

MARKET INTELLIGENCE REPORT

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Grains and Oilseeds



By Onele Tshitiza¹

Global Perspectives

The global production of oilseeds is forecast to be 645 million metric tons in 2022/23, representing an increase of 41 million metric tons from the previous season (USDA 2022). Oilseeds include copra, cottonseed, palm kernel, peanut, rapeseed, soyabean and sunflower seed. Soyabean comprises 61% of the total global production of oilseeds, followed by rapeseed at 13% and sunflower seed at 8%. While the aggregate global oilseeds production is anticipated to be higher than last year, soybean production could be low due to weak supplies from Argentina whereas Ukraine is expected to negatively impact the global sunflower production.

The global exports of oilseeds are predicted to be 197.51 million metric tons, while imports are expected to reach 193.07 million metric tons. At the processing level, the global production of plant-based oils is estimated at 218.91 million metric tons, an equivalent of a 3.6% increase from the previous season, with palm oil making up the majority (36%) of the production, followed by soyabean oil (28%), rapeseed (15%) and sunflower seed oil (9%). China is the largest importer of oilseeds in the world, predicted to import 53% of the 193.07 million metric tons of imports for 2022/23. Brazil is the largest exporter of oilseeds, estimated to export 46% of 197.51 million metric tons of oilseeds. According to International Grain Council (IGC, 2022), prices for soyabeans declined to US\$626,00/ton in October, after reaching the highest levels of US\$737,06/ton in June, 2022.

Domestic Perspectives and Regional

The Crop Estimate Committee's report released in November 2022 suggests that South Africa's production of oilseeds will be higher fuelled by positive farmer sentiments at the back of good rains. Sunflower seed production is predicted to reach 845 555 metric tons, representing a 20% increase from the 2021 season (DALRRD, 2022). The increase was supported by the increase of 192 900 hectares of area planted in 2022.

The production of soyabeans is expected to reach a record high of 2.2 million metric tons. Production of soyabeans was also supported by increased area planted and higher yields. The area planted in 2022 is expected to be 925 300 hectares, from 827 100 hectares in 2021. The yield for soyabeans will be at its highest at 2.38 tons/hectare. Canola on the other hand is expected to reach a production of 210 530 tons, from 123 510 hectares of area planted and a yield of 1.70 tons/hectare.

According to Statistics SA (2022), the consumer price index (CPI) of October for oils and fats was 124,1 for urban areas, equivalent to a decline of 1.0% from September 2022. The CPI for oils is still 25.7% more than it was in October 2021. The price of oils could be affected by the rising cost of inputs such as fertilisers as well as the global demand and prices of vegetable oils which have increased in the first half of the year. Global prices of vegetable oils have since stabilised in October, and have to some extent translated to South Africa's local prices (**See Figure 1**).

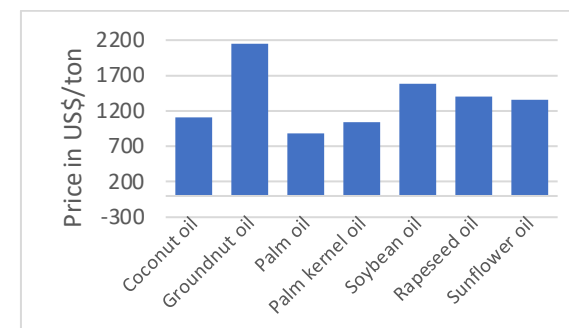


Figure 1: Global prices of vegetable oils

Source: World Bank (2022)

Key areas to unlock growth in Field crops

The progression of soyabean production in South Africa shows the importance of investment on the crushing capacity and on research and development (R&D). The country's production has grown considerably over the last 5 years, increasing from 566 000 tons of soyabeans in 2010 to the current estimate of 2.2 million tons. The country's investment in crushing capacity has enabled the industry to grow its animal feed provision from soyabeans, although we still import soyabean oilcake. With R&D promoting better yielding cultivars, the yield of the country has relatively increased, from 1.64 tons/ha in 2000 to 2.38 tons/ha in 2022. The crushing capacity is about 2 million tons, with better yielding cultivars, production can increase and more investment would be required for crushing soyabeans. More private-public partnerships are encouraged to leverage on these opportunities for the industry to grow.

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Fruits and vegetables

By Moses Lubinga², Bhekani Zondo³ & Mathilda Van De Walt⁴

Global Perspectives

This December issue focuses on citrus fruits, in particular oranges, limes, lemons, mandarins, and grapefruits. Over the years, citrus fruits have received much popularity globally because they are enriched with a lot of minerals, vitamins, and dietary fibre which are crucial for human health and well-being. As a result, citrus is one of the most cultivated field crops in the globe. According to the Food and Agriculture Organization of the United Nations (FAO, 2022a), among the types of citrus fruits, oranges are the most cultivated and they account for over half of global citrus production.

According to the USDA (2022a) In the 2021/22 season, the global production of oranges was measured at 49 million tons compared to tangerines/mandarins at 37.2 million tons, followed by lemons/limes at 9.7 million tons, and lastly grapefruits at 7 million tons. This increase in global production of oranges is attributed to larger crop harvests in countries like Brazil and Turkey, as well as due to favourable weather conditions. The increase in production in Brazil and Turkey was sufficient to offset reduced production in countries like Egypt, European Union (EU), and the United States of America (USA) (USDA, 2022a).

In terms of the global citrus trade, around July 22 of 2021/22 season, Egypt was the top exporter of fresh oranges accounting for approximately 1.45 million tons, followed by South Africa (SA) with 1.36 million tons, Turkey with 0.4 million tons, EU with 380 thousand tons, and USA with only 360 thousand tons (USDA, 2022a). The major importer of oranges was the EU, accounting for 840 thousand tons, followed by Saudi Arabia (425 thousand tons), Russia (400

thousand tons), and the US (345 thousand tons). Due to the reduction in the production of oranges in the EU and USA, global prices have increased (Tridge, 2022b).

Domestic and Regional Perspectives

South African citrus production is dispersed in an area of over 100 thousand hectares (ha), with the majority accounted by oranges (about 47%). Soft citrus, lemons and grapefruits account for 26%, 18%, and 9% of all citrus produced, respectively (USDA, 2022b). SA is the eighth largest producer of oranges globally. In the 2021/22 season, orange production in SA was forecasted to increase by approximately 6% to reach 1.6 million tons (USDA, 2022a).

During the 2021/22 season, SA's citrus exports continued to excel by experiencing a 3.7% increase and reached 168 million cartons of 15kgs of all citrus fruits compared to 158 million cartons in the previous season despite having stringent sanitary and phytosanitary (SPS) measures in the EU (Tridge, 2022a; USDA, 2022b). However, exports of oranges experienced a decline of 0.7% compared to lemons which had a substantial increase of 17% (Tridge, 2022a).

The EU continues to be one of the major markets for SA's citrus fruits exports, accounting for about 40% of citrus exports from SA. During the 2021/22 season, China became the second largest importer of SA's citrus, accounting for about 39% of citrus exports (Tridge, 2022b). By the end of November 2022, domestic wholesale prices of oranges had increased drastically owing to supply disruptions following labour strikes. Tridge (2022b) reckons that during this period, the domestic prices of oranges were surging at around US\$1.45 per 7kg bag.

Key areas to unlock growth in Fruits and Vegetables

According to industry experts, phytosanitary constraints and high tariffs subjected to citrus from SA are key areas that need to be attended to further enhance market access for citrus. For instance, citrus has no access to the Vietnamese market while in India, no in transit cold treatment is allowed. Market access into Japan is only granted to clementines amongst mandarins. In the USA, market access is limited to SA's citrus sourced from the Northern Cape and Western Cape provinces only. Moreover, in the recent past, the EU imposed scientifically unjustified trade regulations so as to curb the introduction and spread of the False codling moth (FCM), as well as the Citrus Black Spot (CBS).

Thus, the citrus industry suggests that government departments, most specifically the plant health directorate of the Department of Agriculture, Land Reform and Rural Development (DALRRD) must become more agile and effective in facilitating investment in advanced biosecurity measures while the Department of Trade, Industry and Competition (DTIC) should consider engaging with trading partners in Asian countries to (re)negotiate applicable tariffs and better access conditions.

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Livestock and Animal products



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Global Perspectives

The global meat index of the United Nations' Food and Agriculture Organization (FAO) averaged 117.1 points in November, declining by 1% compared to the previous month (FAO, 2022b). This was the fifth consecutive month, the global meat prices fell, which is attributed to rising supply from Brazil and Australia. Figure 2 presents beef exports from Brazil for the period of January to December for 2022 and 2021. Data for October to December for 2022 is not yet available.

It is evident that Brazil exports have been consistent in the past two years at the back of good supply. Chile is one of the important destination markets for Brazil, absorbing 38% of Brazil's beef exports. It is followed by Uruguay with 15% export share and the rest is largely destined to Middle East countries like Saudi Arabia and the United Arab Emirates.

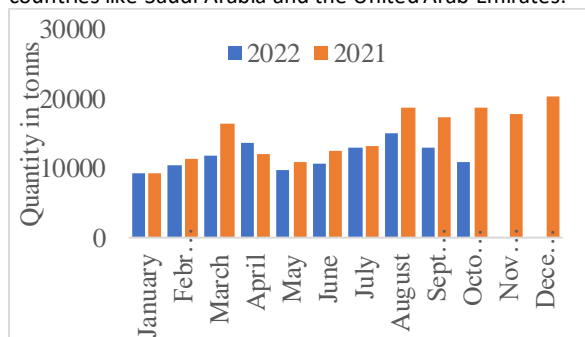


Figure 2: Brazil's beef exports
Source: Trade Map (2022)

On the poultry market, the FAO reported that the global price for chicken meat rose steadily in November underpinned by the heightened disease outbreaks such as the Avian Influenza or Bird Flue in major poultry-producing countries like EU, South Africa, and Brazil as well as the rising feed costs. Brazil, in particular, is one of the largest producer and export of chicken meat in the world. According to Reuters (2022), Brazil poultry production will reach 15 million tons in 2022, pushing the export by 6% growth rate in the same year.

Domestic and Regional Perspectives

The supply of cattle has been relatively low since August 2022 in the local market. Factors impacting the local beef industry include the outbreak of the Foot and Mouth Disease, and the associated animal movement constraints. Due to restrictions of animal movement coupled with rising feed costs, the overall beef supply was 5% lower in October 2022 compared to the previous month and likely to remain relatively low, thus pushing domestic beef prices higher.

Prices for domestic beef are shown in Figure 3 for the period of November 2021 to November 2022 (AMT, 2022). Producer prices for classes A, B, and C averaged R60.29, R52.65, and R48.78 y/y in November 2022, respectively. Class A carcasses increased by 10% y/y in November, while

classes B and C increased by 5% and 7% y/y, respectively.

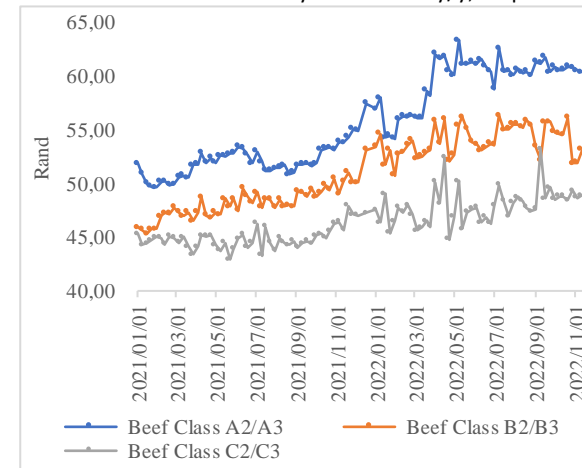


Figure 4: Domestic beef producer prices
Data source: AMT (2022)

Key areas to unlock growth in livestock and animal products

Meat prices are likely to stay elevated for the remaining weeks of December 2022 but stabilized post-holiday season as demand tends to decline. In the upcoming months, the dynamics of chicken pricing will be a major factor especially for low-income consumers that prefer low-cost animal protein like chicken meat. With the food inflation continuing to rise parallel to escalating overall living costs, consumers' affordability will be sensitive to changes in meat prices, in particular for chicken and pork.

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