



NAMC

Promoting market access for South African agriculture

Market Intelligence Report

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Grains and Oilseeds



By Ricardo Smith¹

Global Perspectives

The 2022/23 global maize production is estimated at 1.15 billion tons, down by 6 percent from the 2021/22 season. This could be attributed to an expected smaller crop in the United States of America (USA), Ukraine, and the European Union (EU). Brazil has commenced with the harvesting, while the USA has commenced planting for the new season crop. The 2023 maize planting in the US was at 3% of total crop to be planted for the season as of 9 April 2023 (Tridge, 2023). Crop conditions in the Southern Hemisphere varies with parts of Brazil experiencing favourable conditions, but Argentina is experiencing hot and dry conditions (USDA, 2023a). Global trade in 2022/23 is projected to be down by 3 percent in the current season as compared to 2021/22 season (AMIS, 2023).

There are also changes in terms of bilateral trade between USA and China. According to the USDA (2023b), about 233 000 tons of maize exports from the US to China were cancelled in April. Brazil is expected to bring large volumes of maize to the global market, which could prove to be a competition for the USA, especially for the Chinese market. Since the end of March, maize prices on the Brazilian market have dropped steeply, due to expectations of a record harvest in Brazil (CEPEA, 2023).

Recently, the Black Sea Grain Initiative which allowed the safe Black Sea export of Ukrainian grain was renewed for at least 120 days. Since the first signing of the initiative in July 2022, Ukraine has exported about 25 million tonnes of grains and foodstuffs (UN, 2023). The grain deal is needed for both the Russian Federation and Ukraine, but also for the rest of the world.

Domestic and Regional Perspectives

There are two major maize-producing countries in Southern Africa, namely South Africa and Zambia. The South African maize crop appears to be heading for a record harvest for the fourth year in a row after overcoming a wet start to the season. The commercial maize crop is estimated at 15,880 million tonnes, up 2.65% from the previous season's crop of 15,470 million tonnes (CEC, 2023). Record yields are expected in Free State, Mpumalanga, and North West provinces. The production forecast of white maize is 8,344 million tons which represents a 1.92% increase more than 8,187 million tons of the previous forecast. In the case of yellow maize, the forecast is 7,535 million tons, which represents a 1.44% increase from 7,428 million tons of the previous forecast.

South African white maize has been in high demand throughout the 2022/23 season. According to SACOTA (2023), deep sea exports are estimated to be 800 000 tons to 7 different countries, namely Mexico (47%, Italy (23%), Honduras (9%), Portugal (7%), Korea (6%), Guatemala (5%), and Kenya (3%). An additional 550 000 tons of whole grain white maize are estimated to be exported across inland borders.

Maize production in Zambia is expected to reach 2.7 million tons in the 2022/23 marketing year, down 25.2 percent from 3.6 million tons in the previous season (Zambia Statistics Agency, 2023). This could be due to a decline in the cultivated area from 1.6 million hectares in the previous season to 1.5 million hectares. As a result, the Zambian government has expressed its intention to import mealie meal to address the shortages (Zambia Association for Manufacturers, 2023). Furthermore, the Minister of Finance and National Planning in Zambia has signed a statutory instrument (Statutory Instrument No. 10 of 2023) to provide for the suspension of duty on mealie meal.

Key areas to unlock growth in field crops

Records of grain and oilseed crops harvests create a surplus that needs to be exported. If the current trend continues, South Africa will need to increase the capacity for deep-sea exports. Table 1 shows that the port of Durban handles most of the grain. A number of factors are affecting the ability of South Africa to unlock growth potential in field crops. Amongst these factors, load shedding and inefficiencies in the port resulting from limited grain storage space limit South Africa's ability to export grain and oilseeds.

Table 1: Total maize exports per harbour

Harbour	Season (May / April)	
	2021/22	2022/23
East London	0	0
Durban	2 967 429	2 221 472
Cape Town	0	0
Port Elizabeth	0	0
Richards Bay	0	0
Total	2 967 429	2 221 472

Source: SAGIS, 2023

The cost and efficiency of bulk transport of agricultural commodities is key for any country to remain competitive in the export market. In South Africa, agricultural products are mainly produced inland and transport costs to export terminals are relatively high. Rail is much better suited for the transport of bulk goods and cost-effective compared to road transport. The revitalisation of the port of East London as an additional agricultural export terminal is crucial for the grain and oilseed sectors. Notably, maize production in the Eastern Cape is increasing. Therefore, East London Terminal could be ideal for exporting maize and soybeans, which are reaching record numbers in the Free State and North West provinces.

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Fruits and Vegetables



By Bhekani Zondo² & Mathilda Van De Walt³

Global Perspective

The focus of this section is on olives (table olives and olive oil). According to the International Olive Council (IOC, 2023a), global production of table olives was estimated at 2.66 million tons in the 2020/21 season showing a decline of approximately 10.1% from the 2019/20 season. However, during the 2021/22 season, the global production of table olives recovered and experienced a 7% increase to reach an estimated 2.85 million tons. This recovery in global table olives production is attributed to increases in the world’s major producers of table olives such as Spain, Egypt, Turkey, and Greece.

In terms of olive oil, the global production is estimated at 3.09 million tons during the 2021/22 season, showing an increase of 2.9% from 3.01 million tons observed in the 2020/21 crop season (IOC, 2023b). In terms of trade of olive oil and table olives, IOC (2023c) estimates that imports for the 2022/23 season will increase by 11.8% and 9.5%, respectively. This increase in olive oil imports is forecasted to be mainly driven by an uptick from the main importing countries such as Australia, Brazil, Canada, and China. In terms of imports of table olives, the increase is mainly driven by increases in imports from Australia, Brazil, Canada, and the United States of America (USA).

In the first few months of the 2022/23 season, Spain was the major exporter of olive oil with a share of 34% of world imports, followed by Tunisia with 19.2%, Italy (21%), Portugal (9.7%), Turkey (6.1%), Argentina (3.8%), Greece (1.9%), and Chile (1.4%) (IOC, 2023c). On the other hand, the leading exporters of table olives are Spain with a 25% share of global table olives import, followed by Argentina (13%), Morocco (11.8%), Greece (14.1%), Turkey (8.3%), Peru (10.6%), and Egypt (6.6%).

Domestic and Regional Perspective

In Sub-Saharan Africa, South Africa is the leading producer of olive oil, and ranks sixth in the African continent (SA Olive, 2022). Olive production thrives in areas that are characterized by mild wet winters as well as warm and dry summers. Hence,

approximately 95% of South Africa’s olives are produced in the Western Cape province (SA Olive, 2022; Agri-book, 2023). Over the past decade, South Africa’s area under production for olives has doubled in size to an estimated 3700 hectares (ha) dedicated to the production of both table olives and olive oil (Agri-book, 2023). In 2020, the area under olive oil cultivation was estimated at 2400 ha showing an increase of 70% from the 2012 level (Agri-book, 2023). South Africa produces an average of approximately 1.5-2 million litres of olive oil and imports about 5-6 million litres of olive oil per annum (SA Olive, 2022; Agri-book, 2023). In 2021, SA Olive (2023) reckons that the country produced an average of 1.7 million litres of olive oil and the same number of litres was forecasted for the 2022 season. According to Trade Map (2023), in 2022 South Africa exported fresh/chilled olives worth a value of R1.09 million (*see Table 1*). South Africa’s leading export destinations for fresh olives are Mozambique, Lesotho, Zambia, Namibia, and Eswatini.

Table 1: South Africa’s leading export destinations for fresh/chilled olives and olive oil.

Fresh/chilled Olives Exports		Olive oil Exports	
Importers	value in 2022 in R’000	Importers	value in 2022 in R’000
World	1 097	World	77 972
Mozambique	295	Namibia	15 493
Lesotho	262	Botswana	11 612
Zambia	147	Zambia	11 612
Namibia	82	Malawi	5 748
Eswatini	66	Eswatini	5 601

Source: Trade Map (2023)

In terms of olive oil, South Africa exported a value of R77.9 million in the previous year. The major export destinations for South Africa’s olive oil are Namibia, Botswana, Zambia, Malawi, and Eswatini.

Key areas to unlock growth in Fruits and Vegetables

The South African olives industry is still constrained by several factors which inhibit its growth potential both domestically and market penetration in international markets. According to a representative of SA Olive (V. Jooste, personal communication, 3 March 2023, among other challenges, the South African olives industry faces escalating input costs (mainly driven by labour costs, electricity, and fertilizer prices), electricity power cuts, exclusion of olive oil from Value Added Tax (VAT) zero-rated goods, and limited access to export markets. However, the industry reports that an application has been submitted to the National Treasury for the inclusion of olives oil under the VAT zero-rated goods. SA Olive further states that the industry is highly fragmented comprising many small-scale producers, and the industry is highly susceptible to unfair competition from cheap and subsidized olives oil imports. Other things remaining constant, if olives oil can be exempted from VAT similar to other essential food items, consumer prices can be suppressed and its demand elevated. This would mean that the local industry can also compete against other cheap olives substitutes and imports. The industry and other development partners still need to invest in the export promotion of domestic olives products and negotiate favourable trade measures to major export markets such as Australia, Brazil, Canada, and China.

In addition, the industry representative indicated that similar to other sectors, the olives industry is also prone to climate change threats such as the warm winter season which affects the growth of olives orchards. The industry also outlines that olives orchards take about five to seven years to reach full production potential and hence, it takes time for growers to realize their return on investments. Therefore, investment in climate-resilient and early-maturing varieties is essential. Lastly, SA Olives identify oleo-tourism and olive-based cosmetics as alternative niches that should be explored; however, the lack of funding has been noted as one of the main challenging factors that are stopping this venture. Therefore, government support towards investing in oleo-tourism and olives-based cosmetics is recommended.

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Livestock and Animal products

By Bhekani Zondo²

Global Perspectives

The global meat price index of the Food and Agriculture Organization of the United Nations (FAO) for March was estimated at an average of 112.0 points (FAO, 2023). This was largely underpinned by the global prices of beef and pork which experienced slight increases compared to those of chicken and sheep meat. According to FAO (2023), the observed increase in the global prices of beef is attributed to price increases in the United States of America (USA) where the supply of beef is forecasted to be constrained in the next upcoming months; while the pork price increases are supported by higher prices in Europe due to supply shortages and higher demand pre-Easter holidays.

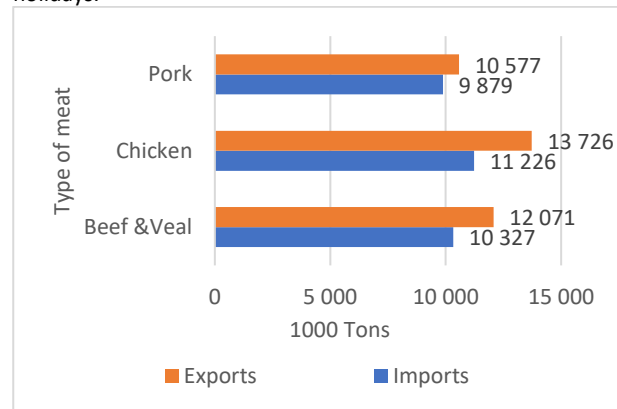


Figure 1: Estimates of the global meat trade for April 2023

Source: USDA (2023)

According to USDA (2023c) data as depicted in **Figure 1**, as of April 2023, the global beef imports are estimated at approximately 10.3 million tons while exports are predicted at 12.07 million tons. The leading destinations for beef and veal exports were China, Japan, South Korea, European Union, among others. The major exporters of beef were Brazil, India, Australia, and Argentina. In terms of the pork meat trade, imports and exports of pork were estimated at 9.8 million tons and 10.58 million tons respectively as of April 2023. In terms of the chicken meat trade, imports and exports of chicken meat are estimated at approximately 10.3 million tons and 13.7 million tons, respectively.

Domestic and Regional Perspectives

South African consumers continue to endure difficulties underpinned by continuous food price hikes. According to the monthly Food Basket of the National Agricultural Marketing Council (NAMC, 2023), South Africa's food inflation was estimated at 14% year-on-year (y/y). In addition, South Africa's Consumer Price Index (CPI) for March was estimated at 7.1% showing an increase of 0.1% from 7% in February. Despite the current pressures on consumer spending power, the Agricultural Market Trends (AMT, 2023) reckons that during the first week of April, the market for meat (beef, mutton, and chicken) experienced a better demand. As of the week of the 7th of April 2023, red meat (beef Class A2/3, mutton Class A2/3) prices and poultry meat prices experienced slight increases during this period. According to the weekly livestock report released by the AMT (2023) (*see Figure 2*), as of the week of the 7th of April, beef class A2/3 and mutton class A2/3 were both selling at R54.08 per kilogram (kg) and R83.72 per kg, both showing an increase of about 0.98% and 1.5% week-on-week (w/w), respectively. Conversely, prices for beef Class C2/3 and mutton Class C2/3 were selling at R47.46 per kg and R58.22 per kg, showing a decline of 0.4% and 0.5% w/w, respectively. On the other hand, prices of live weaners and feeder lambs were averaging at about R34.4 per kg and R40.04 per kg showing a decline from R34.7 per kg and R40.18 per kg in the previous week, respectively.

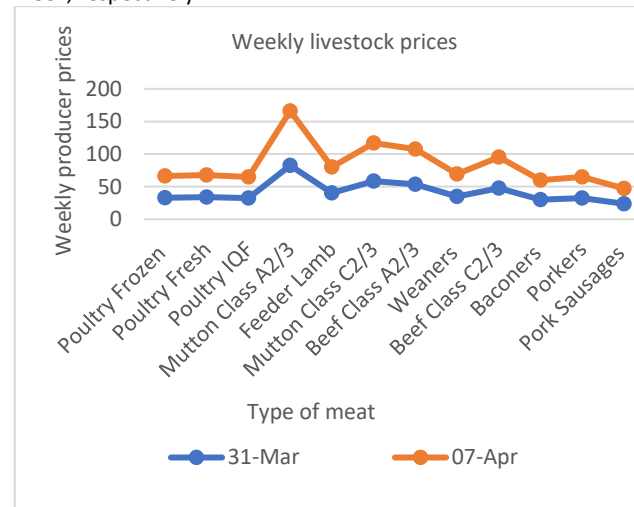


Figure 2: Livestock abattoir selling prices (R/kg)

Source: AMT (2023)

In terms of poultry meat prices, there was a slight increase during the week of the 7th of April. Poultry prices for frozen, fresh, and Individually Quick Frozen (IQF) chicken were selling at R33.29 per kg, R33.98 per kg, and R32.41 per kg, translated into decreases in prices of 0.2%, 0.1%, and 0.5% w/w, respectively. On the other hand, poultry meat prices decreased drastically during this period. As of the 7th of April, prices of baconers, porkers, and pork sausages were estimated at R29.61/kg, R32.18/kg, and R23.42/kg, respectively. These prices reflect a decline of 2.1% for baconers, while porkers and pork sausages prices declined by 1.6% and 1.5%, respectively.

Key areas to unlock growth in livestock and animal products

The South African livestock industry continues to bear several challenges such as feed price hikes, particularly lucerne, sunflower, maize, and soy meal. These serve as primary ingredients for livestock feed. As of the 7th of April, sunflower was trading at R8950 per ton showing an increase of 94% w/w, while maize was trading at R3980 per ton, lucerne grade 1 at R4100 per ton, and soy meal at R9964 per ton (AMT, 2023). Soymeal prices experienced a 92% w/w increase, followed by maize (95%), and lucerne grade 1 (100%), respectively during this period.

High feed prices restrict farmers' or producers' profit margins and translate into higher prices for the respective livestock products. Hence, the observed feed price hikes exert further strain on South African consumers who are already facing high food inflation. This may lead to lower demand for livestock and animal-related products in the upcoming months. Therefore, High feed prices and soaring consumer price inflation require urgent attention through the public-private sector collaborative efforts. Some possible solutions include increasing capacity in the production of the primary ingredients of animal feeds such as soy meal which is mostly imported. Increased local production has the potential to reduce prices for soy meal and reduce dependency on imports which are dependent on the global supply and demand factors.

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