

# Bi-Weekly Trade Tracker

July 2020

# 3



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

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# 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.

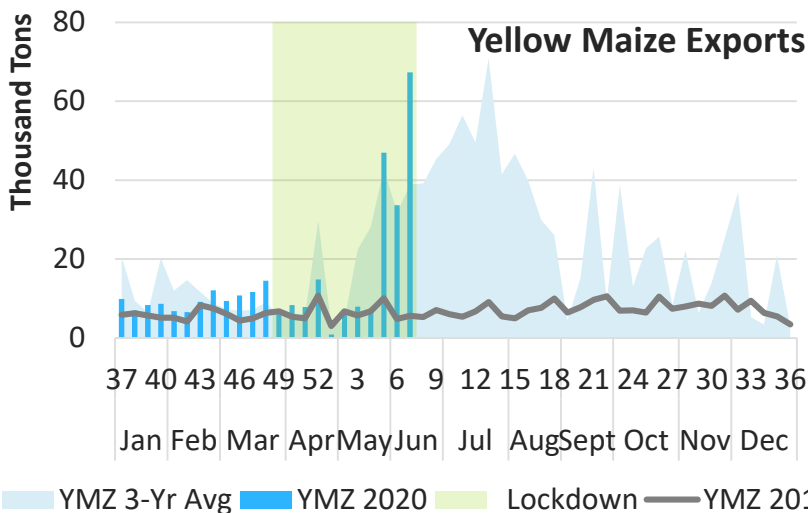
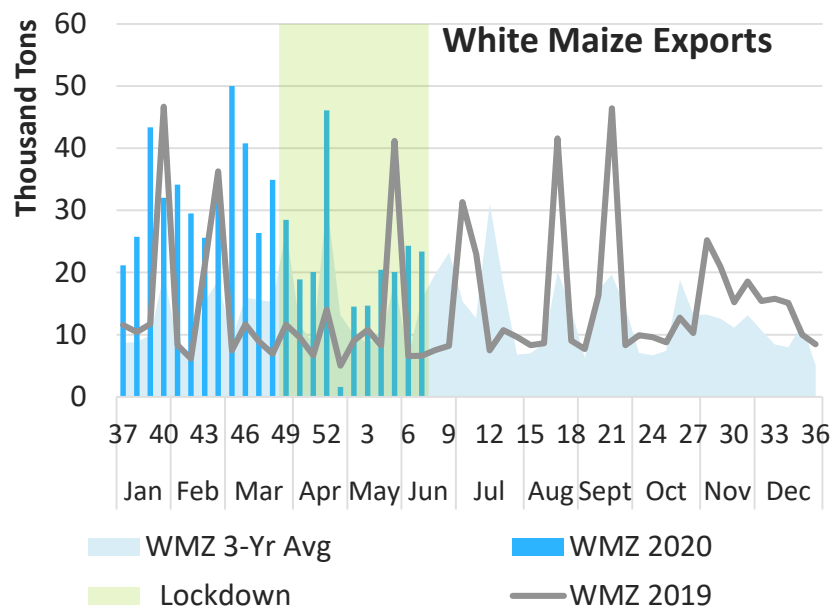
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# Grains

Weekly focus: Maize and Wheat

White maize exports remain well below pre-lockdown levels, continuously hampered by substantial delays at regional border posts. Volumes have improved marginally over the past 4 weeks, exceeding the 3 year average for the equivalent time of year. Almost 60% of white maize exports over the past 3 weeks have been destined for Zimbabwe. The latest estimate from the Crop Estimates Committee (CEC) has been reduced marginally to 15.51 million tons in 2020 – of which 9 million tons is white maize. This will yield a projected exportable surplus for 2020/21 of just over a million tons of white maize.



Yellow maize exports have recovered rapidly under level 3 lockdown, well exceeding the 3 year average for equivalent time of year over the past 3 weeks. Large shipments were sent to Korea and Taiwan. While global markets remain depressed as a result of weak industrial demand, the weaker Rand exchange rate has supported the competitiveness of South African maize. The expected 6.5 million tons yellow maize crop is projected to yield an exportable surplus of 1.7 million tons.

After increasing rapidly through phase 4 lockdown, wheat imports have slowed in recent weeks. Nevertheless, volumes remain higher than the 2018/19 season and continue to exceed the 3 year average for equivalent weeks. This is in line with expectation as a below average domestic crop in 2019 suggests that current season imports will be higher than historic norms. Imports over the past 2 weeks originated from Canada, Russia and Germany.

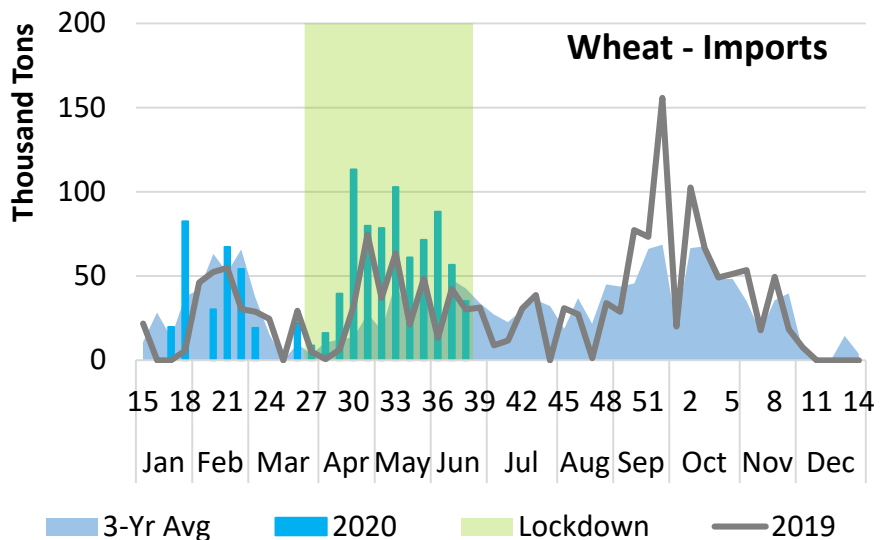


Table 1: Trade Summary – Past 10 weeks (lockdown period)

	April – June 19 2018	April – June 5 2019	% Y-O-Y	April – June 19 2020	% Y-O-Y
White maize	200 582	129 194	-36%	232 503	+80%
Yellow Maize	409 541	70 580	-83%	208 453	+195%
Wheat	359 259	374 835	+4%	751 801	+101%

Source:



# Horticulture

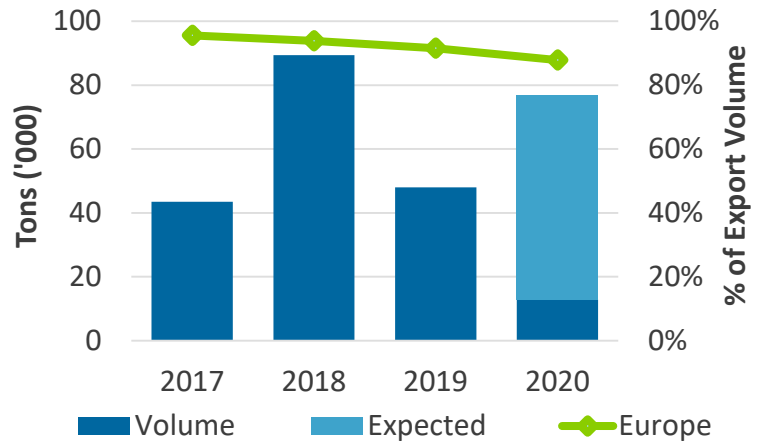
Weekly focus: Avocados

The avocado industry is growing in South Africa, both in area planted and in local consumption. About half of the avocados packaged for fresh sales, are consumed domestically.

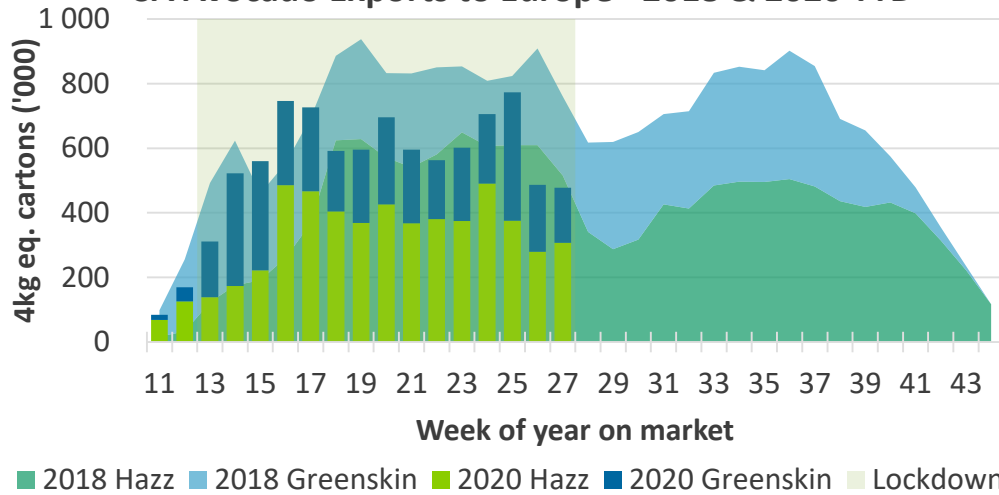
In terms of exports, the European market is by far the most important destination for South African avocados, with more than 90% of exported avocados typically channelled to it.

Avocados are alternate bearing fruit, with a on-year typically followed by an off-year in terms of yield. Hence, when drawing a comparison to the previous season, 2020 will be compared to 2018, whilst 2019 will be compare to 2017.

SA Export Volume and Destination: 2017 - 2020



SA Avocado Exports to Europe - 2018 & 2020 YTD

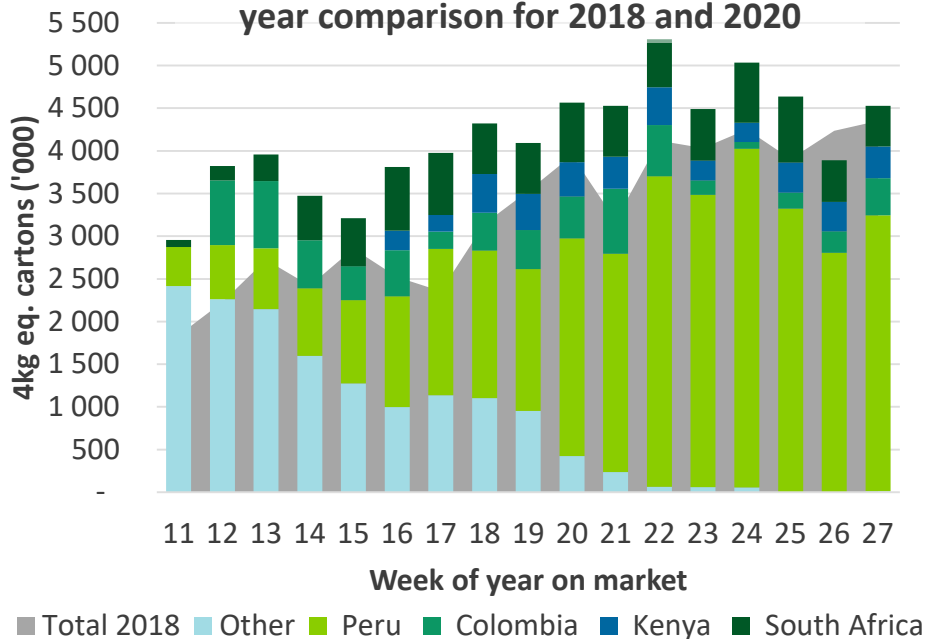


In 2020 to date, exports to European markets were lower than in 2018. Smaller fruit size reduced the volume, whilst demand in the food service industries in Europe has been impacted by Covid-19. Furthermore, there has been logistical challenges from Rotterdam to the Baltic States. Hazz-type avocados are typically consumed at home, with greenskin types used in restaurants.

The US is the world's largest avocado market and also the reference market for Peru, the world's largest avocado producer. Due to reduced demand in the US as a result of the pandemic, some Peruvian product has been diverted to European markets.

In total, more avocados have entered the European market in 2020 so far than in 2018, especially from Colombia and Peru. Kenya entered the market 5 weeks later than in 2018, resulting in greater volume in SA's peak export period to Europe.

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



**Highlights:**

- 2020 volumes are slightly lower than expected due to smaller fruit size
- Lower demand in Europe during Covid-19 period for greenskin type avocados, which is typically used in food service industries
- Increased competition and volume in European markets from other Southern Hemisphere countries

Sources:



ITC

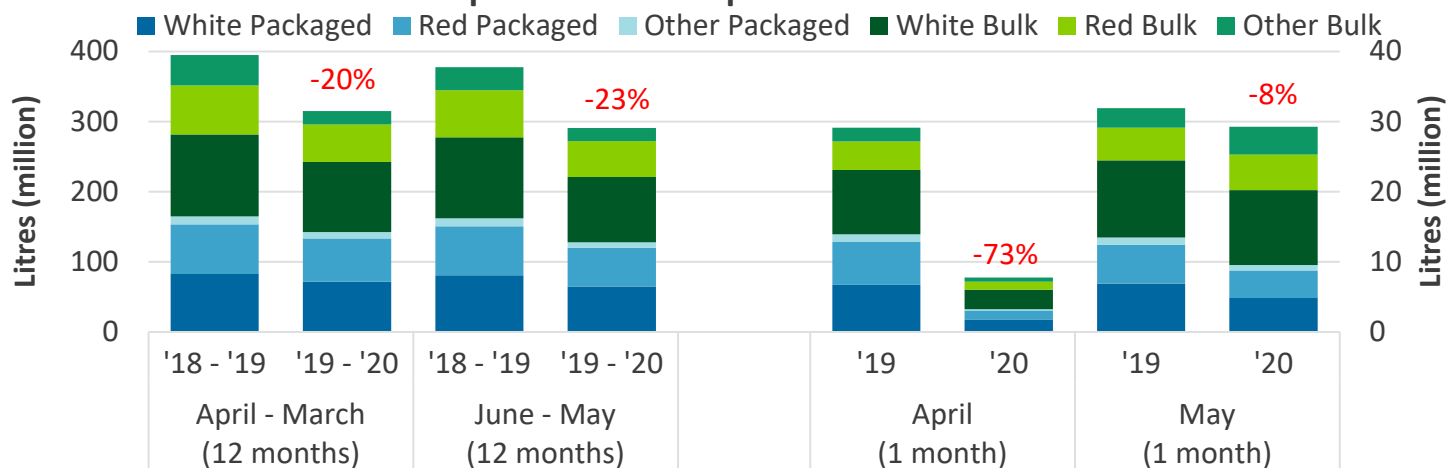


# Other

Weekly focus: Wine and other beverages

With the announcement of the lockdown at the end of March 2020, all agriculture related liquor products were deemed non-essential. Consequently, in addition to the prohibition of domestic alcoholic beverage sales, exports of alcoholic beverages were halted. Following prolonged negotiations, the wine industry was allowed to commence exports from 7<sup>th</sup> of April, but the ban on transport of products for exports was subsequently re-imposed on the 16<sup>th</sup> of April, after merely one week of exports. Unsurprisingly, exports in April 2020 was 73% below April 2019 levels and the combination of constrained demand globally, combined with reputational damage in export markets and loss of shelf space resulting from inconsistent supply spilled over to May, when export volumes came in 8% below the volume exported in May 2019. Export volumes were already reduced in 2019 and while a decline in bulk exports contributed the most to the 20% Y-o-Y decrease before the lockdown period (April 2019 – March 2020), both packaged and bulk exports decreased in April and May 2020.

## Wine export volume: Impact of lockdown on trade



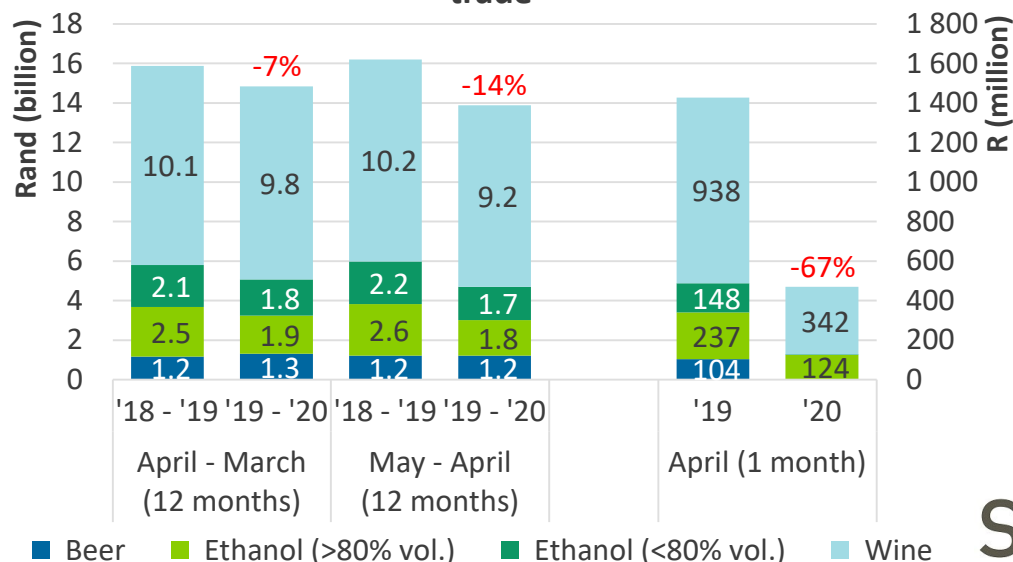
Given the difference in price between packaged and bulk exports, the revenue generated from packaged exports is significantly higher. The industry is working towards increasing the share of packaged products in total exports.

However, the lockdown period resulted not only in a larger bulk export component, but could also had detrimental effects on the shelf space and market security previously negotiated for packaged South African wine abroad.

Table 2: Wine Export Comparison – Volume and Price

Type	Volume distribution			Rand/litre		
	May '19 Apr '20	Apr '19	Apr '20	May '19 Apr '20	Apr '19	Apr '20
Packaged	45%	48%	42%	R 46,98	R 44,69	R 48,57
Bulk	55%	52%	58%	R 10,58	R 10,63	R 11,62
Total / Avg.	100%	100%	100%	R 26,91	R 26,92	R 27,05

## Beverage export value: Impact of lockdown on trade



In the rolling 12 month period before the lockdown, beverage exports were already down 7%, and the moratorium resulted in a further decline. Beer and ethanol (<80% vol.) exports were most affected in April, as there was 1 week of wine exports and ethanol (>80% vol.) are used in sanitisers.

Sources:

# 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: There are delays in exports of rice due to labour shortages at the ports. About 300 000 tons (7% of 2019 exports) is reported to be in ports waiting for delivery.
- Vietnam: Resumed exports is May following the revised estimates of rice availability. It is estimated that the total 2020 exports will reach 7 million tons.

## Wheat



- Ukraine 's annual export quota of 20 million ton was filled at the end of June. This implies that the world's fourth largest wheat exporter will not be realizing any further wheat to the world market in 2020.

## Poultry



- Canada and Brazil shut down a JBS SA poultry meat plant after COVID-19 outbreaks in the workforce. Being the world's biggest meat company, this sparked fears of poultry shortages in the global market.

## Meat



- The US and Canada temporarily suspended operations at some meat abattoirs due to COVID-19 outbreaks in the workforce. However, the US ordered a resumption of operations afterwards.

## Fruit



- The EU grapefruit tariff will remain at 2.4% until end of October as part of seasonal tariff adjustments under the SADC EPA agreement. Then after that, it will drop to 1.5%.
- The EU notified South Africa (DALLRD) about the concern regarding the declaration of sanitary and phytosanitary certificates related to citrus exports.

## General



- Saudi Arabia has allocated an amount of \$533 million to fund imports of agricultural products. This is to address food security challenges due to the coronavirus pandemic.
- The US modified the Dairy Revenue Protection scheme to insure for unexpected declines in the quarterly revenue from milk sales compared with a guaranteed coverage level.