

Agri-Weekly

16 August 2013

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

Beef market trends (Graph 1)

International:

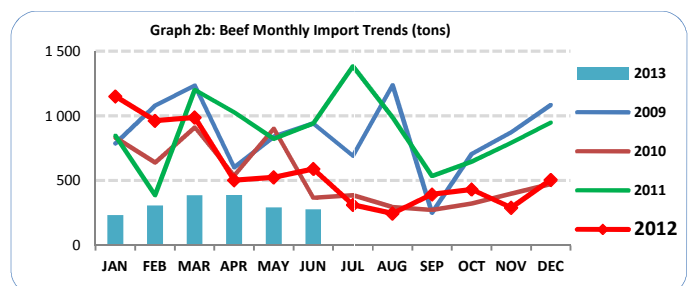
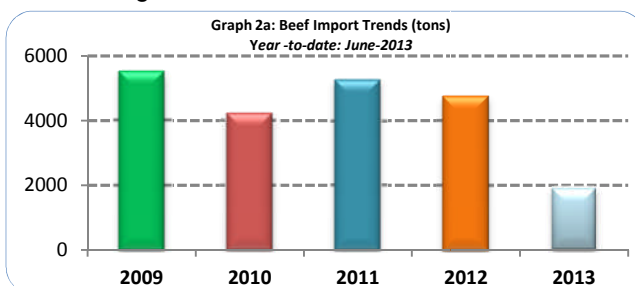
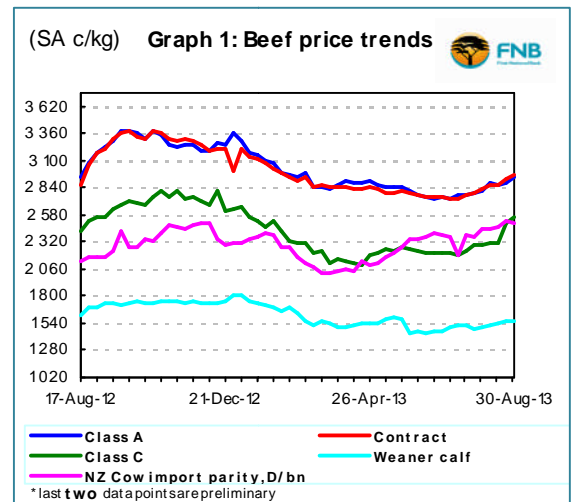
- US lean domestic manufacturing beef prices were firm to higher on the back of good demand on markets.
- Market activity on imported beef was reportedly slow again with prices trending lower.
- At wholesale, US Boxed beef cutout values extended recent gains on light to moderate demand and supplies. Choice beef increased by 2.2% w/w and 1.0% y/y at US\$192.13/cwt. Select beef prices were up by 1.7% w/w and 1.0% y/y at US\$184.59/cwt.
- The CME Feeder Cattle Index increased by 1.5% w/w and 9.7% y/y at US\$152.36/cwt.
- US cattle slaughter for week came in slightly lower at 617,000 head, down 2.5% w/w and 4.0% y/y. Year to date cattle slaughter was estimated at 20.2m head, down 1.5% y/y.
- Meanwhile, the top US meat packer Tyson Foods Inc. has reportedly announced that it would suspend the purchases of cattle fed with a widely used growth enhancer called Zilmax. This is likely to have a positive impact on prices in the short to medium as slightly lighter cattle are marketed. Tyson has a significant share of the US cattle slaughter market estimated at 26.0%.
- In Australia, the cattle market saw slight losses with the Eastern Young Cattle Indicator (EYCI) falling by 1.4% w/w and 15.1% y/y to at AU\$3.23/cwt.

Domestic:

- The beef market ended mixed with slight gains in Class C on reduced supplies.
- Weekly Class C beef prices gained 0.4% w/w but still down by 4.3% y/y at R23.16 per kg.
- Contract Class A beef prices were up by 0.5% w/w but still 0.1% lower y/y at R28.72 per kg.
- Class A beef prices were the exception, falling by 0.6% w/w and 2.9% y/y at R28.65 per kg.
- Weaner calf prices advanced by 1.8% w/w but still down by 5.3% y/y at R15.38 per kg live weight.

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:

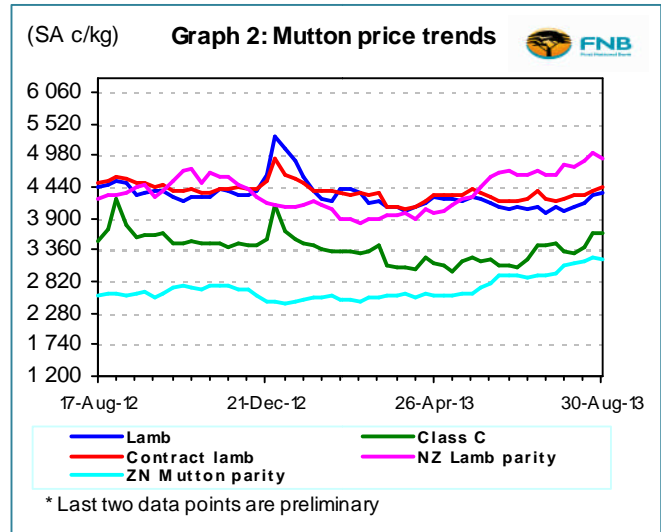
- In New Zealand (NZ), domestic producer prices extended recent gains on the back of tight supplies.
- Lamb production is reportedly at a seasonal low with current supplies allocated for export, mainly to the UK and US markets.
- In Australia, the lamb market continued to weaken as volumes rebounded from earlier lows.
- This saw the Eastern States Trade Lamb Indicator (ESTLI) falling by 5.6% w/w but still up by 7.6% y/y at AU\$4.53/kg cwt.
- In the US, the Lamb Carcass Cutout prices rebounded and closed 3.7% higher w/w at US\$250.65/cwt.
- US sheep for slaughter declined modestly by 6.8% w/w and unchanged y/y at 41,000 head. Year-to-date sheep slaughter reached 1.32m head, up by 6.4% y/y.

Domestic:

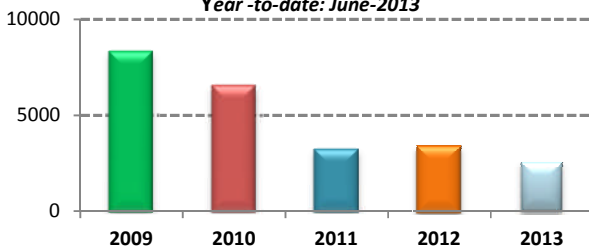
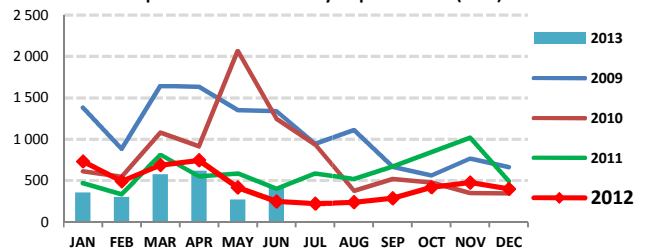
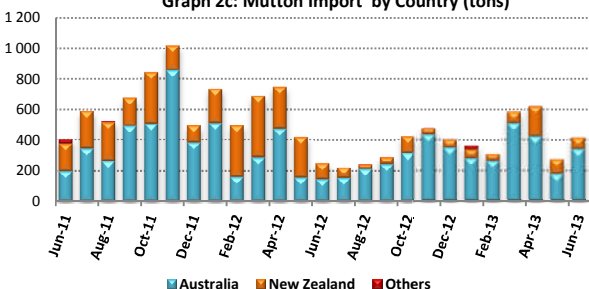
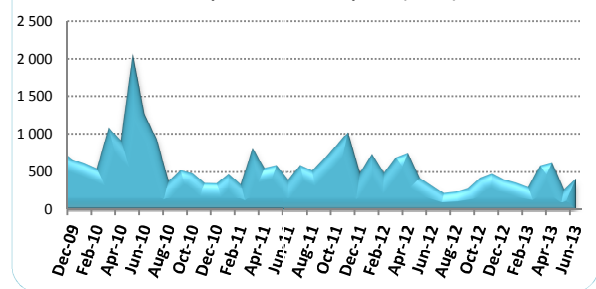
- The lamb and mutton markets saw slight gains on supply tightness.
- Weekly Class A lamb prices increased by 1.7% w/w but still down by 6.2% y/y at R41.70 per kg.
- Contract Class A lamb prices gained 0.2% w/w but still down by 4.5% y/y at R43.17 per kg.
- Mutton prices closed up 3.1% w/w but still down by 3.3% y/y at R33.93 per kg.
- Weaner lamb prices recovered and closed 1.2% higher w/w at R20.63 per kg live weight, but were still 11.3% lower y/y.

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: June-2013

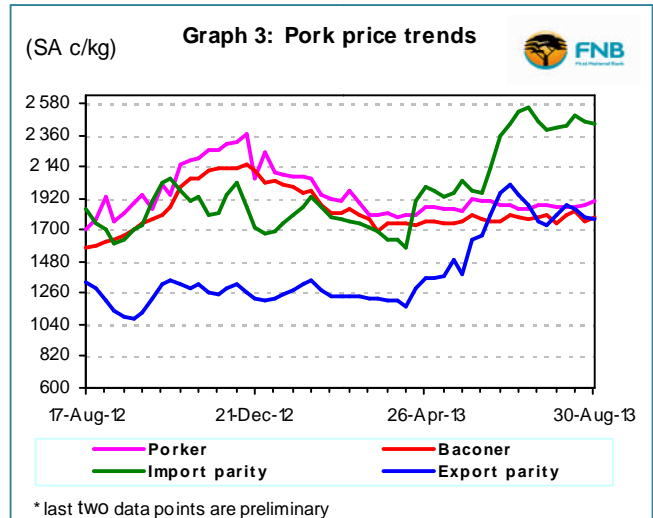

Graph 2b: Mutton Monthly Import Trends (tons)

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 reversed last week's gains and dropped 1.3% w/w at US\$103.57/cwt.
- US pigs for slaughter increased by 7.8% w/w but unchanged y/y at 2.18m head.
- The number of pigs slaughtered for the year-to-date in the US reached 68.28m head, unchanged y/y.

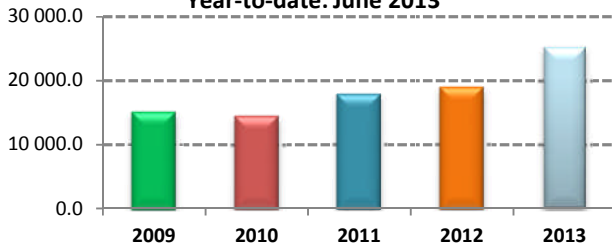
Domestic:

- Pork and baconer prices posted marginal gains on reduced volumes.
- Weekly porker prices closed at R18.64 per kg, up by 0.2% w/w and 9.5% y/y.
- Baconer prices were up by 1.0% w/w and 15.5% y/y at R18.28 per kg.
- Pork import parity prices increased mainly on renewed weakness in the Rand/ US\$ exchange rate. Weekly import parity prices were up by 2.9% w/w and 35.1% y/y.
- 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%).

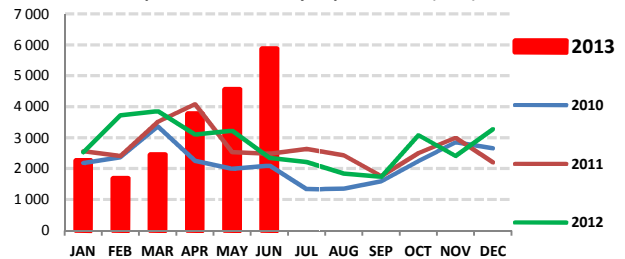

OUTLOOK

Prices are expected to trend sideways to firmer in the medium term on moderation in supplies.

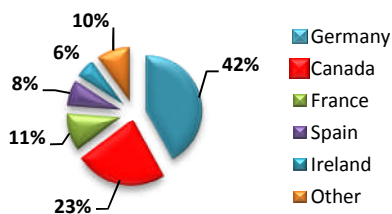
Graph 3a: Pork Import Trends (tons)
 Year-to-date: June 2013



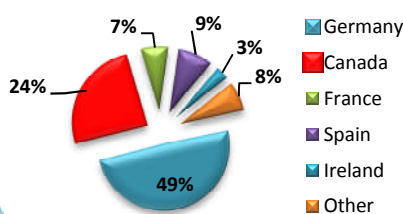
Graph 3b: Pork Monthly Import Trends (tons)



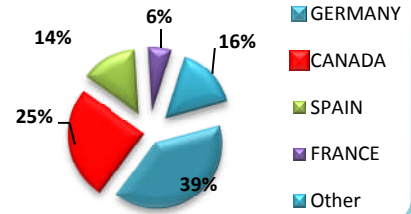
Graph 3c: Imports by Country - 2010



Graph 3d: Imports by Country - 2011



Graph 4e: Imports by Country - 2012



Source: SAPPO, SARS, Own Calculations

Poultry market trends (Graph 4)
International:

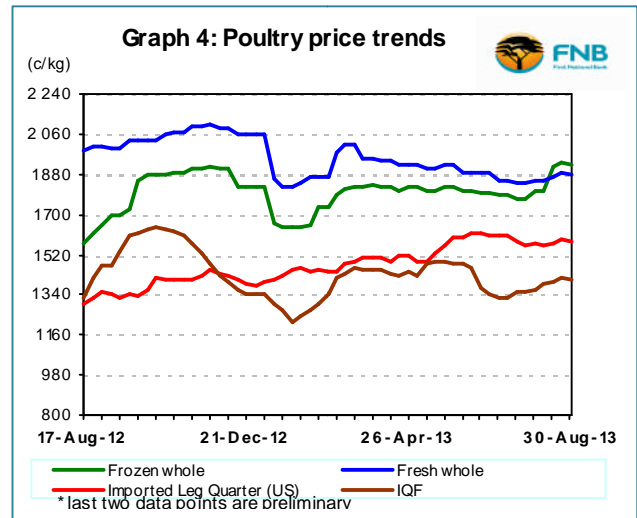
- US prices were steady to lower for the week.
- Demand at retail and food service was reportedly light to moderate ahead of the weekend.
- Weekly whole bird prices again steadied at US106.50c/lb, but up by 12.2% on a y/y basis.
- Leg quarter prices also steadied at US53.50c/lb, but up 4.9% y/y.
- Breast cuts were softer at US124.67c/lb, down by 0.3% w/w but still 20.6% higher y/y.
- Wings fell by 0.2% w/w and 23.5% y/y to close at US144.67c/lb.
- Drumsticks eased marginally lower by 0.2% w/w but still 2.9% higher y/y at US71.67c/lb.
- Weekly US broiler egg sets for the week ended 17 August 2013 came in at 201m, up by 5.0% y/y. Average hatchability for chicks hatched remained at 84.0%. Broiler chick placements came in slightly higher by 2.0% y/y at 166m head.
- Cumulative broiler placements from December 30, 2012 through August 17 2013 were up by 1.0% y/y at 5.45b head.
- According to the USDA, US Broiler meat production in second quarter 2013 increased by 0.9% y/y at 4.3m tons. This is the third consecutive quarter of a year-over-year increase in broiler meat 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:

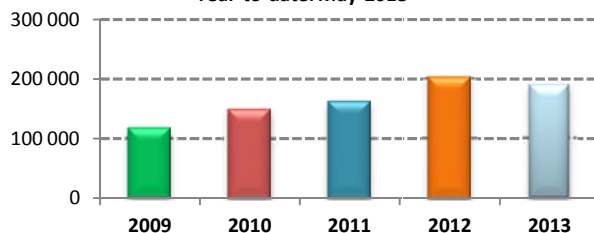
- The broiler market continued to trend steady to firmer trend. Market activity has gained momentum with the weaker Rand being supportive as it improves the competitiveness of the local product.
- So far, poultry imports have moderated with the June total falling by almost 15% m/m but still 26% higher y/y. Year to June poultry imports fell by 5% compared to the corresponding period last year. The broiler meat portion fell by 15% m/m but still 19% higher y/y. Year to June broiler meat imports were down by 9% compared to the corresponding period last year.
- Weekly frozen whole bird prices increased by 6.0% w/w and 21.6% y/y to close at R19.12 per kg.
- Fresh whole bird prices advanced by 1.1% w/w but still 6.0% lower y/y at R18.69 per kg.
- Weekly Individually Quick Frozen (IQF) portions extended recent gains and closed at R14.00 per kg, up by 0.7% w/w and 5.7% y/y.

OUTLOOK

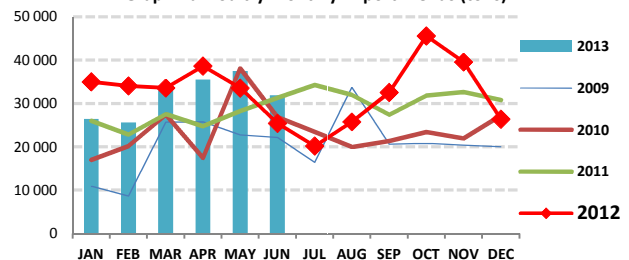
The market is expected to improve somewhat in the short to medium term due to improved seasonal demand.



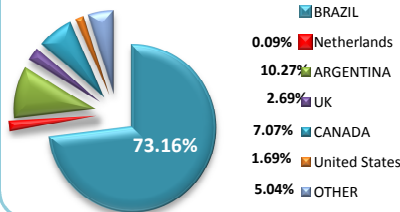
Graph 4a: Poultry Import Trends
Year-to-date: May-2013



Graph 4b: Poultry Monthly Import Trends (tons)

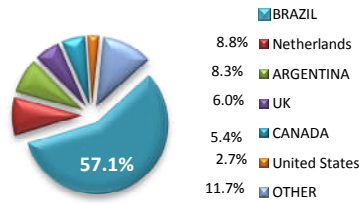


Graph 4c: Imports by Country - 2010

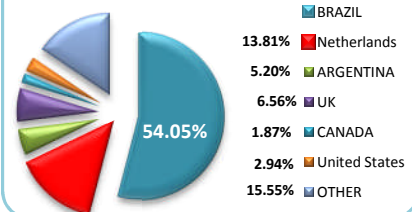


Source: SARS, Own Calculations

Graph 4d: Imports by Country - 2011



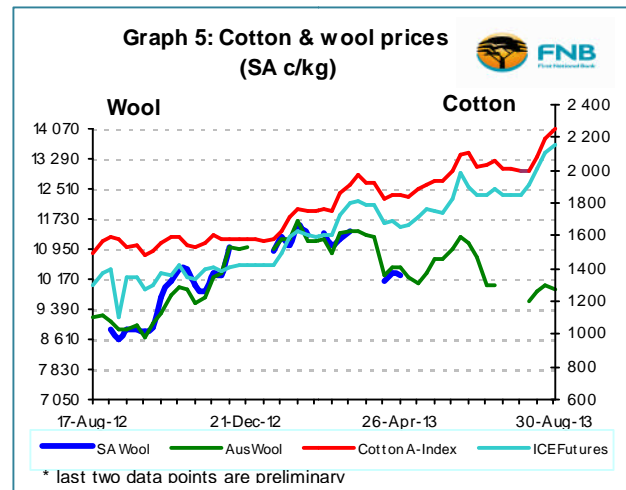
Graph 4e: Imports by Country - 2012


**Producer prices for selected livestock commodities
16 August 2013**

	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh w4hole birds(R/kg)	28.65	41.70	18.64	18.69
Open market: Class C / Baconer / Frozen whole birds(R/kg)	23.16	33.93	17.73	19.12
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	28.72	43.17	18.28	14.00
Import parity price (R/kg)	24.69	47.43	24.95	15.72
Weaner Calves / Feeder Lambs (R/kg)	15.38	20.63		

Wool and cotton market trends (Graph 5)
International:

- Cotton prices extended recent gains on concerns over lower production and crop conditions in the growing areas of the US.
- The U.S. Department of Agriculture (USDA) estimated US planted area for cotton below expectations at 4.1m ha, down by 17.0% y/y in its August World Agricultural Supply and Demand Estimate (WASDE) report.
- The expected US crop for 2013 is seen at 13.1m bales, down by almost 4.3m bales on last season's crop. The 2013 production decline is attributable to reduced planted area and the expected decline in yields.
- The 2013/14 world cotton stocks estimates were pegged at a new record of 2.4m tons, up by 8.5% y/y with a stocks- to-use ratio of 85.4%. This is expected to continue to exert downward pressure on world cotton prices.
- World production for 2013/14 was however reduced by 4.2% y/y at 25.3m tons.
- The Cotlook A index increased by 3.7% w/w and 15.3% y/y at US95.48c/lb.
- Cotton Futures on ICE: Cotton for Dec-13 gained 3.6% w/w at US93.32c/lb, and Mar-14 was up by 2.6% w/w at US90.04c/lb.
- Wool: In Australia, the wool market posted marginal losses with the AWEX EMI closing down by 0.9% w/w but still 3.2% higher y/y at AU\$10.08/kg clean wool. Volumes of sales reached 93.2% of the 36,019 bales offered.



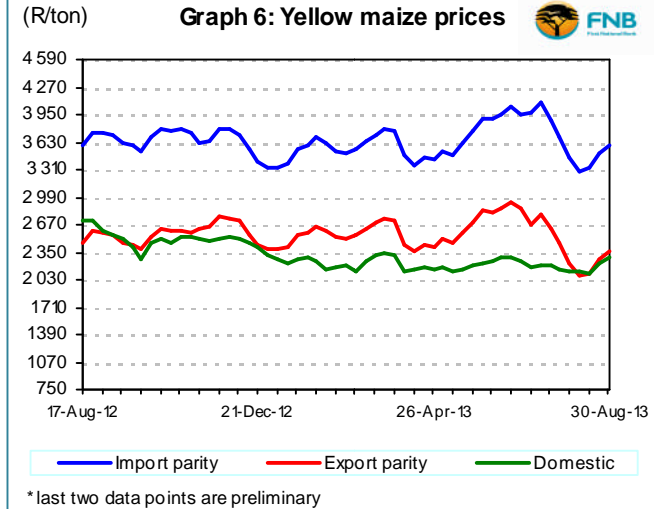
Fibre market prices 16 August 2013	SA prices (R/kg)	Australian prices (R/kg)	Australian futures Dec-13 (AU\$/kg)	Australian futures Mar-14 (AU\$/kg)
Wool market indicator (R/kg)	-	93.07		
19µ long length wool (R/kg)	-	99.44	10.65	10.05
21µ long length wool (R/kg)	-	99.16	10.25	9.65
23µ long length wool (R/kg)	-	98.67	9.05	8.45
	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	Cotton Futures Dec-13 (US\$/kg)	Cotton Futures Mar-14 (US\$/kg)
Cotton Prices (R/kg)	20.87	2.10	2.05	1.98

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

Yellow maize market (Graph 6)

International:

- US yellow maize prices rebounded on the back of a supportive USDA report and strong export sales.
- On world production, the USDA lowered its 2013/14 estimate by 2.7m to 957.2 tons with reductions for the United States, Mexico, the European Union, Russia, and Serbia. Partly offsetting the decline are increases for Ukraine, India, and Turkey.
- On trade, the 2013/14 imports were raised by 2.8m to 101.9m tons with increased imports projected for Mexico, South Korea, the European Union, and Egypt. Export projections showed increases for Ukraine, but partly offset by declines for Russia, the European Union, and the United States.
- World consumption for 2013/14 was lowered by 2.3m tons due to reduced feed and residual use. Ending stocks dropped to 150.2m tons, down 0.8m from the July estimate.

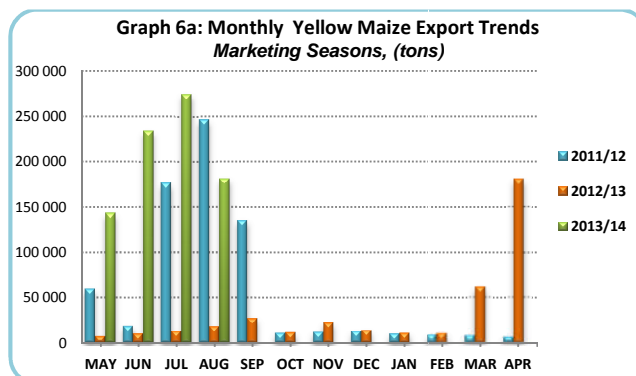


Domestic:

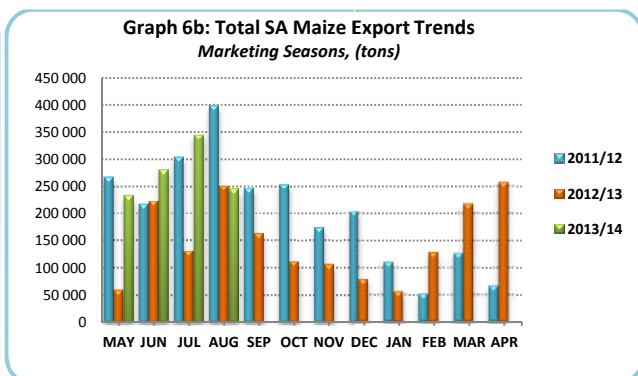
- Yellow maize prices extended recent losses despite gains on the international markets.
- Weekly yellow maize prices closed at R2,110 per ton, down by 0.5% w/w and 22.5% y/y.
- Yellow maize export sales were pegged at 84,449 tons and 833,024 tons for the season to date, according to the latest SAGIS report. Total maize exports (WMZ and YMZ) reached 1.11m tons. So far, major export destinations for YMZ are Japan (66%), Taiwan (19%), and Korea (9.6%).

OUTLOOK

Weather developments in the US will continue to dictate price direction in the short to medium term. A sustained Rand weakness will provide added support for local prices.



Source: SAGIS



Yellow Maize Futures 16 August 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14
CBOT (\$/t)	182.58	187.54	190.70	193.06	194.64
JSE (R/t)	2 179	2 150	2 079	2 049	-
CHICAGO CORN (R/t)	1 875	1 865	-	1 945	2 029

Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)

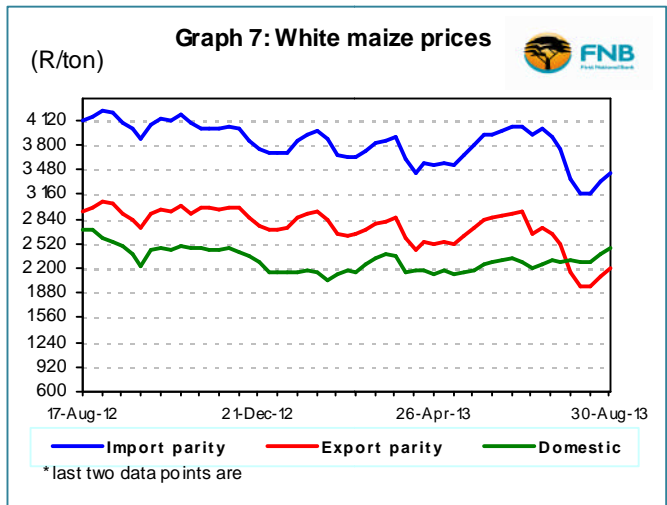
Sep-13			Dec-13			Mar-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 220	121	80	2 200	219	169	2 120	252	211
2 180	98	97	2 160	196	186	2 080	230	229
2 140	79	118	2 120	175	205	2 040	208	247

White maize market trends (Graph 7)
International:

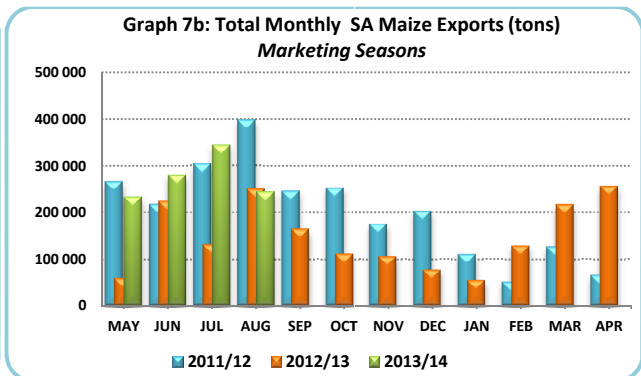
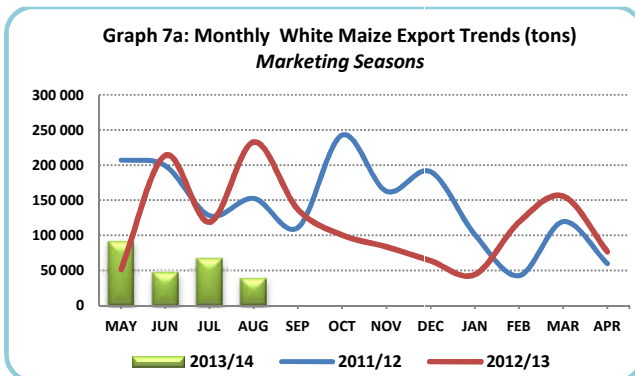
- US white maize spot prices extended losses despite the reduced production estimates by the USDA.
- The weekly average white maize prices closed at US\$203 per ton, down by 0.3% w/w and 43.4% y/y.

Domestic:

- White maize prices declined further despite a weaker Rand.
- Weekly white maize prices closed at R2,267 per ton, down by 0.6% w/w and 16.0% y/y.
- White maize exports for the week came in at 16,580 tons with season to date figure reaching 279,802 tons. Major export destinations are so far Mexico (54.1%), Botswana (16.3%) and Zimbabwe (8.3%).


OUTLOOK

Weather developments in the US will continue to dictate price direction in the short to medium term. A sustained Rand weakness will provide added support for local prices.



Source: SAGIS;

White Maize Futures 16 August 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14			
JSE (R/t) WM ₁	2 337	2 329	-	2 118	-			
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	136	93	2 380	172	121	2 160	214	172
2 340	114	111	2 340	150	139	2 120	192	190
2 300	94	131	2 300	129	158	2 080	171	209

Wheat market trends (Graph 8)
International:

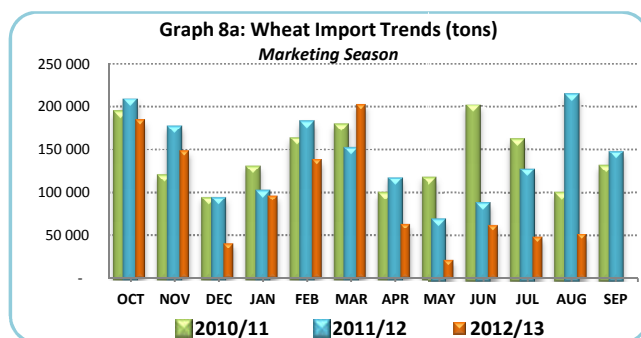
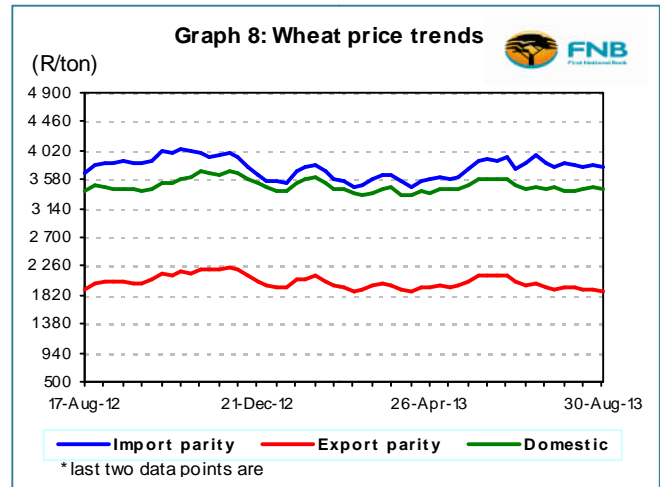
- The wheat market saw further losses due to the bearish world supply outlook. However, losses were limited due to the spill over strength from maize markets.
- The USDA report for wheat had all wheat ending stocks at 15.01m tons, which was down by 0.7m from the July estimate.
- World wheat supplies for 2013/14 were raised 7.5m to 705.4m tons largely due to increases from the largest exporters.
- Production out of the European Union is expected to increase by 2.0% from the July estimate with the biggest increases for Spain, France, and Germany, and smaller increases for Romania, Bulgaria, and Hungary.
- Large production increases are expected for Kazakhstan and Ukraine due to improved production conditions.
- The increase in world wheat supplies is expected to boost consumption growth. World wheat consumption for 2013/14 was raised by 1.0% with increased feed usage in many countries.

Domestic:

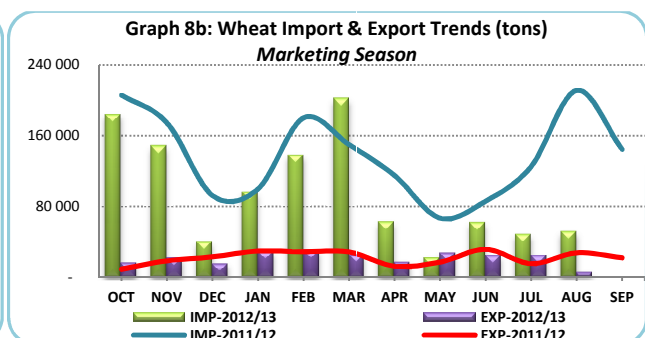
- The wheat market maintained a firmer trend mainly due to the weaker Rand/US\$ exchange rate despite weakness on international markets.
- Weekly wheat prices closed at R3,427 per ton, up by 0.4% w/w but still 2.3% lower y/y.
- Volumes of wheat imports increased sharply w/w, coming in at 32,214 tons with major sources being Germany (49%) and Russia (51%). This brings the season to date imports to 1.03m tons, with major suppliers so far being Brazil (22.1%), Ukraine (18.6%), and Australia (18.0%). They are followed by Russia (10.2%), Uruguay (9.5%), Argentina (9.3%), and the others (12.3%).

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 in livestock feeding.



Source: SAGIS;



Wheat Futures 16 August 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14			
KCBT (\$/t)	236.41	241.11	243.68	242.66	246.04			
JSE (R/t)	3 315	3 395	-	-	-			
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
3 360	142	97	3 440	249	204	-	-	-
3 320	120	115	3 400	227	222	-	-	-
3 280	100	135	3 360	206	241	-	-	-

Oilseed market trends (Graph 9)
International:

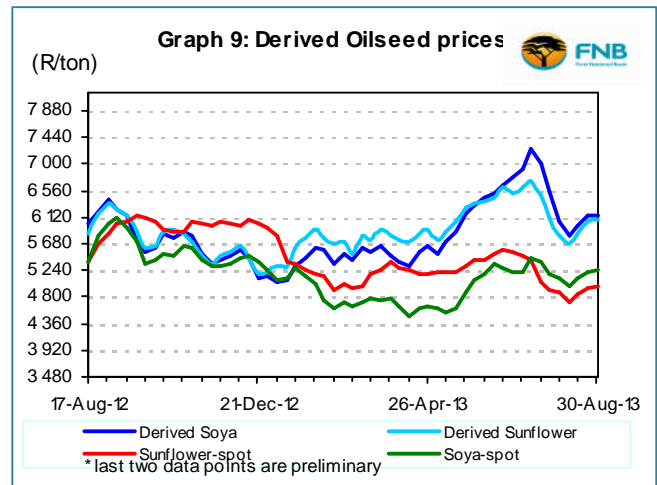
- The soybean complex reversed recent losses and increased on good demand and weather concerns.
- The USDA report was also supportive as it reduced its production estimate for the US by 4.5m to 88.6m tons.
- The world production estimate for 2013/14 was reduced by 4.2m to 281.7m tons, mainly due to a decline for the United States.
- World soybean ending stocks remain record high of 72.3m tons, despite the 1.9m m/m reduction.
- US weekly export sales for the soybean complex: Soybeans were pegged at a total of 1.9m tons for the current marketing year, soybean meal at 243,500 tons and soil at 7,800 ton.

Domestic:

- Oilseeds traded on the JSE rebound and closer higher on renewed Rand weakness.
- Weekly soybean prices increased by 2.1% w/w but still 5.3% lower y/y at R5,100 per ton.
- Sunflower prices gained 2.6% w/w but down by 10.1% y/y at R4,834 per ton.

OUTLOOK

Prices are expected to trend firmer in the short term mainly on Rand support.



Oilseeds Futures 16 August 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14
CBOT Soybeans (US \$/t)	-	459.52	453.20	454.15	441.88
CBOT Soya oil (US c/lb)	43.16	43.57	43.79	44.08	44.20
CBOT Soya cake meal (US\$/t)	425.82	421.19	412.04	411.49	401.24
JSE Sunflower seed (R/t)	5 035	5 040	4 835	-	-
JSE Soybean seed (R/t)	5 232	-	-	-	-

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
5 080	261	216	5 080	369	329	4 880	407	362
5 040	239	234	5 040	347	347	4 840	385	380
5 000	219	254	5 000	326	366	4 800	364	399

Vegetable Market Trends (Graphs 10 to 14)

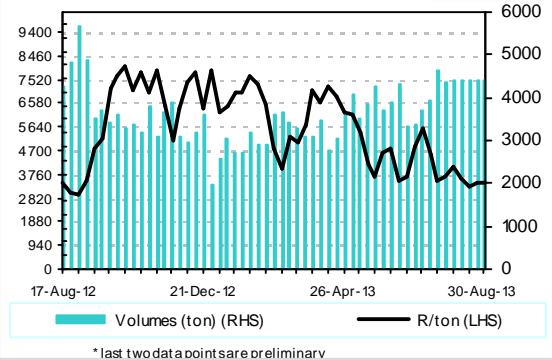
Tomatoes

Tomato prices posted further losses on weak uptake on markets.

Weekly tomato prices closed at R3, 239 per ton, down by 9.8% w/w and 5.7% y/y. Volumes traded were pegged at 4,400 tons, down 0.2% w/w but up 2.6% y/y.

Marginal recovery in prices is expected in the short due to modest declines in volumes

Graph 10: Fresh Produce Markets - Tomatoes prices



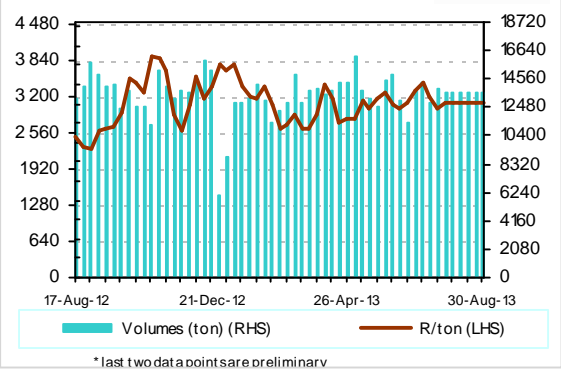
Potatoes

Potato prices recovered and firmed due to marginal declines in volumes.

Weekly potato prices were up by 0.1% w/w and 22.3% y/y at R3,068 per ton. Volumes of potatoes traded were pegged at 13,561 tons, down 0.1% w/w but up 3.2% y/y.

Prices are expected to flatten in the short term on improved supplies.

Graph 11: Fresh Produce Markets - Potatoes prices



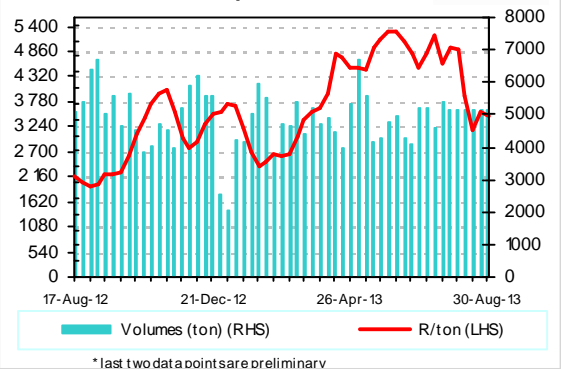
Onions

Onion prices posted the biggest losses on the back of softer uptake across markets.

Weekly onion prices dropped by a whopping 19.0% w/w but still 45.7% higher y/y at R3,150 per ton. Volumes traded came in at 5,164 tons, down by 0.2% w/w but up by 1.1% y/y.

Prices are however expected to improve slightly in the short to medium term on moderation in supplies.

Graph 12: Fresh Produce Markets - Onion prices



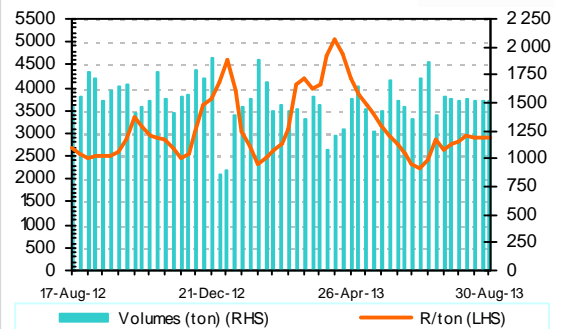
Carrots

Carrot prices showed marginal declines despite reduced volumes.

Weekly carrot prices were down 1.5% w/w but still up 7.4% y/y to close at R2,894 per ton. Volumes traded were pegged at 1,527 tons, down by 0.1% w/w but up 4.9% y/y.

It is expected that prices will trend sideways with limited upward potential in the medium term.

Graph 13: Fresh Produce Markets - Carrot prices



* Last two data points are preliminary.

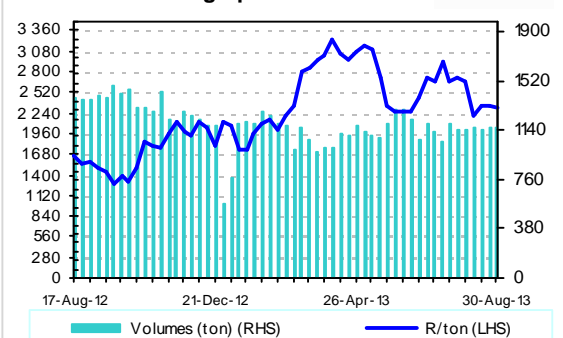
Cabbages

Cabbage prices increased due to a marginal reduction in supplies across markets.

Weekly carrot prices gained 5.8% w/w and 40.0% y/y at R2,336 per ton. Volumes traded reached 1,152 tons, down by 0.1% w/w and 17.1% y/y.

Prices are expected to bottom out and increase slightly in the short to medium term on improved uptake.

Graph 14: Fresh Produce Markets - Cabbage prices



* Last two data points are preliminary.

Vegetable prices: South Africa's Major Fresh Produce Markets.

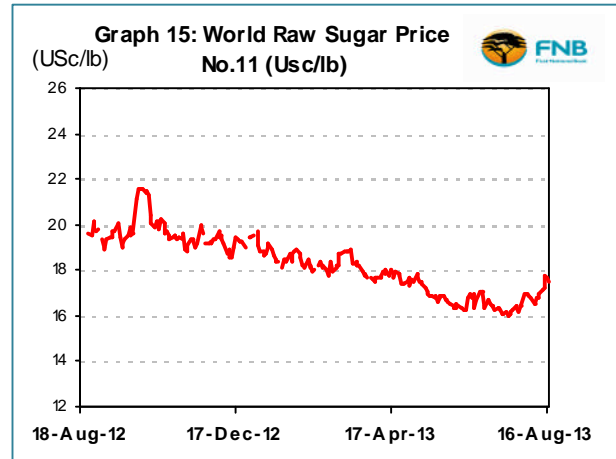
(Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)

Week ending 16 August 2013	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	3 239	-9.8%	-5.7%	4400	-0.2%	2.6%
Potato	3 068	0.1%	23.2%	13561	-0.1%	3.2%
Onion	3 150	-19.0%	45.7%	5156	-0.2%	1.1%
Carrot	2 894	-1.5%	7.4%	1527	-0.1%	4.9%
Cabbage	2 336	5.8%	40.0%	1152	-0.1%	-17.1%

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

Sugar market trends (Graph 15)
International:

- International Raw Sugar prices posted modest gains on weather concerns in Brazil.
- According to the USDA, the projected U.S. sugar supply for fiscal year 2013/14 is increased slightly from last month, as higher beginning stocks and imports are nearly offset by lower production. The decline in production is due to lower forecast sugarbeet and sugarcane yields, compared with last month's trend-based projections.
- For Mexico, higher supplies are due to increased production more than offsetting lower carrying stocks. Harvest area of sugarcane is higher than initially projected, but slightly lower than Mexico's final estimate for 2012/13. With 2013/14 supplies up in Mexico, exports to the United States are increased. Ending stocks are raised slightly for both Mexico and the United States.
- Weekly raw sugar prices gained 4.3% w/w but still 13.8% lower y/y at US17.46c/lb.
- Sugar futures: Raw sugar for May-14 fell by 0.4% w/w at US17.38c/lb, and Jul-14 was down by 0.4% w/w at US17.28c/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 16 August 2013	Mar-14	May-14	Jul-14	Oct-14	Mar-15
Sugar No.11 (US c/lb)	17.48	17.38	17.28	17.50	17.95
% Change w/w	-0.3%	-0.4%	-0.4%	-0.4%	-0.4%

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.