



# NAMMC

Promoting market access for South African agriculture

# MARKET INTELLIGENCE REPORT

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# Grains and Oilseeds



By **Onele Tshitiza**  
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## Global Perspectives

The global production of wheat is expected to reach 778 million tons in the 2022/23 season, which is 3 million tons lower than the 2021/22 estimate (IGC, 2022). The global consumption of wheat is estimated to be 782.7 million tons, with food taking up about 70% of the consumption. The total global ending stocks for the 2022/23 will reach 274.9 million tons, while both export and imports are forecasted to be 192.8 million tons (IGC, 2022). The higher supplies of wheat are supported by increased production in Russia, Australia and China (USDA, 2022). Production in Russia is predicted to amount to 88 million tons in 2022/23 due to higher yields and harvested area, while its exports will reach 42 million tons, mainly destined for markets in Africa, the Middle East, and Southeast Asia (USDA, 2022). Canada is expected to recover from the drought to produce 35 million tons compared to the previous season. The European Union will export 2 million less tons due to a lower crop (USDA, 2022).

Since the signing of the grain deal between Russia and Ukraine on the 22<sup>nd</sup> of July 2022 that would allow the safe

movement of wheat from Ukraine for export, prices of wheat have slowed from reaching an all-time high in May 2022. The price of United States Hard Red winter wheat reached US\$522.29/ton in May and has since declined to US\$382.86/ton in August 2022. The predicted exports by the United States Department of Agriculture from Ukraine for wheat would increase by 1 million tons to 11 million tons due to the relief of stored wheat (USDA, 2022).

## Domestic and Regional Perspectives

On August 30, the South African Crops Estimates Committee released its first production estimates of winter cereal for the 2022 production season. South Africa is predicted to produce 2.178 million tons of wheat in 2022 and will plant 560 100 hectares of wheat. The area planted with wheat will be 6 200 hectares more than the previous season, while the production of the current season is expected to decrease by 4,64% compared to the last season, mainly due to a decline of 252 000 tons in the Western Cape which was attributable to moderate rain received in the region.

Food inflation in South Africa on bread and cereals had increased by 13.7% in July 2022 compared to the same

month in the previous year and by 2.4% in July 2022 compared to June 2022 (NAMC, 2022), indicating the impact of higher prices in the global market for wheat that translate to domestic price hikes as South Africa is a net importer of wheat.

## Key areas to unlock growth in Grains and Oil Seeds

South Africa is a net importer of wheat and almost all the imported wheat is for food consumption. The country imports over 1.7 million tons per year to supplement local production. South Africa should attempt to be self-sufficient in this crop to ensure food security as it is important in the production of basic food products such as bread. The country's recent 2-million-ton reached in the last 3 years bodes well for food security. The country produces mainly on dryland and the producing regions are prone to drought. Better yielding cultivars that are drought resistant are required for the country to increase its production and be self-sufficient. Investment in these new technologies will need to come from both private and public sectors in order to mitigate future external risks such as the ongoing war between Ukraine and Russia.

# Fruits and Vegetables



By Moses Lubinga<sup>1</sup>, Mathilda Van De Walt<sup>2</sup> & Bhekani Zondo<sup>3</sup>

## Global Perspectives

The August issue focuses on table grapes. Globally, the table grapes industry has continued to endure challenges associated with escalating costs of production, unstable climatic conditions, logistical issues, and labour shortages. However, due to the popularity of table grapes, many countries have continued to thrive despite the challenges.

According to the South African Table Grape Industry (SATI) (2022), Chile is the global leader in table grape exports, with about 0.6 million Metric Tons (MT) exported during the 2021/22 season. In the Southern Hemisphere during the 2021/22 season, Chile commanded 40% of total table grapes exports followed by Peru (35%), South Africa (23%), and Brazil (4%). Fresh Plaza (2022) reports that countries like France are currently facing increased competition from other summer crops; while producers in South Africa and China continue to face increased competition internationally.

Whereas South Africa (SA) is a net exporter of table grapes, during the off-season or particularly when volumes are low during the July to November period, the country imports table grapes from countries like Spain, Namibia, and Egypt during off-season to fill the void in the local market (USDA, 2022). In the 2020/21 season, South Africa imported about 9053 MT, however, due to increased domestic production in the 2021/22 season, table grapes imports are expected to decline to about 8000 MT.

## Domestic and Regional Perspectives

During the 2021/22 season, SA exported 0.35 million MT, with 76% and 12% of total table grape exports destined for Europe and Asia, respectively (TRIDGE, 2022). Compared to other competitors within the Southern Hemisphere (SH), South Africa has the advantage of close proximity to Europe and also enjoys the free trade agreements with the European Union (EU) and the United Kingdom (UK). South Africa's high volume of table grapes exports is due to good weather conditions, new cultivars which came to full production and supported increased production and harvest (SATI, 2022).

Compared to the EU, SA does not have favourable market access condition to Asia and Middle East markets. SA is facing some challenges, including high tariffs in most Asian markets. For instance, Korea imposes the highest tariffs (45%), followed by Thailand (35%) and Japan (17%). SATI's Manager for Market Development & Communications noted that SA's access to Japan is limited to table grapes of the Barlinka cultivar. However, this cultivar has become marginal given the many new attractive cultivars that have come onto the market. Thus, SATI has been lobbying Japanese officials to consider allowing other varieties to gain access into their market since all table grape cultivars are treated in a similar manner. Moreover, SA is conscious of protocols to ensure that a quality product is delivered to export markets. SATI is also constrained by logistical issues which compromise the product's quality by the time it reaches export market(s) (SATI, 2022). E.g., during the December 2021/January 2022 period, SATI experienced shipping delays in the Cape Town port in addition to global

shortages of containers. The increasing shipping costs also contribute to the economic challenges faced.

## Key areas to unlock growth in Fruits and Vegetables

Industry experts note that there is a need to further strengthen the existing Public-Private Partnerships (PPPs). For instance, government departments, State Owned Entities (SOEs) like the National Agricultural Marketing Council (NAMC) and industry role-players should consider to review tariff agreements in the identified markets with untapped potential. There is also a need for more support from the concerned government departments to engage with the Japanese counterparts with regards to the granting of market access for more table grapes cultivars originating from SA.

SA should consider (re)negotiating bilateral agreements with the strategically identified markets. This will enable the long-term sustainability of the industry. There is a need to develop new markets. Currently, SATI is focusing on developing markets in the East and Far East. The potential of these markets to absorb SA's table grapes is attributable to the: *i)* propensity to import large quantities, *ii)* growing middle class with sufficient disposable income, and *iii)* travel distance advantage compared to other producers in the SH. There is a need to strengthen SA's brand positioning, and/or supplement marketing campaigns both in the existing and new markets. The Department of Trade, Industry and Competition (DTIC) should continue to support market development campaigns. The ongoing 3-year SA - China Campaign is an example, and is recommended that they should initiate one in the Middle and Far East.

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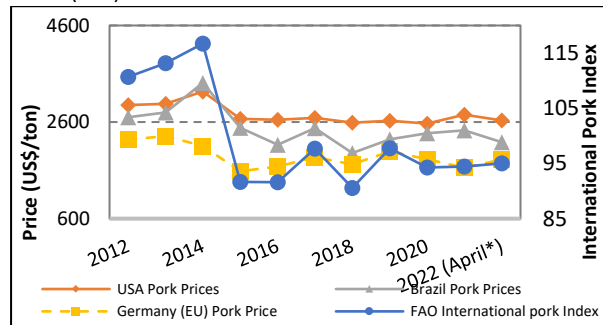
# Livestock and Animal products



By Corne' Dempers<sup>4</sup>, Moses Lubinga & Thabile Nkunjana<sup>5</sup>

## Global Perspectives

This section focused on pork. The low purchase of pork negatively impacted on global pork pricing, and major importers increased the volume of pork imports. However, prices are generally lower than the average recorded during the year 2021. According to **Figure 1**, Brazil recorded the largest drop (19.2%) in the international pork price index (IPPI) between 2012 and April 2022, followed by Germany (18.2%) and the United States (US) (10.7%). For the same period, the global pork price index declined by 14.2%. On a year-on-year basis, the IPPI increased by 0.2% between 2020 and 2021, while prices in the US and Brazil rose by 7.3% and 2.6%, respectively. In Germany, export prices fell by 9.8%, due to an export ban following an outbreak of African Swine Fever (ASF) disease.



**Figure 1: Annual averages for international Pork Price and Index trends**

Source: FAO (2022d)

## Domestic and Regional Perspectives

In South Africa, livestock production covers about 70% of agricultural land, accounting for about 21.4% of all the meat consumed on the African continent. However, at a global level, South Africa only produces about 1% of the meat required on the global market (AgriSETA, 2022). Whereas pork is produced throughout South Africa, the areas where pork is produced are not necessarily the areas where a high population of livestock is found. According to the latest data from Statistics South Africa (STATS SA), Limpopo province is major a producer of pork accounting for 24% the total number of pigs in the country, followed by the North West (21%). The Western Cape and Gauteng provinces commanded a share of 11% each, KwaZulu-Natal accounted for 10%, while the Northern Cape province registered the lowest number of pigs equivalent to a 1% share (STATS SA, 2022).

Amongst the main meat products in SA, both pork consumption and production have significantly increased since the early 2010s. Production increased from 224 200 tons during the 2013/14 season to 310 700 tons during the 2020/21 season, representing a 38.6% increase. However, profit margins continue to fluctuate due to the rising cost of feeds and the recurrent outbreak of ASF, among other

factors. Despite the increase in production, South Africa remains to be a net importer of pork. Pork consumption also rose by 36% from 236 000 tons during the 2013/14 season to 321 000 tons (2020/21 season).

## Key areas to unlock growth in livestock and animal products

Given the increasing demand for pork in South Africa, coupled with the limited capacity for the local industry to supply, the following considerations are proposed to be taken into account so as to boost production.

- Increase livestock biosecurity measures so as to minimise the recurrent outbreaks of diseases such as ASF which have negative effect on productivity. In case of the high cost of feeds, the industry should explore using alternatives such as cassava. Amole et al (2022) and Lubinga (2022) showcases evidence in which cassava has been used as a cheaper animal feed (both as a replacement or a complementing ingredient) without detrimental effects on the production and economic performance of pigs.

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