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Agriculture

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Monthly vegetable market report

Marketing and Agri-Business Section www.elsenburg.com

MONTHLY MARKET INFORMATION REPORT: VEGETABLES

Review period: January 2015 to January 2016

Issue: 2016/02

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INTRODUCTION

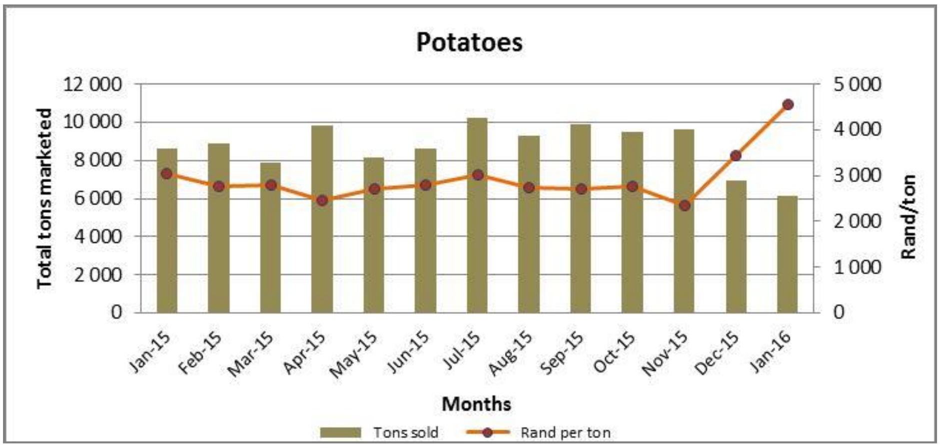
This report is a review of **selected vegetable sales at the Cape Town Fresh Produce Market,** the largest fresh produce market in the Western Cape.

The review will be issued on a monthly basis and will cover trend analysis relating to prices (Rand per ton) and volumes (tons) of the selected vegetables sold on the market, considered to be of importance due to the area under production or marketed volumes, however the combination of selected vegetables might change over time due to relevance.

1. PRICE AND VOLUME TREND ANALYSIS

1.1 Potatoes

Figure 1: Potatoes sales on the Cape Town Fresh Produce Market



Review of the national potatoes developments

In 2015, a significant increase was experienced in production volumes as well as subsequent record market levels available on the national fresh produce market (FPM). On average quantities have increased by 13% y/y which pressurised prices downward by 17% y/y (which resulted in an R 6 reduced in earnings per 10 kg sold during 2015). This was mainly due to more hectares being planted within the production year, in conjunction a 4.8% y/y yield improvement being obtained per hectare on average (Potatoes SA, 2016).

However, prospects for 2016 are doubtful as marginal decreases within production output is expected to result in market shortages which could amount to 5 or 6 million bags til the start of the winter season. Drier conditions together with heat waves has resulted in a decline in the supply since November 2015, as potatoes stock levels was more dependent on produce that was derived from the drought-stricken areas such as Gauteng, North West, South-Western Free State, Mpumalanga and Limpopo. This brought about a shortage of 1 million bags in December 2015 and 1, 9 million bags in January 2016 respectively. Adverse weather conditions also impact on product quality and the perishability of produce, which could add a premium in relation to lower quality produce. As a result, market prices have been undergoing upward pressure since November 2015 and have amounted to a 53% y/y increase compared to the 8% y/y shortage in supplies (Potatoes SA, 2016). Vegetable sellers have reported a 120% increase in consumer prices if compared between September 2015 and January 2016 (IOL news, 2016). Intensions to plant has reached 33,000 hectares, which has already been confirmed for some production areas, on par with planting estimations which could be more than the 54,000 hectares planted last year (Potatoes SA, 2016).

Cape Town/Epping Fresh produces market developments

Local conditions relate well to the national market challenges, as can be observed by the 11% m/m or 783 tons decrease in quantities, which pushed average prices upwards by 33% m/m or R 1,140 per ton.

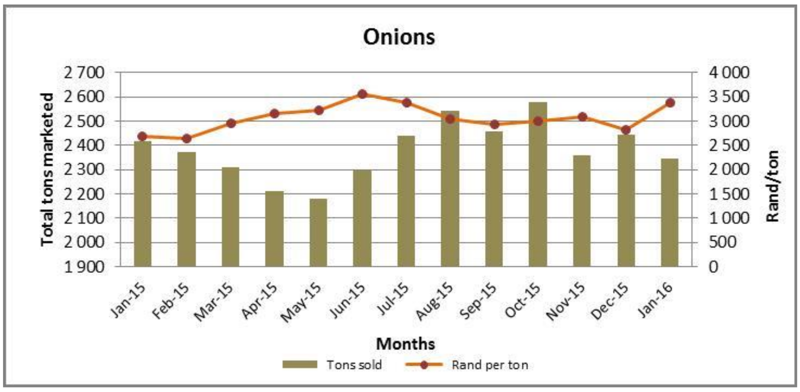
Assessing the annual trend, volumes on the Cape Town market decreased by 27% y/y or 2,467 tons, whilst average prices increased by 51% y/y or R1,536 per ton.

[1] *one bag of potatoes is equivalent to10 kilogram.*

Source: Potatoes SA & IOL news, January 2016

1.2 Onions

Figure 2: Onion sales on the Cape Town Fresh Produce Market

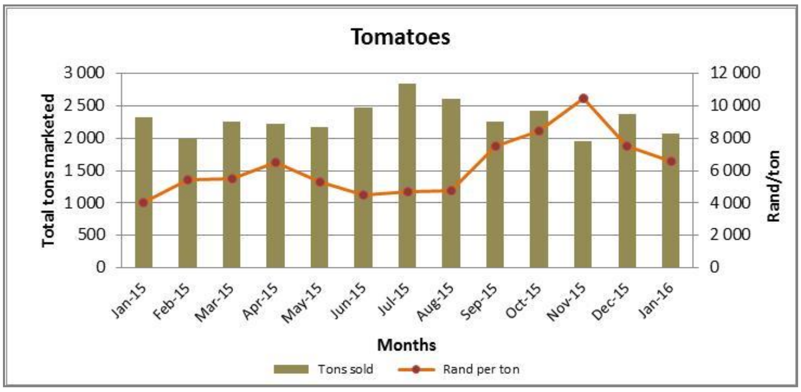


Onion supplies to the market decreased by 4% m/m, which pushed average prices by 19% m/m to R 3,377 per ton. An indication was provided that the adverse weather conditions resulted in unexpected rainfall which hampered the lifting and field sorting process of onions and thus resulted in lower volumes available (ABSA, 2016).

On an annual basis, volumes to the market decreased by 3% y/y whilst the average price increased by 25% y/y or R 684 per ton.

1.3 Tomatoes

Figure 3: Tomatoes sales on the Cape Town Fresh Produce Market

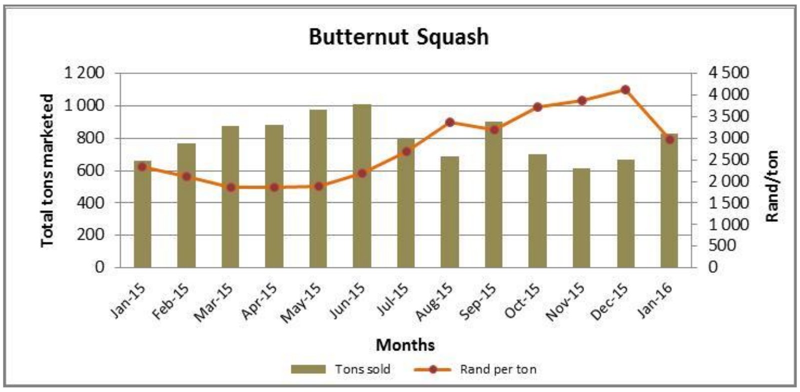


Volumes declined by 13% m/m or 259 tons compared to the previous month. Average price decreased by 12% m/m and reached R6, 605 per ton despite in lesser volumes being available on the market.

On an annual basis, volumes decreased by 11% y/y or 257 tons. Whilst average prices increased by 63% y/y or R2, 548 per ton which can be directly attributed towards the lower supplies.

1.4 Butternut Squash

Figure 4: Butternut sales on the Cape Town Fresh Produce Market

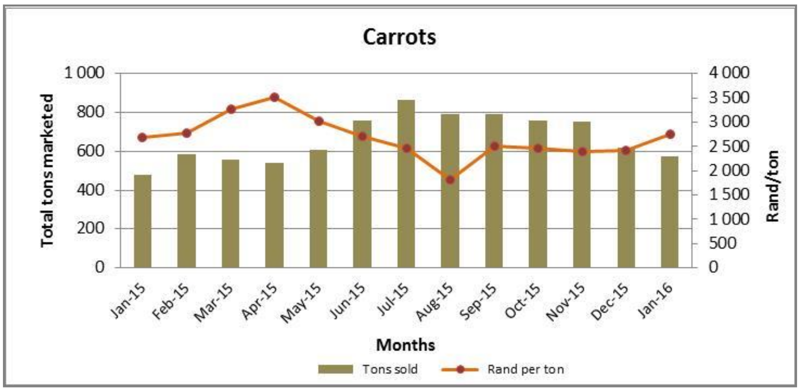


Monthly supplies to the market increased by 24% m/m or 159 tons. The market reacted to the oversupply through an increase of 28% m/m or R1, 163 per ton especially given the warmer conditions experienced in which the demand for certain vegetable types was influenced by seasonal consumer choices.

On an annual basis, the supply of butternut squashes was higher by 26% y/y, whilst prices were lower by 26% y/y or R 615 per ton.

1.5 Carrots

Figure 5: Carrots sales on the Cape Town Fresh Product Market

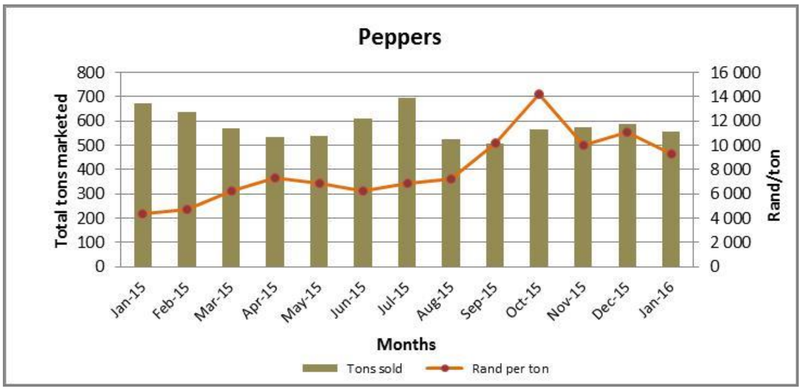


Volumes decreased by 7%m/m, whilst the average prices has increased by 15%m/m or R 354 to an amount of R2,764 per ton.

Whilst supply to the market increased by 20% y/y or almost 100 tons to 575 tons. Average prices was however not responded significantly and has merely declined by 3% y/y and reached R2, 764 compared to R2, 678 per ton.

1.6 Peppers

Figure 6: Pepper sales on the Cape Town Fresh Produce Market

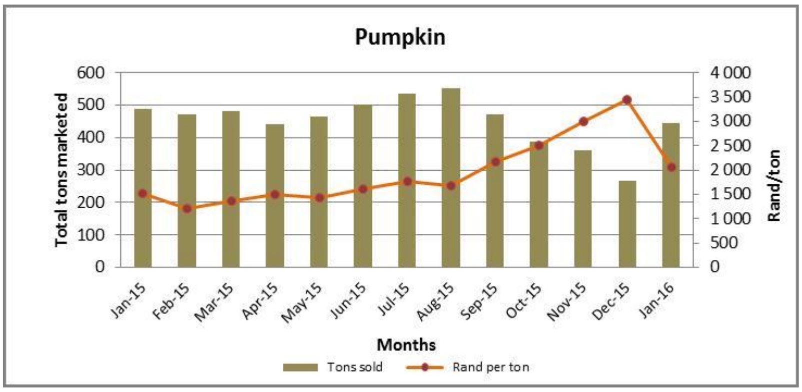


Monthly supplies decreased by 5% m/m to 558 tons, accompanied by a subsequent price decrease of 17% m/m and reached R9, 263 per ton.

Volumes decreased if compared to the same period in the previous year by 17% y/y or 113 tons, given the circumstances which raised during the recent drought conditions experienced, Average prices responded through an increase of more than 100% y/y or proximally R5, 000 more per ton sold during January 2016, compared to the R4, 334 obtained per ton during the same period last year.

1.7 Pumpkin

Figure 7: Pumpkin sales on the Cape Town Fresh Produce Market

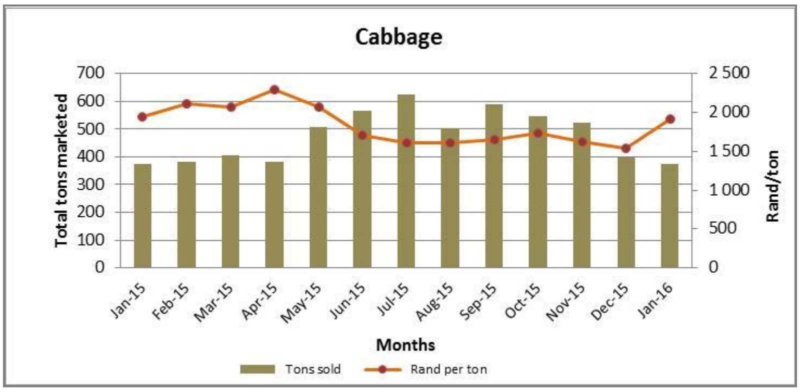


Volumes marketed increased by 67%m/m or 178 tons more, compared to the previous month to reach 444 tons. This resulted in an upward shift in average price from R3, 435 to R2, 050, which translates to a loss of more than R1, 300 in the earning of a ton of pumpkin sold during January 2016 compared to the previous month.

On an annual basis, supplies decreased by 9%y/y whilst average prices obtained were 34% y/y or R524 per ton more compared to the same period in the previous year.

1.8 Cabbage

Figure 8: Cabbage sales on the Cape Town Fresh Produce Market

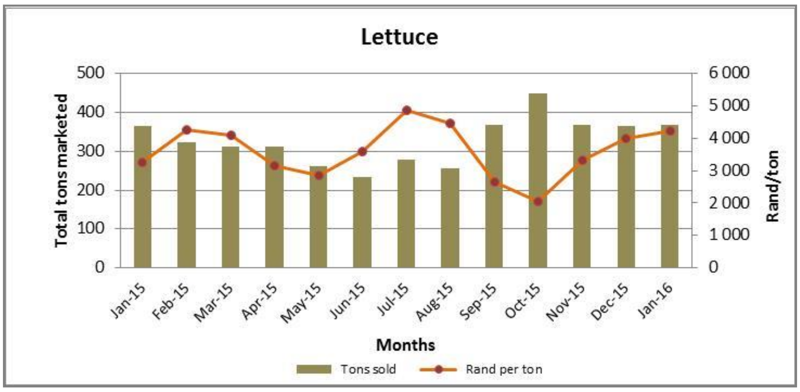


Quantities decreased by 6% m/m to 373 tons, which has pushed average prices upwards by 24% m/m from R1543 to R1912 per ton.

On an annual basis, volumes remained more or less unchanged whilst averages prices decreased by a mere 1% compared to the same period in the previous year.

1.9 Lettuce

Figure 9: Lettuce sales on the Cape Town Fresh Produce Market

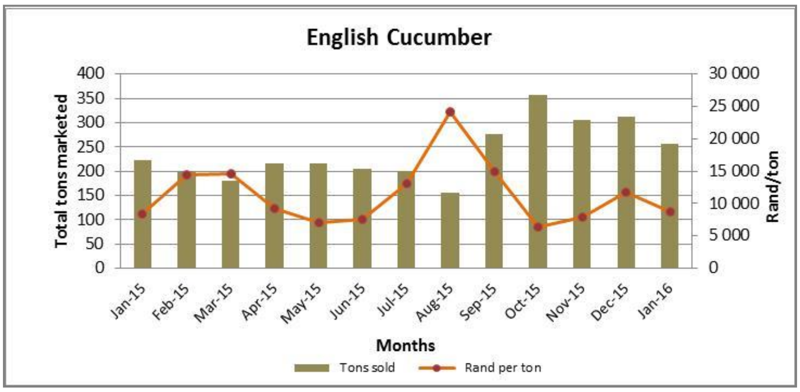


Volumes supplied remained more or less unchanged, compared to the previous month. Average prices however increased by 6% m/m or R230 per ton, which could be attributed to an increased demand for produce such as lettuce.

On the other hand, volumes remained stable with no significant change to volumes. Annual average prices have however increased by 30% or approximately R1, 000 per ton.

1.10 English Cucumber

Figure 10: English Cucumber sales on the Cape Town Fresh Produce Market

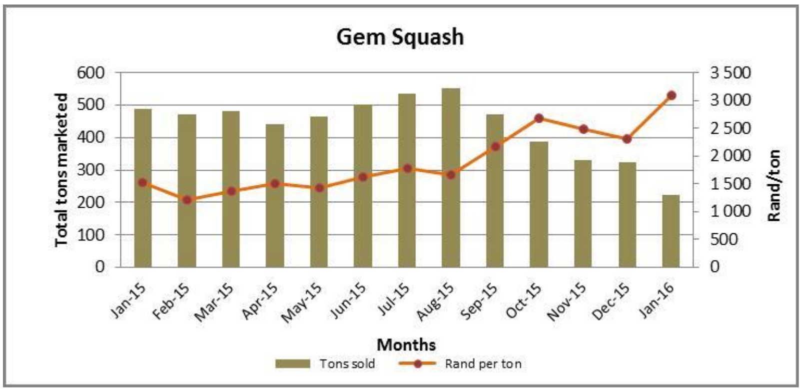


Monthly supplies decreased by18% m/m to 265 tons, accompanied by lower average prices which decline by more than 25%m/m from R11, 681 to R8, 673 per ton.

On an annual basis, volumes increased by 15% y/y or 34 tons to reach 256 tons, whilst the average prices were more by 3% y/y to reach R8,674 per ton relating to R267 more per ton.

1.11 Gem Squash

Figure11: Gem squash sales on the Cape Town Fresh Produce Market

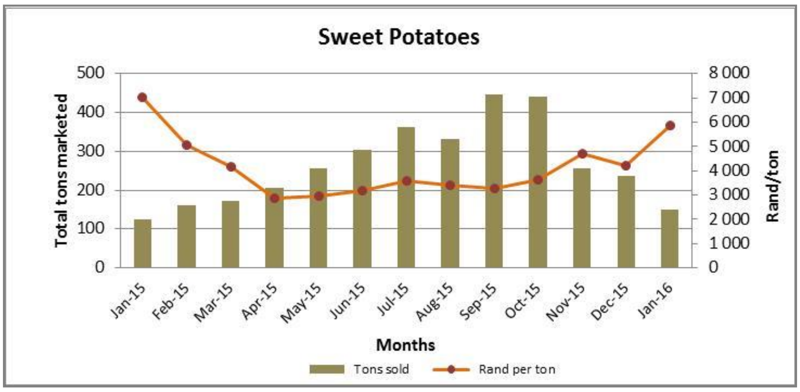


Gem squash volumes have been on a downward trend as from September 2015, which could be attributed towards the influence of the adverse weather conditions of certain seasonal vegetable types. Supply further decreased during January 2016 by another 31% m/m and reached 224 tons. This resulted in average prices being pushed upwards by 34% m/m or R786 per ton.

On an annual basis, volumes decreased by more than 50% or 266 tons. The shortage in supply resulted in average prices to increase by more than 100% y/y or R1, 500 per ton more than the same period last year.

1.12 Sweet Potatoes

Figure 12: Sweet potatoes sales on the Cape Town Fresh Produce Market



Volumes during January 2016, decreased by 36% m/m, from 236 to 150 tons compared to the previous month. The severe shortage in supplied, led to a monthly price increase of 38% m/m to reach R5, 876 per ton – relating to more R576 per ton.

On an annual basis, volumes increased by more than 20% y/y or 25 tons. Averages prices however decreased by 17% y/y or R1, 175 per ton in comparison to the same period last year.

TREND ANALYSIS OF NICHE VEGETABLES TRADED ON THE CAPE TOWN FRESH PRODUCE MARKET:

PRODUCE NAME: (in order of the highest to lowest volumes sold during this month)	AVERAGE TONS TRADED FOR JANUARY 2016: (tons) (A-Z)	CHANGE IN THE AVERAGE TONS TRADED FOR JANUARY 2016: (m/m)	AVERAGE PRICE OBTAINED FOR JANUARY 2016: (Rand per ton)	CHANGE IN THE AVERAGE PRICE MARKETED FOR JANUARY 2016: (m/m)
13. Cauliflower	123	-13%	R5 643	10%
14. Sweetcorn	99	-9%	R6 045	-25%
15. Green beans	89	-23%	R9 093	14%
16. Baby Marrow	89	-8%	R8 504	31%
17. Brinjals /Eggplant	86	27%	R3 637	-35%
18. Beetroot	74	-20%	R3 203	12%
19. Broccoli	60	13%	R14 979	39%
20. Marrow	32	11%	R819	-4%
21. Spinach	23	-5%	R8 350	16%
22. Leeks	19	25%	R3 264	1%
23. Hubbard Squash	18	-68%	R1 713	45%
24. Spring Onion	17	2%	R6 136	13%
25. Mushrooms	9.2	-2%	R55 674	<1%
26. Patty Pans	6.9	13%	R5 846	1%
27. Radish	1.1	-20%	R10 708	-32%

2.1 REVIEW OF SOUTH AFRICAN VEGETABLE EXPORT STATISTICS, FOR THE PERIOD ENDING DECEMBER 2015

Table 1: Vegetable exports from South Africa to the rest of the world during 2015, expressed in million rand

HS07: Edible vegetable, certain roots and bulbs	World	Africa	Europe	America	Asia	Unallocated	Oceania
H0701: Potatoes, fresh or chilled	588.54	581.26	0.31	0.18	5.15	1.48	0.17
H0702: Tomatoes, fresh or chilled	116.32	115.33	0.01	0.00	0.92	0.06	0.00
H0703: Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled:	338.00	334.45	2.13	0.01	0.03	1.24	0.13
H0704: Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled:	62.21	55.25	6.89	0.00	0.00	0.06	0.00
H0705: Lettuce (LACTUCA SATIVA) and chicory (CICHORIUM SPP), fresh or chilled:	26.48	26.46	0.01	0.00	0.00	0.00	0.00
H0706: Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled:	136.86	120.87	15.70	0.00	0.05	0.24	0.00
H0707: Cucumbers and gherkins, fresh or chilled	20.62	20.57	0.00	0.00	0.05	0.00	0.00
H0708: Leguminous vegetables, shelled or unshelled, fresh or chilled	83.49	75.20	8.08	0.00	0.13	0.05	0.00
H0709: Other vegetables, fresh or chilled:	390.53	195.99	171.34	2.93	20.21	0.04	0.00
H0710: Vegetables (uncooked or cooked steaming or boiling in water), frozen	207.54	200.70	4.08	0.00	2.74	0.00	0.00
H0711: Vegetables provisionally preserved	17.72	17.21	0.32	0.01	0.17	0.00	0.00
H0712: Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared:	32.97	13.56	10.07	8.89	0.00	0.00	0.44
H0713: Dried leguminous vegetables, shelled, whether or not skinned or split	151.82	143.83	0.73	4.99	1.86	0.00	0.42
H0714: Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch content	20.42	9.67	10.59	0.00	0.15	0.01	0.00
H0729: Edible vegetables and certain roots and tubers	0.00	0.00	0.00	0.00	0.00	0.00	0.00
H0730: Edible vegetables and certain roots and tubers	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Department of Trade and Industry (DTI) trade statistics, 2016

The South African Revenue Services (SARS) released the monthly trade statistics (including the BNLS) for the month of December 2015, which reflected a trade surplus of R 8, 22 billion (SARS, 2016). Edible vegetables (HS07) contributed towards 5.4% of the vegetable products category (including HS06 to HS14) exports in December 2015 whilst the contribution equated to 4.3% of the exports in the mentioned category for the rest of 2015 (DTI, 2016).

Assessing the export destinations in 2015, Africa accounted for 87.1% of the edible vegetable, certain roots and bulbs (HS07) exports followed by Europe (10.5%), Asia (1.4%) and America (0.8%). The majority of vegetables are exported to Africa consist of include potatoes, onions, tomatoes, lettuce and cucumbers. African fresh or chilled exports are followed by uncooked, preserved, dried leguminous and leguminous vegetables (refer to table 1).

2.2 Department of Trade and Industry (DTI) National Pavilion list for 2016/17

Click **here** to view the list 2016/17 National pavilion list. Alternatively visit the DTI website at www.thedti.gov.za.

Herewith a reminder regarding the trade bulletins publications (list of export trade opportunities) which are issued by the DTI on weekly basis. Alternatively, visit the DTI website at: http://www.thedti.gov.za/trade_investment/export_opportunities.jsp or subscribe to the bulletins, by forwarding an email to either: Martha Mahlangu at Martham@thedti.gov.za or Percy Ngobeli at PNgobeli@thedti.gov.za .

2.3 Fuel price adjustment, effective from Wednesday, 03 February 2016

Product description	Numeric adjustment (cents per litre)	Price adjustment description	Coast SA (cents per litre)
Petrol 93 ULP	6c	cents per litre **increase** in retail price	1 182.00
Petrol 95 ULP & LRP	6c	cents per litre **increase** in retail price	1 200.00
Diesel 0.05% Sulphur	62c	cents per litre **decrease** in wholesale price	943.17
Diesel 0.005% Sulphur	63c	cents per litre **decrease** in wholesale price	947.57
Illuminating Paraffin (Wholesale)	59c	cents per litre **decrease** in wholesale price	535.03
Illuminating Paraffin (SMNRP)	79c	cents per litre **decrease** in the Single Maximum National Retail price (SMNRP)	749.00
Maximum Retail Price for LPGAS	1c	cents per kilogram **increase** in the maximum retail price x LPG for residential customers is derived as per the control sheet per kilometre	392.21 (refinery gate)

Source: Department of Energy, 29 January 2016

2.4 Weather update: DAFF NAC Advisory Early warning update

Dry conditions continued due to the absence of sufficient rainfall, together with above average temperatures over most parts of the province. These conditions increased water consumption and thus several local municipalities introduced water restrictions as a counter measure to curb water usage (DAFF NAC, 2016).

"In the drought affected areas farmers who can afford fodder are buying it at high cost, resulting in the decrease in profitability concerning livestock farming. The high cost of fodder is exacerbated by the drought in other provinces resulting in a greater demand for it thereby increasing the price of fodder even further. The level of dams has decreased compared to the previous year (48% in 2016 and 68% in 2015) during the same period. Drought continues in provinces with water restrictions being implemented. The seasonal forecast favours below normal rainfall coupled with above normal temperatures. With the seasonal forecast in mind, and the current drought, farmers are advised to continue to conserve water and other resources in accordance with the Conservation of Agricultural Resources Act 1983, (Act No. 43 of 1983)" (DAFF NAC, 2016).

2.5 High fresh produce prices are having a severe strain in fresh produce retailing in South Africa and the neighbouring countries

Escalating fresh produce prices in South Africa, together with the anticipation of a 100% crop losses in Swaziland are making it practically impossible for fruit and vegetable retailers to continue any trade thereof. The effects of drought and El Nino have significantly impacted the availability of produce on the fresh market and have pushed prices both on an international scape and may even result in famine in others (Fresh Plaza, 2016).

Retailers in net importing Southern African countries of fresh produce are forced to purchase stock in the neighbouring South Africa, which is currently inadequate and expensive with some of the produce being more scares than others due to the unfavourable weather conditions. For example, in Swaziland the following vegetables such as potatoes, onions, carrots, cucumber, butternut and beetroot are among the produce the country has in short supply and have to be imported from South Africa provided that there is surplus stock in addition to domestic demands. This is however challenging given that shortages are already influencing market dynamics within the South African domestic market (Fresh Plaza, 2016).

ACKNOWLEDGMENTS

The following institutions and organisations are hereby acknowledged:

Department of Agriculture, Forestry and Fisheries: www.daff.gov.za

Department of Energy: www.energy.gov.za

Department of Trade and Industry: www.dti.gov.za

Fresh Plaza: www.freshplaza.com

IOL News: www.iol.co.za

Potatoes South Africa (SA): www.potatoes.co.za

SARS: www.sars,gov.za

Techno Fresh CRM: www.technofresh.co.za

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