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Monthly vegetable market report

Marketing and Agri-Business Section   www.elsenburg.com

MONTHLY MARKET INFORMATION REPORT: VEGETABLES

Review period: December 2014 to December 2015

Issue: 2016/01

IN THIS ISSUE

INTRODUCTION

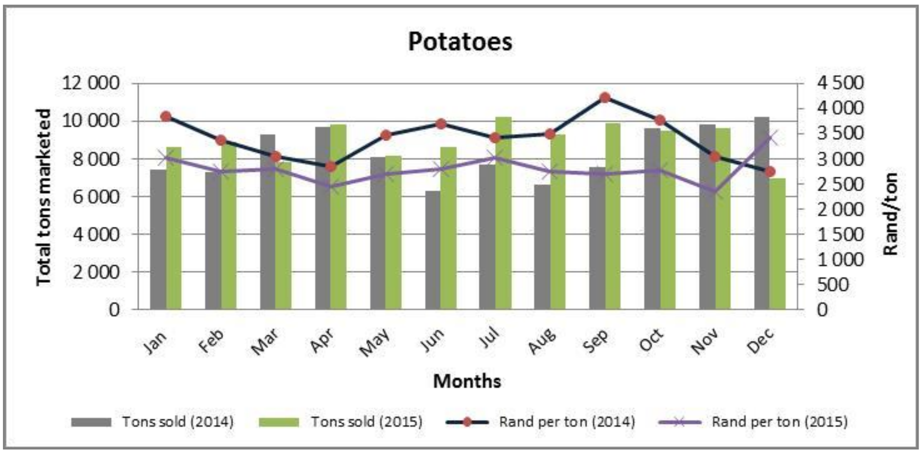
This report is a review of **selected vegetable sales at the Cape Town Fresh Produce Market,** the largest fresh produce market in the Western Cape.

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.

1. PRICE AND VOLUME TREND ANALYSIS

1.1 Potatoes

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



Developments in the national potatoes market:

More than 54,000 hectares of potatoes were planted in the 2015 production season, which resulted in the largest harvest in 15 years (2000 till 2015). The 2015 harvest delivered a total of 250 million [1]bags as reported at the end of November 2015, with an oversupply of an additional 12, 9 million [1]bags of potatoes. Equating to a 14% y/y increase volumes in volumes supplied in relation to the same period last year. As a result, average prices moved downward by 22% y/y which amounts to R17 lesser per 10 kg of potatoes.

This can mainly be ascribed to the expansion of potatoes plantings by an additional 4000 hectares (1500 and 2500 in 2014 and 2015 respectively). In addition, the yields per hectare has also improved from 3,076 [1]bags per hectare in 2002 to 4,581 [1]bags in 2015, equating to a 49% improvement compared to the production efficiencies obtained in 2002. Real monthly prices are however lower than the 2 year average (2014 and 2015) due to higher inflation and continues increases in real production cost on an annual basis. In the December 2015, Potatoes SA indicated that in certain production regions production costs are reaching R200, 000 per hectare.

There is however an indication that the above mentioned factors, with concern on the profitability of the industry, recent drought and below normal temperatures might potentially result in lesser hectares being planted for the 2016 season. The projected estimation thereof is currently 1,000 lesser hectares in 2016 production season, based on the current 378 hectares decline reported at the end of November 2015 in comparison to the same period in the previous year. Furthermore, producers have already provided information of 32,000 hectares that are intended to be planted during 2016, at the end of November 2015.

Western Cape Fresh Produce market conditions:

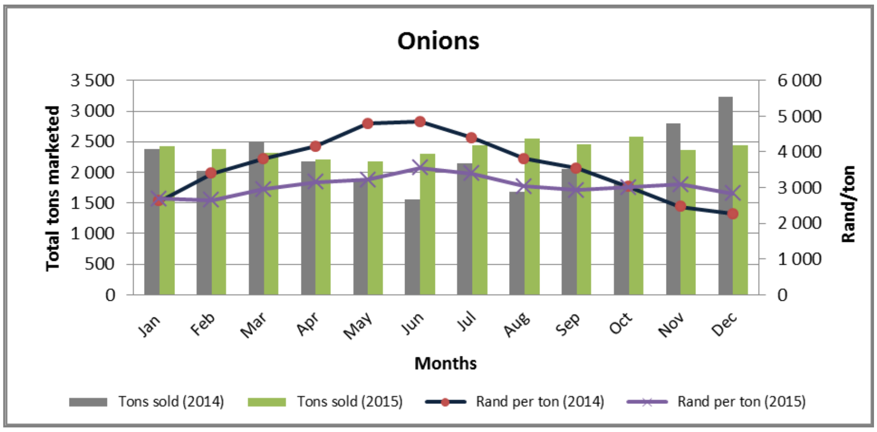
Volumes supplied to the Cape Town FPM, were lesser by 28% m/m or 2,702 tons. The shortage in supply resulted in a monthly price increase of 46% m/m or an additional R1, 083 (per ton) which pushed prices upward to reach R3, 433 per ton. Whilst volumes decreased by 32% y/y or 3280 tons, comparing the same period in the previous year which depicts a similar trend than the national trend described above. The shortage in supply evidentially resulted in average prices to increase by 25% y/y or R 681 per ton.

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

Source: Potatoes SA, December 2015

1.2 Onions

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

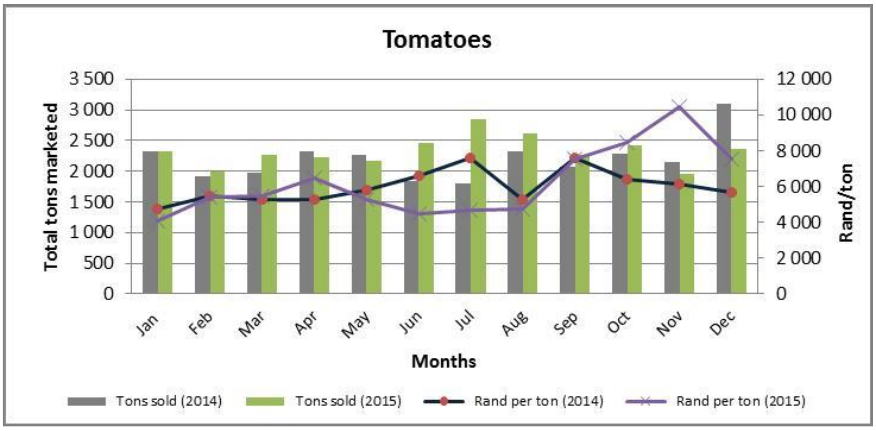


Monthly onion volumes supplied increased by 4% m/m during December 2015 to 2358 tons. The slight increase in volumes resulted in a downward price adjustment of 8% m/m or R 255 lesser per ton.

If compared to the same period in the previous year, volumes declined by 25% y/y or 793 tons. Whilst the average price obtained per ton achieved was higher by 25% y/y amounting to R 2831 per ton which amounts to R 564 more per each ton sold (refer to figure 2).

1.3 Tomatoes

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

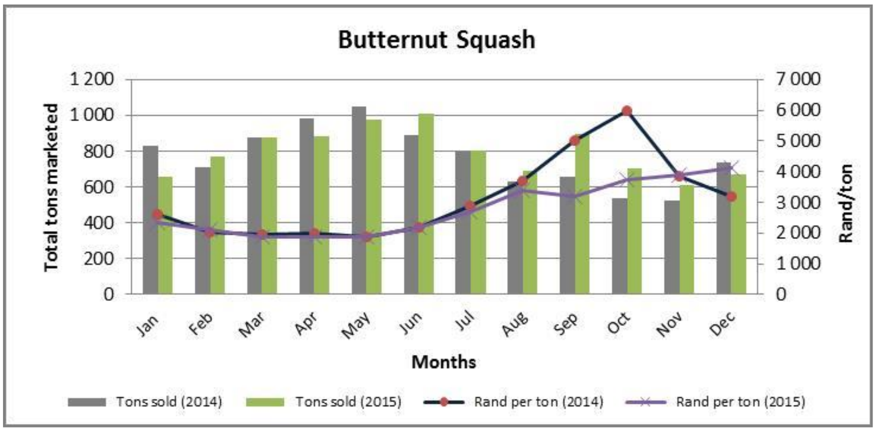


The tonnage marketed increased by 22% m/m, translating to an additional 419 tons sold during December 2015. As a result of the increased supply, the average price obtained per ton of tomatoes moved downward by 29% m/m – reaching R7532 per ton.

Reviewing the performance on an annual basis, volumes were lesser by 24% y/y or 726 tons compared to December last year. Subsequently the average price obtained per ton, was higher by 33% y/y which translated to an additional R1858 per ton sold during December 2015 (figure 3).

1.4 Butternut Squash

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

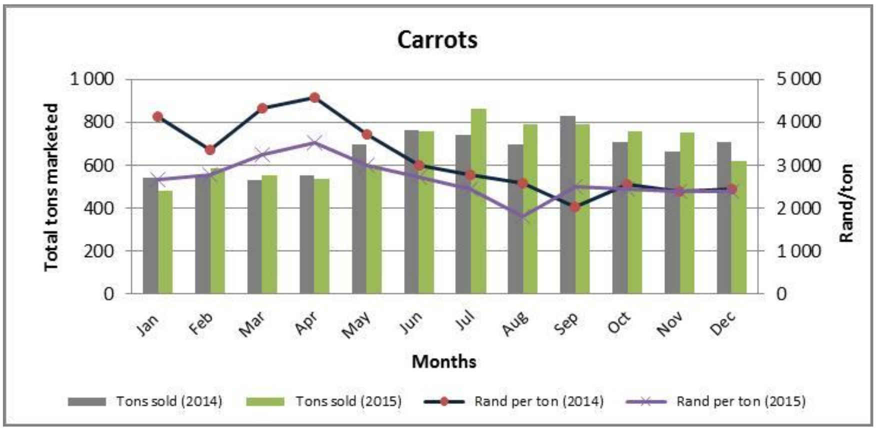


Supplies to the market increased by 9% m/m, reaching 4130 tons compared to the previous month. Despite the increase in supply, the average price obtained per ton increased by 6% m/m to R4130 per ton.

If compared to the same period in the previous year, the volumes marketed on the FPM were lesser by 9% y/y whilst the average price realised per ton was higher by 29% y/y or R927 tons more (figure 4).

1.5 Carrots

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

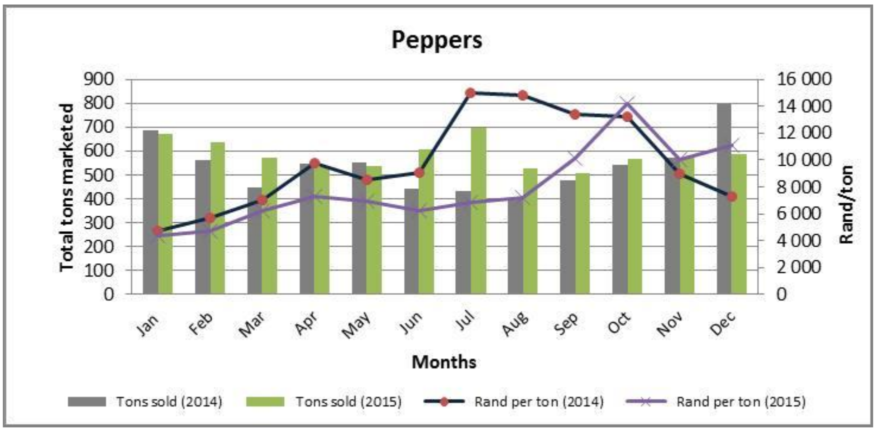


Regardless of the 18% m/m or 618 tons decrease in carrots supplies to the FPM during December 2015, the average price obtained per ton merely increased by less than 1% m/m.

On an annual basis, the tonnage marketed decreased by 13% m/m and reached 618 tons. The average price obtained per ton marginally declined by 1% y/y, obtaining R 2408 per ton.

1.6 Peppers

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

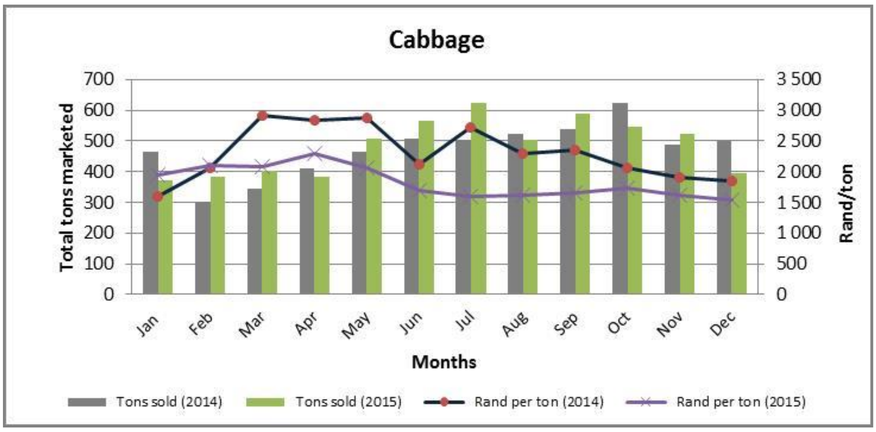


Pepper volumes supplied to the market increased by 2% m/m to 588 tons. Irrespective of the marginal change in volumes supplied, the increased seasonal demand for peppers pushed the average price upward by 11% m/m to reach R 11098 per ton.

Assessing the annual performance of peppers, the supply thereof declined by 26% y/y or 207 tons. As a result the average prices (per ton) were pushed upward by more than 50% y/y or an additional R 3789 to amount to R11098 per ton (figure 6).

1.7 Cabbage

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

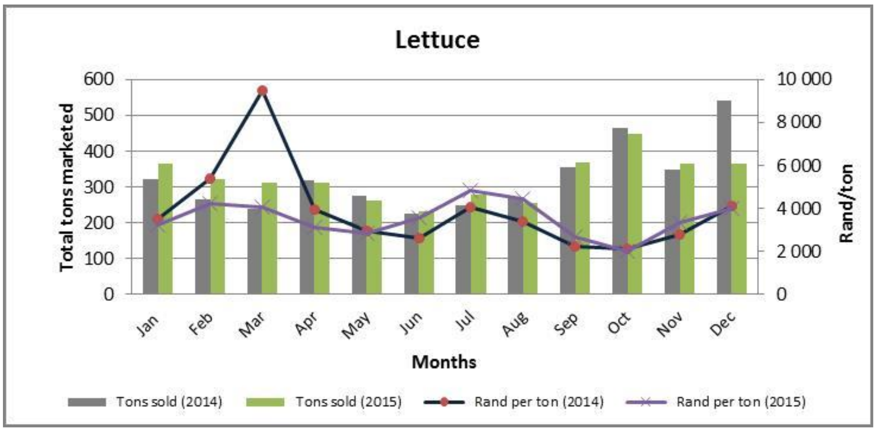


Cabbage volumes marketed decreased by 25% m/m or 128 tons. Despite lesser cabbage supplies in the market, the average price obtained per ton continued to decrease by a further 5% m/m – reaching R 1543 per ton.

On an annual basis, volumes marketed declined by 21% y/y or 105 tons. Average prices also followed a downward trend as prices decreased by 17% y/y or R 316 lesser – this disparity between the relations between supply and demand (price) could be ascribed to the hotter conditions experienced which influenced the demand of certain vegetable (refer to figure 7).

1.8 Lettuce

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

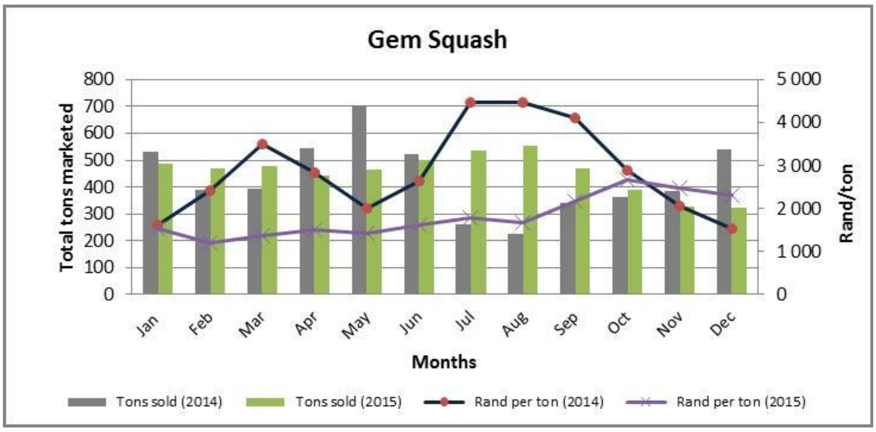


Lettuce quantities marketed during December 2015 remained unchanged compared to the previous month. Increased demand thereof however pushed prices upward by 20% m/m or an additional R 661 per ton, amounting to R 3997 per ton.

If compared to the same period in the previous year, volumes declined by 33% or 177 tons. Despite the shortage in supply, average prices slightly moved downward by 3% y/y to R3997 per ton (refer to figure 8).

1.9 Gem Squash

Figure 9: Gem squash sales on the Cape Town Fresh Produce Market

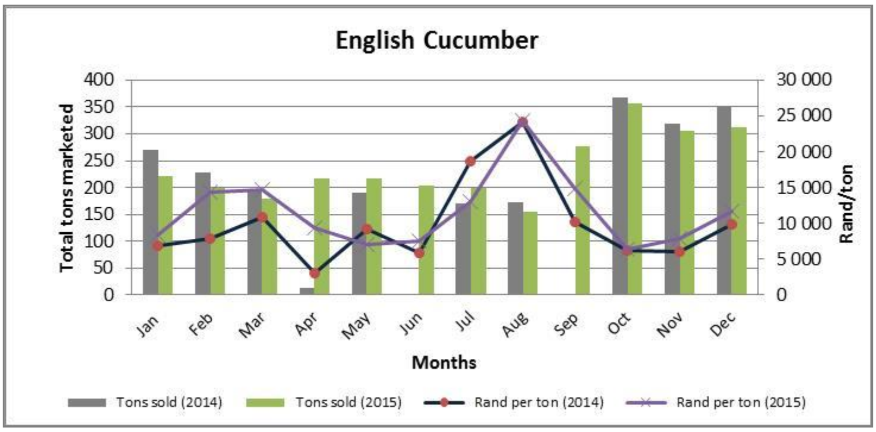


Gem squash volumes declined by 2% m/m compared to the previous month. The availability of produce in the market did not impact prices favourably as the average price further decreased by 7% m/m, reaching R 2305 per ton.

On an annual basis, supplies were lesser by 40% y/y or 216 tons compared to the same period in the previous year. The severe shortage in supplies resulted in prices being pushed upward by 50% y/y or an additional R 766 per ton, to reach R 2305 per ton (refer to figure 9).

1.10 English Cucumber

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

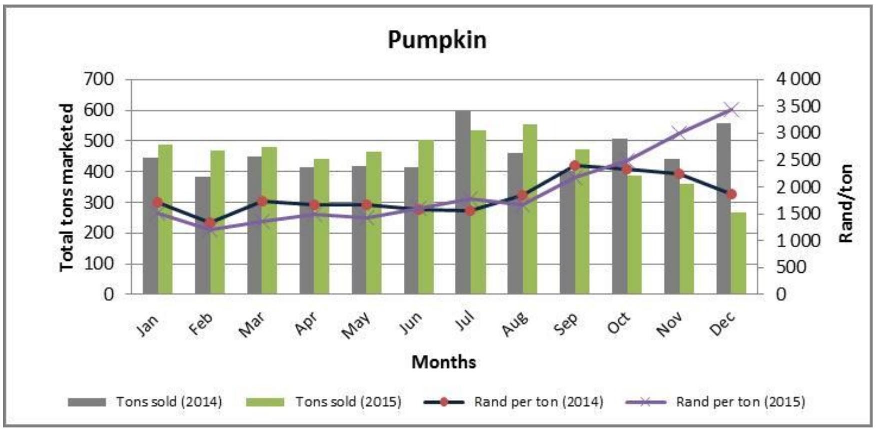


The volumes marketed increased slightly by 2% m/m during December 2015. The 48% m/m price increase, which translates to an additional R 3770 obtained per ton could be attributed to the increased seasonal demand during the festive holiday.

If compared to the same period in the previous year, the volumes supplied during December 2015 decreased by 11% y/y to 313 tons. Whereas the average price obtained per ton was adjusted upward by 19% y/y or an additional R 1872 per ton sold (refer to figure 10).

1.11 Pumpkin

Figure 11: Pumpkin sales on the Cape Town Fresh Produce Market

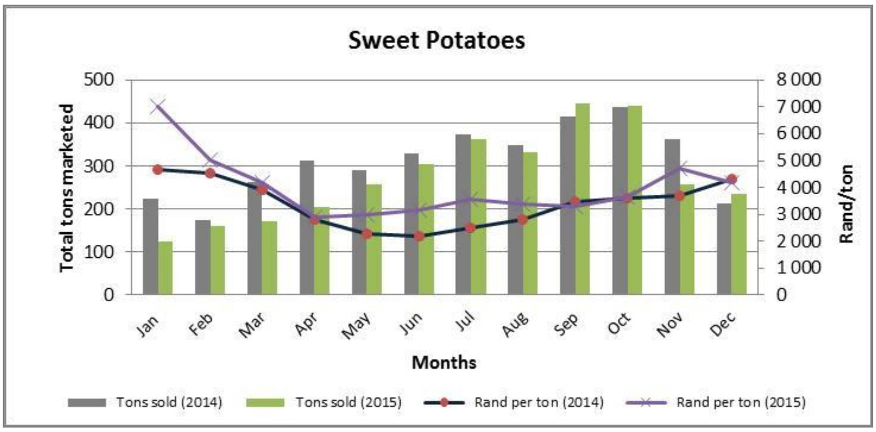


Pumpkin volumes marketed during December 2015, decreased by 26% m/m or 93 tons lesser. The shortage in supply contributed to the price increase of 14% m/m or an additional R431 per ton.

On an annual basis, volumes supplied to the market declined by more than 50% y/y or 294 tons. As a result of the significant shortage in supply, average prices moved upwards by 84% y/y or an additional R431 per ton – reaching R3435 per ton (refer to figure11).

1.12 Sweet Potatoes

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



During December 2015, sweet potatoes volumes declined by 8% m/m and amounted to a mere 236 tons sold. Despite the availability of lesser volumes in the market, the average price moved downwards by 11% m/m or R497 per ton lesser, which resulted in R 4199 being obtained per ton.

Whilst volumes supplied to the FPM increased by 11% y/y compared to the same period in the previous year. This resulted in average prices to move downward by 3% y/y or R130 lesser than the same period last year (refer to figure 12).

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 DECEMBER 2015:** ***(tons)*** ***(A-Z)***	**CHANGE IN THE AVERAGE TONS TRADED FOR DECEMBER 2015:** ***(m/m)***	**AVERAGE PRICE OBTAINED FOR DECEMBER 2015:** ***(Rand per ton)***	**CHANGE IN THE AVERAGE PRICE MARKETED FOR DECEMBER 2015:** ***(m/m)***
13. Cauliflower	**142**	7%	**R5 112**	-45%
14. Green beans	**115**	-11%	**R7 984**	8%
15. Sweetcorn	**108**	58%	**R8 095**	-20%
16. Baby Marrow	**97**	24%	**R6 492**	9%
17. Beetroot	**92**	-12%	**R2 850**	-13%
18. Brinjals/Eggplant	**68**	14%	**R5 563**	-16%
19. Hubbard Squash	**56**	73%	**R1 183**	15%
20. Broccoli	**53**	-6%	**R10 752**	-32%
21. Marrow	**29**	>100%	**R856**	>100%
22. Spinach	**24**	-27%	**R7 218**	-21%
23. Spring Onion	**16**	-1%	**R5 420**	-27%
24. Leeks	**15**	-23%	**R3 223**	23%
25. Mushrooms	**9.4**	10%	**R55 890**	15%
26. Patty Pans	**6.1**	-23%	**R5 775**	-27%
27. Radish	**1.4**	>100%	**R15 844**	7%

2. NEWS CLIPS: COMMODITY MOVEMENTS IN THE INTERNATIONAL & DOMESTIC MARKET

2.1 Review of the weather conditions during December 2015

Dry weather conditions were accompanied by heatwave during the month of December 2015, with severe conditions thereof experienced over the Central Karoo District of the Western Cape and the north-western parts of the Eastern Cape (DAFF NAC, 2015 as cited in Elsenburg, 2015).

As a result of below normal rainfall in conjunction with the above mentioned, veld conditions deteriorated immensely, which forced livestock producers to purchase fodder in most areas. In addition, the harvesting of wheat in the Swartland commenced earlier than usual and was expected to have been completed by end of November (in accordance with the long term trend). Whilst the harvesting of cash crops in the coastal regions of the Overberg was delayed by untimely rainfall.

In the coastal parts of the Western Cape much anticipated rains resulted in improved conditions, including the Little Karoo and Langkloof area. Satisfactory conditions were reported for the livestock, water supply, veld and pastures within the mentioned area.

However, numerous fire outbreaks have been reported across some parts of the Province and have caused damage to vegetation and agricultural land as well as various infrastructures. The average level of the major dams within the Province was lower at 59% as compared to 80%, compared to the same period in the previous year.

Source: DAFF NAC, 2015.

2.2 Agribusiness input suppliers strained by multi-year drought

"According to Prof Johan Willemse, Dr Dirk Strydom and Manfred Venter from the Department of Agricultural Economics at the University of the Free State (UFS), agribusinesses should prepare for a tough trading environment in the 2016/2017 season" (Willemse et al., as cited in Farmers Weekly, 2015). The UFS recently published an analysis on the drought in a joint paper entitled, '*Implications of the lingering 2015 drought on the economy, agricultural markets, food processors, input suppliers and the consumer*'.

The report highlights the below mentioned points:

- It is not merely primary producers whom are struggling to survive the drought.
- Seed production companies are expected to suffer financial losses as they receive unused seed back from farmers. The returns will be unfit for sales in the 2016/2017 planting season. Furthermore, they have an additional burden to produce seed during the current drought to ensure seed is available for 2016/2017.

Prospects highlighted relating to the South African potatoes industry:

"Currently the potato market has an oversupply of potatoes, however due to recent heat waves, creating dry hot weather the quality of potatoes were affected. This created a limited supply of good quality potatoes and resulted in a price increase above normal seasonality. Seed Potato producers, (especially in the Western Cape) can't sell their seed potatoes, as there is very little demand from commercial potatoes producers to plant potatoes, a result of a lack of soil moisture and irrigation water. They are now offering potato farmers a payment option of over a year; where in the past payment had to be made at delivery. Due to a lack of demand Seed Potatoes are now given as animal feed in drought areas, resulting in huge financial losses to the particular seed potato producers (seed potatoes also have strict quality controls). The effect of the lower demand for seed potatoes will be seen in next year's supply of seed potatoes, putting seed potato growers in a position to decrease supply greatly. This will affect next year's potato crop, which will push up potato prices that have already increased. Yet again the poor will be affected the most" (Willemse et al., 2015).

Prospects highlighted relating to the South African agricultural input suppliers:

"Input suppliers to agriculture will have significantly reduced sales, leaving them with unsold stock and heavy financial losses. Machinery sales are already down between 20% (tractors), 40% (combine harvesters) for 2015 and will reduce further in 2016. Again the Ag machinery industry will experience heavy losses forcing them to scale down."

"Chemical companies (Fertilizer/insecticides/chemicals) will have large unsold stock resulting in heavy financial losses and some of the stock will not be fit for the purpose two years later. The chemical industry is fighting a losing battle against currency depreciation, because most active ingredients are produced internationally and only formulated in South Africa, this will push up prices even though stock levels are high due to the drought. Also insecticide, pesticide, fungicide prices are not directly derived from the oil price, thus if the oil price decreases it will not impact the agro-chemical market substantially" (Willemse et al., 2015).

Click here to read the full Farmers Weekly article.

2.3 Adjustment to the fuel prices with effect from Wednesday, 06 January 2016

Product description	Numeric adjustment (cents per litre)	Price adjustment description	Coast SA (cents per litre)
Petrol 93 ULP	0c	No changes in retail price	1 176.00
Petrol 95 ULP & LRP	3c	cents per litre **decrease** in retail price	1 194.00
Diesel 0.05% Sulphur	76c	cents per litre **decrease** in wholesale price	1005.17
Diesel 0.005% Sulphur	78c	cents per litre **decrease** in wholesale price	1010.57
Illuminating Paraffin (Wholesale)	63c	cents per litre **decrease** in wholesale price	594.03
Illuminating Paraffin (SMNRP)	84c	cents per litre **decrease** in the Single Maximum National Retail price (SMNRP)	828.00
Maximum Retail Price for LPGAS	45c	cents per kilogram **increase** in the maximum retail price	391.66 (refinery gate) LPG for residential customers is derived as per the control sheet per kilometre.

Source: Department of Energy, 31 December 2015

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

Elsenburg: www.elsenburg.com

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

Techno Fresh CRM: www.technofresh.co.za

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