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Monthly vegetable market report

Marketing and Agri-Business Section   www.elsenburg.com

MONTHLY MARKET INFORMATION REPORT: VEGETABLES

Review period: March 2015 to March 2016

Issue: 2016/04

IN THIS ISSUE

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.

OVERVIEW OF THE NATIONAL AGRICULTURAL MARKETING INFORMATION SYSTEM (AMIS), OFFERED BY THE DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES (DAFF)

The Agricultural Marketing Information Systems (AMIS) is a database interface offered by the Department of Agriculture, Forestry and Fisheries (DAFF).

The main purpose of the Agricultural Marketing Information System (AMIS) is to provide reliable & updated information to farmers. In order to assist farmers to plan activities relating to production and marketing in a much informed manner.

Agricultural market information is provided for horticulture, field crops, livestock and industrial products, and includes the following categories:

- marketing prices,
- grading and standard information,
- annual price trends, and
- marketing news (pertaining to the application procedures for import and export permits).

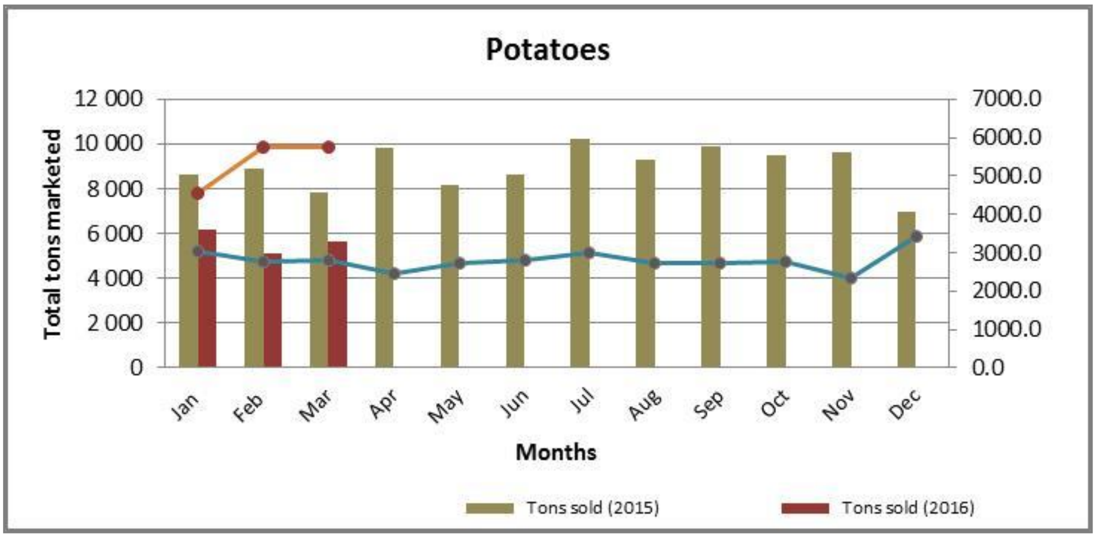
Click on the following website link to access the ***DAFF AMIS*** web application, or alternatively go to the web address: **http: //webapps.daff.gov.za/amis.** Cell phone user can send an sms to ****120*4040#***

Please note that prices are updated after 12h00 a.m. on a daily basis.

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 market: March 2016

A shortage of about 5 million bags of potatoes (equating to 50,000 tons or 20% y/y lesser) was experienced on the national market between January 2016 and March 2016, if compared to the same period last year (PSA, 2016). This resulted in average market prices increases of 105% y/y which exceeded the long term trend in that if quantities decrease by 10% y/y, market prices will escalated upwards by at least 15% y/y. Average potatoes price escalations experienced since October/November 2015 till recent has been the highest recorded prices obtained to date.

Confirmation has already been received for 50,000 hectares to be planted in 2016 in total which provides an indication of 90% of the 54,000 hectares planted during 2016. Although last year's harvest produced about 4,630 bags per hectare and 250 million bags in total, aspirations are less hopeful for 2015 due to the persisting above normal temperatures. Although the hectares will remain consistent with last year's plantings, the effects of the drought will continue to bring about shortage in quantities on the market due to lower yields as well as poorer quality produce (especially in terms of the size distribution amongst the different classes) compared to overall industry norms evident in previous production years.

The effects of the drought has brought about the abovementioned trend, and thus no stockpiling has been taking place as a result of lower yields that are realised compared to the 2015 potatoes season in which record levels were reached for most part of the year. Stock marketed during the months of January to March 2016 were mainly derived from producing areas such as the North West, Gauteng, Southern Western Free State, Mpumalanga and the Eastern Free State which are subjected to the ripple-effect of the adverse weather conditions.

Western Cape potatoes market developments: March 2016

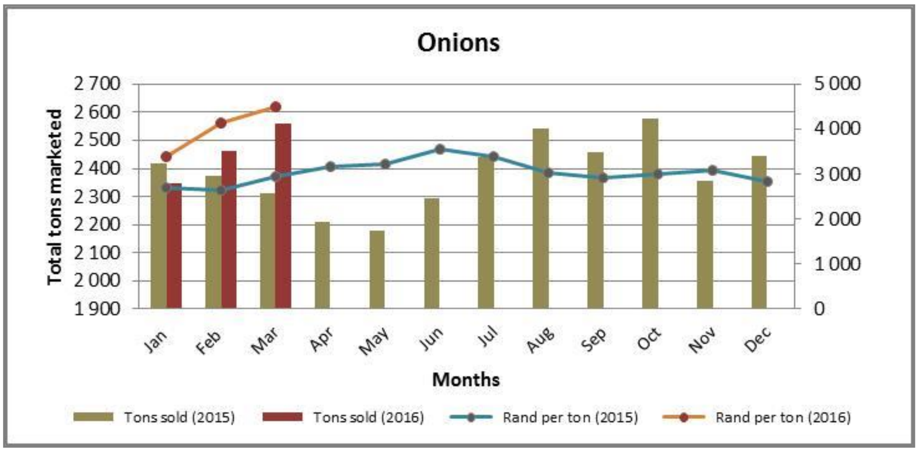
Volumes supplied as from January 2016 has been on a downward trend; however there were a slight recovery within the month of March 2016 as quantities supplied to the market increased by 10% m/m or 532 tons compared to the previous month. The market price in March 2016 remained unchanged compared to the previous monthly price increases experienced both in January and February 2016. This is a welcomed relieve for end consumers whom are at the receiving end of the 105% y/y or R2, 960 price increase per ton which is a underlying cause of the volume shortages on the market of 28% y/y or 2,208 ton compared to the same period in the previous year.

❖ 1 bag of potatoes equals 10 kilogram

Source: Potatoes SA, Technofresh & DAFF (2016)

1.2 Onions

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

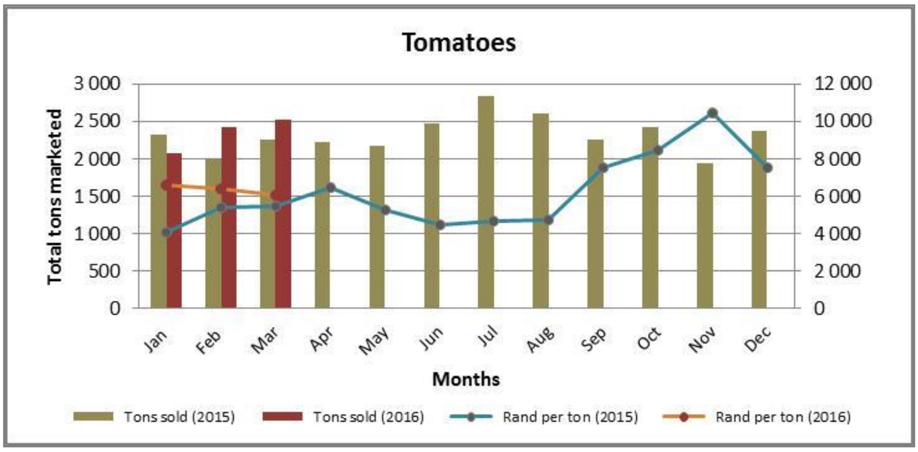


Onion volumes were on an upward trend as from January 2015, as indicated in figure 2 with a monthly increase of 4% m/m or 95 tons compared to the previous month to tally to 2,465 tons. Regardless of the increasing volumes, market prices further increased by 8% m/m or an additional R351 per ton and reached R4, 493 per ton.

On an annual basis, volumes have increased by 11% y/y or 249 tons in relation to the same period in the previous year. Whilst market prices are evidently also much higher compared to the start of the 2016 production year (refer to figure 2). In March, average prices obtained were 52% y/y or alternatively R1, 532 per ton more than the same period last year.

1.3 Tomatoes

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

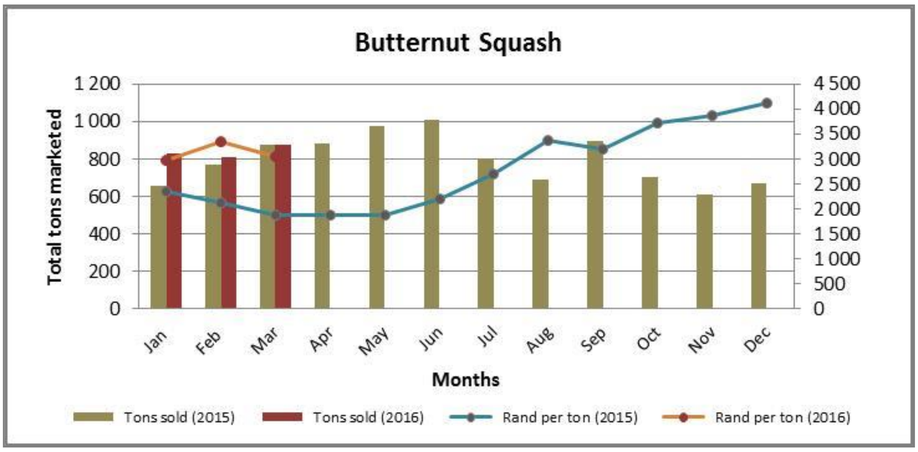


Tomatoes supplied during March 2016 increased by 4% m/m or 100 tons compared to the previous month. The increased supply to the market in March 2016 thus impacted on the downward pressure experience by market prices of 5% m/m or R314 per ton compared to the previous month.

Supply to the market however recovered and increased by 11% y/y or 260 tons, compared to the same period in the previous year. Irrespective of the increased supply to the market better prices were realised through an 11% y/y or R571 per ton increase.

1.4 Butternut Squash

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

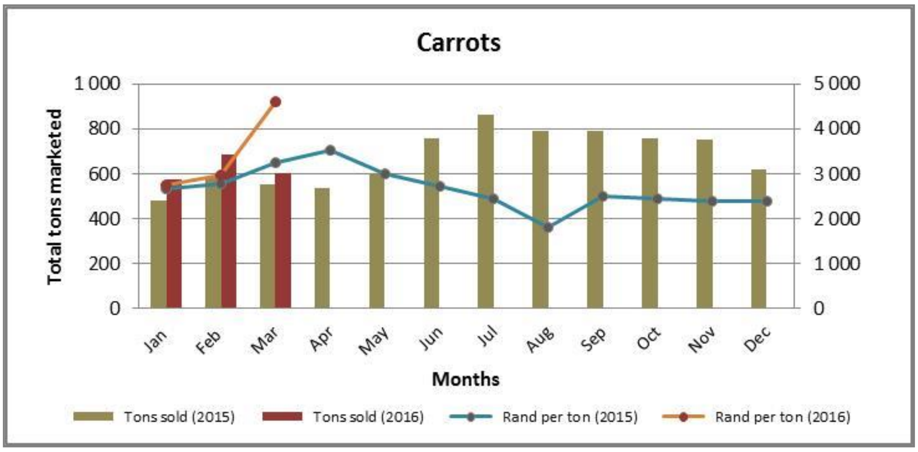


Marketed volumes during March 2016 increased by 8% m/m or 64 tons, in relation to the previous month. The average price was however pushed downward by 9% m/m or R309 per ton and reached R3, 050 per ton.

If compared on an annual basis, the supplied quantities remain unchanged, whilst the average price per ton obtained 63% y/y or R1, 180 per ton more than the price obtained per ton in the same period last year.

1.5 Carrots

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

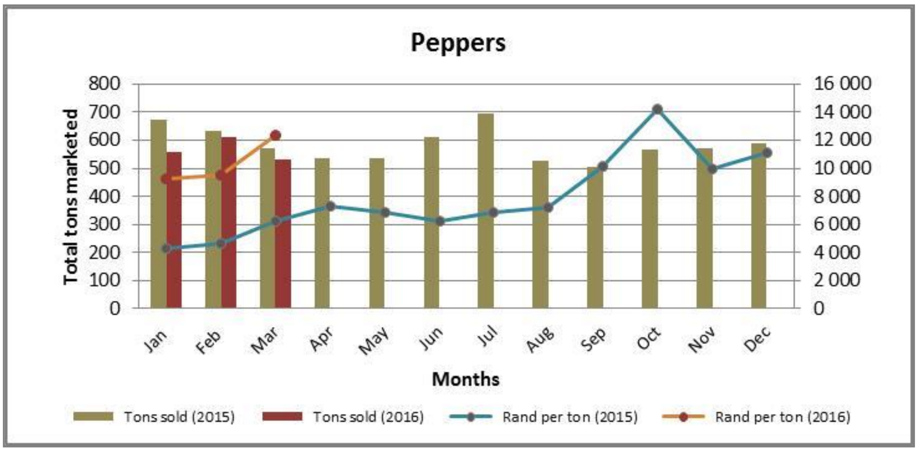


Average market prices for 2016 commenced slightly higher level than the previous production year. In March 2016 average prices further increased by 55% m/m or R1, 637 per ton, which could be a direct attribute of the lesser quantities (12% m/m or 83 tons) available in the market.

On an annual basis, average prices increased by 41% y/y or R1, 351 per ton regardless of increased supply of volumes of 8% y/y to 601 tons compared to the same period in the previous year.

1.6 Peppers

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

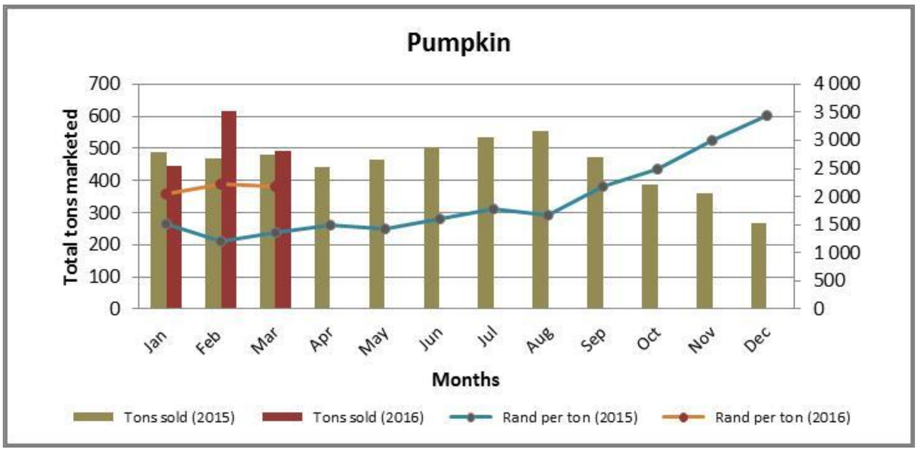


Pepper volumes decreased by 13% or 81 tons compared to the previous month. Due to shortages, the average price obtained increased by 30% m/m or R2, 845 per ton to realise R12, 337 per ton in March 2016.

Market prices have increased by 97% y/y or R6, 071 per ton compared to the R6, 266 obtained per ton of peppers sold in the same period last year. Whilst, volumes were lower by 7% y/y or 40 tons and reached 532 tons.

1.7 Pumpkin

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

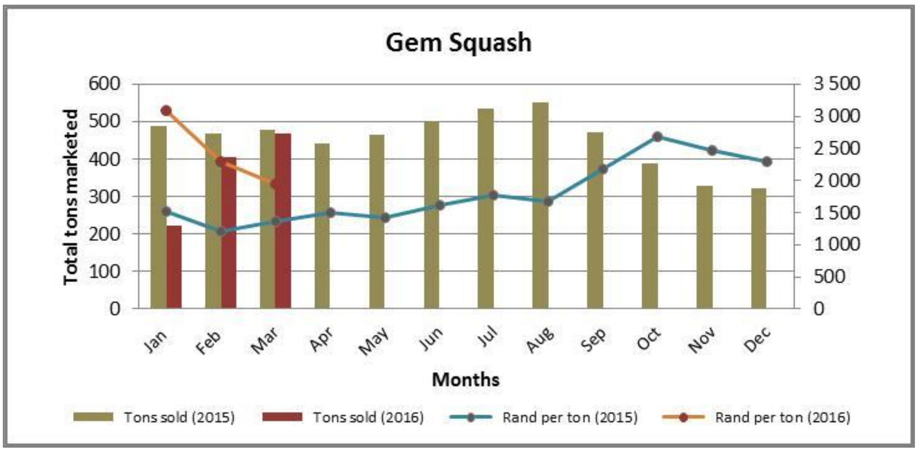


Pumpkin volumes have decreased by 20% m/m or 124 tons compared to February 2016. Whilst the average price per ton has decreased by 2% y/y and obtained an amount of R2, 176 per ton.

On an annual basis, average prices has increased 59% y/y or R804 per ton, whilst there was a slight increase (of 2% y/y or 10 tons) in volumes supplied to the market.

1.8 Gem Squash

Figure 8: Gem squash sales on the Cape Town Fresh Produce Market

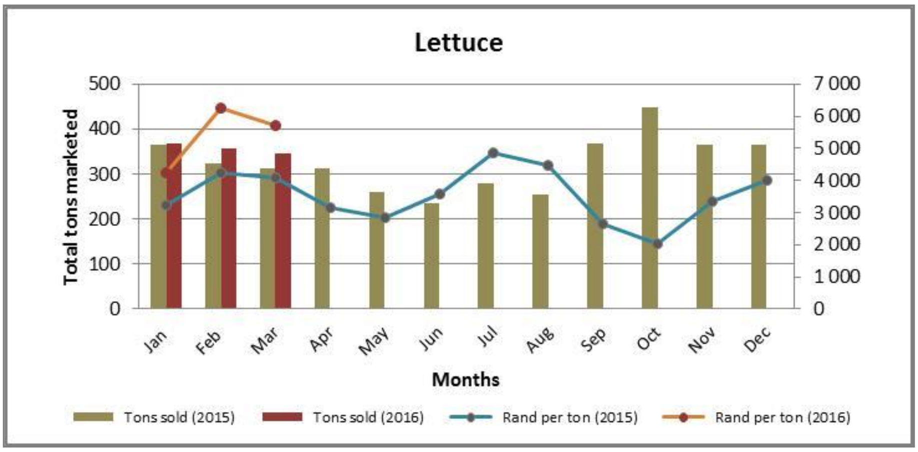


Gem squash volumes marketed during March 2016 were 16% m/m or 65 tons more than the previous month. Average prices however decreased by 15% m/m or R341 per ton and reached R1, 953 per ton.

On an annual basis, average prices escalated by 42% y/y or R581 per ton to an amount of R1, 953 per ton during March 2016 compared to the same period last year. Volumes sold were lesser by 2% y/y or 12 tons than the same period in the previous year when 480 tons were sold.

1.9 Lettuce

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

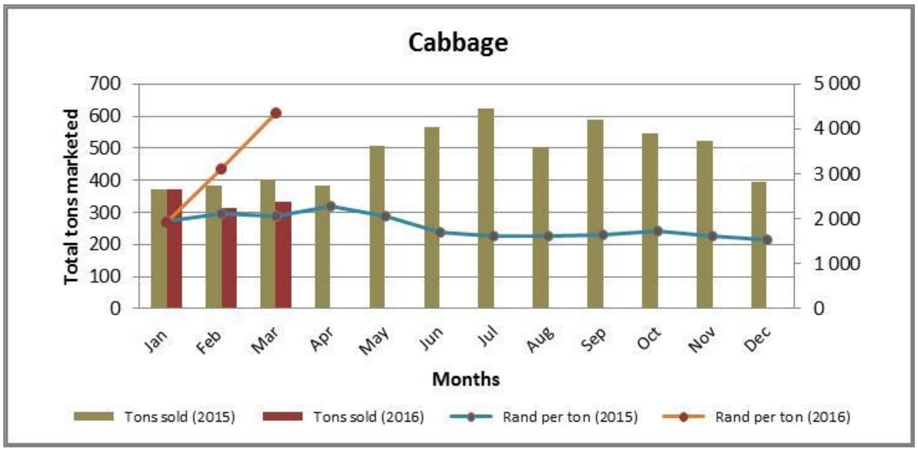


Lettuce volumes have decreased by 4% m/m or 12 tons in relation to the previous month. In March 2015, the average price per ton decreased by 8% m/m or R540 per ton, irrespective of lesser volumes available on the market.

On an annual basis, volumes increased by 11% y/y or 33 tons, whereas average prices obtained escalated upward by 40% y/y or R1, 636 per ton and realised R5, 726 per ton.

1.10 Cabbage

Figure 10: Cabbage sales on the Cape Town Fresh Produce Market

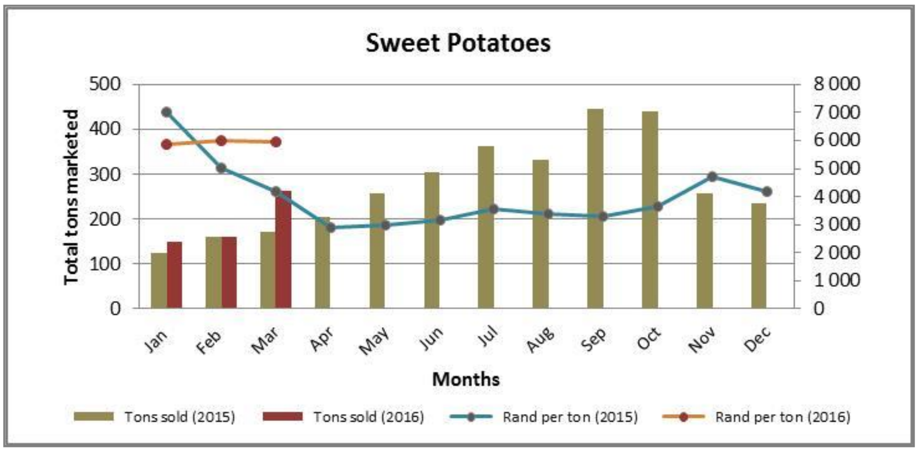


During March 2016, sales volumes increased by 6% m/m or 19 tons. Average prices however continued to increase by a further 40% m/m or R1, 238 per ton, to an amount of R4, 351 per ton.

On an annual basis, volumes declined by 18% y/y or 73% y/y to amount to 332 tons. This partially attributed to the 110% y/y or R2, 278 per ton increase market prices compared to the same period last year when a ton of cabbage sold merely amounted to R2, 074 per ton.

1.11 Sweet Potatoes

Figure 11: Sweet potatoes sales on the Cape Town Fresh Produce Market

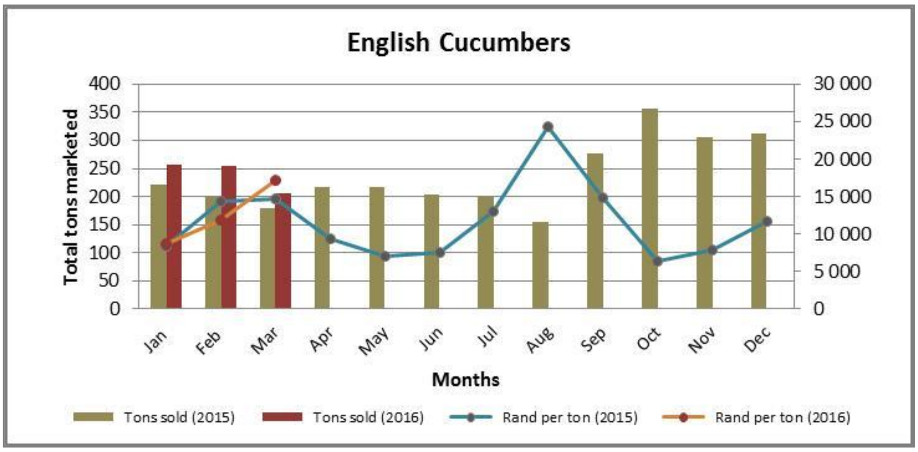


Sweet potatoes volumes increased by 64% m/m or 103 tons compared to the previous month. Average prices obtained during March 2016 however remained unchanged with a slight increase of R38 per ton (1% m/m), which resulted in the average price obtained during March 2016 to amount to R5, 949 per ton.

On an annual basis, volumes sold escalated by more than 54% y/y which translates to 103 tons more sales than the same period last year. Prices obtained during the same period increased by 42% y/y or R1, 784 per ton.

1.12 English Cucumber

Figure 12: English Cucumber sales on the Cape Town Fresh Produce Market



English cucumber quantities sold to the market declined by 19% m/m or 50 tons compared to the previous month. The shortage on the market was instrumental in the price increase of 45% m/m or R5, 307 per ton. This escalated the average price upward from R11, 880 to R17, 187 per ton during March 2016.

Increased volumes were sold since the start of the 2016 production season and the trend follows through in March 2016 in which 14% y/y more volumes were sold. The average price obtained improved by 17% y/y or R2, 502 per ton than 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 MARCH 2016: (tons) (A-Z)	CHANGE IN THE AVERAGE TONS TRADED FOR MARCH 2016: (m/m)	AVERAGE PRICE OBTAINED FOR MARCH 2016: (Rand per ton)	CHANGE IN THE AVERAGE PRICE MARKETED FOR MARCH 2016: (m/m)
13. Sweetcorn	112	31%	R7 483	<1%
14. Cauliflower	105	49%	R10 064	-13%
15. Green beans	97	94%	R10 282	-26%
16. Baby Marrow	96	1%	R14 943	53%
17. Broccoli	63	-7%	R19 608	14%
18. Brinjals /Eggplant	54	-27%	R9 577	86%
19. Beetroot	41	-30%	R8 644	37%
20. Spinach	22	-11%	R11 860	3%
21. Leeks	21	20%	R4 584	-2%
22. Spring Onion	18	4%	R7 750	27%
23. Marrow	10	-50%	R1 937	84%
24. Mushrooms	9.25	24%	R51 076	3%
25. Patty Pans	3.77	-19%	R11 946	99%
26. Hubbard Squash	1.89	-91%	R1 398	-36%
27. Radish	1.57	-8%	R20 032	-9%

2.1 GUIDELINES FOR SELLING POTATOES IN SOUTH AFRICA

South Africa is a self-sufficient potatoes producing country and is thus able to meet domestic consumption needs and able to export surplus stock to other countries. As one of the top vegetable types marketed on the fresh produce markets, potatoes play a significant role as forming a key part of the South African stable diet and especially contribute towards food security.

The marketing of potatoes is regulated in terms of Section 3 of the Agricultural Product Standards Act, 1990 (Act number 119 of 1990) hereafter referred to as the Act. The Act specifically prohibits the sale of regulated products which does not conform to the specifications outlined within the Act, which includes amongst others (refer to adjacent figure with specifications):

- Class or grade of the regulated products,
- Prescribed standards relating to the quality of the regulated products,
- Management control system whereby compliance with the specifications will be measured,
- Marking and labelling of the regulated products,
- Whether the regulated product does not contain any prescribed prohibited substance, etc.

A bag of potatoes marked properly as per regulation

The sale of local and imported potatoes within South African borders are regulated through under Regulation Number 1031 of 12 November 2010, to enhance adherence to food safety, traceability, transparency as well to promote consumer confidence in terms food safety and the quality assurance of local potatoes production sold on the domestic market. For management control purposes, the Department of Agriculture, Forestry and Fisheries (custodian of the Act) has appointed Prokon (Product Control for Agriculture, a Non-profit organisation company https://www.prokon.com/) as the assignee to conduct inspections if potatoes within the local market for compliance with the mentioned regulations.

To view the local and import regulations for other vegetables types, please visit the Department of Agriculture, Forestry and Fisheries: Food Safety and Quality Assurance Directorate click here.

Source: DAFF news, 2016

2.2 THE OVERALL PERFORMANCE OF VEGETABLES ON THE MARKET

On average the vegetable market works on 5 month cycle, thus the vegetable plantings which has been severely affected by the persisting drought as from September/October 2015 which have influenced the availably of the vegetables amongst other agricultural commodities on markets and thus it resulted in upward pressure in market prices (ABSA, 2016). It is thus expected that market prices will normalise and align according to long term trend as improvements are obtained going forward in both yields and quality of produce on the fresh produce market if much favourable weather conditions are experienced. Sentiment within the market anticipates that these changes in the fresh produce market could be experienced till October/ November 2016 (ABSA, 2016). On the contrary other parties argue that the continuation and spreading of the drought outcomes on food prices is yet to be fully signified, especially regarding the effect thereof on consumer goods as seen on retail shelves which could have last until mid-2017 (Business Day, 2016).

Both the drought and depreciation of the Rand against major currencies will continue to increase the prices of food and "squeeze" the margins in the next fiscal quarter. An indication was provided that food prices would increase by 15% by the end of the year (i.e. 2016), which will put end consumers under severe financial strain, since they are spending more on consumer goods than usual (Agri- SA & Landbank, 2016). However, the low-income consumer group whom are already spending a relative large portion of their disposable income on food is expected to be affected more severely by the economic pressure.

Sources: ABSA Agri trends, Business Day & Landbank, 2016

2.3 WEATHER UPDATE: DAFF NAC ADVISORY ON THE 2015/16 SUMMER SEASON

"Below normal rainfall was received in most districts and extreme drought continues in parts of the West Coast and Central Karoo. Rainfall was above normal in the Overberg and parts of Eden. Monthly mean temperatures remained near to long term averages, though some weather stations showed above normal monthly mean maximum temperatures. In the Central Karoo high temperatures also resulted in drying of the veld. Water availability to livestock remains reasonable to good while for the West Coast farmers started supplying additional fodder to livestock and various towns have water restrictions. Veld fires resulted in damages to olive trees, grazing, fencing and water pipelines. The level of dams has decreased compared to the previous year (33% in 2016 and 52% in 2015)."

Source: DAFF NAC, 2016

During March 2016, various weather warning pertaining to veld fire breakouts were issued to the stakeholders within the agricultural sector. Special reference was made to the eastern parts of the Central and Little Karoo of the Western Cape which is expected to experience extreme high fire danger.

Below is an extraction of points which were highlighted during the most recent weather warning notification:

- **An owner of the land who is obliged to prepare and maintain a firebreak must ensure that, with due regard to the weather, climate, terrain and vegetation of the area, the following is taken care of in terms of installing the firebreaks (chapter 4 of National Veld and Forest Fire Act NO. 101 of 1998):**
  - A firebreak has to be wide enough and long enough to have a reasonable chance of preventing a veld fire from spreading to or from neighboring land.
  - A firebreak does not cause soil erosion and
  - A firebreak is reasonably free of inflammable material capable of carrying a veld fire across it.
  - Farming communities should establish fire protection associations to prevent and control veld fires as required by the National Veld and Forest Fire Act (Act No. 101 of 1998).

- To control fires, an alarm system, firefighting teams, and beaters must be organized in advance and plans prepared
- Water is generally not available in sufficient quantities or at adequate pressure for the control of major fires; however, sand or other loose mineral soil material can be an effective method of control.
- Improved communication among members about, for example, fire hazard conditions. The outcome sought is to achieve better integration of community preparedness, prevention, suppression and recovery strategies as key elements of veld fire management.

- **The Fire Brigade Services Act provides for the establishment, co-ordination and standardizations of fire brigade services. Local authorities, that is, municipalities, are empowered to establish and maintain a fire brigade service, intended to be employed for the following purposes:**

  - Preventing the outbreak or spread of a fire
  - Fighting or extinguishing a fire
  - The protection of life or property against a fire or other threatening danger.

- The rescue of life or property from a fire or other danger

A comprehensive list of strategies can be found in the monthly NAC Advisory. It can be accessed from the following websites: www.daff.gov.za and www.agis.agric.za .

Request weather warning notifications from the Western Cape Department of Agriculture: Sustainable Resource Management, Disaster Risk Management

Forward an email to Mrs. Zaibu Arai to ZaibuA@elsenburg.com or alternatively call (021) 808 5368.

Source: DAFF National Agro-meteorological Committee (NAC) Advisory, 2016

2.4 WAR ON LEAKS PROGRAMME

The Department of Water and Sanitation has embarked on a water conservation programme to decrease water wastage through leaks and unnecessary losses caused by various occurrences such as aged infrastructure and negligence such as contamination and theft amongst other (DWS, 2016). It is for this reason that 15,000 local artisans (7,500 plumbers, 2,500 water agents and 5,000 general artisans) are earmarked for training in various local municipal areas to address the issue at hand over a 5 year period as from the 2015/16 financial year (PMG, 2015).

Randwater has been appointed as the implementing agent for the programme (PMG, 2015). Phase 1 of the programme has already commenced during mid-last year and toward the end of 2015, whereby 3,000 intakes commenced with training (DWS & PMG, 2015). Training is indicated to take place at various accredited Energy and Water Sector Education and Training Authority training institutions (EWSETA), Technical Vocational Education and Training (TVET), municipalities and water boards within the respective provinces (PMG, 2015). The training will provide the artisans with a qualification at the end of the training period which would be 36 months, whilst water agents will only be required to do a 10 month training program (PMG, 2015).

For more information regarding the programme, kindly contact the War on Leaks Project Manager: Ntombi Mazibuko at (011) 682 0171 or alternatively forward an email to the Rand Water Client Services Hotline at wolservicedesk@randwater.co.za or 086 0101 060.

Source: Department of Water and Sanitation & Parliamentary Monitoring Group, 2015

2.5 THE BELOW MONTHLY FUEL PRICE ADJUSTMENT HAVE BEEN EFFECTIVE AS FROM WEDNESDAY, 06 APRIL 2016

The recent fuel adjustments are mainly impacted by increases in fuel levies as determined and announced by the Minister of Finance as per the National Budget speech on an annual basis. The most recent adjustments include the following from inception as from the 2016/17 financial year:

- "The basic fuel levy will increase by the of 30.0 cents per litre;
- The transportation costs increased by 5.2 cents per litre in Gauteng resulting from the National Energy Regulator of South Africa (NERSA) approved pipeline tariff increase as well the road transportation tariff increase obtained from the Road Freight Association (RFA). This will result in different prices for different pricing zones (adjusted annually); and
- The average increase in the prices of petroleum products in the international markets of about 52.00c/l for petrol and 61.00 c/l for diesel respectively" (DOE, 2016).

Product description	Numeric adjustment applicable to the Coastal parts in South Africa (cents per litre)	Price adjustment description	Average price applicable to the Coastal parts in South Africa (cents per litre)
Petrol 93 ULP	81c	cents per litre **increase** in retail price	1194.00
Petrol 95 ULP & LRP	83c	cents per litre **increase** in retail price	1 214.00
Diesel 0.05% Sulphur	95.70c	cents per litre **increase** in wholesale price	1053.87
Diesel 0.005% Sulphur	97.7c	cents per litre **increase** in wholesale price	1059.27
Illuminating Paraffin (Wholesale)	56c	cents per litre **increase** in wholesale price	608.03
Illuminating Paraffin (SMNRP)	76c	cents per litre **increase** in the Single Maximum National Retail price (SMNRP)	848.00
Maximum Retail Price for LPGAS	110c	cents per kilogram **increase** in the maximum retail price	387.80 (refinery gate) LPG for residential customers is derived as per the control sheet per kilometre.

Source: Department of Energy, 01 April 2016

ACKNOWLEDGMENTS

The following institutions and organisations are hereby acknowledged:

ABSA Agri-business Market Analysis: www.absa.co.za

Business Day (BDlive): www.bdlive.co.za

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

Department of Energy: www.energy.gov.za

Department of Water and Sanitation: www.dwa.gov.za

Land bank: www.landbank.co.za

Parliamentary Monitoring Group: www.pmg.org.za

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

Techno Fresh CRM: www.technofresh.co.za

For more information, contact:

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E-mail: michellesw@elsenburg.com

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