NAMC
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Market Intelligence Report

September 2023

Grains and Oilseeds

By Naledi Radebe & Onele Tshitiza

Global Perspective

This section focuses on global soybean and sunflower seed trade and production. The 2023/24 global soybean production is forecast at 402.79 million metric tons, compared to 369.74 million tons in 2022/23 (USDA, 2023a). The global area planted for soybean for season 2022/23 is estimated to be 136.54 million hectares which equates to an increase of 5.32 million hectares from the previous season (USDA, 2023b). Brazil, being the largest producer, is estimated to produce 156 million metric tons of soybeans in the 2022/23 marketing year, which represents an increase of 19% compared to the previous season and will export 94 000 tonnes (USDA,2023a). Uruguay's soybean production for marketing year 2022/23 is estimated at 700 000 metric tons, a decline of 78% from the previous season due to drought caused by La Niña (USDA, 223b). China is anticipated to increase soybean imports to a record 100 million tonnes in 2022/23 (Sept-Oct), while continuing to be the world's largest soybean consumer in 2023/24, with imports of 99 million tonnes (USDA, 2023a). Brazil is expected to be China's supplier (USDA,2023a). The global production of soybean meal is projected at 244.84 million tonnes and 258.656 million tonnes in 2022/23 and 2023/24, respectively. The largest suppliers of soybean meal are China and the United States of America, producing 72,864 million tonnes and 47,685 million tonnes, correspondingly.

The global production of sunflower seed is estimated to reach 52.44 million tonnes in 2022/23 compared to 57.01 million tonnes in 2021/22 (USDA, 2023a). The decline was due to reduced production in Ukraine and the European Union. Exports of sunflower seed will reach 4.67 million tonnes, a 19% increase from 2021/22, due to higher demand. Ukraine and Russia remain the largest producers of sunflower seed and with the Black Sea grain deal halted, this could affect the global availability of sunflower seed oil, as well as its prices in the coming months. Ukraine is the largest exporter of sunflower seed, however the estimate for its exports for the 2023/24 marketing year has dropped from 2.025 million tonnes to 800 000 tonnes.

Domestic and Regional Perspective

South Africa's production of soybean is expected to increase to a record 2.755 million metric tonnes in the 2022/23 season, an increase of 23.6% compared to the 2021/22 season (DALRRD, 2023a). The production is supported by the increase of 24.1% in the area planted amounting to 1.148 hectares to be planted in 2022/23 compared to the 2021/22 season. The increase in production of soybean has also been supported by the local oilcake crushing capacity, however the country is almost reaching its capacity, which might not be able to meet the local production. There is therefore a need for further investment in processing. Exports are estimated to reach 380 000 metric tons, notably demanded by the South East Asian countries such as Malaysia, Vietnam, and Thailand.

Table 1: South Africa soybean production and area planted estimate.

	2021/22	2022/23 Estimate	% Difference
Production (Metric tons)	2 230 000	2 755 300	+23.6
Area planted (Hectares)	925 300	1 148 300	+24.1

Source: DALRRD (2023a)

Sunflower seed production in South Africa on the other end will decline to 743 610 metric tons in 2022/23 compared to 845 550 metric tons produced in 2021/22. The area planted for sunflower seed decreased from 670 700 hectares in 2021/22 to 555 700 hectares in 2022/23. The decrease in the production estimated was also due to dry weather in North West. Crushing of oil and oilcake is estimated at 745 000 metric tons for 2022/23, compared to 807 544 metric tons in 2021/22. The industry has recently experienced a closure in one of its sunflower processing plants, Epko (de Villers, 2023), which could affect the supply of sunflower oil and in turn the price of sunflower oil. The closure was due to power outages as it was costly to maintain production using diesel.

Key areas to unlock growth in Field crops

The production of soybeans has grown significantly in recent years, supported by the crushing capacity in the country. However, the country is reaching its crushing capacity and more investment will be required to turn around the increased production. Further investment is already being made by crushing plants in order to unlock soybean oilcake potential in the country. The country has also been riddled by power cuts that may delay the investment on processing plants. The cost of running processing plants with diesel has been particularly costly for processors and some have had to close shops/ enterprises as these costs reduce their profits.

Due to the low capacity to process sunflower seed into oil, the country may experience low supply which could result in higher prices of sunflower seed oil for consumers. Sunflower seed oil is an important food item for households, and the continual increase in food prices could further threaten food security and erosion of income at the household level. In order to increase the supply of sunflower seed oil, it will become important for the country to address the energy crisis expeditiously.

Fruits and Vegetables

By Buhlebemvelo Dube, Nkosingiphile Duma & Bhekani Zondo

Global Perspective

Over the past decade, the global production of avocados has expanded by 7% to about 8.4 million metric tons in 2022 (Fresh Fruit Portal, 2023). This growth is mainly driven by attractive prices and returns. Mexico is the leading global producer of avocados, accounting for 30% of global avocado output, followed by Colombia (12%), Peru (9%), and Kenya (6%) (Tridge, 2023). Additionally, over the past decade, Colombia experienced the highest growth rate of 15% in the production of avocados, while production in Peru increased by 12%, followed by an increase of 11% and 6% in Kenya and Mexico, respectively. The United States of America (USA) which was among the top producers of avocado in 2012, lost its spot as a major producer of avocados, to being the largest destination for avocado imports. Mexico confirmed its place as the largest exporter of avocados in 2022 when their avocado exports exceeded 1 million tons (Tridge, 2023).

Peru has exported 467 359 tons of avocados, worth US$ 835 million in the 2023 season, which is 39% and 57% more in volume and in value respectively, compared to the same period last season (EUROFRUIT, 2023). This resulted in Peru increasing their exports of avocado to Chile by 91% in volume and 62% in value, while increasing by 86% in volume to Spain. This was despite the havoc from El Niño which resulted in excessive rainfall and the spread of pests that negatively affected production of different agricultural products.

West Australia has gained back market access to export Hass avocado to Thailand. This follows signing the gazette notice for import on 11 May 2023 between Thailand and West Australia (EUROFRUIT, 2023). Once the gazette notice is published on the royal gazette and verification is conducted successfully by Thailand, avocados from West Australia can be imported into Thailand. This is good news for the West Australian avocado industry after Thailand introduced new cold treatment protocol that put halt on avocado exports from Australia in 2013. According to EUROFRUIT (2023), the Thailand market is estimated to be worth US$ 10 million for West Australian avocado growers by 2026. The rising global demand for avocados due to rising health concerns and increased availability is anticipated to drive the avocado market in the coming years. Predictions show that avocado trade would continue to rise over the years, however, the market will be more competitive, forcing market players to not only be efficient but also be sustainable (Fresh Fruit Portal, 2023).

Domestic and Regional Perspective

The South African avocado industry is expanding rapidly with approximately 800ha new plantings annually (SAAGA, 2023). Major production areas are in Limpopo, which has 10 168 hectares (ha) planted (54%), Mpumalanga has 4 075 ha (22%), KwaZulu-Natal with 3 625 ha (18%), Western Cape with 1 013 ha (5%), and the Eastern Cape at 210 ha (1%) (SAAGA, 2023). An increase in productivity will improve the performance of the industry, not only with export volumes but also in ensuring competitive prices domestically. Avocado harvesting is seasonal (March – September), whereby higher volumes subdue seasonal demands and flood local markets. During off-seasons which are between October-February, prices spike due to lower supply, hence the need arises to import avocados to fill the market gap as domestic demand continues to increase. In 2022, South Africa imported about 4 671 tons of avocado compared to 4 222 tons in 2021. The leading suppliers of South Africa's avocado imports are mainly Zimbabwe, Mozambique, Tanzania, and Eswatini, respectively.

South Africa is a net exporter of avocados. This is supported by the increasing rapid expansion of local production that has been observed over the years. The European Union (EU) is the major export destination for South Africa's avocado exports. In the 2021/22 marketing year, the EU accounted for about 81.79% of avocado exports (equivalent to about 10.62 million cartons) from South Africa, followed by United Kingdom (UK) (14.18%) (PPECB, 2023). For 2022/23, about 9.25 million cartons (83.28%) were shipped to the EU, while about 11.12% went to the UK, and 1.43% to the Middle East (PPECB, 2023).

Key areas to unlock growth in fruits and vegetables

Over the past years, the local industry has faced several challenges such as market access, constraints in large investments, as well as securing water rights since the industry is water intensive. Moreover, the industry also faces potential competition with Kenya which has better tropical climate. The good climatic conditions in Kenya supports good harvests and enables them to be competitive in prominent avocado export markets. However, the African Continental Free Trade Area (AfCFTA) agreement will boost the local avocado producers as new market access opportunities unveil in Africa. Fruits have a higher revealed comparative advantage and market penetration opportunities in the North African region and with reduced tariffs, the industry is forecast to gain a huge boost (Hoyi, Mazibuko, Ranoto, & Steenkamp, 2023). Moreover, the South Africa-China state visit during the BRICS (Brazil, Russia, India, China, South Africa) summit saw an opening of market access for South African avocados in China after phytosanitary measures were lifted and India being a potential export destination as well (DALRRD, 2023b; Produce Report, 2023).

Livestock and Animal Products

By Bigboy Singwana, Phelelani Sibiya, & Thabile Nkunjana

Global Perspective

This section focuses on poultry, and mutton. The total global meat production is forecasted to increase slightly by 0.4% from the 2022 level to about 364 million tonnes (FAO, 2023). Poultry industry is predicted to contribute significantly to the global expansion in meat production. Increased demand from the food services sector, as well as affordability, notwithstanding the avian influenza outbreak, primarily in the Americas (WHO, 2023), and feed price rises, are reasons driving this increase in global chicken production. Mutton is forecasted to increase by 0.5%. Production expansion of mutton is expected in Australia, China, Turkey, and the UK as production declines in the EU, mostly due to decline in flock sizes. In EU, production fell by 0.6% in 2022 and in 2023 it is expected to continue to fall by 1.2%. (AHDB, 2023). Conversely, bovine meat (beef) production is forecasted to experience a decline of 0.2% (FAO, 2023).

Global meat trade (both imports and exports) is forecasted to increase by 0.6% from 2022 trade levels which were 41.8 million tonnes (carcass weight equivalent), due to expected import increases especially in China following the end of COVID-19 restrictions. This expected increased demand from the food services is likely to be met by Brazil and Australia as a result of their high exportable supplies, disease free status and low prices. However, challenges like domestic supply, lower purchasing power in other importing countries could slightly reduce the foreseen increases. Global meat prices began to show a decline in July due to weakening import demand for bovine and ovine this is after they reached 2023 high in June.

Domestic and Regional Perspective

South Africa is facing one of the serious avian influenzas (AI) outbreaks in recent times, with at least 2.7 million chickens having been culled already. Fifty HPAI H7 and ten HPAI H5 outbreaks wreaked the poultry industry in at least five of the nine provinces across the country.

Both the Department of Agriculture, Land Reform and Rural Development (DALRRD) and the poultry industry have strongly urged that all poultry producers heighten their biosecurity measures. Government and the industry are contemplating other measures to deal with the outbreak, with vaccines being the most likely option to be pursued. Subsequent to the latest AI outbreaks, Namibia, one of the key markets for South Africa's annual exports of around 50 000 tonnes has since banned poultry imports from South Africa.

Fears of poultry shortages are being heightened whenever an outbreak is reported, given the rate of infections in recent times. This is causing concerns because poultry is the most consumed source of animal protein in South Africa, and with the festive season approaching, and demand for poultry tends to increase around this period. A kilogram of fresh chicken portions, a kilogram of chicken giblets, a 2 kilogram of IQF chicken are 12.6%, 9.2%, 8.7% higher, respectively year-on-year in August based on data from Statistics South Africa.

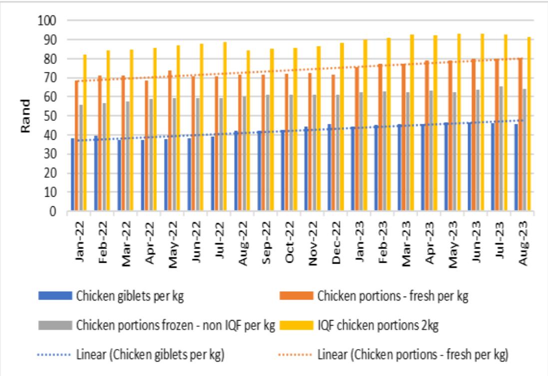

Figure 1: South African Poultry Retail Price
Source: Statistics South Africa, 2023

Key areas to unlock growth in livestock and animal products

Currently, nothing is known about the current AI strains wreaking havoc on the chicken business, other than the fact that they are highly contagious and easily transmitted among birds. However, given the time it takes for layers when compared to broilers to be ready for the market, the layer side of the poultry industry is at significant danger of supply issues. With the holiday season soon approaching, these outbreaks may enhance the likelihood that consumers could face affordability challenges, since prices may be higher than normal highs seen in prior seasons. The situation requires immediate response since it poses a direct threat to South Africa's poorer households.

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For article contributions or inquiries:
Email: Thabile@namc.co.za
or
Email: ntempia@namc.co.za

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