

Field Crops



Global Perspectives

Impact of COVID-19 has been taken into consideration in the global sugar forecast for trade and consumption. It is without a doubt that its impact on the global economy remains highly uncertain. According to USDA (2020), the world production for 2020/21 is forecasted to increase by 22 million tons to 188 million (raw value) due to higher production in Brazil, India, and Thailand. Brazil's production is expected to rebound by 9.6 million tons to 39.5 million as initial concerns about the August-October dry spell in 2019 were offset by steady January-March rainfall that improved the sugarcane harvest. India's production is also estimated to rebound by 17% to 33.7 million tons, as above average water reservoir levels are expected to boost yields and to incentivise growers to harvest additional acreage. Thailand's production is forecasted to recover by 4.7 million tons to 12.9 million on favourable cane yields and sugar extraction rates. Global sugar consumption is expected to increase to a new record due to growth in markets such as India. In Thailand, the consumption is expected to continue increasing due to demand for direct sugar consumption and food-processing. Global sugar exports are estimated to increase sharply with rising supplies. Thailand, with favourable supplies and global demand, are forecasted to reach a record 11.0 million tons' export. Indonesia is expected to return as the world's largest importer, as its production is forecasted to decline by 8% to 2.1 million tons due to lower yields.



Domestic and Regional Perspectives

According to the USDA (2020), South African raw sugar production is expected to increase by 1% to 2.3 million tons in 2020/21. This is based on an increase in the amount of sugar cane delivered to the mills for crushing, improvement in cane quality and mill efficiencies. The percentage of sugar produced from each ton of sugar cane is estimated to increase from 11.9% in 2019/20 to 12% in 2020/21. It is reported that two sugar mills will not be operating in 2020/21, due to the financial difficulties faced by the industry but will have minimal impact on sugar cane production as other sugar mills have the capacity to crush the diverted cane. This may affect the quality of cane and increase cost for growers who will now have to transport for their sugar cane. Local sugar consumption will increase by 1% from 1.6 million tons in 2019/20 to 1.7 million tons in 2020/21. Sugar exports are projected to decrease significantly by 17% to 1.2 million ton in 2020/21, from 1.4 million tons in 2019/20. This is based on the decline in demand due to COVID-19 on global supply chains and economies. Noteworthy that South Africa always exports its surplus sugar regardless of the global prices and sometimes at a loss because of the domestic sugar regulations that stipulate that the price of cane paid to sugar cane growers should be based on revenue obtained from the sugar sales in the local and export market. Mozambique, Namibia, Botswana, Madagascar, United Kingdom, and Angola are the key refined sugar export markets for South Africa. Sugar imports forecast will decrease by 3% to 460 000 tons in 2020/21, from 475 000 tons in 2019/20. Raw sugar imports from Eswatini accounted for 86% of the total South African raw sugar imports in 2020/21. The ending sugar stocks projection will reduce significantly to 75 000 metric tons in 2020/21, from 168 000 metric tons in 2019/20.



Key areas to unlock growth in Field Crops

Global sugar production will likely remain elevated because low crude oil prices are likely to encourage Brazilian sugar mills to focus on sugar production as ethanol becomes uncompetitive as a fuel source. Even with global economic activity rebounds faster than anticipated, demand for oil will be subdued. This is as a result of government restrictions on international and domestic travel and are likely to continue in some form until the impact of COVID-19 can be effectively controlled. Locally, weak protection against cheap imports, the ravages of unprecedented droughts, plunging world sugar prices and a major drop in local demand for sugar due to the introduction of the sugar tax (or Health Promotion Levy) have been threats to the sugar industry. Trade and Industry Minister Ibrahim Patel has ensured the sustainability of sugar industry through the ongoing Master Plan.



Source: ITC. 2020

Livestock and Animal Products



Global Perspectives

In Philippines, due to low farm gate prices in the second quarter of 2020 as a result of the challenges of COVID-19, Post has lowered chicken meat production to 3% growth over the 2019 level. Imports have also been adjusted down to reflect the drop in overall demand. Post forecasts a larger drop in pork production of 15 % (compared to its previous forecast of a 9% decline) in 2020, as AFS policies continue to limit the movement of pork. Speculation and rumours on India’s social media platforms over a possible avian link to the deadly coronavirus has dented poultry sales and put the industry in a pickle. Millions of small poultry farmers across the country are reeling after poultry meat sales crashed by 80% following false claims that chickens are carriers of the coronavirus. First estimates are that India’s poultry industry has been losing US\$1.5 million a day due to lower prices since early January. More than 25 million farmers earn their income in some form of poultry business in India. The Indian poultry sector produces about 4 billion broilers and 93 billion eggs a year and has been growing at between 6-8% per annum. However, the recent crisis has severely destabilised the sector (Poultry World, 2020). Numerous agriculture and related organisations have appealed to the Philippines Department and the Bureau of Animal Industry to stop issuing import permits for chicken meat, pork, and processed meat products as an oversupply is resulting in the decline of farm gate prices. Of the poultry meat imports, 70% comprised of mechanically deboned meat. The imported poultry products are used by meat processing and manufacturing firms, and do not compete in the wet market, where the local producers bring their fresh products. It only takes a relatively minimal volume to move farm gate prices from profit to loss as agricultural products are commodities (Poultry World, 2020).



Domestic and Regional Perspectives

The wool market shed most of the gains from last week and closed 4,2% down at a value of R142,33 c/kg (Clean), with 90,1% of the total offering of 8038 bales sold. The Australian EMI moved 2,7% down this week. This week saw the Rand at 3,3% weaker against the US Dollar and 2,3% weaker against the Euro, compared with the average rate at the previous sale. The market weakened by 7,3% in US Dollar terms. The sixth sale of the 2020 summer season took place in Port Elizabeth today, 15 June 2020, with 145 386 kg's on offer, of which 82% was sold. The offering consisted of excellent individual clips, which attracted good competition between the buyers for the finer microns. The stronger microns remains under pressure due to COVID-19's continuous effect on the world economy and markets. The average market indicator decreased by 3% to close on R231.56 per kg. A highest price of R710.10 per kg was paid for a bale of 24 micron super style kid mohair. As for local meat price for week 25, the price of beef for A2/3 and B2/3 was trading at R43,55/kg and R39,30/kg respectively. Consumers are still adjusting to new lockdown regulations and spending on red meat is still low as some are still recovering from the covid-19 impact and sit-in restaurants continue to be closed. The price of lamb for A2/3 and B2/3 were trading at R 81, 56/kg and R59,35/kg, respectively. Furthermore, as for pork the beaconers were trading at R21,31/kg while the porkers were trading at R22,56/kg(ABSA;2020). In addition, pork and poultry continue to be the most affordable option for local consumers as the lockdown further continues. As more consumers lose their jobs due to the impact of covi-19, the economy continue to be suppressed coupled with high unemployment rates.



Key areas to unlock growth in Livestock and Animal

The minister of Agriculture, Land Reform and Rural Development, Thoko Didiza, has announced the extension of the validity period for the COVID-19 agricultural relief fund vouchers issued to farmers for the collection of inputs from approved suppliers across the country. The minister announced that the expiration date for the vouchers will be extended to 31 July 2020. South Africa's black poultry producers are set to launch their own body to organise themselves into one voice for driving the transformation agenda in the industry. This follows years of no representation at important transformation discussions, including the Poultry Sector Master Plan (Bizcommunity;2020).

Wool and mohair sales

Long fleeces	Wool		Mohair
18.0 microns	Down 2.9%	Kids	Up 1%
18.5 microns	Down 4.7%	Young goats	Down 5%
19 microns	Down 2.3%	Fine adults	Unchanged
18.5 microns	Down 4.8%	Strong adults	Down 3%
20 microns	Down 3.8%	Average	Down 3%

Source: MSA & CAPE WOOL SA, 2020

Fruits and Vegetables



Global Perspectives

The potato crop is a major part of world’s food supply. Currently the world’s fourth most important food crop, and still have the potential to feed more people. However, apart from being a key staple, potatoes are also gaining traction as a crop that offers opportunities for food processors and agribusinesses. The global production of potato is projected to grow at a Compounded Annual Growth Rate of 1.06% between 2019 and 2024. China, Russia, India, the US, and Ukraine are the largest producers of potatoes in the world. China and India account for nearly 35% of the potato world production. Noteworthy, the Chinese potato industry has a growing capacity to process potatoes and industrial development is quick. China has a distinct advantage in the international market because its potatoes prices is lower than the global average. It is highly commended that South African potato industry, produces quality yield that can also compete in the world and is keen to explore the prospects of increased global trade in potatoes. Approximately 25% of South African potato production goes for processing (mostly crisps and French fries). Moreover, the increase in potatoes mash consumption at a household level and restaurants also provide the South Africa potato industry market opportunities. With the new normal life and consumption pattern, fresh vegetables like potatoes, will without a doubt gain attraction by many people in the domestic level.



Domestic and Regional Perspectives

Potato has been ranked as a leading consumable vegetable in the country and internationally, because of its affordability and rich in nutrients such as starch and protein. The South African potato industry contributes approximately 45% of the vegetable sales and is a significant product that is produced by both commercial and emerging farmers. On average the potato industry has recorded a stable growth of 3% per annum for the past decade. This is a result of industry investments on the latest seed technology that improves yields and reduce diseases, production practises that enhance quality and food safety. However, due to lockdown regulations the closure of fast-food outlets, restaurant, hotels and informal trading has heavily affected the potato demand, which consequently has suppressed the potato producer prices. Large potatoes are a premium product for these buyers and compose 20% of the total potato supply on the market. In the past 3 months potato prices especially, large sizes were very low on the National Fresh Produce Markets. The average price of the potatoes in the Fresh produce markets changed from R49.50 in January 2020 to R37,95 in May 2020. South Africa has been on lockdown for more than 90 days now, and is slowly reopening the economy by easing some lockdown restrictions. However, it seems as if there is light at the end of the tunnel, as we moving down to level-2 potato industry will regain its momentum demand as sit in restaurants, and hotels will be allowed to operate. As of the 24th June potato prices on the Johannesburg fresh produce market are seating at R45 per 10 kg meaning the potato industry has started to enjoy its market benefits.



Key areas to unlock growth in Fruit and Vegetables

Farmers have been negatively affected by the lockdown, which has gone for over 3 months now. One of the major challenges that have arisen due to the lockdown is that of low demand and subsequent low prices – one of the key factors being the closure of the food service sector. As a result, there was over supply, particularly of fresh produce, in the market. The producers have been the hardest hit. Such hiccups are likely to raise uncertainties in the next planting season if the demand for fresh produce does not pick up quickly before then. The contractual arrangements, for those who have contracts with the markets, may be revised for the upcoming season. In turn, seed growers will largely depend on how farmers respond to market dilemma. Furthermore, disruptions in the supply side (e.g. the temporal closure of the Tshwane Fresh Produce Market) will likely delay the recovery of producer prices if they occur regularly and for extended periods.

Top 3 vegetables

Commodities	Total value sold Total	Quantity sold	Total kg sold
Potatoes	R4 637 307	125 383	1 216 147
Tomatoes	R2 927 245	110 42	341 566
Onions	R2 524 624	72 03	542 681

Source: Joburg Fresh Produce Market (2020)

Source of information

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DAFF Marketing information system: http://webapps.daff.gov.za/amis/amis_price_search.jsp

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