

Bi-Weekly Trade Tracker

June 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.

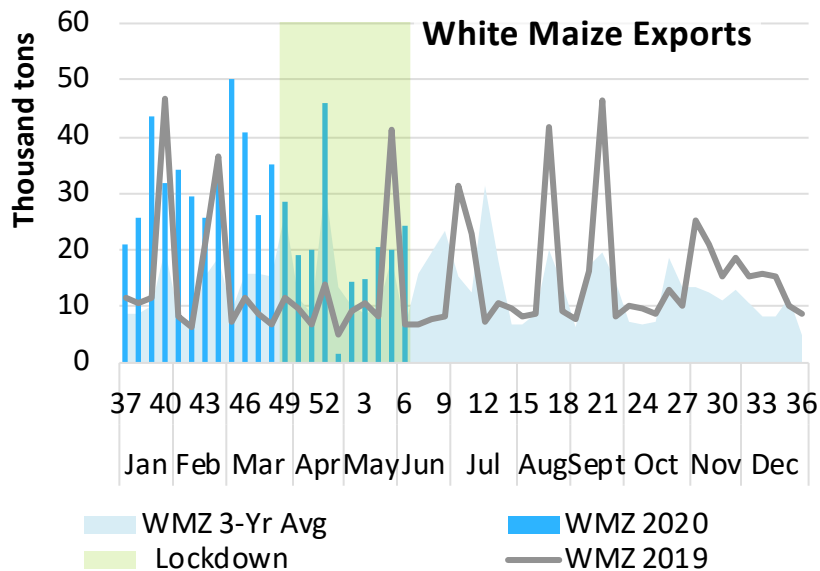
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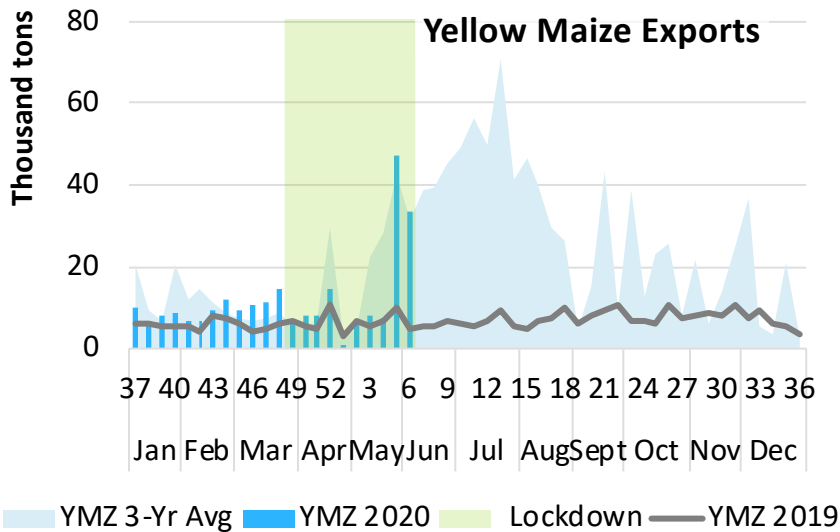
Grains

Weekly focus: Maize and Wheat

The latest estimate from the Crop Estimates Committee (CEC) points to a maize crop of 15.59 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, mostly destined for the rest of Southern Africa. Despite some recovery over the past 3 weeks, export volumes through the lockdown period remain well below those recorded earlier in the year, hampered by substantial delays at regional border posts. Nevertheless, the volumes exported over the past 3 weeks have surpassed the 3 year average for this time of year.



Yellow maize exports also declined sharply through the initial lockdown period, due to a combination of delays in port and declining world prices as a result of substantially lower demand for ethanol. The past 2 weeks, however, under level 3 of lockdown, reflected a significant recovery, far exceeding the equivalent period in 2019 and even surpassing the 3 year average for the relevant weeks. Large shipments were sent to Korea and Taiwan. The expected 6.5 million tons yellow maize crop is projected to yield an exportable surplus of 1.7 million tons.



After a reasonably slow first quarter, wheat imports increased sharply through the lockdown period, as consumers tended to fall back on staples and products with a longer shelf life. A below average domestic crop in 2019 suggests that current season imports will be higher than historic norms, evidenced by recorded imports that well exceed the 3 year average for equivalent weeks. Imports over the past 2 weeks originated from Russia and Poland.

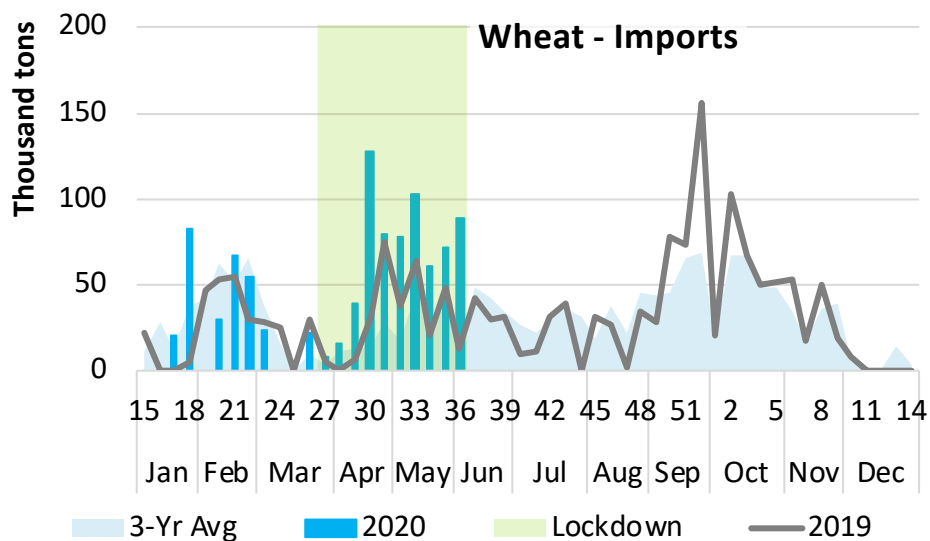


Table 1: Trade Summary – Past 10 weeks (lockdown period)

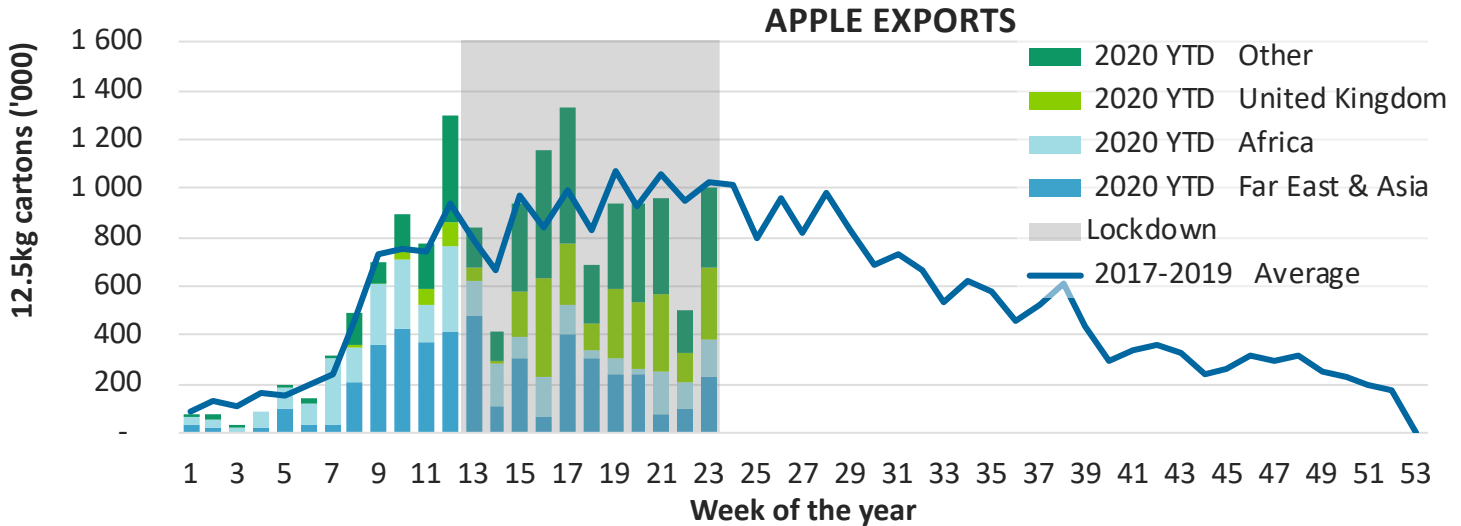
	April – June 5 2018	April – June 5 2019	% Y-O-Y	April – June 5 2020	% Y-O-Y
White maize	194 885	122580	-37%	209 133	+71%
Yellow Maize	329 042	64929	-80%	140 944	+117%
Wheat	178 051	302352	+70%	675 097	+123%

Source:



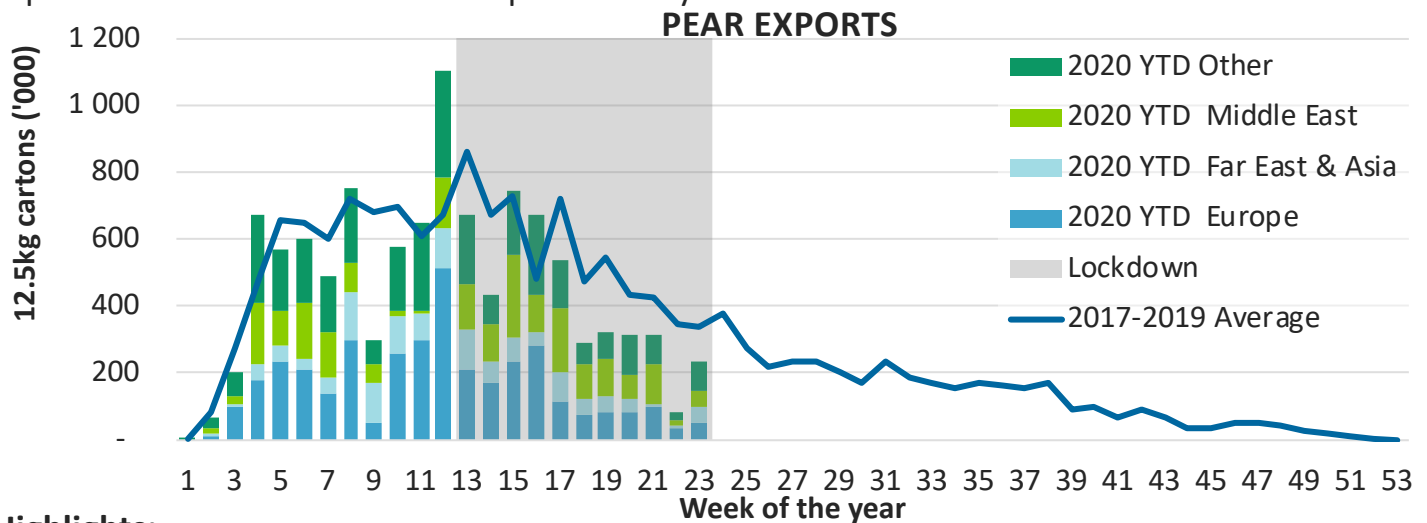
Apples and pears can be stored in controlled atmosphere (CA) cold storage rooms for many months, providing pack houses with the opportunity to plan for the packing of fruit almost all year round. International prices are dependent on the volumes available, from southern and northern hemisphere producers, at any given time.

The industry has been challenged during this Covid-19 pandemic. During the hard lockdown, at the end of March, producers were still harvesting fruit. Pack houses, especially in the Ceres area, have had to temporarily suspend operations due to COVID-19 outbreaks in the workforce. At Cape Town harbour, where most pome fruit is exported from, ships are delayed by reduced staff and shifts, as well as high winds and storms.



Despite these challenges, the industry has managed to continue trading. On the market side, the pandemic also impacted purchasing power and logistics, resulting in a deviation from the typical markets for pome fruit. For apples, exports to markets in Africa and Far East & Asia show a 14% and 13% decline YTD respectively, compared to 2019, with shipping to Middle East (+14%) and Russia (+147%) increasing as a result. A similar pattern can be observed in pears, with Europe and Far East & Asia YTD down by 14% and 37% respectively, compared to 2019, with increased volumes to the Middle East (+14%) and Russia (+7%).

In total for 2020 so far, apples that passed export inspection are 7% more than in 2019, whilst apple exports are 1% lower than the same period last year, hinting towards delays in exports. Pear volumes that have passed export inspection, are 8% below 2019 YTD volumes, with exports 10% lower than the same period last year.



Highlights:

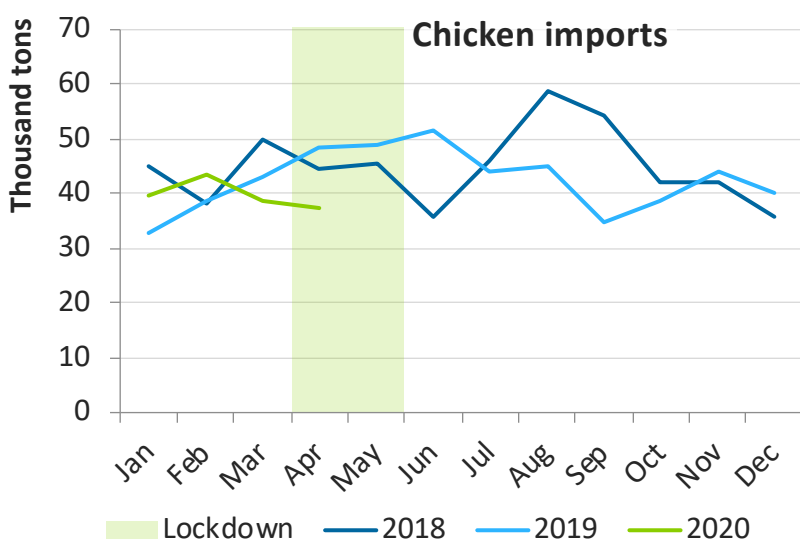
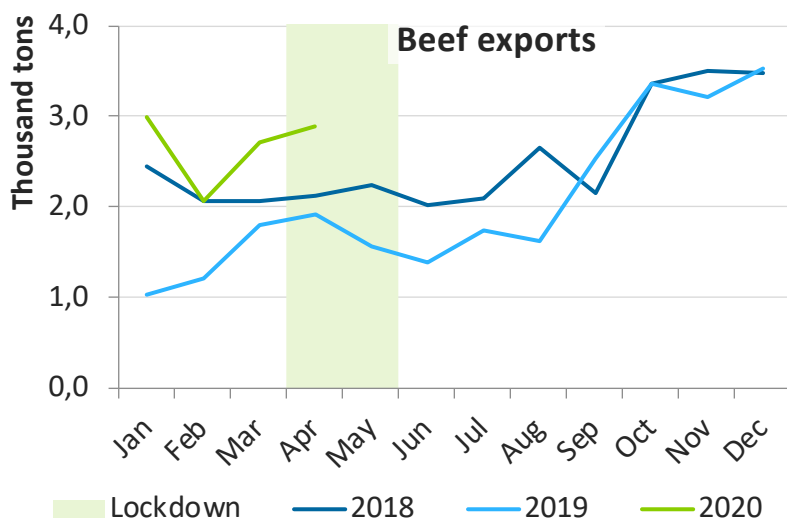
- The economical impact of the Covid-19 pandemic on different countries resulted in deviation from typical markets
- Pear markets worldwide under pressure
- Delays in Cape Town Harbour due to reduced staff and weather conditions is very concerning

Source:

Other

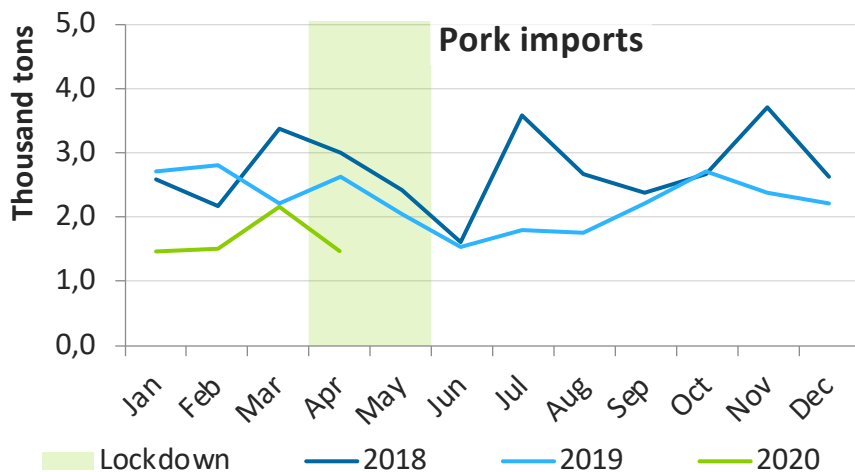
Weekly focus: Meat

As an essential product, beef exports continued through lockdown and despite some reported delays in port and weaker demand in many importing countries, export volumes in April exceeded those recorded in 2018 and 2019 in the same month. While the weak exchange rate supported price competitiveness, it should be noted that 2019 volumes were well below average, owing to the impact of the foot and mouth disease outbreak, which prohibited exports into multiple markets in early 2019.

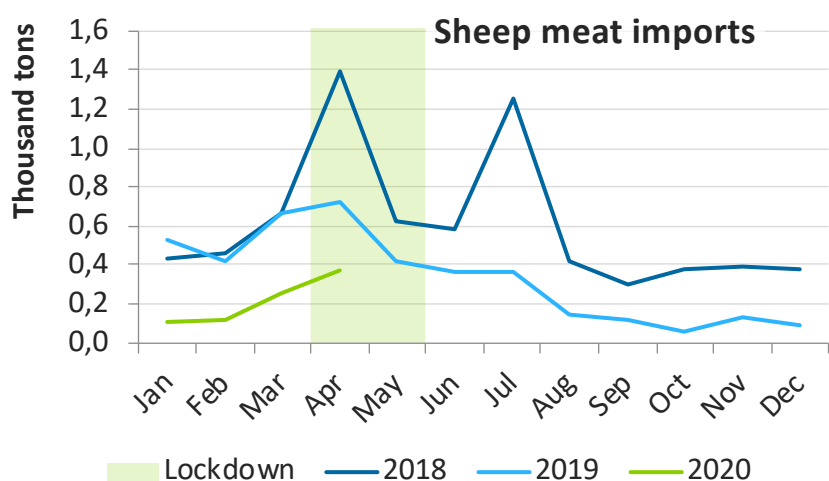


The depreciation in the value of the Rand over the first 4 months of 2020 raised the cost of imported meat such as chicken, pork and lamb. The combination of more expensive imports and oversupply in the domestic market resulting from weak consumer spending power and prolonged restrictions on the sale of fast foods through lockdown resulted in a sharp reduction in chicken imports through March and April 2020. In April 2020, chicken imports were almost 23% below the volumes recorded for April 2019.

Similarly, the combination of expanding domestic supply, weak demand and rising cost of imports resulted in pork imports coming in well below the levels of the past 3 years for most of 2020. Pork imports comprise mainly ribs, much of which enters the food service industry and hence import volumes in April 2020 were more than 40% below that recorded for the same time last year.



As the most expensive meat type, the demand for lamb also declined as a result of weak consumer spending power and despite an increase in import volumes in April 2020 relative to February and March levels, recorded import volumes remain well below those of the same month over the past 2 years.



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: The 3rd largest rice exporter in the world maintained a rice export a quota of 800 thousand tons. In May, the quota was removed, but will be re-evaluated on a continuous basis.

Wheat



- Russia's grain export quota of 7 million expires 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.

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.
- Saudi Arabia suspended tariffs on all imports, until end of June. Saudi Arabia is an important market of SA beef.

Fruit



- The EU increased grapefruit tariffs from 1.5 to 2.4%. This will stay on until end of October as part of seasonal tariff adjustments under the SADC EPA agreement.

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.