



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 21

WEEK: 10



Field crops and Oilseeds

Global Perspectives

Latest estimation by the international grain council (IGC) projects a global grain production record of 2.216 billion for the 2020/21 marketing season which is slightly up from the 2.21 billion forecasts on the 14th January 2021. This could be linked to increased projections for wheat production from Russia, Kazakhstan, and Australia. The overall global grain consumption projections also increased to 2.222 billion tons, an increase of 6 million tons, from 2.216 billion tons the previous year. While 2020/21 marketing season grain production is estimated higher, global export prices for key grain and oilseeds remain high, especially maize, rice, and soybean see **figure 1**. For the 2020/21 production season, the IGC projected rice production up by 1 million to 504 million tons, from 503 million tons year-on-year. On average, rice prices remain elevated so far. A ton from Vietnam is 31% higher year on year (y/y) in March 2021, while its 20%, and 10% from Thailand and India, respectively. This rise in rice prices was also observed in South Africa's domestic where an increase of 45.5% was observed in December 2020, while an increase of 52.7% was recorded in January 2021. Demand for rice continues to rise with exports to Sub-Saharan Africa and Bangladesh remaining strong thus pushing prices above-average prices. In terms of soybean, the demand for soybean keeps soybean prices high with a ton from China recording the highest record of 6 058 Yuan on the 1st of March 2021. Some relief for wheat importing countries such South Africa and many from the Sub-Sharan Africa region is looming. The 1st week of March 2021 saw wheat prices declining by US\$7, but, still up by 28% when compared to the previous year (February 2020). Demand for wheat majorly from China and India, however, amid tightening maize and barley supplies might keep wheat prices up, especially with key exporting

countries such as the United State (USA) wheat production estimated lower for 2021/22 season.

Domestic and Regional Perspectives

South Africa's maize harvest for 2020/21 season estimation remains optimistic, despite recent heavy rains from some parts of the country. A total of 16.8 million tons of maize is expected of which 8.9 million tons white maize, while the remaining 7.9 million tons is yellow maize majorly for livestock production. Grains and oilseeds prices remain relatively high reflecting export parity prices. Domestic wheat and soybean prices are still trading relatively high. A spot price for a ton of wheat is above R5 000 while a ton for soybean is around R8 800, following a global trend, see **figure 2** for domestic spot prices between January 2020 and February 2021. Regional exports for South Africa, data shows that as of the 19th of February 2021, a total of 55 thousand tons of white maize was exported majorly to Italy (29 thousand), Zimbabwe (14 thousand), Botswana (4 thousand), Namibia (3 thousand) and Mozambique (2 thousand). About 8 448 tons of yellow maize was also exported. A total of 2.175 million tons of maize has been exported so far which equates to 81% of the 2.6 million tons estimated for this year.

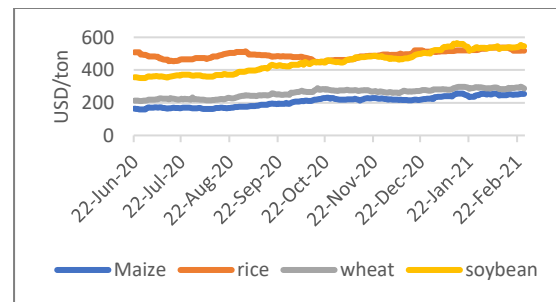


Figure 1: Global exports prices for maize, wheat & rice
Source: IGC, 2021

Key areas to unlock growth in Grains and Oil Seeds

In recent years food forecasting is increasingly becoming an important tool to predict prices and for policy formulation. A comprehensive data set that will measure food systems from rural areas in South Africa is required, especially during these Covid-19 times. The country has a reputation of being food insecurity at the household level and this data would assist in creating means to assist the growing population with key foods where necessary and to track the unstable commodity prices. Developed countries have data sets that provide precise information on vulnerable people availability.

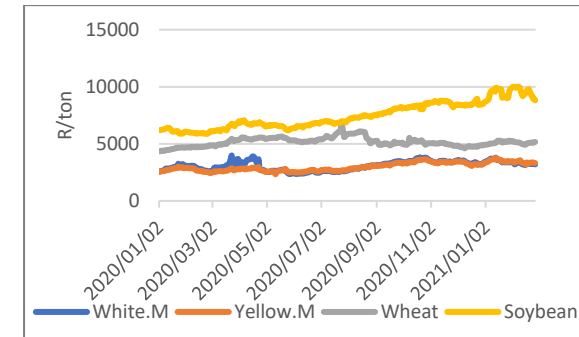


Figure 2: Domestic spot prices for maize, wheat & soybean between January 2020 & February 2021
Source: JSE, 2021

Fruits and Vegetables

Global Perspectives

Chile has been hit by rain, which has negatively affected the countries produce of fruits, grapes being among the affected fruits. The losses recorded are affecting other countries such as the United States of America who import from Chile. It is believed that the post-rain grapes from Chile will need to move quickly as the storage life may get affected. This requires that the North American retailers must look at secondary sources to maintain the stock at certain levels. But, the two main sources that are in production (Peru and South Africa) are wrapping up their shipping season. Besides, the nearing of the close of the season, the phytosanitary requirements for the Chilean fruit and South African fruit to enter the United States of America are not helping the situation. As such, the exports of South African grapes (HS: 080610) to the United States of America have averaged 0,4% of the total South African grapes' exports over the last 5 years (2016-2020). This is a difficult situation for retailers in the United States of America as they have to watch the Chilean post-rain grapes imports very carefully, exacerbated by the fact that much of the fruit that comes in is committed to fixed prices which could not easily adjust to the lower volumes available in the market.

Domestic and Regional Perspectives

As at week 8 of the 2020/21 marketing year, South Africa has exported about 7,1 million x 5,25 kg cartons of plums/prunes. Europe, the United Kingdom and the Middle East are the leading destinations and have increased their imports from South Africa, compared to the previous marketing year. Among the smaller markets, the United States and Canada make up 1% of imports of South African plums/prunes, but have recorded a 23% increase, while the quantity that goes into the African market declined by 37%. Peaches exports are up by 5%, with the quantity exported so far standing at 1,9 million x 2,50 kg cartons, with Middle East, the United Kingdom and Europe together taking up 95% of the total exports from South Africa. Nectarines exports have reached 4,3 million x 2,50 kg cartons, the United Kingdom, Middle East and Europe taking up a total of 95% of the exports from South Africa. However, the Middle East market has declined by 29%, while the European market declined by 4%. As a result, the exported quantity is down by 1% compared to the previous marketing year.

The quantity of apples exported in week 8 stood at 208,9 thousand x 12,50 kg cartons, down by 57%. While the quantity of pears exported stood at almost 400 thousand x 12,50 kg cartons, down by 55% compared to the same time in the previous season. Despite the decline in week 8, the cumulative quantity for apples is up by 1%, while that of pears is down by 25%. This is due to a 5-10 days delay due to unfavourable weather events, particularly in the Eastern Cape Province. Despite this news, there are positive prospects for the South African pome fruit season.

Key areas to unlock growth in Fruits and Vegetables

In November 2020, the fruit sector held a Global Citrus Congress to look at issues such as production and marketing trends, facilitating cooperation between suppliers and retailers to add value to the citrus category, new technologies and supply chain innovation helping citrus producers and marketers to respond to consumer demands towards increased sustainability, and harnessing the nutritional power of citrus to develop more effective marketing campaigns, among others. This year (2021) on the 30th of June, the sector will hold a Global Grape Congress to bring together key players in the fresh table grape category to connect and share their experience and expertise. The congress will focus on the latest developments in the grapes business, including the development of new varieties, new technologies and new markets. Furthermore, the expert speakers will give insights into key challenges such as climate change and Covid-19. The event will be held virtually, giving everybody a chance to participate.

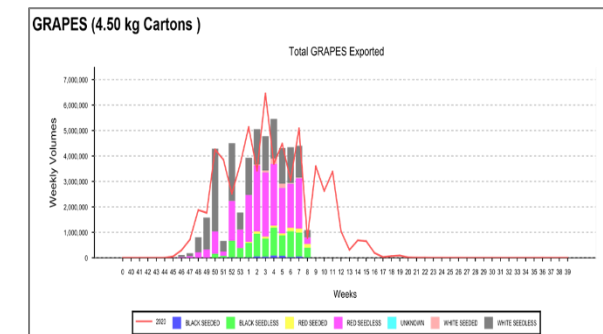


Figure 3: Quantity of grapes exported by South Africa as at week 8 of the 2020/21 marketing year

Livestock and Animal products



Global Perspectives

The Paraguayan poultry sector has raised concerns over the large-scale smuggling of chicken meat and eggs from Brazil and Argentina. Producers have seen an increase in smuggling due to the “relaxation of control measures by the authorities.” As a result, the Paraguayan poultry sector sees their businesses are strongly affected. According to unofficial data, the equivalent of 30% of the entire poultry production in Paraguay is smuggled into the country, representing more than 2 thousand tonnes per month, according to a local newspaper. Paraguay’s poultry sector slaughters around 300 000 chickens per day and employs more than 25 000 people directly. ABC, another press outlet from Paraguay, points out that the smuggling of eggs could be close to 3 000 dozens per day, causing a loss of approximately US\$ 1.4 million per year. According to the Association of Poultry Farmers of Paraguay (Avipar), national production is about 200 000 dozens a day (Poultry World, 2021). Dairy is the largest export goods sector in New Zealand, accounting for 1 in every 3 dollars New Zealand earns from the goods export trade. Until March 2020, New Zealand exported US\$ 14.3 billion of dairy products, which supported NZ\$ 7.4 billion of direct value added to the New Zealand economy. Dairy is New Zealand's largest value-added contributor by far. Fonterra is New Zealand's largest dairy company and handles more than 90% of New Zealand's milk production. It represents more than 20% of the total New Zealand merchandise exports and 7% of the country's Gross Domestic Product (GDP). Dairy makes a significant contribution to economic activity across regional New Zealand, accounting for more than 5% of the GDP in 7 regions in 2019 (and more than 10% in 4 of those). It provides jobs for around 50 000 people, mostly in New Zealand's regional and rural communities.

Domestic and Regional Perspectives

South African demand for dairy products is high, despite four quarters of negative economic growth in the third and fourth quarters of 2019, and the first and second quarters of 2020, as well as the pandemic. Prices for the primary dairy sector are buoyant. Demand remains solid but with growth percentages of unprocessed milk in 2019 of 0.65% and a negative growth percentage of 0.45% in 2020, some stimulation is needed in 2021. The upward trend in feed cost is evident since January 2018 and continues into 2021. Against this backdrop, the primary dairy sector needs an unprocessed milk price of R6.00/ℓ to stimulate production this winter and to see the sector through the current exorbitant grain price cycle. Adequate production stimulation will avoid imports. On a mass basis, imports declined in 2020 by 13.1% compared to 2019, and on a milk-equivalent basis, imports declined by 2.8% in 2020 compared to 2019. The reduction in imports is mainly due to drastic increases in dairy commodity prices in South African rand (ZAR) terms in the second and third quarter of 2020, when the rand depreciated severely. Monthly cumulative exports on a milk-equivalent basis in 2020 recorded an all-time high record, where South Africa exported 460 million litres of milk. This is a feather in the cap of the dairy value chain and associated government departments – the route to market was maintained despite the lockdown restrictions in South Africa and our trading partners (MPO, 2021).

Key areas to unlock growth in livestock and animal products

Due to lockdown measures consumers are discovering ever more productive and cost-effective methods to perform the same task, whether for transactions, education, business, or personal purposes. Many businesses along the food chain are adapting to this change in consumer behaviour and demand, adjusting production lines, increasing capacity to manage larger inventories, moving to online platforms, and delivering directly to households. Farmers are beginning to leverage mobile technologies and devices, data analytics, artificial intelligence, the Internet of Things (IoT), remote sensing, and various other products, services and platforms that are delivered digitally.

The use of new technology and data will help the agricultural sector to modernise at a faster pace and to meet many challenges. Online platforms and digital solutions also help farmers to connect and interact easily with service providers and to effectively manage business with suppliers and stakeholders across the agricultural value chain (Agriorbit, 2021)

Source of information

Agrihub. 2021. www.agrihub.co.za
Fresh Fruit portal, 2021. <https://www.freshfruitportal.com/news/2021/03/04/excellent-but-late-south-african-pome-fruit-season-expected-vanguard/>
Produce report (2021) Nutrients found in grapes may be beneficial against COVID-19. <https://www.producereport.com/article/nutrients-found-grapes-may-be-beneficial-against-covid-19>
South African Table Grape Industry. 2021. South African Table Grape Industry 3rd Crop Estimate for 2020/2021 season. <https://www.satgi.co.za/download/sati-press-release-3rd-crop-estimate-for-2020-21-south-african-table-grape-season-3-february-2021/>
Farmers Weekly. 2020. <https://www.farmersweekly.co.za/agri-news/south-africa/sa-table-grape-crop-estimate-signals-return-to-normal-volumes/>
South African Grains Information System (SAGIS, 2021) - <https://www.sagis.org.za/>
United States Department of Agriculture (USDA, 2021) - <https://www.usda.gov/>
International Grain Council (IGC, 2021) - <https://www.igc.int/en/default.aspx>
Johannesburg Exchange (JSE, 2021) - [Downloadable Files | JSE Client Portal](#)

Markets and Economic Research Centre

Email: research@namc.co.za

Tel: +27 (0) 12 341 1115

Website: www.namc.co.za

For correspondence:

© 2021. Published by the National Agricultural Marketing Council (NAMC).

DISCLAIMER

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises or guarantees about the accuracy, completeness or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the contents thereof. No warranty of any kind, implied, expressed or statutory, including but not limited to the warranties of no infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus, is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Any reference made to a specific product, process or service by trade name, trademark, and manufacturer or other commercial commodity or entity is for information purposes only and does not imply approval, endorsement or favoring by the NAMC.