NAMC

Promoting market access for South African agriculture

Market Intelligence Report

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Grains and Oilseeds

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Global Perspectives

Table 1 shows that global soybean production in 2023/24 is projected to reach a record 410.6 million tonnes, an 11 per cent increase as compared to 2022/23. This could be due to the expected recovery of production in Argentina and higher production in Brazil and the USA. The combination of higher production and weaker exchange rate in Brazil, makes its soybean highly competitive in the international markets (ASA, 2023). Brazilian soybean farmers have reduced the volume supplied in the spot market, expecting values to rise in the coming months. The Center for Advanced Studies on Applied Economics (CEPEA, 2023) suggests that production estimates for Brazilian 2022/23 soybean crop is at 154.1 million tons, which is 23% higher than that produced in the previous season.

Table 1: Global soybean production in 2022/23 and 2023/24

	2022/23	2023/24
Production	370.42	410.59
Exports	168.37	172.41
Crush	313.31	332.31
Domestic Consumption	364.87	386.49
Ending stocks	101.04	122.50

Source: USDA (2023a)

Soybean trade in 2022/23 is forecasted above last year due to record production and strong global demand. According to USDA (2023a), growth in import demand continues to be led by China. While import demand has plummeted in markets such as Bangladesh, Pakistan and Egypt, this is mostly offset by growth in markets including China and Argentina.

Another important global oilseed commodity is sunflower. Global sunflower seed production in 2023/24 is forecast to reach 54.3 million tonnes, a 6% increase from the previous season (USDA, 2023). The Black Sea Region plays an important role in the sunflower market. The Russia-Ukraine conflict and unpredictability of the grain corridor continues to be the primary challenges. The challenges included amongst others whether the Black Sea corridor will remain open to allow grain exports given that the conflict contributes. Russia remains the world's top producer of sunflower seed, having overtaken Ukraine in 2022/23 (Tridge, 2023a). Russia exports of sunflower seed oil are projected to rise to 4.1 million tonnes while sunflower seed meal exports are expected to increase by 150 000 tonnes to 2.4 million tonnes (USDA, 2023a).

Domestic and Regional Perspective

According to the Crop Estimates Committee (CEC,2023), the South African soybean crop for 2022/23 production season is estimated at a record 2.8 million tonnes, 24% more than the previous season. The improvement is due to an expansion of the area planted and expected higher yields. Total demand is estimated at 2.3 million tonnes. The abundant soybean harvest means that South Africa will be able to meet its domestic demand, with about 350 000 tonnes of soybeans still available for export markets (NAMC, 2023). The domestic soybean industry could also be boosted by a recently signed protocol on phytosanitary requirements for the export of soybeans from South Africa to China. Local consumption could be hampered by a lack of processing power due to load shedding and infrastructure constraints.

The forecast for sunflower seed production remains unchanged at 797 610 tonnes, down 6% from the previous season. According to BFAP (2023), domestic consumption has increased by 28% over the last decade and is projected to increase by a further 28% by 2030. Domestic consumption is projected to continue to outpace production. As a result, South Africa will continue to be a net importer of crude sunflower oil.

Key areas to unlock growth in Field crops

Over the years, rail transport has been a crucial element of the country's transport infrastructure. South Africa's 36 000 km rail network connects all major cities and towns in South Africa. Bloomberg (2023) reported that Transnet plans to reduce the freight rail network by at least 35%. Similarly, Freight News (2023) reported that the National Corridor Railway (NatCor) came to a halt due to the theft of power cables. Grain and oilseed exporters were the worst affected. As grain exporters rely on the road network, which is more expensive and has a lower loading capacity, they may be forced to pass on the price to consumers. Long-distance transport by rail is significantly cheaper than by road, but significant changes and investments would be needed for the industry to move back to rail.

Sunflower is the most important oilseed in South Africa, with almost the entire crop local being processed into sunflower oil. Approximately 99% of the sunflower processed in South Africa is oil and oilcake, while the rest is used as animal feed. The challenge is to balance the industry's need for higher oil and protein content with the producer's need for higher yields. Sunflower oil-type contains 38-50% oil and about 20% protein. Unlike countries such as the United States (US), where a premium is paid for each percentage point of oil content above 40%, there is no standard for premiums for higher oil yields in South Africa. The quality of sunflower seeds, especially the protein content, is important for oilseed crushers (Briedenhann, 2022). Therefore, high quality sunflower hybrids can increase sunflower production in South Africa.

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Fruits and Vegetables

By Bhekani Zondo[3] & Buhlebemvelo Dube[4]

Global Perspective

The global production of table grapes is forecasted to increase by 1.2 million tons to reach 27.4 million tons, which is almost a 7% increase year-on-year in 2022/23 (Carlos, 2023; USDA, 22a). This is mainly attributed to good growing conditions boosting output in China and Turkey, offsetting losses in Chile and India. According to USDA (2022a), China is expected to increase its production by 620,000 tons to 12.6 million underpinned by good growing conditions that improve yield and quality. Turkey is projected to increase its production by 20% to reach a record 2.2 million tons. Internationally, about 80% of table grapes are processed to wine/juice, 10% are consumed fresh, and the rest, around 6-10% are dried (Agency for Regulation of the Alcohol and Tobacco Market and Wine Development., 2023). There is also an expected increase in the demand for seedless varieties in most regions around the world for table grapes. Moreover, the European Union (EU) production of table grapes is forecasted to reach 1.4 million tons.

The world's largest exporter of table grapes, Chile, is expected to be challenged by Peru in 2022/23, 2023/24, as the country expands its markets to the EU. This is because of a decline in productivity in Chile. Chile's table grape exports to the global market are worth $1.7 billion, whereas Peru is around $1.3 billion (USDA, 2022a). Additionally, the United States of America (USA) remains the biggest importer of table grapes in the world and is expected to increase from 320 000 tons to 745 000 tons. The USA, Germany, and Netherlands, import approximately 32% of global imports making them the key players in the table grape market. Despite the forecasted increase in production, imports of table grapes are expected to ease slightly to 3.5 million tons on reduced demand from the EU and China (USDA, 2022a). On the other hand, exports are projected to increase by 149,000 tons to 3.8 million tons compared to earlier estimates.

Domestic and Regional Perspective

Compared to other deciduous fruits, table grapes are the second most cultivated fruit in South Africa accounting for about 28% of area planted for deciduous fruits after apples which accounts for about 38% of area planted (USDA, 2022b). However, the area planted under table grapes experienced a 1% decline in the 2021/22 season to reach an estimated 20 379 hectares (ha) compared to the previous season (SATI, 2022; USDA, 2022b). The area planted for table grapes is also forecasted to experience a further decline of 79 ha to reach an estimated 20 300 ha of area planted (USDA, 2022b). According to USDA (2022b), the reason for the reduction in the area planted under table grapes is the shortage of irrigation water. The industry suffered significant losses during the 2022/23 season underpinned by various unpredictable factors, such as unfavourable weather patterns. This led to several production regions experiencing a decline in crop harvest (SATI, 2022).

Table 2: **Produced inspected and passed for exports**

Produced inspected and passed for exports – In millions (equivalent to 4.5kg cartons)		
Production Region	**2022/23***	**% Diff**
Northern Provinces	5,62	-24%
Orange River	16,4	-26%
Olifants River	3	-14%
Berg River	17,9	-7%
Hex River	20,64	-15%
TOTAL	63,6	-18%

Source: SATI (2023)

Table 2 above depicts the total volumes of table grapes produced and passed for export in the 2022/23 season and the percentage difference compared to the previous season. The results shows that all the major table grapes growing regions will experience declines, with the Orange River and Northern Provinces regions experiencing a 26% and 24% decline respectively, in terms of table grapes produced and passed for exports in the current season compared to the 2021/22 season. Similarly, the Hex River, Olifants River, and Berg River shows an estimated decline of about 15%, 14%, and 7%, respectively.

According to the SATI (2023) about 63.5 million cartons (4.5kg equivalent) were inspected and passed for export by week 15 of the current export season compared to the previous season. This is equivalent to a decline of approximately 15% in terms of table grapes to be exported in the current season compared to the previous season. Despite the decline in South Africa's table grape exports in the 2022/23 season, South Africa remains the preferred supplier in its traditional markets, with about 55% of the country's crop exported to the EU and 20% to the United Kingdom (UK) (SATI, 2023). Additionally, table grapes exports to the Middle East also experienced a 13% growth rate (523 000 4,5kg equivalent cartons) compared to the previous season.

Key areas to unlock growth in Fruits and Vegetables

South Africa's table grape industry recorded a poor production and export performance in the current 2022/23 season compared to the 2021/22 season. This is mainly attributed to the decline in area under cultivation for table grapes, poor yields, and several other factors affecting the industry. The recent energy crisis in the country of the rolling electricity blackouts is also expected to exert further strain in the industry. The issue of electricity blackouts will exacerbate the impact of the shortage of irrigation water in the table grapes farming regions by distorting irrigation schedules. Therefore, the current energy crisis requires urgent attention and appropriate alternative electricity cogeneration options are necessary for farmers. Despite the growing competition that the domestic industry faces in international markets, the country continues to supply its major markets like the EU, UK, Canada, Middle East, and others. Improvements in infrastructure (road networks, and ports) are also highly recommended. Lastly, SATI (2023) suggests that market access remains a priority but South Africa currently has good market access and the focus must be directed towards maintaining these in good standing. The country currently has access to 16 of the top 20 import grape markets in the world, equating to 80% of market value & volumes.

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Livestock and Animal products

By Bhekani Zondo[2] & Naledi Radebe[5]

Global Perspectives

Figure 1 shows that the estimated production figures for beef, pork and chicken meat for April and January 2023 remained more or less unchanged. According to the recent data by the United States Department of Agriculture (USDA, 2023b) as depicted in Figure 1, shows a slight decline in beef production of about 0.01% between January and April 2023 (59.2 million tons estimated in January to 59.1 million tons in April 2023). The observed decline in global production can be attributed to decreases in production in countries like Mexico, Australia, and Russia. In terms of pork meat production, it remains virtually unchanged from the earlier (January 2023) estimate of 114 million tons. This is mainly attributed to larger production in the United States, Vietnam, Brazil, and China which offsets lower production in the European Union (EU), United Kingdom (UK), and Canada. On the other hand, chicken meat production experienced a slight adjustment of 0.04% from 102.9 million tons in January to 103.4 million Tons in April.

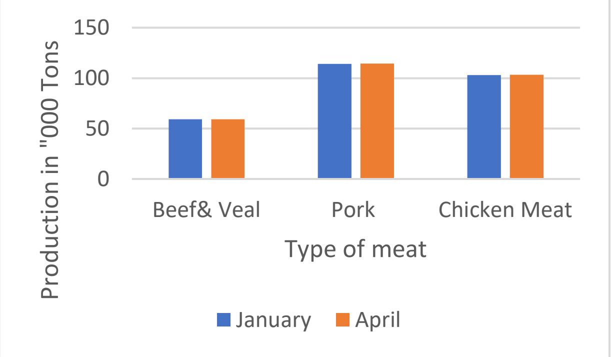

Figure 1: Estimates of global meat production in April 2023.
Source: USDA (2023b)

The livestock industry continues to face numerous challenges, mainly the outbreak of animal diseases. The poultry industry in particular has been plagued by the H5N1 Bird Flu (Avian Flu) with about 60 countries having reported bird flu infections since February 2022 (Tridge (2023b). The virus has been spreading in several countries all around the world in poultry farms and wild birds, including the United States of America (USA) which accounts for 17% of global poultry production. According to the World Organisation for Animal Health (WOAH) as cited by Tridge (2023b), the 2022-2023 outbreaks of avian flu has led to mortalities of about 200 million birds. Tridge (2023) reckons that the bird flu outbreak has contributed immensely to the soaring prices of eggs. In January 2023 egg prices experienced a major increase of 150% year-on-year (y/y) as a dozen of grade A eggs was trading at US$4.77 from US$1.93 in the previous year.

Domestic and Regional Perspectives

Similar to the global livestock industry, the South African livestock industry continues to struggle with the outbreaks of livestock diseases. According to the latest report by the Department of Agriculture Land Reform and Rural Development (DALRRD, 2023a) and Red Meat Producers Organization (RPO, 2023), there are currently 183 Foot and Mouth Disease (FMD) outbreaks in the previous FMD free zones. These outbreaks currently affects the following provinces: Limpopo, North West, Gauteng, Mpumalanga, the Free State and KwaZulu-Natal. In addition, similar to other countries South Africa has also reported cases of the Avian Flu outbreaks. According to the Directorate of Animal Heath and Diseases of DALRRD (2023b) as of the end of May 2023, there were five reported cases of Avian Flu outbreak in commercial poultry farms in the Western Cape province. According to the recent South African Poultry Association (SAPA) poultry bulletin (SAPA, 2023a), the reported outbreaks in the Western Cape has resulted in the loss of approximately 540 000 layers. DALRRD (2023b) reported that all affected farms have been quarantined and the movement of any live animals/birds and eggs prohibited.

The Avian flu outbreak has sparked an increase in safety concerns over the consumption of poultry related products such as eggs. However, DALRRD has assured the public that commercial poultry products (meat and eggs) are safe for human consumption. The issue of the bird flu outbreak comes at a time where the poultry industry faces increased input costs , such as electricity, animal feed, fuel, and the ongoing energy crisis. The Eskom 18% tariff increase in electricity prices came into effect in April 2023 and this adds further strain on domestic producers in terms of costs of production. SAPA (2023b) estimates that the variable cost (including feed, electricity, and fuel) of producing one egg has experienced an increase of approximately 80%. Furthermore, SAPA (2023b) suggests that these soaring costs and ongoing energy crisis negatively affects egg production and packaging, has forced many producers (mainly small producers) and some pack stations to exit the industry.

Key areas to unlock growth in livestock and animal products

Adhering to strict biosecurity control measures remains imperative in order to curb the widespread of animal diseases which negatively affects the industry. In terms of controlling the bird flu, SAPA (2023b) states that according to study that was conducted in Europe over a period of five years revealed that bird flu is spread mainly through human activities such as contaminated shoes, machines and bedding in poultry farms. Therefore, following strict biosecurity controls is essential. Several countries are also exploring the use of vaccines to control bird flu outbreaks as opposed to the culling and quarantine of affected flocks (Tridge, 2023). In terms of the energy crisis, the recently established energy fund by the DALRRD through the Land Bank presents a bit of hope for industry. The energy fund is aimed at aiding farmers to obtain alternative energy sources in the midst of the ongoing energy crisis.

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