

MARKET INTELLIGENCE REPORT

20
22

October



Grains and Oilseeds



By Onele Tshitiza¹

Global Perspectives

The focus of this issue is on maize and fertilizers. According to the International Grain Council (IGC, 2022), the global maize production was forecasted to reach 1167.9 million tons for the 2022/23 season, down by 4% from the 2021/22 season. Imports and exports are each expected to decrease to 172.3 million tons from 2021/22. The global ending stocks are forecasted at 262.1 million tons.

The drop in global production can be attributed to lower forecasts in the European Union (EU), expected to drop by 9.7% to 139.4 million tons, and the United States (US) decreasing by 8% to 365 million tons. The decline in the US was due to lower harvest area and yield (USDA, 2022a). The US is therefore expected to export 2 million tons less than 2021/22 volumes, while Canada will import 1 million tons less which ordinarily comes from the US, whereas Vietnam will import 500 000 tons less due to high prices.

The global prices for fertilisers such as diammonium phosphate (DPA) and Urea have increased significantly between January 2020 and January 2022. DPA increased by 21% and Urea by 6% between January 2020 and January 2021; whereas, between January 2021 and January 2022, DAP and Urea increased by 66% and 219%, respectively. The price of both DAP and Urea reached US\$752,00 and US\$678,00 in September, respectively (Figure 1). The escalating prices of fertilisers in 2022 were exacerbated by the Russia and Ukraine conflict, which saw these large exporters disrupting their supply to the rest of the world. Although prices of other commodities have stabilised, prices of fertilisers have declined from the beginning of 2022 but still remain relatively high.

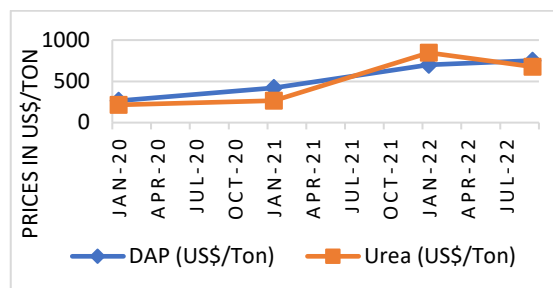


Figure 1: Prices of fertilizers

Source: World Bank (2022)

Domestic Perspectives and Regional

South Africa's maize production (both yellow and white maize) in the 2022 season is estimated to reach a total of 15.259 million tons, showing a decline of 6% from the 2021 season, which was the second highest on record. White maize is expected to be a total of 7.789 million tons while the remainder of 7.470 million tons of maize produced will be yellow maize. The production of white maize is anticipated to decrease by 10% while yellow maize will decline by 3%. Producers are anticipated to reduce the area planted of maize, and diversify to other crops that offer better prices like sunflower seed, soyabeans and shorghum, which the global markets have demanded in the midst of the food crisis in the current year. The crop quality has also been reported to have been affected by heavy rains at the beginning of the year.

Regarding fertilizer, South Africa is a net importer of fertilizers and the increasing global prices coupled with the weakening exchange rate (Rand) is impacting the production costs for farmers. According to the NAMC's Input Cost Monitoring report of September 2022, the prices of Urea in South Africa grew by 48.3%

(from R15 498/ton to R22 978/ton) between August 2021 and August 2022. Freight prices have also increased in the last 2 years due to several disruptions in global markets, including COVID-19 and the Russia-Ukraine conflict. Fuel prices also increased from 2021. Therefore, producers face increased production cost pressures.

Key areas to unlock growth in Field crops

Maize meal is South Africa's staple food which is derived mainly from white maize. As the prices of agricultural inputs increase in the global markets, they affect domestic producers as the country is a net importer of inputs such as fertilizers and crude oil. Imported inputs are also impacted by the exchange rate, and South Africa has seen a weakening Rand in the last few months from May 2022 until now. The increase in food production costs gets transmitted to consumers, through food inflation which has been seen in the current year rising to beyond 7%. This is concerning as consumers are riddled with other factors such as the high rate of unemployment and high fuel prices hence, high food prices making it expensive for households to have access to affordable food. High rising costs are exacerbating household food insecurity in the country. Support is needed either on the input side to assist farmers with rising costs or on the consumer side to assist households who cannot afford food. In the long-term, South Africa needs to build domestic capacity to produce its own fertilizers and this can be in partnership with the government and private sector as these inputs are crucial for growing production in the country.

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Floriculture



By Moses Lubinga², Mathilda Van De Walt³ & Bhekani Zondo⁴

Global Perspectives

In this issue, focus is on cape flora (proteas). Proteas are both dried and fresh-cut flowers and flower buds used for bouquets. Cut flowers combined into bouquets are gaining more popularity in retail shops globally, especially in Europe (Louw, 2022). Despite the impact of COVID-19 challenges on several industries, international trade in cut flowers continued to thrive (AIPH, 2022a). For example, the cut flower demand continued to grow amid lockdowns imposed in several countries. This compromised the movement and trade of flowers between importers and exporters, as workers were restricted from going to work and transportation were also halted.

According to the latest trade data published by the Observatory of Economic Complexity (OEC, 2022a), fresh-cut flowers and flower buds for bouquets were the 376th most traded product globally in the year 2020, valued at about US\$7.6 Billion. Despite the cut flowers' resilience during the pandemic, the trade of fresh-cut flowers and flower buds for bouquets experienced a 4.2% decline (OEC, 2022a). The OEC (2022a) trade data shows that Netherlands, Colombia, Ecuador, Kenya and Ethiopia were the top exporters of fresh-cut flowers and flower buds for bouquets in 2020. On the other hand, the United States of America (USA), Germany, United Kingdom (UK), Netherlands, and Russia were the top importers

Domestic and Regional Perspectives

In South Africa (SA), flower production is largely dominated by proteas, pincushions, and greens, mainly produced from the Cape Floristic Region. The export-focused production of cut flowers in SA is dominated by proteas, Leucospermum, Leucadendron, and greens, as well as, bouquets of the combination of these flowers (Louw, 2022). In Africa, SA is the third largest exporter of cut flowers, while Kenya and Ethiopia are the two major exporters according to International Association of Horticultural Producers (AIPH) (2022b). Between 2017 and 2021, SA's cut flowers and foliage exports grew at 40% rate, valued at about US\$82 million (AIPH, 2022b). This was due to the increased popularity of cut flowers and foliage in Europe and United Kingdom (UK).

Europe, UK, Russia, Japan and the USA are the major export destinations of SA's cut flowers (Louw, 2022). According to OEC (2022b), SA's fresh-cut flowers and flower buds for bouquets exports were valued at US\$40.2 million in 2020, enabling SA to be ranked as the 16th largest exporter globally. During this period, Netherlands, UK, Japan, China, and USA were the top export destinations for SA's fresh-cut flowers and flower buds exports. In 2020, SA imported fresh-cut flowers and flower buds worth about US\$3.28 million, mainly from Kenya, Netherlands, Zimbabwe, Zambia, and Ethiopia (OEC, 2022b). For proteas only, Europe and Russia account for about 48% of SA's exports, while the Middle East and UK account for about 27% and 12%, respectively (Louw, 2022).

Key areas to unlock growth in Fruits and Vegetables

Karien Bezuidenhout - an industry expert at Cape Flora SA (CFSA) notes that cone bushes (Leucadendron) cannot be exported to South Korea (SK) as it is alleged that their seeds may disperse in SK and become alien invader plants. However, SK imports SA's proteas and pincushions which have similar seed development processes as cone bushes. While there has been good growth in the SK market for several years, CFSA is a small association with limited resources for further market development yet only a portion of the products are absorbed in the market.

The challenges prompted CFSA to seek for technical expertise to document the proof that 'seeds' of cone bushes are not viable, thus cannot germinate. However, the evidence submitted to the Korean authorities by the DALRRD⁵ was not accepted. Research on possible treatment(s) to prevent seed(s) from germinating is needed. Regrettably, it is costly and with no guarantee that SK authorities will accept the findings. Furthermore, while the Far East presents a chance for the proteas, there is limited access to obtain accurate data on exports to the region. PPECB⁶ gathers trade data, but it seems that only data at the first port of entry is recorded, implying that proteas exported to Japan are likely recorded as flowers exported to the Middle East, as this is often the first stop of entry enroute to Japan. Additional factors that compound CFSA from entering SK market include high freight costs and lack of accurate data for this market.

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Livestock and Animal products



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Global Perspectives

This article focuses on the feed industry. The rising animal feed continues to exert pressure on the world's meat markets and other animal products. The global grain price index increased by 1.5% month-on-month (m/m) in September 2022, which is equivalent to 11.2% year-on-year when compared to corresponding period last year (FAO, 2022). This increase in grain prices is underpinned by the unpredictability and trade disruptions around the Black Sea region caused by the Russia Ukraine conflict. With the conflict persisting, feed costs are therefore anticipated to stay high, which will result in price volatility for meat and other animal products in the short to medium term.

Along with the world's feed cost escalations, the livestock industry in particular, poultry, is battling with the highly pathogenic avian (HPI) outbreaks in major producing areas like the European Union (EU) and North America. Coupled with the HPI is the rising energy prices, primarily from the EU after Russia cut its gas supply to the EU. Collectively these

factors are reducing production of poultry and undermining the ability to export. Brazil's share of the global poultry, beef, and pork markets is anticipated to increase by approximately 35%, 25%, and 12%, respectively, between 2022 and 2023 (USDA, 2022b). Looking at the global meat market, it is not only poultry impacted but beef and pigs are impacted by diseases like Foot and Mouth Disease (FMD) and African Swine Fever (ASF). The United States Department of Agriculture (USDA, 2022) projects that the global beef market will reach 59.2 million metric tonnes a slight decline from last year. This decline is attributed to herd level reducing because of draught conditions and increasing feed cost levels in regions like the North and South America as well as Europe.

Domestic and Regional Perspectives

Due to ongoing economic difficulties, notably the rising unemployment, slow economic growth and reducing household incomes due to Covid-19 pandemic and other economic constraints the consumption for meat will remain under pressure in South Africa and the Southern African

Customs Union (SACU) region. According to statistics from Agricultural Market Trends (AMT), prices for fresh and frozen poultry over the previous three weeks have increased due to increasing import parity costs, fuelled by feed costs, and the weakening Rand relative to the US dollar. Prices for frozen, fresh, and Individual Quick Freezing (IQF) chicken were also up by 1.4%, 1.0%, and 0.2%, respectively (AMT, 2022). Like poultry, pork prices have been rising, supported by an anticipated increase in demand, which may keep prices at high levels at least until the end of the year.

Key areas to unlock growth in livestock and animal products

The recent ban on animal transportation prompted by recent foot-and-mouth disease outbreaks may have had an impact on local meat prices. Even while it is probable that this affected supplies for the rest of 2022, the yet-to-be-released data on cattle slaughter will support whether indeed the foot-and-mouth disease affected beef supply across the country

⁷ Economist: Agro-Food Chains

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