NAMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

2020

WEEK: 49

Grains and Oilseeds

Global Perspectives

The Global total grains production including (wheat and coarse grains) is forecast to decline in 2020/21 by 7 million tons m/m (month on month). To a newly revised figure of 2.219 million tons, with a 10 million tons drop for maize. Figure 1 Global maize supplied stocks are projected at 1.443 million tons from 1.450 million tons in the previous marketing year. The Global maize consumption is also projected to decline in 2020/21 from 1.173 million tons to 1.169 million tons. The decline in supplied stocks is due to production fall noted from the EU, Ukraine, and the USA due to climatic weather conditions. Improvement in the feed use of other grains compensates for the lower projection for maize feeding due to the decline in maize production. The Global maize projections for trade is revised up by 6 million tons m/m to a record of 409 million tons. The projections for China maize imports are lifted sharply, however, the EU and Mexico decreased their trade. The US maize exports are revised up to a new record of 67 million tons, while shipments from Ukraine are cut to a three-year low average at the back of the reduced production (IGC).

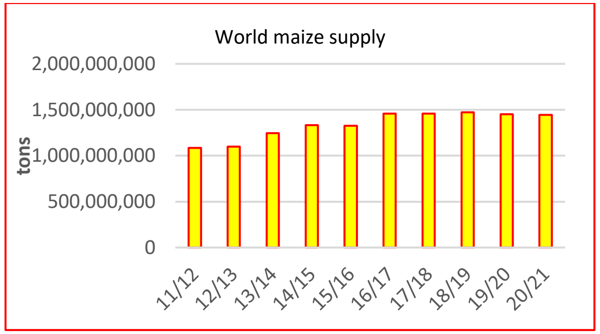

Figure 1: Global maize supply estimates

Source: IGC, 2020

Domestic and Regional Perspectives

The current 2020/21 marketing year, remains a key topic in South Africa's agricultural sector, with the 2021/22 season also projected to be a second favourable season for the maize farmers in the country. Due to early good rains in the major producing areas. As the 2020/21 marketing season nearly unfolds at the end of April 2021, the RSA total maize supplies including both white and yellow maize are projected at 15.7 million tons at the back of improved production. The RSA maize balance sheet paints a very positive picture, the country projects carry-over stock of 1.7 million to the next marketing year, at the beginning of May 2021 (SASDE). The RSA total maize exports are projected to reach a record of 2.5 million tons, with the bulk of those being yellow maize. Figure 2 illustrates RSA yellow maize exports both to the regional and international markets, with Botswana being the top maize importer from RSA. The regional maize outlook is also positive for Zambia with a bumper crop estimated at 3.4 million tons. In most of the countries in the region, their production is estimated below the normal average.

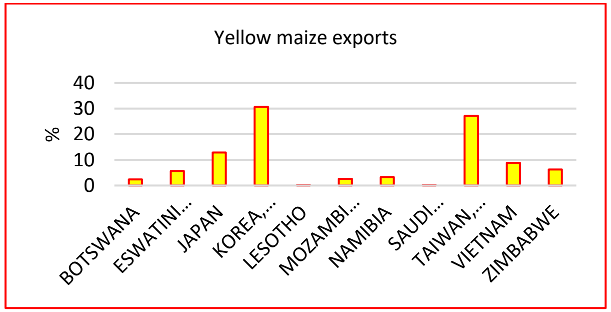

Figure 2: RSA yellow maize progressive exports (20/21)
Source: SAGIS, 2020

Key areas to unlock growth in Field crops

The RSA maize sector continues to play a vital role in ensuring that there is sufficient stock to meet the local demand for both human and animal consumption. With the surplus stocks exported both to the region and other global markets. The growth of this sector is also subject to the growth in other sectors such as the poultry sector. It is estimated that the local poultry sector is expected to grow shortly. This suggests that the demand for maize is likely to increase in the short to medium term. These future planned opportunities are aimed to also improve the participation of the smallholder farmers in the entire value chain.

The proposed different sector master plans once concluded are expected to play a vital role in ensuring and attracting investment from both public and private sector and also guide on a strategic agricultural growth path for the country.

Fruits and Vegetables

Global Perspectives

There is an ongoing trade war between China and Australia which has culminated into China imposing a 200% anti-dumping duty on Australian wine (Aljazeera, 2020; Daily Mail, 2020). This bears serious implications on Australia's wine industry given that China accounts for the largest share (approximately 39%) of Australian wine exports. The trade war is bound to expose Australia to more completion from top wine producers like Chile whose 17.2% share of wine destined for China is duty free exports but other countries like South Africa, Italy, France and the USA are subjected to duties ranging between 14 % and 19%. The distortion of Australia's wine market in China would have possibly yielded better prospects for South Africa's wine as compared to the other top producers but South Africa's wines are not recognised protected Geographical Indications (GIs) in the China unlike most European wines. Thus, South Africa's wine industry should consider protecting GIs beyond the European Union, after all, China also has a very well-developed GI system.

The second wave of Covid-19 pandemic currently raging countries especially in the northern hemisphere is greatly distorting agricultural trade globally, most especially for the highly perishable fruits (e.g. table grapes) that are currently in season. The high burden of the pandemic is noted to be a contributing factor to the high inspection costs in countries like China where authorities at custom entry points are strengthening disinfection procedures for cargo entering the country as well as facilities and equipment within the cargo handling zone. Such procedures have led to container shortages, thereby mostly affecting small sea freight companies. This shortage is anticipated to impact on international agricultural supply chains especially if more countries impose more restrictive measures when the second wave of the pandemic spreads globally.

Domestic and Regional Perspectives

The South African wine industry has undoubtedly experienced a hard hit from restrictions due to the COVID-19 pandemic, especially in terms of exports, which is their largest market. Exports started to recover in May, although lower than 2019. Between June and September, the quantities of wines exports were better than those of 2019 as the industry was trying to recover the losses. The trade war between China and Australia presents an opportunity for South Africa's wines to increase their market share in China. For the past 10 years, South Africa has held a less than 2% share in China's imports of wines, with Australia and European countries holding the largest shares. Of course, they will have to face a higher tariff of about 14% compared to their top export markets but could present a long-term infiltration into the market and increase its market share. They will also compete with countries such as France which have special labelling on their products. How the industry grabs this opportunity will become important for sustainability in China.

The table grape industry has just begun with harvesting and has estimated that it will produce between 65 million and 69.80 million cartons (4.5kg) of table grapes, compared to 66.15 million in 2019/20. This is due to favourable conditions in planting regions and new varieties. By week 48, exports were 49% lower than the same week in 2019. This could be because some production regions have not started harvesting yet. The delays due to the pandemic are still yet to be observed but the industry could become affected by the delays at borders due to additional checks, therefore it would be advisable if they plan delivery ahead of time.

Key areas to unlock growth in Fruits and Vegetables

With South Africa seeing a rapid escalation in COVID infections over the past few weeks, the industry may need to build its preparedness and resilience in dealing with the predicted worldwide second COVID-19 wave, as has already been seen in Europe, ensuring that the damage will be minimal. Beyond the pandemic, the wine and table grapes industry are dominated by commercial farmers, a lot needs to be done to increase entrance of small holder farmers and also graduate the small holder farmers who are already in the system. The industry's production costs are high because grapes are labour intensive and susceptible to many pest diseases. Access to finance remains a barrier to small holder farmers, and one of the key recommendations is to increase public-private partnership, to help bridge the gap and build an inclusive and sustainable industry.

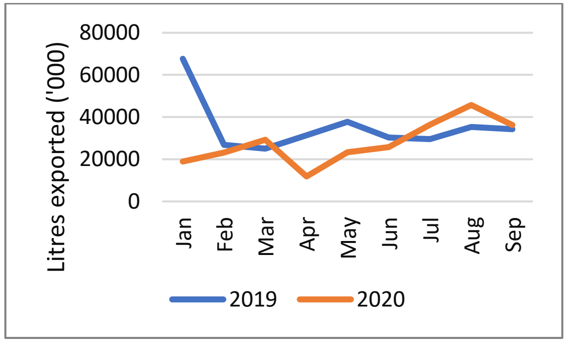

Figure 3: Volumes of wines exported in 2019 and 2020
Source: TradeMap, 2020

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In a supermarket in downtown Beijing, refrigerator shelves normally filled with steak from around the world sit empty as tougher testing for the novel coronavirus creates supply bottlenecks and raises prices for importers. China began testing batches of imported chilled and frozen meat and seafood for the coronavirus in June, but significantly ramped up its inspections early this month after port workers in several cities tested positive for COVID-19, the disease caused by the virus. The new measures, which include testing much more product than before and additional disinfection, are raising costs for importers while adding time and layers of red-tape in an industry used to working at speed to guarantee freshness. The move is especially hurting the booming beef trade, worth $8.65 billion last year and growing rapidly, as some importers cut purchases on rising costs and weaker demand caused by consumers' coronavirus worries (The beef site, 2020).

3 years ago, UK resource efficiency organisation WRAP reached an agreement with a number of key poultry and pig companies to encourage them to reduce their food waste by 50% by 2030. WRAP, which has been a driving force in reducing the amount of food waste through the ground-breaking Courtauld Commitment in 2005 and the Love Food Hate Waste campaign from 2007, made a deal with the 2 Sisters Food Group, Avara Foods, Moy Park Ltd and Noble Foods that would enable them to sign up to the Food Waste Reduction Roadmap. Since then, the firms have made considerable strides towards reaching the ambitious targets. As a result of challenging consumer habits during lockdown, Noble Foods saw a huge spike in retail demand for eggs while food service volumes dropped substantially. This left the firm with a significant risk as the eggs used for food service customers are from white hens laying white eggs. With UK consumers not used to buying white eggs from supermarkets since the 1970s, the company was faced with having to find a market for 900 000 eggs a week during the Covid-19 lockdown. The answer was Tesco, one of the UK’s largest retailers. The majority of the firm’s food waste (91%) is used for anaerobic digestion with the remaining 9% used for energy generation. Noble Foods also sends 845 tonnes of unfit liquid egg and shell abroad to be converted into pet food (Poultry World, 2020).

Based on data from Agricultural Market Trends (AMT), meat supply in general has increased recently within the domestic market as a result the producer prices were observed to be a bit lower. During December 2020 mutton prices are expected to be higher than normal with a 95% chance. Pork prices during the 4th week of November 2020 4.5% higher when compared to October 2020 and 12.3% year-on-year. Prices for frozen, fresh and IQF poultry were all lower on the 27th of November when compared to the previous week and are expected to show an uptick beginning of December onwards until January 2021. Figure 4 present’s poultry prices for frozen, fresh and IQF producer prices for during November 2020.

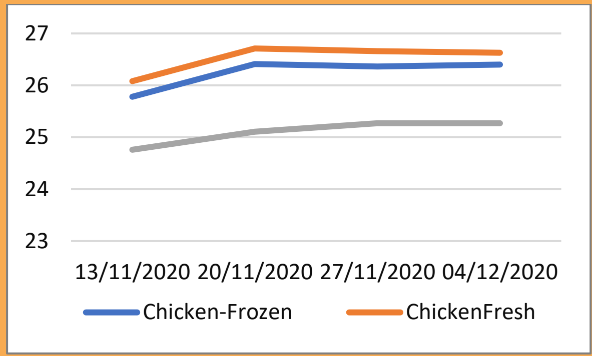

Figure 4: Domestic poultry producer prices
Source: AMT, 2020

The Chinese measures on meat imports are going to affect the global meat market in general and South Africa might be affected specifically with poultry. Brazil which is the biggest supplier for South Africa and the USA are two countries among other countries affected by the Chinese measures as they are key suppliers for China. Limitations or delays on exports to the Chinese market means these two major player countries must intensify their exports to other markets such as South Africa. This can possibly affect the domestic market in two ways: a) more imports might be coming into the market and that is likely to positively affect prices for consumers during this festive season. b) Producers might not make as much or normal sales around December and they might be forced to sell at a price below average thus possible not making profits. This will prove costly especially for the indebted farmers. Imports specifically for poultry during these developments in the global market will need to be constantly monitored.

Also, high domestic feed prices are likely to continue putting on some pressure following the China-US trade deal for maize for 2020/21 marketing season estimated to double year-on-year.

Source of information

The beef site - https://www.thebeefsite.com/news/56194/chinas-covid19-testing-regime-creates-bottlenecks-in-meat-trade/

Poultry World - https://www.poultryworld.net/Eggs/Articles/2020/11/Reducing-food-waste-by-half-by-2030-677609E/?utm_source=tripolis&utm_medium=email&utm_term=&utm_content=&utm_campaign=poultry_world

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Daily Mail (2020). China fires an extraordinary shot in trade war by slapping 200 PER CENT tariffs on Australian wine - starting TOMORROW. https://www.dailymail.co.uk/news/article-8992177/China-fires-shot-trade-war-slapping-200-CENT-tariffs-Australian-wine.html

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