Get in touch
research@namc.co.za
012 341 1115
www.namc.co.za

Grains and Oil Seeds

Perspectives

Global coarse grain production forecast for 2019/2020 was almost unchanged in October 2019. Russia raised its production thus its exports from 10.49 to 10.92 million tons. Brazil has increased its exports close to 20 million tons between July-September 2019, an increase close to 50% higher compared to the same period last season. For Rice, global trade has increased by 0.8 million tons and reached by 45.9 million tons with India predictably the biggest supplier for the sixth year in a row. Global wheat production fell by 0.3 million tons due to drought in Australia which is a major exporter, however, production improved with EU and Turkmenistan at 1.0 and 0.7 million tons respectively.Wheat exported are projected to decline by 1.2 million tons, Russia remains the biggest exporter followed by EU and US. Also imports have dropped 1.1 million tons for October 2019.

Key areas to unlock growth in Grains and Oil Seeds

Potential markets for S.A are Egypt which has increased its imports from 10.00 to 10.20 million tons between September-October 2019, and also Japan, EU, and selected South East Asian countries. Addditionally, South Africa should take advantage of low production in our neighbouring countries such as Swaziland, Lesotho and Zimbabwe. Zimbambwe imports its maize from Zambia but the fall in production due to drought led to Zimbabwe looking elsewhere. Recently a first batch of maize from South Africa was exported to Zimbabwe. Normally Zimbabwe is the least importer of South African maize and this provides an opportunity that need to be monitored.

Domestic and Regional Perspectives

Cereal prices in Zimbabwe are four time higher when compared to last year in August. Zimbabwean imports are projected to continuously increase due to unfavourable weather conditions in current season. Reflecting increased import costs from South Africa, prices of maize meal in Swaziland were higher on y/y in August. Lesotho's cereal production for 2019 is estimated below-average thus leading to high imports. During week 21 September to 11 October 2019 the total of 350 196 tons of white maize was exported by SA, Bostwana was the leading exporter, followed by Ethopia and Zambia. Total supply for Sorghum is relatively larger than the domestic demand, including imports, with ending stock of 47, 960 tons.

Livestock and Animal Products

Global PerspectivesGlobal

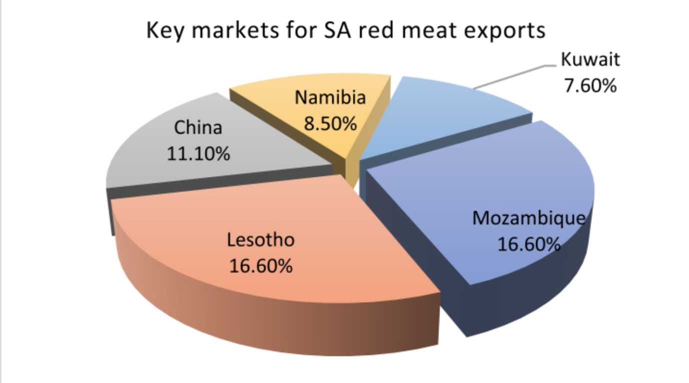
Turkey has removed most of the technical barriers on importation of genetic materials for animal breeding. However, U.S. semen exports have declined recently because of the strong dollar and strong competition from cheaper prices from EU suppliers. Australia's cattle and beef production continues to be impacted by the drought in key production areas. The subsequent lack of feed has resulted in high cattle turnoff and destocking in 2019, and subsequently higher slaughter rates. Because of reduced cattle numbers, FAS/Canberra forecasts Australian beef production in 2020 to decline by 11 percent from 2019 and exports to decline 15 percent. The outlook is still highly dependent on spring rains, as a break in the drought could accelerate herd rebuilding, and continued drought could result in continued destocking. New Zealand is thought to have reached "peak cows", and as a result beef production and exports are expected to remain relatively stable. For 2020, beef production is forecast at 678 000 metric tons carcass weight equivalents, less than one percent above 2019. New Zealand's beef exports have seen a dramatic shift towards China, with resulting reduced shipments to the United States.International beef prices are expected to continue their decline in the medium term due to continued competition for other protein sources and political uncertainty but will begin to pick up as the festive season approach.

Domestic and Regional Perspectives

In the week of 14 October 2019, the average price of weaners was R29.22/kg, beef A2/3 class was R45.78/kg and sheep A2/3 class R66.65/kg. Pork prices for baconer and porker was R25.66/kg and R26.53/kg, respectively. In comparison to theprevious week, beef was R0.01/kg higher, sheep was R1.39/kg lower, baconer price increased by R0.26/k and porker prices decreased by R0.33/kg.Tthe average weaner price was R0.04 lower. Local prices are expected to remain relatively stable due to consumer spending constraints. Prices are expected to pick up in November and December due to increased seasonal consumer demand, however, this year that increase will be capped by the lower spending power consumers are facing. On the regional part, the top 6 destinations for the beef market (Lesotho, Swaziland, Mozambique, Angola, Maruritias and Egypt) in 2018 are still among top markets, however, Ghana is proving to be a potential market too as South Africa and Ghana already have a number of products traded between the two countries, particularily products from the Western Cape province.

Key areas to unlock growth in Livestock and Animal Products

It is estimated that roughly 40% of all cattle in South Africa are owned by communal and smallholder ('developing') farmers, with 13 % of sheep and 73% goats owned by communal and smallholder farmers. However, off-take from smallholder and communal farmers, is estimated at 8 and 6 percent respectively. This highlights, the need for South Africa to consider investment in market infrastructure and slaughter facilities, to increase off-take from smallholder farmers in rural areas. Industry bodies making use of levies and Trusts in the livestock industry, need to spend more on enterprise development, with the 20% levy funds meant for transformation in the agricultural sector. Furthemore, there is a need to invest in livestock identification and tracebility in South Africa, to improve animal identification and traceability, which will aid in the control of animal diseases, promote food safety and the quality of livestock data for trade purposes.



Source: ITC (2019)

Fruits and Vegetables

Global Perspectives

South Africa makes the top 20 of global producers of soft citrus, while it makes the top 6 of global exporters. Global production of soft citrus for 2018/19 was expected to rise from 1, 5 million tons to a record 31, 4 million tons, with increasing production in China and the European Union offsetting a decline in Turkey, which is among the largest producers. China, the largest producer in the world, was expected to record an 800 000 tons increase mainly due to a favourable weather coupled with rapid expansion in area planted bearing in mind that China represents over 70% of global production and consumption of soft citrus. As a result, spillover effects were expected in the form of an increase in consumption and exports. Production in the European Union was also expected to jump 16% to 3, 4 million tons due tofavorable spring and summer weather conditions in Spain and Italy. This is the case also with the production in the United States. Turkey's production was expected to fall by 10% to 1, 2 million tons due to unfavorable hot weather. Russia and the European Union are the top export markets. Please say something about the role of South Africa in global market

Domestic and Regional Perspectives

About 42% of soft citrus is produced in the Western Cape, followed the Eastern Cape (31%) and Limpopo (21%) provinces. In the 2018/19 marketing year, production of soft citrus was estimated to increase by 9 percent to 305 000 tons, compared to the previous marketing year, this is attributed by an increased area planted and improved dam levels in the Western Cape among other factors. The latter was expected to increase by 5% from 13 500 to 14 200 hectares in the 2018/19 marketing year as growers respond to an increasing demand for seedless soft citrus. Subsequently, improvements were expected throughout the value chain . The consumption of soft citrus was estimated to increase from 15 000 tons in the 2017/18 to 16 000 tons in the 2018/19 marketing year.. However, it is important to note that the citrus industry prioritizes export markets for soft citrus and only supplies surplus fruit to the local market, although some high-end retail chains such as Woolworths also receive some export grade citrus. As such, exports are also expected to increase to 285 000 tons, which is a 9% jump from the 2017/18 marketing year. In week 41, 41 262 cartons (15 kg cartons) were exported, putting the cumulative figure at aroud 17, 4 million cartons.

Key areas to unlock growth in Fruit and Vegetables

The demand for soft citrus remains strong in the export market, with the United Kingdom as the leading export market accounting for 30% of the total exports. Moreover, exports to the United States under the African Growth and Opportunity Act (AGOA) have grown by an average of 15% per annum over the past four seasons. This growth trend is expected to continue based on the rising U.S. There seems to be market preference for easy peelers. Overall, there has been growth in the following markets, compared to the previous marketing year (2017/18): Europe (1%), South East Asia (1%) and Middle East (2%). While the United Kingdom and the Russian Federation markets shrinked by 3% and 2% respectively. Nothing is said about SA developments. In order for smallholder farmers to benefit in such opportunities, they must be capacitated to produce quality and reduce transaction costs as they expand and swith to easy peelers.

For correspondence:

Markets and Economic Research Centre
Email: research@namc.co.za
Tel: +27 (0) 12 341 1115
Website: www.namc.co.za

DISCLAIMER

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises or guarantees about the accuracy, completeness or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the contents thereof. No warranty of any kind, implied, expressed or statutory, including but not limited to the warranties of no infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus, is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Any reference made to a specific product, process or service by trade name, trademark, and manufacturer or other commercial commodity or entity is for information purposes only and does not imply approval, endorsement or favoring by the NAMC.