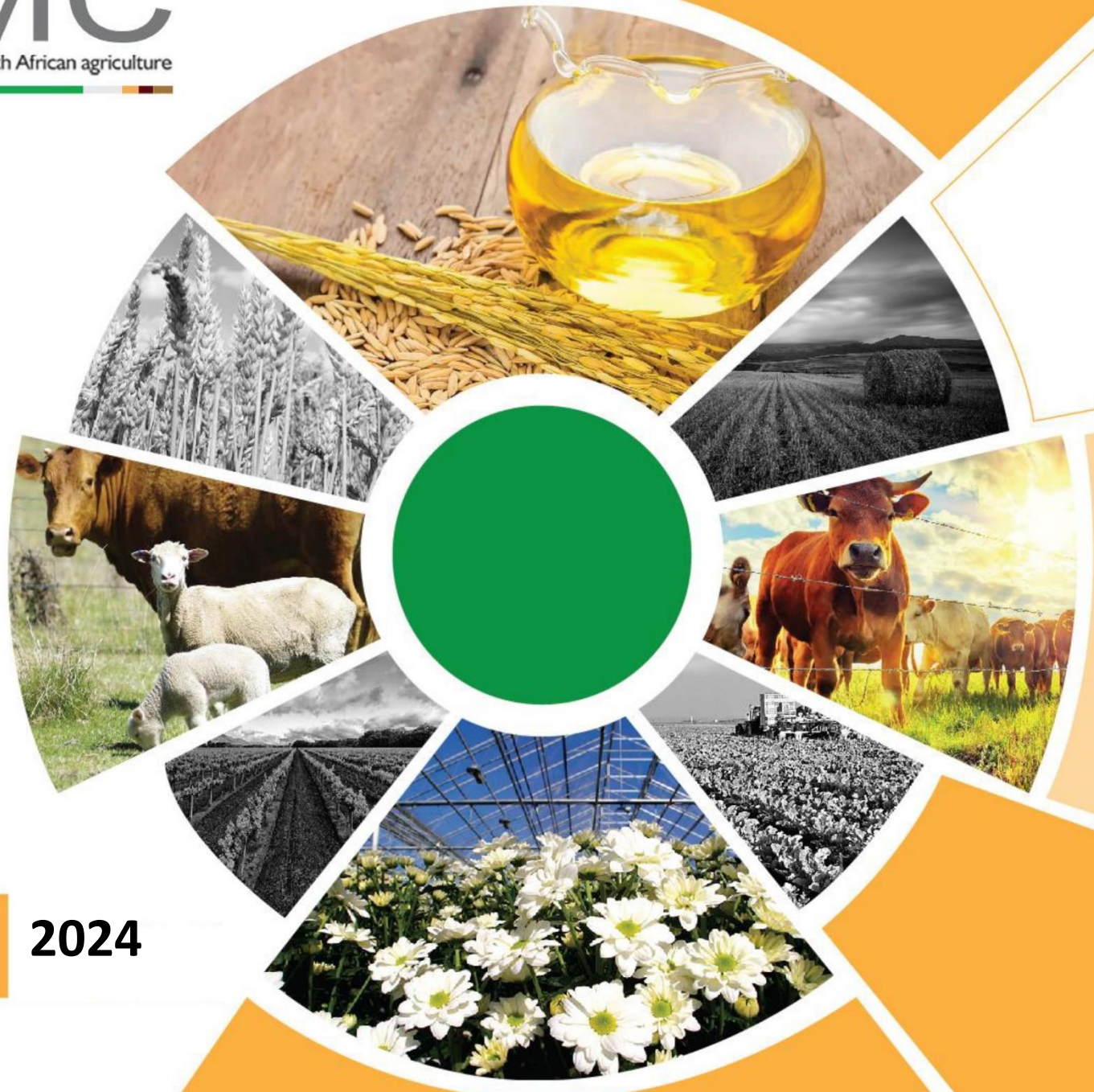
NAMC

Promoting market access for South African agriculture



Market Intelligence Report

QUARTER ONE 2024

Grains and Oilseeds

By Thulani Ningi, Naledi Radebe, and Matume Maila

Global Perspective

On this section the focus is on maize, oilseeds and wheat. The production of coarse grains is expected to decrease by 1.4 million tons to 1.511 billion in 2024/25. Global maize output and trade are expected to decline, while consumption is expected to rise. The production of corn is expected to decline in the Unites States (US), Ukraine, and Argentina but to increase in the European Union (EU), Brazil, and China. A large portion of Sub-Saharan Africa will see a decline in productivity due to extremely dry conditions. Major shifts in international trade are anticipated for 2024/25, with Tanzania and Ukraine exporting more corn while Russia exports less.

The projected amount of wheat produced globally in 2024/25 is 798.2 million tons, an increase of 10.5 million tons compared to the previous season. More harvests in Kazakhstan, Canada, Pakistan, India, China, Australia, and the United States are predicted to increase production than counterbalance decreases in the European Union, Russia, Ukraine, and the United Kingdom. Due to the hot and dry weather that followed the May frosts, Russia's winter wheat production forecast was reduced by 5.0 million tons to 83.0 million tons. Due to the persistent rainy weather in France, which reduced the yield potential and resulted in fewer growing degree days, the EU projection was dropped by 1.5 million tons to 130.5 million. Mostly due to decreased feed and residual use in the EU, Russia, and Ukraine, global consumption has decreased by 4.3 million tons to 798.0 million.

It is anticipated that global oilseed production would reach a new high of 687 million tons in 2024/25 representing a 4% increase over the 2023/24 marketing year. Higher soybean output in the US and South America is the main cause of this increase. The rebound in Argentina's soybean crush, China's growing feed demand, and the US's growing need for soybean oil are all anticipated to contribute to a 3 percent increase in oilseed consumption in 2024/2025. Oilseed commerce is predicted to increase by 4%, with decreased imports of sunflower seed more than compensating increased demand for rapeseed and soybeans.

Domestic And Regional Perspective

The crop estimates report released by the CEC on 28 May 2024 includes area estimates and the fourth production forecast for summer crops for the 2024 production season. The report reveals that the production forecast for white maize is 6 343 million tons. This is 0.99% or 63 600 tons less than the previous forecast of 6 407 million tons. Meanwhile, the production forecast for yellow maize is 6 967 million tons. This is 0.26% or 18 250 tons less than the previous forecast of 6 985 million tons. The production forecast for sorghum which is also one of the South African staple foods is 95 830 tons, which is 1.83% or 1 725 tons more than the 94 105 tons of the previous forecast.

Figure 1 presents the cost of spot prices per ton for yellow maize, white maize and sorghum between June 2023 and June 2024. In June 2024, the average spot price for a ton of yellow maize increased by 6%, and for white maize, it increased by 41%, compared to the same period in 2023. On the contrary, a month-to-month comparison showed a 1% decrease in the average spot price of yellow maize, whereas white maize saw a 4% increase. In June 2024, the average spot price for a ton of sorghum was 17% lower than in the previous year. On a monthly basis, the average spot price for sorghum declined by 2% from May. According to the FAO (2024), global maize export prices increased in May 2024 due to production concerns in Argentina and Brazil caused by crop damage from the spread of *Spiroplasma* disease and unfavourable conditions. On the other hand, sunflower and rapeseed oil prices also rose due to lower exports from the Black Sea region and expected supply shortages in the upcoming 2024/25 season (FAO, 2024).

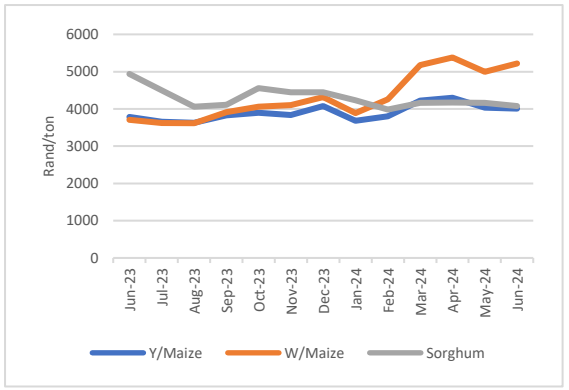


Figure 1: South Africa's yellow & white maize spot prices
Source: Grain SA, 2024

Key Areas to Unlock Growth in Grains and Oilseeds.

Key areas to draw from this section is that the small decreases in the production forecasts for white and yellow maize underscore the need for improved efficiency and resilience in crop production. Despite these declines, the significant increase in the spot price of white maize suggests a strong market demand that can be leveraged. Conversely, the decrease in sorghum prices indicates potential areas for market development and value addition. The global context, characterized by production concerns in major exporting countries like Argentina, Brazil, and tightening supplies in the Black Sea region, further emphasizes the importance of strategic planning and adaptive practices. By focusing on enhancing yield, managing pests and diseases, optimizing market strategies, and adopting sustainable practices, the field crop sector can unlock substantial growth.

Fruits and Vegetables

By Nokuthula Khulu[1], Ricardo Smith[2], Bhekani Zondo[3].

Global Perspective

This section focuses on oranges, olives (both oil and table olives) and table grapes. Global orange production for 2023/24 is expected to rise slightly to 48,8 million tons, with higher production in Argentina, the USA, and Turkey, boosting consumption and exports. This year, Brazil's output is expected to drop by 173,000 tons to 16,5 million tons because of bad weather during the second bloom, which decreased the amount of fruit that was set. Further, even though Brazil's production decreased, global orange juice production for 2023/2024 is predicted to rise slightly to 1,5 million tons due to increased production in the United States and Mexico. Due to excellent weather, it is anticipated that US production will climb by 280,000 tons to 2,5 million, with increases of 30% and 6% projected in Florida and California, respectively.

The top olive producing countries are located around the Mediterranean Sea region. In the past two decades, Spain, Greece, Italy, Turkey, and Morocco represented more than 70 percent of average annual global olive production (FAO, 2024). In contrast, the United States typically represents about 1 percent of global olive production. Spain is the world's leading producer and exporter of table olives and olive oil. Another significant producer of olives is Italy, which is especially well-known for its superior olive oil. One of the major olive-producing nations in Africa is Tunisia. It is predicted that olive oil production for the 2023/24 crop year will reach 2,490,000 tons globally (DeAndreis & DeAndreis, 2024).

Global table grapes production is projected at 28.4 million tons for the 2023/24 season, an increase of 490 000 from the previous season (USDA, 2023). This is mainly attributed to increased supplies in China, India, and the USA, among others. On the other hand, imports are both imports and exports are forecast to decline slightly during this period. Imports will decline slightly to 3.5 million while exports will increase to 3.7 million.

Domestic and Regional Perspective

South Africa's olive industry is anticipated to have a good harvest in 2024. In 2023, South Africa produced approximately 1.2 million litres of olive oil, compared to 1.7 million litres in 2022 (SA Olive, 2023). The industry has experienced exponential growth between 2012 and 2021 with a 20% annual increase in olive plantings (SA Olive, 2022). However, local production still faces stiff competition from lower-priced imports. 95% of South Africa's olive cultivation land is in the Western Cape, where the Mediterranean climate is suitable for olive growth (SA Olive, 2022). The Western Cape is expected to yield a good crop, with some farmers predicting a 10-20% increase in production (SA Olive, 2024). Approximately 95% of South African olive oil produced is Extra Virgin Olive Oil (EVOO) (SA Olive, 2024). Local production of olive oil stands at approximately 1.5-2 million litres annually, while imports amount to 5-6 million litres (SA Olive, 2022). This highlights a significant gap between domestic supply and demand. Table olive production and imports indicate a vibrant market, with approximately 1,400 tonnes of olives produced domestically and a matching volume imported each year. These imports originate from Mediterranean countries like Spain, Italy, Portugal, and Greece. Notably, South Africa is also an exporter of olive products, particularly to neighbouring countries like Botswana and Namibia.

South Africa's orange exports are expected to increase in the 2024 season (CGA, 2024). Total orange exports are expected to increase by 12% to 58 million (15kg) cartons in 2024. Navel orange exports are predicted to increase by 4% to 25.6 million (15kg) cartons, while Valencia orange production is expected to recover and return to its long-term growth trajectory after two years of suppressed exports. **Table 1** below shows the South African Table Grape Industry (SATI) final estimates be inspected for exports from the main table grapes producing regions.

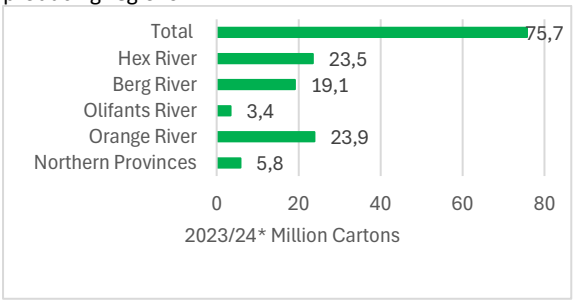


Figure 1: Final table grapes estimate to inspected for exports

South Africa's table grapes production is expected to recover from the previous impact of high rainfall and heatwaves which negatively affect crop volumes and quality. As a result, about 75.8 million cartons[4] will be inspected and shipped for exports in the 2023/24 season compared to 65.2 million in the previous season.

Key Areas to Unlock Growth in Fruits and Vegetables.

Growth in the orange, table grape, and olive sectors can be driven by improving weather resilience, boosting production efficiency, expanding export markets, and enhancing domestic value chains to compete with imports. Continued investment in infrastructure and improvement in operational efficiency of the Ports remain critical for improved market access both locally and to international markets.

[1] Intern Economist: Agricultural Industry Trusts
[2] Economist: Agricultural Industry Trusts
[3] Economist: Trade Research

[4] All cartons referenced equal 4.5 kg equivalent.

Livestock and Animal Products

By Thabile Nkunjana

Global Perspective

The declining trend for global meat prices by the end of May 2024 is attributed to various factors across meat types. In May 2024, according to the Food and Agricultural Organization (FAO) of the United Nations, global meat index was 1.3% down year-over-year and 0.2% down month-over-month.

Poultry

Figure 10 presents global poultry prices in US Dollars per ton from the US and Brazil. Global poultry prices fell end of May. This decline was mainly due to increased exportable availabilities amid lower internal demand in some major producing countries. Based on FAO data, a ton of poultry from Brazil was down 5% in May when compared to an average price per ton in 2023, while down 1% from the US for the same period.

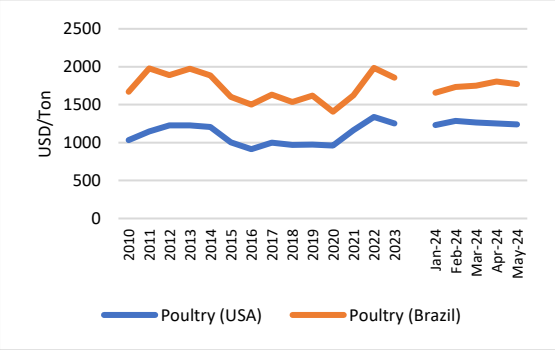


Figure 10: Global poultry prices

Source: The World Bank, 2024

Pork

Figure 11 presents global pork prices in US Dollars per ton from Brazil, EU, and US from 2010 to May 2024. Opposite to poultry prices, pork export prices increased month-on-month underpinned by a demand uplift and lingering supply tightness, mainly in Western Europe. Based on data from FAO, end of May, global export prices from USA were 6% higher than average price for 2023. Opposite to the US pork prices, a ton from Brazil decreased by 5% in May when compared to the average price in 2023 while the price from the EU was down 2% for the same period.

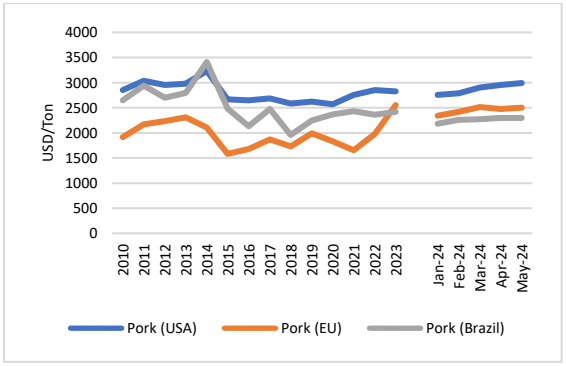


Figure 11: Global pork prices

Source: The World Bank, 2024

Beef

Figure 12 presents global beef prices in US Dollars per ton from Australia, Brazil, and US from 2010 to May 2024. Beef global prices decreased slightly end of May due to sluggish import demand coupled with ample exportable supplies from Oceania (FAO, 2024). Despite the decrease in export prices, a ton of beef from Australia and US was 14% and 10% higher than the average price in 2023, respectively. Of the leading beef exporters globally, Brazil was the only country which saw a decrease in prices with a ton decreasing by 5% end of May when compared to 2023 average export price.

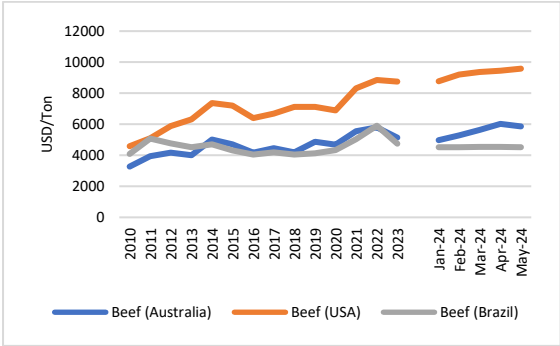


Figure 12: Global beef prices

Source: The World Bank, 2024

CLOSING REMARKS

The United States Department of Agriculture (USDA) warned in May that restricted cattle supplies will continue to be an issue in the United States through 2025. As a result, cattle prices are expected to reach new heights. In Australia, national weekly slaughter increased in May to an average of just over 137,000 heads. The significant growth was exemplified by the final week of May, which increased 14.6% year on year.

Pork prices from the EU have remained relatively constant in recent weeks. Average pig prices have risen from the lows recorded in the beginning of 2024, when weakening demand was said to be driving prices down. For the week ending May 5, the EU average is 187.11p/kg, with the market stated to be balanced. Prices in Germany, a significant pig producer and exporter in the EU and around the world, have returned from their February 2024 lows. However, the EU Commission predicts a 2.8%

Livestock and Animal Products

decline in global meat consumption by 2024, while poultry output is expected to increase by 1.7%.

DOMESTIC AND REGIONAL PERSPECTIVE

For South African consumers, economic considerations influence meat intake. The tighter the country's economic situation, the more pressure is put on specific meat varieties. For example, if customers' budgets tighten, they are more inclined to migrate to more economical meat kinds such as chicken.

Beef

Figure 13 presents an overview of the trend in producer prices for beef between May 2020 and May 2024. Beef producer prices for all classes have generally trended constantly in the past few except for class A2/A3 which occasionally increased. During third week of May, class A2/A3 of beef increased 0.5% when compared to the same period a year ago, while class C3/C3 and B2/B3 decreased 3.2% and 0.4% respectively.

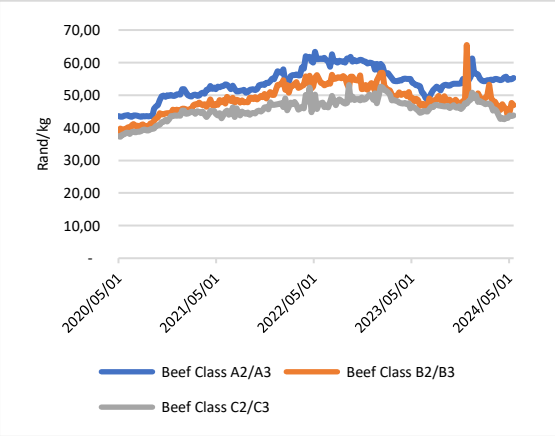


Figure 13: Beef producer prices

Source: AMT (2024)

Poultry

Figure 14 presents domestic chicken producer prices from May 2020 to May 2024. The month-to-month and year-to-year, price change shows decline across all classes of chicken. IQF chicken prices decreased by 5.8% y/y and 4.3% m/m. Fresh chicken prices by 3.3% y/y and 1.3% m/m, while frozen chicken prices declined 1.3% y/y and 0.8% m/m.

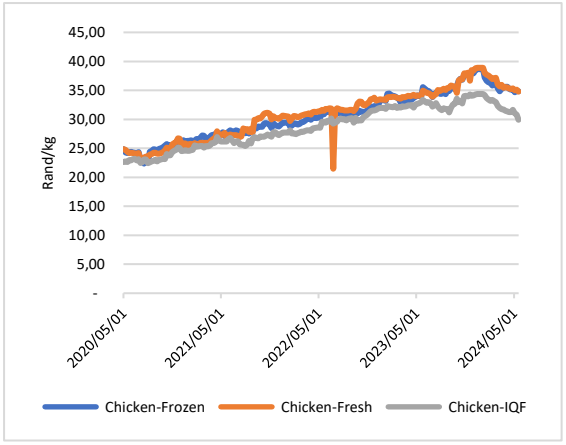


Figure 14: Chicken (poultry) producer prices

Source: AMT (2024)

Pork

Figure 15 presents domestic pork producer prices from May 2020 to May 2024. The month-to-month price change shows declines for both porkers and baconer. Porker prices decreased by 5% y/y and 2.8% m/m, while baconer prices decreased by 3.8% y/y and 1.9% m/m. Several factors may be associated with pork price declines and these include subdued demand and as well as growing supply.

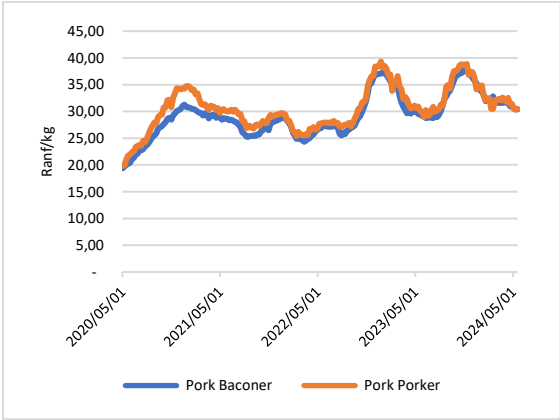


Figure 15: Pork producer prices

Source: AMT (2024)

CLOSING REMARKS

Animal disease remains a burning issue for intensive industries and has weighed on industry performance over the last couple of years. This presents a serious risk for the country's livestock subsector, especially the beef which has opened a few markets over the past few months. Some regions across the country are already battling with disease outbreaks.

For beef producers specifically, an improvement in consumer sentiments, combined with market access to key export markets such as Saudi Arabia, are green shoots for an industry that is emerging from three difficult years.

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