



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20

20

WEEK: 35



Grains and Oil Seeds

Global Perspectives

Traditionally, sugar and cotton are neither categorised as grains nor oil seeds but this section provides insights into the latest developments in these commodities. Global trade for 2020/21 cotton is estimated to increase at 41.6 million bales as compared to 40.3 million bales of the previous season. China, Bangladesh, and Vietnam are estimated to remain as the main importers, while India, Brazil and Benin will remain as major exporters. During 2019/2020 season the overall world exports were at approximately 56 million US dollars, with China, USA, India, Pakistan and Vietnam being the leading countries as shown in **figure 1** below. Beet sugar production is estimated to increase thus counterbalancing lower sugar cane production. According to (USDA, 2020) sugar beginning stock and imports are estimated to increase. Sugar beet stock to use is projected to reach 14.6% for 2020/21 with the USA imports estimated to reach 3.056 million tons.

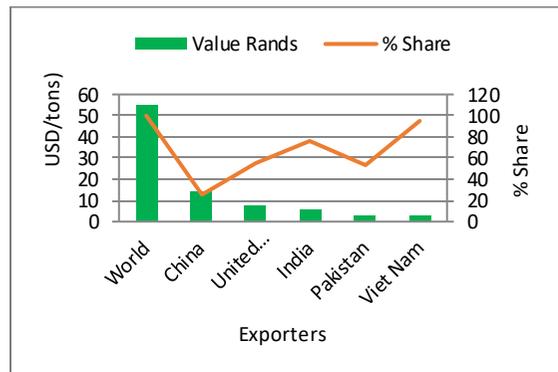


Figure 1: Global leading cotton exporters between 2015 and 2019
Source: ITC, 2020

Domestic and Regional Perspectives

As of August 2020, domestic sugar price was estimated at R 4719.51 per Recoverable value (RV) ton (see **figure 2**) with a noticeable m-o-m increase which can be attributed to weaker Rand against the US dollar, an increase in gross sugar production and a reduced South Africa's RV price, as well as high global sugar prices. High revenue levels from local sales of sugarcane indicate high demand for sugarcane which may lead to RV price hikes as higher sugar price to RV ratio further pushes up RV price.

Basing on data from Cotton SA (2020), during 2018/2019 season South Africa's cotton production reach a total of 218 430 bales, an equivalent of a 31% rise from the last season. South Africa's cotton production is estimated at 135 303 bales for 2019/20 season, and a 3% reduction in production was observed from May to June 2020. Turkey is by margins the market destination for South Africa's cotton 2019/20 followed by Namibia and Mozambique.

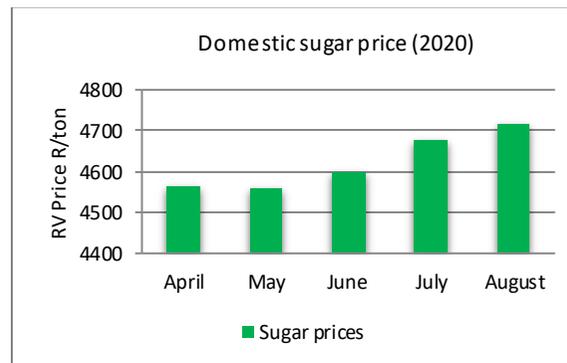


Figure 2: Sugar prices between April-August 2020
Source: SA cane growers (2020)

Key areas to unlock growth in Grains and Oil Seeds

The sugar industry is facing a couple of problems and the most noticeable challenges have been substantial increases in input costs, climate related issues and others matters including high electricity costs, the implementation of the sugar tax, slow adoption of advanced production techniques which would assist in reducing the cost of production, ineffective implementation and management of price protection measures to provide a buffer against cheap sugar imports. The sugar industry has some room to improve, particularly in the biofuel industry which has lagged for a while. This is one of the key areas that the government can support to boost local biofuel industries.

Fruits and Vegetables

Global Perspectives

Production of apples and pears for the 2020 season is estimated to increase by 5 and 3 million tons, respectively. The outbreak of Covid-19 pandemic disrupted global trade of fresh produce, among other tradeable goods but as countries reopen borders that had been closed earlier in the year, international trade in apples and pears is gradually stabilising (Fresh Plaza, 2020). In Vietnam, the quantity of pears sold has increased significantly moreover with a higher price of up to US\$ 2.59 per/kg depending on the type and size. For the week of 17 – 22 August, Italy had the highest export share of 5.5% for apples, followed by Poland (2.7%) and South Africa (2.6%). The highest weekly domestic price decline was noted in the United Kingdom (9.2%) followed by Pakistan (8.4%) while the highest rise was in Japan (24.4%), followed by Taiwan (14.3%) and Turkey (6.9%).

With regards to pears, global trade had been anticipated to rise largely due to the large production from China. In countries like Turkey, the harvesting of early maturing varieties has started and close to 70% of pears will be exported to Russia. On a month by month basis, wholesale prices of pears both in Turkey and Russia have dropped by 42.9% and 39.5%, respectively. During the week of 17-22 August, the largest export share of for pears was registered by Argentina (5.5%), followed by Belgium (4.5%) and Spain (1.8). Highest weekly domestic price decline was observed in Kyrgyzstan (37.5%), followed by Poland (8.6%) while highest increases were noted in Algeria (12.7%) and Taiwan (10.2%).

Domestic and Regional Perspectives

The pome season of 2020 was expected to have a normal outlook because of the good growing conditions, adequate water from 2019 and new orchards coming into production (Hortgro, 2020). However, the industry experienced high temperatures in October 2019 and sunburn in March 2020, which affected the appearance of the product (Hortgro, 2020). Additionally, no one had anticipated the outbreak of the Covid-19 pandemic and its subsequent impact on the fruit industry. The pome industry, much like the others in the agricultural sector were allowed to operate during the nation-wide lockdown, however, they have had to adhere to regulations in terms of operations like additional transportation of produce, protective equipment, etc. These, together with other measures such as the regular screening of employees to keep everyone safe, has brought new ways of operating, while implying added costs. The new season might encounter the same conditions in terms of labour and additional regulations.

Apple exports were estimated to increase to 35.7 million cartons (12.5kg), up by 6% from 2019. Pear exports were estimated to be 16.4 million cartons, 3% lower than the previous season. At the time of writing this article in week 34, South Africa had exported a total of 24.7 million cartons of apples (2% more than 2019) and 13.0 million cartons of pears (8% lower than 2019). Total apple sales in the local market were 10% less than sales made in 2019 (7.0 million cartons) in week 33 and pears were 12% less than 2019 (2.4 million cartons) (See Figure 3). The local market therefore seems to have had a more notable short-term impact on both products.

Key areas to unlock growth in Fruits and Vegetables

According to last year's (2019) data provided by Hortgro, the deciduous fruit industry provides employment to about 60 000 labourers and due to the export-oriented nature of the industry, it is a key contributor to annual Gross domestic product (GDP), with an annual turnover of R12,35 billion. Unfortunately, there are some unfavourable changes, COVID-19 business impact survey conducted by Stats SA, indicates that almost one in ten businesses are closing their operations permanently. The fruit industry has a potential to grow exponentially as consumers (locally and internationally) are increasingly demanding fresh and healthier foods. The agricultural industry has a potential for expansion and help revitalise the country's economic growth. Therefore, industries like the fruit industry need to be prioritised in order to create employment and increase agriculture contribution to the GDP.

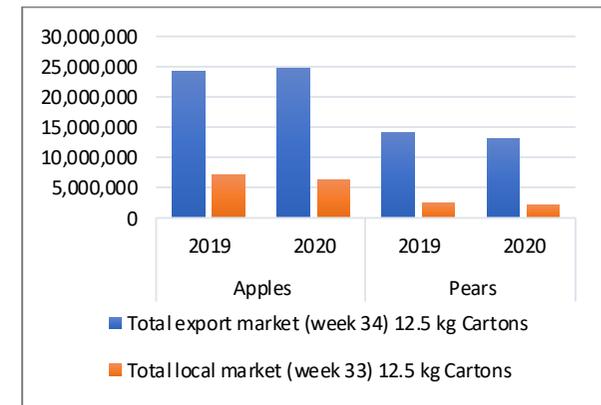


Figure 3: Sales of pome in the export market and the local market. Source: NFPMS (2020)

Livestock and Animal products

Global Perspectives

China's July pork import more than doubled to 430 000 tonnes from a year earlier and hit a record monthly volume despite tough new checks on cargoes that had slowed clearing at ports. Chinese importers have been bringing in large meat volumes to fill a large domestic supply shortage after an epidemic of African swine fever killed millions of pigs (Reuters 2020). Mexico's chicken meat production is forecast at 3.675 million MT. The industry has been negatively affected by the country's economic recession, the coronavirus pandemic, and the uncertainty surrounding Mexico renewing its 3rd country tariff rate quota (TRQ) for poultry. The country is nonetheless still on track to see a 1.5% to 2% production growth by the end of 2020, thanks to its zoo-sanitary status as free of avian diseases and growing domestic demand with many consumers shifting from pork and beef to more affordable animal and plant proteins (Poultry World, 2020).

The United Kingdom's (UK) poultry consumption continues to rise with associated production growth of 2.2% as compared to the same time last year. However, the sector needs greater visibility, with retailers and processors under increasing pressure from consumers for the production growth to happen. Rightly so, consumers want to understand where their food comes from, how it is produced, and the environmental impact of production. But to achieve this, aligned data throughout the supply chain – that can be readily analysed and interpreted – is going to be key. The poultry food supply chain is one of the more complex logistical processes with many touchpoints required, from bird production to consumer purchase. However, welcoming increasingly accurate sensing technologies, coupled with the use of block chain technology, into supply chain logistics will enable digital information (that cannot be modified) to be recorded from farm to fork (Poultry World, 2020).

Domestic and Regional Perspectives

As of the 25th of August, South Africa regained its free status on Foot and Mouth Disease (FMD) which came at the right time as the national herd size was recovering well after it was significantly reduced with producers also widening their operations again after the COVID-19 effects. As a result, countries that had banned live cattle imports from South Africa have also lifted the ban, thus bringing some relief to the industry. Worth to note is that exports for frozen beef didn't stop during the restrictions, but there has been a slight fall in total exports when compared the same time last year. Figure 4 shows beef and live exports.

Generally, the meat industry is back on its feet despite a couple of setbacks such as disease outbreaks and the COVID-19 as already mentioned. The demand for red meat has pushed prices slightly up as of the 21st of August, particularly for weaners in response to a strong demand from retail prices for A2/A3's. Producer price for weaners was R33,24/kg and R31,25/kg after deducting auctions commission which was 0,7% higher when compared to the previous week and a further increase is very likely in September to October with 74% and 90% chances, respectively (AMT, 2020).

For mutton, lower carryover stocks on week of 7th August negatively affected the supply and prices were higher due to demand. Unlike beef, in September producers for mutton are anticipated to be lower with 75% chances. Higher prices for beef and mutton positively affected demand for both pork, especially baconers and all poultry products and demand is likely to rise towards end of August.

Key areas to unlock growth in Livestock and animal products

The success in the beef industry, particular for live cattle exports is worth the recognition, especially with previously disadvantaged farmers pulling through. This opportunity needs to be further explored especially for live sheep exports which have had some dispute around animal welfare in recent weeks. The market is vast, the Middle East and Asia seem to be pleased with livestock production from South Africa. Should the dispute around animal welfare be settled amicably, the sheep industry presents a great opportunity for South Africa's small and emerging farmers. However, the country will need to look at ways to improve the quality of breeds as it did for the wool industry.

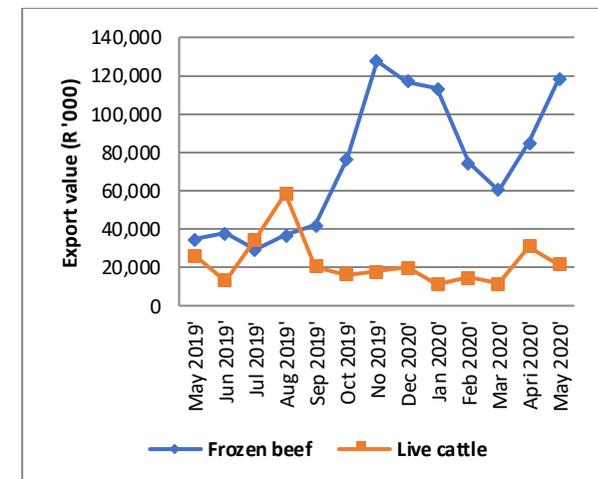


Figure 4: South Africa's exports for frozen beef and live cattle between May 2019 and May 2020

Source: ITC, 2020

Source of information

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Agricultural Market Trends (AMT, 2020) - <https://amtrends.co.za/products/livestock-pork-poultry-milk-monthly-reports/>

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