



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

20 21

April



Grains and Oilseeds



Global Perspectives

According to the United State Department of Agriculture (USDA, 2021), global sugar production is estimated to rise by 5% as compared to the previous season to reach a production of 191.51 million tons to offset lower beet sugar production in 2021/22 marketing season (see figure 1). This was as a result of a surplus of 5.5 million tons in global sugar market resulted from a significant increase in sugar production from Thailand and India, as well as slight increase in China and Indonesia. However, in countries like Mexico, Philippines, and Brazil had a slight decline in production sugar.

In addition, world sugar consumption is also expected to increase by 186.33 million tons as a result of a rise in consumption from the United States of America (USA) and the Philippines markets.. During the beginning of 2021 marketing year, as a result of tariff rate quota imports from the US have decline from all the suppliers with exception for only 10 suppliers. The largest recipient of the USA sugar Tariff Rate Quota (TRQ) was the Dominican Republic, Brazil and Philippines held a raw value share of 17%, 14%, and 13% of exports, respectively.

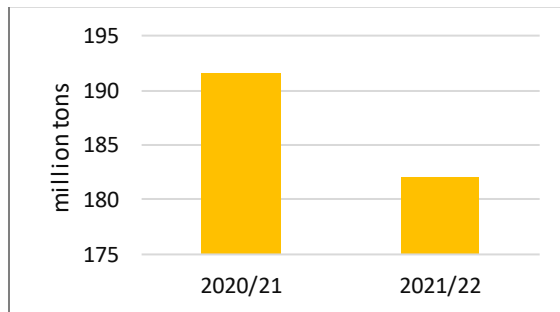


Figure 1: Global sugar production
Source: USDA (2021)

Domestic and Regional Perspectives

South Africa’s sugar cane crop is estimated to increase by 3% to reach 18.8 million tons in the 2021/22 marketing year. This was attributed is to favorable climatic conditions, increase in yield, and a slight increase in planted area (USDA, 2021). During the same season, raw sugar production is expected to increase by 3% reaching to 2.2 million ton due to an increase in quantity of cane deliverables to the mills, longer milling season, and consistent mill efficiencies. The country is awaiting to fully employ the US tariff rate quota rate allocation. In Zimbabwe, sugar cane production is also estimated to increase by 2% to 3.6 million tons, and sugar production by 1% to reach 415,000 tons in 2021/2022 marketing season. Zimbabwe is also expected to fully utilize the 2021/22 marketing year US (TRQ) allocation of 12,636 tons annually. By the end of April 2021, the Recoverable Value (RV) price was estimated at R89.06 per RV ton to be payable at R5119, 45 per RV ton, as compared to 2020/21 final RV price (see **table 1** below). The increase in price was attributed to significant increase in production, sugar RV ratio, local market revenue, stronger Rand value against the US dollar, rebates budget, and high industry cost (SA cane growers, 2020).

Table 1: South African sugar price

SA sugar RV price	
April 2021/22	Final 2020/21
R5119, 45 RV ton	R5030, 39 RV ton

Source: SA cane growers (2021)

Key areas to unlock growth in Field crops

Local sugar production is expected to continue increasing due to improvements in quantity of cane deliverables, increase in rebate budget, and rise in the industry cost. However, the demand on the other side continues to rise. In 2020/21, the sugar industry was able and the expected US tariff rate quota allocation will limit the amount of sugar imported to the US and this will contribute to the competitiveness of the SA’s sugar industry.

Fruits and Vegetables



Global Perspectives

Across the world the cannabis industry has been booming both in supply and demand, due to regulatory reforms in many countries. The legalization of cannabis medical products in over 60 countries has led to dramatic growth, with legal medical sales topping \$12 billion in 2018.

By 2022 in the United States, about seven states are expected to boast cannabis market of \$ 1 billion. Canada, was the first among the seven industrialized nations (commonly known as the G7) to fully legalise the drug. Canada has a cannabis market valued at US\$6 billion. However, in the state of California (US), the cannabis industry was worth approximately 3 billion dollars as of 2017. Colorado, and Florida were also valued at over a US\$ 1 billion. In the same year, Canada spent more than US\$5 billion on cannabis for medical and non-medical purposes. Whereas in China a grower of nearly half the world's legal hemp and the sales of textile fibre made from the plant's stalk totalled US\$1.2 billion. South Africa already has trade relationship with the aforementioned countries. Hence, their increasing demand for cannabis and its product is interesting, as it would offer a great potential for South Africa's cannabis that are grown specifically for international trade and recreational use. Thus, the potential markets for South Africa would include the US, Canada and China, as some these countries have decriminalised cannabis.

Domestic and Regional Perspectives

Cannabis has been used in traditional African herbal medicine since the earlier days but today the world is catching up. Based on research on agronomic and commercial feasibility trials of cannabis conducted in South Africa, in September 2018, the Constitutional Court of South Africa ruled that it is not an offence for an adult to use, possess or grow cannabis in private for personal consumption. By June 2018 prior to South Africa's cannabis legalisation, nine countries including the US allowed recreational cannabis use, while 30 other countries allowed cannabis for medical use.

Experts believe that South Africa has the potential to be the region's largest market for medicinal cannabis. According to a report published by prohibition partners (2020), the worth of South African cannabis and associated products could amount to R27 billion per year by 2030. This is due to the fact that South Africa's cannabis market is based on the growth in markets that have legalised cannabis for both medicinal and recreational use. These markets include Uruguay, Canada and some American States. South Africa already has good trade relationships with the aforementioned countries. Hence, their increasing desire for cannabis and its derived products is interesting, as it would offer a great potential for South Africa's cannabis that is grown specifically for international trade and recreational use. Thus, the potential markets for South Africa would include the US, Canada, and China as some these countries have decriminalised cannabis.

Key areas to unlock growth in Fruits and Vegetables

After legalizing cannabis in 2014, Colorado started collecting a substantial amount of tax from cannabis sales. By 2015, \$113 million was collected in retail cannabis tax revenue that is twice the amount collected from alcohol taxes. With predictions of about R27 billion per year by 2030 from South African cannabis and associated products, it would make this commodity one of the largest agricultural products that contribute to the GDP. Ultimately, creating opportunities for even smallholder farmers and job creation. With the masterplan for cannabis being completed, it will serve as a blueprint for future expansion of the industry while addressing some of the existing challenges (like registrations).

Livestock and Animal products

Global Perspectives

Globally, meat prices continue to rise following a sixth consecutive increase from the global meat index in March 2021. On average the index was at 98.9 points which is 2.3% percent up from February 2021. Pork and poultry meat were major contributors to this increase with imports from various Asian countries, especially from China supporting the rise. Additionally, sales had a significant increase in Europe particularly pig meat prices linked to Easter preparations towards the end of March 2021. Red meat prices remained elevated at similar price levels observed during February 2021. A rise in prices from Australia was offset by an uptick in export from Brazil and the USA. **Figure 2** presents prices for poultry and pig meat prices from January 2021 to March 2021.

As observed in **figure 2** poultry prices from Brazil are generally high and have been increasing since January 2021, averaging US\$1479 per month during this period while remaining relatively the same selling around US\$982 per month (on average) from the USA. Pork prices have increased from US\$2 425 in February 2021 to US\$2 520 in March 2021 from Brazil. A significant rise in pork prices was observed from Germany, following a setback of African Swine Fever (ASF) outbreak in late 2020 which negatively affected prices after a ban in exports mainly from China. A ton was selling at US\$1 775 in March 2021, up by US\$248 from the previous month.

Domestic and Regional Perspectives

Following an anticipated increase in demand towards Easter celebrations preparations, commercial slaughtering numbers for the cattle index had increased by 10.8 points between February and March 2021 domestically. Although feed prices have slightly improved in recent weeks, Class A2/A3 prices showed an upward trend while weaner prices are decreasing (16%) from February to March 2021 following larger supplies towards the end of March.

Similar to cattle, the number of sheep slaughtered from February to March 2021 significantly increased as supported by 16.2 points from the index. Generally, mutton and lamb prices declined towards the end of March due to increased slaughter during March 2021. By the end of March 2021, prices for feeder lamb, class AB2/AB3, and class C2/C3 had decreased by 2.9%, 2.3%, and 1.3%, respectively. Coming to pork price, porker prices are anticipated to decline in April 2021 with a 65% chance, while a 70% chance is anticipated during May 2021. Estimations were based on a 20-year data of previous years according to AMTTRENDS (2021). For poultry, low carry-over stocks into April 2021 kept prices relatively high by the 2nd day of April 2021 due to higher demand. A general picture is that poultry prices are likely to remain at similar levels observed in March or slightly increase basing on previous years data.

Key areas to unlock growth in livestock and animal products

The red meat industry, particularly beef continues to improve domestically. This is supported by a consistent supply over the years following the country gaining the status of being a net producer. Given this, access to export markets for beef or cattle is required especially if the National Red Meat Development program continues to grow. In the short term, the red meat industry market should focus on tapping into markets on the African continent. However, to further increase its foot print, markets beyond Africa must be explored, especially for larger markets such as China.

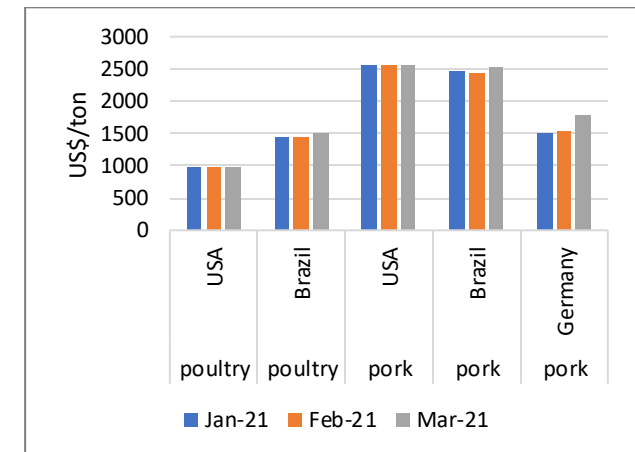


Figure 2: poultry and pork prices from respective selected countries

Source: FAO, 2021

Source of information

Reuters (2021) - <https://www.reuters.com/article/us-china-economy-output-pork/chinese-pork-output-beats-expectations-in-2020-after-swine-fever-hit-idUSKBN29N05U>
AgriOrbit (2021) - <https://www.agriorbit.com/reports-avian-influenza-northern-ireland-commercial-flock/>
Reuter (2021) - <https://www.reuters.com/article/namibia-poultry/namibia-suspends-poultry-imports-from-10-european-countries-due-to-bird-flu-idUSL8N2JQ39V>
AMTRENDS (2021)- 18 January 2021 weekly report
Farmers weekly (2020)- <https://www.farmersweekly.co.za/agri-news/south-africa/farmers-cannot-afford-to-pay-higher-wages-agri-role-players/>
South African Grains Information System (SAGIS, 2021) - <https://www.sagis.org.za/>
United States Department of Agriculture (USDA, 2021) - <https://www.usda.gov/>
World-Grain (world-grain, 2021) - World-Grain.com | [WorldGrain \(world-grain.com\)](http://WorldGrain (world-grain.com))
International Grain Council (IGC, 2021) - <https://www.igc.int/en/default.aspx>
Agrihub. 2021. www.agrihub.co.za
Direct Source Marketing (2021). Available at: <https://www.directsourcecmktg.com/market-updates/grapes/>
Government of the Netherlands (2021). Available at: <https://www.government.nl/topics/brexit/brexit-where-do-we-stand>
USDA. (2020). *Raisins annual report*. Foreign Agriculture Service.

For correspondence:

Markets and Economic Research Centre

Email: research@namc.co.za

Tel: +27 (0) 12 341 1115

Website: www.namc.co.za

© 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.