lamb prices gained 4.3% w/w but still down by 3.3% y/y to close at R42.25 per kg.
- Mutton prices posted slight gains, up by 1.4% w/w but still down by 5.4% y/y at R33.03 kg.
- In the weaner market, the tight supply situation saw prices steadying at R21.05 per kg live weight.

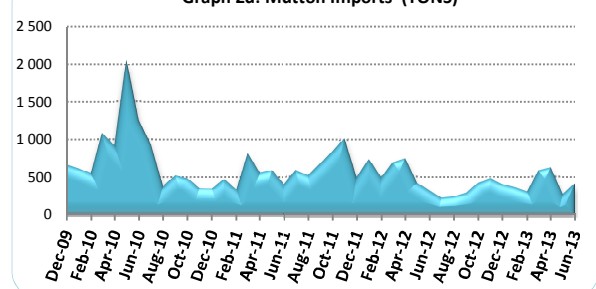
OUTLOOK

It is expected that prices will trend sideways in the short term but will bottom out in the medium term on seasonal increase in demand ahead of the December holidays.



Graph 2c: Mutton Import by Country (tons)


Source: SARS, Own Calculations

Graph 2d: Mutton Imports (TONS)


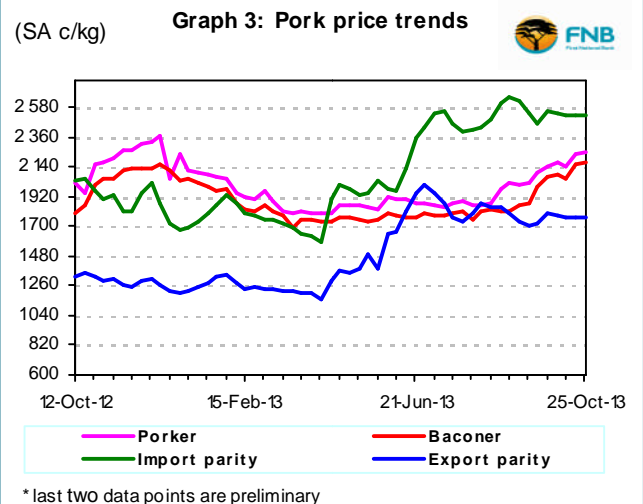
Pork market trends (Graph 3)

International:

- As with other agriculture markets in the US, the poultry industry was also affected by the government shutdown. There is no access to the huge volume of daily, weekly and monthly data produced by the US Department of Agriculture (USDA).

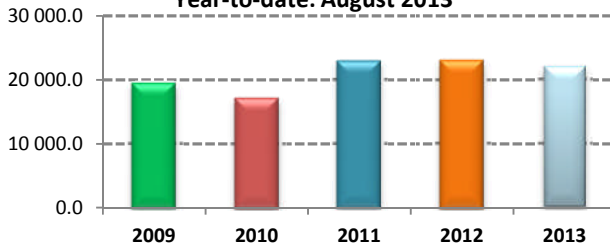
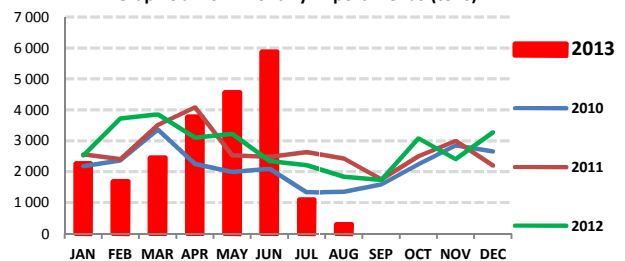
Domestic:

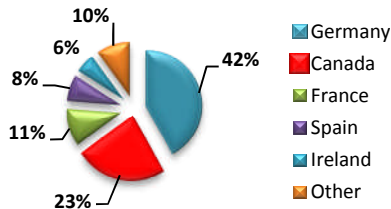
- The pork market reversed recent gains on subdued demand during midmonth.
- Weekly porker prices closed at R21.38 per kg, down by 1.5% w/w but still 6.0% higher y/y.
- Import parity prices are estimates due to the unavailability of US data.
- Baconer prices eased marginally lower by 1.1% w/w but still 14.1% higher y/y at R20.56 per kg.
- 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.



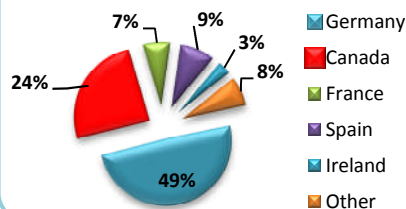
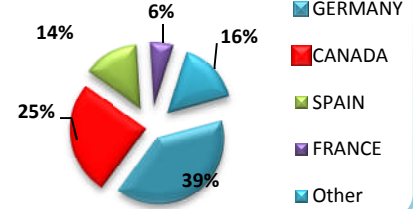
OUTLOOK

Prices are expected continue to trend firmer in the short to medium term on supply tightness and improved demand ahead of the festive holidays.

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

Graph 3b: Pork Monthly Import Trends (tons)


Graph 3c: Imports by Country - 2010


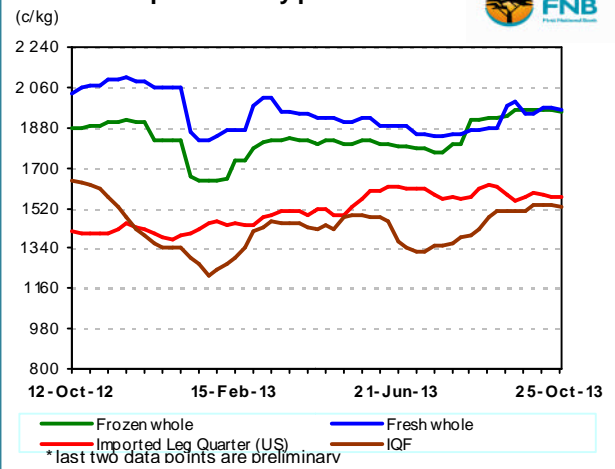
Source: SAPPO, SARS, Own Calculations

Graph 3d: Imports by Country - 2011

Graph 4e: Imports by Country - 2012

Poultry market trends (Graph 4)
International:

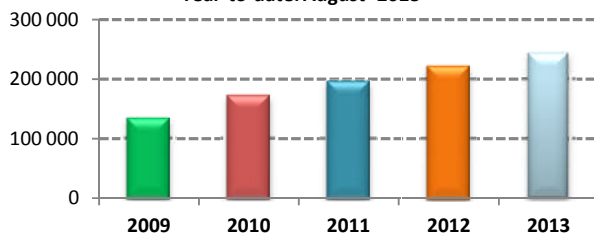
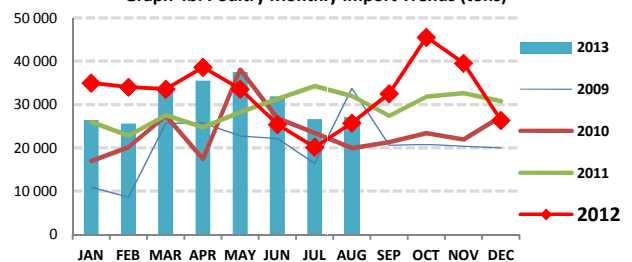
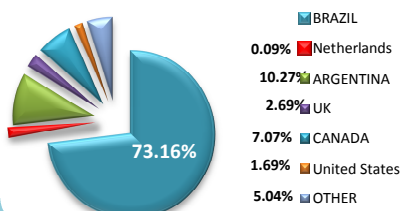
- Data was not available for the US markets due to the government shutdown.
- Import parity prices are estimates due to the unavailability of US data.

Domestic:

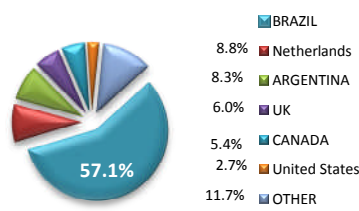
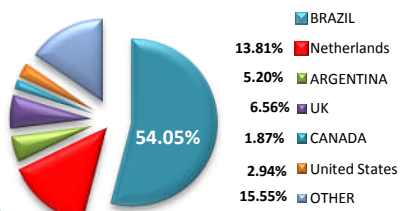
- The broiler market was again steady to firmer. Market activity was however moderate with inventories reportedly adequate to meet current demand.
- Weekly frozen whole bird prices were unchanged w/w at R19.61 per kg, up by 4.3% y/y.
- Fresh whole bird prices gained 1.5% w/w to close at R19.67 per kg, but still down by 3.3% y/y.
- Individually Quick Frozen (IQF) portions closed at R15.34 per kg, unchanged w/w but still down by 6.4% y/y.

Graph 4: Poultry price trends

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: August -2013

Graph 4b: Poultry Monthly Import Trends (tons)

Graph 4c: Imports by Country - 2010


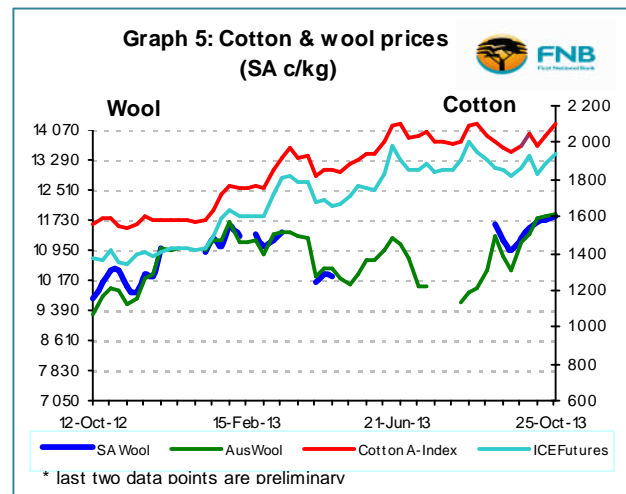
Source: SARS, Own Calculations

Graph 4d: Imports by Country - 2011

Graph 4e: Imports by Country - 2012


Producer prices for selected livestock commodities 11 October 2013	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh w4hole birds(R/kg)	29.34	40.70	21.38	19.67
Open market: Class C / Baconer / Frozen whole birds(R/kg)	23.39	33.03	21.45	19.61
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	29.55	42.25	20.56	15.34
Import parity price (R/kg)	26.12	33.63		
Weaner Calves / Feeder Lambs (R/kg)	15.58	21.05		

Wool and cotton market trends (Graph 5)
International:

- Cotton prices eased slightly lower on harvest pressure. However, trading is reportedly difficult for participants as the market is operating from thin information due to lack of USDA reports.
 - In India, conditions are reportedly improving with the weather turning warm and drier.
 - Weather remains a critical factor for price direction in the short to medium term.
 - The Cotlook A index averaged US90.28c/lb, down by 4.1% y/y but up by 17.6% y/y.
 - Cotton Futures on ICE for Mar-14 was down 3.3% w/w at US84.22c/lb, May-14 was down by 2.9% w/w at US84.54c/lb, and Jul-14 was down 2.6% w/w at US84.40c/lb.
 - Wool: In Australia, the wool market indicator AWEX EMI closed at AU\$11.27/kg clean wool. Volumes of sales reached 96.5% of the 38,592 bales offered.
- Domestic:**
- The wool market retained the recent uptrend supported by improved demand. The Cape Wools Merino indicator gained 1.4% w/w and was 20.5% higher y/y at R116.69/ kg clean wool.
 - At current level, the indicator is 4.2% and 14.4% higher than the year-to-date average and the opening sale of the 2013/14 season respectively.
 - Major buyers were Standard Wool SA 2782 25.3%), Lempriere SA with 2,235 bales (20.3%), Stucken & Co with 1,937 bales (17.6%), and G Modiano SA with 1,659 bales (15.1%).



Fibre market prices 11 October 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)	116.69	106.19		
19 μ long length wool (R/kg)	120.51	113.78	12.70	12.30
21 μ long length wool (R/kg)	115.57	113.90	12.40	12.00
23 μ long length wool (R/kg)	-	112.34	11.20	10.80
	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	Cotton Futures Mar-14 (US\$/kg)	Cotton Futures May-14 (US\$/kg)
Cotton Prices (R/kg)	19.78	1.99	1.85	1.86

Cotton Futures on the InterContinental Exchange (ICE);

Yellow maize market (Graph 6)
International:

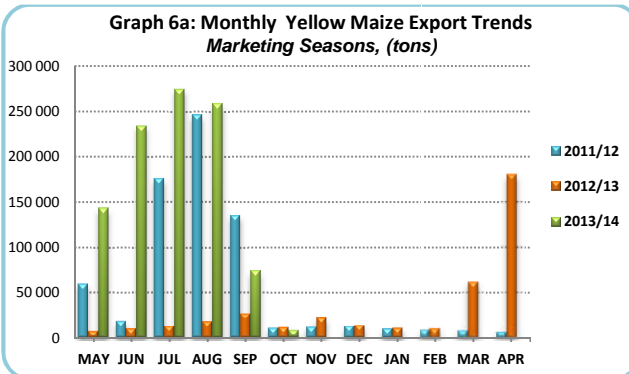
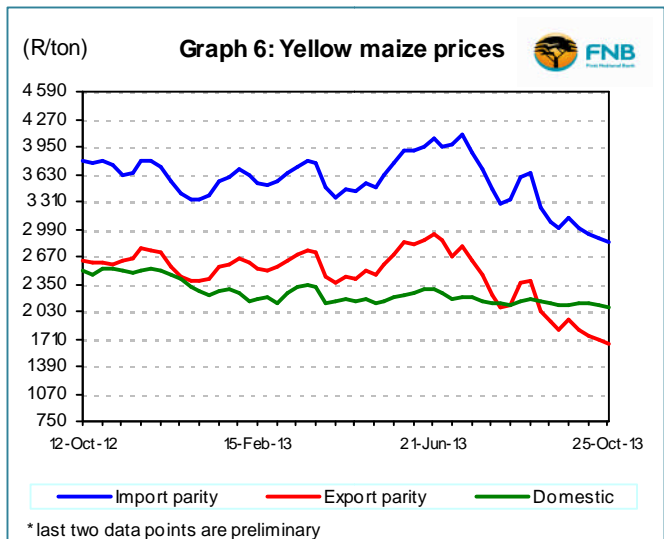
- Futures continued to trend lower on reports that the US Environmental Protection Agency (EPA) would reduce the ethanol mandate in the year ahead which has negative implications for the demand of maize.
- Favourable harvesting weather and good yields added to the weaker tone.
- The USDA is not releasing their weekly and monthly reports which include the weekly progress report as well as the monthly supply and demand estimates. As a result, the market operates on limited data sourced from private suppliers.

Domestic:

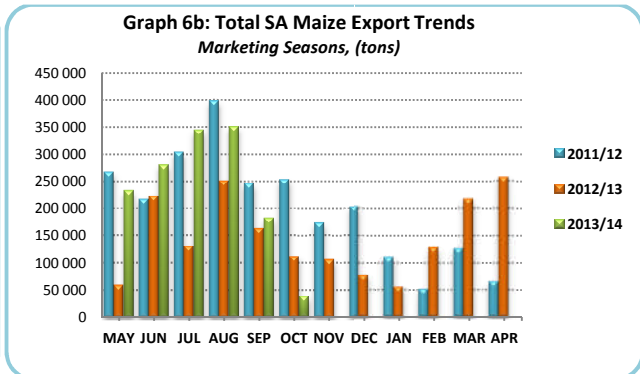
- The South African yellow maize prices extended recent gains despite a stronger Rand.
- Weekly yellow maize prices were up by 0.5% w/w but still down by 14.5% y/y at R2,131/t.
- Some areas in the eastern growing belt received rain but more is needed before the planting window for the early crop closes.
- Weekly export sales came in at 4,643 tons and 993,413 tons for the season to date, according to the latest SAGIS report. Total maize exports (WMZ and YMZ) reached 1.45m tons. So far, major export destinations for YMZ are Japan (60.0%), Taiwan (17.0%), and Korea (14.6%).

OUTLOOK

Weather conditions in the US will continue to influence price direction in the short term. The higher world supply outlook will continue to have a downward influence on prices in the medium term. Locally, weather conditions will also be critical going forward as enough subsoil moisture is needed ahead of the planting period.



Source: SAGIS



Yellow Maize Futures 11 October 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14
CBOT (\$/t)	175.80	179.03	182.03	184.47	184.47
JSE (R/t)	2 145	2 152	2 016	1 981	-
CHICAGO CORN (R/t)	1 702	1 775	-	1 875	-

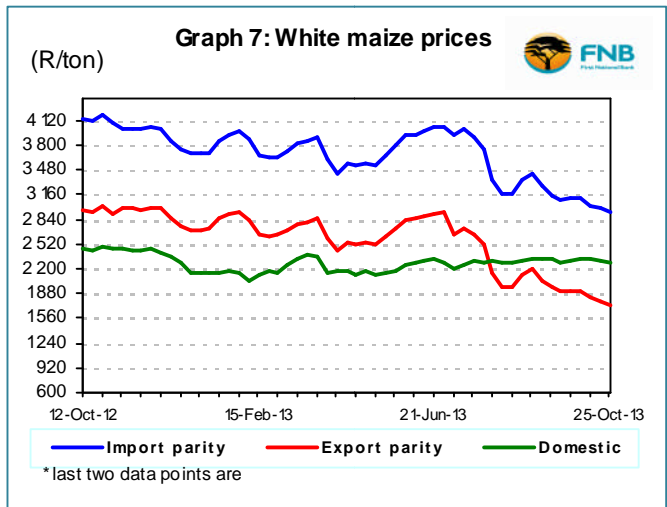
Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Dec-13			Mar-14			July-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 180	83	48	2 200	146	98	2 020	187	148
2 140	61	66	2 160	123	115	1 980	164	165
2 100	43	88	2 120	103	135	1 940	143	184

White maize market trends (Graph 7)
International:

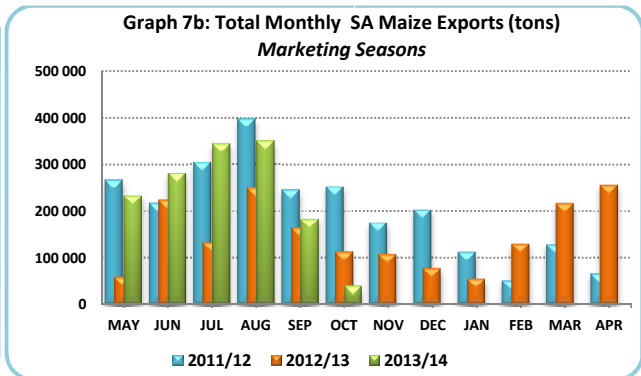
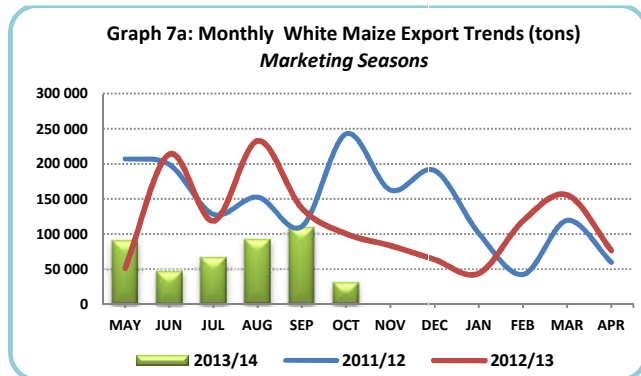
- The continued shutdown of the US government will have an impact on the completion of the monthly survey of the monthly supply and demand report.
- Harvesting is reportedly in full swing with private estimates rating the progress at 25% to 35% complete. However, the detailed USDA information about progress, quality and quantity is still not available for market participants. As such, trading decisions will be based on historical trends and minimal information for producers.

Domestic:

- The South African white maize prices posted marginal gains despite Rand gains.
- Weekly white maize prices closed at R2,338 per ton, up by 0.1% w/w but still down by 4.8% y/y.
- Weekly white maize export sales were pegged at 16,544 tons, reaching 452,929 tons for the season to date, according to the latest SAGIS report.
- Major export destinations for WMZ so far are Mexico (42.0%), Zimbabwe (17.5%), Botswana (15.7%) and Namibia (11.1%). Major export destinations for all maize are Japan (41.2%), Mexico (13.1%), Taiwan (11.6%), and Korea (10.1%).


OUTLOOK

Weather conditions in the US will continue to influence price direction in the short term. The higher world supply outlook will continue to have a downward influence on prices in the medium term. Locally, weather conditions will also be critical going forward as enough subsoil moisture is needed ahead of the planting period.



Source: SAGIS;

White Maize Futures 11 October 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14			
JSE (R/t) WM ₁	2 332	2 322	2 152	2 052	-			
Calculated White Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Dec-13			Mar-14			Jul-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 380	108	60	2 360	152	114	2 100	215	167
2 340	85	77	2 320	130	132	2 060	192	184
2 300	65	97	2 280	110	152	2 020	171	203

Wheat market trends (Graph 8)
International:

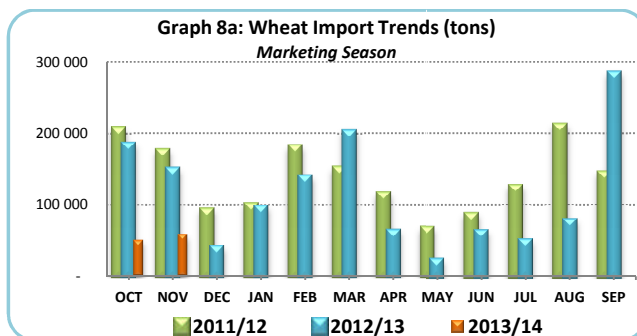
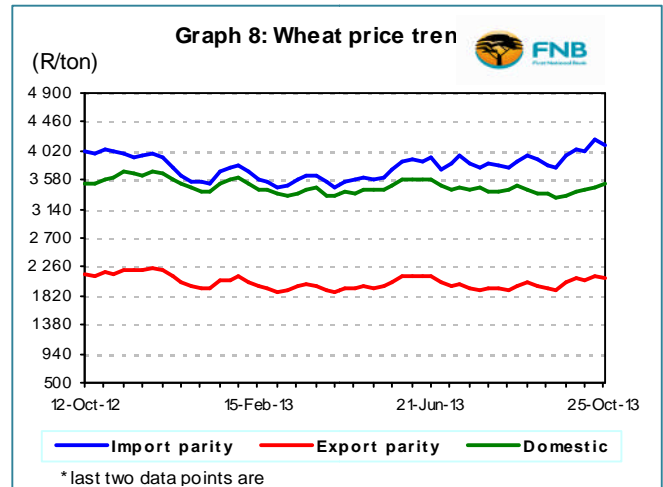
- US wheat futures eased lower on improved weather outlook for the Eastern Europe and Russia.
- Harvesting and planting were reportedly delayed due to rains in the Black Sea region and more generally in Eastern Europe and Russia.
- The favourable planting and harvest weather will help increase the pace of these activities. However, reports out of Russia indicate that planting of winter wheat is already behind schedule which could result in the area planted being reduced by 5.0% y/y.

Domestic:

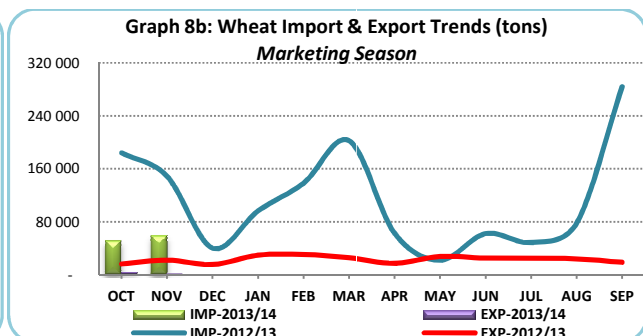
- The South African wheat market again extended recent gains despite the stronger Rand/ US dollar exchange rate.
- Weekly wheat prices closed at R3,427 per ton, up by 0.9% w/w but almost unchanged y/y.
- Weekly import sales for the 2013/14 marketing season came in at 58,949 tons and 110,133 tons for the season to date. Main suppliers were Ukraine (51.5%), Russia (42.8%) and the USA (5.7%).

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 11 October 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14			
KCBT (\$/t)	254.34	257.57	258.16	254.41	256.69			
JSE (R/t)	3 429	3 501	-	3 601	-			
Calculated Wheat Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Dec-13			Mar-14			Jul-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3 460	95	64	3 540	215	176	3 640	297	258
3 420	74	83	3 500	193	194	3 600	275	276
3 380	56	105	3 460	173	214	3 560	254	295

Oilseed market trends (Graph 9)
International:

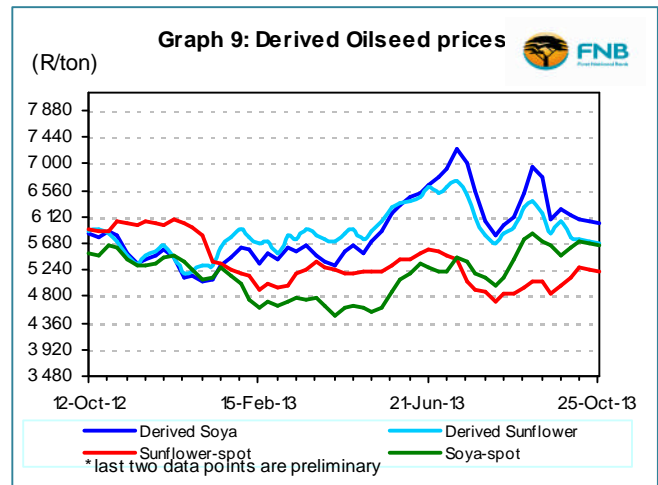
- Futures in the soybean complex eased lower on harvest pressure as good yields are reported from the US harvest.
- Harvest progress was rated at 30.0% to 35.0% complete with yield reportedly good to very good so far, according to reports from private forecasters.
- Elsewhere, a large crop is expected out of South America. Production conditions are generally good in Brazil and Argentina.
- The October USDA crop report and US/World supply and demand report were not released last Friday due to the US government shutdown.
- Meanwhile, reports that the EPA will propose the 2014 biodiesel mandate to remain at 1.28 billion gallons led to losses on the market.

Domestic:

- Oilseeds traded on the JSE continued to strengthen despite stronger Rand.
- Weekly soybean prices increased by 1.6% w/w and 3.5% y/y at R5,697 per ton.
- Sunflower prices gained by 3.5% w/w but still down by 10.9% y/y, closing at R5,282 per ton.

OUTLOOK

Prices are however expected to come under pressure in the medium term on abundant world oilseed supplies.



Oilseeds Futures 11 October 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14
CBOT Soybeans (US \$/t)	-	460.77	455.40	453.78	435.85
CBOT Soya oil (US c/lb)	40.28	41.01	41.34	41.63	41.82
CBOT Soya cake meal (US\$/t)	444.67	434.53	424.72	420.31	406.09
JSE Sunflower seed (R/t)	5 365	5 355	4 680	-	-
JSE Soybean seed (R/t)	5 548	-	-	-	-

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

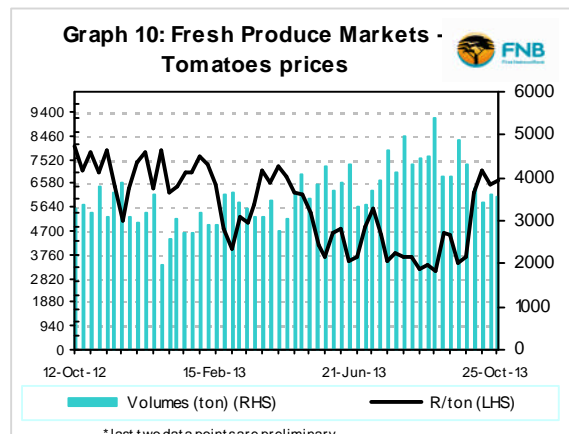
Dec-13			Mar-14			May-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5 400	186	151	5 400	334	289	4 720	348	308
5 360	165	170	5 360	312	307	4 680	326	326
5 320	145	190	5 320	291	326	4 640	305	345

Vegetable Market Trends (Graphs 10 to 14)
Tomatoes

Tomato prices continued to post strong gains supported by reduced supplies across markets.

Weekly tomato prices closed at R7,125 per ton, up by 15.3% w/w but still 11.7% lower y/y. Volumes traded were pegged at 3,442 tons, down by 8.4% w/w but still 4.3% higher y/y.

It is however expected that prices ease lower in the short term as volumes improve.

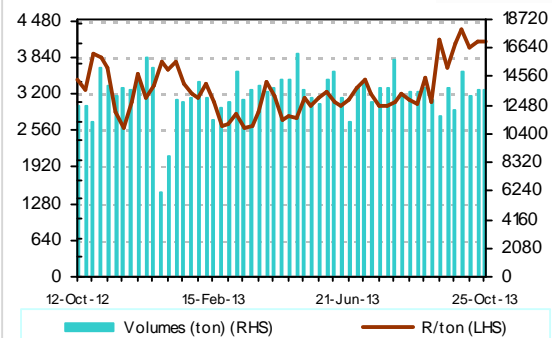


Potatoes

Potato prices moved modestly lower on limited demand across markets. Weekly potato prices fell by 7.1% w/w but still 17.3% higher y/y. Volumes traded came in at 4,022 tons, down by 7.1% w/w but still up by 17.3% y/y.

Prices are expected to firm slightly in the medium term on increased demand ahead of the holidays.

Graph 11: Fresh Produce Markets - Potatoes prices



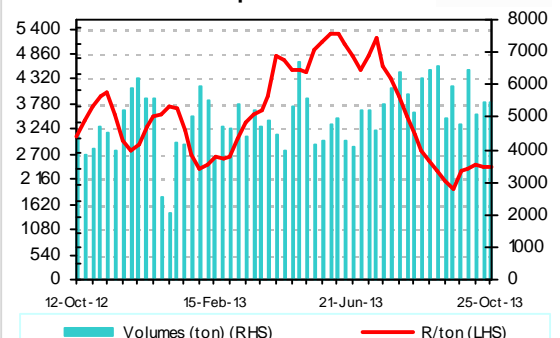
Onions

Onion prices rebounded from recent lows on reduced supplies across markets.

Weekly onion prices closed at R2,453 per ton, up by 3.1% w/w but still 20.6% lower y/y. Volumes traded fell by 21.2% w/w but still 12.1% higher y/y at 5,106 tons.

It is expected that prices will trend firmer in the short term on improved uptake.

Graph 12: Fresh Produce Markets - Onion prices



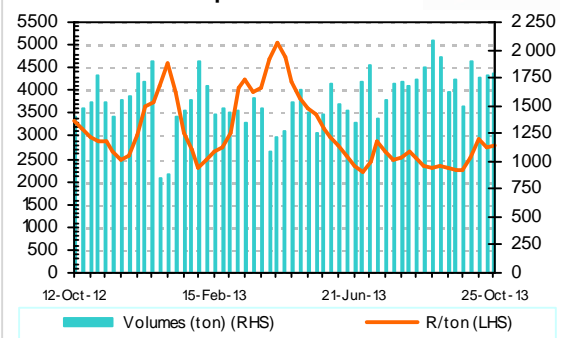
Carrots

Carrot prices continued to post sharp gains on the back of improved uptake across markets.

Weekly carrot prices closed at R2,936 per ton, up by 15.6% w/w but still down by 11.9% y/y. Volumes of carrots traded decreased by 7.6% w/w but still 25.3% higher y/y at 1,760 tons.

Prices are expected to ease somewhat in the short term, but will bottom out as the festive period draws closer.

Graph 13: Fresh Produce Markets - Carrot prices



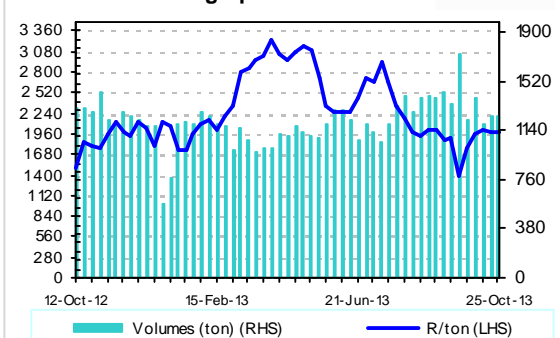
Cabbages

Cabbages retained the recent uptrend on limited volumes across markets.

Weekly cabbage prices gained 3.1% w/w and 34.2% y/y to close at R2,013 per ton. Volumes of cabbages traded came in at 1,188 tons, down by 14.9% w/w and 9.8% y/y.

Prices are expected to trend sideways to firmer on improved demand in the medium term.

Graph 14: Fresh Produce Markets - Cabbage prices



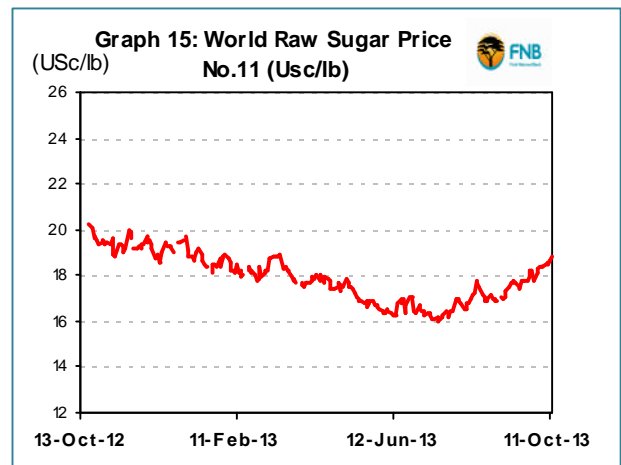
Vegetable prices: South Africa's Major Fresh Produce Markets. (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)						
Week ending 11 October 2013	Average Price (R/t)	<i>w/w</i>	<i>y/y</i>	Total Volume (t)	<i>w/w</i>	<i>y/y</i>
Tomato	7 125	15.3%	-11.7%	3442	-8.4%	4.3%
Potato	4 022	-7.1%	17.3%	13212	-11.2%	6.0%
Onion	2 453	3.1%	-20.6%	5106	-21.2%	12.1%
Carrot	2 936	15.6%	-11.9%	1760	-7.6%	25.3%
Cabbage	2 013	3.1%	34.2%	1188	-14.9%	-9.8%

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

Sugar market trends (Graph 15)

International:

- International Raw Sugar prices retained the recent uptrend on currency volatility.
- However, reports of increased production out of Brazil helped limit further gains.
- Meanwhile, UNICA is reported to have raised its production estimate for Brazil on improved weather conditions.
- In India, the monsoon is reported to have delivered 6.0% more rainfall than average in India, enhancing the prospects for bumper crop production in the 2013/14 season.
- Private firms are reported to have reduced the sugarcane and sugar production estimates due to poor growing conditions earlier in the year.
- Weekly world raw sugar prices (InterContinental (ICE) nearby futures, No.11 contract) closed at US18.32 cents per pound, up by 1.4% w/w but still 11.2% lower y/y.
- Sugar futures: Raw sugar for Jul-14 gained 2.2% w/w at US18.68c/lb, Oct-14 was up by 2.1% w/w at US 18.90c/lb, and Mar-15 was up by 1.8% w/w at US19.43c/lb.



Domestic:

- Locally, the RV price in respect of cane delivered in August 2013 came in unchanged m/m at R3,083.80 per ton. According to the Cane Growers Association, the higher weighted average No.11 world market price (17.93 USc/lb. vs. 17.87 USc/lb.), the weaker weighted average R/\$ exchange rate ((9.94 vs. 9.90) and the 8 039 ton decline in sugar production (2,372m tons vs. 2,380m tons) contributed positively to the price. This was however offset by the 20,864 ton reduction in the LMDE, which left the price unchanged from the previous month's level. About 38.8% of the estimated export availability is reportedly unpriced and exposed to world market price volatility while 36.1% of expected USD revenue s exposed to exchange rate volatility.

ICE Sugar Futures 11 October 2013	Jul-14	Oct-14	Mar-15	May-15	Jul-15
Sugar No.11 (US c/lb)	18.68	18.90	19.43	19.28	19.13
% Change w/w	2.2%	2.1%	1.8%	1.5%	1.2%

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.