



Quarterly Economic Overview

OF THE AGRICULTURE, FORESTRY AND FISHERIES SECTOR



Volume 14, Number 3 – Third quarter 2016



agriculture,
forestry & fisheries

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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 on the agricultural sector. It is our vision to maintain it as indispensable reading for everyone interested in developments in the AFF and the South African AFF sector.

This issue looks at the economic developments in the third quarter of 2016, 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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1 EXECUTIVE SUMMARY

Growth prospects: Global GDP growth had ticked up from 2.4% in Q2 to 2.6% in Q3 and remains on track to grow by 2.5% overall this year, as economists have been forecasting since September. Quarterly Real GDP growth Rates, 2016 (Q3) in the advanced economies of the following countries: Canada, France, Germany, Italy, Japan and United Kingdom decreased by 0.9%, 0.2%, 0.2%, 0.3%, 0.5% and 0.5%, as compared to 2015 (Q3) respectively. Whereas, the United States experienced a steady increase of 3.2%, estimated by Focus Economics.

Global grain supply forecast: indicates a total grain increase of 3.72%, from 3022.88 million metric tons in 2015 (Q3) to 3135.38 million metric tons in 2016 (Q3). Global supply projections for 2016 (Q3) of wheat, coarse grains, rice milled, oil seeds, oil meals and vegetable oils increased by 5.01%, 3.48%, 2.27%, 0.25%, 4.55% and 3.47% respectively. Whereas cotton declined by 0.43%, as compared to 2015 (Q2).

Emerging markets and Developing economies: Quarterly Real GDP growth rates in 2016 (Q3) grew slightly in the following countries, Brazil, Indonesia, Philippines and Russia by -0.8%, 6.7%, 5% and -0.6% respectively. Meanwhile, China, Malaysia, South Africa and Brazil decreased further by 6.7%, 1.5%, 0.2% and -2.2% as compared to the 2015 (Q2) figures, estimated by (IMF).

South Africa GDP: SA economy contracted by 0.2% in the third quarter of 2016 following a revised 3.5% growth recorded in the preceding quarter. The slowed economic growth in the third quarter complicate the governments task of boosting output to avoid a possible credit-rating downgrade to junk next year. South Africa needs an annual growth rate of 7.2% to meet its growth target of reducing unemployment to 6% by 2030 (National Development plan).

Inflation: South Africa's inflation rate remained within the Reserve Bank's target range of 3-6% over the past eight months since February 2016. In October 2016, South Africa annual headline CPI breached the target to 6.4% up from 6.1% in September 2016. The main contributors to the headline annual consumer price

inflation are food and non-alcoholic beverages, transport, miscellaneous good and service with 1.8%, 0.7% and 1.2% respectively while households utilities declined by 1.4% to 1.9% respectively.

Employment: The unemployment rate rose to 27.1% in the third quarter of 2016 from 26.6% in the second quarter of 2016, the highest since 2003. This is 0.5 of a percentage point higher than the second quarter of 2016 and 1.6% higher compared to the same period in 2015. The biggest contributors to employment growth were in the agricultural (56 000) and informal sectors (135 000), while 15 000 jobs were shed in private sector households compared to the second quarter in 2016. Decline in jobs were also seen in manufacturing, which lay off 28,000 workers during the quarter.

The agriculture sector: The total expenditure on intermediate goods and services was reported at R347.2 billion in the third quarter of 2016 compared to R326.6 billion in the previous quarter, an increase of 6.3%. Compared to a year ago the total expenditure on intermediate goods and services increased by 7.1% from R324.3 billion in the third quarter of 2015 to 347.2 billion in the third quarter of 2016. The net farm income is estimated at R23.5 billion in the third quarter of 2016 compared to R17.8 billion in the same quarter of 2015, an increase of 31.9%. An increase in net farm income was largely supported by an increase in income from field crops which increased significantly by 46.4%, while animal products and horticulture also increased by 8.9% and 1.5% respectively.

The grain market review section: Reflects on quarterly price trends (domestic and international); supply and demand and the use of the following products; maize, wheat, soya bean, sorghum and sunflower, as well as the **Fruit and vegetable** and **Meat industry review**.

Trade: South Africa's agricultural trade balance decreased by 6%, from R11.9 billion to R11.2 billion between the third quarter of 2015 and the third quarter of 2016. Exports grew by 11%, from R32.3 billion in the third quarter of 2015 to R35.8 billion in the third quarter of 2016 while imports grew by 21%, from R20.4 billion to R24.6 billion during the same period.

1 GLOBAL OVERVIEW OF THE AGRICULTURE, FORESTRY AND FISHERIES ECONOMY

1.1 Global growth

According to IMF (2016), Global growth is projected to slow to 3.1% in 2016 before recovering to 3.4% in 2017. The forecast, revised down from 0.1% in 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies following the June U.K. vote in favour of leaving the European Union (Brexit) and weaker-than-expected growth in the United States. These developments have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer.

An early estimate produced by Focus Economics shows that global GDP growth had ticked up from 2.4% in Q2 to 2.6% in Q3 and remains on track to grow by 2.5% overall this year, as economists have been forecasting since September. Quarterly Real GDP growth Rates, 2016 (Q3) in the advanced economies of the following countries: Canada, France, Germany, Italy, Japan and United Kingdom decreased by 0.9%, 0.2%, 0.2%, 0.3%, 0.5% and 0.5%, as compared to 2015 (Q3) respectively. Whereas, the United States experienced a steady increase of 3.2%.

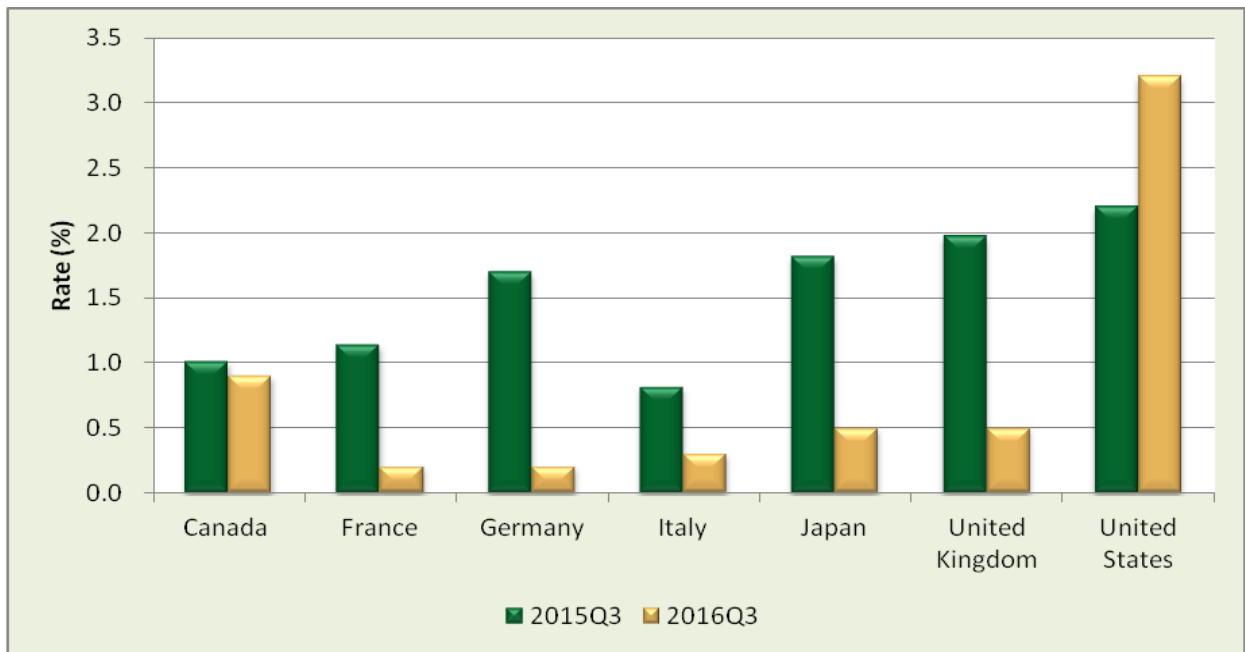


Figure 1: Advanced Economies Quarterly GDP Rates

Data Source: Various Sources

According to IMF (2016), the picture of emerging market and developing economies is diverse but in many challenging cases. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016/17. The figure 2, Indicates that in the emerging markets and developing economies, 2016 (Q3) the Quarterly Real GDP growth rates grew slightly in the following countries, Brazil, Indonesia, Philippines and Russia by -0.8%, 6.7%, 5% and -0.6% respectively. Meanwhile, China, Malaysia, South Africa and Brazil decreased further by 6.7%, 1.5%, 0.2% and -2.2% as compared to the 2015 (Q2) figures.

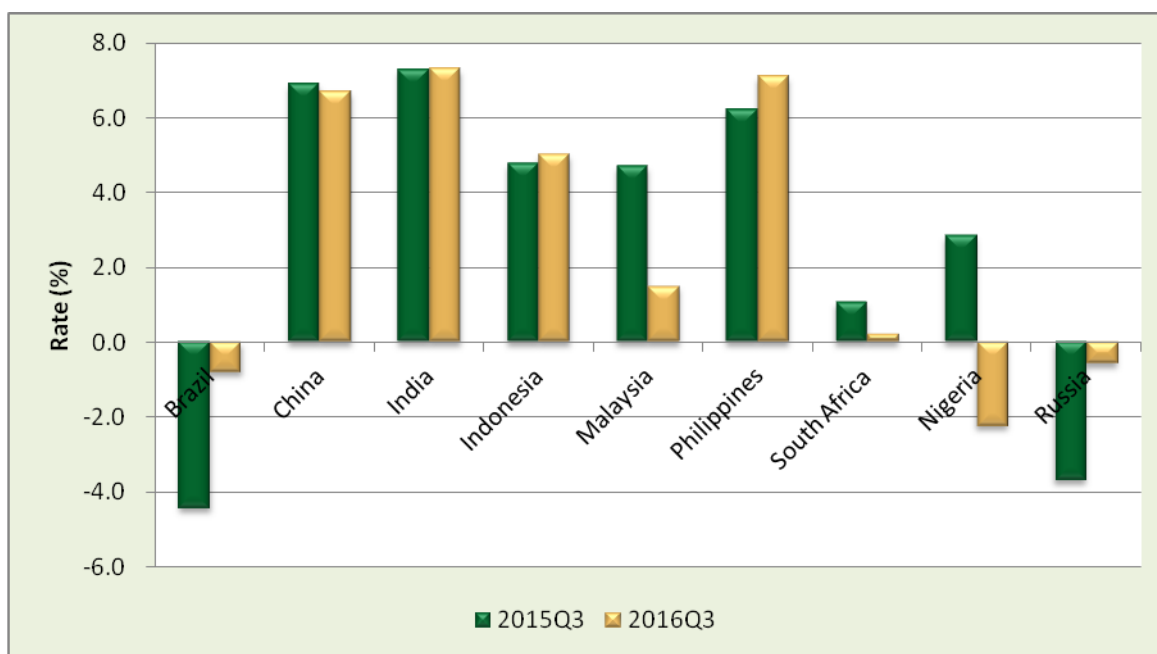


Figure 2: Emerging Markets and Developing Economies Quarterly GDP Rates

Data Source: Various Sources

1.2 Global Grain forecast

USDA (2016) indicated that global wheat supplies for 2016/17 are raised to 1.7 million tons due to a 0.3 million ton production increase and higher beginning stocks. Meanwhile, global coarse grain production for 2016/17 is forecast 4.9 million tons higher to 1 319.7 million tons. Global oilseed production for 2016/17 is projected at 551.2 million tons, up 3.1 million from last month led by higher soybean production. Global soybean production is projected at 336.1 million tons, up by 2.9 million tons with larger crops in the United States, Russia, and Mexico. Smaller global production increases in cottonseed, peanuts, and rapeseed are partly offset by a reduction in sunflower seed production.

The global grain supply forecast indicates a total grain increase of 3.72%, from 3022.88 million metric tons in 2015 (Q3) to 3135.38 million metric tons in 2016 (Q3). Global supply projections for 2016 (Q3) of wheat, coarse grains, rice milled, oil seeds, oil meals and vegetable oils increased by 5.01%, 3.48%, 2.27%, 0.25%, 4.55% and 3.47% respectively. Whereas cotton declined by 0.43%, as compared to 2015 (Q2).

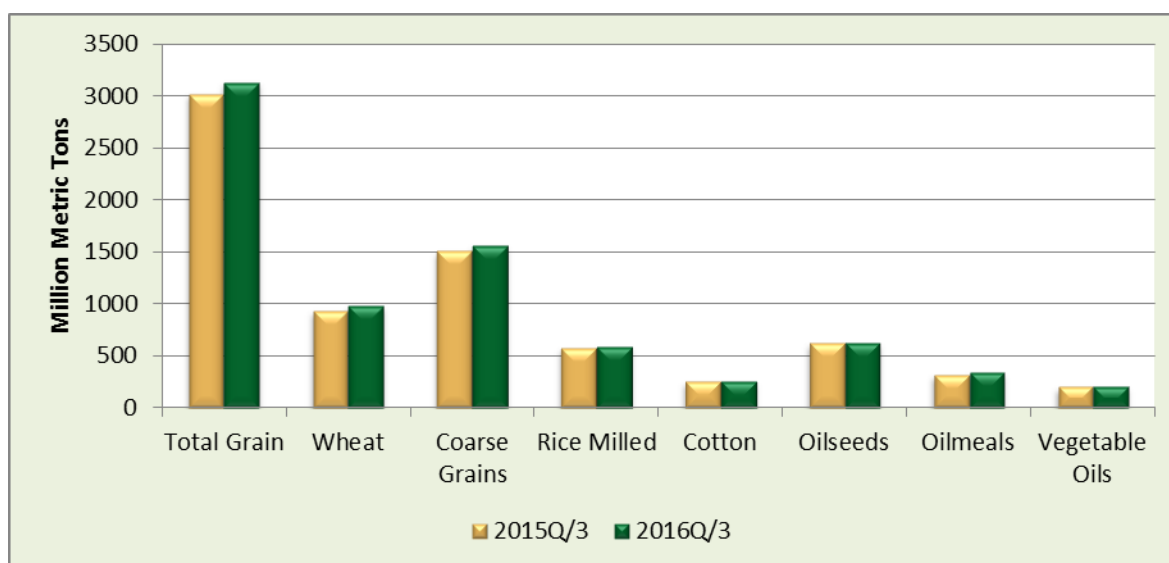


Figure 3: Quarterly global grain supply forecast

Data Source: USDA

1.3 Global Food Prices

According to United Nations food agency, prospects for global cereal production in 2016 continued to improve in recent months with significant upward revisions for maize and wheat, reflecting favourable weather conditions in some of the large producing countries. Countries in need of external assistance: FAO estimates that 36 countries, including 28 in Africa, are in need of external assistance for food. Persisting conflicts and drought induced production declines are the main causes that have stressed food security in the 2016 production season.

The FAO Food Price Index (FFPI) averaged 172.6 points in October 2016, up 1.2 points (0.7%) from September and 9.1 percent above the corresponding month last year. Except for a short-lived drop in July, the Index has risen continuously since the start of the year. In October, sugar and dairy values rose sharply, while the cereal index made a modest increase. These gains coincided with sharp declines in the oils and meat indices, which kept the overall value of the FFPI slightly above its

September average. Globally in 2016 (Q3), some major countries were paying more by 5.49% on food purchases compared to 2015 (Q3). The following global food products price indices in 2016 (Q3), dairy, oil and, sugar reflect a steady increase by 10.77%, 19.59% and 69.52%. Whilst meat, cereals decreased by 3.80% and 9.19% respectively as compared with 2015 (Q3).

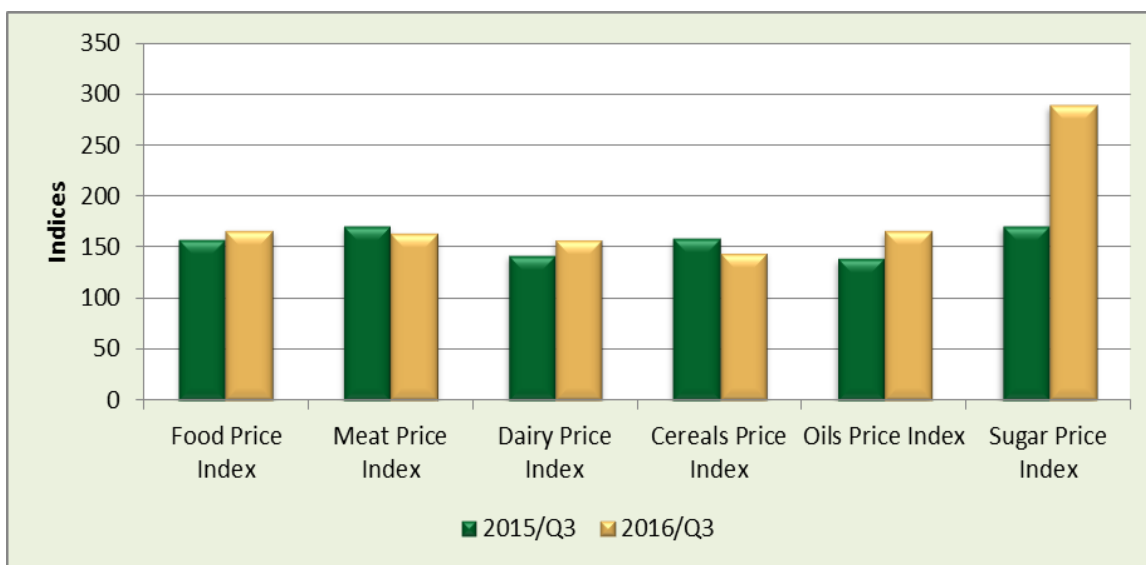


Figure 4: Quarterly global food price indices

Data Source: FAO

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

2.1 Growth

The SA economy contracted by 0.2% in the third quarter of 2016 following a revised 3.5% growth recorded in the preceding quarter (see figure 5). This is news good to the country; however the growth rate is not adequate to contribute significantly to the country's soaring unemployment rate. The slowed economic growth in the third quarter complicate government's task of boosting output to avoid a possible credit-rating downgrade to junk next year. South Africa needs an annual growth rate of 7.2% to meet its growth target of reducing unemployment to 6% by 2030 (National Development plan). On year-on-year, South Africa's economy grew by 0.7% in October 2016 which is lower compared to 0.8% growth in the same period of 2015. Low commodity prices, the worst drought in more than a century and weak export

demand have weighed on the country's output. The (Central Bank) project the economy will probably expand by 0.4 percent this year and 1.2 percent in 2017.

Mining and quarrying industry was the largest contributor during the third quarter of 2016. Mining and quarrying industry grew by 5.1% and contributed 0.4% to the GDP while general government services, finance, real estate and business services grew by 1.8% and 1.2% and contributed 0.3% and 0.2% to the GDP respectively. Manufacturing; electricity, gas and water; and trade, catering and accommodation contracted by 3.2%, 2.9% and 2.1% respectively in the third quarter of 2016. Agriculture, Forestry and Fisheries sector also shrank to 0.3% from a 0.8% growth in the previous quarter mainly due to severe droughts that resulted in a decline in production of field crops and horticulture products by 12.7% and 1.5% compared to the previous year. The agricultural sectors mark the seventh consecutive quarter of contraction since the first quarter of 2015 (see figure 6).

Economists expected a growth rate of 0.6% in the third quarter of 2016. Due to a sluggish growth, consumer spending is expected to be constrained during the festive seasons since the economy is expected to expand at a slow pace as we approach 2017. The country's growth rate is certainly not enough to assist with the social issues mainly unemployment and income growth that persist in the country. The slow growth rate makes it difficult for the country to narrow its budget deficit to 2.5% of GDP by 2020 and to limit government debt.

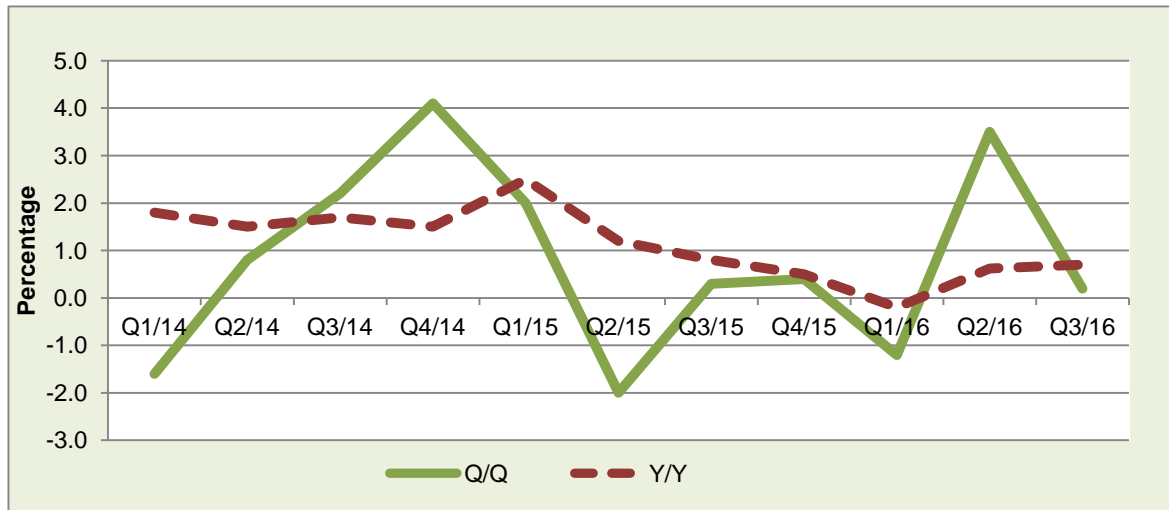


Figure 5: Domestic real GDP growth

Source: Stats SA

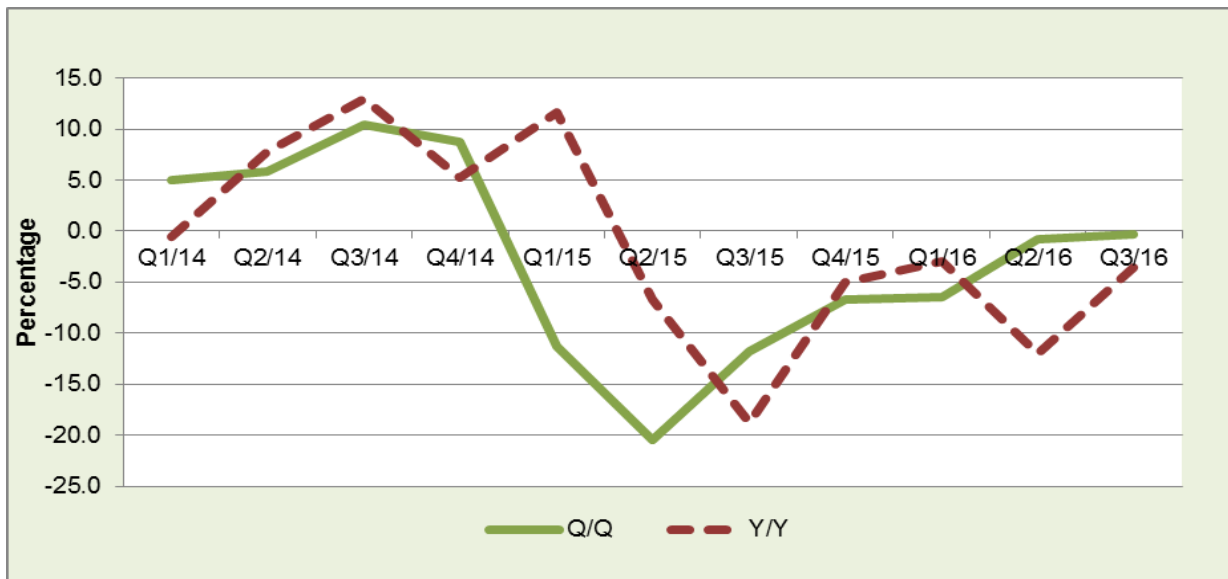


Figure 6: Agriculture, forestry and fishing sector growth rates

Source: Stats SA

2.2 Inflation

Figure 7 illustrates South Africa's annual headline CPI and the food inflation. South Africa's inflation rate remained within the Reserve Bank's target range of 3-6% over the past eight months since February 2016. In October 2016, South Africa annual headline CPI breached the target to 6.4% up from 6.1% in September 2016. The annual headline CPI increased by 0.5% month-on-month in October 2016. The main

contributors to the headline annual consumer price inflation are food and non-alcoholic beverages, transport, miscellaneous good and service with 1.8%, 0.7% and 1.2% respectively while households utilities declined by 1.4% to 1.9% respectively. The annual headline CPI of 6.4% is the highest rate recorded since the beginning of the year. The average inflation rate for quarter two and quarter three of 2016 were 6.2% and 6.0% respectively which represent a decline of 3.2%. This implies that on average, consumers paid 3.2% less for food in the third quarter of 2016 compared to the second quarter of 2016. However, due to drought and high cost of production, South African's inflation rate is expected to break the 6% mark in the fourth quarter of 2016 which will put pressure of consumer consumption patterns.

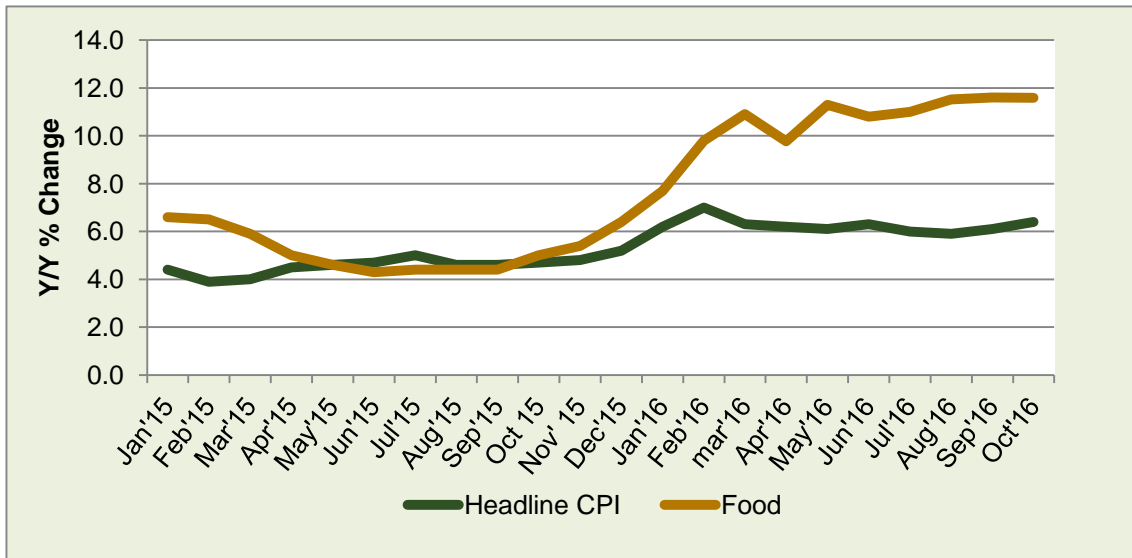


Figure 7: SA headline CPI and CPI for food

Source: Stats SA

Figure 8 illustrate consumer trends of selected food items since the second quarter of 2015. The CPI for food increased steadily since May 2015. Food and non-alcoholic beverages contributed 0.1% to the monthly CPI while transport and miscellaneous goods and services contributed 0.2% and 0.1% respectively in October 2016. On a year-on-year, CPI for goods increased by 7.1% while CPI for services also increased by 5.8%. Amongst the selected food items, CPI for oil and fats, fruits, vegetable and bread and cereals were the highest, with averages of 18.9%, 18.4%, 16.4% and 15.3% respectively. The annual CPI for meat, milk, eggs and cheese as well as fish

averaged 5.9%, 8.75% and 9.1% respectively in the third quarter of 2016. The month-on-month CPI for milk, eggs and cheese; fruits, and bread and cereals increased by 2.4%, 3.6% and 2.5% respectively while food inflation for meat, fish, oil and fats and vegetable a declined by 6.5%, 2.0% 11.6% and 9 % respectively.

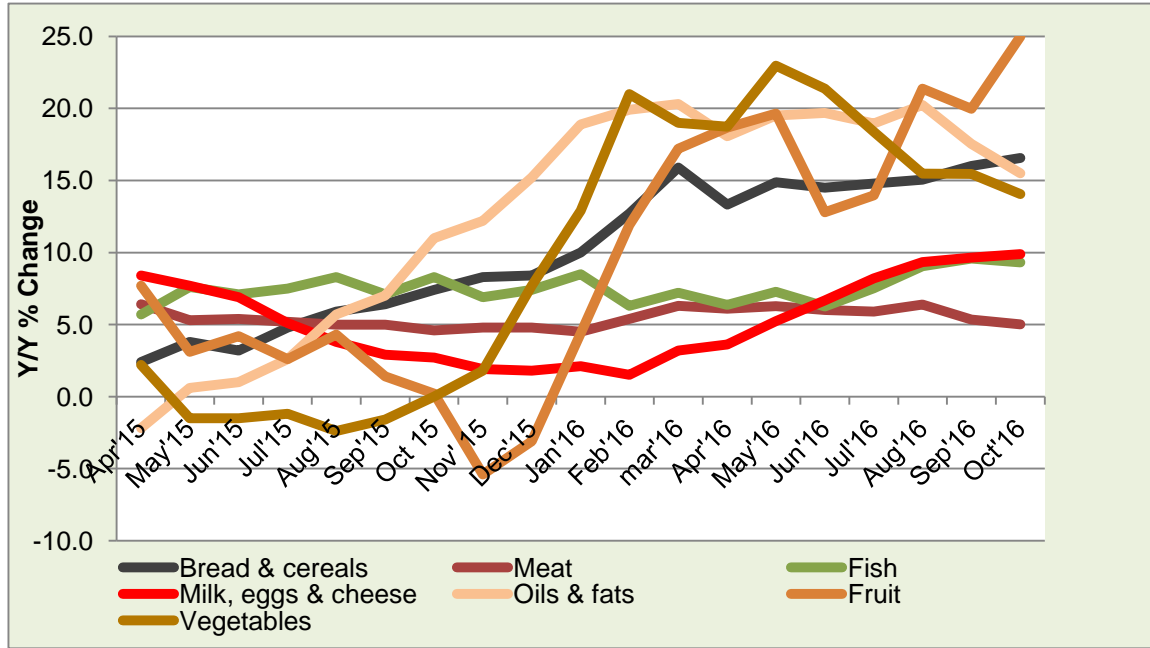


Figure 8: CPI for selected food items

Source: Stats SA

2.3 Employment

Unemployment in South Africa is rising faster than the rate at which the economy is creating jobs, suggesting a serious lack of economic growth and fixed investment spending by the government and the private sector. The unemployment rate rose to 27.1% in the third quarter of 2016 from 26.6% in the second quarter of 2016, the highest since 2003. This is 0.5 of a percentage point higher than the second quarter of 2016 and 1.6% higher compared to the same period in 2015. The biggest contributors to employment growth were in the agricultural (56 000) and informal sectors (135 000), while 15 000 jobs were shed in private sector households compared to the second quarter in 2016. The decline in jobs was also seen in manufacturing, which lay off 28,000 workers during the quarter. The QLFS shows 9,000 mining positions were also lost. These sectors remained under a considerable amount of strain due to lower

commodity prices and global demand. Mining has been bedrock for the economy, contributing 8.2% to GDP.

The absorption rate (the proportion of the working-age population between 15 to 64 years that is currently employed) has not recovered to pre-recession levels of 45.5% in 2008. While the official unemployment rate stood at 5.9 million in the third quarter of 2016, the expanded unemployment rate increased by 136 000 since the second quarter, which amounted to 9 million. Expanded unemployment includes people of working age who did not have a job and were available for employment.

According to the Quarterly Labour Force Survey, the number of employed people grew by only 5,000 year-on-year to 15.8-million people during the third quarter. The expanded unemployment rate, which includes those who wanted work but did not look for work, dropped 0.1 percentage point quarter-on-quarter to 36.3%. This reflects the lack of economic growth, especially the lack of fixed investment spending by government and the private sector, as well as the sustained low business confidence. On a quarterly basis, employment rose in the formal and informal sectors including agriculture, which created 56,000 jobs during the third quarter, increasing employment in the sector to 881,000. However, the outlook for jobs in agriculture sector remained weak. Due to the farmers' cash flow that has negatively been affected by the 2015/16 drought.

However, more apprehension about the outlook for employment is that it's not expected to improve soon. Government sector employment fell for the past two consecutive quarters of 2016. Due to tighter controls on public sector spending announced by Treasury, going forward, public sector employment is expected to decline.

Public service remuneration accounts for 36% of government expenditure and has been a key risk to the fiscal outlook. Lower employment levels in industry and the consumptive sectors are reflective of the subdued economic growth climate, with GDP growth forecast at 0.3% year on year in 2016. Labour market conditions are likely to remain poor in the period ahead, with GDP growth projected to rise only to 2.2% year

on year by 2020." Treasury revised its growth outlook for 2016 to 0.5% from 0.6% in February.

The proposed national minimum wage of R3 500 would have an impact on employment in the country. However, it is still too early to suggest any impact now. South Africa has the highest jobless rate of more than 60 emerging and developed countries tracked by Bloomberg. The economy needs to expand at 7.2% a year from 2018 to achieve the government's goal of reducing the jobless rate to 6% by 2030, according to the World Bank. Meanwhile, Finance Minister Pravin Gordhan projected output growth of 2% and 2.2% for 2018 and 2019 in his October mid-term budget. These projections are way below the national development plan goals. Figure 9 shows employment in agriculture sector in third quarter of 2015 and the same quarter in 2016.

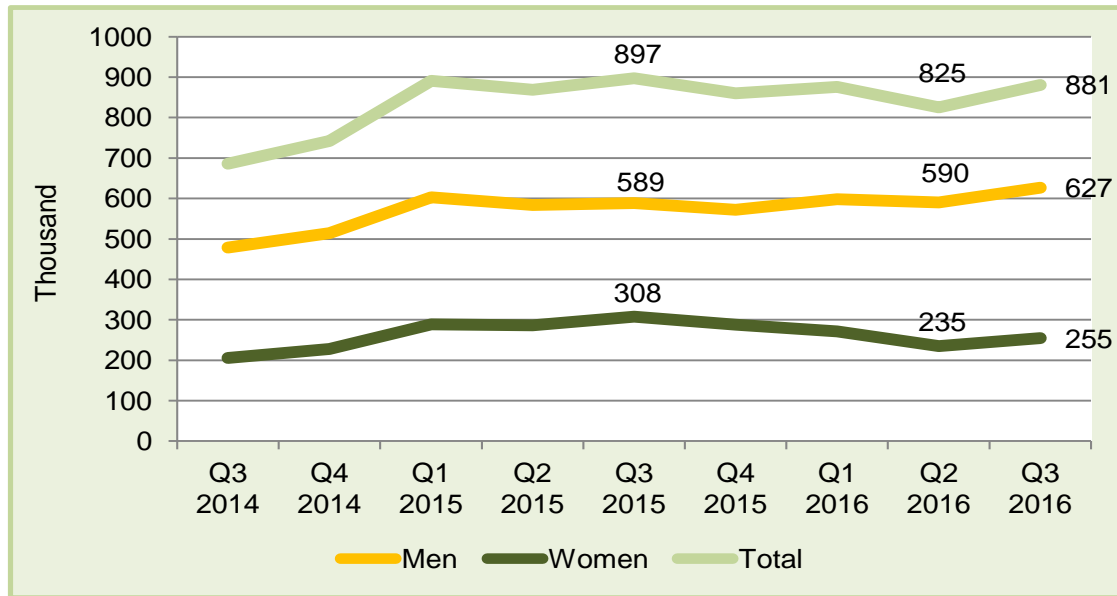


Figure 9: Total number of people employed in the agriculture sector between 2014 and 2016

Source: DAFF

The number of people employed in agriculture sector decline by 1.8% in the third quarter of 2016, from 897 000 persons in the third quarter of 2015 to 881000 persons in the third quarter of 2016. Of the 16 000 jobs lost in the sector in the third quarter of 2016, 53 000 jobs were lost by women while 38 000 jobs were created for men. In

total, the agricultural sector comprised of 255 000 women and 627 000 men in the third quarter of 2016 compared to 235 000 women and 590 000 men the previous quarter.

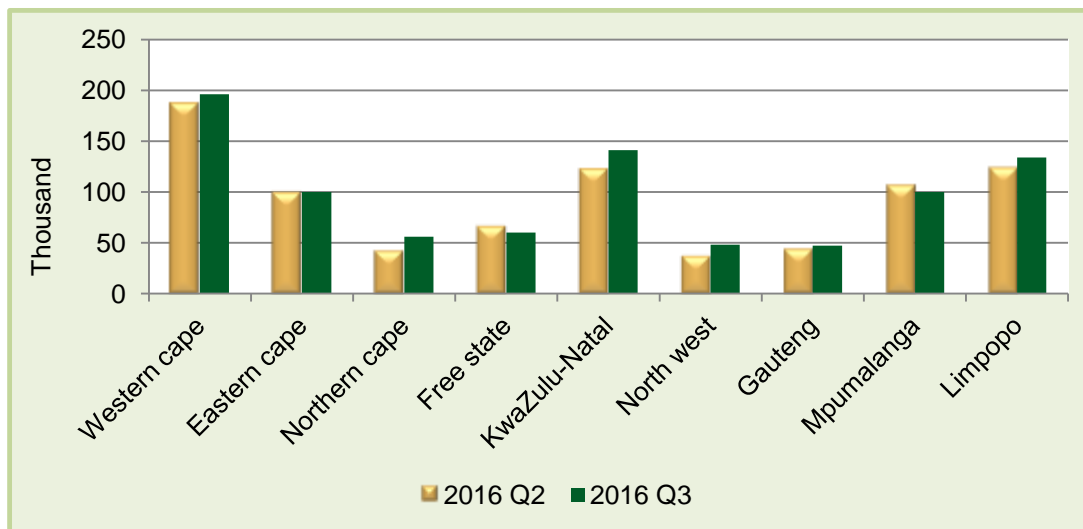


Figure 10: Provincial agriculture employment between the second quarter of 2016 and the third quarter of 2016.
Source: DAFF

Figure 10 shows that between the second quarter and the third quarter of 2016, employment increased in seven provinces and decreased in other two provinces. Employment in Agriculture in Northern Cape, North West and KwaZulu Natal increased by 31.6%, 31.5%, and 15.1% respectively. In Limpopo, Gauteng, Western Cape and Eastern Cape, employment in agriculture also increased by 9.2%, 6.0%, 5.5% and 0.6% respectively between the two quarters. While agriculture employment in Free State and Mpumalanga decreased by 9.4% and 5.7% respectively, Western Cape remained with the highest employment in agriculture compared to other provinces.

The 2016 second (QLFS) also indicated that 1.8 million people were involved in subsistence farming in the second quarter of 2016 compared to 1.6 million people in the previous quarter, a slight decline of 11.7 %.

Figure 11 illustrate the number of people involved in subsistence farming in all provinces in the third quarter of 2016 compared to the previous quarter.

KwaZulu-Natal had the highest number (937 000) people involved in subsistence farming compared to (738 000) in the previous quarter, an increase of 26.9%. Meanwhile, Eastern Cape had (402 000) people involved in subsistence farming compared to (363 000) in the previous quarter, an increase of 10.6%. During the same period Limpopo had (181 000) people involved in subsistence farming compared to (150 000) people, a decrease of 17.2%. Mpumalanga had (128 000) people involved in subsistence farming compared to (118 000) people. The number of people involved in subsistence farming in Free State decreased from (137 000) in the second quarter of 2016 to (109 000) people in the third quarter of 2016. The number of people involved in subsistence farming in Northern Cape Gauteng also decreased from (284 000) to (18 000) between the two quarters. The number of people involved in subsistence farming in Gauteng increased from (25 000) to (39 000) during the same period, while the number of people involved in subsistence farming in both Western Cape and North West remained flat at (5 000) and (41 000) respectively between the two quarters.

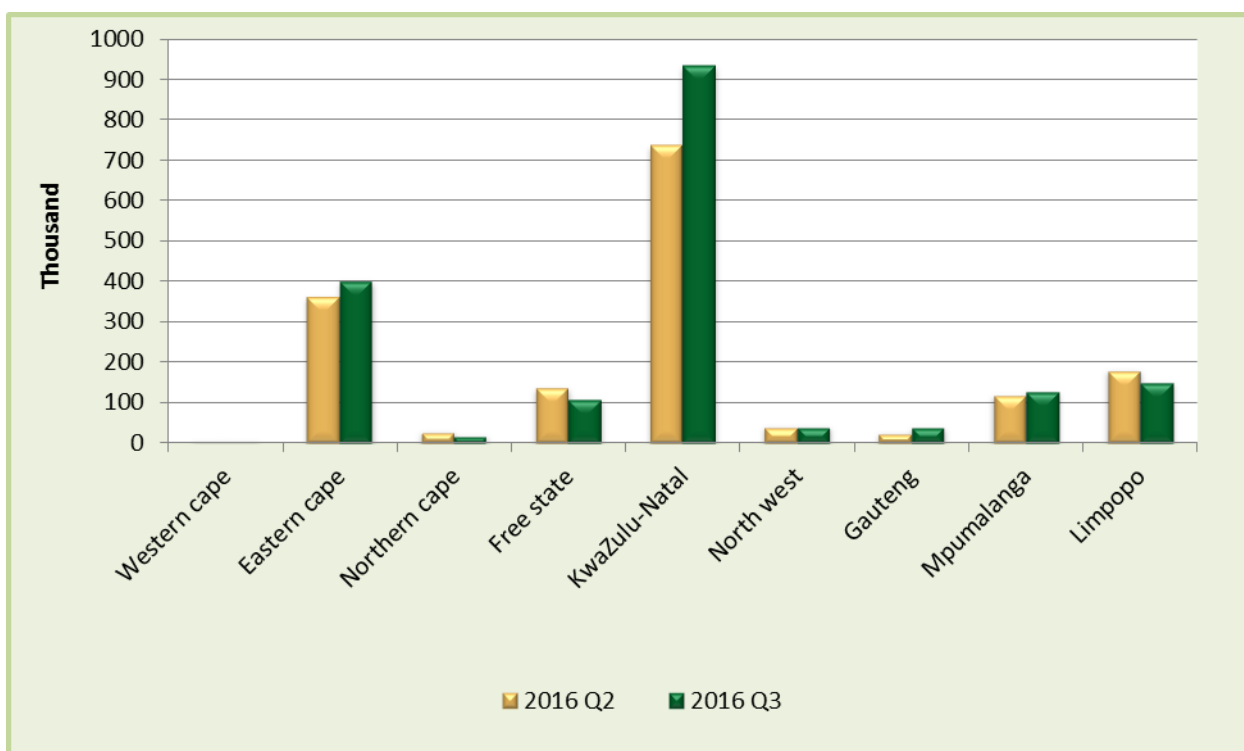


Figure 11: Provincial number of people involved in subsistence farming between the second quarter of 2016 and third quarter of 2016.

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 R347.2 billion in the third quarter of 2016 compared to R326.6 billion in the previous quarter, an increase of 6.3%. Compared to a year ago the total expenditure on intermediate goods and services increased by 7.1% from R324.3 billion in the third quarter of 2015 to 347.2 billion in the third quarter of 2016.

Figure 12 shows comparison of the total expenditure on fuel, farm feeds, fertilizers, seeds and plants as well as farm services in the third quarter of 2016 compared to the previous quarter. The increase in total expenditure was attributed to the increase in expenditure on seeds and plants services (50.0) and fertilizer (18.2). While the expenditure on farm services decreased by 16.7% compared to the previous quarter.

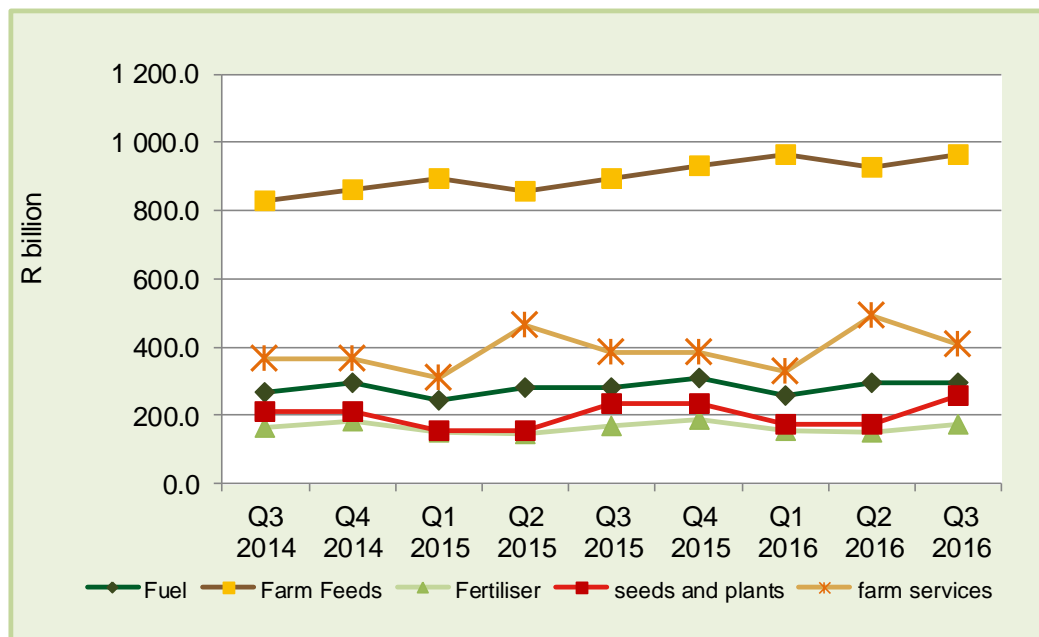


Figure 12: Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2014 and 2016.

Source: DAFF

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

The nominal real gross income from all agricultural products decrease from R74.4 billion in the second quarter of 2016 to R64.7 billion in the third quarter of 2016, a decrease of 11.7%. This was supported by a decrease of 32.9% and 9.2% in income from field crops and horticulture. Meanwhile, income from animal products increased from R28.59 in the second quarter of 2016 to R29.9 in the third quarter of 2016. The significant decrease in income from field crops is attributed to the decrease in income from chicory, soybeans, Lucerne seeds, cotton, wattle bark, oats, tobacco, groundnuts and dry beans which decreased by 100.0%, 97.5%, 95.7%, 94.4%, 88.9%, 76.2%, 72.1%, 70.7% and 69.9% respectively. Income from sunflower seeds, grain, sorghum, wheat, other field crops, barley and maize also decreased by 60.6%, 48.3%, 38.1%, 23.9%, 17.6% and 17.3% respectively. The decrease in income from field crops might be due to the effects of the drought. The income from horticulture decreased by 9.2% between the two quarters. During the same period, the decline in income from horticulture was due to a decrease in income from viticulture, dried fruit, tea, and subtropical fruit which decline by 67.6%, 39.2%, 31.0%, 25.3% respectively. Deciduous and other fruit also decreased by 44.2% while income from animal products increased by 5.0%, supported by an increase in income from sheep slaughtered and milk which increased by 26.4% and 18.4% respectively. Furthermore, real gross farm income from all agricultural products increased from R57.7 billion in the third quarter of 2015 to R65.7 billion reported in the same quarter of 2016, an increase of 13.9%. During this period, the increase was supported by an increase in income from field crops which increased significantly by 46.4%, while animal products and horticulture increased by 8.9% and 1.5% respectively.

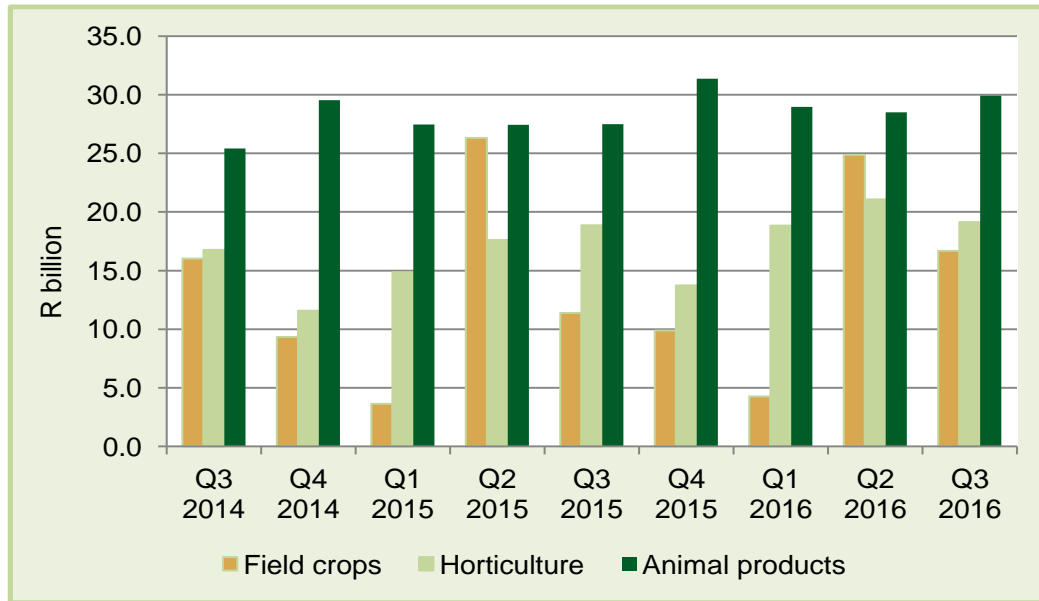


Figure 13: Trends in nominal gross farm income between 2014 and 2016

Source: DAFF

Figure 14 illustrate the net farm income trends between 2015 and 2016. The net farm income is estimated at R23.5 billion in the third quarter of 2016 compared to R17.8 billion in the same quarter of 2015, an increase of 31.9%. The increase in net farm income was largely supported by an increase in income from field crops which increased significantly by 46.4%, while animal products and horticulture also increased by 8.9% and 1.5% respectively.

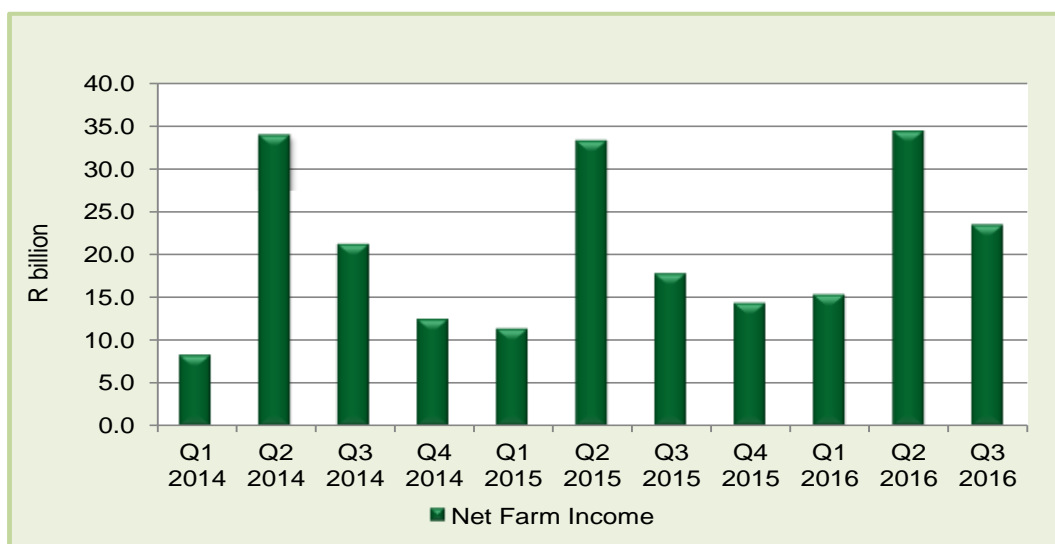


Figure 14: Trends in the net farm income between 2014 and 2016.

Source: DAFF

2.6 Private consumption expenditure on agricultural products

Private consumption expenditure on food increased in the third quarter of 2016 to R137.8 billion from R135.4 billion in the previous quarter, a slight increase of 1.8%. Compared to a year ago, total private consumption expenditure on food increased to R137.8 billion reported in the third quarter of 2016 compared to R123.2 billion in same quarter of 2015, an increase of 11.9%. During the same period, the main expenditure items were bread and grain which increased by 24.5%. The expenditure on fruit and vegetables increase by 12.6% in the third quarter of 2016 compared to the same quarter of 2015. The expenditure on meat and potatoes also increased by 9.1% and 7.5% respectively during this period, see figure 15.

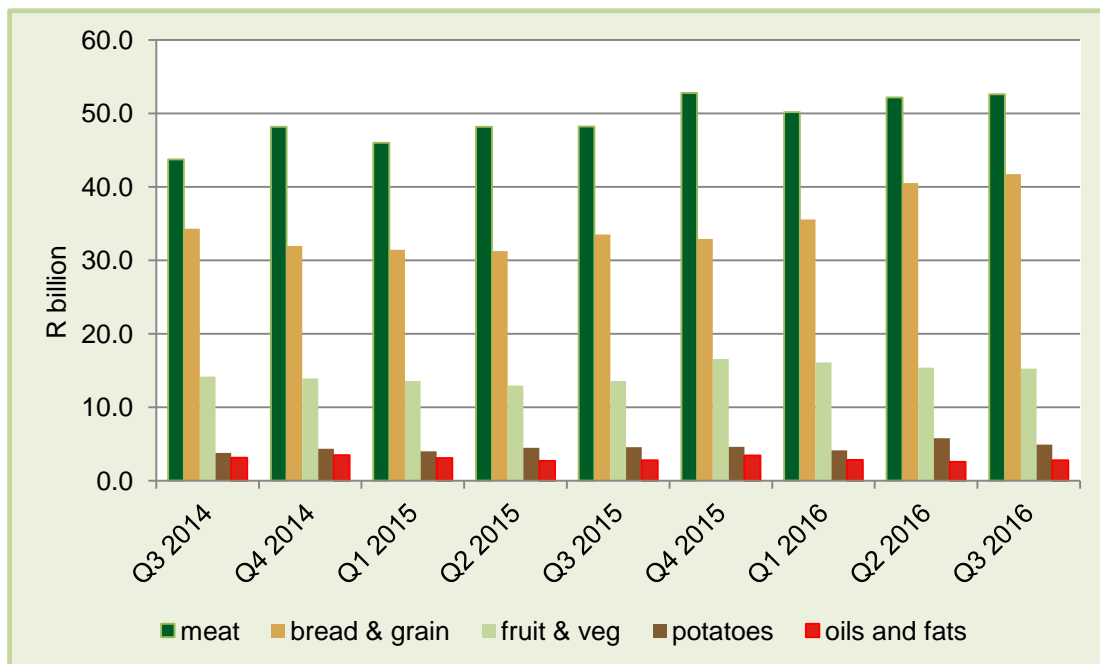


Figure 15: Trends in private consumption expenditure between 2014 and 2016.

Source: DAFF

3 Review of agricultural markets

3.1 Grains market review

3.1.1 White and yellow maize

Figure 16 illustrates the price trends of white and yellow maize, as well as the international maize prices. South Africa is a net exporter of white maize. On a normal season, it is expected for the white maize to trade between the import and export parity prices whereas the yellow maize is expected to trade below or at the import parity price. In the past four quarters of 2015, local white maize price was consistent, trading within the parity prices at an average price of R2997/ton. Due to drought, South Africa's white maize traded above import parity price at an average of R4926/ton in the first quarter and R4719 second quarter of 2016. The strengthening of the local maize price in first and second quarter of 2016 is attributed to concerns over stock shortages, short covering, rand weakness and technical buying. However, during the third quarter of 2016, white maize traded at 12% lower than the preceding quarter at R4171/ton.

The local yellow maize traded at import parity price in the 3rd quarter of 2016 at an average of R3192/ton which is 15% higher compared to the previous quarter. The price of yellow maize is likely to rise further in the fourth quarter of 2016 due to 900 000 tons that were booked for the Japan market as well as 106 200 tons booked for unknown destination from the USA.

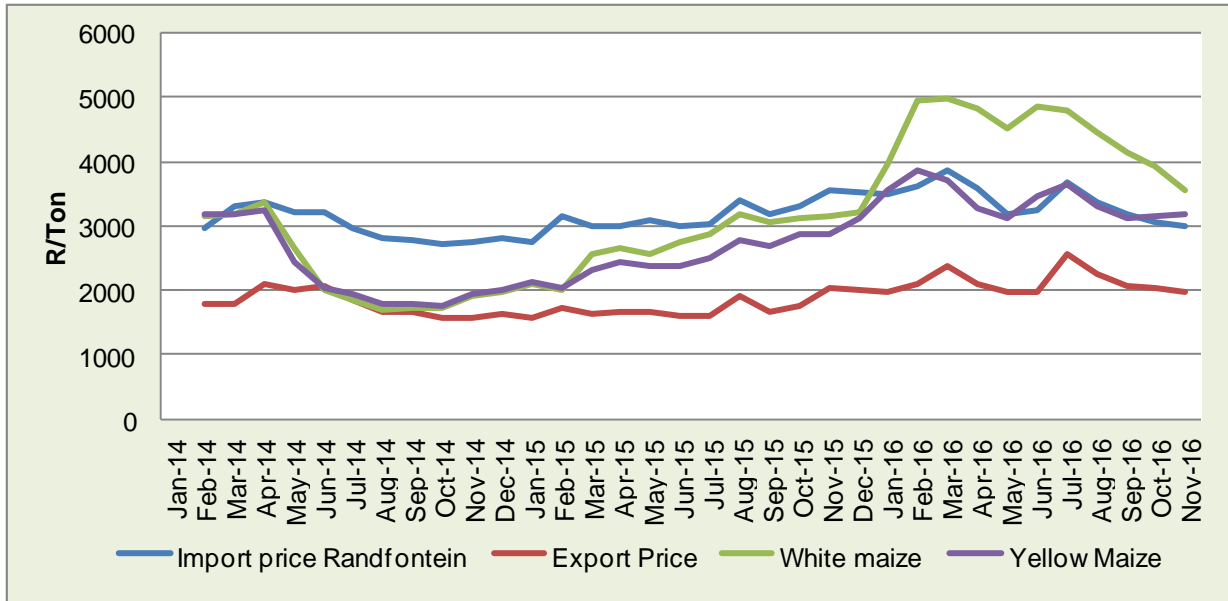


Figure 16: White maize price

Source: Sagis

Figure 17 shows the real prices against the maize seed prices. Since the beginning of march 2016, maize seed price has been declining but maize by-products prices have been increasing. On a quarterly basis, the price super maize 1kg, super maize 2.5kg, (super maize) mealie meal/maize flour 5kg, (special maize) mealie meal/maize flour 1kg and (special maize) mealie meal/maize flour 2.5kg increased by 4.5%, 6.2%, 3.8%, 5.2% and 3.8% respectively. The prices of super maize 1kg, super maize 2.5kg, (super maize) mealie meal/maize flour 5kg, (special maize) mealie meal/maize flour 1kg, (special maize) mealie meal/maize flour 2.5kg were 33%, 37.5%, 39.3%, 66% and 65.3% higher compared to the same period last year.

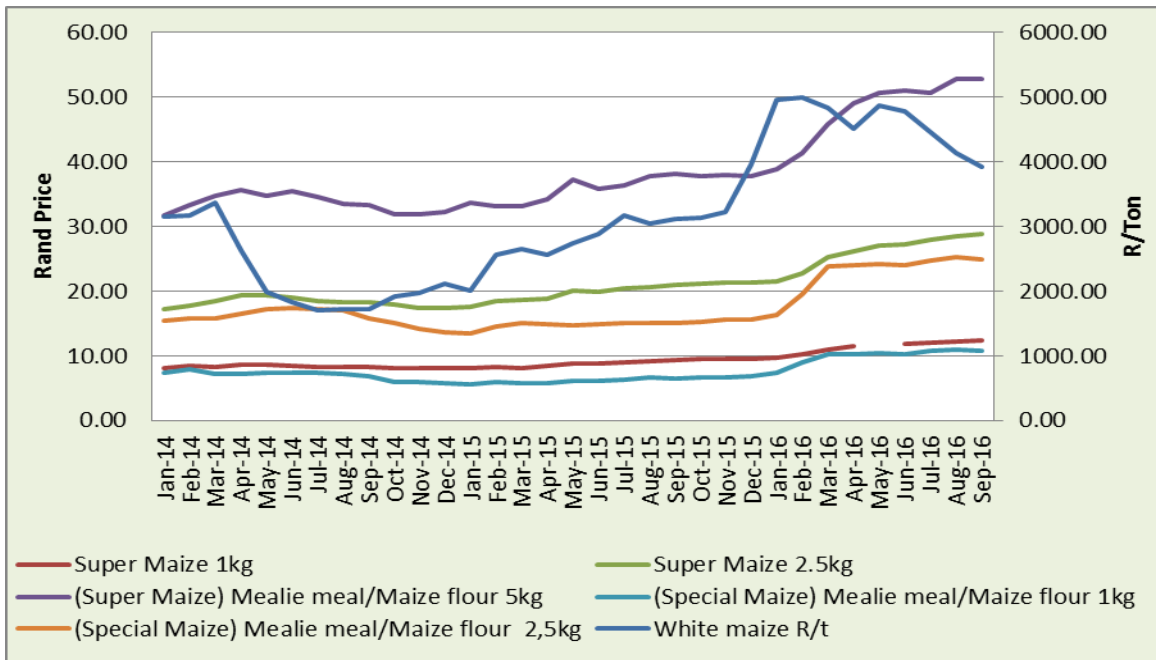


Figure 17: Retail prices vs white maize seed prices

Source: Safex/Stats SA

Figure 18 shows the supply and demand of white maize. Producer deliveries of white maize in quarter three of 2016 were estimated at 1.7 million tons which is 11% higher than it was in the same period of 2015. During the 2015/16 season, South Africa's imports of white maize were estimated at 72 531 tons. Due to drought, the National Agricultural Marketing Council (NAMC) projected imports of 850 000 tons in 2016/17 season which will cost the country R2.8 billion. Local demand and exports of white maize have declined by 3% and 19% during the third quarter of 2016 respectively while exports were 12% higher compared to the same period last year. The decision by producers to plant 43.4% more hectares in 2017 season will result in favourable white maize prices for consumers in the next season.

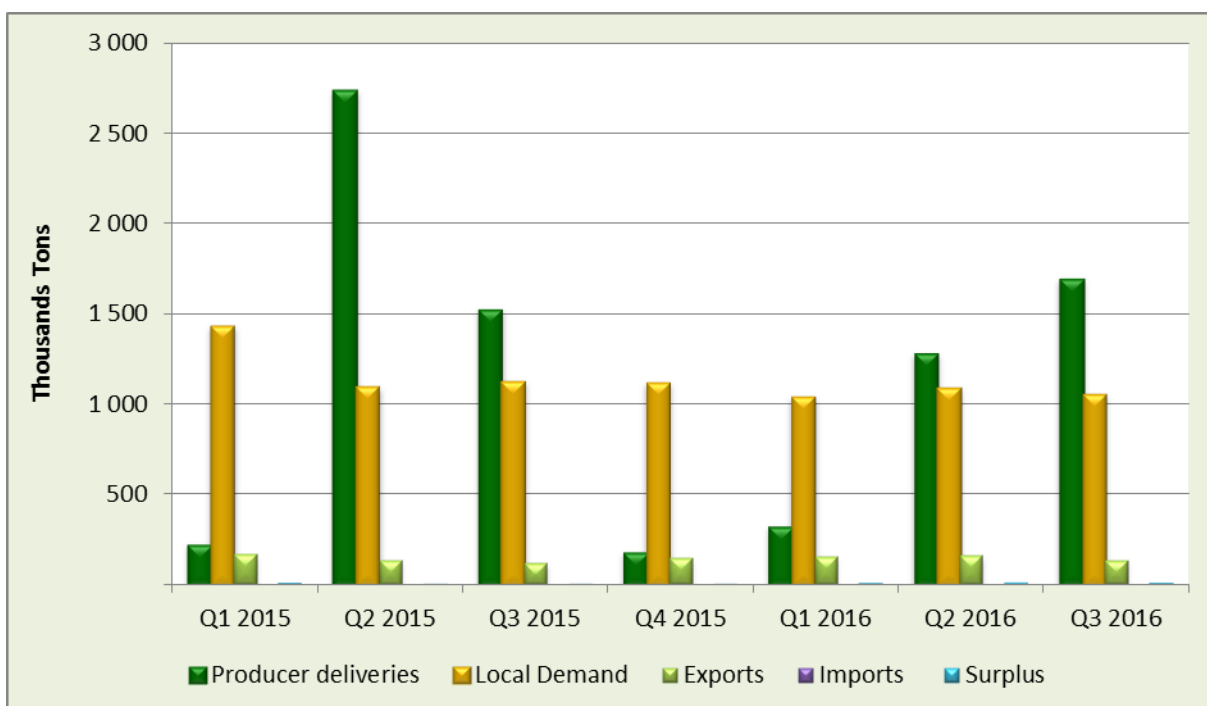


Figure 18: Supply and demand of white maize.

Source: Sagis

Figure 19 shows the supply and demand of yellow maize. Yellow maize deliveries in the third quarter of 2016 increased by 9.7% compared to third quarter of 2015. Imports of yellow maize increased by 47.9% in the third quarter compared to third quarter of 2015. The CEC indicate that producers intent to plant 1,455 million hectares in the next season which is 76 000 hectares (8.2%) more than the previous season. Favourable weather condition coupled with more hectares for planting will most likely result in a decline in the local yellow maize prices in the next season.

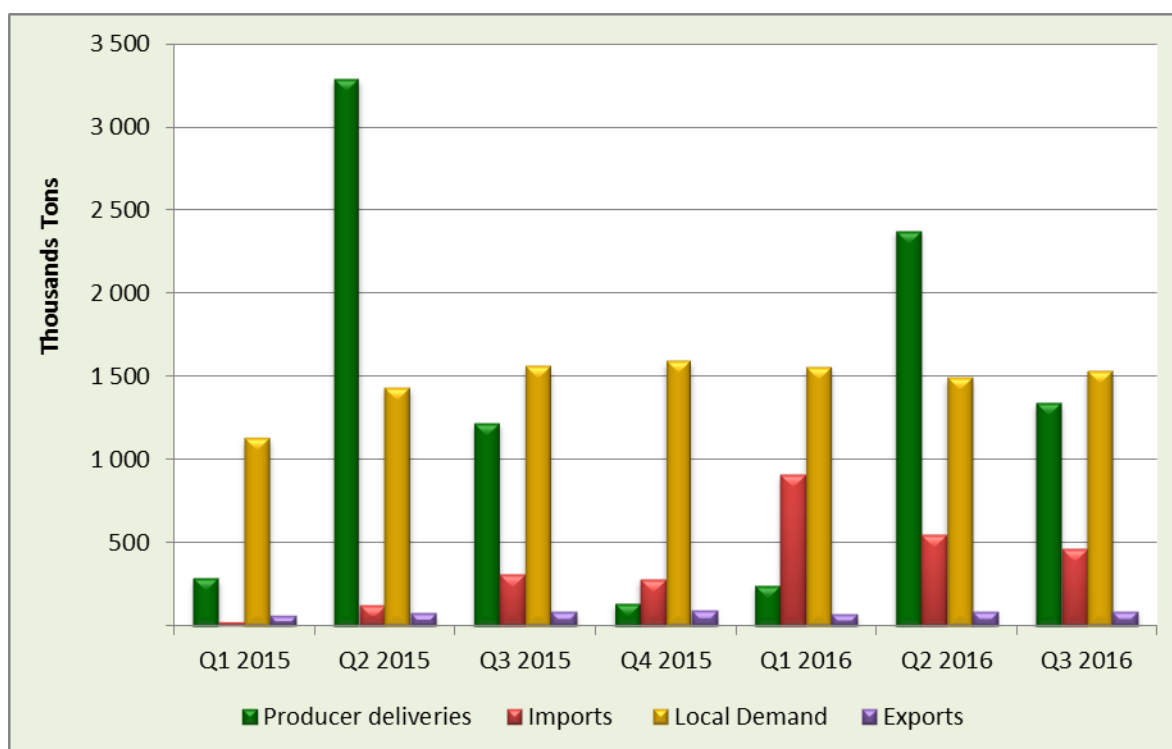


Figure 19: Supply and demand of yellow maize

Source: Sagis

3.1.2 Wheat

During the third quarter of 2016, there has been an improvement in crop projections and plentiful export availabilities which contributed to further declines in international prices for some crops including wheat. According to USDA (2016), global production of wheat in 2016/17 raised to a new record, with larger crops in Australia Brazil, Canada, India, and Kazakhstan more than offset lower production in China and the EU. Australia increased their exports by 1.0 million tons to 19.5 million based on a larger crop, with Brazil up by 500,000 tons to 1.5 million on a larger crop; while EU dropped by 1.0 million tons to 26.0 million on significant reduction in the German crop.

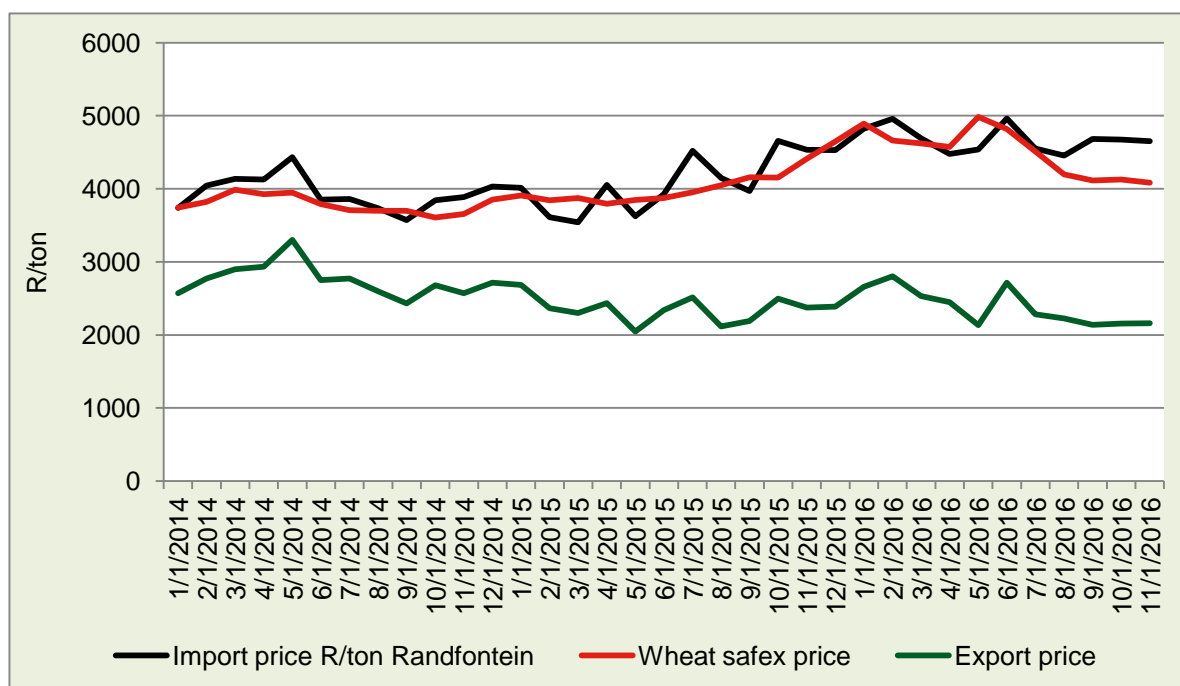


Figure 20: local Wheat price and World Price of wheat

Source: Sagis/Safex

Figure 20 presents the wheat safex prices, exports price and import price seen from 1 January 2014 to the 1st of November 2016. In the third quarter of 2016, South Africa’s import wheat tariff increased by 30%, from the level of R1 224.31per ton to a record high of R 1 591.40 per ton. The increase in tariff was in response to the decline in international wheat prices and weakening of the rand against US dollar. However an increase in import tariff provides certain level of protection for the domestic wheat industry, while on the other hand it also encourages farmers to continue with wheat production, even though it is burdening consumers through increased prices. On monthly rate average, the price of wheat in the third quarter of 2016 increased by 5.5% compared to third quarter of 2015; leading to an increase in prices for both white and brown bread, cake and bread flour. When comparing third quarter of 2015 with third quarter of 2016; the price of bread rose by 10.8% and 13.3% for both 10 grams of (white and brown bread); that is from R 11.94 to R13.23 bread white and brown respectively. Cake and bread flour prices also increased by 0.4% and 9.8% respectively as shown graphically on figure 21 below.

Figure 21 shows retail bread price versus wheat import price, both in the third quarter of 2015 and the third quarter of 2016, the SA safex price has been trading below the import price (Randfontein), with the rand being volatile.

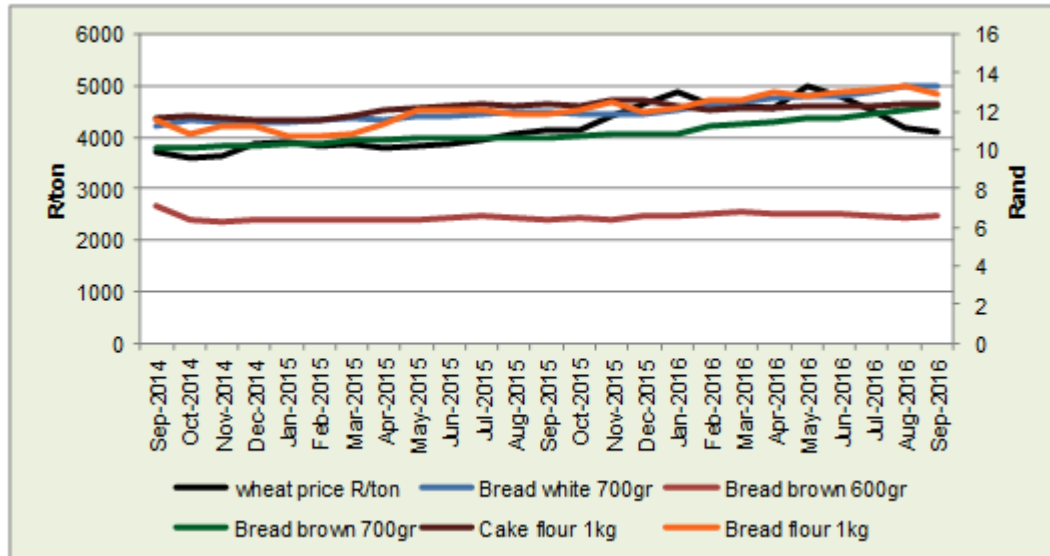


Figure 21: Retail bread price vs Wheat Imports Price (Randfontein)

Source: Safex & Stats SA

The producer deliveries of wheat in third quarter of 2016 declined by 19 442 tons compared to the same quarter in 2015, which presents 32% down fall on wheat deliveries as shown in figure 22. South African wheat imports in quarter three of 2016 indicated that 101 691 tons of wheat was imported compared to 2015 same quarter. From the graph above we see that SA wheat exports declined by 81% in third quarter of 2016 compared to third quarter of 2015, whereas local demands has seen a slight increase of 2% in 2016 third quarter as compared to the same quarter in 2015.

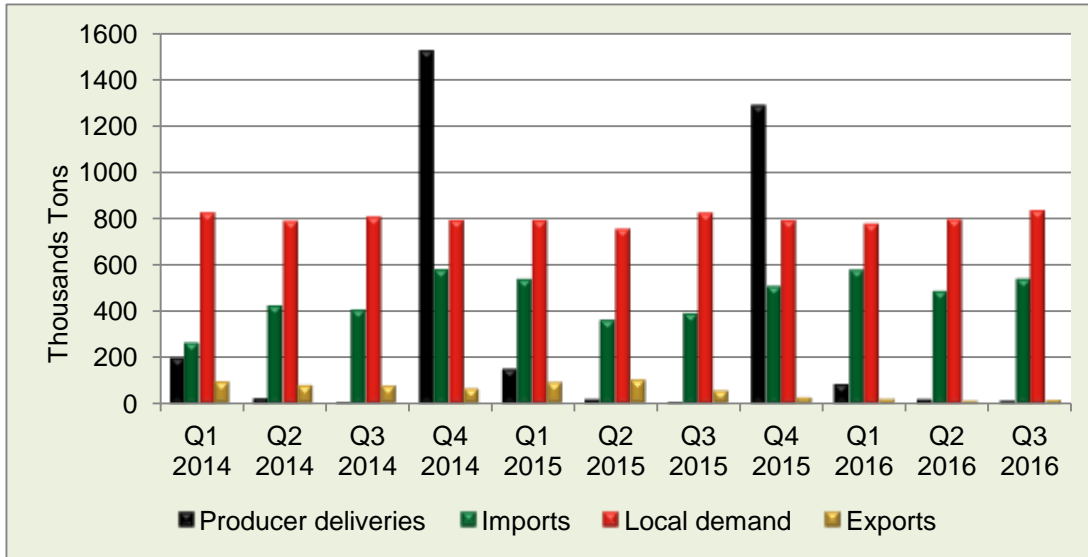


Figure 22: Wheat deliveries and use

Source: Sagis/Safex

3.1.3 Soybeans

The price of soybeans in the 3rd quarter of 2016 was 31% higher than it was in the same period in 2015, as a result of amongst others; solid local demand, stock shortages etc. The soybeans import price was 15% higher during the quarter due to the higher international prices during the quarter, increased discharging costs at the Durban port. Toward the end of June the price of soybeans started coming down mainly due to the Crop Estimates Committee increasing production by 21 600 tons in Mpumalanga; lower International prices and the stronger rand. South Africa is not competitive in soybeans production and the price always trades above the export parity price.



Figure 23: Soybeans local price vs Import Price

Source: Safex/Sagis/USDA/World Bank

Table 1 shows Soya bean projections trend for the 2016 season. During the 3rd quarter of 2016 the Crop Estimates production indicated that the final crop for 2016 for soybeans is expected to be 30% below their previous estimate. Local consumption is expected to average 1 042 500 tons. Despite the 2% increase compared to the previous quarter estimate; consumption will still be 11% lower than the previous year consumption totals. Imports are expected to be the same to the estimate in the previous quarter, which will be 140% from 124 981 tons in 2015 to 300 000 tons in 2016.

Table 1: Soya bean projections trend

	2010	2011	2012	2013	2014	2015	2016
Beginning Stock	56000	46200	225800	68639	61806	63704	43092.35
Total Production	566000	710000	650000	784500	948000	1 070 000	750 250
ZAF Imports	2355.207	1538.59	975.586	4487.976	103704.5	124981	300000
TOTAL SUPPLY	624355.21	757738.6	876775.6	857627	1113510	1294296	1324882
Soya beans Processed	406900	451300	615272	742104	1005548	1134110	1010000
-Food Use	31000	31000	25913	24860	25319	24323	25000
-animal feed (full fat soya)	191800	150200	137407	155654	118598	121763	105000
-crush (oil/oilcake)	184100	270100	451952	561590	861631	988024	880000
Local Consumption	421100	466100	629572	755024	1019861	1146006	1023425
Exports	121700	47200	152616	15390	576	4677	4500
PC Food Consumption	0.0006025	0.000597	0.000495	0.000471	0.000476	0.000483	0.000483
Closing Stock	46200	225800	68882	61806	63704	43092.35	48018.75
Total Demand	542800	513300	782188	770414	1020437	1150683	1027925

Source: DAFF/ NAMC/Sagis

3.1.4 Sunflower

The price of sunflower seed has increased by 13% during the third quarter of 2016 (Q3) as compared to the same period last year, which is 6.5% lower than it was in the previous quarter of 2016 (Q2). The local sunflower seed price in the third quarter of 2016 (Q3) traded at 5.6% lower than the import price, compared to trading at 9.1% below the import price in the second quarter of 2016 (Q2). The prices of sunflower oil 2L and 750ml in the third quarter of 2016 (Q3) are 34% and 24% higher than they were as compared to the same period in 2015 and the price of sunflower oil 20L declined by 1.1% and sunflower 750ml increased by 0.5 as compared to the previous quarter in 2016 (Q2)see figure 24.

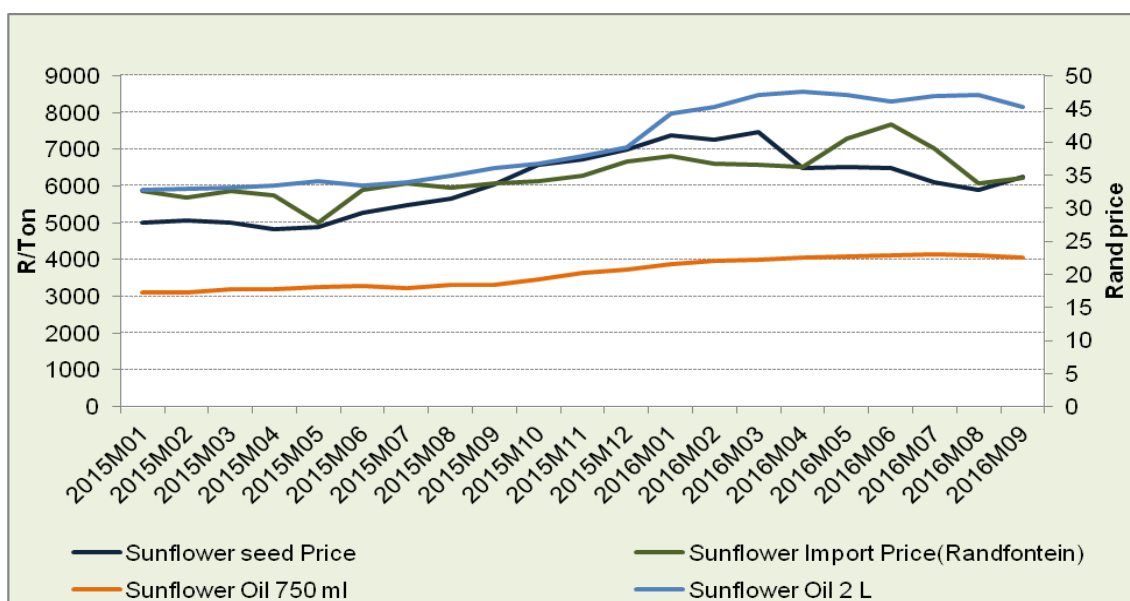


Figure 24: Sunflower local seed; import price (Randfontein) and Sunflower retail price

Source: Safex, USDA; Sagis and Own calculations

Table 2: Sunflower Production and Use

	2010	2011	2012	2013	2014	2015	2016
Production	490000	860000	522000	557000	832000	663000	742 750
Imports	62400	10800	11737	94475	63180	36064	45000
Total Supply	552400	870800	533737	651475	895180	699064	787750
Local Consumption	680000	790700	579178	675507	856434	756434	761150
Exports	100	0	27	8	48	256	100
Ending Stocks	18800	109000	81268	47116	92927	45867	77367

Source: DAFF/ NAMC/Sagis

Table 2 shows the latest estimates by the Crop Estimates Committee as well as the projections for sunflower use in 2016. Imports are expected to increase by 25% to 45 000 as result of the lower crop produced in 2015. Local consumption is expected to be 0.6% higher than in 2015.

Producer deliveries in the third quarter of 2016 declined by 59% as compared to the previous quarter of 2016 (Q2), while imports continue to decrease further with greater margin of 90% in the same quarter. Local sunflower consumption in the third quarter of 2016 was 46% higher than it was in the previous quarter of 2016 (Q2). Imports are expected to decline by 37% to 1 643 tons as a result of lower crop production in the third quarter of 2016 (Q3) as compared to third quarter 2015 (Q3). Local consumption in the third quarter of 2016 (Q3) is expected to be 14% lower than it was in the same quarter of 2015 (Q3).

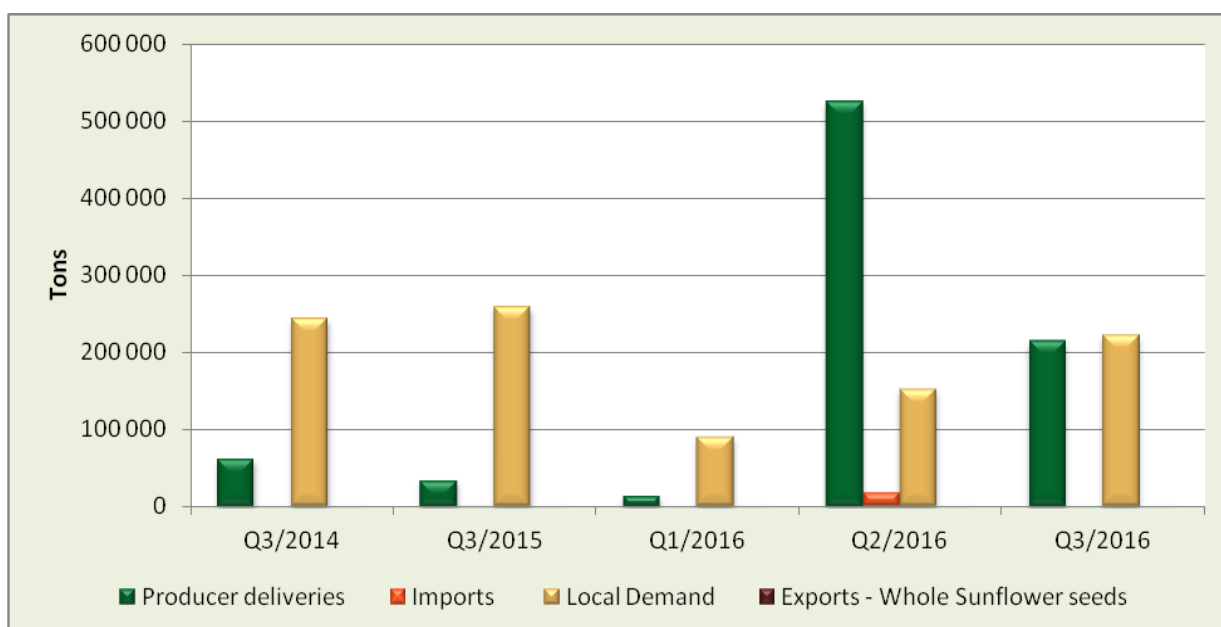


Figure 25: Sunflower deliveries

Source: Sagis

3.1.5 Sorghum

The price of Sorghum declined further in the 3rd quarter after record highs experienced earlier during the year. In the 3rd quarter of 2016, the price of sorghum came down by 3% compared to the 2nd quarter figure. Nevertheless, the price is still 17% higher than the same period in 2015, see figure 26.

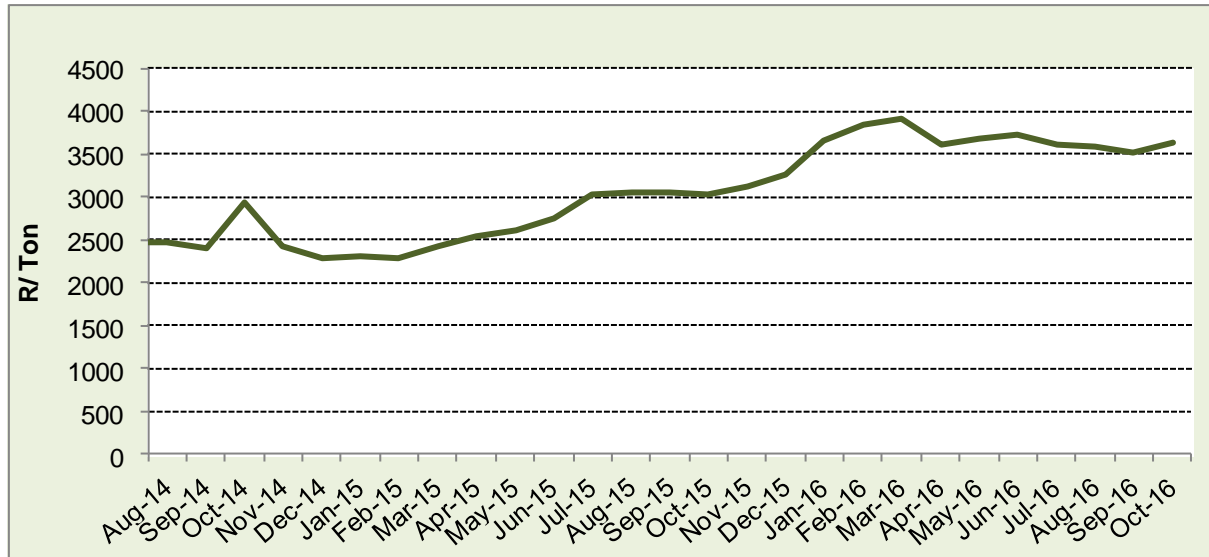


Figure 26: Sorghum prices

Source: Safex

The estimation by the Crop Estimates Committee estimates the final sorghum crop to be 9.6% higher than their previous estimates in the 2nd Quarter of 2016. The final crop for estimation in the 3rd quarter of 2016 is estimated to be 38.5% lower than it was in 2015. Local consumption has been upward adjusted by 4% to 178 400 tons in the quarter compared to the previous quarter estimates. Compared to the previous year consumption is expected to be 7% higher. The ending stock is expected to be 45% lower compared to 2015 due to the crop shortages, see Table 3.

Table 3: Production & use table

	2010	2011	2012	2013	2014	2015	2016
Production	196500	155000	135500	147200	265000	120500	82000
Imports	0	57800	54800	50033	8725	34316	40000
Total Supply	196500	212800	190300	197233	273725	154816	122000
Local Consumption	206900	203500	175000	178890	167342	165532	171600
Exports	28300	24800	19000	19550	26169	29039	20000
Ending Stocks	73400	62500	56000	50069	121812	83142	16042

Source: DAFF/ NAMC/Sagis

3.1.6 Groundnuts

The groundnut (peanuts) industry performed poorly in 2016 on account of erratic production due to the drought and price competition internationally. According to Grain SA, the cost of labour and the slow pace of seed development also contributed to the industry's decline. Furthermore, during the 2014/15 season, groundnut producer prices traded below R 8000/ton, see figure 27.

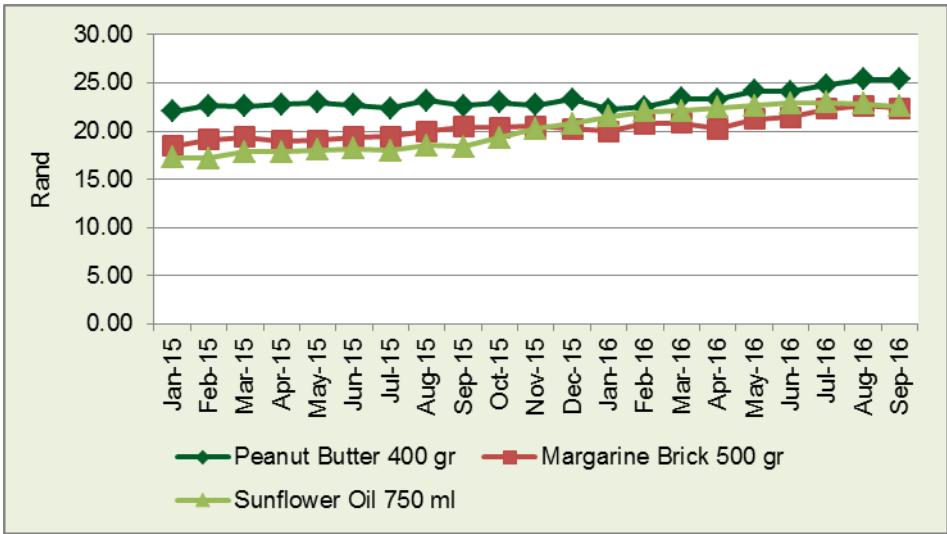


Figure 27 shows retail prices of oilseed products between January 2015 and September 2016.

Source: Stats SA

The market for peanut butter has maintained a relatively stable consumption trend overtime. The retail price for peanut butter 400 gram traded at R25.36 in September 2016, 14% higher than it was in January 2016 and 9% higher than it was in December 2015. The rise in peanut butter prices is as a result of 18 850 tons harvested this season which was three times lower than the 2014/15 crop and the drop in the production area that dropped to 22 600 hectares, see figure 27.

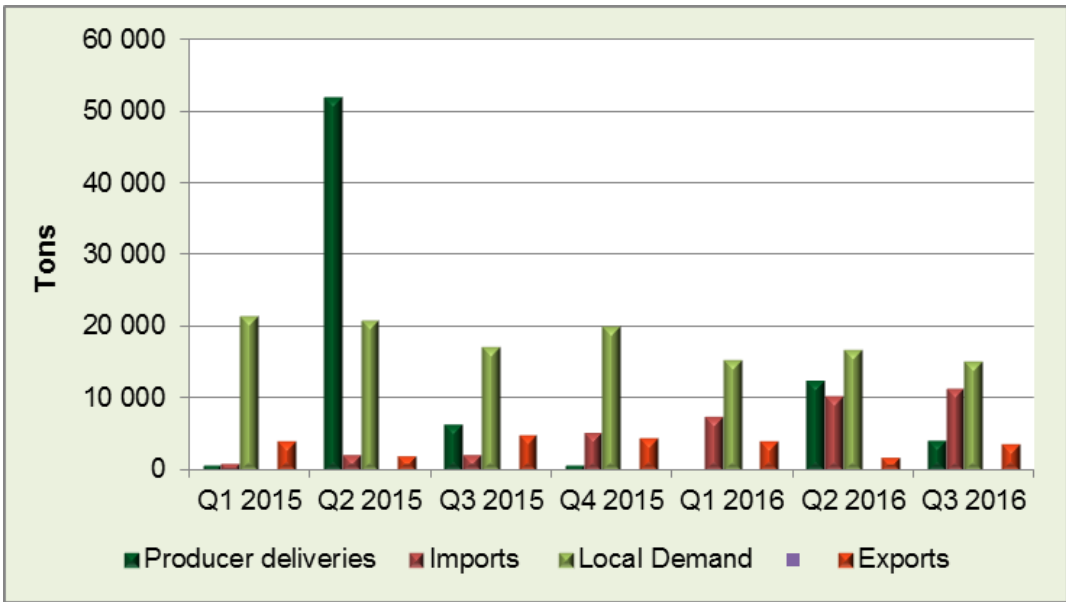


Figure 28: Supply and demand of Groundnuts

Source: Stats SA

The South African edible groundnut consumption decreased between the first quarter of 2015 and the third quarter of 2016. Local demand coupled with producer deliveries of groundnuts have also been decreasing over the same period. Exports have not been consistent due to erratic domestic production coupled with international competition. Instead, there has been an increase in the imports of groundnuts from 2 329 tons in the third quarter of 2015 to 11 470 tons in the third quarter of 2016. Moreover, the South African groundnut industry has not performed well internationally due to price competition and erratic production.

According to international standards, international buyers prefer consistent suppliers, highlighting the need for investment in the local groundnut industry and also investing towards higher yielding cultivars which will result in the ability of producers to take advantage of the international demand for groundnuts. Furthermore, higher yields per hectare can allow for more affordable domestic prices in the edible market, see figure 28.

3.1.7 Dry beans

South Africa is mainly dependent on imports for dry beans. Supply of Dry beans decreased by 30%, from 149 000 tons in 2015 to 105 000 tons in 2016. The decrease was due to a 52% decrease in production and a 10% decrease in imports. However, exports rose by 100% from 3 000 tons in 2015 to 6 000 tons in 2016. Between 2005 and 2016 40% to 60% of all dry beans were imported making RSA very dependent on global markets. RSA import prices are determined by the import parity prices of China, see figure 30.



Figure 30: Dry bean production, imports and exports

Source: Sagis

3.2 Fruit and vegetable market review

As uncertainty around the weather continues, South Africa is transitioning into a La Niña with a high probability of above normal rainfall. While some parts of the country are experiencing some rain, South Africa in its entirety is receiving below average rainfall compared to previous seasons. Most rivers are not flowing normally while dam levels, though showing some slight recovery, are still at their lowest levels compared to previous seasons.

Should weather forecasts remain on course, the country can expect agricultural production to bounce back mid-2017 which could lead to a good 2016/17 crop season and significant moderation in food prices. Fruit and vegetable prices could also ease towards the end of the year as conditions improve.

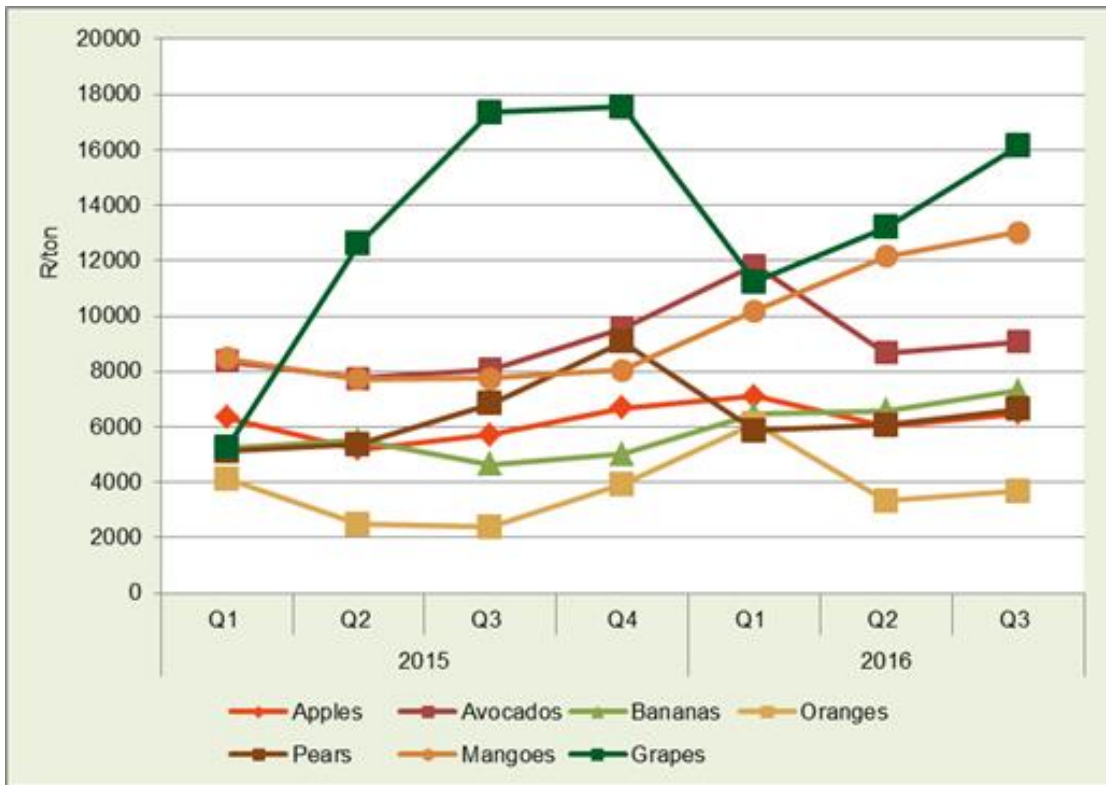


Figure 31: Average price trends of various fruits traded at Fresh Produce Markets (FPMs)
Source: Daff

Between the third quarter of 2015 and the third quarter of 2016, the average prices of apples, avocados, bananas, oranges and mangoes increased by 13%, 12%, 57%, 54% and 68% respectively due to a decline in agricultural production impacted by the drought. Pear and grape average prices decreased by 3% and 7% respectively as the effects of the drought were offset by higher plantings, see figure 31.

Figure 32 shows quantities of a number of fruits traded through the FPMs between the third quarter of 2015 and the third quarter of 2016.

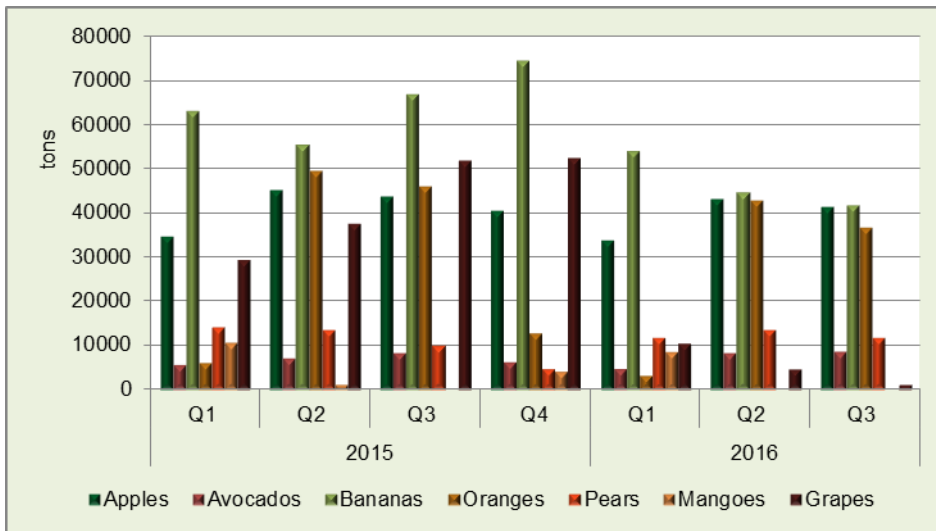


Figure 32: Quantities of various fruits traded at Fresh Produce Markets (FPMs)

Source: Daff

Supplies of fruits have been inconsistent with less fruits available across fresh produce markets due to insufficient rains and water restrictions. Supplies of apples, bananas, oranges and mangoes decreased by 5%, 37%, 20% and 62% respectively between the third of 2015 and the third quarter of 2016 while avocado, pear and grape supplies increased by 3%, 19% and 15% respectively during the same period, see figure 32. Meanwhile, rainfall outlook remains good for agriculture as it presents a conducive opportunity for farmers to maximise on production.

South Africa produces a variety of vegetables with carrots, onions, potatoes, tomatoes and cabbage being major vegetables produced locally. Supply and demand influence prices as bulk of the produce is sold on fresh produce markets.

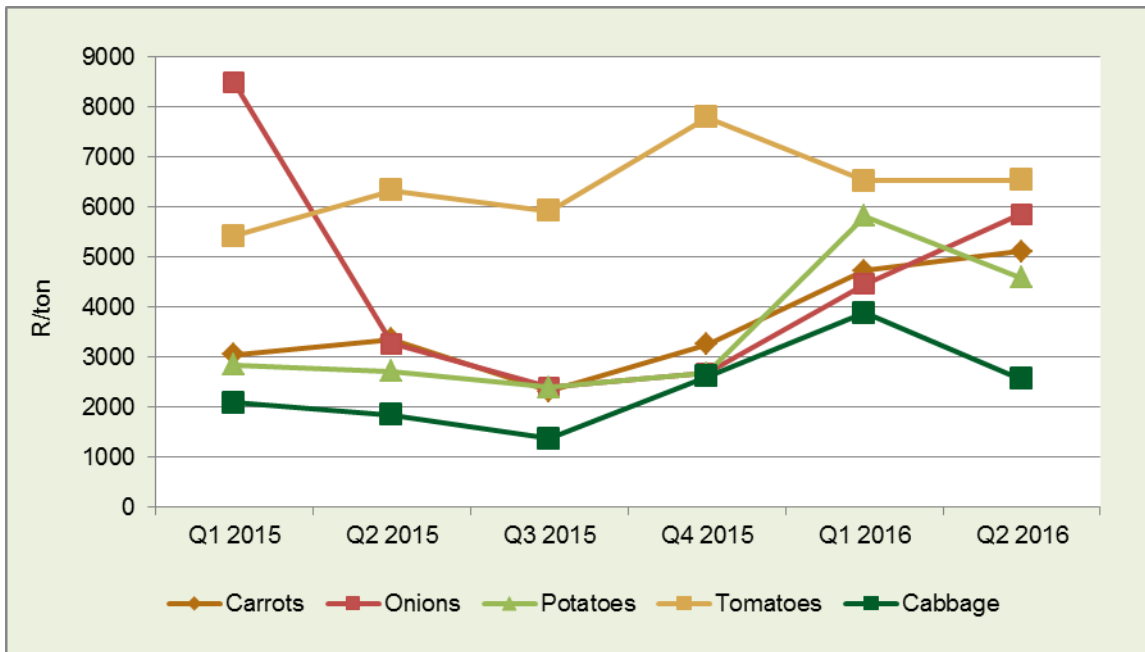


Figure 33: Average price trends of various vegetables traded at Fresh Produce Markets (FPMs)

Source: Daff

Between the third quarter of 2015 and the third quarter of 2016, the average prices of carrots, onions, potatoes, and cabbage decreased by 57%, 37%, 10% and 77% respectively, across all fresh produce markets while tomato prices increased by 96%, see figure 33. Improved weather conditions bode well for production following months of dryness due to the drought. The medium term price outlook is slightly bearish given expected increase in vegetables supplies.

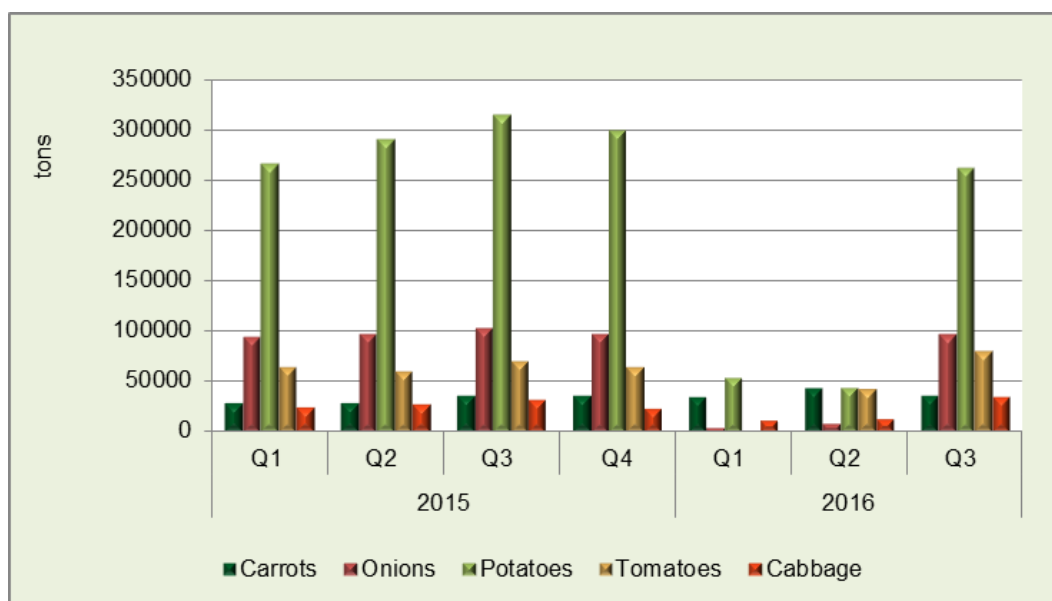


Figure 34 Quantities of various vegetables traded at Fresh Produce Markets (FPMs)

Source: Daff

Between the third quarter of 2015 and the third quarter of 2016, quantities of carrots, tomatoes and cabbage increased by 1%, 15%, and 8% respectively, while quantities of onions and potatoes decreased by 6% and 17% respectively in the third quarter of 2016, see figure 34. Volumes of carrots, tomatoes and cabbage increased in the third quarter of 2016 compared to the third quarter of 2015 due to improved production on account of favourable weather conditions.

3.3 Meat industry review

According to the OECD-FAO Outlook projections, globally, meat consumption is expected to continue to grow through the next decade, with poultry being the first as it is the cheapest and most accessible meat. After a fall in global meat trade in 2015, meat trade is forecast to recover in 2016 by 2.8%. Global meat production is expected to expand in 2016 among major traders, as cattle supplies increase in the United States and South America. In countries like United States, Brazil, Russian Federation etc, production will rise due to robust export demand. However, in some other countries like South Africa and Australia, production is expected to fall by a significant margin as drought-stricken pastures are still recovering.

Figure 35 represents total number of beef slaughtered and the Price, the number of beef slaughtered has been volatile, with fourth quarter of 2015 showing higher numbers slaughtered; following severe drought conditions in 2015, as many farmers opt to reduce their herd to reduce costs. In the third quarter of 2016, the number of beef slaughtered increased by 2.4% compared to the same quarter in 2015.

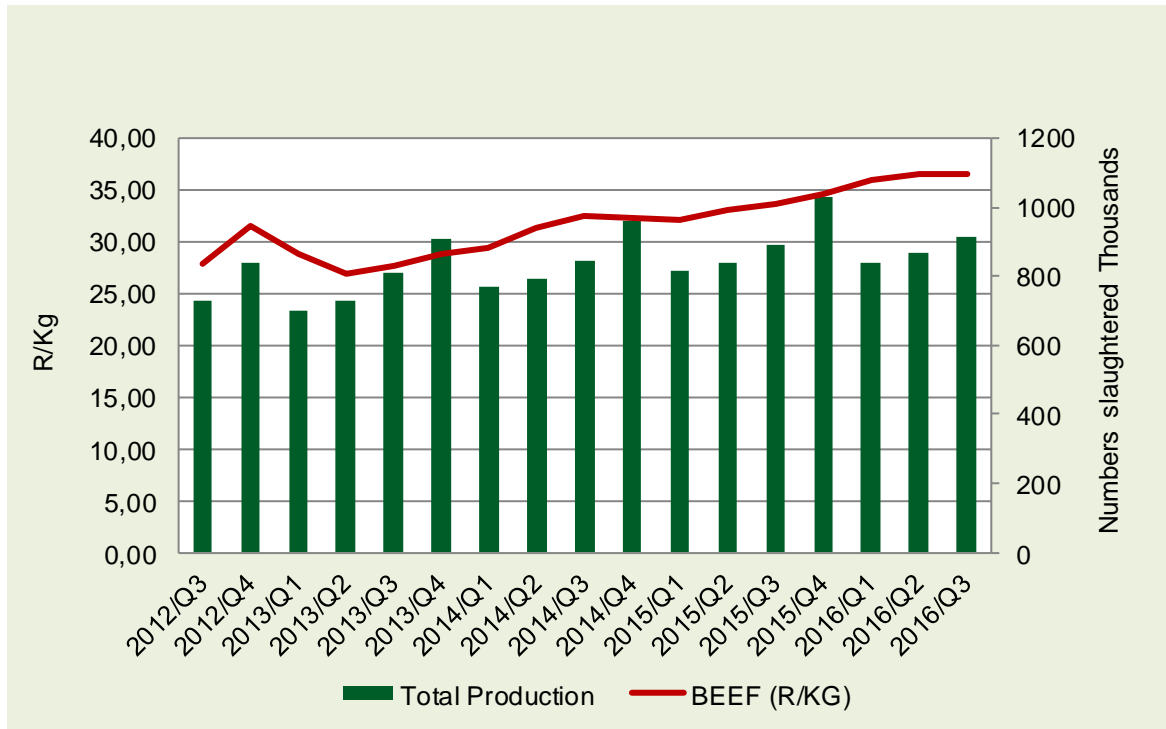


Figure 35: Beef production and price data

Source: DAFF

3.4 Poultry industry review

Poultry Production: Poultry production has increased by 3.8% in the 3rd quarter compared to the previous quarter and it is 2.4% higher than it was in the same quarter of 2015 (Figure 36). The price of poultry as displayed on figure 40 was 5.5% and 1.1% lower respectively during the same periods, although the price of feed continues to rise.

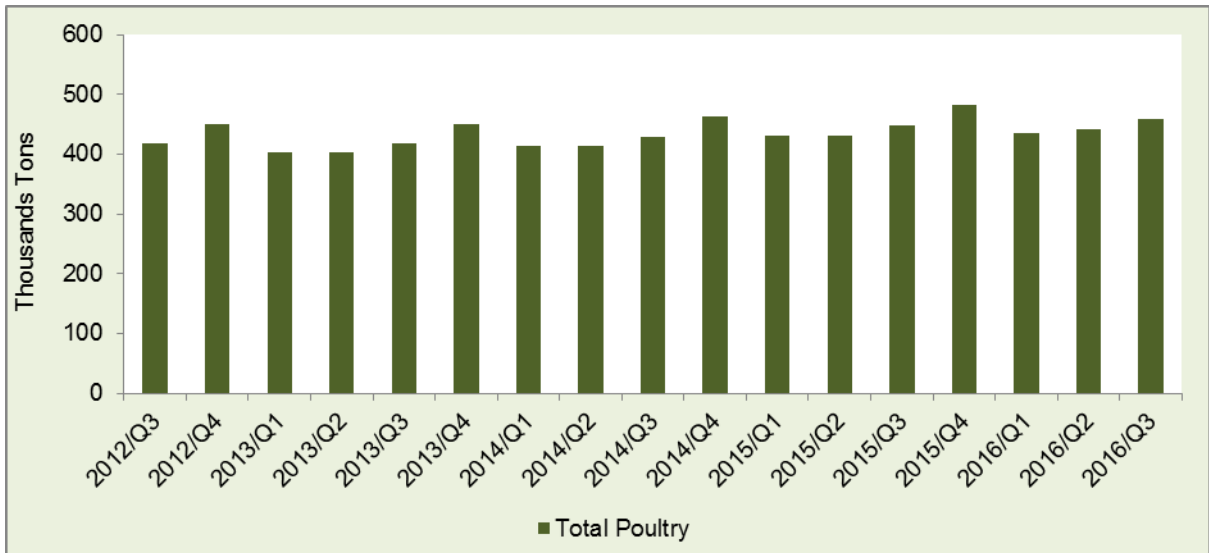


Figure 36: Poultry Production

Source: DAFF

The price of yellow maize, soybeans and sunflower as representation of feed costs in the poultry industry were 41%; 46% and 29% higher in the 2nd quarter of 2016 (figure 37). Although in the 3rd quarter of 2016, the price of grains came down but they are still higher than they were last year the same time. In the 3rd quarter of 2016, the price of yellow maize, sunflower and soybeans were 15%; 31% and 6% higher than they were in the 3rd quarter of 2015. This highlights the sharp rise in feed costs relatively to the 5.5% decline in poultry prices. This highlights the squeeze in margin faced by the poultry sector. The sector is unable to raise its prices because of competition from cheaper US, EU imports, making it hard for local producers to compete.

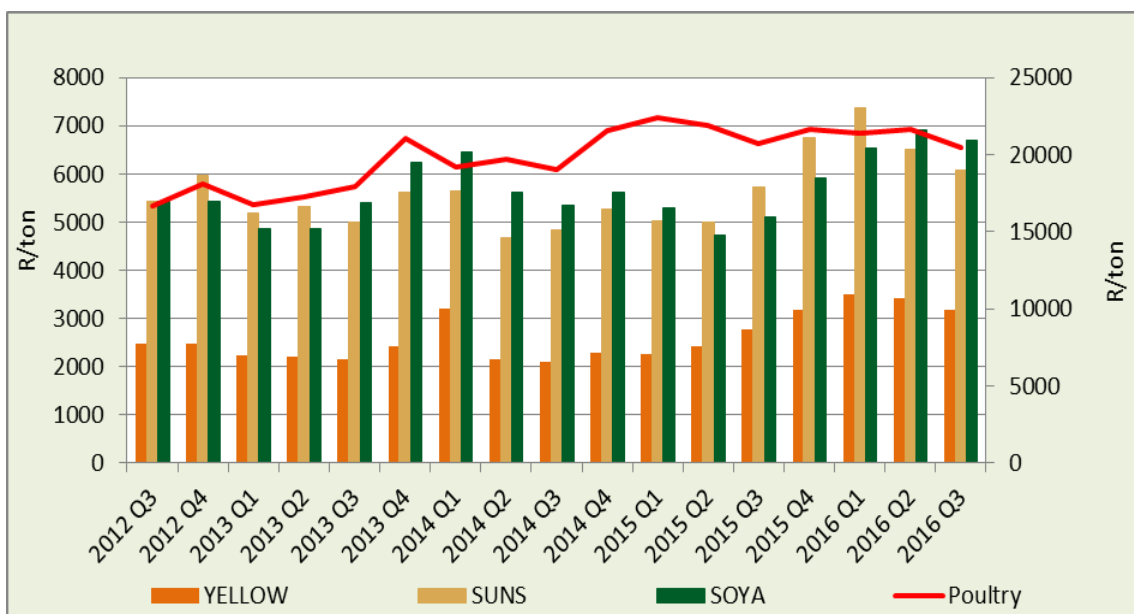


Figure 37: Poultry and Feed prices

Source: DAFF, Safex

3.5 Egg industry review

The local egg industry is facing a number of challenges including a volatile currency, increasing food inflation and constrained consumer spending while export demand remains weak. However, for the first time in many years, egg producers are in a stronger position to cope with these challenges than local broiler producers.

Notice: Egg production data was revised downward as a result of an enquiry by SA Poultry Association in which they stated that the estimates for egg production by subsistence farmer in their opinion were too high. DAFF has therefore accepted their viewpoint.

During the third quarter of 2016, the total production of eggs totalled 193,7 million dozens, a 0.6% decrease in production compared to 194,9 million dozens produced in the third quarter of 2015, see figure 38. When comparing the first quarter of 2016 with the second quarter of 2016, production of eggs increased by 0.5% while between the second quarter and the third quarter of 2016, production increased marginally, by

0.03%. Furthermore, local demand for eggs continued to remain weak in the third quarter of 2016 despite changing views on cholesterol and the increasing popularity of high protein/high fat diets which has fuelled a resurgence in the consumption of eggs elsewhere in the world.

The average price per dozen of eggs increased by 1.8%, from R 11.72 per dozen to R11.93 per dozen between the third quarter of 2015 and the third quarter of 2016. Between the first quarter and the second quarter of 2016, the average price per dozen of eggs increased by 1.8% while between the second and the third quarter of 2016, the average price per dozen of eggs increased by 0.4%. In the meantime, there seems to be dark clouds hanging over the local poultry industry which may at some point spill over to the local egg industry, see figure 38..

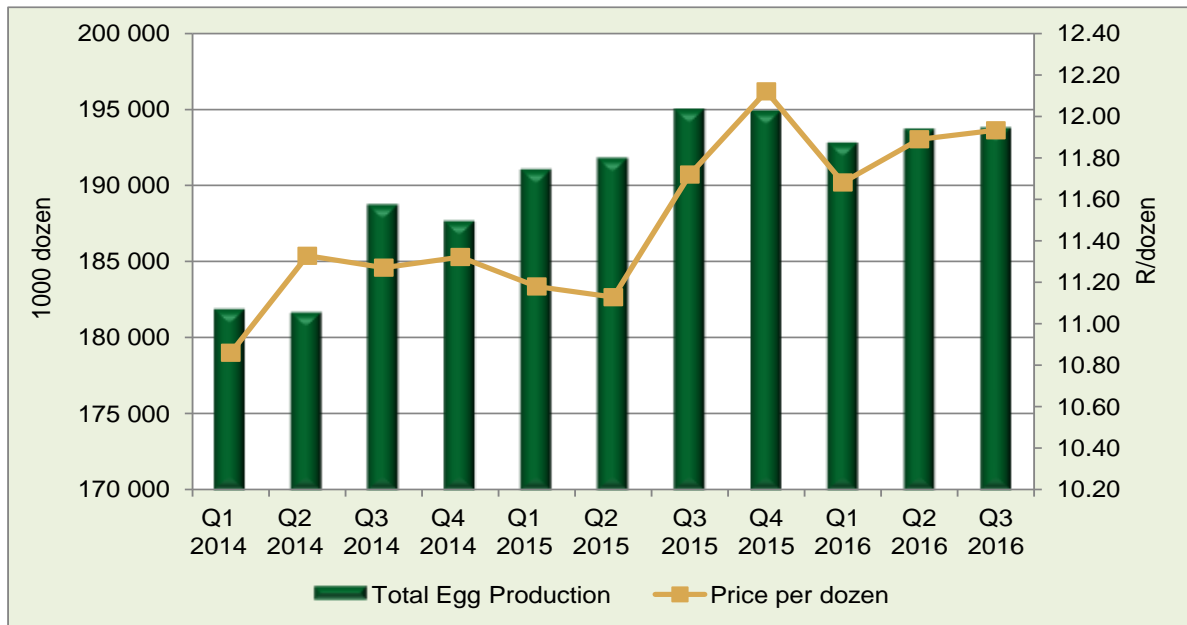


Figure 38: Trends in total egg production and average price per dozen of eggs.

Source: DAFF

During the third quarter of 2016, South Africa exported a total of 3 170.1 tons of birds eggs, 31.7% less than 4643.7 tons exported in the third quarter of 2015. Between the first quarter of 2016 and the second quarter of 2016, South Africa's exports of bird

eggs decreased by 19.4% while between the second quarter and the third quarter of 2016, SA's exports of bird eggs decreased by 11.9%, see figure 39.

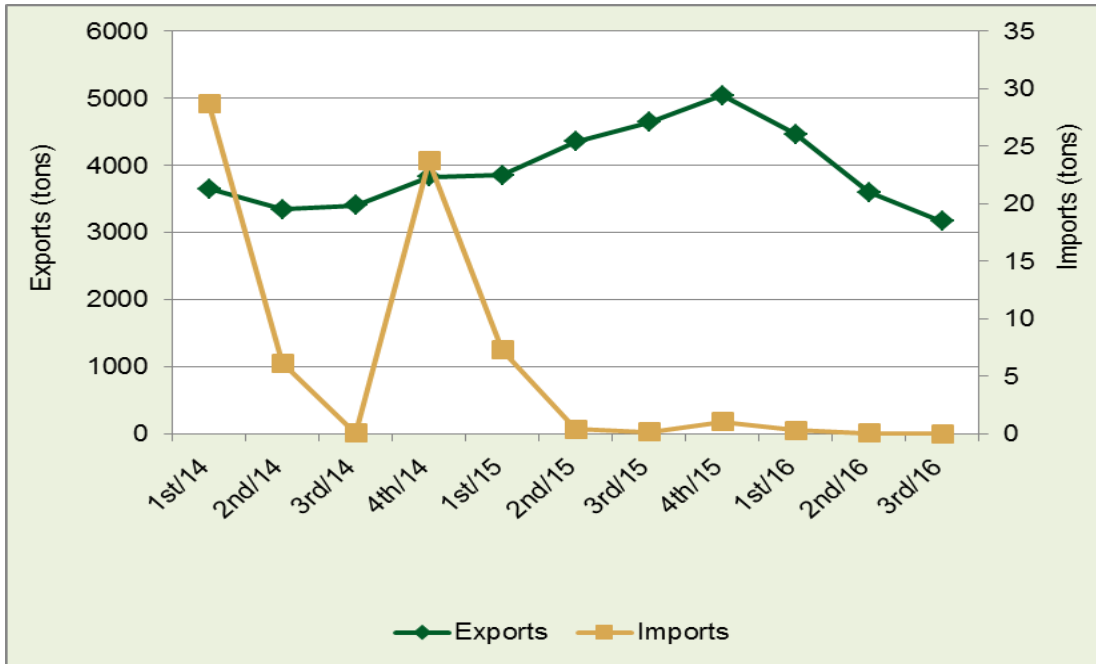


Figure 39: Trends in imports and exports of Birds' Eggs, In Shell, Fresh, Preserved Or Cooked
Source: GTA, 2016

Total milk production came in 1% more, increasing from 874.4 million litres in the third quarter of 2015 to 879.5 million litres in the third quarter of 2016. More favourable early-season production conditions in pasture areas contributed to the recovery of production. However, drier conditions and limited irrigation water will further limit production growth. High grain prices and scarcity of roughage will continue to impact on production in inland areas (MPO, 2016).

The average producer price per litre of milk increased by 15%, from R3,99/ℓ to R4,60/ℓ between the third quarter of 2015 and the third quarter of 2016. According to MPO (2016), producer prices are expected to increase slightly towards the end of the year while the latest price increase will return producer prices to about R4.70 per litre.

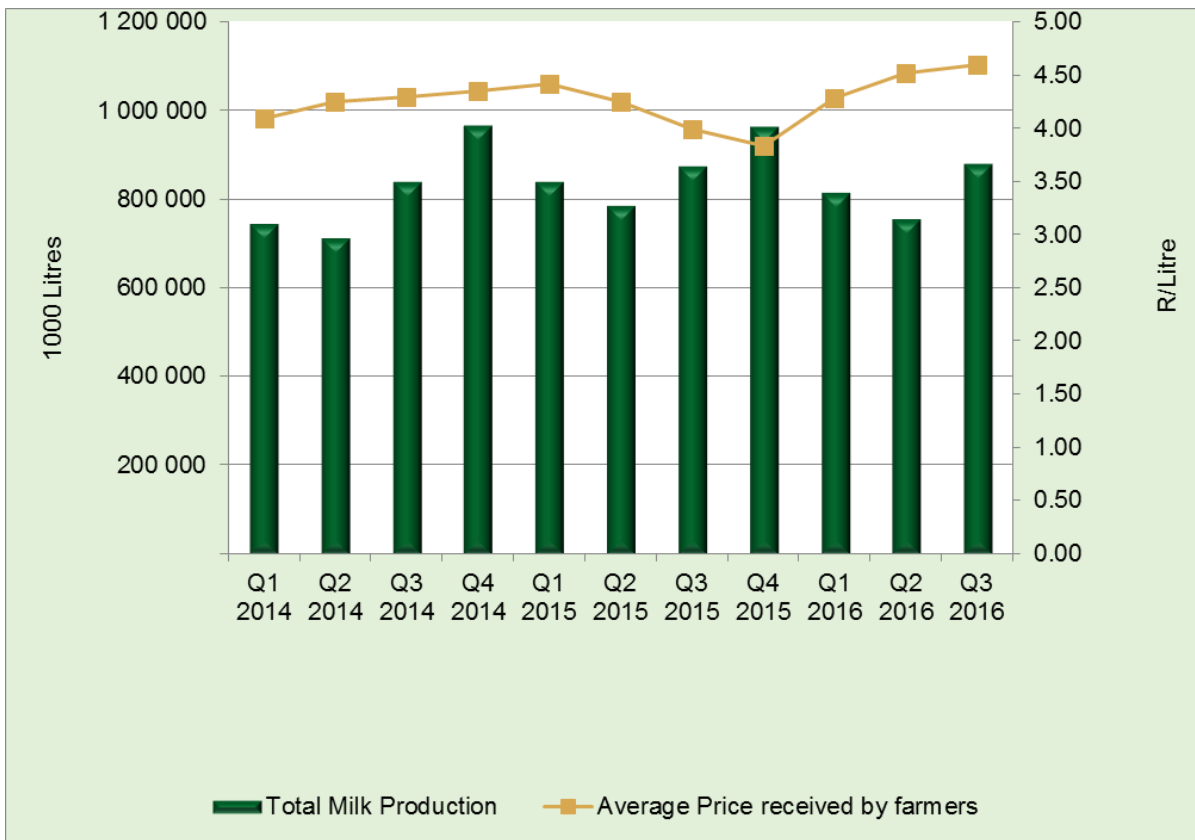


Figure 40: Trends in total production and average price of milk

Source: DAFF

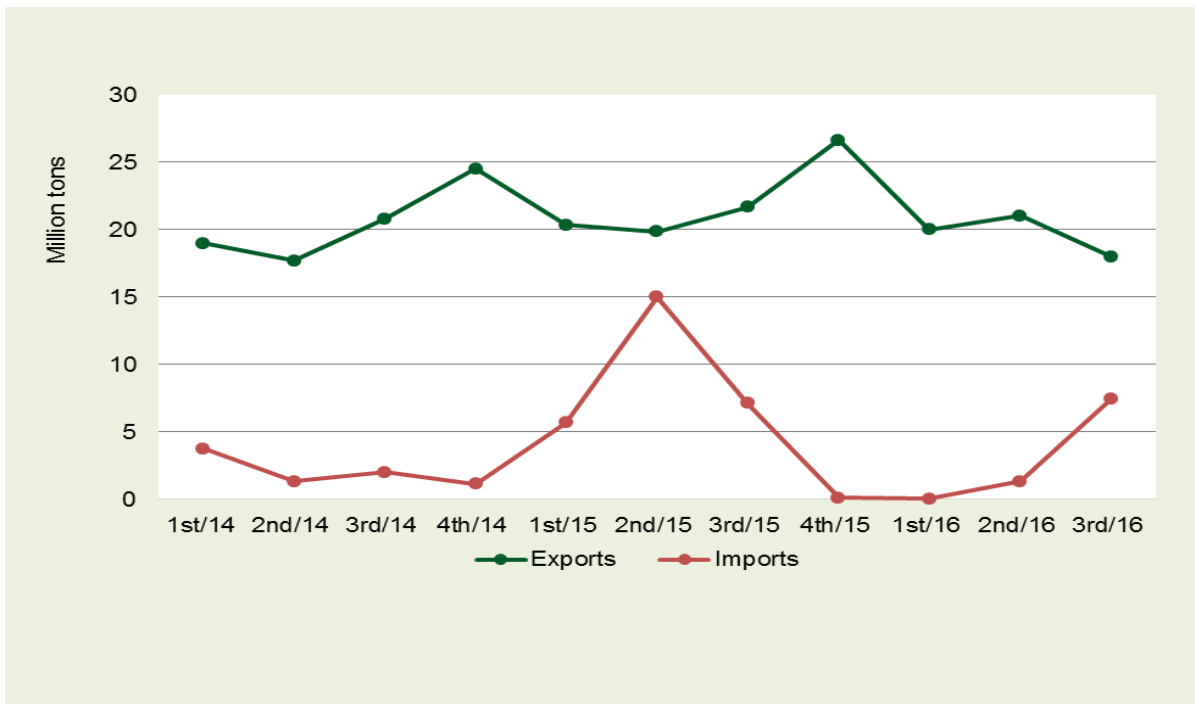


Figure 41: Trends in imports and exports of milk and cream, not concentrated nor containing added sweetening

Source: GTA, 2016

Between the third quarter of 2015 and the third quarter of 2016, South Africa exported a total of 18.01 million litres of milk and cream, 16.8% less than 21.65 million litres exported in the third quarter of 2015. Between the first quarter of 2016 and the second quarter of 2016, exports of milk and cream increased by 5.2%, from 20 million litres to 21.03 million litres while between the second quarter and the third quarter of 2016, exports of milk and cream decreased by 14.4%, from 21.03 million litres to 18.01 million litres.

Imports of milk and cream increased by 4.5% between the third quarter of 2015 and the third quarter of 2016, from 7.11 million litres to 7.43 million litres, see figure 41. Most imported products were imported at prices above average international prices, reported MPO (2016). Meanwhile, the weak rand coupled with lower producer prices increased the spread between producer and import parity prices.

3.6 Trade of agricultural, forestry and fisheries

Subdued economic activity led South Africa's trade balance to swing to a deficit in August 2016 following three months of surpluses. September's trade surplus was revised upward, by R200 million, pointing to some benefit from the weaker rand. Meanwhile, the rand faces pressure from both global and domestic fronts coupled with uncertainties of policies of the incoming US administration. Subsequently, SA's trade account will remain highly volatile given the challenging operating environment on the back of high input cost, weak demand and global factors.

South Africa's agricultural trade balance decreased by 6%, from R11.9 billion to R11.2 billion between the third quarter of 2015 and the third quarter of 2016. Exports grew by 11%, from R32.3 billion in the third quarter of 2015 to R35.8 billion in the third quarter of 2016 while imports grew by 21%, from R20.4 billion to R24.6 billion during the same period, see Figure 42.

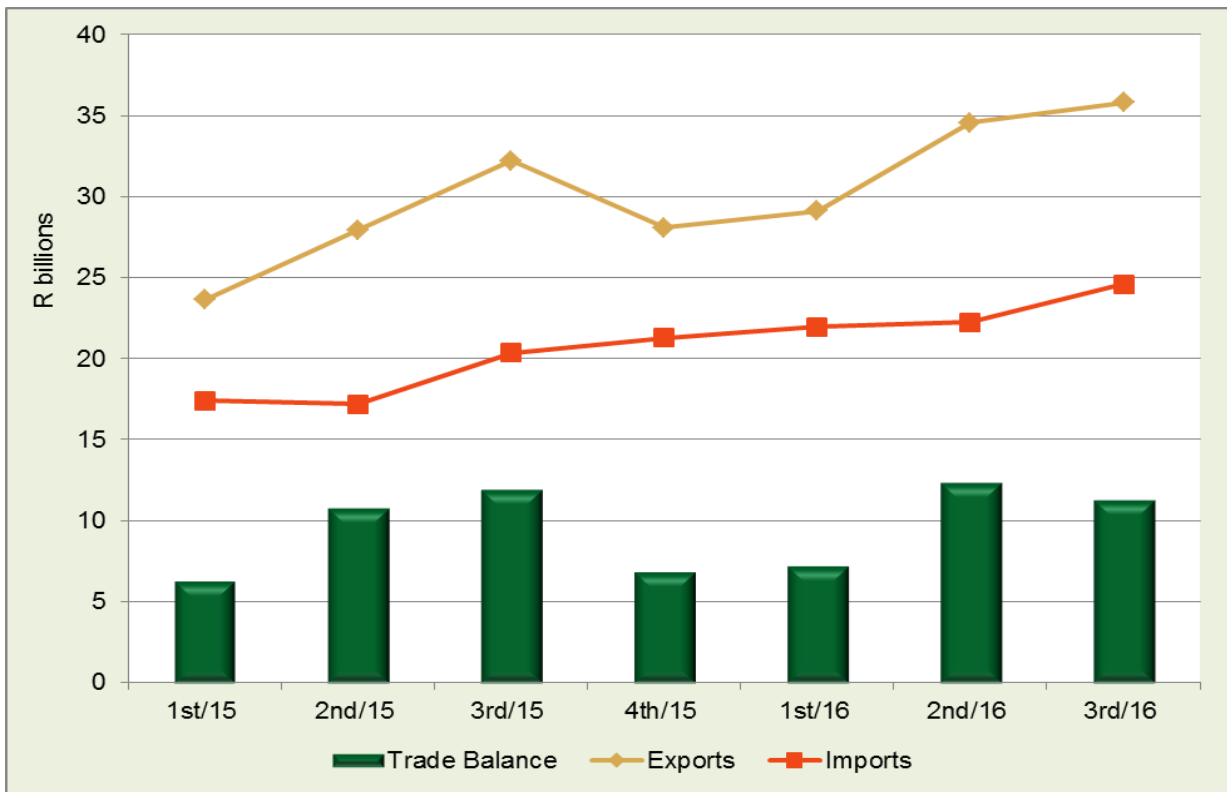


Figure 42: Trade balance of agricultural products

Source: GTA, 2016

Figure 43 illustrates South Africa gained most of its agricultural export revenue from products exported to Netherlands, which was the leading export destination, followed by Namibia and United Kingdom.

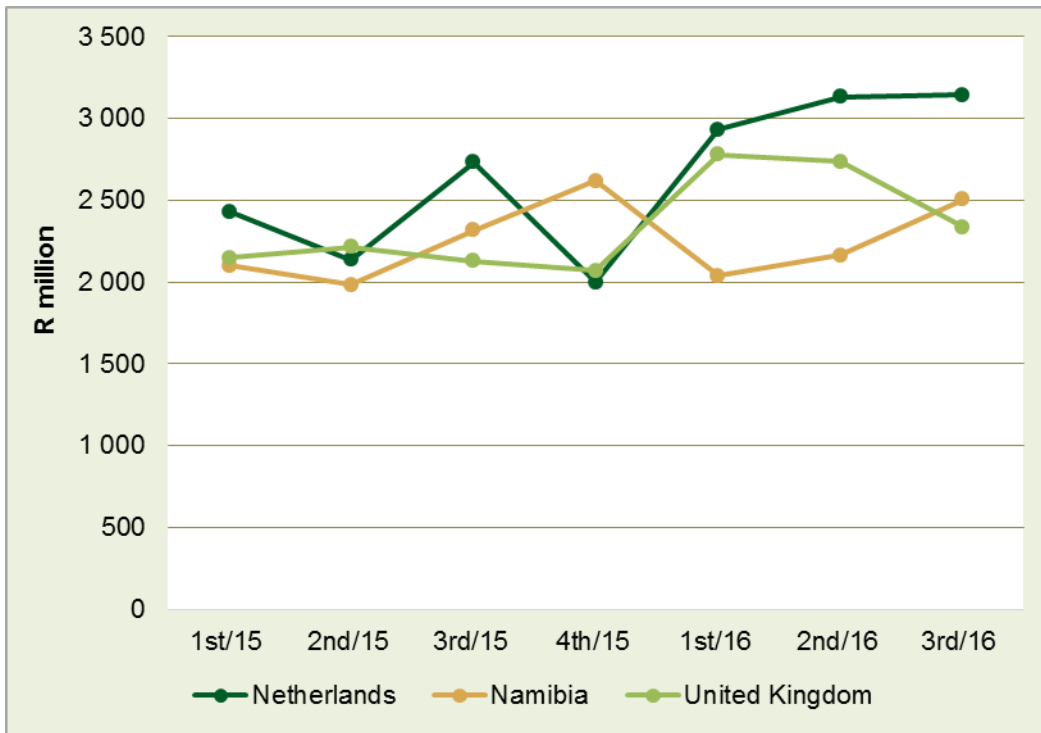


Figure 43: Top Three markets of agricultural products exported by SA

Source: GTA, 2016

The top three agricultural products which contributed a considerable amount to the total export value between the third quarter of 2015 and the third quarter of 2016 include fresh oranges (18%), wine (5%) and fresh or dried lemons and limes (4%) respectively, see Figure 44. Though the 2016 citrus crop was down 8% largely due to the drought, exports to Europe increased by 5.1% in a total of an 8% drop in the crop.

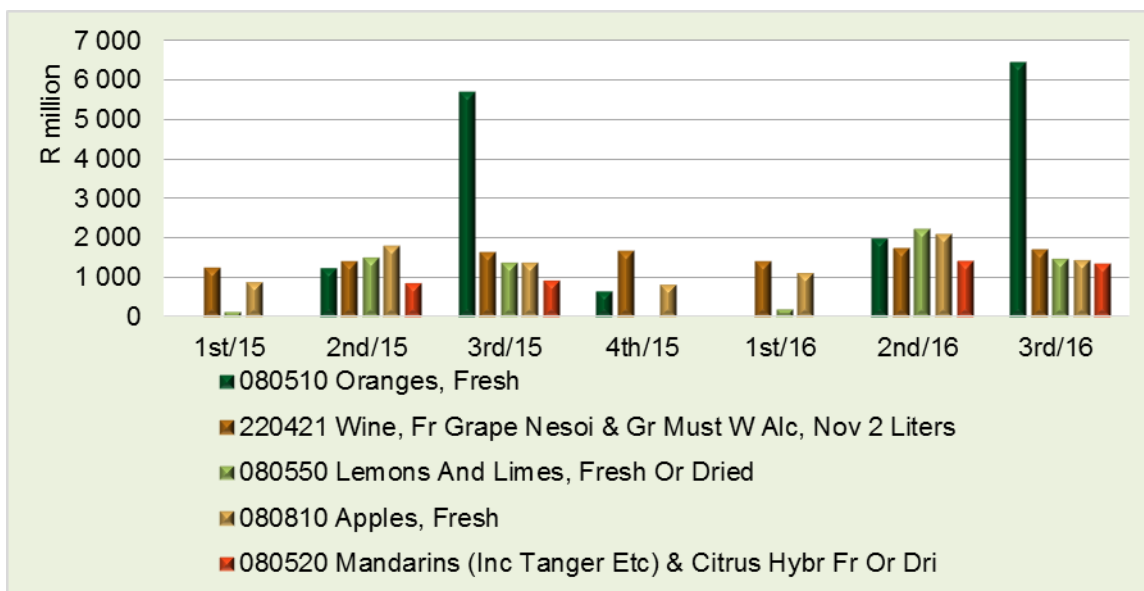


Figure 44: Top five agricultural products exported by SA
Source: GTA, 2016

South Africa’s economy fared better in the third quarter of 2016 with the GDP measuring 0.2% in the third quarter of 2016. However, GDP for agriculture, forestry and fisheries declined to a negative 0.3% in the third quarter of 2016. What hurt agriculture the most was importing commodities during the drought and more so at a weaker exchange rate. Though there was a quarterly decline in agriculture due to the drought, there is an expected recovery in prices during the rainy season as a result of increased production (Absa, 2016).

During the third quarter of 2016, the total import value of agricultural products increased by 21% between the third quarter of 2015 and the third quarter of 2016. The top three suppliers of agricultural products were Argentina, Mexico and Thailand, each accounting for a percentage share of 10%, 8% and 5% respectively, to the total import value, see Figure 45.

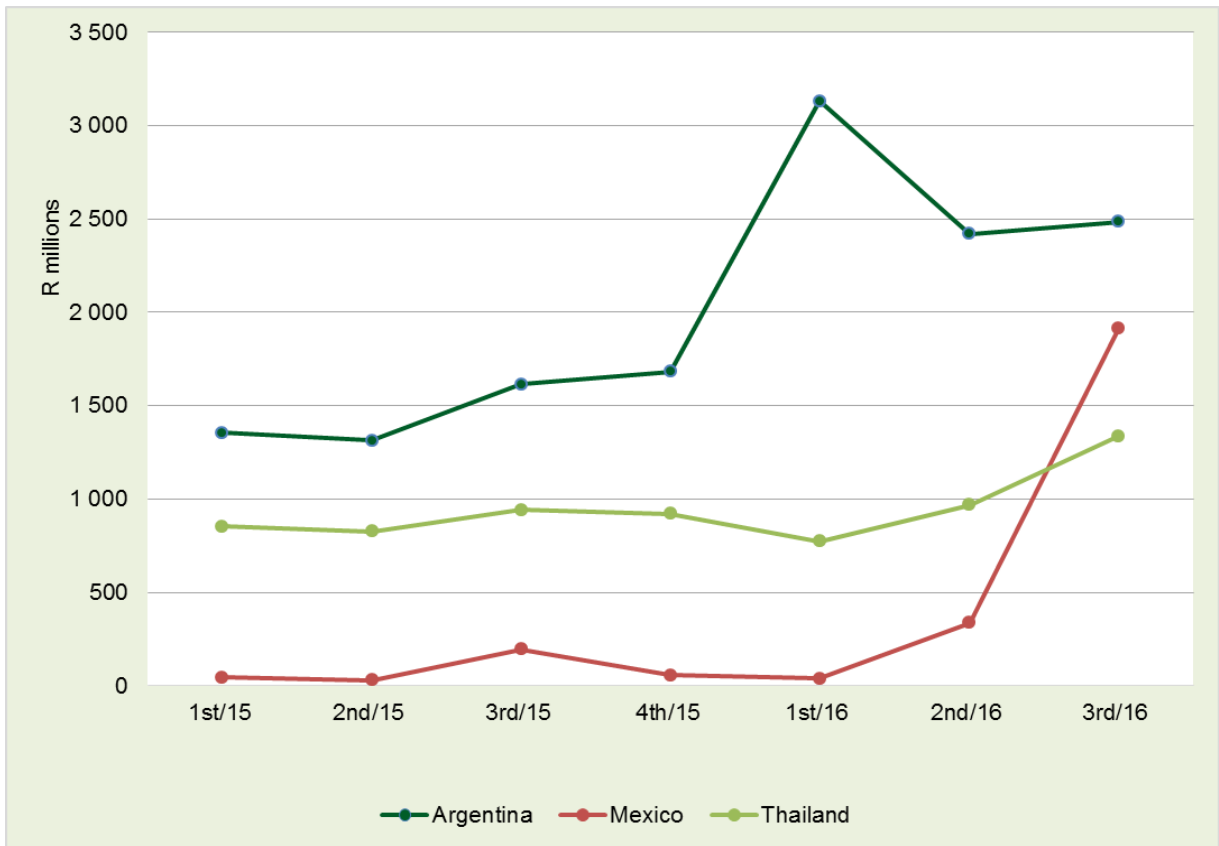


Figure 45: Top three market suppliers of agricultural products to SA

Source: GTA, 2016

The top three agricultural products which contributed a considerable amount to the total import value include corn or maize (12%), rice (9%) and wheat (5%), see Figure 46.

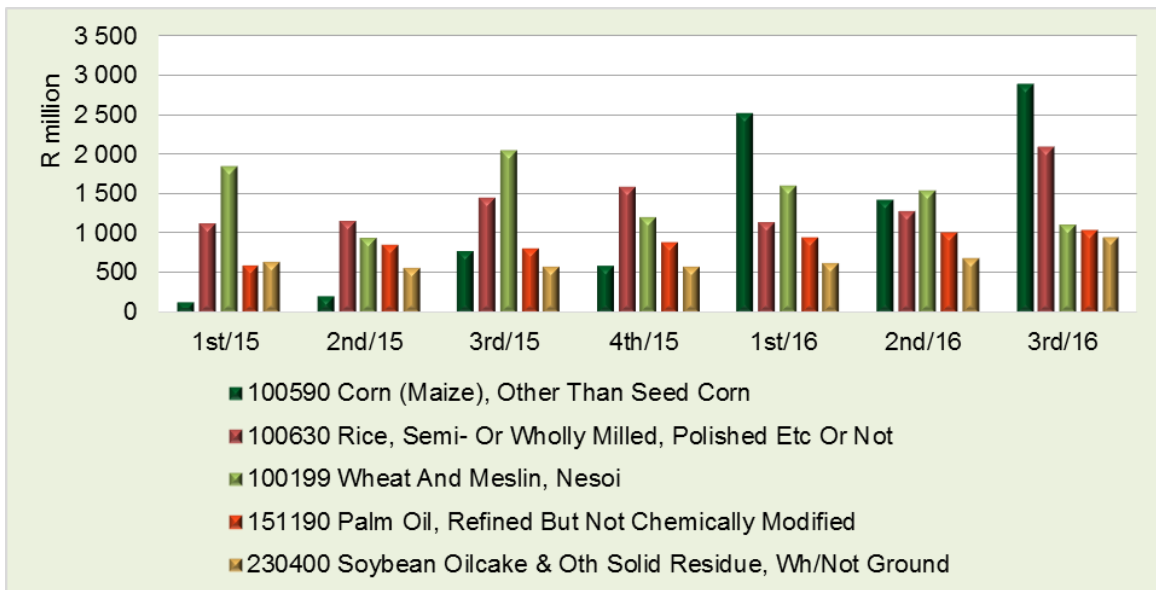


Figure 46: Top five agricultural products imported by SA

Source: GTA, 2016

3.6.1 Fisheries trade

Sustained by a strong world consumer demand, South Africa produced more fisheries products during the third quarter of 2016 with the increasingly dominant aquaculture sector. More fisheries products were traded during third quarter of 2016 while world demand for fish for direct human consumption is forecasted to be 2.8% more than in 2015 (FAO, 2016).

Figure 47 illustrates that between the third quarter of 2015 and the third quarter of 2016, exports grew by 20% while imports increased by 5%. Trade volumes of fishery products continues to expand.

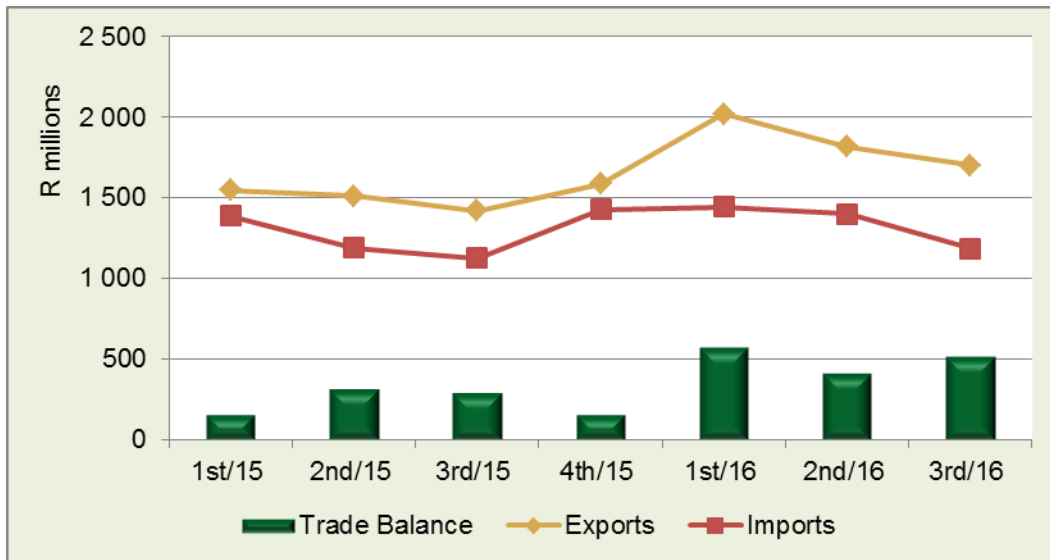


Figure 47: Trade balance of SA fisheries products

Source: GTA, 2016

The top three imported fisheries products during the third quarter of 2016 were sardines/sardinella (not minced), shrimps and prawns as well as tunas/skipjack/bonito (prepared/preserved and not minced). Major suppliers of the fisheries products, were Namibia, Thailand and India each accounting for a percentage share 28%, 15% and 11% respectively of total imports. Moreover, during the third quarter of 2016, imports

of sardines/sardinella (not minced) and tunas/skipjack/bonito (prepared/preserved and not minced) decreased by 23% and 10% respectively while imports of shrimp and prawns increased by 36% during the same period, see Figure 48. Declining supplies of tuna and lower inventories in canneries led to strong demand for raw material, which has resulted in increasing prices for prices for both skipjack and yellowfin. Additionally, the net result of global shrimp production is estimated to be positive for 2016.

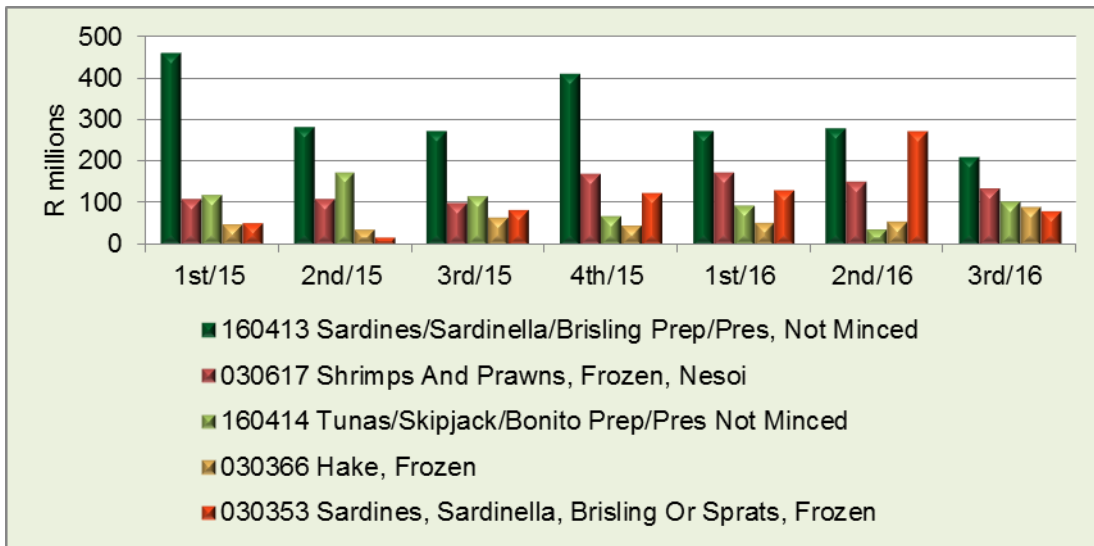


Figure 48: SA top five imported fisheries products

Source: GTA, 2016

Figure 49 presents the top three fisheries products exported by SA in the third quarter of 2016. Froze Hake fillets were the main exported products, followed by frozen hake and cuttle fish and squid. The main destination for SA's fisheries products are Spain, Italy and Hong Kong. Between the third quarter of 2015 and the third quarter of 2016, exports of frozen hake fillets, frozen hake and cuttle fish and squid increased by 31%, 17% and 22% respectively as a result of tightening global supply.

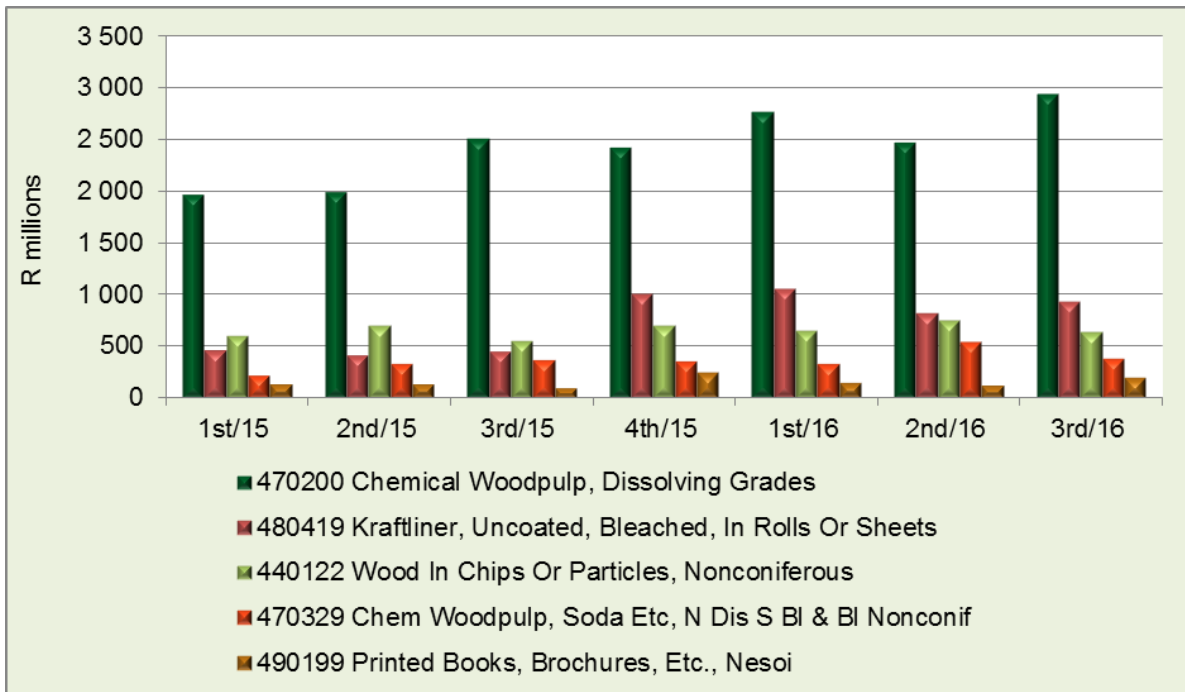


Figure 49: SA top five exports of fisheries products

Source: GTA, 2016

3.6.2 Forestry trade

Although the recent rainfalls have brought about the much needed relief, the long standing drought is still being felt within the timber industry.

Figure 50 shows the trade balance of South African forestry products. Between the third quarter of 2015 and the third quarter of 2016, exports increased by 18%, while imports grew by 4%.

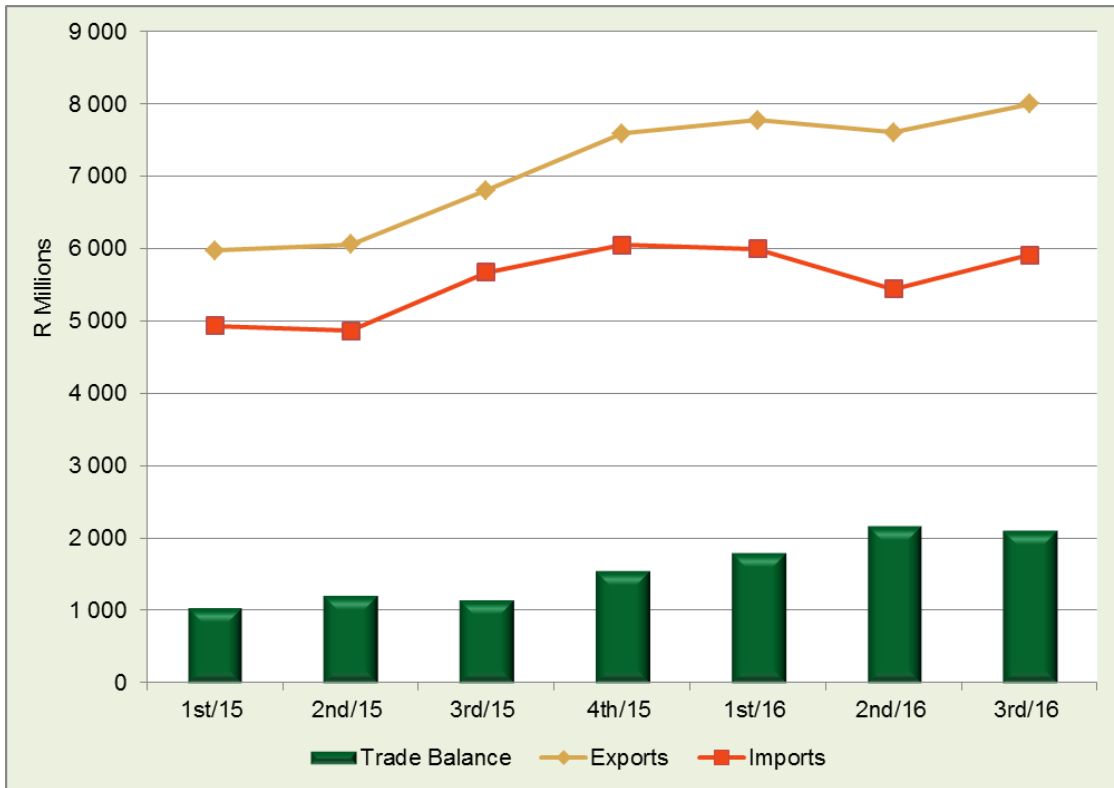


Figure 50: Trade balance of SA forestry products

Source: GTA, 2016

The top three exported forestry products during the third quarter of 2016 were chemical woodpulp (dissolving grades), kraftliner (uncoated, bleached, in rolls or sheets) and wood in chips or particles (non-coniferous), see figure 51.

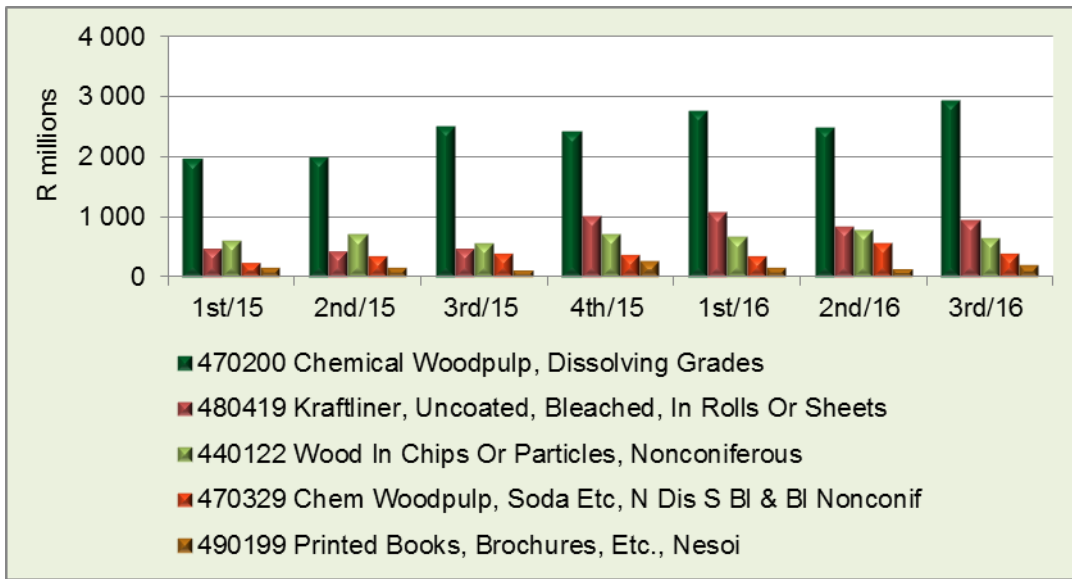


Figure 51: SA top five exports of forestry products

Source: GTA, 2016

The total import value of forestry products increased by 4% between the third quarter of 2015 and the third quarter of 2016, from R5.7 billion to R5.9 billion. SA’s major forestry import suppliers include China, Germany, and United States while the three most imported forestry products in the third quarter of 2016 include paper or paperboard, printed books etc and paper or paperboard and paper/paperboard (uncoated etc), see Figure 52.

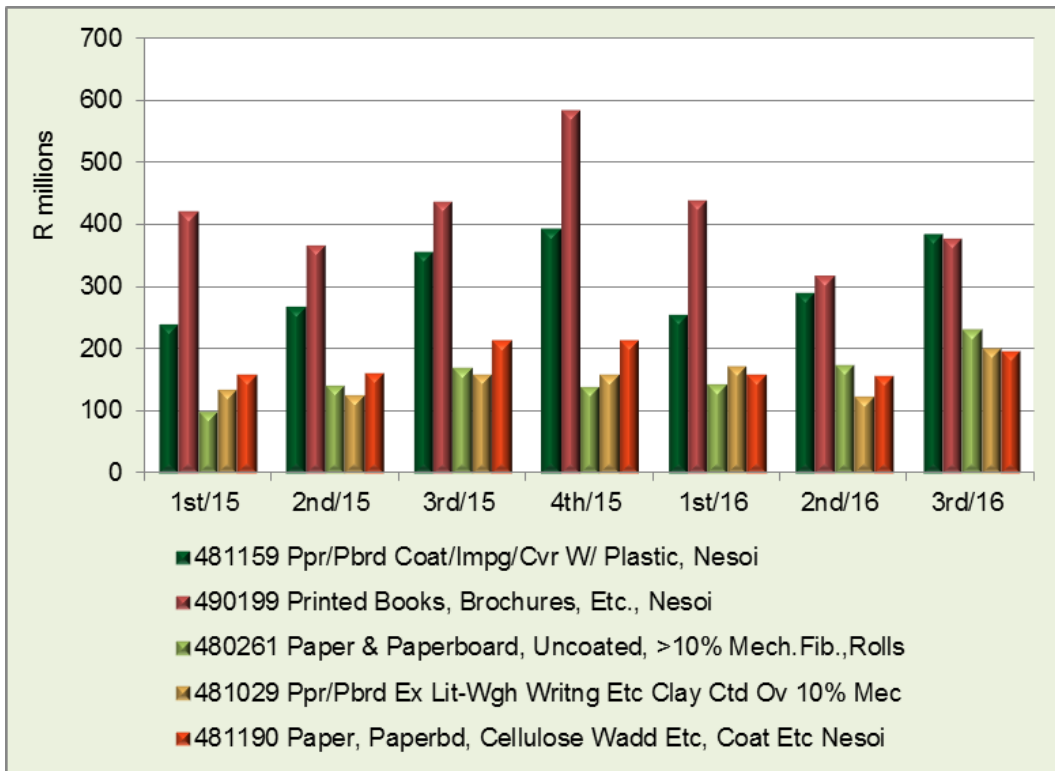


Figure 52: SA top five imports of forestry products

Source: GTA, 2016

4. CONCLUSION

Global growth is projected to slow to 3.1% in 2016 before recovering to 3.4% in 2017. The forecast, revised down from 0.1% in 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies following the June U.K. vote in favour of leaving the European Union (Brexit) and weaker-than-expected growth in the United States. According to IMF (2016), the picture of emerging market and developing economies is diverse but in many challenging cases. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016/17.

The SA economy contracted by 0.2% in the third quarter of 2016 following a revised 3.5% growth recorded in the preceding quarter. The growth rate is not adequate to contribute significantly to the country's soaring unemployment rate. The slowed economic growth in the third quarter complicate the governments task of boosting output to avoid a possible credit-rating downgrade to junk next year. South Africa needs an annual growth rate of 7.2% to meet its growth target of reducing unemployment to 6% by 2030 (National Development plan). The annual headline CPI of 6.4% is the highest rate recorded since the beginning of the year. In October 2016, South Africa annual headline CPI breached the target to 6.4% up from 6.1% in September 2016.

GPD for agriculture, forestry and fisheries declined to a negative 0.3% in the third quarter of 2016. What hurt agriculture the most was importing commodities during the drought season and more so at a weaker exchange rate.

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