



NAMMC

Promoting market access for South African agriculture

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Grains and Oilseeds



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Global Perspectives

The focus of this month's grains and oilseeds section is on maize. The global maize production for 2023/24 is expected to increase, driven by Ukraine's forecast which increased significantly from 22 million tons to 24.5 million tons (Tridge, 2023a). Global trade is estimated to increase slightly, with increased exports from Ukraine and the European Union (EU). The United States of America (USA) achieved a record-breaking maize production of 387.8 million tons. Global maize production for 2022/23 is forecast to increase as higher crops for Brazil, India, and South Africa more than offset reductions in Argentina and Mexico (USDA, 2023a). Global trade for 2022/23 is forecast to increase, with higher exports for Ukraine, the EU, more than offsetting the reduction in exports from Argentina and the United States (US).

The wheat production forecasts for 2023/24 indicate significant increases in crop sizes for India, Russia, the European Union (EU), and Ukraine, leading to increased global supplies (USDA, 2023a). This, in turn, is driving global trade as exports from Russia, the EU, India and Ukraine have been adjusted higher. Concurrently, import volumes are expected to rise due to increased demand from China. China's increased import needs can be attributed to the adverse impact of heavy rains in regions like Henan Province, prompting China to seek large quantities of wheat from the global market (Tridge, 2023b). Furthermore, global consumption is forecasted to increase, primarily driven by higher residual feed and residual use in China, Russia, and India.

The Black Sea Grain Initiative initiated in July 2022, facilitated by the United Nations and Turkish Government, aimed to establish a secure maritime humanitarian corridor. As of May 2023, the initiative had successfully facilitated the export of over 30 million tons of grain and other foodstuffs (European Council, 2023). However, there are concerns

regarding the potential withdrawal of Russia from the Black Sea Grain Initiative (United Nations, 2023). Such a withdrawal could have significant implications for Ukrainian grain exports, potentially leading to severe disruptions in the global supply chain.

Domestic and Regional Perspective

Harvesting for summer crop is underway across South Africa. The commercial maize crop for the 2022/23 season is estimated to reach 16,35 million tons, representing a 1,02% increase compared to the previous month's forecast. Furthermore, this estimated maize crop is 5,71% larger than the previous season's crop. The production forecast of white maize is 8,64 million tons while the production forecast for yellow maize is 7,71 million tons (CEC, 2023). The improved production outlook can be attributed to favourable weather conditions, specifically adequate rainfall in the maize growing regions. According to USDA (2023b), Zimbabwe's maize crop for 2023/24 is estimated at 1.5 million tons, a 5% increase from the 1.45 million tons produced in 22/23. However, this falls short of the annual maize requirement of 2.2 million tons, necessitating the importation of approximately 0.5 million tons to meet local demand. Zimbabwe experienced a dry spell in December, which had a negative impact on the maize crop. As a result, Zimbabwe will likely depend on South Africa for maize imports to meet their local demand.



Figure 1: South Africa's wheat production, consumption, and trade.

Source: SAGIS (2023)

South Africa will remain a net importer of wheat, as the country's domestic production does not meet domestic demand. According to the NAMC (2023), local commercial deliveries are estimated at 2,06 million tons whereas the total demand is estimated to be around 3,7 million tons. As a result, the country is expected to import approximately 1,6 million tons of wheat. As illustrated in Figure 1, South Africa's wheat imports show an upward trend since the early 2000s. This surge in imports could be attributed to an increase in consumption while there is a decrease in the area planted.

Key areas to unlock growth in field crops

To unlock growth in South Africa's maize and wheat production, there is a need to increase black farmer's share in the overall production. In her Budget Vote speech, Minister Didiza acknowledged that in South Africa, the lingering effects of apartheid and colonialism have resulted in disparities in resource allocation, infrastructure, and opportunities for growth within the agricultural sector. The rural areas of South Africa, which play a crucial role in the agricultural sector, suffer from a lack of infrastructure such as roads and storage facilities.

The agricultural sector relies on functional and efficient roads, water infrastructure, and reliable power supply. Currently, deteriorating roads, collapsing water infrastructure, and worsening power cuts are major barriers that hinder the sector's potential. Addressing these infrastructure challenges would enable farmers to operate more effectively and efficiently, leading to increased production and participation in the commercial value chains. Neglecting these remote and rural areas hampers agricultural performance, creates barriers of entry for new participants.

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Fruits and vegetables



By Bhekani Zondo³ and Phelelani Sibiya⁴

Global Perspective

The focus of this section of the fruits and vegetables as well as other related products is on wine. In 2020, the global area under wine vineyard production was estimated at about 7 331 000 hectares (ha), with Spain accounting for most of the vine's area planted (961 000 ha), followed by France (797 000 ha), and Italy (719 000 ha) (SAWIS, 2021). In terms of wine production, Italy is the leading producer followed by France, Spain, United States of America (USA), and Australia, among others. In 2022, Italy produced about 49.8 million hectoliters (Mhl) of wine, while France produced 45.6 mhl followed by Spain (35.7 Mhl), USA (22.4 Mhl), and Australia (12.7 Mhl), respectively (Statista, 2023). In terms of trade, the global wine trade reached record-high value coupled with sharp price increase in 2022. However due to logistics problems and weaker demand, the quantity of wine sold fell (Arthur, 2023). Global wine export stood at \$41.22 billion (\$, USA Dollar) as export price rose by 15% on average compared to 2021 (Reuters, 2023). Global consumption decreased by 1% to 232Mhl. France is the largest global wine exporter in value terms, but Italy exports more quantity of wine to the rest of the world. In 2022, France exported wine worth a value of \$12.9 million, followed by Italy (\$8.2 million); and Spain (\$3.1 million) (Trade Map, 2023). The three main wine consuming countries are USA, United Kingdom (UK), and Germany. In 2022, USA imported 34 Mhl of wine (\$7.6 million), while the UK and Germany imported about 25.3 Mhl (\$5 million) and 23 Mhl (\$2.8 million) of wine respectively (Trade Map, 2023). According to the International Organization of Wine and Vine (OIV, 2023), climate change and Russia-Ukraine war (together with associated energy crisis) had a negative effect on global production and sales on wine industry which was still recovering from the pandemic. High rates of inflation which is caused by consumer spending and global supply chain problems underpinned by increased production and distribution costs thus increasing wine prices severely impacted wine export in 2022 (OIV, 2023).

Domestic and Regional Perspective

Globally, South Africa is ranked eighth in terms of wine production and produces an average of 4.1% of the world wine (WoSA, 2023a). According to Statista (2023), South Africa produced about 10.2 Mhl of wine in 2022. The South African wine industry is also a major contributor to the country's economy (Gross Domestic Product (GDP)), with a contribution of about R55 billion (1.1%) in 2019 and currently provides employment to about 269 096 persons. South Africa has about 90 512 hectares of vine orchards under wine grapes production spanning over an area of approximately 800 kilometres in length (WoSA, 2023a). In addition, of the total area under wine grape production, white varieties constitute about 55.1% of wine plantings while red wine varieties account for about 44.9%. In terms of 2022 wine production, the South African Wine Information Services (SAWIS, 2022) reckons that about 1.38 million tons of grapes crushed showing a decline of about 5.5% and also about 1072 million litres (showing a decline of 5.4%) of wine were produced. VINPRO (2023) reckons that the main reason for the drop in wine grape crop is the decline in vineyard area attributed to uprooting of vineyards, disease outbreaks due to unpredicted rainfall before and/or during harvest time, as well as sporadic sunburn due to heat waves in some growing areas.

The South African wine industry is self-sufficient in terms of wine production. To support this, the industry exports over half of its wine produced. SAWIS (2022) estimates that about 51% of South Africa's wine is exported and remaining 41% consumed locally. According to Wines of South Africa (WoSA, 2023b), South Africa exported about 368.8 million litres of wine worth a value of R9.9 billion in 2022. However, South Africa's wine exports recorded a 2.4% decline from the R10.2 billion exported in 2021. The main reason for the decline in wine exports is mainly due to shipping delays from the major ports like Cape Town where adverse weather prevented ships from docking in April 2022 as well as the strike at the ports in October 2022. In terms of value, South Africa's total wine exports are focused on the following regions: the United Kingdom (UK) is the largest wine export market with a value of R2.4 billion, followed by Germany (R1 billion), Africa (R819

million), and USA (R798 million) (WoSA, 2023b). In addition, the value of South Africa's wine exports to the UK declined by 5%, while Germany and the USA declined by 17% and 10%, respectively over the past decade.

As of the end of April 2023, about 38.41 million litres of wine were sold in gross domestic sales compared to approximately 38.35 million litres sold in the same period last year (SAWIS, 2023). In terms of wine trade, South Africa's gross exports of wine increased significantly (22%) whereas imports experienced a notable decline (27%). According to SAWIS (2023), South Africa's gross wine exports were estimated at 26.8 million litres in April 2023 compared to 21.9 million litres in April 2022. On the other hand, South Africa's gross wine imports declined from 281 340 litres in April 2022 to about 205 100 litres in April 2023.

Key areas to unlock growth in Fruits and Vegetables

The wine industry remains susceptible to several external factors such as geopolitical crisis, diseases, and weather-related events (climate change), among others. There is a long-standing history that confirms that climate change is having an enormous and constant impact on the wine sector. In order to combat the climate change and disease related challenges, investment in more research and development of disease and climate change resistant cultivars of wine grapes remain highly essential. Resolving the logistical challenges particularly port inefficiencies (e.g., Cape Town Port) is highly recommended. Logistical challenges cause reputational damage and lack of confidence in being able to supply respective trading partners timeously (VINPRO-SAWIS, 2022). Another challenge which is faced by the South African wine industry is high tax and illicit trade. The industry estimates that it loses about R3.6 billion rands in taxes (excise & other) and illicit wine trade which have grown significantly in the recent years (VINPRO-SAWIS, 2022). Therefore, strengthening efforts towards enactment of legislation (such as asset for asset-forfeiture laws and criminal penalties) that deter illicit wine traders is essential.

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Livestock and Animal products

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Global Perspective

According to the recent Food Outlook Biannual report on global food markets produced by the Food and Agriculture Organization of the United Nations (FAO, 2023), global trade of meat and meat products is forecasted to increase by 0.6% from the 2022 level to reach approximately 42 million tons (carcass weight equivalent) in 2023. This is said to be underpinned by a rebound in demand for meat in the Chinese market after contracting in the past two years following the enactment of Covid-19 restrictions. Additionally, import demand for meat is forecasted to strengthen in countries such as Saudi Arabia, the European Union (EU), Iraq and Canada attributed to restricted domestic supply. Similarly, FAO (2023) also reckons that world production of meat will expand by 0.4% from the 2022 level and reach 364 million tons. This is largely attributed to increases in production in countries such as Brazil, China, Pakistan, Australia and Viet Nam, offsetting reduced supplies EU, the United Kingdom (UK) and Northern Ireland (United Kingdom), Argentina and Canada, among others.

The global milk production is forecast to continue increasing regardless of the decrease in milk production from the Southern hemisphere countries such as New Zealand and Australia which are key. This is because the EU and USA have accelerated the growth of their milk production which offsets the decrease in milk production from the latter countries (Milk Market Observatory, 2023). The 27 EU member States (EU27) are the global top exporters of milk, and they export almost 11478 thousand tons, followed by the USA and New Zealand, however, the milk collection in the main regions decreased by 0,5% influencing the global dairy exports to slightly decrease since 2021/22 by 2,2% (Milk Market Observatory, 2023)). Since the start of the year, the global dairy market has been fluctuating, however from March, there has been stability after the market had a free fall in the quarter four (Q4) of 2022, (Gronveld, 2023) suggest that the global dairy prices have showed a 3,2% gain since April and are forecast to be stable given the consumer confidence in dairy products. Asia is forecast to remain as the world's largest producer of milk and its growth may surpass the 419 million tons.

Domestic and Regional Perspective

Figure 2 below shows South Africa's poultry meat (HS 0207) imports for the period of 12 months spanning from April 2022 to April 2023.

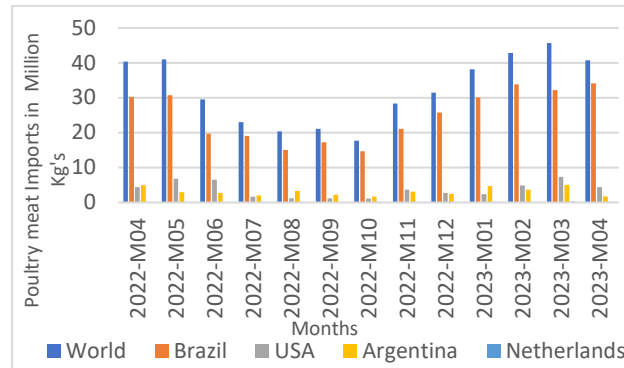


Figure 2: South Africa's Poultry meat (HS 0207) imports over between April 2022 and April 2023.

Source: Trade Map (2023)

Figure 2 below shows South Africa's poultry meat (HS 0207) imports for the period of 12 months spanning from April 2022 to April 2023. The main imports markets for poultry meat are Brazil, USA, Argentina, and Netherlands. Since April 2022, South Africa's imports of poultry meat has been on a decline until August 2022. During this period poultry imports from the world declined by approximately 49% from 40.23 million kilograms (Kg) in April to about 20.38 Kg in August. However, from September 2022 to April 2023 poultry imports experienced a drastic increase of about 93% from 21.08 million kg to 40.72 million kg. The main reason for this surge imports may be attributed to the decision by the South African government to suspend anti-dumping duties (ADDs) on five countries (including Brazil, among others) from August 2022 for the period of 12 months. Brazil is currently the leading exporter of poultry meat to South Africa (SA) with 34 million Kg exporter to SA in April 2023 showing a 127% increase from the 15 million Kg exported in August 2022 before the suspension of ADDs.

According to the recent agricultural trends report produced by ABSA Bank (ABSA, 2023) there is currently high levels of uncertainty and irregular price movements within the South

African livestock industry. Additionally, issues such as high interest rates as well as energy and food related costs also exerts further strain and instability in the industry. As of mid June 2023, demand for beef remained relatively suppressed further exerting pressure in the entire livestock industry. According to Agricultural Market Trends (AMT, 2023), weaner calf prices were trading at a low price of R30.47 per Kg. On the other hand, carcass price for Class A2/3 beef decreased to R50.98 per kg while C-grade remained at about R44.39 per kg. Similarly, prices for poultry meat and pork are expected to continue to show a downward trend in the near term. This is partly underpinned by the observed increase in imports of these commodities. According to the data from the International Trade Centre Trade Map (Trade Map, 2023), in the first four months of 2023 have experienced an increase of about 6% from 1.2 million Kg in January to 1.28 million kg imported in April.

Key areas to unlock growth in livestock and animal products

The observed surge in poultry imports into SA needs urgent attention. As we approach the end of the suspension period of the ADDs on poultry imports, the South African government should consider reinstating the ADDs on poultry imports to protect the domestic industry. A surge of imports has a potential to drive domestic producers out of business and discourage investment within the sector. The domestic poultry industry is already embattled with several issues such as the ongoing energy crisis, disease outbreaks (e.g., avian flu), high input costs, among others. Intervention measures in the beef industry should focus on local beef industry filling the market share gap resulting from the reduced supply in major producing countries such as the USA which supply markets such as China, and the Middle East. SA currently has bilateral agreements with these markets. Additionally, disease management remains key to unlocking growth within the livestock and animal products sectors.

⁵Economist Intern: Trade Research

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