

Grains and Oil Seeds



Global Perspectives

The International Sugar and Sweetener reported a slight deficit in sugar for the 2020/21 season, attributed by a 2.5% decrease in area planted in Europe. The global sugar industry is not performing well, with biofuel prices at their lowest in Brazil since 2012. In the USA the industry is going through a tough season as a result of delayed planting which caused by excessive water. India which is a key supplier is expected to export 3.75 million tons of sugar this season but the current lockdown is depriving the global market, especially a country like Indonesia whom is a constant market for Indian sugar exports. The USA has allocated more tariff-rates quotas (TRD's) on imported raw cane and refined sugar (IS&S, 2020). In the cotton industry, the International Cotton Agronomy and Crops (ICAC's) revised prices down on average of the Cotlook A index to 64 cent per pound in April 2020/21 when compared to 72.2 cent per pound/£in April 2019/20 (Cotton SA, 2020). In the grain industry, there are still some speculations around the Black Sea grain exporters as fears around the COVID-19 continue. Still in the Black Sea area, Romania has banned exports for non-EU countries for sugar, rice, sunflower, wheat and other grains. Most global wheat is from the Black Sea area and is challenging for the global market should the entire Black Sea area follow the same path as Romania (World Grain, 2020).



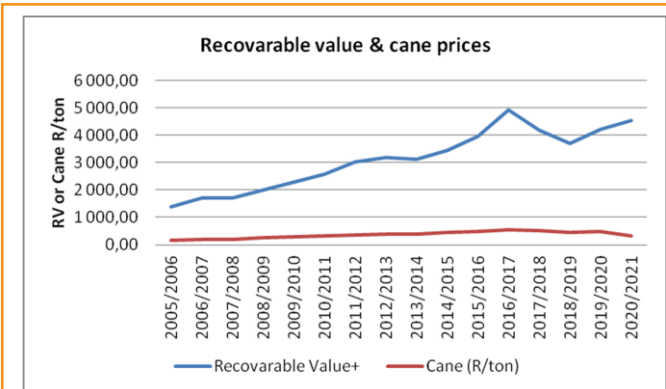
Key areas to unlock growth in Grains and Oilseeds

Arguably one of the biggest cannabis producers in the world, Lesotho, has an estimated R284.7 million structure for producing cannabis. About 70% of cannabis consumed in South Africa is from Lesotho, with 80kg sold for R6 500. The licencing and costs associated with cannabis/hemp in South Africa is far from clear, but the benefits indicated vast potential especially the poor, that have been growing the plant for hundreds of years. Most vulnerable people require basic foods (staple); and any shortages on these foods would be devastating for the pro poor should shortages occur. This particularly applies to the commodities that the country must import.



Domestic and Regional Perspectives

Generally, the past few seasons have seen a slight decline in white sugar production, while brown sugar has significantly improved. Industrial sales showed a noticeable decline from 83 000 tons sold in 2016/17 to 58 000 tons sold in 2018/19, even with reasonable rains and improved yields. An increase of R308.01 per Recoverable Value (RV) for a ton of sugar is expected end of April 2020, attributed to an increase in local sugar sales revenue and a weaker exchange rate (SA Cane growers, 2020). A ton of sugar is selling at R4 528.59/RV as of the 30th of April, see figure on the far right for seasonal prices. For Cotton, prices are at their lowest since the 2008 crisis and a 3% decrease in bales was observed when compared to March 2020, attributed to damages caused by hail in some areas. As of the 1st of April 2020, an average price for c/kg was selling at R2 447.27 up by R43.93 as compared to a previous week (Cotton SA, 2020). Grains and oilseeds domestically showed no significant changes on wheat and maize prices, while soybean prices increased by R143/ton from R6 660 previous week to R6 803 on the 23rd April (SAGIS, 2020).



Source: SASA, 2020

Livestock and Animal Products



Global Perspectives

Canada loses between 5% and 7% of its farm produce every year and that the Coronavirus pandemic could cause that to worsen. The meat processing plants across the country that have been forced to close or slow down as staff have been diagnosed with COVID-19 or entered quarantine, which is one factor hurting the sector. Most of Canadian meat is processed at only a few plants, so the loss of even one has a dramatic effect on the industry. The diminished capacity to process meat means livestock must remain longer on farms. The combined effect of spending more money while losing income, is affecting farmers and could cause them to euthanize animals to prevent further financial losses (Globalnews, 2020). A study from the University of São Paulo about the Coronavirus impact on Brazilian agribusiness concludes that the poultry sector is barely affected, meeting projections in trade and jobs. According to the report, all animal protein products show positive numbers during February and March 2020. Chicken meat exports were still booming, while eggs achieved new historical high price since 2013. The main reasons are that poultry meat, as well pork meat and beef, are in high demand on both domestic and global markets. Brazilians consumers have increased their consumption during the pandemic. Likewise, African Swine Fever (ASF) is still quite active in China and Europe together with a new bird flu outbreak recorded in the China during February 2020. Importers flocked to Brazil as a relevant supplier of meat.



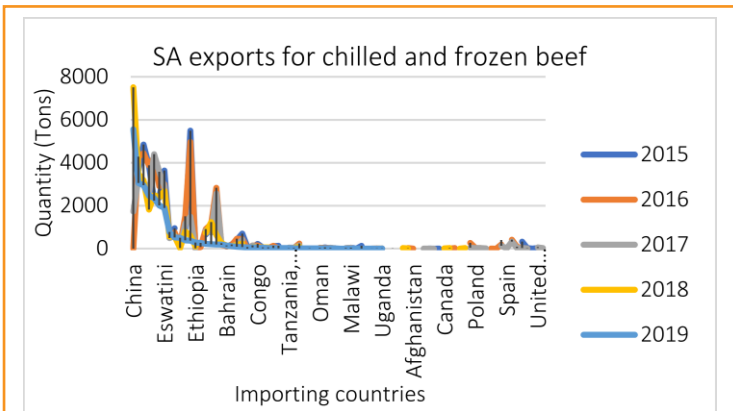
Domestic and Regional Perspectives

COVID-19 is set to radically exacerbate food security in Africa and developing regions. Lockdown measures have disrupted internal supply chains halting food production of some value chains. Moreover, the huge locust swarms outbreak in Eastern Africa have also devastated crops, making the continent more dependent on food sourced externally. Countries are reducing exports, meaning Africa can't import the supplies it needs. The imports the region requires have also dried up as major suppliers, including India, Vietnam and Cambodia, have reduced or even banned rice exports to make sure their countries have enough food to cope with during the pandemic (World Economic Forum, 2020). Locally, SA economic activities remains disrupted due to the lockdown and this has resulted in consumer cash flow constraints. Despite the decreasing demand for red meat due to consumers opting for affordable alternative meat products, like poultry, the red meat and pork prices continue to be under pressure with pork prices trading negatively this week. The average porker price is 7.1% lower at R21.08/kg, while the average baconer price declined by 4.9% to reach R20.77/kg. Closing of meat plants in Brazil coupled with ongoing depreciation of the Rand poses a threat to local consumers. It has also been reported that poultry stocks are piling up and capacity is tight (ABSA, 2020).



Key areas to unlock growth in Livestock and Animal Products

Last week the South African President announced a R500 billion stimulus package to deal with the devastating economic impact of COVID-19. The fund will be used to address the pandemic, assisting businesses to pay salaries and most importantly give the marginalized South Africans' purchasing power to enable their participation within the economy (CNBCAFRICA, 2020). This stimulus will also assist farmers whom are not receiving an income since beef prices are under pressure and feedlots are not buying the usual volumes of weaners. Furthermore, with the prohibition of large gatherings, the NRMDP recently hosted its successful digital auction, which outlines the importance of smallholder farmers' technological adoption within the industry (NAMC, 2020).



Source: ITC, 2020

Fruits and Vegetables



Global Perspectives

There is no doubt that, since the global alarm the Pandemic “Covid-19” was declared, the demand for citrus has remained strong and prices are still on the rise. The consumption of citrus fruits, especially lemons and limes are becoming an important complementary product with garlic and ginger that most parts of the world are consuming, as immune system boosters against Covid-19. An increase in demand for lemons and other citrus fruits can be expected, as well as other fresh produce. After Covid-19 there is high probability that people will recognize the value of eating healthily and will continue to do so. Country such as Mexico, Argentina, European Union, Turkey, United States and South Africa, amongst others are top producers of lemons and limes, and they could benefit in the export market for citrus fruits. It should be commended that the South African citrus industry is the second- biggest global exporter in the world and the industry is thriving and is expected to continue doing so.



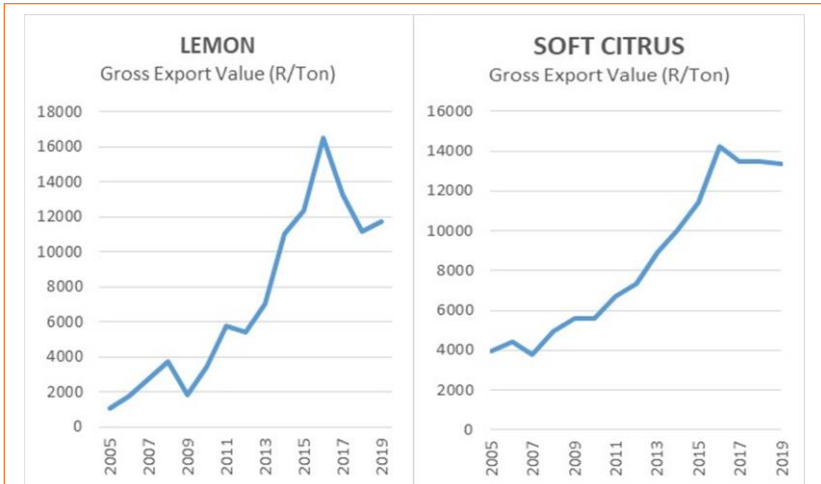
Domestic and Regional Perspectives

The 2020 export season has shown a strong increase in the global demand for citrus. Currently the export volumes of lemons doubled that of 2019. Citrus growers Association (CGA) reported that Lemon packing and shipping has started early in 2020 and up until now 6 million cartons have been packed which is almost 25% of the predicted total. To date the increased global demand of lemons has resulted to 5,1 million 15kg equivalent cartons exported which is more than double the 2,1 million 15kg equivalent cartons exported in 2019. Whereas, the bulk of shipment have been exported to the Middle East (64%). A total of 1.2 million of the estimated 2 million cartons of soft citrus have already been packed. Therefore, a total of 1 million cartons of soft citrus have been exported with a bulk of it destined for the United Kingdom (48%), Europe (29%) and Russia (21%). Only 700 000 cartons of grapefruit have been packed with a total of 637 thousand cartons exported to date. Europe and South East Asia were the major importers of South Africa’s grapefruits constituting 45% and 29% respectively with the small percent going to other parts of the world. Whereas the total of oranges packed till now have not been clearly stated. Currently 24 thousand cartons of oranges have been exported, all of them were exported to the Middle East. On the other side, despite the increase in global demand for citrus, there are many factors affecting the 2020 export season in South Africa which becomes costly for many producers. One of them being the disruption caused by the Covid-19 pandemic due to the cost of harvesting, handling and packaging given all the mobility restrictions and hygiene measures implemented to prevent the spread of the disease.



Key areas to unlock growth in Fruit and Vegetables

In the marketing of citrus, South Africa tends to cater to the global market more than the domestic market, while the Covid-19 pandemic has perpetuated the demand for Vitamin C products. The European market, South Africa’s main export market for citrus, is experiencing a decline of about 10% of its orange production due to unfavourable weather conditions. This is likely to present an opportunity for increased South African exports to this market. The United States of America (USA) market has been deemed as an emerging market for South African mandarins. According to the FreshPlaza, the USA authorities are suggesting lifting of port restrictions to allow citrus exports to come in to all USA ports. With this development, it remains to be seen how South African exports of mandarins will react following elimination of South Africa in the updated list of developing countries benefiting from the trade remedy laws of the USA under the President Trump administration, as this implies that South Africa will no longer benefit from the special preferential treatment.



Source: CGA, (2020)

Source of information

South African Grains Information System (SAGIS) - <https://www.sagis.org.za/>

Cotton South Africa (cottonsa)- <https://cottonsa.org.za/>

World Grain- <https://www.world-grain.com/>

South African Cane Growers (SA canegrowers)- <https://www.sacanegrowers.co.za/Content/RV-Commentary>

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World Economic Forum - <https://www.weforum.org/agenda/2020/04/africa-coronavirus-covid19-imports-exports-food-supply-chains>

Global News - <https://globalnews.ca/news/6875681/food-security-expert-coronavirus-agriculture/>

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ABSA Agri livestock trends: <https://www.absa.co.za/business/sector-solutions/agribusiness/agri-smart-insights/>

NAMC: <https://www.namc.co.za/.../u.../2020/04/NRMDP-Online-Auction.pdf>

ITC: https://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1%7c710%7c%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c2%7c2%7c1%7c2%7c1%7c1

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