



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

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Grains and Oilseeds



Global Perspectives

The quotations from the main exporters of wheat have all risen over the past month. With an increase of about \$29/ton in the Russian prices, it is still the lowest compared to the major suppliers of wheat. This was mainly due to lower volumes harvested of about 81 million tons. European prices increased by \$38/ton aligned to its main competitors. Argentine and Australian prices have each increased by \$9/ton. Due to persistent drought and a dire harvest, Canadian prices have skyrocketed \$42/ton (USDA, 2021).

Global corn production is down from last month as a cut to Brazil far offsets gains in the EU and South Africa, while global trade remains unchanged. Global imports have increased on higher imports for Bangladesh, EU and Thailand. Brazilian prices increased \$15/ton to \$267 with production expectations looking poor after reports of frost damage to the safrinha corn crop. However, Argentina recorded a \$21/ton increase to \$240. Ukrainian offers are down \$6/ton to \$268 amid expectations of a record crop. US offers are down \$8/ton to \$276, reflecting a slowdown in old crop exports and lack of competitiveness relative to other export origins such as Argentina (WASDE, 2021).

China's demand on sorghum remains high and Argentina has benefited from these demand. Previously, Argentina has exported about 500 000 tons of sorghum to China. It is forecasted that in the next season, Argentina sorghum exported will be estimated at 1.2 million tons which is two times the volume of the previous year. Bearing in mind that US is the world's largest producer and exporter of sorghum and primarily the supplier to China. The US stocks remain low and Argentine sorghum remains an alternative hence it is substantially cheaper compared to US (FAS market analysis report, 2021).

Domestic and Regional Perspectives

The 2020/21 harvest season for summer grains and oilseeds is heading closer. The preparations for the 2021/22 production is expected to begin in October. South Africa yet again expect higher grain and oilseeds yields estimated at over 18,5 million tons, except for sunflower which is expected to fall by 10% annually. The Crop Estimates Committee (CEC, July 2021 report), interestingly recorded the estimations on the preliminary area planted to maize in the non-commercial agricultural sector (communal areas) to be at 362 900 ha, which is an increase by 22% compared to 297 460 ha in the previous season. The expected maize crop is estimated at 636 440 tons compared to the figure 543 545 tons recorded in the previous season. Most importantly, Eastern Cape Province accounts for the 53% of the maize produced in the non-commercial sector while Kwa Zulu Natal province accounts for 23%.

Key areas to unlock growth in Field crops

There are a number of positives to point out especially around the grains and oilseeds given the estimations that the current season could be better than the previous one. These positives include grain prices holding steady at fairly elevated levels, the tractor sales increasing by about 27% in the first quarter and lastly, the forecasted weather outlook for the 2021/22 production season. However, the weaker rand may impact on South Africa's purchasing power around production inputs such as fertilisers. The fuel price volatilities may as well affect the farmers with the Department of Mineral resources and energy announcement that the purchase of fuel through bottle containers is prohibited. This might have a dire effect to farmers especially those situated far from the filling stations.

Fruits and Vegetables



Domestic and Regional Perspectives

Garlic is one of the agricultural commodities that was expected to show some strong demand in the wake of Covid-19 global crisis due to the health benefits associated with it. However, according to Tridge (2021), the world's largest exporter of garlic – China - witnessed low demand, with the export volume falling by 20,2% between January and May 2021 compared to 2020. Among other factors, a worldwide shortage of refrigerated containers, rising sea freight costs and lockdown measures were behind the slump in demand for garlic. The price also fell by 0,86% in May compared to April 2021, although it was still higher than the price recorded in May 2020.

The demand for citrus commodities is still strong. Among other factors are health benefits associated with citrus in the wake of Covid-19. Countries such as South Africa are taking full advantage of this situation thereby recording a good citrus export performance.

According to Tridge (2021), global orange juice production is expected to rise by 17% to 1,8 million tons in the 2020/21 marketing year. The increase will be at the back of an increased production in Brazil, Mexico and the European Union, which has offset reduced production in the United States of America. It is supported by a strong demand for foods containing high vitamin C, mainly driven by the Covid-19 pandemic.

Domestic and Regional Perspectives

The data from Agrihub (2021) indicates that, as at Week 33, South Africa has exported 38,3 million x 15 kg cartons of oranges, which is 12% lower than the same period in 2020. Noteworthy, market access to the Middle East is growing and is currently on the positive double figures (12%). The exports of grapefruit are sitting at just over 16 million x 15 kg cartons, about 19% higher than 2020. Lemons exports have reached 25,6 million x 15 kg cartons and 7% higher than 2020. While soft citrus has so far recorded about 21,5 million x 15 kg cartons and 17% higher than 2020. According to the citrus industry association, South Africa has about two thirds of citrus packed (FreshPlaza, 2021). Figure 1 shows the volume of oranges exported up to week 33.

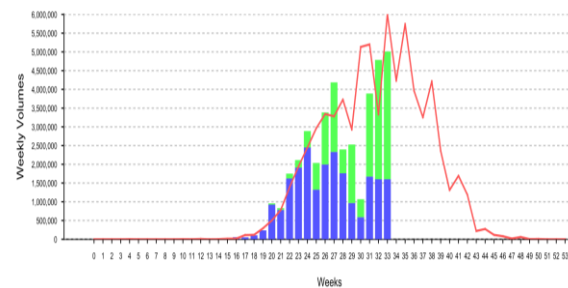


Figure 1: Oranges exports

Key areas to unlock growth in Fruits and Vegetables

The Covid situation has been posing some logistical challenges on agricultural industry trade across the world. In addition to this, South Africa experienced civil unrest in Gauteng and KwaZulu Natal provinces, leading to difficulties in using the N3 to the Durban port, among other things. As if this was not enough, Transnet experienced cyber-attacks that led to blockage of operations at its cold stores and freight. On one hand, the citrus growers were among the most affected exporting industries by these events, with Limpopo and Mpumalanga growers most affected by the two recent one (i.e., civil unrest and cyber-attack). As such, packing was delayed in these two provinces by a week – from the 6th of August 2021. This came at a time where some soft citrus growers were already behind on their season, thereby risking losing fruit if they did not continue packing – with only a few of them probably able to send their produce to Cape Town as an alternative. The main idea behind the delay of the Durban port was to assist the port to manage the operations without creating an unmanageable congestion. These are challenging time for the South African citrus growers. Yet, the citrus exports are projected to be up by 9% this year compared to 2021.

On the other hand, the country's agriculture sector recorded a trade surplus which is 40% higher than that of 2020 in quarter 2, with citrus taking a lead. This is an indication of the resilience of the South African farmers under difficult circumstances. It further indicates the potential of the South African agriculture sector and should inspire commitment towards creating a conducive economic and policy environment for the sector to thrive.

Livestock and Animal products



Global Perspectives

Global dairy prices are relatively strong due in large part to the unprecedented import demand for dairy products by China. This year, in the period from January through May, China's imports of dairy products have grown by nearly 17 percent to reach US\$6.4 billion. In 2021, the milk production forecast for Argentina and Australia is revised down by 2% and up by 1% from the December forest to 9.2 million tons and 11.7 million tons, respectively. The USDA's latest world agriculture supply and demand estimates (WASDE) report, released on the 12th of August, reduced 2021 and 2022 forecasts reduced from last month on lower expected dairy cow numbers. Price projections were also reduced for both years due to larger supplies and weakening demand. For 2021, the fat basis import forecast is raised from last month on firm demand for butterfat and cheese imports, while the fat basis export forecast is reduced.

The skim-solids basis import forecast for 2021 is raised primarily on higher imports of milk proteins while the export forecast is raised primarily on stronger expected sales of whey and lactose. For 2022, the fat basis import forecast is raised on continued strong import demand for butter and butterfat, while the fat basis export forecast is raised as U.S. butter prices are expected to be competitive. The skim-solids basis import and export forecasts are unchanged from last month. For 2021, butter, cheese, non-fat dry milk, and whey price forecasts are lowered on relatively weak demand. Dairy product prices are also reduced for 2022 reflecting continued relatively soft domestic demand and higher forecast beginning stocks. The 2021 and 2022 Class III and Class IV price forecasts are reduced from the previous month on lower forecast dairy product prices. The 2021 all milk price is forecast lower at \$17.95 per cwt. The all milk price forecast for 2022 is \$17.85 per cwt.

Domestic and Regional Perspectives

The South African dairy industry regained its status as a net exporter of dairy products in 2018, maintained that status in 2019, 2020 and for the first four months in 2021. Cumulative net exports (total exports plus sales to BLNE countries less total imports) on a milk equivalent basis. The total cumulative supply of milk for 2020 is 2% less than in 2019 and 14% less for the first four months of 2021 in comparison to the same period in 2020, respectively.

The uncertainty regarding the future influence of COVID-19 and the uncertainty about the impact of higher prices for dairy products on the sales quantities of dairy products, amidst the lower level of economic activity in South Africa and against the background of the fact that the increase in the producer price index of raw milk up to January 2021, was higher than the increase in the producer price index of dairy products, while the increase of the producer price index of raw milk, does not compare favourably with the increase in the index of the feed price indicator (FAO, 2021). As fresh milk is highly perishable, the dairy industry was hard hit by the crisis. There was a sharp decline in demand for certain dairy products such as cheese as the initial lockdown included the closure of restaurants and hotels. The decline was partly offset by increased household sales of dairy products with a longer shelf-life, such as UHT milk. Disruptions in the milk supply chain prevented some smaller dairy farmers from getting their milk to market.

Beside the effect of COVID-19 pandemic, the Milk producers in South Africa have raised concerns about UHT milk recently imported from Poland and resold under a South African dairy brand. Producers are concerned that this may affect local prices for UHT milk; currently, imported UHT milk is bought at a cheaper rate than the one produced locally in South Africa. According to the Dairy Industry, the import is to supplement the current supply due to a shortage of UHT milk during winter. However, in July 2021, there are still concerns about imported UHT milk, which could take a big part of the market share, as a large volume of milk has been

dumped in some parts of South Africa due to a lack of market access.

Key areas to unlock growth in livestock and animal products

There has been considerable consolidation in the dairy industry at production level over the last 20 years, and large farms account for 80% of South Africa's total milk production. Raised concerns of the rising production costs, imports, less producers, drought, changing consumer preferences, regulation and competition from international companies have created challenges, especially for small producers. While the number of milk producers has continued to decline, milk production has increased, indicating fewer commercial farms with larger herds. Large farms producing more than 5,000 litres per day supply 80% of South Africa's total milk production.

Source of information

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