

Bi-Weekly Trade Tracker

July 2020

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BFAP

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INSIGHT



agriculture, land reform
& rural development

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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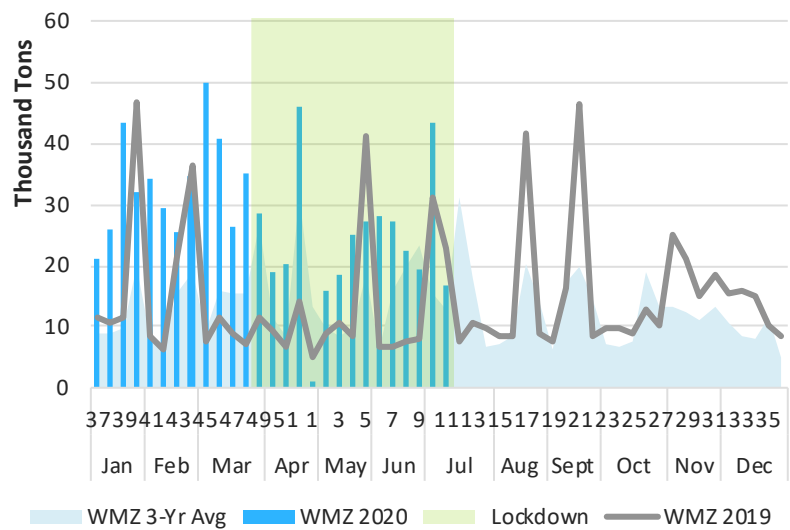
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Grains

Weekly focus: Maize and Wheat

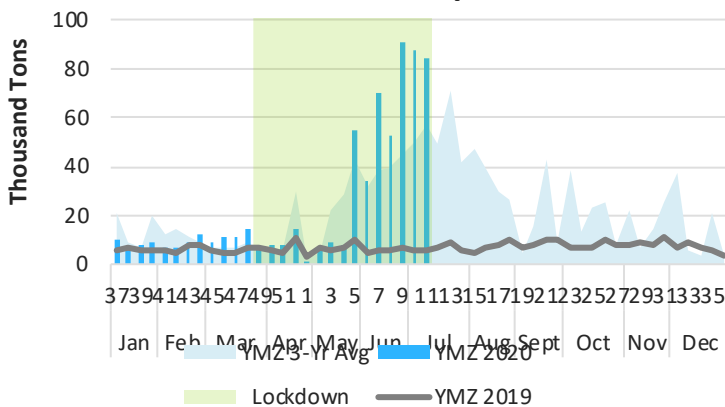
As new season deliveries gather momentum, white maize exports have remained above the 2019 level and the 3-year average level for the past 5 weeks. A significant increase was evident in week 10, mostly attributed to large volumes being exported to Ethiopia. Volumes slowed again in week 11 coming in below the 3-year average level. The Crop Estimates Committee are expecting a 9 million ton white maize crop in 2020, with BFAP projecting an exportable surplus of 1.2 million tons. Extensive locust damage in East Africa suggests high demand in the region for Zambian maize, which should provide space for South African exports to Zimbabwe and Mozambique.

White Maize Exports

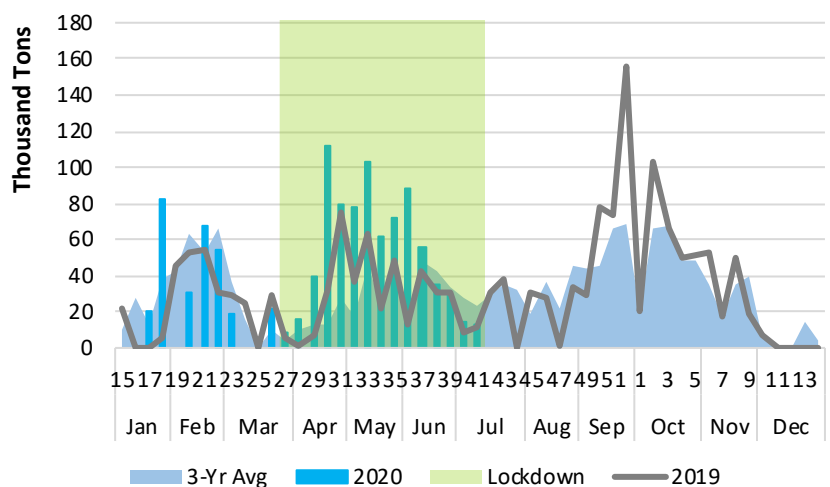


Yellow maize exports have been performing well above the 3-year average in week 9 through to week 11. Volumes were supported by above average shipments to Japan. Despite a modest decline over the past 2 weeks, as the strengthening of the Rand makes South African maize less competitive in the global market, volumes remain well above the 3-year average and 2019/20 volumes. Yellow maize exports are projected to reach 1.6 million tons in 2020, with the CEC expecting a 6.4 million ton harvest.

Yellow Maize Exports



Wheat - Imports



After increasing rapidly through phase 4 lockdown, wheat imports have slowed in recent weeks, with cash strapped consumers increasingly switching to maize as a more affordable staple. Import volumes over the last few weeks do not differ much from the 2018/19 season but are below the 3 year average for equivalent weeks. Wheat imports originated mainly from the Finland, Germany and the USA.

Source:



Table 1: Trade Summary – Past 15 weeks (lockdown period)

| | April – July 13 2018 | April – June 12 2019 | % Y-O-Y | April – July 10 2020 | % Y-O-Y |
|--------------|-------------------------|-------------------------|---------|-------------------------|---------|
| White maize | 228 218 | 199 209 | -13% | 358 250 | +80% |
| Yellow Maize | 742 153 | 94 270 | -87% | 536 773 | +469% |
| Wheat | 499 247 | 426 797 | -15% | 806 439 | +89% |

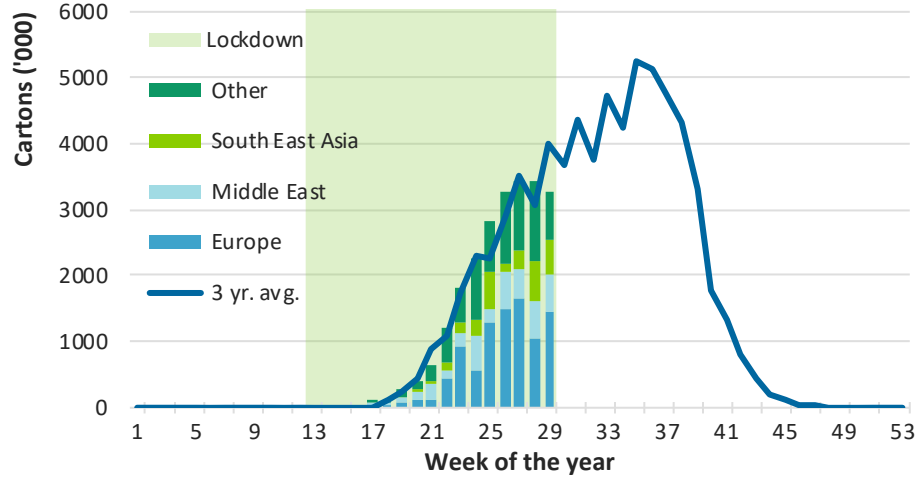
Horticulture

Weekly focus: Citrus

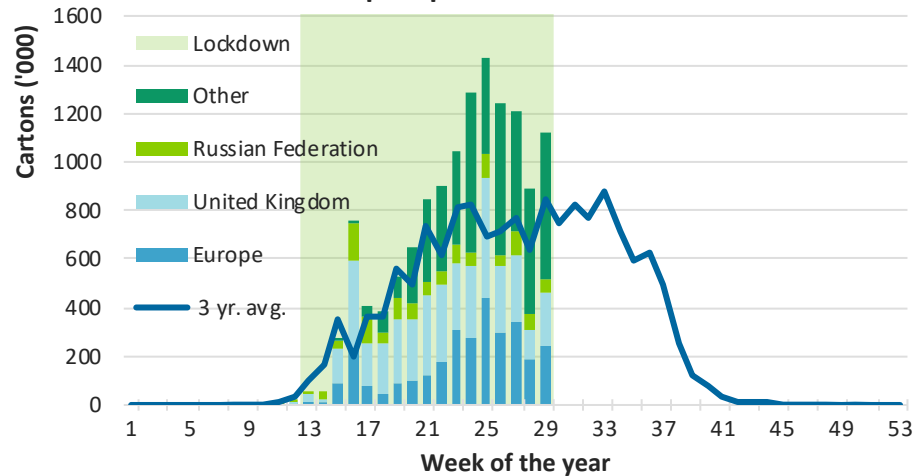
The export volumes for 2020 YTD is 14% more than the average for the past three seasons (2017-2019). This is primarily as a result of drastic increases in lemons (+32%) and soft citrus (+41%) for the same period. Whilst the seasons for soft citrus, lemons and grapefruits are dwindling down, only around a third of this season's oranges have already been exported.

The most notable changes in trade is the contraction in citrus exports to South East Asia (-30%), when comparing 2020 YTD with the average for 2017-2019 up to week 29. Conversely, growth in volumes to Middle East (+14%), Europe (+34%) and the UK (+47%) occurred. The largest market growth for Oranges was in the European market, with Soft Citrus exports increase especially to Europe and the UK markets. Middle East and Europe showed the largest increase in lemon imports from SA. Grapefruit exports to Asia and Europe contracted, but expanded to South East Asia.

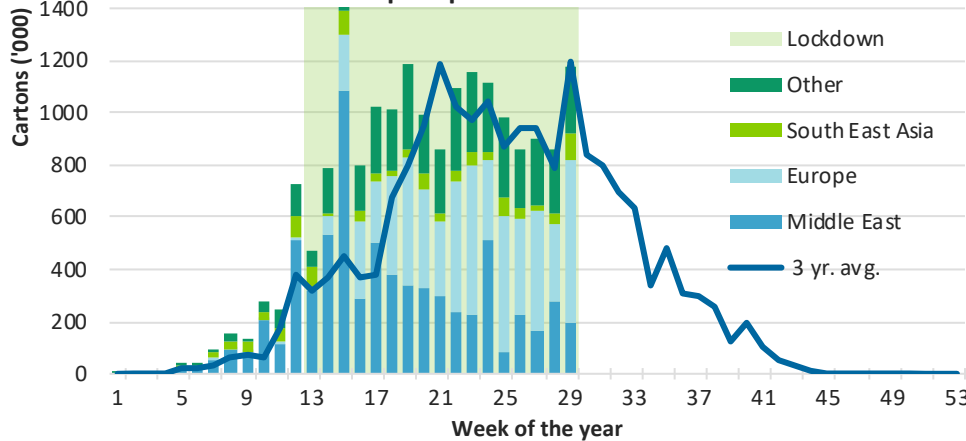
SA Orange Export per week: 2017-2019 & 2020 YTD



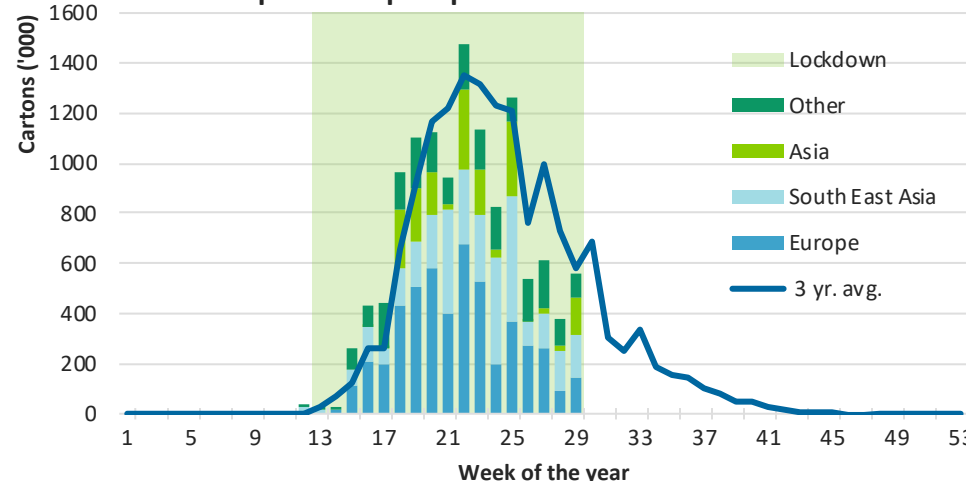
SA Soft Citrus Export per week: 2017-2019 & 2020 YTD



SA Lemons&Limes Export per week: 2017-2019 & 2020 YTD



SA Grapefruit Export per week: 2017-2019 & 2020 YTD



The recent truck driver strike caused havoc along the citrus supply chain. Due to delays caused by violent attacks on trucks and decreasing operations for safety reasons, product could not be transported from packhouses to ports, creating a gridlock in packhouses and halting harvesting in some instances.

Highlights:

- Global demand remain strong, but overstocking occurs from time to time
- Productivity remains below the norm at all terminals
- Biggest market shift YTD away from South East Asia to Europe and UK
- Year on year increase in value of all fruit exports of 37% (Jan-May)

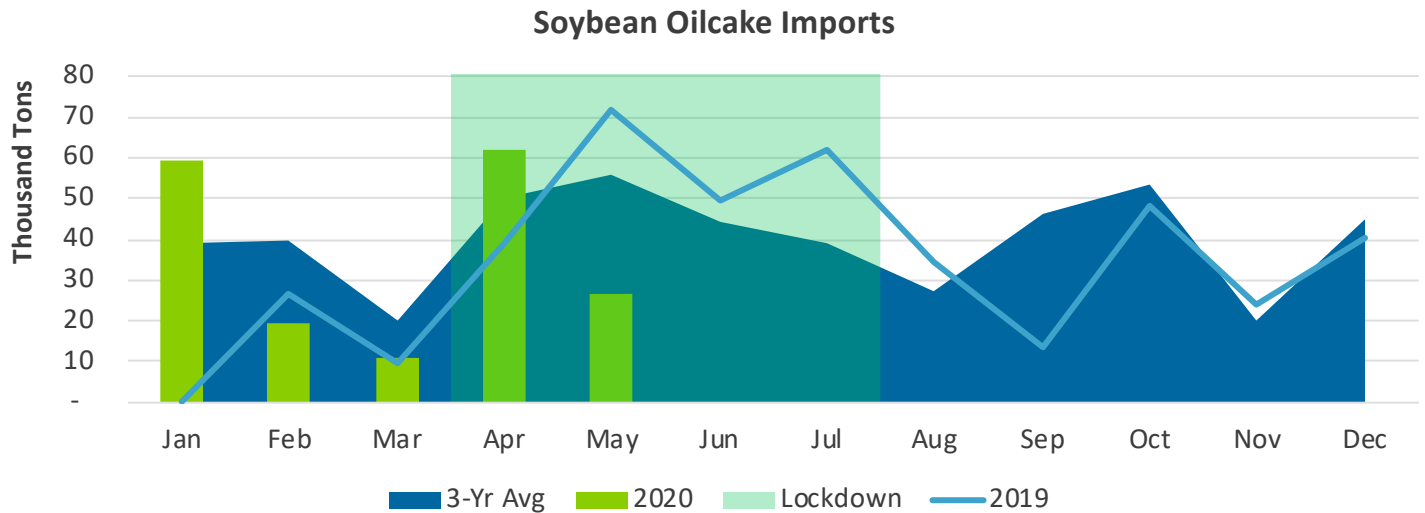
Source:



Other

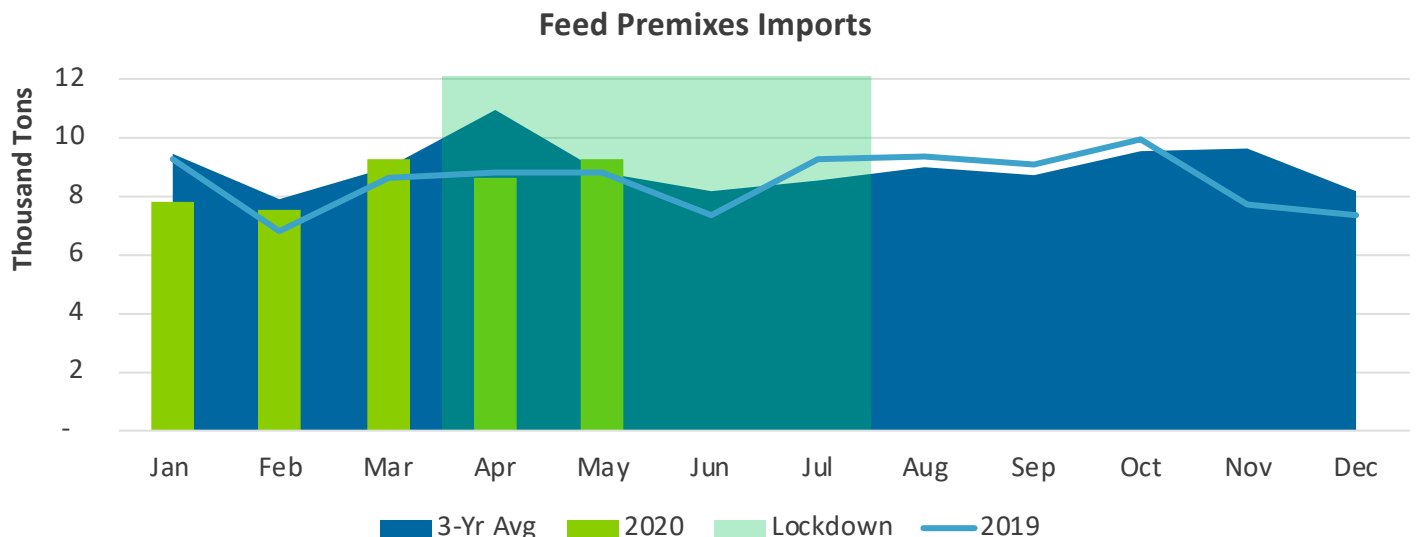
Weekly focus: Feed imports

Over the past decade, South Africa has expanded soybean processing to the extent that the share of imported soybean oilcake in domestic consumption has declined from 85% in 2010 to only 30% by 2019. Nevertheless, South Africa remains a net importer of this key protein source utilized in animal feed rations. In the first quarter of 2020, soybean oilcake imports were well below the 3 year average, in line with the levels observed in 2019. In April however, the period of hard, level 5 lockdown, import volumes spiked to more than 60 thousand ton, well above the 3 year average and 2019 levels, after which it declined sharply in May. However, so far the year on year volume is 21% higher for 2020 than for 2019.



Another key imported feed ration ingredient is feed premixes, which constitutes a small volume in the feed ration, but is a very high value product. Through the period of hard lockdown in April, feed premix imports declined marginally, to well below the 3-year average volume. There was concern through this period, not only with respect to logistics, but also availability, as the bulk of these premixes are procured in China. A recovery in terms of imported volume is observed for May, resulting in fairly comparable year on year import volumes between 2019 (42.4 thousand tons) and 2020 (42.5 thousand tons) so far.

With many livestock sectors coming under financial pressure through the lockdown period due to restrictions in the food service sectors, the demand for animal feed is expected to slow marginally through May and June, implying that the import requirement may decline, as cattle slaughters have already declined through April and May. In total for 2020, BFAP projects that South Africa will need to import approximately 400 thousand tons of soybean oilcake.



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: Largest exporter in the world and still maintains the suspension of new export contracts amid the nationwide lockdown. There is no move by the government to ban exports.
- Vietnam: After the removal of export quota in May, the country exported about 1 million tons; 70% went to Asia, while Africa accounted for 21%.

Wheat



- Russia's grain export quota of 7 million expired at the end of June. The government has not announced the next steps regarding this policy.
- Kazakhstan has lifted a ban on wheat and wheat flour export quotas since the beginning of June.

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.
- Japan has accepted the U.S. Hazard Analysis and Critical Control Point (HACCP) system for meat and poultry for new import requirements. This is scheduled to come into effect on June 1, 2021.

Meat



- Brazil introduced measures that must be observed by trading partners, in the activities involved in the slaughter and processing industry of meat and meat products intended for human consumption and dairy products. The aim is to prevent, control and mitigate against the transmission risks of Covid-19.
- China introduced testing of imports of cold chain food, starting from 10 July. The aim is to detect possible Covid-19 contamination. It will affect mostly meat and fish products.

Fruit



- The EU grapefruit tariff of 2.4% will stay on until end of October.
- On July 10th, the EU requested suspension of the process of entry into force of the reductions of maximum residue limits (MRLs) for plant protection products due to the Covid-19 pandemic.

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.