



# NAMMC

Promoting market access for South African agriculture

# MARKET INTELLIGENCE REPORT

# 20 20

**WEEK: 50**



# Grains and Oilseeds

## Global Perspectives

While the world is still battling with the Covid-19 pandemic, in recent weeks global export prices for key grains and oilseeds seemed to have normalised except for rice and soybean. These developments will shape the global prices and subsequently determine what consumers will be paying going towards the New Year. The second wave of Covid-19 fears accompanied with droughts problems in a number of key global market players resulted to the surge increase in export prices between October-November 2020. Figure 1 presents exports prices for wheat, maize, barley, soybean and rice from June 2020 to the 8<sup>th</sup> of December 2020.

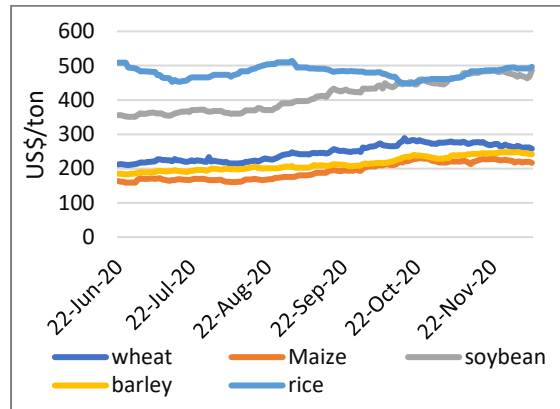


Figure 1: global export prices  
Source: IGC, 2020

Based on data from the International Grain Council (IGC) rice prices are not slowing down. As of the 8<sup>th</sup> of December a ton of rice from Thailand was selling at US\$497 from US\$481 on the 8<sup>th</sup> of October 2020, representing an increase of US\$16 m-o-m. Soybean prices from key global market players remain above average prices from the USA and Brazil during the first week of December 2020. A ton

of soybean from the USA was selling at US\$463 on the 8<sup>th</sup> of December when compared to US\$433 on the 8<sup>th</sup> November 2020, representing an increase of US\$30 month-on-month. Maize, wheat and barley prices seemed to be stable which is good news for importing countries such as South Africa in the case of wheat, however, rice prices remain tight and consumers from importing countries are likely to feel this price rigidity going to the new year.

## Domestic and Regional Perspectives

Domestically, the agricultural sector has been filled with positive news in recent weeks from maize success to good rains from various parts of the country. Wheat harvesting has been continuing well so far with sizeable quantities already delivered to silos. A general picture is that domestic prices are relatively higher than normal at this time and this has been continuing since June 2020 see figure 2 from June-November 2020. From the recently released Consumer Price Index (CPI) data by Statistics South Africa (StatsSA) bread, cereal and animal products are amongst food products with inflated prices in response to grains and oilseeds prices.

On the 30<sup>th</sup> of November 2020 SAFEX prices for yellow maize, soybean and sunflower were selling at R3 467 (per ton), R8 450 (per ton) and R8 754 (per ton). These prices are significantly higher than normal average prices and consumers are going to feel these prices especially during the festive season, nonetheless, we expect things to get normal entering 2021. When it comes to exports, the Southern African Development Customs Union remains the significant market especially for yellow maize from South Africa. As of the 4<sup>th</sup> of December 2020 about 3 647 tons, 1 344 tons, 1 242 tons, 2 350 tons and 603 tons, respectively, was exported to Zimbabwe, Namibia,

Mozambique, Eswatini and Botswana (SAGIS, 2020).

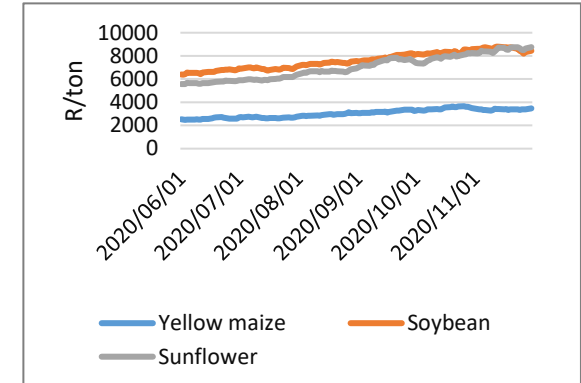


Figure 2: domestic prices for key feed commodities  
Source: JSE, 2020

## Key areas to unlock growth in Field crops

The meat industry from the producers' perspective is under immense pressure around this time of the year given the demand for meat. Feed costs remain a critical problem and this overlaps to issues that affect both producers and consumers. More imports to the country would relieve pressure prices from the consumers' side, however, this would spell some problems for local farmers who need to compete with heavily assisted producers from across the globe. Proper plans to assist farmers domestically need to be looked into. This would make it easy to adjust imports thus creating a free market for all South African agricultural commodities globally.

# Fruits and Vegetables



## Global Perspectives

The global apples production is estimated to fall by 3,3 million tons to 76,1 million. This is at the back of severe spring frost in China, which is anticipated to reduce the country's production by 1,9 million tons to 40,5 million tons. Russia is also anticipating a decline of nearly 240 000 tons to 1,5 million tons due to frost and hail. The United States of America is anticipating a decline of 150 000 tons to 4,7 million tons as a result of negative effects of a wind storm in Washington and severe freeze in Michigan. Mexico's production is anticipated to drop by 80 000 tons to 680 000 tons due to adverse weather. Although unfavourable weather events seem to pose challenges on production of apples in other countries, some countries/regions are anticipated to experience a positive growth in production. These include the European Union (EU), with an anticipated growth of 500 000 tons or more to about 12,2 million tons mainly due to a recovery in non-commercial production which seemingly offsets the decline in commercial production. Other countries like New Zealand and Turkey anticipate a flat production and a growth of 680 000 tons respectively.

The global production of fresh pears is anticipated to decline by 1,0 million tons to 22,2 million tons in 2020/21. While the production of fresh table grapes is anticipated to remain nearly unchanged at 25,7 million tons as growth in China offsets losses in the EU.

## Domestic and Regional Perspectives

South Africa's production of apples is anticipated to increase by 18 000 tons to 960 000. The growth is noted to be occurring for a third straight year and is attributed to a combination of good growing conditions and sufficient water in regions that grow apples. The country's production of fresh pears is also anticipated to grow to 410 000 tons at the back of similar conditions. In addition, the planted area (measured in hectares) continues to rise on new land coming under cultivation, including the introduction of "low-chill" varieties in Northern Province that do not require typical low temperatures.

Production of table grapes is anticipated to grow by 8 000 tons to 330 000 on sufficient water supplies and new orchards and varieties coming into production. The area planted with table grape continues to rise in the Northern Province and Western Cape as some wine grape growers convert to table grapes.

The exports of these fruits are expected to grow as production increases. For example, the exports of table grapes are expected to rise by 7 000 tons to 305 000 tons, with growing shipments to the EU.

## Key areas to unlock growth in Fruits and Vegetables

The third quarter statistics of the Gross Domestic Product (GDP) released by the Statistics South Africa (StatsSA) on the 9<sup>th</sup> of December 2020 indicated that the agriculture sector realized growth of 18,5%, following yet another positive growth as in the second quarter of 2020. This has to be appreciated given that the sector had not fully recovered from the effects of drought when Covid-19 struck. Some of the industries that are performing relatively well include the citrus, deciduous fruits and vegetables, among others. This means that the horticulture subsector stands to benefit from opening international market opportunities to assist the country's agriculture to remain firm to contribute to the local economic recovery.

# Livestock and Animal products

## Global Perspectives

Global meat imports will decline marginally in 2021 as softening demand from China offsets gains elsewhere. China meat imports are forecast to set records in 2020 due to a sharp decline in pork production from African Swine Fever (ASF). Next year, imports are expected to fall as producers rebuild swine herds and production rebounds. Outside of China, global meat imports are largely rebounding as economies bounce back from Covid-19 and as food service demand improves. Global beef exports in 2021 are expected to grow by 3% as better economic conditions and food service recovery support demand. Most major exporters are forecast to experience stronger export next year; however, Australia and Argentina are exceptions as lower production is expected to limit exportable supplies. India exports are expected to benefit from higher production and an improving economy in its price-sensitive markets.

Chicken meat exports are forecast 2 percent higher in 2021 to a record 12.2 million tons. The world's leading exporter Brazil will account for over one-third of the growth. Brazil's competitive advantage to supply diverse products to a wide range of markets at competitive prices will facilitate expanded shipments to the Middle East and Sub-Saharan Africa, critical for growth in the face of weaker China demand. After two years of spectacular growth, China demand will soften, although remaining near the record high. Globally, rising EU and Saudi Arabia demand will more than offset the decline in China as well as South Africa. U.S. production is expected to rise 1 percent to 20.5 million tons in 2021. Exports are forecast virtually unchanged at 3.3 million tons as lackluster demand in most major U.S. markets, in particular Mexico, will inhibit growth.

Global pork exports are forecast unchanged at 10.8 million tons in 2021. Global pork demand is expected to rebound from COVID-19 on improving economic conditions and recovery in the restaurant and food service sectors.

However, slowing demand from the top importer – China – offsets growth from the rest of the world. After a torrid pace in 2020, China pork imports are forecast down 6 percent due to the rebound in domestic production. Other major pork importers including Mexico, Philippines, Japan, Korea, and the United States are all forecast higher but these countries combined account for less trade than China alone.

## Domestic and Regional Perspectives

During the week of 4 December, the average auction price was R39.09/kg for weaners (200 – 250kg) and R36.74/kg after auction commission. The price was 0.6% higher compared to the previous week. The increase was caused among others by a more active demand caused by lower maize price and the expectation of a further decline in the coming months. Compared to a month ago, the price increased in total by 6.3% and was 51.5% higher year-on-year. The producer price of Class A2/A3 lamb was in total 1.4% higher during the week of 27 November compared to the previous week. The increase in the price notwithstanding a higher supply, can mainly be contributed to a higher end month demand. The price was 0.3% higher compared to a month ago and 22.3% higher year-on-year. For the coming week, the average price of the A2/A3's is expected to move sideward/upward.

The average price of baconers was in total 0.5% higher in the week of 27 November notwithstanding a higher supply. The higher price is among others the result of a stronger end month demand in the market. The price was 6.2% higher against a month ago and 13.0% higher year-on-year. In the coming week, the average price of baconers is expected to move further upward. Based on prices over the past 20 years, the chance is 85.0% for the average price of baconers to be higher in December compared to November and 84.0% for a lower price in January 2021 compared to December.

In the week of 27 November 2020, the average producer price of porkers was in total 0,3% lower compared to the

previous week, 11,1% higher against a month ago and 22,5% higher year-on-year.

For the coming week, the average price of porkers is expected to move slightly sideward/upward. Based on prices over the past 20 years, the chance is 80.0% for the average price of porkers to be higher in December compared to November and 84.0% for a lower price in January 2021 compared to December.

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

South Africa's government announced a R1 billion- relief program for subsistence farmers. Agriculture, Land Reform and Rural Development Minister Thoko Didiza announced on Monday, 7 December 2020 that the government would provide small-scale farmers with cash handouts worth between R1 000 and R9 000. The handouts are expected to help 75 000 farmers tend to their small-scale farms. The relief programme will target vulnerable individuals and groups, aiming to support 50% women, 40% youth and 6% persons with disabilities. The R1-billion relief programme is part of President Cyril Ramaphosa's wide-ranging recovery and reconstruction plan that aims to embark on a mass employment programme and reindustrialisation of the economy. Applications for funding under the relief programme will open on 10 December and will close on 22 December. The department would take 150 000 applications. Application forms for funding can be accessed by dialling \*134\*4536# from a cell phone and are available in all 11 official languages.

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