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Grains and Oil Seeds

Global Perspectives

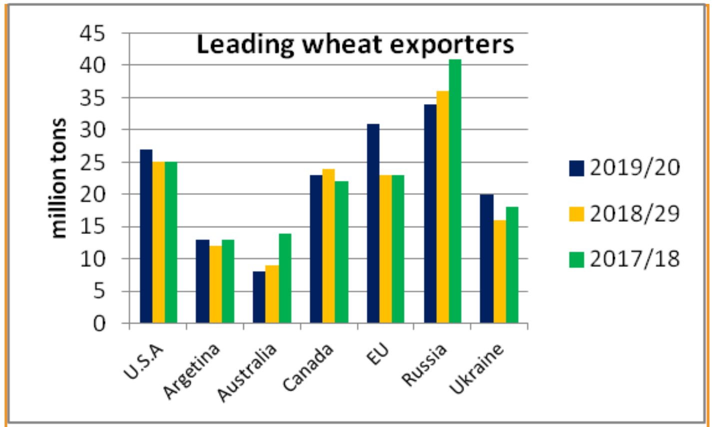
A slight increase in global wheat prices recently was noticed and this was driven by the top wheat exporters especially the U.S, Russia; and the Ukraine. The deviation of prices from base prices resulted into the South African wheat import tariff being revised down with 33%, when compared to the previous rate, and this decline equates to R516.60 in monetary terms. For Barley, there were no significant changes noticed as it is also a winter cereal like wheat in South Africa. International grain prices are as follows: Barley imported from Australia (commander malt) is trading at R3 350/ton. The import tariff for a ton of wheat from Russia (milling 12.5%), which supplies at least 45% of South Africa's wheat, is trading at R3 180/ton while a ton from the U.S no.2 (Gulf) and U.S is trading at R3 345/ton and R3 885/ton/ respectively. A ton of maize from Argentina (Up-River) is trading at R2580, while a ton for sorghum is trading at R2 220.

Key areas to unlock growth in Grains and oilseeds

Uncertainties regarding the potential trade deal and the coronavirus outbreak remain as negative forces for commodity markets, maize prices have recovered well despite all the uncertainties. The general maize crop production conditions in South Africa are very favorable. Above average yields are possible in the central to western production areas of South Africa. The prevailing abundant global supplies will limit any major increases of the wheat price in the next month. South Africa is a net importer of wheat therefore local wheat prices follow international wheat price swings. Due to that, the expected smaller wheat crop will not influence local wheat

Domestic and Regional Perspectives

Grain domestic prices per SAFEX (R/ton) are as follows: white maize is relatively higher than yellow maize with each trading at R2 901/ton and R2 579/ton, respectively. A ton of wheat is trading at R4 848 while a ton of sorghum at R3 215. There is an up-pick for sorghum use domestically for the 2019/20 marketing season, even though it is still low but a sizable increase is visible for poultry feed, at 3 583 tons in 2018/19 to 3 802 tons in 2019/20. This can be noticed for floor malting and for meal, rice and grits. Regionally, while Namibia is South Africa's main leading wheat (7 729 tons so far) destination in 2019/2020 marketing season, Eswatini has imported more wheat that any country since 17 January 2020 and 5 795 tons have been exported so far. Botswana, Zimbabwe and Lesotho are still reliable markets each at 4 684 tons, 2 472 tons and 2 000 tons, respectively. Despite an above average production for 2019/20, prices for maize meal in Eswatini are somewhat dependent on South African prices as its main supplier, including all grains.



Source: USDA, 2020

Livestock and Animal Products

Global Perspectives

In the US, beef production in the first weeks of 2020 was raised due to a faster pace in slaughtering but it has since subsided due to the anticipation of lower steers and heifers availability for slaughter across the country thus an import up pick was observed. Additionally, feed prices showed an upward trend reflecting strong demand and a lower supply. Still in US, beef exports in the first quarter of 2020 were forecast lower reflecting a weak demand in various markets particular in Canada which is the biggest beef market destination of the US beef. As of February 2020 the top global meat exporting countries are Australia, Brazil, USA, New Zealand and Argentina with each of these countries contributing 19%, 18%, 11%, 7% and 2% of the global exports respectively. Of the top exporters, Australia has dropped by 10% y-on-y while Brazil gain 7% y-on-y change and the Brazil's increase come as a result of drastic increases of shipments to China. For imports, as of February 2020 Hong Kong has not published its data, nonetheless, the US topped the list constituting at least 20% of global imports followed by China and Japan both at 9% and Russia at 8% correspondingly. China y-on-y import change was up by 15% while Hong Kong recorded 7% decrease y-on-y.

Key areas to unlock growth in Livestock and Animal Products

Last month the minister of agriculture lifted the ban on auctions in the country after the continuous outbreak of FMD, although there still are preconditions for the resumption of the auctions. All livestock agents must be registered with the Agricultural Produce Agents Council. According to forecasters, the probability of more follow up rains in the next few weeks is high, which bodes well for the summer crop. Feed costs are expected to be lowered due to increased summer grains and oilseeds. The rules have changed for livestock agents; the rules were published on 2 March 2018 and have been enforced by the Agricultural Produce Agents Council (APAC) since January 2020. According to the minister of Agriculture all APAC certificates issued prior to 2 March 2018 have lapsed and renewal should be done on or before 30 March 2020.

Domestic and Regional Perspectives

After bans against auctions we lifted by the minister Mrs Thoko Didiza a significant fall in prices on red meat particularly for beef is anticipated. A couple of weeks ago an average selling price for class A2 beef was around R47, however, for the next couple of weeks it is anticipated to drop a little and total of 10 813 units was slaughtered which is 2000 units less when compared to week 10 which comes as surprise the lifting of bans against auctions (see table on the far right for beef prices). For week 9 (3rd March) the average price for A2 cattle was R 46,98/ kg and the average price for class C3 was R 40,56/kg. Sheep prices were trading higher than the previous month, with class A2 having an average price of R75,51/kg which an increase of 3,96%.Pork and poultry prices remains average at R26, 89/kg and R25,54/kg respectively, due to supported demand for alternative cheap meat products. Both lamb and beef prices are expected to increase or remain the same during Easter although the COVID-19 outbreak possesses a lot of uncertainty for South African economy.

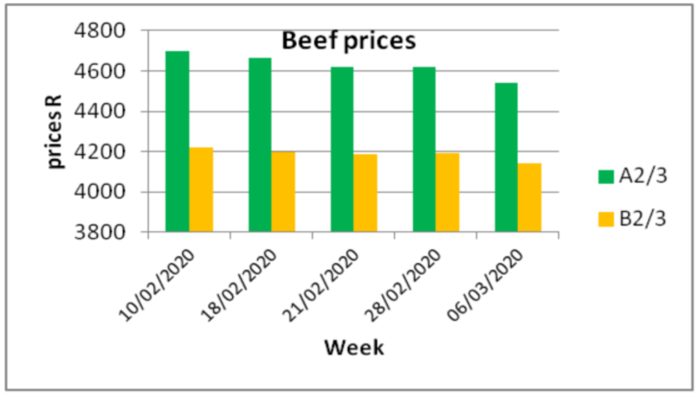


Figure: Australian weekly goat slaughter
Source: MLA (2019)

Fruits and Vegetables

Global Perspectives

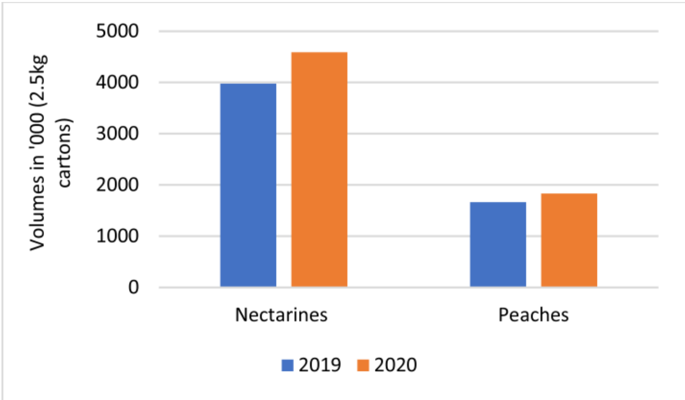
At this period of coronavirus outbreak logistics remains the key challenge in the global market. Exporters in particular are unable to access the Asian markets, while importers have been left to wait for the reopening of key supply lines, as well as a possibility of redirecting produce originally meant for Asia into other markets. The knock-on effect of China's drastic decline in import demand could lead to significant volumes of stone fruits and other fruits being re-routed towards Europe and other parts of the world. In 2019 the Far East and Asia were South Africa's biggest top fruit export market and the coronavirus outbreak will massively impact on the country's exports. However, the Southern Hemisphere is temporarily expected to send higher volumes to Europe and USA. Furthermore the EU, Turkey and Chile's stone fruit production is forecasted to increase during the 2020 season however it’s not the same case for Japan due to the climatic events have caused downward trend. Australia recently replaced its orchards and introduced newer and higher-yielding varieties, this is expected to cause increase in production, increasing to 96,000 tons. Russia is expected to remain the world's leading importer, as continued shipments from Belarus and Turkey keep imports almost unchanged at 225,000 tons.

Key areas to unlock growth in Fruits and Vegetables

Following a year like 2019, with all the challenges it posed, from weather and pests to labour and markets, globally the industry expected the outlook for 2020 to be a bit favourable. However, with the global crisis of corona virus, it is likely to affect markets and labour. In South Africa, agriculture remains a key economic driver particularly in the Western Cape where stone fruits are mainly produced, furthermore it is also a key employer in the region. With exports of 45% and a global market in turmoil, a difficult season is expected. Farmers with cold storages are likely to survive as markets might be affected. This is the gap where both private and public sector should in future address to mitigate the risk and uncertainties of this kind by investing in necessary infrastructure.

Domestic and Regional Perspectives

South Africa produces about 350 000 tons of stone fruit per season, with apricots making about 16% of the production, nectarines and peaches take 60% and plums 23%. South Africa’s stone fruit prospects for the 2019/20 season are promising to be better than the last season, however the effects of drought and unfavourable weather in some areas has impacted the full extent of production (Hortgro, 2019). Apricot export volumes are expected to decrease by 5% of the drought in its production region, as well as a decreased area planted. Nectarines are projected to increase by 17% because of favourable weather, water availability and younger trees coming into production. Peaches however are lower than their 3 year average because of older orchards being removed, while plums will increase volumes exported by 15%. By week 10, South Africa had exported most of its apricots (4.5 kg cartons) to the Middle East (137 242) and the United Kingdom-UK (100 429). Plums (5.25 kg cartons) were exported mostly to Europe (3 383 408) and the UK (1 375 029). A total volume of 1 830 531 cartons (2.5kg) of peaches and 4 587 893 cartons of nectarines (2.5kg) has been exported so far for week 10.



Comparison of week 10 exports of nectarines and peaches (2019&2020)

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