



# NAMMC

Promoting market access for South African agriculture

# MARKET INTELLIGENCE REPORT

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# Grains and Oilseeds



## Global Perspectives

Mexico's Supreme Court endorses a ban of glyphosate herbicide from Bayer-Monsanto, together with Genetically modified organism (GMO) maize imports beginning of 2024 (AgriCensus, 2021). This follows several appeals by multinational agricultural seed suppliers like Syngenta, Dow and others. Interestingly, Mexico imports significant amounts of yellow maize, mainly from the USA with a few quantities from Brazil. These countries produce GMO's and the country's imports are estimated at 17.8 million tons of which 11.8 million has been imported already as of August 2021. The ban on glyphosate is most interesting in this as it has no substitute. Nonetheless, the implications of this are yet to be seen given the fact that Mexico is amongst the leading white maize (non-GMO) exporters globally along with South Africa.

The global maize market remains bullish from the USA supported by South Korea and Mexico buying. According to a report from AgriCensus, significant future maize volumes are heading to South America. Based on the United States Department of Agriculture (USDA) October 2021 production report, maize harvest is currently underway during the first few weeks of October in Ukraine. While production is below the month-on-month estimation for 2021/22 marketing season, maize estimations stood at 38 million tons with yields at 7ton/ha.

Still on the global maize market, the Russian Federation government has announced an increase in its maize exports tax from 20<sup>th</sup> to 26<sup>th</sup> of October (AgriCensus, 2021). The export duty is set at \$48.40 per metric ton from \$1.20 per metric ton currently. On the 15<sup>th</sup> of October 2021, the November contract from Up-River, Argentina was offered at 82 cents while a Brazils FOB Santos market was going at 130 cents for the December contract. In the USA Gulf, November bids stood at 74 cents which is 2 cents higher than December contract.

Soybean CBOT prices opened higher on the third week of October continuing with their bullish trend this season supported by the optimistic demand in exports following the October 2021 USDA report. As a result of higher than expected stocks and production reported by USDA, premium prices remained flat for November while contract prices for later months reported losses. Of interest for South Africa, FOB soybean prices from Argentina which is a major supplier of soybean slightly rose during the 3<sup>rd</sup> week of October, with contracts for November shipment at 19 c/b to \$2.47 c/b over November future prices. On the other hand, November contracts from the USA were down by 2 c/b to 80 c/b.

Following rumours about China returning heavily to the market, uncertainty around weather conditions in the US-Midwest and an export tax increase of \$2.60 per metric ton to \$61.30 metric ton from Russia, wheat prices remain strong in the US.

## Domestic and Regional Perspectives

Regional coarse grain production is projected to be the highest when compared to the past five seasons attributed to the favourable weather conditions in key producing countries this past production season (USDA, 2021). As a result imports are estimated reasonable lower, but consumption has noticeable increased. Regional carryover stocks were revised down in October but still higher than the previous season.

For South Africa (SA), the 2021/22 maize marketing season is well underway with Sub-Sahara Africa (SSA) as the leading market for white maize while Asia is the main market for yellow maize see **figure 2**. About 1.8 million tons of maize has been exported end of the week 23<sup>rd</sup> by region for week 15<sup>th</sup> of October 2021. So far, about 57% of SA's white maize went to Botswana followed by Lesotho and Mozambique each at 16% (SAGIS, 2021). For yellow maize, about 38% of the export went to Japan followed by Vietnam (26%), Korea, Republic (19%), and Taiwan (16%).

## Key areas to unlock growth in Field crops

According to SAFEX domestic, which was announced on the 12<sup>th</sup> of October 2021, the future price for white maize in South Africa for October is R 3 245/ton, and R 3 274/ton for December, up by R29/ton. Soybean future prices in South Africa increased by R62/ton from R7 260/ton in October to R7 322/ton in December. The above-mentioned price increases are the result of a significant increase in agricultural inputs. Rising input costs, such as fertilizer, herbicide, diesel, and energy, according to Grain SA, are creating a big challenge to South African food production. Food security is being jeopardized as a result of a combination of price increases for farmers and supply interruptions, which is having a significant impact on farmer profitability and sustainability. South Africa also has access to a large number of coal reserves. This resource must be optimized in order to provide cheaper fuel to all economic sectors, particularly the agricultural sector.

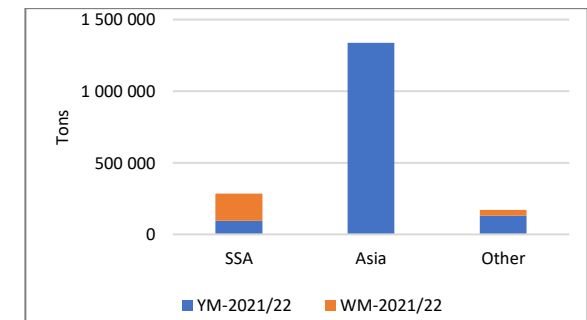


Figure 1: SA's maize exports by region for the 23<sup>rd</sup> week 2021/22

Source: SAGIS, 2021

# Grains and Oilseeds



## Global Perspectives

The global potato market is anticipated to grow at an annual rate of 1.0% between 2021 and 2026. Potato production is mainly concentrated in Asia, with China dominating 33.6% of global production. This is followed by India (18.4%), Russian Federation (8.1%), Ukraine (7.4%), and the United States (7%) (Tridge, 2021).

China's potato production for the 2021/22 marketing year is estimated at 94 million tons, a 5% decrease from the estimated 99 million tons produced in 2020 (USDA FAS, 2021). A decline could be attributed to high corn prices, which encouraged farmers to switch between crops. Despite being the world's leading producer, China exports only a small share of its potatoes, at approximately 400 000 to 500 000 tons per annum, mainly to Vietnam, Malaysia, and Hong Kong (Trademap, 2021).

According to Trademap (2021), France (17.6 %), Germany (9.6 %), China (8.7 %), the Netherlands (8.3 %), Canada (7.8 %), and the United States (6.9 %) are the leading global exporters of potatoes. It is worth noting that global potato consumption is shifting away from fresh potatoes and towards value-added, processed food products (USDA FAS, 2021). The key factors driving the growth of the frozen potatoes include the expansion of fast-food restaurants, increased demand for processed foods, and urbanization.

The UK market could face a shortage of chips for the rest of the year due to high demand of potatoes from Europe (Potato News Today, 2021). This could be attributed to floods which destroyed potato production in Europe, particularly the varieties grown for frozen chips. Brexit, rising fuel costs and the ongoing impact of COVID-19 are among the challenges that the UK industry is facing.

## Domestic and Regional Perspectives

According to Potatoes SA (2021), the average weekly price of potatoes ended on R94.69 per 10 kg bag on 1 October 2021. This represented a 9.30% week-on-week increase since daily stock remained low in September. Potato price increases could be attributed to a potato shortage caused by excessive rainfall and frost in potato-producing regions, which had a negative impact on quality and yields. The average monthly turnover rate of South Africa's Fresh Produce Markets (FPMs) for September 2021 was 55.11% which is 2.55% lower than the same period in 2020. The FPMs sold an average of 290 000 10kg bags per day, which is 49 000 bags lower than in August.

The prices of potatoes are expected to decline in the coming months as stock levels are expected to increase. However, rising fuel prices are likely to add pressure on farmers. According to the Central Energy Fund (2021), the price of 95 Unleaded Petrol (Inland) and the wholesale price of diesel (Inland) could rise by 98 cents per litre and R1.41 cents per litre in November 2021, respectively. This means that the retail price of petrol could rise from R18.33 to R19.31 per litre. The wholesale diesel price may rise to R17.12 per litre in November, up from R15.71 in October. The price increases are being driven by a surge in international crude oil prices and a weakening of the Rand against the US dollar. Anti-dumping duties on frozen potato chips imported from Belgium and Netherlands lapsed in July 2021. This will likely lead to a significant increase in the importation of processed potato products which in turn will suffocate the local industry. The true impact is not yet reflected on imports due to a shortage of potatoes in Europe as a result of floods that devastated potato production.

## Key areas to unlock growth in Fruits and Vegetables

Kenya has since introduced 30% duty on imports of potatoes used to make french-fries (Business Daily Africa, 2021). This will almost certainly raise the price of the finished product because most Kenyan fast-food outlets rely on potato imports from Egypt and South Africa as most grown locally do not meet the required standards. If these unilateral market barriers were removed and more viable export markets were opened up for South African potatoes, the South African potato industry would be able to increase production. Priority should be given to finding trade solutions that will allow the South African potato industry to expand to the point where new entrants will have a chance without impeding existing producers.

Demand for processed foods as well as urbanization are providing processors with opportunities for product innovation. African countries that are rapidly developing are likely to present a large opportunity for industrialization. Also, a study conducted among children aged nine to 18 years has suggested that eating potatoes can be an effective strategy to moderately improve intake of key shortfall nutrients (Potato News Today, 2021). Therefore, the South African potato industry should expand its distribution network in African countries to meet the rising demand for potato protein alternatives to conventional sources, thereby promoting market growth.

# Livestock and Animal products



## Global Perspectives

The global pork production is forecasted to decline by 2 percent in 2022 to 104.2 million tons largely due to lower production in China. China pork production is expected at nearly 43.8 million tons, almost 5 percent below 2021 production volumes. The precipitous decline in China hog prices since the beginning of 2021 is driving liquidation of hog inventories and is expected to tighten supplies of slaughter-ready pigs next year. Without high prices, margins have eroded, and producers will likely delay restocking or, in the case of smaller operators, perhaps exit the business altogether. Tighter supplies of pigs are expected to be exacerbated by a decline in carcass weights as low pork and high feed prices make the over-fattening seen in previous years uneconomical. Partially offsetting lower production in China will be a continued rebound in Vietnam where the management of African swine fever has protected producers from large-scale outbreaks. Plus, countries such as Brazil and Mexico will see their industry expand to take advantage of both a recovery in domestic demand and elevated export opportunities (USDA, 2021).

On the other hand, the global trade is expected to grow by 2 percent in 2022, reaching 12.8 million tons, as tighter domestic supplies cause import demand to strengthen in China. Meanwhile, major exporters will see additional support from firming demand in other East Asian markets as economic and foodservice conditions improve. This will more than offset lower demand from the Philippines where an end to temporarily reduced tariffs and higher quota volumes on pork will drive imports lower. Vietnam is also expected to see lower import demand next year on continued recovery in domestic pork supplies. U.S. exports are expected to rise 3 percent on improving demand in most major markets. Higher imports in China will support U.S. trade both directly and indirectly as major competitors shift

product out of other East Asian markets such as Japan and South Korea. According to AgriCensus (2021), Brazilian meat exports have reached record high since the formation of the foreign Ministry in 1997. This is underpinned by high demand from China which is buying beef, pork and poultry from Brazil at higher rates. In September 187 000 tons of beef, 101 897 tons of pork and 388 951 tons poultry were exported to China.

## Domestic and Regional Perspectives

South Africa is a minor player in the global pork market, accounting for only 0.18 percent of global pork production, but there is major room for expansion, especially in the Asian market, with pork consumption expected to increase by 7.9 and 6.6 percent per annum over the next five years in China and Singapore, respectively. Despite rapid growth over the past decade, pork consumption in South Africa remains low in the global context. Pork is one of the most consumed meat types globally, yet in South Africa, it constitutes less than 10% of the total meat consumption basket. Low pork consumption in South Africa has been attributed to many factors. Consumption preferences often differ amongst various population groups.

The supply levels of pork remained constant while the weaker exchange rate supported the local price in week 40 of 2021. Based on seasonality, an upward price trend is expected over the next few months.

**Baconers** - The price is 0.72% higher compared to the previous week, 3.59% higher than a month ago and 5.63% lower than last year the same time. Based on historic trends, the price can trend upward over the coming week.

**Porkers** - The price is 1.47% higher compared to the previous week, 2.58% higher than a month ago and 8.52% lower than last year the same time. Based on historic trends, the price can trend upward over the coming week.

## Key areas to unlock growth in livestock and animal products

Despite its small size, the dynamism evident in South Africa's pork sector in recent years suggests that it has ample room for growth and development. Much of this potential lies in possibilities to grow local consumption. Despite rapid growth over the past decade, per capita pork consumption in South Africa remains low relative to other meat types

Biosecurity has become an integral part of the South African pork value chain, with the industry suffering from animal disease outbreaks as well as food borne diseases in recent years. This implies that food safety and biosecurity is paramount and for the abattoir, which aggregates pigs from various places of origin, responsible sourcing of animals is a critical factor that can influence both biosecurity and food safety. Animals must be healthy and traceable back to the source.

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