



# NAMMC

Promoting market access for South African agriculture

# MARKET INTELLIGENCE REPORT

# 20 20

**WEEK: 48**



# Grains and Oilseeds



## Global Perspectives

According to United States of Department of Agriculture (USDA), 2020, global rice supplies are estimated to increase by 0.4 million tons to 679.0 million tons. This increase was due to primarily on increased beginning stocks for Iraq, Bangladesh and Vietnam. Global production for 2020/21 is estimated to decline by 0.4 million tons to 501.1 million tons as illustrated in Figure 1. Main drivers for this decrease was a reduction in Bangladesh due to damaging floods, however, global production remains a record. Same trend of decline occurred in the global rice consumption, however, it will remain a record at 499.2 million tons due to the reductions in Bangladesh and Cambodia and are partially offset by China. USDA (2020) reported that global trade is virtually unchanged at 44.3 million tons as lower exports for China and the United States (US) are almost offset by higher exports by Turkey and Cambodia. IGC, 2020 also reported that the world ending stocks are projected to increase by 0.6 million tons to a record of 179.8 million tons with China and India accounting for 65% and 17% of the total, respectively.

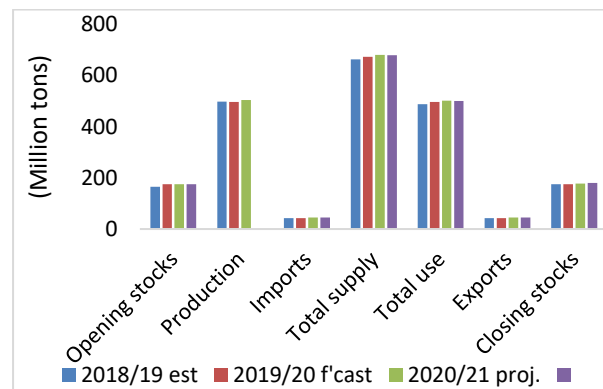


Figure 1: Global rice estimates

Source: IGC, 2020

## Domestic and Regional Perspectives

The annual per capita consumption of rice is the 15kg/person and rice consumption in South Africa has grown by 3% per annum the past 10 years (USDA, 2020). With economic growth expected to continue to be sluggish, due to structural and policy constraints, post foresees that the marginal increase in the demand for rice will continue in the 2019/20 MY and 2020/21 MY to 925,000 tons and 935,000 tons, respectively. South Africa is dependent on rice imports to meet the local demand as rice production is insignificant in the country, due to the high-water requirements of the crop. As a result, rice imports are duty free and local consumption is derived from publicly available import data. Based on the latest TradeMap (2020) data, South Africa imported 127.5 thousand tons and exported 9.9 thousand tons in September 2020. In the 2020/21 marketing year (MY), South Africa's rice imports are expected to increase by only 1% to 1.1 million tons on a marginal increase in demand. Thailand and India, together, supply more than 95 percent of South Africa's rice demand in the 2018/19 MY, with Thailand's contribution almost 75%.

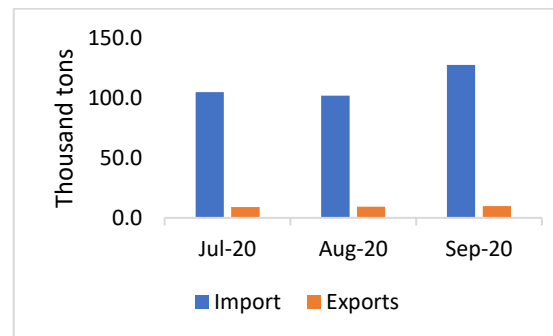


Figure 2: South African rice trade

Source: TradeMap (2020)

## Key areas to unlock growth in Field crops

One fifth of the world's population depends on rice cultivation for their livelihoods. There are many South African farmers interested in growing rice as a means to diversify their farming operations and several trials have been done. The absence of local rice plantings does not mean it can't be produced successfully in South Africa. The trials show that rice does not have to be cultivated in water-logged fields. It can be planted in any soil, provided the soil contains 15% clay. With well-managed irrigation, rice can be grown in many areas across South Africa, such as Kwa-Zulu Natal, the western areas of the Free State province and even as far north as Thabazimbi in Limpopo province. Rice processing facilities are not available in South Africa yet, but talks are underway with a local financier about investment to build such a facility.

# Fruits and Vegetables



## Global Perspectives

According to Tridge (2020) China is the leading garlic producer in the world, accounting for 61.7% of the total export volume (Approximately 1.33 million metric ton of garlic on an annual basis). The second biggest producer is Spain which account for 16.4% of the market global share and followed by Argentina at 6.2%. In China, the garlic harvest is larger this year (20-25% more) better than the previous year 2019. It is important to note that beside citrus, garlic is another of the products benefiting from the coronavirus pandemic, as it has given a boost to its consumption. A report undertaken by Freshplaza (2020) highlighted that the prices of garlic in the global market are currently increasing, mainly in Europe. At one side, Spain has faced pressure from the abundant and persistent rainfall, which caused a reduction in their garlic production in the summer. Rains at the time of the harvest are very detrimental to the product's appearance. Noteworthy, the demand has risen sharply, especially in North America, where it has doubled in Canada and increased by as much as 70% in the US. Worldwide, this seems to be causing shortages. Canada is one of the countries with the highest per capita garlic consumption. With the approaching holidays, the demand or consumption of garlic could keep rising, as many people will be cooking from home.

## Domestic and Regional Perspectives

The South Africa garlic industry is relatively small compared to other countries such as China, Spain and Argentina. It accounted for 0.1% of the total garlic share in the world in 2018. Despite of its size, some neighbouring countries such as Namibia, Botswana, Angola, Lesotho and Mozambique has benefited from the South African garlic industry. Data from Selina Wamucii website shows that the promising export markets in 2018 for South Africa garlic within the African continent were Namibia, Botswana, Angola and Lesotho. This is an indication that the South African garlic industry need not to be abandoned. However, the industry is under pressure from the garlic import dumping from China and other countries such as Spain and Egypt. Over the past decade, South Africa's garlic imports from China, Spain and Egypt have doubled to around 3,000 tonnes per year. Total consumption of garlic in South Africa is about 4,800 tonnes per year. The domestic garlic production has already started, but many growers are struggling to compete with the imported product, especially due to the unusual amount of garlic that has been imported this year. Retailers in South Africa also prefer the imported product because it guarantees a year-round supply. The average market price at the moment is 35.84 ZAR (€ 1.98) per kilo.

## Key areas to unlock growth in Fruits and Vegetables

It is clear that South Africa is a net importer of garlic. This is a greatest challenge to achieving a sustainable local garlic industry. Dumping of garlic from China, in particular, is a severe problem. If South Africa want to unlock growth for its own garlic industry, there should be more investment to support the local farmers. The support should be inclusive of enabling the recognition of the existing producer to big buyers, which are mostly the super markets and producers also need to monitor their quality of produce. Furthermore, if South Africa want to reduce the garlic import, they need proper plan for expansion, to ensure that the local production do not run out than expected. The sustainability of the South African industry could take a long way, but the local producers should be supported to grow over time to take a lead in the local market.

# Livestock and Animal products

## Global Perspectives

Research from the National Farmers Federation (NFF) shows that almost one quarter of Australians say that COVID-19 has made them more conscious of where their food comes from. It is said that panic buying and temporary supermarket shortages had caused angst for many Australians and it is logical that Australians have taken a greater interest in the origin of their meat, dairy, eggs, bread, fruit, vegetables and more. Every year Australia produce up to two thirds more food than it can consume (The cattle site, 2020).

A number of affected countries are furious after China has stepped up its testing for COVID-19 on food imports, resulting in temporary bans on products from 20 countries. This will have a significant effect on global trade because China is noticeable market. During a World Trade Organisation meeting on the 5<sup>th</sup> and 6<sup>th</sup> of November 2020, Canada (backed by Australia, Brazil, Mexico, Britain and the US) said China's testing of imported foods and rejections of products that had positive nucleic acid tests are "unjustified trade restrictions," adding that China has not provided scientific justification for the measures. The WTO did not immediately respond and since then China has intensified its food screenings. The World Health Organisation says neither food nor packaging are known transmission routes for the virus (The cattle site, 2020).

Based on data from the FAO bovine meat prices declined due to weak demand in the United States of America, coupled with rising shipments from South America, although supplies from Australia drifted lower due to rising demand for cattle for herd rebuilding. Figure 3 presents bovine meat prices from Australia, Brazil and the USA which are significant players within the global market from January 2020 to October 2020.

## Domestic and Regional Perspectives

For the 2nd quarter of 2020, the COVID-19 and the lockdown measures affected the dairy industry performance in the South African retail markets:

- UHT milk, yoghurt, pre-packaged cheese, cream cheese, butter and cream, increased significantly relative to its performance in the previous nine months. The performance of fresh milk and flavoured milk weakened. For the 3rd quarter of 2020, the retail sales quantities in South Africa of:
  - UHT milk, yoghurt, maas, pre-packaged cheese, cream cheese, butter and cream increased relative to the same quarter of 2019, but with the exception of butter, the rates of increase slowed down relative to the rates of increase in the 2nd quarter; and that of
  - Fresh milk and flavoured milk decreased, which indicates a continuation of the previously observed trends.

In the quarter which ended in September 2020, the retail sales prices in South Africa of:

- Fresh milk, UHT milk, flavoured milk, maas, pre-packaged cheese, cream cheese and cream, decreased; while Yoghurt and butter, increased.

The increased performance of the specific dairy products in the South African retail market, as referred to above, cannot be ascribed to the macro-economic fundamentals namely, an increase in the gross domestic product of South Africa and increased consumer income, as in the quarters concerned, there was a significant drop in economic activity due to COVID-19 and measures to curb the spread of COVID-19. Clearly, the exceptional performance of the specific dairy products concerned in the quarter which ended in June 2020 and the performance in the quarter which ended in September 2020 (which includes higher retail sales quantities and decreased retail prices in respect of seven of the nine dairy products concerned, which means that increased sales quantities were, to some extent, at the

expense of price), amidst the very unusual situation created by COVID-19, is the result of changed behaviour and preferences of significant segments of the consumer market (Sampro, 2020).

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

The South African dairy industry challenges in the immediate future are Production cost increases such as prices for maize and soybeans, which discourages raw milk production in South Africa. Also, the high uncertainty regarding the future demand for dairy products in South Africa associated to lower consumer income resulting from COVID-19 as well as the increase in prices for raw milk and dairy products is likely to influence the quantity of the sales thereof.

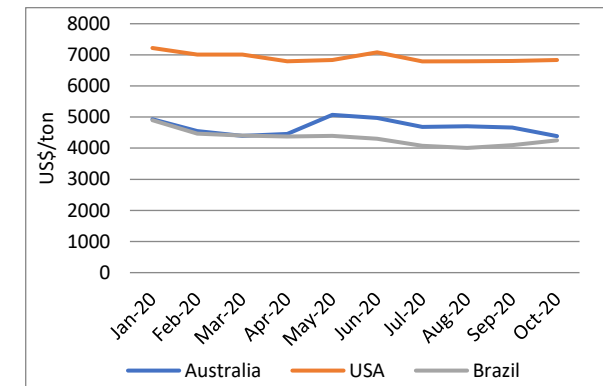


Figure 3: Bovine meat prices  
Source: FAO, 2020

## Source of information

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