

# Quarterly Economic Overview

OF THE AGRICULTURE, FORESTRY AND FISHERIES SECTOR



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## PREFACE

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

This publication, the *Quarterly Economic Overview of the Agriculture, Forestry and Fisheries Sector*, was developed because of a need within the Department of Agriculture, Forestry and Fisheries (DAFF) to be regularly informed on developments and expected economic trends in the agricultural sector. The quarterly report has been established as a regular feature in the directorate's work plan. 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 it as an indispensable reading for everyone interested in developments in the AFF and the South African AFF sector.

This issue looks at the economic developments in 2018: Q3, as well as the expected economic trends in the South African AFF sector as the domestic and global economies continue to face economic uncertainties.

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

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## EXECUTIVE SUMMARY

**Global growth prospects:** Real GDP growth rates for 2018: Q3 in the advanced economies of the following countries: Canada, France, United Kingdom and United States expanded by 0,5%, 0,4%, 0,6% and 0,9%, respectively, while Germany, Italy and Japan have slowed down by 0,2%, 0,1% and 0,6%, respectively, as compared to 2017: Q3.

Emerging markets and developing economies' real GDP growth for 2018: Q3: Real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa, Nigeria and Russia by 0,8%, 6,5%, 7,1%, 5,2%, 4,4%, 6,1%, 2,2%, 1,8% and 1,5%, respectively, as compared to 2017: Q3 figures.

**Global grain supply forecast:** The global grain supply forecast indicates a total grain increase of 0,7%, from 3,18 million metric tons in 2017: Q3 to 3,203 million metric tons in 2018: Q3. Global supply projections for 2018: Q3 for wheat, rice milled, oil seeds, oil meals and vegetable oils increased by 0,7%, 4,9%, 4%, 1,9% and 5,7%, respectively, while coarse grains and cotton decreased by 0,9% and 1,2%, respectively, as compared to 2017: Q3. The following global food products price indices in 2018: Q3, dairy, meat, oil and sugar reflect a steady decrease by 10%, 2,3%, 3% and 6,1%, respectively.

**South Africa's GDP:** South African's economy grew by 2,2% in 2018: Q3 following a decrease of 0,4% in 2018: Q2. The manufacturing industry was the main driver which grew by 7,5% from 0,6% in the second quarter.

The agricultural sector grew by 1,2% during 2018: Q3 and contributed 0,1% to the GDP. The growth in the agricultural sector is attributed to an increase in the production of field crops, horticulture and animal products.

**Inflation:** The annual average headline CPI for 2018: Q2 was 4,5%, which shows an increase of 0,4% from 4,1% of the previous quarter. Food inflation for 2018: Q2 was 3,3%, which shows a decrease of 0,8% from 4,1% of the previous quarter.

**Employment:** The unemployment rate in South Africa increased to 27,2% in 2018: Q2 from 26,7% in the previous period. The number of unemployed persons went up by 102 000 to 6,08 million from 5,98 million in the first quarter of the year. Employment fell by 90 16,29 million from 16,38 million in the previous period. Job losses occurred in the informal sector (73 000), formal (35 000) and in agriculture (3 000), while gains were recorded in private households (22 000). The number of people employed in the agricultural sector decreased by 0,4% in 2018: Q2, from 847 000 persons in 2018: Q1 to 843 000 persons in 2018: Q2—3 000 jobs lost in the sector.

The report also highlighted the quarterly tracking of the national/provincial dams' water levels and the quarterly review of the fertiliser industry.

**The grain market review section:** It reflects on quarterly price trends (domestic and international) and supply and demand of the following major products produced in South Africa: maize, wheat, soya bean, sorghum, sunflower and groundnuts, as well as the fruit and vegetable and meat industry reviews.

**Trade:** South Africa's agricultural trade balance grew by 5,5% in 2018: Q2 compared with 2017: Q2 to R13,17 billion from R12,49 billion. South Africa's agricultural export value increased by 5,3% while the import value of agricultural products increased by 5,2% during the same period.

**SA's trade balance of forestry products from 2015: Q1 to 2018: Q2:** During 2018: Q2, the forestry trade balance widened further into negative territory compared with 2017: Q2, from a positive trade balance of R2,44 billion in 2017: Q2 to a negative trade balance of R2,57 billion in 2018: Q2. Fisheries trade balance worsened further in negative territory compared to 2017: Q2, from a negative trade balance of R63,09 million in 2017: Q2 to a negative trade balance of R103,19 million in 2018: Q2.

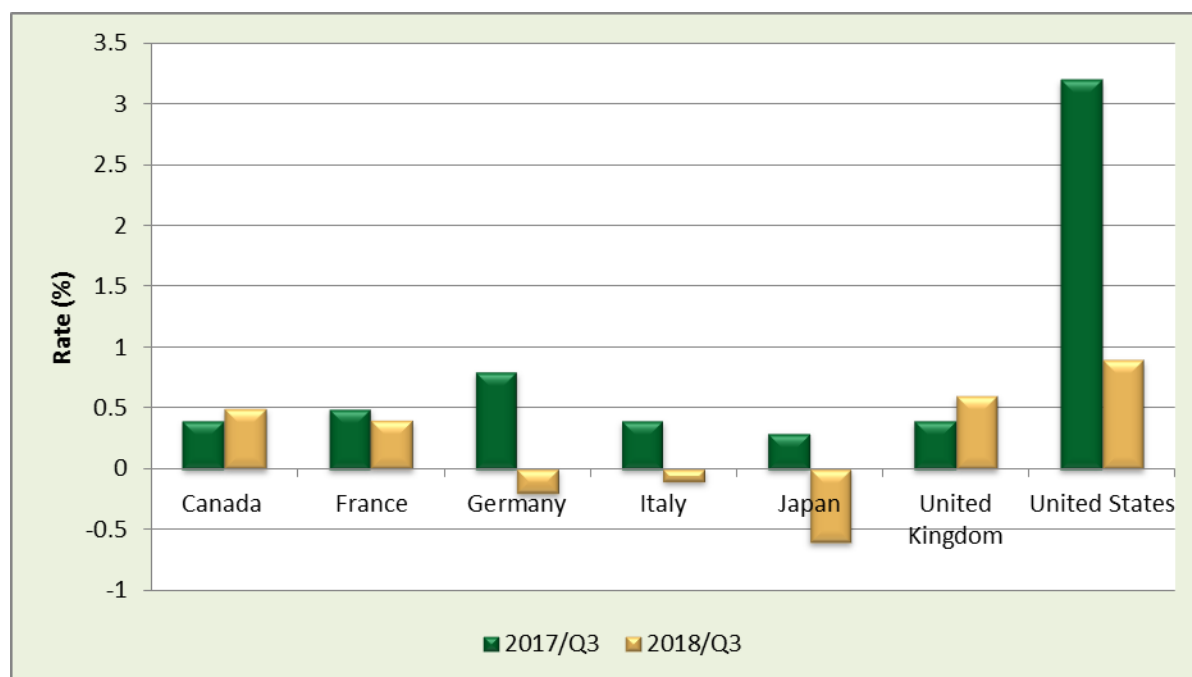


## **1 GLOBAL OVERVIEW OF THE AGRICULTURE, FORESTRY AND FISHERIES ECONOMY**

### **1.1 Global Real GDP Growth Rates**

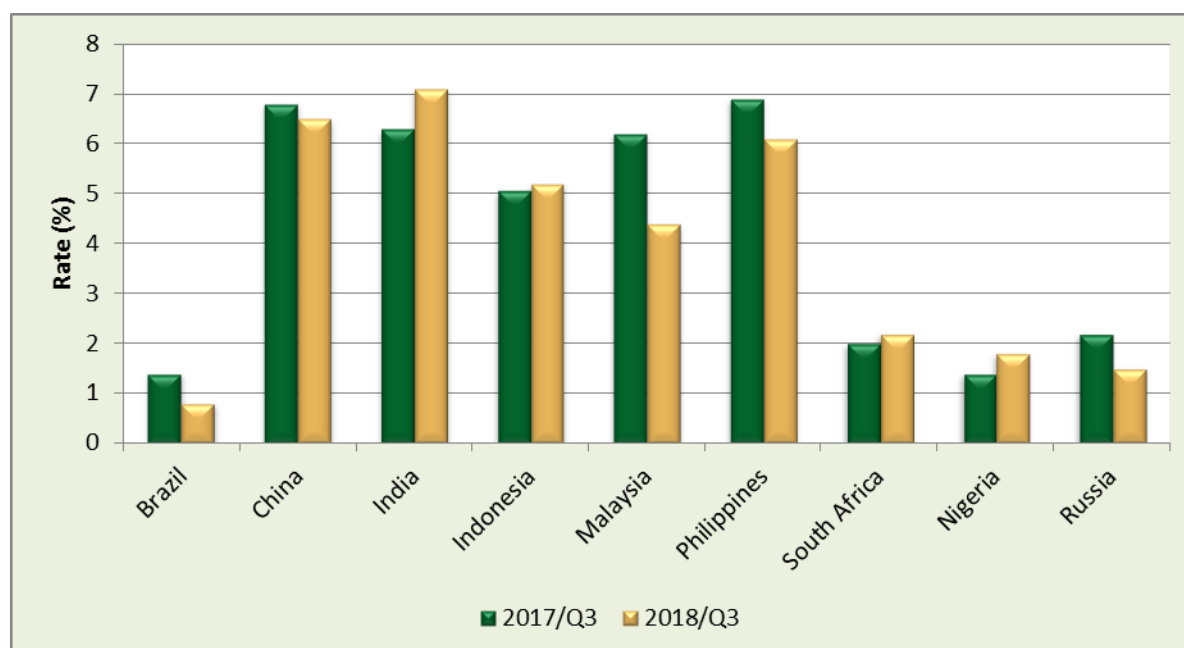
The International Monetary Fund (IMF) latest report on World Economic Outlook (WEO) Update, October 2018 has indicated that global growth is projected at 3,7% in 2018 and 2019, 0.2 percentage points below the April 2018 WEO, even though well above its level during 2012/16. Global growth is expected to remain steady at 3,7% in 2020, as the decline in advanced economic growth with the unwinding of the US fiscal stimulus and the fading of the favourable spill overs from US demand for trading partners is offset by a pickup in emerging market and developing economic growth. Thereafter, global growth is projected to slow down to 3,6% by 2022/23, largely reflecting a moderation in advanced economy growth.

Growth in advanced economies will remain well above the trend at 2,4% in 2018, before softening to 2,1% in 2019. Real GDP growth rates for 2018: Q3 in the advanced economies of the following countries: Canada, France, United Kingdom and United States expanded by 0,5%, 0,4%, 0,6% and 0,9%, respectively, while Germany, Italy and Japan have slowed down by 0,2%, 0,1% and 0,6%, respectively, as compared to 2017: Q3. See Figure 1 below.



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

According to the latest World Bank update report, October 2018 has indicated that growth in emerging markets and developing economies (EMDEs) is projected to reach 4,5% in 2018 before stabilising at 4,7% in 2019/20. The ongoing cyclical recovery in most EMDE regions with a substantial number of commodity exporters is expected to continue in the near term, but mature thereafter as commodity prices level off. Robust growth in EMDE regions with large numbers of commodity importers is projected to continue. A close look at the economic outlook for each region follows. Figure 2 indicates that in the emerging markets and developing economies, 2018: Q3 real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa, Nigeria and Russia by 0,8%, 6,5%, 7,1%, 5.2%, 4,4%, 61%, 2,2%, 1,8% and 1,5% respectively, as compared to 2017: Q3 figures.



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

## 1.2 Global Grain Forecast

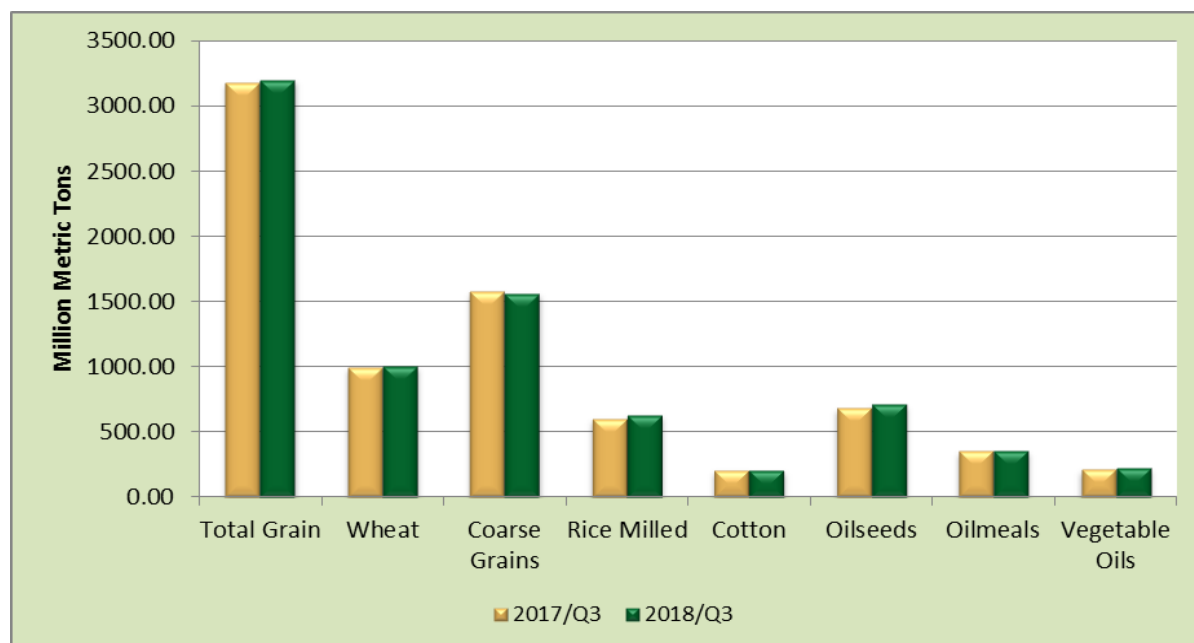
According to the latest World Agricultural Supply and Demand Estimates report of September 2018, it indicates that grain prices experienced the sixth straight year of bumper crops in the United States and around the world in 2018, but trade issues weighed on prices more than abundant supplies. A composite of the grain sector was down by 2,89% in 2016. The overall sector dropped by 14,48% in 2015 after falling 12,18% in 2014. In 2017, the sector posted a 6,03% gain despite bumper crops. In the first quarter, the grain sector of the commodities market continued to appreciate posting a 5,02% gain, but in Q2 the sector posted a 2,38% loss. In the third quarter, the sector moved 1,51% lower and is now 0,64% higher through the first nine months of 2018.

The harvest season is moving into full swing as we are now in the fall season in the northern hemisphere. According to the latest World Agricultural Supply and Demand Estimates report on September 12, crops this year are sufficient to meet global requirements. However, trade issues have distorted prices as the ongoing saga of tariffs and retaliatory measures between the US and China continues to impact prices. In the third quarter, the global population rose to over 7,5 billion. In 2000, just eighteen years ago, six billion people inhabited our planet. Today, the number has

grown by 25% and continues to rise, making the demand side of the equation for food a continually rising factor.

Grains are essential food for people and anything short of a bumper harvest around the world creates the potential of food shortages and that danger rises each year. In 2018, the world will consume more food than it did in 2017 and less than it will require in 2019. Therefore, the demand side of the equation for the grain sector will continue to increase while supplies are a year-to-year affair. The weather is always the most critical factor when it comes to the path of least resistance to grain prices at this time of the year.

The global grain supply forecast indicates a total grain increase of 0,7%, from 3,18 million metric tons in 2017: Q3 to 3,203 million metric tons in 2018: Q3. Global supply projections for 2018: Q3 of wheat, rice milled, oil seeds, oil meals and vegetable oils increased by 0,7%, 4,9%, 4%, 1,9% and 5,7%, respectively, while coarse grains and cotton decreased by 0,9% and 1.2%, respectively, as compared to 2017: Q3. See Figure 3 below.



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

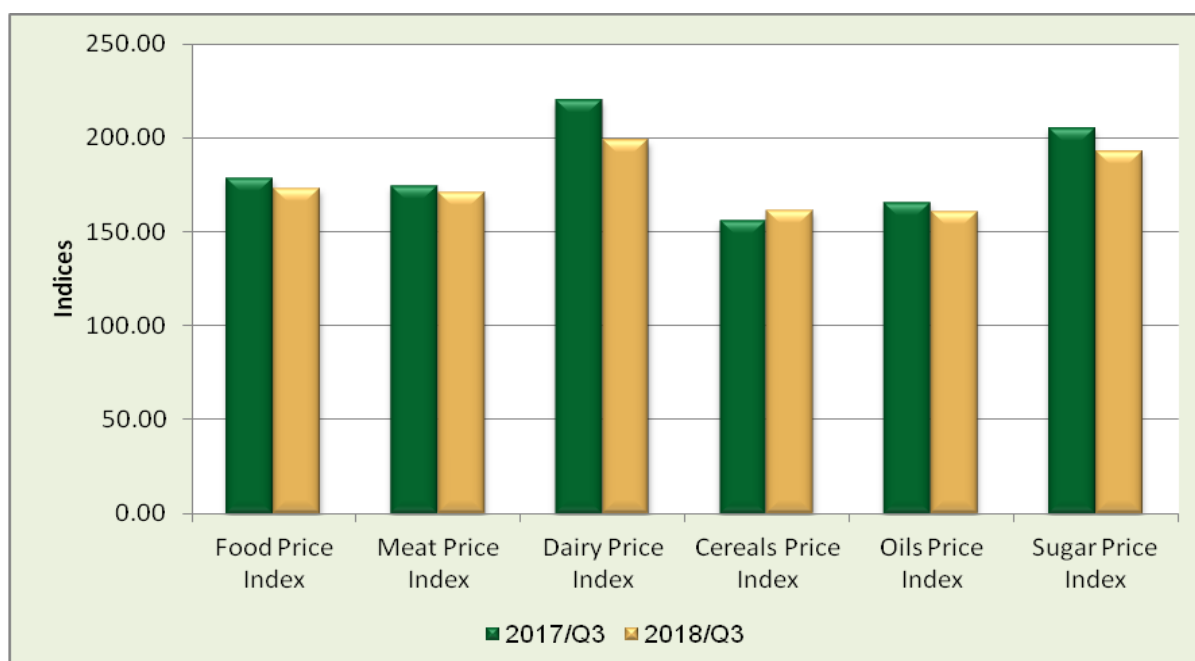
### 1.3 Global Food Prices

The FAO Food Price Index averaged 173.03 points at the end of the third quarter, down 3% from its level in 2018: Q2. The decline was driven primarily by lower benchmark price quotations for wheat, maize and vegetable oils including those made from soya beans. According to the FAO September report the international food commodity prices fell, the decline was the result of falling dairy, meat and oils prices, which more than offset a surge in sugar prices and a more moderate increase in the prices of cereals. Among the major cereals, maize quotations from the United States firmed the most, supported by strong export sales, while wheat prices also averaged higher, driven by a tighter supply outlook, especially in view of deteriorating crop prospects in Australia. By contrast, rice prices fell as harvest pressure, competition among exporters and currency movements weighed on Japonica and fragrant quotations.

Globally in 2018: Q3, some major countries were paying slightly less by 3% on food purchases compared to 2017: Q2. According to the FAO, an increase was the result of falling dairy, meat and oils prices, which more than offset a surge in sugar prices and a more moderate increase in the prices of cereals. The following global food products price indices in 2018: Q3, dairy, meat, oil and sugar reflect a steady decrease by 10%, 2,3%, 3% and 6,1%, respectively. The fall in the price of dairy reflects the growing evidence of increased export supplies across all major dairy products, especially from New Zealand. The decline in the price of sugar is attributed to negative production prospects in the major sugar producing regions, notably in India and Indonesia, mostly as a result of climate-related events. In Brazil, the world's largest sugar producer and exporter, the latest indications pointing to an increasing share of sugar cane output being used for ethanol production have also underpinned international sugar prices (FAO, 2018).

The slide in the price of oils was mostly driven by lower price quotations of palm oil, reflecting persistent pressure from large inventories held by major exporting countries amid sluggish global import demand. By contrast, international soya bean oil prices rebounded slightly, underpinned by robust demand from the biodiesel sector, while rape seed oil values were supported by reduced availabilities in the EU.

While price for cereals increased by 3,4%, the FAO Sugar Price Index went down due to concerns that dry weather in Brazil, the world's largest sugar producing and exporting country, would negatively affect sugar cane yields and production. The figure below illustrates.



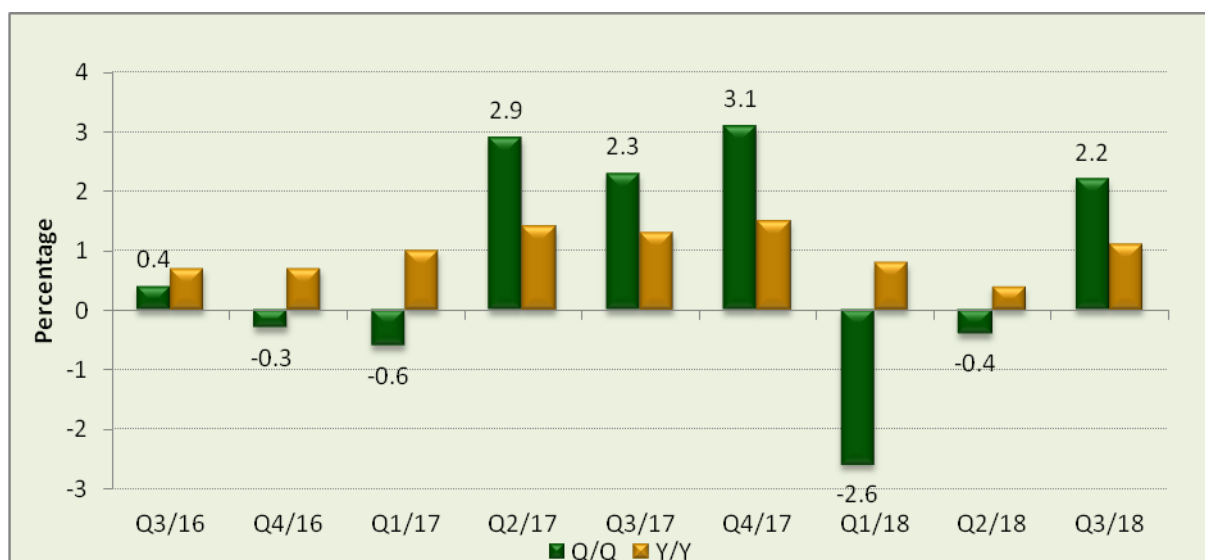
**Figure 4:** Quarterly global food price indices  
Data Source: FAO

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

### 2.1 Growth

Statistics South Africa's data for 2018: Q3 confirms that the end of recession following positive growth in 2018: Q3. According to Stats SA, this brings an end to the country's second recession since 1994. South African's economy grew by 2,2% in 2018: Q3 following a decrease of 0,4% in 2018: Q2 (see Figure 5 below). The growth in the economy is supported by higher contribution in a number of industries during 2018: Q3. During 2018: Q3, manufacturing industry was the main driver. The manufacturing industry grew by 7,5% from 0,6% in the second quarter. The big jump in manufacturing is attributed to increased production of basic iron and steel. The finance, real estate and business service industry and the transport, storage and

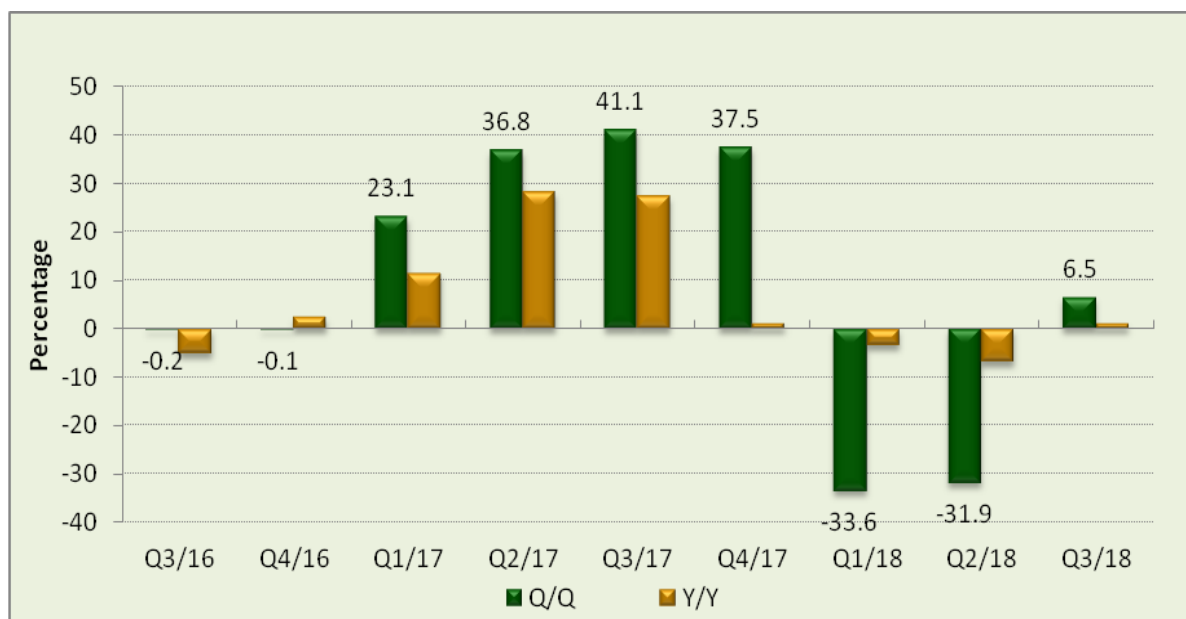
communication industry were the second largest contributor to GDP: Each contributed 0,5% and grew by 2,3% and 5,7%, respectively, during 2018: Q3.



**Figure 5:** Domestic real GDP growth  
Source: Stats SA

The agricultural sector, which also entered into a technical recession, also ended a recession in the third quarter. The sector grew by 1,2% during 2018: Q3 and contributed 0,1% to the GDP (see Figure 6 below). The growth in the agricultural sectors is attributed to an increase in the production of field crops, horticulture and animal products (Stats SA). In contrast, the mining and quarrying industry reported a negative growth of 0,7% in the third quarter from a revised 0,6% growth in the second quarter and contributed negative 0,7% to the GDP in 2018: Q3. Lower production of platinum group metals, iron ore, gold, copper and nickel contributed to lower growth in the mining industry.

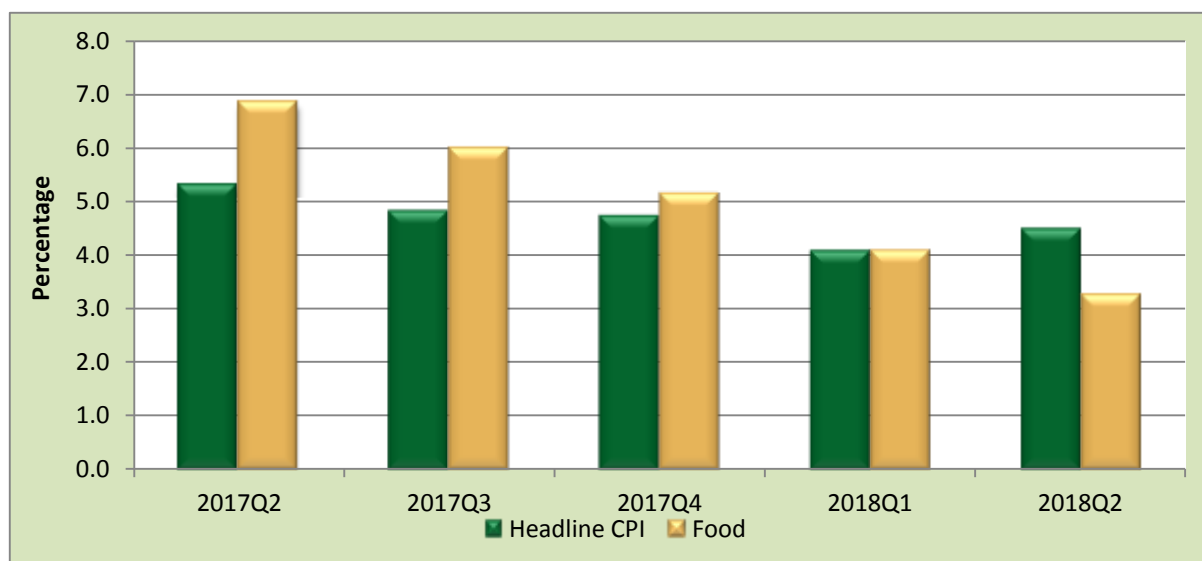




**Figure 6:** Agriculture, forestry and fisheries sector growth rates  
Source: Stats SA

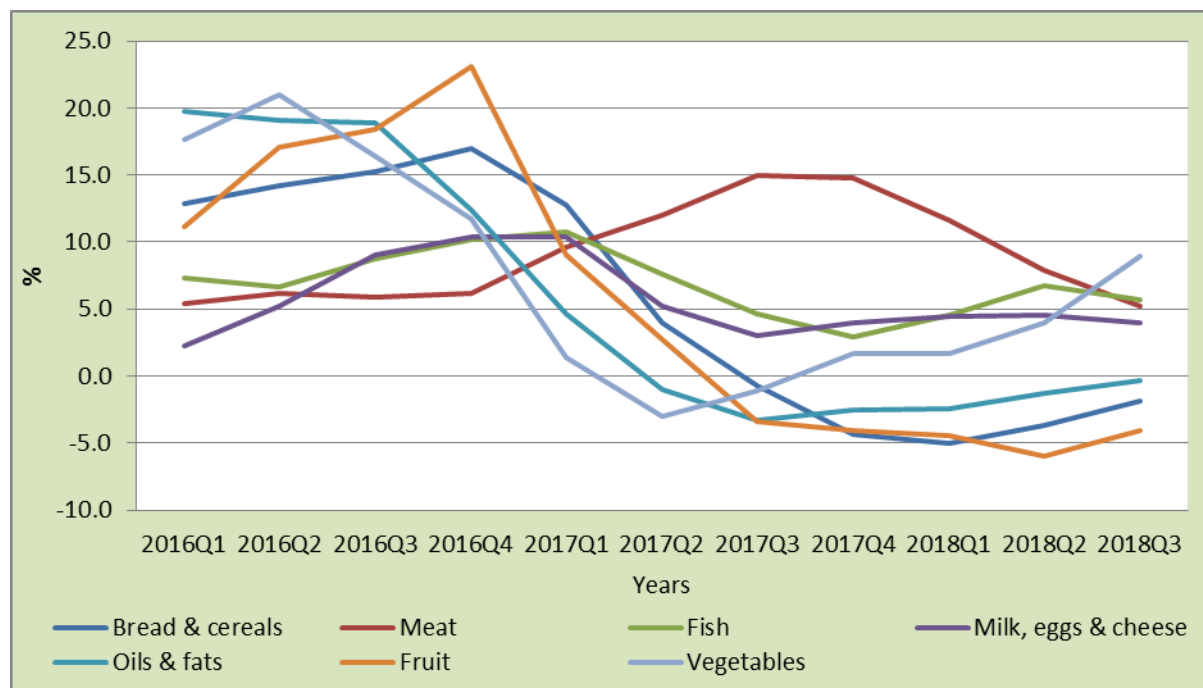
## 2.2 Inflation

South Africa's annual headline CPI and the food inflation from 2017: Q3 to 2018: Q3 is illustrated in Figure 7 below. The annual average headline CPI for 2018: Q3 was 5%, which shows an increase of 0,5% from 4,5% of the previous quarter. Food inflation for 2018: Q3 was 3,1%, which shows a decrease of 0,2% from 3,3% of the previous quarter. The increase in headline CPI can be attributed to the depreciation of the R/\$ exchange rate as well as the increased crude oil price. The decrease in food inflation could be attributed to the robust recovery in agricultural production. The 2017 total summer grain and oilseed harvest is estimated at 19,9 million tons, which is double the previous season's first volume. This has led to a widespread decline in agricultural commodity prices. For example, white maize spot price currently trades at levels around R1 876 tons, which is 45% lower than the same period last year, the prices of bread and cereals, fruit, oils and fat, sugar, sweets and desserts also decrease year-on-year. Looking ahead, there are positive prospects regarding the upcoming summer crop production season, with the South African Weather Service forecasting widespread rainfall between November 2017 and February 2018. Overall, this should keep agricultural commodity prices at relatively lower levels for some time.



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

Figure 8 below illustrates consumer trends of selected food items from 2017: Q1 to 2018: Q3. 2018: Q3 data for selected food items show that the CPI for vegetables, fish and meat were generally expensive compared to other food items. On a quarterly basis, the CPI for vegetables was the most expensive with a CPI of 8,9%, up from 4%, followed by fish and meat with a CPI of 5,7% and 5,2%, respectively, in 2018: Q3. According to Agbiz (2018), the scale of an increase in meat inflation came as a surprise given that cattle slaughtering activity had improved in the most recent months. Furthermore the increase in meat CPI could also be attributed the outbreak of avian influenza (bird flu) because of its higher weighting within the food inflation basket. Bread and cereals, oils and fats; and fruit were the least expensive food items which recorded a negative CPI of 1,9%, 0,3% and 4,1%, respectively, in 2018: Q3.



**Figure 8:** CPI for selected food items  
Source: Stats SA

## 2.3 Employment

The unemployment rate in South Africa rose to 27,5% in 2018: Q3 from 27,2% in the previous quarter. It has been the highest jobless rate since 2017: Q3. The working-age population increased by 153 000 or 0,4% in 2018: Q3 compared to 2018: Q2. The number of employed persons increased by 92 000 to 16,4 million and the number of unemployed persons rose by 127 000 to 6,2 million in 2018: Q3. The absorption rate remained unchanged at 43,1% and the unemployment rate increased by 0,3 of a percentage point to 27,5%.

In the same period, the informal sector recorded employment gains of 188 000, while the formal sector, private households and agriculture recorded declines in employment. The amount of discouraged work seekers declined by 131 000 while the number of other not economically active persons increased by 65 000, resulting in a decrease of 66 000 which is 0,4% of the number of people not in the labour force between the second and third quarters of 2018. Compared to a year ago, employment increased by 1,2% (188 000), unemployment decreased by 1 000 and

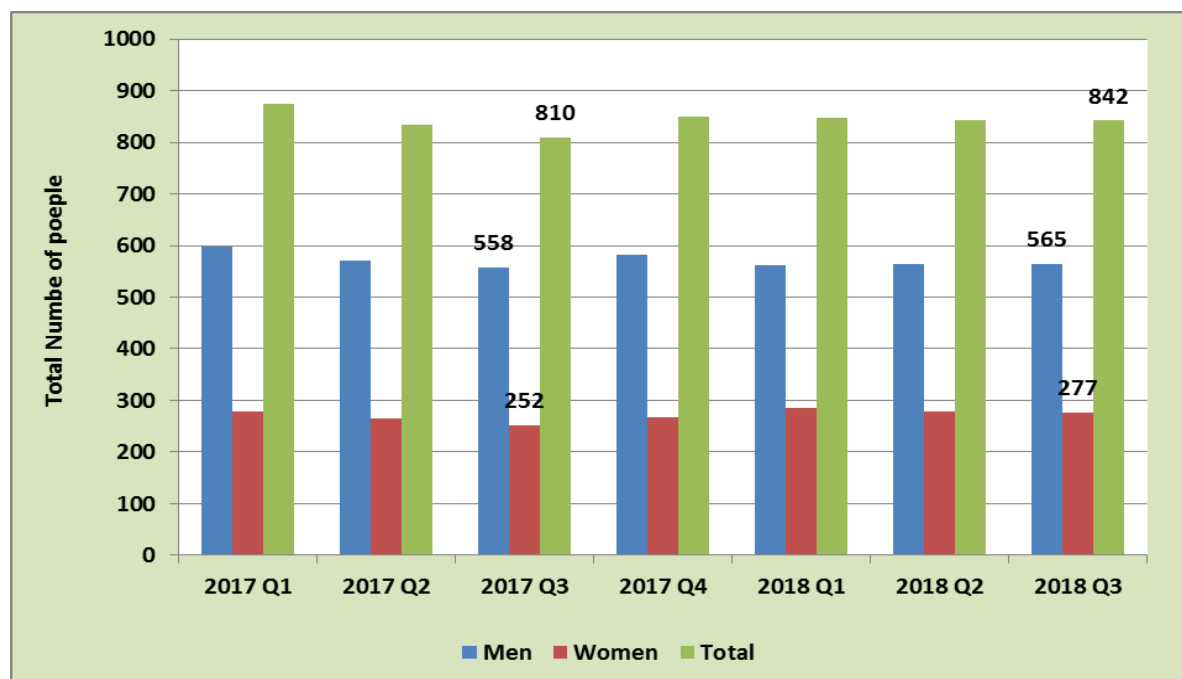
the number of persons who were not economically active increased by 2,8% (424 000) and 297 000 being discouraged work seekers.

The number of employed persons declined in seven of the ten industries. However, these declines were offset by employment gains in finance and other business services (102 000), trade (86 000) and construction (27 000) industries, which resulted in a net increase of 92 000 in 2018: Q3. The industries that recorded largest declines in employment were private households (which declined by 30 000), mining (29 000) and manufacturing (25 000). Compared to the same period last year, employment gain of 188 000 jobs was largely driven by construction (137 000), community and social services (59 000) and finance and other business services (38 000). Employment gains were recorded in seven of the nine provinces. The largest employment increases were recorded in Limpopo (41 000), Gauteng (22 000) and Mpumalanga (20 000), while Free State and Eastern Cape were the only provinces that recorded employment losses of 14 000 and 13 000, respectively.

Compared to 2017: Q3, employment increased in six of the nine provinces, with KwaZulu-Natal recording the largest employment increase of 98 000 persons, followed by the Western Cape with 95 000. During the same period, employment losses were recorded in the Free State (48 000), Eastern Cape (31 000) and North West (4 000). The official unemployment rate increased by 0,3 of a percentage point in 2018: Q3 compared to 2018: Q2. The official unemployment rate decreased in five of the nine provinces, with the largest declines in the unemployment rate recorded in the Northern Cape (down by 1,9 percentage points), Mpumalanga (down by 0,7 of a percentage point), and Limpopo (down by 0,4 of a percentage point). However, the declines were offset by increases in the unemployment rate in four provinces. Year-on-year, the official unemployment rate declined by 0,2 of a percentage point. The largest declines were recorded in Northern Cape (2,9 percentage points), followed by KwaZulu-Natal (1,6 percentage points) and Western Cape (1,5 percentage points).

Compared to 2018: Q2, the expanded unemployment rate increased by 0,1 of a percentage point in 2018: Q3 to 37,3%. The largest increases were recorded in the Free State (1,4 percentage points), followed by Limpopo (0,7 of a percentage point).

Compared to 2017: Q3, the expanded unemployment rate also increased by 0,5 of a percentage point, with Free State recording the largest increase of 3,0 percentage points, followed by Limpopo with 2,3 percentage points.

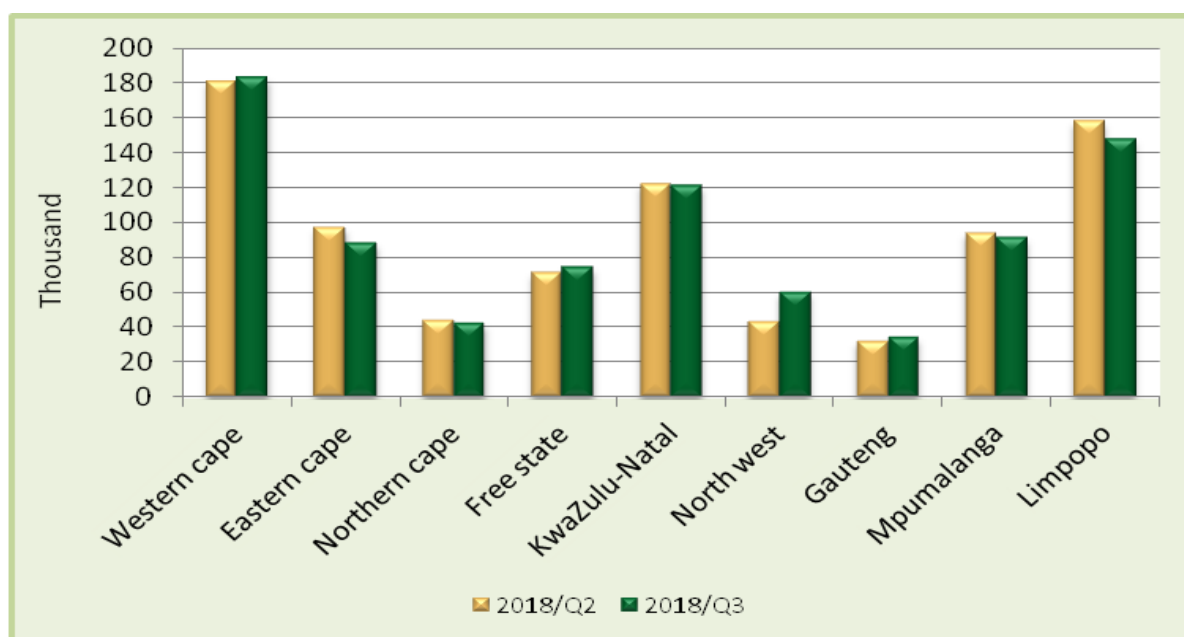


**Figure 9:** Total number of people employed in the agriculture sector between 2018: Q2 and 2018: Q3  
Source: DAFF

The number of people employed in the agriculture sector decreased by 0,2% in 2018: Q3, from 843 000 persons in 2018: Q2 to 842 000 persons in 2018: Q3. All the 1 000 jobs lost in the sector were lost by women, while those of men remain unchanged between the two quarters. In total, the agricultural sector comprised of 277 000 women and 565 000 men in 2018: Q3 compared to 278 000 women and 565 000 men in 2018: Q2.

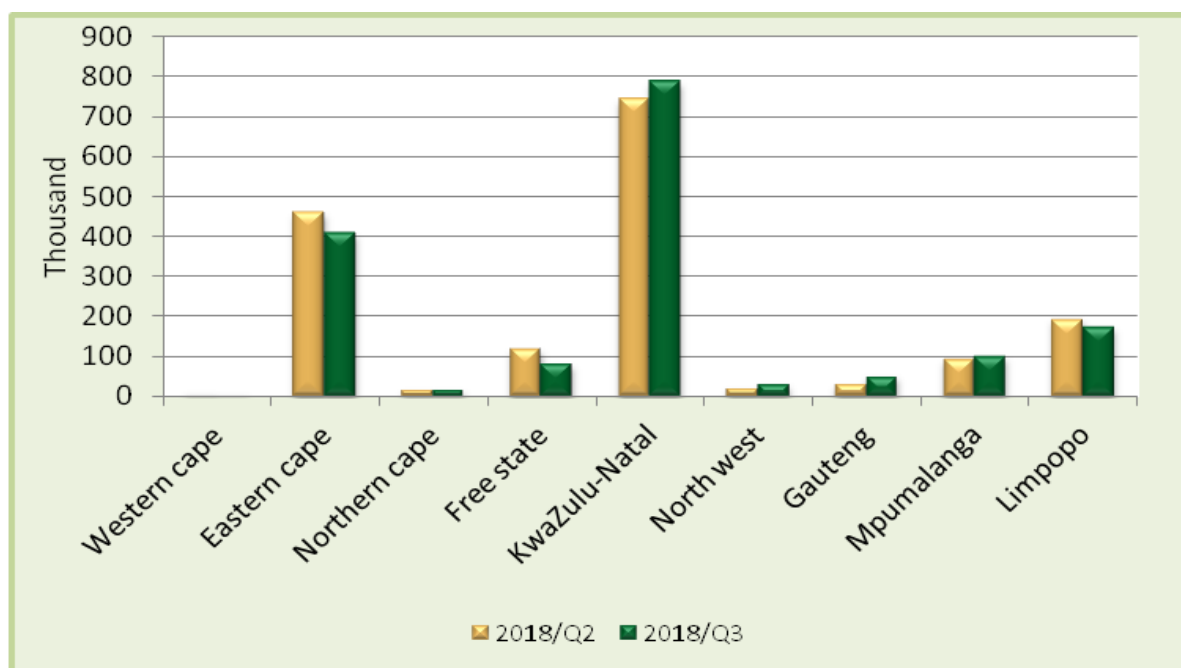
Figure 10 below shows that between 2018: Q2 and 2018: Q3, provincial agriculture employment increased in only four provinces, while it decreased in the other five provinces. For provincial agriculture, employment increased in the Western Cape and the province remained with the highest employment of 183 000 in agriculture, which is a 1,2% increase in the third quarter compared to the second quarter. During the same period agriculture employment in the Free State, North West and Gauteng also increased by 4,2%, 38,5% and 5,6%, respectively. However, agriculture employment in Eastern Cape, Northern Cape, KwaZulu-Natal, Limpopo and

Mpumalanga decreased by 8,9%, 5,4%, 1,0%, 6,4% and 2,8%, respectively, between the two quarters.



**Figure 10:** Provincial agriculture, employment between 2018: Q2 and 2018: Q3.  
Source: DAFF

The 2018: Q2 (QLFS) also indicates that 1,66 million people were involved in subsistence farming in 2018: Q3 compared to 1,69 million people in 2018: Q2, a decrease of 1,7%. Figure 11 below illustrates the number of people involved in subsistence farming in all provinces in 2018: Q3 compared to the previous quarter. KwaZulu-Natal had the highest number (790 000) people involved in subsistence farming compared to 744 000 in the previous quarter, an increase of 6,3%. Meanwhile, Eastern Cape had 409 000 people involved in subsistence farming compared to 461 000 in the previous quarter, a decrease of 11,1%. During the same period the number of people involved in subsistence farming in the Western Cape, Northern Cape, Free State and Limpopo also decreased by 38,9%, 0,3%, 31,5%, and 9,7%, respectively, while the number of people involved in subsistence farming in Gauteng, North West, and Mpumalanga increased by 69,1%, 44,6% and 4,2% between the two quarters.



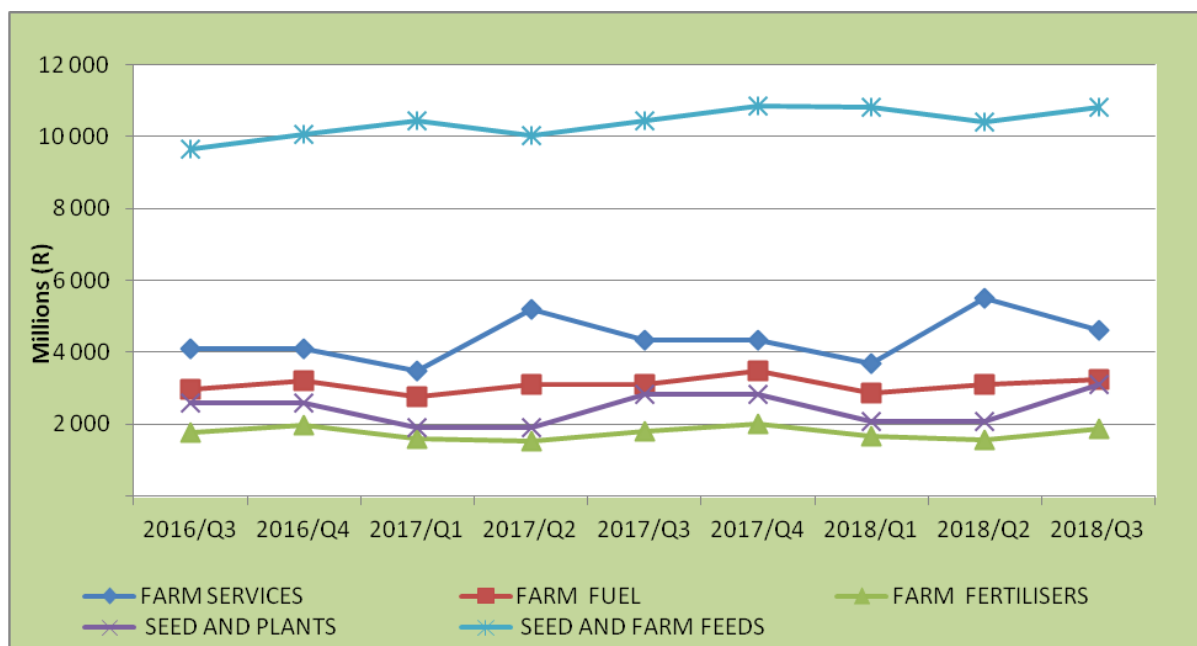
**Figure 11:** Provincial number of people involved in subsistence farming between 2018: Q2 and 2018: Q3  
Source: DAFF

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

The total expenditure on intermediate goods and services was reported at R39.8 billion in 2018: Q3 compared to R37.0 billion in the previous quarter, an increase of 7,73%. Compared to a year ago, the total expenditure on intermediate goods and services increased by 7,23% from R37.14 billion in 2017: Q3 to 39.82 billion in 2018: Q3.

Figure 12 shows a comparison of the total expenditure on farm services, farm fuel, fertilisers, seeds and plants as well as farm feeds in 2018: Q3 compared to the previous quarter. The increase in total expenditure was attributed to the increase in expenditure on seed and plants by 50,0%, fertiliser by 18,2%, fuel by 5,0% and farm feeds by 4,2%, while the expenditure on farm services decreased by 4,2% compared to the previous quarter.



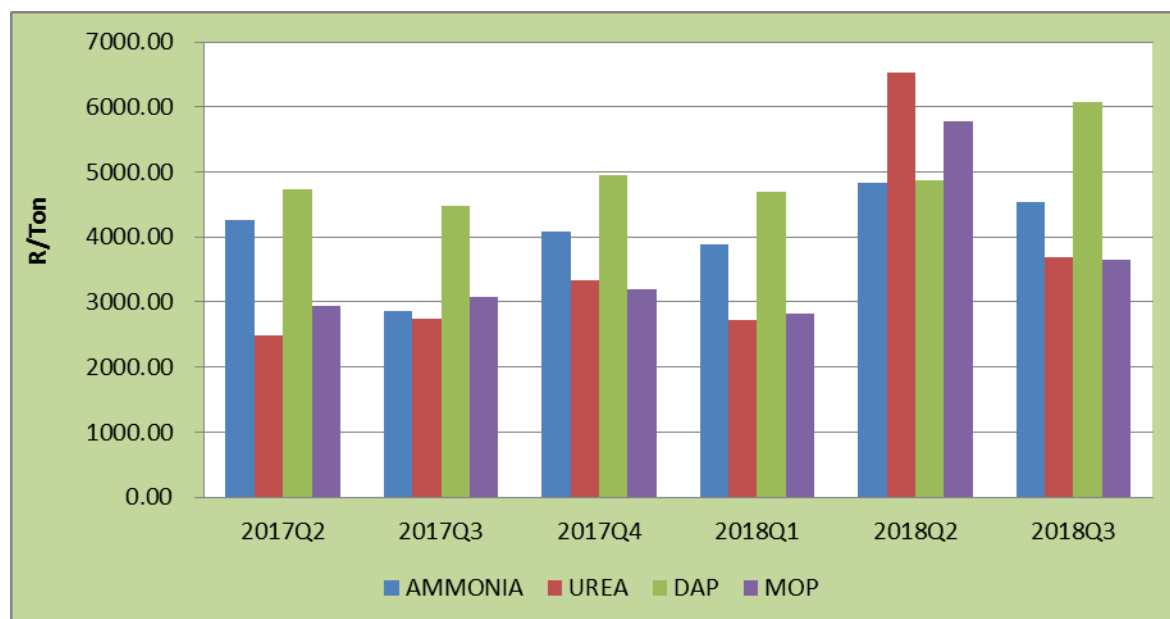


**Figure 12:** Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2016: Q3 and 2018: Q3  
 Source: DAFF

## 2.5 South African fertiliser market review

### 2.5.1 International fertiliser prices

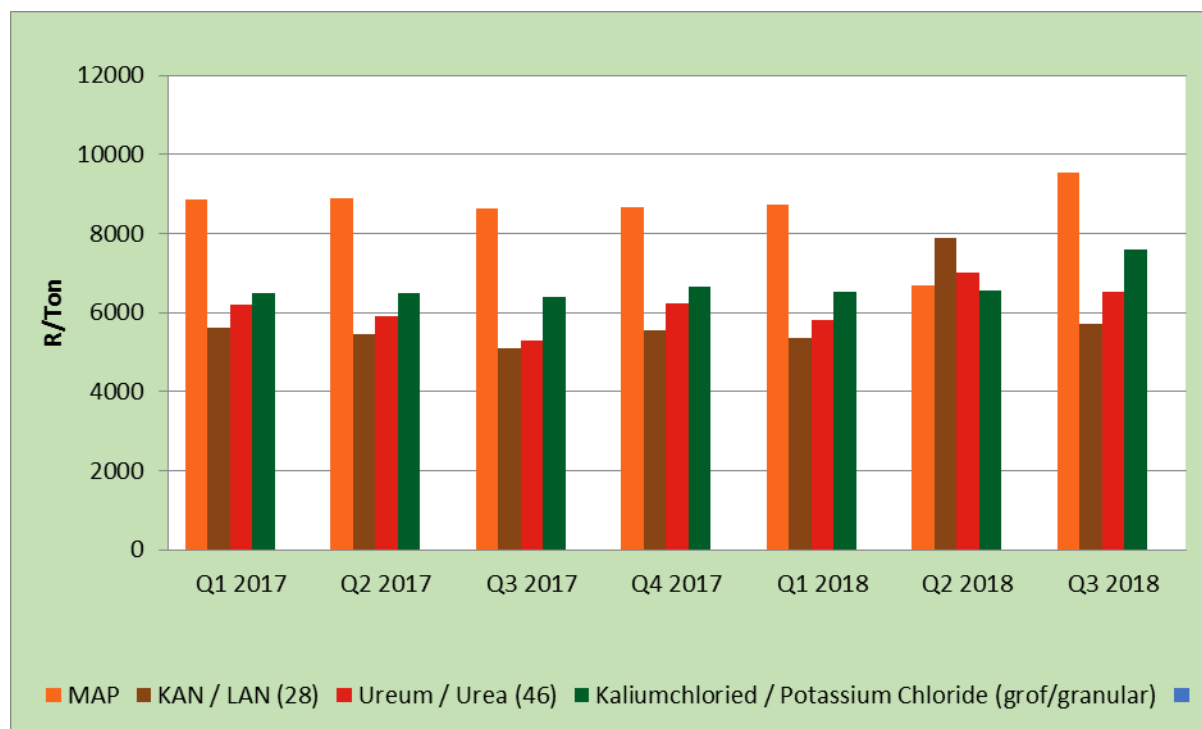
The average prices for all four international fertilisers show a decreasing trend between Q2 and Q3 of 2018. The average price in Rand terms of ammonia increased by 6% between Quarter 2 and Quarter 3 of 2018. Average prices of Urea, and MOP also decreased by 43%, 36,96%, respectively. Figure 13 shows the international fertiliser prices.



**Figure 13:** Average monthly prices of international fertilisers in Rand terms  
Source: Grain SA

### 2.5.2 South African fertiliser

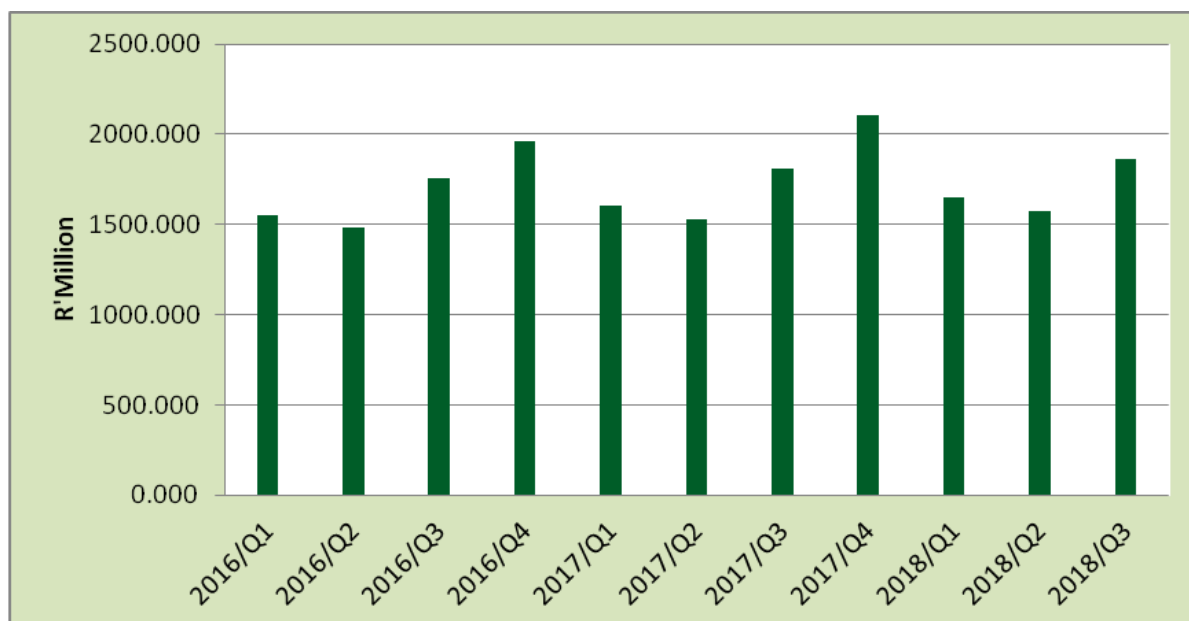
Figure 14 below shows average fertiliser prices in South Africa from 2017: Q1 to 2018: Q3. Average fertiliser prices of the main local fertilisers fluctuated in 2018: Q3 following the trend of international fertiliser prices. Mono-Ammonium Phosphate (MAP) increased by 42,22% from R6 701 in 2018: Q1 to R9 531 in 2018: Q3; on the other hand, Lime Ammonium Nitrates (LAN) and Urea decreased by 27,68%, and 6,88%, respectively, when compared to the previous quarter. When comparing data from 2017: Q3 with 2018: Q3, all major fertilisers increased MAP by 10,37%, Lime Ammonium Nitrates (LAN) increased by 12,17%, Urea by 4,92% and lastly, potassium increased slightly by 18,66%.



**Figure: 14** South Africa average fertiliser prices  
Source: Grain SA

### 2.5.2.1 South African fertiliser expenditure

South African expenditure on fertiliser shows a fluctuating trend from 2016: Q1 to 2018: Q3. The fluctuation is as the results of changes in the area planted and the seasonality of the agricultural crops. The expenditure on fertiliser in 2018: Q3 was R1 864,300 million while in 2018: Q2 it was R1 547,484 million, this represents an 18% increase in fertiliser expenditure. The increase in the quantities consumed for fertilisers can be attributed to the fact the majority of the grain crops which account for a large amount of hectares of land were in planting season in 2018: Q3, On year-to-year the expenditure on fertilisers have increased by 3% between 2017: Q3 and 2018: Q3 from R1 810 million in 2017 to R1 864,300 in 2018. See Figure 15.

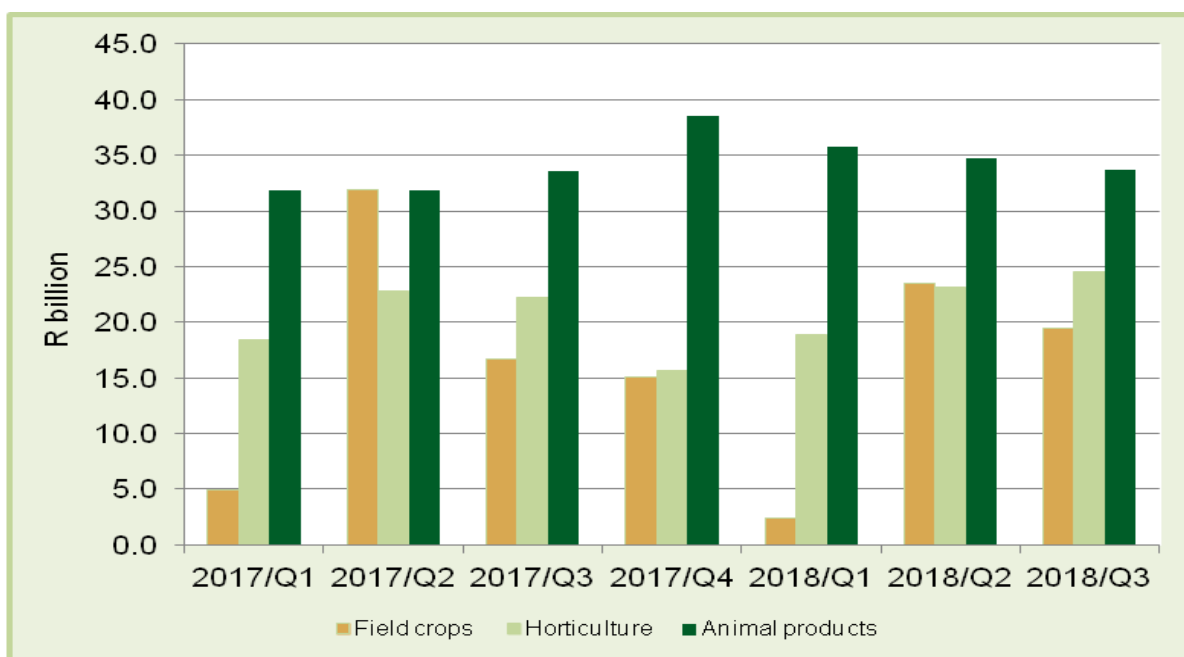


**Figure 15:** Expenditure of South African fertiliser from 2016: Q1 to 2018: Q3  
Source: DAFF

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

Figure 16 below illustrates that the nominal real gross income for all agricultural products decreased from R81.3 billion in 2018: Q2 to R77.8 billion in 2018: Q3, a decrease of 4,3%. The decrease was largely supported by a decrease in income from field crops and animal products, which decreased by 17,1% and 2,8%, respectively, while income from horticulture products increased by 6,3% between the two quarters.

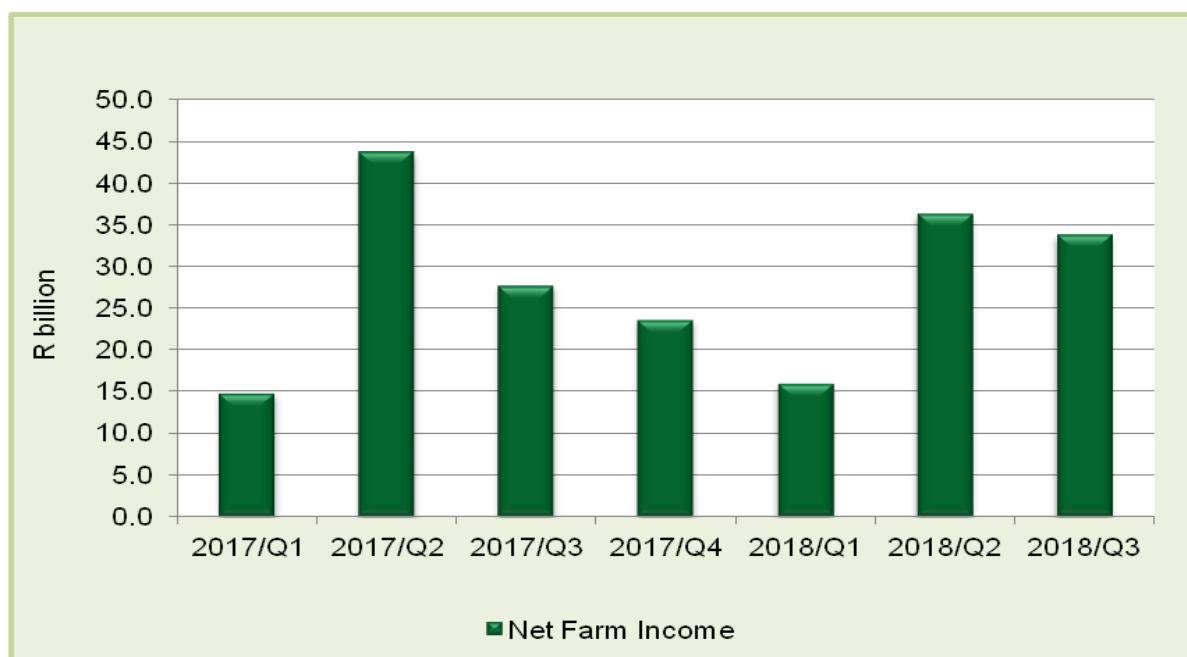
Compared to a year ago the nominal real gross income for all agricultural products increased from R72.6 billion in 2017: Q3 to R77.8 billion in the same quarter of 2018, an increase of 7,1%. During this period the increase was largely supported by an increase in income from field crops, horticulture and animal products that increased by 16,6%, 10,3% and 0,3%, respectively.



**Figure 16:** Trends in nominal gross farm income between 2017: Q1 and 2018: Q3  
Source: DAFF

## 2.7 The net farm income

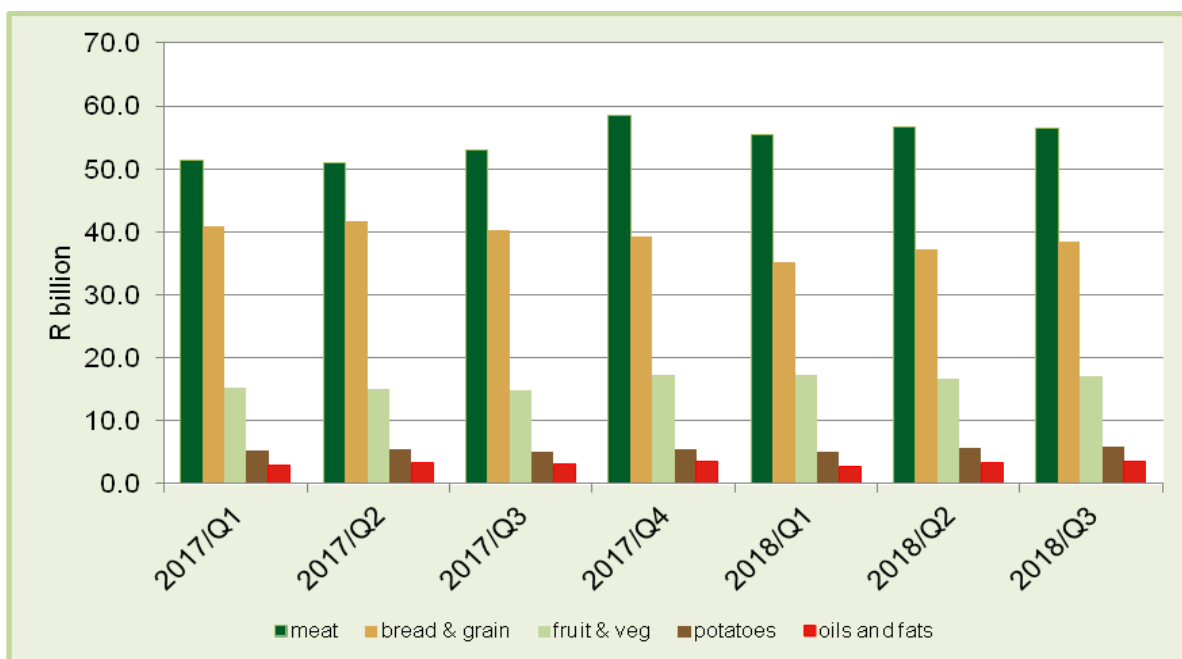
Figure 13 below illustrates the net farm income trends between 2017 and 2018. The net farm income is estimated at R33.7 billion in 2018: Q3 compared to R27.7 billion in the same quarter of 2017, an increase of 22,0%. During this period the increase in net farm income was largely supported by an increase in income from field crops, horticulture and animal products that increased by 16,6%, 10,3% and 0,3%, respectively.



**Figure 17:** Trends in the net farm income between 2017: Q1 and 2018: Q3  
Source: DAFF

## 2.8 Private consumption expenditure on agricultural products

Figure 18 below shows that private consumption expenditure on food increased in 2018: Q3 to R167.0 billion from R159.9 billion in the previous quarter, an increase of 4,4%. Compared to a year ago, total private consumption expenditure on food increased to R167.0 billion reported in 2018: Q3 compared to R158.1 billion in the same quarter of 2017, an increase of 5,6%. During this period the main expenditure items were meat, potatoes as well as fruit and vegetables, which increased by 6,5%, 14,7% and 14,0%, respectively. The expenditure on oils and fats also increased by 7,7% between the two quarters, while the expenditure on bread and grain decrease by 4,5% during the same period.

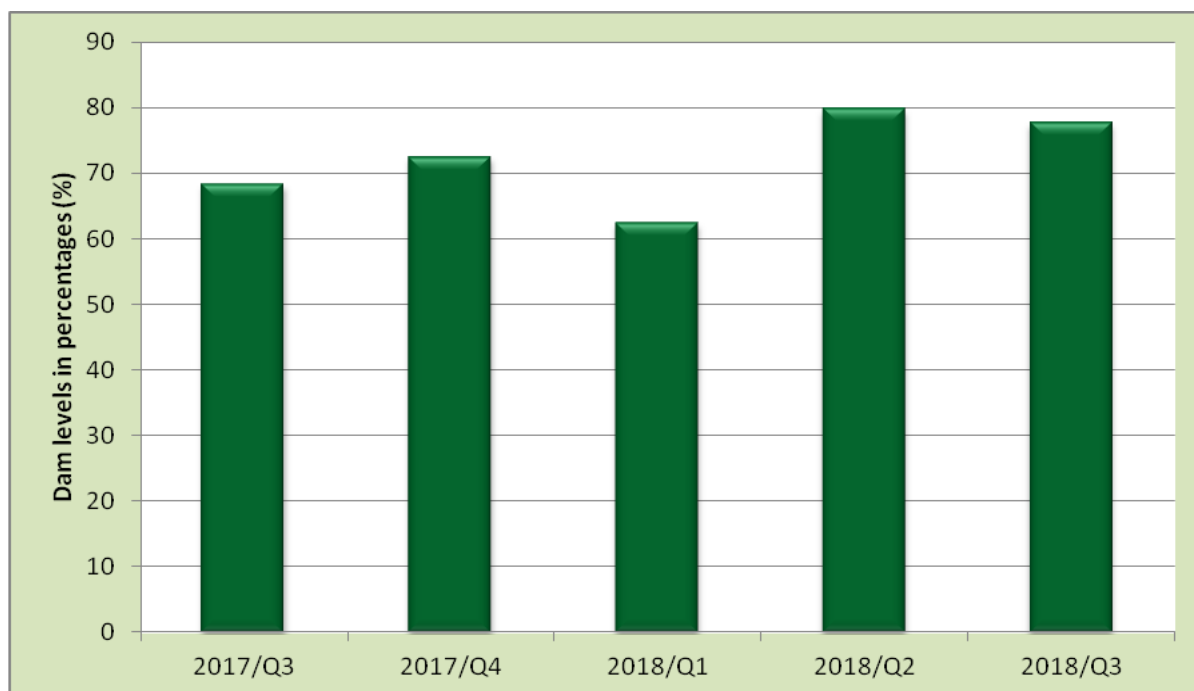


**Figure 18:** Trends in private consumption expenditure between 2018: Q2 and 2018: Q3  
Source: DAFF

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

South Africa’s dam levels are significantly higher in 2018: Q3 as compared to the same period the last year. When comparing y/y the overall South African dam levels increased by 14% in 2018: Q3 from 68% in 2017: Q3 to 78% in 2017: Q3. Between 2018: Q2 and 2018: Q3, the dam water levels marginally decreased by 3% from 80% in 2018: Q2 to 78% in 2018: Q3. A report by DWS suggests that, as we approach the hot weather months, more water will also be lost through evaporation, therefore it is crucial that we all play our part in conserving and using the available water wisely and in a sparing manner. With climate change part of us, we are not guaranteed good rains to fill up our dams.





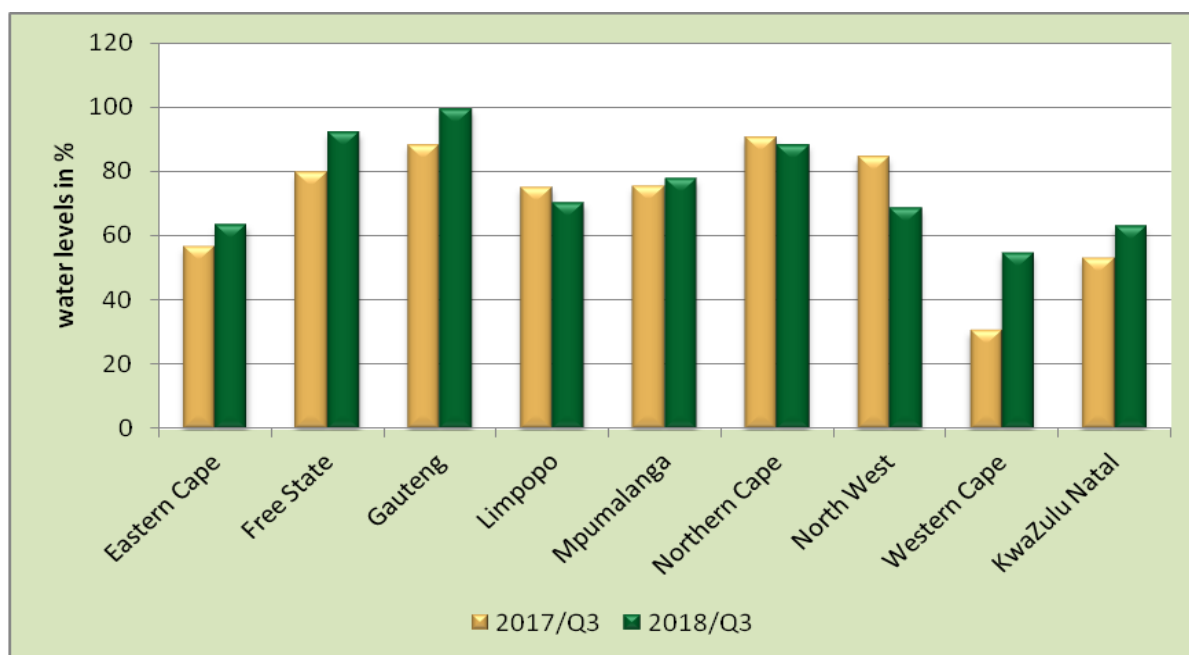
**Figure 19:** Total dam levels in 2018: Q3  
 Source: Department of Water & Sanitation (DWS)

## 2.10 Provincial average dam levels

The Western Cape catchments received significant rainfall during the month of August. The Department of Water and Sanitation (DWS) has reported that the dam level assessment report of 27 August 2018 suggests that the dam levels of the Western Cape Water Supply System (WCWSS) have reached 61,94%. The Theewaterskloof, which is the largest dam, has reached 45,27%. South Africa's dam levels are showing signs of stability at 78% during 2018: Q3, compared to last year when they were at 68% during the drought that had ravaged the country.

The majority of the provinces are showing an increase in the dam water levels as compared to the previous year. The Eastern Cape, Free State, Gauteng, Mpumalanga, Western Cape and KwaZulu-Natal provinces experienced an increase in dam levels of 12%, 16%, 13%, 3%, 79% and 19%, respectively, year-on-year. Where else in the other parts of the country, there has been a decline in dam levels year-on-year between 2017: Q:3 and 2018: Q:3, Limpopo decreased by 6%, Northern cape 2% and North West by 19%. However, when compared to the previous quarter, most provinces reflected a decline in their water levels with an exception of Western Cape whose dam levels were exceptionally high with an

increase of 152% quarter-on-quarter following the recent rains in the province. Eastern Cape, Free State, Gauteng, Limpopo, Mpumalanga, North west and KwaZulu-Natal decreased by 6%, 4%, 1%, 8%, 5%, 6% and 4%, respectively compared to the previous quarter, with the exception of the Northern Cape whose dam water levels remained at 88% between the two quarters.



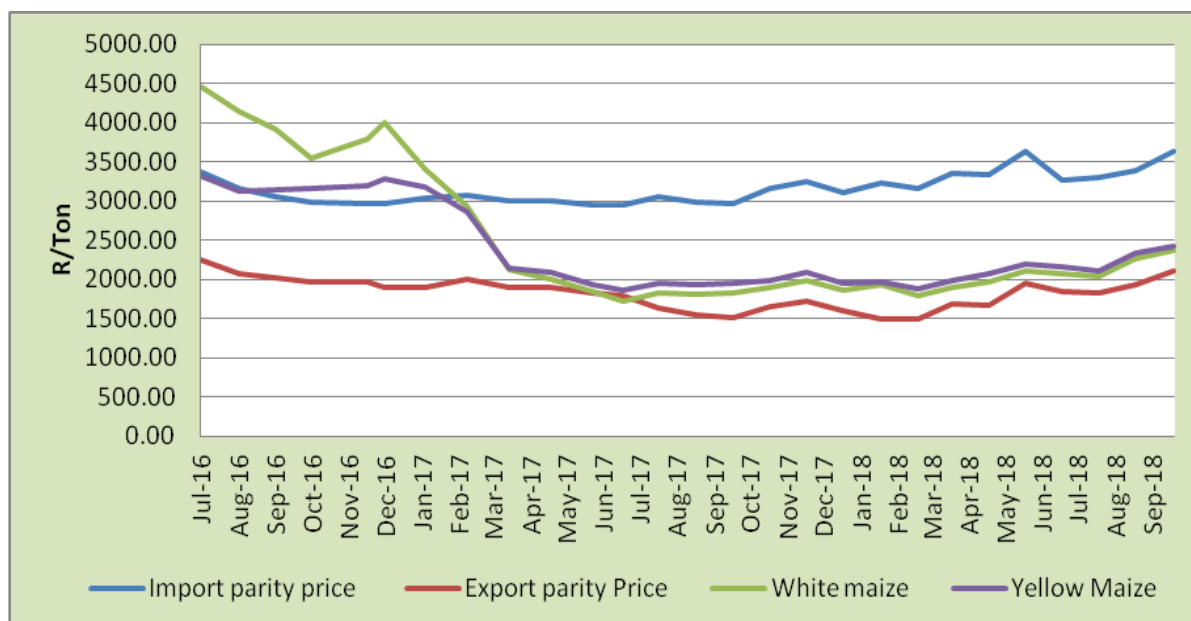
**Figure 20:** Average dam levels in 2018: Q3  
 Source: Department of Water and Sanitation (DWS)

### 3. Review of Agricultural Markets

#### 3.1 Grain market review

##### 3.1.1 White and yellow maize

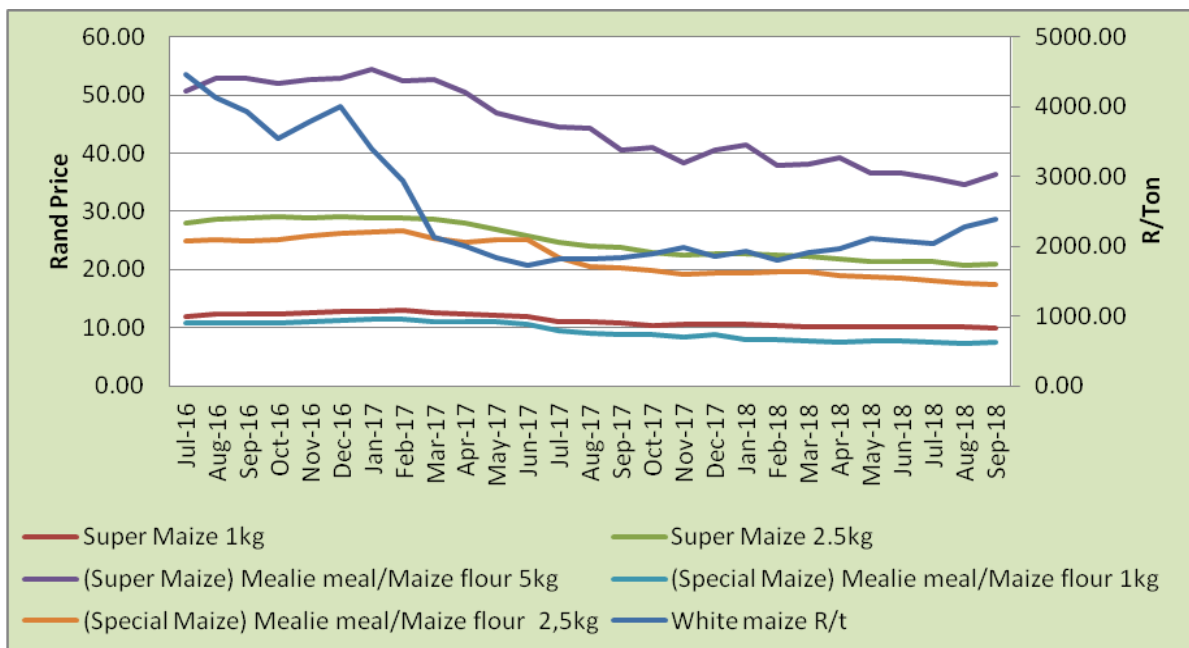
South African white maize and yellow maize were consistent with economic theory traded within import and export parity prices. During 2018: Q3, white maize prices traded below the import parity price at R2 227/ton, which is higher compared to R2 050/ton reported in 2018: Q1. The white maize price increased by 8,7% when compared to the previous quarter. Domestic yellow maize prices also increased by 6,5% during 2018: Q3 from R2 147/ton in the second quarter to R2 286/ton in 2018: Q3. Weaker rand against the US dollar over these past months is amongst the factors that contributed to a rise in domestic grain prices.



**Figure 21:** White maize price  
Source: Sagis

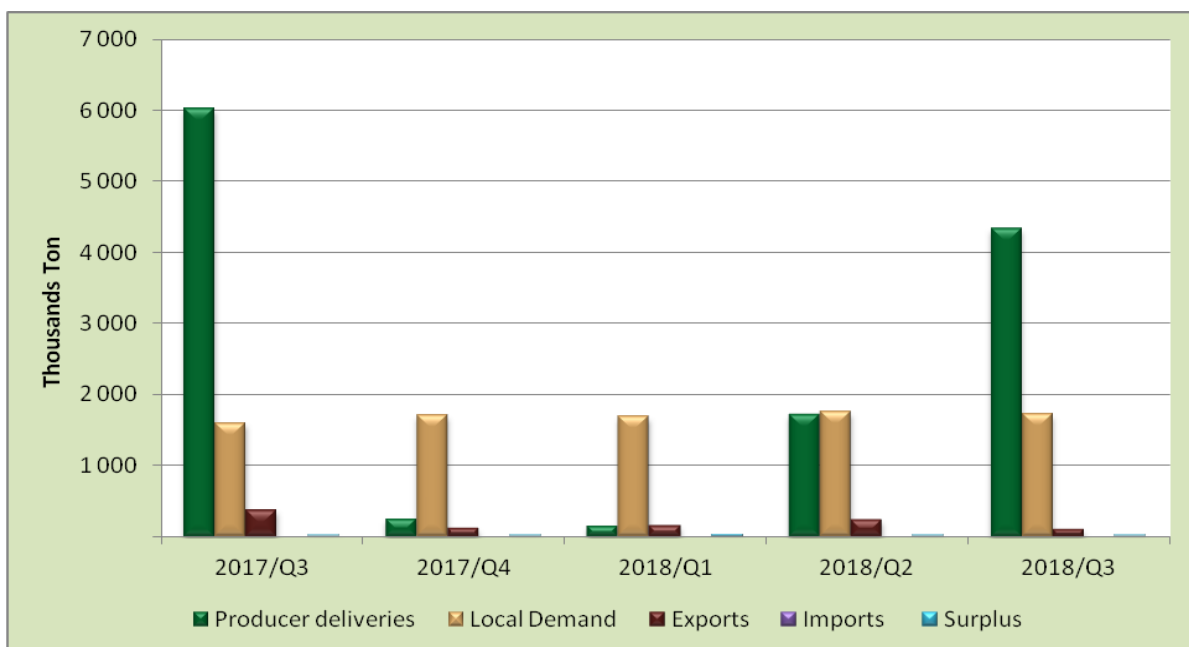
Figure 22 shows the quarterly white maize prices against the maize seed prices up to 2018: Q3. Maize seed prices for 2018: Q3 was estimated at R2 227/ton which was higher compared to R2 050/ton in 2018: Q2. The South African white maize has been increasing slowly since 2018: Q1. An increase in white maize prices over the previous quarter of 2018 did not affect maize-by product prices in 2018: Q3.

The price of all selected maize by products reported a drop in price on a quarterly basis. The drop in price brought some financial relief to stricken consumers. The quarterly price of super maize 2.5 kg and (super maize) mealie meal/maize flour 5 kg dropped by the a significantly by 5,1% and 5,7%, respectively, during 2018: Q3. The quarterly price of super maize 2.5kg and (super maize) mealie meal/maize flour 5kg dropped by the a massive 5.1% and 5.7% respectively during 2018: Q3. The price of (special maize) mealie meal/maize flour 1 kg and super maize 2.5 kg were also down by 2,7% and 2,5%, respectively, while the price of super maize 1 kg decreased marginally by 0,16% during 2018: Q3.



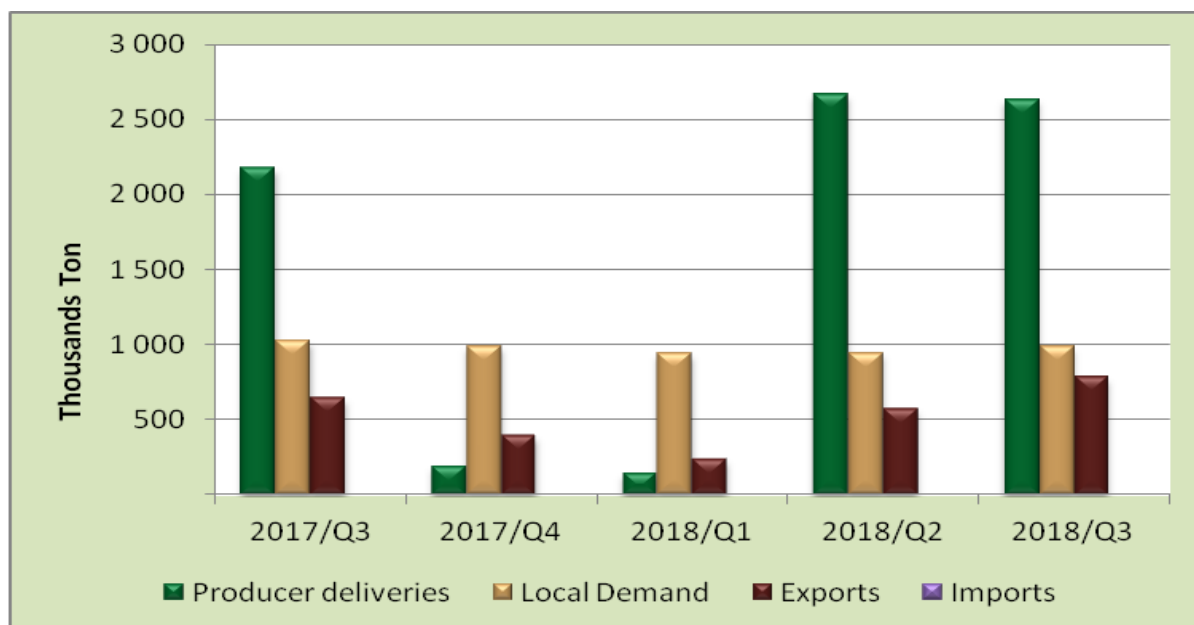
**Figure 22:** Retail prices vs white maize seed prices  
Source: Safex/Stats SA

Figure 23 illustrates the supply and demand of white maize from 2017: Q3 to 2018: Q3. White maize producer deliveries increased by 28% during 2018: Q3 compared to 2017: Q3. Local demand of white maize also increased by 7,7% year-on-year, while exports of white maize decreased by 74,3% during the same period.



**Figure 23:** Supply and demand of white maize  
Source: Sagis

Figure 24 shows the supply and demand of yellow maize from 2017: Q3 to 2018: Q3. The year-on-year local demand of yellow maize and local demand for yellow maize reported a positive growth of 21,1% and 21,6% respectively, while imports of yellow maize for the same period decreased by 3,5% in 2018: Q3.



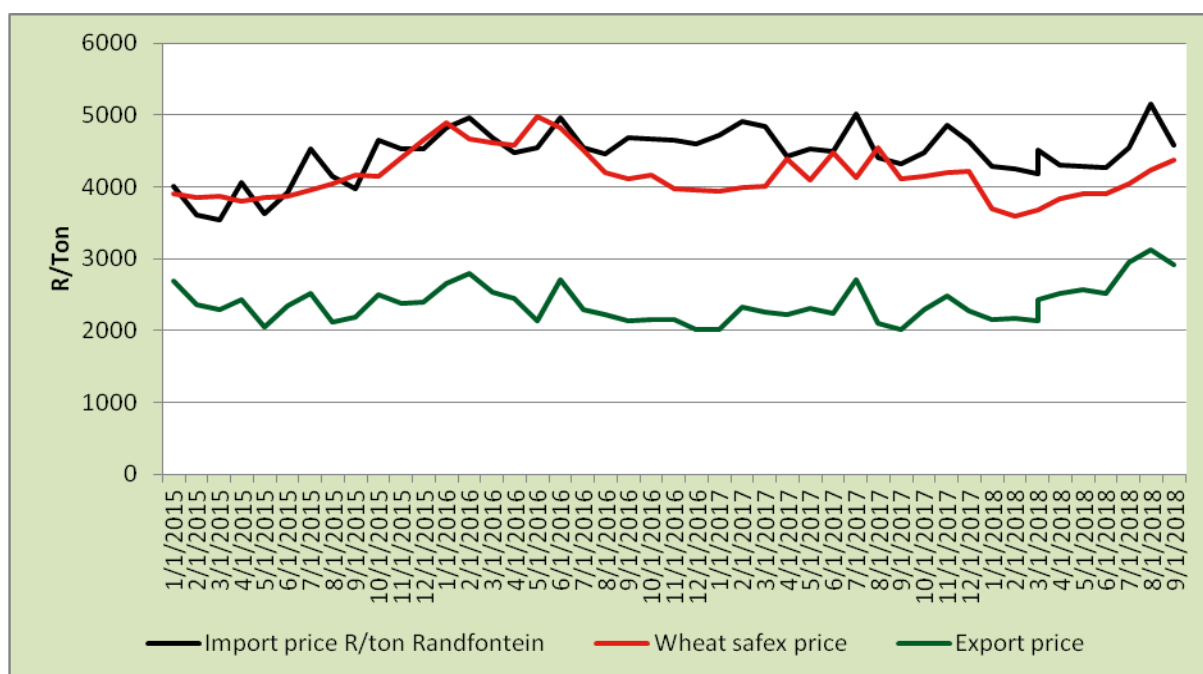
**Figure 24:** Supply and demand of yellow maize  
Source: Sagis

### 3.1.2 Wheat

According to (USDA, September, 2018) Global 2018/19 wheat supplies are raised 6,7 million tons on both increased production and beginning stocks. The vast majority of this change stems from the updated production data released by China’s National Baseline Study (NBS), which made significant production changes from 2007/08 through 2017/18. In addition, China’s 2018/19 production forecast is raised with both higher harvested area and yield, based on the NBS revisions. Global use is raised 0,2 million tons, but includes a 1,0 million ton increase for China, reflecting higher feed and residual use and larger supplies. With supplies, rising more than use, global ending stocks is raised 6,5 million tons to 266,7 million tons.

Figure 25 below illustrates the wheat Safex prices, export price and import price since from January 2015 to September 2018. In 2018: Q3, the Rand was volatile against the dollar. Globally, wheat is still in ample supply and remains at record high,

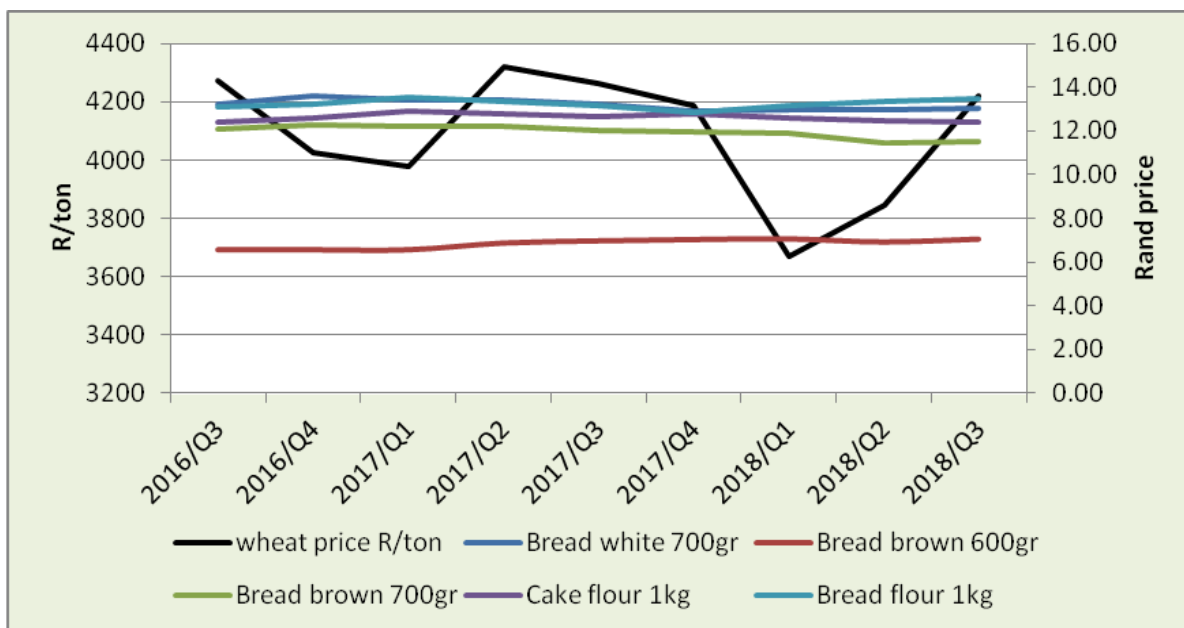
therefore favourable production and high carry out stocks keep international prices low, but because South Africa is a very small player, that means South African wheat prices are determined by the global market and as a result of that domestic supply and demand factors have less effect on global prices. There is a notable increase in wheat imports in order to fulfil the domestic needs (Agbiz, 2018). In 2018: Q3, import price (R/ton), Safex price and export price increased by 11%, 9% and 18%, respectively, as compared with the previous quarter. As compared to the previous year only, Safex price decreased marginally by 1%, import price increased by 4% and export price was 32% higher than 2017: Q3.



**Figure 25:** Wheat SAFEX price, export price and import price  
Source: Sagis/Safex

As presented in Figure 26 below, comparing 2017: Q3 with 2018, the price of wheat (R/ton) rose by 10% from R3 846/ton to R4 219/ton. The price of brown bread rose marginally by 2% for a 600 g loaf and 1% for a 700 g loaf. Bread flour also increased marginally by 1%: from R13.32 to R13.48 per kg. White bread and cake flour prices have not changed since the last quarter. An incline in the price of wheat per ton hardly affects the bread price because bread prices could have been attributed from the costs incurred by producers down the value chain, not factors such as energy, transport costs, packaging and labour costs, amongst others, which are the largest

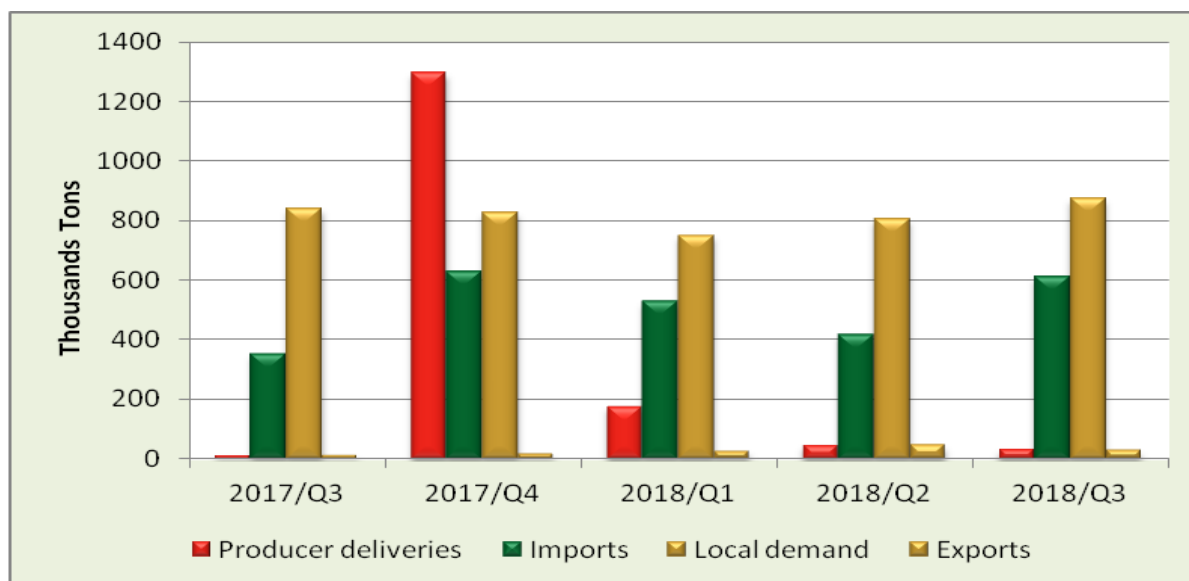
contributors in terms of costs within bread production and can contribute to the increase in bread process.



**Figure 26:** Retail bread price vs wheat import price  
Source: Stats SA & Safex

In the previous quarter the Western Cape Province, which is one of the largest wheat producers in South Africa, was in the grips of a drought. However, the winter rainfall area did receive more rain and the increased production were released in the current quarter. In South Africa over the years, local wheat production has declined considerably (as also indicated graphically above), resulting in the country relying on imports in order to meet local demand. South Africa is expected to increase its import requirements in order to meet total domestic demand, however, high input costs and low wheat prices are some of the limiting factors that contribute to a reduction in wheat production in the Western Cape. It is expected that the trend of imports increase may continue until farmers look for other alternatives—like access to better seed technology that is more resilient to a changing climate. As illustrated in Figure 3 above, the producer deliveries of wheat in 2018: Q3 increased by 145% compared to the same quarter in 2017. Local demand increased by 4% during 2018: Q3 compared to the same quarter in 2017. SA wheat imports increased from 417 984 tons to 611 562 tons in 2018: Q3, also, exports went up by 161% compared to 2017: Q3. see Figure 27.

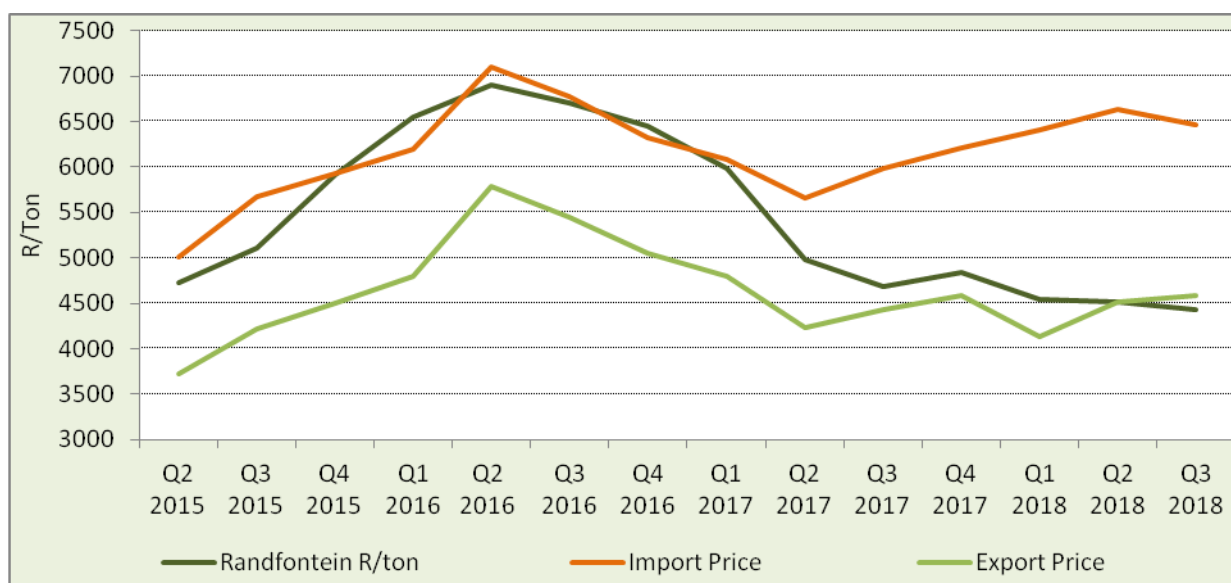




**Figure 27:** Wheat deliveries, Imports, Exports and local demand  
 Source: Stats SA & Safex

### 3.1.3 Soya beans

The price of soya beans traded 5,3% lower during the 3rd quarter of 2018 on a year-on-year basis, while on a quarter-on-quarter basis, the price was 1,9% lower. During the quarter the price was 31,5% lower than the import price, while 3,3% lower than the export price. The lower local price is due to the abundant soya beans closing stocks in 2018 as shown in Table 1 below. Furthermore; the Crop Estimates Committee estimates that the hectares planted in 2019 are expected to be 8,2% higher than the 787 200 ha planted in 2018, which is expected to lead to an estimated 1,3% rise in production in 2019 from 1.550 800 tons in 2018, based on estimated average yield of 1.81 t/ha. Additionally, world soya bean production forecast for 2018/19 was raised substantially as a result of above-average crop conditions in the US and a promising season in Brazil, according to the Agricultural Market Information System (AMIS) (2018).



**Figure 28:** Soya beans local price vs import price  
Source: Safex/Sagis/USDA/World Bank

### Table 1: Soya beans projections for 2018

Table 1 below shows the final soya beans demand and supply use estimates for 2018; showing the rise in exports as a result of the competitive local prices due to the high production. Estimates are indicative of SA soya bean prices remaining low in 2019.

Table 1: Soya beans projections for 2018

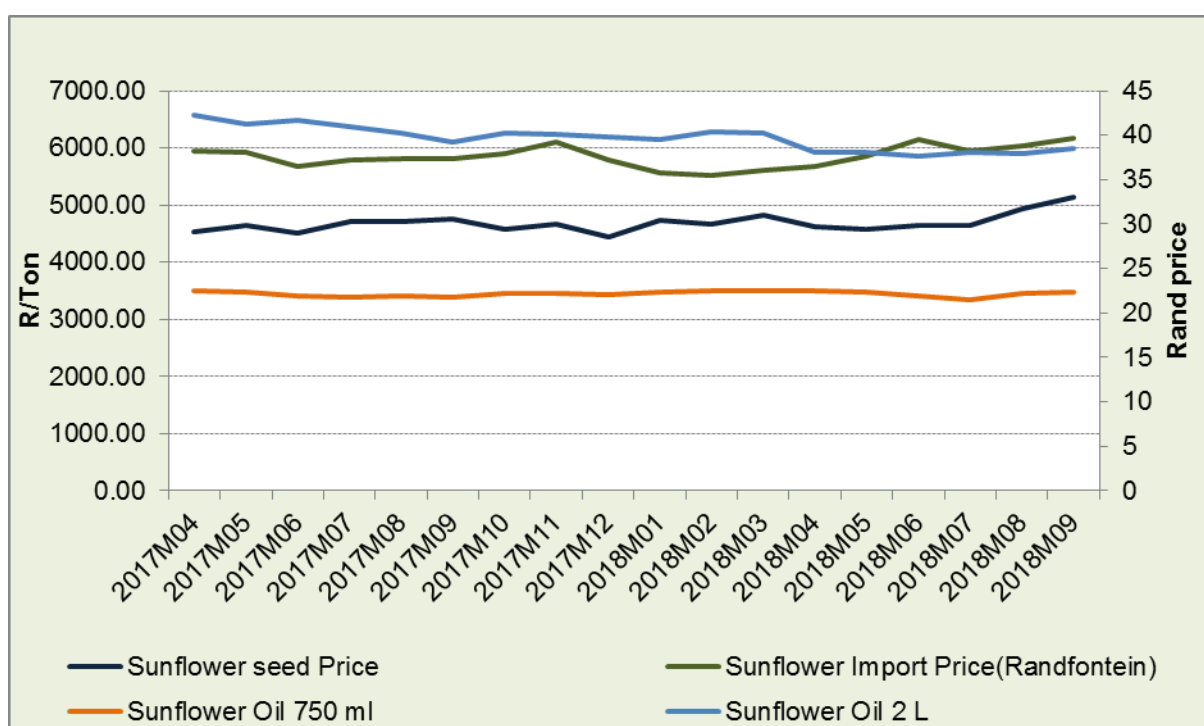
	2011	2012	2013	2014	2015	2016	2017	2018
Beginning Stock	46200	225800	68639	61806	63704	89128	84792	330535
Production	710000	650000	784500	948000	1 070 000	742 000	1 316 000	1 550 800
Imports	1539	976	4489	103704	124981	271098	28000	6000
Total Supply	757739	876776	857628	1113510	1 258 685	1102226	1 428 792	1 887 335
Local Consumption	484739	655278	780432	1049230	1164880	1010689	1063783	1 270 270
Exports	47200	152616	15390	576	4677	6745	414	25000
Total Demand	531 939	807 894	795 822	1 049 806	1 169 557	1 017 434	1 098 257	1 295 270
Closing Stocks	225800	68882	61806	63704	89128	84792	330 535	592065

Source: DAFF/ NAMC/Sagis

### 3.1.4 Sunflower

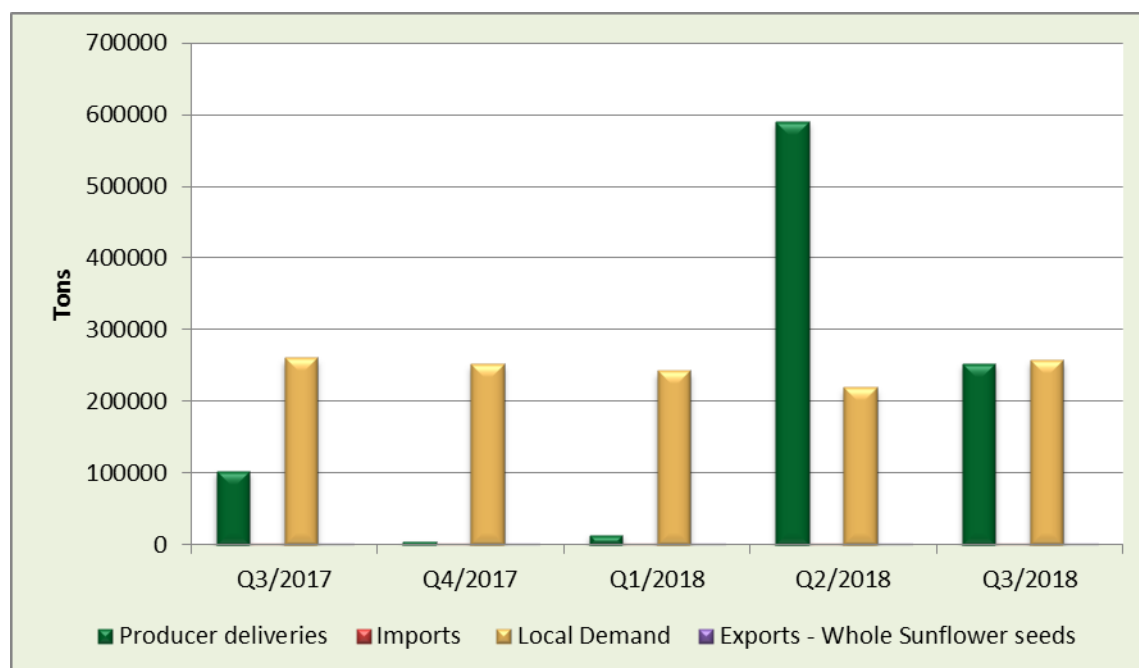
During 2018: Q3, South Africa sunflower seed prices traded below the import parity price at R4 906.13/ton compared to R4 617.88/ton in 2018: Q2. The price of

sunflower seed has increased by 6,2% during 2018: Q3 as compared to the same period last year, which is 2,6% lower than it was in the previous quarter of 2018. The local sunflower seed price in 2018: Q3 traded at 18,9% lower than the import price, compared to trading at 21,7% below the import price in 2018: Q2. The prices of sunflower oil 2L in 2018: Q3 traded lower by 5,1% while the price of sunflower 750ml in 2018: Q3 traded 0,8% higher as compared to the same period in 2017. The price of sunflower oil 2L in 2018: Q3 increased by 0,7% while the price of sunflower oil 750ml in 2018: Q3 decreased by 1% as compared to the previous quarter in 2018. See Figure 29.



**Figure 29:** Sunflower local seed; import price (Randfontein) and Sunflower retail price  
 Source: Safex; USDA; Sagis; and Own calculations

Figure 30 shows the supply and demand of sunflower seed up to 2018: Q3. Producer deliveries in 2018: Q3 decreased by 57,1% as compared to the previous quarter of 2018. SA sunflower seed imports increased by 58% in 2018: Q3 as compared to the previous quarter for the same year. In the meantime, sunflower seed exports significantly decreased by 45,9% in 2018: Q3. Local sunflower seed consumption in 2018: Q3 was 17,7% higher than it was in the previous quarter of 2018. Local consumption in 2018: Q3 is expected to be 0,9% lower than it was in the same quarter of 2017.



**Figure 30:** Sunflower seed deliveries, local demand and trade  
Source: Sagis

### 3.1.5 Sorghum

The price of sorghum during the quarter increased by 31% on a year-on-year basis, while on a quarter-on-quarter basis the price was 5,8% lower. The sorghum price traded at 6,3% above the import price during the quarter; while the local prices traded at 70% above the export price. The lower local production in 2018, plus the high local demand, including the weaker exchange rate which made imports expensive, contributed to inter alia high sorghum prices during the quarter.

Local prices are expected to come down in the medium to long term as expectations indicates that hectares intended for sorghum production locally in 2019 will increase by 49,3%. Furthermore, high production is estimated internationally, with international prices coming down during the quarter. World sorghum production is estimated to be 2,1% higher than it was in 2017 and demand remained slower in countries like the US. See Figure 31.



**Figure 31:** Sorghum Parity Price

Source: Safex, Sagis

## Table 2: Sorghum production and use

Table 2 below shows the final estimated demand and supply use estimates for sorghum in 2018. Demand and exports are lower than they have been for the past two years due to the high prices.

**Table 2: Sorghum projections for 2018**

	2011	2012	2013	2014	2015	2016	2017	2018
Opening stock	73400	62500	56015	50069	121812	83142	35238	59246
Production	155000	135500	147200	265000	114700	70 500	152 000	109855
Imports	57800	54800	50033	8725	34316	74957	55824	32200
Total Supply	290800	250300	251652	320301	277713	226677	244073	201301
Local demand	203500	175300	182033	172320	165532	178790	176000	166500
Exports	24800	19000	19550	26169	29039	12649	13800	7200
Total Demand	228300	194300	201583	198489	194571	191439	182783	173700
Ending Stock	62500	56000	50069	121812	83142	35238	59246	27601

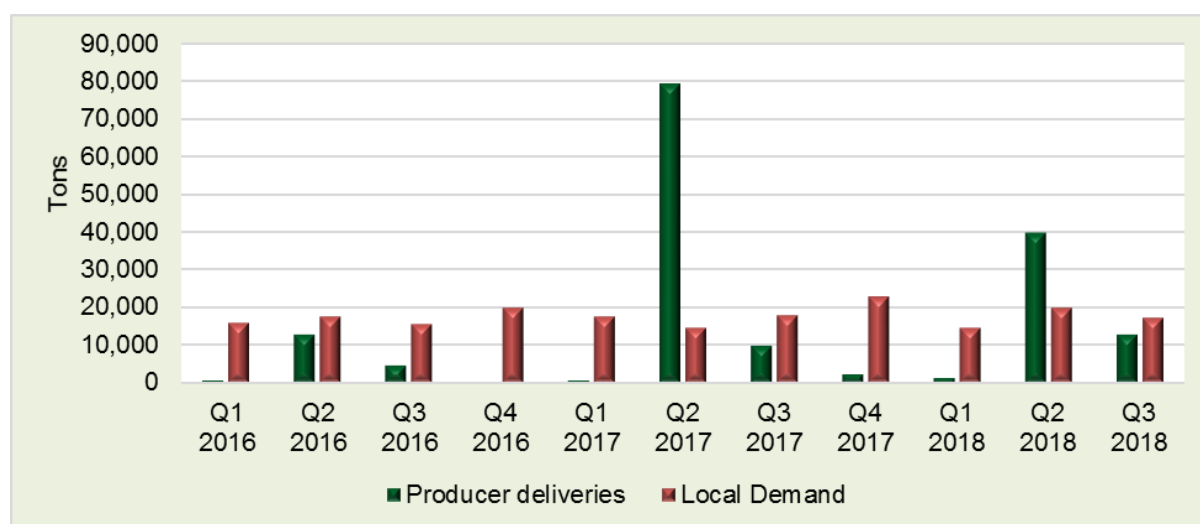
Source: DAFF/ NAMC/Sagis

### 3.1.6 Groundnuts

The current moment has been crucial for the South African groundnut industry as at the end of June 2018, forecasts pointed to more than 50% probability for the occurrence of another El Niño event, expected to start in winter/spring 2018 and

likely to last until autumn 2019. Meanwhile, the final production forecast by the Crop Estimate Committee (CEC) revealed that South Africa is expected to yield 53 750 tons of groundnut for the 2017/18 production season, which is 42% less than 92 050 tons harvested the previous season. It is clear that there are hindrances in production. Despite the obvious challenges, strategies are being put in place to restore the industry and help the industry thrive.

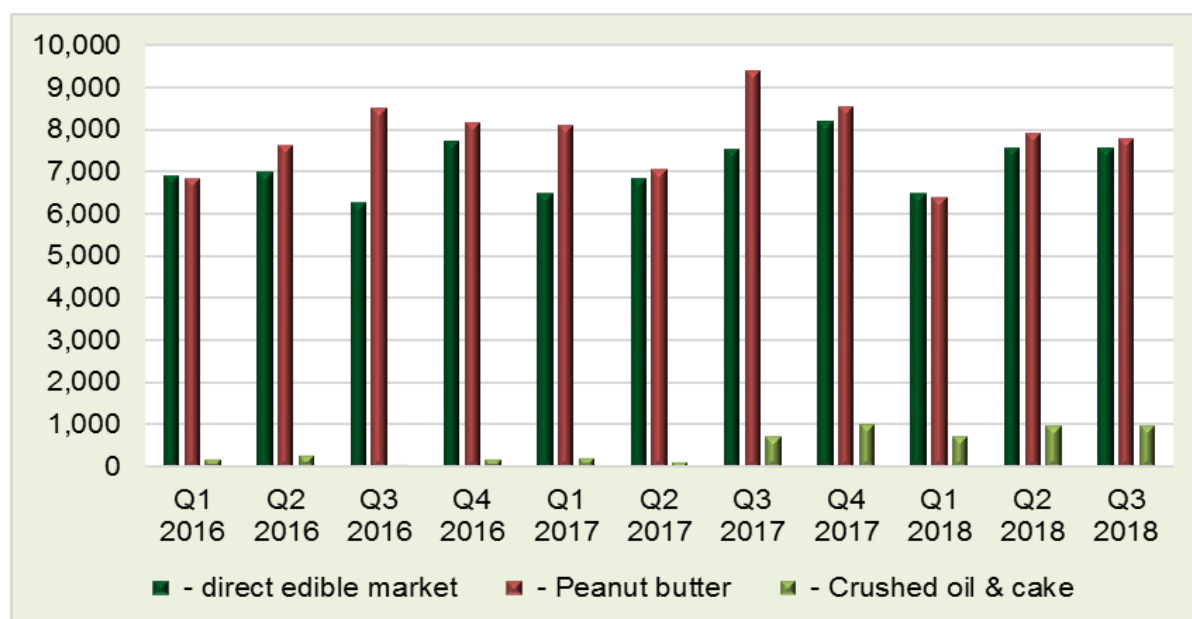
Producer deliveries of groundnuts increased significantly in 2018: Q3 compared to 2017: Q3, from 9 818 tons to 12 614 tons. The increase could be attributed to the big demand for the produce all over the world. Conversely, local demand of groundnut decreased by 4% in 2018: Q3 compared to 2017: Q3, from 17 708 tons in 2017: Q3 to 17 062 tons in 2018: Q3. See Figure 32.



**Figure 32:** Supply and demand of Groundnuts  
Source: Sagjis

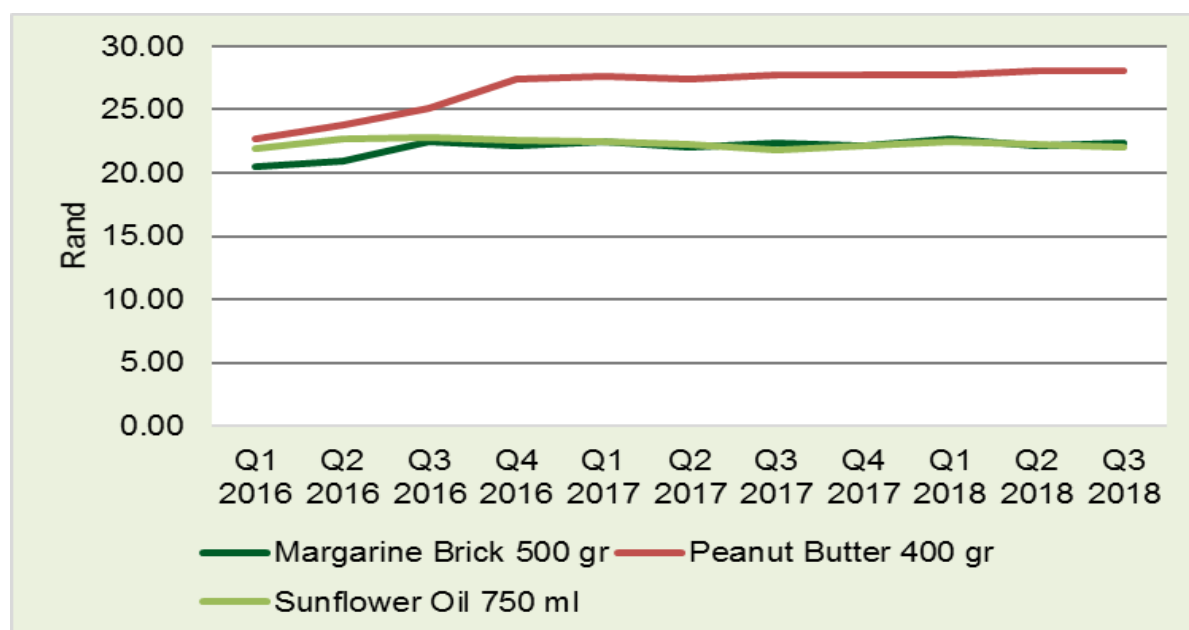
South Africans trade groundnuts in three forms: as edible peanuts, processed peanut butter and as crushed oil and oil cake. During 2018: Q3, the edible groundnut market increased by 0,5% to 7 589 tons, from 7 551 tons in 2017: Q3. During the same period, peanut butter consumption decreased by 17,2% in 2018: Q3, to 7 783 tons from 9 404 tons in 2017: Q3. The decrease in edible groundnut consumption could be due to “consumer price sensitivity,” which is indicative of the degree to which consumers’ behaviours are affected by the price of a product. Furthermore, larger forces than VAT came into play. Tough economic conditions, recovery from drought and a sluggish economy constrained consumer spending. Consumption

levels of crushed oil and cake increased considerably in 2018: Q3 compared to 2017: Q3, to 973 tons from 717 tons. The crushing of groundnuts results in approximately equal amounts of oil and oil-cake. The oil-cake is the most widely preferred cattle and animal feed due to its exceptional quality and nutrition. Meanwhile, the oil is primarily used for cooking, manufacturing of margarine, shortening and soaps. See Figure 33.



**Figure 33:** Groundnuts consumption  
Source: Sagis

Figure 34 shows retail prices of oilseed products from 2016: Q1 to 2018: Q3. During 2018: Q3, the average market price for peanut butter (400 g) increased by 1,5% compared to 2017: Q3, to R28,12 (400 g), from R27,71 (400 g) in 2017: Q3. On a quarter-on-quarter basis, the average market price for peanut butter (400 gram) increased by 0,2%, from R28,05 (400 g) in 2018: Q2 to R28,12 (400 g) in 2018: Q3. Despite lower agricultural commodity prices, which were a reflection of available large supplies, the biggest upside risk to South Africa's inflation outlook is the Rand weakness, market volatility, persistently higher oil prices, the residual effects of the increase in the VAT rate and an anticipated upturn in food prices, which could lead to substantial downside risks to consumers.



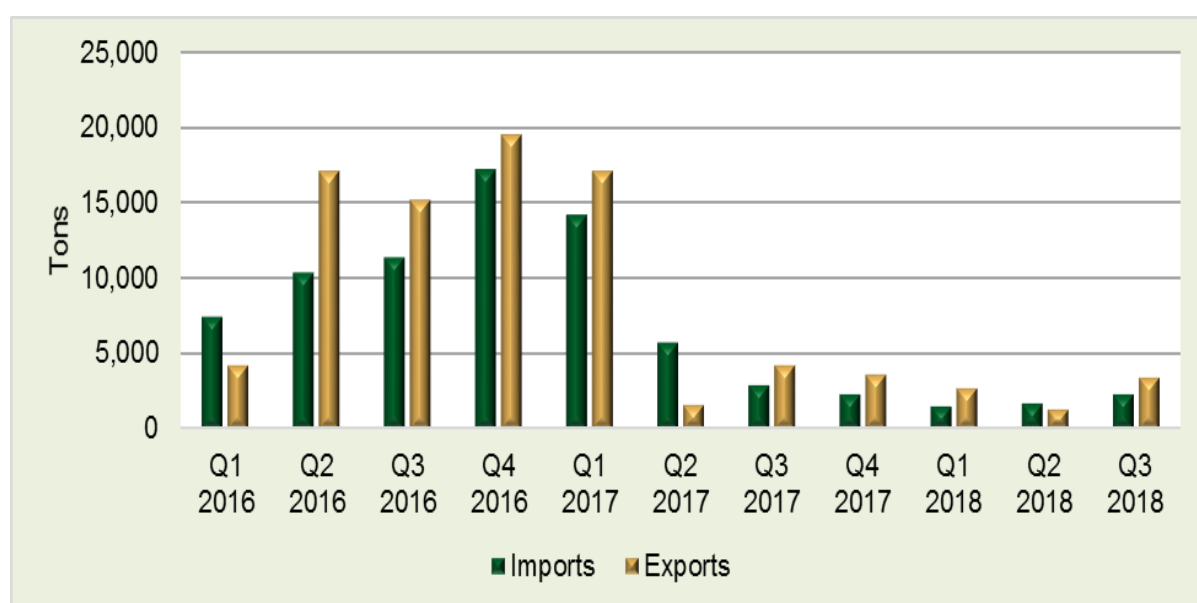
**Figure 34:** Oilseed products  
Source: Stats SA

Exports of groundnuts decreased by 19% in 2018: Q3 compared to 2017: Q3, from 4 306 tons in 2017: Q3 to 3 497 tons in 2018: P Q3. SA's top three leading export markets for groundnuts (not roasted or otherwise cooked, whether or not shelled or broken) in 2018: Q3 were Japan, Belgium and Mozambique, each accounting for 48% (R28.5 million), 27% (R15.8 million) and 13% (R7.8 million), respectively, of the total groundnut export revenue in 2018: Q3. Due to demand factors through changes in consumer preferences, groundnuts have over the years been volatile providing an ideal opportunity for the local groundnut industry to reconnect with their previous export markets and to unlock new opportunities. Meanwhile, imports of groundnuts decreased by 22% in 2018: Q3 compared to 2017: Q3, to 2 308 tons from 2 958 tons.

The top three leading suppliers of ground nuts (not roasted or otherwise cooked, whether or not shelled or broken) in 2018: Q3 were Brazil, Argentina and China, each accounting for 29% (R13.8 million), 25% (R12.0 million) and 13% (R6.2 million), respectively, of the total groundnuts import value in 2018: Q3. Generally, over the years, the South African groundnut industry has shown a significant decline in the area under production which resulted in a decline in exports (Grain SA, 2013). The South African groundnuts industry has been lagging behind compared to some



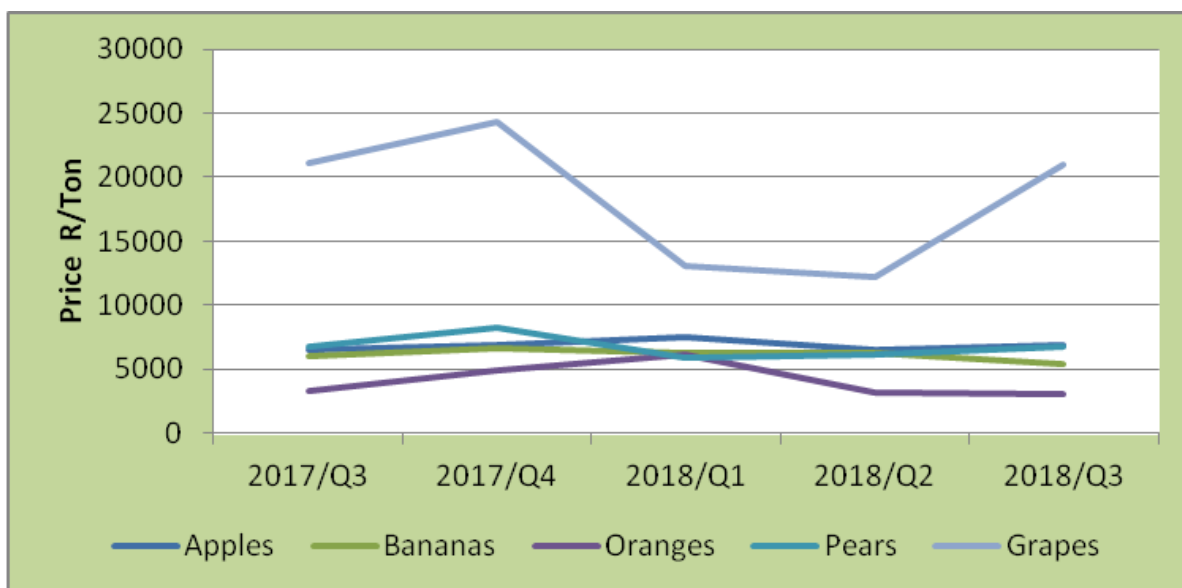
of the major groundnut exporters that are using improved cultivars. Given that South African agriculture has proven to be economically competitive in world markets, the South African Groundnut Forum believes that there is still a significant potential for the South African groundnut industry to increase their export market share in its existing markets and to infiltrate new markets. Furthermore, due to consumer demand for high-protein foods and new health trends, this will increasingly support local consumption.



**Figure 35:** Exports and imports of groundnuts  
Source: Sagis

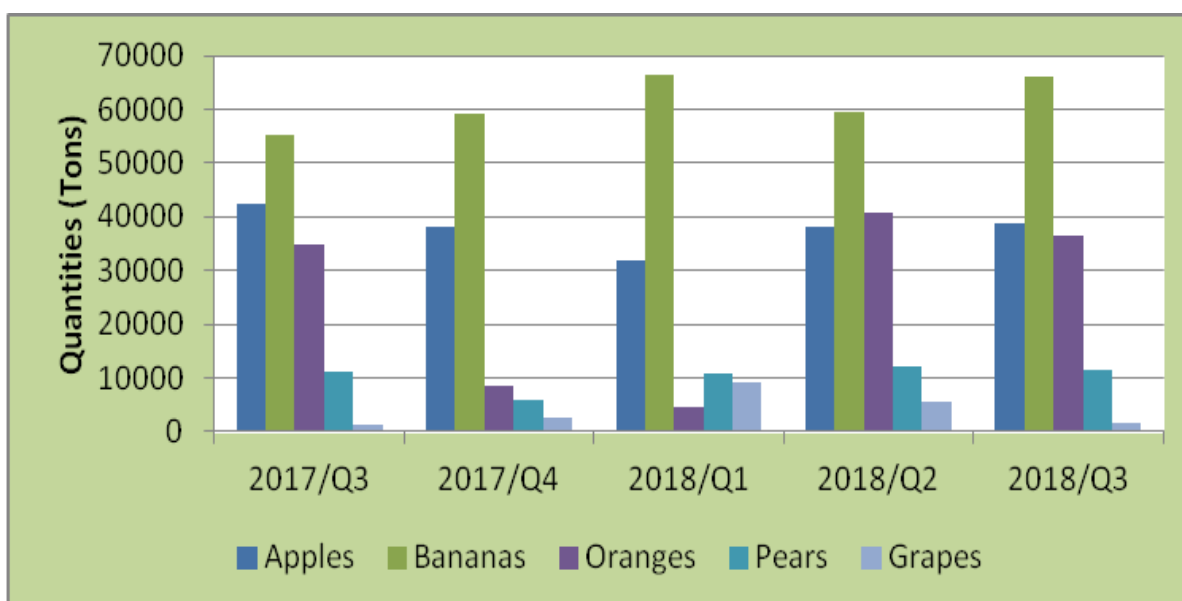
### 3.2 Fruit and vegetable market review

The following section looks at the average prices and quantities of fruit and vegetables supplied at Fresh Produce Markets (FPMs) between 2017: Q3 and 2018: Q3. In 2018: Q3, average prices for apples increased by 6% as compared to 2017: Q3. On the other hand, the average prices for bananas, oranges, pears and grapes decreased by 10%, 7%, 1% and 0,1%, respectively, in 2018: Q3 compared to 2017: Q3. See Figure 36.



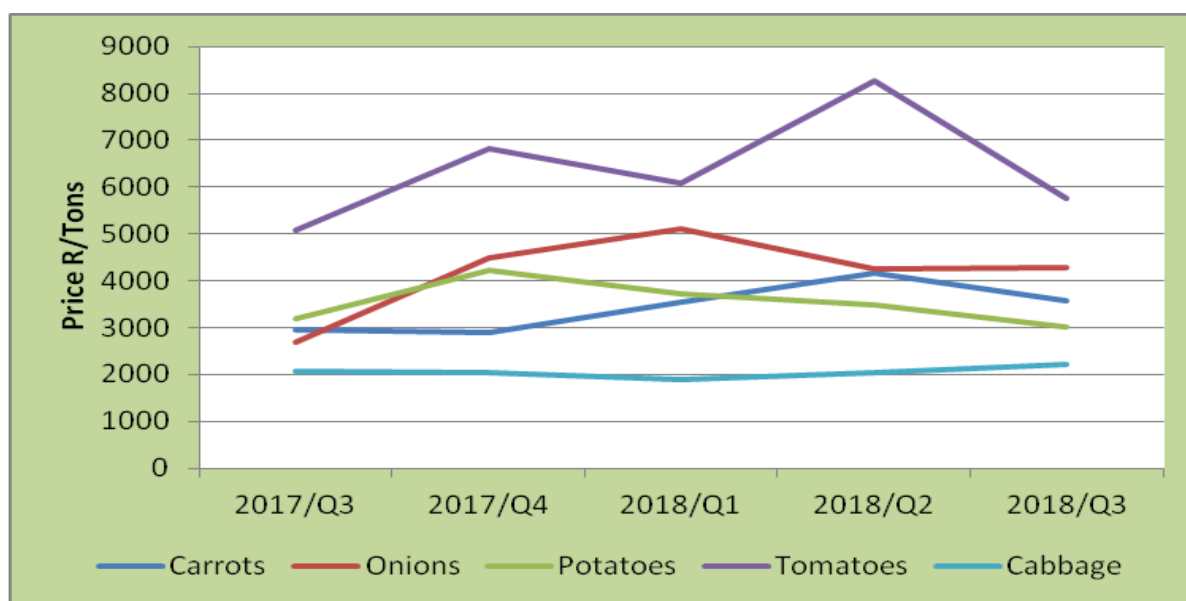
**Figure 36:** Average price trends of various fruits traded at fresh produce markets (FPMs)  
Source: Daff

Figure 37 indicates various quantities of fruit traded at fresh produce markets in 2018: Q3 compared with 2017: Q3. In 2018: Q3, quantities of apples supplied at Fresh Produce Markets (FPMs) decreased by 9% compared with 2017: Q3. On the other hand, quantities of bananas, oranges, pears and grapes increased by 20%, 5%, 1% and 9%, respectively, over the period. The notable increase in quantities of bananas supplied at Fresh Produce Markets has seen prices of bananas dropping significantly by 10%.



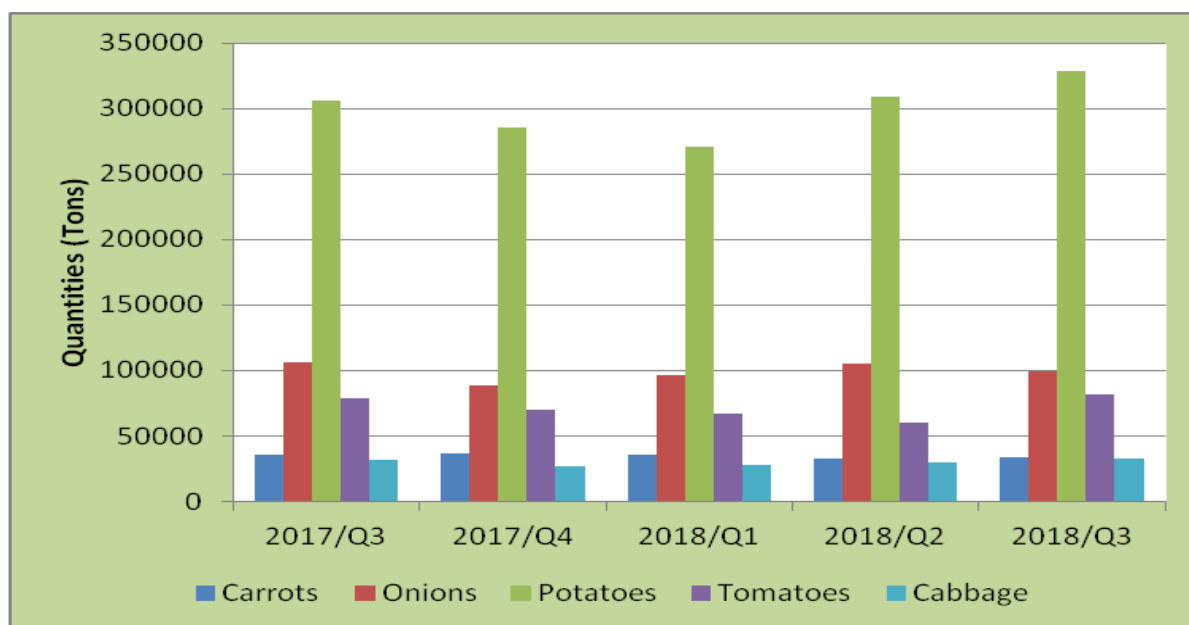
**Figure 37:** Quantities of various fruits traded at Fresh Produce Markets (FPMs)  
Source: Daff

Figure 38 indicates the average prices of various vegetables traded at fresh produce markets in South Africa. In 2018: Q3, average prices for potatoes decreased by 5% across Fresh Produce Markets while average prices for carrots, onions, tomatoes and cabbage increased by 20%, 60% 14% and 8%, respectively, compared with 2017: Q3.



**Figure 38:** Average prices of various vegetables traded at fresh produce markets (FPMs)  
Source: Daff

Figure 39 indicates quantities of various vegetables traded at Fresh Produce Markets in 2018: Q3 compared with 2017: Q3. In 2018: Q3, quantities of potatoes, tomatoes and cabbage increased by 7%, 4% and 1%, respectively, compared with 2017: Q3. On the other hand, quantities of carrots and onions supplied at the Fresh Produce Markets declined by 5% and 6%, respectively, in 2018: Q3 compared with 2017: Q3.



**Figure 39:** Quantities of various vegetables traded at Fresh Produce Markets (FPMs)  
Source: Daff

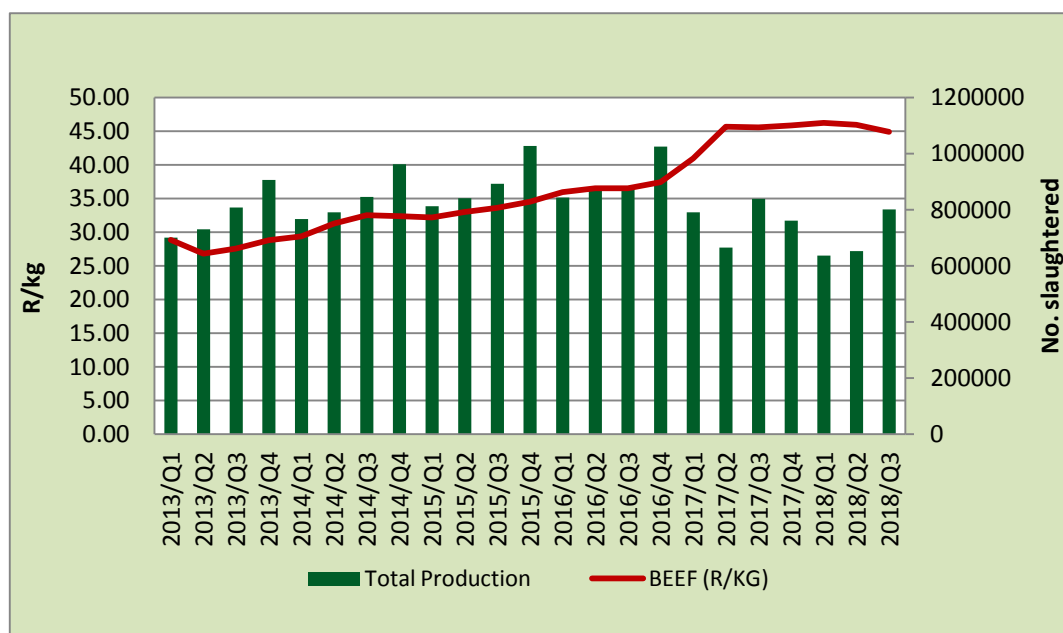
### 3.3 Meat industry review

Total production from 2017: Q3 (839 802) decreased by 4,50% when compared with 2018: Q3 (801 333). When Quarter 3 is compared with the previous quarter, the total production increased from 652 572 in Quarter 2 to 801 333 in Quarter 3, which was an increase of 22,8%. When looking at prices the yearly price decreased from R45,58 in 2017: Q3 to R44,94 in 2018: Q3 by 1,4%. Prices decreased by 2,2% from the previous quarter (R45,59) when compared to Quarter 3 (R44,94). See Figure 40.

The demand for beef as a protein source is increasing worldwide, although in most countries beef accounts for considerably less than half of total meat consumption. Beef also provides a highly desirable eating experience in developed countries and, increasingly, in developing countries. The United States (20%) is the largest producer of beef followed by Brazil (15%) and the European Union (13%). South Africa is the 13<sup>th</sup> largest beef producer and in 2017 it produced 885 000 tons, which made up 1,44% of world production.

South Africa has about 500 abattoirs, slaughtering 2.3 million cattle, 2.4 million pigs and 5.5 million sheep annually. 60% of South African cattle is produced by

approximately 50,000 commercial (mostly white) farmers. 40% is produced by 240,000 emerging and 3 million communal farmers. Supply chains vertically integrated and most abattoirs are owned by feedlots (some also linked to farmers and SMMEs). Some sell directly to consumers or wholesalers (rather than at auction). South Africa's beef consumption is not self-sufficient: is a net importer of beef (7 million kg imported and 4.4 million kg exported).



**Figure 40:** Beef production  
Source: SA feedlot

### 3.4 Poultry industry review

Total poultry production increased by 3,6% on a year-on-year basis, increasing by a percentage point on a quarter on quarter basis. Poultry prices during the quarter increased by 3,6% on a year-on-year basis, while decreasing by 1,8% on a quarter-on-quarter basis as shown in Figure 41 below. The rise could be attributed to the medium-term effects of a Vat increase on input variables, amongst others. The price of yellow maize as a proxy for feed prices increased by 17,3% in the quarter on a year-on-year basis, while decreasing by 6,2% on a quarter-on-quarter basis.

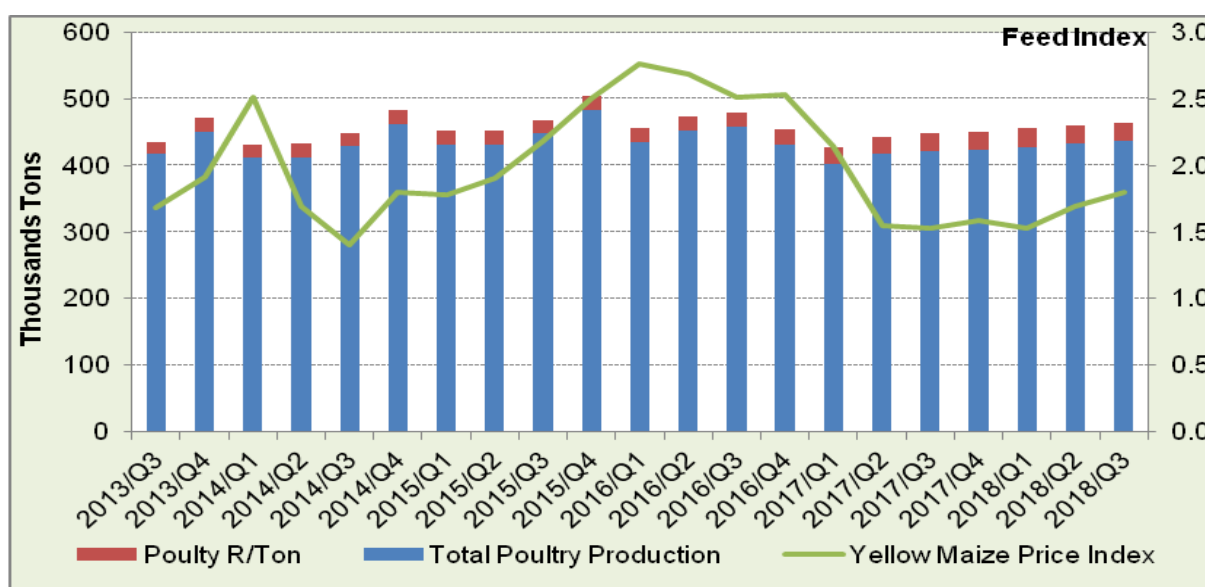
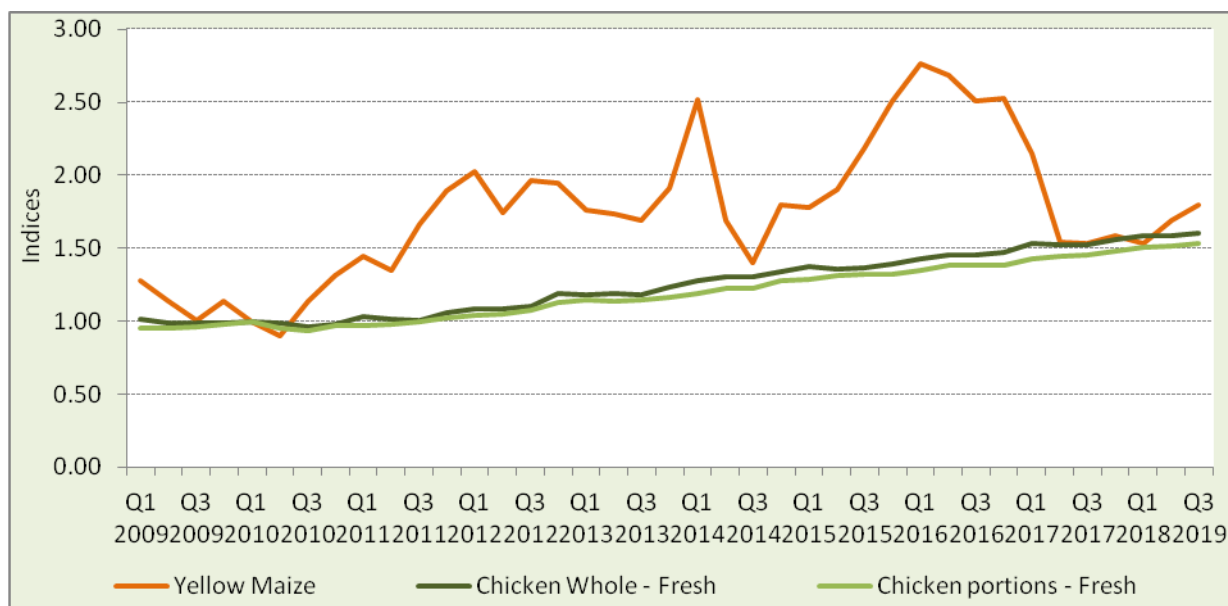


Figure 41: Poultry production  
Source: DAFF

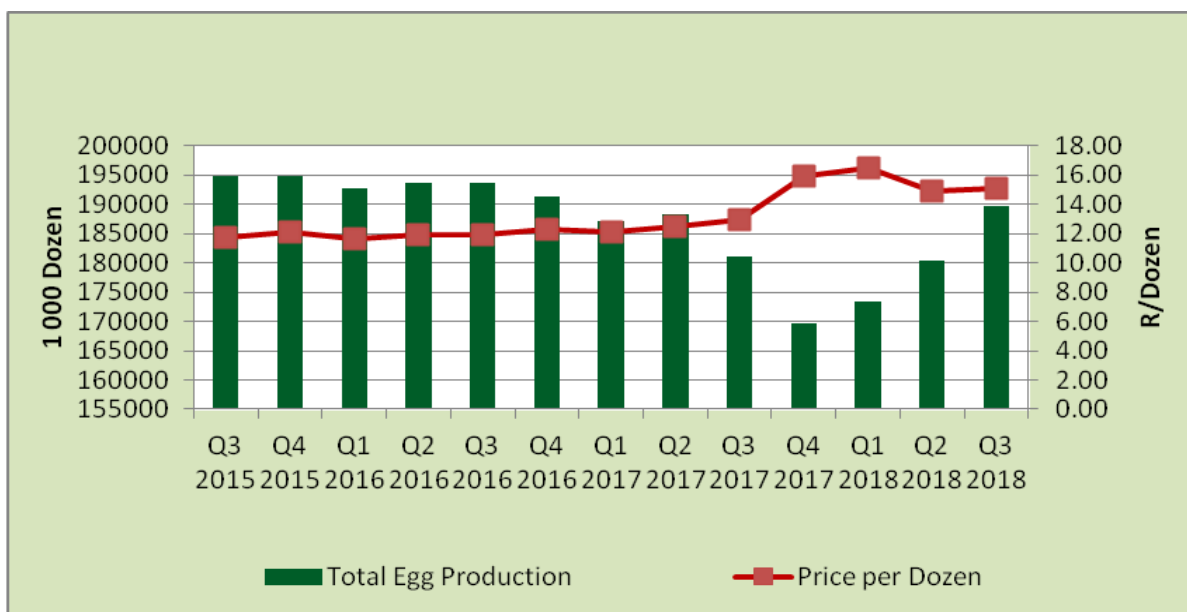
The graph below shows that retail prices for fresh and frozen chickens increased by 5,3% and 5,8%, respectively, on a year-on-year basis, while prices increased by 1,1% and 1,5% on a quarter-on-quarter base respectively as shown on figure 42.



**Figure 42:** Poultry feed vs Retail prices  
 Source: SAPA, STATSA & Safex

### 3.5 Egg industry review

The South African poultry industry has been experiencing a constant increase in production since 2017: Q1. In 2018: Q3, the total production of eggs was 189,6 million dozen, an increase of 4,8% in production compared to 181,0 million dozen produced the previous year. Between 2018: Q2 and 2018: Q3, the total production of eggs increased by 5,1%, from 108,5 million dozen to 189,6 million dozen. The average price per dozen of eggs increased by 15,9% in 2018: Q3, from R12,99 per dozen in 2017: Q3 to R15,06. When comparing the second quarter with 2018: Q3, the average price per dozen of eggs increased by 0,9%, from R14,92 per dozen to R15,06 per dozen.



**Figure 43:** Trends in total egg production and average price per dozen eggs.  
Source: DAFF

### 3.6 Milk industry overview

The South African Milk Producers Organisation (MPO) reported an increase in milk production since July 2017 exceeds production during the corresponding months in 2016. The reasons for the higher production are the more favourable milk: feed ratio as well as better climatic conditions. The sustained uptrend in domestic production and limited consumer demand has in return lead to lower prices from May 2018. Total milk production came in 4,78% higher in 2018: Q3 than in 2017: Q3, increasing from 931 538 million litres in 2017: Q3 to 963 529,9 million litres in 2018: Q3. Between the two quarters milk production increased by 19,24%, from 808 063 million litres in 2018: Q2 to 963 529,9 million litres in 2018: Q3. The price of unprocessed milk has started a downward trend since November 2017 and the price of dairy products since May 2018 due to the high production of unprocessed milk and the high supply levels of other dairy products as well as the lowest economic growth rate of South Africa.

The average producer price per litre of milk decreased by 14,91% in 2018: Q3, from R4,97/l in 2017: Q3 to R4,23/l in 2018: Q3. Comparing 2017: Q3 and 2018: Q3, the average price per litre of milk decreased by 7,85% between the two quarters. Climatic conditions play an important role in determining agricultural product prices.



Favourable climatic conditions in some areas have already resulted in lower grain prices and this year's record crop will ensure grain prices remain relatively low. The exchange rate will also influence dairy product prices, especially products that will be imported. Meanwhile, producer prices are indirectly linked to international product prices, depending on various factors such as the extent of openness of the dairy industry to international trade, the level of self-sufficiency in the dairy industry and the extent of regulation or deregulation in the industry.

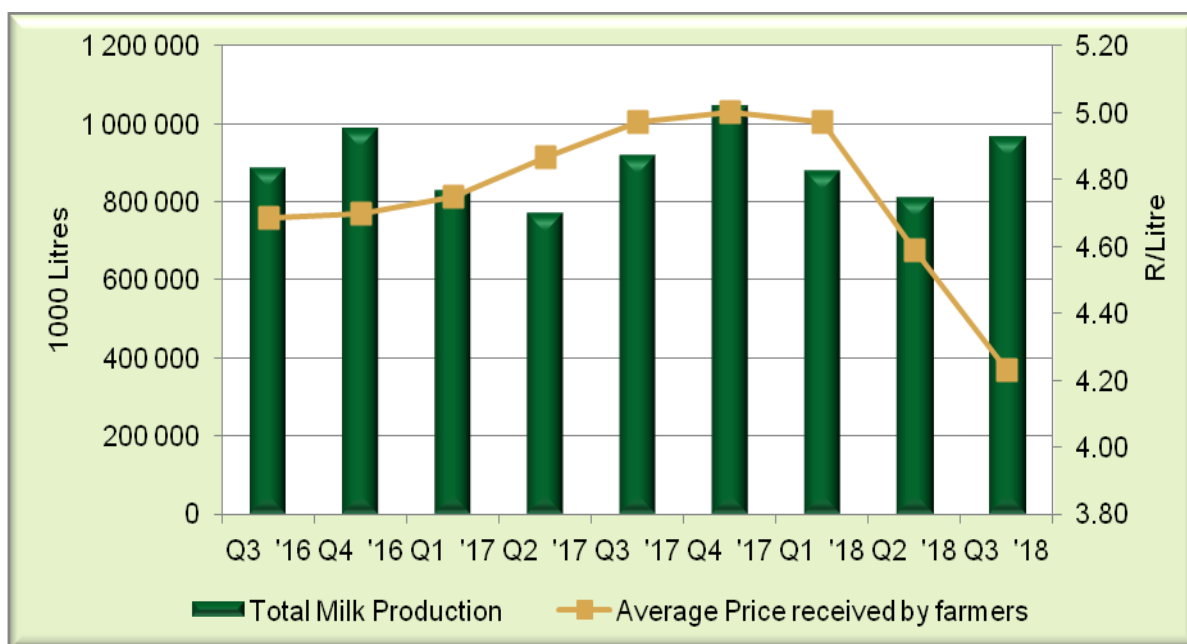
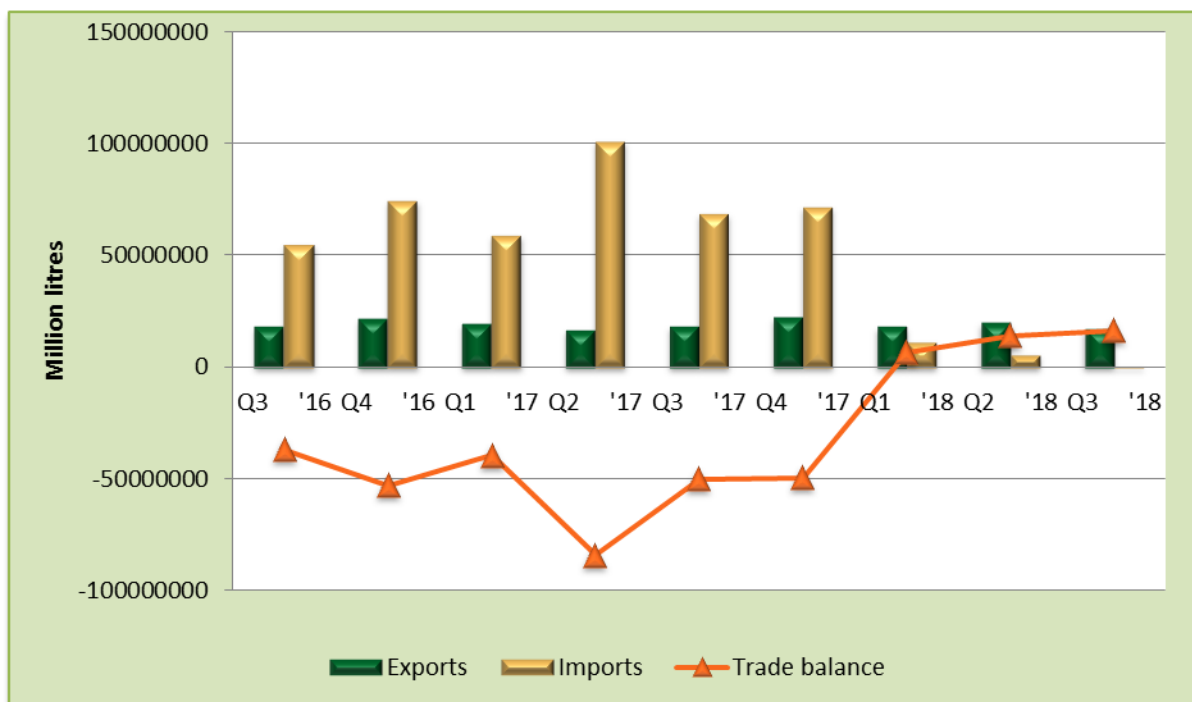


Figure 44: Trends in total production and average price of milk  
Source: DAFF

Exports of milk and cream (neither concentrated nor containing added sweetening) decreased by 8,07% in 2018: Q3 compared with 2017: Q2, exporting a total of 16 921 187 million litres of milk and cream in 2018: Q3 compared to 19 893 729 exported in 2017: Q3. Between 2018: Q2 and 2018: Q3, exports of milk and cream (not concentrated or containing added sweetening) decreased by 15%, from 19 893 729 million litres in 2017: Q2 to 16 921 187 million litres in 2018: Q3.

Imports of milk and cream decreased by 99,36% in 2018: Q3, from 68 613 476 million litres in 2017: Q3 to 440 945 million litres in 2018: Q3. When comparing 2018: Q2 with 2018: Q3, imports of milk and cream decreased by 92,41%, from 5 808 598 million litres in the 2017: Q2 to 440 945 million litres in 2018: Q3. With the current rise in SA's milk intake in the first months of 2018, the Milk Producers

Organisation explained that higher world prices and growing local production probably resulted in a slowdown in imports. The mass of the imports as a percentage of the mass of exports of dairy products from South Africa is a highly aggregated indication of the industry's international competitiveness. See Figure 45 below.



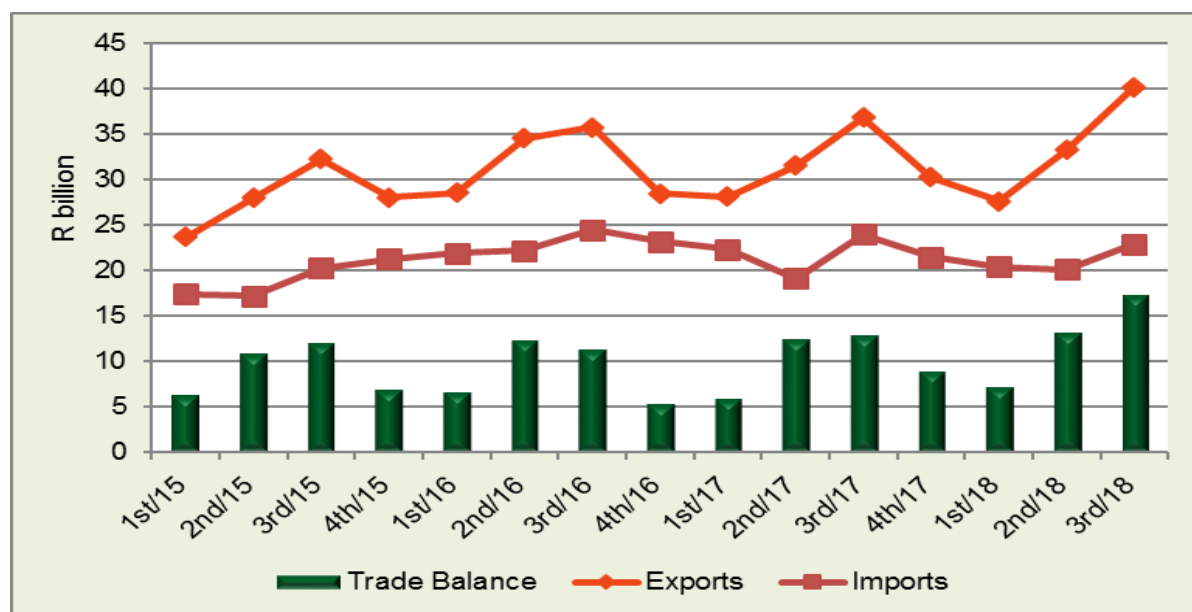
**Figure 45:** Trends in imports and exports of milk and cream, not concentrated nor containing added sweetening  
Source: GTA, 2018

### 3.7 Trade of agriculture, forestry and fisheries

South Africa's agricultural trade balance grew by 35,2% in 2018: Q3 compared with 2017: Q3, from R12,83 billion to R17,35 billion. On a quarter-on-quarter basis, agriculture's trade balance increased by 31,7% in 2018: Q3 compared with Quarter 2, from R13,17 billion in 2018: Q2 to R17,35 billion in 2018: Q3. Growth in agricultural exports boosted agriculture's trade balance in 2018: Q3 despite the continued effects of the drought and a volatile exchange rate.

South Africa's agricultural export value increased by 9,3% in 2018: Q3 compared with 2017: Q3, from R36,83 billion to R40,24 billion. During the same period, the import value of agricultural products decreased by 4,6%, from R,23,99 billion in 2017: Q3 to R22,89 in 2018: Q3. See Figure 46. While a depreciating exchange rate

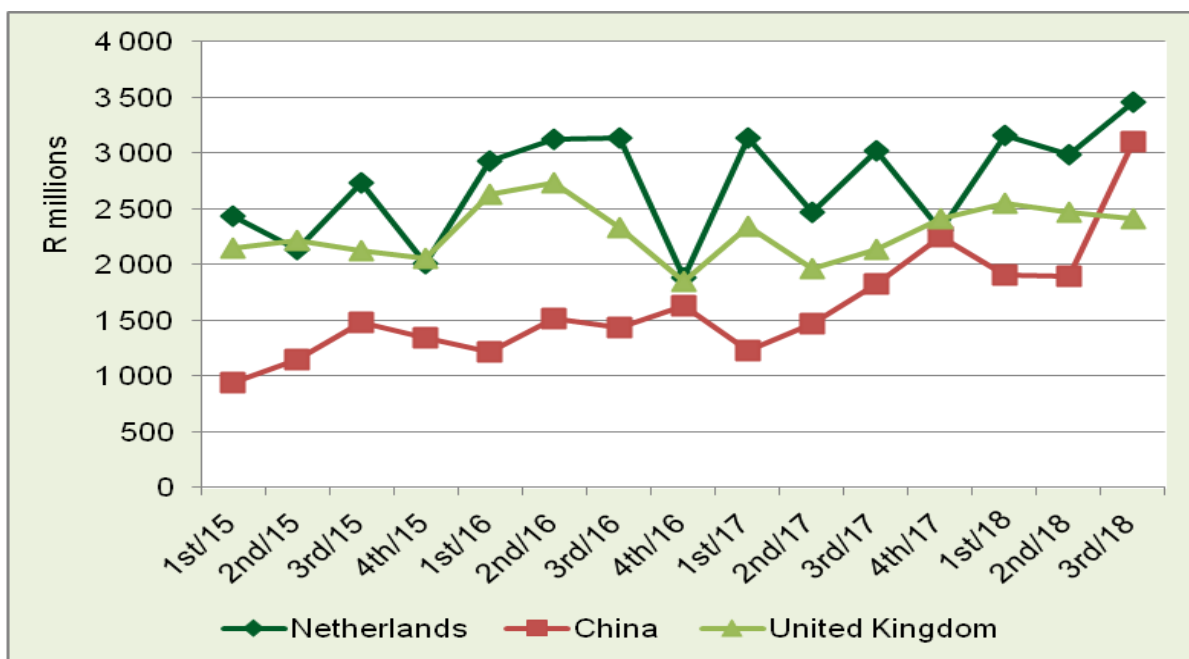
will assist South Africa’s agricultural trade in the global market, dollar-based imports will become too expensive (BFAP, 2018). Several fundamental factors such as weather conditions, inputs used to produce agricultural products, the exchange rate, as well as the fuel price will continue to have a significant impact on the value of the Rand, as well as the gross production value of agriculture in 2018 and 2019.



**Figure 46:** Trade balance of agricultural products  
Source: GTA, 2017

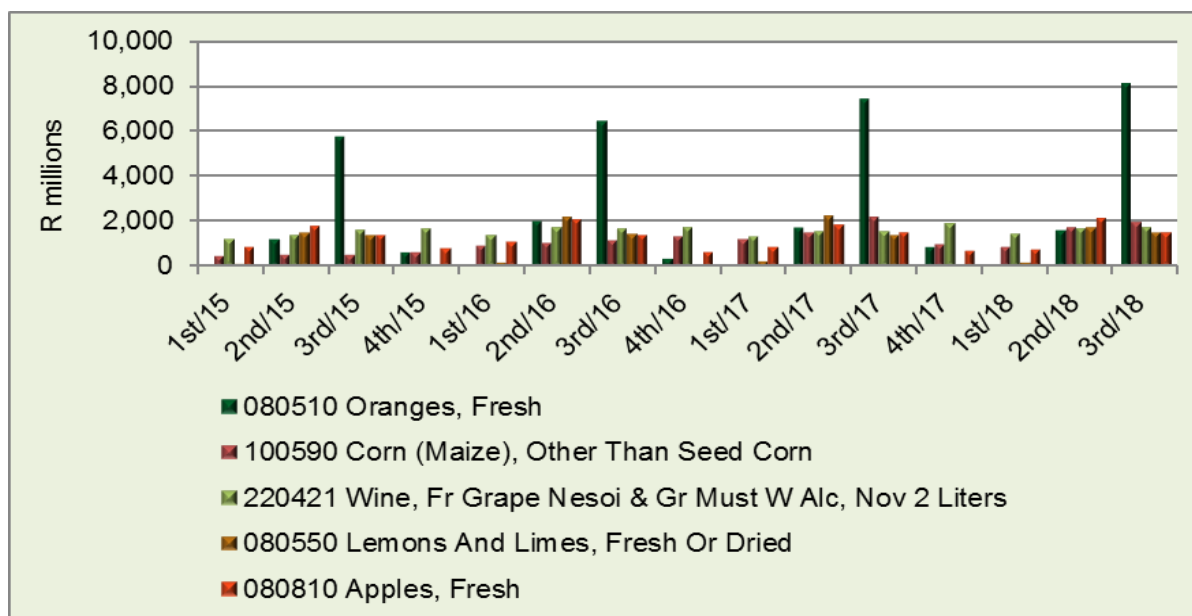
Meanwhile, on a quarter-on-quarter basis, the export value of agricultural products increased by 21,0%, from R33,26 billion in Quarter 2 to R40,24 billion in 2018: Q3. The Rand is expected to continue to weaken as policy uncertainty increases, which should allow exporting producers to be in a better position than those who supply solely for the domestic market (Absa, 2018).

Figure 47 illustrates South Africa gained most of its agricultural export revenue from products exported to the Netherlands, which was the leading export destination, followed by China and the United Kingdom, each accounting for 9% (R3,45 billion), 8% (R3,10 billion) and 6% (R2,41 billion), respectively, of SA’s agricultural export value in 2018: Q3.



**Figure 47:** Top three markets of agricultural products exported by SA  
Source: GTA, 2017

The top three agricultural products which contributed a considerable amount to agriculture’s export value in 2018: Q3 include fresh oranges (20,2%), corn/maize (4,9%) and wine (4,3%), respectively. See Figure 48.

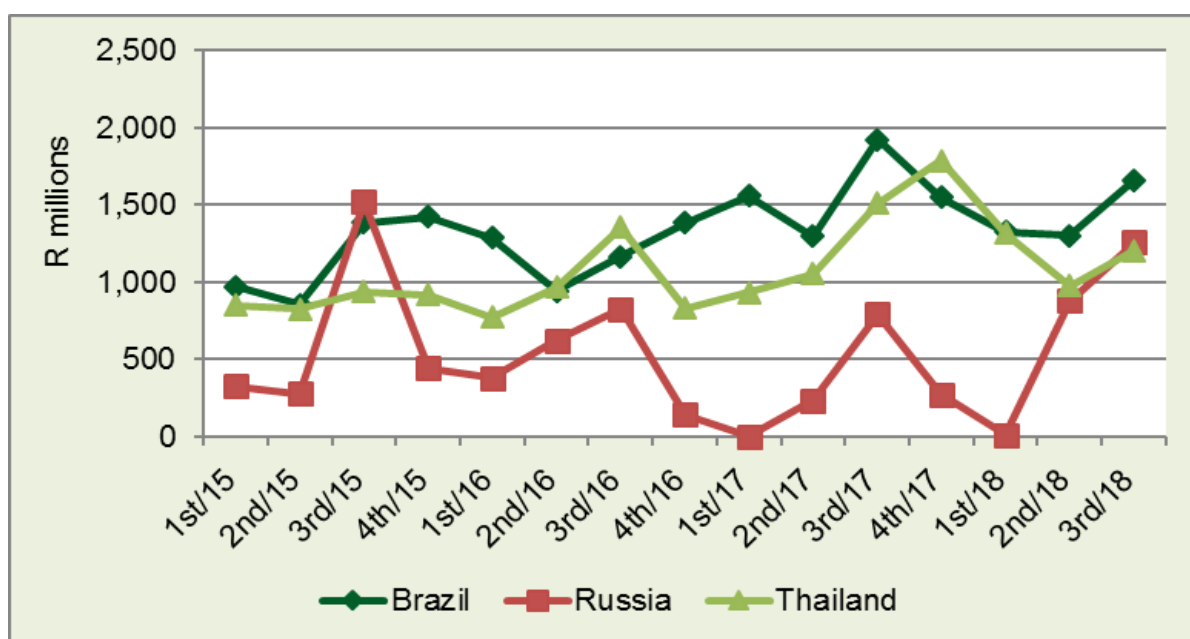


**Figure 48:** Top five markets of agricultural products exported by SA  
Source: GTA, 2017

SA’s total import value of agricultural products decreased by 4,6% in 2018: Q3 compared to 2017: Q3, from R23,99 billion to R22,89 billion. On a quarter-on-quarter basis, SA’s import value of agricultural products increased by 13,9%, from R20,09

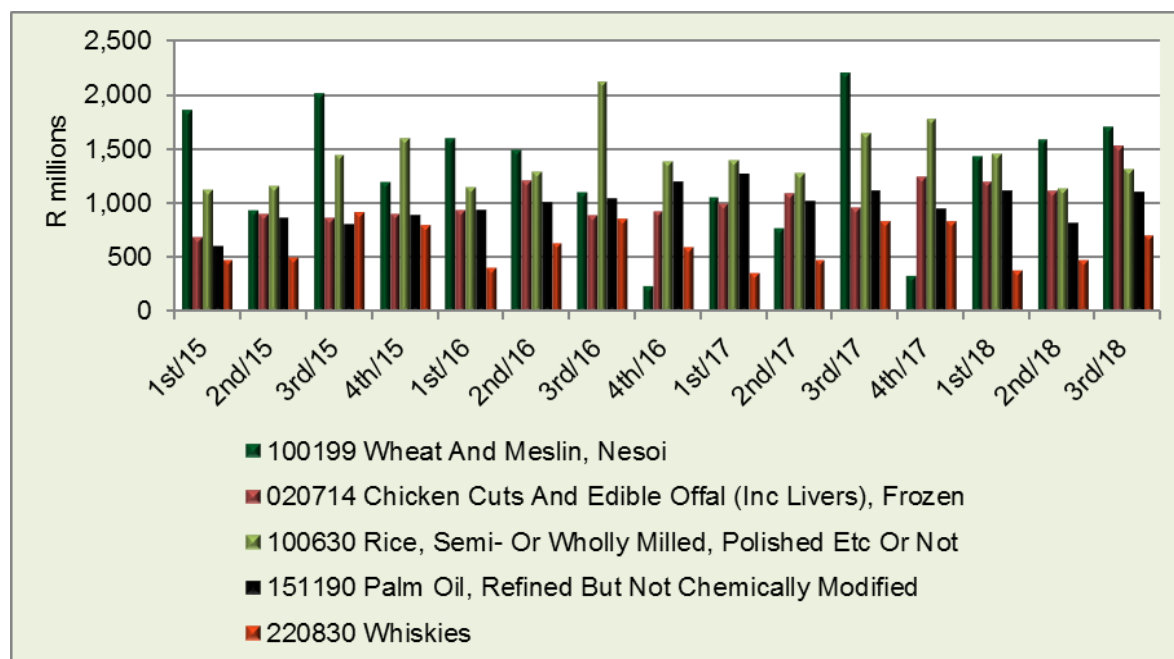
billion in 2018: Q2 to R22,89 billion in 2018: Q3. The increase on a quarter-on-quarter basis may be due to a softening of grain exports due to lower harvest in the current production season. Overall, the weather, global prices and the Rand's performance will remain key driving factors of whether South Africa's trade performance will remain vibrant or soften in the coming years (Agbiz, 2018). Absa (2018) on the other hand forecasts that South Africa will become increasingly dependent on imports.

SA's top three suppliers of agricultural products in 2018: Q3 include Brazil, Russia and Thailand, each accounting for 7,3% (R1,66 billion), 5,5% (R1, 26 billion) and 5,3% (R1, 20 billion) respectively, of SA's total agricultural import value. See Figure 49.



**Figure 49:** Top three market suppliers of agricultural products to SA  
Source: GTA, 2017

The top three agricultural products which contributed a considerable amount to SA's agricultural import value in 2018: Q3 include wheat (7,5%), chicken cuts and edible offal (6,7%) and rice (5,8%). See Figure 50.



**Figure 50:** Top five agricultural products imported by SA  
Source: GTA, 2017

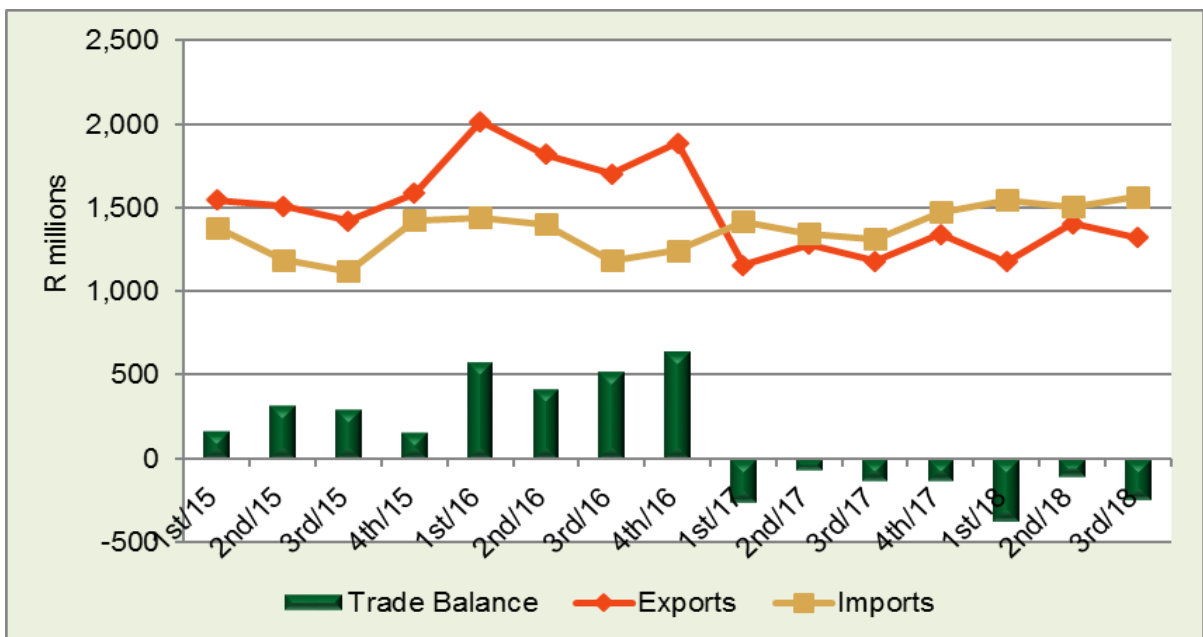
### 3.7.1 Fisheries trade

The South Africa’s fishing sector contributes less than 1% of the total GDP, yet it is under-reported in terms of its opportunities for SA’s economy at large. South Africa’s fishing sector is an extremely strategic sector for food security, employment and environmental impact. According to DAFF, the fisheries sector is worth around R8 billion Rand a year and directly employs, in the commercial sector, about 28 000 people, both land-based and sea going. Indirect employment in industries linked to the sector is estimated at between 81 000 and 100 000 people. Nonetheless, widening gaps between sustainable production levels versus real consumption are now recognised as leading environmental and socio-problem in the marine realm (wwf, 2011). In 2018: Q3, fisheries trade balance worsened further into negative territory compared to 2017: Q3, from a negative trade balance of R132,94 million in 2017: Q3 with a negative trade balance of R245,54 million in 2018: Q3. Comparing Quarter 2 to 2018: Q3, fisheries trade balance worsened significantly in 2018: Q3 compared with Quarter 2, from a negative trade balance of R103,19 million in:2018: Q2. The main challenge in fisheries is to create a balance between maximising the social and economic potential of the fisheries industry; protecting the integrity and quality of the country's marine and coastal ecosystems and addressing transformation in the sector.

Meanwhile, aquaculture is still nascent, but is seen as a potential source of employment. Aquaculture holds enormous potential given global demand. Sustainable aquaculture is needed due to the growing global demand for fish which will assist to reduce pressure on wild fish stocks. Capture fisheries are on the decline in South Africa and are unlikely to grow in the future as most fish stocks are over-exploited while line fish resources range from heavily depleted to optimal state, depending on species.

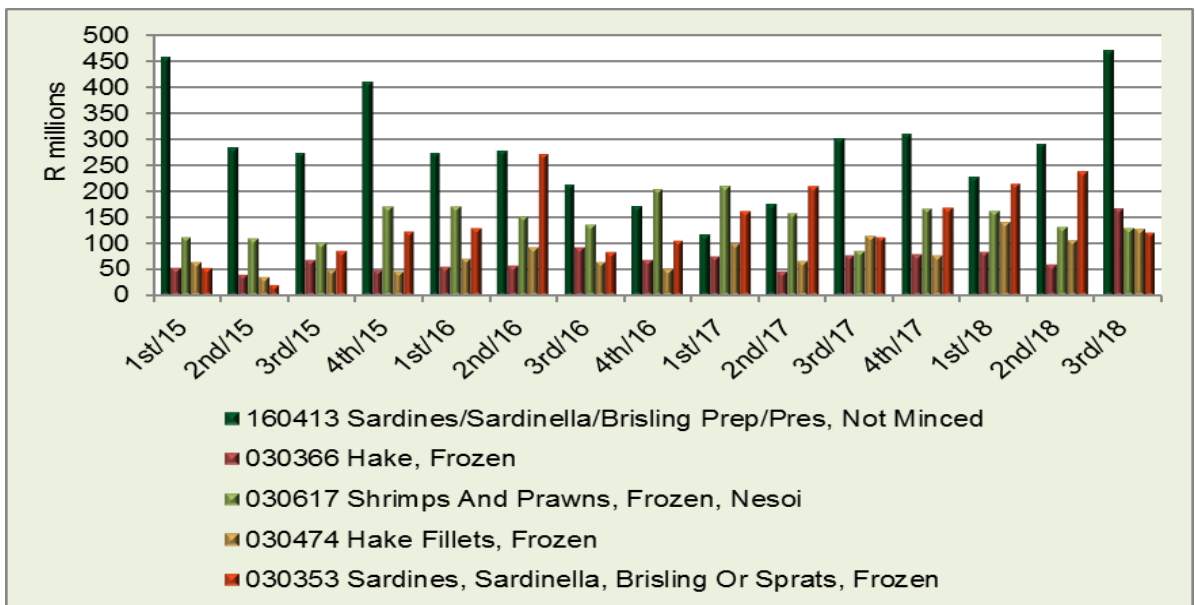
Figure 51 illustrates that the export value of fisheries products increased by 12,1% in 2018: Q3 compared to 2017: Q3, from R1,18 billion to R1,32 billion. On a quarter-on-quarter basis, the export value of fisheries products decreased by 5,8% in 2018: Q3 compared with Quarter 2, from R1,40 billion in Quarter 2 to R1,32 billion in 2018: Q3. Protecting the resources against over usage is essential. It remains a challenging task to create and sustain a workable balance between resource protection and the development of the economic potential of the fishing industry in the country.

Meanwhile, the import value of fisheries products in 2018: Q3 increased by 19,4% in 2018: Q3 compared with 2017: Q3, from R1,31 billion to R1,57 billion. On a quarter-on-quarter basis, the import value of fisheries products increased by 4,0% in 2018: Q3, to R1,57 billion in 2018: Q3 from R1,51 billion in 2018: Q2. Global fishing trade has been increasing very rapidly in recent decades. An estimated 45% of the world catch is now traded internationally.



**Figure 51:** Trade balance of SA fisheries products  
Source: GTA, 2017

SA’s top three imported fisheries products in 2018: Q3 include sardines/sardinella/brisling (prepared/preserved and not minced), hake (frozen) as well as shrimp and prawn (frozen), each accounting for 30,1% (R472,3 million), 10,5% (R165,1 million) and 8,2% (R128,1 million), respectively, of the fisheries import value. See Figure 52.



**Figure 52:** SA top five imported fisheries products  
Source: GTA, 2017



Figure 53 represents SA's top three fisheries products exported in 2018: Q3. Hake fillets (frozen), hake (frozen) and abalone (prepared or preserved) were the top three fisheries products exported to world markets in 2018: Q3, each accounting for 31,2% (R412,0 million), 11,5% (R152,5 million) and 7,0% (R92,4 million), respectively, of the total fisheries export value. See Figure 53. When comparing exports of fisheries products in 2017: Q3 with 2018: Q3, exports of the top three fisheries products, hake fillets (frozen), hake (frozen) and abalone (prepared or preserved) decreased by 23,0%, 18,6% and 52%, respectively, in 2018: Q3 compared with 2017: Q3. Hake fishery is the most valuable of South Africa's marine fisheries, providing the basis for about 30 000 jobs and an annual landed value in excess of R5,2 billion (DAFF, 2016). Sales in the South African fishing industry bring in over R3,4 billion in total the foreign exchange income every year (Sea Harvest, 2017).

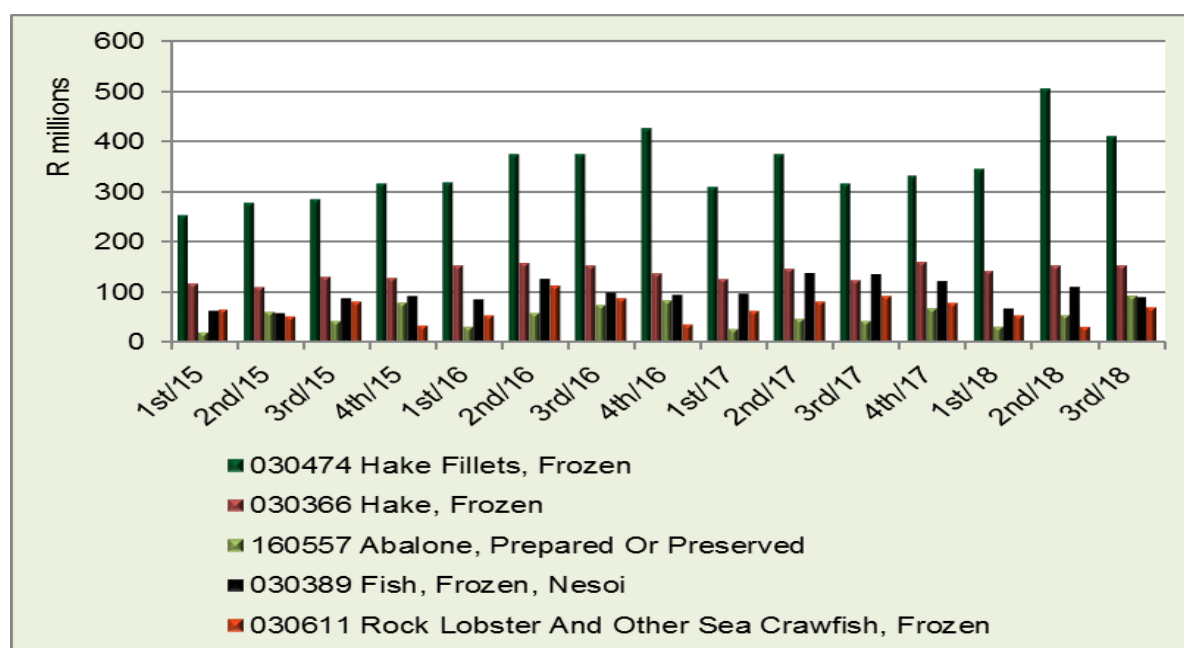


Figure 53: SA top five exports of fisheries products  
Source: GTA, 2017

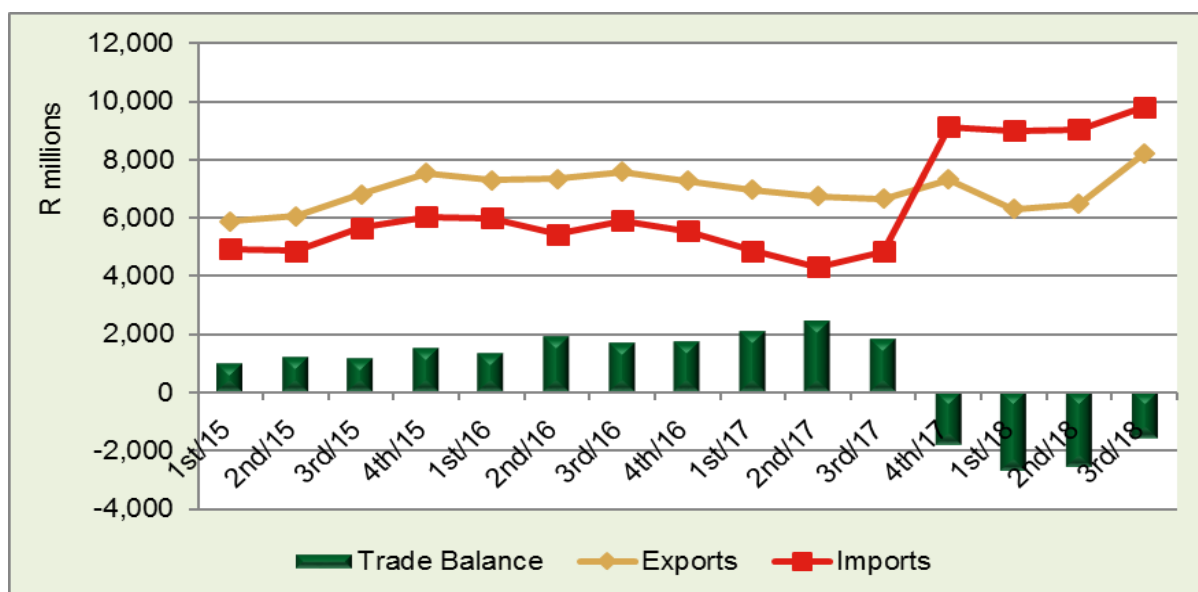
### 3.7.2 Forestry trade

The South African Forestry sector is a key driver for the development of local economies, particularly in rural areas where poverty is compounded by the lack of employment opportunities. According to the Industrial Development Corporation (IDC), the sector contributes 1% to SA's gross domestic product (IDC, 2014). The industry employs 158 400 people, of which 111 600 jobs are attributed to the forestry

sector, while the sawmilling, mining timber, pulp and paper, timber board, mining board and other related industries account for the remaining 46 800 jobs (FSA, 2017).

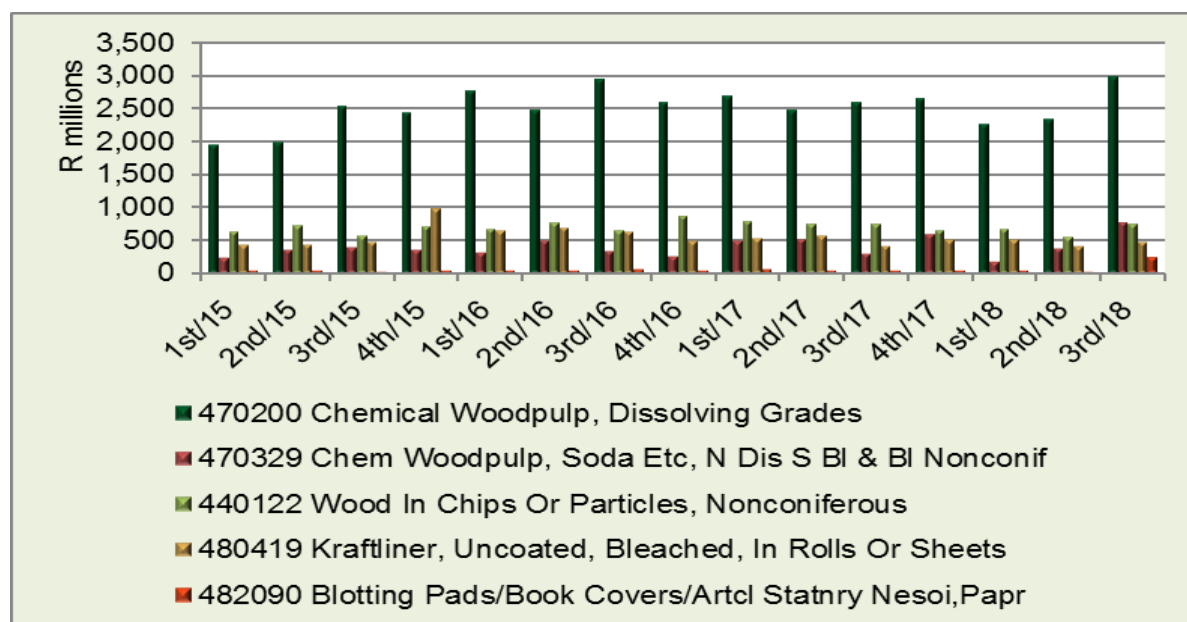
Figure 54 shows SA’s trade balance of forestry products from 2015: Q1 to 2018: Q3. During 2018: Q3, the forestry trade balance fell into negative territory compared to 2017: Q3. SA’s forestry trade balance worsened from a positive trade balance of R1,82 billion in 2017: Q3 with a negative trade balance of R1,59 billion in 2018: Q3. Legality standards have increasingly limited access to markets and this also impacts on the South Africa’s exports of forestry products. On a quarter-on-quarter basis, SA’s forestry trade balance improved by 38,1% in 2018: Q3 compared to 2018: Q2, from a steep negative balance of R2,57 billion in 2018: Q2 with an improved negative trade balance of R1,59 billion in 2018: Q3. See Figure 54.

The South African forestry sector develops strains and species that are more suited to South African growing conditions and additional land are required for these. More dialogue is needed by the government to address this challenge while lack of investment in the maintenance and upgrade of machinery and equipment as well as access to scarce skills exacerbated the already challenging economic environment. The export value of forestry products increased by 23,4% in 2018: Q3 compared with 2017: Q3, while the import value of forestry products increased by 102,7% in 2018: Q3 compared with 2017: Q3.



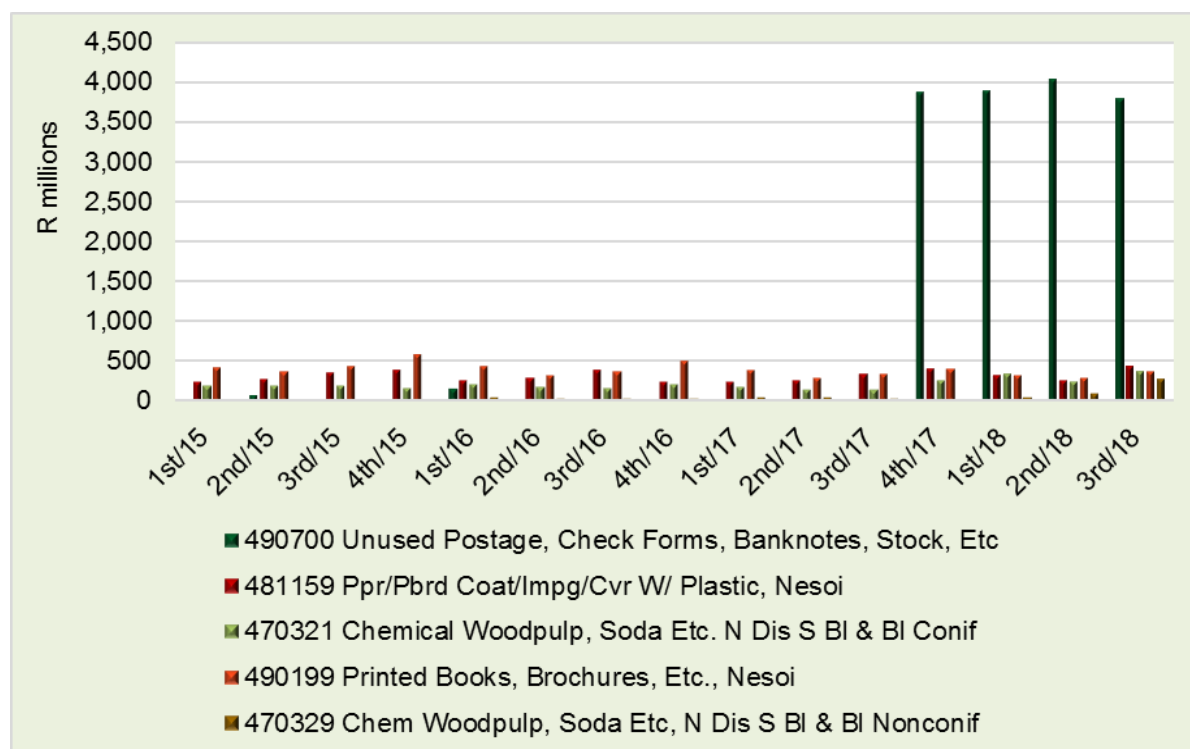
**Figure 54:** Trade balance of SA forestry products  
Source: GTA, 2017

SA's total export value of forestry products increased by 23,4% in 2018: Q3, to R8,21 billion, from R6,66 billion in 2017: Q3. SA's top three forestry products exported in 2018: Q3 include chemical wood pulp (dissolving grades), chemical wood pulp (Soda Etc, N Dis S BI and BI Nonconif) and wood in chips or particles (non-coniferous), each accounting for 36,1% (R2,97 billion), 9,2% (R752,9 million) and 9,0% (R736,1million), respectively, of the total forestry export value. See Figure 55. To support economic development and combat rural poverty, it is essential for stakeholders in the forestry industry, particularly government, to invest in the development and up skilling of small and medium wood growers.



**Figure 55:** SA top five exports of forestry products  
Source: GTA, 2017

The total import value of forestry products increased by 9,2% in 2018: Q3 compared with 2017: Q3, from R2,59 billion to R2,97 billion. The top three imported forestry products which accounted for a considerable amount to the total forestry import value in 2018: Q3 include unused postage, check forms, bank notes, stocks, etc., paper or paperboard (Coat/Impg/CvrW/Plastic Nesoi) and chemical wood pulp (Soda Etc, N Dis S BI and BI Nonconif), each accounting for 38,7% (R3,79 billion), 4,5% (R443,98 million) and 38% (R373, 93 million) of the total forestry import value. See Figure 56.



**Figure 56:** SA top five imports of forestry products  
Source: GTA, 2017

There are various factors that can directly or indirectly lead to unpredictable swings in supply, demand and prices of forestry products. As with other export-based industries, the continuing unfavourable economic environment has a negative impact on demand. Overall demand and market activity is anticipated to remain active and volatile in 2018.

## 4. CONCLUSION

Global growth is expected to remain steady at 3,7% in 2020, as the decline in advanced economic growth with the unwinding of the US fiscal stimulus and the fading of the favourable spill overs from US demand for trading partners is offset by a pickup in emerging market and developing economic growth. Real GDP growth rates, 2018 (Q3) increased in the advanced economies of the following countries: Canada, France, United Kingdom and United States expanded by 0,5%, 0,4%, 0,6% and 0,9%, respectively, while Germany, Italy and Japan have slowed down by 0,2%, 0,1% and 0,6%, respectively, as compared to 2017: Q3. Emerging markets and developing economies real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa, Nigeria and Russia by 0,8%, 6,5%, 7,1%, 5,2%, 4,4%, 6,1%, 2,2%, 1,8% and 1,5%, respectively, as compared to 2017: Q3 figures.

The South African's economy grew by 2,2% in 2018: Q3 following a decrease of 0,4% in 2018: Q2. The manufacturing industry was the main driver which grew by 7,5% from 0,6% in the second quarter. The agricultural sector grew by 1,2% during 2018: Q3 and contributed 0,1% to the GDP. The growth in the agricultural sectors is attributed to an increase in the production of field crops, horticulture and animal products.

The annual average headline CPI for 2018: Q2 was 4,5%, which shows an increase of 0,4% from 4,1% of the previous quarter. Food inflation for 2018: Q2 was 3,3%, which shows an decrease of 0,8% from 4,1% of the previous quarter.

South Africa's agricultural trade balance grew by 5,5% in 2018: Q2 compared with 2017: Q2, to R13,17 billion from R12,49 billion. South Africa's agricultural export value increased by 5,3%, while the import value of agricultural products increased by 5,2% during the same period.

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