



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 20

WEEK: 45



Grains and Oilseeds



Global Perspectives

On the 29th October 2020, International Grain Council (IGC) (2020) reported a downgrade for the United States (US), Argentina, India and Ukraine global soybean production forecast to 370 million tons, which is 9% higher year-on-year (y-o-y) in 2020/21. This is due to the estimated rebound of US output, coupled with potentially bigger harvests in southern hemisphere majors. In terms of soybean consumption, the estimated consumption for soybean went up by 17 million tons (y-o-y) to 370.4 million tons. A continued recovery in Chinese feed demand which is expected to set a record uptake, gains. In some regions, this reflects prospects for reduced availabilities of alternatives, notably rapeseed/canola and sunflower seed. Global estimated import demand decreased by 1.1 million tons to 166.8 million tons in 2020/21 y-o-y as shown in Figure 1. Global carryovers are projected unchanged y-o-y. However, major exporters' inventories likely to tighten on a reduction in the US. Figure 1 also illustrates the estimated closing stocks are recorded at 46.5 million tons in 2020/21 (IGC, 2020).

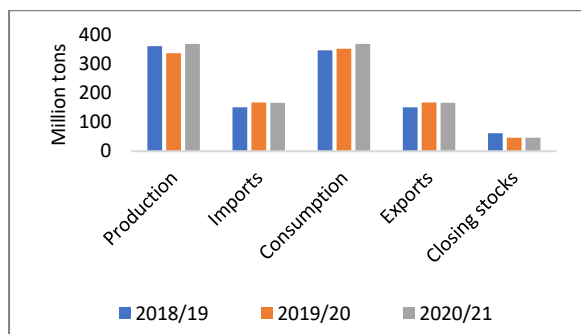


Figure 1: Global Soyabeans trends

Source: IGC, 2020

Domestic and Regional Perspectives

October 2020 issue of South African Supply and Demand Estimates (2020) reported that the South Africa's total supply of soybeans is projected at 1 519 305 tons for the 2020/21 marketing season. While its total demand which includes the country's exports is estimated at 1 398 200 tons. This demand is mainly because about 1 200 000 tons is projected to be crushed (for oil and oilcake) and this is followed by a projection of 160 000 tons for processing for animal feed. Only 3 000 tons of soybeans is estimated for exports for the 2020/21 marketing season. The estimated closing stock for this season is 121 105 tons (NAMC, 2020). Future prices for December 2020 are reported to trade at R7 868.05 per ton (SAGIS, 2020). The total supply of sunflower seed is projected at 926 735 tons for the 2020/21 marketing season. It was noticed that the total demand for sunflower seed, *that is*, local and exports (550 tons), is projected at 834 350 tons. The future price of December 2020 is projected at R7 579.05 per ton (SAGIS, 2020). The projected closing stock level is estimated at 92 385 tons. Table 1 demonstrates total production deliveries for Soybean and Sunflower of 2 067 tons and 283 tons, respectively.

Table 1: Weekly production deliveries-October 2020

Week	Prod deliveries (Tons)	
	Soybean	Sunflower
03/10 /2020	918	92
10/10/2020	714	21
17/10 /2020	260	52
24/10 /2020	175	283
Total	2067	448

Source: SAGIS, 2020

Key areas to unlock growth in Field crops

As illustrated in the Supply and Demand report, South Africa's grain and oilseeds production projections shows positive trends. The intention of expanding planting area for grains and oilseeds by 5% in 2020/21 production season compared to the previous season, 2019/20 coupled with favorable weather conditions, the country could experience another significant harvest in 2020/21 season. With the 5% intended increase of planting area, the new planting area size will reach 4.15 million hectares. However, sunflower seed planting area could fall by 4% y-o-y, due to the anticipated shift to white maize planting. However, with the current intended planting area specifically for soybean production, an increase in harvest in soybeans will still not change the fact that South Africa is a net importer of soybean. The country imports about 500,000 tons of soybean meal, mainly for livestock feeds. The country will still be dependent on imports even to meet the growing demand for soybean meal, mainly by South Africa's poultry industry. The intended increase in the grains and oilseeds area planting will also benefit producers through pricing for the reasons

Fruits and Vegetables



Global Perspectives

Despite the estimated 5% increase in the production of apples during the 2020 season, Fresh Plaza (2020) indicates that there is uncertainty pertaining the fate of exports. This concern arises amidst India's ongoing boycotting of China's apples – for now almost two years while at the same time Russia's embargo on apples from the European Union (Poland in particular) is still affecting markets globally. It is worthwhile to note that Poland one of the leading producers of apples globally. Thus, any trade distorting interventions are bound to affect global markets. Russia's embargo has however spurred Poland's diversification into new markets like Indian and Egypt despite the fact that this has come at a high cost of changing to new apple varieties and packaging among other things.

Following a 20-years pursue, apples from the United States are a step closer to be put on the shelves in Australia. However, this development has come with criticism from the industry body – Apple and Pear Australia Ltd (APAL) arguing that this imposes a risk introducing myriad pests and diseases including fire blight and European canker that could devastate local production (APAL, 2020). From Kazakhstan, the government embarked on a drive to plant on average 2,000-2,200 hectares of apple gardens a year so as to boost production and it is anticipated that the country will be self-sufficient by 2024.

Domestic and Regional Perspectives

Pome fruits have almost reached the end of their harvest season and the industry looks ahead to the next harvest in early 2021, with all the uncertainties that the 2020 export season had to encounter. South Africa had estimated to export 35.74 million cartons (12.5 kg cartons) of apples and 16.64 million cartons of pears, an equivalent of a 6% increase from 2019 for apples and a 3% decrease for pears. By week 44, South Africa had exported 20.60 million cartons of apples, representing an increase of 5% from 2019 so far. Pears exported were 14.80 million cartons, which according to the estimate, it is a decline of 4% from 2019 so far. Major importers of apples from South Africa include Africa (24%), the Far East & Asia (28%), as well as the United Kingdom (19%). South Africa gained ground in Russia, with 1.88 million cartons more being exported this year compared to 2019. The COVID-19 pandemic affected the industry's operations because of social distancing but the overall season was normal, with a few erratic weather conditions such as in some of the producing regions, as well as cultivars that underperformed.

The local markets have however experienced lower volumes of sales so far in 2020 when compared to 2019. For instance, markets had sold 928 458 cartons less in 2020 as compared to 2019 in week 43. This might be attributed to lower demand in the current season. If weather conditions are favourable and water is adequate, the next season could see a slightly bigger harvest than this season as new orchards continue to come into production. Table 2 depicts the volumes passed for exports in week 44. It is evident that both fruits have increased when compared to 2019 week 44 period.

Key areas to unlock growth in Fruits and Vegetables

The pome industry will need to continue to put social distancing measures in place in order to keep the staff in the industry safe from COVID-19 in the current season, as well as the following should the virus not be eradicated. This will ensure that the labour force is intact and that operations continue uninterrupted. This may mean more costs to the producers and the packhouses as they have to implement strict measures as well as buy protective equipment but it is important for the sustainability of the industry. Therefore, government and private sector partners should continue to support the most vulnerable employees, producers, as well as packhouses in order for their livelihoods to be preserved. Unpredictable weather patterns continue to serve as a threat in the pome industry, with potential to cause major financial losses. Adaptation strategies are needed to mitigate the risk of climate change.

Table 2: Cumulative exports of pome fruit in week 44

	Pears	Apples
	Volumes in Thousand cartons (12.5kg)	
2019	15441	28250
2020	14801	29601

Source: Agrihub, 2020

Livestock and Animal products

Global Perspectives

Globally, Netherlands is the major exporter of eggs constituting a share of 22.4% in 2019, followed turkey (14.9%), Poland (10.6%), Germany (6.8%), Malaysia (5.9%) and US (5.7%) respectively. According to Rosstat (2020), eggs price in October rose by 6.33% versus September, and in annual terms, prices rose by 4.51%. However, compared to the end of 2019, the price of the product has decreased by 5.05%. The prices on the chicken egg market are subject to seasonal fluctuations, in which the price in the spring-summer period is significantly reduced (Rosstat, 2020). Supplies of chicken meat and eggs in Asia, on the other hand, are expected to go down as the poultry industry has been halted in fear of the spread of the virus between workers and animals. However, the demand for chicken meat is high among consumers as they prepare for lockdown. Iraq has been the main export destination for Turkish chicken egg producers and egg production has been heavily impacted by the import ban by Iraq. Turkey had to gradually decrease its export share of eggs in the Iraq market from 90% in 2017 to 44% in 2019. On the other hand, a major drop in domestic consumption had a heavy impact on egg production forcing chicken farms to reduce their production. Hatching egg production has decreased by 21% from 108.8 million pieces to 85.5 million pieces while layering chickens have also decreased by 19.9% from 40.5 million to 32.4 million chickens (Tridge, 2020).

Wholesale prices for cartooned shell eggs held steady through the week 45 as supplies became largely sufficient to meet current needs and demand eases. The market for loose eggs saw increasing prices for all heavy sizes this week as traders worked to build their stocks with some measure of success as supplies outpaced current need in some cases. Supermarket feature activity for conventional shell eggs rises as the November holiday demand season gets underway. The average ad price dropped sharply by 41% as attractive offers fill circulars, from \$1.25 to \$0.74 per dozen.

Featuring of specialty types slows from last week and the share of all shell eggs ads declines to 78%.

Domestic and Regional Perspectives

In Zimbabwe, there is an expectation for acute shortage of day-old-chicks. This is however to improve significantly after the government put in place statutory provisions for the importation of nearly 9.5 million fertilised poultry eggs. Day-old-chicks are a major source of income for companies and individuals in Zimbabwe given that chickens are an integral element of the local peoples' diet. Reports indicate that following the gradual easing of Covid-19 restrictions, demand skyrocketed thereby overwhelming breeders. According to poultry producers, egg and day-old-chick imports attracted about 40 percent duty, which in effect increased the retail price for chicks and chickens as the end product, factoring in the cost of importing (CZI, 2020).

Demand for eggs is expected to pick up during November due to Black Friday deals offered by supermarkets. Demand remains high for low-value poultry cuts. Increased demand from the end of November to December is expected in line with seasonality. According to the recent available data from International Trade Centre (ITC), exports of chicken eggs declined since the beginning of 2020, largely driven by the covid-19 pandemic and of the avian influenza outbreaks which had a negative impact in the poultry industry. About 118.6 tons of eggs were exported from South Africa in January 2020 as compared to 105.2 tons in July 2020.

Key areas to unlock growth in Livestock and animal products

The establishment of statutory measures relating to levies, registrations and records & returns on table eggs is critical as to ensure that other functions are financed such as industry information, research and consumer assurance.

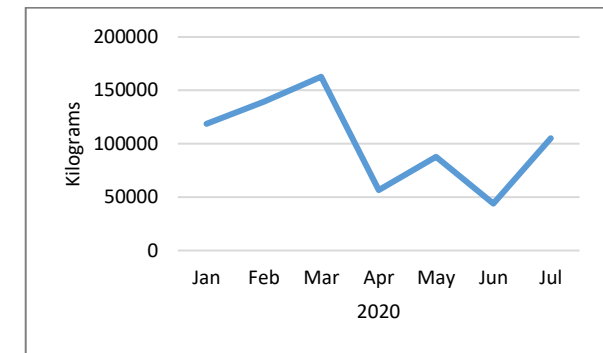


Figure 1: South Africa's egg exports
Source: ITC (2020)

Source of information

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