

Grains and Oilseeds



Global Perspectives

The past month has seen escalating concerns about the global spread of the coronavirus (COVID-19) and increasing uncertainty about the long-term implications on production and consumption, while some commodities have seen a sharp upturn in the short-term demand, like rice and wheat-based products. Weakening economic conditions could dampen usage in the longer term, particularly for industrial products such as maize-based ethanol and starch. The forecast for world **total grains** (wheat and coarse grains) production in 2019/20 is up by 3 million tons month-on-month (m-o-m) to 2 175 million, mainly because of the adjustment for maize output in the EU. With consumption trimmed, total grains stocks are up by 4 million tons (IGC, 2020). Total grains production is projected to reach a new peak of 2223 million tons, which is about 2% higher year-on-year (y-o-y). The forecasts for global **rice** supply and demand for 2019/20 are broadly unchanged m-o-m. Led by acreage increases by major exporters, world rice production in 2020/21 is projected to rise by 2% y-o-y, to a high of 509 million tons, with population growth supporting record uptake (FAO, 2020).



Key areas to unlock growth in Total Grains

With positive supply of grain to the global market, any decline in exports would be a function of softening local demand rather than supply. The international price swings could affect South African farmers who had hoped would be a year of recovery after being hit by the preceding drought. However, we have not observed the disruption of COVID-19 yet. In March 2020, Minister Thoko Didiza indicated that the department has set aside R1.2 billion to address effects of COVID-19 to ensure sustainable food production, during and post the pandemic. The details of the fund, will be shared with the public in due course.



Domestic and Regional Perspectives

South Africa's 2019/20 summer grains production is projected to increase by 26% y-o-y to 16.8 million tons. The estimated total supply stock of **maize** is approximately 15.2 million tons with a local demand of 11.4 million tons. This means that the country will have sufficient stock of maize to start the upcoming season. On other side, South Africa is a net importer of **wheat**, the overall local demand for wheat is around 3.3 million tons. The estimated imports of wheat are approximately 1.8 million tons (58%). South Africa is able to produce approximately 1.5 million tons (42%) of wheat. The wheat stock is already below 20-30% from the previous season. South Africa's wheat imports are mainly from the EU, US and Russia. Due to COVID-19, this might result in a slowdown or disruption of the supply of food chains. However, currently, supply of grain products is still sufficient for South Africans.

Livestock and Animal Products



Global Perspectives

The global bovine hides and skins market dropped in 2018 and it has shown a slight decline in recent years. The USA is by far the largest seller of bovine hides and skin globally, having exported 19 million units in 2019 followed by Germany, France and Italy at 133 553 units, 126 785 units and 122 233 units, respectively. Hides and skins exports sales on the 19th of March 2020 were down by 11% in the USA when compared to the previous week but still 8% higher than 4-weeks ago (USDA, 2020). Major market destinations were China, South Korea, Hong Kong, Mexico and Indonesia. Key vendors on high priced leather is the clothing and automobile industries. . Pork imports into China increased by 156% in the first two months of 2020 and this was fueled by the Lunar New year holiday in January as well as the state reserves due to the COVID-19 pandemic. After a 60% decline in domestic production of pork due African swine flu in 2019 imports might stay relatively high due to the Chinese gradually getting back to their daily work as COVID-19 seems under control in China.



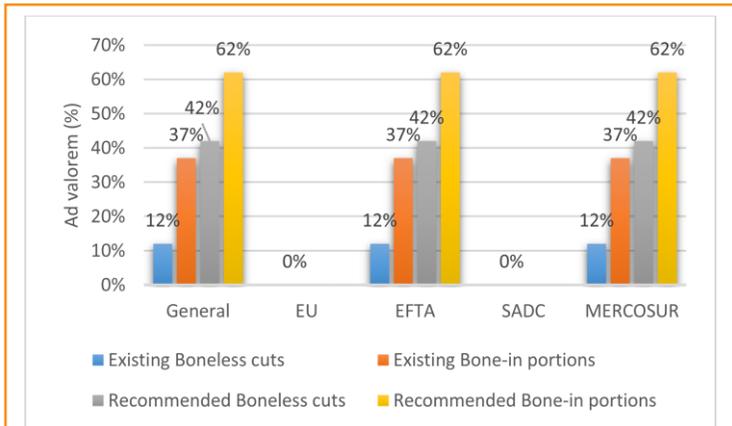
Key areas to unlock growth in Livestock and Animal Products

In March government announced an increase in poultry tariffs of frozen bone-in chicken portions from 37% to 62%. While for boneless chicken tariffs increased from 12% to 42%. Domestic broiler production is estimated to cover around 70% of the local consumption and the remaining percent is cushioned by imports. The tariff hike is going to directly affect consumers. However, large commercial producers have the scales to increase their production output and that could have a positive impact on job creation. Moreover, this has potential to transformation the industry, with a need for government and the private sector, to support smallholder farmers to feel the shortfall of domestic consumption. There is also need for the domestic industry to be the supplier of poultry products in the SADC region, should the industry act swiftly.



Domestic and Regional Perspectives

The latest mohair sales of the 2020 summer season took place in Port Elizabeth, with 126 502 kilograms on offer. Although the offering consisted of some good quality mohair and the South African currency traded weaker, the market decreased by 7% from the previous sale, to close on R267.27/kg. This decrease can be attributed to the uncertainties surround the effect of the Coronavirus. The highest price of R601.00/kg was paid for a bale of 24 micron good style kid mohair. The fourth sale of the 2020 summer season will take place on 7 April 2020. South Africa remains the major broiler producer in Southern Africa accounting for 80% of total broiler production in the region. Currently, South Africa has a protective tariff of 62% on bone-in chicken imports and 42% on boneless chicken imports; these tariffs give enough protection to the local chicken producing industry and the consumer is already heavily burdened by the ever-increasing prices of regulated products including fuel and energy.



Source: ITAC (2020)

Fruits and Vegetables



Global Perspectives

The consumption for blueberries has increased globally. This demand has resulted in an increase in the production volumes and in the number of producing countries. At the same time price in the market is at the all-time high. There has been a fierce competition between Chile and Peru. To date, the production is increasing at a rapid rate, faster than the actual demand, and with no doubt prices will be under pressure in the world market. South Africa is amongst the top leading countries in the export market with a record of 7.5 tonnes in the 2018/19 season. The expectation is that this volume will increase in the current 2019/20 season. In the case of table grapes for 2019/20 seasons, China (10.8 million tonnes), India (3.0 million tonnes) and Turkey (2.0 million tonnes) are recorded as the top three table grapes producers in the world. South Africa is ranked 8th, with a forecast production of 310 000 tonnes for the current season. Rainfall patterns has been the major contributor to the level of production by these production regions.



Domestic and Regional Perspectives

South Africa's agricultural industry continues to operate during the lockdown, with the main ports, open for imports and exports of essential goods, with agricultural production declared an essential service. Fruit SA committed to continue with fruit supplies both locally and internationally. The South African 2020 apple export season has started amidst some uncertainty as to how the COVID-19 outbreak will influence international trade. What is certain though, is that there has been a strong West-East trade shift over the past two decades. With around 70% of the annual apple crop destined for the Far East, South East Asia, the Middle East, and Africa. With excellent growing conditions this year, South Africa is forecasting an increased apple export crop. The 2020 apple export forecast is for 35.7 million 12.5kg equivalent cartons which is a six percent increase from last year. On the other hand, the South African Berry Producer Association reported that South Africa's blueberry exports recorded 12,282 tons in 2019/2020 season. Most of our blueberries were destined for the United Kingdom and the European market both receiving 46% of South Africa's blueberries, followed by Far East (5%) and Middle East (3%). On the other hand, table grapes season is coming to an end with total exports of 58 million cartons, higher than the previous season. Northern provinces, Orange River and Olifants river regions are done packing and preparing for exports. Europe received 49% of South Africa's table grapes, followed by United Kingdom (25%), Canada (7%), Middle East (5%), South East Asia (5%), Far East (5%) and Russian Federation (2%).



Key areas to unlock growth in Fruit and vegetables

It came as a relief to farmers that trading of agricultural commodities was declared as an essential service, meaning the activities in the agriculture value chain go uninterrupted during the lockdown period. In addition to this, there is a notable recovery from drought in key horticulture producing areas, particularly in the Western Cape. This has resulted to improved harvests in general. However, the weather volatility has had an effect on the grape season.

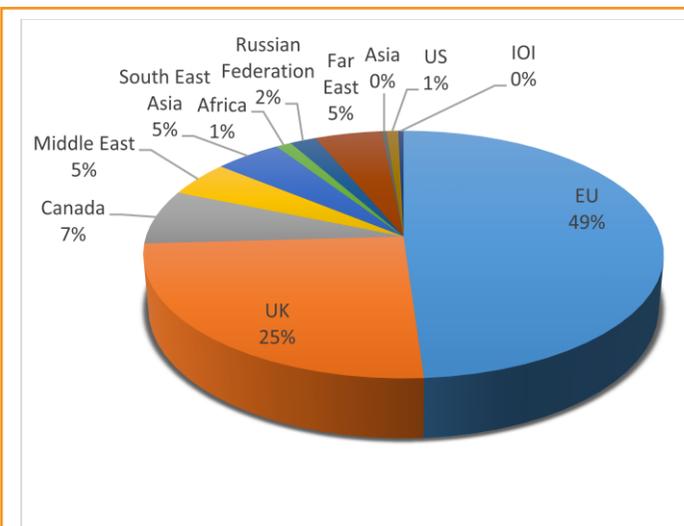


Figure 2: Week 13 table grapes passed for exports (4.5 kg equivalent cartons)
Source: SAGTI

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