

Grains and Oil Seeds



Global Perspectives

World cotton production declined by 3 million bales with a decline common across the top producers in the world. The shortage of cotton in global market has boosted exports in countries like Brazil and Malaysia and China, Hong Kong and Vietnam being the biggest receivers of exported cotton.. In terms of oilseeds, the production of crushed oilseed for feed is projected to reach its lowest level in four years due to weak soybeans production – the largest commodity within the oilseed product group.. Protein meal also decreased as a result of lower soybean production, especially in India and Canada. The price of soybean has remain relatively flat at US\$9.00 per bushel in the past two months. The biggest importers and users of soybeans include China, Argentina, Mexico, Netherlands, Japan and Germany. Another important oilseed product is sunflower and changes in its production have been experienced in Argentina where production was lower, as was rapeseeds in Australia and the EU. Wheat quality this season has been affected negatively by combination of excess moisture, frost and delayed harvest in a number of countries such as Canada, while South Africa’s drought stricken wheat has produced good quality.



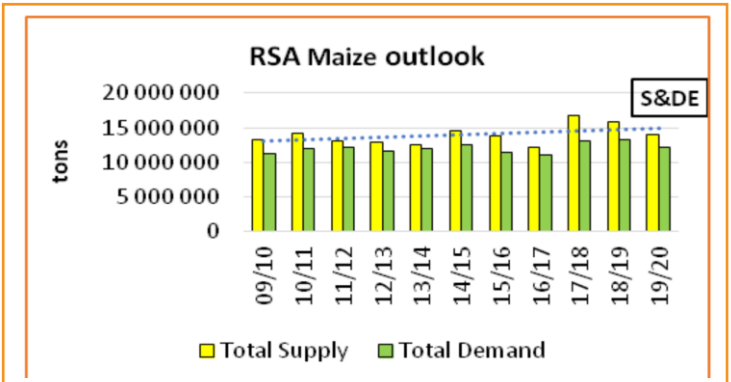
Domestic and Regional Perspectives

Most countries in the Southern African region are preparing for summer grains plantings with some parts already late, however scarcity of rain is a major concern throughout the region. Eswatini, Lesotho, Mozambique and Zimbabwe are to remain under pressure with increased demand for staple foods. South Africa is to remain one of the key players within the region, with approximately 1.2 million tons of both white and yellow maize available for the export markets. South Africa’s wheat production is forecasted to decline by 9.2% y-o-y with imports estimated at 1.75 million tons in order to meet local demand. Yellow maize and soybean demand in the animal feed industry is estimated to increase by 20% for the current marketing season (2019/20). For the week ending 15 Nov 2019, approximately 206 698 yellow maize tons were imported from South Africa to Botswana, Eswatini and Namibia being the biggest markets.



Key areas to unlock growth in Grains and Oil Seeds

Given the global and regional demand for oilseeds and other grains, the production of such products in South Africa remains a viable option for both emerging and commercial farmers. In the short term, should enough summer rains reach the major planting regions, South Africa will have a comparative advantage to meet the domestic and regional demand for grains and reasonable oilseeds quantities. Farmers, especially emerging farmers, are advised to plant on time in order to avail surplus stock for export markets.



Livestock and Animal Products



Global Perspectives

Growth in unprocessed milk production in Oceania, Uruguay and Argentina was strong in 2018 with only the USA and EU growing rather slowly. The first eight months in 2019 compared to the corresponding period in the previous year reflects a picture of negative growth to almost zero growth in the major dairy exporting countries. The climatic conditions in the different countries are contributing to the negative growth picture. Since the beginning of 2018 USA producer prices are on an upward trend with prices shooting through 35 Euros per 100kg in March 2019 and at the end of August hugging 40 Euros per 100kg. The very low growth in unprocessed milk production clearly fuelling the upward price trend. Producer prices in the EU have been moving sideways since the beginning of 2019 while New Zealand prices have been declining and are below 30 Euros per 100 kg despite negative growth in unprocessed milk production in New Zealand.

According to the IFCN 2019 dairy report, the international price of milk highlights a long period of stabilisation, this points towards balanced supply and demand. Low growth in milk production usually causes a milk price increase. Still, current indicators point to ongoing stability, which means that a structural shift in demand could be a reason in addition to stable oil and low feed prices.



Domestic and Regional Perspectives

The South African dairy industry has for many years focused on supplying the domestic market with various dairy products, and dairy products were mainly exported to the neighbouring countries. Sales to the BLNS countries account for more than 74.4% of the total sales to foreign markets. Unprocessed milk production for September 2019 is estimated at 315 million litres, 3.0% more than in September 2018. Cumulative unprocessed milk production for 2019 inclusive of September is 2 377 million litres registering a growth of 0.56% year on year.

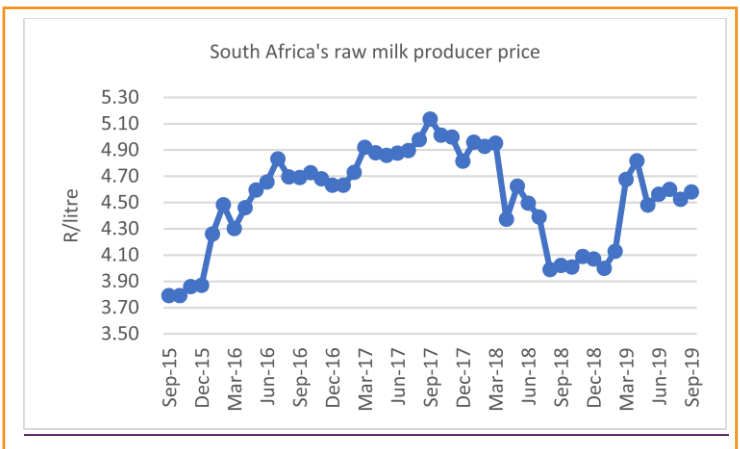
Growth over the same period in 2018 was 6%. Although the growth for the first nine months of 2019 is soft in comparison to the same period in 2018, it should be viewed against the total production growth of 2018 (4.8%) that created an overhang of dairy stocks. If the current level of producer prices is a function of the demand from the secondary industry, it seems that supply and stock levels are adequate.



Key areas to unlock growth in Livestock and Animal Products

The South African dairy farmers are exposed to many uncontrollable risks such as climate change and disease outbreaks. The number of producers in the dairy industry have declined from 3 551 in January 2009 to 1 228 in August 2019. However, milk production has increased from 2 587 000t in 2009 to 3 411 000t in 2018, indicating a strong consolidation process has occurred to cope with supply side constraints. Milk production per producer has increased from 729t in 2009 to 2 722t in 2018.

Technology has played a critical role in the milk productivity, increasing milk production per producer. However, a lot still needs to be done in achieving an inclusive growth by bringing in black role-players in the value-chain and opening regional markets for South African dairy products.



Fruits and Vegetables



Global Perspectives

Tomato production has been rising over the years and by 2018, global production stood at 188 million tons, representing a 3.5% increase from 2017. This growth can be attributed to increased harvested area and yield. Global exports in 2018 were about 7.3 million tonnes, worth nearly US\$ 9.7 billion. Latest production data of 2016 suggests that South Africa contributed only 0.3% (ranked 34th) at the time. Currently, South Africa is not competitive in exporting tomatoes (Balassa's index = 0.16) while the domestic retail price was US\$ 0.59 per kg as of Nov 25. Leading exporters were Mexico (1.8 million tons), followed by Netherlands and Spain which exported 1.1 million and 0.797 million tons respectively.

Canada had the highest export price of US\$ 2 159 per ton while Turkey registered US\$ 894 per ton, and it was among the lowest. The annual growth rate in global prices is anticipated to continue in the medium term. In 2018, South Africa exported 24.7 thousand tons (US\$ 10.18 million) only despite an estimated untapped potential trade worth US\$ 37.58 billion of tomatoes. Global tomato imports in 2018 grew proportionately to exports (i.e. 4.7% in comparison to 2017) with an estimated monetary value of US\$ 9.45 billion. The US was the leading importer commanding a 26.3% share in global imports, followed by Germany (15.7%) and France (7.5%), among others. Global import price in 2018 averaged at US\$ 1 331 per ton.



Domestic and Regional Perspectives

Tomatoes are the third largest produced vegetable in South Africa after potatoes and onions. In 2018, the country produced 610 000 tons of tomatoes and sold about 310 000 tons in the National Fresh Produce Markets (NFPMs). The NFPMs are the largest marketing channel for tomatoes, although there is a steady shift in the marketing of tomatoes from the NFPM towards retailers as producers seek to attain higher prices. The gross value stood at R2.6 billion in the same year. Exports were 24.7 thousand tons, valued at R153 million in 2018. The rest of the tomatoes are processed locally or sold through direct contracts. Most exports are destined for regional markets, mainly countries within SACU. The prices of class 3 jam tomatoes in a medium (20kg) crate cost R66 by 22 November at the Joburg FPM, it cost R30 on 28 November. Prices are largely influenced by volumes in the market.



Key areas to unlock growth in Fruit and Vegetables

As highlighted that fresh produce markets are one of the key marketing channels for South Africa's tomatoes. There are nineteen fresh produce markets in South Africa, the Tshwane Fresh Produce Market and Johannesburg Fresh Produce Market are the biggest markets. The Gauteng markets alone account for about 75% of the national fresh produce supply, this can be caused by buyers from neighbouring countries.

Important to note that Informal traders (street vendors) play a significant role at the market, currently accounting for about 65% of turnover. As a matter of fact, for both the future of fresh produce markets and informal traders, training and infrastructure support in postharvest technology and product knowledge, food safety, small business and financial management is required for informal traders to assist them to graduate from informal sector to formal businesses. A threat to the fresh produce market are the farm-to-gate sales, direct marketing to supermarkets which have increased in the past years, the farmers prefer to accept fixed prices which brings a guarantee of selling the entire crop. If this continues it brings uncertainty to the future of fresh produce market system in South Africa. Lastly over the past three years the impact of the drought was clearly seen both in volumes available and in the value of sales.

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