Groundnuts in South Africa:
The future looks bright

During the 2015/16 production year the groundnut industry in South Africa reached its lowest production figures since records were kept from 1936. Exporters and producers had to pull out all the stops to save the industry and to generate a return to become one of the world’s best producers once again.

Alfonso Visser, owner of the Golden Peanut and Tree Nuts plant in Hartswater and one of the major groundnut producers in the country, says the main reason why the groundnut industry faced challenges was the El Niño climate phenomenon.

While it may seem as though producers lost interest in cultivating groundnuts, they didn’t really stop producing. It was rather a matter of late rainfall that forced producers to skip planting over the past three years. During this period, the first rains came only between 20 and 28 December and by that time it was too late for groundnut plantings. In certain parts, producers elected to plant maize instead.

Visser also says that producers who had the opportunity to plant groundnuts in those three years, recorded their best profits ever. This year the harvest looks promising and the climate has played its part. Groundnut production is set to show better profits than most other crops this year.

In the 2015/16 production year, South African producers could only manage to plant 22 600ha and only 17 680 tons of groundnuts were harvested. This season South Africa received its first rains from mid-November to mid-December and many producers managed to plant the commodity again. Approximately 55 000ha were planted in the Free State, Limpopo, Northern Cape and the North West. Apart from rainfall at the right time, there is also a promising export market in Europe and Japan, which are all good signs for a profitable year.

Keen interest in planting
Adri Botha, chairperson of the Groundnut Forum of South Africa (SAGF), says groundnut production in the country, similar to many other crops, experienced hard times due to the drought, but when the opportunity presented itself, farmers showed keen interest in planting again.

Information from the South African Grain Information Service (SAGIS) indicates that an average of 48 720ha were planted over the past ten years and the average harvest during this time was 66 139 tons. The average over the last five years has declined, however. During this time, an average of 45 015ha was planted and the average harvest was 52 568 tons. In the past two years, groundnut production has declined even more.

As noted before, only 22 600ha were planted during the 2015/16 production year and a mere 18 850 tons were harvested. The effect of this decrease in volumes is that South Africa failed to produce sufficient quantities of groundnuts for local consumption, with international buyers not receiving the regular volumes they are used to.

Botha believes that with a stable and adequate supply, this market will be regained easily enough, because South African exporters are renowned for quality and reliability under normal circumstances. Visser is also very optimistic regarding the export market. He says South Africa did not lose the international market. The supply did decrease, which negatively affected the export market, because international buyers turned to other more reliable sources. Despite this, South Africa still exports to Japan and Europe, with a focus on the higher-income sector of these countries.
New possibilities for business
There are new possibilities available for groundnut producers, but these will entail hard work, especially in respect of the export market. Botha says that due to a changing and declining supply, South Africa has lost some of its standing in recent years as a reliable export source for the international groundnut market in Europe and Japan. However, the markets are still there to be regained and expanded if the broader industry commits to the commodity and consistent supply of high-quality products.

Last year was one of the worst production years in South Africa, but exporters still managed to provide 36% or 2 317 tons, of the harvest to Japan, 32% to Mozambique, 12% to the Netherlands and 11% to Belgium.

“South African groundnuts are of a good quality and well known in the international market. Up until 1994, the country was known for its excellent quality and buyers didn’t hesitate to use South African groundnuts directly in their production lines, without the need for more sorting or processing. Unfortunately, in the move from a single-channel marketing structure via the Oilseeds Board as well as the challenges brought on by labour issues and adjustments needed on the technological side, primary producers started considering other commodities. In this process, South Africa lost the ability to retain its spot in the market along with many international buyers reluctantly forced to source products from alternative origins.

“At the same time, Argentina rose as a worthy opponent in the global supply arena, making matters even more difficult for exporters. Still, the international demand on the back of global population growth, along with the marketability of groundnuts as an excellent source of nutrients and healthy oils, leaves the door wide open to us,” Botha says.

Challenges for the future
Visser says groundnut production levels in South Africa have been so low in the past two to three years, that even the national market experienced a shortage. He believes that one of the challenges for the groundnut industry is achieving an increase in local consumption.

In the past, peanut butter formed a major portion of the menus relating to food projects for schools, prisons and non-profit organisations assisting the homeless, for instance, because it is affordable and high in protein. Lately however it has become too expensive for this purpose. Due to a decline in quality, this market has also shrunk. Therefore, the first challenge will be to increase local consumption again.

“The second challenge is identifying cultivars which will produce higher yields. Farming has become expensive, and producers have to find ways to cut down on input costs while still delivering higher returns. In the groundnut industry, we need access to cultivars that will deliver higher yields. This way we can cut on unit costs and deliver a more affordable product to the market,” Visser says.

Exceptionally high yields
Botha adds that in addition to hope for continued local cultivar development, international cultivar owners are sought and invited to submit seed to be included in the local Elite Cultivar Trials funded and managed via the Oilseeds Advisory Committee (OAC). She says groundnut production has always been more profitable than any other competing crop, but is also more intensive and the necessary attention should be given to best practices in an effort to ensure that available cultivars reach their full potential. It is no secret that certain farmers will deliver exceptionally high yields with the existing available material.

Another of the challenges in the industry – for which excellent work has already been done – is introducing groundnut production as a high-income crop to emerging farmers. The focus and goal is to help these farmers become regular producers of quality products through courses and mentorship, ultimately giving them access to the larger and more formal market environment.

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