



Quartely Economic Overview

AGRICULTURE SECTOR

Volume 18, Number 4, Fourth Quarter 2020



**agriculture, land reform
& rural development**

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REPUBLIC OF SOUTH AFRICA



PREFACE

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

This publication, the *Quarterly Economic Overview of the Agriculture, Sector*, was developed because of a need within the Department of Agriculture, Land Reform and Rural Development (DALRRD) 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 agriculture sector.

This issue looks at the economic developments in 2020: Q4, as well as the expected economic trends in the South African agriculture sector as the domestic and global economies continue to face economic uncertainties.

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EXECUTIVE SUMMARY

Global growth prospects: Global GDP growth is now projected to be 5.6% this year, an upward revision of more than 1% point from the December OECD Economic Outlook. Real GDP growth Rates, 2020 (Q4) in the advanced economies of the following countries: Canada, Germany, Japan, United Kingdom and United States increased by 2.3%, 0.3%, 2.8%, 1.0% and 1.1% respectively, while France and Italy decreased by 1.4% and 1.9% correspondingly when compared to 2019 (Q4).

In the emerging markets and developing economies, 2020 (Q4) Real GDP growth rates decreased in the following countries: Brazil, China, India, Indonesia, Philippines, South Africa and Nigeria decreased by 3.2%, 2.6%, 7.9%, 2.9%, 5.6%, 6.3% and 0.11%, respectively, whilst Malaysia merely decreased by 3.4% when compared to the fourth quarter of 2019.

Global grain supply forecast: Global supply projections for 2020 (Q4) of wheat, coarse grains, rice milled, cotton, oilseeds, oil meals and vegetable oils increased by 2.9%, 2.1%, 1.2%, 5.9%, 1.1%, 3.4%, and 1.4% respectively, when compared to the fourth quarter of 2019.

South Africa's GDP: South Africa's GDP figures shows that the economy real gross domestic product in the 2020: Q4 increased at an annualised rate of 6.3%, following a massive 67.3% increase in the 2020: Q3. Largest positive contributors to growth in GDP in 2020: Q4 were the manufacturing, trade and transport industries. The agriculture, forestry and fisheries industry increased at a rate of 5.9% and contributed 0.2% to the GDP in 2020.

Inflation: The annual average headline CPI for the fourth quarter 2020 was 2.96% which shows a decrease of 2.42% when compared to the same period last year. Food inflation for the fourth quarter of 2020 was 5.23% which shows an increase of 1.62% from 3.61% of the fourth quarter of 2019.

Employment: According Statistics South Africa, the official unemployment rate increased by 1.7 percentage points to 32.5% in the last quarter of 2020, the highest since the start of the Quarterly Labour Force Survey (QLFS) in 2008.

The largest employment increases in the fourth quarter were observed in the formal sector (189,000) followed by private households (76,000), the informal sector (65,000) and the agricultural sector (2,000).

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: On a quarter-on-quarter basis, agriculture's trade balance contracted by 58% in Q4: 2020 compared to Q3. Over the period, the export value contracted by 31% quarter-on-quarter to R37,0 billion from R 53,7 billion while the import value contracted by 1% quarter-on-quarter, to R25,2 billion from R25,5 billion. With the eased lockdown restrictions, there is an improvement in economic activity.

1 GLOBAL OVERVIEW OF THE AGRICULTURE, FORESTRY AND FISHERIES ECONOMY

1.1 Global Real GDP Growth Rates

According to the OECD Economic Outlook Report (December 2020), it indicates that a global economic recovery is in sight with some activity in many sectors having picked up and partially adapted to pandemic restrictions. Vaccine rollout, although uneven, is gaining momentum and government stimulus, particularly in the United States, is likely to provide a major boost to economic activity. But prospects for sustainable growth vary widely between countries and sectors. Faster and more effective vaccination deployment across the world is critical. Prospects have improved over recent months with signs of a rebound in goods trade and industrial production becoming clear by the end of 2020.

Global GDP growth is now projected to be 5.6% this year, an upward revision of more than 1% point from the December OECD Economic Outlook. World output is expected to reach pre-pandemic levels by mid-2021 but much will depend on the race between vaccines and emerging variants of the virus. The global vaccine rollout remains uneven, with restrictions remaining in some countries and sectors. The outlook for growth would improve (upside scenario) if the production and distribution of doses accelerates, is better co-ordinated around the world and gets ahead of virus mutations.

This would allow containment measures to be relaxed more rapidly and global output to approach pre-pandemic projections for activity. But consumer spending and business confidence would be hit (downside scenario) if vaccination programmes are not fast enough to cut infection rates or if new variants become more widespread and require changes to current vaccines. Real GDP growth Rates, 2020 (Q4) in the

advanced economies of the following countries: Canada, Germany, Japan, United Kingdom and United States increased by 2.3%, 0.3%, 2.8%, 1.0% and 1.1% respectively, while France and Italy decreased by 1.4% and 1.9% correspondingly when compared to 2019 (Q4). See figure 1 below.

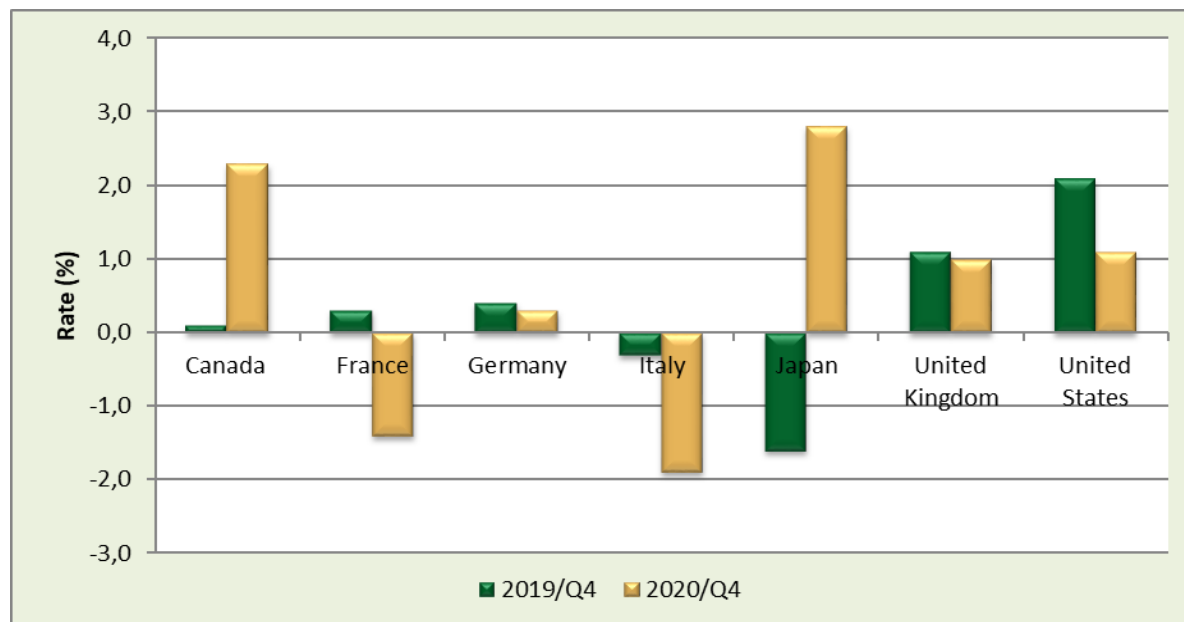


Figure 1: Advanced economies quarterly GDP growth rates
Source: Various Sources

Figure 2, Indicate that in the emerging markets and developing economies, 2020 (Q4) Real GDP growth rates decreased in the following countries: Brazil, China, India, Indonesia, Philippines, South Africa and Nigeria decreased by 3.2%, 2.6%, 7.9%, 2.9%, 5.6%, 6.3% and 0.11%, respectively, whilst Malaysia merely decreased by 3.4% when compared to the fourth quarter of 2019 (Q4) figures.

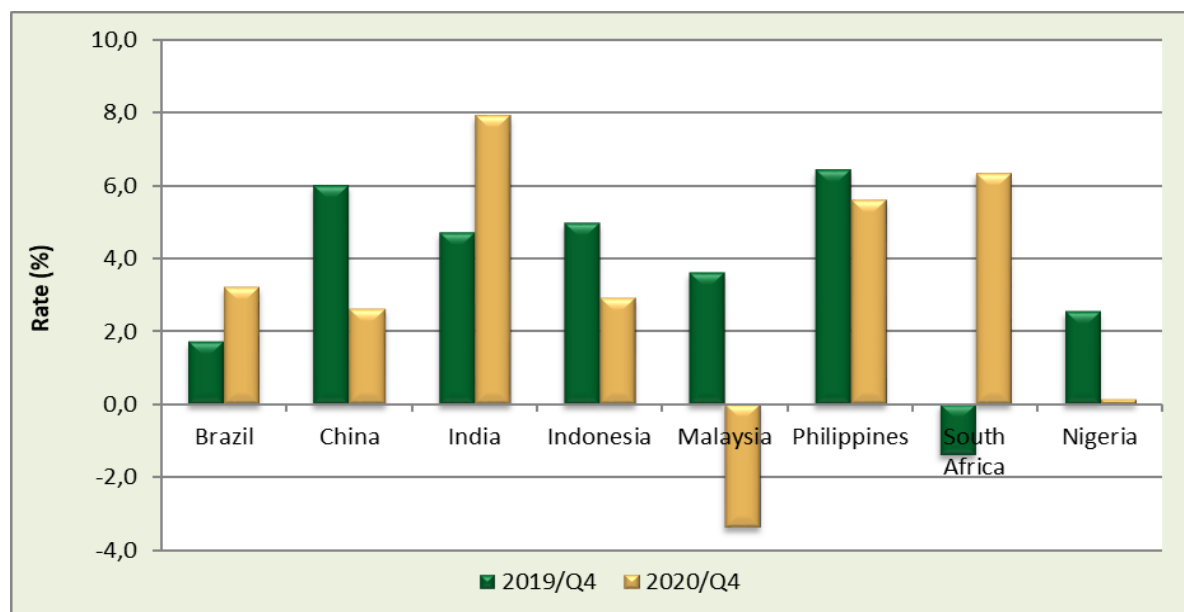


Figure 2: Emerging markets and developing economies quarterly GDP growth rates
 Source: Various Sources

1.2 Global Grain Forecast

The global grain supply forecast indicates a total grain increase of 2.2%, from 3.459 million metric tons in 2019 (Q4) to 3.535 million metric tons in 2020 (Q4). Global supply projections for 2020 (Q4) of wheat, coarse grains, rice milled, cotton, oilseeds, oil meals and vegetable oils increased by 2.9%, 2.1%, 1.2%, 5.9%, 1.1%, 3.4%, and 1.4% respectively, when compared to the fourth quarter of 2019, see figure 3 below.

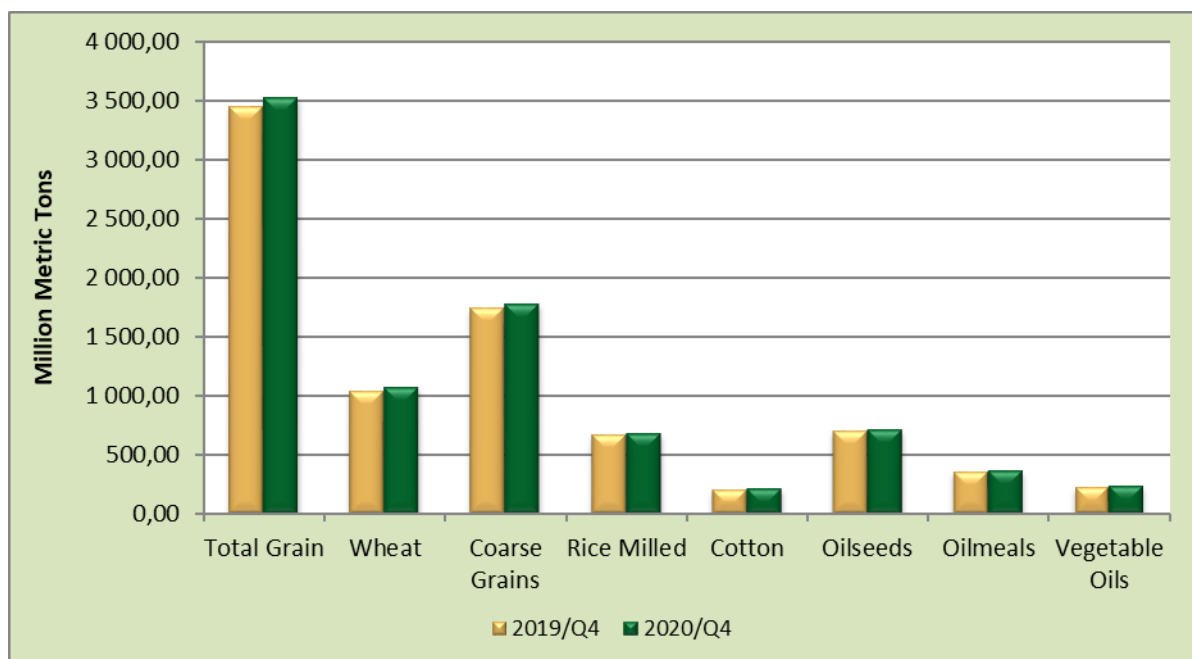


Figure 3: Quarterly global grain supply forecast
Source: USDA

1.3 Global Food Prices

Globally in 2020 (Q4) some major countries were paying significantly less by 40.6% on food purchases compared to 2019 (Q4). The following global food products price indices in 2020 (Q4), meat, dairy, cereals, oil and sugar indices reflect a steady decrease by 50.2%, 45.3%, 30.3%, 20.4% and 52.9% respectively, when compared to (Q4) of 2019, see figure 4.

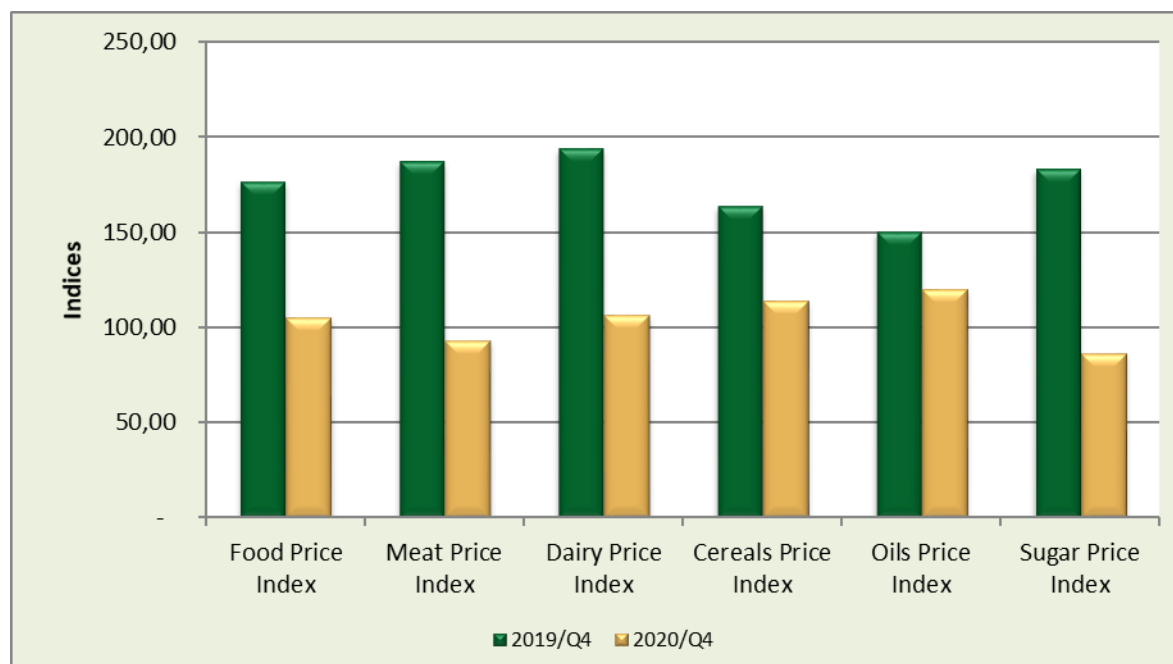


Figure 4: Quarterly global food price indices
Data Source: FAO

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

2.1 Growth

South Africa's economic figures from Statistics South Africa (StatsSA) shows that the economy real gross domestic product in the 2020: Q4 increased at an annualised rate of 6.3%, following a massive 67,3% increased in the 2020: Q3 (figure 5). The economy which is still recovering from covid-19, recorded an annual decline of -7%, in 2020 from an increase of 0.2% in 2019. The annual decline is the biggest contraction since at least 1946 (BFAP). However, the quarter-on-quarter growth in real GDP in 2020: Q4 is largely as a result of the easing of COVID-19 lockdown restrictions (Stats SA). Economic activity reported positive growth over a wide range of sectors between the third quarter and fourth quarters of 2020. Largest positive contributors to growth in GDP in 2020: Q4 were the manufacturing, trade and transport industries. The manufacturing industry; and the trade, catering and accommodation industry increased at a rate of 21.1% and 9.8%; and contributed 2.4%, and 0.5% respectively to the GDP in 2020: Q4.

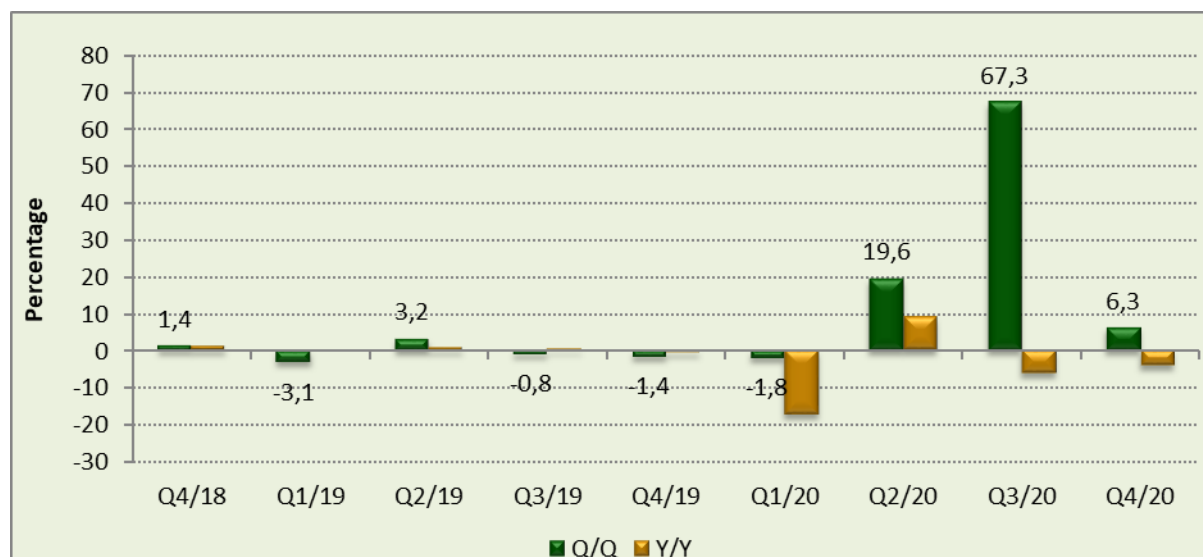


Figure 5: Domestic real GDP growth

Source: Stats SA

The agriculture, forestry and fisheries industry increased at a rate of 5.9% and contributed 0.2% to the GDP in 2020: Q4 (Figure 6). The sector realised an annual growth of 13.1%, which was the only sector, apart from government services, that saw any expansion. According to BFAP report, the agricultural sector’s quarterly performance is often complicated given the timing of delivery by various subsectors, but still provide valuable insights to consider. Disaggregated data shows from various subsectors shows that field crops made the biggest positive contribution to the total agricultural Gross Value of Production (GPV), with a 28% increase 2020: Q4 compared to 2019: Q.4. GPV from animal products increased by 1.6% year-on-year for quarter four, with eggs, pigs and goats as the major contributors. The GPV from horticulture was the smallest with 0.4% year-on-year for quarter 4. The results from the fourth quarter and combined data for 2020 suggest the sector had exceptional growth year (BFAP).

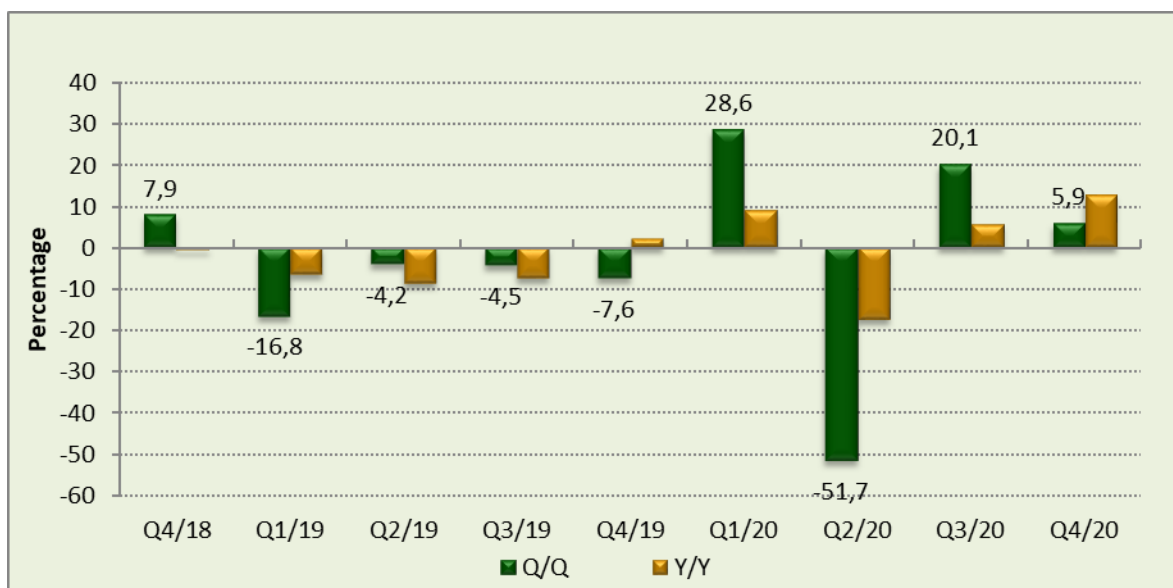


Figure 6: Agriculture, forestry and fisheries sector growth rates
Source: Stats SA

2.2 Inflation

South Africa’s annual headline CPI and the food inflation from the fourth quarter of 2020 as illustrated in figure 7. The annual average headline CPI for the fourth quarter 2020 was 2.96% which shows a decrease of 2.42% when compared to the same period last year. Food inflation for the fourth quarter of 2020 was 5.23% which shows an increase of 1.62% from 3.61% of the fourth quarter of 2019.

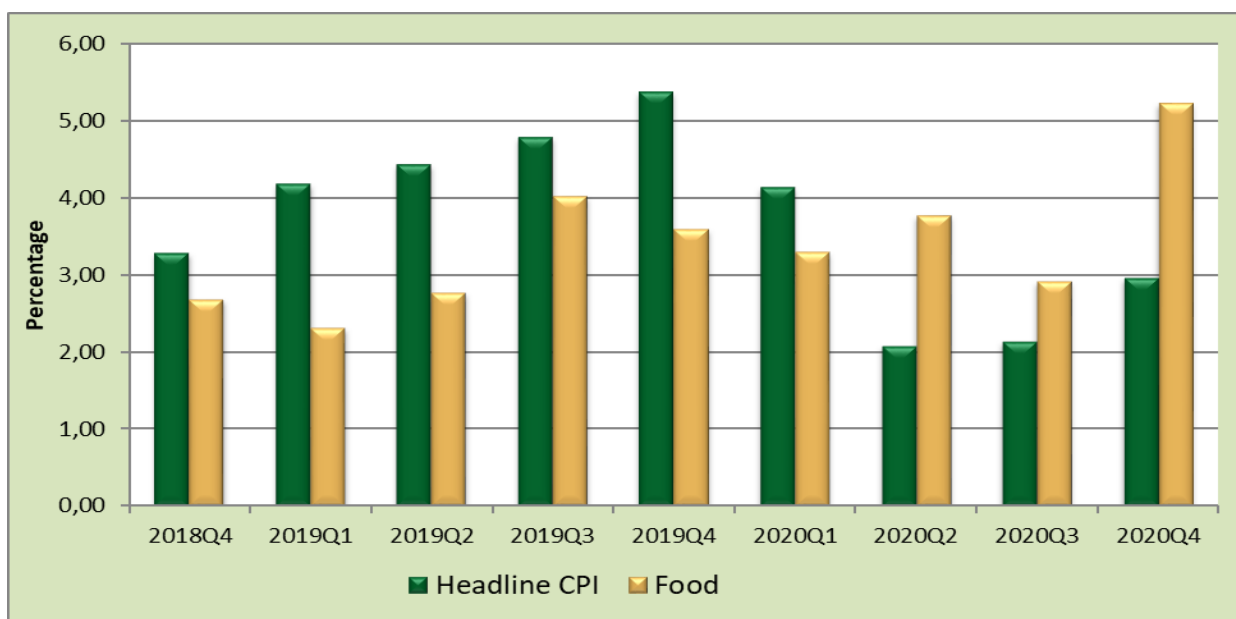


Figure 7 : SA headline CPI and CPI for food
Data Source: Stats SA

Figure 8 illustrates the consumer trends of selected food items for the fourth quarter of 2020. Food inflation for 2020 (Q4), shows that vegetables, bread & cereals, fish and milk, egg & cheese, were generally less expensive with CPI of 2.61%, 3.33%, 4.99% and 5.93% respectively when compared to other food items in the same quarter. On a quarterly basis, the CPI for fruit in 2020 (Q4) was the most expensive with a CPI of 10.36% which is higher from 9.89% in the previous quarter of 2020 (Q3), which is an increase of 0.46%. CPI for oils & fats in 2020 (Q4) was the second largest food item with a CPI of 9.49% when compared to the same period last year 2019 (Q4), the CPI for oils & fats has gone up by 6.66%. The CPI for meat was the third largest with CPI of 6.85% which is higher from 3.91% in the previous quarter of 2020 (Q3), which is an increase of 2.93%.

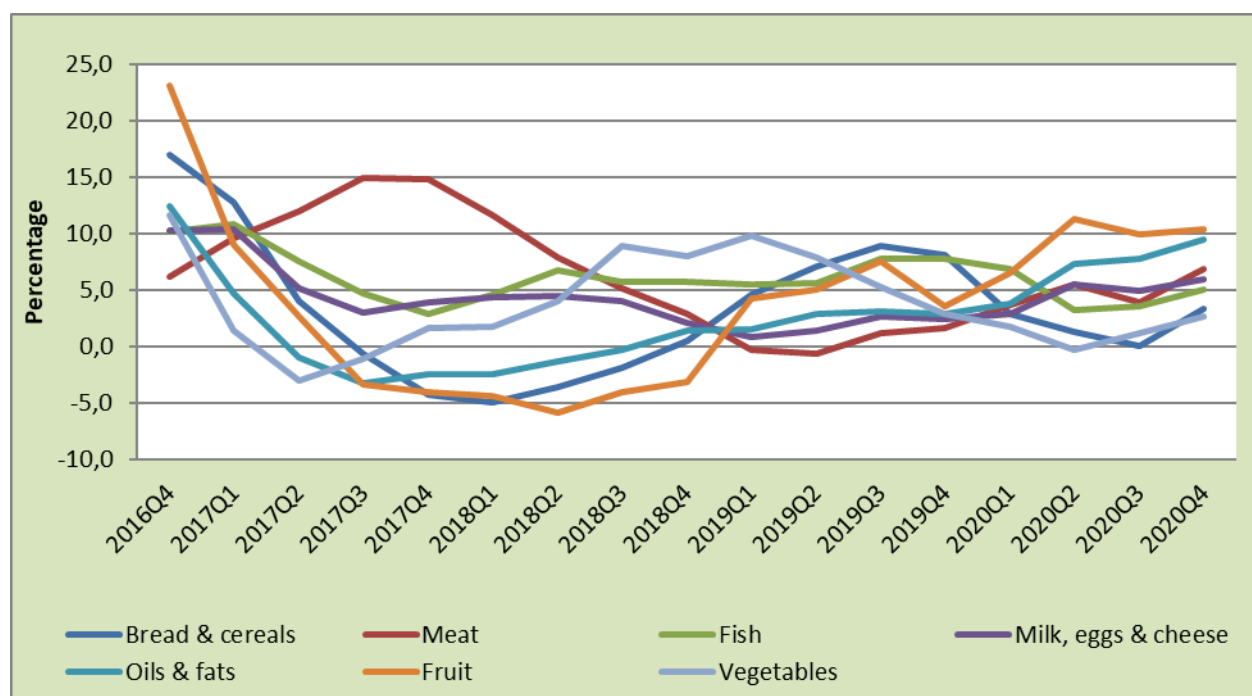


Figure 8: CPI for selected food items

Data Source: Stats SA

2.3 Employment

According to Statistics South Africa, the official unemployment rate increased by 1.7 percentage points to 32.5% in the last quarter of 2020, the highest since the start of the Quarterly Labour Force Survey (QLFS) in 2008. Results of the QLFS for the period between October to December 2020 showed that the number of employed

people increased by 333,000 to 15 million and the number of unemployed people increased by 701,000 to 7.2 million compared to the third quarter of 2020. This resulted in an increase of one million (up by 4.9%) in the number of people in the labour force.

The number of discouraged work seekers increased by 235,000 (8.7%) and the number of people who were not economically active for reasons other than discouragement decreased by 1.1 million (7.4%) between the two quarters. This resulted in a net decrease of 890,000 in the not economically active population. The movement was proportionately more towards the unemployed than the employed. The unemployment rate, according to the expanded definition of unemployment, decreased by 0.5 of a percentage point to 42.6% in last quarter of 2020 compared to the previous quarter of 2020.

The largest employment increases in the fourth quarter were observed in the formal sector (189,000) followed by private households (76,000), the informal sector (65,000) and the agricultural sector (2,000). Compared to the same period in 2019, a net decrease of 1.4 million in total employment in the fourth quarter of 2020 was largely due to losses in the number of people employed in the finance (256,000), community and social services (241,000), manufacturing (230,000), trade (186,000) and construction (184,000). In the fourth quarter of 2020, informal sector employment increased by 65,000 people compared to the previous quarter. The construction with (32,000), community and social services (28,000), transport (19,000) and trade (17,000) industries drove the gains in informal sector employment. The number of employed people increased in eight provinces between the third quarter of 2020 and the fourth quarter of 2020. The largest employment increases were recorded in the Western Cape (up by 121,000), KwaZulu-Natal (up by 66,000) and Gauteng (up by 64,000), Employment losses were only recorded in Mpumalanga.

Figure 9 shows that between the fourth quarter of 2019 and the same quarter of 2020, the number of employed persons decreased in all of the ten industries, this is the third consecutive decrease. The largest decrease were recorded in Utilities, Construction, Manufacturing, Mining, Finance and Agriculture decreased by 17.2%,

13.7%, 13.4%, 10.7%, 10.0% and 8.5% respectively. During the same period Private household, Transport, Trade as well as Community and social services decreased by 6.9%, 6.8% 5.7% and 6.4% respectively. It is important to note that almost all the industries showed some improvement compared to the third quarter of 2020.

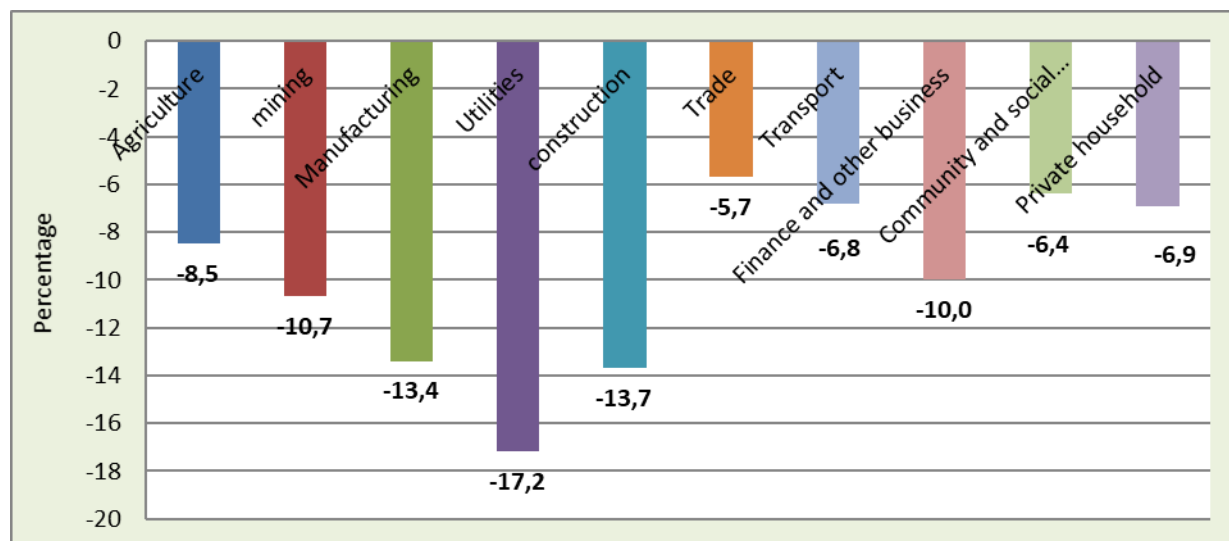


Figure 09: Total number of people employed by industries between 2019: Q4 and 2020: Q4
Source: Stats SA

Figure 10 illustrate that the number of people employed in agricultural sector decreased by 8.5% in the last quarter of 2020, from 885 000 persons in the last quarter of 2019 to 810 000 persons in the same quarter of 2020. In the 75 000 jobs lost 53 000 jobs were lost by woman, while man lost 22 000 jobs between the two quarters. During the same period in total, the agricultural sector comprised of 249 000 women and 561 000 man compared to 302 000 women and 583 000 men.

In the fourth quarter of 2020, South Africa's agriculture employment improved slightly by 0.3% from the previous quarter to 810 in the last quarter of 2020 from 808 in the previous quarter. This slight quarterly recovery might be due to further easing of the economy in last quarter of 2020.

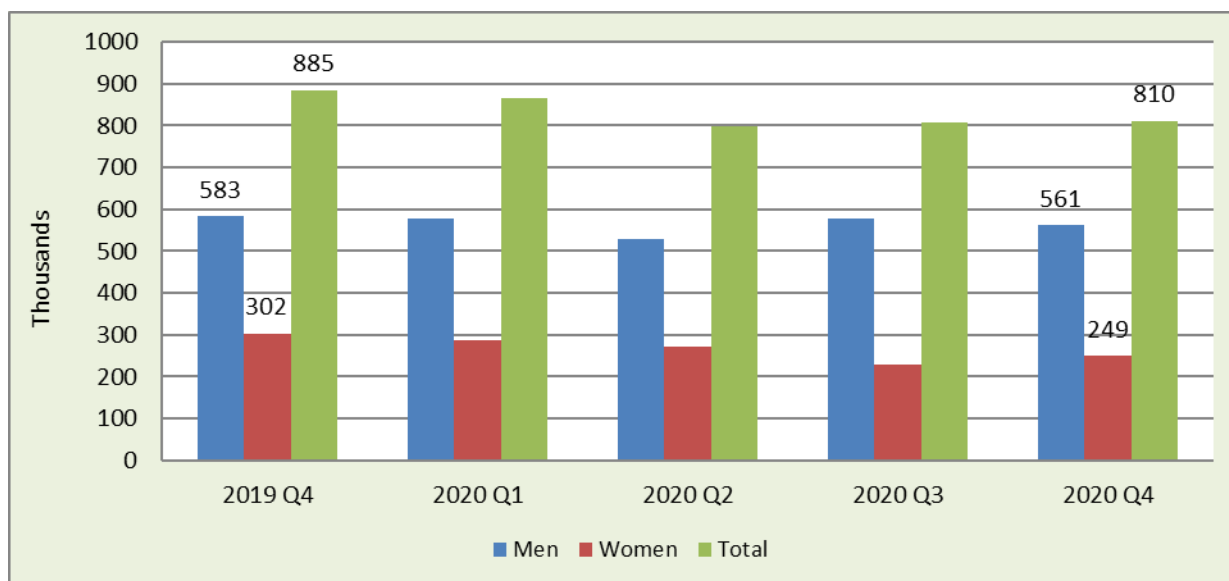


Figure 09: Total number of people employed in the agriculture sector between 2019: Q4 and 2020: Q4:

Source: Stats SA

Figure 10 shows that between the last quarter of 2019 and last quarter of 2020, provincial agriculture employment increased in Eastern Cape, Gauteng and Mpumalanga by 31.6%, 11.4% and 8.2% respectively. While provincial agriculture employment decreased in Western Cape (24.5), Northern Cape (22.2%), Free State (18.4%), North West (16.2), KwaZulu-Natal (12.9) and Limpopo (2.8%). During the same period (QLFS) publication, also indicate that 2.8 million people were involved in subsistence farming compared to 2.1 million people, an increase of 35.7%. KwaZulu-Natal and Eastern Cape remained with the highest number of people involved in subsistence farming.

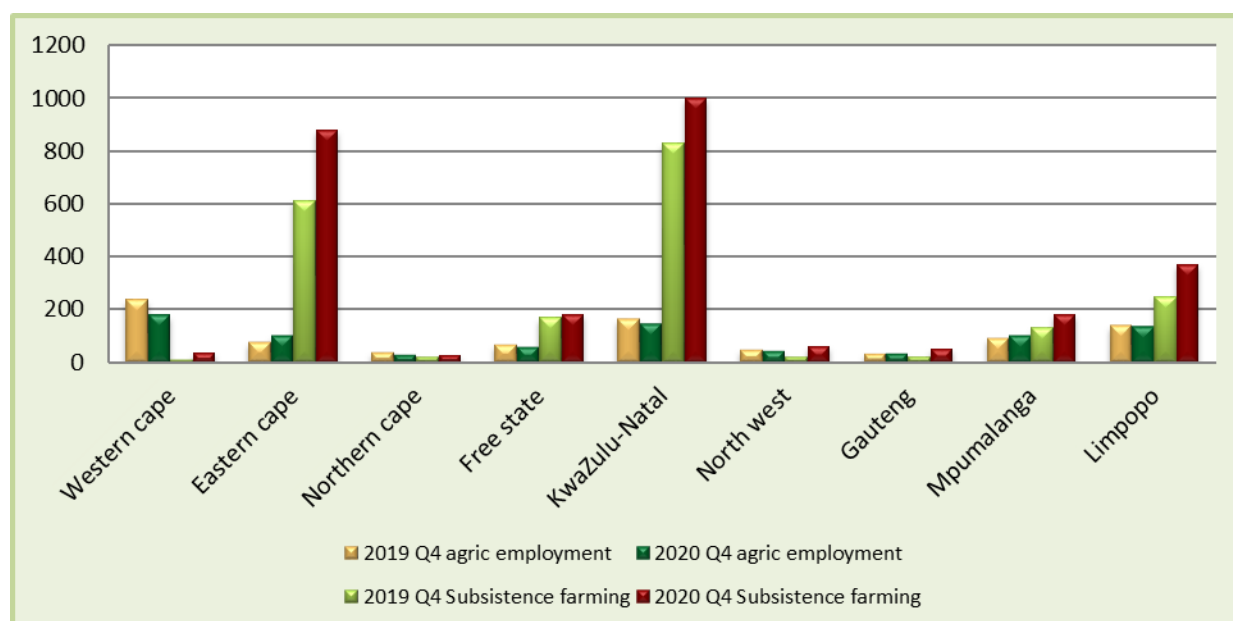


Figure 10: Provincial agriculture employment and subsistence farming between 2019: Q4 and 2020: Q4

Source: Stats SA

2.4 Expenditure on intermediate goods and services by the agricultural sector

The total expenditure on intermediate goods and services was reported at R45.0 billion in the third quarter of 2020 compared to R42.3 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 6.7% from R42.2 billion in the third quarter of 2019 to R45.0 billion in the third quarter of 2020.

The total expenditure on intermediate goods and services increased by 6.7% from a year (2019 Q3) ago to Q3 2020. The increase was due to increases in Farm Services (16.7%), Fuel (3.1%), Fertiliser (3.0%), Farm Services (6.0%), Seed and plants (10.0%) and Farm Feeds (3.7%).

Figure 12 shows comparison of the total expenditure on Farm Services, Farm Fuel, Fertilizers, Seeds and Plants as well as Farm Feeds in the second quarter of 2020 compared to the previous quarter. The increase of 6.3% was due to increases in

Fuel (5.42%), Fertilisers (18.18%), Seed and Plants (50.0%). These increases offset decreases in Farm Services (16.67%) and Farm feeds (4.0%).

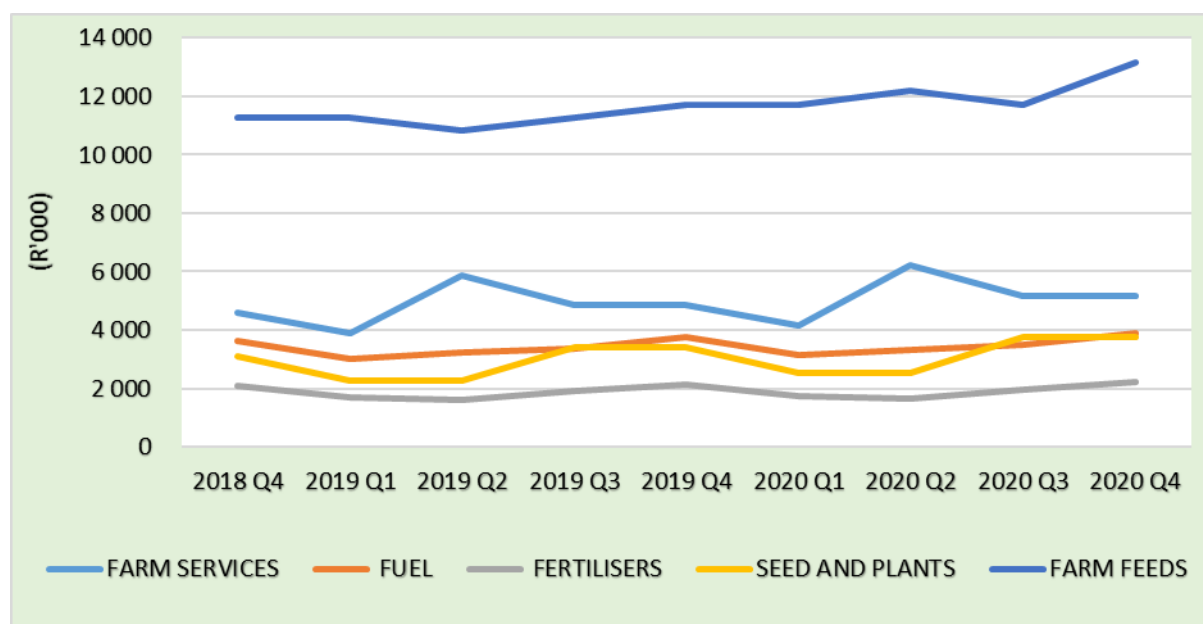


Figure 12: Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2018: Q4 and 2020: Q4
Source: DALRRD

2.5 fertilizer market review

2.5.1 South African fertiliser expenditure

The expenditure of the fertilizer in fourth quarter of 2020 was R2 206, 047 compared to R2 141,794 in the same quarter in 2019, this represent 10.6% increase on expenditure of fertilizers. The fluctuation could be due to the changes in the area planted due to the season and suitable climate., see Figure 13.

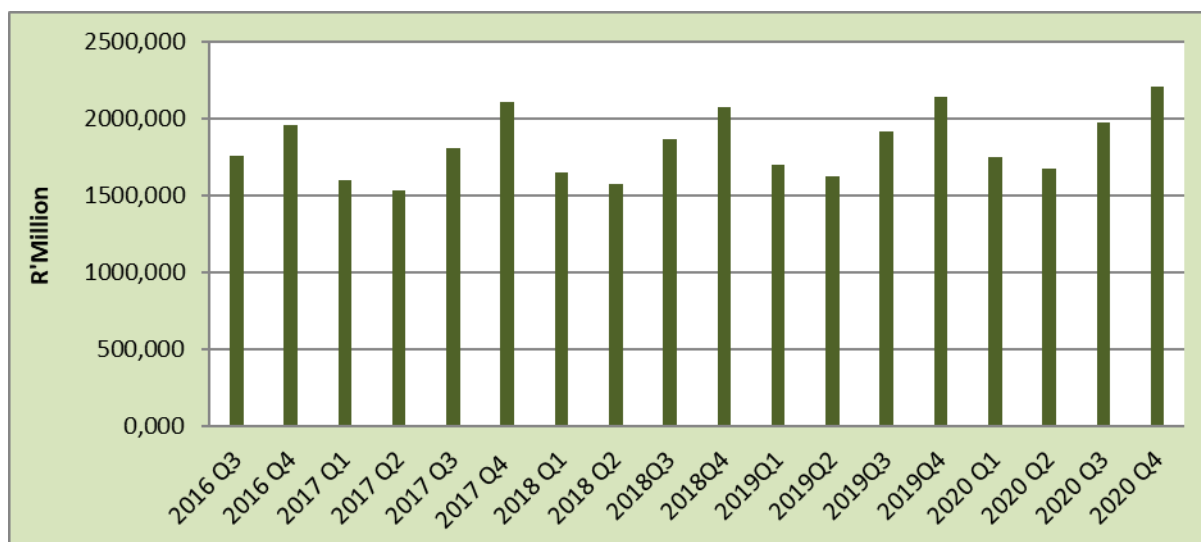


Figure: 13 South Africa fertiliser expenditure

Source: Grain SA

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

The figure 14 illustrate that the nominal real gross income from all agricultural products increased by 12.8% from R65.0 billion in the last quarter of 2019 to R73.4 billion in the same quarter of 2020. During the same period, the net farm income is estimated at R13.9 billion compared to R21.4 billion, a significant increase of 54.1%. The increase in net farm income was largely boosted by a huge increase of 48.7% in income from field crops, while income from animal product and horticulture increased by 7.3% and 2.1% respectively.

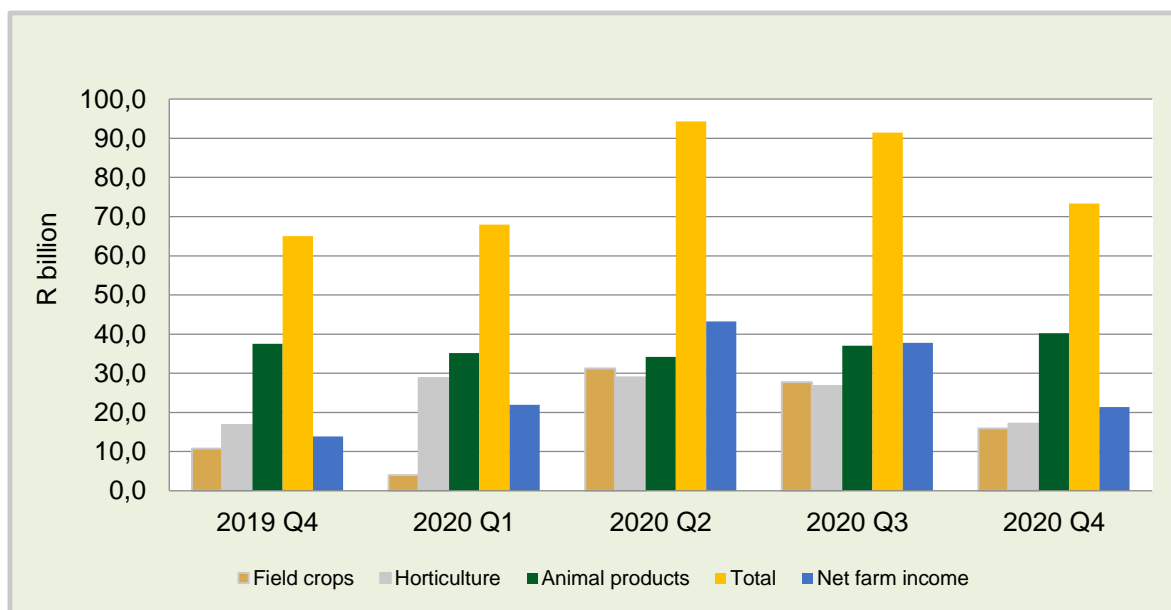


Figure 14: Trends in nominal gross farm income between 2019: Q4 and 2020: Q4

Source: DALRRD

2.9 Reviews of South Africa’s water dam levels

South Africa’s water situation is fairly stable with dam levels holding out at 60% since the beginning of spring. Heavy rainfalls continue to fall over large parts of the country, making a significant improvement in the country’s water situation. In Q4: 2020, South Africa’s national dam levels increased by 6.1% to an average 63.6% in Q4: 2020, from an average of 59.6% in Q4: 2019, due to persistent rains that have boosted the country’s dam levels remarkably. The Department of Water and Sanitation continues to urge South Africans to conserve water to save the country’s scarce resource.

On a quarter-on-quarter basis, South Africa’s national dam levels decreased by 5.5% in Q4: 2020 from an average of 67.2% in Q3. Continued normal water usage, lower than average rains in some provinces and high temperatures led to high rates of evaporation.

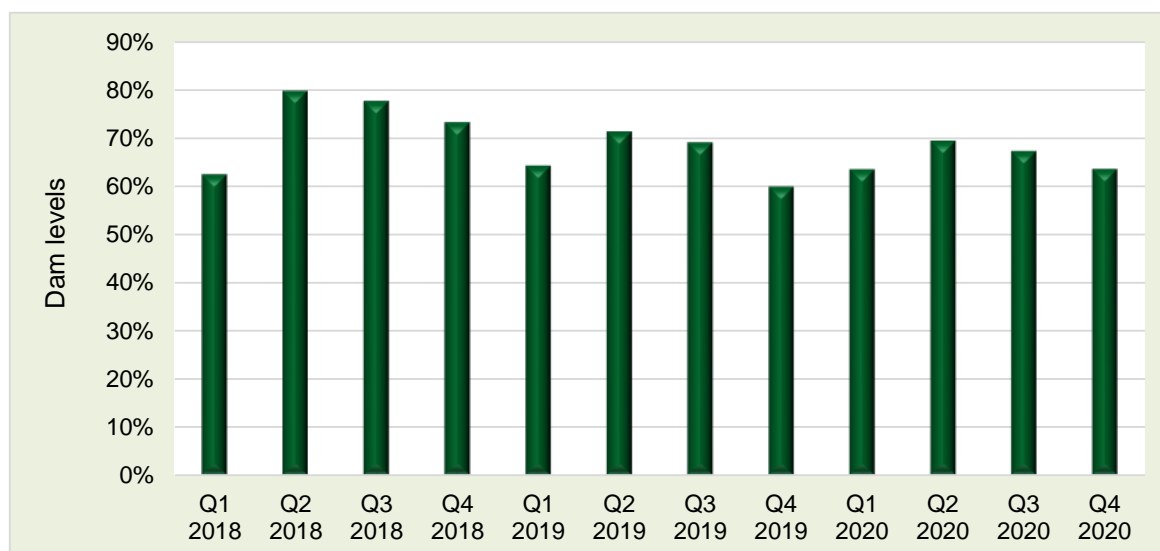


Figure 15: Total dam levels in Q4: 2020
 Source: Department of Water & Sanitation (DWS)

1. Provincial average dam levels

In large parts of the country, the rainy season boosted the water situation substantially and as a result, provincial dam levels continued to rise before the end of the wet hydrological season.

In Q4: 2020, provincial dam levels improved significantly compared to Q4: 2019, except for dam levels in KwaZulu-Natal which decreased marginally in Q4: 2020 after scrambling for water in Q2 and Q3: 2020, contrasting the same periods the previous year.

Communities in the Eastern Cape breathed a huge sigh of relief when rains improved the province’s dam levels after months of dry conditions that left most regions scrambling for water to drink. Dam levels in the Eastern Cape improved by 0.7% in Q4: 2020 compared to Q4: 2019, to an average of 49.5% from an average of 49.1%.

Dam levels in the Free State Province increased by 6% in Q4: 2020 compared to Q4: 2019, to an average of 73% from an average of 69%, due to heavy downpours that drenched large parts of the province. Dam levels in Gauteng increased marginally in Q4: 2020 compared to Q4: 2019, to an average of 95% from an

average of 92%, and will bring the much needed relief to Gauteng water users who were worried about the state of low levels of the dam at the beginning of summer.

Limpopo dam levels improved substantially in Q4: 2020 compared to Q4: 2019, increasing by 12.1%, to an average of 58% from an average of 52%. Mpumalanga dam levels held above 60% of the table with Mpumalanga dam levels recording an average of 65% in Q4: 2020 from an average of 61% in Q4: 2019, increasing by 6.7% year-on-year.

Northern Cape and the Western Cape benefitted immensely from the rainy season. Dam levels in the Northern Cape increased by 21.5% in Q4: 2020 compared to Q4: 2019, to an average of 90% from an average of 74%, reflecting a huge improvement in the province's water situation. Dam levels in the Western Cape increased by 23% in Q4: 2020 compared to the corresponding period last year. The regular winter rainfall boosted the province's water situation substantially and the water situation in the province continues to improve. Dam levels in the Western Cape recorded an average of 78% in Q4: 2020 from 64% in Q4: 2019. Meanwhile, dam levels in the North West improved by 14.9% in Q4: 2020 compared to Q4: 2019, from 55% to 63%, marking a substantial recovery compared to the corresponding period last year.

The Department of Water Sanitation urged South Africans to continue with water conservation efforts to save the country's scarce resource and reiterated its call for water users in rural and peri-urban areas to harvest as much water as they can in the rainy season for future use in the dry winter.

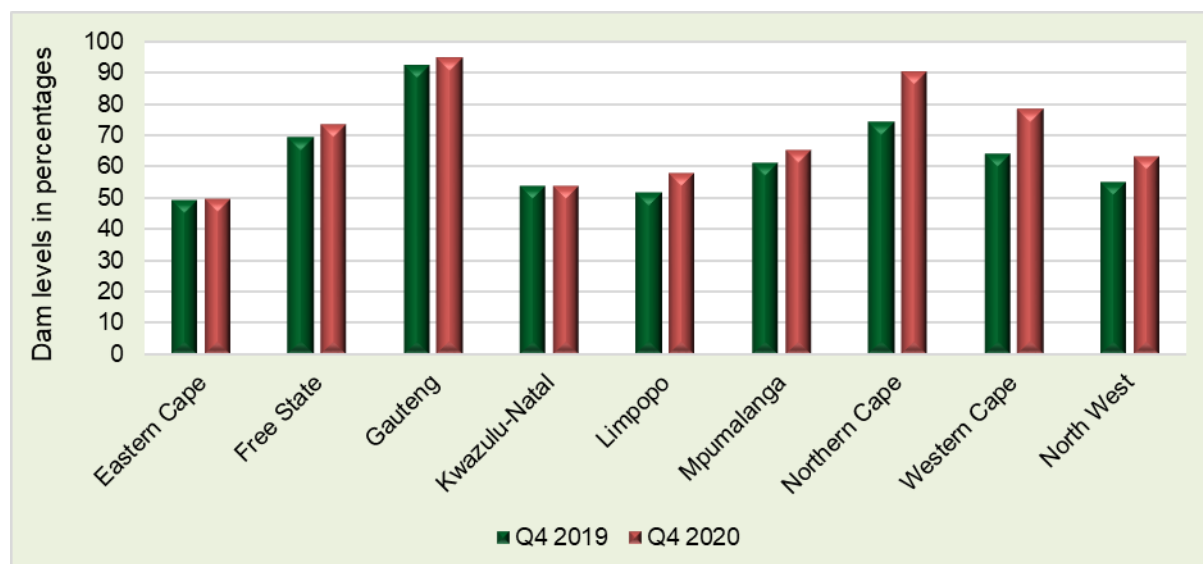


Figure 16: Provincial dam levels

Source: Department of Human Settlements, Water and Sanitation

Figure 17 shows Provincial dam levels from Q4: 2019 to Q4: 2020. Comparing dam levels in Q3 with Q4: 2020, almost all provincial dam levels declined significantly in Q4: 2020 compared to Q3 except for dam levels in the Western Cape Province, which increased by 18.6% in Q4: 2020 compared to Q3. Significant rainfall pushed the total rainfall for 2019/20 close to the long-term average and as from the 1st of November 2020, water restrictions were lifted although certain permanent regulations in Cape Town’s water by-law still apply.

Meanwhile, average dam levels in the Eastern Cape Province, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape and North West Province decreased by 2.8%, 7.1%, 3.9%, 6.8%, 7.3%, 6.3%, 1.9% 0.4% and 6.4% respectively in Q4: 2020 compared to Q3. The Department of Water and Sanitation warned South Africans against complacency as the current rainy season does not mark an end to water challenges. Water users are therefore encouraged to double their efforts to save and harvest as much water as possible.

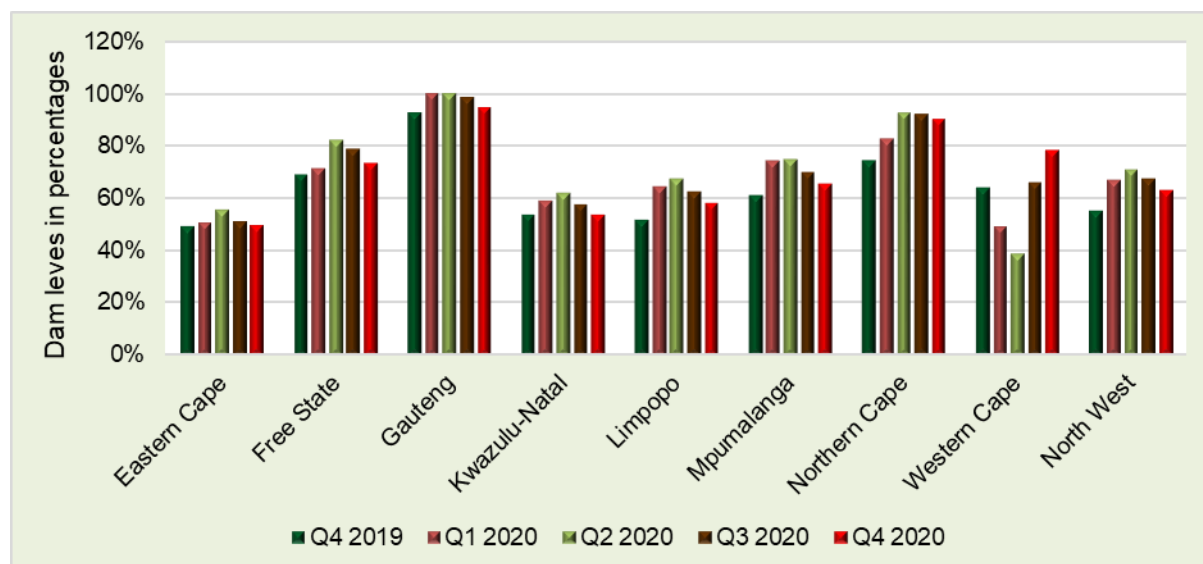


Figure 17: Average dam levels in Q4:2019 to Q4: 2020

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 illustrates the price trends of white maize, yellow maize and international parity prices of maize from 2018: Q4 to 2020: Q4. South African local white maize for the fourth quarter of 2020 traded at R3471.35/ton while the international import parity price of white maize traded at R4727.37/ton in the same period. The domestic price of yellow maize traded at R3381.86/ton in 2020: Q3 which is 15.2% higher than the previous price. The international export parity price increased by 21.4% to R2875.61/ton in 2020: Q4. Import parity price and domestic white maize prices increased by 13.4% and 18.3% respectively in 2020: Q4. The domestic price for white maize and yellow maize were consistent with economic theory, both traded within the parity prices as expected.

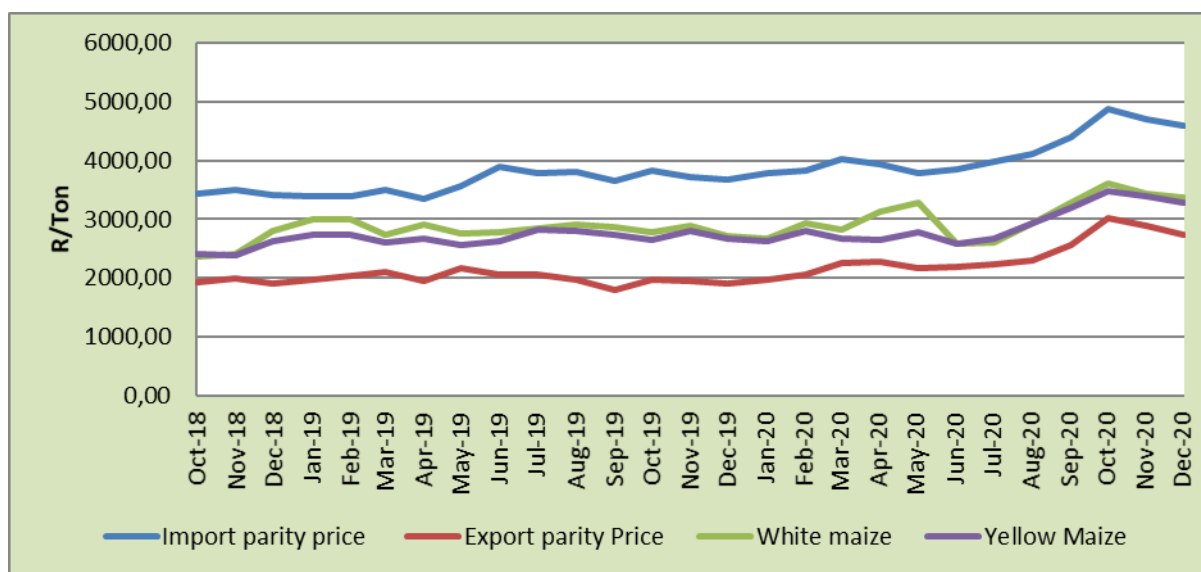


Figure 18: White maize price
Source: Sagis

Quarter-to-quarter maize seed price increased by 18.3% in 2020: Q4 to R3571.35/ton (figure 19). During this period, (2020:Q4) all maize by-products reported an increase in prices. Super maize 2.5kg, (special maize) mealie meal/maize flour 1kg and (special maize) mealie meal/maize flour 2,5kg increased by 4.6%, 2.8% and 10.6% respectively end of 2020: Q4. Increase in prices implies that consumers spent more on this products compared to the previous quarter.

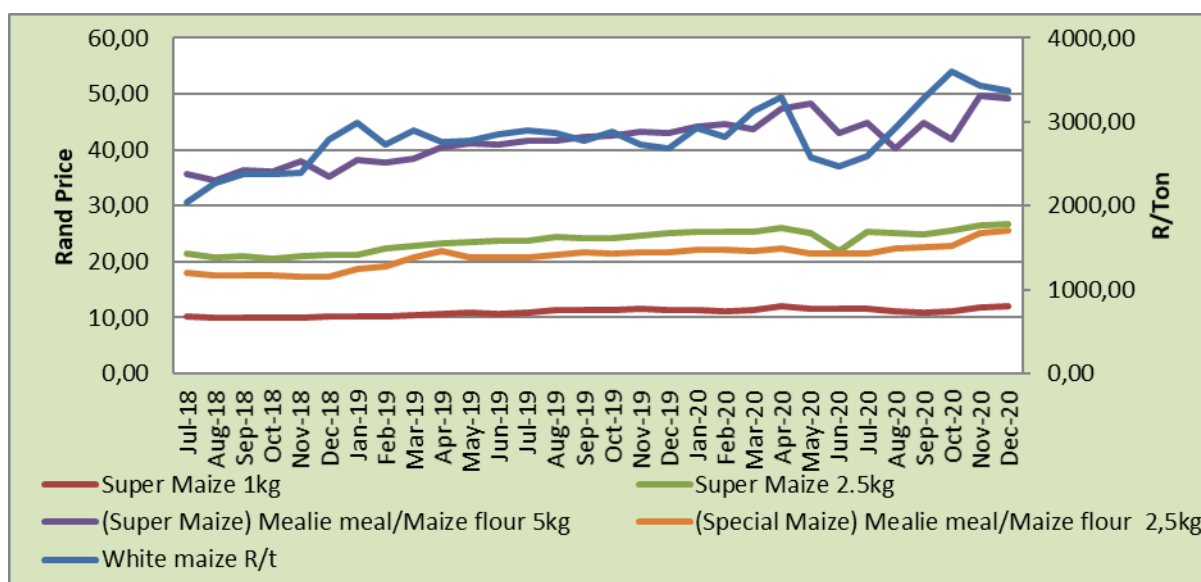


Figure 19 Retail prices vs white maize seed prices
Source: Safex/Stats SA

The supply and demand of white maize for 2020: Q4 is depicted in figure 20 below.

Producer deliveries and local demand for white maize for 2020: Q4 decreased by 95.7% and 11.4% respectively while exports of white maize increased by 53.0%.

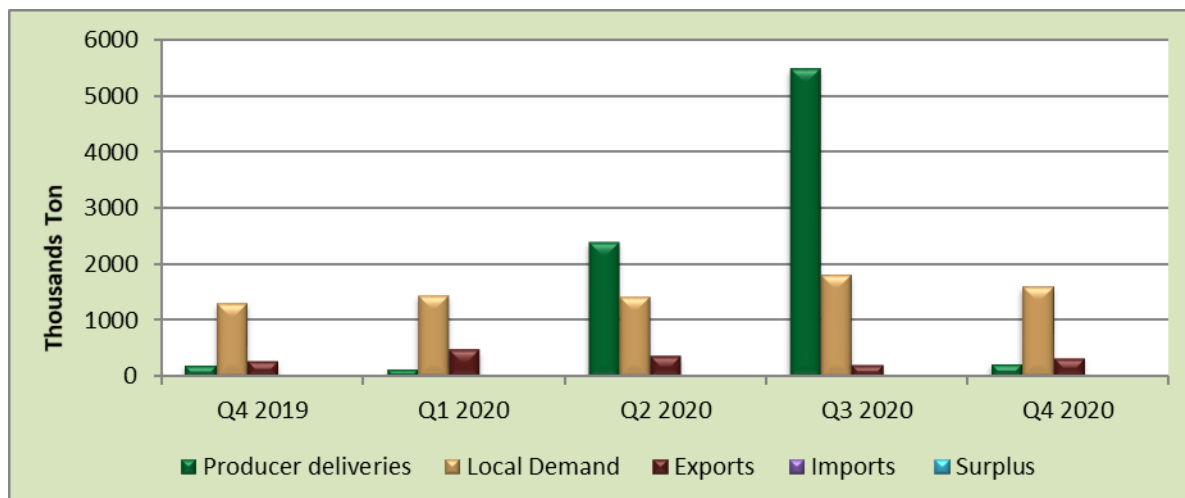


Figure 20: Supply and demand of white maize.
Source: Sagis

Figure 21 illustrates the supply and demand of yellow maize from 2019: Q4 to 2020: Q4. During Q4: 2020, producer deliveries and exports of yellow maize decrease by 93.3% and 80.5% respectively while local demand increased by 7.5% during the same period.

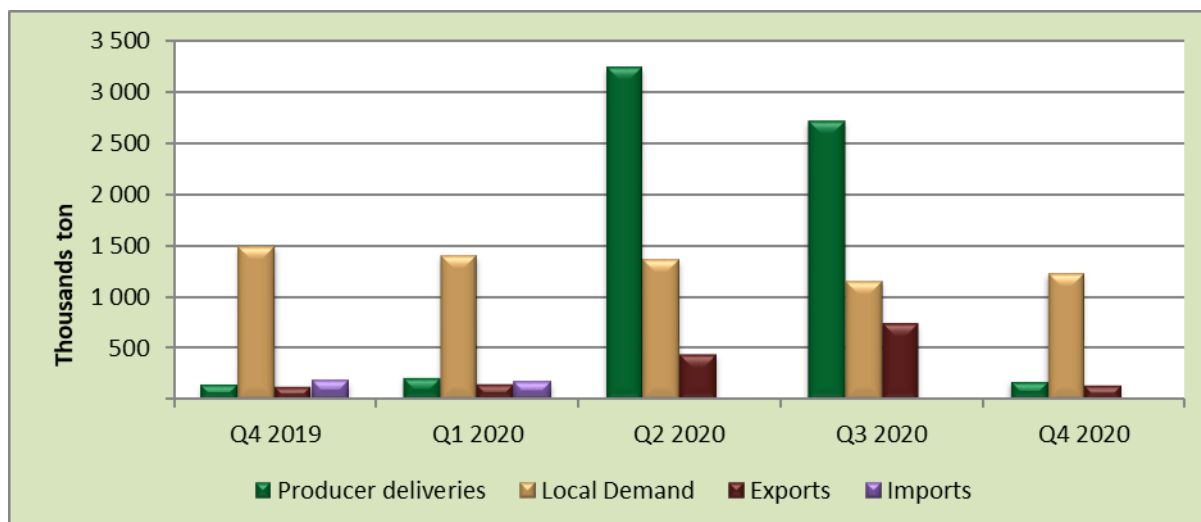


Figure 21: Supply and demand of yellow maize
Source: Sagis

3.1.2 Wheat

Figure 22 illustrates the price trends of domestic wheat price and international parity prices for the period 2016: Q4 to 2020: Q4. The domestic wheat price traded at R4970.50/ton in 2020: Q4, 6.2% lower compared to previous quarter. Wheat import and wheat export parity price for 2020: Q4 traded at R5710.56/ton and R3429.62/ton which is an increase of 9.8% and 9.5% respectively in 2020:Q4.

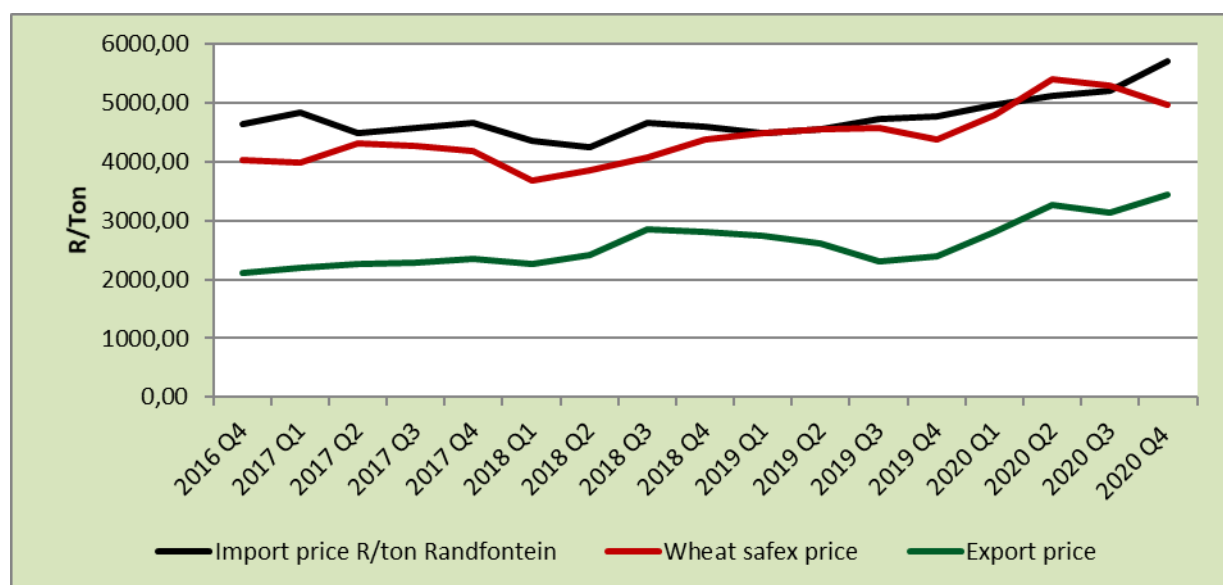


Figure 22: Wheat safex price, export parity price and Import parity price
Source: Sagis/Safex

Figure 23 depicts retail bread prices versus wheat safex price from 2016: Q2 to 2020: Q4. The price of selected wheat by-products reported a decrease in price in 2020: Q4 with exception of white bread 700gr which increased by 0.6% to R15.24. Brown bread 700gr and flour cake 2.5kg decreased by 4.0% and 1.6% respectively in 2020: Q4.

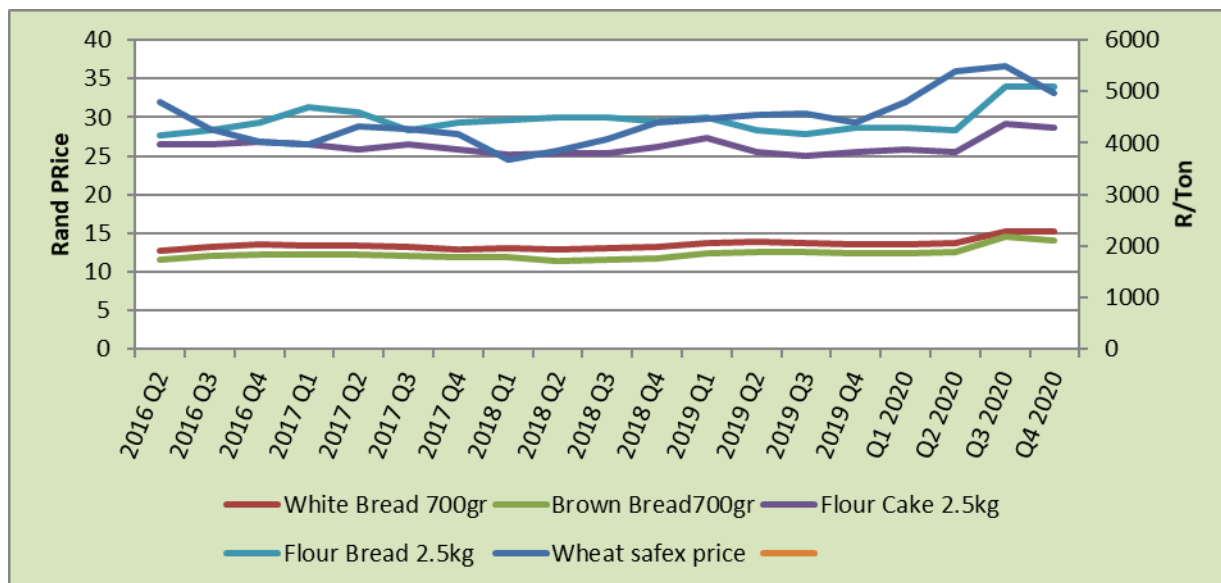


Figure 23: Retail bread price vs wheat import price

Source: Stats SA & Safex

Figure 24 depicts the supply and demand of wheat from 2019: Q4 to 2020: Q4. South Africa’s wheat deliveries for 2020:Q4 increased by 62.2% compared to previous quarter. on the contrary local demand and imports of wheat in 2020:Q4 decreased by 7.7% and 91.9% respectively when compared to previous quarter.

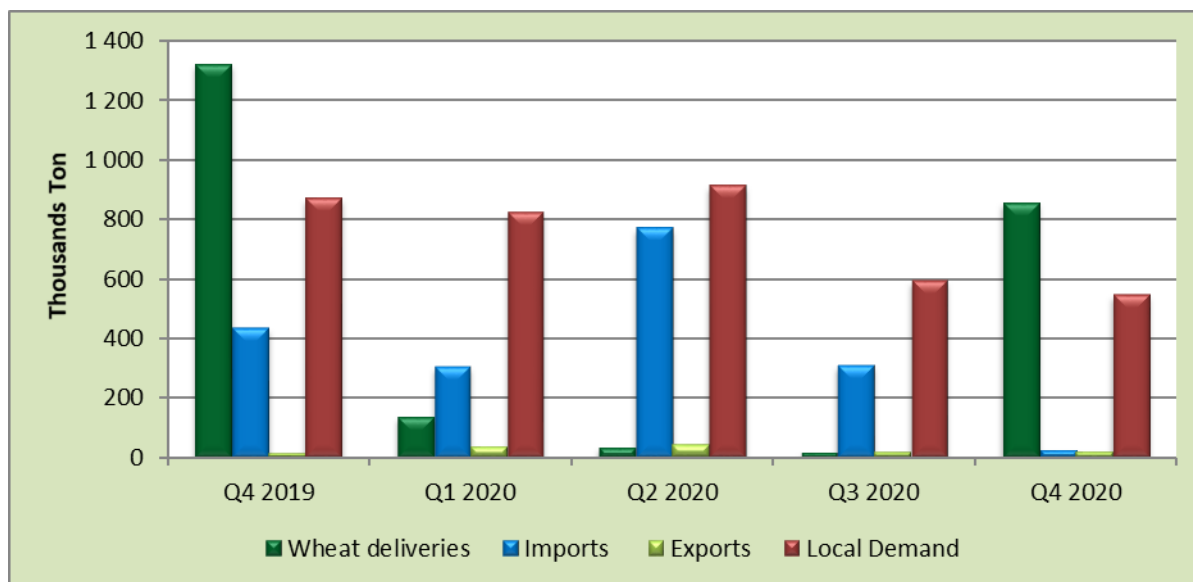


Figure 24: Wheat deliveries, Imports, Exports and local demand

Source: Stats SA & Safex

3.1.3 Soya beans

The price of soybeans remains high; during the last quarter of 2020 soybean price was 40% higher than it was during the same period last year(y/y). On a quarter-on-quarter basis (q/q) the price was 14.9% higher. The price of soybeans traded at 16.6% below the import price although it is 13.1% above the export price.

Local prices are tracking the high international prices which have been rising since the last half of quarter 2020 as shown on figure 25. On a year-on-year basis international soybean prices increased by 27.8%, whilst on a quarter-on-quarter basis prices increased by 22.6% during the last quarter of 2020.

International prices increased as a result of short-term uncertainty for soybean and product shipments out of Argentina as well as tightening supplies in the United States and concerns regarding yields in South America. Brazil also a major soybean producer; increased their soybeans imports to augment their tight local supplies.

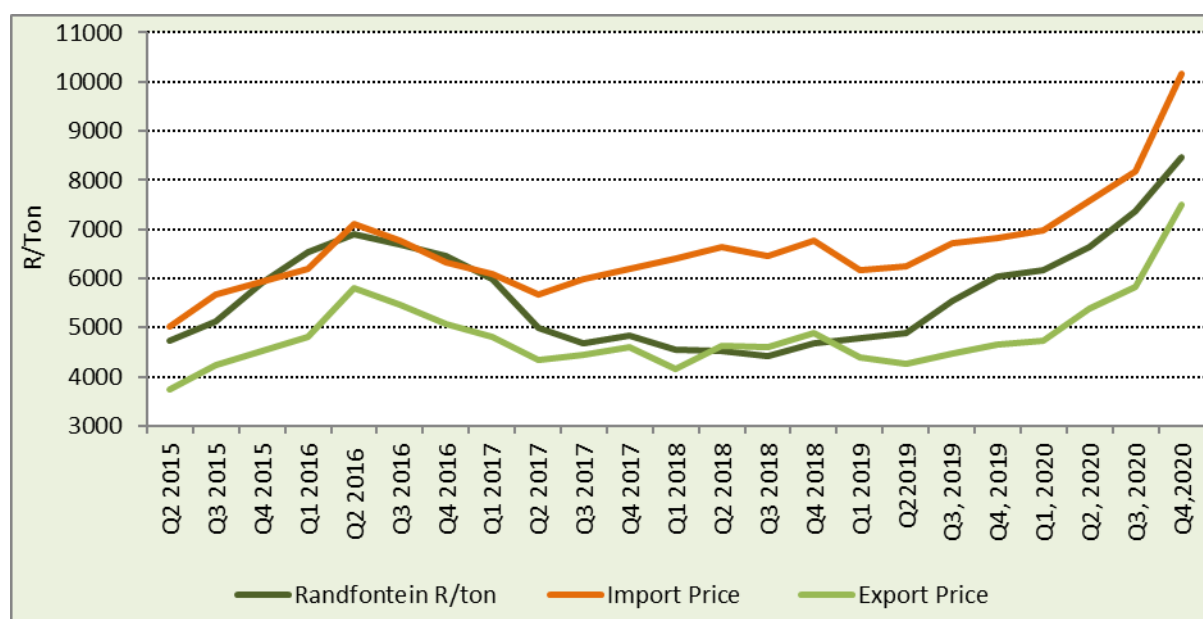


Figure 25: Soya beans local price vs import price
Source: Safex/Sagis/USDA/World Bank

Final soybeans production for 2020 ended at 6.4% higher than it was in the 2019 season-resulting in a final total of 1,2 million tons. Demand was lower in 2020 compared to 2019 due to the higher prices. Although, it was still enormously higher

at 14.8% above the 1.2 million tons average local demand, resulting in a huge increment in soybeans imports to supplement the lower local supplies. The ending stock was the lowest since 2017 at 63.5% lower than it was in 2019 shown (Table 1). The 2021 soybeans production is forecasted to be the highest on record as a result of the growing local demand, local shortages and the high international and local prices as shown in Table 1.

Table 1: South African Soybeans Production & Use Table

	2014	2015	2016	2017	2018	2019	2020	2021 Forecast
Beginning Stock	61806,00	63704	89128	84792	330535	502241	138455	74455
Production	948000	1070000	742000	1316000	1540000	1170345	1245500	1 620 900
Imports	103704	124981	271098	28000	6000	9500	115 000	0
Total Supply	1113510	1258685	1102226	1428792	1876535	1682086	1498955	1695355
Local Consumption	1049230	1164880	1010689	1063783	1349294	1539631	1423400	1564500
Exports	576	4677	6745	414	25000	4000	1 100	1100
Total Demand	1049806	1169557	1017434	1098257	1374294	1543631	1424500	1 565 600
Closing Stocks	63 704	89128	84792	330535	502241	138455	74 455	129 755

Source: DALRRD/ NAMC/Sagis

3.1.4 Sunflower

Figure 26 shows below shows the supply and demand of sunflower seed up to the fourth quarter of 2020. Producer deliveries in the fourth quarter of 2020 decreased by 95.9% as compared to the previous quarter of 2020 (Q3). Producer deliveries in the fourth quarter of 2020 is expected to be 11% higher than it was in the same quarter of 2019 (Q4). South African sunflower seed imports increased by 216.5% in the fourth quarter of 2020 as compared to the same quarter in 2019 (Q4). Sunflower seed exports increased by 24.2% in the fourth quarter of 2020 when compared to the previous quarter of 2020 (Q3). Local sunflower seed consumption in the fourth quarter of 2020 was 9.1% higher than it was in the previous quarter of 2020 (Q3). Local consumption in the fourth quarter of 2020 is expected to be 17.3% higher than it was in the same quarter of 2019 (Q4).

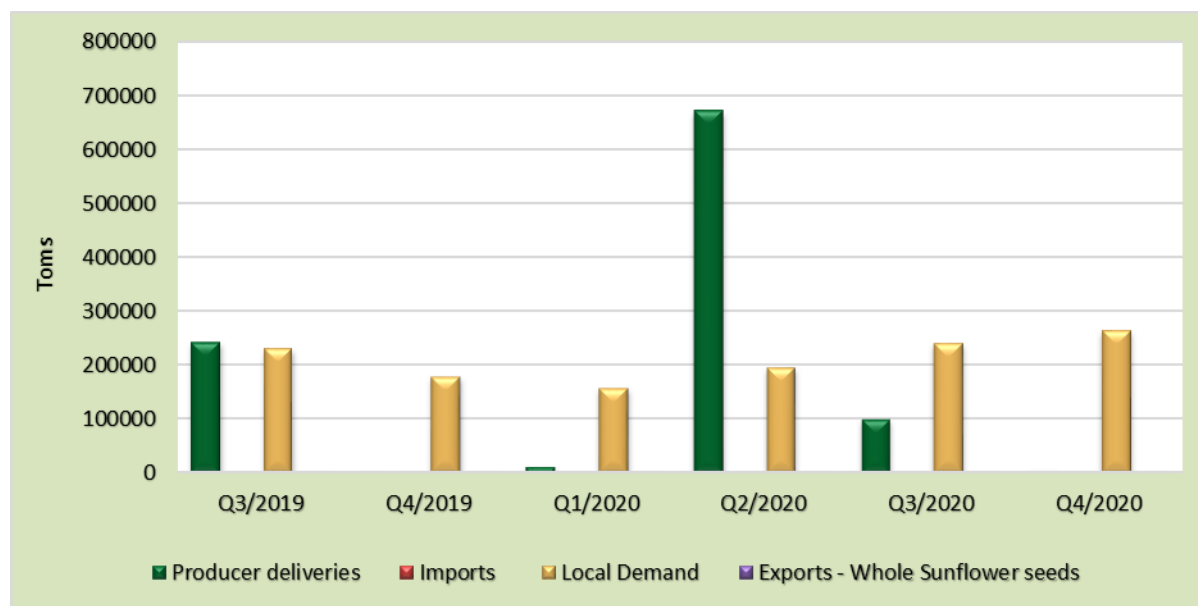


Figure 26: Sunflower seed deliveries; local demand and trade
Source: Sagis

During the fourth quarter of 2020, South Africa sunflower seed prices traded below the import parity price at R8 332.88/ton compared to R9 907.42/ton in the fourth quarter of 2020, which is a total increase of 23.9% compared to the previous quarter of 2020 (Q3). The price of sunflower seed has increased by 49.2% during the fourth quarter of 2020 as compared to the same period last year, which is 14.6% higher than it was in the previous quarter of 2020 (Q3). The local sunflower seed price in the fourth quarter of 2020 traded at 15.9% lower than the import price, compared to trading at 15.6% below the import price in the third quarter of 2020. The prices of sunflower oil 2L and 750ml in the fourth quarter of 2020 traded higher by 45.1% and 13.2% respectively, when as compared to the same period in 2019 (Q4). The price of sunflower oil 2L and 750ml in the fourth quarter of 2020 increased by 0.3% and 7.8% respectively, when compared to the previous quarter (Q3) in the same year.

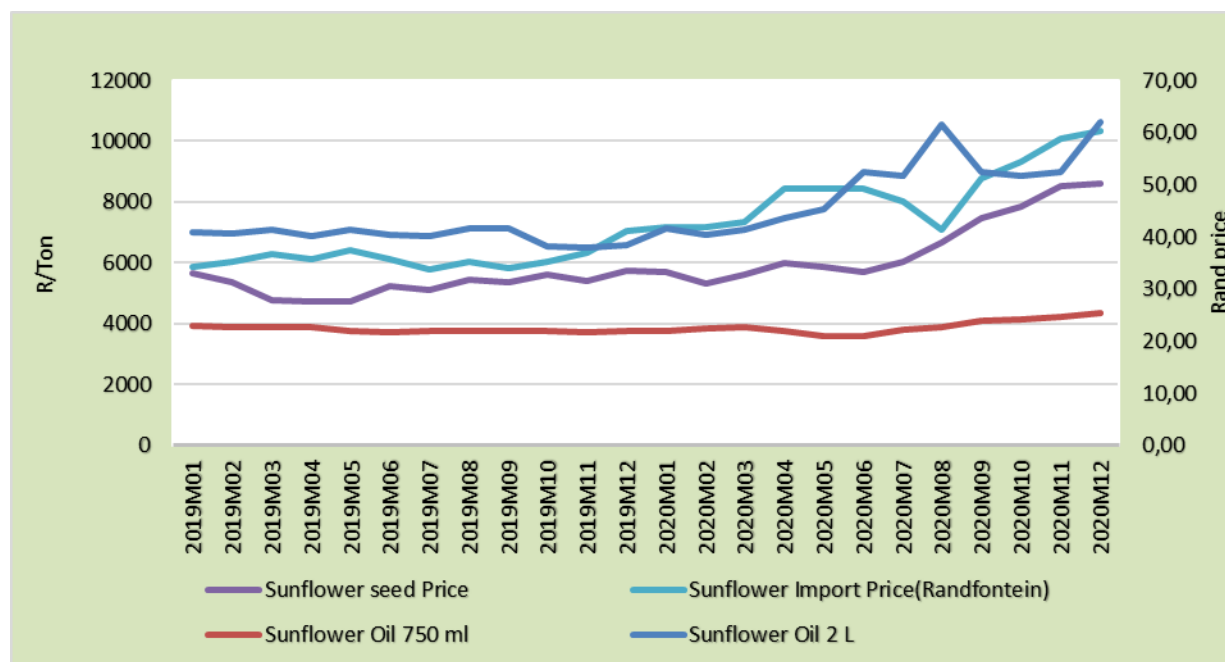


Figure 27 : Sunflower local seed; import price (Randfontein) and Sunflower retail price
 Source: Safex; USDA; Sagis; and Own calculations

3.1.5 Sorghum

The demand and supply on table 2 below shows that the final 2020 overall sorghum production ended at 170 590 tons 24.4% higher than in 2019. However; local demand decreased by 0.7% during the same period. The reduction in demand could be attributed to inter-alia; soaring local and international coarse grain prices. Prices increased as a result of the rise in feed use in China during the herd rebuilding phase resulting from the swine flue. Other fundamentals that caused a rise in global coarse grain prices result from stronger demand also in Mexico, Argentina and Brazil.



Figure 28: Sorghum Parity Price
Source: Safex, Sagis

Forecasts indicate that sorghum production is expected to increase by 8% in 2021 compared to 2020. The rise in production could be attributed to the high prices as a result of the high global demand.

Table 2: Sorghum Demand & Use Table

	2013	2014	2015	2016	2017	2018	2019	2020	2021 Forecast
Opening stock	56015	50069	121812	83142	35238	59246	51860	60423	48 238
Production	147200	265000	114700	70500	152000	115000	127000	158000	170 590
Imports	50033	8725	34316	74957	55824	32500	59253	3000	5 000
Total Supply	251652	320301	277713	226677	244073	206746	238113	221423	223828
Local demand	182033	172320	165532	178790	176000	166500	170390	169155	168410
Exports	19550	26169	29039	12649	13800	12345	7300	5650	5 500
Total Demand	201583	198489	194571	191439	182783	173700	177690	174805	173 910
Ending Stock	50069	121812	83142	35238	59246	51860	60423	48 238	44 418

Source: DALRRD/ NAMC/Sagis

3.1.6 Groundnuts

The final projected output for 2019/20 released by the National Crop Estimate Committee indicate that groundnut production remained unchanged from the previous forecast at 50 080 tons, despite the fact that a large part of the crop was planted extremely late. The groundnut crop planted in the Free State, North West,

Northern Cape and a lesser crop planted in Limpopo appear to be in good shape, with expectations of fairly average to above-average yields.

After a rainy season and sunshine across the country, there is an intent to increase groundnut plantings for the 2020/21 production season. Higher commodity prices also lifted farmer sentiment to increase plantings.

Figure 29 shows producer deliveries, local demand of groundnuts as well as imports and exports of groundnuts from Q1:2019 to Q4:2020.

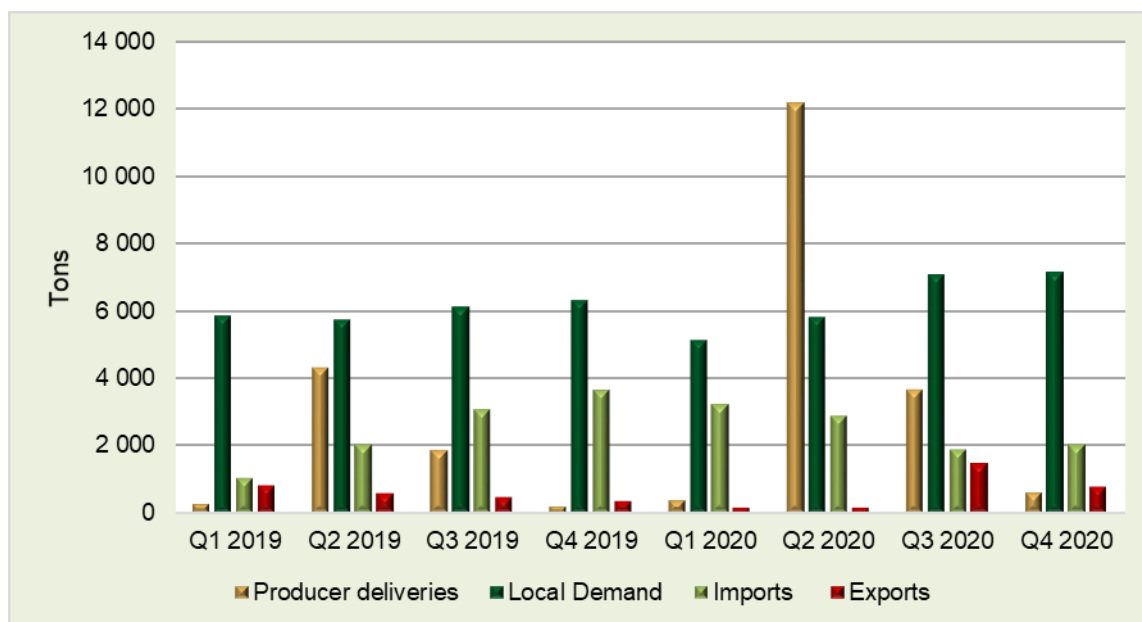


Figure 29: Producer deliveries, local demand, export and imports of groundnuts

Source: Sagis

Improved production prospects led producer deliveries of groundnuts to increase significantly in Q4: 2020 compared to Q4: 2019, as local optimism increased amid eased lockdown restrictions and weather forecasts generally favourable for the summer rainfall regions from expectations of a La Niña weather event. However, the increase in producer deliveries will have a minimal impact on prices for the consumer especially because South Africa has been a net importer of groundnuts, see figure 29.

Producer deliveries of groundnuts reached an average of 595 tons in Q4: 2020 from an average of 196 tons delivered in Q4: 2019, see figure 29. During the same period, local demand of groundnuts increased by 13% in Q4: 2020 compared to Q4: 2019, to an average of 7 116 tons from an average of 6 304 tons. With improved production prospects, there is expectations of an economic recovery of which economic growth seems necessary to meet the higher consumption demand.

Meanwhile, exports of groundnuts increased significantly in Q4: 2020 compared to Q4: 2019, to an average of 768 tons from an average of 324 tons. South African groundnuts are highly sought after on the world market due to their taste and shape. Furthermore, South Africa managed to maintain the demand for its product due to varietal choices (producing mainly Spanish type of groundnuts) that created niche market opportunities.

Meanwhile, late rainfall as well as severe and persistent drought during the past few summer grain planting seasons resulted in an increasing number of producers switching from groundnuts to other crops. Therefore, shortage of the local supply of groundnuts resulted in South Africa being a net importer of groundnuts. In Q4: 2020, imports of groundnuts decreased by 45% in Q4: 2020 compared to Q4: 2019, to an average of 1 994 tons from an average of 3 625 tons. As the season progressed and the groundnut crop promised to be among the best in history, the 2019/2020 production season was bountiful, with large volumes of groundnuts to export than in the previous year.

South Africa's consumption of peanut butter occurs mainly in two forms, as edible peanuts and as processed peanut butter. In Q4: 2020, consumption of edible groundnuts decreased by 5% compared to Q4: 2019, to an average of 2 917 tons from an average of 3 063 tons. Consumption of edible peanuts is mostly dependent on price which are dependent on the supply and demand of groundnuts. During the same period, peanut butter consumption levels increased by 29%, to an average of 3 182 tons in Q4: 2020, from an average of 2 470 tons in Q4: 2019. Meanwhile, consumption of crushed oil & cake increased by 33% in Q4: 2020 compared to Q4: 2019, to an average of 53 tons from an average of 40 tons in Q4: 2019. Groundnut

crushing and groundnut oil production constitute a very small part of the South African market.

Meanwhile, the average market price of peanut butter (400 gram) increased by 6% in Q4: 2020 compared to Q4: 2019, to an average market price of R32.74/400 gram from an average market price of R 31.03/400 gram. The COVID-19 outbreak in South Africa forced government to develop interventions to ensure vulnerable households have access to safe and nutritious food. Peanut butter falls within one of the nine food categories. Generally, South African families are more home together which created an opportunity for families to shift into healthy habits like making healthy sandwiches available in the home.

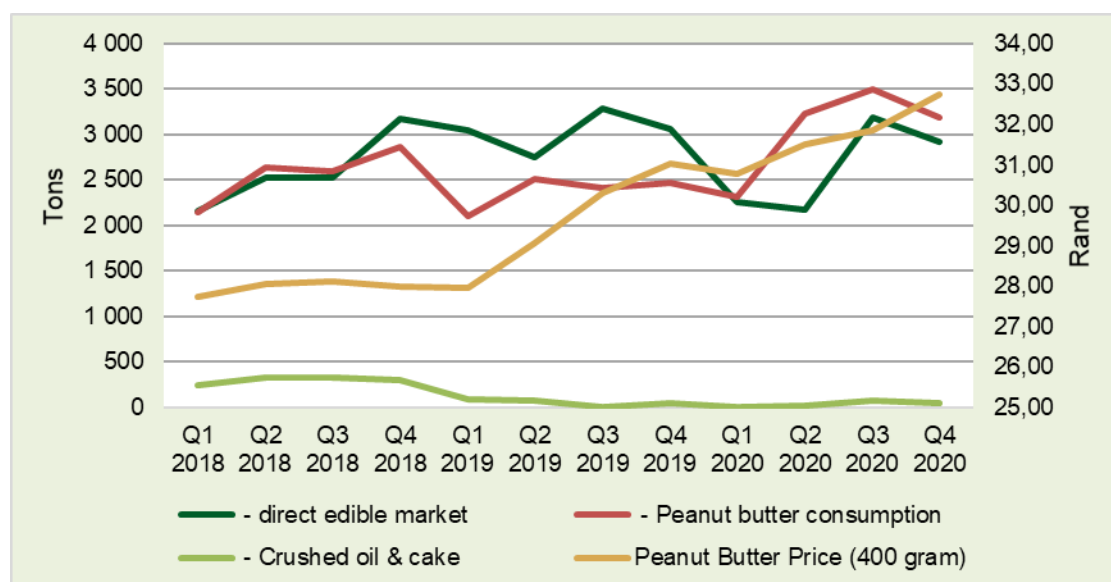


Figure 30: Groundnuts consumption

Source: Sagis

3.2 Fruit and vegetable market review

The following section looks at the average prices and quantities of fruits and vegetables traded at the Fresh Produce Markets (FPMs), from Q1: 2018 to Q4: 2020.

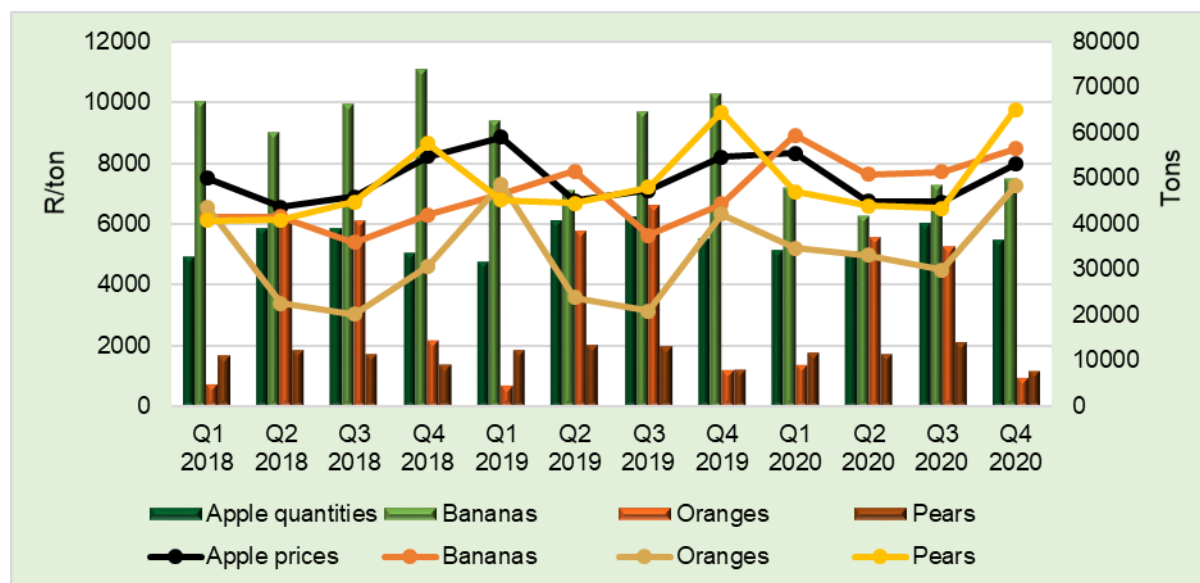


Figure 31: Average price and quantities of various fruits traded at fresh produce markets (FPMs)

Source: DALRRD

The yearly trend in fruit prices saw the price of apples decrease by 2.9% in Q4: 2020 compared to Q4: 2019. The first apples for the new season which are locally grown varieties from Limpopo hit the market a week before Christmas and are mainly sold domestically. Growers are still at work to thin what appears to be a very good harvest. Thereafter, apples from the Eastern Free State and Mpumalanga will follow which account for 2% of the total production. The expected harvest is to be an average one. During the same period, the quantities of apples decreased by 0.4% in Q4: 2020 compared to Q4: 2019. Banana average prices increased by 27.4% in Q4: 2020 compared to Q4: 2019 while quantities of bananas decreased by 27.5% during the same period. Banana prices have shown an upward trend in prices although at production level, everything appears to be normal with the exception of some major growing areas that have had to deal with extreme weather conditions.

The yearly trend in orange prices saw prices increase by 15% in Q4: 2020 compared to Q4: 2019 due to strong demand, while quantities of oranges decreased by 20.6% during the same period due to favourable weather conditions and an increase in the area harvested. Meanwhile, the yearly trend in pear prices saw prices of pears increase by 0.8% in Q4: 2020 compared to Q4: 2019 while quantities of pears

decreased by 0.7% during the same period. Prospects for the new season look positive due to good weather conditions this winter.

On a quarter-on-quarter basis, the average price of apples increased by 18.6% in Q4: 2020 compared to Q3 while quantities of apples decreased by 8.9% during the same period. The harvest expected is an average one. During the same period, the average price of bananas increased by 10.1% in Q4: 2020 compared to Q3 while quantities of bananas increased by 2.4% quarter-on-quarter. Although banana volumes rose in Q4: 2020 compared to Q3, the rise in volume is not at a level that one would consider overproduction. Meanwhile, the average price of oranges increased by 61.8% in Q4: 2020 compared to Q3 while quantities of oranges decreased by 82.0% during the same period. The 2019/20 season was bountiful with large volumes of Navels and Valencia oranges to be exported compared to the previous season. Furthermore, the average price of pears increased by 49.9% in Q4: 2020 compared to Q3 while quantities of pears decreased by 43.9% during the same period. The full bloom season was delayed due to the cold winter season while prospects look good prospects for the new season.

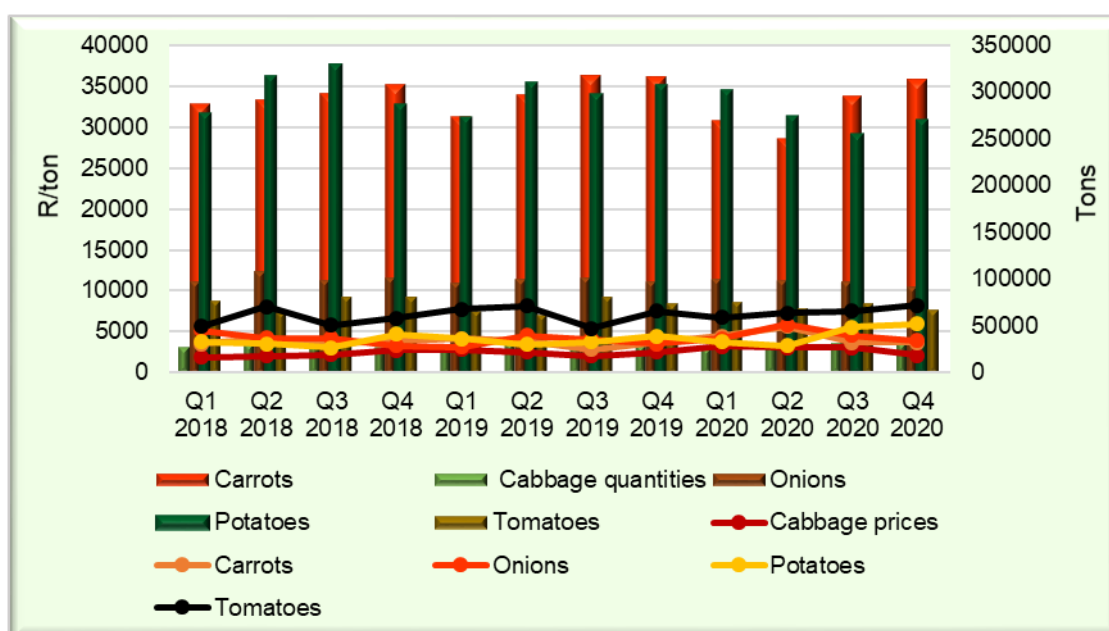


Figure 32: Average price and quantities of various vegetables traded at Fresh Produce Markets (FPMs)

Source: DALRRD

Prices of vegetables sold at the Fresh Produce Markets are mainly driven by domestic supply and demand dynamics. The average prices of carrots, onions,

potatoes and tomatoes increased by 1,4%, 11,1%, 32,1% and 9,2% respectively in Q4: 2020 compared to Q4: 2019 while quantities of carrots, onions, potatoes and tomatoes decreased by 0,9%, 6,5%, 12,1% and 8,9% respectively, due to a sharp reduction in supplies on markets. Meanwhile, the average price of cabbage decreased by 14,5% in Q4: 2020 compared to Q4: 2019 while quantities increased by 10,7% during the same period. Vegetable prices in Q4: 2020 traded firmer due to good seasonal demand. Prices continued to strengthen a week before Christmas as consumers ramped up purchases ahead of the holiday season. Analysts expect seasonal conditions to be positive for the horticultural sector with good rains expected to boost soil moisture conditions and improve dam levels that are critical for irrigated production systems (FNB, 2020).

On a quarter-on-quarter basis, the average prices of carrots, potatoes and tomatoes increased by 0,5%, 6,7% and 8,7% respectively in Q4: 2020 compared to Q3 while quantities of carrots and potatoes increased by 6,2% and 5,6% respectively during the same period with the exception of tomatoes were quantities decreased by 8,3% quarter-on-quarter. The South African potato sector is currently enjoying very good prices were the demand for potatoes appears to be strong. Meanwhile, the summer demand of tomatoes appeared to be strong. During the same period, the average price of cabbage and onions decreased by 31,6% and 13,6% respectively in Q4: 2020 compared to Q3 while quantities of cabbage increased by 1,9% in Q4: 2020 compared to Q3 and quantities of onions decreased by 6,2% quarter-on-quarter. The average price of cabbage contracted quarter-on-quarter while there has been a steady increase in production output while the average price of onions was slightly down quarter-on-quarter and could be attributed to the incoming harvests from the Western Cape and Northern Cape.

3.3 Meat industry review

According to BFAP report on the Perspective on agriculture's performance in Quarter four of 2020, it indicates that the agricultural sector performed well in the fourth quarter of 2020, with all three sub-sectors showing real growth. The 2020 (Q4) agricultural gross production value (GPV) from animal products increased by 1.6% year on year. As illustrated graphically above in figure1, total beef slaughtering

decreased by 3.29% in fourth quarter of 2020 compared to the same quarter of 2019. The price of beef per kg increased by 11.78% in fourth quarter of 2020 when compared to the same period in 2019., see figure 33.

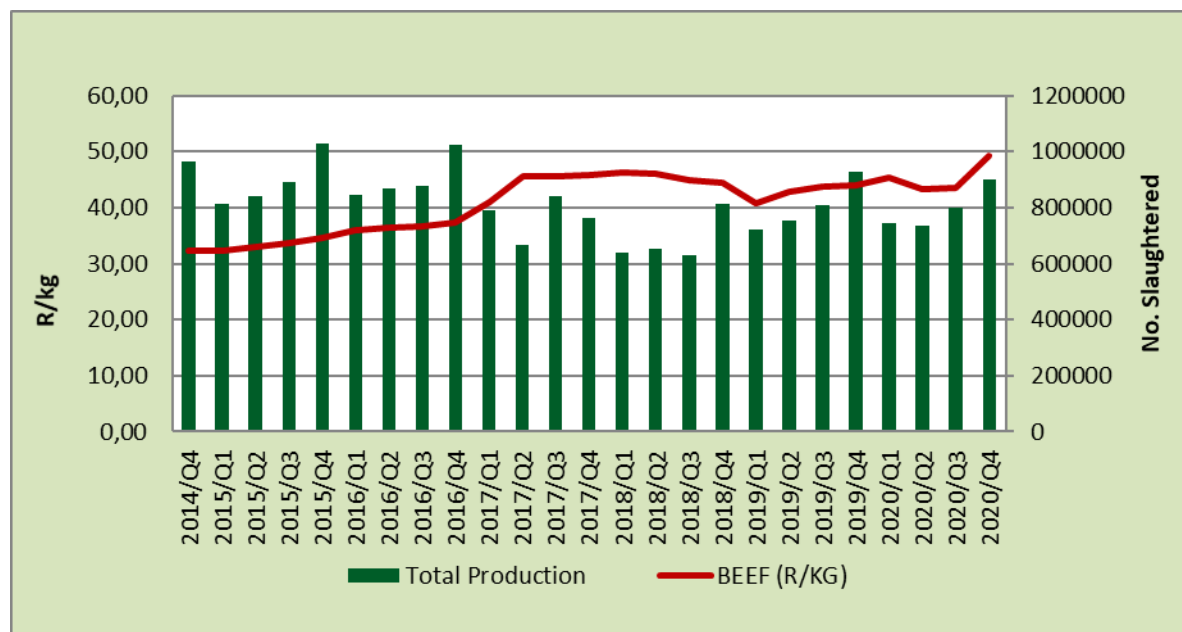


Figure 33: Beef productionSource: SA feedlot

Source, DALRRD

3.4 Poultry industry review

Poultry Prices increased slightly by 0.3% y/y whilst on a quarter-on-quarter basis prices decreased by 1.6% relative to the huge increase in feed costs. Poultry prices have increased at a negative quarterly rate of 0.2% since the 2nd quarter of 2018., see figure 34.

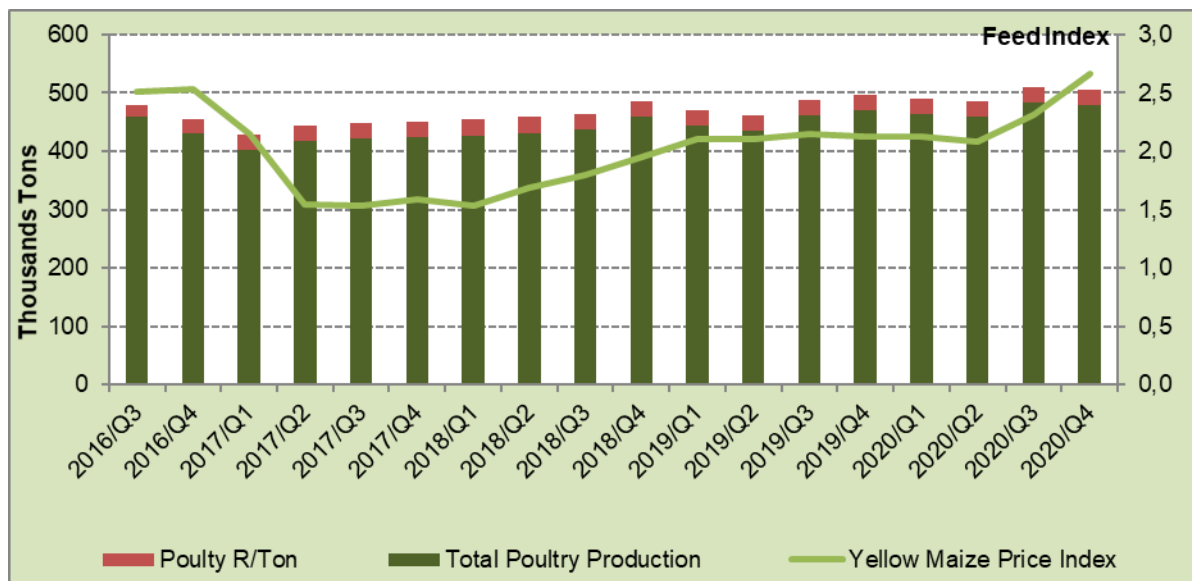


Figure 34: Poultry production

Source: DALRRD

The price of chicken at the retail level has increased by 24.3%, 8.8% and 0.3% on y/y basis respectively for fresh whole chicken, fresh chicken portions and frozen chicken portions per kg. On a quarter-on-quarter basis; only the price of fresh chicken increased slightly by 0.1%, whilst it decreased by 10.6% and 0.5% respectively for fresh chicken portions and frozen chicken portions.

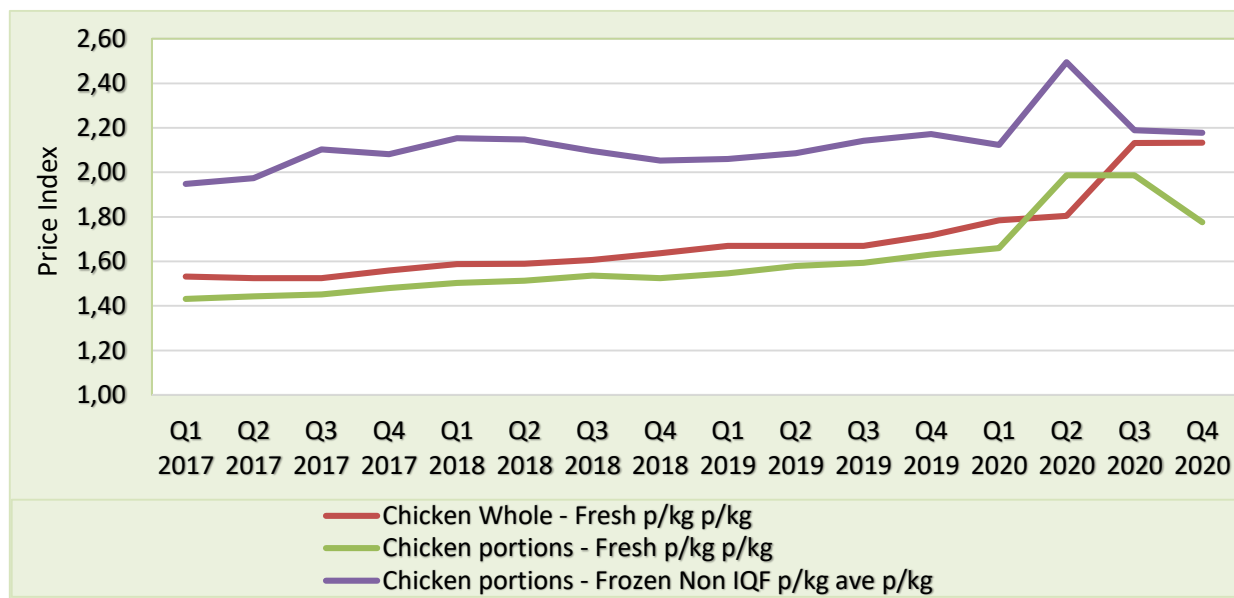


Figure 35: Poultry feed vs Retail prices

Source: SAPA, STATSA & Safex

3.5 Milk industry overview

South African total milk production is depicted in figure 36 below for the period 2018:Q4 to 2020: Q4. Quarter-on-quarter milk production moderated by 8.0% (1 044 billion liters) in 2020:Q4 compared to 18.7% (967 million liters) reported in 2020:Q3. The average producer price per litre of milk decreased by 0.6% in 2020: Q4 in relation to the previous quarter, from R5.16/ℓ in 2020: Q3 to R5.13/ℓ in 2020:Q4.

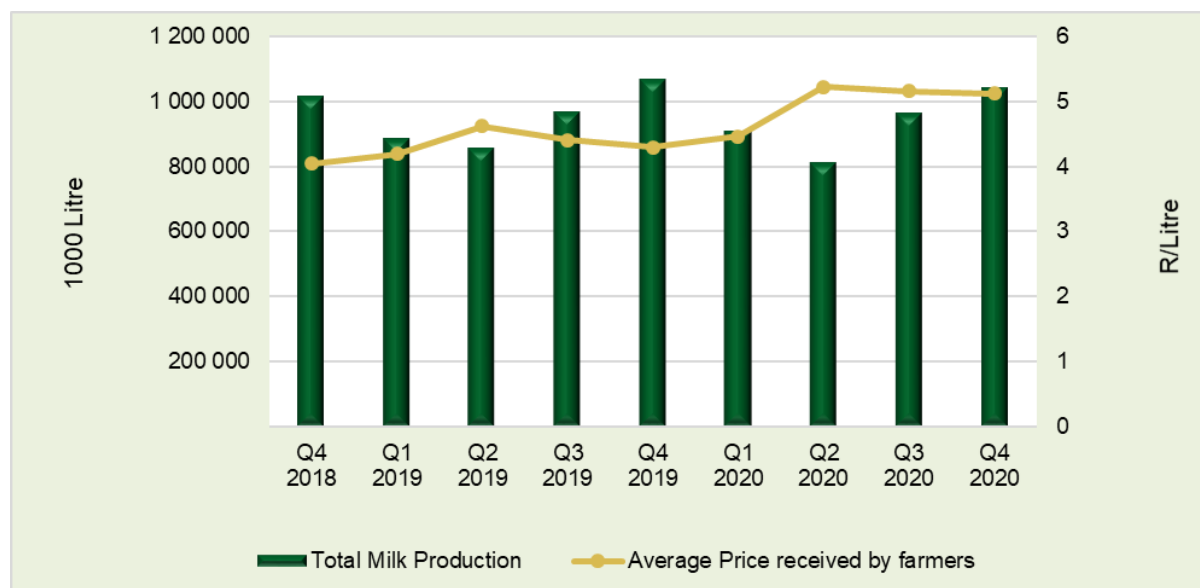


Figure 36: Trends in total production and average price of milk

Source: DALRRD

Figure 36 depicts trends in imports and exports of milk and cream, not concentrated nor containing added sweetening. South African exports of milk and cream (neither concentrated nor containing added sweetening) for 2020: Q4 decreased by 0.1% quarter-on-quarter whilst the imports milk and cream (neither concentrated nor containing added sweetening) increased by 73.4% during the same period.

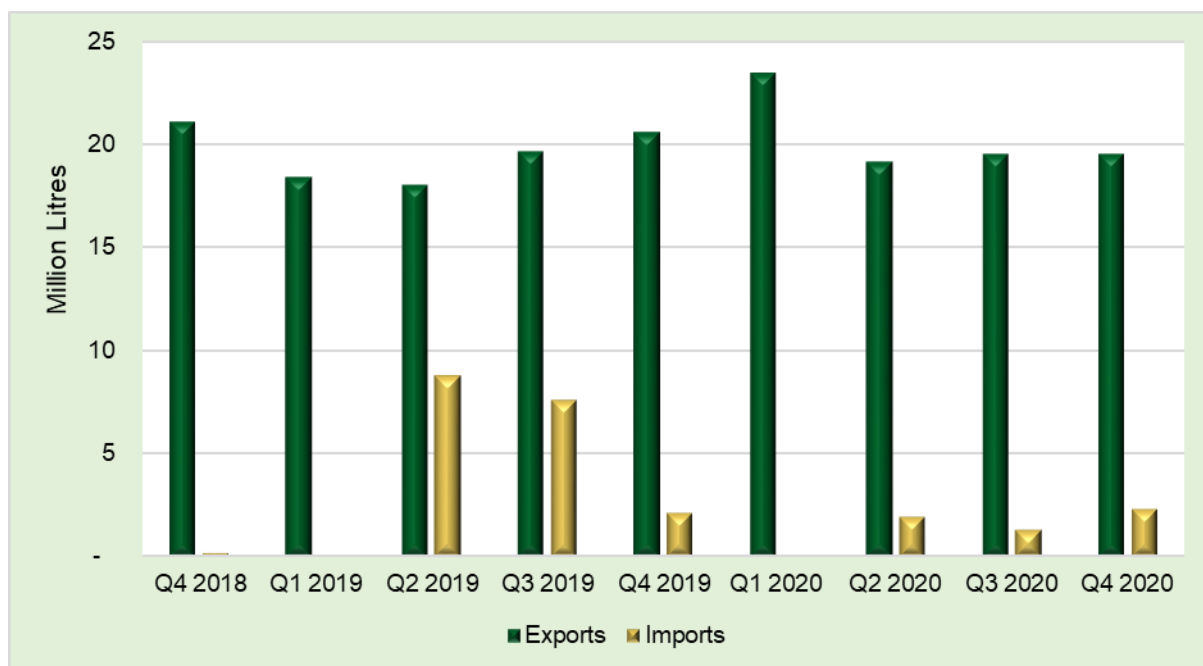


Figure 37: Trends in imports and exports of milk and cream, not concentrated nor containing added sweetening
 Source: GTA, 2020

3.6 Egg industry review

Figure 38 depicts South Africa total egg production and price per dozen from 2017: Q4 to 2020:Q4. In 2020: Q4, the total production of eggs in the country was estimated at 220.8 million dozen, 0.4% lower when compared to 2020:Q3 figure. The average price per dozen of eggs increased by 1.9% in 2020: Q4, from R11.66 per dozen in 2020: Q3 to R11.88 per dozen in 2020:Q4.

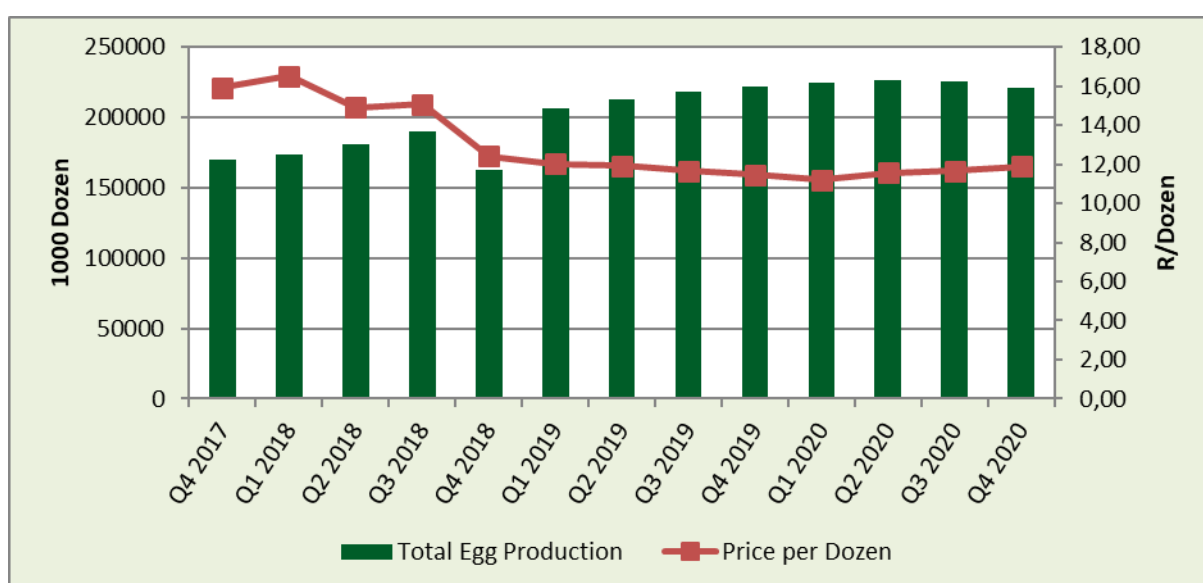


Figure 38: Trends in total egg production and average price per dozen eggs.

Source: DALRRD

3.6 Trade of agricultural, forestry and fisheries

Looking back on one of the most extraordinary years, the economy is reeling as a result of a harsh lockdown. The profound impact of the pandemic on the South African economy has inflicted huge scars. The economy remains fragile and economic recovery may be prolonged.

In the case of the Agricultural sector, exports of agricultural products performed well since agriculture had a good 2019/20 season. The South African agricultural sector has been one of those sectors that recorded positive growth although some subsectors such as the wine industry, tobacco, cotton and floriculture, amongst others were negatively impacted by the lockdown regulations (Agbiz, 2020).

South Africa's agricultural trade balance grew by 20.9% in Q4: 2020 compared to Q4: 2019, to R11,8 billion from R 9,8 billion. Favourable rainfall, which resulted in increased production and a large harvest resulted in South Africa recording its second-largest grain harvest in history in 2020. Meanwhile, the fruit industry had a good harvest in 2020 while citrus featured prominently throughout the year. Deciduous fruit production also experienced a broad recovery with apple and pear production increasing slightly by 5% and 1% respectively in 2020. General recovery in the livestock industry was not as robust as the other subsectors as cattle producers went through a very rough patch the past few years due to drought, diseases and the ban on livestock exports (Agbiz, 2020). In March 2020, good prices were expected for beef carcass especially when the carcass price was higher than 2018 prices. However, COVID-19 negatively affected the livestock industry, resulting in sharp a drop in prices (Maré, 2020).

On a quarter-on-quarter basis, agriculture's trade balance contracted by 58% in Q4: 2020 compared to Q3. Over the period, the export value contracted by 31% quarter-on-quarter to R37,0 billion from R 53,7 billion while the import value contracted by 1% quarter-on-quarter, to R25,2 billion from R25,5 billion. With the eased lockdown

restrictions, there is an improvement in economic activity and while these restrictions will not be as severe as in the past couple of months, this could pose a risk to SA's growth outlook. The key risks to the growth outlook are new variants of the virus, delays of the vaccine roll-out and not enough economic policy support. This combined with the usual concerns around land reform policy and general uncertainties around trade as well as constrained income growth and continued load-shedding, the rebound in economic growth could be muted in 2021.

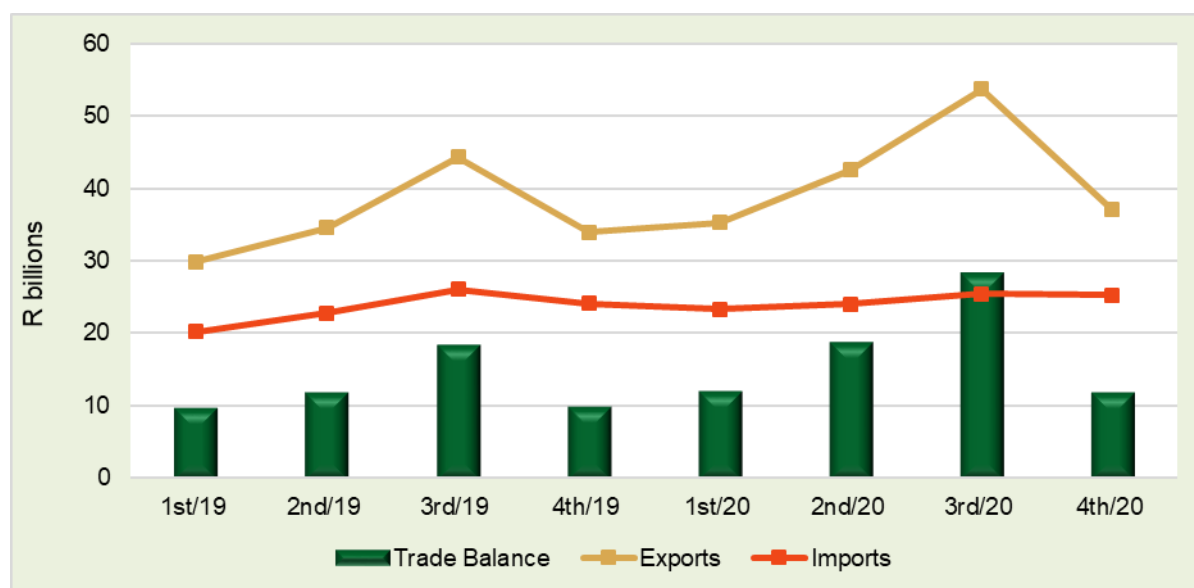


Figure 40: Trade balance of agricultural products

Source: GTA, 2020

Table 3: SA's top three largest export and import destinations of agricultural production in the 4th Quarter of 2020.

Top three markets of primary agricultural products exported by SA	Value (Billion Rands) 4 th Quarter 2020	% Share of total primary agricultural exports in 4 th Quarter 2020	Top three suppliers of primary agricultural products to SA	Value (Billion Rands) 4 th Quarter 2020	% Share of total primary agricultural imports in 4 th Quarter 2020
Total	R 37,04	100		R 25,23	100
Botswana	R 3,06	8.2	Thailand	R 2,27	9.0

Netherlands	R 3,04	8.2	China	R 1,48	5.9
Namibia	R 2,77	7.5	Brazil	R 1,41	5.6

Source: GTA, 2020

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 Netherlands and Namibia. SA’s top three suppliers of agricultural products in Q4: 2020 include Thailand, China and Brazil.

Figure 41 indicates the top five agricultural products imported by SA in Q4: 2020. Of the top five agricultural products imported by South Africa, these include rice (34%), palm oil (21%), meat and edible offal (17%), alcohol (14%) and cane or beet sugar (14%). Meanwhile, Figure 42 indicates the top five primary agricultural products exported by SA in Q4: 2020. Of the top five agricultural products exported by South Africa, these include wine (29%), fresh or dried grapes (24%), fresh strawberries, raspberries, blackberries etc (18%), maize or corn (16%) as well as nuts (13%).

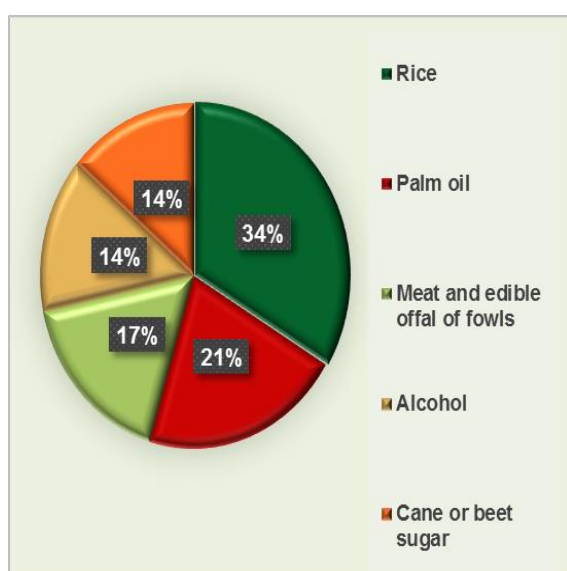


Figure 41: Top five agricultural products imported by SA

Source: Trademap, 2020

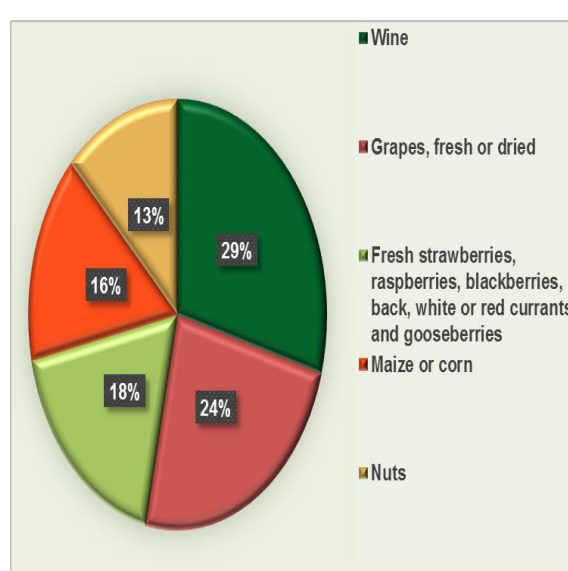


Figure 42: Top five agricultural products exported by SA

Source: Trademap, 2020

4. CONCLUSION

According OECD Economic Outlook Report (December 2020), It indicates that a global economic recovery is in sight with some activity in many sectors has picked up and partially adapted to pandemic restrictions. Real GDP growth Rates, 2020 (Q4) in the advanced economies of the following countries: Canada, Germany, Japan, United Kingdom and United States increased by 2.3%, 0.3%, 2.8%, 1.0% and 1.1% respectively, while France and Italy decreased by 1.4% and 1.9% correspondingly when compared to 2019 (Q4)

In the emerging markets and developing economies, 2020 (Q4) Real GDP growth rates decreased in the following countries: Brazil, China, India, Indonesia, Philippines, South Africa and Nigeria decreased by 3.2%, 2.6%, 7.9%, 2.9%, 5.6%, 6.3% and 0.11%, respectively, whilst Malaysia merely decreased by 3.4% when compared to the fourth quarter of 2019

South Africa's GDP figures shows shows that the economy real gross domestic product in the 2020: Q4 increased at an annualised rate of 6.3%, following a massive 67,3% increased in the 2020: Q3 The agriculture, forestry and fisheries industry increased at a rate of 5.9% and contributed 0.2% to the GDP in 2020.

The annual average headline CPI for the fourth quarter 2020 was 2.96% which shows a decrease of 2.42% when compared to the same period last year. Food inflation for the fourth quarter of 2020 was 5.23% which shows an increase of 1.62% from 3.61% of the fourth quarter of 2019.

The official unemployment rate increased by 1.7 percentage points to 32.5% in the last quarter of 2020, the highest since the start of the Quarterly Labour Force Survey (QLFS) in 2008.

On a quarter-on-quarter basis, agriculture's trade balance contracted by 58% in Q4: 2020 compared to Q3. Over the period, the export value contracted by 31% quarter-on-quarter to R37,0 billion from R 53,7 billion while the import value contracted by 1% quarter-on-quarter, to R25,2 billion from R25,5 billion.

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