NAMC
Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

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Grains and Oilseeds

Global Perspectives

Despite weather concerns in major production areas, the global grain and oilseeds outlook remains positive. The United States Department of Agriculture (USDA) in their September World Agricultural Supply and Demand Estimates Report, revised their estimates upward from the previous month (August) for most grains and oilseeds. The global maize harvest for 2021/22 is forecasted at 1,197 billion tons, an increase of 7% from the 2020/21 season. The forecasted increase in the global maize production boosted the ending stocks (297 million tons) by 4% from the 2020/21 production season. The global wheat harvest for 2021/22 is forecasted at 780 million tons, up by 1% from the 2020/21 season. Projected 2021/22 world wheat consumption rose by 3 million tons from the previous month to 789 million tons, mainly for feed and residual use with China leading the demand. The stock levels are placed 3% lower than the previous season, with the likelihood of putting pressure on prices.

Global 2021/22 soybean production is projected slightly higher from the previous month at 384 million tons, up by 6% from the 2020/21 production season, on the back of expected large harvest for the US, India, Paraguay, Russia, Ukraine and Uruguay. Trade is lowered from the previous month due to lower demand from China. The improved production coupled with reduced demand from China has placed the stock levels fairly comfortable at 99 million tons, up by 4% from the 2020/21 production season.

Domestic and Regional Perspectives

Favourable weather conditions presented a lifeline for the 2020 winter crops in achieving record harvests, specifically for barley and Canola. 2020 canola crop reached an all-time high of 165 200 tons while barley came in at 588 000 tons, up by 74% and 70% respectively from the previous season. Furthermore, the wheat crop surpassed the 2 million mark since 2011. Based on the CEC figures, 2021 canola crop is estimated to reach a record of 195 000 tons, up 18% from the 2020 production season. While the outlook for canola is positive, barley however is expected to decrease by 39% to 356 700 tons from the 2020 crop of 588 000 tons, on the back of high carryover stocks from a slump in demand resulting from the alcohol bans. The 2021 wheat crop is expected to decrease by 2% to 2 086 135 tons from the previous season.

Furthermore, soybeans crushed for oil and oilcake could potentially reach record levels (1.4 million tons – 1.6 million tons) for the 2021/22marketing year, underpinned by a record harvest as well as a shift by most crushing plants to utilise soybeans over sunflower. The Crop Estimates Committee projected the 2020/21 Soybean production at 1 890 450 tons, up by 52% from the previous season’ crop.

Key areas to unlock growth in Field crops

Increased canola production levels promises well in limiting imports for vegetable oils. With the 2021/22 weather outlook expected to be favourable, soybean production could again reach record levels resulting in increased crushing capacity as well as limited soybean oilcake imports. Crop insurance remains one of the most expensive yet sought-after for farmers to ensure protection against unforeseen shocks. Government as well as public-private partnerships (PPPs) in developing an affordable insurance product could potentially afford farmers the opportunity to produce sustainably, with the likelihood of increasing production level

Fruits and Vegetables

Global Perspectives

Global citrus production is estimated to rise by 4 percent to 98 million tons in the 2020-21 season. For soft citrus, global production is estimated to increase 4 percent to a record 33.3 million tons. Consumption and exports are both up on higher supplies which has been the case for the past 20 years mainly from China, the EU, Turkey, and the U.S. Oranges experienced favourable weather yields better crop in a larger crop in Brazil (up 7 percent) and Mexico (up nearly 60 percent). Global production is estimated up 2.5 million tons from the previous year to 48.6 million tons. While grapefruit, global production is estimated to decrease by 1 percent to 6.7 million tons due to unfavourable weather in the United States (U.S.) and Turkey that more than offset higher production in China, Mexico and South Africa (USDA, 2021). In the 2020-21 season, global citrus exports are expected to increase, driven mostly by soft citrus. Global citrus exports are estimated at 11 million tons with oranges dominating, representing over 40 percent and second in place being soft citrus with closely 30 percent. An estimate of higher exports for Mexico and Turkey more than offset by a decline from Argentina. Exports increase are driven by mandarins from China, South Africa and Turkey, and to a lesser extent higher lemon export from Mexico, South Africa, and Turkey. South Africa is the largest exporter followed by Turkey and Egypt. The USA's citrus exports however, are dropping because of lower orange exports and have not been able to participate in rising global tangerine or lemon trade due to reduced exportable supplies.

Domestic and Regional Perspectives

The South African citrus industry has expanded remarkably over the past decade, characterised by a variety of growers, ranging from large producers that are export-oriented to small-scale producers who mostly sell their products in local markets. South Africa has become the second largest exporter of citrus in the world (after Spain), after it exported 146 million cartons (15kg) of citrus in 2020, an increase of 16 million cartons from the previous year. According to CGA (2021), due to favourable weather, improved water management, a rise in area harvested, and new plantings of high yielding and late maturing varieties. South Africa export season is expected to increase to 161 million cartons in the 2021 season, a 22 percent growth in just two years.

Reaching this estimate would represent a third consecutive season of record export volumes, with 130 million cartons exported in 2019, followed by 146 million cartons in 2020 and the EU is projected to remain one of the main markets. Currently as it stands, South Africa has packed and passed 95% of its citrus for export this season. Approximately 30.4 million cartons of lemons have been passed for export which is 200 000 cartons more than the estimated projection. While there are about 500 000 cartons of navels that are yet to be packed and passed for export. Even though most citrus fruit categories have largely been passed for export, about 6.7 million cartons of Valencia oranges are to be shipped out. The prediction is now set at 55.7 million cartons, almost 600 000 cartons over the final Valencia export figures for previous season. The grapefruit was predicted for about 17.6 million cartons to be destined for export market, just 400 000 cartons below the original estimate for 2021. And also, the soft citrus indicates a decrease from the estimate with 30.3 million cartons set to be shipped this season, coming in just 200 000 cartons below the originally predicted figure (CGA,2021).

Key areas to unlock growth in Fruits and Vegetables

Currently the fruit industry is the largest contributor, by value, to South African agricultural exports. Making the fruit industry an important foreign exchange earner as about 90% of the revenue is earned through foreign countries, with a total export value of R50 billion. The citrus industry alone contributes roughly R20.3 billion to this total fruit export value. The citrus industry employs about 14% of agricultural labour (about 125 000 workers). Furthermore, in the next three years, the growth projections are expected to yield an additional R6.8 billion in foreign exchange earnings and create 22 250 additional jobs (CGA,2021). With the positive projections for the future, public-private partnership is key in achieving the growth that is needed by the industry and the country as a whole.

Lastly the congestions at the ports have been hindering the South African citrus industry in maximizing its potential as a global leader in exports, the delays at these ports affect the efficiency of the cold chain. It was in 2019 when the industry launched a cold storage facility project; a state-of-the-art cold storage facility that has recently opened in Durban. The cold storage is located kilometres away from the Durban port which will help reduce the congestion in that port.

Livestock and Animal products

Global Perspectives

Globally, the issues surrounding consumer perceptions of meat are not going anywhere, if anything there is a rise around this debate due to media coverage. A recent study by the United States Department of Agriculture (USDA) (2021) found that there are increasing concerns around antibiotics use in meat and poultry production which has led to a new market for chicken raised without any antibiotics (RWA) emerging. In 2012, raw fresh or frozen, the processed chicken and chicken sausage labelled RWA represented a mere 4%, 1%, and 7%, respectively. By 2017, RWA-labelled raw fresh or frozen, the processed chicken and chicken sausage products represented 11%, 9%, and 18%, respectively, of products sold at retail markets in the United States of America.

International meat prices in a nutshell have increased by 14.3% beginning of 2021 to the end of August 2021. Poultry was the main contributor followed by bovine meat (15.1%), pig meat (13.2%), and ovine meat (13.1%) according to the Food and Agricultural Organisation (FAO, 2021) of the United Nations. The main factor to the meat inflation prices was the meat production deficit in mainly from China, Vietnam, and the Philippines while there were inadequate increases from key global suppliers. Nonetheless, the meat supply globally was observed to be increasing from Brazil and in the European Union. Germany remains bared to export to some key Asian markets following African swine fever outbreak late in 2020. This might continue to partly put pork supply globally under pressure as the Germans are a key global pork producer and a supplier.

Domestic and Regional Perspectives

South Africa has seen a steady decline in commercial farmers over the last decade and increasing concentration levels in certain areas, a new report by the Competition Commission shows. The regulator said that there had been a 73% decline in producer numbers in the dairy sector alone, from around 3 899 farmers in January 2007 to only 1 053 reported in January 2021. It is said that the agricultural value chain in South Africa is highly industrialised and characterised by the super commercialisation of production via large-scale farming as well as concentrated upstream inputs and concentrated processing. This structure risks placing smaller farmers under margin pressure as input suppliers with market power increase small-farmer input costs through high or discriminatory prices, while processors may exercise buyer power to suppress the price received by small farmers. The ‘large-scale or nothing’ dynamic in food chains also serves to limit the scope for small-scale participation in farming. The commission said that the agricultural sector had been chosen as one of the designated sectors for the new amendments to the Competition Act regarding buyer power, aimed at levelling the playing field for smaller participants and preventing potential exploitation by dominant entities. The sharp decline in the number of commercial farms highlights the difficulties smaller farmers face in reaching the necessary economies of scale to decrease costs and maintain profitability. The commission further said that such dynamics could negatively affect the sector’s transformation as potential new entrants – including emerging black farmers – struggle to become established and sustainable without entering at scale. The commission also found that where small emerging farmers exist, there are still barriers to scaling from small to larger growers, such as access to finance, infrastructure, and routes to market, which could provide the necessary scale to become more efficient. Efforts should not just focus on ensuring that small scale participants can scale production over time to become more sustainable, efforts should also be focused on addressing market features to provide space for sustainable small farming units and put in place support mechanisms to support sustainable entry of small-scale farmers (Business tech, 2021).

Key areas to unlock growth in livestock and animal products

The Land Bank provides loans to emerging and established farmers and offers them insurance products for agricultural-related events such as drought and disease. The Land Bank is important for SA’s food security system as it provides 28% of the country’s agricultural debt. The latest financial losses are a further blow to the Land Bank, which faces a financial crisis so daunting that it cannot afford to extend new term loans to farmers. The Land Bank can only service the financial needs of its existing clients, providing them with funding for their seasonal farming operations, especially during crop planting and harvesting (Daily Maverick, 2021). Alternative sources of financing are crucial as this not only affects crop production because that crop production becomes feed for the livestock industry. More than 70% of beef produced takes place in feedlots.

Source of information

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For correspondence:

Markets and Economic Research Centre
Email: research@namc.co.za
Tel: +27 (0) 12 341 1115
Website: www.namc.co.za