



Quartely Economic Overview

AGRICULTURE SECTOR

Volume 17, Number 3 - Third Quarter 2019



**agriculture,
forestry & fisheries**

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REPUBLIC OF SOUTH AFRICA



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 2019: Q3, 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:

Real GDP growth Rates, 2019 (Q3) in the advanced economies of the following countries: Canada, France, Germany, Italy, Japan, United Kingdom and United States expanded by 0.3%, 0.1%, 0.3% and 0.5%, respectively when compared to 2018 (Q3). In the emerging markets and developing economies, Real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, Nigeria and Russia increased by 1.6%, 6%, 5.8%, 5.02%, 4.4%, 6.2%, 2.28% and 1.7% respectively, whilst South Africa decreased by 0.6% when compared to the third quarter of 2018

Global grain supply forecast: The global grain supply forecast indicates a total grain increase of 8.2%, from 3.203 million metric tons in 2018 (Q3) to 3.464 million metric tons in 2019 (Q3). Global supply projections for 2019 (Q3) of wheat, coarse grains, rice milled, cotton, oil seeds and vegetable oils increased by 3.7%, 12%, 5.7%, 0.1%, 0.3% and 1.8%, respectively, whilst and oil meals decreased by 0.1%.

South Africa's GDP: Gross domestic product decreased by 0.6% from an increase of 3.2% reported in the second quarter of 2019. The mining, manufacturing and transport, storage and communications industries decreased by 6.1%, 3.9% and 5.4% in 2019: Q3. The mining contributed 0.5%, while manufacturing and transport, storage and communications industries -0.5% each to the GDP. The agriculture sector reported an improved contraction of 3.6% during the third quarter following a negative growth 4.2% in the second quarter of 2019. Stats SA attributed the decline in the sector to lower production of field crops such as maize, wheat, sunflower seeds, tobacco and soya beans.

Inflation: The annual average headline CPI for the third quarter 2019 was 4.79% which shows a decrease of 0.21% when compared to the same period last year.

Food inflation for the third quarter of 2019 was 4.03% which shows an increase of 0.93% from 3.1% of the third quarter of 2018.

Employment: South Africa's unemployment rate has again climbed in the third quarter of 2019, to 29.1%, its highest rate in over 16 years. The country's unemployment rate last reached 28% in 2003. The largest employment increase was observed in the formal sector (43,000), followed by the agriculture and private household sectors with 38,000 and 35,000 respectively in third quarter of 2019. According to Stats South Africa's Quarterly Labour Force Survey for the quarter ended September 2019, the working-age population increased by 149,000 or 0.4% in the third quarter of 2019 compared to the second quarter of the same year. South Africa's primary agricultural employment jumped by 4.5% y/y from the corresponding period last year to 880 000. This came as a surprise as the third quarter of each year is usually a quiet period on farms in most parts of the country

The grain market review section: It reflects on quarterly price trends (domestic and international) and supply and demand of the following major products produced in South Africa: maize, wheat, soya bean, sorghum, sunflower and groundnuts, as well as the fruit and vegetable and meat industry reviews.

Trade: South Africa's agricultural trade balance narrowed by 9% in Q3: 2019 compared to Q3: 2018, from R17,4 billion to R15,9 billion. On a quarter-on-quarter basis, South Africa's agricultural trade balance improved significantly, by a massive 56% in Q3: 2019 compared to Q2: 2019. South Africa's agricultural trade balance is expected to remain in positive territory throughout the whole of 2019 (Agbiz, 2019).

1 GLOBAL OVERVIEW OF THE AGRICULTURE, FORESTRY AND FISHERIES ECONOMY

1.1 Global Real GDP Growth Rates

According International Monetary Fund (IMF) latest report on World Economic Outlook (WEO) Update, October 2019, it indicates that Global growth is forecast at 3% for the 2019, its lowest level since 2008/9 and a 0.3% point downgrade from the April 2019 World Economic Outlook. Growth is projected to pick up to 3.4% in 2020 reflecting primarily a projected improvement in economic performance in a number of emerging markets in Latin America, the Middle East, and emerging and developing Europe that are under macroeconomic strain. Real GDP growth Rates, 2019 (Q3) in the advanced economies of the following countries: Canada, France, Germany, Italy, Japan, United Kingdom and United States expanded by 0.3%, 0.1%, 0.3% and 0.5%, respectively when compared to 2018 (Q3). See figure 1 below.

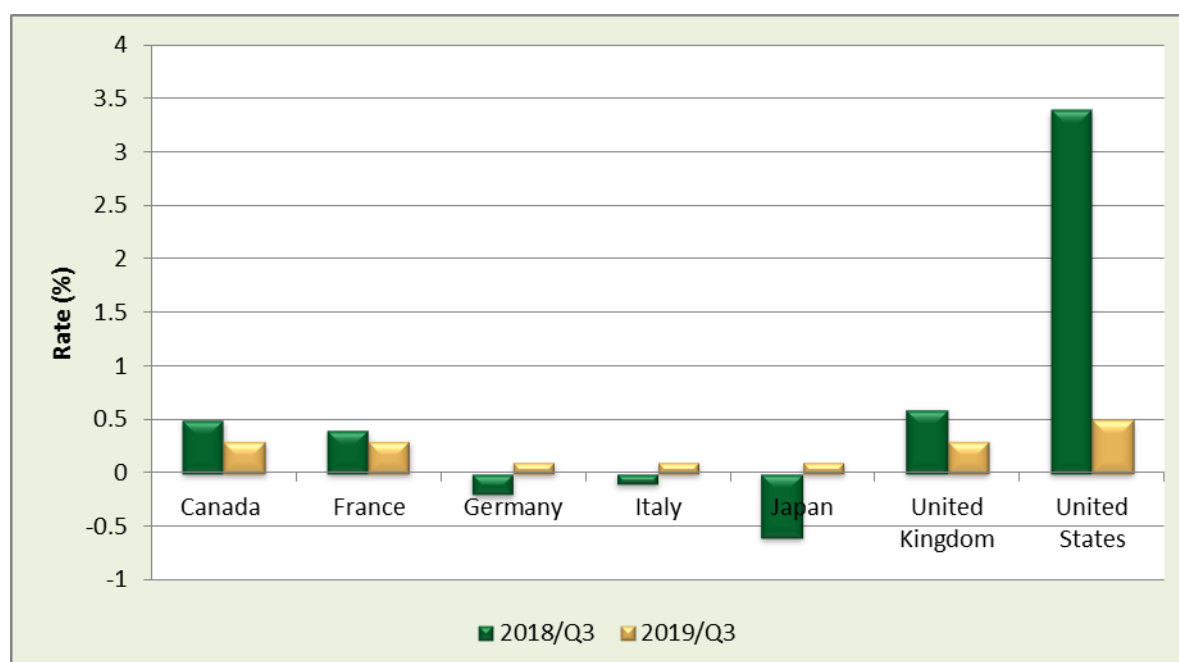


Figure 1: Advanced economies quarterly GDP growth rates

Source: Various Sources

Figure 2, Indicate that in the emerging markets and developing economies, 2019 (Q3) Real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, Nigeria and Russia increased by 1.6%, 6%, 5.8%, 5.02%, 4.4%, 6.2%, 2.28% and 1.7% respectively, whilst South Africa decreased by 0.6% when compared to the third quarter of 2018 figures.

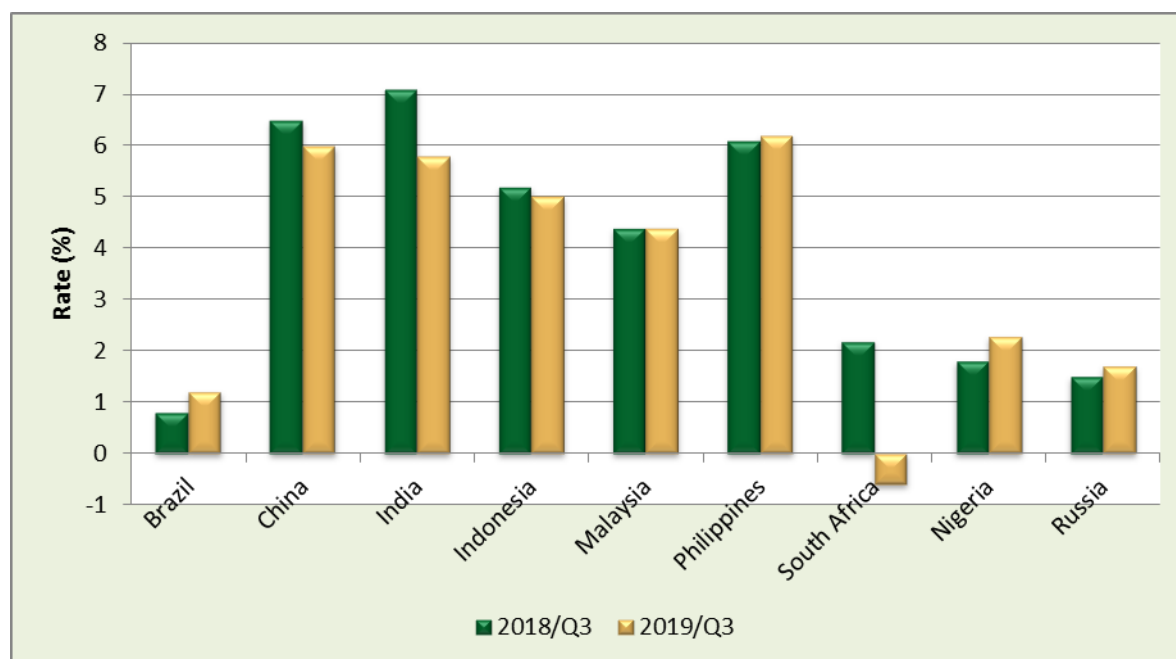


Figure 2: Emerging markets and developing economies quarterly GDP growth rates

Source: Various Sources

1.2 Global Grain Forecast

The global grain supply forecast indicates a total grain increase of 8.2%, from 3.203 million metric tons in 2018 (Q3) to 3.464 million metric tons in 2019 (Q3). Global supply projections for 2019 (Q3) of wheat, coarse grains, rice milled, cotton, oil seeds and vegetable oils increased by 3.7%, 12%, 5.7%, 0.1%, 0.3% and 1.8%, respectively, whilst and oil meals decreased by 0.1% as compared to the third quarter of 2018, see figure 3 below.

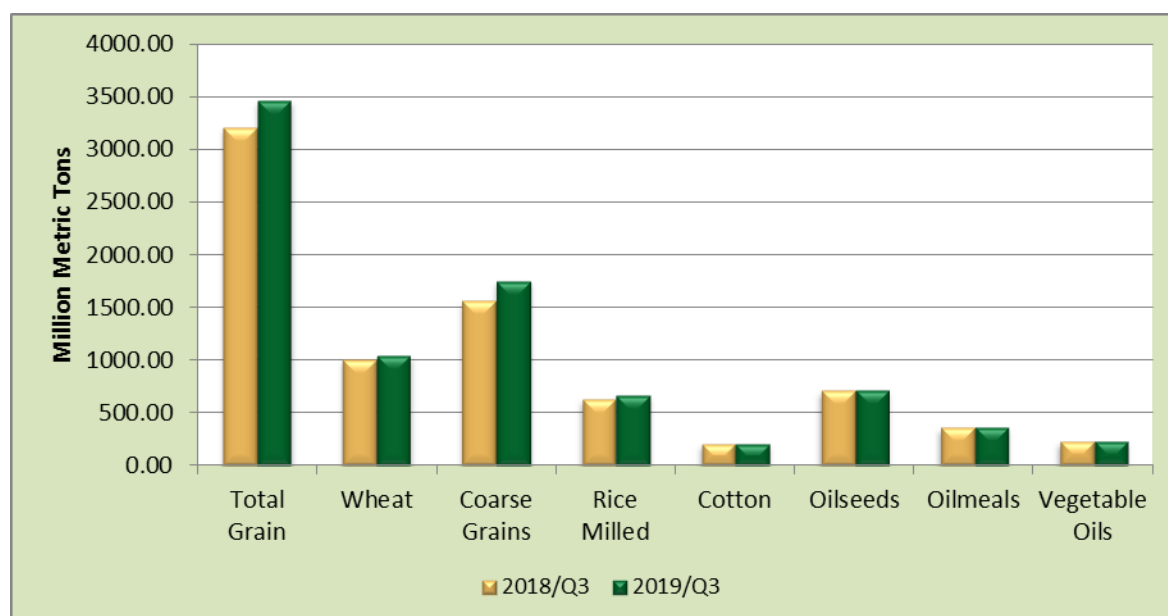


Figure 3: Quarterly global grain supply forecast

Source: USDA

1.3 Global Food Prices

Globally in 2019 (Q3) some major countries were paying slightly more by 2.3% on food purchases compared to 2018 (Q3). The following global food products price indices in 2019 (Q3), meat and sugar indices reflect a steady increase by 8.8% and 8.4%, respectively. Whilst price for dairy, cereals and oil indices decreased by 0.8%, 2.2% and 4.5% as compared to (Q3) of 2018, see figure 4.

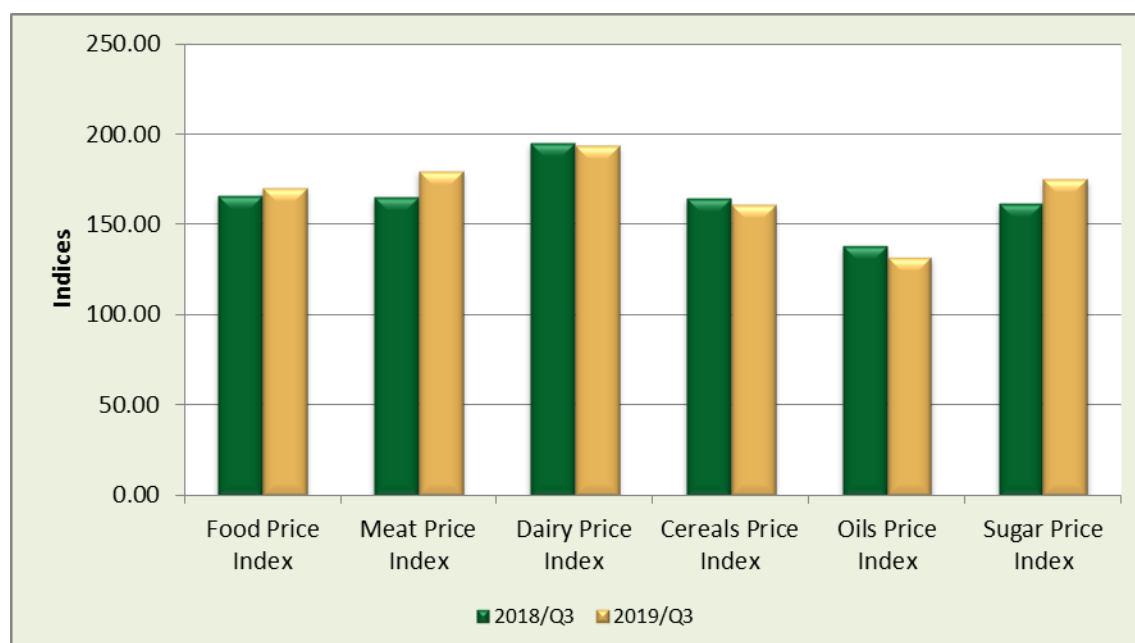


Figure 4: Quarterly global food price indices
Data Source: FAO

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

2.1 Growth

South African's economy as measured by real gross domestic product decreased by 0.6% from an increase of 3.2% reported in the second quarter of 2019 (see Figure 5). The mining, manufacturing and transport, storage and communications industries were the largest negative contributors to GDP growth in 2019: Q3 (Stats SA). The mining, manufacturing and transport, storage and communications industries decreased by 6.1%, 3.9% and 5.4% in 2019: Q3. The mining contributed 0.5%, while manufacturing and transport, storage and communications industries - 0.5% each to the GDP. The industrial sector and mining are being affected by the slowdown in global growth and trade. According to North West University Business School economist Professor Raymond Parsons, the third-quarter growth figures emphasized the seriousness of the economic challenges faced by the country. This is being worsened by domestic constraints, including an insufficient electricity supply.

Consumers are also in bad shape. For most of the year, subdued household credit dynamics, rising unemployment, low wage growth and depressed consumer confidence have reduced consumers' willingness to spend.

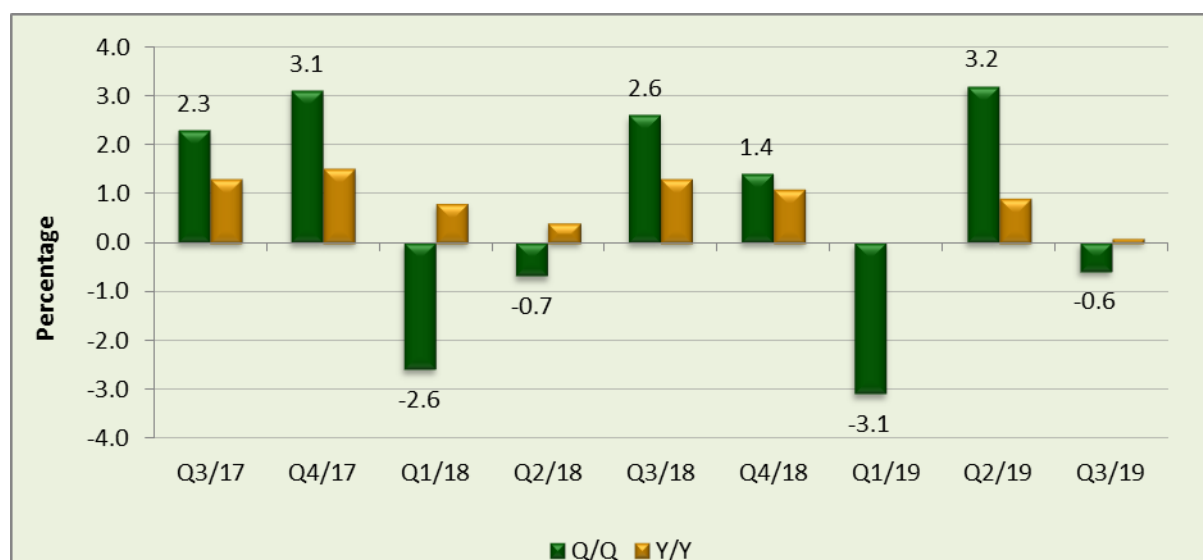


Figure 5: Domestic real GDP growth

Source: Stats SA

The Agriculture, Forestry and Fisheries industry reported a third consecutive quarter of contraction. Stats SA attributed the decline in the sector to lower production of field crops such as maize, wheat, sunflower seeds, tobacco and soya beans. The agriculture sector reported an improved contraction of 3.6% during the third quarter following a negative growth 4.2% in the second quarter of 2019 (Figure 6). In the wake of a technical recession, AgriSA has called upon the government for the immediate implementation of measures that may alleviate the effects of the drought and other climatic changes to ensure the sector makes a significant contribution to the economy. The challenges faced by the horticulture sector are accelerating in the form of employment layoffs and dips in exports. The recent study conducted by Agri SA at the beginning of 2019, indicated that approximately 30,000 farm workers had lost their jobs due to the drought., see figure 6.

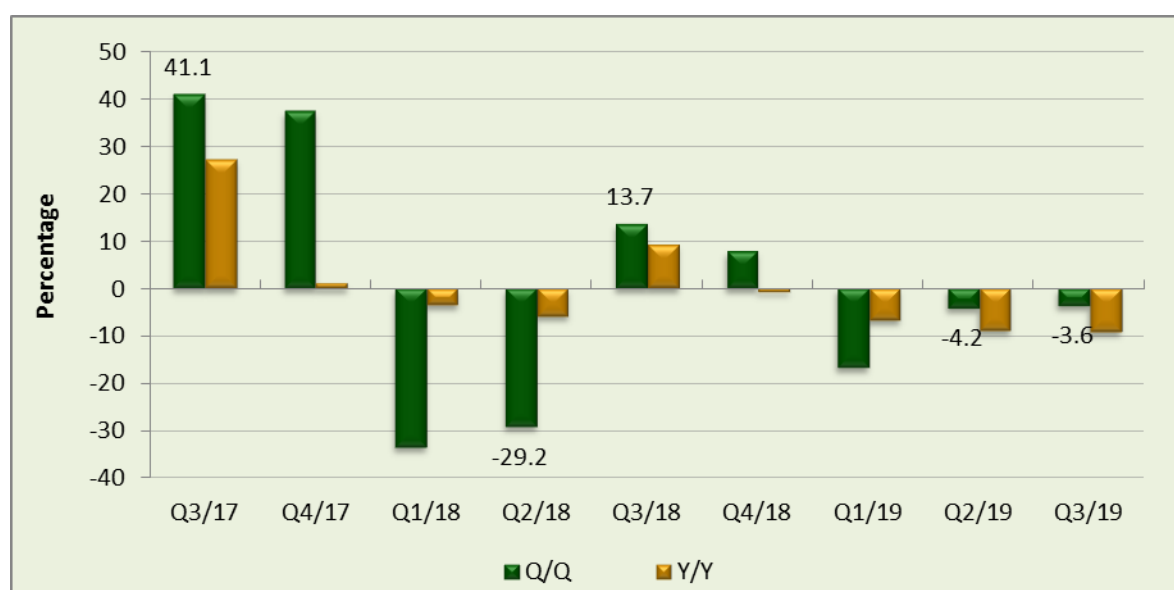


Figure 6: Agriculture, forestry and fisheries sector growth rates
Source: Stats SA

2.2 Inflation

South Africa's annual headline CPI and the food inflation from the third quarter of 2017 to the second quarter of 2019 is illustrated in figure 7. The annual average headline CPI for the third quarter 2019 was 4.79% which shows a decrease of 0.21% when compared to the same period last year. Food inflation for the third quarter of 2019 was 4.03% which shows an increase of 0.93% from 3.1% of the third quarter of 2018.

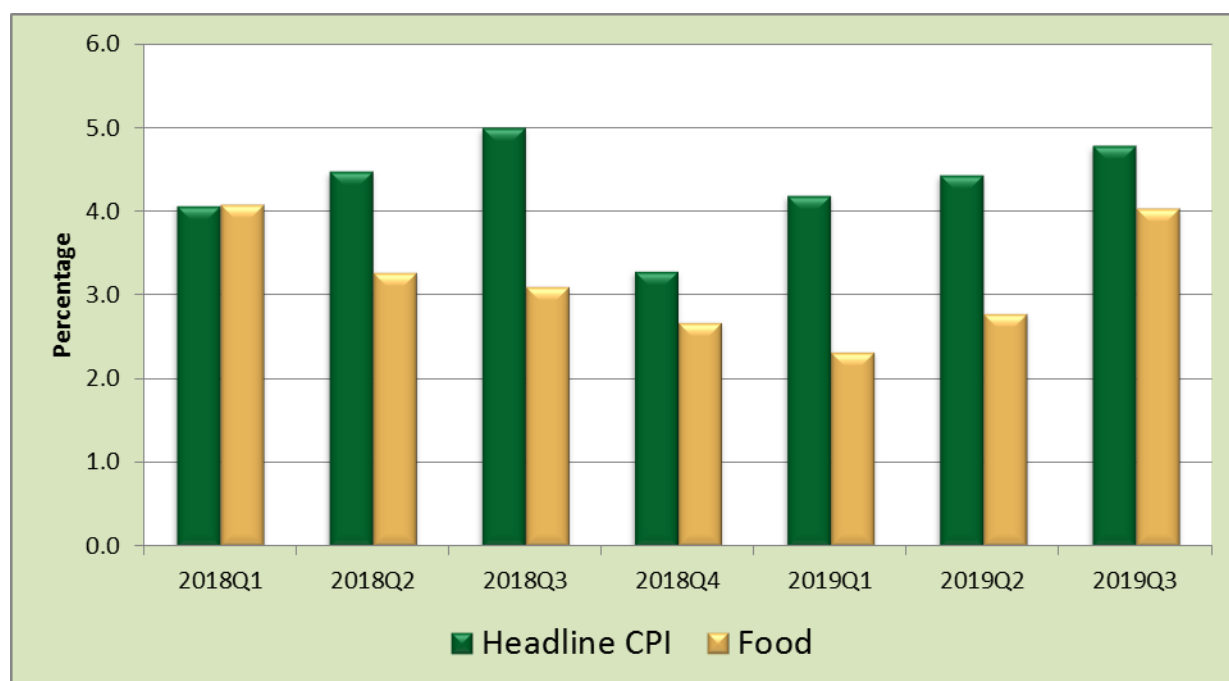


Figure 7: SA headline CPI and CPI for food

Source: Stats SA

Figure 8 illustrates consumer trends of selected food items for the third quarter of 2019. Food inflation for Quarter 3 of 2019, shows that meat, milk, egg & cheese and oils & fats were generally less expensive with a CPI of 1.18%, 2.65% and 3.17% respectively when compared to other food items. On a quarterly basis, the CPI for bread & cereals was the most expensive with a CPI of 8.97% up from 7.08% in the previous quarter, which is an increase of 1.9%. CPI for fish was the second largest food item with a CPI of 7.77% when compared to the same period last year the CPI for fish has gone up by 2.07%. The CPI for fruits and vegetables were also more expensive with a CPI of 7.51% and 5.29% respectively in the third quarter of 2019.

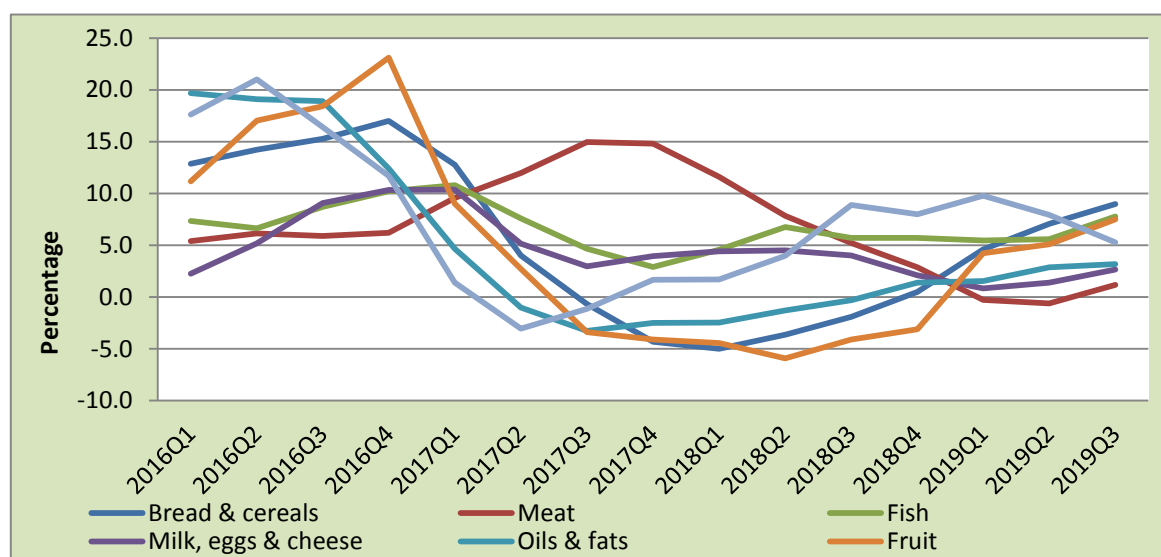


Figure 8: CPI for selected food items

Source: Stats SA

2.3 Employment

South Africa's unemployment rate has again climbed in the third quarter of 2019, to 29.1%, its highest rate in over 16 years. The country's unemployment rate last reached 28% in 2003. According to Stats South Africa's Quarterly Labour Force Survey for the quarter ended September 2019, the working-age population increased by 149,000 or 0.4% in the third quarter of 2019 compared to the second quarter of the same year. The number of employed persons increased by 62,000 to 16.4 million in third quarter of 2019, but the number of unemployed persons also increased by 78,000 to 6.7 million compared to the second quarter of 2019, resulting in an increase of 141,000 in the number of people in the labour force. The absorption rate remained constant at 42.4% while the unemployment and the labour force participation rates increased by 0.1 of a percentage point each to 29.1% and 59.9% respectively compared to the second quarter of 2019. The largest employment increase was observed in the formal sector (43,000), followed by the agriculture and private household sectors with 38,000 and 35,000 respectively in third quarter of 2019. Employment in the informal sector, on the other hand, declined by 53,000 in third quarter of 2019 compared to the second quarter of 2019. The expanded unemployment rate is at 38.5%, unchanged from before.

The Quarterly Labour Force Survey data for the third quarter of 2019 show that South Africa's primary agricultural employment jumped by 4.5% y/y from the corresponding period last year to 880 000. This came as a surprise as the third quarter of each year is usually a quiet period on farms in most parts of the country. These jobs gains were mainly in the livestock, horticulture, field crops, as well as aquaculture subsector. This might be due to the replanting in parts of the horticulture fields following a drought season that caused damage in the fields in provinces such as the Western and Eastern Cape. Other provinces that showed job gains are KwaZulu-Natal, Gauteng and Mpumalanga. Meanwhile, the Northern Cape, Free State, North West and Limpopo saw a reduction in agricultural employment. Looking ahead, the near-term agricultural jobs trajectory will be influenced by, amongst other factors, weather conditions, and levels of investment in the agricultural sector.

Figure 9 shows that between the second quarter of 2019 and the third quarter of 2019, the number of employed persons increased in four of the ten industries, with the largest increases recorded in Community and social services (56 000), Agriculture and Mining both (38 000) and Private household (35 000). However, employment losses were recorded in Manufacturing (30 000), Construction (24 000), Trade (21 000). Utilities (18 000) Transport (8 000) and Finance (4 000).

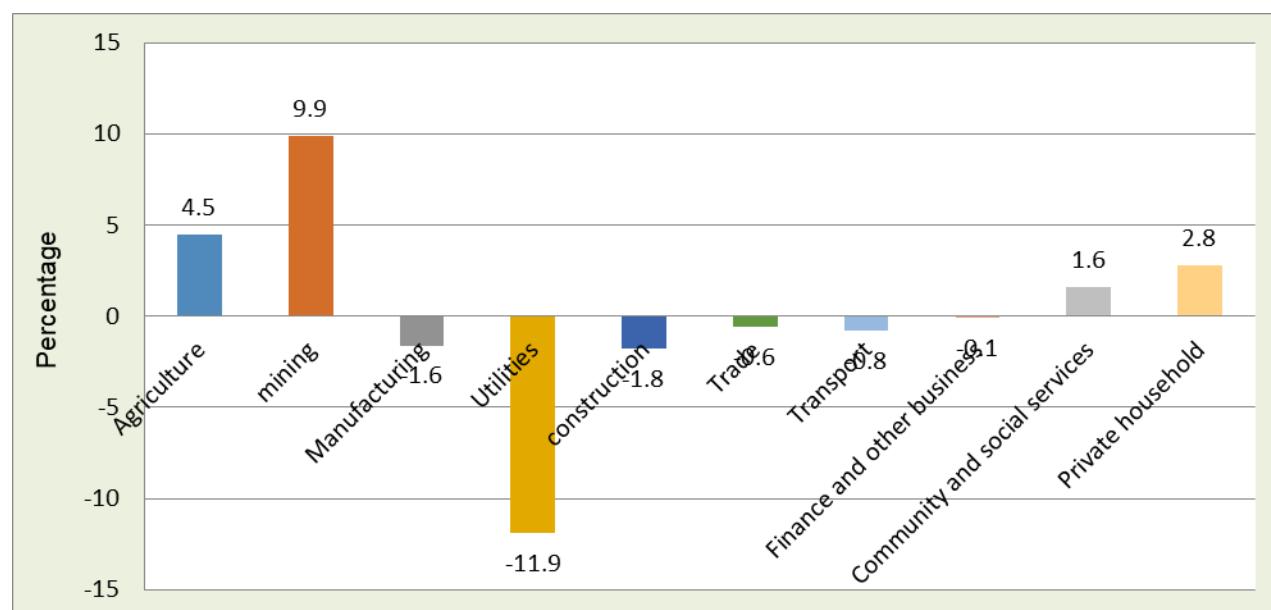


Figure 9: Total number of people employed by industries between 2019: Q2 and 2019: Q3

Source: DAFF

Figure 10 below illustrate that the number of people employed in agricultural sector increased by 4.5% in the third quarter of 2019, from 842 000 persons in the same quarter of 2018 to 880 000 persons in the third quarter of 2019. In the 38 000 jobs gained 15 000 jobs were lost by women, while man gained 53 000 jobs between the two quarters. In total, the agricultural sector comprised of 262 000 women and 618 000 men in the third quarter of 2019 compared to 277 000 women and 565 000 men in the same quarter of 2018.

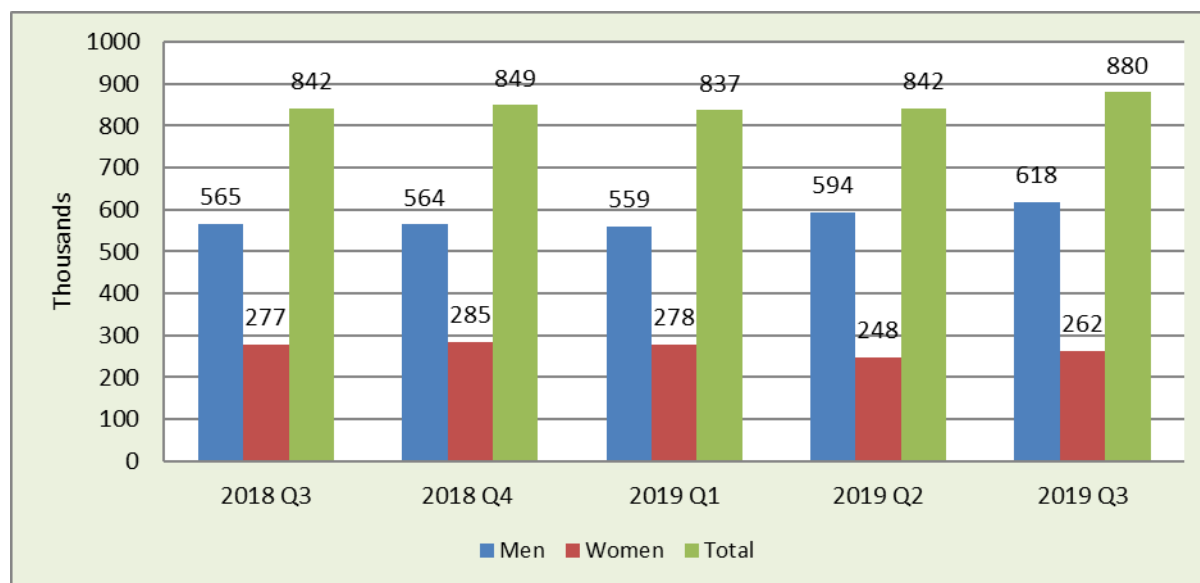


Figure 10: Total number of people employed in the agriculture sector between 2018: Q3 and 2019: Q3

Source: DAFF

Figure 11 below shows that between the third quarters of 2018 and same quarter of 2019, provincial agriculture employment increased in Western Cape, Eastern Cape, KwaZulu-Natal, Gauteng and Mpumalanga. While decreased in Northern Cape, Free State, North West and Limpopo. The 2019 (QLFS) also indicate that 1.725 million people were involved in subsistence farming in the third quarter of 2019 compared to 1.657 million people in the same quarter of 2018, an increase of 4.1 %. KwaZulu-Natal and Eastern Cape remained with the highest number of people involved in subsistence farming.

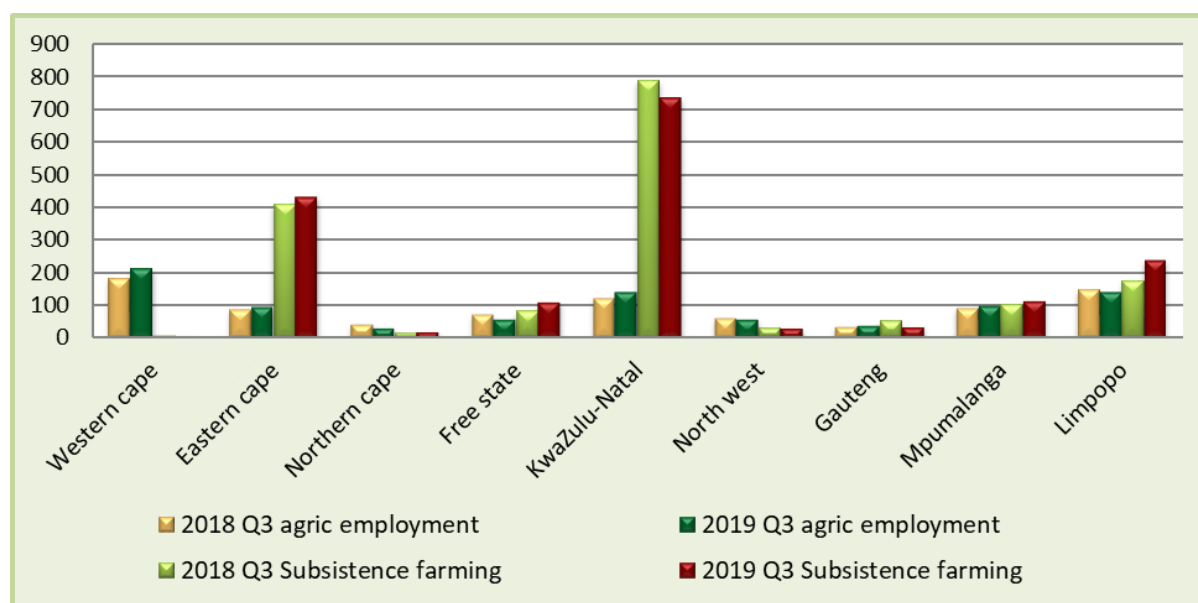


Figure 11: Provincial number of people involved in subsistence farming between 2018: Q3 and 2019: Q3
Source: DAFF

2.4 Expenditure on intermediate goods and services by the agricultural sector

The total expenditure on intermediate goods and services was reported at R42.1 billion in the third quarter of 2019 compared to R39.0 billion in the previous quarter, an increase of 7.5%. Compared to a year ago the total expenditure on intermediate goods and services increased by 5.5% from R39.8 billion in the third quarter of 2018 to R42.1 billion in the third quarter of 2019.

The total expenditure on intermediate goods and services increased by 5.5% from a year (2018 Q3) ago to Q3 2019. The increase was due to increases in Farm Services (5.6%), Fuel (3.9%), Fertiliser (2.9%), Seed and plants (9.1%), and farm feeds (4.0%).

Figure 12 shows comparison of the total expenditure on farm services, farm fuel, fertilizers, seeds and plants as well as farm feeds in the third quarter of 2019 compared to the previous quarter. The increase in total expenditure was attributed to the increase in expenditure on fuel (4.5%), fertiliser (5.4%), seed and plants by 33.3%, farm services 4.0%, while farm services decreased by 20.0%.

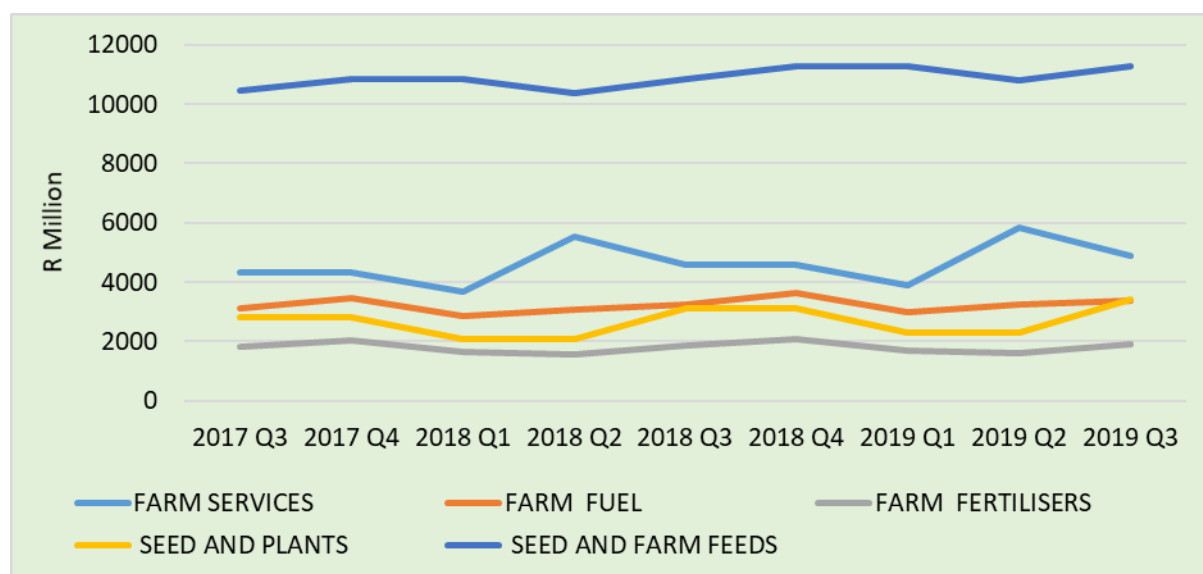


Figure 12: Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2017: Q3 and 2019: Q3

Source: DAFF

2.5 fertilizer market review

2.5.1 International and local fertiliserprices

Figure 13 The average prices for all fertilizers shows a fluctuating trend, following the trend of the brent crude oil prices which has decreased by 20% on a yearly basis. The average price in Rand terms of Ammonia decreased by 29% on a year-on-year basis, whilst UREA increased by 2%. Figure below shows the international and local fertilizer prices with brent crude oil average prices.

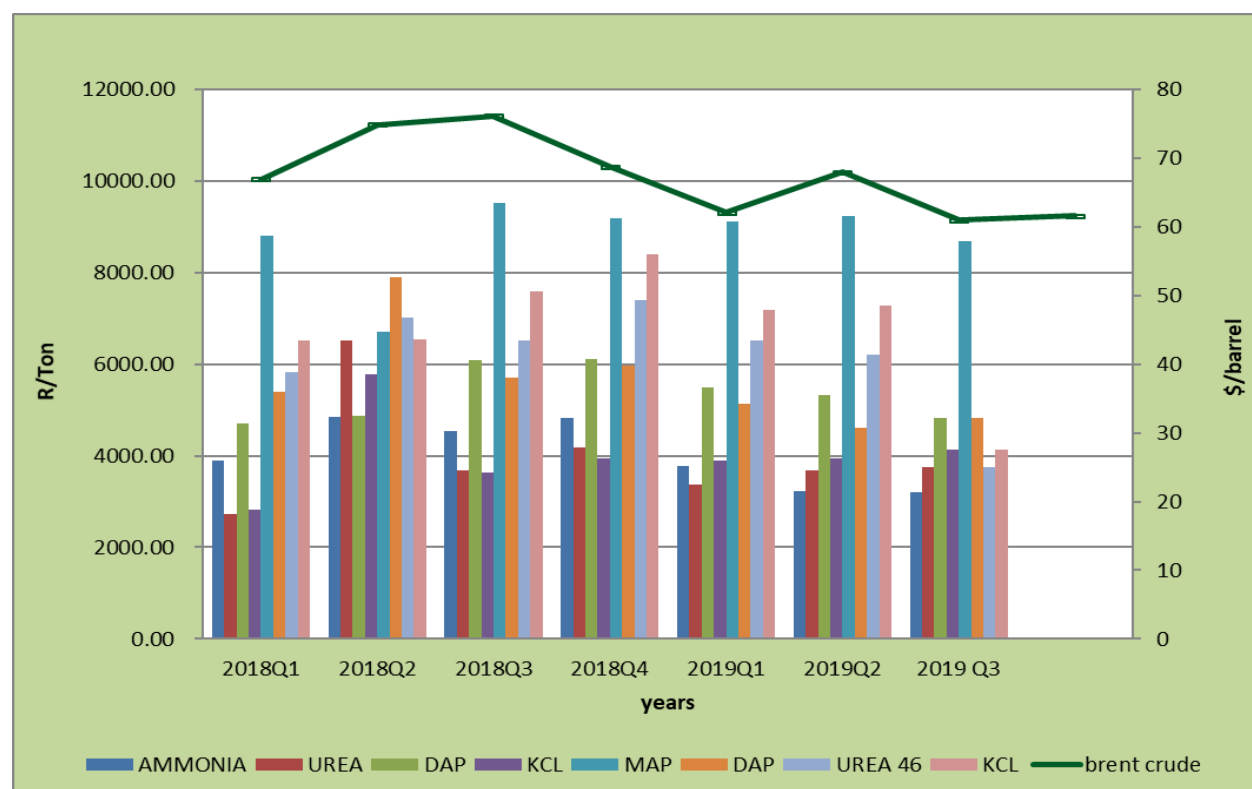


Figure 13: Comparison of International and local fertiliser prices in Rand terms

Source: GrainSA

2.5.2. South African fertiliser expenditure

South African expenditure on fertilizer shows a fluctuating trend from the third quarter of 2016 to the third quarter of 2019. The fluctuation is as the results of changes in the area planted and the seasonality of the agricultural crops. The expenditure on fertilizer in third quarter of 2019 was R 1 920.229 , this represent 3% increase on year on year basis, see Figure 14.

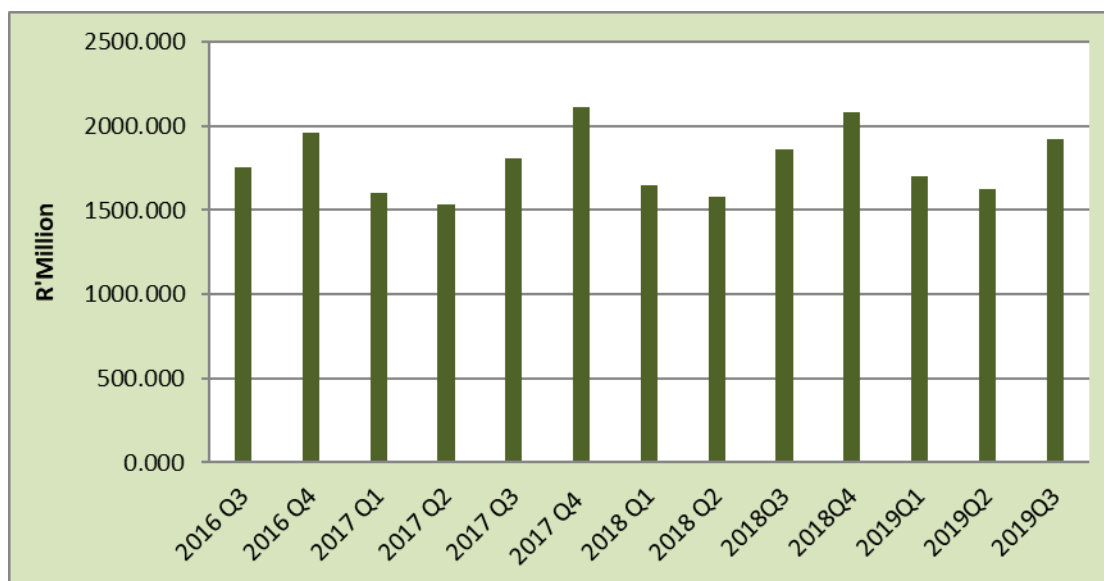


Figure: 14 South Africa fertiliser expenditure

Source: Grain SA

2.6 Nominal gross farm income and net farm income from agricultural products

Figure 15 below illustrate that the nominal real gross income from all agricultural products increased slightly from R79.9 billion in the third quarter of 2018 to R80.9 billion in the same quarter of 2019, a slight increase of 1.2%. The figure below also illustrate that the net farm income is estimated at R30.1 billion in the third quarter of 2019 compared to R31.9 billion in the same quarter of 2018, a decrease of 5.5%. The decrease in net farm income was largely supported by a decrease in income from field crops that decreased by 5.9%.

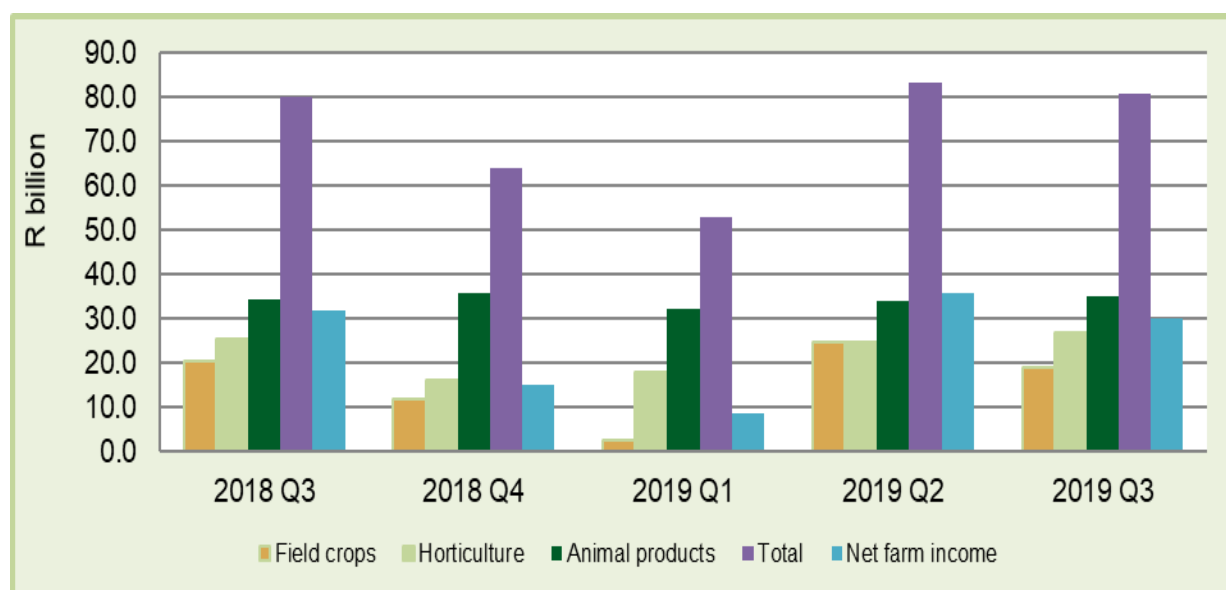


Figure 15: Trends in nominal gross farm income and Net farm income between Q3:2018 and Q3:2019

Source: DAFF

2.9 Reviews of South Africa's water dam levels

South Africa's overall national dam levels declined by 11% in Q3: 2019, to an average of 69% from an average of 78% in Q3: 2018. This is despite rainfall experienced in various parts of the country. On a quarterly basis, South Africa's national dam levels declined by 3% in Q3:2019 from an average of 71% in Q2. The Department of Human Settlements, Water and Sanitation warned that South Africans should remain vigilant about water consumption and residents are urged to practice restraint when using water, see figure 16.

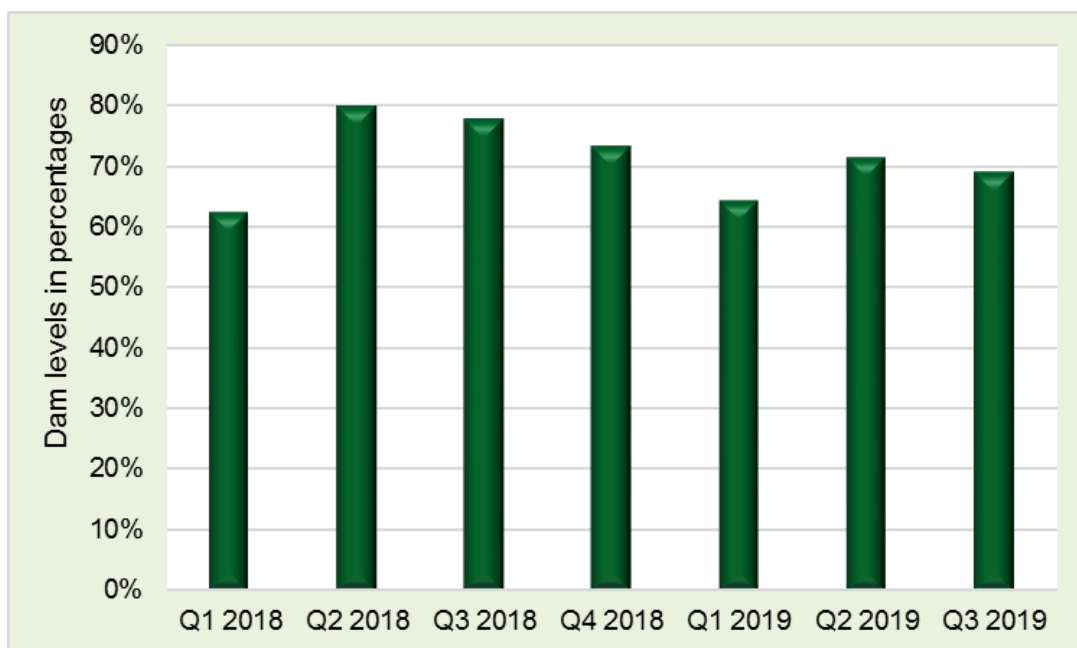


Figure 16: Total dam levels in Q3: 2019

Source: Department of Water & Sanitation (DWS)

1. Provincial average dam levels

High temperatures and dry weather conditions put pressure on dwindling dam levels across the country in Q3: 2019. Average dam levels for Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga Northern Cape and North West decreased by 12%, 10%, 8%, 5%, 19%, 14%, 5% and 8% respectively in Q3: 2019 compared to Q3: 2018. The Western Cape was the only Province that experienced a 8% increase in the average dam levels in Q3: 2019 compared to Q3: 2018. Rain across the Western Cape boosted dam levels in Q3: 2019.

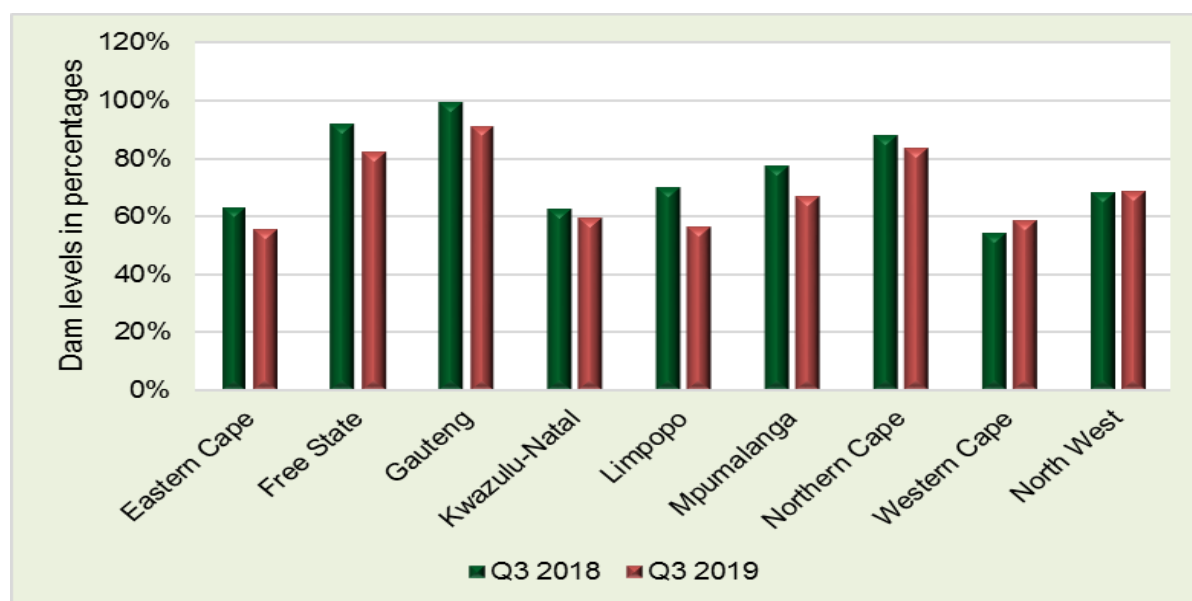


Figure 17: Average dam levels in 2019: Q3
Source: Department of Water and Sanitation (DWS)

3. Review of Agricultural Markets

3.1 Grain market review

3.1.1 White and yellow maize

Figure 18 below illustrates the price of local white and yellow maize increased by 27.8% and 19.4% during the third quarter of 2019 compared to the same period in 2018 (year-on-year); whilst on a quarter-on-quarter basis the price increased by 2.3% and 1.8% respectively. The increase in price is due to various fundamentals during the quarter e.g. uncertainty about the weather, the potential of maize demand in Zimbabwe and East Africa; the uncertainty about the quality of the late maize crop in Africa and also international trends like the uncertainty about the North and South America maize outlook.

Local white and yellow maize traded at 8.5% and 12.5% below the import parity price; although SA maize was uncompetitive internationally as both white and yellow maize traded at 20% and 15% above the Export Price.

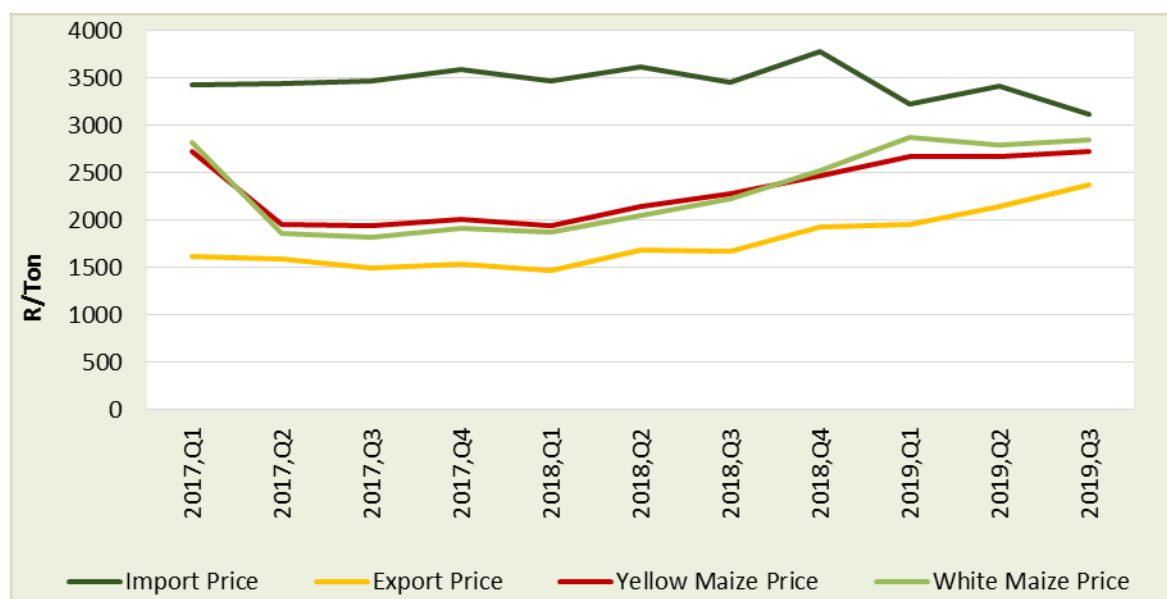


Figure 18: Price trends of white and yellow maize
Source: Sagis

The price of super maize and special maize per kg increased by 3.7% and 3.8% respectively on a quarter-on-quarter basis; whilst on a year-on-year basis the prices increased by 10.5% and 23.7% respectively. There retail price follows the trend in producer prices usually with a lag of 4 -5 months. The producer prices of maize seeds has been on an upward trend since the beginning of 2018.

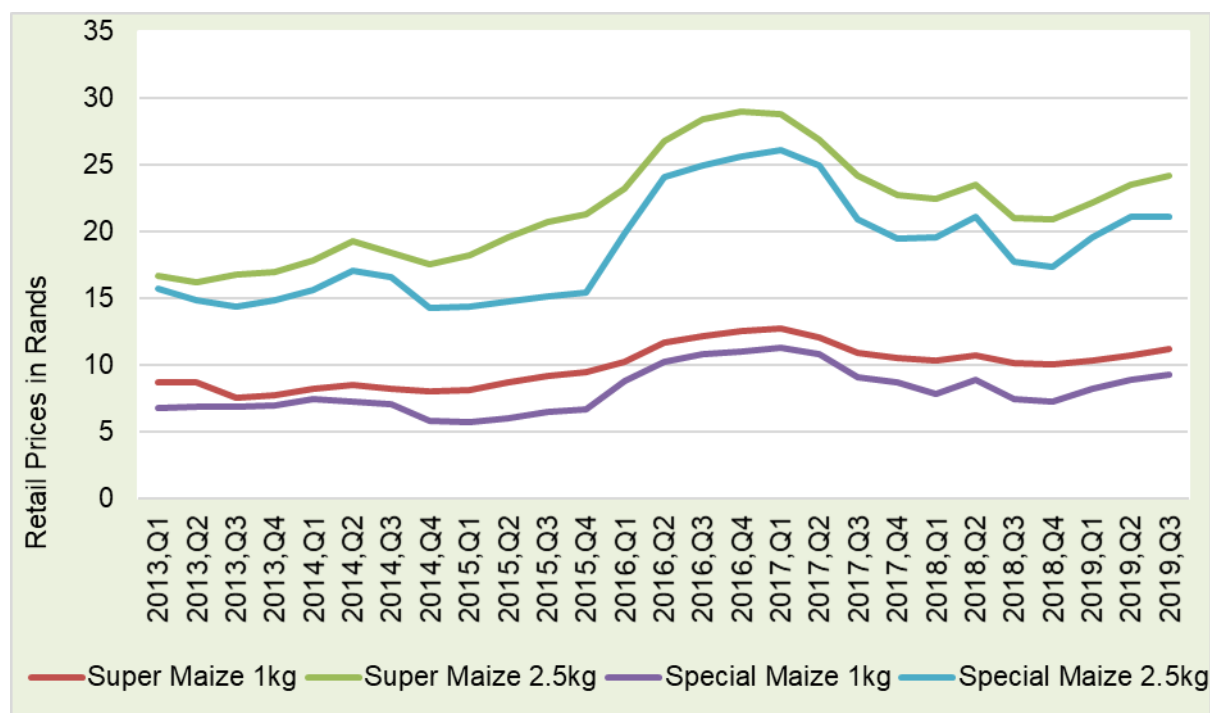


Figure 19: Retail prices vs white maize seed prices

Source: Safex/Stats SA

Figure 20 shows that local demand during the quarter were 11,6% lower during the quarter compared to the same period in 2019. Imports were higher compared to zero imports in 2019; whilst exports were 4,8% higher.

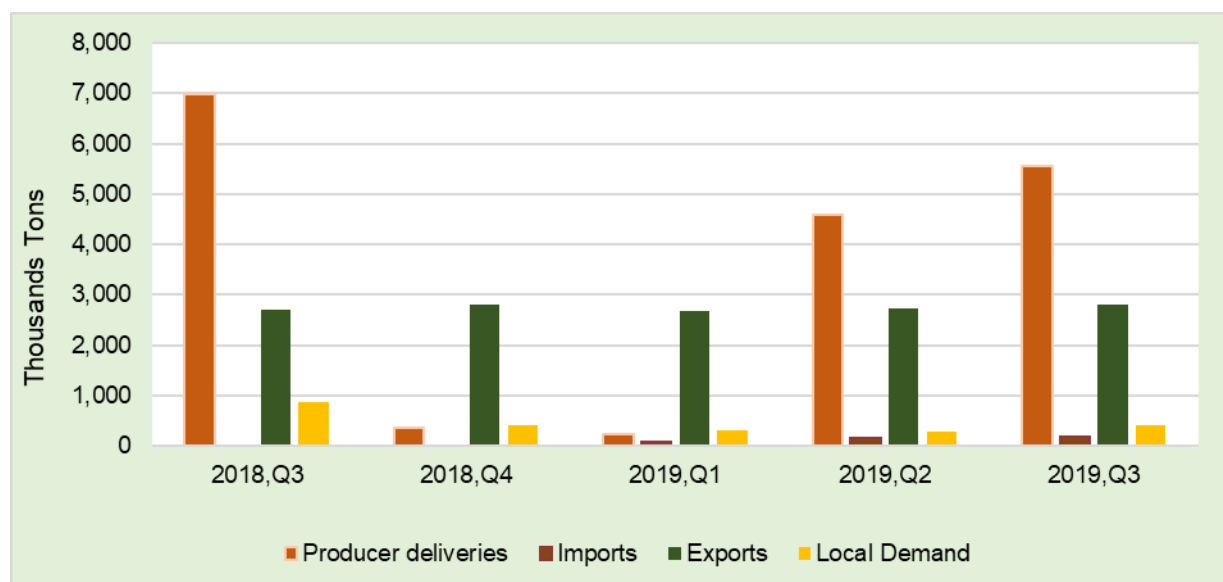


Figure 20: Supply and demand of white maize

Source: Sagis

3.1.2 Wheat

Figure 23 below illustrates the price trends of domestic wheat price and international parity prices from the 2015: Q3 to 2019: Q3. The domestic price of wheat was consistent with economic theory, traded closer to import parity price since South Africa is a net importer of wheat. The domestic wheat price for 2019: Q3 traded at R4573/ton closer to the import parity price which traded at R4733/ton during the same period. The export price traded at R2310/ton in 2019: Q3, 11.6% lower compared to R2600/ton reported in 2019: Q2. Quarter-on-quarter data indicated that domestic wheat price increased marginally by 0.41% from R4554/ton in 2019: Q2 to R4573/ton in 2019: Q3.

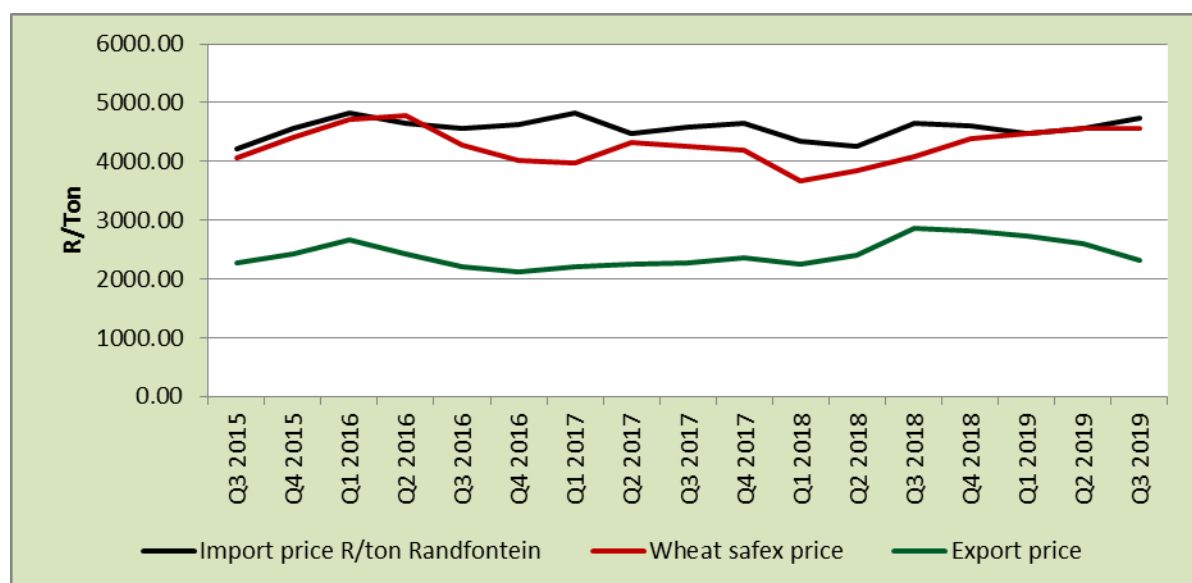


Figure 22: Wheat SAFEX price, export price and import price

Source: Sagis/Safex

Figure 23 shows the supply and demand of wheat from the first quarter of 2015 to the third quarter of 2019. Wheat producer deliveries decreased by 15% from 29 million tons in 2019: Q2 to 24 million in 2019: Q3. Imports and Exports of wheat as well as local demand increased by 26%, 67% and 3% respectively in 2019: Q3 compared to 2019: Q2. The year-on-year local demand and exports of wheat have decreased by 45% and 23% in 2019: Q3.

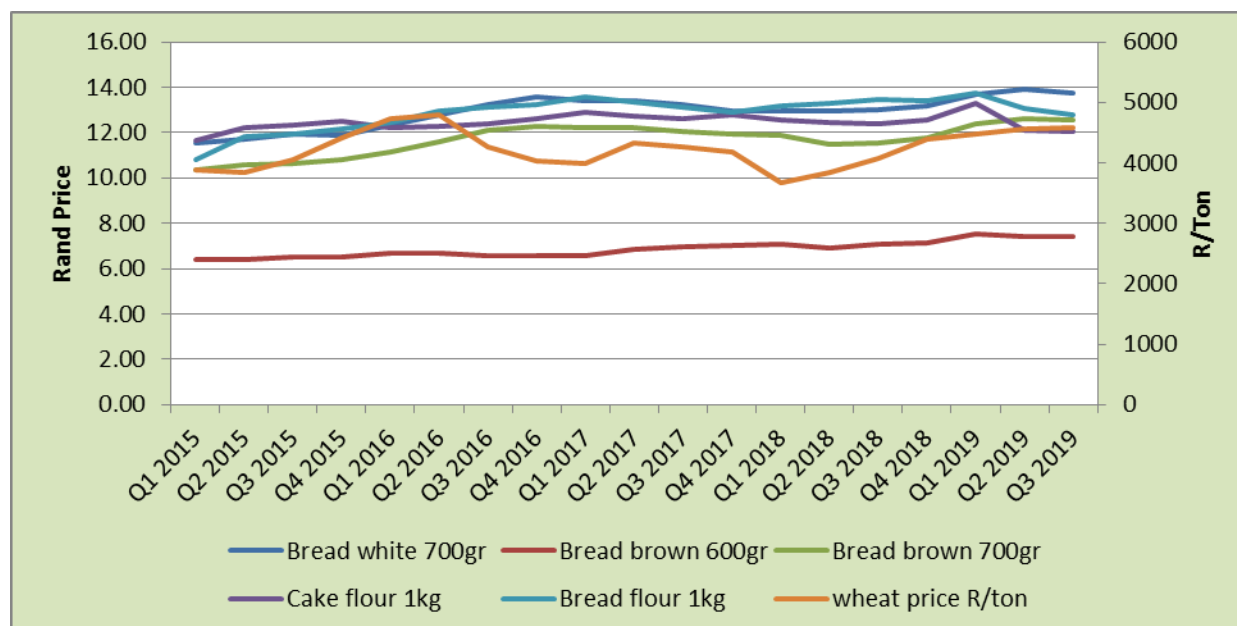


Figure 23: Retail bread price vs wheat import price
Source: Stats SA & Safex

Figure 24 below presents retail bread prices versus wheat safex price from 2015: Q3 to 2019: Q3. Wheat safex price over the period 2018: Q3 to 2019: Q3 have increased steadily by 1.01% per annum. Similarly, quarter-to-quarter data indicated a marginal increase of 1.03% between 2019: Q2 and 2019: Q3. The marginal increase in domestic wheat prices has not yet filtered through to the wheat-by products. The prices of all wheat-by products have decreased marginally in 2019: Q3 compared to 2019: Q2. The price of white bread 700gr, brown bread 600gr, Brown bread 700gr, cake flour 1kg and bread flour 1kg decreased by 0.96%, 0.13%, 0.61%, 0.30% and 1.89% respectively in 2019: Q3 compared to 2019: Q2.

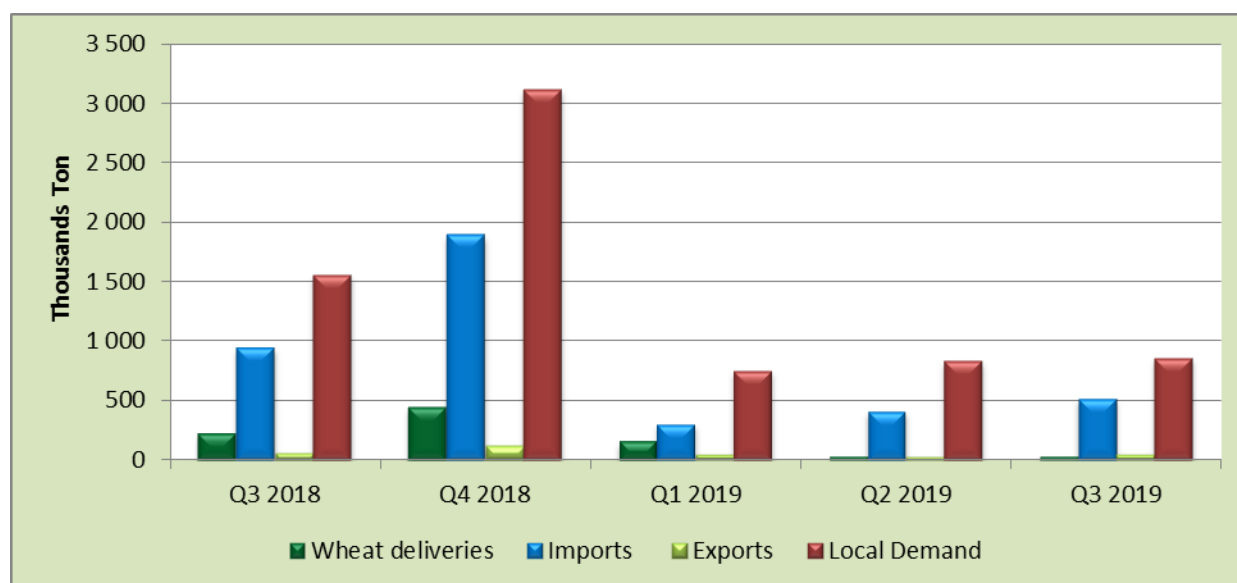


Figure 24: Wheat deliveries, Imports, Exports and local demand
Source: Stats SA & Safex

3.1.3 Soya beans

The price of soybeans increased by a quarterly average rate of 5% between the third quarter of 2018 and 2019. During the third quarter of 2019 the price of soybeans was 25,1% higher than it was compared to the same period in 2018(year-on-year) , on a quarter-on-quarter basis the price increased by 13,2%. The local price rise was driven by inter-alia; the lower soybeans production expected due lowered soybeans area planted for the 2019 production season. The local price traded at 24.2% above the export price during the quarter compared to trading at below 3.5% below the export price during the same period in 2018.

Other fundamentals that pushed local and international soybeans prices up during the the third quarter were; the lowered 2019/20 World soybeans production forecast and the biggest purchase of US soybeans by China ahead of the trade talks during the third quarter of 2019.

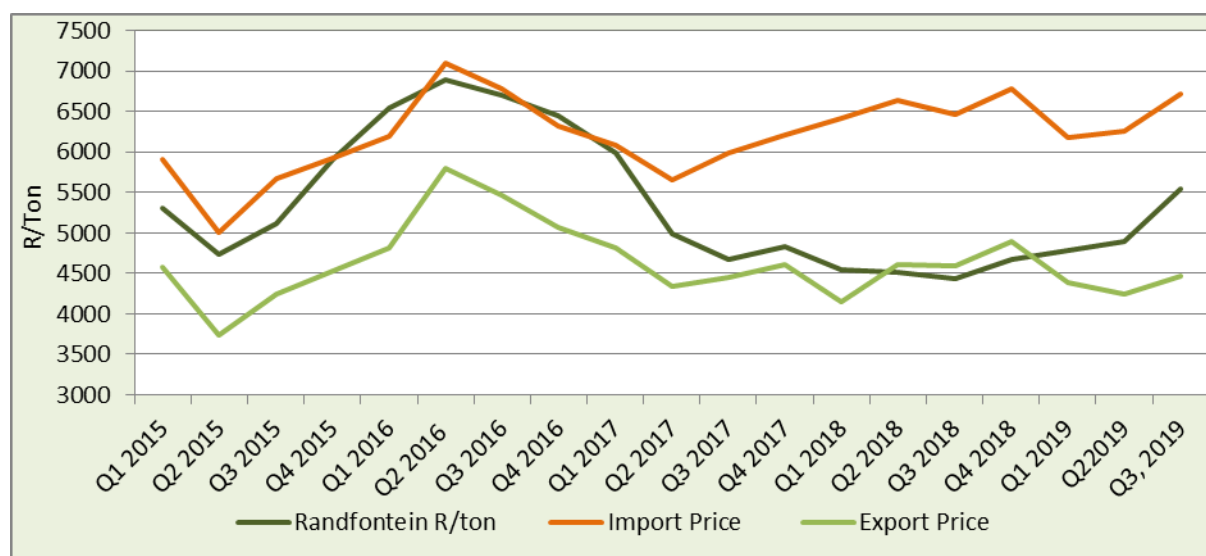


Figure 25: Soya beans local price vs import price
Source: Safex/Sagis/USDA/World Bank

Table 1: Soya beans projections for 2017

Table 1 below shows the soybeans production and use. The demand for local soybeans is expected to increase by 4% whilst production is expected to be 24% lower than it was during the same period in 2018. The high local soybeans price is expected to inter-alia; reduce the export of soybeans by 84% compared to the high exports in 2018.

Table 1: Soya beans projections for 2019

	2012	2013	2014	2015	2016	2017	2018	2019
Beginning Stock	225800	68639	61806	63704	89128	84792	330535	502 241
Production	650000	784500	948000	1 070 000	742 000	1 316 000	1 540 000	1 170 345
Imports	976	4489	103704	124981	271098	28000	6000	7000
Total Supply	876776	857628	1113510	1 258 685	1102226	1 428 792	1 876 535	1 679 586
Local Consumption	655278	780432	1049230	1164880	1010689	1063783	1 349 294	1418200
Exports	152616	15390	576	4677	6745	414	25000	4 000
Total Demand	807 894	795 822	1 049 806	1 169 557	1 017 434	1 098 257	1 374 294	1422200
Closing Stocks	68882	61806	63704	89128	84792	330 535	502 241	257 386

Source: DAFF/ NAMC/Sagis

3.1.4 Sunflower

During the third quarter of 2019, South Africa sunflower seed prices traded below the import parity price at R5 310.58/ton compared to R5 885.06/ton in the second quarter of 2019, which is a total increase of 8.5% compared to the previous quarter. The price of sunflower seed has increased by 8.2% during the third quarter of 2019 as compared to the same period last year, which is 7.1% lower than it was in the previous quarter of 2019. The local sunflower seed price in the third quarter of 2019 traded at 9.8% lower than the import price, compared to trading at 21.3% below the import price in the second quarter of 2019. The prices of sunflower oil 2L in the third quarter 2019 traded higher by 7.7% and whilst the price of sunflower 750ml in the third quarter of 2019 traded 0.6% lower as compared to the same period in 2018. The price of sunflower oil 2L in the third quarter of 2019 increased by 1%, whilst the price of sunflower 750ml decreased by 0.9%, when compared to the previous quarter in the same year, see figure 26.

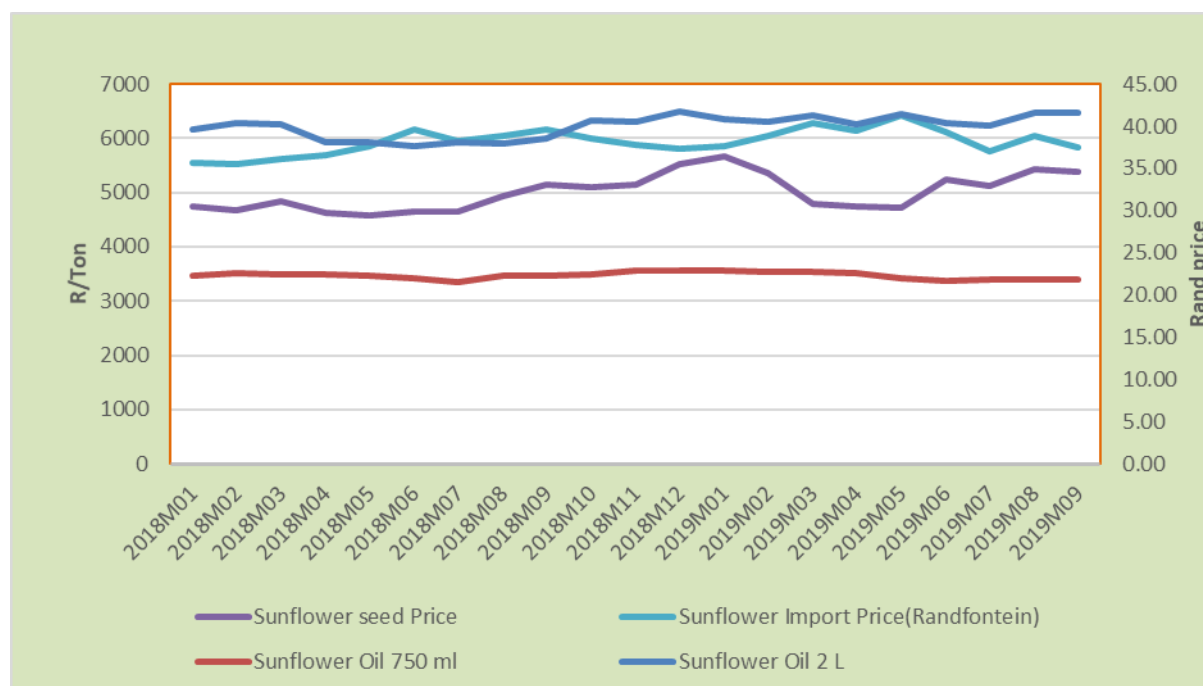


Figure 26: Sunflower local seed; import price (Randfontein) and Sunflower retail price
Source: Safex; USDA; Sagis; and Own calculations

Figure 27 The supply and demand of sunflower seed up to the third quarter of 2019. Producer deliveries in the third quarter of 2019 decreased by 42.1% as compared to

the previous quarter of 2019. South African sunflower seed imports decreased by 55.5% in the third quarter of 2019 as compared to the previous quarter for the same year. Sunflower seed exports also increased by 138% in the third quarter of 2019. Local sunflower seed consumption in the third quarter of 2019 was 108.8% higher than it was in the previous quarter of 2019. Local consumption in the third quarter of 2019 is expected to be 10.1% lower than it was in the same quarter of 2018,

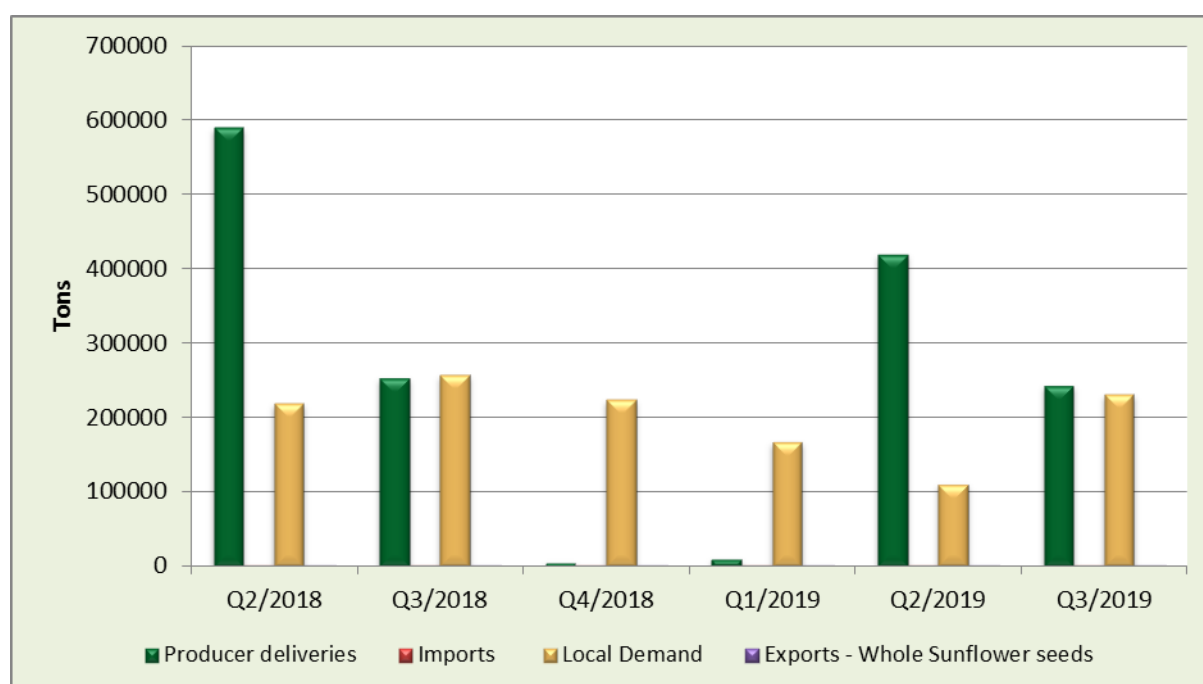


Figure 27: Sunflower seed deliveries, local demand and trade
Source: Sagis

3.1.5 Sorghum

The price of sorghum was 3.4% higher on a year-on-year basis during the third quarter of 2019, whilst on a quarter-on-quarter basis the price was 1.2% higher. This rise in price is due to an expected rise in local soybeans demand as shown on Table 3. The local price traded at 7.5% below the import price during the quarter but remains uncompetitive as it traded at 50% above the export price.

The international sorghum price decreased during the quarter as World demand is forecasted to decline in 2019 despite World sorghum output expected to decrease by 3.2%.



Figure 28: Sorghum Parity Price
Source: Safex, Sagis

Table 2: Sorghum production and use

The demand and use table for sorghum below show that sorghum production is expected to be 13.8% higher than it was in 2018, whilst demand is expected to increase by 5.6%. Local exports are expected to decrease by 41% whilst closing stocks is expected to decrease by 22.1% compared to the previous year

Table 2: Sorghum projections for 2019

	2012	2013	2014	2015	2016	2017	2018	2019
Opening stock	62500	56015	50069	121812	83142	35238	59246	51860
Production	135500	147200	265000	114700	70,500	152,000	115000	130,875
Imports	54800	50033	8725	34316	74957	55824	32500	41000
Total Supply	250300	251652	320301	277713	226677	244073	206746	223735
Local demand	175300	182033	172320	165532	178790	176000	166500	176055
Exports	19000	19550	26169	29039	12649	13800	12345	7300
Total Demand	194300	201583	198489	194571	191439	182783	173700	183355
Ending Stock	56000	50069	121812	83142	35238	59246	51,860	40380

Source: DAFF/ NAMC/Sagis

3.1.6 Groundnuts

The local groundnut market is running short of supply with huge amount of imports needed this season to satisfy domestic demand. Commercial seed production in 2019 reached 20 030 tons, which is 64,86 % less than the previous season and 67,0% less than the five year average of 60 706 tons. During the same period, the bulk of produce was produced in the Free State (48,8%), Limpopo Province (19,4%) and North West Province (19,2%).

Annual plantings of groundnuts have shown a remarkable variation over the past two decades, varying from 165 250 hectares planted in 2001 to 20 050 hectares planted in 2019. The area planted to groundnuts for commercial use during the 2019 production season decreased by 64,4% to 20 050 hectares, from an estimated 56 300 hectares the previous season. This is a 59,1% decrease than the five year average of 49 005 hectares up to 2018. This year's harvest will likely put upward pressure on prices which may be passed through to consumers

Figure 29 shows producer deliveries, local demand of groundnuts and imports and exports of groundnuts from Q3:2018 to Q3:2019.

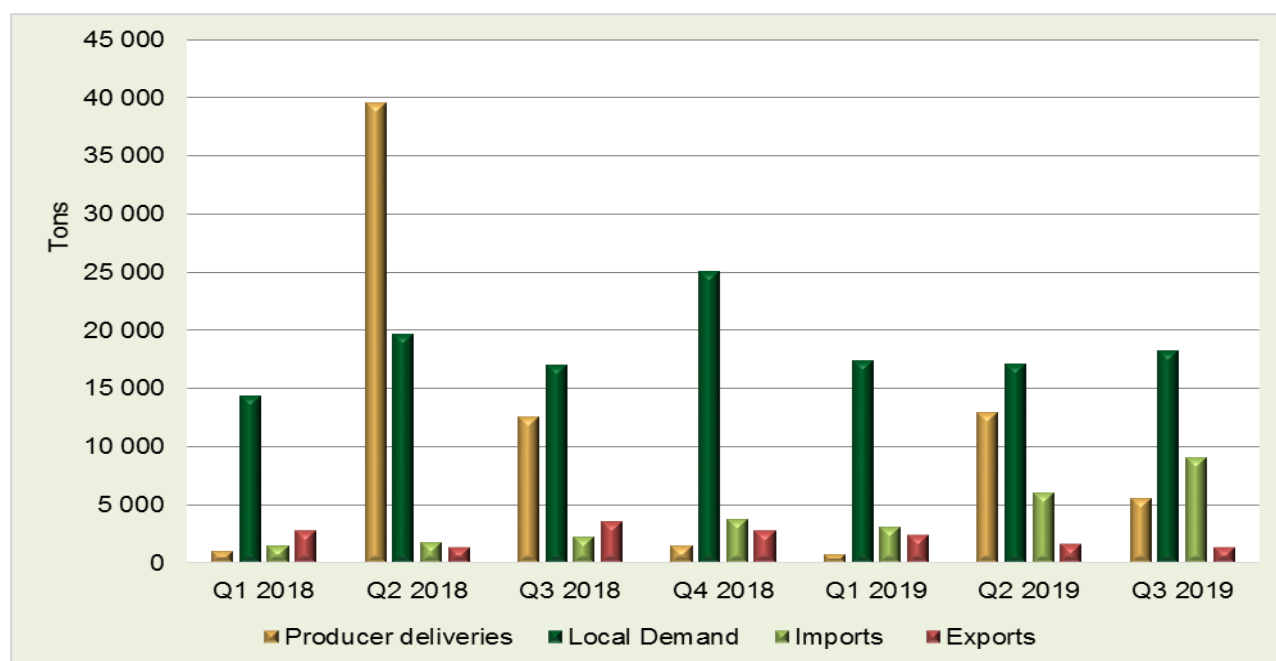


Figure 29: Supply and demand of Groundnuts
Source: Sagis

Producer deliveries of groundnuts decreased by 56,0% in Q3: 2019 compared to Q3:2018, due to unfavourable weather conditions. On average in Q3: 2019, producers delivered 1 856 tons of groundnuts in Q3: 2019 compared to 4 205 tons delivered in Q3: 2018. Local demand of groundnuts increased by 7% in Q3: 2019 compared to Q3: 2018, from an average of 5 687 tons of groundnuts in Q3: 2018 to an average of 6 104 tons in Q3: 2019.

Exports of grounds decreased by 62% in Q3: 2019 compared to Q3: 2018, from an average of 1166 tons in Q3: 2018 to an average of 445 tons in Q3: 2019. Groundnut planting was limited this season due to unfavourable weather conditions. Imports of groundnuts increased significantly in Q3: 2019 compared to Q3: 2018, from an average of 769 tons in Q3: 2018 to an average of 3 047 tons in Q3: 2019. South Africa imported more groundnuts in Q3: 2019 to satisfy local demand.

South Africa's consumption of peanut butter is roughly 81 496 tons per annum and is mainly consumed in two forms, as edible peanuts and as processed peanut butter. During Q3: 2019, consumption levels of edible groundnuts increased by 30%, from an average of 2 530 tons in Q3: 2018 to an average of 3 293 tons in Q3: 2019. However, during the same period, peanut butter consumption levels decreased by

7% to an average of 2 417 tons in Q3: 2019, from an average of 2 594 tons in Q3: 2018. Due to the slight increases in peanut butter prices in Q3: 2019, “consumer sensitivity”, which is indicative of the degree to which consumers are affected by the price of a product could have contributed to the decrease in peanut butter consumption in Q3: 2019. Meanwhile, consumption levels of crushed oil & cake decreased significantly in Q3: 2019 compared to Q3: 2018, to an average of 4 tons in Q3: 2019 from an average of 324 tons in Q3: 2018.

In Q3: 2019, the average market price for peanut butter (400 gram) increased by 8%, to R30,30 (400 gram), from R 28,12 (400 gram) in Q3: 2018. The lower 2018/19 harvest will likely put upward pressure on prices, which consequently, will likely be passed down to consumers (Agbiz, 2019).

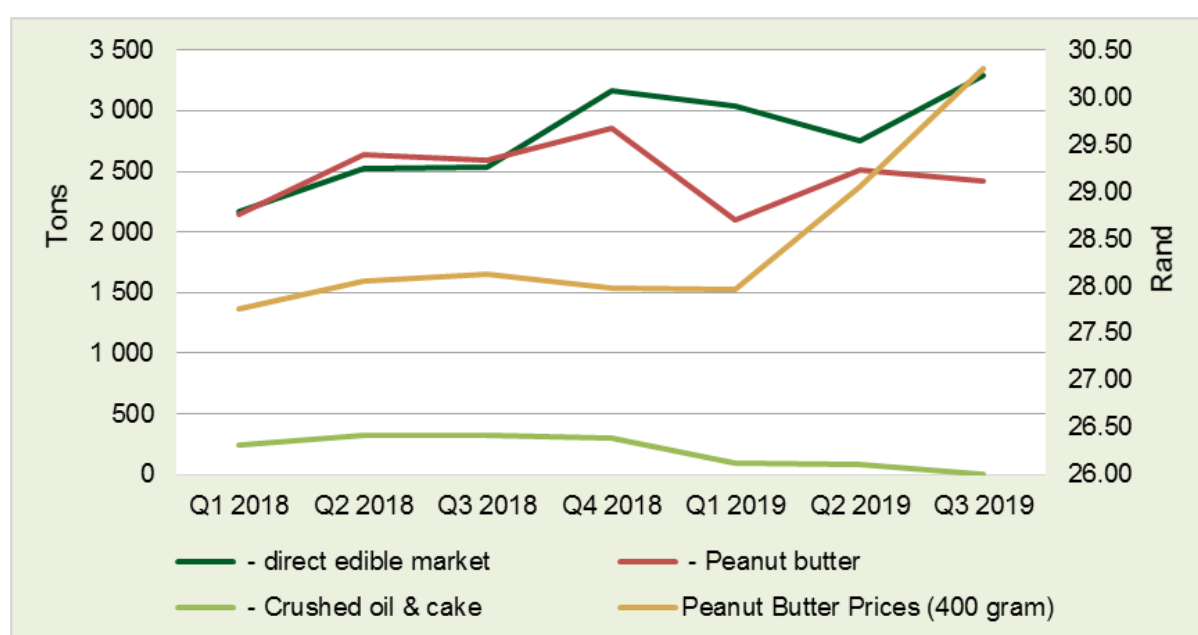


Figure 30: Groundnuts consumption
Source: Sagis

3.2 Fruit and vegetable market review

The following section looks at the average prices of fruits traded at the Fresh Produce Markets (FPMs) between Q3:2018 and Q3:2019.

Weather conditions looked promising in a number of areas, although in other places, weather conditions were a bit drier.

The average prices of apples increased by 2.9% in Q3: 2019 compared to Q3: 2018. Part of the apples fell during November, which is expected to provide an estimate of the total harvest to be made. The apples that were consumed in the third quarter of 2019 were mainly from storages, which represent a fraction of what is being produced in the Western Cape. On a quarterly basis, the average prices of apples increased by 5.1% in Q3: 2019 compared to Q2, in line with market expectations. The average prices of bananas and oranges increased by 4.1% and 3.6% respectively in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the average prices of bananas and oranges decreased by 27.3% and 12.2% respectively in Q3: 2019 compared to Q2. The demand for bananas at the fresh produce market fell in 2019 compared to 2018 while since the beginning of 2019, the supply of bananas is estimated to have fallen by 14% compared to last year. Some banana growers in the country are switching to avocados or macadamia nuts as higher yields can be obtained (Agriorbit, 2019). In the citrus industry, there were some surpluses reported in certain markets caused by a larger supply from Egypt. Furthermore, in the Western Cape, there were some issues reported regarding the fruit's sizes due to the drought. In addition, problems with Navels were also reported in other parts of the country (Farming portal, 2019). Meanwhile, the average prices of pears increased by 7.4% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the average prices of pears increased by 8% in Q3: 2019 compared to Q2. According to pear producers, the heat wave fruit growers experienced in October 2019 had more of an impact on pears than the drought of the previous three years. The heat wave affected Packhams pears and therefore, Packham volumes were significantly lower while Forelle was not affected by the heatwave.

The quantities of apples increased by 6.2% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the quantities of apples increased by 2% in Q3: 2019 compared to Q2. The quantities of bananas decreased by 2.3% in Q3: 2019 compared to Q3: 2018 while the quantities of bananas increased by 36.8% in Q3: 2019 compared to Q2. Meanwhile, the quantities of oranges increased by 8.7% in Q3: 2019 compared to Q3: 2018. Similarly, the quantities of oranges increased by 14.7% in Q3: 2019 compared to Q2. Pears had a good season in Q3: 2019 compared to Q3: 2018 while quantities of pears increased by 14.3% in Q3: 2019 compared to Q3: 2018. However, due to the heat wave experienced in October, the quantities of pears decreased by 2.6% in Q3: 2019 compared to Q2, see Figure 31.

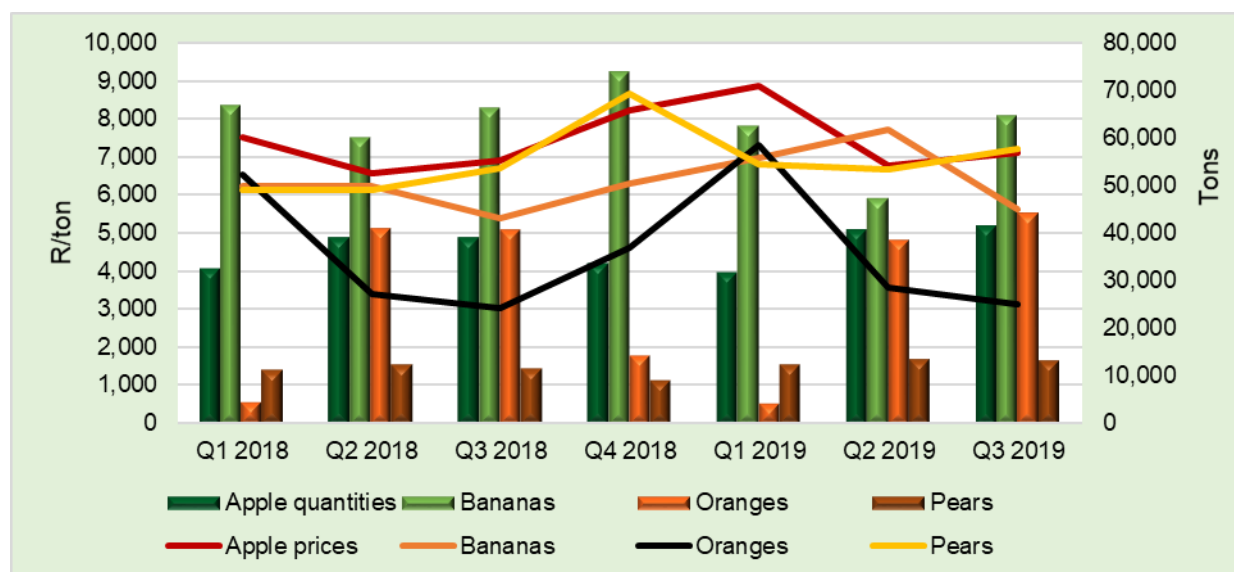


Figure 31: Average price and quantities trends of various fruits traded at fresh produce markets (FPMs)
Source: Daff

Figure 32 indicates the average prices of various vegetables traded at fresh produce markets in South Africa. Most vegetable prices decreased in Q3: 2019 compared to Q3: 2018, driven by local demand. The average prices of cabbage decreased by 8.8% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the average prices of cabbage decreased by 20.6% in Q3: 2019 compared to Q2. Meanwhile, on a yearly basis, the quantities of cabbage increased by 6.7% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the quantities of cabbage increased by 10.5% in Q3: 2019 compared to Q2. Demand remained subdued amid increased supply.

Furthermore, the average prices of carrots decreased by 20.5% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the average prices of carrots decreased by 27.1% in Q3: 2019 compared to Q2. Meanwhile, the quantities of carrots increased by 6.5% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the quantities of carrots increased by 6.8% in Q3: 2019 compared to Q2. Carrots prices decreased on a year-on-year basis and on a quarterly basis in the Q3 despite increases in quantities supplied.

In addition, the average prices of onions decreased by 3.6% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the average prices of onions decreased by 10.2% in Q3: 2019 compared to Q2. Meanwhile, the quantities of onions decreased by 4.9% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the quantities of onions increased by 5.6%

in Q3: 2019 compared to Q2. There was excess supply of onions in Q3: 2019 compared to Q2 due to warmer conditions which contributed to the onions growing faster than expected.

Moreover, the average prices of potatoes increased by 25.1% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the average prices of potatoes increased by 9.6% in Q3: 2019 compared to Q2. Potato prices increased despite increases in quantities supplied. Meanwhile, the quantities of potatoes increased by 1.8% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the quantities of potatoes increased by 10.3% in Q3: 2019 compared to Q2. The increase in the price of potatoes might have been supported by the high levels of demand in Q3: 2019 compared to Q2.

Additionally, the average prices of tomatoes decreased by 6.9% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the average prices of potatoes decreased by 33.7% in Q3: 2019 compared to Q2. Tomato prices remained low due to sensitivity to extreme weather conditions. Meanwhile, the quantities of tomatoes decreased by 7.6% in Q3: 2019 compared to Q3: 2018 while on a quarterly basis, the quantities of tomatoes increased by 4.7% in Q3: 2019 compared to Q2.

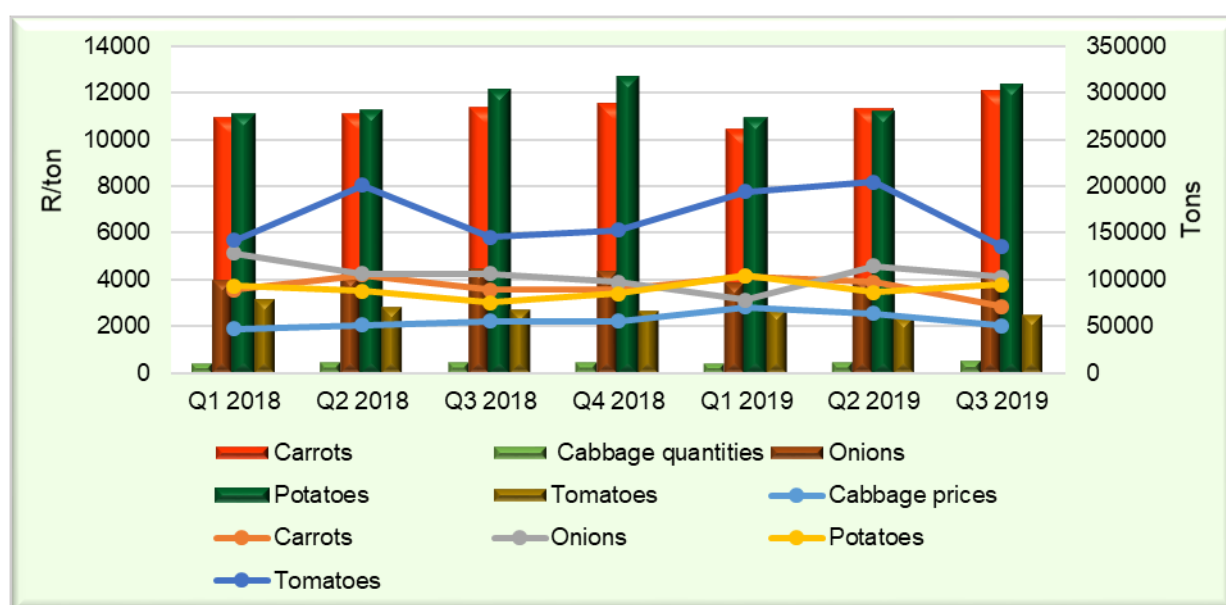


Figure 32: Average price and quantities of various vegetables traded at Fresh Produce Markets (FPMs)

Source: Daff

3.3 Meat industry review

As illustrated graphically total beef slaughtering increased by 28% in third quarter of 2019 compared to the same quarter of 2018. The average price of beef in the third quarter decrease by 2% comparing same quarters.

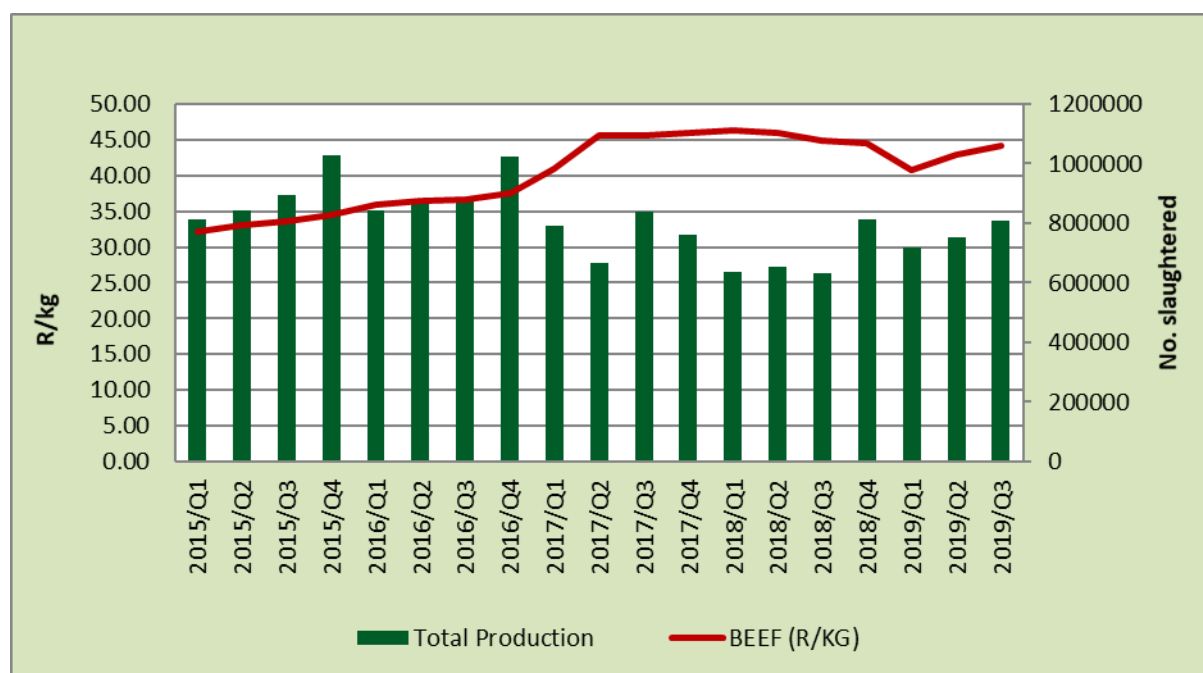


Figure 33: Beef productionSource: SA feedlot

Source, Daff 2019

3.4 Poultry industry review

Poultry production increased by 5.8% on year-on-year basis whilst on a quarter-on-quarter basis production increased by 6.1% .The price of poultry increased by 2.8% whilst on a quarter-on-quarter basis the price increased by 0.1%. As shown on the graph below feed costs also rose at a quarterly average rate of 5.1% since the third quarter of 2018, thus contributing to an upward trend in poultry prices.

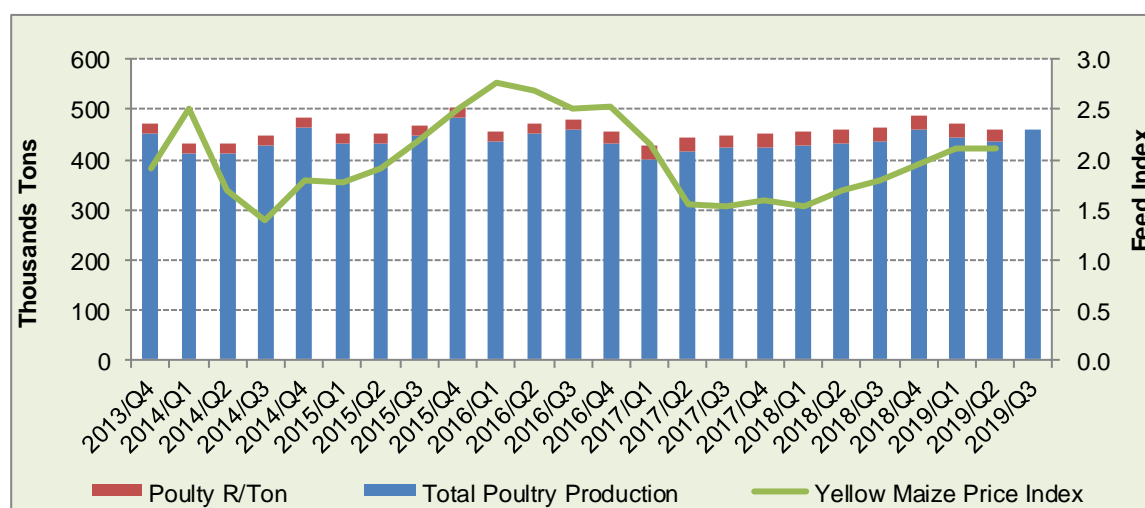


Figure 35: Poultry production

Source: DAFF

During the third quarter of 2019 the price of whole chicken, fresh chicken portions and frozen chicken portions increased by 3.9%, 3.8% and 2.2% respectively. On a quarter-on-quarter basis the price of whole chicken per kg decreased by 0.1% whilst fresh chicken portion and frozen chicken portions prices increased by 1.9% and 2.6% respectively.

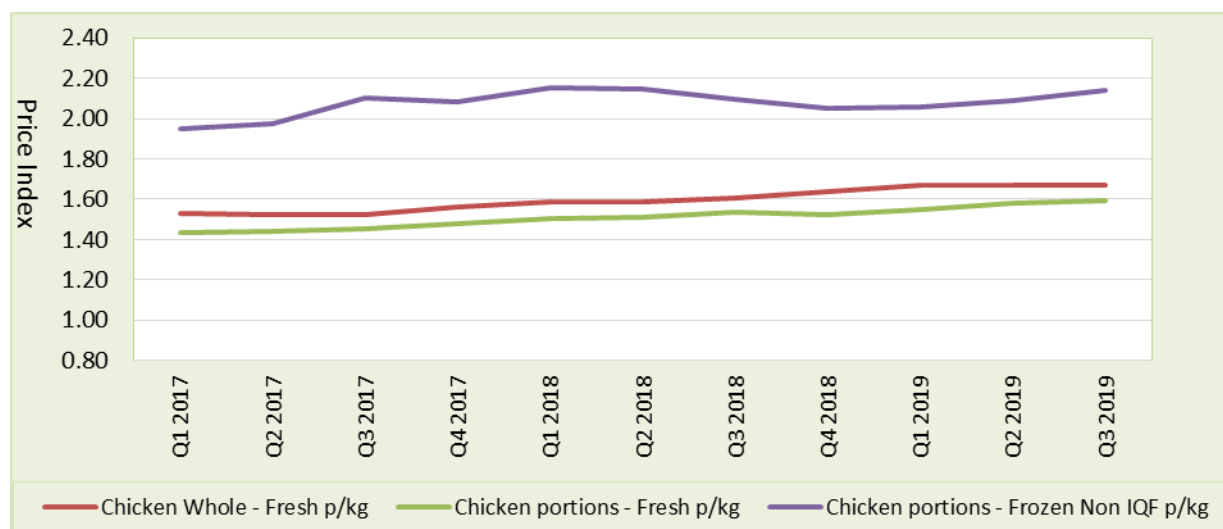


Figure 36: Poultry feed vs Retail prices

Source: SAPA, STATSTA & Safex

3.5 Milk industry overview

Total milk production decreased by 3.7% in Q3: 2019 compared to Q3: 2018, to 927 million litres from 963 million litres. On a quarter-on-quarter basis, total milk production increased by 8.2% in Q3: 2019 compared to Q2: 2019, from 857 million litres in Q2: 2019. The demand for milk on a quarterly basis was strong despite the struggling SA economy and disposable income of consumers being under pressure due to increased administered prices such as increased property taxes and the increased cost of electricity.

The average producer price per litre of milk increased by 6.5% in Q3: 2019 compared to Q3: 2018, from R4,32/l to R4,60/l. On a quarterly basis, the average price per litre of milk decreased by 0.4% in Q3: 2019 compared to Q2: 2019, from R4,62/l in Q2: 2019. The quarterly producer price change is an indication that demand was more subdued. Moreover, according to MPO (2019), the primary industry is haemorrhaging due to the cost price squeeze which is exacerbated by the unfavourable climatic conditions and the struggling SA economy. The strong dairy stock that created a strong unprocessed milk production growth in 2018 countered against the low growth in production in 2019 to still meet local demand.

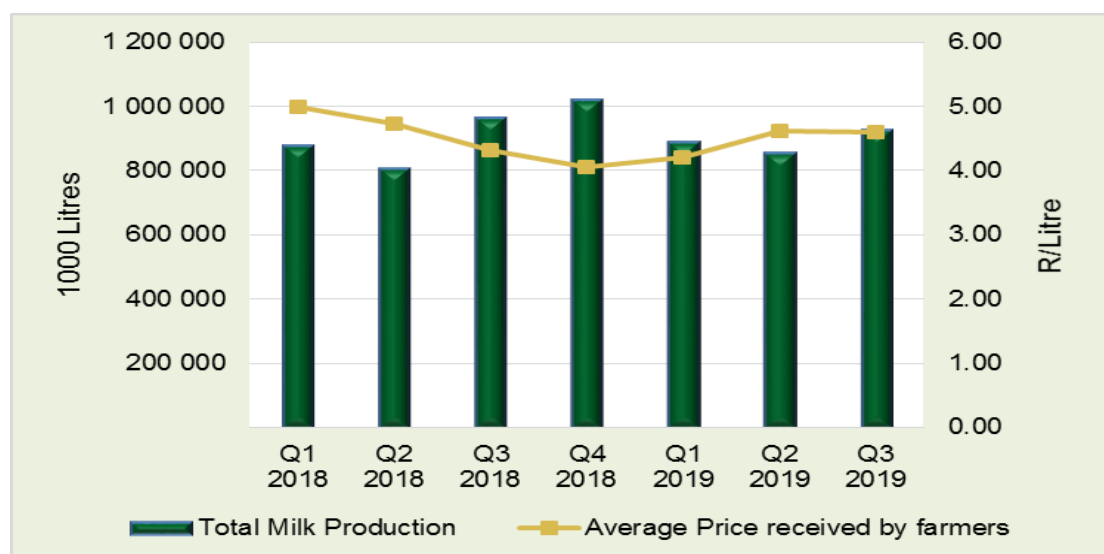


Figure 37: Trends in total production and average price of milk

Source: DAFF

Exports of milk and cream (neither concentrated nor containing added sweetening) increased by 15.9% in Q3: 2019 compared to Q3: 2018, from a total of 16,9 million litres to a total of 19,6 million litres of milk and cream in Q3: 2019. On a quarterly basis, exports of milk and cream (not concentrated or containing added sweetening) increased by 9%, from 18, 0 million litres in Q2: 2019. The MPO underlined that this is a good indication that export markets are well looked after by SA exporters and that markets are satisfied with the product quality and range.

Imports of milk and cream (neither concentrated nor containing added sweetening) increased significantly in Q3:2019 compared to Q3: 2018, from a total of 440 945 litres to a total of 7,5 million litres. On a quarterly basis, imports of milk and cream (not concentrated or containing added sweetening) decreased by 14%. There was downward momentum in the demand for milk and cream on quarterly basis.

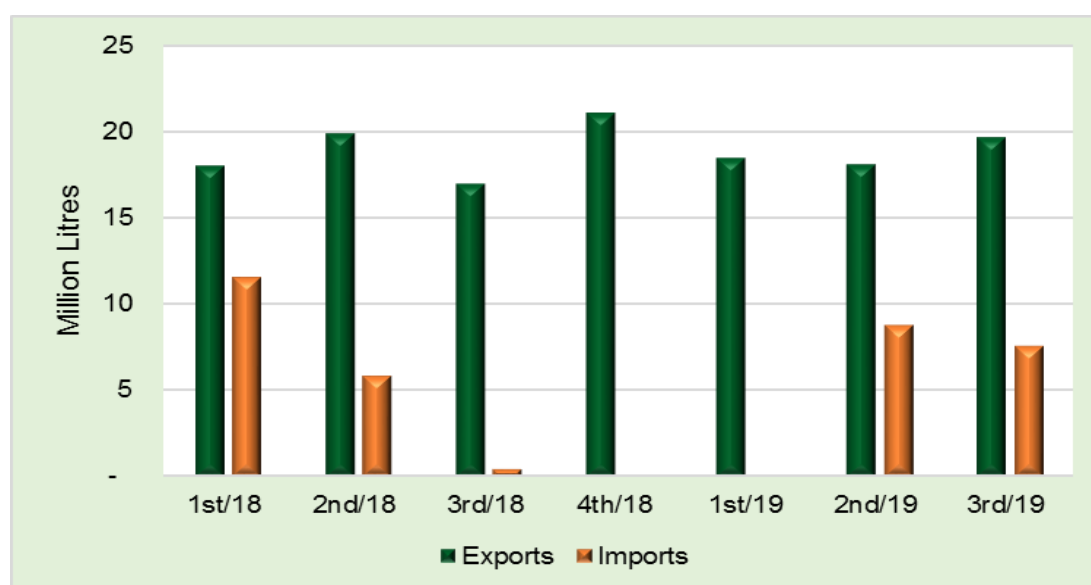


Figure 38: Trends in imports and exports of milk and cream, not concentrated nor containing added sweetening

Source: GTA, 2019

3.6 Trade of agricultural, forestry and fisheries

South Africa's agricultural trade balance narrowed by 9% in Q3: 2019 compared to Q3: 2018, from R17,4 billion to R15,9 billion, due to lower harvest of some key agricultural products such as maize and citrus products on the back of drier weather conditions. On a quarter-on-quarter basis, South Africa's agricultural trade balance improved significantly, by a massive 56% in Q3: 2019 compared to Q2: 2019. Nevertheless, Agbiz (2019) anticipates that South Africa's 2019/20 maize exports will likely fall significantly from the previous season to 1.1 million tons while the Citrus Growers Association indicated that citrus exports will likely fall by 6% year-on-year to 127, 8 million tons. Moreover, Agbiz (2019) indicated that wool exports will also likely fall following months of no wool exports after China placed a ban on South Africa's wool due to biosecurity issues. Overall, South Africa's agricultural trade balance is expected to narrow this year, due to animal health issues and the impact of unfavourable weather conditions. However, despite it narrowing, South Africa's agricultural trade balance is expected to remain in positive territory throughout the whole of 2019 (Agbiz, 2019).

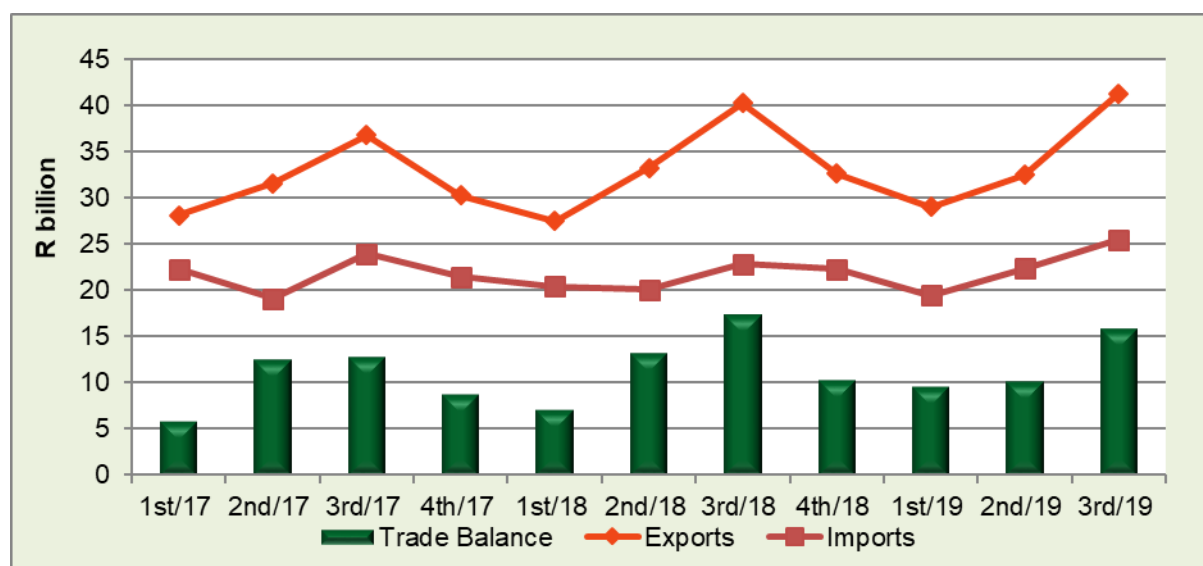


Figure 39: Trade balance of agricultural products
Source: GTA, 2019

Table 3 indicates that South Africa gained most of its agricultural export revenue from products exported to China, which was the leading export destination followed by Netherlands and Botswana. SA's top three suppliers of agricultural products in Q3: 2019 include Argentina, Thailand and Swaziland.

Table 3: SA's top three largest export and import destinations of agricultural products in the 3rd Quarter of 2019.

Top three markets of agricultural products exported by SA	Value (Billion Rands) 3 rd Quarter 2019	% Share of total agricultural exports in 3 rd Quarter 2019	Top three suppliers of agricultural products to SA	Value (Billion Rands) 3 rd Quarter 2019	% Share of total agricultural imports in 3 rd Quarter 2019
Total	R 41,34	100		R 25,49	100
China	R 3,70	8.6	Argentina	R 1,96	7.7
Netherlands	R 3,25	7.9	Thailand	R 1,49	5.8
Botswana	R 2,72	6.6	Swaziland	R 1,34	5.2

Source: GTA, 2019

Table 3 indicates that South Africa gained most of its agricultural export revenue from products exported to China, which was the leading export destination followed by Netherlands and Botswana. SA's top three suppliers of agricultural products in Q3: 2019 include Argentina, Thailand and Swaziland.

Figure 40 indicates the top five agricultural products imported by SA in Q3: 2019. SA's leading supplier of wheat in Q3: 2019 was Russia while SA's leading supplier of rice during the same period was Thailand. SA's leading supplier of frozen chicken cuts and edible offal (including livers) in Q3: 2019 was Brazil while SA's leading supplier of palm oil during the same period was Indonesia. Mexico was SA's leading supplier of beer made from malt in Q3: 2019.

Figure 42 indicates the top five agricultural products exported by SA. SA's leading export destination for fresh oranges and lemon and limes in Q3: 2019 was the Netherlands while SA's leading export destination for fresh apples and wine during the same period was United Kingdom. SA's leading export destination for raw, solid sugar cane in Q3: 2019 was Malaysia.

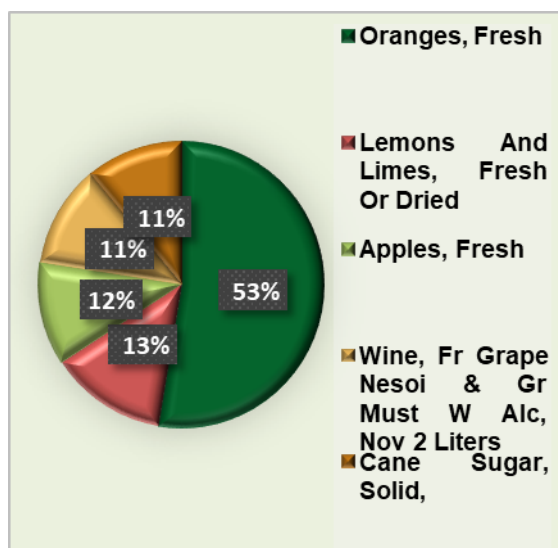


Figure 40: Top five agricultural products exported by SA

Source: GTA, 2019

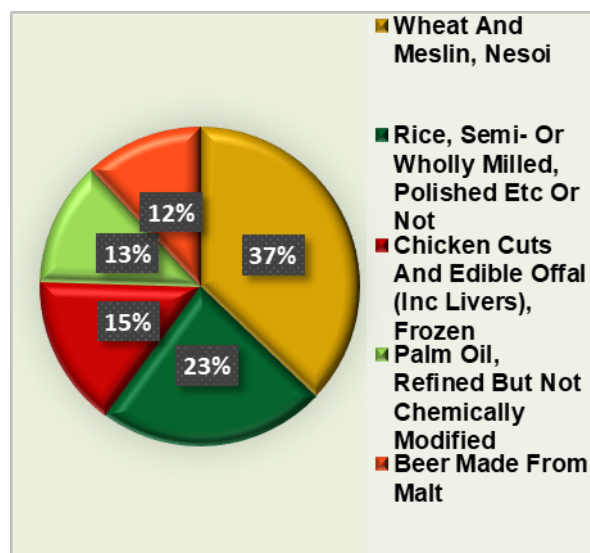


Figure 41: Top five agricultural imported products

Source: GTA, 2019

4. CONCLUSION

According International Monetary Fund (IMF) latest report on World Economic Outlook (WEO) Update, October 2019, it indicates that Global growth is forecast at 3% for the 2019, its lowest level since 2008/9 and a 0.3% point downgrade from the April 2019 World Economic Outlook. Canada, France, Germany, Italy, Japan, United Kingdom and United States expanded by 0.3%, 0.1%, 0.3% and 0.5%, respectively when compared to 2018 (Q3). Emerging markets and developing economies, Real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, Nigeria and Russia increased by 1.6%, 6%, 5.8%, 5.02%, 4.4%, 6.2%, 2.28% and 1.7% respectively, whilst South Africa decreased by 0.6% when compared to the third quarter of 2018.

South African's economy as measured by real gross domestic product decreased by 0.6% from an increase of 3.2% reported in the second quarter of 2019. The agriculture sector reported an improved contraction of 3.6% during the third quarter following a negative growth 4.2% in the second quarter of 2019. Stats SA attributed the decline in the sector to lower production of field crops such as maize, wheat, sunflower seeds, tobacco and soya beans

The annual average headline CPI for the third quarter 2019 was 4.79% which shows a decrease of 0.21% when compared to the same period last year. Food inflation for the third quarter of 2019 was 4.03% which shows an increase of 0.93% from 3.1% of the third quarter of 2018. South Africa's unemployment rate has again climbed in the third quarter of 2019, to 29.1%, its highest rate in over 16 years. South Africa's primary agricultural employment jumped by 4.5% y/y from the corresponding period last year to 880 000. This came as a surprise as the third quarter of each year is usually a quiet period on farms in most parts of the country. South Africa's agricultural trade balance narrowed by 9% in Q3: 2019 compared to Q3: 2018, from R17,4 billion to R15,9 billion. On a quarter-on-quarter basis, South Africa's agricultural trade balance improved significantly, by a massive 56% in Q3: 2019 compared to Q2: 2019.

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