

Agri-Weekly

21 February 2014

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Beef market trends (Graph 1)

International:

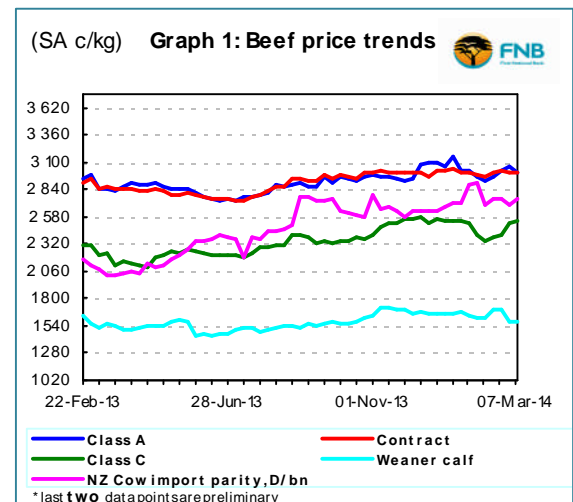
- US manufacturing beef prices continued to post strong gains on the back of good demand and tight supplies. The reduced cow slaughter and strong retail demand continued to provide added support.
- On the import front, the US import market was reportedly moderate but prices continued to trend higher due to tight supplies. Adverse weather conditions continued to affect trading. Tight domestic supplies and strong retail demand provided added support.
- At wholesale level, Boxed beef cutout values were firmer with Choice prices gaining 2.0% w/w and 16.7% y/y at US\$212.98/cwt. Select beef prices were up by 1.3% w/w and 16.9% y/y at \$210.69/cwt.
- In the cattle market, the CME Feeder Cattle Index fell by 0.5% w/w but still up by 21.4% y/y to close at US\$170.77/cwt.
- Weekly US Cattle Slaughter number was estimated at 539,000 head, unchanged from last week and down by 5.1% y/y. The estimated year to date slaughter was reported at 4.3m head, which is 8.5% lower y/y.
- According to the USDA's latest Cattle on Feed report, US feedlot inventories declined for the 17th consecutive month in January 2014. Similar to the previous month, placements were up again during January. US feedlots with 1,000 head or more capacity as of February 1, 2014, totalled 10.8m head, which is down 3.0% y/y. This is however slightly up on the figure of 10.6m head on January 1. Heifer placements continue to lag last year's placement rate by 8.0%. During January, placements in feedlots totalled 2.03m head, up 9.0% from January 2013, which is higher than market expectations.
- In Australia, the cattle market recovered modestly on the back of tight supplies. This saw the Eastern Young Cattle Indicator (EYCI) gaining 5.6% w/w but still down by 6.5% y/y at AU\$3.04/kg.

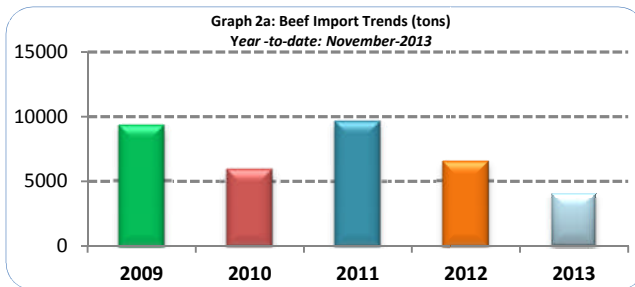
Domestic:

- The beef market extended gains as supplies tightened due to improved production conditions.
- Weekly Class A beef prices closed at R30.15 per kg, up by 1.5% w/w and 2.2% y/y.
- Contract Class A beef prices gained 1.1% w/w and 3.9% y/y to close at R30.26 per kg.
- Class C beef prices moved marginally higher by 0.4% w/w at R24 per kg, which is 3.9% higher y/y.
- In the weaner market, prices extended recent gains as supplies tightened due to improved production conditions across most areas. Weekly weaner calf prices closed firmer at R16.90 per kg live weight, which is 3.4% higher y/y.

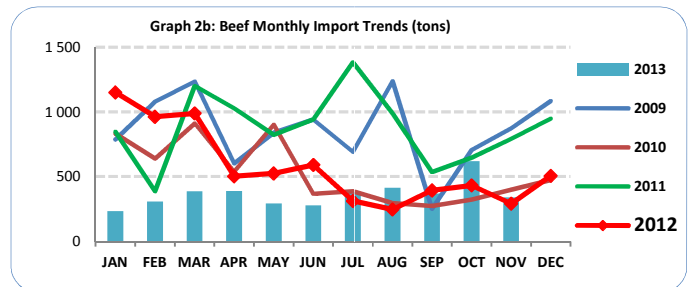
OUTLOOK

The beef market is expected to retain the firmer trend in short term on supply tightness due to improved production conditions across the producing areas.





Source: SARS, Own Calculations



Mutton market trends (Graph 2)

International:

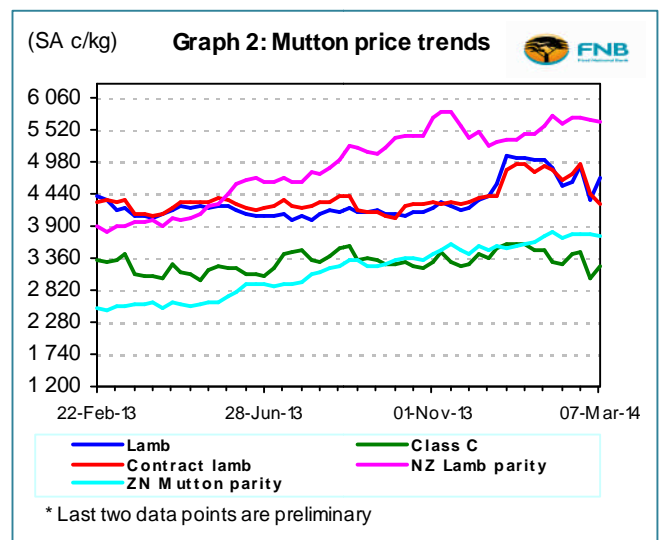
- In New Zealand (NZ), domestic producer prices were a bit softer for the week with the 17.5kg lamb closing at NZ\$84.80/ head, but still 24.0% higher y/y.
- The overall NZ lamb slaughter number for the five weeks to the 2nd of February 2014 was reportedly down 21.3% y/y. The mutton slaughter on the other hand has been higher than normal for the same period, up 14.8% y/y. The lower lamb numbers resulted in a slowdown in exports for January, reportedly down by 7.0% y/y. However mutton exports for the month of January were 60.0% higher y/y at 14,698 tons, boosted by continued high demand from China (NZX).
- In Australia, the lamb market continued to trend firmer which saw the Eastern States Trade Lamb Indicator (ESTLI) advancing further by 2.6% w/w and 20.3% y/y to close at AU\$5.15/cwt. Demand for lamb was reportedly good from processors with forward contracts offered indicating confidence in the market ahead of the autumn season.
- In the US, the Lamb Carcass Cutout prices eased marginally by 0.1% w/w to close at \$335.47/cwt, which is 31.6% higher y/y.
- The estimated weekly US sheep for slaughter were reported at 39,000 head, up by 2.6% w/w and 5.4% y/y. The estimated year-to-date sheep slaughter reached 281,000 head, which is down by 0.7% y/y.
- According to the latest USDA's Livestock, Dairy, and Poultry Outlook report, the US sheep industry registered a 2.0% inventory decline in all major segments of the industry from 2013 as of Jan 1, 2014. The declines in all segment of the sheep industry suggest that lamb meat supply will also be down in 2014. Continued tight supplies are expected to outweigh the fairly stable demand, helping to maintain strong prices in 2014.

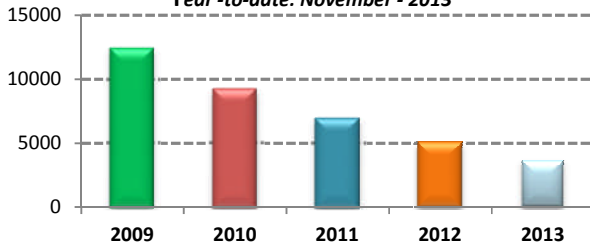
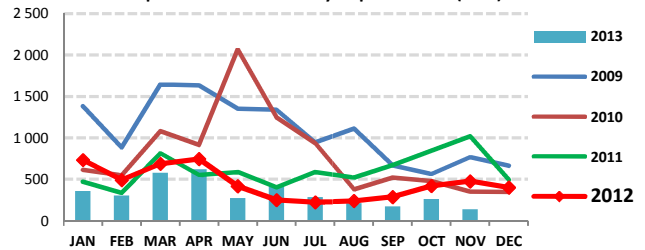
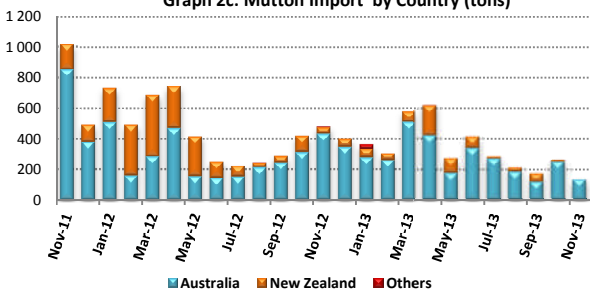
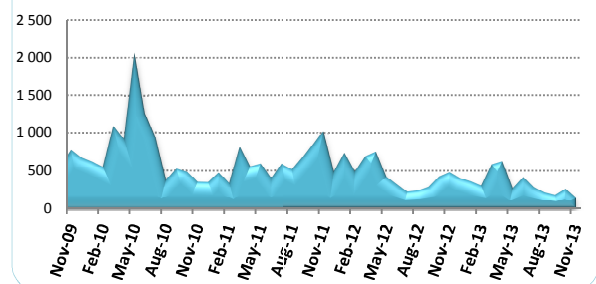
Domestic:

- The domestic lamb and mutton market continued to post good gains as supplies tightened due to improved production conditions in most producing areas.
- Weekly Class A lamb prices closed at R49 per kg, up by 5.5% w/w and 11.4% y/y.
- Contract Class A lamb prices gained 3.3% w/w and 14.7% y/y to close at R49.39 per kg.
- Mutton prices posted further gains, finishing up by 1.6% w/w and 4.3% y/y at R34.74 per kg.
- The weaner prices were unchanged for the week. Weekly weaner lamb prices closed at R22.33 per kg live weight, which is 15.3% higher y/y.

OUTLOOK

It is however expected that prices will trend sideways with some upward potential in the short term on supply tightness.



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

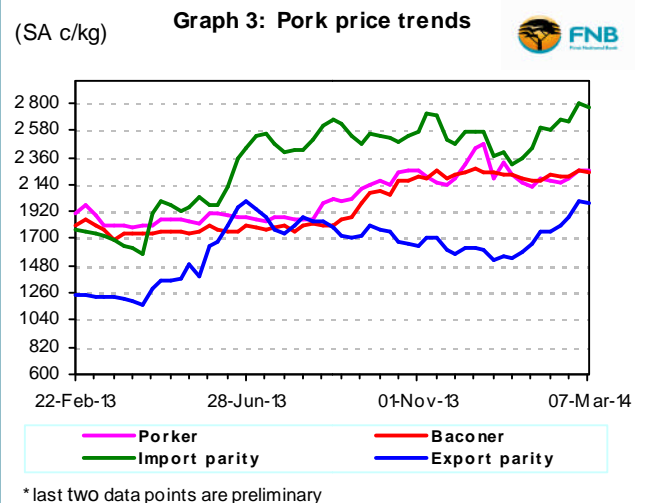
- The US Pork Carcass (FOB Plant) Cutout prices continued to post good gains, finishing the week 2.8% higher at US\$96.39/cwt.
- The US pigs for slaughter rose by 1.0% w/w and 3.1% y/y at an estimated 2.13m head.
- The cumulative year to date pig slaughter was 16.29m head, which is still 2.7% lower y/y.
- According to the USDA, pork production was lowered reportedly due to indications that Porcine Epidemic Diarrhoea virus (PEDv) continues to spread. US pork production for 2014 was projected at 10.5m tons, down by 0.7% from the previous month. This is however 1.0% higher y/y.
- Pork exports were projected lower by 0.8% m/m to 2.3m tons, as tight supplies and high prices reduce competitiveness.

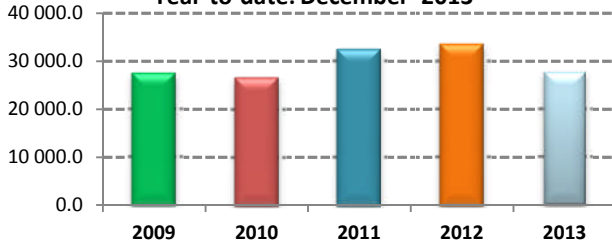
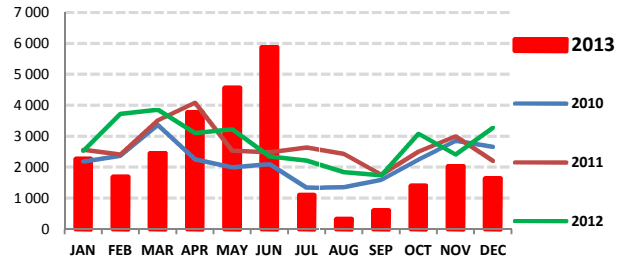
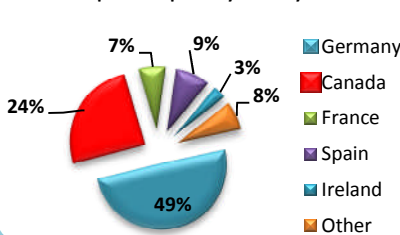
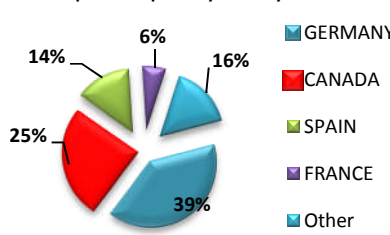
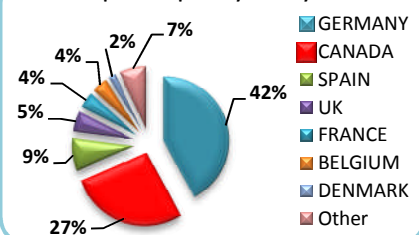
Domestic:

- Prices rebounded and finished firmer on the back of renewed uptake.
- Weekly porker prices closed at R21.91 per kg up 1.5% w/w and 15.3% y/y.
- Baconer prices were firmer at R22.06 per kg, which is 21.7% higher y/y.
- Pork import parity prices eased lower mainly on Rand gains. The current import parity prices are however 49.5% higher y/y.

OUTLOOK

It is expected that prices will trend firmer in the short term on improved demand.



Graph 3a: Pork Import Trends (tons)
 Year-to-date: December 2013

Graph 3b: Pork Monthly Import Trends (tons)

Graph 3c: Imports by Country - 2011

Graph 4d: Imports by Country - 2012

Graph 3e: Imports by Country - 2013


Source: SAPPO, SARS, Own Calculations

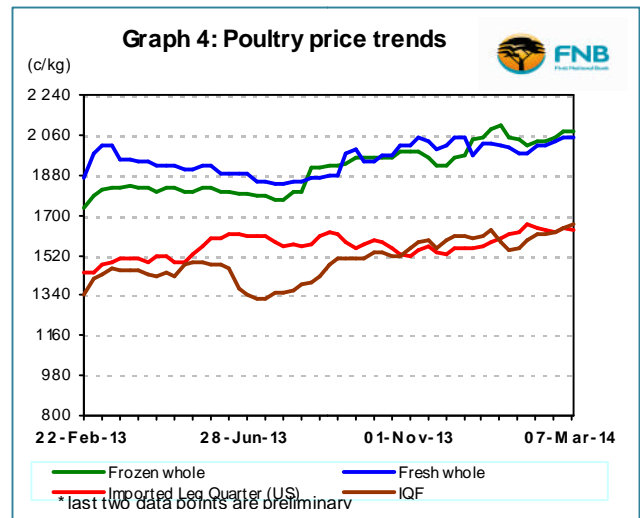
Poultry market trends (Graph 4)

International:

- US prices continued to trend sideways to lower across most categories on increased offerings.
- Demand at retail food service was reportedly light to good ahead of the weekend.
- Whole birds prices again steadied at US104.25c/lb, but still 3.8% higher y/y.
- Leg quarter prices steadied at US50.33c/lb, which is down by 6.8% y/y. Breast cuts fell by 0.6% w/w and 3.7% y/y, closing at US104.33c/lb.
- Wings extended further losses, falling by 0.5% w/w and 29.9% y/y at US128.67c/lb. Drumsticks were softer at US69.50c/lb.
- Weekly US broiler egg sets for the week ended 15 February 2014 came in 1.0% higher y/y at 209m. Average hatchability for chicks came in at 83.0%. Broiler chick placements were up 3.7% from the week earlier but slightly down on last year at 169m head.
- Cumulative broiler placements from December 29, 2013 through February 15, 2014 came in 1.0% higher y/y at 1.19 billion.
- USDA's WASDE report showed a reduction in the US broiler production due to slower growth in slaughtering. US broiler production for 2014 was projected at 17.3m tons, slightly down on the January figure but 2.8% higher y/y. The broiler export forecast was lowered by 0.7% to 3.4m tons on weak demand prospects.

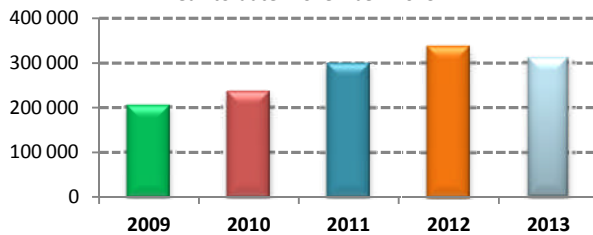
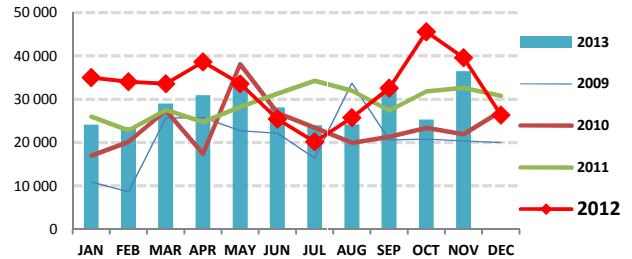
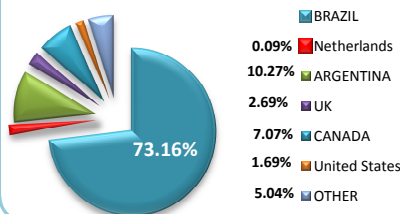
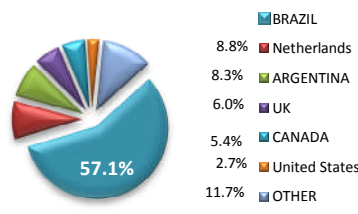
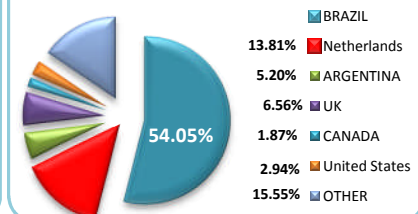
Domestic:

- The market saw some gains on renewed uptake with prices firming across the board.
- Weekly fresh whole bird prices gained 0.5% w/w to close at R20.27 per kg, which is up 8.7% y/y.
- Individually Quick Frozen portions (IQF), which constitutes over 60% of the broiler meat traded was again firm at R16.14 per kg, up by 24.0% y/y.
- Frozen whole bird prices increased marginally at R20.51 per kg, up by 0.8% w/w and 18.4% y/y.



OUTLOOK

Prices are expected to retain the firmer trend in short to medium term on improved competitiveness as imports become more expensive.

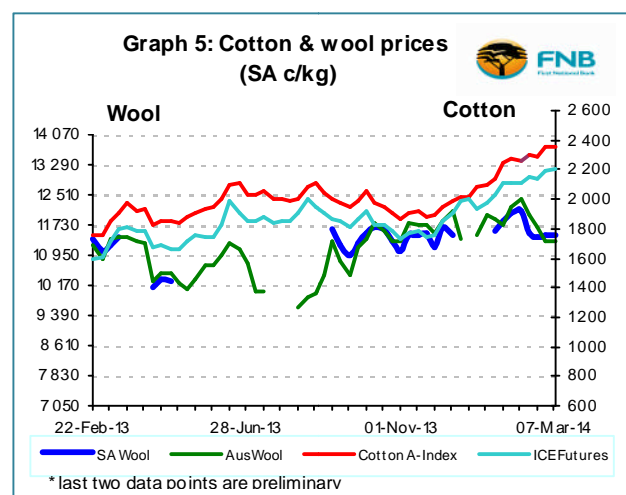
Graph 4a: Poultry Import Trends
 Year-to-date: November -2013

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 21 February 2014	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh whole birds(R/kg)	30.15	49.00	21.91	20.27
Open market: Class C / Baconer / Frozen whole birds(R/kg)	24.00	34.74	22.00	20.51
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	30.26	49.39	22.06	16.25
Import parity price (R/kg)	27.54	37.56	26.52	16.26
Weaner Calves / Feeder Lambs (R/kg)	16.90	22.33		

Wool and cotton market trends (Graph 5)
International:

- The world cotton indicator price, Cotlook "A" index, moved sideways at US94.90c/lb, but up by 5.2% y/y.
- Futures closed lower as the USDA highlighted increased cotton planted area for the new planting season. This saw Cotton for Jul-14 closing down by 0.4% w/w at US88.23c/lb.
- In Brazil, weather conditions were reportedly good with warm temperatures, but more rain is still needed.
- USDA left the US cotton estimates for 2013/14 unchanged at 13.2m bales, with ending stocks projected at 10.5m bales in the February WASDE report.
- For the world, the USDA lowered the production forecast by 1.1m to 116.7m bales. This was largely due to diminished expectations for China (-1.0m bales), Australia (-400,000 bales), and Pakistan (-200,000 bales). Nonetheless, production increases are expected for Argentina (+175,000 bales) and Greece (+150,000 bales).
- World stocks are lowered to 96.5 million bales, with China accounting for 59.0% of the total. The stocks-to-usage ratio was pegged at 88.1% compared to 89.1% in the January report and 83.18% last year. This is still at a record high.



- Wool market: In Australia, the wool market saw further losses with the weekly AWEX EM Indicator falling by 1.3% w/w and 4.0% y/y at AU\$10.74/kg clean wool. Volumes of sales reached 84.4% of the 43,109 bales offered.

Domestic:

- The wool market again eased lower on softer demand and spill over weakness from the Australian market. This saw the weekly Cape Wools Merino indicator falling by 1.0% w/w to close at R114.22/ kg clean wool.
- At this level, the indicator was marginally lower by 0.2% than the current season's average but still 12.0% higher than the opening sale of the 2013/14 season.
- Major buyers were Lempriere SA with 2,389 bales (26.9%), Standard Wool SA with 2,290 bales (25.8%), Stucken & Co with 1,336 bales (15.1%), G Modiano SA with 1,107 bales (12.5%).

Fibre market prices 21 February 2014	SA prices (R/kg)	Australian prices (R/kg)	Australian futures May-14 (AU\$/kg)	Australian futures Jul-14 (AU\$/kg)
Wool market indicator (R/kg)	105.61	114.22		
19 μ long length wool (R/kg)	120.80	-	11.90	11.30
21 μ long length wool (R/kg)	117.41	109.62	11.60	11.00
23 μ long length wool (R/kg)	114.66	-	10.40	9.80
Fibre market prices 21 February 2014	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	Cotton Futures Jul-14 (US\$/kg)	Cotton Futures Oct-14 (US\$/kg)
Cotton Prices (R/kg)	22.85	2.09	1.94	1.77

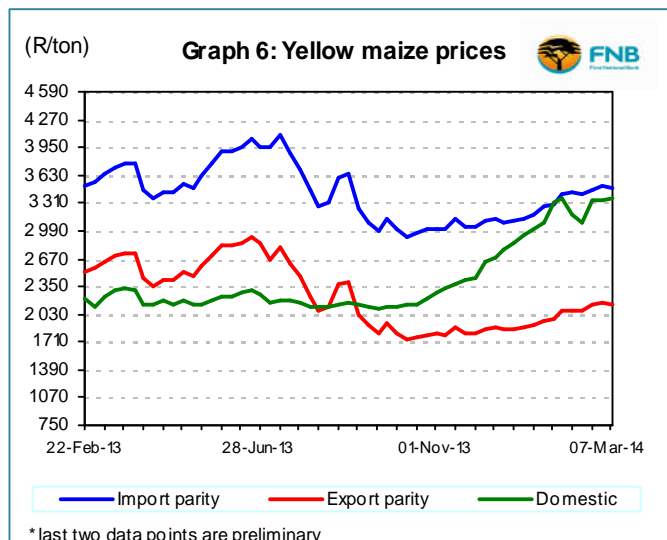
Cotton Futures on the InterContinental Exchange (ICE);

Yellow maize market (Graph 6)
International:

- US maize prices saw modest gains on strong export demand and reduced planting prospects in the recent USDA report.
- USDA planted area estimates came in below market expectations at 37.3m hectares.
- In South America, the weather was reportedly good with forecasts for drier weather in key production areas of Argentina. In Brazil, conditions improved with the drier areas receiving rains.
- The February USDA WASDE report had a bullish surprise with a bigger increase in US exports. US export estimate was raised by 3.81m to 37.59m tons, which is reflective of the recent strong trend in sales. Ending stocks for 2013/14 dropped by the same margin at 40.6m tons.
- In Argentina, production was lowered by 1.0m tons due to poor production conditions. Russia also saw reduced estimates with production lowered by 0.3m tons. Partly offsetting these reductions was a 0.9m ton increase for Ukraine whose area harvested and production were at records for 2013/14.
- In the futures market: Maize for Jul-14 delivery was marginally down by 0.1% w/w at US\$179/t, Sep-14 was down by 0.2% w/w at US\$180/t, Dec-14 was down by 0.1% w/w at US\$181/t.

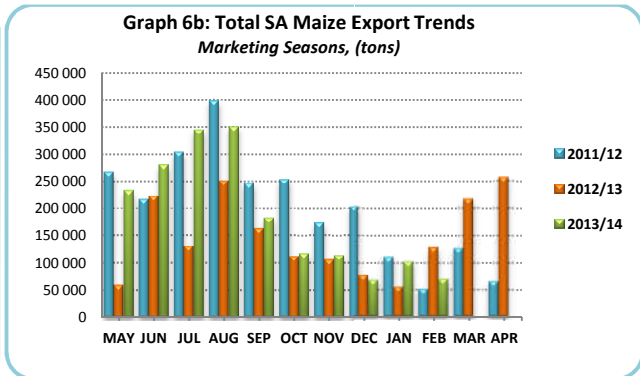
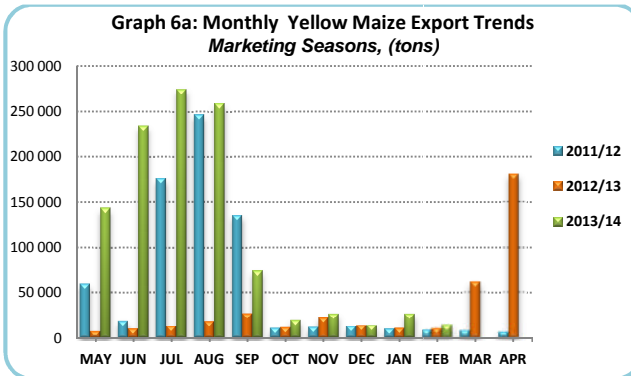
Domestic:

- On the South African market, prices rebounded and closed higher on spill over gains from the international market. However, gains were limited due to improved production conditions as a result of further rains in western growing areas.
- Weekly yellow maize prices closed at R3,333 per ton, up by 8.1% w/w and 46.6% y/y.
- Weekly export sales were pegged at 2,039 tons and 1.1m tons for the season to date, according to the latest SAGIS report.
- Total maize exports (WMZ and YMZ) reached 1.86m tons. So far, major export destinations for YMZ are Japan (77.7%), Taiwan (21.7%), and Korea (19.3%).



OUTLOOK

Positive developments on the weather front helped ease harvest concerns following the dry spell in the recent past. The Rand and weather will remain the main drivers in determining price direction in the short to medium term.



Source: SAGIS

Yellow Maize Futures 21 February 2014	May-14	Jul-14	Sep-14	Dec-14	Mar-15			
CBOT (\$/t)	180.85	182.26	181.79	182.89	186.44			
JSE (R/t)	2 383	2 239	2 275	2 319	-			
CHICAGO CORN (R/t)	2 025	2 063	-	2 319	-			
Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
May-14			July-14			Sep-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 423	115	75	2 280	149	108	2 320	208	163
2 383	93	93	2 240	127	126	2 280	185	180
2 343	74	114	2 200	107	146	2 240	164	199

White maize market trends (Graph 7)
International:

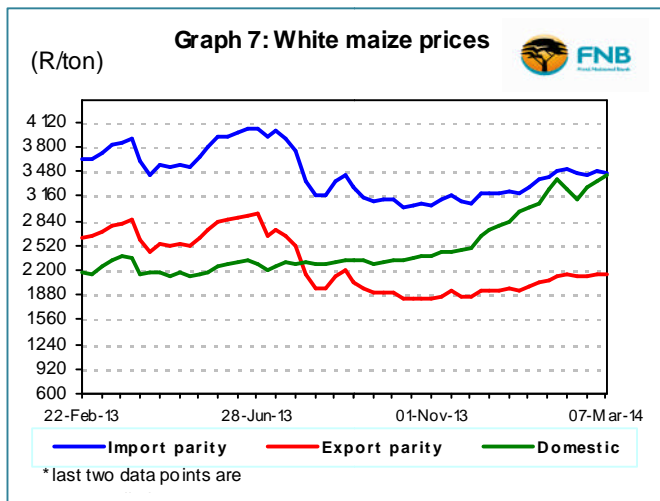
- US white maize finished slightly higher on good export demand and the bullish USDA report.
- Weekly white maize price closed at US\$192/ton, up by 1.3% w/w but still 38.5% lower y/y.

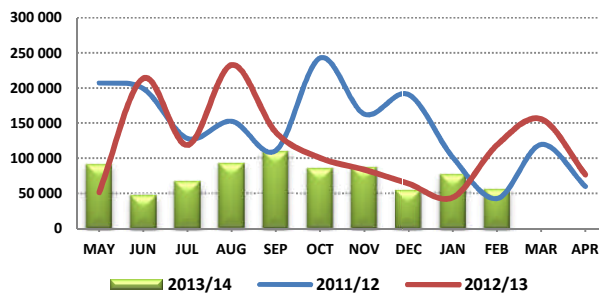
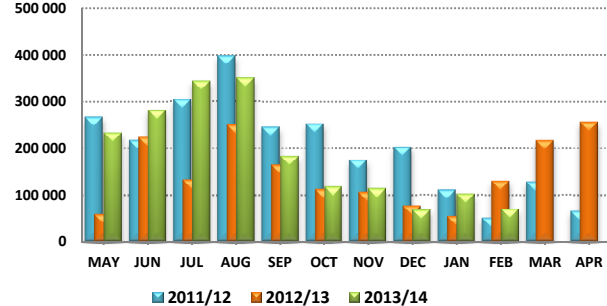
Domestic:

- The South African white maize prices posted modest gains despite Rand gains.
- Weekly white maize prices closed at R3,265 per ton, up by 4.7% w/w and 51.2% y/y.
- Weekly white maize export sales were pegged 18,346 tons and 767,240 tons for the season to date, according to the latest SAGIS report.
- Major export destinations so far for WMZ are Zimbabwe (25.6%), Mexico (24.8%), Botswana (17.8%), and Namibia (15.3%).

OUTLOOK

Positive developments on the weather front helped ease harvest concerns following the dry spell in the recent past. The Rand and weather will remain the main drivers in determining price direction in the short to medium term.



Graph 7a: Monthly White Maize Export Trends (tons) Marketing Seasons

Graph 7b: Total Monthly SA Maize Exports (tons) Marketing Seasons


Source: SAGIS;

White Maize Futures 21 February 2014	May-14	Jul-14	Sep-14	Dec-14	Mar-15				
JSE (R/t) WM ₁	2 467	2 166	2 211	2 256	-				
Calculated White Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)									
	May-14		Jul-14			Sep-14			
	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
	2 500	117	84	2 200	143	109	2 260	199	150
	2 460	95	102	2 160	122	128	2 220	176	167
	2 420	76	123	2 120	102	148	2 180	155	186

Wheat market trends (Graph 8)
International:

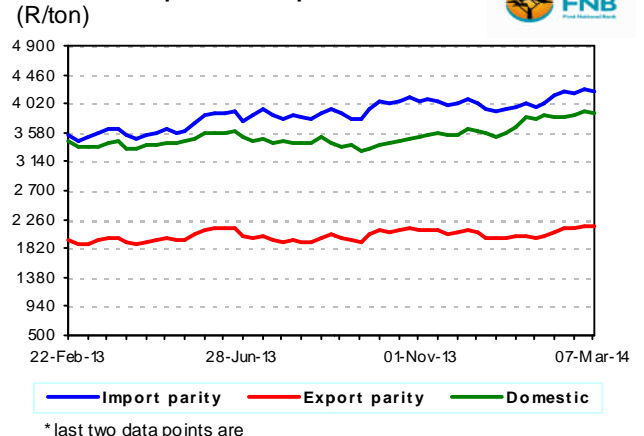
- US wheat prices extended gains on renewed demand and forecast of reduced planted area.
- USDA lowered its forecast of US planted area under wheat 0.4m hectares compared to last year.
- The USDA monthly wheat balance sheet report showed a reduction of 1.4m tons in US ending stocks due to increased exports.
- On world situation, the 2013/14 wheat supplies were reduced by 1.1m tons with lower beginning stocks for Argentina and Russia and a slightly lower world production.
- Small reductions in 2012/13 production for Argentina and imports for Russia reduce world carrying supplies for 2013/14. Further reduction in estimates were reported for Kazakhstan (-1.6m tons) and Algeria (-0.3m tons) which were offset by slight increases for Brazil (+0.6m tons) and Ukraine (+0.3m tons).

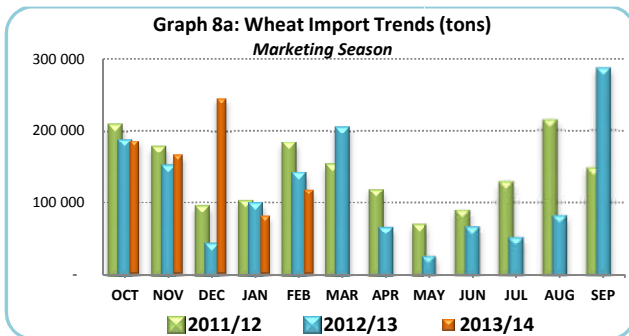
Domestic:

- The South African wheat prices regained some ground despite a stronger Rand.
- Weekly wheat prices closed at R3,841 per ton, up by 0.7% w/w and 4.2% y/y.
- Wheat import parity prices softened as the Rand strengthened against the US dollar. Import parity prices were down by 0.8% w/w but still 6.2% higher y/y.
- Weekly import sales for the 2013/14 marketing season were pegged at 31,118 tons and 787,889 tons for the season to date. Main suppliers so far are Russia (45.5%) and Ukraine (35.7%). The others are Germany (5.7%), Lithuania (5.1%), Finland (3.2%), Canada (2.6%), and the USA (2.2%).

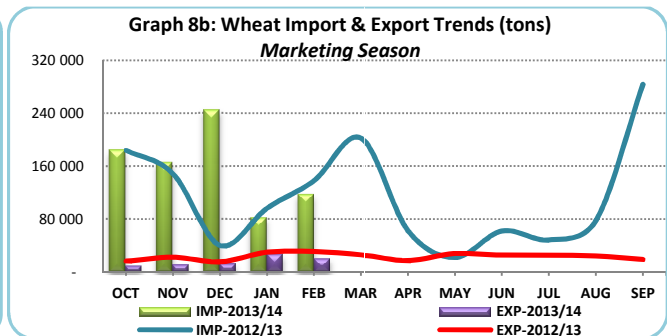
OUTLOOK

International prices are expected to continue trending firmer with weather being the major driver.

Graph 8: Wheat price trends




Source: SAGIS;



Wheat Futures 21 February 2014	May-14	Jul-14	Sep-14	Dec-14	Mar-15			
KCBT (\$/t)	248.17	245.08	247.51	251.33	252.87			
JSE (R/t)	3 910	3 884	-	3 610	-			
Calculated Wheat Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
May-14			Jul-14			Dec-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3 960	117	67	3 920	181	145	3 660	202	152
3 920	94	84	3 880	159	163	3 620	180	170
3 880	75	105	3 840	139	183	3 580	159	189

Oilseed market trends (Graph 9)

International:

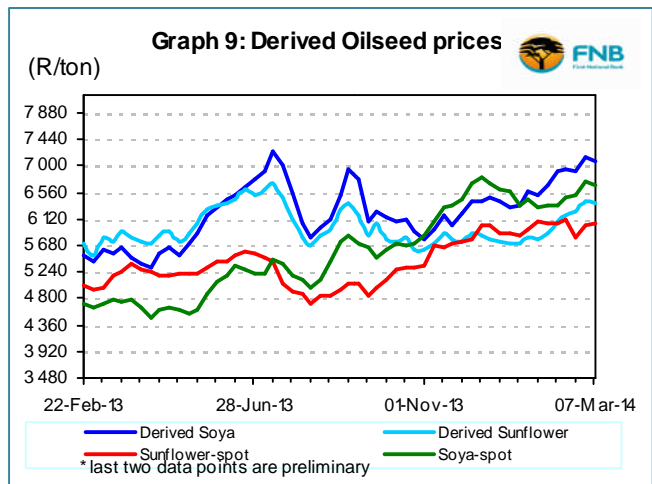
- US soybean prices extended recent gains on good export demand and bullish planting area projections report. USDA planted area projection came in below market expectations at 32.2m hectares.
- Soybean prices were up 1.2% w/w at US\$531/t, but still down by 4.4% y/y.
- Soyoil prices were up by 4.5% w/w but still 19.8% lower US39c/lb.
- Soymeal prices were however the exception, easing lower by 0.6% w/w but still 19.9% higher y/y at US\$507/t.
- USDA's US soybean ending stocks were unchanged at 4.1m tons. Exports were raised by 0.4m from the January estimate to 41.1m tons, reflecting the record pace of shipments and sales through January.
- World soybean production for 2013/14 was raised by 0.9m from last month to a record 287.7m tons. The South American estimates were mixed with the soybean production for Brazil projected at a record 90.0m tons, up 1.0m m/m largely due to higher yields reflecting early harvest results in the centre-west.
- However, prospects for the Argentina soybean crop were reportedly diminished due to an extended period of hot, dry weather through mid-January. This saw the expected crop lowered by 0.5m from last month to 54.0m tons.

Domestic:

- Oilseeds traded on the JSE ended mixed with sunflower easing lower due to improved production conditions and further Rand gains.
- Weekly soybean prices closed at R6,527 per ton, up 0.7% w/w and 28.1% y/y.
- Sunflower prices reversed gains and finished down 4.6% w/w and almost unchanged y/y at R5,825 per ton.

OUTLOOK

The local oilseed prices are expected to maintain a firm to higher trend in the short to medium term on spill over strength from the international market.



Oilseeds Futures 21 February 2014	May-14	Jul-14	Sep-14	Dec-14	Mar-15
CBOT Soybeans (US \$/t)	499.79	494.06	446.29	-	426.74
CBOT Soya oil (US c/lb)	41.23	41.44	41.14	40.65	40.61
CBOT Soya cake meal (US\$/t)	485.24	472.12	426.48	394.41	394.74
JSE Sunflower seed (R/t)	5 285	5 312	5 400	5 490	-
JSE Soybean seed (R/t)	6 270	6 315	6 366	6 438	-

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

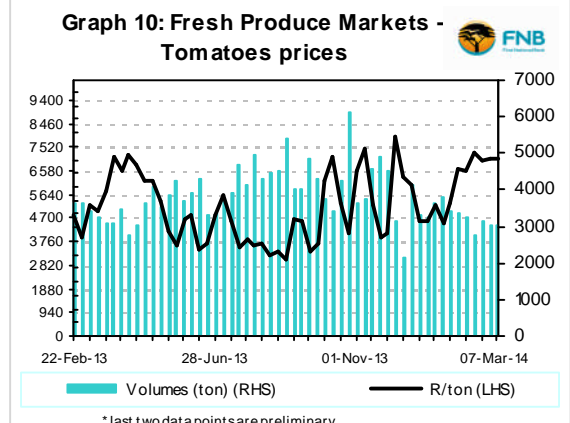
May-14			Jul-14			Sep-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5 280	223	173	5 360	283	235	5 440	326	286
5 240	201	191	5 320	261	253	5 400	304	304
5 200	181	211	5 280	241	273	5 360	283	323

Vegetable Market Trends (Graphs 10 to 14)
Tomatoes

Tomato prices continued to weaken on softer uptake across markets.

Weekly tomato prices closed at R7,027 per ton, down by 4.1% w/w but up by 46.8% y/y. Volumes of tomatoes traded reached 3,122 tons, up by 13.0% w/w but down by 13.6% y/y.

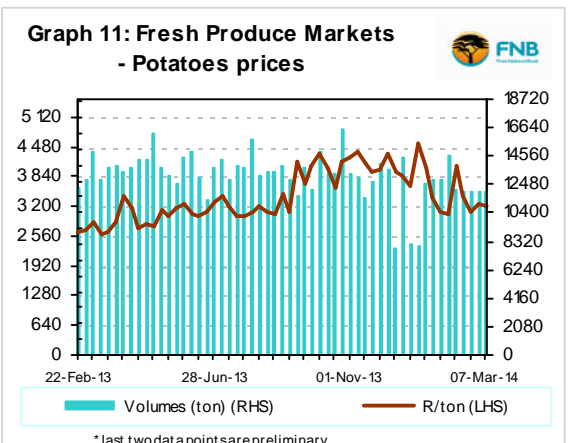
It is expected that prices will trend sideways with limited upward potential on volume pressure.


Potatoes

In the potato market, prices continued to weaken due to softer demand and slightly higher volumes on markets.

Weekly potato prices fell by 10.9% w/w to close at R3,056 per ton, but still 16.2% higher y/y. Volumes traded were pegged at 12,010 tons, up by 0.9% w/w but down by 2.2% y/y.

Prices are however expected to move sideways with some upward potential in the medium term.



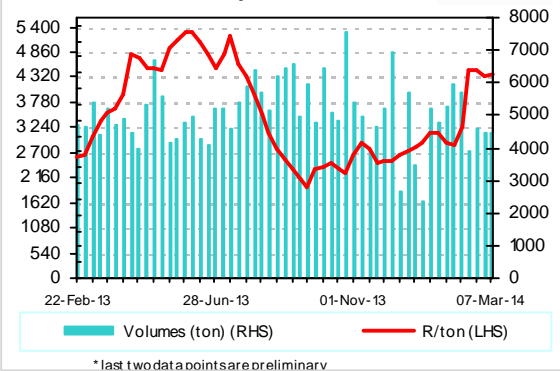
Onions

Onion prices eased marginally lower under pressure due to improved supplies across markets.

Weekly onion prices softened by 0.4% w/w to close at R4,454 per ton, but still 72.1% higher y/y. Volumes of tomatoes traded came in at 4,577 tons, up by 17.5% w/w but still 3.1% lower y/y.

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

Graph 12: Fresh Produce Markets - Onion prices



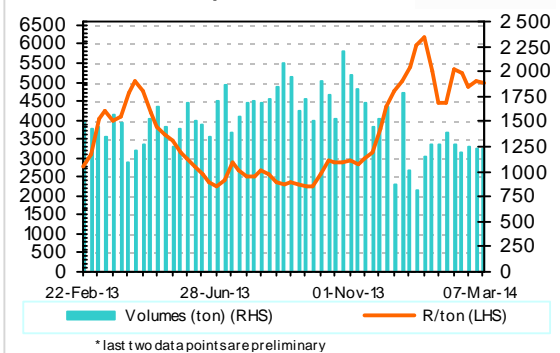
Carrots

Carrot prices saw modest losses on the back of weak uptake and increased supplies across markets.

Weekly carrot prices fell by 7.4% w/w but still up by a whopping 75.2% y/y at R4,848 per ton. Volumes of cabbages traded reached 1,258 tons, up by 6.6% w/w but still down by 15.0% y/y.

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

Graph 13: Fresh Produce Markets - Carrot prices



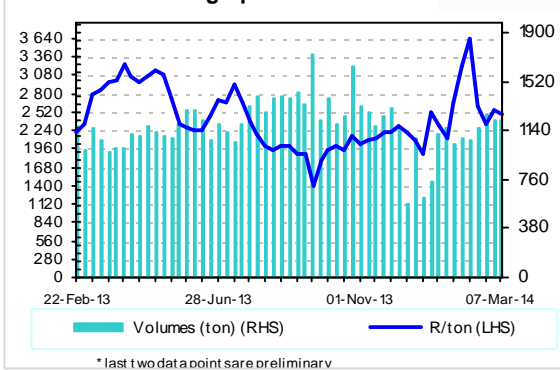
Cabbages

Cabbage prices continued to post sharp losses as volumes increased across markets.

Weekly cabbage prices ended at R2,336 per ton, down by 10.5% w/w but still up by 6.2% y/y. Volumes of cabbages traded were pegged at 1,273 tons, up 9.4% w/w and 7.7% y/y.

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

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 21 February 2014	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	7 027	-4.1%	46.8%	3122	13.0%	-13.6%
Potato	3 056	-10.9%	16.2%	12010	0.9%	-2.2%
Onion	4 454	-0.4%	72.1%	4577	17.5%	-3.1%
Carrot	4 848	-7.4%	75.2%	1258	6.6%	-15.0%
Cabbage	2 336	-10.5%	6.2%	1273	9.4%	7.7%

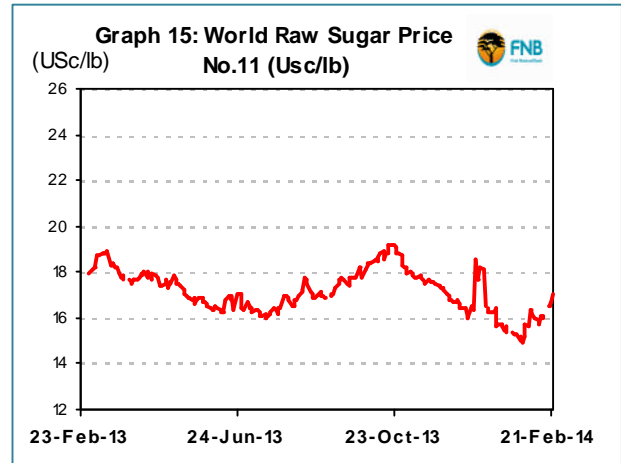
* Daily prices also available at <https://www.fnbagricomms.co.za>

Sugar market trends (Graph 15)
International:

- International Raw Sugar prices posted modest gains on harvest concerns in Brazil.
- Focus has been over the dryness in Brazil's centre south region where production is likely to decline by a considerable margin.
- UNICA has reportedly indicated that Brazil's harvest would shrink by 36.0m tons due to the unusually dry weather earlier in the season. However, rains have recently returned to the centre-south area which had experienced a dry spell recently.
- Nonetheless, the huge world supplies remain the bearish feature on the market.
- India reportedly announced a subsidy for exporters and traders after dictating that they pay farmers high prices for Sugarcane. This is likely to raise the availability of sugar and place downward pressure on world markets.
- The USDA's February projections for US carryover stocks as of October 1, 2014 were pegged at 1.83m short tons raw value, down 3.0% m/m and 15.0% y/y. The ending stocks to use ratio was projected at 14.9% compared to last month's 15.4% and the previous season's 17.9%.
- US cane sugar production projection for 2013/14 was lowered by 53,000 short ton raw value based on revised production forecasts made by processors in Florida, Texas, and Hawaii.
- Weekly world raw sugar prices (InterContinental (ICE) nearby futures, No.11 contract) closed modestly higher by 4.6% w/w at US16.69c/lb, but still 8.5% lower y/y.
- In the futures market: Raw sugar for Jul-14 was up by 6.0% w/w at US17.29c/lb, Oct-14 gained 5.4% w/w at US17.63c/lb, and Mar-15 was up by 4.1% w/w at US18.16c/lb.

Domestic:

- Locally, the February 2014 RV price in respect of cane delivered in January 2014 increased by R1.96 per ton m/m at R3,081.99 per ton.
- According to the Cane Growers Association, the positive factors were the 2,654 drop in sugar production (2.352m tons vs. 2,355m tons), the weaker R/\$ exchange rate (11.01 vs. 10.69) and the improved weighted average No.11 price (18.18 USc/lb. vs. 18.02 USc/lb).
- With one month left before the declaration of the final RV price for 2013/14, 7.6% of the estimated export availability remains unpriced and exposed to world market price volatility while 3.1% of expected USD revenue is exposed to exchange rate volatility.
- The Association further indicated that 836,137 tons have been made available for marketing and pricing for the 2013/14 season. Of this allocation 761 851 tons have been priced and contracted at an average of US18.26c/lb. This pricing includes the overpriced tonnage of 68,142 tons that was transferred from last season. The sugar production estimates in excess of 2.3m tons for 2013/14 is all but final and the full export availability of 836,137 tons has been allocated for marketing and pricing. The exposure to world market price and R/\$ exchange rate volatility (i.e. the quantum of export availability that is currently unpriced and unallocated) is 74,286 tons.



ICE Sugar Futures 21 February 2014	Jul-14	Oct-14	Mar-15	May-15	Jul-15
Sugar No.11 (US c/lb)	17.29	17.63	18.16	18.02	17.92
% Change w/w	6.0%	5.4%	4.1%	3.0%	2.4%

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