NAMC

Promoting market access for South African agriculture

Market Intelligence Report

March 2023

Grains and Oilseeds

By Onele Tshitiza[1]

Global Perspectives

The overall global production of oilseeds in 2022/23 is predicted to be higher than the 2021/22 season. The total production of oilseeds in 2022/23 is forecasted at 636.72 million metric tons, a 4.9% increase from the 2021/22 season. Soybean oilseed, being the largest, is predicted to reach 383.01 million metric tons, an increase of 25 million metric tons from 2021/22. Canola oil is predicted at 85.08 million tons from 74.01 million metric tons, while sunflower oilseed will drop to 50.77 million metric tons from 57.31 million metric tons. Global exports and imports of oilseed are expected to increase to 198.03 million tons and 192.74 million tons, respectively (USDA, 2023).

Global protein meal production will increase to 362.06 millions metric tons, an increase of 13.5 million metric tons. Vegetable oils are predicted at 217.58 million metric tons, increasing from 208.48 million metric tons in 2021/22. Palm oil, which is the largest product within the oilseed product group, is estimated at 77.43 million metric tons, followed by soybean oil at 60.91 million metric tons, canola oil (31.92 million metric tons) and sunflower oil (20.56 million metric tons).

The United States (US) Gulf Free on Board (FOB) export price of soybean was US$607/ton in January 2023 , while the FOB export price was $616/ton and $590/ton in Argentina Up-River and Brazil Paranagua, respectively. Prices remained high owing to the lower supply in Argentina and Brazil (USDA, 2023). The positive outlook for oilseeds will likely experience lower global prices in the coming months.

Domestic and Regional Perspectives

South Africa is projected to produce 2.651 million metric tons of soybeans in 2022/23, an increase of 18.91% compared to the 2021/22 season (DALRRD, 2023). This is attributable to the expansion in the area planted, which increased by 223 000 hectares in 2022/23, totalling 1.148 million hectares. The increase in production is important as soybean oilcake makes up about 15% of the feed and there has been an increase in feed prices in recent months due to international factors like limited global supply and increasing prices. On the other hand, the production of sunflower seed (shown in **Table 1**) is expected to decline by 8.31% from the previous season to 775 260 tons, affected by lower area planted of 555 700 hectares compared to 670 700 hectares in 2022. The final canola seed production in South Africa for the 2022 season is projected to reach 210 530 tons, compared to 198 100 produced in 2021.

Table 1: South Africa sunflower seed production and area planted estimate.

	2021/22	2022/23 Estimate	% Difference
Production (Metric tons)	845 550	775 260	-8.31
Area planted (Hectares)	670 700	555 700	-17.15

Source: DALRRD (2023)

The production of oilseeds is important for both the feed industry and human consumption, where prices are determined by the availability locally and internationally. Where there is increased production, other things constant, the prices are likely to be lower for consumers. However, over the last year, the country has experienced increased prices of feed and food prices due to factors such as rising input costs. The Consumer Price Index (CPI) for food was 14% in February 2023 year-on-year, compared to the overall CPI of 7% year-on-year, while oils and fats reached a year-on-year increase of 16.7% in February 2023 (Stats SA, 2023). However, compared to January 2023, this was an improvement as it was a decline of 0.2% in February. With the lower production in sunflower seed, which is mainly used for human consumption, prices are likely to increase, fuelled by the energy crisis that makes processing more costly due to switching from electricity to diesel operating generators.

Key areas to unlock growth in Field crops

South Africa's food has been gripped by rising food prices in the past year and indications do not point to the trajectory changing, due to the energy crisis that has introduced a new challenge in processing food and affecting irrigation schedules of farm production. Although production of oilseeds is projected upwards, except for sunflower seed, the food prices will be dependent on whether the energy crisis is curbed or the rolling out blackouts are downgraded to at least stage 2 or less. Industry has been working with government to provide solutions to producers to cushion the industry from the impact of the crisis, however, progress may be slower than anticipated due to regulatory processes to enact the interventions as suggested by the power utility, Eskom. This could result to an increase in the cost of production to farmers and food prices. Therefore, short-term interventions such as a faster relief on fuel for producers are necessary.

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Fruits and Vegetables

By Bhekani Zondo[2], Cindy Chokoe[3] & Mathilda Van De Walt[4]

Global Perspective

The focus of this March issue is on stone fruits. The production of stone fruit (peaches, nectarines, and soft cherries) is forecasted to increase significantly in the 2022/23 season. The global production of nectarines and peaches is estimated to increase by approximately 1 million tons to 23.7 million tons (USDA, 2022a; Specialty Crop Industry, 2022). This is largely attributed to an increase in production from major producers of nectarines and peaches, such as China, European Union (EU), and Turkey. On the other hand, the global production of cherries is also forecasted to increase by 200 thousand tons to reach an estimate of 4.7 million tons, due to increased production from Chile and Turkey (USDA, 2022a; Eurofruit, 2023).

Globally, during 2021/22 season Turkey surpassed the European Union (EU) to become the largest exporter of nectarines and peaches (USDA, 2022a). During the 2021/22 season Turkey exported 170 thousand tons of peaches and nectarines, followed by the EU (137 thousand tons), and Chile (122 thousand tons) among others. For the current 2022/23 season, the exports of peaches and nectarines are estimated to decline marginally, resulting from reduced imports from Russia. The USDA (2022a) report shows that Russia's imports of nectarines and peaches will decline from 250 thousand tons in the previous season to 230 thousand tons in the current season. In the current season, the major exporting countries of peaches and nectarines are Turkey with an estimated 165 thousand tons of exports (down by 5 thousand tons from the previous season) followed by EU (125 thousand tons), and Chile (120 thousand tons). In the current season, China is expected to be leading importer of fresh cherries with an estimated 330 thousand tons of imports (increasing from 319 thousand tons from the previous season). The other major importers of fresh cherries are Russia, EU, and Canada.

Domestic and Regional Perspective

The South African stone fruit industry consists of the production of plums, peaches, apricots, nectarines, and cherries equalling a total of 350 thousand tons produced per annum (HORTGRO, 2023).

Following a disappointing 2021/22 season, the South African stone fruit industry expects a much-improved 2022/23 season. According to South African Deciduous Fruit Grower Association (HORTGRO, 2022) despite the good crop harvest during the 2021/22 season the domestic producers and exporters had a constrained profitable season underpinned by trade and logistical challenges which hampered the performance for the season.

However, the local stone fruit industry anticipates the current 2022/23 season to be more stable and reliable with the fruit exports reaching their destined markets within the stipulated time frame (HORTGRO, 2022; TRIDGE, 2023).

The recent outlook by HORTGRO (2022) for the 2022/23 season suggests that the exports estimate of plums and peaches will experience a 4% year-on-year (y/y) increase to reach approximately 86 thousand tons and 6.5 thousand tons, respectively. Similarly, nectarines and apricots are also anticipated to increase by 15% and 9% y/y to amount to approximately 23.6 thousand and 3 thousand tons exported, respectively.

Key areas to unlock growth in Fruits and Vegetables

According to industry experts, the major constraint within the stone fruit industry by far is the inefficiency of the ports, especially the Cape Town port which is unable to load and ship the fruits on time. The South African stone fruit takes a longer period to reach their export market destinations which has an impact on the quality, price, claims and the SA's reputation as a stable, reliable supplier of fresh and quality fruits. Consequently, the industry is losing its market share to other major competitors like Chile. The second challenge is the impact of the ongoing energy crisis (prolonged power outages) which is causing the industry significant financial losses. The industry has proposed for the government to intervene and to find solutions to support the sector, especially during the critical harvesting and packing times. The local deciduous fruits industry suggests that there is a need for substantial investment in the ports infrastructure, as well as their maintenance and management.

The industry also reckons that the management of pests such as the fruit-fly and false codling moth is putting pressure on the maintenance of export markets. In terms of exploring new markets, the time required to gain access, and the process of only handling one fruit type at a time, to a market like China is a major challenge. China holds great potential, but as alluded to above, it takes longer to gain access due to technical regulations associated with gaining access into the market. From a technical (phytosanitary and sanitary) perspective, the measures are in place at industry level, but there is a need for the political/diplomatic will and push to expedite these processes with trading partners. The industry is urging the government to respond with agility to the threats and opportunities that the industry faces. For new markets such as the United States of America (USA), complying with the requirement of the cold chain treatment and also maintaining the quality of stone fruits remains a challenge.

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Livestock and Animal products

By Bhekani Zondo[2]

Global Perspectives

In February 2023, the global meat price index of the Food and Agriculture Organization of the United Nations (FAO) was estimated at an average of 112.0 points (FAO, 2023). This shows a 0.1% decline from the index level observed in January 2023 and a 1.7% decrease from the level observed in the same period in 2022. Furthermore, according to FAO (2023), the global prices of bovine meat were stable in February 2023, attributable to increased imports mainly in the North Asian region which led to an equilibrium in the global supply and demand of bovine meat. FAO (2023) also reckons that China's beef imports were increasing during the period under consideration, following the relaxation of COVID-19 restrictions. Similarly, ovine (sheep) meat prices remained constant during this period as the global demand was sufficient to meet the increased supplies from major producers such as Australia. Conversely, the global poultry meat prices continued to decline for the seventh time month-on-month (m/m) despite the avian flu outbreaks in major poultry producing countries such as France, Germany, Netherlands, USA, and others (FAO, 2023b). On the other hand, pork prices increased due to reduced availability of pigs ready for slaughter coupled with increased demand in Europe.

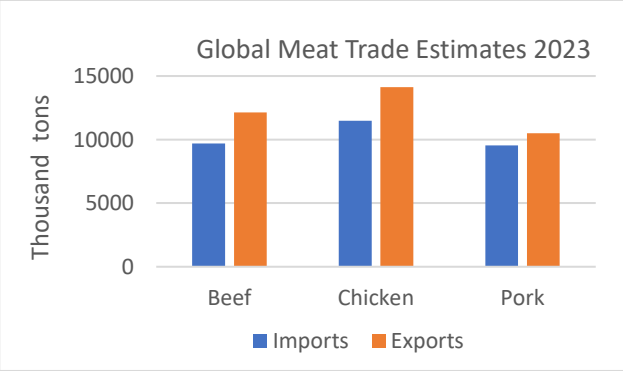

Figure 1: Estimates of the global meat trade for 2023
Source: USDA (2023)

According to USDA (2023b) data as depicted on **Figure 1**, the global beef exports are forecasted to reach approximately 12.1 million tons in the 2023 while imports are predicted at 9.6 million tons. Whereas, pork imports and exports are forecasted to amount to 9.5 million tons and 10.5 million tons respectively. In terms of chicken meat trade, imports and exports of chicken meat are estimated to be at approximately 11.5 million tons and 14.1 million tons, respectively.

Domestic and Regional Perspectives

As of the week of the 24th of March 2023, the red meat (beef and mutton) remained suppressed and recorded negative growth rates both week-on-week (w/w) and month-on-month (m/m). According to the weekly livestock report released by the Agricultural Market Trends (AMT, 2023) (***see Figure 2***), as of the week of the 24th of March beef class C2/3 and beef class C2/3 were selling at about R53.59/kg and R47.60/kg, showing a decline of about 1.8% and 0.2% w/w, respectively. These are also equivalent to a decline of 1.5% and 1.8% m/m, respectively. On the other hand, prices of live weaners were averaging at about R34.11/kg at the same rate as of the week of the 17th of March.

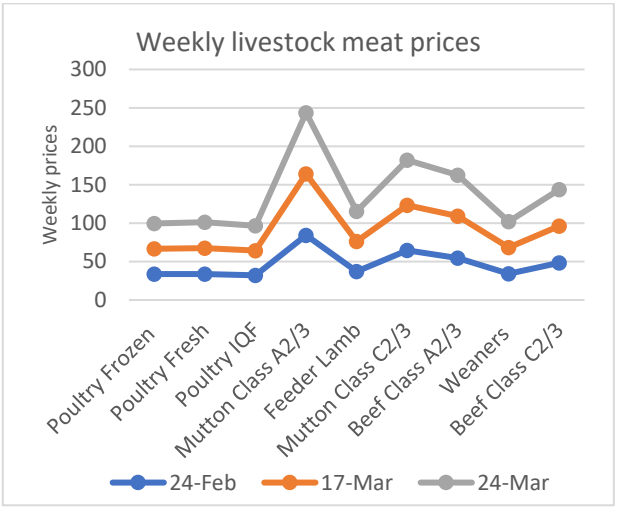

Figure 2: Livestock abbatoir selling prices (R/kg)
Source: AMT (2023)

In terms of mutton, on the week of the 24th of March, class A2/3 and Class C2/3 were selling at about R79.72/kg and R58.82/kg, both showing a decline of 0.08% w/w respectively. Compared to the same period in February 2023, producer selling prices of class A2/3 and Class C2/3 experienced a notable decline of aproximately 5.4% and 8.7% m/m, respectively. On the other hand , chicken meat, the frozen , fresh, and Individually Quick Frozen (IQF) chicken meat were selling at R33.20/kg, R33.92/kg, and R32.22/kg, respectively during the week of the 24th of March. The prices of chicken meat increased marginally w/w during this period, showing an increase of about 0.7%, 0.3%, and 0.03%, for frozen , fresh, and IQF chicken respectively. The observed increases in producer selling prices of chicken meat can be attributed to reduced supplies (shortage) resulting from the current enegry crisis in the country and reduced imports. The energy crisis affects the functionality of poultry farms and abattoirs. According to the USDA (2023), South Africa's chicken imports declined by approximately 5.4% from 370 thousand tons in October 2022 to an estimate of about 350 tousand tons in January 2023.

Key areas to unlock growth in livestock and animal products

The government and other key industry role players continue to combat the energy crisis that is still impacting the agricultural sector. The recently announced diesel tax incentives to encourage businesses and individuals to invest in renewable energy and increasing alternative electricity cogeneration offers some relief for the industry. During the national budget speech for the year by the Minister of Finance, it was announced that businesses will have their taxable income reduced by about 125% of the cost of their investment in renewable energy. In addition, it was announced that individuals or businesses that invest in rooftop solar panels will qualify for rebates of 25% of the total cost up to a maximum of R15 000. Regardless of the ongoing efforts between the government and other key industry role players in finding alternative ways to reduce the severity of the current energy crisis within the country, farmers and other role players in the livestock industry still needs to find short-term interventions to reduce the severity of the crisis. The recently enacted tax interventions by the government may take longer to have a noticeable impact and small-scale players in the value chain who do not have disposable financial facilities to invest in solar panels and other renewables may not benefit from these interventions.

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