



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 20

WEEK: 40



Grains and oilseed



Global Perspectives

Global maize production is on the positive horizon for the 2020/21 marketing season with estimates sitting at 1.160 million tons. USA crop is projected to be 375 million tons from 345 million tons in the previous season. Brazil's production is also expected to increase to 112 million tons from 102 million tons in the previous season. Mexico production is expected to reach 27.7 million tons from 25 million tons in the previous season. This, therefore, supports the global bumper crop harvest for the current marketing season. A key issue to note is that very few players in the international markets produce white maize, the majority of the maize in the international markets is yellow maize.

Table 1 presents International maize prices during September 2020. The observed volatility in international prices could be linked to various global markets issues such as the global supply and demand, and the ongoing presidential debate in the US.

Table 1: International maize prices for September 2020

Maize description	2020/09/29 (US\$/t)	2020/09/22 (US\$/t)	2020/09/15 (US\$/t)	2020/09/08 (US\$/t)
US No 3 Y				
Maize Gulf	193	195	188	181
Argentina Maize (Up river)	194	191	184	178

Source: International Grain Council (IGC)

Domestic and Regional Perspectives

South Africa's 2020/21 maize marketing season started at a very positive note with a record crop, estimated at 15.4

million tons. About 57% of the crop is white maize and the remaining 43% is yellow maize. According to the South Africa Grain Information Service (SAGIS) weekly deliveries, about 7.6 million tons of white maize of the expected 8.8 million tons for this season have already been delivered. Notably, about 16.4% of the current white maize deliveries for White maize are likely not to be processed for human consumption. Nonetheless, there are small chances that local food security will be affected based 2020/2021 crop estimations. Using a 10-year average, local white maize for human consumption is estimated at 4.3 to 4.4 million tons and the NAMC's supply and demand estimates 5.1 million tons white maize available for human consumption for 2020/21 season with a surplus of 1.1 million tons available for export. Prospects for the region are also positive at the moment, with Zambia having a bumper crop of around 3.4 million tons yet their local consumption is estimated at 2.2 million tons. Zimbabwe is expected to be the net importer with a local harvest projected at 907 thousand tons and the local demand is at 1.9- 2.0 million tons. Table 2 presents maize future prices. A ton of maize is projected to sell above R2900 and this can be linked to international price volatilities as already mentioned.

Table 2: RSA Future maize prices, R/ton

Commodity	Dec 2020	Mar 2021	May 2021	Jul 2021	Sep 2021
White maize	3452	3410	3050	2940	2989
Yellow maize	3384	3345	3012	2957	3004

Source: SAGIS

Key areas to unlock growth in Field crops

Maize remains a very critical agricultural commodity, especially in very difficult times, like the current global

pandemic of the COVID-19. With some of the countries already preparing for the next summer grains planting season, it is anticipated that as the local planting season begins, the process will unfold smoothly with no expected disincentives, especially in the major grains growing regions. Early summer rains have already started at a very positive note and La Nino weather conditions are also predicted during the planting season.

The current COVID-19 situation has proved that Agriculture and general food production in the near future is to remain a strategic sector for many economies. Investment in this sector is very critical to the extent that both public and private sectors should accord it the re-prioritisation it deserves by providing more support and inclusion of role players, especially from subsistence agriculture. Investment in agricultural infrastructure and agro-processing is to remain a priority in developing agriculture. The South African Government in collaboration with the Organised agriculture embarked designing and developing the Agriculture and Agro-processing Master Plan (AAMP), for which many role players are patiently waiting for it to be concluded and enacted. It is believed that the AAMP will reshape the current dualistic agricultural sector in South Africa.

Fruits and Vegetables



Global Perspectives

According to FreshPlaza report, in week 40, the export of Peruvian avocados is falling and the end of the season is also in sight for countries such as South Africa, Kenya and the US (California). The market is now shifting to other producing countries, such as Colombia, Spain, Italy and the undisputed powerhouse in avocado production- Mexico. Spain will start to harvest Bacon avocado around mid –October. The European market is currently tight, so the price has risen. The rise in the prices of avocados in the market might continue due to a limited supply. However, prices are still below those of 2019. In Italy, the Hass avocado variety, is becoming more popular and loved by consumers. This could present a market opportunity for expansion to other exporting countries such as South Africa and Kenya. The avocado market in France has been subject to huge fluctuations, after a bad summer with low prices and a big supply. However, the market has improved in September. At one hand, in Germany, there were also oversupply and low prices, due to the lack of demand from the catering industry as a result of the coronavirus disease outbreak. However, the fears of the second wave of the coronavirus could again affect the market.

Domestic and Regional Perspectives

South Africa's export season is already at 95% completion, and it has been a difficult year due to the lockdown. The sales of the early greenskin avocados in particular were hit hard by the loss of the food service channel. When Peru entered the market after some struggles, the volumes were 30% higher than expected. The result was an oversupply of avocados and a negative impact on prices. It took a few weeks to get rid of those volumes. The previous export forecast was revised due to the lower pack outs, smaller sizes and also damage to the orchards here and there due to the cold weather. This season, the total therefore reached 15.5 million boxes (each weighing 4 kg). The first fruits for the next season are already hanging on the trees, but now it's still too early to make any forecast about that. The risk assessment of South Africa's avocados has started in China. This is a first step to be able to reach this market as well, but the process is expected to take years (FreshPlaza, 2020).

Key areas to unlock growth in Fruits and Vegetables

One of the major elements to unlock growth in the South African avocado industry is the market access with good prices. This gives a warrant that market access development and promotion need to be done on a continuous basis, particular to assess the market opportunities where the demand of avocados is high. Moreover, South African's avocados are exported through the sea in refrigerated containers under the controlled atmosphere. According to the South African Avocados Growers' Association, the airfreight is expensive and is only favourable when prices in the market destination are abnormally high. Therefore, it is of high priority that South Africa's avocados industry maintains its high standards of fruit quality at the farm level, as well in its cold chain distribution.

Livestock and Animal products

Global Perspectives

According to the Food and Agriculture Organisation (FAO), in the key dairy importing countries, COVID-19-related lockdowns and physical distancing measures reduced foodservice sales in the first months of the year, especially of fresh milk and milk products, which were only partly offset by increased sales of dairy products with a longer shelf-life, such as UHT milk, packaged butter and cheese. As in other economic crises, the deterioration of income prospects weighed disproportionately on consumer demand for high value food commodities, such as dairy products. Depressed retail milk sales resulted in larger volumes of milk being processed in industrial plants, where such facilities were operational. In dairy exporting countries, milk was mostly diverted to drying dairy plants, boosting production and availability of powdered milk. Overall, the downgrading of economic prospects and market disruptions caused by the pandemic are anticipated to result in a fall in global dairy imports in 2020, which, amid adequate availabilities in key exporting countries, could keep international prices under pressure.

World milk production in 2020 is forecast to grow by 0.8% to 859 million tonnes, due to expected production expansions in Asia and North America. The moderate increases in Central America and the Caribbean, Oceania and Africa, partially offset slight declines anticipated in Europe and South America. World exports of dairy products (in milk equivalent) are forecast to fall by 4.1% (3 million tonnes) to 74 million tonnes in 2020, marking the sharpest year-on-year decline in three decades. Steep drops in dairy imports are forecast for China, Algeria, Saudi Arabia, United Arab Emirates, Viet Nam and Mexico, slightly offset by expected increases in Canada, Indonesia and the Republic of Korea. The predicted overall decline in global dairy trade conceals significant variations at the individual dairy product level. Under current market conditions, exports of milk powders and butter are forecast to decline the most, while trade in

cheese and many other dairy products may rise or remain stable. Consumer preferences, differences in the shelf-life and underlying production technologies of the various dairy products explain the divergent trade patterns. In 2020, world exports of Whole Milk Powder (WMP) are projected to fall by almost 7% in 2020, reversing the two years of expansion, while those of Skim Milk Powder (SMP) and butter are foreseen to drop by 8% and 6%, respectively. In counter tendency, deliveries of cheese are forecast to hold firm and register a 0.5% growth. (FAO, 2020).

Domestic and Regional Perspectives

The South African Milk Processors' Organisation (SAMPRO) report on imports and exports on six groups, Milk and cream, unsweetened; Milk, concentrated; Buttermilk powder, yoghurt; Whey, whey powder, etc; Butter, butter spreads and butter oil; and Cheese and curd are presented in table 3. Based on SAMPRO data, milk imports in 2019 were 10.0% higher when compared to 2018. The increase was due to an uptick in imports for Milk and cream, unsweetened, milk, concentrated and whey, whey powder etc (SAMPRO, 2020). Mass imports for dairy products are estimated to be 45% lower in 2020 when compared to imports in 2019. The main contributors to this decrease are milk and cream, unsweetened, whey, whey powder etc. and cheese and curd. Mass exports for dairy products in 2019 were 0.8% lower y-o-y, with Milk, concentrated, Buttermilk powder, yoghurt, Butter, butter spreads and butter oil as well as Cheese and curd as main contributors to this decline six group. Based on data from SAMPRO exports for 2020 are estimated to be 8.4% lower y-o-y, with milk and cream, unsweetened, Milk, concentrated as well as Buttermilk powder, yoghurt as the main contributors to this decline.

Key areas to unlock growth in Livestock and animal products

Given the current state of the milk industry both globally and domestically presents a marginal opportunity for small milk producers. Assisting small producers on communal land with milk delivering depots where pasteurisation and other value adding can be done. This would fill in the small gaps which resulted from decline in imports and this would enhance food security and nutrition of communities. However, if this is to be done successfully, farmers should be assisted with training on herd health and maintenance to enhance their herd and on food and hygiene standards as milk is highly perishable commodity.

Table3: Imports from January to June 2020 and January to June 2019:

Heading	Description	(A) 2020 (Kg)	(B) 2019 (Kg)	(A) as % of B
04.01	Milk and cream, unsweetened	2 018 383	8 856 543	22.8
04.02	Milk, concentrated	11 098 167	6 777 256	163.8
04.03	Buttermilk powder, yogurt	1 853 516	1 782 103	104.0
04.04	Whey, whey powder	7 275 627	8 412 927	86.5
04.05	Butter, butter spreads and oil	3 151 500	2 500 135	126.1
04.06	Cheese and curd	3 541 087	4 928 373	71.9
	Total	28 938 280	33 257 338	87.0

Source: SAMPRO, 2020

Source of information

FAO. 2020 Food Outlook - Biannual Report on Global Food Markets: June 2020. Food Outlook, 1. Rome.

<https://doi.org/10.4060/ca9509en>

SAMPRO, 2020 - Imports and exports of dairy products up to June 2020

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/>

South African Grain Information System (SAGIS, 2020) - https://www.sagis.org.za/weekly_imp-exp.html

FreshPlaza (2020) <https://www.freshplaza.com/article/9254967/overview-global-avocado-market/>

For correspondence:

Markets and Economic Research Centre

Email: research@namc.co.za

Tel: +27 (0) 12 341 1115

Website: www.namc.co.za

© 2020. Published by the National Agricultural Marketing Council (NAMC).

DISCLAIMER

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises or guarantees about the accuracy, completeness or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the contents thereof. No warranty of any kind, implied, expressed or statutory, including but not limited to the warranties of no infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus, is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Any reference made to a specific product, process or service by trade name, trademark, and manufacturer or other commercial commodity or entity is for information purposes only and does not imply approval, endorsement or favoring by the NAMC.