

Agri-Weekly

21 June 2013

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

Beef market trends (Graph 1)

International:

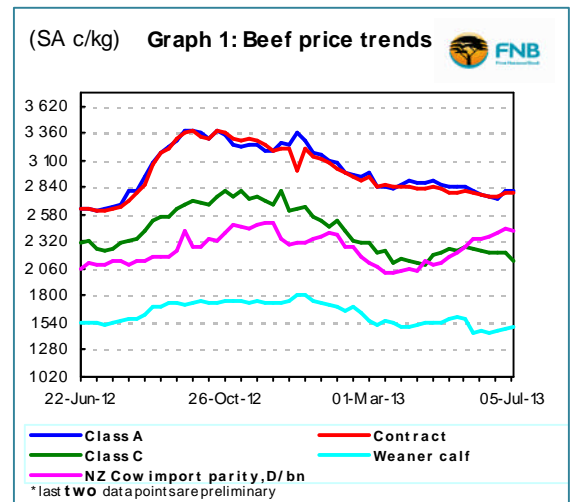
- US lean manufacturing beef prices ended sideways on light demand and increased supplies.
- Market activity on imported beef was moderate with prices a bit firmer.
- At wholesale level, US prices were mixed with the Choice category falling by 0.9% w/w but still 1.2% higher y/y at US\$199.83/cwt. Select beef gained 0.6% w/w but still 2.6% higher y/y at US\$185.04/cwt.
- Estimated weekly US cattle slaughter was 659,000 head, up by 2.3% w/w and 0.8% y/y. Year to date cattle slaughter reached 15.2m head.
- Meanwhile, US feedlot standings stood at 10.7m head on June 1, 2013, down 3.0% y/y. Placements in feedlots during May were pegged at 2.1m head, down 2.0% y/y. The bulk of the placements were in the heavier categories as expected during this time of the year.
- In Australia, the cattle market saw further gains with the Eastern Young Cattle Indicator (EYCI) up by 3.8% w/w but still 15.1% lower y/y at AU\$3.17/cwt.
- The Australian herd for 2012/13 is projected down 1.0% y/y to 28.1m head due to herd liquidation as a result of poor seasonal production conditions in the eastern and northern areas. The 2013/14 season will see a further decline of 1.0% to 27.9m according to the Australian Bureau of Agricultural Resources Economics and Sciences (ABARES).

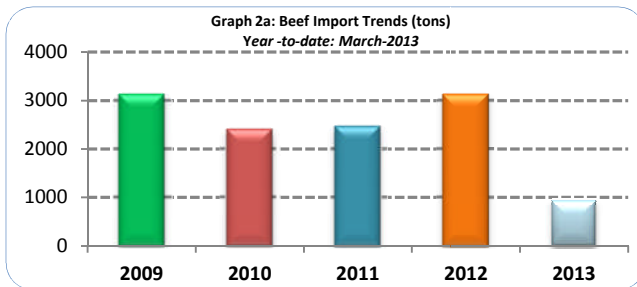
Domestic:

- Beef prices ended mixed in a short trading week. Prices have come under pressure in the past few weeks due to increased supplies as a result of limited winter grazing in some areas.
- Weekly Class A beef prices fell by 0.4% w/w but still 3.8% higher y/y at R27.34 per kg.
- Class A beef prices were down by 0.2% w/w but still 4.2% higher y/y at R27.45 per kg.
- Class C beef was the exception, with prices ending marginally higher by 0.3% w/w at R22.11 per kg. This is however 4.2% lower y/y.
- The weaner calf market saw slight gains of 2.0% w/w but still 3.9% lower y/y at R14.70 per kg live weight.

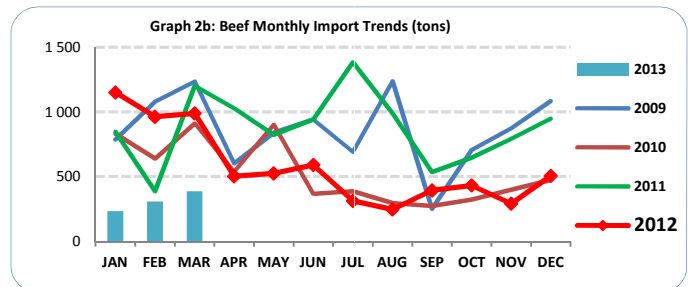
OUTLOOK

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





Source: SARS, Own Calculations



Mutton market trends (Graph 2)

International:

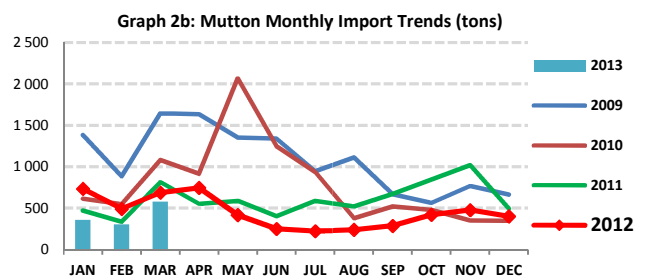
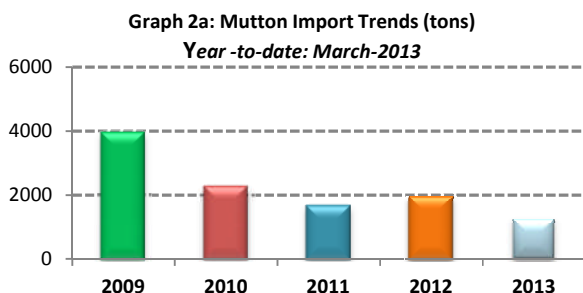
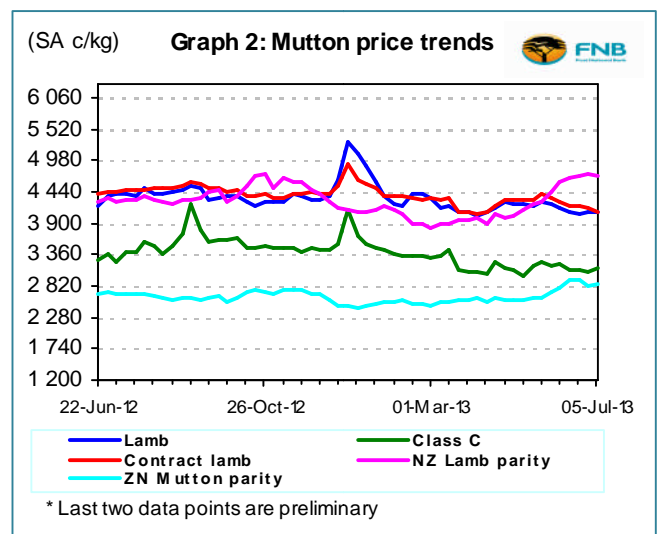
- In New Zealand (NZ), producer prices continued to post good gains across most categories.
- On the export market, the weaker exchange rate continued to improve the competitiveness of the NZ products and further yielding better returns for exporters.
- In Australia, lamb and mutton markets extended recent gains with the Eastern States Trade Lamb Indicator (ESTLI) again closing up by 3.8% w/w and 23.7% y/y at AU\$4.91/kg cwt.
- In the US, the Lamb Carcass Cutout prices were up 1.2% w/w but down by 18.5% y/y at US\$253.67/cwt.
- The estimated weekly US sheep slaughter stood at 40,000 head, up by 2.6% w/w and 11.1% y/y. Year-to-date sheep slaughter was up by 5.1% y/y at 982,000 head.

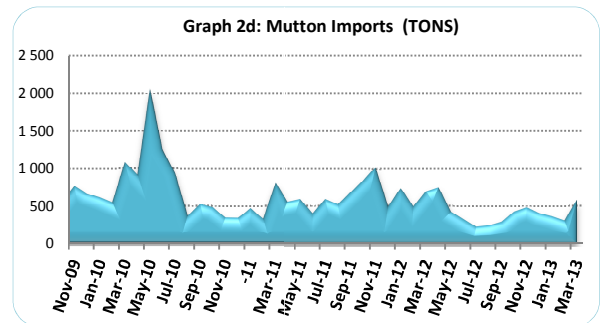
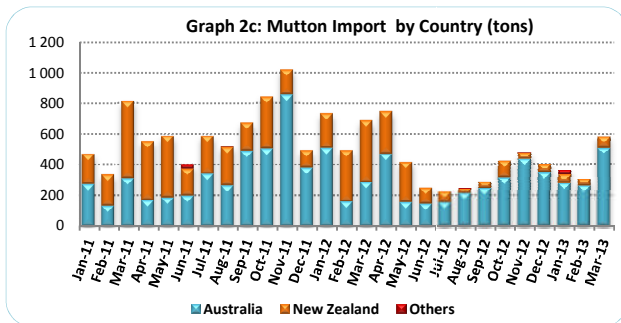
Domestic:

- The lamb and mutton markets continued to weaken under pressure due to weak seasonal demand.
- Weekly Class A lamb prices fell by 0.4% w/w and 3.3% y/y at R40.72 per kg.
- Contract Class A lamb prices were down by 0.3% w/w and 5.0% y/y at R41.85 per kg.
- Mutton prices fell by 0.6% w/w and 5.7% y/y at R30.81 per kg.
- On the weaner market, prices posted slight gains on limited supplies. Weekly weaner lamb prices were up by 2.5% w/w but 10.6% lower y/y at R20.13 per kg live weight.

OUTLOOK

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





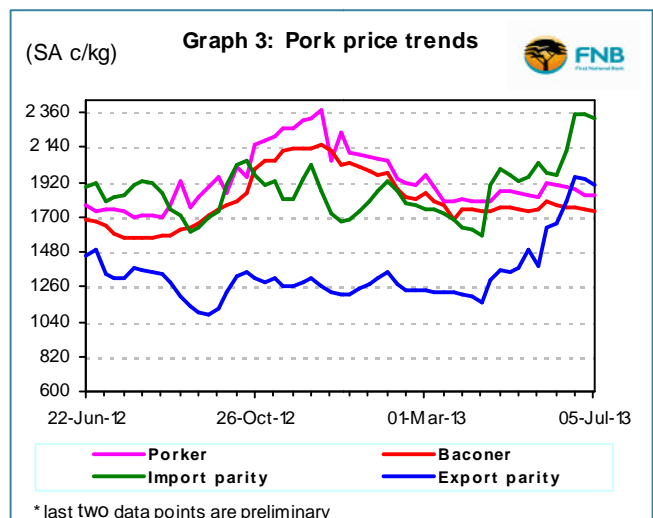
Pork market trends (Graph 3)

International:

- The US Pork Carcass (FOB Plant) Cutout prices extended recent gains to close at US\$106.79/cwt, up by 6.0% w/w.
- Estimated weekly slaughter was 2.98m head, up by 1.6% w/w and 1.1% y/y. The estimated year to date slaughter reached 52.21m head, down by 0.2% y/y.

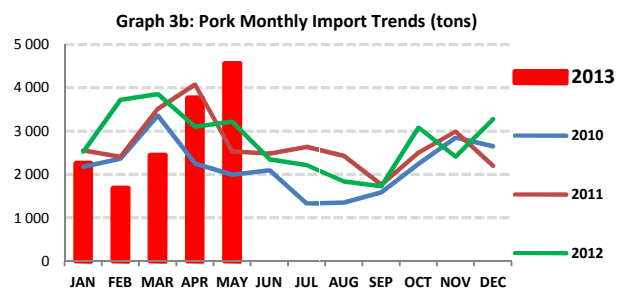
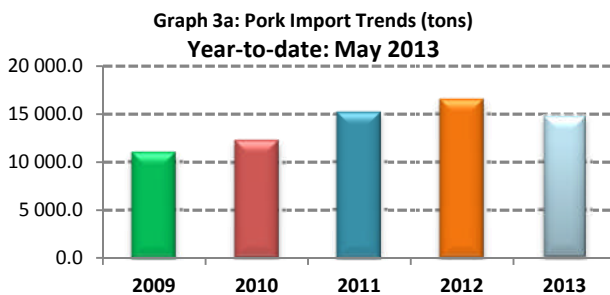
Domestic:

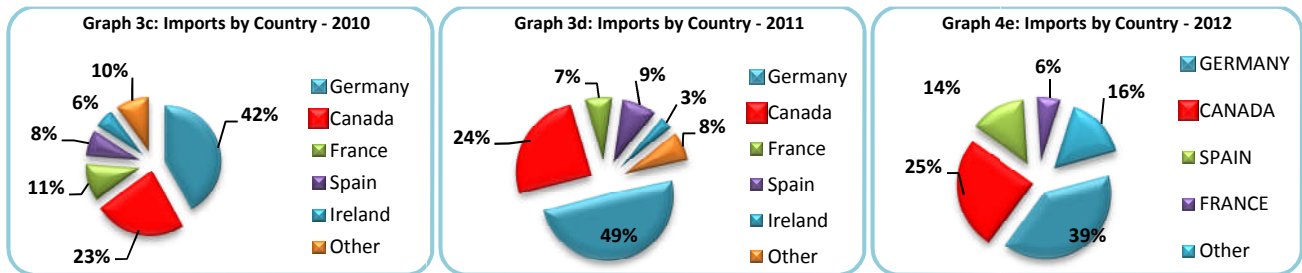
- Pork and baconer prices continued to soften due to weak seasonal demand.
- Weekly porker prices closed at R18.75 per kg, down by 1.2% w/w but still 5.8% higher y/y.
- Baconer prices eased marginally lower by 0.2% w/w at R17.60 per kg, but still 4.2% higher y/y.
- Import parity prices ended modestly higher on the back of a weaker Rand.
- On import sales, the May 2013 pork imports came in sharply higher by 21.1% m/m and 41.6% y/y at 4,562 tons. The cumulative imports for the year to May are however still below last year by 10.4% at 14,719 tons.
- Major import sources were Germany with 2,255 tons (49.4%), Canada with 984 tons (21.6%), Spain with 419 tons (9.2%), the UK with 334 tons (7.3%), and the rest contributing 571 tons (12.5%).



OUTLOOK

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





Poultry market trends (Graph 4)

International:

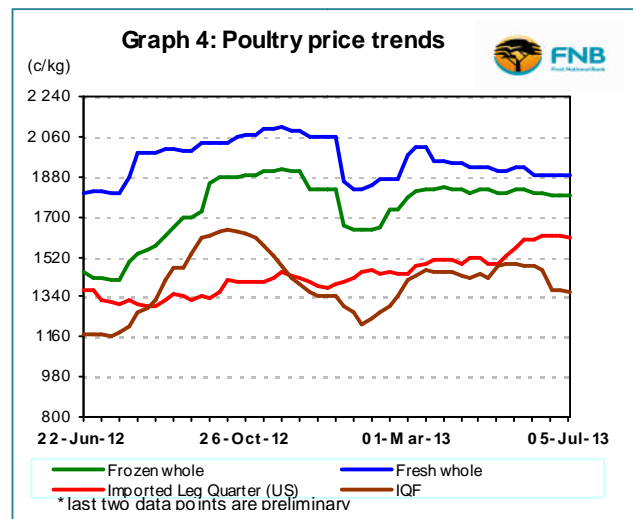
- US prices ended mixed with for broiler portions.
- Demand at retail was reportedly light to moderate and light to good for food service.
- Market activity was slow to moderate and movement light to moderate for portions.
- Whole bird prices closed at US105.67c/lb, up 1.8% w/w and 11.8% y/y.
- Wing prices gained 1.7% w/w at US139.50c/lb, but down by 23.7% y/y.
- Leg quarters eased marginally lower at US54.50c/lb, down by 0.3% w/w but up by 0.6% y/y.
- Breast cuts closed at US132.33c/lb, down by 0.9% w/w but up by 31.0% y/y.
- Weekly USDA Broiler Hatchery report (19 States) showed 202m broiler eggs set as of 15 June 2013, up by 3.0% y/y. Average hatchability for chicks hatched remained at 84.0%. Broiler chick placements came in slightly lower y/y at 168m head.
- Cumulative broiler placements from December 30, 2012 through June 15 2013 were slightly higher at almost 4.0b head.

Domestic:

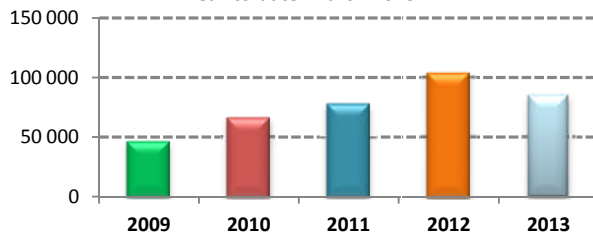
- The broiler market retained the softer trend as a result of weak demand.
- Weekly frozen whole bird prices were softer at R18.00 per kg, down by 0.3% w/w but still up by 24.2% y/y.
- Individually Quick Frozen portion (IQF) prices fell by 6.4% w/w at R13.68 per kg, but still 16.5% higher y/y.
- Fresh whole bird prices were the exception, closing firmer at R18.91 per kg. This is up 0.1% w/w and 4.8% y/y.
- Import parity prices were up by 0.1% w/w and 17.9% y/y, mainly due to a weaker Rand.

OUTLOOK

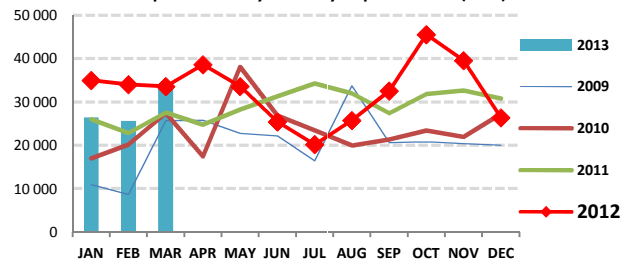
The market is expected to remain under downward pressure in the short to medium term due to subdued demand conditions.

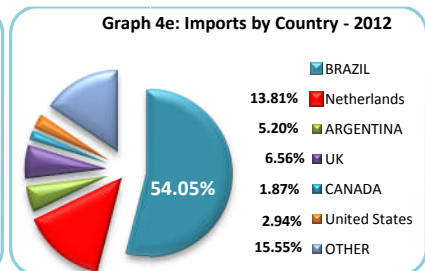
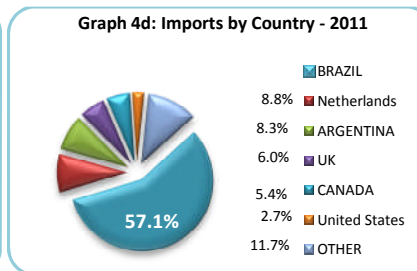
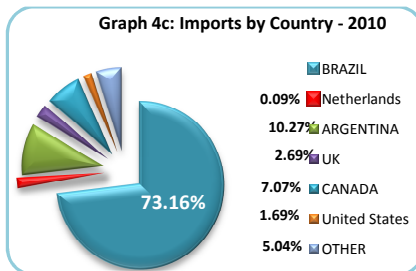


Graph 4a: Poultry Import Trends
Year-to-date: March-2013



Graph 4b: Poultry Monthly Import Trends (tons)





Source: SARS, Own Calculations

Producer prices for selected livestock commodities 21 June 2013	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh whole birds(R/kg)	27.34	40.72	18.75	18.91
Open market: Class C / Baconer / Frozen whole birds(R/kg)	22.11	30.81	17.47	18.00
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	27.45	41.85	17.60	13.68
Import parity price (R/kg)	24.00	29.15	23.57	16.17
Weaner Calves / Feeder Lambs (R/kg)	14.70	20.13		

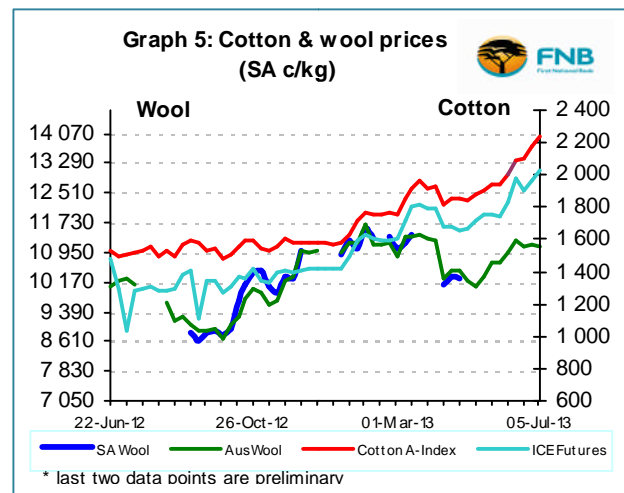
Wool and cotton market trends (Graph 5)

International:

- Prices eased lower due to the combination of improved weather conditions in the US, weak export demand and negative economic news from China.
- The cotton A index advanced by 0.2% w/w and 13.1% y/y at US94.59c/lb.
- Cotton Futures on ICE: Cotton for Jul-13 fell by 7.2% w/w at US85.15c/lb, Oct-13 was down by 4.9% w/w at US85.68c/lb, and Dec-13 was down by 5.1% w/w at US84.64c/lb.
- Wool: In Australia, the wool market was softer for the week. The weekly Eastern Market Indicator (EMI) was down by 0.4% w/w and 0.3% y/y at AU\$10.66 per kg clean wool.
- Volumes offered were pegged at 24,478 bales with sales reaching 94.6%.

Domestic:

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



Fibre market prices 21 June 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)	110.31	120.88		
19μ long length wool (R/kg)	115.20	123.59	11.40	11.10
21μ long length wool (R/kg)	110.31	120.42	11.20	10.90
23μ long length wool (R/kg)	-	119.60	10.00	9.70

	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)	21.04	2.08	1.88	1.86

Cotton Futures on the InterContinental Exchange (ICE); South Africa – Final sale of the 2012/13 wool season.

Yellow maize market (Graph 6)

International:

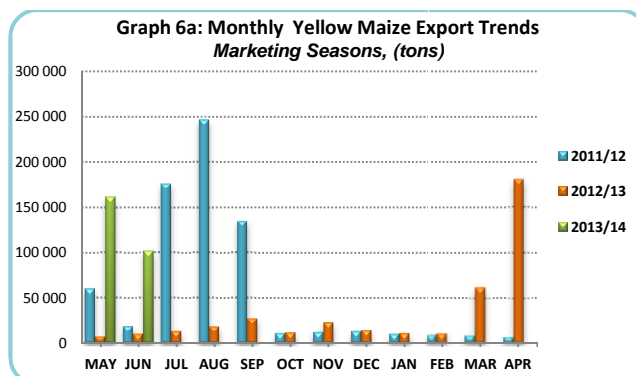
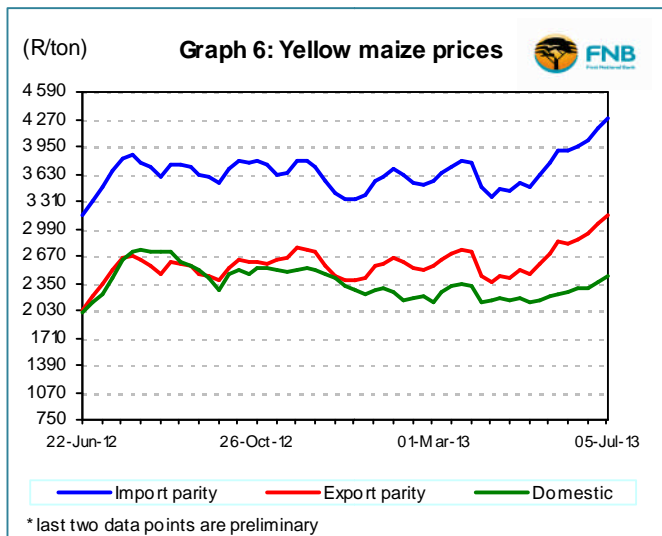
- US maize prices posted modest gains on expectations of a reduction in planted area ahead of the USDA estimate report for release on June 28th.
- Early market estimates came in at 38.7m hectares, which is slightly lower than the 39.4m ha in the March report.
- Planting progress has been slow as the seeding window tailed off and producers switch to soybeans.
- The US crop emerged was rated at 92.0% emerged compared to the 5-year-average of 97.0%.
- The crop rated in good to excellent condition came in at 64.0%.

Domestic:

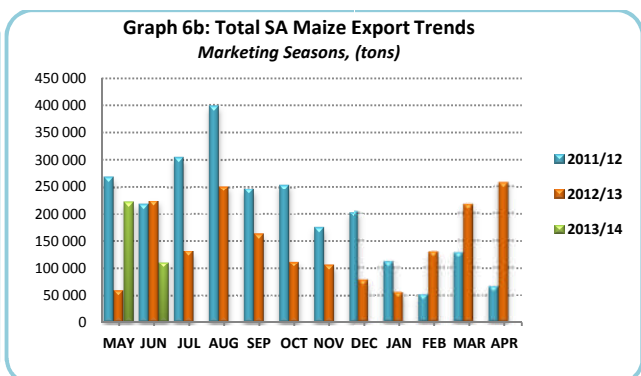
- Yellow maize prices posted marginal gains supported by the Rand and better CBOT prices.
- Weekly yellow maize prices closed at R2,293 per ton, up by 0.3% w/w and 14.3% y/y.
- Maize futures on the JSE: Maize for Sep-13 gained 3.0% w/w (+R68/t), and Dec-13 was up 3.1% w/w (+R71/t).

OUTLOOK

The market is expected to retain the recent uptrend in the short to medium term on Rand weakness.



Source: SAGIS



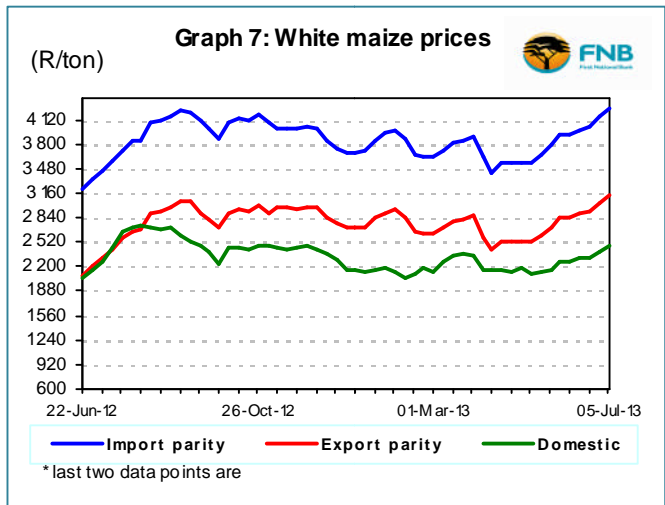
Yellow Maize Futures 21 June 2013	Sep-13	Dec-13	Mar-14	May-14	Jul-14			
CBOT (\$/t)	260.67	233.25	219.14	223.40	226.00			
JSE (R/t)	2 337	2 385	2 370	2 370	2 222			
CHICAGO CORN (R/t)	2 397	2 270	-	-	2 482			
Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Sep-13			Dec-13			Mar-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 380	140	97	2 420	192	157	2 420	268	218
2 340	118	115	2 380	170	175	2 380	245	235
2 300	98	135	2 340	150	195	2 340	223	253

White maize market trends (Graph 7)
International:

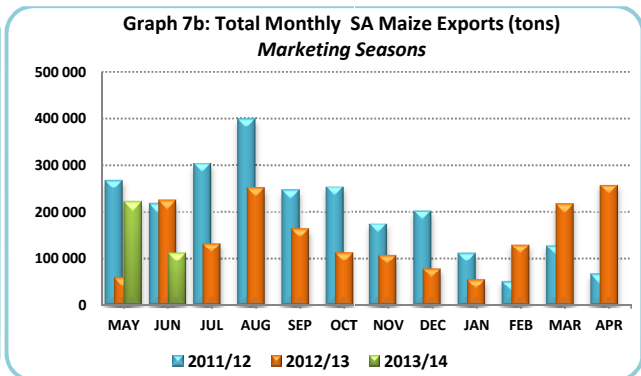
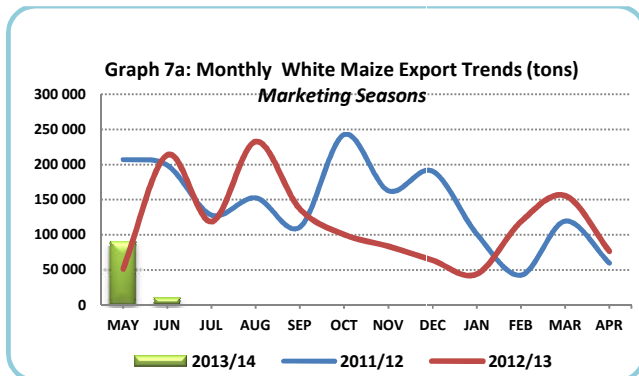
- US white maize spot prices posted marginal gains for the week. Weather issues and concerns over the slow pace of planting provided added support.
- The weekly average white maize prices closed at US\$284 per ton, up 0.4% w/w and 11.2% on last year this time.

Domestic:

- White maize prices trended firmer supported by a weaker Rand.
- Weekly white maize prices advanced by 0.4% w/w and 13.5% y/y to close at R2,320 per ton.
- White maize for Jul-13 gained 2.9% w/w (+R65/t), and Sep-13 was up by 3.0% w/w (+R69/t).


OUTLOOK

The market is expected to retain the recent uptrend in the short to medium term on Rand weakness.



Source: SAGIS:

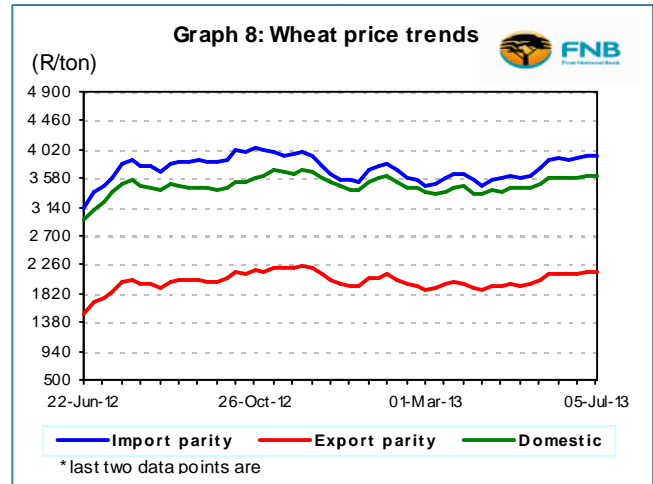
White Maize Futures 21 June 2013	Sep-13	Dec-13	Mar-14	May-14	Jul-14			
JSE (R/t) WM ₁	2 369	2 425	2 434	-	2 232			
Calculated White Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
	Sep-13		Dec-13			Mar-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 400	123	92	2 460	204	169	2 480	268	222
2 360	101	110	2 420	182	187	2 440	245	239
2 320	82	131	2 380	162	207	2 400	224	258

Wheat market trends (Graph 8)
International:

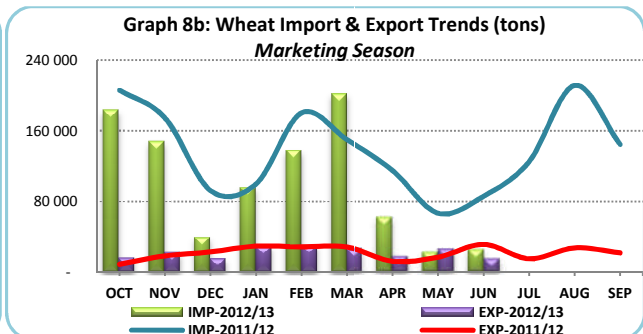
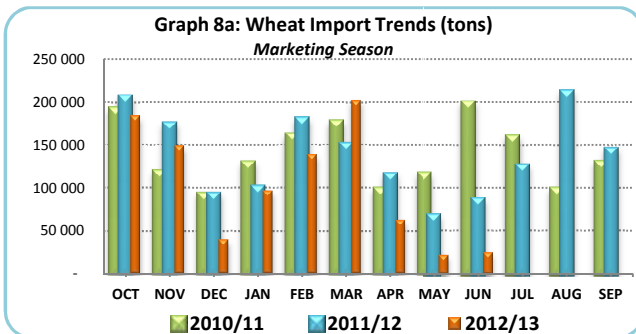
- Wheat prices were generally higher on improved demand.
- Earlier in the week the harvest progress came in at 11.0%, below the 5-year-average of 25.0%.
- Elsewhere, rains were forecast for Australia while a large crop is expected from the Black Sea area due to improved production conditions.

Domestic:

- Wheat prices traded firmer on supportive Rand and gains on international prices.
- Weekly wheat prices closed at R3,590 per ton, up by 0.3% w/w and 23.6% y/y.
- Import sales for the week came in at 5,089 tons and 920,084 for the season to date.


OUTLOOK

Improving weather conditions for the US wheat areas is negative for prices for the short term.



Wheat Futures 21 June 2013	Sep-13	Dec-13	Mar-14	May-14	Jul-14
KCBT (\$/t)	270.43	275.72	280.43	283.07	283.81
JSE (R/t)	3 586	3 466	3 485	-	-

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

Sep-13			Dec-13			Mar-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3 620	158	124	3 500	193	159	3 520	281	246
3 580	137	143	3 460	172	178	3 480	259	264
3 540	117	163	3 420	152	198	3 440	238	283

Oilseed market trends (Graph 9)
International:

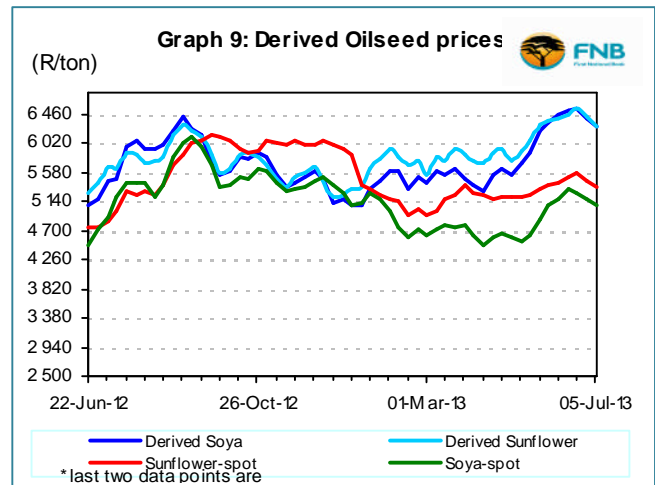
- The soybean complex ended mixed with soyoil maintaining a firmer trend.
- Soybeans saw losses on concerns over Chinese demand for the season ahead due to signs that its economy might be contracting. Producer selling added to the weaker tone.
- However, near term supply tightness and forecast of rain in some areas of the US helped limit losses.
- Soybean planting made good progress with the rating advancing by 14.0 percentage points to 85.0% complete as of June 16.
- The crop rated in good to excellent condition came in slightly above average at 64.0%.
- Crop emergence was however slightly below the 5-year-average of 80.0% at 66.0% emerged.

Domestic:

- Oilseeds traded on the JSE ended mixed with sunflower gaining 1.1% w/w and 17.5% y/y to close at R5,563 per ton.
- Weekly soybean prices were down by 1.3% w/w but still 17.4% higher y/y at R5,263 per ton.
- Soybeans for Jul-13 gained 0.8% w/w (+R44/t), Sep-13 was up 0.5% w/w (+R27/t), and Dec-13 was up by 0.6% w/w (+R30/t).
- Sunflower for Jul-13 gained 1.2% w/w (+R68/t), and Dec-13 gained 2.1% w/w (+R120/t).

OUTLOOK

Prices are expected to come under pressure due to improved weather conditions and advancing area under soybeans in the US.



Oilseeds Futures 21 June 2013	Sep-13	Dec-13	Mar-14	May-14	Jul-14
CBOT Soybeans (US \$/t)	483.40	-	467.82	467.60	470.03
CBOT Soya oil (US c/lb)	47.56	46.66	46.57	46.54	46.57
CBOT Soya cake meal (US\$/t)	438.61	416.12	414.25	414.03	417.33
JSE Sunflower seed (R/t)	5 680	5 770	-	-	-
JSE Soybean seed (R/t)	5 354	5 411	-	-	-

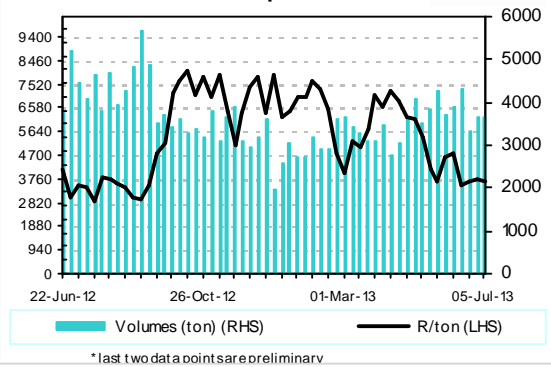
Calculated Sunflower Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)

Sep-13			Dec-13			Mar-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5 720	257	217	5 820	363	313			
5 680	235	235	5 780	341	331			
5 640	215	255	5 740	320	350			

Vegetable Market Trends (Graphs 10 to 14)
Tomatoes

Tomato prices posted modest gains on the back of reduced supplies across markets. Weekly tomato prices closed at R3,668 per ton, up by 5.2% w/w but still 11.9% lower y/y. Volumes traded were pegged at 3,328 tons, down by 22.6% w/w and 11.3% y/y.

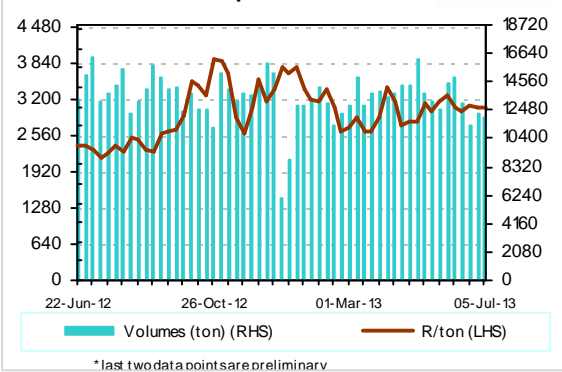
Prices are however expected to trend firmer on improved uptake in the short term.

Graph 10: Fresh Produce Markets - Tomatoes prices

Potatoes

Potato prices moved slightly higher on the back of reduced volumes across most markets.

Weekly potato prices gained 3.5% w/w and 30.0% y/y to close at R3,083 per ton. Volumes traded came in at 11,316 tons, down by 12.7% w/w and 14.3% y/y.

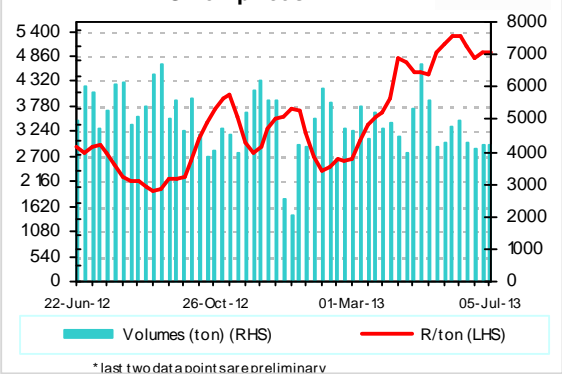
It is expected that prices will trend sideways with limited upward potential on volume pressure.

Graph 11: Fresh Produce Markets - Potatoes prices

Onions

Onion prices trended lower due to limited uptake across most markets.

Weekly onion prices closed at R5,083 per ton, down by 4.2% w/w but still 63.2% higher y/y. Volumes traded were pegged at 4,264 tons, down by 14.2% w/w and 13.8% y/y.

Prices are expected to bottom out and firm slightly on renewed demand on markets.

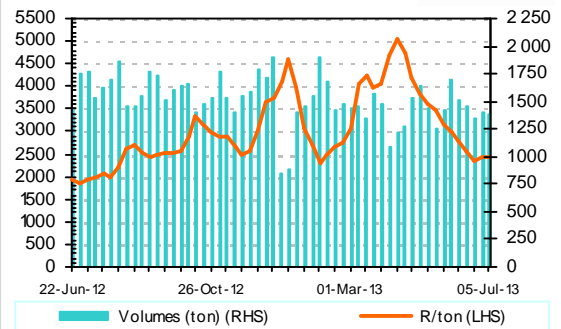
Graph 12: Fresh Produce Markets - Onion prices


Carrots

Carrot prices remained on an extended downtrend under pressure due to limited uptake on markets. Weekly carrot prices closed at R2,340 per ton, down by 8.4% w/w but still 20.0% higher y/y. Volumes traded were pegged at 1,351 tons, down by 7.5% w/w and 4.2% y/y.

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

Graph 13: Fresh Produce Markets - Carrot prices



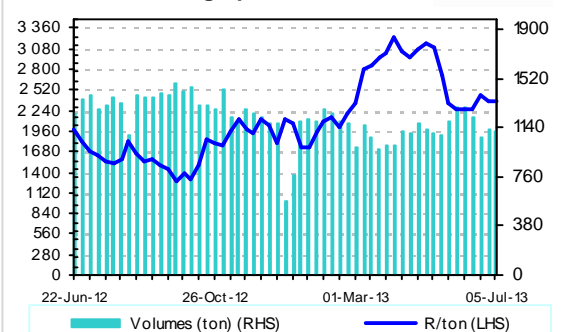
* last two data points are preliminary

Cabbages

Cabbage prices bottomed out and posted sharp gains due to reduced volumes across markets. Weekly cabbage prices increased by 8.9% w/w and 23.1% y/y, closing at R2,446 per ton. Volumes traded fell by 12.7% w/w and 14.9% y/y at 1,060 tons.

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

Graph 14: Fresh Produce Markets - Cabbage prices



* last two data points are preliminary

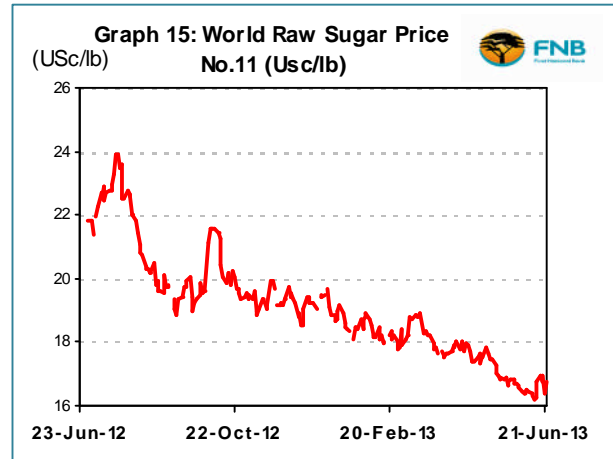
Vegetable prices: South Africa's Major Fresh Produce Markets. (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)

Week ending 21 June 2013	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	3 668	5.2%	-11.9%	3328	-22.6%	-11.3%
Potato	3 083	3.5%	30.0%	11316	-12.7%	-14.3%
Onion	4 827	-5.0%	66.1%	4102	-3.8%	-17.4%
Carrot	2 340	-8.4%	20.0%	1351	-7.5%	-4.2%
Cabbage	2 446	8.9%	23.1%	1060	-12.7%	-14.9%

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

Sugar market trends (Graph 15)
International:

- International Raw Sugar prices edged slightly higher for the week. However, gains were limited on the back strength in the US dollar and weak economic data out of China.
- Weakness in the Brazilian Real added further pressure on the market.
- The U.S. Department of Agriculture earlier indicated that it would intervene in the domestic sugar market through plans to buy sugar from domestic growers.
- According to the USDA, the amount to be spent on sugar purchases could be about US\$38.0m which could result in a removal some 300,000 short tons from the US market.
- US production was estimated at 9.0m tons for the current crop year with year-end stocks reaching 2.2m tons.
- Weekly raw sugar prices gained 2.3% w/w but still down by 20.2% y/y at US16.76c/lb.
- Futures on the InterContinental Exchange: Raw sugar for Oct-13 fell by 0.9% w/w at US16.93c/lb, Mar-14 was down by 1.5% w/w at US17.69c/lb, and May-14 was down by 2.1% w/w at US17.61c/lb.


Domestic:

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

The increase was attributed to a number of factors:

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

Factors that had a negative impact on the price included:

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

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

ICE Sugar Futures 21 June 2013	Oct-13	Mar-14	May-14	Jul-14	Oct-14
Sugar No.11 (US c/lb)	16.93	17.69	17.61	17.59	17.77
% Change w/w	-0.9%	-1.5%	-2.1%	-2.5%	-2.8%

Disclaimer:

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