

Agri-Weekly

24 May 2013

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

Beef market trends (Graph 1)

International:

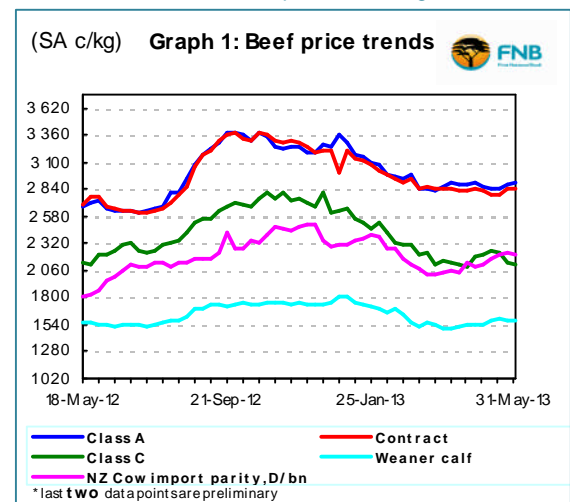
- US lean manufacturing beef prices were steady to lower on limited demand and heavy supplies.
- The market remained under pressure due to lower than expected pre-holiday demand and increased domestic supplies.
- Market activity on imported beef was reportedly slow with prices trending lower under pressure due to heavy domestic supplies.
- US wholesale prices were mixed with the Choice category extending recent gains. Choice gained 1.4% w/w and 8.0% y/y at US\$210.47/cwt. Select beef eased by 0.1% w/w but still 2.9% y/y.
- In the cattle market, the CME Feeder Cattle Index decreased by 2.8% w/w and 13.6% y/y at US\$131.67/cwt.
- Estimated weekly US cattle slaughter was 648,000 head, slightly lower by 0.6% w/w but still 1.3% higher y/y.
- Meanwhile, US feedlot standings (over 1,000 head capacity) as at 1 May 2013 fell by 3.4% y/y to 10.74m head according to the USDA report. Cattle marketed out of feedlots increased by 2.2% y/y at 1.86m.
- US Cold storage report indicated total beef inventory at the end of April was pegged at 0.23m tons, down 1.5% y/y but 18.2% higher than the five year average.
- In Australia, the cattle market saw modest gains on the back of reduced supplies. Weekly supplies were reported down by 9.0% w/w. The Eastern Young Cattle Indicator (EYCI) gained 3.4% w/w but still down 19.9% y/y at AU\$2.94/kg cwt.

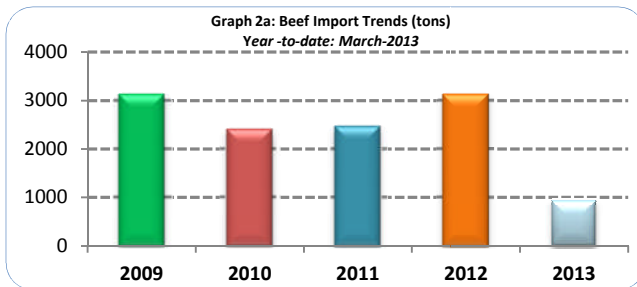
Domestic:

- Beef prices ended mixed with Class A softening slightly on subdued demand.
- Weekly Class A beef prices were 0.1% lower w/w to R28.38 per kg but still 4.3% higher y/y.
- Contract Class A beef prices however ended firmer by 0.7% w/w and 1.3% y/y at R 28.07 per kg.
- Class C beef prices gained 1.0% w/w and 7.3% y/y R22.62 per kg.
- Weaner calf prices fell by 0.6% w/w but still 1.4% y/y at R15.82 per kg live weight.

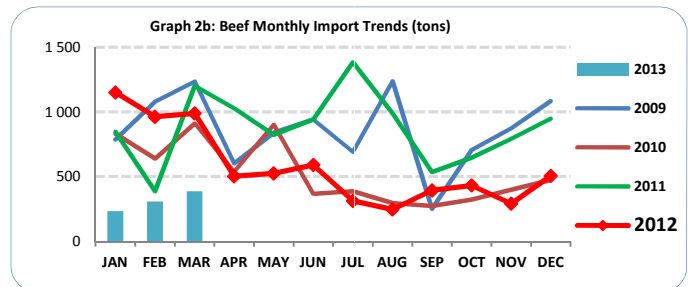
OUTLOOK

The softer trend is expected in the medium term on subdued demand and the potential for increase in supplies due to limited grazing.





Source: SARS, Own Calculations



Mutton market trends (Graph 2)

International:

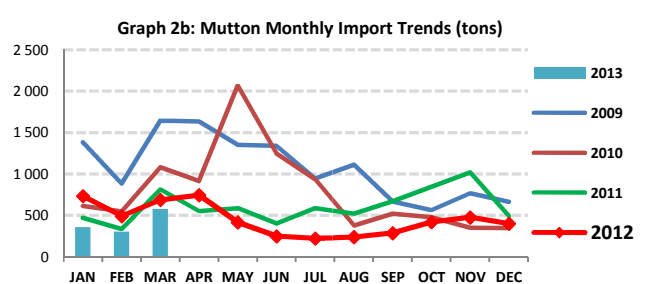
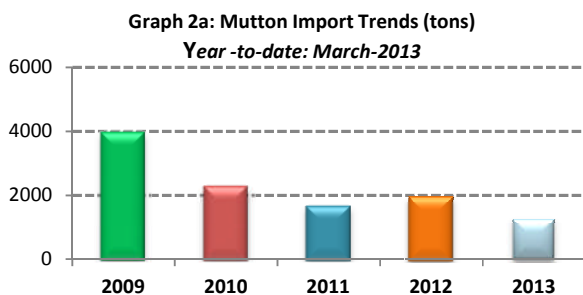
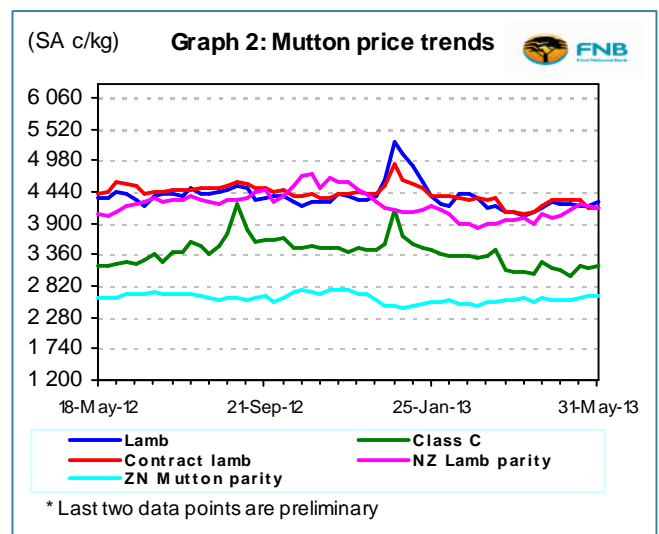
- In New Zealand (NZ), producer prices finished higher across most categories.
- Weekly lamb prices traded at NZ\$81.90 per head for the 17.5kg live weight, up by 1.5% w/w but still down by 15.0% y/y. Mutton prices gained 2.2% w/w to close at NZ\$51.50 per head for the 21kg live weight, but still down by 18.0% y/y.
- The market found support from reasonable rainfall in most regions and improved overseas returns.
- In Australia, prices remained on the uptrend with the Eastern Trades Lamb indicator closing up 7.9% on the week but still down by 0.5% y/y at AU4.23/kg cwt.
- In the US, the Lamb Carcass Cutout prices were slightly higher by 1.2% w/w but still down by 24.2% y/y at US\$254.10/cwt.
- The estimated weekly US sheep slaughter stood at 40,000 head, up 5.3% y/y. Year-to-date sheep slaughter was up by 3.5% y/y at 822,000 head.

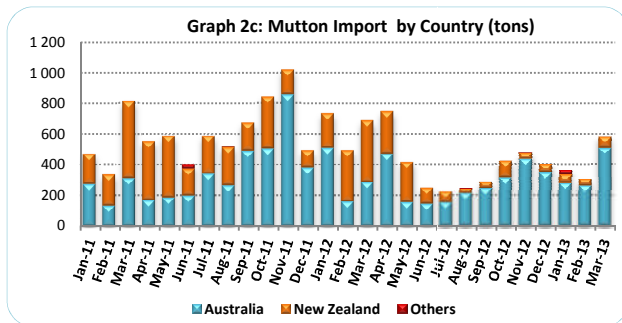
Domestic:

- The lamb and mutton markets ended firmer for the week.
- Weekly Class A lamb gained 0.9% w/w but still down by 2.3% w/w at R42.52 per kg.
- Contract Class A lamb increased by 1.8% w/w but still down by 0.9% y/y at R43.88 per kg.
- Mutton prices were up by 2.1% w/w and 1.9% y/y at R32.23 per kg.
- Weaner lamb prices were up by 2.6% w/w but still 10.3% lower y/y at R19.88 per kg.

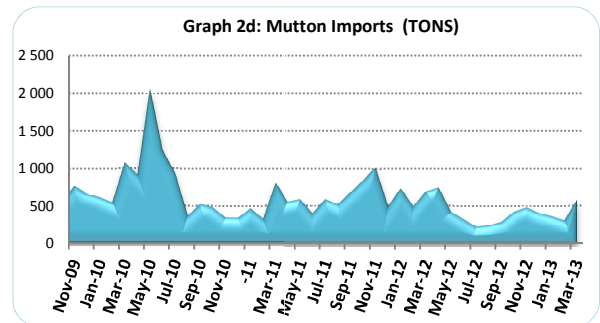
OUTLOOK

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





Source: SARS, Own Calculations



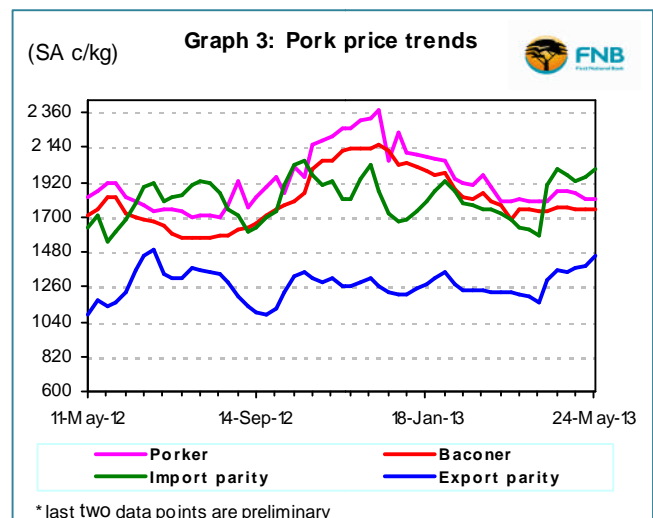
Pork market trends (Graph 3)

International:

- The US Pork Carcass (FOB Plant) extended gains to close 2.1% higher w/w at US\$94.02/cwt.
- Estimated weekly slaughter was 2.05m head, up by 1.2% w/w but still down by 0.8% y/y. The estimated year to date slaughter reached 44.4m head, down by 0.5% y/y.
- US total pork in cold storage as of 30 April 2013 were reported at 0.32m tons, up 5.9% y/y and 17.7% higher than the five year average. Total ham stocks were pegged at 0.1m tons up 12.5% y/y and 34.6% higher than the five year average. Pork belly stocks came in at 0.03m tons, down by 24.8% y/y and 21.2% lower than the five year average.

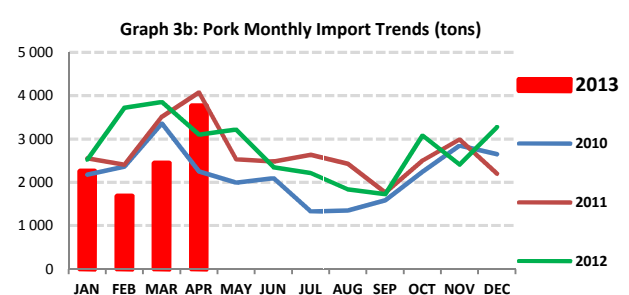
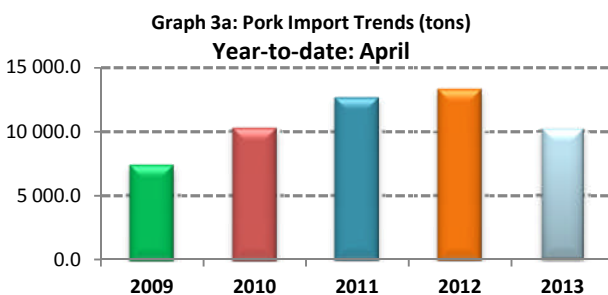
Domestic:

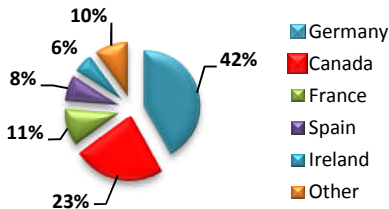
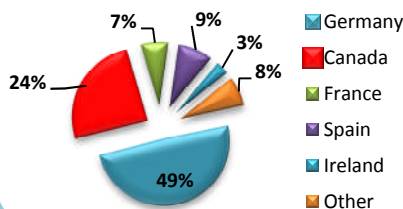
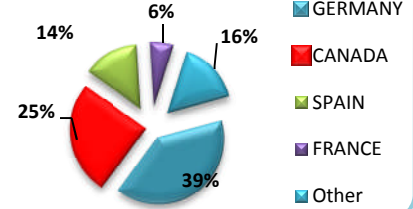
- The pork and baconer market ended mixed with baconers edging higher.
- Weekly baconer prices gained 0.8% w/w but still 4.1% lower y/y.
- Porker prices eased marginally lower by 0.8% w/w and 4.5% y/y at R18.30 per kg.
- Import parity prices continued to strengthen mainly on renewed Rand weakness. Weekly import parity prices were up 4.6% w/w and 31.9% 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

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

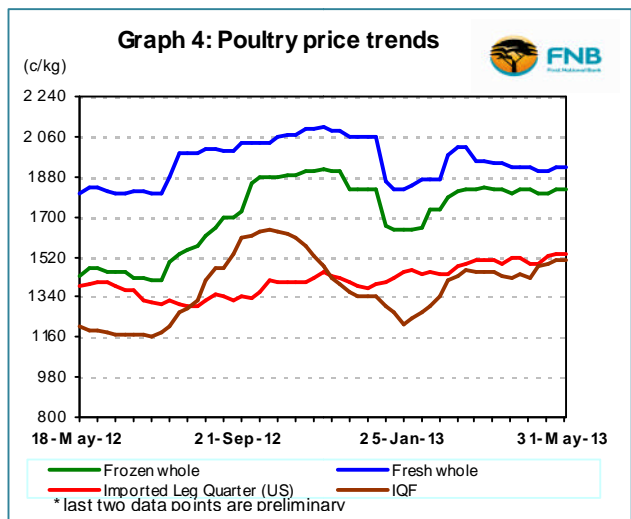


Graph 3c: Imports by Country - 2010

Graph 3d: Imports by Country - 2011

Graph 4e: Imports by Country - 2012


Source: SAPPO, SARS, Own Calculations

Poultry market trends (Graph 4)
International:

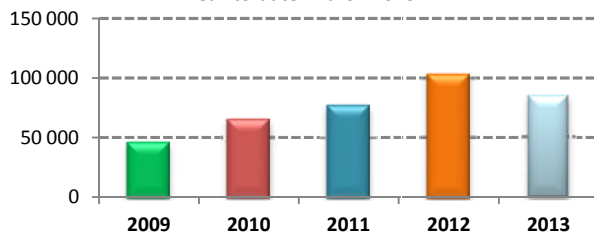
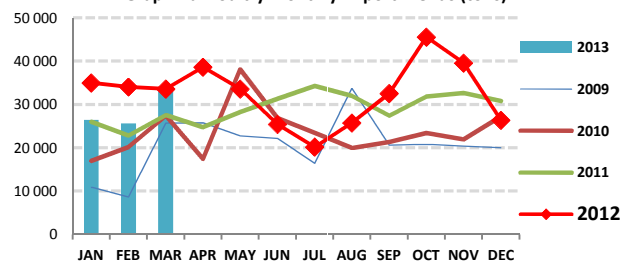
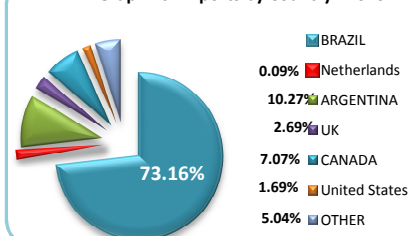
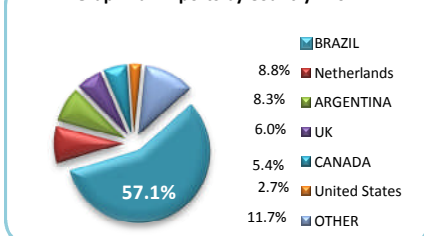
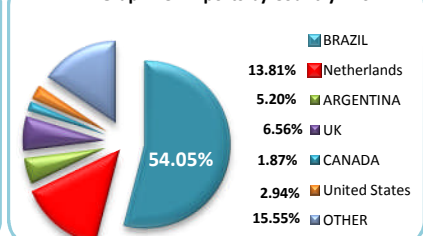
- US domestic prices were again firm to higher on improved demand ahead of the Memorial Holiday.
- Weekly whole bird prices gained 0.5% w/w and 10.8% y/y to close at US104.58c/lb.
- Leg quarter prices were steady at US55.33c/lb, still up 0.3% y/y.
- Breast cuts increased by 4.1% w/w and 24.5% y/y at US134.83c/lb.
- Wing prices were steady US135.33c/lb, but 26.4% lower y/y.
- The latest US cold storage report showed chicken stocks running 11.3% higher than a year ago and 1.9% higher than the five year average.
- While breast meat supplies remain modestly below year ago levels and 5.1% lower than the five year average, stocks of chicken wings were 131% above year ago levels. Leg quarter stocks were up 34.9% year-on-year and 29.0% above the five year average.


Domestic:

- This week saw a steady to firmer trend on the broiler market. Weekly frozen whole bird prices closed at R18.24 per kg, up 1.0% w/w and 23.7% y/y. Fresh whole bird prices gained 1.0% w/w and 5.2% y/y at R19.25 per kg.
- Individually Quick Frozen portions were steady at R14.92 per kg, up by 25.3% y/y. Import parity prices increased by 2.5% w/w and 11.8% y/y, mainly due to a weaker Rand/ US dollar exchange rate.

OUTLOOK

Prices are expected to trend steady to lower in the short to medium term on softer demand.

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

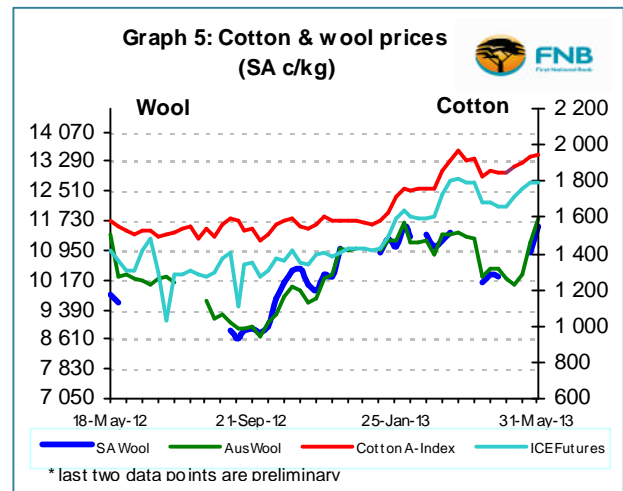
Producer prices for selected livestock commodities 24 May 2013	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh whole birds(R/kg)	28.38	42.52	18.30	19.25
Open market: Class C / Baconer / Frozen whole birds(R/kg)	22.62	32.23	17.30	18.24
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	28.07	43.88	17.55	14.92
Import parity price (R/kg)	22.61	26.21	20.44	15.60
Weaner Calves / Feeder Lambs (R/kg)	15.82	19.88		

Wool and cotton market trends (Graph 5)
International:

- Cotton prices reversed recent gains on weak Chinese economic data despite improved export sales.
- Weather conditions improved in the US with some precipitation in some areas.
- US cotton planting progress was estimated 39.0% complete, but still way below the 5-year-average of 52.0% this time of the season.
- The cotton A index fell by 1.5% w/w but still 9.4% higher y/y at US92.16c/lb.
- Cotton Futures on ICE: Cotton for Jul-13 fell by 5.3% w/w at US81.49c/lb, Oct-13 was down by 2.7% w/w at US83.30c/lb, and Dec-13 was down by 1.8% w/w at US83.77c/lb.
- Wool: In Australia, the wool market was again stronger with the weekly Eastern Market Indicator (EMI) gaining 1.6% w/w but still down by 6.0% y/y at AU\$10.38 per kg clean wool.
- Volumes offered were pegged at 34,646 bales with sales reaching 95.2%.

Domestic:

- The wool market resumed on a stronger note supported by a sharp depreciation in the Rand against major currencies. The wool market indicator Cape Wools Merino gained 8.0% compared to the previous sale, closing at R107.14/ kg clean wool. This is 4.6% and 22.6% higher than the current season's average and the opening sale respectively.
- The total offering was 10,511 bales with sales reaching 99.0%.
- Major buyers were Standard Wool SA with 3,521 bales (33.5%), Lempriere SA with 2,708 bales (25.8%), Stucken & Co with 1,385 bales (13.2%), and G Modiano SA with 1,185 bales (11.3%).



Fibre market prices 24 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)	107.14	106.69		
19 μ long length wool (R/kg)	112.93	111.84	11.60	11.10
21 μ long length wool (R/kg)	105.62	106.55	11.10	10.60
23 μ long length wool (R/kg)	102.06	103.11	9.90	9.40
	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)	19.36	2.03	1.83	1.84

Cotton Futures on the InterContinental Exchange (ICE);

Yellow maize market (Graph 6)
International:

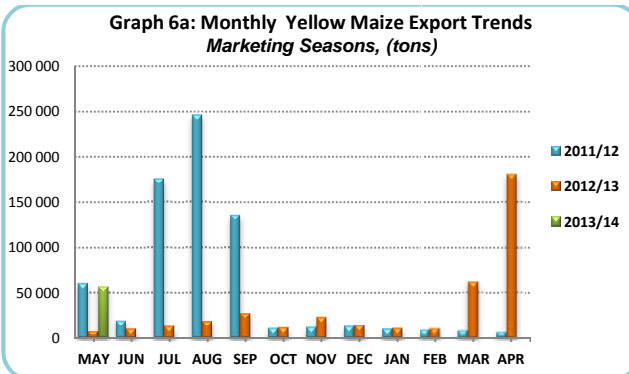
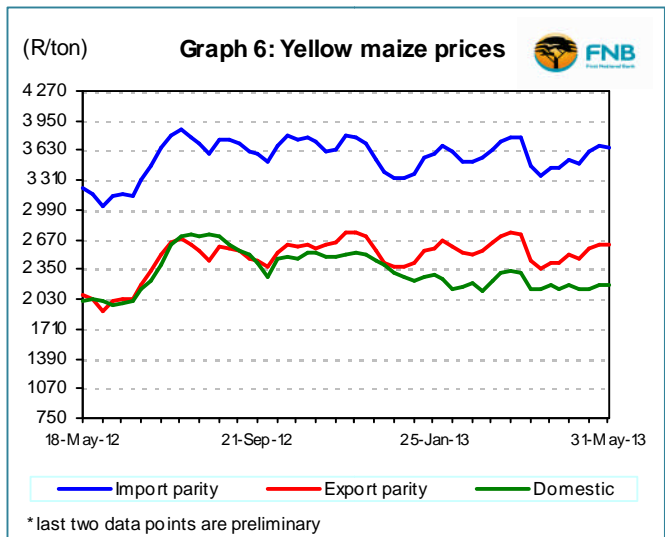
- US maize prices posted slight gains on support from strong basis and good ethanol demand.
- After a sluggish start to the US planting season, the process garnered pace with 71.0% complete compared to 28.0% the week earlier. This however 8.0 percentage points below the 5-year-average of 79.0%.
- Weekly US ethanol production was reported at a new maize marketing year high of 875,000 barrels/day, up 17,000 from the previous week.
- Weekly US export sales were pegged at 104,600 tons for the 201/13 marketing year and 341,600 for 2013/14, totalling 446,200 tons.

Domestic:

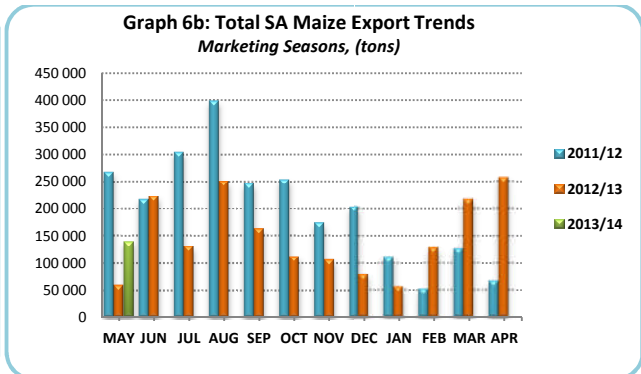
- Yellow maize prices posted marginal gains on supportive Rand and gains on international markets.
- Weekly yellow maize prices closed at R2,190 per ton, up by 1.9% w/w and 8.2% y/y.
- New season exports advanced to 1,461 tons for the week and 56,771 tons for the month.
- In the futures market: YMAZ for Jul-13 increased by 0.3% w/w (+R7 /t), and Sep-13 was up by 0.2% w/w (+R5/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 24 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14			
CBOT (\$/t)	258.94	223.24	211.34	215.68	218.75			
JSE (R/t)	2 167	2 200	2 241	2 242	-			
CHICAGO CORN (R/t)	2 493	2 140	2 055	-	-			
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	94	61	2 240	147	107	2 280	186	147
2 160	72	79	2 200	125	125	2 240	163	164
2 120	53	100	2 160	105	145	2 200	143	184

White maize market trends (Graph 7)
International:

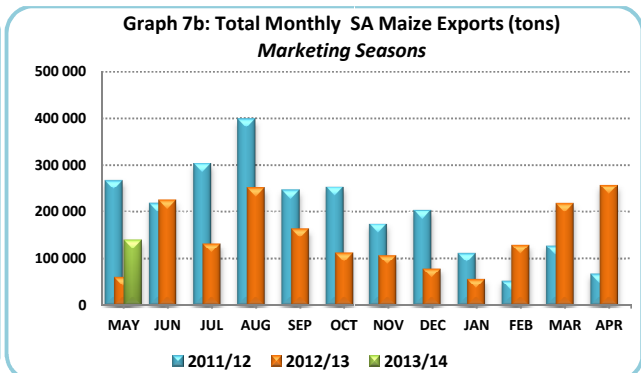
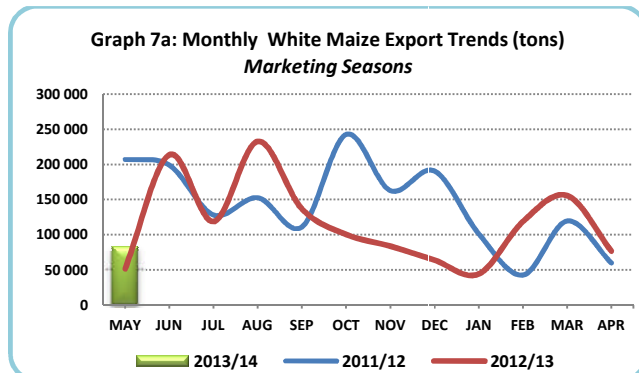
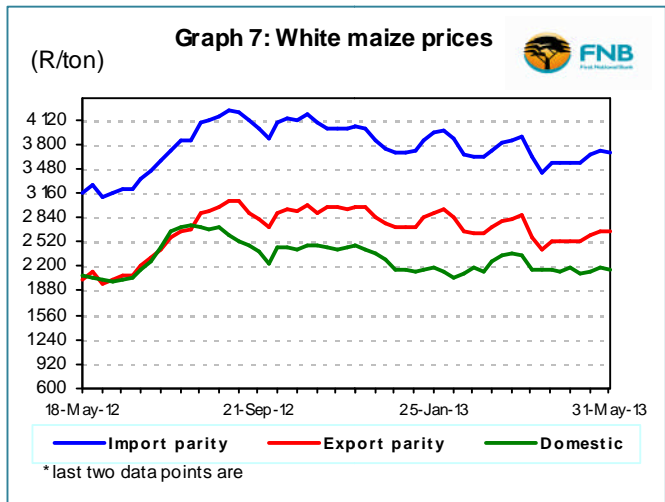
- US white maize spot prices extended gains on weather concerns over unfavourable planting weather and improved ethanol production.
- The weekly average white maize prices closed at US\$281 per ton, up by 1.1% w/w and 8.7% y/y.

Domestic:

- White maize prices posted marginal gains on the back of a sliding Rand and strength on the international markets.
- Weekly white maize prices gained 0.3% w/w and 4.4% y/y to close at R2,147 per ton.
- Weekly export sales were pegged at 47,075 tons and 83,273 tons for the 2013/14 season to date. Total maize sales (YMZ, WMZ) for the 2013/14 season came in at 140,044 tons
- WMAZ for Jul-13 gained 0.8% w/w (+R18/t), and Sep-13 was up 1.1% w/w (+R24/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 24 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14			
JSE (R/t) WM ₁	2 196	2 234	2 275	2 290	-			
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
2 240	106	62	2 280	146	100	2 320	204	159
2 200	83	79	2 240	123	117	2 280	182	177
2 160	64	100	2 200	103	137	2 240	161	196

Wheat market trends (Graph 8)
International:

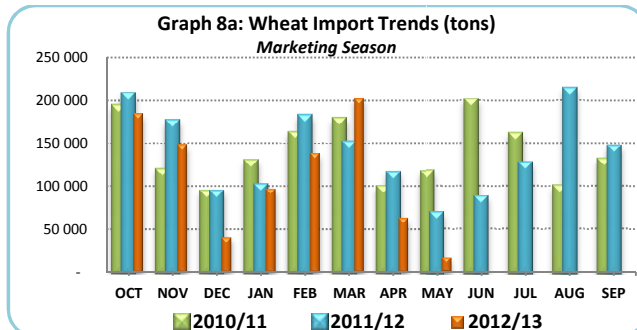
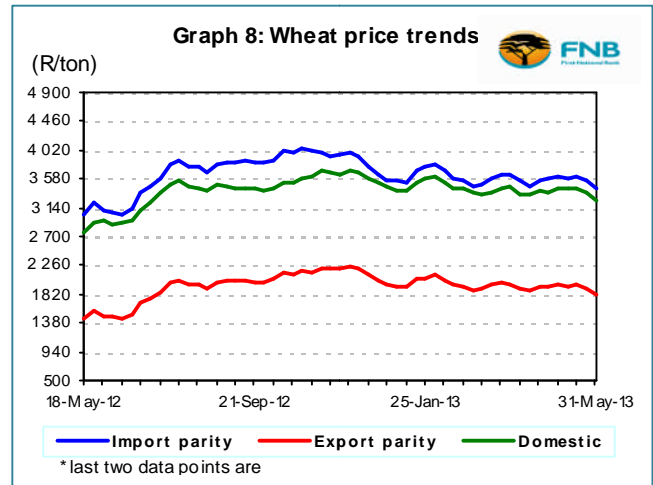
- Wheat prices regained some ground and moved higher on weather concerns with drought in the US southern plains and rain in the northern states adding to planting delays.
- Good export sales added to the firmer tone.
- Focus is now on the northern hemisphere weather conditions.
- Elsewhere, conditions have improved in Australia with rainfall all week.
- Winter wheat conditions are rated 41 percent poor and 31.0% in good to excellent condition.
- Weekly US export sales were pegged at 239,000 tons for the current marketing year and 713,600 for the next, totalling 952,600 tons.

Domestic:

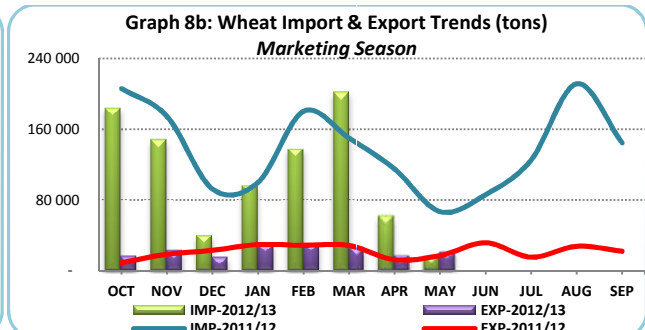
- Wheat prices continued to post good gains on supportive Rand and gains on international markets.
- Weekly wheat prices closed at R3,485 per ton, up 1.2% w/w and 30.5% y/y.
- Import sales were pegged at 13,566 tons for the week and 16,812 tons for the season to date.
- Wheat futures on the JSE: Wheat for Dec-13 gained 0.7% w/w (+R24/t), Sep-13 increased by 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.



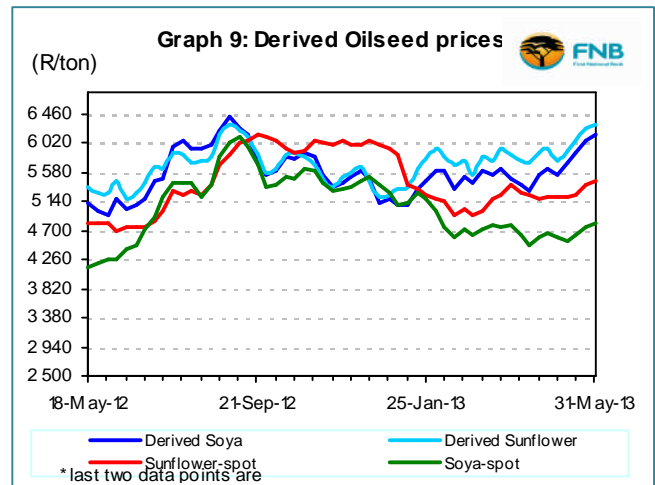
Source: SAGIS;



Wheat Futures 24 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14			
KCBT (\$/t)	273.96	276.53	282.63	287.34	288.88			
JSE (R/t)	3 569	3 545	3 367	-	-			
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
3 600	86	55	3 580	185	150	3 400	203	170
3 560	65	74	3 540	163	168	3 360	181	188
3 520	47	96	3 500	143	188	3 320	161	208

Oilseed market trends (Graph 9)
International:

- Prices were again mixed in the soybean complex, with gains in soybeans and meal. Soyoil was the exception, easing marginally lower on weakness in the energies and metals markets.
- Soybeans still posted solid gains as old crop supplies remained tight.
- Planting delays due to wet weather in the US maize areas may see a switch to soybeans as the planting window tapers off.
- 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.
- Earlier in the week, the USDA planting progress report showed soybean planted at 24.0% complete but still way below the 5-year average of 42.0%.


Domestic:

- Oilseeds traded on the JSE posted modest gains mainly due to a weaker Rand.
- Weekly sunflower prices closed at R5,325 per ton, up by 1.9% w/w and 10.6% y/y.
- Soybeans were up by 5.4% w/w and 16.0% y/y at R4,865 per ton.
- SAFEX Futures: Soybeans for Jul-13 was up 4.2% w/w (+R199/t), Sep-13 was up 4.2% w/w (+R202/t), and Dec-13 was up 3.9% w/w (+R189/t).
- Sunflower for Jul-13 gained 1.1% w/w (+R61/t), and Dec-13 gained 1.7% w/w (+R91/t).

OUTLOOK

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

Oilseeds Futures 24 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14
CBOT Soybeans (US \$/t)	542.41	477.67	-	462.02	462.38
CBOT Soya oil (US c/lb)	49.24	48.98	48.49	48.44	48.37
CBOT Soya cake meal (US\$/t)	472.01	420.97	391.87	394.96	395.29
JSE Sunflower seed (R/t)	5 396	5 501	5 606	-	-
JSE Soybean seed (R/t)	4 969	5 031	5 084	-	-

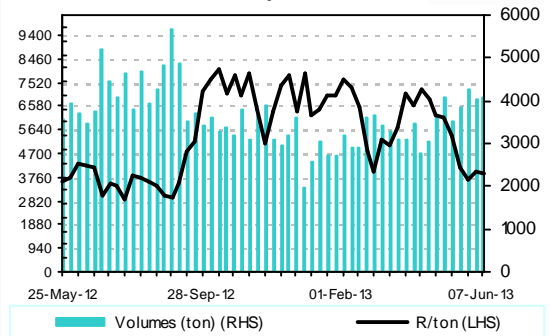
Calculated Sunflower Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)

Jul-13			Sep-13			Dec-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5 440	202	158	5 540	349	310	5 640	373	339
5 400	181	177	5 500	328	329	5 600	352	358
5 360	161	197	5 460	307	348	5 560	331	377

Vegetable Market Trends (Graphs 10 to 14)
Tomatoes

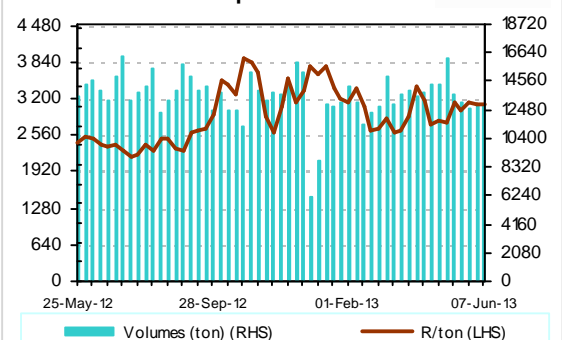
The tomato prices reversed last week's gains and fell sharply on improved volumes across markets. Weekly tomato prices fell by 12.5% w/w but still 1.3% higher y/y R4,245 per ton. Volumes traded were pegged at 4,245 tons, up by 10.7% w/w and 18.4% y/y.

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

Graph 10: Fresh Produce Markets - Tomatoes prices

Potatoes

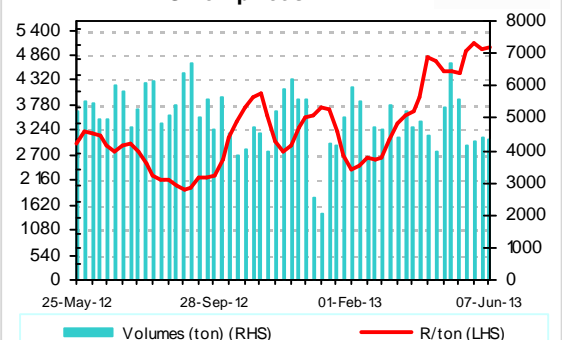
Potato prices advanced modestly due to reduced volumes and better uptake across markets. Weekly potato prices increased by 5.3% w/w and 29.3% y/y to close at R3,141 per ton. Volumes traded fell by 3.7% w/w and 6.8% y/y at 12,575 tons.

Prices are expected to trend sideways with limited upward potential on improved supplies.

Graph 11: Fresh Produce Markets - Potatoes prices

Onions

Onion prices retained the recent uptrend on the back of good uptake across markets. Weekly onion prices gained 4.0% w/w and 75.1% y/y and closed at R5,137 per ton. Volumes traded were pegged at 4,291 tons, up by 3.3% w/w but still 17.5% lower y/y.

It is however expected that prices will ease somewhat in the short term on improved supplies.

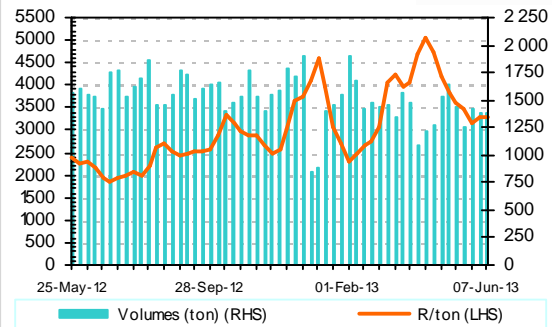
Graph 12: Fresh Produce Markets - Onion prices


Carrots

Carrot prices remained on an extended downtrend on the back of higher volumes and weak uptake across markets. Weekly carrot prices closed at R3,169 per ton, down by 8.2% w/w but still 33.5% higher y/y. Volumes traded were pegged at 1,427 tons, up 14.6% w/w but down by 8.9% y/y.

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

Graph 13: Fresh Produce Markets - Carrot prices



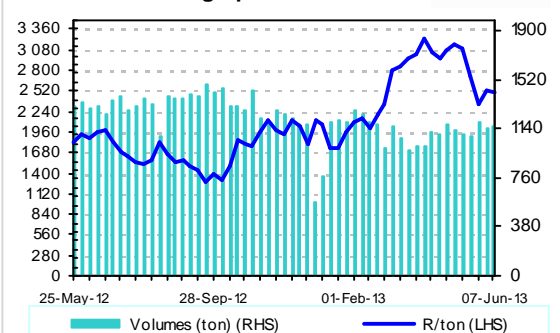
*last two data points are preliminary

Cabbages

Cabbage prices continue to trend lower under pressure due to increased volumes across markets. Weekly cabbage prices closed at R2,346 per ton, down by 13.9% w/w but still 28.1% higher y/y. Volumes traded came in at 1,196 tons, up by 10.7% w/w but still 9.4% lower y/y.

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

Graph 14: Fresh Produce Markets - Cabbage prices



*last two data points are preliminary

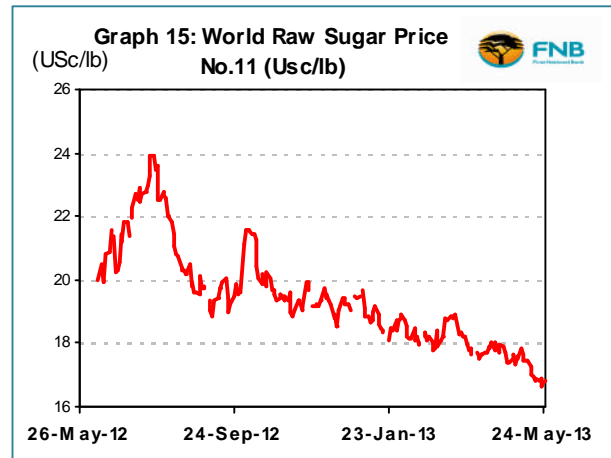
**Vegetable prices: South Africa's Major Fresh Produce Markets.
(Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)**

Week ending 24 May 2013	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	3 633	-12.5%	1.3%	4245	10.7%	18.4%
Potato	3 141	5.3%	29.3%	12575	-3.7%	-6.8%
Onion	5 137	4.0%	75.1%	4291	3.3%	-17.5%
Carrot	3 169	-8.2%	33.5%	1427	14.6%	-8.9%
Cabbage	2 346	-13.9%	28.1%	1196	10.7%	-9.4%

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

Sugar market trends (Graph 15)
International:

- International Raw Sugar prices again posted modest losses on the increased harvest in Brazil and reports that China would cut back on purchases following an increase in stocks.
- 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 0.1% w/w at US17.19c/lb, Mar-14 was up by 0.2% w/w at US18.16c/lb, and May-14 gained 0.1% w/w at US18.30c/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 24 May 2013	Oct-13	Mar-14	May-14	Jul-14	Oct-14
Sugar No.11 (US c/lb)	17.19	18.16	18.30	18.44	18.70
% Change w/w	-0.1%	0.2%	0.1%	0.1%	0.2%

Disclaimer:

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