NAMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

2021

WEEK: 06

Grains and Oilseeds

Global Perspectives

Global livestock producers have been battling with increasing production costs in recent months, especially feed. This is the case despite feed production estimated to increase. Report from the world-grain (2021) shows that global feed production for 2020 increased by 1% and reached 1.18 billion tons. This reversed the 1% decline in 2019 which was the first decline ever in global feed production. In East Asia, in efforts to restock its livestock production, particularly pork, are underway. China increased its feed production in 2020 by 5%, thereby reaching 240 million tons. As a result, the Asia-Pacific feed production increased by 2% in overall production. In other regions, Latin America feed production increased by 4% - thanks to Brazil's massive increase of 10% while North America increased by a mere 1%.

Unlike Asia-Pacific, Latin America and North America, other regions have recorded a decrease in feed production. In Africa, the Middle East, and Oceania, feed production decreased to 43 million tons, 24.8 million tons, and 10.4 million tons, respectively. This explains the increase in feed prices especially in Sub-Saharan African countries such as South Africa, Namibia, and Ghana which subsequently meant an increase in animal product prices in recent months. Globally, the leading feed producing countries for the 2020 marketing season were China (240 million tons), the USA (215.9 million tons), Brazil (77.6 million tons), India (39.3 million tons), and Mexico (37.9 million tons) (World-grain, 2021).

Based on a recent global survey data, the largest feed-consuming sub-sectors by percentage are broiler (28%), pigs (24%), layers (14%), dairy (11%), and beef at 10%. Of these, broiler and pig have shown significant growth. **Figure 1** presents global oil cake leading exporters during the past 12 months.

Domestic and Regional Perspectives

Regionally, as already mentioned that feed production in 2020 decreased by 2%, the industry has also been hit by a devastating cyclone, Eloise. Nearly 140 000 hectares (ha) of agricultural land in Mozambique is said to be destroyed, while countries such as Malawi, Botswana and Zimbabwe are also reported to be affected. In West Africa, Ghana also reported 4 559 ha of crop fields to having been destroyed by floods while in South Africa further rain is threatening the current crops. With the estimated rains in the next few weeks, this would spell disaster for the region.

All these events mean there is a possibility that the region will need to buy more feed to sustain commercial livestock production in the near future. Domestically, the South African feed industry like the rest of the region has had its problems. The rapid increase in feed prices presents a serious challenge, especially for oilcake. The broiler industry which happens to be the biggest consumer felt this towards the end of 2020. From the feed producers' perspective, this is bad news and things might get worse. The country imports most of its oil cake from Brazil and a slow harvest in Brazil means less supply. Ships have been waiting to load soybeans from Brazil to China since the beginning of January 2021. Brazil has already exported 1.4 million tons to China, and the United States Department of Agriculture (USDA) has reported a low supply. Further reduction in Soybean exports from Brazil will change things in the soybean global market and South Africa may not spared.

Key areas to unlock growth in Field crops

South Africa has a well-developed feed industry under the wings of the Animal Feed Manufacturers Association (AFMA). Despite having highly skilled and experienced nutritionists across sub-sectors, the country relies on research generated from other areas. South Africa has to make serious investments in the domestic feed industry. This would make a more competitive industry and possibly be less dependent on the global market, especially for feeds that are produced from commodities in which South Africa is globally competitive in production.

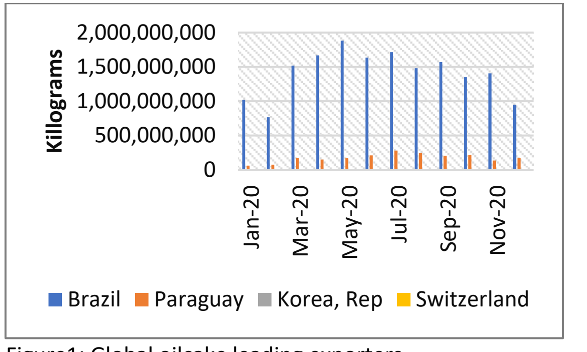

Figure1: Global oilcake leading exporters
Source: Trade-map, 2021

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Fruits and Vegetables

Global Perspectives

As the pandemic continues across the world, consumers will not cease the consumption of nutritionally rich foods, which boost the immune system. Ginger is amongst the popular food product with good nutritional value. A report undertaken by EMR (2021) attested that the global ginger market grew at a Compound annual growth rate (CAGR) of about 4.8% in the historical period of 2021-2026, driven by the rising demand among consumers. The market is further projected to be driven by the rising health awareness among consumers in the forecast period of 2021 and 2026. In food industry, the powdered ginger type is widely used in salad dressing, ketchups and pickles and curry dishes, among other things, as a condiment or flavouring agent. In addition, ginger powder is considered to be an excellent carminative ingredient which reduces intestinal gas. By product type, the market can be divided into fresh and processed products and applicable in other industries such pharmaceutical and cosmetic. The major regions for the product are North America, Europe, the Asia Pacific, Latin America, and Middle East and Africa, with the Asia Pacific leading the market. In the case of South Africa, according to Tridge (2021), the country is producing a small amount of ginger and largely depending on imports.

Domestic and Regional Perspectives

As in other parts of the world, the consumption of ginger in South Africa increased since the inception of the first wave of Covid-19 it is believed to boost immune system. It is misfortune that South Africa continues to be a net importer of ginger, which amounted to 3.5 thousand metric tons in 2020. This is100% higher than the volume imported in 2019. Given the heavy reliance of South Africa on ginger imports, the import prices are most likely to impact the retail prices. An upsurge in global ginger demand increased the prices globally across leading ginger producing and consuming countries. South Africa's average import prices increased from USD 1.08 per kilogram (kg) of ginger in 2019 to USD 1.55 per kg in 2020. The average price increased by 44% in 2020 compared to 2019 due to increased global demand and prices for the root. Fresh Plaza (2021) highlighted that ginger's price rise more strongly than that of any other vegetables as their demand continues to increase. On the other hand, Johannesburg Fresh Produce Market recorded on average a price of R112.14 per kg in 2020. With the predictions of an upcoming third Covid-19 wave in South Africa, the demand for ginger is anticipated to remain high as consumers seek to keep their immune system strong.

Key areas to unlock growth in Fruits and Vegetables

With no doubt there is a good market opportunity for products like ginger both locally and globally. With the current geopolitics, each country needs to prepare for future outbreak of viruses and diseases. There is a need to increase the production of ginger in South Africa, not only to supply the local market but also to tap into the global market, particularly to the neighbouring countries. Heavy reliance on imports has affected South Africa's since the outbreak of Covid-19 virus which disrupted the logistics and supply chain of imports. The pandemic has caused widespread damage to the global trade industry

Moreover, the current demand for ginger should give a warrant of attention to the South African government in prioritizing support towards the production of vegetables that are in demand in the market. Nationwide lockdowns and social distancing disrupted the supply chain and harvesting of the root resulting in a low domestic ginger crop (Tridge, 2021). Local framers need to be assisted to produce, harvest and sell their products. Additionally, there seems to information gaps with regard to this product. Therefore, there is a need to increase research related to ginger production in South Africa.

Livestock and Animal products

Global Perspectives

Global chicken meat production for 2021 is revised 1 percent lower to 101.8 million tons and this was driven by sharp declines in the European Union (EU) and China. The EU is battling widespread highly pathogenic avian influenza (HPAI) outbreaks across several member states, weaker domestic demand, and higher grain prices. China's demand for chicken meat has continued to grow but at a slower rate as the swineherd recovers and pork production rebounds. Additionally, global chicken meat exports for 2021 are down by nearly 1 percent to 12.1 million tons as lower EU, Thailand, and Brazil exports are offset by gains in the United States. The outlook for China's imports remains unchanged (USDA, 2021). Despite the USDA estimating lower exports from Brazil, the Brazilian Animal Protein Association (ABPA) projects production of 14.5 million tons of chicken meat in 2021, 5.5% more than its previous record. China and Japan which are the major chicken meat market destinations for Brazil are predicted to increase their demand in 2021.

Still in Brazil, ABPA estimates an increase of 5% in egg production for 2021. Consumption is expected to reach 265 eggs per capita during the year, which is 6% more than forecast for 2020 (Poultry World, 2021).

The value of Ukrainian exports to the Netherlands continues on an upward trend despite a slight drop in the Netherlands' demand. This drop also occurs in the global import demand, although overall, the value of Ukraine's exports continues to rise, supported by an upsurge in demand from Poland, Germany and Czech. Ukraine's import value of chicken meat in the Netherlands has slumped slightly by 6.1% after previously being on an upward trend. Germany as the largest exporter in the Netherlands has gradually lost its market share. Meanwhile, Ukraine doubled its exports to the Netherlands since 2014 (Tridge, 2021).

Domestic and Regional Perspectives

Regionally, on 31 January, Egypt's poultry prices increased in the market at small rates after a long period of stability. A kilo of broiler reached 27 pounds and the price of hen increased to 21 pounds (Tridge, 2021). In Ghana's Bono region which is a significant egg producer, a surge in egg prices was observed reaching 50% in recent months, causing concerns for the poultry industry. The price increased so sharply because of the high cost of maize, soybeans, and other ingredients used in the production of poultry feed, as floods from 2020 destroyed maize farmlands. In November 2020, crate of eggs was costing 13-18 GH¢ (Ghanaian cedi) (US$ 2.22 – US$ 3.08) but now (First week of February, 2021), it costs between GH¢20-25 (US$ 3.42 – US$ 4.27), reports Ghana's Graphic Online. Feed costs were a significant factor for the rise in prices, particularly due to maize and soybeans. The situation was worsened by floods resulting from an overflowing dam from Burkina Faso, which destroyed 4 5509 ha for field crops (Poultry World, 2021).

Domestically, the average price was unchanged month-on-month (m-o-m), however, still 7.2 % lower year-on-year. The average price for individually quick-frozen (IQF) was 0.9% lower against the previous week, 2.9 % higher month-on-month, nonetheless still 3.7% higher year-on-year. For the coming week 7 of 2020, the average prices of fresh poultry and IQF are expected to move sideward/upward, but frozen poultry may move sideward/downward.

Based on the historic price information over the past 20 years the chance is 68.0% for the price of frozen poultry to be lower in February compared to the previous month and 70.0% for a lower price as far as fresh poultry is concerned. In March 2021, the chance is 55.0% for the frozen poultry price to be higher and 60.0%for fresh poultry to be higher compared to February.

Key areas to unlock growth in Livestock and animal products

With the diesel price increase of R0.58 on 3 February 2021, a litre of diesel will cost R13.58/ℓ, representing an additional cost to farmers. The agriculture sector spends around R13 billion on fuel a year and fuel contributes a noticeable percentage to the variable cost of production. The maize and soybean harvest season is coming and higher diesel prices are very bad news for farmers. Cost minimizing efforts especially for fuel and feed are of particular importance. Farmers who have means to achieve this are on the advantage side. This may be in the form of storage when prices are reasonable low, but, economies of scale plays a very important role in the farmer's ability to have enough storage or to absorb price increases as the farmer can't shift the cost down the value chain.

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