



NAMMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

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Grains and Oilseeds

Global Perspectives

Tighter global wheat supplies have been a concern for some time, and those fears were solidified by the latest International Grain Council (IGC) world estimates in February 2022. IGC has trimmed global wheat supplies for the 2021/22 marketing season despite a lower consumption estimation. Lower carry-in stocks which have put on some pressure on export prices throughout 2021 worsened the situation. Deep into the 2021/22 season that pressure remains as uncertainty from South America remains. But, the biggest concern now is the current Russia-Ukraine war which has serious implications for the global wheat, maize, and sunflower seed supplies. Future prices have responded to the situation and fears are remains as it is not known how long will war take and what will be the damage after that.

Vegetable oils prices have been also under pressure reaching records high already in 2021. This continued into 2022 in response to various forces affecting the market. End of January Indonesia, the world's biggest palm oil producer has issued producers to sell 20% planned for exports to the domestic market. Collectively these developments had pushed vegetable oil prices up. Based on the IGC (2022) data, the soybean sub-index was 20% higher year-on-year as of the 23rd of February 2022. Individual percentage changes for global leading exporters export prices were as follows: Argentina Upriver (22%) higher y/y, Brazil Paranagua (24%) higher y/y, and the USA Gulf (15%) higher y/y. **Figure 1** presents soybean prices from the Gulf, the USA from January 2021 to the 23rd of February 2022.

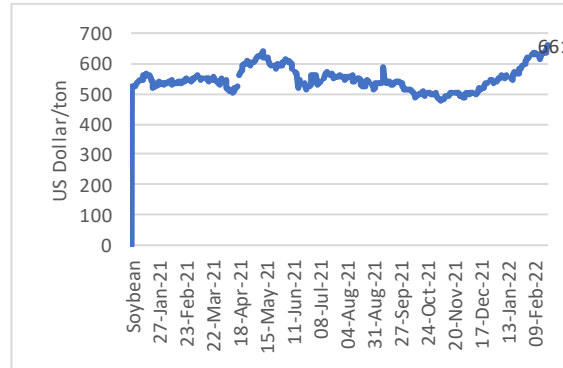


Figure 1: soybean prices from the gulf, the USA
Data source: IGC, 2021

Domestic and Regional Perspectives

The current war fairs from the black sea will remain the cause of speculations throughout the world including here on our shores. For South Africa, presently fears are around the issue of wheat because the country heavily relies on wheat exports and this is one of the most consumed commodities throughout the country. Still, on wheat, we are approaching a planting season for wheat and other winter crops such as oats, canola barley. The Black Sea war fair indirectly affects the country yet again when it comes to fertilizer as we buy about 80% of the fertilizers from the global market. Russia is the biggest supplier of fertilizer globally and if the current situation is to escalate and affects fertilizer trade, South Africa's winter crops production might be negatively affected which will be disastrous for the coming season, especially for wheat.

Figure 2 presents total wheat exports and imports by South Africa up to week 21 of the 2021/22 marketing season. A total of 495 062 tons has been imported out of 1.47 million estimated, while 67 940 has been exported

regionally. About six countries have been supplying South Africa with wheat so far Lithuania (47%), Poland (18%), Argentina (15%), Latvia (10%), Australia (8%), and the USA (2%). Based on the data from the South African Grain Information Service (SAGIS), as of the 18th of February 2022 (week 42), South Africa has exported a total of 553 542 tons of white maize and 2.4 million tons of yellow maize out of 3.5 million tons estimated for total maize exports.

Key areas to unlock growth in field crops

The maize marketing season is edging closer to the end while we are deeper into the wheat marketing season. The current and the previous seasons have shown that there is still some room for bringing in more field crop production for these two commodities, especially wheat. However, new varieties that are resistant to drought with higher yields are needed. For maize, smallholder farmers from Eastern Cape and KwaZulu Natal have shown promising results. More support should be focused on these from the respective areas to ensure that their products get into the market seasons such as the recent ones.

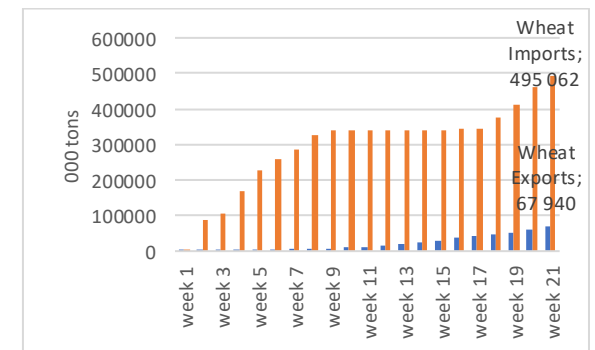


Figure 2: total wheat exports and imports by South Africa
Data source: SAGIS, 2022..

Fruits and Vegetables



Global Perspectives

According to Fruitnet (2022), Southern Hemisphere apple production is expected to be down from 5.22 million tonnes in 2021, mainly due to a 30% decrease in Brazil and the 11% drop in Argentina. Australia and Chile are also planning to cut production by 3% and 2%, respectively. Only New Zealand and South Africa are expected to increase apple production. Argentina continues to be the largest apple producer in the Southern Hemisphere, with 522 000 tonnes, followed by South Africa (492 000 tonnes), Chile (122 000 tonnes), Australia (81 000 tonnes), and New Zealand (11, 000 tonnes). Pear production in the Southern Hemisphere is expected to fall by 13% in Argentina, 11% in Chile, and 6% in Australia.

Eastern Europe is a lucrative market for many global suppliers and retailers. Russia's invasion of Ukraine is likely to have serious ramifications for regional suppliers and retailers as fears of a protracted armed conflict escalate. Ecuadorean banana shipments to Ukraine have not been able to reach Odessa because it is closed (Tridge, 2022). According to Fruitnet (2022), Russia and Ukraine account for roughly 25% of Ecuador's banana export volume.

Ukraine's fresh produce exporters have ceased operations as a result of Russia's invasion. The war has hampered Ukraine's ability to sell fresh produce, including vegetables to other countries and is likely to have a long-term impact on the European fresh produce market (Fruitnet, 2022). The sanctions imposed on Russia will make it difficult to sell fruit and vegetables to that country due to a financial risk. Sanctions imposed by Western countries on Russian banks, as well as SWIFT payments are likely to exacerbate the risks faced by exporters.

Domestic and Regional Perspectives

The apple and pear season in South Africa has commenced. According to Hortgro (2022), South Africa is likely to export a record volume of apples and pears this season if present favourable conditions continue. About 80% of apple production in South Africa is from the Western Cape (USDA, 2021). Apple exports are expected to increase by 6% to 47.47m cartons and pear crop by 8% to 19.83m cartons in 2022 MY. An increase in export crop estimate could be attributed to new orchards coming into production.

South Africa has increased its market share in Africa in apple exports by 11% over the past 6 years (Tridge, 2021). This could be attributed to the Free Trade Agreement with the Southern African Customs Union (SACU) as there are no import tariffs and duties imposed on imports from South Africa, which is expected to increase South Africa's exports to other African countries. AfCFTA is also expected to increase South Africa's trade with the African continent significantly. According to Morokong *et al.* (2021), increased market access to countries like Nigeria and Senegal present enormous opportunities for South Africa to grow apple exports in the next decade.

With the start of South Africa's citrus export season only two months away, the citrus industry expects to ship a large volume of fruit to key markets around the world. The exponential increase in input costs over the last year is a major source of concern as it will likely reduce growers' returns. Rising fuel prices will put additional strain on growers. According to the Central Energy Fund (2022), the wholesale price of 95 Unleaded Petrol and the wholesale price of Diesel could rise by R1.46 cents per litre and R1.44 cents respectively in March 2022. The price increases are being driven primarily by an increase in international crude

oil prices as a result of the escalating crisis between Russia and Ukraine.

Key areas to unlock growth in Fruits and Vegetables

According to Hortgro (2022), South African pears have been granted market access in China. Although there are new opportunities in Africa and the Far East, logistics make it difficult to export to those markets. South African ports have recently experienced severe congestion as a result of aging infrastructure and equipment, labour shortages, and weather disruptions.

In addition, planned truck divers' protests will have a negative impact on South Africa's exports. Exporters of perishable goods will be forced to cancel some exports and reschedule deliveries to their customers. These protests have an impact on South Africa's exports, so it is critical that the government, trade unions, and truck drivers reach an agreement to keep roads open

Livestock and Animal products



Global Perspectives

The Angora goat was probably one of the first animals to be domesticated in Asia, almost 9 000 years ago. Angora goats are believed to have originated in the Himalaya Mountains of Asia. They found their way to Turkey, where the name Angora was taken from Ankara, the name of the area where the goats were first bred. The Angora had been imported into Europe by the mid-18th century, but not until the animal was successfully established in South Africa and western USA century later, did the Western mohair industry develop.

Angora goats were first imported into Australia in 1832 and 1833. They came from M Polonceau's stud in France to the property of the Riley family of Raby N.S.W. Pure bred Angoras were imported from Turkey in subsequent years up to 1873, to properties in New South Wales, Victoria, and later South Australia. Other states followed and there were importations from South Africa in 1873 and from USA between 1890 and 1910. This is the foundation from which the Australian Angora goat has evolved up until 1992.

In recent years there have been another three small introduction of South African embryos and some semen has also been imported from Texas. The export ban was relaxed in South Africa and these introductions from there were from named studs. The Australian industry moved very quickly to replace the old Australian strain with first Texan and then African strains. The trend more recently has been to move towards the South African types though some Texan material is still present. In effect, the Australian Angora is now a mix of Texan and South African breeding. Because of the varying mix and the amount of subsequent selection, it is perhaps no longer justified to think in terms of importations. The animals we have now are mainly the result of breeding in Australia.

Australia represents about 5% of the mohair market.

Texas Angora Goats and Mohair: The Angora goat inventory as of 1 January 2022 was 4 000 head lower than the previous year. During 2021, 61 000 goats and kids were clipped, 4 000 head lower than the year before. Mohair production decreased by 35 000 pounds (15 876 kg) to 335 000 pounds (151 953 kg). The average clip weight for 2021 was 5.5 pounds (2.5 kg). The price per pound of mohair increased 50 cents in 2021 to \$7.70. This brought the total value of the state's mohair production to 2.58 million dollars for 2021, 84 000 dollars lower than 2020.

Domestic and Regional Perspectives

South Africa is still the largest and leading mohair producer in the world with over 60% in the total world production, followed by Lesotho and Argentina. Other producers are United States of America, Australia and New Zealand. Most mohair exports from South Africa went to China accounting for more than 40%, followed by Italy, United Kingdom, Taiwan and Japan, respectively. Mohair South Africa serves as a producer organisation that ensures ethical mohair production in South Africa.

The first sale of the 2022 summer season took place on the 15 February 2022, with 62 341 kg on offer of which 97% was sold. Although the offering of the first sale is always mixed and varied in length, the buyers actively competed for small quantity of mohair on offer. The good competition for mohair between the buying houses has resulted in a 3% increase in the average market indicator (7% increase in Dollar terms) compared to the last sale of the winter season of 2021 to close on R415.27/kg.

The Responsible Mohair Standard (RMS) certified mohair continued to attract the most interest from the mohair buyers. A highest price of R791 per kilogram was paid for a bale of 24-micron good style kid mohair. The sale prices have

increased as compared to the previous sales. Farmers are informed that second sale of the 2022 summer season will take place on 01 March 2022.

Key areas to unlock growth in livestock and animal products

Currently the mohair market is vastly under supplied, during 1989 the world mohair production reached 24 million kilogram per annum and today production of mohair sits at just under 3 million kilograms. This international supply shortage means there is currently high demand for the fibre, creating huge opportunity for South African mohair producers that wish to enter the industry.

Source of information

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Tridge www.tridge.com

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