

## Livestock and Animal Products



### Global Perspectives

For the first five months of 2019, international dairy product prices were on an upward trend due to strong export demand while export availability from Oceania was low and being reinforced by the seasonal decline in production in Oceania. Milk production in Europe and the USA stagnated in terms of growth compounding short supply. Adverse climate conditions are centre to slower supply. In August 2019 prices for all the dairy products increased in both US Dollar and Rand terms. Growth in unprocessed milk production in the major dairy exporting countries is not performing well and that is creating uncertainty in the world market regarding export availability. The upward trend for dairy product prices since the beginning of 2019 was led by cheese with butter providing further momentum. This trend reversed in June and July with all product prices reducing but maintaining levels higher than in July 2018 with the exception of butter which is lower. Although Brazil is set to produce 35 billion litres of milk in 2019, the country exports just 1% of its total production and strives to gain ground on world trade, beginning with cheese. Key drivers of milk prices are the total milk supply, trade volumes in dairy products between countries, growing demand for milk, and in the case of prices in individual countries, the exchange rates.



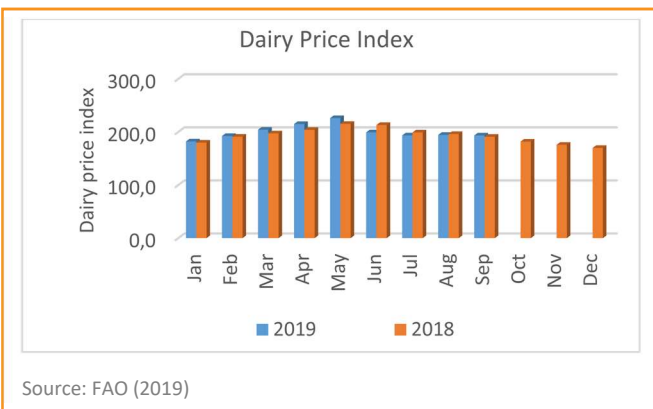
### Key areas to unlock growth in Livestock and Animal Products

Sustainable development of the dairy industry is a collective effort that depends on collaboration between governments, the private sector, along with farmers. The continuing drought in the Eastern Cape and some areas of the country continues to affect farmers and the industry, with smallholder farmers being the most affected because of lack of resources to cope. However, the Eastern Cape creates a great potential for the development of smallholder farmers in the dairy industry, however, this will require effective support to smallholder farmers to survive in such a capital-intensive industry.



### Domestic and Regional Perspectives

The number of milk producers in South Africa decreased from 3 551 in January 2009 to 1 253 in January 2019. Dairy demand is on a positive trend and this is a good sign for the industry. The trend should be viewed against the backdrop of a struggling South African economy that expanded with less than one percent in 2018, disposable income of consumers being under constant pressure due to increased administered prices such as increased property taxes and the increased cost of electricity. Milk buyers announced price decreases in June 2019 some taking effect in July others only in August. In 2019, the combination of lower prices and drought induced increases in feed costs is expected to result in a downward adjustment in milk production. Over the course of the next decade however, the milk to maize price ratio is projected to trend upwards, finding an equilibrium at a level that is comparable to 2014 and above the average attained over the past decade. This is projected to be sufficient to support production growth of 1.7% per annum towards 2028.



# Grains and Oil Seeds



## Global Perspectives

World total grains (i.e wheat and coarse grains) is at 2.159 million tons of production in 2019/2020 and is forecasted to increase by 1% year on year (y/y) and also set to be the largest in history. The wheat harvest is expected to reach a new peak of 30 million tons y/y, while barley outturn is predicted to be 14 million tons which will be the highest in 11-years. While the maize crop is forecast to fall by 30 million tons. This rise in output is entirely offset by tighter inventories keeping global total supply unchanged year on year. Consumption for all grains was noticed to have increased by 1% y/ y to 2.186 million tons with wheat and barley leading this growth. Ample and competitively-priced availabilities of these grains are seen overlaying demand for other grains such a maize. The world has seen a third consecutive contraction in its stocks to 601 million tons year on year, yet with another decrease for the maize carryover leading to its sixth season low, outweighing build-ups of wheat (its record) and barley (highest in ten years). The world saw a rise in trade of 1% year on year to 370 million tons, largely on bigger shipments of barley and wheat. World rice trade for 2019 is forecast to fall by at least 4% y/y and this is due to a drastic fall in deliveries to far East Asian countries as well as the key markets of rice in China and Indonesia.



## Key areas to unlock growth in Grains and Oil Seeds

Maize and wheat production remain key agricultural commodities in South Africa. Introduction of wheat tariffs as some of the mechanisms to protect local production continue to positively assist the industry. However the production from non-commercial sector remains a concern, with the rising figures of wheat imports. Food security for South Africans also remains a government priority. Unlocking the non-commercial sector's production to mitigate the gap of imports may be one of the spin-offs for the country. Government and private sector's collaboration needs to be strengthened to revitalise the wheat industry. With prospects for the upcoming season, most of the countries in the region are likely to rely on South Africa's production if the situation remains unchanged.



## Domestic and Regional Perspectives

Later in October, the Crop Estimates Committee (CEC) is to publish summer grains intentions to plant for the upcoming season. Looking at the current 2019/20 marketing season, about 2.59 million hectares of land was planted for grains and oilseeds including 296 thousand hectares from the non-commercial sector. In terms of total maize production estimates (11.6 million tons), only 5% was from the non-commercial sector. The new Wheat season commenced from the 1<sup>st</sup> of October 2019, with the RSA production estimated to drop by 6% from the previous season with imports expected to increase by 14.2%. A bulk of RSA wheat imports (1.0 million tons) in the previous season came from Russia, Germany, Lithuania and Czech Republic. Prospects in the region remain unchanged for most countries, Lesotho planting season is underway with concerns of average rainfall forecast to below during the first half of the season. In Zimbabwe the continued volatility in the economy is expected to worsen food security in the country.

# Fruits and Vegetables



## Global Perspectives

The global orange market is facing a number of challenges. South African oranges, and citrus fruits in general, are troubled by congestion problems in the ports of Durban and Port Elizabeth. In Argentina, the frost has probably caused considerable damage in the citrus industry. Spain also suffered from the weather this season and in Italy the Tristeza virus had some influence on the volume of oranges. The season is currently shifting from countries such as Egypt, Morocco, Spain and Italy to South America, South Africa and Australia. In the United States, the season in California and Florida is coming to an end and the country is switching to imports from suppliers such as Chile. Global grapefruit production in 2018/19 is estimated to rise by 3 percent to 6.9 million tons as favorable weather helped to boost the crops in the United States and China. Consumption and fruit for processing are both higher in line with expanded production while exports are expected to be down slightly. However, currently there are market developments from Israel, Turkey and Spain, where the total land planted is expanding. Important to note that as of 6 October 2019 the global average price is \$1.04 USD per kg of grapefruit which shows an price hike of 13.7% from last year.



## Domestic and Regional Perspectives

The production of grapefruit is estimated to decline marginally by 1% to 415 000 tons in the 2019 period, from 419 000 in the 2018 period. This is due to the smaller than normal fruit sizes in some growing regions, which experienced high heat and dry conditions. The current low dam levels and drought conditions in some growing regions such as Letsitele in Limpopo are only expected to impact production in the 2019/20 if insufficient rainfall is received by November 2019. The 2017/18 production of grapefruit remains unchanged at 419,000 tons based on final industry data. Grapefruit consumption in South Africa is estimated to increase to 7,500 tons in the 2019 period, from 7,000 tons in the 2018. This is due to the rise in production, some of the lower sized fruit that does not meet export standards being diverted to the domestic fresh market. On the other hand, South Africa's grapefruit exports will decrease to 250 000 tons in the 2019 period, from 288 000 tons in the 2018 season, due to the small fruit sizes and most growing regions reporting a shorter than normal harvest season. Although South Africa has a free trade agreement with the European Union (EU) which allows duty free access for its citrus exports, South Africa continues to face challenges due to Citrus Black Spot (CBS) and False Coddling Moth (FCM) in the EU market. Industry estimates that it is costing South Africa almost R1.8 Billion (US\$129 Million) to address and comply with the CBS requirements in the EU market.



## Key areas to unlock growth in Fruit and Vegetables

Amongst the citrus commodities, in 2018 grapefruit was the third biggest in terms of production and South Africa was the leading exporter of grapefruit. Demand is expected to increase due to healthy lifestyles and changes in consumer patterns. However, climate change and related sustainability issues continue to pose a threat to crop quality and yield. However, many of the newly planted trees are under protective netting, which shields the citrus against sun damage and is more water efficient. Over the past few years farmers have been replacing vineyards with citrus, which has helped to strengthen outputs. During the previous season, the grapefruit market was saturated in China resulting in very low prices. The industry is export dependant and there is a need to diversify markets (internationally) and increase local consumption. Lastly poor port operations and congestion continue to affect the industry.

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