

Agri-Weekly

17 May 2013

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

Beef market trends (Graph 1)

International:

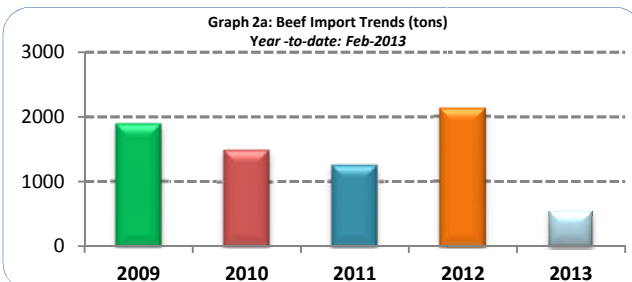
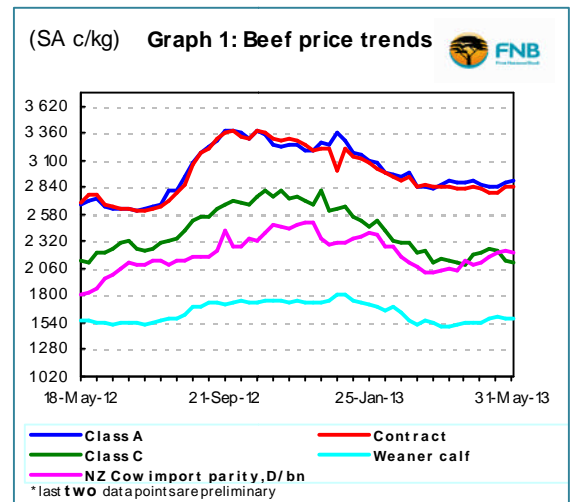
- US lean manufacturing beef prices trended sideways on limited demand and moderate to heavy supplies.
- Market activity on imported beef was reportedly slow with prices weakening under pressure due to heavy import and domestic supplies.
- US wholesale prices posted modest gains with Choice beef prices closing up 2.1% w/w and 8.4% y/y at US\$/207.49/cwt. Select beef gained 0.9% w/w and 3.4% y/y to close at US\$192.33/cwt.
- In the cattle market, the CME Feeder Cattle Index increased by 0.8% w/w but still down by 8.7% y/y at US\$135.4/cwt.
- Estimated weekly US cattle slaughter was 652,000 head, up 3.3% w/w and 1.2% y/y.
- In Australia, the cattle market remained under downward pressure on increased supplies and slaughtering. The Eastern Young Cattle Indicator (EYCI) was down by 0.4% w/w and 22.0% y/y at AU\$2.83/kg cwt

Domestic:

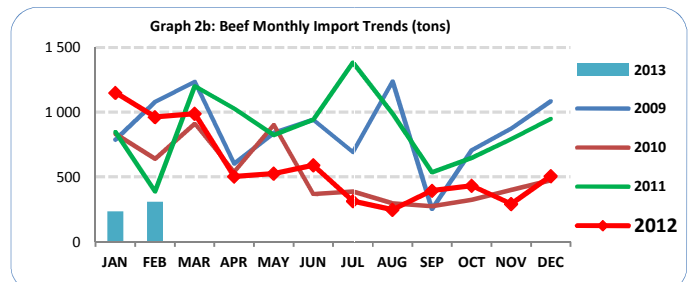
- The beef market saw losses under pressure due to weak demand on markets.
- Weekly Class A beef was down by 0.4% w/w but still 6.2% higher y/y at R28.40 per kg.
- Contract Class A beef prices eased by 0.2% w/w but up by 3.3% y/y at R27.89 per kg.
- Class C beef prices were down by 0.4% w/w but still 4.8% higher y/y at R22.40 per kg.
- The situation was however different on the weaner market with slight to moderate gains across all categories. Weekly weaner calf prices advanced by 1.3% w/w and 2.0% y/y to close at R15.92 per kg live weight.

OUTLOOK

The beef market is expected to trend sideways with limited upward potential on softer seasonal demand. The relatively poor pasture conditions in some areas will force producers to reduce stock due to concerns over availability of grazing during the winter period.

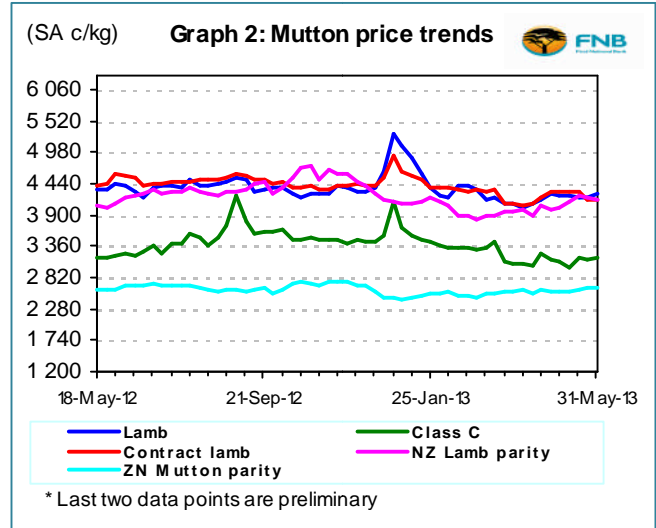


Source: SARS, Own Calculations



Mutton market trends (Graph 2)
International:

- In New Zealand (NZ), producer prices ended mixed with marginal gains for lambs while mutton steadied.
- Weekly lamb prices traded at NZ\$80.10 per head for the 17.5kg live weight, up by 0.4% w/w but still down by 16.0% y/y. Mutton prices steadied at NZ\$50.40 per head for the 21kg live weight, but still down by 19.0% y/y.
- Supply of lambs across NZ is reportedly on the decline ahead of the winter season. The tight supply situation is likely to have a positive impact on prices in the medium term.
- In Australia, markets rebounded and closed higher with the Eastern Trades Lamb indicator up 4.0% on the week but still 6.7% lower y/y at AU3.92/kg cwt.
- Australian lamb export sales for the first quarter 2013 are reported to have increased sharply on the back of increased availability due to poor seasonal production conditions. The value of exports was up by 9.0% y/y and 20.0% above the 5-year average, coming in at a record U\$271m. Major destinations were the US (+7.0%y/y), the Middle East and China both up 40.0% y/y in export value.
- In the US, the Lamb Carcass Cutout prices closed 0.2% higher w/w at \$251.15/cwt, but still down by 22.9% y/y. The estimated weekly US sheep slaughter increased by 2.6% w/w and 8.1% y/y at 40,000 head. Year-to-date sheep slaughter was up by 3.2% y/y at 780,000 head.


Domestic:

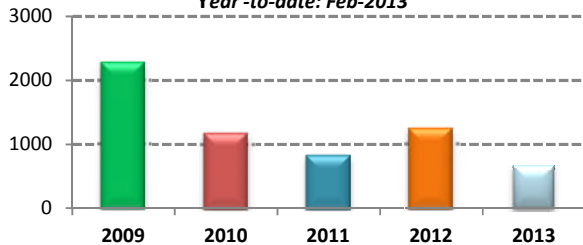
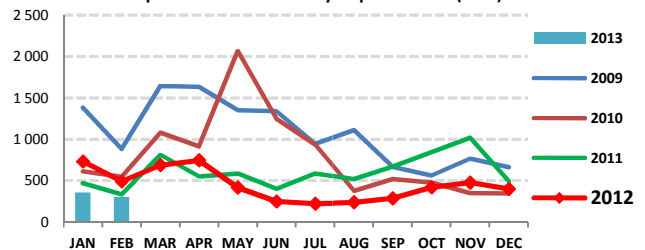
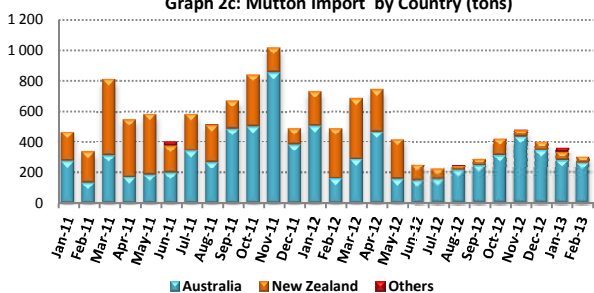
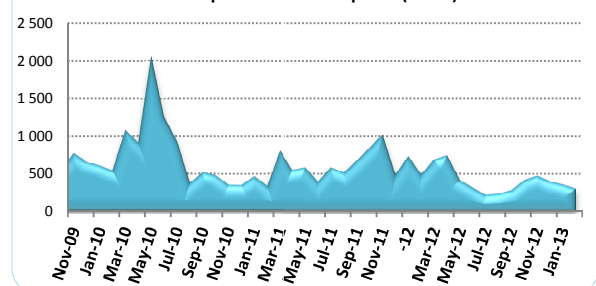
- The lamb and mutton markets were again mixed, with marginal gains for Class A lamb on the back of increased supplies.
- Weekly Class A lamb prices fell by 0.6% w/w and 2.9% y/y to close at R42.15 per kg.
- Contract lamb prices were a bit firmer at R43.10 per kg, up by 0.4% w/w but still 2.1% lower y/y.
- There was a modest rebound in mutton, closing up 6.0% w/w but still down by 0.3% y/y.
- Weaner lambs prices declined on softer demand, finishing down by 1.3% w/w and 7.7% y/y to close at R19.38 per kg live weight.

OUTLOOK

Prices are expected to remain under pressure due to increased supplies and softer seasonal demand.

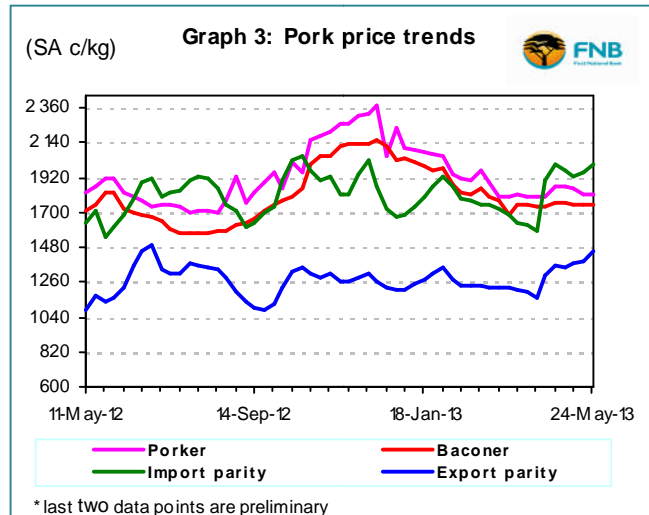
Graph 2a: Mutton Import Trends (tons)

Year-to-date: Feb-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:

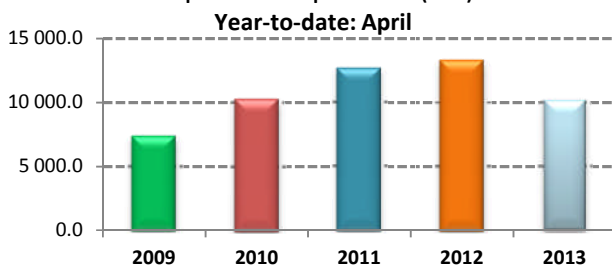
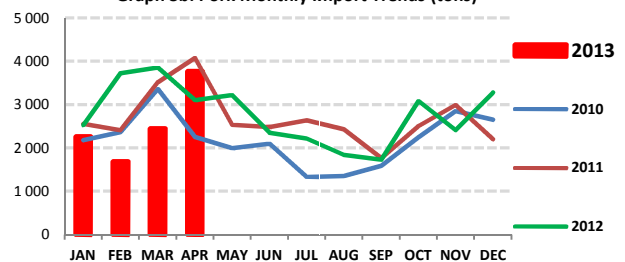
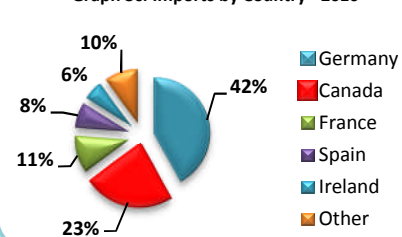
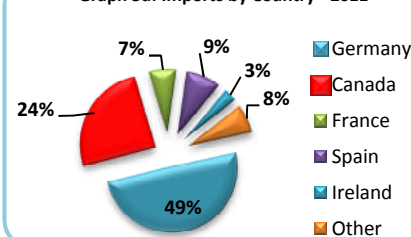
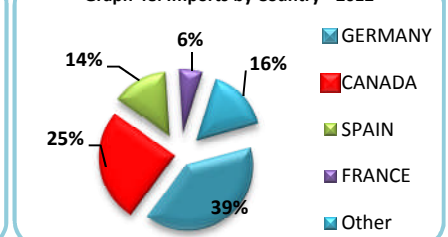
- The US Pork Carcass (FOB Plant) extended gains and closed 4.2% higher w/w at US\$92.08/cwt.
- Estimated weekly slaughter was 2.04m head, down by 2.1% w/w and 3.9% y/y. The estimated year to date slaughter reached 42.3m head, down by 0.5% y/y.
- USDA slightly lowered its estimate for US pork production for 2013 in the May WASDE report.
- The 2013 US pork production figure came in at 105.7m tons, down by 0.1% from the April estimate but still 1.0% higher y/y.
- US producers are reported to have weathered the spike in feed costs, which saw more pork reaching the market.
- The estimated US pork production for 2014 came in at 108.1m tons, up 2.3% y/y mainly on higher exports. US pork exports are expected to increase 4.5% y/y in 2014.


Domestic:

- The pork and baconer market extended losses on slower demand associated with the midmonth period.
- Weekly porker prices closed at R18.44 per kg, down by 0.5% w/w and 1.1% y/y.
- Baconer prices traded at R17.41 per kg, down by 0.6% w/w and 0.5% y/y.
- Import parity prices rebounded mainly on renewed Rand weakness, up by 1.3% w/w and 14.2% y/y.
- Pork imports rose sharply in April 2013, up by 54.1% m/m and 21.6% y/y at 3,768 tons. The cumulative imports for the year to April are however far behind last year by 23.1% at 10,157 tons.
- Major import sources were Germany with 1,482 tons (39.3%), Canada with 1,429 tons (37.9%), Spain with 274.4 tons (7.3%), the UK with 225 tons (6.0%), and the rest contributing 359 tons (9.5%).

OUTLOOK

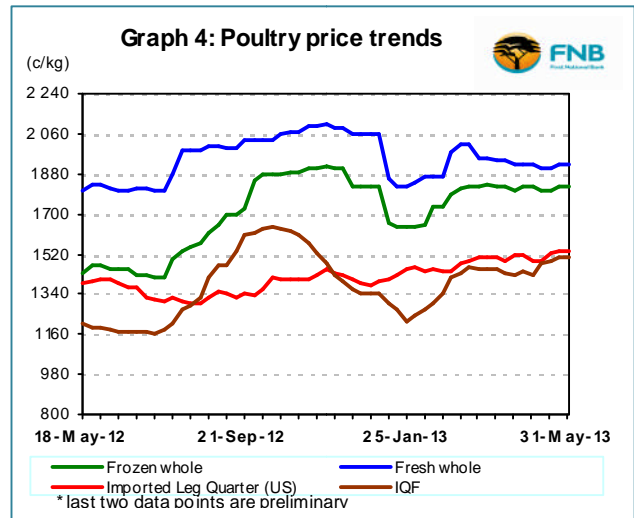
It is still expected that prices will trend sideways with limited upward potential due to the seasonal decline in demand during the winter period.

Graph 3a: Pork Import Trends (tons)

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 domestic prices were again firm to higher across most categories.
- Prices are trending steady to firm for whole birds and leg quarters with breast items the biggest gainers.
- Whole birds gained 0.5% w/w and 10.5% y/y at US104.08c/lb.
- Leg quarter remained steady at US55.33c/lb.
- Breast cuts increased by 6.0% w/w and 20.8% y/y at US129.50c/lb.
- Wings were the exception, falling by 1.3% w/w and 25.8% y/y at US135.33c/lb.
- USDA projected higher US broiler production as lower feed prices encourage expansion despite lower poultry prices.
- US broiler production estimate for 2013 was pegged at 169.8m tons, up 1.9% y/y. This is however slightly lower than the April estimate by 0.4%, due to lower year to date hatchery and chick placement data. The 2014 production figure was 2.9% higher y/y at 174.8m tons.


Domestic:

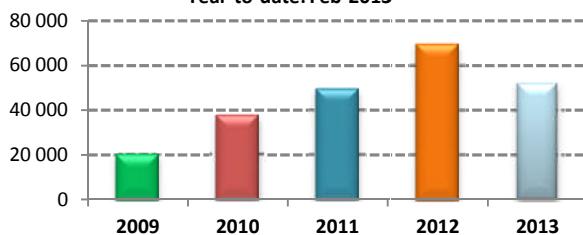
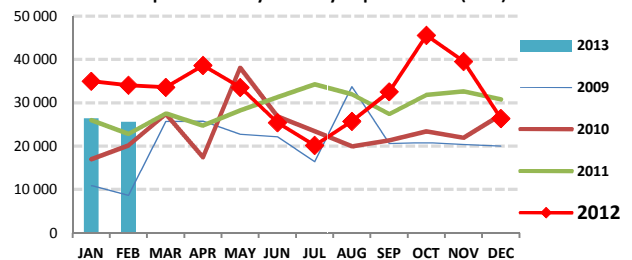
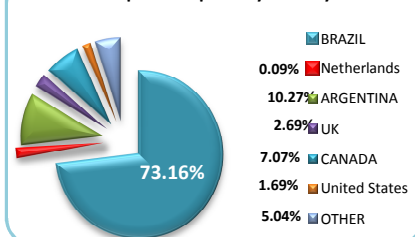
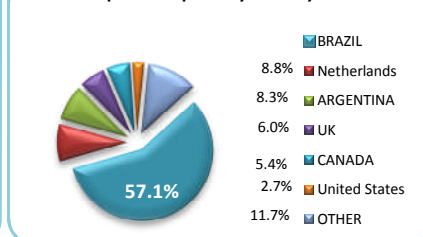
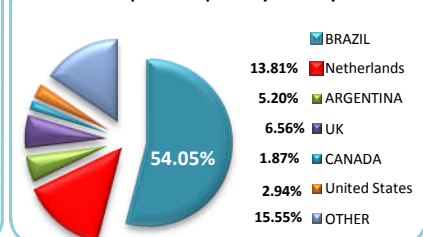
- This week saw a steady trend on the broiler market. Market activity was reportedly lacklustre.
- Weekly frozen whole bird prices steadied at R18.06 per kg, but up by 26.0% y/y.
- Fresh whole bird prices were unchanged w/w at R19.06 per kg, but still up by 5.4% y/y.
- The Individually Quick Frozen portions prices were again the exception, advancing by 0.9% w/w and 23.4% y/y at R14.92 per kg.
- Import parity prices continued to increase mainly due to renewed Rand weakness.
- Weekly import parity prices were up by 2.2% w/w and 23.4% y/y.

OUTLOOK

It is however expected that prices will trend sideways in the short to medium term on softer demand.

Graph 4a: Poultry Import Trends

Year-to-date: Feb-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

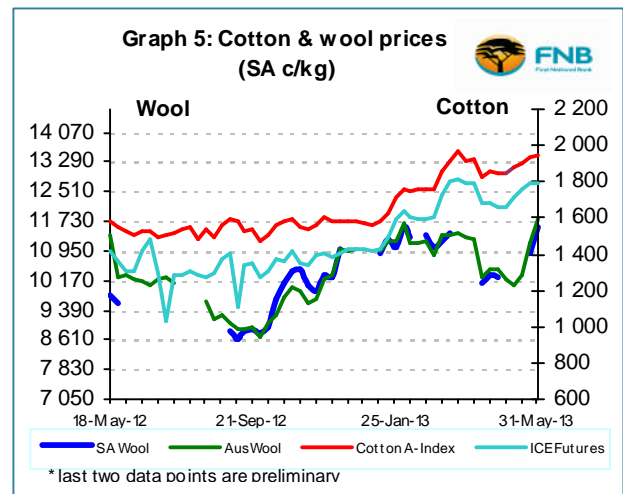
Producer prices for selected livestock commodities 17 May 2013	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh whole birds(R/kg)	28.40	42.15	18.44	19.06
Open market: Class C / Baconer / Frozen whole birds(R/kg)	22.40	31.57	17.00	18.06
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	27.89	43.10	17.41	14.92
Import parity price (R/kg)	22.18	26.17	19.54	15.22
Weaner Calves / Feeder Lambs (R/kg)	15.92	19.38		

Wool and cotton market trends (Graph 5)
International:

- Cotton prices reversed recent gains on weak export sales and negative economic news out of China.
- Favourable planting weather for the production areas of the US added to the weaker tone.
- US cotton planting progress advanced by 6 percentage points to an estimated 23.0% complete, but still way below the 5-year-average of 38.0%.
- The cotton A index fell by 1.4% w/w but still 7.9% higher y/y at US93.56c/lb.
- Cotton Futures on ICE: The new crop months were down across the board. Cotton for Jul-13 fell by 1.7% w/w at US86.41c/lb, Oct-13 was down by 1.4% w/w at US86.20c/lb, and Dec-13 was down by 1.3% w/w at US85.90c/lb.
- Wool: In Australia, the wool market retained the recent uptrend with the weekly Eastern Market Indicator (EMI) gaining 3.0% w/w but still down by 8.8% y/y at AU\$10.22 per kg clean wool. Volumes offered were pegged at 33,247 bales with sales reaching 96.0%.

Domestic:

- There were no sales for the week. The wool market has been relatively weak in the past few weeks as demand conditions remained subdued. The wool market indicator Cape Wools Merino was softer during the last sale, closing at R99.22/ kg clean wool. This is down by 3.0% compared to the current season's average but still 13.6% higher than the opening sale.
- The total offering was 10,867 bales with sales reaching 99.0%.
- Major buyers were Standard Wool SA with 3,704 bales (34.1%), Lempriere SA with 2,477 bales (22.8%), G Modiano SA with 1,931 bales (17.8%), and Stucken & Co with 883 bales (8.1%).



Fibre market prices 17 May 2013	SA prices (R/kg)	Australian prices (R/kg)	Australian futures Jul-13 (AU\$/kg)	Australian futures Oct-13 (AU\$/kg)
Wool market indicator (R/kg)	100.58	103.38		
19 μ long length wool (R/kg)	105.34	109.21	11.60	11.10
21 μ long length wool (R/kg)	101.02	103.50	11.10	10.60
23 μ long length wool (R/kg)	98.58	100.62	9.90	9.40
Fibre market prices 17 May 2013	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	Cotton Futures Oct-13 (US\$/kg)	Cotton Futures Dec-13 (US\$/kg)
Cotton Prices (R/kg)	19.07	2.06	1.90	1.89

Cotton Futures on the InterContinental Exchange (ICE); South Africa – previous sale

Yellow maize market (Graph 6)
International:

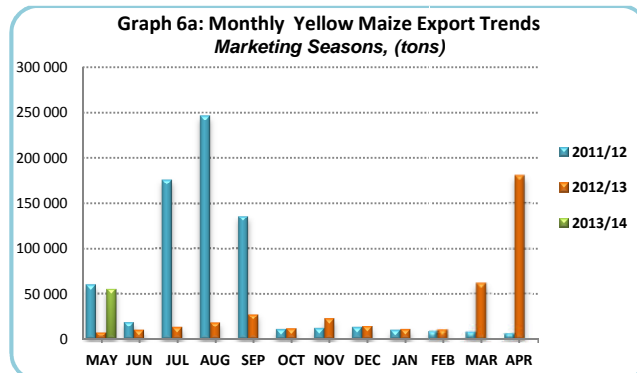
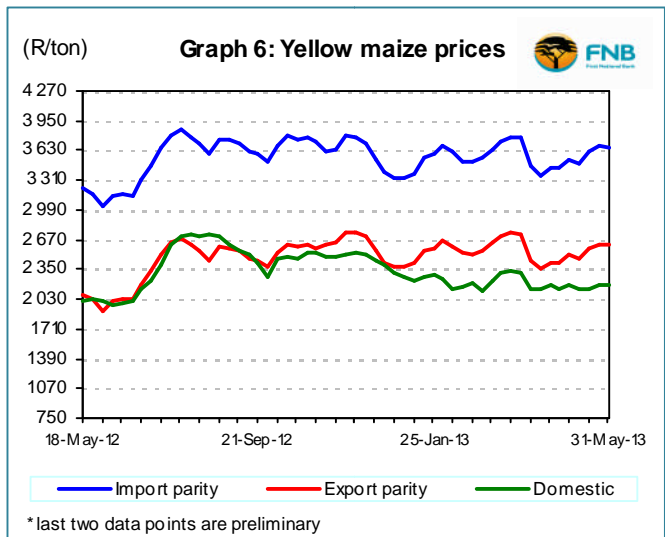
- US maize prices ended slightly firmer on concerns over the slow planting pace and tight supplies.
- More rain forecast for the US maize areas added to the firmer tone as it would further delay planting.
- The ideal period for the seed to be in the soil is by mid-May, as it would afford the crop sufficient time to emerge before the stressful summer heat arrives.
- Earlier in the week, the US crop was reported by USDA to be 28.0% planted compared to 12.0% the week earlier and 85.0% this time last year.
- This is way below trend as there has been only 4 years when ratings were below 35.0% during this time of year.

Domestic:

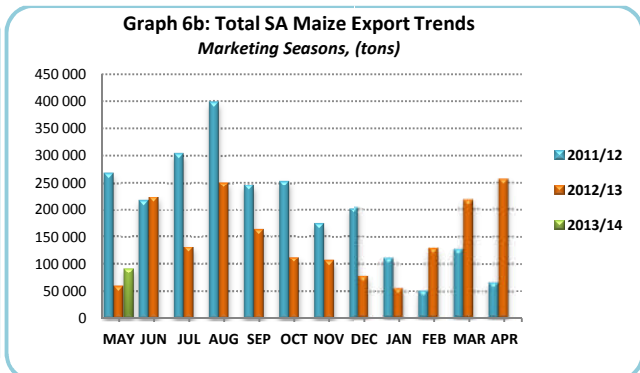
- Yellow maize prices posted marginal gains on supportive Rand and gains on international markets.
- Weekly yellow maize prices closed at R2,150 per ton, up by 0.6% w/w and 7.1% y/y.
- New season exports were off to a good start, coming in at 46,321 tons for the week and 55,310 tons for the month.
- In the futures market: YMAZ for Jul-13 gained 1.6% w/w (+R33/t), and Sep-13 was up 1.8% w/w (+R38/t).

OUTLOOK

Prices are expected to trend firmer in the short term on renewed weakness in the Rand/ US dollar exchange rate.



Source: SAGIS



Yellow Maize Futures 17 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14			
CBOT (\$/t)	257.12	219.06	204.64	208.82	211.74			
JSE (R/t)	2 160	2 195	2 231	2 206	-			
CHICAGO CORN (R/t)	2 398	2 087	2 000	-	-			
Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Jul-13			Sep-13			Dec-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 200	104	64	2 240	154	109	2 280	194	145
2 160	81	81	2 200	132	127	2 240	171	162
2 120	62	102	2 160	111	146	2 200	150	181

White maize market trends (Graph 7)
International:

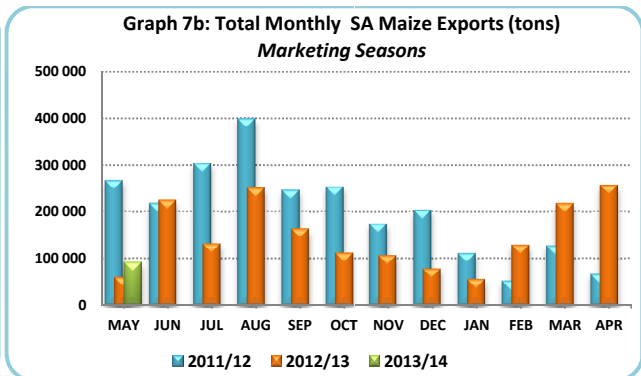
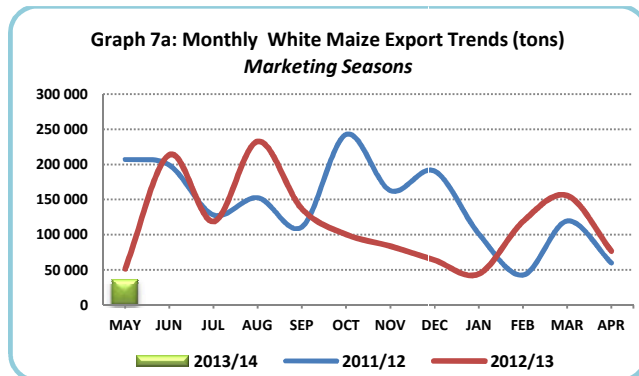
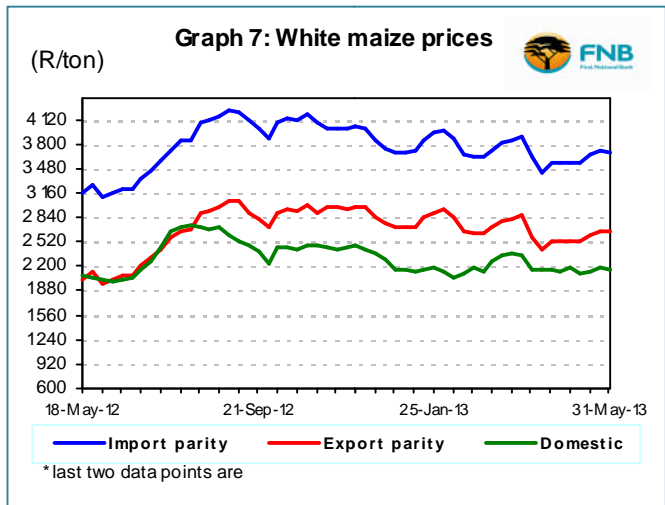
- US white maize spot prices regained some ground and closed marginally higher on concerns over poor planting weather and tightening supplies.
- The weekly average white maize prices closed at US\$278 per ton, up by 0.7% w/w and 10.8% y/y.

Domestic:

- White maize prices bottomed out and strengthened on the back of a sliding Rand and gains on the international markets.
- Weekly white maize prices gained 1.2% w/w and 3.2% y/y to close at R2,141 per ton.
- Weekly export sales advanced to 13,614 tons and 36,198 tons for the 2013/14 season to date.
- WMAZ for Jul-13 increased by 1.7% w/w (+ R36/t), and Sep-13 was up by 1.6% w/w (+R35/t).

OUTLOOK

Prices are expected to trend firmer in the short term on renewed weakness in the Rand/ US dollar exchange rate.

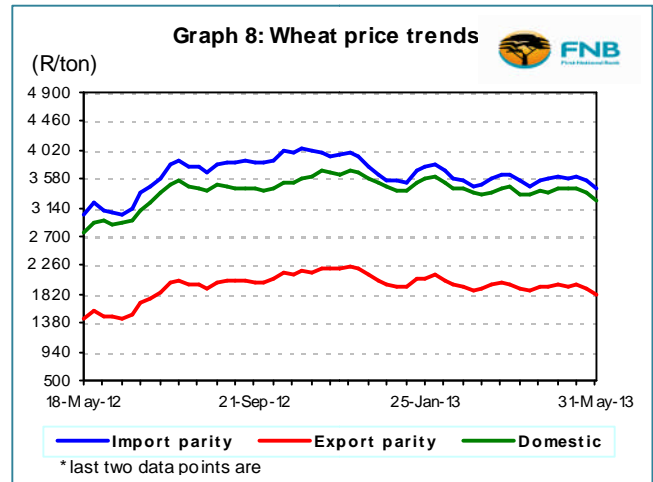


Source: SAGIS;

White Maize Futures 17 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14			
JSE (R/t) WM ₁	2 178	2 210	2 259	2 266	-			
Calculated White Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Jul-13			Sep-13			Dec-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 220	108	66	2 260	151	101	2 300	204	163
2 180	86	84	2 220	129	119	2 260	182	181
2 140	66	104	2 180	108	138	2 220	161	200

Wheat market trends (Graph 8)
International:

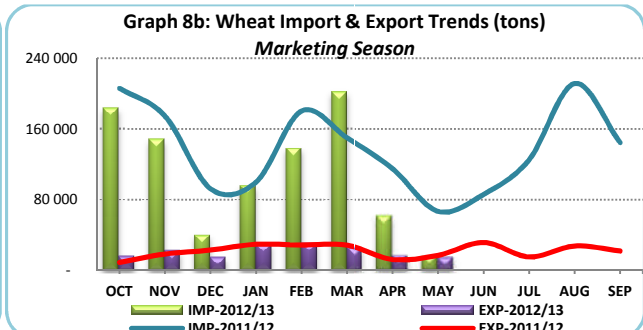
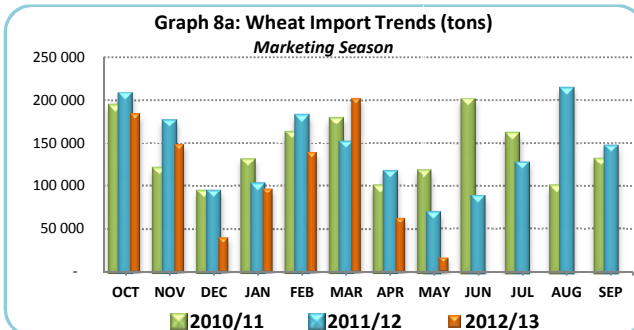
- Wheat prices continued to weaken on improved weather for Hard Red Winter Wheat areas of the US and generally favourable world conditions that would lead to a rebound in production this year.
- On crop progress, the USDA indicated that the winter wheat crop was 29.0% headed compared to 73.0% last year.
- The good to excellent condition rating for the winter wheat crop came in at 32.0%, unchanged w/w but well below last year's 60.0%.
- The spring wheat crop was 43.0% completed, up from the 23.0% in the prior week, but still below last year's 92.0% and the five-year average of 63.0%
- Meanwhile, conditions are mixed in some areas with dryness reported in the Black Sea areas and in Australia.


Domestic:

- Wheat prices posted marginal gains on supportive Rand despite weakness on international markets.
- Weekly wheat prices closed at R3,443 per ton, up 0.7% w/w and 28.0% y/y.
- Import sales were pegged at 13,566 tons for the week and 16,812 tons for the season to date.
- Wheat futures on the JSE: Dec-13 gained 0.7% w/w (+R24/t), and Sep-13 was up 0.2% w/w (+R8/t).

OUTLOOK

Improving weather conditions for the US wheat areas is negative for prices for the short term. Renewed Rand weakness on the back of negative sentiment will help limit losses.



Source: SAGIS;

Wheat Futures 17 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14			
KCBT (\$/t)	270.87	273.45	279.69	284.62	286.23			
JSE (R/t)	3 490	3 463	3 310	-	-			
Calculated Wheat Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Jul-13			Sep-13			Dec-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3 540	104	54	3 500	188	151	3 360	203	153
3 500	81	71	3 460	167	170	3 320	181	171
3 460	61	91	3 420	146	189	3 280	160	190

Oilseed market trends (Graph 9)
International:

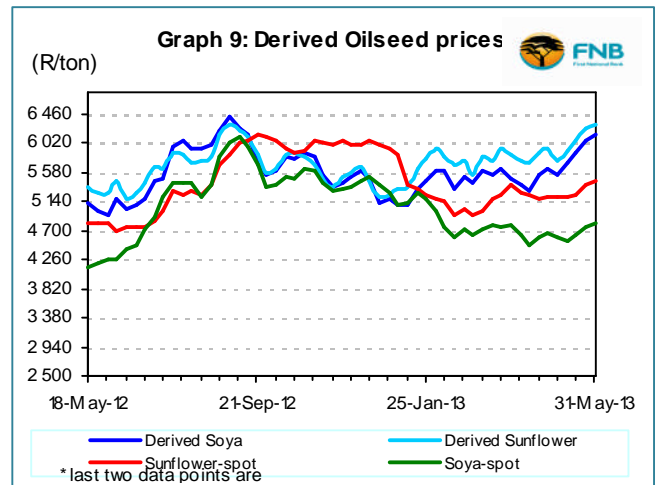
- Prices were mixed in the soybean complex with gains in soybeans and meal. Soyoil was the exception, easing marginally lower on spill over weakness in the energy markets.
- Soybeans had solid gains this week as old crop supplies remained tight.
- The monthly National Oilseed Processor Association (NOPA) in US is reported to have lowered the April soybean crush at 3.3m tons against market estimates of 3.4m tons.
- According to the USDA, planting was also behind trend with only 6.0% planted compared to 43.0% last year and way below the 5-year average of 24.0%.

Domestic:

- Oilseeds traded on the JSE rebounded and finished slight to moderately higher mainly due to a weaker Rand.
- Weekly sunflower prices closed at R5,227 per ton, up by 0.4% w/w and 8.6% y/y.
- Soybeans were up by 1.5% w/w and 11.6% y/y at R4,614 per ton.
- SAFEX Futures: Soybeans for Jul-13 increased by 3.5% w/w (+R160/t), Sep-13 was up 3.7% w/w (+R174/t), and Dec-13 was up by 3.4% w/w (+R160/t).
- Sunflower for Jul-13 was up by 0.4% w/w (+R20/t), and Dec-13 was down by 0.4% w/w (-R20/t).

OUTLOOK

Weather and crop developments in the US will continue to influence direction in the short to medium term.



Oilseeds Futures 17 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14
CBOT Soybeans (US \$/t)	532.20	473.77	-	455.40	456.06
CBOT Soya oil (US c/lb)	49.52	49.13	48.51	48.39	48.38
CBOT Soya cake meal (US\$/t)	468.59	412.26	381.95	385.92	386.80
JSE Sunflower seed (R/t)	5 335	5 411	5 515	-	-
JSE Soybean seed (R/t)	4 770	4 829	4 895	-	-

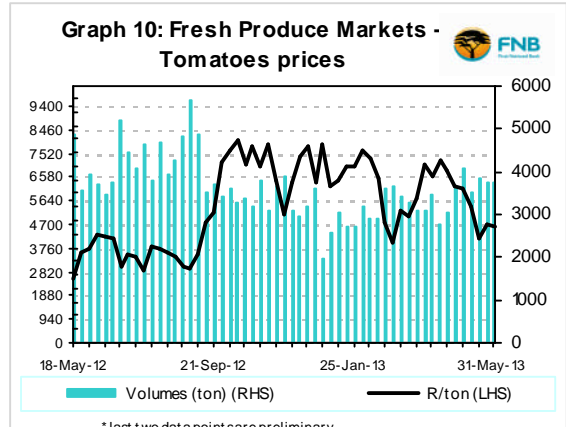
Calculated Sunflower Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)

Jul-13			Sep-13			Dec-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5 380	222	177	5 460	362	313	5 560	380	335
5 340	200	195	5 420	340	331	5 520	359	354
5 300	180	215	5 380	319	350	5 480	337	372

Vegetable Market Trends (Graphs 10 to 14)
Tomatoes

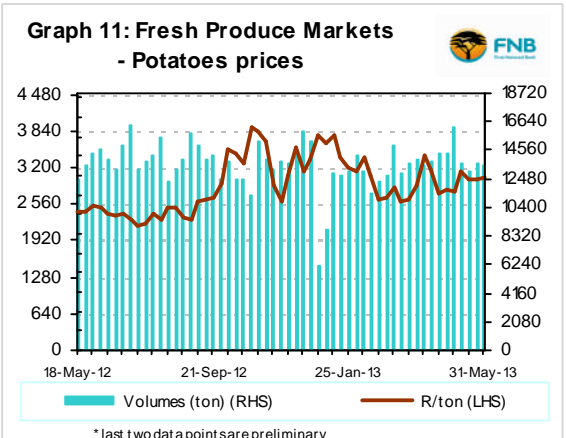
The tomato market again saw sharp losses as a result of increased supplies across markets. Weekly tomato prices fell by a whopping 22.9% w/w and closed at R4,154 per ton, but still 60.6% higher y/y. Weekly volumes traded rose by 9.3% w/w but still down by 21.4% y/y at 3,833 tons.

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


Potatoes

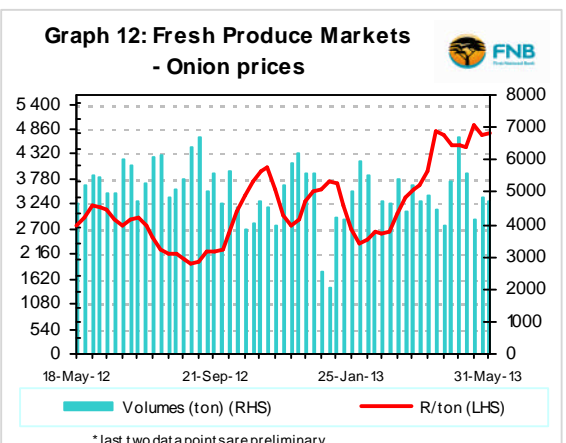
Potato prices posted modest losses as demand slipped during midmonth. Weekly potato prices fell by 4.5% w/w but still 23.4% higher y/y at R2,983 per ton. Volumes of potatoes traded were pegged at 13,064 tons, down by 4.4% w/w but still 5.3% higher y/y.

It is expected that prices will trend sideways with limited upward potential on improved supplies.


Onions

Onion prices regained ground and increased sharply due to a substantial drop in volumes across most markets. Weekly onion prices increased by 10.9% w/w and 78.4% y/y to close at R4,939 per ton. Volumes of onions traded fell sharply by 25.5% w/w and 10.5% y/y, coming in at 4,153 tons.

Prices are however expected to ease somewhat in the short term on improved supplies.

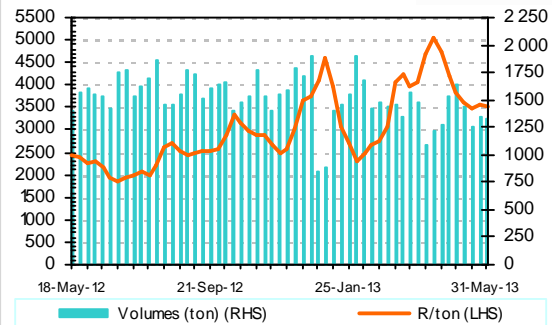


Carrots

Carrot prices continued to weaken despite reduced supplies due to subdued demand across most markets. Weekly carrot prices decreased by 4.6% w/w but still 41.4% higher y/y at R3,452 per ton. Volumes traded were pegged at 1,246 tons, down by 13.8% w/w and 10.9% y/y.

Prices are expected to bottom out and firm slightly in the short term on moderation in supplies.

Graph 13: Fresh Produce Markets - Carrot prices

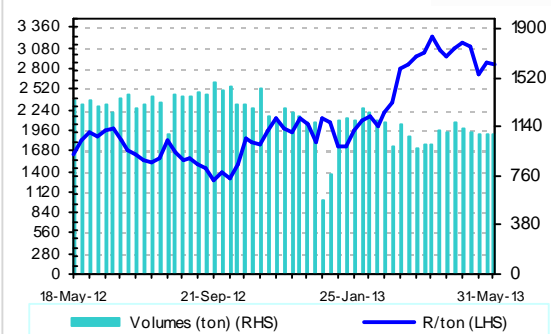


Cabbages

Cabbage prices drifted lower despite reduced volumes due to weak uptake on markets. Weekly cabbage prices closed at R2,725 per ton, down by 11.9% w/w but still 67.2% higher y/y. Volumes traded were down by 1.2% w/w and 20.1% y/y, coming in at 1,081 tons.

It is expected that prices will improve somewhat in the short term on moderation in supplies.

Graph 14: Fresh Produce Markets - Cabbage prices



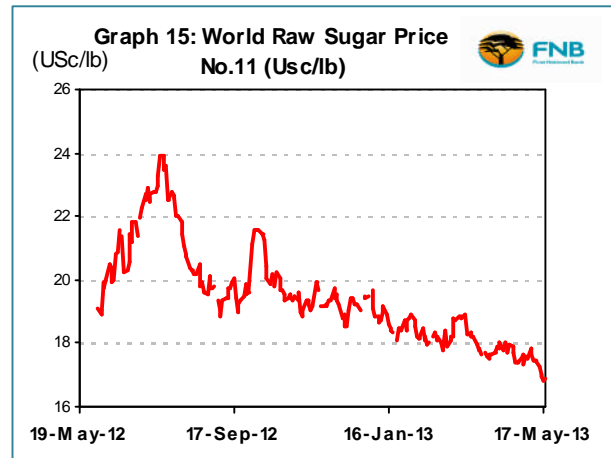
Vegetable prices: South Africa's Major Fresh Produce Markets. (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)

Week ending 17 May 2013	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	4 154	-22.9%	60.6%	3833	9.3%	-21.4%
Potato	2 983	-4.5%	23.4%	13064	-4.4%	5.3%
Onion	4 939	10.9%	78.4%	4153	-25.5%	-10.5%
Carrot	3 452	-4.6%	41.4%	1246	-13.8%	-10.9%
Cabbage	2 725	-11.9%	67.2%	1081	-1.2%	-20.1%

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

Sugar market trends (Graph 15)
International:

- International Raw Sugar prices posted modest losses on good harvest progress and the anticipated bumper crop in Brazil.
- According to UNICA, Brazil's Sugar Cane Industry Association, harvesting has reportedly garnered pace and well ahead of last year.
- On the demand side, the situation is reportedly improving with strong uptake from North Africa and the Middle East as buyers built stocks ahead of Ramadan period.
- Weekly raw sugar prices slipped by 3.3% w/w and 17.3% y/y, closing at a new record low of US16.99c/lb.
- Futures on the InterContinental Exchange: Raw sugar for Oct-13 fell by 3.3% w/w at US17.21c/lb, Mar-14 was down by 3.0% w/w at US18.13c/lb, and May-14 was down by 3.1% w/w at US18.28c/lb.


Domestic:

According to the Cane Growers Association, the RV price in respect of cane delivered in April was declared at R3,048.0 per ton. The price was R29.87 per ton lower than the previous estimate of the cane delivered in March 2013.

The decline was attributed to a number of factors:

- Increased sugar production (2.364m tons vs. 2.324m tons),
- The lower No.11 world market price (US17.47c/lb. vs. US17.88c/lb.) and a reduced sugar: RV ratio (94.15% vs. 94.49%)

Expectations are for industry to achieve an average export price below US18.00c/lb compared with the average of US25.62c/lb in 2012/13. A sustained Rand/ US dollar weakness will however help cushion the negative impact of the lower world market price.

ICE Sugar Futures 17 May 2013	Oct-13	Mar-14	May-14	Jul-14	Oct-14
Sugar No.11 (US c/lb)	17.21	18.13	18.28	18.42	18.66
% Change w/w	-3.3%	-3.0%	-3.1%	-3.2%	-3.1%

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