



NAMC

Promoting market access for South African agriculture

Market Intelligence Report

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Grains and Oilseeds

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Global Perspectives

The production of maize in the world is predicted to reach 1.161 billion tons in the 2022/2023 production season, down from the 1.214 billion tons attained in the 2021/2022 production season. The decline is due to lower production expected mainly in the United States of America (USA), from 382.89 million tons in 2021/22 to 353.84 million tons in 2022/23. Ukraine is also anticipated to decline from 42 to 27 million tons while the European Union (EU) will decrease from 70.9 to 54.2 million tons (USDA, 2022a). The production estimate for Ukraine is influenced by lower area planted and lower yield due to the conflict with Russia as well as poor rainfall received in August in producing areas of Poltava, Sumy, and Cherkasy (USDA, 2022b).

Global imports and exports of maize are expected to reach 182.3 million tons, respectively. The USA is expected to export 7.9 million tons less maize in 2022/23 compared to the total of 62.98 million tons exported in 2021/22. The EU's exports will drop significantly due to lower supply from 6 million tons in 2021/22 to 2.2 million tons in 2022/23 while imports are anticipated to rise from 19.78 million tons in 2021/22 to 21.5 million tons in 2022/23 (USDA, 2022a). The lower global production might affect prices at the international level, especially if countries institute exports ban in order to secure domestic food security.

Domestic Perspectives and Regional

According to the Crop Estimates Committee (CEC), the domestic production of maize (both white and yellow) in South Africa is projected at 15.329 million tons, equivalent to a 5.7% decline from the 2021/22 season of 16.315 million tons. Production of white maize is predicted to reach 7.79 million tons, while yellow maize is expected at 7.60 million tons for the 2022/23 season. The total commercial area planted is expected to be 1.575 million hectares of white maize and 1.048 million hectares of yellow maize, making it a total of 2.623 million hectares of total maize area planted for the 2022/23 season. The area planted is 4.5% less than the previous 2021/22 season of 2.755 million hectares planted. This is one of the factors affecting the overall production as producers switched to alternative grain crops with higher income prospects, such as sunflower seed and soybeans (DALRRD, 2022). The CEC predicts that South Africa will export 1.325 million tons of maize in the 2022/23 season.

Although South Africa is self-sufficient (i.e., able to produce sufficient quantities to satisfy the local demand) in maize production, local prices have been affected by factors such as input costs, specifically fertiliser prices which sharply increased in 2022 since the start of the Russia and Ukraine conflict. Although global prices have eased, South Africa has not seen that translated into local prices. Other factors such as shipping disruptions and costs might have contributed to the observed lag in prices. The effects of this have strongly been noticeable in the consumer price index (CPI) for food in the country where the CPI for bread and cereals grew by 20.6% year-on-year in December 2022 (StatsSA, 2022a). According to Statistics South Africa (2022), maize meal prices

increased by 33.7% year-on-year in December 2022. This is affecting consumers as maize is one of the basic food items in the food basket. This could also be exacerbated by rising electricity prices which are due to increase by an average of 18.65%, while the country battles load-shedding (NERSA, 2023).

Key areas to unlock growth in Field crops

South Africa's food inflation has been increasing since the start of the conflict between Russia and Ukraine in February 2022, rising from an annual average CPI of 4.5% at the end of 2021 to an average of 6.9% in 2022 (StatsSA, 2022b). The CPI for food and non-alcoholic beverages accounted for 12.4% year-on-year in December 2022. Food price increases have a negative impact on consumers' ability to afford food and this could be further heightened by the rising electricity prices this year. As the country continues to face structural challenges such as load-shedding, this will affect not just consumers but producers as well. Given the stagnant economy coupled with a high unemployment rate, measures such as electricity hikes in the midst of load-shedding could pose the biggest threat to economic growth in the country. These challenges need to be resolved as a matter of urgency, otherwise, food insecurity is bound to manifest itself as the rising production costs will be transferred to consumers.

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Fruits and vegetables



By Moses Lubinga², Cindy Chokoe³ & Mathilda Van De Walt⁴

Global Perspectives

The global orange production is projected to fall by 11.79 % to a total of 13,995,754 tonnes. A comparable decrease is also anticipated for the other citrus categories, specifically grapefruit (a 16.88 % drop to 769,043 tonnes), lemons (a 15.70% decrease to 4,017,362 tonnes), and soft citrus (a 13.32 % decline to 7,176,116 tonnes). According to the World Citrus Organization (WCO, 2022), citrus production in the Northern Hemisphere for the 2022/23 season is estimated to drop to 25,958,275 tonnes, equivalent to a 13% drop compared to the 2021/22 season. Thus, the crop for 2022 is anticipated to be the smallest amongst the recent last three seasons due to climatic issues in the leading export countries. Greece’s citrus production is estimated to rise by 10.83%, while in Spain and Italy, it is expected to fall by 15.09% and 20.97%, respectively. It is important to note that Spain is the largest exporter of citrus in Europe. Due to warm and dry summer conditions, the world’s major markets (i.e., EU and USA) for citrus are estimated to see a reduction in the supply of citrus (USDA, 2022c)

With an estimated 13% fall in the Northern Hemisphere region, major exporters in the Southern Hemisphere like South Africa, Brazil, Peru, Chile, Australia, and Argentina are likely to benefit in the current citrus marketing season. According to the United State Department of Agriculture (USDA, 2022e), the citrus production volume for Morocco is expected to decline by 33% and Tunisia by 17%. Israel’s production forecast remains steady at 0.40% while Egypt is expecting an increase of 8.24 %. **Table 1** shows the Mediterranean lemon production estimate for the 2022/23 season. Leading lemon producers, i.e., Spain, Italy, and Spain lemon will be on a 4-year mean drop of 12%, possibly due to a bigger market window for countries that supply in winter.

Table 1: Mediterranean Lemon -Production Forecast 2022/23

1000T	2020/23	Comparison	
		21/22	/4 years average
Spain	1090	-10%	-14%
Italy	431	-8%	-5%
Turkey	1047	-32%	-13%
Total	2568	-20%	-12%

Source: Fruitrop (2022)

Domestic and Regional Perspectives

The South African citrus production area has grown steadily over the past 10 years, due to ongoing investments in new cultivar technology and production system that comply with the Phytosanitary and Sanitary (SPS) measures from the EU. As a result, South Africa is set for record citrus exports of 2.7 million tons in the marketing year 2021/22 (Freshplaza, 2022). Growth in the orange area was limited by a shift to soft citrus in the growing regions of the Western Cape and Limpopo provinces. The growth in citrus orchards is expected to ease in the marketing year 2022/23. The rising farming input costs, higher shipping rates, EU-imposed trade regulations, high inflation rate, and poor infrastructure are affecting South Africa’s citrus exports. These challenges are also impacting farm profitability resulting in low investment in the sector (Euro Fruit, 2022).

South Africa’s Citrus Growers Association (CGA) indicated that South Africa’s production is a modest 2.8Mt, which places it in the 12th position globally. The South African citrus industry is dominated by orange production, followed by lemons and grapefruits then soft citrus. The area planted for all citrus products has increased since the adoption of the National Development Plan (NDP) in 2012.

Key areas to unlock growth in Fruits and Vegetables

Whereas in the Market Intelligence Report of 2022, we highlighted the exorbitant tariff rates imposed on South Africa’s citrus. In this issue, we delve into the high tariffs faced by South African citrus to the world markets. According to TradeMap (2023), the EU applies a 9.9% tariff rate on citrus originating from South Africa while countries like India, Japan, and Taipei (Chinese) impose as high as 16.5%, 29.6%, and 30.5% rates, respectively. Even if these countries (India, Japan, & Taipei) collectively account for only a 2.4% share of South Africa’s citrus exports, there is potential to increase the share, especially if the phytosanitary constraints articulated in the December 2022 report are addressed.

However, for countries like the United Arab Emirates, the USA, Canada, Saudi Arabia, Hong Cong, and Kuwait, South Africa’s citrus is subjected to duty-free market access, coupled with minimal phytosanitary limitations as compared to India or the EU. Countries with duty-free market access collectively account for a 27.4% share of South Africa’s citrus exports, equal to what is destined for the Netherlands (EU). Thus, with the ongoing collaborative efforts geared towards addressing the phytosanitary constraints, the industry should also consider strengthening its presence in countries that grant duty-free access.

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Livestock and Animal products



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Global Perspectives

This section provides an analysis of beef and pork production as well as other market dynamics. Global production of pork is anticipated to increase by 1% in 2023 to reach approximately 111 million tons. The USDA (2022d) attributes this increase to the output growth in China, which is gradually recovering from the effects of Covid-19 lockdowns and the outbreak of African Swine Fever (AFS). China is the largest pork producer in the world and is projected to increase its production by 2% in 2023. Other major producers of pork include the European Union (EU), Brazil, Russia, and Vietnam. In terms of pork trade, the top pork exporters are the EU, the United States of America (USA), Canada, and Brazil while the top pork importers are China, Japan, Mexico, the United Kingdom (UK), and South Korea.

On the other hand, global beef production is estimated to be marginally lower in 2023, at an estimated 59.2 million tons (USDA, 2023). According to USDA (2022d), the decline in beef production is mainly attributed to lower production in North America and the EU, which offsets increases in countries such as Brazil, Australia, and China. Beef exports are forecasted at about 12.2 million tons, mostly originating from Brazil, Australia, and Argentina, among others (USDA, 2023). According to the USDA (2023), China is the leading importer of beef meat with an estimated 3.5 million tons of beef imports per annum. Other major importing markets are Japan, South Korea, and the EU, among others.

Domestic and Regional Perspectives

According to the Red Meat Abattoir Association (RMAA, 2023), beef production has declined across all provinces in South Africa due to disease outbreaks such as Foot and Mouth Disease (FMD) and rising feed costs. For the marketing season of 2021/22, total beef production decreased by 9.92% on an annual basis and a 5.20% decline on a month-to-month (m/m) basis in December 2022. Due to the low availability of beef towards the end of the year, producer prices were slightly higher in November 2022 (RMAA, 2023). In addition, prices of class A2/A3 and class C2/C3 beef were about 10.87% and 5.43% higher m/m compared to October 2022, respectively.

Since the start of the marketing season for 2021/22, the supply of pork has been on an increasing trend. When compared to the 3.49 million pigs that were slaughtered during the previous marketing season, a total of 3.55 million pigs were slaughtered in 2021/22 (RMAA, 2022), representing an increase of 1,5% y/y basis. Despite a recent increase in pork prices, profitability is still under pressure. **Figure 1** shows prices for domestic pork producers from January to November between 2020 and 2022. Producer prices for pork farmers grew by 15.11% m/m and 25.24% y/y in November 2022. Producer prices for bacon rose by 22.79% annually and 13.55% monthly (AMT, 2022) in November 2022.

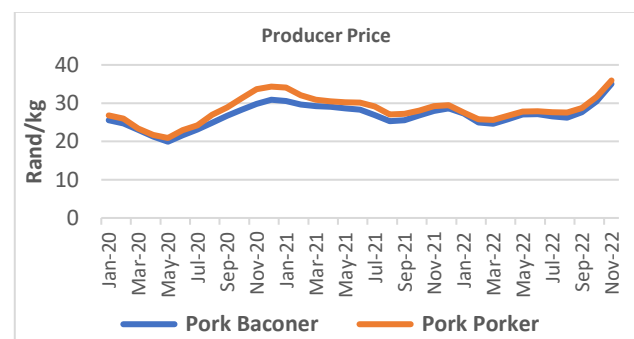


Figure 1: Domestic pork producer prices

Data source: AMT (2022)

Key areas to unlock growth in livestock and animal products

According to the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organization (FAO) of the United Nations (OECD-FAO, 2022), pork will be a popular meat option for consumers in the next decade. Similar to poultry, pork is considered an affordable source of animal protein which makes it a preferred option for middle to low-income households. The global demand for pork is anticipated to be driven by the EU, followed by China and other countries in Asia. The customary consumption of pork in some Asian nations is expected to continue. The main reason South Africa is a net importer of pork is the uneven demand for certain cuts, especially the ribs. Nevertheless, South Africa has had some of the highest growth rates in terms of total pork production and recorded a 31% growth rate over the past four seasons, from about 2.70 million pigs in the 2016/17 marketing season to 3.54 million pigs in 2021/22 (RMAA, 2023). If South Africa continues to produce pork at its current rate, the nation should eventually achieve self-sufficiency and turn into a net exporter in the next decade. Markets like Asia can be explored when the country reaches this stage, but health-related regulations must be tightened beyond the current levels.

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⁶ Economist: Trade

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