

Agri-Weekly

31 May 2013

pmakube@fnb.co.za

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

Beef market trends (Graph 1)

International:

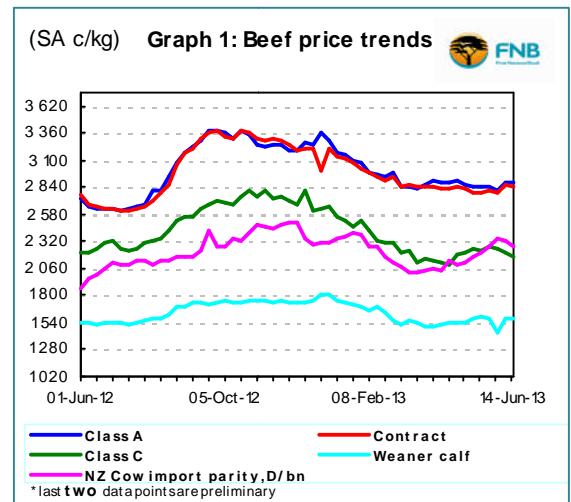
- US lean manufacturing beef prices continued to soften under pressure due to weak demand, unfavourable weather conditions and heavy supplies.
- Market activity on imported beef was reportedly slow with prices trending lower again due to the weaker domestic market.
- At wholesale, US prices trended lower across the board with the Choice category falling by 1.0% w/w but still 5.8% higher y/y at US\$208.32/cwt. Select beef fell by 1.5% w/w but still 1.2% higher y/y at US\$189.14/cwt.
- Estimated weekly US cattle slaughter was 594,000 head, down by 8.3% w/w and 0.7% y/y. Year to date cattle slaughter reached 13.3m head.
- In Australia, the cattle market again posted slight gains on the back of reduced supplies. Scattered rainfall was reported across several producing areas which should somewhat bolster pasture growth heading in to the winter period. The Eastern Young Cattle Indicator (EYCI) gained 1.5% w/w but still 18.4% lower y/y at AU\$2.98/cwt.

Domestic:

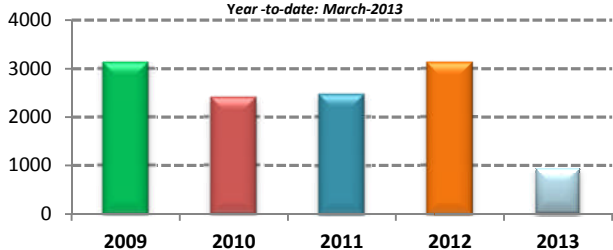
- Beef prices maintained a softer trend on subdued demand.
- Weekly Class A beef prices fell by 1.2% w/w but still 2.8% higher y/y at R28.03 per kg.
- Contract Class A beef prices fell by 0.5% w/w but up 0.6% y/y at R27.93 per kg
- Class C beef was down by 0.8% w/w but still 1.5% higher y/y at R22.44 per kg.
- Weaner calf prices saw sharp losses under pressure due increased supplies. Weekly weaner calf prices fell by 8.9% w/w and 6.4% y/y at R14.42 per kg.

OUTLOOK

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

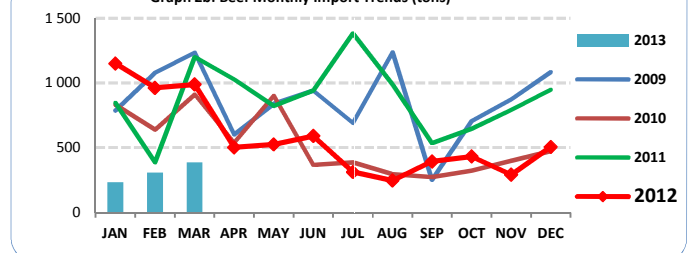


Graph 2a: Beef Import Trends (tons)
Year-to-date: March-2013



Source: SARS, Own Calculations

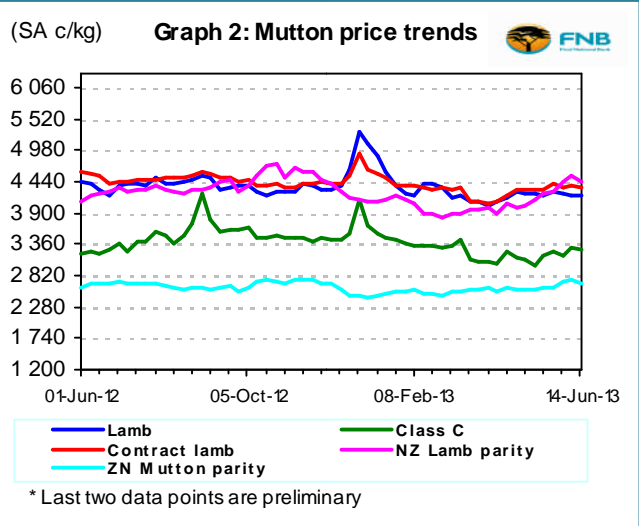
Graph 2b: Beef Monthly Import Trends (tons)



Mutton market trends (Graph 2)

International:

- In New Zealand (NZ), producer prices maintained a firmer trend across most categories.
- Meanwhile, export prices are reportedly trending higher on increased demand due to expectations of reduced supplies of NZ lamb through the winter and early spring periods.
- In Australia, lamb and mutton markets extended recent gains with the Eastern States Trade Lamb Indicator (ESTLI) closing the week up 2.4% w/w and 4.3% y/y at AU\$4.33/kg cwt.
- In the US, the Lamb Carcass Cutout prices were modestly lower by 2.2% w/w and 21.1% y/y at US\$248.58/cwt.
- The estimated weekly US sheep slaughter stood at 34,000 head, down by 15.0% w/w but still 13.3% higher y/y. Year-to-date sheep slaughter was up by 4.0% y/y at 857,000 head.



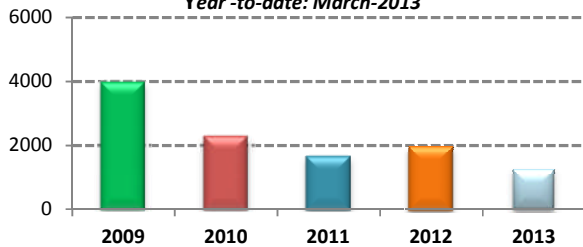
Domestic:

- The lamb and mutton markets ended softer for the week.
- Weekly Class A lamb prices were down by 0.6% w/w and 4.8% y/y at R42.28 per kg.
- Contract Class A lamb prices fell by 1.1% w/w and 5.7% y/y at R43.42 per kg.
- Mutton prices fell by 1.4% w/w and 1.0% y/y at R31.77 per kg.
- Weaner lamb prices steadied at R19.88 per kg, but still down by 12.3% y/y.

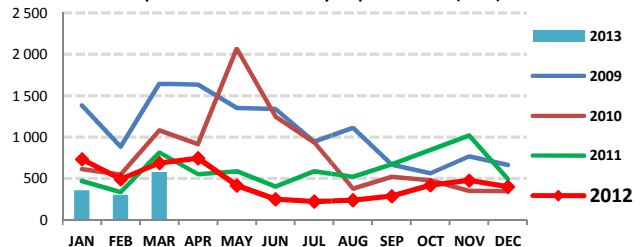
OUTLOOK

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

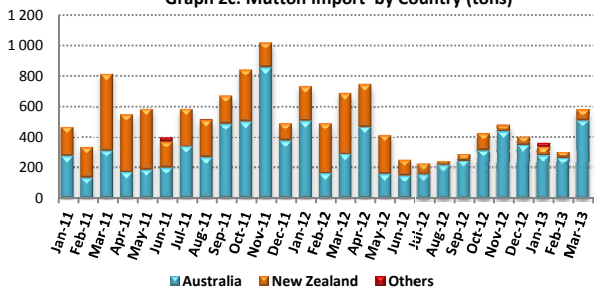
Graph 2a: Mutton Import Trends (tons)
Year-to-date: March-2013



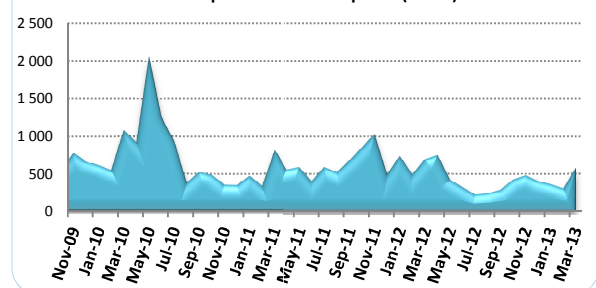
Graph 2b: Mutton Monthly Import Trends (tons)



Graph 2c: Mutton Import by Country (tons)



Graph 2d: Mutton Imports (TONS)



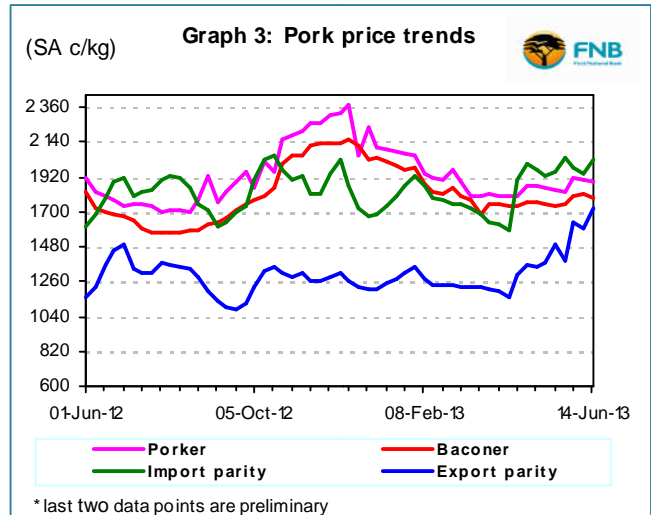
Source: SARS, Own Calculations

Pork market trends (Graph 3)
International:

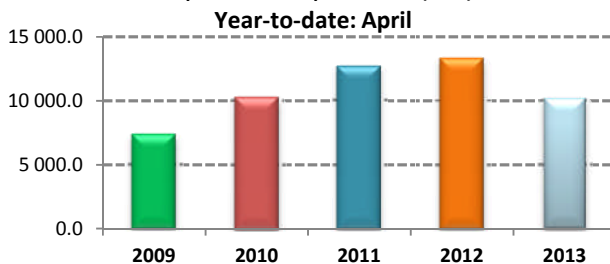
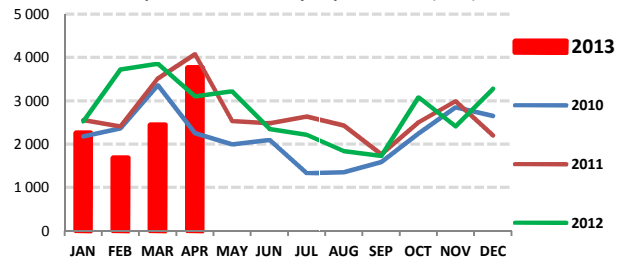
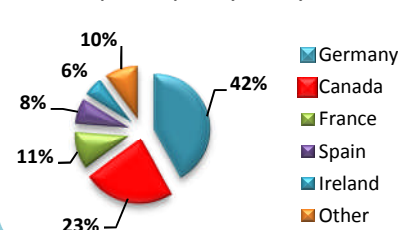
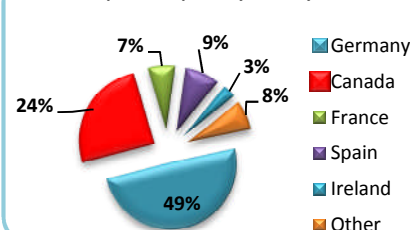
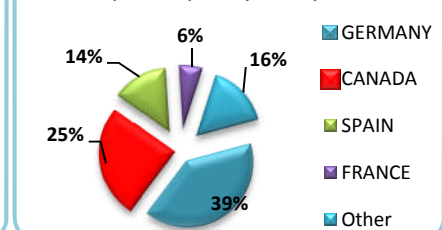
- The US Pork Carcass (FOB Plant) gained 0.6% w/w and closed at US\$94.57/cwt.
- Estimated weekly slaughter was 1.9m head, down by 9.1% w/w but still 2.4% higher y/y. The estimated year to date slaughter reached 46.3m head, down by 0.4% y/y.
- US total pork in cold storage as of 30 April 2013 were reported 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 markets saw slight to moderate gains on improved demand.
- Weekly porker prices closed at R19.12 per kg, up by 4.5% w/w but still down by 0.5% y/y.
- Baconer prices increased by 2.6% w/w at R18.00 per kg, but still 1.8% lower y/y.
- Import parity prices eased lower mainly due to weaker international prices despite a weaker Rand.
- 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.

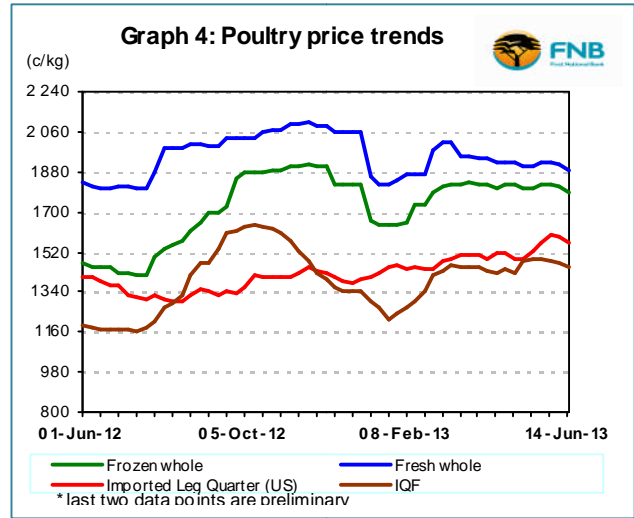
Graph 3a: Pork Import Trends (tons)

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 retail and food service demand was reportedly light to moderate closing out the month. Floor stocks are mixed.
- Market activity was slow to moderate with a slight improvement in the part structure ahead for the weekend.
- Whole bird prices were up by 0.3% w/w and 11.0% y/y at US104.92c/lb.
- Leg quarters eased marginally lower by 0.3% w/w and unchanged at US55.17c/lb.
- Breast cuts were up by 0.4% w/w and 24.9% y/y at US135.33c/lb.
- Wings gained 0.6% w/w to close at US136.17c/lb, but still down by 25.8% 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.



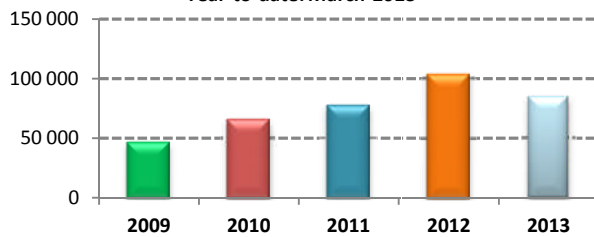
Domestic:

- The broiler market maintained a steady to firmer trend. Weekly frozen whole bird prices steadied at R18.24 per kg, up 23.7% y/y. Fresh whole bird prices also moved sideways for the week at R19.25 per kg, but still 5.2% higher y/y.
- Individually Quick Frozen portions gained 2.1% w/w and 13.0% y/y, closing at R15.93 per kg.
- Import parity prices increased by 2.1% w/w and 13.0% y/y, mainly due to softer international prices.

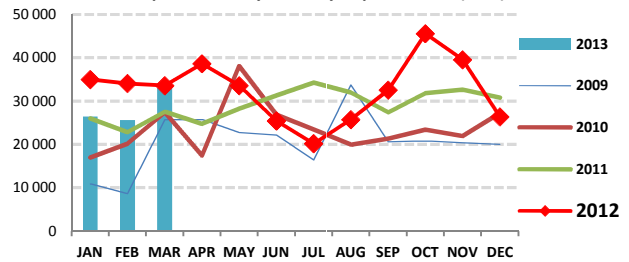
OUTLOOK

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

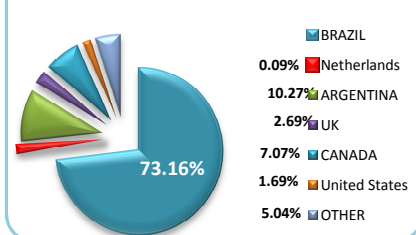
Graph 4a: Poultry Import Trends
Year-to-date: March-2013



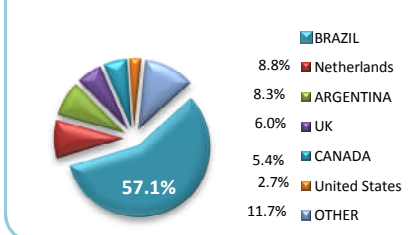
Graph 4b: Poultry Monthly Import Trends (tons)



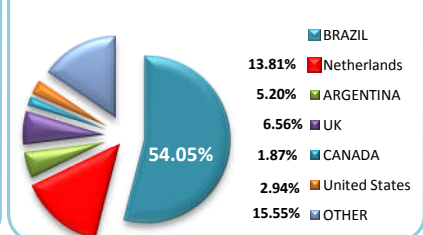
Graph 4c: Imports by Country - 2010



Graph 4d: Imports by Country - 2011



Graph 4e: Imports by Country - 2012



Source: SARS, Own Calculations

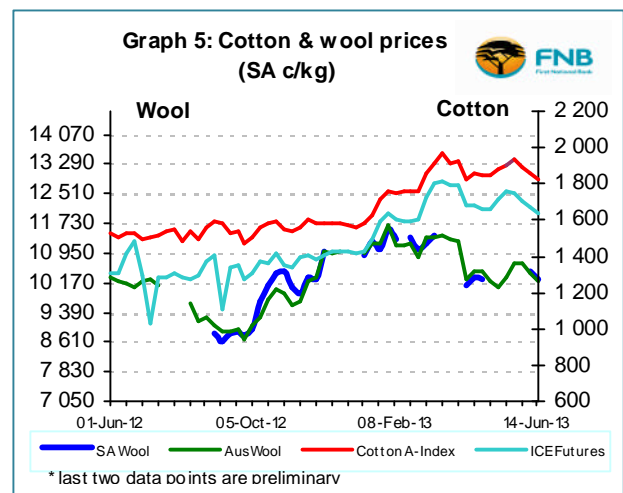
Producer prices for selected livestock commodities 31 May 2013	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh whole birds(R/kg)	28.03	42.28	19.12	19.25
Open market: Class C / Baconer / Frozen whole birds(R/kg)	22.44	31.77	17.30	18.24
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	27.93	43.42	18.00	14.80
Import parity price (R/kg)	22.86	26.62	20.80	15.64
Weaner Calves / Feeder Lambs (R/kg)	14.42	19.88		

Wool and cotton market trends (Graph 5)
International:

- Cotton prices continued to weaken on demand concerns and ideas of good weather for US crops.
- Negative economic news out of a slowdown China raised concerns over demand from the world largest importer and consumer.
- Weather conditions were reportedly favourable to increase the planting pace in some of the growing areas of the US.
- The cotton A index fell by 2.6% w/w but still 9.1% higher y/y at US89.80c/lb.
- Cotton Futures on ICE: Cotton for Jul-13 fell by 3.0% w/w at US79.36c/lb, Oct-13 was down by 1.6% w/w at US81.89c/lb, and Dec-13 was down by 1.9% w/w at US82.06c/lb.
- Wool: In Australia, the wool market eased marginally lower with the weekly Eastern Market Indicator (EMI) falling by 0.5% w/w and 5.7% y/y at AU\$10.33 per kg clean wool.
- Volumes offered were pegged at 34,497 bales with sales reaching 90.7%.

Domestic:

- There was no sale for the week. The wool market was stronger during the last sale 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 31 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	106.58		
19 μ long length wool (R/kg)	112.93	110.49	11.40	10.90
21 μ long length wool (R/kg)	105.62	106.84	10.90	10.40
23 μ long length wool (R/kg)	102.06	106.65	9.70	9.20
	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)		1.98	1.80	1.81

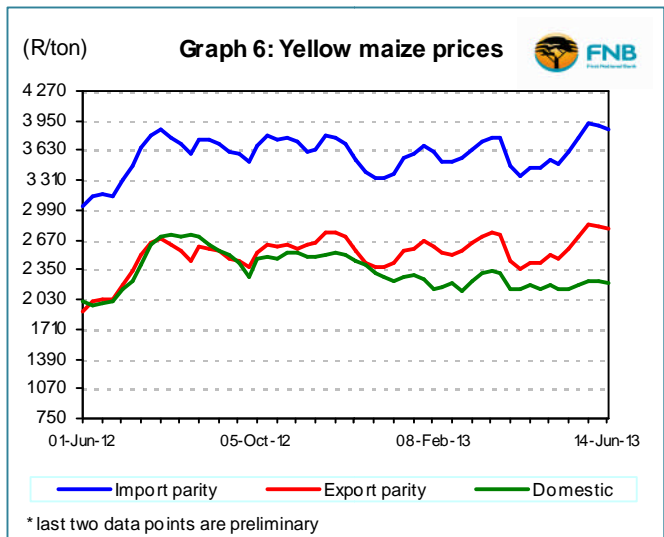
Cotton Futures on the InterContinental Exchange (ICE); South Africa – previous sale

Yellow maize market (Graph 6)
International:

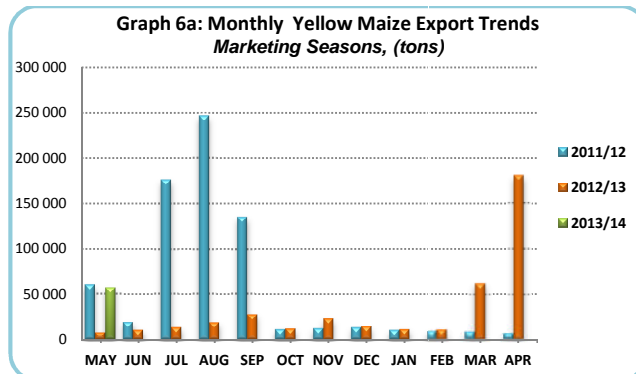
- US maize prices were firmer due to heavy rains in the US western maize areas.
- Planting progress advanced to 86.0% planted as of May 26th, but the areas made only limited progress during the week.
- The current US maize planting progress is still slightly behind the 5-year average of 90.0% planted this time of the year.
- This could lead to a possible loss of maize areas and a switch
- Weekly ethanol production pulled back by 12,000 barrels/day to 863,000.
- Demand from other sectors is reportedly weak.

Domestic:

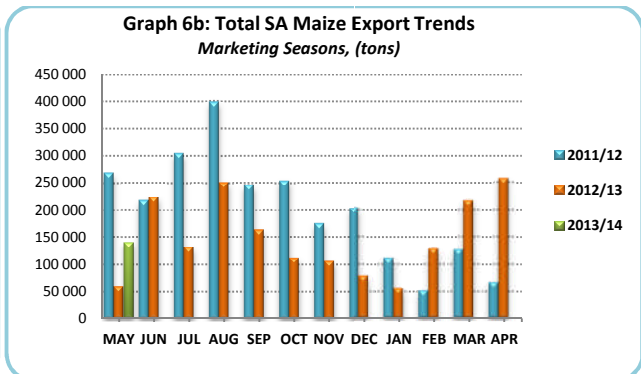
- Yellow maize prices extended gains on supportive Rand and gains on international markets.
- Weekly yellow maize prices closed at R2,228 per ton, up by 1.7% w/w and 11.1% y/y.
- In the futures market: YMAZ for Jul-13 increased by 8.4% w/w (+R183/t), Sep-13 was up by 8.4% w/w (+R185/t).


OUTLOOK

Prices are expected to trend sideways with limited upward potential in the short term as the Rand pulls back from the earlier lows.



Source: SAGIS



Yellow Maize Futures 31 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14
CBOT (\$/t)	260.83	235.30	223.48	227.34	229.54
JSE (R/t)	2 350	2 385	2 432	2 411	2 152
CHICAGO CORN (R/t)	2 644	2 408	2 313	-	-

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
2 400	99	49	2 420	156	121	2 480	201	153
2 360	76	66	2 380	134	139	2 440	179	171
2 320	56	86	2 340	114	159	2 400	158	190

White maize market trends (Graph 7)
International:

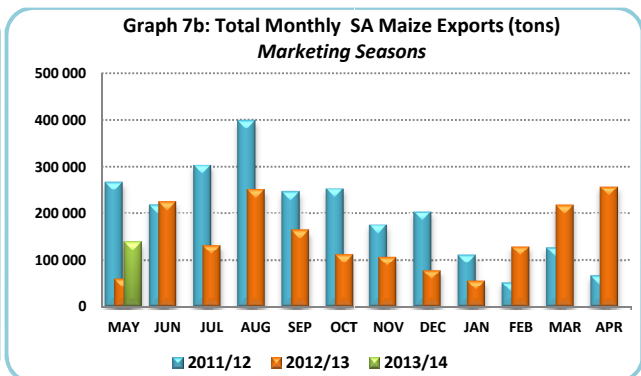
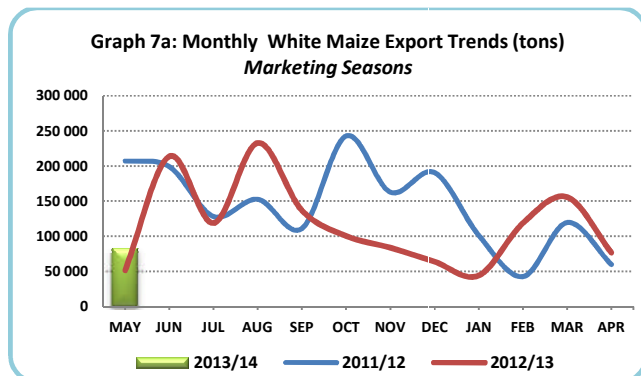
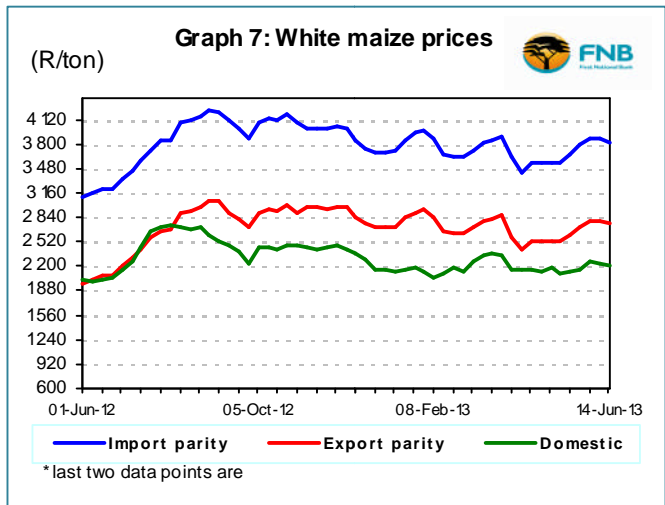
- US white maize spot prices were firm on weather concerns over unfavourable planting weather.
- The weekly average white maize prices closed at US\$281 per ton, unchanged w/w but 17.7% up on last year this time.

Domestic:

- White maize prices posted strong gains on the back of a sliding Rand and strength on the international markets.
- Weekly white maize prices gained 4.1% w/w and 10.8% y/y to close at R2,251 per ton.
- WMAZ for Jul-13 was up by 7.9% w/w (+R173/t), and Sep-13 was up by 7.7% w/w (+R173/t).

OUTLOOK

Prices are expected to trend sideways with limited upward potential in the short term as the Rand pulls back from the earlier lows.



Source: SAGIS;

White Maize Futures 31 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14			
JSE (R/t) WM ₁	2 369	2 407	2 456	2 462	-			
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
2 400	93	62	2 440	142	109	2 500	218	174
2 360	71	80	2 400	121	128	2 460	195	191
2 320	53	102	2 360	101	148	2 420	174	210

Wheat market trends (Graph 8)
International:

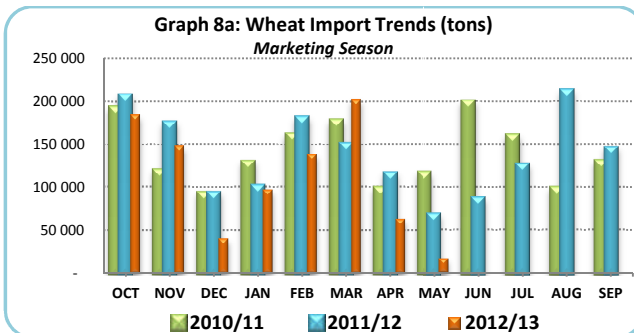
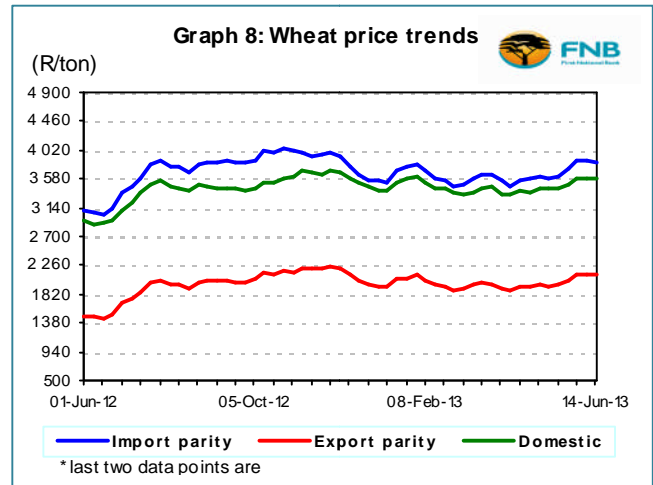
- The wheat markets rallied despite facing the potentially disastrous news that GMO wheat was discovered on an Oregon farm in US.
- However, reports that Asian importers have immediately suspended purchases until the scope of the situation is known helped limit gains.
- Wheat in the southern plains of the US continue to see some damage with winter wheat crop progress rating coming in at 42.0% poor and 31.0% in good to excellent conditions.
- Elsewhere in the world, Russian wheat exports were reported at 16.0m tons which is 2.0m below the USDA's recent estimate of 18m tons.

Domestic:

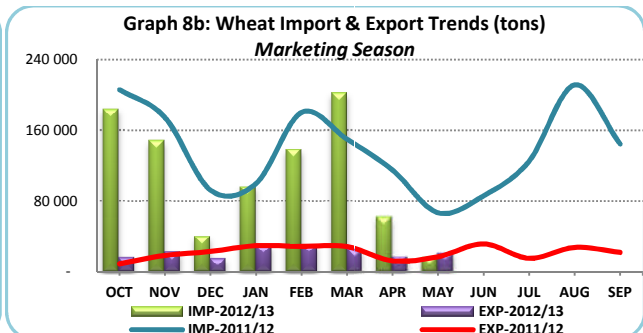
- Wheat prices continued to post strong gains on supportive Rand and gains on international markets. The Rand slumped to a new 4-year low of R10.28/ US dollar during the week.
- Weekly wheat prices closed at R3,581 per ton, up by 2.8% w/w and 34.4% y/y.
- Import sales for the week ended 31 May came in 5 289 tons.

OUTLOOK

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



Source: SAGIS;



Wheat Futures 31 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14			
KCBT (\$/t)	275.95	279.25	286.09	291.16	294.02			
JSE (R/t)	3 707	3 667	3 480	-	-			
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
3 740	80	47	3 700	183	150	3 520	209	169
3 700	59	66	3 660	161	168	3 480	187	187
3 660	41	88	3 620	141	188	3 440	167	207

Oilseed market trends (Graph 9)
International:

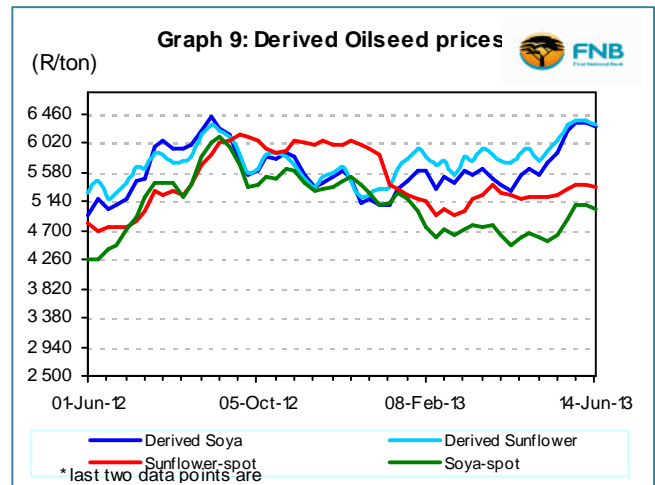
- Prices were again mixed in the soybean complex, with soybeans and meal maintaining a firmer trend.
- Soyoil was the exception, easing marginally lower on weakness in the energies markets.
- Soybeans still posted solid gains as old crop supplies remained tight.
- Strong export demand for new crop also supported new crop months on renewed demand from China.
- Soybean planting came in at 44.0% complete as of May 26, way behind the 5-year average of 61.0%. Planting delays are expected due to wet conditions that hampered the maize planting in some areas.

Domestic:

- Oilseeds traded on the JSE again posted modest gains mainly due to a weaker Rand.
- Weekly sunflower prices closed at R5,397 per ton, up by 1.4% w/w and 12.3% y/y.
- Soybeans were up by 4.3% w/w and 19.5% y/y at R5,073 per ton.
- SAFEX Futures: Soybeans for Jul-13 gained 5.4% w/w (+R269/t), Sep-13 was up by 5.5% w/w (+R276/t), and Dec-13 gained 5.3% w/w (+R267/t).
- Sunflower for Jul-13 was up by 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 31 May 2013	Jul-13	Sep-13	Dec-13	Mar-14	May-14
CBOT Soybeans (US \$/t)	554.83	495.01	-	481.42	480.09
CBOT Soya oil (US c/lb)	48.38	48.21	47.81	47.81	47.82
CBOT Soya cake meal (US\$/t)	492.95	447.54	424.28	425.05	423.18
JSE Sunflower seed (R/t)	5 527	5 622	5 737	-	-
JSE Soybean seed (R/t)	5 238	5 307	5 351	-	-

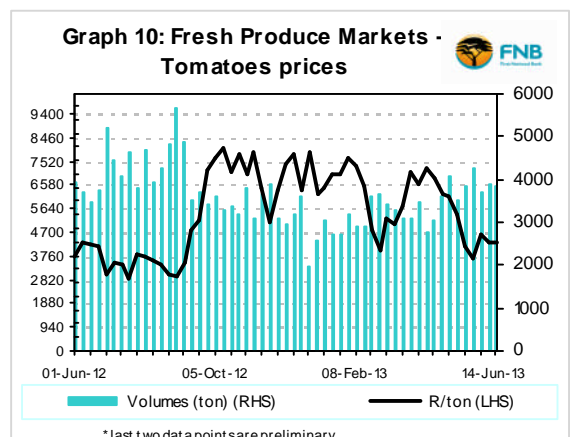
Calculated Sunflower Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)

Jul-13			Sep-13			Dec-13		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5 560	176	143	5 660	343	305	5 780	379	336
5 520	155	162	5 620	321	323	5 740	358	355
5 480	136	183	5 580	301	343	5 700	337	374

Vegetable Market Trends (Graphs 10 to 14)
Tomatoes

Tomato prices posted sharp gains due to a significant reduction in supplies across markets. Weekly tomato prices closed at R4,624 per ton, up by 27.3% w/w and 22.6% y/y. Volumes traded came in at 3,690 tons, down by 13.1% w/w and 6.7% y/y.

Prices are expected to soften in the short term on limited uptake.

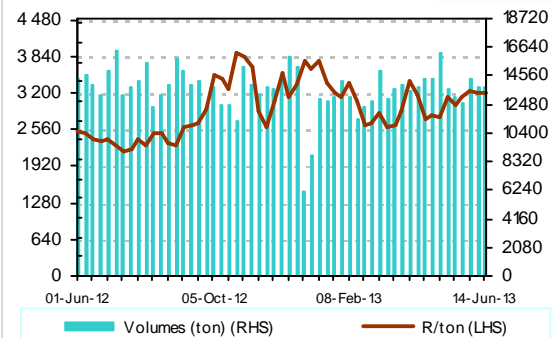


Potatoes

The potato market saw modest gains on improved uptake despite increased supplies. Weekly potato prices closed at R3,245 per ton, up by 3.3% w/w and 27.8% y/y. Volumes traded reached 14,378 tons, up by 14.3% w/w and 0.6% y/y.

Prices are expected to trend sideways with limited upward potential on volume pressure.

Graph 11: Fresh Produce Markets - Potatoes prices

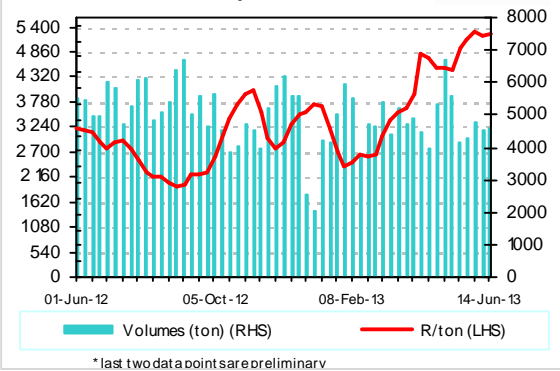


Onions

Onion prices finished modestly higher on improved demand across markets. Weekly onion prices gained 3.2% w/w and 65.3% y/y, closing at R5,302 per ton. Volumes traded reached 4,757 tons, up by 10.9% w/w but still 13.5% 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

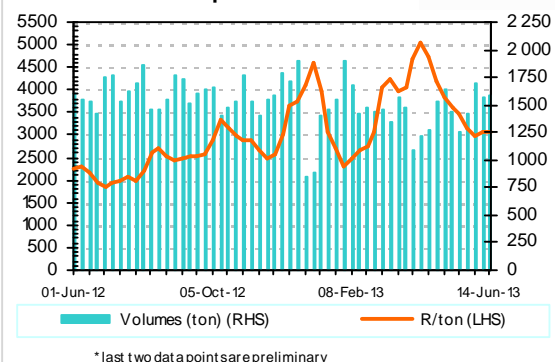


Carrots

Carrot prices posted modest losses under pressure due to increased supplies across markets. Weekly carrot prices closed at R2,965 per ton, down by 6.4% w/w but still 31.6% higher y/y. Volumes traded were pegged at 1,692 tons, up by 18.6% w/w and 4.9% y/y.

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

Graph 13: Fresh Produce Markets - Carrot prices

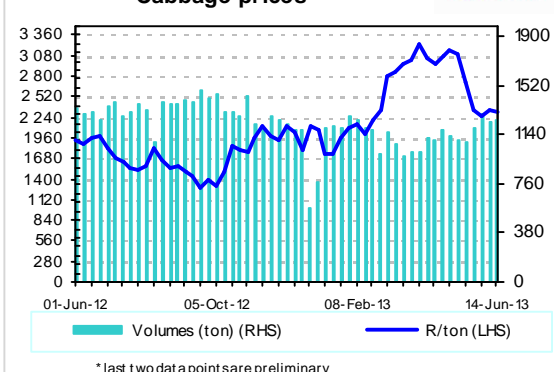


Cabbages

Cabbage continued to slide lower on volume pressure. Weekly cabbage prices closed at R2,266 per ton, down by 3.4% w/w but still 17.5% higher y/y. Volumes traded came in at 1,294 tons, up by 8.1% w/w but still 4.0% 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



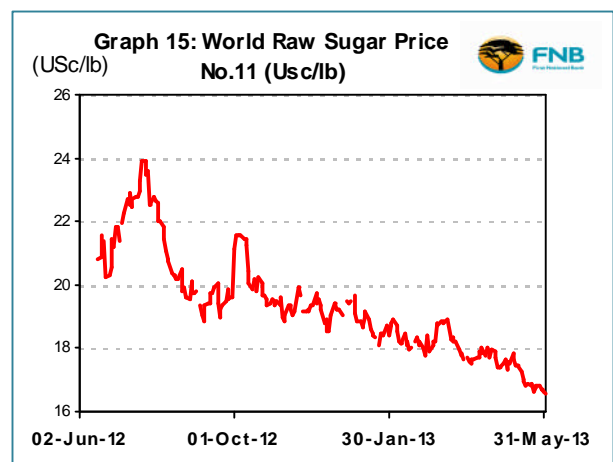
**Vegetable prices: South Africa's Major Fresh Produce Markets.
 (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)**

Week ending 31 May 2013	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	4 624	27.3%	22.6%	3690	-13.1%	-6.7%
Potato	3 245	3.3%	27.8%	14378	14.3%	0.6%
Onion	5 302	3.2%	65.3%	4757	10.9%	-13.5%
Carrot	2 965	-6.4%	31.6%	1692	18.6%	4.9%
Cabbage	2 266	-3.4%	17.5%	1294	8.1%	-4.0%

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

Sugar market trends (Graph 15)
International:

- International Raw Sugar prices extended recent 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 fell by 1.2% w/w and 15.1% y/y, closing at a new record low of US16.78c/lb.
- Futures on the InterContinental Exchange: Raw sugar for Oct-13 was down by 1.7% w/w at US16.90c/lb, Mar-14 fell by 1.7% w/w at US17.86c/lb, and May-14 fell by 2.0% w/w at US17.93c/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 31 May 2013	Oct-13	Mar-14	May-14	Jul-14	Oct-14
Sugar No.11 (US c/lb)	16.90	17.86	17.93	18.01	18.23
% Change w/w	-1.7%	-1.7%	-2.0%	-2.3%	-2.5%

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.