

Field Crops



Global Perspectives: A focus on Tobacco

Tobacco is a legally traded agricultural commodity for which, in global terms, there exists sharp demand. It is one of the world's most regulated and taxed industries, averaged \$200 billion to government treasuries, annually. The British American Tobacco reported that total tobacco consumption, including illicit, declined by 2% from 2018 to 2019; this rate is expected between 2%-3% over the next three years. However, the retail value of tobacco sales is expected to increase by between 2%-4% each year, driven predominantly by pricing. Current data indicate that the legal global tobacco market is approximately worth US\$814 billion, of which more than US\$700 billion of this comes from the sale of conventional cigarettes, with over 5,300 billion cigarettes consumed yearly by 19% of the world's population. Regulatory changes and broader macroeconomic pressures have driven the significant growth of the illicit cigarette trade, currently estimated to account for 11.2% of the global tobacco industry. The continued rise in consumption of illicit products such as in Australia, leads to the decline of legal tobacco volumes. China, India and Brazil were rated among the leading producers worldwide, followed by the United States. The global industry continues to be a substantial contributor to the economies of many countries and the livelihoods of millions of people across the globe, directly and indirectly.



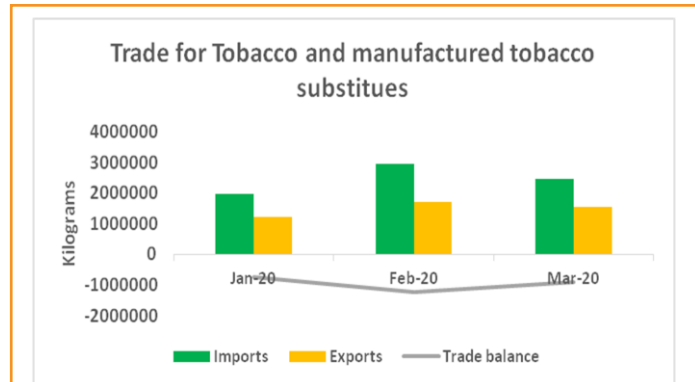
Key areas to unlock growth in Field Crops (Tobacco)

The South African government has banned the sale of cigarettes and tobacco products since the start of the lockdown instituted on March 26th, 2020. Several entities including the Fair-Trade Independent Tobacco Association (FITA), requires the government to prove the link between smoking, tobacco sales and Covid-19 infections. The South Africa Revenue Service (SARS) commissioner Edward Kieswetter reported that the country had lost approximately R300 million in tax revenue in just one month, since the ban come into effect.



Domestic and Regional Perspectives: A focus on Tobacco

According to BAT (2020) South Africa purchases over 90% of all locally-grown tobacco leaf, which is worth approximately R550 million. With a production capacity of 27 billion sticks per annum, it produces cigarettes and cut-rag tobacco for both the local market and exports. The International Trade Centre recorded that South Africa was importing more tobacco and manufactured tobacco substitutes, than exporting, for the past three months. South Africa exported more than 1 541 714kg valued at R221 448 globally during March 2020. Mali, Namibia, Lesotho, Mozambique and Angola were the main importers of tobacco with 524 951kg, 225 813kg, 155 978kg, 138 474kg and 135 735kg, respectively, from South Africa. While South Africa imported more than 2,463,385 kg which valued R245,887 in March 2020. The primary exporters are Zimbabwe, Brazil, Switzerland, Uganda and Mozambique India by 1,154,981kg, 397,360kg, 385,978kg, 118,800kg and 107,440kg respectively in March 2020.



Source: ITC, 2020

Livestock and Animal Products



Global Perspectives

American meat processors, including Smithfield Foods, owned by China’s WH Group Ltd, Brazilian-owned JBS USA [JBS.UL] and Tyson Foods Inc., temporarily closed about 20 US meat plants since the virus infected thousands of employees, prompting meatpackers and grocers to warn of shortages. Some plants have resumed limited operations with concerned workers staying home. The disruptions mean consumers could see 30% less processed meat in supermarkets by the end of May 2020, at prices 20% higher than last year. While pork supplies tightened as the number of pigs slaughtered each day plunged by about 40% since mid-March 2020, shipments of American pork to China more than quadrupled over the same period, according to US Department of Agriculture (USDA) data. World food commodity prices declined for the third month in a row during April 2020, largely due to the negative impacts on international food markets arising from the COVID-19 pandemic. The FAO Food Price Index averaged 165.5 points in April 2020, down 5.7 points (3.4%) from March 2020. This is the lowest level since January 2019. The downward trend also affects the FAO Meat Price index, which declined by 2.7%. The COVID-19 pandemic is affecting both the demand and supply of meat, as restaurant closures and reduced household incomes lead to lower consumption and labour shortages on the processing side which are impacting just-in-time production systems in major livestock producing countries.



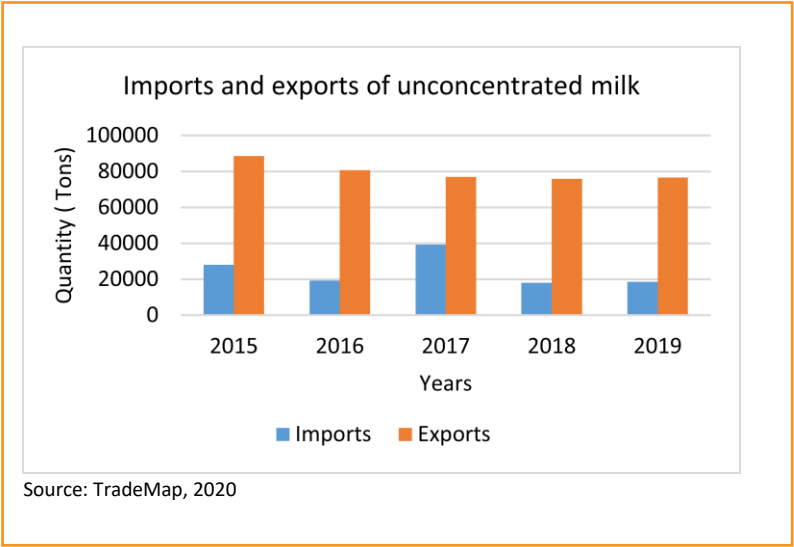
Domestic and Regional Perspectives

Minister of Agriculture, Land Reform and Rural Development, announced on May 9th, 2020 that South Africa has detected an outbreak of African Swine Fever (ASF) in the Eastern Cape Province. The outbreak was discovered by veterinary services who conducted tests in the Amathole District Municipality during April 2020. The cases of the disease were found on a communal farm, which has since implemented control measures including isolating infected pigs. The outbreak comes months after the ban on the public auction of hoofed livestock to prevent the spread of Foot-and-Mouth Disease (FMD) during December 2019. It was stated by the minister that animals should be accompanied by health attestations when taken for slaughtering. The outbreak has since been reported to the World Organisation for Animal Health. Food security has been flagged as a key concern during the coronavirus pandemic, particularly in Africa. The UN warned governments to act fast in order to uplift lockdown restrictions since transport systems are hindered and this interrupts supply chains as farmers struggle to purchase inputs such as seeds and fertilizer. The local average producer price of Class A2/A3 beef was in total 0.3% lower in the first week of May 2020 as compared to the previous week, trading at R45.15/kg and R46.20/kg, respectively. The producer price of Class A2/A3 lamb was in total 2.8% higher during the first week of May 2020 compared to the previous week, trading at R75.02/kg and R76.24/kg, respectively. The average price of baconers was in total 3.9% lower in first week of May against the previous week, due to a higher slaughter rate during the week and a lower demand. The price was also 13.1% lower against a month ago.



Key areas to unlock growth in Livestock and Animal Products

In the event of a FMD outbreak in the country, maintaining business continuity for the livestock industry is critical to the agricultural economy, food security, as well as animal health and well-being. During an FMD outbreak, it is the producer’s responsibility to keep their animals from becoming infected, focusing on what they can control on their premises. Strengthening biosecurity approaches such as structural and operational are both critical in ensuring the safety of animals from FMD. The structural biosecurity requires producers to build into the physical construction and maintenance of a facility which operational biosecurity involves management practices designed to prevent the introduction and spread of disease agents onto or off of an animal production premises.



Fruits and Vegetables



Global Perspectives

By 2024, the global macadamia market is expected to have reach approximately USD 4.5 billion. South Africa is the leading producer and exporter of macadamia nut, followed by Australia. Consumer awareness of the health benefits of macadamia nut is the key driving factor of the observed trend. Noteworthy, Kenyan macadamia production grows rapidly in recent years, from approximately 100 thousand metric tons to 40 thousand metric ton (between 2009 and 2019 seasons). Its production is expected to have increased to 60 thousand metric tons by 2022. There is no doubt that, Kenya and South Africa would be the best competitor in the market. Moreover, for 2020 season, South Africa macadamia production is expected to have reached 66 thousand metric tons of macadamia nut in shell. This makes South Africa to be the top leading producer in the world. At the other hand, Kenya production could reach about 42 530 metric tons to exceed the former top leading producer “Australia” with 36 500 metric tons. This could be possible as a results of the favourable weather conditions. Country like Malawi, could also do better over time, on macadamia production. In 2018, Costa Rica, Philippines, and Brazil were the top three pineapple producers worldwide. Costa Rica generated 3.42 million metric tons of pineapples in that year. Overall pineapple production in that year amounted to 27.92 million metric tons. Under the abnormal year of the pandemic, demand or pine apples have risen in most parts of the world, for its health benefits.



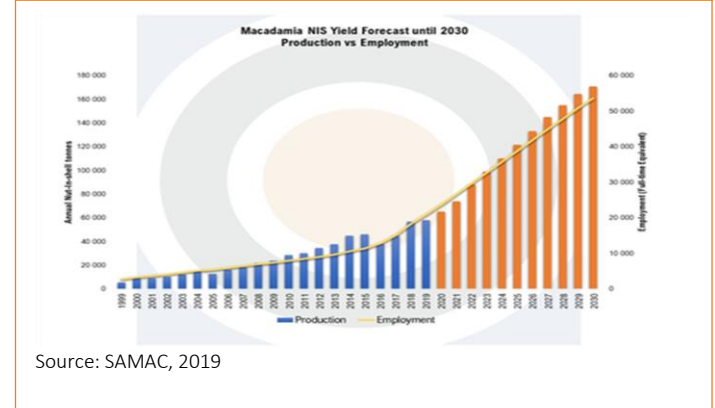
Domestic and Regional Perspectives

Hortgro reported, that the majority of pear growers have finished packing. Though the heatwave in January have negatively affected the early pear sizing and colouring, but in general colour development and pack-outs look promising this season. Therefore, the total pear export estimates are expected to be down by 7% as compared to the previous season. To date, a total of 9,6 million 12,50 kg equivalent cartoons have been exported with a bulk of them going to Europe (36%), Russia (21%) and Middle East (20%). On the other hand, apple harvest looks promising for this season with 2020 export estimate expected to increase by 6% compared to 2019. The apples inspected and passed for exports in week 19 increased by 4% compared to the 2019 season. A total of 11,4 million 12,50 kg equivalent cartoons have been exported with a bulk of exports destined for Far East and Asia (34%), Africa (23%), and Middle East (14%). On the other side, when the sales of alcoholic beverages are banned in South Africa as part of the lockdown measures, pineapple beer recipe was circulating all over the social media. This led to the huge demand for pineapples in the local markets. Therefore, pineapple growers have had a fairly difficult season. It was dry and hot in the summer, with more fruit damaged by sunburn as a result small volume were recorded. Due to high demand caused by pineapple beer recipe, the local prices in South Africa now stands at ZAR 18,54 / kg which is again higher than the average prices (ZAR 16,33). Thus the demand for pineapples surged by 38% when compared to months before the lockdown. South African macadamia nuts ended on a good note in 2019, and has recorded 59 050 tons of in-shell macadamias. Whereas, the industry grew by 4% as compared to the previous season. Over 98% of South Africa’s macadamia produce is exported, with macadamias kernel constituting 55% of the total exported macadamias in 2019, followed by nut in shell (45%) with bulk of exports destined mainly for East Asia and South Asia.



Key areas to unlock growth in Fruit and Vegetables

The forecast indicates that the South African macadamia production is likely to grow steadily over the next 10 years. Employment is also likely to rise from just below 20 000 currently to some 53 000 in 2030. Furthermore, the country exports about 45% shell macadamia nuts at R74,13/kg vs 55% kernel macadamia at R261,11/kg. According to SAMAC, the demand for macadamias is still growing and it is anticipated to increase much higher because of people becoming more health conscious and the fact that macadamias are a good healthy snack and have various health benefits. SAMAC further indicates that China remains one of the countries in which large volumes of macadamia nuts are imported in shell nuts and that there are no disruptions in exports due to COVID-19 at this stage. Countries like the USA and Europe are the biggest importers of kernel. In order to keep up with the expected rise in demand and production, the industry players do consider investing in increasing local processing capacity. The industry is also looking into increasing market access for kernel nuts. Already, a new facility has opened in Nelspruit and several Handlers are expanding their current facilities. An increase in processing capacity will also create further employment opportunities in the industry.



Source: SAMAC, 2019

Source of information

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

Poultry World - <https://www.poultryworld.net/Meat/Articles/2020/4/Brazils-poultry-sector-barely-affected-by-Covid-19-572682E/?dossier=42157&widgetid=0>

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

CNBC AFRICA: <https://www.cnbcfranca.com/coronavirus/2020/04/21/covid-19-sa-announces-r500bn-stimulus-package-about-10-of-gdp/>

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

Global Agriculture, 2020

SAMAC: <https://www.samac.org.za/industry-statistics/>

DALRRD: <https://www.daff.gov.za/daffweb3/>

AMT: <http://rpofs.co.za/pdf/vleispryse-neigings/AMT-Prysllys.pdf>

For correspondence:

Markets and Economic Research Center

Email: research@namc.co.za

Tel: +27 (0) 12 341 1115

Website: www.namc.co.za

© 2020. Published by the National Agricultural Marketing Council (NAMC).

DISCLAIMER

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises or guarantees about the accuracy, completeness or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the contents thereof. No warranty of any kind, implied, expressed or statutory, including but not limited to the warranties of no infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus, is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Any reference made to a specific product, process or service by trade name, trademark, manufacturer or other commercial commodity or entity is for information purposes only and does not imply approval, endorsement or favouring by the NAMC.