



NAMMC
Promoting market access for South African agriculture

FOOD COST REVIEW 2023



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This publication attempts to provide more insight into the complex factors driving commodity and food prices. This is the 18th publication of the *South African Food Cost Review*, emanating from the recommendations of the Food Pricing Monitoring Committee in 2003 to monitor food prices in South Africa regularly. The purpose of this publication is to reflect on food price trends up to April 2023.

EXECUTIVE SUMMARY

Following the signing in May 2022 and ongoing implementation of the Agriculture and Agro-processing Master Plan (AAMP) with clear targets and commitments from various role players in the agriculture and agro-processing sectors, the agricultural sector is gradually gaining traction on several fronts. Regarding market access, the signing of an export protocol by South Africa on avocado shipments to China and Japan and the successful development of market access into India are some of the milestones to associate with. In addition, the export markets for South Africa's horticultural products in the United Kingdom and Europe have also been maintained while new export markets are being negotiated. The various industry value chain round tables play key roles in ensuring that the commitments made in the AAMP become a reality and implemented. Value chain role players gather and identify key investments required per commodity through these platforms. For instance, the Fruit Industry Value Chain Round Table is fully functional. It ensures that investments are made in research and development, transformation, worker welfare and international trade, among other aspects. Continued stakeholder participation and support are commendable for realising the AAMP's goals.

Given the challenges that arise from climate change, infrastructure and logistics issues, soaring inflation, rising input costs—such as fertilisers and energy prices, policy uncertainty, and disruptions in the worldwide supply of essential field crops, this report looks at the importance of the agricultural sector. Despite these difficulties, the agriculture sector still dramatically impacts the country's Gross Domestic Product (GDP) and employment generation. Primary agriculture employed 914 000 people on average in 2023 and generated -0.4% of GDP, a -12.2% decrease from 2022. Crops, horticulture, and livestock are the three agricultural sub-sectors that comprise almost all agricultural trade. For instance, in 2023 the horticultural industry recorded a significant share of exports on global trade through exports, despite logistical difficulties and trade restrictions enforced throughout the year. This report is categorised into three main sections. The first section presents an overview of food prices at domestic and global levels. The level of inflation on food and non-alcoholic beverages remains a concern in South Africa, estimated at 13.9% in April 2023. Conversely, global price indexes for oils, cereals, dairy and meat declined while the sugar price index increased by 20.8%. The general decline in international grain prices was driven by the large exportable quantities in the Russian Federation and Australia and favourable crop conditions in Europe, along with an agreement at the end of April 2023 allowing Ukrainian grains to transit through the European Union (EU).

The second section highlights market trends in agricultural input costs. Input costs, such as fertilisers, labour, energy, and fuel costs, affect the profitability and income of farmers. Furthermore, rising input costs increase the risk of food shortages attributable to reduced production or lower yields. This is particularly dire for farmers in rural areas who must transport their produce on poor road infrastructure. With 75% of the agricultural produce being transported by road, increases in costs, such as fuel, wages, licence fees, rates, excise duties, interest rates, tolls and taxation, place more pressure on farmers' profit margins. Domestic prices of fertilisers significantly increased, ranging from about 38.5% for Potassium Chloride (KCL) to 55.2% for Mono-Ammonium Phosphate (MAP).

The three agricultural subsectors—livestock, crops, and horticulture—are the subject of Section three. Descriptive summaries of production and consumption figures, trade performance, and worldwide and local price trends for certain commodities are given under each sector. The report highlights potential causes of rising food costs, including shifts in farmer production decisions, consumption habits, and possible export markets, even if it does not detail the trends. The data included in the report is from 2016 to 2023.

KEY MESSAGES

Inflation

In April 2023, the cost of NAMC's 28-item food basket amounted to R1 170.98, revealing an increase of 11.8% or R123.93 from April 2022 and an increase of 37.5% (R319.58) since April 2017. When expressed as a share of the average monthly income of the poorest 30% of the population, the cost of this food basket increased from 67.0% in April 2022 to 74.9% in April 2023. However, if expressed as a share of the average monthly income of the wealthiest 20% of the population, it increased from 3.7% in April 2022 to 4.2% in April 2023.

INPUT COSTS

Fertiliser Prices

International prices of fertiliser fluctuated between 2001 and 2022. Prices for Muriate of Potash (MOP), Di-Ammonium Phosphate (DAP), and Urea increased by 92.4%, 42.7%, and 16.8%, respectively. In the domestic market, fertiliser prices reached new highs in 2022, surpassing their peak levels in 2008 and 2021. The cost of Mono-Ammonium Phosphate (MAP), Urea and Potassium chloride (KCL) increased by 55.2%, 46.3% and 38.5%, respectively, between 2021 and 2022. Global events and policies, such as export restrictions by China, Turkey, and Vietnam, along with export quotas by Russia, impacted fertiliser prices.

Fuel Prices

The trend of fuel and oil prices in South Africa continued to rise from 2001 to 2022. This increase is evident in crude oil prices, diesel (0.05% sulphur) in Gauteng, and 0.05% sulphur diesel at the coast. Various factors, including international oil price fluctuations, tax policies, levies, and exchange rate changes, influence domestic diesel prices. The escalating expenses for fuel and oil significantly affect the costs associated with agricultural production and food distribution in South Africa. In 2022, the price of diesel reached R22.35 in Gauteng and R21.71 at the coast. Between 2021 and 2022, the price per litre of diesel at the coast increased by 49.5%, while in Gauteng, it increased by 47.7%, and the price of crude oil increased by 38.3% (measured in US\$/barrel)

Electricity

Rising energy costs had a significant impact on various sectors of the economy. Despite a decline in the Eskom tariff rate from 15.1% in 2021 to 9.6% in 2022, the cost of electricity was the most expensive or highest in the agricultural sector due to the widespread use of electricity throughout the entire food value chain. Over the years, the consistent increase in energy prices underscores the challenges faced in meeting the growing electricity demand. This trend highlights the importance of energy efficiency measures, sustainable energy sources, and effective energy management strategies to mitigate the financial burden imposed by escalating energy prices on businesses and consumers in South Africa.

Wages

Over the years, the minimum wage has been gradually increased; by March 2023, it was reported to be R4 182.61/month, thereby suggesting a commitment to improving the quality of jobs and ensuring fair compensation for agricultural workers. This emphasises the need and importance for stakeholders in the agricultural industry to consider labour costs as a significant component of overall production expenses and to implement strategies that promote sustainable and equitable employment practices.

LIVESTOCK

Poultry

There is a complex interplay of global and local factors influencing poultry pricing dynamics. Global events such as disease outbreaks, trade restrictions, and geopolitical conflicts impact international poultry prices. Additionally, domestic factors like production levels, consumption patterns, and input costs contribute to fluctuations in local poultry prices. This underscores the need for poultry industry stakeholders to closely monitor global and domestic trends, adapt to changing market conditions, and implement strategies to manage risks associated with price volatility in the poultry sector. Therefore, emphasis must be put on aligning poultry production levels with consumer demand to maintain a stable market for poultry products. Despite the growth in domestic poultry production driven by increasing demand, challenges such as high feed costs, electricity issues, and disease outbreaks have impeded production development. Producers are urged to understand consumption patterns, manage expenses, and address industry challenges to sustain a healthy poultry market. Efficient supply chain management and strategic planning are crucial for balancing production and consumption, ensuring the long-term viability of the poultry industry in South Africa.

Beef

While the country has been a net beef exporter, the beef sector faced challenges in 2022 due to factors like supply chain backlogs (post-COVID-19), pricing pressures, and disease management burdens such as Foot-and-Mouth Disease outbreaks. South Africa's beef industry has supported both domestic consumption and exports. While beef export prices from the United States, Australia and Brazil generally declined by 8.8%, 12.2% and 18.1%, respectively, between 2022 and 2023, the average domestic monthly retail prices for beef brisket, chunk, T-bone, stew, and rump increased by 24.0%, 23.9%, 21.3%, 13.7%, and 8.2%, respectively (between June 2020 and June 2023). Domestically, the complexity of beef pricing is underscored by efficiency challenges in production, shifting consumer preferences, and production costs. Thus, stakeholders in the beef industry are advised to consider these multifaceted factors, adapt to market changes, and implement strategies to navigate challenges and maintain competitiveness in the beef market.

Livestock Trade Performance

Livestock trade performance emphasises significant global trends in the meat market, mainly focusing on poultry, beef, lamb, pork, and dairy products. A large share of poultry exports was destined for the Southern African Customs Union (SACU) region. Whereas the Poultry master plan has the potential to boost market access within SACU, there is also an increasing interest in expanding exports towards the Middle Eastern nations. Over the past five years, South Africa's poultry import value has declined by 30%, from R6.50 billion recorded in 2018 to R4.56 billion in 2022. Conversely, poultry meat exports increased by 35% from R1.11 billion in 2018 to R1.49 billion in 2022. In 2022, beef imports and exports were valued at about R42 million and R1.59 billion, respectively. Despite the challenges faced in the beef sector, the SACU market is conducive, and South Africa currently exports 4% of the beef produced. It has signed over 30 bilateral agreements to significantly boost the beef industry (NAMC, 2023).

CROPS

Due to the favourable production seasons, the maize crop in 2022 (15.5 million tons) was sufficient to meet the total domestic requirements of about 11.1 million tons during the 2022/23 season, albeit being 5% smaller than the crop produced in 2021 (16.3 million tons). In addition to having an excellent production season, South Africa had a great year in terms of exports in 2022, during which 3.3 million tons of maize worth R17.36 billion were exported. In the 2022/23 season, 4 827 300 tons of white maize were processed for human consumption, up from 4 697 765 tons in the 2021/22 season. The increase in consumption may be attributed to the growing population and the high cost of alternative food products.

The wheat crop produced in 2021 reached 2 285 000 tons, an equivalent of an 8% increase from 2020 (2 120 000 tons). Improved cultivars and good agronomic practices also played a role in the significant improvements in harvest. Soybeans reached a record high of 2 230,000 tons in 2022, with a 12% increase in the volume of soybeans processed for oil and oilcake compared to the 2021/22 season. The potential of the country to increase oil and oilcake crushing capacity due to an increase in soybean production is likely to result in a decrease in soybean oilcake imports. Additionally, the harvest of sunflower seeds in 2022 increased by 25% over the harvest realised in 2021 despite being plagued by sclerotinia problems.

HORTICULTURE

In 2022, the total value of selected horticultural exports was R25 927.1 million compared with R1 189.5 million for similar selected horticultural imports. Oranges and apples were the leading horticultural exports, contributing about 48% and 45%, respectively, followed by potatoes accounting for 3%. Overall, the growth rate of imports (by value) between 2016 and 2022 was 97%, but imports of apples declined by 234%, followed by oranges (147%) and potatoes (55%). However, the value of imports of tomatoes, bananas, and onions increased by 94%, 52% and 25%, respectively. The observed increase in imports of these products might be due to the dwindling production of onions. At the same time, only some producers can sustainably supply tomatoes to meet the high demand, coupled with the high variability in weather conditions to which tomatoes are very sensitive. The total volume of potatoes and cabbage sold through Fresh Produce Markets (FPM) increased, while the volume of tomatoes and onions dropped between 2021 and 2022. For the same period, FPM prices for fresh onions, tomatoes and cabbages per kg increased while the prices for fresh potatoes per kg decreased.

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Abbreviations/Acronyms

AAMP	Agriculture and Agro-processing Master Plan
AgriSETA	Agriculture Sector Education Training Authority
AI	Avian Influenza
AMT	Agrimark Trends
ASF	African swine fever
BFAP	Bureau for Food and Agricultural Policy
c	Cent
Coronavirus	COVID-19
CPI	Consumer Price Index
DALRRD	Department of Agriculture, Land Reform and Rural Development
DAP	Di-Ammonium Phosphate
DoL	Department of Labour
ED	Expenditure Deciles
EU	European Union
ESKOM	Electricity Supply Commission
FAO	Food and Agriculture Organization
Fertasa	Fertilizer Association of Southern Africa
FMD	Food and Mouth Disease
FPI	Food Price Index
FPM	Fresh Produce Market
Grain SA	Grain South Africa
GDP	Gross Domestic Product
HS	Harmonized System
HPAI	Highly Pathogenic Avian Influenza
ITC	International Trade Centre
IQF	Individually Quick Frozen
KCL	Potassium Chloride
kg	Kilogram
kWh	Kilowatt Hour
MAP	Mono-Ammonium Phosphate
MOP	Muriate of Potash
NAMC	National Agricultural Marketing Council
NERSA	National Energy Regulator of South Africa
R	South African Rand
R&D	Agricultural Research and Development
SAFEX	South African Futures Exchange
SAGIS	South African Grain Information Service
SAPIA	South African Petroleum Industry Association
Senwes	Senwes Limited
SSA	Sub-Saharan Africa
Stats SA	Statistics South Africa
UN	United Nations
USA	United States of America
USDA	United States Department of Agriculture

1 OVERVIEW OF FOOD PRICES

1.1 Global food price trends

The Food and Agricultural Organization (FAO) of the United Nations (UN) publishes its Food Price Index (FPI) monthly. The FPI consists of five commodity group price indices: the Meat Price Index, the Dairy Price Index, the Cereals Price Index, the Oils Price Index and the Sugar Price Index. These indices are weighted with the average export shares of each group from 2014 to 2016. In total, 95 price quotations, considered by FAO commodity specialists as representing the international prices of the noted food commodities, are included in the overall index. **Figure 1** shows the overall monthly real (deflated) FAO FPI from 2016 to 2023, with April 2023 reaching an index level of 122.4 points, lower by 21.1% from April 2022.

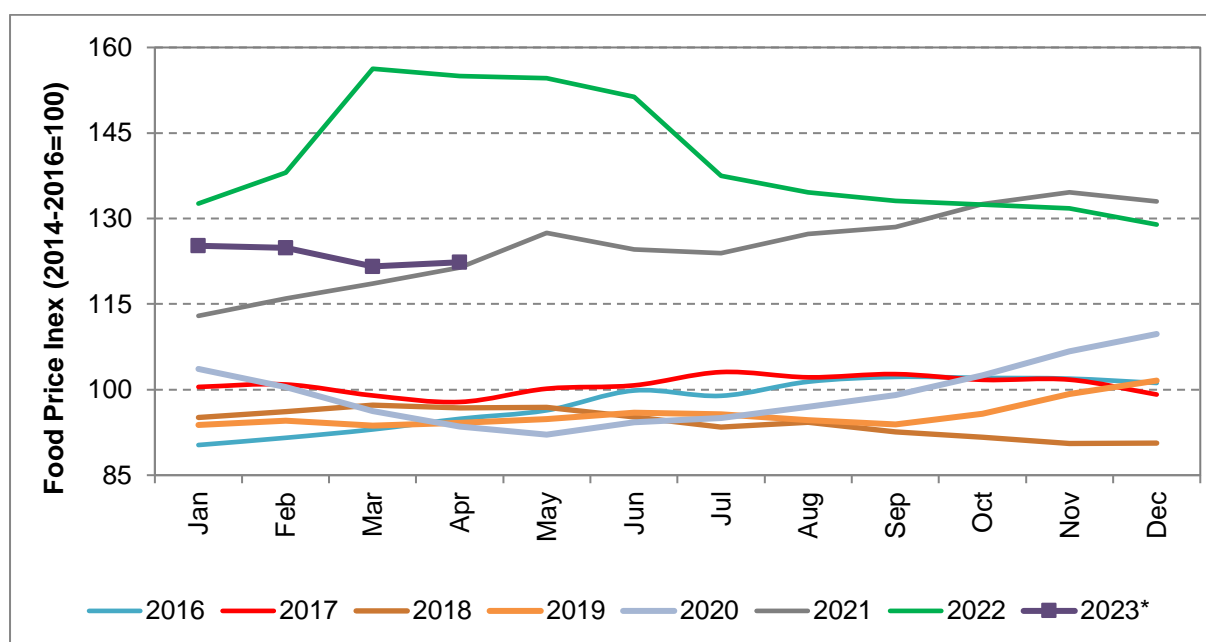


Figure 1: International monthly real Food Price Index

Source: FAO (2023)

*Note: including up to April 2023

Figure 2 shows the price indices in *real terms* for five food categories. The monthly (April 2023 vs. March 2023) growth percentages indicate decreasing trends for three of the five indices. The annual (April 2023 vs. April 2022) growth percentages indicate a decrease of 46.2% for the Oils Price Index, 21.1% for the Cereals Price Index, 16.5% for the Dairy Price Index and 7.7% for the Meat Price Index. The Sugar Price Index increased by 20.8%.

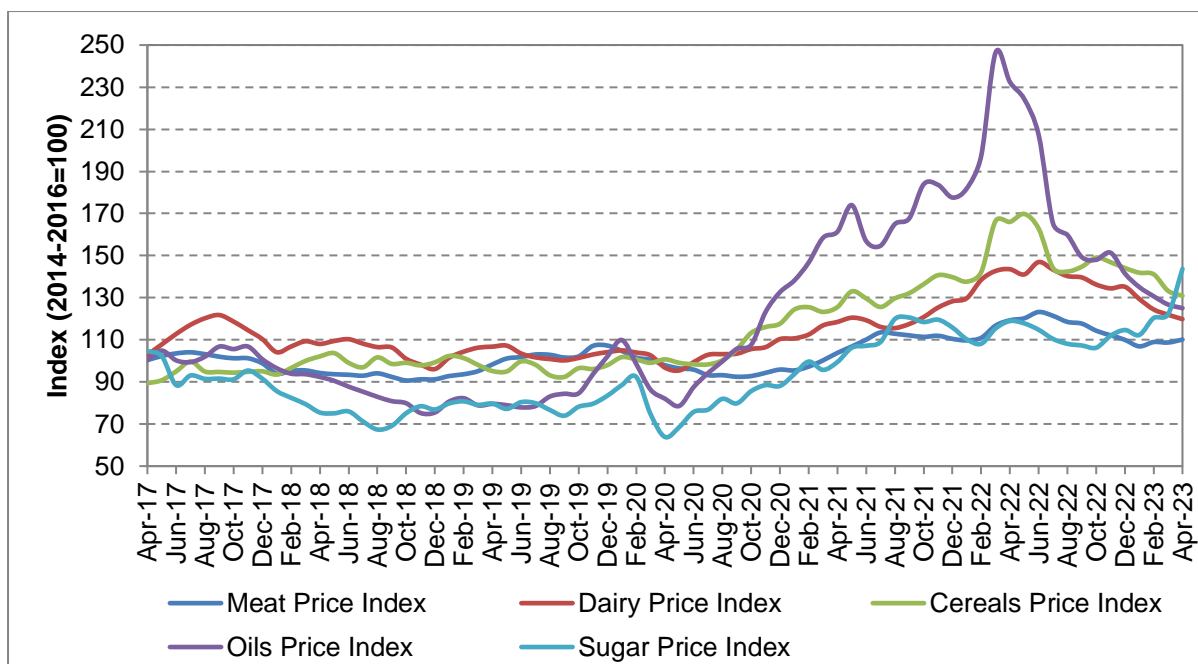


Figure 2: International price indices for various food categories

Source: FAO (2023)

The continued decrease of the vegetable oil price index reflected the combined effect of stable world palm oil prices and lower soy, rapeseed and sunflower oil quotations. Following a short-lived rebound in March 2023, international palm oil prices remained virtually unchanged in April 2023, as the downward pressure stemming from a lacklustre import demand from key importing countries was offset by support from comparatively limited supplies of leading producers. By contrast, world soy oil prices continued to decrease, broadly weighed by the seasonal harvest pressure from a potentially record soybean crop in Brazil, despite sharply lower production prospects in Argentina. Meanwhile, international prices of rapeseed and sunflower oils also kept declining, mainly underpinned by lingering abundant global exportable supplies.

A decline in world prices of all significant grains outweighed an increase in rice prices month-on-month. International wheat prices declined by 2.3% in April 2023 to the lowest level since July 2021. The decline was principally driven by large exportable quantities in the Russian Federation and Australia. Favourable crop conditions in Europe, along with an agreement at the end of April 2023 allowing Ukrainian grains to transit through European Union (EU) countries that had imposed import restrictions on grain from Ukraine earlier in the month, also contributed to the overall softer tone in markets. World maize prices also declined by 3.2% in April 2023, driven mainly by higher seasonal supplies in South America as harvesting continued, and favourable prospects suggest a record output in Brazil.

1.2 Local food prices: Inflation and the 28-item NAMC food basket

The South African headline and food and non-alcoholic beverages inflation rates reached 6.8% and 13.9%, respectively, in April 2023. **Figure 3** presents the food and non-alcoholic beverage index and the rate of change from April 2017 to April 2023.

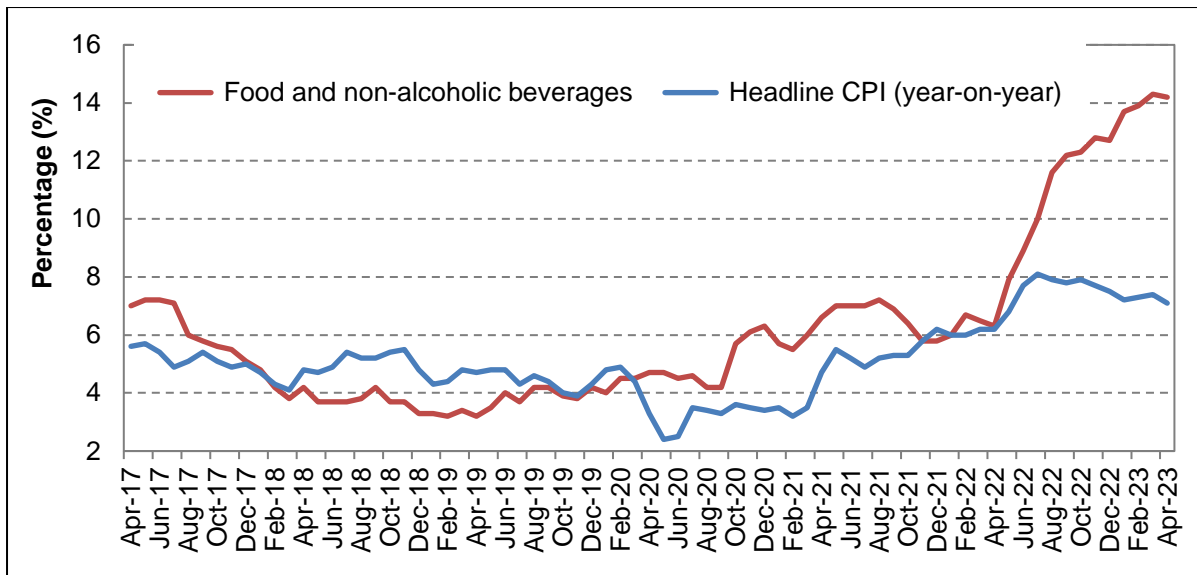


Figure 3: Changes in the Consumer Price Index (CPI) and the inflation rate of food and non-alcoholic beverages

Source: Stats SA (2023)

The indices for the different food CPI components are shown in **Figure 4**. Comparing April 2023 with April 2022, the following changes, in descending order, were reported: vegetables (23.1%), bread & cereals (20.8%), processed foods (15.9%), other food items (15.7%), milk, eggs & cheese (14.5%), unprocessed foods (12.7%), fish (11.9%), sugary foods (10.7%), oils & fats (9.9%), meat (9.5%) and fruit (3.6%). When comparing April 2023 to March 2023, all food categories showed slight increases except for fruit, oils & fats.

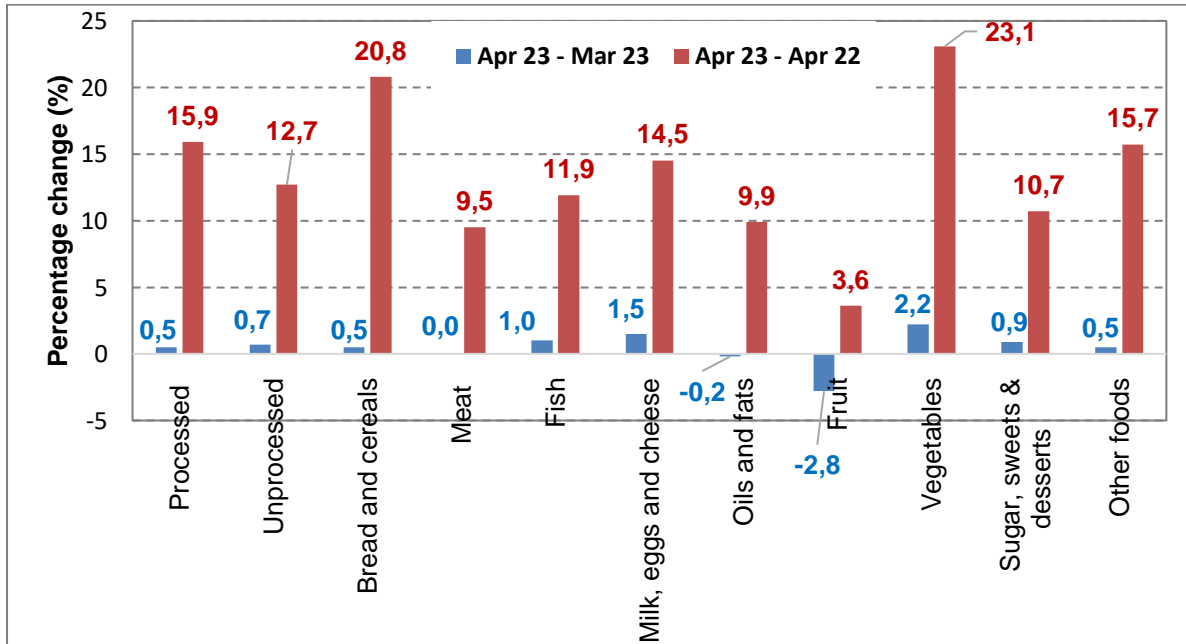


Figure 4: Change in CPI for different food groups

Source: Stats SA (2023)

Figure 5 shows the cost of the NAMC food basket¹ from April 2017 to April 2023. This basket consists of 28 products, and in April 2023, the price of the NAMC food basket amounted to R1 170.98. This is an increase of 11.8% or R123.93 from April 2022 and 37.5% (R319.58) since April 2017.

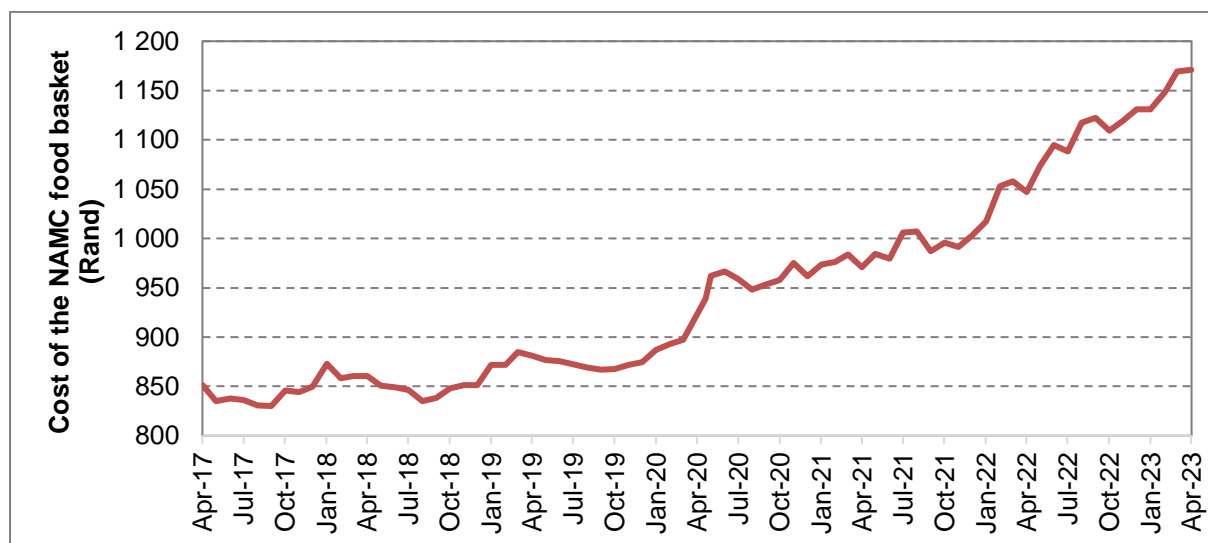


Figure 5: Cost of the NAMC food basket, April 2017 to April 2023

Source: Stats SA (2023) and own calculations

The cost of this food basket, expressed as a share of the average monthly income of the poorest 30% of the population, increased from 67.0% in April 2022 to 74.9% in April 2023. The food basket cost, a share of the average monthly income of the wealthiest 20% of the population, increased from 3.7% in April 2022 to 4.2% in April 2023. (**Figure 6**).

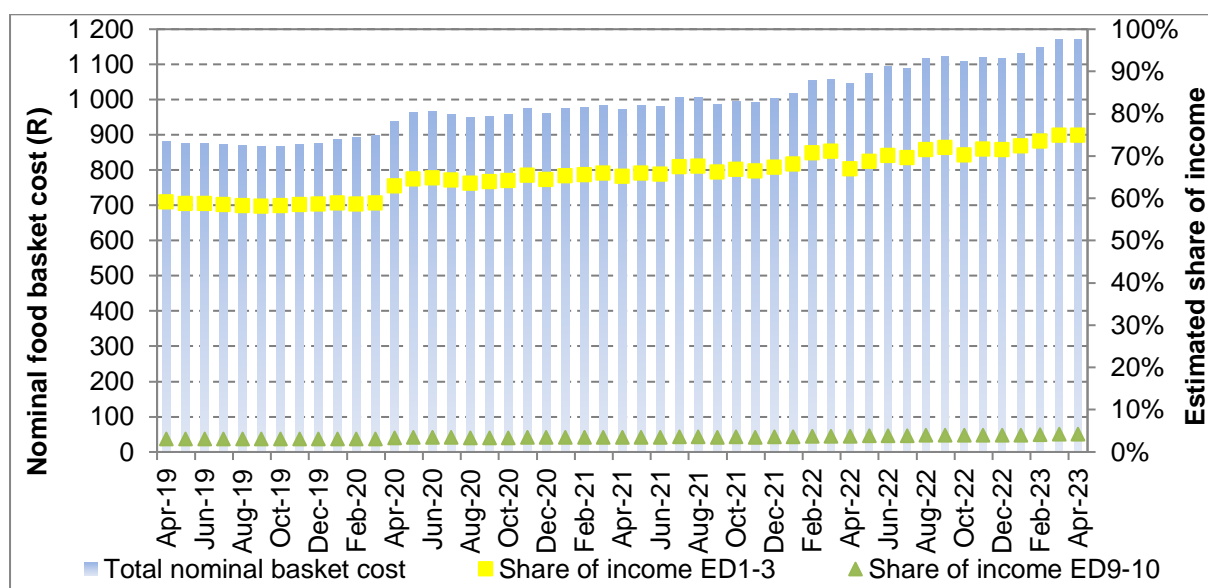


Figure 6: The cost of a typical consumer food basket for the period April 2019 to April 2023

Note: Expressed in nominal terms and as a share of the average income of the poorest 30% of households (Expenditure Deciles [ED] 1-3) and the wealthiest 20% of households (ED 9-10)

Sources: BFAP calculations, based on Stats SA, monitored price data for urban areas, 2023

¹ Composition of the current food basket (revised in 2022) includes apples per kg, baked beans - tinned 410g, bananas per kg, beans - dried 500g, beef mince per kg, beef offal per kg, brick margarine 500g, cabbage each, Ceylon/black tea 250g, cheddar cheese per kg, chicken giblets per kg, eggs 1.5 dozen, fish excl. tuna - tinned 400g, full cream milk - long life 1l, instant coffee 250g, IQF chicken portions 2kg, loaf of brown bread 700g, loaf of white bread 700g, maize meal 5kg, onions per kg, oranges per kg, peanut butter 400g, polony 1kg, potatoes per kg, rice 2kg, sunflower oil 750ml, tomatoes per kg, white sugar 2.5kg.

1.3 Conclusion

Year-on-year inflation in food and non-alcoholic beverages in South Africa was recorded at 13.9% in April 2023, mainly due to significant inflation in vegetables, cereal-based foods, dairy, and eggs. The rise was also mainly due to weather conditions in major potato and onion-producing areas and high input costs.

In April 2023, local and international price trends for crops and livestock products were similar to those observed in March 2023. Crop prices continue to move in a downward trend as input and energy costs soften and in combination with higher 2023/24 production estimates globally – especially for maize and soya beans. In global livestock markets, prices for beef and poultry were marginally higher in April compared to the previous month, while lower feed prices are bound to provide some relief in livestock production costs. In the local grains and oilseed market, the impact of a weaker exchange rate is likely to delay the trend in lower prices to transmit locally, although prices are marginally low.

2 TRENDS IN AGRICULTURAL INPUT COSTS

This section provides insight into historical and recent trends in selected agricultural inputs, such as fertiliser prices in both domestic and international markets, energy prices, and labour costs. Global developments affect South Africa because it imports significant agricultural production inputs and is a minor player internationally. For instance, South Africa imports about 80% of its annual fertiliser consumption. Since South Africa is a net importer of fertilisers, it is fully exposed to global market forces. Fertilisers are the components that increase plant productivity and development. Fertilisers help to improve soil fertility, thereby promoting growth.

2.1 Fertiliser prices

International fertiliser prices

Fertilisers supplement the natural supply of soil nutrients and enhance the build-up of soil fertility to satisfy the demand for crops. **Figure 7** illustrates the trend of international fertiliser prices between 2001 and 2022. There was a fluctuation in prices over the period under review, where Muriate of Potash (MOP), Di-Ammonium Phosphate (DAP) and Urea increased by 657.3%, 502.3% and 492.1%, respectively. Between 2021 and 2022, the price of Muriate of Potash (MOP), Di-Ammonium Phosphate (DAP) and Urea increased by 92.4%, 42.7%, and 16.8%, respectively.

The increase in fertiliser prices was due to several events/policies that occurred internationally that impacted global trade flows of fertilisers. According to the International Fertilizer Association (2022), in October 2021, China froze its exports of fertilisers, Turkey also set export restrictions on DAP and Nitrogen, Phosphate and Potassium (NPK) fertilisers, while Vietnam set a 6% import duty on DAP. Furthermore, in November 2021, Russia also moved ahead with a six-month export quota on Nitrogen and Phosphate fertilisers.

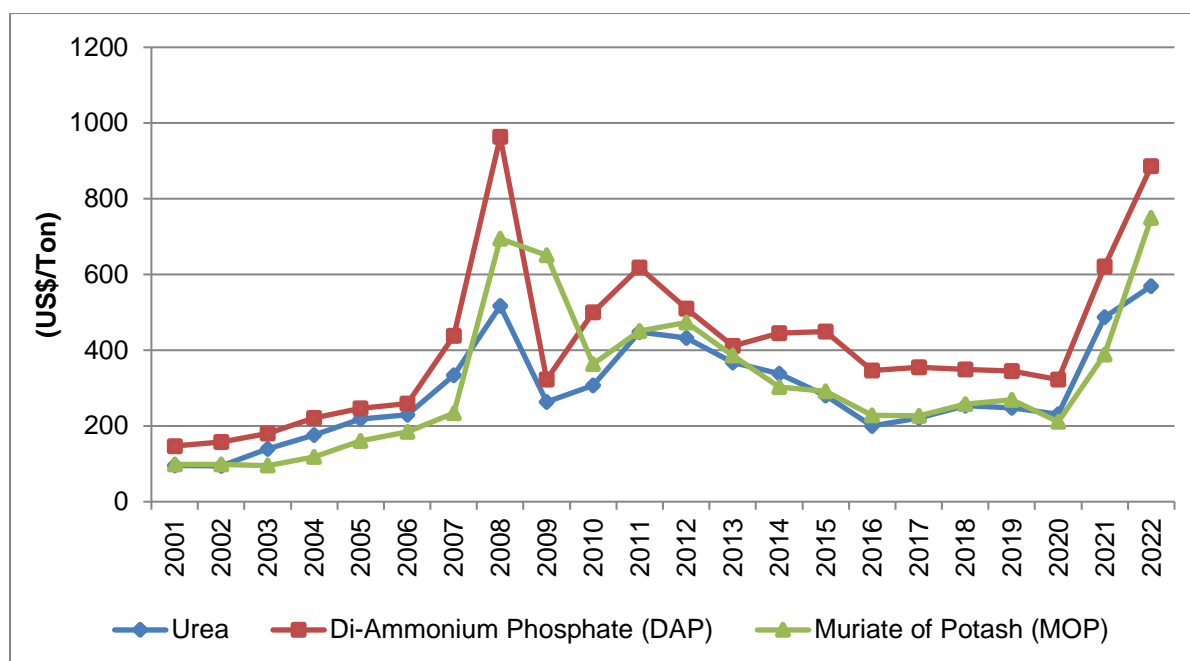


Figure 7: International fertiliser prices (2001–2022)

Source: Grain SA (2023)

Domestic fertiliser prices

The South African fertiliser industry is fully exposed to world market forces in a deregulated environment, with no import tariffs or government-sponsored protection measures. According to the Fertilizer Association of Southern Africa (FERTASA, 2022), the domestic demand for fertiliser is estimated at 2.2 million tons, amounting to approximately 663,000 tons of plant nutrients (N + P₂O₅ + K₂O). **Table 1** shows South African fertiliser demand and the domestic production and import situation. **Table 1** shows that South Africa is a net importer of fertilisers. Thus, the domestic prices are significantly impacted by the international prices of raw materials and fertiliser, as well as by shipping costs and the rand/dollar exchange rate.

Table 1: South Africa's fertiliser demand, domestic production and imports for 2021

Nutrient	Demand (thousand tons)	Domestic production (thousand tons)	Imports (thousand tons)	Products
Nitrogen (N)	619	146	649	Mostly Urea
Phosphate (P ₂ O ₅)	349	189	174	Mostly DAP
Potassium (K ₂ O)	288	None	312	Mostly MOP

Source: FAO (2023)

Figure 8 presents South Africa's fertiliser prices between 2001 and 2022. Domestic prices of Potassium chloride (KCL), Mono-Ammonium Phosphate (MAP) and Urea increased by 731.7%, 708.4% and 682.9%, respectively, between 2001 and 2022. Furthermore, on average, price movements were generally sideways and with some minor fluctuations until the end of 2007, after which they escalated during 2008, with decreases during 2009, except for KCL. During the period under review, domestic fertiliser prices reached new highs in 2022, surpassing their peak levels of 2008 and 2021. MAP, Urea and KCL prices increased by 55.2%, 46.3% and 38.5%, respectively, between 2021 and 2022.

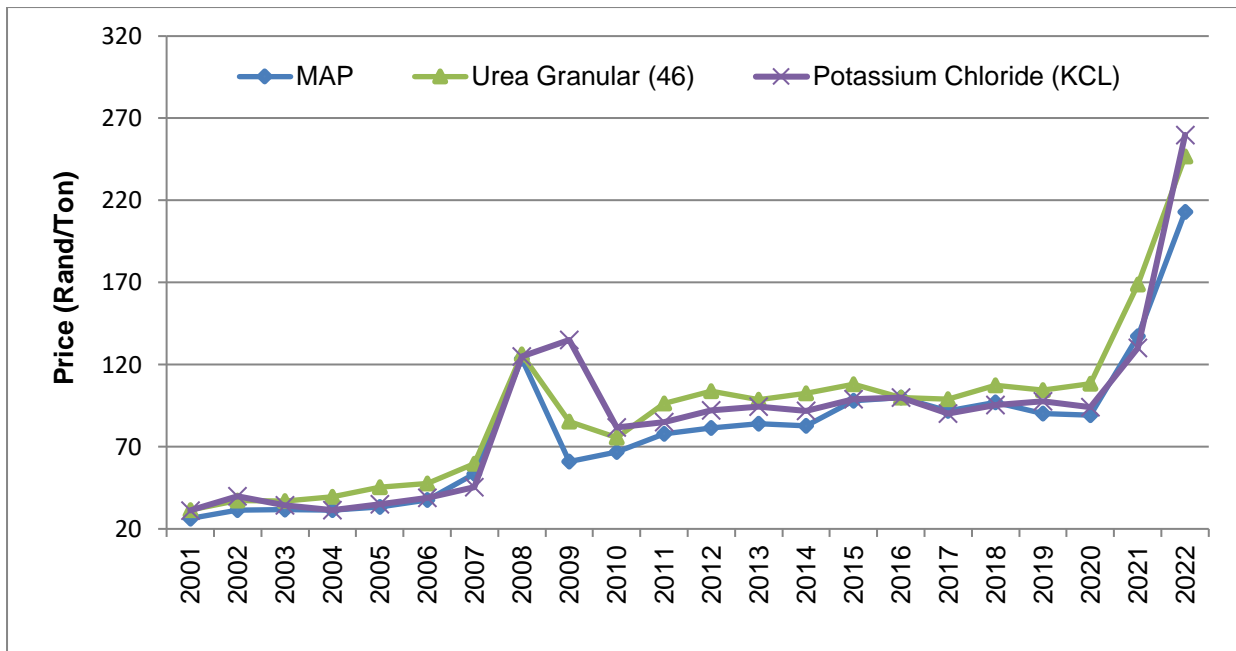


Figure 8: Local fertiliser price trends (2001–2022)

Source: Grain SA (2023) and own calculations

2.2 Fuel and oil prices

Fuel plays a significant role in determining variable expenses within primary agricultural production and the costs associated with distributing food. **Figure 9** illustrates the price trends of crude oil, 0.05% sulphur diesel in Gauteng, and 0.05% sulphur diesel at the coast from 2001 to 2022. Domestic diesel prices are influenced by factors such as international oil price fluctuations, taxes, levies, and exchange rate instability. Over the period from 2001 to 2022, the prices of diesel (0.05% sulphur) at the Coast, diesel (0.05% sulphur) in Gauteng and crude oil per barrel increased by 580.0%, 576.1% and 289.7%, respectively.

In 2001, the lowest recorded average diesel prices were R3.19 at the coast and R3.31 in Gauteng. Additionally, the average price of crude oil reached its lowest point at R24.89 in 2002. Subsequently, the average diesel price experienced peaks in 2013 and 2014, reaching R11.86 per litre and R12.55 per litre, respectively, but the price surged again in 2018, 2019, and 2021. Finally, in 2022, the diesel price reached R22.35 in Gauteng and R21.71 at the coast. Between 2021 and 2022, the price per litre of diesel (0.05% sulphur) at the coast increased by 49.5%, diesel (0.05% sulphur) in Gauteng increased by 47.7%, and the price of crude oil increased by 38.3% (measured in dollars per barrel), as depicted in **Figure 9**.

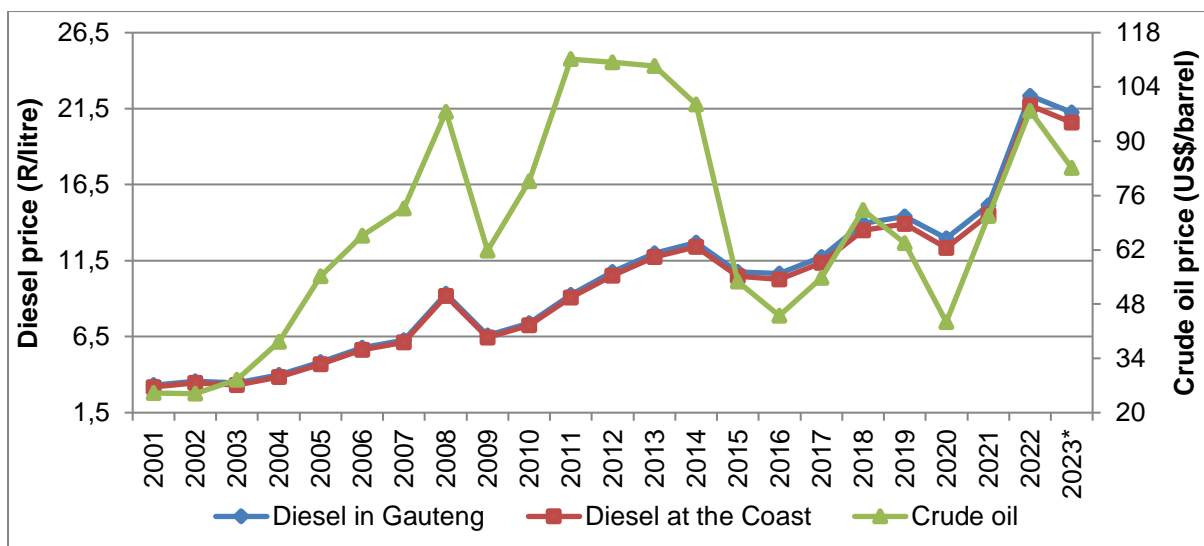


Figure 9: Fuel and oil prices in Gauteng and at the coast (2001–2022)

Source: SAPIA (2023) and Grain SA (2023)

2.3 Energy prices

Eskom is not only the major energy supplier in South Africa but also in Africa at large. Eskom generates, transmits, and distributes electricity to all economic sectors. Additional power stations and major power lines are being built to meet the rising electricity demand in South Africa (Eskom, 2022). **Figure 10** illustrates the average price in cents per kilowatt hour (c/kWh) of electricity that Eskom transmits and distributes to industrial, mining, commercial, agricultural, and residential customers and redistributors, compared to the average price at the international level. Between the financial years of 2009/10 and 2021/22, the average price (c/kWh) in the agricultural sector was the most expensive or highest compared with other sectors. The residential sector utilised electricity at average prices of 58.96 c/kWh and 215.53 c/kWh from 2009/10 to 2021/22, respectively. Since 2010/11, the agricultural sector has purchased electricity at the highest price of all the other customer categories. This can be attributed to the widespread use of electricity throughout agriculture's entire food value chain, i.e., from irrigation to food processing.

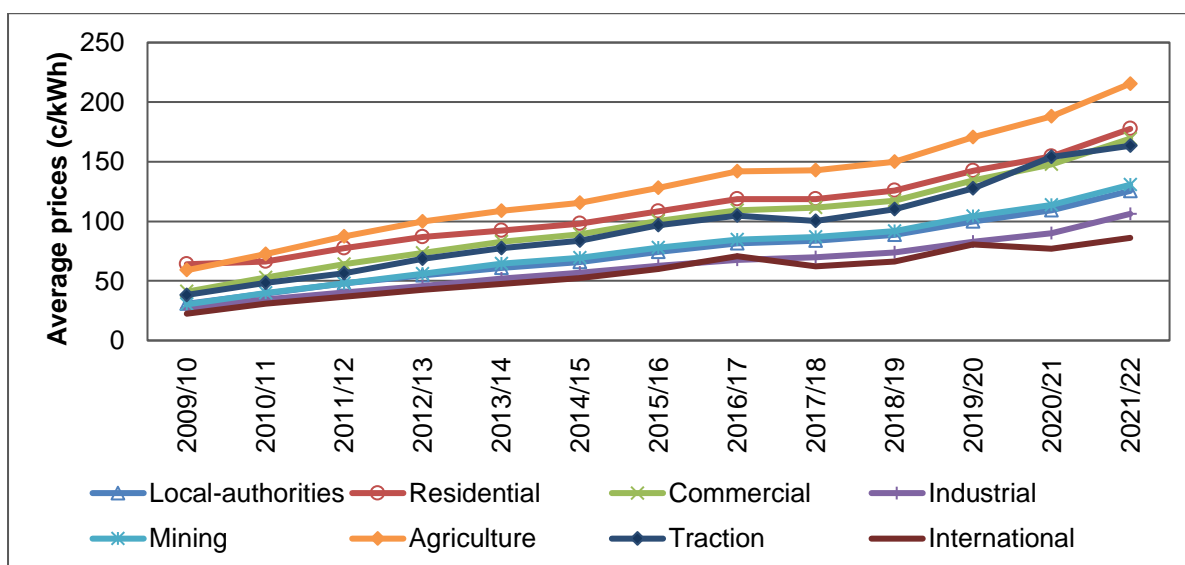


Figure 10: Average price (c/kWh) sold to different sectors

Source: Eskom (2023)

Figure 11 presents the trend in the percentage change in the average electricity prices concerning the annual inflation rate spanning from 2007 to 2022. The data shows fluctuations between these variables, namely the tariff and the Consumer Price Index (CPI) headline, over the examined period. Notably, in 2009, Eskom tariffs experienced a significant increase of 31.3% compared to 2010. However, there was a decline in the Eskom tariff rate from 15.1% in 2021 to 9.6% in 2022.

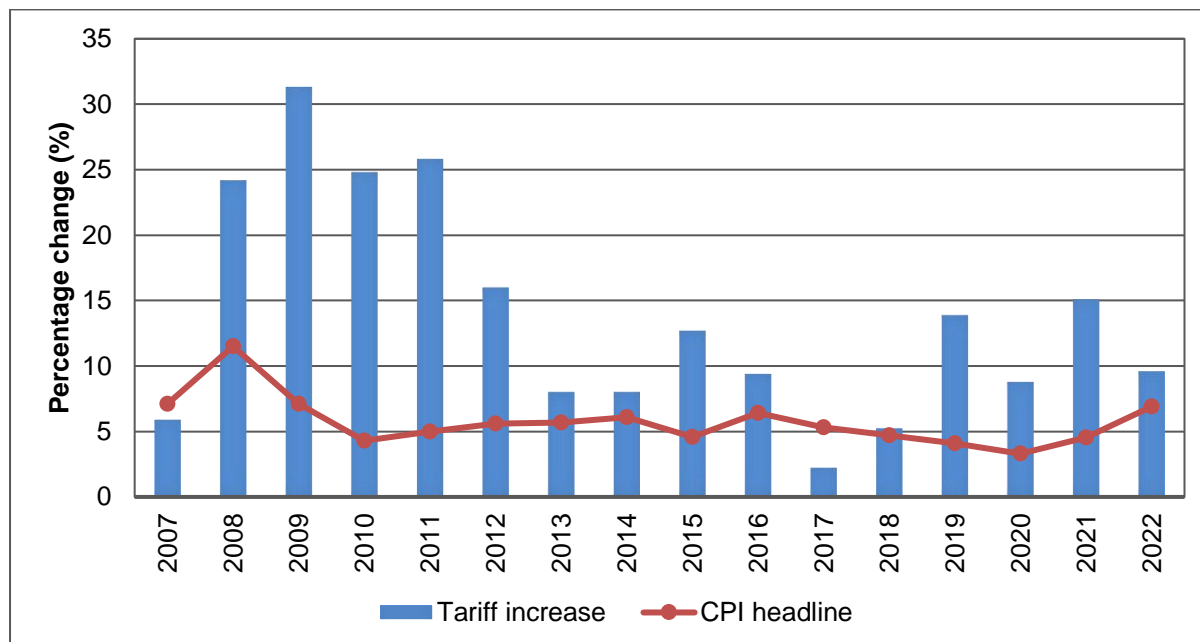


Figure 11: Eskom tariff changes

Source: NERSA (2023) & Stats SA (2023)

2.4 Labour costs

Promoting and creating quality jobs is regarded as one of the key priorities for the South African economy. **Figure 12** illustrates the regulated minimum wages for primary agriculture in South Africa. This minimum wage is continuously revised during March of each year. The minimum wage for farmworkers in 2008 was recorded as R1 090/month. Since 2012, it has increased slightly, although the minimum wage from 2012 to 2013 increased drastically by 51.2%. In March 2023, the minimum wage was reported to be R4 182.61/month (FASKEN, 2023).

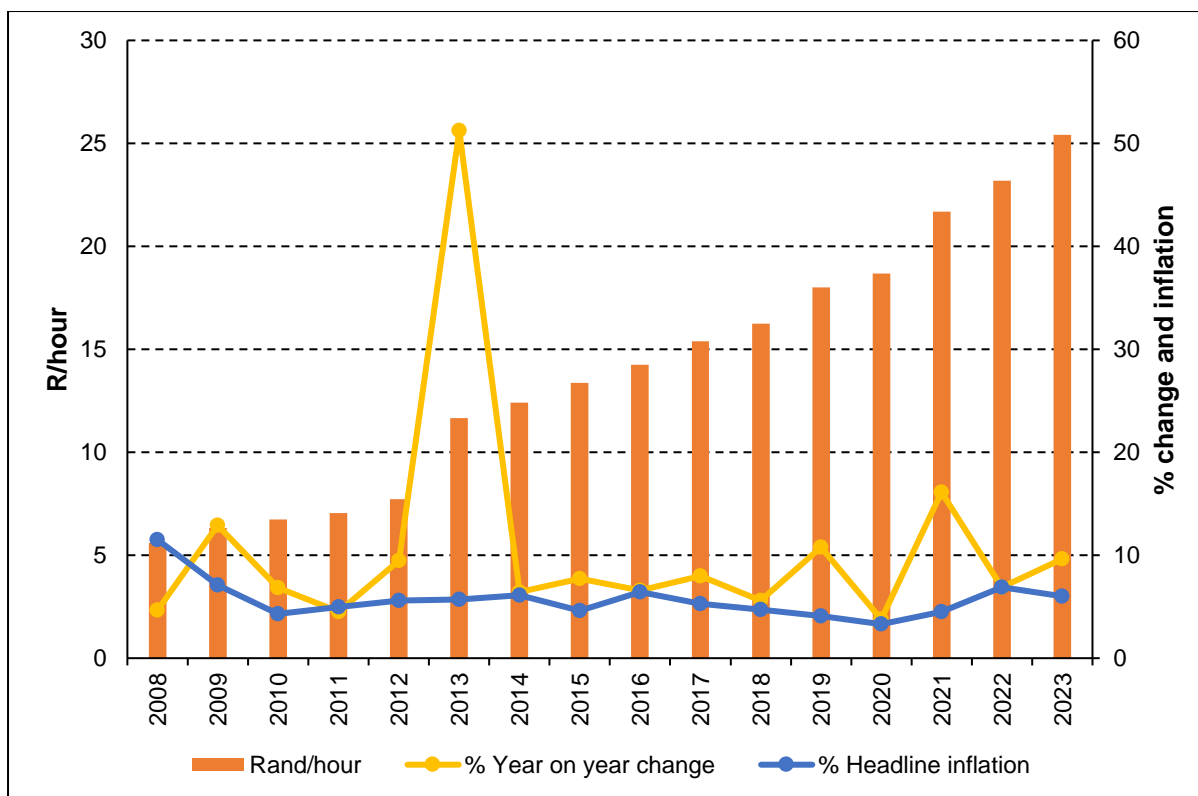


Figure 12: Minimum wages (2008–2023)

Source: DoL (2023)

2.5 Conclusion

Farmers face a multitude of factors that can impact their profitability, many of which are beyond their control. These factors include fertiliser, labour, energy, and fuel costs. Consequently, agricultural production is characterised by significant uncertainty and risk. Since 2022, one notable factor affecting producers has been the persistent increase in input prices. This trend was exacerbated by supply chain disruptions caused by the sudden onset of Coronavirus (COVID-19), yet agricultural producers have been grappling with higher production costs for essential inputs since 2020. These escalating input costs are of great concern in the realm of food production as they lead to higher food prices and have a direct impact on the livelihoods of the majority of South Africans.

The upward trajectory of input costs can pressure producers' profit margins, which is particularly challenging for smallholder farmers already burdened with high input expenses. Furthermore, the rising input prices raise the risk of potential food shortages. As input costs continue to rise, some farmers may find themselves unable to afford these inputs, leading them to decide not to cultivate their land, which, in turn, reduces food availability. This scarcity of supply exerts additional upward pressure on food prices and threatens farmers' incomes. The recent sharp increase in the cost of farm inputs has raised significant concerns. Enhancing productivity in agricultural production, food processing, and distribution to consumers will heavily rely on investments in Agricultural Research and Development (R&D). This necessitates public and private sector contributions and effectively regulating emerging technologies like biotechnology and digital innovations. However, the effectiveness of innovation hinges on the widespread adoption of these new technologies, which, in turn, demands education, training, and advisory systems. It's worth noting that several barriers may hinder farmers from accessing and adopting these new technologies, such as limited access to credit and a lack of reliable information, among other challenges.

3 MARKET TRENDS IN LIVESTOCK

3.1 Market trends in the livestock sector (poultry, beef, lamb, pork, and dairy)

3.1.1 Global meat price trends

3.1.1.1 Introduction

The Food and Agriculture Organisation (FAO) reports a noteworthy development in global meat prices: the meat price index recorded a significant increase of 10.3% between 2021 and 2022. This surge in the meat index can be attributed, in part, to rising prices of meat products, particularly pork, since January 2022. Pork production in China saw a significant rise, contributing about 46% of the global output. Despite difficulties like high feed costs and the impact of COVID-19, this surge caused a spike in pork prices, according to the FAO's report from 2022. Additionally, several factors have contributed to the increase in pork meat prices, including soaring feed costs and other input costs like energy. Notably, between 2020 and April 2022, inflation-adjusted corn prices skyrocketed by 79%, while soybean meal prices surged by 42%. Fuel and transportation expenses have also played a significant role in driving up pork meat prices. Data indicates that gasoline and diesel prices have surged by approximately 48% compared to January 2020, and refrigerated trucking rates witnessed an approximate 50% increase in 2022. Conversely, the beef meat index has steadily declined since March 2022, while the poultry price index experienced a notable 25% increase from February 2022 to June 2022. The surge in poultry prices can be attributed to supply constraints in the global market, stemming from high feed costs in the preceding year, disruptions caused by the Ukraine war, and the spread of Avian influenza across the Northern Hemisphere (BFAP, 2023).

The meat-to-feed price ratios decreased significantly, exerting pressure on the profitability of the livestock sector, particularly in intensive feed-grain or commercial livestock operations. Despite occasional sluggishness in global meat import demand due to severe food inflation and global economic downturns, price increases have not stopped. Meat prices have surged at retail levels worldwide, leading to the FAO Meat Price Index reaching an all-time high in July 2022, primarily due to limited supplies across nearly all meat types from key supplying countries.

In 2022, meat production worldwide faced substantial challenges as profit margins eroded due to soaring input costs, primarily in the areas of energy, animal feed, and fertiliser prices (FAO, 2023). Disease outbreaks significantly disrupted global meat production, and certain countries imposed trade restrictions on specific meat products. For instance, poultry production was decimated by Highly Pathogenic Avian Influenza (HPAI), mostly in the EU region, the United States, and later in South America (FOA, 2023).

3.1.1.2 International poultry prices

Figure 13 illustrates the FAO Global Poultry Meat Price Index, the price of chicken exported from Brazil and the price of broiler cuts and edible offal exported from the United States, covering the period from 2012 to April 2023, presented as annual averages. According to FAO (2023), the global Poultry Meat Price Index increased by 5.4% between 2012 and 2022. During the same period, Brazil experienced a 5.1% increase in poultry export prices, while the United States also saw a 5.1% rise. Examining the annual changes between 2021 and 2022, the global poultry price index exhibited a significant 19.6% surge. Within this timeframe, poultry meat prices in the United States of America (USA) and Brazil similarly experienced substantial increases of 22.0% and 15.0%, respectively. This upward trend in poultry meat prices may be attributed to rising feed prices, unfavourable import tariffs, production costs, and exchange rates. Additionally, external factors like climate change play a significant role in driving up international poultry prices.

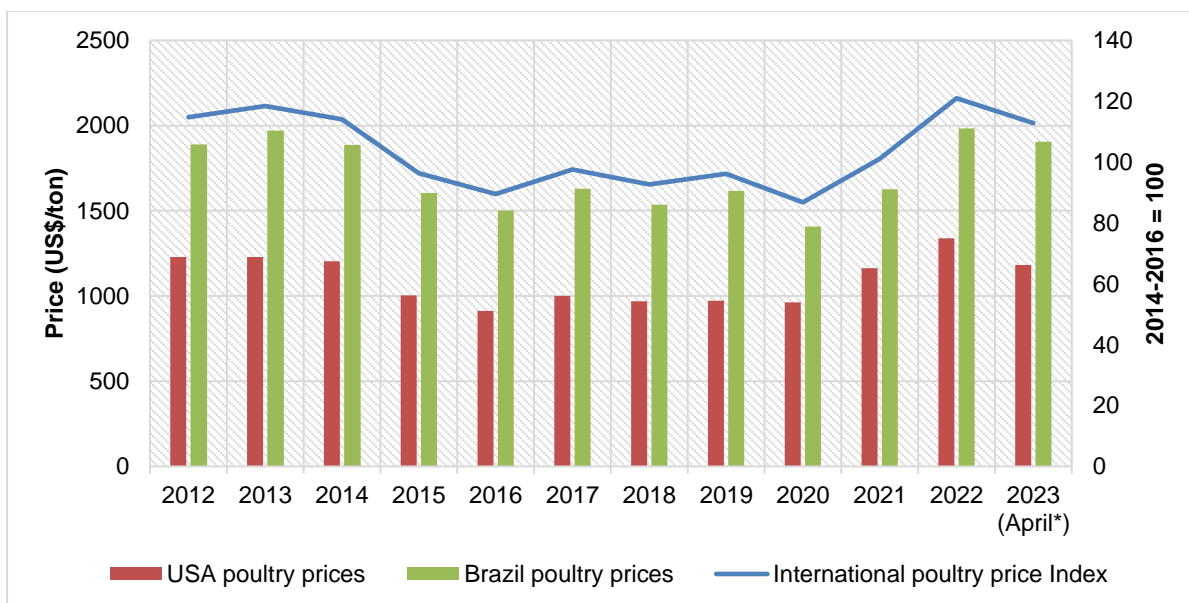


Figure 13: International poultry price and index trends

Source: FAO (2023)

3.1.1.3 International beef prices

International bovine (beef) price patterns from 2012 to April 2023 are shown in **Figure 14**—foot-and-mouth disease (FMD) constrained beef production in Asia (FAO, 2023). From 2022, the global decline in the leading beef exporters’ prices drove a considerable decrease in the global beef index. Based on the FAO data, between 2012 and April 2023, the annual global beef meat price index escalated by 25.7%. During the same period, export prices from the USA, Australia, and Brazil increased by 37.2%, 21.9%, and 1.5%, respectively.

On a year-on-year basis, among the global leading beef exporters, prices of meat exported from the United States, Australia, and Brazil declined by 8.8%, 12.2%, and 18.1%, respectively, from 2022 to 2023. The global beef price index decreased by 9.1% for the same period.

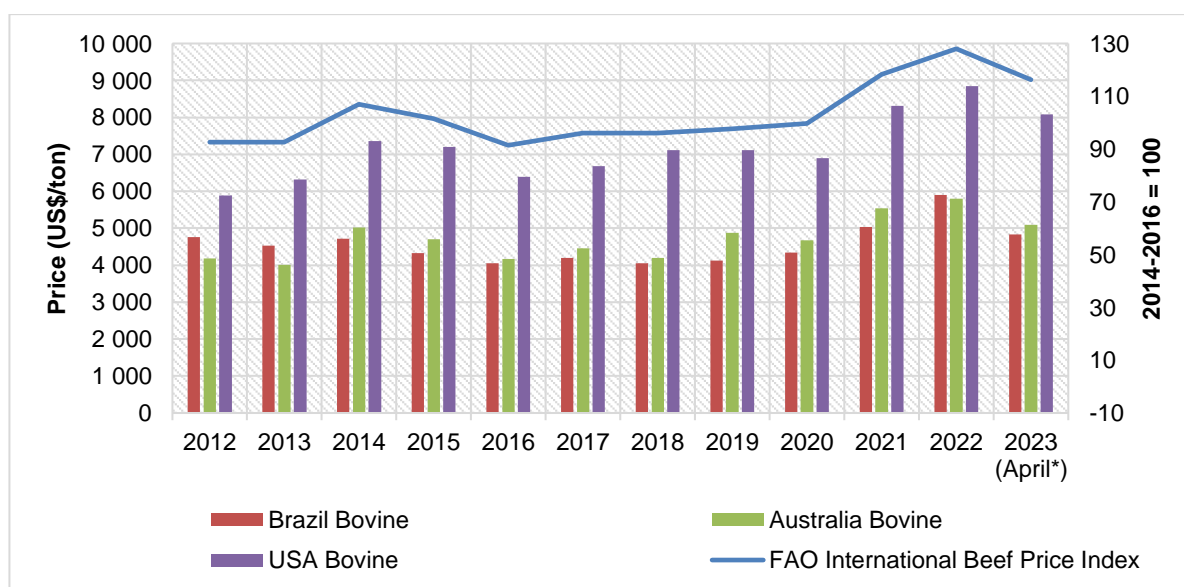


Figure 14: International beef price and index trends

Source: FAO (2023)

3.1.1.4 International sheep (ovine) prices

Global lamb prices from New Zealand experienced a stable trend in 2018, then a dip in 2019, before recovering in 2021 and remaining at their highest level since 2012. The international price from 2012 through April 2023 is shown in **Figure 15**. Based on the data from the FAO, the international lamb price index increased by 10.9% between 2012 and 2023 (April) but decreased by 1.8% between 2021 and 2023 (April). The declining trend continued when comparing 2022 with April 2023; the index was 5.7% lower. Lamb prices in Australia and New Zealand have been driving the surge, but from 2021 to 2022, New Zealand prices remained more stable while Australia's lamb prices declined by 12.7%. The decline persisted from the beginning of 2023 to April, coinciding with a decrease in the global lamb index. The decline might have been driven by price drops in Australia and New Zealand, which also declined by 6.2% and 0.5%, respectively, during that time.

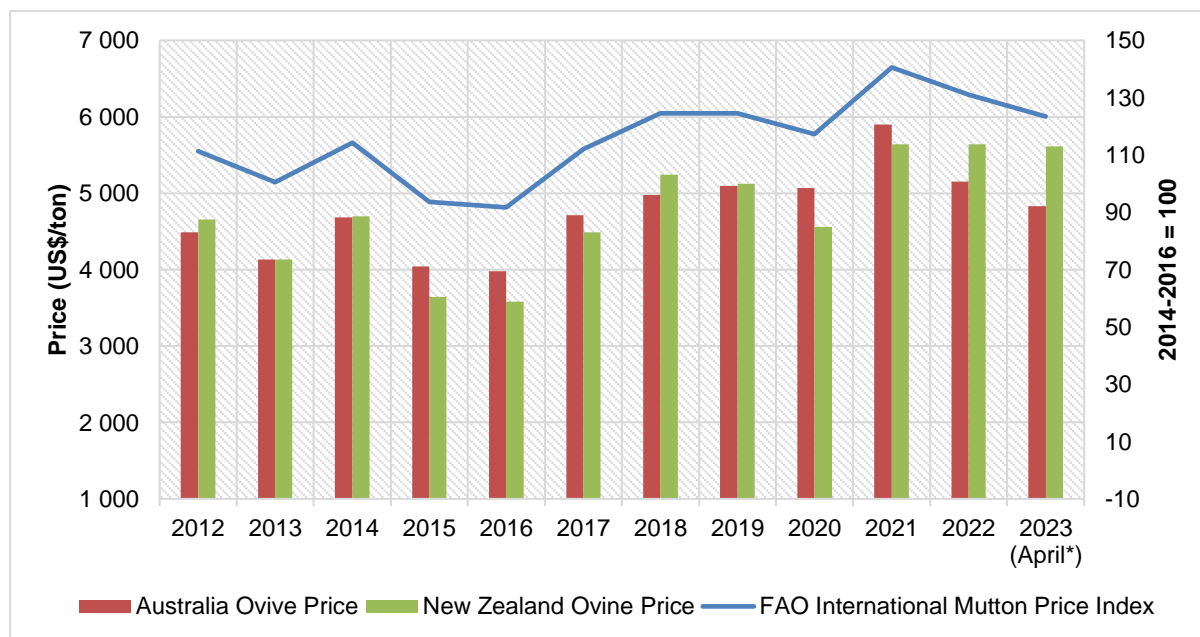


Figure 15: Annual averages for international Ovine (lamb) Price and Index trends

Source: FAO (2023)

3.1.1.5 International pork prices

Owing to sustained low purchases, primarily by China, which had a negative impact on global pork pricing, several major importers appeared to have increased their imports of pork meat, giving the impression that prices had marginally recovered. However, the overall picture shows that prices were significantly lower after modestly rising, on average, during 2021. The global pork price index from 2012 to April 2023 is shown in **Figure 16**. Brazil and the United States recorded the most significant declines in the international pork price index over this time, at 9% and 8%, respectively. At the same time, Germany experienced an increase of 9%. The global pork price index increased by 2% for the same period.

On a year-on-year basis, between 2022 and 2023, the international pork price index considerably increased by 10.6%, while prices in Germany and Brazil increased by 23.3% and 4%, respectively. The United States registered lower pork meat prices, falling by 4.3%, which can be linked to the export ban following a reasonably lengthy period of African Swine Fever (ASF) disease outbreaks.

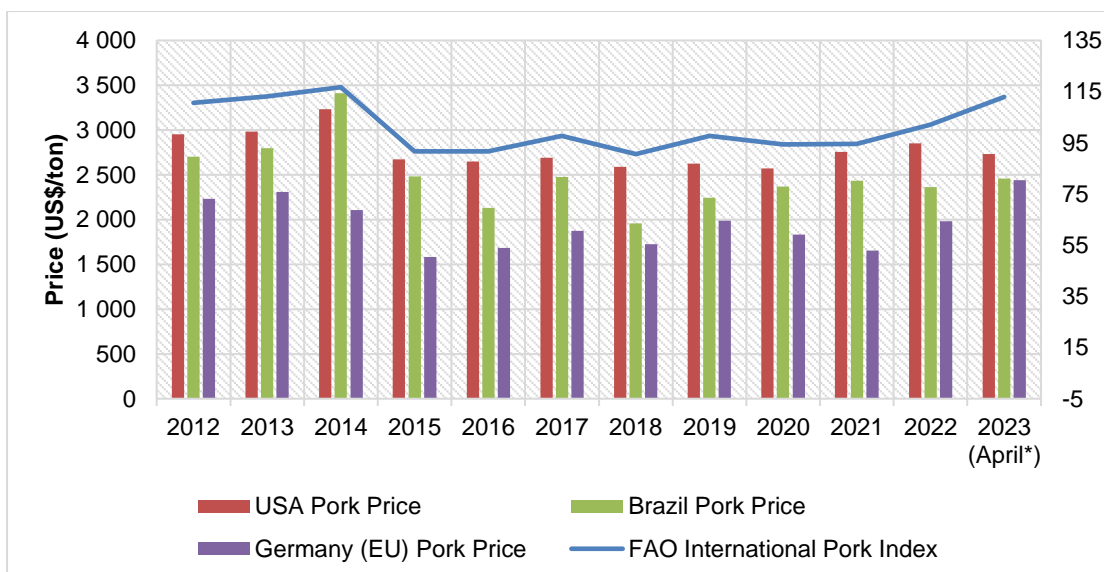


Figure 16: Annual averages for international Pork Price and Index trends

Source: FAO (2023)

3.1.2 Domestic meat production and consumption trends

3.1.2.1 Introduction

This subsection provides an overview of meat production and consumption trends in South Africa, broken down by species, and highlights the retail and producer prices of specific meat products. Livestock production plays a significant role in ensuring food security in South Africa, with approximately 70% of agricultural land dedicated to producing livestock and game species. South Africa contributes about 21.4% of the meat consumed within the African continent. However, its presence in the global meat market is relatively modest, accounting for just 1% of the total global market (AgriSETA, 2022). The livestock sector constitutes a substantial portion of South Africa's overall agricultural output and is a vital source of employment and protein for the country's population.

The broader agricultural sector in South Africa is characterised by a dualistic structure that extends across various subsectors, including the meat industry. This duality is particularly evident in the poultry, beef, and pork industries. In the commercial sector, operations often function at a larger scale and benefit from high levels of mechanisation and infrastructure. In contrast, the smallholder sector faces greater vulnerability to disease outbreaks, such as African Swine fever (ASF), in the pork industry. This vulnerability stems from inadequate infrastructure and minimal investment, which expose farmers' animals to diseases and other challenges.

3.1.2.2 Poultry production and consumption

According to AgriSETA's report in 2022, South Africa's poultry industry holds a prominent position within the agricultural sector, contributing over 20% to the country's Gross Domestic Product (GDP) and representing 43% of all animal products. This industry employs approximately 110,000 individuals directly and indirectly through its entire value chain. Moreover, it is vital in fostering rural development and is the primary protein source for South Africa's population. Much like the global trend, South Africa is witnessing a surge in poultry consumption. As per a recent assessment by the United States Department of Agriculture (USDA) in 2022, Sub-Saharan Africa (SSA) is expected to become the largest global importer of poultry due to rising demand. Consequently, countries like Brazil, the USA, and the EU have ramped up their chicken production.

South Africa, too, is under pressure to boost poultry production. However, the local industry faces challenges that hinder its production development, including high feed costs, issues with electricity generation, and disease outbreaks.

Based on data from the Department of Agriculture Land Reform and Rural Development (DALRRD), the total domestic poultry production in 2013 was 1 684 754 tons, which increased to 1 951 052 tons in 2022, representing a growth rate of 15.8%. In 2021, the total domestic poultry production was 1 909 975 tons, rising to 1 951 052 tons in 2022, indicating a growth rate of 2.15%. Domestic consumption in 2013 stood at 2 059 014 tons and grew to 2 282 140 tons in 2022, marking a growth rate of 10.83%. However, in 2021, the total domestic consumption was 2 304 291 tons, slightly decreasing to 2 282 140 tons in 2022, indicating a 0.96% decline in consumption (see Figure 17).

These figures suggest that the increase in production and a slight increase in consumption may result in a decline in local poultry prices as the supply surpasses the demand. It's important to note that these trends have been observed in previous years, but the circumstances for 2022 may have changed. While production was reported to be improving early in 2022, it may have been hindered by the production issues mentioned earlier. On the other hand, poultry consumption may have picked up due to economic challenges, leading consumers to opt for the most affordable source of animal protein.

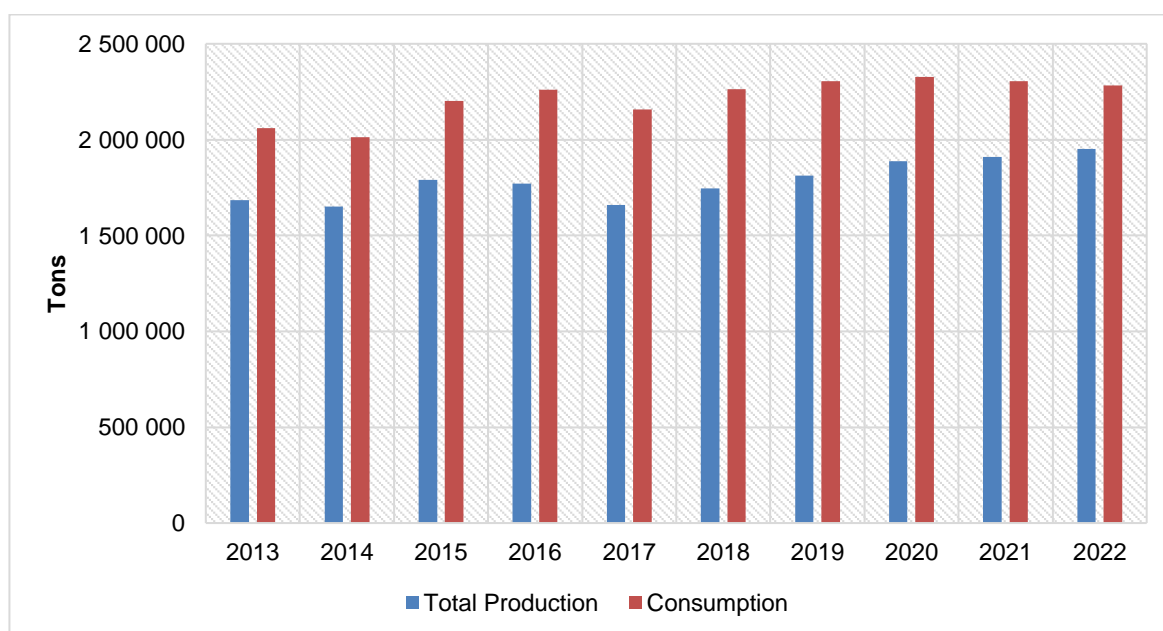


Figure 17: Poultry production and consumption

Source: DALRRD Abstract (2023)

3.1.2.3 Beef production and consumption

Figure 18 provides an overview of the beef industry's marketing seasons from 2013 to 2022. During this period, beef production outpaced consumer demand. In 2013, the total domestic beef production was 953 107 tons, increasing to 1,008 272 tons in 2022, representing a growth rate of 5.78%. However, in 2021, the total domestic beef production was 1,053 155 tons, which decreased to 1 008 272 tons in 2022, indicating a 4.26% decline in beef production. Domestic consumption in 2013 stood at 949 013 tons, growing to 987 333 tons in 2022, marking a growth rate of 4.03%. Conversely, in 2021, the total domestic beef consumption was 1 029 263 tons, which decreased to 987 333 tons in 2022, reflecting a 4.07% decline in consumption.

The decline in beef production and consumption can be attributed to several challenges. Beef production is less efficient in terms of feed conversion to meat, and it takes longer for beef to be market-ready compared to chicken production for chicken products. Additionally, beef cattle require larger areas of

land to graze, making it less suitable for farming in smaller areas. These factors make beef production more challenging and expensive than poultry and pork production, especially in developing countries and growing markets like South Africa. Despite these challenges, South Africa has been a net beef exporter, supporting domestic consumption and exports. However, the beef sector in South Africa faced difficulties in 2022 due to the aftermath of COVID-19, including supply chain backlogs, upward pricing pressure, and ongoing disease management burdens such as Foot-and-Mouth Disease outbreaks (Senwes, 2022). When comparing beef production and consumption quantities for the 2022 season, it's evident that there were no significant improvements in beef exports, as most of the production was consumed locally.

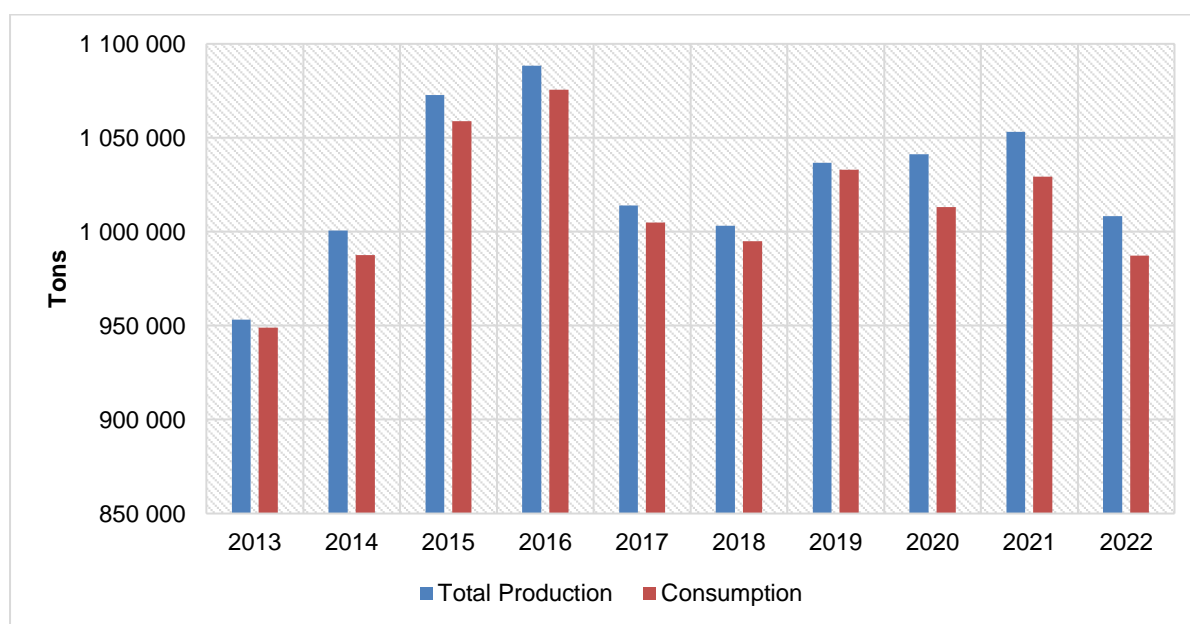


Figure 18: Beef production and consumption

Data source: DALRRD Abstract (2023)

3.1.2.4 Sheep, lamb and goat production and consumption

Figure 19 provides an overview of sheep, lamb, and goat meat production and consumption from the 2013/2014 marketing season to the 2022 marketing season, indicating a continuous decline in production and consumption. According to data from the Department of Agriculture, Land Reform, and Rural Development (DALRRD), in 2023, the total domestic production of sheep, lamb, and goat meat in the 2013 season was 177 850 tons, which decreased to 161 060 tons in the 2022 season marking a 9.44% decline in production of sheep and goat meat. Similarly, the total domestic production of sheep and goat meat for the 2021 season was 168 280 tons, which declined to 161 060 tons in the 2022 season, indicating a 4.29% decline in sheep and lamb meat production.

In terms of consumption, the total domestic consumption of sheep and goat meat in the 2013 season was 184 905 tons, which decreased to 172 869 tons in the 2022 season, representing a 6.5% decline in sheep and goat meat consumption. Likewise, the total domestic consumption of sheep and goat meat in 2021 was 177 000 tons, which decreased to 172 869 tons in 2022, reflecting a 2.33% decline in sheep and goat meat consumption.

The data indicates domestic consumption exceeds domestic production, suggesting that demand surpasses supply. This supply-demand gap could potentially increase local prices for sheep and goat meat.

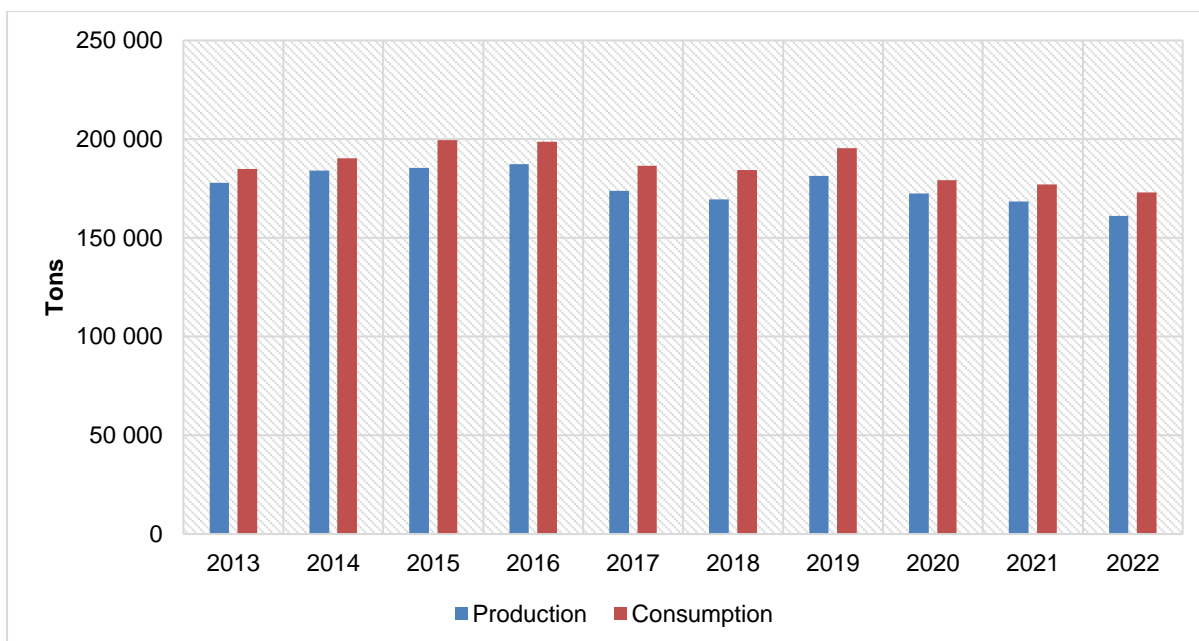


Figure 19: Sheep, lamb and goat production and consumption

Data source: DALRRD Abstract (2023)

3.1.2.5 Pork production and consumption

Trends in pork production and consumption from the 2013 marketing season to the 2021 marketing season are depicted in **Figure 20**. In 2013, the total domestic pork production was 216 220 tons, which increased to 352 340 tons in the 2022 season, marking a substantial growth rate of 62.95%. Similarly, the total domestic pork production in the 2021 season was 321 570 tons, which grew to 352 340 tons in the 2022 season, reflecting a 9.57% growth rate in pork production during the period under analysis. As for domestic consumption, in 2013, it amounted to 242 090 tons and rose to 365 680 tons in the 2022 season, indicating a growth rate of 51.01%. In 2021, the total domestic pork consumption was 338 190 tons, which increased to 365 680 tons in 2022, representing an 8.13% growth in consumption during the period analysed.

According to the latest data from Statistics SA, the provinces of Limpopo and Northwest are the leading pork producers in South Africa, contributing 24% and 21% of the total production, respectively. Following closely, the Western Cape and Gauteng account for 11% each, while KwaZulu-Natal contributes 10%. On the other hand, the Northern Cape has the lowest pig production share at 1% (Stats SA, 2022). Both pork production and consumption have shown significant increases over the years, establishing pork as one of the principal meats in South Africa. However, profit margins in the pork industry remain volatile due to various factors, including rising feed prices and recent outbreaks of African Swine Fever domestically and globally.

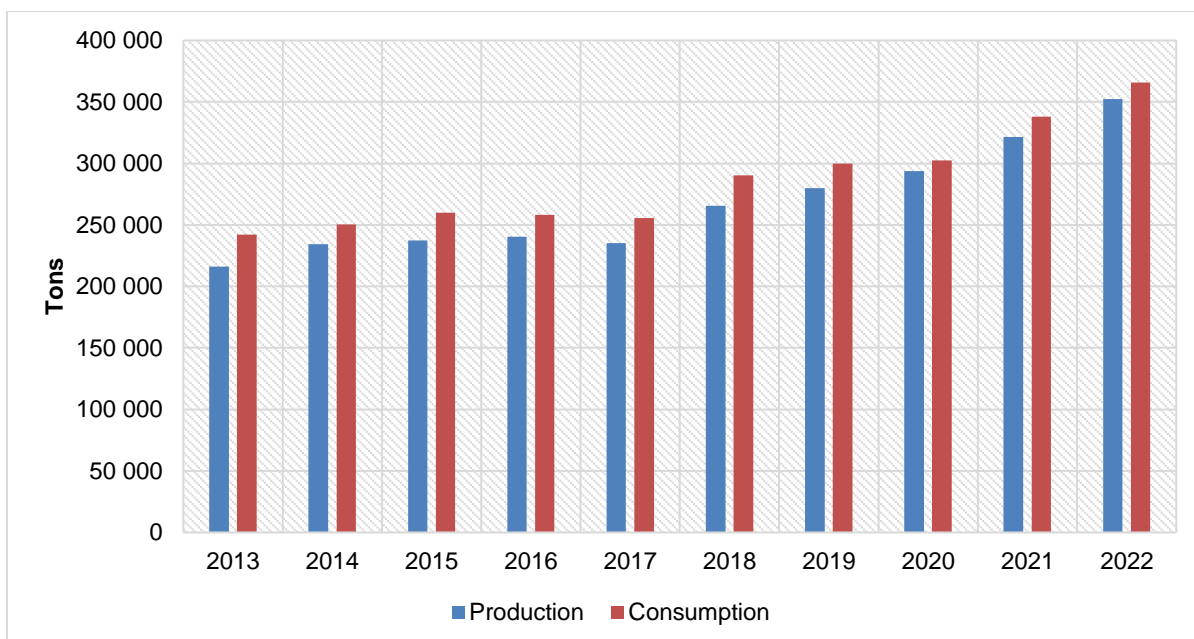


Figure 20: Pork production and consumption

Source: DALRRD Abstract (2023)

3.1.3 Domestic price trends in the meat sector

3.1.3.1 Domestic poultry prices

Figure 21 illustrates the changes in producer and retail prices for various poultry products from April 2017 to April 2023. Over this period, there have been notable increases in the monthly average producer prices for chicken in different forms: frozen portions, fresh portions, and Individual Quick Frozen (IQF) chicken portions. Specifically, producer prices for chicken fresh portions per kilogram increased from R25.19 in 2017 to R33.57 in April 2023. Meanwhile, producer prices for chicken frozen portions and chicken-IQF portions per kilogram increased from R26.22 to R34.07 and R23.52 to R32.37 for the same period. In April 2023, there was an 11.1% year-on-year increase in producer prices for chicken fresh portions, a 9.1% increase for chicken frozen portions, and a 13.9% increase for chicken-IQF portions.

Between 2017 and April 2023, the monthly average retail prices for IQF chicken portions (2kg), fresh whole chicken (per kilogram), and fresh chicken portions (per kilogram) also witnessed significant escalations of 48.5%, 30.7%, and 40.7%, respectively. For instance, in January 2017, these products were sold at R62.26 per kilogram for IQF chicken portions, R56.15 per kilogram for fresh whole chicken, and R44.03 per kilogram for fresh chicken portions. By April 2023, the prices had risen to R92.50, R79.05, and R57.59 per kilogram, respectively. On a year-on-year basis, retail prices for fresh whole chickens experienced a slight decline of 1.5% in April 2023 compared to the same period in the previous year. In contrast, the prices for fresh chicken portions and IQF portions increased by 15.2% and 7.9%, respectively. Several factors contribute to the rise in poultry prices, including increasing feed costs, rising global poultry consumption, and the impact of Avian Influenza (AI) outbreaks.

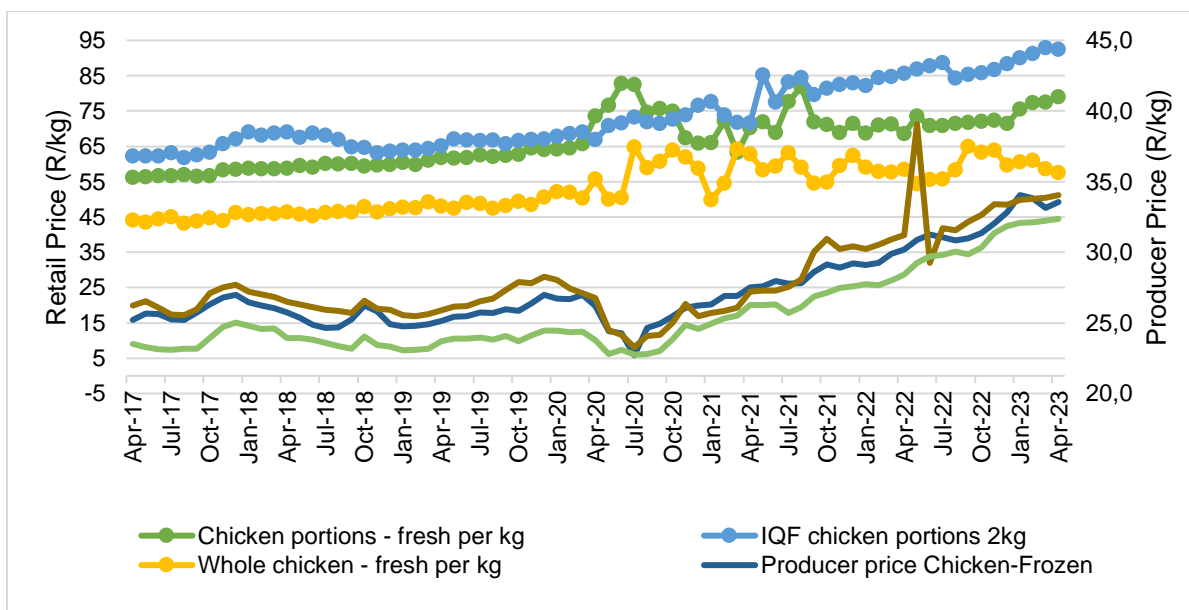


Figure 21: Poultry producer and retail price trends

Data Source: AMT and Stats SA (2023)

3.1.3.2 Domestic beef prices

Figure 22 provides an overview of producer and retail prices for various grades of beef from June 2020 to April 2023. According to the Agricultural Markets Trends (AMT) data, there were significant increases in the monthly average producer prices for different beef classes during this period. Specifically, beef classes A2/A3, B2/B3, and C2/C3 experienced increases of 15.4%, 16.0%, and 30.8%, respectively. For example, the producer price for A2/A3 increased from R45.36 in June 2020 to R50.39 in April 2022, while producer prices for B2/B3 and C2/C3 increased from R40.34 in June 2020 to R46.80 and R44.91 in April 2022, respectively. On an annual basis, in April 2022, A2/A3 producer prices decreased by 5.6%, while B2/B3 and C2/C3 producer prices decreased by 13.9% and 9.8%, respectively.

The retail price of beef offal showed a decrease after March 2022. The average monthly retail prices for beef offal decreased by 30.1% between June 2020 and June 2022. However, the average monthly retail prices for beef brisket, chunk, T-bone, stew and rump increased by 24.0%, 23.9%, 21.3%, 13.7%, and 8.2%, respectively, between June 2020 and June 2023. The COVID-19 lockdown in March–April 2020 led to a general increase in meat prices, which continued to fluctuate. Consequently, consumers shifted to less expensive beef items like beef offal, stew, and brisket to manage their spending, causing noticeable price increases for these products. In April 2022, beef rump, chunk, brisket, and T-bone showed a decreasing trend of 5.4%, 3.7%, 2.5%, and 1.5%, respectively, year-to-year. In contrast, beef offal, stew, and brisket saw year-on-year increases of 19.3%, 16.4%, and 11.6%, respectively, in April 2022. During the same period, retail prices for beef offal and stew slightly increased by 2.4% and 0.6%, respectively.

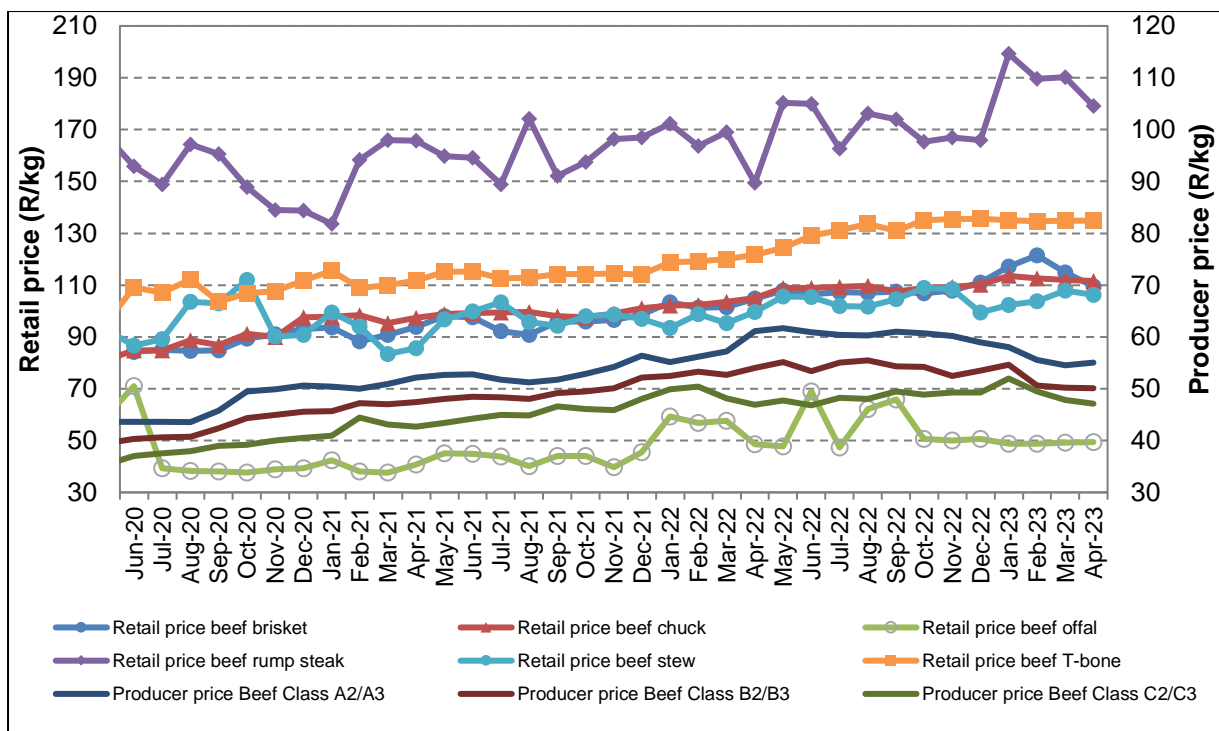


Figure 22: Retail and producer price trends for different beef cuts

Source: AMT and Stats SA (2023)

3.1.3.3 Domestic lamb prices

Figure 23 illustrates the monthly average producer and retail prices for various lamb grades and selected cuts from June 2020 to June 2023. During this period, lamb class A2/A3 producer prices increased by 9%, while classes B2/B3 and C2/C3 also experienced increases of 4.7% and 62.1%, respectively. When comparing June 2023 with the same period the previous year, class C2/C3 saw an average decrease of 20.5% (from R75.28 in June 2022 to R59.82 in June 2023), followed by class B2/B3 with a decline of 20.2% (from R78.04 in June 2022 to R62.20 in June 2023). Class A2/A3 lamb producer prices for the same period showed the least growth, at 15%, rising from R105.30 to R89.46.

From November 2018 to March 2020, before the COVID-19 lockdown, retail prices for lamb cuts followed a consistent trend. As shown in Figure 23, lamb chops prices have remained high, similar to beef pricing. The figure displays pricing patterns for retail lamb cuts from June 2020 to June 2023. During this time frame, prices for sheep offal increased by an average of 32.2%. Mutton neck prices increased by 30.7%, stew prices increased by 6.1%, and rib chop prices increased by 4.2%. However, the retail price for mutton loin chops decreased by 3.4%. In June 2023, compared to the same period in 2022, mutton neck prices and offal increased by 6.8% and 2.4%, respectively, while mutton loin chops, rib chops, and stew prices decreased by 4.9%, 4.5%, and 3.3%, respectively.

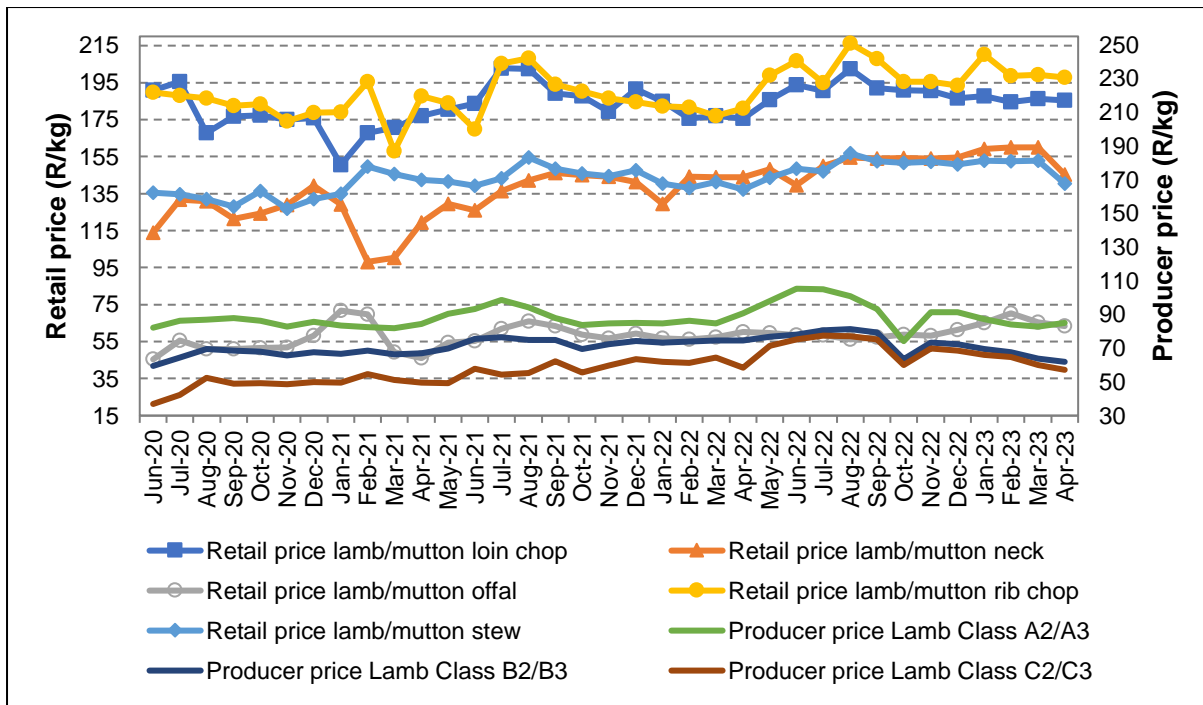


Figure 23: Lamb retail and producer price trends

Source: AMT and Stats SA (2023)

3.1.3.4 Domestic pork prices

Figure 24 illustrates the price trends of pork from June 2020 to June 2023 based on data sourced from AMT. During this period, there was a notable 28.9% increase in producer prices for porkers (20 to 55kg pigs), rising from R22.95/kg in 2020 to R29.57/kg in June 2023. Additionally, baconers (66 to 80kg pigs) experienced a 28.8% price hike, climbing from R21.62/kg in 2020 to R28.87/kg in June 2023. Examining the annual changes, porker producer prices saw a 2.6% decrease from R27.85 in June 2022 to R29.57, while baconer producer prices declined by 2.1% from R27.14 to R28.87 over the same period.

On the retail front, the cost of pork chops saw a 6.7% increase between June 2020 and June 2023, jumping from R88.82/kg to R94.74 in June 2023. In contrast, pork rib prices surged by 29.7% during the same timeframe, rising from R74.49/kg in 2020 to R96.5 in June 2023. Regarding annual comparisons, the retail price of pork chops decreased by 8.5%, going from R96.88/kg in June 2022 to R94.74 in June 2023. Meanwhile, the price of pork ribs decreased by 1.4%, declining from R100.10/kg in June of the previous year to R96.58 in June 2023, as depicted in **Figure 24**.

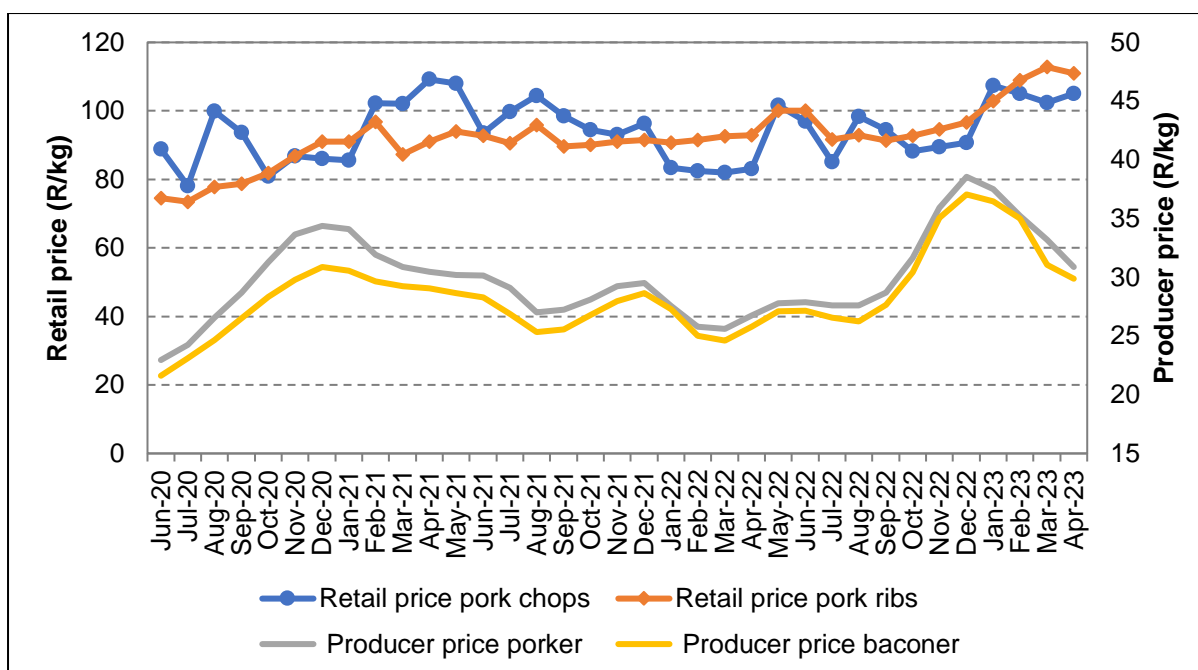


Figure 24: Pork retail and producer price trends

Source: AMT and Stats SA (2023)

3.1.4 Meat and dairy trade

Figure 25 illustrates South Africa's poultry industry's trade performance (exports and imports) for the past 5 years between 2018 and 2022. The illustration suggests that South Africa is a net importer of poultry meat. This is evident from the observed negative trade balance over the years. However, the observed trade deficit is gradually shrinking as South Africa increases its poultry meat exports and declining imports. Over the past five years, South Africa's value of poultry imports has decreased by 30% from R6.50 billion in 2018 to R4.56 billion in 2022.

Conversely, poultry meat exports increased by 35% from R1.11 billion in 2018 to R1.49 billion in 2022. The major suppliers for South African poultry meat imports were Brazil, which accounted for a share of 72.8%, followed by the United States of America (USA) (14.9%), Argentina (8.9%), Spain (0.9%), and Chile (0.6%) (Trade Map, 2023). In 2022, almost 359 000 tons of chicken products were imported, with mechanically deboned meat (MDM) accounting for the largest share of 53%, followed by frozen pieces and offal (45%), and fresh and chilled pieces and offal (2%). Consumer demand for affordable protein meat is high in South Africa since poultry is relatively low-cost compared to beef, pork, or mutton. The current economic climate has pushed poultry meat consumption to exceed production in the country, making it necessary to import and fill the gap (Competition Commission South Africa, 2023). However, recently, there has been an increasing trend for South Africa to export poultry meat. South Africa's major export destinations for poultry are Lesotho, which constitutes 41.5% of South Africa's exports, followed by Mozambique (31.1%), Namibia (13.2%), Botswana (4.2%), and Eswatini (3.6%). A large share of exports is in the Southern African Customs Union (SACU) region, and the Poultry master plan has the potential to boost market access. Still, an increasing interest is also in expanding exports towards the Middle East nations.

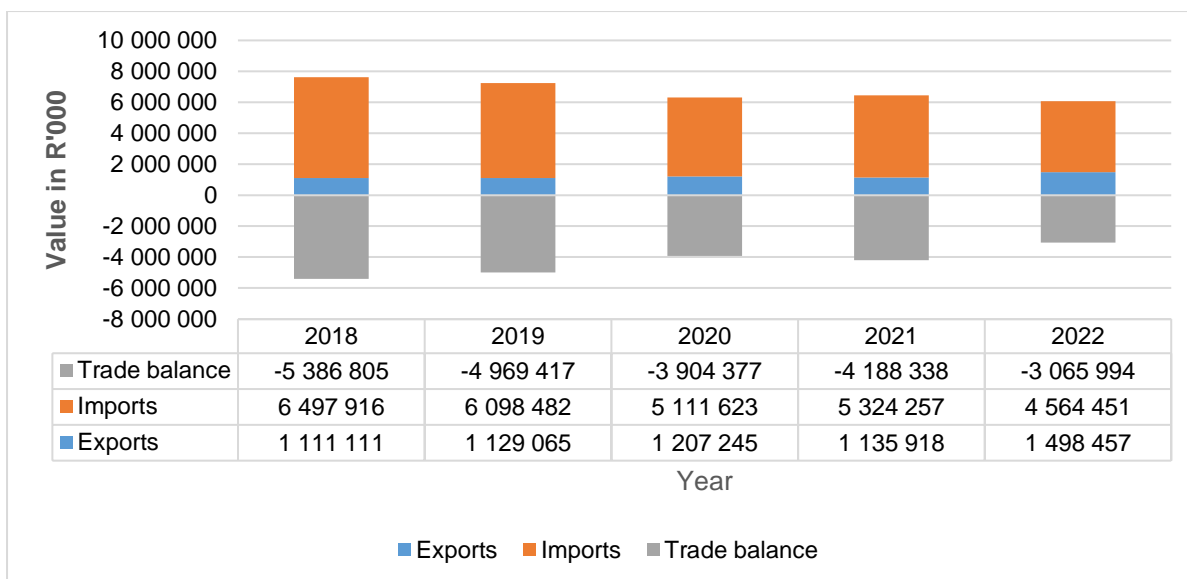


Figure 25: South Africa's trade performance of poultry (HS code 0207)

Source: Trade Map (2023)

The illustration below (**Figure 26**) implies that South Africa is a net beef exporter. In 2018, South Africa exported beef worth R969 million while importing just R32 million. Both imports and exports increased significantly between 2018 and 2022. In 2022, beef imports and exports were valued at about R42 million and R1.59 billion, respectively. The country exported 15 477 metric tons of fresh or chilled beef, a 10% growth from 2018. The export market is conducive, and South Africa currently exports 4% of the beef produced. It has signed more than 30 bilateral agreements that will significantly boost the beef industry (NAMC, 2023). The United States of America's beef industry is at its lowest and is insufficient in terms of supplying the Asian market (NAMC, 2023). Therefore, this implies more export opportunities lie ahead for the South African beef industry to occupy the beef market. South Africa's major export beef destinations were Kuwait, accounting for 25.7%, Jordan (17.5%), United Arab Emirates (16.1%), Qatar (13.1%), and Mozambique (8.9%) (Trade Map, 2023).

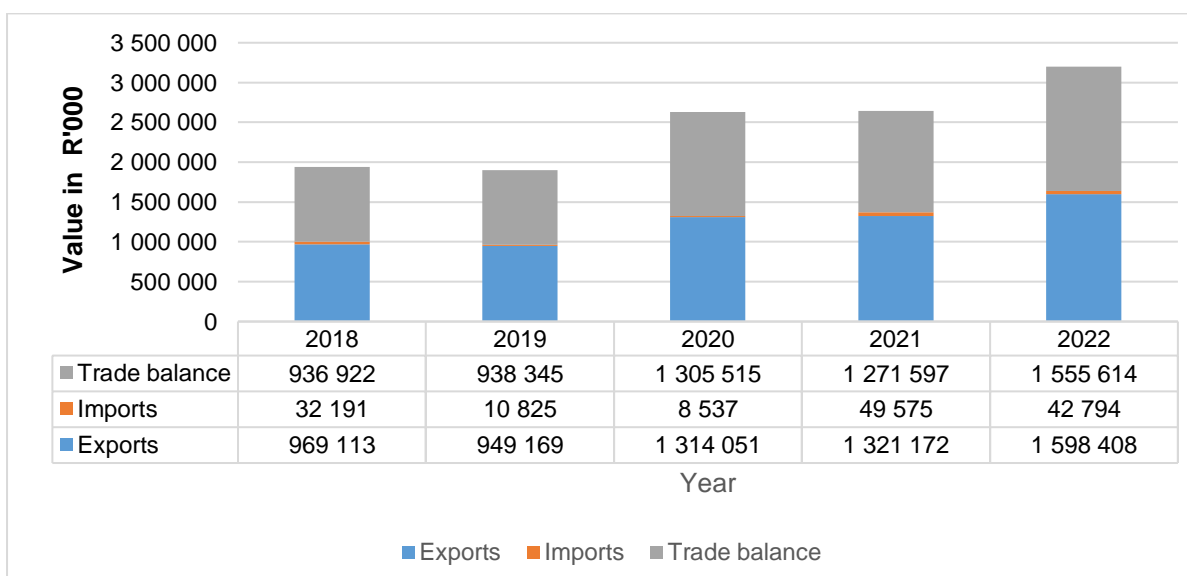


Figure 26: South Africa's trade performance of fresh or chilled beef (HS code 0201)

Source: Trade Map (2023)

The trade performance of frozen beef from 2018 to 2022 is shown in **Figure 27**. It can be noted that South Africa was a net exporter of frozen beef during the period under review, although exports had slightly declined by 0.66% between 2018 and 2022. South Africa exported R881.1 million worth of frozen beef in 2022 and imported R119.1 million of the same product. The country achieved a positive balance of R762 million in 2022. The country's exports in 2019 were the lowest, attributable to the outbreak of food-and-mouth disease (FMD), while the value of exports also declined in 2022 compared to 2021 due to outbreaks in March of 2022, which resulted in South Africa's biggest export market, China placing restrictions on cloven-hoofed animals and their products (USDA, 2022). China was the largest market for South Africa's frozen beef in 2022, with a 14.5% share, followed by the United Arab Emirates (12.6%), Lesotho (9.6%), Mozambique (9%), etc.

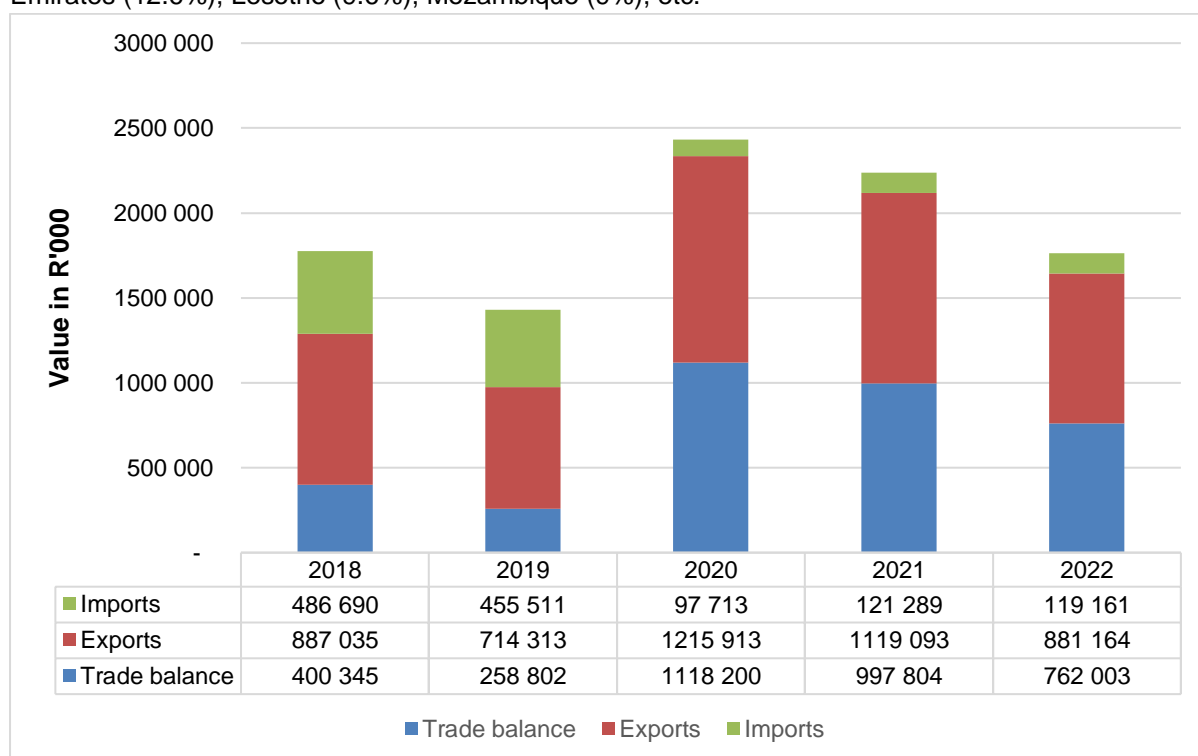


Figure 27: South Africa's trade performance of frozen beef (HS code 0202)

Source: Trade Map (2023)

Figure 28 shows South Africa's trade performance of pig products, including frozen pork, fresh or chilled pork, frozen hams, shoulders, and bone in cuts for the past 5 years. South Africa remains a net importer of these products, owing to the low production volumes compared to what the country consumes. However, the past 5 years between 2018 and 2022 have seen relative improvements in the trade balance, with South Africa increasing its exports through the advantages of bilateral trade agreements, although challenges such as the African swine fever, infrastructure, and rising input costs offset this growth (SAPPO, 2023). The trade balance has declined from a R642 million deficit in 2018 to about R483 million in 2022. In 2018, pork and other products' imports and exports were valued at R972 million and R330 million, respectively. Interestingly, South Africa has been increasing its pork exports while reducing imports. In 2022, imports were valued at about R845 million, 13% less than the level observed in 2018. On the other hand, over the past five years, pork exports increased by 10% to a value of about R362 million in 2022. The major suppliers of South Africa's pork imports in 2022 were Brazil (35.6%), Spain (17.5%), United Kingdom (14.2%), Netherlands (12.5%) and Ireland (8.7%) (Trade Map, 2023). South Africa's pork export markets were in the Southern African Development Community (SADC) region in 2022, with primary export destinations being Mozambique (48.8%), Namibia (15.7%), Lesotho (11.9%), Zimbabwe (7.3%) and Botswana (2.7%) (Trade Map, 2023).

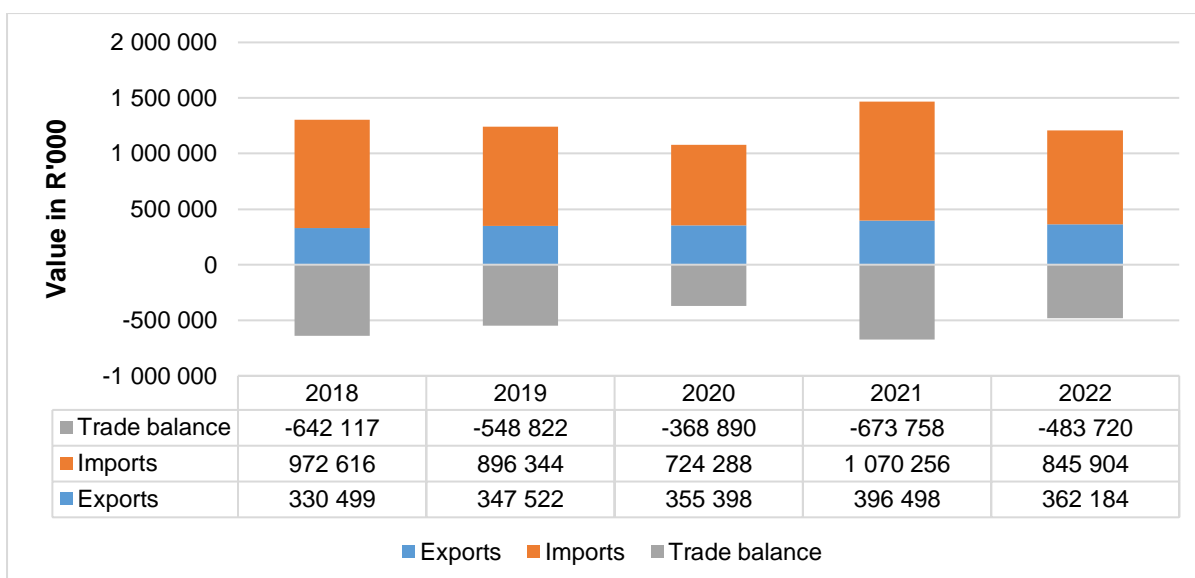


Figure 28: South Africa's trade performance of pig products (HS Code: 0203)

Source: Trade Map (2023)

Figure 29 below illustrates South Africa's export and import trade performance of lamb and its carcasses (HS code 020410 and HS code 020430) from 2018 to 2023. South Africa is a net exporter of lamb, and the industry has experienced growth in exports in the past five years, with a positive trade balance observed during the period under review. The major importer of lamb to South Africa between 2018 and 2022 was Namibia, which provided 100% of the lamb. The major markets for South African lamb exports in 2022 were Qatar (46%), United Arab Emirates (37%), Kuwait (13%), and Lesotho (2%). It can be noted that the import trend is downward, and the export trend is increasing (Trade Map, 2023). Over the period under consideration, lamb imports experienced a drastic 79% decline from R5 million in 2018 to about R1 million in 2022. At the same time, exports increased by 1 429% from about R19 million in 2018 to about R290 million in 2022.

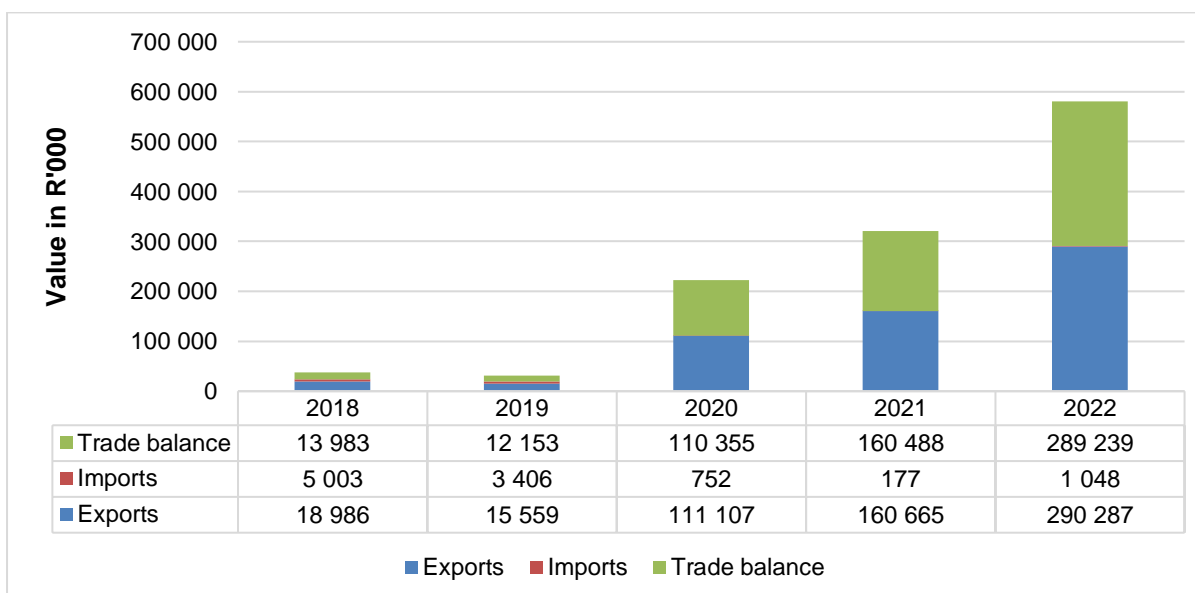


Figure 29: South Africa's trade performance of lamb and its carcasses (HS Code: 020410 and HS Code 020430)

Source: Trade Map (2023)

3.1.5 Conclusion

In 2022, global meat production encountered formidable obstacles, such as rising input costs, particularly in energy, animal feed, and fertiliser, and eroded profit margins. Disease outbreaks disrupted production, while trade restrictions in certain countries further compounded the challenges. Additionally, export limitations on grains and oilseeds, the Ukraine conflict and fluctuating crude oil prices exacerbated the situation. Diseases such as Highly Pathogenic Avian Influenza (HPAI), African Swine Fever (ASF) and Foot and Mouth Disease (FMD) weighed heavily on the industry globally, including in South Africa. Consumer preferences, influenced by various factors, including income and prices, dictated consumption patterns.

Poultry prices in 2022 were significantly affected by global supply constraints stemming from high feed costs, disruptions from the Ukraine conflict and Avian Influenza outbreaks. Conversely, the international beef meat index declined, driven by high export prices from major beef-producing countries like the USA, Brazil and Australia. Lamb meat prices remained steady in New Zealand but declined in Australia. Pork prices experienced a notable increase, potentially linked to reduced consumer spending during the COVID-19 pandemic and rising feed costs.

Domestically, poultry production increased while consumption remained steady, leading to a potential decline in local poultry prices due to oversupply. Avian Influenza, rising feed prices, and energy crises contributed to increasing domestic poultry producer prices. Beef production and consumption decreased due to efficiency challenges compared to poultry production. Beef prices increased domestically, leading consumers to opt for less expensive beef items, while South Africa continued to be a net exporter of beef. Lamb production and consumption steadily declined, driven by high production costs and shifting consumer preferences towards more affordable meat options like chicken and pork. Pork production and consumption steadily increased, driven by affordability and ease of production, but profit margins remained volatile due to rising feed prices and disease outbreaks. Pork meat imports decreased, with major suppliers including Brazil, Spain, and the United Kingdom, while pork exports focused on the Southern African Development Community (SADC) region.

Fluctuations in demand and supply continue to impact meat prices globally, necessitating increased output to meet rising demand. Failure to do so could lead to increased meat imports in South Africa, potentially affecting local industry competitiveness. Despite the significant economic impact of disease outbreaks and export limitations, the livestock industry remains a crucial source of income for many South Africans, albeit with challenges hindering its expansion.

3.2 Market trends in the field crop sector (maize, wheat, sunflower seed, and soybeans)

This section provides an overview of local production, consumption, price trends for maize, wheat, sunflower seed, and soybeans, as well as trade data for grains and oilseeds. Over the past three seasons, South Africa has significantly benefited from favourable weather conditions, which resulted in large harvests for most grains and oilseeds. The soybean crop produced in 2022 surpassed 2 million tons for the first time in history, reaching 2 230,000 tons. The wheat crop produced in 2021 surpassed the 2-million mark, reaching 2 285 000 tons, an increase of 8% from the crop produced in 2020 (2 120 000 tons). The maize crop produced in 2022 (15 470 000 tons) fell short of the 2021 crop (16 315 000 tons) on lower-than-expected yields. Additionally, the sunflower seed crop produced in 2022 reached 845 550 tons, up from the 678,000 tons produced in 2021. Given the growing population and the importance placed on ensuring food security, it is encouraging to see that grain production is rising.

In addition to having an excellent production season, South Africa had a great year in terms of exports in 2022, exporting 3.3 million tons of maize worth R17.36 billion.

3.2.1 Maize trends

Maize is South Africa’s most essential and commonly grown crop, primarily white maize for human consumption and yellow maize for animal consumption. The Free State, North West and Mpumalanga Provinces produce nearly all the country’s maize, accounting for about 82% of total production. **Figure 30** illustrates the production and area planted for maize. During the season under review, total maize production reached 15 470 000 tons, down 5% from the 2020/21 crop (16 315 000 tons), attributable to excessive rains resulting in lower yields. Nevertheless, carryover stock from the bumper crop produced in 2021 improved maize stock levels for the 2022/23 marketing year.

The amount of maize cultivated has fluctuated over time, which could be attributed to a shift to more profitable crops and unfavourable weather conditions. Unlike the fluctuations seen in previous drought-stricken years, the past three seasons have benefited substantially from good weather conditions. Please note that the 2021/22 production season coincides with the 2022/23 marketing season. Maize has a marketing year that runs from May 1 to April 30.

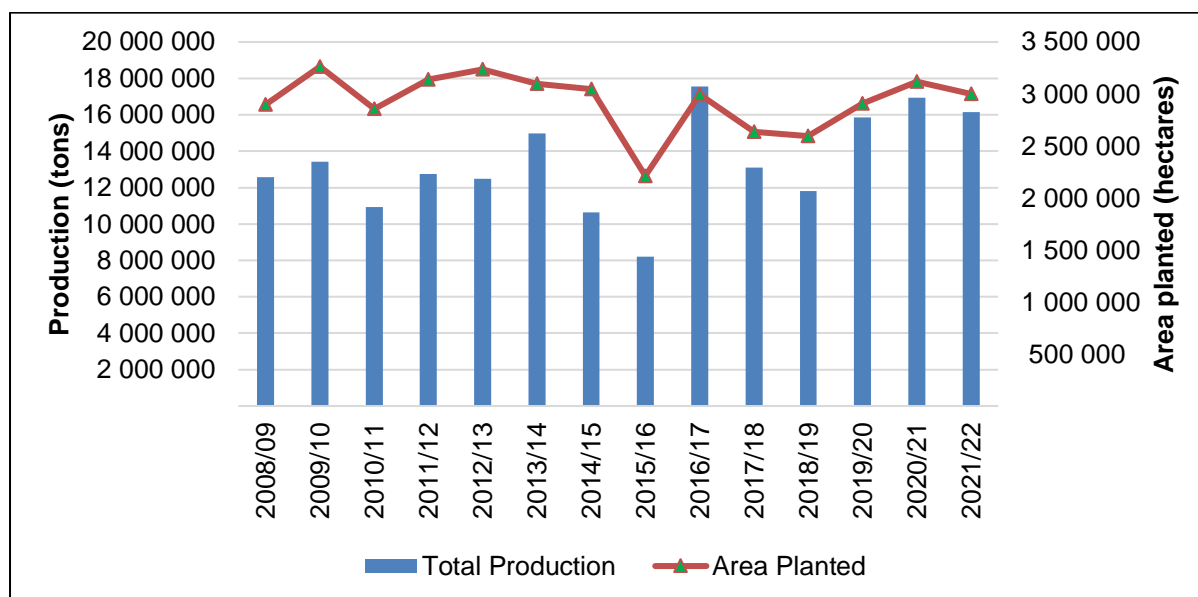


Figure 30: Maize production and area planted

Source: SAGIS (2023)

Figure 31 reflects the imports and exports of maize. South Africa is a net exporter of maize; nevertheless, there are some years when the country is compelled to import maize because of unfavourable weather conditions that result in a small crop, making it impossible for the country to meet the total demand requirements. During the season under review, there were no imports due to a sizable crop. Furthermore, maize exports reached 3 949 806 tons in 2022/23, the second-highest on record, attributable to a sizeable crop and market availability.

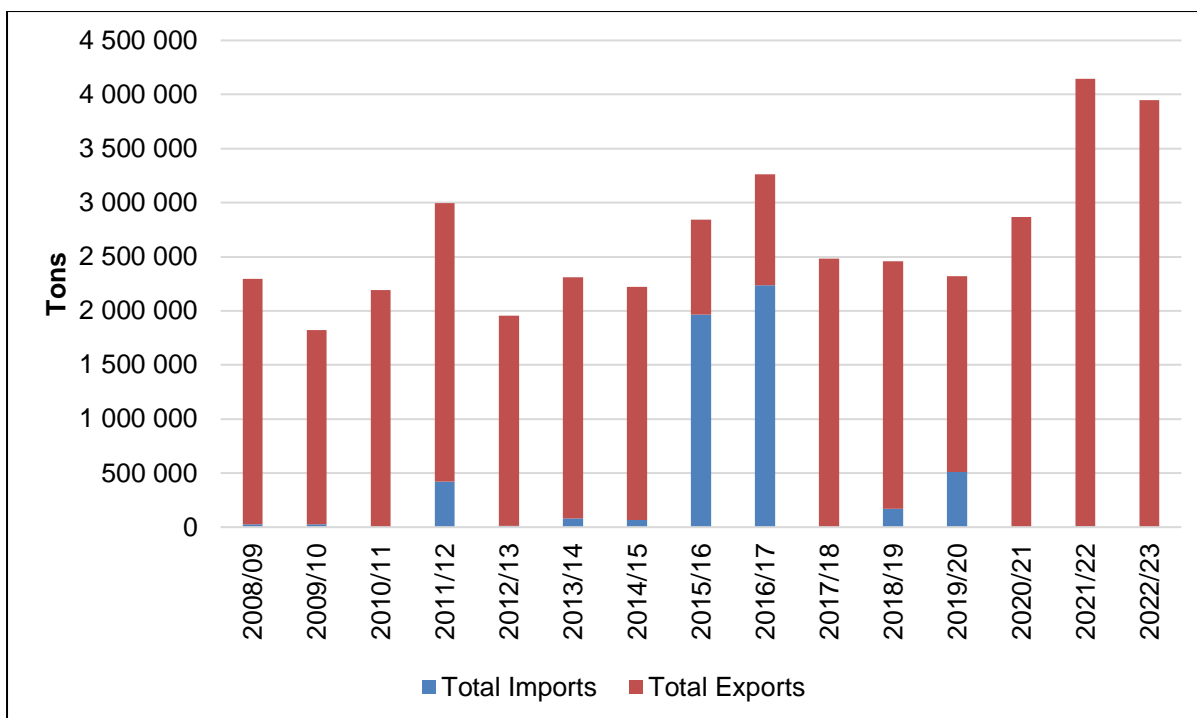


Figure 31: Maize Imports and Exports

Source: SAGIS (2023)

A picture of the overall supply and demand for white maize is depicted in **Figure 32**. During the season under review, total white maize supplied was 9 189 177 tons, down by 4.75% from 2021/22, on the back of low yields. Although white maize supplies were down, the total demand of 8 106 537 tons was still sustained. The total white maize demand was 8 106 537 tons, which was marginally higher than 8 057 886 tons in 2021/22, owing to white maize being processed for human consumption and a considerable increase in exports.

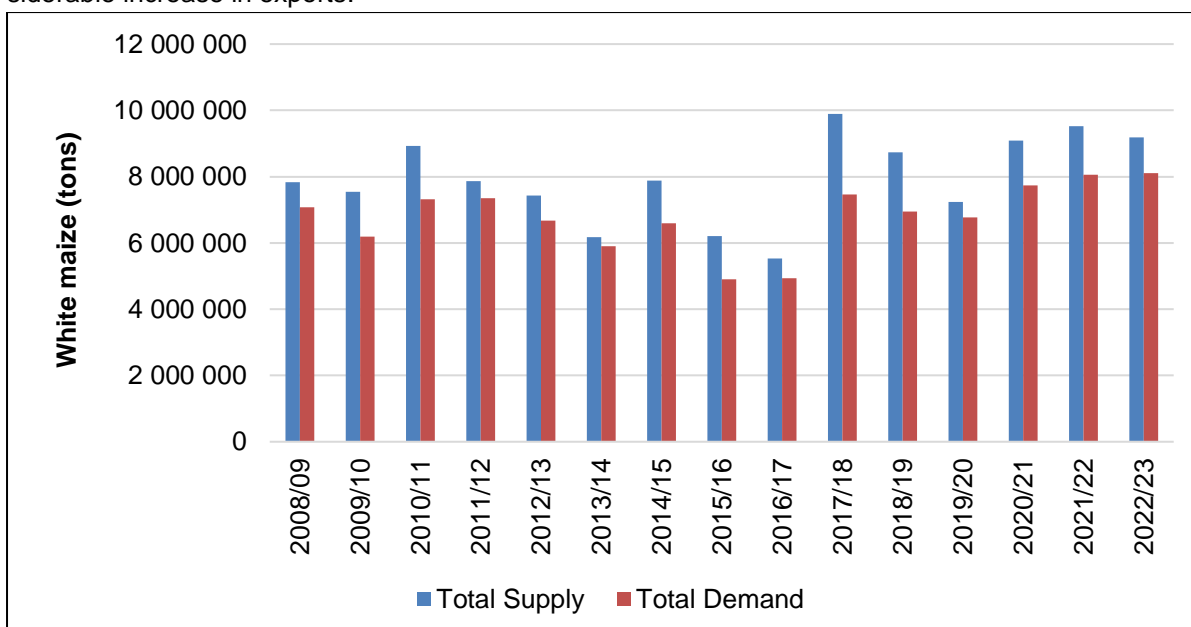


Figure 32: White maize total supply and demand

Sources: SAGIS (2023)

White maize is mainly utilised for human consumption; however, when white maize trades at a lower price than yellow maize, feed manufacturers will incorporate white maize in their feed rations. Approximately 80% of white maize production is processed as maize meal. **Figure 33** depicts the composition of white maize consumption, exports, and population. Processed white maize for human consumption increased from 4 697 765 tons to 4 827 300 tons in the 2022/23 season. The surge in consumption is possibly attributable to the growing population and high cost of alternative food products. The South African human population in 2022 was recorded at 60 605 000, an increase from 60 143 000 in 2021. White maize processed for animal and industrial use decreased by 34%, from 2 407 049 tons in 2021/22 to 1 583 331 tons, due to high white maize prices relative to yellow maize prices. Total white maize exports for 2022/23 amounted to 1 654 525 tons, up by 79% from levels exported in 2021/22 (924 434 tons), owing to high demand from Mexico and European nations. The 2022/23 white maize export destinations were Mexico, Italy, Botswana, Zimbabwe, Namibia, Kenya, Lesotho, Portugal, Mozambique, Honduras, Eswatini (Swaziland), Guatemala and Albania.

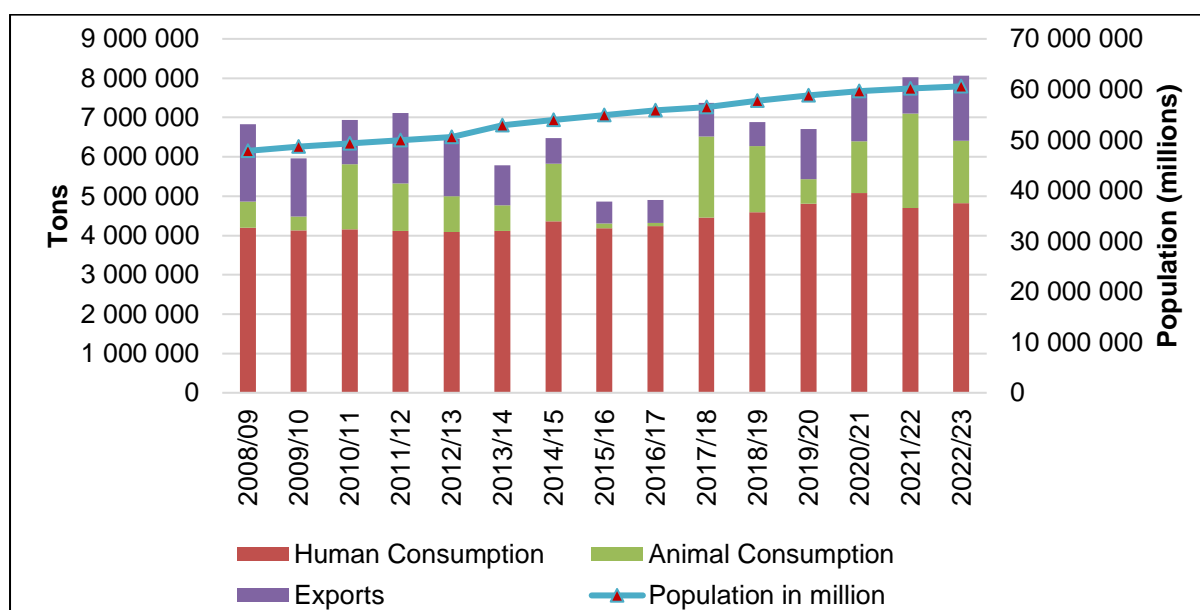


Figure 33: White maize human consumption, animal consumption, exports, and population
Sources: SAGIS (2023); Stats SA (2023)

Figure 34 depicts the overall supply and demand for yellow maize. A total of 8 148 415 tons was supplied to the commercial market, while the demand was 7 277 124 tons. When comparing 2022/23 with 2021/22, the overall demand grew by 237 398 tons, which can be attributed to yellow maize being used for animal and industrial exports and, to a lesser extent, increasing human consumption.

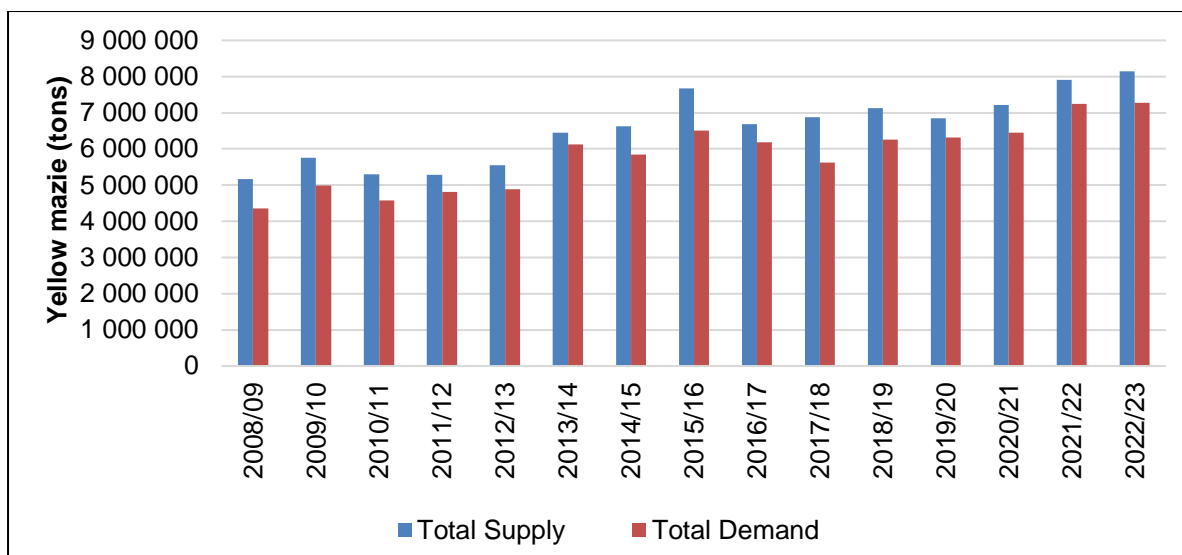


Figure 34: Yellow maize supply and demand

Sources: SAGIS (2023)

Yellow maize is mainly utilised in the animal feed industry, while an estimated 10% is used for human consumption. **Figure 35** shows that animal and industrial uses of yellow maize increased to 4 364 891 tons in 2022/23 from 3 490 822 tons in 2021/22. Please remember that price disparities between white and yellow maize accounted for animal and industrial utilisation discrepancies. Despite falling short of the record exports in 2021/22, which reached 3 210 777 tons, the exports of yellow maize in 2022/23, which reached 2 295 281 tons and ranked second in history, were nonetheless significant. The 2022/23 yellow maize export destinations were Taiwan, Japan, Vietnam, the Republic of Korea, China, Eswatini (Swaziland), Mozambique, Namibia, Botswana, Zimbabwe, Saudi Arabia, Angola, Italy, and Seychelles.

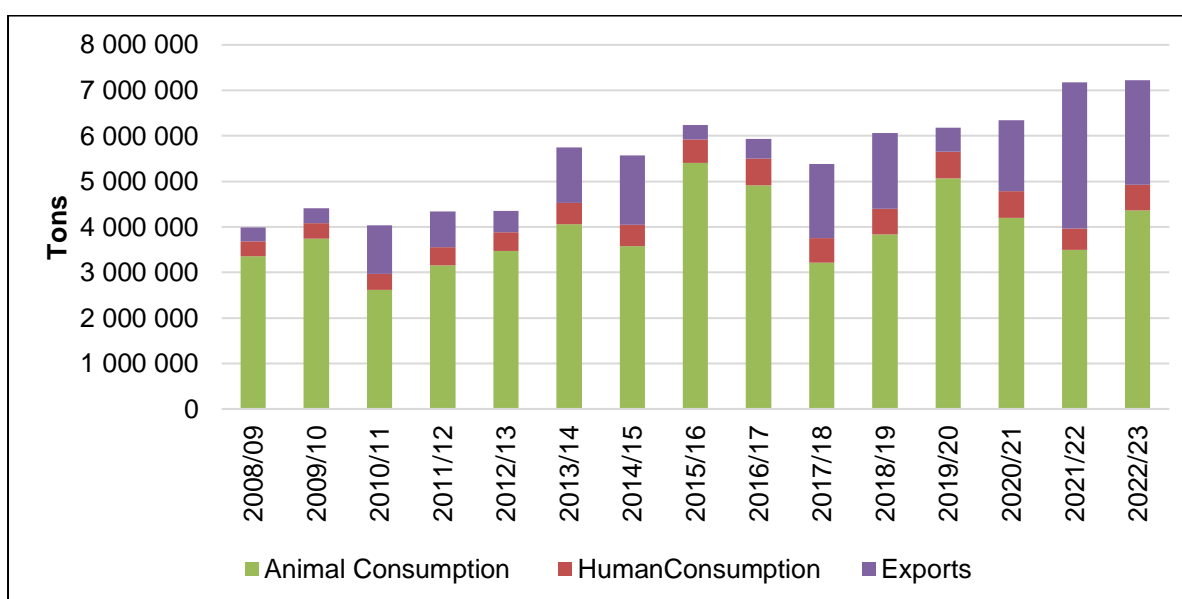


Figure 35: Yellow maize consumption and exports

Sources: SAGIS (2023)

Figure 36 illustrates the spot price trends for white maize in South Africa from May 2019 to 30 April 2023. The average spot price for white maize decreased around May and June 2019 owing to a favourable season. On average, the local price in 2021 was R3 277/ton, while in 2022, it increased to R4 449/ton.

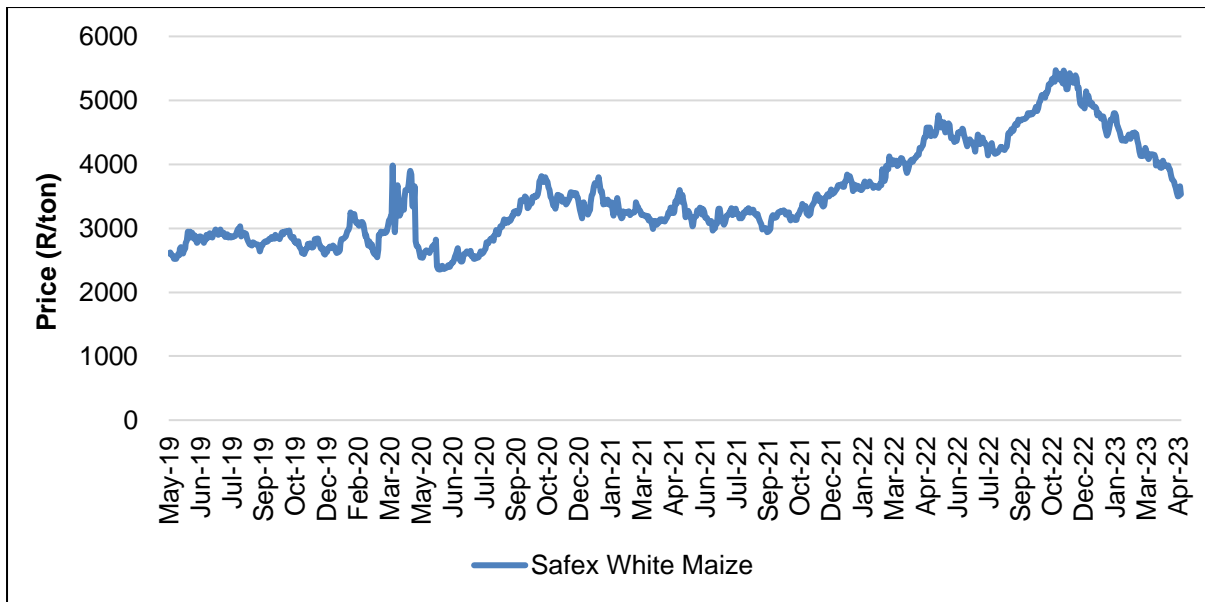


Figure 36: South African Futures Exchange (SAFEX) white maize price
 Source: Grain SA (2023)

Figure 37 illustrates the trends of the South African spot price for yellow maize for the 2018/19 to 2022/23 marketing year against import and export parity prices from the Gulf of Mexico to Randfontein. It is also notable that where yellow maize was imported from Argentina, the average price difference for the 2021/22 marketing season was R593.9, with a maximum of R1 568/ton. Hence, importing from the Gulf of Mexico is sometimes cheaper than from Argentina.

The average spot price for yellow maize closely followed the trend for white maize, and began to decrease around June 2018 to export parity levels. The spot prices traded slightly above export levels, as depicted in **Figure 37** below, and eased lower towards the end of March 2022. The average spot price for 2022 was R4 453/ton, with the highest price on 31 October 2022 at R5 251/ton and the lowest on 14 January 2022 at R3 711/ton.

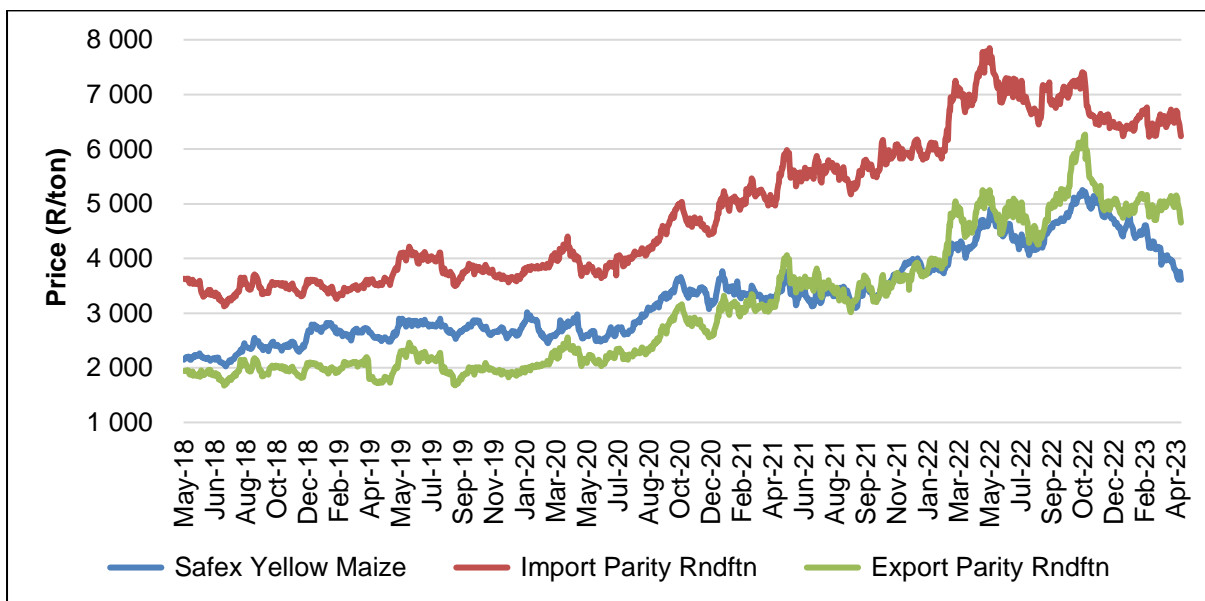


Figure 37: Import parity, export parity and SAFEX yellow maize price
 Sources: Grain SA (2023)

3.2.2 Wheat trends

Figure 38 depicts the long-term trends in wheat production. Wheat is the second most significant crop in South Africa. The Western Cape Province is South Africa's leading wheat-producing province, with an average crop production of 844 970 tons over the last ten years. A total of 2 285 000 tons were produced during the 2021/22 production season, surpassing the 2-million-ton barrier once more, with a total area planted of 523 500 hectares, which could be attributed to better-yielding cultivars and good agronomical practices. Wheat has a marketing year that extends from October 1 to September 30.

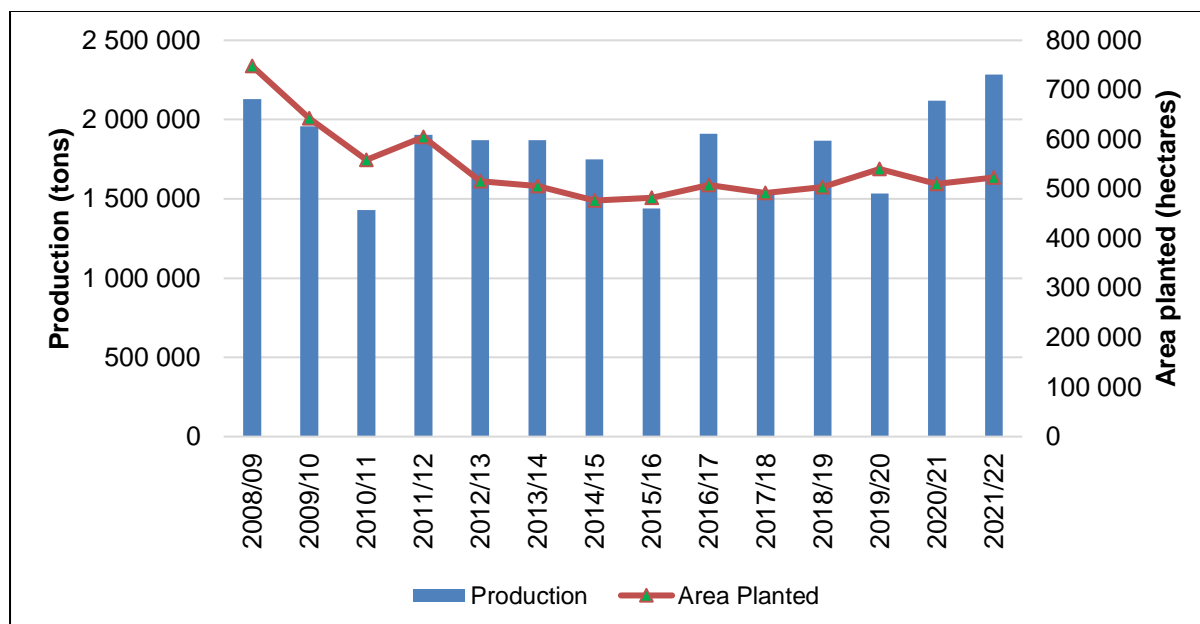


Figure 38: Wheat production and area planted

Sources: SAGIS (2023)

The vast majority of wheat produced in South Africa is for human use (bread, breakfast cereal, pasta, biscuits and so on), with only a small quantity utilised for animal feed. The graph only depicts the 2021/22 marketing year because, as of the time of writing, the 2022/23 marketing year is still underway. Over the last ten years, the average total wheat demand was 3 425 319 tons. In the 2021/22 marketing season, South Africa's wheat processed for human consumption was 3 364 789 tons, an increase compared with the 3 347 677 tons for the 2020/21 marketing season. This increase was likely attributable to population growth.

Due to insufficient supply to fulfil local demand, South Africa is a net wheat importer. Despite the increase in production, South Africa will still need to import wheat to meet commercial demand. Despite an 8% increase over the 2020 crop, the 2021 crop (2 285 000 tons) was plagued by quality problems, which resulted in wheat imports reaching 1 601 299 tons in 2021/22 compared to 1 516 995 tons imported in the 2020/21 marketing year, as illustrated in **Figure 39**.

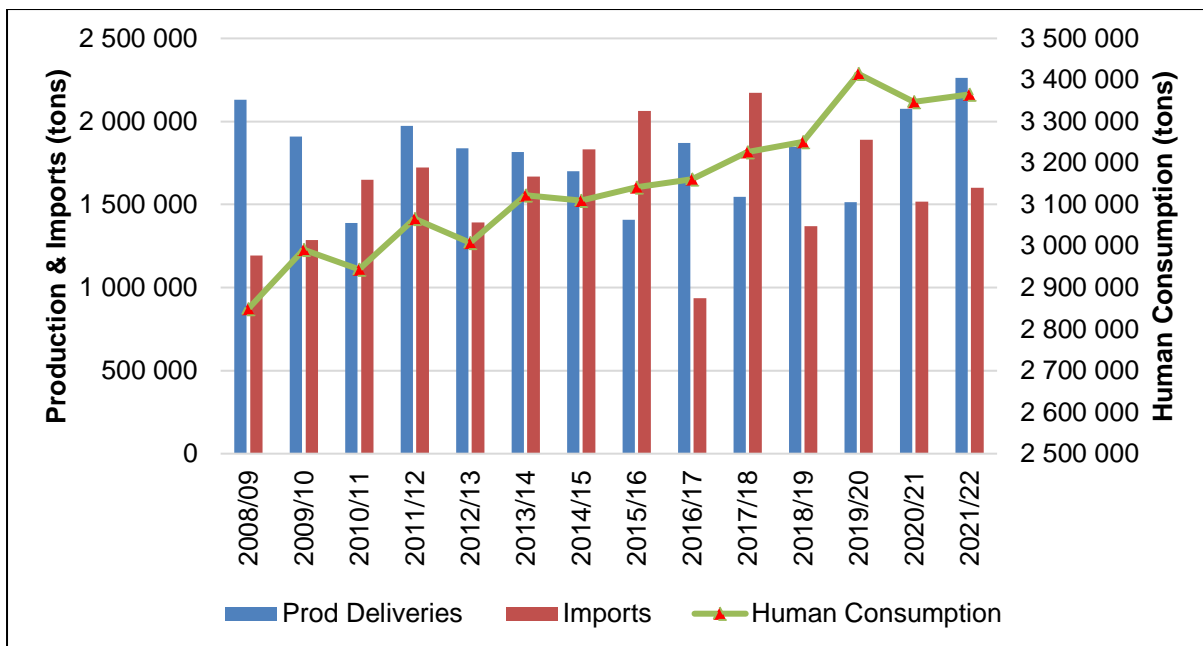


Figure 39: Wheat production, imports, and human consumption

Source: SAGIS (2023)

Domestic wheat prices and import and export parity prices are depicted in **Figure 40**. The domestic wheat price trades are very close to import parity, indicating that South Africa is a net wheat importer since local production does not meet local demand, as shown in the graph below. As a result, changes in exchange rates and global wheat prices arising from economic structural changes/market forces will be reflected promptly in the domestic wheat price. During the 2021/22 marketing season (October 2021 and September 2022), the domestic wheat price averaged between R5 769/ton and R6 974/ton.

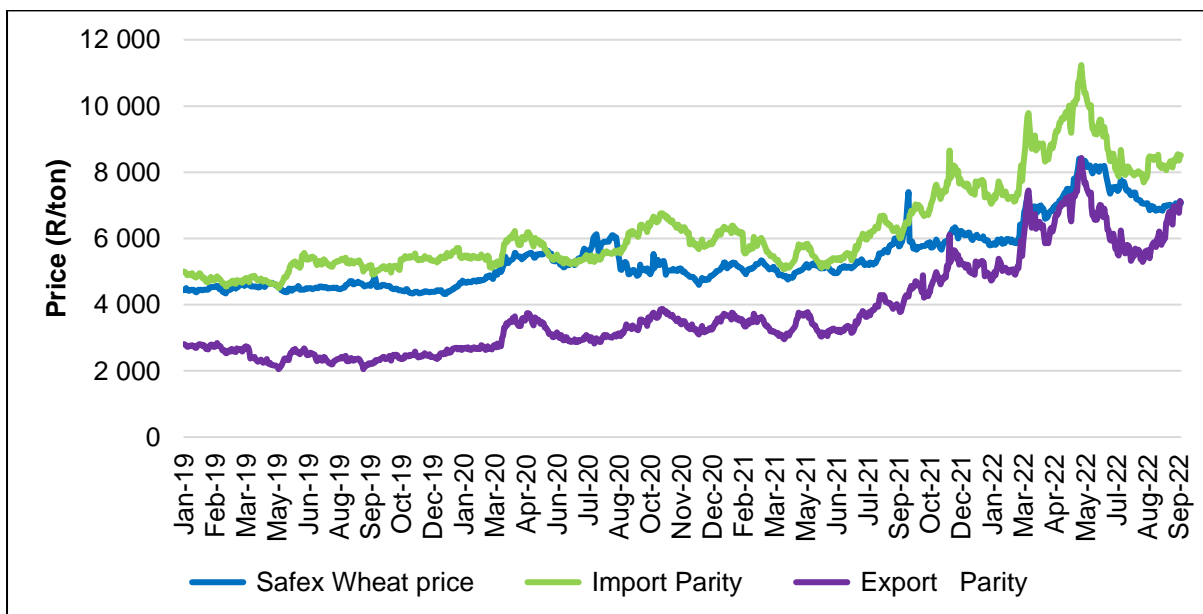


Figure 40: Import parity, export parity and SAFEX wheat price

Source: Grain SA (2023)

3.2.3 Sunflower seed trends

Sunflower seed is a summer crop typically planted between October and mid-January. Sunflower is mainly grown in the Free State and North West Provinces of South Africa. Sunflower seed accounts for around 5% of South Africa’s total summer grain production. Sunflower oil is one of the products processed from sunflower seeds. Sunflower oilcake is a by-product mostly used in the animal feed business. Production levels have varied over the years, owing to climatic conditions and a shift to other crops. Sunflower seed producers continue to face a challenge from *Sclerotinia sclerotiorum* (a plant pathogenic fungus that forms white mould in favourable conditions). The 2021/22 sunflower production was 845 550 tons, up from 678 000 tons in 2020/21, and the area planted increased from 477 800 ha to 670 700 tons, as illustrated in **Figure 41**. Despite this significant increase, *Sclerotinia*’s problems led the Crop Estimates Committee to lower the projected crop for 2022 from the first production projection of 914 350 tons. Sunflower seed has a marketing year that extends from March 1 to February 28/29.

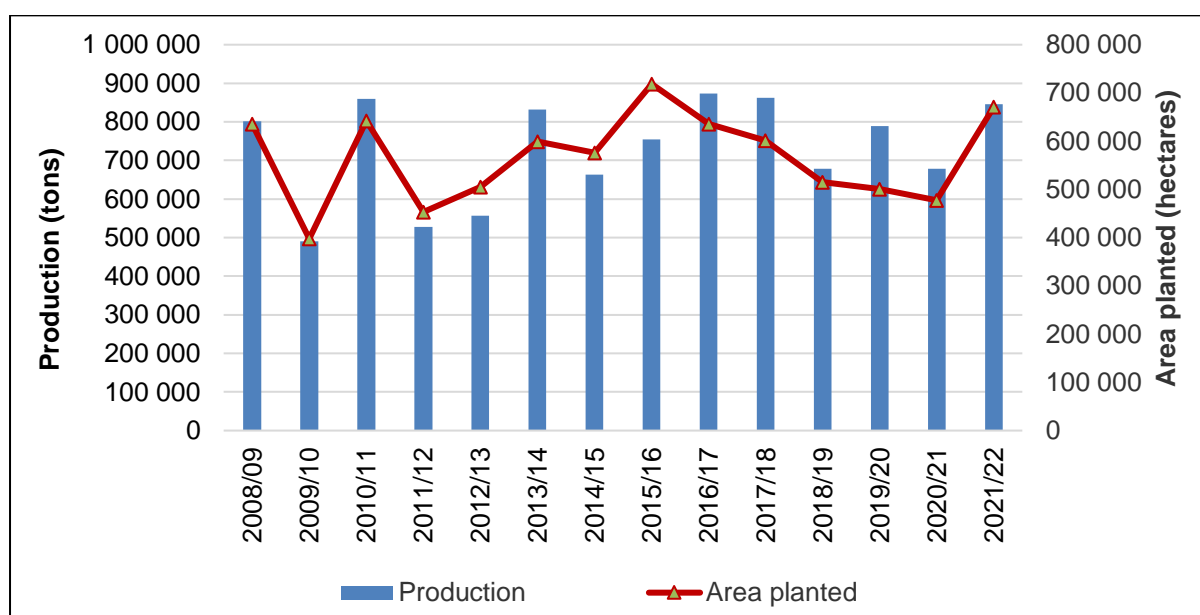


Figure 41: Sunflower production and area planted

Source: SAGIS (2023)

Figure 42 illustrates the commercial production and processing of sunflower seeds for consumption. Producer deliveries and processed sunflower seeds (for human and animal consumption and crushed for oil and oilcake) have fluctuated, especially during drought-stricken years. During the season under review, processed sunflower seeds amounted to 815 258 tons, an increase of 12% from the 724 949 tons the previous year, on the back of a 25% increase in production of the prior year.

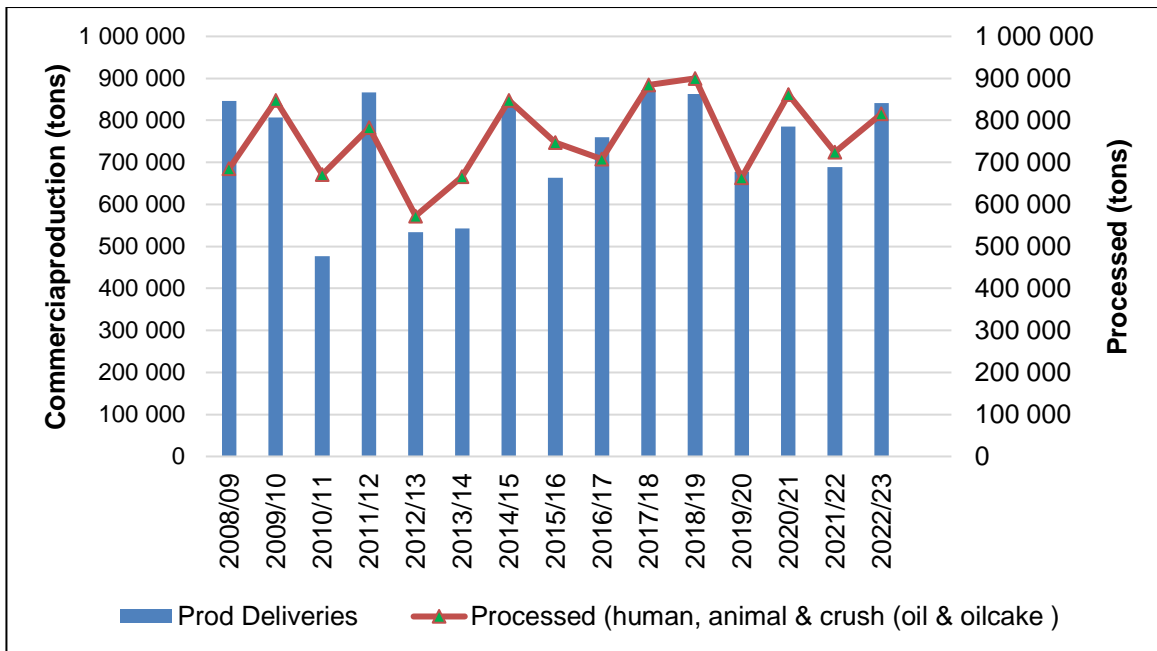


Figure 42: Commercial production and processed for human & animal consumption, oil & oil-cake

Sources: SAGIS (2023)

Figure 43 illustrates domestic SAFEX sunflower prices. The average domestic sunflower price decreased by 2% from December 2021 (R11 383/ton) to December 2022 (R11 207/ton). This decrease in the domestic price of sunflower seeds could be attributed to increased local production. The retail price of sunflower oil (750ml) increased by 28% from December 2021 (R25.37/750 ml) to December 2022 (R30.22/750 ml). This could be attributable to market disruptions brought on by the conflict between Russia and Ukraine.

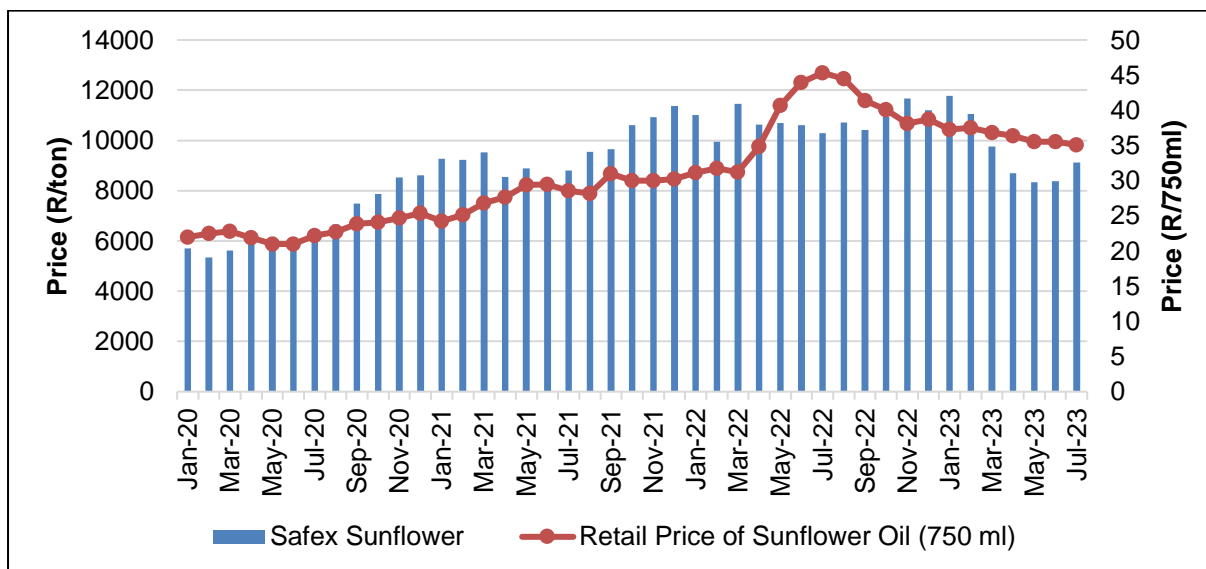


Figure 43: Domestic sunflower seed and retail price of sunflower oil (750 ml)

Source: SAGIS (2023); Stats SA (2023)

3.2.4 Soybean trends

Soybean is also a summer crop, mainly produced in the Free State, Mpumalanga, North West and Kwazulu-Natal provinces under dry land and irrigation systems. These provinces accounted for approximately 92% of soybeans produced in 2022. Soybeans are estimated to constitute about 10% of the total summer grains produced domestically.

Due to favourable climatic weather conditions and prices, domestic soybean production for 2021/22 reached a record high of 2 230 000 tons, as indicated in Figure 44. The total area planted in 2021/22 (925 300 ha) increased by 12% from the area planted in 2020/21 (827 100 ha).

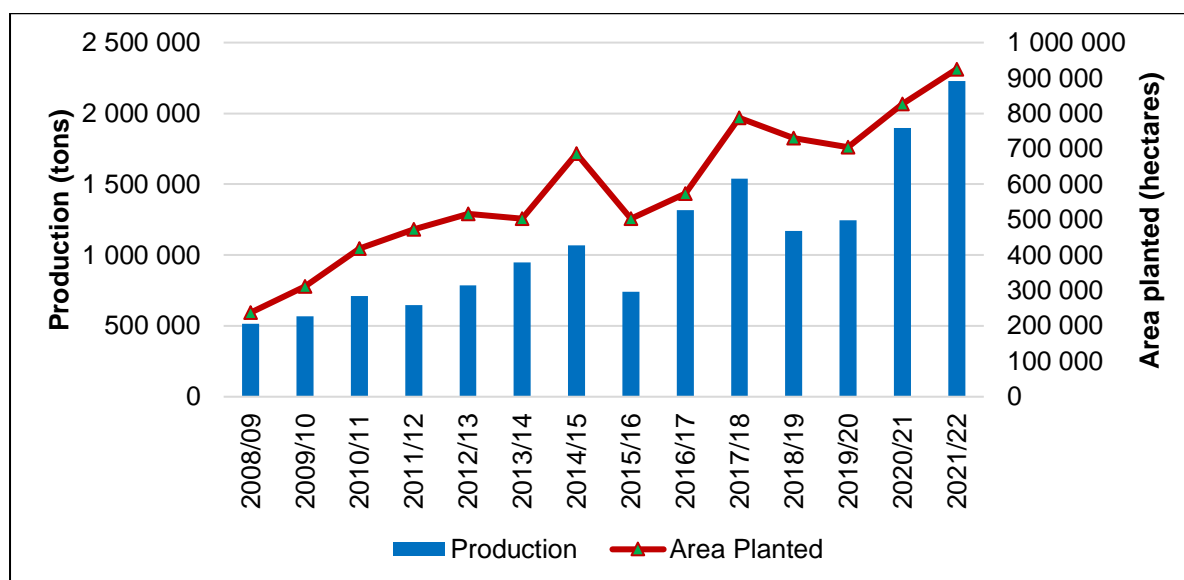


Figure 44: Soybean production and area planted

Source: SAGIS (2022)

In the 2022/23 marketing year, domestic soybean demand was approximately 2 194 925 tons. About 189 605 tons were processed as feed and full-fat soya, a 13% increase from the previous 2021/22 season. In 2021/22, soybean processed for oil/oilcake increased by 12% 2021/22 on the back of a record crop (2 230 000 tons), as illustrated in **Figure 45**.

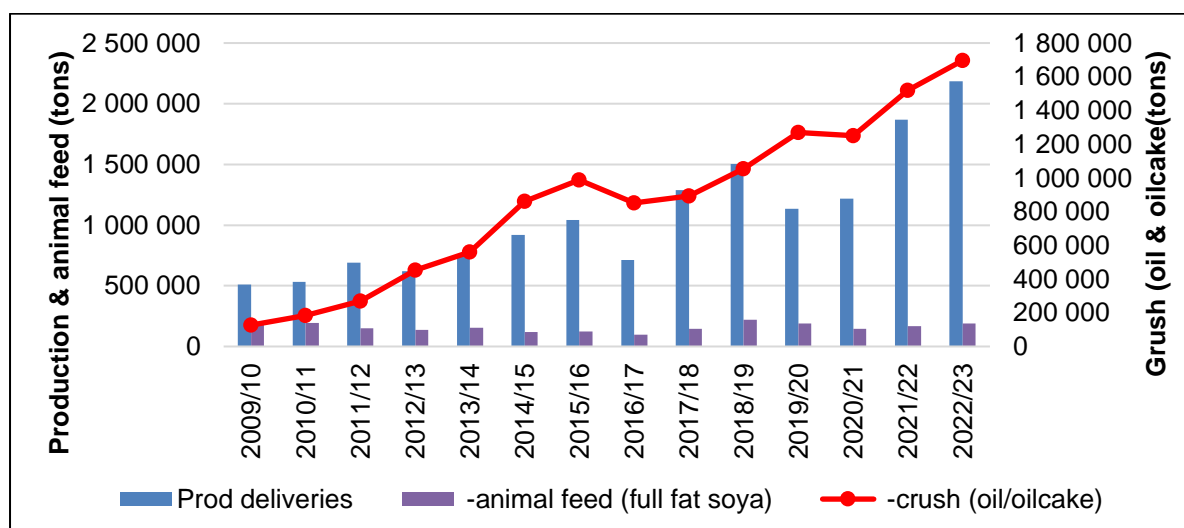


Figure 45: Total demand and soybean processed for animal feed (full-fat soya) and crushed for oil and oilcake

Source: SAGIS (2023) and own calculations

Figure 46 illustrates the domestic (SAFEX) import and export parity prices at Randfontein for soybeans. The average domestic price increased by 38% from December 2021 (R7 743/ton) to December 2022 (R10 717/ton). The import parity price increased by 16% over the same period, while export parity increased by 29%.

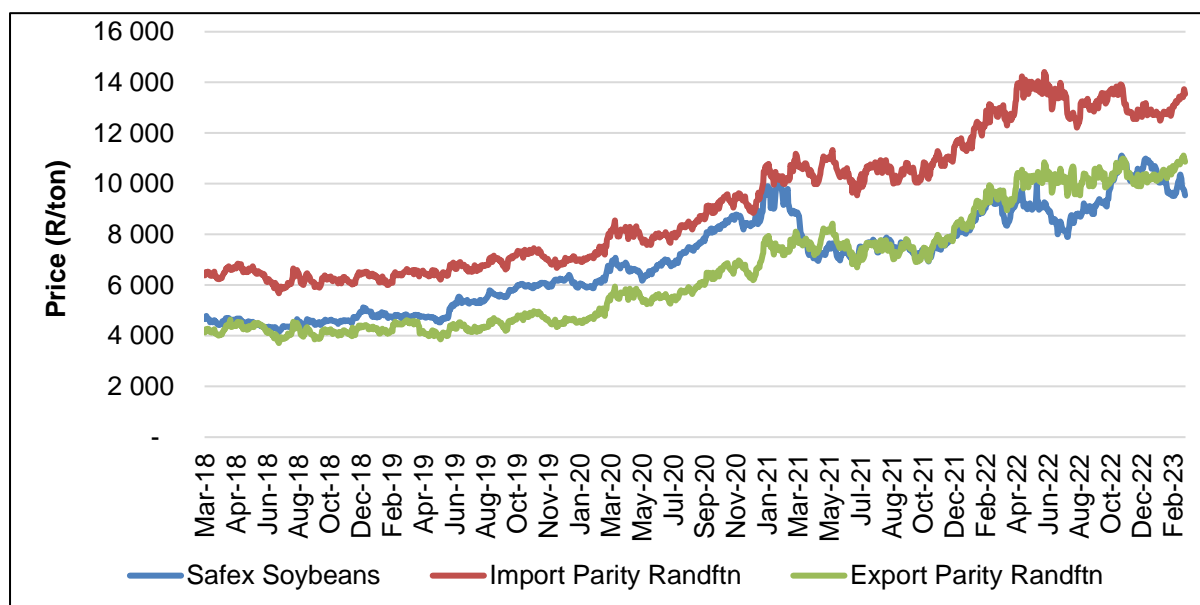


Figure 46: Soybean SAFEX, import and export parity prices in SA

Source: Grain SA (2023) and own calculations

3.2.5 Grain and oilseed trade trends

Table 2 below depicts South Africa's exports of selected field crops (maize, wheat, sunflower seed and soybeans) from 2018 to 2022. South Africa's export of the selected field crops showed an improvement yearly. The country's largest export among these commodities in 2022 was maize, with an export value of about R17.3 billion, followed by wheat and meslin (R3.1 billion), soybeans (R2.7 billion), and sunflower (R88 million), respectively. In 2022, the value of exports of the selected field crops experienced significant growth rates from the 2021 levels. Soybean exports experienced the highest growth rate of 951% from the 2021 value worth of R258.2 million, followed by wheat and meslin with a growth rate of 126%, maize exports growing by 55%, and sunflower grew by 35%.

The export values of the selected grain commodities experienced exponential growth rates over the past five years. Soybean exports experienced the highest growth rate of about 6604% between 2018 and 2022, followed by wheat and meslin (1181%), maize (208%), and sunflower (101%). The growth was supported by the increased domestic production experienced over the years and the stronger United States dollar-to-rand exchange rate. South Africa mainly exported maize to Asian countries in 2022. According to the data from the International Trade Centre Trade Map (2023), South Africa exported 27% of its maize to Chinese Taipei, while 17% went to Japan, 14% to Vietnam and 7% to the Republic of Korea. On the other hand, wheat was exported to other African countries, namely Zimbabwe (27%), Lesotho (16%), Botswana (15%), Area Nes (15%) and Eswatini (11%). Meanwhile, soybean exports went to Malaysia (43%), Mozambique (26%), Vietnam (11%), and Thailand (10%). Generally, the biggest market for South Africa's field crops is the African continent.

Table 2: South Africa's exports of field crops

Product	Exported valued (R' Thousand)				
	2018	2019	2020	2021	2022
Maize (HS code 100590)	5 630 578	3 667 732	8 188 667	11 166 476	17 363 784
Wheat and meslin (HS code 100199)	239 546	622 085	833 482	1 359 870	3 067 845
Soybeans (HS code 120190)	40 473	42 130	19 019	258 192	2 713 112
Sunflower seed (HS code 120600)	43 778	22 675	41 473	65 397	88 044

Source: Trade Map (2023)

*Area Nes (not elsewhere specified)

South Africa's imports of the selected field crops between 2018 and 2022 are represented in **Table 3**. Over this period, it is evident that South Africa's leading imported commodity under the selected field crops is wheat and meslin, followed by sunflower seed and soybean, while importing less maize. In 2022, imports of wheat and meslin were valued at about R10.42 billion, followed by sunflower (R89.9 million) and soybean (R49.6 million).

South Africa's wheat and meslin imports mainly originated from Australia, which accounted for a share of 30%, followed by Poland (18%), Argentina (15%), Brazil (14%), and Germany (8%) in 2022 (Trade Map, 2023). On the other hand, soybean imports were mainly from Zambia (98%) and China (2%). Additionally, maize was mostly imported from the Eswatini (22%), United States of America (22%), Area Nes (17%), Zambia (13%) and Jordan (10%). It can be noted that although South Africa's value of soybean imports decreased between 2021 and 2022 due to higher domestic production, wheat imports increased from 2021 to 2022.

Table 3: South Africa's imports of field crops

Product	Imported valued (R' Thousand)				
	2018	2019	2020	2021	2022
Wheat and meslin (HS code 100199)	5 351 967	5 695 075	8 059 244	6 838 578	10 419 859
Sunflower seed (HS code 120600)	243 786	31 912	10 744	30 182	89 960
Soybeans (HS code 120190)	27 438	38 594	331 816	460 123	49 590
Maize (HS code 100590)	6 912	1 469 923	195 884	21 223	2 817

Source: Trade Map, 2023

3.2.6 Conclusion

The consecutive favourable production seasons for maize and wheat are largely seen as positive in terms of preserving food security in South Africa, with food availability being of paramount importance due to the country's growing population. The maize crop in 2022 (15 470 tons) was sufficient to meet the total domestic requirements of roughly 11.1 million tons during the 2022/23 season, albeit being 5% smaller than the crop produced in 2021 (16 315 000 tons). In addition to having an excellent production

season, South Africa had a great year of exports in 2022, exporting 3.3 million tons of maize worth R17.36 billion.

The wheat crop produced in 2021 once more surpassed the 2-million mark, reaching 2 285 000 tons, an increase of 8% from the crop produced in 2020 (2 120 000 tons). Improved cultivars and good agronomical practices also contributed to significant improvements in harvesting.

In the 2022/23 season, 4 827 300 tons of white maize were processed for human consumption, up from 4 697 765 tons in the 2021/22 season. The increase in consumption may be attributed to the growing population and the high cost of alternative food products. Another crop with exceptional production levels was soybeans, which reached a record high of 2 230 000 tons in 2022 and recorded a 12% increase in the amount of soybeans processed for oil and oilcake compared to the 2021/22 season. The potential of the country to increase oil and oilcake crushing capacity as a result of an increase in soybean production is likely to result in a decrease in imports of soybean oilcake

Additionally, the harvest of sunflower seeds in 2022 increased by 25% over the harvest in 2021 despite being plagued by sclerotinia problems, which is encouraging for the country following the market disruptions caused by the conflict between Russia and Ukraine, which resulted in high vegetable oil prices.

3.3 Market trends in the horticultural sector (cabbage, onion, tomato, potato, apple, banana and orange)

3.3.1 Introduction

This section illustrates the market trends in the horticultural sector: the volumes of selected vegetable produce, exports and what is sold in the fresh produce markets. Since South Africa is a key producer and net exporter of agricultural products, and with horticultural products being at the forefront of exports, it is essential to monitor the trends of horticultural products. The country's demand for fruits and vegetables is further driven by increasing income, rapid urbanisation, and a shift in consumers' diet preferences toward nutritional food. The South African agricultural market has matured considerably since the deregulation of the marketing of agricultural produce. Producers, traders, and other intermediaries interact freely in marketing their produce. The South African government also allows the farmers to choose the market where they want to trade their produce. Hence, if the farmers do not get desirable production prices, they can trade their commodities in the international market.

3.3.2 Production volumes and Fresh Produce Market (FPM) sales

Figure 47 depicts the volumes of selected fresh vegetables produced from 2000/01 to 2022/23. The total volumes produced of onions, potatoes and tomatoes increased by 108.7%, 29.9% and 2.7%, respectively. However, cabbage production decreased by 1.0% during the same period. The volumes produced of potatoes, onions, tomatoes and cabbages were 2 330 000 tons, 651 000 tons, 488 000 tons and 189 000 tons, respectively, in 2022/23.

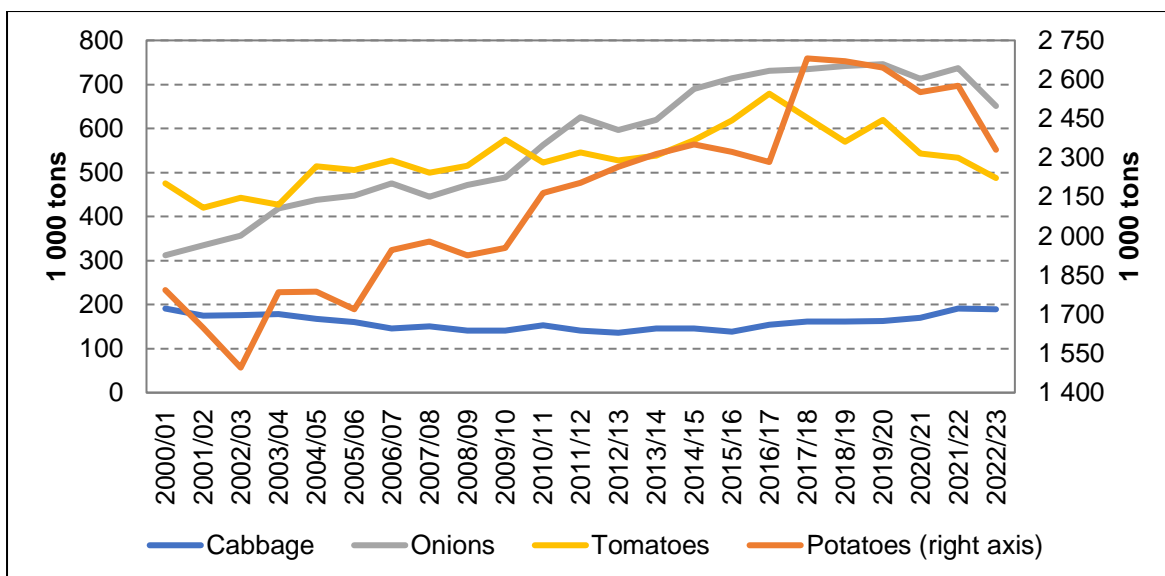


Figure 47: Volume of selected vegetables produced

Source: DALRRD (2023)

Figure 48 shows the production volumes and export trends for selected fresh fruits from 2000/01 to 2022/23. From 2000/01 to 2022/23, the average volumes of apples, oranges, and bananas produced increased by 94.2%, 38.0%, and 6.8%, respectively. The exports of oranges and apples were recorded at 1 150 770 tons and 545 855 tons, respectively, in 2022/23.

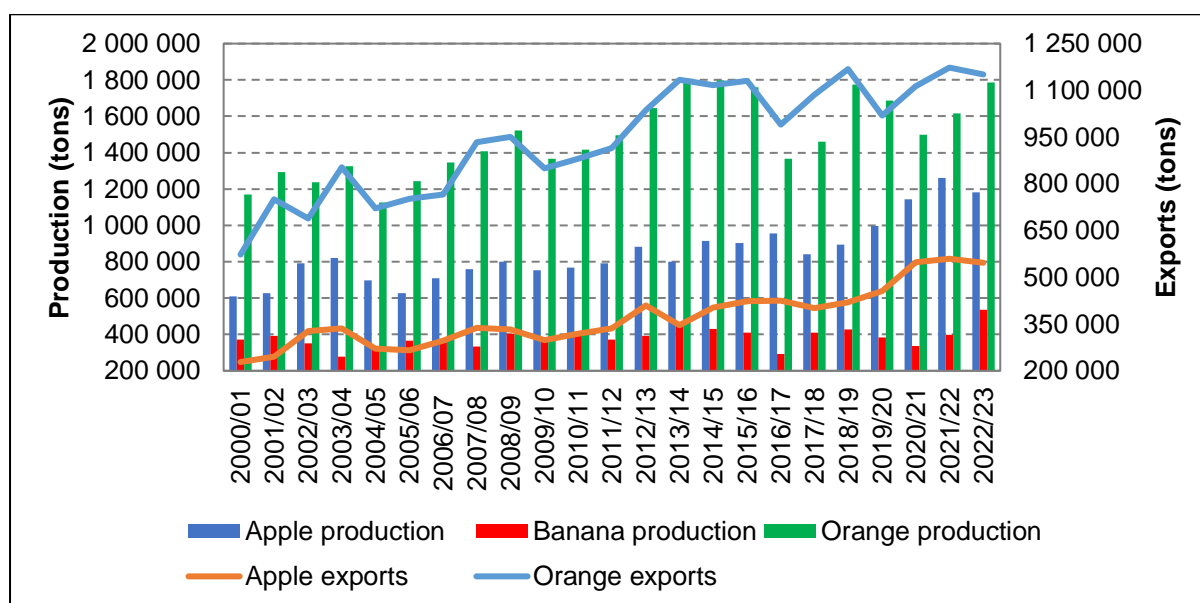


Figure 48: Volumes of selected fruits produced and exported

Source: DALRRD (2023)

Figure 49 depicts the volumes of selected fresh vegetables sold at the national fresh produce markets from April 2015 to April 2023. The total volumes of potatoes and cabbage sold increased by 4.5% and 0.7%, respectively, while tomatoes and onions sold decreased by 9.5% and 6.4% between 2021 and 2022.

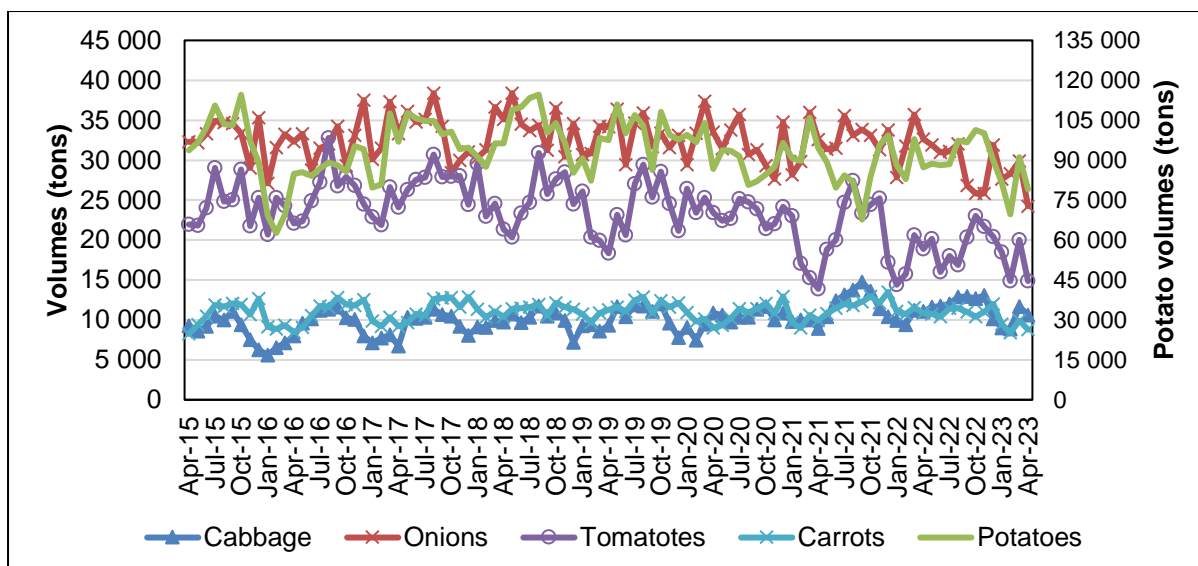


Figure 49: Volume of selected vegetables sold at fresh produce markets

Source: DALRRD (2023) and own calculations

Figure 50 depicts the volumes of selected fresh fruits sold at the national fresh produce markets from April 2015 to April 2023. The total volumes of bananas, oranges, and apples sold increased by 43.2%, 20.5%, and 3.8%, respectively, between 2021 and 2022. The total volumes of bananas, apples, and oranges sold were recorded at 296 131 tons, 154 093 tons, and 114 188 tons, respectively, in 2022.

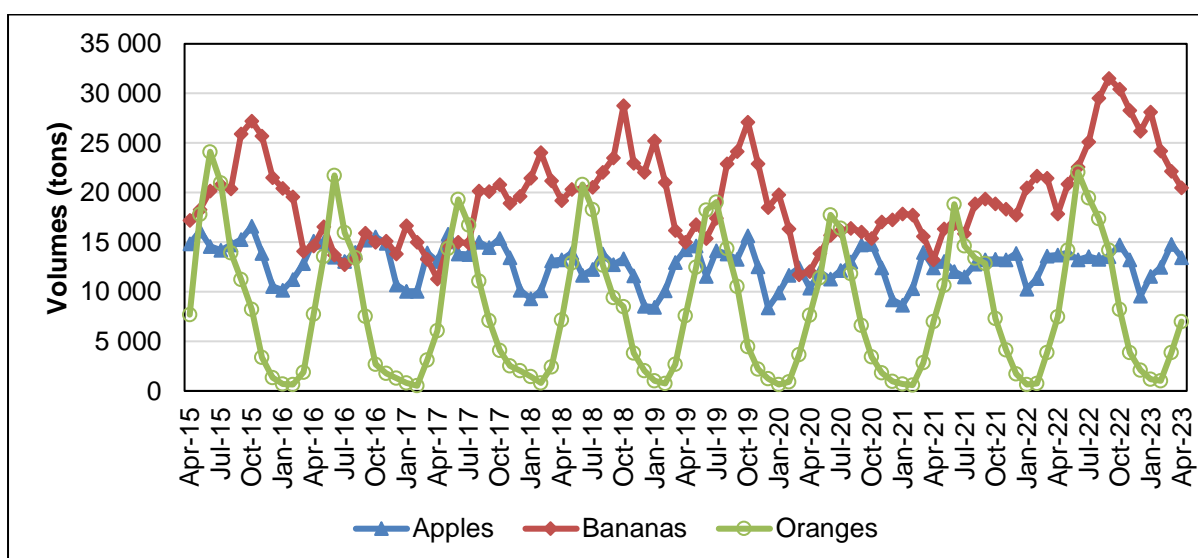


Figure 50: Volume of selected fruits sold at fresh produce markets

Source: DALRRD (2023) and own calculations

3.3.3 Trade performance of selected horticultural products

This subsection presents an analysis of the trade performance of South Africa’s selected horticultural products, namely cabbages, onions, tomatoes, potatoes, apples, bananas and oranges. Data aggregated at Harmonized System-Level four (HS-4) was extracted from the International Trade Centre (ITC) Trade Map database. **Figure 51** shows South Africa’s trade performance in the selected horticultural products from 2016 to 2022, measured in thousands of Rand. South Africa recorded positive trade performance regarding the selected horticultural products, hence being a net exporter. In 2022, South Africa’s total value of exports for the selected horticultural products was R25 927.1 million compared

with the value of R1 189.5 million for the imported selected horticultural products. On the other hand, in 2016, the total value of exports and imports for these horticultural products was R18 482.9 million and R604.5 million, respectively.

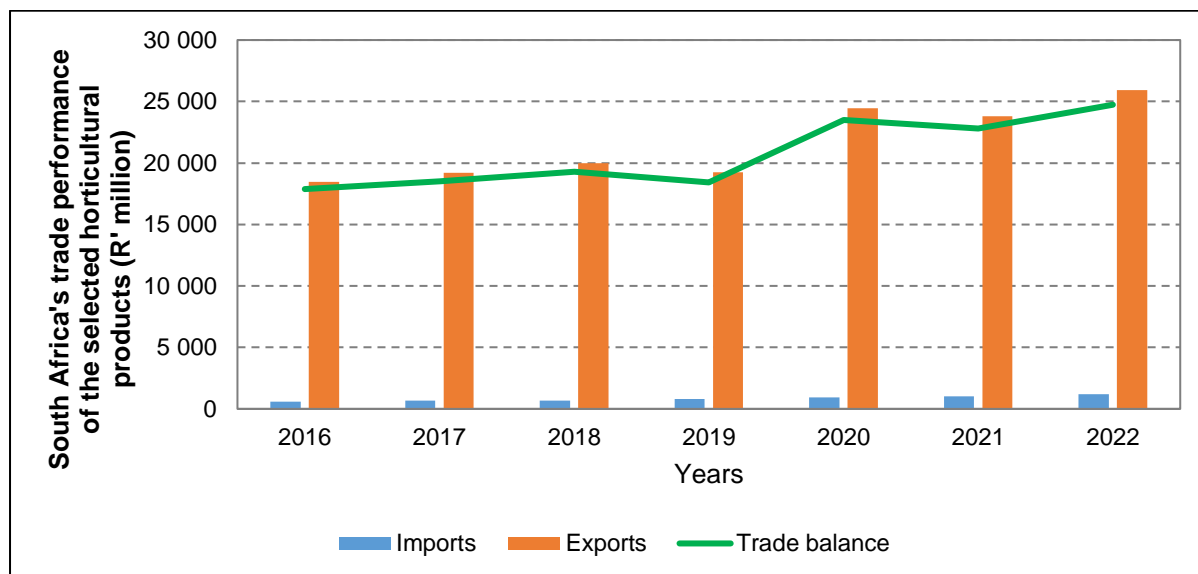


Figure 51: South Africa's trade performance of selected horticultural products.

Source: Trade Map (2023)

Figure 52 illustrates the percentage contributions of each horticultural product to the total value of imports of the selected commodities. Over the period in review (2016 – 2022), South Africa imported more bananas than any of the selected horticultural products considered in this analysis. In 2022, bananas contributed about 75% to the total value of the selected horticultural imports, followed by onions, with a 13% contribution. Similarly, in 2016, bananas and onions contributed about 71% and 20% to the total value of the selected horticultural imports, respectively.

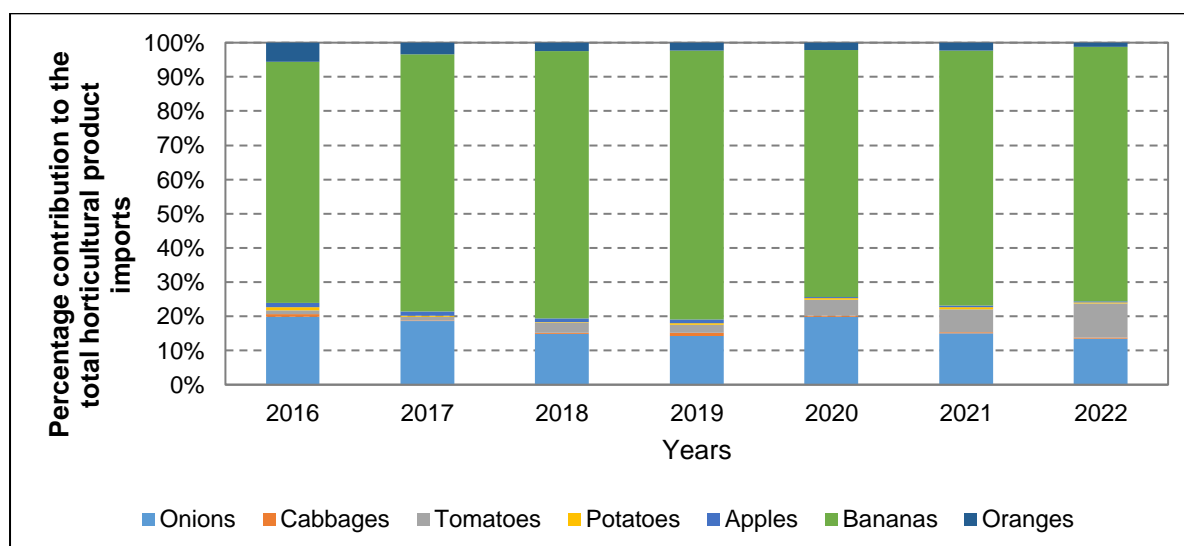


Figure 52: Percentage contribution to the total value of the selected horticultural imports

Source: Trade Map (2023)

Figure 53 shows the percentage contributions of each horticultural product to the total value of horticultural product exports. In contrast to imports (**Figure 52**), oranges and apples were the leading horticultural products exported by South Africa, contributing about 48% and 45%, respectively, followed by

potatoes, which contributed 3% in 2022. The same products (oranges, apples and potatoes) accounted for 48%, 44% and 4%, respectively, in 2016.

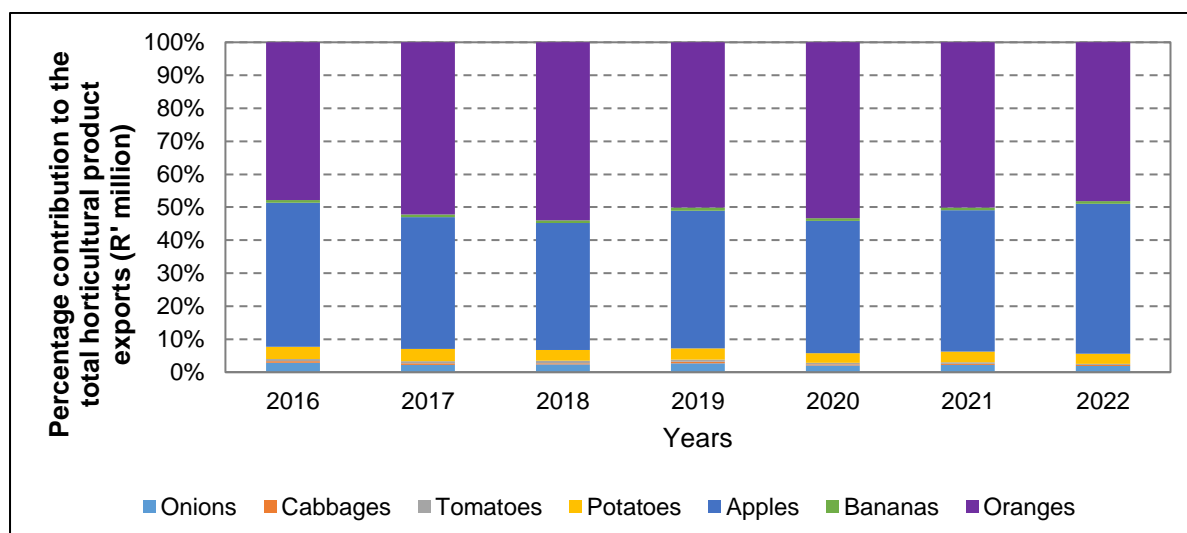


Figure 53: Percentage contributions to the total value of the selected horticultural exports

Source: Trade Map (2023)

The results presented in **Table 4** show the value of each selected horticultural product imported by South Africa and the corresponding percentage growth rate from 2016 to 2022. For the selected horticultural products, South Africa recorded an overall import growth rate in value of 97% between 2016 and 2022. While the overall growth rate was positive during this period, imports of apples declined by 234%, followed by oranges (147%) and potatoes (55%). On the other hand, the values of imports of tomatoes, bananas, and onions increased by 94%, 52% and 25%, respectively. The observed increases in imports of these products might be attributable to the dwindling production of onions, which cannot meet the domestic demand. For tomatoes, there are very few producers who can sustainably provide supply to meet the high demand, coupled with the high variability in weather conditions to which tomatoes are very sensitive.

Table 4: Selected horticultural products imported by South Africa between 2016 and 2022

HS Code	Product	Value of imports in R' Million							Growth Rate (%)
		2016	2017	2018	2019	2020	2021	2022	2016-2022
0703	Onions	120.4	122.3	101.5	115.4	187.9	152.9	159.5	25%
0704	Cabbages	4.4	1.0	2.6	7.0	3.8	3.8	4.1	-6%
0702	Tomatoes	6.7	7.4	20.4	19.6	43.3	68.0	119.8	94%
0701	Potatoes	5.5	2.1	0.5	3.2	4.6	5.5	3.5	-55%
0808	Apples	7.8	8.8	7.7	8.8	3.7	4.8	2.3	-234%
0803	Bananas	426.1	495.3	535.2	635.0	684.1	760.0	886.6	52%
080510	Oranges	33.8	22.5	16.8	18.1	20.1	23.2	13.7	-147%
TOTAL		604.5	659.3	684.6	807.1	947.6	1 018.2	1 189.5	97%

Source: Trade Map (2023)

The results presented in **Table 5** show the value of each selected horticultural product exported by South Africa and the corresponding percentage growth rate from 2016 to 2022. In terms of exports,

South Africa recorded a positive growth rate in value of about 40% between 2016 and 2022. Apples exported recorded the highest increase in growth rate in value, by 32%, followed by bananas and oranges (29%) and potatoes (11%). In contrast, the export value of tomatoes, cabbage and onions declined by 51%, 10% and 6%, respectively, within the same period.

Table 5: Selected horticultural products exported by South Africa between 2016 and 2022.

HS Code	Product	Value of exports in R' million							Growth Rate (%)
		2016	2017	2018	2019	2020	2021	2022	
0703	Onions	524.8	417.6	465.1	505.3	486.3	510.9	495.5	-6%
0704	Cabbages	80.1	85.9	83.6	101.3	91.0	93.3	72.8	-10%
0702	Tomatoes	122.6	129.0	133.0	120.5	128.6	128.0	81.2	-51%
0701	Potatoes	699.7	731.2	674.0	660.6	699.5	758.2	790.6	11%
0808	Apples	8 068.8	7 642.9	7 661.9	8 040.1	9 804.0	10 178.1	1 1787.4	32%
0803	Bananas	148.0	150.1	171.8	180.4	176.9	198.5	209.1	29%
080510	Oranges	8 838.9	10 030.1	10 785.3	9 627.7	13 048.0	11 934.3	1 2490.5	29%
TOTAL		18 482.9	19 186.9	19 974.5	19 235.8	24 434.2	23 801.2	2 5927.1	40%

Source: Trade Map (2023)

3.3.4 Price trends – FPM prices and retail prices

The FPM price trends for selected fresh vegetables from April 2015 to April 2023 are shown in **Figure 54**. In nominal terms, the average market prices per ton of onions, tomatoes and cabbage increased by 74.5%, 14.5% and 11.8%, respectively, while the prices of potatoes sold decreased by 11.1%, respectively, between 2021 and 2022. Comparing the first four months of 2022 and 2023, the prices of onions, cabbage, potatoes and tomatoes sold on the FPM increased by 105.9%, 57.4%, 43.4% and 23.3%, respectively.

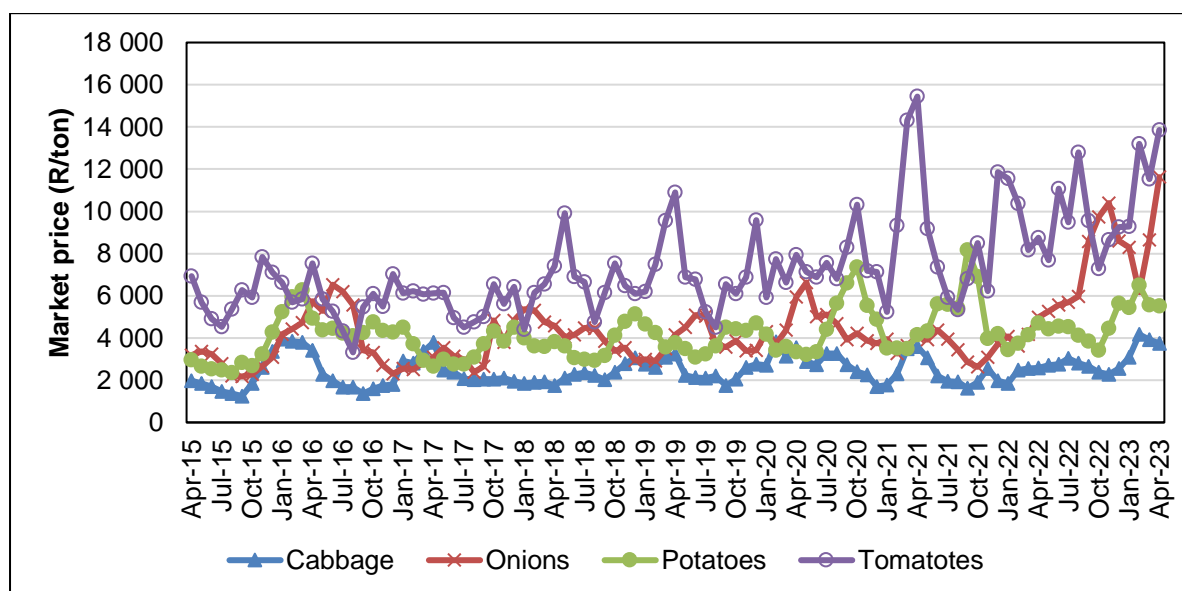


Figure 54: Market price trends for selected fresh vegetables

Source: DALRRD (2023) and own calculations

The market price trends for selected fresh fruits from April 2015 to April 2023 are shown in **Figure 55**. The average market prices per ton of oranges and bananas decreased by 40.9% and 18.0%, respectively, while the average market price per ton of apples increased by 0.2% in 2022 compared to 2021. Comparing the first four months of 2022 and 2023, the prices of oranges and apples sold on the FPM decreased by 10.8% and 0.5%, respectively, while the price of bananas increased by 3.0%.

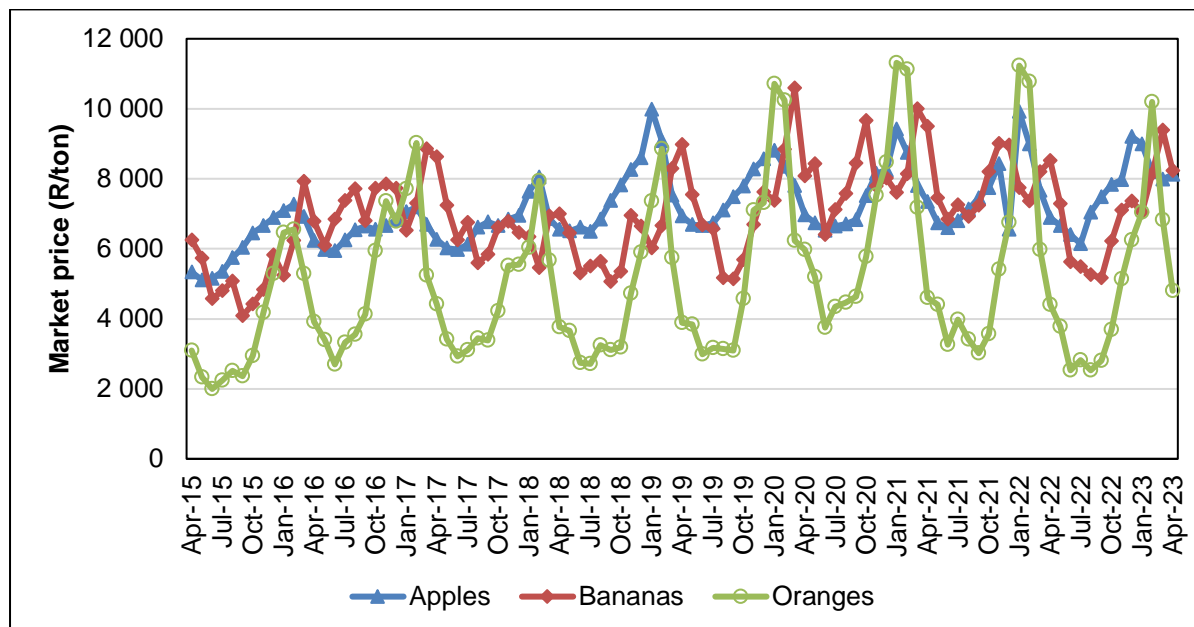


Figure 55: Market price trends for selected fresh fruits

Source: DALRRD (2023) and own calculations

Figure 56 illustrates the nominal retail price trends for selected fresh vegetables from April 2015 to April 2023. The prices for fresh onions and tomatoes per kg increased by 20.1% and 12.0%, respectively, while the prices for fresh potatoes per kg decreased by 2.0% between 2021 and 2022. During the same period, the price of a head of cabbage increased by 12.6%. Comparing the first four months of 2022 and 2023, the retail prices of onions, potatoes, cabbage, and tomatoes increased by 48.9%, 21.6%, 18.5% and 13.9%, respectively.

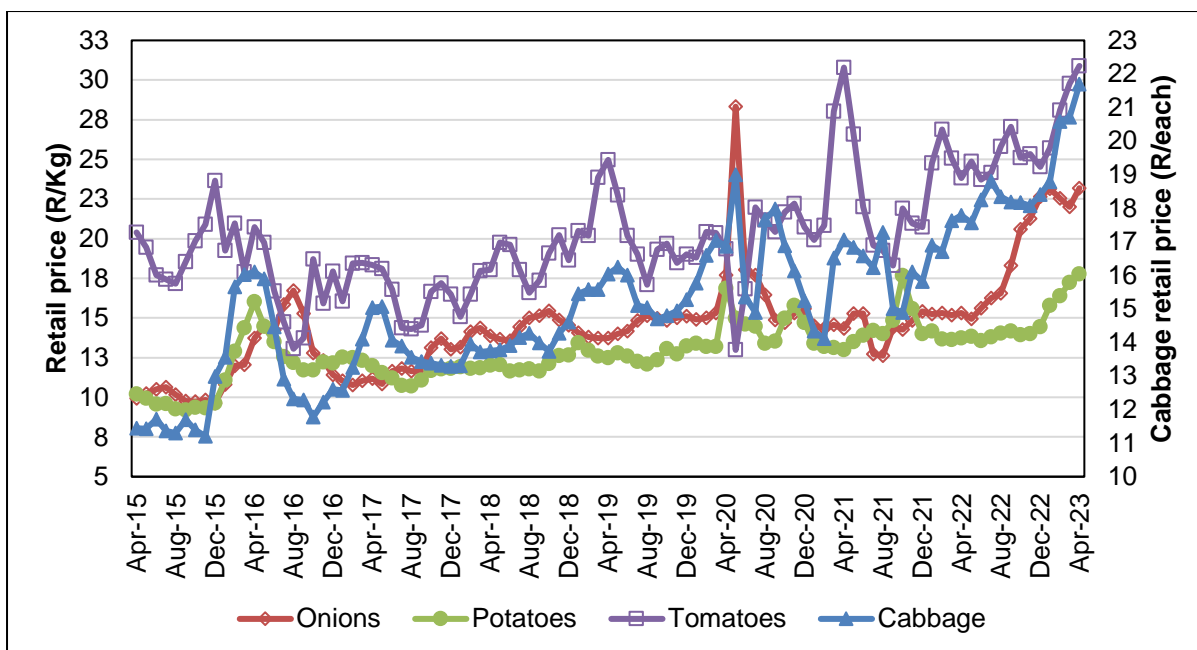


Figure 56: Retail price trends for selected fresh vegetables

Sources: Stats SA (2023) and own calculations

Figure 57 depicts the retail price trends for selected fruits from April 2015 to April 2023. The average prices, per kg, of oranges and apples were 5.7% and 1.8% higher, respectively, in 2022 compared with 2021, while the retail price of bananas declined by 8.3%. Comparing the first four months of 2022 and 2023, the retail prices of apples and bananas increased by 25.3% and 2.7%, respectively, while the price of oranges decreased by 5.9%.

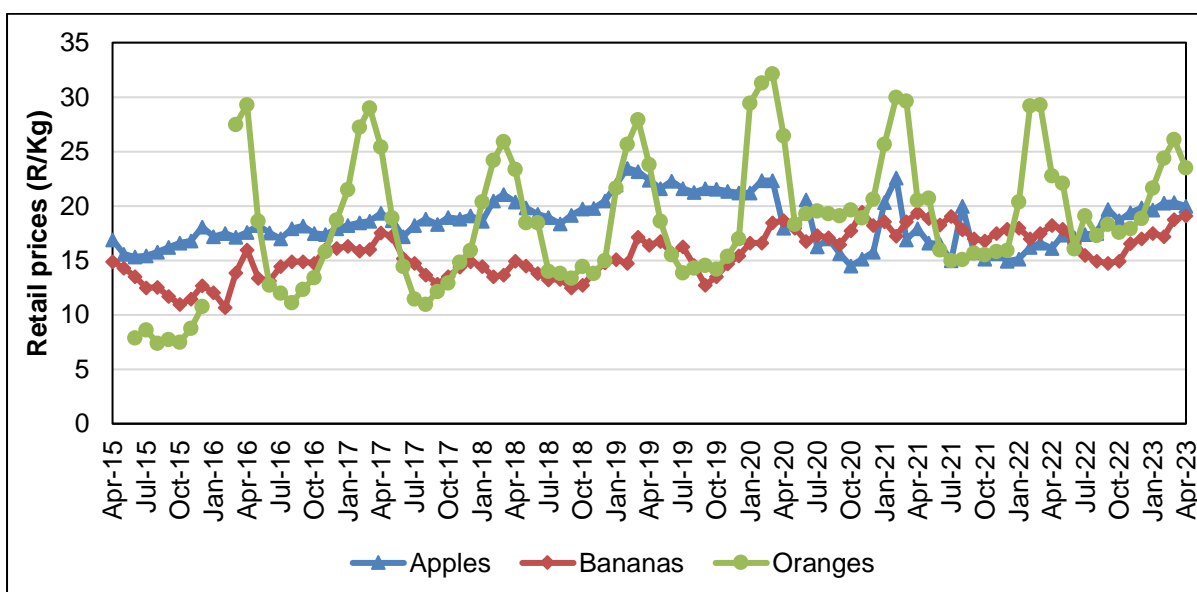


Figure 57: Retail price trends for selected fresh fruit

Source: Stats SA (2023) and own calculations

3.4 Conclusion

South Africa's total value of exports for the selected horticultural products was R25 927.1 million compared with the value of R1 189.5 million for the imported selected horticultural products in 2022. South Africa recorded an overall import growth rate of 97% between 2016 and 2022 for the selected horticultural products. The overall growth rate was positive during this period, as imports of apples declined by

234%, followed by oranges (147%) and potatoes (55%), while the value of imports of tomatoes, bananas and onions increased by 94%, 52% and 25%, respectively.

The total volumes produced of the selected vegetables (onions, potatoes and tomatoes) increased between 2000/01 and 2022/23. However, the volume of cabbage produced decreased. The total volumes of potatoes and cabbage sold on the FPM increased, while the volumes of tomatoes and onions decreased between 2021 and 2022.

Between 2021 and 2022, the FPM prices for fresh onions, tomatoes, and cabbages per kg increased, while the prices for fresh potatoes per kg decreased. The average retail prices per kg for selected fruits—oranges and apples—increased by 5.7% and 1.8%, respectively, in 2022 compared to 2021.

The Agriculture and Agro-processing Master Plan (AAMP) was signed in May 2022 with clear targets and commitments from various role players in the agriculture and agro-processing sectors. With reference to market access, South Africa signed an export protocol on avocado shipments to China and Japan, and successful market access was developed in India. The export markets for South Africa's horticultural products in the UK and Europe have been maintained while new export markets are negotiated.

The value chain round tables play critical roles in ensuring that the commitments made in the AAMP become a reality and are implemented. These platforms are where all value chain role players gather and identify key investments required per commodity. To date, the Fruit Industry Value Chain Round Table is fully functional and ensures that investments are made in research and development, transformation, worker welfare, and international trade.

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