



# NAMMC

Promoting market access for South African agriculture

# MARKET INTELLIGENCE REPORT

# 20 20

**WEEK: 46**



# Grains and Oilseeds

## Global Perspectives

Recent data from the USDA report showed that wheat export estimates were unchanged, but, an increase in domestic consumption pushed projected 2020/21 ending stocks down by 163 000 tons to 23.867 million tons. Following a 4% decrease in wheat exports for 2019/20 marketing season, an increase in exports was observed since March 2020, which eventually exceeded a three-year average in the first quarter of 2020/21 marketing season. The increase in exports can be attributed to the diminished retail competition, which helped increase exports of wheat, flour, and wheat products. Figure 1 illustrates the total global consumption, production and trade. Global consumption of wheat recorded at 763.9 million tons in 2020/21, while for exports and imports remain stable at 185.5 million tons separately in 2020/21 season (USDA, 2020).

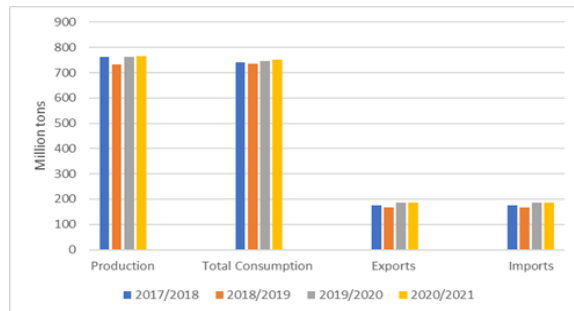


Figure 1: Wheat progression

Source: IGC 2020

Prices also rose due to increased speculative buying of wheat futures. Hard Red Winter (HRW) increased from \$8/ton to \$276 due to strong shipments to China. Soft Red Winter (SRW) rose up by \$3/ton and reached \$271, supported by upward price movements for SRW futures (IGC, 2020).

## Domestic and Regional Perspectives

The local wheat market fluctuated for delivery in November 2020. The expected production of wheat is 2,135 million tons, which is 5,48% or 110 960 tons more than the previous forecast of 2,024 million tons, whilst the expected yield is 4,19 t/ha. This is the largest expected wheat crop since the 2,427 million tons harvested during the 2002 season. The expected production in the Western Cape is 1,092 million tons (51%), in the Free State 432 400 tons (20%) and in the Northern Cape 277 500 tons (13%) (IGC, 2020). Table 1 illustrates the consumption of Wheat in South Africa.

Wheat (1000s tons)					
Marketing year	Human	Animal	Seed	Other	Total
2018/19 (act)	3,25	3	19	3	3,3
2019/20 (est)	3,28	5	20	5	3,3
2020/21 (fore)	3.32	5	20	5	3.4

Table 1 : Wheat consumption

Source: Sagis and Grain SA

Following a significant increase of grains prices in recent weeks, and wheat was the only grain crop that experienced decline in prices. As of the 13<sup>th</sup> of November, a ton of wheat was selling at R5,084 which is considerably lower when compared to mid-October prices. This fall in prices can be linked to the decline observed in global prices towards end of October 2020 and beginning of November 2020.

## Key areas to unlock growth in Field crops

South Africa's annual wheat consumption increased on average by about one percent per annum in the past ten years and is expected to reach 3.35 million tons during 2020/21 season, up by 40 000 tons. However, this year wheat harvest is at risk following a potential outbreak of Russian Wheat Aphid. This would spell a disaster for the country if the Free State & Western Cape provinces become affected. With wheat harvesting only beginning, stringent measures are required to prevent an outbreak.

# Fruits and Vegetables

## Global Perspectives

The value of tomato imports was 8 999 051 US Dollars in 2019, the United States of America and Germany and France making the top 3 importers. The value of exports stood at 9 105 086 US Dollars in the same year. The top 3 exporters were Mexico, Netherlands and Spain. However, there was a decline compared to the previous 3 years (2016 – 2019) for both imports and exports values. Some of the notable changes could be attributable to the declining supplies from the Netherlands, Belgium and Spain, all of which are among the top 10 of leading exporters. Nevertheless, the supply from these countries, including Turkey is currently reaching the market. China, which was also among the top 10 exporters in 2019, has begun harvesting a bit earlier. Despite the disruption in the supply chain caused by Covid-19, there is an indication that the prices were better in the Netherlands and Belgium around September and October 2020. In France, the domestic market looks good, with sufficient production and reasonably good prices for vine tomatoes, partly due to less competition from imports around October 2020. However, the opposite is true for loose tomatoes as prices decline, with Spain and Morocco entering the market. Notably, production (particularly of loose tomatoes) in Spain could be 20% less, compared to the previous season.

## Domestic and Regional Perspectives

South Africa produces about 600 000 tons of tomatoes annually, majority of which are produced in open fields under irrigation. South Africa's export value stood at 8 345 US Dollars in 2019, with the leading destinations being Botswana, Lesotho, Mozambique, Namibia and Eswatini (see Figure 2). In 2020, winter delayed the ripening of the tomatoes in South Africa but thanks to the persistent heat, the situation has now improved with tomatoes ripening everywhere. The downfall of this however is that the ripening is occurring at the same time thereby implying that large volumes are available. As a result, prices are under pressure. The average market price is now R7,30 per kilo. In the Johannesburg Fresh Produce market, potatoes, tomatoes and onions made the top five commodities sold on the 14<sup>th</sup> of November 2020.

## Key areas to unlock growth in Fruits and Vegetables

Disease control is among the challenges that South Africa's tomato producers are faced with. A disease called tomato leaf miner (*Tuta absoluta*) is one of the serious diseases. The whitefly is also ravaging the tomatoes. These diseases make life harder for producers. One would assume that small producers may tend to be the most affected as it is usually the case in other commodities. The fragmentation of the vegetables industry could be one of the main factors exacerbating the problem as it may have profound implications for the availability of industry-related information, including diseases, technology and so on.

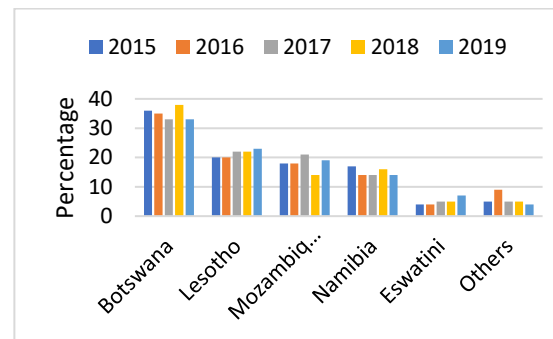


Figure 2: Share of tomatoes exported by South Africa  
Source: TradeMap.

# Livestock and Animal products

## Global Perspectives

Around the world farm gate cattle prices vary due to most obviously supply and demand factors. Some of these factors are more local in nature, and include logistical and supply chain issues, such as transportation cost between farm, abattoir, cutting plant and dispatch location, or problems with the processing capacity (AHDB, 2020). The United Kingdom (UK) farm gate prices have been stronger in the recent months, well above last year's prices for the time of year. Although of course they do follow a prolonged period of low prices, and feed costs are increasing again as the winter housing period begins. As the UK now enters a second lockdown, it will be an interesting time for markets especially as demand normally increases in the run up to the Christmas period. On the other hand, both Brazilian and Argentina beef exports remain strong for the year to date and during the first few months of 2020, Brazil exported 1.4 million tons of beef, an increase of 11% year-on-year (AHDB, 2020).

The major driver behind this trade continues to be demand from China. During this period, China has accounted for 42% of total Brazilian beef exports. China has recently lifted restrictions on several meat processing sites in Brazil that had previously been prevented from exporting to the region due to Covid-19 concerns, although there are some other sites which still have restrictions in place. Argentinian exports have also grown in volume, with an increase of 13% year-on-year, to 525,000 tons globally during the first 11 months of 2020. Chinese demand has also been the driving factor behind this increase.

A recent investment of US\$372 million (about R6.14 billion) will allow French company, Insect, to complete its new insect farming enterprise. Billed as the largest vertical insect farm in the world, the business was expected to produce 100 000 tons of insect products per year, and was now under construction in the city of Amiens, France.

With the global population and per capita income rising rapidly, demand for animal and plant protein was fast

accelerating. This had necessitated the expansion of the production of feed sources for the fish, poultry, and livestock sectors around the world that supplied these consumer needs. According to a report by the Food and Agriculture Organization, consumption of animal protein was expected to grow 52% between 2007 and 2030, placing pressure on the world's ecosystems and water resources. To address the increased demand, insect created a patented process for cultivating mealworm to produce a variety of highly digestible protein and organic fertiliser products. These products could be used to sustainably replace animal protein consumed by fish and livestock on farms, as well as the animal protein used in pet food and organic fertilisers. According to the company, its research had found that using these products to replace traditional animal protein and chemical fertiliser had resulted in a 34% increase in yield for rainbow trout; a 40% mortality reduction in shrimp; a 25% increase in yield for canola; and a 25% mortality reduction for sea bass (Farmers Weekly, 2020).

## Domestic and Regional Perspectives

Large numbers of weaner calves are finished in feedlots on farms every year. In this way, both the calf and/or maize producer can add value to his own product. Profitability is largely determined by the ratio between the weaner calf, maize and meat prices. In South Africa, weaner prices increased by 6.5% between September and October, however, it is expected to decrease towards the end of November. On average carcass prices are 5.3% higher month-on-month and price is expected to remain on this trend towards the end of November as demand is expected to increase slightly. Current weaner prices are 24.9% higher compared to the same time last year. Carcass prices (A2/A3) are up (8%) since September and it is expected to increase towards the end of November as demand increases (AMT, 2020).

Maize is also critical in production of weaner calves and yellow maize price traded at 8.9% higher in October which averaged at R3 479 per ton during this time. Maize prices are also expected to remain volatile and mainly driven by the stronger exchange rate and uncertainty in the market due to the elections in the USA. The increase in maize prices tend to have a negative impact on the prices of weaners. Increasing maize prices due to increasing international demand combined with the weakening of the rand might put some pressure on weaner prices in the short run. The yellow maize price in combination with increase in the A2/A3 carcass price resulted in a lower maize to carcass price ratio of 14.9 to 1 compared to the previous month of 15.1.

The increase in the weaner price during October combined with an increase in the A2/A3 carcass price resulted in a weaner to carcass price ratio of 0.71; which is higher than the long-term average ratio of 0.60 (AMT, 2020). Weaner prices increased towards the end of October while the A2/A3 carcass price increased slightly faster during the same time.

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

The development of alternative feed sources for the livestock industry such as the utilisation of locust and other insects might have a very positive effect on the sustainability and profitability of the industry. Soybean has 45% protein whereas locusts have 70% protein.

## Source of information

FAO - <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

Reuters - <https://www.reuters.com/article/health-birdflu-denmark/denmark-culls-25000-chickens-after-finding-bird-flu-on-farm-idUSL1N2I224P>

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Farmers Weekly (2020): <https://www.farmersweekly.co.za/agri-news/south-africa/compliance-enforcement-needed-to-curb-brucellosis-in-kzn/>

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