



# NAMMC

Promoting market access for South African agriculture

# MARKET INTELLIGENCE REPORT

# 20 21

**WEEK: 03**



# Grains and Oilseeds

## Global Perspectives

Data from the United States Department of Agriculture shows that global grain production is projected at 2714.30 million tons when compared to last month's (December) projections of 2722.68 million tons. The drop in production is due to a decline in wheat due to low production from China, Argentina more than offsetting Russia's production increase of 85.3 million tons. Coarse grains production for 2021 season is estimated down by 9.3 million tons to 1,438.5 million, attributed to a decline in production from Argentina and Brazil, offsetting increase in China and India's maize production. According to world-grain, Moscow Russia is considering a wheat export tax on top of an export quota in an effort to stabilize domestic prices. This if approved should kickstart on the 15<sup>th</sup> of February to June 30<sup>th</sup> but the government is still holding discussions. Should Russia go ahead with these measures, wheat consumers from net importing countries such as South Africa. Global oilseed's production remains fairly unchanged, with soybean ending stocks estimated at 140 million bushels, down by 35 million from the last month and this is led by a decline of 2 million tons to 48 million tons from Argentina and 0.2 million tons to 2.2 million tons from Uruguay. Soybean exports forecast is raised by 30 million bushels to a record 2.23 billion bushels. So far in January 2021, global imports of soybean were higher than exports (see **table 1** below).

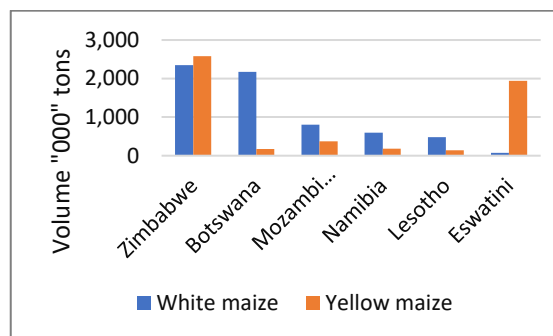
**Table 1:** Global trade of soybeans, January 2021

| Importers      | Million tons | Exporters | Million tons |
|----------------|--------------|-----------|--------------|
| China          | 100          | Brazil    | 85           |
| EU-27+UK       | 15,4         | Paraguay  | 7            |
| Southeast Asia | 9,72         | Argentina | 6,3          |
| Mexico         | 6,2          |           |              |

Source: USDA (2021)

## Domestic and Regional Perspectives

According to the report from USDA (2021), in the Sub-Saharan region coarse grains production estimates for January 2021 remains unchanged at 127, 282 million tons as the previous month as well as domestic coarse grains production estimates which still stands at 16,658 million tons. During week of December 26 to 01 January 2021 of 2020/21 season, South Africa traded both yellow and white maize mostly to African countries. A total of 6 477 thousand tons of white maize was exported during this period, and a bulk of 2 352 thousand tons of white maize was destined to Zimbabwe, followed by Botswana (2 172 thousand tons, Namibia (599 thousand tons), Mozambique (806 thousand tons), Lesotho 477 (thousand tons), Lesotho (71 thousand tons). According to **Figure 1**, about 5 392 tons of yellow maize was exported, with Zimbabwe importing 2 584 thousand tons followed by Eswatini (1 943 thousand tons), Mozambique (374 thousand tons), Namibia (183 thousand tons), Botswana (170 thousand tons), and Lesotho (138 thousand) (SAGIS, 2021).



**Figure 1:** South Africa's exports of maize

Source: SAGIS(2021)

## Key areas to unlock growth in Field crops

2020/21 summer grain season promises to be a good year given that more than average rainfall is expected. A couple of grain commodities such as maize, barley are expecting larger crops. For maize, South Africa has a well established market domestically, continentally and globally which is good given the larger crops, however, more market is required for barley as the country has not been a prominent barley exporter over the years.

# Fruits and Vegetables



## Global Perspectives

The mango harvesting season is currently ongoing in Ecuador and Peru while Mexico has just started its season in the second week of January and will go on until early October. Peru's main varieties are Kent 99% and Honey (1%) while Ecuador produces 70% Tommy Atkins, 13% Kent, 12% honey and others (5%). These countries are among the key suppliers of mangoes globally, especially to the United States (US). The Kent is the predominant variety on the US market at the moment, accounting for about 96% among others like Tommy Atkins (2%) and Honey (1.7%). Most of the Kent mangoes on the US market originating from Ecuador (54%) are classified as large in size while 29% qualify as small. In general, the volume of mangoes shipped into the US between January 09 and February 27, 2021 is projected to be lower by 16% year-over-year (y-o-y). Latest data dated December 14, 2020 shows that the average global price of mangoes since October was estimated at R14.75/kg.

In the view of fast changing landscape pertaining to food safety issues, the US has a new Food Safety Modernisation Act (FSMA) whose impact upon implementation on growers and suppliers of mangoes, among other fruits and vegetables is still uncertain. Notably, the Food and Drug Authority (FDA) finalized the seven major rules pertaining to the implementation of the FSMA while taking cognisance of the fact that food safety is a shared responsibility among many various role players in the global supply chain

## Domestic and Regional Perspectives

Stone fruits such as apricots and peaches are almost at the close of their season, while nectarines and plums still have a month or two to close off. The stone fruit segment was expected to increase for all its commodities in 2020/21 compared to the previous season, mainly due to favourable weather conditions in producing regions, water availability and young orchards coming into production. Hortgro estimates show that apricot exports were expected to increase by 23% to 435 600 cartons (4.75 kg cartons), nectarine exports to increase by 11% to 5.6 million cartons (2.5 kg cartons), peaches by 5% to 2.1 million cartons (2.5 kg cartons) and plums by 22% to 10.8 million cartons (5.25 kg cartons). By week 1, total apricot exports increased by 86% compared to the same week in 2020, with a total of 613 580 cartons. With plums still to be in season, decreased by 24% reaching 1,91 million cartons, peaches fell short by 14% compared to week 1 of 2020, with 1.39 million cartons being exported and lastly nectarines dropped by 17% to 2.24 million cartons exported. The ports have also returned to their normal capacity and has contributed to the positive projection and actual numbers of exports.

For mangoes, their production is expected to be 75 000 tons, slightly down from last year. Mangoes are mainly sold at the national fresh produce markets (32%), while exports make up about 6% and the rest is processed. Prices in the markets are influenced by supply and demand, and prices seem to be low as volumes are high.

## Key areas to unlock growth in Fruits and Vegetables

During the past few years, a number of plum cultivars have been commercialised, keeping South African Stone Fruit Industry ahead of its competitors. The Agricultural Research Council (ARC) and the South African Deciduous Fruit Industry formed a joint venture to commercialise the ARC-bred plum cultivars, which is the fifth cultivar for plums. And the four commercial plum cultivars have already made a substantial impact on plum exports from South Africa, with 74% of production exported. Despite the hiccups exacerbated by the pandemic as from 2020 the industry, government and the various port stakeholders pulled forces to improve port efficiency and to deliver a much-improved services. Furthermore, the stone industry is optimistic that operations in ports will improve particularly the Cape Town Port.

Table 2: Stone fruit exports (week 1)

| Commodity  | Carton equivalent (kg) | 2020 Exports | 2021 Exports |
|------------|------------------------|--------------|--------------|
| Apricots   | 4.75                   | 332 490      | 613 580      |
| Nectarines | 2.5                    | 2.68 million | 2.24 million |
| Peaches    | 2.5                    | 1.61 million | 1.39 million |
| Plums      | 5.25                   | 2.52 million | 1,91 million |

Source: Agrihub (2021)

# Livestock and Animal products

## Global Perspectives

Producers are increasingly becoming reliant on sensor-driven digital infrastructure (AgriTech), which not only shows great potential, but also leads to significant cost reductions and thereby increases profits in a sector that has historically shown low profitability. Bristol University's Cabot Institute for the Environment has highlighted that an automated poultry feeding system in recent case studies has shown feed cost reductions of between 2-5%, translating to 40-100% increase in profitability. To stay competitive, producers competing with those who have adopted such technology can do little but adapt as well. However, the research suggested that the rapid adoption of digital technology does not allow for careful consideration of cyber security systems. The research claims that until now, the United Kingdom (UK) government has excluded the farming and food sectors from meeting legislation on the security of networks and information systems. Shortly before Christmas, however, the National Cyber Security Centre (NCSC), which works with the UK's National Farmers' Union, released a guide for the industry. The NCSC said it was becoming increasingly more important for (NFU) farmers and rural communities to take their growing exposure to cyber risks into consideration. Among the top tips highlighted in the guide are:

- Keep your devices up to date,
- Back up your data,
- Keep your devices safe,
- Protect your farm from malware,
- Always use passwords, and Turn on 2-factor authentication (Poultry World, 2021).

The British Meat Processors Association (BMPA) warns that the UK government's failure to prioritise food processing workers for the coronavirus vaccine puts the country's food supply at risk. The risk of more rapid spread of the virus amongst key workers, coupled with expected disruption of food supplies at ports as the full effects of Brexit begin to unfold, pose a severe challenge to the industry and to the

smooth running of the nation's food supply chain (The pig site, 2021).

## Domestic and Regional Perspectives

Regionally, the Central Bank of Nigeria has released 12.55 billion Nigerian naira (US\$ 31 million) to boost egg and meat production and create more jobs for Nigerians. Feed costs have risen by over 75% between March and November 2020, and the situation has threatened up to 10 million jobs (Poultry World, 2021).

Domestically, Covid-19 continues to have a negative impact on both the poultry and livestock industries. Inflated prices for grains (maize and soybean) from the global market, as observed in the US and other parts of the world fuelled by demand from China, had spilled over to the domestic feed market. Higher feed prices constitute more production costs (at least 50% for broilers) from the producer's perspective.

Figure 2 presents chicken meat production and consumption in South Africa between 2017 and January 2021. Based on data from United State Department of Agriculture (USDA), a consistent increase in consumption has been observed over the years. Since 2017, South Africa produces less chicken than the required quantities for consumption, however, production is also increasing at a lower rate than consumption thus an increase poultry imports has been observed over the years.

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

In spite of the domestic economic challenges in South Africa, income levels have somewhat increased putting more pressure on poultry as it is the cheapest source of animal protein. This provides an opportunity for local producers to enter into the industry, however, feed costs have proven to be a major challenge for producers. The country needs to increase its production to close the gap between supply and demand. An increase of domestic soybean production for feed to reduce the pressure in domestic feed costs is necessary.

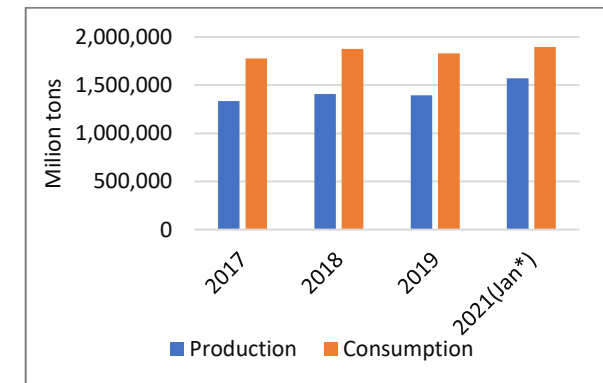


Figure 2: Chicken meat production and consumption in SA  
Source: USDA, 2020

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