

MARKET INTELLIGENCE REPORT

20
21

July 2021



Grains and Oilseeds

Global Perspectives

According to the United States Department of Agriculture (USDA), global cotton production is estimated to increase by 6%, to reach 119.4 million bales, largely attributed by production in India by a share of 24%, China (22%), United States (15%), and Brazil (11%) respectively. Cotton mill use in the world is estimated at 123 million bales in 2021/22, up by 4% as compared to 2020/21 marketing season. Notwithstanding, the increase in cotton production and use have an effect on the trade patterns. Trade is estimated to decline by 4% to reach 45.9 million bales, this has been due to a reduction of traded volumes from Brazil by 2.9 million bales and the U.S. by 1.2 million bales. Furthermore, reduction in imports is driven by China, Vietnam and Pakistan which are estimated to reduce its imports by 2.5 million bales, 8 million bales and 7.6 million bales, respectively.

World cane production for 2021/22 marketing season is estimated to reach to 186 million tons, up by 6 million tons as compared to previous season (2020/21) with larger increase in the European Union (EU), India, and Thailand and Brazil experienced more offset of lower estimated sugar production. Sugar world exports are estimated to increase as well up to 65, 96 million tons, with strong exports from Thailand and India. Globally, sugar market is estimated to improve to register a production surplus of more than 10 million tons raw value (RV) during 2021/22, this may be attributed by oil prices recovery and positive supply and demand for the world in 2020/21 crop season. As shown in **table 1**, sugar international prices reached a highest level of 17.21 cents per pound in June.

Domestic and Regional Perspectives

According to the 6th estimate of Cotton South Africa (CSA), local cotton total production is estimated to be low by 42% to reach 78 067 bales in 2021/22 marketing season as compared to the production of 134 230 bales of the previous season, due to a decline in major producing areas such as Limpopo, Northern Cape and Mpumalanga. During 2020/21 marketing season, there has been a reduction in the gross value of production in the sugar industry by 0,75%, recording a value of R21 124 million lower as compared to the previous season (see **figure 1**). As a result, by the end of July 2021, the Recoverable Value (RV) price is estimated to be lower by R30.54 per RV as compared to the previous price estimates, to be payable at R5165,31 per RV ton.

Other factors contributed to a drop in RV price includes a decline in sugar RV ratio, increase in the industry costs, weaker rand countering international prices, as well as the issue of the current unrest in the country.

Figure 2: South Africa's sugar gross value of production

Gross sugar production	
2020/21	R2,124 million
2019/20	R2,14 million

Source: SA canegrowers, 2021

Key areas to unlock growth in Field crops

Due to the recent unrest in South Africa, the field crop industry has been negatively affected. The sugar industry is one of the major industries in South Africa that plays a significant contribution to the country's economy, sustainable development, and job creation especially in rural areas. The weeks of the unrest in the country left the industry in great loss. The unrest resulted to a loss in growers' revenue of over R211 million. In order to unlock growth in these industries, the South African government through the field crops Master plan initiative is working on developing strategies and plans in order to improve the agricultural sector, particularly disadvantaged farmers.

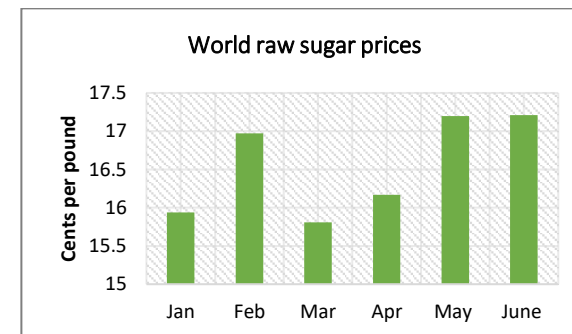


Figure 1: World raw sugar prices

Source: USDA, 2021

Fruits and Vegetables



Global Perspectives

Globally, 80% of avocado production is dominated by eleven (11) countries, and Mexico remains the leading producer and exporter of avocados. Latest production data showed that other producing countries include the Dominican Republic with a 10.6% share, followed by Peru (8.6%), Columbia (8.5%) and Indonesia (7.4%). From Africa, only Kenya (5.8% share) and Ethiopia (1.7%) featured among the top 15 global producers.

Mexico's competitiveness in the avocado industry is attributed to its ability to supply the fruit all-year round, most of which (over 85%) is destined for the United States (U.S). In 2020, avocado production increased by 3.8% in comparison with 2019. Between 2024 and 2030, production is estimated to increase by about 21% while exports are projected to increase by 29.7%. For the 2021 marketing year, Mexico's exports are estimated to reach 1.35 million tons which is 6% higher than 2019 exported volumes. Similarly, Mexico is number one consumer of avocado with a per capita consumption estimated at 7 kilograms per person; and the domestic consumption for the 2020/21 marketing year was projected at 1 million tons. Beyond Mexico, the global consumption of the fruit has increased significantly in the recent past years and the trend is expected to increase further especially in the U.S. and Europe. The high demand is largely driven by the soaring consumption in the food, cosmetics and pharmaceuticals sectors. In the U.S. for instance, consumption has risen by about 5% since the mid-1980s at an average per capita of 5kg per person (Tridge, 2021). Due to the Covid-19 outbreak, many countries supply of avocado among other fruits was to some extent deterred largely due to labour shortages along the different stages in the value chain. South Africa's avocados are facing stiff competition on the European market from originating from Peru.

Domestic and Regional Perspectives

During the month of July 2021, Southern Africa region experienced unrests, particularly in South Africa and Eswatini. The unrests paralysed the port of Durban, busiest and largest shipping terminal in Sub-Saharan Africa while a number of national roads were blocked. This exacerbated the impact of the ongoing Covid-19 outbreak on supply chain and shipment of fresh produce – especially fruits and vegetables. In the case of Eswatini, the political unrests were noted to impede the delivery of supplies across the border (Business Day, 2021).

Given that fruits ready for harvesting could no longer be left in the orchards as a means of minimising losses by farmers, they were harvested and packed in the cold storage. Such delays lead to protracted effects on trade flows both within and beyond South Africa. It is anticipated that when Durban port resumes its operations to full capacity and all economic activities gets back to normal, the large supply of fruits e.g., citrus kept in cold storage within a short time frame is bound to lead to lower market prices of the fruits in the domestic markets.

According to an article featured by Tridge, the avocado season in South Africa did not yield as had been projected. Furthermore, the article quotes the President of the South Africa Avocado Growers Association President saying that:

"The yield is lower than expected and the current harvest is now estimated at 16 million 4 kg cartons"

The low yield is attributable to the cold that hit the orchards in September 2020 which affected the flowering stage. This was further exacerbated by the enormous rains between January and February. As of July 12, the retail price of avocado ranged between R1.77 and R2.07 per kilograms

Key areas to unlock growth in Fruits and Vegetables

Production in the avocado industry is projected to increase in the near future. A major risk in this is that the European Union (EU) has remained the major market for South Africa's produce, yet global producers like Peru and Kenya are also looking forward to the same market, thereby making competition stiffer. That being said, there is a need for South Africa to look into opening up more markets especially in the Far East.

During the Covid-19 pandemic, a spike in the prices of avocado was observed on the domestic market due to limited supplies. Despite the spike in the domestic prices, an incident of destroying a consignment originating from within Africa was reported at one of the customs points yet that volume of avocado could have complemented the dwindling domestic supplies, thereby countering further price hike. The take home message from all this is that the South African avocado industry should work with counterparts within the region or even across the continent so that there is a collective effort to address the phytosanitary challenges, which to a great extent cripple intra-continental trade

Livestock and Animal products

Global Perspectives

China's customs has banned the import of cattle and cattle products from Laos to prevent spread of lumpy skin disease. The move came after Laos reported its first outbreaks of the disease in cattle earlier this month and notice was published on its website. The disease, caused by a debilitating virus, is thought to be spread by flies or mosquitoes. It does not affect people and is rarely fatal. (Reuters; 2021)

The U.S. Department of Agriculture confirmed the deadly pig virus African swine fever in samples from pigs in the Dominican Republic. The positive tests represent the first detection of the disease in the Americas in about 40 years, according to the National Pork Producers Council, a U.S. industry group. No cases have ever been found in the United States. However, infections in the Dominican Republic highlight the risk for the spread of the disease, which devastated China's hog herd after being detected there in 2018(Reuters;2021).

African swine fever is harmless to humans but often fatal to pigs. It originated in Africa before spreading to Europe and Asia and has already killed hundreds of millions of pigs, while reshaping global meat and feed markets. The United States already prohibits imports of pork from the Dominican Republic as a result of another disease there, Classical swine fever, according to the USDA. African swine fever spread rapidly in China starting three years ago and wiped out half the country's pig's herd, the world's largest, within a year. It sent global pork prices surging (Reuters; 2021)

Domestic and Regional Perspectives

During the month of July, South Africa has been affected by political unrests which resulted to looting of infrastructure

and logistical centres, this has affected the meat prices in the country during that time as some consumers were panic buying whereas some had no access to meat supplies since major logistical channels were affected.

Beef: During the week of 23 July, the average auction price was R37.93/kg for weaners (200 –250kg). The price was 0.8% lower compared to the previous week. The decline was caused among others by a lower demand which is the result of the collective effect of the political unrest in parts of the country and the Corona pandemic on the meat industry. The average producer price of Class A2/A3 beef was in total 1.5% lower in the week of 16 July 2021 compared to the previous week. The decline among others was caused by lower demand in the market due to higher carryover stocks. The price was 2.8% lower against the previous month and 17.7% higher year-on-year.

Lamb: The producer price of Class A2/A3 lamb was in total 1.4% lower during the week of 16 July compared to the previous week. The decline can among others be the result of the political unrests in some parts of the country and the Corona pandemic on the meat industry. Moreover, the average price of feeder lamb was in total 0.9 % higher in the week of 23 July 2021.

Pork: In the pork market, the average price of baconers was in total 1.6% lower in the week of 16 July compared to the previous week. The average price was also 4.2% lower against the previous week and 18.1% higher year-on-year.

Poultry: During the week of 23 July 2021, the average prices of frozen poultry was in total 0,4% lower against the previous week, caused by higher carryover stocks in the previous week. The average price was 1.1% lower against a month ago, and 22.5 % higher year-on-year. Poultry continue to be the highest consumed meat product in South Africa due to it is affordable price as compared to other meats.

Key areas to unlock growth in livestock and animal products

The recent political unrest in the country has resulted in invasion of some farms, stealing of farm equipment, destroying infrastructure and endangering the lives of employees. Numerous cases of arson have also been recorded. Supply chains have been severely disrupted with logistics services and distribution centres being forced to close. The movement of meat products and other essential food items to South African consumers has been hindered, if not completely halted in certain sectors. The retail and fast foods sectors have been hard hit with looting of shopping malls, retail stores and destruction of infrastructure. This affected the demand and supply for meat products. Some industry's at present has no way to move fresh product to the market with the severe disruptions to delivery channels. Storage capacity for frozen products is also limited. To add to the challenges the ability to move animal feed to farms and other livestock sectors has been severely disrupted, especially in KwaZulu-Natal. The South African agricultural sector is already under enormous financial pressure due to the impact of Covid-19, lockdowns and disease outbreaks.

Table 2: The table highlight meat prices in SA during the past week

Meat type		Price/KG
Beef	Live weaner	R 37,93
	A2/A3	R 51,21
	C2/C3	R 45,33
Lamb	Feeder lamb	R 49,32
	A2/A3	R 96,73
	C2/C3	R 72,52
Pork	Avg Baconers	R 26,85
	Avg Porkers	R 29,62
	Sausage pigs	R 22,85
Poultry	SA Frozen	R 27,78
	SA Fresh	R 26,95
	IQF	R 25,71

Source: AMT, 2021

Source of information

AMT 2021: Weekly livestock report 26 July 20201

Reuters(2021): <https://www.reuters.com/world/china/china-bans-cattle-imports-laos-prevent-skin-disease-2021-07-22/>

Reuters(2021): <https://www.reuters.com/world/americas/african-swine-fever-confirmed-dominican-republic-pigs-usda-2021-07-28/>

South African Cane Growers (SA canegrowers)-

<https://www.sacanegrowers.co.za/Content/RV-Commentary>

United State Department of Agriculture. 2021. Market outlook.

<https://www.ers.usda.gov/topics/crops/cotton-wool/market-outlook/>

Cotton SA. 2021.Cotton Market Report.

<https://cottonsa.org.za/wp-content/uploads/2021/07/COTTON-MARKET-REPORT-JUNE-2021.pdf>

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.