



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 20

WEEK: 36



Fruits and Vegetables

Global Perspectives

The global grains outlook for this month paints a very positive situation, especially during the current COVID 19 situation which has significantly affected many economies. The 2020/21 maize crop is the biggest harvest in history and is projected at 50 million tons higher than the previous season. This will then push global stock to 2 230 million tons. The world wheat crop is also expected to reach a new high, total supplies are projected at 763 million tons with consumption at 749 million tons. Major exporters in the current season are Argentina, Australia, Canada, the EU, Kazakhstan, Russia, Ukraine, and the USA. International commodity prices are expected to rise between 10 - 11 percent year on year (y/y) at the back of increased global price on farm inputs including increased demand for food.

Table 1: International commodity prices

Commodity	Sep-20	Dec-20	Mar-21	Jul-21	Sep-21
US No 3 Yellow maize	134,09	139,52	144,17	146,69	148,18
US No 2 HEW wheat	163,21	167,33	171,30	174,16	179,67

Source: IGC, 2020

Domestic and Regional Perspectives

The 2020/21 marketing season for summer grains started on a positive outlook, with a maize bumper crop for South Africa. The processing of maize for human consumption is also progressing smoothly to cater for the increased demand for food during this COVID 19 situation. South Africa's 2019/20 wheat season is concluding at the end of September 2020, with carryover stocks of about 350 thousand tons. The Southern Africa Supply and Demand Estimates Committee has already started to focus the new wheat season with an estimated local crop size of 1.9 million tons. Wheat imports are expected to drop to 1.7 million tons from 1.850 million tons in the previous season (SASDE, 2020). In the region, many countries face mixed food security conditions. Staple food prices remain generally above the five-year average. With the current bumper crop, South Africa is projected to remain the key strategic regional player in maize together with Zambia. Figure 1 shows South Africa's white maize exports within the region.

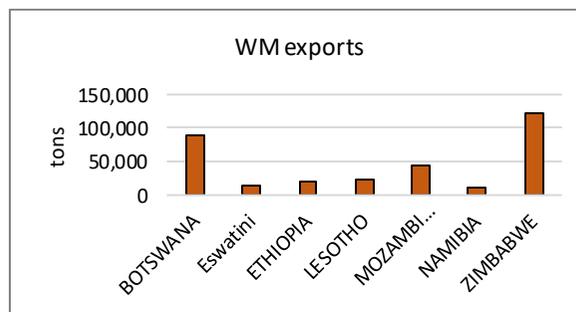


Figure 1: South Africa white maize exports by destination
Source: Sagis, 2020

Key areas to unlock growth in Grains and Oil Seeds

The current white maize bumper crop available in South Africa is noted that about 15 percent of it could be second and third grades. This resulted from several factors that include climatic conditions like late rains during the season. The breeding technology is at the centre of this situation as one of the mitigating factors for the current situation. Drought resistant cultivars will be necessary in the near future. The revitalisation of the South Africa wheat industry is another area that the government and private sector should re-prioritise. Currently, South Africa imports about 45% of the wheat that is consumed. If proper investment is channelled in these areas, this will likely encourage production from the other key players and positively contribute to the general food security of the region at large.

Fruits and Vegetables



Global Perspectives

The global wine market is projected to grow with a Compounded Annual Growth Rate of 5,8% between 2020 - 2025. The wine market is driven by increasing demand for wine, due to its health benefits, coupled with innovation in flavour and more advanced distribution networks. Asia-Pacific is leading in demand for wine and is also expected to witness rapid growth during the forecast years due to an increase in the number of companies producing wine in China, India, and Japan. An increase in demand for premium wines and growing westernization also act as factors that drive the growth of the wine market in this region. Australia is second in the consumption of wine after Asia-Pacific, followed by Japan. A country like India is the fastest growing in terms of wine consumption and registered a growth rate of 7,3%. Philippines, South Korea and Vietnam are the other potential wine consuming markets in Asia-Pacific. Hong Kong has no import tax for wine, which is a driving factor for the market. These countries could open up a market opportunity for South Africa's wine. On the other hand, French champagne houses and grapes growers came to an unprecedented agreement to lower the harvest quantities of grapes this year in order to protect champagne sales that were greatly impacted by the Covid-19 outbreak. Wine grape growers were looking to set up this season's harvest at 8500 kg/ha while champagne producers were leaning towards 7000 kg/ha. Both parties have come to an agreement to have a harvest of 8000 kg/ha this season in order to support wine grape growers and champagne sales as well. The country is capable to go up to production output of 12000 kg/ha but France has to make compromises this year to balance the industry. Champagne producers estimate the losses incurred during the Covid-19 outbreak to amount to 100 million bottles in sales.

Domestic and Regional Perspectives

In terms of world wine production by volume, South Africa ranks as eighth and produces 3,3% of the world's wine. The wine industry contributes \$1,95 billion to the country's gross domestic product (GDP) and employs nearly 300 000 people. South Africa's exports have also demonstrated an upward trajectory over the years, from R13,8 billion in 2015 to R21,6 billion in 2019. While the top five export destinations for packaged South African wine are still in the West – United Kingdom (UK), Germany, Netherlands, Sweden and the USA, – China is becoming increasingly important as an export destination. The 2020 wine harvest – including juice and concentrate for non-alcoholic purposes, wine for brandy and distilling wine is expected to amount to 276,377 gallons (which is equivalent to 1 046 200.753 litres). The South African Wine Industry Information System (SAWIS) indicates that South African wine consumers tend to be price-sensitive and therefore tend to be less likely to venture into the higher priced products. It has been observed also that the aggressive pricing of other liquor products has led some consumers to switch away from wine. In addition, black consumers seem to not regard wine consumption with high priority compared to their white counterparts. A combination of these factors reduces the domestic demand for wine.

Key areas to unlock growth in Fruits and Vegetables

Since the introduction of national lockdown due to Covid-19, exports for alcoholic beverages and for a very short time frame have been hindered, owing to travel restrictions, necessitating trade practitioners to develop new platforms for business engagements. Since the lifting of alcohol ban and the easing of some lockdown restrictions, the industry has been revived and is exporting wine. The easing of lockdown restrictions also enabled the opening of transport to ports and airports for domestic flights, as well as wine entrepreneurs to carry out other business related activities such as bottling and labelling. However, there is a need for more support towards the black entrepreneurs within the wine industry to unlock more opportunities in the international market.

Livestock and Animal products

Global Perspectives

Cheap chicken meat should be the favourite protein source. But companies with a greater focus on beef have shown better performance than those that depend more on poultry. Chicken producers in the United States (USA) and Brazil face oversupply, low prices and weak demand. In the USA, meat production has recovered from the downtime caused by covid-19. With this, the supply exceeds the demand amidst the still weak sales in food services. With normalized production, beef must compete with chicken in supermarket sales. Argentina managed to reopen the export of beef to the Ukrainian market, as reported by the national service for agri-food health and quality (SENASA). After the closure of the Ukrainian market, in 2018, due to changes in its sanitary regulations, a joint effort was carried out between SENASA and the national ministries of Agriculture, Livestock, and Fisheries and of Foreign Affairs and Worship, over a year, negotiating with the Ukrainian authorities the reopening of shipments of bovine meats (TRIDGE/SENASA, 2020)

Indonesia's farming ministry has ordered breeders to cull millions of chicken and reduce the number of hatching eggs to control a slump in poultry prices. Oversupply of chicken has been a recurring problem in Indonesia, whereby last year the government told poultry breeders to cull around three million chickens. The farming ministry told breeders on Java Island to cull 4.4 million chickens by Sept. 13, according to a circular letter from the ministry. It also told poultry companies to reduce the number of hatching eggs by 7 million per week between 25 August and 5 September. The ministry expects the supply of chicks will start coming down this month through to December due to the policy, while gradually improving the price of live birds. China auctioned 4 400 tonnes of frozen beef and mutton from state reserves on 3 September. China has also sold more than 500 000 tonnes of pork from its reserves this year, to plug a huge meat supply gap after African swine fever outbreaks decimated its massive pig herd (Reuters 2020).

Domestic and Regional Perspectives

During the week of 28 August (See Table 2), the average auction price was R33.31/kg for weaners (200 – 250kg) and R31.31/kg after auction commission. The price was 0.2% higher compared to the previous week. The increase was caused among other factors by a stronger demand due to upward pressure on the retail prices of the A2/A3's. Compared to a month ago, the price declined in total by 0.3% and was 23.2% higher year-on-year. The average producer price of Class A2/A3 beef was in total 0.1% lower in the week of 21 August 2020 compared to the previous week. The beef price is still under pressure due to the impact of the Covid-19 pandemic. The price was 0.4% higher against the previous month and 2.8% lower year-on-year. Looking further ahead, the chance is however 55% for a lower average price in September compared to August which is based on prices over the past 20 years and 55.0% for a lower price in October compared to September.

The average prices of frozen poultry was 0.1% lower against the previous week. The average price was also 9.4% higher against a month ago and 4.7 % lower year-on-year. In the same week, the price of fresh poultry was in total 0.1 % lower against the previous week, 2.7% higher against a month ago and 10.7% lower year-on-year. The average price of individually quick frozen was 0.8% higher against the previous week, 2.5 % higher against a month ago and 3.9% lower year-on-year. The decline in the prices of frozen –and fresh poultry in the week of 28 August can mainly be contributed to a lower demand which caused higher carryover stocks. Based on the historic price information, the chance is 99.0% for the price of frozen poultry to be higher in September compared to the previous month and 95.0% for a higher price as far as fresh poultry is concerned. In October 2020, the chance is 95.0% for the frozen poultry price to be higher and 90.0% for fresh poultry to be higher compared to September (AMT, 2020).

Key areas to unlock growth in Livestock and animal products

The High Court of South Africa, Eastern Cape Division in Grahamstown ruled that the live export of sheep from East London by Al Mawashi South Africa, may go ahead (AgriOrbit, 2020). This presents an opportunity for local sheep farmers as it creates an export market for the farmers who for many years have been struggling to penetrate the formal market structure. The NSPCA has been against the initiative although animal welfare is of paramount importance during the shipping. Middle East markets prefer live sheep than slaughtered hence the animals had to be shipped live. This enables farmers to earn premium prices as compared to other markets.

Table 2: South Africa meat prices

Meat prices 28 August 2020 (R/kg)		
Beef	A2/3	43.49
	B2/3	40.50
	C2/3	39.22
Weaners		33.31
Sheep	A2/3	87.61
	B2/3	69.22
	C2/3	66.49
Store lamb		41.86
Pork	Baconers	25.64
	Porkers	27.34
Poultry	SA frozen	24.80
	SA fresh	24.22

Source: RPO, AMT, 2020

Source of information

Reuters (2020); <https://www.reuters.com/article/indonesia-poultry/indonesia-to-cull-millions-of-chickens- curb-egg-hatching-to-support-prices-idUSL4N2FY2JX>

Reuters (2020); <https://www.reuters.com/article/us-china-meats-auction/china-to-sell-4400-tonnes-of-frozen-beef-and-mutton-from-state-reserves-on-september-3-notice-idUSKBN25S46D>

[Poultry World \(2020\)](#);

[Poultry World \(2020\)](#);

Agricultural Market Trends (AMT, 2020) -

AgriOrbit(2020)- <https://www.agriorbit.com/al-mawashi-sa-livestock-carrier-departs-port-of-east-london/>

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