



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

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Grains and Oilseeds



Global Perspectives

International prices of grains and oilseeds remain higher due to a steady demand throughout the world, led by China. On the 24th of June 2021, the International Grain Council's (IGC) report showed trimmed carryover stock for 2020/21 season. As a result, export prices slightly improved towards the end of June, with maize prices from US 3 Gulf, Up-River (Argentina) and Paranagua (Brazil) at 77%, 58%, and 55% up year-on-year, respectively. Soybean prices remain elevated from all leading exporters. On the 21st of June 2021, a ton of soybean from US 2 Gulf was 50% higher year-on-year while it was 45% and 42% higher for Argentina and Brazil, respectively. Overall, global grain trade in July 2021 is estimated to be at its highest levels ever. This is likely to further put pressure on export prices, especially for maize, barley and sorghum.

The June 2021 World Agricultural Supply and Demand Estimate (WASDE) and the International Grain Council (IGC) reports project larger global grain supplies for 2021/22 season. However, the world consumption is also estimated to increase, thus larger supplies might have minimal impact on the overall global grains supply. Barley exports for the European Union is estimated to be higher, but an increase in imports for China is also projected. Brazil's 2021/22 marketing season for maize began in March 2021 and her estimated exports lower, largely due to reduced production. The expected lower yields for the second maize crop is attributed to unfavourable weather conditions. The WASDE report of June 2021 shows an increase in the 2021/22 global maize ending stocks due to increases in crop expectations from South Africa and Pakistan. Estimated global oilseeds increased, largely due to increased global canola production from European Union following improved weather conditions in recent weeks plus improved yields and higher harvested area in

Australia. Figure 1 presents global soybean prices between the 1st and 23rd of June 2021.

Domestic and Regional Perspectives

Regional grain production is projected higher from many countries noticeably from Zambia, which is a key maize supplier as well as Tanzania. This is attributable to higher than average rainfall received in those countries. Countries importing mainly from South Africa such as Zimbabwe, Lesotho and Mozambique are also expecting significant improvements. However, yields in these countries are still far below the average when compared to the global average levels. For the current season, the regional grain prospects are likely to shape South Africa's maize market following the decision by Zimbabwe to halt the importation of maize and its derived products. It is also equally important to note that the Sub-Saharan African region is not inclined towards Genetic Modified Organisms, which account for 95% of the country's maize. This means South Africa must focus on markets outside the region. South African maize exports to Asian countries are picking-up for 2021/22 marketing season while Mozambique is leading in white maize exports. About 477 841 tons of yellow maize have been exported by end of week 7. Figure 2 shows exports prices for June 2021 marketing season.

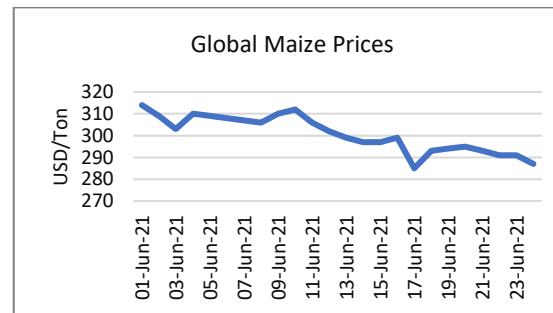


Figure 1: Global maize prices , June 2021

Source: IGC, 2021

Key areas to unlock growth in Grains and Oil Seeds

The grain and oilseeds industry is well documented and the state knows which areas produce which commodities. In recent years oilseed production dynamics have shifted largely towards soybean and this could be largely attributed to the demand by the poultry sector for feed. The demand for oilseeds is rising and it would be wise to encourage developing farmers from Kwa Zulu-Natal and Eastern Cape where there is a bit of land available to this industry. This is not to say other commodities should be ignored, but it's important to develop the agricultural sector across commodities, especially those that seem to be in demand.

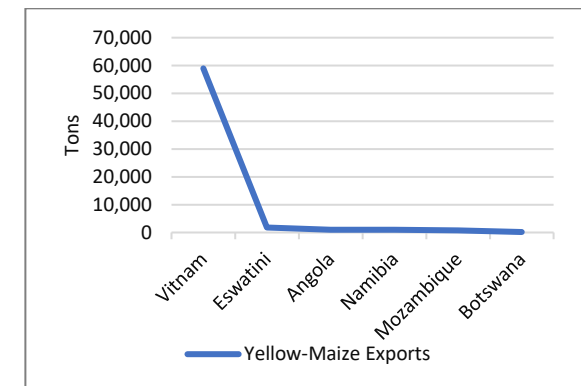


Figure 2:South Africa's yellow maize exports market

Source: SAGIS, 2021

Fruits and Vegetables



Global Perspectives

Global grape production is estimated to be 24.676 million tons in the 2020/2021 season, representing a slight increase of about 0.2% from the previous season. This may be attributed to lower volumes produced in Chile, the United States (US), Turkey and the European Union (EU) due to weather-related challenges. For instance, hail in Turkey, as well as frost, hail and rain in EU's largest producer, Italy. Peru's production is expected to decline by 21% due to heavy rains and the quality of the fruit. China's production is expected to increase by 400 000 tons from the previous season to 11 million tons, favoured by their improved production practices and improved crop quality through investment in greenhouses (USDA-FAS, 2021).

Global imports of grapes are expected to remain fairly the same. The EU leads in imports, with an expected growth of 7% compared to the previous season, while the US imports are projected to change slightly from 672 000 tons to 670 000 tons. Russia's imports are also expected to increase by 32 000 tons from the previous season. Grape exports are projected to rise by 3% to 3.440 million tons. Although Chilean production has dropped, it remains the largest exporter. Chile's exports are expected to decline by 95 000 tons. Peru, China and South Africa's exports are predicted to increase by 70 000 tons to 470 000 tons, 58 000 tons to 420 000 tons and 27 000 tons to 325 000 tons, respectively.

According to the United State Department of Agriculture, the global agricultural trade was greatly affected by the pandemic, with logistical challenges such as delays and container shortages, which led to high costs. In Peru, workers' striking blocked roads and shipments in their highest producing region which led to losses for producers.

Domestic and Regional Perspectives

South Africa's table grape industry is the second highest earner of foreign income among fruit exports. The fourth crop estimates that were released in March 2021 showed that South Africa is expected to intake between 67,2 million and 70,9 million cartons (4.5kg equivalent cartons) of table grapes, a record high from the previous three seasons. In 2019/20, the country exported 66.15 million cartons. According to the South African Table Grape Industry (SATI), new plantings of higher yielding cultivars are coming to full production, which has led to the increased intake volumes. Almost all the production regions are expected to increase from the previous season, except the Orange River which was affected by heavy rains at the beginning of the year.

By the end of week 23 of the annual calendar, South Africa had exported 72.182 million cartons, 13% more than the previous season so far. The EU continues to be South Africa's largest market, with a share of 53%, followed by the United Kingdom (UK) with a 22% share, and South East Asia (9%). South Africa's grapes are gaining ground in Asia, where the exports have increased by 59% compared to 2020 in the same week. Exports to Africa have also risen by 28% and 23% in the EU. This could be in line with the higher production or the gaining/expansion in various markets.

Key areas to unlock growth in Fruits and Vegetables

The table grape industry is doing well in the global markets and continues to endeavour to open up new markets with the help of government. South Africa's largest market is the EU and the UK, but more effort is being placed on diversifying the existing markets and exporting to regions such as Asia and the Middle East. As such, SATI in collaboration with the Western Cape Department of Agriculture and Fresh Produce Exporters Forum (FPEF) launched a China market development campaign which sought to bring awareness about South Africa's grapes by showcasing their fruit and providing tastings to consumers. The industry hopes to further grow the market in China by meeting quality standards in the long run. Such export promotions are crucial to the growth of the sector and continued collaborative efforts between government and the private sector make the reach wider in order to unlock foreign earnings. Export promotion activities need to be diversified and investment made by government and private stakeholders to increase supply in new markets. Information about these markets also needs to be investigated and shared with producers through government-to-government interactions.

Livestock and Animal products

Global Perspectives

Egg farmers of Canada released its first Sustainability Report, outlining how egg farmers are investing in and implementing sustainable technology and practices. The Report also covers initiatives and programmes that set out new opportunities for the future. Compared to 5 decades ago, 50% more eggs are now being produced in Canada while the sector's overall environmental footprint is almost 50% smaller. Research has specifically found that between 1962 and 2012, Canada's egg farmers reduced energy use by 41% and water consumption by 69%. Adoption of technology, such as automatic adjustments to the barn environment, has played a role, as have precision agricultural techniques. In 2015, Egg Farmers of Canada (EFC) conducted a life-cycle assessment (LCA) to understand more precisely how the production of eggs affects the environment in terms of resource use and emissions. Another valued aspect of sustainability for Egg Farmers of Canada is community engagement. Canadian egg farmers donate to food banks, school breakfast programmes and other organisations across Canada. They also support Heart for Africa, an egg farm and orphanage in Swaziland which since 2014, has produced and fed more than 6 million eggs to children. There are 275 children now living at the orphanage enjoying eggs every day and, in addition, hard-boiled eggs are distributed daily to the wider community through a network of churches and schools (Poultry World, 2021).

The European Parliament has called for the end of caged farming within the next 6 years. Members of European Parliament (MEP's) voted overwhelmingly on a ban on the use of cages in animal agriculture by 2027. The vote followed intensive lobbying by the "End the Cage Age" European Citizens Initiative, led by 170 Non-Profit Organisations across Europe, which garnered 1.4 million signatures from

EU citizens and demanded the phasing out of cages on farms. Even though the EU has banned the use of battery cages, campaigners said this was not enough, given the perceived un-level playing field across Europe with some nations already going beyond EU laws. Compassion in World Farming has suggested measures to facilitate the transition away from enriched colony cages to alternative systems, which include financial support for farmers and the requirements for imports to meet EU welfare standards (Poultry World, 2021).

Domestic and Regional Perspectives

Over the past four months, a joint initiative between South African Poultry Association (SAPA), the Poultry Disease Management Agency (PDMA) and Afrivet has seen a team carrying out vast biosecurity auditing, training, education and an upliftment programme with small-scale and small rural farmers around the country. Afrivet, South Africa's biggest wholly locally owned animal-health company, provides the boots on the ground for the initiative. Working in communities, the team meets with farmers, key role-players, government departments, extension officers and distributors to carry out the on-farm audits and host farmers' days and training sessions. The project has already reached the Western Cape, Eastern Cape, Free State, Gauteng, Mpumalanga and Limpopo. KwaZulu-Natal will be coming online shortly.

The poultry industry is working to contain the impact of the outbreak after highly pathogenic avian influenza (HPAI) was confirmed in Gauteng in April. Outbreaks of HPAI have spread to a number of layer, broiler breeder and broiler farms around the country. The strain identified has been H5N1, and not H5N8, a strain which hit South Africa in 2017. That outbreak caused a loss of 20% of the national layer stock, and some 700 000 broilers, and cost the industry some R1.8 million. The cooperation of all farmers is going to

be crucial in containing the outbreak and preventing it from spreading. SAPA has become an information hub, distributing information nationally to egg and broiler producers, providing up-to-date advice and answering hundreds of questions from farmers. So far, the disease has not caused any shortages of chicken meat or eggs, although the status quo might change. At this stage, vaccination is not a strategy to be considered, as it would mean the loss of export status. Much of the responsibility for containing the HPAI outbreak lies with farmers themselves. That means maintaining biosecurity of the highest order, across the country (SAPA, 2021).

Key areas to unlock growth in livestock and animal products

The outbreak of highly pathogenic avian influenza (HPAI) in Gauteng will lead to an acceleration of the SA Poultry Association's programme to fund biosecurity audits for emerging new generation farmers. The programme, one of SAPA's transformation initiatives, was started last year because of the prevalence of HPAI in Europe. Investment in the project, agreed by SAPA through its transformation committee, is part of South Africa's Protect the National Poultry Flock Initiative. The national alert because of the current national HPAI outbreak shows why the audits are necessary and how better biosecurity measures protect flocks and farmers' businesses.

Source of information

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