

Field Crops



Global Perspectives

This weeks' focus is on winter cereal crops. The world wheat production output is approximately 762.6 million tons, and as the second highest recorded if this is attained. Smaller harvests are expected in the EU, North Africa, Ukraine and USA. The rebounds will likely be compensated by production rebounds foreseen in Australia and Kazakhstan as well as bigger harvests in the Russian Federation and other countries in Asia, particularly India (FAO, 2020). Wheat prices are showing a decreasing trend as of the 15th of May to the 18th of May 2020. A ton of wheat from US Hard Red Winter sold at US\$217, up by US\$2 from the previous week. A ton of US 3YC (Gulf) is trading at US\$152 this week, down by US\$1 from the previous week. A ton of Thailand 100% grade is trading at US\$480 this week, up by US\$3 from the previous week (IGC, 2020). Thailand and China lead production increases with crops raised by 2.4 and 2.3 million tons, respectively (USDA, 2020). The EU has cut yield expectations of winter wheat, barley and rapeseed following the dry and warm weather hits in the western and central Europe. Following the developments with regard to COVID 19 tension between China and Australia, China has imposed higher tariffs (over 80%) on Australian barley imports. Annually, Australia exports between US\$1.5 to US\$2 billion worth of barley and the move by China would force Australia to explore new export markets such as India, Saudi Arabia and Kuwait.



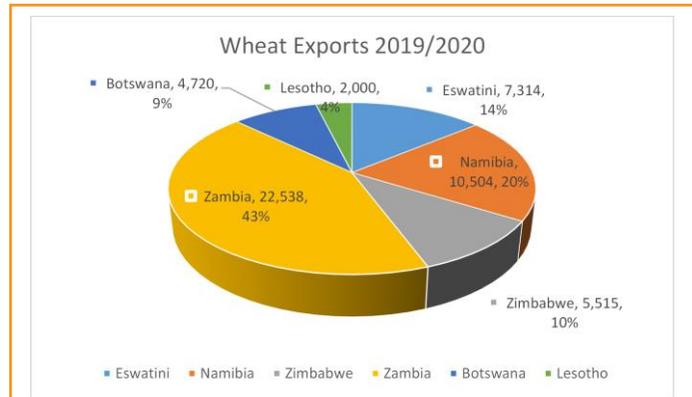
Key areas to unlock growth in Field Crops

South Africa remains a net importer of wheat. However, research institutions could play a crucial role in the development of new and high yielding wheat varieties to revive the wheat industry. South Africa exports wheat to nearby countries in the Southern Africa region and acts as a conduit for grain imported from outside the region. South Africa will export around 52 000 tons of wheat in the 2019/20 season, with expected exports to be around 100 000 tons in the 2020/21 season. In the 2018/19 season, South Africa exported 108 257 tons of wheat to countries in the Southern Africa region.



Domestic and Regional Perspectives

As of 17 April 2020, South Africa had imported 804 335 tons of wheat, which equates to 45% of the volume the country intends to bring into its shores within the 2019/20 season. The leading suppliers so far are Germany, Lithuania, Poland, Latvia, Ukraine, and Russia. There is no doubt that over the coming weeks and months that there could be supply chain disruptions due to COVID19 (FAO, 2020). At the beginning of May 2020, South Africa exported a total of 4 368 tons of wheat to Namibia (458 tons) and Zambia (4 368 tons), respectively. Poland also imported 9 652 tons of wheat towards the end of April 2020. A ton of wheat was selling at R5 623/ton on the 19th of May 2020 (Grain SA, 2020). The South Africa's barley season may be delayed as a result of the lockdown due to the COVID-19 pandemic. The recent ban of alcohol and beer sales, had a significant impact on the barley market especially the offtake agreements such as those with the SAB.



Source: SAGIS (2020)

Livestock and Animal Products



Global Perspectives

Brazil's pork exports for 2020 are expected to exceed initial expectations, while chicken exports remain strong, driven by Chinese demand according to the pork and poultry processor group, Brazilian Animal Protein Association (ABPA). ABPA estimated that the Brazilian shipments of pork between 900 000 and 1 million tons in 2020, a 33% growth increase compared to 2019.

During the first quarter of 2020 New Zealand beef exports grew, while sheep meat exports declined. According to Statistics New Zealand the total sheep meat exports dropped by 6 500 tons year-on-year, to 134 900 tons. The decline was driven by a drop in shipments to China (-17 200 tons). Exports to other markets partially offset this. Shipments to the UK increased by 1 400 tons from the historic low of last year, to 16 300 tons. Exports to traditionally smaller markets were where the larger volumes were recorded. Malaysia recorded 4 200 ton increase, with Saudi Arabia, Taiwan and Jordan all also recording significant increases.

Domestic and Regional Perspectives

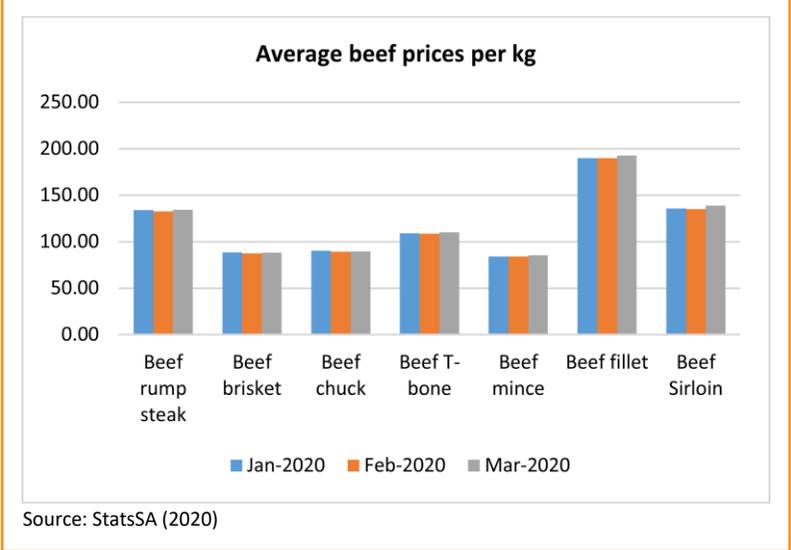


The global meat industry continues to feel Covid-19's impact as global lockdown measures complicate trade prospects. Economic growth estimates for 2020 have been lowered, and the impact on consumers will dampen demand for animal protein. The South African cattle market is also no stranger to these Covid-19 disruptions. The South African beef industry is subject to changes as a result of growing challenges from the Covid-19 pandemic. On the local market, beef prices have recently been under pressure due to softer demand and the current lockdown restrictions. During the week of 15 May, the average price (after auction commission) was R27.27/kg for weaners (200 –250kg) and R29.01/kg before commission, which was 3.8% higher compared to the previous week. This price varies between R24.87/kg to R29.50/kg. The increase was caused amongst others by a high demand of weaners at auctions due to the harvest process of legumes in some parts of the weaner production area. Unlike other commodities that can simply be stored, animals continuously need to be fed and taken care of, therefore creating ongoing expenses for producers, especially with the current higher maize and soybean prices. This creates an uncertainty going into winter, which is associated with weaker demand. The recovery of the red meat industry will depend on the recovery of consumers' disposable incomes over time. As the lockdown measures ease and stocks start to flow due to lower priced red meat products, it is expected that the price of red meat will gradually be supported. This comes as the industry is trying to recover from the negative impact of the recent Foot and Mouth Disease (FMD) outbreak (Food for Mzansi, 2020).



Key areas to unlock growth in Livestock and Animal Products

Generally, live cattle trade is still operating at approximately half the normal pace in South East Asian countries and the demand for live cattle exports especially in Thailand and China, have been increasing since April 2020 since most borders are still closed in Myanmar and China. Cambodia demands 1 000 heads of cattle per week, while China imports 1 000 slaughter cattle per day entering the country (China) through the Shan state border. South Africa exports markets are rather tricky during the Covid-19 pandemic. With the recent African Swine Fever (ASF) outbreak in the pork industry, emphasis should be made to assist smallholder and communal farmers with biosecurity measures. To address the demand of red meat products globally, the country needs to fast-track investment into a traceability system. This will assist to unlock global markets, like neighboring country Namibia.



Fruits and Vegetables



Global Perspectives

Generally, global citrus production during the 2019/20 season is projected to drop, except for grape fruits which are forecasted to increase by 3% due to favourable climatic conditions in the major producing countries like China, Turkey and South Africa. Production of oranges, Tangerine and lemons are projected to drop by 12.2%, 1.0% and less than 1% respectively due to poor climatic conditions and reduced crop in certain key producing areas (USDA, 2020). The decline in production has a direct negative effect on consumption. In Brazil for example, the consumption of fresh oranges was forecast to drop to 4.7 million tons, the lowest in four years while in highly populated countries like China, consumption and imports of citrus was expected to rise. In the case of Tangerines, the USDA posits that China will consume all that is produced domestically. China's case presents a market opportunity for South Africa. Following the ongoing disruptions of global trade due to Covid-19 and the bickering among the major oil producers, the trading and consumption of citrus is bound to differ from the projections. For instance, during the Covid-19 pandemic some countries like Jordan, Kuwait and those ascribing to the Eurasian Economic Union (EEU) have imposed temporary export measures (such as export bans) on fruits to ensure that their economies are food secure. Import bans imposed by countries like Kazakhstan are basically based on Sanitary and phytosanitary Measures (SPS) requirements in order to protect their industries. Coupled with the logistic restrictions due to Covid-19, the demand and price of citrus products have been seen to rise in a number of countries. Chadwick (2020) noted that South Africa has registered an increased demand of lemons destined for the Middle East and Russia, among other destinations.



Key areas to unlock growth in Fruit and Vegetables

One of the opportunities that might be explored post Covid-19 is to increase regional integration, Africa could leverage off the continental free trade agreement on this. However, for South Africa with its strong currency it might be expensive for other African countries to import from South Africa. Due to the pandemic we might see new market opportunities and increased demand like exporting more citrus to Europe and China than normal. To maintain and increase demand and purchase more plans on consumer promotion should be developed, for the local and global market. Lastly the South African Reserve Bank has reduced the repo rate for the fourth time in 2020 from 4.25% to 3.75%, which results in prime lending rate falling from 7.75% to 7.25%. Lessening the burden of current and future loan repayments.



Domestic and Regional Perspectives

The citrus season started off on a good note in terms of volumes, however, it is faced with uncertainty of the market, since some food service industries are still restricted domestically and internationally. Projections show that more cartons will be produced in 2020 than 2019 because of favourable weather conditions and younger trees being in production (CGA, 2020). According to the Citrus Growers' Association, the industry will produce 142.2 million cartons (15kg) for export compared to 127.5 million cartons in 2019. The estimate for grapefruit has dropped from an estimate of 16.7 million cartons to 14.6 million cartons to be exported, possibly affected by low demand from trading partners (CGA, 2020). Figure 3 shows the quantities and average price of navels and mandarins sold at five (5) fresh produce markets in South Africa in April 2019 and April 2020. It can be noted that sales were 128 551kg less in April 2020 than April 2019 and the average price was higher by R1,67 in 2020, this could be a result of the affected supply while demand was high. The export of citrus has been continuing, even with port challenges and working conditions in farms. Oranges are still showing an upward trend of 163% in week 20 compared to last year, as well as lemons (17%) and soft citrus (42%) (Agrihub, 2020). The upward trend for citrus could start to stabilise in the next few months and it will require the industry to look at more market opportunities like China and other countries with export bans and limited stock on its citrus.



Source: RSA Group, 2020
Figure 3: Sales of citrus (oranges and

Source of information

South African Grains Information System (SAGIS) - <https://www.sagis.org.za/>

Poultry World - <https://www.poultryworld.net/Meat/Articles/2020/4/Brazils-poultry-sector-barely-affected-by-Covid-19-572682E/?dossier=42157&widgetid=0>

World Economic Forum - <https://www.weforum.org/agenda/2020/04/africa-coronavirus-covid19-imports-exports-food-supply-chains>

CNBC AFRICA: <https://www.cnbc.com/africa/coronavirus/2020/04/21/covid-19-sa-announces-r500bn-stimulus-package-about-10-of-gdp/>

NAMC: <https://www.namc.co.za/.../u.../2020/04/NRMDP-Online-Auction.pdf>

ITC: https://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1%7c710%7c%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c2%7c2%7c1%7c2%7c1%7c1

Global Agriculture, 2020

SAMAC: <https://www.samac.org.za/industry-statistics/>

DALRRD: <https://www.daff.gov.za/daffweb3/>

AMT: <http://rpofs.co.za/pdf/vleispryse-neigings/AMT-Prysllys.pdf>

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