

# Bi-Weekly Trade Tracker

## September 2020

### # 8



**BFAP**

DATA  
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INSIGHT



agriculture, land reform  
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Department:  
Agriculture, Land Reform and Rural Development  
REPUBLIC OF SOUTH AFRICA

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University of Pretoria

# Acknowledgement

This report was compiled by a number of collaborating researchers from the Bureau for Food and Agricultural Policy, the Department of Agricultural Economics, Extension and Rural Development at the University of Pretoria and the Department of Agriculture, Land Reform and Rural Development.

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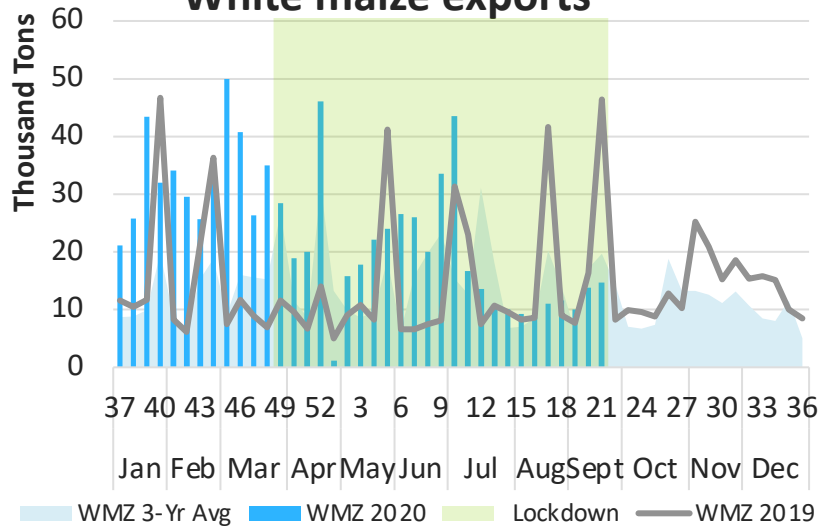
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# Grains

Weekly focus: Maize and Wheat

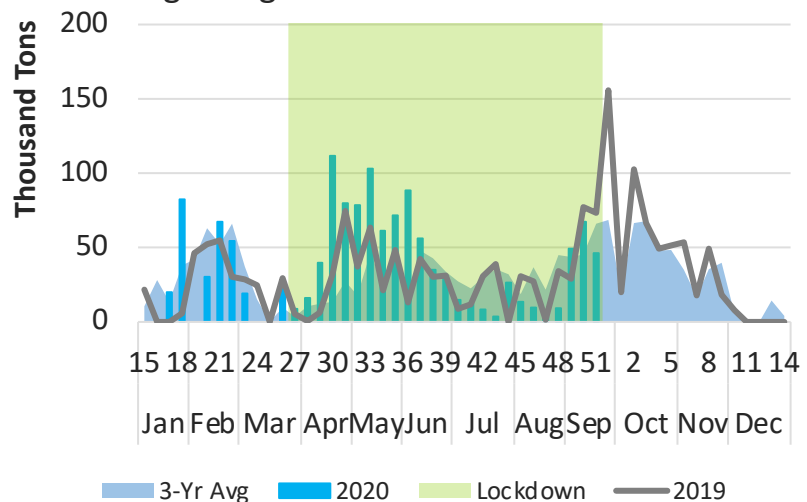
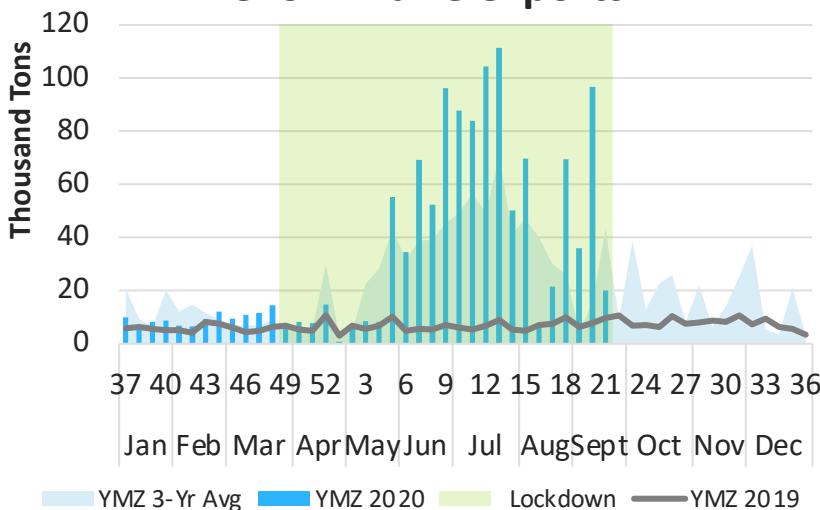
White maize exports have picked up somewhat over the past 3 weeks, with all deliveries destined for Southern Africa. Volumes remain below that of 2019/20, when white maize exports were evenly distributed to Eastern (50%) and Southern (50%) Africa. Over the past three weeks, regional exports were predominantly destined for Zimbabwe (34%), Lesotho (25%) and Botswana (24%). South African maize continues to lack price competitiveness against new season Zambian maize – but the Zambian government has indicated that it will only issue export permits once it has procured its target of 1 million tonnes in strategic reserves.

## White maize exports



Yellow maize exports have declined in the past week, following an impressive increase in the first week of September. The increase in exports in early September was supported by large shipments to South Korea, which amounted to 91% of total exports. Over the past three weeks, exports were sent to Asia (85%) and the SSA region (15%). Overall, South Korea holds the major share in yellow maize exports (33%) to date. Exports are expected to remain strong, with more white maize entering the animal feed market given that a higher than normal share is of lower grading in 2020.

## Yellow maize exports



## Wheat imports

Wheat imports have decreased in the second week of September after a consistent increase starting in mid-August. The increase in imports was due to consistent increases in shipments from Russia and additional imports from Ukraine in the first week of September. During the past three weeks, all wheat imports were sourced from the EU, compared to the EU (96%) and Canada (4%) in the 2018/19 marketing year. Early prospects point to a favourable harvest in 2020, which would reduce the need for imports next year.

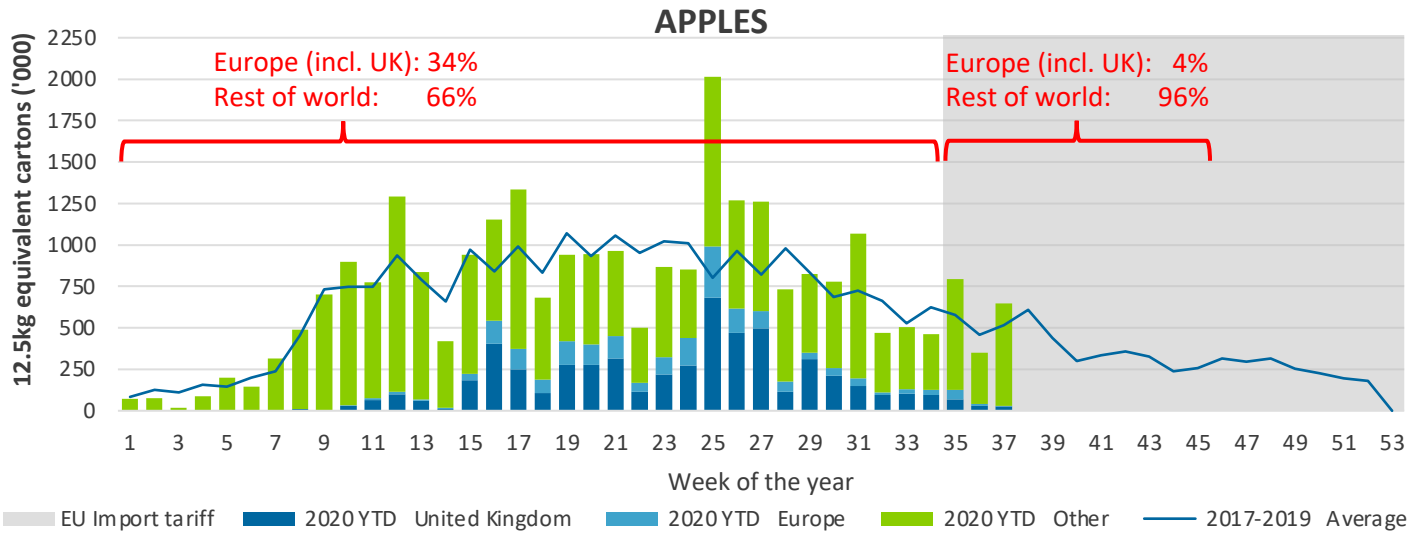
Table 1: Trade Summary – Past 25 weeks (lockdown period)

	April – Sep 21 2018	April – Sep 20 2019	% Y-O-Y	April – Sep 08 2020	% Y-O-Y
White maize	285 359	365 021	+28%	473 961	+30%
Yellow Maize	1 249 632	169 014	-86%	1 127 595	+567%
Wheat	1 004 531	769 150	-23%	1 043 809	+36%

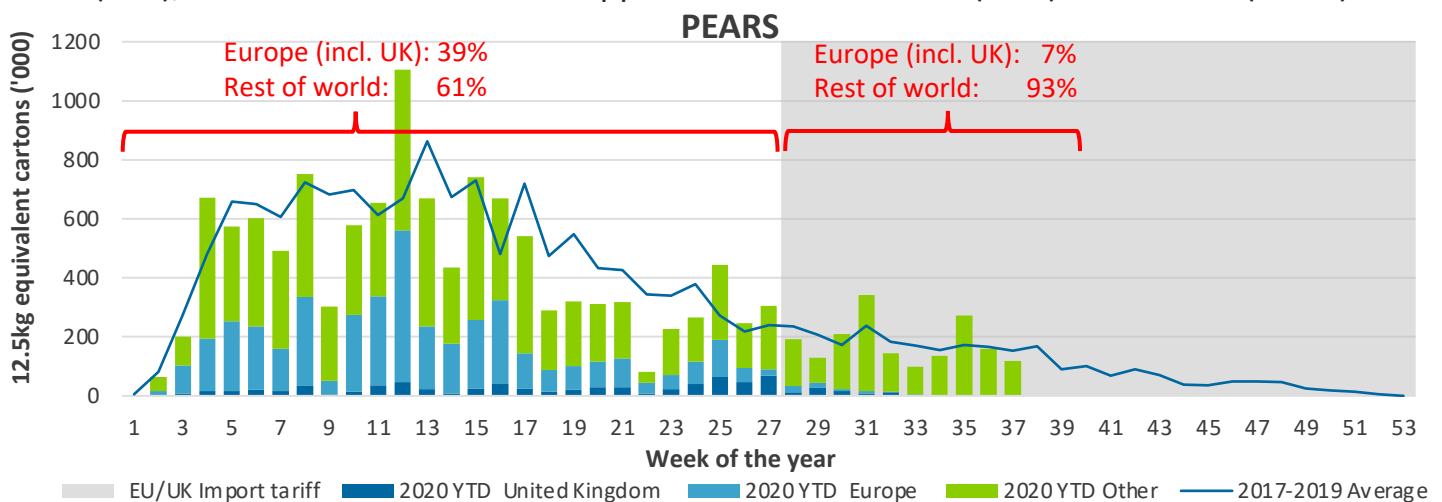
Source:



By the end of week 37 of 2020, 75% of the estimated 35.6 million apple cartons and 85% of the estimated 16.13 million pear cartons have been shipped. Apple exports are 3% higher than in 2019, whilst pear exports are down by 7%. With an import tariff applied on pears from the 1<sup>st</sup> of August and on apples from the 16<sup>th</sup> of September by the EU, a change is observed in the regional distribution. For apple exports, the ratio between Europe (incl. UK) and the rest of the world was 34:66 in terms of number of equivalent cartons up to week 34, and after week 34 that ratio shifted to 4:96. For pears, the ratio between Europe (incl. UK) and the rest of the world was 39:61 in terms of number of equivalent cartons up to week 28, and after week 28 only 7% of exports were destined for the Europe (incl. UK) market ever since.



Year-on-year market changes have been impacted by purchasing power and logistics. Most notably, for apples YTD, shipping to Russia (+172%), Middle East (+24%), Europe (+22%) and the UK (+10%) increased at the expense of shipping to USA & Canada (-32%), Far East & Asia (-19%) and Africa (-11%). Similar observations apply to pears, although volumes to Europe declined by 10%, with exports to Russia increasing by 14% when compared to 2019. Other shifts in pear export markets observed are lower volumes to Far East & Asia (-31%), USA & Canada (-19%) and Africa (-8%), with increased volumes shipped to the Middle East (+4%) and the UK (+17%).



The top apple varieties in terms of volume are Golden Delicious, Royal Gala (and Gala), Granny Smith, Fuji and Pink Lady. Together, these five varieties comprise almost 80% of the estimated 2020 apple exports. YoY volumes for all of them, with the exception of Granny Smith, trend upwards.

For pears, the top five export varieties by volume are Packham's Triumph, Forelle, Williams Bon Chretien, Vermont Beauty and Abate Fetel. Together, they represent 88,9% of the 2020 full year estimated export volume. Of these, only Packham's return a positive YoY estimate (+22%). Combined, a decrease of 16% is estimated for the other four mentioned varieties.

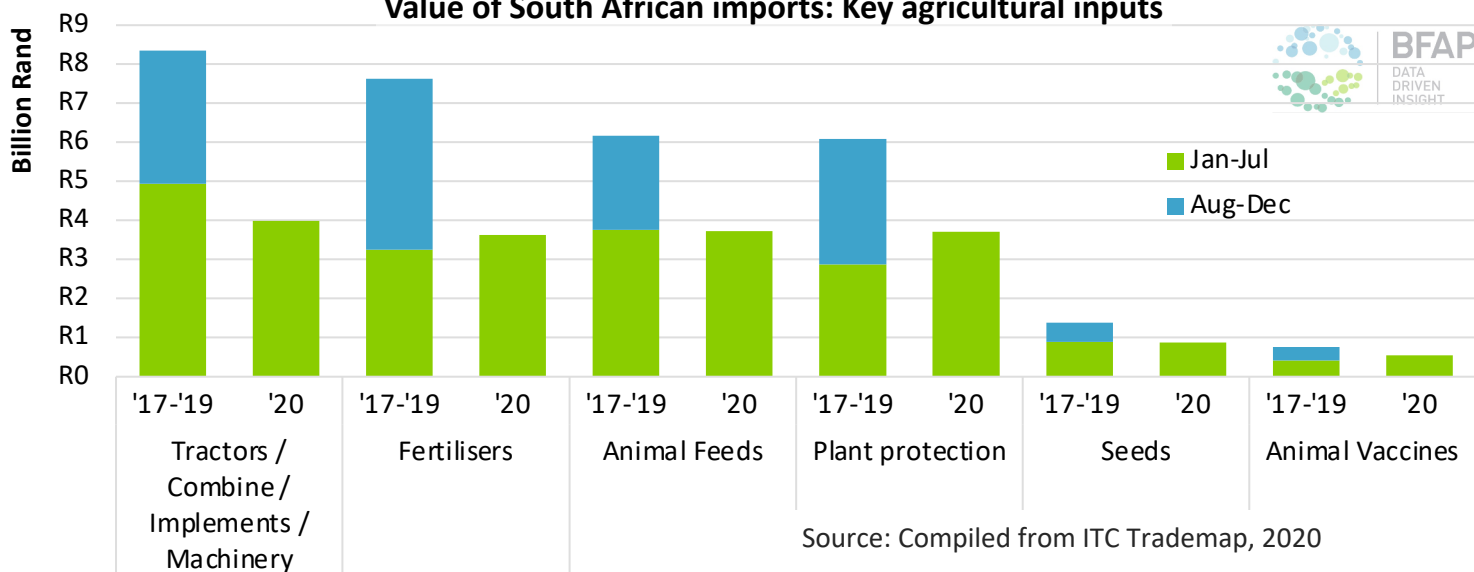
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# Other

Weekly focus: Import dependence for Agricultural Inputs

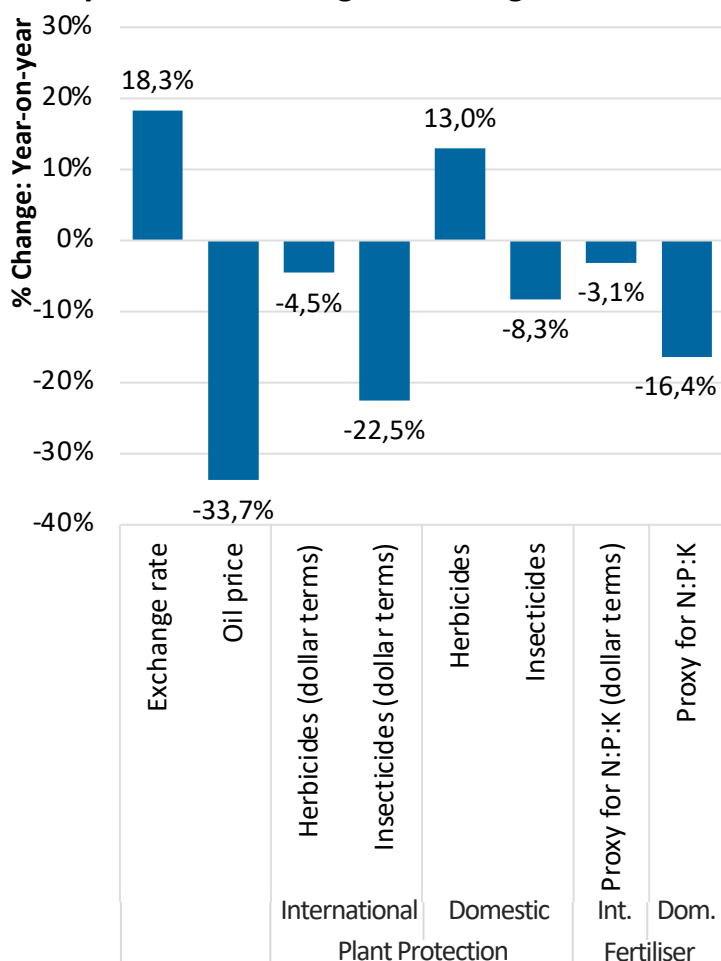
South Africa is highly dependent on the import of agricultural inputs. It is estimated that more than 80% of domestic fertiliser demand and more than 95% of plant protection chemicals are imported. This implies that local prices are subjected to the same supply and demand forces that drive international markets: for example, the farm gate price of domestic fertilisers is strongly influenced by international price fluctuations, currency exchange rates and shipping and distribution costs (Grain SA, 2016). In addition to fertilisers and chemicals, South Africa sources multiple agricultural inputs in the global market. Relative to an average for 2017-2019, the 2020 Jan-Jul period is displayed in the graph below, together with a full year estimate for 2020. The most severe impact is observed in the category of Tractors/Combine/Implements/Machinery, with negative growth of 19% in 2020 Jan-Jul (compared to a 3-year average). Animal Feeds (-1%) and Seeds (-1%) are also returning negative figures, whilst Fertilisers (+12%), Plant Protections (+29%) and Animal Vaccines (+29%) show increases.

**Value of South African imports: Key agricultural inputs**



Source: Compiled from ITC Trademap, 2020

**Key Variables: Average YoY change for Jun-Jul**



The high dependence on imported inputs for agricultural production in South Africa leaves the country's agricultural sector exposed due to volatility in the macro-economic environment. The average year-on-year price of Brent crude oil in June/July has declined by 33.7%, which firmly supported the decline in the cost for fertiliser and plant protection chemicals internationally. South Africa, however, did not receive the full benefit thereof, as is seen by the extent of price decreases in domestic fertilisers and chemicals. For instance, the cost of herbicides has increased by 13% year-on-year. This is mainly due to the sharp depreciation of the Rand (+18.3%) over the same period.

The impact of volatility in the macro-economic environment often leads to higher production costs for domestic producers, since producers are merely price takers. This adds to their concerns of continued efficiency of the logistics associated with international trade, a very relevant matter to an agricultural sector which is highly dependent on imports for its inputs.

Source: Grain SA & BFAP, 2020

# Policy Perspective

In addition to some logistical challenges emanating from the measures imposed around the world to curb the spread of COVID-19, multiple countries have imposed trade related restrictions to ensure domestic supply. Some examples include:

## Rice



- **India** has banned the usage of nine pesticides, generally used for **rice** crops, for 60 days — August 14 to October 14. These led to the presence of pesticides beyond the permissible maximum residue limit (MRL) on the grains. The EU has fixed the MRL for all these agro-chemicals at 0.01 mg per kg. This may affect productivity of the rice.
- **Rice** export prices remained flat for the month of September. This is because buyers still have large inventories lower than expected demand due to COVID-19.

## Wheat



- **Ukraine** expects the 2020/21 wheat harvest to decline by around 18% to 23.2 million tons. This is attributed to poor weather conditions. Exports are expected to decline by 25% to 14.9 million tons, Ukrainian traders quoted preliminary data.

## Poultry



- **China** introduced a requirement for firms and abattoirs to assure coronavirus free with several countries all over the world. This is to ensure the quality and safety of its products.
- **China** has lifted a temporary ban on **chicken imports** from a plant operated by Brazil's Central Cooperativa Aurora. The ban was introduced in August 2020.
- In September **Brazil** notified the WTO committee on technical barriers to trade (TBT) about the mandatory instructions on the use and conservation in the labelling of raw **pork** and **poultry** meat products. These measures will apply to all trade partners. The date for the introduction yet to be announced.

## Meat



- **Kenya** submitted notification to the WTO that specifies the quality and safety requirements for meat products. This applies to fresh coarsely **ground and minced meat** products such as meat balls, patties, meat pies and ground kebabs that are intended for further processing before consumption. This will also apply to Fermented sausages such as salami. The proposed regulations will enter into force in December 2020.

## Fruit



- **China** notified 589 maximum residue limits (MRLs) on 67 pesticides in foods to the WTO. The draft MRLs cover a range of **horticultural** products. The proposed date of entry into force has not been announced.

## General



- In response to COVID-19, **Egypt** reduced the percentage of consignments of imported food raw materials and final food products subjected to inspection to 25%. This used to be higher than 30% in the previous five months.