

## Grains and Oil Seeds



### Global Perspectives

The **global wheat** production forecast went down by 1.0 million tons in 2019/20 due to the reduction in Russia on updated government production data and with a decrease in Australia as a result of severe drought conditions. Nevertheless, the production of wheat in EU has slightly increased by 0.5 million tons. The level of wheat consumption marginally increased and exports expanded by 1.3 million tons during the same period. The increase in exports are the result of the improvement of price competitiveness in the EU. In Russia, exports declined because of lower supplies and higher relative prices. In terms of **global rice** supplies, it decreased slightly by 1.7 million tons to 671.1 million tons. The production reduction is mostly caused by a 2.0 million ton decline because of severe drought in Thailand, while there was an 0.4 million ton increase in the Bangladesh crop. **Global corn** production is estimated to increase due to larger crops in Bangladesh, the EU, Russia, and the US.



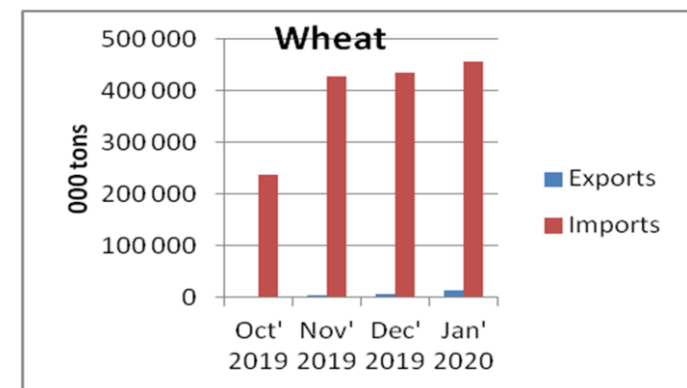
### Domestic and Regional Perspectives

Regionally, the despair continues as countries are trying to source the very basic foods in grains to carry them throughout the 2019/20 season. This is evident from the recent ban lifting against GMO's in Zimbabwe. Nigerian cowpea GMO's were approved increase resistant to pests. This comes in time when the East Africa region is battling a locust outbreak. Maize continues to make headlines. A total of 8 563 tons of yellow maize was traded out of the country on the 24<sup>th</sup> of January 2020, an increase of 1 494 tons from the previous week, with Zimbabwe, Eswatini and Mozambique being the main buyers at 2 522 tons, 2 020 tons and 1 859 tons, respectively. The same countries imported 13 688 tons, 795 tons and 12 351 tons of white maize for same week. Wheat exports to the neighbouring countries seem stable for the week of 24 January 2020. SA's wheat imports improved drastically since December 6<sup>th</sup> 2019 and this will probably continue towards the end of the marketing season. As of the 24<sup>th</sup> January 2020, South Africa wheat exports amounted to 13 539 tons while imports were 455 562 tons (see figure). Soybeans imports were already higher than imports for the 2018/19 marketing season while exports have decreased significantly from the amount exported during the previous season.



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

Global it is evident the supply of major grains for staple food is steadily declining at the back of changing economic situation and unpredictable climate. The same trend is also hitting the region, with most countries struggling to meet ends to the demand for staple foods like maize, sorghum and wheat. Almost 8 million people are likely to face food insecurity in the current marketing year. Demand for RSA maize, wheat and sorghum is likely to rise. The scarcity of rainfall has negatively affected the region. RSA maize exports to Zimbabwe improved following lifting ban on GMO maize. The move will boost the RSA agricultural sector.



Source: SAGIS, 2020

# Livestock and Animal Products



## Global Perspectives

Prices in the international beef market traded fluctuating during January due to the demand of alternative meat products from December to January. The price of striploin and chuck declined by 6.1% and 0.4% respectively. In the US, the high prices in December and the ample supplies of low-priced pork and chicken have created some short term downward pressure for beef cuts at retail level, with rump, and some beef cuts substantially down from a year ago. The price of mutton, ribs and shoulders remained unchanged week-on-week. Lamb slaughter prices continue to fall in New Zealand, with lamb kills taking priority during this off-peak season. Reduced sheep flock and strong demand from China are likely to keep global lamb prices supported in 2020. The international pork market traded mostly positive this week with only US loin prices declining. The phase one US-China trade deal will open up opportunities for US exporters to increase shipments to China. The US pork export demand is expected to be robust in 2020, due to expectations of increased exports destined for China and Japan, as a result of the implementation of the trade agreements. The global market expects an increase in demand from export markets for all protein, however, higher retail prices might reduce beef competitiveness compared to other proteins.



## Domestic and Regional Perspectives

Regionally, Namibia is not expected to sell any cattle to SA anytime soon, following the good rains they received, cattle farmers in the country will be busy with their herd rebuilding process. Drought is still a continuous problem in most parts of Southern Africa, farmers are going to have to hold their animals back and rebuild their flocks and herds, and that will create a shortage and put a lot of pressure on the supply chain. Poultry imports to SA from Brazil are revised lower by 14% in 2020 due to proposed tariff hikes with SA to import around 480 000 tons of poultry from Brazil. Should this development come to light, the South African poultry industry have to produce enough to keep prices at an affordable level. Also, this will mean that SA soybean crushing has to be efficient enough otherwise producers are going to feel high feed prices as is currently the case. The average price for frozen birds declined by 2.1% to R26.22/kg., The recent approved poultry masterplan will be positive for the poultry industry. ITAC was requested to investigate tariff protection since Q1 2019, the awaited tariff ruling is signed and the industry is awaiting the news to be published in the Government Gazette. The forecasted outlook on poultry is strong supported by a potential amendment to the import tariff and a suspension of imports from one of the largest importing countries.



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

The current national ban on auctions continues to place producer's cash flows under pressure. Most producers of drought stricken areas in the Northern and Eastern Cape Provinces are still without sufficient water and feed while mortality rates have increased. The Eastern Cape department of agriculture contributed R73 million to assist the farmers. However grazing conditions have improved in some areas of the North West Free State, Mpumalanga, Limpopo and KZN provinces after some beneficial rains during December and the first few weeks of January 2020. Livestock producers have been advised to take all possible steps to prevent Rift Valley Fever (RVF) outbreaks in the areas where high rainfall was recorded late last year and early this year. RVF is an acute, fever-causing viral disease most commonly observed in domesticated animals. Animal health is increasingly becoming a challenge as frequent outbreaks of the Foot-and-Mouth Disease (FMD) in cattle, Avian Influenza (AI) in poultry, and African Swine Fever (ASF) in pigs. It is therefore critical to implement traceability to be able to access export markets since the sector is export led.

# Fruits and Vegetables



## Global Perspectives

Wine is gaining its recognitions in terms of its health benefits and premiumization. Changing of taste and preferences by consumers, along with increasing demand for new and exotic flavors, such as Riesling wine and other tropical fruit wine are expected to increase growth within the wine market. In 2018 global consumption of wine has remained constant at 24 400 million litres with the United States leading as the top global consumer, consuming approximately 3 260 million litres per annum. The wine market is forecasted to grow with a CAGR of 5.8%, between 2019 – 2024 period. The increase in demand for wine, is the important determinant for the global market growth. Asia-Pacific is expected to experience a rapid growth. In 2018, Italy and France were the principal producers of wine (54.8 and 49.1 million hectoliters respectively). Globally South Africa was in tenth position for the production of wine.



## Domestic and Regional Perspectives

Access to international markets led to new investment in the South African wine market. The major producing areas are concentrated around Cape town with major vineyards around Constantia, Paarl, Stellenbosch and Worcester. In 2019 a total of 320 million litres of the wine produced was exported. According to Wines of South Africa, South Africa's wine exports experienced a 7% decline to R8.5 billion in value terms whereas the total volume of exports decreased significantly by 24%. As a result, bulk wine exports in volumes declined by 30% and packed wines declined by 14% compared to the previous season. Though higher prices were fetched for these exports. White wine gained popularity in the export market. Out of all varieties, packed Sauvignon Blanc was leading in terms of exports volume. The United Kingdom remains the leading importer for packaged wines both in terms of value and volume constituting of 20% in the South Africa's exports, followed by Netherlands (12%) and Germany (9%). Though Germany showed a significant positive growth rate of 14%. Regionally, wine exports to African countries particularly Kenya, Tanzania and Zambia have increased significantly both in volume and value terms constituting 5.6% and 8% respectively.



## Key areas to unlock growth in Fruit and Vegetables

The USA, China and Africa are the three identified priority markets where the South African wine industry intends to increase the share of exports at least by 2025, while also driving growth value in both packed and bulk wines. The industry will keep on strengthening partnerships and work with South African government and trading partners attracting greater trade with the new and existing markets. In South Africa a total of 1.2 million tones was harvested in the 2018 which was 14% lower than the previous season that caused by drought. Therefore both government and private sector need to channel finances towards the implementation of the climate smart agriculture frameworks. In South Africa wine industry is export orientated and local consumption is ranked 3<sup>rd</sup> in top four drink consumption list. Thus there is a need to promote local consumption of wine.

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