

# Perspectives on the South African agricultural commodity outlook

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Agbiz Information Day

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# COVID-19 has changed the world we live in



## Value chain interruptions

- Lockdown measures limiting trade – essential services supporting agriculture
- Disease outbreaks amongst employees
- Social distancing requirements reducing capacity
- Agriculture rose to occasion – but not without challenges

Short-term  
Price Volatility &  
availability

## Economic environment

- Disposable income & ability to afford food
- Lagging unemployment
- Indirect impact – but much longer term

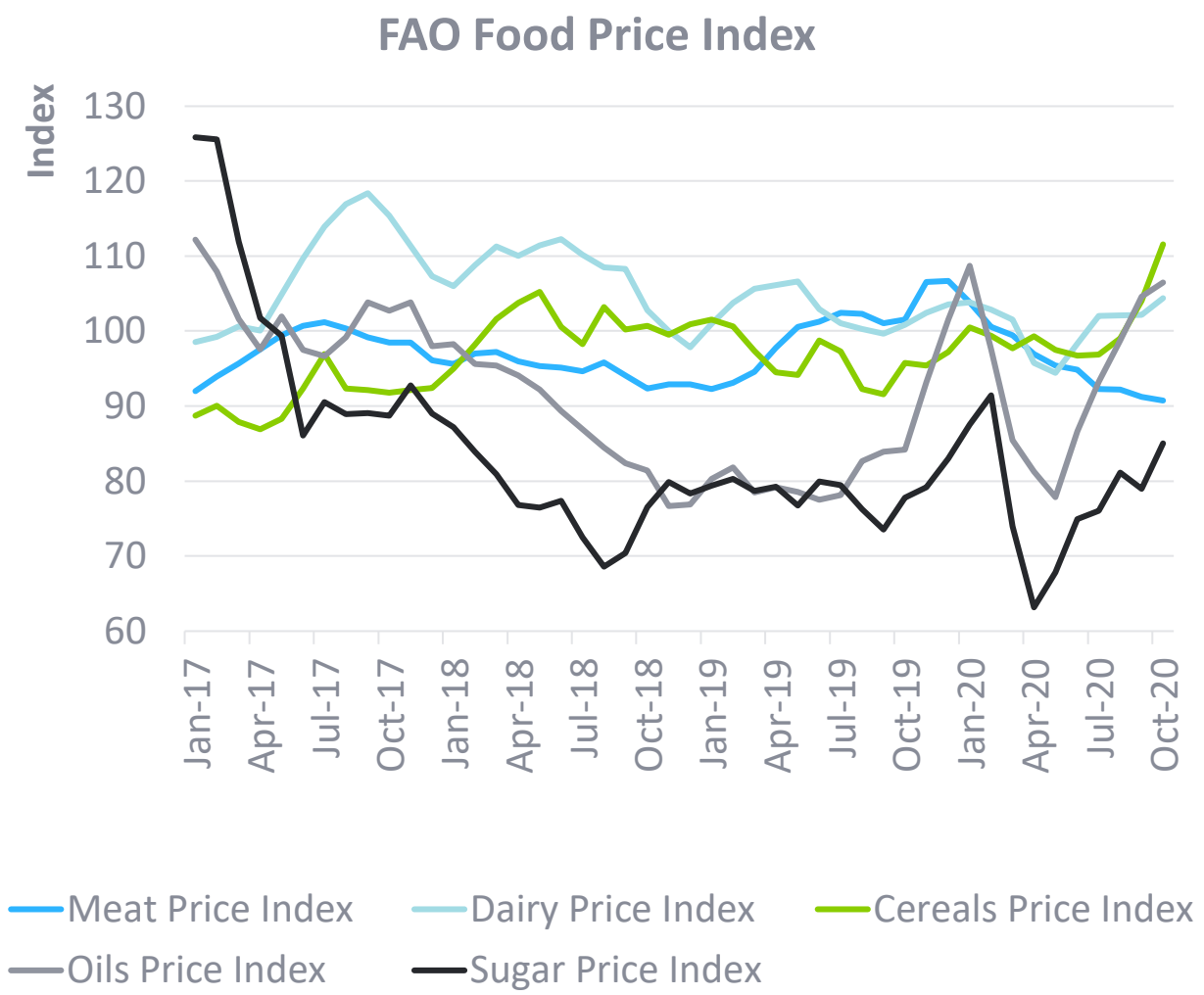
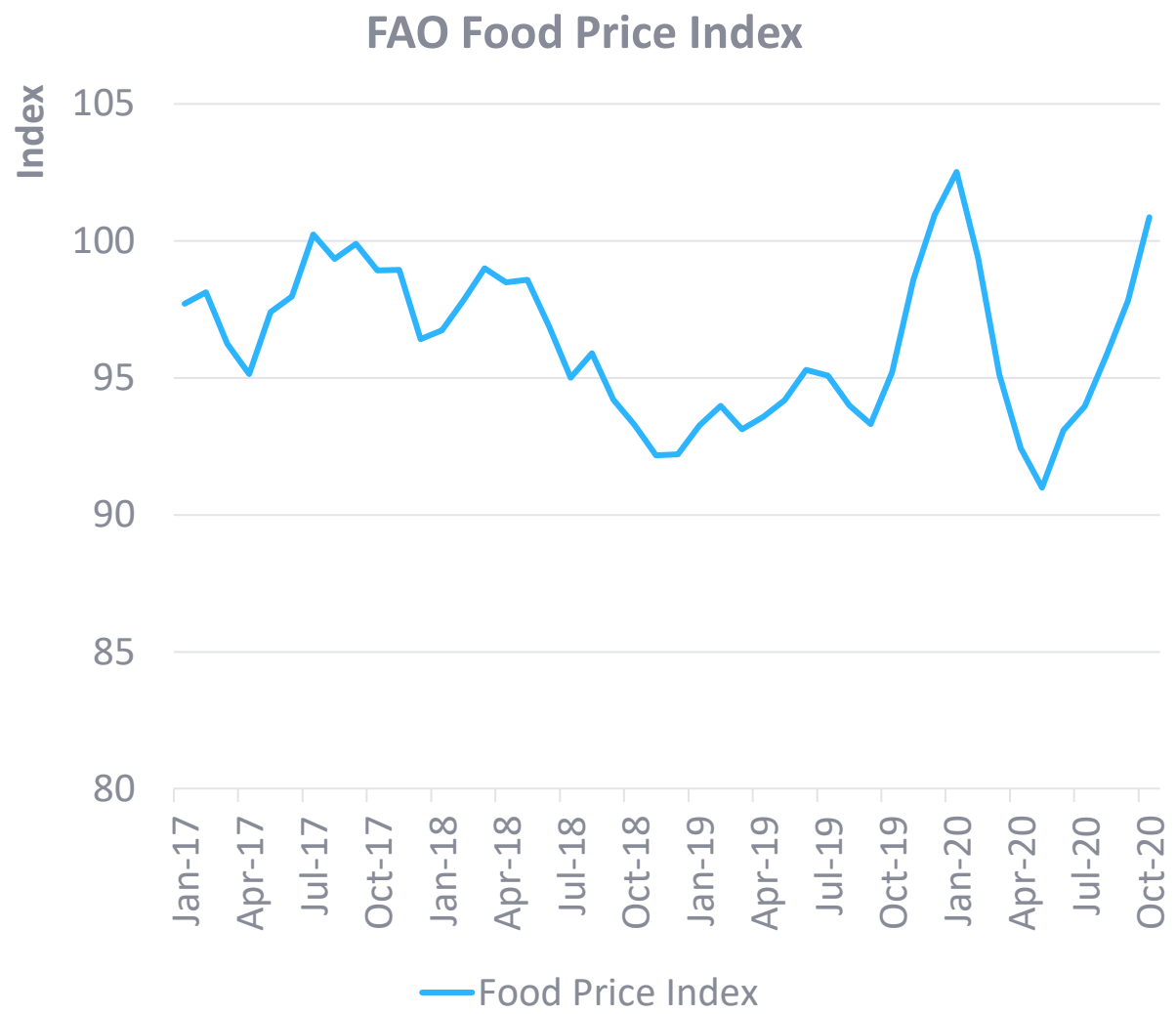
Long-term  
Price Weakness

## Policy Response

- Changes in trade environment
- Promoting domestic supply chains
- Stringent requirements wrt food safety

Short- and long term  
Trade patterns

# Impact of COVID-19 – beyond scope of historic volatility

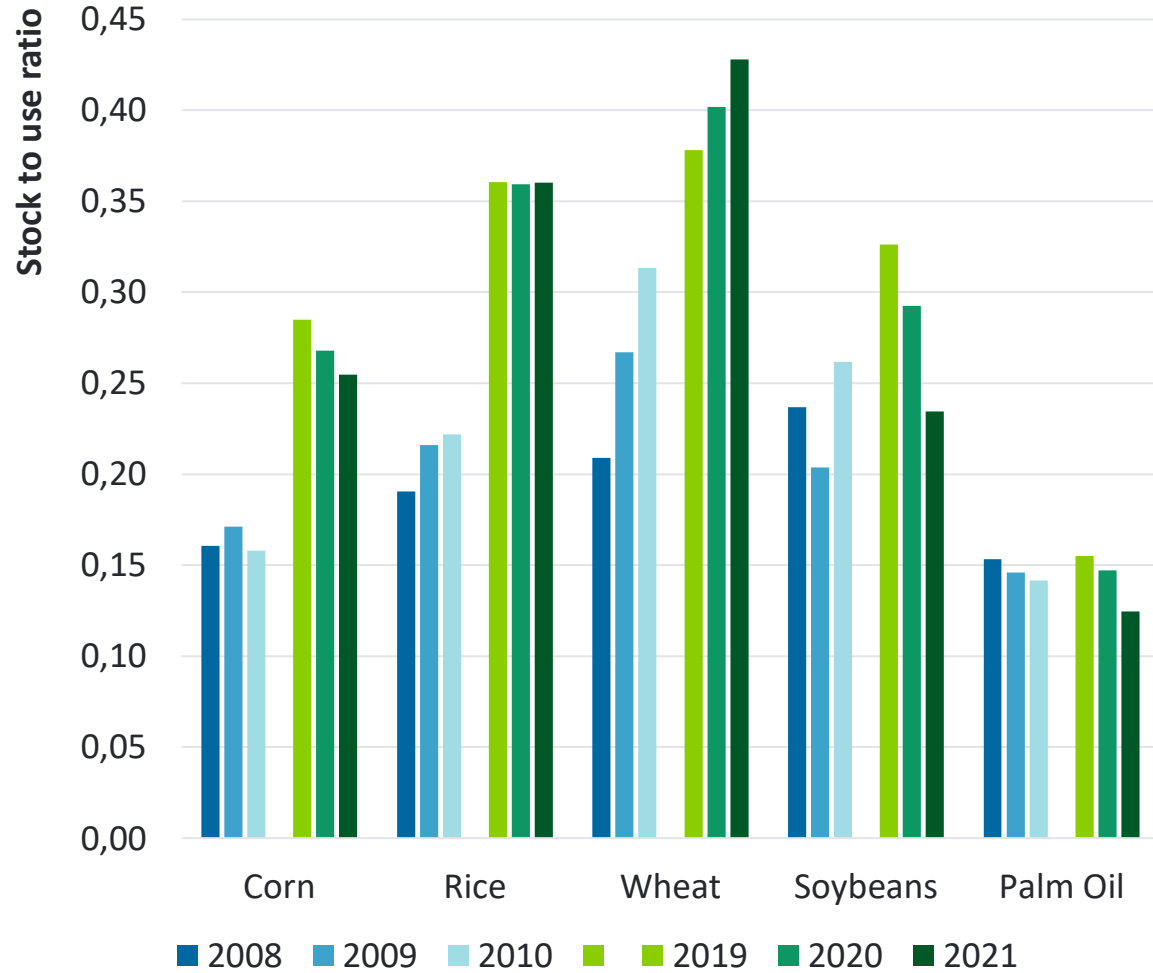


\*\*The FAO Food Price Index is compiled as a combined index from agricultural commodity prices in various countries

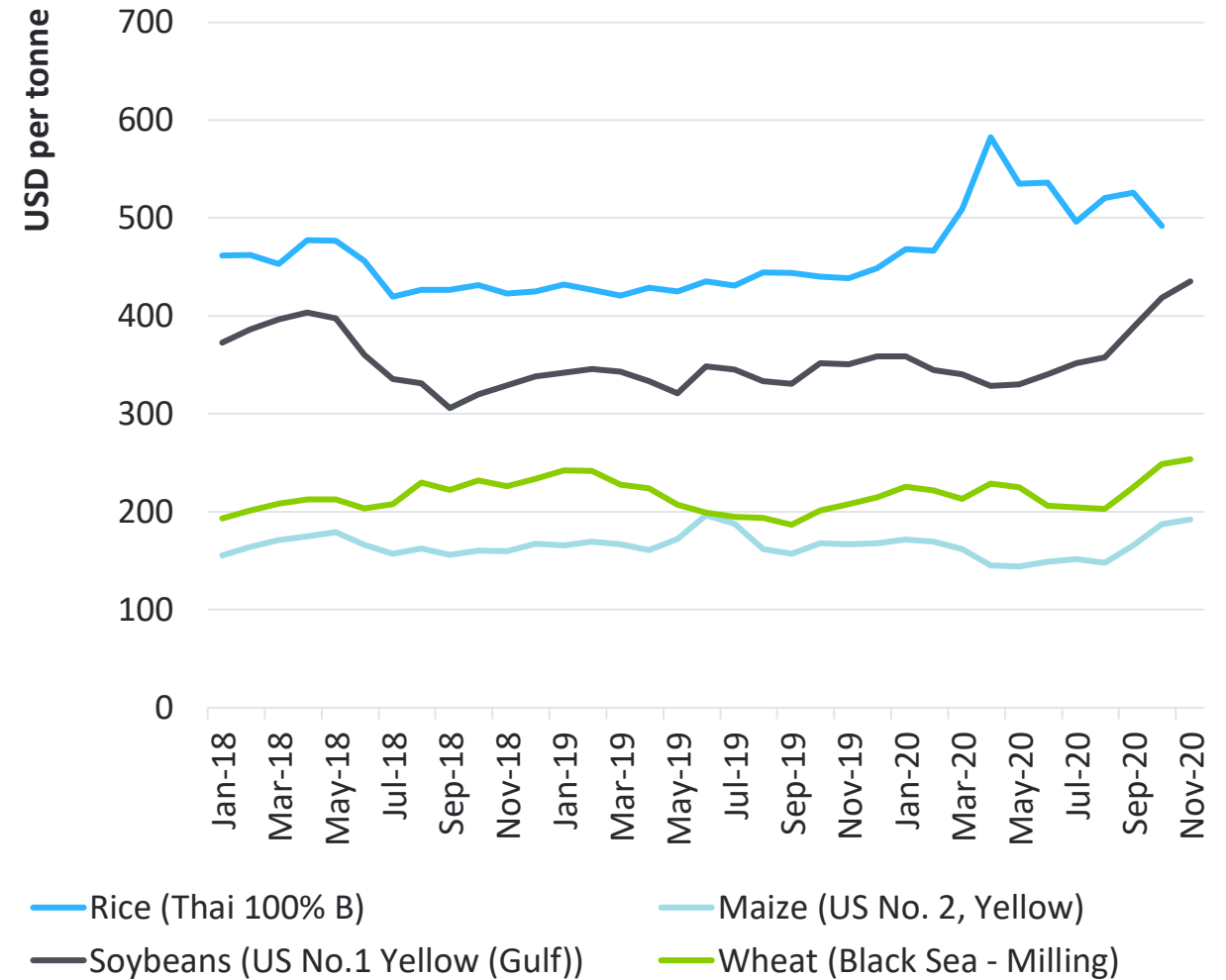
# Global grain & oilseed markets well stocked...but



### Stock to use ratios



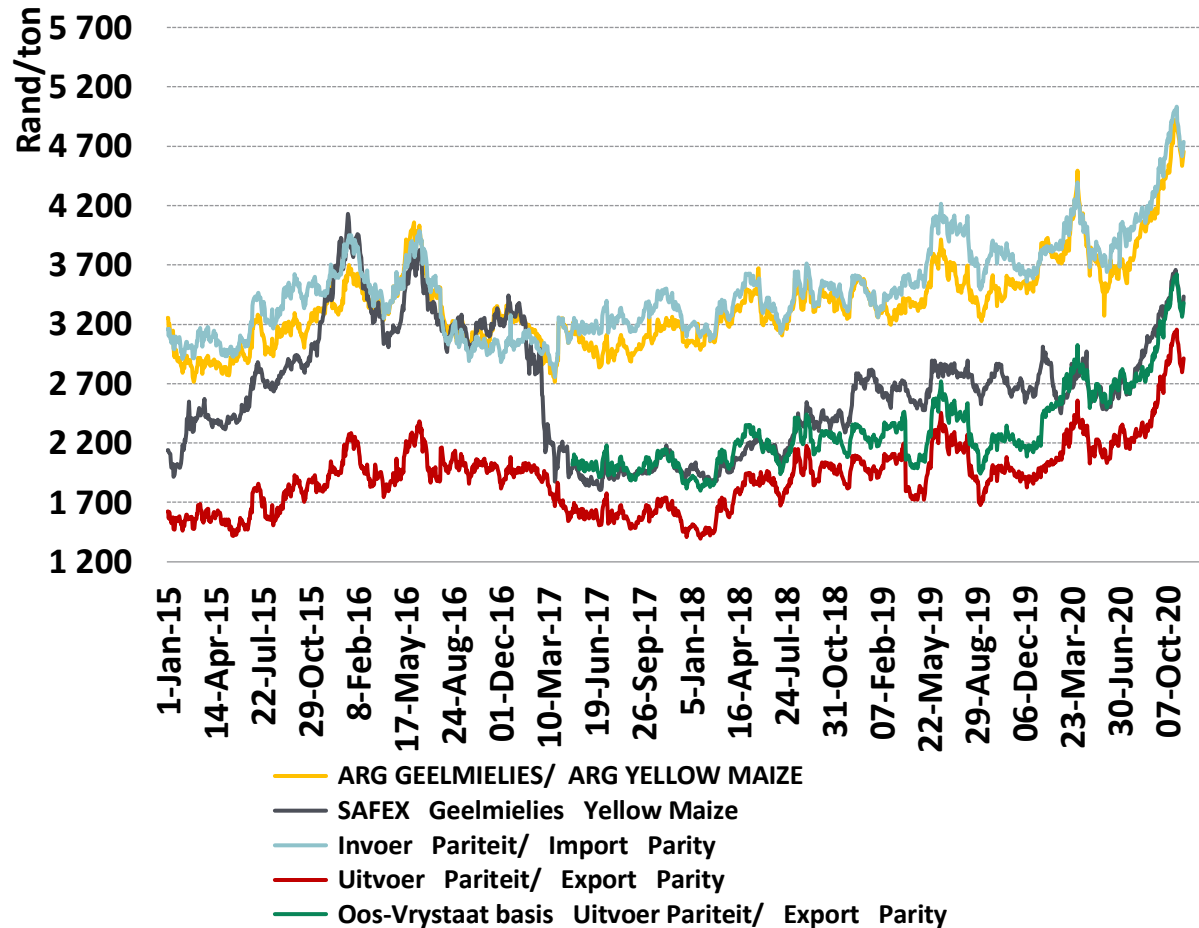
### World Price Impacts



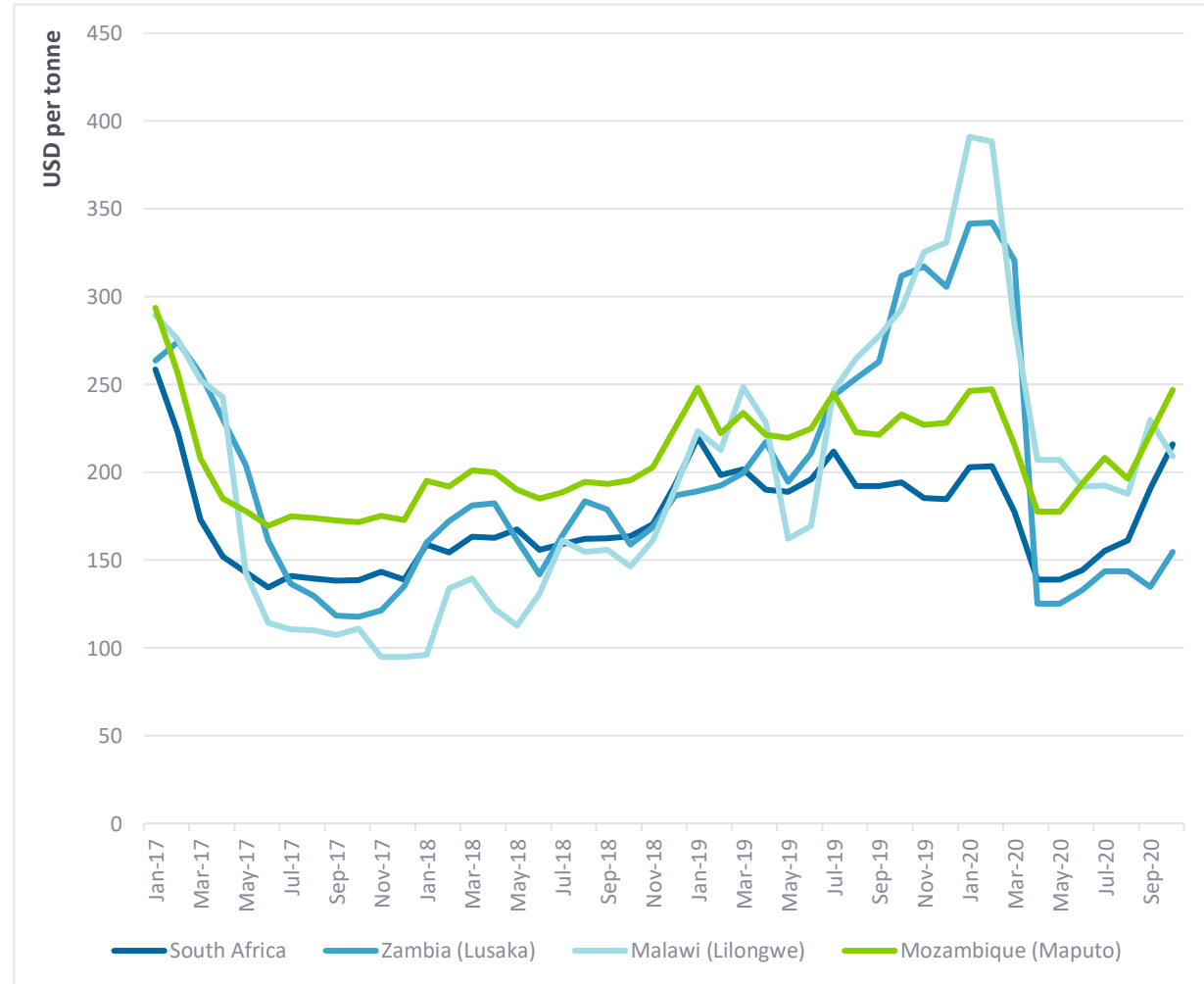
# Current prices well above export parity



## Yellow Maize vs. Parity Prices



## White maize prices in Africa...

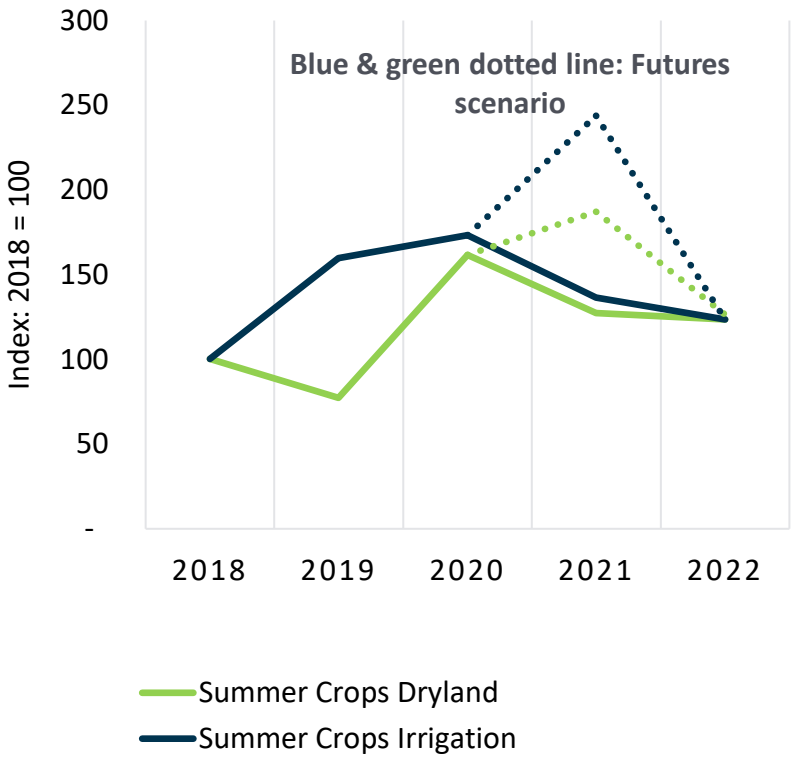


# Gross margins under November 2020 future prices

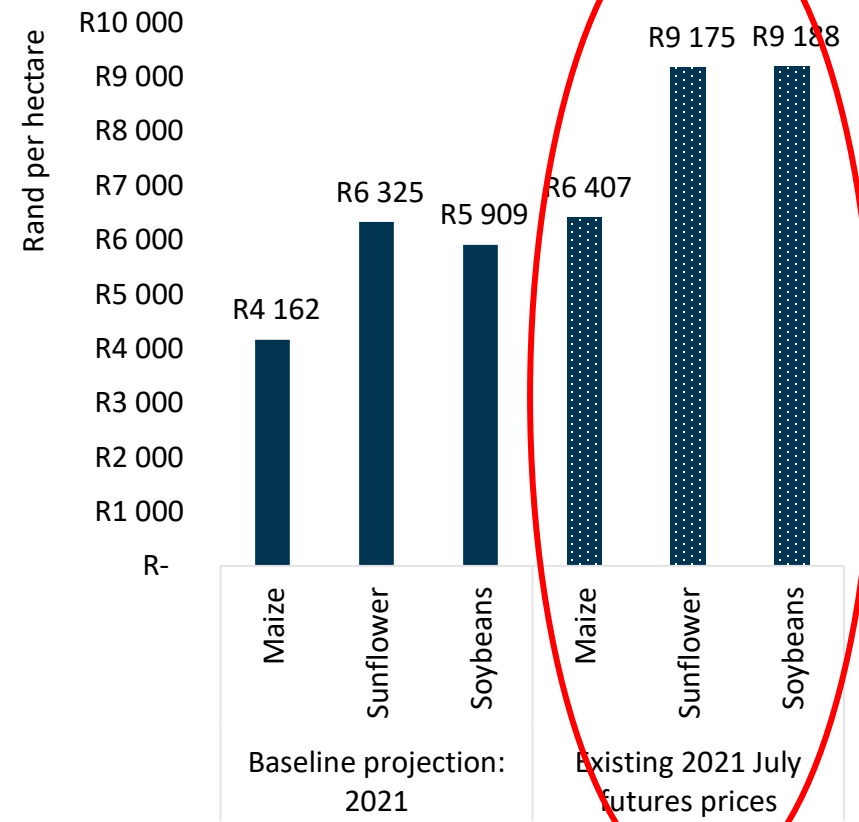


Baseline vs. November 2020 future prices for delivery in July 2021

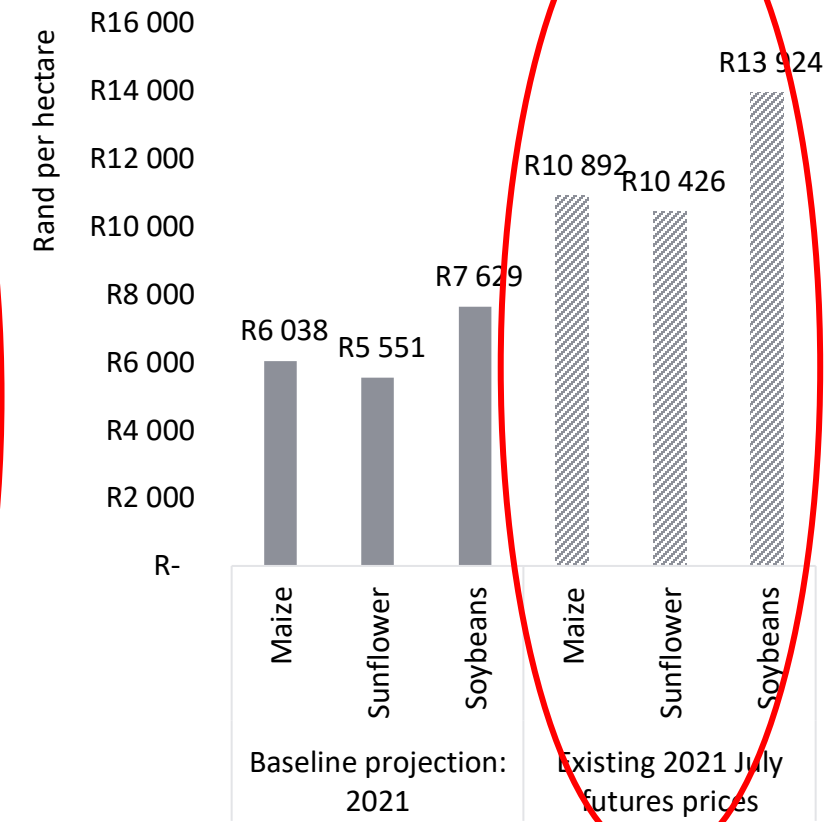
Gross margin Index  
Dryland & Irrigation



Dryland gross margin projections: 2021  
Baseline vs. Existing 2021 Futures



Irrigated gross margin projections: 2021  
Baseline vs. Existing 2021 Futures

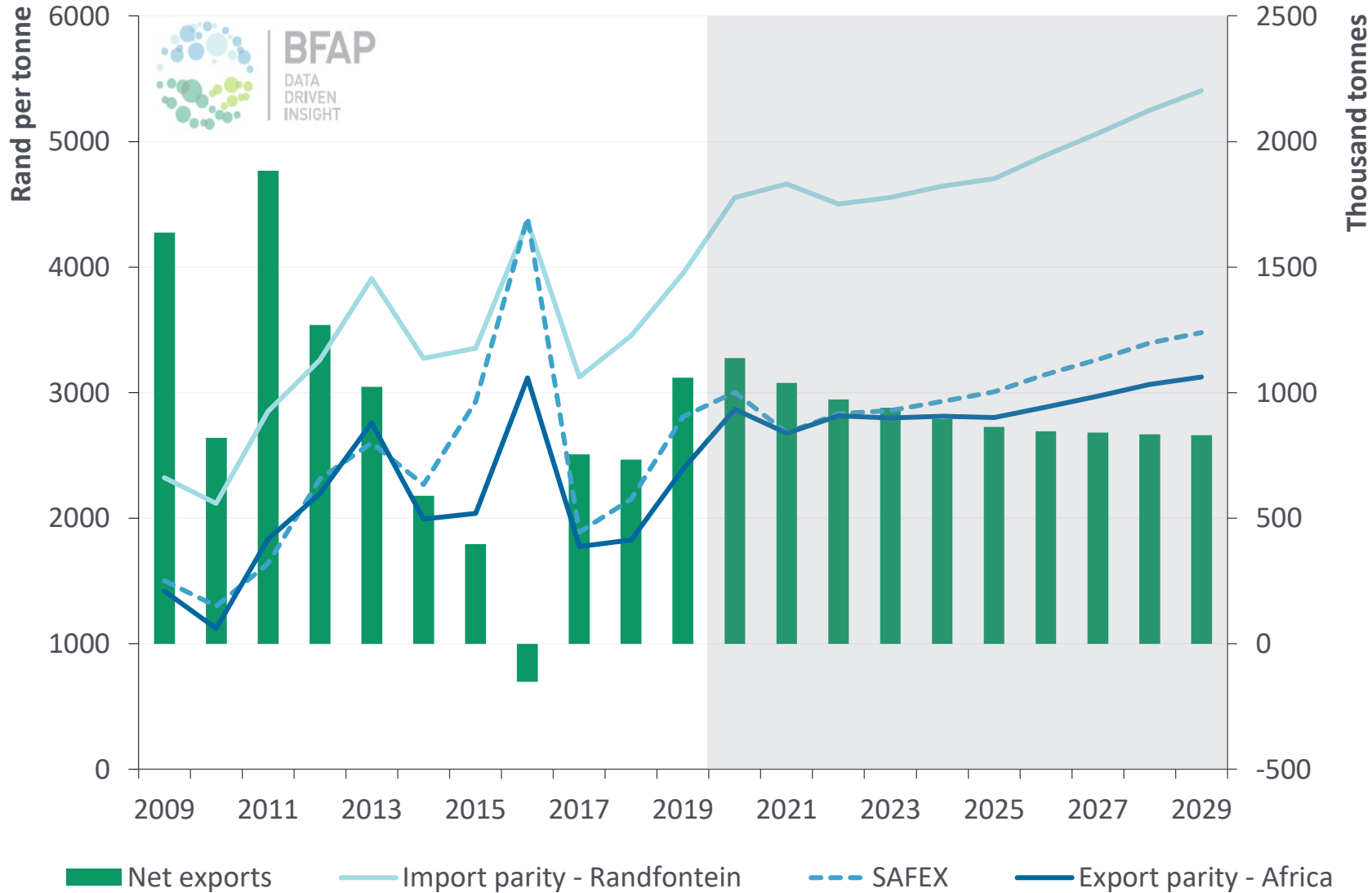


# White Maize market balance

SA Remains net exporter, but declining share of total crop



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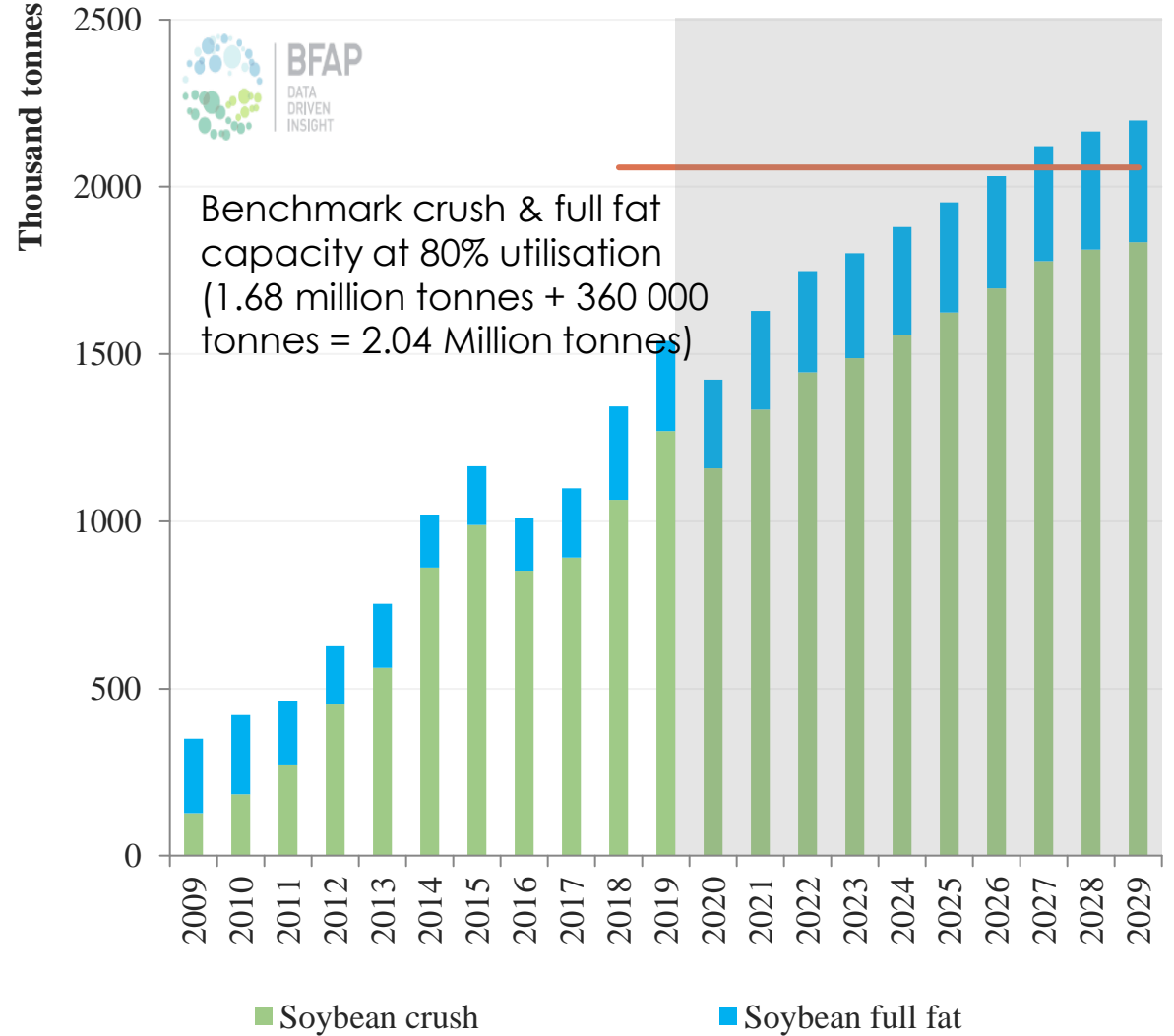
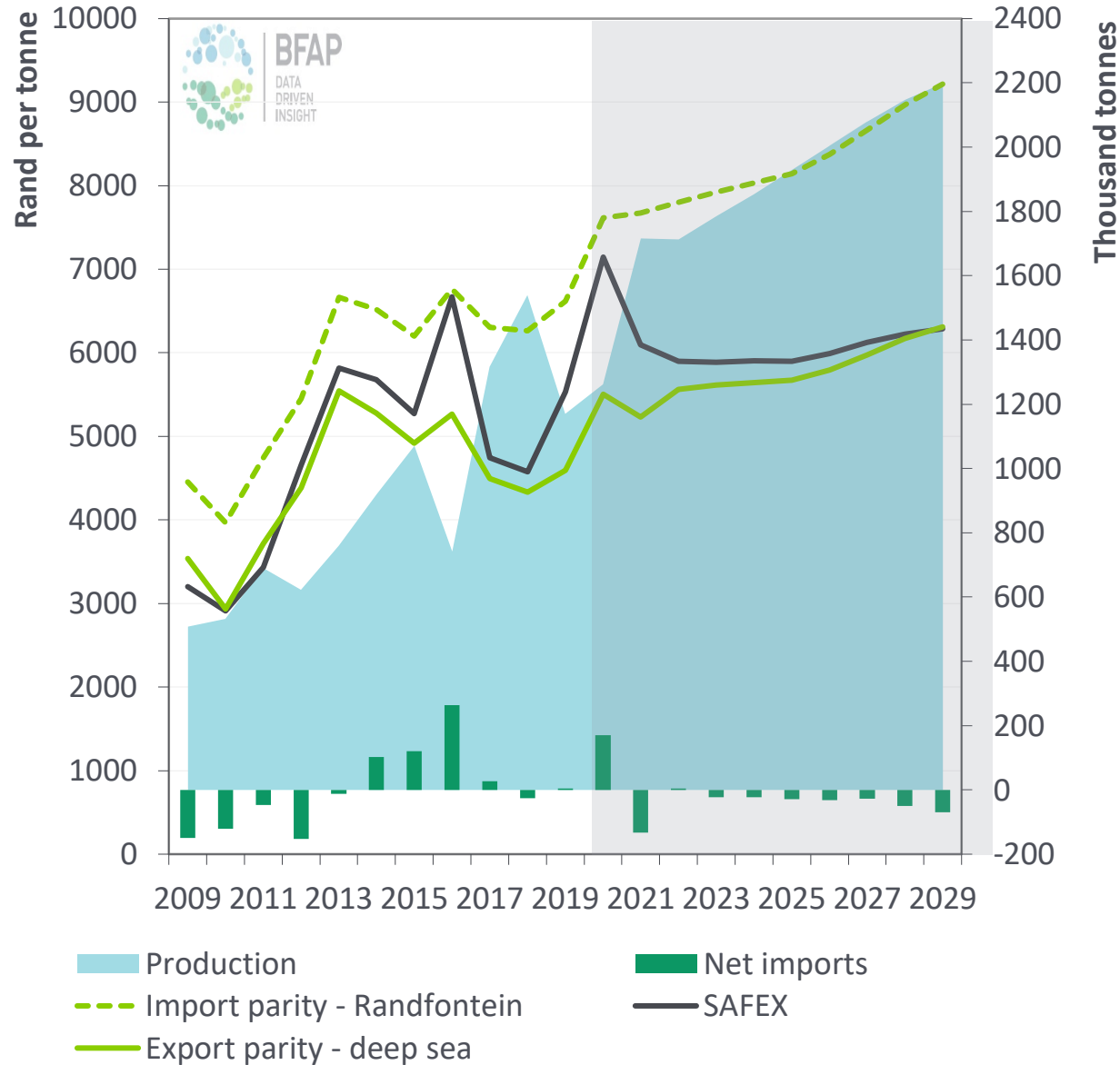
- Increasing competition in regional export market
- Weak economic conditions reversed trend of declining PC consumption
- Drop to export parity good news for consumer prices
- 200 000 marginal hectares expected to be lost by 2029 – producers looking to alternatives

# Soybean market outlook

Rapid growth historically, now maturing

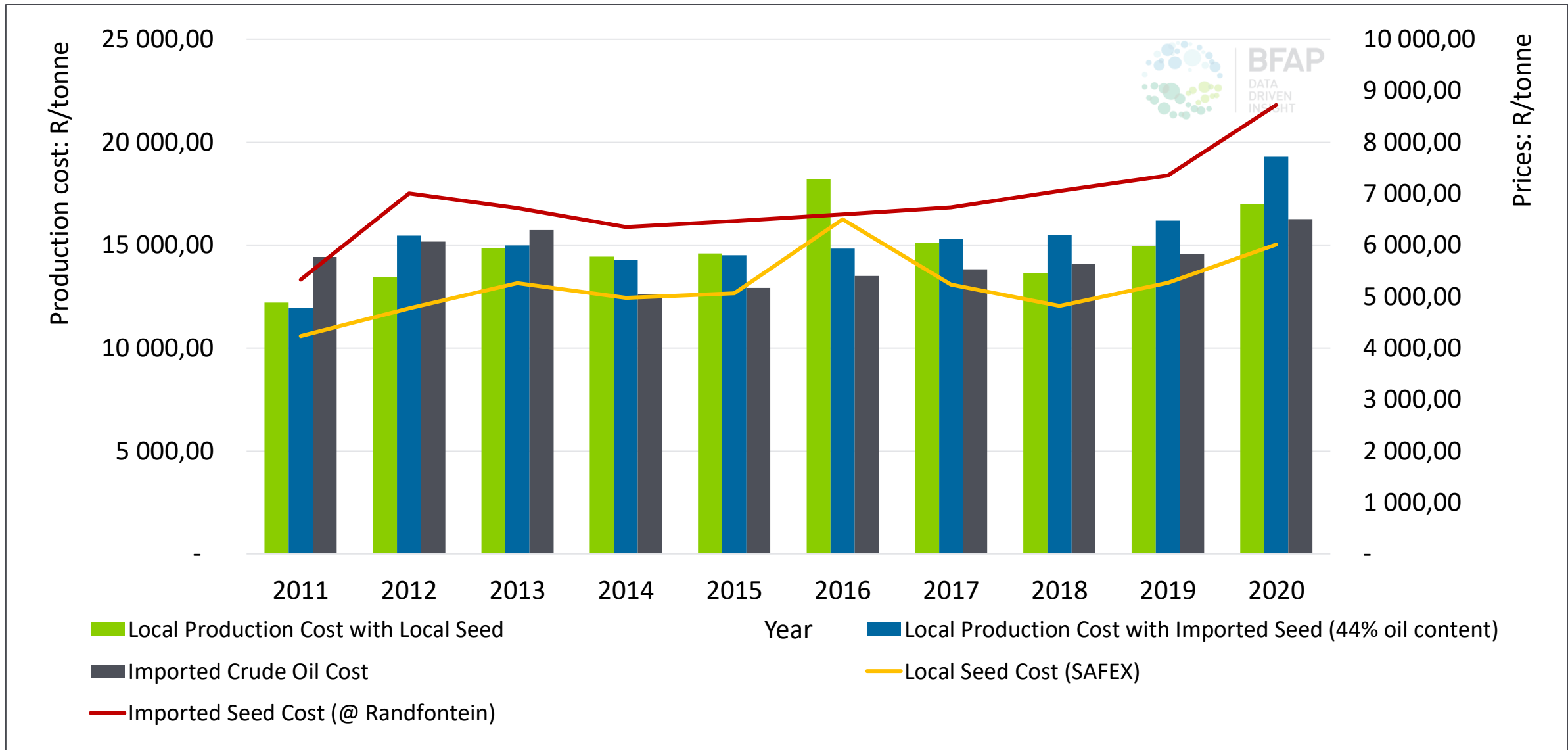


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# Sunflower: Quality increasingly important to remain competitive



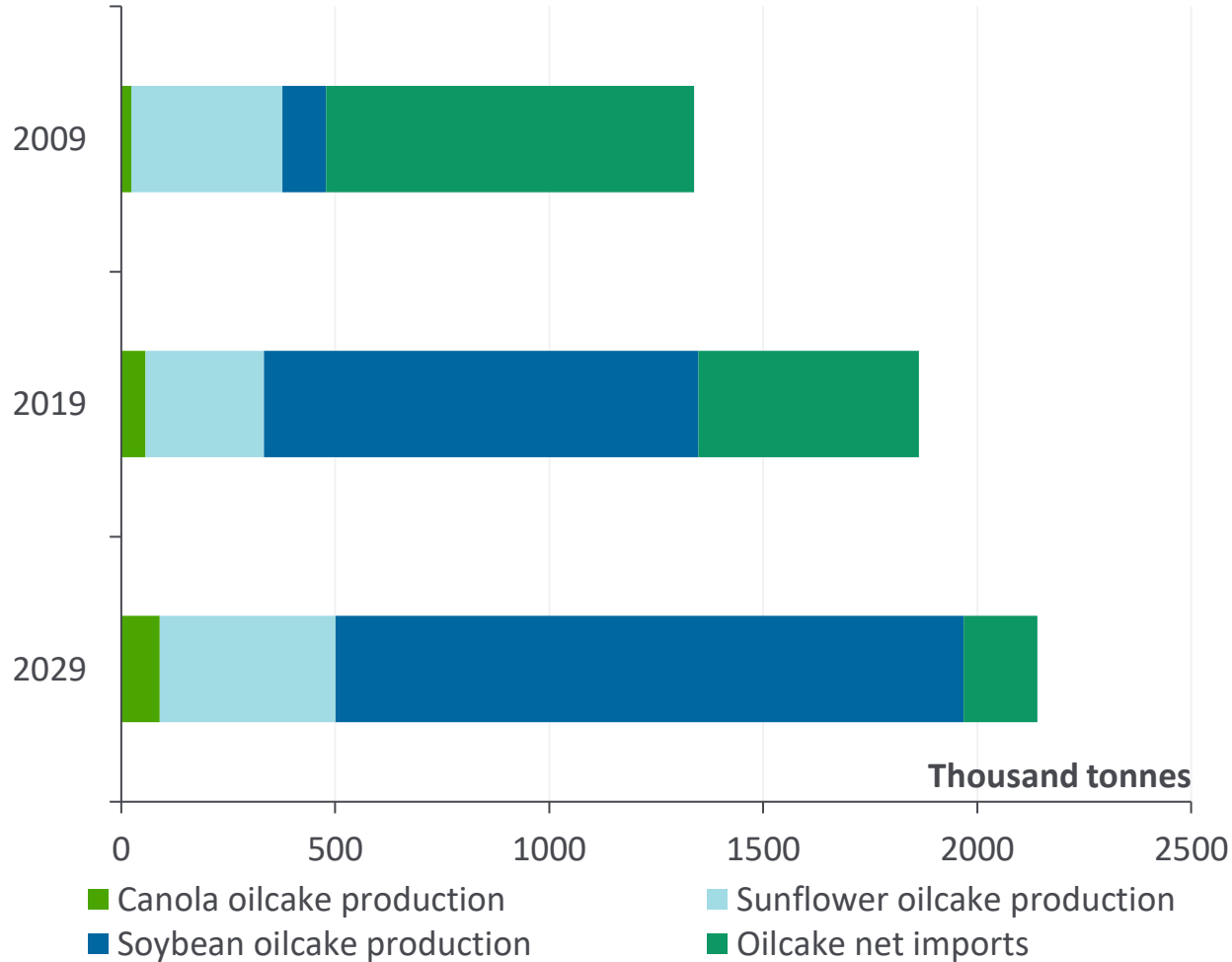
# Oilseed Products

Growing demand and substantial import replacement

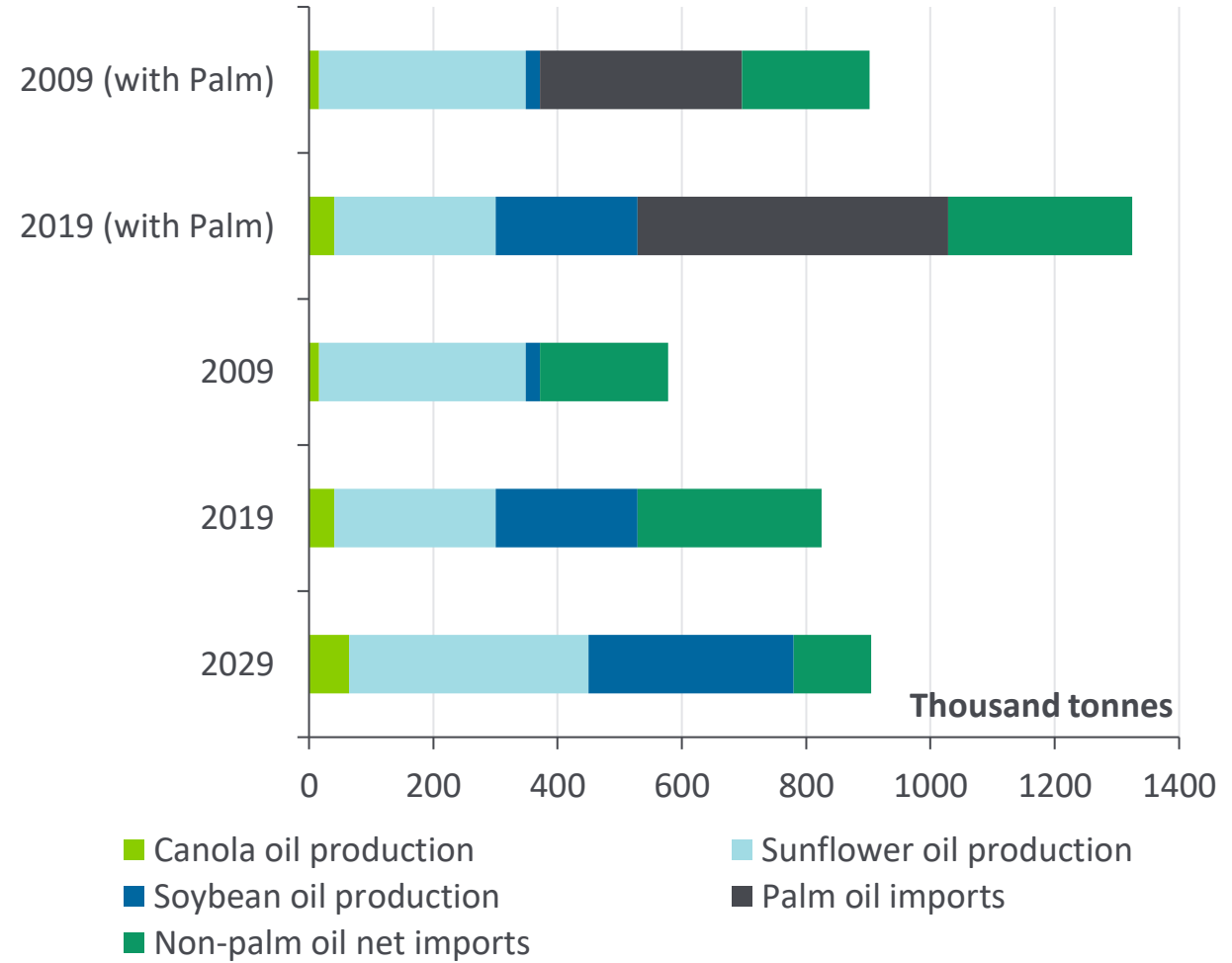


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## Protein meal demand



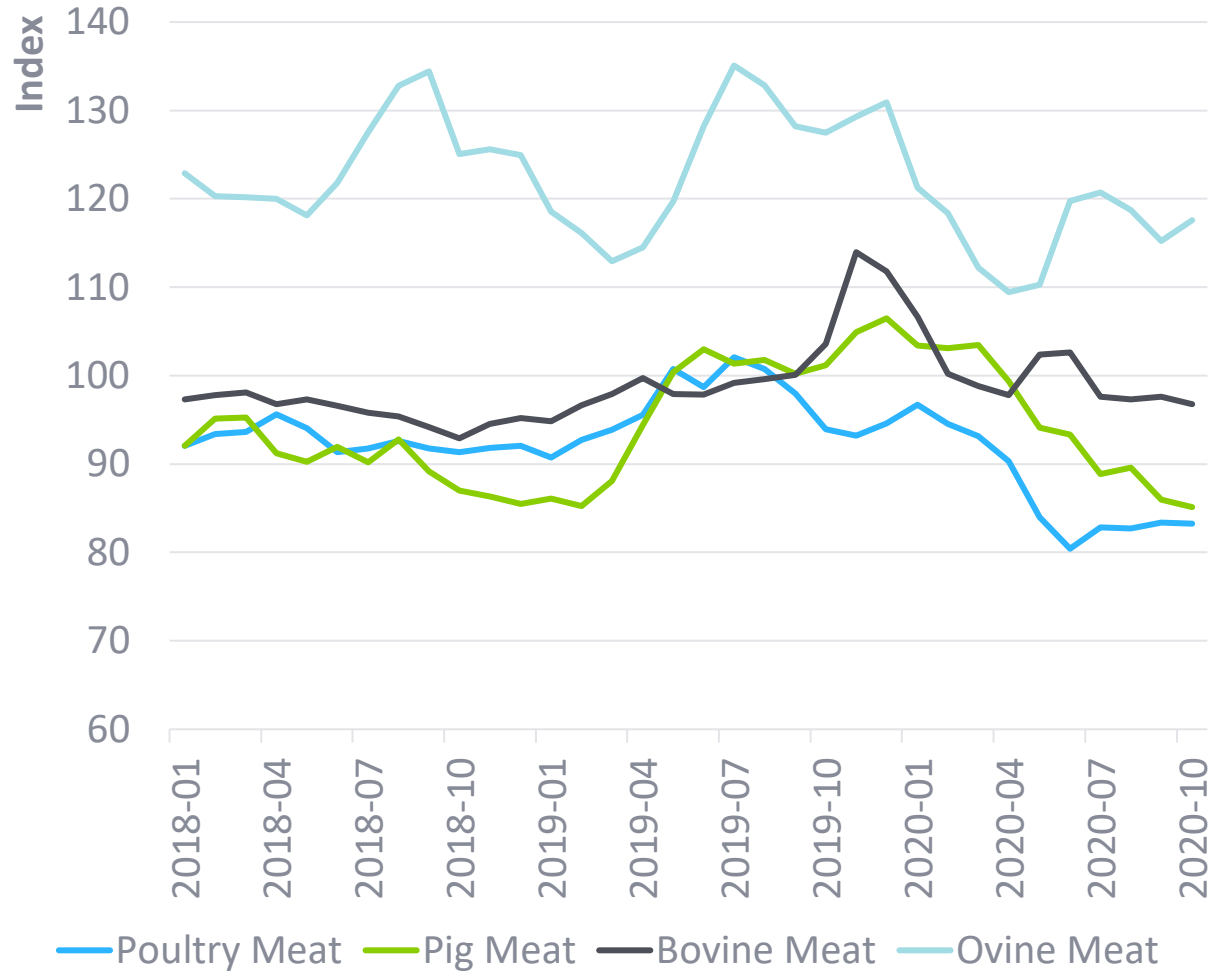
## Vegetable Oil Demand



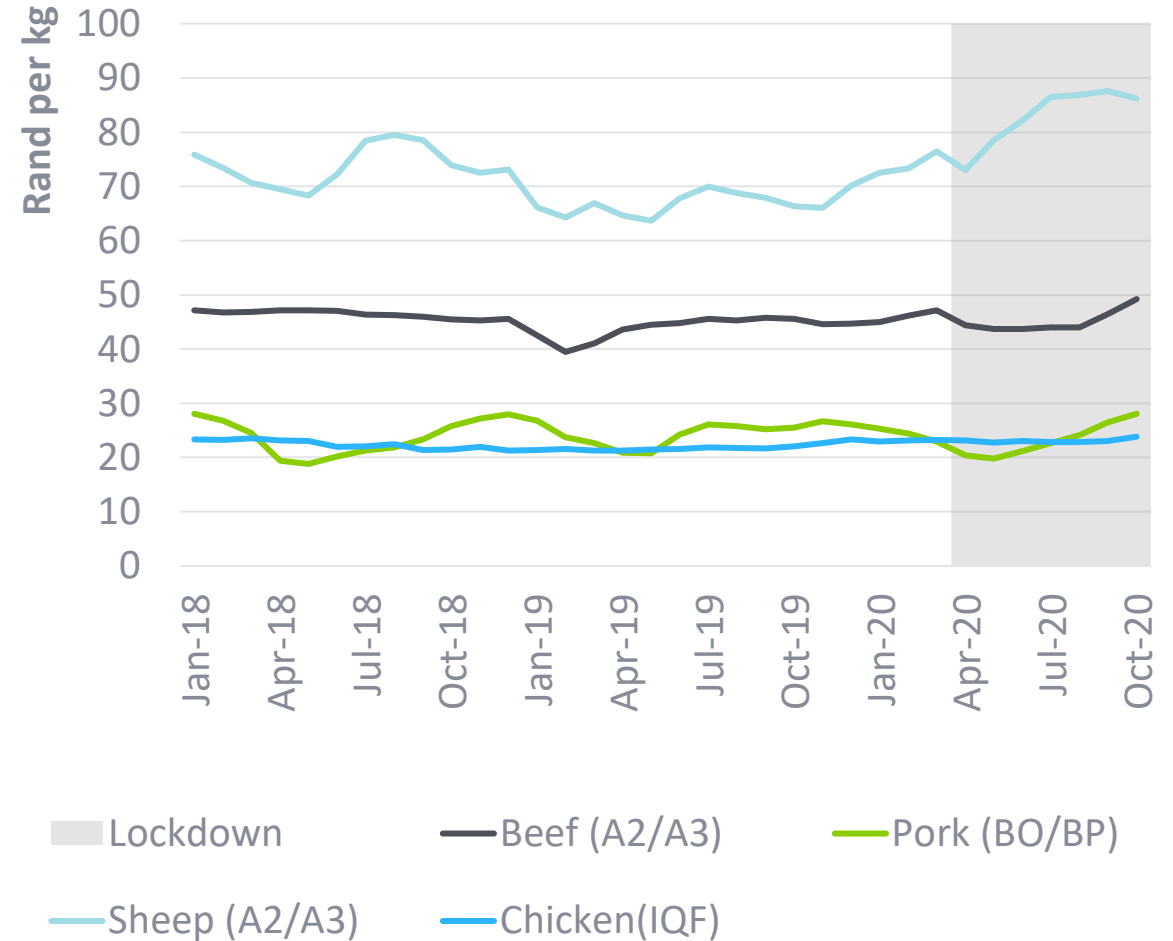
# COVID-19 impact on meat prices



## Global: FAO Meat Price index



## Domestic Markets: Offsetting exchange rate

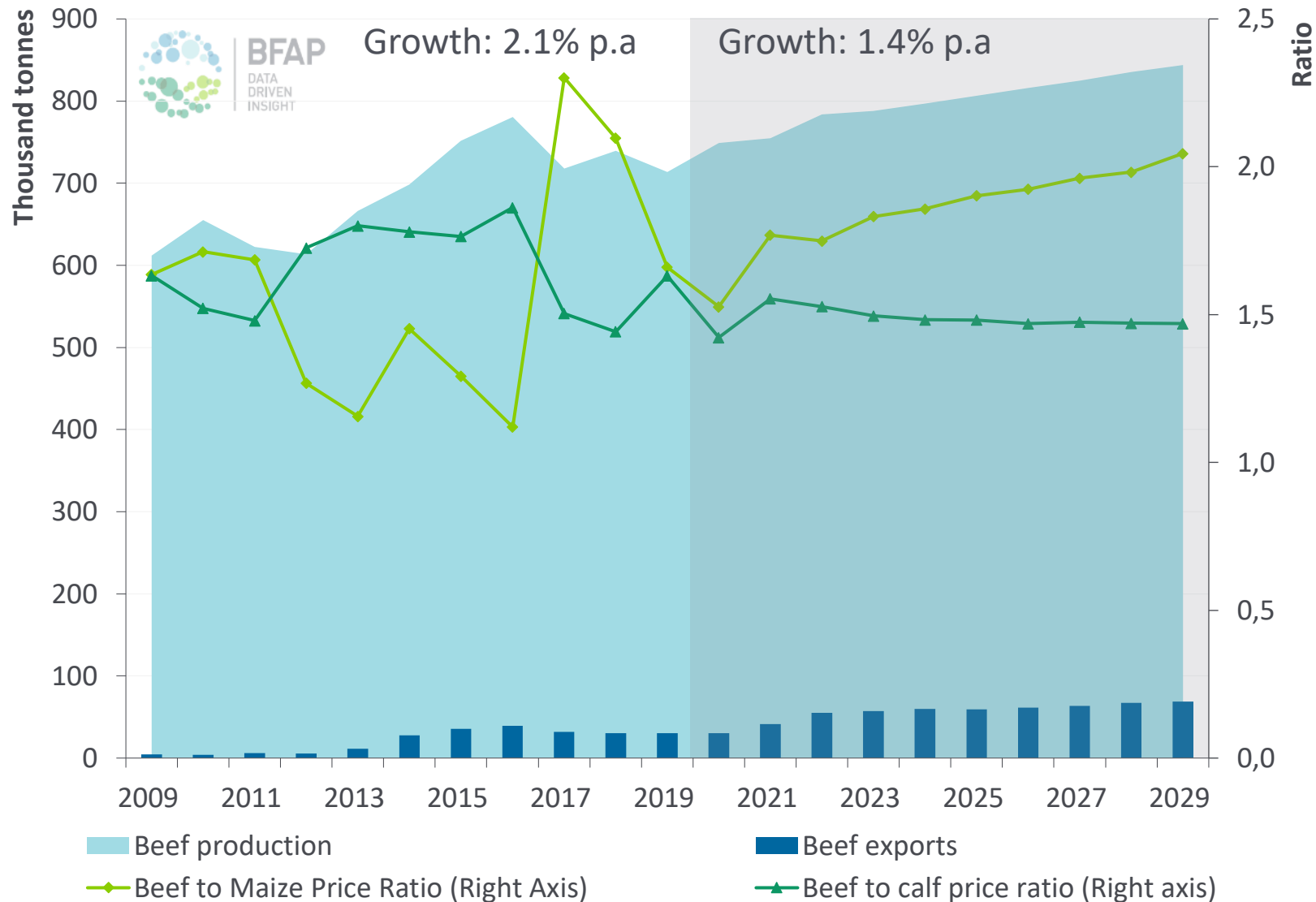


# Beef market outlook

Multiple year rebuilding cycle - increased supply entering market over next 2 years



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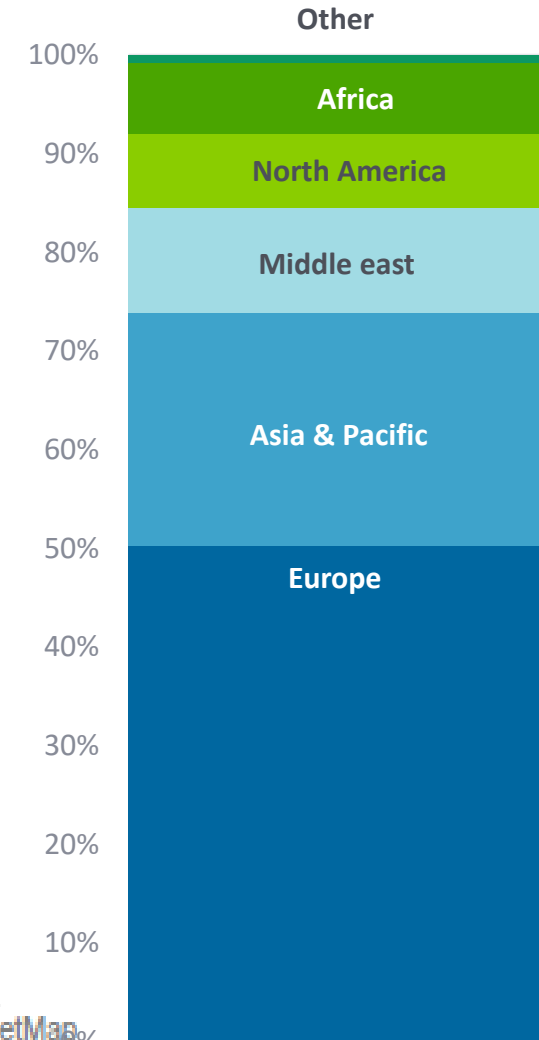
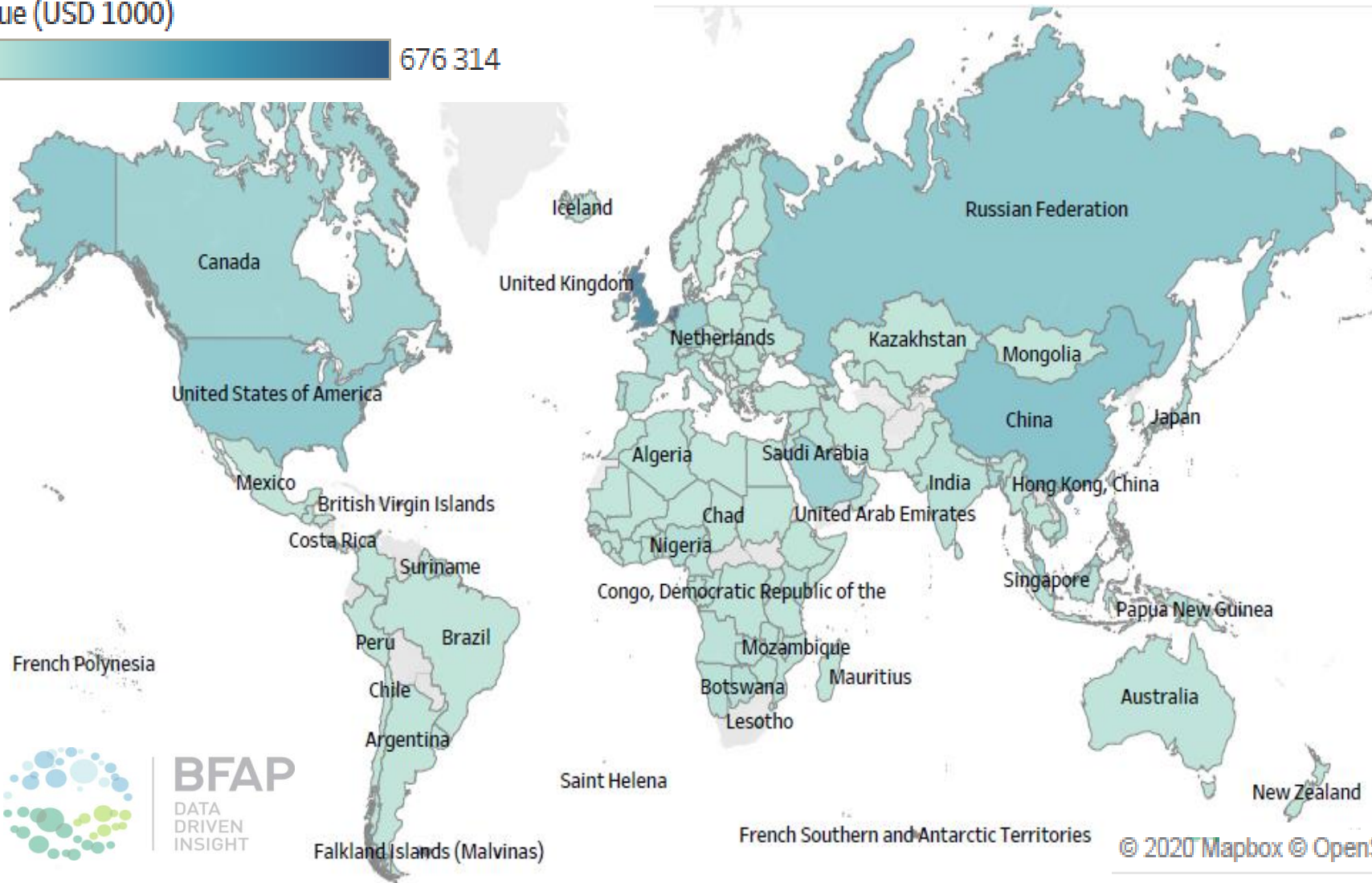


- Rebuilding cycle post 2016 - increased supply entering market over next 2-3 years
- Profitability: Weather & Disease dynamics resulted in very volatile period
- Export growth: carcass optimisation
- Improved beef to maize ratio enables higher calf prices

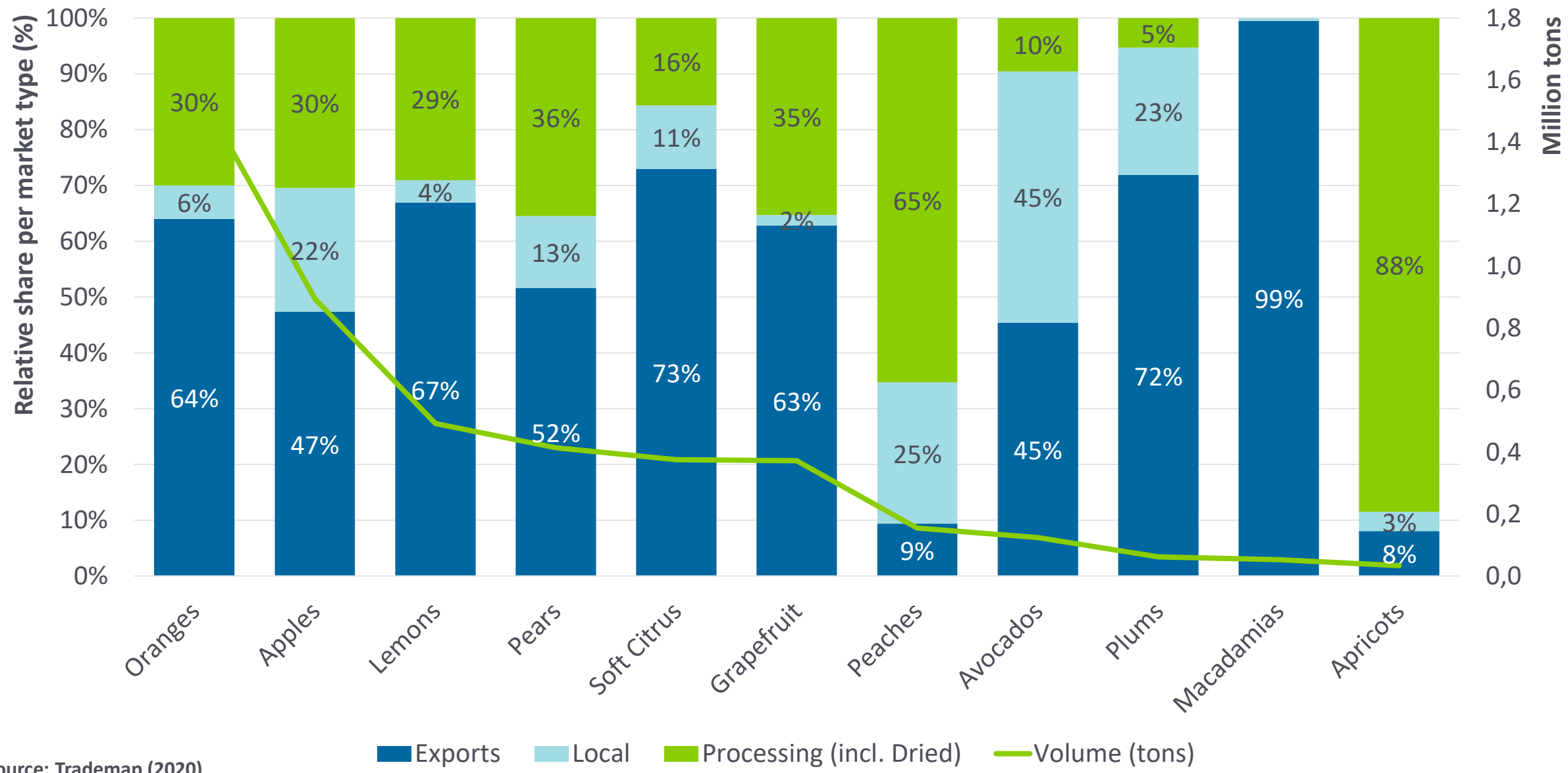
# Destination of South Africa's Fruit & Nut exports



Value (USD 1000)

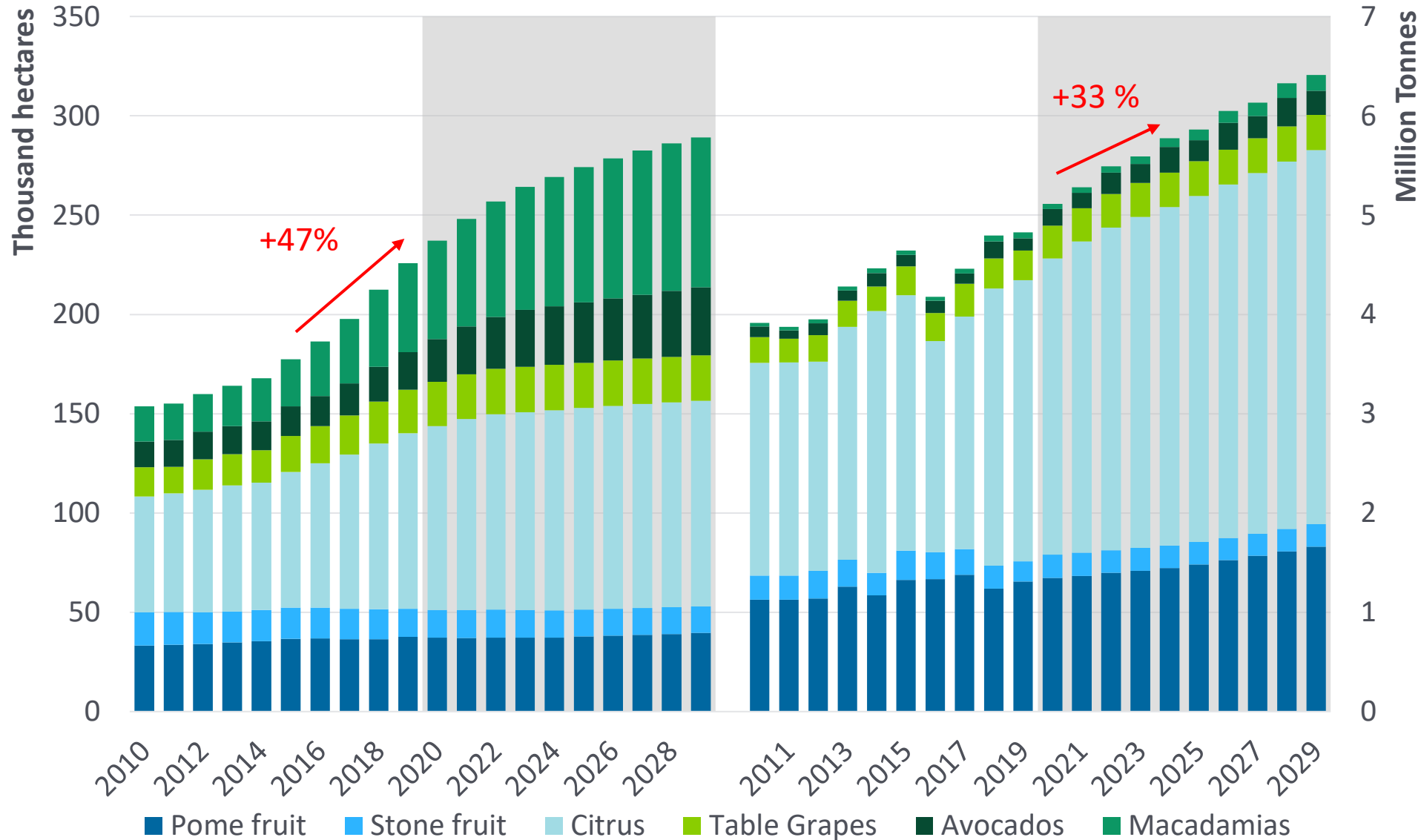


# Relative importance of exports as a market channel



Source: Trademap (2020)

# Area expansion and delayed production growth



## Area expansion past decade:

- Pome fruit +13.17%
- Citrus +51.38%
- Table Grapes +48.96%
- Avocadoes: +45.41%
- Macadamias: +153.60%
- Stone Fruit: -15.65%

## Outlook:

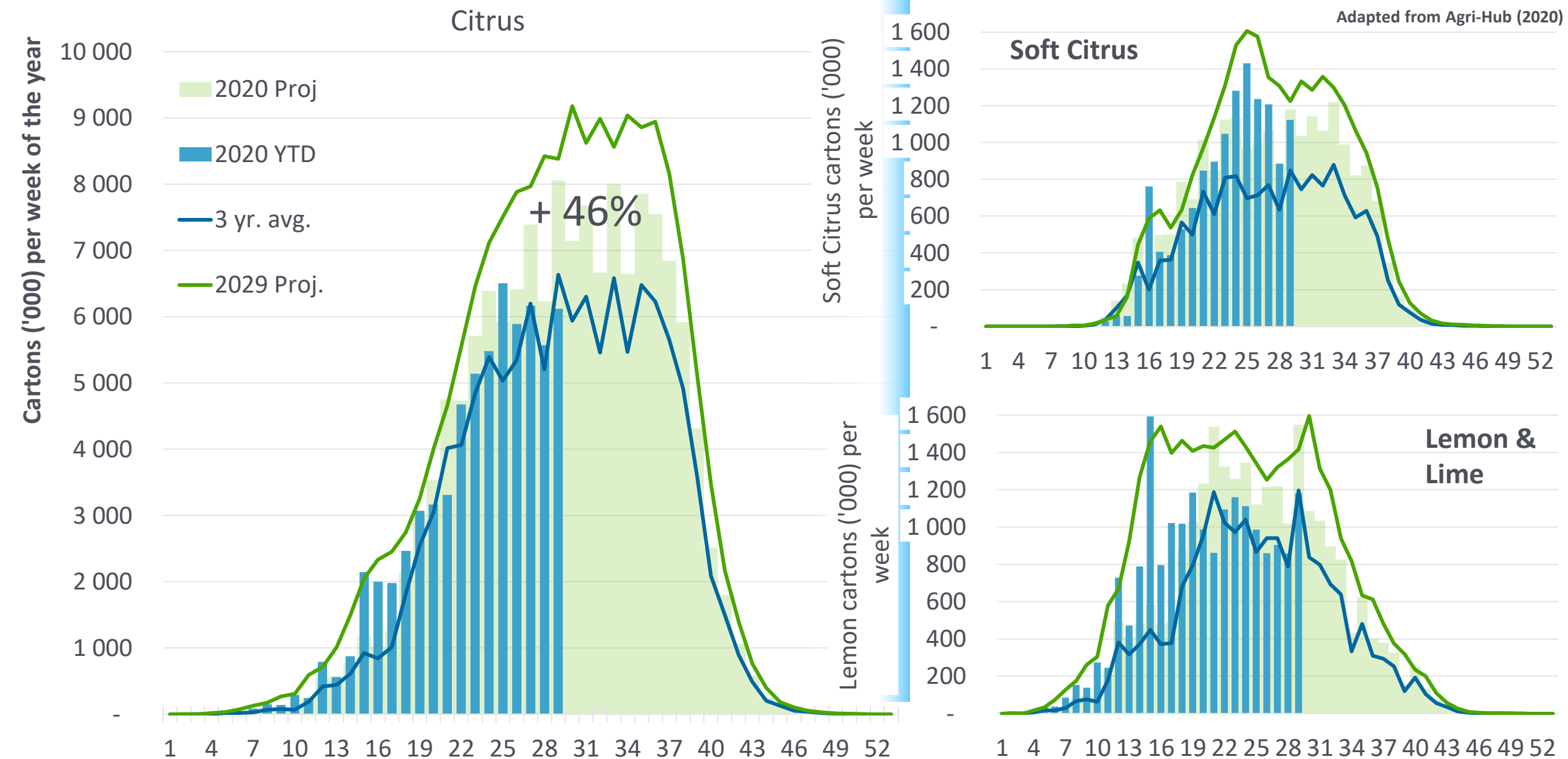
- Expansion expected to slow due to real price impact
- Projected area growth primarily from avocados and nuts
- Time lag to full bearing -> post 2016 area expansion only visible in production over the outlook period.

# Shifts in citrus export volume

2017-2019 average, 2020 YTD & Projected, 2029 Projected

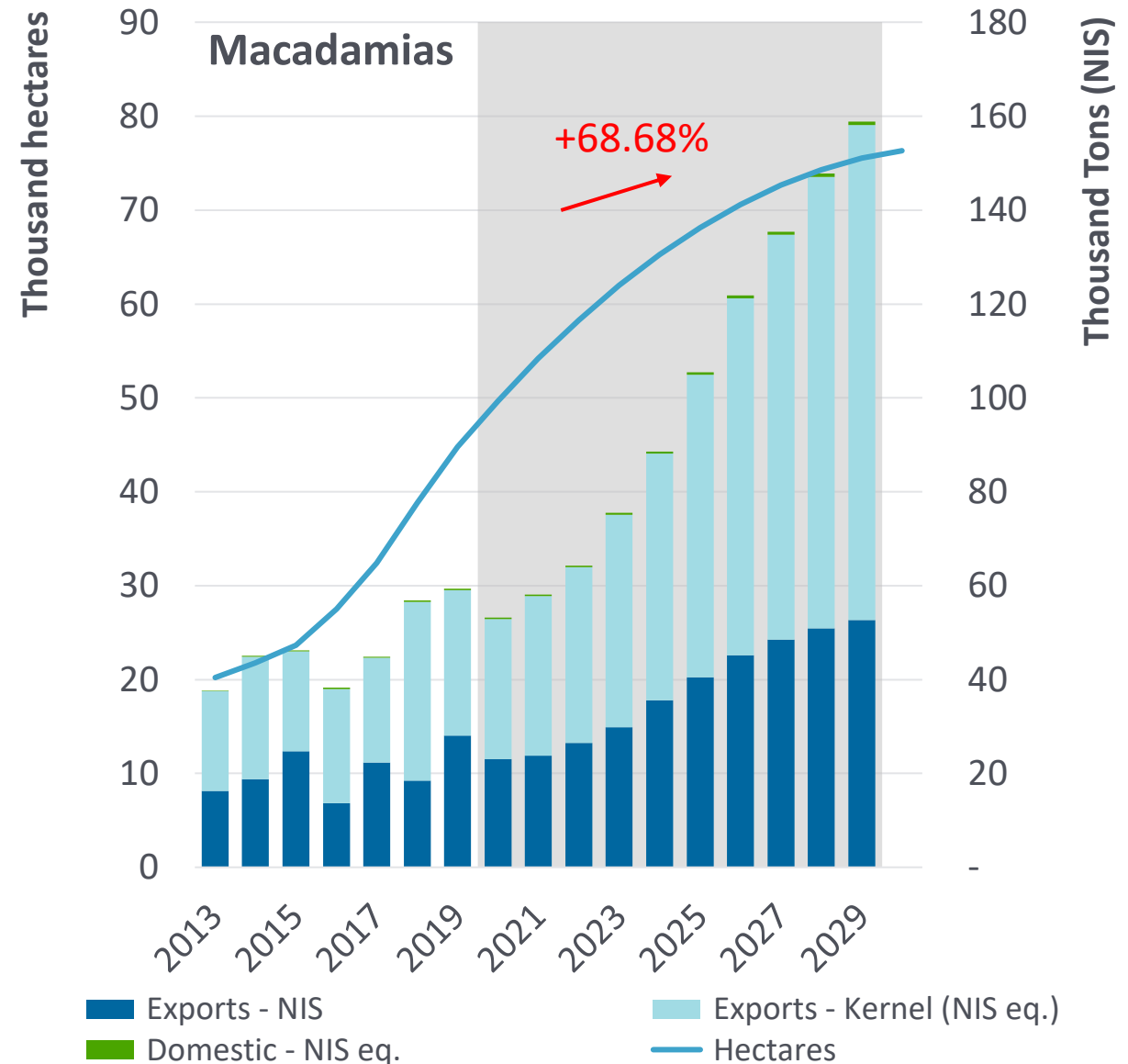
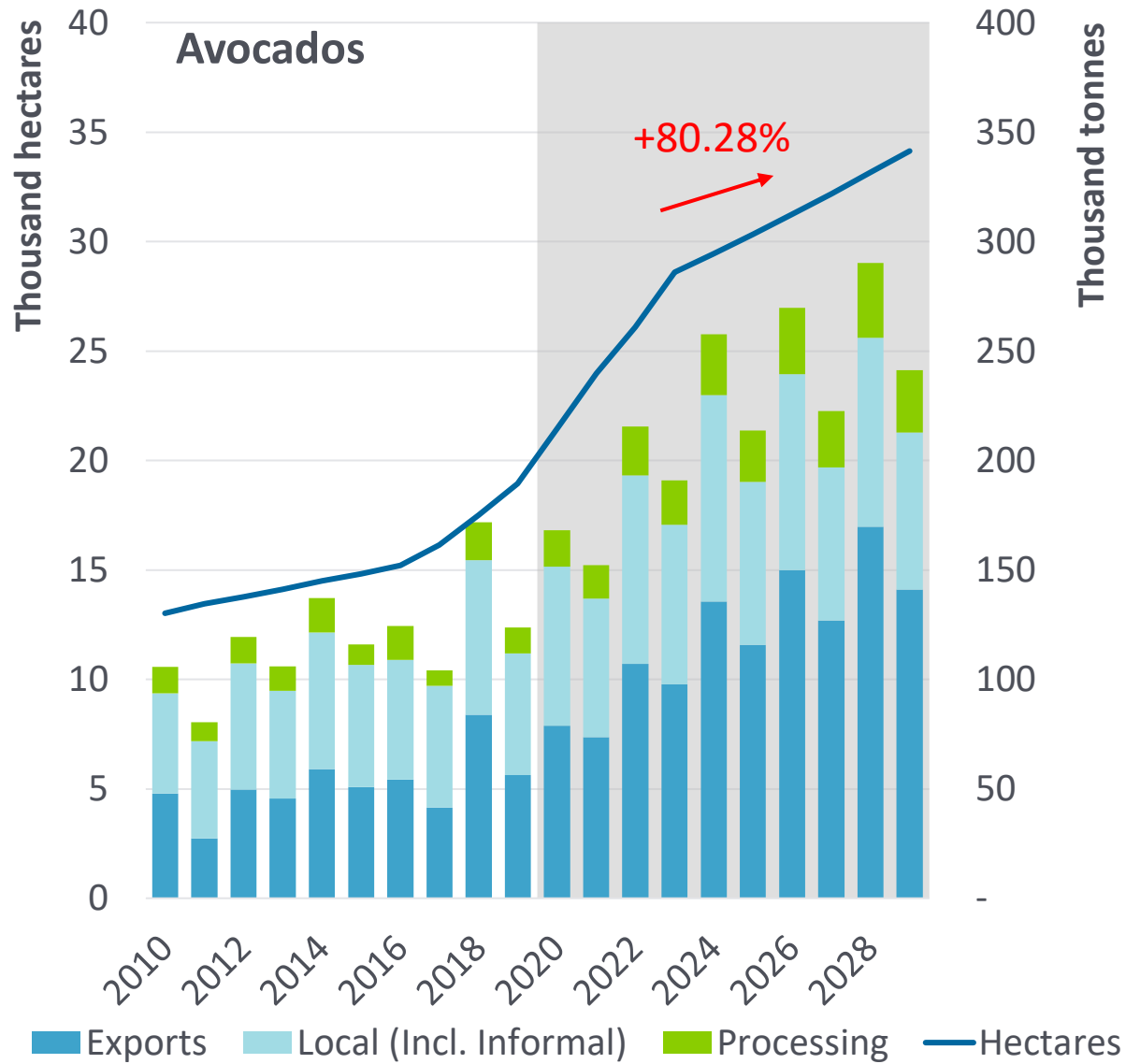


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# Commodities with significant area expansion projections

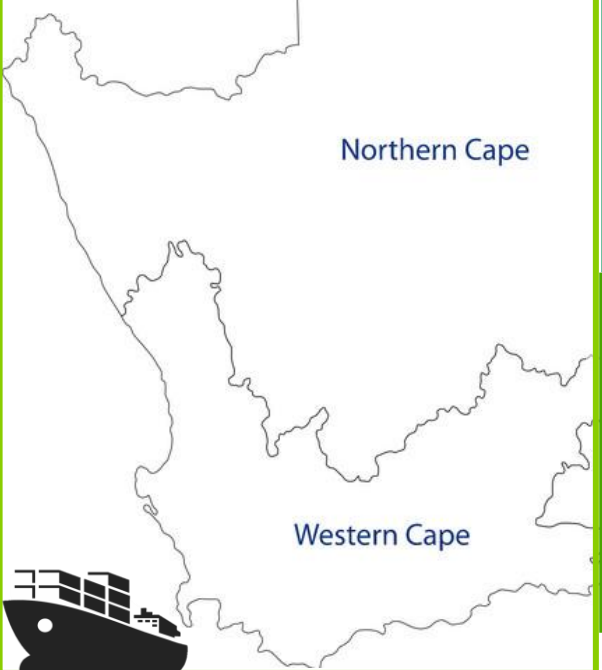


# Expansion of fruit production: 2019 to 2029

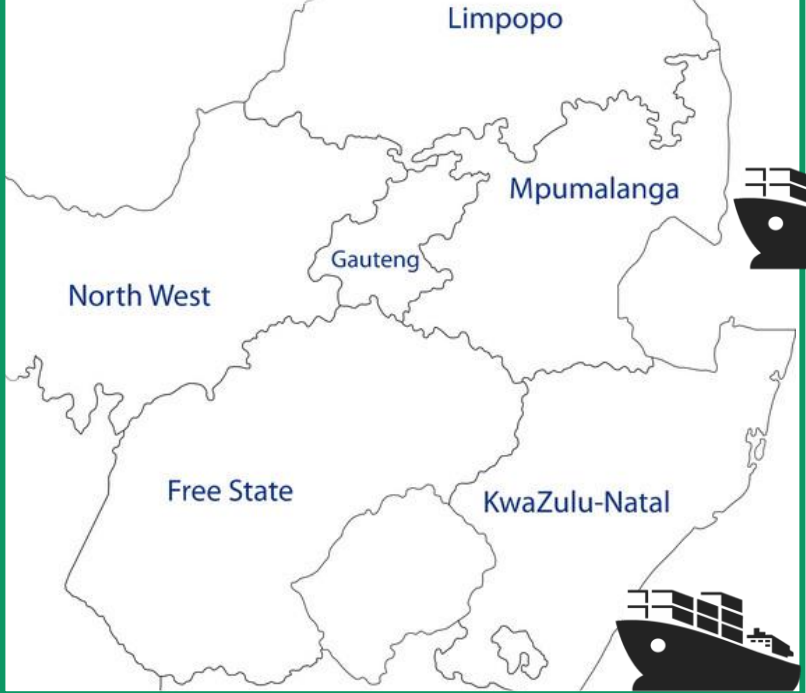


Production area, opportunities and closest harbour:

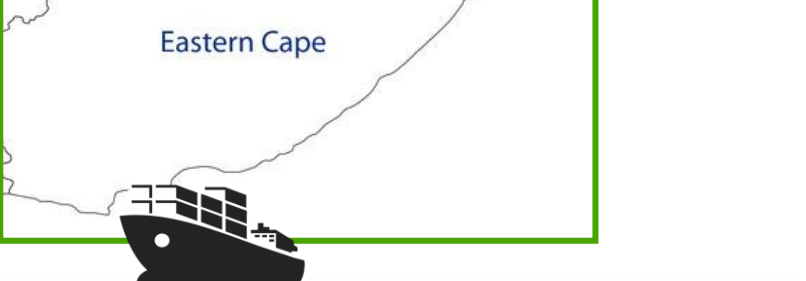
Share of fruit area in 2019: 46.7%  
Opportunity for expansion: +



Share of fruit area in 2019: 37.7%  
Opportunity for expansion: +++



Share of fruit area in 2019: 15.6%  
Opportunity for expansion: ++



Commodity	Export cartons	Equivalent carton size
Apples	45 313 126	12.50kg
Pears	19 275 107	12.50kg
Peaches & Nectarines	8 223 165	2.50kg
Plums & Prunes	12 836 004	5.25kg
Apricots	455 924	4.75kg
Oranges	101 986 453	15.00kg
Soft Citrus	26 194 558	15.00kg
Grapefruit	13 825 492	17.00kg
Lemons & Limes	34 675 483	15.00kg
Table Grapes	69 067 004	4.50kg
Avocados	35 282 984	4.00kg
<b>Total – 2029</b>	<b>367 135 300</b>	
	<b>↑ +40.6%</b>	
<b>Total – 2019</b>	<b>261 056 483</b>	

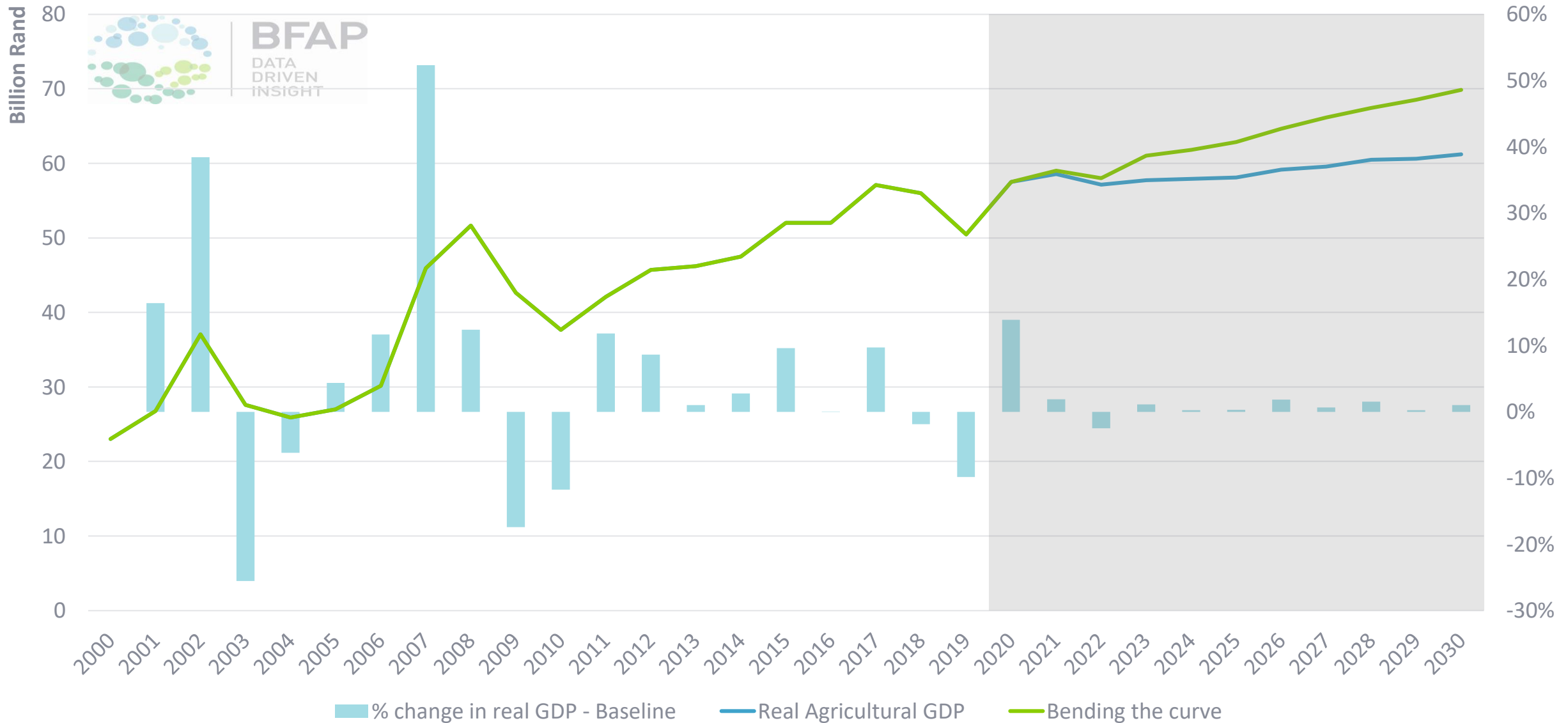


# Agriculture and Agro-processing Masterplan: Unlocking inclusive growth



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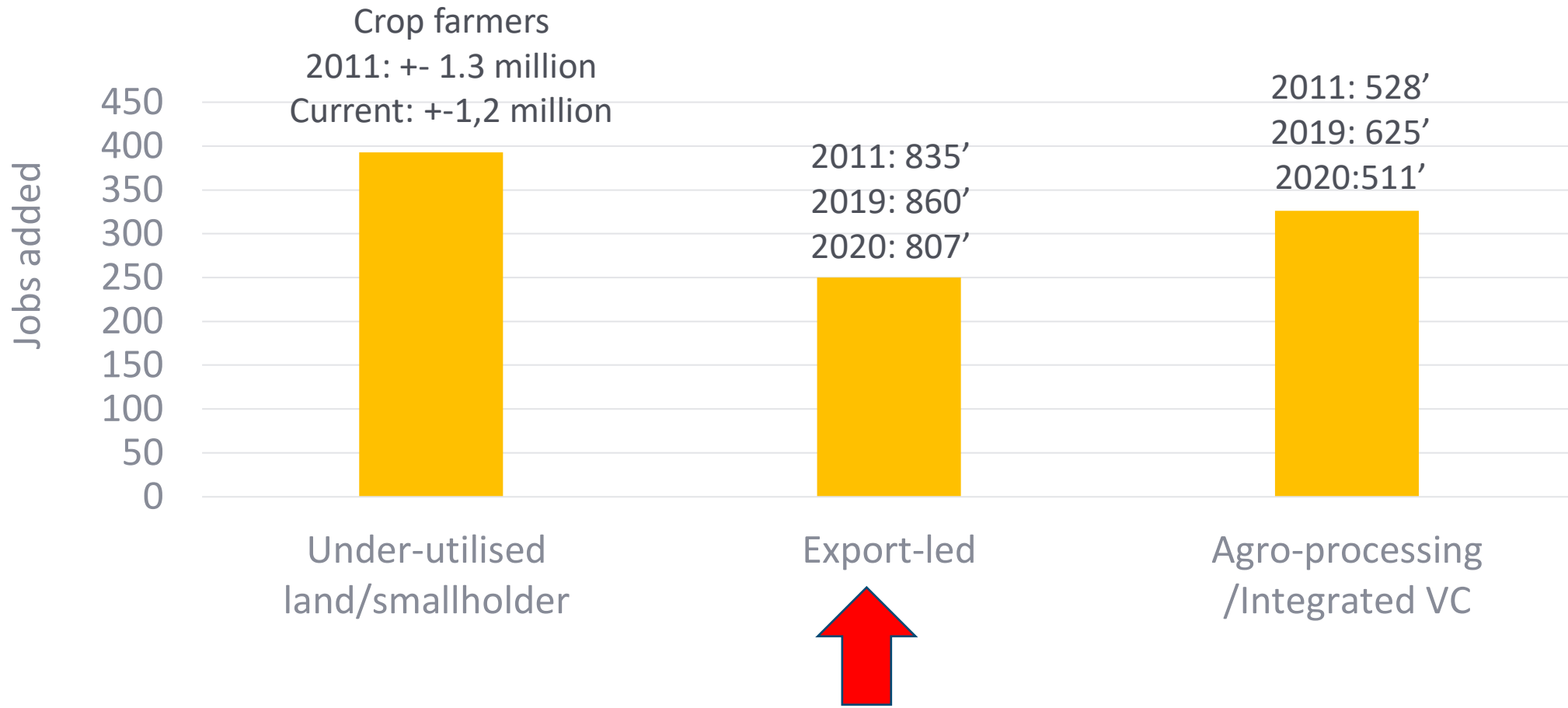
# Performance: Agricultural GDP



# Jobs and growth: NDP vision of the “million jobs”



## Jobs & Growth - 3-Tier approach



**Irrigation expansion since 2011: 36' out of 142' ha (NOT 500 000 ha)**

# Pre-conditions for inclusive growth & development



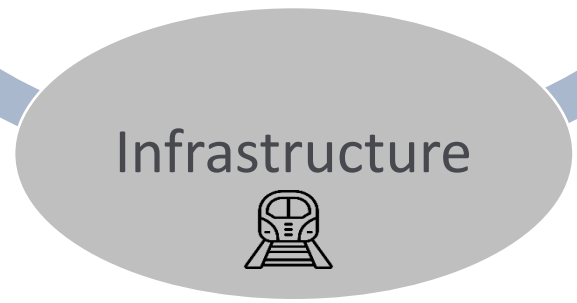
- Security of land ownership and tenure security models on communal & municipal farmlands
- Water with secure water rights
- Safety and security at farm-level and effective policing (theft of livestock, agriculture produce, electric infrastructure..etc.)



- Boost state capacity of critical departments Increased market access in regional & international markets with strong representation at SA missions
- Review of trade policies, tariffs, etc.
- Plant health and inspection services
- Traceability and biosecurity
- Upgrading infrastructure and effective management of fresh produce markets
- Infrastructure development focused on informal markets



- Access to finance (CAPEX, OPEX) focussing on smallholders and new entrants in a blended finance model
- “Green box” direct support measures where applicable
- Effective extension services provided by state and private sector – skills, training, coaching etc.
- Targeted R&D through ARC & Private Sector, DSI etc.
- Comprehensive agricultural information system including farmer registry

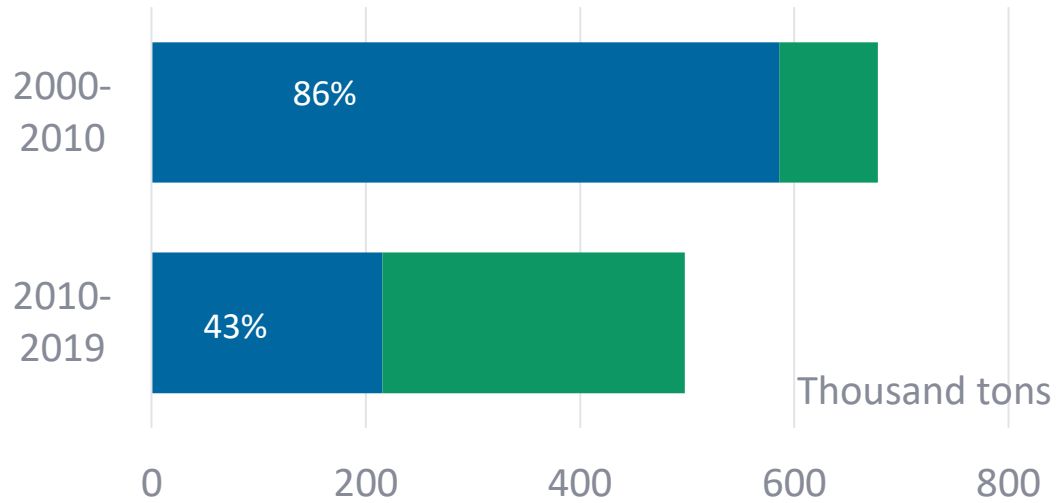


- Maintenance and upgrading of municipal services that have collapsed in many rural areas : roads, electricity, water & sanitation.
- Bulk supply of elect – ESKOM etc.
- Maintenance of water infrastructure for irrigation to reduce major losses
- Expansion of port facilities and capacity at border posts.

# Masterplan interventions could curb imports

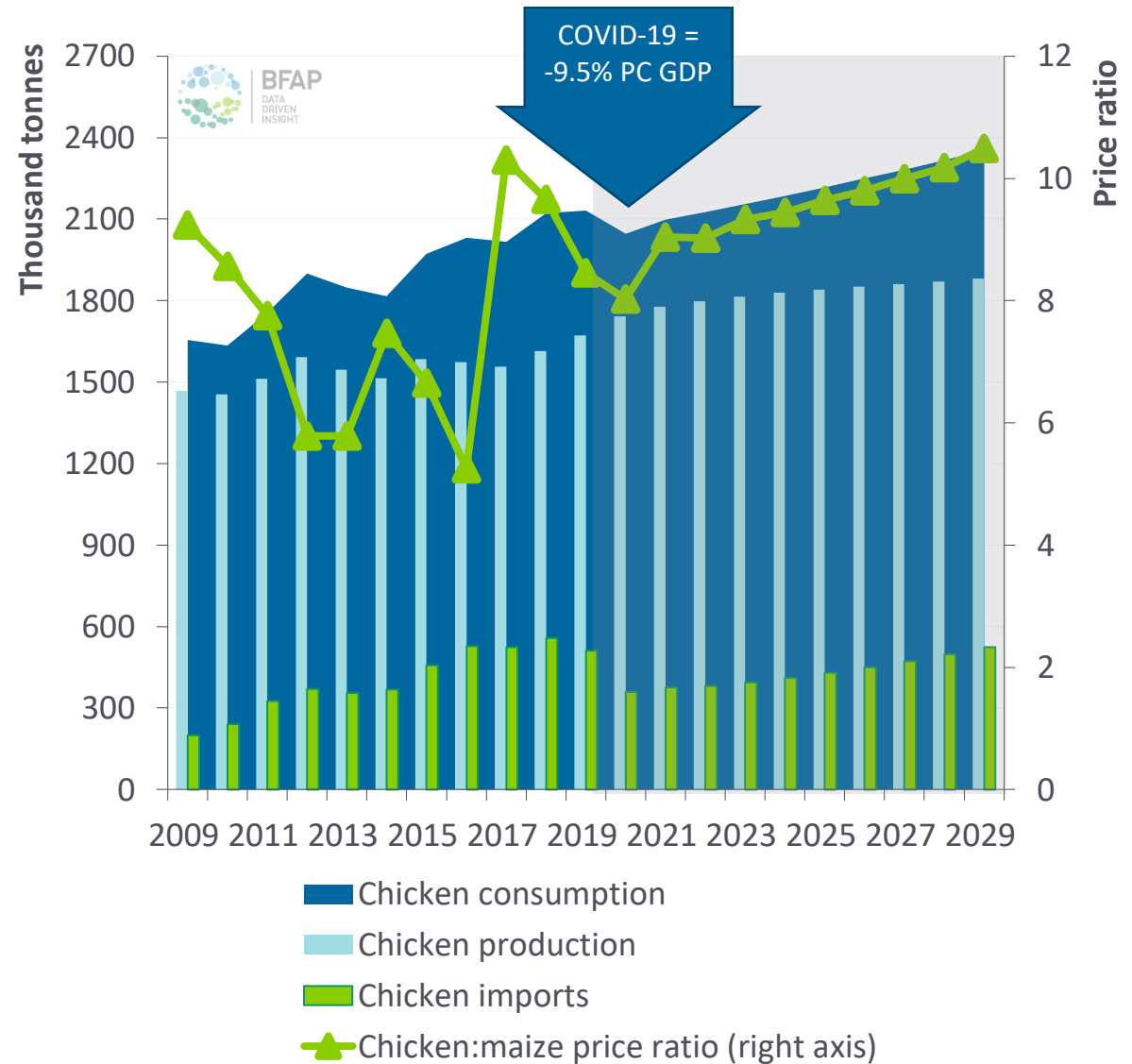


### Chicken demand growth



■ Supplied by local production ■ Supplied by net imports

- Combination of actions to ensure fair competition:
  - Tariff review
  - Legislative framework for labelling & traceability
  - Framework for SPS compliance to enable breast meat exports
  - Regulations to prevent thawing
  - Action against incorrect & under-reporting
- Competitiveness critical

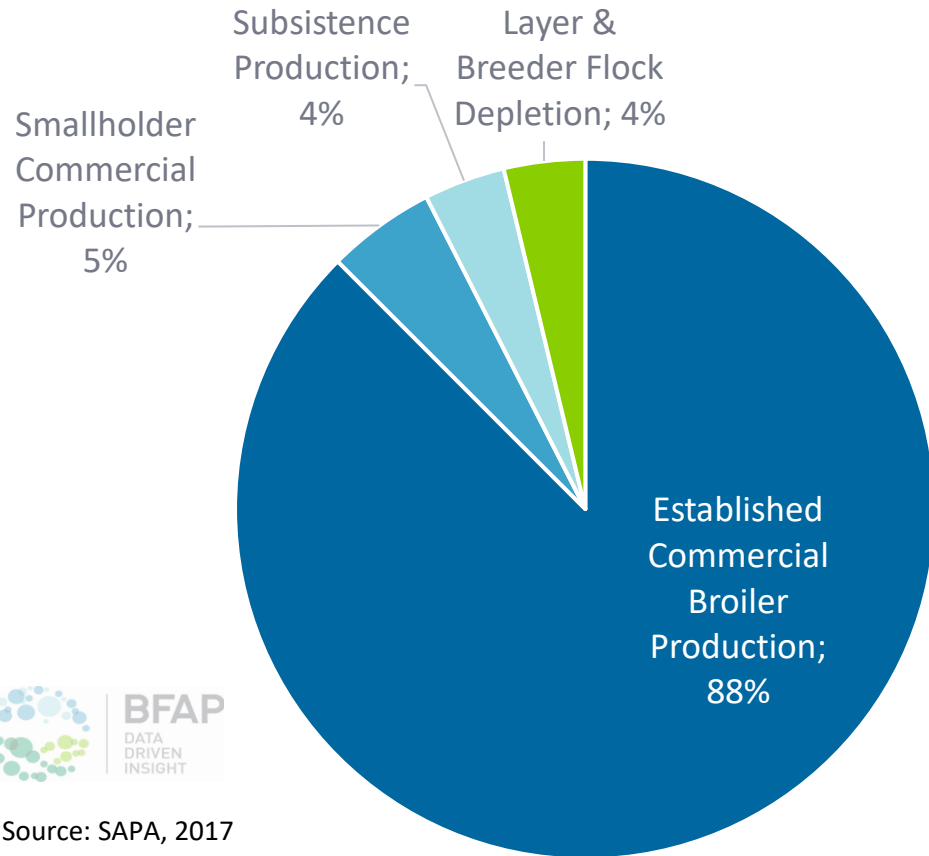




# Poultry: Dualistic Nature of Industry



## Contribution to Total Production



A number of independent producers also contribute, but their operations are at a much smaller scale and hence their share of total production is small at 5% for smallholder commercial and 4% for subsistence production. More than a million households are active in chicken production. Many commercially inclined small-scale producers market products directly to consumers.

## Incidence of poultry production

(Small Scale Commercial + Small Scale Subsistence = 8.8% of total production)

**1.04 Million Households active in poultry**

### Poultry Production Incidence

□ Provinces

— Railways

Share of HH farming Poultry (%)

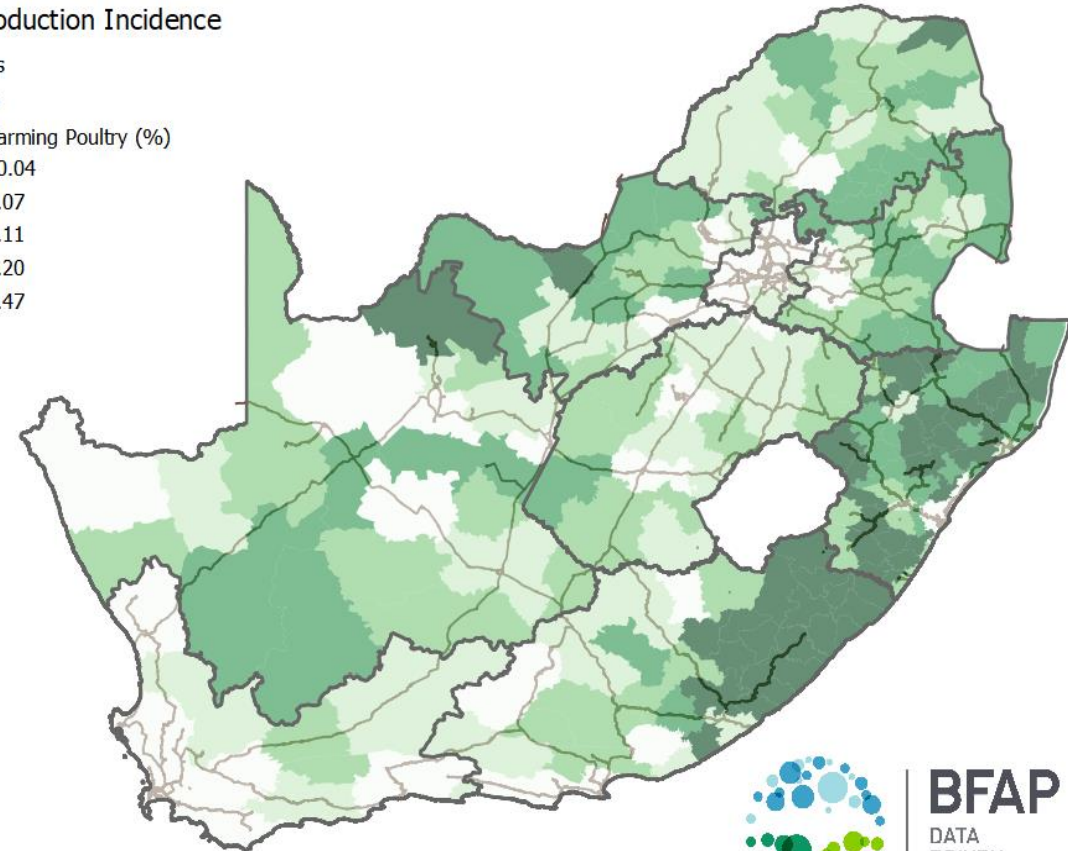
0.002 - 0.04

0.04 - 0.07

0.07 - 0.11

0.11 - 0.20

0.20 - 0.47

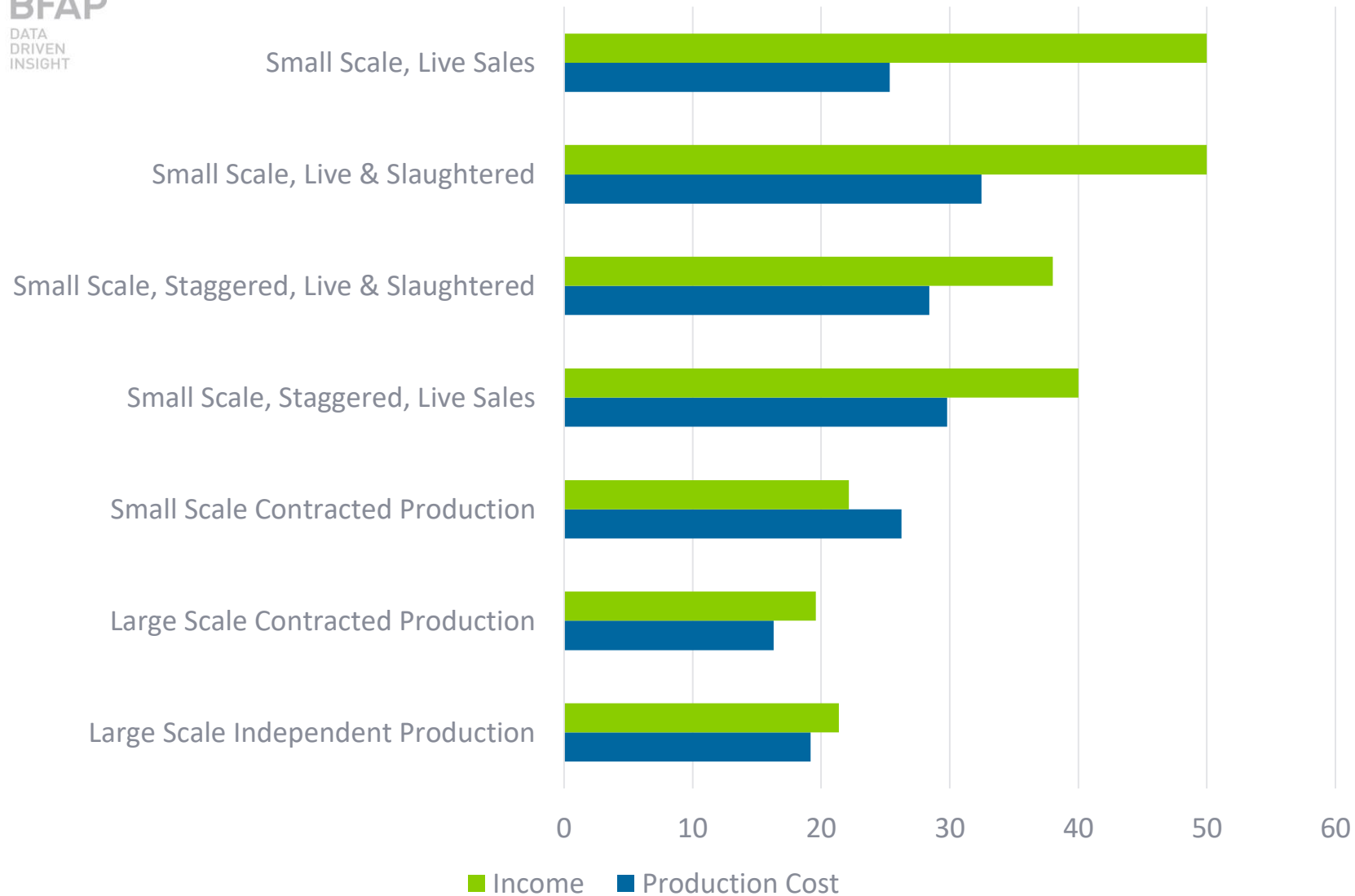


100 0 100 200 300 400 km



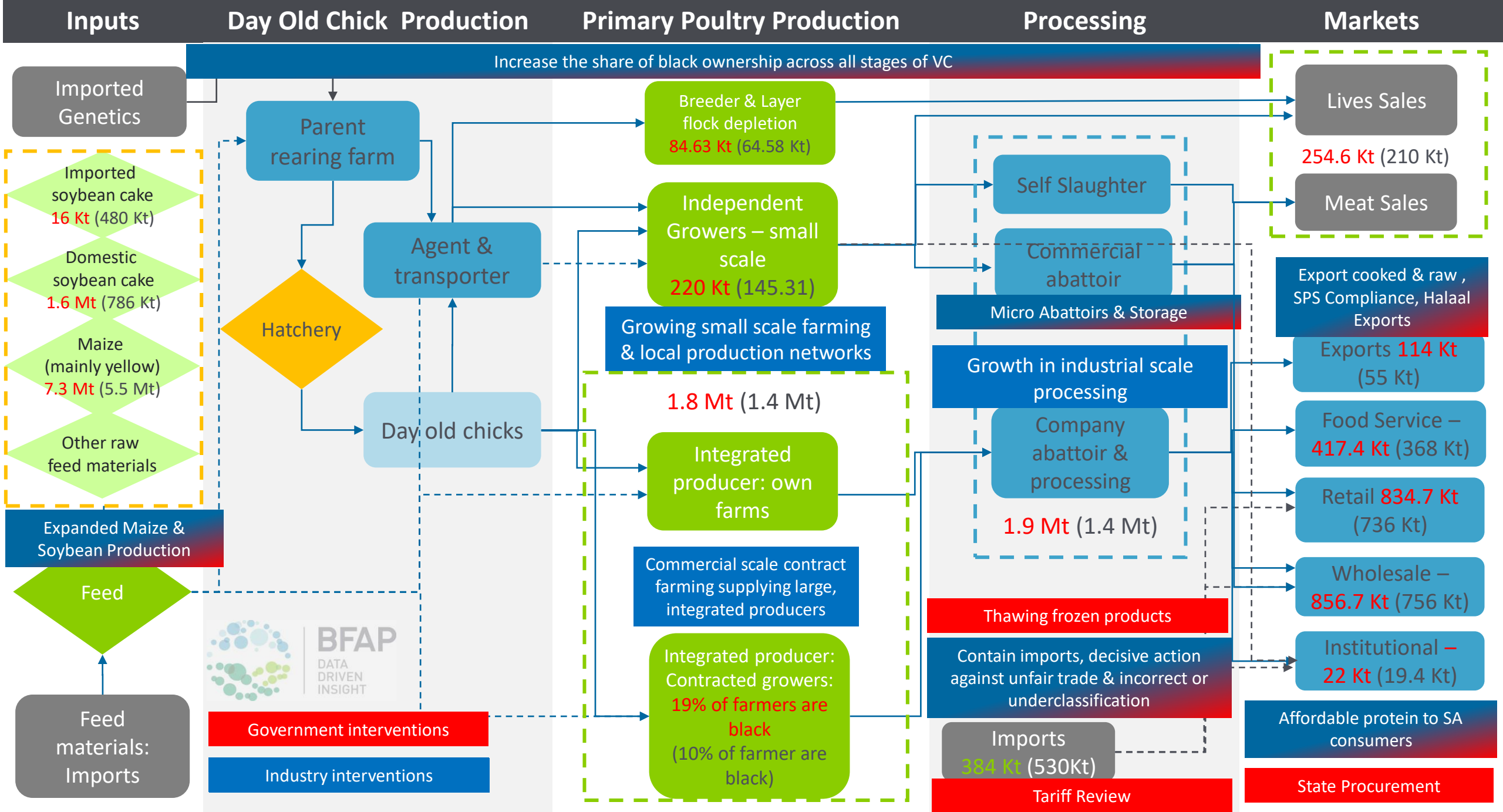


# High chicken and feed prices in informal chains



Source: BFAP, 2017

# Poultry Value Chain: Preliminary Ideal State





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