



NAMC

Promoting market access for South African agriculture

Market Intelligence Report

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Grains and Oilseeds

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Global Perspective

This section focuses on wheat and maize global markets. The 2023/24 global production prediction for wheat is anticipated to decrease October when being compared with previous month. The decrease in global production in wheat estimated at 5%, from 787.34 million metric tons to 783.43 million metric tons. Global estimates on area harvested for wheat in October 2023/24 is 223.097 million hectares, which is a decrease of 0.37% from previous month. Global wheat imports are predicted to decrease by 0.48% to 204.50 million metric tonnes in October compared to September, while exports are expected to be 209.20 million metric tonnes.

Global wheat consumption on the other hand was forecasted to decrease by 0.37% in October month-on-month and the quantity will amount to 791.2 million metric tons for Oct 2023/24. Top producers for wheat are China which its production for 2023/24 is estimated down by 723 000 metric tons to 137 million metric tons. The European Union, India, Australia, and Russia are amongst leading world producers and exporters of wheat.

Lower estimates for Australia are the main reason for the further reduction in global exports compared to previous year. The majority of U.S. quotations have increased since the September World Agricultural Supply and Demand Estimates. The biggest rise was for Soft Red Winter (SRW), which went up \$15/ton to \$251 per ton, with recent shipments to China showing an improvement in demand abroad. Prices for Soft White Wheat (SWW) increased by \$4 per ton to \$273 per ton. Hard Red Winter (HRW) bids, meanwhile, dropped \$9/ton to \$305 due to weak export sales thus far and falling global pricing.

For 2023/24 global maize production estimates were lifted slightly up by 5% in October 2023, with maize production in 2023/24 estimated to reach 1.214 billion metric tons. Globally the area harvested for maize in 2022/23 is 200.87 million hectares, while the 2023/24 projections on area harvested for maize in October is 204.74 million hectares which is an increase from previous month with 0.05%. The 2023/24 global trade was updated with imports estimated decrease by 11% between September/October, while a little increase in global exports is expected with percentage change of 15%. Compared to increases for Argentina, Moldova, the EU, and Paraguay, foreign maize production is higher. Argentina's increased production of maize corresponds to a larger anticipated area planted.

Domestic and Regional Perspective

South Africa's total maize is set to increase to 16.4 million tons for the 2023 season, constituting a 6% increase from 2022 (DALRRD, 2023). The total area planted for 2023 is expected to reach 2.586 million hectares, which is a 1.4% decline from 2022. The average yield for maize is expected to be 6.34tons/hectare. The forecast for white maize is 8.5 million tons and 7.9 million tons for yellow maize. South Africa is predicted to export a total of 3.330 million tons of maize in 2023 (NAMC, 2023). Increase in production has been driven by high-yielding cultivars and favourable weather conditions.

The total wheat produced in South Africa is estimated at 2.131 million tons, which is 21 375 tons more than the 2022 season. The country has 537 950 hectares planted, which is slightly less than the 566 800 hectares planted in the 2022 season. South Africa is expected to import 1.6 million tons of wheat, while exporting 295 000 tons (NAMC, 2023).

Figure 1 presents spot price trends for a ton of yellow maize, white maize, and wheat from January to end September 2023. Following a significant decline in commodity prices since the pick after Russia invaded Ukraine, local commodity prices had significantly decreased in response to this. As of the 20th of September 2023. A spot price for a ton yellow maize was 15.9% lower when compared to prices in January 2023 while a spot price for a ton of white maize decreased by 16.5% for same period. Wheat prices remain sticky with a spot price selling 1.0% higher end of September compared to January 2023.

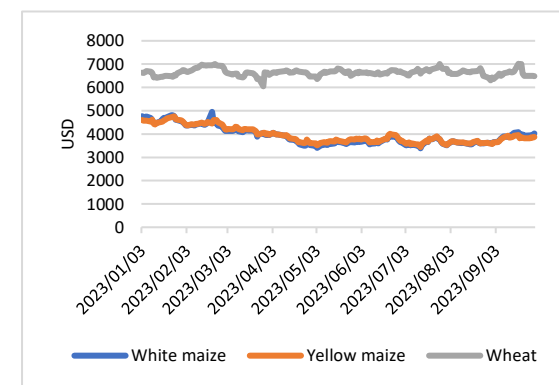


Figure 1: South Africa's yellow, white maize and wheat spot prices

Source: JSE, 2023

Key areas to unlock growth in Field crops.

From August 2023 to September 2023, the fuel price index climbed by 7.6%. The rise in input prices, such as fuel, is worrying for both processors and consumers, as rising input prices raise the cost of manufacturing, which is then passed on to consumers. With the prevalence of loadshedding throughout the country, processors have been obliged to employ generators that run on fuel. This has increased the cost of production, resulting in higher food prices. Alternative energy solutions are urgently

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needed, as the cost of production is raising the cost of life for consumers, particularly food, which is the most expensive expense for impoverished households. Higher production costs also increase the price of maize in other industries, such as livestock feed, which is passed on to consumers as food inflation.

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Fruits and Vegetables



By **Buhlebemvelo Dube, Nkosingiphile Duma and Bhekani Zondo**

Global Perspective

This section focuses on the global trade performance of potatoes and onions. Unfavorable climatic conditions have negatively affected production of potatoes and onions globally which led to reduced harvests mainly in the United States of America (USA), Europe, as well as Australia. Potatoes South Africa (PSA, 2023a) reckons that Europe is currently faced with record high temperatures (mainly in Spain and Portugal) which has led to a reduction in water reservoirs to below 30% capacity. Moreover, the production challenges emanating from the climate challenges saw potato prices reaching record high levels in Europe with Spanish potato prices surpassing 700 Euros per ton for the first time. The Netherlands, France, Germany, Canada, and Egypt are the dominant global exporters of potatoes.

The USA, Indonesia, Vietnam, Malaysia, United Kingdom, and Canada have the largest share in global imports. On the other hand, China, Netherlands, Spain, India, Mexico, and USA are the dominant suppliers of onions to the global market with the largest share in the onions export market (Trade Map, 2023). Most European countries still suffer from high prices with countries such as Spain having a higher demand than producers can supply due to drought.

Earlier this year Egypt, imposed a ban on onions bring stability to local onion market prices. There is a need to deal with the rising impacts of climate change on the sector effects of inflation on vegetables such onions and potatoes.

Domestic and Regional Perspective

Approximately 83% of South Africa's potato production is under irrigation while the remaining 17% depend on rainwater. Potato production was estimated at 2,53 million tons in 2022 compared to 2.63 million tons in 2021, reflecting a 3.54% decline in production of potatoes in 2023 (DALRRD, 2023). On the other hand, consumption per capita of potatoes for 2023 is estimated at about 34.02 kg and average price of R4 246 per ton (DALRRD, 2023). The potato industry has been experiencing fluctuations in prices and sales during 2023 at fresh produce markets. According to Potato South Africa, potato prices reached their all-time high price of R82.55 per 10 kg bag in 2023, reflecting a 49% year-on year (y/y) increase. The increase in prices is partly attributed to decreased deliveries to fresh produce markets compared to the previous season because of delayed planting and lower production leading to low supply hence high prices.

South Africa potato exports have increased in value terms in recent years. As of July 2023, South Africa had exported a value of R61.2 million. Top five destinations of South Africa's potato exports are Mozambique with a share in value of 42.5%, Namibia (21.8%), Zimbabwe (13.3%), and Eswatini (6.1%). Interestingly, over the past five years South Africa has also increased its imports of fresh potatoes mainly from Netherlands and France. South Africa's value of potato imports grew by 607% in value terms from a value of R500 000 in 2018 to a value of R3.5 million in 2022 (Trade Map, 2023).

Onion production was estimated at 737 000 tons in 2022 compared to 713 000 tons in 2021, recording a 3.25% increase in production of onions in 2023, with an average price of R6 228 per ton (DALRRD, 2023). Higher inputs and low prices led to low planted hectares and low production compared to the previous seasons. Normally South Africa export onions to African countries, but in recent times it

is exporting more onions to new markets like Saudi Arabia, Portugal, and Croatia.

Key areas to unlock growth in Fruit and vegetables

The potato industry continues to face several challenges such as high input costs, environmental pressures, shelf life of potatoes amongst others. Anti-dumping duties for countries or companies must be maintained but this needs to be done when the industry is able to supply sufficient potatoes for local consumption. Onions had face similar production issues like the potato industry.

The Agro-Energy Fund by the Department of Agriculture Land Reform and Rural Development through the Land Bank presents a bit of hope for the local industries. Producers may use the fund to minimise the cost of incurred because of loadshedding. Should the factors constraining domestic production of potatoes and onions be addressed, the local industries could be able to supply the local market adequately, increase exports of these commodities and take advantage of production challenges abroad.

Livestock and Animal Products



By Phelelani Sibiya, Bigboy Singwana & Thabile Nkunjana

Global Perspective

This section focuses on poultry (eggs and meat), and Pork. Global chicken meat production is forecast 1% higher in 2024 to a record 103.3 million tons. Production gains by the United States and Brazil as well as increases by many medium-sized producing countries will more than offset a decline in China. Brazil's record high forecast is supported by strong foreign demand and moderating production costs, particularly lower feed prices. (USDA,.2023). The increased production for poultry meat will support the expected increase of 1% in poultry exports to 3.4 million tons. The USA's poultry exports are largely due to greater shipments to key markets Mexico and Canada. The global poultry exports are forecast 3% higher in 2024 to 14.0 million tons following relatively slow growth trade in 2023.

Global egg production has been lowered due to lower than planned hatching egg output. According to the poultry site, 2023, the production of chicken eggs in Brazil in the second quarter of 2023 was 1.04 billion dozen, a 2.1% increase over the same period the previous year. This surge in eggs in Brazil was caused by the absence of trade restrictions caused by HPAI outbreaks.

Global pork production in 2024 is expected to be almost constant year on year at 115.5 million tonnes, with decreasing output in the EU and China more than offset by higher output in Brazil, Vietnam, and the USA. Global pork exports are expected to rise 2% to 10.4 million tonnes in 2024, as Brazil continues to gain market share

from EU and US pork products, particularly in Japan and Mexico. Global pork imports are expected to rise by 1% in 2024, with gains in Hong Kong, China, and Japan more than balancing declines in Taiwan and the United Kingdom. (USDA, 2023).

Domestic and Regional Perspective

The South African poultry sector is currently dealing with an outbreak of two strains of avian flu virus, both of which are causing substantial mortality rates. The avian flu has killed at least 7 million hens in the United States. To control the recent outbreak, between 20 and 30% of the chickens were culled. When compared to broilers, the layer side of the poultry industry has suffered the most.

Because of the quarantine, affected farms cannot supply eggs or live chicken to the market, and infected birds produce less eggs. All of this contributes to egg and poultry shortages (SAPA, 2023). As a result, egg costs have risen by 100% in some cases, with tray off eggs rising from R60-R70 to R120-R130. Some supermarkets are restricting eggs to consumers in order to ensure a consistent supply.

On the pork side, the weighted producer price for pork (excluding sows) averaged R36.60/kg in nominal terms during the first week of October, up from R36.60/kg in the previous week sampled from 37 247 carcasses (SAPPO,2023). **Figure 2** present pork producer prices for 2021, 2022, and 2023 until October. The Monthly average price for October was R36.44, and 15% higher than previous year's price for the same period.

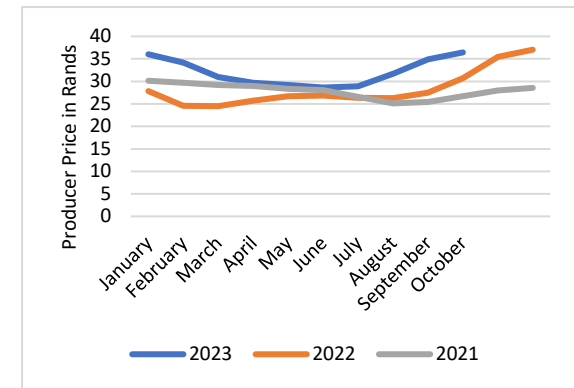


Figure1: monthly average pork producer price Source: sappo, 2023.

Key areas to unlock growth in livestock and animal products

Other than the continued electricity blackouts throughout the country, both the poultry and the pork industries have been negatively impacted by higher producer prices underpinned by feed 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 bode well will the livestock industry which remains under pressure from inputs. Considering the rise in soybean production, more investments will be key to increase the processing which will greatly support the livestock industry production at large.

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