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# Agri-Weekly

**FNB**  
First National Bank

16 January 2015

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

## Beef market trends (Graph 1)

### International:

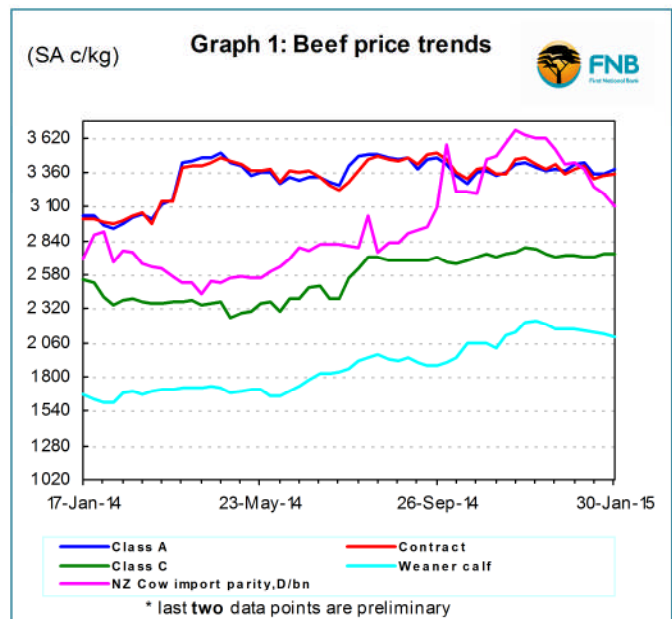
- The US domestic wholesale beef market saw further gains on resilient demand.
- Boxed Beef prices in the US continue to climb with the Choice product closing up 3.5% w/w and 16.4% y/y at US\$261.51/cwt.
- Select beef cutout prices gained 3.7% w/w and 13.5% y/y at US\$252.13/cwt.
- In the cattle market, the CME Feeder Cattle Index continued on its downward trend and closed down 3.8% w/w but still up on last year by 32%.
- US cattle slaughtered reached 546,000 head, up 1.5% w/w but still down on last year by 9%. The year to date cattle slaughter number came in at 1.21m head, down by 16.7% y/y.
- In Australia, cattle prices started the 2015 on a positive note with the benchmark Australian Eastern Young Cattle Indicator (EYCI) closing at a new record of AU\$4.42/ kg cwt. Prices found support from the tight supply situation due to the higher slaughtering in 2014.

### Domestic:

- Beef prices trended mostly lower due to the seasonal decline in demand as consumers are cash strapped after the festive season and have to face new priority expenditure on school requirements.
- Weekly Class A beef prices finished down 2.3% w/w but still up 10.7% y/y at R33.50 per kg.
- Contract Class A beef prices were down 2.7% w/w but still up 10% y/y at R33.10 per kg.
- Class C beef eased marginally at R27.11 per kg, but still 6.7% higher on a y/y basis.
- In the weaner market, prices ended a bit softer as a result of weak demand and slightly increased availability on markets. Weekly weaner calf prices closed at R21.40 per kg live weight, down by 0.8% w/w but still 28% higher y/y.

### OUTLOOK

The sideways trend will continue in the short term as supplies are relatively high amid subdued demand conditions.



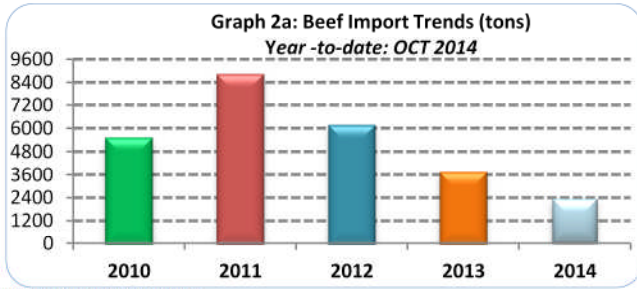
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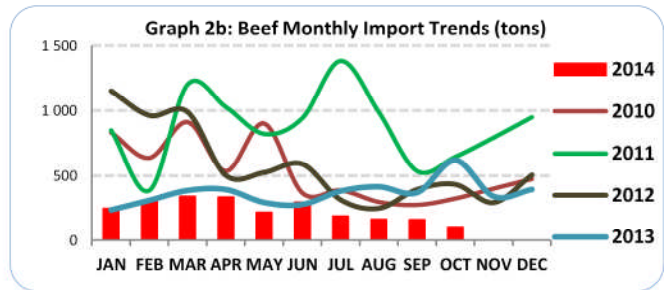
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Source: SARS, Own Calculations



**Mutton market trends (Graph 2)**

International:

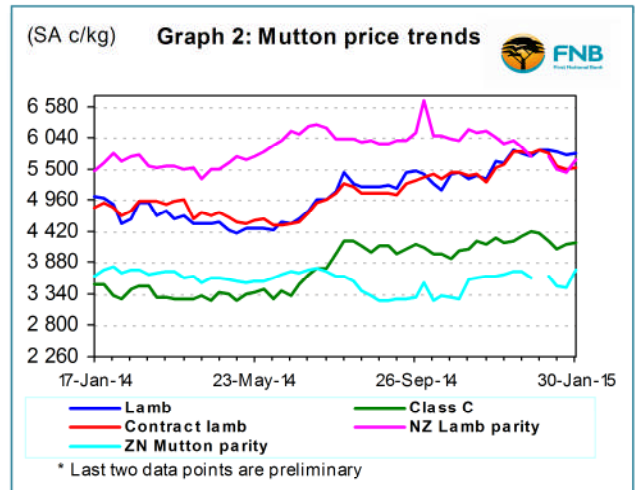
- Australia's lamb prices posted good gains on the back of tight supplies across markets. The National Trades Lamb indicator was up 37% y/y at \$5.46/ kg cwt.
- In New Zealand (NZ), the 17.5kg lamb prices fell by 3% compared to last year at NZ\$90.10/ head.
- Lamb markets are reportedly quite as the seasonal demand ahead of the Chinese New Year holiday tappers off. Weak export demand, a stronger currency, and dry weather tightening up available processing capacity led to reduced schedules according to report.
- In the US, the lamb carcass cutout prices were softer for the week at US\$341043/cwt but still 3.5% higher y/y. The sheep slaughter number came in sharply higher by 11% w/w at 40,000 head. For the year to date, the cumulative number of sheep slaughtered reached 83,000 head, which is down on last year by 9.8%.

Domestic:

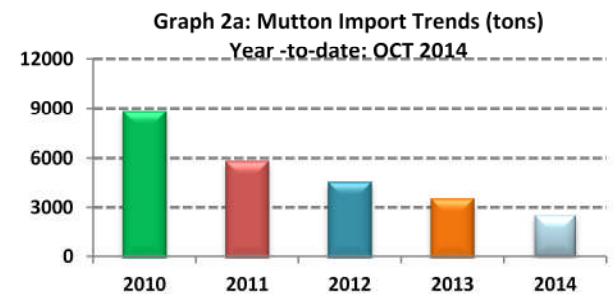
- The lamb and mutton markets followed a normal seasonal trend of a decline post the December holidays as consumers cut back on spending due to new priority expenses such as school fees and uniforms.
- Weekly Class A lamb prices were softer at R57.90 per kg, but still up on last year by 15%.
- Contract Class A lamb prices fell by 3.8% w/w but still 14.6% higher y/y at R55.36 per kg.
- Mutton prices were down 3% w/w but up by 17% y/y at R41.13 per kg.
- Weaner lamb prices saw modest losses on the back of lower carcass prices and limited demand.
- Weekly weaner lamb prices closed down 2.5% w/w but still 9.6% higher y/y at R25.22 per kg live weight.

**OUTLOOK**

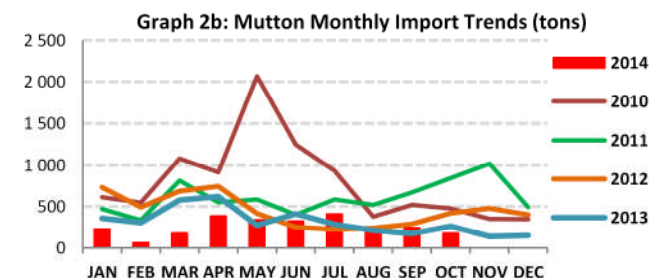
It is however expected that prices will trend sideways in the short term but with further upward potential in the medium term ahead of the Easter holidays.



\* Last two data points are preliminary



Source: SARS, Own Calculations



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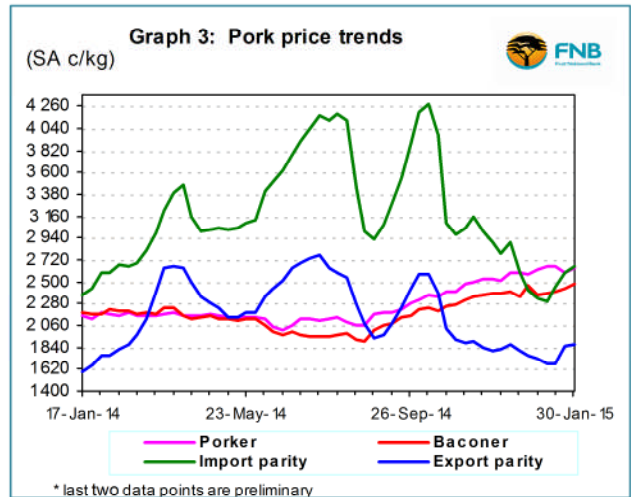
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**Pork market trends (Graph 3)**

International:

- US Pork Carcass (FOB Plant) Cutout prices ended a bit firmer during midmonth at US\$83.95/cwt, but still down by 1.9% y/y.
- US pig slaughter number came in at 2.28m head, up by 6.2% w/w and 0.6% y/y. The cumulative year to date pig slaughter number reached 1.11m head, which is still down by 6% y/y.
- In the latest Quarterly Hogs and Pigs report, USDA indicated that farrowings increased by 3% during the September-November 2014 period and that producers intend to expand farrowings by 4% during December-May 2015.
- The report also showed that pigs per litter was at a record high for the September-November period, a trend that is expected to continue during 2015, resulting in greater availability of hogs for slaughter. However, the increase in the number of slaughter hogs may be partly offset by lower weights as hogs are marketed more rapidly.

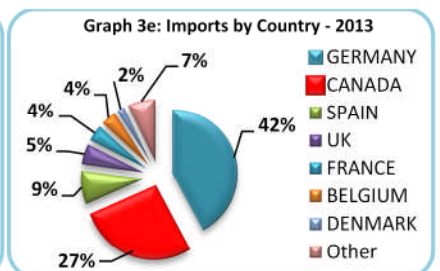
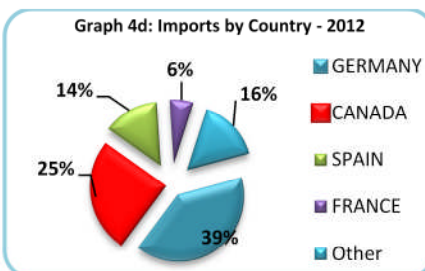
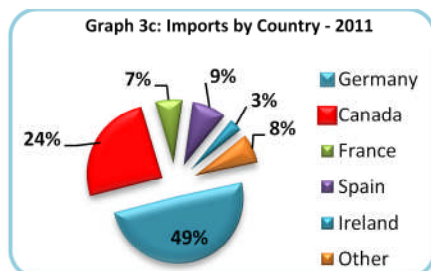
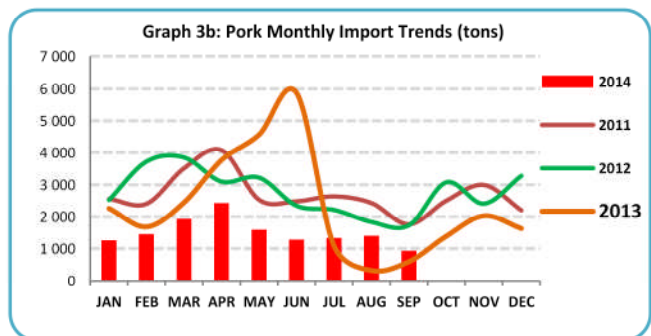
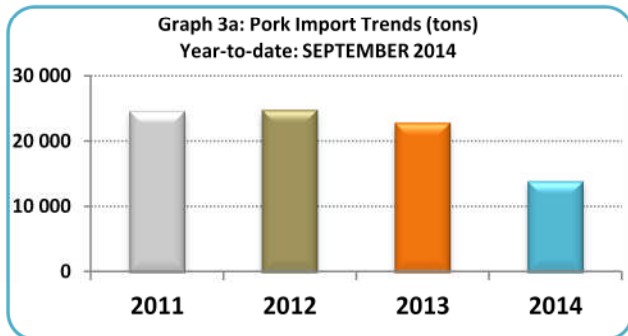


Domestic:

- The pork market bucked the trend and remained relatively firm due to limited supplies.
- Weekly porker prices closed firmer at R26.58 per kg, which is 23.6% higher y/y.
- Baconer prices saw marginal gains, finishing the week at R23.96 per kg and up 9.6% y/y.
- Import parity prices were modestly higher on the back of better international prices. Weekly import parity prices were up 6.3% w/w and 3.8% y/y.

**OUTLOOK**

It is expected that prices will retain the current momentum in the short to medium term on limited supplies. However, the subdued demand conditions due to the weaker economy may dampen this outlook.



Source: SAPPO, SARS, Own Calculations

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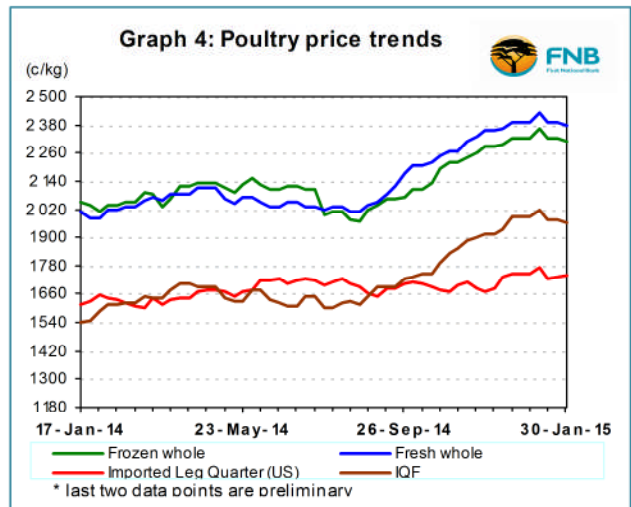
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**Poultry market trends (Graph 4)**

International:

- US broiler portion prices were mostly mixed with the wings posting sharp gains.
- Demand across all channels was reportedly limited and supplies were moderate.
- Retail demand was reportedly light to good, mostly moderate entering the weekend.
- At food service, demand was reportedly light to moderate ahead of the Dr Martin Luther King Jr. holiday weekend.
- Whole bird prices closed firmer at 114.30 US cents/lb, which is up 9.6% y/y.
- Leg Quarter prices declined by 1.9% w/w but still 2% higher y/y at 51.50 US cents/lb.
- Breast cuts steadied at 129.50 US cents/lb, but still up by 21.4% y/y.
- Wing prices were biggest gainers and finished the week at 164.50 US cents/lb, up by 5.8% w/w and 28.5% y/y.
- Drumsticks prices fell sharply to close at 62.50 US cents/lb, down by 12.6% w/w and 10.3% y/y.
- In the weekly US Broiler Hatchery report, egg sets for the week ended 17 January 2015 increased by 3% y/y at 214m. Average hatchability for chicks remains at 83.0%. The broiler chick placements were up by 3% y/y at 175m head. Cumulative broiler placements from January 10, 2015 through January 17, 20145 were up 2% y/y at 351m head.



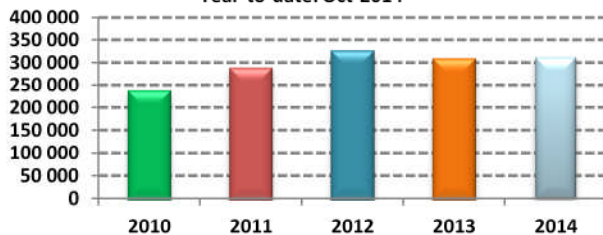
Domestic:

- The market saw a slight downturn as demand slipped during midmonth, which is typical of this time of the year. However, the generally tight supply situation as a result of the import ban of poultry from Europe helped limit the seasonal decline in prices.
- Weekly frozen whole bird prices closed at R23.21 per kg, down by 1.7% w/w but still 13% higher y/y.
- Fresh whole bird prices eased to R23.90 per kg, down by 1.7% w/w but still up by 19% y/y.
- Individually Quick Frozen cuts were down by 2.3% w/w but still 28.2% higher y/y at R19.74 per kg.
- Import parity prices moved slightly lower due to the combined effect of lower international prices and a stronger Rand. Weekly import parity prices fell by 2.6% w/w but still 7% higher y/y.

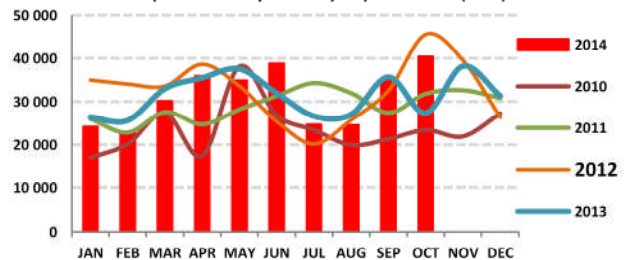
**OUTLOOK**

Prices are expected to trend sideways with limited upward potential in the short to medium term. Meanwhile, the declining grain prices bode well for improved profitability in the industry as profit margins have been under pressure over the past two years.

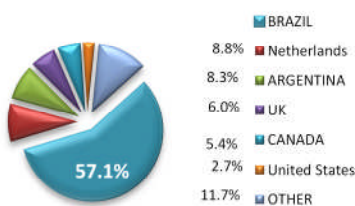
**Graph 4a: Poultry Import Trends**  
Year-to-date: Oct-2014



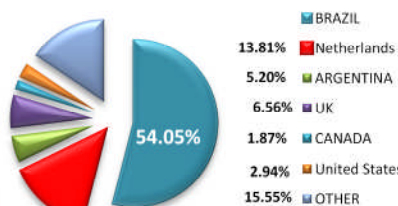
**Graph 4b: Poultry Monthly Import Trends (tons)**



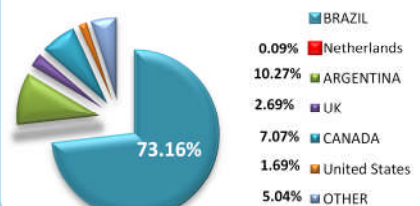
**Graph 4d: Imports by Country - 2011**



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



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



Source: SARS, Own Calculations

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Producer prices for selected livestock commodities 16 January 2016	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh whole birds(R/kg)	33.50	57.90	26.58	23.90
Open market: Class C / Baconer / Frozen whole birds(R/kg)	27.11	41.13	24.35	23.21
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	33.10	55.36	23.96	19.74
Import parity price (R/kg)	32.47	34.89	24.50	17.25
Weaner Calves / Feeder Lambs (R/kg)	21.40	25.22		

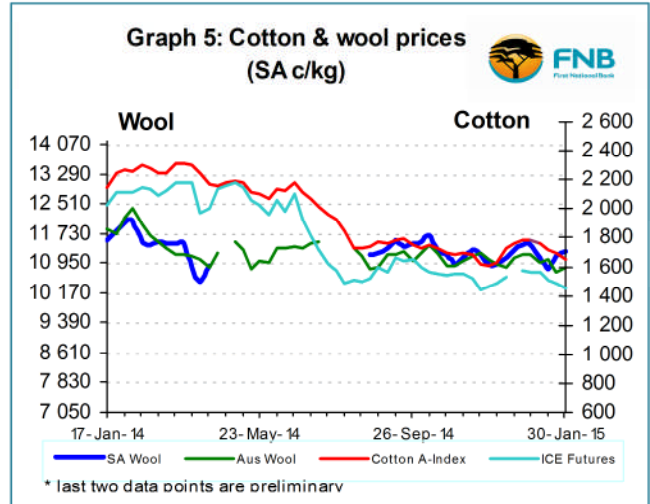
**Wool and cotton market trends (Graph 5)**

International:

- Prices posted moderate losses on increased supply outlook.
- The recent USDA report showed an increase in US production as well as ending stocks, thus confirming abundant domestic supplies.
- Light showers were reported for most of the key producing areas, which is expected to boost moisture levels ahead of the planting period.
- The higher world stocks estimates also weighed heavily on markets, limiting upside potential.
- Weekly cotton prices finished slightly weaker at 67.80 US cents/lb, and 25% y/y.
- In the futures market, cotton prices posted moderate losses. Cotton for Mar-15 delivery was down 2.5% w/w at 59.23 US cents/lb, Jul-15 was down 2.2% w/w at 60.91 US cents/lb, and Oct-15 was down 2.2%w/w at 61.84 US cents/lb.
- Wool market: The Australian wool market ended softer on weak demand. This saw the AWEX Eastern Market Indicator (EMI) trending slightly weaker w/w and 10% down y/y at AU\$10.54 per kg. Volumes of sales reached 91% of the 54,232 bales offered.

Domestic:

- The wool market posted slight losses with the weekly Cape Wools Merino indicator ending softer at R107.93 per kg clean wool, down 2.6% w/w and 6.7% y/y. At current levels, the indicator is down 3.3% compared to the opening sale of the season and 3.9% lower compared to the season to date average.
- Major wool buyers were Lempriere SA with 4,506 bales (37.8%), G Modiano SA with 2,116 bales (17.7%), Stucken & Co with 2,082 bales (17.5%), and Standard Wool SA with 1,907 bales (16.0%).



Fibre market prices 16 January 2016	SA prices (R/kg)	Australian prices (R/kg)	Australian futures Mar-14 (AU\$/kg)	Australian futures May-15 (AU\$/kg)
Wool market indicator (R/kg)	111.43	100.20		
19µ long length wool (R/kg)	109.18	113.51	11.75	11.70
21µ long length wool (R/kg)	104.78	109.42	11.45	11.40
23µ long length wool (R/kg)	-	106.85	10.25	10.20
Fibre market prices 16 January 2016	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	Cotton Futures Mar-15 (US\$/kg)	Cotton Futures Jul-15 (US\$/kg)
Cotton Prices (R/kg)	17.18	1.49	1.34	1.36

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

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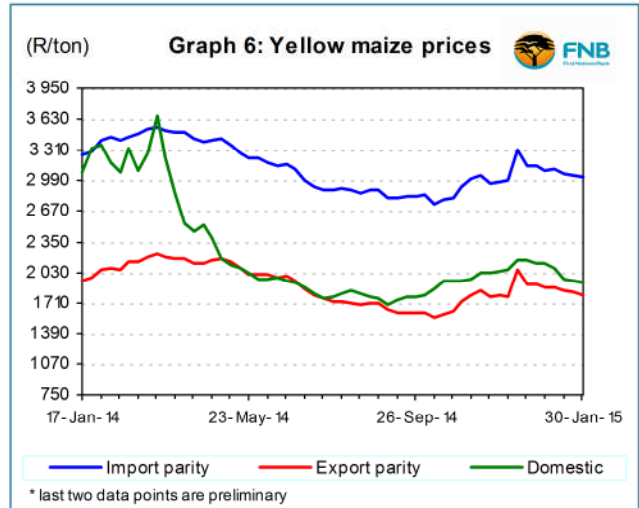
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**Yellow maize market (Graph 6)**

International:

- Maize prices posted losses, reversing gains seen over the past few weeks on volume pressure.
- However, better than expected export sales late in the week helped limit losses.
- Final crop estimates by the USDA's WASDE report came in slightly lower than December numbers, but still at record levels.
- US maize production was estimated at 366m tons in the latest USDA report, which is an all-time high.
- Yield estimate were revised down to 10.8t/ha from 10.9t/ha due to unfavourable weather conditions during harvest.
- Consumption was revised higher on better than expected feed usage.
- World maize output is estimated at 988.08m tons, down 3.5m tons from the previous estimate. Ending stocks are revised lower to 189.15m tons.

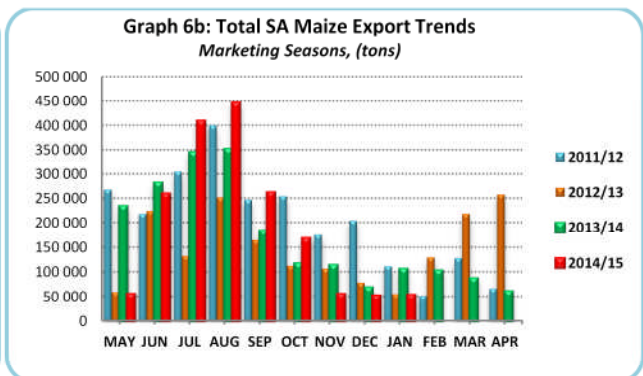
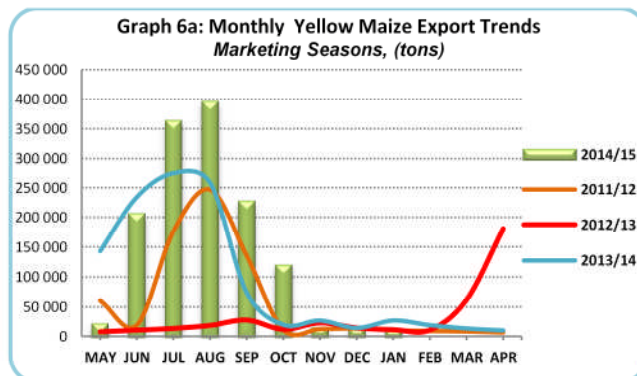


Domestic:

- Maize prices trended slightly lower on improved crop conditions but the weaker Rand provided some cushion. Above normal temperatures bolstered rapid development of summer crops across the maize areas, adding to the weaker tone.
- Yellow maize prices closed the week at R1,947 per ton, down 5.6% w/w and 37% y/y.
- Exports for the week were pegged at 2,253 tons, bringing cumulative year to date 1.36m tons all marketed to neighbouring countries.

**OUTLOOK**

Conditions have been generally favourable for the new crop however moisture levels are low in some areas. Returns of seasonal showers are needed to maintain normal crop development. Price expectations remain bearish however the weaker Rand should provide some cushion.



Source: SAGIS

Yellow Maize Futures 16 January 2016	Mar-15	May-15	Jul-15	Sep-15	Dec-15			
CBOT (\$/t)	152	155	158	160	163			
JSE (R/t)	1 976	1 982	1 998	2 033	2 087			
CHICAGO CORN (R/t)	1 751	-	1 849	-	1 957			
<b>Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)</b>								
Dec-14			Mar-15			May-15		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2 020	87	43	2 020	123	85	2 040	141	99
1 980	64	60	1 980	101	103	2 000	119	117
1 940	45	81	1 940	81	123	1 960	99	137

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

International:

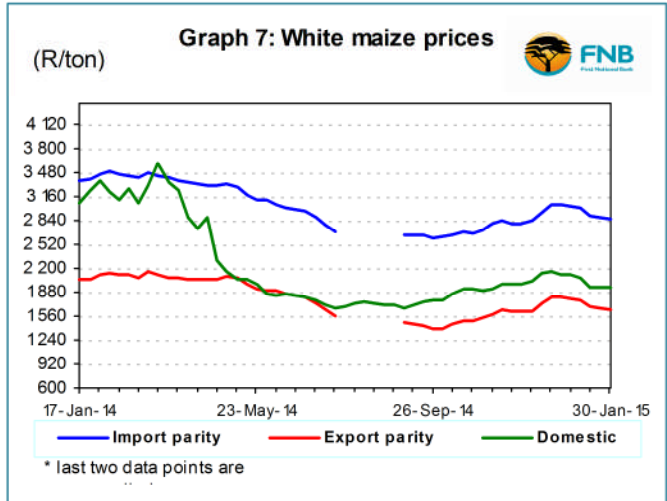
- US white maize weakened on bullish supply and demand estimates reports. Weekly white maize prices were down 2% and 20% y/y averaged US\$150/ton.

Domestic:

- White maize prices trended weaker on spill over losses from the international market.
- Weekly white maize prices closed at R1,947 per ton, down 6% w/w and 37% y/y.
- Exports for the week were pegged at 15,004 tons and 384,873 tons for the year to date, all destined to neighbouring countries.

**OUTLOOK**

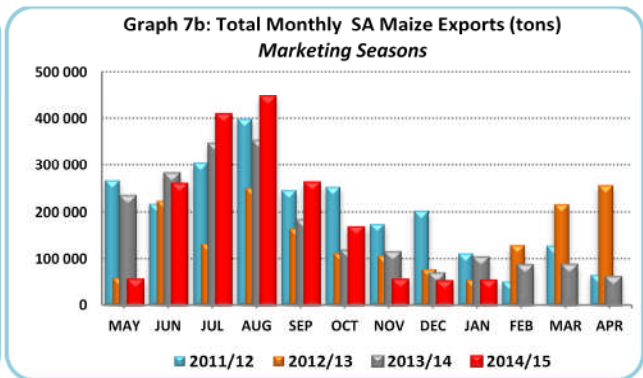
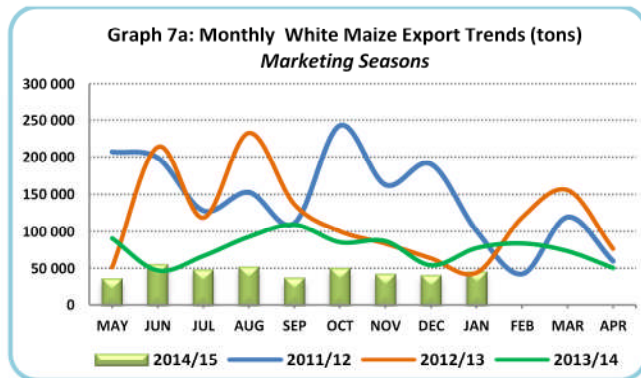
Conditions have been generally favourable for the new crop however moisture levels are low in some areas. Returns of seasonal showers are needed to maintain normal crop development. Price expectations remain bearish however the weaker Rand should provide some cushion.



White Maize Futures 16 January 2016	Mar-15	May-15	Jul-15	Sep-15	Dec-15
JSE (R/t) WM <sub>1</sub>	1 937	1 957	1 969	1 999	2 055

Calculated White Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Mar-15			May-15			Jul-15		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1 980	88	45	2 000	129	86	2 000	131	100
1 940	65	62	1 960	106	103	1 960	109	118
1 900	46	83	1 920	86	123	1 920	89	138



Source: SAGIS;

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**Wheat market trends (Graph 8)**

International:

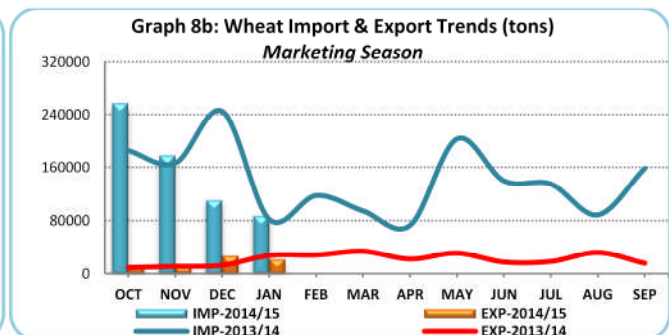
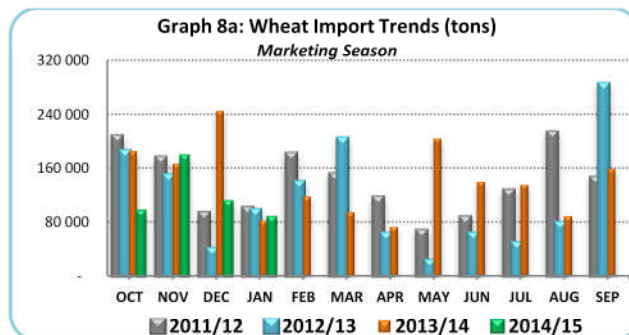
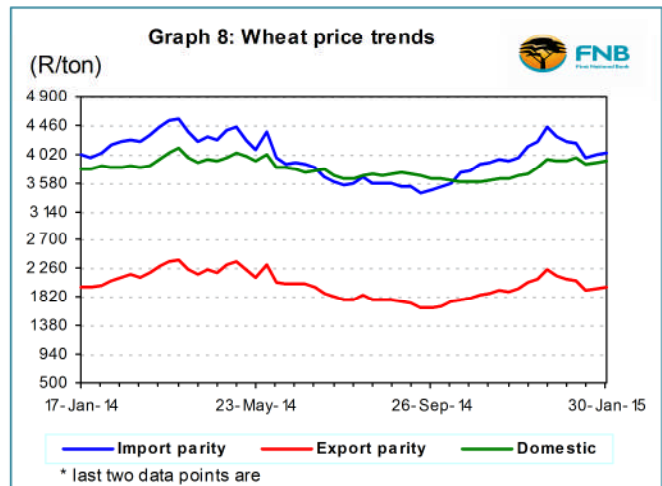
- Wheat posted moderate losses as the USDA reinforced news of record crop in its latest WASDE report.
- Favourable weather conditions coupled with spill over weaknesses from the maize market added to the weaker tone.
- News of Russia raising duties on grain exports helped limit losses.
- US Wheat output is estimated at 55.13m tons, unchanged from December estimates. Ending stocks are estimated at 18.70tons, slightly higher than December estimates and up 17% y/y on lower feed usage.
- World production is estimated at an all time record high of 723.38, slightly higher y/y.
- Production estimates for Ethiopia were raised by 1.1m tons from the previous estimate on improved weather conditions. Production in the EU was raised 0.1m tons on updated government statistics.
- World ending stocks are estimated at 196m t tons, up 1.1m tons from the previous estimate on lower food use in the EU and lower feed use in the USA.

Domestic:

- Wheat prices trended lower on spill over weakness from the international market and losses in the maize.
- Weekly wheat prices were down 2.9% w/w but up 2% y/y at R3,860 per ton.
- On the import front, volumes of wheat imported were pegged at 11,342 tons, all sourced from Poland. Cumulative year to date imports were pegged at 619,942 tons.
- In its fourth production forecast for winter cereals, the Crop Estimate Committee put total wheat production at an estimated 1.79m tons, up 2% from the previous estimate but down 4% y/y on reduced plantings.

**OUTLOOK**

Wheat prices are expected to trend sideways with limited upward potential in the short term.



Source: SAGIS;

Wheat Futures 16 January 2016	Mar-15	May-15	Jul-15	Sep-15	Dec-15				
KCBT (\$/t)	212.01	212.89	214.07	218.11	223.18				
JSE (R/t)	3 912	3 958	3 989	3 819	-				
<b>Calculated Wheat Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)</b>									
	Mar-15		May-15			Jul-15			
	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
	3 960	83	35	4 000	129	87	4 020	153	122
	3 920	60	52	3 960	107	105	3 980	131	140
	3 880	41	73	3 920	87	125	3 940	112	161

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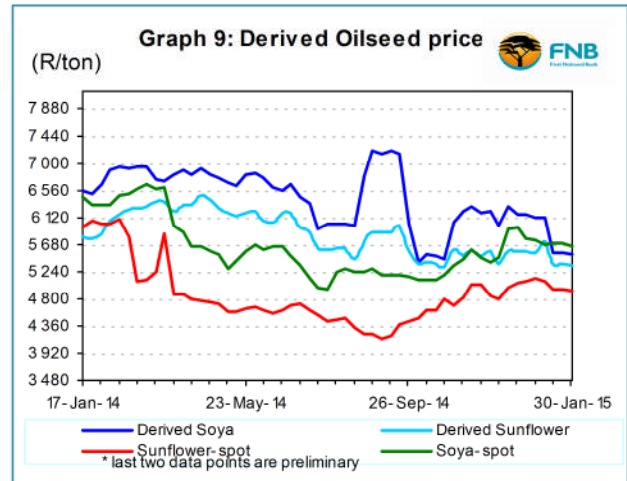
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**Oilseed market trends (Graph 9)**

International:

- Prices were mixed in the soybean complex with soybean trading firmer on good export demand while soybean meal saw pressure from large supplies.
- US soybean production is estimated at 108m tons, slightly higher than the previous estimate and 18% y/y as decreased plantings were more than offset by above average yields.
- Ending stocks were unchanged from the previous estimate at 11.2m tons, however these are five times the volumes seen last year.
- World production is estimated at 199.5m tons, slightly higher than the previous estimate and 6% higher y/y. Ending stocks are estimated at 90.78m tons, slightly higher than the previous estimate on increased production amid stable demand. Stocks are also 37% higher y/y.
- Weather conditions were reportedly favourable in Brazil, this added pressure on the market.



Domestic:

- Oilseeds traded on the JSE ended the week mixed with losses for sunflower due to expectations of increased planted area.
- Weekly soybean prices trended sideways at R5,703 per ton, which is down 11% y/y.
- Weekly sunflower prices were down 2.3 w/w and 17% y/y at R4,963 per ton.
- Planting intentions came out impressive for oilseeds, with soybeans and sunflower area expected up 5.8% and 22.9% respectively y/y.

**OUTLOOK**

Prices are expected to trend sideways to lower on the back of the bullish domestic supply outlook.

Oilseeds Futures 16 January 2016	Mar-15	May-15	Jul-15	Sep-15	Dec-15
CBOT Soybeans (US \$/t)	364.35	366.48	368.54	362.73	-
CBOT Soya oil (US c/lb)	33.39	33.52	33.69	33.47	32.93
CBOT Soya cake meal (US\$/t)	359.57	353.29	353.51	352.52	346.90
JSE Sunflower seed (R/t)	4 870	4 480	4 619	-	-
JSE Soybean seed (R/t)	5 290	4 739	4 805	4 879	-

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

Mar-15			May-15			Jul-15		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4 920	162	112	4 520	238	198	4 660	301	260
4 880	141	131	4 480	216	216	4 620	279	278
4 840	120	150	4 440	196	236	4 580	258	297

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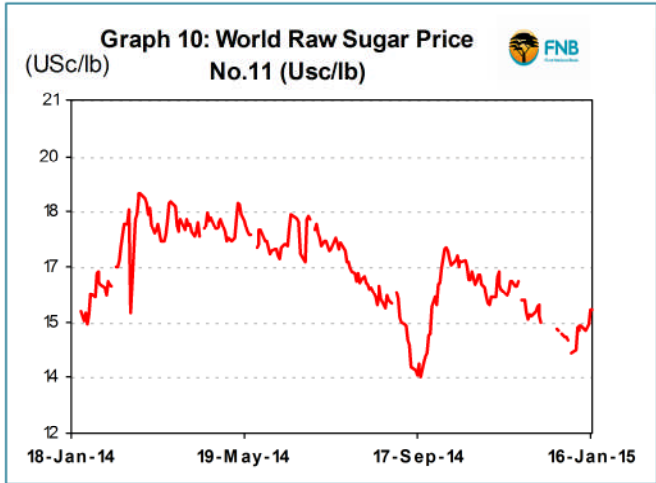
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**Sugar market trends (Graph 15)**

International:

- World raw sugar prices on ICE (InterContinental nearby futures, No.11 contract) posted slight losses as rain covered most of the sugarcane fields disrupting fieldwork in Brazil.
- The stronger US dollar and the sustained weakness in crude oil prices continued to weigh heavily on the market.
- Raw sugar prices ended a bit firmer for the week at 14.84 US cents/lb, but still down by 4% y/y.
- Sugar futures were firm across the board with the May-15 contract closing up 2.4% w/w and Jul-15 up 2.2% w/w at 15.57 and 15.81 US cents/lb respectively.



Domestic:

- Adverse production conditions due to drier weather in the dry land sugarcane areas southern Kwa-Zulu Natal and Eastern Mpumalanga will reduce yields. This may result in a decline in sugar production, which would be positive for prices.
- The January 2014 RV price for the 2014/15 season, in respect of cane delivered in December 2014, was declared at R3,358.02 per ton down by R19.65 m/m (compared to price of cane delivered in November 2014). According to the Cane growers Association, this was mainly due to the lower sugar:RV ratio, persistent decline of the spot No.11 world market price, the marginal improvement in sugar production. The weaker R/\$ exchange rate provided some support however this was offset by other negative factors. The 9,822 decline in sugar production was however the only supportive feature on the market. At this stage 14.1% of the estimated export availability is unpriced and 10.7% of the estimated dollar revenue is uncovered
- Export availability in the 2014/15 season is estimated at 458, 259 tons. Thus far 429,220 tons have been allocated for marketing and pricing and to date 400, 102 tons have been priced at an average of US17.51c/lb.

ICE Sugar Futures 16 January 2016	May-15	Jul-15	Oct-15	Mar-16	May-16
Sugar No.11 (US c/lb)	15.57	15.81	16.20	16.91	16.95
% Change w/w	2.4%	2.2%	2.0%	1.8%	1.7%

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

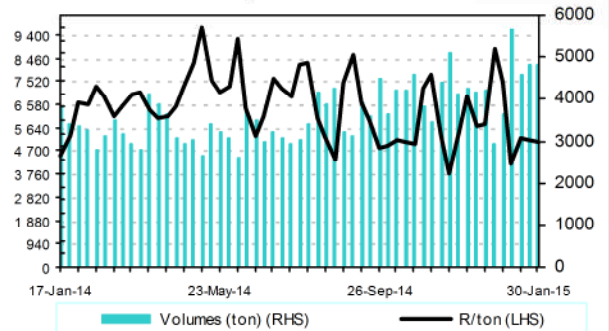
**Tomatoes**

Tomato prices rebounded sharply on improved uptake and reduced supplies across markets.

Weekly tomato prices closed at R5,240 per ton, up 25% w/w and 16% y/y. Volumes of tomatoes traded reached 4,570 tons, down by 19% w/w but still up by 20% y/y.

It is expected that prices will trend sideways to weaker on volume pressure.

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



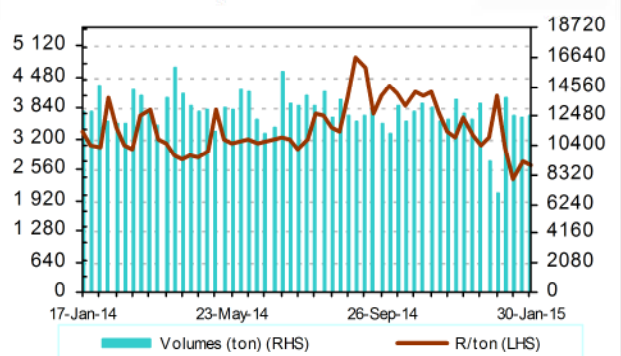
\* last two data points are preliminary

**Potatoes**

Potato prices continued on a downward trend to reach a low of R2,338 per ton, which is down by 23% w/w and 30% y/y. Volumes of potatoes traded came in at 12,503 tons, down by 10% w/w and 2.5% y/y.

Short term price prospects are positive as prices are expected to rebound strongly on moderation in supplies.

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



\* last two data points are preliminary

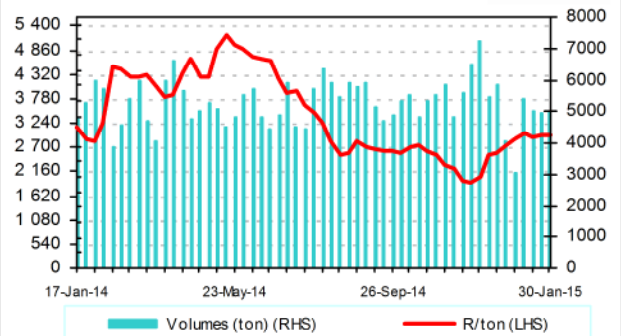
**Onions**

Onion prices continued to post slight losses on subdued demand across markets.

Weekly onion prices closed at R2,952 per ton, down by 3% w/w and 6% y/y. Volumes of onions traded were pegged at 4,998 tons, down by 7% w/w but up 4% y/y.

Prices are expected to move sideways with an upward potential on improved uptake and moderation in supply.

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



\* last two data points are preliminary

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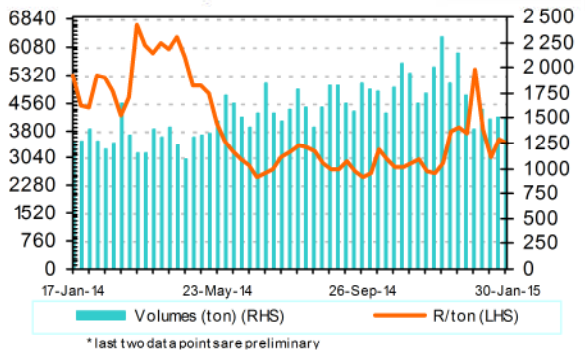
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**Carrots**

Carrot prices posted sharp losses on supply pressure amid poor uptake on markets. Weekly carrot prices dropped 20% w/w and 42% y/y at R3,075 per ton. Volumes of carrots traded reached 1,491 tons, down by 6% w/w but still 18% higher y/y.

Expectations are that prices will rebound slightly in the short term as demand improves.

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

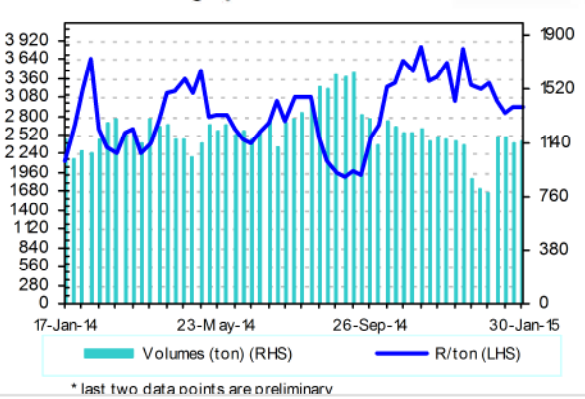


**Cabbages**

Cabbage prices posted modest losses on subdued market uptake. Weekly cabbage prices finished the week down 6% w/w however up 34% y/y at R3,789 per ton. Weekly volumes traded were pegged at 1,175 tons, almost unchanged w/w and slightly higher y/y.

Prices are expected to move sideways to weaker on good uptake and moderate increases in supply.

**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 16 January 2016	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	5 240	25%	16%	4570	-19%	20%
Potato	2 338	-23.0%	-30.4%	12503	-10%	-2.5%
Onion	2 952	-3%	-6%	4998	-7%	4%
Carrot	3 075	-20%	-42%	1491	-6%	18%
Cabbage	2 848	-6%	34%	1175	0%	1%

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

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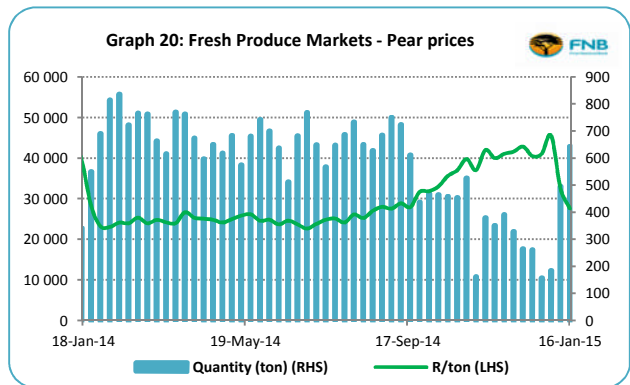
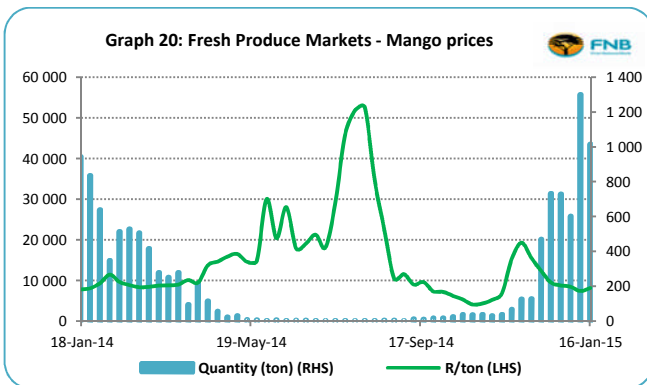
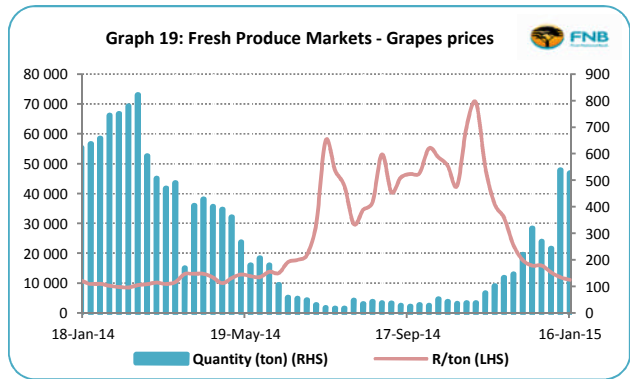
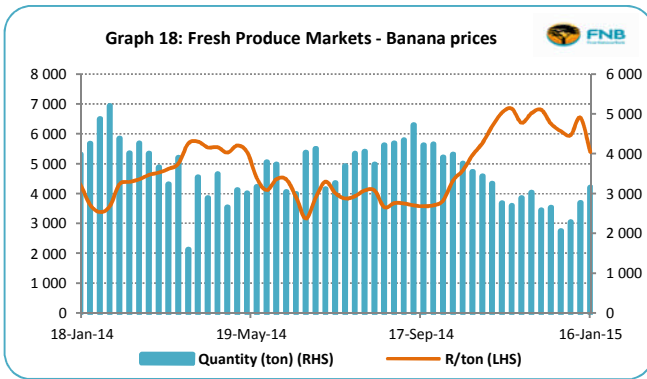
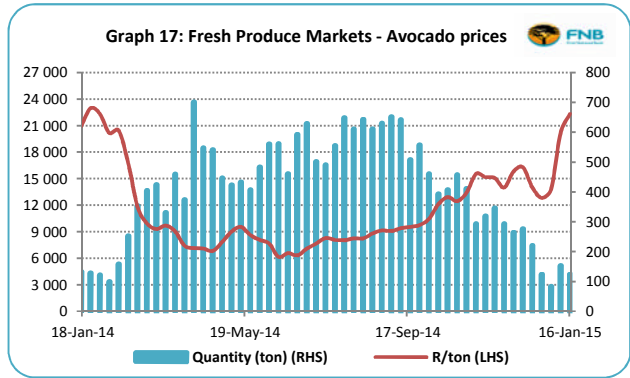
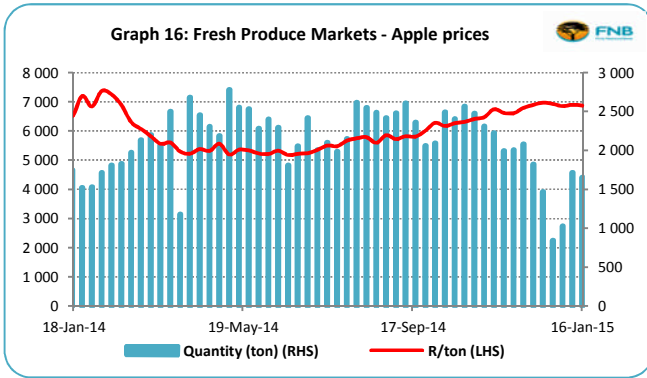
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The Fruit Market Trends – Major Fresh Produce Markets in SA (Graphs 16 to 20)



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

Week ending	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
16 January 2016						
Apples	6 867	0%	6%	1652	-4%	-5%
Avocados	22 326	11%	6%	123	-19%	-7%
Bananas	5 385	-18%	25%	3153	14%	-21%
Grapes	11 095	-7%	2%	527	-2%	-15%
Pears	27 562	-15%	-30%	642	30%	89%

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

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