NAMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

2021

December

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.

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Fruits and Vegetables

Global Perspectives

Global production of peaches and nectarines is predicted to increase to 21 million tons after the largest producer, China, recovered from weather related losses in the previous season (USDA, 2021). The gain in China's production is set to reduce the effect of losses in the European Union and Turkey.

China is the largest producer of peaches and nectarines and is expected to recover by 1 million tons to 16 million tons for the season. China's exports are expected lower by 23 000 tons to 55 0000 tons because of low demand in its largest importer, Vietnam and previous bans from Kazakhstan. Imports are expected to be 36 000 tons (USDA, 2021).

The European Union production of peaches and nectarines is projected to decline by 539 000 tons to 2.7 million tons. This is due to frost and rain in the top producing regions of Italy, France, Greece and Spain. Imports are expected to also increase as Spain and Italy continue to reduce area planted (USDA, 2021)

The United States production is anticipated to increase by 60 000 tons to 716 000 tons as producing regions performed well. Exports will be 72 000 tons and imports 33 000 coming from Chile. Turkey's production will decline by 60 000 tons to 830 000 tons due to freeze and frost damage (USDA, 2021).

Domestic and Regional Perspectives

Plums and prunes packed for export in 2021/22 season are expected to increase by 3% to 15.7 million cartons (5.25kg) compared to the previous season (Freshplaza, 2021). By the end of week 4 into January 2021, South Africa had exported a total of 3.5 million cartons, lower by 6% from the same week last year, however the peak exports are normally expected in the 9th week. Europe remains the largest market for plums, at 50% exported in week 3.

Nectarine export volumes are anticipated to increase by 10% to 7.1 million cartons (2.5kg). So far in week 3, South Africa has exported a total of 3.2 million cartons, 6% more compared to 2021.

Peach volumes are expected to ease by 3% compared to last season to 3.7 million due to declining area planted over the recent years. Peaches were mainly exported to the United Kingdom (42%) and the Middle East (38%) of the 1.5 million cartons (2.5kg) in week 3. Apricots on the other hand have also been experiencing declining hectares, with this season expected to produce 681 000 tons export volumes. The Middle East was the largest market for apricots, taking up 50% of the volumes in week 3.

It seems that there was a disruption in week 2 of the export season compared to 2021 as less volumes were exported, which may be linked to heavy rains experienced in early January.

Key areas to unlock growth in Fruits and Vegetables

The environmental factors affecting the agricultural sector such as heavy rains, droughts and floods in recent years highlight the vulnerability of the sector to climate change. It is becoming increasingly important for farmers as well as government to have in place mitigation and coping strategies for such events, Mitigation strategies such as delaying planting could assist those farmers who do not have insurance, while crop insurance could be an alternative for some farmers who are able to afford such services. Government needs schemes that cushion farmers from these adverse effects of climate change.

Distribution costs as well as input costs are anticipated to increase due to the fuel hike of 80 cents per litre for diesel 50 ppm and 79 cents per litre for diesel 500 m. The fuel increase was due to rising oil prices.

Livestock and Animal products

Global Perspectives

Covid-19 and African Swine Fever continues to worry the international market as it is impacting demand for imported beef products. Beef supply is expected to be down nearly 1 percent this year at 10.2 million tons on steady import expectations and a slightly lower production estimate. Imports continue to make up an increasing share of consumption as the Chinese diet evolves and as domestic product struggles to compete on both price and quality. Global beef exports for 2022 are up 1 percent at 12.0 million tons as gains in Argentina, Australia, and Brazil more than offset small declines in the EU and Japan. While global beef production for 2022 is raised from October at 58.2 million tons. Brazil beef production is lowered 2 percent for 2021 due to disrupted sales to China in the fourth quarter.

China specifically seems to be shying away from importing manufacturing cuts of beef. In Australia, 2022 production is higher than previously forecast with herd rebuilding well underway and some slaughter deferred in December under adverse weather impacting transportation. These changes offset cuts to the European Union (EU) and China, with the latter moderating production growth on ample global beef supplies. Australia's participation in the export market may continue to be inactive due to low production, which will allow competitor countries such as South Africa an opportunity to capitalise.

Internal beef prices generally traded positively this w eek, with only the price of chuck decreasing 1.0% w eek-on-w eek. Those of rump, striploin and brisket increased 4.1%, 5.2% and 3.6%, respectively, w eek-on-w eek. Topside prices had the strongest performance with a 7.4% increase compared with the previous w eek. The price for steers and cow s in New Zealand decreased 0.4% and 0.3%, respectively, w eek-on-w eek. Australia is experiencing low cattle slaughter rates and subsequent low export volumes, which is resulting in an increase in demand for New Zealand beef in key markets such as the United States, w here Australia is usually a key competitor.

Domestic and Regional Perspectives

The beef processing sector in South Africa has experienced its fair share of ups and downs in 2021, battling the fall-out from COVID-19 like severe supply chain backlogs, more pressure on pricing (pushing it upwards), and ongoing disease management burdens like Foot-and-Mouth Disease outbreaks.

Domestic demand for beef products is usually slow in January as consumers tend to struggle financially after the holiday season. Continued high grain and oilseed prices will adversely affect animal feed costs for livestock producers.

Class A carcass prices have continued on their upward trajectory as demand firms during festive season weeks. It is expected that prices will remain firm until January. Weaner calf prices in turn have moved sideways over the past week and are slightly lower compared to a month ago as animals purchased now will only be ready in the new year when red meat demand could ease. Over the coming months, demand is expected to remain relatively weak on the back of increased pressures on consumers' disposable income. This could be further amplified by Omicron, its associated travel restrictions and more cautious consumers

Average Class A prices declined by 0.6% w eek-on-w eek to R50.16/kg. Class C prices increased 0.7% to R44.94/kg w eek-on-w eek. The local weaner calf price has been trading upwards in recent weeks due to high demand; however, this w eek saw prices remaining relatively unchanged at R37.85/kg, only 0.04% higher than the previous w eek. Current weaner prices are 44.1% higher than a year ago.

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. Livestock farmers will have to work to keep their animals healthy and safe to get their share of the export income and also ensure that their livestock are disease free.

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Source of information

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