

Grains and Oil Seeds



Global Perspectives

October 2019/20 U.S. Feed Grain outlook projects slightly lower production reduced exports, greater feed and residual use, and lower ending stocks. Feed Grain production is forecasted at 363.4 million metric tons, down from 363.4 million metric tons in September 2019/20, as a decline in harvested area more than offsets the increased yield forecast. Feed Grain supplies are forecast down sharply from 433.2 to 424.3 million metric tons, resulted from a reduced crop and lower beginning stocks in September. Exports are reduced 3.8 million bushels reflecting smaller supplies and U.S. price competitiveness. Projected feed and residual use is up 2.9 million bushels. Feed Grain ending stocks for 2019/20 are lowered 6.4 million bushels (from 59.4 to 53 million metric tons).

Source: <https://www.usda.gov/oce/commodity/wasde/wasde1019.pdf> (p.12 - U.S. Feed Grain Supply & Use)



Domestic and Regional Perspectives

South Africa is one of the countries in the region that produces maize for animal feed production. Yellow maize in RSA is mainly produced for animal feed and in the feed ratio, it contributes about 60% when combined with other raw materials. On average in the past 10 years, about 4.8 million tons of total maize were used for animal and industrial. When a price of yellow maize is trading above white maize in the market, normally a switch takes place and more white maize is then used for animal feed. For 2019/20 marketing season, about 5.6 million tons of total maize is projected to be used for animal and industrial purposes. About 4.8 million tons will be yellow maize and a balance of 800 thousand tons of white maize. About 1.1 million tons of Soybeans will also be crushed for oil and oilcake, which are also used in the animal feed. During the period under review, less than 12 thousand tons of sorghum and wheat will also be used for animal feed. For week 23 of SAGIS (28 Sept to 04 Oct 19) a total of 155 thousand tons of yellow maize was exported to Eswatini, Botswana, Namibia, Mozambique, Zimbabwe, Lesotho and Korea Democratic Peoples Republic.



Key areas to unlock growth in Grains and Oil Seeds

Poultry and feedlot industries are the biggest users of RSA yellow maize for feed. Improvements, especially in the poultry industries, results in the demand for local maize. The building of the herd in the feedlot industry also creates a demand for local yellow maize. The interlink between these industries also creates a room for employment and a better contribution to the agricultural GDP. Government's interventions on poultry imports and the notorious foot and mouth disease including swine flu is not only for the benefit of the livestock industry but also for other sectors like grains and oilseeds. Government and Private sector investment in control of disease outbreaks are one of the areas that need to be unlocked to ensure the growth of one sector supplements other key related sectors. Investment in smallholder poultry farmers is another area that needs to be unlocked to mitigate the growing poultry imports.

Livestock and Animal Products



Global Perspectives

These are main findings of the latest short-term outlook report came in week 41: Turkey has removed most of technical barriers on importation of genetic materials for animal breeding. However, U.S. semen exports have declined recently because of the strong dollar and strong competition for cheaper prices from EU suppliers. EU gross beef production is expected to decline by almost 1% in 2019. The overall decreasing trend of suckler cow herd has been confirmed in main producing countries. Finally, access to new markets and an increase of volumes to existing partners has led to an expected increase of EU beef exports by 8% in 2019. As for the dairy sector, the number of younger dairy cows was relatively stable in Scotland as compared to 2019. Overall, the number of cattle fell by 28 000 head. Given the fall in the number of both calves and male animals, this would indicate a slight tightening of supply next year. EU milk collection should slightly grow in 2019, and reach 158 million tonnes (up 0.5% compared to last year). Skimmed milk powder (SMP), exports are estimated at 950 000 tonnes (a 16% increase compared to 2018). Overall, dairy product exports are expected to increase by 5% in 2019. The spread of African Swine Fever in China has led to a surge of pork demand from China.



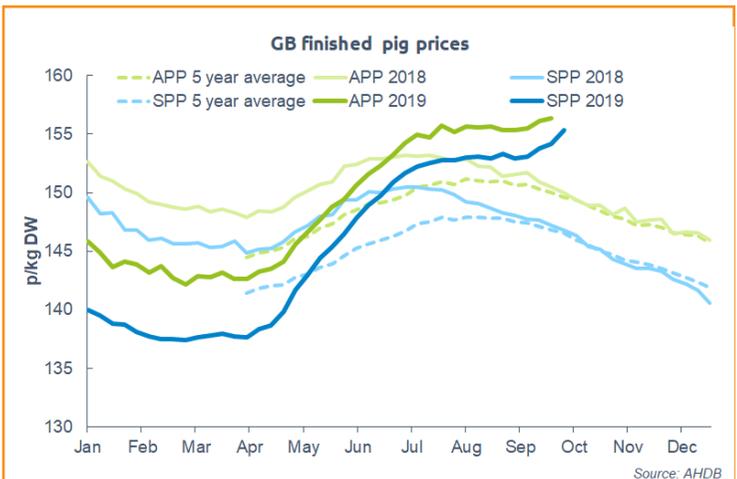
Key areas to unlock growth in Livestock and Animal Products

Efficient and profitable farming as well as safe and wholesome products, require that animal health is maintained at an optimum level. Both domestic and international trade is also partly dependent on the control, eradication or prevention of certain diseases which have international importance, like Foot and Mouth Disease. The official OIE recognised FMD-free status of South Africa has been suspended since January 2019. Everything possible must be done to ensure a positive outcome for the industry during the review by the OIE in May 2020.



Domestic and Regional Perspectives

Domestically, the pork and poultry are available in the markets as an alternative protein that can probably be cheaper for the consumers as compared to other protein products. The beef prices are very high in the local markets and it has been stable over the past weeks and this was driven by an increasing consumption in the country. As for the lamb products, the price remains higher for the consumers due to the continued dryness in the Eastern, Northern and Western side of the country. The pork price has increased marginally and exports is increasing by 18% month on month, large share is destined for BLNS countries and at the same time imports decreased. The hides and skins were captured in week 40 report, however, it is vital to note that the current price of hides is 21.4% higher than the previous month, but it is 62.8% lower than prices in a year ago. The prices for hides and skins has been weak both domestically and internationally.



Fruits and Vegetables



Global Perspectives

South Africa makes the top 20 of global producers of soft citrus, while it makes the top 6 of global exporters. Global production of soft citrus for 2018/19 was expected to rise from 1, 5 million tons to a record 31, 4 million tons, with increasing production in China and the European Union offsetting a decline in Turkey, which is among the largest producers. China, the largest producer in the world, was expected to record an 800 000 tons increase mainly due to a favourable weather coupled with rapid expansion in area planted bearing in mind that China represents over 70% of global production and consumption of soft citrus. As a result, spillover effects were expected in the form of an increase in consumption and exports. Production in the European Union was also expected to jump 16% to 3, 4 million tons due to favorable spring and summer weather conditions in Spain and Italy. This is the case also with the production in the United States. Turkey's production was expected to fall by 10% to 1, 2 million tons due to unfavorable hot weather. Russia and the European Union are the top export markets. Please say something about the role of South Africa in global market.



Domestic and Regional Perspectives

About 42% of soft citrus is produced in the Western Cape, followed the Eastern Cape (31%) and Limpopo (21%) provinces. In the 2018/19 marketing year, production of soft citrus was estimated to increase by 9 percent to 305 000 tons, compared to the previous marketing year, this is attributed by an increased area planted and improved dam levels in the Western Cape among other factors. The latter was expected to increase by 5% from 13 500 to 14 200 hectares in the 2018/19 marketing year as growers respond to an increasing demand for seedless soft citrus. Subsequently, improvements were expected throughout the value chain. The consumption of soft citrus was estimated to increase from 15 000 tons in the 2017/18 to 16 000 tons in the 2018/19 marketing year.. However, it is important to note that the citrus industry prioritizes export markets for soft citrus and only supplies surplus fruit to the local market, although some high-end retail chains such as Woolworths also receive some export grade citrus. As such, exports are also expected to increase to 285 000 tons, which is a 9% jump from the 2017/18 marketing year. In week 41, 41 262 cartons (15 kg cartons) were exported, putting the cumulative figure at around 17, 4 million cartons.



Key areas to unlock growth in Fruit and Vegetables

The demand for soft citrus remains strong in the export market, with the United Kingdom as the leading export market accounting for 30% of the total exports. Moreover, exports to the United States under the African Growth and Opportunity Act (AGOA) have grown by an average of 15% per annum over the past four seasons. This growth trend is expected to continue based on the rising U.S. There seems to be market preference for easy peelers. Overall, there has been growth in the following markets, compared to the previous marketing year (2017/18): Europe (1%), South East Asia (1%) and Middle East (2%). While the United Kingdom and the Russian Federation markets shrank by 3% and 2% respectively. Nothing is said about SA developments. In order for smallholder farmers to benefit in such opportunities, they must be capacitated to produce quality and reduce transaction costs as they expand and switch to easy peelers.

For correspondence:

Markets and Economic Research Centre

Email: research@namc.co.za

Tel: +27 (0) 12 341 1115

Website: www.namc.co.za

© 2019. Published by the National Agricultural Marketing Council (NAMC).

DISCLAIMER

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises or guarantees about the accuracy, completeness or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the contents thereof. No warranty of any kind, implied, expressed or statutory, including but not limited to the warranties of no infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus, is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Any reference made to a specific product, process or service by trade name, trademark, and manufacturer or other commercial commodity or entity is for information purposes only and does not imply approval, endorsement or favoring by the NAMC.