

Grains and Oil Seeds



Global Perspectives

The FAO Cereal Price Index in nominal terms averaged 169.2 points in January 2020, up by 4.8 points (2.9%) from December 2019 and reaching its highest value since May 2018. International prices of all major cereals increased in January 2020. Wheat prices increased significantly recently, supported by faster pace in purchases by several countries amid slowed shipments from France, due to port strikes, and a report of a possible introduction of an export quota by the Russian Federation until 30 June 2020 because of high domestic prices. Export prices of maize also registered significant gains in January 2020, reflecting robust trade activity and seasonal supply tightening in southern hemisphere exporting countries. International rice prices edged up on easing harvest pressure and concerns over the impact of weather on exporters' output. Russian Federation cereal production is estimated slightly above average due to an increase in area planted for winter cereals. The importance of this, is that South Africa imports most of its wheat from the Russian federation, and exports prices have significantly increased between October and November 2019 (FAO, 2020).



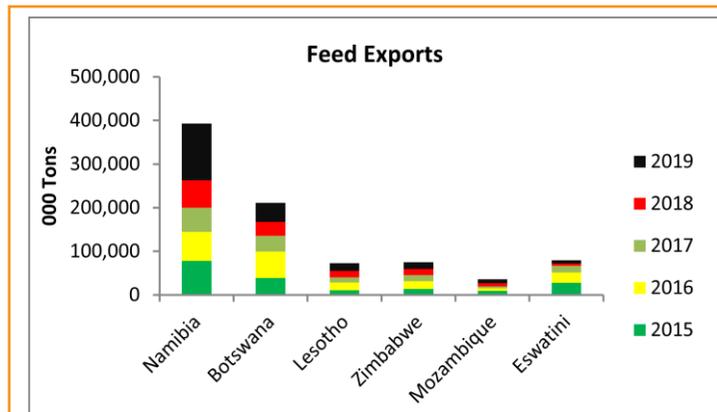
Domestic and Regional Perspectives

White and Yellow maize are key commodities with the SADC region, as it is commonly known that white maize is mainly produced for human consumption, while yellow maize for animal consumption. A switch between WM and YM does happen in the animal feed industry when WM trades below YM the animal feed manufacturers usually will switch and use the cheapest input when this happens. Across the region, South Africa is one of the few producers of YM. For the current marketing year, RSA produced about 5.7 million tons of YM with 868 000 tons as carry-over stocks from the previous season and 525 000 imported from Argentina and Brazil. In total RSA has about 6.7 million tons supplied in the current season against 5.7 million tons for local demand. To date, about 303 000 tons of YM from RSA have been exported throughout the region with Botswana, Namibia, Eswatini and Zimbabwe as the major importers. Demand for YM remains a key throughout the region following scarcity of rains which have led to most farmers losing their livestock due to drought.



Key areas to unlock growth in Grains and Oil Seeds

Southern African Development Community (SADC) countries producing red meat, particularly beef are busy building their herds after severe reductions during the festive season and the drought persistence as it is known. Strong red meat producers like Botswana had to sell live animals to curb further cost for farmers. Namibia which is also South Africa's significantly livestock supplier received US\$714 000 to assist farmers fight drought over the next 6 months. The importance of this is the feed demand within the region to feed livestock. South Africa lead in feed supplies in the region and this provide opportunity for grain producers. The graph below presents feed exported to the neighbouring countries (excluding dog or cat food).



Source: ITC, 2020

Livestock and Animal Products



Global Perspectives

Globally, Australia is the largest producer and exporter of wool. Australian wool auctions from week 7 of 2020 continue with surprising solid results in the wool markets. Merino lines dropped slightly along with the carding sector, but the crossbred wools managed to increase with some large spikes at the finer end of the offering. One of the major roadblocks on the horizon for wool exports, will be the immediate lack of containers and vessels arriving from China. The shipment of wool relies on the import of goods from China into Australia to get the wool back to Chinese factories. Given that China is Australia's biggest partner for the processing of fibre and also the biggest consumer market for wool apparel products, it's hard not to imagine that from an apparel consumption and a commerce or trading point of view, that the Coronavirus will have some effects on the wool industry and the fashion industry, in general. Clearly, the rest of the world needs continue to closely monitor the situation and act accordingly with industry partners.



Domestic and Regional Perspectives

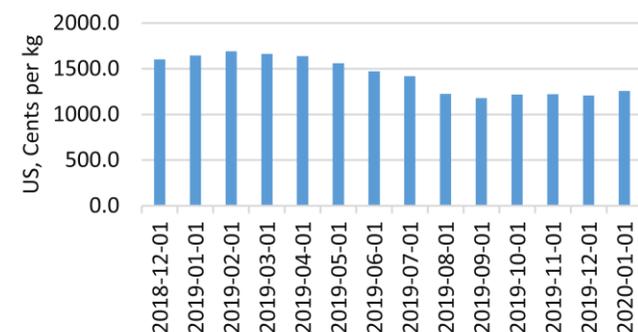
The first auction sale of the 2020 summer season took place in week 7 of 2020 with 62 850 kg on offer. Good competition for mohair combined with a weaker South African currency resulted in a 4% increase in the average market indicator in comparison to the last winter sale of 2019 to close on R227.73/kg. The highest price of R532.10/kg was paid for a bale of average style 22 micron kid mohair. The South African wool- and other livestock industries have been negatively affected by Food and Muth Disease (FMD) outbreak which has resulted in an export ban by China (which was later lifted), however, further positive testing of FMD has resulted in domestic movement and auctions of livestock and livestock products, being halted.



Key areas to unlock growth in Livestock and Animal Products

During week 7 of 2020 the Minister of Agriculture, Land Reform and Rural Development announced that the ban on the movement and auctions of animals has been lifted. It was highlighted that the auctions will only be conducted under stringent conditions and livestock agents need to register with (write out the abbreviation) (APA). This came as a relief for the South African livestock producers and exporters. Over the period of auctions and exports ban, South Africa experienced a negative trend in its market share compared to its competitors. For instance, Australian wool is a main competitor to South African wool in the Chinese market.

Global price of wool, fine



Fruits and Vegetables



Global Perspectives

The global pear market revenue amounted to US\$27.3 billion in 2018, increasing by 4.7% compared to the year 2017. China is one of the biggest consumer of pear, consuming approximately 16 million tonnes annually (that is 66% of the total consumption in the world). The market for pears is expected to continue on an upward consumption trend from 2019 to 2025. Market performance is forecast to retain its current trend pattern, expanding with an anticipated positive compounded annual growth rate of 1.9% between the same periods, which is projected to bring the market volumes to 28 million tonnes by the end of 2025. China (16.5 million tonnes), Argentina (930 300 tonnes) and Italy (772 600 tonnes) are the three top producers of pears in the world. South Africa is ranked sixth in world production, with approximately 414 900 tonnes of pears produced on an annual basis.



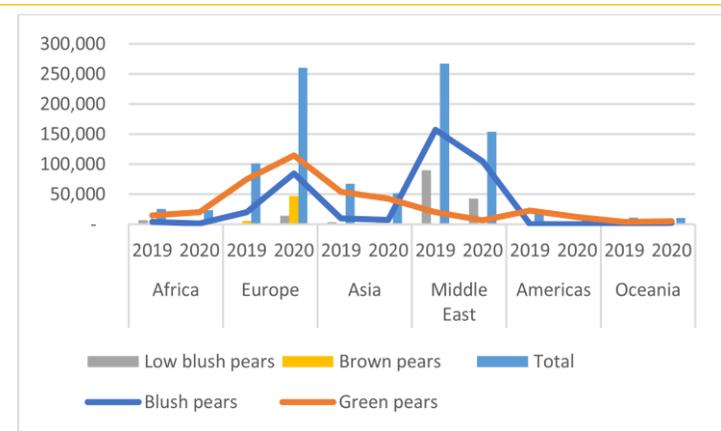
Key areas to unlock growth in Fruit and Vegetables

Hail and ice in the Ceres region (Western Cape) contributed to about 15% decline in quantity of pears packed for exports, as well as to more class 2 fruit being available for sale on the local market or for processing into juices. The appearance and size of the fruit has also been affected by a heatwave during mid-January. This is an indication of the harsh conditions that the farmers are operating under, considering that drought was a factor in the previous seasons and they are now affected by ice, hail and heat. There is a need to look at overarching strategies to improve farmers' adaptive capacity to climate change effects. This extends to also looking at the role and effectiveness of the insurance system in reducing the risks from climate-related problems.



Domestic and Regional Perspectives

Local markets for pears in week 7 performed better as compared to the 2019 period. About 77 391 (12.5kg cartons) were sold in the week 7 of 2020 as compared to 72 123 (12.5kg cartons) (week 7 of 2019), therefore this resulted in 7% increase. Johannesburg FPM was the main driver of the improved sales in week 7 with an increase of 29%. However, both Durban and Pretoria FPM experienced a decrease of 15% and 5% respectively. The total pear export estimate down by 3% in 2020 as compared to 2019. The exports of pears experienced a decline of 23% in week 7 of 2020, about 662 127 (12.5kg cartons) were exported in 2019 (week 7) as compared to 510 912 (12.5 kg cartons). The main regions that resulted to a negative trend in pear exports were EU (17%), Far east & asia (23%), middle east (42%), UK (24%), Africa (7%), USA & Canada (47%), and indian ocean islands (7%). Russian federation showed a positive growth of 30%. The main performing pear cultivars were green pears (1 585 783), followed by blush pears (729 594) and low blush pears (242 930).



South Africa's week 7 exports of pears.

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