



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 21

WEEK: 04



Grains and Oilseeds

Global Perspectives

News from the United States Department of Agriculture (USDA) (2021) is that private exporters have exported a total of 132 000 tons of soybean to China. Chinese have been busy on the market particularly for soybeans and yellow maize resulting from efforts to increase local production for meat, particularly for pork. South Africa has benefitted from this market and we expect to see significant quantities of yellow maize to China (Taiwan) this season. A further 128 000 tons of maize was exported to Japan while another 100 000 tons was exported to Israel. The World-Grain reports that data from International Grain Council (IGC) (2021) shows a slightly lower projection for maize due to larger reductions in the United States (US), Argentina, and Brazil, with wheat and barley partially offsetting this reduction. The IGC has also cut global soybean production by 6% year-on-year due to downgraded expectations from South American countries to 359 million tons, nonetheless, a 6% increase is still expected. Due to the covid-19 pandemic demand for fuel ethanol and brewing has reduced across the globe. However, the IGC predicts an increase in consumption for the fifth consecutive year barley, sorghum and oats with an estimated increase by 2 million each. If the predictions by IGC prove to be correct, this is good news for South Africa which needs more market for barley and possibly for oats.

Domestic and Regional Perspectives

Domestically, the agricultural sector continues to do well except for a few subsectors that are still feeling the wrath of covid-19, such as those dealing in alcoholic beverages and tobacco products. Elsewhere, the grain industry (maize) is on course to one of its largest exports with 1.9 million tons in total of maize exported as of the 8th of January 2021. Data from the South African Grain Information Systems (SAGIS) shows that Asia continues to be an important market for South Africa's yellow maize, importing at least 945 492 tons out of 1.2 million of yellow maize exported so far. The Republic of Korea on the 8th of January imported about 363 625 tons from South Africa, followed by Taiwan (China) (323 189 tons), Japan (152 610 tons), and Vietnam (106 068 tons). From the neighbouring countries, Zimbabwe leads with 306 776 tons exported, followed by Botswana (199 383 tons), Eswatini (114 247 tons), and Namibia (96 015 tons). Noteworthy, most of maize exported to the neighbouring countries is white maize. Additionally, sizeable quantities of white maize have been exported to Italy (48 616 tons) which is great news in expanding the country's export footprint in the global market. **Figure 1** presents leading markets for maize exported by South Africa regionally by end of the week of January 8, 2021.

Regionally, a surge in feed prices towards the end of December 2020 to January 2021 was observed following the same trend as seen from the global market. Prices for the key food commodities were selling at prices above average. This is expected to continue until February 2021 when new maize stocks are ready to enter the market. This will depend on how the covid-19 issue progresses as it has been seen

recently that prices are sensitive to disturbances resulting from the pandemic for several reasons. As of the 21st of January 2021, a ton of yellow maize, wheat, soybean, and sunflower were selling at R5 125, R9 200, and R9 400, respectively.

Key areas to unlock growth in Field crops

2020/21 summer grain season promises to be a good year given that more than average rainfall is expected. A couple of grain commodities such as maize, barley are expecting larger crops. For maize, South Africa has a well established market both domestically and globally, which is good given the anticipated larger crops. However, more market is required for barley as the country has not been a prominent barley exporter over the years.

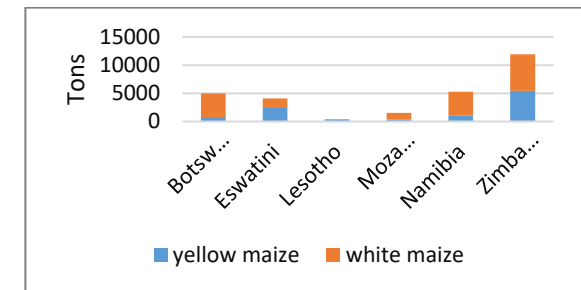


Figure 1: South Africa's leading maize export markets

Source: SAGIS, 2021

Fruits and Vegetables

Global Perspectives

Over the past weeks, weather conditions and shortage of labour have been described to be a challenging for table grapes producers in Europe. But producers are optimistic about the future as the demand is holding firm. The global production of table grapes is expected to increase slightly to 25.7 million tons despite weather-induced losses being a challenge in Europe. The slight increase is mainly due to a positive forecast for China's production, which is expected to increase by 400 thousand tons to 11 million tons. The United States (US) is also expected to record an increase of over 100 thousand tons to 1 million tons. Prices in the US market for the conventional red seedless grapes are ranging from 18-20 dollars per ton on medium and large, while going up to 24 dollars per ton on extra-large. Prices are higher for proprietary varieties. The green seedless varieties are fetching from 22 dollars per ton on medium to 28 dollars on jumbo, while premium greens fetch up to 30 dollars per ton. The black seedless varieties are trading at 28-32 dollars per ton, with sizing being the determining factor. South Africa's production of table grapes is expected to increase by 10% from the 2019/20 production year to 88 thousand tons in 2020/21. This is owing to a steadily increasing area planted, improved yields, new production practises and minimal hail damage, among other factors. As of week 2 of 2021, the country has cumulatively exported 22, 9 million x 4,5 kg cartons of grapes, with the European Union taking the largest volume (12,6 million), followed by the United Kingdom (4,9 million).

Domestic and Regional Perspectives

In 2020, South Africa exported 137,4 million x 15 kg cartons of citrus, with Europe taking the largest amount, followed by the United Kingdom (UK). As of the 1st of January 2021, the Brexit effected a new EU-UK agreement that covers areas such as trade in goods and services, fisheries, aviation and transport, among others. Under the new agreement, South Africa's citrus will enter the UK duty-free throughout the year. Some commentators on the Brexit topic regarding South Africa's citrus exports have long been hoping that (*as one of the scenarios*) the Brexit agreement will do away with some of the harsh laws applied to the country's citrus as far as the UK is concerned. Indeed, the Whitehall has deregulated commodities like citrus fruit imports, with imports of citrus fruit into Northern Ireland still continuing to be subject to the EU's plant health import requirements. The former means that South Africa can now export to Great Britain without needing a phytosanitary certificate or having to give advanced notice of their intention, which entails the reduction of bureaucracy and allows producers to respond more rapidly to changes in British market demand. However, the UK will continue to monitor issues such as risk and changes in the needs of the nation. On the other hand, the European Commission will be evaluating the trade agreement with South Africa this year, with the aim to analyse in-depth the trade agreement's commercial impact and the phytosanitary consequences that a possible entry of quarantine pests would have on the European citrus sector.

Key areas to unlock growth in Fruits and Vegetables

The area planted with table grapes has been steadily increasing over the years, since the 2011/12 season – with

the production following a similar trend since the 2015/16 season. According to the USDA (2020), South Africa's production is largely contracted and therefore it is usually considered sold at the end of the season, with processors being the main buyers. As a result, the country usually has minimal or no closing stock at the end of each marketing year. But volatility in global prices, coupled with growing production, have resulted into processors carrying over stock of raisins into the next marketing year. As shown in Table 1, there was a carry-over stock of 13 933 tons in the 2019/20 season, expected to reduce to 12 533 tons in the following season. With this and expected increase in production, South Africa needs to be aggressive in growing its export market. This has to be coupled with increasing capacity of smallholder producers to enter into contractual agreements to prevent losses that may result from the saturation of the domestic market. Furthermore, the South African processors have a capacity of between 90 000 to 100 000 tons (of what??), with some processors operating at 97% capacity, which means that expansion of the existing capacity may need the industry's attention in the future as production continues to grow.

Table 1: Raisins stocks in South Africa in tons

Raisins	2018/19 (Jan 2019)	2019/20 (Jan 2020)	2020/21 (Jan 2021)
Beginning stocks	0	13 933	12 533
Production	74 830	80 000	88 000
Imports	1 163	1 000	900
Total supply	75 993	94 933	101 433
Exports	47 430	64 900	72 000
Domestic consumption	14 630	17 500	18 500
Ending stocks	13 933	12 533	10 933

Source: USDA (2020)

Livestock and Animal products



Global Perspectives

China's 2020 pork output declined by 3.3% from a year earlier to 41.13 million tonnes after plunging 21% in 2019. Strong policy support and incentives helped revive the sector by unleashing more than 200 billion yuan (\$30.87 billion) in investment. China slaughtered 527.04 million hogs in 2020, representing 3.2% decline from the same period a year earlier. The data also showed China's pig herd rose to 406.5 million heads at end-2020, from 370.39 million as at the end of September. Customs data on Monday showed China imported a record 4.39 million tonnes of pork in 2020 to plug a domestic shortage, with December arrivals surging 63.1% year-on-year to 440,000 tonnes (Reuters, 2020).

Around 30 000 birds on a poultry farm in Northern Ireland have been culled following the detection of avian influenza on the premises. This marks the first time the disease has been confirmed in a commercial flock in the country since 1998. To date there have been eight positive cases of HPAI H5N8 confirmed in wild birds in Northern Ireland across five different locations. There have also been recent detections in wild birds, poultry, and captive birds across Great Britain in addition to detections in the Republic of Ireland (AgriOrbit, 2020).

Domestic and Regional Perspectives

Namibia halted imports of live poultry from 10 countries on Friday (22 January) following outbreaks of bird flu in Europe. The suspension affects imports from the Netherlands, Germany, Britain, Ireland, Denmark, Ukraine, Belgium, Poland, Sweden and France, according to the Directorate of Veterinary Services. Cooked poultry meat products for commercial purposes may be imported under a veterinary permit. Namibia consumes an estimated 2,500 tonnes of chicken monthly, relying on imports, mainly from neighbouring South Africa, to meet demand (Reuters, 2020).

During the week of 15 January, the average auction price was R38.50/kg for weaners (200 to 250kg) and R36.19/kg after auction commission. The price was 4.8% higher compared to the previous week. The increase was caused by a higher demand by local producers due to favourable grazing conditions on farms, caused by the high rainfall. On the other hand, heavy rains in some areas made it difficult for some producers to transport their animals to auctions.

In the week of 8 January 2021, the average producer price for porkers was in total 0,5% lower compared to the previous week, 0,1% lower against a month ago and 27,5% higher year-on-year. The average baconer and porkers were trading at R 30.66/kg and R 34,68/kg, respectively.

Key areas to unlock growth in Livestock and animal products

Wages for South Africa's farmworkers might increase as much as 16.1% in 2021. This followed the National Minimum Wage Commission recommending in November 2020 that the minimum wage for farmworkers be aligned with the national minimum wage (NMW) in 2021, based on the argument that the agriculture sector was not as severely affected as other sectors by the COVID-19-related lockdown. However, this cannot be realistic since COVID-19 has had a major impact on the local economy. Industries such as the wine, mohair and wool were declared as essential services, resulting in the complete halting of production during the hard lock down. The sector also had to deal with the consequences of prolonged drought in parts of the country, which have resulted in increased financial strain and carry-over debt. The NMW per hour was proposed to increase 1.5% above inflation to roughly R21.69 (Farmers weekly, 2021).

Table 2 presents local meat prices for week 18 January 2021.

	Items	Prices
Beef	Weaners	R 38, 50/kg
	A2/A3	
Mutton	A2/A3	
	C2/C3	
Pork	AVG Baconers	R 30, 66/kg
	AVG Porkers	R 34,68/kg
	Sausage pigs	R 25,84/kg
Poultry	SA Frozen	R 25, 98/kg
	SA Fresh	R 25, 28/kg
	IQF	R 24,72/kg

Source: AMTRENDS WEEKLY REPORT, 2021

Source of information

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