



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 21

WEEK: 05



Grains and Oilseeds



Global Perspectives

According to the United States Department of Agriculture (USDA) (2021), the world oilseed production forecast is relatively unchanged. This is due to the Russian government's recent estimates that reported an increase of 0.5 million tons to 13.5 million tons in Russia. From Argentina and Uruguay, soybean production estimates are lower by 2 million tons from 50 million tons to 48 million tons and by 0.2 million to 2.2 million tons, respectively due to dry weather conditions during December 2020 & early January 2021. In terms of exports, global oilseed exports are projected at 193 million tons, an increase of nearly 1 million tons attributed to an increase from the United States (US) soybean and Russia sunflower seed exports. Global oilseed stocks are down due to lower soybean stocks in the United States and Argentina, partially offset higher stocks in China.

International Grain Council (IGC) (2021) reports that global soybean production estimates declined by 6 million tons, from 338.4 million tons in 2019/20 to 359.5 million tons in 2020/21. However, it is still up by 6% year-on-year (y/y) as illustrated in **figure 1**. Total supply in 2020/21 is forecasted at 410.4 million tons while the consumption is expected to be at 365.3 million tons.

Domestic and Regional Perspectives

South African producer deliveries for soybean and sunflower seed were recorded at 1 407 tons and 233 tons on 16 January 2021, respectively (SAGIS, 2021). According to Crop Estimate Committee (CEC), (2021), the total supply of soybeans is projected at 1 503 955 tons for the 2020/21 marketing season while the total demand for soybeans is projected at 1 376 350 tons. The projected closing stock level as of 28 February 2021 was estimated at 127 605 tons, representing available stock levels for 1.1 months or 34 days. The CEC (2021) reported that the total supply of sunflower seed is projected at 926 635 tons for the 2020/21 marketing season. It was recorded that the total demand (domestic plus exports) for sunflower seed is projected at 854 650 tons while 500 tons was estimated for exports. The projected closing stock level as of 28 February 2021 was estimated at 71 985 tons, representing available stock levels for 1.0 months or 31 days. Future domestic prices in March 2021 for soyabeans and sunflower is trading at R9 800/ton and R9 400/ton (SAGIS, 2021).

Table 1: Weekly producer deliveries for soyabeans and Sunflower seeds

	Soybeans	Sunflower seed
Week	Ton	
02/01/2021	1302	64
09/01/2021	1660	72
16/01/2021	1407	233

Source: SAGIS, 2021

Key areas to unlock growth in Field crops

Local oilseeds prices are primarily influenced by developments in the global market as well as the value of the South African rand exchange rate and the fluctuations in transport costs and at a lesser extent by changes in local production. This results in local prices benefiting from increasing international prices as well as the value of the rand and strong domestic demand. Canola recorded the biggest crop in 2019/20 which might spell trouble for producers as this might flood the local market. However, poor harvest attributed to poor weather conditions from Europe and Russia for example might provide the necessary market for the locally produced market. South Africa produce premium canola and there are large chances that the locally produced crop will sell easy in the global market.

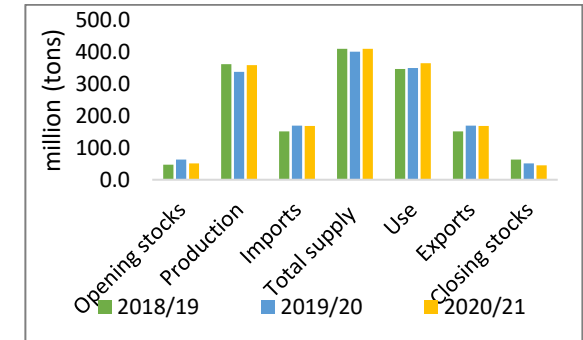


Figure 1: Global Soybeans trends

Source: International Grains Council; 2021

Livestock and Animal products



Global Perspectives

The world over, the outbreak of Covid-19 disrupted the distribution and consumption of alcoholic beverages, including wine. Despite China's early success in controlling the pandemic, the wine market has been greatly affected at all fronts. First, the country's wine production has further declined for the fifth year in the row, and the drop was in accordance with the industry's earlier forecast. Worse still, wine imports also plummeted both in terms of volume and value. However, in anticipation of higher punitive tariffs on Australian wines due to the ongoing China-Australia trade war, wine merchants have been stockpiling wines of Australian origin during the recent months. China alleges that Australian wines are being dumped, hence the punitive total tariff of 218.5%, of which 212.1% is anti-dumping duty and 6.4% is anti-subsidy tariff. It is worthwhile to note that Australian wines account for over 40% market share in China.

In other developments, following the conclusion of the Brexit deal on January 1st 2021, European wine makers are concerned of the likely increase in the cost of exporting to the United Kingdom (UK) coupled with more demanding administrative requirements. However, through the Common Market Organisation (OCM) programme, Europe is committed to support exporters intending to conquer the UK market. OCM has the mandate to enhance wine products of European origin, promote EU brands, and provide in-depth supply and demand data to its members as well as safeguarding traditions while promoting social and environmental responsibilities (Xtrawine, 2020)

Domestic and Regional Perspectives

South Africa enters its 307th day on the 28th of January 2021 since the country declared a national lockdown on the 26th of March 2020. There has been much adjustment by all, impacted by the severity of the pandemic, from businesses to individuals to government and the economy at large. While the nation comes to grips with the impact of the pandemic, people have lost their livelihoods and some businesses have shut down because of restrictions and other inherent effects of the corona virus. One such industry that has been affected by the lockdown restrictions and the ultimate ban of its sales within the agricultural sector has been the alcohol industry. Alcohol sales have been banned three times since the lockdown due to its inherent effects when people drink, thereby placing a burden on the healthcare system as a result of injuries and accidents related to alcohol consumption. This has been an uphill battle for government, trying to balance the impact of an alcohol ban, where alcohol contributes significantly to the economy, while ensuring that hospital capacity is mainly directed towards the fight against the coronavirus.

Despite the restriction, the wine industry's value in exports grew by 7.7% to about R9.1 billion in 2020, however the local sales declined due to the ban in local sales. It is stated that the industry is sitting with surplus stock and storage might be running out. This could have a long-term impact on jobs and the sustainability of the sector. The industry has taken the matter to court, requesting for lifting of the ban in the Western Cape. The decision will be up to the Western Cape High Court to make.

Key areas to unlock growth in Fruits and Vegetables

The South African wine industry is approaching harvesting time and in possession of significant amount of unsold stock. It is concerning as this could lead to wastage, thereby causing a huge financial loss to the industry. On 18th of January 2021, the industry wrote an open letter to President Cyril Ramaphosa requesting a lift on alcohol ban. It is important to note that the alcohol industry at large pledged over R150 million to assist government with programmes aimed at addressing alcohol abuse, given that one of the key plans of the wine industry is to increase the market share both locally and internationally. Therefore, local consumers of alcohol will need to start adopting much improved responsible drinking. Also, in favour of this decision, the tariff war between Australia and China which could increase market share for wine from South Africa to China.

The South African wine industry's Covid-19 recovery plan includes research and strategies to sustain the industry during and post Covid-19. The Industry throughout its value chain it is creating more than 265 000 jobs of which over 21 000 jobs have been lost over the past months. Strategies to revitalise the industry are much needed to sustain livelihoods and continue contributing to the economy.

Livestock and Animal products



Global Perspectives

Global pork production for 2021 is revised up nearly 2% to 103.8 million tons due to the Chinese hog sector's ongoing recovery from African Swine Fever (ASF). Elevated prices continue to incentivize producers to expand their herds, resulting in the production forecast for China being revised by 5% higher. However, despite upward revisions, China production is still expected to remain below pre-ASF levels as rising costs and animal management challenges generate headwinds. Higher China production more than offsets sharply lower Philippines production, where ASF continues to spread in key regions.

Global pork exports for 2021 are revised up nearly 3% to 11.1 million tons on China import demand that, while lower year-over-year, is expected to remain elevated by historical standards. Abundant exportable supplies around the world are expected to find a home in China as consumption in this key market continues to be well below pre-ASF levels. Meanwhile, a weak peso and sluggish domestic economy led to lower import expectations for Mexico.

Driven by higher estimates for pork, the China total meat import forecasts for 2021 are revised 4% and 1% higher, respectively. While *pork import growth slowed in the fourth quarter of 2020, it nevertheless exceeded expectations and results in a more bullish outlook for 2021*. The impact of African swine fever (ASF) is expected to have reached its zenith in 2020, pressuring consumption and increasing the country's reliance on meat imports. Despite the elevated pace of trade, China meat consumption in 2020 fell to its lowest level in more than a decade. In 2021, higher estimates for both China pork production and imports lead total meat consumption up 2% from the prior forecast. However, total meat consumption still expected to be below pre-ASF levels.

Domestic and Regional Perspectives

The average price of baconers was in total 0.6% lower in the week of 15 December compared to the previous week. The decline in price can also be attributed to financial pressure on consumers after the festive holidays. The average price was also 1.0% lower against the previous week and 20.0% higher year-on-year. In the coming week, the average price of baconers is expected to move further downward. Based on prices over the past 20 years, the chance is 80.0% for the average price of baconers to be lower in February compared to January and 75.0% for a lower price in March 2021 compared to February.

In the week of 15 January 2021, the average producer price of porkers was in total 1.8% lower compared to the previous week, 0.2% higher against a month ago and 28.3% higher year-on-year. For the coming week, the average price of porkers is expected to move sideward/upward. Based on prices over the past 20 years, the chance is 80.0% for the average price of porkers to be lower in February compared to January and 60.0% for a lower price in March 2021 compared to February.

Key areas to unlock growth in Livestock and animal products

In all cases where there was suspicion of ASF, provincial veterinary services have immediately placed the affected area under quarantine pending confirmation. Positive cases are quarantined, movement control is instituted, and surveillance conducted in the vicinity of the outbreak case. In all cases, effort is made to dispose of all potentially infected material responsibly to the satisfaction of environment affairs. In response to address the ASF outbreak, South African Pork Producers Organisation (SAPPO) assisted in providing Personal Protective Equipment (PPE) resources for animal health personnel, disinfectants, equipment to prepare disposal sites and ASF awareness material. SAPPO has made a policy decision to move away from incentivising owners to cull pigs but rather to support government's intervention strategy.

Livestock and Animal products



Source of information

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