

TRADE PROBE

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on wheat import parity prices in
South Africa**

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**agriculture, land reform
& rural development**

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



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Promoting market access for South African agriculture

FOREWORD

Welcome to the eighty-second (82nd) 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 selected agricultural commodities on post COVID-19 pandemic perspective. This follows the fact that some commodities were affected by COVID-19 outbreak which resulted in the prohibition of local sales and also the exportation. The topics of interest that are covered include: Effect of COVID-19 lockdown on wheat import parity prices in South Africa; Tobacco industry in the midst of COVID-19 and humankind; and what level 2 of lockdown means for South Africa's wine industry. 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.

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Effect of COVID-19 lockdown on wheat import parity prices in South Africa

By Moses Lubinga

Since late last year (2019), the outbreak of the coronavirus responsible for the disease known as COVID-19 has been ravaging a number of countries, irrespective of whether or not the country is regarded as developed. In the interest of ensuring that their citizens were food secure, several countries imposed temporary trade restrictions on a number of agricultural products, including cereals, fruits and vegetables. Although South Africa imposed restrictions on the sale and distribution of some non-essential products like alcoholic beverages and tobacco products, which are directly linked to primary agricultural products (including wine grapes, barley and tobacco), activities within the agricultural sector were generally permitted to proceed smoothly. This unprecedented time of the pandemic, during which some countries (including Russia and the countries of the Eurasian Economic Union) imposed temporary trade measures on wheat, presents a case for South Africa to scrutinise how this global shock is affecting the price of wheat. It is important to note that South Africa is a net importer of wheat and, according to the supply and demand estimates of July 2020, imports for the 2019/20 marketing season are projected at 1.85 million tons while exports are forecasted at 0.13 million tons.

In this article, the aim is to establish the nexus between the response of governments (stringency) during the lockdown (so far) and the import parity price of wheat. A stringency index is used as the yardstick to measure any government stringency during the different phases of the lockdown basing on various measures in response to the COVID-19 pandemic. The index ranges from 1 to 100, whereby one (1) is the least stringent and 100 is the most stringent. Therefore, very stringent measures in countries that supply wheat might influence import parity prices in the recipient countries, thereby influencing the final consumer prices.

According to Figure 1, which illustrates trends of the SAFEX price of wheat, import parity prices (for wheat from the United States of America (USA), Argentina and Germany) and the corresponding daily stringency indexes since early February 2020, it can be noted that all the above countries started to impose very stringent response measures during the first two weeks of March. However, by 26 March 2020, all countries had drastically become very stringent to the extent that Argentina attained the most stringent level (index = 100), while South Africa, the USA and Germany were at 88.0, 72.3 and 76.9 respectively.

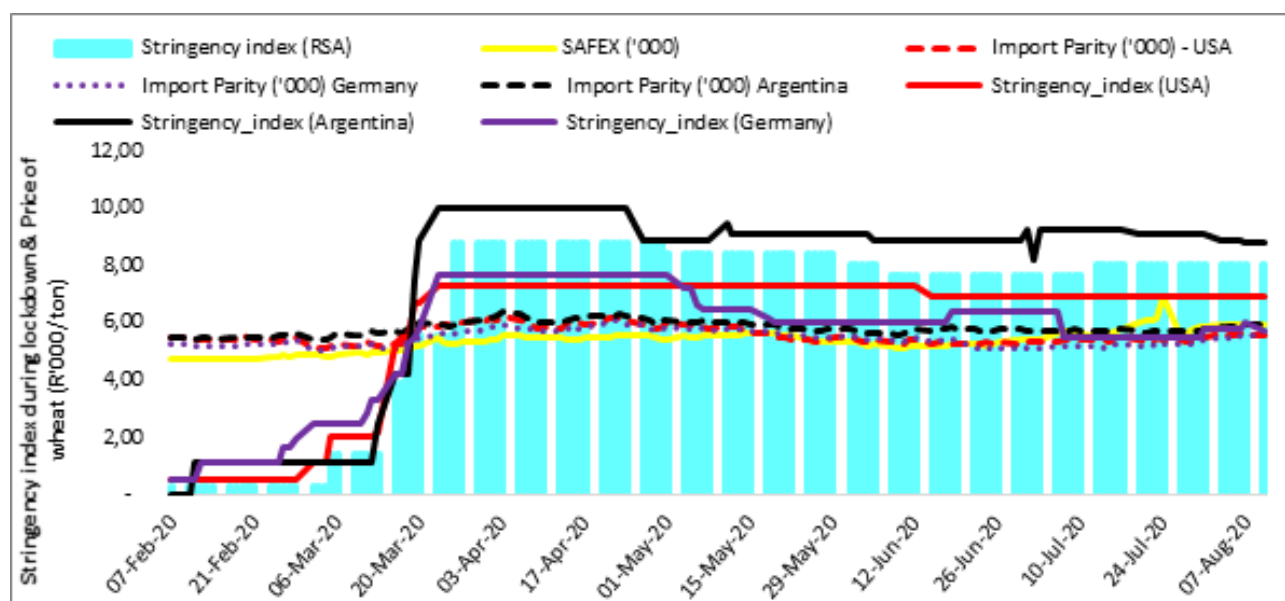


Figure 1: Trends for stringency of governments and wheat import parity prices

Source: Grain SA

From **Figure 1**, there are three timeframes with distinct changes in government stringency towards the pandemic, as illustrated in Table 1.

Table 1: Effect of stringency during lockdown on wheat prices in South Africa

Timeframe	Change in stringency during lockdown				Change in wheat import parity prices			
	RSA	USA	Argentina	Germany	RSA (SAFEX)	USA	Argentina	Germany
March 05 – 25	300%	257%	800%	207%	9.8%	13.9%	7.6%	8.8%
May 01 – 30	0.0%	0.0%	2.1%	-22.3%	-1.8%	-9.0%	-5.2%	-6.9%
13 July – 10 August	0.0%	0.0%	-5.0%	3.4%	7.8%	2.4%	3.7%	6.7%

Source: Author's compilation

Between 05 March and 25 March, all four countries registered significantly high levels of stringency, with Argentina recording an 800 % increase, followed by South Africa (300 %), the USA and Germany in that order. Correspondingly, the SAFEX price of wheat at Randfontein in South Africa also increased by 9.8 % within the same timeframe. This increase was largely driven by a 13.9 % increase in the import parity price of wheat sourced from the USA, followed by Germany (8.8 %) and then Argentina (7.6 %).

For May, the level of stringency in South Africa and the USA remained constant at 84.26 % and 72.69 % respectively. Conversely, Argentina became more stringent by 2.1 % (from 88.89 % to 90.74 %), while Germany's stringency reduced by 22.3 % from 76.85 % (01 May) to 59.72 % (30 May). Overall, these changes in stringency during the lockdown can be linked to the 1.8 % drop in the SAFEX price of wheat, but largely being driven by declines in the import parity prices of wheat from the USA (9.0 %), Germany (6.9 %) and Argentina (5.2 %).

During the third phase (13 July – 10 August), the stringency levels in South Africa (80.56 %) and the USA (68.98 %) did not fluctuate, but Argentina's declined by 5 % and Germany's increased by 3.4 %. In South Africa, the SAFEX price of wheat increased by 7.8 % (to R5 899 per ton as of 10 August), and this was largely driven by a 6.7 % increase in the im-

port parity price of wheat from Germany, Argentina (3.7 %) and the USA (2.4 %).

Conclusion

The devastating effects of the COVID-19 pandemic are eminent in the various spheres of economies globally. With particular focus on international trade, many countries responded to the pandemic by imposing temporary trade measures on a number of agricultural products, wheat included. Although major suppliers (Argentina, USA and Germany) of wheat to South Africa did not impose temporary trade measures, other measures imposed in their economies are having indirect effects on the import parity prices in South Africa. The USA and Germany are key suppliers of wheat to South Africa, to the extent that any stringent measures imposed in response to COVID-19 in those economies have significant effects on the price of wheat in South Africa. Thus, it is prudent to conclude that stringent measures imposed during lockdowns are directly associated with increases in wheat import parity prices, which are passed directly over to the consumers through higher retail prices.

Then what? – South Africa should consider diversifying the sourcing of wheat from other countries so that when major suppliers experience shocks like the ongoing pandemic, the risk of price spikes is minimised.

Tobacco industry in the midst of COVID-19 and humankind

By Fezeka Matebeni

Tobacco remains a dominant cash crop in many low- and middle-income countries, and it is estimated that around 0.08 % of agricultural land worldwide is used for the growing of tobacco. According to Appau et al. (2019), tobacco production is primarily concentrated in regions with a mild and sunny climate, which is suitable for the cultivation of tobacco plants. The consumption of tobacco products requires one major input – tobacco leaf. Tobacco has critical implications for public health, and therefore more research needs to be done with regard to the supply-side dimensions of tobacco.

Global tobacco industry overview

China, India and Brazil were rated among the leading tobacco producers worldwide in 2018, followed by the United States. China was the biggest tobacco producer worldwide in 2018, with an amount of some 2.2 million metric tons of tobacco produced in 2018. Freeman, Winstanley and Bayly (2019) reported that the largest tobacco company in the world was the state-owned China National Tobacco Corporation with a 98 % market share in China in 2018, followed by Philip Morris with 21.7 % of the global market, then British American Tobacco, Japan Tobacco International and Imperial Brands. In terms of consumption, according to British American Tobacco (BAT, 2019), the total tobacco consumption, including illicit, declined by 2 % from 2018 to 2019. The decline is forecasted to remain between 2 % to 3 % over the next three years, while the retail value of tobacco sales is expected to increase by between 2 % and 4 % each year, driven principally by pricing. The World Health Organisation (WHO, 2019) reported that in the

past two decades, the overall global tobacco use has fallen by approximately 60 million people, from 1.397 billion in 2000 to 1,337 billion in 2018, which has been largely driven by reductions in the number of females using these products from 346 million in 2000 down to 244 million in 2018. Over the same period, male tobacco use rose by around 40 million, from 1,050 billion in 2000 to 1,093 billion in 2018 – in other words, approximately 82 % of the world's current 1.337 billion tobacco users.

BAT (2019) reported that in 2018, the legal global tobacco market sales were estimated at approximately US\$814 billion. More than US\$700 billion of this came from the sale of conventional cigarettes, with over 5,300 billion cigarettes consumed per year by over 19 % of the world's population. The rise in illicit consumption has had a negative impact on the tobacco market. The illicit tobacco trade is estimated to account for 11.2 % of the global tobacco market. BAT (2019) highlighted the fact that tobacco is one of the world's most regulated and most taxed industries, contributing in excess of \$200 billion to government treasuries each year. Tax from the tobacco industry is a reliable source of income for many governments worldwide, although the illegal sale of tobacco remains an appealing prospect. Sanctions in regions such as Australasia mean that the legal volumes are declining while the illicit trade is increasing. However, in countries such as South Africa, effective action has reduced the prevalence of the illegal tobacco trade, and legally traded volumes have been restored.



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Global perspective on the tobacco industry during COVID-19

During the COVID-19 pandemic, the issue of tobacco smoking and the risk for acute respiratory infection is again topical. The Global Center for Good Governance in Tobacco Control (GGTC, 2020) mentioned that the World Health Organization reported on 24 February 2020 that smoking is a risk factor for the severity of any lower respiratory tract infections such as COVID-19 since it is also a respiratory disease. Health experts identified smokers as a potentially vulnerable group to COVID-19, which resulted in an outright reduction of smoking in several countries. In South Africa, the ban of tobacco occurred on 24 March 2020; however, the tobacco industry's public relations and social media responses reveal that it is utilising the global COVID-19 crisis to promote switching to heated tobacco or "vaping", and condemning those who call for outright quitting. They speculated that the antiviral and antibacterial properties of a vape ingredient could be beneficial in curbing COVID-19 transmission.

The WHO (2020) and GGTC (2020) reported that the tobacco industry attributes a net loss of US\$1.4 trillion to the global economy annually. The tobacco industry kills around 8 million people every year due to cardiovascular diseases, lung disorders, cancers, diabetes and hypertension, especially in low- and middle-income countries where 80 % of smokers live. There is mixed evidence on the role of smoking on COVID-19 infection and associated outcomes. Many questions have been raised about clinical outcomes for smokers and whether they are equally susceptible to infection, and if nicotine has any biological effect on the SARS-CoV-2 virus (the virus that causes COVID-19). The WHO (2020) reported that 34 peer-reviewed studies were conducted to check the risks of smokers related to COVID-19. Currently, there are no peer-reviewed studies that have evaluated the risk of SARS-CoV-2 infection among smokers. However, more studies are needed on the risk of smokers being infected by SARS-CoV-2.

The South African government and the tobacco industry in the COVID-19 pandemic

The South African government imposed a 21-day lockdown from 26 March to 16 April 2020, through the Disaster Management Act (57/2002) and amended regulations (Section 27(2)), to contain the spread of COVID-19 in the country. During the initial lockdown, only essential goods were allowed on sale. Tobacco and nicotine products were designated as non-essential goods and their sale was prohibited. South Africa has one of the highest prevalence of tobacco product use in Africa and presently has the highest number of COVID-19 cases on the continent, putting the country at risk of being hard hit by the COVID-19 pandemic if nothing is done to curb the spread of the virus and protect vulnerable citizens. The high prevalence of diabetes, tuberculosis and HIV in the country, compounded by the problem of substance abuse, makes the population more vulnerable. The government has received criticism from some pro-tobacco advocates and academics for the ban on the sale of tobacco products and alcohol during the lockdown. However, the illicit trade in cigarettes in South Africa was in full swing after the ban on the sale of tobacco products at the end of March. Drastic public health measures were introduced around the world during the pandemic. According to the National Department of Health (NDoH, 2019) in the South Africa demographic and health survey of 2016, more than nine million South Africans aged 15 and older smoke, burning through billions of cigarettes every year.

A lobby group known as the Fair Trade Independent Tobacco Association (FITA) took the South African government to court over a controversial ban on the sale of cigarettes implemented as part of the government's strategy for dealing with the COVID-19 pandemic. FITA and the government became locked in a legal battle since the imposition of the ban. British American Tobacco South Africa (BATSA) also argued that the ban on the sale of tobacco products

violated the rights of consumers, including their right to dignity, privacy, and to bodily as well as psychological integrity, and challenged the government in the Western Cape High Court. BATSA also took the government to court with the argument that the prohibition infringed on human rights and harmed the economy through a loss of tax revenue. Independent Online (IOL) reported that the tobacco ban was costing the government R35 million in taxes daily. On 26 August 2020, FITA withdrew its appeal to challenge the ban on tobacco products after reaching an agreement with the government. Both parties agreed to pay their own legal costs incurred during the court battle. Figure 2 illustrates tobacco exports and imports from January 2020 to April 2020. Trade Map, a database of the International Trade Centre (ITC) was yet to be updated with the latest data for May, June and July 2020. During the period under review, exports in January 2020 were recorded at 1212 tons and then declined to 51 tons by April 2020. In April 2020, South Africa exported 29 tons of tobacco to Mozambique, followed by Saint Helena (11.4 tons) and Zambia (10.9 tons), among other destinations. In terms of imports, the volume of imports declined from 1968 tons in January 2020 to 732 tons in April 2020. The main suppliers were Switzerland, Brazil and Zimbabwe in that order.



Figure 2: South Africa's trade in tobacco and manufactured tobacco substitutes

Source: ITC (2020)

Conclusion

Nicotine, the addictive component of cigarettes, can be safe when used in other forms, and there is some biological plausibility regarding a possible role of nicotine in COVID-19 infection. However, irrespective of COVID-19, smoking is uniquely deadly, which is why the South African government opted to impose a ban on the sale of tobacco and its derived products. The South African government demonstrated a quality of leadership in being decisive in the COVID-19 outbreak. South Africa's lockdown restrictions are among the most extreme globally, including a ban on the sale of tobacco products. Obviously, the tobacco industry did not take the government's new policy decision lightly. The ban fuelled an underground cigarette trade that was thriving even before the lockdown. Therefore, the outbreak of COVID-19 opened up loopholes for illicit products to be distributed in South Africa, and this has more than likely created an environment that has encouraged smoking following the lifting of the ban.

What level 2 of lockdown means for South Africa's wine industry

By Lucius Phaleng

Following the initial ban on the sale and distribution of wine and other alcoholic beverages in response to the COVID-19 pandemic, South Africa reauthorised the sale and distribution of alcohol from 17 August 2020. It was on 15 August 2020 that President Cyril Ramaphosa announced that the sale and distribution of alcoholic beverages would be permitted. However, he emphasised that some restrictions would still apply. For instance, sales would only be allowed from Monday to Thursday between 9 a.m. and 5 p.m. at retail outlets, and only until 10 p.m. at restaurants. The reasoning behind lifting the ban and permitting the sale and distribution of alcoholic beverages was due to the decline in the number of new COVID-19 infection cases from 12 000 to 5 000 per day, the decline in active COVID-19 cases, and the improvement in the recovery rate from 48 % to more than 80 %.

While the lifting of the ban was widely welcomed, the economic impact during the ban was devastating. The ban and other restrictions, such as disruptions to exports, have been devastating to the wine industry, and full recovery will take some time. The domestic industry is reported to have lost more than

R25 billion (US\$1.4 billion) in revenue, and around 120 000 jobs were lost. It is also estimated that 80 wineries and 350 wine grape producers will go out of business and about 45 % of craft brewers have closed down. So far in 2020, South Africa's imports of distilled spirits, wine and beer from the United States (US) are already 39 % lower than imports during the same period last year, due to the ban and related restrictions.

The figure below illustrates the volumes of wine exported from South Africa to the global markets, mainly the European Union (EU) and the United Kingdom (UK). The main aim of the figure is to assess export wine performance during 2019 and 2020 in order to depict the impact of the ban on alcohol due to the pandemic. Generally, the volume of wine exported in 2020 (as at the time of writing this article) was lower compared to the 2019 period. The initial alcohol ban was in March 2020, which resulted in declining export volumes in April. However, the lifting of the ban allowed sufficient time and planning for South Africa's exports to be shipped and distributed for the demand season.

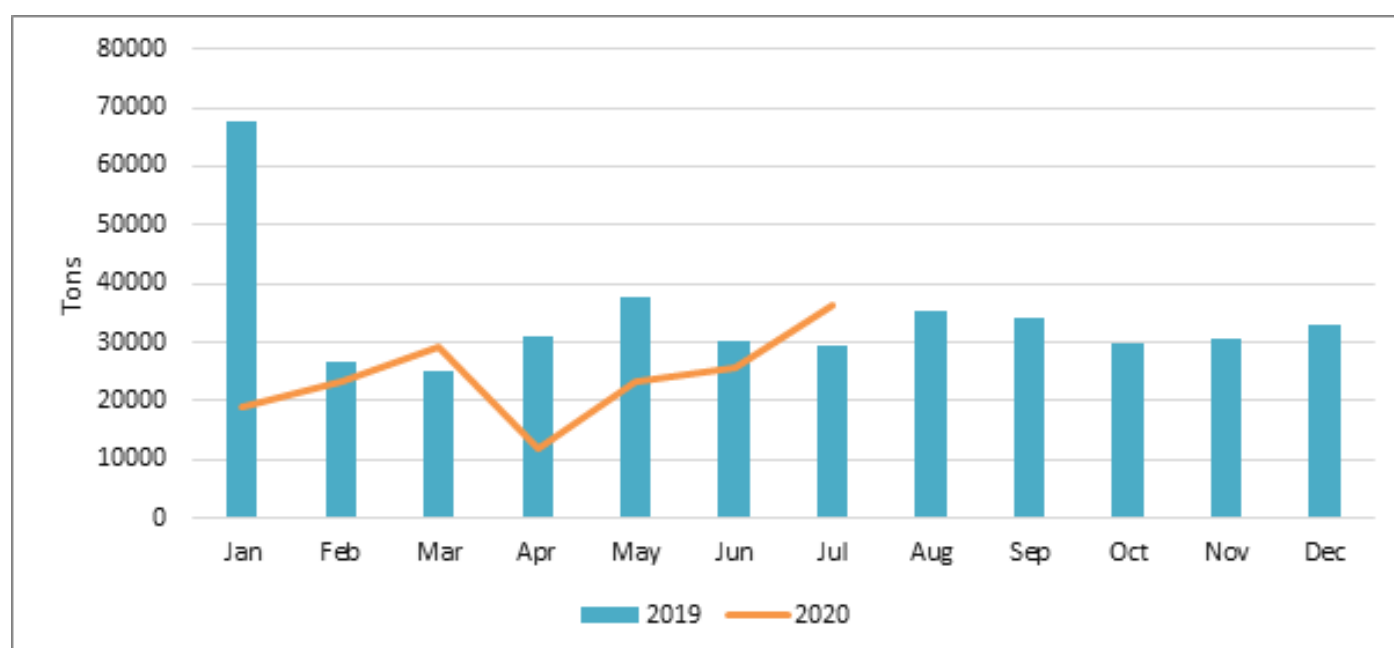


Figure 3: South Africa's wine exports 2019 (JAN-DEC) & 2020 (JAN-JUL)

Source: SARS Trade Statistic & Own Calculations (2020)

COVID-19 impact on the wine industry

As previously mentioned, South Africa's wine industry has been negatively affected in the context of COVID-19, notwithstanding the agricultural sector being identified as an essential service. The ban on alcoholic products has affected the wine industry as a whole, and also the farmworkers and families working and living on wine farms in the Western and Northern Cape provinces. The wine industry creates about 300 000 employment opportunities that exist through the value chain. The ban has resulted in a loss of jobs in the upstream supply of items such as yeast, bottles, labels, etc. Approximately 50 % of wine is consumed on the domestic market, whereas the remaining share is for the export market. Therefore, due to the alcohol ban, the wine industry lost more than R4.5 billion in revenue that could have been generated from domestic wine sales. The revenue loss from the wine industry has had a negative impact on the operation of businesses in the wine sector, thereby leading to significant job losses along the value chain. The situation harmed the industry and compelled some wine producers to stop operating. The considerable impact resulted

in increased wine prices on the local and global markets due to a shortage or limited supply (USDA, 2020). Globally, South Africa lost more than 20 % of its market share to its competitors in key retail shares in the export market (Vinpro, 2020).

Wine industry post-COVID-19

South Africa's wine industry after the pandemic should continue monitoring the situation to ensure that its world imports are treated equally as domestic sales resume, as per the World Trade Organization (WTO) guidelines. It is important for the wine industry to now focus on working across the value chain to begin to rebuild the industry and contribute to the revival of the country's economy. The industry also needs to recover its lost market share in both the domestic and international markets, while also reinitiating the process of job creation and responsible growth for the industry. South Africa's wine exports are at the stage of recovery, as depicted in Figure 3. However, there is an expectation of higher-than-average closing stock of liquor products in 2020, based on the available supply and low sales due to the impact of the ban.



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Table grape Industry still booming amidst COVID-19

By Pamela Matyolo

Globally, South Africa is ranked as the ninth-largest producer of table grapes and is the third-largest producer of table grapes in the southern hemisphere. Table grapes are among the major deciduous fruits in South Africa. As compared to grapes produced for wine production, table grapes are grown for consumption (Post-Harvest Innovation, 2020). South Africa's table grape industry produces a large volume of table grapes and imports a small volume from other countries in order to meet the country's demand. According to the South African Government (2020), the agricultural sector is one of the essential sectors, and the table grape industry is one of the industries that were most affected by the COVID-19 lockdown. Per season, the country exports about 59 million cartons of table grapes. During the 2019/2020 marketing year, table grape production is estimated to rise by 7 % compared to last year's season. As compared to last year, exports of table grapes are projected to increase by 6 % to 2 950,000 tons. The expected increase in yields is expected to drive the increase in exports and the market demand from international markets (USDA, 2020). About 50 % of this year's exports were destined for the European Union, and 25 % to the United Kingdom. Meanwhile, 4 % was exported to South East Asia and 1% to Africa, whereas Far East Asia and the Middle East accounted for 5 %. For the 2020/21 marketing year, South Africa will diversify its market to South Korea and the Philippines (Kriel, 2020).

Global trade in table grapes

Table 2 below illustrates the global leading importers of table grapes between 2010 and 2019. As depicted by the table, between 2010 and 2019 there were great improvements in world imports, showing an increase of 4752 thousand tons in 2019, from 367 thousand tons in 2010. During the period under review, the USA remained the biggest importer of table grapes in the world, registering a positive growth of 10 %, as well as a percentage share of 14 %, followed by the European countries the Netherlands and Germany with a share of 9 % and 7 % respectively, Russian Federation with a negative growth rate of -29% and 6 % share, China a share of 5 %, Hong Kong China (5 %), and Canada, Thailand and Poland with a share of 4 %, 3 % and 2 % respectively in 2019.

Table 2: World's leading importers of table grapes, 2019

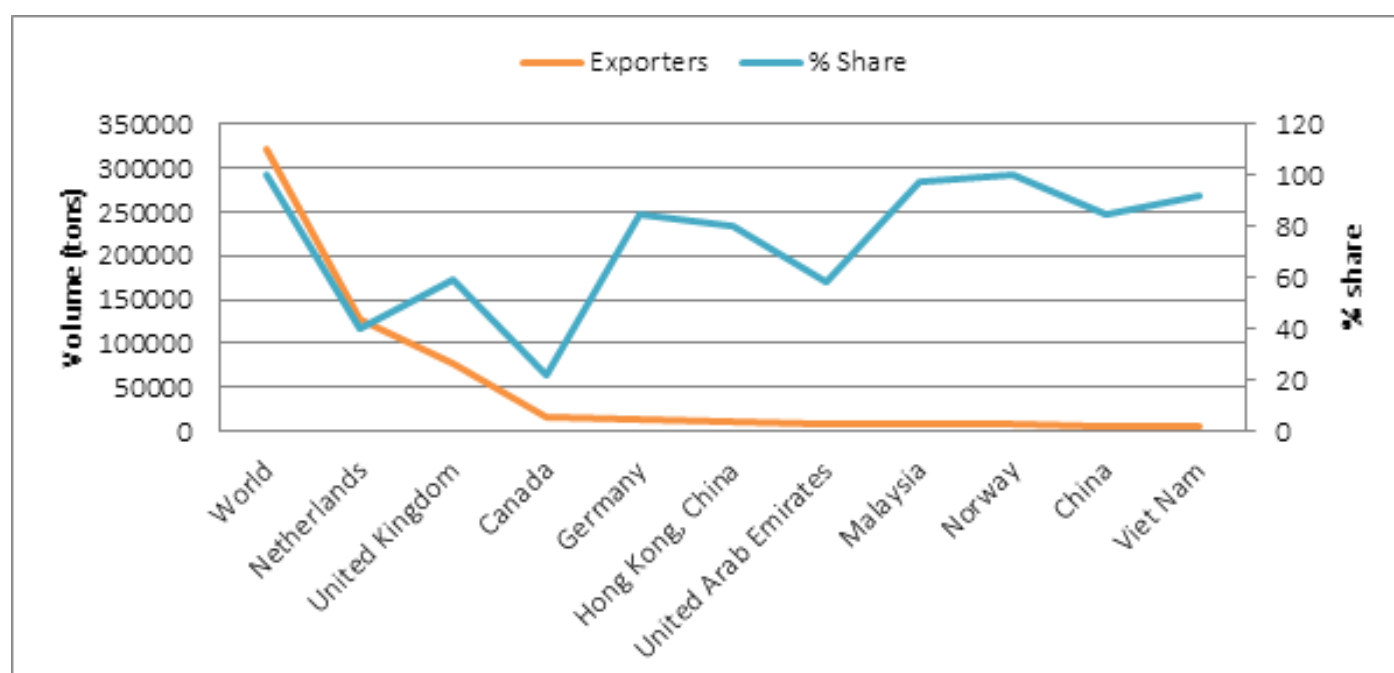
Importers	Imported volume in '000 Tons		Share (%)	Growth rate (%)
	2010	2019	2019	2010-2019
World	3678	4752	100	29
Chile	779	741	16	-5
Italy	485	425	9	-12
USA	408	377	8	-8
Netherlands	227	376	8	66
China	89	367	8	310
Peru	78	349	7	348
South Africa	260	321	7	24
India	64	215	5	235
Hong Kong, China	81	210	4	159
Turkey	238	206	4	-13

Source: ITC (2020)

Overview of South Africa's trade in table grapes

Figure 4 illustrates a detailed analysis of South Africa's table grape exports in 2019, as well as the percentage share. The overall world exports accounted for 321,297 thousand tons in 2019. As noted by SATI (2020), half of the country's table grape production is exported to European countries and the rest to other regions. As depicted by the graph, international countries are the dominant market for South Africa's table grapes. The Netherlands is the leading country importing table grapes from South Africa with a share of 40 %, followed by the UK (24 %), Canada (5 %), Germany and Hong Kong China together with a share of 4 %, and with the United Arab Emirates, Malaysia, Norway, China and Vietnam all together with a share of 2 % in 2019.

Figure 4: South Africa's exports of table grapes, 2019



Source: ITC (2020)

South Africa's trade amidst COVID-19

Figure 5 below shows South Africa's exports of table grapes by country from January to April 2020. During the 2019/2020 marketing year, about half of the country's table grapes were shipped to European countries (SATI, 2020). South Africa's export of table grapes 2019/2020 was estimated to reach 293,000 million tons, from 275,777 million tons in the previous marketing year. South Africa's exports of table grapes during the period of the pandemic were slightly disrupted, while the countries supplying grapes to the country were not able to export to South Africa during this period. As shown in the graph, between January and April 2020, the European Union remained the main importer of South Africa's table grapes. The graph further illustrates that exports of table grapes to Germany, Nigeria, Norway, United Arab Emirates, Russian Federation, Kenya Mauritius and China have declined. Nevertheless, exports to the Netherlands and the UK were not affected by the COVID-19 lockdown restrictions, as between January and April, South Africa exported between 39,612 million tons and 7551 million tons of grapes to the Netherlands, and exported to the UK between 22,719 million tons and 2522 million tons.

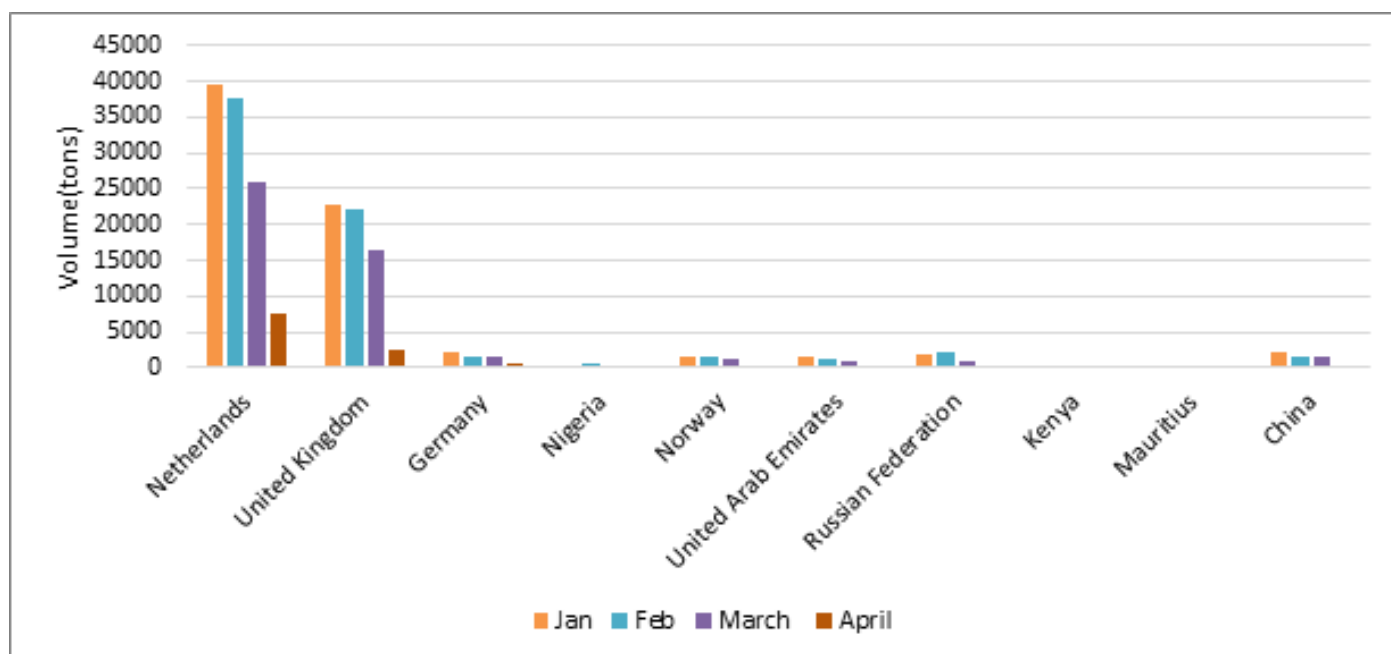
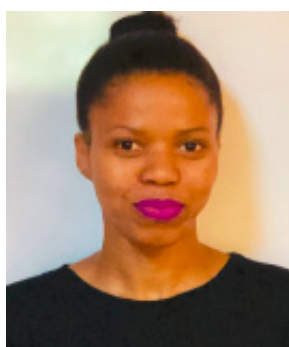


Figure 5: South Africa's main export destination for table grapes, 2020

Source: ITC (2020)

Conclusion

South Africa remains a net exporter of table grapes, and even during the pandemic, the industry has remained competitive. Currently, the country's table grape industry is now in winter rest and the producers are preparing for the new season. As compared to the 2018/2019 season, for the 2019/2020 season there has been a 7 % increase in table grape production, which has led to an increase in exports by 6 %. During the 2019/2020 season, the country was able to export its products to most countries in the world, with the Netherlands being the leading importer of South Africa's table grapes, importing between 39,612 million tons and 7751 million tons; however, other countries exported a small volume. For the 2020/2021 marketing year, the country is planning to open new markets to the Far East and Asia.



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Analysis of South Africa's poultry industry post-tariff adjustments and COVID-19 aftereffects

By Thabile Nkunjana

Until recently, South Africa's poultry industry was one of the least protected industries in the world. After some delays, an agreement was reached and tariffs were adjusted, taking effect in March 2020. The main issue was that the European Union (EU) and North and South and American countries were accused of dumping substantial quantities of cheap bone-in chicken portions. Brazil exported 63 % of bone-in chicken portions to South Africa, followed by the USA (16 %) and the EU (13 %) in 2018 (SAPA, 2020). The EU used to be the largest poultry supplier of bone-in portions to South Africa; however, disease outbreaks and talks around trade restrictions significantly fostered reduced EU imports to a mere 13 % at the end of 2018.

On the other hand, Brazil and the USA increased their exports from 8 % and 9.2 % in 2016, to 46 % and 28 % in 2018 respectively. Also, the COVID-19 outbreak has negatively affected the industry due to limitations in operations, thus affecting the domestic supply-demand dynamics and trade alike. While it is relatively early to know the exact effect this will have on the industry, there have been some developments over the past few months.

Tariff increases normally affect trade and possible domestic prices. Should domestic production, for example, not keep up with the domestic demand, prices are likely to increase as this would put more pressure on the supply side. However, this is unlikely with the current domestic production rate, with imports feeling the small gap. Also, if the country is to maintain its export footprint and possibly expand beyond the Southern African Community Development (SADC) region, perhaps

production needs to increase, especially if imports continue to decline. The purpose of this article is to look at the possible effects of the tariff adjustments and COVID-19 on the poultry industry, as well as the possible implications for prices.

Poultry trade, tariff increase and possible implications

Recent data from the South African Poultry Association (SAPA) indicates that poultry imports from January-June 2020 decreased when compared to the same period in 2019. About 281 262 tons of poultry were imported from January-June 2019 when compared to 243 612 tons from January-June 2020, representing a decline of 37 651 tons (-13.4 %). Figure 7 presents poultry traded before and after tariff adjustments in March 2020. Tariffs for bone-in chicken portions increased from 37 % to 62 % while frozen boneless portions increased from 12 % to 42 %. As expected, import volumes for broilers fell from 38 955 tons in March to 31 783 tons in June, while domestic demand was also negatively affected by the COVID-19 pandemic. Similar to imports, data from the International Trade Centre (ITC, 2020) shows that exports of fresh, frozen or chilled poultry fell from 2593 tons in March to 1560 tons in April 2020 – the smallest quantity in recent times. What was the impact of all this on domestic prices? *Ceteris paribus*, with the tariff rate increase, producer prices should rise as the domestic market is protected from the importation of cheaper poultry products from global competitors. This increase would then be transmitted along the value chain, with consumers paying higher prices for poultry at the retail level. When one looks at the data, however, this is not what is observed.

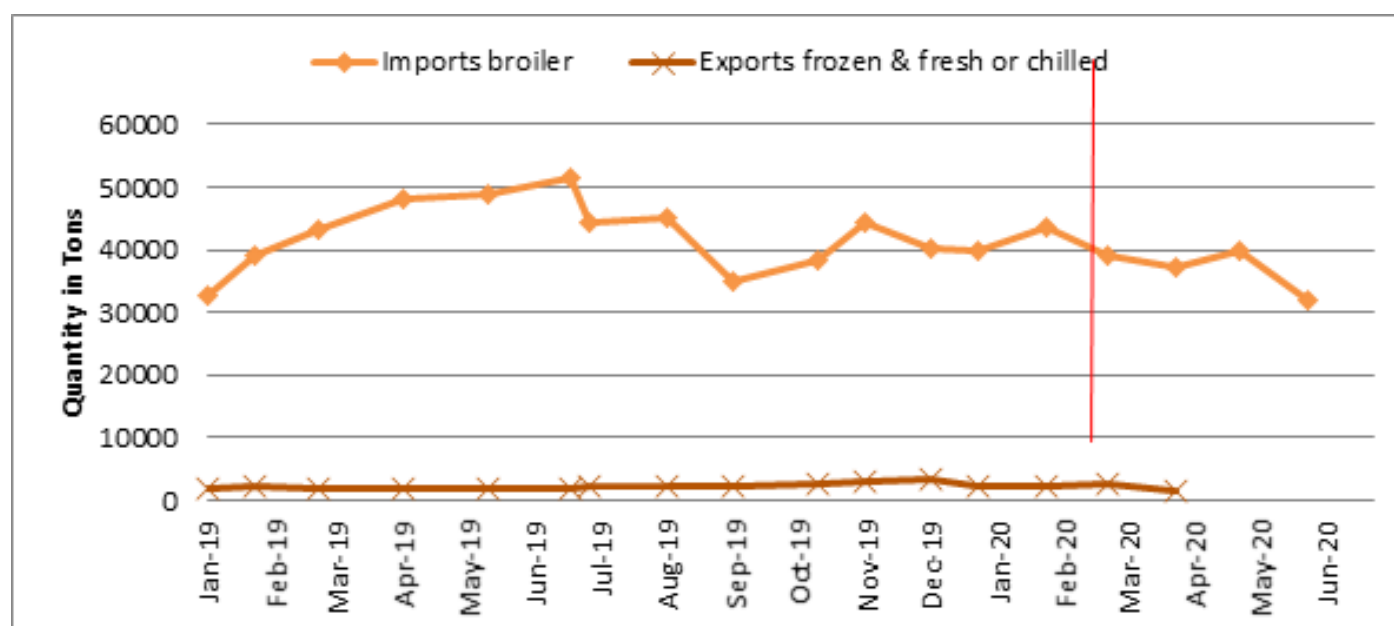


Figure 7: South Africa's poultry imports and exports between January 2019 and June 2020

Sources: ITC (2020); SAPA (2020)

Table 5 presents export earnings from selected poultry products post-tariff adjustments and the COVID-19 effects. It can be seen that between March and April 2020 there was a sharp decrease in earnings for frozen poultry cuts and edible offal exports, with the exception of feet and livers, which increased. About 1398 tons of frozen cuts and edible offal were exported in April 2020 when compared to 2452 tons in April 2019, representing a reduction of 1054 tons (-42,9%) year-on-year. This shift can be potentially linked to COVID-19 regulations, as restrictions affected movement domestically and across the SADC region, which is the leading market destination for South Africa's poultry exports. Also, production was somewhat reduced as the demand was falling. A general picture from Table 5 is that export earnings from poultry declined.

Table 5: South Africa's frozen poultry cuts and offal exports to the SADC from December 2019 to April 2020

Hs code	Product description	Value in R'000				
		Dec-2019	Jan-2020	Feb-2020	Mar-2020	April-2020
02071493	Quarters	7 259	6 633	6 169	4 430	2 877
02071495	Wings	11 277	2 632	5 223	8 744	2 746
02071411	Breasts	4 263	3 755	2 296	4 214	2 246
02071498	Drumsticks	4 493	2 820	2 867	2 157	2 134
02071491	Half carcasses	1 296	2 258	975	1 477	167
02071423	Feet	633	1 079	690	631	3 900
02071421	Livers	2 102	1 108	1 066	1 560	1 578
02071499	Other	10 095	4 646	7 115	9 774	5 921

Source: ITC (2020)



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Figure 8 presents producer prices and retail prices from January 2019 to June 2020. Based on the AMT (2020) data, producer prices for both fresh and frozen poultry per/kg declined from R27 per/kg in March to R24 per/kg in June. Declining domestic demand from commercial buyers under lockdown, such as restaurants and the hospitality industry, could be one reason why the poultry tariff rate increase failed to result in rising producer prices. Did this fall in price at the farm-gate transmit to the consumer? Unfortunately, it did not. Retail prices between March and June, in real terms, rose from R66 per/kg to R83 per/kg for fresh poultry and from R49 per/kg to R53 per/kg for frozen products during the same time period. The observed spike in the consumer prices at the retail level indicates a break-away from 2019's average monthly margins of R35 per/kg and R23 per/kg for fresh and frozen poultry, respectively. Between March and June 2020, monthly margins averaged R49/kg for fresh and R31/kg for frozen poultry.

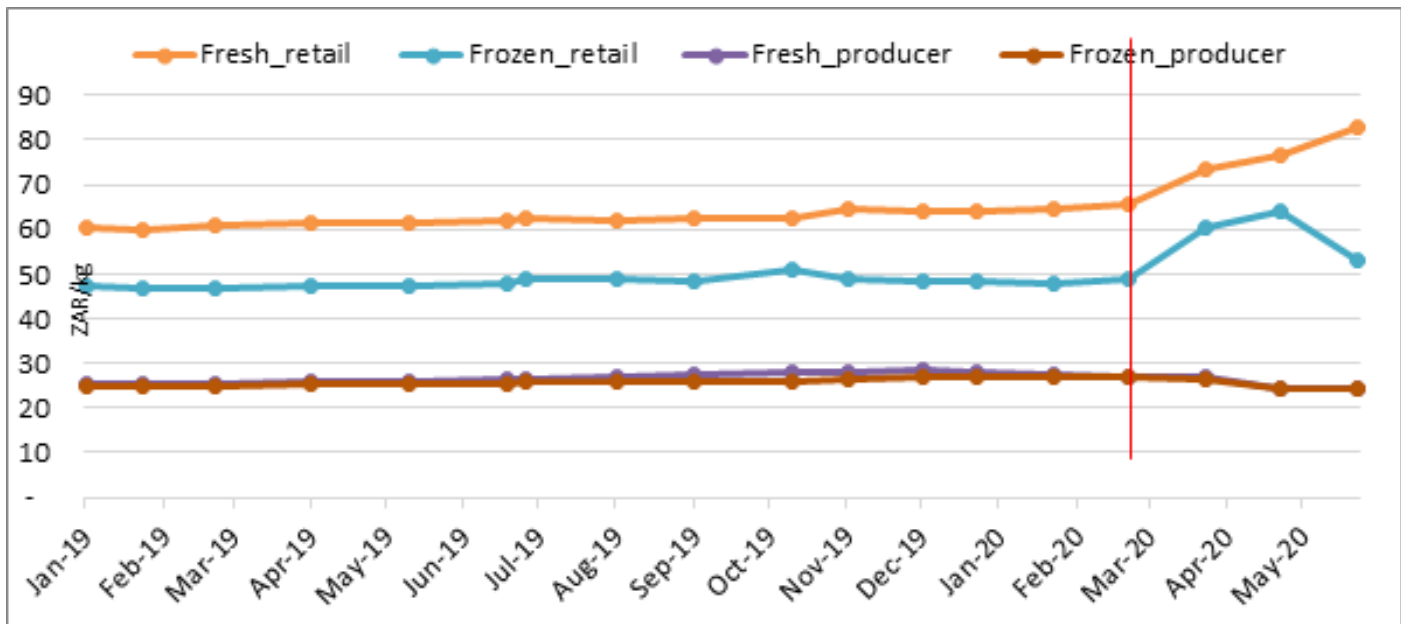


Figure 8: Producer prices and retail prices for fresh and frozen poultry
Sources: AMT (2020); Stats SA (2020)

Concluding remarks

The increase in tariffs as expected caused a shift in trade patterns, even if not to a large extent, but not to the domestic prices. Poultry projections for the current marketing year are likely to provide more than enough poultry for the domestic market, and under normal circumstances, consumers will pay normal prices. However, this will only be possible with minimal disease outbreaks, which have been an issue for the industry in recent times. The available import data from SAPA as of June 2020 shows that Brazil remains the largest poultry supplier, accounting for 54 %, followed by the USA (18 %) and Ireland (7 %). However, there will likely be fewer imports for 2020 than were recorded in previous years due to the reduction in imports attributed to the tariff increase. Export quantities are likely to fall, but this will be addressed in due time. For South Africa's exports, the SADC remains the main market destination. The easing in regulations imposed during COVID-19 is good news for the poultry producers and processors, especially after President Cyril Ramaphosa granted permission to restaurants and the hospitality industry to resume operations. In relation to poultry prices, given the overall economic impact of the COVID-19 pandemic and the increasing pressure on households' disposable income, identifying and mitigating possible factors influencing the widening margins observed in the poultry industry will be crucial in ensuring access to affordable protein for the vast majority of South Africans.

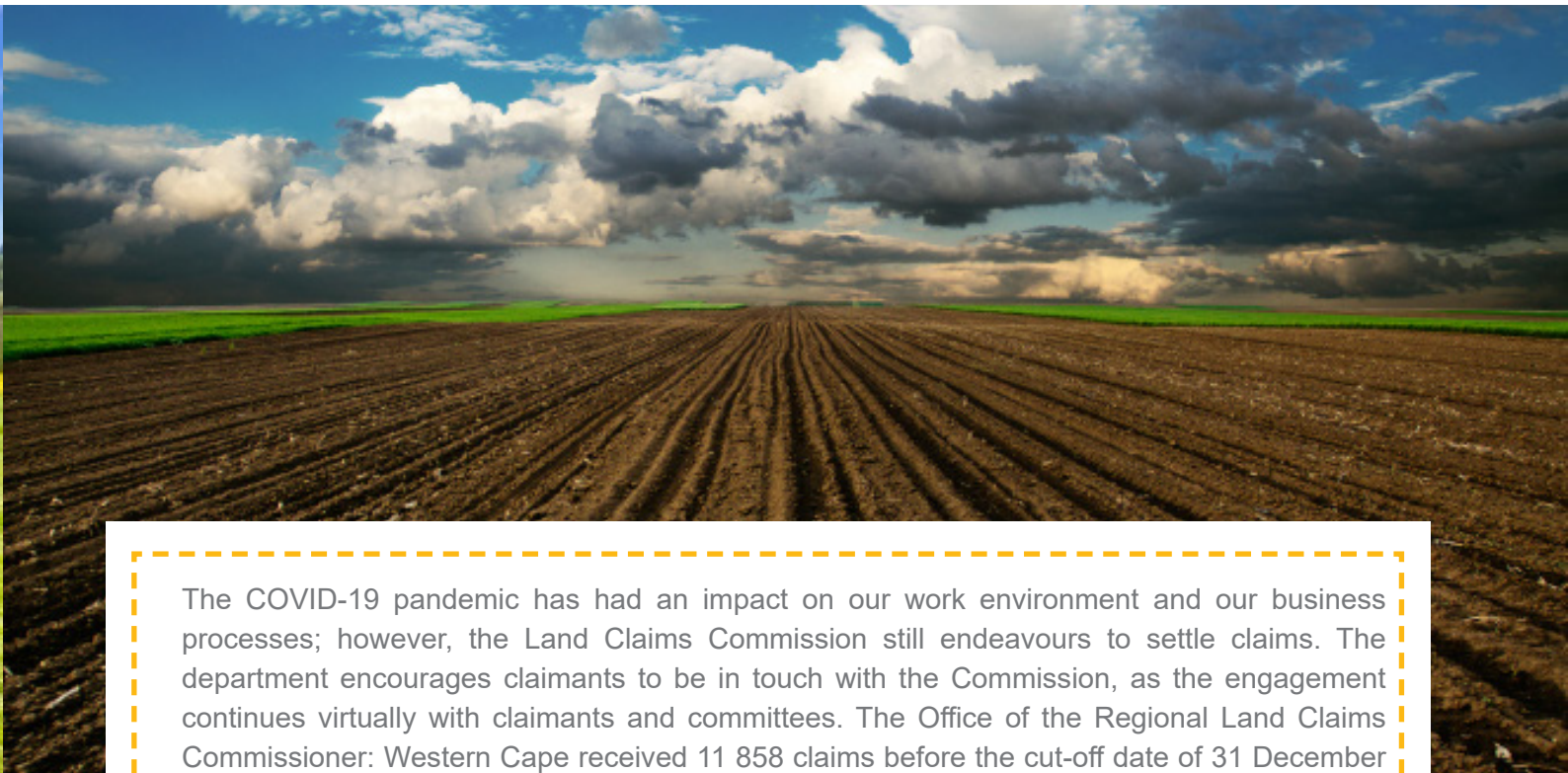
Update on the Foot & Mouth disease outbreak in Limpopo



The Department of Agriculture, Land Reform and Rural Development announced that quarantine was lifted on nine locations, with 10 properties remaining under quarantine. Our Veterinary Services are continuously working with the affected farmers to resolve the remaining 10 farms, and good progress is being made in this regard. Botswana has lifted the ban on the export of live cattle from South Africa. The import conditions for the export of cattle to Botswana have been revised, and a health certificate has been agreed upon. Foot-and-Mouth (FMD)-specific import conditions include isolation of animals for at least 30 days whilst preparing for export under supervision of the Veterinary Authority and testing for FMD during this time. The agreed-upon conditions were provided to the Provincial Veterinary Services and potential exporters are advised to contact their local state veterinarian to familiarise themselves with the requirements for exporting cattle to Botswana. The FMD outbreak in Limpopo started in November 2019, and 19 locations tested positive for FMD. The last positive location was reported to the World Organisation for Animal Health (also known as OIE) on 26 February 2020, and no new positive locations have been identified since. In most of the affected locations, more than six months have passed since the last clinical cases, which is a very encouraging sign that the outbreak has been successfully controlled.

Link: <https://www.daff.gov.za/docs/media/FMD%20update%2018%20August.pdf>

Restitution: Towards the Settlement of Land Claims

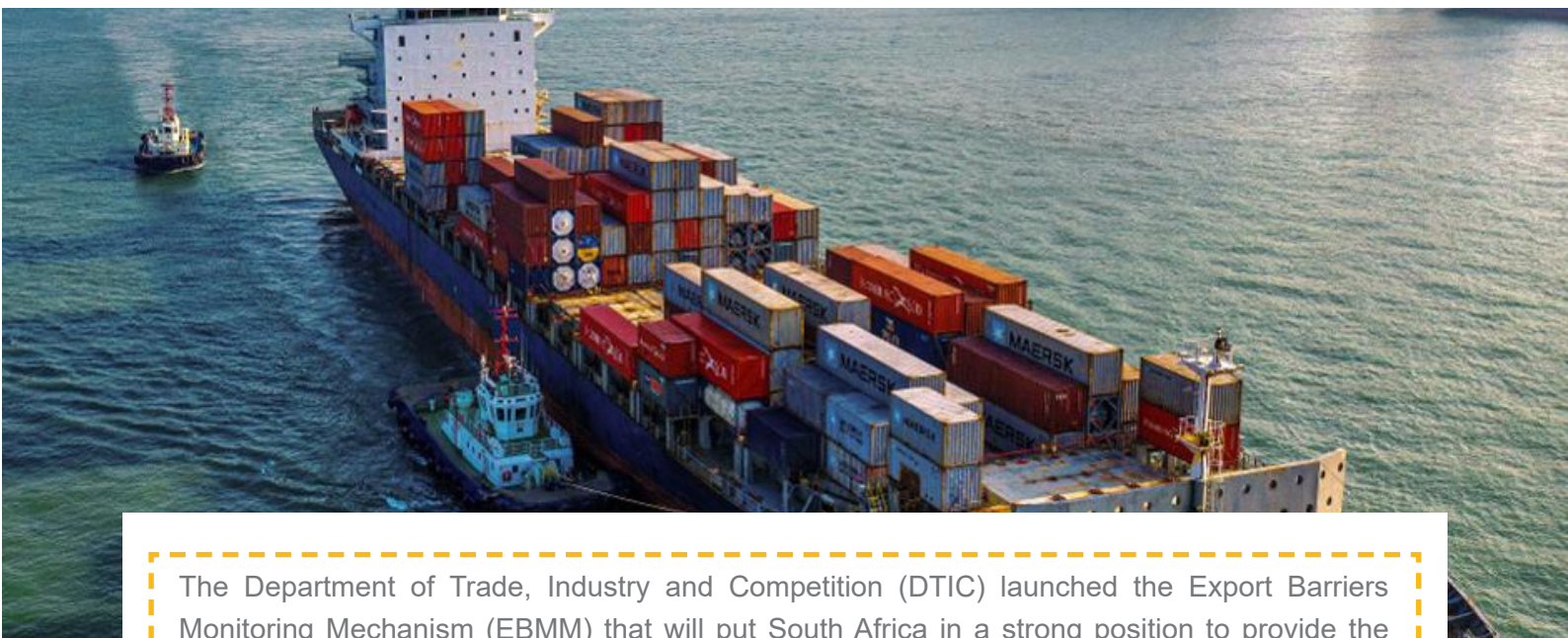


The COVID-19 pandemic has had an impact on our work environment and our business processes; however, the Land Claims Commission still endeavours to settle claims. The department encourages claimants to be in touch with the Commission, as the engagement continues virtually with claimants and committees. The Office of the Regional Land Claims Commissioner: Western Cape received 11 858 claims before the cut-off date of 31 December 1998 and to date has settled approximately 96 % (11 424) of these claims. A total of 434 claims, spread throughout the Western Cape, are still to be settled. A total of 329 claims fall within the City of Cape Town Metropole – 40 are in the Cape Winelands, 30 in the Garden Route, 20 on the West Coast and 15 within the Overberg region.

As a commission, we are aware of the long time it has taken to settle claims, and we are committed to examining new and improved business processes, to ensure that the settlement of claims is more expeditiously dealt with and that there is a fast-tracking system. It is important to note that some cases are complex and result in a longer time to settle claims. Restitution follows both administrative and judicial processes, which also involve an array of social issues that the commission needs to navigate before it can settle and finalise claims. The steps followed to settle claims include lodgement and registration, screening and categorisation, determining whether the claim meets the set criteria, mediation and negotiation with the claimants and parties, approval of the settlement, and then, eventually, the finalisation of the claim. Delays experienced at a particular step delay the time taken to complete the process, and we are looking at ways to circumvent these challenges. Furthermore, many people lodged new claims in 2014 when the process was reopened; however, because of the Constitutional Court Order of 2016, we are unable to process any of these claims until we have completed the old order claims. The commission remains committed, in collaboration with claimants and stakeholders, to continue its restoration work in keeping with the Restitution of Land Rights Act of 1994 as amended.

Link: <https://www.daff.gov.za/docs/media/Media%20Statement%20%20%20%20Towards%20Settlement%20of%20Land%20Claims-MP-Dr%20R.pdf>

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



The Department of Trade, Industry and Competition (DTIC) launched the Export Barriers Monitoring Mechanism (EBMM) that will put South Africa in a strong position to provide the type of consistent, ongoing support that is needed to continuously improve the country's export environment. The Department's Deputy Director-General of Export Development, Promotion and Outward Investments, Ms Lerato Mataboge, said that the fundamental aim of EBMM is to make the government's support to exporters facing barriers more effective, more flexible, and more accessible. According to Mataboge, by creating a systematic approach to monitoring these barriers, the government can develop a long-term agenda to target the most important export barriers. She said that by addressing each barrier, the government could begin to manage each problem with the level of nuance and detail needed for these complex challenges. Mataboge added that in 2018, South African exporters faced an estimated 154,571 unique customs requirements worldwide. She said that over the last ten years, 23,795 new or amended technical barriers to trade had been registered with the World Trade Organisation, while over the same period 13,364 sanitary and phytosanitary barriers were registered or amended. Speaking at the same launch, the Executive Director of the South African Electrotechnical Export Council, Ms Chiboni Evans, highlighted the importance of maximising content and projects in the African continent, and the important role played by export barriers in reducing competitiveness in the region. Highlighting previous experiences of partnering with the DTIC to resolve export barriers, Ms Evans noted that a lot of the barriers to export could only be resolved by the private sector working together with government. She added that this new mechanism would assist greatly in opening up government support to a much broader spectrum of private-sector individuals.

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