

Grains and Oil Seeds



Global Perspectives

Globally, COVID-19 continues to cause concerns regarding food security with some countries imposing trade-restrictive measures, while others have issued tenders for more purchases. Consequently, a sustained price increase has been recorded for both wheat and rice. Wheat harvests in the Northern hemisphere are a few months away. The global wheat supplies are at record levels and the share stocks-to-consumption are historically high. Wheat production is estimated at a record high 2019/20 season, with enough stocks for the rising demand. Prices are still showing a decreasing trend as of the 4th of May 2020. A ton of wheat from Up-River (Argentina) sold at US\$238, the same price as for the two previous weeks. A ton of Hard Red Winter wheat (US No2) is selling at US\$232 this week, up by US\$1 from the previous week, while Soft Red Winter wheat (US No2) is selling at US\$224, down by US\$1 from the previous week. Rice production levels are lower year-on-year basis; however, a bumper crop is still expected. Rice prices remain relatively the same since end of April with only Vietnam increasing a ton of rice to US\$467 from US\$462 the previous week. Due to drought in Vietnam and Thailand, the Southeast Asian rice production is expected to decrease. Russia has issued an export quota that limits its total grain export to countries outside Eurasian Economic Union to a total of 7 million tons for wheat, corn and rye.



Key areas to unlock growth in Grains and Oilseeds

Pressure mounts as the USA reduces its wheat export sales below industry expectations to approximately 73 000 tons. This led to the Egyptian State Grain cancellation of wheat tender, after the US announcement. Maize export prices continue to decrease after a slight increase on the 30th of April 2020 and this can be observed in the regional prices as well. Nevertheless, demand for maize in the Southern Africa Development Community (SADC) continues while countries commencing harvesting of summer crops (see figure below for South African maize exports to the region).



Domestic and Regional Perspectives

The COVID-19 pandemic poses a threat and risk to trade prospects in general, especially through disruptions to logistical services and supply chains in general. South Africa maize production is forecasted at 15.8 million tons, the second largest record crop. Winter wheat is currently being planted and expected to recover from the reduced yield obtained in 2019. In the 2020/21 marketing season, the forecasted upturn in production would boost supplies and support an increase in maize exports, which are estimated to exceed 2 million tons. Zimbabwe is currently experiencing below average maize harvest for the second consecutive year and imports are expected to continue until 2020/21. South Africa continues to export maize with a total of 32 016 tons exported end of April, majorly white maize to neighbouring countries. Zimbabwe imported 14 517 tons of white maize, with Botswana and Namibia importing at least 3 500 tons each in the week of 24th April 2020. As of the 5th of May a ton of maize was selling at R2 254.78, down by 2.5% from the previous day, while a ton of wheat was selling at R3 551.74/ton.

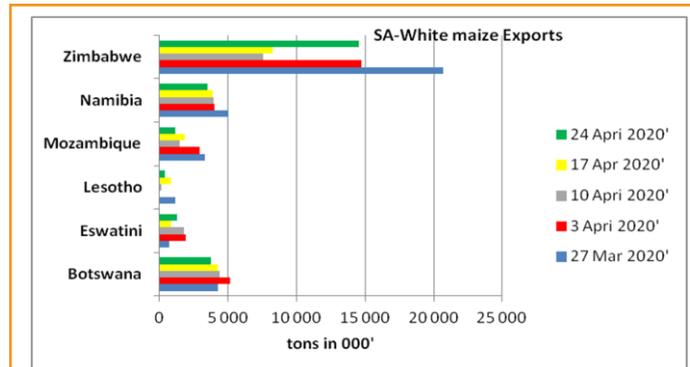


Figure 1: South Africa's white maize exports
 Source:

Livestock and Animal Products



Global Perspectives

Thailand can produce 2.86 million tonnes of chicken meat a year (the 8th largest provider) with around 60% for domestic consumption and 40% for exports. The Covid-19 pandemic has led to a 50% slump in domestic chicken consumption, slashing the price from the normal Thai Baht (Bt) 33-34/kg (approx. US\$1/kg) to Bt24-25/kg (US\$0.75/kg). Chicken meat exports in the first quarter rose by 7.21% compared to the last quarter of the previous year, however, the lockdown in various countries, especially the US, the EU and Japan, might lower exports by 5%. As the coronavirus pandemic disrupts supply chains across the USA, farmers are being forced to destroy their crops, dump milk and throw out perishable items that can't be stored. Dairy farmers grappling with low prices and a sudden drop in demand from the lockdown are dumping out as many as 3.7 million gallons (14 million liters) of milk every day. Chicken processors dealing with staffing problems related to the virus have been forced to euthanize chickens because of the reduced capacity in plants.



Key areas to unlock growth in Livestock and Animal Products

In the next few coming weeks the demand for all meats might increase and this would lead to an increase in prices due to auctions are allowed under the level 4 regulations, but under strict health precautionary conditions. With auctions highly regulated and producers not allowed to attend them, the supply for meat will not be enough thus a possible increase in prices because some industries are slightly getting back to normal and people to some extent are getting back to work. Globally, the biggest beef producers such as USA, Brazil, Canada and New Zealand are currently hit hard by COVID-19 pandemic and supply to global markets is affected, especially to Asia as the tension between China and USA seem to be taking a toll again, because USA is a significant supply to China. Noteworthy, the EU is also a significant supplier to China but currently they are at stage 2 of the Covid-19 pandemic and Brazil is in dire state with infections escalating day by day.



Domestic and Regional Perspectives

Domestically, a slight upward trend in weaner (200-250kg) prices was observed and this can be linked to the regulations in relation to COVID-19. During the week of 24 April, the average weaner price after auction commission was R25.76/kg, slightly lower when compared to the first week of May at R25.88/kg. Additionally, large feedlots are not active at auctions due to the uncertainty in the meat market as the COVID-19 persists. Beef average prices for A2/A3 this coming week is estimated to move sideways/upward. The producer price of A2/A3 lamb was lower in total by 0.8% during the week of 24th April when compared to the previous week. This decline like in the case of beef is mainly due to weaker demand in markets caused by lockdown, however, historical prices shows a 75% probability of higher prices in May when compared to April. Feeder lamb was R30.33/kg, down by R1/kg while A2/A3 was R72.92/kg, down by 0.50c from the previous week. Pork prices were expected to move downward on the week of the 24th April due to higher slaughter rate during the week of 24th April and lower demand because of coronavirus plus the completion against other types of meats. Poultry prices showed a downwards trend in the first week of May when compared to the prices of the week 24th April. See table on the far right for meat prices.

Table 1: Beef and poultry prices for weeks 24 April to 01 May 2020

Meat type	Week 1 May	Week 24 April
BEEF		
Live weaner	R25.88/kg	R25.76/kg
A2/A3	43.98/kg	R44.69/kg
C2/C3	R37.63/kg	R38.74/kg
POULTRY		
SA Frozen	R24.87/kg	R25.88/kg
SA Fresh	R24.86/kg	R26.85/kg

Source: AMT, 2020

Fruits and Vegetables



Global Perspectives: A focus on Avocado

By 2028, the global market for avocado is projected to have increased by 6.8%, worth about US\$26.49 million. Latin America (Mexico in particular) is the leading producer and exporter of avocado, followed by North America. Consumer awareness of the health benefits of avocado is the key driving factor of the observed trend. Countries such as Australia, Kenya and Peru have in the previous year registered the biggest gain in production, ranging from 24% to 37% while Mexico only registered about 15% increase in production. Due to the logistic restrictions as a result of Covid-19 pandemic, the demand for avocado in some of the major markets has increased drastically. For instance, in the United States (US), the demand has increased by 15% as compared to the same period last year, translating into a 1.5% rise in wholesale price. This was largely due to open markets cancelling purchase orders with Mexican suppliers. A similar trend has been observed in Europe, whereby as of 27 April, 2020, wholesale prices in Italy had soared by 104% since January. Countries like Tanzania and Kenya tapping into this market opportunity by using passenger planes as cargo planes to export their perishable produce. In the case of pomegranate, global market is projected to be worth US\$23.14 billion by year 2026, an equivalent of a compound annual growth rate (CAGR) of 14%. The demand for pomegranate processed products such as juices, beverages and cosmetics is the core driver of projected increase in the market value. Pomegranate powder generates the largest share of global revenue and it is foreseen to increase by 4.8% (CGAR) by the year 2026. Asia (most especially China) remains the major global market for pomegranate. Pomegranate trade has also been affected by the pandemic, e.g. Turkey's pomegranate exports to Iraq halted following the banning of shipments, leading to price fluctuations. Currently, the wholesale price of pomegranate in Turkey is about US\$ 0.34 per kilogram, an equivalent of a 44% drop as compared to the price during the same period last year.



Key areas to unlock growth in Fruit and Vegetables

The duration and the level of impact posed by the Covid-19 pandemic is uncertain and agriculture might be the solution to the economic burden. This is not only during this pandemic period but also after the Covid-19 pandemic. South Africa's agriculture needs to start thinking post Covid-19, what strategies can maximise economic opportunities? Food demand is certain during these uncertain times. Securing global supply, increasing health and hygiene, and increased digitisation is futuristic thinking. Going forward technology is increasingly a key enabler for farmers wanting to meet the challenge of global food supply, as technology can increase variety, availability, quantity, and quality of food supply. However South African agriculture workforce needs to be upskilled to adjust to digitalized work expectations.



Domestic and Regional Perspectives: A focus on Avocado

The harvest season for avocados started around week 8, and the local shelves are packed with avocados. Just over 70% of avocados is destined for exports, particularly to the European Union (EU), while the rest is sold locally fresh or processed. This year's production is expected to be higher than the previous year, although the crop was affected by high temperatures in December. The prices in the international market are looking favourable for local producers because of higher demand and the impact of the pandemic on the EU. So far, the industry has been able to export to the EU. Locally, the prices are at R88/ carton. South Africa has so far exported about 3.6 million cartons of avocados (1 carton = 4 kg carton) source. The figure also shows avocado exports in 2020 have been by comparison higher than those in 2019 for the same weeks, until week 19. Pomegranates from South Africa are export orientated (80%). Since most of the production is in the Western Cape, the crop size is still being impacted by the drought. The projection is that pomegranate production will increase as new hectares are being planted. Although still unclear, the industry might be affected by its sizes and the fluctuation in international prices.

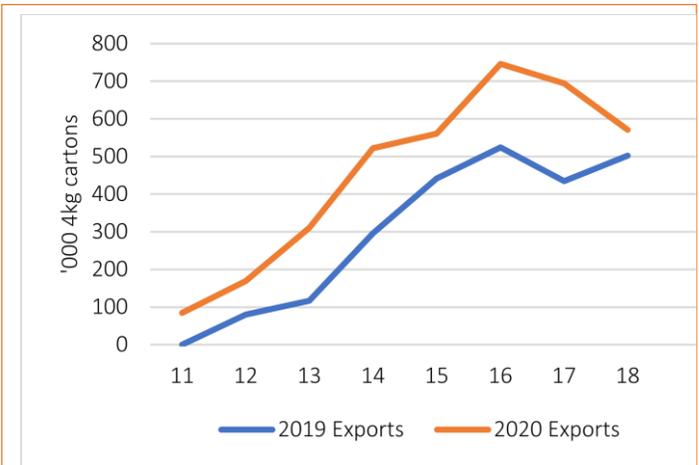


Figure 2: Week on the EU market- SA avocados (2019 vs 2020)
Source: South African Avocados Growers Association (2020)

Source of information

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