NAMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

2020

WEEK: 43

Grains and Oilseeds

Global Perspectives

Table 1 presents global cotton production for 2020/21 marketing season. Recent data from United State Department of Agriculture (USDA) shows that global cotton production is estimated to decline by 934 thousand bales reaching 116.3 million bales as compared 2019/20 season. This can be linked to a reduction in production in Mali which is estimated to drop by 200 thousand bales from last year to reach 1.3 million bales, followed by declines from Pakistan (400 thousand bales), Greece (150 thousand bales), and the US (19 thousand bales) from last year. Global trade is estimated to increase by 478 thousand bales and reach 42.2 million tons. China is estimated to increase its cotton imports by 9.5 million tons, up by 500 thousand bales from last year, while exports from Brazil are to increase to 9.7 million tons, with Mali and Uzbekistan at 800 thousand tons and 200 thousand tons, respectively (USDA, 2020).

Global sugar consumption forecasted to increase by 2.6 % to reach 174.19 million tons. The International sugar organization estimates a global deficit of 724 thousand tons of sugar for 2020/21 marketing season, however production was forecasted to be 173.46 million tons, up by 2.3% from the previous season. Higher production is attributed to increased production of 31.5 million tons from India. On the 19th day of October 2020, world white sugar prices were high at 402.25 US dollar per ton as compared to 395.35 US dollar per ton on the 16th of October 2020.

Table 1: World Cotton estimates

Global cotton production (million)	
2019/20	**2020/21**
121. 3 million bales	116,3

Source: USDA (2020)

Domestic and Regional Perspectives

In Septemberally, domestic cotton production was estimated at 134 077 bales, down by 4% as compared to estimates of August for 2019/20 marketing season. Limpopo, Northern Cape and Mpumalanga province were the largest producer,s each accounting for 83 088 bales, 16 205 bales, and 1 350 bales, respectively during 2019/20 season.

Local raw sugar production is estimated to reach 2.2 million tons in 2020/21 marketing year, down by 3% year-on-year, while consumption is estimated at 1.7 million (USDA, 2020). South Africa's sugar prices continue to increase, possibly due to an increase in global sugar prices. By the end of October 2020, the payable Recoverable Value (RV) price is estimated at R4 912,55 per RV ton (see **figure 1** below). Estimates for local sugar price hikes for this October were offset by an increase in sugar and molasses, which was effective from the previous month (SA canegrowers, 2020).

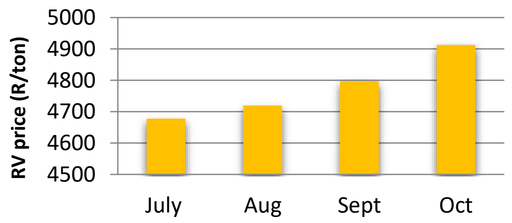

Figure 1: Recavarable Value price for a ton of sugar in SA

Source: SA cane growers (2020)

Figure 2: South African sugar price, July to October 2020

Key areas to unlock growth in Field crops

Cotton is the most consumed fibre in the world. South Africa produce high quality cotton and its demand is high. Provinces such as Limpopo (Sekhukhune region) and Mpumalanga (Nkomazi region) are areas of high potential for production and expanding cotton production. Cotton has high potential for agro-processing and strengthening of local cultivar research could be a game changer for the cotton industry. Growth in the cotton industry can be realised through utilisation of cotton seeds to produce oil and other wide range of products. This can only be realised if storage, road, equipment and processing enablers be put in place to allow for growth.

Sugar production in the country is one of the important contributors to the country's economy, however the industry is faced with multiple challenges, such as increase gross sugar production which hampers the production. During 2020/21 marketing season, sugar prices are estimated to be low, with consumption expected to increase, and this is bound to result more imports of sugar to meet the demand. With above being said, the development of sectoral master plans is well positioned to advocate for inclusivity and enforce a district based commodity model to ensure that the sectors such as sugar and cotton realise their potential to unlock opportunities in the value chain to contribute meaningfully to the global and regional markets.

Fruits and Vegetables

Global Perspectives

Banana consumption was estimated to grow at a compound annual growth rate (CAGR) of 1.21% for the 2019-2024 period. However, Philippines, the 2nd largest producer of bananas has already registered a 10% decline in banana exports since early 2020, largely due to a drop in demand in China as a result of Covid-19 pandemic. Banana shipments to China have also dropped by 24.2% on a year-to-year basis. The pandemic has compelled Philippine to further diversify markets for their bananas into Japan, Iran and others. A key concern is that Philippines is likely to lose her global market share due to rising competition and government subsidized efforts by Latin American producers to take over Philippine's traditional markets, among other factors.

For kiwifruit, production has increased over the years and global market is greatly influenced by differences in texture and quality, which arise from a combination of technology and production techniques. China, the number one producer of kiwifruit reckons that the rapid increase in production is attributable to increased hectarage. Increased production has led to a decline in purchase prices in the major producing areas. As of 22 October, kiwifruit fluctuations were observed in many countries. The biggest rise in domestic prices since the previous week of 13 October was in Spain (15.3%) while the highest drop in weekly prices was recorded in Bulgaria at 10.7%. The fragmented nature of the kiwifruit industry is a big problem in China, rendering the standardisation of management in kiwifruit production difficult. It's the leading cause of differences in the fruit's quality and texture. Notably, farmers in China prematurely harvested unripe kiwifruit and this compromised consumers' trust in the product, hence prices dropped.

Domestic and Regional Perspectives

The table grapes, excluding the dried and pressed fruit accounted for about R6.91 billion in 2018/19. The 2019/20 season ended with 63,89 million cartons (4.5 kg cartons) exported, more than 98% of the 64.7 million cartons estimated in January 2020 for this year's production. The 2020/21 export season is about to start in week 44 or 45 and some producers are anticipating to follow the same schedule as the previous seasons in the Orange River, while others are expecting a delayed start. The export season's estimate is not published yet but there have not been adverse weather conditions to affect the fruit. The industry's major producing regions had started to recover from the drought in the previous season, coupled with new trees coming into production, the crop is therefore expected to increase to over 70 million cartons exported if favourable conditions remain during the next weeks (FreshPlaza, 2020). Table grapes will also likely benefit from the easing of lockdown regulations in the country and in the rest of the world, as well as smoothed out logistical challenges previously faced by other industries earlier on during the pandemic, if other things remain the same.

Bananas are still largely imported by South Africa, making us a net importer of the product. Import volumes have grown by 46% between 2015 and 2019 (from 0 to 155 608 tons). This year's crop in South Africa is delayed due to a cool spring and a storm which affected Mozambique's (our largest supplier) volumes (FreshPlaza, 2020). The prices can be expected to be higher until volumes pick up.

Kiwi fruit is still an underdeveloped product for South Africa, achieving lower yields than the highest producing countries. We are therefore a net importer of the fruit. There are few producers and prices are high. The product is currently out of season so prices are expected to be high.

Key areas to unlock growth in Fruits and Vegetables

In South Africa, over 50 percent of agricultural export is fruit and table grapes are the second most exported fruits. Conversely, South Africa is a net importer of both kiwi fruit and bananas. The agricultural sector has the potential to boost the country's economic growth while creating more job. The value chain of table grapes is labour intensive, indicating a high potential to create more jobs from farm level up to secondary activities such as packaging logistics, cold chain facilities, agro processing,… etc. However, one of the growth limiting factors in the industry is that only 29 percent of total fruit production is used in processing. Moreover, the processing phase of the fruit is regarded as a residual since it processes rejected fruits from the fresh fruit market. Lack of appropriate agro processing technologies is a challenge and this requires high capital investment, and such developments are needed to compete with the global market and long terms sustainability

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Livestock and Animal products

Global Perspectives

Restaurants and shops in the European Union could be barred from marketing products as “veggie burgers” or “vegan sausage” if farmers get their way in a debate in week 42 in the European parliament. Proposed amendments to a farming bill would also prohibit describing non-dairy items as being “like” or in the “style” of milk, butter or cheese. Farmers say the measures are needed to protect consumers from being misled. Medical groups, environmentalists and companies that make vegetarian products say it would be a step backwards in meeting the Europe’s environmental and health goals (Reuters;2020).

China’s pork production in the third-quarter of 2020 rose to 18% from a year earlier to 8.4 million tonnes, according to Reuters calculations based on official data, pointing to the first signs of recovery in the world’s top producer. It was the first quarter since July-September of 2018 to show a year-on-year increase in pork output, after an epidemic of African swine fever swept through the country’s hog herd, causing production to plunge. The incurable disease hit China’s pig farms in August 2018, and reduced the breeding stock by an estimated 60% by late last year (Reuters, 2020). Two cases of H5N8 bird flu have been confirmed in wild swans in the central Dutch province of Utrecht, Dutch authorities said Wednesday. The Dutch agricultural ministry will consult with experts to see what steps, if any, have to be taken to avoid poultry farms from being infected (Reuters, 2020).

New rules to guarantee the authenticity and origin of traditional British foods, such as Stilton cheese and Melton Mowbray pork pies after the end of the United Kingdom’s (UK’s) Brexit transition period, were set out by the government on Thursday. At the end of the transition period, the new and independent Geographical Indications (GI) schemes will ensure popular and traditional produce from across Britain will be granted special status to mark out their authenticity and origin (Reuters, 2020).

Domestic and Regional Perspectives

The fourth sale of the 2020 winter season took place in Port Elizabeth on the 20th of October 2020, with 111 910 kg of mohair on offer, of which 87% was sold. The offering consisted of some good individual clips. The competition to obtain mohair was good between the buyer houses, which is an indication of increased demand for mohair, especially for the RMS-certified mohair.

Although the Rand traded stronger against the US Dollar and the yields were lower, the average market indicator increased by 5% (8% in Dollar terms) from the previous sale, to close on R248.90 per kg. The highest price of R580 per kg was paid for a bale of 26-micron super style kid mohair.

Compared to the previous sale, prices were as follows:
Kids Up 6%
Young Goats Up 5%
Fine Adults Unchanged
Strong Adults Up 5%
Average Up 5%

The fifth sale of the 2020 winter season will take place on the 10 November 2020 (Mohair South Africa, 2020)

Key areas to unlock growth in Livestock and animal products

The Minister of Agriculture, Land Reform and Rural Development, Ms Thoko Didiza (MP), this month announced the process to be followed by members of the public in applying for available agricultural state land as part of the government’s contribution to the land reform programme. The minister announced that government will issue advertisement notices of 896 farms measuring 700 0000 hectares of underutilised or vacant state land in the following provinces: Eastern Cape = 43000 Ha, Free State = 8333 Ha, KwaZulu-Natal = 3684 Ha, Limpopo = 121 567 Ha, Mpumalanga = 40 206 Ha, Northern Cape = 12 224 Ha, North West = 300 000 Ha. Gauteng and Western Cape have no land to be advertised. The advertisement notices will be the local, district and provincial newspapers, websites and local radio stations. Application forms will also made available at district and provincial offices of the Departments of Agriculture, Land Reform and Rural Development as well as Municipal District offices.

Table 2: mohair market sales indicators

	Market indicators		
Description	**Current**	**Previous**	**Last year**
Kids			
Summer			
Winter	473,42	444,42	414,41
Young Goats			
Summer			
Winter	272,59	280,39	247,75
Adults			
Fine	234,00	235,24	203,21
Strong	209,49	199,93	190,13
Total	248,90	236,09	316,23

Source: Mohair South Africa (2020)

Source of information

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