



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

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Grains and Oilseeds



Global Perspectives

Global corn production is down with smaller crops in Argentina, Brazil, Kenya, and Mexico more than offsetting larger crops in Ukraine and the United States. Global trade is higher than last month as Ukraine has greater exportable supplies and Argentina and Brazil have had stronger-than-expected exports to begin the trading year. The higher exports for these countries more than offset lower exports for Paraguay and the United States. Global imports were also up on higher imports for Brazil, Canada, and Mexico. The U.S. season-average farm price is unchanged at \$5.45 per bushel.

Since the December WASDE, exporters' bids moved up for Argentina, Brazil, and the United States. Argentine bids were up \$16/ton to \$271 and Brazilian bids were up \$15/ton to \$285 on late-season export demand as well as ongoing dryness impacting the new crop corn in both countries. U.S. bids rose \$13/ton to \$281 supported by the potential impact of dryness in South America and relatively strong demand for fuel ethanol in the domestic market. In contrast, Ukrainian bids were down \$2/ton to \$276 reflecting record exportable supplies.

Canada corn imports are forecast at 3.3 million tons, up 10% from last month. If realized, it would be the largest level of imports since 2002/03. Imports have been robust for the first 2 months (Oct-Nov) of 2021/22, nearly quadrupling the volume from a year ago. Imports for Saskatchewan and Alberta already exceed the volume imported during all of last year. Moreover, the U.S. Export Sales Report shows outstanding sales of 2.2 million tons at the end of December, suggesting large imports ahead. Strong exports from Ukraine, Argentina, and Brazil are expected to dampen demand for U.S. corn overseas this year. There have been unconfirmed wire news stories that China purchased a large volume of Ukraine corn. Moreover, exports from South America have been

stronger than anticipated even though its marketing season is nearing the end.

Domestic and Regional Perspectives

After last season's second consecutive bumper corn crop, the positive outlook for the South African grain industry will continue in the 2021/22 as evidenced by a 30 percent upsurge in tractor sales and the intention of commercial producers to maintain a corn area of 2.7 million hectares. As a result, South Africa's corn crop for the 2021/22 MY, under normal climatic conditions, could once again top 16.0 million tons, with the potential for 3.0 million tons of corn exports. In the current marketing year (2020/21), after producing the second-largest crop in history of 16.8 million tons, South Africa is heading to 3.5 million tons of corn exports.

The total supply of maize is projected at 17 639 864 tons for the 2021/22 marketing season. This includes an opening stock (at 1 May 2021) of 2 116 906 tons and local commercial deliveries of 15 554 265 tons. A total of 7 000 tons imports is estimated, early deliveries of a negative 57 307 tons and a surplus of 19 000 tons.

While on the other hand, the total demand (domestic plus exports) for maize is projected at 14 542 000 tons. The total domestic demand is projected at 11 127 000 tons. This includes 5 240 000 tons processed for human consumption, 5 750 000 tons processed for animal and industrial consumption, 16 500 tons for gristing, 39 000 tons withdrawn by producers, 71 000 tons released to end-consumers and a balancing figure of 10 500 tons (net receipts and net dispatches). A projected export quantity of 315 000 tons of processed products and 3 100 000 tons of total whole maize is estimated for exports for the 2021/22 marketing season.

According to South African Grain Information Service (SAGIS), South Africa exported 2.5 million tons of corn in the 2019/20 MY, up 76% from the previous marketing year after a 35% increase in corn production. South Africa exported 1.4 million tons of yellow corn and 1.1 million tons of white corn. Zimbabwe (516,000 tons), South Korea (364,000 tons) and Taiwan (323,000 tons) were the three major markets for South Africa's corn

Key areas to unlock growth in Grains and Oil Seeds

Relatively attractive local market prices, progressive exports and favourable weather forecasts are positively influencing producers planting decisions. However, there are rising fears around excessive rains which can potentially negatively affect crop yields.

In relation to smallholder farmers, the predicted weather conditions are likely to result in more than usual yields. But, storing such crop quantities might prove tricky for these producers and that might force them to sell their produce before the normal time that one would wish to sell.

Fruits and Vegetables



Global Perspectives

World production of pears for 2021/22 is projected to increase by 844,000 tons to 23.4 million tons as recovery in China more than offsets EU losses from weather-damaged crops (USDA, 2021). According to USDA (2021), exports are forecast to drop by 118,000 tons to 1.7 million tons on reduced EU supplies. China production is expected to rebound by 1.5 million tons to 18.0 million tons on a bumper crop in Xinjiang Province and recovering production in Hebei Province following last year's severe frost. Higher output is expected to push exports to 530,000 tons, with most of the exports directed to Indonesia. Imports are expected to ease to 9,000 tons based on lower supplies in the European Union. Furthermore, the USDA (2021) predicts the EU production to decline by 27 percent to 1.7 million tons as spring snow, frost, and cold temperatures affected crops in its top producing regions, particularly Italy and France. Exports are expected to decrease from 124,000 tons to 250,000 tons due to lower production but boosts imports to 190,000 tons.

Canada and Mexico have played a dominant role for a longer period of time, being the top two markets since at least 1989/90, with Mexico settling in as the top market in 1998/99. Their share of exports has typically ranged between 50 and 80 percent, growing steadily since 2009/10. Shipments to Canada and Mexico averaged 79 percent the 5 years prior to 2019/20, but surged to 86 percent in 2020/21, a year that also saw a slight decline in domestic production mostly on lower yield in California. Canada accounts for most of these export gains in 2020/21 as Mexico experienced a modest decline, but combined, both countries continue to play a vital role in U.S. pear exports.

Domestic and Regional Perspectives

The production of apples, pears and table grapes is forecast to continue its growth in the 2021/22 MY, based on normal weather conditions, new areas coming into production and high yielding varieties. South Africa is self-sufficient and only imports small quantities of deciduous fruits to fulfil niche markets or to satisfy demand during the off-season when supply is limited. Due to phytosanitary restrictions, the United States only has limited market access to export apples from areas that are free of *Rhagoletis pomonella* (apple maggot). Negotiations are on-going to expand this market access to include areas regulated for apple maggot in the United States.

This report will focus on pears, where area planted with pears has expanded since 2010/11 marketing year. Expansion is being driven by high earnings from the export market and better returns, which continues to attract investment into the fruit sector. The area planted to pears is forecast to marginally rise by 1 percent to 13,000 hectares in the 2021/22, from 12,913 hectares in the 2020/21, based on new plantings and industry's response to modest growth in demand. Pears compete with apples, hence the growth in area planted has been stable but typically lower than the more lucrative apple farming.

The production of pears is estimated to marginally increase by 1 percent to 425,000 tons in the 2021/22, from 422,554 tons in the 2020/21. This is based on normal weather conditions, growth in area planted, stable yields, available irrigation water following improved 2021 winter rainfall, and improved water management techniques by farmers. While there are reports that some farms are growing organic pears, there are no official records of the total organic production in South Africa.

Key areas to unlock growth in Fruits and Vegetables

The Far East & Asia is the second largest market for pears from South Africa and new protocols with countries like India and China are envisaged. This will increase the shipments to the countries and benefit the producers and the industry as a whole.

As the Department of Agriculture, Rural Development and Land Reform strives to open up new markets for the export-oriented fruit industry, it will be important for all value-chain actors to maintain the phytosanitary requirements stipulated in the agreements with the partner countries. The responsibility lies with the government to ensure compliance through inspection before export against the requirements for specific countries. It remains the responsibility of exporters and producers to ensure adherence at all times in order to maintain the country's export status in partner countries. The collaboration between stakeholders to open up markets remains key in unlocking new opportunities in the global setting.

Livestock and Animal products



Global Perspectives

The upward trend in feed cost is clearly visible since January 2018 and continued into 2021. The average feed cost price (70% yellow maize and 30% soya) for 2021 is 36% higher than the same period in 2019 and 13% higher compared to the same period in 2020. Over the first eleven months of 2021, the producer price of unprocessed milk is on average, 12% higher than it was over the same period in 2020, and 28% higher compared to 2019. However, the increase in the cost of feed meals more than neutralised the better farmer price. Other inputs such as electricity increased by 17%, basic iron and steel by 40% and basic fertilisers and other chemicals by 51% over the period from November 2020 to November 2021. Some fertilisers like urea increased by more than 100%. Faced with this cost complex margins at the farmer level will be paper-thin or negative.

The Food and Agricultural Organisation (FAO) Food Price Index (FFPI) averaged 133.7 points in December 2021 up 25.1 points (23.1%) from December 2020. The Free on Board (FOB) prices (US\$) of dairy products traded internationally achieved good growth in the last six months of 2021 and even more aggressive growth in ZAR terms and is supporting higher farmer prices. EU average farmer prices increased by 17% from January 2021 to December 2021 (last month estimate). Three of the major dairy products traded internationally achieved good price growth in terms of US\$ prices in the last six months of 2021. Butter increased by 29%, skimmed milk powder (SMP) up by 25% and Cheddar up by 24%. Full cream milk powder (FMP) essentially moved sideways. The main driver of the higher prices is limited export availability.

Domestic and Regional Perspectives

Unprocessed milk production for December 2021 is estimated at 313 million litres, 2,60% more than in December 2020. Cumulative unprocessed milk production for 2021 (inclusive of December 2021) was 3 299 million litres, indicating a decline of 0,72% in comparison to 2020. Although unprocessed milk production for the past three months (latest two are estimates) reflects positive growth, this growth should not be confused with margin availability at the farmer level. The increase in production is mostly a combination of favourable weather across most of South Africa during the time and some elements of inputs bought earlier in the year at lower prices.

Imports started to accelerate in August 2021 and the production of unprocessed milk moved into positive growth territory during October and November 2021, resulting in total milk supply approaching the same levels as in 2020. Cumulative imports, year to date, were lower in 2020 and 2018 compared to 2021, while 2019 and 2017 were higher than in 2021. Imports for the first 11 months of 2021 are 1,3% higher than the corresponding period in 2020.

Exports in 2020 recorded an all-time high record, where SA exported 460 million litres of milk. This is a feather in the cap of the dairy value chain and affected government departments – the route to market was maintained despite the “lockdown”-restrictions in South Africa and by our trading partners. The positive export story continues into 2021. Cumulative exports for the first eleven months increased by 4% in comparison to the same period in 2020.

Key areas to unlock growth in livestock and animal products

The biosecurity problems are currently global problems and calls for collaborative efforts to curd the situation are advocated. As is currently the case in the European Union and in a couple of countries across Asia. Both the poultry and pork industries have been battling disease outbreaks. This has really presented a seat back for emerging farmers who have the lower capital capacity and expertise to control the disease outbreaks. The department is doing a wonderful job but the message needs to be further communicated loudly and effectively.

Source of information

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