



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 20

WEEK: 44



Grains and Oilseeds



Global Perspectives

Global total grains including (Wheat & coarse grains) is revised and dropped by 1 million tons month on month to 2226 million tons at the back decline in production from European Union (EU), Ukraine, and the United States of America (USA). The revised global maize production is now set at 1156 million tons down by 4 million tons month on month. This is offset by the improved production of wheat in major growing countries. Global grains demand is expected to remain at a high of 1173 million tons with a carry-over stock of 279 million tons to the next marketing year/season. In terms of rice as the alternative staple food, global rice production is expected to remain unchanged year on year at 504 million tons and the demand is projected at 501 million tons. Table 1: indicates international yellow maize prices for October 2020. The US 3YC Gulf price is mostly used as the reference price in the Chicago Board of Trade. It was trading at the daily average of below 6% throughout October.

Table 1: Yellow maize prices for October 2020

Description	(US\$/t)	Daily change %	Annual change %
Argentina Feed (Upriver)	227	-6	44
Brazil Feed (Paranagua)	231	-5	34
US 3YC Gulf	223	-6	23
Maize sub-index	241	-6	38

Source: IGC

This was attributed to the revised USA volume for maize production including other developing matters in the state, especially around a time when the country was preparing for the presidential elections.

Domestic and Regional Perspectives

The South Africa Crop Estimates Committee published the intentions to plant for summer grains, in respect of the upcoming planting season. The area suggested to be planted with maize has increased by 5.18% from 2 610 million hectares (ha) in 2019 to 2 746 million in 2020. This, therefore, suggests that South Africa (RSA) is likely to have another bumper crop for the second consecutive year, if the yield and expected rains follow a similar trend of the previous season. The estimate for RSA crops may reach another 15 million tons. Total maize production in the current season is estimated at 15.4 million tons, with a split between white maize (57%) and yellow maize (43%). Key interesting developments are that local consumption is steadily increasing at an annual average of 2% for human consumption at the back of increased population size and demand for staple food, especially during this Covid 19 situation.

As it was previously reported, Zambia's current crop is also a bumper harvest of around 3.2 million tons. Zimbabwe for the rest of the current marketing year is expected to remain a net importer from RSA or Zambia. Planting and land preparations have also started in most of the countries in the SADC region. The key issue to determine the output success of the next season is the early or fair rains in the major maize producing regions. Table 2: indicates maize future prices on the domestic market. The forecast indicates the local prices are to trade at above R3000/t.

Table 2: RSA Future maize prices

	Dec 2020	Mar 2021	May 2021	Jul 2021
Commodity	R/ton	R/ton	R/ton	R/ton
White maize	3749	3672	3200	3073
Yellow maize	3619	3585	3160	3115

Source: SAGIS

Key areas to unlock growth in Field crops

South Africa's population is continuously growing and the demand for staple food items such as maize in the form of processed maize meal is also growing. To counter this growing demand for maize the, CEC intentions to plant in the current window indicates a 5.18% increase in the land size that will be planted starting from October 2020. Therefore, the output is also expected to increase similarly to the current season's yield of 15.4 million tons. The local maize prices are trading above R3500/ton and are expected to remain above R3000/ton in the next marketing year. The most underlying issue is that not all of the maize farmers in the country are enjoying these interesting developments.

Fair participation of the smallholder farmers remains a key topic or is the center of the discussions in the public development space. The government is continuously striving to provide support to this smallholder farmers including the private sector in some instances. The current policy directive suggested by the Agriculture and Agro-processing Master Plan is expected to yield many palatable interventions once it's officially launched.

The issues of how to improve the contributions and production of smallholder farmers including strategic investment opportunities remain the key areas for the sector at large. The market trends are also proving that there is a growing market demand that needs to be served with grains, especially if other regions (e.g. Zimbabwe) are now flexible to lift the ban on GMO maize.

Fruits and Vegetables



Global Perspectives

World peach and nectarine production is forecasted to drop by 1.1 million tonnes to 21 million tonnes for the 2020/21 marketing year as adverse weather conditions impact output in top producers China and the European Union. China's production is expected to decline by 500 000 tons to 14.5 million tons due to heavy snow in April 2020 that impacted fruiting in most-peach growing provinces. Exports are expected to drop by one-third to 80 000 tons as Russia continues its ban on imports of fruit from China including stone fruit. EU's production is forecasted to fall over 600 000 tons to 3.5 million tons following last year's near record supplies, as a variety of damaging weather events affected output among the leading producers such as Spain, Italy, Greece and France (USDA, 2020).

According to a report from the United State Department of Agriculture, the output of many of the largest stone fruit producing countries is set to contract during the year (1 January 2020-31 December 2020 for the Northern Hemisphere, 1 November 2020-31 October 2021 for the Southern Hemisphere), with Turkey standing out as the major exception. "A variety of damaging weather events affected output among the leading producers Spain, Italy, Greece, and France. Surplus peach production over the last several years has also prompted reductions in planting area in Spain, Italy, and France," the USDA report said. The USA is the other major producer expecting a decline due to weather with damaging freezes resulting in a projected crop of 691,000 tonnes, down 26,000 tonnes from 2019/20. Bucking the trend is Turkey, which is anticipating growth for the sixth consecutive year, this year Turkey's production is predicted to rise by 40,000 tonnes to 870,000 tons due to good weather during bloom and harvest. This should see a corresponding rise in exports, which is also spurring further investment and expansion from the Turkish stone fruit industry.

Domestic and Regional Perspectives

South Africa's stone fruit industry expects a good movement for 2020/21 season on all fronts. Noteworthy, the promotional activities for South Africa's stone fruit industry in the United Kingdom is underway and growers are optimistic about the season ahead. Unlike the previous season, 2019/20 was challenged by a number of factors such as difficult weather conditions and the coronavirus pandemic. However, a press release by Hortgro pointed that the stone fruit industry is set to see a due to a favourable climate condition. This will advantage for the fruits exports as ports have returned to a more normal operational status. The increase in volumes are also driven by young orchards coming into production. According to a report by FreshPlaza, the stone fruit forecast and overall estimated volumes are looking much better compared to the same time last year. For plums in particular, the favourable weather conditions have definitely had a positive impact on the fruiting for the coming season and farmers are optimistic about the harvest. The initial export crop estimates project an increase in volumes compared to the previous season. Plum growers anticipate a large increase of exports by 22% compared to last season (10.8 million cartons). Exports of Nectarines are expected to increase from last year's 5 million cartons to almost 5.6 million cartons (2.5kg). Peaches can expect a 5% increase to 2.1 million cartons.

Key areas to unlock growth in Fruits and Vegetables

Under the current lockdown (level 1) in South Africa, the logistics value chain has returned to a more normal operational status, with a lot of focus having gone into improving efficiencies in all the major ports from where fruits are shipped. Hortgro pointed that the industry is confident that the logistical challenges experienced during the past months due to COVID-19 is something of the past and is looking forward to a great season. More support should be given to growers, processors and packers to remain consistent in terms of the production and quality standards. Moreover, there is a need for more support towards market development for the stone fruit industry both in internal and local capacities. It is commended that collaboration with retailers will be one of the main focuses during this year's campaign, which will see in-store promotions, advertising and editorial both online and in retailer magazines, alongside social media activity (to be done by commodity association). Government should also put more support towards this kind of initiatives for the industry to unlock more markets.

Livestock and Animal products



Global Perspectives

The USA President, Donald Trump enjoys broad support among farmers, but some are unhappy about the impact of his trade and biofuel policies on crop prices and international demand for USA agricultural products. Democrat challenger Joe Biden seized on the biofuel issue, pledged a more multilateral approach to international trade, and promised to make farming more environmentally friendly. Trump challenged trade deals between the USA and many of its top commercial partners. Those included some of the largest export markets for USA farmers. Trump's trade war with China, a top buyer of soybeans, dairy and pork, in particular was a sore spot for the president among rural voters. A series of tariffs imposed on Chinese goods since 2018 resulted in billions of dollars in lost crop sales. That hurt the USA farm economy already impacted by extreme weather and a global glut of soybeans and grains, which has depressed prices and farm income. In response, the administration rolled out nearly US\$30 billion in cash aid payments to USA farmers since 2018, and then more billions as aid towards the coronavirus -impact this year, according to U.S. Department of Agriculture data.

While Biden called the tariffs "disastrous," he may end up keeping some in place if following the election, said former and current advisers. Biden, who has a history of supporting free trade, said that he will pursue trade policy that works for American farmers. But he faces conflicting interests over trade - including labour unions who want jobs protected, and those who want action on climate change.

Trump often denounced environmental regulations as unnecessary red tape, and his administration took steps to weaken or undo them. Trump's administration has repealed Obama-era rules that expanded waterway protections, and his Interior Department plans to reopen the Grand Staircase-Escalante National Monument in Utah to cattle grazing. His administration also withdrew a final rule raising USDA standards for organic livestock and poultry production that

was published to the federal register during the waning days of Barack Obama's presidency.

A Biden presidency would make a sharp shift in other environmental regulations for farmers, though. Biden proposed boosting the use of clean-energy sources, which could open the door for more grain-based biofuels. Biden also proposed USA agriculture to achieve net-zero emissions, and receive farm income subsidies based on environmental practices such as carbon sequestration. He promised to "dramatically expand and fortify" the Agriculture Department's Conservation Stewardship Program and help farmers participate in carbon markets. He wants to expand programs to boost bio-based manufacturing, to turn farm by-products such as corn stocks and manure into chemicals, materials and fabrics (Reuters, 2020).

Domestic and Regional Perspectives

Losses of livestock and infrastructure are expected to run into millions of Rands following the devastating wildfires that raged across large parts of the Free State during the week 43. This was according to Jack Armour, operations manager for agricultural development, transformation, natural resource and commercial activities at Free State Agriculture. He said early estimations indicated that more than 1 800 heads of livestock perished in the fires. Estimated losses of infrastructure are not yet known. Raging wildfires had destroyed over 100 000ha in the Western Free State since Sunday, 18 October, which were reportedly started when service delivery protesters burned tyres on the R708 road between Hertzog Ville and Christiana. Armour confirmed that by Friday, 23 October the fires had been brought under control. "The actual damage will only be able to be determined after all the satellite data is available. "It is currently estimated that more than 100 commercial farmers

have been affected but the number of smallholder farmers is unknown at the moment."

Key areas to unlock growth in Livestock and animal products

As South Africa approached the summer season during which there are possibilities of wildfires, it is necessary to protect livestock. Therefore, good barn and field maintenance is important to reduce the danger of fires for livestock. Wildfires can lead to loss of livestock and infrastructure across the affected areas and the neighbouring areas due to spread of smoke. It is important to ensure that activities carried in the field should minimize the risks of wildfires.

Source of information

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Refinitiv (2020)

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