NAMC

Promoting market access for South African agriculture

MARKET INTELLIGENCE REPORT

2022

April

Grains and Oilseeds

Global Perspectives

The world's market for grains remains volatile attributed to the ongoing uncertainty induced by drought in South America and some parts in the Northern Hemesphere. These have been exacebated bu the war in Ukraine, surging ocean freight rates and now trade restrictions mainly from vegetable oil global suppliers. Wheat and vegetable oils have been at the forefront in all this fuelled by the war between the two countries involved as they are global leading suppliers for these commodities. Importing countries are scrambling to find alternatives sources. For wheat, it appears as if India and Australia are proving to be reliable suppliers so far thanks to ample stocks. However, concerns have been raised about the quality of Indian wheat. Nevertheless, on the 22nd of April, the first bulk of wheat cargo from India landed in Vietnam which is another leading wheat buyer globally (AgriCensus, 2022). But, Vietnam has mentioned that the cargo they received got some fungal infection and some stones on it (AgriCensus, 2022).

Still in India, Egyptian authorities earlier visited India to assess the quality of the crop. As a result, a confirmation was made that on the 8th of April, Egypt purchased at least 72 600 MT of wheat from India. With regards to the cargo heading to Egpyt, concerns were around phytosanitary tests, so far nothing has been said but traders have been reported to be tracing the vessel. These developments appeared to have supported India's wheat prices at relatively competitive levels. On Monday the 25th of April, prices ranged between $345 and $350/MT FOB Kandla.

Still, on wheat, prices from Australia are also reported competitive at around $390/MT CFR Vietnam. The United States Department of Agriculture (USDA), estimates that for the 2021/22 marketing season Vietnam should buy around 4.1 million MT of wheat. Australia normally supplies half of the quantity that Vietnam buys annually.

Subsequently, the International Grain Council (IGC) wheat sub-index was recorded at 52% higher year-on-year on the 25th of April 2022. See **figure 1** for wheat prices. According to the AgriCensus, US soybean future prices fell for the second straight session on April 19th. According to IGC export pricing, a ton of Gulf soybeans cost $680, up from $669 a week before. Vegetable oil prices, in general, are expected to continue behaving erratically. This will be exacerbated by news from Indonesia that raw palm oil and cooking oil exports will be prohibited beginning April 28, 2022, until further notice. Prices for all vegetable oils and their products, which are already at record highs, are likely to benefit from this. Also, until further notice, Russia has announced that no trade data would be provided.

Domestic and Regional Perspectives

As favourable weather conditions persist with minimal concerns due to excessive rains in some parts of South Africa, the Sub-Saharan Africa regions' grain supply remains positive except for Kenya which is normally supplied by Tanzania and Zambia due to its genetically modified status as opposed to South Africa which is by far the regions' largest maize supplier. For 2022/23 marketing season it's estimated that at least 700 000 tons will be imported which will be for human consumption thus white maize. South Africa is currently calculating the cost of the damage from the floods but early reports by the KwaZulu Natal Provincial government shows that commodities like sugar, poultry, pigs and maize were significantly impacted. Although the grain and oilseed business in KwaZulu Natal is not necessarily a bigger player, its significance for the country's grain and other commodity markets is evident, especially when the Durban Port is factored in. Nonetheless, reports indicate that great progress has been made in ensuring the port is opened and its efficiency is restored to post-floods level.

This marketing season, a total of 3.57 million tons of maize were exported from South Africa as of week 50 (15 April 2022). For this week alone, Botswana was the top importer of white maize, with 4 459 tons exported, followed by Namibia (4 042 tones) and Eswatini (1 201 tons) with 12 007 tons. A total of 2 851 tons of yellow maize were exported, with the majority of it going to the SADC region (SAGIS, 2022).

Key areas to unlock growth in Field crops

South Africa has a well-established grain and oilseeds industry. This is made of companies from storage, logistics, milling and others. But, a couple of issues need to be addressed to allow emerging market participants into this industry. This includes particular storage rates which appear to limit these producers. This problem was prevalent during the recent season as farmers harvested larger quantities of crops attributed to good rains. While a lot of producers benefited from this season's good fortunes in money terms, this was not uniform and ironing out such problems remain a critical issue for the future of the industry.

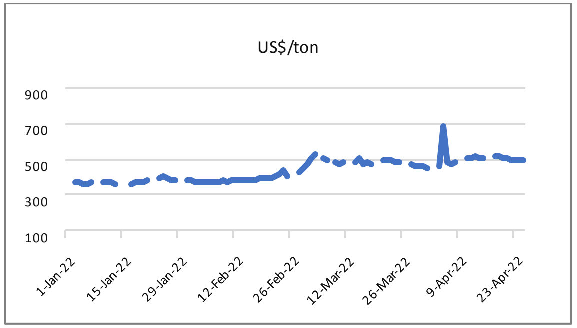

Figure 1: Global wheat export prices

Data source: IGC, 2021

Fruits and Vegetables

Global Perspectives

The Global Market Analysis of the United States Department of Agriculture (USDA) earlier this year (Jan 2022) estimated that the global orange production is set to increase by 2.8% in the 2021/22 marketing year. This is at the back of favourable weather in Brazil, Mexico, Turkey, South Africa, and Morocco, among others. The expected increase in these countries is expected to offset the 16%, 6%, and 11% decline in Egypt, the European Union, and the United States of America respectively. Subsequently, global juice production is expected to grow by 11%. The production of mandarins also continues its upward trend to reach a record of 37.9 million tons at the back of favourable weather and increased yield and areas under production in China. Similarly, the production of grapefruit and lemons/lime is expected to be up by 4% , with the latter boosted by increased production in Mexico, Turkey, and the United States of America. Global trade expected to fuel the price of oranges up by 3% to \$0.67/kg owing to the rising cost of fertilizers, pesticides, and energy among other factors. In the United States of America, the lemon and lime prices are expected to go up by 3% too.

Domestic and Regional Perspectives

The USDA projected South Africa's production of citrus to grow by 3%, 10%, 1.9%, and 3.8% for oranges, mandarins, grapefruit, lemons, and limes respectively. Therefore, it is expected that the exports will grow as the South African citrus industry is export-oriented. Indeed, the Citrus Growers' Association of Southern Africa (CGA) has estimated a 4% growth in citrus exports for 2022. The estimated volume of lemon exports is up by 4% to 32.3 million (15kg) cartons, compared to 2021. This is at the back of young trees beginning to bear fruits in some regions. However, a cooler summer might influence the size of the fruit and could affect the future predictions as the export season unfolds. The estimated volume of Navels and Valencia export is up by 5% to 28.7 million (15kg) cartons and 5.5% to 58.2 million (15kg) cartons respectively. However, the final number shipped could decrease depending on market conditions towards the end of the season, in particular narrowing market windows which could make it difficult to ship remaining volumes. The reduction in predictions in the Eastern Cape Midlands due to hailstorms is offset by good rains in Sundays River Valley for Navels, while the final volume of exports could decline for Valencias, depending on market conditions. The export volume for grapefruit is estimated at 14.8 million (15kg) cartons, with a lot of uncertainty arising from the Russian conflict with Ukraine (among others) as Russia is a major importer of the South African grapefruit. Furthermore, should fuel and shipping costs continue to escalate, fruit that is sent for processing and Class 2 grapefruit will not be exported which will also reduce the final export total. Key markets that offer major potential for expanded access and require particular attention during the coming season are the United States and India. This is the only way the growers will be able to offset increasing input costs that are squeezing their profit margins and for the industry to remain competitive, particularly considering local production expected to grow by another 300 000 tons over the next two years.

Key areas to unlock growth in Fruits and Vegetables

The South African citrus industry is export-oriented and therefore plays a critical role in export revenue generation and job creation in the South African economy. In 2021, the South African citrus industry contributed R30 billion in export revenue and is sustaining 120 000 jobs (CGA, 2022). However, apart from the normal weather events such as hailstorms, frost, rains, and temperature that affect the size of the fruit and the volume of exports from time to time in different regions, the industry faces further challenges. These include rising input costs due to fuel and fertilizer price hikes; increasing freight rates; ongoing operational challenges at the South African ports as well as the ongoing Russian invasion of Ukraine, among others. In addition, the European Union could impose stronger rules on orange imports from Sub-Saharan Africa, which require the region to subject the fruit to cold treatment at a temperature of 0 degrees Celsius to -1 degrees Celsius for at least 16 days to prevent the entry of false codling moth. Hence, the industry is calling for the government and other stakeholders to continue supporting the industry and work together to improve local operational capacity and efficiency, while also striving to secure new market opportunities as well as maintaining and retaining the existing ones.

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Livestock and Animal products

Global Perspectives

Meat companies are facing difficulties shipping products through the Port of Shanghai. This further highlights the effects of the COVID-19 lockdown in the Chinese city. Strict lockdown measures after a COVID-19 outbreak began in March, affecting 25 million Shanghai residents, hampering businesses and the circulation of goods. After the lockdown was imposed, containers of frozen food began pulling up at the port, with inspections for incoming meat halted. Shanghai is the main point of entry for Brazilian meat imports to mainland China, which is Brazil's top trade partner. Last week, it was reported at least one shipping line operator had stopped sending Brazilian meat to Shanghai, instead offering clients the alternative of sending cargo to Xingang and Ningbo. Severe outbreaks of bird flu in the United States and France are tightening global egg supplies and raising prices for the food staple as the war in Ukraine disrupts shipments to Europe and the Middle East. These challenges by COVID lockdowns and Russia-Ukraine war coupled with bird flu outbreaks are affecting international movement and supply of goods specifically meat and dairy products, and the consumer is however the one being impacted by these raising prices.

Global production of animal products and meat is expected to remain stagnant in 2022 at 100.1 million tons as gains by major producers generally offset declines in Ukraine and China. For most countries, higher feed prices are expected to stymie expansion despite forecasted economic recovery sustaining modest demand growth. As the leading world exporter, Brazil will increase production substantially to backfill global demand vacated as Ukraine meat exports cease. Similarly, expansion in Turkish production will be fueled by regional demand. Russia production will grow on increased availability of feed grains, but product will be directed to the domestic market. China production is forecast lower as pork production continues to rebound and yellow feather broiler production declines due to consumers shifting to online and modern retail channels.

Domestic and Regional Perspectives

In South Africa there has been huge increases in the price of chicken due to several factors such as transport and fuel price increases, inflation, food and commodity shortages, global conflicts and increases of in feed prices. This has once again opened the long-standing debate on tariffs on imported chicken products and the impact these tariffs have, if any, on the local price of chicken products. SAPA believes that import tariffs are not only necessary but crucial to protect the local poultry industry from predatory dumping practices which in the long-term lead to job losses within South African poultry industry. Therefore, SAPA have rejected calls from stakeholders for suspension of tariffs on chicken imports. The price of maize and soya feed has increased by almost 20% since April 2021. This increase is mainly responsible for the increase of chicken products in-store. Other factors such as the ongoing conflict in Ukraine, which are unable to export maize and soya also contributes to increases in price as our prices are based on world market prices. Figure 2 depicts the flow of South African chicken trade since March 2021 to February 2022. It can be observed that the chicken imports into South African has been decline and this is as a result of the imposed import tariffs

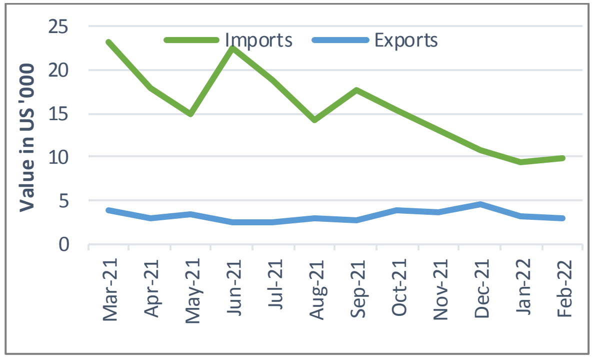

Figure 2: South Africa's chicken trade
Source: Trade Map (2022)

Key areas to unlock growth in livestock and animal products

KwaZulu-Natal has recently been affected by floods and the impact has costed the sector approximately 12,6 million. The floods have also affected food distribution from coast to inland, resulting in the lack of supply of certain agricultural products.

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Source of information

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