

# Not a good year for local peanut production

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**A**lthough I use peanut butter almost daily, for some reason I had not looked at its production pipeline in a few months. That is, until I received a call in February from a Zambian trader who wanted to export peanuts (groundnuts) to South Africa. This prompted me to do some back of the envelope calculations on South African supplies for the 2019/20 marketing year, which started on 1 March.

In the process, I realised that South African farmers planted 20 050 hectares in the 2018/19 production season, which is the smallest area on record in a dataset covering the past 83 seasons. The reduction in plantings is mainly underpinned by drier weather conditions experienced at the start of the planting season, a period between October and December 2018.

South Africa consumes roughly 81 496 tons of peanuts a year, mainly in two forms – as edible nuts and as processed peanut butter.

If we take an average yield over the past ten years and apply it to the aforementioned area planting, then South Africa's peanut production would possibly be around 22 272 tons. An average yield could be attainable, given the recent improvements in weather conditions in February and March in some parts of the country. But this won't help much, as the expected harvest is well below

South Africa's average long-term peanut production of 65 992 tons per annum.

## Consumption and yields

To put things into perspective, South Africa consumes roughly 81 496 tons of peanuts a year, mainly in two forms – as edible nuts and as processed peanut butter. Now, if production is likely to be as low as 22 272 tons and we add into this the carryover stock of 17 200 tons (according to data from Grain SA), then overall supplies could be roughly 39 472 tons.

If consumption is maintained at levels of around 81 496 tons a year, then South Africa would have to import over 40 000 tons of peanuts to satisfy its annual consumption. Such a number would not be extraordinary. In the 2016/17 marketing year, when South Africa's peanut production had declined significantly due to the drought, the country imported 52 112 tons of peanuts.

The leading suppliers were Argentina, India, Brazil, Malawi, Mozambique, Turkey, the United States and Zambia, among others. These countries are likely to be among the leading suppliers this year again, as they have remained consistent suppliers since the drought, albeit with marginal volumes.

## Market supply

Moreover, there are decent supplies in the world market. The United States Department of Agriculture forecasts 2018/19 global peanut production at 41,87 million tons, down by 7% from the previous season.

A decline in production, coupled with an uptick in consumption, could lead to a 30% year-on-year decline in global peanut stocks to 2,72 million tons. This essentially means that global peanut prices could increase in the coming months.



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Fortunately, at this point, the impact of all this has not yet fully reached the consumer. The prices of peanut products, such as 800g of peanut butter, was roughly R52,88 in February, up by 3% year-on-year according to data from Statistics South Africa.

In the 2016/17 season, when South Africa imported over 52 112 tons of peanuts, the price of 800g of peanut butter did not rise above R55, partly because of the lower global peanut prices on the back of a large harvest.

This year is different. While there are decent supplies in the global market, the harvest will be lower than the 2017/18 season. This will present upward pressure, which will subsequently be passed on to the South African consumer. So, this is not a good year for peanut consumers or producers. 🟡

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