

## Grains and Oil Seeds



### Global Perspectives

Global Oilseed trade volumes are largely unchanged overall and global ending stocks are slightly down (down by how much) due to lower production. Protein meal production is slightly down to 399 million tons due to lower Argentina soybean meal production. Vegetable oil production is slightly lower, with ending stocks growing to 18 million tons on a weakening demand. The U.S. season average farm price for soybeans is lowered by US\$0.05 to US\$8.65/ton. Export prices for soybeans and products were unstable across all major exporters during March to beginning of April 2020 in response to the COVID-19 outbreak. Global soybean prices continued to fall over the past couple of weeks. A ton of soybean on 16<sup>th</sup> April 2020 was selling at US\$325, US\$331 and US\$335 from Argentina (Up-River), Brazil (Paranagau) and USA (Gulf) respectively, a noticeable decline due to the impact of COVID-19 and low petroleum prices on food and fuel markets. Malaysian palm oil prices continue declining as they fell to their lowest in nine months due to weaker crude and disturbances in other logistics particularly soy oil prices, while Indonesian palm oil prices stagnated during the latter half of the month. Both soybean and meal prices experienced a downturn at the beginning of April 2020 in response to rapidly changing market forces during the COVID-19 global pandemic. A ton soybean from Argentina was US\$337 end of March and fell to US\$330 from the first of April 2020 see figure on the far-right for soybean prices (IGC, 2020).



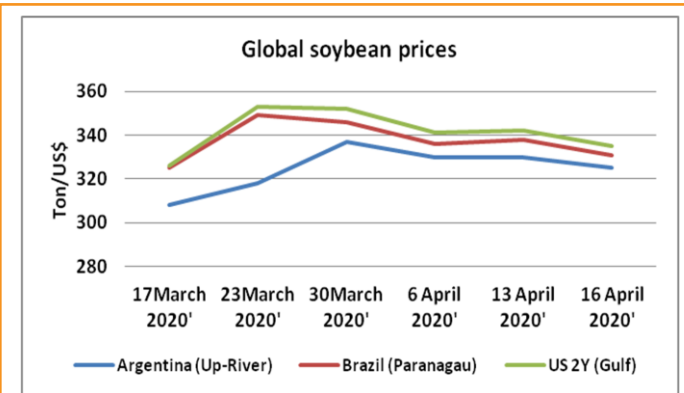
### Key areas to unlock growth in Grains and Oilseeds

India's harvest season for rapeseed is about to complete in April 2020, and the country is dependent on manual labor which were affected by the recent lockdown in India. The vegetable oil is highly demanded in this period due to the Ramadan festival. Countries with enough rapeseed/oilseeds and wheat stocks are generally likely to benefit from exporting goods to India including the estimated 2 billion Muslim people globally, gearing for Ramadan between April 2020 and end of May 2020.



### Domestic and Regional Perspectives

It's clear that COVID-19 will have a severe impact on the global and domestic supply chain with the likelihood of food prices carrying the burden. The FAO vegetable oil prices index fell approximately 12% during March 2020, owing to pressures following stark declines in crude oil prices. South Africa's oilseeds traded sharply higher over the past few weeks with the weaker Rand supporting our domestic market. May 2020 soybean and sunflower seed contracts gained 3.6% and 3.5% during the past week, respectively. Following recent downgrades by rating agency Moody's, the Rand came under serious pressure during the past week, trading to a new record high of R19.34/US\$. The Rand is currently trading at R19.01/US\$ which is still 5.3% weaker week-on-week. As of the 16<sup>th</sup> April 2020, domestic prices per SAFEX are as follows: a ton of sunflower seed was selling at R5 976 down by R20 from R5 996 the previous week. A ton for soybean was selling at R6 660 down by R240 from R6 900 recorded the previous week.



Source: IGC, 2020

# Livestock and Animal Products



## Global Perspectives

Global beef production in 2020 is expected to reach 61.53 million tons, slightly (0.2%) less than in the previous year (USDA, 2020). The latest estimate is marginally lower than the previous forecast. It is a reflection of the expected drop in beef demand due to the economic disruption caused by the COVID-19 pandemic, but also the typically long lead times on changes in beef production. Global beef imports are expected to decline by 1% to 8.72 million tonnes, with most nations expected to record a decline due to closure of the food service sector. Supermarket prices for beef, pork and chicken in China have slightly decreased. Cattle slaughter prices are somewhat steady at the moment at Y33 (R88.62) in Beijing and Y32.6 (R87.54) in Shanghai. But in Shanghai wet markets are open which releases a bit of pressure from the supermarkets thus prices. For Beijing wet markets remain closed and this will put more pressure on operation supermarkets as people are emerging from isolation and this will in turn keep prices up. Recent African Swine Flu (AFS) outbreaks in Vietnam present a threat to the entire South East Asia market. The Minister of Agriculture has put some preventative measures but this limit slaughtering which directly affect market supply especially in provinces like Thai Binh and Hung Yen, global supply might be required. China is unable to produce enough meat as it depends on Small-scale producers and demand is expected to substantially increase from April 2020 thus imports particular for pork and beef with reasonable quantities of poultry are going to increase for the next 5 years (MLA, 2020). Top beef exporting countries to China are Australia, New Zealand, USA, Uruguay, and Argentina (ITC, 2020).



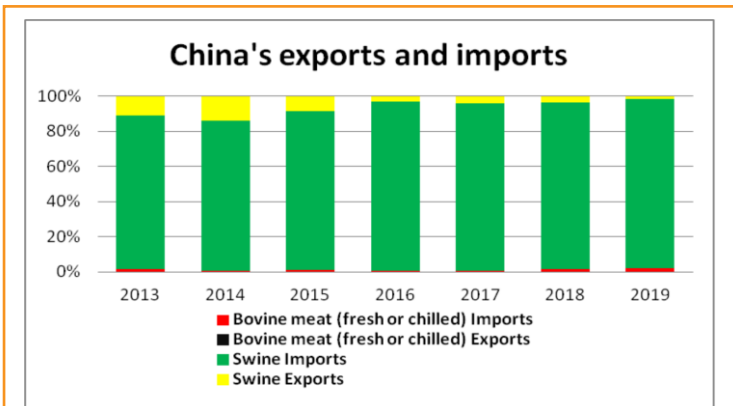
## Domestic and Regional Perspectives

With this year hunting season supposedly on, the current lockdown is negatively affecting the game industry like the red meat. Following are prices for game meat: Game Boerewors will cost around R64.50/KG, mince will be selling R57.50/KG and a Tenderized steak marinated around R75.50/KG. Wet biltong cost around R79.50/KG while a wet dry works is also selling around at R79.50 with potjiekos selling around R58.50/KG (note: prices from selected game meat sellers) (Game meat SA, 2020). Domestic red meat market as of April 2020 is under pressure due to low demand as the result of the inefficiencies in the wet markets and the hospitality industry across the country. Regionally, Namibia is taking full advantage of the AGOA preferential agreement and they have sent their first consignment in February 2020. Namibia's main beef exports have been destined for South Africa but declined over the years as South Africa increased its production but this will need to be carefully monitored as it develops (USDA, 2020). On the other hand, South Africa has third sale of the 2020 summer season took place in Port Elizabeth, with 126 502 kg on offer. Although the offering consisted of some good quality mohair and the SA currency traded weaker, the market decreased by 7% from the previous sale, to close on R267.27 per kg. This decrease can be attributed to the uncertainties surround the effect of the Corona-Virus. A highest price of R601.00 per kg was paid for a bale 24 micron good style kid mohair.



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

The South African red meat industry has been largely constrained, due to low demand in the domestic industry. This is mainly due the current lockdown, where hospitality/restaurants markets are currently not operational. The current pork shortages in China are no surprise after the devastating AFS which almost whipped out the industry in 2019. Presently Chinese are trying to bring as much pork into the country as possible and the government is on board where companies are even encouraged to invest in pig farming overseas and bring it to China as a product. See figure below for pork imports and exports for China between 2013 and 2019. This provides a tremendous opportunity for pork producers to export to China even though the current Covid-19 situation is rather unpredictable. The same applies to beef producers as an increasing trend has been observed in 2018 and 2019.



Source: ITC, 2020

# Fruits and Vegetables



## Global Perspectives

Wine is a significant commodity of business interest globally. Europe is leading consumer of wine accounting for 58% of the global volume, followed by Australia, the United States (US) and China. Due to the ongoing trend to “drink less but better” global wine consumption is foreseen to amount to 2.7 billion 9 litre cases by 2022, an equivalent of US\$ 207 billion, in value. Earlier projections suggested that China would displace France as the second most valuable market for wine by 2020 but with the ongoing Covid-19 pandemic that ravaged China, uncertainty prevails as to whether the prediction will be attained. By 2022, the value of the Chinese wine market is estimated at over US\$ 19.5 billion. The price of premium wines (ranging between US\$ 10 – US\$ 20) is foreseen to be the key driver of growth in value in the wine industry. Leading producers of wines include Italy, Spain, France and the US while South Africa ranks among the top ten. Since January 2020, there has been an increase in the price of wines, probably due to the ongoing pandemic which lead to the disruptions of air- and sea-freights through which wine is traded. By end of March, some countries like Australia posited that Covid-19 had not severely affected wine exports due to their well-established sales networks. However, huge uncertainty is looming with a fear that Australia’s wine industry might lose about 10% in their key markets like the United Kingdom if Covid-19 is not contained timely. The demand for citrus, especially lemons has been increasing because of its health benefits as they containing vitamin C. European stocks are running low and prices are high for oranges and mandarins (Fresh Plaza, 2020). This may be due to the lockdowns in many countries, delays in the movement of goods across the world and labour shortages, while demand remains high.



## Domestic and Regional Perspectives

Due to the COVID-19 pandemic, local sales and movement of alcohol has been banned since the start of the lockdown on 26 March 2020. There was a silver lining on the 7<sup>th</sup> of April when the Minister of Transport amended the current regulation to allow the movement of wines and fresh produce to be exported at seaports and international airports. However, after the extension of the lockdown on the 16<sup>th</sup> of April, the Minister of Cooperative governance and traditional affairs announced that the transportation of alcohol for human consumption would be prohibited. This also comes as concerns of theft in alcohol outlets was reported. The wine that was already in ports would still be exported. Wine exports, once they resume, might face difficulties, from a damaged exchange rate, worldwide over production of wine and greater supermarket pressure for wine in bulk at minimal cost. The estimated R175m per week losses for South African wine will be challenging for producers to recover from. Premium wines will continue to have a niche market, but with economic constraints may see fewer new customers (SAWIS, 2020). On the other hand, citrus exports for week 16 seem to be going as planned as demand increases globally. 7 717 (15kg cartons) of oranges were exported to the Middle East, 358% more than the same week in 2019. There were 678 851 lemons exported, a diffidence of 122% from 2019, majority going to the Middle East (Agrihub, 2020). Staff numbers are a challenge in the industry as well as congestion in the ports (CGA, 2020).



## Key areas to unlock growth in Fruit and Vegetables

The increase in number of Covid-19 infections will have a significant negative social and economic impact. Few days ago, the South African government announced R500 billion social and economic support packages to help mitigate the impact of the coronavirus pandemic. Agribusinesses are to benefit in three packages, firstly on R200 billion loan guarantee scheme which will help companies with operational costs, salaries, rent, supplier payments and etc. Secondly R70 billion in tax relief package will lift pressure on businesses during this time. As agriculture is deemed as essential services and operating with lesser restrictions. Farmworkers and workers within the agriculture sector are in general risk of contracting the virus if strict health procedures are not followed. There is a huge need to strengthen hygiene procedures within the agriculture sector, to prevent the spread of the virus. This requires an urgent investment on masks, sanitizers, gloves and so on. Hence the third package which is about R100 million is help protect frontline workers such as farmworkers.

The table provides latest (13 – 19 April, 2020) price data of wine globally

Time frame	% change
Over 1 week before 13-19 April	0.9%
Over 1 month before 13-19 April	23.4%
Over 3 months before 13-19 April	31.0%

Source: Trige, 2020

## Source of information

Agrihub - <http://www.agrihub.co.za/>

Bureau for Food and Agricultural Policy (BFAP) - <https://www.bfap.co.za/>

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>

Freshplaza - <https://www.freshplaza.com/article/9209900/the-european-citrus-market-has-low-stocks-and-high-prices/>

Game Meat South Africa (Game Meat SA) - <http://www.gamemeat.co.za/contact.html>

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/>

South African Wine industry information and services (SAWIS) - <http://www.sawis.co.za/>

Trade Map. Trade statistics for international business development - <https://www.trademap.org>

United States Department of Agriculture (USDA) - <https://www.usda.gov/oce/commodity/wasde/>

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