



NAMMC

Promoting market access for South African agriculture

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Grains and Oilseeds



By Onele Tshitiza¹

Global Perspectives

The September issue focuses on macadamia nuts. Globally, there has been an increasing awareness about health and wellbeing among consumers, as well as the health benefits of nuts intake (i.e., pecan and macadamia, etc.). This has subsequently resulted in increased nuts consumption worldwide (BFAP, 2022). Some of the health benefits of nuts intake include good source of fibre, rich in mono-unsaturated fats and antioxidants which are associated with low cholesterol levels and reduced risk of heart disease(s), among others.

The nuts market is widely dominated by almonds (31%), walnuts and pistachios (19%), cashews (16%), and hazelnuts (10%), with the global production of macadamia constituting only 1% (BFAP, 2022). Of the 1% of the global macadamia production, South Africa (SA) is the largest producer accounting for 26% followed by Australia (24%), China (14%), and Kenya (12%), respectively. Other global producers of macadamia are Brazil, the United States of America (USA), Israel, China, Swaziland, New Zealand, Colombia, and Guatemala.

In 2021, the global macadamia production reached over 369 491 Tons compared to 227 000 Tons in 2020 (SAMAC, 2022; WMO, 2022). In terms of trade, SA and Australia are the top two exporters of macadamia nuts, constituting about 31% and 28% of the global market share, respectively (INC, 2022).

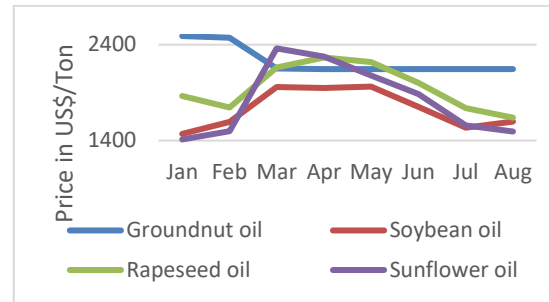


Figure 1: Monthly prices of oils
Source: World Bank (2022)

Domestic Perspectives and Regional

South Africa's oilseeds such as canola for the 2022 season are expected to perform slightly lower than the previous season while soyabeans and sunflower are expected to increase this season. The country is estimated to produce 876 050 tons of sunflower and 2 172 100 tons of soyabeans according to the 7th crop estimate (DALRRD, 2022). Production of canola is expected to decline by 0.11% in 2022 to produce 197 880 tons in the 1st estimate of winter crops, while sunflower and soyabeans are expected to increase by 29.2% and 14.5% from the previous season, respectively.

The area planted for these commodities has also increased from the previous season. The area planted of canola has increased by 23.4% in 2022 from 100 000 hectares in 2021 in the 1st crop estimate. The area planted in sunflower and soybeans is expected to increase by 40.4% (to 670 700 hectares) and 11.9% (to 925 300) hectares, respectively, compared to 2021. The area planted could be supported by higher current prices for these commodities, which gives farmers an incentive to plant more.

The country has been experiencing high price inflation for food items exceeding 7% since March due to high global prices. The highest inflation increase of plant oils was noted in July 2022 accounting for an increase of 36.2% year-on-year compared to 2021, with sunflower increasing by 58.6% in July 2022 (NAMC, 2022). The price of oils and fats increased to 37.6% in August 2022 (STATSA, 2022).

Key areas to unlock growth in Field crops

The oilseed industry in South Africa is predicted to perform well in the current season, although it is still early to tell for the winter crops as the first estimate of the season was released in August. Although the global prices of oils have eased, prices in South Africa do not seem to be following suite, likely due to a lag in retail prices and the weak exchange rate (BFAP, 2022). With the estimated increase in area planted and production, it is likely that the prices will stabilise in the country in the coming months. This will be important as the country and its consumers continue to face various pressures such as price hikes on fuel and electricity. It is important for the agricultural industry to continue being supported in order to meet the local demand so that the country does not rely heavily on imports and keep the food affordable for consumers. Levies help to generate funds for research and development of better yielding cultivars. This type of investment should come from both private and public sector so that the public sector can service those the levies do not reach.

¹ Economist

Nuts



By Moses Lubinga², Bhekani Zond³ & Mathilda Van De Walt⁴

Global Perspectives

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² Senior Economist: Trade Research

Domestic and Regional Perspectives

According to the Macadamias South Africa (SAMAC), most macadamia production comes from KwaZulu-Natal (43.1%), followed by Mpumalanga (35.9%) and Limpopo (16%) provinces. The Western Cape and Eastern Cape provinces account for 3.4% and 0.5% of production, respectively.

In 2021, the macadamia industry saw a growth rate of 16.5% from just 5 351 ha under production in 2020 to about 6 235 ha in the year 2021. According to SAMAC (2022), the industry is forecasted to produce about 68 522 Metric Tons (MT) of dry nut-in-shell (DNIS) in 2022, which is 22.2% higher than the 53 320 MT DNIS realized in the year 2021. Of the total macadamias produced in SA, about 98% are exported and the South African Revenue Services (SARS) reports that the industry exported macadamia worth a total value of over R5 billion in the year 2021 compared to R4.8 billion in 2020. Of the total macadamia exports, about 57% were kernels while DNIS constituted about 43% (SAMAC, 2022). The main export destinations for SA's macadamia are the European Union (41%), followed by North America (37%), China (8%), and the Middle East (4%). While about 97% of DNIS are exported to Southeast Asia (China) and East Asia.

Whereas SA mainly exports macadamia on a kernel basis and DNIS, the local industry also exports macadamia trees (cultivars for planting) to neighbouring countries like Mozambique, Swaziland, Zambia, Zimbabwe, etc. For example, in 2021 SAMAC reports that about 437 123 macadamia trees were exported as follows; 219 392 trees to Zambia, Mozambique (121 234), Swaziland (42 347), Angola & Tanzania (40 300), and Zimbabwe (13 850).

³ Research Assistant

Key areas to unlock growth in nuts

Industry experts reckon that the major challenge affecting the marketing of Macadamias is the high tariffs. For example, to gain access to China, SA's macadamias face a 12% tariff rate, unlike other exporting countries (i.e., Australia & Kenya) which access the same market duty-free. South Africa does not have a Free Trade Agreement(s) or Preferential Trade Agreements (PTAs) with the fast-growing markets in the far East.

In addition, whereas India is also a lucrative market given its fast-growing middle and upper class, the country imposes a very high import tariff of 30% on macadamias. A PTA with India had been initiated several years back but it is still not finalised. Of recent, India refocused on concluding their free trade negotiations with the United Arab Emirates (UAE), the United Kingdom (UK), Australia, Canada and the European Union (EU) by the end of 2022. According to industry experts, no Southern Africa Customs Union (SACU)-India PTA negotiations are envisaged for the year 2022. Whereas the SAMAC has benefited from the duty-free African Growth and Opportunity Act (AGOA) framework for a number of years, the current list of beneficiaries is under review until the year 2025.

Thus, it is of concern to SAMAC whether the lobbying by the SA government will be timely to ensure that SA continues to benefit from AGOA. Conclusively, there is a need for SA's government to quickly engage with officials in the identified fast-growing markets to ensure that the high import tariffs imposed on macadamias are significantly reduced, possibly to 0%.

⁴ Senior Economist: Statutory Measures

Livestock and Animal products



By Thabile Nkunjana⁵

Global Perspectives

The possibility of an outbreak of the Avian Influenza (AI) disease remains a biggest risk to both local and global poultry production. The migrating birds due to seasonal changes is regarded as the main spreader of AI. Additionally, to the AI risk, the drought from the previous season coupled with the conflict between Russia and Ukraine have all contributed to higher feed prices in 2022, subsequently adding pressure in the sustainability and profitability of the poultry products in the world. At least 2 398 AI outbreaks were documented in the European Union (EU) as of June 2022, resulting in the culling of 46 million birds. In June 2022, the European Food Safety Authority stated that the AI outbreak was worrying and that the A(H5N1) virus was expected to persist for a longer period.

Generally, the world is faced with the growing macroeconomic uncertainty which presents risks. Global supply chains continue to experience issues mainly from rising energy prices which have abated to a lesser extent and escalating inflation rates as reserve banks are trying to stay afloat following numerous global challenges. The United States Department of Agriculture (USDA, 2022) September 2022 report, showed a slight decline of 0.4 percent in the Global Domestic Product (GDP) to 3.2% from 3.6% reported in August 2022. These challenges have far-reaching market disruptions in the global market, and they will affect countries differently depending on the respective country's

livestock and animal product markets and policy measures thereof.

For 2022 to 2023, the USDA (2022a) predicted increased beef production. This is explained by an expected increase in beef culling at the end of 2022, which is brought on by drought-related early culling in several areas of USA. Cattle slaughter rates were 4000 heads higher per day as of August 27, 2022, and were at their highest levels since June 2021.

The USA is expected to ship less pork to its top 10 export destinations in the third quarter of 2022, with growth in Mexico, South Korea, and Colombia, to name a few. Pork shipments to Colombia increased by 25% by the end of July 2022 as compared to the same period the previous year, followed by the Dominican Republic (+13%), South Korea (+12%), and Mexico (+9%) (2022a).

Domestic and Regional Perspectives

first six months of 2022, both South Africa's imports and exports for poultry rose by 5% when compared to the previous year's corresponding period. The USDA (2022) reported a further rise in poultry demand in the near-term which could be linked to higher prices of other meat types as it is observed from the retail prices in South Africa as shown by the Statistics South Africa (Stats SA) data. Whole fresh chicken per kilogram at the end of August 2022 was R58,32, from R55,68 in July 2022, equivalent to a 5% rise.

Looking at other key animal products, the Agricultural Market Trends (2022) data shows that goat prices have remained relatively stagnant throughout August 2022, but from October going forward, prices may begin to decelerate as demand may start to decrease based on historic data. For poultry, from the third quarter of each year, prices normally rise coinciding with escalation in consumption when one looks at historic data. Frozen, fresh, and other poultry meat cuts' prices were slightly higher in September 2022 when compared to the same period the previous year. This may be linked to elevated feed prices, but the temporary lifting of the anti-dumping ban is likely to cause a disturbance in the market equilibrium and that impact remains to be seen if it will be positive or negative in the market..

Key areas to unlock growth in livestock and animal products

The South African livestock industry has been dealing with challenges such as the temporary lifting of anti-dumping duties on poultry imports, the foot and mouth disease (FMD) that resulted in a ban on wool exports from South Africa to China since April 2022, as well as the on-and-off ban on cattle movement throughout the country. South Africa currently exports livestock or animal products to selected few countries mainly in Africa and Middle East where special arrangements have been made to allow exports to continue despite challenges of biosecurity facing the country. A more comprehensive system to track animals is still needed, but it will take some time to know if the recent ministerial efforts to address the biosecurity problems are successful or not.

⁵ Economist: Agro-Food Chains

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