



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 20

WEEK: 42



Grains and Oilseeds

Global Perspectives

International maize prices continued to increase from leading suppliers. A ton of maize from Brazil was 26% higher year on year (y-o-y) while it was 20% and 33% y-o-y from USA and Argentina, respectively (IGC, 2020). As of 14 October, a ton of maize from Brazil was trading at US\$216, up by US\$7 from the previous week while that from USA traded at US\$215, up by US\$5 from the previous week. After a significant decline in soybean prices, a drastic rise was observed on the 14th of October, suggesting a negative effect for net importing countries. An annual change in price of Soybean of 29%, 26% and 23% was recorded in Brazil, USA and Argentina respectively (IGC, 2020). Following the same trend as maize and oilseeds, 18% annual increase in the price of barley was recorded in France. A ton of barley was trading at US\$226 in France, implying a rise by US\$9 from the previous week while it was US\$200 in Argentina. Figure 1 presents the world's leading barley importing countries, which South Africa may consider for its projected surplus barley in the coming season.

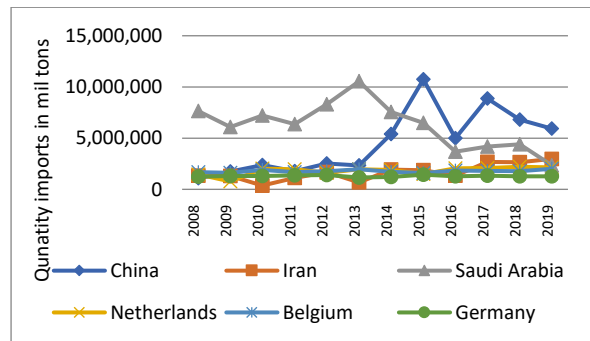


Figure 1: World's leading barley importing countries
Source: ITC, 2020

Domestic and Regional Perspectives

September marked the end of 2019/20 winter crop marketing season and the country is expecting even larger crop quantities. Wheat was projected to increase from 1.5 million tons to 2 million tons, barley to increase from 345 000 tons to 520 000 tons, canola from 95 000 tons to 126 520 tons and oats to increase from 16 500 tons to 44 900 tons during the 2020/21 marketing season (SAGIS, 2020). The increase can be attributed to favourable weather conditions especially from the Western parts of the country. These developments present good news for the wheat industry as imports are projected to decline by at least 14% y-o-y while the excess barley will need market as there will be more than enough for the domestic market. Major grains and oilseeds prices remain above average prices fuelled by exchange rates.

As of 14 October 2020, a ton of white maize and yellow maize were trading at R3533.40, up by R35.40 the previous day and R3410 up by R30 when compared to the previous day, respectively (GrainSA, 2020). A ton of wheat, traded at R5380, up by R40 when compared to the previous day, and a ton of soybean was selling at R8250, up by R26 from the previous day. Some good news for poultry and other livestock, a ton for sunflower was trading around R7750, down by R74 when compared to the previous day (GrainSA, 2020). Figure 2 presents countries that have imported barley from South Africa between 2011 and 2019. Zambia, Lesotho and Namibia have been consistent market destinations for South Africa's barley. Uganda was the largest market destination during 2018 and 2019. So far, 2020 data from ITC shows that USA is the largest market for South Africa's barley while the usual importers like Lesotho, Namibia and Zambia have imported smaller quantities.

Key areas to unlock growth in Field crops

Price trends within the grain industry need to be carefully monitoring, especially for key staple crops such as wheat and maize so as to safe guard the consumers against opportunistic traders. It is clear that South Africa will remain a net exporter for a couple of crop commodities for 2020/21 season. It would be good see some black emerging framers pulling through and playing a crucial role within the industry, however, the first step is requires have a precise number of these farmers, assist them with inputs, silos and create database which can be used to make informed policy decisions.

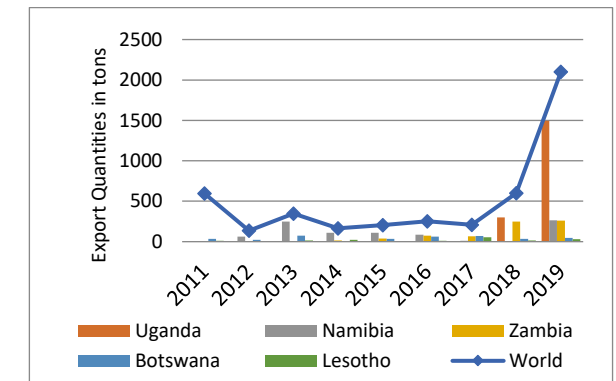


Figure 2: Leading importing countries for SA's barley
Source: ITC, 2020

Fruits and Vegetables



Global Perspectives

Citrus seasons in the northern and southern hemispheres overlap. Therefore, sometimes there may be less competition in the market from produce from one of the two regions if the overlapping period is longer than usual, other factors remaining constant. This seems to be the case in 2020. The citrus from the southern hemisphere is giving way to that from the northern hemisphere in the market. Due to the COVID-19, the demand for citrus, particularly oranges and lemons grew due to health considerations from the consumers. Notably, the demand for oranges in Europe grew by more than 20%. As a result of this, the marketing period for the stocks from the southern hemisphere is not expected to stretch any further. Therefore, this could raise some optimism about the demand and prices for the citrus producers in the northern hemisphere. This may be attributable to the fact that the COVID-19 pandemic still remains a global threat and might continue to stimulate the demand for citrus. Second, there might be less competition from the southern hemisphere citrus as highlighted above.

The latest USDA data suggests that United States 2020/21 orange crop is expected to be less by 11% from last year's crop to about 4.56 million tons. The steepest decline in production is expected to come from Florida where production is down by 15% compared to last year while California's production is also down by 5% overall. Brazil's fruit exports grew in the third quarter of 2020 by 6% (in volume) when compared to the same period in 2019. The main fruits exported were pineapples, orange, lemon, banana, apples, grape and mango. Another interesting event to look out for in the citrus sector is the upcoming Global Citrus Congress 2020, organized by the World Citrus Organisation (WCO) and its partners. The Chief Executive

Officer (CEO) of the Citrus Growers' Association of Southern Africa, Justin Chadwick is co-chairing the WCO.

Domestic and Regional Perspectives

South Africa's citrus export period which normally runs from late March to August coincided with the peaking of the COVID-19 pandemic. This led to fears about disruptions that would occur as the country embarked on a hard lock down. However, citrus, among other horticultural products, was deemed essential, meaning the activities that were supposed to take place for the exports to leave the country were allowed to carry on under lockdown. Although there were difficulties in the initial stages of the lockdown due to congestion, shortage of cargo containers and port closures for limited periods in Durban and Cape Town, citrus exports seem to have gone on well.

Despite the impact of the COVID-19 regulations on the logistics chain, a number of key milestones were achieved in 2020. For instance, 146 million tons of citrus have been exported. By week 40 of 2020, a total of 133.3 million (15kg cartons) were shipped to international markets, representing an increase of 15.5 million (15kg cartons) as compared to 2019 period. Cumulative exports for oranges stand at over 69,4 million (15 kg cartons), a majority (40%) of which went into the European market. Valencia and navels are the leading varieties. Exports of grapefruit stand at over 14,2 million x 15 kg cartons, 38% of which went into the European market, followed by 28% that went into the South East Asian market. Lemon exports stand at over 25,2 million cartons, while soft citrus exports stand at over 23,4 million x 15 kg cartons.

Key areas to unlock growth in Fruits and Vegetables

Although there is growth in South Africa's citrus industry as driven by good investment returns and profit margins, the COVID-19 pandemic presents a threat to this growth and trade dynamics at large. The World Trade Organization (WTO) has recently released trade statistics and outlook that forecast a 9,2% decline in world merchandise trade volume, with the downside risk still predominant if the resurgence of COVID-19 cases would occur in the coming months. With this being said, it remains interesting to learn what will be the citrus industry's response following the upcoming Global Citrus Congress as the issues to be deliberated upon include production and marketing trends, facilitating cooperation between suppliers and retailers to add value to the citrus category, new technologies and supply chain innovation helping citrus producers and marketers to respond to consumer demands towards increased sustainability, and harnessing the nutritional power of citrus to develop more effective marketing campaigns, among others.

Livestock and Animal products

Global Perspectives

Australia's total beef exports have declined for the fourth consecutive month in a row, totalling 73 000 tonnes shipped weight in September. This represents the lowest month of beef exports (excluding January due to processor shutdowns) since April 2017, which was a similar year of herd rebuilding, reports Meat & Livestock Australia (MLA). This year, beef exports will remain subdued, constricted by a smaller herd and tightening slaughter levels, similar to 2015 and 2016, two years which also followed a substantial period of drought. Japan remains the top destination for Australia's beef, taking 20 500 tons in September and food service demand is gradually recovering after a slump during April 2020. Nonetheless, relaxed COVID-19 regulations present uncertainty for the Japanese market as people are ignoring adhering to regulation with a few cases reported.

Competition for the China market has continued to increase with imports from Brazil and Argentina reaching 88 000 tons and 45 000 tons during August, respectively. Beef exports to China reached just 10 000 tons in September when compared to 28 500 tons shipped in September 2019. This shortfall can be linked to temporary ban on some Australian products after some remarks by some government officials around COVID-19 earlier this year. Beef export volumes to the US have also retracted over the past few months, down to 16 000 tons in September. A combination of increased competitor activity and a higher USD-AUD exchange rate implicate demand for Australia's products (Euomeat news.com, 2020).

A recent European Commission (EC) report projects a sharp fall in EU pork exports for the rest of 2020 and in 2021. This can be linked to African Swine Flu (ASF) outbreak in Germany. This year, Germany lost access to some important markets in Asia, such as China and South Korea. Also, for 2021, EC predicts a contraction in Chinese demand as the country rebuilds its own pig herd after a string of disease outbreaks which negatively affected the herd. **Figure 3**

presents pig prices from selected countries. Prices from the US remain relatively high when compared to Brazil. Pork prices in Germany continue to decline and this can be linked to the AFS and farmers are trying to get some returns.

Domestic and Regional Perspectives

The Minister of Agriculture, Land Reform and Rural Development, Thoko Didiza highlighted that the arrival of COVID-19 in Africa has exacerbated pre-existing challenges to the continent's food production and nutrition security. These include droughts, floods, and extreme temperatures, outbreaks of crop and livestock pests and diseases, and generally low economic growth. According to the Organisation for Economic Co-operation and Development and the Food and Agriculture Organization of the United Nations' report, 'Agricultural Outlook 2020-2029', sub-Saharan Africa's trade deficit in major food items was anticipated to widen over the next 10 years. Evaluated at constant (2004/2006) global reference prices, the deficit was anticipated to grow from about US\$18 billion (R298 billion) to US\$31 billion (R514 billion) by 2029, the report said. This was a result of the fact that import volumes of cereals, meat, sugar and oils were rising, and apart from sugar, imports to the region of nearly all main commodities were growing at a faster rate than the production or exports. Some of the interventions Minister Didiza suggested to help address the threats to Africa's food and nutrition security include; accurately assessing COVID-19's impact on food and nutrition security, livelihoods and food systems in the African Union's member states; meeting the immediate food needs of the continent's vulnerable populations; helping Africa's smallholder farmers increase their productivity and market access; and establishing adequate emergency strategic food reserves and storage facilities (Farmersweekly, 2020).

Key areas to unlock growth in Livestock and animal products

Recent developments in live sheep exports come at a right time after the serious shock caused by COVID-19 within the red meat industry. Exporting live sheep presents an opportunity for ordinary farmers producing the sheep. However, stock theft is a serious threat for the entire industry and this applies to both commercial farmers as experienced in Free State Province and among emerging farmers, majorly from provinces with high concentrated production as seen from the recently released data on stock theft. Immediate interventions are needed to curb this issue. Local government in partnership with the industry need to work hand-in-hand to quickly come-up with a solution as livelihoods are at risk

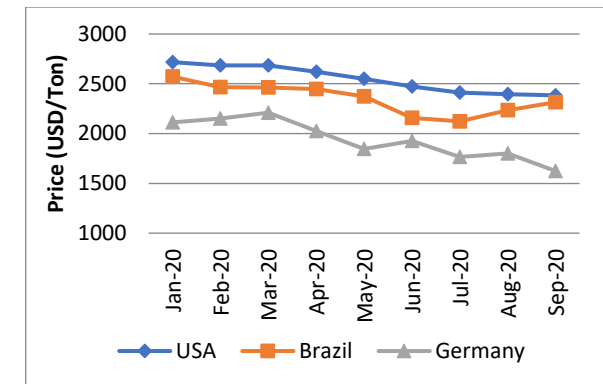


Figure 3: Pork meat prices
Source: FAO (2020)

Source of information

Reuters (2020)- <https://www.reuters.com/article/us-germany-swinefever-exports-analysis/pig-pandemic-adds-to-german-pork-sector-pain-as-exports-banned-idUSKBN2653K5>

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South African Supply and Demand Estimates (SASDE, 2020)

<https://www.sagis.org.za>

Oilseedsfocus (2020) <https://www.opot.co.za/imgs/oilseeds-focus/2020/oilseeds-focus-vol-6-no-3-september-2020.pdf>

World-Grain (worldgrain) – 2020 <https://www.world-grain.com/articles/11901-brazil-soybean-production-forecast-to-rebound>

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