

Bi-Weekly Trade Tracker

August 2020

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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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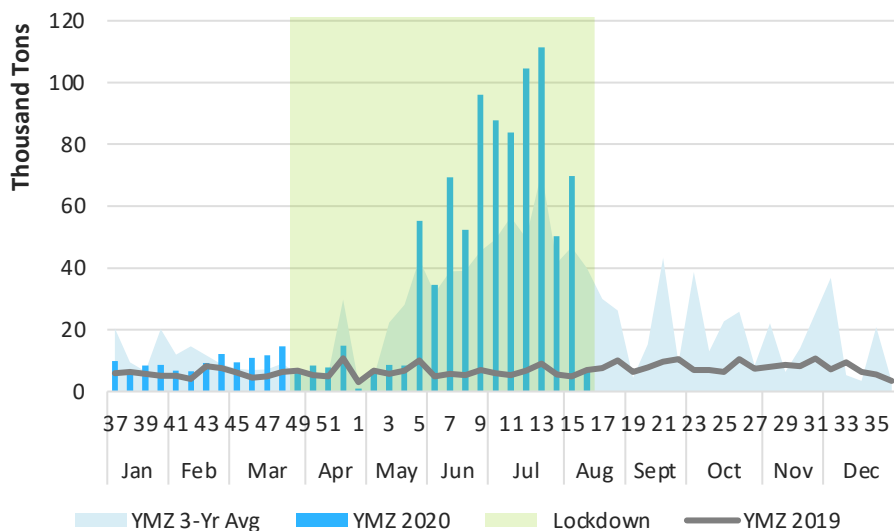
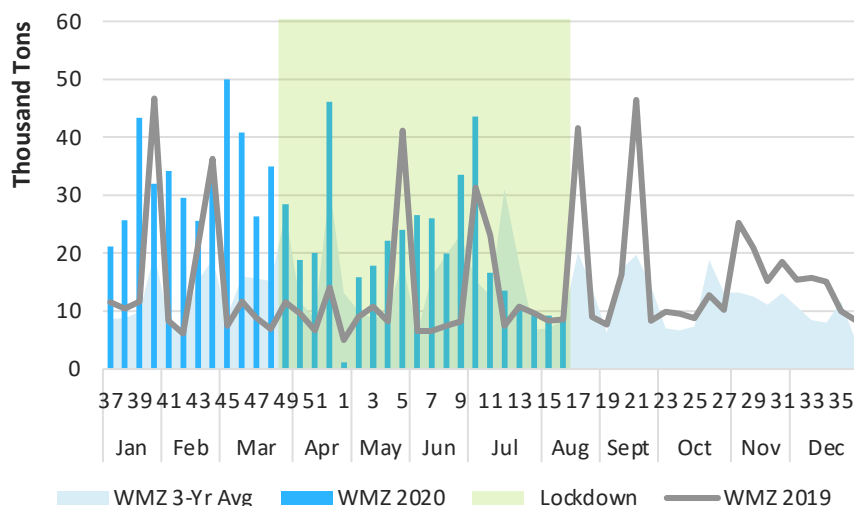
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Grains

Weekly focus: Maize and Wheat

A consistent decline in white maize exports has been evident since early July and exports have subsided further over the past 3 weeks. Despite consistent deliveries in South Africa, the decline in white maize exports is attributed to lower prices in the region, following strong new season supply from Zambia and Malawi. All exports that did occur were destined for Southern Africa, mainly neighbouring countries such as Botswana, Lesotho, Eswatini and Zimbabwe. Despite the decline, volumes remain 5% above the same period in 2019.

White maize exports



Yellow maize exports

Yellow maize exports increased in the first week of August, supported by a large shipment to South Korea, for the animal feed market, before declining sharply in the second week of August. South Korea represented 71% of total yellow maize exports in August to date, with the shipped produce primarily sourced for animal feed. Full marketing year 2020/21 exports to date were distributed between Asia (85%) and Sub-Saharan Africa (15%).

Wheat imports

Wheat imports have increased in early August after a continued decline through July, but have since reverted back to a decreasing trend in the past three weeks. All imports originated from the EU over the past three weeks, as opposed to Canada (36%) and the EU (64%) in 2018/19. For the total lockdown period, import volumes remain well above the preceding year, due to the smaller domestic crop as a result of unfavourable weather conditions. The prospects for the coming season are more positive.

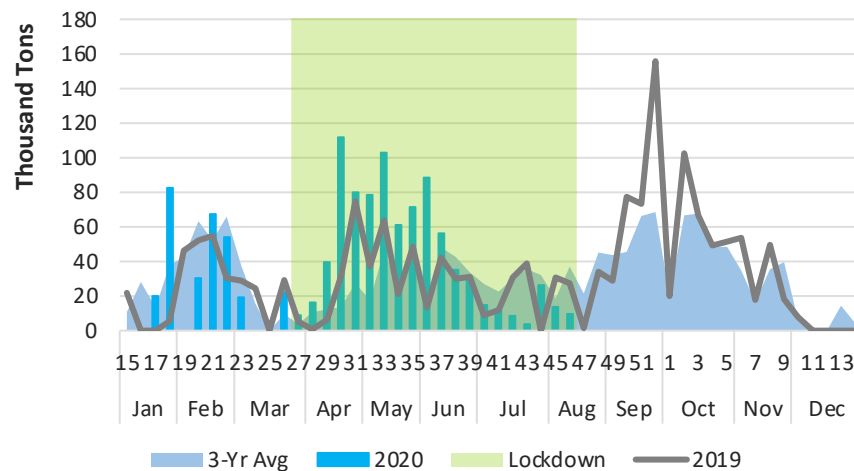


Table 1: Trade Summary – Past 20 weeks (lockdown period)

	April – Aug 18 2018	April – Aug 16 2019	% Y-O-Y	April – Aug 14 2020	% Y-O-Y
White maize	256 221	243 962	-5%	412 878	+69%
Yellow Maize	1 077 688	127 495	-88%	883 764	+593%
Wheat	702 465	554 373	-21%	868 365	+57%

Source:

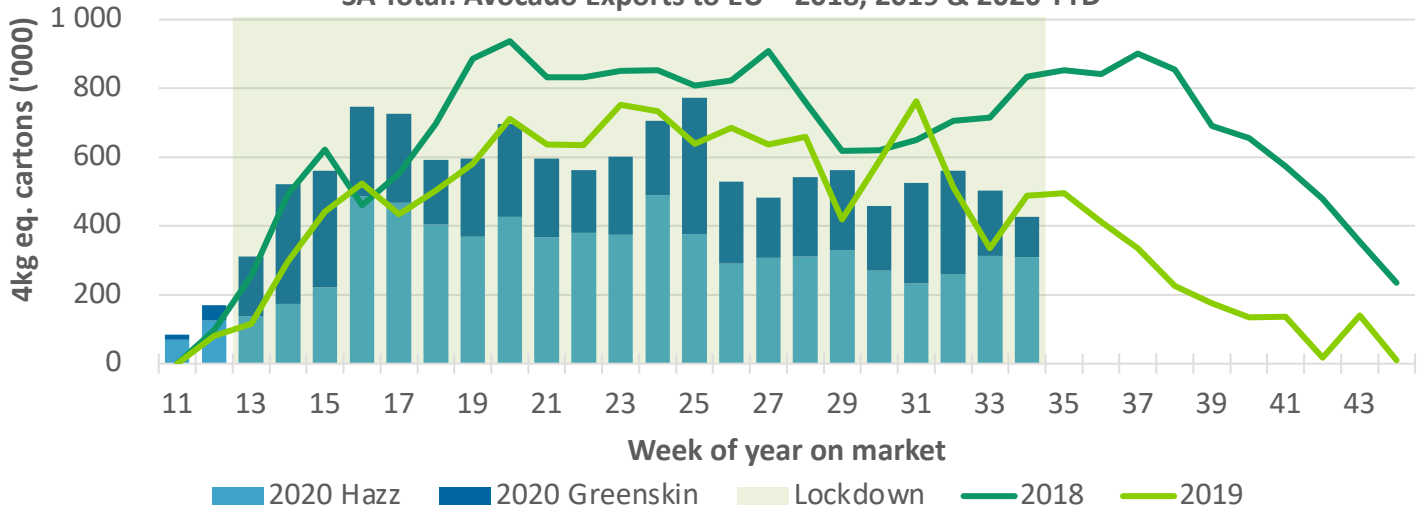


Horticulture

Weekly focus: Avocados

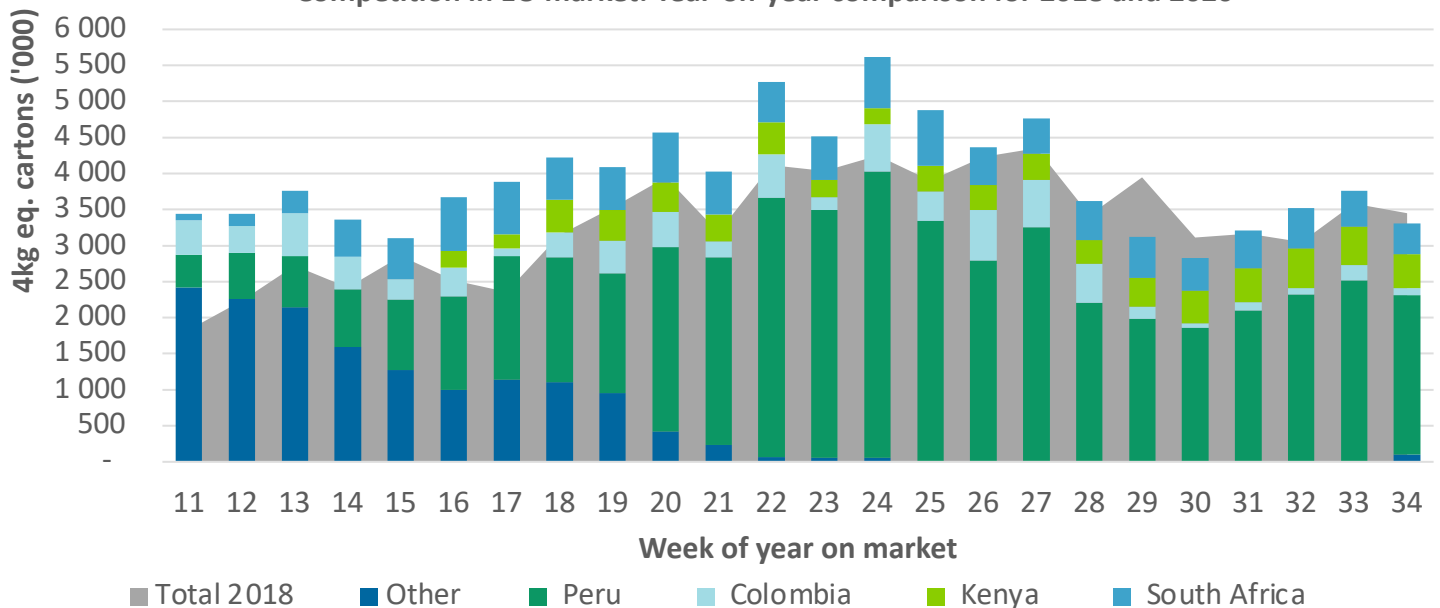
With almost 80% of the 2020 avocado export season concluded, South Africa has exported 19% fewer cartons than in 2018 and 5% more cartons than in 2019 so far. The main export destination for South African avocados is the EU and UK, with over 90% of all shipped product destined for these markets. Early on in the season, the 2020 volumes were following the trajectory of the 2018 season, but has decreased ever since, operating closer to 2019 levels.

SA Total: Avocado Exports to EU – 2018, 2019 & 2020 YTD



South Africa's major competitors in the European markets are Peru, Colombia and Kenya. In the graph below, the weekly volumes from each of these exporting countries are overlaid with the volumes shipped in 2018 (considering that avocados are alternate bearing fruit, 2018 is a better comparison than 2019). Production expansion in these countries result in considerable growth in export volumes. Current projections suggest that Peru's export volumes to Europe will be 10% higher in 2020 than in 2018, whilst Colombia is expected increase exports to Europe by 79%, albeit from a much smaller base. Kenya, as South Africa, are experiencing a smaller crop, but has seen the demand for avocado oil increase year on year by as much as 10%, creating a viable alternative whilst addition fresh volumes are putting pressure on price. Despite downward price pressure as a result of the 17% higher volumes YTD than in 2018, a growth in demand at lower prices may be beneficial to the industry as a whole in future to create a broader customer base.

Competition in EU market: Year-on-year comparison for 2018 and 2020



Highlights:

- South Africa has exported 12.8 million of the full year estimated 16.2 million 4kg cartons to Europe for the 2020 season YTD.
- Total volume imported by Europe YTD is 17% higher than in 2018.

Source:

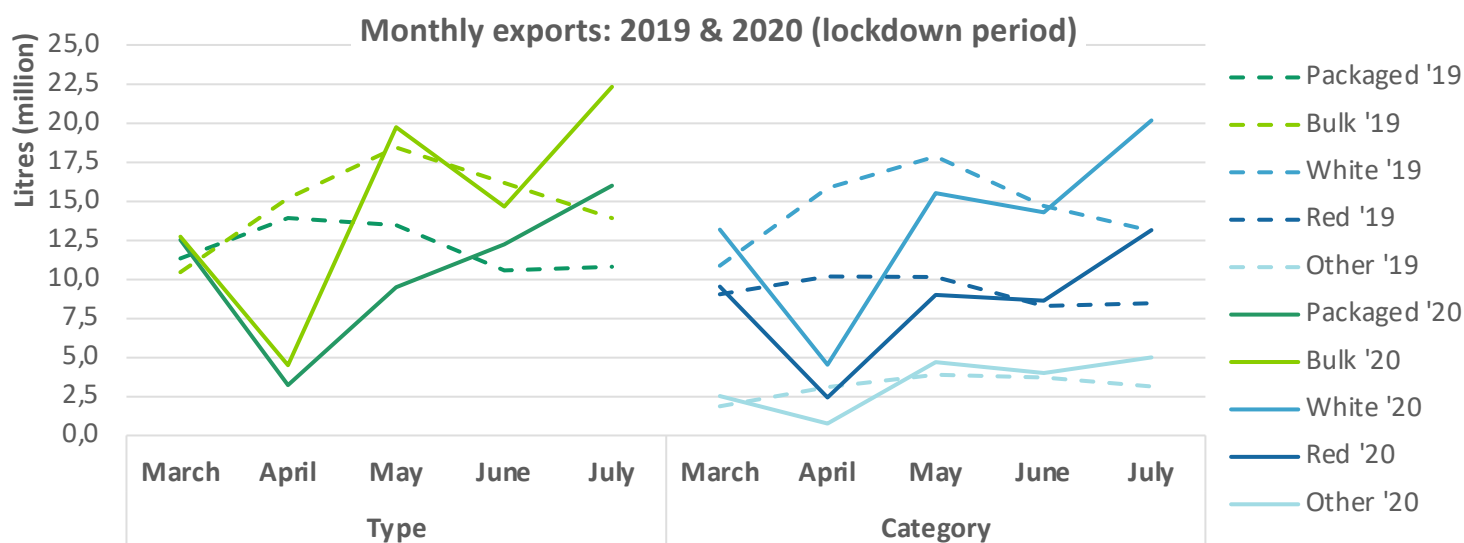


Other

Weekly focus: Wine exports

With the lockdown announcement at the end of March 2020 and the prohibition of alcohol trade, the wine industry has been severely impacted in domestic sales and international sales. With only 1 week of exports allowed in April of 2020, the 2020 traded volume in April was a mere 26.5% of 2019 volume for the same month. In May, the bulk trade recovered faster than packaged exports, before decline again in June. As a result of the 22.3 million litres of bulk wine exports in July, the total bulk exports for the period March to July 2020 is only 0.3% lower than the same period in 2019. However, packaged exports for March to July 2020 trails 2019 exports for the same period by 11.0%, resulting in a total export volume reduction of 5.1%.

In terms of the categorical classification, white and red wine exports for March to July 2020 are respectively 6.5% and 7.4% lower YoY, whilst other wines (Blanc de Noir, Rosé, Sparkling, Cap Classique, and Fortified wines) are 8.1% higher, albeit from a much lower base. What is however notable is that packaged wine in all three categories show negative growth over this period.



Given that packaged product has a much higher value per unit than bulk, Table 2 delves into the net effect on average price. Changes in the market conditions include a weakened Rand, the effect of the prohibition on alcohol trade on contracts and orders, and the reduction of packaged exports.

Table 2: Wine Export Comparison – Volume and Price per litre

	Type	Mar-19	Mar-20	%	Jul-19	Jul-20	%	Apr'18- Mar'19	Apr'19- Mar'20	%	Aug'18- Jul'19	Aug'19- Jul'20	%
Rand/litre	P	46,26	49,46	7%	47,85	50,44	5%	41,86	46,72	12%	44,20	48,95	11%
	B	10,44	11,04	6%	10,47	10,78	3%	9,21	10,56	15%	9,90	10,88	10%
	P+B	29,06	30,10	4%	26,79	27,34	2%	23,09	26,90	17%	25,16	27,69	10%
Volume %	P	52%	50%	-5%	44%	42%	-4%	43%	45%	6%	44%	44%	-1%
	B	48%	50%	5%	56%	58%	3%	57%	55%	-5%	56%	56%	1%

The average price increase for a rolling 12 month period of April 2019 to March 2020 shows a 17% increase on the previous 12 month period, indicating towards real price growth, unpinned by a 6% increase in the relative share of packaged exports at the expense of a 5% reduction in the relative share of bulk exports. The impact of the 11% reduction in packaged exports from March to July results in the rolling 12 month period of August 2019 to July 2020 offsetting the YoY growth in the relative share of packaged exports prior to the lockdown in SA. Consequently, the YoY average price increase is 10% for the most recent 12 month period (Aug'19- Jul'20), compared to the 17% observed before the lockdown.

The YoY comparison for the month of March (2020 vs 2019) shows an 7% and 6% increase in price for packaged and bulk exports respectively, whereas the price growth for July is 5% (packaged) and 3% (bulk).

Source:

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 lead 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.
- **Vietnam** exported about half a million tons of **rice** in July 2020, which was an increase 6.5% from June.

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



- Five **Argentinean** poultry processors that had voluntarily suspended their exports to China due to Covid-19, are back trading with China. China has accepted the Covid-19 free guarantee from Argentina.
- **China** has revoked the export authorizations of five **Brazilian poultry** abattoir beginning July 2020. This was due to rising concerns about Covid-19 after new outbreaks in Beijing.
- **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.”

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



- Since the beginning of lockdown, Kenya has reduced its VAT rate on all goods to 14%, from 16% applied before.
- Zimbabwe has suspended a ban on imports of GMO maize, since the beginning of the year.