Market Intelligence Report: Week 31 of 2020

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Field crops

Global Perspectives

Global wheat production is pegged at 761.5 million tons, up by 3.2 million tons from previous month. The bulk of the monthly increase reflects an upward revision to Australia's wheat production forecast of about 5.5 million tons. Improved yield prospects are underpinned by earlier widespread rainfall and favourable weather forecasts for the remainder of the season. Wheat production is also predicted to rise in India by 2.2 million tons due to larger planted area and higher yields. Russia is also expecting higher wheat production of about 2.0 million tons. Surprisingly, the increases in these countries record an offset cutback to the European Union (EU) wheat production by 5.5 million tons and UK by about -1.5 million tons (FAO, 2020). In Argentina, maize, wheat and barley production are estimated to increase at 47.6 million tons, 40 million tons and 3.5 million respectively. About 500, 000 tons of sorghum export was destined to China. As of June this year, sorghum prices had recovered by R229 per ton and currently selling at R215 per ton, lower as compared to last month peak. Due to the coronavirus worries hang over market, and this has led conservative producers to replace soybeans with corn so as to reduce costs and risks (USDA, 2020).

Key areas to unlock growth in Field crops

The forecasted export growth mostly reflects the sufficient domestic supplies due to the large 2020 maize harvest, while the weak national currency, driven by the effects of the COVID-19 pandemic, is further supporting the outlook given the increased competitiveness of locally produced maize in the international market. Maize and wheat remain key grains to curb food insecurity, however, the impact of lockdown has a dire effect in economic activity due to job losses which may impact on the household ability to purchase food.

Domestic and Regional Perspectives

Planting for winter wheat crop production season was completed in June and the harvest is expected to begin in October this year. Overall production for grains this year is forecast at 18.3 million tonnes, 30% higher than the five-year average representing a significant recovery. Production is forecasted at an average level of 1.65 million tons in 2020. This is an offset for earlier expectations of a large decline in the planted area, improved rainfall in June in the high wheat producing areas such as the western regions and record high prices of wheat during the planting season. This development has encouraged farmers to sow more than initial intentions, lessening the y-o-y decline in plantings. Maize exports are expected to be above the average level of 2.5 million tons in the 2020/21 marketing season (May/April), more than 1 million tons above previous year. Exportation of white maize is most likely to be concentrated within the SADC region, with Zimbabwe foreseen to be one of the main destinations. Zimbabwe lifted import restrictions on GMO grains, mainly produced in SA. The bulk of yellow maize exports are expected to be shipped to East Asia, mainly Republic of Korea, Japan and Taiwan, which have so far collectively imported nearly 0.5 million tons of yellow maize since May 2020. Due to sharp Rand depreciation between March and April 2020, wholesale prices of maize declined between May and early July. Wheat prices fell in June due to the depreciation of Rands and the low prices in the international market (FAO, 2020)

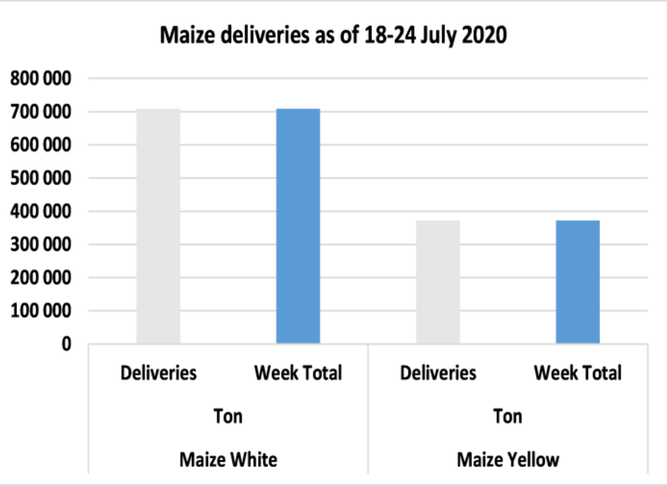

Figure 1: South Africa's maize deliveries
Source: SAGIS, 2020

Livestock and Animal Products

Global Perspectives

The global agricultural industry continues to adapt to the current situation with outlooks for various industries changing while others remain relatively the same. The USA, Mexico and Canada a few weeks ago have strengthened North America trade by signing United States-Mexico-Canada agreement which took effect on the 1st of July 2020. Still in North America, USA dairy exports have significantly increased over a couple months reaching a value of US$2.7 billion, an increase of 12% y-o-y (USDA, 2020). Presently, the biggest milk (or dairy products) exporting countries/regions in million tons are EU-28 (155.2), USA (99.1), New Zealand (21.9), Argentina (10.6) and Australia (8.8). East Asia's beef market reported that live cattle trade volumes remain strong in spite the ongoing pandemic. However, Australian feeder and slaughter cattle supplies are down and as a result, prices have somewhat increased (Seabeefreport, 2020). In Europe, beef and live animal exports have shown mixed reactions in numbers during the COVID-19. Beef exports to Ghana have increased significantly y-o-y by 28% while decreasing to Algeria (13%), Hong Kong (1%) and Israel (29%) (Beef CMO, 2020). These variations in exports can be linked to the pandemic as countries intensified their staple foods towards the end of the first quarter of the year.

Domestic and Regional Perspectives

Domestically, beef, mutton and pork producer prices showed an uptick trend while poultry slight fell during the week of 17 July 2020. These variations in prices among other things were caused by lower supply in animals due to producers in major supplying regions being busy with harvesting summer crops, see figure on the far right for recent price trends (RMAA, 2020). After measures were taken to safeguard the poultry industry from unfair play within the global market in March 2020, a noticeable decline in imports, particular for eggs was observed. Normally Brazil, Netherland and Denmark are among the top egg suppliers for South Africa. As of April 2020, only small quantities of eggs have been received onto our shores from the USA (ITC, 2020). On the positive side, egg production has shown an uptick with a weekly average increase of 8.7% in the first quarter of the year (SAPA, 2020).

Key areas to unlock growth in Livestock and Animal Products

Between 2020 and 2029, global livestock production is expected to expand by 14%, supported by low feed prices. Poultry is expected to be the fasted growing meat from developing countries. Presently South Africa accounts for 73% of poultry production in the SADC region; however, it only exports 2% of that production. Increasing poultry production together with export footprint is important. The policy space should enhance emerging poultry producers and expansion in export footprint. There is enough market space both domestically and regionally. However, government and the industry need to quickly adjust to new ways of poultry production otherwise the next few years will be challenging, particularly for the egg industry.

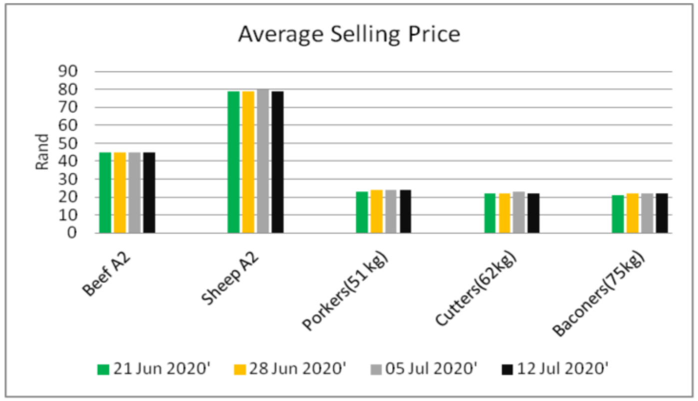

Figure 2: South Africa's average selling price for livestock products
Source: RMAA. 2020

Fruits and Vegetables

Global Perspectives

Here, focus is on strawberry, cherries and bananas. China and the United States (US) are the top producer's strawberries. Spain is the major exporter of fresh strawberries but Egypt was recently ranked the top exporter of frozen strawberries (Tridge 2020). However, Egypt was recently affected by rainstorms which destroyed the crop. Since the start of the 2020, the global prices of strawberries have been fluctuating due to the trade distortion effects of Covid-19. The average price of strawberries in the US for the week of July 20 - 27 was US$ 4.82 per Kg, which is double the price when compared to week of June 7 (US$ 2.08/kg). Largest weekly (July 20 – 27) domestic price increases of strawberries were recorded in Chile (21.3%) and Belgium (14.2%) while the largest decline in prices during the same period were registered in Argentina (11.4%) and Ukraine (7.3%). Turning to cherries, Turkey and the US are the leading producers in that order but Guyana is the leading exporter while Guatemala leads in imports. The price of cherries has also been fluctuating depending on the size of the fruit. Cherries with 14 - 26-millimetre diameter cost between US$2.5 and US$3.5 per kg. The largest increase in the weekly domestic price (July 20 – 27) occurred in Turkey (38.2%) and Spain (23.8%) while the largest decline was in Italy (27.4%) and Japan (6.5%). For bananas, India and Ecuador are the largest producer and exporter respectively. Globally, the domestic prices of bananas have increased by 0.7% since last week but countries that registered the largest rise in prices include South Korea (51.7%) and India (3.5%).

Domestic and Regional Perspectives

South Africa's import of bananas grew by 46% between 2015 and 2019. We are a net importer of bananas by a large margin, whereby the negative trade balance was valued at US$ 35 million in 2019. We import 68.4% and 12.8% from Mozambique and Eswatini, respectively. The production has been fluctuating over the years, however, about 380 000 tons is produced on average in the last 15 years. This year's crop was affected by cold fronts in late June 2020, which affected volume and quality (Farmer's Weekly, 2020). Cherries have registered an increase in area planted over the last 6 years as well as production, except for the drought year2016/17. About 636 tons was produced in 2018/19, where 54% was sold locally and 37% exported. About 65 263 cartons have been exported in this season so far, which is 9% lower than the 2018/19 season. Lower sales in local markets were experienced, likely due to lower demand and supply. Strawberry exports declined in March and April 2020 as compared to the corresponding months in 2019. SA exported 22 783 kgs and 16 926 kgs in March and April, 2020, respectively; while exported 28 494 kgs and 38 548 kgs in March and April, 2019. This might be due to disruptions in logistics in the Cape Town airport due to the lockdown, as well as unfavourable weather conditions. Major destinations of strawberries is UAE (41%) in 2019 and the rest to neighbouring countries (Botswana, Namibia and Mozambique).

Key areas to unlock growth in Fruit and Vegetables

Climate change is a reality, in the past few months banana producers in South Africa were negatively affected by cold weather conditions that lead to compromised quality and lower volumes. Hence, agribusinesses to achieve success in today's changing world, innovation is key and one of the best options tested by Chile is the use of agricultural plastics. In Chile, cherry production has experienced outstanding growth in the past few years with the use of agricultural plastics to optimize most of their crops. Plastics assist to increase production yields, and create the ideal scenario to perform the planting and harvesting work throughout the year, without having to rely on a specific season. However, in South Africa about 40% of cherry orchards were planted between 2017 and 2018, and 55% of cherries produced were sold locally. While in terms of bananas the country is a net importer and, exporting relatively small quantities of strawberries and cherries. There is a potential to expand production of these fruits, however access to finance is critical, with high set-up costs. Market opportunity exist both locally and internationally.

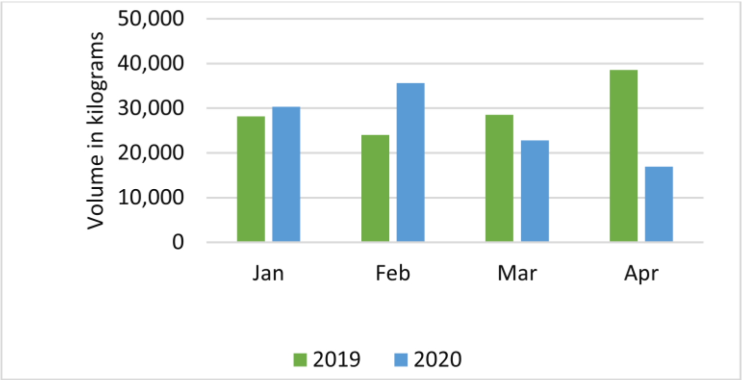

Figure 3: Exports of strawberries (2019 vs 2020)
Source: TradeMap, 2020

Source of information

South Africa Cane-Growers (SA-canegrowers, 2020) - https://sasa.org.za/facts-and-figures/

United Staes Department of Agriculture (USDA, 2020) - https://apps.fas.usda.gov/psdonline/circulars/cotton.pdf

Cotton South Africa (CottonSA, 2020) - https://cottonsa.org.za/resources/economic-info/

Agriplastics (2020).https://agriplasticscommunity.com/cherry-production-how-to-increase-your-productivity/

Tridge (2020). Egypt ranked top exporter of frozen strawberries

Farmer's Weekly. Tomatoes, bananas worst affected by country-wide cold fronts. https://www.farmersweekly.co.za/agri-news/south-africa/tomatoes-bananas-worst-affected-by-country-wide-cold-fronts/

Southeast Asia Beef Market Report (seabeefreprot, 2020) - https://seabeefreport.com/

Beef and Veal Market Situation (Beef CMO, 2020) - https://ec.europa.eu/info/

South African Poultry Association (SAPA, 2020) - http://www.sapoultry.co.za/

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Red Meat Producer Organization (RMAA, 2020) - http://nahf.co.za/report-rmaa-price-information-system-week-27-29-june-to-5-july-2020/

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