

FACTORS UNDERPINNING THE CURRENT

HIKES IN TOMATO

By: Thabile Nkunjana and Corné Dempers

PRICES

In recent months food prices remain the most talked about issue due to rising retail prices across the country. Late in 2020 staple foods such as maize meal and wheat products were amongst these attributed to the demand especially for maize from the neighbouring countries which saw a rise in prices for certain food items, but things have improved even though prices remain elevated despite of a bumper crop of maize. In March, however, a shift in price hikes from staple foods to some vegetables was observed and this article focuses on factors that affected tomato prices over the past few weeks.

Tomato is an important crop in South Africa, second largest to potatoes and its production is estimated at around 600 000 tons annually. The country is also exporting noticeable quantities, largely to the neighbouring countries. Limpopo, Mpumalanga and North West are key tomato producing provinces, however, excessive rains which included a Cyclone early this year negatively affected production output from these provinces.



Photo source: Pixabay.com

Figure 1 presents imports and exports by South Africa between January 2020 and January 2021. In January 2021, South African tomato exports increased by 56% month-on-month (m/m). During the same period exports to Mozambique had increased by 199% while increasing by 105%, 70% and 39% for Botswana, Namibia and Eswatini, respectively. Even though South Africa's exports had increased drastically, the country did not import any tomatoes, which had put more pressure on an already lower supply due to unfavourable weather conditions. After a noticeable decrease in imports from September 2020 and no imports in January 2021 simultaneously with lower local supply and higher exports in January 2021, prices increased, registering a rise of 4.4% m/m while 2% was recorded when compared to the same period the previous year.

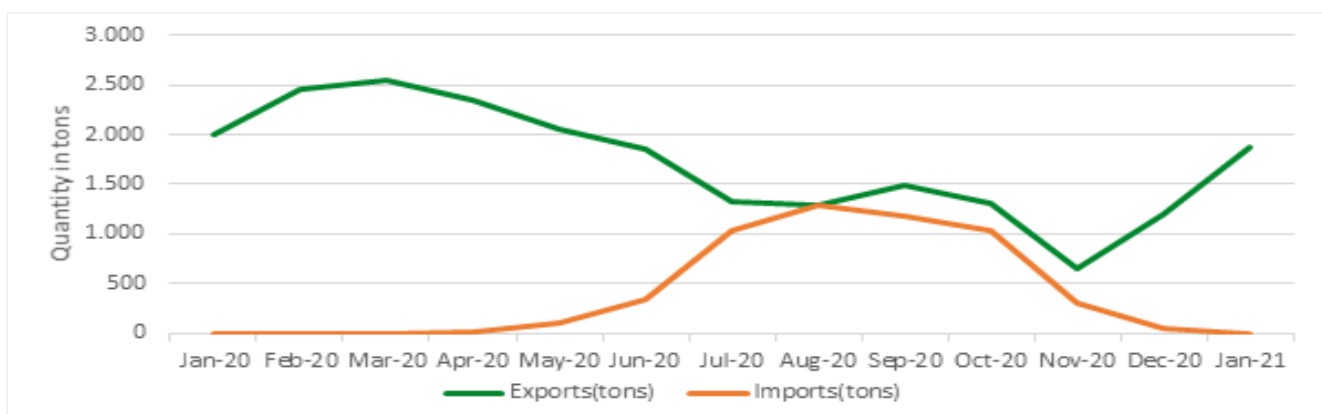


Figure 1: Tomato imports and exports by South Africa between January 2020 and January 2021

Source: ITC, 2021; NAMC research.

Figure 2 shows the amount of tomatoes the National Fresh Produce Markets (FPM) sell per month across the country throughout the year. Observing from **Figure 2**, the FPM sales normally open in January at a higher level and begin to fall towards February of each year, except for 2016. Normally, around these times one would expect prices to be lower as larger supplies are available thus keeping prices at lower levels, however, for 2021 supply volumes were low as results prices began to uptick.

As the year progresses from April, most tomatoes are sold on the FPM accelerating from July and peaked in August. Even though year 2020 began relatively higher than other years, the supply became an issue from October 2020 onwards with retail prices at their highest at R22.20 per kg in November 2020. This could be associated with Lanina’ which resulted to excessive rains during most of the 2020 summer months. This negatively affected production output despite rising sales end of November 2020 which were still lower when compared to previous years. During the first three months of 2021, 55 325 tons in total of tomatoes were sold, which is 19 795 tons less than the same period of 2020 resulting in the lowest volumes in 5 years. This resulted in the rise of retail prices to R30 per kg in April 2021 when compared to R19.35 in 2020, representing an increase of 55% year-on-year.

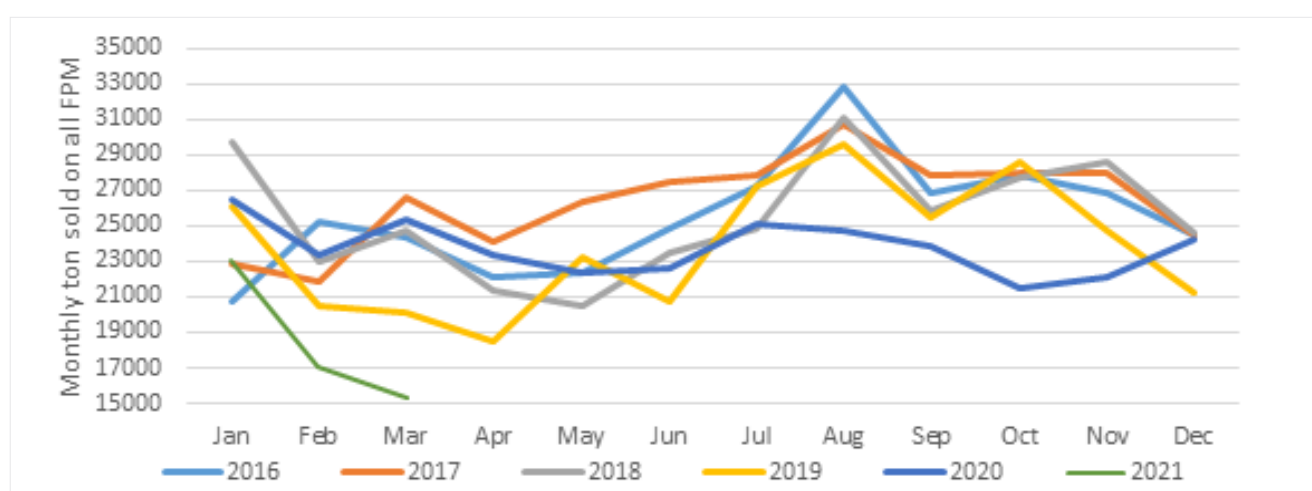


Figure 2: Quantity of tomatoes (in tons) sold per month

Source: DALRRD, 2020; NAMC research.

Figure 3 presents monthly average FPM prices per ton of tomatoes sold at all the FPM. As it can be observed in **Figure 3** that prices per ton in 2021 are higher when compared to the past 5 years. A possible explanation for this is the limited supply which was further put under pressure by an increase in exports to the neighbouring countries. The average price for the first three months of 2021 was R9 000 which is 34% higher than the same period of 2020.

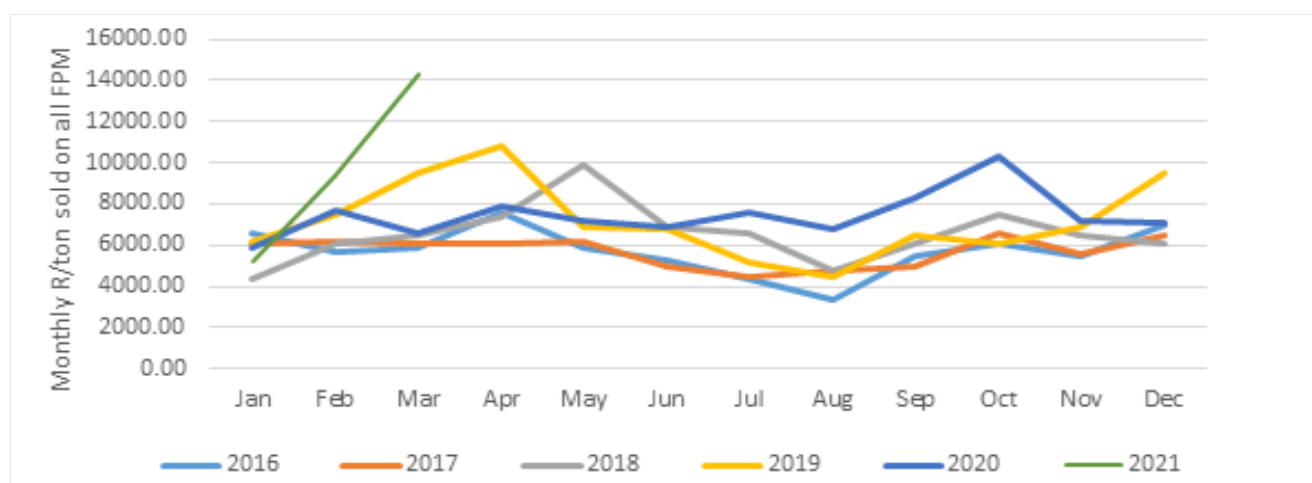


Figure 3: Quantity of tomatoes (in tons) sold per month

Source: DALRRD, 2020; NAMC research.

Figure 4 presents the total tomato quantity sold during the first three months of each year on the FPM and the average price per ton. **Figure 4** presents a clear picture where for years with larger quantities sold, prices remained at reasonable levels while the opposite occurs when small quantities are available for sale. In 2019, quantities were affected largely by drought from some key producing areas while in 2020 excessive rain was a detrimental factor to the quantity produced thus a significant rise in prices was observed. Prices at the beginning of 2021 are negatively affected by the continued rains from the previous year thus a significant rise in prices is being experienced.

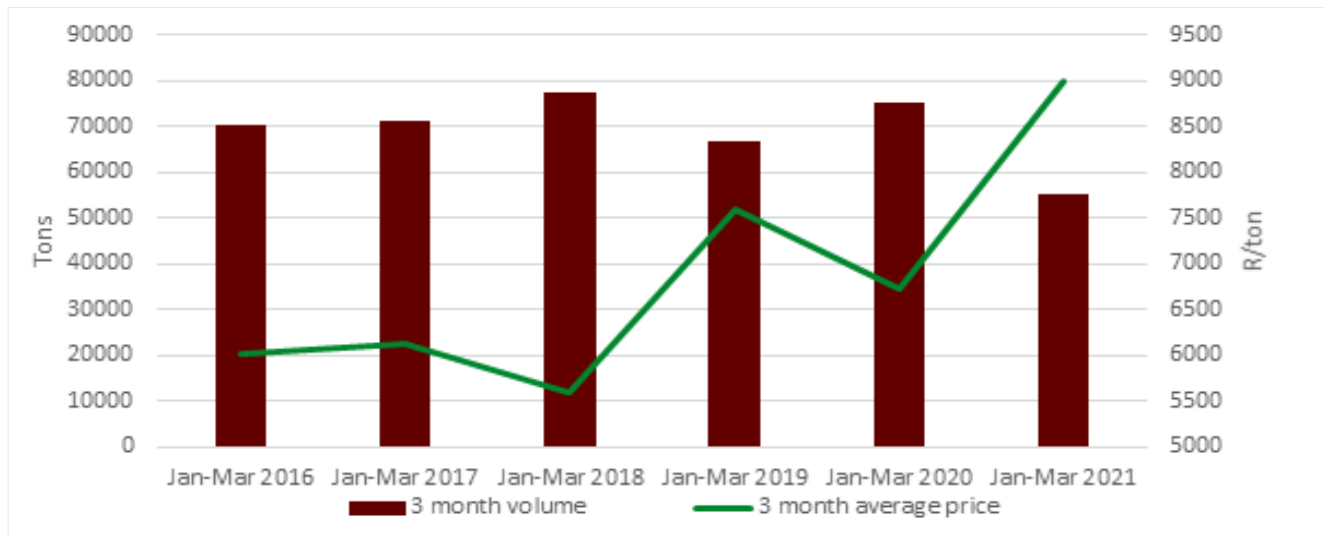


Figure 4: Total tomato quantity in tons sold across fresh produce markets in South Africa and prices in relation to the available tomato quantities

Source: DALRRD, 2020; NAMC research.

While weather played a critical role in the short supply for tomatoes thus a rise in prices, another key underlining factor was a rise in demand from the neighbouring countries, with some registering triple-digit increases in one month (January 2021). This resulted to South Africa exporting larger quantities. In light of these developments it's safe to say while weather played a key role in supply decreasing, and a rise in tomato prices, the imbalance between imports and exports was also a key underlining factor. Given the amount of rains received in recent months, it's likely that tomato supply will remain a challenge until early winter. Until then, prices will remain high otherwise the country needs to import tomatoes if prices remain elevated due to lower local supply to fill the gap.

Other factors such as the quality of the product couldn't have had a significant impact, especially when bringing the issue of price increases. Rather the main issue was supply and demand.