

# MARKET INTELLIGENCE REPORT

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# Grains and Oilseeds



## Global Perspectives

The latest (June 2022) shows that the world's total oilseed production for 2022/2023 is set to reduce by 0.3 million tons to 646.8 million tons, due to lower sunflower seed production in the Ukraine and other parts of Europe and United State of America (USA). Both the International Grains Council (IGC) and United States Department of Agriculture (USDA) project that the sunflower will be down to 49.2 million tons in the current season. However, the soybean and rape seeds are projected to increase. Global soybean production is projected to increase by 11% from 2021/22 to 390 million tons in 2022/23, according to the (IGC, June 2022). The main contributing countries are Brazil, Argentina and USA.

The 2022/23 wheat season will start with some level of uncertainty on the international market. The consequences of the ongoing conflict between Russia and Ukraine continue to be a concern and cause for uncertainties in the market. Since the start of the conflict, India has been viewed as a viable export supplier; however, continuous dry weather conditions has since dampened the anticipated wheat production. Argentina's 2022/23 wheat crop is at risk due to persistent drought conditions and high input prices. As a result of lower production in India, Ukraine, Argentina and others, the amount of available wheat in the world has fallen by 1.7 million tons to 1,052.8 million tons in the current season. . On the maize market, the IGC's projection put the global maize production for 2022/23 at 1,190 billion tons, which is down from 1,219 billion tons recorded in 2021/22. The decline in global maize stock is attributed

to weather challenges in Southern African countries, except South Africa, and also South American countries.

## Domestic Perspectives and Regional

The USDA's Foreign Agricultural Service estimates that Zimbabwe's maize production for 2022/2023 will be 1.6 million tons lower than the record-breaking crop of 2.7 million tons produced in 2021/22 because of poor weather conditions and high input costs. Zimbabwe will need to import over 400 000 tons of maize in 2022/23 due to its expected 2.2 million tons annual maize demand. Only 4 616 tons of South African white maize were imported during the marketing year of 2021/22 due to a recovery in Zimbabwean production, therefore this may present an opportunity for the country.

Continuous growth in South Africa's wheat production is encouraging for the nation as it could potentially result in reduced imports amid ongoing concerns about the conflict in Russia and Ukraine. The 2021 wheat production increased by 8% from the 2020 crop (2 120 000 tons) to reach 2 285 000 tons, breaking the 2-million-ton barrier. In addition, the Crop Estimates Committee (CEC) predicted that the wheat planting intentions for 2022 would be 538 350 ha, an increase of 2.84% from the crop planted in 2021. As plantings came to an end, the Western Cape province, a key wheat-producing province, received much-needed rain to boost crop development after persistently dry weather.

Prolonged rain delivered a severe blow to the summer crops and made harvesting a challenge. Due to this, early maize deliveries in 2022/23 (March–April) were only 414 048 tons, as opposed to 957 307 tons in 2021/22. The carryover stock levels from the record 2021/22 of 2 126 448 tons boosted the 2022/23 stock levels despite the modest early deliveries. The persistent rainy conditions have reportedly caused sclerotinia in some parts of the North West and Free State, which could be major concerns for sunflowerseed. Lower yields could arise from this threat of sclerotinia. The CEC projected that the sunflower seed crop in 2022 will total 961 300 tons, which is a 42% growth from last year crop and would make it the second highest crop since 1998/99.

## Key areas to unlock growth in Field crops

Given a rise in global vegetable oil prices, which were further impacted by the conflict between Russia and Ukraine, the domestic sunflower oils have experienced a sharp rise in the first six months of 2022. The Indonesian short-term ban on palm oil increased pressure on the already surging vegetable oil prices. It is projected that South Africa will produce the second-largest harvest of sunflower seed, which is a positive development for the nation and likely to moderate sunflower oil prices in the second half of 2022. While South Africa is expecting good crop harvest, the risk of sclerotinia disease due to excessive rains in the early part of 2022 could impact the positive sentiments in the markets.

# Fruits and Vegetables



## Global Perspectives

The global orange production for 2021/2022 marketing year is expected to increase by 1.4 million tons from the previous year to a total 48.8 million tons. This is due to favourable weather conditions, leading to larger crops yields in Brazil, Mexico and Turkey. In 2022, the World Citrus Organisation (WCO) estimated that the citrus production in the Southern Hemisphere countries, specifically Argentina, Australia, Brazil, Bolivia Chile, Peru, South Africa and Uruguay are expected to increase by 4.85% compared to 2021, to 24.8 million tons. Moreover, these countries also represent 27% of the global citrus production.

It is important to note that fruit processing is anticipated to consume the majority of the harvests. Accordingly, it is anticipated that 13.2 million tons of citrus produce will be used to manufacture juice, an increase of 8.32 % from 2021. Forecasts indicate that citrus exports will rise to 4.1 million tons, up 4.91 % from the previous season.

In February 2022, most countries could not export their produce due to the ongoing Russia-Ukraine conflict. This also affected the countries' ability to supply their produce to the Russian market.

As a result, citrus which was destined for the Russian market had to be diverted to other markets. The other concern is that these markets could be affected by the oversupply and stock build up, which could have an impact on price.

## Domestic Perspectives and Regional

South Africa is the second-largest global exporter of fresh citrus, after Spain. In the beginning of April 2022, the Citrus Growers Association (CGA) of South Africa predicted that the country's fresh citrus export season will see combined shipments of lemons, Navel oranges, Valencia oranges, and grapefruit rise by 4% this season compared to 2021.

In February 2022, CGA informed all South African citrus producers and their exporters on the eve of voting by the European Union's (EU) on the technical expression of proposed mandatory cold treatment for third countries citrus imports. The proposal was to implement an air-force cold treatment to tackle False Codling Moth (FCM). In June 2022, the EU's Standing Committee on Plants, Animals, Food and Feed voted in a new requirement that will force South Africa to implement the cold treatment. According to CGA, if the rule is accepted the South African organic and non-chemical oranges will become completely unavailable in the EU. As a result, profitability and sustainability of the industry is under threat and this could limit future investments and 800 000 tons of annual exports is estimated to be under threat.

In terms of the Russian market, South Africa accounts for around 7% to 10% of total citrus exports per annum. This was about 11,2 million (15kg) cartons of citrus fruit exported to Russia in 2021. The local citrus industry sustains over 120 000 jobs and generates R30 billion in export revenue for the country. It is expected that it will further increase this year reaching around 200 million cartons in the next 5 years. Citrus exports from South Africa are anticipated to reach 2.7 million tons in 2021/2022. This could be attributed to favourable weather conditions, new production areas, and increased demand in leading markets such as the United States of America (USA).

## Key areas to unlock growth in Animal and Animal products

Citrus production in the Southern Hemisphere is anticipated to increase this year, primarily due to good yields from lemons and oranges, while grapefruit and soft citrus are anticipated to remain stagnant. Following the COVID-19 pandemic, a positive trend of consumers' demand for fruit and vegetables was noted, specifically for citrus fruit, widely recognised for its high nutritional value, notably in terms of vitamin C content. The large quantities of citrus available will help meet this increased demand.

The impact of Russia-Ukraine conflict on South African citrus industry ability to supply to the Russian market, highlights the significance of having access to multiple markets in order to divert the citrus produce when necessary. The citrus industry anticipates significant price increases in fertilizer, fuel, and agrochemicals due to Russia-Ukraine conflict, which will put more strain on citrus growers' profitability. Therefore, the South African government should work with relevant stakeholders to help mitigate these pressures and the effects of the Russia-Ukraine conflict on the next citrus season.

However, the most urgent challenge for SA citrus producer is the amended EU regulation on pre-cooling condition, which is threatening the sustainability of the industry.

# Livestock and Animal Products



## Global Perspectives

The global dairy food market is expected to grow from US\$700.06 billion in 2021 to US\$768.53 billion in 2022, and projected to reach US\$1 072.06 billion in 2026 (CAGR, 2022). Most dairy products are distributed via supermarkets or hypermarkets, convenience stores, e-commerce which are facilities that have cold supply chain to preserve the perishability of the dairy products. Dairy products are processed from milk sourced from cattle, sheep, goats and camels. Agriculture and Horticulture Development Board (AHDB) quarterly update to its baseline forecast for milk production shows that 2022/23 milk production is expected to be down by 1.0% from last year at 12.23bn litres.

Asia and Europe are the two largest producers and consumers of dairy products. The increasing demand for local, sustainable and organic food production is expected to positively impact the dairy food market during the forecast period. Organic food production, including organic dairy products, places a strong emphasis on consumer health, environmental protection and animal welfare. Consumers now are becoming more concerned with how food is produced and prepared and are willing to pay a higher premium for something they recognize as healthy and environmental friendly. The outbreak of Corona virus disease (COVID-19) has acted as a massive restraint on the dairy food market in 2020 as supply chains were disrupted due to trade restrictions and consumption declined due to lockdowns regulations imposed by governments globally.

## Domestic Perspectives and Regional

The first quarter of 2022 has been dominated by inflation throughout the dairy supply chain, and the subsequent impact on milk production. While strong market returns have allowed milk buyers to increase milk prices and alleviate some of on-farm cash flow pressures, they have not yet triggered an uplift in milk production. The conflict in Russia-Ukraine has exacerbated the inflationary pressures on the dairy value chain. In South Africa, it seems that various factors are continuously contributing to market imbalances ranging from low stock levels, to route to market congestion to increased economic activity in certain parts of the country outstripping demand.

Looking at the domestic market, the wholesale prices firmed up in June 2022 as production passed peak and started its seasonal decline. Overall, prices were up from May, with cream product seeing the largest monthly jump due to more limited availability. In turn, both market indicators moved up by 2% in June, pulling up the average milk market value. Firmness in wholesale markets continues to provide support for farmgate milk prices, although returns to processors are also being diluted by higher processing costs such as fuel and electricity

## Key areas to unlock growth in Animal and Animal products

According to Milk South Africa, the livestock sector in general and the dairy industry specifically, has recently come under great pressure from climate change activists and scientists alike with respect to the greenhouse gas emissions attributed to the sector. The industry is considered a large contributor to emissions within the agricultural sector.

The industry must thus adapt to changes in consumer demands and perceptions regarding the industry's climate footprint to protect and expand its share in the protein market, while seeking innovative ways to improve its profitability and sustainability.

To assist dairy farmers to calculate and monitor the impact of environmental indicators such as carbon balance, nitrogen (N)-use efficiency, and the impact of environmental indicators on the economic outcome of their operations, a web- and phone-based tool was developed by Asset Research on behalf of Milk SA.

This real-time and on-farm, science-based information will enable the producer and the sector alike, to engage with their stakeholders in an informed way as to the environmental impact, and the measures taken to improve such. This communication is essential in maintaining and improving the sector's market share and the longevity and competitiveness of its producers.

**Source of information**

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