

TRADE PROBE

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**What is the status quo of
maize in South Africa?**

**Is maize supply adequate
during the COVID-19 period?**

COVID-19

**causes disruptions
in global fruit value
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**agriculture, land reform
& rural development**

Department:
Agriculture, Land Reform and Rural Development
REPUBLIC OF SOUTH AFRICA



NAMC

Promoting market access for South African agriculture

FOREWORD

Welcome to the eighty-first (81st) issue of the Trade Probe publication produced under the Markets and Economic Research Centre (MERC) of the National Agricultural Marketing Council (NAMC). The purpose of this issue is to provide a detailed analysis of how selected agricultural commodities are affected by the COVID-19 outbreak, given the fact that some commodities were prohibited from being sold domestically while other countries imposed export bans. Rice, wheat, wine, maize, wool and fruits are the commodities of interest. The topics of interest that are covered include: COVID-19 temporary trade restrictions on rice and the implications for South Africa; COVID-19 causes disruptions in global fruit value chains; What is the status quo of maize in South Africa? Is maize supply adequate for the COVID-19 period? The objective of the publication is to inform policymakers, producers, traders and other stakeholders about the market opportunities and potential products demanded in the local and international markets.

THIS ISSUE OF TRADE PROBE COVERS THE FOLLOWING TOPICS:

Trade Analysis

1. What is the status quo of maize in South Africa? Is maize supply adequate during the COVID-19 period?
2. COVID-19 causes disruptions in global fruit value chains
3. COVID-19 temporary trade restrictions on rice and the implications for South Africa
4. South Africa's wine exports face an unknown future due to the COVID-19 outbreak

Trade Opportunities

5. Global and domestic wheat supply during the COVID-19 pandemic
6. Market trade for wool amidst COVID-19

Trade News

7. Minister Didiza announces the outbreak of African swine fever in the Eastern Cape
8. South Africa's fifth break-bulk reefer citrus shipment to Japan and China departs today
9. COVID-19 triggers a marked decline in global trade, new data shows

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What is the status quo of maize in South Africa? Is maize supply adequate during the COVID-19 period?

By Fezeka Matebeni

There is no doubt that the coronavirus (COVID-19) raised concerns of increasing uncertainty about the long-term implications for production and consumption in food value chains. Planting and harvesting conditions in 2019 were optimal which helped the maize and wheat to register higher crop as compared to previous season in South Africa. According to the International Grains Council (IGC, 2020), the estimated total grain production in 2019/20 increased by 2 % compared to the previous year, reaching a volume of 2 176 million tons. Noteworthy is that maize output declined; however, it was outweighed by larger wheat and barley harvests. Maize production in the European Union (EU) and Belarus increased, while Indonesia and Laos registered reductions (FAO, 2020). The production of maize is expected to be 1 118.6 million tons with consumption recorded at 1 145.3 million tons. Maize consumption declined from 1 147 million tons in 2018/19 to 1 145.3 million tons in 2019/20 (IGC, 2020).

The United States Department of Agriculture (USDA, 2020) stated that major global trade changes for 2019/20 included higher projected maize exports for the EU, with a partially offsetting reduction for Russia. Increased supply and low prices for maize worldwide have prompted the European Commission to implement import duties on maize, sorghum and rye as the United States (US) maize price is declining significantly due to the collapse of oil prices. Currently, US maize is price competitive as COVID-19 containment measures have curtailed gasoline and ethanol demand. In terms of imports, maize imports increased in South Korea, Turkey, Algeria and Indonesia, with lower projections for Vietnam, Taiwan, Cuba and Mexico. South Korea is among the top five destinations for US maize exports. The global opening stock was estimated at 323.3 million tons for 2019/20 (IGC, 2020). Figure 1 below illustrates the projection between 2019/20 and 2020/21 for maize.

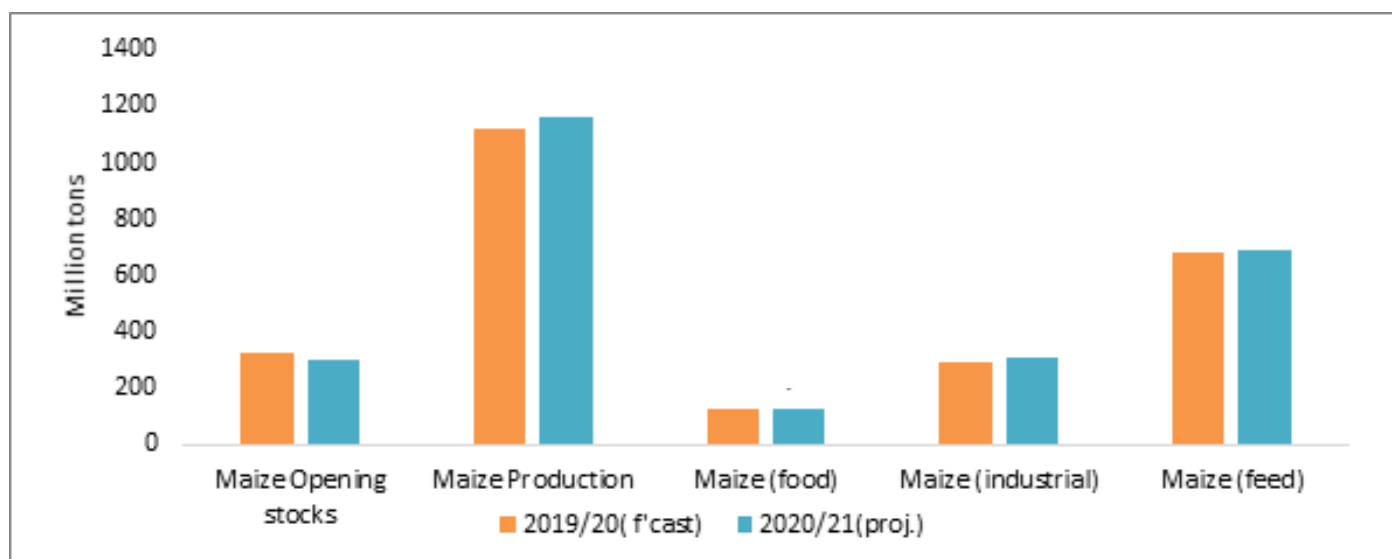


Figure 1: Estimation of maize stocks, production and use of maize between 2019/20 and 2020/21

Source: IGC (2020)

In terms of 2020/21, the projection for total grains production in 2020/21 is reduced by 5 million tons on month and month (m/m) to 2.218 million tons. The decline is due to less ideal conditions that are harming crop prospects in Europe and the Black Sea region. At 2,218million tons, global total grains production in 2020/21 is projected to rise by 43m y/y, with the biggest increase for maize of 39million tons. While the consumption is forecasted to show a strong gain, to a new all-time high of 2,222m t, that is an increase of 41million tons on year on year, including increases for food (+10million tons), feed (+14million tons) and industrial uses (+17million tons). Furthermore, maize stocks are expected to edge lower to be 296.6 million tons. On the trade side, it is predicted to rise by 1 % in 2020/21, with shipments of maize seen to be expanding.

Could the measures taken by the South African government be sufficient to sustain maize market?

The South African government declared a national state of disaster on 15 March 2020 due to the impact of the COVID-19 pandemic. A nationwide lockdown was implemented on 27 March, and the panic buying of food inevitably occurred. One of the food items that citizens bought and worried of it, if it would be sufficient was maize meal, as it is a staple food. South Africa's maize supply contracted during the 2019/20 marketing year, as compared to the above-average levels in the previous two years. As a result, exports of maize declined from an above-average level of 2 million tons to about 1.4 million tons in 2019/20. On the other hand, the closing stocks are estimated to shrink to about 1.8 million tons as compared to

the five-year average of 2.4 million tons (NAMC, 2020). However, this stands not to be the case in the 2020/21 marketing year since there were favourable climate conditions throughout the growing season, which have boosted prospects for the crop. Maize harvesting started in April and is expected to be concluded in June. The national output for maize is estimated at 15.8 million tons, representing a 12 % increment from the previous year. The inclusion of output from the non-commercial sector is bound to place this year's production as the second-largest on record.

South Africa's maize exports are estimated to double from last year's level due to the abundant supplies of, and strong demand for, white maize in neighbouring countries (mainly Angola, Botswana, Eswatini, Lesotho, Zambia and Zimbabwe). These countries have suffered from severe drought (FAO, 2020). Furthermore, the depreciation of the rand, which has lost more than 30 % in value against the US dollar (US\$) since January 2020, could further stimulate sales to both nearby and other countries in the global market (USDA, 2020). The depreciation is also expected to spur a rise in exports of yellow maize, which declined to a below-average level of 400 000 tons in 2019/20. However, the interruption to logistical services could pose a disruption to trade, due to the COVID-19 pandemic. Stocks are likely to replenished in 2020/21 and national inventories could reach around 2 million tons. The extent of the annual increase will, however, depend on export quantities. The graph below illustrates South Africa opening stocks, production and consumption of maize in the recent marketing year.



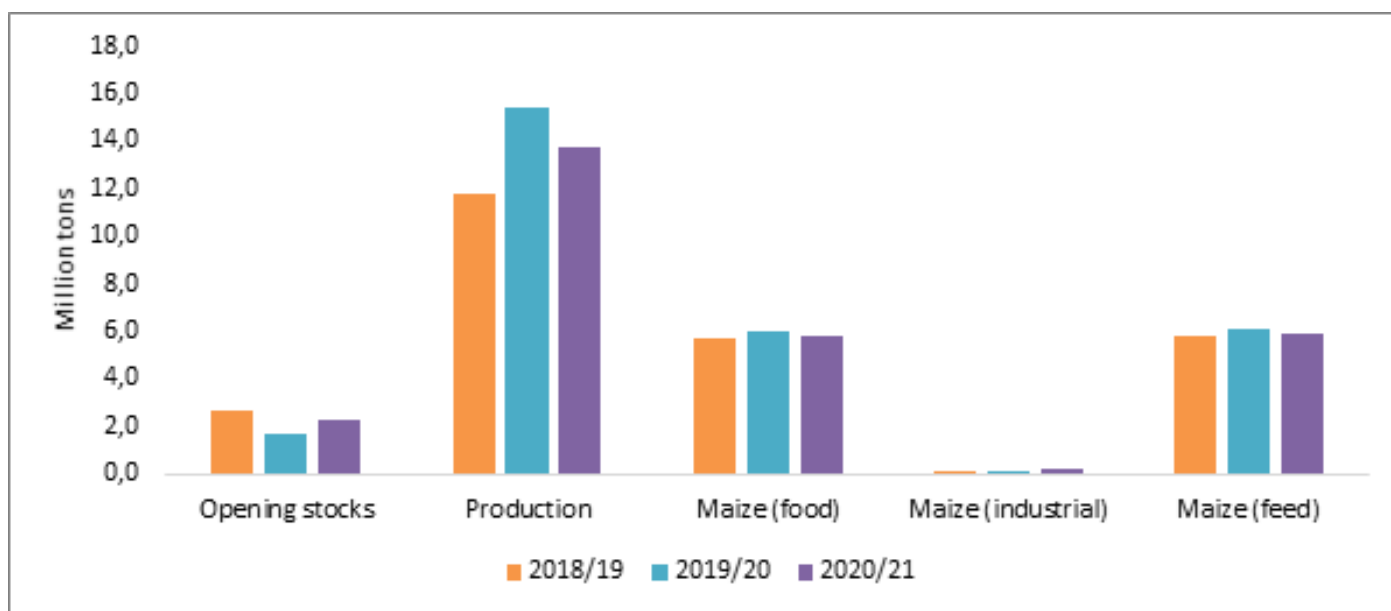


Figure 2: Estimation of South African maize stocks, production and use of maize between 2019/20 and 2020/21

Source: IGC (2020)

The IGC (2020) reported that the 2020/21 maize estimation for food and feed is 5.9 million tons each. There is not much demand for industrial use, as this was recorded at 0.2 million tons. The estimated exports of maize are 1.4 million tons. Noteworthy is that the price of yellow maize was reported to have dropped by 18 % (US\$34/ton) since January, the lowest since July 2018.

Conclusion

There is no doubt that the COVID-19 pandemic has disrupted global food supplies and is causing labour shortages in agriculture worldwide. There are many potential effects and problems related to COVID-19 that are impossible to predict. Market concerns over the COVID-19 outbreak have been spilling over into grain markets, as the main exporters' maize prices have been trending down since January 2020. Prices are being pressured by uncertainty over consumer demand and shortage of labour, as well as lack of or slow logistics. In the wake of COVID-19, concerns have emerged over food security; however, in terms of maize, one can confidently say that there will be sufficient maize for South Africans and surplus to export to neighbouring countries, as illustrated above.



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COVID-19 causes disruptions in global fruit value chains

By Onele Tshitiza

Since the start of the COVID-19 pandemic, nations and policymakers have had to make tough decisions with regard to the wellbeing of their people and the economy at large. Subsequent to the declaration of the disease as a pandemic by the World Health Organization (WHO) on 12 March 2020, governments have had to close off borders for international travellers, and several businesses not categorized as essential have had to halt their operations temporarily. The state of closing shop has been declared a lockdown, where only essential services have been left to operate. At the same time, the rest of the economy pauses and most citizens stay at home or “social distance”, to reduce the number of possible contacts with the virus. Trade has undoubtedly been affected. Some countries have restricted or banned export of some products, in order to ensure food security, by keeping prices low domestically in a time of uncertainty. Much is still unknown about the virus in terms of packaging and the risk of transporting products. Businesses that are still operating have had to increase their health and safety measures, thorough disinfecting and using protective gear, while ensuring that the workers are kept safe from the disease. This article focuses on the preliminary impact of COVID-19 on the agricultural sector, particularly the fruit supply chain.

Policy changes amidst COVID-19

Government policy plays an integral part in enabling supply chains to operate smoothly to ensure food security and boost the economy in a crisis. Following an assessment of the number of cases and rate of transmission in each country, governments decided

to implement various restrictions, such as bans and the lockdown, restricting the movement of people as well as the production of some products or services that are non-essential, including alcohol, tobacco and restaurants. The International Food Policy Research Institute (IFPRI) has developed a tracker of food policy export restrictions which is updated regularly, and it shows that several countries have banned the export of various products. Countries such as Russia, Kazakhstan and Vietnam, among others, banned the export of mostly cereals and vegetables or placed export quotas on these products. Wheat, barley, maize, rice and onions are among the various products which have been banned for export by these countries. Fruits have, therefore not been as restricted as cereals and grains in terms of policy in the short run; however, it is uncertain to what extent this applies.

Preliminary impact assessments on global trade of fruits

Although it is too early to predict the exact impact COVID-19 will have on the agricultural sector in the short to long term, preliminary impact assessments have shown that the virus outbreak will impact the international agricultural trade as a result of challenges in logistics, labour and lower producer prices. A study by Sahoo and Rath (2020) noted that in India, among other things, farmers could receive lower income because of the restriction on the movement of products. They also noted that there is a shortage of labour as a result of fear of contamination, leading to wastage on unharvested produce that is perishable, like fruits and vegetables. Over and above this, there are disruptions in the



supply chain. Siche (2020) also posited that the virus initially affected food security as supply chains were interrupted, and availability and prices became uncertain, especially for imported or exported goods as a result of import and export bans. However, these have started to stabilize, following panic buying by consumers. According to Barichello (2020), the International Monetary Fund (IMF) anticipates that real global economic growth will decline by 3 % in 2020, leading to a recession. However, there will be lower declines in the demand for food and imports compared to total trade flows in Canada, although fruits have higher income elasticities than cereals. He also mentioned that new restrictions due to health and food safety at borders would be introduced, thereby leading to delays in delivery, affecting perishable goods such as fruits and vegetables.

The European Fresh Produce Association, Freshfel Europe, published an impact assessment of COVID-19 on the fruit and vegetable sector in Europe (Freshfel Europe, 2020). The report states that, among other things, there have been shortages of seasonal workers because of travel bans, leading to disruption in supply. There have also been shortages in protective equipment, putting workers at risk of infection. Additionally, border closures have affected the quality of fruits, and logistics are limited. Since some food services are closed, the income stream is lost, price volatility is likely because of disruptions, and farmers are facing more costs because of uncertainty.

The fruit trade is therefore mainly affected by logistics, labour availability and protective wear, much like other sectors. The current season's production has not been affected since production was already underway. However, harvesting has

been dramatically affected since there are fewer workers as a precautionary measure and demand has decreased since lockdown. Without storage for this season's harvest due to lower demand, fruits might be lost in the fields, leading to income losses for farmers. If COVID-19 is not contained soon enough, even though agricultural production is an essential service, the number of workers allowed in the fields will likely be limited.

Moreover, if some of the workforce members get infected, the number of workers available is reduced and, therefore, the next harvesting and planting season may be delayed. The movement of fresh produce from the farm to the consumer in a country like South Africa is already faced with several challenges, like delays in ports, limited storage, load shedding and strikes. Logistics around the world have been disrupted because air travel is limited from various regions. Similarly, ports are congested because of precautionary screenings and other health-related measures.

Fruits are an important contributor to the global Gross Domestic Product (GDP), where trade occurs across countries. Total exports of fruits and nuts made up R 537,3 billion in 2019¹ and imports were R910.4 billion for selected countries. Towards the end of March 2020, consumer spending on food items spiked as people started stockpiling due to the uncertainty of the duration of lockdown across the world. Retailers at the time were running out of fruits and vegetables faster than farmers were supplying on a consistent basis. Stocks stabilized after the lockdown was implemented as people were staying at home, which resulted in lower prices for products that were in season and did not have a consistent demand as expected. A report by the Produce

¹From Global Trade Atlas. Countries included are the United States, South Africa, Euro28, Brazil, Chile, China, India and Russia.

Marketing Association (PMA, 2020) indicated that fresh fruit sales rose by 21.1 % during the week of 22 March 2020 as compared to 2019, translating into a US\$116 million increase. The report further posited that consumers opted for produce that had a longer shelf life. The sale of oranges increased by 58.4 %, lemons by 42.9 %, tangerines by 36.0 %, apples by 28.0 % and bananas by 22.8 % in the same week. Prices of food items are predicted to decline in 2020 and therefore fruit prices might be lower than expected.

South Africa's trade in fruit

South Africa exports over 60 % of its fruits to the rest of the world and fruits contribute a turnover of R42.7/ annum (FruitSA, 2018). South Africa, however, has been fortunate to still be able to export fruits to Europe and Asia, especially citrus, which is currently in high demand. This season's citrus production is said to report a record high and the demand is greater for lemons as they are related to boosting the immune system (CGA, 2020). Compared to the same time last year (week 18), South Africa has managed to export more oranges to the Middle East (501 %), Europe (1191 %) and Africa (875 %) in cumulative volumes than in the previous season. Furthermore, the Middle East has already imported 2 466 640 more cartons (15 kg) than last season's week 18 cumulative imports, while Europe imported 1 036 607 more cartons and the United Kingdom (UK) 256 630 more cartons. Lemons, soft citrus and oranges were

exported earlier than usual this season, in response to the demand (Agrihub, 2020). Overall, based on the numbers, demand has been the highest for oranges, lemons, soft citrus and then grapefruit. The supply chain is not devoid of challenges – the ports are moving non-essential containers aside to make way for those that are essential, and ports are also short-staffed. The pome industry has also managed to keep exporting to our biggest trading partners. Consistent with the report by the PMA (2020), apple exports spiked in the week of 22 March. South Africa exported 69 % more apples in week 12 of 2020 than in week 12 of 2019, as well as 72 % more pears. The greatest demand for apples was from Africa, Europe, Russia and the US.

Local supply of main fruits

In the short term, the country is food secured at a national level, but predictions for the short term show that the growth rate of agriculture might decline by 1.3 % (Ntombela, 2020). **Figure 3** shows the difference in total sales of citrus (Navels and Mandarins) at the larger fresh produce markets² in South Africa. The graph shows that the volumes of citrus supplied in 2019 were higher than in 2020, with a total of 6.85 million kg sold in April 2019 and 6.72 million kg sold in April 2020. The average price (R/kg) of citrus was higher in April 2020 than in 2019. This is likely because of the lower quantity and higher demand for citrus, leading to a higher value on total sales of citrus.

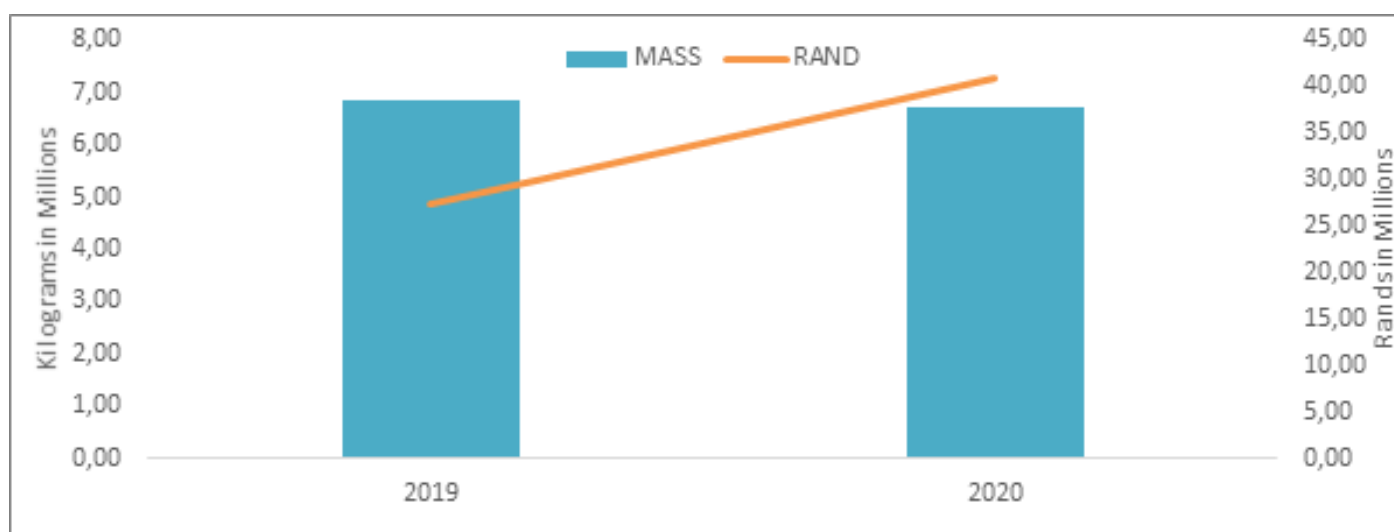


Figure 3: Sales of citrus (Navels and Mandarins) in April 2019 vs April 2020

Source: RSA Group

²Johannesburg, Pretoria, Bloemfontein, Cape Town, Durban

Figure 4 depicts that fewer volumes of all fruit were supplied in 2020 than 2019 in the same month of April from the five fresh produce markets. There were 43.3 million kg traded in April 2019 and 34 million kg in April 2020. Generally, the value of fruits traded at the five markets declined by R16 million in 2020. This could be an indication of the direct impact on farmer's income during the lockdown.

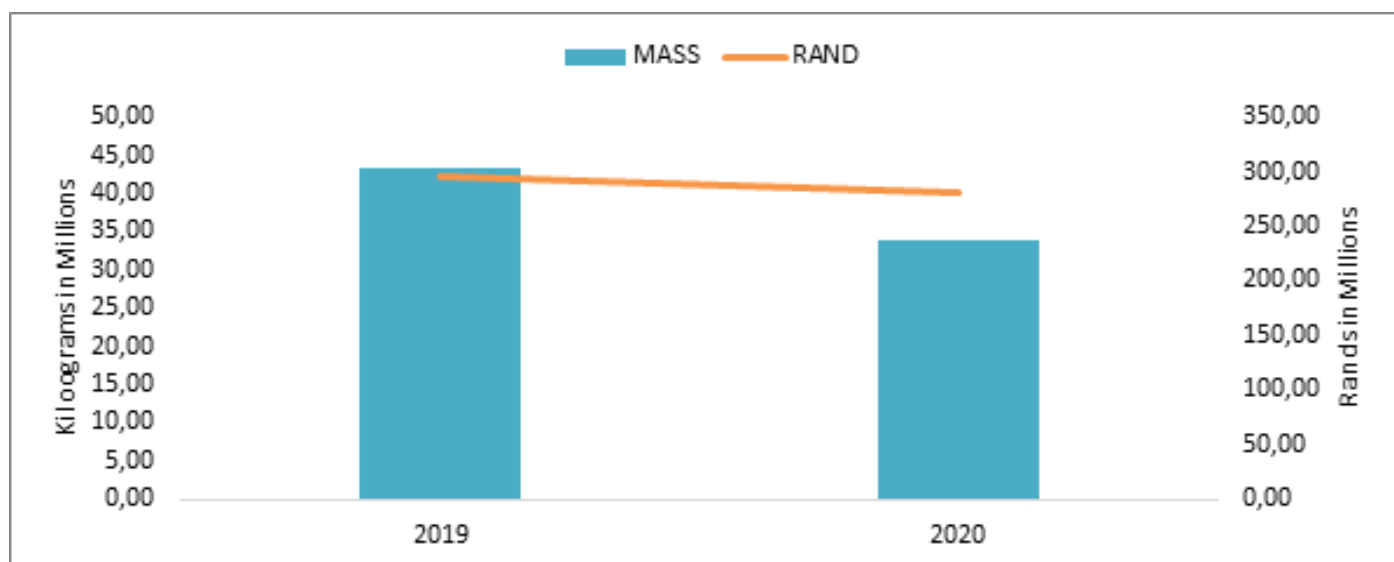


Figure 4: Sales of all fruit in April 2019 vs April 2020

Source: RSA Group

Conclusion

There is no doubt that the world is facing a time of uncertainty, and planning for the future is a challenge. The fruit sector around the world has been affected by similar challenges such as disrupted logistics, fewer workers, congested ports and possible lower incomes for producers. There will be new regulations of food safety, transportation and packaging and these will come at a cost to farmers. Operations across the value chain will change, from the protection of workers to the transporting of goods. The solutions to these new dynamics will come through collaborative efforts of all role-players along the value chain. The policies that governments enforce will either enable or incapacitate each value chain. It is therefore important for the government to

smooth out the challenges such as port delays and to interact with businesses in order to find solutions to potential blockages. It will also be important to support farmers through subsidies for them to stay in business. This is significant for the sustainability of the agricultural sector, consequently ensuring food security, especially for the most vulnerable. The South African government continues to find solutions in consultation with industries and has since assigned R1.2 billion in financial assistance for small-scale farmers who are in distress during this pandemic. It is, however, still unclear as to what the actual impact will be on the economy, but previous years of calamity suggest that it will recover eventually.



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COVID-19 temporary trade restrictions on rice and its implications for South Africa

By Moses Lubinga

Rice is a fast-growing staple food within the South African population. During the year 2019, South Africa consumed 925 000 tons of rice – equivalent to an 11.9 % increase compared to what was consumed in 2015 (IHS Markit, 2020). The increase in rice consumption is attributable to the relatively high corn prices that were realized during that period when prolonged drought hit the country. Consumers can substitute rice, wheat and corn products based on price and taste preferences. More than 90 % of rice consumed in South Africa is parboiled, with the balance made up primarily of Basmati. Unfortunately, South Africa only produces about 3000 tons per year (See Figure 5) as compared to roughly 910 000 tons consumed per year (on average), implying that South Africa is a net importer of rice.

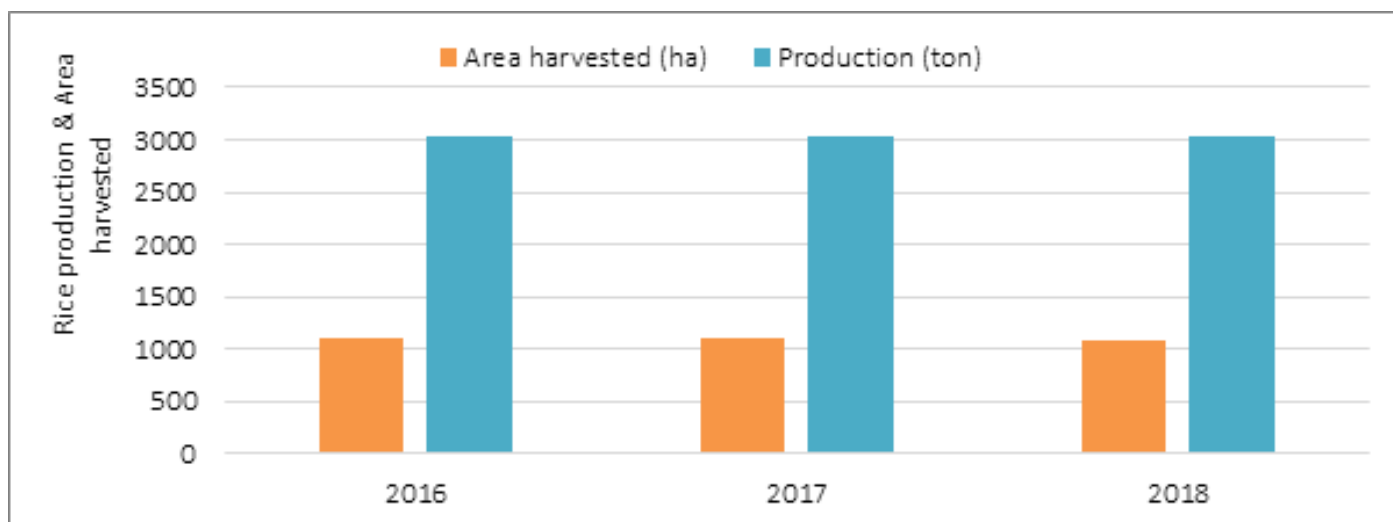


Figure 5: Rice production in South Africa

Source: RSA Group

Moreover, all Southern African Development Community (SADC) member states are equally net importers of rice; therefore, South Africa cannot rely on them for the supply of rice. Following the outbreak of the COVID-19 pandemic, many countries have imposed temporary trade measures on a number of agricultural products in a bid to ensure that their citizens are food secure, given the looming uncertainty of how long and the extent to which the pandemic will ravage these countries. Countries are also critically looking into how to reposition and sustain their economies after this wave of COVID-19. With South Africa being a net importer of more than 90 % of the rice consumed in the country, the imposition of trade-distorting remedies has a direct effect on the country's rice food stock, coupled with other spill-over effects such as fluctuation in food prices, food insecurity and possibly food riots, as has been witnessed in other hunger-stricken countries. This article provides an account of the likely implications for South Africa due to the

temporary trade measures on rice imposed by some rice-producing countries. The article also provides insight into the possible interventions through which the effects of similar unforeseen trade-distorting shocks may be abated in the near future.

As of 10 May 2020, 12 countries, namely Vietnam, the Philippines, Myanmar, Mali, India, Kyrgyzstan, Cambodia, El Salvador, Russia, Armenia, Tajikistan and Belarus, had imposed temporary trade measures on rice among other agricultural products. Although trade-liberalizing measures may also indirectly affect South Africa's rice imports, especially if the country supplying South Africa has stronger trade ties with a country/countries that have liberalized trade in rice, restrictive trade measures remain of more critical importance to South Africa – hence the focus of this article. Imposed trade-restrictive measures include the prohibition of rice exports, the imposition of export quotas (Vietnam), as well as the acquisition of a licence or permit to export

rice (India). The first restriction imposed by Vietnam came into effect on 25 March 2020, while the most recent restriction was enacted on 25 April 2020, by Tajikistan (Market Access Map, 2020). Therefore, given the above timelines, available trade statistical data cannot provide a succinct picture of the likely implications coupled with the major uncertainty about the duration of these restrictions. Moreover, the volume of rice consignments, if any, that were in transit at the time these trade restrictions came into force is also not known.

However, negative implications in the form of a drastic increase in the retail prices of rice and the other closely related staple food items are bound to arise if the various value chain or market players raise fears of dwindling rice stocks in the country. For now, the agricultural sector at large is equipped to sustainably supply other staple food items like maize meal, in case of a rice shortage at a later date, should these trade-restrictive measures be in force for a long period of time. Moreover, unlike India and Vietnam, which supply plausible quantities of rice, the volume of rice sourced from Myanmar is negligible. About 95 % of South Africa's rice is imported from Thailand (71 %) and India (23.4 %). Other countries, i.e. Armenia, Belarus, Cambodia, El Salvador, Kyrgyzstan, Mali, Philippines, Tajikistan and Russia, do not supply rice to South Africa. Therefore, there are no foreseeable consequences for South Africa due to the restrictive trade measures imposed on rice by some countries during the COVID-19 pandemic, especially if the trade measures are not in effect for a prolonged period.

However, the following policy propositions deserve considerable attention in preparation for similar unforeseen trade-distorting shocks that may arise in the near future:

- To address the issue of reliance on rice imports, it is high time the few farmers who are producing rice in South Africa are supported to upscale their production. A study funded by the DSI, and conducted by the Agricultural Research Council (ARC) in collaboration with the NAMC and the Land Bank, reveals that rice production is already happening in the country, although on a scale by far insufficient to meet the domestic demand for rice. The school of thought that South Africa is a water-scarce country, thereby implying that the country cannot venture into commercial rice production, might have to be revisited since existing scientific evidence suggests that there are a number of upland rice varieties that give good yields on dryland. Doctoral research undertaken at the University of Pretoria also shows that high yields of rice can be attained in South Africa. Thus, South Africa may explore the production of upland rice varieties rather than varieties that grow in paddy fields.
- Secondly, as decisions to embark on commercial rice production are being thought through, South Africa should leverage on the enacted Africa Continental Free Trade Agreement (AfCFTA) to co-invest in rice production in countries with the comparative and competitive advantage to do so, such that rice imports from those specific countries become easily accessible and affordable to South Africa's consumers. Some of the top rice producers on the continent, such as Madagascar and Tanzania, export some of their rice out of Africa to France, Turkey and Oman, among other countries. Although a small proportion of rice is exported out of Africa, this presents an opportunity for African states to work together in boosting rice production to feed its fast-growing population.



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South Africa's wine exports face an unknown future due to the COVID-19 outbreak

By Lucius Phaleng

Background

President Cyril Ramaphosa imposed a 21-day nationwide hard lockdown from 27 March to 17 April 2020 to contain the spread of COVID-19. This hard lockdown was further extended by two weeks to 1 May 2020. During the hard lockdown, people were only allowed to leave their residences for essential purposes, including food and medical reasons. While the agricultural and food sectors were classified as essential and as such operational during the lockdown, the wine sector was excluded. As a result, the export, import and the domestic sale of wine were initially not permitted during the lockdown. Following some lobbying from the wine industry, the South African government published a notice on 26 March allowing for the harvesting of wine grapes and the production of wine. On 27 April, the South African government also issued a notice lifting the restrictions on wine exports. However, on 16 April the government published a notice announcing that the transportation of liquor products was now prohibited, which effectively restricted wine exports and imports.

The aim of the article is to articulate how the restrictions on the transportation of liquor products

have impacted wine exports trends and also how the prohibition of domestic wine sales might have affected the imports of wine. The South African wine industry faces an unknown future as the COVID-19 pandemic continues to spread at a faster rate, and there is an expectation that the restrictions put in place might affect the industry negatively. These restrictions are also expected to impact the South African wine sector and wine trade, including trading partners' wine exports to South Africa due to prohibited domestic sales. In 2019, South African wine imports amounted to 36 million litres. Europe is the largest exporter of wine to South Africa, accounting for 90 % of total South African wine imports. US wine exports to South Africa are minima, at only 32,172 litres in 2019. **Figure 6** highlights South Africa's wine import statistics for the years 2018, 2019 and 2020. The purpose of this figure is to compare the import trends since wine imports and transportation are prohibited. It can be noted that in 2020, lower quantities of wine have been imported thus far and this is a decrease when compared to the 2019 trends. The prohibition on domestic wine sales is also expected to affect the demand for wine in South Africa, and contribute to the decline of wine imports.

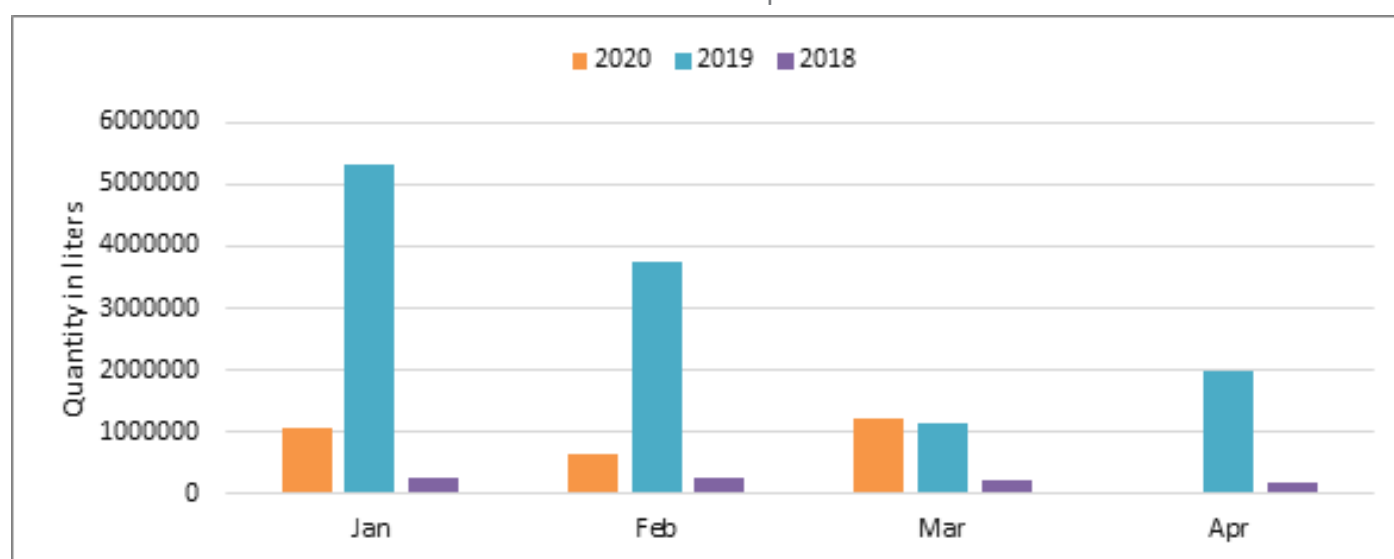


Figure 6: South Africa's wine imports

Source: SARS (2020)

According to the European Commission, wine consumption in the EU's 27 member states is predicted to fall to 108 million hectolitres, or 24 litres per capita, in the 2019/20 (August-July) season, a drop of 8 % compared to the average of the last five years. A slight increase in retail wine sales, which comprise nearly three quarters (70 %) of consumption, was not sufficient to compensate for the sharp drop-off in the on-trade. South Africa's wine competitors such as Australia, Spain, Chile, Italy and France are still exporting wine. As a result, South Africa is at risk of being replaced by competitor products in key retail shelves in export markets, and this might cause South African wine to lose its market share. Moreover, it may take some years for South Africa to regain its market share. Figure 7 highlights South Africa's wine exports for the years 2018, 2019 and 2020. According to the figure, wine exports improved during January – March 2020 despite current market constraints resulting from the COVID-19 pandemic. However, the exported volumes are slightly lower when compared with the 2018 and 2019 trends. The prohibition of wine sales and transportation might have contributed towards lower exported volumes in 2020.

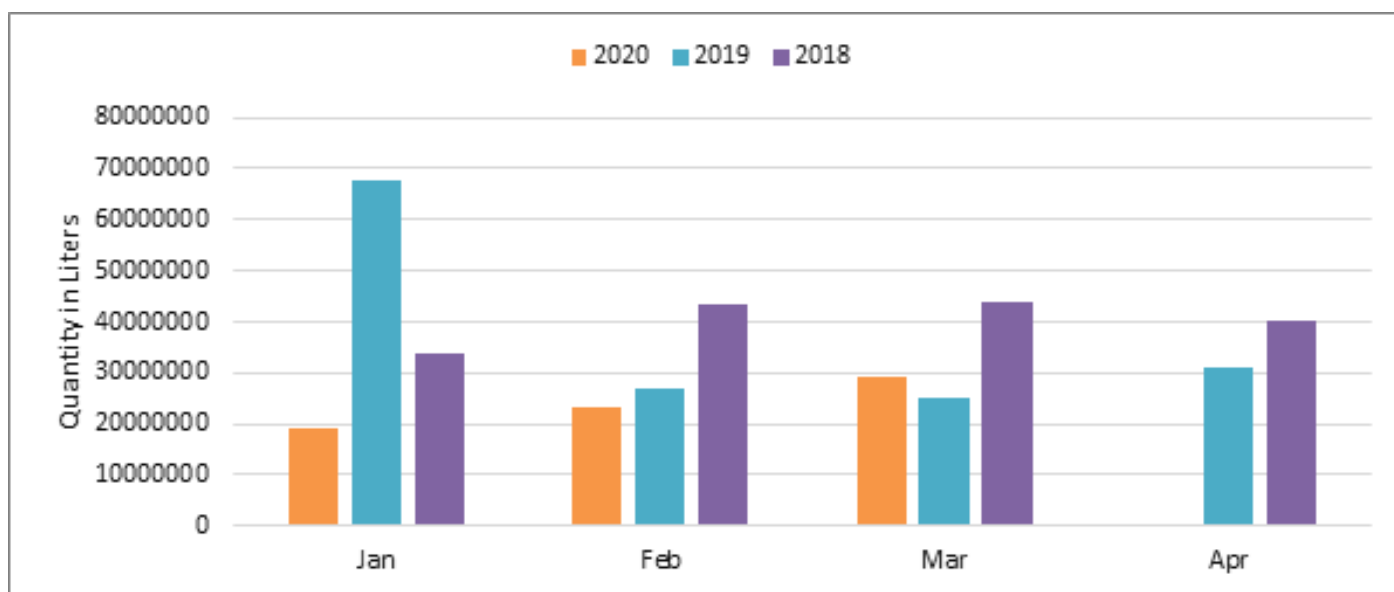
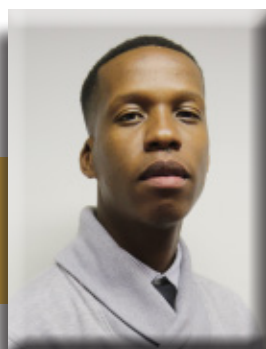


Figure 7: South Africa's wine exports

Source: SARS (2020)

Significant impact of lockdown on the South African wine industry

The South African wine industry is facing a detrimental impact. According to the USDA (2020), the wine industry has reported a loss of R650 million due to the restrictions on exports during the first three weeks of the lockdown. Additionally, the wine industry is likely to lose revenue that could have been generated from domestic wine sales. The revenue loss from the wine industry will have a negative impact on the operation of businesses in the wine sector, and this can lead to significant job losses along the value chain. The current situation can also have an implication on the industry and drive some wine producers to stop operating. The considerable impact can result in increasing wine prices on the local and global markets due to a shortage or limited supply. On a lighter note, South Africa has moved to lockdown level 3, which allows for the sale of alcoholic beverages. However, this might be revised in selected provinces.



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Market trade for wool amidst COVID-19

By Zosuliwe Kala

Introduction

South Africa is a vast and beautiful country with a rich history of sheep. South Africa has earned the reputation for being one of the most important apparel wool producers in the world. Roughly 90 % of South African wool production is exported to China, Egypt, the Czech Republic, India and Italy, which process wool for the apparel market. However, the high proportion of South African wool exported means that South Africa is more important as an exporter of wool. The 2018/2019 season had many disruptions which affected farmers' financial positions. The troubles started when, for the first time in 40 years, there was a cancellation of wool sales. This cancellation followed after the foot-and-mouth disease outbreak at the beginning of 2019, which resulted in the suspension of South Africa's FMD status and hence the subsequent ban on wool exports to China. This meant that South African small-scale wool farmers, particularly those in rural areas, were under stress, coupled with severe drought conditions. Therefore, the cancellation of two August auctions last year was a major setback to wool farmers who were already struggling due to the drought, as many of them solely rely on auctions for their incomes.

The world's wool exports have decreased severely due to extreme climatic conditions. As a result, in the 2018/2019 season, world exports decreased by 17 % compared to the previous season. Australia was the world's largest exporter of wool, owning a share of 41 %, although the country experienced an 11 % decline in wool exports compared to the previous season. This decline was due to the fact that many merino sheep farmers were faced with severe droughts, coupled with a depletion in the quality of wool and the recording of low production volumes. New Zealand was the second largest exporting country, constituting 16 % of the world's exports, followed by South Africa (6 %) which recorded a negative growth rate of 10 % due to an outbreak of foot and mouth disease at the beginning of 2019. Just like Australia, South Africa was also impacted by severe drought conditions, which resulted in low production volumes. The total imported volumes of wool in the world decreased by 24 % as compared to the previous season. According to ITC (2020), China was the largest raw wool importer in the world in 2019, followed by India and the UK, accounting for a share of 48 %, 11 % and 6 %, respectively. It is worth noting that there are no African countries among the top 10 importers of wool.

Trade implications of COVID-19 towards South Africa's wool exports

The South African wool industry suffered some critical blows in 2018/2019 and there are hopes for a better season this year. Figure 8 highlights the total exports of greasy wool between 2018/2019 and 2019/2020 up until March of each season. Early last year, China, which is the major importer of South Africa's wool, temporarily stopped buying the country's wool because of a foot-and-mouth disease outbreak in Limpopo. The impact of this ban was immediately felt across the industry and sheep-farming communities of South Africa. The wool industry expected a better season this year without any disruptions, with about 70 % of wool being exported to China in a normal season.

Figure 8 shows that wool exports in 2019/2020 have by comparison been higher than those in 2018/2019 for the same months, until February. It is worth

noting that export sales for February 2020 increased by 31 % as compared to the same period in the previous season. This means that the wool industry was starting to enjoy market benefits. However, the disruptions caused by COVID-19 this year affected the industry and farmers' incomes as well – this was after President Cyril Ramaphosa announced a lockdown strategy to curb the spread of the disease, resulting in wool auctions being postponed. As a result of COVID-19, exports sales for March 2020 were lower as compared to the same period in the previous season due to the lockdown strategy imposed by the government. At the same time, wool prices were already suppressed weeks before the lockdown, due to fears of potential slowing global demand. The wool market, therefore, had to endure a 12.5 % decline in wool sales.

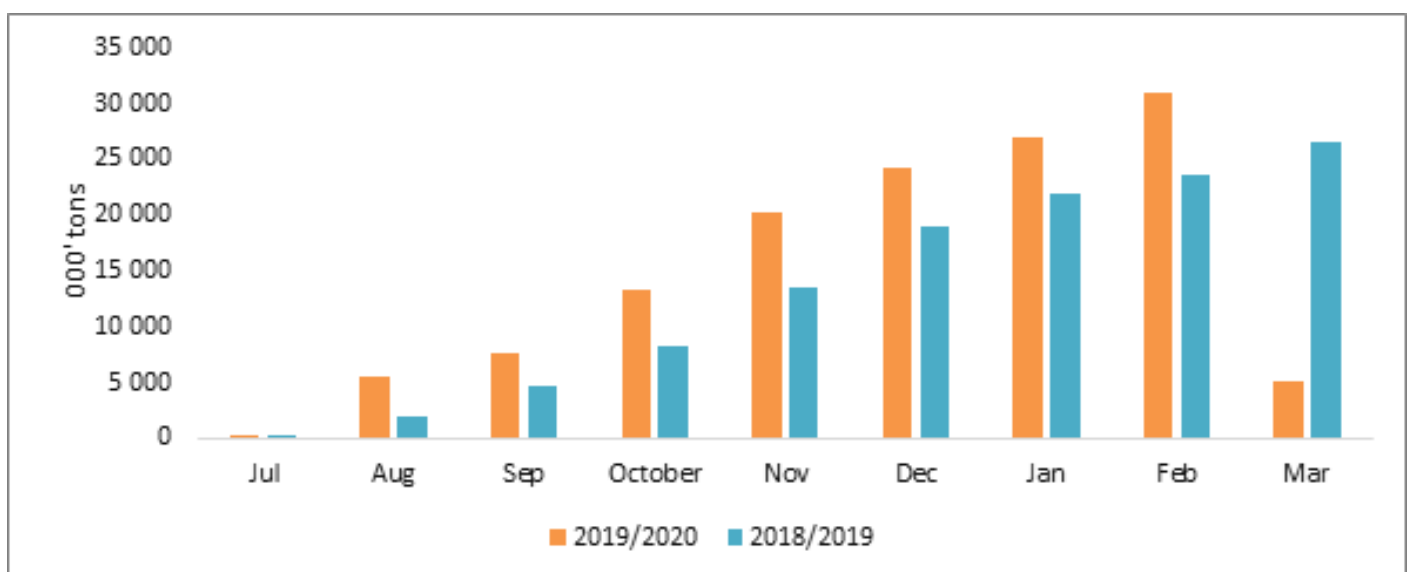


Figure 8: Total exports of greasy wool

Source: SARS (2020) CapeWools, SA & SARS, (2020)



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According to CapeWools South Africa, an analysis of export data shows that South Africa is primarily a greasy wool exporter, with 29 771,1 metric tonnes of greasy wool shipped during the 2018/2019 season. Therefore, the total value of exports amounted to R4 495 123 million, which is represented by a 97 % share in the market value.

Conclusion

South Africa, as the largest exporter of raw wool fibres, has a robust interest in maintaining its position in the global markets. However, the huge dependence on the Chinese market is proving to be a challenge for South Africa. Therefore, South Africa

should strengthen its efforts to diversify its wool export markets to remain competitive in the medium and long term. Although diversification would be an important route to take, it would be difficult for any country to succeed in the world market without some level of reliance on the Chinese market due to its dominance of the world market for wool products. With that being said, South Africa can build a trade relationship with other markets to which it has potential to export more – for example, countries such as India, Italy, the Czech Republic and Egypt, amongst others. Thus, this will reduce the impact of market failures on the livelihoods and food security of our farmers.



Global and domestic wheat supply during the COVID-19 pandemic

By Thabile Nkunjana



The past few months have been nothing but problematic for global leaders, food producers, suppliers and everyone else due to COVID-19. Global food supplies have seen a sharp increase in demand for key cereal commodities, especially for rice and wheat at the beginning of April 2020 (IGC, 2020), subsequently affecting domestic markets. Globally, there are enough grain stocks available for countries to import (FAO, 2020); however, distributing the grains is the major challenge. The world grain stocks are estimated to be twice as much as the size of the stocks during the great recession in 2007-2008 (FAO, 2020). Normally this is great news for the global market, but the COVID-19 pandemic has caused uncertainty through its effect on logistics, consequently impacting on trade. The first week of April 2020 showed how the transport restriction would prove disastrous for countries relying on imports, as seen after temporary bans in rice exports by major producers. A dramatic increase in prices was observed in response to the unusual global demand, with restrictions to human movements and quarantine measures adding to the hardship of grain commodities reaching areas with a need. This section looks at wheat trade during

the COVID-19 pandemic where the trade of wheat domestically and globally is analyzed.

A general global view of the wheat trade

A slight rise in prices at the start of the worldwide lockdown due to COVID-19 was observed as various countries wanted to ensure they had sufficient domestic supplies and therefore imposed trade restrictions. The attitude has, however, changed drastically as it has become clear that there are plentiful wheat supplies in the global market. Russia, which initially planned to ban exports, has imposed an export quota of 5 million tons for non-Eurasian Economic Union countries until 31 June 2020. Kazakhstan imposed a monthly quota export of 200 000 tons of wheat and as a result, prices began showing a slight decline mid-April. Figure 9 below presents wheat prices, showing that by mid-March, there was a sharp increase in prices largely driven by economic lockdowns imposed in various countries. However, in the subsequent weeks in early April, global wheat prices started to decline slightly as countries began to ease the lockdown restrictions.



Figure 9: Global wheat export prices from 3 January to 8 May 2020

Source: IGC (2020)

South Africa's wheat trade in relation to the world

South Africa is a net importer of wheat depending on global suppliers, as is the case for most African and Middle Eastern countries. This year it is expected that the country will import at least 50 % of the 3.4 million tons of wheat required to sustain its domestic consumption for the rest of the season. South Africa's imports come mainly from European countries, and this includes imports meant to be re-exported to Botswana, Eswatini, Lesotho, Mozambique and Zimbabwe. Figure 10 presents South Africa's suppliers of wheat between January and 1 May 2020. Generally, South Africa's wheat imports are concentrated in the key global wheat suppliers, namely Russia, the USA, Canada, Argentina, Ukraine and Germany, and all these are amongst the top 10 global wheat exporters. The short-term policies in response to the COVID-19 pandemic by these countries would affect prices for South Africa, as the country imports a significant amount of wheat, and should things get worse, the impact shall be felt. For example, Russia's export quota has ramifications for global supplies and subsequently for South Africa as it is among the top suppliers to the country. Nevertheless, as we progress, countries are gradually opening their economies around the world. South Africa's suppliers of wheat for 2019/2020 are Poland, Lithuania, Germany, Russia and the Czech Republic, while countries like Ukraine and the USA are supplying small quantities.



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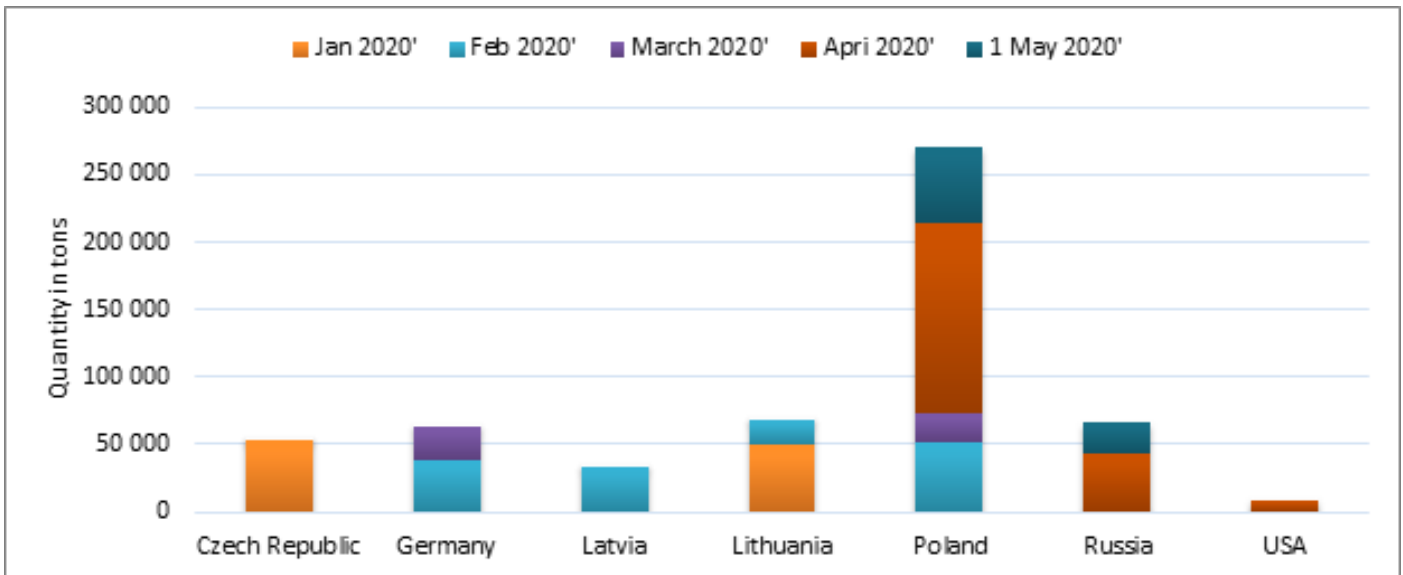


Figure 10: Suppliers of wheat to South Africa between January and 1 May 2020

Source: SAGIS (2020)

As already mentioned, South Africa imports and re-exports to its neighbouring countries. Generally, 2019 was a year to forget for the SADC region as it was hit by floods and drought spells. These shocks, including economic crises in the case of Zimbabwe, negatively affected the grain industry, with the COVID-19 pressure on stocks sealing the deal.

Figure 11 presents domestic wheat prices. The increase in global market prices for wheat influences local and regional prices as expected. In late March 2020, a sharp rise in domestic wheat prices was observed, following a drastic increase in international prices, as shown in Figure 9 above, which was due to an unexpected increase in demand for wheat in response to uncertainties surrounding the COVID-19 pandemic. Regionally, Namibia is South Africa's leading wheat export destination. However, since January 2020 Botswana has imported more (38 055 tons) than any other country in the region, followed by Lesotho, Eswatini, Zimbabwe and Mozambique at 24 317 tons, 10 729 tons, 1 724 tons and 456 tons respectively.

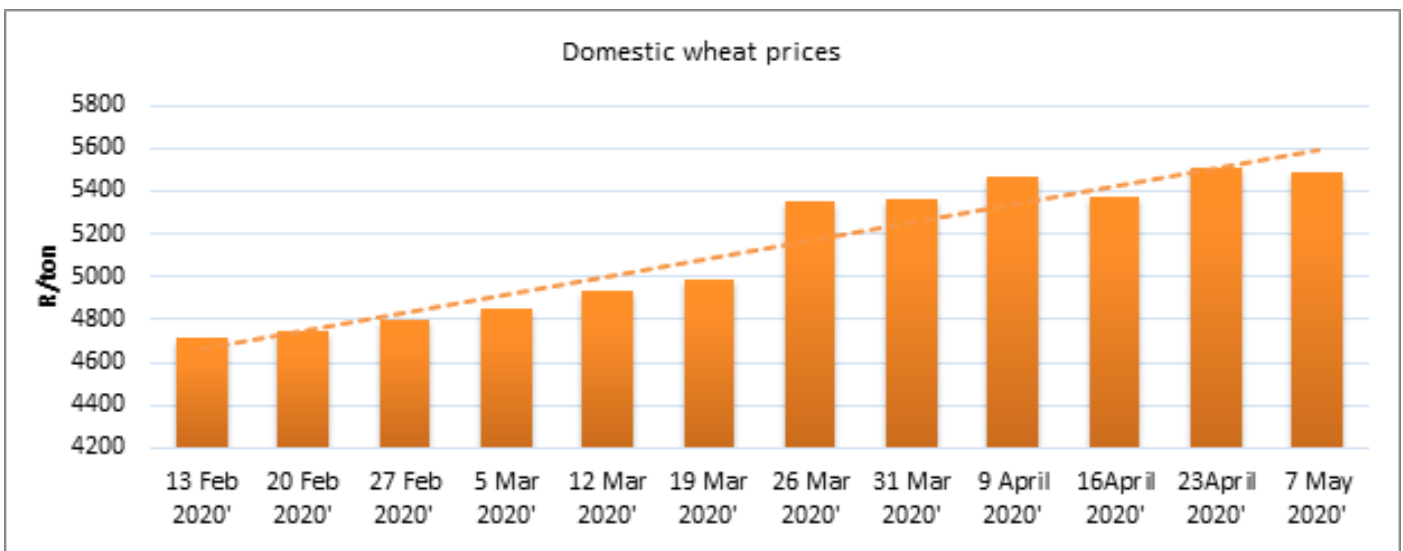


Figure 11: Domestic wheat prices per ton


Source: SAGIS (2020)

Concluding remarks

South Africa remains a net importer of wheat despite a 20 % increase in production during the 2019/20 season after a significant reduction from the previous year due to drought. However, this increase brought little relief as the country had to increase its imports this season due to an increase in domestic consumption. However, with a projected production of over 700 million tons of wheat for the season (IGC, 2020) coupled with the gradual lifting of economic lockdowns and export restrictions globally, global wheat prices are likely to somehow stabilize over the coming weeks.



Minister Didiza announces the outbreak Of African swine fever in the Eastern Capae



The Minister of Agriculture, Land Reform and Rural Development, Ms Thoko Didiza (MP), hereby announces the outbreak of African Swine Fever (ASF) at Amathole District Municipality in Eastern Cape (EC). This announcement follows investigations and a post-mortem performed by departmental veterinary services on 13 April 2020, in the Amathole District Municipality, whereby five villages under the Mquma Local Municipality, where 50 pigs died, were visited. The villages affected in Centanetown are Ngede, Nontshinga and Fenj; and the villages affected in Ngqamakwetown are Ngquthu and Toleni. The department has sent a notification to the World Organisation for Animal Health (OIE) accordingly. The minister notes that this is the first time that an outbreak of AFS has been recorded in this province. In the past three years, outbreaks of ASF outside of the ASF controlled area occurred in the Free State, North West, Northern Cape, Gauteng and Mpumalanga provinces. It has not yet been determined whether this outbreak in the EC is linked to the outbreaks in other provinces. "This outbreak occurred in a communal setting, which makes movement control and biosecurity between the respective pig herds difficult. Control measures currently in place include that all infected pigs should be as far as possible from those that are not and must be housed alone to avoid contact with other pigs in the area, to limit the spread of the disease," said Minister Didiza.

- The areas where the outbreak occurred have been quarantined; no pigs are allowed to move into, through or out of the area. Follow-up investigations by provincial veterinary services are underway to determine the extent of the outbreak. Pig farmers and keepers should follow these recommendations: Enclose your pigs to prevent contact with pigs of unknown health status, including wild pigs and warthogs.
- Only buy healthy pigs from a reliable source.
- Preferably, do not feed kitchen waste, but if you have no option, remove all meats and cook the kitchen waste thoroughly.
- Do not to allow visitors to have contact with your pigs.
- Before having contact with pigs, wash hands, only use clean clothes, shoes, equipment and vehicles (that have not been in contact with other pigs).

Pig farmers and keepers are requested to be vigilant and to report any sudden illness and deaths of their pigs to the local state veterinary office immediately so that swift action can be initiated to prevent the spread of this disease.

South Africa's fifth break-bulk reefer citrus shipment to Japan and China departs today



The Department of Agriculture, Land Reform and Rural Development (DALRRD) is pleased to announce the fifth break-bulk vessel shipment of citrus from South Africa to China and Japan, amid the COVID-19 outbreak. The vessel is planned to depart during the course of the day. This is the first break-bulk vessel shipment in the 2020 export season, adding to the four shipments that were exported in the 2019 season. The year 2019 was historical, as the South African citrus industry marked its maiden break-bulk shipment of citrus through a specialized reefer vessel to Japan and China. The Baltic Patriot Vessel will leave South Africa with 4 521 tons of grapefruits and lemons destined for Japanese and Chinese export markets. The expected date of arrival in Japan is 18 May 2020 while for China it is 26 May 2020.

The loading of the vessel, which started on 25 April 2020 at the Maydon Wharf Fruit Terminal in Durban under thorough inspections, was concluded yesterday. Essential workers conducted the process of fruit harvesting, sorting, washing, transportation, inspection, loading and related aspects during the lockdown. The department extends its appreciation to everyone who made this a success, and more importantly, the essential workers, who continued to work tirelessly under trying conditions in pursuit of local and global food security. The citrus industry continues to be one of the critical sectors that create 160 000 direct jobs and earn approximately R20 billion from exports only. South Africa exports two million tons of citrus annually, making it the second-highest global exporter of citrus. Citrus comprises of oranges, lemons, grapefruits and soft citrus.

Given the challenges posed by COVID-19, the department continues to engage with trading partners to ensure that, where possible, export programmes proceed as planned. The department calls upon all farmers, farmworkers, pack-house workers, inspectors, drivers and everyone in the agriculture and food value chain to observe the COVID-19 hygiene and social distancing measures in the quest to grow our economy and feed the people, both locally and internationally.

By DRDLR (<https://www.drdlr.gov.za/sites/Internet/Latest%20News/Pages/South-Africa%E2%80%99s-fifth-break-bulk-reefer-citrus-shipment-to-Japan-and-China-departs-today-.aspx>)

COVID-19 triggers a marked decline in global trade, new data shows

The coronavirus pandemic cut global trade values by 3% in the first quarter of this year, according to the latest UNCTAD data published in a joint report by 36 international organizations. The downturn is expected to accelerate in the second quarter, with global trade projected to record a quarter-on-quarter decline of 27%, according to the report by the Committee for the Coordination of Statistical Activities (CCSA). The report is a product of cooperation between the international statistics community and national statistical offices and systems around the world, coordinated by UNCTAD. “Everywhere governments are pressed to make post-COVID-19 recovery decisions with long-lasting consequences,” UNCTAD Secretary-General Mukhisa Kituyi said. “Those decisions should be informed by the best available information and data. I’m proud that UNCTAD has played a central role in bringing so many international organizations together to compile valuable facts and figures to support the response to the pandemic.”

Commodity prices falling too - According to the report, the drop in global trade is accompanied by marked decreases in commodity prices, which have fallen precipitously since December last year. UNCTAD’s free-market commodity price index (FMCPI), which measures the price movements of primary commodities exported by developing economies, lost 1.2% of its value in January, 8.5% in February and a whopping 20.4% in March. Plummeting fuel prices were the main driver of the steep decline, plunging 33.2% in March, while prices of minerals, ores, metals, food and agricultural raw materials tumbled by less than 4%.

The more than 20% fall in commodity prices in March was a record in the history of the FMCPI. By comparison, during the global financial crisis of 2008, the maximum month-on-month decrease was 18.6%.

At that time, the descent lasted six months. Worryingly, the duration and overall strength of the current downward trend in commodity prices and global trade remain uncertain. Before the COVID-19 pandemic sent international commerce into a tailspin, global merchandise trade volumes and values were showing modest signs of recovery since late 2019.



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