

# Agri-Weekly

06 June 2014

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## Beef market trends (Graph 1)

### International:

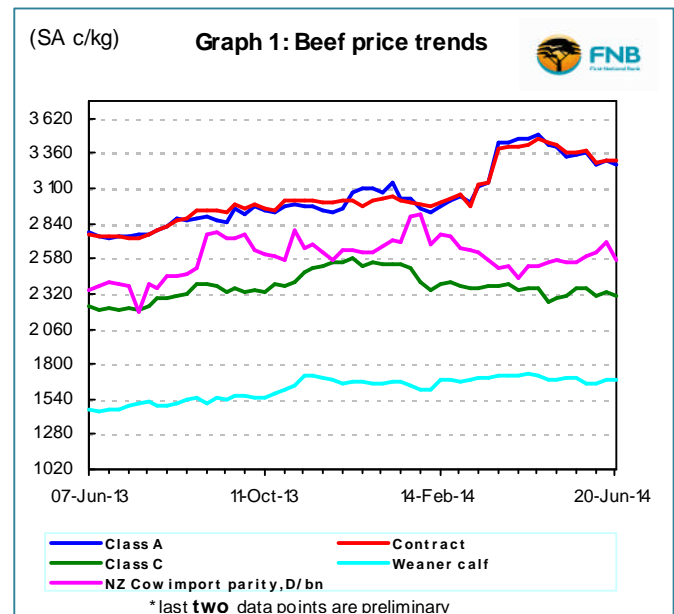
- The US manufacturing beef were steady to firm on moderate demand and offerings.
- Good seasonal demand provided support for the import market.
- At wholesale level, US beef cutout values moved marginally lower with Choice beef closing down 1% w/w but up 14% y/y at US\$232/cwt. Select beef was softer at US\$222/cwt, but up 21% y/y.
- The CME Feeder Cattle Index reached a new high at US\$195.61/cwt, up 2% w/w and 46% y/y.
- Weekly number of cattle slaughtered in the US reached 614,000 head, up 14% w/w but down by 5% y/y. The cumulative year to date slaughter reached 13.01m head, down 6% y/y.
- MLA reports that cattle supplies in Australia fell by 8% w/w to 27,766 head due rains across some supply regions. Victoria and Southern Australia regions were the exception with supplies increasing by 8% and 11% respectively.
- The Eastern Young Cattle Indicator advanced further, closing up 1% w/w and 10% y/y at AU\$3.36/kg cwt.

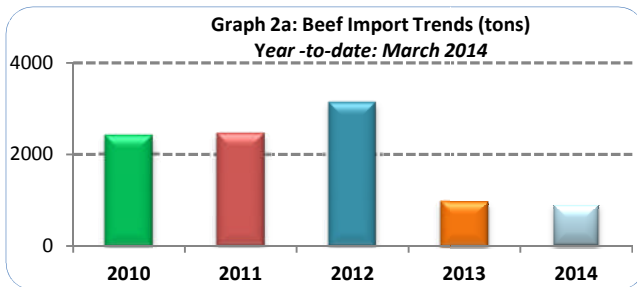
### Domestic:

- Beef prices were down across most categories as demand slipped towards midmonth.
- Weekly Class A beef prices fell by 2.7% w/w and closed at R32.74 per kg, but up 18% y/y.
- Contract Class A beef prices closed at R32.89 per kg, down by 2.7% w/w but up 19% y/y.
- Class C prices decreased by 2.8% w/w but still up by 3% y/y at R23.01 per kg.
- In the weaner market, prices remained steady at R16.56/ kg live weight but still down by 14% y/y.

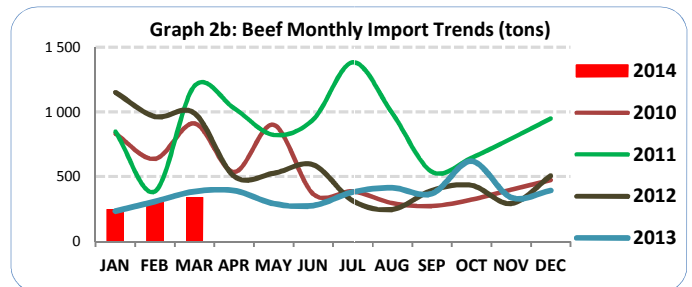
### OUTLOOK

Beef prices are expected to ease somewhat in the medium term on moderation in demand.





Source: SARS, Own Calculations



### Mutton market trends (Graph 2)

#### International:

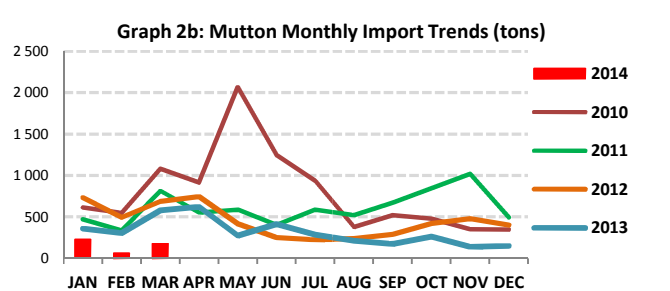
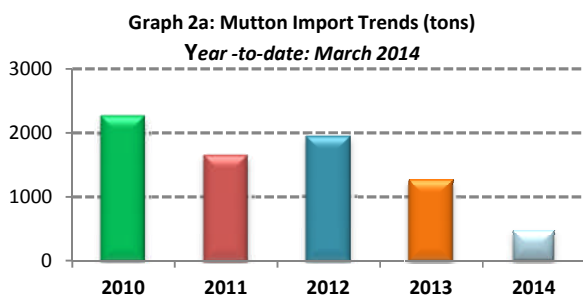
- In New Zealand (NZ), producer prices were mostly higher with the 17.5kg lamb advancing on the week to NZ\$110.70/ head, up by 19% y/y. Mutton prices were firmer at NZ\$66.90/ head,
- The NZ production season is tailing off for the winter period and frozen supplies for export are expected to be tight.
- Production during April dropped by 9% y/y at 38,992 ton cwt, according to reports. The decrease is largely due to an 11% reduction in lambs slaughtered, estimated at 2.2m head. In the case of mutton, production for April was reported at 5,607 tons cwt, down by 25% y/y but still 3% above the five year average. Total sheep slaughtered came in at 235,640 head, down 26% y/y.
- In Australia, the Eastern Trades Lamb Indicator regained some ground and finished up by 6% w/w and 32% y/y at AU\$5.94/kg cwt.
- In the US, the domestic Lamb Carcass Cutout prices bottomed out and finished marginally higher at US\$331/cwt, up 35% y/y. Weekly sheep slaughtered came in sharply higher by 15% w/w at 39,000 head, but still down by 7% y/y. The cumulative year to date sheep slaughter reached 914,000 head.

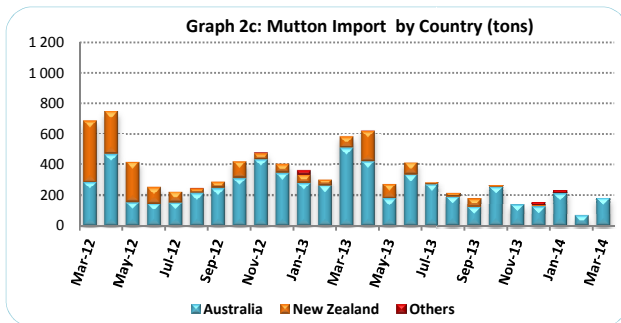
#### Domestic:

- The market reversed course with prices down across the board on sluggish demand.
- Weekly Class A lamb prices eased by 1% w/w at R44.29 per kg, but up 7% y/y.
- Contract Class A lamb prices fell by almost 3% w/w at R45.11 per kg, but up 6% y/y.
- Mutton prices decreased by 5% w/w but still up by 2% y/y at R32.56 per kg.
- Weaner lamb prices reversed recent gains and declined on weak demand across markets. Weekly weaner lamb prices fell by 4% w/w but up 9% y/y at R21.26 per kg live weight.

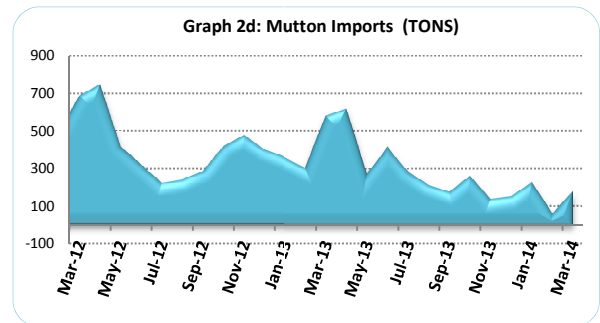
### OUTLOOK

Prices are expected to trend sideways with limited upward potential in the medium term on softer demand.





Source: SARS, Own Calculations



### Pork market trends (Graph 3)

#### International:

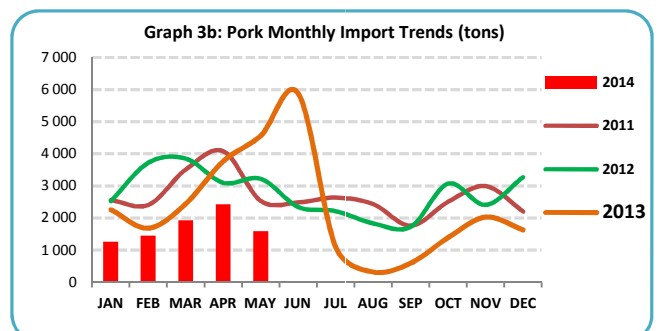
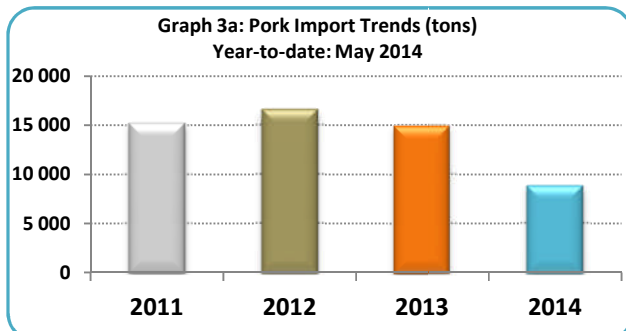
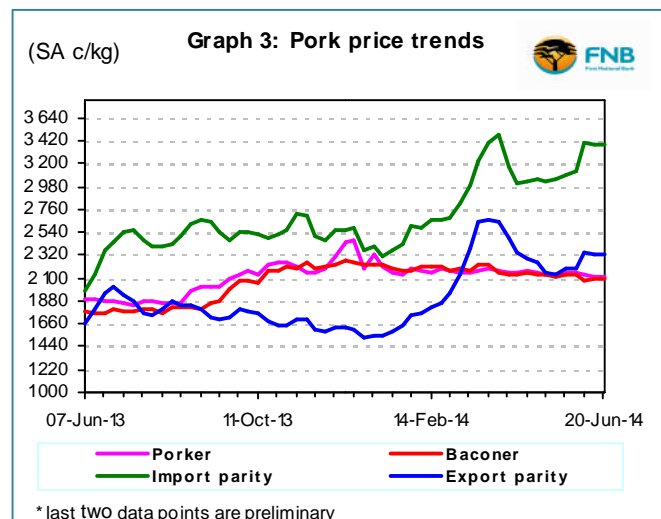
- The US Pork Carcass (FOB Plant) Cutout prices rebounded strongly to close the week at US\$118.87cwt, up 4% w/w and 24% y/y.
- Weekly number of pigs slaughtered in the US came in sharply higher at 1.93m head, up 10% w/w and but still 4% higher y/y.
- The cumulative year to date pig slaughtered in the US reached 46.24m head, down 4% y/y.
- World supplies for 2014 are expected to tighten across most regions with the exception of China, according to recent forecasts.
- International pork prices have been relatively strong on concerns over supplies due to the outbreak of the Porcine Epidemic Diarrhea in the US and other parts of the world. However, this has so far not curtailed exports.

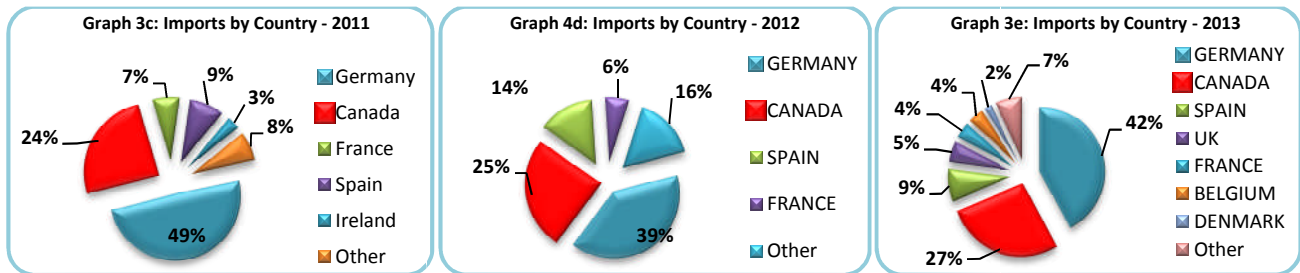
#### Domestic:

- The proker and baconer market saw slight losses as demand slipped towards midmonth.
- Weekly porker prices were slightly down at R21.24 per kg, but still up 12% y/y.
- Baconer prices eased to R20.68 per kg, down 3% w/w but up 17% y/y.
- Import parity prices extended recent gains on renewed weakness in the Rand/ US dollar exchange rate. Weekly import parity prices increased by 9% w/w and 73% y/y.
- Monthly pork import sales for May 2014 came in sharply lower by 34% m/m and 65% y/y at 1,594 tons. On a year to date basis, total pork imports for 2014 were down by 41% y/y and reached 8,663 tons.
- Major import sources were Germany which accounted for 44% in May and 50% year to date, France (17% and 8% yr-date), Canada (14% and 18% yr-date), and Spain (11% and 7% yr-date).

#### OUTLOOK

It is expected that prices will retain the current momentum in the short to medium term due to moderation in demand.





## Poultry market trends (Graph 4)

### International:

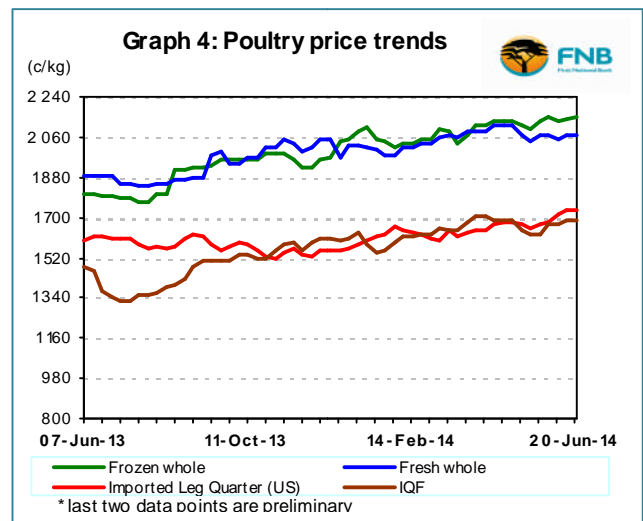
- US prices trended sideways across most categories with the exception of breast cuts.
- Demand at retail and food service was reportedly light to good, mostly moderate ahead of the weekend.
- Market activity for the portions category was reportedly slow to moderate with dealers experiencing problems with trucking.
- Whole bird prices were firmer at US110c/lb, which is up 5% y/y.
- Leg Quarter prices maintained a sideways trend and almost unchanged y/y at US56c/lb.
- Breast cut prices closed at US130c/lb, almost unchanged w/w but still down by 4% y/y.
- Wing prices were firmer at US133c/lb, but still down by 3% y/y.
- Drumstick prices steadied at US68c/lb, but down by 5% y/y.
- In the weekly US Broiler Hatchery report, egg sets for the week ended 31 May 2014 came in up 1% y/y at 215m. Average hatchability for chicks remains at 83.0%. The broiler chick placement was slightly down on last year at 172m head. Cumulative broiler placements from December 29, 2013 through May 31, 2014 were slightly down y/y at 3.76 billion head.

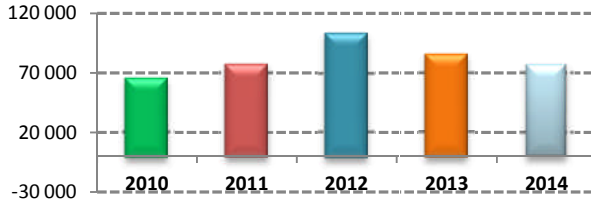
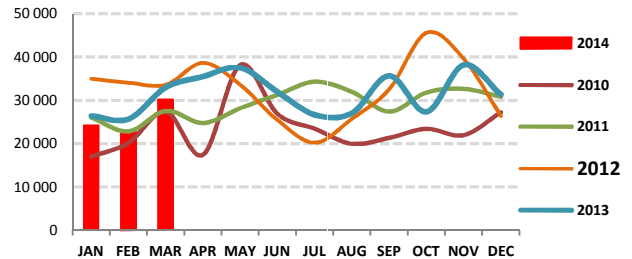
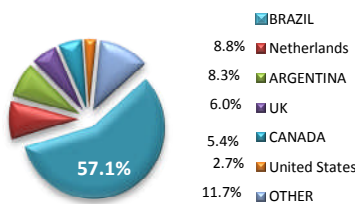
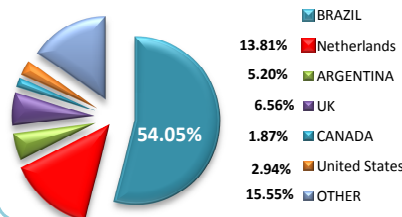
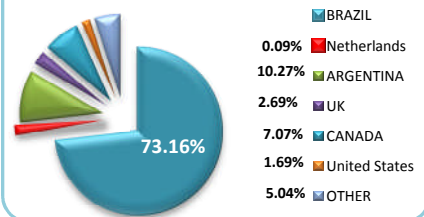
### Domestic:

- Prices ended softer across most categories with the exception of the Individually Quick Frozen (IQF) category. Market activity was reportedly sluggish as a result of weak uptake. Market sentiment remains bearish as recent indicators point to a further weakening of the domestic economy.
- Meanwhile, the poultry/ maize price ratio continues to improve mainly due to the decrease in the price of maize. The ratio is widely used as an indicator of profitability in the industry.
- Import parity prices continued to increase due the further weakening in the Rand/ US dollar exchange rate.
- Weekly fresh whole bird prices ended at R20.54 per kg, down 1% w/w but up by 9% y/y.
- Frozen whole bird prices reversed recent gains, closing down 1% w/w and 18% y/y at R21.28/ kg.
- Individually Quick Frozen portions (IQF) steadied at R16.74/ kg, but still up 13% y/y.

## OUTLOOK

It is expected that prices will soften in the medium term on weak seasonal demand. The second half of the year will see some improvement in producer margins as feeding costs decrease on the back of lower maize prices.



**Graph 4a: Poultry Import Trends**  
 Year-to-date: March -2014

**Graph 4b: Poultry Monthly Import Trends (tons)**

**Graph 4d: Imports by Country - 2011**

**Graph 4e: Imports by Country - 2012**

**Graph 4c: Imports by Country - 2013**


Source: SARS, Own Calculations

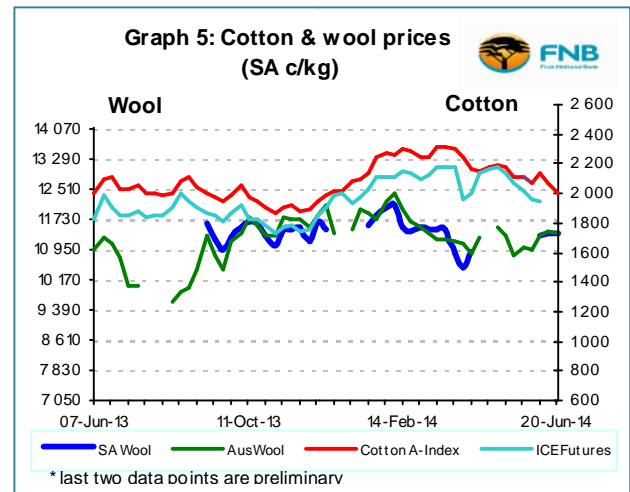
Producer prices for selected livestock commodities 06 May 2014	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh whole birds(R/kg)	32.74	44.29	21.24	20.54
Open market: Class C / Baconer / Frozen whole birds(R/kg)	23.01	32.56	20.00	21.28
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	32.89	45.11	20.68	16.74
Import parity price (R/kg)	26.36	36.14	34.07	17.15
Weaner Calves / Feeder Lambs (R/kg)	16.56	21.26		

**Wool and cotton market trends (Graph 5)**
**International:**

- The world cotton indicator price, Cotlook "A" Index, finished slightly higher at US90.89c/lb.
- Futures were however mostly lower on favourable weather and improved production prospects.
- The ICE Oct settlement prices were down 1% w/w at US\$77.50c/lb. The Dec-14 settlement was down 0.5% w/w at US\$78.00c/lb.
- Elsewhere, production conditions were reportedly good in India and Pakistan due to rains in the south and some areas in the north.
- Wool: In Australia, the wool market saw marginal losses with Eastern Market Indicator (EMI) closing down 1.4% y/y at AU\$10.37/kg clean wool.

**Domestic:**

- The final sale of the 2013/14 season saw gains on the domestic wool market as a result of good demand and a supportive Rand.
- The Cape Wools Merino indicator increased by 3.2% compared to the previous sale and was 2.4% higher than the last year, closing at R112.91/ kg clean wool.
- At this level, the indicator was down by almost 1% compared to the current season's average but 7% higher than the opening sale of the 2013/14 season.
- Major buyers were Standard Wool SA with 4,844 bales (31.1%), Lempriere SA with 3,645 bales (23.4%), G Modiano SA with 2,904 bales (18.6%), and Stucken & Co with 2,000 bales (12.8%).



Fibre market prices 06 May 2014	SA prices (R/kg)	Australian prices (R/kg)	Australian futures Sep-14 (AU\$/kg)	Australian futures Nov-14 (AU\$/kg)
Wool market indicator (R/kg)	112.91	103.40		
19 $\mu$ long length wool (R/kg)	-	116.71	11.20	11.20
21 $\mu$ long length wool (R/kg)	-	113.76	10.90	10.90
23 $\mu$ long length wool (R/kg)	-	112.07	9.70	9.70
Fibre market prices 06 May 2014	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	Cotton Futures Oct-14 (US\$/kg)	Cotton Futures Dec-14 (US\$/kg)
Cotton Prices (R/kg)	21.36	2.00	1.71	1.72

*Cotton Futures on the InterContinental Exchange (ICE);*

### Yellow maize market (Graph 6)

#### International:

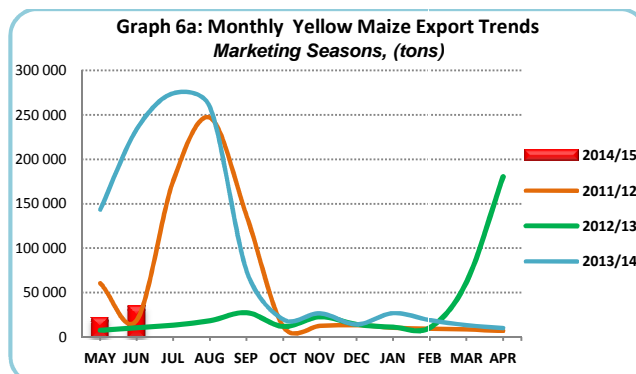
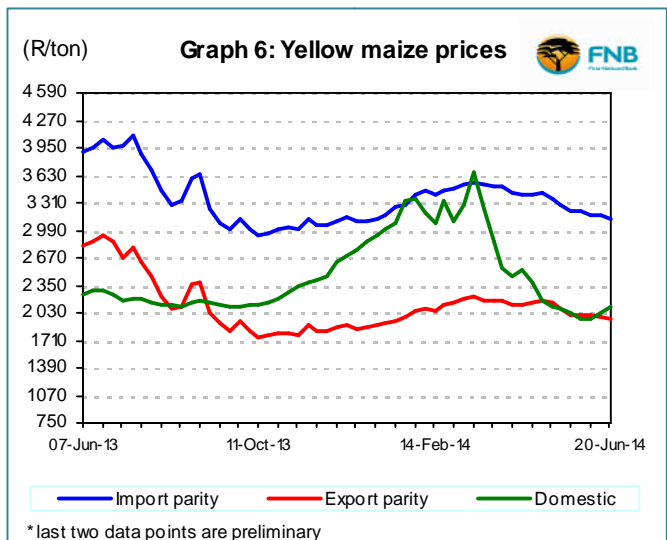
- US maize prices continued to post losses due to favourable production conditions for crop development.
- Some big storms moved through western and southern sections of the Midwest and significant hail and wind damage was reported.
- Early in the week, the first crop conditions report of the year showed the good to excellent condition ratings at 76%, not far from the 2007 record of 78%, and well above the 20-year average of 69%.
- The International Grains Council reduced its estimate of world production in the May 2014 outlook report. World maize production is now forecast to reach 955m tons, down 1% due to lower yields.
- World stocks are expected to reach a 7 year record of 398m tons, up 17% y/y.
- World demand is expected to grow further in 2014/15, reaching 947m tons. However, growth in feed and industrial uses will be much slower compared to last year.
- This remains a bearish feature for prices in the medium to longer term.

#### Domestic:

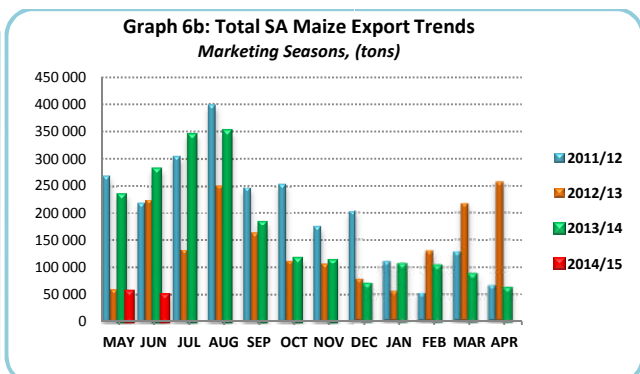
- Yellow maize prices extended losses despite a weaker Rand on expectations of a very large harvest and the spill over weakness from the international market.
- Weekly yellow maize prices fell by 1% w/w and 10% y/y at R1,953 per ton.
- Yellow maize export sales for the 2014/15 marketing season were pegged at 33,854 tons and 54,424 tons for the season to date.

### OUTLOOK

Futures are already trending lower in response to the large harvest this winter and this trend is expected to continue in the medium term.



Source: SAGIS



Yellow Maize Futures 06 May 2014	Sep-14	Dec-14	Mar-15	May-15	July-15
CBOT (\$/t)	180.45	180.22	183.76	186.36	188.73
JSE (R/t)	1 986	2 035	2 041	-	2 018
CHICAGO CORN (R/t)	1 931	1 955	-	-	-

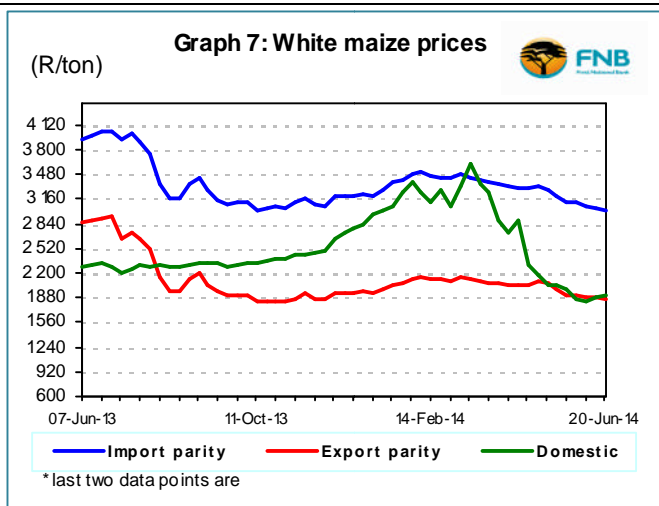
Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Sep-14			Dec-14			Mar-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 040	124	88	2 100	170	125	2 100	180	137
2 000	102	106	2 060	147	142	2 060	158	155
1 960	83	127	2 020	126	161	2 020	137	174

**White maize market trends (Graph 7)**
International:

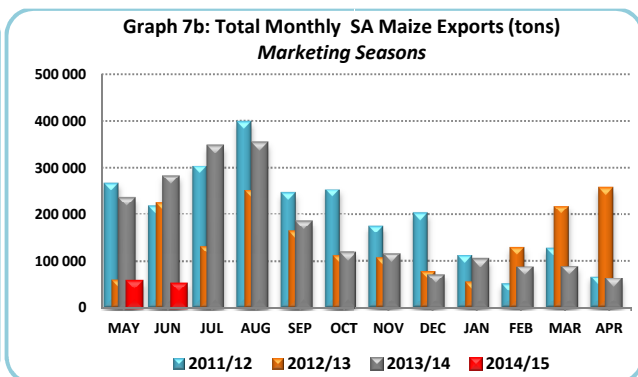
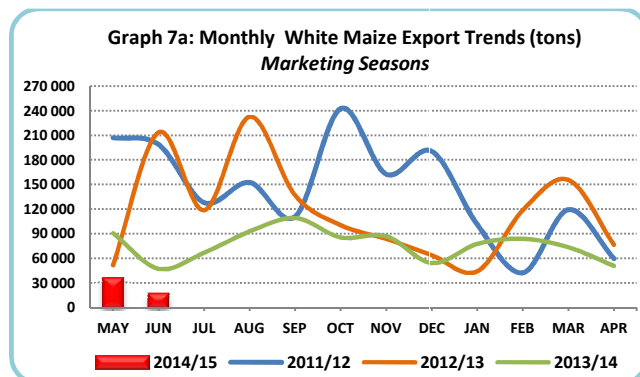
- US white maize continued to trend lower on favourable crop conditions and better crop progress ratings.
- Weekly white maize prices were modestly lower at US\$177/ton, down 3% w/w and 35% y/y.

Domestic:

- The South African white maize prices continued to post losses on harvest pressure and the spill over weakness from international markets.
- The latest crop estimate added further pressure with a massive increase of 4% m/m in the expected harvest. Total maize is now seen at a record 13.6m tons. The increase was largely due to a significant jump in the white maize estimate, up by almost 7% m/m at 7.53m tons
- Weekly white maize prices closed at R1,831 per ton, down 1.3% w/w and 16% y/y.
- White maize export sales came in at 15,815 tons and 50,849 tons for the 2014/15 season to date, and mostly destined for the neighbouring countries.


**OUTLOOK**

Maize futures are already trending lower in response to the large harvest this winter and this trend is expected to continue in the medium term.



Source: SAGIS;

White Maize Futures 06 May 2014	Sep-14	Dec-14	Mar-15	May-15	Jul-15
JSE (R/t) WM <sub>1</sub>	1 870	1 930	1 960	-	2 042

Calculated White Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Sep-14			Dec-14			Mar-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1 940	105	57	2 000	155	105	2 020	188	139
1 900	82	74	1 960	132	122	1 980	165	156
1 860	62	94	1 920	111	141	1 940	144	175

**Wheat market trends (Graph 8)**
International:

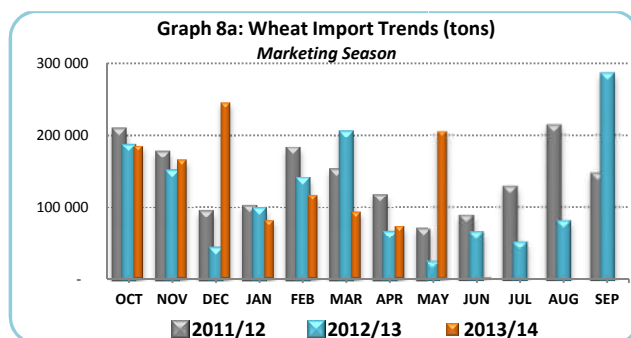
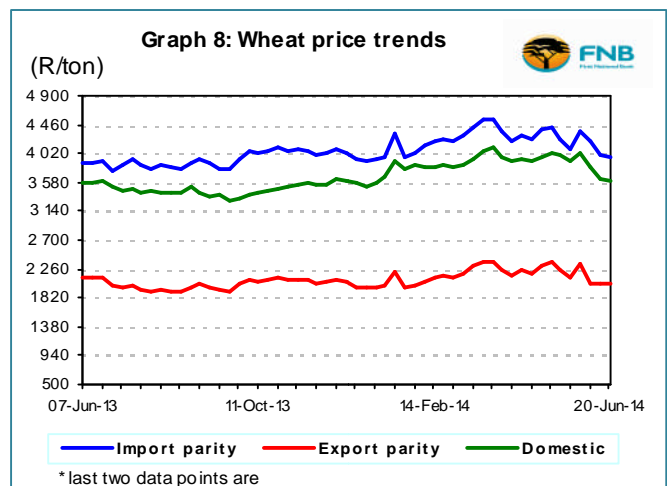
- US wheat prices extended losses on abundant world stocks and weak export demand.
- Spring wheat planting in the US was earlier in the week reported at 88% complete.
- Elsewhere in the world, wheat conditions were reportedly in good shape.
- Wheat futures came under further pressure on aggressive selling from Europe as exports continued to flow.
- Informa, a private analytical firm released new production estimates and pegged all winter wheat in the US at 38m tons. The Hard Red Wheat and Soft Red Wheat production were estimated at 20.3m and 12.1m tons respectively.
- In the May 2014 outlook report, the IGC projected a decline of 2% to 694m tons in 2014/15 world wheat production as yields normalise following last season's unusually high levels.
- Consumption was raised by 1% y/y to 698m tons due to increased food and feed use. World ending stocks to decline slightly, led by the major exporters.

Domestic:

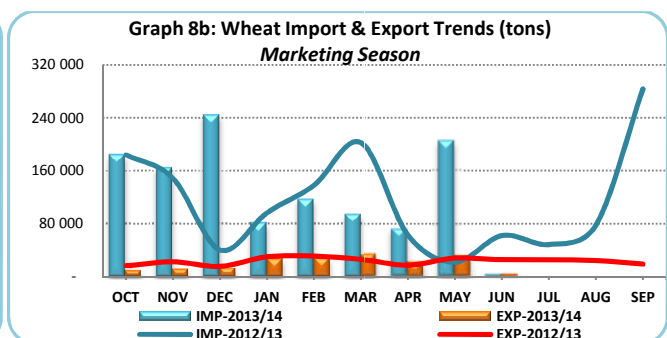
- Wheat prices moved marginally lower despite a weaker Rand due to weakness on international markets.
- Weekly wheat prices ended at R3,828 per ton, down 5% w/w but still up 12% y/y.
- On the import front, weekly import sales were pegged at 2,841 tons and 1.14m tons for the season to date.

**OUTLOOK**

Prices are expected to weaken on spill over weakness from the international market.



Source: SAGIS;





Wheat Futures 06 May 2014	Sep-14	Dec-14	Mar-15	May-15	Jul-15			
KCBT (\$/t)	272.64	274.84	273.96	271.39	272.12			
JSE (R/t)	3 788	3 625	3 726	-	-			
<b>Calculated Wheat Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)</b>								
<b>Sep-14</b>			<b>Dec-14</b>			<b>Mar-14</b>		
<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>
3 800	122	82	3 620	179	134	3 720	179	143
3 760	100	100	3 580	157	152	3 680	157	161
3 720	81	121	3 540	137	172	3 640	137	181

**Oilseed market trends (Graph 9)**
**International:**

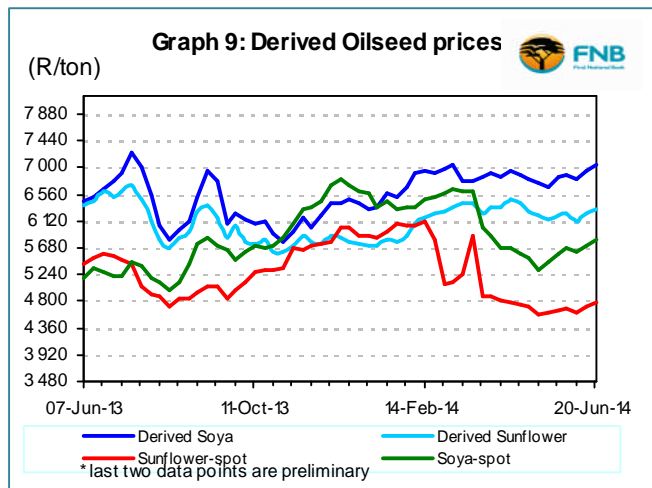
- Prices ended were down across the US soybean complex on favourable weather conditions and weak export demand.
- US weekly export sales were reportedly minimal at 41,000 tons. Planting progress accelerated above the average pace at 78% complete compared to the 70% average for this time of the year.
- IGC projected world soybean production to reach a record 284m tons in the 2013/14 season, up 4% y/y.
- World ending stocks are expected to increase for the second consecutive year to reach 28m tons.
- The agency further indicated that China's import needs are expected to drive a projected 13% annual increase in world trade in the 2013/14 season (Oct/Sep).

**Domestic:**

- Oilseeds traded on the JSE reversed recent gains despite a weaker Rand/ US dollar exchange rate due to lower international prices.
- Weekly soybean prices fell by 1% w/w but still up 21% y/y at R5,616 per ton.
- Sunflower prices closed at R4,615 per ton, down by 1% w/w and 11% y/y.
- During April 2014, producer deliveries of soybeans for 2014/15 came in at 454,148 tons and reached 490,402 tons for the season to date. The bulk of the deliveries were from the Free State (39%), Mpumalanga (29%) and KwaZulu-Natal (14%).
- In the case of sunflower, deliveries for 2014/15 reached 226,091 tons for the season to date with the majority coming from the Free State (71%) and the North-West (25%).

**OUTLOOK**

The medium term outlook for prices remains bearish given the good harvest expected for the oilseed crops and weakness on the international market.



Oilseeds Futures 06 May 2014	Sep-14	Dec-14	Mar-15	May-15	Jul-15
CBOT Soybeans (US \$/t)	447.76	-	452.83	454.01	449.08
CBOT Soya oil (US c/lb)	39.25	39.35	39.82	40.07	40.29
CBOT Soya cake meal (US\$/t)	467.49	434.53	433.43	432.55	432.22
JSE Sunflower seed (R/t)	4 690	4 820	4 925	-	-
JSE Soybean seed (R/t)	5 639	5 676	-	5 381	-

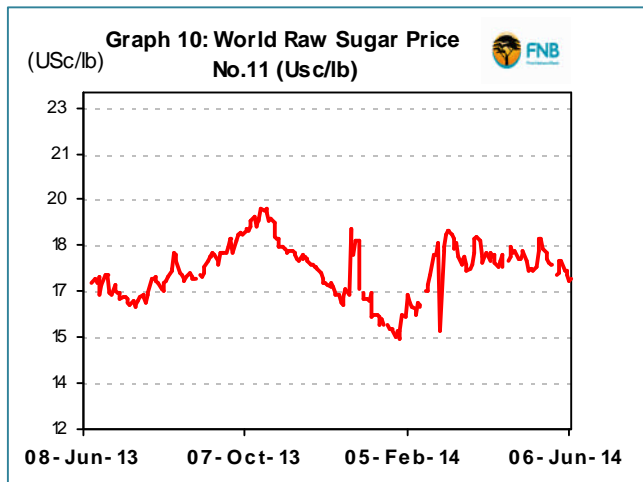
Calculated Sunflower Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Sep-14			Dec-14			Mar-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4 740	182	132	4 860	243	203	4 960	315	280
4 700	160	150	4 820	222	222	4 920	293	298
4 660	140	170	4 780	201	241	4 880	273	318

**Sugar market trends (Graph 15)**
International:

- International Raw Sugar prices continued to weaken on plenty world supplies.
- The weekly world raw sugar prices on ICE (InterContinental nearby futures, No.11 contract) closed at US17.03c/lb, down 3% w/w but still up 4% y/y.
- Weather conditions in the crisis prone Russia and Ukraine are reportedly favourable for rapid planting progress.
- Focus is now on output from Brazil which has experienced weather problems that saw a cut in the production estimate by most agencies.
- In the futures market, sugar for Oct-14 gained 0.7% w/w at US18.31c/lb, and Mar-15 was up 0.6% w/w at US19.19c/lb.

Domestic:

- The May 2014 RV price in respect of cane delivered in April 2014 for 2014/15 was declared at R3,338.58 per ton, up R39.51 compared to the previous month. According to the Cane Growers Association, the increase was due to the sharp rally in the spot world market price (18.25c/lb. vs. 17.04c/lb.), the 7,961 ton reduction in sugar production and the improved sugar:RV ratio (94.15% vs. 94.11%).
- Export availability in the 2014/15 season is reportedly estimated at 746,066 tons. Thus far 399,220 tons has been allocated for marketing and pricing, and to date a total of 257,152 tons have been priced at an average of US17.90c/lb.



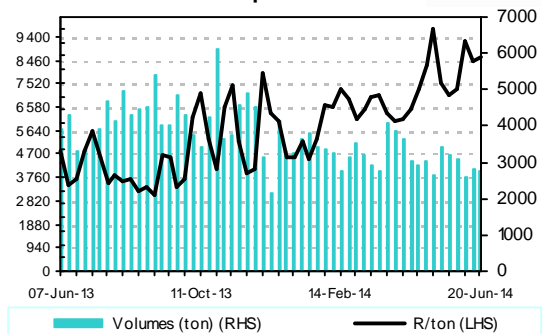
ICE Sugar Futures 06 May 2014	Mar-15	May-15	Jul-15	Oct-15	Mar-16
Sugar No.11 (US c/lb)	18.76	18.80	18.81	18.96	19.35
% Change w/w	-2.2%	-1.7%	-1.4%	-1.3%	-1.1%

**Vegetable Market Trends (Graphs 11 to 15)**
**Tomatoes**

Tomato prices continued to trend higher due to reduced supplies across markets.

Weekly tomato prices rose by 25% w/w and 91% y/y, closing at R9,199 per ton. Volumes of tomatoes traded were pegged at 2,589 tons, down 16% w/w and 33% y/y

It is however expected that prices will ease somewhat in the short term on moderation in demand.

**Graph 11: Fresh Produce Markets - Tomato prices**


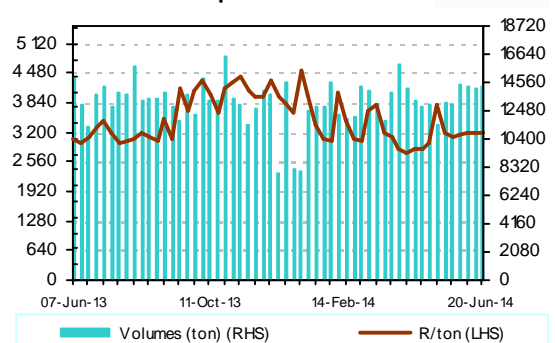
\* last two data points are preliminary

**Potatoes**

Potato prices extended recent gains supported by strong uptake and a slight reduction in supplies across markets.

Weekly potato prices gained 2% w/w and 5% y/y to close at R3,199 per ton. Volumes of potatoes traded were pegged at 14,277 tons, down 1% w/w and 4.3% y/y.

Prices are expected to trend sideways with limited upward potential on moderation in demand.

**Graph 12: Fresh Produce Markets - Potato prices**


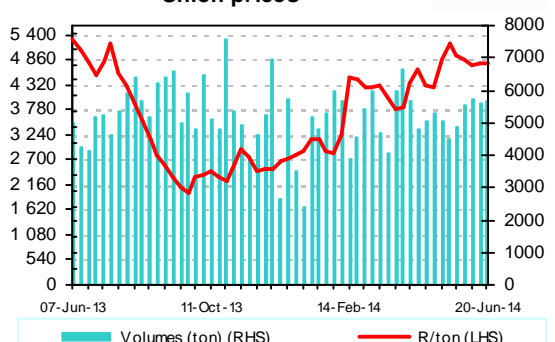
\* last two data points are preliminary

**Onions**

Onion prices edged lower under pressure due to increased volumes across most markets.

Weekly onion prices closed at R4,26 per ton, down 3% w/w and 11% y/y. Volumes of onions traded reached 5,745 tons, up 4% w/w and 16% y/y.

Prices are expected to trend sideways to lower on improved supplies.

**Graph 13: Fresh Produce Markets - Onion prices**


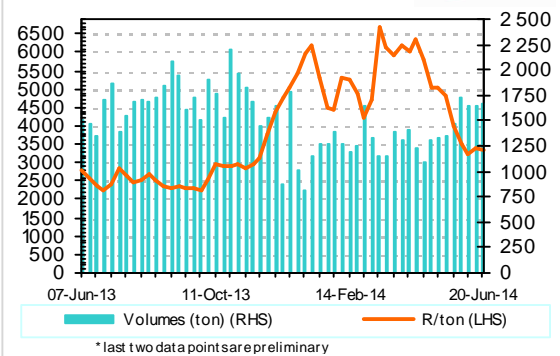
\* last two data points are preliminary

### Carrots

Carrot prices continued to drift lower as a result of weak demand across most markets. Weekly carrot prices fell by 7% w/w and closed at R3,247 per ton, but still up 17% y/y. Volumes of carrots traded were pegged at 1,650 tons, down 5% w/w but up 9% y/y.

It is however expected that prices will bottom out and firm slightly in the short term on reduced supplies.

**Graph 14: Fresh Produce Markets - Carrot prices**

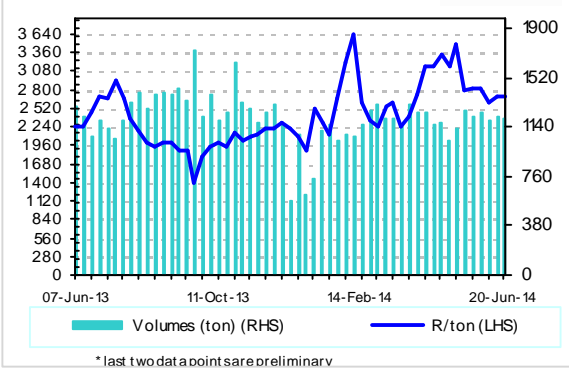


### Cabbages

This week saw a modest decrease in cabbage prices as demand slipped towards midmonth. Weekly cabbage prices closed at R2,617 per ton, down 7% w/w but still up 16% y/y. Volumes of cabbages traded reached 1,195 tons, down 5% w/w and 8% y/y.

Prices are expected to trend sideways in the short term on subdued demand.

**Graph 15: Fresh Produce Markets - Cabbage prices**

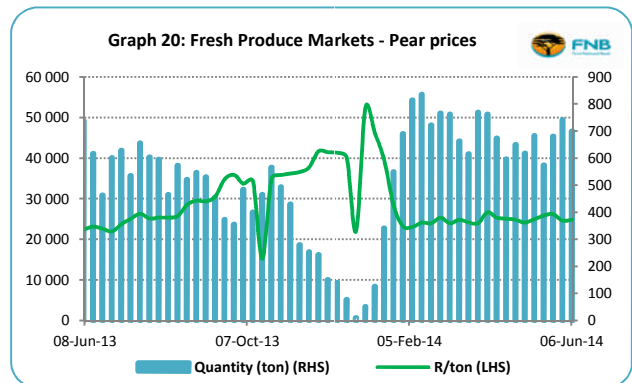
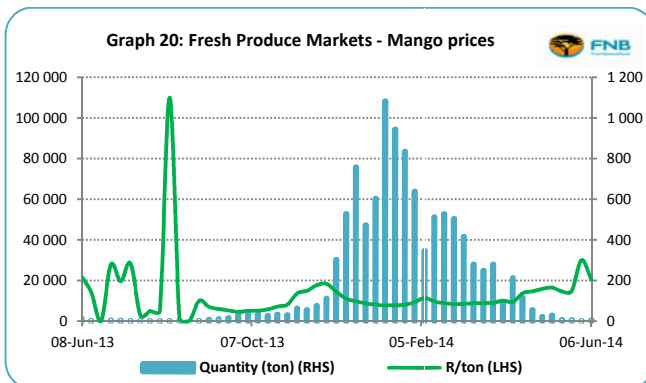
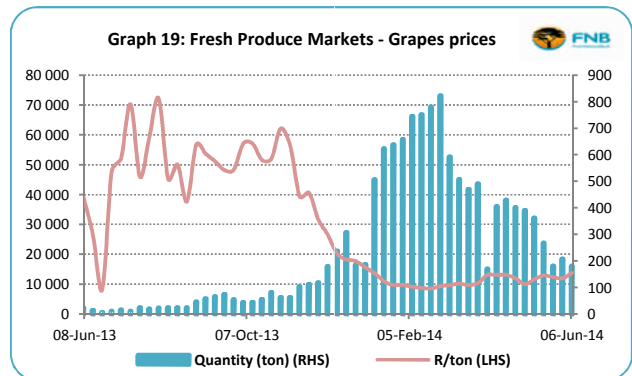
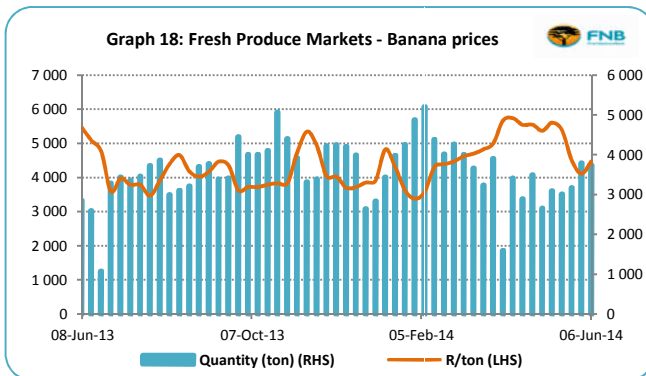
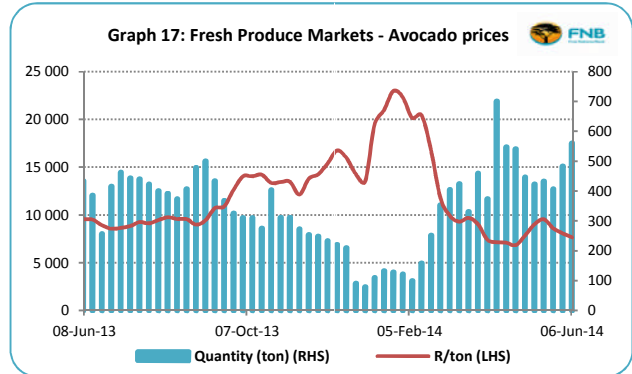
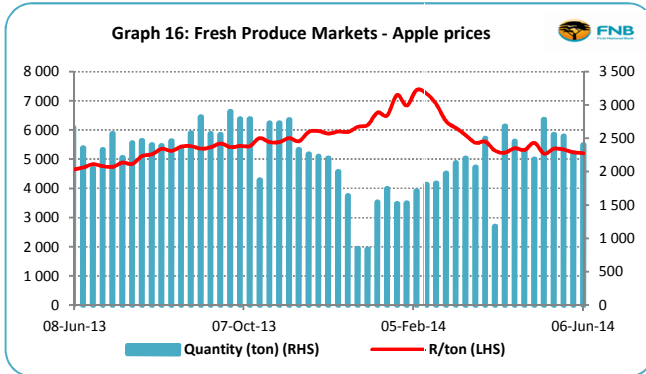


### Vegetable prices: South Africa's Major Fresh Produce Markets.

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

Week ending 06 May 2014	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	9 199	25%	91%	2589	-16%	-33%
Potato	3 199	2%	5%	14277	-1%	-4.3%
Onion	4 726	-3%	-11%	5745	4%	16%
Carrot	3 247	-7%	17%	1650	-5%	9%
Cabbage	2 617	-7%	16%	1195	-5%	-8%

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

**The Fruit Market Trends – Major Fresh Produce Markets in SA (Graphs 16 to 20)**

**FRUIT PRICES: Major FPM. (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)**

Week ending 06 May 2014	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Apples	5 208	0%	12%	2401	5%	-10%
Avocados	7 655	-5%	-20%	560	16%	29%
Bananas	4 477	9%	-18%	3729	-2%	31%
Mangoes	20 345	-32%	-7%	4	158%	-67%
Pears	24 802	1%	11%	698	-6%	-5%

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

**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.