Bi-Monthly Trade Tracker

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INSIGHT

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Department:
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ENTERPRISES
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.

Contributing researchers:

Researcher	Affiliation
Dipuo Boshomane	Bureau for Food and Agricultural Policy
Kandas Cloete	Bureau for Food and Agricultural Policy
Tracy Davids	Bureau for Food and Agricultural Policy
Khani Hlungwani	Bureau for Food and Agricultural Policy
Mmatlou Kalaba	University of Pretoria
Tinashe Kapuya	Bureau for Food and Agricultural Policy
Ferdi Meyer	Bureau for Food and Agricultural Policy
Tshepo Ranoto	Department of Agriculture, Land Reform and Rural Development
Pieter Smit	Bureau for Food and Agricultural Policy
Ezra Steenkamp	Department of Agriculture, Land Reform and Rural Development
Divan van der Westhuizen	Bureau for Food and Agricultural Policy

Exports Overview

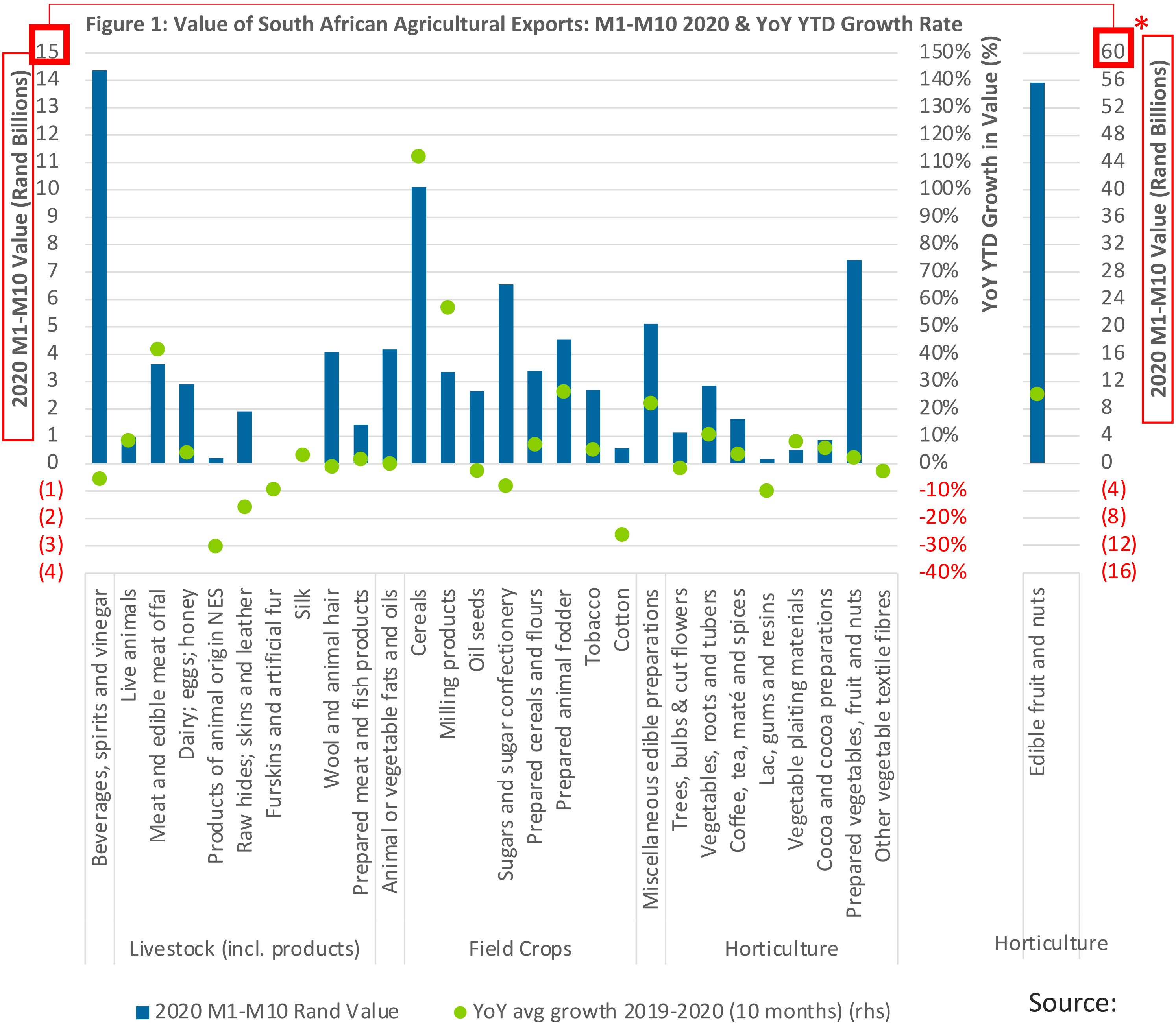
Focus: High-level trade overview of Agricultural Products

Over the first ten months of 2020, many factors affected different and often multiple nodes in the agricultural value chain, from input availability to harvesting, transport by road, ship and air and across borders to wholesale and direct markets and sales. As the pandemic shifted across continents, often with a second wave following the first a few months later, exporters faced many challenges. On average, the Rand was 16.79% weaker against the US$ between 2020 M1-M10 than during the same period last year, supporting the growth in value of certain exports.

Total exports value grew YoY by R21.22 bn, from R121.77 bn to R142.98 bn at a growth rate of 17.4%. The biggest winners, in terms of YoY growth, has been Cereals (+112.2%) – on the back of a bumper maize harvest, Milling products (+57.5%) and Animal/Vegetable Fats & Oils (+57.0%). Products of animal origin NES (-30.1%), Cotton (-26%), and Hides, skins & leather (-15.7%) has seen the biggest negative growth rates YoY.

Top contributors in absolute terms to the growth in total agricultural commodity exports value were Fruits & Nuts (+R11.24 bn), Cereals (+R5.33 bn), and Animal/Vegetable Fats & Oils (+R1.53 bn). Top categories losing most value in absolute terms YoY YTD are Beverages (-R0.83 bn), Sugars & sugar confectionary (-R0.57 bn), and Hides, skins & leather (-R0.36 bn).

Figure 1: Value of South African Agricultural Exports: M1-M10 2020 & YoY YTD Growth Rate



Source: quantec

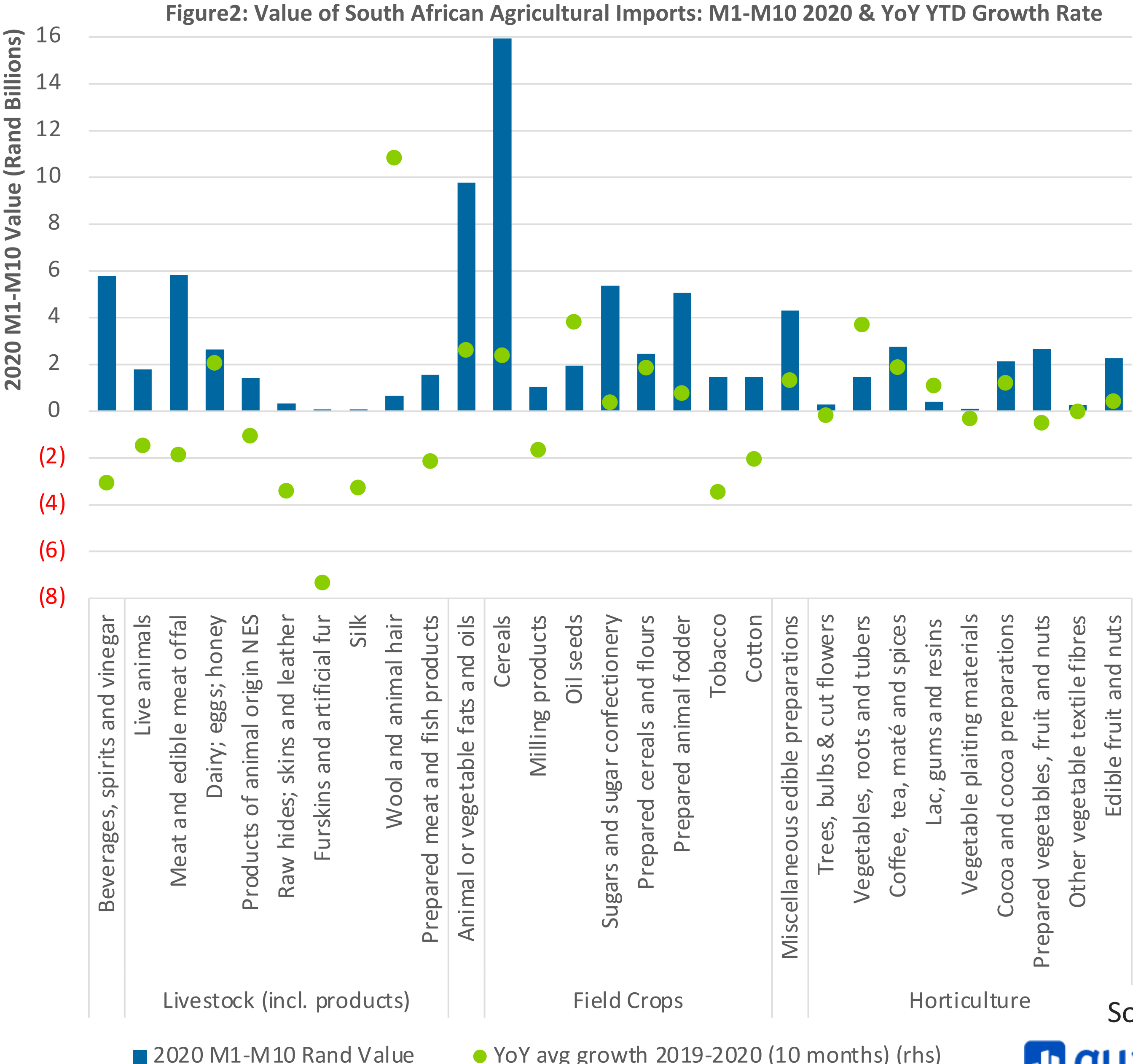
*Fruits and nuts are on a different value scale, but uses the same % growth scale

Figure 2 compares agricultural imports of the first ten months of 2020 to the same period last year. In total, the import value of these 29 product groups below have increased by 3.3%. Despite the Rand being 16.79% weaker in 2020 M1-M10 than during 2019 M1-M10, only 14 of the product groups returned positive YoY growth, of which only eight returned growth figures greater than the depreciation of the Rand. This is primarily as a result of the limited trade during lockdown.

Total value of agricultural imports increased from R78.55 billion to R81.15 billion. The biggest drivers of the positive YoY growth rate, is Cereals (driven by wheat and rice) and Animal/Vegetable Fats & Oils. When excluding these two product groupings, the YoY growth would be -4.3%. Top contributors in absolute terms to the growth in total agricultural commodity imports value were Cereals (+R3.07 bn), Animal/Vegetable Fats & Oils (+R2.03 bn), and Oilseeds (+R0.54 bn). Top categories losing most value in absolute terms YoY YTD are Beverages (-R2.54 bn), Meat & Edible Meat Offal (-R1.33 bn), and Tobacco (-R0.77 bn).

In terms of YoY growth for the period January to October, the biggest import value growth can be observed in Wool & Animal Hair (+108.4%), Oilseeds (+38.2%) and Vegetables, Roots & Tubers (+37.1%). Furskins and artificial fur (-73.3%), Tobacco (-34.5%), and Raw Hides, Skins & Leather (-34.0%) has seen the biggest reduction in import value YoY.

Figure2: Value of South African Agricultural Imports: M1-M10 2020 & YoY YTD Growth Rate



Source: quantec

Grains and oilseeds

Focus: Maize, Wheat, Soybeans

This section considers trade performance over the first 10 months of the year, considering export performance for maize, where South Africa is a surplus producer, as well as import volumes for wheat, soybeans and soybean products.

MAIZE

South Africa produced the second largest maize crop in history in 2020, yielding a substantial exportable surplus. From January to October, white maize exports have been 72% higher than the 3-year average. Predominantly destined for Africa, white maize volumes benefitted from an exemption made by Zimbabwe to allow GM imports, as well as Zambia's decision not to issue export licenses until the food reserve agency had purchased its full target. Yellow maize exports were 27% higher than the 3-year average over the same period. This was enabled by a 61% increase in deep sea exports, the bulk of which occurred after the new season harvest started coming in. Supported by high current world prices, volumes remain strong and well on target to reach the projected 2.8 mil tonnes for the 2020/21 marketing season.

Table 1: Maize Exports: Jan - Oct

	3 yr avg. ('17-'19)	2020	% Change
White Maize	**600.41**	**1 031.01**	**72%**
Africa	543.65	982.40	81%
Other	56.75	48.62	-14%
Yellow Maize	**1 028.54**	**1 301.24**	**27%**
Africa	255.96	259.87	1.5%
Other	772.58	1 241.37	61%

SOYBEANS & PRODUCTS

Table 2: Soybean & product imports: Jan - Oct

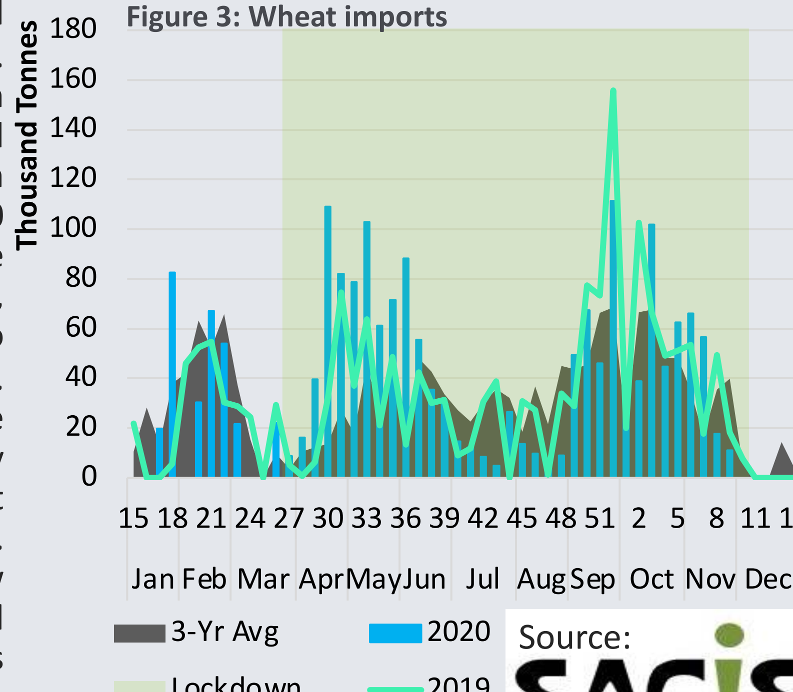
	3 yr avg. ('17-'19)	2020	% Change
Soybeans	**14 949.01**	**61 734.07**	**313%**
Brazil	0.00	55 000.54	N/A
Zambia	10 213.79	4 026.77	-61%
Soybean oilcake	**415 032.49**	**364 927.78**	**-12%**
Argentina	370 069.16	352 535.41	-5%
Zambia	37 474.04	9 398.66	-75%
Soybean oil	**121 662.74**	**126 205.57**	**4%**
Netherlands	53 517.44	63 168.80	18%
Argentina	46 833.95	34 447.32	-26%

The soybean harvest did not increase to the same extent as maize in 2020 due to a reduction in area planted and less favourable weather in the Eastern parts of the country relative to the West. Combined with a surplus crushing capacity, this necessitated some import volumes, as processors balanced the cost of imported beans against lower plant utilisation rates. The bulk of bean imports were attributed to a single ship from Brazil in March 2020. Increased crush volumes, combined with weaker demand from animal feed sectors which came under pressure through lockdown enabled a 12% reduction in soybean oilcake for the period Jan-Oct 2020 compared to a 3 years average while soybean oil imports remained fairly stable.

WHEAT

South Africa typically imports around half of its total wheat consumption. Following a below average harvest in 2019 due to weather related challenges in the Western Cape, South Africa's wheat import demand in 2020 has been stronger than usual. For the period January to October 2020, imports were 18% higher relative to the 3 year average for the same period. Nevertheless, projections for the 2020/21 season are looking very favourable, which implies that import demand will likely decrease in 2021. This is already evident in the past few weeks, when imports slowed drastically as producer deliveries started coming in.

Figure 3: Wheat imports



Source: SAGIS

Livestock

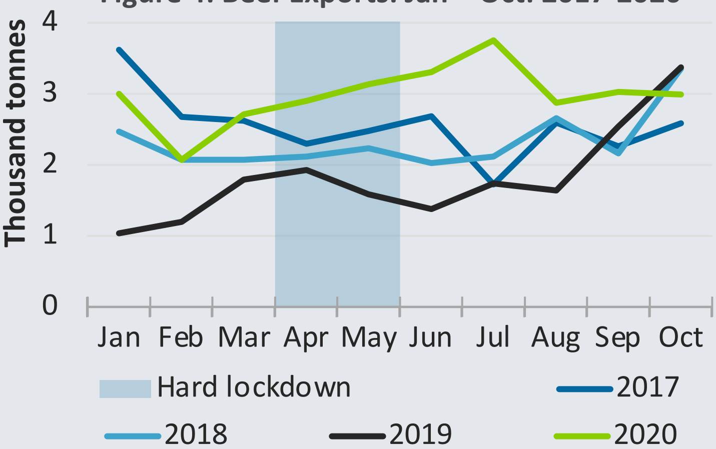
Focus: Beef, Poultry and Pork

This section considers trade performance for livestock products over the first 10 months of the year, considering export performance for beef, where South Africa is a surplus producer, as well as import volumes for chicken and pork.

BEEF EXPORTS

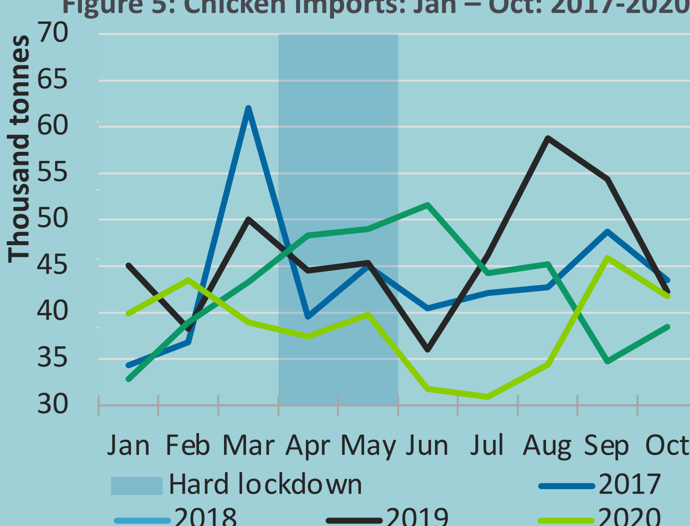
After being challenged by the foot and mouth disease outbreak in 2019, which forced the negotiation of bilateral agreements in order to resume trade with key partners in the Middle East and Asia, South Africa's beef exports remained strong through the hard lockdown period. This supported prices during a period when domestic spending power came under pressure. In the period Jan to Oct 2020, beef exports were 33% higher than the 3-year average for the same period and 64% higher than the FMD affected volumes of 2019. China was the biggest market, accounting for 32% of the total volumes, followed by Kuwait (14%) and Jordan (13%).

Figure 4: Beef Exports: Jan – Oct: 2017-2020



POULTRY IMPORTS

Figure 5: Chicken imports: Jan – Oct: 2017-2020

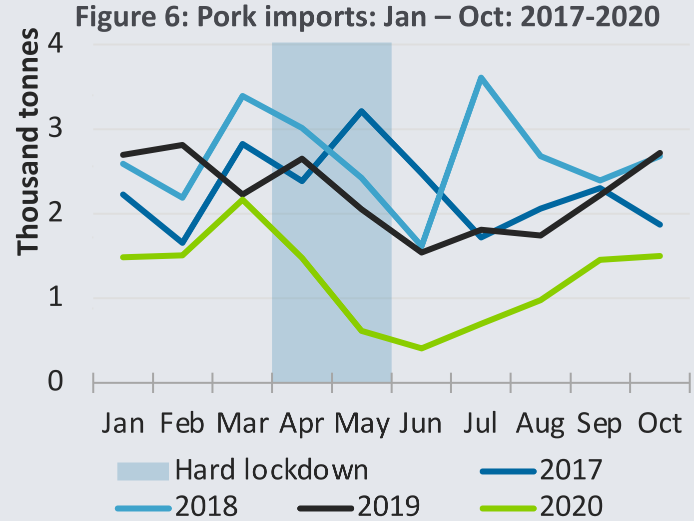


The South African chicken industry has been challenged by rising imports for many years, but over the first 10 months of 2020, this trend turned around with chicken import volumes 13% lower than the 3-year average for the same period and 10% below 2019 volumes. Import volumes were influenced by the initial hard lockdown period, as consumer spending power deteriorated. This was exacerbated by the closure of the food service sector, which accounts for an estimated 20% of total chicken consumption. Following commitments made under the poultry masterplan, as well as the increase in general duty, increased imports from Brazil and the USA in September and October, will concern the industry, particularly in light of low world chicken prices, some strengthening of the Rand in recent weeks and high feed prices.

PORK IMPORT

As with other meat types, constrained spending power following the hard lockdown, combined with the closure of the food service sector reduced the demand for pork products. This was clearly reflected in pork import volumes, which declined sharply through April and May and only started a slow recover from July onwards. By October, volumes were still well below the levels of the same period from 2017-2019. Considering the period from January to October, the 2020 imports were almost 50% below the 3-year average. The bulk of pork products imported into South Africa is ribs and a substantial share of these ribs are destined for the food service sector. Consequently, the effect of the restrictions imposed to control COVID-19, at various levels, are clearly evident in the import volumes.

Figure 6: Pork imports: Jan – Oct: 2017-2020



Source: ITC

Horticulture

Focus: Winter marketing season – Avocados, Citrus and Pome fruit

With the avocado and citrus export seasons concluded and most of pome fruit already shipped, this section will reflect on the performance of these industries during 2020. Special attention will be given to market changes as a direct and indirect result of Covid-19.

AVOCADOS

As a result of the hot, dry summer, the avo crop estimate was adjusted downwards, as lower export volumes were available because of smaller size fruits. In SA's most important export market, the EU, demand in the food-service and hospitality industry was lower. Overall, the expectation is that SA contribute to 9.4% of the EU's total avo imports this season, where imports from Spain, Peru and Chile grew considerably compared to 2018, the previous "on-year".

Table 3: EU imports and SA exports to EU

	2018	2019	2020
EU imports (tons)			
Greenskins	109 849	87 984	89 873
Hazz	509 992	501 331	580 170
Total	**619 841**	**589 315**	**670 043**
SA exports to EU (tons)			
Greenskins	34 724	20 767	24 125
Hazz	55 349	36 475	38 900
Total	**90 074**	**57 243**	**63 026**
SA % of EU	14.5%	9.7%	9.4%

CITRUS

In 2019 a few boxes short of 117 million cartons of oranges, lemons & limes, soft citrus and grapefruit were exported. This year, more than 137 million cartons has been shipped, 17.5% more than in 2019 as a result of more oranges (+10.7%), lemons & limes (+37.5%) and soft citrus (+35.4%). Grapefruit exports remained comparable to 2019 volumes.
This growth was achieved despite challenges to ensure safety of labour in the orchards and packhouse, the strikes by truck drivers and the low productivity in the harbours.

Table 4: Citrus exports by region

# of cartons	2019	2020	Growth %
Europe	38 332 607	49 813 667	30.0%
Middle East	23 419 609	25 103 730	7.2%
South East Asia	19 020 976	18 578 457	-2.3%
United Kingdom	10 556 037	13 120 915	24.3%
North America	7 184 243	10 554 264	46.9%
Russian Fed.	9 117 394	10 195 428	11.8%
Asia	7 660 906	8 204 069	7.1%
Africa & Islands	1 691 774	1 918 618	13.4%
Total	**116 983 546**	**137 489 147**	**17.5%**

Considerable increases in volumes to SA's most important citrus trade region, Europe (+30%), can be observed in **Table 4**. The table further shows that the highest YoY increase is in shipments to North America (+46.9%), the UK (+24.3%), Africa (+13.4%) and Russia (+11.8%). With the exception of soft citrus exports to South East Asia and Russia, and lemon & lime exports to South East Asia and Asia, exports of these two citrus types to all regions grew by more than 25% YoY.

POME FRUIT

The 36.7 million apple and 16.8 million pear cartons estimated for the 2020 export season are YoY +8% and -2% respectively. The apple volume growth is primarily as a result of increased Golden Delicious and Gala volumes. Despite a great Packham crop on the pear side, many other cultivars are expected to return lower export volumes than last year. One example is Abate Fetel, a pear almost exclusively grown for the European market market, which is 43% down YoY – a phenomenon observed around the globe without a clear explanation. With higher pear prices in Europe as a result of low carry-over stocks from the European pear season, this is surely, and unfortunately, a missed opportunity.
Some regional export shifts occurred as a result of changing market dynamics during this trying year. Most notably, larger volumes of apples to Russia (+172%) with a smaller complement to Far East & Asia (-12%) and Africa (-7%). A decrease, ranked by total volume, in pear exports to Far East & Asia (-19%) and Europe (-10%) occurred, whilst growth could be observed in Russian (+17%), Middle East (+10%) and UK (+17%) markets.

BREXIT

Uncertainty remains about the tariffication of South African shipments of fresh produce arriving in the UK via EU ports.

Sources: