



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

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WEEK: 07



Grains and Oilseeds



Global Perspectives

In the last week of January 2021, the United State (US) maize export sales reached record levels, with 7.43Mt sold and China purchasing about 5.86Mt. There is a high demand for maize from China and may affect global cereal prices. Russia announced that she will be introducing a formula-based tax on wheat exports from 2nd June 2021. This means the tax will automatically increase as prices rise. It is calculated at 70% of the difference between the base price of wheat per ton and \$200/t (WASDe, 2021). Although Brazil encountered delays in planting due to unfavourable weather conditions, a record crop yield is expected in 2021. The early expectations are estimated at 103Mt maize crop. The US is also expecting a recoil to maize production levels in 2021, with current estimations at 8.5% higher than last year due to increased area and a return to more average yield levels. Argentina remains the 3rd world's largest maize exporter and have announced a further 1Mt reduction in its maize production, to an estimated 46Mt. This indicates a 1.5Mt below the January USDA estimate (USDA,2021). In 2020, Ukraine exported 57Mt of grain and it is reported that the figure could decrease to 45.4Mt as a result of poor harvests. Grain exports are now 20.5% overdue compared to last year. Week 06, Ukraine's soft milling wheat export price fall by US\$10-\$11/t ahead of the upcoming Russian export tax.

On the oilseeds side, the Brazilian soyabean harvest is delayed by the rainfall. The harvest was 1.9% complete at the beginning of February, versus 8.9% in 2020. Due to this, the soyabean exports is expected to increase in March rather than later on in February. The impact of these delays could increase Chinese purchases of US soyabeans in the next few weeks. In week 06 of 2021 Last week,

Argentine farmers concluded their soyabean crops planting season.

Domestic and Regional Perspectives

The prices of white and yellow maize decreased marginally by -0.03% and -0.02%, respectively, week-on-week (w-o-w). The prices of white and yellow maize were up by 9.4% and 20.1% annually, respectively. According to the Crop Estimates Committee (CEC), the area planted to summer grains increased compared to what had been intended to be planted last year's report. This, combined with exchange rates that seem to have stabilised after strengthening in December and early January, are the likely cause of w-o-w prices to trade sideways. The world prices are likely to remain high due to strong demand and restricted supply. Due to a weaker rand, maize prices are expected to follow this trend.

The price of wheat increased by 1.0% week-on-week. Futures prices for March 2021 contracts increased 1.3% from a week ago and 6.7% from a month ago. Prices were also considerably higher than a year ago. The CEC projects 2.1 million tons of production for the 2020/21 season with the wheat subsector likely to record significant value growth and a strong contribution to agricultural GDP.

The prices of soybean and sunflower seed increased by 6.5% and 1.2% week-on-week, respectively. Compared with a year ago, spot prices of soybean are up by 64.0% and of sunflower seed are up by 56.8%. Area planted to soybeans is up by 14.3%. Although this could potentially result in price pressures for soybeans in the next months, it is expected that international price support will transmit to local prices, to result in an increasing local price trend in the next months (CEC, 2021).

Key areas to unlock growth in Field crops

At the end of the month (February), the National budget speech will be tabled. This could change the outlook of the agricultural sector and may as well trigger the possibility of an exchange rate depreciation.

With the country's ever changing climatic conditions, investment in research and development remains key to ensure that the commodities planted are climate resilient and able to adapt to harsh weather conditions.

South Africa is abundant with grain crop yields especially around maize. The systems put in place such as supply and demand, and crop estimates committees have potential to address the disparities in terms of presentation of information through covering the grains and oilseeds figures in communal areas.

Fruits and Vegetables



Global Perspectives

According to the United States Department of Agriculture (USDA, 2020), global apple production for 2020/21 is forecast to drop to 76.1 million due to adverse weather conditions experienced in China, one of the top producers of the fruit. Other significant producers and consumers include the European Union (EU), India and the United States (US). Therefore, disruptions during production and marketing seasons in any of these regions are bound to affect the global market.

For the first time, China recently opened doors for the Japanese Sun Fuji apples and it is the first ever import of Sun Fuji apples into the Chinese market. Characteristically, Sun Fuji apples are large in size with a shiny, all-red exterior, hence making them outstanding in terms of appearance alone. It is reported that this season's crop did not experience any adverse climatic conditions, thereby rendering this season's crop to be of the highest quality when compared to the recent past years. Because of the variety's "incomparable" flavour among other attributes, Sun Fuji apples command a premium price in a number of global markets.

Latest insights into apple juice processing in the United States (US) show that trading in apples for juice extraction is moderate, especially in Michigan, Washington and the Appalachian district. Notably, prices are steady but organically produced apples are receiving a premium price. In New York however, due to the heavy snow during the week that ended on 5th February, the movement of apples from packing houses was hampered.

Domestic and Regional Perspectives

The South African pome fruit harvest has already begun and promises a good crop. The production areas received enough rain in winter and growing conditions were favourable. The USDA (2020) predicted 960 000 tons of apples will be produced by South Africa, an equivalent of 18 000 tons increase from the previous season. The increase in production is also owing to young orchards coming into production. According to Hortgro (2021), the export of apples is expected to increase by 4% to 38.07 million cartons (for 12.5kg cartons), roughly 475 000 tons. Although the country exports a small portion of their apples to China, the shortage in China's production might bode well for South Africa's apples, especially if prices also go up. At the end of week 5, exports were sitting at a total of 612 217 cartons exported so far, already 36% more than cumulative exports in week 5 of 2020 (Agrihub, 2020).

Pear production is also estimated to increase to 410 000 tons in this season, with exports expected to increase by 2% to 17.14 million cartons (for 12.5 kg cartons). The cartons exported fell by 38% compared to week 5 of 2021, with a total of 940 115 cartons exported (Agrihub, 2021). The industry is working together with Transnet and other stakeholders to ensure ports operate efficiently in order for exports to be timely (Hortgo, 2021).

Key areas to unlock growth in Fruits and Vegetables

Most of South African fresh fruits are exported at high prices and the remainder are sold on the local market. About 29% of total fruit production is processed. Fruit processing is for the residuals that are regarded as "fall out or downgraded" fruits from the fresh fruit market. Agro-processing can add value to the fruit industry and also limit imports of processed fruit products. In addition, it creates more employment as already the fruit industry is known for creating a lot more jobs than other industries (Netherlands Enterprise Agency, 2018).

Lastly, on the SONA 2021, President Ramaphosa announced that Schedule 2 of the Electricity Regulation Act is to be amended in the next few months. Easing the licensing requirements for new small-scale producers of power, this could lead up to 5000 megawatts of additional capacity which will help to ease the impact of load shedding. As previously noted, that load shedding has had a negative effect on the fruit value chain particularly disrupting operations in the packhouses.

Livestock and Animal products



Global Perspectives

Hong Kong authorities ordered the culling of all 3,000 pigs in a herd after the African swine fever virus was discovered to be spreading for the first time in one of the city's farms. It was reported that the last outbreak in 2019 was due to pigs that were imported from the mainland, which resulted in the culling of 10,000 pigs. Hong Kong has about 43 pig farms, accounting for 15% of its live pig supplies, according to a report by the United States Department of Agriculture (Reuters, 2021). A report compiled for Dairy NZ, indicates that the carbon footprint of dairy cows in different countries, differs considerably. For example, according to the report, the carbon footprint in New Zealand is 32.1 percent lower than in US, 51.6 percent lower than in Germany and 70.8 percent lower than in India. Figure 1 shows that the greenhouse gas (GHG) profile varies depending on the region of the world and livestock management. Two developing countries (Kenya and India) have low milk production per head (2,000 to 4,000 kg Fat and Protein Corrected Milk (FPCM) cow-1) and a high carbon footprint.

Many of the developed countries showed a high milk production per cow. These countries also tended to have a different GHG profile, with the contribution of Methane (CH₄) being lower. This is mainly due to the differences in management practices (e.g. keeping animals indoors during the winter, thereby increasing emissions from manure management and feeding) and the high milk production per head (associated with increased use of concentrate/supplements leading to more emissions from production of the brought-in feed). The higher footprint values are found in developing countries, where milk production is mostly pasture-based (Costa Rica and Peru), but with lower feed conversion efficiency. These latter developed countries (i.e. with low footprint values) are known for having pasture-based milk production, with good pasture and animal management ensuring high pasture

quality and high feed conversion efficiency, with relatively low external inputs (New Zealand, Ireland, Uruguay and Australia) (DairyNZ, 2020).

Domestic and Regional Perspectives

During the week of 5 February, the average auction price was R39,22/kg for weaners (weighing 200 – 250kg) and R36,87/kg after auction commission. The price was 3,8% higher compared to the previous week. Among other factors, the increase was associated with a higher demand from especially local producers due to favourable grazing conditions on farms and disruption at auctions being caused by inaccessible roads.

The average producer price of Class A2/A3 beef was in total 0,1% lower in the week of 29 January 2021 when compared to the previous week at R 49,82/kg. The decline, among others was attributed to a weaker demand for the A2/A3's in the market due to financial pressure on consumers this time of the year after the festive season. The producer price of Class A2/A3 lamb was in total 0,1% lower during the week of 29 January when compared to the previous week. The decline can among other factors be the result of a lower demand for the A2/A3's due to the financial pressure on consumers after the Festive season.

The average price of baconers was in total 0,6% lower in the week of 29 January when compared to the previous week at R 30,17/kg. The decline in price can also be attributed to financial pressure on consumers after the festive holidays. During the week of 5 February 2021, the average prices of frozen poultry was in total 0,7% lower against the previous week at R 26,41/kg, due to a lower demand in the market, which led to higher carryover stocks. The average price was 0,2% higher against a month ago, and 0,6 % higher year-on-year (AMT, 2021).

Key areas to unlock growth in Livestock and animal products

During the 2020 calendar year, 60 farm attacks and twelve murders were recorded in the Free State province, while in 2019, a total of 52 farm attacks and eleven murders were documented. In the farming communities, 37 towns were affected by this type of crime. An overall increase of 12,5% (eight attacks and one murder) was registered since 2019. High-crime areas were identified as smallholdings around Bloemfontein and farms in areas such as Hobhouse, Marquard, Odendaalsrus, Theunissen, and Virginia. Nearly 30% of farm attacks and murders occurred in farming communities from border towns near the South Africa/Lesotho border. This is causing a lot of frustration for affected farmers in those areas especially since now the firearm amnesty is slowly approaching (AgriOrbit, 2021).

Source of information

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