



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 21

WEEK: 08



Grains and Oil Seeds

Global Perspectives

The global total grains production including (wheat and coarse grains) is forecast to expand by 23 million tons in 2020/21, year on year (y/y) to a newly revised figure of 2 201 million tons, with a record harvests of wheat and barley. Although the COVID 19 pandemic continues to dampen demand in some sectors, particularly for fuel ethanol and brewing, the overall demand is predicted to rise for the fifth successive year to reach 2 216 million tons. Figure 1 shows that global wheat supplied stocks are projected to rise from 1 023 to 1 046 million tons in the current marketing year. The projections for Global wheat demand/consumption are also projected to increase from 745 to 752 million tons. The increased in supplied stocks are projected from Brazil, Canada, China, India and Russia due to favourable climatic conditions during the production season. Global wheat future prices are projected to remain stable throughout 2021, at an average price of US\$240 for: US No2 Hard Red Wheat (HRW).

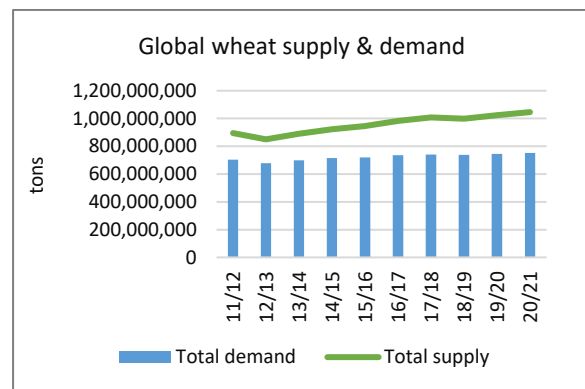


Figure 1: Global wheat supply & demand estimates
Source: IGC, 2021

Domestic and Regional Perspectives

The 2020/21 wheat marketing year commenced with a positive bumper crop, estimated at above 2.1 million tons. Local consumption is also projected to increase from 3.5 to 3.6 million tons due to the switch between wheat and maize as a result of price affordability of staples. South Africa's wheat imports are projected to slightly decline by 16.3% y/y due to the improved local crop. South Africa is projected to remain the key wheat market for the region following the Eloise cyclone that hit some countries in the region. The demand for staples is projected to remain above normal average due to challenges that face the region. Table 1 below indicates the RSA future prices for different grains. The local price of wheat is projected to remain at slightly above the average. The local wheat prices are projected to reach a peak in July 2021, trading at more than R100/ton.

Commodity	Future prices (R/ton)				
	Feb-21	Mar-21	May-21	Jul-21	Sep-21
White maize	3169	3113	3049	3024	3075
Yellow maize	3269	3250	3181	3143	3201
Wheat	5000	5019	5071	5110	5014

Table 1: Grains future prices
Source: SAGIS (2021)

Key areas to unlock growth in Field crops

The Republic of South Africa wheat sector continues to play a vital role in ensuring that sufficient stock is available in order to meet the local demand for both human and animal consumption. The surplus stocks are usually exported to the region. South Africa wheat exports to the region are projected to reach 135 thousand tons for both products and whole wheat.

The South Africa's wheat sector has been one of the sectors that are at the centre of discussions at both government and private sector levels. The revitalisation of the wheat sector is an ongoing process. However, the introduction of the breeding levy, which is administered by the South Africa Cultivar & Technology Agency (SACTA) is proving to be one of the key strategies that are assisting in the process of reshaping the industry. The estimated improvement in local crop harvest is also an additional milestone to the industry, especially on the imports that are expected to slightly decline.

Fruits and Vegetables



Global Perspectives

The Asian market is a main destination for the Chilean fresh fruit exports in the current export season. As at 15 February 2021, Chile has exported nearly a million tons of fresh fruit, which is 7.14% more than in the same period of the previous season. Asia has so far absorbed 44% Chilean fruit exports, with a 31.3% increase. Other regions that have recorded an increase in imports of the Chilean fresh fruits include the Latin America (ranked third), absorbing 14% (with a 13% increase). The United States of America (US) has absorbed 26.3% (with an 18.5% decrease). Europe, Canada and the Middle East have also recorded decline in the imports of Chilean fresh fruit measured at 18%, 6,9% and 3,3% respectively. Cherries have been the most exported Chilean fruit, accounting for 36% of shipments and followed by table grapes (12,4%), blueberries (11,1%), apples (7,8 %) and avocados (7,1%).

Further positive news is that China's market for table grapes have been growing over the past five years. So far, Chile, Peru and the US are the main exporters.

India, which has exported a 5-year average (2015-2019) of 2.98% share of world's export value of fresh grapes, is negatively affected by unseasonal rains which are causing some significant losses for grape farmers. One of the Indian fruit exporters is estimating that peak season weekly export volumes could be reduced by about 20% to 25% for a couple of weeks. The effects are associated with climate change.

Domestic and Regional Perspectives

Hortgro anticipates that the year 2021 will be a good year compared to the previous one. As such, South Africa could experience a 16% increase in nectarine exports, 12% increase for peaches and 40% increase for plums by the end of the stone fruit season. This is at the back of young orchards and good weather conditions. According to Hortgro, strict export protocols remain a challenge and this is exacerbated by the effects of Covid-19. But farmers have remained resilient and continue to deliver high quality fruit. Again, this year Hortgro is teaming up with the United Kingdom retailers, as they have done over the past 12 years, to showcase the health benefits and unique selling points of South Africa's stone fruit.

As at week 6, South Africa has so far exported a cumulative volume of 629 275 x 4,75 kg cartons of apricots, with the main destination being the Middle East (43% of exports), followed by Europe and the United Kingdom with 28% share each. Within the same timeframe, the cumulative volume for plums stood at nearly 6 million x 5,25 kg cartons, while peaches stood at 1,8 million x 2,50 kg cartons and nectarines at 3,8 million x 2,50 kg cartons. Europe, the United Kingdom and the Middle East are the main destinations for South Africa's stone fruits.

Key areas to unlock growth in Fruits and Vegetables

Stone fruits are important for their role in the food and nutritional security. Like some other fruits, the production of stone fruits relies on favourable temperatures, implying that production tends to be negatively affected when temperature gets unfavourable for a certain period during the production season - before harvesting. One of the many examples is the reduced production of apricots, peaches and nectarines in Europe, which were affected by a mild winter and a late frost. The more the frequency of such unpredictable weather patterns occur, the less will farmers have appetite to produce fruits as the profitability also gets affected and cultivation may reduce over time. This is compelling the fruit industry to look at technological interventions that may reduce the effects of weather on fruits production, thereby maximizing cultivation of fruits and maintaining while also improving upon the quality. Investment in technology could further improve farm income, employment opportunities down the value chain as well as food and nutritional security. Therefore, the promotional activity undertaken by Hortgro is highly appreciated as it promotes marketing of South Africa's stone fruit and, to a larger extent, provides incentive for producers.

Livestock and Animal Products

Global Perspectives

In February 2021, the Food and Agricultural Organization (FAO) released its monthly meat index. The global meat index averaged 96 points in January 2021, up by 1% (0.9 points) month-on-month (m-o-m), a fourth straight monthly increase. Nonetheless, this was still down by 7.3% (7.6 points) year-on-year (y-o-y). The main contributor to the international meat index during January 2021 was poultry export prices from Brazil underpinned by a significant increase in demand globally. The outbreak of Avian Influenza from various European countries has added more pressure on the global meat supply, thus the increase in poultry meat prices from the global market. See **figure 2** for poultry meat export prices from the world's leading meat exporters. Pig meat prices showed a marginal increase for January 2021 due to enough pig supply which meets the demand. Cattle meat followed the same trend as pig prices. During January 2021, dairy products prices continued to rise from the global market with a 1.6% m-o-m increase observed, while increase of 6.9% year-on-year was also observed. Lower exports from New Zealand contributed to this rise in dairy product prices.

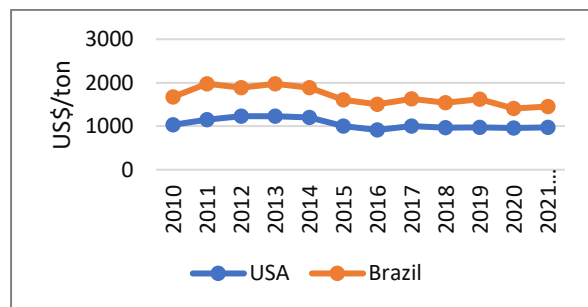


Figure 2: poultry prices per ton from global leading exporters
Source: FAO, 2021

Domestic and Regional Perspectives

Domestically, meat prices have followed the same trend as that of the global market majorly due to feed costs and lower supply levels. Mutton and cattle prices were recorded higher when compared to the previous month (January) as well as the previous year (2020). For mutton, the average price for A2/A3 was 2.1% higher m-o-m and 12.6% higher y-o-y. However, prices are expected to be lower in March with a 95% chance based on the previous data trends. Beef prices were 0.3% higher m-o-m and 11.6% higher y-o-y. Average pork prices have been lower in February 2021 due to an increase in pork supply and are expected to be even lower in March 2021. Unlike pork prices, poultry prices have been relatively higher in February 2021. The frozen chicken meat was 3.3% higher m-o-m and 0.6% y-o-y due to the high demand in recent weeks which led to lower carryover stocks. Fresh chicken meat prices were 2.7% higher m-o-m and 7.3% lower y-o-y. Both fresh and frozen meat prices are expected to be slightly higher in March 2021. This prediction is based on the price data over the past 20 years.

Key areas to unlock growth in livestock and animal products

South Africa's livestock production is growing and is somewhat competitive especially for beef. Poultry and pork industries need to grow further, especially poultry to become competitive in the global market and export to more lucrative markets such as in Europe. Very strict Sanitary and Phytosanitary requirements or standards from Europe keep South Africa's poultry meat out of this market while feed costs, especially soybeans keep the poultry industry under pressure from the global suppliers. The poultry industry is one the most important industries in South Africa. The industry is among the biggest and oldest industries in the country and it presents job creation opportunities, especially for rural communities. Its competitiveness in the global market needs to be improved. This could in part be achieved by reducing the cost of production. Countries such as Brazil have mastered this through improved soybean production. However, soybean production requires land and efficient production practices such as high yields per hectare

Source of information

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https://www.igc.int/en/gmr_summary.aspx

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https://www.sagis.org.za/weekly_imp-exp.html

United States Department of Agriculture (USDA, 2021) - [livestock_poultry.pdf \(usda.gov\)](#)

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Agricultural Market Trends (AMT, 2021)

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