



# NAMC

Promoting market access for South African agriculture

## Market Intelligence Report

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# Grains and Oilseeds

 By Onele Tshitiza<sup>1</sup>

## Global Perspectives

The global production of wheat, together with exports for the 2022/23 season is expected to increase, owing to the increased supplies from Ukraine. Production is predicted to reach 781.312 million metric tons in the 2022/23 season, a 0.25% increase in production from the previous season's 779.314 million metric tons (United States Department of Agriculture – USDA, 2023). The largest producer of wheat globally is China and it is predicted that its production will increase to 137.723 million metric tons in 2022/23, from 136.946 million metric tons realized in 2021/22. The European Union (EU), which is the second largest producer of wheat, is set to produce 134.700 million metric tons in 2022/23, equivalent to a reduction of 3.516 million metric tons from the 2021/22 season. The third largest producer is India, which is predicted to produce 103 million metric tons in 2022/23, 6.59 million metric tons lower than the 2021/22 season. India is also the third largest consumer of wheat and is set to consume 104.075 million metric tons, 5.8 million metric tons lower than in 2021/22 (USDA, 2023).

For wheat trade, global exports of wheat are predicted to be 209.6 million metric tons, while imports will be 204.9 million metric tons. Russia is the largest exporter and will export 43 million metric tons of wheat and its products, followed by the EU at 36.5 million metric tons (USDA, 2023). Egypt and Indonesia will import the largest volumes of 11 million metric tons each in the 2022/23 season. Fortunately, the Black Sea Initiative has assisted in keeping global prices low

compared to the start of the war, where 6 million tons of wheat have so far been transported through the initiative (United Nations- UN, 2023).

## Domestic and Regional Perspective

South Africa (SA) is anticipated to produce 2.176 million tons of wheat, equivalent to a 5% decline from 2.285 million tons produced in the 2021/22 season (Department of Land Reform and Rural Development- DALRRD, 2023). Table 1 shows that the area planted with wheat in the 2022/23 season will increase by 8% from 523 500 hectares. As a net importer of wheat, the country is expected to import 1.45 million metric tons of wheat in the 2022/23 season (NAMC, 2023). The slight decline in wheat production is likely to add more pressure on food prices, which is already elevated.

**Table 1: South Africa wheat production and area planted estimate**

	2021/22	2022/23 Estimate	% Difference
Production (Metric tons)	2 285 000	2 176 540	-4.98
Area planted (Hectares)	523 500	566 800	8.27

Source: DALRRD (2023)

The consumer price index (CPI) for all items was 6.9% year-on-year in January 2023, implying a 0.1% decrease from December 2022. The CPI for food was 13.8% in January 2023,

year-on-year, while bread and cereals reached a year-on-year increase of 21,8% in January 2023, and increased by 1.4% from December (StatsSA, 2023). This is the food category with the highest inflation level. Food inflation shows that prices continue to increase and this is driven mainly by the rising input costs of production and the weak rand. Prices are likely to continue increasing over the next few months due to the occurrence of load shedding in the country which has made the processing of food limited. Load shedding is likely to also impact winter planting as farmers using irrigation need electricity for water supply.

## Key areas to unlock growth in Field crops

South Africa continues to battle rising food prices, thereby affecting consumers, while producers also battle the high cost of production due to the high fertilizer, electricity, and agrochemical prices. The energy crisis has exacerbated the cost of production as producers and processors are using generators as backup during power outages. This raises the production costs as they have to use diesel. Interventions to reduce the burden on consumers, such as removing value-added tax on more food items are currently being debated in the country to ensure that food remains affordable. Equally, producers need relief from the rising costs of production, which can alleviate the increasing food prices for consumers. The energy crisis also threatens to weaken the food system and needs to be addressed as processors battle to produce enough food items, which could further raise prices. There is a need for a system where electricity is available for food production and processing. This will require collaboration between the government and private sector.

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# Fruits and vegetables



By Moses Lubinga<sup>2</sup>, Cindy Chokoe<sup>3</sup> & Mathilda Van De Walt<sup>4</sup>

## Global Perspective

Over 376 million metric tons of potatoes were produced across the globe in 2022, this is an increase from a production volume of 333.6 million metric tons in 2010 (World population review, 2023). China is the biggest producer of potatoes worldwide. On average, China produces close to 92 million metric tons of potatoes every year (World population review, 2023), with a per capita potato production measured at 66kg. Between 2021-2022 the United States of America's (USA) potato retail sales increased by 14.4% in value terms but decreased by 1.5% in volume sales. Despite the insignificant reduction in volume sales, sales remain 3.7% above pre-pandemic levels.

In addition to China, India, Bangladesh, and Russia are also major producers of potatoes. India, Russia, and Bangladesh produced approximately 50 million metric tons, 22 million metric tons and 10 million metric tons of potatoes annually, respectively. According to a report by Potato grower (2023), Egyptian exporters increased the supply of vegetables in Russia, and the share of the overall volume of potato exports to Russia from Egypt in 2017-2021 was between 38% to 56%, excluding 2019 and 2020 (Fresh Plaza, 2023). The demand for potatoes in Russia has resulted in Egypt increasing its exports to Russia. Additionally, the implications of the Russia-Ukraine war have also affected the Russian Economy. According to a report by Tridge (2023), potato exports from Egypt destined for Russia are projected to increase from 435 thousand metric tons to 472 thousand metric tons in 2023. The report further indicates that the domination of Egyptian exports in the Russian market is projected to endure in 2023, as countries such as Iran, Belarus and Pakistan could be faced by production delays.

## Domestic and Regional Perspective

SA is the second largest exporter of both potato and potato seed in Africa, with the Free State, Limpopo, and the Western Cape accounting for around 70% of the potato production (Adama, 2022). Each potato growing region has a detailed window for planting and harvesting potatoes because of the different climatic conditions and assorted soil types. This means that South Africans are able to enjoy locally grown potatoes all year round.

The Prices had dropped gradually when more than 1 000ha of potatoes were planted in other regions of SA due to good rainfall in 2022 (Farmers weekly, 2023). Farmers' Weekly (2023) indicates that potatoes South Africa (PSA) intends to increase yearly production from 2,6 million metric tons to 3,2 million metric tons over the next 5 years. The report further highlights that this will be possible to achieve this if the processors are defended against the dumping of cheap potato imports, increasing local processing capacity, and developing new uses for potatoes. From the beginning of 2022, potato producers in SA have traded 75.2 million bags of potatoes through fresh produce markets, compared to 83 million bags in 2018 (Freshplaza, 2022b). The severe rolling blackout since 2022, has negatively affected the potato industry value chain. Currently, farmers are not able to irrigate as they should. This has been further worsened by higher input costs. According to the Food for Mzansi (2022), the Russian-Ukraine conflict has significantly impacted on the availability of key agro-input.

## Key areas to unlock growth in Fruits and Vegetables

According to industry experts, the high cost of inputs is constraining activities along the potato values, most especially that growers have limited access to funding. Furthermore, PSA indicated the following challenges: (i) the poor maintenance and management of the infrastructure in municipal Fresh Produce Markets (FPMs), (ii) poor entrance access to markets / bad roads/crime/load shedding. Market agents are not able to trade due to unreliable electricity supply to provide lighting, cooling facilities and to facilitate transactions. These challenges discourage buyers to go on the market floor, leaving 60% of sales in FPMs going into informal trade. (iii) high fuel prices affect product delivery to FPMs and distribution from FPMs. Unfortunately, the price increase is ultimately absorbed by the already cash-strapped consumer yet the biggest potato-buying market segment (lower Living standard Measure (LSM)) cannot afford to absorb the additional costs that load shedding, high fuel prices, and failing infrastructure are placing on this commodity.

Thus, PSA reckons that the government's lack of enforcing the anti-dumping tariffs on frozen French fries from Europe has a direct impact on the local suppliers. Processing plants can't function with the current loadshedding situation as two hours down time requires six hours to restart a plant as the lines have to be cleaned and that processing plants must adhere to food safety regulations. PSA suggest that: (i) producers should be exempted from loadshedding to enable them to adhere to irrigation scheduling according to their production crop; and (ii) municipal levies raised on every sale at FPMs should be utilised for their intended purpose - maintaining infrastructure of the markets, including sanitation, roads, back-up electricity.

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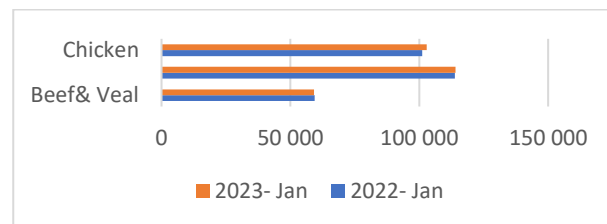
# Livestock and Animal products

By Bhekani Zondo<sup>5</sup>

## Global Perspective

The Food and Agriculture Organization of the United Nations (FAO) global meat price index for January 2023 was estimated at an average of 113.6 points, showing a 0.1% decline from the level seen in December 2022 (FAO, 2023). This is mainly attributed to a decline in global prices of poultry, bovine (beef), and swine (pork) meat. FAO (2023) suggests that the decline in poultry meat prices is underpinned by higher global export supplies which surpassed global demand for poultry, regardless of the widespread global outbreak of Avian Influenza (AI). According to TRIDGE (2023), in December 2022 the global prices of chicken experienced a 2.5% decline, similarly, beef prices also declined by 1.3% month on month (m/m). This is due to increased supplies and slaughter volumes (higher production), reduction in input prices coupled with easing demand in the world.

Similarly, pork prices declined moderately due to lower-than-anticipated demand in China before the spring festival, while there are increased supplies of slaughtered pigs in countries like Brazil and the USA (FAO, 2023). On the other hand, global prices of ovine (sheep) meat increased significantly owing to high import demand, offsetting increases in slaughter volumes in countries like Australia.



**Figure 2:** Global estimates of chicken meat, pork, and beef (in 1000 Tons)

**Source:** USDA (2023)

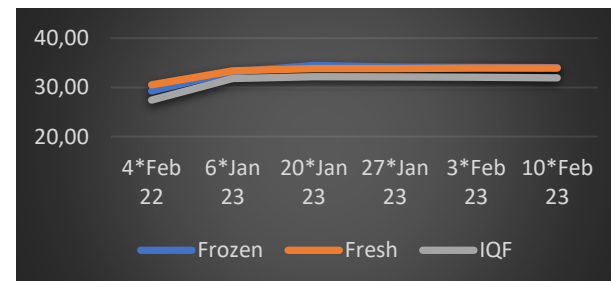
According to USDA (2023a) data as depicted in Figure 2, global chicken meat production was forecasted to reach 102.9 million tons in January 2023 compared to 101 million tons during the same period last year. While production of pork was expected to increase marginally to an estimated 114 million tons (from

113 million in January 2022), beef production was forecasted to decline slightly to 59.2 million tons (compared to 59.4 million tons in January 2022). The forecasted increase in production of both pork and chicken meat is likely to result in a further decline in the prices of these commodities due to increased supplies.

## Domestic and Regional Perspective

The domestic livestock industry continues to endure difficult challenges, such as rising input costs, livestock diseases, as well as, the current energy crisis. On the 27th of January 2023, the Department of Agriculture, Land Reform, and Rural Development (DALRRD) reported an outbreak of African Swine Fever (ASF) on one of the farms based in Gauteng Province. This led to farms based in Gauteng, North West, and Free State being placed under precautionary quarantine. On the other hand, the ongoing energy crisis has caused significant financial losses, particularly for highly capital-intensive farms such as dairy and poultry farms that rely on electricity for their daily operations.

Following the increase in electricity blackouts (at least 200 hours in 2022) several fast food outlets have reported shortages of bone-in chickens, however, USDA (2023b) suggests that the notable decline in bone-in chicken imports may also be another significant factor.



**Figure 3:** Chicken abattoir selling prices (R/kg)

**Source:** AMT (2023a)

The reported supply shortage in chicken meat is likely to stir an increase in chicken prices. According to the latest data released by the Agricultural Market Trends (AMT, 2023) (see Figure 3),

during of the first week of February 2023, the price of frozen chicken was selling at R34.06/kg (per kg) in abattoirs (which is about 2.57% higher than a month ago). While prices of fresh and Individually Quick-Frozen (IQF) chicken portions were sold at R33.92/kg and R32.09, respectively (that is 1.65% and 0.94% higher month-on-month (m/m)). On the other hand, the weekly livestock report by AMT (2023) shows that classes A2/A3 and C2/C3 of beef were sold at R56.38/kg and R51.10/kg during the first week of February 2023, respectively. Illustrating a 5.47% and 2.89% decline compared to a month ago. Similarly, the current prices of mutton (R85.38/kg for class A2/A3 and R65.58/kg for class C2/C3) showed a decline of 5.87% and 1.76% m/m, respectively. The observed decline in the prices of both beef and mutton is mainly due to increased supplies coupled with lower demand. Prices of chicken meat are likely to remain elevated in the upcoming weeks or months due to the restricted supply, however, mutton and beef prices are likely to remain low due to lower demand (AMT, 2023b).

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

Firstly, energy crisis in the country needs urgent attention. Despite the government declaring the energy crisis as a state of national disaster due to the severity of electricity supply shortages, the agricultural sector should have been declared as an essential service and be exempted from the electricity blackouts. In addition, urgent support for alternative sources of electricity generation is essential. This could ensure that the farmers and other industry role players are protected from the resulting financial losses, and hence, save jobs and ensure food security within the country. Secondly, improved biosecurity control measures in the sector are crucial in order to curb the continued plaque of livestock diseases in farms.

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