



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20

20

WEEK: 34



Grains and Oil Seeds

Global Perspectives

Since the July World Agricultural Supply and Demand Estimate (WASDE) corn, USA bids are down by \$9/ton to \$162 amid favourable weather and expectations of a large crop despite record large sales to China. Argentine and Black Sea bids were both US\$1/ton higher to US\$156 and US\$184, respectively, whereas Brazilian bids were unchanged at US\$166. Wheat production estimate was lowered this month as reductions for the European Union, Kazakhstan, and Turkey more than offset a larger crop in Russia. Global trade for wheat is up, driven by stronger imports for Pakistan. The projected USA season-average farm price for wheat was lowered to US\$4.50 per ton. United State Department of Agriculture forecasts that 2019/20 soybean exports from Brazil may increase to 93.5 million metric tons. The revised forecast is up by 4.5 million tons from last month to 74.6 million a year earlier (USDA). USA private traders continue reporting some volumes of soybeans to China despite the bad relationship between the two nations.

Figure 1 presents global soybean prices for past 6 days.

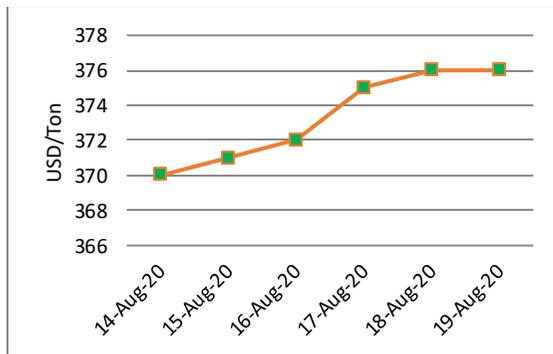


Figure 1: Soybean global prices

Source: IGC, 2020

Domestic and Regional Perspectives

Domestically, the agricultural sector has been filled with good news in recent weeks from good maize harvest to good rains forecasted in the next few months. Close to 80% of maize have been harvested and prices remain okay. Oilseeds prices have stayed relatively high following global market prices, thanks to high demand from China. As of the 19th of August 2020 SAFEX, prices were as follows: a ton of yellow maize was selling at R2930 down by R50, while a ton of white maize was selling at R2896, down by R52. A ton for wheat was selling at R6050, up by R48 while soybean was at R7591 per ton. Maize exports continue rising with Asia as a leading market since April 2020, thanks to the weak rand against the dollar. Zambia continues to be a strong contender within the region, especially for white maize as it is preferred regionally for human consumption due to its non-GMO status. As of 7th August 2020, 1.1 million tons of yellow maize have been exported (see Figure 2) since 1st of May for the 2020/2021 marketing season.

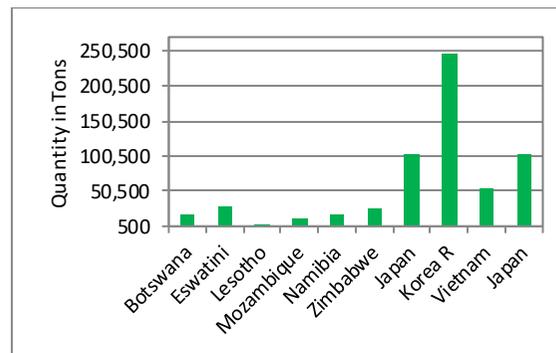


Figure 2: SA yellow maize exports (1st May - 7th August 2020)

Source: SAGIS, 2020

Key areas to unlock growth in Grains and Oil Seeds

There is a need to further understand the different initiatives required in improving the grain and oilseeds industry. These include resource bases such as water, land etc. Value addition needs to be the corner stone for commodities such as soybean which are directly linked to production in poultry and pork industries. The country's exports are concentrated in few and the same countries for that past decade and that really needs to change. The country remains a net wheat importer and it will remain because of weather constraints. However, there are some small pockets for improvement especially in areas under irrigation systems. Such areas are in Free State and the Western parts of the country but this calls for more investment in water supply infrastructure. Table 1 presents world leading importing countries for maize between April 2020 and June 2020. Of the top 6 leading global importers, only Korea and France recorded positive growth rates.

Table 1: World's leading maize importers in value terms and growth rate

| Country | April-2020 | June-2020 | April-June |
|------------|-------------------------|-------------------------|------------|
| | Value in 000 US dollars | Value in 000 US dollars | Growth % |
| Japan | 286,578 | 250,494 | -12,5 |
| Korea . Re | 197,690 | 202,987 | 2,6 |
| China | 190,328 | 189,121 | -0,6 |
| Turkey | 54,309 | 48,355 | -10,9 |
| France | 22,806 | 41,330 | 81,2 |
| UK | 45,256 | 36,621 | -19,0 |

Source: ITC, 2020

Fruits and Vegetables

Global Perspectives

According to FreshPlaza, the citrus sales are going well in international markets, with the exception of mandarins. The positive situation of citrus is attributed mainly to good weather and larger harvest from South Africa. On one hand, the lemon market is expected to be negatively affected, following the announcement of the European Union (EU) import ban of oranges and lemons from Argentina. On the other hand, the ban of oranges from Argentina could be viewed as an opportunity for South Africa's exports into the EU. The Spanish and Turkish season is expected to start around September, with no anticipated huddles at this stage. The grapefruit market is also going on well. The first consignment from Mexico is unrouted, with Israel and Turkey set to start by the end of September. Regarding oranges, Chilean oranges have found their way into the Chinese market for the first time, as China continues to increase its imports volumes of oranges from the Southern Hemisphere. Egypt is also ceasing opportunities to expand her market share in China as the volume of Egypt's oranges imported also rapidly increased in recent years. What is also important to note is that Chile's oranges and lemons are given credit for a good price-quality ratio in comparison with oranges and lemons from other countries. This implies that these Chile's citrus products have a distinct advantage in the Chinese market.

Domestic and Regional Perspectives

There has been a great stimulus demand for oranges that emanated from health benefits of vitamin C, which serves, among other things, to strengthen the immune system. According to the Agri hub, the cumulative volume of citrus exported globally from South Africa stood at 42 505 622 cartons in week 33 of the 2020 production year. The largest volume (42%) has gone into the EU market, followed by 15% and 14% that went into the Middle East and South East Asian markets, respectively. Like the Chile's citrus in the Chinese market, South Africa's oranges are doing well in terms of quality and the different varieties. This means that South African producers are doing well and should be comfortable with the competition from Chile in the Chinese market with regard to the quality aspect. South Africa's grapefruit exports to all regions with the exception of China, on the other hand are lower as compared to 2019 (See Figure 3). The forecast does not provide any hope of improvement as the exports are expected to remain low for the rest of the year. The positive aspect though is that the market demand for South Africa's grapefruit is stronger.

Key areas to unlock growth in Fruits and Vegetables

The new market opportunities in China present an opportunity for diversification in South Africa's citrus products. The importance of market diversification could not be emphasized enough. One example is that of a good harvest from South Africa which could have flooded the EU market at the same time as the normal harvest from Argentina, which could have most likely put prices under pressure.

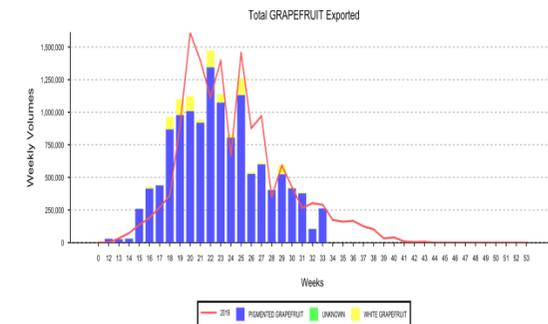


Figure 3: Exports of grapefruit – Week 33

Source: Agri-hub, 2020

Livestock and Animal products

Global Perspectives

The Philippines imposed a temporary ban on poultry meat imports from Brazil on 28 August 2020 after two cities in China found traces of the new coronavirus in cargoes of imported frozen food, including chicken wings. So far, Brazil has the world's second-largest number of COVID-19 infected cases after the United States, of more than 3.2 million cases and more than 105 000 deaths at the time of writing this article. "With the recent reports from China and in compliance with the country's Food Safety Act to regulate food business operators and safeguard Filipino consumers, the temporary ban on the import of chicken meat is imposed," the Department of Agriculture said in a statement. It did not indicate for how long the ban will be enforced. Brazil accounts for a round 20% of the Philippines' poultry meat imports (Reuters, 2020). Iran produces over 2.1 million tons of chickens per year and normally exports around 100 KMT. During the first three months of the Iranian fiscal year, the country has exported over 7,000 tons of chicken meat and generated export revenue exceeding \$13 million. The main export destinations for the mentioned period were Afghanistan, Iraq, Venezuela, Oman, Mongolia, and Qatar. Afghanistan imported US\$8.2 million worth of chicken meat while Iraq and Venezuela imported US\$3.6 million and US\$0.58 million worth of chicken meat, respectively.

Domestic and Regional Perspectives

The Department of Agriculture, Land Reform and Rural Development lifted the ban of Foot and Mouth Disease (FMD) affected areas include 9 locations, with 10 properties remaining under quarantine. Veterinary services are continuously working with the affected farmers to resolve issues of the remaining 10 farms, and good progress is being made in this regard. Botswana also lifted the ban on export of live cattle from South Africa. The conditions for exporting cattle to Botswana were revised and a health certificate was agreed upon. Specifically, export conditions pertaining Foot-and-Mouth (FMD) include isolation of animals for at least 30 days whilst preparing for export under the supervision of the Veterinary Authority and testing for FMD during this time (DALRD, 2020).

Emerging livestock farmers are now part of a cohort supplying Woolworths with free range meats. Thanks to the High Value Beef Partnerships (High VBP) project. Launched in 2013, the aim of the project was to first develop a proof of concept that smallholder beef farmers can be supported to meet beef specifications of retailers. Spearheaded by the Department of Agriculture, Land Reform and Rural Development (DALRRD), Agricultural Research Council (ARC), the National Agricultural Marketing Council (NAMC) and the Australian Centre for International Agricultural Research (ACIAR), the challenge was how to get smallholder beef farmers to understand what is in the specifications, adopt it and alter practice to meet these specifications. A learner guide titled '*Demonstrate an Understanding of the Free-Range Beef Production Environment*' was developed. The manual is reviewed annually and is very specific to the two value chains supporting Woolworth with their Free-Range beef (Mzansi, 2020).

Key areas to unlock growth in Livestock and animal products

It is critical for livestock farmers and producers to be aware of remedies to avoid spreading of FMD within the country and across. The potential exporters of cattle to Botswana are advised to familiarise themselves with the agreed upon requirements for exporting. The agreed upon conditions relating to FMD were provided to the Provincial Veterinary Services. Thus exporters should contact their local state veterinarian(s).

Source of information

FreshPlaza: https://www.freshplaza.com/artide/9241187/disappointing-period-for-mandarins-recently-no-stocks-of-oranges/?utm_campaign=highlights&utm_medium=email&utm_source=21-08-2020

Agri-hub (2020): <https://www.agrihub.co.za/reports/#82-2020-1568720107>

South African Grains Information System (SAGIS, 2020) - <https://www.sagis.org.za/>

Grain-South Africa (GrainSA, 2020) - <https://www.grainsa.co.za/>

Mzansi agricultural talk (2020) - <https://www.mzansiagritalk.com/archives/4549>

Reuters (2020) - <https://www.reuters.com/artide/us-health-coronavirus-philippines-brazil/philippines-bans-chicken-imports-from-brazil-on-coronavirus-scare-idUSKCN25A1D1>

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