

# 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 2022: Q2, 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:** The real GDP growth Rates for 2022 (Q2) in the advanced economies of the following countries: Canada, France, Germany, Italy and Japan increased by 0.8%, 0.5%, 0.1%, 1.1% and 3.5% respectively, while United Kingdom and United States decreased by 0.1% and 0.6% respectively, when compared to the second quarter of 2021 (Q2).

In the emerging markets and developing economies, the real GDP growth rates for 2022 (Q2) increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines and Nigeria by 3.2%, 0.4%, 13.5%, 5.44%, 8.9%, 7.4%, and 3.4%, respectively, while South Africa, and Russia decreased by 0.7% and 4.1% respectively when compared to the second quarter of 2021 (Q2) last year figures.

**Global grain supply forecast:** Global supply projections for 2022 (Q2) of wheat and cotton decreased by 2.2% and 3.1% respectively, while coarse grains, rice milled, oilseeds, oil meals and vegetable oils decreased by 0.9%, 3.0%, 1.9%, 0.01% and 2.4% respectively, when compared to the first quarter of 2021.

**South Africa's GDP:** South Africa's gross domestic product (GDP) decreased by 0.7% in the second quarter of 2022. Seven out of the 10 industries covered by Stats SA recorded a decline in the second quarter, led by the agriculture sector with the manufacturing sector not far behind. The agriculture industry decreased by 7.7% in the second quarter, contributing -0.2 of a percentage point to GDP growth.

**Inflation:** The CPI average 6.6% in the second quarter of 2022 compared to 5.8% for the first quarter of 2022, while food inflation average 7.7% in the second quarter of 2022 compared to 6.5% in previous quarter. The higher agricultural commodity prices we've observed in the months since Russia invaded Ukraine continue to filter into the food price inflation.

**Employment:** South Africa's unemployment rate edged lower to 33.9% in the second quarter of 2022 from 34.5% in the first quarter of 2022. The total 648 000 more jobs

were gained during the April to June period, bringing the total number of employed persons in the country to 15.6 million.

**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:** In Q2: 2022, SA agriculture's trade balance grew by 8% in Q2: 2022 relative to Q2: 2021 amid a fragile recovery, as most economic sectors have not fully recovered. During the period, agriculture's trade balance accelerated to R21,3 billion in Q2: 2022 (up from R19,7 billion in Q2: 2021). The export value of agricultural products grew by 13.4% in Q2: 2022 relative to Q2: 2021, to R49,5 billion from R 43,7 billion. During the same period, the import value of agricultural products grew by 17.8% in Q2: 2022 relative to Q2: 2021, to R 28,2 billion from R 23,9 billion.

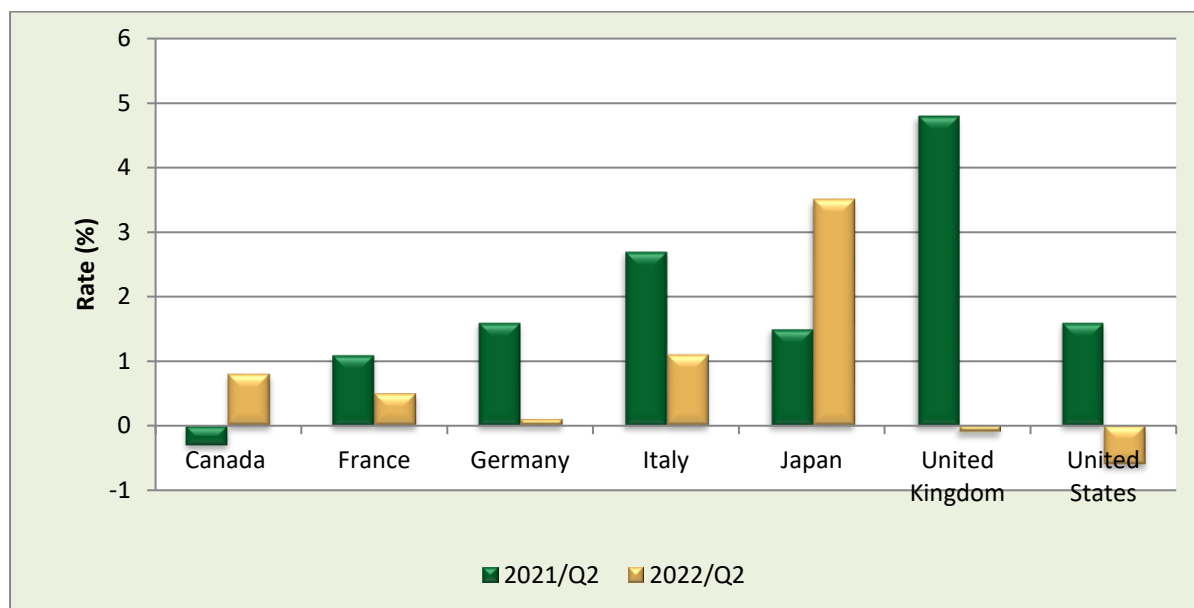


# 1 GLOBAL OVERVIEW OF THE AGRICULTURE, FORESTRY AND FISHERIES ECONOMY

## 1.1 Global Real GDP Growth Rates

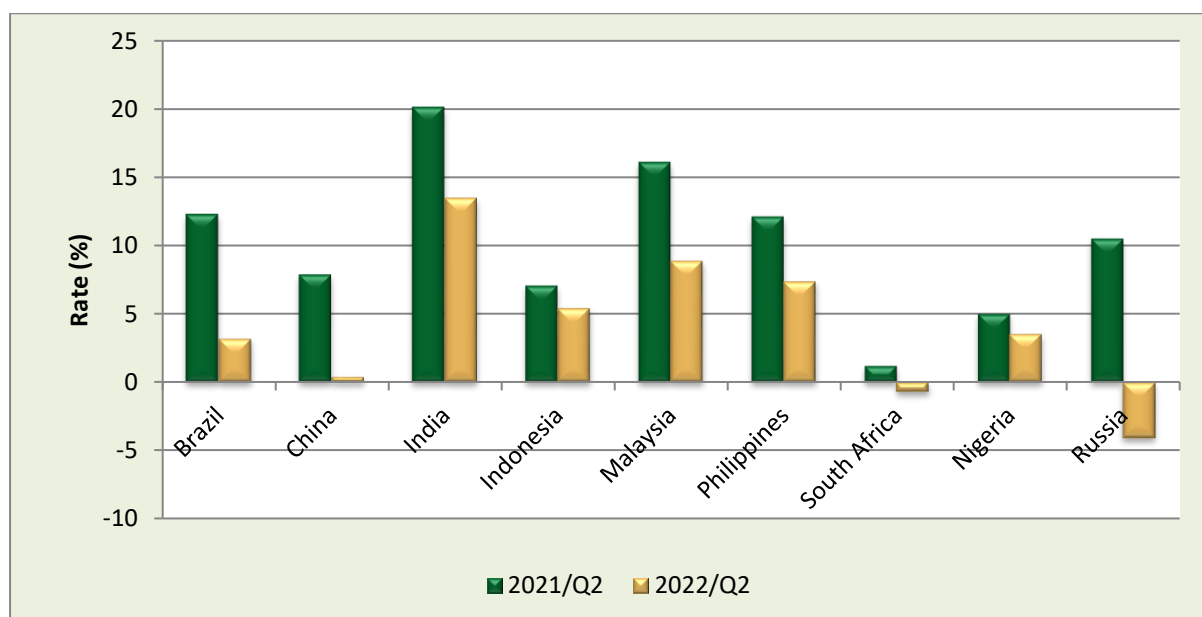
According to the International Monetary Fund (IMF), World Economic Outlook report (July 2022), it indicates that Global growth would fall by about 0.6% point and 0.9% point in 2022 and 2023, respectively, compared with the baseline projection, to about 2.6% and 2.0% in 2022 and 2023, respectively. Such low annual growth has occurred only rarely in the past (on only five occasions since 1970 has global growth been lower than 2%). The direct impact of fossil fuel restrictions would account for about two-fifths of the total decline in GDP compared with the baseline (1.5% by 2023), with increased inflation expectations and tighter financial conditions responsible for roughly another third and quarter each, respectively. International commodity markets would also react sharply, with the reduction in the global oil supply pushing prices up by about 30%. For gas, Russia's larger share of global supply and less flexible distribution networks would make the response more dramatic, with prices spiking by almost 200%.

The impact on consumer price inflation would depend on the relative strength of the different shocks at different horizons. In the short term, the direct effect of higher prices and inflation expectations would raise inflation by about 1% point. Subsequently, lower demand and tighter financial conditions would dominate, mitigating the inflationary impact in 2023 and beyond. The real GDP growth Rates for 2022 (Q2) in the advanced economies of the following countries: Canada, France, Germany, Italy and Japan increased by 0.8%, 0.5%, 0.1%, 1.1% and 3.5% respectively, while United Kingdom and United States decreased by 0.1% and 0.6% respectively, when compared to the second quarter of 2021 (Q2). See figure 1 below.



**Figure 1:** Advanced Economies Quarterly GDP Growth Rates  
Data Source: Various Sources

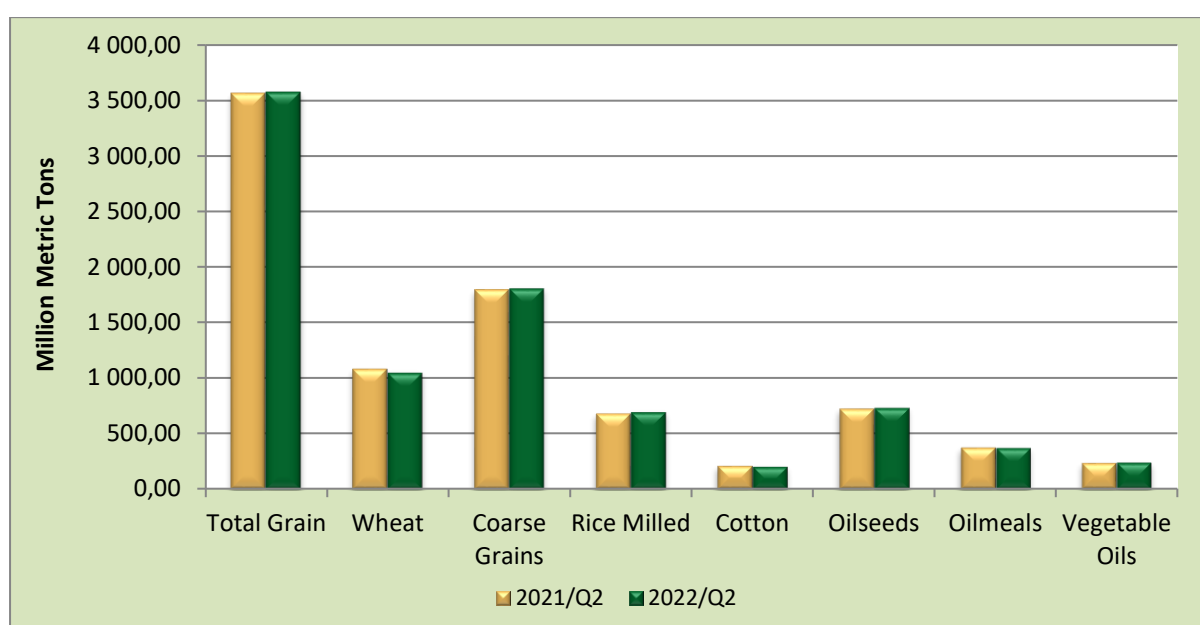
Figure 2, Indicate that in the emerging markets and developing economies, the real GDP growth rates for 2022 (Q2) increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines and Nigeria by 3.2%, 0.4%, 13.5%, 5.44%, 8.9%, 7.4%, and 3.4%, respectively, while South Africa, and Russia decreased by 0.7% and 4.1% respectively when compared to the second quarter of 2021 (Q2) last year figures.



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

## 1.2 Global Grain forecast

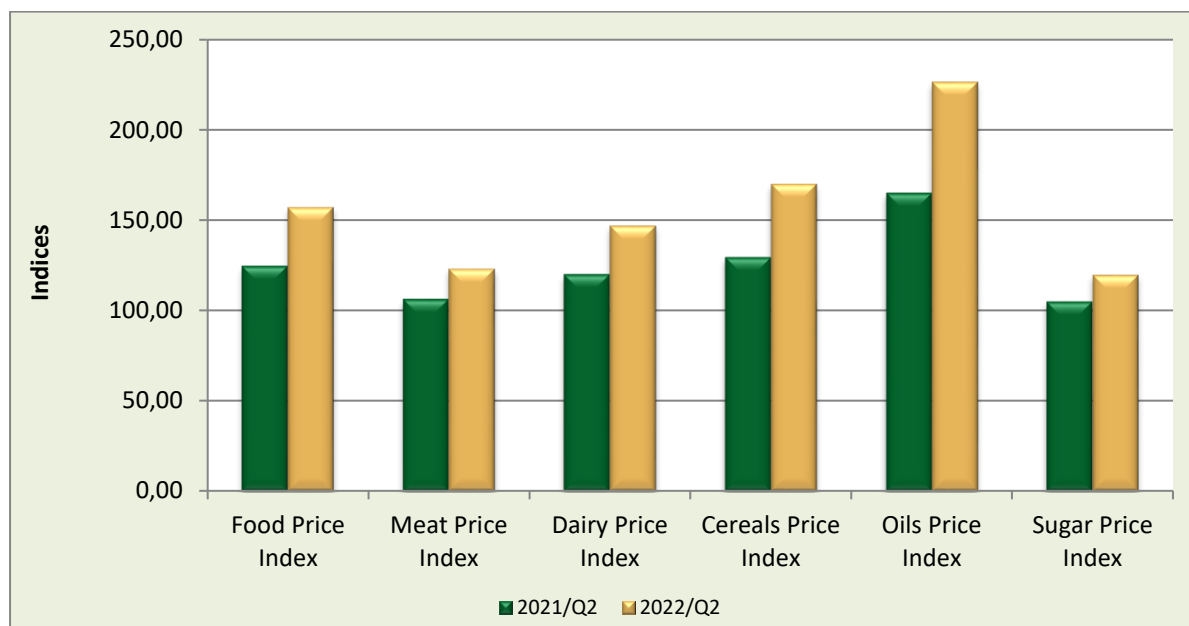
The global grain supply forecast indicates a total grain increase of 0.4%, from 3.564 million metric tons in 2021 (Q2) to 3.577 million metric tons in 2022 (Q2). Global supply projections for 2022 (Q2) of wheat and cotton decreased by 2.2% and 3.1% respectively, while coarse grains, rice milled, oilseeds, oil meals and vegetable oils decreased by 0.9%, 3.0%, 1.9%, 0.01% and 2.4% respectively, when compared to the first quarter of 2021, see figure 3 below.



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

## 1.3 Global Food Prices

Globally in 2022 (Q2) some major countries were paying relatively more by 26.0% on food purchases compared to 2021 (Q2). The following global food products price indices in 2022 (Q2), meat, dairy, cereals, oil and sugar indices shows an increase of 16.0%, 22.4%, 31.3%, 37.3% and 14.2% respectively, when compared to (Q2) of 2021, s, 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

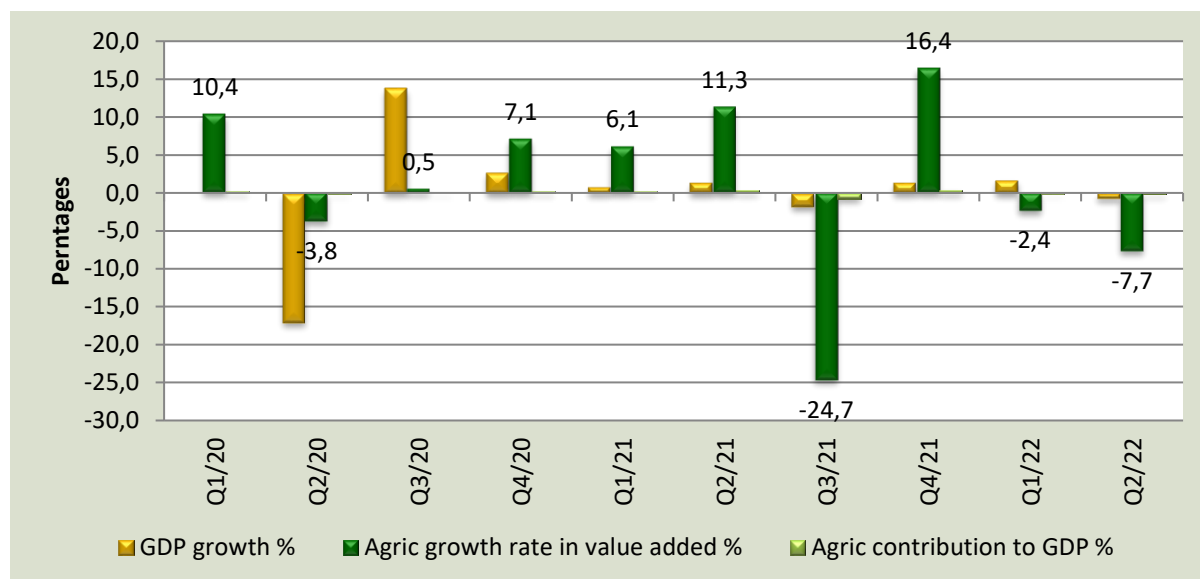
### 2.1 Growth

South Africa's gross domestic product (GDP) decreased by 0.7% in the second quarter of 2022. The decline matches economist and analyst predictions, which ranged between 0.5% decline and 1.2% decline. It comes after surprise growth in the first quarter of the year, though this has also been revised downward from 1.9% to 1.7%. The year-on-year growth in GDP was also flat at just 0.2% from the second quarter of 2021. The economy was hit by the highest levels of load shedding on record during the second quarter of the year which took a heavy toll on industries. Higher interest rates and increasing fuel prices also weigh on growth. So far this year, the Reserve Bank has hiked the repo rate four times from 3.75% to 5.50%. More increases are expected in September and November. Industries were also affected by heavy flooding in KwaZulu Natal and parts of the Eastern cape, which killed more than 400 people and wrecked infrastructure in April. Manufacturing is the largest industry in

KwaZulu-Natal, accounting for a fifth of national manufacturing production, Statistics SA reported.

Seven out of the 10 industries covered by Stats SA recorded a decline in the second quarter, led by the agriculture sector with the manufacturing sector not far behind. The manufacturing industry decreased by 5.9% in the second quarter, contributing -0.7 of a percentage point to GDP growth. Eight of the 10 manufacturing divisions reported negative growth rates in the second quarter. Petroleum, chemical products, rubber and plastic products made the largest contribution to the decrease in the second quarter. Food and beverages, motor vehicles, parts and accessories and other transport equipment division, and basic iron and steel, non-ferrous metal products, metal products, and machinery division also made notable negative contributions to growth.

The agriculture industry decreased by 7.7% in the second quarter, contributing -0.2 of a percentage point to GDP growth. Mining and quarrying decreased by 3.5%, contributing -0.2 of a percentage point to GDP growth, decreased economic activities were reported for gold, coal, manganese ore and diamonds. The trade, catering and accommodation industry decreased by 1.5%, contributing -0.2 of a percentage point to GDP growth due to decreased in economic activities reported for wholesale trade and retail trade. Construction decreased by 2.4%, contributing -0.1 of a percentage point as result of a decreased in economic activities reported for residential buildings and construction works. The unadjusted real GDP at market prices for the first six months of 2022 increased by 1.4% compared with the first six months of 2021.

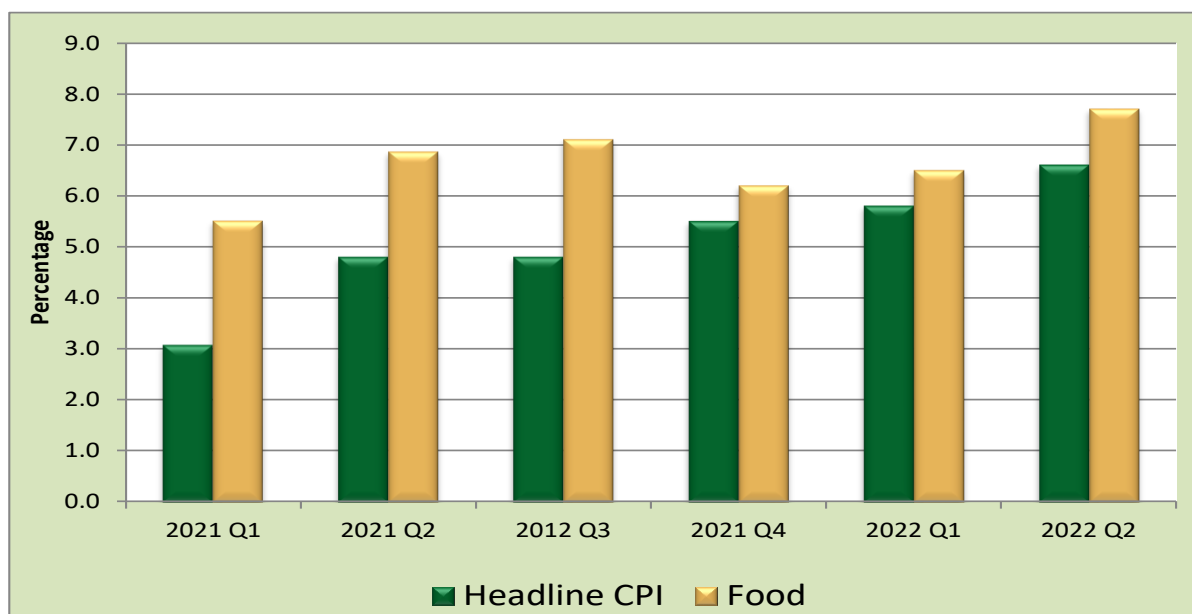


**Figure 5:** The GDP growth and Agriculture contribution to the GDP growth 2020: Q1 and 2022: Q2

Source: Stats SA

## 2.2 Inflation

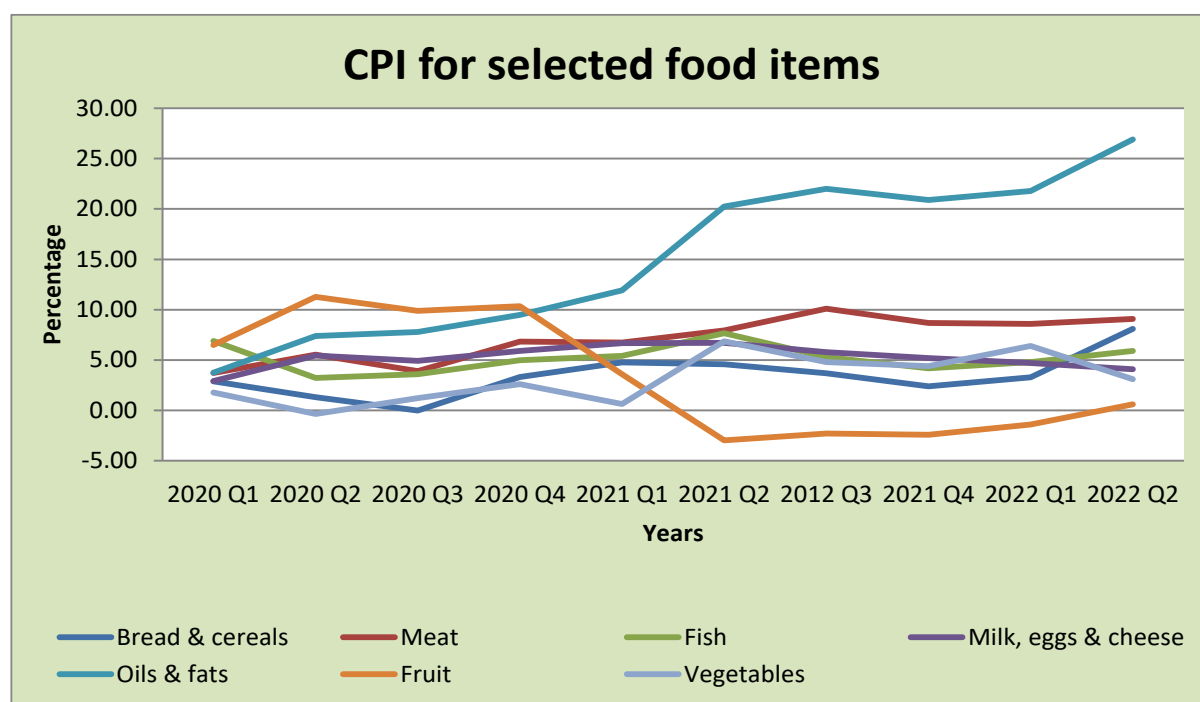
Figure 6 below shows that Annual consumer price inflation (CPI) was 5.9% in April, 6.5% in May and up to 7.4 in June 2022 respectively. It is important to note that the CPI in May and June was outside the Reserve Bank target range of between 3% to 6%. The CPI average 6.6% in the second quarter of 2022 compared to 5.8% for the first quarter of 2022, while food inflation average 7.7% in the second quarter of 2022 compared to 6.5% in previous quarter. The higher agricultural commodity prices we've observed in the months since Russia invaded Ukraine continue to filter into the food price inflation. Moreover, the higher fuel price inflation since the start of the war is an additional cost driver of food prices.



**Figure 6 :** The headline consumer price index and food prices 2021: Q1 and 2022: Q1

Data Source: Stats SA

**Figure 7** below shows that in the second quarter of 2022 the main contributors to the average quarterly 6,6% inflation rate. Food and non-alcoholic beverages increased by 7,4% in the second quarter of 2022 compared to 6.5% in the previous quarter. During the same period oils and fats increased significantly by 26.9%. Meat, bread, and cereals as well as Fish also increased by 9.1%, 8.1%, and 5.9% respectively. During the same period Milk, eggs and cheese as well as vegetables also increased by 4.1% and 3.1% respectively, whilst fruits increased slightly by 0.6%. Botswana and Namibia have unilaterally closed their borders to certain fruits and vegetables from SA, that has resulted in a decrease in vegetable prices from 6.4% in the first quarter of 2022 to 3.1% in the second quarter of 2022. This might be due to oversupply of vegetables in the country.



**Figure 7:** CPI for selected food items

Data Source: Stats SA

## 2.3 Employment

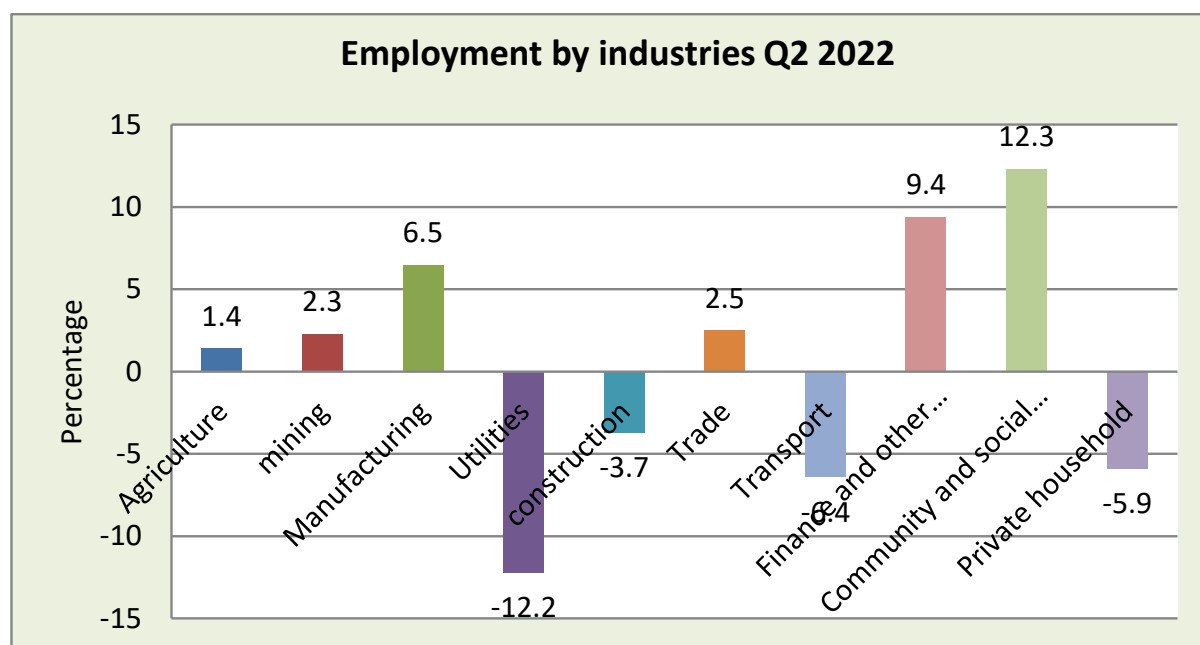
According to the Quarterly Labour Force Survey (QLFS) for quarter 2 of 2022 the official South Africa’s unemployment rate edged lower to 33.9% in the second quarter of 2022 from 34.5% in the first quarter of 2022. The total 648 000 more jobs were gained during the April to June period, bringing the total number of employed persons in the country to 15.6 million. With the most gains recorded in community and social services, trade, and finance. Manufacturing, which has performed well in the past, saw 73,000 job losses. The expanded definition of unemployment that includes those discouraged from seeking work, 44.1% of the labour force was without work in the second quarter, from 45.5% in the prior quarter.

Analysts believe that South Africa needs higher rates of economic growth to make a meaningful dent in poverty and unemployment. While the decrease may be welcome, it does not change the picture of the country’s mass unemployment crisis. Stats SA reported that there were 12.3 million jobless people in the second quarter of the year, according to the expanded definition of unemployment. The Quarterly Labour Force



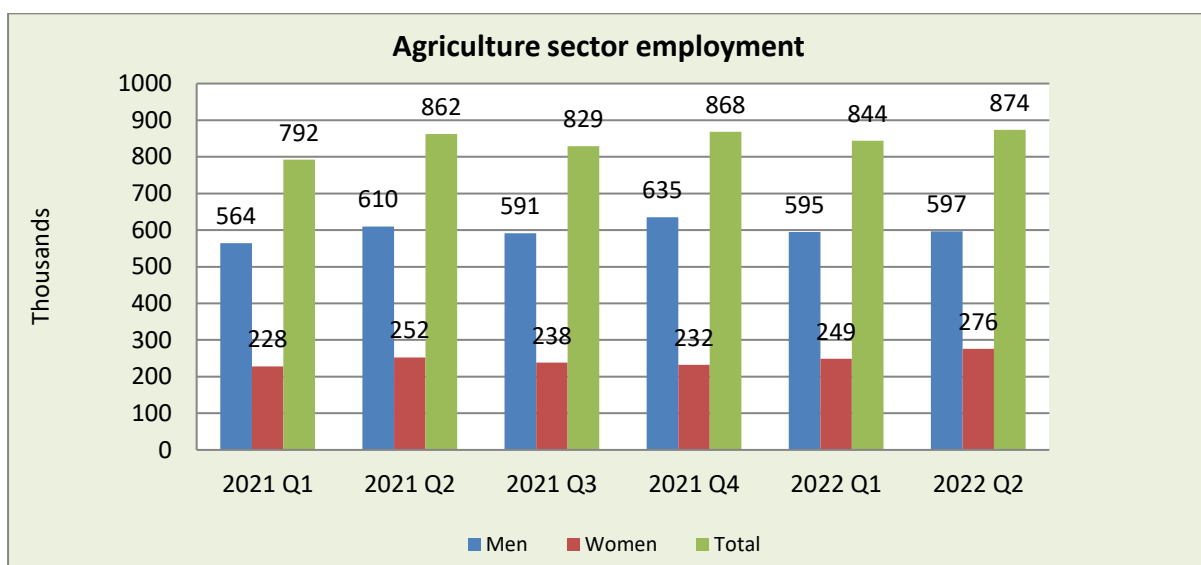
Survey (QLFS) in the second quarter of the year shows that 8.0 million people were still searching for jobs - while 3.6 million were discouraged work seekers with 700,000 who have stopped looking for other reasons. South Africa has 40.2 million people of working age. With the slight shift in the overall number of people with jobs - there are now 15.6 million employed people in the labour market. With the labour force participation rate increasing by 1.7% to 58.6% in the second quarter - the figures for both employed and unemployed people increased during the term. The participation rate is the proportion of the working-age population that is either employed or unemployed.

**Figure 8** below shows that between the second quarter of 2021 and the second quarter of 2022, the number of employed people increased in six industries such as community and services, finance, manufacturing, trade, mining, and agriculture increased by 12.3%, 9.4%, 6.5%, 2.5%, 2.3% and 1.4% respectively. Meanwhile the number of employed people decreased in four industries such as utilities, transport, private household, and construction which decreased by 12.2%, 6.4%, 5.9% and 3.7% respectively.



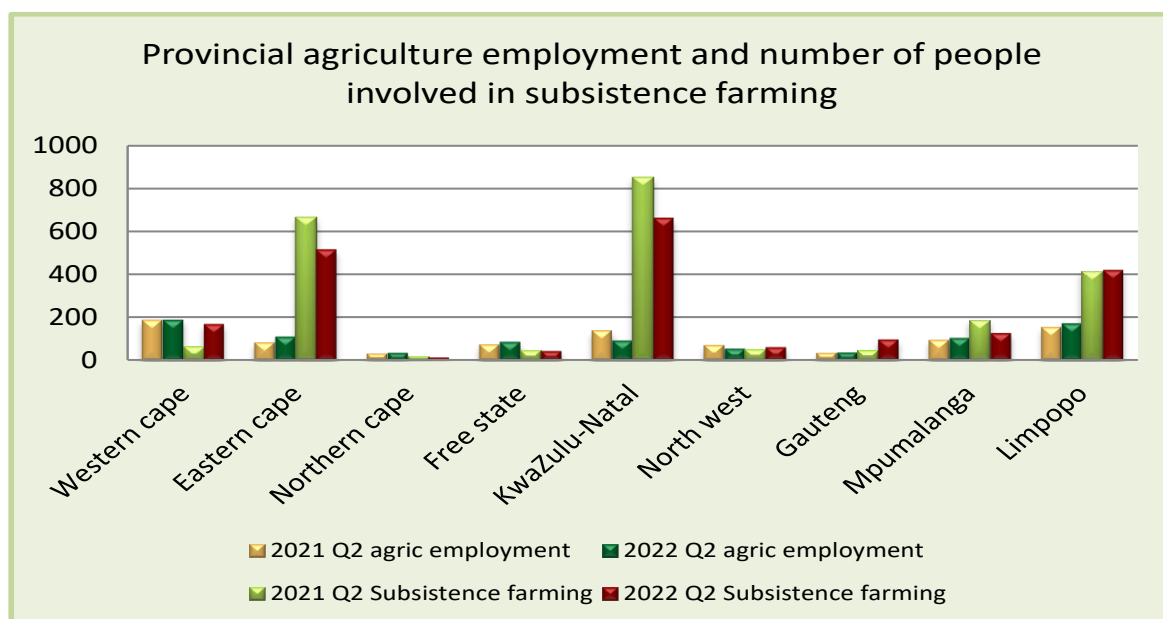
**Figure 8:** Total number of people employed by industries between 2021: Q2 and 2022: Q2  
Source: Stats SA

**Figure 9** below illustrate that the number of people employed in agricultural sector increased from 862 000 in the second quarter of 2021, to 874 000 people in the second quarter of 2022, which represent a 1.4% increase. Off the 12 000 jobs created, 25 000 jobs were created for women, while men lost about 12 000 jobs between the two quarters. During the same period in total, the agricultural sector has 597 000 men and 276 000 women compared to 595 000 men and 249 000 women. However, on quarter-to-quarter basis, in the first quarter of 2022, the number of people employed in agriculture sector increased by 3.5%, from 844 000 to 874 000.



**Figure 9:** Total number of people employed in the agriculture sector between 2021: Q1 and 2022: Q2:  
Source: Stats SA

**Figure 10** below shows that between the second quarter of 2021 and the same quarter of 2022, provincial agriculture employment increased in seven provinces with Eastern Cape (34.1%), Free State (16.3%), Northern Cape (13.8%), Limpopo (11.6%) Mpumalanga (8.6%), Gauteng (3.4%) and Western Cape (1.2). While provincial agriculture employment decreased in KwaZulu-Natal (33.1%) and Northwest (23.1%). During the same period (QLFS) publication, also indicate that 2.4 million people were involved in subsistence farming compared to 2.1 million people, a decrease of 10.3%. KwaZulu-Natal and Eastern Cape remained with the highest number of people involved in subsistence farming.

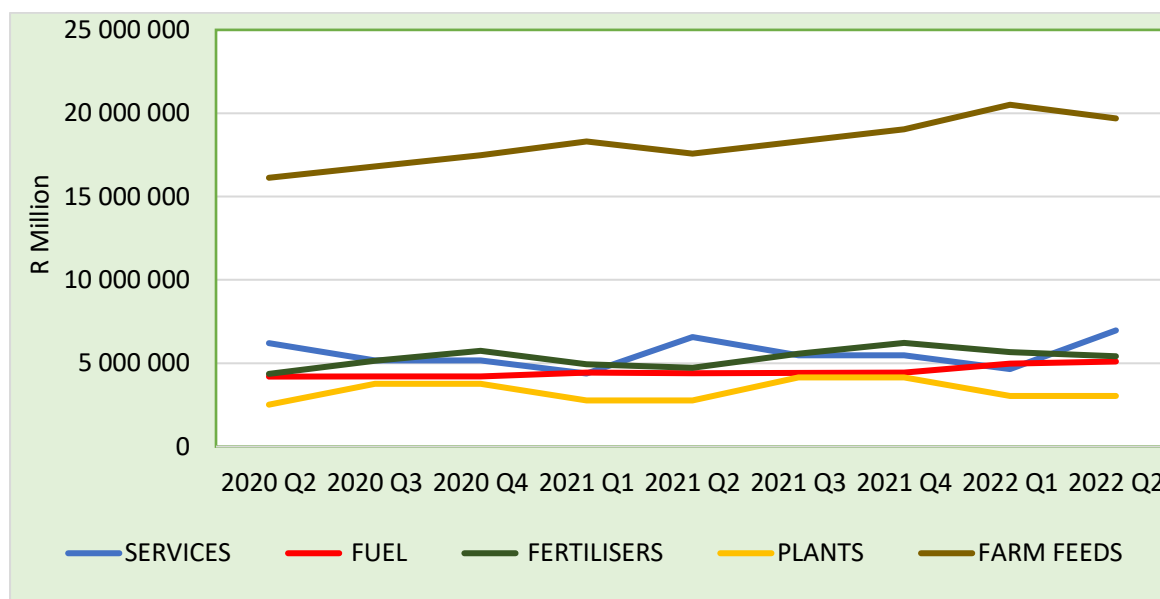


**Figure 10:** Provincial agriculture employment and subsistence farming between 2021: Q2 and 2022: Q2 Source: Stats SA

## 2.4 Expenditure on intermediate goods and services by the agricultural sector

**The figure 11** The total expenditure on intermediate goods and services was reported at R55.3 billion in the second quarter of 2022 compared to R52.2 billion in the previous quarter, a increase of 5.8%. Compared to a year ago the total expenditure on intermediate goods and services increased by 10.6% from R50.0 billion in the second quarter of 2021 to R55.3 billion in the second quarter of 2022.

The total expenditure on intermediate goods and services increased by 5.8% from a year quarter (Q1 2022) ago to (Q2 2022). Figure 11 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 2022 compared to the previous quarter (Q1 2022). The increase of 5.8% was predominantly in due to a drastic increase in Farm Services of 50.0% and was slightly supported by Fuel which increased by 2.6%. These increases offset the 4.4% decrease in Fertiliser as well as a 4% decrease in Farm Feed. Seed and Plants remained unchanged at 0.0%.



**Figure 11:** Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2020 Q2 and 2022: Q2

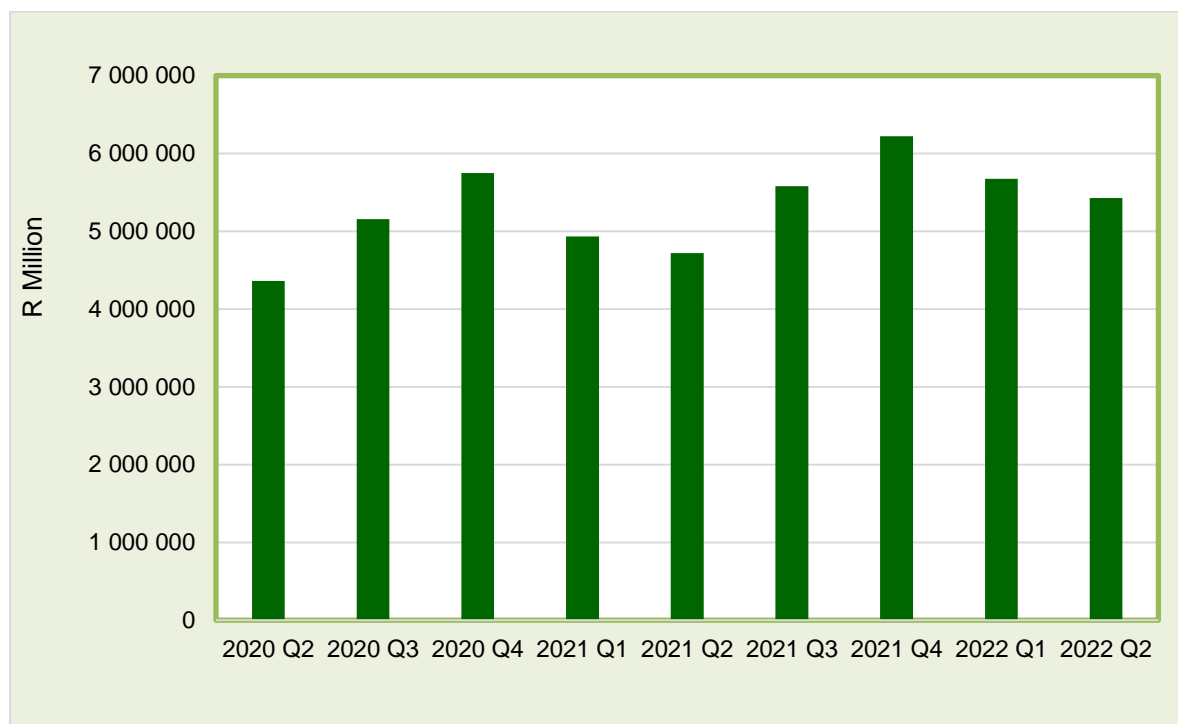
Source: DALRRD

## 2.5 fertilizer market review

### 2.5.1 South African fertiliser expenditure

The expenditure of the fertiliser in second quarter of 2022 was R 5 427 million compared to R 4 719 million in the same quarter in 2021, this represents a 15.0% increase on expenditure of fertilisers. This increase is due to an increase in production due fewer Covid restrictions and weather predictions of a wet season.

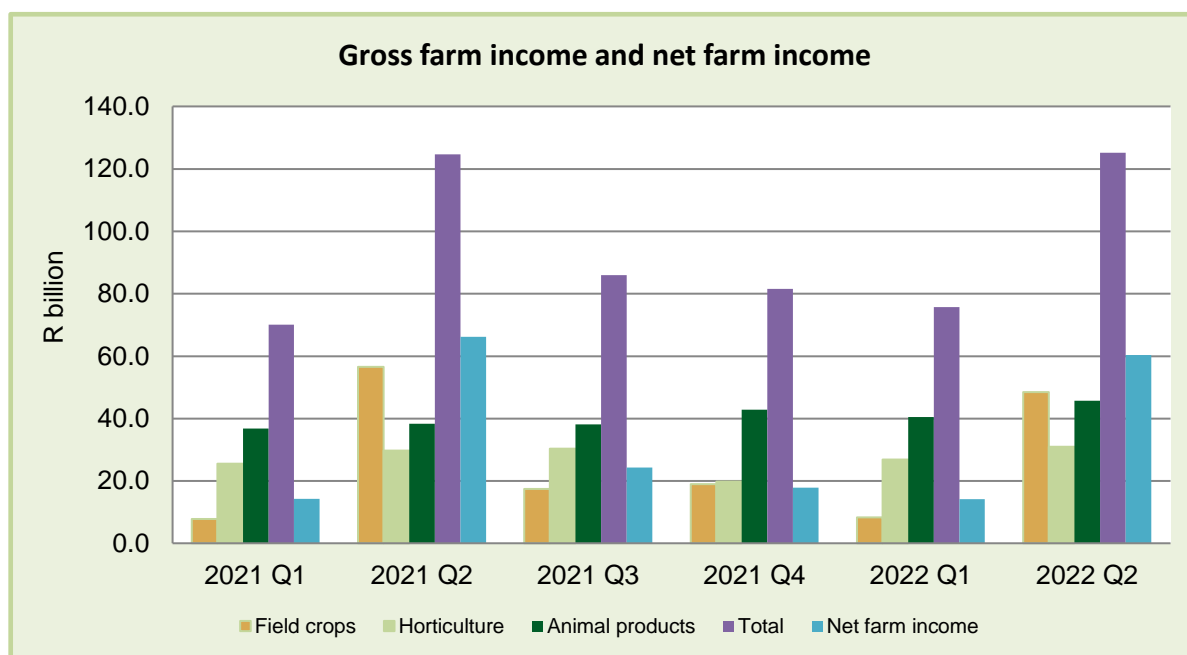
The total expenditure on fertiliser decreased by 4.6% from a year quarter (Q1 2022) ago to (Q2 2022). The decrease can be ascribed due to record rainfall in grain producing areas so the implements could not get into the lands. see Figure 13.



**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 0.4% from R124.7 billion in the second quarter of 2021 to R125.2 billion in the same quarter of 2022. The net farm income is estimated at R60.4 billion in the second quarter of 2022 compared to R66.2 billion in the same quarter of 2021, a decrease of 8.8%. During the same period the decrease in net farm income was due to a 14.2% decrease in income from field crops, while animal products and horticulture, increased by 19.2% and 3.9% respectively.



**Figure 13: Trends in nominal gross farm income between 2021: Q2 and 2022: Q2**  
Source: DALRRD

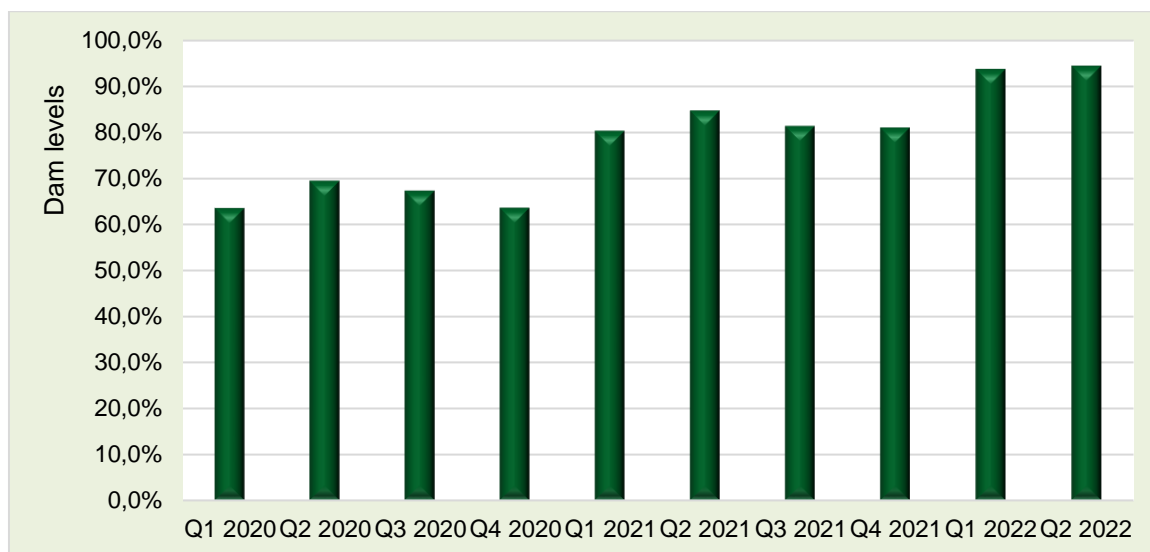
## 2.9 Reviews of South Africa’s water dam levels

South Africa’s national dam levels were comparatively higher in Q2: 2022 relative to Q2: 2021, recording an increase of 11.5%, to an average of 94.3% from an average of 84.6%. Storage dams in the summer rainfall areas were still at very high levels in the last week of June 2022, with La Nina conditions continuing although showing a weakening trend.

The long-term outlook for summer rainfall areas is below average rainfall until October, followed by above average rainfall from November 2022 until January 2023 (impact of both La Nina and Indian Ocean). It is however uncertain how much water will eventually reach the storage dams due to smaller farm dams and weirs that must be filled especially in irrigation producing areas before reaching larger storage dams.

On a quarter-on-quarter basis, South Africa’s national dam levels increased by 0.7% in Q2: 2022 relative to Q1. Rain occurred in the central, western and south-eastern summer rainfall areas in the second part of June. The heaviest falls were recorded in the Eastern Cape. Rain in June also fell predominantly in grazing areas of the Northern

Cape, Free State, Eastern Cape and Northwest Province, which was welcomed by livestock farmers.



**Figure 14:** National dam levels

Source: Department of Human Settlements, Water and Sanitation

### 2.9.1 Provincial dam levels

Reasonable amounts of rainfall were generally received across the country in April, May and June that boosted most provincial dam levels in Q2: 2022 relative to Q2: 2021. During the Q2: 2022, most parts of the country’s interior received above-normal rainfall. Most provinces experienced higher storage levels year-on-year in Q2: 2022 relative to Q2: 2021 however, despite the recent rains, some provinces still have not recovered from the continued effects of the drought, which has been ongoing since 2015.

Dam levels in the Eastern Cape increased by 27.8% in Q2: 2022 relative to Q2: 2021, to an average of 69% from an average of 54%. While some parts of the Eastern Cape are finally out of the drought, there is a continuing drought around the area of the Algoa supply system, which is the system that supplies water mainly to Nelson Mandela Bay and surrounding areas. Dam levels in the Free State Province increased by 5,3% in Q2: 2022 relative to Q2: 2021, to an average of 103% from an average of 98%. Free State dam levels improved following the rain that boosted the province’s dam levels. Dam levels in Gauteng province improved by 2.4% in Q2: 2022 relative to Q2: 2021,

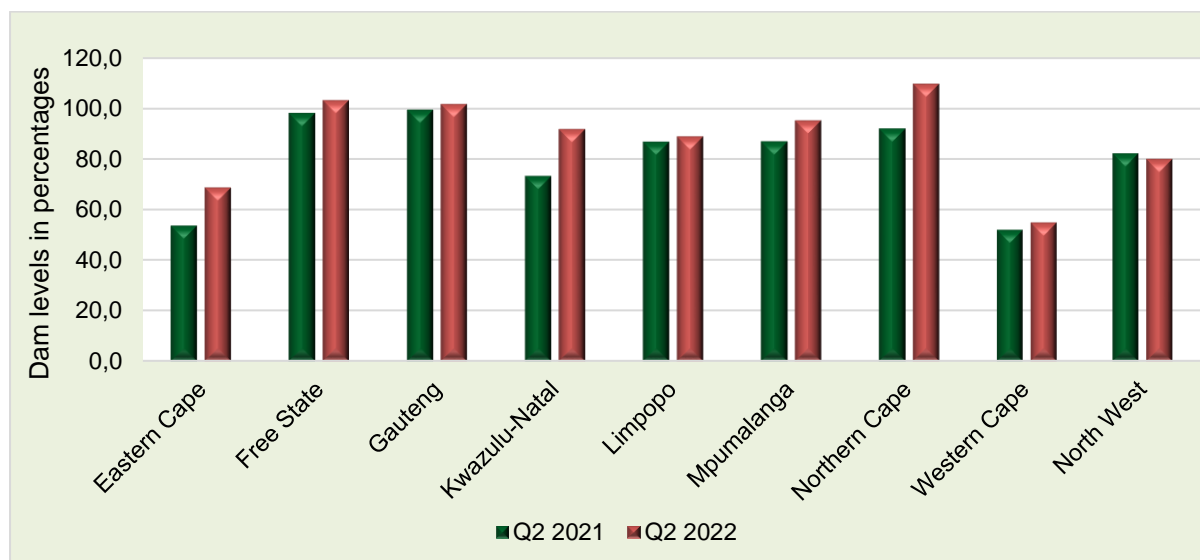
to an average of 102% from an average of 99%. The collective upsurge in Gauteng dam levels had a positive impact on the levels of the Integrated Vaal River System (IVRS) especially the Vaal Dam, which is the life blood of the economic hub of Gauteng.

Dam levels in Kwa-Zulu Natal increased by 25.3% in Q2: 2022 relative to Q2: 2021, to an average of 92% from an average of 73%. Rain that swept across KwaZulu-Natal helped increase the province's dam water levels. Dam levels in Limpopo improved marginally, by 2.4% in Q2: 2022 relative to Q2: 2021, to an average of 89% from an average of 87%. The Department of Water and Sanitation indicated that the Polokwane Water Supply System that has dams supplying water to Polokwane and surrounding areas improved marginally in Q2: 2022 relative to Q2: 2021. Dam levels in Mpumalanga increased by 9.7% in Q2: 2022 relative to Q2: 2021, to an average of 95% from an average of 87%. 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 19.4% in Q2: 2022 relative to Q2:2021, to an average of 110% from an average of 92%, due to heavy downpours in the Northern Cape Province. Dam levels in the Western Cape improved by 5.3% in Q2: 2022 relative to Q2: 2021, to an average of 55% from an average of 52%. This improvement in parts of the Western Cape is due to high amount of winter rainfall and the unexpected wet weather in other parts of the country. Meanwhile, dam levels in the North West Province decreased by 2.7% in Q2: 2022 relative to Q2: 2021, to an average of 80% from an average of 82%. Wet conditions were observed in the southern parts of North West.

While the overall outlook of national water levels improved in Q2: 2022 relative to Q2: 2021, the weekly status of dams indicate that the country's water levels are on a continual decrease and national water levels continue to diminish in small margins. Hence, the Department of Water and Sanitation reiterated its call to water users to exercise maximum caution when utilising water.





**Figure 15:** Provincial dam levels

Source: Department of Human Settlements, Water and Sanitation

Figure 16 shows Provincial dam levels from Q2: 2021 to Q2: 2022. Almost all provincial dam levels improved to comfortable levels in Q2: 2022 relative to Q1, except for dam levels in the Free State province, Gauteng, Northern Cape and Western Cape, which decreased by 1.2%, 0.3%, 0.3% and 21.8% respectively quarter-on-quarter. The decrease in dam levels in the Free State province in Q2: 2022 relative to Q1 could be an indication that the rain has subsided and the inland is beginning to experience dry weather patterns while dam levels in Gauteng have been decreasing, despite being at high levels. Meanwhile, the Department of Water and Sanitation persisted in pleading with residents of the Northern Cape to be circumspect of the way they utilise water amid the marginal drop in dam levels of the Karee Dam in Q2: 2022 relative to Q1. The Karee dam serves Calvinia and Vanderkloof Dam in the Orange River Water Supply System situated at the border of Free State and Northern Cape.

Even though most dam levels in the Western Cape were satisfactory in Q2: 2022, the Department of Water and Sanitation pleaded with Western Cape residents to continue to use water sparingly due to drop in dam levels in Q2: 2022 relative to Q1, as most parts of the Western Cape receive rain in winter.

Dam levels in the Eastern Cape increased by 8.0% in Q2:2022 relative to Q1, to an average of 69% from an average of 64%. Despite the positive impact of the rainfall,

dams on the western side of the province are still below average, with some remaining empty. Dam levels in Kwa-Zulu Natal increased by 7.4% in Q2:2022 relative to Q1, to an average of 92% from an average of 85%. The Department continues to work closely with the provincial government to implement measures to alleviate water scarcity challenges such as the effective roll out of mega water infrastructure projects through the Regional Bulk Infrastructure Grant programme and the Water Services Infrastructure Grant. Residents are urged to use water sparingly and report water leaks and water infrastructure vandalism to local authorities. Dam levels in Limpopo province increased by 1.0% in Q2: 2022 relative to Q1, to an average of 89% from an average 88%. The Polokwane Water Supply System supplying water to Polokwane and surrounding areas slightly improved in Q2 relative to Q1 and several dams within the Limpopo area have slightly increased. Dam levels in Mpumalanga increased by 2.7% in Q2:2022 relative to Q1, to an average of 95% from an average of 93%. The average water levels in the listed dams and in the Olifants and Inkomati-Usuthu water management areas (WMA) improved marginally quarter-on-quarter. Dam levels in North West Province increased by 6.7% in Q2: 2022 relative to Q1, to an average of 80% from an average of 75%, attributed to the downpours that were experienced in the province in Q2: 2022 relative to Q1.

The Department of Water and Sanitation urged water users to be circumspect of the manner they utilise water and to continue with water saving efforts to ensure sustenance of livelihoods and to boost the economy as well as to ensure that water levels of the system carry on being stable.

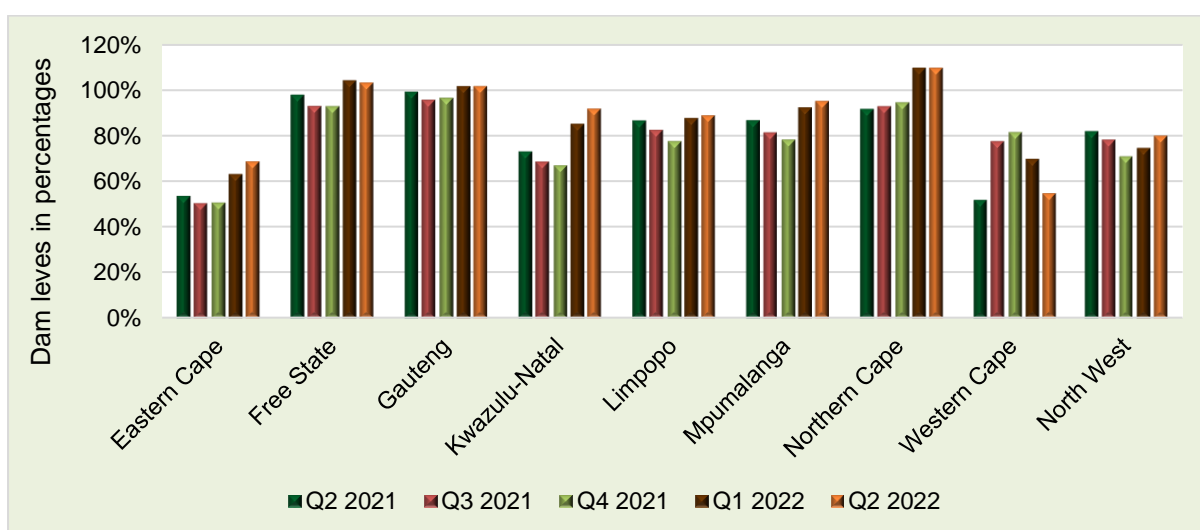


Figure 16: Average dam levels from Q2:2021 to Q2: 2022

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

White maize production is expected to decline by 11.2% in the next coming season, consumption is expected to decline by 0.2%, exports are expected to increase by 0.6% shown on table 1. The yellow maize production is expected to decrease by 7.8% while consumption is expected to decline by 7.8% compared to the 2021 season, while exports are expected to decline by 23%.

**Table 1:** White Maize Production and Demand outlook

White Maize	2014	2015	2016	2017	2018	2019	2020	2021	2022
Opening Stock	943905	2037531	1764659	984293	3659675	2596119	1641965	1 354 953	1465537
Production	7710000	4735000	3408500	9916000	6540000	5545000	7569550	8 600 000	7 637 050
Imports	0	72531	630619	41797	0	0	0	7583	0
Total Supply	8653905	6845062	5803778	10942090	10199675	8141119	9211515	9962536	9102587
Consumption	5936023	4526795	4261956	6502005	6870019	5438928	6496886	7202863	7056388
Exports	680351	553608	557529	780410	733537	1060226	1359676	924 434	930 000
Total Demand	6616374	5080403	4819485	7282415	7603556	6499154	7856562	8496999	7986388
Closing Balance	2037531	1764659	984293	3659675	2596119	1641965	1 354 953	1 465 537	1 116 199

Source: DAFF, NAMC, Sagis

The decline in maize production locally and international expected this year is due to inter-alia; a rise in input costs despite the high maize prices. The supply of fertilizer has declined in the World as a result of a rise in crude oil price an ingredient used in fertilizer production.

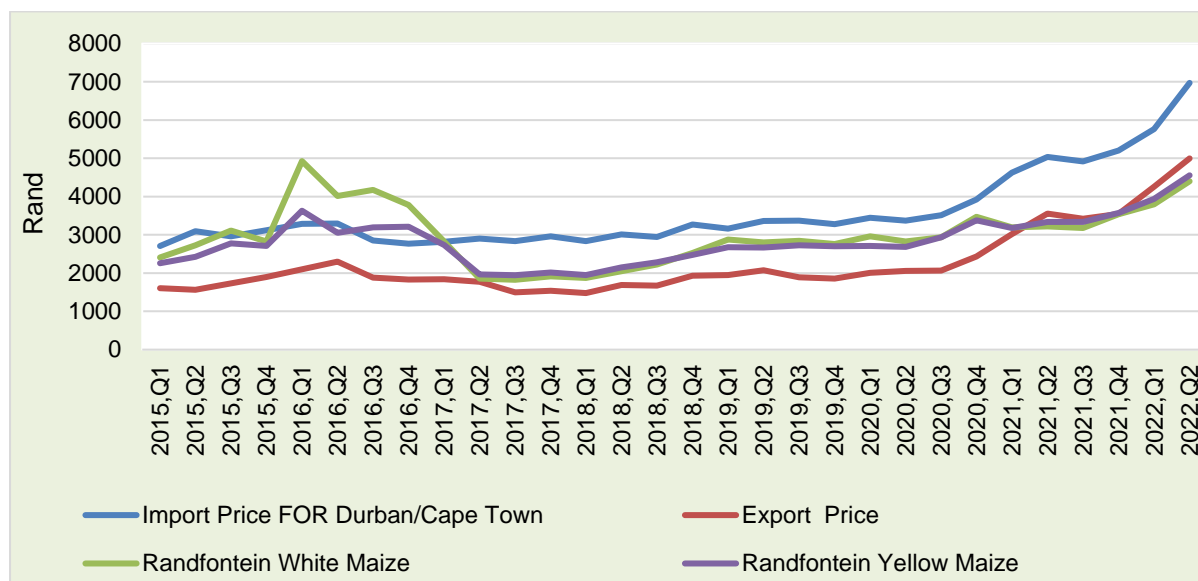
Lack of fertilizer supplies, extreme weather conditions combined with persistent logistical constraints is expected to affect maize production. In Europe where tight natural gas supplies and high prices caused many producers of urea and ammonia to stop operation as affordability issue from both farmers and final consumers has become a concern. Farmers are stalling or waiting out the rise in fertilizer prices hoping for prices to decline.

**Table 2: Yellow Maize Production and Demand outlook**

Yellow Maize	2014	2015	2016	2017	2018	2019	2020	2021	2022
Opemning Stock	678315	1289624	1097224	875351	1847267	1618654	1285087	1128098	892682
Production	6203800	6540000	5220000	4370000	6904000	5970000	5730000	7715000	7114500
Imports	79682	1250059	2014174	256423	50812	598481	32476	0	0
Total Supply	6961797	9079683	8331398	5501774	8802079	8187135	7047563	8843098	8007182
Consumption	4161363	7659117	7026279	2083656	5476723	6395682	4392111	5140807	4647000
Exports	1510810	323342	429768	1570851	1706702	506366	1527354	2809609	2465000
Total Demand	5672173	7982459	7456047	3654507	7183425	6902048	5919465	7950416	7112000
Closing Balance	1289624	1097224	875351	1847267	1618654	1285087	1128098	892682	895182

Source: DAFF, NAMC, Sagis

The maize price as shown on Figure 17 continue their upward trend. The price of maize increased by 36.8% and 36.5% for both white and yellow maize respectively on year-on-year basis(Y/Y). On a quarter-on-quarter(Q/Q) basis prices increased by 15.9% and 15.5%. Both white and yellow maize prices traded below the import price during the quarter. However, the yellow maize price was 3.5% above the export price while yellow maize was 12% below the export price.

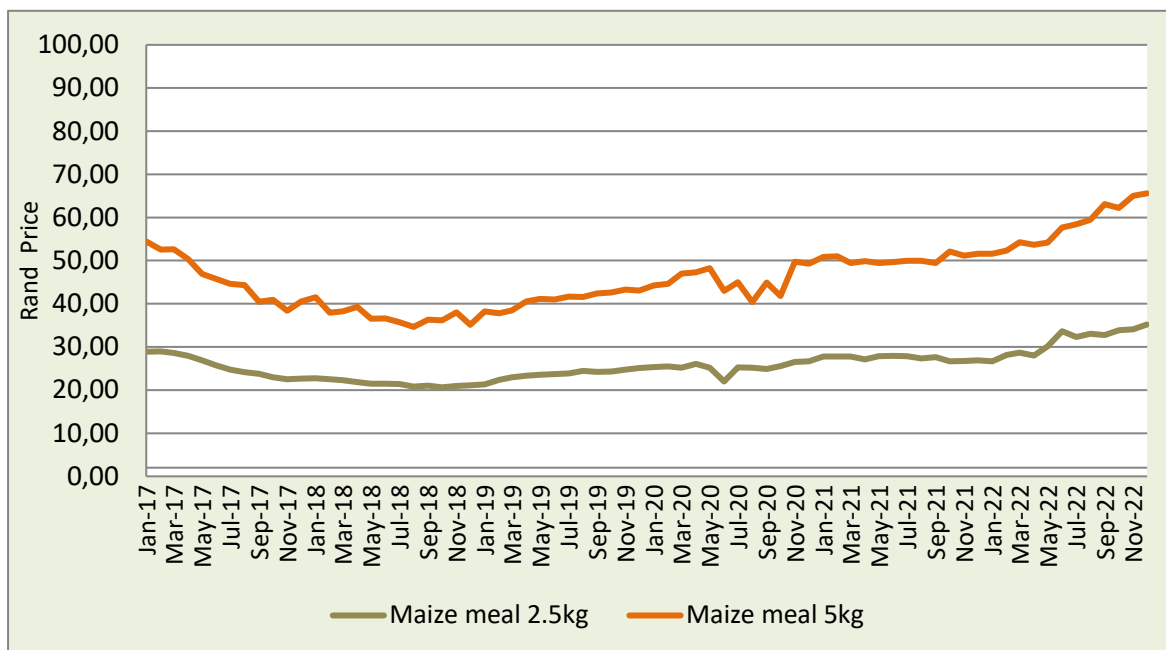


**Figure 17 : Maize prices**

Source: DAFF, Safex, World bank

The retail maize price statistics are no longer available for 1kg Super maize meal and 2.5kg Super maize meal, as new product lines are used since January 2022. New product lines reported will be on the price of 2.5kg and 5kg maize meal, which the graph below show and th

air upward trajectory already since their inception in the 1<sup>st</sup> quarter of 2022.



**Figure 18:** Retail prices vs white maize seed prices  
Source: Safex/Stats SA

### 3.1.2 Wheat

Figure 19 shows the price trends of domestic wheat price and international parity prices for the period 2018: Q2 to 2022: Q2. The SA domestic wheat price traded at R7 655.91/ton in 2022: Q2 by 22.3% lower compared to previous quarter. Wheat import and wheat export parity price traded at R9 114.33/ton and R7 291.41/ton which represent an increase in price by 23.2% and 24.2% respectively in 2022: Q2.

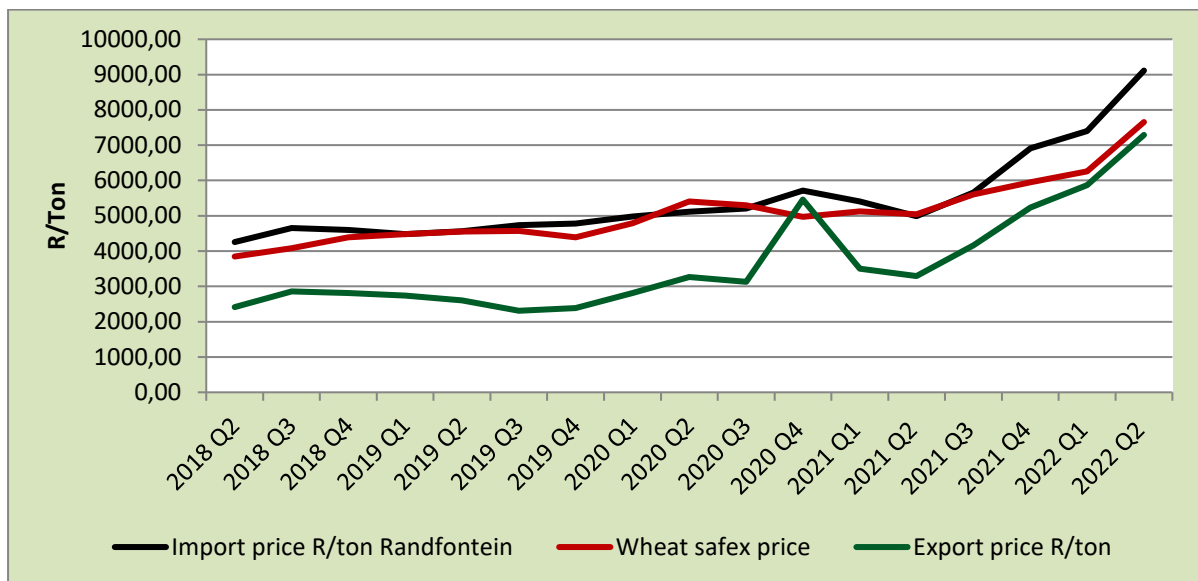


Figure 19: Wheat safex price, export parity price and Import parity price

Source: Sagis/Safex

Figure 20 depicts retail bread prices versus wheat safex price from 2018: Q2 to 2022: Q2. Consumers paid marginally more for wheat by-products in 2022: Q2. The price of selected wheat by-products increased by 6.80%, 6.77%, 6.81% and 5.42% for white bread 700gr, brown bread 700gr, flour cake 2.5kg and flour bread 2.5kg, respectively in 2022: Q2.

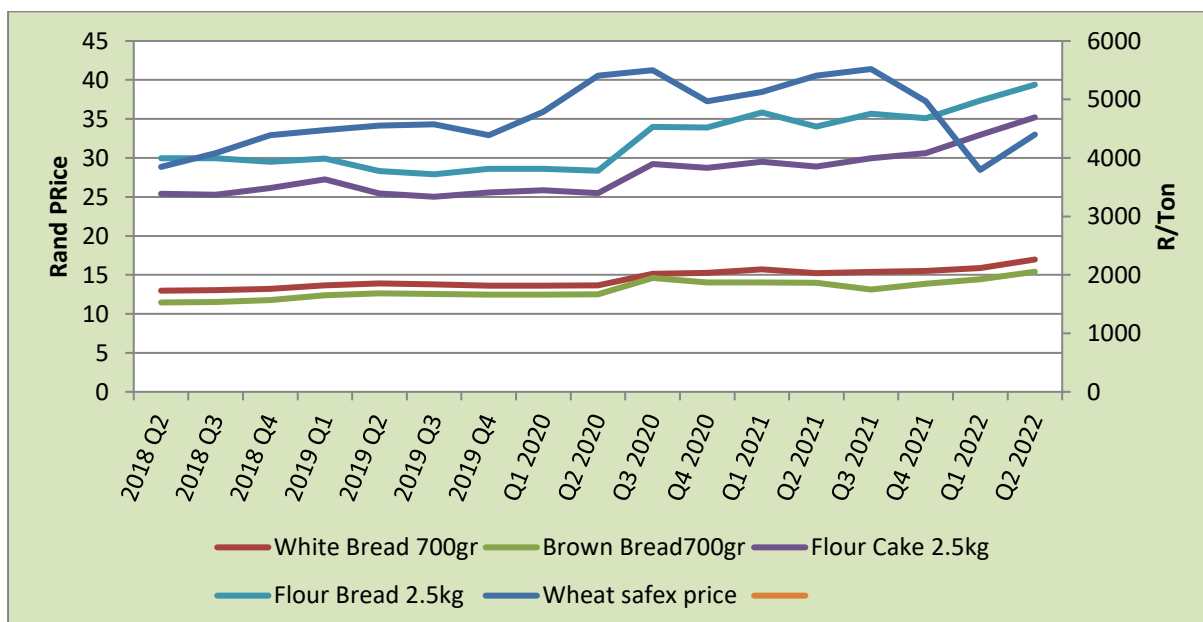
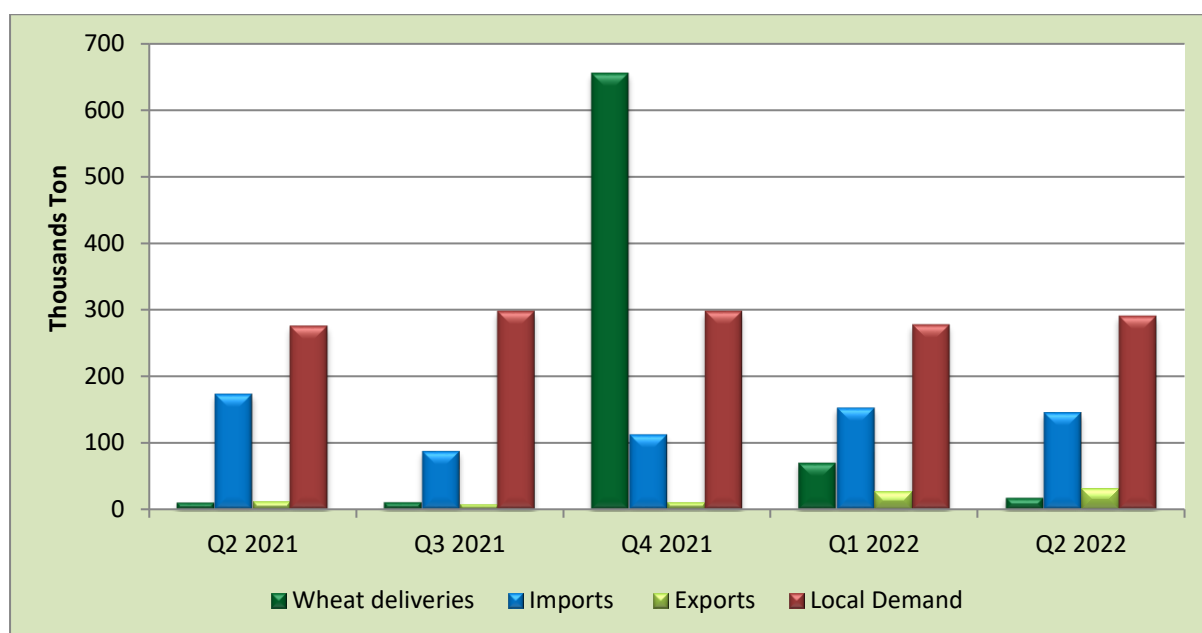


Figure 20: Retail bread price vs wheat import price

Source: Stats SA & Safex

Figure 21 depicts the supply and demand of wheat from 2021: Q2 to 2022: Q2. South Africa's wheat deliveries for 2022: Q2 decreased by 15.8% compared to the same

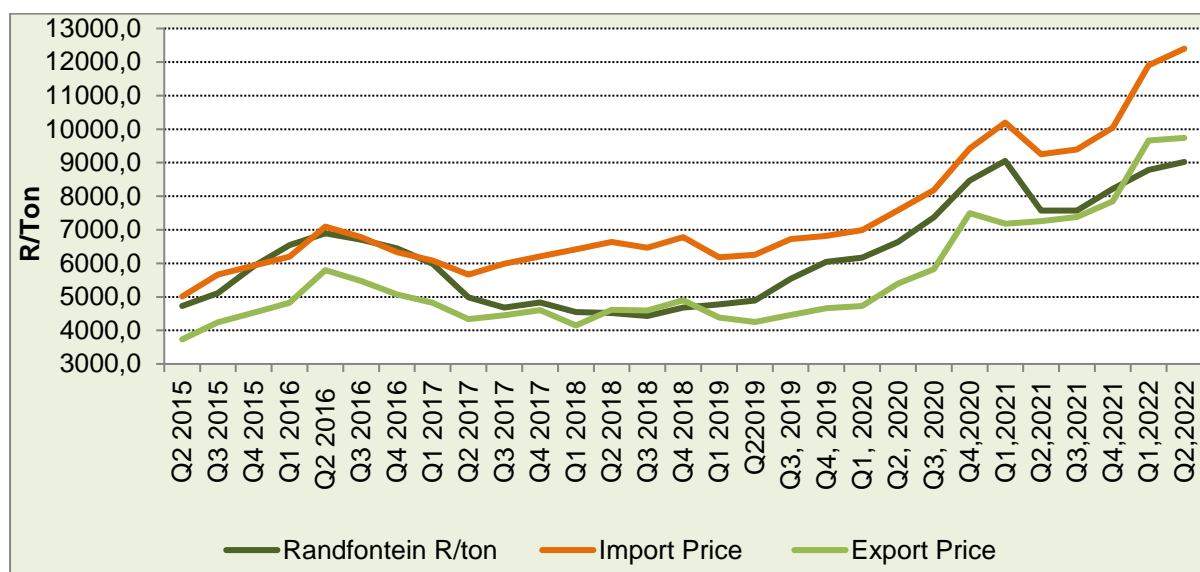
period a year ago in 2021: Q2. Local demand of wheat increased by 4.6%, whilst imports decreased by 4.4% in 2022: Q2 when compared to previous quarter.



**Figure 21:** Wheat deliveries, Imports, Exports and local demand  
 Source: Stats SA & Safex

### 3.1.3 Soya beans

The price of soybeans is 2.7% higher on q/q basis whilst on y/y basis the price was 19% higher as shown on figure 22. The local price was 27% lower than the import price yet still not competitive on the international stage. In addition to the higher inputs costs, soybean prices were higher globally due to inter-alia; weather conditions in Europe and deteriorating yields in the USA as well as the tighter stocks concerns as a result of the heat wave. Local prices tracked the high international prices



**Figure 22** Soya beans local price vs import price

Source: Safex/Sagis/USDA/World Bank

During the 2<sup>nd</sup> quarter soybeans production is expected to be up by 16% compared to the 2021 production season. Exports have been revised up during the second quarter of 2022 for 40 thousand tons to 180 thousand tons. Demand has been revised downwards by 4.2% during the 2<sup>nd</sup> quarter compared to the 1<sup>st</sup> quarter estimation, although demand is still 14% higher than it was on a y/y basis.

**Table 3:** South African Soybeans Production & Use Table

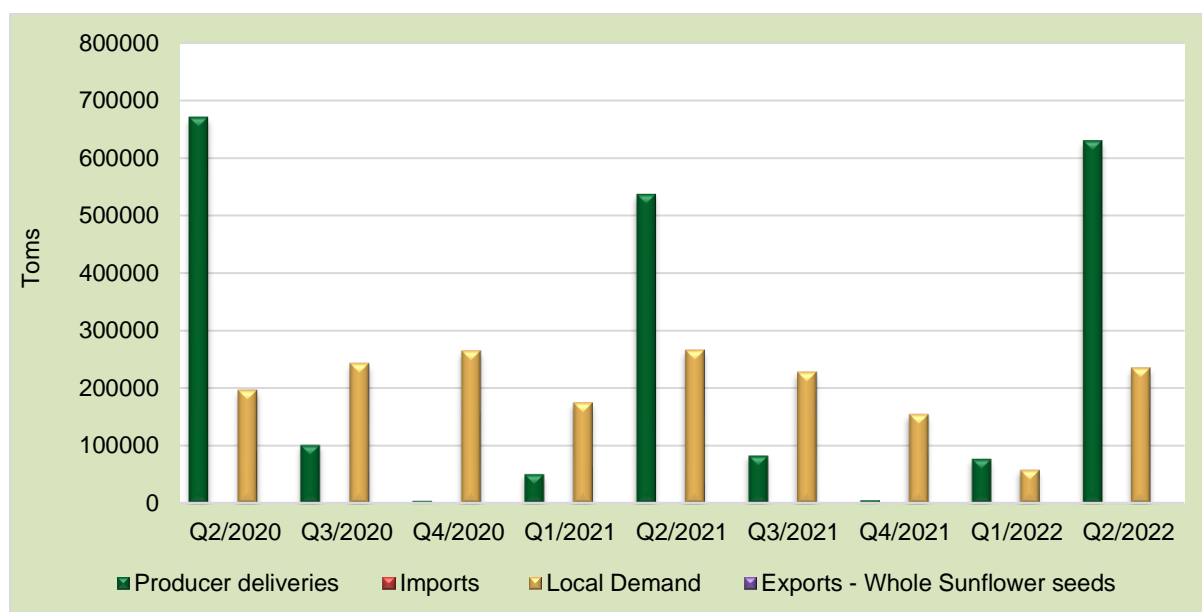
	2014	2015	2016	2017	2018	2019	2020	2021	2022 Forecast
Beginning Stock	61806	63704	89128	84792	330535	502241	138455	46053	168 387
Production	948000	1070000	742000	1316000	1540000	1170345	1 245 500	1 897 000	2 201 000
Imports	103704	124981	271098	28000	6000	9500	116 103	13 448	10 000
Total Supply	1113510	1258685	1102226	1428792	1876535	1682086	1500058	1956501	2 379 387
Local Consumption	1049230	1164880	1010689	1063783	1349294	1539631	1452945	1744496	1784900
Exports	576	4677	6745	414	25000	4000	1 060	42 295	180 000
Total Demand	1049806	1169557	1017434	1098257	1374294	1543631	1 454 005	1 788 114	2 039 900
Closing Stocks	63704	89128	84792	330535	502241	138455	46 053	168 387	339 487

Source: DALRRD and NAMC



### 3.1.4 Sunflower

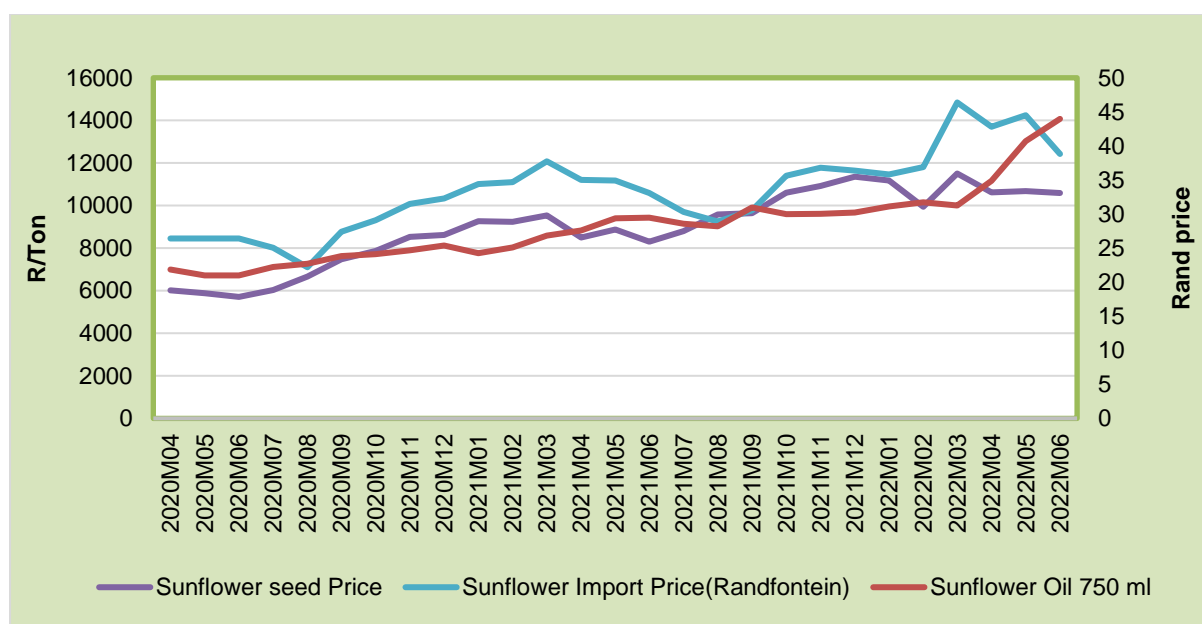
Figure 23 below shows the supply and demand of sunflower seed up to the second quarter of 2022. Producer deliveries in the second quarter of 2022 is expected to be 17.3% higher than it was in the same quarter of 2021 (Q2). South African sunflower seed imports in the second quarter of 2022 is expected to be 286.9% higher than it was in the same quarter of 2021 (Q2) last year. Sunflower seed imports increased by 8782.6% in the second quarter of 2022 as compared to the previous quarter in 2022 (Q1). South African sunflower seed export in the second quarter of 2022 is expected to be 11.5% lower than it was in the same quarter of 2021 (Q2) last year. Sunflower seed exports increased by 305.9% in the second quarter of 2022 when compared to the previous quarter of 2022 (Q1). Local sunflower seed consumption in the second quarter of 2022 was 236.7% higher than it was in the previous quarter of 2022 (Q1). Local consumption in the second quarter of 2022 is expected to be 159.0% higher than it was in the same quarter of 2021 (Q2) last year



**Figure 23:** Sunflower seed deliveries; local demand and trade  
Source: Sagis

Figure 24 During the second quarter of 2022, South Africa sunflower seed prices traded below the import parity price at R10 634.48/ton compared to R13 457.75/ton in the second quarter of 2022, which is a total decrease of 2.2% compared to the previous quarter of 2022 (Q1). The price of sunflower seed has increased by 24.2% during the

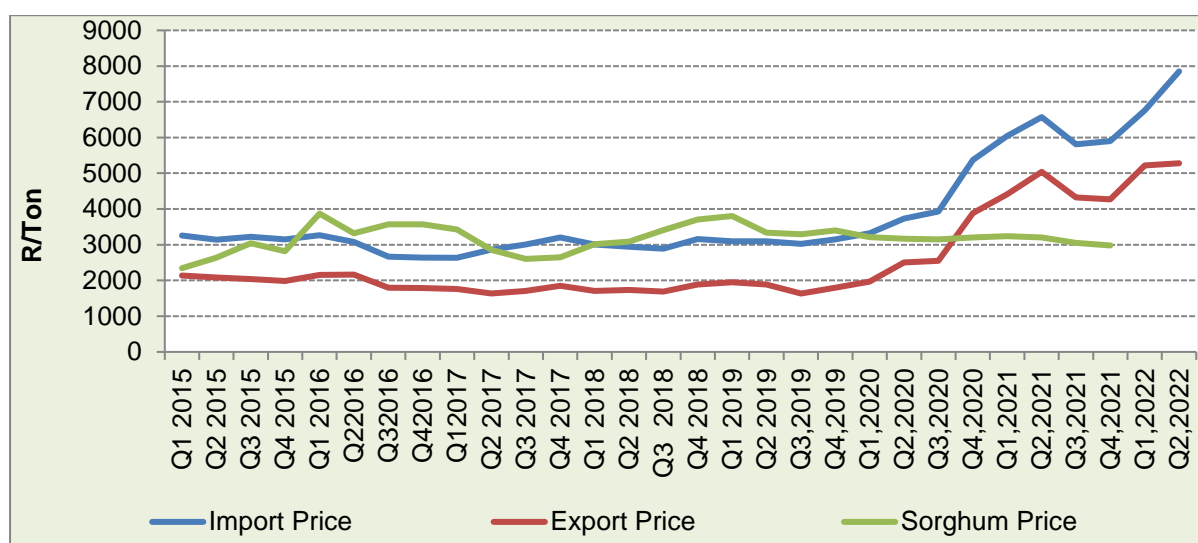
second quarter of 2022 as compared to the same period last year, which is 0.8% lower than it was in the previous quarter of 2022 (Q1). The local sunflower seed price in the second quarter of 2022 traded at 21.0% lower than the import price, compared to trading at 14.4% below the import price in the first quarter of 2022. The prices of sunflower oil 750ml in the second quarter of 2022 traded higher by 38.3%, when as compared to the same period in 2022 (Q2). The price of sunflower oil 750ml in the second quarter of 2022 increased by 27.1%, when compared to the previous quarter (Q1) in the year 2022.



**Figure 24:** Sunflower local seed; import price (Randfontein) and Sunflower retail price  
 Source: Safex; USDA; Sagis; and Own calculations

### 3.1.5 Sorghum

The price of sorghum increased internationally as China increased sorghum imports as a way of diverting from the erratic maize prices. Locally; the local sorghum derivatives have been discontinued due to “continued low levels of trading activity and liquidity in Sorghum derivative contracts locally and the absence of reliable alternative reference prices to enable accurate marking of positions”. JSE Clear has determined it infeasible to support the continued listing, clearing and risk management of Sorghum derivative contracts”.



**Figure 25:** Sorghum Parity Price

Source: Safex, Sagis

Sorghum production forecasted for the second quarter indicates that production is expected to decline by 42%, revised down by 9.9% from the 1<sup>st</sup> quarter 2022 estimates. Imports have been revised down by 60%, while exports have been revised up by 56,3% from their 1<sup>st</sup> quarter forecast. Total demand has been increased by 3.3% from the first quarter estimates although demand is still 3.3% higher than it was in 2021.

**Table 4:** Sorghum Demand & Use Table

	2014	2015	2016	2017	2018	2019	2020	2021 Estimat	2022 Forecast
Opening stock	50069	121812	83142	35238	59246	51860	60 423	51 795	106 157
Production	265000	114700	70500	152000	115000	127000	158000	215 000	123 700
Imports	8725	34316	74957	55824	32500	59253	6546	4 147	2 000
Total Supply	320301	277713	226677	244073	206746	238113	224969	270 942	231857
Local demand	172320	165532	178790	176000	166500	170390	167524	155727	148555
Exports	26169	29039	12649	13800	12345	7300	5650	9 058	10 000
Total Demand	198489	194571	191439	182783	173700	177690	173174	164785	158555
Ending Stock	121812	83142	35238	59246	51860	60423	51795	106 157	73 302

Source: DALRRD/ NAMC/Sagis

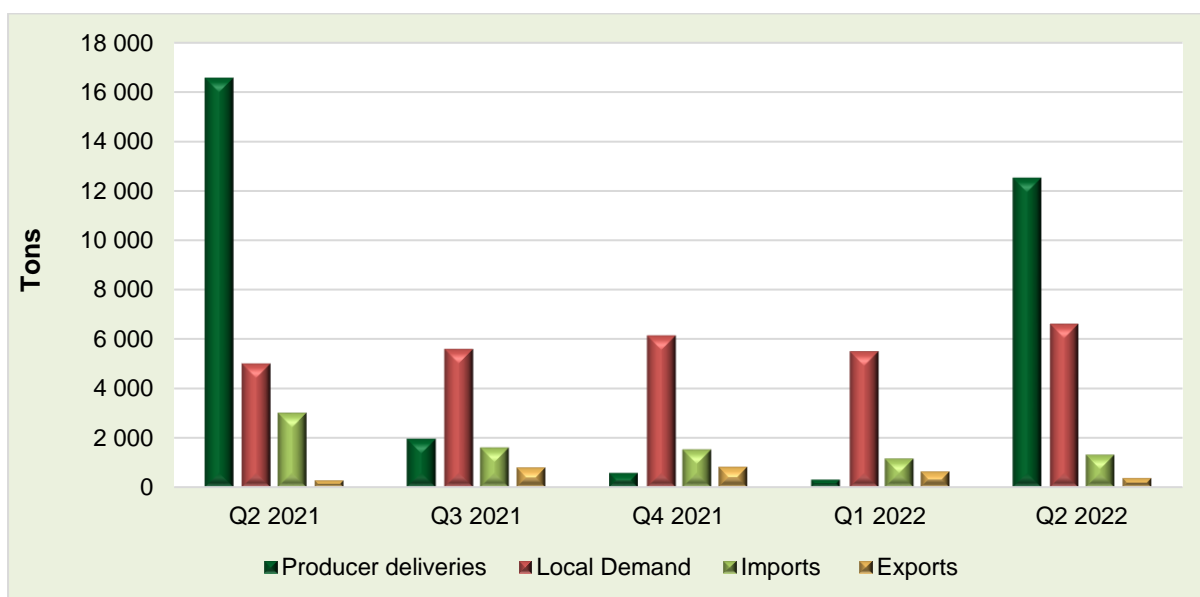
### 3.1.6 Groundnuts

As the 2021/22 summer crop harvest is drawing to a close, the overall groundnut crop for the 2021/22 season appears to be exceptional with reasonably good yields

expected across the country. Weather conditions continue to contribute positively to the growth of the industry.

The National Crop Estimate Committee (CEC), in its fifth production estimate, projected that the final 2021/22 groundnut crop will reach 64 3000 tons. The final 2021/22 crop expected is on the back of increased area plantings and favourable rainfall since the start of the season. This general optimism doesn't mean there aren't challenges facing the industry. Fertiliser prices remained elevated while herbicides showed a similar price trend amid higher input costs and rising interest rates, which are some of the problems farmers have to contend with. Meanwhile, the extreme rains and heat observed in the northern hemisphere summer season could soon become a reality for South Africa too.

Figure 26 shows producer deliveries, local demand of groundnuts as well as imports and exports of groundnuts from Q2: 2021 to Q2: 2022.



**Figure 26:** Producer deliveries, local demand, export and imports of groundnuts

Source: Sagis

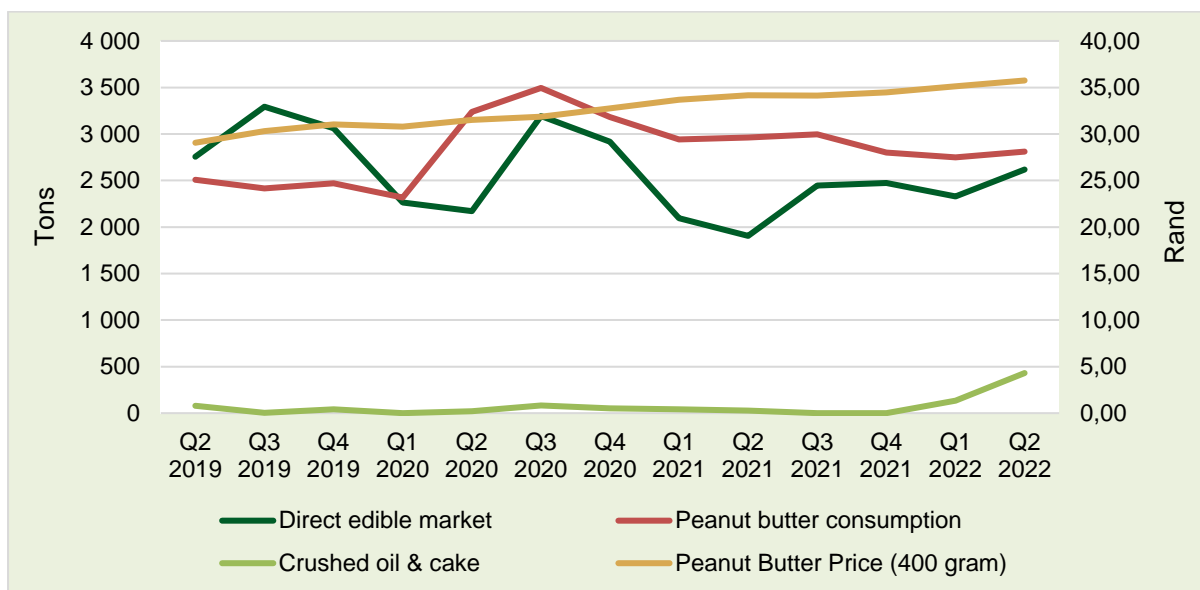
While the weather seems to be in a period of extremes, producer deliveries of groundnuts decreased by 24% in Q2: 2022 to Q2: 2021, to an average of 12 528 tons from an average of 16 558 tons, see figure 29. During the same period, local demand of groundnuts increased by 32% in Q2: 2022 relative to Q2: 2021, to an average of 6

577 tons from an average of 4 981 tons. Demand prospects are still uncertain as the ongoing economic recovery in South Africa is dampened by the persistent load-shedding, higher electricity costs and constrained logistics systems on output.

With better than expected yields, benefiting from the higher rainfall, this year's harvest presents positive export possibilities for groundnut farmers. Exports of groundnuts increased by 34% in Q2: 2022 relative to Q2: 2021, to an average of 368 tons from an average of 274 tons. The increase in the groundnut crop coupled with the weaker domestic currency and a growing demand for South Africa's groundnuts helped boost the groundnuts export market. During the same period, imports of groundnuts decreased by 56% in Q2: 2022 relative to Q2: 2021, to an average of 1 308 tons from an average of 2 979 tons. Favourable weather forecasts suggest that the groundnut crop could be amongst the best in history with large volumes expected than in the previous year.

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. In Q2: 2022, consumption of edible groundnuts increased by 37% relative to Q2: 2021, to an average of 2 618 tons from an average of 1 905 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 5% in Q2: 2022 relative to Q2: 2021, to an average of 2 810 tons from an average of 2 961 tons. Meanwhile, in Q2: 2022, consumption of crushed oil & cake increased significantly relative to Q2: 2021, to an average of 431 tons from an average of 28 tons. Groundnut crushing and groundnut oil production constitute a very small part of the South African market.

During the same period, the average market price of peanut butter (400 gram) increased by 5% in Q2: 2022 relative to Q2: 2021, to an average market price of R35.75/400 gram from an average market price of R 34.15/400 gram. Peanut butter sales will likely benefit from an improvement in domestic demand and robust growth in exports. However, higher living costs, still depressed consumer sentiment, weak labour market and a less supportive interest rate environment remain risk factors.

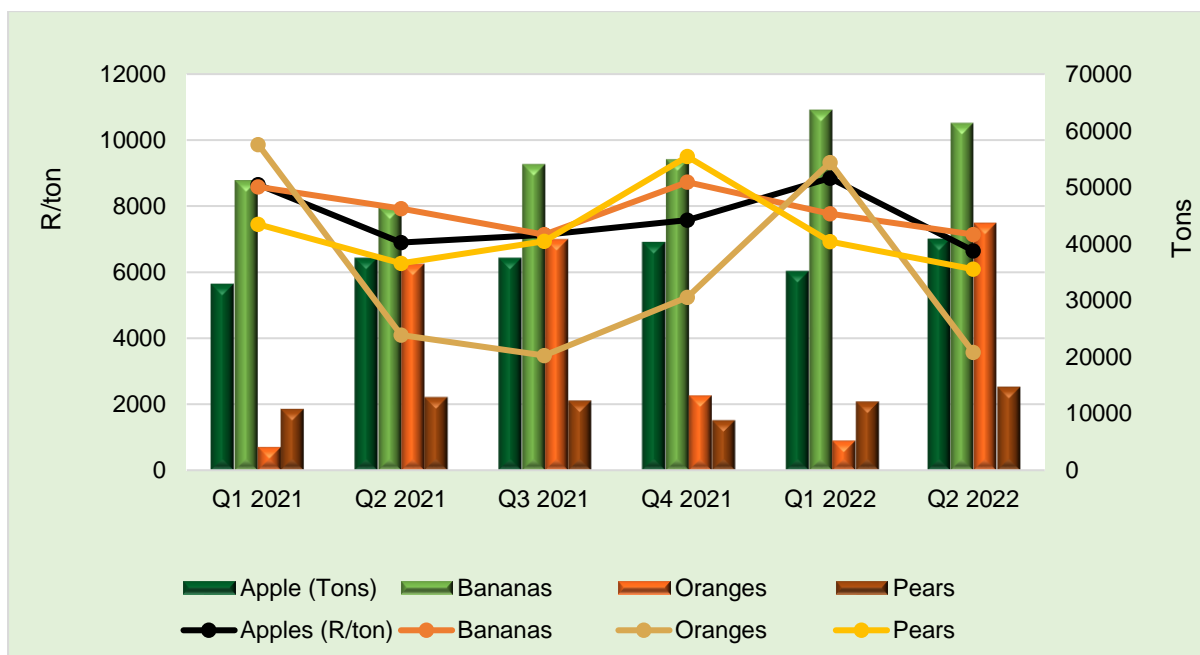


**Figure 27:** Groundnuts consumption

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 Q2: 2021 to Q2: 2022.



**Figure 28:** 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 3.6% in Q2: 2022 relative to Q2: 2021, while quantities supplied increased by 8.8% year-on-year. Domestic supplies of apples grew by 8.8% in Q2: 2022 relative to Q2: 2021 based on the increase in production, demand for healthy food choices by consumers and industry's efforts to reduce the stock from the previous season. Bananas average price decreased by 10.0% in Q2: 2022 relative to Q2: 2021, while quantities supplied increased by 32.1% year-on-year. Banana volumes on the market are triple the volumes of last year, resulting in lower prices than this time a year ago.

The yearly trend in orange prices saw the average price of oranges decrease by 12.7% in Q2: 2022 relative to Q2: 2021, while quantities supplied increased by 19.9% year-on-year. Orange production recovered well as a result of the good, beneficial summer rains. Although the orange season ran late mostly due to rain, growers in the Western Cape notes that the yield is good while production looks good in some growing areas and there is an increase in the area planted with new-plantings coming into full production.

The yearly trend in pear prices saw the average price of pears decrease by 2.8% in Q2: 2022 relative to Q2: 2021, while quantities supplied increased by 14.2% year-on-year. The Langkloof had better yields this year while Forelle rose by 30% compared to last season. There has been strong growth on the Celina (QTee) cultivar while there is still good growth on the South African pear Cheeky. Meanwhile, pear growers in the Western Cape are somewhat concerned about the amount of rain received so far since the rain started late. Fruit growers have been irrigating sometimes during winter, which they would ideally like to avoid given the high electricity costs.

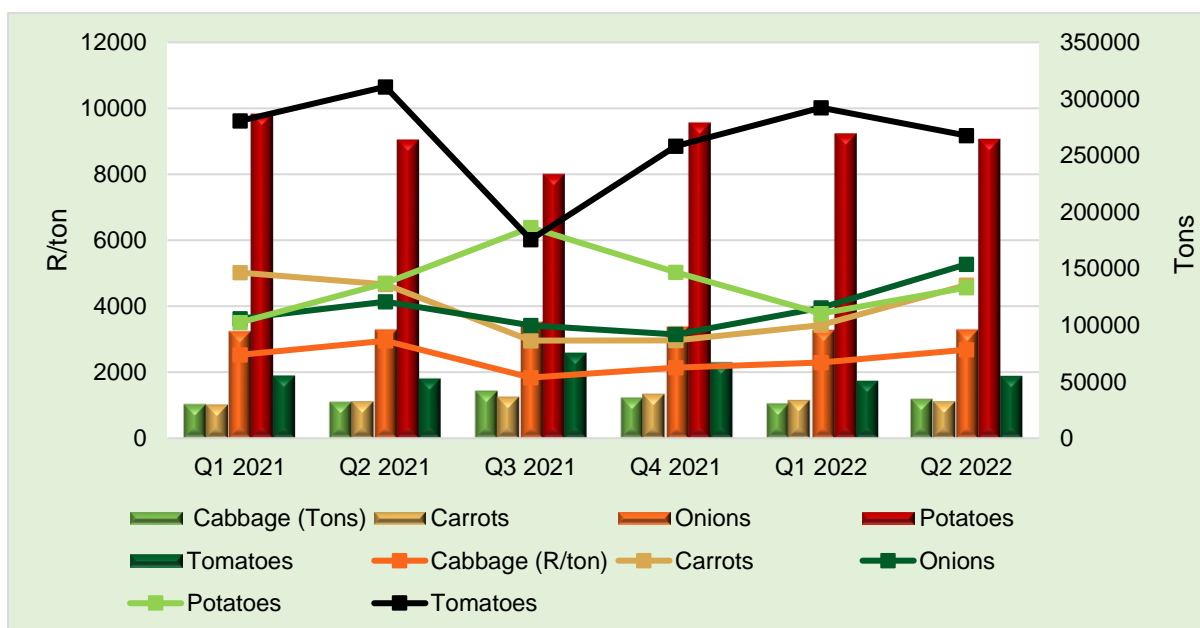
On a quarter-on-quarter basis, the average price of apples decreased by 24.9% in Q2: 2022 relative to Q1 while quantities supplied increased by 16.2% quarter-on-quarter. Favorable weather conditions, new areas under production and higher yielding cultivars are driving the growth in production.

The average price of bananas decreased by 8.1% in Q2: 2022 relative to Q1, while quantities supplied decreased by 3.6% quarter-on-quarter. There has been sufficient banana volumes, very stable volumes in the market and since the region recently

came out of a cold winter, this has led to higher volumes of medium-sized bananas available on the market.

During the same period, the average price of oranges decreased by 61,7% in Q2: 2022 relative to Q1, 2022 while quantities supplied increased significantly quarter-on-quarter. The most serious challenge growers are facing and has the biggest impact on their profit margins is price hikes across a number of inputs as a result of the Covid-19 pandemic and the Russian invasion of Ukraine. Fertilizer prices almost doubled while agrochemicals prices increased on average by 50%. Rising fuel and freight costs have also severely squeezed growers' profit margins.

Meanwhile, the average price of pears decreased by 12.1% in Q2: 2022 relative to Q1 while, quantities supplied increased by 21.9% quarter-on-quarter. The much needed rain and adequate chill units during last winter has ensured that growers have a good fruit set with a good crop and good fruit quality.



**Figure 29:** 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 decreased by 9.0% in Q2: 2022 relative to Q2: 2021, while quantities supplied increased by 8.5% year-on-



year. Consumer demand for cabbage has been average while pricing for bags of cabbage was dependent on size and quality.

The average price of carrots decreased by 0.4% in Q2: 2022 relative to Q2: 2021, while quantities supplied decreased by 0.3% year-on-year. The carrot market demand remained low over the period although quality was reportedly good and much of the produce was sourced locally from areas such as Brits and Rondebult.

The average price of onions increased by 27.5% in Q2: 2022 relative to Q2: 2021, while quantities supplied increased by 0.1% year-on-year. Consumer demand for onions was good with prices slightly higher due to a reduction in volumes.

Meanwhile, the average price of potatoes decreased by 2.9% in Q2: 2022 relative to Q2: 2021 while quantities supplied increased by 0.2% year-on-year. Potato volumes on the Johannesburg market were higher with over 400 000 pockets available while potato prices dropped slightly due to good supply. The average price of tomatoes decreased by 13.9% in Q2: 2022 relative to Q2: 2021 while quantities supplied increased by 4.3% year-on-year. Consumer demand for tomatoes weakened in Q2: 2022 relative to Q2: 2021 while volumes were higher but were affected by the cold winter and more rains experienced in the Limpopo region.

On a quarter-on-quarter basis, the average price of cabbage increased by 16.9% in Q2: 2022 relative to Q1 while quantities supplied increased by 12,6% quarter-on-quarter. The quality of cabbage is reportedly good and continues to be sourced from local areas such as Brits, Delmas and Randfontein. The average price of carrots increased by 35.3% in Q2: 2022 relative to Q1 while quantities supplied decreased by 3.7% quarter-on-quarter. The quality of carrots was reportedly good while consumer demand strengthened amid lower volumes available on the market. The average price of onions increased by 33.2% in Q2: 2022 relative to Q1 while quantities supplied increased by 0.2% quarter-on-quarter. Quality was reportedly good with volumes currently coming from the Northern Cape and Ceres areas. Higher volumes continue to be recorded from the Ceres area.

Meanwhile, the average price of potatoes increased by 20.9% in Q2: 2022 relative to Q1 while quantities supplied decreased by 1,8% quarter-on-quarter. Potato volumes dropped slightly due to the colder weather and Limpopo season starting. The average price of tomatoes decreased by 8.5% in Q2: 2022 relative to Q1 while quantities supplied increased by 8,4% quarter-on-quarter. Consumer demand for tomatoes was weak with the good quality tomatoes being sourced from Limpopo and Southern Lowveld.

### **3.3 Meat industry review**

As illustrated graphically above in figure 30, total beef slaughtering decreased by 6.6% in second quarter of 2022 compared to the same quarter of 2021. The price of beef per kg increased by 16.6% in second quarter of 2022 when compared to the same period in 2021. According to the Bureau for Food and Agricultural Policy (BFAP), report on Perspectives on Agriculture's Performance in Q2 of 2022, it indicates that despite positive revenue gains in the livestock sector, profitability is coming under increasing pressure due to persistent increases in feed costs. These increases have been ongoing over the past 18 months, but have accelerated due to the war in Ukraine and weather related concerns that have delayed summer crop plantings in the USA. Consequently, feed costs are rising further in quarter 2 and hence profits will also come under further pressure, see figure 30.

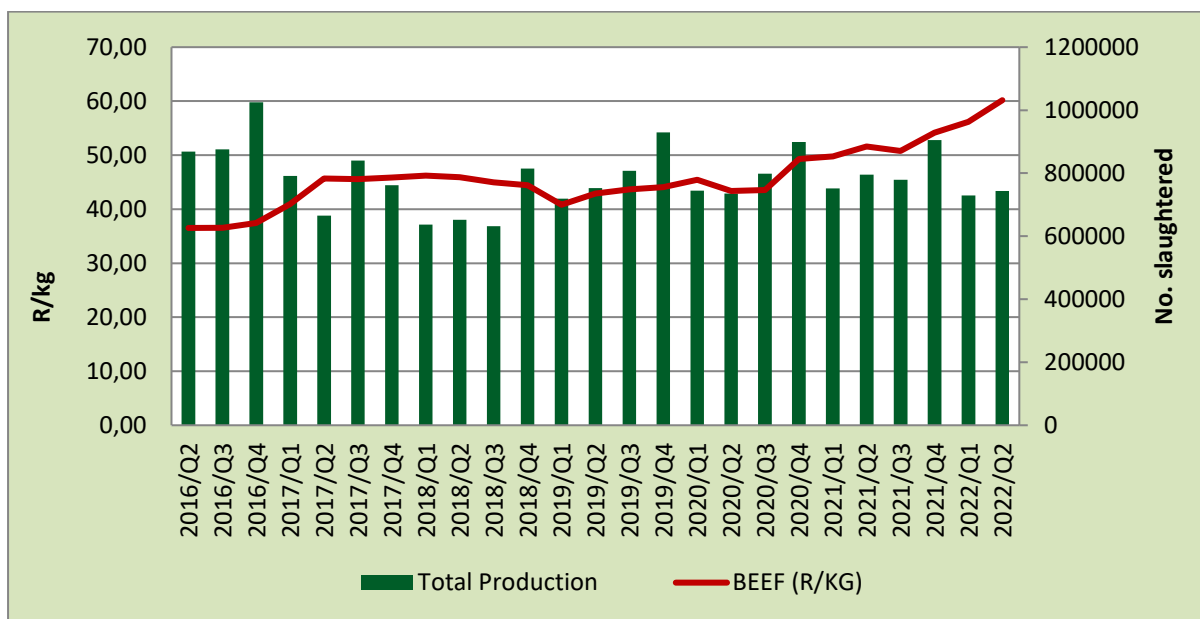


Figure 30: Beef production

Source, DALRRD

### 3.4 Poultry industry review

Poultry production increased by 3.7% basis on a q/q basis, while on a y/y basis production increased by 2.2%. The poultry price per ton increased by 5% on q/q basis while it increased by 13% on y/y basis. The rise in poultry prices is due to high due to high chicken feed, energy and transport costs.

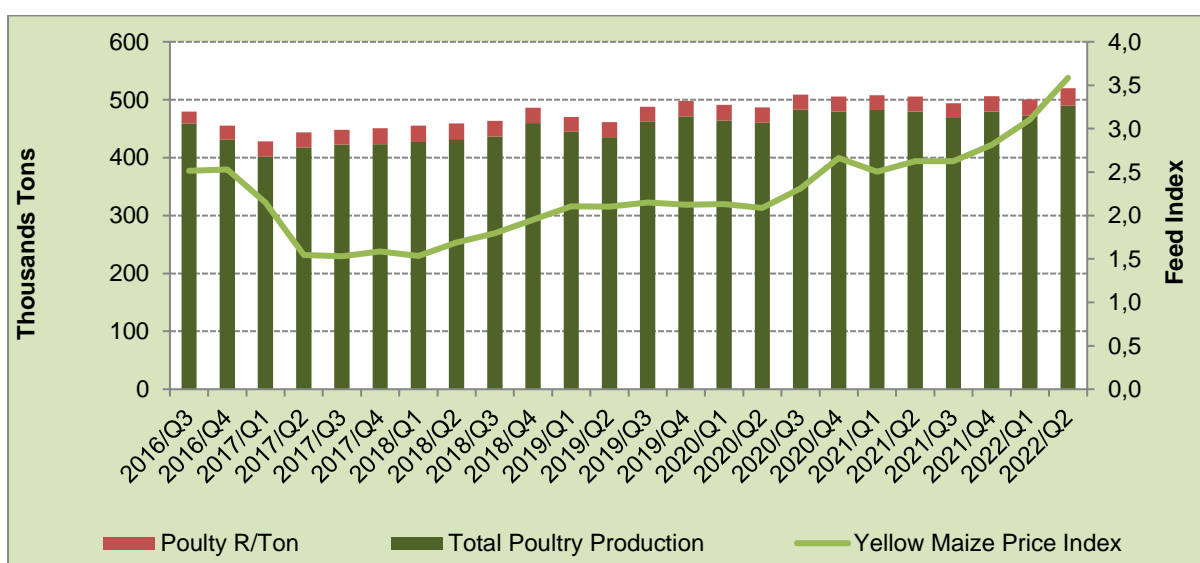


Figure 31: Poultry production and prices

Source: DALRRD

The retail price of a whole chicken per kg decreased by 6.7% on a y/y basis, while fresh chicken portions and frozen chicken portions prices per kg increased by 1% and 14.3% respectively. On year-on-year basis prices increased for fresh chicken portions and frozen chicken portions by 0.9% and 6,7%, while whole fresh chicken decreased by 3.5%.

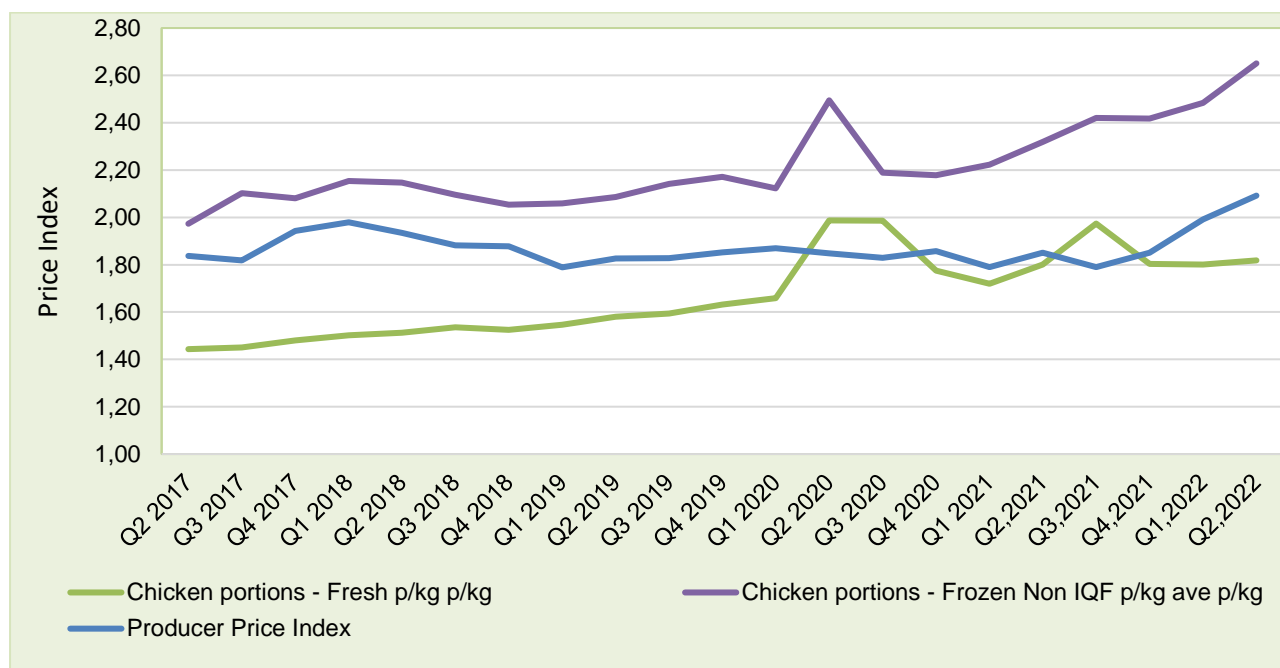


Figure 32: Poultry & Feed Price Indices

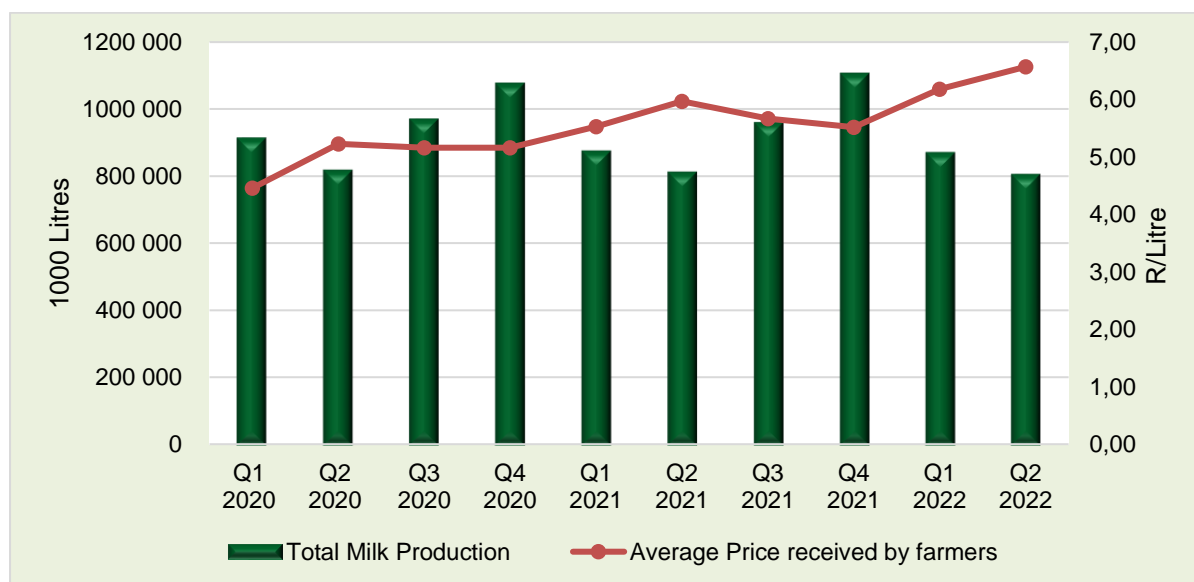
Source: Statistics SA.

### 3.5 Milk industry overview

Total milk production came in 0.9% less in Q2: 2022 relative to Q2: 2021, to 801.5 million litres from 808.6 million litres. The number of milk producers in South Africa decreased from 1 053 in January 2021 to 984 in January 2022. The market is slowly recovering from various factors that were introduced during the Covid-19 pandemic. Meanwhile, the invasion of Ukraine by Russia affected the production of most commodities due to market volatility. There is also concerns over demand prospects amid signs of an economic slowdown, which added to the downward pressure (Milk SA, 2022)

On a quarter-on-quarter basis, total milk production came in 7.5% less in Q2: 2022 relative to Q1 due to subdued or lower retail sales. Aside from the adverse climatic conditions prevailing in parts of the country, the cost-price squeeze farmers experienced, due to high levels of grain prices (yellow maize and soya), deepened the level of negative farm economics (Milk SA, 2022).

Meanwhile, the average producer price per litre of milk increased by 10.1% in Q2: 2022 relative to Q2:2021, to R6,57/ℓ from R5,97/ℓ. The cost of feed meal (yellow maize and soya combination) and related inputs as well as rising energy prices led to an upward pressure on a wide front of commodities and product prices. On a quarter-on-quarter basis, the average producer price per litre of milk increased by 6.3% in Q2: 2022 relative to Q1. Supply disruption as part of the COVID-19 aftermath and the Russia—Ukraine conflict affected supply of inputs to producers while higher interest rates and increased inflation led to an upward pressure on producer prices.



**Figure 33:** Trends in total production and average price of milk

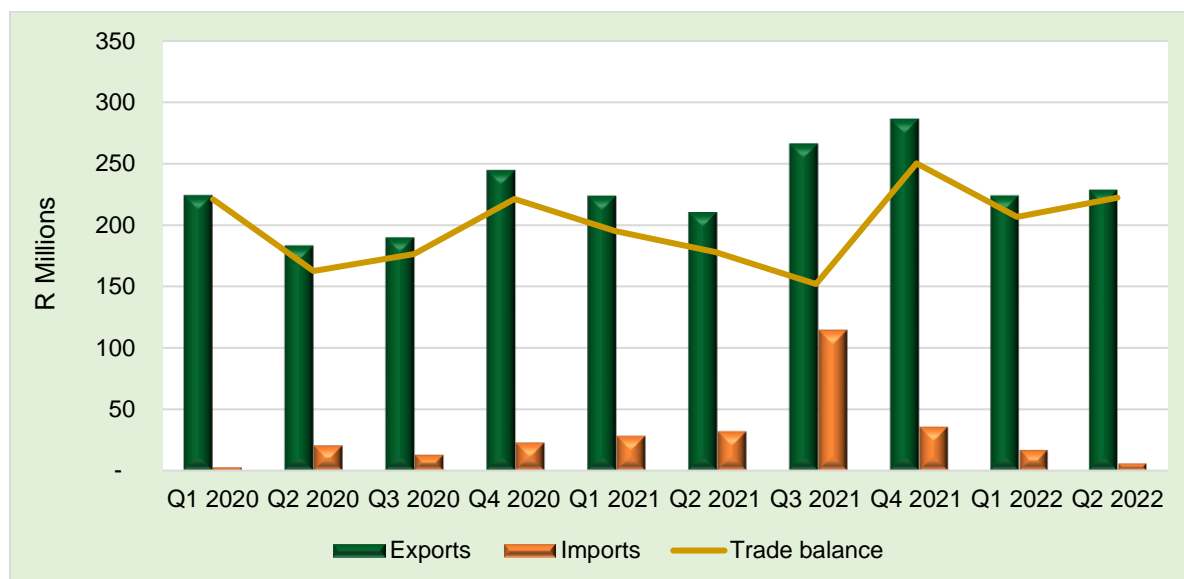
Source: DAFF

Over the period Q1: 2020 to Q2: 2022, South Africa remained a net-exporter of milk and cream (not concentrated nor containing added sugar or other sweetening matter). In Q2: 2022, the trade balance for SA milk and cream (not concentrated nor containing

added sugar or other sweetening matter) increased by 25% relative to Q2: 2022, to R 222,4 million from R 178 million. The recovery of milk supply growth in 2022 relative to 2021 coupled with better-than-expected performance by SA milk producers fundamentally supported the increase in SA's trade balance for SA milk and cream (not concentrated nor containing added sugar or other sweetening matter) in Q2: 2022 relative to Q2: 2021.

The export value of milk and cream (not concentrated nor containing added sugar or other sweetening matter) increased by 8,7% in Q2: 2022 relative to Q2: 2021, to R 228,1 million from R 209,7 million, while the import value decreased by 82,2% during the same period, to R 5,7 million in Q2: 2022 from R 31,8 million in Q2: 2021. The seasonal increase in the production of milk and cream (not concentrated nor containing added sugar or other sweetening matter) might have had an impact on the export value of milk and cream (not concentrated nor containing added sugar or other sweetening matter) in Q2: 2022 relative to Q2:2021. Meanwhile, the recovery of milk supply coupled with uncertainties regarding milk demand and supply chain disruptions might have resulted in a drop in SA's imports of milk and cream (not concentrated nor containing added sugar or other sweetening matter).

On a quarter-on-quarter basis, SA's trade balance for milk and cream (not concentrated nor containing added sugar or other sweetening matter) increased by 7.6% in Q2: 2022 relative to Q1. During the same period, the export value of milk and cream (not concentrated nor containing added sugar or other sweetening matter) increased by 2.1% in Q2: 2022 relative to Q1 while the import value of milk and cream (not concentrated nor containing added sugar or other sweetening matter) decreased by 66.1% 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 2022.



**Figure 34:** Trends in imports and exports of milk and cream, not concentrated nor containing added sweetening

Source: Trademap, 2021

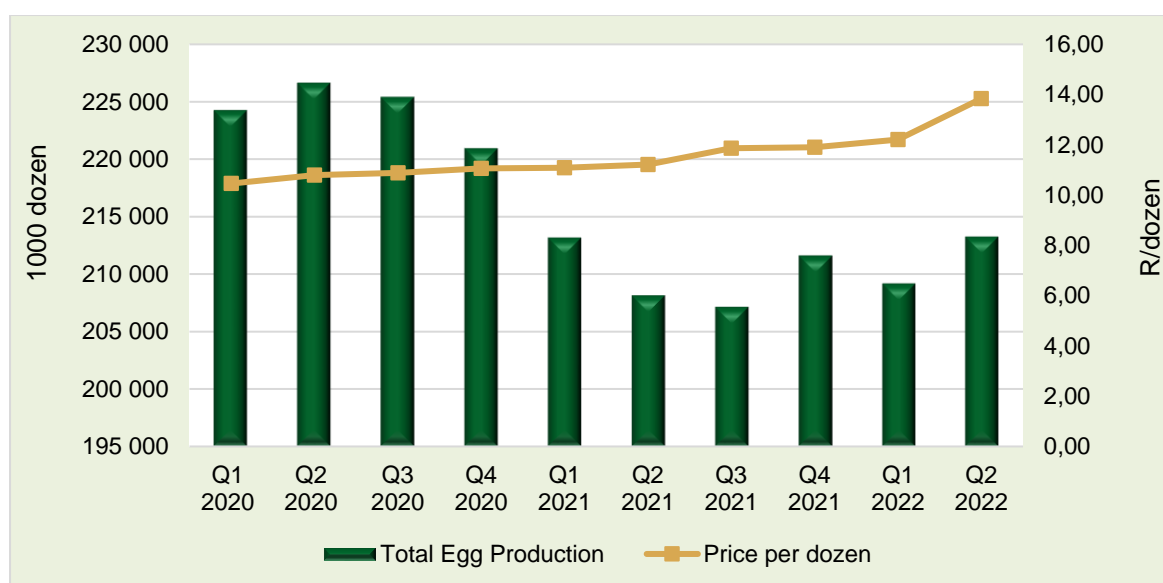
### 3.6 Egg industry review

Although the South African egg industry has been able to meet local demand, supply chain disruptions, a related rise in input costs, avian influenza, the practice of load shedding by Eskom and high fuel prices severely hamper production efficiencies. Water scarcity and poor water sanitation also accentuate the hardships egg producers face.

In Q2: 2022, the total production of eggs totalled 213,2 million dozens, a 2.4% rise in production relative to 208,1 million dozens of eggs produced in Q2: 2021. Despite tough trading conditions, what allows egg producers to barely survive at this moment is due to the comparative advantage the industry has on its production efficiencies (Farmers weekly, 2022). On a quarter-on-quarter basis, the total production of eggs increased by 1.9% in Q2: 2022 relative to Q1. Whilst the local egg industry grapples to recover from pandemic lows, the danger of further outbreaks of the highly pathogenic avian influenza (HPAI) continues to be a threat to global egg production including South Africa.

The average price per dozen of eggs increased by 23.4% in Q2: 2022 relative to Q2: 2021, to R13.84 per dozen from R 11,22 per dozen whereas on a quarter-on-quarter basis, the average price per dozen of eggs increased by 13% in Q2: 2022 relative to Q1. While continued cost pressures continue to affect the industry, egg prices increased sharply in Q2: 2022 relative to Q2: 2021 with eggs being an affordable protein option in times when consumers are under increased pressure.

see Figure 35.



**Figure 35:** Trends in total egg production and average price per dozen eggs.

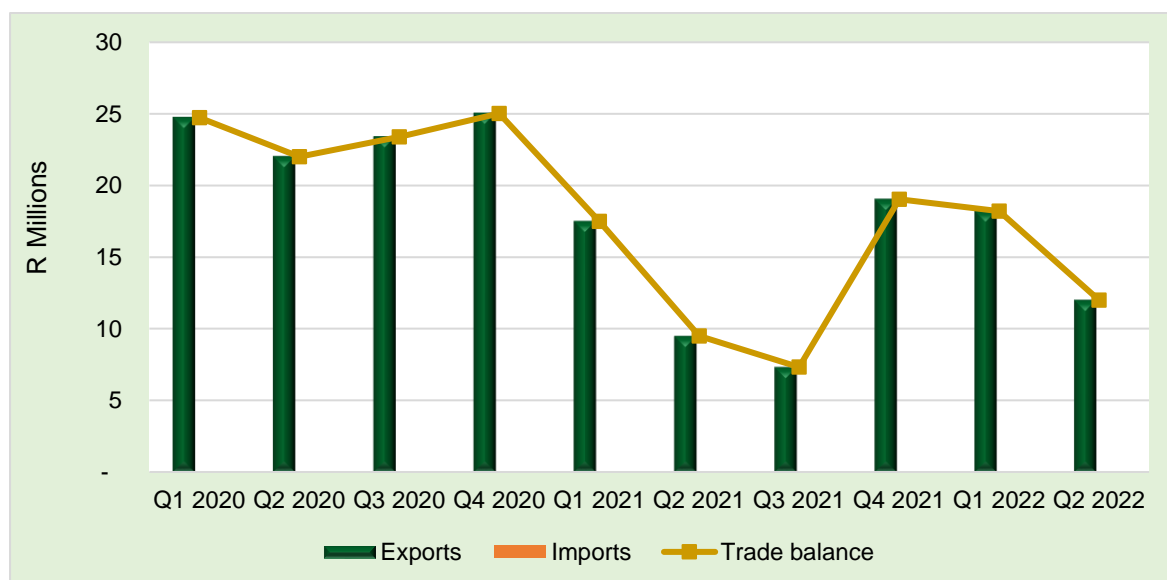
Source: DAFF

While there is uncertainty as a result of the slowdown in the global economy, South Africa remained a net-exporter of bird eggs (in shell, fresh, preserved or cooked), see Figure 2. During the period, South Africa's trade balance for birds' eggs (in shell, preserved or cooked) increased by 26.3% in Q2: 2022 relative to Q2: 2021, to R 11,9 million from R9.5 million. Although the country lost 2.5 million birds since the outbreak of HPAI in April 2021, farmers were able to restock their birds and the egg industry was able to maintain the supply and demand of eggs. (Farmers weekly, 2022).

On a quarter-on-quarter basis, the trade balance for bird eggs (in shell, fresh, preserved or cooked) contracted by 34.2% in Q2: 2022 relative to Q1. The export value of bird eggs (in shell, fresh, preserved or cooked) also contracted by 34.2% in Q2:



2022 relative to Q1. Since South Africa had to maintain the supply and demand of eggs, exports had to be reduced and instead transfer eggs inter-provincially which meant that no egg imports were necessary.



**Figure 36:** Trade balance of birds' eggs, in shell, preserved or cooked

Source: Trademap, 2021

### 3.6 Trade of agricultural, forestry and fisheries

#### 3.7 Trade of agricultural products

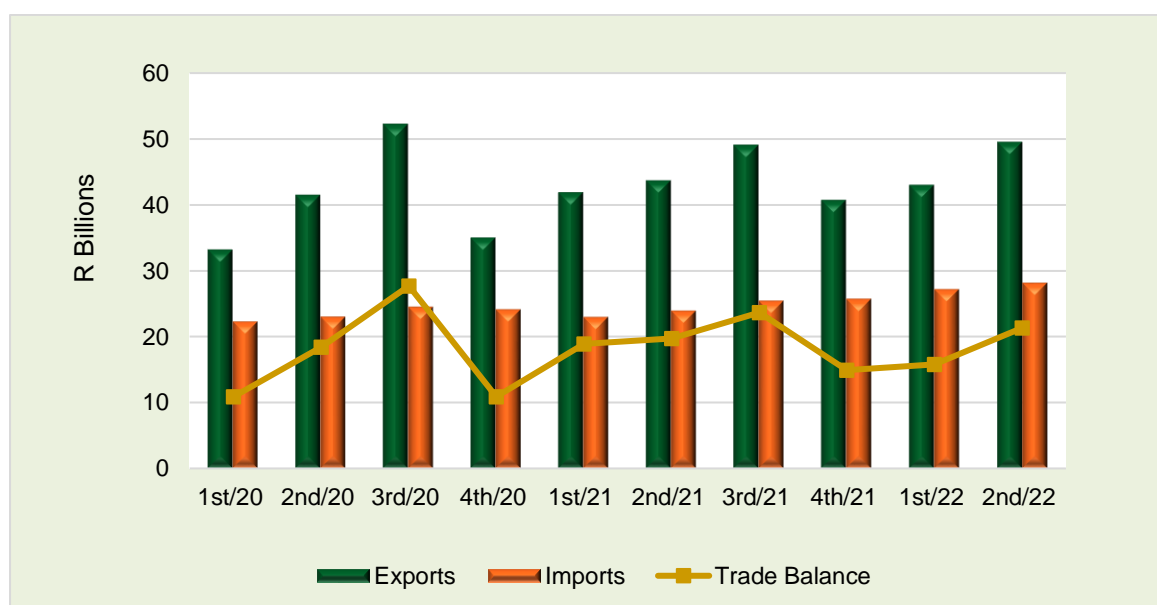
Even though the economy was suppressed by severe floods in KwaZulu-Natal, frequent load-shedding, high input (and transportation) costs and global trade disruptions that affected economic activity in the first quarter and second quarter of 2022, agriculture's trade balance grew by 8% in Q2: 2022 relative to Q2: 2021 amid a fragile recovery, as most economic sectors have not fully recovered. During the period, agriculture's trade balance accelerated to R21,3 billion in Q2: 2022 (up from R19,7 billion in Q2: 2021), while local fundamentals reflect the heightened uncertainty and intense inflationary pressures.

The export value of agricultural products grew by 13.4% in Q2: 2022 relative to Q2: 2021, to R49,5 billion from R 43,7 billion. During the same period, the import value of

agricultural products grew by 17.8% in Q2: 2022 relative to Q2: 2021, to R 28,2 billion from R 23,9 billion. The import value grew much faster than exports compared to a year ago. Nevertheless, both export and import volumes surpassed pre-pandemic Q2: 2019 levels, reflecting the ongoing economic recovery and an improvement in the demand for local agricultural products globally.

On a quarter-on-quarter basis, agriculture’s trade balance grew by 34,9% in Q2: 2022 relative to Q1. Significant factors underpinning the robust growth in agriculture’s trade balance is the sizeable agricultural output in the 2021/22 production season, the general solid global demand and higher agricultural commodity prices particularly for maize, apples, pears, grapes, and sunflower oil that increased significantly in Q1: 2022 boosted domestic food supplies and agricultural export earnings (Agbiz, 2022).

The export value of agricultural products grew by 15.1% in Q2: 2022 relative to Q1:2022 while the import value of agricultural products grew by 3.6% quarter-on-quarter. Domestic economic conditions remain fragile while some of the headwinds that affected economic activity in Q1: 2022 were sustained into Q2. Employment gains and continued moderate growth in the compensation of employees could underpin economic activity in the remaining half of the year (FNB, 2022).



**Figure 37:** Trade balance of agricultural products

Source: Trademap, 2022

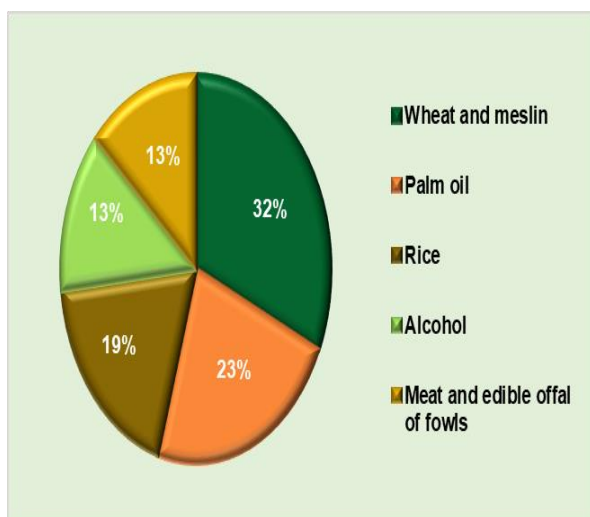
Table 5 indicates that South Africa gained most of its agricultural export revenue from products exported to Netherlands, which was the leading export destination followed by United Kingdom and Botswana. SA's top three suppliers of agricultural products in Q2: 2022 were Australia, Thailand and Argentina.

**Table 5:** SA's top three largest export and import destinations of agricultural products in the 2nd Quarter of 2022.

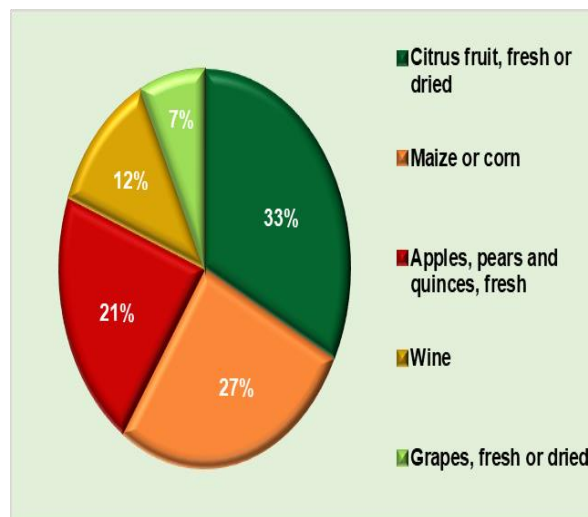
Top three markets of agricultural products exported by SA	Value (Billion Rands) 2 <sup>nd</sup> Quarter 2022	% Share of total agricultural exports in 2 <sup>nd</sup> Quarter 2022	Top three suppliers of agricultural products to SA	Value (Billion Rands) 2 <sup>nd</sup> Quarter 2022	% Share of total agricultural imports in 2 <sup>nd</sup> Quarter 2022
<b>Total</b>	R 49,50	100		R 28,19	100
<b>Netherlands</b>	R 4,86	9.8	Australia	R 1,87	6.6
<b>United Kingdom</b>	R 3,33	6.7	Thailand	R 1,77	6.3
<b>Botswana</b>	R 2,74	5.5	Argentina	R 1,71	6.1

Source: Trademap, 2022

Figure 38 indicates the top five agricultural products imported by SA in Q2: 2022. The top five agricultural products imported by South Africa in Q2: 2022 include wheat and meslin (32%), palm oil (23%), rice (19%), alcohol (13%) as well as meat and edible offal of fowls (13%). These top five products dominated the food import bill in Q2: 2022. Meanwhile, figure 39 indicates the top five primary agricultural products exported by SA in Q2: 2022. The top five agricultural products exported by South Africa in Q2: 2022 include fresh or dried citrus (33%), maize or corn (27%), fresh apples, pears and quinces (21%), wine (12%) as well as fresh or dried grapes (7%). Some of these products are expected to continue to dominate the food export list in the third quarter of the year. Meanwhile, while analysts are modestly optimistic about the ongoing economy recovery, maize or corn, apples and pears and grapes amongst others saw a significant uptick from the first quarter of 2021 which overshadowed the decline in the citrus exports during the second half of 2022. There is still ample agricultural exports ongoing, which should support trade activity in the third and fourth quarter of the year (Agbiz, 2022).



**Figure 38:** Top five agricultural products imported by SA  
Source: Trademap, 2022



**Figure 39:** Top five agricultural products exported by SA  
Source: Trademap, 2022



## 4. CONCLUSION

Global growth would fall by about 0.6% point and 0.9% point in 2022 and 2023, according to IMF. Such low annual growth has occurred only rarely in the past (on only five occasions since 1970 has global growth been lower than 2%). In the short term, the direct effect of higher prices and inflation expectations would raise inflation by about 1% point. Subsequently, lower demand and tighter financial conditions would dominate, mitigating the inflationary impact in 2023 and beyond.

South Africa's gross domestic product (GDP) decreased by 0.7% in the second quarter of 2022. The economy was hit by the highest levels of load shedding on record during the second quarter of the year which took a heavy toll on industries. Higher interest rates and increasing fuel prices also weigh on growth. Industries were also affected by heavy flooding in KwaZulu Natal and parts of the Eastern cape, which killed more than 400 people and wrecked infrastructure in April.

Annual consumer price inflation (CPI) was 5.9% in April, 6.5% in May and up to 7.4 in June 2022 respectively. The CPI average 6.6% in the second quarter of 2022 compared to 5.8% for the first quarter of 2022, while food inflation average 7.7% in the second quarter of 2022 compared to 6.5% in previous quarter. The higher agricultural commodity prices we've observed in the months since Russia invaded Ukraine continue to filter into the food price inflation.

Quarterly Labour Force Survey (QLFS) for quarter 2 of 2022 the official South Africa's unemployment rate edged lower to 33.9% in the second quarter of 2022 from 34.5% in the first quarter of 2022. The total 648 000 more jobs were gained during the April to June period, bringing the total number of employed persons in the country to 15.6 million. With the most gains recorded in community and social services, trade, and finance. Manufacturing, which has performed well in the past, saw 73,000 job losses. The number of people employed in agricultural sector increased from 862 000 in the second quarter of 2021, to 874 000 people in the second quarter of 2022, which represent a 1.4% increase. Agriculture's trade balance grew by 8% in Q2: 2022 relative to Q2: 2021 amid a fragile recovery, as most economic sectors have not fully recovered from the impact of Covid 19.

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