

MARKET INTELLIGENCE REPORT

20
22

November



Grains and Oilseeds



By Onele Tshitiza¹

Global Perspectives

According to the United State Department of Agriculture USDA (2022a), the global production of wheat is expected to reach 782.675 million tons in the 2022/23 season, with the ending stocks expected to be at 267.822 million tons by the end of the season. The production in the 2022/23 season is an improvement of only 0.41% from 779.442 million tons recorded in the 2021/22 previous season. The overall increase in production is attributed to a rise in production from Russia and Canada (USDA, 2022a). Production from Russia will increase by 15.842 million tons in the 2022/23 season to reach a total of 91 million tons compared to 75.158 million tons from last season.

Global wheat exports and imports are expected to reach 206.6 million tons and 202.4 million tons, respectively. According to the USDA (2022a), since the start of the grain deal which allowed Ukraine to export through the black sea, Ukraine has exported 3.5 million tons of wheat. The largest exports were in October (1.3 million tons), followed by September (1.2 million tons) (See Figure 1). This follows from large quantities of grain stock piling up in storage in Ukraine since the start of the conflict with Russia. This was a welcome initiative as prices in global markets for wheat have eased from all-time highs of US\$522.29/ton in May 2022 for United States of America (USA) hard red winter wheat to US\$ 437.95/ton in October (World Bank, 2022).

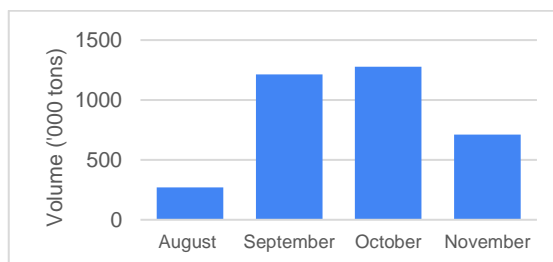


Figure 1: Ukraine grain exports via Black Sea Grain Corridor (Aug 15 – Nov 22)

Source: Black Sea Grain Initiative website

Domestic Perspectives and Regional

South Africa's wheat production was estimated at 2 210 095 tons in the October by the Crop Estimates Committee. This was slightly lower by 74 000 tons from the previous record crop of 2021. The area planted is expected to increase to 566 800 hectares, an increase of 43 000 hectares. The move to more area planted might be motivated by the domestic and global demand for wheat, considering the instability in the top global exporters (i.e., Russia and Ukraine). The industry is still facing high input costs such as fertilisers and fuel, exacerbated by the weak Rand against the Dollar and other global currencies.

Consumers in South Africa are facing rising food inflation where the price of food has increased more than the previous year (2021). The consumer price index (CPI) for food in October 2022 had increased to 12,3% compared to October 2021, year-on-year. Bread and cereals inflation reached 19,5% in October 2022 compared to October 2021

(StatSA, 2022). This can be attributed to the rising cost of inputs and imports due to international price increases (National Agricultural Marketing Council- NAMC, 2022).

There is a potential to increase production in Limpopo and the Free State, however, producers also look at economic factors such as the price they will receive compared to other commodities suitable in their area. The South African Futures Exchange (SAFEX) price of soybeans and sunflower is more attractive than other grains, however, the price for wheat is the third highest, which has allowed farmers to continue producing, despite high input costs.

Key areas to unlock growth in Field crops

Given that South Africa is a net importer of wheat and the commodity forms part of the raw material for basic food basket items such as bread, it will be important for the country to produce sufficient supplies to fulfil the local demand. This will also reduce exposure to external shocks such as bans on exports by the large producing countries. Investment in high-yielding cultivars that are drought resistant is important to maximize the limited infrastructure like irrigation. The sector is still battling with high input costs such as fertilizers and fuel which present challenging circumstances for farmers to expand production. Investment into the sector should be a partnership between the government and private sector to unlock growth opportunities.

¹ Economist

Fruits and vegetables

By Moses Lubinga², Bhekani Zondo³ & Mathilda Van De Walt⁴

Global Perspectives

The November issue focuses on pome fruits. According to the Post-Harvest Innovation Programme (PHIP, 2022), pome fruits include apples, pears, and others such as loquats and quinces. During the current 2021/22 production season, the world pome production is expected to reach 81.6 million tons of apples and 23.5 million tons of pears (USDA, 2022b). This is mainly attributed to an increase in supplies from China and European Union (EU) member states as these regions recover from unfavorable weather from the previous season. Due to the ongoing geopolitical conflict involving Russia, imports of pome fruits are forecasted to decline by 40% for apples and 30% for pears, resulting from reduced shipments to this region (USDA, 2022b).

Domestic and Regional Perspectives

Pome fruits (apples & pears) are not well suited for areas with higher temperatures, hence in South Africa, they are mainly grown in the Western Cape province where favourable winter rainfall is received. According to PHIP (2022), South Africa has an estimated annual production of apples and pears of about 1.3 million tons with a total value of approximately R8 billion. In addition, about 45% of the annual pome fruit produced is exported to markets in the Far East, Asia, Africa, and the European Union (EU). On one hand, during the 2021/22 season, apple exports are expected to reach 625 000 tons, equivalent to a growth rate of 6% compared to a 16% increase in the 2020/21 season (USDA, 2022c).

On the other hand, pear exports are forecasted to also increase by approximately 14% (about 281,000 tons) in the 2021/22 season. This shows a 9% increase compared to the 2020/21 export season. However, USDA (2022c) estimates that pear exports will likely experience a decline of about 11% (to about 250 000 tons) in the upcoming 2022/23 season due to a drop in domestic production. According to the statistics released by HORTGRO in week 40 of the 2021/2022 export season, there were 33 million cartons (1 carton equivalent to 12.5kg) of apples that were exported from South Africa, which is equivalent to an 8% increase as compared to the corresponding period in 2020/2021 season. Most of South Africa's apple exports were destined for the Far East and Asia (31%), Africa (24%), the United Kingdom (UK) (16%), the Middle East (13%), and Europe (8%).

As of week 40 of the 2021/2022 season, pear exports recorded a positive growth rate of 18% (approximately, 18 million 12.5kg cartons) as compared to the corresponding period in 2020/2021. Europe is the leading export market for pears, accounting for about 30%, followed by the Far East and Asia (22%), the Middle East (18%), Russia (16%), and the UK (6%). The expected growth rate could have been larger but South Africa's apple exports are under pressure due to raising shipping costs and challenges at local ports in Cape Town and Durban. Growth rates for both apples and pears originating from South Africa destined for the UK and Russia dropped, *i.e.*, apple to the UK and Russia declined by 13% and 14%, respectively while pears, dropped by 4% and 6% to UK and Russia, respectively.

Key areas to unlock growth in Fruits and Vegetables

According to industry experts there is continued pressure towards ethical trade and environmentally sustainable production with a focus on labour and working conditions, biodiversity, and climate change entailing a significant reduction of products' carbon footprint, and pressures on minimizing the use of chemicals. Ensuring minimal use of chemicals will significantly reduce residue levels on products to the levels that meet the Sanitary and Phytosanitary standards (SPS)

Furthermore, science-based market access, trading, and handling protocols must be emphasized with South Africa's trading partners. Without addressing these challenges, market access for South African fruits to some regions such as the EU might be compromised as recently witnessed with the changes in the SPSP for citrus fruits destined for Europe. The European Commission amended its regulations with respect to False Codling Moth (FCM) on citrus originating from South Africa. This was perceived as a form of protectionism, especially that South Africa was not informed timely of the new policy. Thus, there is an urgent need to continuously differentiate deciduous fruit types on a bio-risk basis than ever before to avoid trade distortion emanating from commodity-specific SPS measures.

² Senior Economist: Trade Research

³ Economist

⁴ Senior Economist: Statutory Measures

Source of information

Black Sea Grain Initiative Vessel Movements. (2022). Retrieved from <https://data.humdata.org/dataset/black-sea-grain-initiative-vessel-movements>.

Bloomberg (2022). EU's New Import Rules Cost South African Citrus Exporters \$12 Million. Online at: <https://www.bloomberg.com/news/articles/2022-08-10/eu-s-new-rules-cost-south-african-citrus-exporters-12-million?leadSource=uverify%20wall>

National Agricultural Marketing Council. (2022). Input cost monitoring September 2022. <https://www.namc.co.za/wp-content/uploads/2022/09/Trends-in-selected-Agricultural-input-prices-Sept-2022.pdf>

PHIP (2022). Pome fruits. Post-Harvest Innovation Programme. Online at: <https://postharvestinnovation.org.za/commodities/pome-fruit/>.

Statistics South Africa. (2022a). Consumer Price Index October 2022. <https://www.statssa.gov.za/publications/P0141/P0141October2022.pdf>

USDA. (2022a). Grain: World Markets and Trade. United States Department of Agriculture: Foreign Agricultural Service. Online <https://apps.fas.usda.gov/PSDOnline/CircularDownloader.ashx?year=2022&month=11&commodity=Grain>

USDA (2022b). Fresh Apples, Grapes, and Pears: World Markets and Trade. United States Department of Agriculture, Foreign Agricultural Service (USDA, FAS). Online: <https://www.fas.usda.gov/data/fresh-apples-grapes-and-pears-world-markets-and-trade>.

USDA (2022c). South Africa: Fresh Deciduous Fruit Annual. United States Department of Agriculture, Foreign Agricultural Service (USDA, FAS). Online: <https://www.fas.usda.gov/data/south-africa-fresh-deciduous-fruit-annual-7>.

USDA (2022d) - Foreign Agricultural Services. Livestock and Poultry: World Markets and Trade: October 2022.

World Bank. 2022. Commodity Prices. Online: <https://thedocs.worldbank.org/en/doc/5d903e848db1d1b83e0ec8f744e55570-0350012021/related/CMO-Historical-Data-Monthly.xlsx>

For article contributions:

Email: hlubinga@namc.co.za

For inquiries:

Email: sifiso@namc.co.za

Markets and Economic Research Centre

Tel: +27 (0) 12 341 1115

Website: www.namc.co.za

© 2022. Published by the National Agricultural Marketing Council (NAMC)

DISCLAIMER

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and views expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises or guarantees about the accuracy, completeness or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the contents thereof. No warranty of any kind, implied, expressed or statutory, including but not limited to the warranties of no infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus, is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Any reference made to a specific product, process or service by trade name, trademark, and manufacturer or other commercial commodity or entity is for information purposes only and does not imply approval, endorsement or favoring by the NAMC.