



## Monthly vegetable market report



Marketing and Agri-Business Section

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## MONTHLY MARKET INFORMATION REPORT: VEGETABLES

Review period: February 2015 to February 2016

Issue: 2016/03

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## INTRODUCTION

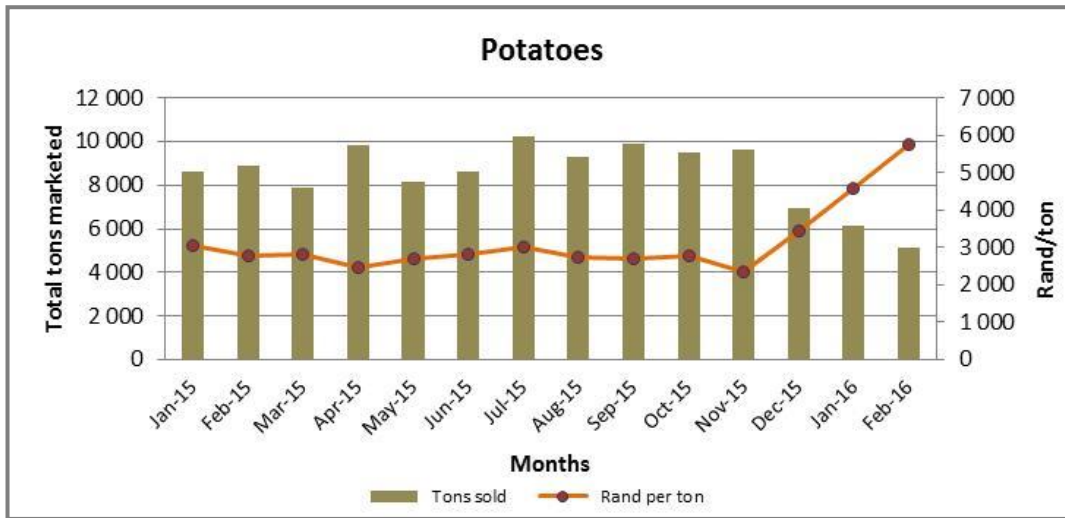
This report is a review of **selected vegetable sales at the Cape Town Fresh Produce Market**, the largest fresh produce market in the Western Cape.

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 on the national potatoes market

Since the bumper crop harvested during the 2015 potatoes season, the drought and above normal temperatures have brought about significant crop losses which resulted in relative low stock levels and subsequently market prices sharply increased since December 2015 (Potatoes SA). Currently the Cape Town Fresh Produce Market potatoes trend as depicted in figure 1 correlates well with the national trend which depicts lesser volumes available on the market. The National Fresh Produce Market sold 1 million bags lesser in December 2015 compared to the previous month, and a further 1.9 million bags lesser in January 2016 compared to the previous month of December 2015 (Potatoes SA, 2016). The potatoes industry organisation provided an indication that the month-to-month change in volumes for February 2016 amounted to 1 million bags lesser than the previous month (Potatoes SA, 2016). In general, the market estimates a total loss of between 20-25 million bags during the 2016 season compared to the previous season, as a result of the persisting El Nino weather system (Potatoes SA, 2016).

In essence, the estimated crop loss in 2016 is not a direct consequence of the amount of hectares established but rather caused by lower yields and quality problems caused by adverse weather conditions. Thus, the 2016 harvest will be much smaller in terms of the both the quantity and the level of quality produced. The steep decline in potatoes supply already evident on the fresh produce market, has resulted in averages prices to increase to R64 per bag or R6 400 per ton in early February 2016. Where after, average prices escalated to R72 per bag or R7200 per ton during mid-February 2016 which the highest level average prices ever obtained. However, as supply on the national markets picked up momentum, average prices stabilised and started to decrease and thus reached R52 per bag or R5200 per ton at the end of February 2016.

An analysis of the potatoes size distribution indicated more or less the same ratio between large, medium and small/baby potatoes of 22:64:14 compared to the previous seasons.

## Cape Town/Epping Fresh produces market developments (potatoes overview continues)

Since November 2015 till February 2016, potatoes supply decreased by 47% or 4,525 tons to 5,134 tons. Taking the mentioned market dynamics into consideration, average prices increased by more than 140% or R3, 396 per ton as from November 2015 and reached R5, 746 per ton in February 2016.

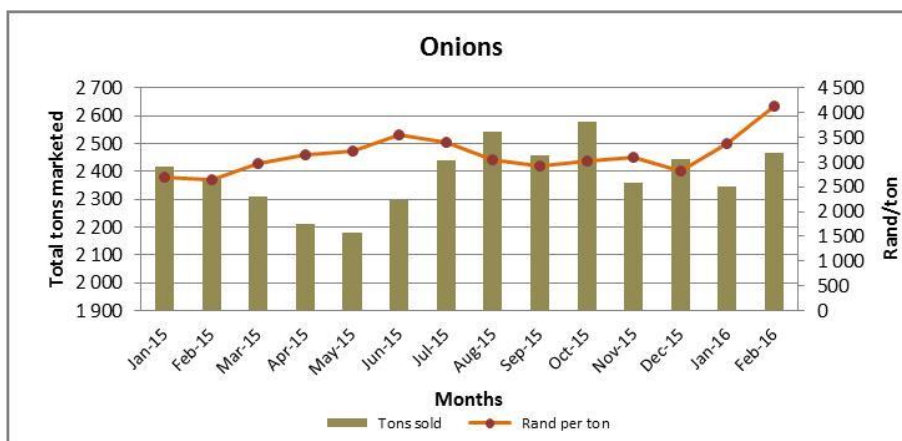
Volumes supplied to the market decreased by a further 16.8% m/m or 1,089 tons to 5,134 tons compared to the previous month, and by 42.3% or 3,757 tons compare to the same period last year. Whilst, average prices increased by 25.7% m/m or R1,173 per ton compared to the previous month and by 108% y/y or an additional R2,984 per ton, to an amount of R5,746 per ton.

<sup>1</sup> one bag of potatoes is equivalent to 10 kilogram.

Source: Potatoes SA, February 2016

### 1.2 Onions

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

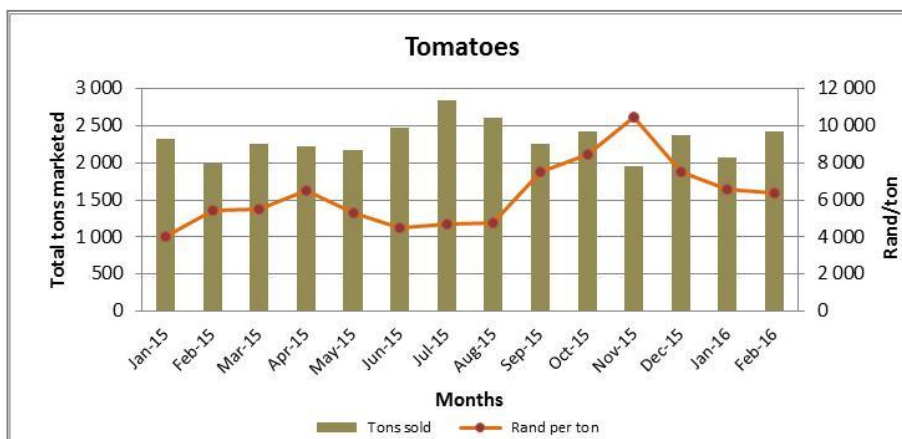


The average price of onions increased by 23% m/m or R765 per ton, and reached R4, 142 per ton at the end of February 2016. Irrespective of whether supply increased by 5% m/m or 119 tons more during February 2016, average prices continued to increase as from January 2016.

Volumes were higher by 4% y/y or 91 tons and amounted to 2,465 tons during February 2016. Whilst average prices increased by 57%y/y or R1, 498 per ton more than the same period last year reaching R4, 143 per ton. A possible reason could be due to the build-up of stock levels for supply in preparation of the Easter season, in which the demand for onions increase as a result of its' use in pickled fish dishes.

### 1.3 Tomatoes

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

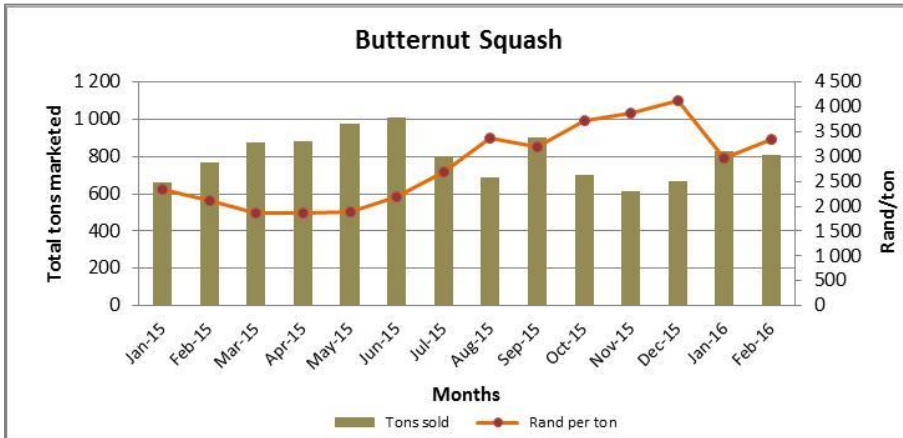


Supplies increased by 17% m/m or 356 tons compared to the previous month and resulted in a slight decrease in the average price reaching R6, 383 per ton, translating to a 3% m/m increase during February 2016.

Tomatoes supplies reached 2,426 tons during February 2016, which equates to 21% y/y more than what was supplied in the same period last year. Average prices obtained were higher by 17% or R946 per ton for the same period. A potential explanation could be due to the above normal temperatures which pushed demand upwards during 2016, compared to the previous year.

## 1.4 Butternut Squash

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

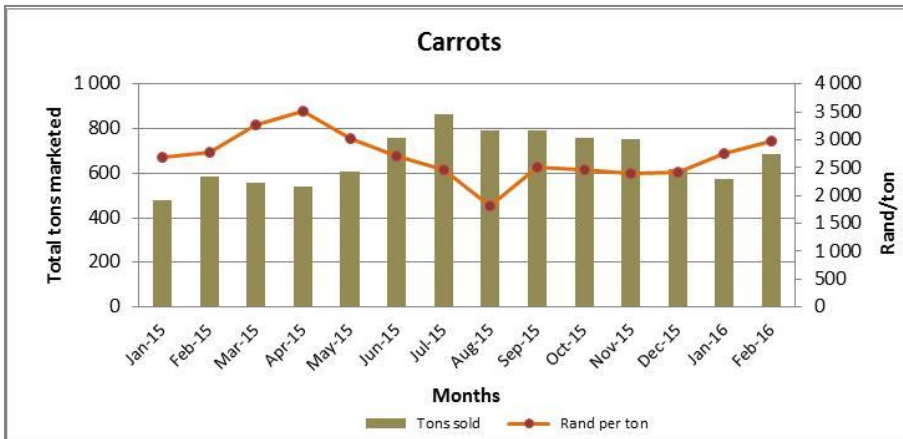


Butternut squash volumes supplied to the market decreased by a mere 2% m/m to 812 tons. The average price obtained amounted to R3, 359 per ton and equates to 13% m/m or R391 more per ton sold in the previous month.

Although volumes were higher by 6% y/y or 43 tons, average prices obtained for the same period in the previous increased by 59% y/y or R1,240 per ton. This could be a consequence of a combination of driving factors within the market such as higher production cost, increased consumer demand, etc.

## 1.5 Carrots

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

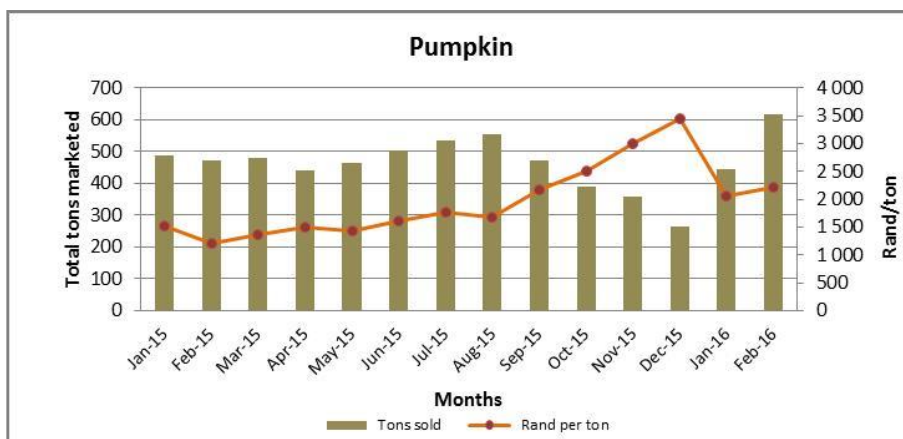


The volumes supplied to the market increased by a further 19% m/m or 109 tons from the previous month. Irrespective of the increase in supply, average price further increased by another 8% m/m or R214 per ton to an amount of R2,978 per ton.

Carrot supply improved by 17% y/y or 214 tons, to 2,978 tons in February 2016. Average prices obtained during February 2016, improved by 7% y/y or R201 per ton compared to the same period in the previous year.

## 1.6 Pumpkin

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



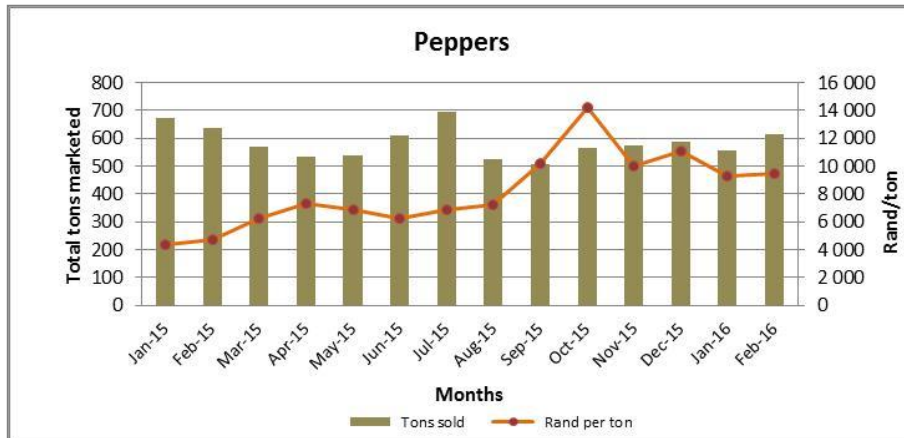
Stock levels on the local market increased by 39% m/m or 171 tons, to 615 tons if compared to the previous month. Whilst the average price responded indifferently as it increased by 8% m/m or R172 per ton to an amount of R2, 223 per ton marketed during February 2016.

On an annual basis, volumes soared by 31% y/y to 615 tons. On the other hand, average price escalated by 85% y/y and were R1, 019 more per ton than the same period in the previous year when it reached a mere R1,203 per ton.



## 1.7 Peppers

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

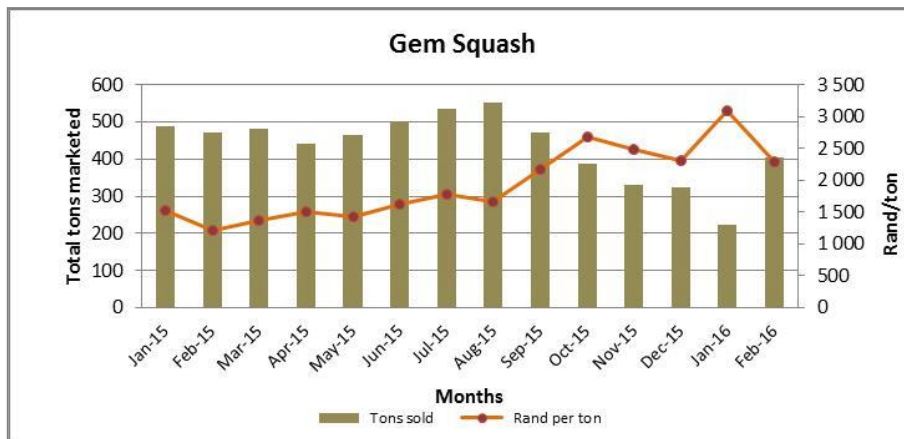


The monthly supply to the market increased by 10% m/m to 613 tons, whilst the average price responded indifferently and also increased by 2.5% m/m to an amount of R9, 492 per ton.

Volumes declined by 4%y/y compared to the same period in the previous year. On the other hand, average prices sky rocketed by more than 100% y/y or R4, 800 per ton compared to the same period last year.

## 1.8 Gem Squash

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

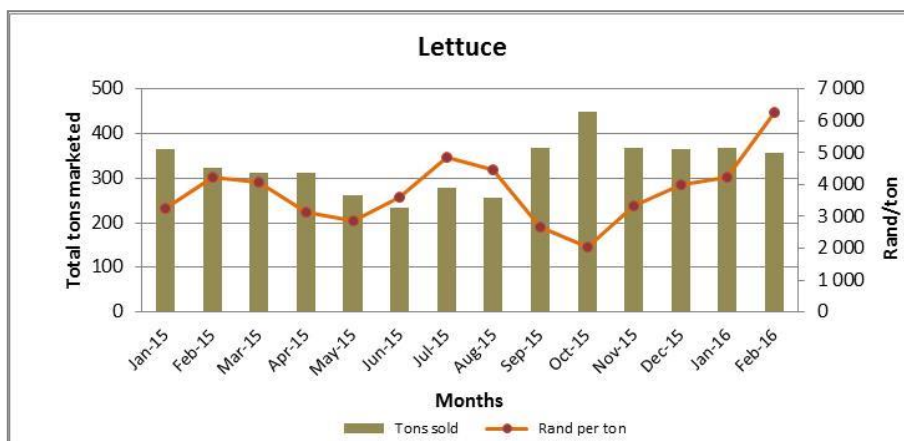


Gem squash supplies during February 2016 increased by more than 80% m/m or 180 tons to 404 tons compared to the previous month. The increased supply within the market resulted in downward pressure of about 26% m/m or R 798 decline per ton of produce compared to the previous month.

On an average basis volumes decreased by 14% y/y, whilst average price improved by more than 90% y/y or R1,091 per ton if compared to the same period in the previous year when prices merely reached R1,203 per ton.

## 1.9 Lettuce

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

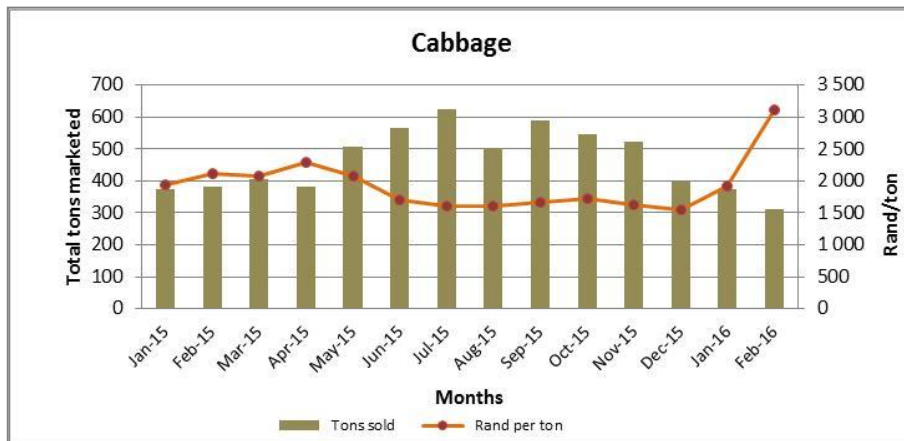


The average price of lettuce has been on an upward trend as from October last year and has increased by a further 48% m/m or R2,039 per ton compared to the previous month when average prices reached R4,227 per ton. After reaching a peak in October 2015, the volumes supplied to the market have more or less within the 350 to 370 ton range.

Volumes supplied to the market has improved slightly by 11% y/y to 358 tons, whilst the average price per ton increased by 47% or become R2,016 more expensive than the same period last year.

## 1.10 Cabbage

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

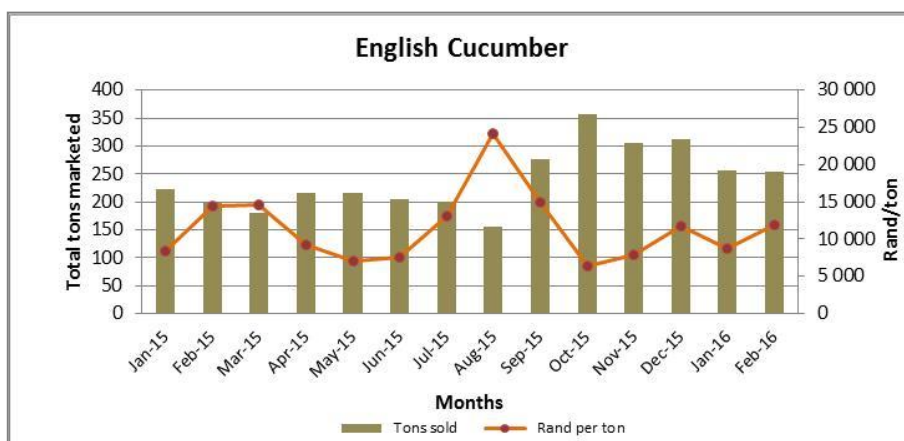


Monthly volumes supplied to the market decreased by 16% m/m and reached 313 tons compared to the previous month. The average prices continued to increase by a further 63% m/m or R 1,200 per ton and reached R3, 113 per ton.

It is evident that shortages in the market have once again pushed up average prices significantly as from January 2016. Although volumes are lesser by 18% y/y, the average price per ton of cabbage has increased by 48% y/y or R1, 006 per ton.

## 1.11 English Cucumber

Figure 11: English Cucumber sales on the Cape Town Fresh Produce Market

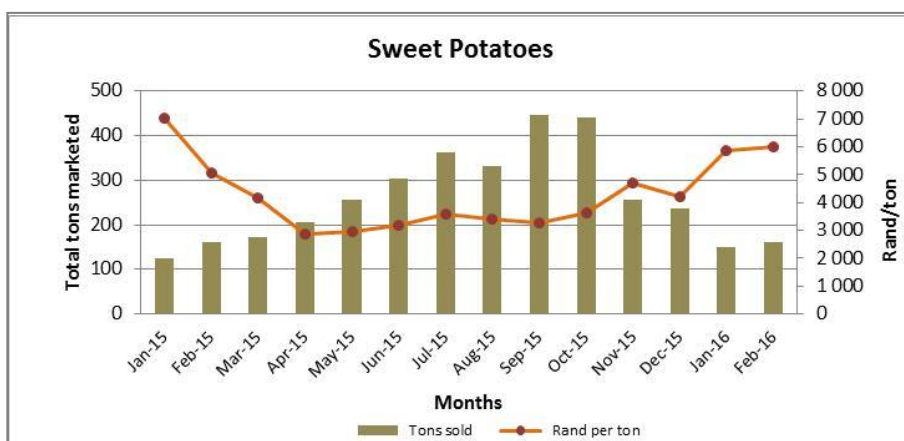


Volumes supplied during the month of February 2016 remained more or less unchanged at 255 tons, in relation to the previous month. Average prices however increased by 37% m/m or by R3206 per ton to an amount of R11, 880 per ton.

On an annual basis, supply to the market improved by 29% y/y or 57 tons, whilst the average prices decreased by 18% y/y or R2,568 per ton which escalated average prices from R14,448 to R11,880 per ton at the end of February 2016.

## 1.12 Sweet Potatoes

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



Sweet potatoes supply to the market has been on a decreasing trend since December 2015, with volumes slightly improving during February 2016 by 7% m/m. Although, average prices have been on an upward trend for the abovementioned period, it clearly depicts the relationship between demand and supply in that prices increase when shortages are experienced in supply.

On an annual basis, volumes remained unchanged at 161tons, whilst the average price per ton increased by 19% y/y or R941 per ton to an amount of R 5988 per ton.

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

<b>PRODUCE NAME:</b> ( in order of the highest to lowest volumes sold during this month)	<b>AVERAGE TONS TRADED FOR FEBRUARY 2016:</b> (tons) <b>( A-Z)</b>	<b>CHANGE IN THE AVERAGE TONS TRADED FOR FEBRUARY 2016:</b> (m/m)	<b>AVERAGE PRICE OBTAINED FOR FEBRUARY 2016:</b> (Rand per ton)	<b>CHANGE IN THE AVERAGE PRICE MARKETED FOR FEBRUARY 2016:</b> (m/m)
13. Baby Marrow	94.8	6.6%	R9 778	15.0%
14. Sweetcorn	85.3	-13.4%	R7 489	23.9%
15. Brinjals /Eggplant	73.7	-14.2%	R5 138	41.3%
16. Cauliflower	70.8	-42.3%	R11 526	>100%
17. Broccoli	67.6	13.0%	R17 149	14.5%
18. Beetroot	58.6	-20.3%	R6 308	97%
19. Green beans	49.8	-43.8%	R13 849	52.3%
20. Spinach	24.9	10.0%	R11 518	37.9%
21. Hubbard Squash	20.8	15.6%	R2 169	26.6%
22. Marrow	20.3	-36.4%	R1 054	28.9%
23. Leeks	17.7	-5.6%	R4 679	43.4%
24. Spring Onion	17.6	5.8%	R6 104	-0.5%
25. Mushrooms	7.4	-19.0%	R49 694	-10.7%
26. Patty Pans	4.6	-32.9%	R6 007	2.8%
27. Radish	1.7	54.5%	R22 093	>100%



### 2.1 Status of Garlic Production in South Africa



The South African Garlic Growers Association is a producers' organisation that represents the common interest of garlic producers in South Africa on a voluntary basis. The main aim of the association is to uplift the quality and quantity of local produced garlic and to protect the industry from unfair competition such as the dumping of products during trade amongst two market participants. Garlic is deemed as a niche agricultural production, as it is not produced on mass scale and hence the product creates a very lucrative opportunity.

"Garlic sold on our local supermarkets taste like nothing, looks rubbery and yellow", as a result of local producers not being able to produce according to the desired size and quantities, according to Mr Corrie Bezuidenhout (chairman of the Garlic Growers Association). South Africa imports are expected to be good quality garlic in large quantities to sell, especially in our supermarkets. However, garlic consumers are often disappointed about the quality and only realises after purchasing the produce.

Reasons that are contributing to the degrading of garlic include the smell, taste and texture of imported garlic, due to:

- the long periods of storage which often takes place in artificial cooling conditions which are intended to extend the shelf life of the produce.
- transportation thereof over long distances in containers by sea.
- all imported garlic into South Africa has to be irradiated, during which the majority of the essential qualitative characteristics of garlic produce are lost before it is released from customs for trade purposes. The taste and smell are almost gone as well. It is lifeless and it is not supposed to germinate.
- *"The active compound in garlic is the sulphur compound called allicin. Allicin is a chemical produced when garlic is chopped, chewed or bruised. Allicin is quite powerful as an antibiotic and a potent agent that helps the body to inhibit the ability of germs to grow and reproduce."*

According to Mr Bezuidenhout, South Africa does not produce enough garlic as it is not easy to start a garlic business. The association provided an indication that domestic consumption is estimated to be 4,000 tons per annum, of which the ratio of local production and imports ranges between 60:40 on average. In addition, it also requires thoughtful long term planning and dedication to develop into a successful garlic grower. Garlic production is also very labour intensive, whilst it takes six months before the produce can be harvested. Thus, cash flow management becomes a great challenge since the produce has to be nurtured after establishment for half a year.

The Department of Agriculture, Forestry and Fisheries (DAFF): Food Safety and Quality Assurance Directorate have issued regulations pertaining to the sale of garlic in local as well as the importation thereof, titled Regulations Relating to the Grading, Packing and Marking of Garlic Intended for Sale in South Africa. To download the regulation, please click [here](#). The regulation aims to regulate the manner in which all locally produced and imported garlic is intended to be packaged and marketed in terms of the various produce classes, permit able quality specifications and deviations, packaging and marking as well as how inspectors should undertake samples of the garlic produce on the local market and for imports. However, Bezuidenhout indicated that garlic imports argue that there are not sufficient quantities of good quality garlic available for local consumption; local producers are however able to adopt the crop in a diversification strategy given that the producer is able to offer the market top quality produce in exchange for higher profit margins.

Source: DAFF & South African Garlic Producers Association, 2016

### Garlic trade overview in South Africa

In 2014, South Africa imported 1,969 tons of garlic (HS code 070320: garlic fresh or chilled) which amounted to USD2,762,000. The top five supplying countries and importing shares of South Africa's garlic import market were as follow: Spain (64.6%), China (26%), Italy (5.9%), Argentina (1.9%) and Vietnam (0.8%). Garlic imports grew by 4% per annum over the 5 year period ending 2014, whilst imports grew by 18% y/y in 2014. Spain depicted the largest growth in terms of garlic imports as it grew by 287% for the five year period ending 2014. On average, South Africa faced a 16.5% import tariff in 2014.



As previously mentioned, South Africa is not able to meet the quantities demanded within the domestic as well as regional export market and hence the trade balance amounted to USD 1, 47 million in 2014. The country exported 1,029 tons in 2014 which amounted to an export value of USD 1, 26 million. The top five exporting countries and exporting share in South Africa's garlic export market were as follow: Botswana (37.2%), Namibia (17.6%), Angola (10.7%), Swaziland (9.9%) and Zambia (5.1%). Garlic exports grew by -7% over the five year period ending 2014, with Namibia indicating a slowdown in terms of garlic exports. South Africa faced a 50% and 100% export tariff to countries such as Angola and India respectively.

Source: Trade Map, 2016

## 2.2 NERSA DECISION ON ESKOM'S REGULATORY CLEARING ACCOUNT (RCA) APPLICATION: THIRD MULTI-YEAR PRICE DETERMINATION (MYPD3) YEAR 1 (2013/14)

Eskom submitted its RCA application for consideration by the Energy Regulator on 10 November 2015. Eskom applied for an RCA balance of R22 789m in its favour. In terms of the provisions of the MYPD approach, the Energy Regulator has to; upon application by Eskom assess certain qualifying allowed revenue and expenditure against actual revenue and expenditure (NERSA, 2016).

The National Energy Regulator (NERSA) issued a statement on 1 March 2016, indicating that based on the available information and the analysis of Eskom's Regulatory Clearing Account (RCA) application for the first year of the third Multi-Year Price Determination (MYPD3) (2013/14), the Energy Regulator decided to increase the average tariff for standard tariff customers by 9.4% for the 2016/17 financial year. Eskom is however requested to submit a new MYPD application within three months, based on revised assumptions and calculations that reflect the recent circumstances (NERSA, 2016).

## 2.3 THE BELOW MONTHLY FUEL PRICE ADJUSTMENT HAVE BEEN EFFECTIVE AS FROM WEDNESDAY, 02 MARCH 2016

Product description	Numeric adjustment (cents per litre)	Price adjustment description	Coast SA (cents per litre)
Petrol 93 ULP	69c	cents per litre <b>decrease</b> in retail price	1 113.00
Petrol 95 ULP & LRP	69c	cents per litre <b>decrease</b> in retail price	1 131.00
Diesel 0.05% Sulphur	15c	cents per litre <b>increase</b> in wholesale price	958.17
Diesel 0.005% Sulphur	14c	cents per litre <b>increase</b> in wholesale price	961.57
Illuminating Paraffin (Wholesale)	17c	cents per litre <b>increase</b> in wholesale price	552.03
Illuminating Paraffin (SMNRP)	23c	cents per litre <b>increase</b> in the Single Maximum National Retail price (SMNRP)	772.00
Maximum Retail Price for LPGAS	120c	cents per kilogram <b>decrease</b> in the maximum retail price	341.49 ( refinery gate)  LPG for residential customers is derived as per the control sheet per kilometre.

Source: Department of Energy, 26 February 2016

## 2.4 Increase in minimum wage for the agricultural and forestry sectors

As at 1 March 2016, the minimum wages for the agricultural and forestry sector were adjusted upwards as per the below mentioned:

- Hourly rate is changed to R14.25 from R13.37 (2015/16);
- Weekly is changed to R641.32 from R601.61 (2015/16);
- Monthly rate is changed to R2778.83 from R2606.78 (2015/16); and
- The daily wage for a farm worker who works nine hours per day is R128.26 from R120.32 (2015/16).

The Department of Labour acknowledged that it is aware of the challenges faced by the agricultural sector as a result of various factors such as the recent drought and economic conditions, which influences labour hiring decisions. Thus, the Department (of Labour) has encouraged farmers in drought-stricken areas to apply for a ministerial variation in terms of Section 50 of the Basic Conditions of Employment Act, which makes provision for the Minister to replace or exclude any basic condition of employment provided in the mentioned Act.

To visit the Department of Labour, for more information on minimum wages applicable for the agriculture and forestry sectors, click [here](#).

Source: Department of Labour, 2016

## 2.5 RSA indicates that on average fresh produce prices up by 30% due to the drought

The RSA Group is one of the largest fresh produce traders in South Africa and as the group is represented countrywide, representing 30% of all sales of fresh produce on the 5 major markets which sold in excess of 720 000 tons of fresh fruit and vegetables last year. The below provides some highlights of a Fresh plaza article in which the group was requested to comment on the impact of the current drought affecting South Africa as currently brought about by the strongest El Nino phenomenon in 18 years.

The below points were highlighted:

- The drought has both a medium and long term impact on food security, food prices, as well as an adverse effect on the availability of agricultural produce.
- Changes within the agricultural market place were first noticed during December 2015. Prior to the mentioned period, there was sufficient supply, and in some instances an oversupply on the agricultural markets.
- The most significant impact could have been noticed immediately during December 2015 and January 2016, as a result of the excessive heat and hail damage in certain areas. This resulted in adverse effects which impacted produce quality, shelf-life and availability. At that particular timeframe, the areas affected were the Free State, Limpopo, Mpumalanga, and Kwa-Zulu Natal.
- Going forward, the collective fresh produce industry will be affected and shortages are expected which will ultimately push average prices upward during the course of the next few months.

A practical example was made of the 2016 potatoes crop expectations, in that the biggest impact on the potato crop will be areas that farm on dry land without any irrigation. "The effects of this were not yet visible in December 2015. However, the yield was already low due to the extreme heat. The potato crop in the Eastern Free State will be severely affected, and very low yields are expected as most of this area farms dry land." Various areas have water problems so have not been able to plant the usual number of hectares. In some cases, like the Western Cape, the fruit trees must first receive irrigation. This is the same for onion planting and production. In the Western Cape, the largest potato producing region in South Africa called the Sandveld is affected by severe drought and excessive heat. At this stage the Western Free State may have a crop with less damage", as reiterated by Andries Erasmus whom is the senior trader for potatoes in the RSA group. He furthermore indicated that uncertainty however prevails regarding the prospects that the weather poses on current expectations.

## 2.6 Weather update: DAFF NAC Advisory on the 2015/16 summer season

The rainfall received during February 2016 was near normal to below normal with patches of above normal in some areas. Parts of the West Coast and Central Karoo remain critically dry. Farmers continue to provide their livestock with additional feed. Very hot conditions affected crops e.g. vegetables and fruit, and exacerbated drought in drought stricken areas. On the other hand the fruit industry benefitted in terms of earlier harvests. The level of dams has decreased to 41% in 2016 from 59% in 2015 (DAFF NAC, 2016).

## ACKNOWLEDGMENTS

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*The following institutions and organisations are hereby acknowledged:*

Department of Agriculture, Forestry and Fisheries: [www.daff.gov.za](http://www.daff.gov.za)

Department of Energy: [www.energy.gov.za](http://www.energy.gov.za)

Department of Labour: [www.labour.gov.za/DOL/](http://www.labour.gov.za/DOL/)

Fresh Plaza: [www.freshplaza.com](http://www.freshplaza.com)

Potatoes South Africa (SA): [www.potatoes.co.za](http://www.potatoes.co.za)

South African Garlic Growers Association: [www.sagarlic.co.za/](http://www.sagarlic.co.za/)

Techno Fresh CRM: [www.technofresh.co.za](http://www.technofresh.co.za)

Trade Map: [www.trademap.org/](http://www.trademap.org/)

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