NAMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

2021

May

Grains and Oilseeds

Global Perspectives

According to the Food and Agricultural Organization (FAO) of the United Nations, global food prices continued increasing throughout the end of May 2021. On a monthly basis, May 2021 registered the biggest month-on-month increase since October 2010 and marked a twelfth consecutive monthly increase in the FAO Food Price Index (FFPI), bringing it to its highest value since September 2011. This rise in food prices was majorly driven by grains and oilseeds when compared to the same period the previous year.

Global maize prices rose to their highest since January 2013. Export prices were 8.8% higher month-on-month and 89.3% higher year-on-year. This is attributed to tight supplies following a fifth consecutive decline in carry-in stocks due to declines largely from the United State (US), Argentina and Ukraine. Additionally, prospects of this year's production season have been negatively affected by drier conditions from key producing areas such as Brazil. Nonetheless, data from the International Grain Council (IGC) shows that beginning of June 2021, export prices began to show some declining signs even though remaining high. On the 3rd of June, a ton of maize from the US Gulf was selling at US$303, when compared to US$155 for the same period the previous year. This represents an increase of 95% year-on-year.

Oilseeds followed the same part as grains underpinned by gains in palm, soybean and rapeseed oil prices. International export prices for palm oil continued their rise until the end of May, mainly due to slow production from South East Asia as well as relatively low stock levels. Soybean prices are under pressure from global demand especially from the biodiesel sector. On the 3rd of June, a ton of soybean from the US Gulf was US$601 when compared to US$343 a year ago. This represents an increase of 75%.

Domestic and Regional Perspectives

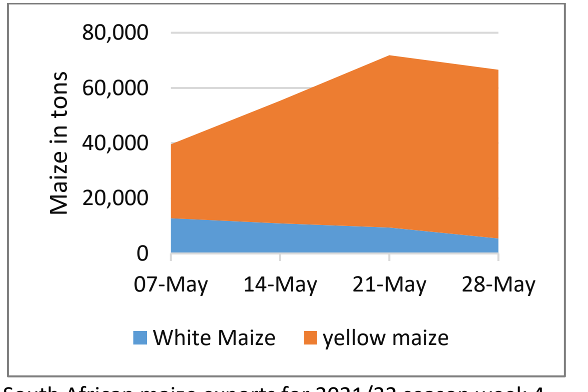
The region's prospects for 2020/21 production season are promising according to data obtained from the United States Department of Agriculture (USDA). This follows a bad season for the region attributed to climate related problems. Countries such as Zambia, Malawi, and Mozambique, to mention a few are all expecting larger crops when compared to the previous season. This is positive news for consumers and maybe not for producers in exporting countries such as South Africa and Zambia from a regional point of view.

Domestically, the positive prospects of the agricultural sector seem to be continuing from the previous season. Data from the Crop Estimation Committee (CEC) suggests a positive outlook for most grains and oilseeds except for sunflower oil which is projected to decline by 12%. By the end of week 4 of this season, about 3.67 million tons of maize had been delivered to the commercial silos. A total of 194 902 tons of yellow maize had been exported, while a total of 38 432 tons of white maize had also been exported. See **figure 1** for exports.

Grains and oilseeds domestic prices are moving simultaneously with global prices. The increasing trend observed from the global market can be attributed to what is seen in domestic prices. As of the 31st of May 2021, spot prices for yellow maize, white maize and soybean were up by 30.3%, 32.1% and 13%, respectively year-on-year, each selling R3 301, R3 177 and R7 180, respectively. For white maize, the Southern Africa region continues to be a dominant market while for yellow maize, Asian countries and Europe dominate the exports.

Key areas to unlock growth in Grains and Oil Seeds

The country's maize exports seem to be following the same paten as previous years in terms of export markets, both regionally and globally. Amid the fortunes of good rains across the Southern and Eastern Africa region, the current season is promising to give a bumper crop size. However, the market might prove a challenge for exporters such as South Africa and Zambia due to enough supplies from other net importing countries. The country might be forced to expand its market, otherwise prices might be decreasing significantly, especially if the US production season turns out better than what has already anticipated.



South African maize exports for 2021/22 season week 4
Source: SAGIS, 2021

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Fruits and Vegetables

Global Perspectives

Global orange production for 2020-2021 season is estimated to rise from 3.6 million metric tons from the previous season to 49.4 million, as favourable weather leads to increased production in Brazil and Mexico. Conversely, declines are expected in Turkey and the United States. The demand globally is also projected to increase.

In Brazil, production is estimated to increase by 14 percent to 16.9 million tons due to favourable weather. Mexico's production is forecast to increase by more than half to 4 million tons after drought destroyed last season's crop.

China production is projected grow up to 7.5 million tons while also consumption has increased. Additionally, imports are forecast to be flat with top suppliers expected to continue being Egypt, South Africa, Australia, the United States, and the European Union.

European Union (EU) production is estimated to increase by 6 percent to 6.6 million tons due to good weather and introduction of new orchards while production in the United States is forecast to decrease by 13 percent to 4.1 million tons. Furthermore, South Africa's production is likely to increase by 3 percent to 1.7 million tons due to favourable weather conditions, new plantings, and improved water management. Exports are forecast to rise slightly to 1.3 million tons, and account for over one-quarter of global trade. The EU is expected to remain South Africa's largest market, accounting for over one-third of exports.

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Domestic and Regional Perspectives

South Africa is a world leading producer of citrus, with improved home-grown varieties and smart agriculture techniques being applied in upgrading production. Two key developments have taken place: first, the increased planting of varieties that meet the global demand. Secondly, cultivars being planted, introduction of new technologies, improved phytosanitary standards, marketing and cold-chain logistics.

Since 2010, citrus exports have grown by 2½ times the value of wine exports by 2020, making citrus the South Africa's largest agricultural export. The growth in export earnings has been driven by higher value soft citrus varieties (lemons and limes). Before 2010, the growth was mainly driven by exportation of oranges

During 2018/19 and 2019/20 seasons, the citrus consumption increased by six percent. The demand for South African soft citrus is growing each year, while both demand and supply are growing. Supply is definitely outgrowing demand. About half of South Africa's citrus hectares are used to produce oranges. During the 2020/21 season, it is expected 1.2 million tons of oranges will be exported – mainly to EU and Netherlands. The Netherlands also imports mandarins and clementine's and it's expected to exceed 86,000 tons which is 13 percent more than last season. The global export for South Africa's mandarins and clementine's in the 2020/21 season is expected to grow by nine percent (FreshPlaza, 2021). Important to note the overall export volumes of black citrus growers increased by 40% over the 2019/20 season.

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Key areas to unlock growth in Fruits and Vegetables

World Bank report placed South African ports amongst one of the worst performing the world, particularly the port of Cape Town (news24, 2021). And the Port of Cape Town has reported shortage of equipment and outdated equipment, resulting to about 14 equipment break down a day. This is a major risk in the agricultural exports business, a threat to employment and economic development. Although there is a shortage of containers at the moment, logistical problems are not expected to stand in the way of a smooth citrus season.

Lastly the Western Cape Government has launched a R78 million Holsloot weir river project which will benefit 150 farming household and 4000 ha mainly. This Western Cape Infrastructure led growth strategy which aims to mitigate the impact of climate change, will benefit amongst other the citrus industry on its growth projectory.

Livestock and Animal products

Global Perspectives

Global production of beef is forecast nearly 2% higher year-over-year to 61.5 million tons in 2021 as output in Canada, India and the United States rebounds after COVID-19-related processing disruptions impacted slaughtering in 2020. Brazil production is expected to be higher, strengthened by domestic and export demand – particularly from China as she continues to face a shortage of pork. In contrast, Australia's production is forecast to be lower for the second consecutive year as producers rebuild cattle herds following a multi-year drought. Production in the European Union is also expected to fall for a third successive year as the beef cattle herd contracts due to lower year-over-year margins. While the global exports in 2021 are forecast to rise just over 2% to 11.1 million tons as Brazil, India and US exports will offset the declines from Argentina, Australia and New Zealand. Demand recovery in price-sensitive markets and more typical patterns of slaughter post COVID19 will buy India exports. Meanwhile, an improving global economic environment is expected to push Brazil exports to record levels. While most major exporters are forecast to have higher shipments this year, Argentina, Australia and New Zealand are exceptions as lower supplies of slaughter-ready cattle tighten exportable supplies. The US production and exports for 2021 are forecast to reach 12.6 million tons, roughly 2% higher on elevated weights and higher slaughter. Exports are expected to climb 6% to 1.4 million tons, supported by increased shipments to East Asia. Lower exports from Australia are expected to reduce competition. Brazil meat exports are forecast up by 5% from 2020, which marked the tenth consecutive year of growth. A persistent pork supply deficit in China, and a recovery in the global economy are expected to fuel continued export growth.

Domestic and Regional Perspectives

In South Africa, input costs and animal health issues remain at the forefront. Class A beef prices decreased marginally on a week-on-week basis and increased by almost 1% since mid-April. Prices are however more than 20% higher than a year ago. In the South African context, producer margins are under increasing pressure with maize prices roughly 30% higher compared to a year ago. The increases in meat prices have therefore not kept up with the increases in input cost. In the first quarter of 2021 (2021Q1), cattle slaughter numbers decreased by 3.7% compared to 2020Q1, which sustained prices. It is expected that this decrease in supply is accompanied by waning demand on the back of disposable income pressures of consumers.

Historical seasonal trends suggest that weaner calf and carcass prices increase from June to August. Based on this, combined with the input price pressures mentioned above, we expect prices to increase over the next three months. This should however be seen in the context of consumer income still being under pressure with additional pressures originating from increased fuel cost and other administered prices. As a result, our increasing trajectory follows a modest slope. The recent outbreak of foot-and-mouth disease (FMD) possess another challenge for the livestock and beef industry. The suspicious lesions at one communal location was noticed and the location was part of the FMD-free zone prior to the suspension of the internationally recognized status by OIE in 2019. The outbreak has resulted in the export banning of all cloven-hoofed animals.

Key areas to unlock growth in livestock and animal products

The government made effort to prevent further spread of disease while the extent of the outbreak is being determined, an immediate temporary standstill of all cloven-hoofed animals, including livestock and game, has been imposed in the affected areas. It is important to disallow movement of cloven-hoofed animas into and out of or through these districts. This highlights the need for government and the private sector to form a partnership in the implementation of traceability systems in the livestock subsector. Furthermore, the need to enhance investment into bio-security measures is further emphasised. Support for communal and smallholder farmers is critical, as they have limited resources to enhance bio-security measures.

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Source of information

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