

Quartely Economic Overview

AGRICULTURE SECTOR

Volume 20, Number 3, Third quarter, 2022



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: Q3, 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 (Q3) in the advanced economies of the following countries: Canada, France, Germany, Italy and United States increased by 0.7%, 0.2%, 0.4%, 0.5% and 2.9% respectively, while Japan and United Kingdom decreased by 1.2% and 0.2% respectively, when compared to the third quarter of 2021 (Q3).

In the emerging markets and developing economies, the real GDP growth rates for 2022 (Q3) increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa and Nigeria by 3.6%, 3.9%, 6.3%, 5.72%, 14.2%, 7.6%, 1.6% and 2.25%, respectively, while Russia decreased by 3.7% when compared to the third quarter of 2021 (Q3)

Global grain supply forecast: Global supply projections for 2022 (Q3) of wheat, coarse grains and cotton decreased by 1.5%, 0.8% and 4.1% respectively, while rice milled, oilseeds, oil meals and vegetable oils decreased by 0.1%, 2.7%, 1.4% and 3.8% respectively, when compared to the third quarter of 2021.

South Africa's GDP: South Africa's gross domestic product (GDP) measured by production, rebounded by an annualized and seasonally adjusted rate of 1.6% quarter-on-quarter (q/q) in the third quarter of 2022, after shrinking by 0.7% in the second quarter, which was affected by the KwaZulu-Natal floods. Agriculture expanded by 19.2% q/q and contributed 0.5% to GDP, the standout performance of the agricultural sector was mostly driven by well-rounded economic growth in its three subsectors. The bumper field crop harvests, supported by higher international prices are expected to continue to drive revenue growth.

Inflation: During the third quarter of 2022 CPI average 7.6% compared to 6.6% in the same quarter of 2021, meanwhile food inflation average 11.3% in the third quarter of 2022 compared to 7.7% in previous quarter.

Employment: South Africa's unemployment rate was at 32.9% in the third quarter of 2022, down from 33.9% in the prior period and below market estimates of 33.4%. This

was the lowest jobless rate since Q1 of 2021, as the number of unemployed persons declined by 269 thousand to 7.725 million and employment rose by 204 thousand to 15.765 million. However, the labour force fell by 66 thousand to 23.491 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 Q3: 2022, agriculture's trade balance grew by 32.7% relative to Q3: 2021, despite the sector continuing to struggle with poor roads network and inefficiencies in the rail networks and ports. The export value of agricultural products grew by 27.6% in Q3: 2022 relative to Q3: 2021, to R62,6 billion from R 49,1 billion. Import value of agricultural products grew by 22.8% relative to Q3: 2021, to R 31,2 billion from R 25,4 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 (October 2022), it indicates that Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023 and to 4.1% by 2024.

Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints, while multilateral cooperation is necessary for fast-tracking the green energy transition and preventing fragmentation. The real GDP growth Rates for 2022 (Q3) in the advanced economies of the following countries: Canada, France, Germany, Italy and United States increased by 0.7%, 0.2%, 0.4%, 0.5% and 2.9% respectively, while Japan and United Kingdom decreased by 1.2% and 0.2% respectively, when compared to the third quarter of 2021 (Q3). See figure 1 below. See figure 1 below.

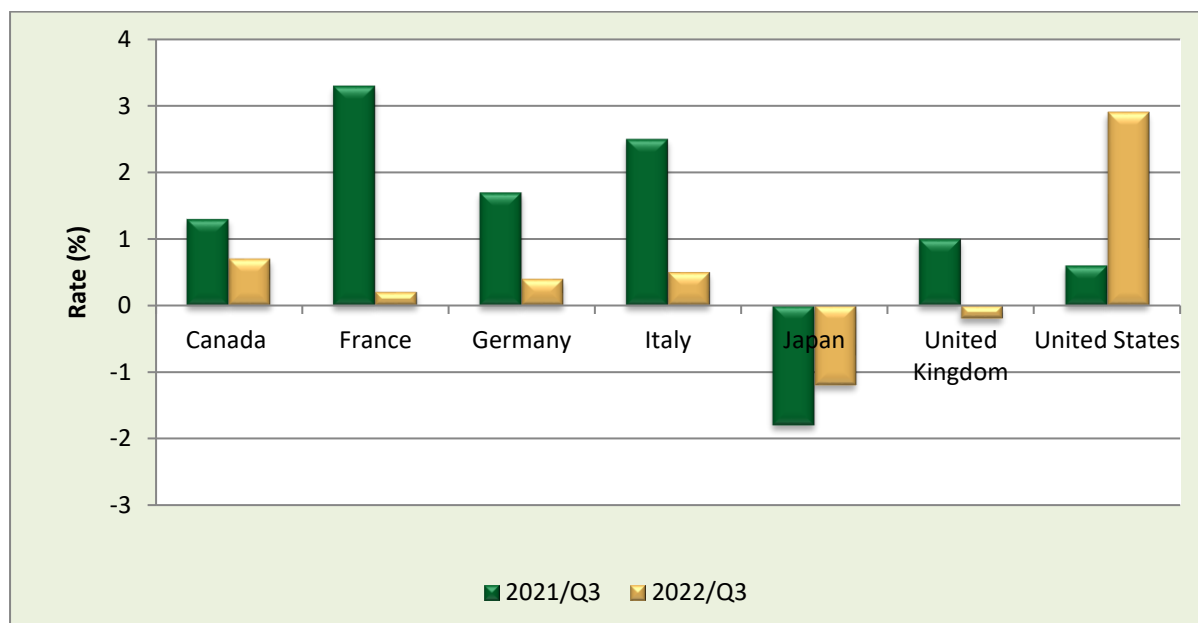


Figure1: Advanced Economies Quarterly GDP Growth Rates
Data Source: Various Sources

Figure 2, Indicate that in the emerging markets and developing economies, the real GDP growth rates for 2022 (Q3) increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa and Nigeria by 3.6%, 3.9%, 6.3%, 5.72%, 14.2%, 7.6%, 1.6% and 2.25%, respectively, while Russia decreased by 3.7% when compared to the third quarter of 2021 (Q3) last year figures.

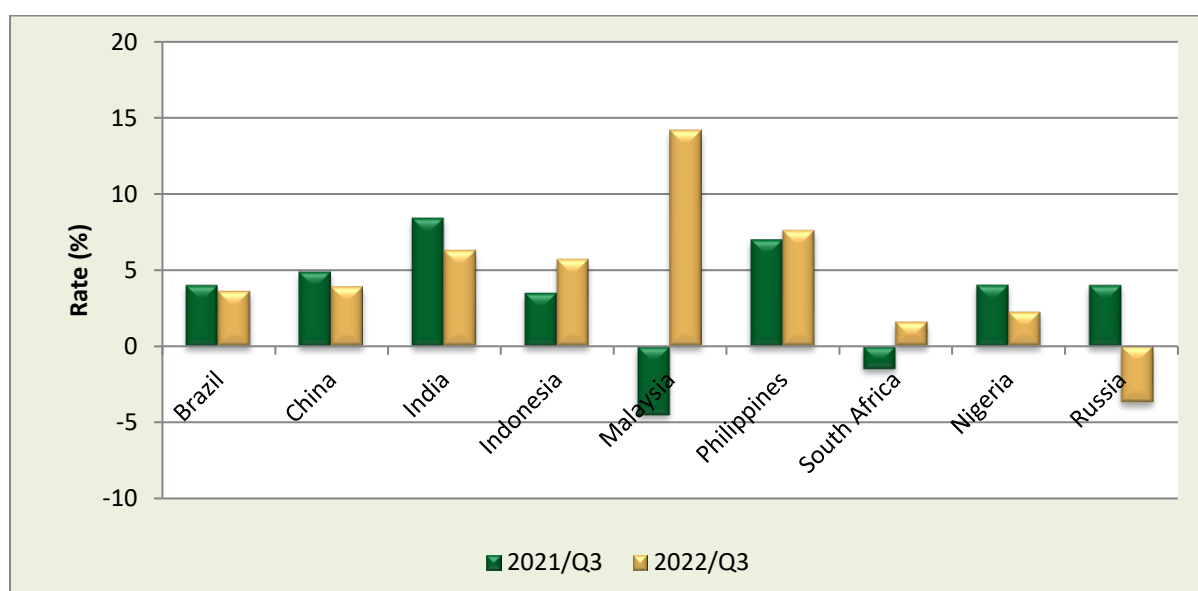


Figure 2: Emerging Markets and Developing Economies Quarterly GDP Growth Rates
Data Source: Various Sources

1.2 Global Grain forecast

The global grain supply forecast indicates a total grain decrease of 0.8%, from 3.565 million metric tons in 2021 (Q3) to 3.537 million metric tons in 2022 (Q3). Global supply projections for 2022 (Q3) of wheat, coarse grains and cotton decreased by 1.5%, 0.8% and 4.1% respectively, while rice milled, oilseeds, oil meals and vegetable oils decreased by 0.1%, 2.7%, 1.4% and 3.8% respectively, when compared to the third quarter of 2021, see figure 3 below.

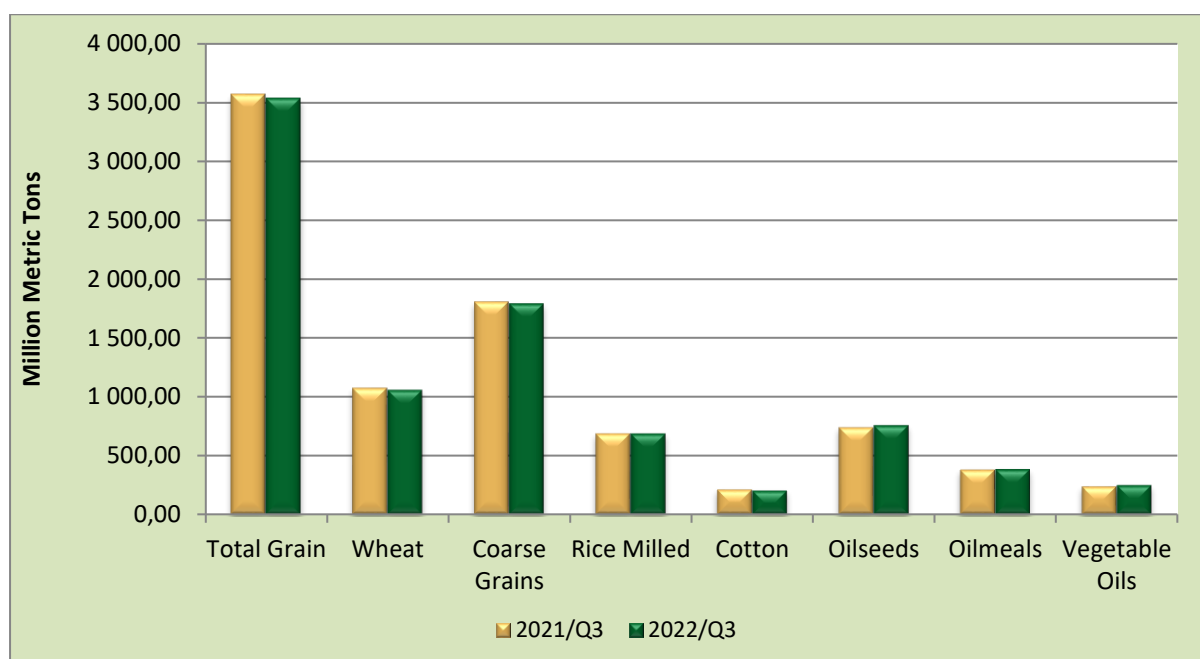


Figure 3: Quarterly global grain supply forecast
Data Source: USDA

1.3 Global Food Prices

Globally in 2022 (Q3) some major countries were paying moderately more by 9.0% on food purchases compared to 2021 (Q3). The following global food products price indices in 2022 (Q3), meat, dairy and cereals indices shows an increase of 8.5%, 23.3% and 13.5% respectively, whilst oil and sugar indices shows a decrease of 1.0% and 5.1% respectively, when compared to (Q3) of 2021, see figure 4.

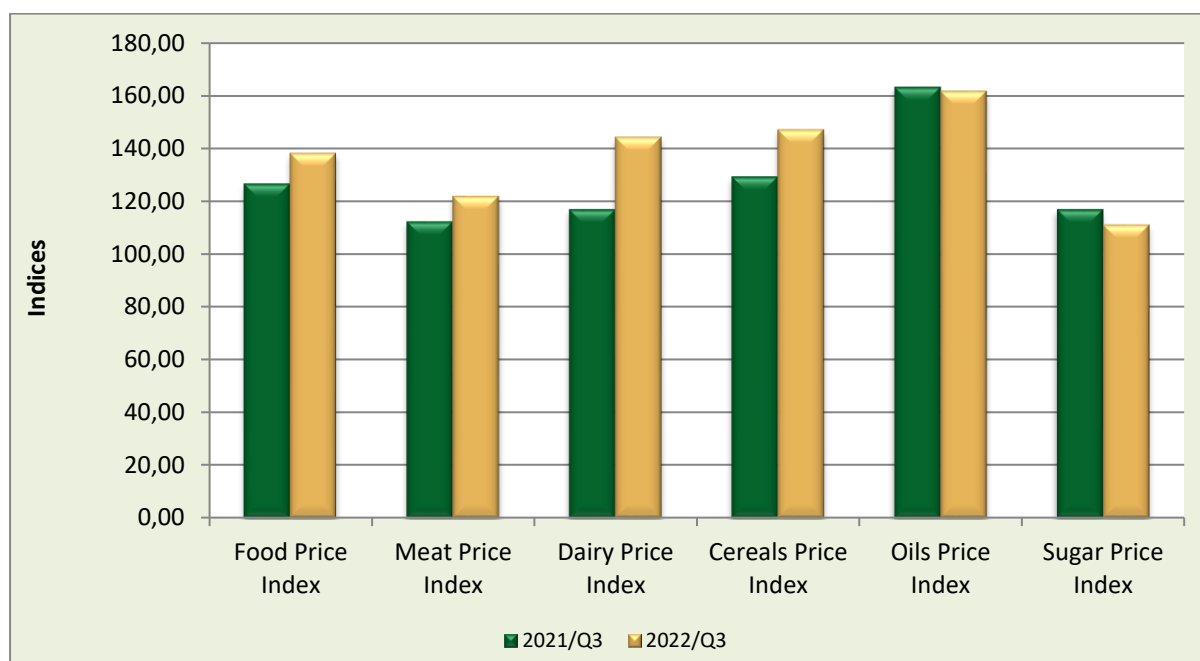


Figure 4: Quarterly global food price indices
Data Source: FAO

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

2.1 Growth

South Africa's real gross domestic product (GDP), measured by production, rebounded by an annualized and seasonally adjusted rate of 1.6% quarter-on-quarter (q/q) in the third quarter of 2022, after shrinking by 0.7% in the second quarter, which was affected by the KwaZulu-Natal floods. Despite record load shedding, as well as rocketing interest rates, food and fuel prices South Africa's economy grew faster than expected in the third quarter of 2022 avoiding a recession. The 1.6% growth rate was much stronger than expected, the median forecast of economists polled by Bloomberg was for growth of 0.4%. The notable real GDP recovery in third quarter of 2022 is largely attributed to the normalization of manufacturing and mining output. According to Statistics South Africa, eight economic sectors recorded positive growth during the same period. Agriculture expanded by 19.2% q/q and contributed 0.5% to GDP, finance firmed by 1.9% q/q also contributed 0.5% to GDP, transport expanded by 3.7% q/q and contributed 0.3% to GDP, and in fourth place was manufacturing which

increased by 1.5% q/q to contribute 0.2% to GDP. With seven of the ten manufacturing divisions reporting growth in the third quarter. Manufacturing of motor vehicles, parts and accessories and other transport equipment division made the largest contribution in the third quarter.

The standout performance of the agricultural sector was mostly driven by well-rounded economic growth in its three subsectors. The bumper field crop harvests, supported by higher international prices are expected to continue to drive revenue growth throughout the 2022/23 marketing year. Nonetheless, the stubbornly high input costs remain an ongoing challenge. Despite the ongoing challenges and setbacks encountered, the South African agricultural sector made a remarkable recovery in third quarter of 2022. The outlook of the agricultural sector can be seen as being fairly optimistic. This comes on the back of favorable weather forecasts, supported by a possible third of La Niña occurrence in the 2022/23 summer crop production season. Furthermore, high commodity prices should continue to incentivize farmers to increase field crop plantings. This is because higher producer prices should assist in offsetting the challenge of higher input costs.

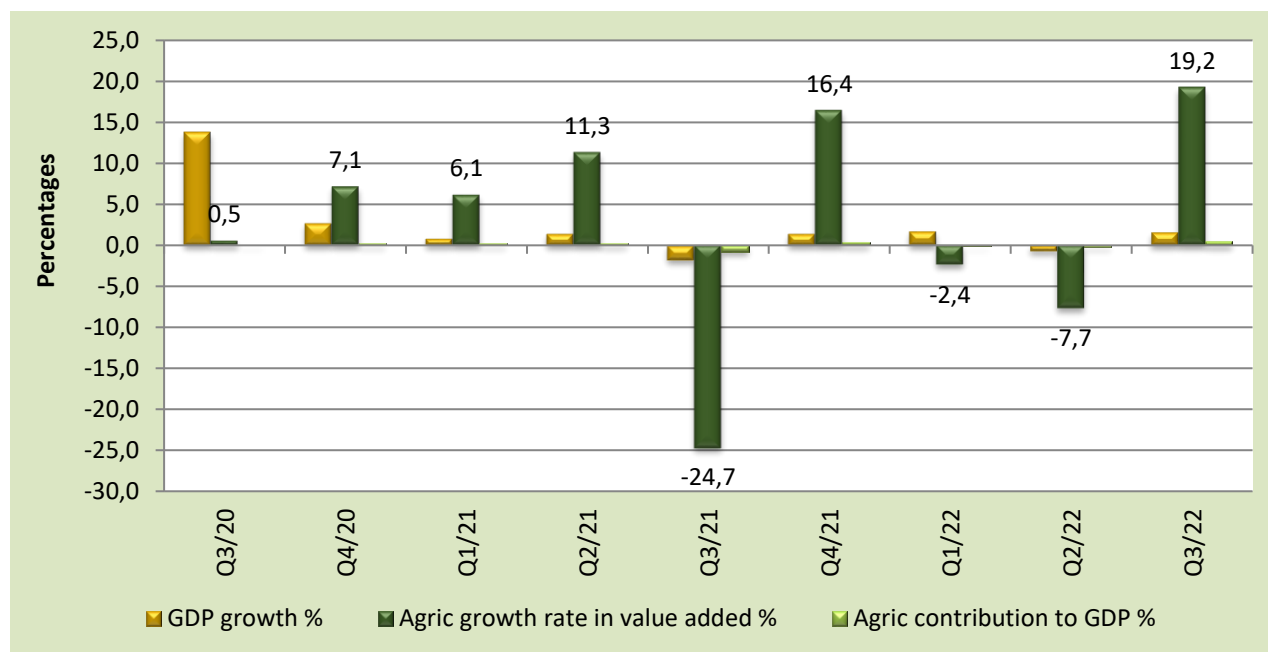


Figure 5: The GDP growth and Agriculture contribution to the GDP growth 2020: Q3 and 2022: Q3

Source: Stats SA

2.2 Inflation

Figure 6 shows that Annual consumer price inflation (CPI) was 7.8% in July, 7.6% in August and up to 7.5 in September 2022 respectively. In the third quarter of 2022, the CPI was outside the Reserve Bank target range of between 3% to 6%. During the third quarter of 2022 CPI average 7.6% compared to 6.6% in the same quarter of 2021, meanwhile food inflation average 11.3% in the third quarter of 2022 compared to 7.7% in previous quarter. The main contributors to the average 7,6% annual inflation rate were food and non-alcoholic beverages, housing and utilities, transport as well as miscellaneous goods and services.

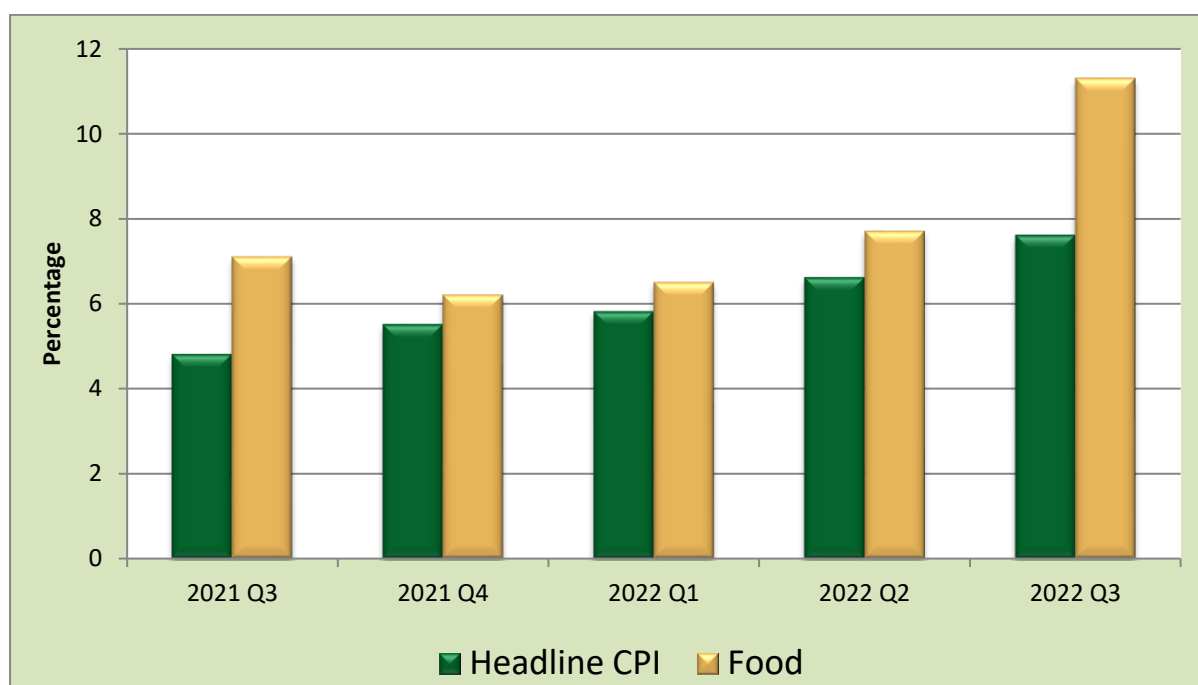


Figure 6: The headline consumer price index and food prices 2021: Q3 and 2022: Q3

Data Source: Stats SA

Figure 7 shows that in the third quarter of 2022 the main contributors to the average quarterly 7,6% inflation rate were food and non-alcoholic beverages increased by 11,0% in the third quarter of 2022 compared to 7.4% in the previous quarter. During the same period oils and fats increased significantly by 34.3%. Bread and cereals also increased by 16.9% in the third quarter of 2022. During the same period meat, vegetables, fish as well as Milk, eggs and cheese increased by 9.5%, 9.4%, 9.3% and 7.6% respectively.

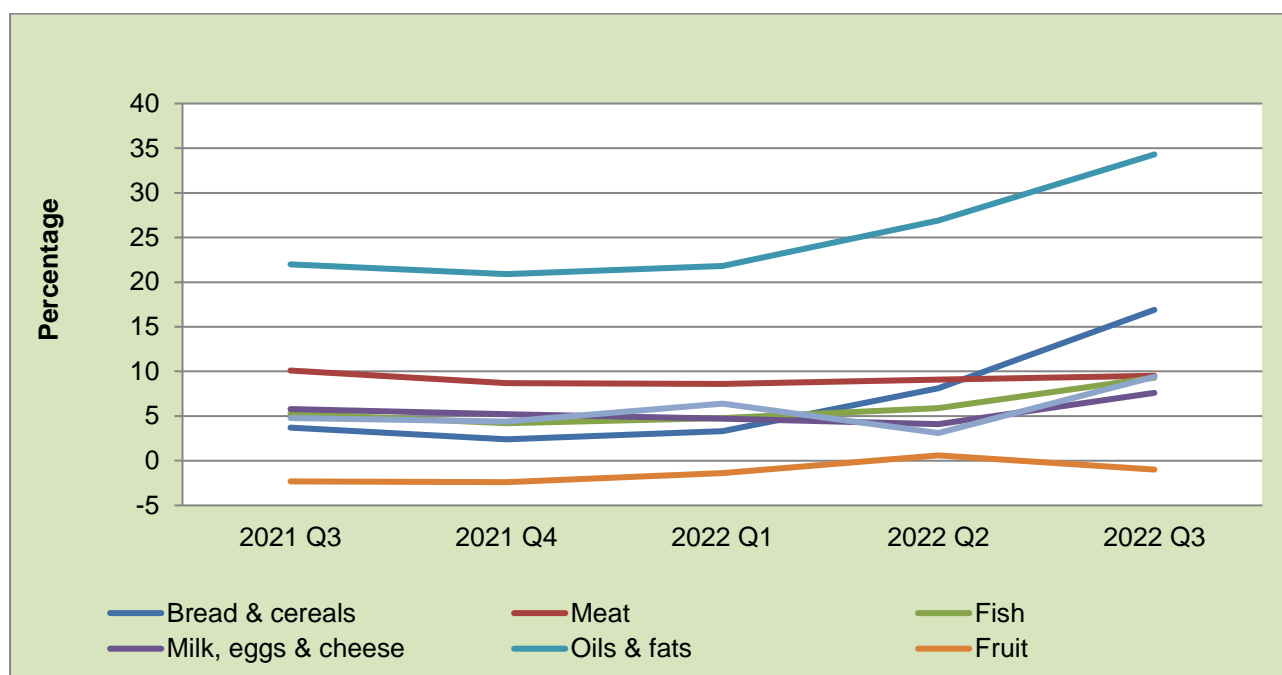


Figure 7: CPI for selected food items

Data Source: Stats SA

2.3 Employment

South Africa's unemployment rate was at 32.9% in the third quarter of 2022, down from 33.9% in the prior period and below market estimates of 33.4%. This was the lowest jobless rate since Q1 of 2021, as the number of unemployed persons declined by 269 thousand to 7.725 million and employment rose by 204 thousand to 15.765 million. However, the labour force fell by 66 thousand to 23.491 million. Among sectors, manufacturing (123 000), trade (82 000), construction (46 000) and transport (33 000) saw the largest job gains, while jobs were cut in finance (80 000), private households (36 000) and mining and agriculture (1000) each. The expanded definition of unemployment, including people who have stopped looking for work, was at 43.1%, down from 44.1% in the second quarter. The youth unemployment rate, measuring jobseekers between 15 and 24 years old, fell further to an over two-year low of 59.6% in the third quarter of 2022, but remains high. Provincially, the number of employed persons increased in six provinces between Q2: 2022 and Q3: 2022.

The largest employment increases were recorded in Gauteng (136,000), Western Cape (85,000), KwaZulu-Natal (57,000) and Mpumalanga (32,000). Employment losses were recorded in Northwest (66,000), Limpopo (55,000) and Free State (9,000)

during the same period. Northwest recorded the biggest quarter-to-quarter change in employment with a decrease of 7.1%.

Figure 8 shows that between the third quarter of 2021 and the third quarter of 2022, the number of employed people increased in seven industries such as utilities, community and services, mining, trade, manufacturing, construction, and agriculture increased by 21.9%, 20.6%, 18.2%, 16.8%, 16.3%, 5.7% and 5.2% respectively. Meanwhile the number of employed people decreased in three industries such as private household, transport and finance which decreased by 3.7%, 2.6% and 0.2% respectively.

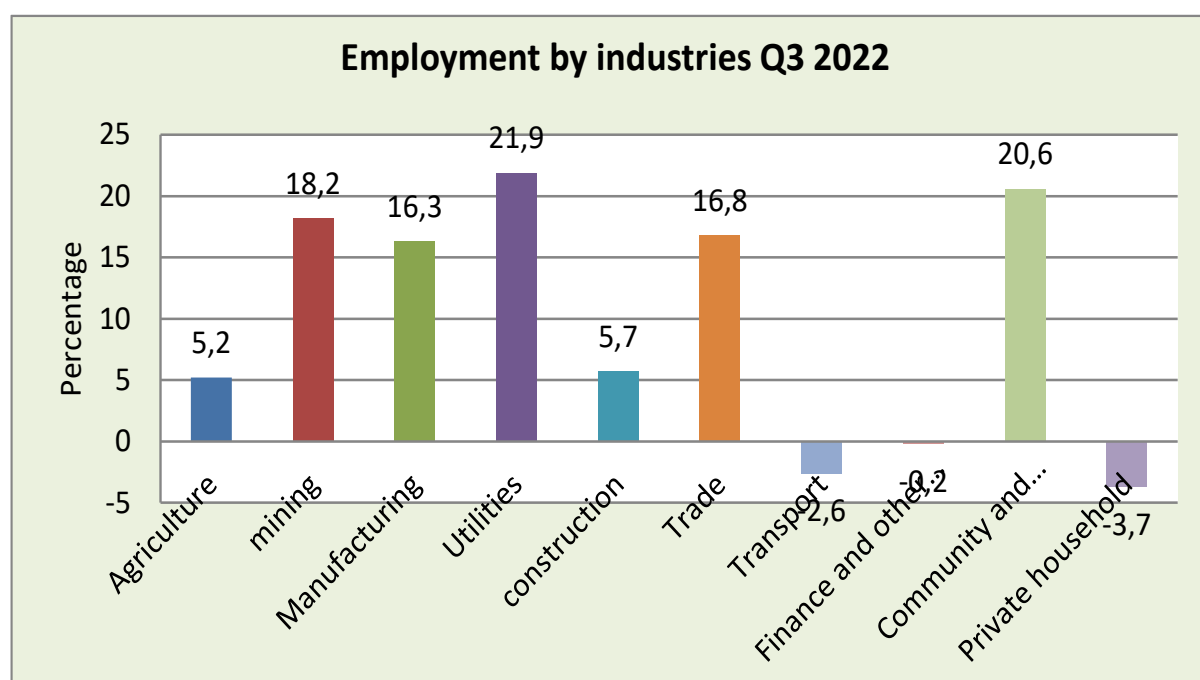


Figure 8: Total number of people employed by industries between 2021: Q3 and 2022: Q3
Source: Stats SA

Figure 9 illustrate that the number of people employed in agricultural sector increased from 829 000 in the third quarter of 2021, to 873 000 people in the same quarter of 2022, which represent a 5.2% increase. Off the 43 000 jobs created, 42 000 jobs were created for women and 1 000 were created for men between the two quarters. During the same period in total, the agricultural sector has 592 000 men and 280 000 women compared to 591 000 men and 238 000 women. However, on quarter-to-quarter basis,

the number of people employed in agriculture sector decreased by 0.1%, from 874 000 to 873 000.

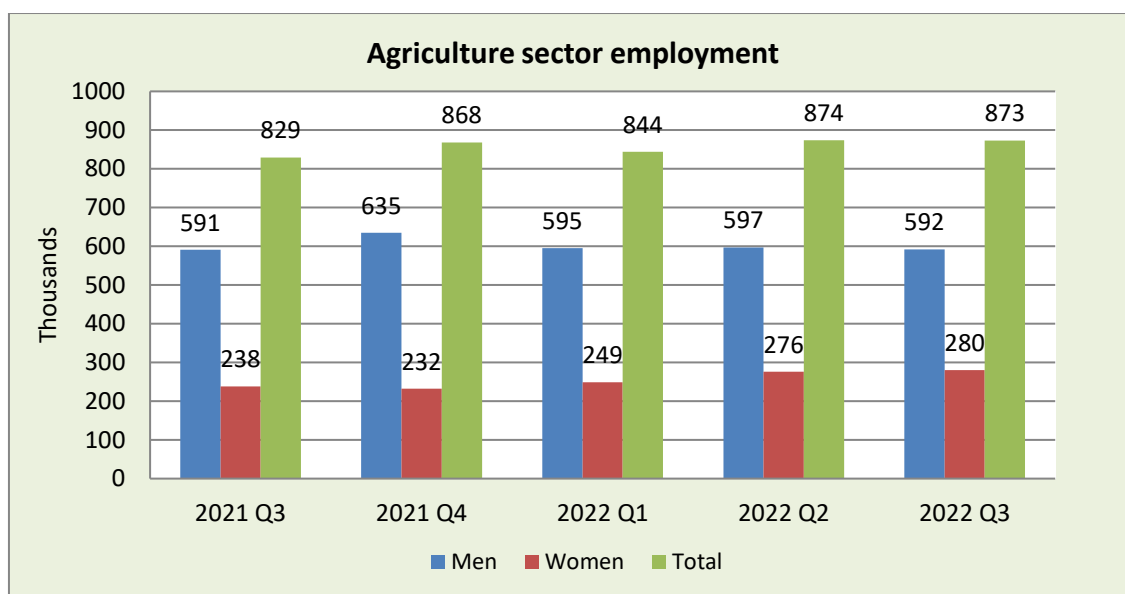


Figure 9: Total number of people employed in the agriculture sector between 2021: Q3 and 2022: Q3: Source: Stats SA

Figure 10 shows that between the third quarter of 2021 and the same quarter of 2022, provincial agriculture employment increased in eight provinces with Gauteng (34.4%), Free State (28.6%), Eastern Cape (9.7%), Northern Cape (6.0%), Limpopo (5.4%) KwaZulu-Natal (4.7%), Western Cape (2.8) and Mpumalanga (0.4%). While provincial agriculture employment decreased significantly in Northwest (34.5%). During the same period (QLFS) publication, also indicate that 2.2 million people were involved in subsistence farming compared to 2.3 million people, a decrease of 4.7%. KwaZulu-Natal, Eastern Cape, and Limpopo had the highest number of people involved in subsistence farming.

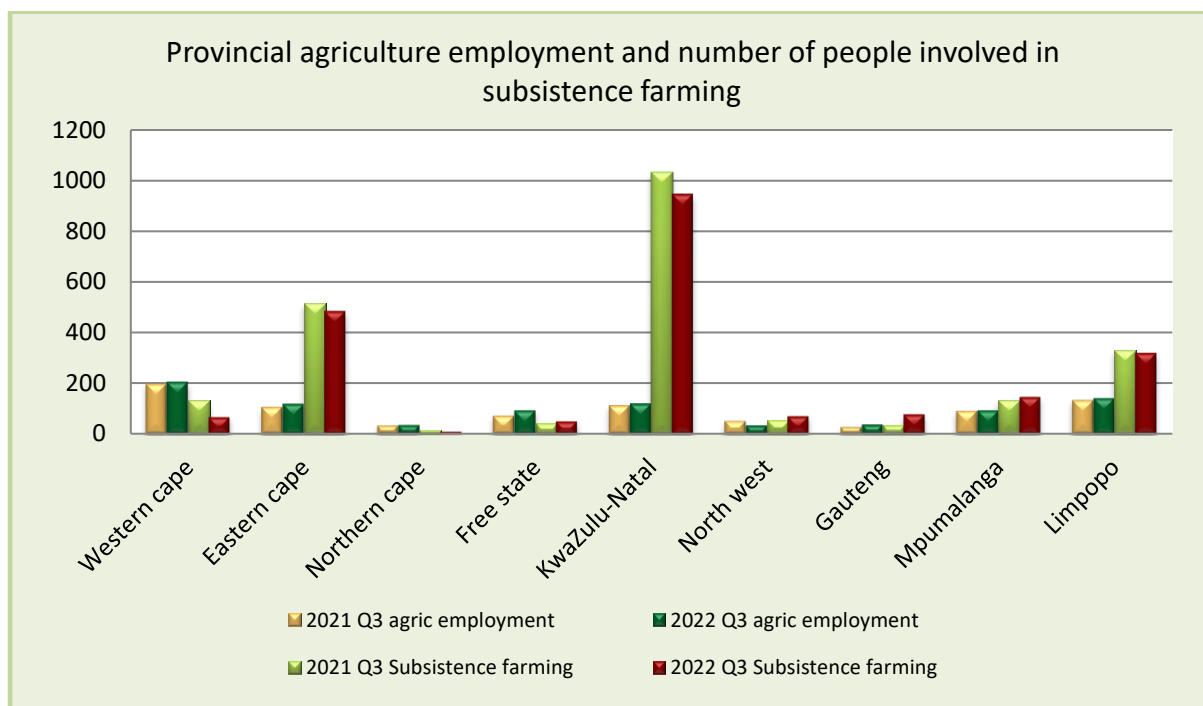


Figure 10: Provincial agriculture employment and subsistence farming between 2021: Q3 and 2022: Q3 Source: Stats SA

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 R60 billion in the third quarter, a increase of 10%. Compared to a year ago the total expenditure on intermediate goods and services increased by 14% from R52 billion in the third quarter of 2021 to R60 billion in the third quarter of 2022.

The total expenditure on intermediate goods and services increased by 5.8% from a year quarter (Q2 2020) ago to (Q3 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 third quarter of 2022 compared to the previous quarter (Q3 2021). The increase of 50 % was predominantly in Farm Plants and seeds; Farm feeds which increased by 12% and also supported by Fertilizer which increased by 25%. These increases offset the 7% decrease in Fuel as well as a 16% decrease in Farm services.

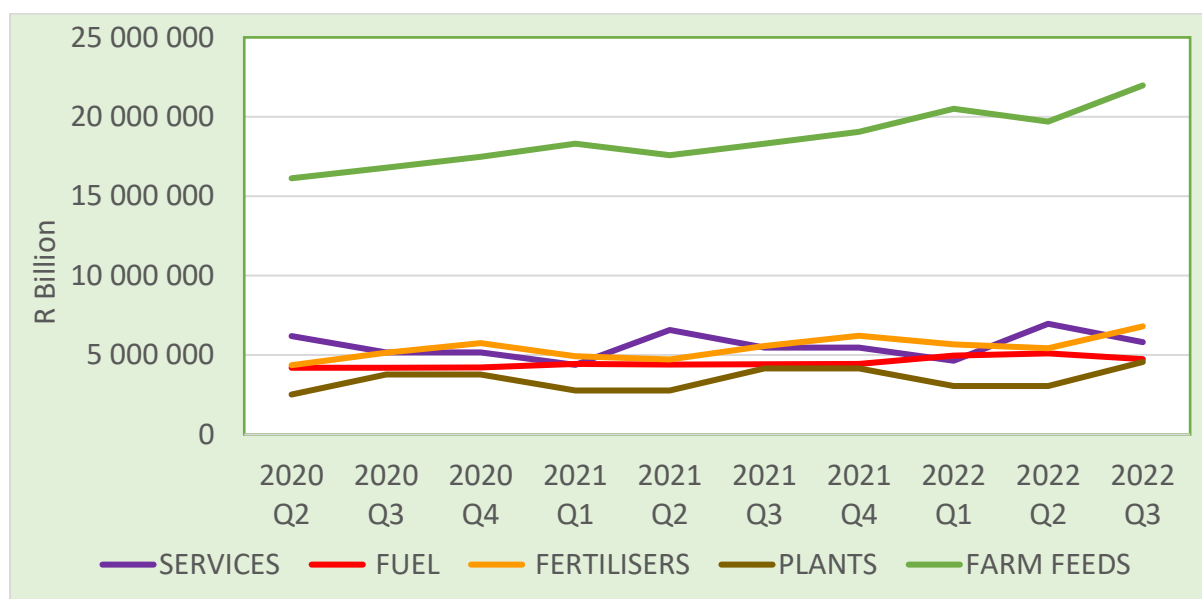


Figure 11: Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2020 Q3 and 2022: Q3

Source: DALRRD

2.5 fertilizer market review

2.5.1 South African fertiliser expenditure

The expenditure of the fertiliser in third quarter of 2022 was R 6 804 million compared to R 5 577 million in the same quarter in 2021, this represents a 22.0% increase on expenditure of fertilisers. This increase is due to an increase in production due fewer Covid restrictions, a low interest rate and weather predictions of a wet season. The result was a bumper grain crop was expected.

The total expenditure on fertiliser increased by 25.38% from a year quarter (Q2 2022) ago to (Q3 2022). The increase can be ascribed due to all the factors above. see Figure 12.

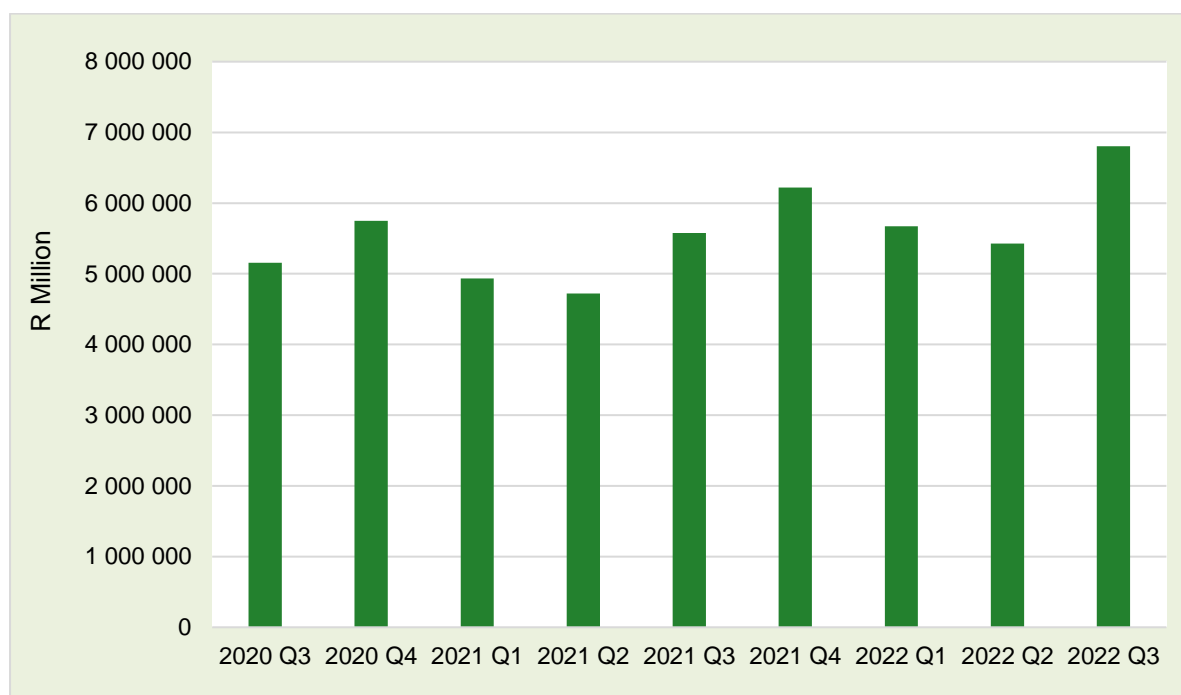


Figure: 12 South Africa fertiliser expenditure
Source: Grain SA

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

The figure 13 illustrate that the gross income from all agricultural products increased by 36.9 % from R86.0 billion in the third quarter of 2021 to R117.8 billion in the same quarter of 2022. The net farm income is estimated at R38.1 billion in the third quarter of 2022 compared to R15.5 billion in the same quarter of 2021, a huge increase of 146.1%. During this period the huge increase in net farm income was due to a 158.1% increase in income from field crops, while animal products and horticulture, also increased slightly by 6.9% and 4.9% respectively.

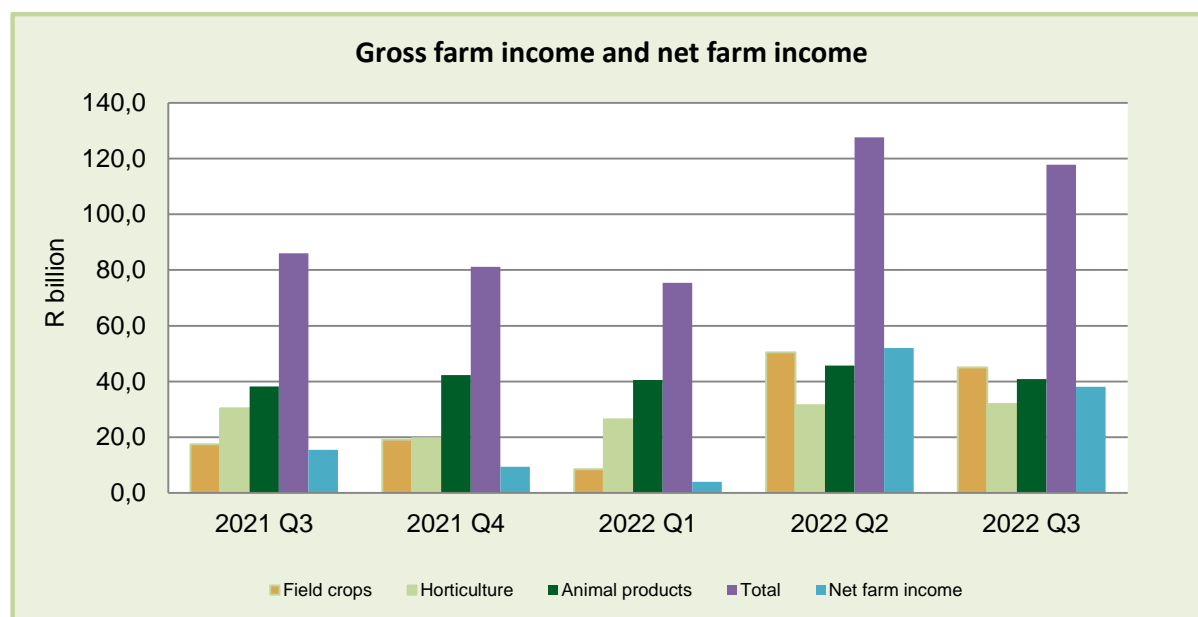


Figure 13: Trends in nominal gross farm income between 2021: Q3 and 2022: Q3

Source: DALRRD

2.9 Reviews of South Africa’s water dam levels

South Africa’s national dam levels were comparatively higher in Q3: 2022 relative to Q3: 2021, recording an increase of 12.9%, to an average of 91.8% from an average of 81.3%. There has been widespread rainfall witnessed in large parts of the country, which boosted the country’s dam water levels. This comes as a relief to the country’s dam water levels particularly for provinces such as the Eastern Cape, which witnessed downwards movements in water levels for some time.

The fear of taps running dry is no longer a concern after the widespread rain that brought above-average rainfall in some areas, causing floods and filling up dams. 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). Meanwhile, Agbiz chief economist, Wandile Sihlobo, noted that there is a high chance for above-normal rainfall and below-normal temperatures over the summer rainfall areas with the continued strengthening of the La Niña event (Weather SA, 2022).

On a quarter-on-quarter basis, South Africa’s national dam levels decreased by 2.7% in Q3: 2022 relative to Q2. Despite the drop in the national dam levels quarter-on-quarter, the El Niño-Southern Oscillation (ENSO) is currently in a La Niña state, and forecasts indicate that it will likely remain in this state during the remainder of 2022 and early 2023. Furthermore, with the continued strengthening of the La Niña event, there is a high chance that it will have its usual effect on South Africa, which is generally above-normal rainfall and below-normal temperatures over the summer rainfall areas (Weather SA, 2022)

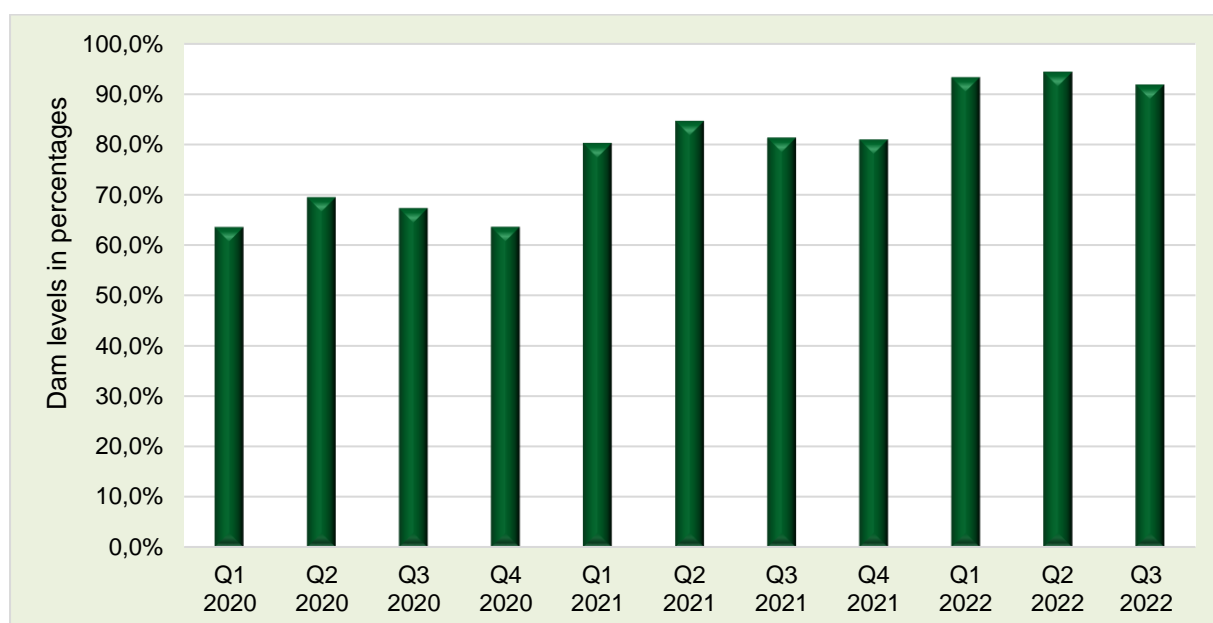


Figure 14: National dam levels

Source: Department of Human Settlements, Water and Sanitation

2.9.1 Provincial dam levels

Above-normal rainfall was anticipated during the entire summer period. Some provinces received normal to below-normal rainfall in most parts of the country while temperatures were normal. During Q3: 2022, most provinces experienced higher dam storage levels relative to Q3: 2021 with most dryland farming areas reporting reasonable to good cropping conditions except for the excessive rains which affected the quality of most crops.

Dam levels in the Eastern Cape increased by 39.3% in Q3: 2022 relative to Q3: 2021, to an average of 70% from an average of 50%, showing some improvement due to the recent showers that soaked some parts of the province. The Algoa Water Supply System with dams supplying water to Nelson Mandela Bay Metro is among those systems that have recorded an increase in dam levels together with Butterworth, Orange, Klipplaat and Amathole dams. In addition, the long-term intervention plans to assist the communities of Butterworth are still in progress, with the Ngqamakhwe-Tsomo pipeline project well underway.

Dam levels in the Free State Province increased by 6,3% in Q3: 2022 relative to Q3: 2021, to an average of 99% from an average of 93%. Free State dam levels reached full capacity due to the heavy rainfall the country has been experiencing. Dam levels in Gauteng province improved by 3.2% in Q3: 2022 relative to Q3: 2021, to an average of 99% from an average of 96%. 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 28.2% in Q3: 2022 relative to Q3: 2021, to an average of 88% from an average of 69%, as heavy rains that swept across KwaZulu-Natal significantly increased the province's dam levels. Dam levels in Limpopo improved by 5.5% in Q3: 2022 relative to Q3: 2021, to an average of 87% from an average of 82%.

The Polokwane Water Supply System that has dams supplying water to Polokwane and surrounding areas improved by 5.5% in Q3: 2022 relative to Q3: 2021, to an average of 87% from an average of 82%. Dam levels in Mpumalanga increased by 15.5% in Q3: 2022 relative to Q3: 2021, to an average of 94% from an average of 81%. 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 12.0% in Q3: 2022 relative to Q3:2021, to an average of 104% from an average of 93%, due to heavy downpours in the Northern Cape Province. Dam levels in the Western Cape dropped by 12.1% in Q3: 2022 relative to Q3: 2021, to an average of 68% from an average of 77%. The latest

hydrological report showed shocking declines in dam levels compared to the same period last year, particularly in the West Coast District Municipality, which experienced a sharp decrease in dam levels.

Meanwhile, dam levels in the North West Province increased by 0.7% in Q3: 2022 relative to Q3: 2021, to an average of 79% from an average of 78%. Near-normal rainfall was received during Q3: 2022 while most farmers were busy with land preparation for planting.

While the overall outlook of national water levels improved in Q3: 2022 relative to Q3: 2021, the Department of Water and Sanitation’s weekly state of water reservoirs report demonstrates a minor depletion in storage. As a result, the Department of Water and Sanitation continues to urge water users to be circumspect of the manner they utilise water due to SA experiencing high temperatures in various parts of the country, which may result in water evaporation and an increase in the demand for water.

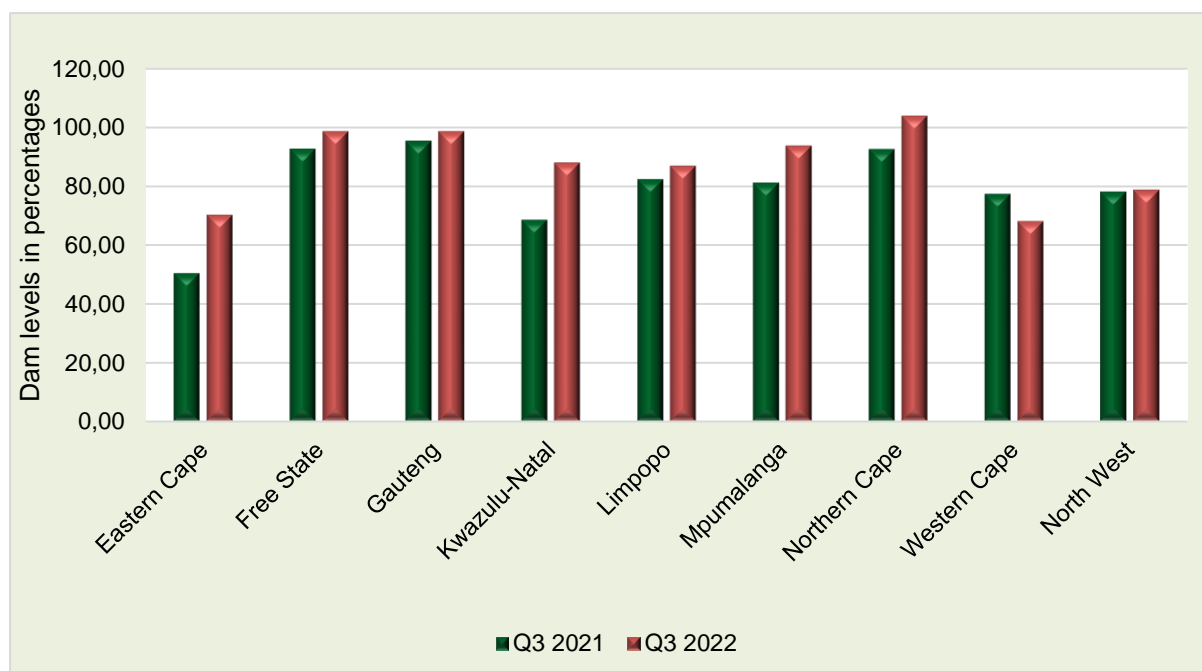


Figure 15: Provincial dam levels

Source: Department of Human Settlements, Water and Sanitation

Figure 16 shows Provincial dam levels from Q3: 2021 to Q3: 2022. Comparing Q3: 2022 with Q2, most provincial dam levels declined quarter-on-quarter, except for dam

levels in the Eastern Cape and Western Cape Province, which increased by 2.4% and 24.3% respectively quarter-on-quarter.

Dam levels in the Eastern Cape increased by 2.4% in Q3: 2022 relative to Q2, while dam levels in the Western Cape increased by 24.3% during the same period on account of favourable rainfall that soaked parts of both Eastern Cape and Western Cape province.

Meanwhile, dam levels in the Free State, Gauteng, Kwazulu-Natal, Limpopo, Mpumalanga, Northern Cape and North West province decreased by 4.3%, 2.8%, 4.1%, 2.0%, 1.4%, 5.2% and 1.4% respectively quarter-on-quarter. September received above-normal rainfall in the south-eastern parts of the country while below-normal rainfall dominated elsewhere. The remainder of the country received below-normal rainfall and that could be the reason for the decline in dam water levels in these provinces.

The Department of Water and Sanitation persisted in pleading with residents to be circumspect of the way they utilise water amid the marginal drop in dam levels in the Free State, Gauteng, Kwazulu-Natal, Limpopo, Mpumalanga, Northern Cape and North West. 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 systems carry on being stable. The Department continues to work closely with the provincial government to implement measures to alleviate water scarcity challenges.

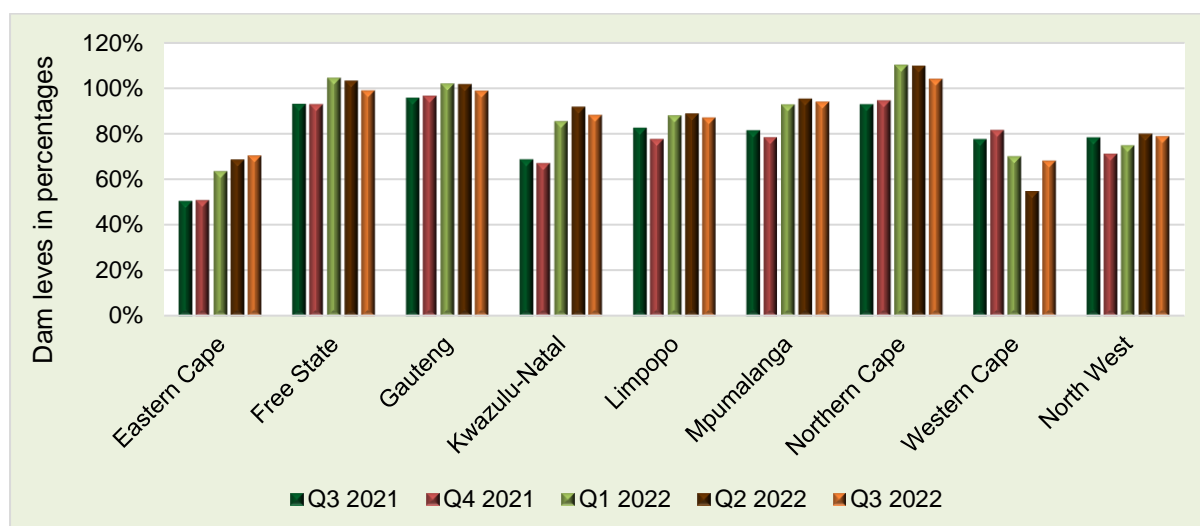


Figure 16: Average dam levels from Q3:2021 to Q3: 2022

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

Maize: White maize final year production (Table 1) in 2022 is estimated at an average of 9.4% lower than the previous year’s final stock. Zero imports were estimated this year as maize stocks were high resultant from high production in the previous year. Exports were 35% higher, while local consumption was 22% lower.

White Maize	2014	2015	2016	2017	2018	2019	2020	2021	2022
Opening Stcok	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

Table 1: White Maize Production and Demand outlook

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.

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

Table 2: Yellow Maize Production and Demand outlook
Source: DAFF, NAMC, Sagis

The maize price as shown on Figure 17 increased by 40% and 32% respectively for both white and yellow maize on a year-on-year basis(y/y). On a quarter-on-quarter basis the white maize price increased by 1.1% while the yellow maize price decreased by 3.3% respectively. Both the white and yellow maize traded 31.3% and 32% below the import price while trading competitive at export parity during the quarter. The high price volatility in the maize market is largely driven by low global maize stocks held by major exporters, export restrictions, high energy and transportation costs. Geopolitical risk also had a major impacts as a result disruption in maize flow from Ukraine as well.

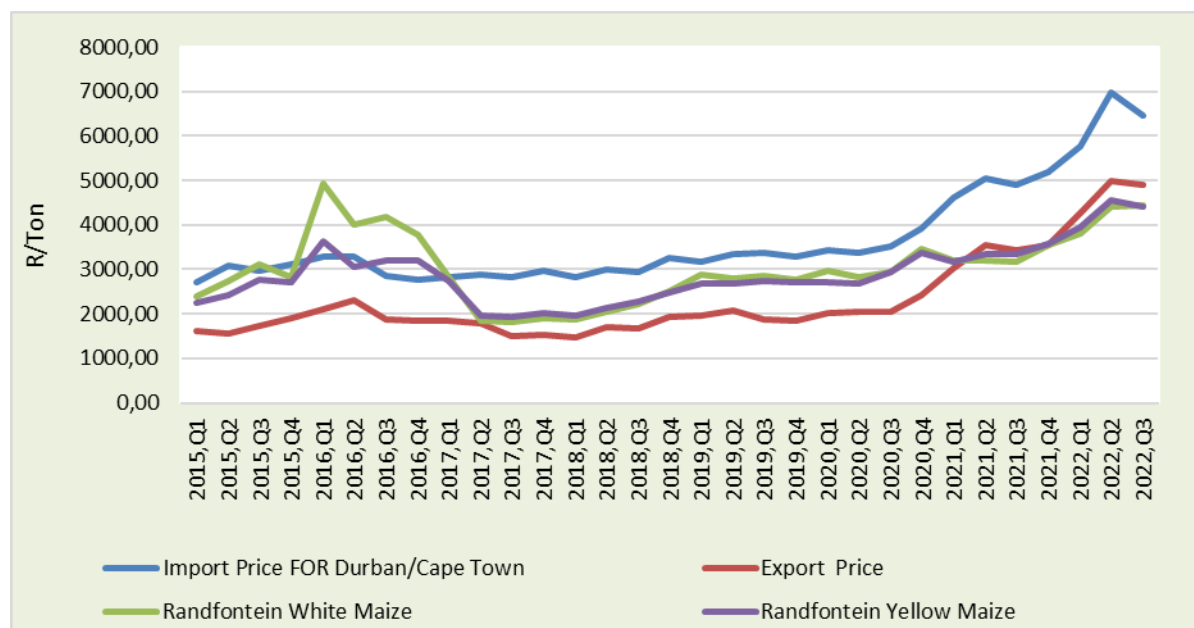


Figure 17: Maize prices

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 their upward trajectory already since their inception in the 1st quarter of 2022. The retail maize price shows an upward trend since the new price reporting only focuses on 2.5kg and 5kg Maize meal which started in quarter 1 of 2022. The retail maize prices for both 2.5kg and 5kg maize increased at a quarterly average rate of 8.4% and 7.4% respectively between quarter 1 and quarter 3 of 2022 since their inception. During the 3rd quarter the price of 2.5kg maize meal and 5kg maize meal increased by 6.9% and 8.6% compared to the 2nd quarter of 2022.

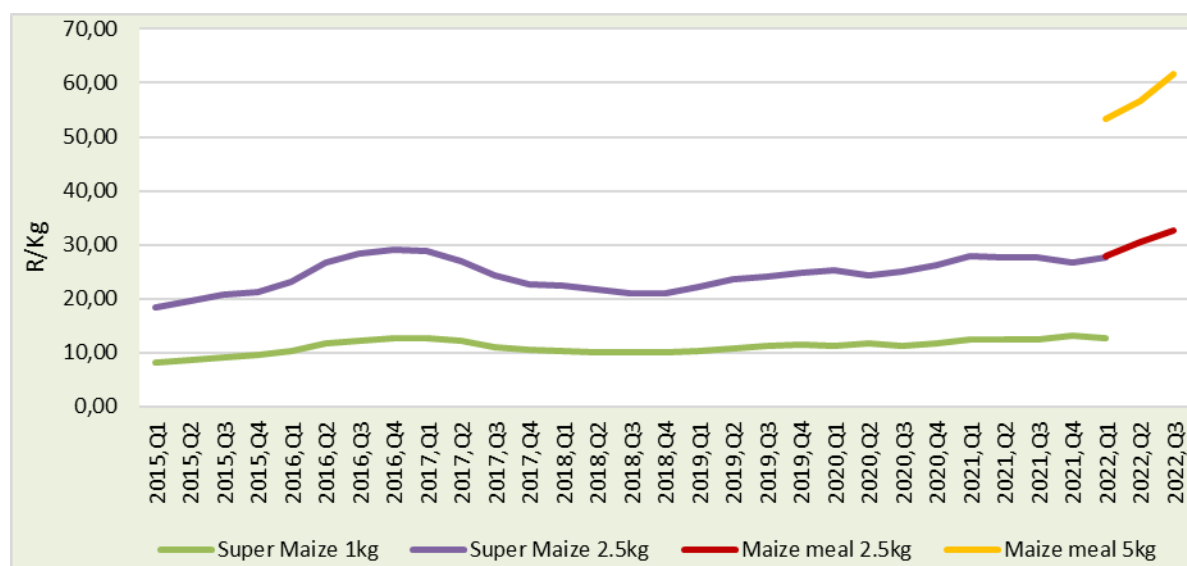


Figure 18: Retail prices vs white maize seed prices

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: Q3 to 2022: Q3. The SA domestic wheat price traded at R7 464.26/ton in 2022: Q3 by 2.5% lower compared to previous quarter. Wheat import and wheat export parity price traded at R7 768.41/ton and R6 176.70/ton which represent an decrease in price by 14.8% and 15.3% respectively in 2022: Q3.

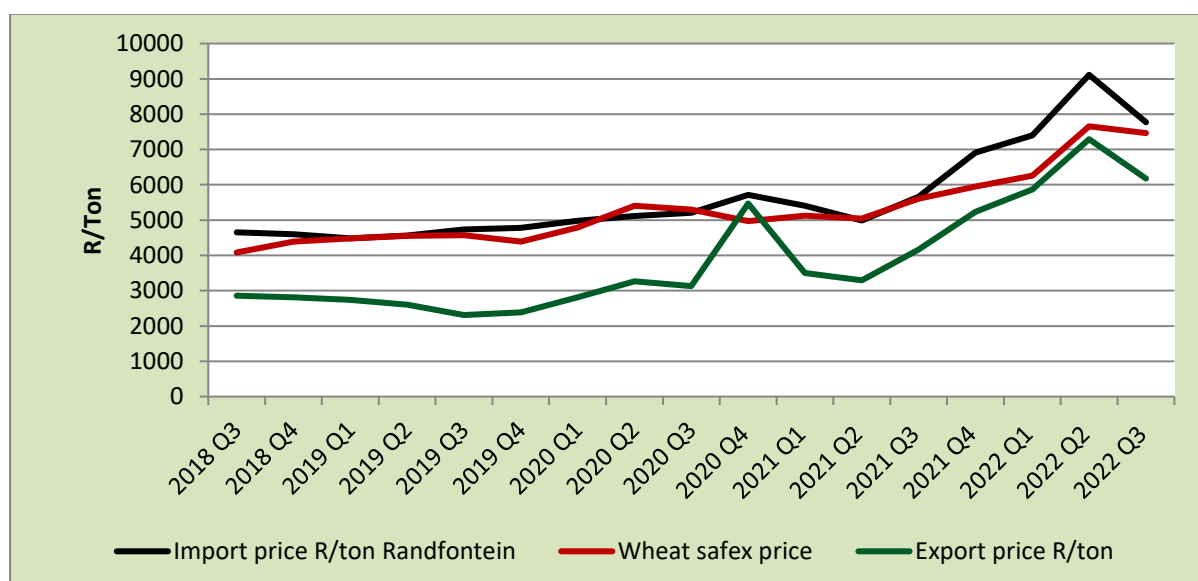


Figure 19: Wheat safex price, export parity price and Import parity price

Source: Sagis/Safex

Figure 20 depicts retail bread prices versus wheat safex price from 2018: Q3 to 2022: Q3. Consumers paid marginally more for wheat by-products in 2022: Q3. The price of selected wheat by-products increased by 7.80%, 5.93%, 11.08% and 8.57% for white bread 700gr, brown bread 700gr, flour cake 2.5kg and flour bread 2.5kg, respectively in 2022: Q3.

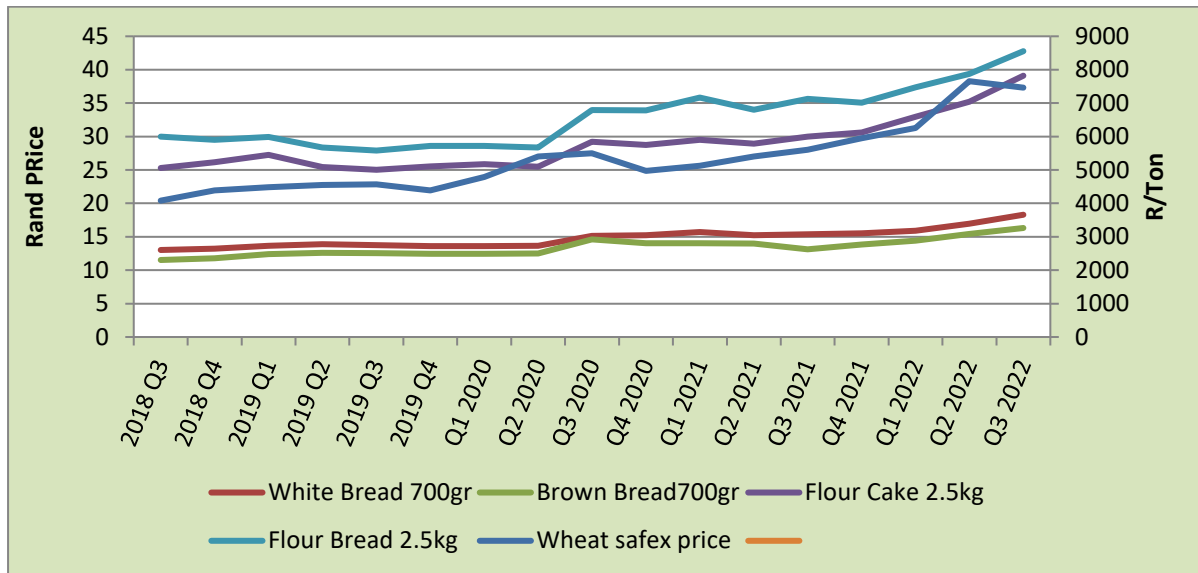


Figure 20: Retail bread price vs wheat import price
Source: Stats SA & Safex

Figure 21 depicts the supply and demand of wheat from 2020: Q3 to 2022: Q3. South Africa’s wheat deliveries for 2022: Q3 decreased by 37.5% compared to the same period a year ago in 2021: Q3. Local demand of wheat decreased by 1.0%, whilst imports decreased by 15.3% in 2022: Q3 when compared to previous quarter.

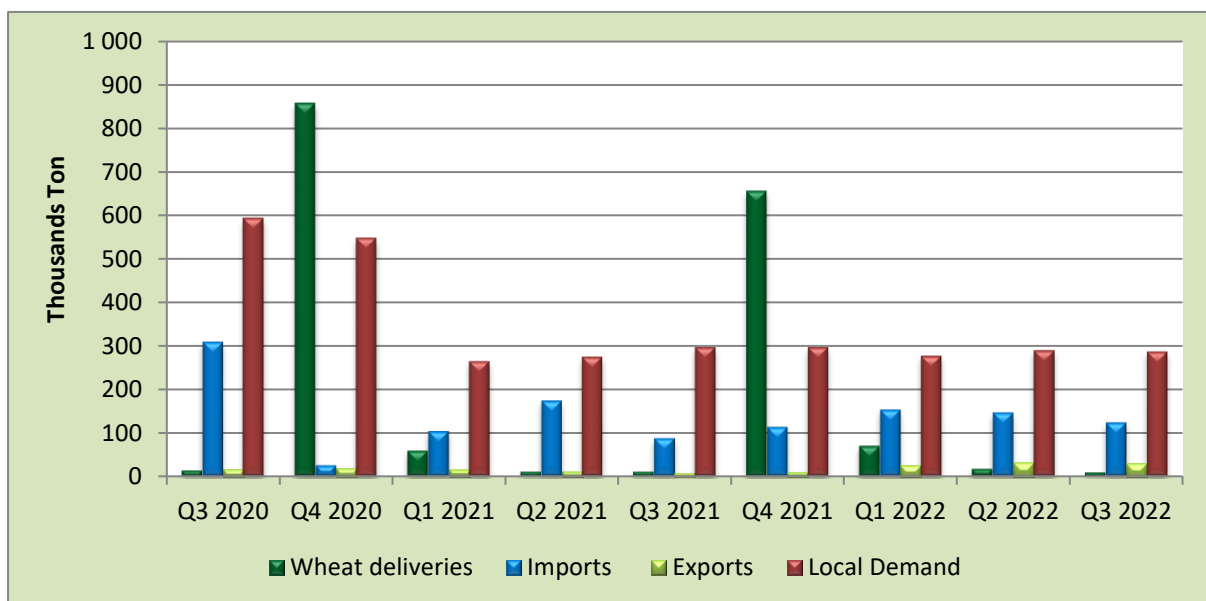


Figure 21: Wheat deliveries, Imports, Exports and local demand
Source: Stats SA & Safex

3.1.3 Soya beans

Soybeans production remained unchanged from the previous forecast ending at a yearly total of 2.2 million tons in 2022, which is 16% above the previous year's total. Imports amounted to a total 62% below last year's total while exports were 500% above last year's figure. Increased exports is due to inter-alia, the competitive local price relative to the high world soybean price.

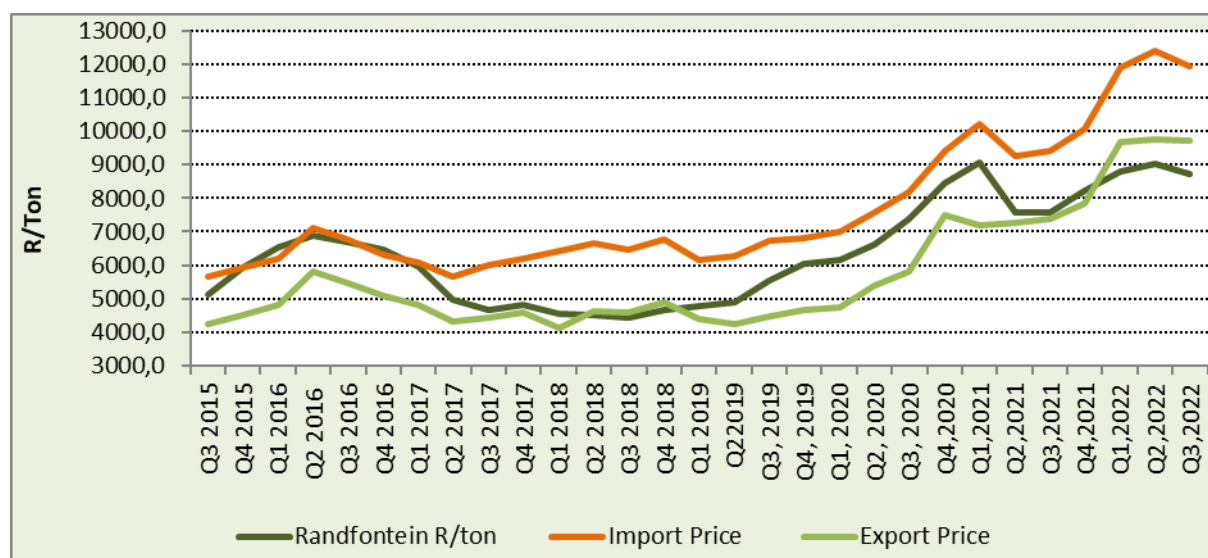


Figure 22 Soya beans local price vs import price

Source: Safex/Sagis/USDA/World Bank

The price of soybeans decreased by 3.2% on a quarter-on-quarter(q/q) comparison whilst on year-on-year (y/y) basis the price was 15.3% higher. The local price traded at 27% above the import price. The decline in the local price could be attributable to prospects of good local soybean crop amidst good weather forecasts for next year's planting.

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 third quarter of 2022. Producer deliveries in the third quarter of 2022 is expected to be 64.5% higher than it was in the same quarter of 2021 (Q3). South African sunflower seed imports in the third quarter of 2022 is expected to be 802.7% higher than it was in the same quarter of 2021 (Q3) last year. Sunflower seed imports increased by 128.9% in the third quarter of 2022 as compared to the previous quarter in 2022 (Q2). South African sunflower seed export in the third quarter of 2022 is expected to be 9.8% higher than it was in the same quarter of 2021 (Q3) last year. Sunflower seed exports increased by 6.4% in the third quarter of 2022 when compared to the previous quarter of 2022 (Q2). Local sunflower seed consumption in the third quarter of 2022 was 80.2% lower than it was in the previous quarter of 2022 (Q2). Local consumption in the third quarter of 2022 is expected to be 68.8% lower than it was in the same quarter of 2021 (Q3) last year.

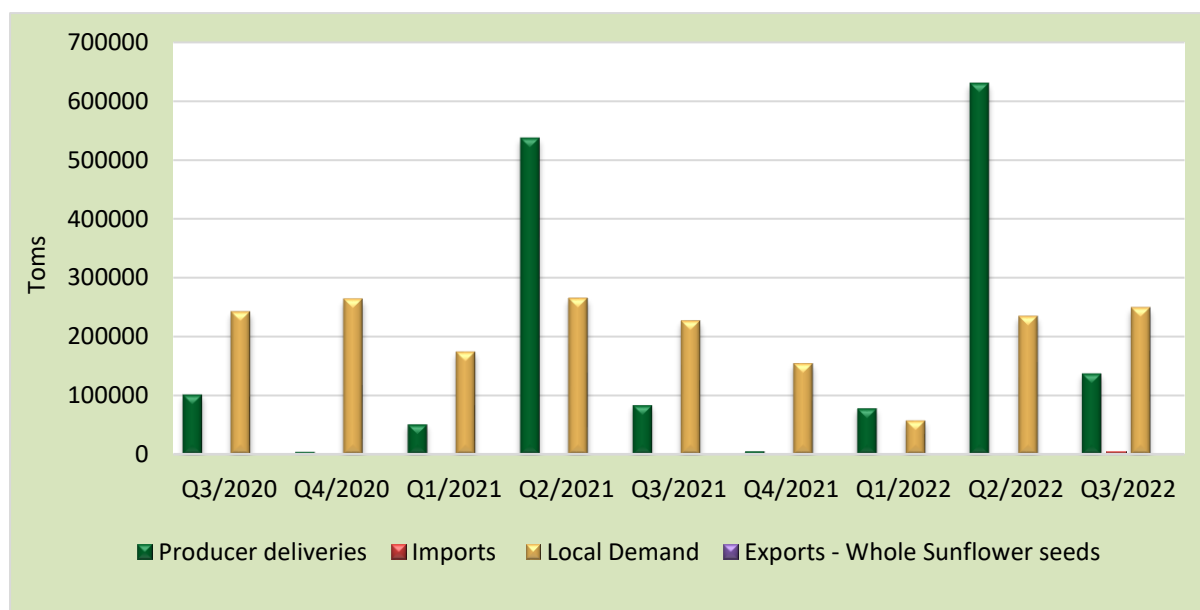


Figure 23: Sunflower seed deliveries; local demand and trade
Source: Sagis

Figure 24 During the third quarter of 2022, South Africa sunflower seed prices traded below the import parity price at R10 475.81/ton compared to R11 379.63/ton in the third quarter of 2022, which is a total decrease of 1.5% compared to the previous quarter of 2022 (Q2). The price of sunflower seed has increased by 12.2% during the

third quarter of 2022 as compared to the same period last year, which is 2.2% lower than it was in the previous quarter of 2022 (Q2). The local sunflower seed price in the third quarter of 2022 traded at 7.9% lower than the import price, compared to trading at 21.0% below the import price in the second quarter of 2022. The prices of sunflower oil 750ml in the third quarter of 2022 traded higher by 49.5%, when as compared to the same period in 2022 (Q3). The price of sunflower oil 750ml in the third quarter of 2022 increased by 9.8%, when compared to the previous quarter (Q2) in the year 2022.

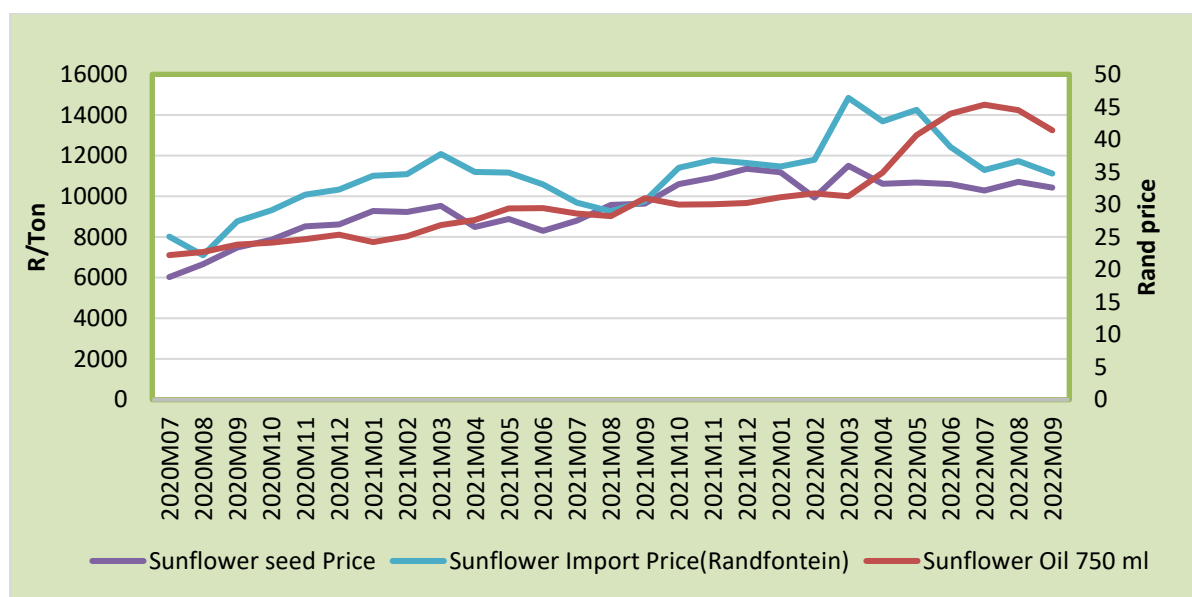


Figure 24: Sunflower local seed; import price (Randfontein) and Sunflower retail price
 Source: Safex; USDA; Sagis; and Own calculations

3.1.5 Sorghum

The introduction of sorghum on the JSE has not really served its purpose as a price hedging tool, which resulted in some calls for the JSE to consider delisting sorghum price reporting. Demand was subdued by inter-alia the high World sorghum price which was 26.8% higher on a year-on-year basis (Figure 25), while Q/Q prices declined slightly by 6.2% but still on a record high. Drivers to the high sorghum prices were the low global stocks held by major exporters and considerable uncertainty about commodity in future and input prices. Fertilizer remain high, natural gas supplies uncertainties remain in Europe and high prices caused many producers of urea and ammonia to close shops.

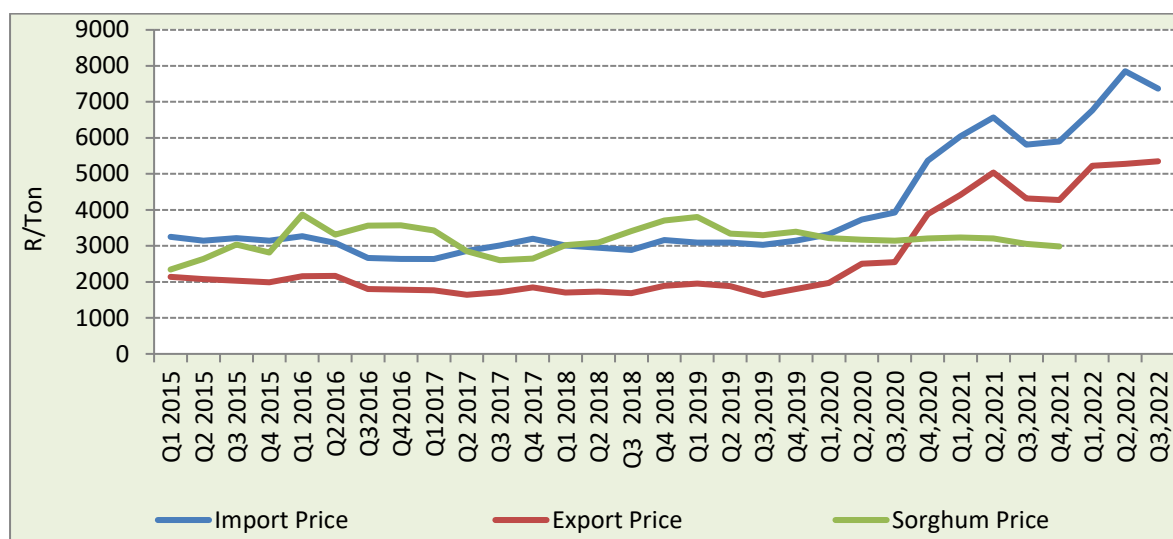


Figure 25: Sorghum Parity Price

Source: Safex, Sagis

Final sorghum production for the 2022 season ended at 52% less than the 2021 crop. Imports were 83% lower while exports were slightly up by 3.8%. Local demand was 18.3% lower than the previous year’s demand.

Table 4: Sorghum Demand & Use Table

	2014	2015	2016	2017	2018	2019	2020	2021	2022 Estimate
Opening stock	50069	121812	83142	35238	59246	51860	60 423	51 795	106 157
Production	265000	114700	70500	152000	115000	127000	158000	215 000	103 140
Imports	8725	34316	74957	55824	32500	59253	6546	4 147	700
Total Supply	320301	277713	226677	244073	206746	238113	224969	270 942	209 997
Local demand	172320	165532	178790	171027	142541	170390	167524	155727	127295
Exports	26169	29039	12649	13800	12345	7300	5650	9 058	9 400
Total Demand	198489	194571	191439	184827	154886	177690	173174	164785	136 695
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 draws to a close, the focus is now gearing towards the 2022/23 production season commencing in October. Preliminary forecasts suggest the South Africa could experience another good season. Meanwhile Groundnut farmers have shown positive sentiment about the upcoming 2022/23 production season. The South African Weather Service also shared similar sentiment in its Seasonal Climate Watch, which showed a favourable weather outlook for the upcoming 2022/23 production season.

Early indications are that groundnut farmers plan to plant 43 400 hectares, 4 850 hectares (12.6%) more than in the previous season. Favourable weather conditions and the good rainfall forecast for the 2022/23 season are some of the factors that played a major role in the area that farmers intend to plant. This is despite the relatively high grain prices and the high input costs that may affect farmers profit margins compared with the previous season. Nevertheless, due to the high soil moisture levels that will be carried over from 2022 to 2023 and expectations of rain, groundnut farmers believe that this may result in above-average yields.

This general optimism doesn't mean the industry isn't facing challenges. Rising interest rates coupled with elevated input costs are some of the problems that farmers have to contend with.

Figure 26 shows producer deliveries, local demand of groundnuts as well as imports and exports of groundnuts from Q3: 2021 to Q3: 2022.

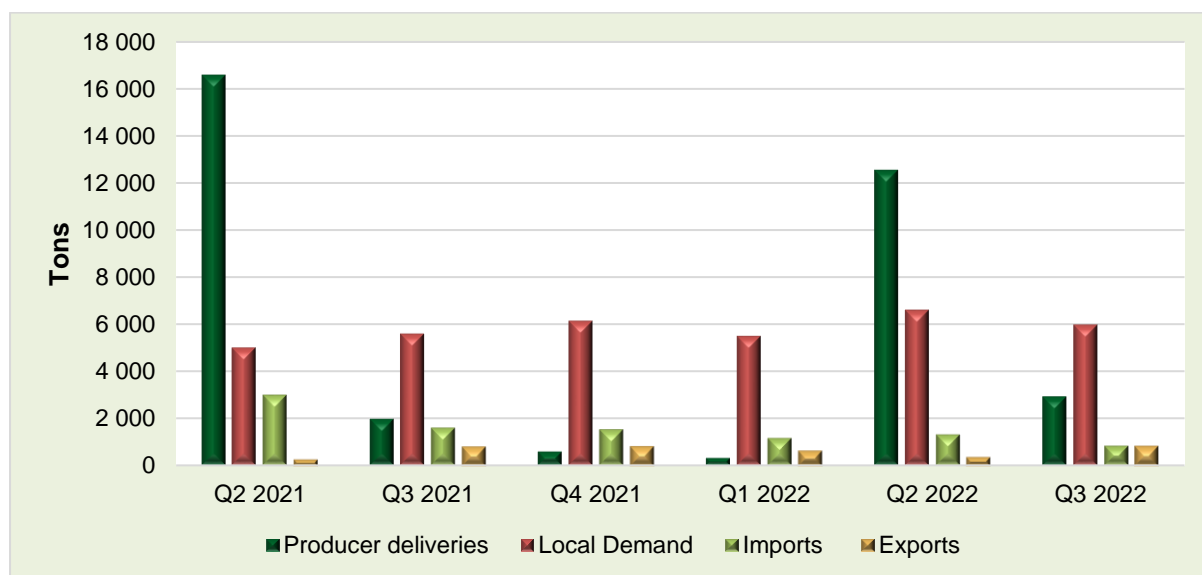


Figure 26: Producer deliveries, local demand, export and imports of groundnuts

Source: Sagis

While the weather seems favourable, producer deliveries of groundnuts decreased by 48% in Q3: 2022 relative to Q3: 2021, to an average of 8 775 tons from an average of 5 934 tons, see figure 29. During the same period, local demand of groundnuts

increased by 7% in Q3: 2022 relative to Q3: 2021, to an average of 17 862 tons from an average of 16 704 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.

Meanwhile, with better than expected yields from the higher rainfall, this year's harvest presents positive export possibilities for groundnut farmers. Exports of groundnuts increased by 3% in Q3: 2022 relative to Q3: 2021, to an average of 2 435 tons from an average of 2 359 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 48% in Q3: 2022 relative to Q3: 2021, to an average of 2 481 tons from an average of 4 793 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 occurs mainly in two forms, as edible peanuts and as processed peanut butter and is consumed the highest in these two forms. During Q3: 2022, consumption of edible groundnuts increased by 15% relative to Q3: 2021, to an average of 2 821 tons from an average of 2 447 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 7% in Q3: 2022 relative to Q3: 2021, to an average of 2 782 tons from an average of 2 998 tons. Meanwhile, in Q3: 2022, there was no consumption of crushed oil & cake, which was the similar case in Q3: 2021. 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 8% in Q3: 2022 relative to Q3: 2021, to an average market price of R36.96/400 gram from an average market price of R 34.13/400 gram. Peanut butter sales will likely benefit from an improvement in domestic demand and robust growth in exports. However, risks such as higher living costs, the weaker rand-dollar exchange rate, which could exacerbate the ongoing pass-through of input costs to consumers, weak economic outcomes which impose limitations on the labour market

and real wages are some of the factors that restrict the acceleration in demand (FNB, 2022).

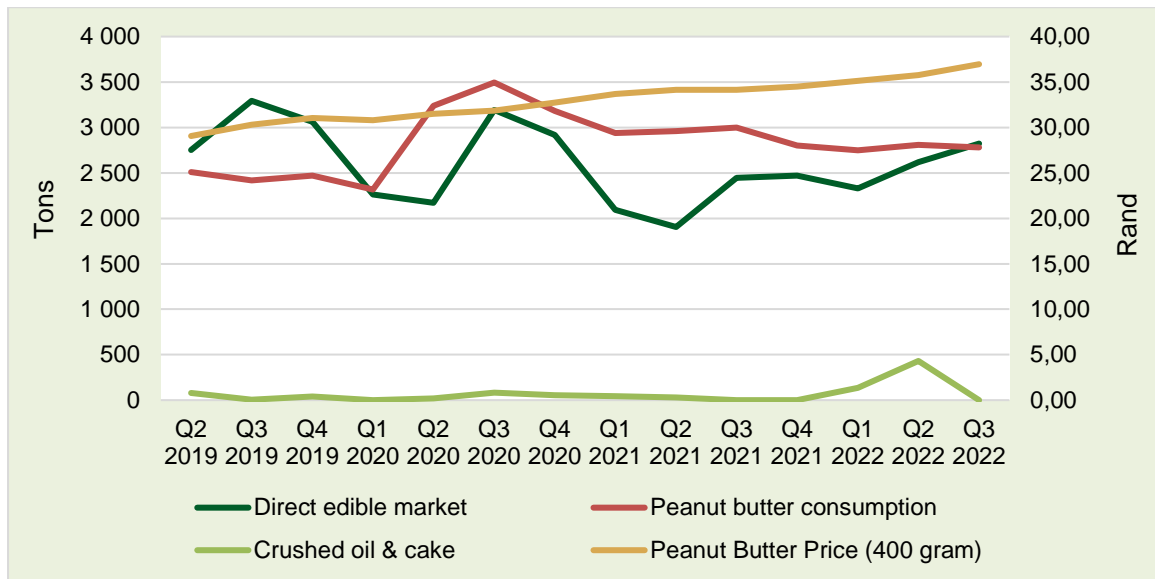


Figure 27: Groundnuts consumption

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 Q3: 2021 to Q3: 2022.

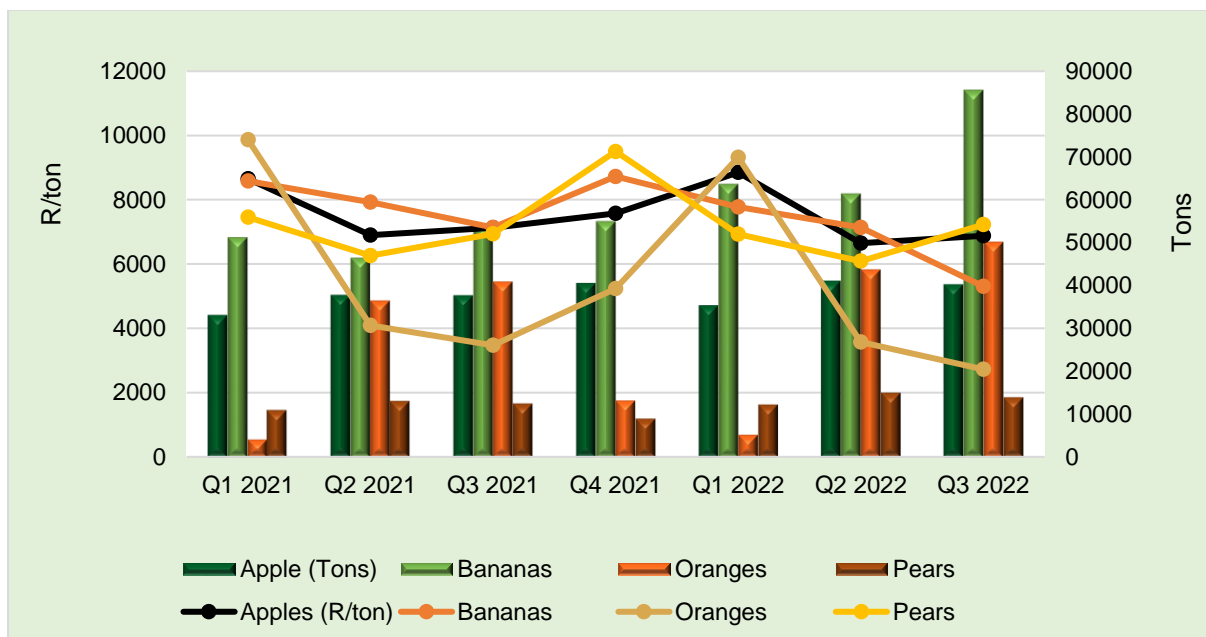


Figure 28: Average price and quantities of various fruits traded at fresh produce markets (FPMs)

Source: Dalrrd

The yearly trend in fruit prices saw the average price of apples decrease by 3.5% in Q3: 2022 relative to Q3: 2021, while quantities supplied increased by 6.7% year-on-year. Enhanced cultivars, and better farming practices, that includes investment in netting, resulted in higher yields. During the same period, the average price of bananas decreased by 25.7% in Q3: 2022 relative to Q3: 2021, while quantities supplied increased by 58.0% year-on-year. Banana volumes on the market are triple the volumes of last year, resulting in lower prices than the same period last year.

The yearly trend in orange prices saw the average price of oranges decrease by 21.6% in Q3: 2022 relative to Q3: 2021, while quantities supplied increased by 22.8% year-on-year in Q3: 2022. While each season seems to bring its own fair share of trials, orange production recovered well this year as a result of the good, beneficial summer rains. Growers in the Western Cape noted good yields while production looks good in some growing areas.

The yearly trend in pear prices saw the average price of pears increase by 4.2% in Q3: 2022 relative to Q3: 2021, while quantities supplied increased by 11.7% year-on-year. Pear growers in SA have noted strong growth despite the late rain. The Early Bon Chretien pears are in full bloom while Forelle and Abate Fetel pears in cooler areas were also blossoming. Langkloof had better yields this year while Forelle rose by 30% compared to last season. There has also been strong growth on the Celina (QTee) cultivar while there has also been good growth on the South African pear Cheeky.

On a quarter-on-quarter basis, the average price of apples increased by 3.5% in Q3: 2022 relative to Q2 while quantities supplied decreased by 2.1% quarter-on-quarter. The rainy season started late this season and growers in the Ceres Valley, which is the major apple production area were 30% behind on where they would have wanted the dams to be in order for them to be full due to the Western Cape experiencing a general drying. The average price of bananas decreased by 25.7% in Q3: 2022 relative to Q2, while quantities supplied increased by 39.3% quarter-on-quarter. There has been sufficient banana volumes, very stable volumes in the market which has led to higher volumes of medium-sized bananas available on the market.

During the same period, the average price of oranges decreased by 23.7% in Q3: 2022 relative to Q2, while quantities supplied increased by 14.8% quarter-on-quarter. Although there has been growth in quantities in Q3: 2022 relative to Q2, growth will only be marginal in the 2022/23 marketing year as accelerating input costs, higher shipping rates, infrastructure inefficiencies, including electricity supply disruptions, ineffective ports operations, deteriorating road networks and new phytosanitary regulations oppose by the European Union (EU), are diminishing the profitability of orange producers and limiting continued investment in the industry. Meanwhile, the average price of pears increased by 18.7% in Q3: 2022 relative to Q2 while quantities supplied decreased by 7.0% quarter-on-quarter. Pear growers in South Africa are somewhat worried at the amount of rain Cape Town received since the rain started late.

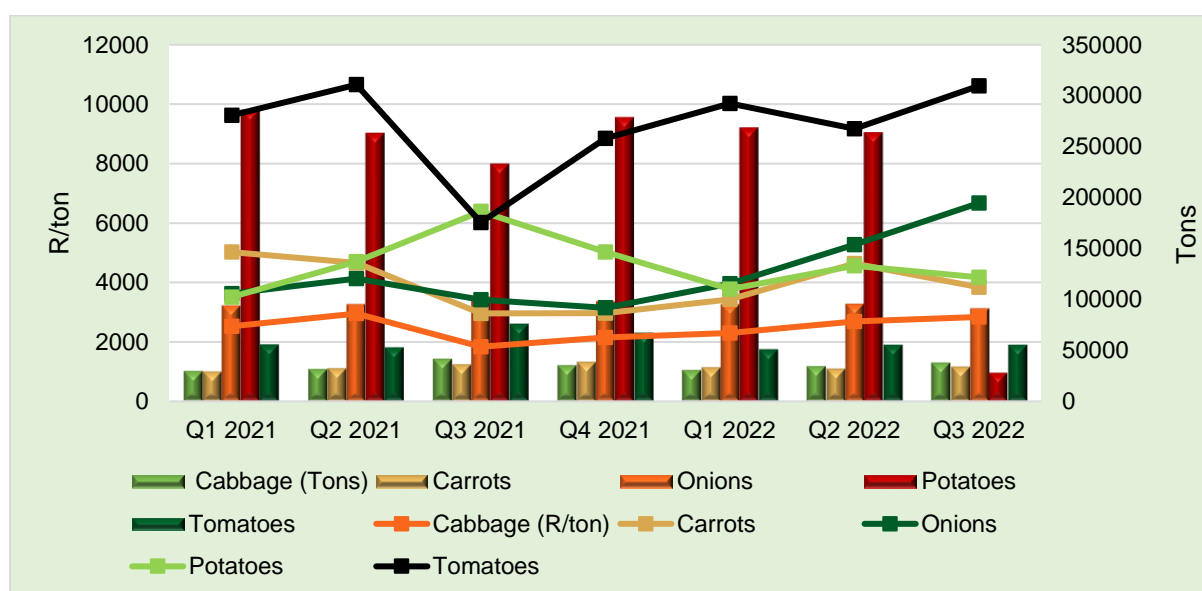


Figure 29: Average price and quantities of various vegetables traded at Fresh Produce Markets (FPMs)

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 increased by 54.3% in Q3: 2022 relative to Q3: 2021, while quantities supplied decreased by 8.9% year-on-year due to lower volumes entering the market.

The average price of carrots increased by 29.9% in Q3: 2022 relative to Q3: 2021, while quantities supplied decreased by 6.4% year-on-year due to much lower volumes

recorded. The carrot market demand remained low over the period although quality was reportedly good and much of the produce sourced locally from areas such as Tarlton, Boksburg, and Brits. The average price of onions increased significantly, by 95.2% in Q3: 2022 relative to Q3: 2021, while quantities supplied decreased by 10.9% 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 34.7% in Q3: 2022 relative to Q3: 2021 while quantities supplied decreased by 87.9% year-on-year. There is currently an oversupply of potatoes on the market due to an expansion in the area in the Northern provinces. High temperatures further contributed to earlier harvests which resulted in an oversupply, in order to preserve quality. The average price of tomatoes increased by 76.3% in Q3: 2022 relative to Q3: 2021 while quantities supplied decreased by 26.8% year-on-year. Lower volume of tomatoes were coming into the market due to some areas in Limpopo finishing their harvests. Quality has reportedly been good while consumer demand has been good across the various fresh produce markets.

On a quarter-on-quarter basis, the average price of cabbage increased by 5.6% in Q3: 2022 relative to Q2 while quantities supplied increased by 10.1% quarter-on-quarter. Consumer demand for cabbage was reportedly good. The average price of carrots decreased by 17.2% in Q3: 2022 relative to Q3: 2021 while quantities supplied increased by 5.3% year-on-year. The quality of carrots was reportedly good while consumer demand weakened amid higher volumes available on the market. The average price of onions increased by 26.5% in Q3: 2022 relative to Q2 while quantities supplied decreased by 4.4% quarter-on-quarter. Onion volumes are reportedly low on the market with higher prices seen. New onion crops were expected towards the end of November.

Meanwhile, the average price of potatoes decreased by 8.7% in Q3: 2022 relative to Q2 while quantities supplied decreased by 89.3% quarter-on-quarter. Potato demand by the consumer was not strong while there is an oversupply of potatoes on the market due to an expansion in the area in the Northern provinces. The average price of tomatoes increased by 15.7% in Q3: 2022 relative to Q2 while quantities supplied

increased by 0,5% quarter-on-quarter. Consumer demand for tomatoes was strong with the good quality tomatoes being sourced from Limpopo.

3.3 Meat industry review

As illustrated graphically in figure 30, total beef slaughtering decreased by 0.1% in third quarter of 2022 compared to the same quarter of 2021. The price of beef per kg increased by 17.0% in third 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 Q3 of 2022, it indicates that the cattle and poultry industries contributed 65% of the growth in the animal sub-sector. Because cattle slaughter numbers remain low, high beef prices are the major driver of revenue gains in the industry, with prices rising by 16% in the third quarter of 2022 compared to 2021.

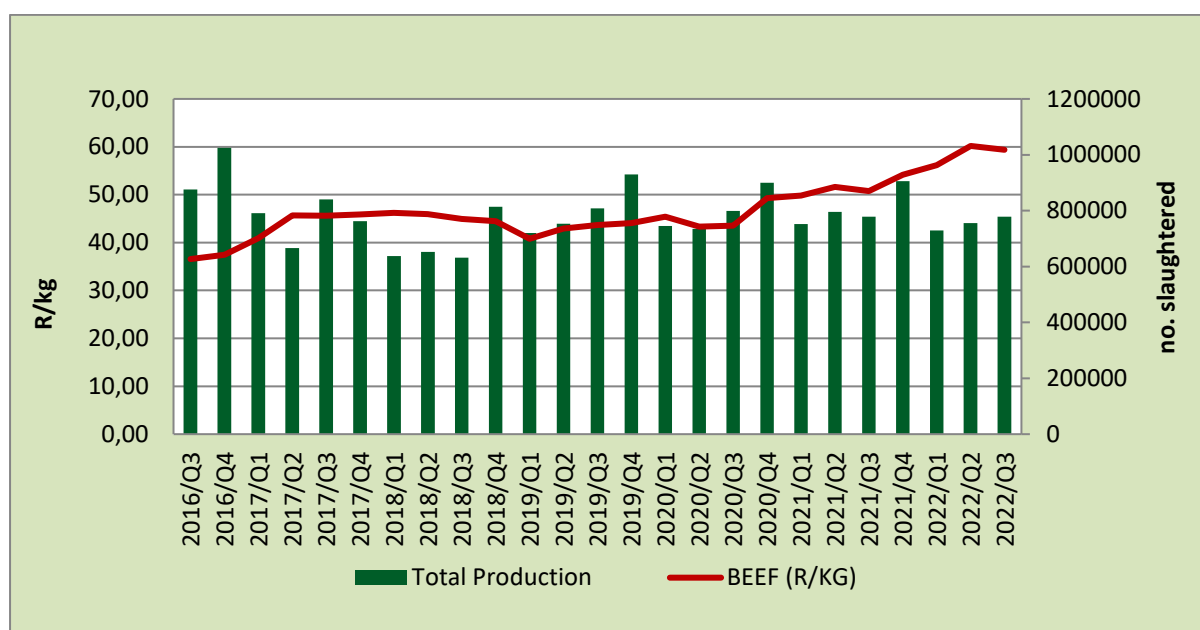


Figure 30: Beef production
Source, DALRRD

3.4 Poultry industry review

Poultry production increased by 5.4% year-on-year, while on a quarter-on-quarter basis production increased by 0.8%. Prices increased by 20.2% year-on-year, whereas on a quarter-on-quarter basis prices increased by 2.8%. The local prices are tracking the high international prices with chicken prices up 42.4% on year-on year

basis during the quarter. World poultry prices started increasing from October 2020 as the World grappled with production declines during the covid pandemic peak time. In 2020, Poultry Producers reduced production as they predicted a fall in demand as many restaurants etc closed down. Surprisingly demand came back strong in 2021 against predictions creating supply shortages. Other factors which further elevate the shortage and further caused price rises include high feed costs, the threat of bird flu as cases are still rising in Europe and America.

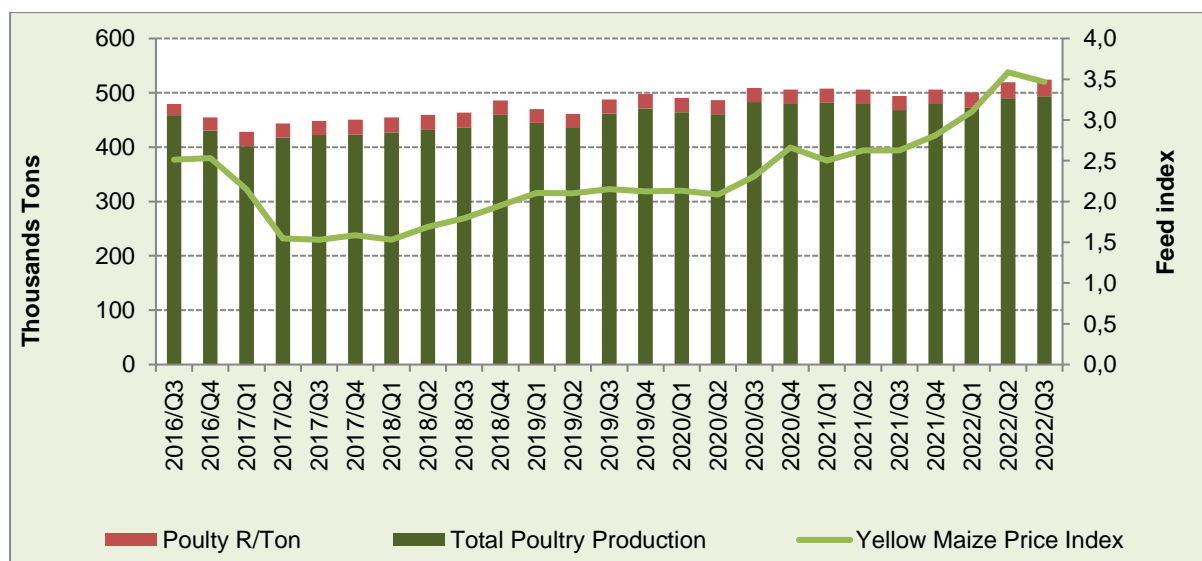


Figure 31: Poultry production and prices
Source: DALRRD

Locally; retail prices of fresh whole chicken p/kg increased by 1.3%(y/y) while increasing by 6.2%(q/q). The fresh chicken portion prices decreased by 7.5%(y/y), while increasing by 0.4% (q/q), frozen chicken portion prices increased by 9.5%(y/y), while remaining stable on a quarter-on-quarter basis.

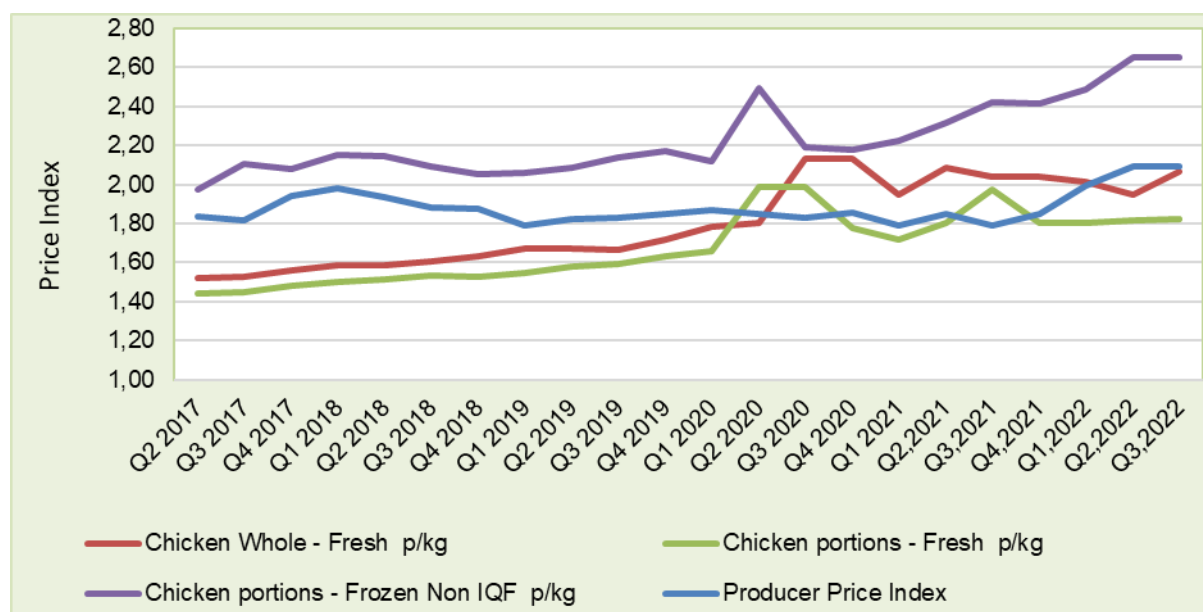


Figure 32: Poultry & Feed Price Indices

Source: Statistics SA.

3.5 Milk industry overview

Total milk production came in 17.1% less in Q3: 2022 relative to Q3: 2021, to 792.5 million litres from 956.4 million litres. The number of milk producers in South Africa decreased from 1 053 in January 2021 to 984 in January 2022. The market has not yet recovered from various factors that were introduced during the Covid-19 pandemic. There is an economic slowdown, which added to the downward pressure of production and the farmers are being paid far less resulting in a drop in production because the marginal farmers are struggling to make a profit.

On a quarter-on-quarter basis, total milk production came in 1.13% less in Q3: 2022 relative to Q2 due to lower retail sales as discussed. 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 3.5% in Q3: 2022 relative to Q3:2021, to R5.47/ℓ from R5,67/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 decreased by 16.7% in Q3: 2022 relative to Q2. Supply disruption as part of the COVID-19 aftermath has only been realized in Q3. The continued potential long drawn out war between Russia—Ukraine has meant producers need to find new sources of international inputs.

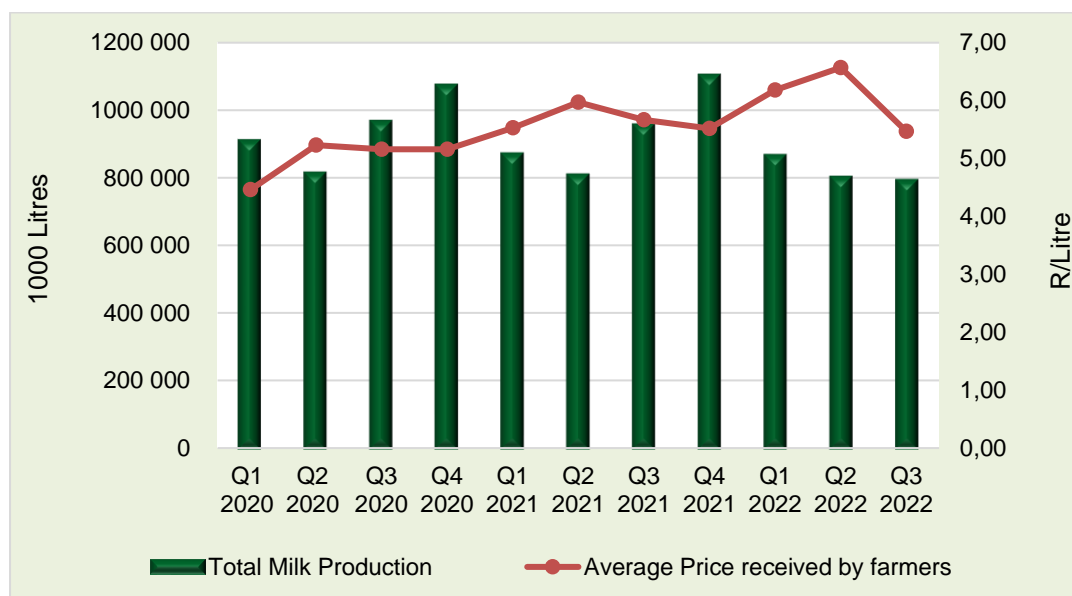


Figure 33: Trends in total production and average price of milk

Source: DAFF

Over the period Q1: 2020 to Q3: 2022, South Africa remained a net-exporter of milk and cream (not concentrated nor containing added sugar or other sweetening matter). In Q3: 2022, the trade balance for SA milk and cream (not concentrated nor containing added sugar or other sweetening matter) increased by 59% relative to Q2: 2022, to R 2,4 million from R 15,1 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 Q3: 2022 relative to Q3: 2021.

The export value of milk and cream (not concentrated nor containing added sugar or other sweetening matter) decreased by 6,1 % in Q3: 2022 relative to Q3: 2021, to R 249,6 million from R 265,7 million, while the import value decreased by 92,3% during the same period, to R 8,7 million in Q3: 2022 from R 113,7 million in Q3: 2021. The seasonal decrease 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 Q3: 2022 relative to Q3:2021. Tin 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 8.3% in Q3: 2022 relative to Q2. During the same period, the export value of milk and cream (not concentrated nor containing added sugar or other sweetening matter) increased by 9.4% in Q3: 2022 relative to Q2 while the import value of milk and cream (not concentrated nor containing added sugar or other sweetening matter) increased by 55.1% quarter-on-quarter.



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

Source: Trade map, 2021

3.6 Egg industry review

The South African egg industry meets local demand, supply chain disruptions, a related rise in input costs, the practice of load shedding by Eskom and high fuel prices make it difficult for the farmers to make long-term profits. Water scarcity and poor water sanitation also accentuate the hardships egg producers face. Some large egg

producers e.g., Rainbow Chickens have turned solar power and sunk boreholes for water to better manage long-term costs.

In Q3: 2022, the total production of eggs totalled 218,8 million dozens, a 5.6% rise in production relative to 207,1 million dozens of eggs produced in Q3: 2021. The rise in production (5.6%) can be attributed exports and relaxation of Covid restrictions which gave rise to an improved economy resulting in a greater demand. On a quarter-on-quarter basis, the total production of eggs increased by 2.6% in Q3: 2022 relative to Q2. This increase can be attributed to a slow correction of the demand as the economy corrects itself as the Covid Pandemic impacts weakens.

The average price per dozen of eggs increased by 17.0% in Q3: 2022 relative to Q3: 2021, to R13.89 per dozen from R 11,87 per dozen whereas on a quarter-on-quarter basis, the average price per dozen of eggs remained constant by 0% in Q3: 2022 relative to Q2. The confidence signals from Q3: 2022 relative to Q2: 2022 have not changed as the economy sheds jobs so that although eggs are the cheapest protein consumers are under increased pressure due to static to lower income. see Figure 35.

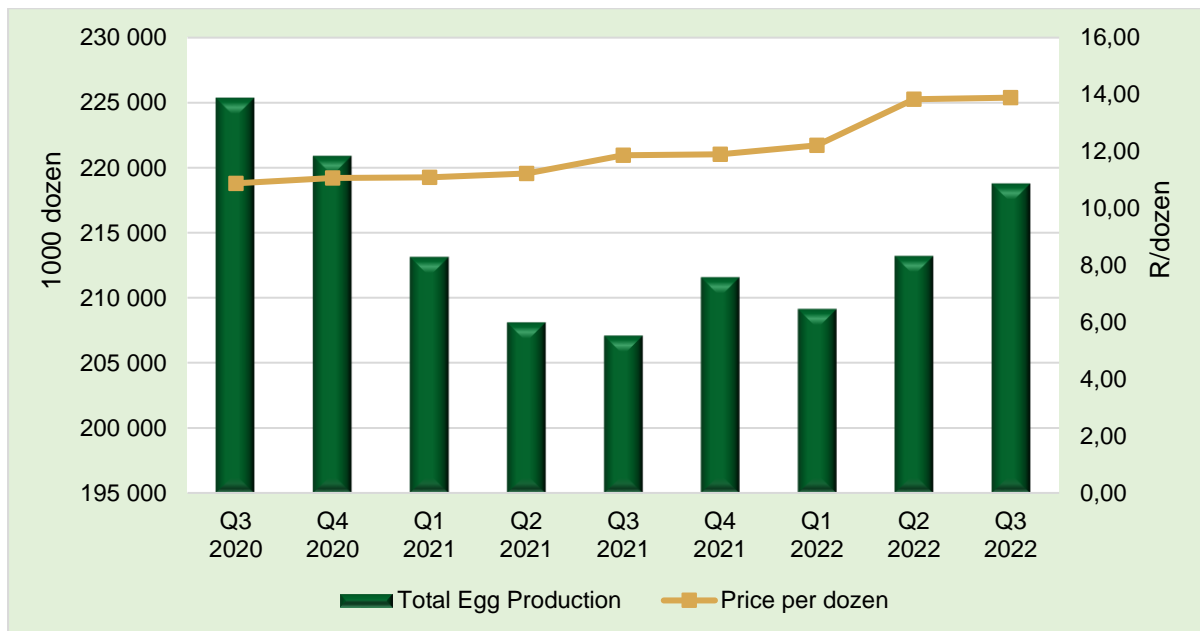


Figure 35: Trends in total egg production and average price per dozen eggs.

Source: DAFF

The South African egg industry meets local demand, supply chain disruptions, a related rise in input costs, the practice of load shedding by Eskom and high fuel prices make it difficult for the farmers to make long-term profits. Water scarcity and poor water sanitation also accentuate the hardships egg producers face. Some large egg producers e.g., Rainbow Chickens have turned solar power and sunk boreholes for water to better manage long-term costs.

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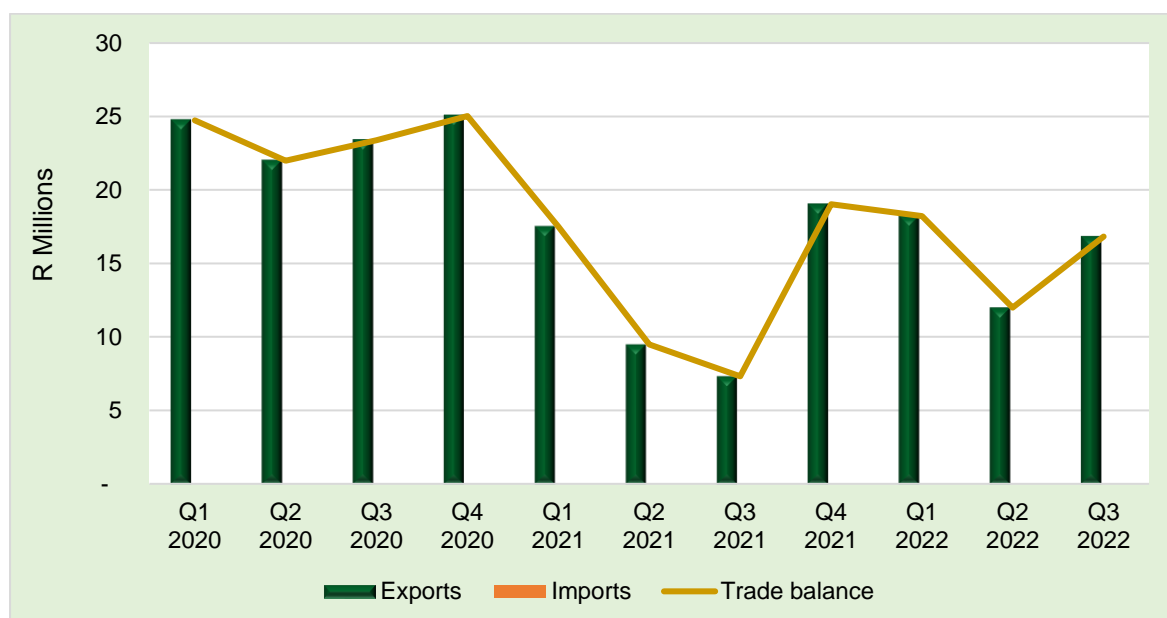


Figure 36: Trade balance of birds' eggs, in shell, preserved or cooked

Source: Trade map, 2021

Egg exports made a correction in Q3 as the global economy started recovering from the Covid pandemic, South Africa remained a net-exporter of bird eggs (in shell, fresh, preserved or cooked), see Figure 36. During the period, South Africa's trade balance for birds' eggs (in shell, preserved or cooked) increased by 129.9% in Q3: 2022 relative to Q3: 2021, to R 16,8 million from R7.3 million.

On a quarter-on-quarter basis, the trade balance for bird eggs (in shell, fresh, preserved or cooked) expanded whether, preserved or cooked) also expanded by supply and demand for eggs is healthy so that, exports could to be increased.

3.7 Trade of agricultural products

While the current-year outlook is more optimistic than earlier expectations, the stronger-than-expected economic growth in Q3: 2022 is encouraging, with the economy showing resilience despite persistent domestic bottlenecks (FNB, 2022). In Q3: 2022, agriculture's trade balance grew by 32.7% relative to Q3: 2021, despite the sector continuing to struggle with poor roads network and inefficiencies in the rail networks and ports. Inevitable spillovers, particularly the anticipated global economic slowdown will likely have implications for the domestic economy through the export and financial flow channels over the next three to eighteen months (FNB, 2022). Export market frictions, given a rise in protectionist policies, and continued geopolitical tensions pose additional risks to South Africa's agricultural trade.

The export value of agricultural products grew by 27.6% in Q3: 2022 relative to Q3: 2021, to R62,6 billion from R 49,1 billion. The main factors underpinning this is the sizeable agricultural output in the 2021/22 production season and higher commodity prices (Agbiz, 2022). Citrus, maize, nuts, wine as well as apples and pears were among the most critical products exported in Q3: 2022. The citrus industry had fears that citrus market access challenges South Africa faced in the EU, after plant regulations changes, would make a significant dent in export values in Q3: 2022. However, the temporary solution that industry and government advocated helped to ease trade flows and the outcome helped to prevent the dent in the agricultural export values in Q3: 2022.

There is still ongoing engagements between South Africa and the EU authorities for the long term, on the new citrus plant safety regulations, which involve stringent new cold treatment requirements (Agbiz, 2022).

In Q3: 2022, the import value of agricultural products grew by 22.8% relative to Q3: 2021, to R 31,2 billion from R 25,4 billion. South Africa relies on other countries for crucial food products such as wheat, rice, palm oil, sunflower oil, poultry and whiskeys. These products dominated the food import bill in Q3: 2022. Meanwhile, rice, wheat, and palm oil are some of the food products expected to lead the agricultural import product list for the remainder of the year. Aside from increases in the volume of food imports, the higher agricultural commodity prices also contributed to the high food import bill (Agbiz, 2022).

On a quarter-on-quarter basis, agriculture's trade balance grew by 53,3% in Q3: 2022 relative to Q2. The robust exports and a modest increase in imports contributed to the strong trade surplus. Moreover, the general solid global demand boosted domestic food supplies and agricultural export earnings (Agbiz, 2022). Meanwhile, the export value of agricultural products grew by 26.5% in Q3: 2022 relative to Q2 while the import value of agricultural products grew by 7.7% quarter-on-quarter. According to First National Bank (2022), indications point to economic weakness in the fourth quarter of 2022. However, despite the expected moderate decline in 2022, it is important to note that overall activity has remained strong and the sector maintained its core contribution of improving national food security and job creation (Agbiz, 2022).

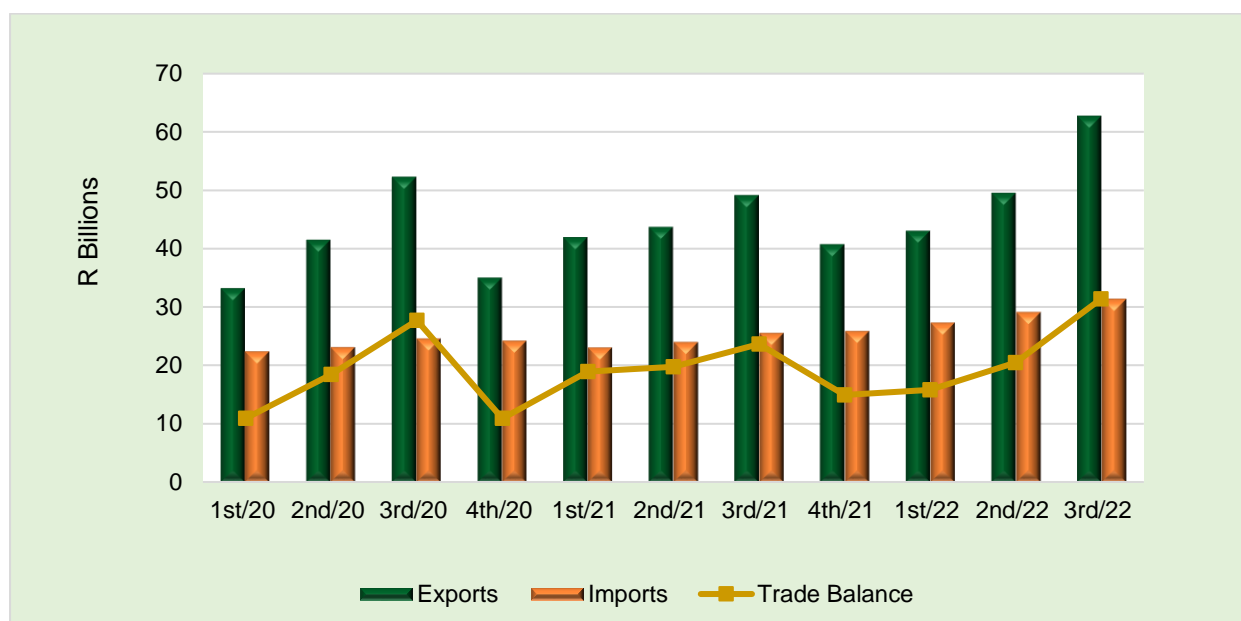


Figure 37: Trade balance of agricultural products

Source: Trade map, 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 China and United Kingdom. SA’s top three suppliers of agricultural products in Q3: 2022 were Indonesia, Thailand and Eswatini.

Table 5: SA’s top three largest export and import destinations of agricultural products in the 3rd Quarter of 2022.

Top three markets of agricultural products exported by SA	Value (Billion Rands) 3 rd Quarter 2022	% Share of total agricultural exports in 3 rd Quarter 2022	Top three suppliers of agricultural products to SA	Value (Billion Rands) 3 rd Quarter 2022	% Share of total agricultural imports in 3 rd Quarter 2022
Total	R 62,63	100		R 31,24	100
Netherlands	R 5,61	9.0	Indonesia	R 3,33	10.7
China	R 4,51	7.2	Thailand	R 2,29	7.3
United Kingdom	R 3,69	5.9	Eswatini	R 1,65	5.3

Source: Trade map, 2022

Figure 38 indicates the top five agricultural products imported by SA in Q3: 2022. The top five agricultural products imported by South Africa in Q3: 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 Q3: 2022. Meanwhile, figure 39 indicates the top five primary agricultural products exported by SA in Q3: 2022. The top five agricultural products exported by South Africa in Q3: 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 fourth quarter of the year. The export revenue from the sector remains encouraging, despite the trade frictions South Africa experienced with its citrus in the EU, wool in China and vegetables in Botswana and Namibia.

While the SA agricultural sector faces a range of exogenous challenges, from tough production conditions in grains and oilseeds, disease outbreaks in livestock, and trade barriers in horticulture, the resilience ensured that the core objectives, which are food security and job creation are met amid the intensified geopolitical tensions and rising input costs largely outside South Africa's control (Agbiz, 2022). There is still ample agricultural exports ongoing, which should support trade activity in the fourth quarter of the year.

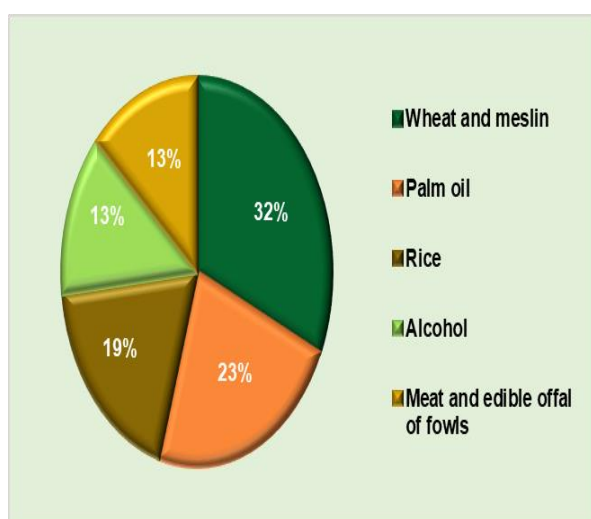


Figure 38: Top five agricultural products imported by SA
Source: Trade map, 2022

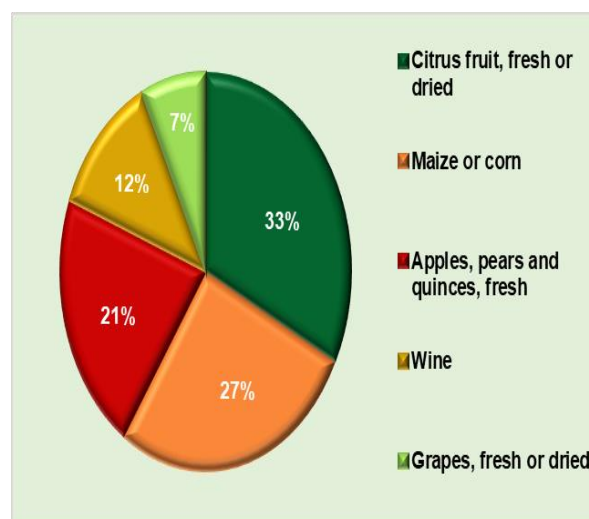


Figure 39: Top five agricultural products exported by SA
Source: Trade map, 2022

4. CONCLUSION

Global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook.

Despite record load shedding, as well as rocketing interest rates, food and fuel prices South Africa's economy grew faster than expected in the third quarter of 2022 avoiding a recession.

SA CPI average 7.6% compared to 6.6% in the same quarter of 2021, meanwhile food inflation average 11.3% in the third quarter of 2022 compared to 7.7% in previous quarter. The main contributors to the average 7,6% annual inflation rate were food and non-alcoholic beverages, housing and utilities, transport as well as miscellaneous goods and services.

South Africa's unemployment rate was at 32.9% in the third quarter of 2022, down from 33.9% in the prior period and below market estimates of 33.4%. Among sectors, manufacturing (123 000), trade (82 000), construction (46 000) and transport (33 000) saw the largest job gains, while jobs were cut in finance (80 000), private households (36 000) and mining and agriculture (1000) each.

In Q3: 2022, agriculture's trade balance grew by 32.7% relative to Q3: 2021, despite the sector continuing to struggle with poor roads network and inefficiencies in the rail networks and ports. Inevitable spill overs, particularly the anticipated global economic slowdown will likely have implications for the domestic economy through the export and financial flow channels over the next three to eighteen months.

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