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Grains and Oilseeds



By Naledi Radebe¹, Ndiadivha Tempia², & Thabile Nkunjana³

Global Perspective

International coarse grain prices dropped noticeably, falling by 3.4% between May and June 2023 (FAO, 2023). International maize prices fell for the fifth month in a row, owing primarily to increasing seasonal supplies from Argentina and Brazil's ongoing harvests. However, given recent changes in the Black Sea region due to Russia's withdrawal from the grain deal, there is a possibility that there might be supply shortages in the market, leading to increases in prices.

Figure 1 shows maize export prices from the main maize exporters globally. Following Russia's withdrawal from the grain deal, international export prices for maize rose for all major exporters from the 17 to 27 July, 2023. According to the International Grain Council (IGC), a tonne of maize from the United States (Gulf) increased by 6.2%, while Argentina (Up-river) increased by 11.2%. Brazil's maize prices increased by 0.9%, which could be ascribed to sufficient supply of maize entering the market.

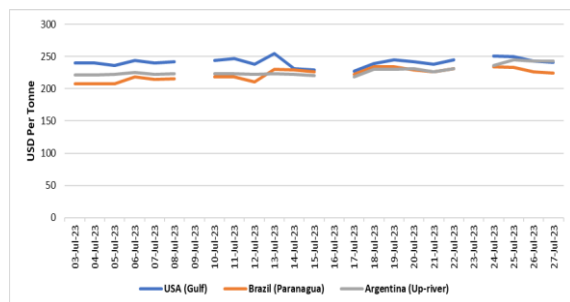


Figure 1: Global maize export prices in July 2023

Source: IGC (2023)

International wheat prices fell by 1.3% in June supported by harvests in Northern Hemisphere countries (FAO,

2023). There is also an abundance of wheat in Russia, which has continued to put downward pressure on wheat prices. However, price volatility has been created by the uncertainties surrounding Black Sea wheat and oilseed exporters. According to IGC data, after the news that Russia would not continue with the grain deal, the price of a tonne of wheat from the United States (no-2, hard red) rose from US\$336 on July 17 to US\$355 on July 27. For the same period, a tonne of Grade 1 from France increased from US\$256 to US\$275.

Domestic and Regional Perspective

Domestic grain prices typically track global price movements, based on a variety of factors both locally and globally. As seen in 2022, the issues arising from the Ukraine crisis have an indirect impact on local grain prices. Local prices have declined significantly from the levels reported in 2022, as observed globally. For example, a tonne of white maize, averaged R3 713 in June 2023, down 16.0% year on year, while a tonne of yellow maize and soybean averaged R3 786 and R7 830, respectively, down 15.3% and 12.2% for the same period (see Figure 2).

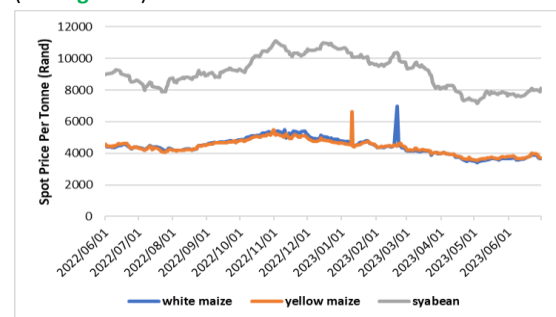


Figure 2: Domestic maize and soybean spot prices

Source: JSE-SAFEX (2023)

Due to favourable weather and the adoption of modern production techniques such as genetically modified seed, maize production is expected to reach 16.1 million tonnes for the third year in a row (CEC, 2023).

Key areas to unlock growth in Field crops.

South Africa has experienced an increase in oilseed plantings over the past 20 years, especially for soybean area. According to the United States Department of Agriculture's Foreign Agricultural Service (USDA, FAS) this growth trend in soybean plantings continuing in the 2023-24 marketing season. Soyabean production is projected to reach 2.8 million tonnes, a record for the country, while sunflower seed production is projected at 797 000 tonnes, down 6%, year-on-year (y/y). As a result of the increase in soyabean, South Africa will become a net exporter of soyabean with an estimated amount of 300 000 tonnes available for exports. With these developments, it will be key for South Africa to re-look its oilseeds processing sector due to continuing and unprecedented power outages, high utility costs, inflation, and rising interest rates. Growth outlook for South Africa is currently bleak. Gross Domestic Product (GDP) growth is projected to slow to 0.3% in 2023 before picking up to 1% in 2024 (OECD, 2023). Investment will become a much-needed driver of growth in processing as the energy crisis requires additional power generation capacity.

¹ Economist Intern: AAMP

² Senior Manager: MERC

³ Senior Economist: Trade Research

Fruits and Vegetables



By Thabile Nkunjana³, Phelelani Sibiya ⁴&
Nkosingiphile Duma⁵

Global Perspective

The focus of this section is on pome fruits. In several regions, the global apple market is facing considerable problems. The United States of America (USA) is one of the few apple-producing countries in the world with a positive outlook for 2023. According to United States Department of Agriculture (USDA, 2023), this is due to a record production in Michigan State. On the other hand, cyclone Gabrielle damaged numerous apple orchards in New Zealand, with an estimated millions of dollars in damages to the apple industry (USDA, 2023). Argentina experienced the lowest output levels in recent years in South America. As a result, apple exports are expected to be much lower in the 2023 season compared to previous years. South Africa, another key competitor in the global apple market, is expected to have a reduced harvest for exports due to hail damage in orchards, that resulted in decreased yields (HORTGRO, 2022).

Based on USDA figures for 2023, global apple output is forecasted down by 5.4% for the current season. Likewise, pear output is expected to fall by 740,000 tonnes (3.1%), while trade is expected to fall by 3% (USDA, 2023).

Domestic and Regional Perspective

The pome fruit marketing season in South Africa for 2023 is well underway. However, already alluded to, the shipments of apple and pear is likely to be lower this year due to hail damage in the orchards. Based on export inspections completed as of week 26, apple shipments for 2023 are expected to be 10% lower than in 2022, while

pears are expected to be 19% lower (HORTGRO, 2023). Ceres is one of the places that has been heavily damaged by hail, and export checks were down by 8% compared to the same period last year.

The price of a kilogram of apples in the first week of July 2023 was 32% higher year on year. The estimated limited supply from the primary producing areas in the country's western regions is likely to be the driver to this surge in apple prices. Hail hampered apple and pear production, resulting in lower yields and, as a result, lesser supplies for the domestic market and export quantities in 2023.

Based on data from the National Fresh Produce Market (NFPM), apple supply in May 2023 was 10.9% higher month on month (m/m), but prices increased marginally, with a tonne increasing by 0.1%. **Figure 1** shows South Africa's pome fruit exports from January to April of each year shown. Exports were lower between January and April 2023 when compared to the prior years for the same period, as it can be observed from the **figure 1**. This suggests that 2023 may have fewer apples and pears to export. This could have negative impact on the country's export revenues because these commodities are among the most exportable and have played a significant role in driving earnings over the years. Also, domestic prices are likely to be higher at retail level due to limited supplies during 2023.

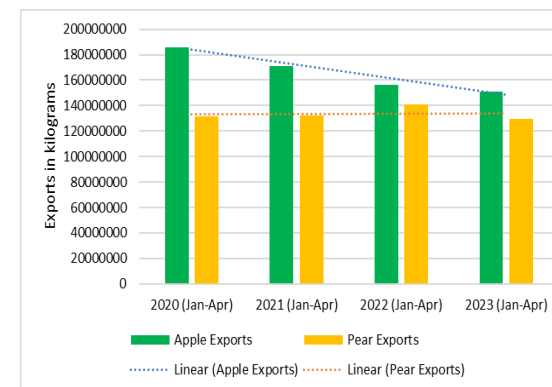


Figure 1: South African apples and pears exports
Source: Trade Map (2023)

Key areas to unlock growth in fruits and vegetables

Due to climate change concerns, South African fruit farmers will need to adopt more climate-resilient cultivars to deal with weather-related issues. This is crucial in increasing yields while also cushioning export earnings, job creation, and food security. When older, less climate resilient cultivars are phased out or produced in smaller numbers over time, the fruit sector will remain competitive in the global market in the medium to long term. New cultivars are currently being cultivated, which is beneficial to the sector, and this should continue at a rapid and broad scale.

⁴ Economist Intern: Smallholder Market Access

⁵ Economist Intern: Agribusiness

Livestock and Animal Products



By Bhekani Zondo ⁶& Buhlebemvelo Dube⁷

Global Perspective

This section concentrates on global trade and production of beef and pig meat. According to the Food and Agriculture Organization of the United Nations (FAO, 2023), global meat production is forecast to surge marginally to 364 million tons (carcass weight), an increase of about 0.4% from the previous year in 2022, with the global trade of meat forecast to also increase by 0.6% in 2023 (FAO, 2023). This growth is sparked by the lifting of COVID19 regulations in China, since China plays a major role in the global trade as one of the top exporter, importer, and producer of meat. By contrast, the global pork meat trade is set to slightly decline from 11.5 million tons (carcass weight) to 11.4 million tons (carcass weight) due to the continuous volatility of markets, rising food prices and consumer fears, thus offsetting the increase in pork production from other countries (FAO, 2023). The top exporters of pork meat in the world are Spain (17.6%), USA (16.1%), and Germany (11.2%) while the top importers are Japan (12.5%), China (11.3%), and Mexico with a global import share of 7.7% (Trade Map, 2023). On the other hand, FAO (2023) suggests that the global beef meat trade is forecast to increase by roughly 1.2% in 2023, from 12.6 million tons (carcass weight equivalent) in 2022 to almost 12.8 million tons (carcass weight equivalent) in 2023 regardless of the 0.2% forecast decrease in beef production. The primary beef exporters in the world are Brazil (29.2%), USA (15.5%), and Australia (12.5%) while the dominant beef importers are China

(45.5%), USA (8%), and Republic of Korea with a global import share of 7.6% (Trade Map, 2023).

Domestic and Regional Perspective

According to the recent data from the Trade Map database of the International Trade Centre, as of April 2023, South Africa exported about R18.8 billion worth of agricultural products. Of the total agricultural products exports red meat exports were valued at about R334 million, accounting for about 2% of the total exports of agricultural products. Additionally, red meat exports accounts for over 96% of all meat products exported by South Africa.

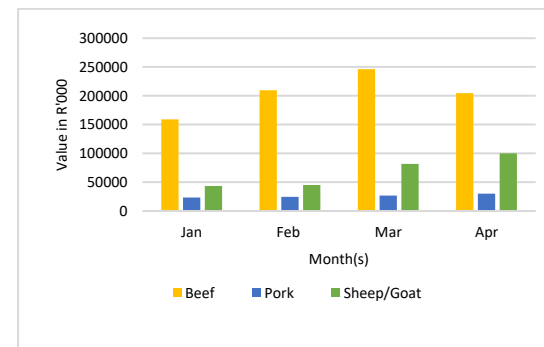


Figure 1: South Africa's red meat exports

Source: Trade Map (2023)

Figure 1 above shows the value of South Africa's exports of red meat for the first four months of 2023. The data shows that red meat exports have experienced a positive growth rate over this period under consideration. Exports of the combination of sheep and/or goat meat recorded the highest growth rate of 131% from a value of R43.2

million in January to R99.9 million in April. Whereas, the value of exports of pork and beef experienced a growth of 30% and 29%. The major markets for South Africa's beef exports are Kuwait, Jordan, United Arab Emirates (UAE), Qatar, and Mozambique, respectively. On the other hand, pork exports are mainly destined for Mozambique, Lesotho, Namibia, Zimbabwe, and Malawi. While the leading destinations for exports of sheep/goat meat are Qatar, Kuwait, UAE, Ethiopia, and Jordan.

Key areas to unlock growth in livestock and animal products

South Africa's red meat export are mainly destined for countries in the Middle East and African regions. Despite the observed increase in red meat exports, they still account for a minimal share of South Africa's total agricultural exports. Additionally, South Africa is still an insignificant player within the global red meat trade space. Therefore, the industry together with other development partners needs to strategize and ensure the expansion of red meat production within the country and expand export footprint to other regions as well. Major players in the production and trade of beef such as the United States, Argentina, Canada, and the European Union (EU) are currently experiencing supply constraints; while import demand for meat is forecasted to increase in the current year (FAO, 2023). These are kinds of opportunities that the local red meat industry could also explore in the future.

⁶ Economist: Trade Research

⁷ Economist Intern: Trade Research

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For article contributions:
Email: bzondo@namc.co.za

For inquiries:
Email: ntempia@namc.co.za

Markets and Economic Research Centre
Tel: +27 (0) 12 341 1115
Website: www.namc.co.za

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