



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 20

WEEK: 41



Grains and Oilseeds



Global Perspectives

The 2020/21 global oilseed supply and demand forecasts include higher production, exports, and ending stocks. Higher global production of soybeans, cottonseed, peanuts, and rapeseed is partly offset by lower sunflower seed (USDA, 2020). Based on International Grains Council (IGC), global soybean production for 2020/21 is expected to recover, strongly attributed to United States (US) production which is anticipated to rebound to 372.5 million tons in 2020/21, underpinning an increase in global output which is estimated to be higher than 2019/2020 season as presented in **Table 1**. Like the US, China's soybean production is expected to increase by 0.7 million tons to 18 million tons in 2020/21. Thanks to the stable government subsidies and higher soybean prices during the sowing months of 2020. Brazil's soybean production is estimated to increase by 9% year on year (y-o-y), attributable to a 1% increase in area planted (World grain, 2020). In terms of soybean consumption, IGC predicted soybean consumption of 369million tons, and this is attributed to an accelerated use in China together with recovering demand by other key processors globally. On the trade side, soybean global import demand is predicted to rise by 1% y-o-y to reach 165.3 million tons (IGC, 2020). World soybean closing stocks are estimated to increase from 46.9 million tons to 50 million tons.

Table 1: Soybean world estimates

World	Production million T	Imports Million T	Closing stocks Million T
2019/20	338.3	164.2	46.9
2020/21	372.5	165.3	50.0

Source: IGC, 2020

Domestic and Regional Perspectives

Based on data of the crop estimate committee, the total supply of sunflower seed was forecasted at 926 735 tons for the 2020/21 marketing season, while local total demand was estimated at 823 250 tons. The soybean total supply was projected at 1 519 305 tons while the demand was projected at 1 398 200 tons during the same period. The closing stock level for sunflower seeds and soybeans were estimated at 103 485 tons and 121 105 tons, respectively.

Oilseedsfocus (2020) also highlighted that since the beginning of the 2020/21 season, South Africa's soybean prices have increased considerably due to the depreciation in the rand against the dollar. During September, future prices for soybean and sunflower increased by approximately 22% and 33% (y-o-y) compared to the past two years. While December future prices are estimated to increase by 20% and 32% y-o-y. SAGIS (2020) reported that South African producers' deliveries for soyabean and sunflower seed were around 3559 tons and 1284 tons, respectively in September, see **Table 2**.

Table 2 : Soyabean and Sunflower seed weekly deliveries.

	Soybeans (tons)	Sunflower seed (tons)
05/09/20	1060	415
12/09/20	1413	473
19/09/20	478	249
26/09/20	608	147
Total	3559	1284

Source: SAGIS,2020

Key areas to unlock growth in Field crops

On the 25 September 2020, South Africa's soybean spot price traded at R8,100 per ton, a 39% year-on-year rise. This price increase was triggered by the weaker domestic currency as well as the growing demand from China and other Asian markets for soybean. Due to the import dependency of South Africa for soybean, the country's soybean prices tend to follow global soya bean prices. South Africa imports approximately half a million tons (0.5 million tons) of soya bean meal per year. Therefore, the uptick in global soya bean prices has fed into domestic soya bean prices.

The recent announcements by minister Thoko Didiza on releasing land to previously disadvantaged people was well received, and it should be a basis to increasing oilseeds production, especially around Free State. The importance of increasing oilseed production is particularly important for the poultry production. With poultry imports gradually decreasing, local production expansion is crucial to fill in the gaps, and this will be possible with less expensive inputs such as oilcake. Thus, more oilseed production is essential.

Fruits and Vegetables

Global Perspectives

Annual growth in global onion production is estimated at 2.2%, being dominated by China and India, each country accounting for more than 20% of the global production. Since last week (28 Sept. – 05 Oct.), average wholesale global domestic prices increased by 4.9% as of 07 October. Largest weekly onion domestic price drops were recorded in Columbia (16.3%), followed by Argentina (5.6%) while largest domestic price upsurges were noted in Pakistan (22.6%) and Algeria (17.7%). Also, there is a high demand of onions in Indonesia, to the extent that Indonesia's ministry of trade permitted importation of about 200MT of onions from China, and should the supplies be insufficient, Indonesia has notified India as potential supplier. However, India's potential to supply is also still questionable given that on September 15, it imposed an export ban on onion (except for onion slices and onion powder) due to excessive rainfall which destroyed the primary crop. Bangladesh which relies on onion supplies from India then removed import duties on onions and this effective until March 2021.

For tomatoes, Mexico and Netherland account for global market export shares of 12.2% and 10.5%, respectively. There is a growing demand for processed tomato products, especially, frozen and canned products. The outbreak of Covid-19 pandemic boosted the sales of tomato products in the global retail sector. In Italy for example, the sales of tomato products increased significantly and the most purchased product has been passata, followed by tomato pulp and then peeled tomatoes. With the exception Mexico, among the top 10 exporters of tomato products and as of 07 October 2020, all countries recorded a rise in monthly domestic wholesale prices ranging from 11.5% in China to 337.8% in Belgium (Tridge, 2020).

Domestic and Regional Perspectives

The most produced vegetables in South Africa are potatoes, onions and tomatoes. South Africa is estimated to have produced 2.48 million tons of potatoes in 2018/19, slightly higher than the 2017/18 production, 724 000 tons of onions and 558 000 tons tomatoes. Vegetables are mainly sold fresh and the majority is traded at the national fresh produce markets (NFPMs) located across the country. The rest is marketed in the food services sector, informal markets, hospitality industry and others. Potatoes contributed R7.55 billion in gross value in 2017/18. The vegetables industry was initially affected by the country's COVID-19 regulations because of closures of these channels of sale. Potatoes started with higher quantities being sold at the NFPMs in 2020 than 2019 in the first three months. In April and May, the gross value declined and was lower than the previous year, as well as volumes of sales. The quantities of bags sold declined by 1.8 million bags in April to 8.4 million when compared to sales of March. The quantities sold and gross value picked up in June as food services opened and prices rose. A similar pattern in onions can be observed where quantities supplied in the first three months were higher than 2019, until April, where quantities dropped. The gross value was higher in April and May where lower quantities were supplied. Prices started recovering after June. Similarly, for tomatoes sold in the NFPMs, quantities reduced in the first two months of lockdown and then picked up from June. The data provides an indication of the short-term impact of the lockdown on producers in accessing the market and earning an income. These products are directly related to food security. As the economy started to open, the sales picked up and gross value also picked up. Through government engagement and collaboration with players in the value chain, the vegetable

industry was able to slowly recover, although the long-term impact is not yet known.

Key areas to unlock growth in Fruits and Vegetables

The South African government is working on a vision of expanding labour-intensive agricultural sub-sector. Sectors such as horticulture are prioritized, this forms part of a broader development strategy. The Minister for Agriculture, Land Reform and Rural Development minister has announced plans to distribute agricultural state land as part of the government's land reform programme. The government will issue advertisement notices for over 500,000 hectares of underutilised or vacant state land in seven provinces, in exception of Gauteng and Western Cape. The land will be offered on 30-year leasehold, with an option to buy. The advertisement notices will be in newspapers, websites and local radio stations, while application forms will be made available in the district offices and provincial offices of the Departments as well as Municipal District offices. This initiative is set to increase agricultural outputs and bring in the value chain the previously disadvantaged individuals.

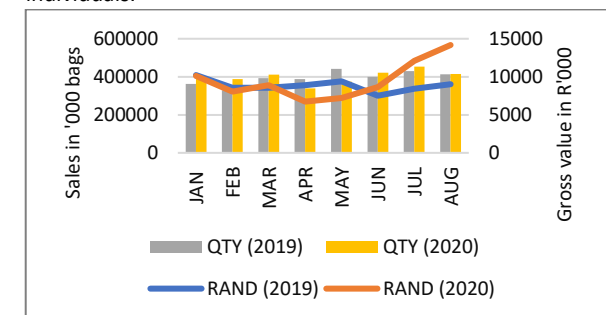


Figure 1: Quantities of potatoes sold at NFPMs
Source: RSA Group

Livestock and Animal products

Global Perspectives

Germany, the European Union's (EU) largest pork producer, has been barred from trading with major importing countries, including China and South Korea, after African swine fever (ASF) was detected in wild boar last month (Reuters;2020).

An outbreak of African swine fever threatens to keep German's pork supply limited to the European Union with China, South Korea and Japan all having banned shipments. This is a major setback in an already challenging year for meat producers following COVID-19 outbreaks at plants. German's pork exports to China are worth around 1 billion Euros (US\$ 1.2 billion) annually, and volumes had doubled in the first four months of this year due to high demand after Chinese output shrank by around 20% (Reuter;2020).

Major producers and exporters of meat, including the United States, Canada and Brazil, have adopted technology at a slower pace than Northern Europe or Japan and lagged other industrial factories in automating their operations. The concentration of COVID-19 outbreaks in the meatpacking industry in the Americas partly reflects the greater reliance on elbow-to-elbow working conditions. Accelerating the move to automation would increase food security and improve plant safety. But such plans come with costs that some find unaffordable during tough economic times (Reuters, 2020).

Domestic and Regional Perspectives

Namibia said on the 7th of October 2020 that it had temporarily banned the cross-border movement of cattle into and out of Angola due to an outbreak of the highly contagious foot and mouth disease. During the week of 2 October, the average auction price was R37.39/kg for weaners (weighing 200 – 250kg) and R35.15/kg after auction commission (see table 3). The price was 2.8% higher when compared to that of the previous week. The increase was caused by, among factors, the scarcity of weaners in the production areas (at present) and active purchasing by feedlots. Compared to a month ago, the price increased in total by 12.5% and was 35.4% higher year-on-year (AMT, 2020).

The producer price of Class A2/A3 lamb was 0.3% higher during the week of 25 September when compared to the previous week. The increase in the price can mainly be attributed to higher demand which led to lower carryover of stock. The price was 1.3% higher compared to a month ago and 34.5% higher year-on-year (Reuters: 2020). The average price of baconers was in total 0.8% higher in the week of 25 September. The higher price is among factors, a result of a stronger demand for baconers in the market due to an upward pressure on the market prices of beef and mutton as a result of a positive market sentiment in the meat market in general. The price was 6.8% higher against a month ago and 7.3% higher year-on-year (Reuters, 2020).

During the week of 2 October 2020, the average prices of frozen poultry was 1.2% higher against the previous week. The average price was also 3.3% higher against a month ago, and 0.8 % lower year-on-year. In the same week, the price of fresh poultry was in total 1.2 % higher against the previous week, 2.3 % higher against a month ago and 8.6 % lower year-on-year(Reuters;2020).

Key areas to unlock growth in Livestock and animal products

As an environmental resource issue, the obligation to manage grazing correctly is enshrined in the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), or the Constitution. Section 24 of the Constitution defines the right of all South Africans to an environment that is not harmful to their health or wellbeing, and the protection of the environment for present and future generations. These laws are specifically aimed at conserving natural resources such as grazing land, the value of which lies in its usefulness as livestock feed. Overgrazing destroys the natural value of pastures and allows invasive species to take root. Related to this is the extremely detrimental effects of soil erosion. By properly enforcing environmental legislation, land users (not just owners) can be legally compelled to rehabilitate damaged areas before it can be used again. It is important for livestock producers to be made aware of such legislation and adhere to them in order to protect and conserve the environment (Agriorbit: 2020).

Table 3: AMT (2020) Weekly livestock report

Category	Type	Prices
Beef	Live weaners	R37,39/kg
	A2/A3	R 46,91/kg
	C2/C3	R40,74/kg
Mutton	Feeder lamb	R44,14/kg
	A2/A3	R 88,47/kg
	A2/A3	R 88,47/kg
Pork	Avg baconers	R 27,66/kg
	Avg porkers	R 29,52/kg
	Sausage pigs	R 21, 20/kg
Poultry	SA frozen	R 25,44/kg
	SA fresh	R 24, 61/kg
	IQF	R 23,14/kg

Source: AMT, 2020

Source of information

Reuters (2020)- <https://www.reuters.com/article/us-germany-swinefever-exports-analysis/pig-pandemic-adds-to-german-pork-sector-pain-as-exports-banned-idUSKBN2653K5>

AMT (2020)- Weekly Livestock Report

AgriOrbit (2020) - <https://www.agriorbit.com/legislation-regarding-the-keeping-of-livestock/>

International Grains Council (IGC, 2020) - <https://www.igc.int/en/markets/marketinfo-sd.aspx>

South African Supply and Demand Estimates (SASDE, 2020)

<https://www.sagis.org.za>

Oilseedsfocus (2020) <https://www.opot.co.za/imgs/oilseeds-focus/2020/oilseeds-focus-vol-6-no-3-september-2020.pdf>

World-Grain (worldgrain) – 2020 <https://www.world-grain.com/articles/11901-brazil-soybean-production-forecast-to-rebound>

For correspondence:

Markets and Economic Research Centre

Email: research@namc.co.za

Tel: +27 (0) 12 341 1115

Website: www.namc.co.za

© 2020. Published by the National Agricultural Marketing Council (NAMC).

DISCLAIMER

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises or guarantees about the accuracy, completeness or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the contents thereof. No warranty of any kind, implied, expressed or statutory, including but not limited to the warranties of no infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus, is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Any reference made to a specific product, process or service by trade name, trademark, and manufacturer or other commercial commodity or entity is for information purposes only and does not imply approval, endorsement or favoring by the NAMC.