



Quartely Economic Overview

AGRICULTURE SECTOR

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agriculture, land reform
& rural development

Department:
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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 2021: 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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Disclaimer: *The Department of Agriculture, Forestry and Fisheries did everything to ensure the accuracy of the information reported in this publication. The department will, however, not be liable for the results of actions based on this publication.*

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EXECUTIVE SUMMARY

Global growth prospects:

Real GDP growth Rates, 2021 (Q4) in the advanced economies of the following countries: Germany, decreased by 0.3%, while Canada, France, Italy, Japan, United Kingdom and United States increased by 1.6%, 0.7%, 0.6%, 1.1%, 1.0% and 1.7% respectively, when compared to the fourth quarter of 2020 (Q4).

In the emerging markets and developing economies, 2021 (Q4) Real GDP growth rates decreased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa and Nigeria increased by 1.6%, 4.0%, 5.5%, 5.02%, 3.6%, 7.7%, 1.25% and 3.98%, respectively, when compared to the fourth quarter of 2020 (Q4) last year figures.

Global grain supply forecast: The global grain supply forecast indicates a total grain increase of 1.3%, from 3.581 million metric tons in 2021 (Q4) to 3.535 million metric tons in 2020 (Q4). Global supply projections for 2021 (Q4) of wheat and cotton decreased by 0.8% and 2.0% respectively, while coarse grains, rice milled, oilseeds, oil meals and vegetable oils decreased by 2.0%, 2.7%, 4.5%, 3.2% and 3.5% respectively, when compared to the fourth quarter of 2020.

South Africa's GDP: Real gross domestic product (GDP) grew by 1,2% in the last quarter of 2021, taking the annual growth rate for 2021 to 4,9%. The fourth quarter was upbeat, with personal services, trade, manufacturing and agriculture the key drivers of growth. Despite these positive figures, real GDP has yet to recover to the level recorded in the second quarter of 2021, before civil unrest and stricter lockdown restrictions shook the economy in the third quarter

Inflation: Annual consumer price inflation was 5,9% in December 2021, up from 5,5% in November and 5.0% in October 2021. This is the highest annual increase since March 2017 when the rate was 6,1% driven mostly by rising transport costs.

The transport category continues to be the major factor behind inflation, recording an annual increase of 15% in November.

Employment: South Africa's unemployment rate climbed to 35.3% in the fourth quarter of 2021, up from 34.9% in the previous period. It was the highest jobless rate since comparable data began in 2008. The number of unemployed persons increased by 278 thousand to 7.9 million, employment rose by 262 thousand to 14.5 million and the labour force went up by 540 thousand to 22.5 million. Job losses were primarily observed in manufacturing (85 thousand) and construction (35 thousand). On the other hand job gains were reported in private households (129 thousand), trade (118 thousand) and community and social services (73 thousand).

The grain market review section: 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: During Q4: 2021, South Africa's agricultural trade balance grew by 37.2% relative to Q4: 2020, to R 14,9 billion from R10,9 billion. Farmers are boosting planting and taking advantage of the favourable weather conditions and attractive commodity prices, pointing to another year of solid growth (Agbiz, 2021). In Q4: 2021, the export value of agricultural products contracted by 19% relative to Q3, to R40,7 billion from R 50.3 billion while the import value contracted by 1.1% quarter-on-quarter, to R25,8 billion from R26,0 billion. Imports of agricultural products contracted quarter-on-quarter as elevated transportation costs, still depressed consumer sentiment, slow readjustments in the labour market and possibly a less supportive interest rate environment might have affected domestic demand.

1 GLOBAL OVERVIEW OF THE AGRICULTURE, FORESTRY AND FISHERIES ECONOMY

1.1 Global Real GDP Growth Rates

According to the Bloomberg Economics report (December 2021), it indicates that Omicron is dealing a blow to the world economy just as the pandemic enters its third year as a drag on growth and driver of inflation. The global economy is expanding just 0.7% in the final three months of the year, half the pace of the previous quarter and below the rate of around 1% witnessed right before the crisis. The euro-area is on pace for a 0.8% expansion in the fourth quarter from the previous three months, which is 0.3% point less than what was projected in November. The U.S. has strengthened slightly and is now registering a 1.2% pace. Real GDP growth Rates, 2021 (Q4) in the advanced economies of the following countries: Germany, decreased by 0.3%, while Canada, France, Italy, Japan, United Kingdom and United States increased by 1.6%, 0.7%, 0.6%, 1.1%, 1.0% and 1.7% respectively, when compared to the fourth quarter of 2020 (Q4). See figure 1 below.



Figure1: Advanced Economies Quarterly GDP Growth Rates
Data Source: Various Sources

Figure 2, Indicate that in the emerging markets and developing economies, 2021 (Q4) Real GDP growth rates decreased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa and Nigeria increased by 1.6%, 4.0%, 5.5%, 5.02%, 3.6%, 7.7%, 1.25% and 3.98%, respectively, when compared to the fourth quarter of 2020 (Q4) last year figures.

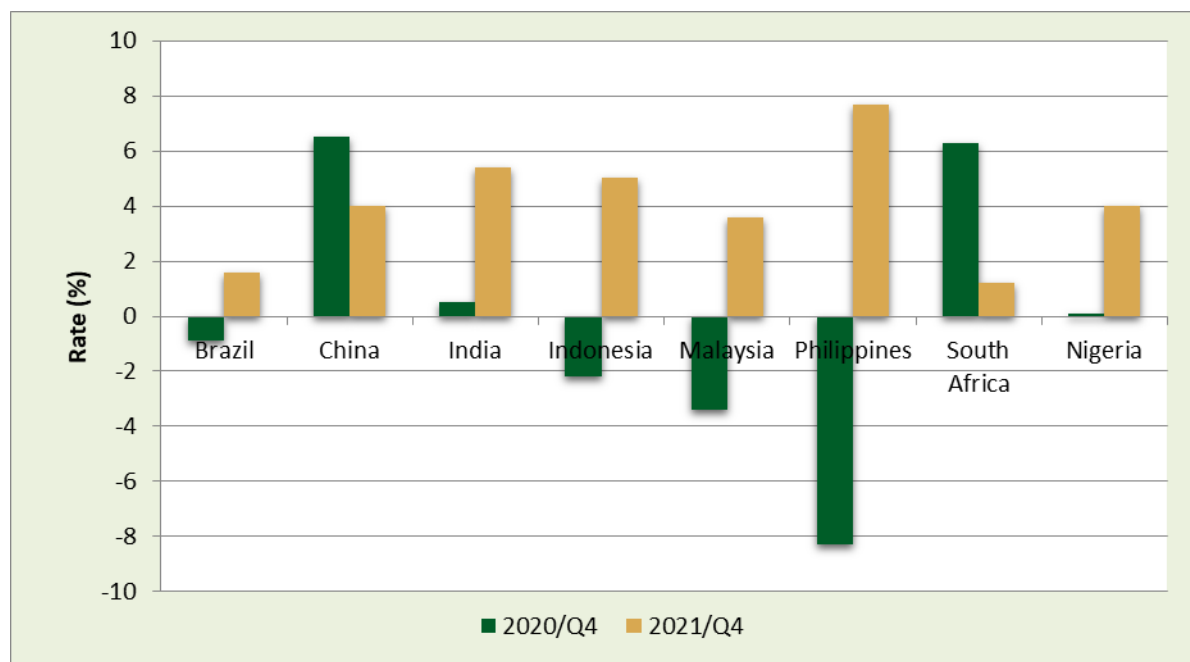


Figure 2: Emerging Markets and Developing Economies Quarterly GDP Growth Rates
Data Source: Various Sources

1. Global Grain forecast

The global grain supply forecast indicates a total grain increase of 1.3%, from 3.581 million metric tons in 2021 (Q4) to 3.535 million metric tons in 2020 (Q4). Global supply projections for 2021 (Q4) of wheat and cotton decreased by 0.8% and 2.0% respectively, while coarse grains, rice milled, oilseeds, oil meals and vegetable oils decreased by 2.0%, 2.7%, 4.5%, 3.2% and 3.5% respectively, when compared to the fourth quarter of 2020, see figure 3 below.

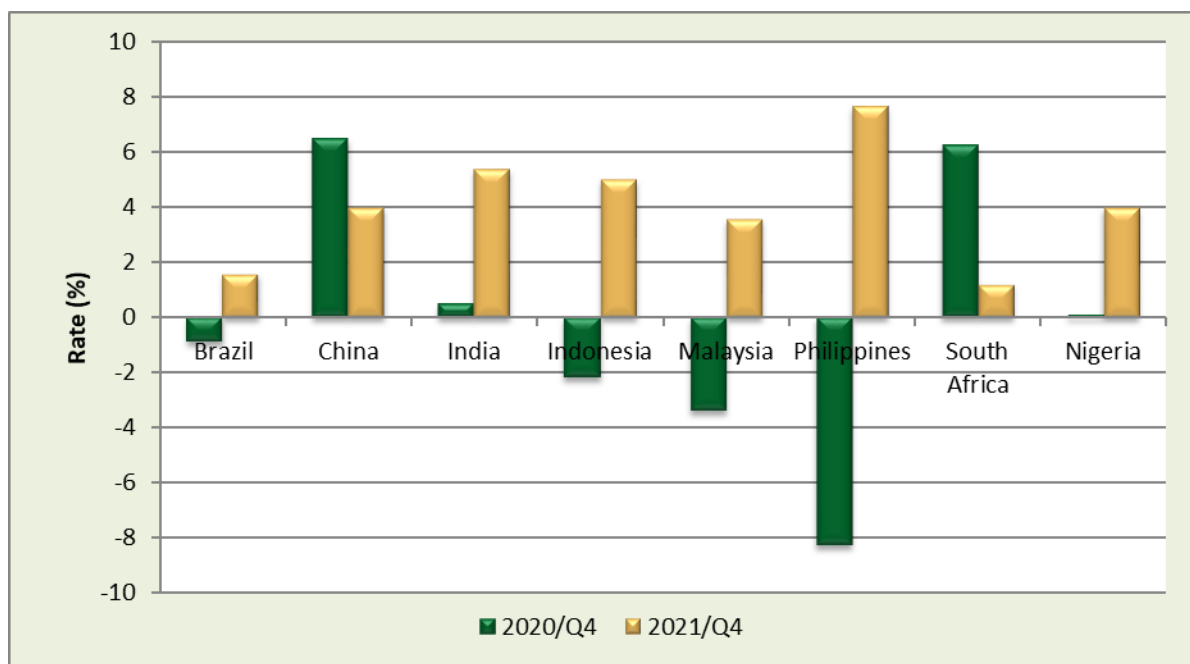


Figure 3: Quarterly global grain supply forecast
Data Source: USDA

2. Global Food Prices

Globally in 2021 (Q4) some major countries were paying relatively more by 10.7% on food purchases compared to 2020 (Q4). The following global food products price indices in 2021 (Q4), meat, dairy, cereals, oil and sugar indices shows an increase of 5.2%, 7.1%, 9.2%, 23.9% and 12.0% respectively, when compared to (Q4) of 2020, see figure 4.

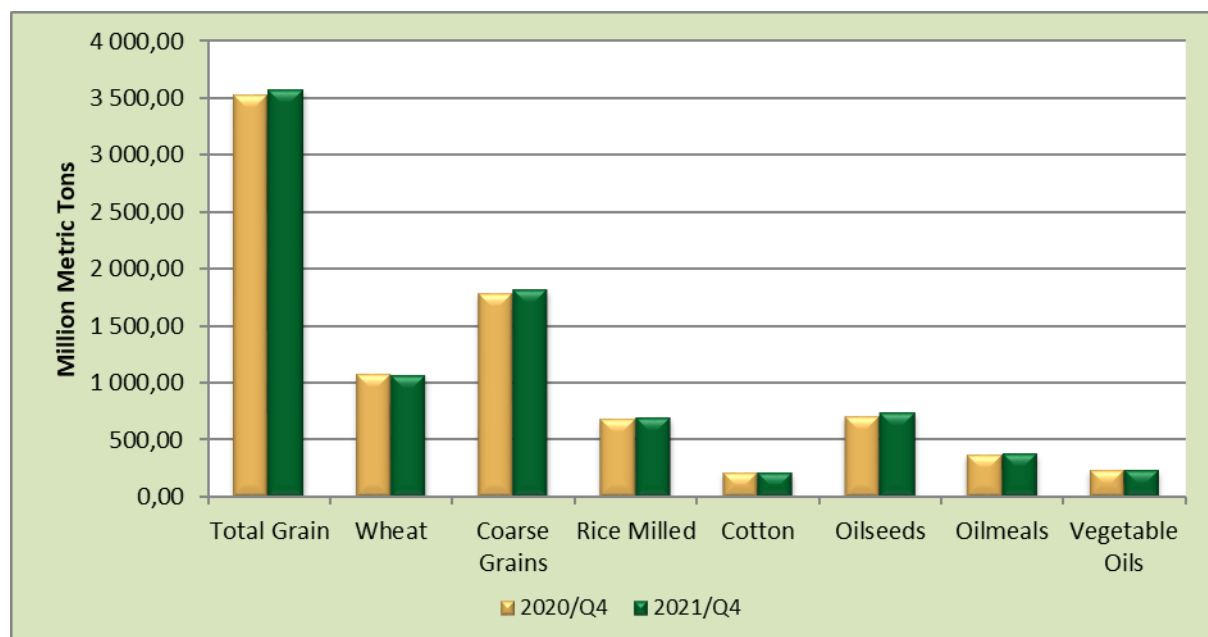


Figure 4: Quarterly global food price indices
Data Source: USDA

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

2.1 Growth

Real gross domestic product (GDP) grew by 1,2% in the last quarter of 2021, taking the annual growth rate for 2021 to 4,9%. The fourth quarter was upbeat, with personal services, trade, manufacturing and agriculture the key drivers of growth. Personal services, which includes health-related activities, continued to register increased activity stemming from the national vaccination programme. Various hospitals also recorded a rise in non-COVID-19 related patient admissions in the fourth quarter. An increase in demand for goods and services drove up the expenditure side of the economy, with exports and household expenditure the most significant contributors to growth. Despite these positive figures, real GDP has yet to recover to the level recorded in the second quarter of 2021, before civil unrest and stricter lockdown restrictions shook the economy in the third quarter. Real GDP continues to lag pre-pandemic levels too, with economic activity on par with the third quarter of 2017. The economy is 1,8% smaller than it was in the first quarter of 2020.

Trade activity increased by 2,9% as lockdown restrictions eased, with positive results from retail, motor trade, tourist accommodation and restaurants as well as fast-food and catering. Economic activity in the wholesale sector, however, edged slightly lower. The 2,8% rise in manufacturing output was mainly driven by the production of petroleum, chemical & plastic products as well as food & beverages. All other manufacturing divisions posted positive results too, with the exception of metals & machinery as well as furniture & other manufacturing that performed poorly.

Good rains during the season helped boost agriculture activity, together with a rise in animal products such as cattle, sheep, pigs and poultry increased wheat production lifted the industry by 12,2%. The higher than usual rainfall was good for agriculture, but not great for mining. The country produced less iron ore and coal in the fourth quarter, with heavy rains disrupting operations at opencast mines. Miners of gold, manganese ore, diamonds and chromium ore also recorded lower production figures. The finance industry edged lower by 0,8%. Financial intermediation (excluding insurance) and auxiliary activities recorded a decline in economic activity. The electricity, gas and water supply industry was down 3,4%, with production hampered by load shedding and infrastructure problems that affected both electricity and water distribution.

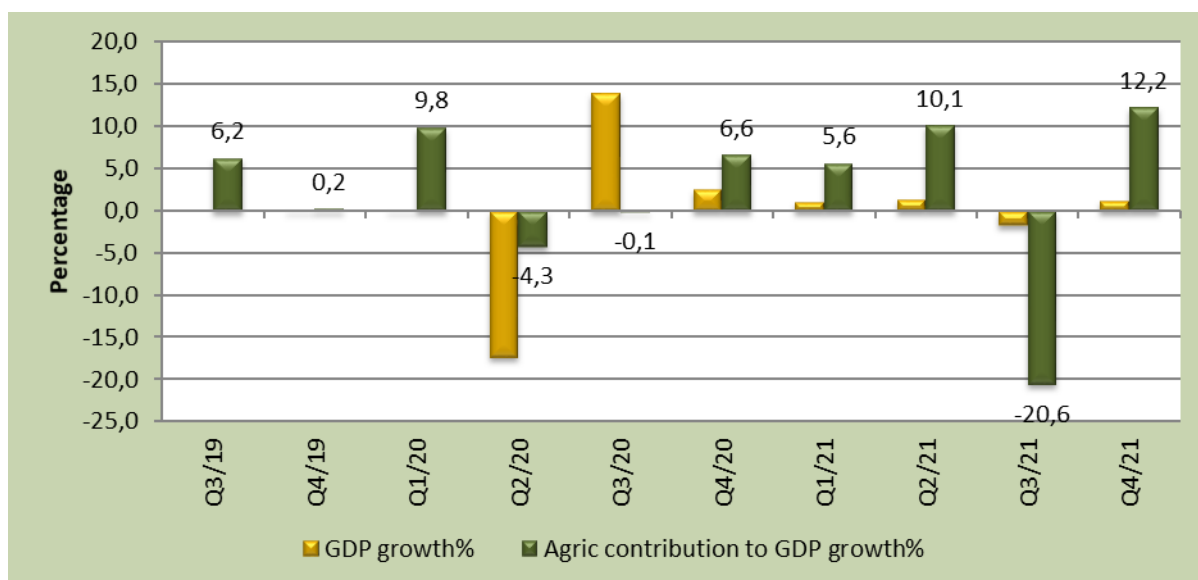


Figure 5: Domestic real GDP growth
Source: Stats SA

2.2 Inflation

Annual consumer price inflation was 5,9% in December 2021, up from 5,5% in November and 5.0% in October 2021. This is the highest annual increase since March 2017 when the rate was 6,1% driven mostly by rising transport costs. The transport category continues to be the major factor behind inflation, recording an annual increase of 15% in November. This makes it the only major group in the inflation basket with an annual rate above the 6% upper limit of the South African Reserve Bank’s monetary policy target range. Fuel prices increased by 7.1% between October and November, taking the annual rate to 34.5%. The price of inland 95-octane petrol was R19,54 per litre in November 2021 compared with R14,59 in November 2020. The diesel index increased by 35.1% over the same period. The average price of diesel was R18.75 per litre in November 2021 compared with R13.89 per litre in November 2020

The consumer price inflation averaged 5.5 for the last quarter of 2021. While the annual average headline consumer price index for 2021 Average annual consumer price inflation was 4,5% in 2021 (i.e. the average CPI for all urban areas for 2021 compared with that for 2020). This was 1,2 percentage points higher than the corresponding average of 3,3% in 2020.

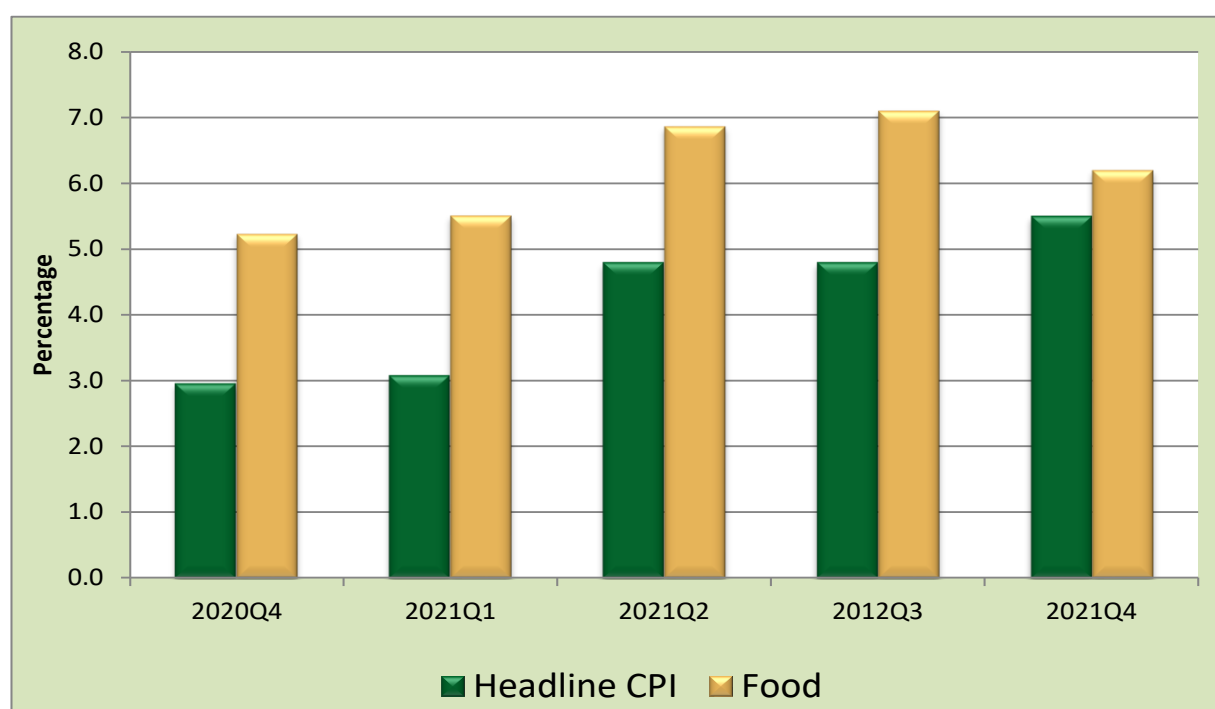


Figure 6 : SA headline CPI and CPI for food

Data Source: Stats SA

Figure 7 The main contributors to the average quarterly 5,5% annual inflation rate were food and non-alcoholic beverages, housing and utilities, transport as well as miscellaneous goods and services. Food and non-alcoholic beverages increased by 6,2%, quarter to quarter. In the last quarter of 2021 oils and fats increased significantly by 20.9%. Meat, fish, vegetables as well as bread and cereals also increased by 8.7%, 4.2%. 4.4% and 2.4% respectively. During the same period Milk, eggs and cheese also increased by 5.2%, whilst fruits decreased by 2.4%

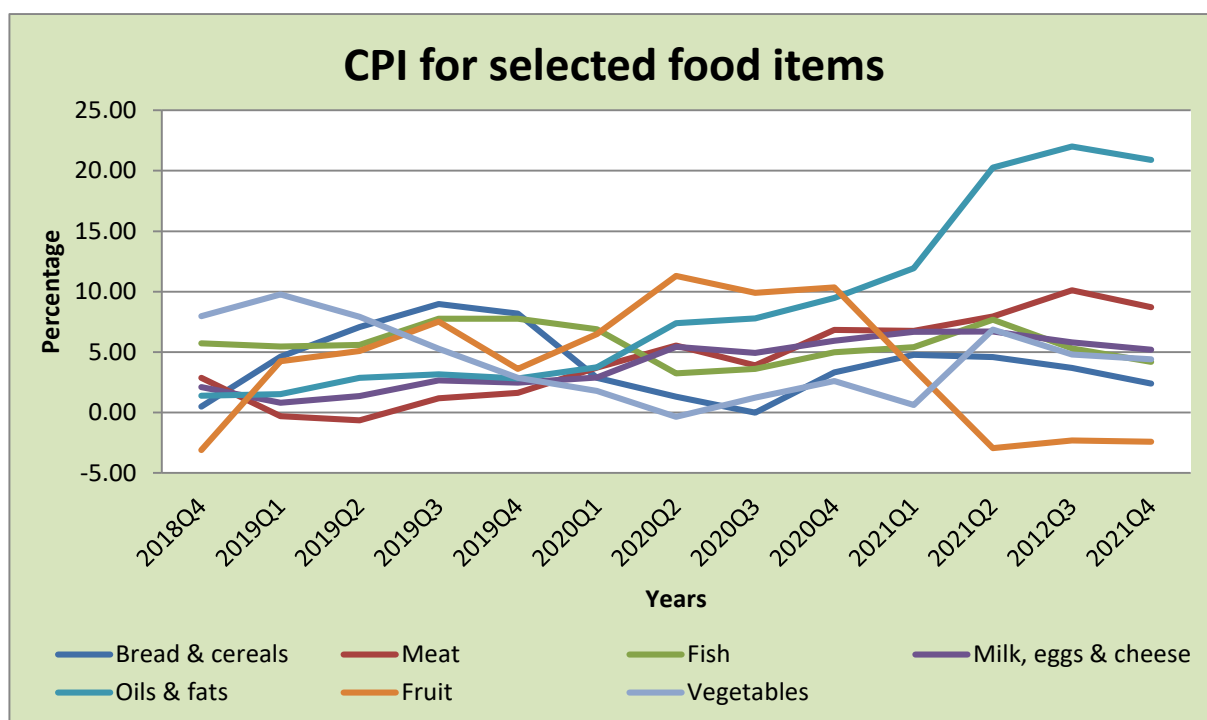


Figure 7: CPI for selected food items

Source: Stats SA

2.3 Employment

South Africa's unemployment rate climbed to 35.3% in the fourth quarter of 2021, up from 34.9% in the previous period. It was the highest jobless rate since comparable data began in 2008. The number of unemployed persons increased by 278 thousand to 7.9 million, employment rose by 262 thousand to 14.5 million and the labour force

went up by 540 thousand to 22.5 million. Job losses were primarily observed in manufacturing (85 thousand) and construction (35 thousand). On the other hand job gains were reported in private households (129 thousand), trade (118 thousand) and community and social services (73 thousand). The expanded definition of unemployment, including people who have stopped looking for work, was at 46.2%, down slightly from 46.6% in the third quarter. The youth unemployment rate, measuring job-seekers between 15 and 24 years old, was unchanged at a record high of 66.5%

The QLFS quarter 4 2021 publication was scheduled for 22 February 2022. The change in methodology to Computer Assisted Telephone Interviewing (CATI) to adapt to Covid-19 lockdown restrictions has had its limitations to the data collected. Low response rates were observed with national rates declining from an average of 76,9% in second of 2020 to a low of 44,6% in last quarter of 2021. Due to Stats SA subscribing to international standards in the production of official statistics, including labour statistics it had to conduct quality checks in order to provide the public with quality statistics. This process took longer than expected, resulting in the delay in the publication of the results for the last quarter 2021.

Figure 8 below shows that between the fourth quarter of 2021 and the fourth quarter of 2020, the number of employed people increased in four industries such as agriculture, private household, finance and transport increased by 7.1%, 5.2%, 4.0% and 0.8% respectively. While the number of employed people decreased in six industries such as utilities, manufacturing, community and services, trade, mining and construction.

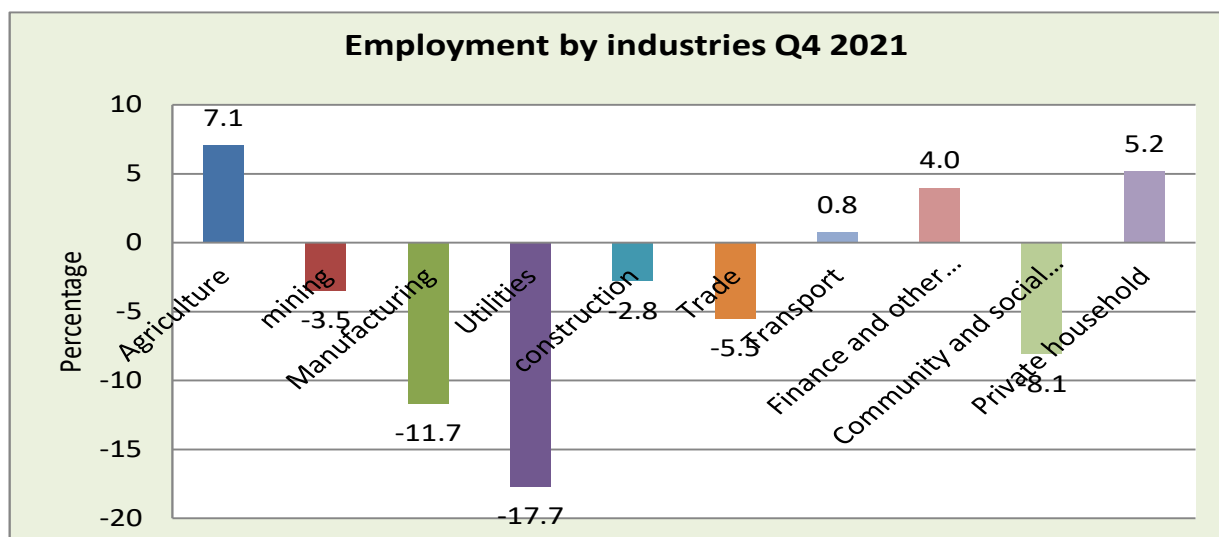


Figure 8: Total number of people employed by industries between 2020: Q4 and 2021: Q4
Source: Stats SA

Figure 9 below illustrate that the number of people employed in agricultural sector increased by 7.1% in the last quarter of 2021, from 810 000 people in the last quarter of 2020 to 868 000 people in the same quarter of 2021. Off the 57 000 jobs created, 74 000 jobs were created for males, while females lost about 16 000 jobs between the two quarters. During the same period in total, the agricultural sector have 232 000 females and 635 000 males compared to 249 000 females and 561 000 males. On quarter-to-quarter basis, in the last quarter of 2021, the number of people employed in agriculture sector also increased by 4.6%, from 829 000 to 868 000.

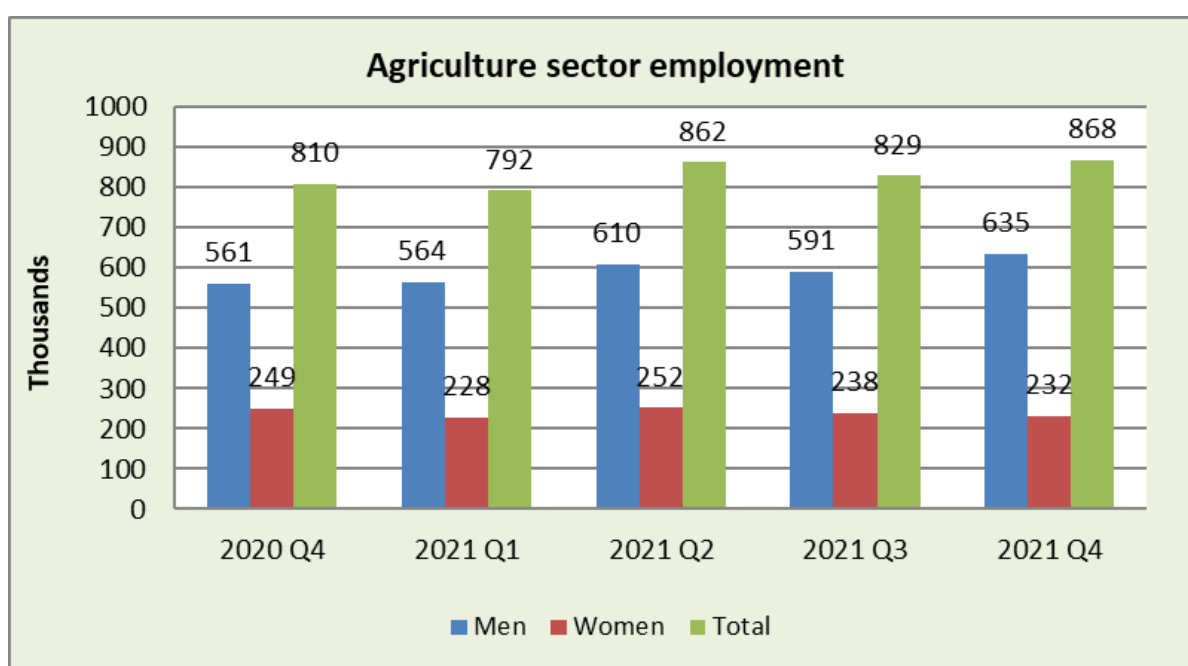


Figure 9: Total number of people employed in the agriculture sector between 2020: Q4 and 2021: Q4: Source: Stats SA

Figure 10 below shows that between the last quarter of 2020 and the same quarter of 2021, provincial agriculture employment increased in Free State (23.5%), Northern Cape (46.0%), Eastern Cape (7.7%), Gauteng (24.9%), North West (76.2%) and Mpumalanga (6.2%). While provincial agriculture employment decreased in KwaZulu-Natal (6.3%), Western Cape (0.1) and Limpopo (8.6%). During the same period (QLFS) publication, also indicate that 2.8 million people were involved in subsistence farming compared to 2.4 million people, a decrease of 12.8%. KwaZulu-Natal and Eastern Cape remained with the highest number of people involved in subsistence farming.

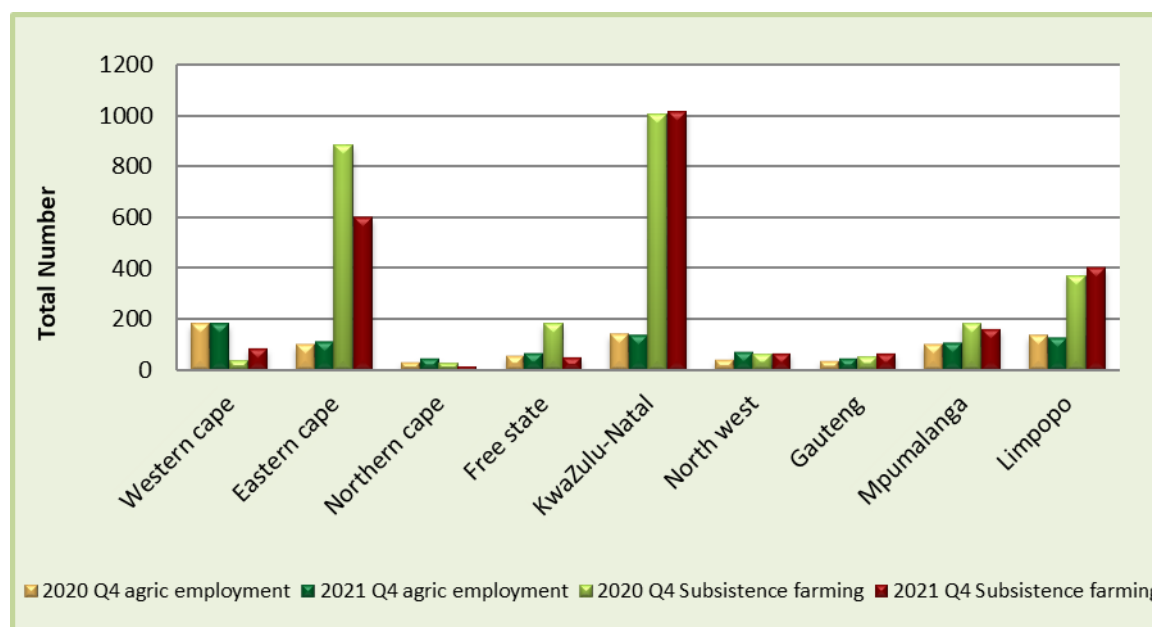


Figure 10: Provincial agriculture employment and number of people involved in subsistence farming

Source: Stats SA

2.4 Expenditure on intermediate goods and services by the agricultural sector

The figure 11 illustrate the total expenditure on intermediate goods and services was reported at R54.6 billion in the fourth quarter of 2021 compared to R52.8 billion in the previous quarter, an increase of 3.30%. Compared to a year ago the total

expenditure on intermediate goods and services increased by 7.6% from R50.7 billion in the fourth quarter of 2020 to R54.6 billion in the fourth quarter of 2021.

The total expenditure on intermediate goods and services increased by 3.3% from a year quarter (3 2021) ago to (Q4 2021). Figure 12 shows comparison of the total expenditure on Farm Services, Farm Fuel, Fertilizers, Seeds and Plants as well as Farm Feeds in the fourth quarter of 2021 compared to the previous quarter. The increase of 3.3% was due to increases in Fertiliser (12%), Farm Services (0.0%) Fuel (0.0%), Farm feeds (0.0%), and Seed & Plants (0.0%).

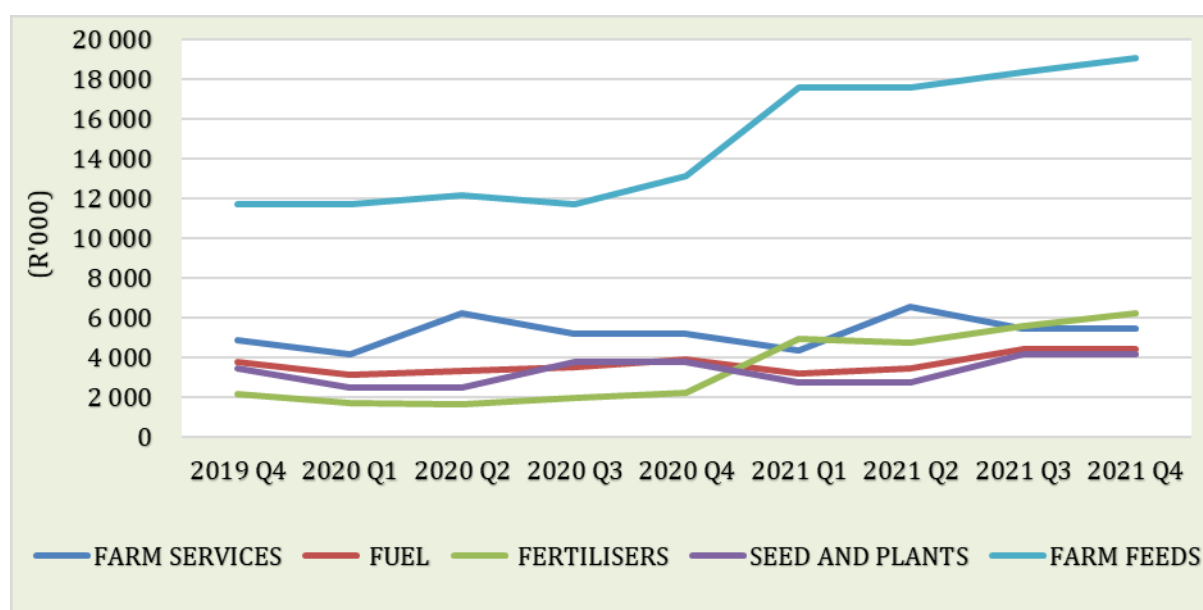


Figure 11: Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2019 Q4 and 2021 Q4
Source: DALRRD

2.5 fertilizer market review

2.5.1 South African fertiliser expenditure

The expenditure of the fertilizer in fourth quarter of 2021 was R6221 compared to R 2206 in the same quarter in 2020, this represent 182% increase on expenditure of fertilizers. Since the beginning of 2021 international fertiliser prices have been rising steeply in response to lower global supply. Export restrictions by China and Russia of fertilizers and the high international price of gas is aggravating the local fertilizer

price hikes. For net importing countries, macroeconomic factors such as Covid 19 disruption contributed immensely to the price of fertilizer and the exchange rate also play a crucial role in this regard., see Figure 12.

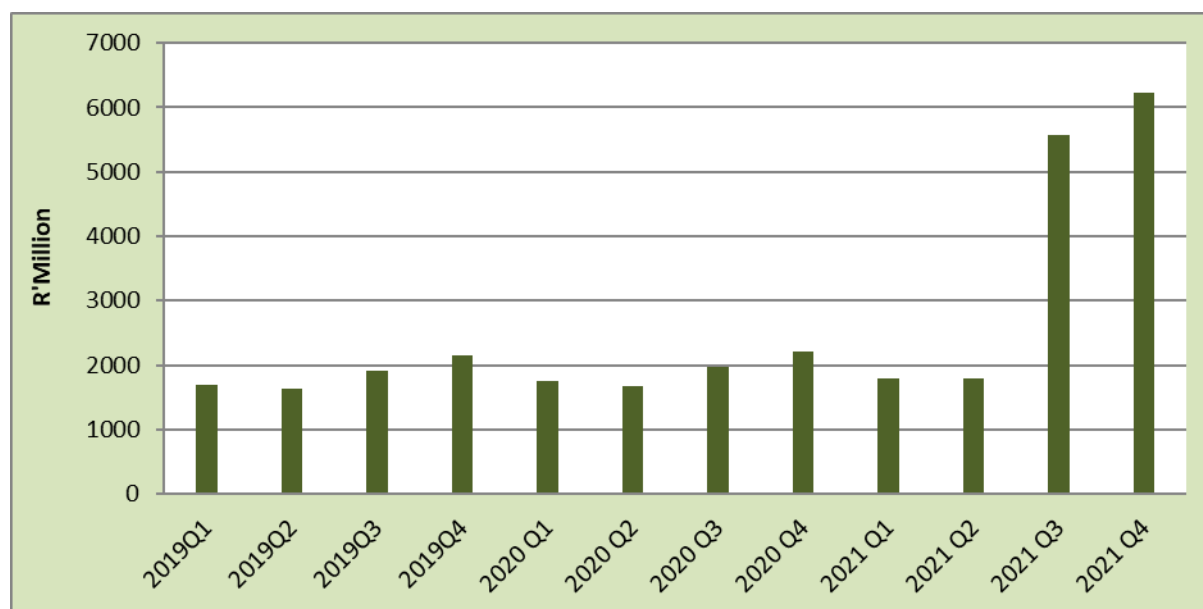


Figure: 12 South Africa fertiliser expenditure
Source: Grain SA

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

The figure 13 below illustrate that the nominal real gross income from all agricultural products increased by 6.4% from R75.9 billion in the last quarter of 2020 to R80.8 billion in the same quarter of 2021. The net farm income is estimated at R17.8 billion in the last quarter of 2021 compared to R16.7 billion in the same quarter of 2020, an increase of 6.5%. The increase in net farm income was supported by an increase in income from horticulture, animal products and field crops increased by 11.3%, 6.1% and 2.1% respectively.

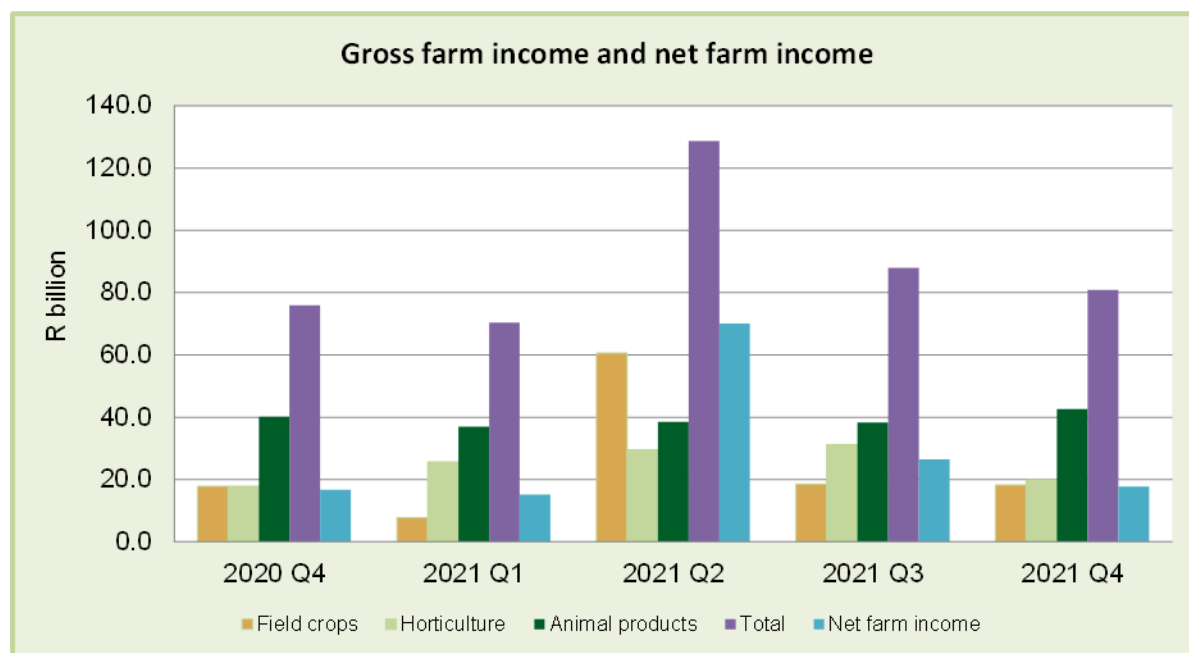


Figure 13: Trends in nominal gross farm income between 2020:Q4 and 2021:Q4

Source: DALRRD

2.9 Reviews of South Africa’s water dam levels

South Africa’s national dam levels were comparatively higher in Q4: 2021 relative to Q4: 2020, recording an increase of 27.3% in Q4: 2021 relative to Q4: 2020, to an average of 80.9% from an average of 63.6%. The recent rains that soaked most parts of the country made a significant impact on the national average. Meanwhile, the South African Weather Service reported that La Niña conditions are expected to continue during the summer season with enhanced probabilities of above-normal rainfall until May 2022.

On a quarter-on-quarter basis, South Africa’s national dam levels decreased by 0.5% in Q4: 2021 relative to Q3. Dam levels were higher in Q3 and this could be attributed to the increased likelihood of a weak La Niña in Q4: 2021, part of the broader El Niño–Southern Oscillation (ENSO) climate pattern which influences seasonal weather.

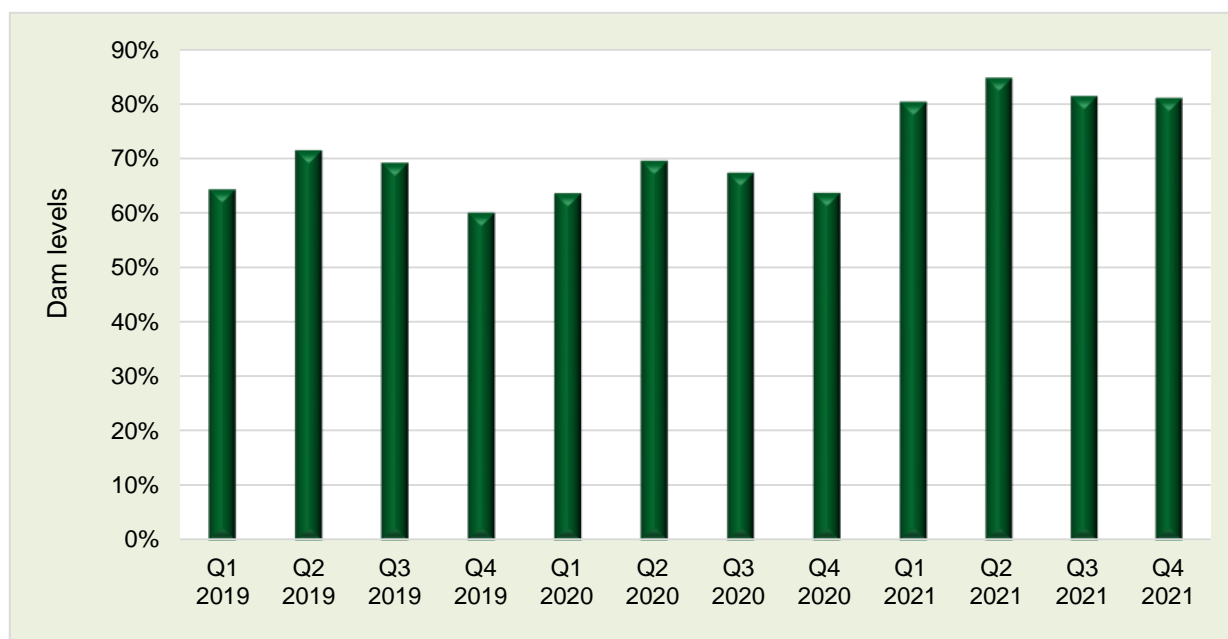


Figure 14: Total dam levels in Q4: 2021

Source: Department of Human Settlements, Water and Sanitation

1. Provincial average dam levels

South Africa’s national dam levels were comparatively higher in Q4: 2021 relative to Q4: 2020, recording an increase of 27.3% in Q4: 2021 relative to Q4: 2020, to an average of 80.9% from an average of 63.6%. The recent rains that soaked most parts of the country made a significant impact on the national average. Meanwhile, the South African Weather Service reported that La Niña conditions are expected to continue during the summer season with enhanced probabilities of above-normal rainfall until May 2022.

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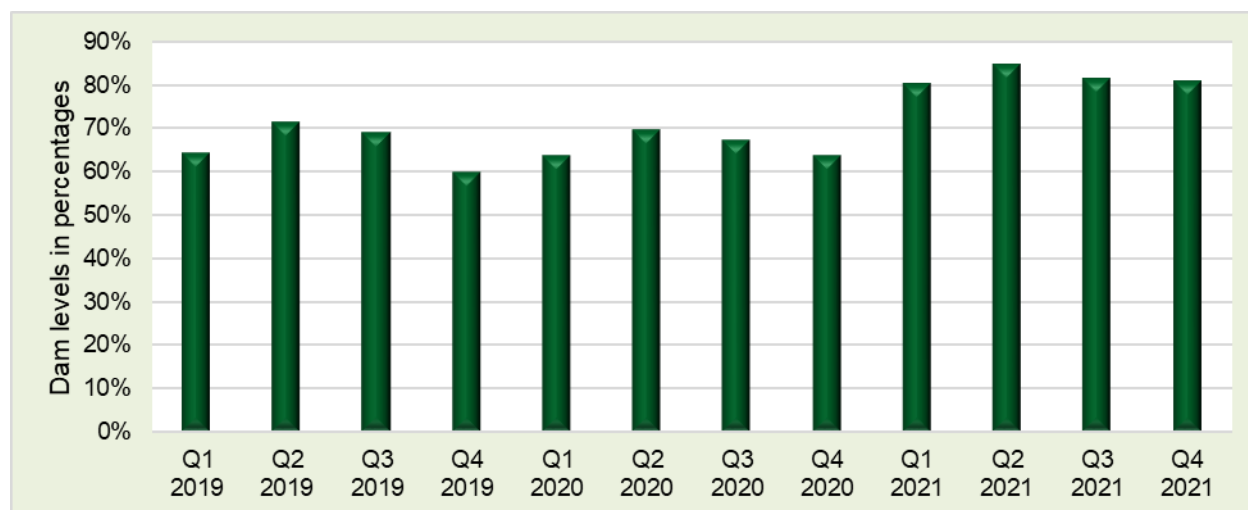


Figure 15: National dam levels

Source: Department of Human Settlements, Water and Sanitation

2.9.1 Provincial dam levels

Most of South Africa had a wet summer, with above-normal rainfall predicted up to February 2022. Good rainfall boosted the water situation substantially which made a significant impact on the provincial dam levels in Q4: 2021 relative to Q4: 2020.

Dam levels in the Eastern Cape increased by 2.8% in Q4: 2021 relative to Q4: 2020, to an average of 51% from an average of 49%, attributed to the much-welcomed rain that fell in parts of the Eastern Cape in the wake of the province’s dwindling water levels, which had lingered at around 50% and less due to a lack of rainfall. Dam levels in the Free State Province increased by 26,4% in Q4: 2021 relative to Q4: 2020, to an average of 93% from an average of 73%. The Bloemfontein Water Supply System that has four dams supplying water to Mangaung received a massive boost in Q4: 2021 relative to Q4: 2020. Dam levels in Gauteng increased by 2.1% in Q4: 2021 relative to Q4: 2020, to an average of 96% from an average of 95%, recording a marginal increase over the period. The collective upsurge in Gauteng dam levels had a positive impact on the levels of the Integrated Vaal River System (IVRS) especially the Vaal Dam which is the life blood of the economic hub of Gauteng

Dam levels in Kwa-Zulu Natal increased by 24.8% % in Q4: 2021 relative to Q4: 2020, to an average of 67% from an average of 54%. Kwa-Zulu Natal is brim-full with

water levels stable following the recent rains. Dam levels in Limpopo improved substantially, by 34,3% in Q4: 2021 relative to Q4: 2020. According to the Department of Water and Sanitation, while dam levels in Limpopo were higher than they were the same period last year, scorching temperatures affected water levels. The Department of Water and Sanitation therefore called on all water users in the province to be efficient and to conserve water. Dam levels in Mpumalanga increased by 20.2% in Q4: 2021 relative to Q4: 2020, to an average of 78% from an average of 65%. Mpumalanga recorded increases in water volumes as water levels in most listed dams and water management areas continued to rise.

Dam levels in the Northern Cape increased by 5.0% in Q4: 2021 relative to Q4:2020, to an average of 95% from an average of 90% and reportedly maintained sufficient water levels. Between October and December, the Northern Cape province experienced above normal rainfall except the water-starved Karoo which was drier than usual. Dam levels in the Western Cape improved by 4.1% in Q4: 2021 relative to Q4: 2020, to an average of 71% from an average of 63%. According to the Water and Sanitisation Department, Western Cape's storage dams were better off than previous years. The province recovered from the worst drought conditions that plunged it to a near-total absence of water in 2018. However, although the province recovered from the situation, the Central Karoo region still remains dry. Meanwhile, dam levels in North West Province increased by 12.8% in Q4: 2021 relative to Q4: 2020, to an average of 71% from an average of 63%. The spring rainfall in the province led to major improvements in dams and water management areas in the province. The Department of Water and Sanitation encouraged the public in the province to continue using water sparingly despite the falling rain as South Africa is a dry and a water scarce country.

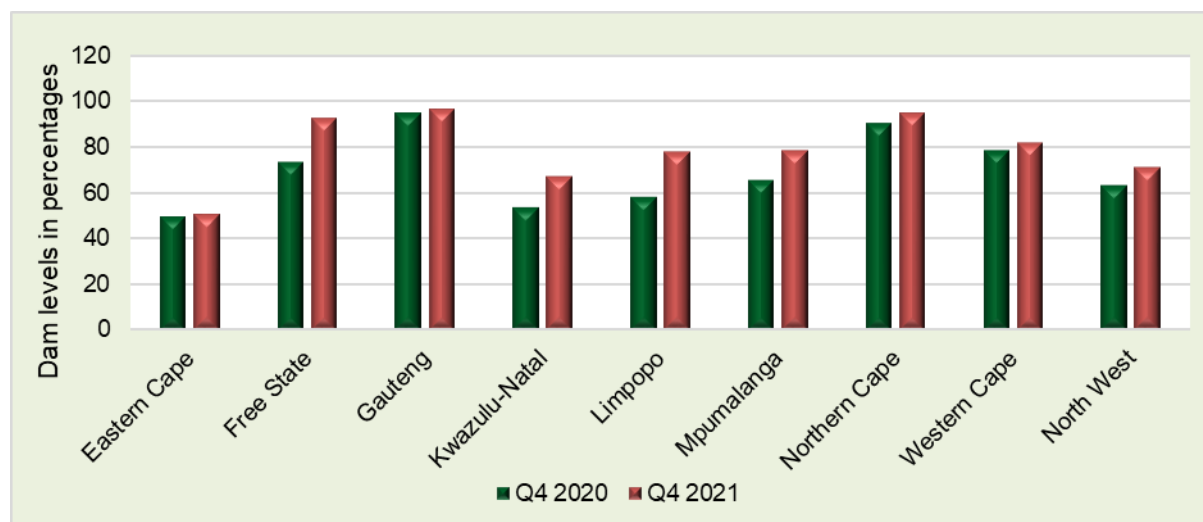


Figure 16: Provincial dam levels

Source: Department of Human Settlements, Water and Sanitation

Figure 17 shows Provincial dam levels from Q4: 2020 to Q4: 2021. Almost all provincial dam levels improved to comfortable levels in Q4: 2021 relative to Q3, except for dam levels in the Kwazulu-Natal, Limpopo Province, Mpumalanga and North West Province which decreased by 2.2%, 5.8%, 3.5% and 9.1% respectively quarter-on-quarter. Dam levels in Kwazulu Natal dropped by 2.2% in Q4:2021 relative to Q3, to an average of 67% from an average of 69%. The Department of Water and Sanitation cautioned Kwazulu Natal residents to continue using water sparingly and reiterated that a minimal decline in dam levels is not a cause for concern. Dam levels in Limpopo province decreased by 5.8% in Q4: 2021 relative to Q3, to an average of 78% from an average of 82%. The Department of Water and Sanitation reiterated its call to Limpopo residents to continue using water sparingly and to report any water leaks and water infrastructure vandalism to local municipalities.

Dam levels in Mpumalanga decreased by 3.6% in Q4: 2021 relative to Q3, to an average of 78% from an average of 81%. Despite the continuous increase in most of the listed dams in the province, some dams recorded declines in water volumes, mainly in the Gert Sibande and Nkangala districts. Meanwhile, dam levels in North West decreased by 9.1% in Q4: 2021 relative to Q3, to an average of 71% from an average of 78%. The Department of Water and Sanitation warned North West

residents against complacency and cautioned residents against the rampant use of water. Furthermore, the Department of Water and Sanitation appealed to South Africans to continue with water saving efforts to ensure sustenance of livelihoods and to boost the economy.

Average dam levels in the Eastern Cape, Gauteng Province, Northern Cape and Western Cape increased by 0.9%, 0.9%, 2.0% and 5.3% respectively in Q4: 2021 relative to Q3 while average dam levels in the Free State Province remained unchanged quarter-on-quarter. The Department of Water and Sanitation appealed to water consumers to use water sparingly. This will ensure that the water levels of the system carry on being stable.

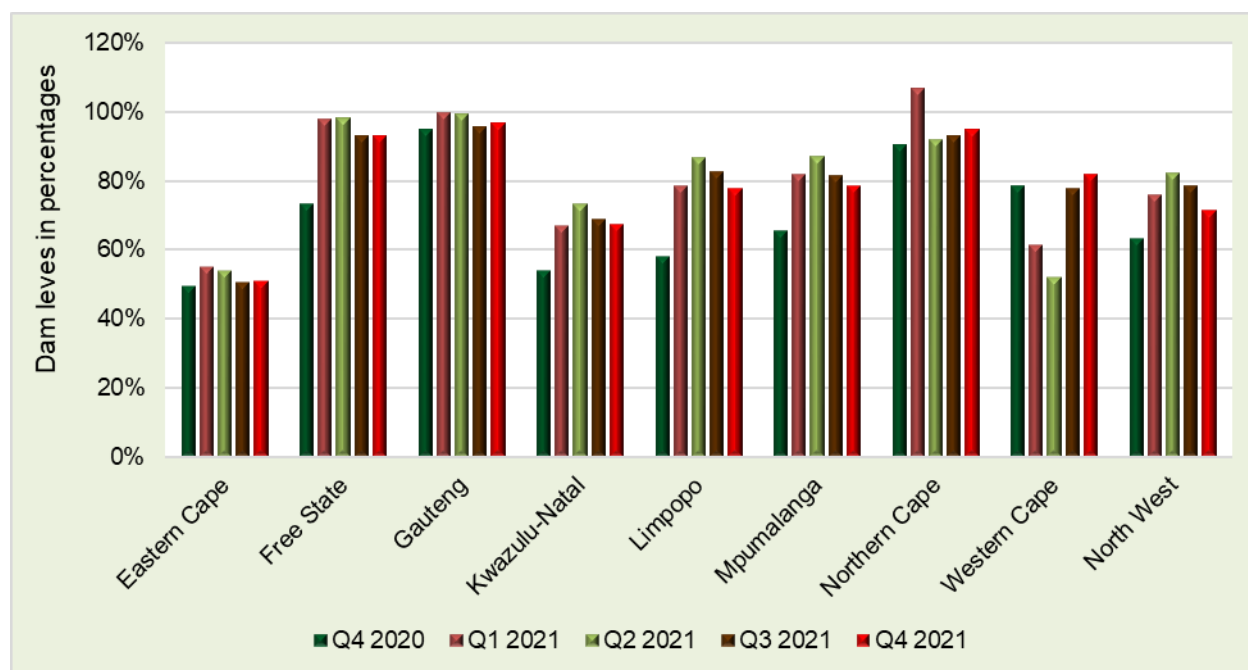


Figure 17: Average dam levels from Q4:2020 to Q4: 2021

Source: Department of Human Settlements, Water and Sanitation

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 2015: Q1 to 2021: Q4. The price of white maize increased by 1.9% on year-on-year(y/y) basis and 11.2% on a quarter-on-quarter(q/q) basis shown on figure below. The yellow maize price increased by 5.6% y/y and 7.1% q/q basis. The maize price traded at 31% above the import price during the quarter. The rise in input costs pushed up maize prices locally and internationally, although farmers increased their purchases of fertilizers due to the profitable maize prices, this had and will continue to impact demand.

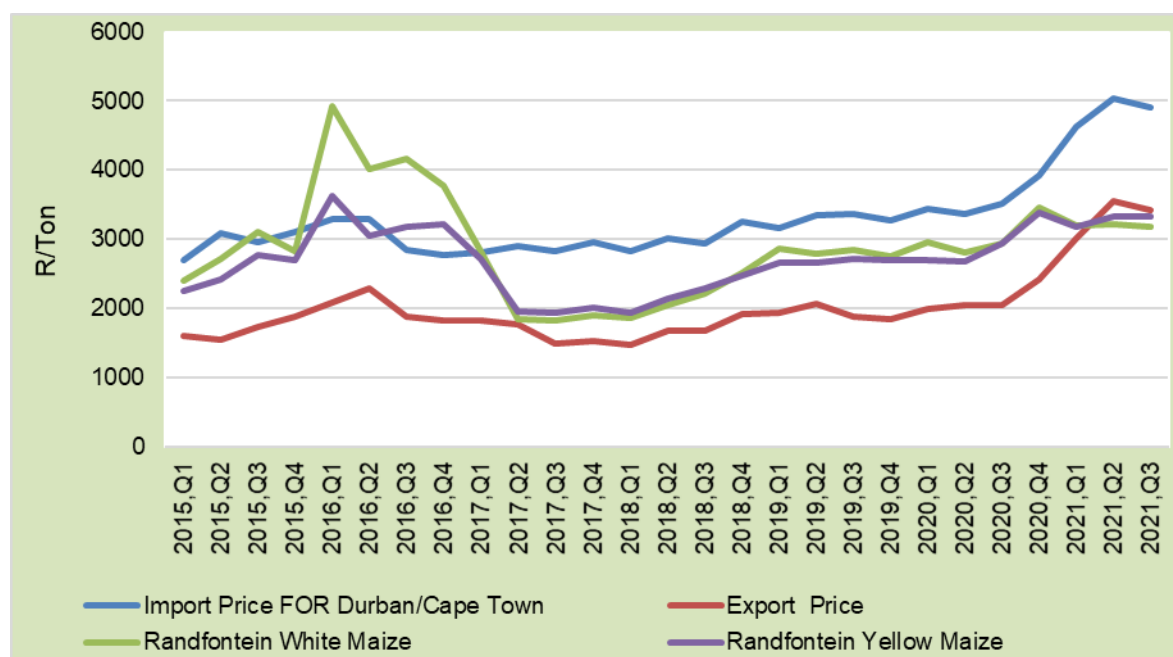


Figure 18 :Maize prices trends

Source: DAFF,Safex,World bank

Figure 19 depicts maize seed price and maize seed by-products for the period 2018:Q4 to 2021:Q4. The retail maize price increased by 5.3% on q/q basis, whilst y/y the price increased by 12.5%, a bag of both 2.5kg super maize and special maize

both decreased by 3.1% and 12.5% respectively. While y/y price increased by 1.9% and 1.3% .

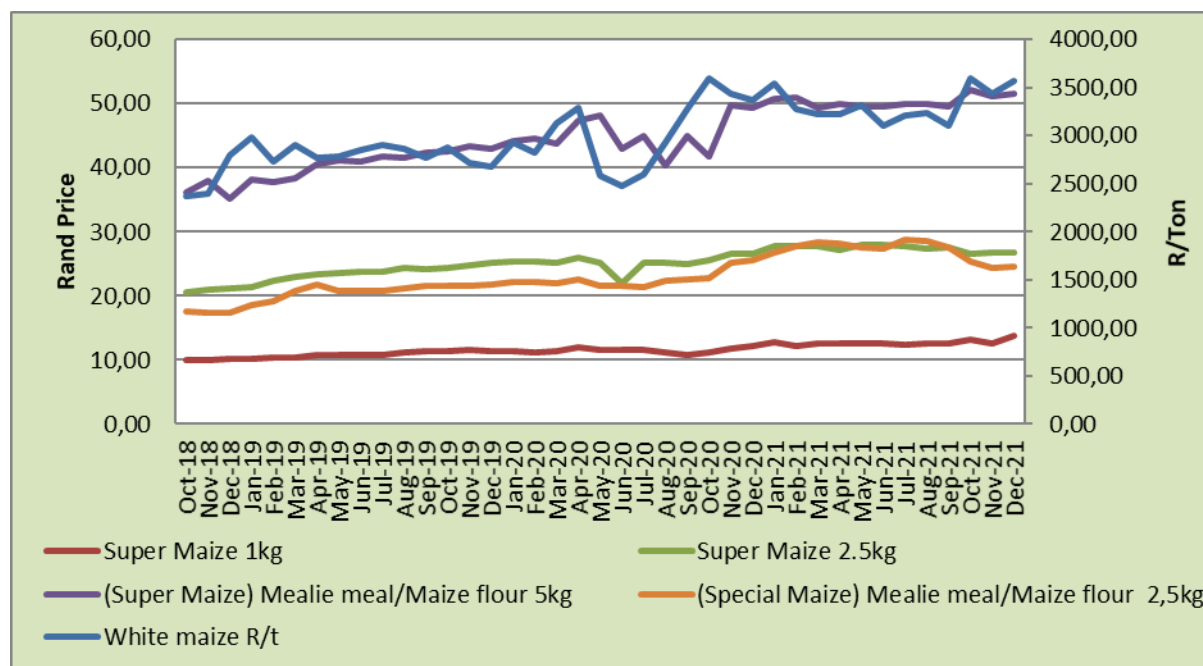


Figure 19: Retail prices vs white maize seed prices
Source: Safex/Stats SA

3.1.2 Wheat

Figure 20 shows the price trends of domestic wheat price and international parity prices for the period 2017: Q4 to 2021: Q4. The SA domestic wheat price traded at R5 951.19/ton in 2021: Q4, 6.2% higher compared to previous quarter. Wheat import and wheat export parity price traded at R6 910.58/ton and R5 231.02/ton which represent an increase in price by 22.0% and 25.7% respectively in 2021:Q4.

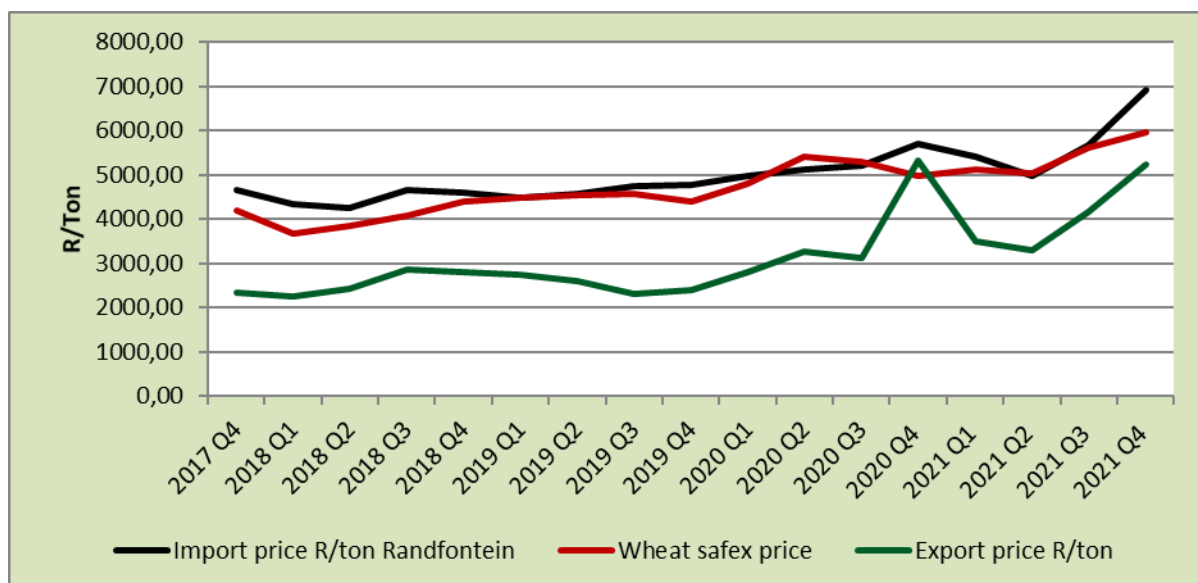


Figure 20: Wheat safex price, export parity price and Import parity price

Source: Sagis/Safex

Figure 21 depicts retail bread prices versus wheat safex price from 2017: Q4 to 2021: Q4. Consumers paid marginally more for wheat by-products in 2021:Q4. The price of selected wheat by-products decreased by 1.6% for flour bread 2.5kg, whilst prices of the remaining wheat by-products increased by 0.9%, 5.5% and 2.1% for white bread 700gr, brown bread 700gr and flour cake 2.5kg respectively in 2021: Q4.

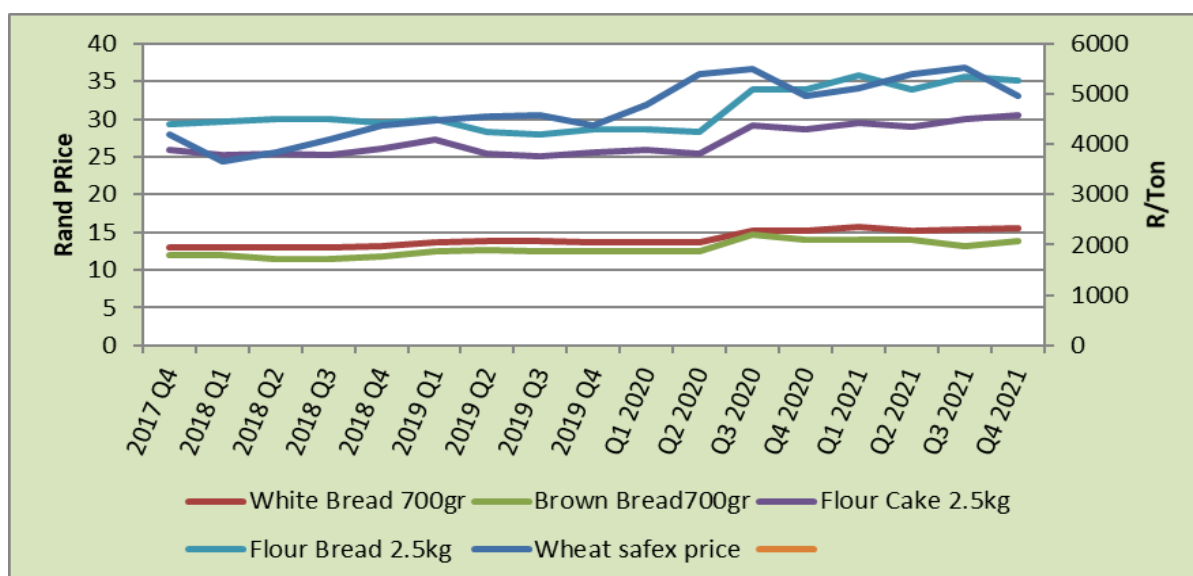


Figure 21: Retail bread price vs wheat import price

Source: Stats SA & Safex

Figure 22 depicts the supply and demand of wheat from 2020: Q4 to 2021: Q4. South Africa’s wheat deliveries for 2021:Q4 decreased by 23.5% compared to the

same period a year ago in 2020: Q4. Local demand and imports of wheat in 2021:Q4 increased by 0.01% and 29.2% respectively when compared to previous quarter.

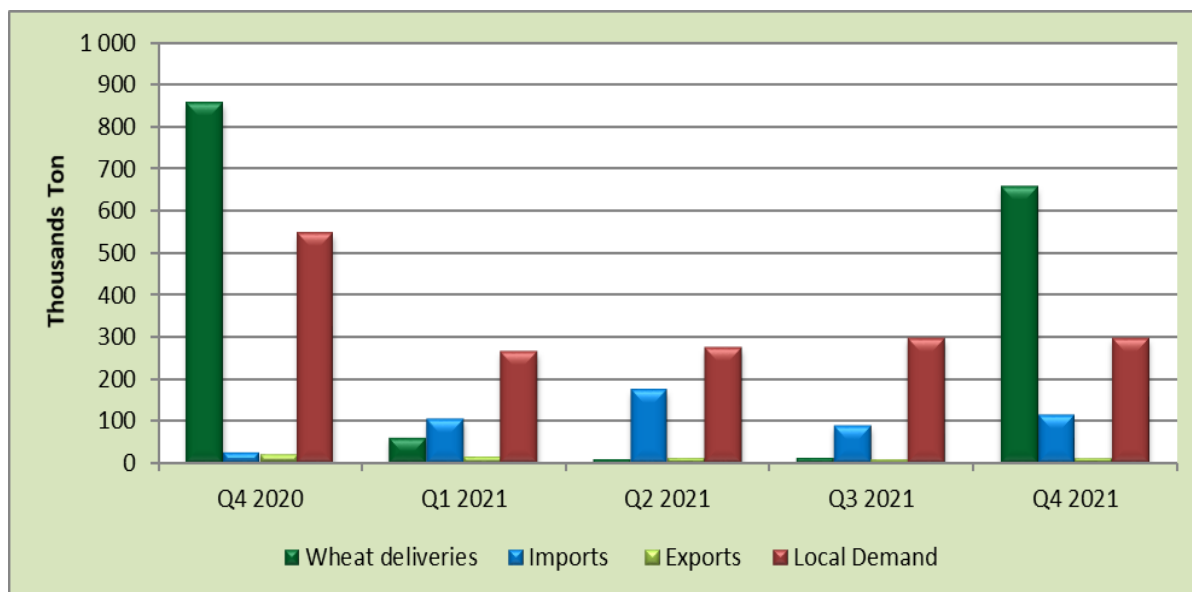


Figure 22: Wheat deliveries, Imports, Exports and local demand
Source: Stats SA & Safex

3.1.3 Soya beans

The local soybeans price remain high even though they came down from their historic 1st quarter highs but overall soybean prices have been increasing since Q4 of 2018. During the 4th quarter of 2021 the price of soybeans increased by 5.3% from R 7 574/Per ton to R8 781/per ton.

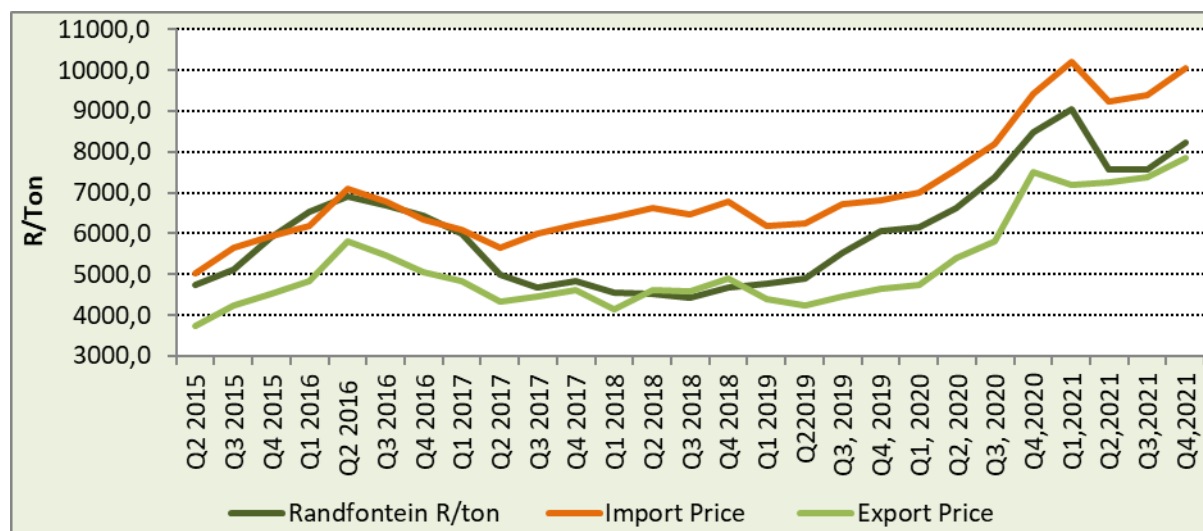


Figure 23: Soya beans local price vs import price

Source: Safex/Sagis/USDA/World Bank

As shown on Table 1 Estimations indicate that final soybean production will be 52% higher than it was in 2020. The production season began with low opening stock, as a result this was expected to push up prices as shown on figure 30 below. Additionally; World fertilizer prices have been very high for the past twelve months, thus also putting further pressure on commodity prices. Increases in global soybean prices is also due to strong domestic processing demand in the US, China and Brazil.

Table 1: South African Soybeans Production & Use Table

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021Est |
|-------------------|---------|---------|---------|---------|---------|---------|-----------|-----------|
| Beginning Stock | 61806 | 63704 | 89128 | 84792 | 330535 | 502241 | 138455 | 46053 |
| Production | 948000 | 1070000 | 742000 | 1316000 | 1540000 | 1170345 | 1 245 500 | 1 897 000 |
| Imports | 103704 | 124981 | 271098 | 28000 | 6000 | 9500 | 116 103 | 15 000 |
| Total Supply | 1113510 | 1258685 | 1102226 | 1428792 | 1876535 | 1682086 | 1500058 | 1958053 |
| Local Consumption | 1049230 | 1164880 | 1010689 | 1063783 | 1349294 | 1539631 | 1452945 | 1723800 |
| Exports | 576 | 4677 | 6745 | 414 | 25000 | 4000 | 1 060 | 28 000 |
| Total Demand | 1049806 | 1169557 | 1017434 | 1098257 | 1374294 | 1543631 | 1 454 005 | 1 751 800 |
| Closing Stocks | 63704 | 89128 | 84792 | 330535 | 502241 | 138455 | 46 053 | 206 253 |

Source: DALRRD and NAMC

3.1.4 Sunflower

Figure 24 below shows the supply and demand of sunflower seed up to the fourth quarter of 2021. Producer deliveries in the fourth quarter of 2021 decreased by 93.6% as compared to the previous quarter of 2021 (Q3). Producer deliveries in the fourth quarter of 2021 is expected to be 28.2% higher than it was in the same quarter of 2020 (Q4). South African sunflower seed imports in the fourth quarter of 2021 is expected to be 54.1% lower than it was in the same quarter of 2020 (Q4) last year. Sunflower seed imports decreased by 72.8% in the fourth quarter of 2021 as compared to the previous quarter in 2021 (Q3). South African sunflower seed export in the fourth quarter of 2021 is expected to be 44.3% lower than it was in the same quarter of 2020 (Q4) last year. Sunflower seed exports increased by 29.7% in the fourth quarter of 2021 when compared to the previous quarter of 2021 (Q3). Local sunflower seed consumption in the fourth quarter of 2021 was 33.1% lower than it was in the previous quarter of 2021 (Q3). Local consumption in the fourth quarter of 2021 is expected to be 41.5% lower than it was in the same quarter of 2020 (Q4) last year.

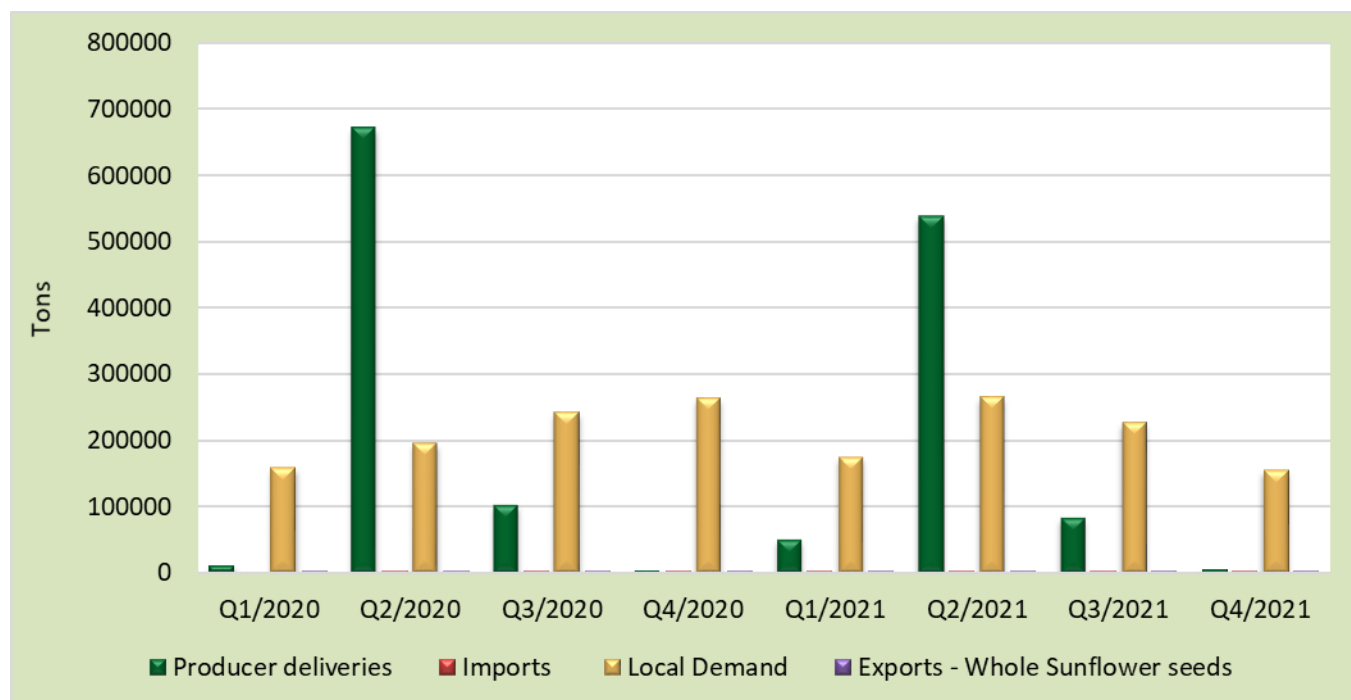


Figure 24: Sunflower seed deliveries; local demand and trade
Source: Sagis

Figure 25 shows that during the fourth quarter of 2021, South Africa sunflower seed prices traded below the import parity price at R10 957.78/ton compared to R11 605.30/ton in the fourth quarter of 2020, which is a total increase of 17.3% compared to the previous quarter of 2021 (Q3). The price of sunflower seed has increased by 31.5% during the fourth quarter of 2021 as compared to the same period last year, which is 9.1% higher than it was in the previous quarter of 2021 (Q3). The local sunflower seed price in the fourth quarter of 2021 traded at 5.6% lower than the import price, compared to trading at 2.5% below the import price in the third quarter of 2021. The prices of sunflower oil 2L and 750ml in the fourth quarter of 2021 traded higher by 22.8% and 21.7% respectively, when as compared to the same period in 2020 (Q4). The price of sunflower oil 2L and 750ml in the fourth quarter of 2021 increased by 7.1% and 2.8% respectively, when compared to the previous quarter (Q3) in the same year.

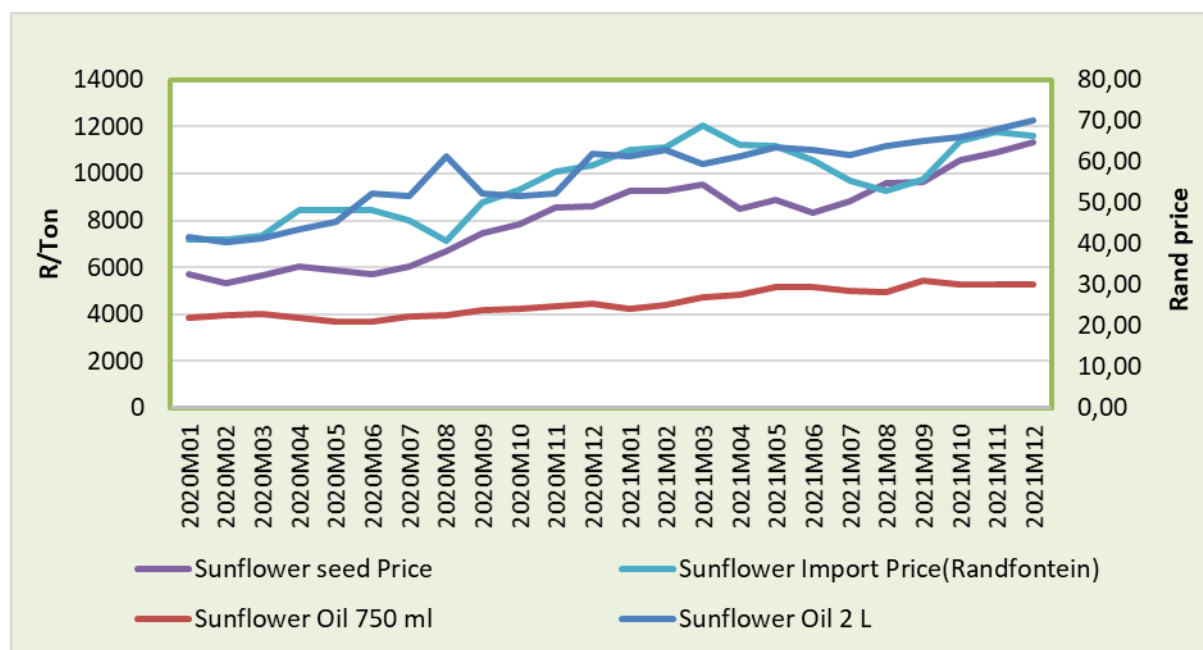


Figure 25 : Sunflower local seed; import price (Randfontein) and Sunflower retail price
 Source: Safex; USDA; Sagis; and Own calculations

3.1.5 Sorghum

Sorghum prices remain at elevated levels (Figure 26) and having an impact on demand, even though on a q/q and y/y basis prices declined by 2.2% and 6.9%. The local price traded at 40% below the import price. The rise in the global sorghum price

is driven by higher food, feed, and industrial use in Brazil, Canada, China, as well as higher industrial uses in Brazil and the US.



Figure 26: Sorghum Parity Price

Source: Safex, Sagis

Table 2: Sorghum Demand & Use Table

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 Estimate |
|---------------|--------|--------|--------|--------|--------|--------|--------|---------------|
| Opening stock | 50069 | 121812 | 83142 | 35238 | 59246 | 51860 | 60 423 | 51 795 |
| Production | 265000 | 114700 | 70500 | 152000 | 115000 | 127000 | 158000 | 215 000 |
| Imports | 8725 | 34316 | 74957 | 55824 | 32500 | 59253 | 6546 | 4 147 |
| Total Supply | 320301 | 277713 | 226677 | 244073 | 206746 | 238113 | 224969 | 223 828 |
| Local demand | 172320 | 165532 | 178790 | 176000 | 166500 | 170390 | 167524 | 179010 |
| Exports | 26169 | 29039 | 12649 | 13800 | 12345 | 7300 | 5650 | 9 058 |
| Total Demand | 198489 | 194571 | 191439 | 182783 | 173700 | 177690 | 173174 | 185010 |
| Ending Stock | 121812 | 83142 | 35238 | 59246 | 51860 | 60423 | 51795 | 106 123 |

Source: DALRRD/ NAMC/Sagis

Estimations indicate that final sorghum production for the 2021 production season will be 36% higher than in 2020. Demand is expected to be 34% while export sales are expected to decline by 19%.

3.1.6 Groundnuts

The 2020/21 season has been one of the best years in South Africa’s agricultural sector. The National Crop Estimate Committee (CEC) in its final production estimate projected the final 2020/21 groundnut crop to reach 64 300 tons. This is a 7.3% increase from the final CEC forecast of 59 950 tons in November 2021. The overall groundnut harvest for the 2020/21 season proved to be exceptional with reasonably good yields received across the country. However, excessive rains since the start of the 2021/22 summer crop production season raised concerns in various groundnut producing areas, putting South Africa in a predicament where most areas received an influx of rain, causing floods in most parts of the country.

Figure 27 shows producer deliveries, local demand of groundnuts as well as imports and exports of groundnuts from Q1: 2020 to Q4: 2021.

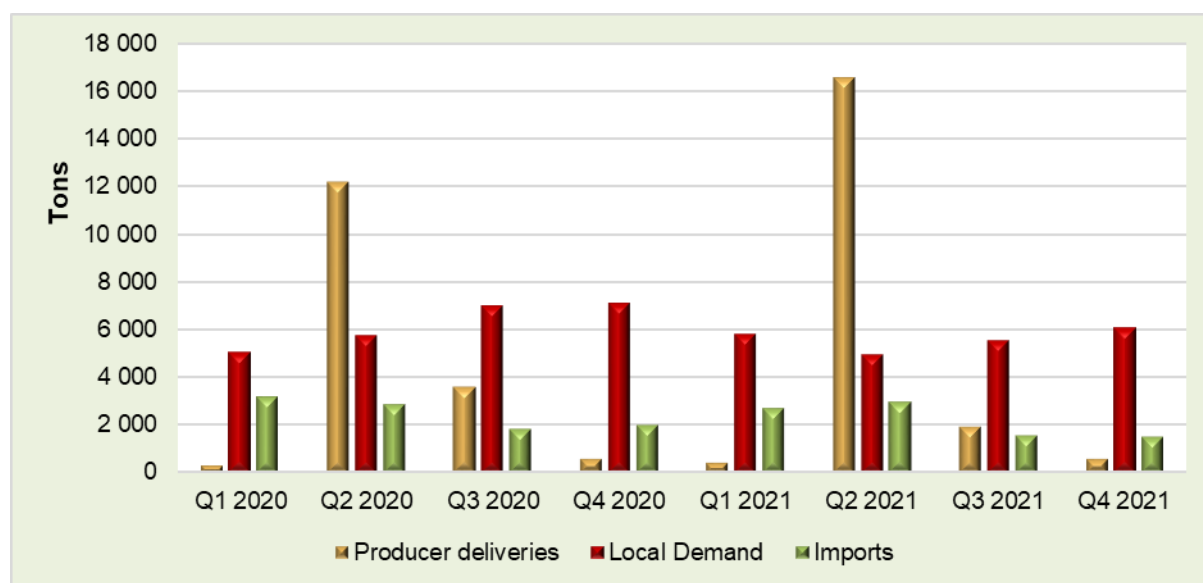


Figure 27: Producer deliveries, local demand, export and imports of groundnuts

Source: Sagis

Since the La Niña-induced rain came in a season that followed another year of higher-than-average moisture, producer deliveries declined by 1% in Q4: 2021 relative to Q4: 2020, to an average of 589 tons from an average of 595 tons, see figure 28. During the same period, local demand of groundnuts decreased by 14% in Q4: 2021 relative to Q4: 2020, to an average of 6 106 tons from an average of 7 116

tons. Demand prospects are still uncertain as the COVID-19 pandemic continues. According to FNB (2021), growth beyond 2021 is expected to depend on the trajectory of the pandemic and vaccinations, accelerated growth-enhancing policy interventions and stable electricity supply.

Since the start of the season, the year 2020/21 started on a positive note with increased area planted compared to the previous year, benefiting from the higher rainfall. Therefore, exports of groundnuts increased by 5% in Q4: 2021 relative to Q4: 2020, to an average of 810 tons from an average of 768 tons. The ample crop harvest of the 2020/21 production season (and the 2019/20 season) coupled with generally higher commodity prices helped boost the groundnuts export market. Meanwhile, imports of groundnuts decreased by 23% in Q4: 2021 relative to Q4: 2020, to an average of 1 526 tons from an average of 1 994 tons. A large groundnut harvest and higher global commodity prices in 2020/21 have been key supporting factors behind the decline in the imports of groundnuts.

South Africa's consumption of groundnuts occur mainly in two forms, as edible peanuts and as processed peanut butter and is consumed the highest in these two forms. During Q4: 2021, consumption of edible groundnuts decreased by 15% relative to Q4: 2020, to an average of 2 472 tons from an average of 2 917 tons. Consumption of edible peanuts is mostly dependent on price which is dependent on the supply and demand of groundnuts. Consumption of peanut butter decreased by 12% in Q4: 2021 relative to Q4: 2020, to an average of 2 802 tons from an average of 3 182 tons. Meanwhile, in Q4: 2021, there was no consumption of crushed oil & cake compared to 53 tons of groundnuts that were consumed in Q4: 2020. Groundnut crushing and groundnut oil production constitute a very small part of the South African market.

The average market price of peanut butter (400 gram) increased by 5% in Q4: 2021 relative to Q4: 2020, to an average market price of R34.48/400 gram from an average market price of R 32.74/400 gram. The extension of government's support grant for lower income households and the strong recovery in disposable income have remained supportive for an increase in volume sales in Q4: 2021. Nevertheless, higher inflation particularly food, transportation and utility costs,

depressed consumer sentiment, a stagnant labour market and a less supportive interest rate environment remain risk factors.

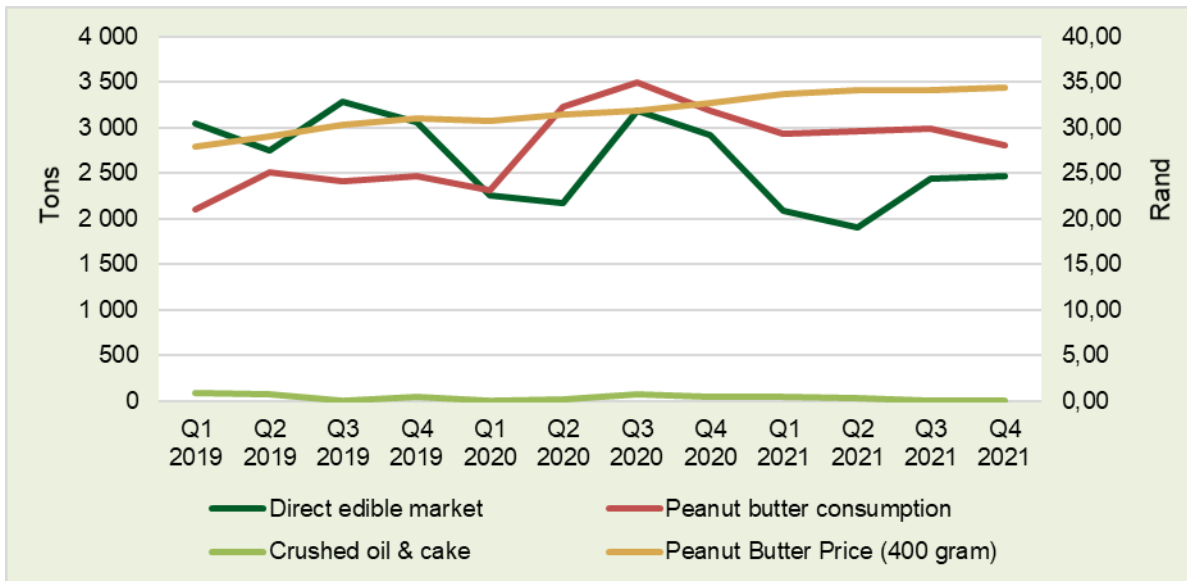


Figure 28: Groundnuts consumption

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 Q4: 2020 to Q4: 2021.

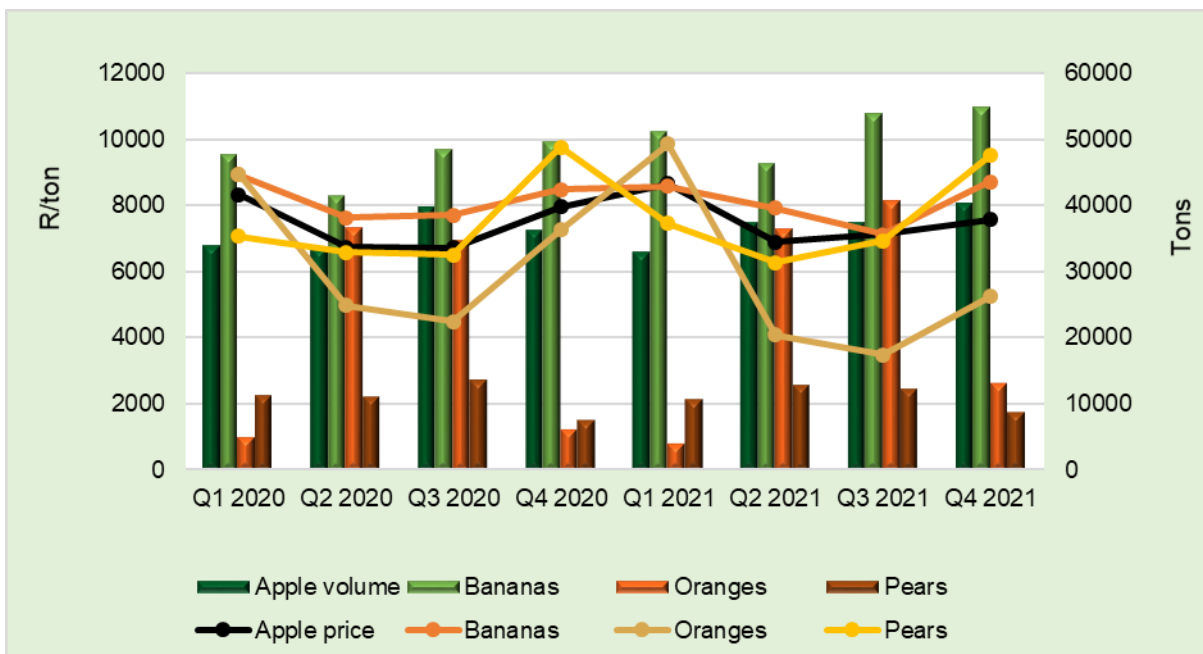


Figure 29: Average price and quantities of various fruits traded at fresh produce markets (FPMs)

Source: Dalrrd

The yearly trend in fruit prices saw the average price of apples decrease by 5.0% in Q4: 2021 relative to Q4: 2020 while quantities increased by 10.9% year-on-year. The production of apples is forecast to continue its growth in the 2021/22 marketing year depending on normal weather conditions while there's new areas coming into production with higher yielding varieties. Banana average price increased by 2.8% in Q4: 2021 relative to Q4: 2020 while quantities supplied increased by 10.5% year-on-year. The heavy rains of late summer followed by a cold winter and many days of overcast weather slowed the growth rate of bananas, resulting in a lot of medium-sized bananas currently on the market (Freshplaza, 2021).

The yearly trend in orange prices saw prices of oranges decrease by 27.8% in Q4: 2021 relative to Q4: 2020 while quantities supplied increased by a massive 111.9% year-on-year. Orange harvests recovered well as a result of the good, beneficial summer rains. Production looked good in some growing areas and good quality oranges were harvested. The yearly trend in pear prices saw the average price of pears decrease by 2.6% in Q4: 2021 relative to Q4: 2020, while quantities supplied increased by 15.2% year-on-year. The area planted to pears rose marginally in 2021 which might have contributed to the modest growth in supply

On a quarter-on-quarter basis, the average price of apples increased by 6.2% in Q4: 2021 relative to Q3 while quantities supplied also increased by 7.5% quarter-on-quarter. There has been a continuous investment in the deciduous fruit sector due to high earnings from the export market and better returns from apple farming relative to other crops. During the same period, the average price of bananas increased by 22.3% in Q4: 2021 relative to Q3 while quantities of bananas supplied increased by 1.6% quarter-on-quarter. Despite plentiful production, fans of bananas around the world will further see an increase in prices, as the average price of bananas is affected by the increase in the cost of raw materials across the globe (freshplaza, 2021). Meanwhile, the average price of oranges increased by 50.8% in Q4: 2021 relative to Q3 while quantities supplied decreased by 67.6% quarter-on-quarter. The harvesting of oranges started later this year and the volumes have fallen below last year's level.

During the same period, the average price of pears increased by 37.0% in Q4: 2021 relative to Q3 while quantities supplied decreased by 28.1% quarter-on-quarter. There was a major hail storm in August 2020 that caused a lot of damage to pear orchards in Langkloof. Moreover, pears compete with apples and therefore the growth in the area planted has been stable but is typically lower than the more lucrative apple farming.

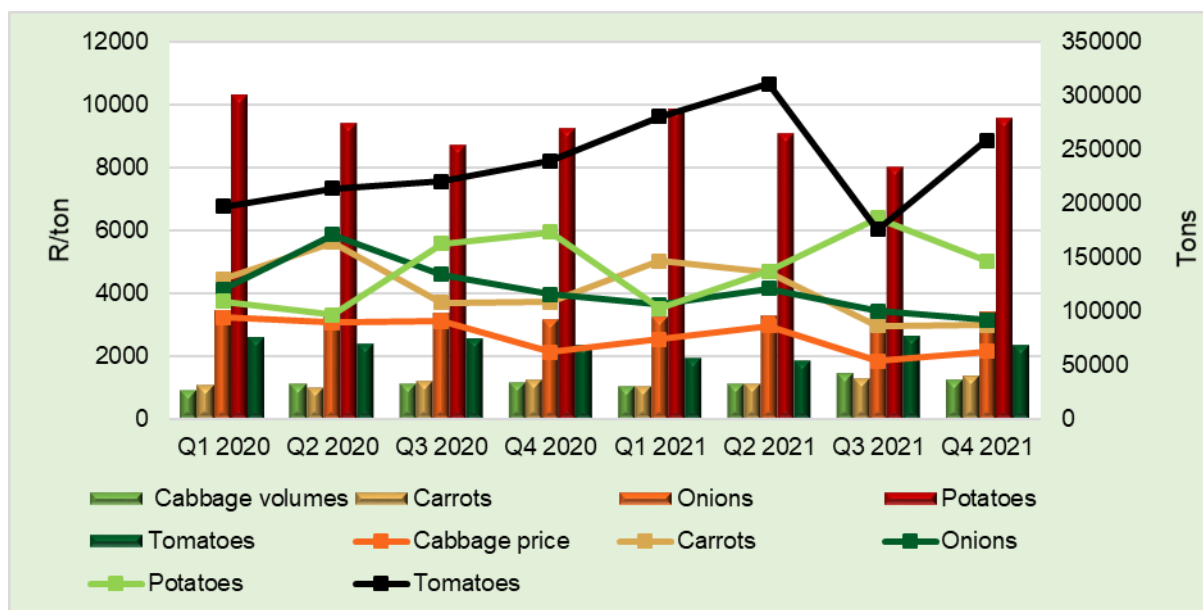


Figure 30: Average price and quantities of various vegetables traded at Fresh Produce Markets (FPMs)
Source: Dalrrd

Prices of vegetables sold at the Fresh Produce Markets are mainly driven by domestic supply and demand dynamics. The average price of cabbage increased by 1.3% in Q4: 2021 relative to Q4: 2020, while quantities supplied also increased by 8.8% year-on-year. Cabbage supply has been strong with prices lowering due to higher volumes. Climate played a major role in directing prices due to the rains late in 2021. The average price of carrots, onions and potatoes decreased by 20.1%, 20.4% and 15.3% respectively in Q4: 2021 relative to Q4: 2020, while volumes increased by 7.9%, 7.1% and 3.8% respectively year-on-year. The rain and heat impacted the shelf life of these products. Meanwhile, the average price of tomatoes increased by 8.3% in Q4: 2021 relative to Q4: 2020, while quantities supplied decreased by 1.6% year-on-year. Tomato quality across the country has not been good due to insect damage resulting from the excessive rains.

On a quarter-on-quarter basis, the average price of cabbage and tomatoes increased by 16.7% and 47.1% respectively in Q4: 2021 relative to Q3, while volumes supplied decreased by 14.8% and 11.5% respectively quarter-on-quarter. Rain and heat impacted on the quality of these products furthermore, tomato quality deteriorated due to the excess rains. The average price of carrots increased by 0.3% in Q4: 2021 relative to Q3, while quantities supplied increased by 7.2% quarter-on-quarter. Although the supply of carrots was strong, the quality was impacted by the excess rains. The average price of onions decreased by 7.9% in Q4: 2021 relative to Q3 while quantities supplied decreased by 4.2% quarter-on-quarter. The large volume of low quality onions on the markets brought down the price. The average price of potatoes decreased by 21.2% in Q4: 2021 relative to Q3 while quantities supplied increased by 19.3% quarter-on-quarter. Potato volumes have been strong which placed pressure on the price.

3.3 Meat industry review

As illustrated graphically in figure 31, total beef slaughtering decreased by 0.66% in fourth quarter of 2021 compared to the same quarter of 2020. The price of beef per kg increased by 9.84% in fourth quarter of 2021 when compared to the same period in 2020. Cattle supply and beef demand expectations for 2022 are optimistic as the national beef cowherd declines due to drought conditions in the northern and western parts of the country. While several companies plan to expand packing capacity, the timeline for those facilities to commence slaughter suggests it will take several months to see a difference. Even so, the cattlemen's share of carcass cutout values is set to increase as packers find fewer finished cattle to choose from in the near future., see figure 31.

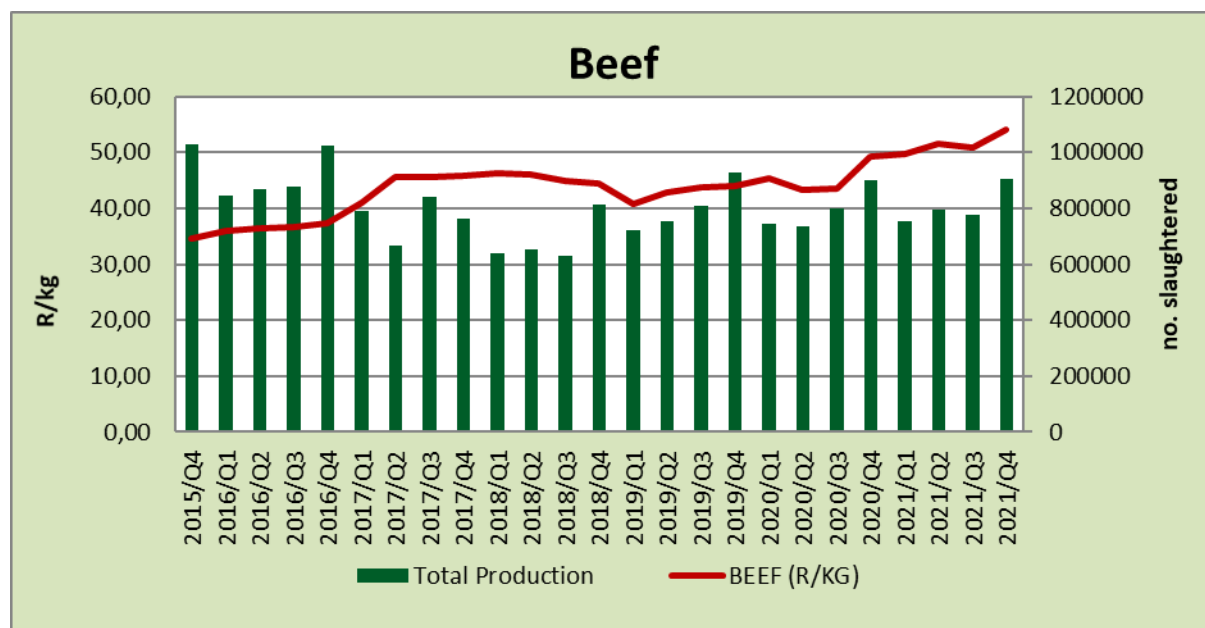


Figure 31: Beef production

Source, DALRRD

3.4 Poultry industry review

Poultry production increased by 2.4% on a quarter-on-quarter basis, while on y/y basis production was 0.1% higher. The poultry price per ton increased by 7.1% on q/q basis, while on y/y basis prices increased by 5.6%. The high transport costs including other input costs like feed and labour are adding pressure on poultry prices. The SA industry is also struggling from cheap imports which also made it difficult for producers to increase prices to stay afloat.

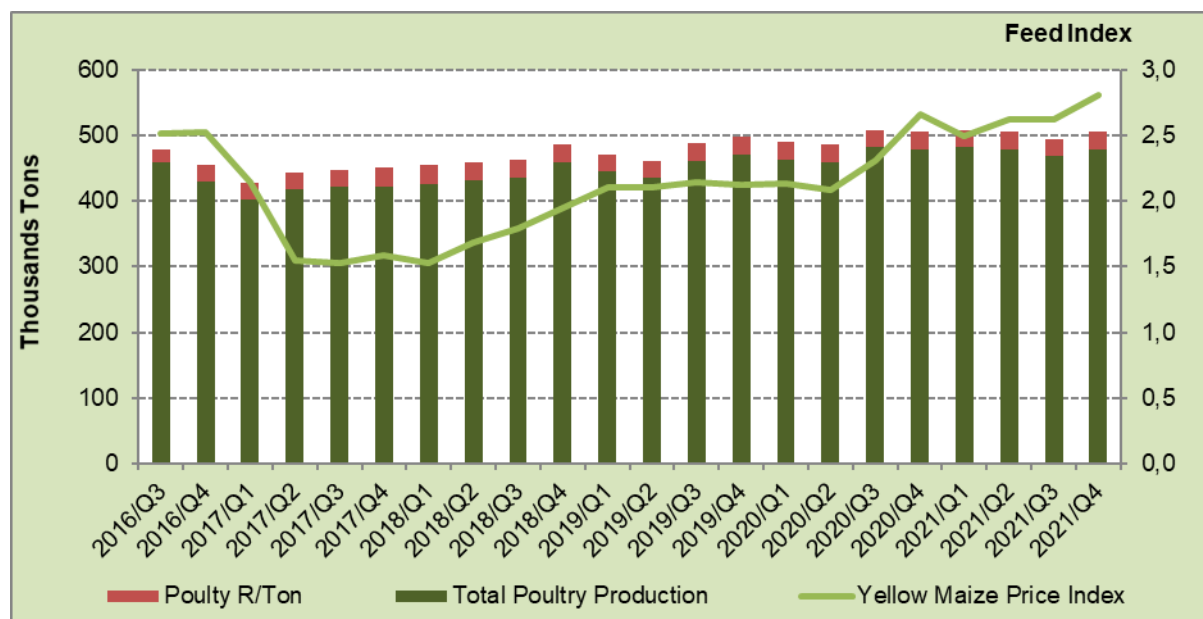


Figure 32: Poultry production and prices
Source:DAFF

SA Road Freight Association stated that they are also still recuperating from the July unrest in KZN which increased risks and added to their transport infrastructure repair bills an additional cost that pushed transport costs higher.

At the retail level; whole fresh chicken remained stable on a q/q basis, while on y/y basis the price decreased by 4.3% (Figure 33). The price of chicken portions, frozen chicken portions decreased by 8.6%, 0.1% , while on year-on-year prices increased 1.6% and 11% respectively

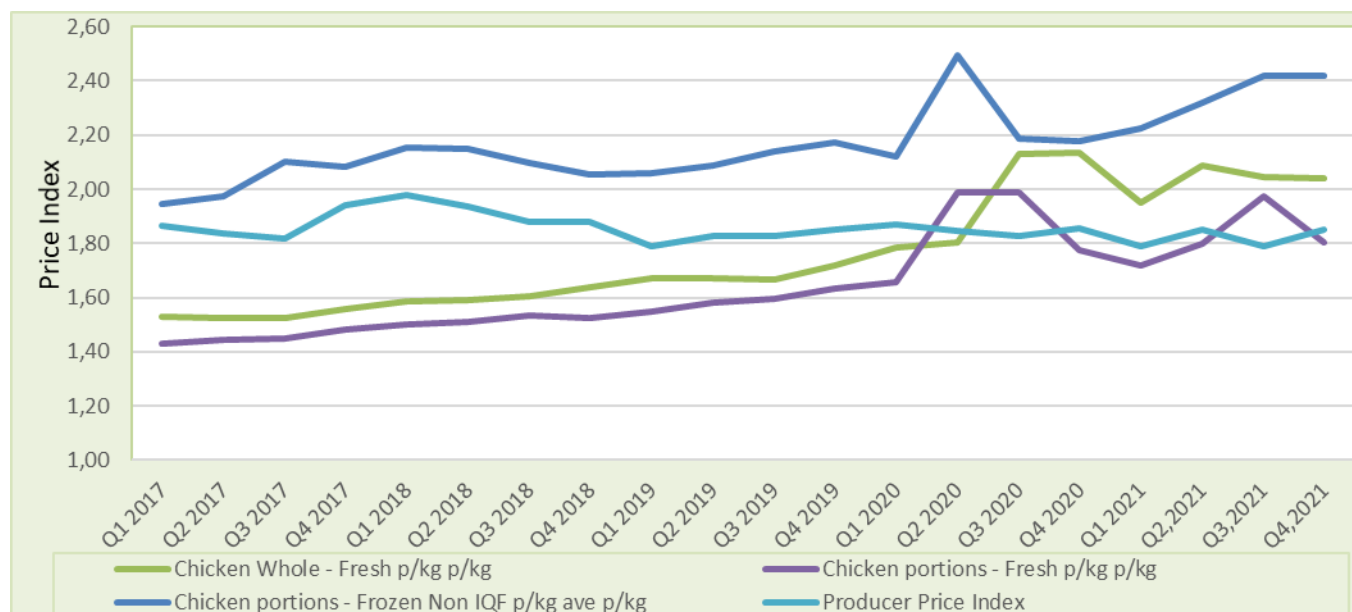


Figure 33: Poultry & Feed Price Indices

Source: Statistics SA.

3.5 Milk industry overview

Total milk production in Q4: 2021 came in 2.7% more than in Q4: 2020, to 1 103.7 million litres from 961.5 million litres over the period. Dairy farmers in KwaZulu-Natal regained their production after the civil unrest in Q3, which severely impacted the dairy farmers in 2021 Q3. In 2021 Q4 total milk production you can see from the comparison of a year ago that farmers are back to normal production. According to the acting executive officer of the Milk Producers’ Organisation (MPO), Fanie Ferreira, the improvement in Q4 production versus Q3 was due to return to production of approximately 2 million litres of milk are produced daily in KwaZulu-Nata, milk could again be distributed in Q4. On a quarter-on-quarter basis, total milk production in Q4: 2021 came in 14.8% more than Q3, as milk production at farm level improved also due to better climatic conditions.

The average producer price per litre of milk increased by 7.0% in Q4: 2021 relative to Q4:2020, to R5,52/l from R5,16/l. The cost of feed meal (yellow maize and soya combination) and other inputs such as electricity increased over the period. Meanwhile, the average producer price per litre of milk decreased by 2.6% in Q4:

2021 relative to Q3, to R5,52/ℓ from R5,67/ℓ. The current quarter recovered from the disruption of travel between farms and milk facilities due to the civil unrest in Q3. Most dairy factories could operate in Q4 because they could receive unprocessed milk because the major highways opened, and workers were able to get to work. This was not possible in Q3 due to civil unrest. The supply chain restored, and products could reach the market.

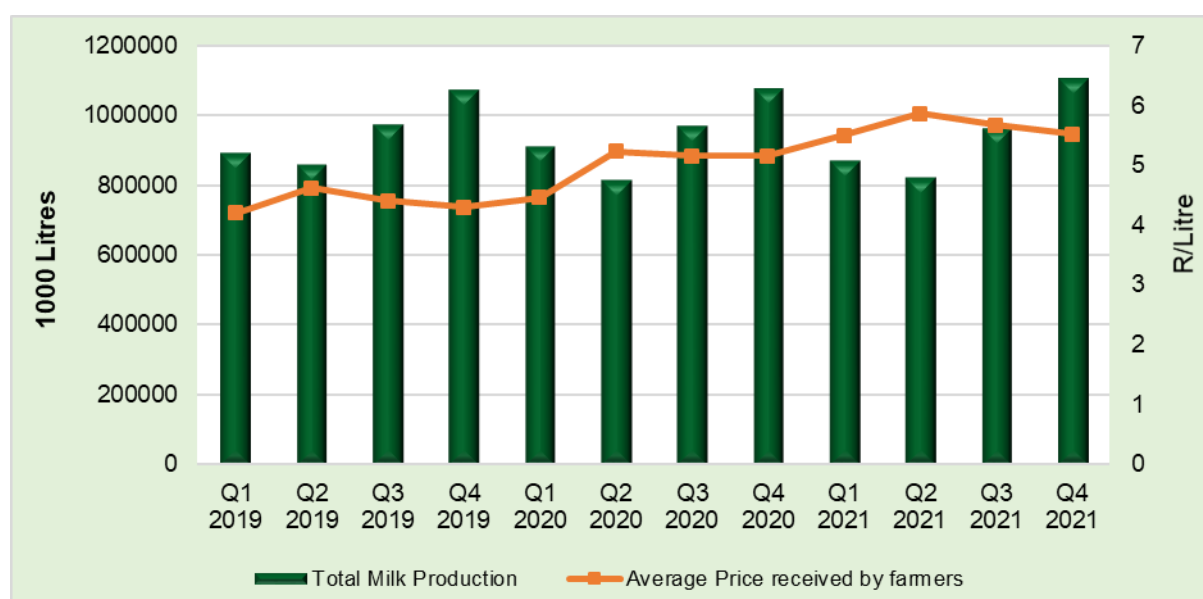


Figure 34: Trends in total production and average price of milk

Source: DAFF

Over the period Q4: 2019 to Q4: 2021, South Africa remained a net-exporter of milk and cream (not concentrated nor containing added sugar or other sweetening matter). Nevertheless, SA' trade balance of milk and cream (not concentrated nor containing added sugar or other sweetening matter) expanded by 13.2% in Q4: 2021 relative to Q4: 2020, to R 250.3 million from R 221.2 million. The uncertainty about the impact of covid-19 on the economy might have contributed to the narrowing of the trade balance of milk and cream (not concentrated nor containing added sugar or other sweetening matter) in Q4:2021 relative to Q4: 2020. While Q4 2021 grew by 64.7% from Q3 2021, which was R250,3 million in Q4 from R152,0 million in Q3 of 2021. This was caused by the civil unrest when milk from KZN could not reach markets and the shortfall was imported in Q3.

The export value of milk and cream (not concentrated nor containing added sugar or other sweetening matter) increased by 17.2% in Q4: 2021 relative to Q4: 2020, to R 285.7 million from R 243.8 million, while the import value accelerated to R12.8 million in Q4: 2021 from R 22.7 million in Q4: 2020.

On a quarter-on-quarter basis, the trade balance of milk and cream (not concentrated nor containing added sugar or other sweetening matter) expanded by 64.7% in Q4: 2021 relative to Q3. The export value of milk and cream (not concentrated nor containing added sugar or other sweetening matter) increased by 7,5% in Q4: 2021 relative to Q3 while the import value of milk and cream (not concentrated nor containing added sugar or other sweetening matter) decreased by 68.8% quarter-on-quarter. There is optimistic views about the future performance of milk and cream (not concentrated nor containing added sugar or other sweetening matter) in the export market and the positive export story is expected to continue throughout 2021.

The information available in November 2021, including information regarding the retail sales of dairy products, indicates that the position described under paragraph 55, is still valid and that, in addition, the dairy industry (primary and secondary), like many other industries, are confronted by unexpected high increases in the prices of important inputs, while the consumers will also be under pressure due to the increases of the prices of services and goods. Some of these price increases are the result of developments in the international market, while others are linked to events in South Africa, like the riots in July 2021, and poor service delivery by the public sector in respect of, for example, electricity, water and security.

59. Obviously, the South African dairy industry does not only face challenges of economic and business economic nature, as issues such as animal health, animal welfare and the impact of the dairy industry on the environment, are also of great importance and more in the spotlight than in the past. Although the individual members of the dairy industry are primarily responsible to deal with these issues, major aspects of these issues can only be dealt with through the collective actions by the South African organized dairy industry (Milk SA, SAMPRO, MPO and Dairy Standard Agency).

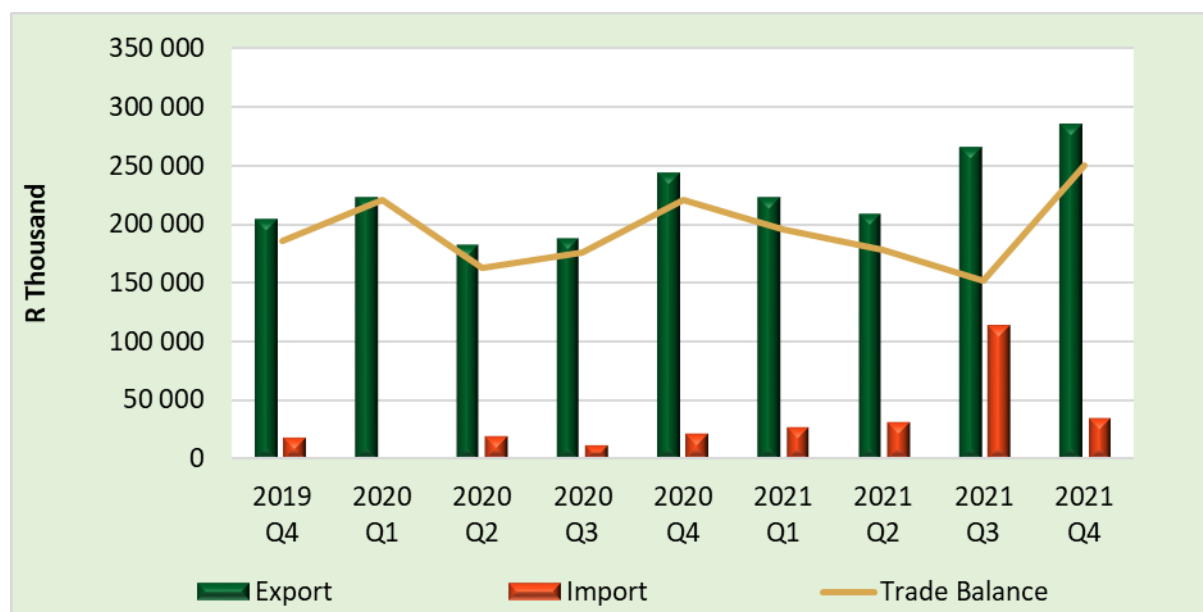


Figure 35: Trends in imports and exports of milk and cream, not concentrated nor containing added sweetening

Source: Trademap, 2021

3.6 Egg industry review

Figure 36 depicts While the economy is gradually recovering from the pandemic, South Africa’s egg producers face a number of challenges such as high input costs (particularly animal feed) while the practice of load shedding by Eskom severely hampered production efficiencies. Water scarcity and poor water sanitation also accentuated the hardships egg producers faced. In Q4: 2021, the total production of eggs totalled 212,3 million dozen, a 1.0% decrease in production relative to 220,9 million dozen produced in Q4: 2020. Several egg producers reported significant drops in their earnings as a result of tough trading conditions while the increased cost of feed and other inputs could not be recovered in the selling prices of eggs.

On a quarter-on-quarter basis, the total production of eggs decreased by 1.0% in Q4: 2021 relative to Q3, from a total of 212.4 million dozen produced in Q3.

Meanwhile, the average price per dozens of eggs increased by 1.1% in Q4: 2021 relative to Q4: 2020, to R12.81 per dozen from R 11,88 per dozen. On a quarter-on-quarter basis, the average price per dozens of eggs increased by 1.0% in Q4: 2021

relative to Q4, from R12,79 per dozen in Q3: 2021. The cost of electricity, fuel and wages affects the industry, with the supply and demand of eggs largely determining the price.

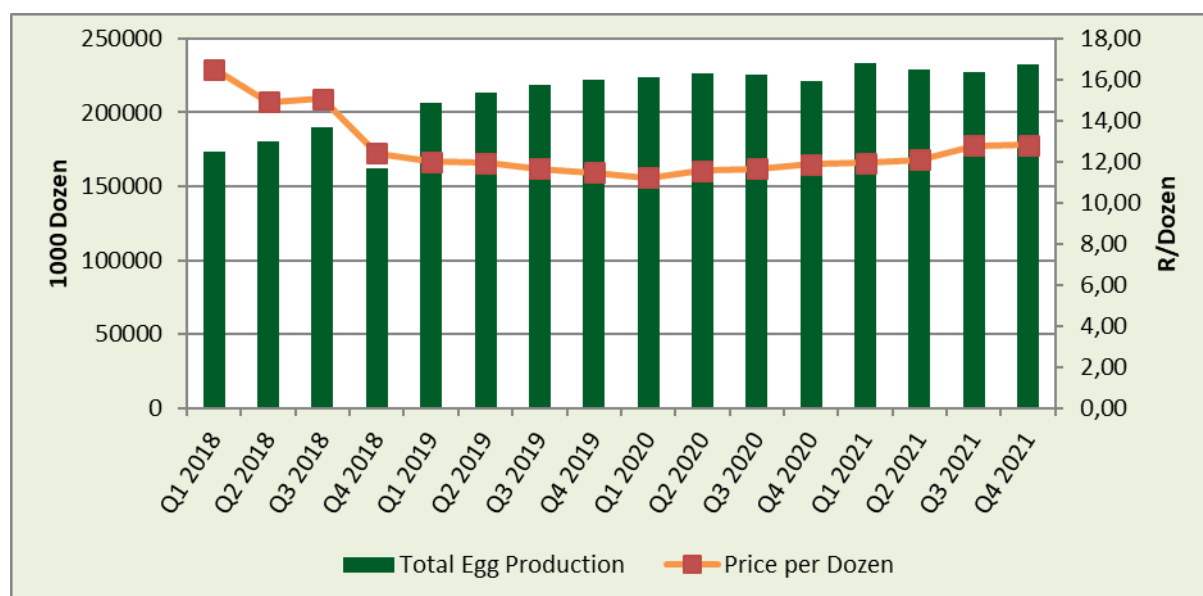


Figure 36: Trends in total egg production and average price per dozen eggs.

Source: DAFF

Whilst the poultry industry grapples with nationwide lockdowns because of the Covid-19 pandemic, as well as the impact of highly pathogenic avian influenza, South Africa remained a net-exporter of bird eggs (in shell, fresh, preserved or cooked) from Q1: 2019 to Q4: 2021. However, in Q4: 2021, South Africa's trade balance of birds' eggs, in shell, preserved or cooked contracted by 46.5% relative to Q4: 2020, to R 13.4 million from R25.0 million. Supply chains and the transport of poultry products were severely disrupted by the civil unrest while logistic services and distribution centres were forced to close during Q3 2021, which have not returned to normal in Q4 2021.

On a quarter-on-quarter basis, the trade balance of bird eggs (in shell, fresh, preserved or cooked) expanded by 78.6% in Q4: 2021 relative to Q3. The export value of bird eggs (in shell, fresh, preserved or cooked) also expanded by 78.6% in Q4: 2021 relative to Q3. South Africa did import bird eggs (in shell, fresh, preserved

or cooked) over the period amid fragile domestic economic conditions, R7.8 million in Q4.

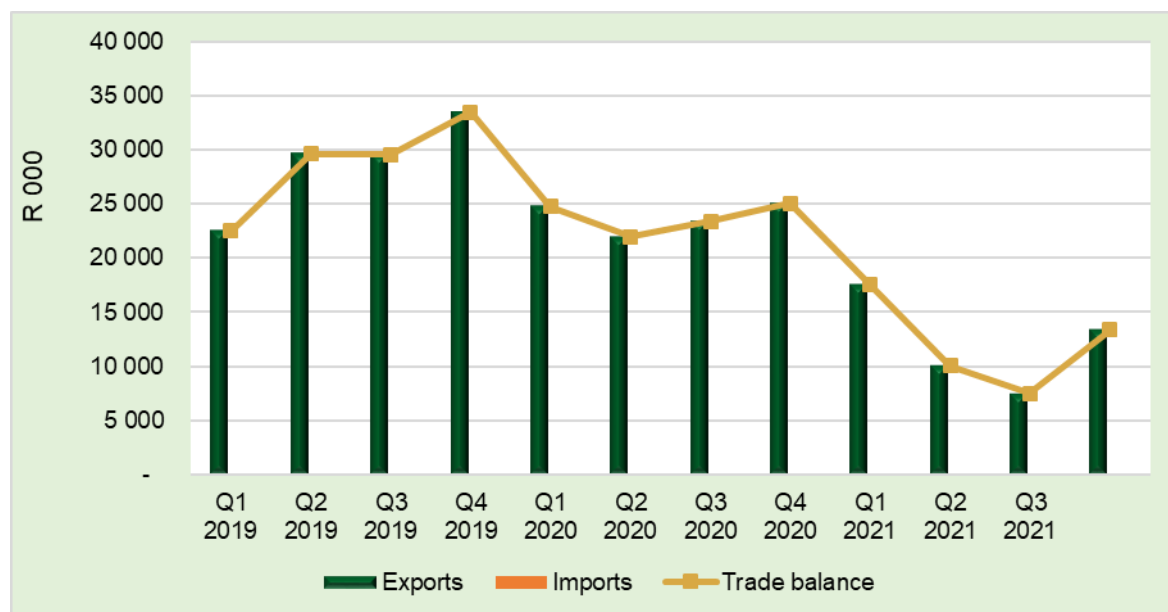


Figure 37: Trade balance of birds' eggs, in shell, preserved or cooked

Source: Trademap, 2021

3.7 Trade of agricultural, forestry and fisheries

Given the highly fluid global environment characterised by heightened uncertainty and intense inflationary pressures, South Africa's economy faces a myriad of headwinds such as the resurgence of Omicron variant, unreliable electricity supply, rising fuel prices that have the potential to reduce consumers' purchasing power and the ongoing shortage of critical raw and other input materials (FNB, 2021).

While South Africa's economic conditions were fairly better in Q4: 2021 relative to Q4: 2020 and conditions supported the demand for high value agriculture, food and beverages products, there is a need to expand South Africa's agricultural export markets beyond the current reach and to strengthen logistics (Agbiz, 2021).

Meanwhile, South Africa's agricultural sector expects another year of positive growth provided weather conditions remain favourable and logistics remain fairly operational for export markets (Agbiz, 2021).

During Q4: 2021, South Africa's agricultural trade balance grew by 37.2% relative to Q4: 2020, to R 14,9 billion from R10,9 billion. Farmers are boosting planting and taking advantage of the favourable weather conditions and attractive commodity prices, pointing to another year of solid growth (Agbiz, 2021).

On a quarter-on-quarter basis, agriculture's trade balance contracted by 38.3% in Q4: 2021 relative to Q3. Major factors that contributed to the contraction of agriculture's trade balance include stubbornly elevated global inflation, monetary policy conditions that have tightened across many Developed Economies and Emerging Markets, higher oil prices and the elevated cost of living.

In Q4: 2021, the export value of agricultural products contracted by 19% relative to Q3, to R40,7 billion from R 50.3 billion while the import value contracted by 1.1% quarter-on-quarter, to R25,8 billion from R26,0 billion. Imports of agricultural products contracted quarter-on-quarter as elevated transportation costs, still depressed consumer sentiment, slow readjustments in the labour market and possibly a less supportive interest rate environment might have affected domestic demand. Domestic economic conditions remain fragile with employment lagging, further limiting the extent of recovery in domestic demand.

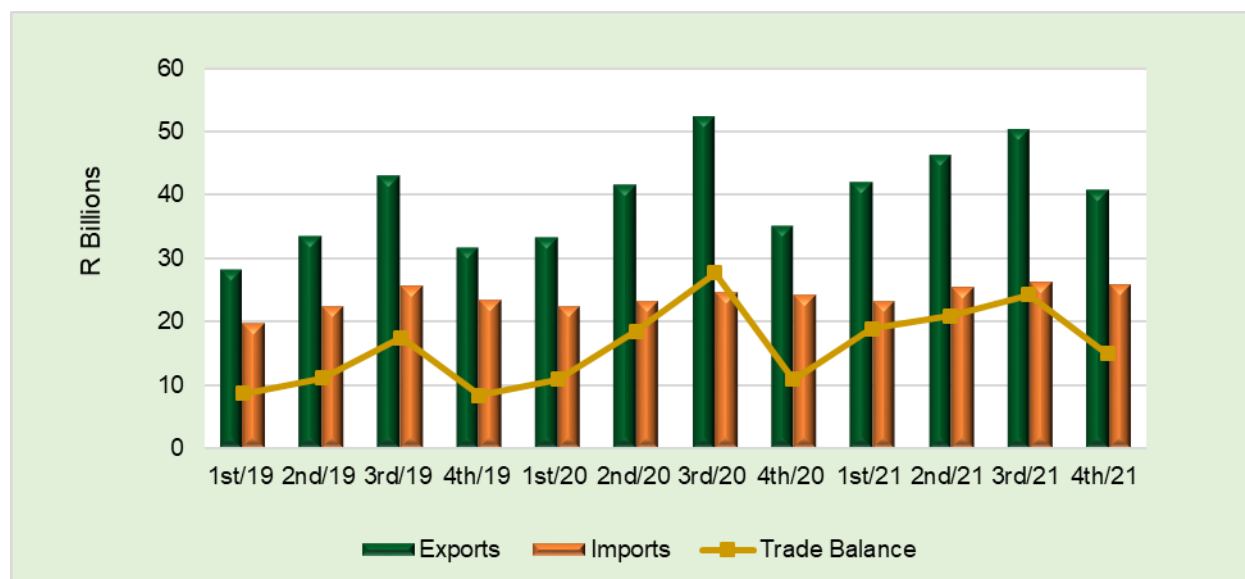


Figure 38: Trade balance of agricultural products

Source: Trademap, 2021

Figure 39 indicates the top five agricultural products imported by SA in Q4: 2021. The top five agricultural products imported by South Africa in Q4: 2021 include palm oil (27%), rice (25%), meat and edible offal of fowls (19%), cane or beet sugar (15%) as well as alcohol (14%). These products dominated the food import bill in Q4: 2021. Meanwhile, figure 40 indicates the top five primary agricultural products exported by SA in Q4: 2021. The top five agricultural products exported by South Africa in Q4: 2021 include wine (26%), maize or corn (22%), fresh or dried citrus fruit (19%), other nuts (17%) and fresh strawberries, raspberries as well as blackberries (16%). Analysts are modestly optimistic about the ongoing economy recovery amid the elevated cost of living, the wide ranging impacts on household’s willingness to spend, unreliable electricity supply, accelerating prices, the ongoing shortage of critical raw and other input materials as well as the ongoing severe weakness in the labour market.

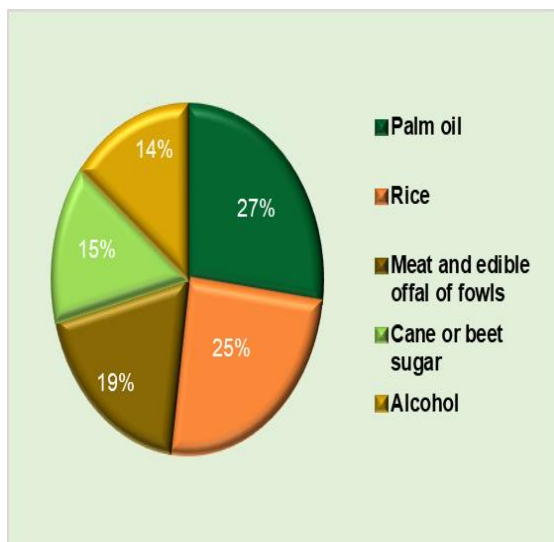


Figure 39: Top five agricultural products imported by SA

Source: Trademap, 2021

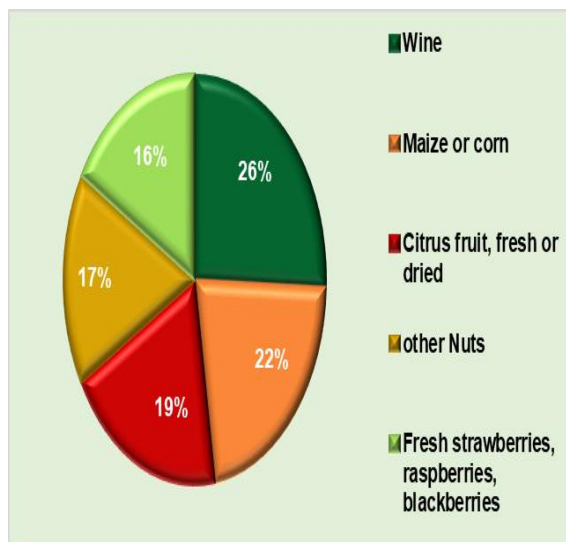


Figure 40: Top five agricultural products exported by SA

Source: Trademap, 2021

4. CONCLUSION

The global economy is expanding just 0.7% in the final three months of the year, half the pace of the previous quarter and below the rate of around 1% witnessed right before the crisis. Real GDP growth Rates, 2021 (Q4) in the advanced economies of the following countries: Germany, decreased by 0.3%, while Canada, France, Italy, Japan, United Kingdom and United States increased by 1.6%, 0.7%, 0.6%, 1.1%, 1.0% and 1.7% respectively, when compared to the fourth quarter of 2020 (Q4). In the emerging markets and developing economies, 2021 (Q4) Real GDP growth rates decreased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa and Nigeria increased by 1.6%, 4.0%, 5.5%, 5.02%, 3.6%, 7.7%, 1.25% and 3.98%, respectively, when compared to the fourth quarter of 2020 (Q4) last year figures.

South Africa's GDP grew by 1,2% in the last quarter of 2021, taking the annual growth rate for 2021 to 4,9%. The fourth quarter was upbeat, with personal services, trade, manufacturing and agriculture the key drivers of growth. Despite these positive figures, Real GDP continues to lag pre-pandemic levels too, with economic activity on par with the third quarter of 2017. The economy is 1,8% smaller than it was in the first quarter of 2020. Good rains during the season helped boost agriculture activity, together with a rise in animal products such as cattle, sheep, pigs and poultry increased wheat production lifted the agriculture, forestry and fisheries industry by 12,2%.

The annual average headline CPI average quarterly 5,5%, the main contributors to the annual inflation rate were food and non-alcoholic beverages, housing and utilities, transport as well as miscellaneous goods and services. Food and non-alcoholic beverages increased by 6,2%, quarter to quarter, oils and fats increased significantly by 20.9%. Meat, fish, vegetables as well as bread and cereals also increased by 8.7%, 4.2%. 4.4% and 2.4% respectively. During the same period Milk, eggs and cheese also increased by 5.2%, whilst fruits decreased by 2.4%

South Africa's unemployment rate climbed to 35.3% in the fourth quarter of 2021, up from 34.9% in the previous period. It was the highest jobless rate since comparable

data began in 2008. The number of unemployed persons increased by 278 thousand to 7.9 million, employment rose by 262 thousand to 14.5 million and the labour force went up by 540 thousand to 22.5 million. Job losses were primarily observed in manufacturing (85 thousand) and construction (35 thousand).

South Africa's agricultural trade balance grew by 37.2% relative to Q4: 2020, to R 14,9 billion from R10,9 billion. Farmers are boosting planting and taking advantage of the favourable weather conditions and attractive commodity prices, pointing to another year of solid growth. On a quarter-on-quarter basis, agriculture's trade balance contracted by 38.3% in Q4: 2021 relative to Q3. In Q4: 2021, the export value of agricultural products contracted by 19% relative to Q3, to R40,7 billion from R 50.3 billion while the import value contracted by 1.1% quarter-on-quarter, to R25,8 billion from R26,0 billion.

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