Market Intelligence Report: Week 16 of 2020

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Grains and Oil Seeds

Global Perspectives

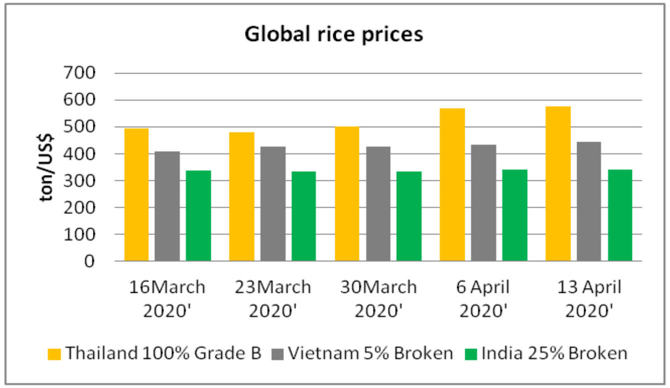
The effects of theCOVID-19 outbreak on global food supplies seem to be taking their toll. Major rice producing countries such as Vietnam and Cambodia banned rice exports. In welcome good news, however, the Vietnamese Prime Minister has recently approved 400 000 tons of rice exports (VNExpress). South Africa imports almost all its rice from Vietnam as one of its suppliers including Thailand (major supplier), India, Pakistan and Myanmar (ITC, 2020). International Grain Council (IGC, 2020) data is showing an increasing trend in rice prices. Export prices for rice for the 2nd week of April 2020 are as follows: A ton of rice from Thailand (100% Grade B) is selling at US$580, in India a ton (broken rice) is selling at US$340, while in Vietnam a ton (broken rice) is selling at US$435 (see figure on the far right). Wheat prices are showing a stable trend after a slight decline at the end of March 2020. A ton of wheat from UP-River (Argentina) is selling at US$246, down by US$2 from the previous week. A ton of wheat from USA No.2 Hard Red winter wheat is selling at US$231, up by US$2 the previous week, while USA No.2 Soft winter wheat is selling at US$240/ton, down by US$15 from US$255 on the 25th March 2020. Generally, maize prices have shown a decline from the major suppliers while sorghum remains unchanged. Oilseeds have also shown some decline from the previous week with only groundnuts from the USA increasing by US$52/ton to US$1 528/ton.

Key areas to unlock growth in Grains and Oilseeds

Despite ample food supplies globally, uncertainty is forcing countries to take prevention measures in fear of the COVID-19 outbreak and consumers in countries importing key food commodities such as wheat and rice for South Africa, will most likely be affected. Perhaps stringent measures might be needed towards end of April 2020 (and beyond) to control panic buying, should the pandemic worsen. Moving goods will become more challenging as seen in some Asian countries which began to ban exports of rice. Grains remain a key commodity for the country and stocks need to be constantly monitored to avoid any domestic shortages should COVID-19 persist for more than the anticipated period.

Domestic and Regional Perspectives

With noticeable increases in maize prices throughout March 2020, there has been a significantly plummet in prices since the second week of April 2020. Domestic SAFEX prices per on the 9th of April 2020 are as follows: A ton of white maize is selling at R3 289 down by R161 from R3 450 the previous week. A ton for yellow maize is R2 766, down by R34 from R2 800/ton the previous week. As seen from global prices, domestic oilseeds prices declined slightly. A ton of sunflower seed is selling at R5 996, from R6 000/ton the previous week, while a ton of soybeans is selling at R6 900 from R6 975, down by R75 from the previous week (SAGIS, 2020). A ton of sorghum remains at R3 161 this week. Reflecting global wheat demand, domestic prices show an upward trend. A ton of wheat is selling at R5 464 from R5 360, up by R104 from the previous week (SAGIS, 2020). Zimbabwe will mostly likely continue importing maize until April 2021 due to uneven rainfall across the country and this has negatively impacted maize production.



Source: IGC. 2020

Livestock and Animal Products

Global Perspectives

United States dairy farmers are forced to dump thousands of litres of unprocessed raw milk daily amid the coronavirus disease (COVID-19) pandemic. Farm level milk prices for 2020 is expected to decline sharply. According to a Reuters report, the largest US co-operative, Dairy Farmers of America, called on some of its 7 500 members to dump their milk as supply chains were disrupted due to the pandemic. Mass closure of schools, restaurants and food service outlets has resulted in a severely negative impact on supply and demand, which adversely affected milk prices, and the expectation was that prices could drop below long-term sustainability levels. Global availability and affordability of agricultural inputs are crucial for the South African agriculture industry since majority of inputs are procured globally. Animal production is less seasonal than field and horticultural production, but the continuous availability of high-quality feed products is critical. This is particularly true for feed intensive operations, such as pork, poultry and beef and sheep feedlots, where there is very little flexibility in the feeding and production system. In this regard, delays in the procurement and delivery of key vitamins and minerals from the international market can have devastating effects. Operations are typically capital intensive and any delay has extended effects through the production cycle, which is often long, with a substantial lead time on planning and ordering of animals. Consequently, delays anywhere in the process of production or delivery can affect the entire chain. For instance, in poultry production, if mature birds at the end of the cycle are not sold, new chicks are unable to come in.

Domestic and Regional Perspectives

The state of emergency declared by Botswana President in order to cut the spread of COVID-19 has had a direct impact on the country' beef production. The closing of the border between Botswana and South Africa meant that producers in Botswana had lost access to one of their most important markets. There has been a decline in the demand for more expensive meat cuts such as fillet and steak. The ban on social events further lowered the demand for red meat. In Namibia the country's continuous drought has had a devastating impact on the hunting industry, in some hunting areas of the country the quotas had be cut by 70% and 80 %. The price of carcass in South Africa showed an increasing trend from the 4th quarter of 2019 to the 1st quarter of 2020. Weaner prices increased (13.71%) quarter to quarter and is 15% higher compared to the same time in 2019. The year-on-year carcass prices (A2/A3) was 13.55% higher compared to the same time in 2019 (RPO, 2020). It is estimated that slaughter numbers may remain low due to the decline in demand due to the current outbreak. Furthermore, carcass prices remained high through the 1st quarter of 2020. The decline in live sheep exports is due to a decrease in demand. As consumers continue being under lockdown their preference and demand for red meat products is now determined by their budget.

Key areas to unlock growth in Livestock and Animal Products

Farmers continue to play a vital role as an exception has been granted to the sector to continue operating during the country's lockdown amid COVID-19. In Africa, the potential of guinea fowl largely remains untapped across the continent's sprawling markets. The Southern and Western regions have capacity and are expanding. Among many advantages of guinea fowl is that they're considered to be more resistant to common poultry afflictions, as compared to chickens. Moreover, challenges by African guinea fowl farmers include a weak scientific and technological information base on local breeds and feed formulations, inadequate funds to expand enterprises and weak development up the value chain. Furthermore, Guinea fowl farmers across African markets such as Malawi, Tanzania, Kenya and others still depend on informal markets as there is still lack of formal markets or platforms to promote value-chain development. Guinea fowl production can assist local farmers to earn in foreign currency as there is a high demand of Guinea fowl in Europe and the U.S.

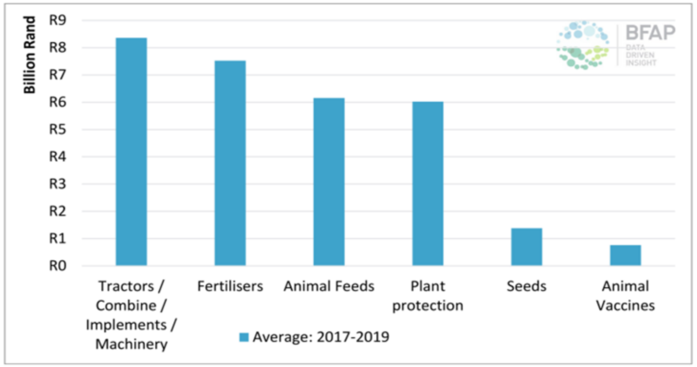


Figure 2: Value of SA imports of key agricultural inputs: Average: 2017-2019
Source: BFAP, 2020

Fruits and Vegetables

Global Perspectives

The global demand for vegetables such as ginger and garlic is driven by the consumers' growing awareness of health benefits. In case of garlic, the year -over- year growth rate for 2020 is estimated at 3.25%. Ginger market reached a volume of 3.4 Million Tons in 2019 and is further forecasted to reach 4.6 Million Tons by 2025. With high recognition of health benefits, in particular boosting the human immune system, there would be increase in market opportunities for products like ginger and garlic as a results of the global outbreak of the Covid-19. Countries like China and India as the top two ginger and garlic growers will benefit from the new markets. However, other countries could also benefit, as there is high demand in the market. The South African garlic industry is relatively small ranked at 24th (0.1%) position in the global exports and ranked 39th (0.2%) in the global imports. The ginger industry is ranked 26th accounting only 0.2% of market share in the world and ranked 32nd in the global imports. In this case, South African garlic and ginger industries should take advantage of the current outbreak of COVID – 19, with growth in local demand.

Domestic and Regional Perspectives

Fruit and vegetable supply chain is speeding up to meet the current demand. It is uncertain as to how long this trend will continue as household's incomes are severely at risk as a result of the current crisis. The demand for garlic and ginger are increasing rapidly due to their health benefits as they are rich in vitamin C. South African consumers are already paying much more for their favourite foods garlic and ginger. It has been reported that before the Covid-19 garlic was traded at R50/kg and R70/kg on South Africa's fresh produce markets and now it's seating at R120/kg. South Africa has an anti-dumping duty on garlic imported from China. Therefore about 85% of garlic imports are from Spain. Also, Spain is facing difficulties in its exports due to the lockdown which means garlic supplies are moving at a slow pace. The exchange rate is also the reason garlic available for importation is expensive as the rand is losing its value against foreign currencies. On the other hand, there is a huge increase in ginger consumption in the local market. As a result, high demand created a huge market for ginger in South Africa hence higher price are recorded. Despite the high prices, consumers have not stopped from buying more and more ginger. In the retail stores ginger prices ranges from R150/kg to R200/kg as of last week. In the past few weeks tomato prices have surged by 58% with an average of R9/kg due to low supplies on the market. However, it can be concluded that the increase in prices are as a result of demand and supply dynamics.

Key areas to unlock growth in Fruit and Vegetables

As mentioned in this section that there is a shortage of garlic in the market versus the demand, mainly due the COVID-19 virus outbreak, which led to Spain, the largest supplier of garlic to South Africa (see Figure 1 below) struggling to move exports at a usual pace. Notably, many of the South African farmers who used to plant garlic have shifted to other enterprises due to low profitability, exacerbated by large imports. However, it is important to note that the spike in prices is largely due to regulations put in place due to the lockdown and weaker local currency rather than poor production. Therefore, supply and demand may quickly balance again as the situations ease over time, meaning that farmers who may consider planting garlic this season to cease this opportunity may not reap the benefits. In the case of ginger, the harvesting season starts in June. Therefore, farmers stand to benefit as demand is expected to grow even more due to the effects of winter flu, coupled with the COVID-19 epidemic. On the positive side for South African farmers is that the repo rate has been slashed by 100 basis points or 1% to 5.25% which means loan repayments will slightly go down. While also the cabinet has eased regulations in ports to prevent congestion of goods

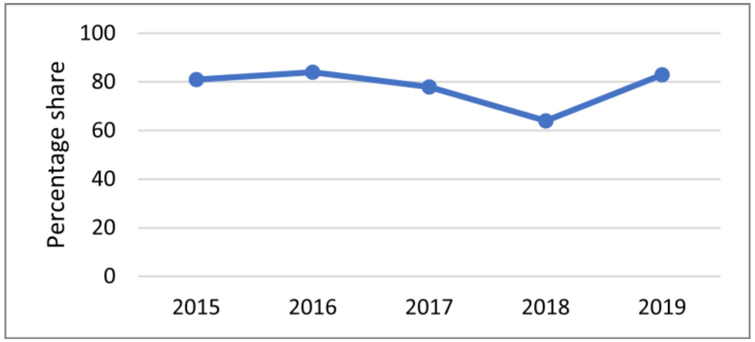


Figure 3: A share of garlic imports from Spain compared to the rest of the world
Source: TradeMap (2020)

Source of information

Department of Agriculture, Land Reform and Rural Development (DALRRD) – https://www.daff.gov.za/daffweb3/
Food, an Agriculture Organization (FAO) - http://www.fao.org/faostat/en/#data
Bureau for Food and Agricultural Policy (BFAP) - https://www.bfap.co.za/
International Grains Council (IGC) - https://www.igc.int/en/default.aspx
International Trade Centre (ITC) - https://www.trademap.org
South African Revenue Services (SARS) - https://www.sars.gov.za/pages/Results.aspx/Results.aspx?k=trade%20statistics
South African Grains Information System (SAGIS) - https://www.sagis.org.za/
Red Meat Producers Organisation (RPO) - https://rpo.co.za/
Trade Map. Trade statistics for international business development - https://www.trademap.org

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