



NAMMC

Promoting market access for South African agriculture



Market Intelligence Report

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Grains and Oilseeds



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Global Perspective

The total global grain production is expected to increase month on month, primarily due to high US acreage, despite fears of drought in some areas (IGC, 2023). Global grain consumption remained unchanged at 2.306 metric ton as of July 2023. Grain prices continue to decline despite Russia pulling out of the grain deal. However, there is still a threat of price increase in the near future as Moscow accounts for a greater share of global grain exports, especially wheat. As of the 5th August 2023, global wheat index measured by International Grains Council (IGC) was 21% lower year-on-year. Maize, barley, and soybean indices were 22%, 25% and 13% lower, respectively.

Figure 1 shows global wheat export prices from the leading exporters. Wheat prices started to increase quickly after Russia announced its withdrawal from the black sea grain deal in July 2023, reaching highest price of \$375 per ton. Prices declined to the levels before Russia's withdrawal and even lower than that due to increase in seasonal supply and harvests.

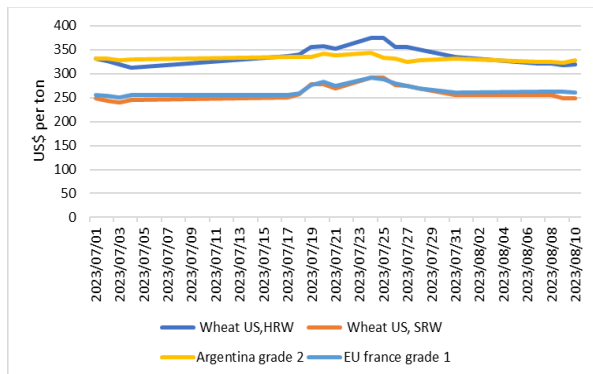


Figure 1: Global wheat export prices in July & August 2023
Source: IGC (2023)

Maize prices followed a similar trend of wheat, with price increases for all major producers followed by a decline after the 24th of July.

Domestic and Regional Perspective

Local grains and oil seeds are moving closely in tandem with the global prices. Figure 2 shows prices for maize and wheat for July 2023. A ton of white maize averaged R3 619 in July 2023, and was 2.5% lower month-on-month, while a ton of yellow maize averaged R3 656, down 3.4% when compared to the previous month. On an annual basis, a spot price for a ton of yellow maize was 13.8% lower while a ton of white maize was 16.1% lower. The ample global and domestic maize stocks are likely to keep prices lower in the medium term unless a sudden shock in the market occurs.

In July 2023, a ton of wheat (spot price) from South Africa averaged R6 728, slightly up by 1.3% month-on-month, but 10.2% lower year-on-year. The upside risk for wheat remains to be Black Sea region issues as the war between Russia and Ukraine continues. Subsequently, wheat prices and hence wheat products prices are likely to remain volatile at least until the conflict in Ukraine stops.

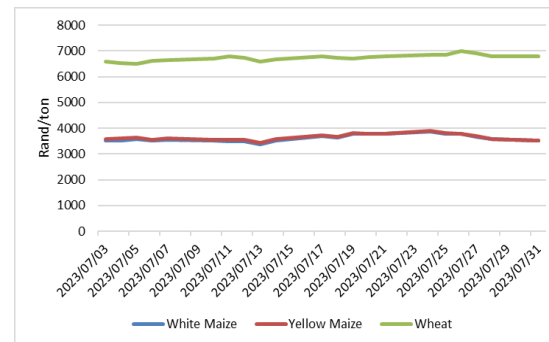


Figure 2: Local maize and wheat spot prices in July 2023
Source: JSE (2023)

Sunflower seed production estimates point to slightly lower volumes when compared to the previous season.

The 2022/23 season sunflower seed production is projected at 743 610 tons. The reduction in sunflower seed production could be attributed to reduced planted area and lower yields in some parts of the country.

Key areas to unlock growth in field crops.

South Africa's maize production is robust, with good yields and high harvest volumes in recent seasons. The same trend is expected for the 2023/24 season. As a result, South Africa remains a net exporter, with at least 3 million tonnes projected to be exported in the 2023/24 season. Asia continues to be one of major destination for South African maize exports, while Mexico and the Southern African Development Community (SADC) area dominate white maize exports. In general, South Africa's maize export market is supporting the increase in maize production, which could be attributed to increased demand. While this is helpful for the grain industry, more assistance is needed for new farmers. New farmers would stimulate industry expansion to supply both the domestic and foreign markets. At the current level of demand both domestically and globally, a few tons of maize introduced to the local commercial market is unlikely to lower prices because of oversupply.

Fruits and Vegetables



By Bhekani Zondo and Buhlebemvelo Dube

Global Perspective

This section focuses on oranges and lemons. Global orange production is projected to experience a 5% decline to 47.8 million tons, concurrently with a decrease of lemon production by 11% to 9.1 million tons, due to the overall global decline in citrus fruit categories (USDA, 2023). This is underpinned by unfavourable weather conditions, rising input costs, and the continuous decrease in citrus consumption since the peak demand sparked by the COVID-19 pandemic due to consumer demands for Vitamin C found in most citrus fruits believed to boost immune system. Oranges account for almost 50% of global citrus with 20% being sold as whole fruits and 80% as juice and extracts (Fresh Plaza, 2023). Spain (26.1%), South Africa (16.3%), and Egypt (13.6%) are the top three global orange exporters (Trade Map, 2023). France (7.9%), Germany (7.8%), and the Netherlands (7.2%) are the main importers.

Regardless of Spain being the top exporter and producer in the European Union (EU), it faces a continuous decline in volumes for oranges due to an unprecedented spell of dry and warm weather (USDA, 2023). This presents new opportunity for South Africa and Egypt to access the EU orange markets. However, the stringent sanitary and phytosanitary (SPS) regulations are still a stumbling block for South African oranges.

Lemons account for almost 17% of the world's citrus markets, with Spain (22.1%), Mexico (21.2%), and South Africa (9.4%) dominating global exports, while the United States of America (USA) dominates global imports of lemons with a market share of 23.6%, followed by Germany (9.2%), and Netherlands 7.7% (Trade Map, 2023). However, the USA has experienced a slow demand in the 2022/23 season due to lower production, these are offset by an estimated increase of almost 30% in imports (USDA, 2023).

Domestic and Regional Perspective

The South African citrus industry, like many agricultural industries in the country, is export-oriented. In 2022, citrus exports accounted for about 36% of citrus produced, followed by (25%), and local consumption (6%) (CGA, 2023b). The industry is still facing stalemate with the EU phytosanitary regulations that have caused South African citrus a major setback for the 2023. However, there are ongoing negotiations between the South African government and the EU and the dispute between the two parties is already with the World Trade Organization (WTO) (CGA, 2023c). **Table 1** below shows the total of oranges (Navels and Valencia) and lemons that have been inspected, packed, and shipped for exports during the 31st week (1st week of August 2023) of the 2022/23 season.

Table 1: Exports of oranges and lemons as of week 31 of the 2022/23 season.

End of Week 31	Packed 2023 (Million 15 Kg Cartons)	Shipped 2023 (Million 15 Kg Cartons)	Original estimate (Million 15 Kg Cartons)
Lemons	33.1	31.7	37.3
Navels	21.3	17.7	25.3
Valencia	21.9	14.6	54.5
Total	76.9	64	117.1

Source: CGA (2023a)

As of the end of week 31, about 31.7 million cartons of lemons were shipped for export, while about 32.3 million cartons of oranges were exported. The shipped lemons and oranges are 15% and 59.5% lower than the original estimates, respectively. This is mainly attributed to early spring heatwaves and summer hails that destroyed several volumes of the citrus crop and led to revisions in the export estimates (CGA, 2023a). Despite the current stringent non-tariff measures in the EU, this market still accounts for most of the country's citrus exports. The recent data from the Perishable Products Export Control

Board (PPECB, 2023) shows that, as the citrus export season is underway, about 15.19 million cartons (31.91%) of citrus fruits (all categories) have been shipped to the EU while Middle East accounted for 21.42%, followed by United Kingdom (10.57%), Russia (9.93%), North America (8.32%), Asia (8.18%), and South East-Asia (7.11%).

Key areas to unlock growth in fruits and vegetables

Given the current market requirements that the South Africa citrus industry faces in the EU, increasing its export footprint in other markets is highly recommended. The current regulations have the potential to erode the profitability of local farmers and may ultimately discourage further investments in the sector. Whereas export market diversification is essential, other markets are not big enough to substitute the EU market. Hence, the government and other industry role players should continue to navigate better grounds regarding the new SPS regulations in this market.

Livestock and Animal Products



By Naledi Radebe and Thabile Nkunjana

Global Perspective

The focus in this section is global production and trade for poultry. Global poultry production is expected to fluctuate somewhat in 2023. Based on recent data, broiler production is estimated to increase in the 2nd quarter of 2023 (USDA, 2023a). From the top 5 global poultry producers, Brazil is the second leading country in poultry production but farmers' profits have been eroded by high input costs and disease outbreaks (USDA, 2023b). Brazil's poultry meat exports are estimated to be 2% higher reaching 4.8 million tons due to shipments to Asia. Brazil's exports are likely to increase as opposed to its major competitors due to free status from highly pathogenic avian influenza in commercial operations as of July 12 (USDA, 2023b).

According to USDA (2023) data broiler prices are expected to fall in 2023. **Figure 3** below illustrates data for global poultry meat prices between June and July 2023. USA poultry meat prices in June averaged US\$1 288, while in July they averaged US\$1 277, which shows a negative growth rate of 1% (USDA,2023). In Brazil, the poultry meat prices in June averaged US\$1 949, while in July they averaged US\$1 933, which also shows a negative growth rate of approximately 1% (USDA, 2023a). This slight decrease in poultry prices could be due to increased supplies from leading exporters, despite the persistent impacts of the avian influenza outbreaks globally (FAO, 2023).

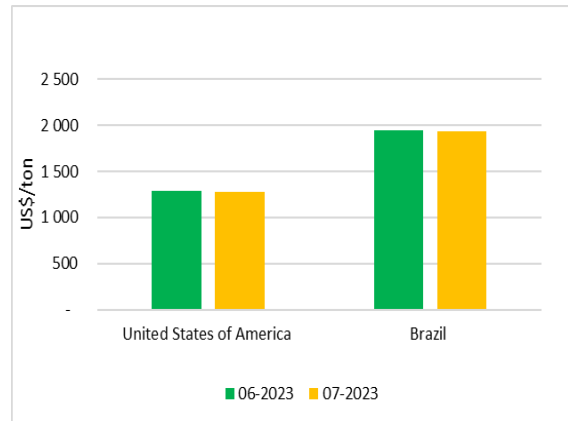


Figure 3: Global poultry meat prices
Source: USDA (2023)

Domestic and Regional Perspective

Looking at the domestic poultry producer prices in July 2023, there was a slight decline after a noticeable increase in June 2023 as the world poultry market responded to Avian Influenza outbreak in Brazil. **Figure 4** depicts poultry producer prices for domestic prices from January 2023 to July 6th 2023. Producer prices for frozen chicken, fresh chicken and individual quick frozen (IQF) averaged R34.27, R34.17 and R32.44, respectively, as of the 6th July 2023. As a result, producer prices for frozen chicken, fresh chicken and IQF were 1.2%, 0.7% and 1.0% lower, respectively, when compared to the previous month (June 2023).

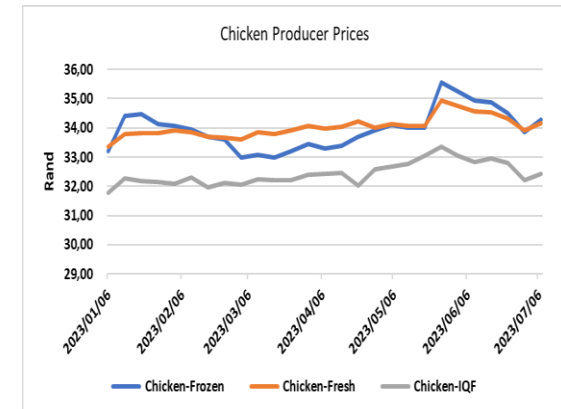


Figure 4: Domestic Poultry Producer Prices
Source: AMT (2023)

Key areas to unlock growth in livestock and animal products

In addition to continued electricity blackouts throughout the country, the livestock industry has been negatively impacted by higher producer prices underpinned by high feed costs, despite a substantial decrease from the record high reported in March 2022. The record of 2.8 million tons of soybean production estimated for 2023 bodes well with the livestock industry, which remains under pressure from high input costs. Considering the rise in soybean production, more investments will be key to increase the processing of soybean, which will greatly support the livestock industry production at large.

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