



# NAMMC

Promoting market access for South African agriculture

# MARKET INTELLIGENCE REPORT

# 20 20

**WEEK: 38**



# Grains and oilseed



## Global Perspectives

Global production for Marketing Year (MY) 2020/21 is forecast up 22 million tons to 188 million (raw value) due to higher production in Brazil, India, and Thailand. Figure 1 presents global leading exporters for sugar & sugar confectionery. Brazil was leading with 3 493 547 tons of exports in July 2020 while Thailand exported more than 800 000 tons.

Data from the US Department of Agricultural estimates sugar deliverables to increase from the current levels as the market is getting back to normal. However, imports are estimated to decline marginally and this should not have a significant effect on countries that supply the USA, which include South Africa. Nonetheless, USA's sugar imports are possibly going to be in favour of the United States-Mexico-Canada Agreement through which Canada is bound to be the main beneficiary during September. Brazil's sugar production for 2020/21 season is likely to boost its exports.

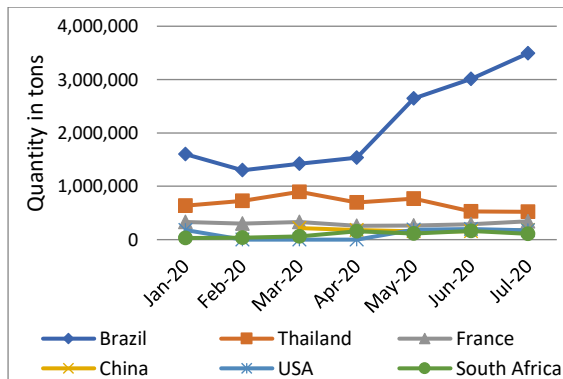


Figure 1: Global leading exporters for sugar & sugar confectionery  
Source: ITC (2020)

## Domestic and Regional Perspectives

The South African sugar industry continues to perform on the global market in spite of some challenges, and is firmly on the top 6 sugar & sugar confectionery exporters in the World. Sugar prices remain in good shape domestically and that can be attributed to the World sugar prices, as all the top 5 exporting countries have recorded slow exports in July 2020. This has had a positive effect on the prices as in August 2020. Latest estimates for recoverable value (RV) from the SA Cane growers shows that in September, a ton is trading at R4 797, up by R77.96 from R4 719.51 the previous month.

Data from the International Trade Centre (ITC) shows that in July 2020 Japan imported 30 000 tons of sugar from South Africa followed by the US at 24 456 tons. Africa remains the most important market for South Africa's sugar. Figure 2 presents leading markets in Africa. Mozambique was leading with 19 567 tons imports in July while both Botswana and Namibia imported above 4 400 tons each.

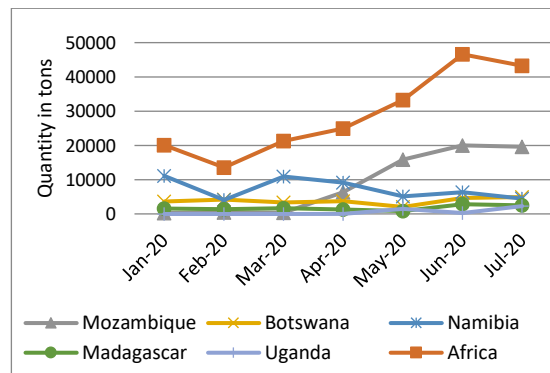


Figure 2: South Africa's sugar exports by country  
Source: ITC, 2020

## Key areas to unlock growth in Grains and Oil Seeds

As already mentioned, the South African sugar industry is fairly competitive on the global scale, due to its comparative advantage of in cost efficient production methods. However, the industry's dependence on the price tariff system makes it vulnerable especially on the export market as it competes with subsidized producers across the world. Thus, profit tends to be negatively affected.

There is an opportunity to be explored for inclusion of emerging farmers in the market within the industry both domestically and across the globe. However, for South Africa to expand its exports estimated at 40% of its production, negotiations for markets are needed as major markets are protected by high tariffs and trade agreements. This would make the industry less dependent on the regional market in which South Africa's exports are highly concentrated from.

With South Africa being a well-known and established sugar producing nation, agreements with potential markets such as the US, Mexico and Canada should be taken into consideration. The focus should be outside Africa as the country is already a major player regionally. However, the regional market should never be overlooked and it must be maintained.

# Fruits and Vegetables



## Global Perspectives

The Northern Hemisphere is taking over from the Southern Hemisphere in the export market for apples and pears. The production volume for pears in the Northern Hemisphere is expected to increase by 12% compared to the previous season. Countries such as the Netherlands have not recorded deviations from their estimates. However, the prices have been under pressure, which traders do not expect to go on for too long. Germany has taken proactive steps to reduce prices to prevent oversupply, mainly of the imports from Turkey, Italy and Spain. Notably, Spain and Portugal are recording a decline, while countries such as the Netherlands, Belgium and France record either stability in the volumes or growth.

In the case of apples, the imported stock is sold out in the European market. This is likely to have a positive influence on prices. Belgian apples harvest is expected to be lower than the previous season while Germany is expecting oversupply in the domestic market. France is set for lower volumes, despite the good quality of the fruit. The United Kingdom and Spain expect 20% and 15% decline, respectively in this year's volume. Although, bad weather has been a challenge this season in the Northern Hemisphere, there are positive prospects regarding the demand. Prices are bound to be good given the low stock and the fact that the imports from the Southern Hemisphere have been sold out in some countries.

## Domestic and Regional Perspectives

In some fruit producing regions in South Africa, the winter season has been good in terms of the weather conditions, leading to positive prospects for the coming season. Apple orchards are now slowly awakening in the Western Cape. The good quality of the apples and pears last season yielded good results in the export market, despite logistical challenges brought about by the lockdown regulations.

In week 37, South Africa exported 648 695 cartons of apples and 117 543 cartons of pears, and each carton weighs 12,5 kg cartons. This amounted to a cumulative total of 26,7 million cartons and 13,7 million cartons of apples and pears, respectively. The Far East & Asia and Africa were the leading markets for apples and both recorded a 11% and 19% decline respectively, compared to the previous season. The volumes of apples that went into the Russian Federation market grew by 172%

In the case of pears, the market share in the leading market (Europe) and the 4<sup>th</sup> largest market (Far East and Asia) declined by 10% and 31% respectively. In spite of Africa being the a small market for now, it recorded an 8% decline.

## Key areas to unlock growth in Fruits and Vegetables

Statistics South Africa reported the largest quarterly decline in the country's GDP at 51% for the second quarter of 2020. The major contributing factor was the Covid19 pandemic from which the lockdown regulations arisen. However, on a positive note, the agriculture sector emerged with a positive growth rate mainly due to the fact that the sector is essential and therefore was allowed to operate during the hard lockdown, except for few subsectors such as the wine, tobacco and floriculture. Therefore, it is inevitable to think and hope that agriculture is in a better position to lead the post-Covid-19 economic recovery and growth expedition. The good weather conditions that currently favour the South African pome fruit in terms of the good harvest and quality is one of the positive things to be grateful for in the journey to post-Covid-19 recovery. The positive demand and lower harvest in the Northern Hemisphere suggest that there will not be enough domestic stock in the Northern Hemisphere when the harvest from the Southern Hemisphere comes into the market in the coming season. Therefore, South Africa should strike a balance in supplies to avoid oversupply, which may put pressure on prices.

# Livestock and Animal products



## Global Perspectives

Scientists have worked for years to reduce methane emissions from cattle burps by changing what cattle eat, or through research on vaccines, genetic modification of cattle and even forehead-mounted masks and backpacks to trap vapors. Methane, the second-most abundant greenhouse gas from human-related activities after carbon dioxide, accounts for 20% of global emissions, according to the Global Methane Initiative. Livestock emissions come from feed production and processing (45%), burps and flatulence (39%), manure storage and processing (10%) and processing and transportation of animal products (the rest), according to the United Nations Food and Agriculture Organization (FAO). Even so, greenhouse gas emissions intensity per kilogram of milk declined almost 11% from 2005 to 2015 as farmer's improved animal health and feed quality and better managed herds, resulting in more milk per cow, according to the FAO.

Ruminant livestock - cattle, sheep, bison, goats, deer and camels - have a stomach compartment called the rumen in which microbes produce methane as a by-product of digesting fibrous plant material. Certain feed additives claim to inhibit these microbes from making methane. Various companies make methane-reducing feed additives. Research published last year by University of Adelaide adjunct professor of animal science John Williams showed that the level of methane-producing microbes in the cow's rumen is largely influenced by its genetic makeup. Breeding cattle to select for those with a complexity of microbes that have low methane production is a more permanent solution than adjusting feed (Reuters, 2020).

## Domestic and Regional Perspectives

The production of South African poultry increased by 5% in the first eight months of 2020 when compared to the same period last year. The Department of Trade, Industry and Competition (Dtic) Minister Ebrahim Patel, together with Agriculture, Land Reform and Rural Development Minister, Thoko Didiza, co-chaired the virtual South African Poultry Association's second Poultry Executive Oversight Committee (EOC). The Poultry Sector Master Plan was signed by stakeholders at the 2019 South African Investment Conference in November 2019. It has been developed in close partnership between government and a number of stakeholders in the industry, including poultry producers, processors, exporters, importers and organised labour. The objectives of the Poultry Master Plan hinge on increasing local chicken production and growing the demand for chicken, while also addressing the exporting of locally produced cooked and raw chicken products. Poultry producers pledged to invest R1.7 billion towards the expansion and improvement of production capacity. Some of the investment projects have already been completed, including the expansion of hatchery and processing facilities, through which 428 jobs were created.

In addition, the financing model for contract farming has been developed to assist in assessing the producer's business viability and profitability. To drive exports, the poultry industry has strategically prioritised countries like Saudi Arabia, United Arab Emirates and Qatar for the export of poultry products.

Since the Master Plan was signed, government has implemented higher tariffs on certain cuts of poultry, and has further triggered an investigation into the structure of tariffs to provide a more effective trade environment for poultry (Bizcommunity, 2020).

## Key areas to unlock growth in Livestock and animal products

South Africa is competitive in the global poultry industry and produces chicken at the 6<sup>th</sup> lowest price per kilo in the world. The introduction of ad valorem tariff on certain poultry products and the effective implementation of the industry sector master plan are bound to boost production, exports and also protect the domestic industry against cheaper imports. Commercial poultry producers are key as they produce equitable volumes for local and export demand, therefore, challenges encountered by emerging farmers need to be attended to so that they can also benefit these initiatives.

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