



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20

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WEEK: 32



Grains and Oil Seeds

Global Perspectives

Global soybean production is forecast at 365.3 million tons, an increase by 27 million tons from 2019/2020 season. Brazil's production is projected at 130 million tons, surpassing USA estimates of 112.5 million tons. China remains the key market for soybeans. Imports for China are estimated to reach 96.5 million tons, with Brazil intending to avail 83.1 million tons for the export market while the USA intends to export 55.8 million tons in the same marketing year. The key issue in the global market is who will remain the major players for the Chinese market between Brazil and USA. During the current COVID-19 situation, the relationship between USA and China seems to have worsened following Mr. Trump's comments about the origins of the COVID-19 pandemic. Global soybeans crushed for oil and oilcake is pegged at 318 million tons due to improved crushing capacity from Argentina, Brazil, China, Russia, South Africa, and the USA. With the total use of soybeans in the Global markets seen advancing at 3%, inventories are likely to increase only marginally. Trade is projected at a new high, as a result of stable demand from buyers in the Asian markets. (IGC, 2020)

Domestic and Regional Perspectives

Domestic soybeans supplies are projected at 1 619 million tons for the 2020/21 marketing season, including carryover stocks of 138 thousand tons from 2019/2020 season. Local total demand is projected at 1 449 million tons, including 1 260 million tons crushed seeds for oil and oilcake. Soybeans trade indicates positive prospects. About 250 thousand tons are projected to be imported to balance the ending stocks at the end of the current marketing year. Locally soybeans future prices are forecast to rise by 0.4% to 0.5% month on month between August and September 2020 (SASDE, 2020). The current soybeans price is trading at R7264.00 per ton for 07/08/2020. Zambia's production for the 2020/21 marketing season is projected to improve by 1.4% at the back of increased area planted and favourable climatic conditions during the previous planting season. In most areas of the region where rainfall performance was poor during the previous planting season, many households did not receive a meaningful harvest. Conflicts between DR. Congo and Cabo Delgado in Mozambique continue to threaten agricultural livelihoods and are already creating more pressure on regional food security. South Africa and Zambia are to remain the key players in the regional supplies for grains and oilseeds following the bumper harvests for the 2020/21 marketing year.

Key areas to unlock growth in Grains and Oil Seeds

The current tensions between China and the USA create a situation for alternative market opportunities. Local and regional potential needs to be boosted to enhance more production for both local and international markets. China's demand for oilseeds is projected to continue rising shortly. Local consumption of soybeans is dependent on other sectors like the livestock industry for oilcake. Any potential increase in the local poultry industry is likely to drive demand for soybeans. The local poultry industry is currently reviewing its master plan, which is intended to bring more opportunities for other sectors like the oilseeds industries.

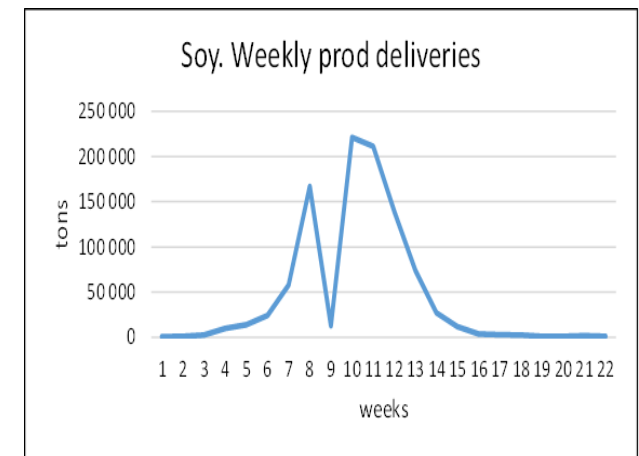


Figure 1: Soybean weekly deliveries
Source: SAGIS, 2020

Livestock and Animal Products

Global Perspectives

The US Exchange of live cattle for futures contract has risen for five straight sessions, its longest stretch of higher closes since March. But the daily gains have been modest and the front-month contract has risen by just 2.5% during the streak (Reuters, 2020).

China will encourage foreign investment in livestock and poultry breeding, as well as plant-based meat substitutes, from this year. The move by the National Development and Reform Commission strives to boost supplies of meat and alternative protein sources to plug a major pork shortage after African swine fever decimated its massive pig herd. China's pig producers have ramped up imports of foreign breeding pigs to rebuild a sow herd that had fallen as much as 60% due to the deadly disease (Reuters, 2020).

Taiwan has increased beef imports from Paraguay over the years to shore up its bilateral relationship and help it weather economic shocks. The economic cooperation agreement that began in February 2018 reduced tariffs. Taiwan emerged as the third-largest beef export destination for the Latin American country in the first half of 2020, while it became the fourth largest beef supplier to Taiwan. The country imported 2 104 tonnes of beef from Paraguay in 2015, and that number is expected to grow 10 times higher this year (Cattle Site, 2020).

Domestic and Regional Perspectives

In late July, the Minister of Environmental Affairs, Forestry and Fisheries, Barbara Creecy, announced the ban of inter-provincial travel for South Africa's many subsistence hunters. Implying that hunters are only be allowed to hunt within their provinces. This has a very negative effect on the hunting industry as it is already suffering from the ban on tourism activities. In recent years, the hunting sector contributed an excess of R12 billion annually (Farmers Weekly, 2020).

The National Council of Society for the Prevention of Cruelty to Animals (NSPCA) has initiated a ban on the export of live sheep by Al Mawashi. Al Mawashi has managed to assist smallholder sheep farmers in the Eastern Cape and part of the Northern Cape to access premium markets in Kuwait. Due to the low local market prices, the export market provides better prices for producers while also stabilizing producer prices. If the ban takes place, smallholder farmers will lose a lot of money as it is stated that during the first shipment 8% of the stock belonged to smallholder farmers, 14% during the second shipment and currently standing at 21%. The share of stock from smallholder farmers is expected to grow to 35% in the near future. Trade flows of sheep and goats are shown in Figure 2.

Key areas to unlock growth in Livestock and Animal Products

Plant-based meat food options are still more expensive on average than regular meat offerings across restaurants, thereby limiting their popularity. But recently, plant-based meat companies have started reducing their prices in order to be more competitive against the real meat products. This trend has seen the US retail market growth of plant-based meat to 18% in 2019, since more consumers are becoming more health conscious. However, this trend poses a threat for livestock farmers as it decreases the demand for meat products, putting farmers at financial risk. African countries like South Africa of which most of the livelihoods depend on agriculture, this trend could be catastrophic hence consumers need to be educated about the implications of buying of real meat. Farmers also need education and support on how to adapt and remain competitive during these changing times of the 21st century.

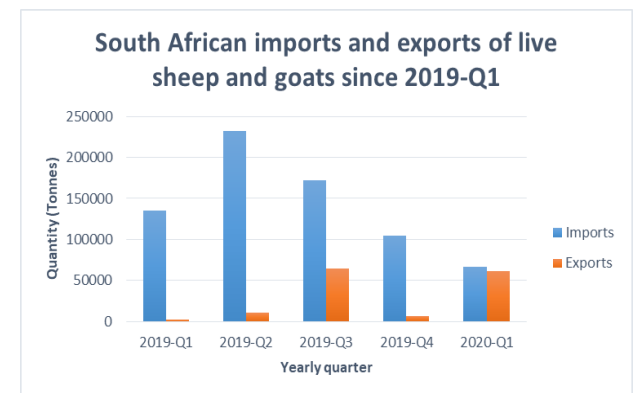


Figure 2: SA imports and exports of live sheep and goats
Source: ITC, 2020

Fruits and Vegetables

Global Perspectives

According to the World Apple and Pear Association (WAPA) report, the production of apples in the Southern Hemisphere is estimated to fall by about 1% during the 2020 season as compared to the previous season. Note that countries in the Southern Hemisphere considered here include Argentina, Australia, Brazil, Chile, New Zealand and South Africa. Chile, Brazil and South Africa are the top 3 largest producers. Production growth is positive for New Zealand (6%), South Africa (5%) and Brazil (4%). However, this is offset by the negative growth in Australia (11%) and Chile (8%), hence the 1% decline overall. The top 3 varieties that are responsible for the decline in the overall production are the Braeburn (11%), Fuji (6%) and Granny Smith (4%). Pears production in the Southern Hemisphere is estimated to decline by 3%, with all the countries (Argentina, Australia, Chile, New Zealand and South Africa) considered here recording a decline. Argentina, the largest producer, is anticipated to record a 2% decline and a 1% decline may be recorded in South Africa (second largest producer). The smallest producer -New Zealand is estimated to record a 12% decline. The production of the Beurre Bos c variety is estimated to decline by 5%, followed by the Williams BC by 4% while the rest of the varieties will decline by 2%. Production in Europe, on the other hand, is estimated to decline by 1% for apples and increase by 12% for pears, as compared to the 2019 season (Hortgro, 2020).

Domestic and Regional Perspectives

According to Hortgro, South Africa's exports of apples are estimated to increase by 4% as compared to exports of the 2019 season. Among the most produced varieties, the Golden Delicious, Royal Galagala, Fuji, Pink Lady and Cripps pink are estimated to record a 5%, 9%, 10%, 7% and 4% increase in exports respectively, while Granny Smith is estimated to record a decline of 13%. A report by the Agri-hub indicates that exports of apples rose by 5% in week 31 of 2020 as compared to 2019 exports during the same period (See Figure 3). Overall exports of pears are estimated to decline by 7% with the Packham's triumph variety being the only one among the top exported varieties that is set to increase by 19%. Rosemarie also indicates some positive prospects of about 16% growth in exports. In week 31, the exports of pears were down by 13% compared to exports of 2019 during the same week.

Key areas to unlock growth in Fruits and Vegetables

It is obvious that Covid-19 has had negative effects on the income of farmers due to efforts by the farmers to comply with the stipulated regulations. These efforts include the purchasing of sanitizers, masks and in some instances, the provision of transport for workers. This is coupled with limitation of migrant labour as has been indicated in some parts of Europe. The ongoing trade negotiations between the European Union (EU) and the United Kingdom have also been cited as a threat to the stability of trade flows in horticultural products. However, the extent of these factors is not known yet and will be monitored very closely in the near future.

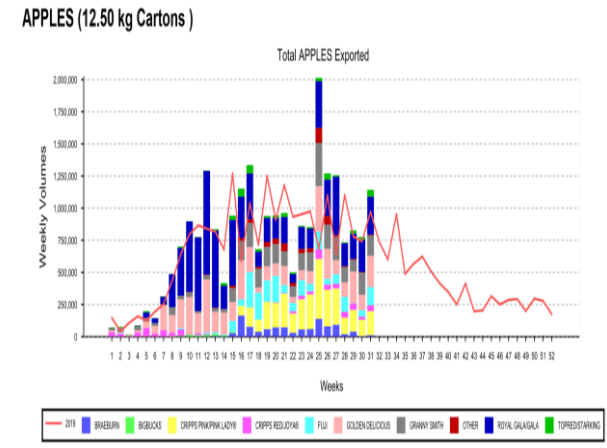


Figure 3: Exports of apples – Week 31
Source: Agri-hub, 2020

Source of information

International Grains Council (IGC, 2020) - <https://www.igc.int/en/markets/marketinfo-sd.aspx>
South African Supply and Demand Estimates (SASDE, 2020) - <https://www.namc.co.za/category/research-publications/supply-demand-estimates/>
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WAPA (2020): http://www.wapa-association.org/asp/page_1.asp?doc_id=447

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