

Grains and Oil Seeds



Global Perspectives

U.S. sorghum exports in 2018/19 are revised up by 5.0 million bushels from last month's estimates based on trade data to date. This reduced the ending stocks for the year by 5.0 million bushels, with no other supply or use changes. The projected season-average price for 2018/19 is refined to \$3.25 per bushel, up \$0.05 from prior estimates. The reduction in 2018/19 ending stocks leads to beginning stocks in 2019/20 also being reduced by the same 5.0 million bushels to 54.9 million. Further reductions in supply in 2019/20 are driven by a small 0.050-million-acre reduction in expected harvested area by NASS being partially offset by a 0.4-bushel-per-acre increase in the yield forecast. Area harvested is now forecast at 4.7 million acres, with a yield of 74.3 bushels per acre. These changes result in a total reduction of 7.2 million bushels to supply in 2019/20. No use changes are anticipated, so ending stocks are projected lower to 46.5 million, down 7.2 million bushels.



Domestic and Regional Perspectives

Over the past 2 decades South Africa's sorghum production has been slightly declining. At the back of other substitution staples like maize, rice and wheat. Botswana and Zimbabwe are the two main regional exporters of sorghum to RSA. While Namibia, Botswana and Eswatini are amongst top importers of RSA sorghum for 2019/20 season. In terms of the current marketing season RSA's total sorghum supplies including carry-over stocks from the previous season is estimated at 232 000 tons, with total demand at 184 000 tons. This represents ending stocks of 48 000 tons which will be available in February 2020. At an average processed quantity of 14 000 tons per month, this represents available stock level for 3.3 month or 101 days. In terms market prices comparison between sorghum and maize:
Sorghum is trading at R3500/ton, White maize at R2835/ton and Yellow maize at R2713/ton



Key areas to unlock growth in Grains and Oil Seeds

Sorghum production continues to decline, due to climatic conditions and substitution effects with other sources of staples. In order to revive the local production, there is growing need for Government and Private sector to invest in the sector, especially on research and development. In South Africa Sorghum is mainly used for human consumption and not for biofuels. The use of sorghum for biofuels could still be explored in the near future.

Livestock and Animal Products



Global Perspectives

Trade in hides and skins is a lucrative business. This is particularly the case for some developing countries where the dynamism of the sector has led to a move up the value-added chain and strong market positions. As a result, developing countries hold a 45% share of world trade in the leather manufactures. Net sales of 474 000 pieces for hides and skins were reported for 2019 were up by 2% from the previous week and 28% from the prior 4-week average. Whole cattle hide sales totalled 473 000 pieces primarily for China (316 300 pieces, including decreases of 8 800 pieces), South Korea (96 400 pieces, including decreases of 6 600 pieces), Mexico (24 400 pieces, including decreases of 100 pieces), Thailand (13 600 pieces, including decreases of 800 pieces), and Japan (5,700 pieces, including decreases of 100 pieces), were partially offset by reductions for Indonesia (2,400 pieces) and Brazil (100 pieces). Exports of 409 200 pieces reported for 2019 were down 23% from the previous week and 1% from the prior 4-week average. Whole cattle hide exports of 407 900 pieces were primarily to China (229 000 pieces), South Korea (97 400 pieces), Mexico (24 000 pieces), Thailand (19 800 pieces), and Taiwan (15 800 pieces).



Domestic and Regional Perspectives

Africa shows only a modest increase for this week. Import penetration of the domestic leather footwear market by other developing countries is an estimated 73%. Leather and leather products generally account for less than 4% of total exports. African countries have 15% of the world's cattle and 25% of its sheep and goats, but produce only 14.9% of global output for hides and skins, 8% of bovine hides and 14% of sheep and goat skins. Exports of hides and skins have fallen in recent years to below 4%, yet leather is ranked very high as an export commodity in several African countries. The countries' tanning capacity has fallen from 9.2% to 6.8%. At the same time, the livestock population has jumped about 25% over the last decade, faster than the world trend. The average hide price for the week of 23 August 2019 was R1.54/kg, this is 2.2% lower than the previous week's price of R1.57/kg. This price is 71.3% lower than prices were a year ago. Prices are expected to remain steady at this level for the medium term.



Key areas to unlock growth in Livestock and Animal Products

The market remains under immense pressure, a recovery is not to be expected in the short to medium term. The global hide market continues to decline, driven by supply and demand factors; the latest being the trade dispute between the US and China. Furthermore, it is being driven by the low demand in the automotive industry. Over 60 -70% of South African hides are regarded as suitable for the automotive leather industry. The increase in feedlots over the years has led to better quality hides for the South African industry. Investment in feedlots and tanneries in rural areas, is important to address off-take from communal and smallholder farmers, who are estimated to own 40% of the South African cattle herd. However, increased global demand remains lucrative, if investment in tanneries in rural areas is to be considered.



Average domestic hide prices
Source: Absa, 2019

Fruits and Vegetables



Global Perspectives

Internationally, macadamias currently make up a small portion (less than 2%) of global tree nut supply. Macadamia production is done in some countries in Africa, Latin America and Asia. Significant commercial macadamia production occurs in Hawaii (USA). Recent statistics reveal that Macadamia production increased by 47% over the past 10-year average (2007/8 – 2017/18). About 52 000 metric tons were produced in 2017. South Africa and Australia are the top producers of macadamia, accounting for 27 % and 26% of the global production, respectively. Furthermore, South Africa and Australia are the top exporters of macadamia. In South Africa the industry is export based with more than 97% of annual production shipped to international markets. China is a key importer of the shelled macadamias, basically to process it into products of higher value. The value of macadamia nuts supplied during the 2017/18 season increased by 72% over the previous 10-year average. High income countries consume more macadamia nuts as compared to other economies. By 2016, the USA, China and Australia consumed 8 829, 4 055 and 3 347 tons respectively, and were ranked as the top consumers. Notably, China's macadamia industry is striving to become the producer in 2022 if they meet their target of 190 000 tons (nuts-in-shell).



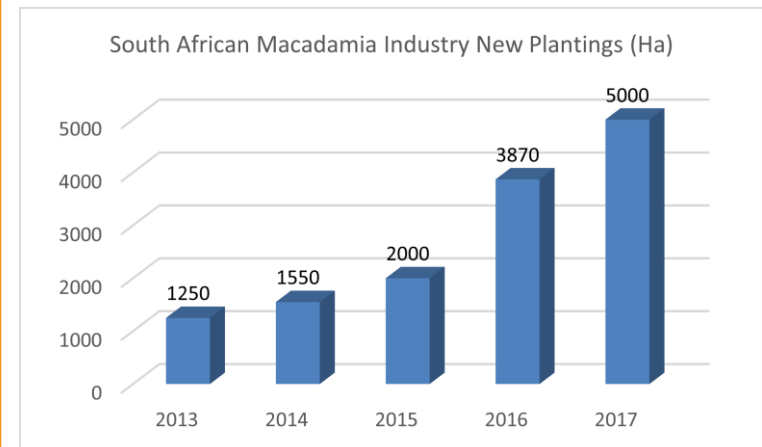
Key areas to unlock growth in Fruit and Vegetables

Due to the high demand many new plantings are established annually. The long-term production forecast is promising with a steep increase in supply expected in the next couple of years. Macadamia sales were inhibited in the past due to too low volumes being on offer. The increasing volumes going forward are a great opportunity for the industry and obviously a challenge too. Local processors will need to find ways to add value to their nuts and explore new markets. Since production is expected to continue to increase due to the rate at which new plantings are being established, employment creation is expected to continue to grow. Lastly the industry is affected by water availability in order to irrigate and weather conditions such as hail and hot spells. Further research is also required to make the industry more sustainable and profitable.



Domestic and Regional Perspectives

Macadamia nuts are one of the fastest growing high value products in South Africa and the country is also the largest producer of the crop in the world, although they are indigenous to Australia. The production of macadamia nuts has increased exponentially. According to the Southern African Macadamia Growers Association (SAMAC), production is expected to continue to increase due to increased plantings, with the industry aiming to increase plantings by 2000 hectares each year. In 2017, about 44 160 tonnes of nuts were produced, while SAMAC projects that the expected production for 2019 would be about 58 500 tons (in-shell) based on recovery from the drought. Macadamias marketed through the national fresh produce markets sold at R20 116.67/ton in August 2019. Over 95% of South Africa's macadamia nuts are exported. According to SARS data, by the end of 2018, South Africa exported 35 195 210.94 kg of nuts and generated a value of R4.13 billion. The largest importing regions for South Africa's macadamia nuts in shell are Asia, North America and Europe, while the Middle East has potential to grow. China is also expected to increase its plantings of macadamia nuts in the next few years by about 10 000 hectares, meaning its imports of South Africa's macadamia nuts could decrease as it becomes self-sufficient.



Source: SAMAC

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