

# PREFACE

The core business of the Directorate: Statistics and Economic Analysis is to provide economic and statistical services to monitor the economic performance of the agriculture, forestry and fisheries (AFF) sector. To support this important task, the Economic and Statistical Research Unit conducts economic analyses of the performance of the AFF sector, as well as the external impact on the AFF sector and its industries.

This publication, the *Quarterly Economic Overview of the Agriculture, Forestry and Fisheries Sector*, was developed because of a need within the Department of Agriculture, Forestry and Fisheries (DAFF) to be regularly informed on developments and expected economic trends in the agricultural sector. The quarterly report has been established as a regular feature in the directorate’s workplan. Since the beginning of 2004, the report has also been published for outside use to add value to a number of regular economic publications about the agricultural sector. It is our vision to maintain it as an indispensable reading for everyone interested in developments in the AFF and the South African AFF sector.

This issue looks at the economic developments in the first quarter of 2017, as well as the expected economic trends in the South African AFF sector as the domestic and global economies continue to face economic uncertainties.

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# EXECUTIVE SUMMARY

**Global growth prospects:** Global growth in 2017 is forecasted to strengthen to 2,7% amid a pickup in manufacturing and trade, rising confidence, favourable global financing conditions, and stabilising commodity prices. Growth in advanced economies is expected to accelerate to 1,9 percent in 2017, a benefit to their trading partners. Growth in emerging market and developing economies will recover to 4,1% this year, as obstacles to activity diminish in commodity-exporting countries. Economic performance across emerging market and developing economies has remained mixed.

**Global grain supply forecast:** The global total Grain production in 2017/18 is expected to retreat by 3% from the previous season’s record. Global total grain trade will probably stay high in 2017/18; reductions for wheat and barley account for most of the small projected decline. Global soya bean supplies are likely to stay elevated in 2017/18 but, due to rising uptake, stocks could contract by 9% year on year. The global grain supply forecast indicates a total grain increase of 4,6%, from 3027,72 million metric tons in 2016 (Q1) to 3166,43 million metric tons in 2017 (Q1).

**South Africa GDP:** South Africas GDP decreased by 0,7% in GDP during the first quarter of 2017, following a 0,3% contraction in the fourth quarter of 2016. The contraction manufacturing industry was the largest contributors to the negative growth which contracted by 3,7% and contributed -0,5 of a percentage point to GDP growth. The agriculture, forestry and fisheries industry’s increased with 22,2% in the first quarter of 2017,this was mainly as a result of increases in the production of field crops and horticultural products.

**Inflation:** The average inflation rate rebounded to 6,2% in the first quarter of 2017 form the 6,6% in the fourth quarter of 2016, representing a decrease of 0,4%. This means in laymans term that on average, a consumer paid 0,4% less for food in the first quarter of 2017 as compared to fourth quarter of 2016.

**Employment:** The number of employed people in South Africa increased by 144 000 in Quarter 1 of 2017. The increases were driven by manufacturing with 62 000, finance and other business services by 49 000, mining and construction by 26 000 and 23 000, respectively. The number of employed persons in the agricultural sector decreased by 0,5% from 919 000 in the fourth quarter of 2016 to 44 000 in the first quarter of 2017.

**The grain market review section:** Itreflects on quarterly price trends (domestic and international); supply and demand of the following major products produced in South Africa; maize, wheat, soya bean, sorghum sunflower, groundnuts and dry bean as well as the **Fruit and vegetable** and **Meat industry review**

**Trade:** South Africa posted an 11,44 billion rand ($863 million) trade surplus in March 2017 following a revised R4,78 billion surplus in February 2017. In the first quarter of 2017, exports of agricultural products decreased by 3%, from R29,12 billion in the first quarter of 2016 to R28,22 billion in the first quarter of 2017. During the same period, imports of agricultural products grew by 2%, from R21,95 billion in the first quarter of 2016 to R22,33 billion in the first quarter of 2017.

# 1 GLOBAL OVERVIEW OF THE AGRICULTURE, FORESTRY AND FISHERIES ECONOMY

## 

## Global Real GDP Growth Rates

According to the Focus Economics report, the Global economic activity firmed up at the outset of the year, as per comprehensive data for Q1. Global GDP rose to 2,9% annually (Q4 2016 increased by 2,8% year-on-year), which was a notch above the 2,8% expansion that  [a panel of analysts had projected](http://www.focus-economics.com/regions/major-economies/news/me-economic-outlook-jun-2017). On top of the acceleration in [China](http://www.focus-economics.com/countries/china) reported last month, growth rate in the [United States](http://www.focus-economics.com/countries/united-states) was revised upward on stronger private consumption and investment. The economic story remained largely intact in the Euro area, with GDP benefiting from a declining unemployment rate and a robust external sector. In [Japan](http://www.focus-economics.com/countries/japan), a competitive yen and healthy investment buttressed economic growth. On the downside, economic dynamics in the [United Kingdom](http://www.focus-economics.com/countries/united-kingdom) started to feel the pinch of high inflation and subdued wage growth. Quarterly Real GDP growth Rates, 2017 (Q1) in the advanced economies of the following countries: Canada, France, Germany, Italy, United Kingdom and United States decreased by 0,9%, 1,3%, 0,6%, 0,4%, 0,2% and 0,3% respectively, meanwhile Japan increased by 0,3% as compared to 2016 (Q1). See Figure 1 below.

### **Figure 1:** Advanced Economies Quarterly GDP Growth Rates

Source: Various Sources

Economic performance across emerging market and developing economies has remained mixed. Whereas China’s growth remained strong, reflecting continued policy support, activity has slowed, in India because of the impact of the currency exchange initiative, as well as in Brazil, which has been mired in a deep recession. Activity remained weak in fuel and nonfuel commodity exporters more generally, while geopolitical factors held back growth in parts of the Middle East and Turkey. Figure 2, indicates that in the emerging markets and developing economies, 2017 (Q1) the Quarterly Real GDP growth rates increased in the following countries, Brazil, China, Indonesia, Malaysia, Philippines and Russia by 1%, 6,9%, 5%, 5,6%, 7% and 0,5% respectively. Meanwhile, India, South Africa and Nigeria, decreased by 6,1%, 0,7%, and 0,5% as compared to the (Q1) of 2016 Figures.

### **Figure 2:** Emerging Markets and Developing Economies Quarterly GDP Growth Rates

Source: Various Sources

## Global Grain forecast

According to the International Grain council report (2017), global total grain production in 2017/18 is expected to retreat by 3% from the previous season’s record. The first stocks contraction in five years is predicted, with maize likely seeing the biggest fall. Global total Grain trade will probably stay high in 2017/18; reductions for wheat and barley account for most of the small projected decline. Global soya bean supplies are likely to stay elevated in 2017/18 but, due to rising uptake, stocks could contract by 9% year on year. World rice stocks in 2017/18 are seen steady year on year, but major exporters’ inventories are likely to fall, with those in Thailand dropping to a nine-year low.The global grain supply forecast indicates a total grain increase of 4,6%, from 3027,72 million metric tons in 2016 (Q1) to 3166,43 million metric tons in 2017 (Q1). Global supply projections for 2017 (Q1) of wheat, coarse grains, rice milled, oil seeds, oil meals and vegetable oils increased by 4,5%, 2,6%, 4%, 4,3%, 4% and 4,6% respectively. Whereas cotton declined by 5%, as compared to (Q1) of 2016, see Figure 3.

### **Figure 3:** Quarterly global grain supply forecast

Source: USDA

## Global Food Prices

According to the Food and Agriculture Organisation’s (FAO, 2017) latest outlook report for global cereal supply and demand in 2017/18 remains favourable as demand is projected to fall slightly short of the anticipated production level, allowing global stocks to remain around their record-high opening levels. FAO currently forecasts world cereal production in 2017 at 2 594 million tonnes, 5 million tonnes lower than the May forecast and down 14,1 million tonnes (0,5 percent) year-on-year. The monthly decrease is mostly the result of deteriorating production prospects for coarse grains and, to a lesser extent, for rice.  Compared to 2016, much of the reduction is due to expectations of a 2,2 percent contraction in global wheat output as well as lower barley and sorghum production. These declines would more than offset a 1,4% expected expansion in global maize output, driven primarily by strong rebounds in South America and Southern Africa, and a 0,7 percent increase in world rice production.

World cereal utilisation in 2017/18 is projected at a record level of 2 584 million tonnes, 13 million tonnes (0,5 percent) from 2016/17. This forecast stands 11 million tonnes below May expectations, largely reflecting downward adjustments made to historical wheat and maize feed estimates, particularly in China. On an annual basis, the total wheat utilisation is projected to decline by 0,4 percent from 2016/17, whereas the total uses of coarse grains and rice are expected to grow by 0,8% and 1,2%, respectively. Globally in 2017 (Q1) some major countries were paying more by 11,% on food purchases compared to 2016 (Q1). The following global food products price indices in 2017 (Q1), meat, dairy, cereals, oil and, sugar reflect a steady increase by 10.6%, 38,2%, 0,07%, 18,6% and 37,6%, respectively.

### **Figure 4:** Quarterly global food price indices

Data Source: FAO

# 2 THE STATE OF THE DOMESTIC ECONOMY IN AGRICULTURE, FORESTRY AND FISHERIES

## 2.1 Growth

Recent data released by Statistics South Africa for the first quarter of 2017 shows a disappointing picture for the economy. Economic activity contracted over a wide range of sectors, including construction, manufacturing and transport. Only mining and agriculture made positive contributions to output growth. Political instability, high unemployment and credit ratings downgrades have dented business and consumer confidence in the country. South Africa’s real gross domestic product (measured by production) decelerated by 0,7% in the first quarter of 2017 from -0,3% reported in the previous quarter, see Figure 5. The data further revealed that trade, catering and accommodation industry was the largest contributor to a negative growth. The trade, catering and accommodation industry shrunk by 5,9% and contributed -0,8% to the GDP growth followed by electricity, gas and water industry, which declined by -4,8% and contributed -0,1% to the GDP growth. The manufacturing industry contracted by 3,7% in the first quarter of 2017 from a contraction of 3,1% in the fourth quarter of 2016. The largest contributor to a decrease in manufacturing industry was attributed to a decrease in petroleum, chemical products, rubber and plastic division. In contrast, the primary industry recovered in the first quarter of 2017.

The mining and quarrying industry rebounded by 12,5% in the first quarter of 2017 from a contraction of 11,5% and contributed 0,9% to the GDP. The Agriculture, Forestry and Fisheries, which reported a negative growth for the eight consecutive quarters, rebounded by 22,2% in the first quarter of 2017. The growth of the Agriculture, Forestry and Fisheries in the first quarter of 2017 was attributed mainly to increase in the production of field crops and horticulture production following a good rainy season see Figure 6 . In the wake of a technical recession, economists are calling for the South African Reserve Bank to cut the interest rates to help alleviate the pressure. According to Anabel Bishop, Chief Economist at Investec, consumers are financially heavily constrained. An interest rate cut of even a 25 basis point easing, would be welcomed as many consumers are very vulnerable financially.

**Figure 5:** Domestic real GDP growth   
Source: Stats SA

### **Figure 6:** Agriculture, forestry and fishing sector growth rates

Source: Stats SA

## 2.2 Inflation

Figure 7 shows South Africa’s annual headline CPI and the food inflation from the first quarter of 2016 to the first quarter of 2017. The annual average headline CPI for the first quarter of 2017 is estimated at 6,3% lower compared to 6,6% growth in the fourth quarter of 2016. Food inflation was 10,2% in the first quarter of 2017 which is 13,6% lower than 11,8% in the fourth quarter of 2016. This is good news to cash strapped consumers who spent half their income on food. The annual consumer price inflation for March 2017 was 6,1%, lower compared to 6,3% in February 2017. The consumer price index increased by 0,6% month-on-month in March 2017. The main contributors to the headline annual consumer price inflation are food and non-alcoholic beverages, transport, education and miscellaneous goods and services. Food and non-alcoholic beverages decreased from 1,7% in February to 1,5% in March 2017 while transport, education and miscellaneous goods; and services increased by 1,0%, 0,1%, and 1,1% respectively in February to 1.1%, 0.2% and 1.2% respectively in March 2017.

The monthly contributors to consumer price inflation are food and non-alcoholic beverages, alcohol beverages and tobacco, housing and utilities and education. Food and non-alcoholic beverages, alcohol beverages and tobacco contributed 0.15% each in march 2017 while housing and utilities; and education contributed 0.2% point each in march 2017.

### **Figure 7:** SA headline CPI and CPI for food

Source: Stats SA

Figure 8 illustrates consumer trends of selected food items from the first quarter of 2015 to the first quarter of 2017. As can be observed from Figure 7, food inflation for selected food items has been declining since the last quarter of 2016 with exception of meat. The decline in food inflation implies that consumers will have more money in their possession to buy more food items. The annual average CPI for food over 12 month period (March 2016 to March 2017) is estimated at 11%, while the CPI for food in March 2017 is estimated at 8,7%. On a month-on-month, CPI for food decreased by 13% in March 2017. The CPI for food averaged 10,2% in the first quarter of 2017 from a 11,8% in the fourth quarter of 2016. The implication is that consumers paid more for food in the fourth quarter of 2016 than the first quarter of 2017 by 13,56%.

Data for selected food items revealed that the CPI for meat, fish and milk, eggs and cheese were higher compared to other food items. On a quarterly basis, the CPI for meat were the most expensive, followed by fish and milk, eggs and cheese, which rose 54,26%, 5,86% and 0,39% respectively between fourth quarter of 2016 and first quarter of 2017. The CPI for vegetables, fruits, oil and fats; and bread and cereals decreased by 88%, 61,1%, 62,4 and 24,9% between the fourth quarter of 2016 and the first quarter of 2017. The month-on-month CPI of the selected food items shows an interesting picture. The CPI for all selected food items have declined. The CPI for vegetables, fruits, oil and fats; bread and cereals, fish and milk, eggs and cheese decreased significantly by 100%, 58,92%, 61,22%, 33,59%, 1,87%, and 14,81% respectively whilst the CPI for meat remained unchanged.

### **Figure 8:** CPI for selected food items

Source: Stats SA

## 2.3 Employment

According to the Quarterly Labour Force Survey (QLFS) the growth in employment of 144 000, was offset by the growth in the number of job-seekers of 433 000 driving the unemployment rate to 27,7% in the first quarter of 2017 from 26,5% in the last quarter of 2016. This is the highest unemployment rate observed since September 2003. The growth in employment was observed in all industries except agriculture, trade and services. The biggest growth was observed in Manufacturing (62 000), finance and other business services (49 000) and mining (26 000).  Mining grew for the first time in the first quarter of 2017 after declining for four successive quarters. Furthermore, employment grew in all provinces quarter to quarter except in the Eastern Cape and Limpopo.  All Metros registered growth in employment except Nelson Mandela Bay, Mangaung and City of Johannesburg which remained virtually unchanged. There were approximately 500 000 extra people in employment in the first quarter of 2017 compared to the same period last year. The year-on-year employment growth was driven by manufacturing (145 000), construction (143 000) and finance (152 000).

Of the 433 000 people who joined the ranks of the unemployed in the first quarter of 2017, approximately 58% were young people aged 15 to 34 increasing the youth unemployment rate from 1,6 percentage points to 38,6%. The proportion of those in short term unemployment (i.e those who have been looking for work for less than a year ) increased by 2,4 percentage points to 34,2% a further indication that these were young people who joined the labour force at the beginning of the year. Unemployment rate remained high among those with education level of less than matric at 33,1% which is 5,4 percentage points higher than the national average. While the unemployment rate among graduates remained at 7,3%.

Unemployment rate increased or remained virtually unchanged in all provinces except Northern Cape. The biggest increase in unemployment rate was observed in Eastern Cape which increased by 3,8 percentage points to 32,2%. The expanded unemployment which includes those who wanted to work but did not look for work increased by 391 000 people, resulting in an increase of 0,8 of a percentage point in the expanded unemployment rate to 36,4%. This is approximately 9,3 million persons who did not have work but wanted to work in the first quarter of 2017, see Figure 9.

### **Figure 9:** Total number of people employed in the agriculture sector between 2015 and 2017.

Source: DAFF

The number of people employed in agriculture sector decreased by 4,8% in the first quarter of 2017, from 919 000 persons in the fourth quarter of 2016 to 875 000 persons in the first quarter of 2017. Of the 44 000 job losses by the sector in the first quarter of 2017, 27 000 jobs were lost by women meanwhile 17 000 jobs were lost by men. In total, the agricultural sector comprised of 278 000 women and 597 000 men in the first quarter of 2017 compared to 305 000 women and 614 000 men the previous quarter. Compared to a year ago the sector only created 0,7%, which is 6 000 job opportunities. The gap between the unemployment rate envisaged in the National Development Plan (NDP) and the current rate is widening. The NDP state that unemployment should be 14% by 2020 and only two and a half years to that target. The gap to 2020 currently stands at 13,7 percentage points. The NDP argues that agriculture has the potential to create close to one million new jobs by 2030. This can be done by expanding irrigated agriculture. With the sector now losing job it looks difficult to achieve one million jobs.

Figure 10 shows that between the fourth quarter of 2016 and the first quarter of 2017, provincial agriculture employment increased slightly in three provinces, whilst it decreased in other five provinces. Compared to other provinces, Western Cape had the highest employment of 215 000 in agriculture between the two quarters. During the same period agriculture employment in Free State, Mpumalanga, Limpopo and Gauteng increased by 8,5%,1,5%, 0,5% and 0,2% respectively. Meanwhile agriculture employment in Western Cape, Northern Cape, North West, KwaZulu-Natal and Eastern Cape decreased by 14,2%10,3%, 8,8%, 3,1% and 1,7% respectively between the two quarters.

### **Figure 10:** Provincial agriculture employment between fourth quarter of 2016 and first quarter of 2017 Source: DAFF

The 2017 first quarter (QLFS) also indicated that 2,1 million people were involved in subsistence farming in the first quarter of 2017 compared to 1,9 million people in the previous quarter, an increase of 10,4%. Figure 11 below illustrate the number of people involved in subsistence farming in all provinces in the first quarter of 2017 compared to the previous quarter. KwaZulu-Natal had the highest number (880 000) people involved in subsistence farming compared to (887 000) in the previous quarter, a decrease of 0,8%. Meanwhile, Eastern Cape had (553 000) people involved in subsistence farming compared to (467 000) in the previous quarter, an increase of 18,3%. During the same period Limpopo had (271 000) people involved in subsistence farming compared to (193 000) people, an increase of 40,5%, Mpumalanga had (179 000) people involved in subsistence farming compared to (137 000) people. The number of people involved in subsistence farming in Free State increased from (95 000) in the fourth quarter of 2016 to (97 000) people in the first quarter of 2017. The number of people involved in subsistence farming in Northern Cape increased to (23 000) in the first quarter compared to (18 000) in the last quarter of 2016 between the two quarters. The number of people involved in subsistence farming in Gauteng decreased from (23 000) to (21 000) during the same period, while the number of people involved in subsistence farming in North West decreased from ( 61 000) to ( 57 000) between the two quarters.

### **Figure 11:** Provincial number of people involved in subsistence farming between the fourth quarter of 2016 and first quarter of 2017

Source: DAFF

## 2.4 Expenditure on intermediate goods and services by the agricultural sector

The total expenditure on intermediate goods and services was reported at R315,8 billion in the first quarter of 2017 compared to R361,5 billion in the previous quarter, a decrease of 12,6%. Compared to a year ago the total expenditure on intermediate goods and services increased by 6,9% from R295,5 billion in the first quarter of 2016 to R315,8 billion in the first quarter of 2017.

Figure 12 shows comparison of the total expenditure on fuel, farm feeds, fertilisers, seeds and plants as well as farm services in the first quarter of 2017 compared to the previous quarter. The decrease in total expenditure was attributed to the decrease in expenditure on Fuel (-17,0), Fertiliser (-18.3), seeds and plants (-26,7) and farm services (-15,2). While the expenditure on farm feeds increased by 3,8% compared to the previous quarter.

0.0

200.0

400.0

600.0

800.0

1 000.0

1 200.0

Q1

2015

Q2

2015

Q3

2015

Q4

2015

Q1

2016

Q2

2016

Q3

2016

Q4

2016

Q1

2017

R billion

Fuel

Farm Feeds

Fertiliser

seeds and plants

farm services

### **Figure 12:** Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between Q1 2015 and Q1 2017.

Source: DAFF

## 2.5 Nominal gross farm income and net farm income from agricultural products

The nominal real gross income from all agricultural products decreased from R59,6 billion in the last quarter of 2016 to R55,4 billion in the first quarter of 2017, a decrease of 7,0%. This was largely supported by a decrease of 57,8% and 7,9% in income from field crops and animal products. Meanwhile, income from horticulture increased by 34,6% between the two quarters. The significant decrease in income from field crops is attributed to the decrease in income from canola, barley, oats, wheat, sugar cane, dry beans, grain sorghum and hay which decreased by 99,9%, 99,8%, 87,9%, 86,5%, 78,2%, 31,4%, 23,8% and 20,1% respectively. The slight decreased of 7,9% in income from animal products was supported by a decrease in income from wool, sheep slaughtered and milk which decreased by 41,6%, 29,5% and 17,8% respectively between the two quarters. During the same period the increase of 34,6% in income from horticulture was due to a significant increase in income from dried fruit and citrus fruit which increased by 173128,0% and 144,2% respectively. While income from deciduous and other fruits increased by 90,8%, while tea increased by 48,1%. Compared to a year ago real gross farm income from all agricultural products increased by 4,6% in the first quarter of 2017 compared to same quarter of 2016. During this period, the increase was largely supported by an increase in income from field crops and animal products which increased by 10,0% and 8,6% respectively, while income from horticulture decreased by 2,4%.

### **Figure 13**: Trends in nominal gross farm income between 2015 and 2017.

Source: DAFF

## 2.6 The net farm Income

Figure14 illustrates the net farm income trends between 2015 and 2017. The net farm income is estimated at R16,7 billion in the first quarter of 2017 compared to R15,7 billion in the same quarter of 2016, an increase of 6,8%. The increase in net farm income was largely supported by an increase in income from field crops and animal products which increased by 10,0% and 8,6% respectively.

### **Figure 14:** Trends in the net farm income between 2015 and 2017.

Source: DAFF

## 2.6 Private consumption expenditure on agricultural products

Figure 15 below shows that private consumption expenditure on food decreased in the first quarter of 2017 to R153,7 billion from R166,4 billion in the previous quarter, a decrease of 7,7%. Compared to a year ago, total private consumption expenditure on food increased to R153,7 billion reported in the first quarter of 2017 compared to R143,7 billion in same quarter of 2016, an increase of 6,9%. During the same period the main expenditure items were potatoes which increased by 31,0%. The expenditure on bread and grain increased by 15,9 between the two quarters. The expenditure on meat also increased by 1,2%. Meanwhile the expenditure on fruit and vegetables decreased by 10,9% in the first quarter of 2017 compared to the same quarter of 2016. During the same period the expenditure on oils and fats also decreased by 4,8%.

### **Figure 15:** Trends in private consumption expenditure between 2015 and 2017

Source: DAFF

# 3. Review of Agricultural Markets

## 3.1 Grain market review

## 3.1.1 White and yellow maize

Figure 16 illustrates the price trends of white and yellow maize, as well as the international maize prices. During the first quarter of 2017, South Africa white maize prices traded between import and export parity prices as expected. However, maize prices are likely to decline following good rains during the planting season. White maize import parity price for the first quarter of 2017 were at R2824/ton compared to R3777/ton in quarter 4 of 2016 which represents a 25,22% decline in price. Domestic white maize prices declined by 42,65% year-on-year during the first quarter of 2017. The local yellow maize traded closer to the export parity price in the 1st quarter of 2017 at an average of R2730/ton which is 15,08% lower compared R3215/ton of the previous quarter. The year-on-year prices of yellow maize decreased significantly by 24,72% in the first quarter of 2017. Following a good season, white maize prices are expected to trade between the import and export parity prices during the second quarter of 2017 while yellow maize prices are expected to trade closer to export parity prices in the second quarter of 2017.

**Figure 16:** White maize price   
Source: Sagis

Figure 17 shows the retail prices against the maize seed prices. The average quarterly price of maize seed prices for the first quarter of 2017 was R2824/ton which is 25,22% lower compared to the fourth quarter of 2016. Data revealed that even though maize seed price have declined significantly from quarter to quarter, consumers still pay higher prices for maize by-products. The decline in maize seed prices in the first quarter of 2017 is expected to ease the price of maize by-products in the second quarter of 2017. On a quarterly basis, the price of super maize 1kg, (super maize) mealie meal/maize flour 5kg, (special maize) mealie meal/maize flour 1kg and (special maize) mealie meal/maize flour 2,5kg increased by 1,27%, 1,28%, 2,75%, and 1,65% respectively with the exception of super maize 2,5kg which declined by 0,53% in the first quarter of 2017. The prices of super maize 1kg, super maize 2,5kg, (super maize) mealie meal/maize flour 5kg, (special maize) mealie meal/maize flour 1kg, (special maize) mealie meal/maize flour 2,5kg were 24,08%, 24,30%, 26,56%, 28,60% and 31,17% higher compared to the same period last year.

**Figure 17:** Retail prices vs white maize seed prices  
Source: Safex/Stats SA

Figure 18 shows the supply and demand of white maize from the first quarter of 2015 to the first quarter of 2017. Producer deliveries for the first quarter of 2017 rebounded by 351,72% from a contraction of 94,55% in the fourth quarter of 2016. South Africa’s exports of white maize recorded a double digit increase of 18% during the first quarter of 2017 from a growth of 7% in the fourth quarter of 2016. However, maize surplus has declined for the third consecutive quarter since the third quarter of 2016. Maize surplus declined by 19,9 and 49% in quarter 3, quarter 4 of 2016 and quarter 1 of 2017 respectively. The decline is attributed to the drought that affected maize yield in the 2016 season. Local demand for white maize also contracted by 2% in the first quarter of 2017 from a positive 3% growth in the fourth quarter of 2016.

### **Figure 18:** Supply and demand of white maize

Source: Sagis

Figure 19 shows the supply and demand of yellow maize from the first quarter of 2015 to the first quarter of 2017. Producer deliveries and imports of yellow maize rebounded by 77,24% and 23,62% during the first quarter of 2017 respectively, while the year-on-year for producer deliveries and imports of yellow maize were 12,83% and 47,35% lower respectively. On the other hand, the local demand of yellow maize decelerated from by 6,61% in in the first quarter from a contraction of 3,19% in the fourth quarter of 2016. Exports also took a knock, from a positive growth of 56,36% in the fourth quarter to a contraction of 24,43% in the first quarter of 2017.

### **Figure 19:** Supply and demand of yellow maize

Source: Sagis

## 3.1.2 Wheat

Globally wheat is still in ample supply and remains at record high regardless of Kazakhstan and India which caused a reduced global forecast; February 2017, world wheat production was projected down by 4,5 million tons to 748,2 million tons, but still higher than last year’s record by 12,7 million tons. During the fourth quarter, global trade boosted to a new record with stronger import demand from several Asian countries and Brazil; with the lager exports for Australia, Argentina and the EU partially offset by a decrease for Canada. On the other hand the United States wheat planting estimate made a record low at 46,0 million acres; also the weather in the United States gives an unfavourable future wheat harvest; all this will put pressure on wheat prices. According to USDA (2017) wheat production in South Africa (2016/17) is estimated at 1,88 million metric tons, up to 436 000 tons from last year’s output; with the harvested area estimated at 508 000 hectares, up by 26 000 hectares from last year. During the first quarter of 2017, national treasury announced that the wheat tariff formula will remain until the end of March 2017.

**Figure 20**: Wheat safex price, Export price and Import price

Source: Sagis/Safex

Figure 20 illustrates the wheat safex prices, exports price and import price seen from January 2014 to March 2017. In the first quarter of 2017, the rand was stronger compared to the dollar; however, the strong rand impact negatively on import parity. As mentioned before globally, wheat is in ample supply and remains at record high; therefore favourable production and high carry out stocks keep international prices low; but because South African wheat prices are determined by international wheat price, the exchange rate and the local supply and demand for wheat. South Africa is not self-sufficient in the production of wheat; therefore approximately 60% of our local consumption is imported. In the first quarter of 2017, import price (R/ton), the price of wheat and export price all went up, but import price was selling above the wheat safex price and export price.

As presented in Figure 16, comparing first quarter of 2016 with first quarter of 2017; the price of bread rose by 10,0% and 8,91% for both 700 grams of (brown and white bread) respectively; that is from R11,14 to R12,23 bread brown and R12,31 to R13,41 bread white. On the other hand the price of bread brown (600gr) went down by 1,45%; cake flour and bread flour prices increased by 5,82% and 8,90% respectively as shown graphically in figure22 below. An increase in the bread prices could have been attributed from the costs incurred by producers down the value chain; factors among others such as energy, transport costs, packaging and labour costs are the largest contributors in terms of costs within bread production and can contribute to the increase in bread process.

### **Figure 21:** Retail bread price vs wheat import price

Source: Stats SA & Safex

Figure 21 presents retail bread price versus wheat import price. The figure shows that, in both the first quarter of 2016 and the first quarter of 2017, the SA safex price has been trading below the import price (Randfontein), with the rand being volatile.

### **Figure 22:** Wheat deliveries, Imports, Exports and local demand

Source: Stats SA & Safex

According to USDA (2017), imports in South Africa for the 2017/18 marketing year will be almost 40% higher than in the 2016/17 marketing year at 1,8 million tons; due to an expected decrease in local production as currently corn planted area increased drastically responding to more favourable climatic conditions. The CEC estimates that South Africa produced 1,9 million tons of wheat on 508,365 hectares, which represents an increase of 33 percent from the previous year on increased area planted and better climatic conditions, especially in the Western Cape province. As illustrated in figure 23 above, the producer deliveries of wheat in the first quarter of 2017 went down by 86,2% compared to the same quarter in 2016. On the other hand SA wheat imports increased by 228 752 tons in the first quarter of 2017, while local demand fell by 8,3% and exports increased by 21 202 tons compared to the first quarter of 2016, see Figure 22.

## 3.1.3 Soybeans

The price of soybean has increased by 7% in the 1st quarter of 2017 compared to the previous quarter and it is 8,6% lower on a year-on-year basis. The price of soybeans started coming down in June 2016 as global soybeans production for 2016 was projected to reach a peak. South African prices track international prices as the country is not self-sufficient in production of the crop even though the country was experiencing a drought the ample global stocks kept local prices lower, see Figure 23.

Local prices trade closely at, or below the import price during the quarter and continue to trade at those levels. Various fundamentals continue to move the local price, for example, the rebound 80% in production in the 2017 season as shown on table 1. The stronger rand, lower international prices; Massive liquidation selling in the March contract, since the beginning of February due to lower international prices.

### **Figure 23:** Soybeans local price vs Import Price

Source: Safex/Sagis/USDA/World Bank

The 2017 projection as shown on table 1; indicates that imports will decline sharply due to the expected 805 rise in production; local consumption is expected to peak by 22% due to favourable prices, exports are expected to peak sharply compared to the previous year declines.

**Table 1:** Soybean projections for 2016

Source: DAFF/ NAMC/Sagis

## 3.1.4 Sunflower

The price of sunflower seed has decreased by 17.8% during the first quarter of 2017 (Q1) as compared to the same period last year, which is 0.4% lower than it was in the previous quarter of 2017 (Q4). The local sunflower seed price in the first quarter of 2017 (Q1) traded at 17.8% lower than the import price, compared to trading at 4.7% below the import price in the Fourth quarter of 2016 (Q4). The prices of sunflower oil 2L in the first quarter 2017 (Q1) traded lower by 0.02% and whilst the price of sunflower 750ml in the first quarter of 2017 (Q1) traded 2.9% higher as compared to the same period in 2016 (Q1). The price of sunflower oil 20L in 2017 (Q1) increased by 2.5% and whilst the price of sunflower oil 750ml in 2017 (Q1) declined by 0.3% as compared to the previous quarter in 2016 (Q4), see Figure 24.

### **Figure 24:**Sunflower local seed; import price (Randfontein) and Sunflower retail price

Source: Safex; USDA; Sagis; and Own calculations

Producer deliveries in the first quarter of 2017 (Q1) increased with greater margin by 25, 22% as compared to the previous quarter of 2016 (Q4), whilst also imports increased by 35% in the same quarter. Local sunflower consumption in the first quarter of 2017 (Q1) was 3% higher than it was in the previous quarter of 2016 (Q4). Local consumption in the first quarter of 2017 (Q1) is expected to be 119% higher than it was in the same quarter of 2016 (Q1), see Figure 25.

### **Figure 25:** Sunflower seed deliveries; local demand and trade

Source: Sagis

## 3.1.5 Sorghum

The price of sorghum is starting to come down due to its close correlation with maize as feed. The bumper maize crop expected in Southern hemisphere countries that has led to record World maize output. Thus a rise in the maize crop output also led to a slowdown in sorghum prices which also put a downward pressure on local prices, see Figure 26. Additionally; there is a 115% expected increase in local production from 70k to 151k tons compared to 2016 ( Table 2 below).

### **Figure 26:** Sorghum Parity Price

### Source: Safex, Sagis

As shown on table 2, imports are expected to decline by 20% and local consumption is expected to decline by a percentage, whilst exports are expected to rise by 11%. The rise in sorghum production explains inter-alia; the falling prices that are starting to trade at the import parity price.



### **Table 2:** Sorghum production & Use Table

Source: DAFF/ NAMC/Sagis

## 3.1.6 Groundnuts

After the devastating drought, new projections of the expected 2017 crop implies a projected increase of 412% compared to last season's crop. Last season's crop reached 17 680 tons with only 22 600 hectares planted due to the devastating drought. However, with 56 000 hectares planted for the 2016/2017 season, the chairperson of the South African Groundnut Forum (SAGF) remains positive about the industry. According to SAGF, should the 90 550 tons be realised, this will be the largest crop since 2008, 2009 and 2010 seasons.

### **Figure 27**: Supply and demand of Groundnuts

Source: Sagis

Figure 27 shows supply and demand of groundnuts between the January and March 2017. Producer deliveries of groundnut came in at a very slow pace in January 2017, increased gradually in February and reached 381 tons in March 2017. Groundnut producers are faced with high labour costs, higher mechanisation costs and competition from alternative commodities. Local demand of groundnuts remained volatile between January and March 2017, moving from 5 393 tons in January 2017, decreased slightly in February and increased to 5 473 tons in March 2017. Exports of groundnuts decreased considerably between January and March 2017, decreasing from 457 tons in January to no groundnuts exported during March 2017, see figure 30. The South African Groundnut Forum (SAGF) believes there is enough opportunity for South Africa to perform well in the export market.

### **Figure 28**: Groundnuts exports and imports

Source: Sagis

Over the period January 2015 and January 2017, exports of groundnuts displayed a decreasing trend. Between the first quarter of 2016 and the first quarter of 2017, exports of groundnuts have been on the decline, decreasing by 87%, from 4 263 tons in the first quarter of 2016 to 565 tons in the first quarter of 2017, see Figure 28. The greatest challenge facing the groundnut industry is to re-establish South Africa as a relevant role-player in the international market. On the contrary, imports of groundnuts displayed an increasing trend over the period January 2015 and December 2016. Between the first quarter of 2016 and the first quarter of 2017, imports of groundnuts were volatile, however; increased by 89%, from to 7 518 tons to 14 196 tons over the period. South African groundnut producers can earn a healthy premium from locally produced groundnut if local production can be stimulated to levels where it meets local demand. According to the South African Groundnut Forum (SAGF), strategies are being put in place.

### **Figure 29**: Groundnuts consumption

Source: Sagis

Consumption levels in the edible groundnut market remained volatile over the period first quarter of 2016 and the first quarter 2017. Between the first of 2016 and the first quarter of 2017, consumption levels in the edible groundnut market moved from 6503 in the first quarter of 2016, increased to 7 007 tons in the second quarter and decreased to 6267 tons in the third quarter. From the fourth quarter of 2016 to the first quarter of 2017, consumption levels in the edible groundnut market decreased by 16%, from 7727 tons to 6503 tons. Consumption levels of peanut butter remained volatile over the period first quarter of 2016 and the first quarter 2017. Between the first quarter and the third quarter of 2016, consumption levels of peanut butter increased by 24%, from 6846 tons in the first quarter of 2016 to 8523 tons in the third quarter of 2016. From the fourth quarter of 2016 to the first quarter of 2017, consumption of peanut butter decreased by 0,6%, from 8 161 tons in fourth quarter of 2016 to 8 116 tons in the first quarter of 2017. Consumption levels of crushed oil remained volatile between first quarter of 2016 and the first quarter of 2017. In the first quarter of 2016, consumption levels of groundnut reached 204 tons, increased to 284 tons in the second quarter, however, decreased to 65 tons in the third quarter of 2016. Between the fourth quarter of 2016 to the first quarter of 2017, consumption levels of crushed oil and cake increased by 25%, from 181 tons to 227 tons over the period see Figure 29.

### **Figure 30**: Oilseed products

Source: Stats SA

Figure 30 shows retail prices of oilseed products between January 2015 and March 2017. Market prices for peanut butter remained volatile between January 2015 and March 2017, however, displayed an increasing trend over the period. Prices for 400 gram peanut butter increased from R22,21 in January 2016 and peaked at R27,82 in both November 2016 and March 2017. Between January 2016 and January 2017, the price of 400 gram peanut butter increased by 23%, from R22,21 to R27,31. Between January and March 2017, the price of 400 gram peanut butter increased by 1,9%, from R27,31 in January to R 27,82 in March 2017. When comparing the quarterly growth in the price of 400 gram peanut butter in first quarter of 2016 compared with the first quarter of 2017, the average price per 400 gram of peanut butter increased by 22%, trading at R27,63 in the first quarter of 2017 compared with R22,69/ 400 gram in the first quarter of 2016. The rise in peanut butter prices overtime is as a result of a rise in consumption, implying the South African peanut market might need to rely on imports. Furthermore, prices have reacted to this shortfall and expectations are that prices will remain supported in the near term.

### **Figure 31:** Groundnuts exports and imports

Source: Sagis

Over the period January 2015 and January 2017, exports of groundnuts displayed a decreasing trend. Between the first quarter of 2016 and the first quarter of 2017, exports of groundnuts have been on the decline, decreasing by 87%, from 4 263 tons in the first quarter of 2016 to 565 tons in the second quarter of 2017, see figure 31. The greatest challenge facing the groundnut industry is to re-establish South Africa as a relevant role-player in the international market. On the contrary, imports of groundnuts displayed an increasing trend over the period January 2015 and December 2016. Between the first quarter of 2016 and the first quarter of 2017, imports of groundnuts, were volatile ,however, increased by 89%, from to 7 518 tons to 14 196 tons over the period. South African groundnut producers can earn a healthy premium from locally produced groundnut if local production can be stimulated to levels where it meets local demand. According to the South African Groundnut Forum (SAGF), strategies are being put in place.

## 3.1.7 Drybeans

The supply of Dry beans increased by 31% from 94 000 tons in 2016 to 136 000 tons in 2017. The increase was due to 47% increase in production and a 5% increase in imports and exports dropped by 147% from 7 000tons in 2016 to 3 000 tons in 2017. Between 2006 and 2017 40% to 60% of all dry beans are imported making RSA very dependent on global markets. Import prices are greatly dependent on weather conditions in countries where dry beans are produced.The worldwide production fluctuates therefore the dollar price also fluctuates. RSA import prices are determined by the import parity prices of China,See Figure 32.

### **Figure 32:** Supply of dry beans

Source: StatsSA

Figure 33 show hectares of drybean planted between 2007 and 2012, there was a constant small decrease in area planted. From 2013 to 2015 area planted increased but dropped significantly in 2016 when there was a nationwide drought. A significant increase (31%) in area planted is forecast for 2017.

### **Figure 33:** Drybean hectares planted in the RSA

Source: StatsSA

## 3.2 Fruit and vegetable market review

The review point out average prices and quanties of fruits and vegetables supplied at Fresh Produce Markets (FPMs) between the first quarter of 2016 and the first quarter of 2017. This report is of significant importance hence Fruits and vegetables are providing an abundant, cheap source of fiber and several vitamins and minerals and play a crucial part in economic development of the country as whole.

Most of the local and international forecasting systems consistently indicate that South Africa’s summer-rainfall areas may expect wetter conditions during the latter parts of the summer season. The likelihood, slightly favouring wetter conditions, however, remains relatively low. Temperatures are expected to be warmer than normal across the country, though similar to the rainfall outlook there is a significant amount of uncertainty in the forecast.

Recommendation are that even though some relief of the severe drought conditions has occurred over the eastern and north eastern parts of the country the central and western parts of the country are still burdened with below normal rainfall conditions. The public is reminded that with winter on the horizon significant water loss can be expected with the usual decline of rainfall as well as high amounts of evaporation, particularly over the summer rainfall areas. Thus water saving measures to continue is highly recommended across the country. As usual, it is also very important to keep monitoring any developments that may provide more clarity on the current expectations for the coming seasons.

### **Figure 34:** Average price trends of various fruits traded at Fresh Produce Markets (FPMs)

Source: Daff

Figure 34 shows average price trends of various fruits traded at Fresh Produce Markets between the first quarter of 2016 and the first quarter of 2017. Between the period under review, the average prices of oranges, bananas, grapes and pears increased by 20%, 17%, 10%, and 3% respectively. On average, prices of mangoes and apples declined by 17% and 2% respectively. The average prices of avocados remained unchanged between the first quarter of 2016 and the first quarter of 2017.

### **Figure 35:** Quantities of various fruits traded at Fresh Produce Markets (FPMs)

Source: Daff

Figure 35 indicates quantities of various fruits traded at Fresh Produce Markets (FPMs) between the first quarter of 2016 and the first quarter of 2017. The quantities of most fruits traded have dropped between the period under review. Quantities of bananas, pears, avocados and apples decreased by 17%, 7%, 3% and 2% respectively between the first quarter of 2016 and the first quarter of 2017 while quantities of oranges, grapes and mangoes increased by 39%, 23% and 13% respectively during the same period.

### **Figure 36:** Average prices of various vegetables traded at Fresh Produce Markets (FPMs)

Source: Daff

Figure 36 shows average price trends of various vegetables traded at Fresh Produce Markets (FPMs) between the first quarter of 2016 and the first quarter of 2017. The average price of carrots, onions and potatoes decreased by, 42%, 78% and 42% respectively, across all fresh produce markets while the prices of cabbage increased by 48% between the first quarter of 2016 and first quarter of 2017. The drop in prices of various selected vegetables can be credited to increased volumes of vegetables on the market floors due to improved levels of production.

### **Figure 37:** Quantities of various vegetables traded at Fresh Produce Markets (FPMs)

Source: Daff

Figure 37 indicates quantities of various vegetables traded at Fresh Produce Markets (FPMs) between the first quarter of 2016 and the first quarter of 2017. There has been an enormous increase in the supply of vegetables at FPMs due to improving weather conditions. Between the first quarter of 2016 and the first quarter of 2017, quantities of onions, potatoes, tomatoes and cabbage increased by 98%, 39%, 77% and 63% respectively, while quantities of carrots decreased by 14% in the first quarter of 2017, the decrease was due to higher temperatures making it difficult for seed to germinate. Meanwhile, weather forecasting is promising to be favourable for agricultural production.

## 3.3 Meat industry review

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### **Figure 38:** Beef production

Source: Daff

Globally, beef production is forecast to grow less than 2% in 2017 to nearly 62 million tons, largely from gains in the United States, Brazil, and Argentina. For South Africa, beef production for 2017 is lowered primarily on lighter carcass weights which more than offsets higher expected slaughter in the later part of 2017, see Figure 38. The growth in Brazil is driven by higher exports to Asia and moderate expansion in domestic demand as the Brazilian economy recovers. However, beef production will decline mostly in South Africa and Australia as herds are rebuilt after drought-induced liquidation of stocks. On the other hand, production in New Zealand will also fall moderately as producers retain cows and heifers for herd rebuilding (USDA, 2017). According to USDA (2017) in 2017 global exports are forecast 2% higher to 9,6 million tons. Shipments from South America, India, and the United States will more than offset declining exports from Australia and New Zealand, both hampered by lower supplies.

### **Figure 39:** SA weaner calf purchases, beef carcase sales and live sales

Source: SA feedlot

Figure 39 above represents total number of beef slaughtered and their rands and cents per value. As shown graphically above, from the fourth quarter of 2012 up to the first quarter of 2017, number of beef slaughtered has been volatile. Compared to the first quarter of 2016 total beef slaughtering declined by 6% in the first quarter of 2017, and it expected that slaughtering will continue to decline until 2018 as herd rebuilding continues after the recovery of good rains and improved grazing conditions. In the first quarter of 2017as shown in figure 2, weaner calf purchases, beef carcase sales and live sales increased by 32,0%, 11,5% and 14,9% compared to the same quarter in 2016. Looking ahead, weaner calf prices are expected to increase substantially as producers are rebuilding herds supported by lower maize prices; also both the demand of and supply for calves tend to be influenced by maize prices; and improved feedlot margins support growing demand for calves.

## 3.4 Poultry industry review

Poultry production in the 1st quarter of 2017 has declined by 10% compared to the previous quarter, whilst year-on-year production it was 1,8% higher. The price per ton has increased by 9,3% compared to the previous quarter whilst on a year-on-year basis the price is 18,5% higher, see Figure 40.

### **Figure 40:** Poultry Production

Source: DAFF

The retail prices of fresh whole and fresh chicken portions are rising slowly whilst the yellow maize price as a proxy for broiler breeder and broiler feed prices continues to fluctuate higher as shown on figure 41 below. Maize prices have come down sharply from their current highs of January 2017. In the three months ending in April 2017, they have come down to their lowest trading an average of 2367. The change in the yellow maize prices usually takes an estimated lag period of 4 to 5 months before it is fully felt in the market, which translates in lower poultry feeds prices. The price of poultry is also expected to be affected by suspected cases of Avian influenza in few areas within the country.

### **Figure 41:** Poultry feed vs Retail prices

Source: SAPA, STATTSA & Safex

**3.5 Egg industry overview**

After a gradual recovery from the effects of the 2015 avian influenza outbreaks, the poultry industry worldwide faces yet another year of trade disruptions and challenges as 2017 continues. Locally, the South African egg industry continues to face challenges presented by high feed costs as a hangover of one of the severest droughts on record, hen welfare, reduced consumer spending in a recessionary environment and a volatile rand (SAPA, 2016). In comparison with the broiler industry, local egg producers are in a stronger position to cope with these challenges than local broiler producers.

### **Figure 42:** Trends in total egg production and average price per dozen of eggs.

Source: DAFF

In the first quarter of 2017, the total production of eggs totalled 207,5 million dozens, a 2,7% decrease in production compared with 213,2 million dozens produced in the first quarter of 2016, see figure 43. When comparing the fourth quarter of 2016 with the first quarter of 2017, total production of eggs decreased by 1,1%, from 211,8 million dozens to 207,5 million dozens over the period. Local demand for eggs remained weak in the first quarter of 2017 due to the recessionary environment and reduced consumer spending despite the increasing popularity of high protein/high fat diets which has fuelled a resurgence in the consumption of eggs elsewhere in the world.

The average price per dozen of eggs increased by 3,7%, from R 11,68 per dozen in the first quarter of 2016 to R12,11 per dozen in the first quarter of 2017. When comparing the fourth quarter of 2016 with the first quarter of 2017, the average price per dozen of eggs decreased by 1,4%, from R12,28 per dozen in the fourth quarter of 2016 to R12,11 per dozen in the first quarter of 2017. In the meantime, there seems to be dark clouds hanging over the local poultry industry with competition from low cost imports, high feed prices and the return of the US to the export market. Moreover, according to SAPA (2017), the country’s poultry sector is still gradually shedding jobs despite a task team being set up to try and halt the crisis in the sector

### **Figure 43:** Trends in imports and exports of Birds' Eggs, In Shell, Fresh, Preserved Or Cooked

Source: GTA, 2017

South Africa remains a net-exporter of bird eggs (in shell, fresh, preserved or cooked) between the first quarter of 2014 and the first quarter of 2017 as exports exceed imports in most of the quarters see Figure 43. In the first quarter of 2017, South Africa exported a total of 3 472,7 tons of birds eggs, 22% less than 4467,7 tons exported in the first quarter of 2016. Between the third quarter and the fourth quarter of 2016, South Africa's exports of bird eggs increased by 24%, from 3 170,10 tons to 3 916,2 tons over the period. Meanwhile, between the fourth quarter of 2016 and the first quarter of 2017, South Africa's exports of bird eggs decreased by 11%, from 3916,2 tons in the fourth quarter of 2016 to 3472,7 tons in the first quarter of 2017. Imports of bird eggs have been volatile and displayed a downward trend between the first quarter of 2014 and the first quarter of 2017. Since the first quarter of 2015, imports of bird eggs decreased notably except for the fourth quarter of 2015 and the first quarter of 2017 were import of bird eggs increased marginally. In the first quarter of 2017, imports of bird eggs increased by 105%, from 0,34 tons in the first quarter of 2016 to 0,71 tons in the first quarter of 2017.

### **Figure 44:** Trends in total production and average price of milk

Source: DAFF

Total milk production in the first quarter of 2017 came in 6,6% higher than in the first quarter of 2016, increasing from 814,8 million litres in the first quarter of 2016 to 868,9 million litres in the first quarter of 2017, see Figure 44. More favourable grain prices are expected in 2017 which may result in faster production growth after winter. However, with the severe drought conditions in the Eastern and Western Cape and the after-effects of the 2015/2016 drought, total milk production may be limited in 2017 (MPO, 2017).

The average producer price per litre of milk increased by 1,7%, from R4,28/ℓ in the first quarter of 2016 to R4,35/ℓ in the first quarter of 2017. Producer prices increased slightly towards the end of 2016 while some major milk processors have announced price increases from February 2017 and again will announce from June/July 2017 (MPO, 2017).

According to Absa (2017), dairy producers are the ultimate price-takers within the agricultural sector. Owing to the limited amount of milk buyers in the dairy industry, lack of sufficient competition by different stakeholders and the mere fact that a perishable product cannot be stored for long, prices are subject to bearish factors and will likely remain under pressure (Absa, 2017).

### **Figure 45:** Trends in imports and exports of milk and cream, not concentrated nor containing added sweetening

Source: GTA, 2017

Exports of milk and cream (not concentrated nor containing added sweetening) were 2,2% lesser in the first quarter of 2017 compared with the first quarter of 2016, exporting a total of 19,55 million litres of milk and cream in the first quarter of 2017 compared with 19,99 million litres exported in the first quarter of 2016. Between fourth quarter of 2016 and the first quarter of 2017, exports of milk and cream (not concentrated nor containing added sweetening) decreased by 10% from 21,63 million litres in the fourth quarter of 2016 to 19,55 million litres in the first quarter of 2016. According to Absa (2017), the expected La Niña weather during the 2016/17 season will likely contribute positively to pasture conditions and be beneficial to rebuilding the herd. Furthermore, the weaker currency is expected to bring about opportunities for the growing export market.

Imports of milk and cream increased significantly in the first quarter of 2017 compared to first quarter of 2016, increasing from 58 886 litres in the first quarter of 2016 to 7,72 million litres in the first quarter of 2017. Between the fourth quarter of 2016 and the first quarter of 2017, imports of milk and cream decreased by 26%, from 10,38 million litres in the fourth quarter of 2016 to 7,72 million litres in the first quarter of 2017, see figure 45.

## 3.6 Trade of agricultural, forestry and fisheries

After a slight downturn in the beginning of 2017, a rebound of domestic production is expected in 2017 that will likely boost agricultural exports going forward. As the Brexit debate takes shape in early to mid-2017, expectations are deliberations of the outcome that will likely not have any impact on South Africa’s exports. According to Agbiz (2017), the diversification of exports will likely continue, particularly for fresh fruit into Asia and the Middle East (Agbiz, 2017).

In the first quarter of 2017, exports of agricultural products decreased by 3%, from R29,12 billion in the first quarter of 2016 to R28,22 billion in the first quarter of 2017. During the same period, imports of agricultural products grew by 2%, from R21,95 billion in the first quarter of 2016 to R22,33 billion in the first quarter of 2017, see Figure 46.

### **Figure 46:** Trade balance of agricultural products

Source: GTA, 2017

Figure 47 illustrates South Africa gained most of its agricultural export revenue from products exported to Netherlands, which was the leading export destination, followed by United Kingdom and Namibia.

### **Figure 47:** Top Three markets of agricultural products exported by SA

Source: GTA, 2017

The top three agricultural products which contributed a considerable amount to the total export value in the first quarter of 2017 include fresh grapes (18%), wine (5%) and wool (4%) respectively, see Figure 48.

### **Figure 48:** Top five agricultural products exported by SA

Source: GTA, 2017

The agricultural sector is expected to benefit from the normalisation of climatic conditions. The associated decline in agricultural prices is expected to translate into lower input costs for the food processing sector, thereby increasing price competitiveness (IDC, 2017). Analysts further expect that an improvement in agricultural conditions and production will likely result in an escape of the current mediocre growth path by the end of 2017 (Agbiz, 2016).

In the first quarter of 2017, the total import value of agricultural products increased by 2%, from R 21,95 billion in the first quarter of 2016 to R22,33 billion in the first quarter of 2017. The top three suppliers of agricultural products to the total import value were United States, Brazil and Argentina, see Figure 49.

### **Figure 49:** Top three market suppliers of agricultural products to SA

Source: GTA, 2017

The top three agricultural products which contributed a considerable amount to the total import value include cane (6,32%), rice (6,27%) and corn or maize (5,79%), see Figure 50.

### **Figure 50:** Top five agricultural products imported by SA

Source: GTA, 2017

## 3.6.1 Fisheries trade

In the first quarter of 2017, supply of fisheries products declined significantly due to a rapid decline in capture fisheries production that contrasts with the rapidly expanding aquaculture sector (FAO, 2017).

Figure 51 illustrates that in the first quarter of 2017, exports of fisheries products decreased by 43%, from R 2,02 billion in the first quarter of 2016 to R 1,16 billion in the first quarter of 2017. During the same period, imports of fisheries products decreased by 2%, from R1,44 billion in the first quarter of 2016 to R1,42 billion in the first quarter of 2017.

### **Figure 51:** Trade balance of SA fisheries products

Source: GTA, 2017

The top three imported fisheries products in the first quarter of 2017 include frozen shrimp and prawns, tunas/skipjack/bonito (prepared/preserved and not minced) and sardines/sardinella/brisling or sprats (frozen) each accounting for 15%, 12% and 11% of the total import value, see Figure 52. Developing countries continue to play a significant role in the international supply of fish.

### **Figure 52:** SA top five imported fisheries products

Source: GTA, 2017

Figure 53 presents the top three fisheries products exported by SA in the first quarter of 2017. Frozen Hake fillets were the main exported seafood product in the first quarter of 2017, followed by frozen hake and frozen fish, nesoi. In the first quarter of 2017, exports of frozen hake fillets and frozen hake decreased by 2% and 18% respectively compared to the first quarter of 2016. Deep-water hake remains depleted, however, its status is improving while shallow-water hake is considered optimal to abundant (DAFF, 2017).

### **Figure 53:** SA top five exports of fisheries products

Source: GTA, 2017

## 3.6.2 Forestry trade

Amid a struggling economy, trade of forestry products remained in positive territory over the period first quarter of 2015 to the first quarter of 2017. With the sharp downturn observed in the first quarter of 2017, slow demand, rising utility and tax costs as well as constrained energy supplies, the trade balance of South African forestry products grew significantly in the first quarter of 2017 compared to the first quarter of 2016.

Figure 54 shows the trade balance of South African forestry products from the first quarter of 2015 to the first quarter of 2017. In the first quarter of 2017, exports of forestry products decreased by 10%, while imports decreased by 19% compared with the first quarter of 2016.

### **Figure 54:** Trade balance of SA forestry products

Source: GTA, 2017

The total export value of forestry products decreased by 10%, from R7,78 billion in the first quarter of 2016 to R7,04 billion in the first quarter of 2017. The top three forestry products exported in the first quarter of 2017 include chemical woodpulp (dissolving grades), wood in chips or particles (non-coniferous) and kraftliner (uncoated, bleached, in rolls or sheets), see Figure 55.

### **Figure 55:** SA top five exports of forestry products

Source: GTA, 2017

The total import value of forestry products in the first quarter of 2017 decreased by 19%, from R5,99 billion in the first quarter of 2016 to R4,88 billion in the first quarter of 2017. SA’s top three imported forestry products in the first quarter of 2017 include printed books, brochures etc, paper or paperboard and casks, barrels, vats etc and parts of wood, see Figure 56.

### **Figure 56:** SA top five imports of forestry products

Source: GTA, 2017



According to the World Bank’s June 2017 Global Economic Prospects, growth in advanced economies is expected to accelerate to 1,9 percent in 2017, which will also benefit the trading partners of these countries. Global financing conditions remain favourable and commodity prices have stabilised. Against this improving international backdrop, growth in emerging market and developing economies as a whole will pick up to 4,1 percent this year from 3,5 percent in 2016. On the downside, economic dynamics in the United Kingdom started to feel the pinch of high inflation and subdued wage growth. Quarterly Real GDP growth Rates, 2017 (Q1) in the advanced economies of the following countries: Canada, France, Germany, Italy, United Kingdom and United States decreased by 0,9%, 1,3%, 0,6%, 0,4%, 0,2% and 0,3% respectively, meanwhile Japan increased by 0,3% as compared to 2016 (Q1).

Growth among the world’s seven largest emerging market economies is forecast to increase and exceed its long-term average by 2018. Recovering activity in these economies should have significant positive effects for growth in other emerging and developing economies and globally.

South Africas GDP contracted by 0,7% in GDP during the first quarter of 2017, following a disappointing growth in the manufacturing industry which decreased by 3,7% and contributed -0,5 of a percentage point to GDP growth. The agriculture, forestry and fisheries industry’s increased with 22,2% in the first quarter of 2017,this was mainly as a result of increases in the production of field crops and horticultural products.

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