



Quartely Economic Overview

AGRICULTURE SECTOR

Volume 17, Number 4 - Fourth Quarter 2019



**agriculture,
forestry & fisheries**

Department:
Agriculture, Forestry and Fisheries
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 the report as an indispensable reading for everyone interested in developments of the South African AFF sector.

This issue looks at the economic developments in 2019: Q4, 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 (Q4) in the advanced economies of the following countries: Canada, France, Germany, United Kingdom and United States increased by 0.1%, 0.3%, 0.4%, 1.1% and 2.1% respectively, whilst Italy and Japan decreased by 0.3% and 1.6% respectively when compared to 2018 (Q4). Emerging markets and developing economies, 2019 (Q4) Real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines and Nigeria increased by 1.7%, 6%, 4.7%, 4.97%, 3.6%, 6.4% and 2.55% respectively, whilst South Africa decreased by 1.4% when compared to the fourth quarter of 2018.

Global grain supply forecast: The global grain supply forecast indicates a total grain increase of 3.5%, from 3.342 million metric tons in 2018 (Q4) to 3.459 million metric tons in 2019 (Q4). Global supply projections for 2019 (Q4) of wheat, coarse grains, rice milled, cotton and vegetable oils increased by 3.2%, 4%, 3.8%, 1.2%, and 1.9% respectively, whilst oilseeds and oil meals decreased by 2.1% and 1% respectively.

South Africa's GDP: The Agriculture, Forestry and Fisheries industry reported a fourth consecutive quarter of contraction. Statistics South Africa's economic data for the fourth quarter of 2019 indicates that South Africa's economy is in a technical recession. This follows a second consecutive growth rate of -0.8% during the fourth quarter of 2019 from negative growth of 1.4% reported in the third quarter of 2019. The agriculture sector decreased by 7.6% during the fourth quarter following a negative growth 4.5% in the third quarter of 2019. Most analysts blame low demand, sharp rising fuel and Eskom's load shedding seen in previous months as the contributing factors to the poor performance in many sectors of the economy.

Inflation: The annual average headline CPI for the fourth quarter 2019 was 5.38% which shows an increase of 2.09% when compared to the same period last year.

Food inflation for the fourth quarter of 2019 was 3.61% which shows an increase of 0.93% from 2.68% of the third quarter of 2018.

Employment: Fourth quarter of 2019 indicates that the official unemployment rate remain unchanged at 29.1% compared to the third quarter of 2019. Between the third and the last two quarters of 2019 the number of employed persons increased in six of the 10 industries, with the largest increase recorded in community and social services (113,000), followed by finance (76,000) and transport (36,000). During the same period, declines in employment were recorded in the trade (159,000), manufacturing (39,000) and Utilities (14,000) industries, while private households remained constant. With corona virus spreading across the globe the long and short term agricultural jobs trajectory will be badly affected.

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 decreased by 5.6% in Q4: 2019 compared to Q4: 2018, from R10,4 billion to R9,8 billion, due to a decline on a number of exportable commodities on account of a decrease in agricultural production in 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, January 2020, it indicates that Global growth is projected to rise from an estimated 2.9% in 2019 to 3.3% in 2020 and 3.4% for 2021 which is a downward revision of 0.1% point for 2019 and 2020 and 0.2% for 2021 compared to those in the October World Economic Outlook (WEO). The downward revision primarily reflects negative surprises to economic activity in a few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years. In a few cases, this reassessment also reflects the impact of increased social unrest. Real GDP growth Rates, 2019 (Q4) in the advanced economies of the following countries: Canada, France, Germany, United Kingdom and United States increased by 0.1%, 0.3%, 0.4%, 1.1% and 2.1% respectively, whilst Italy and Japan decreased by 0.3% and 1.6% respectively when compared to 2018 (Q4). See figure 1 below.

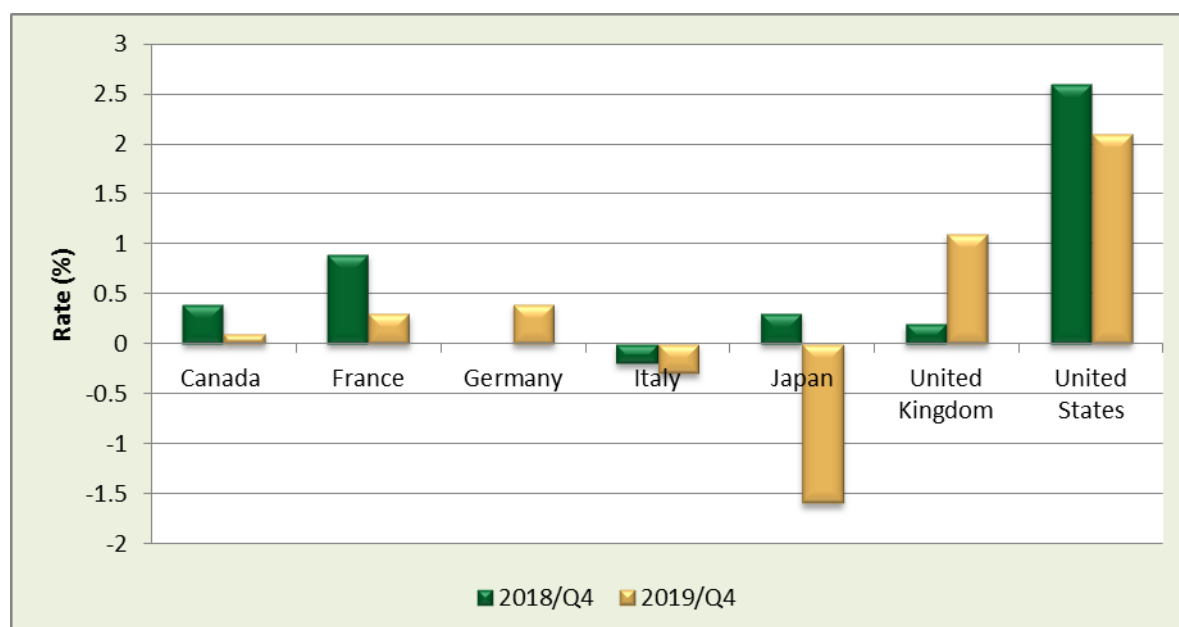


Figure 1: Advanced economies quarterly GDP growth rates

Source: Various Sources

Figure 2, Indicate that in the emerging markets and developing economies, 2019 (Q4) Real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines and Nigeria increased by 1.7%, 6%, 4.7%, 4.97%, 3.6%, 6.4% and 2.55% respectively, whilst South Africa decreased by 1.4% when compared to the fourth quarter of 2018 figures.

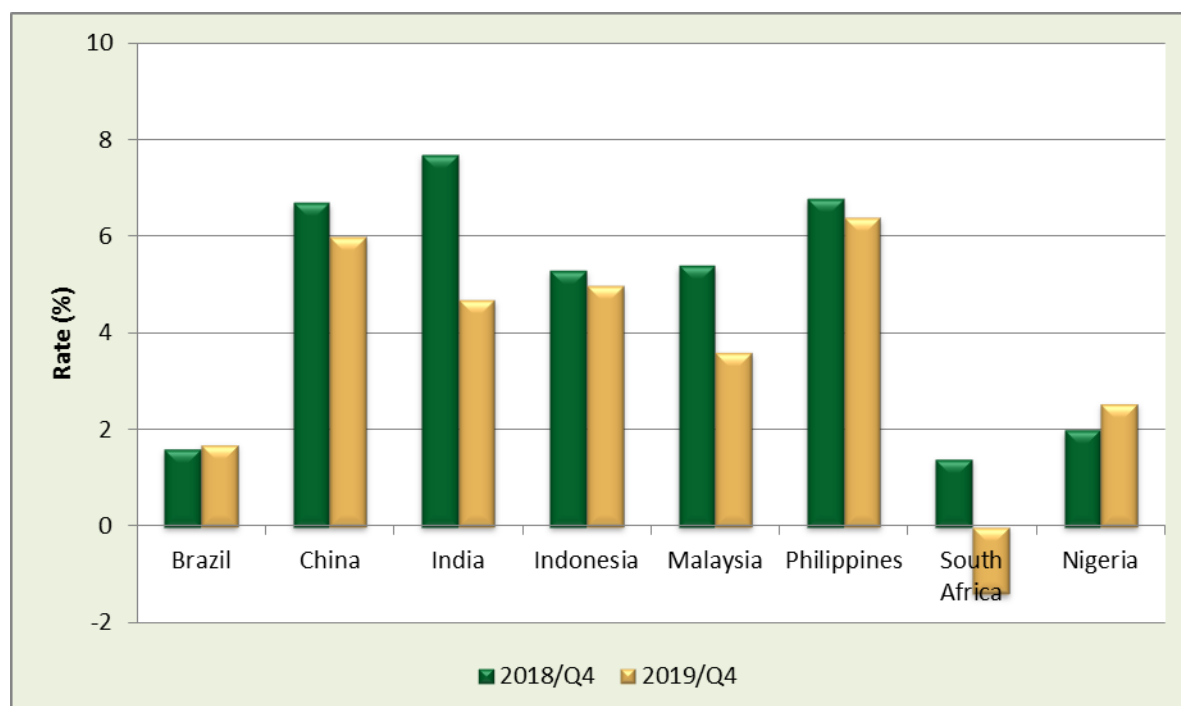


Figure 2: Emerging markets and developing economies quarterly GDP growth rates
Source: Various Sources

1.2 Global Grain Forecast

The global grain supply forecast indicates a total grain increase of 3.5%, from 3.342 million metric tons in 2018 (Q4) to 3.459 million metric tons in 2019 (Q4). Global supply projections for 2019 (Q4) of wheat, coarse grains, rice milled, cotton and vegetable oils increased by 3.2%, 4%, 3.8%, 1.2%, and 1.9% respectively, whilst oilseeds and oil meals decreased by 2.1% and 1% respectively, when compared to the fourth quarter of 2018, see figure 3 below.

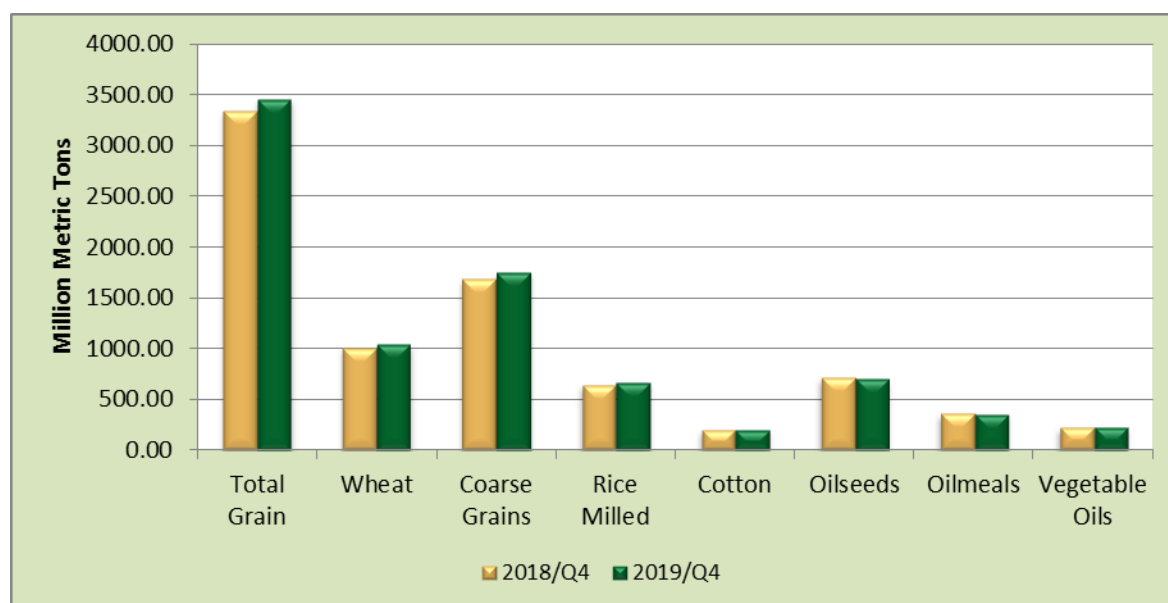


Figure 3: Quarterly global grain supply forecast

Source: USDA

1.3 Global Food Prices

Globally in 2019 (Q4) some major countries were paying slightly more by 9.2% on food purchases compared to 2018 (Q4). The following global food products price indices in 2019 (Q4), meat, dairy, oil and sugar indices reflect a steady increase by 15.9%, 10.6%, 17.6% and 2.3% respectively. Whilst price for cereals indices decreased by 1.4%, as compared to (Q4) of 2018, see figure 4.

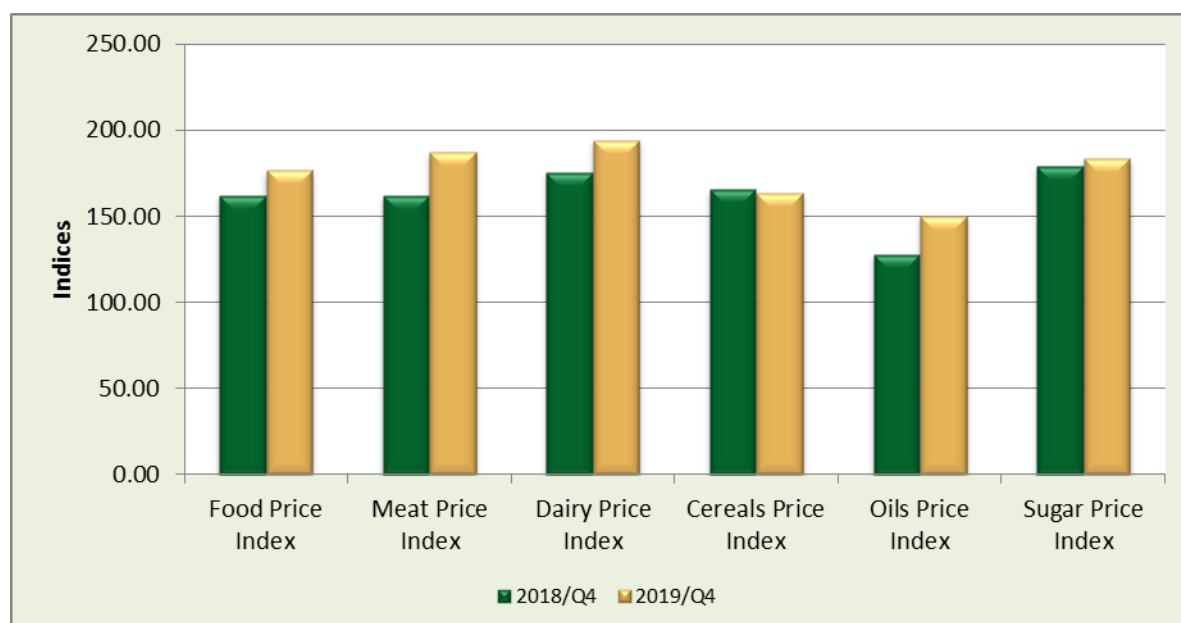


Figure 4: Quarterly global food price indices
Data Source: FAO

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

2.1 Growth

Statistics South Africa's economic data for the fourth quarter of 2019 indicates that South Africa's economy is in a technical recession. This follows a second consecutive growth rate of -0.8% during the fourth quarter of 2019 from negative growth of 1.4% reported in the third quarter of 2019 (see fig 5). The South African economy which is well known as the most industrialised in the African continent, has not grown significantly to reduce unemployment rate which was estimated at 29.1% in the third quarter of 2019. South Africa's reported an annual growth rate 0.2% in 2019, which is lower when compared to 0.8% reported in 2018. According to Stats SA, the annual real GDP growth rate of 0,2% in 2019 was primarily led by increased economic activity in finance, real estate and business services. The transport, storage and communication industry and the trade, catering and accommodation industry were the largest negative contributors to the GDP which decreased by 7,2% and 3.8% respectively and contributed negative 0,6% and negative 0.5% respectively to GDP growth in 2019: Q4. On contrary, the mining and quarrying industry contributed 0.1%

to the GDP growth and increased by 1.8% due to increased production of platinum group metals.

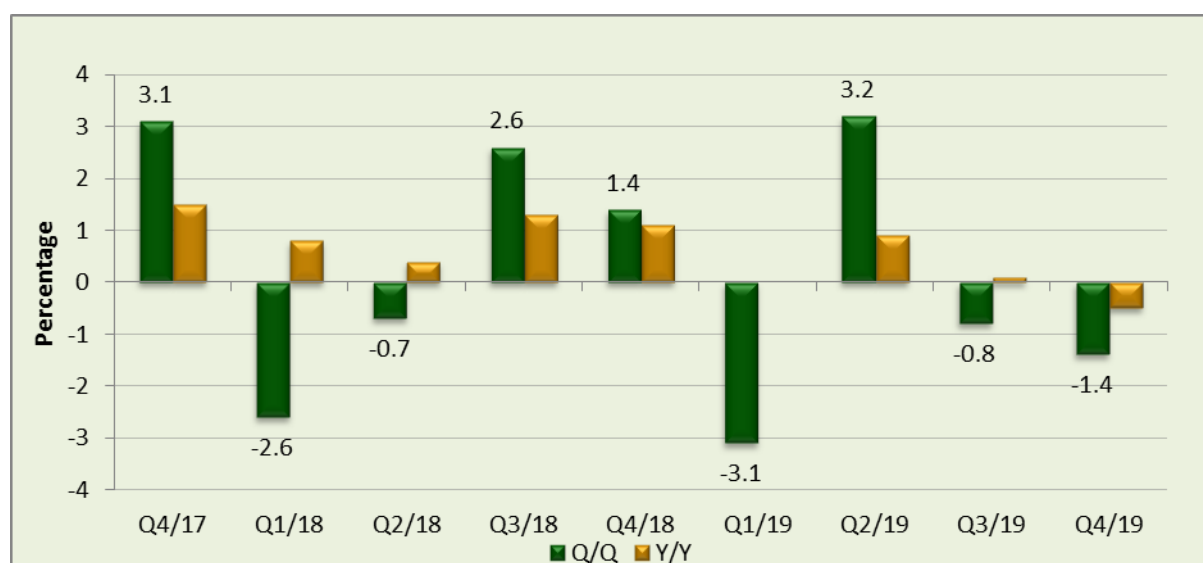


Figure 5: Domestic real GDP growth

Source: Stats SA

The Agriculture, Forestry and Fisheries industry reported a fourth consecutive quarter of contraction. The latest preliminary data from Stats SA confirms that the agricultural sector is also in a recession. Stats SA attributed the decline in the sector growth to a fall in the production of field crops and horticultural products. The agriculture sector decreased by 7.6% during the fourth quarter following a negative growth 4.5% in the third quarter of 2019. Most analysts blame low demand, sharp rising fuel and Eskom's load shedding seen in previous months as the contributing factors to the poor performance in many sectors of the economy. The projections for the first quarter of 2020 does not look good given the latest coronavirus outbreak. Roodt forecast South Africa economy to grow by around 0.5% in 2020. He believes that 2020: Q1 GDP data will most likely be flat at around 0% or just below which implies that South African will have three consecutive months on negative growth, see figure 6.

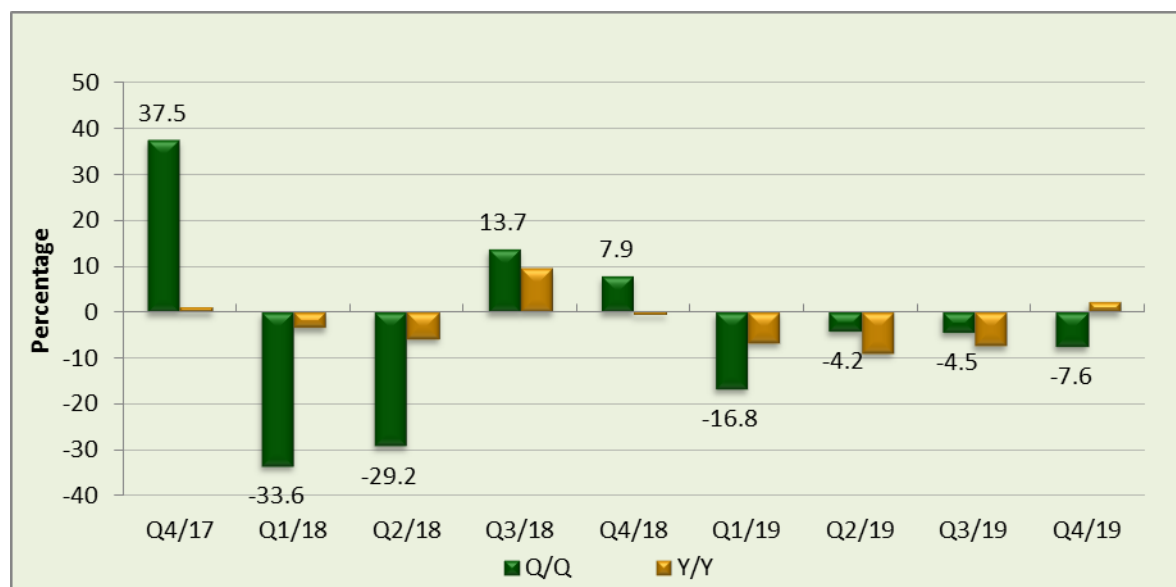


Figure 6: Agriculture, forestry and fisheries sector growth rates
Source: Stats SA

2.2 Inflation

South Africa's annual headline CPI and the food inflation from the fourth quarter of 2019 as illustrated in figure 7. The annual average headline CPI for the fourth quarter 2019 was 5.38% which shows an increase of 2.09% when compared to the same period last year. Food inflation for the fourth quarter of 2019 was 3.61% which shows an increase of 0.93% from 2.68% of the third quarter of 2018.

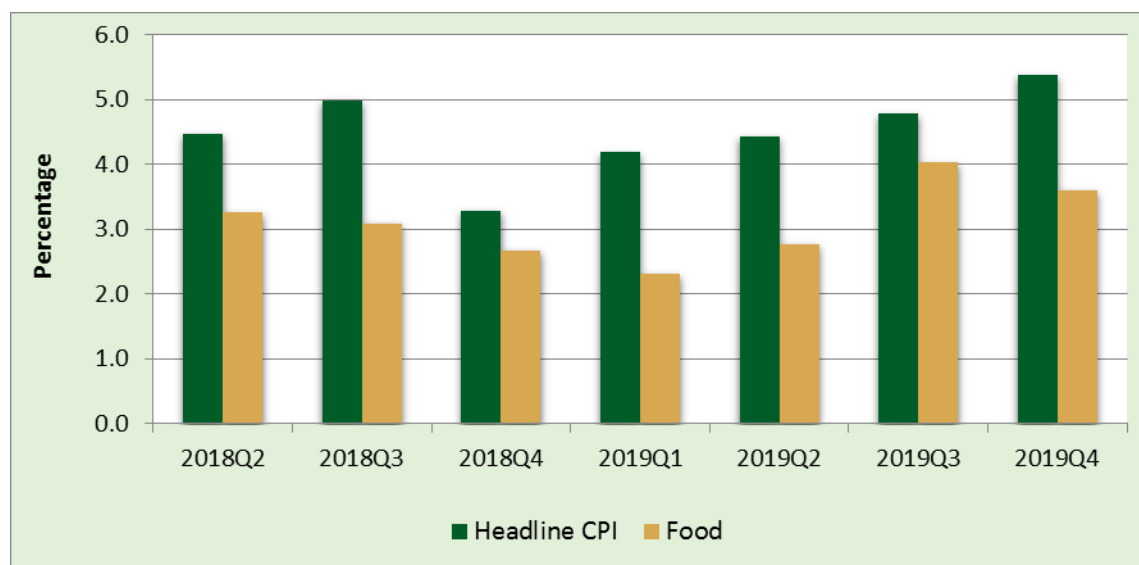


Figure 7: SA headline CPI and CPI for food
Source: Stats SA

Figure 8 illustrates consumer trends of selected food items for the fourth quarter of 2019. Food inflation for Quarter 4 of 2019, shows that meat, milk, egg & cheese and oils & fats, fruits and vegetables were generally less expensive with a CPI of 1.64%, 2.48%, 2.83%, 3.62% and 2.86% respectively when compared to other food items. On a quarterly basis, the CPI for bread & cereals was the most expensive with a CPI of 8.17% which is down from 8.97% in the previous quarter, which is a decreased of 0.8%. CPI for fish was the second largest food item with a CPI of 7.76% when compared to the same period last year the CPI for fish has gone up by 2.04%.

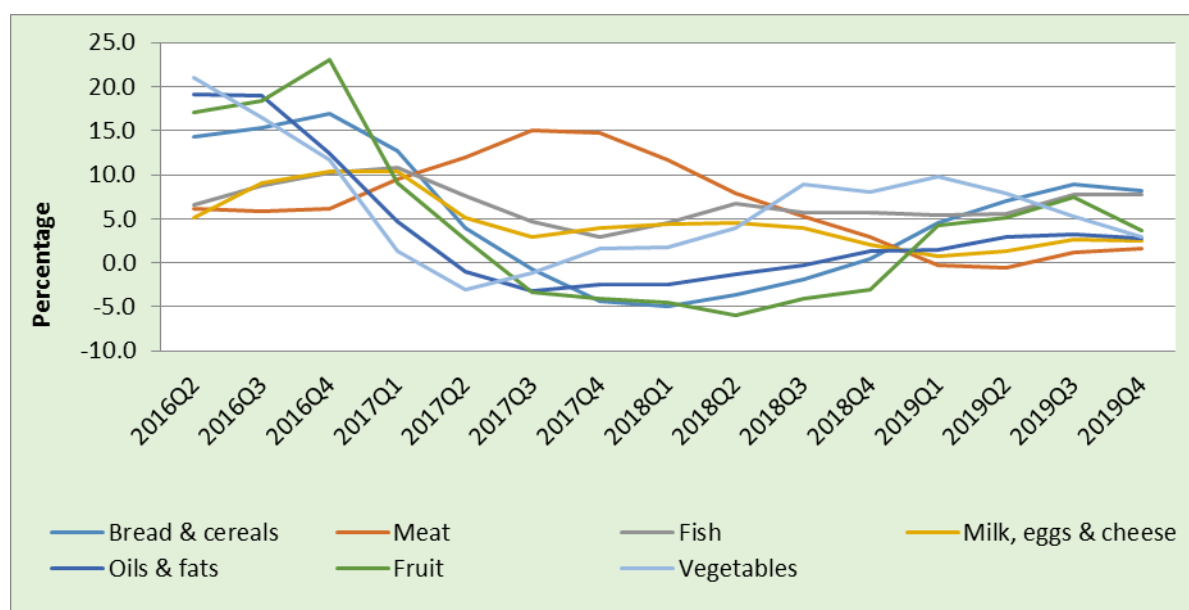


Figure 8: CPI for selected food items

Source: Stats SA

2.3 Employment

Data from the fourth quarter of 2019 indicates that the official unemployment rate remain unchanged at 29.1% compared to the third quarter of 2019. Stats SA has published its latest Quarterly Labour Force Survey (QLFS), showing that South Africa's unemployment rate remain unchanged. According to Stats SA, the number of employed persons increased by 45,000 to 16.4 million and the number of unemployed persons decreased by 8,000 to 6.7 million compared to third quarter 2019 resulting in an increase of 38,000 in the labour force. The working age population increased by 145,000 people over the period. Employment increased in two of the four sectors in the last quarter of 2019. The formal sector recorded the

largest employment increase of 117,000 followed by agriculture (6,000), whilst employment in the informal sector declined by 77,000 and remain unchanged in private households.

Between the third and the last two quarters of 2019 the number of employed persons increased in six of the 10 industries, with the largest increase recorded in community and social services (113,000), followed by finance (76,000) and transport (36,000). During the same period, declines in employment were recorded in the trade (159,000), manufacturing (39,000) and Utilities (14,000) industries, while private households remained constant.

With corona virus spreading across the globe the long and short term agricultural jobs trajectory will be badly affected. The agricultural sector is in a precarious situation due to its backward and forward linkages with other sectors in the economy. Thus, the South African agricultural sector will suffer from the so-called contagious effect in that what happens to other sectors of the economy will have a bearing on the agricultural sector. For example, the vast majority of the working class live from pay cheque to pay cheque and many of them will have their livelihoods affected by the coronavirus pandemic. Either a number of workers will be retrenched or have their salaries cut as most employers feel the squeeze from the pandemic's restricted business environment. This will mean that the purchasing power of many families will be negatively affected leading to reduced expenditure on even essential goods. Farmers and food processors through reduced demand for food and other related items will feel the effect of the reduced buying power. This situation might be worsened by the likely shortage of inputs, especially imported ones such as fertilizers, animal feed and veterinary supplies and agro-chemicals, thereby adversely affecting agricultural production during the lockdown and beyond.

Figure 9 shows that between the last quarter of 2018 and the same quarter of 2019, the number of employed persons increased only in three of the ten industries, with the largest increases recorded in Community and social services (168 000), transport (46 000) and agriculture (36 000). However, employment losses were recorded in construction (131 000), while manufacturing, transport and private households lost (46 000) employment respectively. Trade and finance recorded employment losses of (70 000) and (43 000) respectively during the same period.

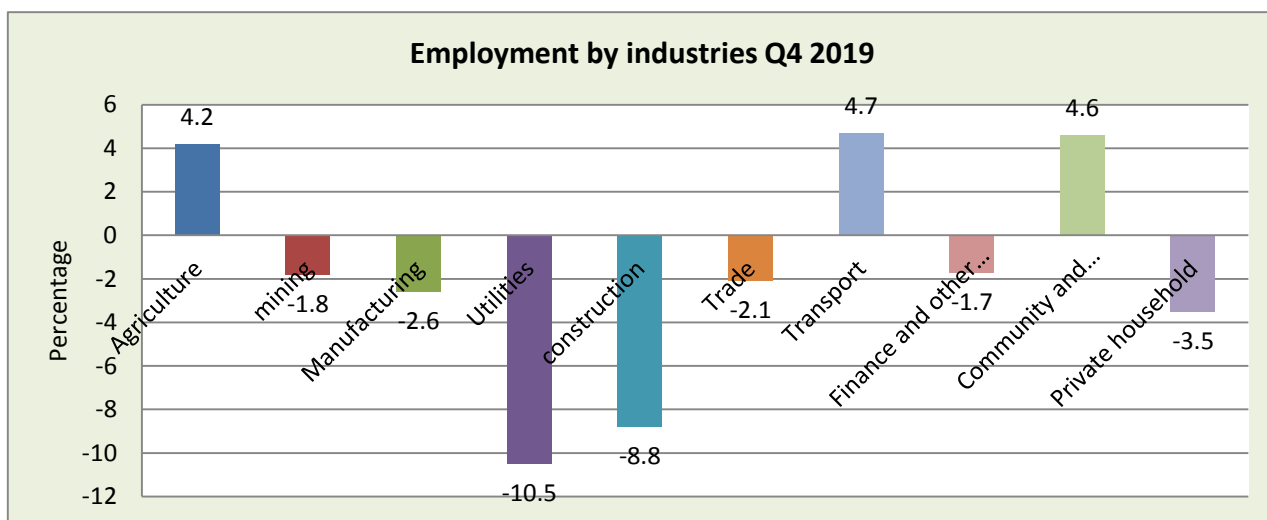


Figure 9: Total number of people employed by industries between 2018: Q4 and 2019: Q4

Source: DAFF

Figure 10 illustrate that the number of people employed in agricultural sector increased by 4.2% in the last quarter of 2019, from 849 000 persons in the same quarter of 2018 to 885 000 persons in the last quarter of 2019. In the 36 000 jobs gained 17 000 jobs were gained by women, while man gained 19 000 jobs between the two quarters. In total, the agricultural sector comprised of 302 000 women and 583 000 men in the last quarter of 2019 compared to 285 000 women and 564 000 men in the same quarter of 2018.

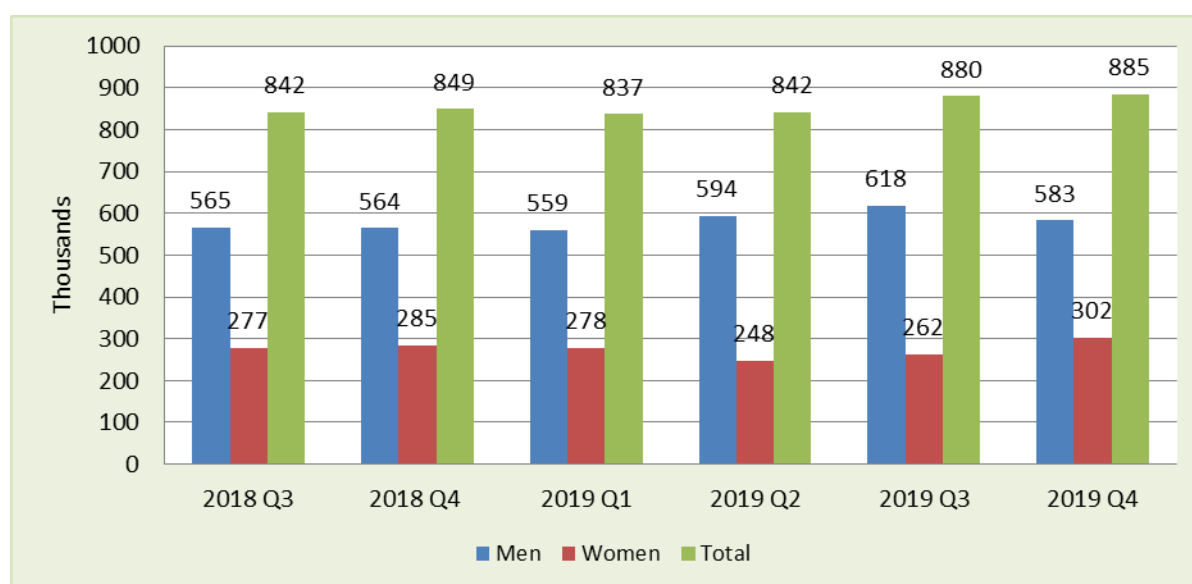


Figure 10: Total number of people employed in the agriculture sector between 2018: Q4 and 2019: Q4

Source: DAFF

Figure 11 shows that between the last quarter of 2018 and same quarter of 2019, provincial agriculture employment increased in Western Cape, Free State, KwaZulu-Natal and Limpopo. While provincial agriculture employment decreased in Eastern Cape, Northern Cape, North West, Gauteng and Mpumalanga. The last quarter 2019 (QLFS) also indicate that 2.1 million people were involved in subsistence farming in the last quarter of 2019 compared to 1.8 million people in the same quarter of 2018, an increase of 11.6 %. KwaZulu-Natal and Eastern Cape remained with the highest number of people involved in subsistence farming.

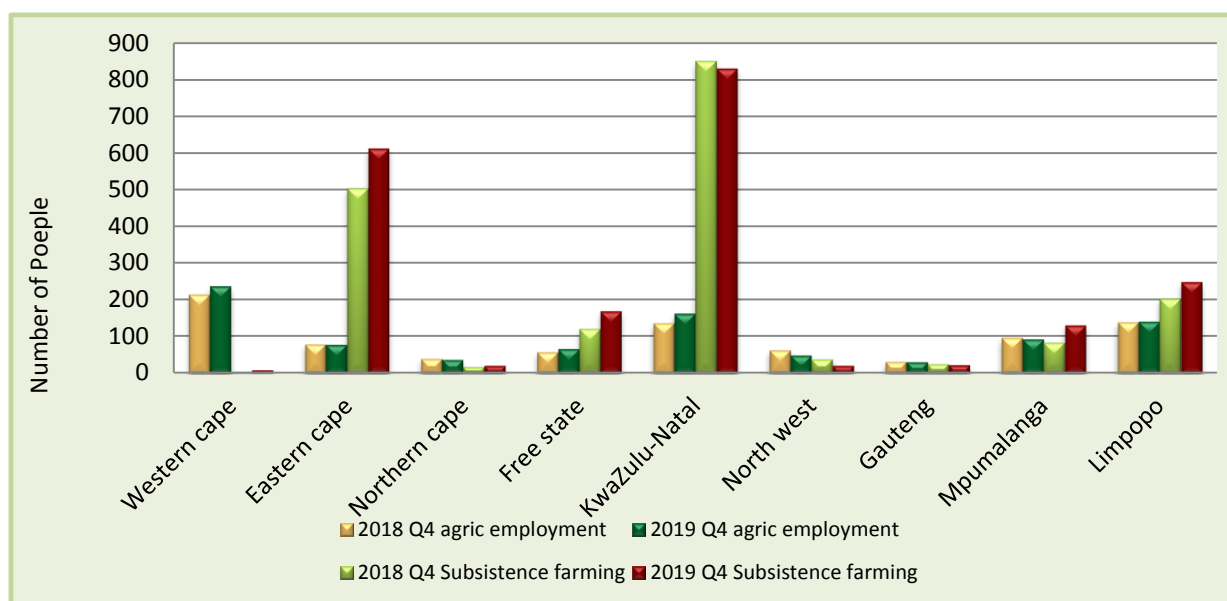


Figure 11: Provincial number of people involved in subsistence farming between 2018: Q4 and 2019: Q4
Source: DAFF

2.4 Expenditure on intermediate goods and services by the agricultural sector

The total expenditure on intermediate goods and services was reported at R43.0 billion in the fourth quarter of 2019 compared to R42.1 billion in the previous quarter, an increase of 1.9%. Compared to a year ago the total expenditure on intermediate goods and services increased by 5.6% from R40.7 billion in the fourth quarter of 2018 to R43.0 billion in the fourth quarter of 2019.

The total expenditure on intermediate goods and services increased by 5.6% from a year (2018 Q4) ago to Q4 2019. The increase was due to increases in Farm Services (6.0%), Fuel (3.7%), Fertiliser (3.0%), Seed and plants (10.0%), and farm feeds (4.1%).

Figure 12 shows comparison of the total expenditure on farm services, farm fuel, fertilizers, seeds and plants as well as farm feeds in the fourth quarter of 2019 compared to the previous quarter. The increase in total expenditure was attributed to the increase in expenditure on fuel (11.3%), fertiliser (11.5%), seed and plants (0.0%), farm services 0.0%, while farm feeds increased by 4.0%.

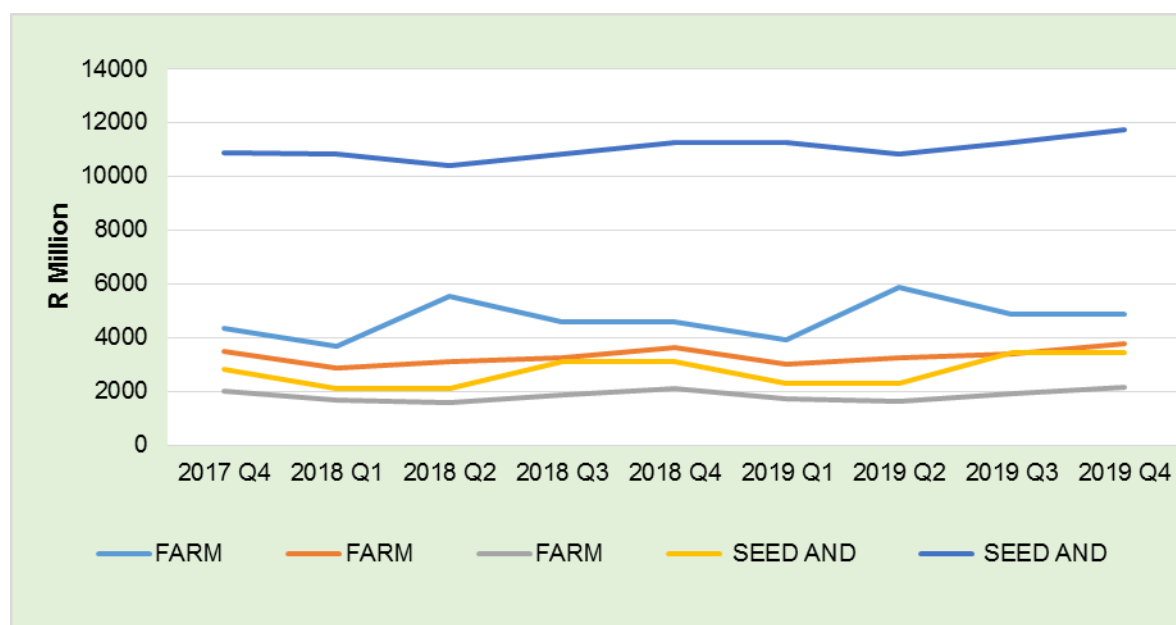


Figure 12: Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2017: Q4 and 2019: Q4
Source: DAFF

2.5 fertilizer market review

2.5.1 International and local fertiliser prices

Figure 13 The average prices for all fertilizers shows a fluctuating trend, following the trend of the Brent crude oil prices. The average price of Brent crude oil decreased between fourth quarter of 2018 and the same period in 2019 by notable 10%. All fertilizers in this quarter 4 of 2019 decrease following the Brent crude oil prices when compared to the same period last year 2018, with Urea 46, KCL, DAP and Ammonia showing the biggest decline of 54%, 58%, 36% and 30% respectively. Figure below shows the international and local fertilizer prices with Brent crude oil average prices.

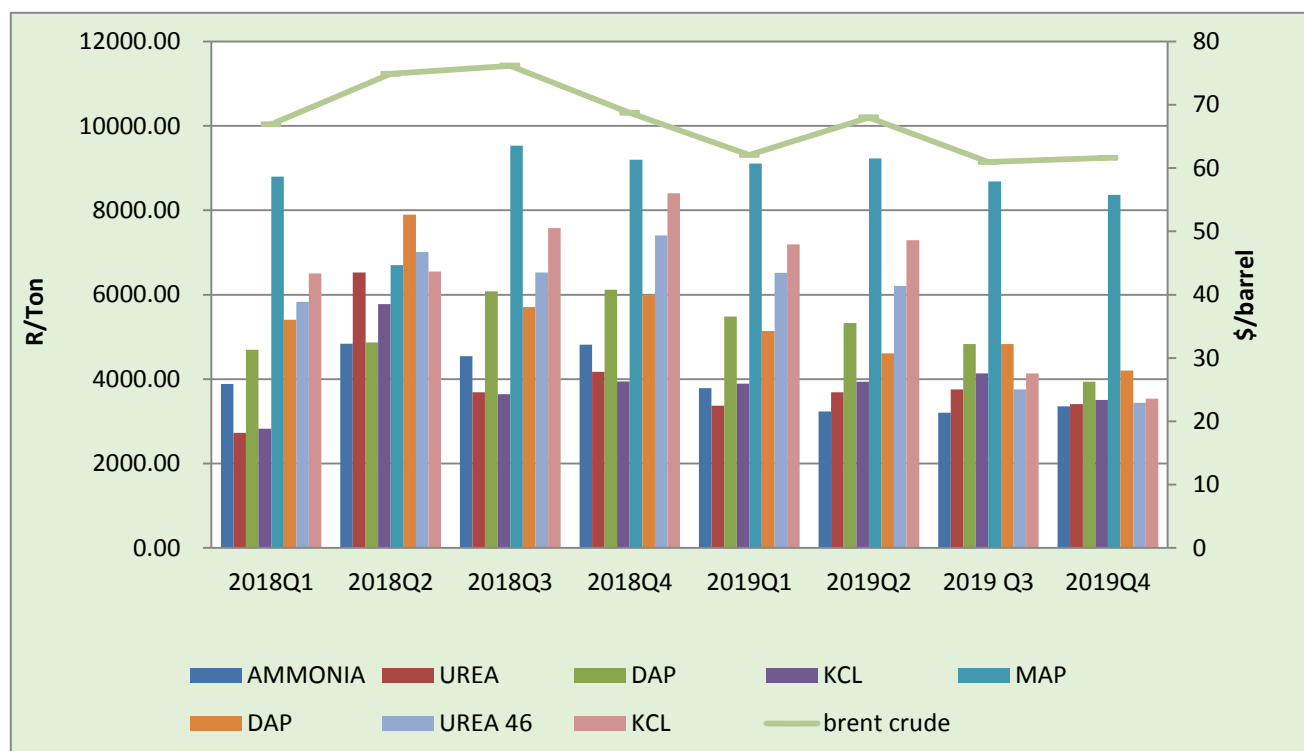


Figure 13: Comparison of International and local fertiliser prices in Rand terms

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 fourth quarter of 2019. The fluctuation might be due to the changes in the area planted due to drought and financial challenges farmers experienced in recent years. The expenditure on fertilizer in fourth quarter of 2019 was R 2 141.794 compared to R2 079.411 in the same quarter of 2018, this represent 3% increase on expenditure of fertilizers., see Figure 14.

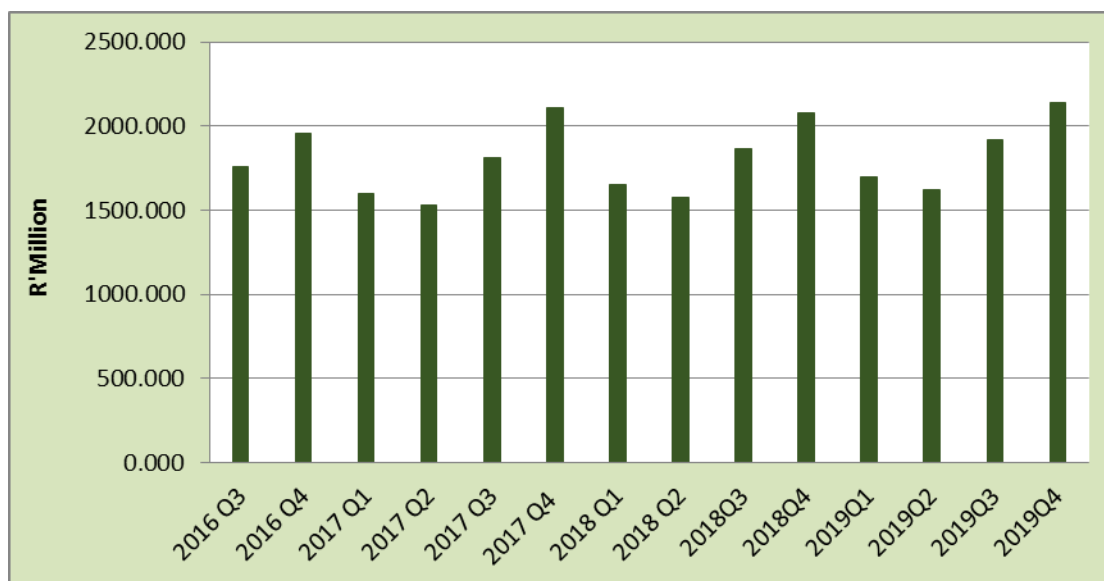


Figure: 14 South Africa fertiliser expenditure

Source: Grain SA

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

Figure 15 illustrate that the nominal real gross income from all agricultural products increased slightly from R63.8 billion in the last quarter of 2018 to R64.6 billion in the same quarter of 2019, an increase of 1.3%. The figure below also illustrate that the net farm income is estimated at R14.5 billion in the last quarter of 2018 compared to R13.5 billion in the same quarter of 2019, a decrease of 7.0%. The decrease in net farm income was largely supported by a decrease in income from field crops that decreased by 12.1%.

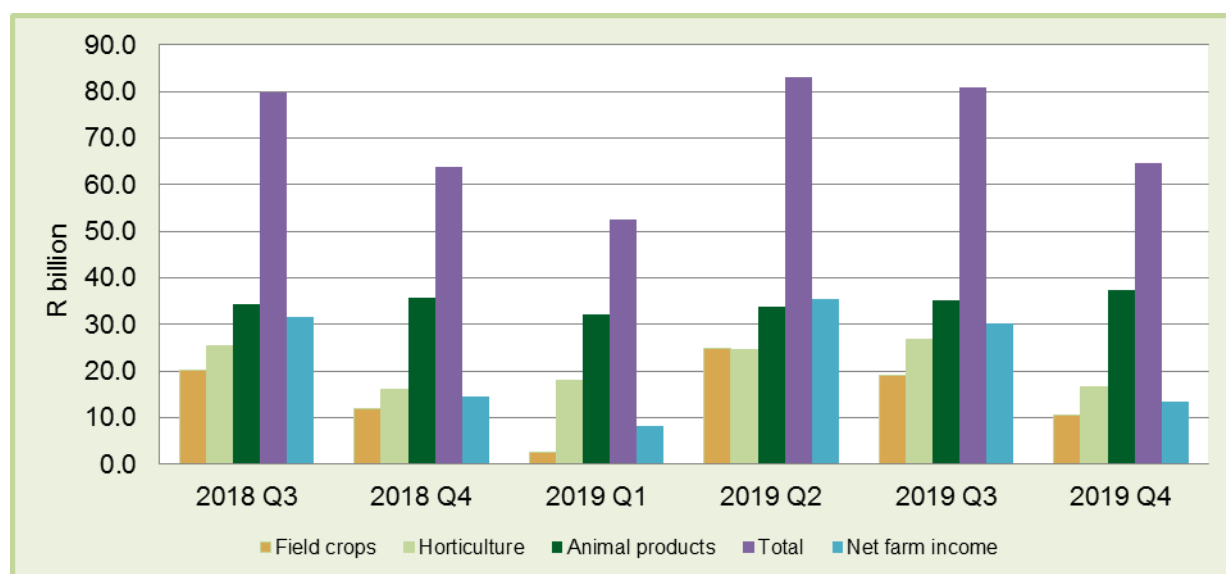


Figure 15: Trends in nominal gross farm income and Net farm income between Q4:2018 and Q4:2019

Source: DAFF

2.9 Reviews of South Africa's water dam levels

South Africa's national dam levels dropped by 18% in Q4 2019, to an average of 60% from an average of 73% in Q4: 2018. This is despite heavy rains received in various parts of the country. On a quarter-on-quarter basis, South Africa's national dam levels dropped by 13% in Q4:2019, from an average of 69% in Q3. Water levels have not shown significant progress in various dams. Meanwhile, the Department of Human Settlements, Water and Sanitation indicated that rains in Gauteng, parts of Mpumalanga and Limpopo during the 4th quarter of 2019 had little impact on the country's water situation, with a one percent drop in dam levels reported on a weekly basis in December 2019, see figure 16.

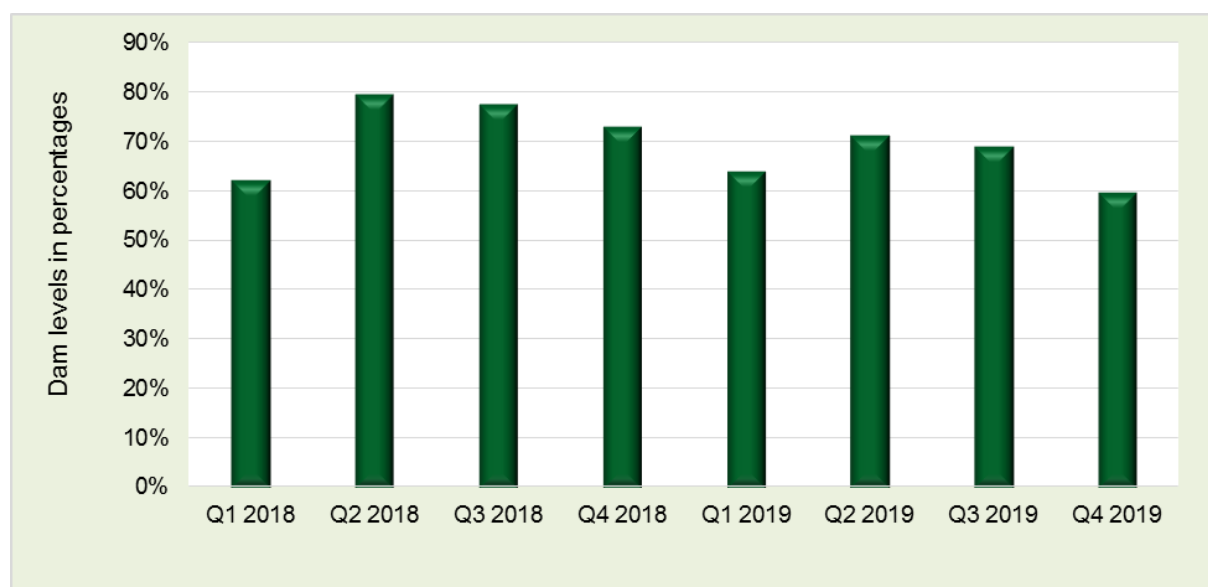


Figure 16: Total dam levels in Q4: 2019

Source: Department of Water & Sanitation (DWS)

1. Provincial average dam levels

Dam levels in the Eastern Cape, Limpopo Province, Free State and Mpumalanga Province decreased significantly in Q4: 2019 compared to Q4: 2018. The Eastern Cape, where vast parts of the region experienced extremely dry conditions came to a complete drought. The Department of water and sanitation continues to help alleviate the impact of the misfortune in the stressed regions of the Province which includes funding worth R248 million that has already been spent. Dam levels in the Eastern Cape dropped by 24% in Q4: 2019 compared to Q4: 2018. Meanwhile, the situation remained desperate in Limpopo, Free State and Mpumalanga as dam levels dropped by 17%, 15%, and 11% respectively in Q4: 2019 compared to Q4: 2018 while dam levels in KwaZulu-Natal, Gauteng and Northern Cape decreased by 8%, 4% and 3% respectively during the same period.

The Western Cape and the North West were the only Provinces that experienced increases in the average dam levels in Q4: 2019 compared to Q4: 2018. Despite the heavy rains experienced in the various parts of the country, they only had an impact on the smaller dams in regions that did not have sufficient catchment areas to harness rainwater. Overall, provincial dam levels are still at a lower average level and continue to fall slightly despite a few increases, In Q4:2019, most provincial dam

levels decreased significantly in Q4: 2019 compared to Q3 except for Gauteng Province and the Western Cape, which showed marginal improvements in Q4: 2019 compared to Q3. The average Provincial dam levels for Eastern Cape Province, Free State, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape and North West Province decreased by 12%, 16%, 10%, 9%, 9%, 12% and 13% respectively in Q4:2019 compared to Q3 to reach an average of 49%, 69%, 54%, 52%, 61%, 74% and 55% respectively in Q4:2019. Meanwhile, average dam levels for Gauteng and Western Cape increased by 1% and 8% respectively in Q4: 2019 compared to Q3 with dam levels reaching averages of 92% and 64% respectively in Q4: 2019.

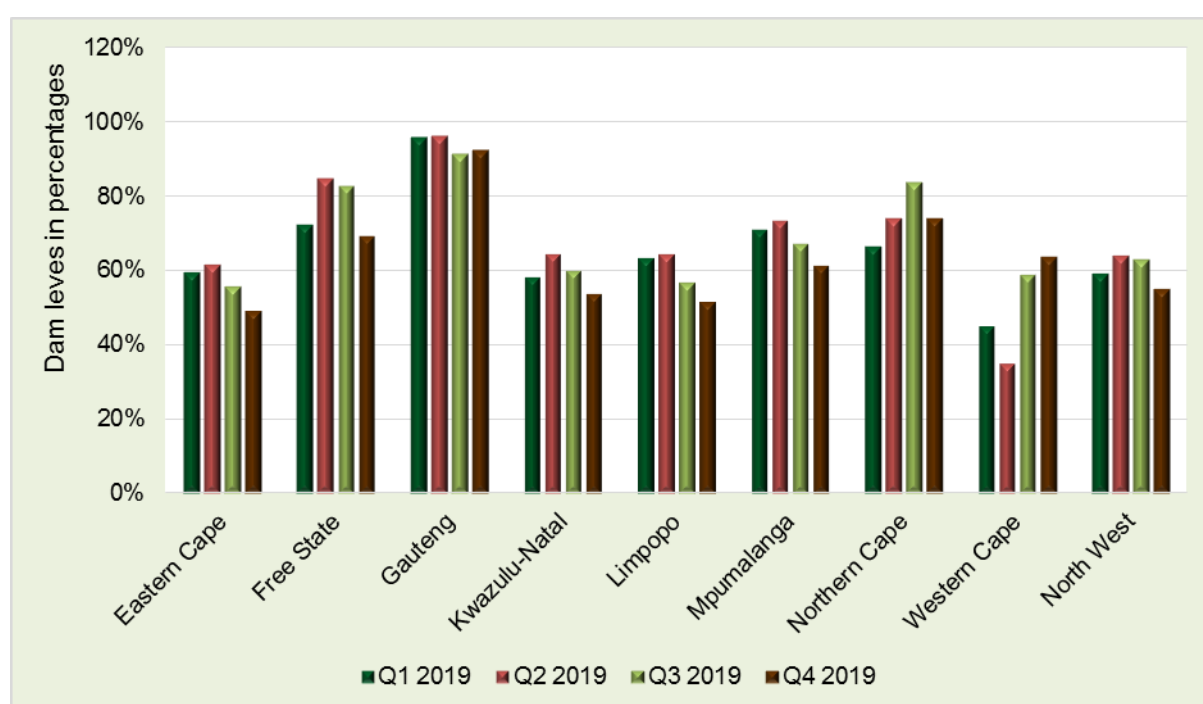


Figure 17: Average dam levels in 2019: Q4

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 white and yellow maize increased by 9.1% and 9.5% respectively on a year-on-year basis whilst on a quarter-on-quarter basis prices decreased by 1.2% and 3.1%. The rise in prices compared to the same period last year was due to the uncertainty as a result of the delayed rains during the

planting season. The price of maize rose earlier during the quarter due to uncertainty regarding the rainfall, then started declining towards the remaining months as rainfall arrived. As shown on table 1 below; production is expected to be 30,2% higher in 2020 than it was in 2019.

The local price traded at 27% below the import price compared to trading at 29% above the import price a year ago, although still trading at 49% above the export price. Interantional prices declined from their earlier highs during the quarter as well, as production in 2019 increased on improved yields in China and in Ukraine. World maize production is expected to be a percent lower than it was in 2019. Maize exports are expected to be 50% higher than they were in 2019, whilst imports are expected to decline by 84.8% on a year-on-year basis. Local consumption is expected to increase by 10% as a result of the lower prices expected in 2020. The amount of closing stock is expected to be 16% higher compared to last year.

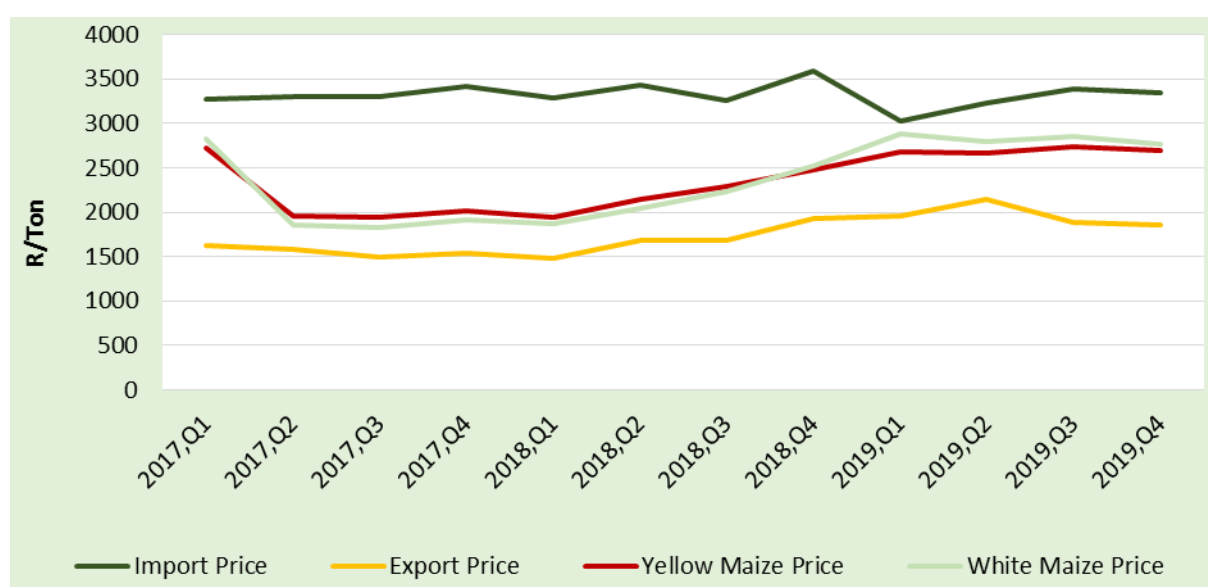


Figure 18: Price trends of white and yellow maize

Source: Sagis

The retail maize prices as usual lagged maize seed prices; the price of super and special maize per kg increased by 13.8% and 28.9% respectively on a year-on-year basis whilst on a quarter-on-quarter basis the prices increased by 2.4% and 1.3% respectively.

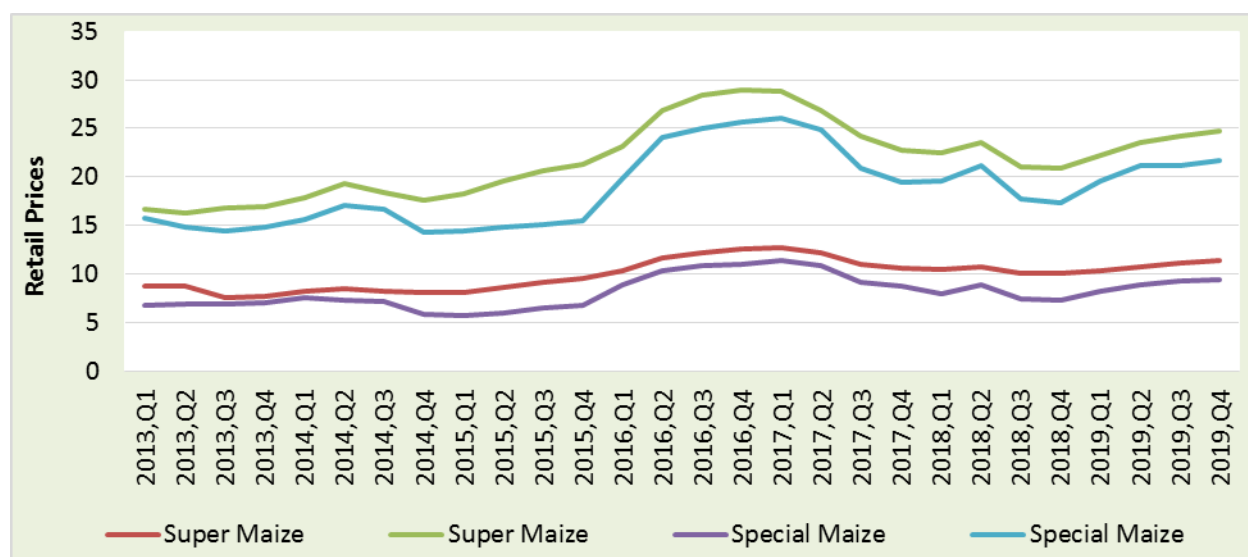


Figure 19: Retail prices vs white maize seed prices

Source: Safex/Stats SA

Figure 20 shows that Quarterly; the maize deliveries and import were 0.6% and 4.8% higher than the same period last year, whilst local demand declined by 11,6% on a year-on-year basis.

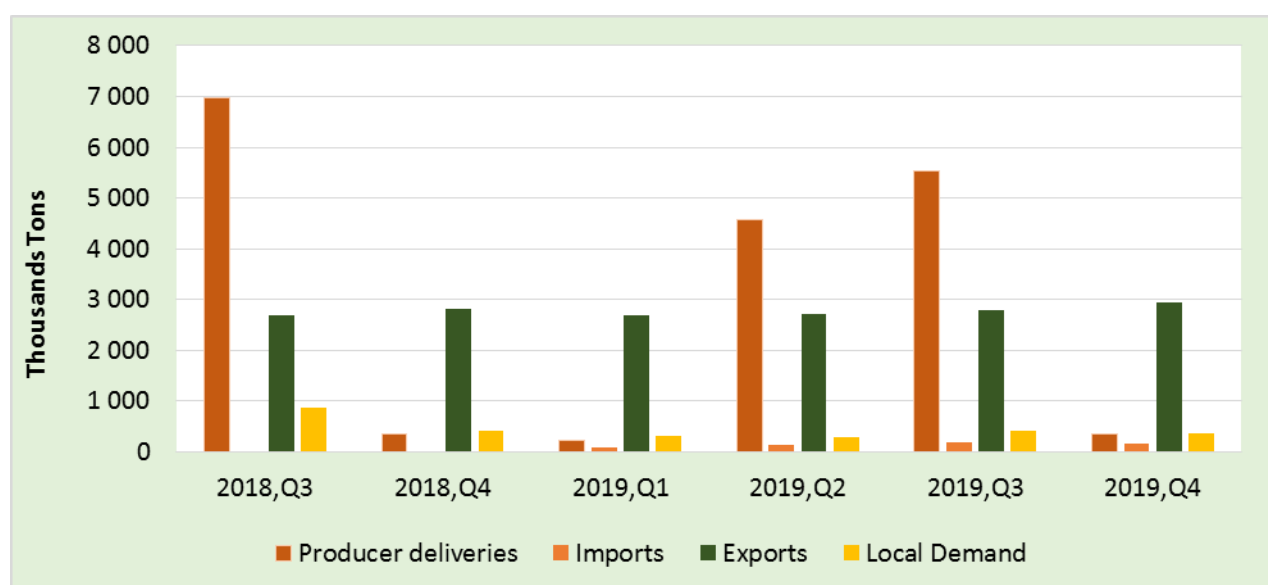


Figure 20: Supply and demand of white maize

Source: Sagis

3.1.2 Wheat

Figure 23 below illustrates the price trends of domestic wheat price and international parity prices from the 2015: Q4 to 2019: Q4. South Africa does not produce enough wheat to meet local demand. It is therefore a net importer of wheat. The domestic price of wheat will under normal condition trade in between the import and the export parity prices as seen in figure 23 below. The domestic wheat price for 2019: Q4 was estimated at R4386/ton closer to the import parity price which traded at R4780/ton during the same period. The export price traded at R2387/ton in 2019: Q4, 3.35% lower compared to R2310/ton reported in 2019:Q3. Quarter-on-quarter data indicated that domestic wheat price decreased by 4.09% in 2019: Q4 from R4573/ton in 2019: Q3 to R4386/ton in 2019: Q4.

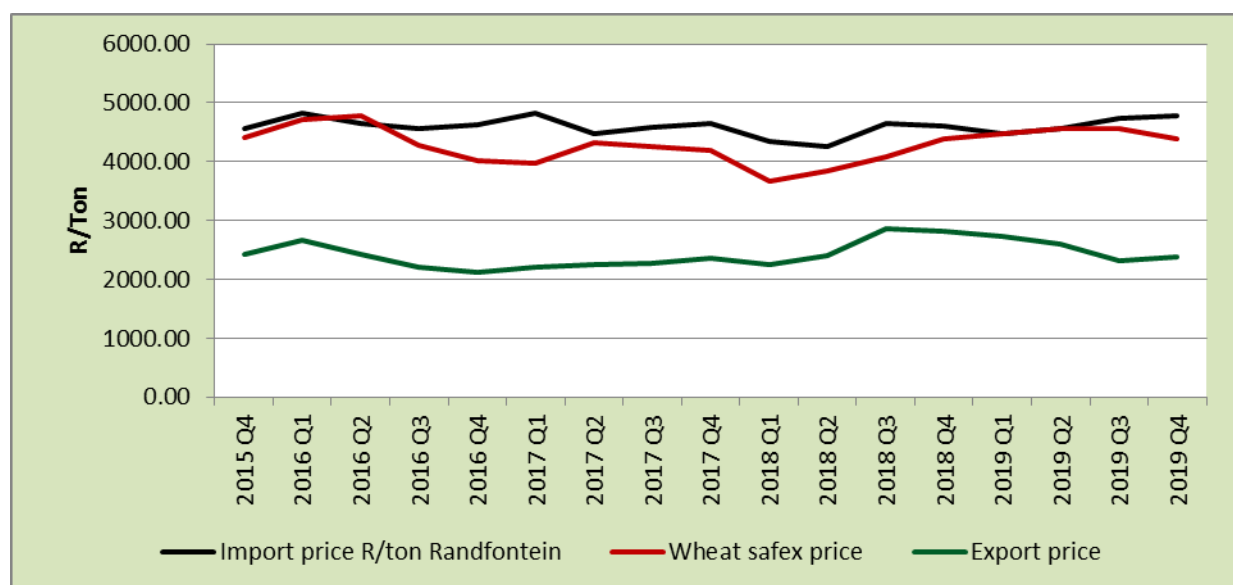


Figure 22: Wheat SAFEX price, export price and import price
Source: Sagis/Safex

Figure 23 presents retail bread prices versus wheat safex price from 2015: Q1 to 2019: Q4. The domestic wheat safex price over the period 2018: Q4 to 2019: Q4 have increased steadily by 1.01% per annum. When comparing, quarter-to-quarter data, wheat price have decreased by 4.09% between 2019: Q3 and 2019: Q4. The

decrease in wheat domestic prices will have a positive effect on the price of wheat by products in the near future. On quarterly basis, the price of bread white 700gr, brown bread 700gr have decreased by 1.14% and 0.48% respectively while cake flour 2.5kg and flour bread 2.5kg increased by 2.09% and 2.48% respectively in 2019: Q4 compared to 2019: Q3. Since bread eaten frequently and a substitutes for porridge in most families. A decrease in the price of bread will bring some short term relief to many consumers.

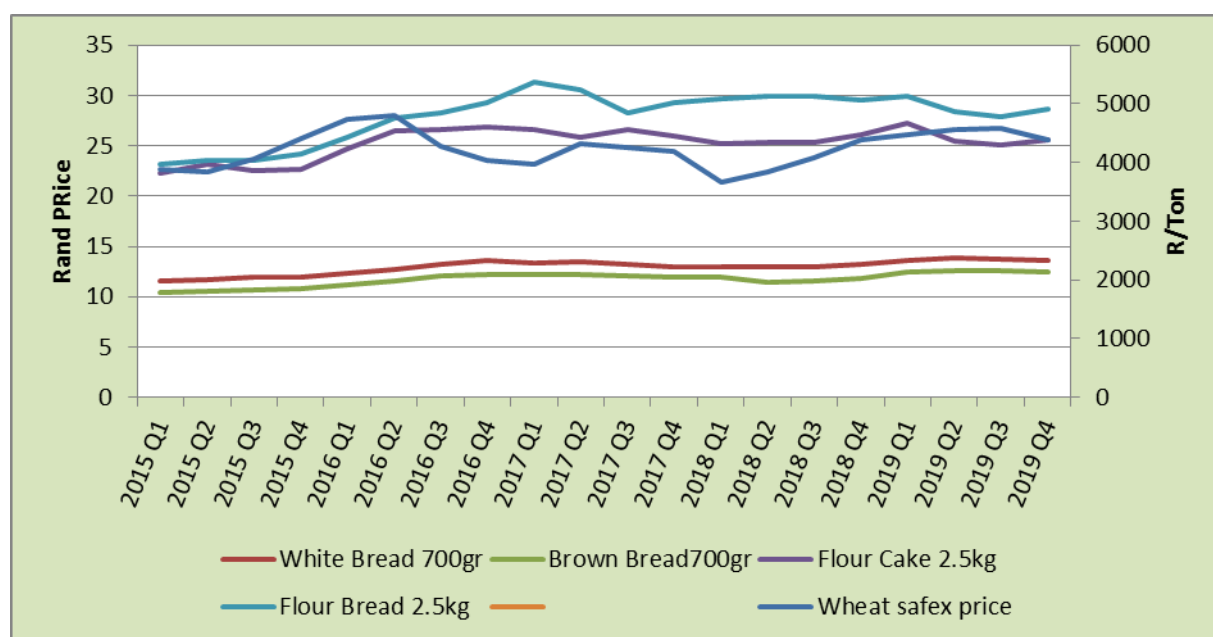


Figure 23: Retail bread price vs wheat import price
Source: Stats SA & Safex

Figure 24 shows the supply and demand of wheat from 2018: Q4 to 2019: Q4. South Africa's imports and exports of wheat decreased by 16% and 69% respectively in 2019: Q4 compared to 2019:Q3. Local demand for wheat increased slightly by 1% in 2019: Q4. The year-on-year local demand of wheat decreased by 72% in 2019: Q4.

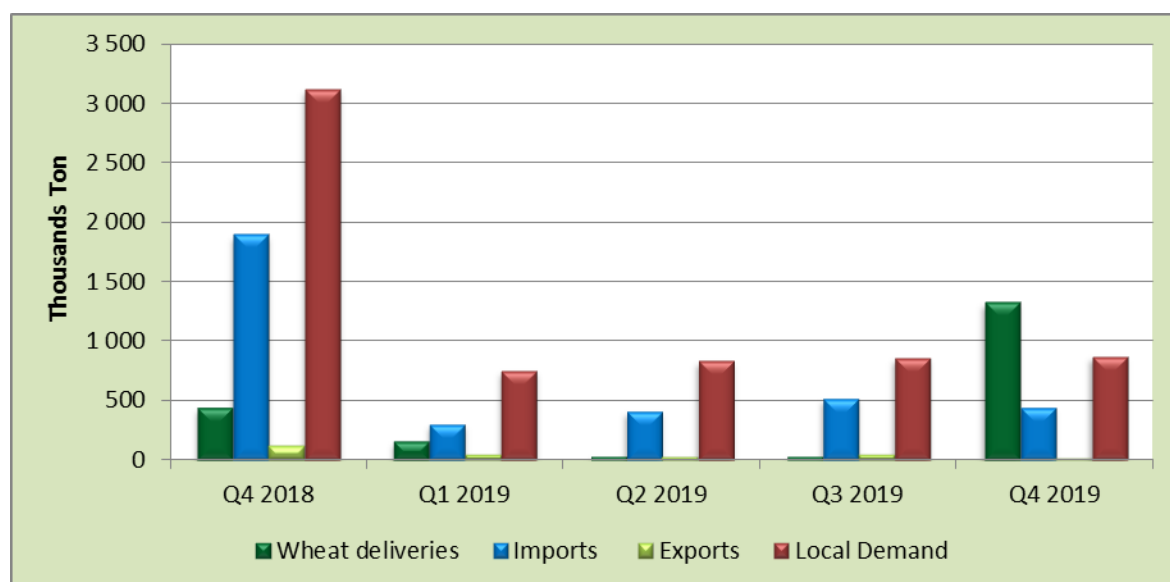


Figure 24: Wheat deliveries, Imports, Exports and local demand
Source: Stats SA & Safex

3.1.3 Soya beans

During the the fourth quarter of 2019, the price of soybeans increased by 29.3% on year-on-year basis, whilst on a quarter-on-quarter basis prices increased by 9.2%. The local price continues to trade below the import price but trades at 30% above the export price. The reason for the rise in prices during the quarter was due to the uncertain weather experienced during the early planting season. International prices rose slightly during the quarter as a result of a forecasted upward revisions in soymeal demand in China due to herd rebuilding, see Figure 25.

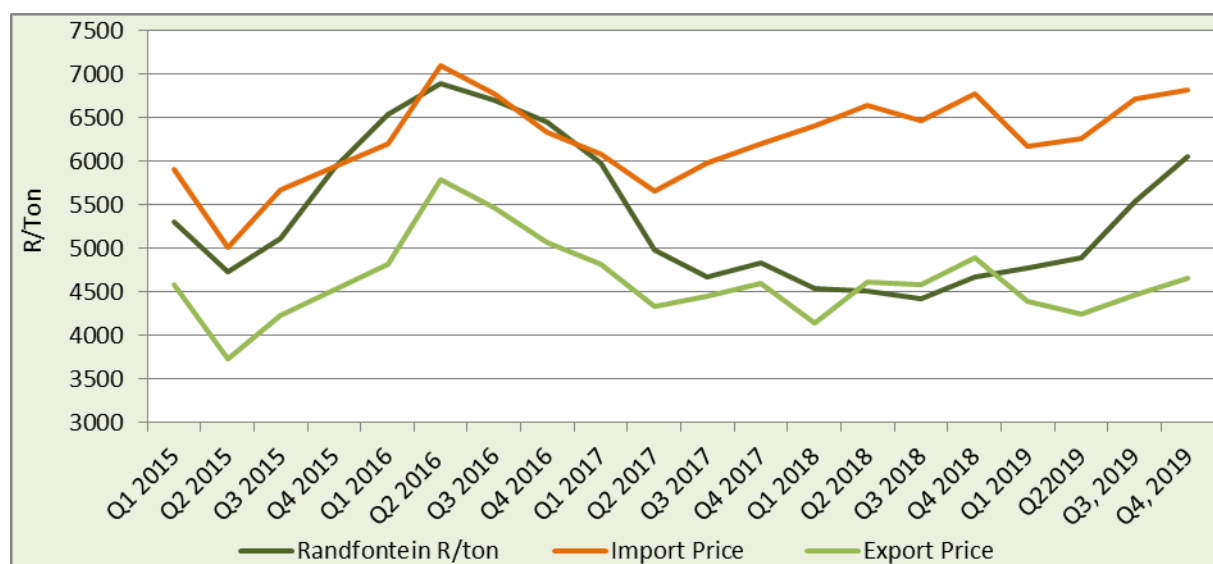


Figure 25: Soya beans local price vs import price
Source: Safex/Sagis/USDA/World Bank

Table 1 below shows the soybeans production and use table. The demand for local soybeans is expected to increase by 9% whilst production is expected to increase by 10% in 2020 compared to 2019. Imports are expected to be the highest since 2016.

Table 1: South African Soybeans Production & Use Table

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Beginning Stock | 68639 | 61806 | 63704 | 89128 | 84792 | 330535 | 502 241 | 161 586 |
| Production | 784500 | 948000 | 1 070 000 | 742 000 | 1 316 000 | 1 540 000 | 1 170 345 | 1 290 750 |
| Imports | 4489 | 103704 | 124981 | 271098 | 28000 | 6000 | 9500 | 250 000 |
| Total Supply | 857628 | 1113510 | 1 258 685 | 1102226 | 1 428 792 | 1 876 535 | 1 682 086 | 1702336 |
| Local Consumption | 780432 | 1049230 | 1164880 | 1010689 | 1063783 | 1 349 294 | 1420700 | 1543350 |
| Exports | 15390 | 576 | 4677 | 6745 | 414 | 25000 | 4 000 | 4 500 |
| Total Demand | 795 822 | 1 049 806 | 1 169 557 | 1 017 434 | 1 098 257 | 1 374 294 | 1424700 | 1 547 850 |
| Closing Stocks | 61806 | 63704 | 89128 | 84792 | 330 535 | 502 241 | 257 386 | 154 486 |

Source: DAFF/ NAMC/Sagis

3.1.4 Sunflower

During the fourth quarter of 2019, South Africa sunflower seed prices traded below the import parity price at R5 586.20/ton compared to R6 469.31/ton in the third quarter of 2019, which is a total increase of 5.2% compared to the previous quarter. The price of sunflower seed has increased by 6.2% during the fourth quarter of 2019 as compared to the same period last year, which is 8.5% higher than it was in the previous quarter of 2019. The local sunflower seed price in the fourth quarter of 2019

traded at 13.7% lower than the import price, compared to trading at 9.8% below the import price in the third quarter of 2019. The prices of sunflower oil 2L and 750ml in the fourth quarter 2019 traded lower by 6.9% and 4.0% respectively as compared to the same period in 2018. The price of sunflower oil 2L and 750ml in the fourth quarter of 2019 decreased by 7.1% and 0.2% respectively when compared to the previous quarter in the same year see figure 26.

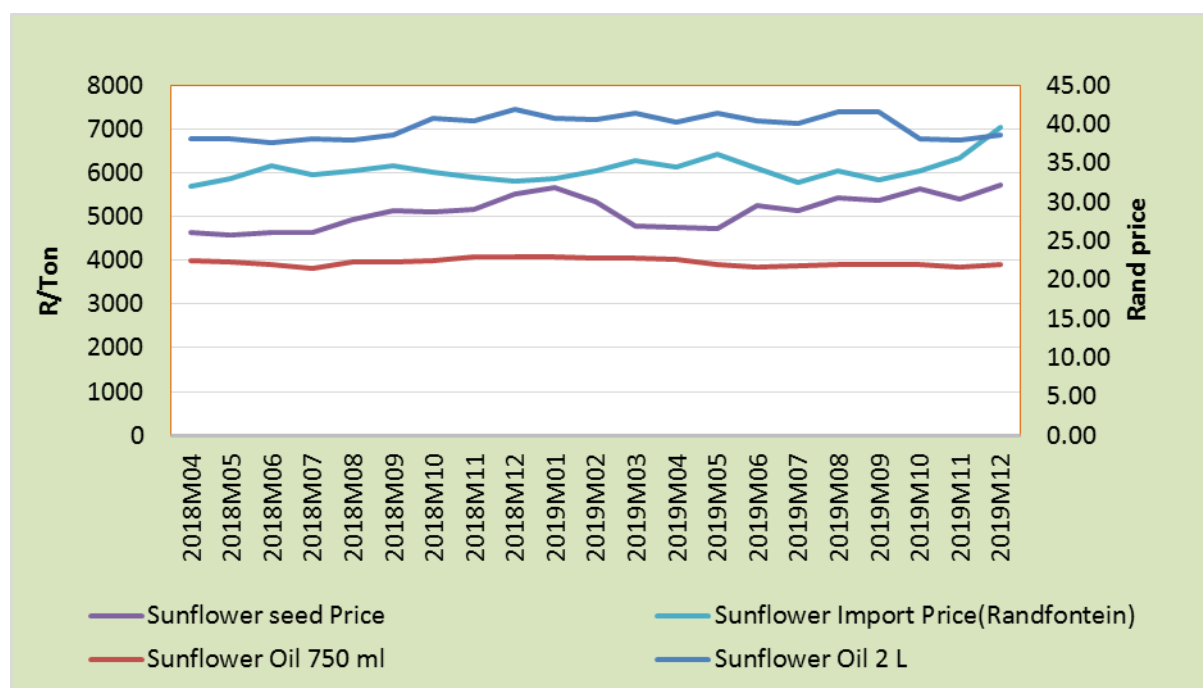


Figure 26: Sunflower local seed; import price (Randfontein) and Sunflower retail price
Source: Safex; USDA; Sagis; and Own calculations

Figure 27 below shows the supply and demand of sunflower seed up to the fourth quarter of 2019. Producer deliveries in the fourth quarter of 2019 decreased by 98.5% as compared to the previous quarter of 2019. South African sunflower seed imports decreased by 58.5% in the fourth quarter of 2019 as compared to the previous quarter for the same year. Sunflower seed exports also decreased by 32.4% in the fourth quarter of 2019. Local sunflower seed consumption in the fourth quarter of 2019 was 22.8% lower than it was in the previous quarter of 2019. Local consumption in the fourth quarter of 2019 is expected to be 20.3% lower than it was in the same quarter of 2018

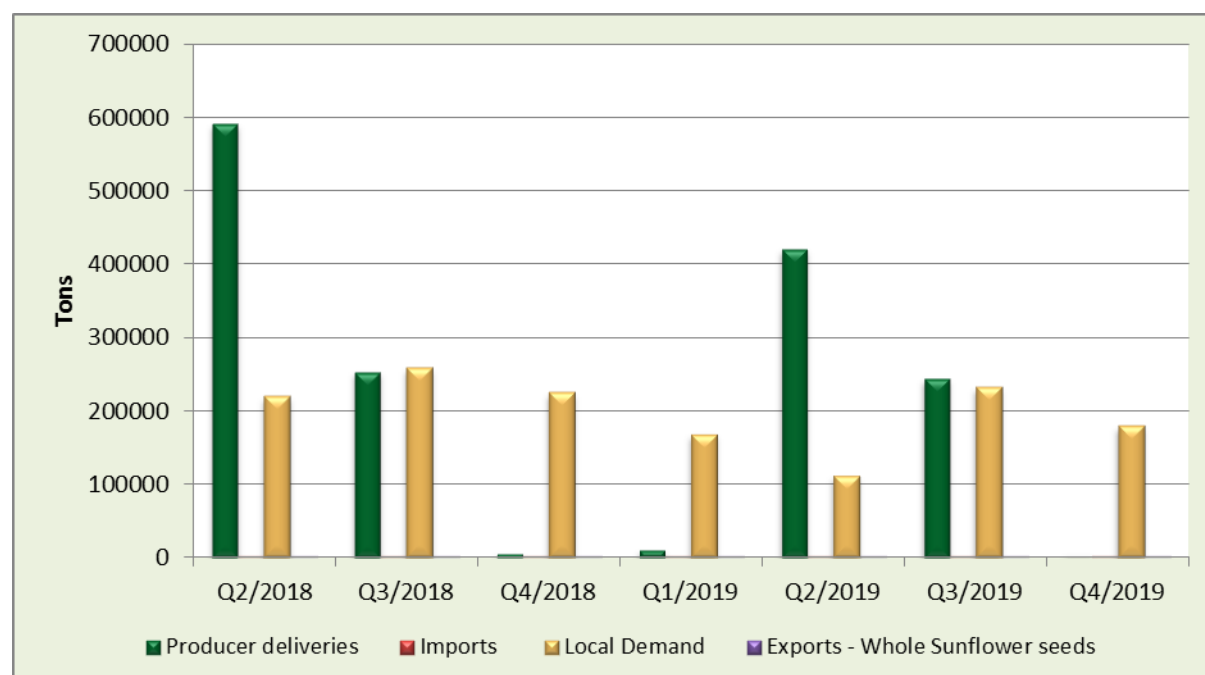


Figure 27: Sunflower seed deliveries, local demand and trade
Source: Sagis

3.1.5 Sorghum

The price of sorghum decreased by 8.1% on a year-on-year basis whilst on a quarter-on-quarter comparison the price increased by 3.1%. During the month of October 2019 the sorghum price was the highest ever and the price started to decrease in November as expectations confirmed the country is not in drought but that rains will be delayed. The arrival of rains later during the season re-assured markets leading to a further price decline. The sorghum price traded at 7.1% below the import price during the quarter, although the price was still 88.6% above the export price.



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 3.2% higher than it was in 2019, whilst demand is expected to decrease by 3.1%%. Imports are expected to decrease by 26.8% this year compared to the previous year.

Table 2: Sorghum Demand & Use Table

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------|--------|--------|--------|--------|---------|--------|---------|---------|
| Opening stock | 56015 | 50069 | 121812 | 83142 | 35238 | 59246 | 51860 | 60 966 |
| Production | 147200 | 265000 | 114700 | 70 500 | 152 000 | 115000 | 130 875 | 135 090 |
| Imports | 50033 | 8725 | 34316 | 74957 | 55824 | 32500 | 41000 | 30 000 |
| Total Supply | 251652 | 320301 | 277713 | 226677 | 244073 | 206746 | 223735 | 226056 |
| Local demand | 182033 | 172320 | 165532 | 178790 | 176000 | 166500 | 176055 | 170860 |
| Exports | 19550 | 26169 | 29039 | 12649 | 13800 | 12345 | 7300 | 8000 |
| Total Demand | 201583 | 198489 | 194571 | 191439 | 182783 | 173700 | 183355 | 178 860 |
| Ending Stock | 50069 | 121812 | 83142 | 35238 | 59246 | 51 860 | 40380 | 47 196 |

Source: DAFF/ NAMC/Sagis

3.1.6 Groundnuts

The local groundnut industry is faced with various challenges including drought, competition from high-yielding commodities as well as the absence of pricing mechanisms. 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.

The astonishing variation in the annual plantings of groundnuts is an indication of the existing challenges this specialised industry faces. Over the past two decades, the annual plantings of groundnuts varied from 165 250 hectares planted in 2001 to 20 050 hectares planted in 2019. Meanwhile, 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 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 Q4:2018 to Q4:2019.

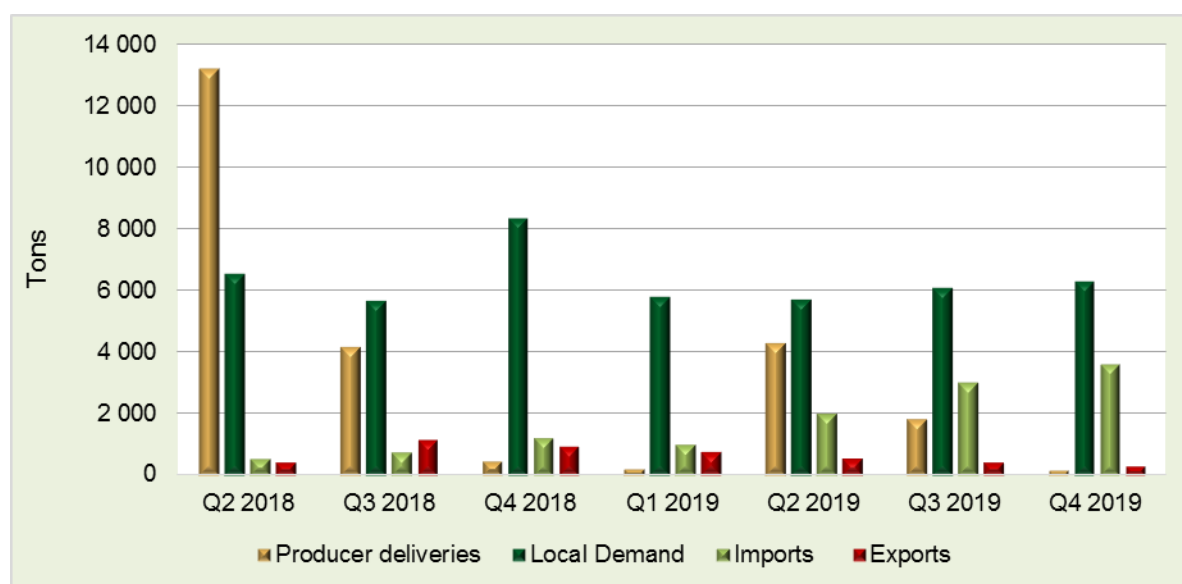


Figure 29: Supply and demand of Groundnuts
Source: Sagis

Producer deliveries of groundnuts decreased by 61% in Q4: 2019 compared to Q4:2018, with the local groundnut industry finding itself at a crossroads. On average,

in Q4: 2019, producers delivered 196 tons of groundnuts in Q4: 2019 compared to 497 tons delivered in Q4: 2018. Local demand of groundnuts decreased by 25% in Q4: 2019 compared to Q4: 2018, from an average of 8 367 tons of groundnuts in Q4: 2018 to an average of 6 304 tons in Q4: 2019. The Bureau for Food and Agricultural Policy (BFAP) in its groundnut value chain study indicated that the South African groundnut industry once again finds itself in a terrifying situation with the possibility of more extensive and irreversible consequences for the future existence of this industry.

Exports of grounds decreased by 65% in Q4: 2019 compared to Q4: 2018, from an average of 928 tons in Q4: 2018 to an average of 324 tons in Q4: 2019. The South African export markets is under pressure due to the instability of supply over recent years. Meanwhile, imports of groundnuts increased significantly in Q4: 2019 compared to Q4: 2018, from an average of 1 254 in Q4: 2018 to an average of 3 625 tons in Q4: 2019. With local processors facing an import duty of 10% on imported groundnuts yet imports of peanut butter and roasted groundnut land in South Africa virtually duty free, peanut butter imports increased rapidly, putting pressure on the local processing industry.

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. In Q4: 2019, consumption of edible groundnuts decreased by 3%, from an average of 3 168 tons in Q4: 2018 to an average of 3 063 tons in Q4: 2019. During the same period, peanut butter consumption levels decreased by 14% to an average of 2 470 tons in Q4: 2019, from an average of 2 861 tons in Q4: 2018. According to the Bureau for Food and Agricultural Policy, it is 10% more expensive to produce peanut butter locally than to import pre-packed peanut butter. As a result, as peanut butter imports continue to increase, the processing demand for locally produced sundry-quality and split grade groundnuts will eventually decrease which is discouraging for farmers who continue to make a living out of the various branches of the groundnut industry. Moreover, consumption levels of crushed oil & cake in Q4:2019 decreased

significantly compared to Q4: 2018, from an average of 301 tons in Q4: 2018 to an average of 40 tons in Q4: 2019.

In Q4: 2019, the average market price for peanut butter (400 gram) increased by 11%, to R31,03 (400 gram), from an average market price of R 27.98 (400 gram) in Q4: 2018. The lower 2018/19 harvest will likely put upward pressure on prices, which consequently, will likely be passed down to consumers (Agbiz, 2019). Meanwhile, due to the slight increases in the average market peanut butter prices in Q4: 2019 compared to Q4: 2018, consumers will likely demand less of the peanut butter as a result of “price sensitivity”.

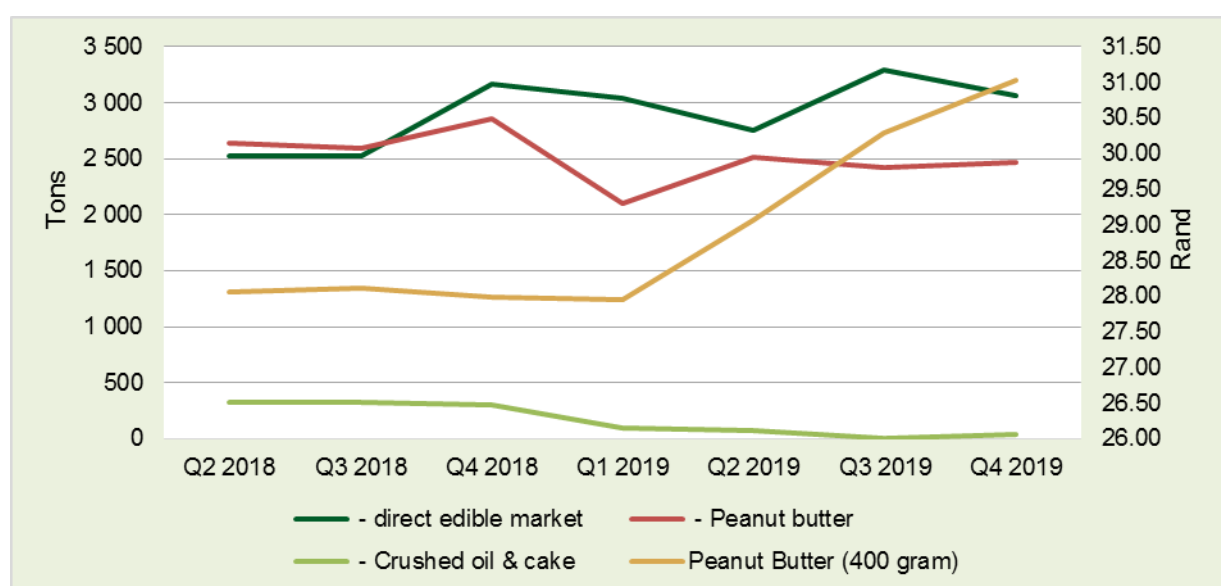


Figure 30: Groundnuts consumption Source: Sagis

3.2 Fruit and vegetable market review

The following section looks at the average prices of fruits traded at the Fresh Produce Markets (FPMs) in Q4:2019 compared to Q4:2018. Delayed rains and warm weather conditions restricted production of field crops as well as horticultural products while drought, low dam levels and water restrictions reduced irrigation activities.

The average prices of apples decreased by 0.1% in Q4: 2019 compared to Q4: 2018. The first South African apples were harvested in December in the Northern

Province of Limpopo, followed by apples harvested in the Eastern part of the Free State while prices are expected to be good in the short term. On a quarter-on-quarter basis, the average prices of apples increased by 15.6% in Q4:2019 compared to Q3, in line with market expectations.

The average prices of bananas, oranges and pears increased by 5.6%, 37.2% and 11.9% respectively in Q4: 2019 compared to Q4: 2018. On a quarter-on-quarter basis, the average prices of bananas, oranges and pears increased by 18.5%, more than hundred percent and 34.4% respectively in Q4: 2019 compared to Q3. Naval production in the Northern Senwes region saw a notable reduction due to hail and poor colouring. Growers in the Eastern Cape also struggled with the colouring of the late navels while growers in the Western Cape dealt with some wind damage (Farming portal, 2019). Meanwhile, the banana market was also affected by the heavy rainfall which affected production volumes in Africa. Pear orchards in South Africa are underway in varying degrees (Freshplaza, 2019).

The quantities of apples sold at Fresh Produce Markets increased by 9.1% in Q4:2019 compared Q4:2018 due to a decrease in prices. However, the quantities of bananas, oranges and pears supplied at Fresh Produce Markets decreased by 7.1%, 45.1% and 12.6% respectively in Q4: 2019 compared to Q4: 2018. On a quarter-on-quarter basis, the quantities of apples, oranges and pear sold at Fresh Produce Markets decreased by 11.4%, 82.1% and 40.4% respectively in Q4:2019 compared Q3 with an increase in prices while quantities of bananas sold at Fresh Produce Markets increased by 6.2% in Q4:2019 compared Q3 despite an increase in prices, see Figure 31.

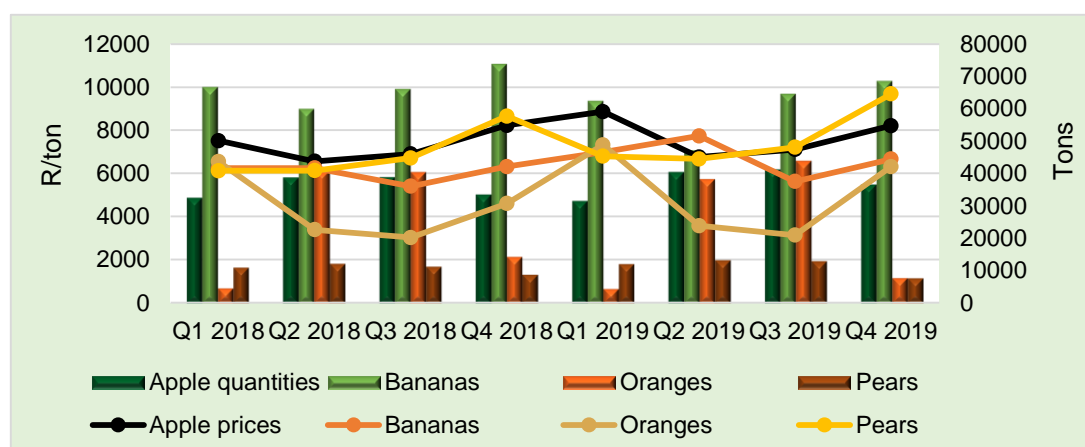


Figure 31: Average price and quantities trends of various fruits traded at fresh produce markets (FPMs)
Source: Daff

Figure 32 indicates the most vegetables sold at Fresh Produce Markets decreased in Q4: 2019 compared to Q4: 2018, driven by local demand.

The average prices of cabbage, carrots and potatoes decreased by 9.7%, 6.8% and 4.1% respectively in Q4: 2019 compared to Q4: 2018, due to an increase in supplies on markets. However, the average prices of onions and tomatoes increased by 7.9% and 12.6% respectively in Q4: 2019 compared to Q4: 2018, due to a decrease in quantities supplied. Tomato and onion supply on the market was smaller than a year ago due to the rainfall and weather conditions which restricted production and supply this year compared to the previous year.

On a quarter-on-quarter basis, the average prices of cabbage, carrots and tomatoes sold at Fresh Produce Markets increased by 23%, 29.2% and 38.5% respectively in Q4: 2019 compared to Q3 with a decrease in quantities supplied on Markets. The quantities supplied of cabbage, carrots and tomatoes decreased by 15.2%, 0.3% and 9.3% respectively in Q4: 2019 compared to Q3. However, the average price of potatoes sold at Fresh Produce Markets increased by 18.7% in Q4: 2019 compared to Q3, despite an increase in quantities supplied on markets. Meanwhile, the average price of onions decreased by 13.4% in Q4: 2019 compared to Q3, notwithstanding a decrease in quantities supplied on markets over the period.

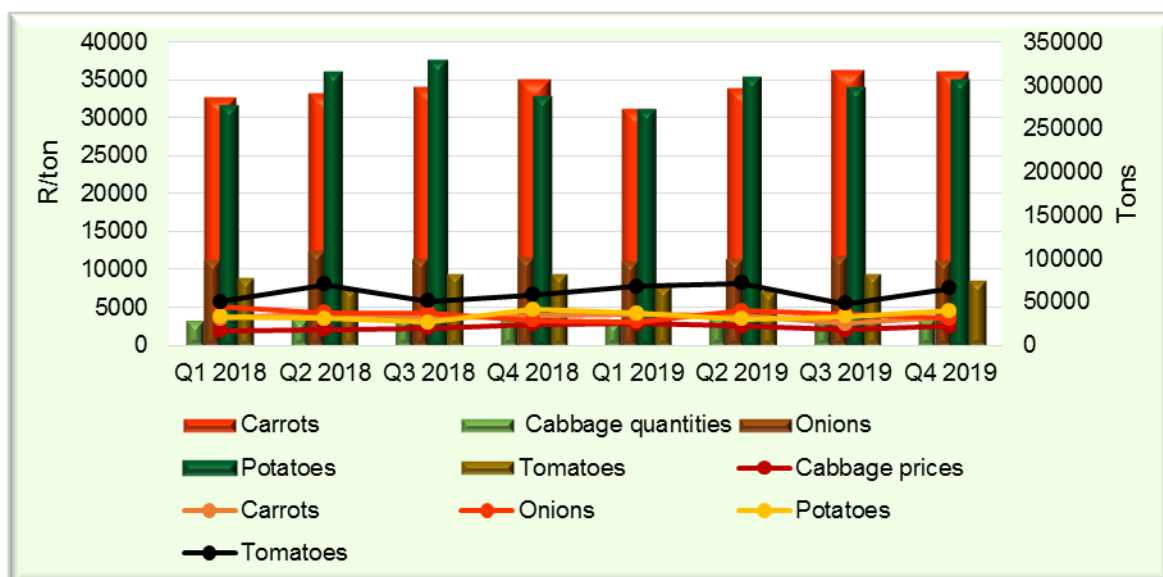


Figure 32: Average price and quantities of various vegetables traded at Fresh Produce Markets (FPMs)

Source: Daff

3.3 Meat industry review

As illustrated graphically total beef slaughtering increased by 14% in the fourth quarter of 2019 compared to the same quarter of 2018. The average price of beef in the fourth quarter remain constant comparing same quarters, see figure 33.

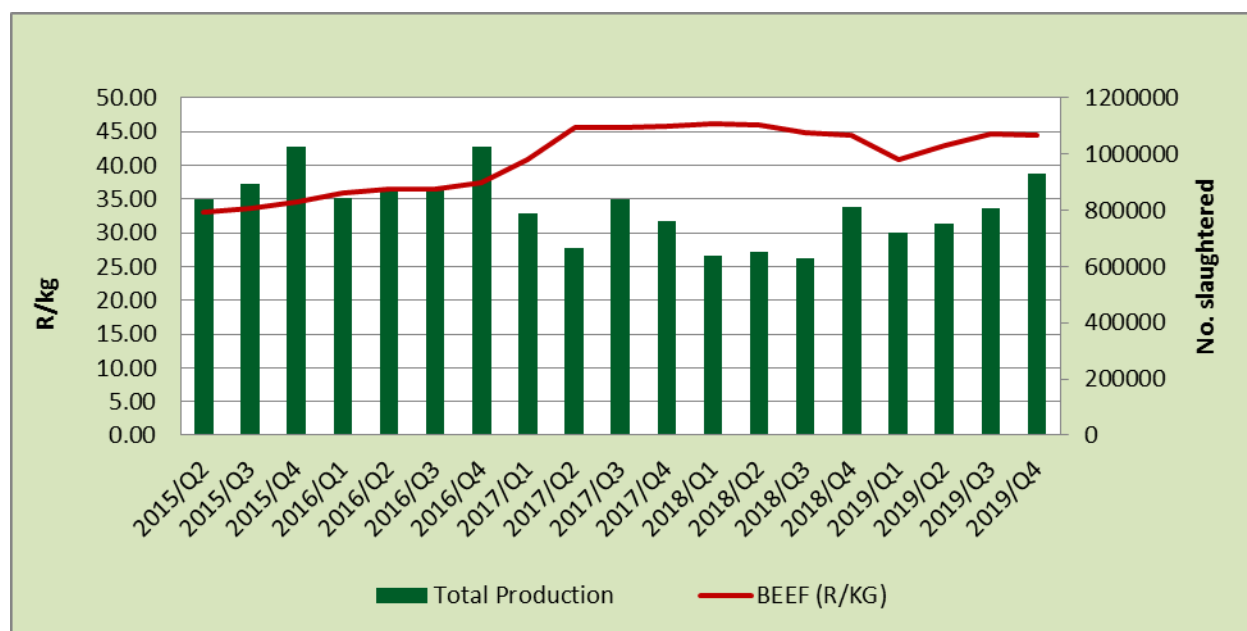


Figure 33: Beef productionSource: SA feedlot

Source, Daff 2019

3.4 Poultry industry review

Poultry production increased by 2.6% on a year-on-year basis, whilst on a quarter-on-quarter basis prices increased by 2.1%. Poultry prices decreased by 1.4% on year-on-year comparison whilst on a quarter-on-quarter comparison prices increased by 1.3%. Feed cost represented by the yellow maize index have been on an upward trend since the first quarter of 2018, thus contributing to the rise in poultry production costs. Although feed cost declined in the last quarter of 2018 but prices still remain high, see figure 34.

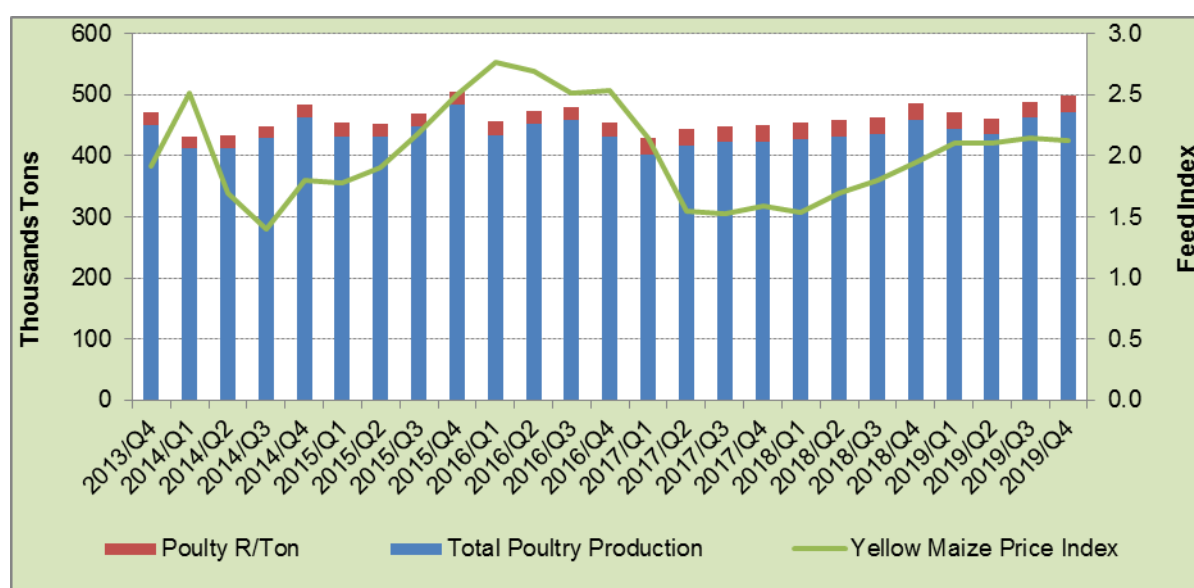


Figure 34: Poultry production

Source: DAFF

The price of whole chicken, chicken portions and frozen chicken portions per kg increased by 4.9%, 7% and 5.8% respectively on a year-on-year comparison. On a quarter-on-quarter basis prices increased by 2.9%; 2.3% and 1.4% respectively.

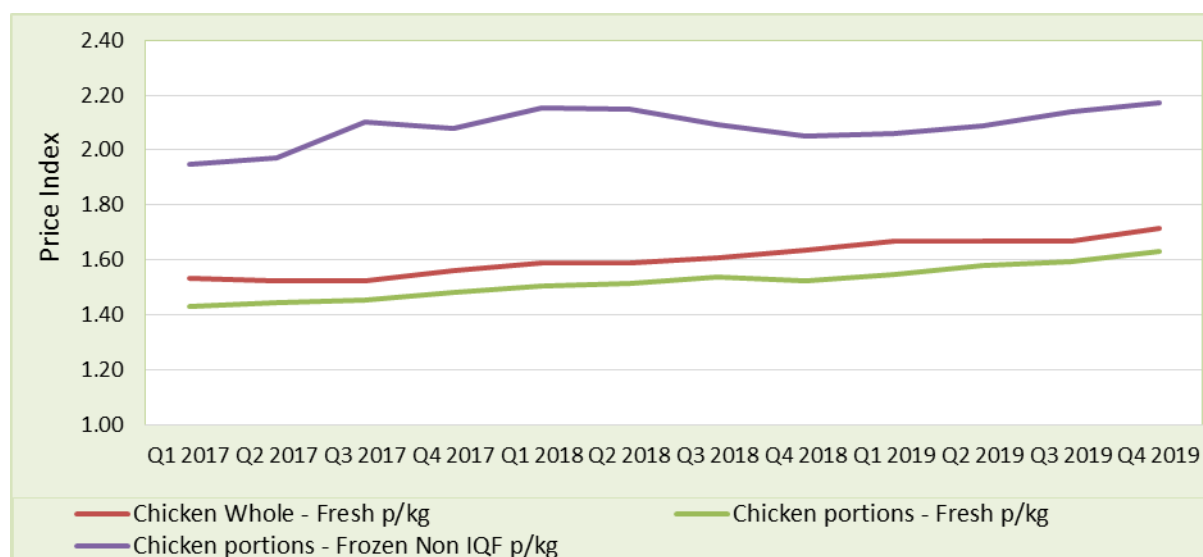


Figure 35: Poultry feed vs Retail prices

Source: SAPA, STATTSA & Safex

3.5 Milk industry overview

Total milk production increased by 4.9% in Q4: 2019 compared to Q4: 2018, to 1,07 million litres from 1,02 million litres. On a quarter-on-quarter basis, total milk production increased by 10.2% in Q4: 2019 from 971 million litres in Q3. The demand for milk grew on a yearly and quarterly basis despite a struggling SA economy and consumers disposable income being under pressure, due to the subdued growth in the economy.

The average producer price per litre of milk increased by 6.2% in Q4: 2019 compared to Q4: 2018, from R4,05/l to R4,30/l. On a quarter-on-quarter basis, the average price per litre of milk decreased by 2.6% in Q4: 2019 compared to Q3: 2019, from R4,41/l in Q3: 2019. The quarterly producer price change is an indication that demand was more subdued given the struggling economy.

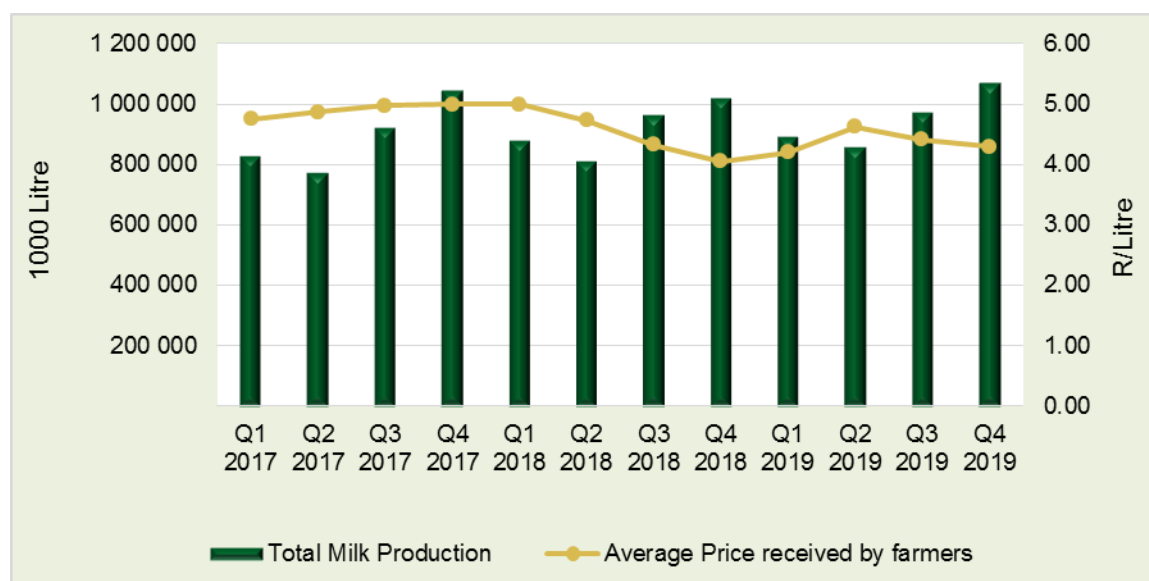


Figure 36: Trends in total production and average price of milk

Source: DAFF

Exports of milk and cream (neither concentrated nor containing added sweetening) decreased by 2.4% in Q4: 2019 compared to Q4: 2018, from a total of 21,05 million litres in Q4: 2018 to a total of 20,54 million litres of milk and cream in Q4: 2019. On a quarter-on-quarter basis, exports of milk and cream (not concentrated or containing added sweetening) increased by 5%, from 19.62 million litres in Q3: 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 Q4:2019 compared to Q4: 2018, from a total of 184 982 litres in Q4: 2018 to a total of 2,09 million litres in Q4:2019, reflecting a slowdown in production in Q4: 2019. On a quarter-on-quarter basis, imports of milk and cream (not concentrated or containing added sweetening) decreased by 72% in Q4:2019 compared to Q3, as a result of high levels of milk production in SA in Q4: 2019 compared to Q3.

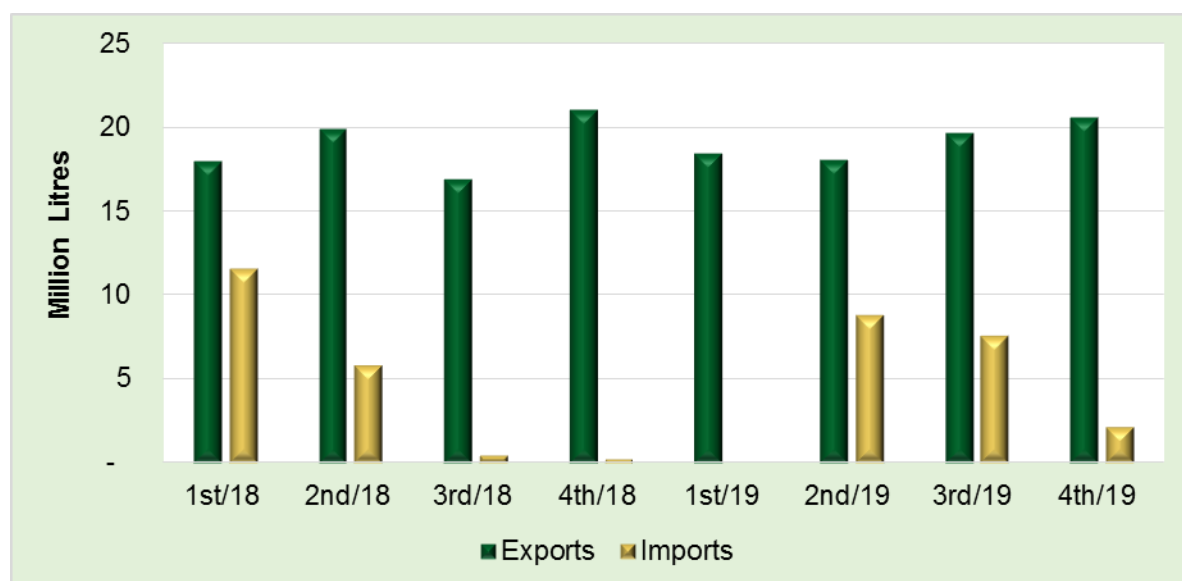


Figure 37: Trends in imports and exports of milk and cream, not concentrated nor containing added sweetening

Source: GTA, 2019

3.6 Trade of agricultural, forestry and fisheries

South Africa's agricultural trade balance decreased by 5.6% in Q4: 2019 compared to Q4: 2018, from R10,4 billion to R9,8 billion, due to a decline on a number of exportable commodities on account of a decrease in agricultural production in 2019. On a quarter-on-quarter basis, South Africa's agricultural trade balance decreased by 38% in Q4: 2019 compared to Q3. Animal health issues and the ban on exports of livestock products due to the foot and mouth disease together with the fall of wool exports after China placed a ban on South Africa's wool due to biosecurity issues all contributed to the decline in exportable agricultural products in 2019 (Agbiz, 2019).

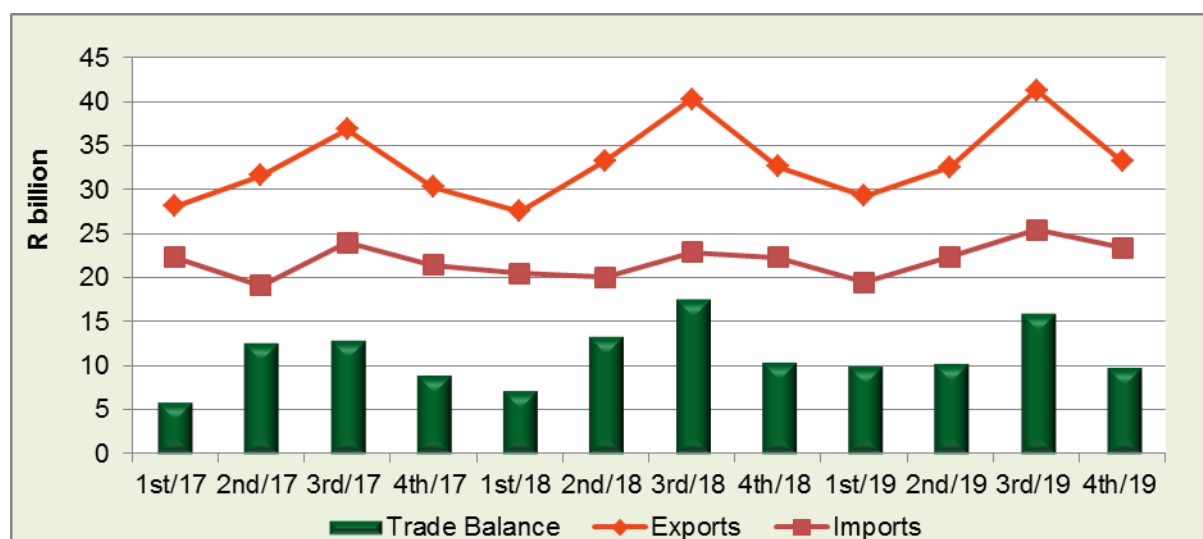


Figure 38: Trade balance of agricultural products
Source: GTA, 2019

Table 3 indicates that South Africa gained most of its agricultural export revenue from products exported to Botswana, which was the leading export destination followed by Namibia and United Kingdom. SA's top three suppliers of agricultural products in Q4: 2019 include Thailand, Argentina and Swaziland.

Table 3: SA's top three largest export and import destinations of agricultural products in the 4th Quarter of 2019.

| Top three markets of agricultural products exported by SA | Value (Billion Rands) 4 th Quarter 2019 | % Share of total agricultural exports in 4 th Quarter 2019 | Top three suppliers of agricultural products to SA | Value (Billion Rands) 4 th Quarter 2019 | % Share of total agricultural imports in 4 th Quarter 2019 |
|---|--|---|--|--|---|
| Total | R 33,20 | 100 | Total | R 23,42 | 100 |
| Botswana | R 2,90 | 8.7 | Thailand | R 1,77 | 7.5 |
| Namibia | R 2,78 | 8.4 | Argentina | R 1,58 | 6.8 |
| United Kingdom | R 2,52 | 7.6 | Swaziland | R 1,43 | 6.1 |

Source: GTA, 2019

Figure 39 indicates the top five agricultural products imported by SA in Q4: 2019. SA's leading supplier of rice in Q4: 2019 was Thailand while SA's leading supplier of beer in Q4: 2019 was Mexico. SA's leading supplier of frozen chicken cuts and edible offal (including livers) in Q4: 2019 was Brazil while SA's leading supplier of palm oil during the same period was Indonesia. Meanwhile, SA's leading supplier of cane sugar (in solid form, raw, not containing added flavoring or coloring matter) in Q4: 2019 was Swaziland.

Figure 40 indicates the top five agricultural products exported by SA. SA's leading export destination for fresh grapes in Q4: 2019 was the Netherlands while SA's leading export destination for wine during the same period was United Kingdom. SA's leading export destination for wool in Q4: 2019 was China while SA's leading export destination for cane sugar (solid, raw, no added flavouring or added flavoring or coloring matter) in Q4: 2019 was Malaysia. SA's leading export destination for fresh cranberries, blueberries etc in Q4:2019 was Netherlands.

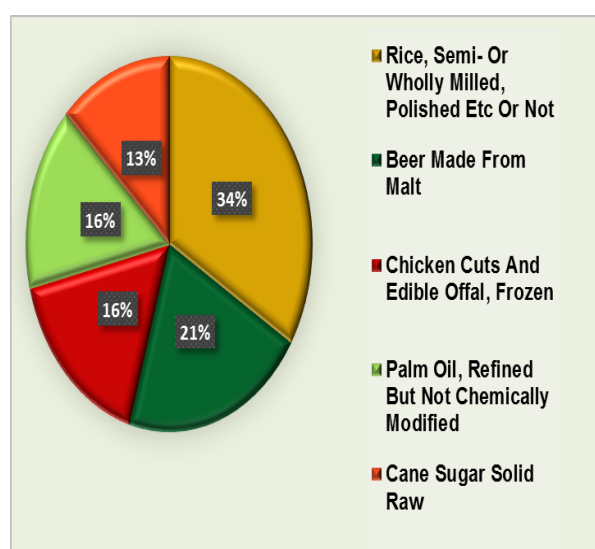


Figure 39: Top five agricultural products imported by SA
Source: GTA, 2019

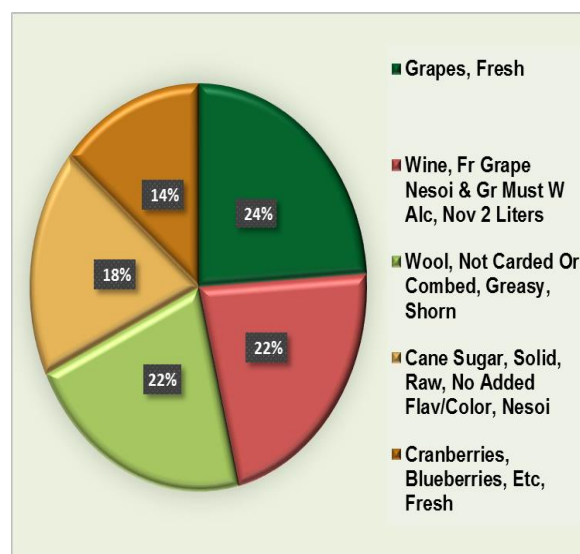


Figure 40: Top five agricultural exported products,Source: GTA, 2019

4. CONCLUSION

According International Monetary Fund (IMF) latest report on World Economic Outlook (WEO) Update indicates that Global growth is projected to rise from an estimated 2.9% in 2019 to 3.3% in 2020 and 3.4% for 2021 which is a downward revision compared to those in the October. Real GDP growth Rates, 2019 (Q4) in the advanced economies of the following countries: Canada, France, Germany, United Kingdom and United States increased by 0.1%, 0.3%, 0.4%, 1.1% and 2.1% respectively, whilst Italy and Japan decreased by 0.3% and 1.6% respectively when compared to 2018 (Q4). Emerging markets and developing economies, 2019 (Q4) Real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines and Nigeria increased by 1.7%, 6%, 4.7%, 4.97%, 3.6%, 6.4% and 2.55% respectively, whilst South Africa decreased by 1.4% when compared to the fourth quarter of 2018.

Statistics South Africa's economic data for the fourth quarter of 2019 indicates that South Africa's economy is in a technical recession. This follows a second consecutive growth rate of -0.8% during the fourth quarter of 2019 from negative growth of 1.4% reported in the third quarter of 2019. The agriculture sector decreased by 7.6% during the fourth quarter following a negative growth 4.5% in the third quarter of 2019. Most analysts blame low demand, sharp rising fuel and Eskom's load shedding seen in previous months as the contributing factors to the poor performance in many sectors of the economy.

The annual average headline CPI for the fourth quarter 2019 was 5.38% which shows an increase of 2.09% when compared to the same period last year. Food inflation for the fourth quarter of 2019 was 3.61% which shows an increase of 0.93% from 2.68% of the third quarter of 2018. Fourth quarter of 2019 indicates that the official unemployment rate remain unchanged at 29.1% compared to the third quarter of 2019. South Africa's agricultural trade balance decreased by 5.6% in Q4: 2019 compared to Q4: 2018, from R10,4 billion to R9,8 billion, due to a decline on a number of exportable commodities on account of a decrease in agricultural production in 2019.

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