

Agri-Weekly

27 September 2013

pmakube@fnb.co.za
<https://www.fnbagricomms.co.za>

Beef market trends (Graph 1)

International:

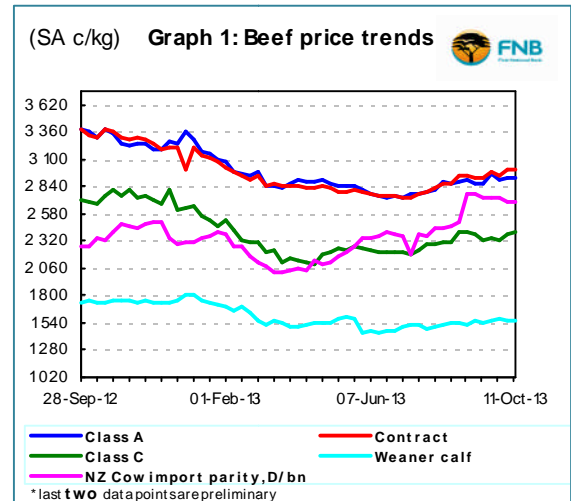
- US domestic prices eased further on softer demand.
- The import market however saw good gains on tight supplies from New Zealand and Australia. Australian exporters are reported to have shifted their preference to the Asian markets and this has started to impact on the supplies to the US.
- Drought continues to be a concern in Australia with recent rainfall concentrated in the southernmost regions of the country. Cattle slaughter numbers and exports are reported to be higher than the 2012 levels, much of it destined for the Asian markets.
- The cattle market in Australia saw losses under pressure due to increased supplies. As a result, the Eastern Young Cattle Indicator (EYCI) shed 3.4% and 13.8% y/y to close at AU\$3.10/kg cwt.

Domestic:

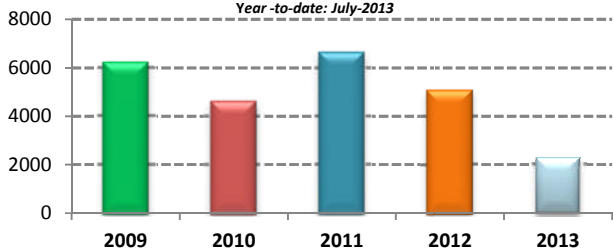
- The beef market saw marginal losses in a short trading week.
- Weekly Class A beef prices fell by 1.6% w/w and 14.0% y/y at R29.12 per kg.
- Contract Class A beef prices were down by 1.1% w/w and 12.7% y/y at R29.50 per kg.
- Class C beef prices were down by 1.0% w/w and 13.7% y/y at R23.33 per kg.
- Weaner calf prices were the exception, closing 0.6% higher w/w but still down by 9.2% y/y at R15.71 per kg live weight.

OUTLOOK

Most of the producing areas are still dry with no rain in the horizon. The persistent dry conditions will force producers to reduce their stock holdings as fodder availability diminishes. Timely rain is needed to kick-start pasture growth.

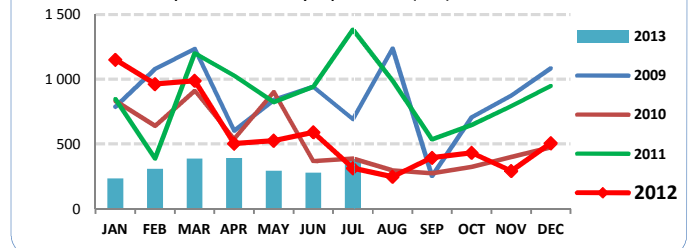


Graph 2a: Beef Import Trends (tons)
Year-to-date: July-2013



Source: SARS, Own Calculations

Graph 2b: Beef Monthly Import Trends (tons)



Mutton market trends (Graph 2)
International:

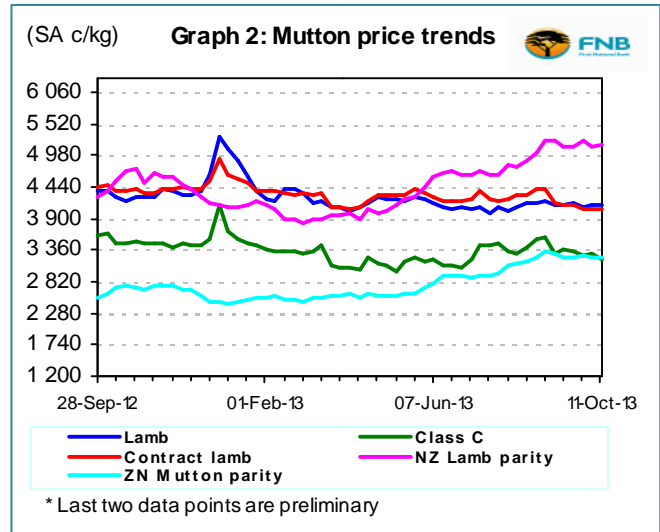
- In New Zealand (NZ), domestic producer prices bottomed out and finished firmer across most categories with the 17.5kg lamb closing at NZ\$98.00/ head but still down 2.0% y/y.
- NZ prices for most cuts are reportedly firming as impact of tighter supply flows through to the market. With the start of the 2013/14 season, prices are expected to come under pressure due to seasonal volumes but the impact is expected to be below trend.
- In Australia, the lamb and mutton markets are reported to have weakened under pressure due to a surge in volumes after rains tightened supplies during the previous week.
- The Eastern States Trade Lamb Indicator (ESTLI) fell by 5.8% w/w but still 12.1% higher y/y at AU\$4.35/kg cwt.

Domestic:

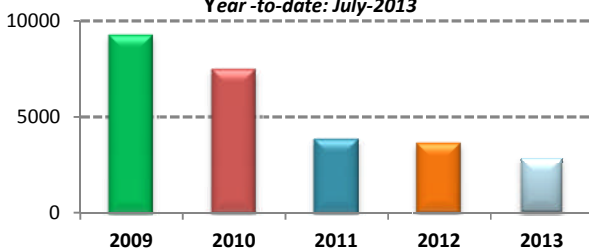
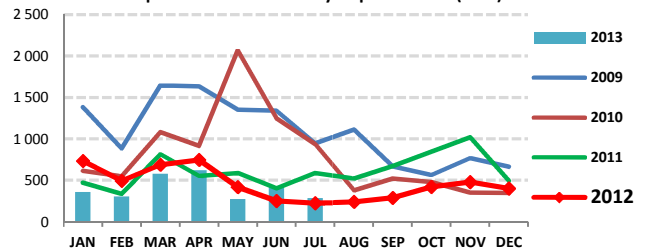
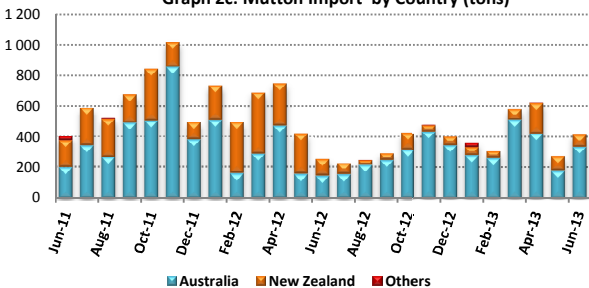
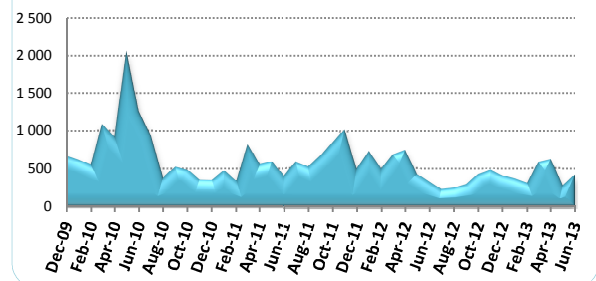
- The lamb and mutton markets posted slight losses on softer uptake in a short trading week.
- Weekly Class A lamb prices were down by 1.2% w/w and 5.6% y/y to close at R41.12 per kg.
- Contract Class A lamb prices were down by 1.9% w/w and 8.7% y/y, closing at R40.55 per kg.
- Mutton prices fell by 1.7% w/w and 9.7% y/y to close at R32.72 per kg.
- Weaner lamb prices fell by 2.3% w/w and 11.3% y/y to close at R20.28 per kg live weight.

OUTLOOK

It is expected that prices will trend sideways to lower in the short term but will bottom out in the medium term on seasonal increase in demand ahead of the December holidays.


Graph 2a: Mutton Import Trends (tons)

Year-to-date: July-2013


Graph 2b: Mutton Monthly Import Trends (tons)

Graph 2c: Mutton Import by Country (tons)

Graph 2d: Mutton Imports (TONS)


Pork market trends (Graph 3)
International:

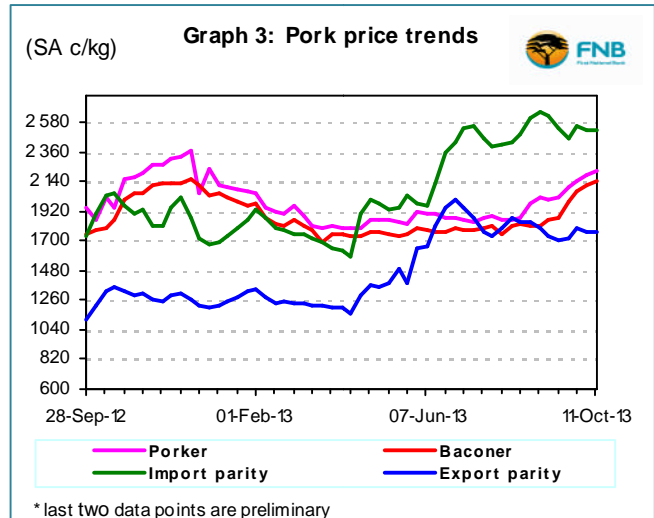
- The US Pork Carcass (FOB Plant) Cutout prices for the week ended 20 September 2013 continued to post good gains, closing up 1.8% w/w at US\$98.88/cwt.
- The number of pigs for slaughter in the US came in at 2.18m head, up by 0.4% w/w but down by 9.2% y/y.
- The total number of pigs slaughtered for the year-to-date in the US reached 79.04m head, which is marginally lower by 0.9% compared to the corresponding period last year.

Domestic:

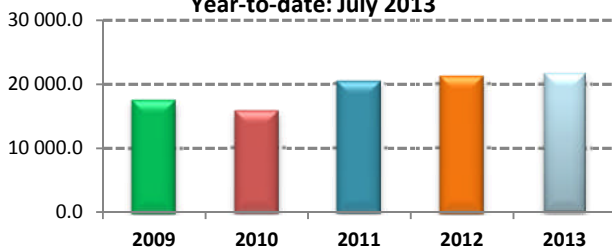
- The pork market remained on an extended uptrend, with price gains underpinned by tight supplies across most markets.
- Weekly porker prices closed at R21.38 per kg, up by 1.7% w/w and 9.5% y/y.
- Baconer prices ended modestly higher by 3.6% w/w and 18.4% y/y to close at R20.65 per kg.
- Pork import parity prices rebounded and finished higher on the back of renewed Rand weakness and better international prices. Weekly import parity prices closed up by 3.3% w/w and 47.0% y/y.
- Pork imports dropped sharply during July 2013. The monthly pork imports fell by a whopping 81.4% m/m and 50.7% y/y, coming in at 1,093 tons. This brings the cumulative year-to-date imports to 21,683 tons, which is 3.3% higher compared to the corresponding period last year.
- Major import sources were Canada with 702 tons (64.3%), Germany with 205 tons (18.7%), Ireland with 50 tons (4.6%), France with 49 tons (4.4%), Denmark with 25 tons (2.3%) and the USA with 2.3%. Other countries contributed 3.4% of the total imports.

OUTLOOK

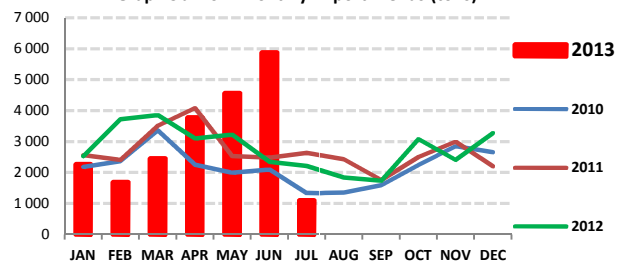
It is expected that prices will retain the upside trend in the short to medium term on supply tightness and improved demand ahead of the festive holidays.



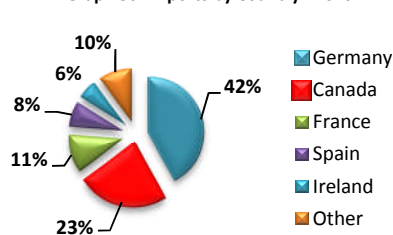
Graph 3a: Pork Import Trends (tons)
Year-to-date: July 2013



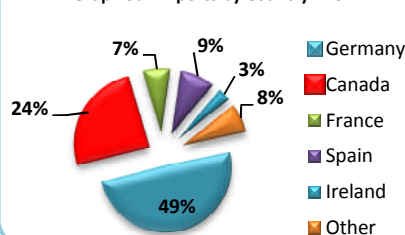
Graph 3b: Pork Monthly Import Trends (tons)



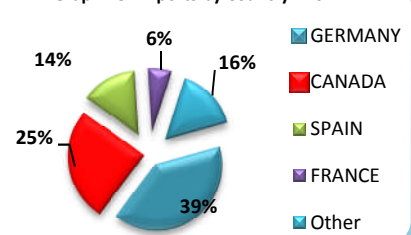
Graph 3c: Imports by Country - 2010



Graph 3d: Imports by Country - 2011



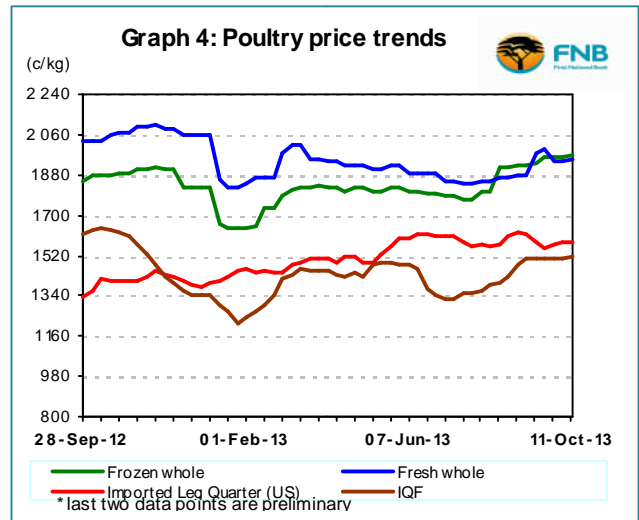
Graph 4e: Imports by Country - 2012



Source: SAPPO, SARS, Own Calculations

Poultry market trends (Graph 4)
International:

- US prices ended mixed with leq quarters and whole birds ending steady to higher respectively.
- US demand for broiler meat at retail and food service was reportedly good.
- Weekly whole bird prices gained 3.2% w/w and 10.7% y/y to close at US106.00c/lb.
- Leg quarter prices steadied at US53.50c/lb and were 1.6% higher y/y.
- Breast cuts were the exception with prices falling by 1.8% w/w but still 13.6% higher y/y at US116.67c/lb.
- Wing prices were down by 0.1% w/w and 20.2% y/y at US145.33c/lb.
- Weekly US broiler egg sets for the week ended 21 September 2013 came in at 191m, up by 1.0% y/y. Average hatchability for chicks hatched remained at 84.0%. Broiler chick placements came in 3.0% higher y/y at 165m head.
- Cumulative broiler placements from December 30, 2012 through September 21, 2013 were up by 1.0% y/y at 6.28b head.

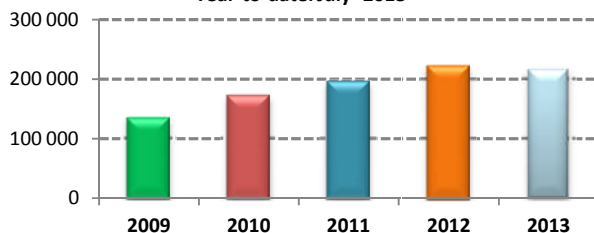

Domestic:

- The broiler market extended recent gains across the whole bird category on the back of improved uptake.
- Weekly frozen whole bird prices steadied at R19.57 per kg, but still 5.5% higher y/y.
- Fresh whole bird prices were the exception, falling by 2.7% w/w and 4.8% y/y at R19.37 per kg.
- Individually Quick Frozen (IQF) portions were steady at R15.04 per kg, but still down by 6.6% y/y.
- Poultry imports declined for the third consecutive month largely due to a weaker Rand/US dollar exchange rate. Total imports for July fell by 16.6% m/m but still 31.9% higher y/y. Year to July poultry imports fell by 1.7% compared to the corresponding period last year. The total broiler meat, which accounts for about 90.0% of the total poultry imports, fell by 14.7% m/m but still 27.5% higher y/y. Year to July broiler meat imports were down by 5.3% compared to the corresponding period last year.

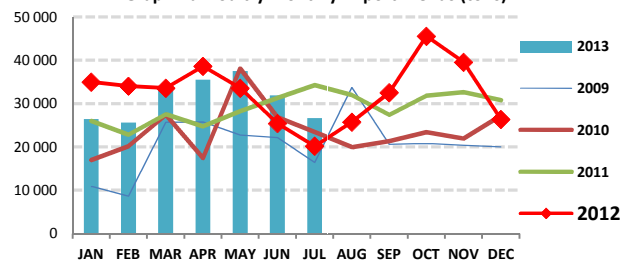
OUTLOOK

The market is expected to retain the upside momentum in the short to medium term due to improved seasonal demand.

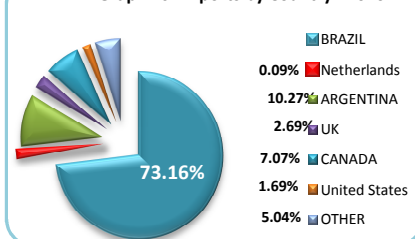
Graph 4a: Poultry Import Trends
Year-to-date: July - 2013



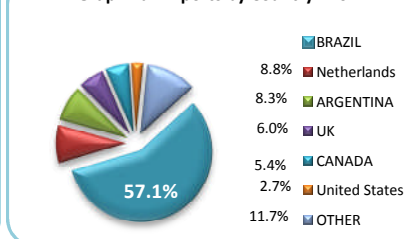
Graph 4b: Poultry Monthly Import Trends (tons)



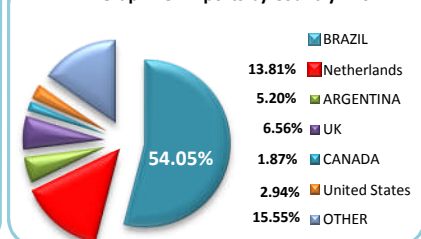
Graph 4c: Imports by Country - 2010



Graph 4d: Imports by Country - 2011



Graph 4e: Imports by Country - 2012

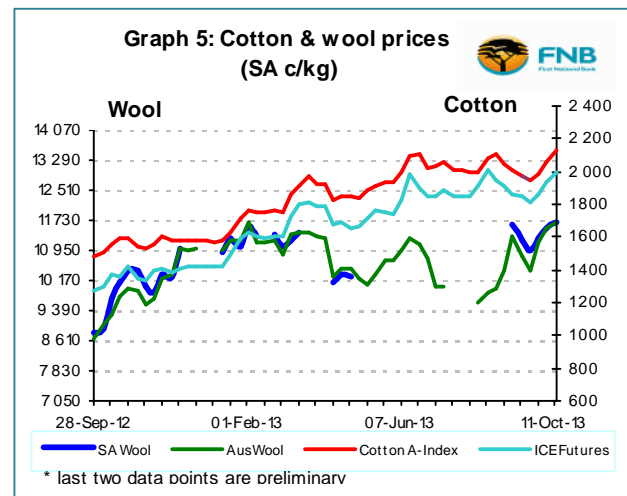


Source: SARS, Own Calculations

Producer prices for selected livestock commodities 27 September 2013	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh w4hole birds(R/kg)	29.12	41.12	21.38	19.37
Open market: Class C / Baconer / Frozen whole birds(R/kg)	23.33	32.72	20.80	19.57
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	29.50	40.55	20.65	15.04
Import parity price (R/kg)	27.55	32.75	25.49	15.74
Weaner Calves / Feeder Lambs (R/kg)	15.71	20.28		

Wool and cotton market trends (Graph 5)
International:

- Cotton prices continued to trend firmer on concerns of prospects of a lower crop in the US partly due to the recent heavy rains on crops.
- Nonetheless, crop conditions are reported to have improved somewhat with dry weather expected for some areas.
- Weather remains a critical factor for price direction in the short to medium term.
- The Cotlook A index averaged US90.63c/lb, almost unchanged w/w but still 11.0% higher y/y.
- Cotton Futures on ICE were up across the board: Cotton for Mar-14 gained 2.3% w/w at US86.34c/lb, May-14 was up by 2.4% w/w at US86.29c/lb, and Jul-14 was up by 2.3% w/w at US85.79c/lb.
- Wool: In Australia, the wool market rebounded with increases reported for all sales during the week. This saw the AWEX EMI closing higher at AU\$12.45/kg clean wool. Volumes of sales reached 94.5% of the 44,260 bales offered.
- Domestic:
- The wool market posted a modest recovery on spill over gains from Australia with the slight weakness in the Rand/ US dollar exchange rate providing added support. The Cape Wools Merino indicator gained 2.5% w/w and was 27.6% higher y/y at R112.41/ kg clean wool.
- At current level, the indicator is 1.8% and 10.2% higher than the year-to-date average of the 2012/13 and the opening sale of the 2013/14 seasons respectively.
- Major buyers were Lempriere SA with 1,810 bales (25.3%), G Modiano SA with 1,601 bales (22.4%), Standard Wool SA with 1,516 bales (21.2%), and Stucken & Co with 1,372 bales (19.2%).



Fibre market prices 27 September 2013	SA prices (R/kg)	Australian prices (R/kg)	Australian futures Dec-13 (AU\$/kg)	Australian futures Mar-14 (AU\$/kg)
Wool market indicator (R/kg)	112.41	114.80		
19 μ long length wool (R/kg)	-	109.50	12.30	11.80
21 μ long length wool (R/kg)	111.46	105.84	12.00	11.50
23 μ long length wool (R/kg)	-	104.39	10.80	10.30
	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	Cotton Futures Mar-14 (US\$/kg)	Cotton Futures May-14 (US\$/kg)
Cotton Prices (R/kg)	19.64	1.99	1.90	1.90

Cotton Futures on the InterContinental Exchange (ICE);

Yellow maize market (Graph 6)
International:

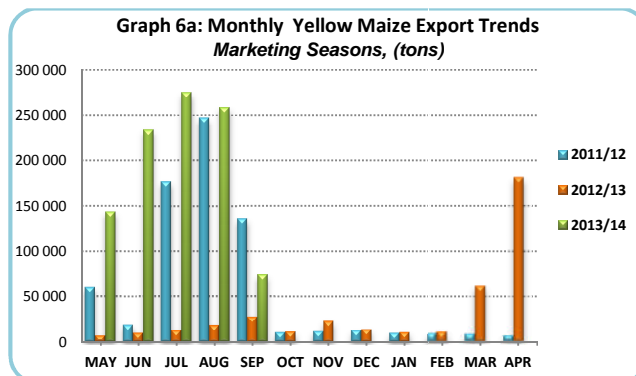
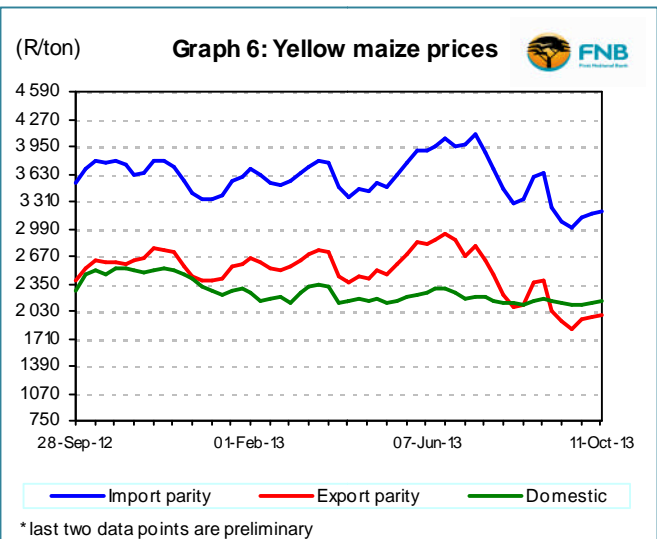
- US yellow maize prices saw losses early in the week but rebounded to finish higher on weather concerns and a weaker US dollar which improves the competitiveness on international markets.
- Harvest pressure however helped limit losses, with yields reportedly coming in impressively above expectations.
- Further, private analyst firms estimates continue to confirm good yields and higher production.
- The crop progress rating came in at 55.0% in good to excellent condition, which is 2.0% higher than the corresponding period last year.
- US harvest progress was reported at 7.0% complete, but still behind the 5-year average of 16.0%.

Domestic:

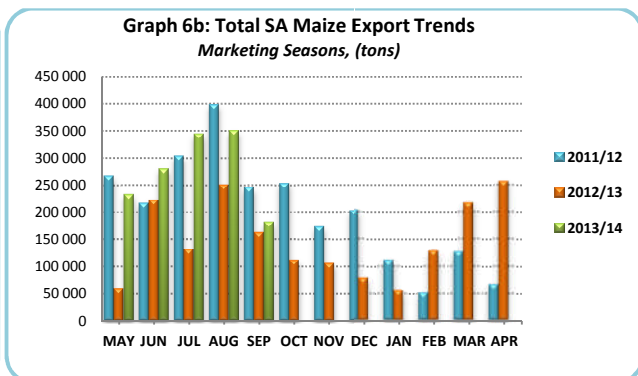
- Yellow maize prices rebounded on supportive Rand and slight gains on the international market.
- The South African yellow maize crop came in higher by 3.5% from the previous estimate at 6.14m tons. This is a sharp increase of 17.7% y/y.
- Weekly yellow maize prices closed at R2,111 per ton, up by 0.8% w/w but still 7.1% lower y/y.
- Weekly export sales came in at 7,580 tons and 984,958 tons for the season to date, according to the latest SAGIS report. Total maize exports (WMZ and YMZ) reached 1.41m tons. So far, major export destinations for YMZ are Japan (60.5%), Taiwan (17.1%), and Korea (14.8%).

OUTLOOK

Weather conditions in the US will continue to influence price direction in the short term. The higher world supply outlook will continue to have a downward influence on prices in the medium term.



Source: SAGIS



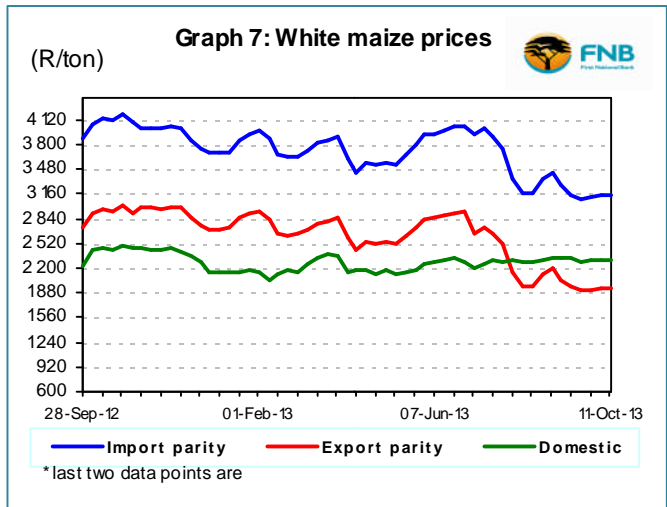
Yellow Maize Futures 27 September 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14			
CBOT (\$/t)	183.76	183.76	189.51	190.85	193.93			
JSE (R/t)	2 144	2 134	2 108	2 045	-			
CHICAGO CORN (R/t)	1 777	1 854	-	1 902	-			
Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Dec-13			Mar-14			July-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 220	92	61	2 220	145	113	2 100	195	147
2 180	70	79	2 180	123	131	2 060	173	165
2 140	52	101	2 140	103	151	2 020	152	184

White maize market trends (Graph 7)
International:

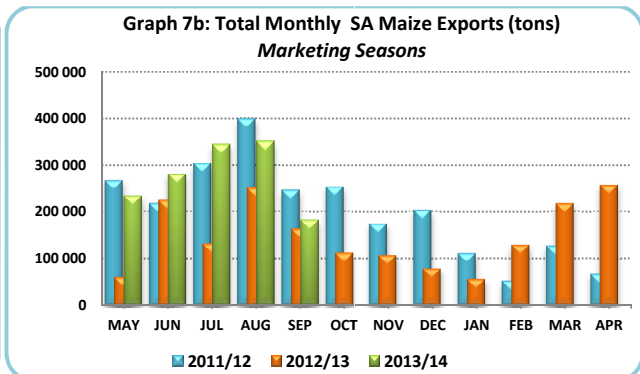
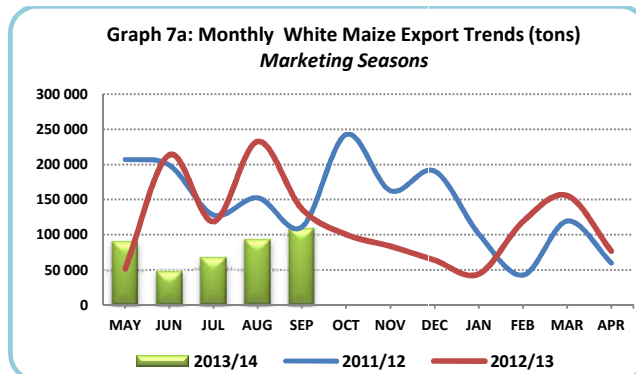
- US white maize spot prices continued to weaken on improved supply outlook for the US. Reports of good yields and the y/y increase in the projected world supplies added to the weaker tone.
- The weekly average white maize prices closed at US\$192 per ton, down by 1.0% w/w and 42.0% y/y.

Domestic:

- White maize prices regained some ground on supportive Rand.
- The final crop estimate came in at 5.58m tons, unchanged from the previous estimate but down by a whopping 19.2% y/y. The total maize crop (YMZ+WMZ) reached 11.72m tons, which is 1.8% higher than the previous estimate but still 3.3% lower y/y.
- Weekly white maize prices closed at R2,296 per ton, up by 0.4% w/w and 2.6% y/y.
- Weekly white maize export sales came in at 15,461 tons and 422,004 tons for the season to date, according to the latest SAGIS report.
- Major export destinations for WMZ so far are Mexico (45.0%), Botswana (7.0%) and Zimbabwe (6.0%). Major export destinations for all maize are Japan (43.0%), Mexico (16.0%), Taiwan (15.3%), and Korea (10.2%).


OUTLOOK

Weather conditions in the US will continue to influence price direction in the short term. The higher world supply outlook will continue to have a downward influence on prices in the medium term.



Source: SAGIS;

White Maize Futures 27 September 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14			
JSE (R/t) WM1	2 309	2 293	2 180	2 123	-			
Calculated White Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Dec-13			Mar-14			Jul-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 420	113	66	2 420	156	108	2 180	199	156
2 380	90	83	2 380	133	125	2 140	177	174
2 340	71	104	2 340	113	145	2 100	156	193

Wheat market trends (Graph 8)
International:

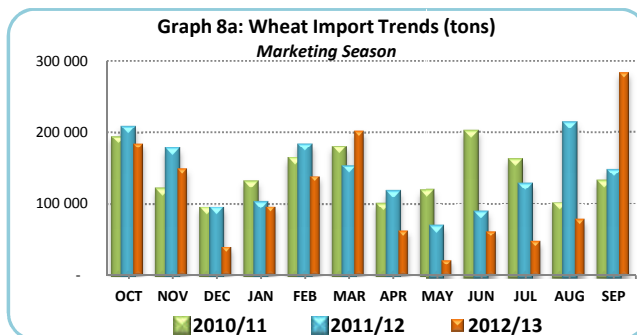
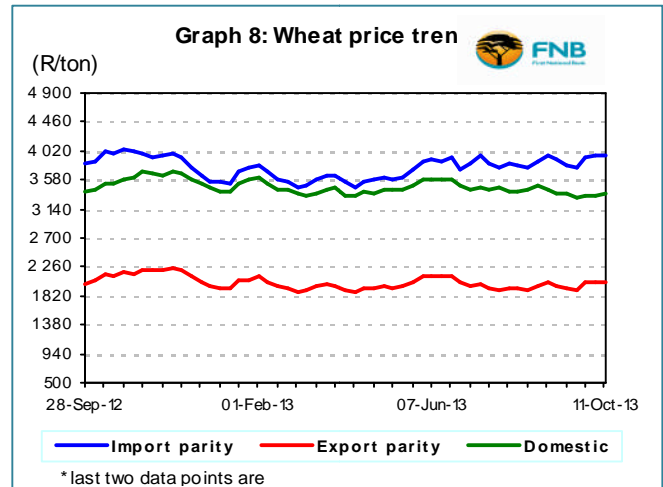
- US wheat prices extended recent gains on strong demand and follow through speculative and commercial buying.
- The US winter wheat planting is underway and is in line with the 5-year average.
- The weekly US spring wheat harvesting progress was reported at 93.0% complete which is still in line with the 5-year average of 93.0% harvested this time of the year.
- In the case of winter wheat, the US winter wheat planting progress was reported at 23.0% complete which is still in line with the 5-year average of 24.0% planted this time of the year
- In Canada, production estimates are reportedly high but with lower than average protein levels.
- In China wheat prices rose sharply early in the week on concerns over poor production conditions and damage to crops.
- Overall, there is a still abundant supply of wheat around the world but pockets of adverse weather conditions have affected the quality of the crop in some areas.

Domestic:

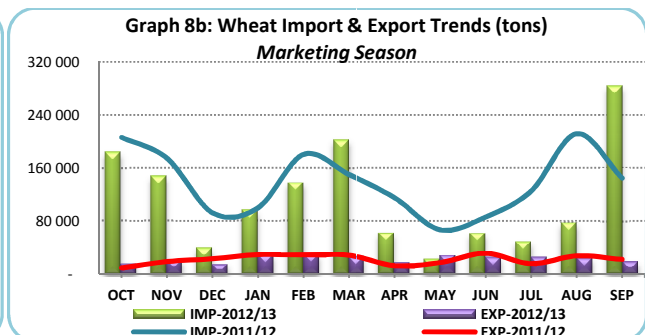
- The wheat market rebounded and closed marginally higher on the back of a weaker Rand.
- Weekly wheat prices closed at R3,334 per ton, up by 0.8% w/w but still 4.1% y/y.
- Wheat imports came in at 78,341 tons with main suppliers being Russia (32.6%) and Ukraine (22.7%).
- The cumulative season to date imports reached 1.37m tons with major suppliers so far being Ukraine (24.8%), Brazil (17.1%), Russia (15.9%), and Australia (14.3%).

OUTLOOK

The medium term outlook for international prices remains bearish as fundamentals point to abundant world supplies. This will however boost demand for wheat for human consumption and livestock feeding.



Source: SAGIS;



Wheat Futures 27 September 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14			
KCBT (\$/t)	268.82	269.33	269.55	263.23	265.36			
JSE (R/t)	3 340	3 403	-	3 503	-			
Calculated Wheat Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Dec-13			Mar-14			Jul-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3 460	113	71	3 540	230	180	3 560	300	257
3 420	91	89	3 500	208	198	3 520	278	275
3 380	71	109	3 460	188	218	3 480	257	294

Oilseed market trends (Graph 9)
International:

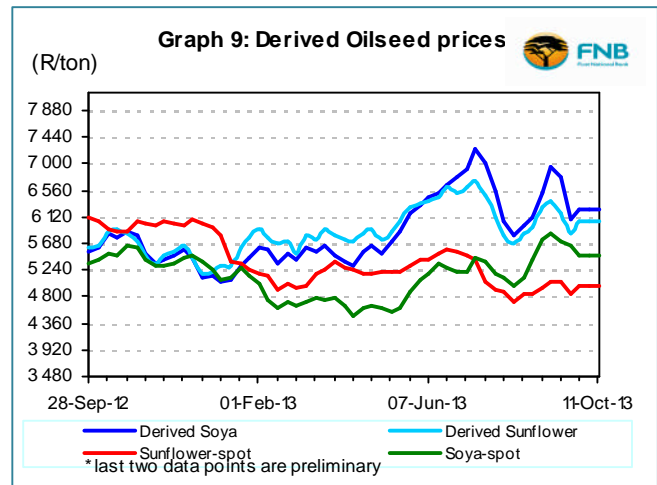
- US prices continued to soften on improved weather conditions with rains helping the soybean crop that was planted late. Reports of good yields and advancing harvest added to the weaker tone.
- Soybeans products were however firmer on confirmation of the strong export sales to China.
- In Brazil, the planting season is reported to have had a slow start in some areas with Mato Grosso reportedly warm and dry.

Domestic:

- Oilseeds traded on the JSE ended mixed with the weaker Rand supportive.
- Weekly soybean prices fell by 3.0% w/w but up 2.3% y/y to close at R5,473 per ton.
- Sunflower prices gained by 2.6% w/w but still 18.5% y/y, closing at R4,4969 per ton.

OUTLOOK

Prices are expected to come under pressure in the medium term on abundant world oilseed supplies.



Oilseeds Futures 27 September 2013	Dec-13	Mar-14	May-14	Jul-14	Sep-14
CBOT Soybeans (US \$/t)	-	477.08	467.82	464.59	444.08
CBOT Soya oil (US c/lb)	41.81	42.41	42.67	42.89	43.02
CBOT Soya cake meal (US\$/t)	446.88	434.86	424.83	421.30	403.00
JSE Sunflower seed (R/t)	5 030	5 030	4 700	-	-
JSE Soybean seed (R/t)	5 420	-	-	-	-

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

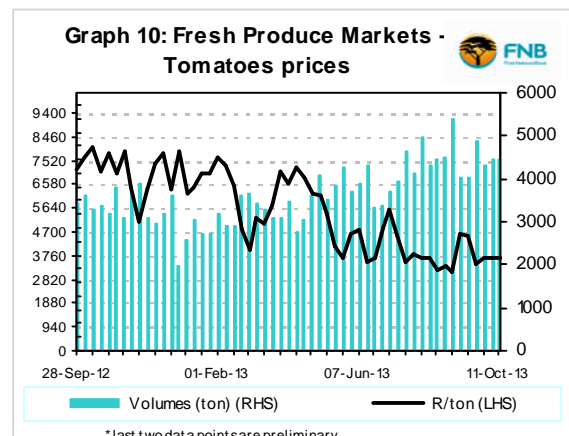
Dec-13			Mar-14			May-14		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5 000	199	159	5 080	333	283	4 740	361	321
4 960	177	177	5 040	311	301	4 700	339	339
4 920	157	197	5 000	290	320	4 660	318	358

Vegetable Market Trends (Graphs 10 to 14)
Tomatoes

Tomato prices rebounded and closed modestly higher as supplies moderated across most markets.

Weekly tomato prices closed at R3,703 per ton, up by 9.1% w/w but still down by 48.3% y/y. Volumes of tomatoes traded decreased by 11.6% w/w but still up by 25.1% y/y at 4,305 tons.

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



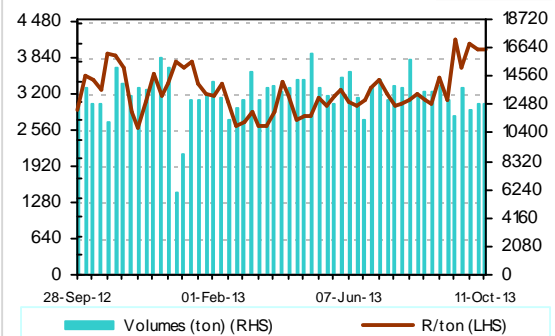
Potatoes

Potato prices reversed recent losses and finished higher on reduced supplies.

Weekly potato prices gained 11.6% w/w and 40.4% y/y to close at R4,087 per ton. Volumes of potatoes traded were pegged at 12,152 tons, down by 11.4% w/w and 2.3% y/y.

Prices are expected to improve somewhat in the short term on improved uptake.

Graph 11: Fresh Produce Markets - Potatoes prices



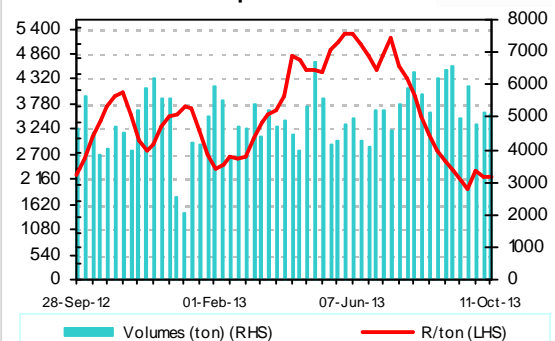
Onions

Onion prices regained some ground on moderation in supplies.

Weekly onion prices increased by 18.7% w/w and 3.1% y/y, closing at R2,332 per ton. Volumes traded came in at 4,771 tons, down by 19.5% w/w but up by 2.8% y/y.

It is expected that prices will rebound in the short to medium term on moderation in supplies.

Graph 12: Fresh Produce Markets - Onion prices



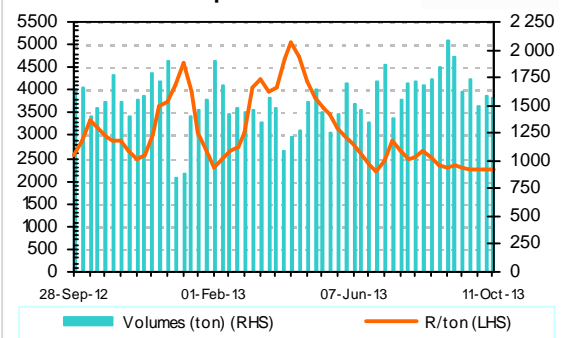
Carrots

Carrot prices continued to trend lower under pressure due weak uptake across most markets.

Weekly carrot prices closed at R2,244 per ton, down by 1.3% w/w and 12.8% y/y. Volumes traded came in at 1,501 tons, down by 13.1% w/w and 8.7% y/y.

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

Graph 13: Fresh Produce Markets - Carrot prices



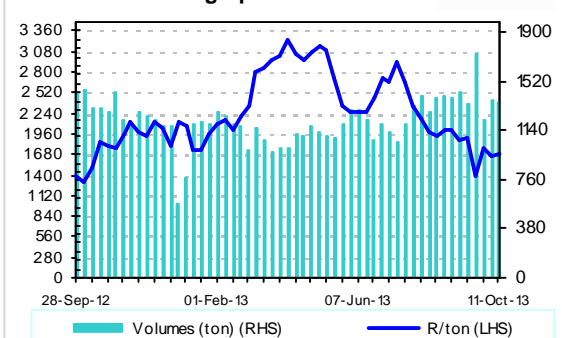
Cabbages

Cabbage prices bottomed out and increased supported by reduced volumes across markets.

Weekly cabbage prices increased by 28.5% w/w and 27.6% y/y at R1,777 per ton. Volumes traded were pegged at 1,215 tons, down by 29.8% w/w and 14.5% y/y.

It is expected that prices will improve slightly in the short to medium term on moderation in supplies.

Graph 14: Fresh Produce Markets - Cabbage prices



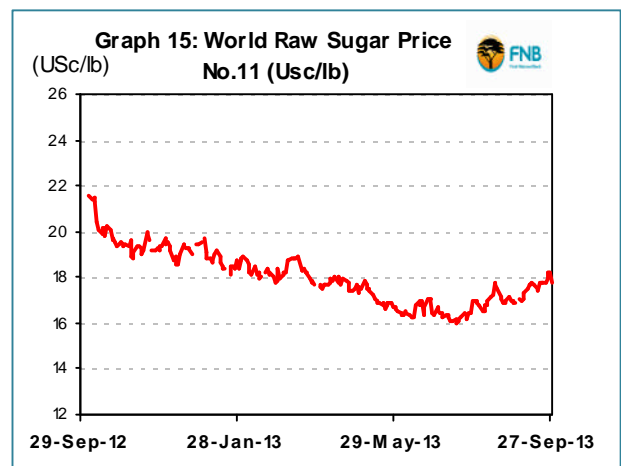
Vegetable prices: South Africa's Major Fresh Produce Markets. (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)						
Week ending 27 September 2013	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	3 703	9.1%	-48.3%	4305	-11.6%	25.1%
Potato	4 087	11.6%	40.4%	12152	-11.4%	-2.3%
Onion	2 332	18.7%	3.1%	4771	-19.5%	2.8%
Carrot	2 244	-1.3%	-12.8%	1501	-13.1%	-8.7%
Cabbage	1 777	28.5%	27.6%	1215	-29.8%	-14.5%

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

Sugar market trends (Graph 15)

International:

- International Raw Sugar prices trended higher on concerns over production in Brazil and strong export demand.
- Private firms are reported to have reduced the sugarcane and sugar production estimates due to poor growing conditions earlier in the year.
- Weather conditions have been favourable for harvesting in Brazil.
- Weekly raw sugar prices gained 1.9% w/w at US17.96c/lb, but still 8.5% lower y/y.
- Sugar futures: Raw sugar for May-14 gained 0.5% w/w at US17.68c/lb, Jul-14 was 0.4% higher w/w at US17.61c/lb, and Oct-14 was 0.4% higher w/w at US17.88c/lb.



Domestic:

- According to the Cane Growers Association, the RV price in respect of cane delivered in July 2013 was declared at R3,083.80 per ton. The price was R2.87 per ton higher than the previous estimate of the cane delivered in June.
- The increase was attributed to a number of factors:
 - the 10 375 ton decline in sugar production (2,379m tons vs. 2,390m tons) and
 - the higher No.11 spot price (16.78USc/lb vs. 16.25USc/lb).
- With respect to the 2013/14 season, 588 354 tons have been made available for marketing and pricing. Of this allocation 510 062 tons have been priced and contracted at an average of US18.37c/lb. This pricing includes the overpriced tonnage of 68 142 tons that was transferred from last season. Despite the recent downward adjustment to the 2013/14 sugar production estimate, export availability is estimated at 828 179 tons. This implies that there is still potentially 318 117 tons of export sugar (unpriced and unallocated) that may be exposed to world market price and R/\$ exchange rate volatility. (SACGA)

ICE Sugar Futures 27 September 2013	Mar-14	May-14	Jul-14	Oct-14	Mar-15
Sugar No.11 (US c/lb)	17.67	17.59	17.85	18.41	18.35
% Change w/w	-0.1%	-0.1%	-0.2%	-0.2%	-0.4%

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.