

# 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 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 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: Q4, 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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## EXECUTIVE SUMMARY

**Global growth prospects:** The global economy is projected to grow at 3.5% in 2019 and 3.6% in 2020, 0.2% and 0.1% point below last October's projections. Real GDP growth Rates, 2018 (Q4) in the advanced economies of the following countries: Canada, France, Japan, United Kingdom and United States expanded by 0.4%, 0.9%, 0.3%, 0.2% and 0.6%, respectively, Whilst Italy have slowed down by 0.2% and German economy in 2018 (Q4) stagnated for the first time GDP shrank since 2015.

Emerging markets and developing economies, 2018 (Q4) Real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa, Nigeria and Russia by 1.6%, 6.7%, 7.7%, 5.3%, 5.4%, 6.8%, 1.4%, 2% and 1.3% respectively, as compared to the fourth quarter of 2017

**Global grain supply forecast:** . The following global food products price indices in 2018 (Q4), dairy, meat, oil and sugar reflect a steady decrease by 12.6%, 5.7%, 23.9% and 13.16% respectively. The global grain supply forecast indicates a total grain increase of 4%, from 3.213 million metric tons in 2017 (Q4) to 3.342 million metric tons in 2018 (Q4). Global supply projections for 2018 (Q4) of wheat, coarse grains, rice milled, oil seeds, oil meals and vegetable oils increased by 0.2%, 6.4%, 4%, 4.3%, 1.9% and 4.3%, respectively, whilst cotton decreased by 4.2% as compared to the fourth quarter of 2017

### **South Africa's GDP:**

South African's economy emerged out of 2018 with annual economic growth of 0.8% which is slightly lower compared to 1.4% annual estimate of real GDP reported in 2017. The positive growth in GDP during the fourth quarter of 2018 is mainly due to increased economic activities in the transport, manufacturing and finance industry. Stats SA data further reveals that the agriculture, forestry and fishery industry moderated by 7.9%. The positive growth in agricultural sector is attributed to an increase in the production of field crops.

**Inflation:** The annual average headline CPI for the fourth quarter 2018 was 3.29% which shows a decrease of 1.71% from 5% of the previous quarter. The decrease in food inflation could be attributed to the robust recovery in agricultural production. Food inflation for the fourth quarter of 2018 was 2.68% which shows a decrease of 0.42% from 3.1% of the previous quarter.

**Employment:** Unemployment rate decreased slightly to 27.1% in the last quarter of 2018 from 27.5% in the previous quarter, meaning the rate has fallen by 0.4 percentage points. Employment increased in three of the four sectors in fourth of 2018 with the formal sector recording the largest employment gains of 92 000 followed by Private households (65 000) and Agriculture (7 000).

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

**Trade:** South Africa's agricultural trade balance grew by 24,4% in Q4: 2018 compared with Q4: 2017, to R 10,99 billion from R 8,84 billion. SA's export value of agricultural products increased by 10,0% and the import value of agricultural products increased by 4,0%, during the same period.

Fisheries trade balance worsened into negative territory, export value of fisheries products increased by 12,6% in Q4. The import value of fisheries products in Q4: 2018 increased by 29,6% compared with Q4: 2017.

SA's forestry trade balance worsened in negative territory, the export value of forestry products increased by 10,8% in Q4: while the import value of forestry products increased by 17,7% in Q4: 2018 during the same period.



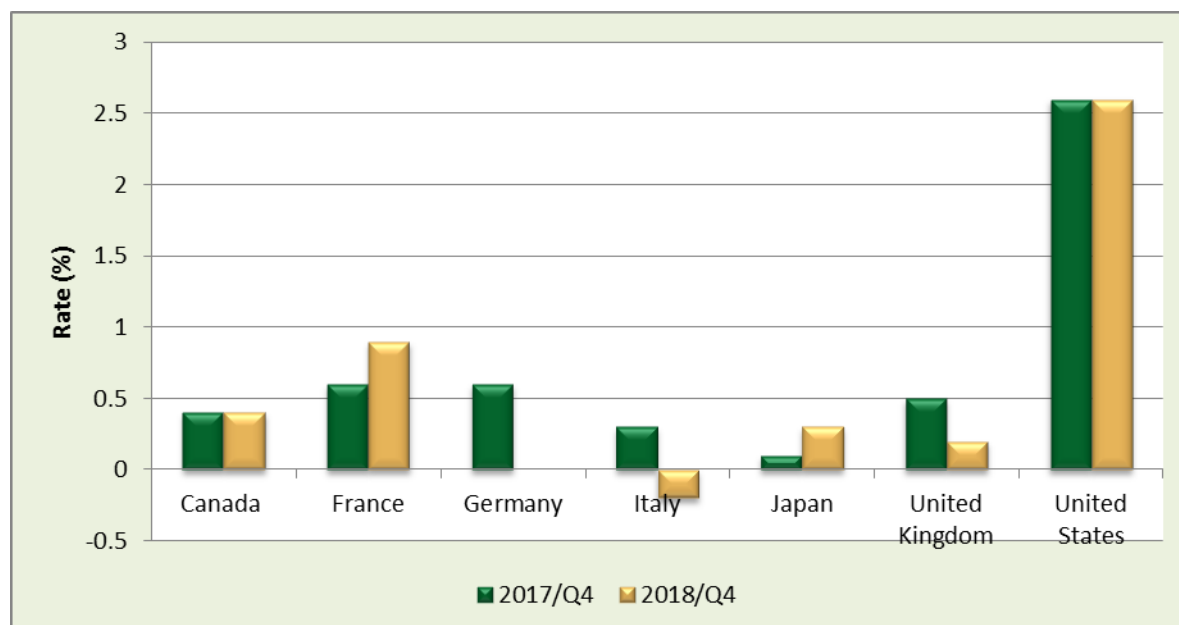
## **1 GLOBAL OVERVIEW OF THE AGRICULTURE, FORESTRY AND FISHERIES ECONOMY**

### 1.1 Global Real GDP Growth Rates

According International Monetary Fund (IMF) latest report on World Economic Outlook (WEO) Update, January 2019, it indicates that Global growth for 2018 is estimated at 3.7%, as in the October 2018 World Economic Outlook (WEO) forecast, despite weaker performance in some economies, notably Europe and Asia. The global economy is projected to grow at 3.5% in 2019 and 3.6% in 2020, 0.2% and 0.1% point below last October's projections.

The global growth forecast for 2019 and 2020 had already been revised downward in the last WEO, partly because of the negative effects of tariff increases enacted in the United States and China earlier that year. The further downward revision since October in part reflects carry over from the softer momentum in the second half of 2018 including in Germany following the introduction of new automobile fuel emission standards and in Italy, where concerns about sovereign and financial risks have weighed on domestic demand but also weakening financial market sentiment as well as a contraction in Turkey now projected to be deeper than anticipated.

Real GDP growth Rates, 2018 (Q4) in the advanced economies of the following countries: Canada, France, Japan, United Kingdom and United States expanded by 0.4%, 0.9%, 0.3%, 0.2% and 0.6%, respectively, Whilst Italy have slowed down by 0.2% as compared to 2017 (Q4). On the other hand German economy stagnated in 2018 (Q4) after a 0.2% contraction in the July-September 2018 period, which was the first time GDP shrank since 2015. See figure 1 below.

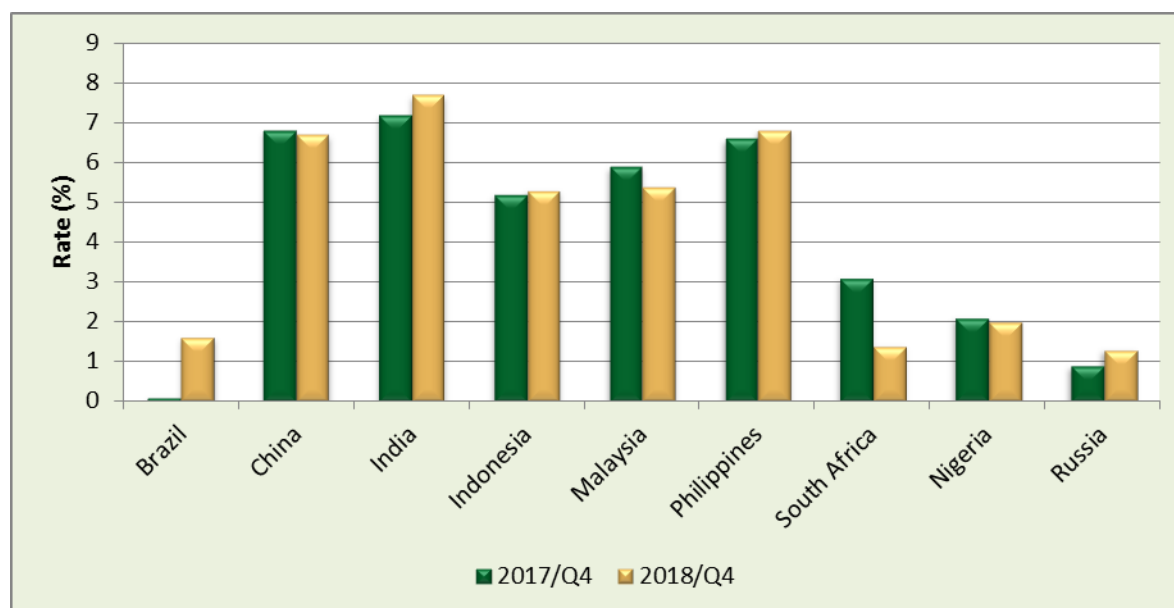


**Figure 1:** Advanced economies quarterly GDP growth rates  
 Source: Various Sources

Accordinging International Monitory Fund (IMF) latest report on World Economic Outlook (WEO) Update, January 2019, it indicates that the emerging market and developing economy group, growth rate is expected to tick down to 4.5% in 2019 (from 4.6% in 2018), before improving to 4.9% in 2020. The projection for 2019 is 0.2% point lower than in the October 2018 WEO. Growth in emerging and developing Asia will dip from 6.5% in 2018 to 6.3% in 2019 and 6.4% in 2020. Despite fiscal stimulus that offsets some of the impact of higher US tariffs, China’s economy will slow due to the combined influence of needed financial regulatory tightening and trade tensions with the United States.

Growth in emerging and developing Europe in 2019 is now expected to weaken more than previously anticipated, to 0.7% (from 3.8% in 2018) despite generally buoyant growth in Central and Eastern Europe, before recovering to 2.4% in 2020. The revisions are due to a large projected contraction in 2019 and a slower recovery in 2020 in Turkey, amid policy tightening and adjustment to more restrictive external financing conditions. Figure 2, Indicate that in the emerging markets and developing economies, 2018 (Q4) Real GDP growth rates increased in the following countries: Brazil, China, India, Indonesia, Malaysia, Philippines, South Africa, Nigeria and

Russia by 1.6%, 6.7%, 7.7%, 5.3%, 5.4%, 6.8%, 1.4%, 2% and 1.3% respectively, as compared to the fourth quarter of 2017, see figures 2.



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

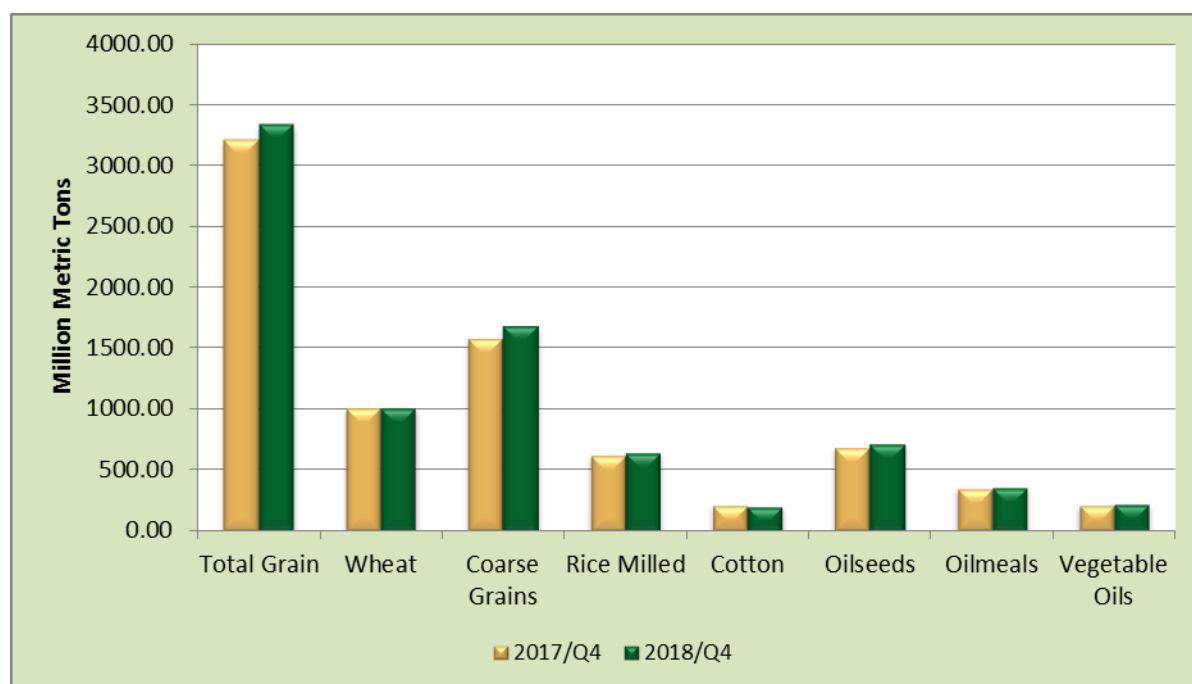
## 1.2 Global Grain Forecast

According to a media statement by Andrew Hecht (October 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 Q1, 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 Q3, 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 U.S. and China continues to impact prices. 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 for grain prices at this time of the year. However, in 2018, the sector faced another dynamic when it comes to international trade.

The global grain supply forecast indicates a total grain increase of 4%, from 3.213 million metric tons in 2017 (Q4) to 3.342 million metric tons in 2018 (Q4). Global supply projections for 2018 (Q4) of wheat, coarse grains, rice milled, oil seeds, oil meals and vegetable oils increased by 0.2%, 6.4%, 4%, 4.3%, 1.9% and 4.3%, respectively, whilst cotton decreased by 4.2% as compared to the fourth quarter of 2017, see figure 3 below.



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

### 1.3 Global Food Prices

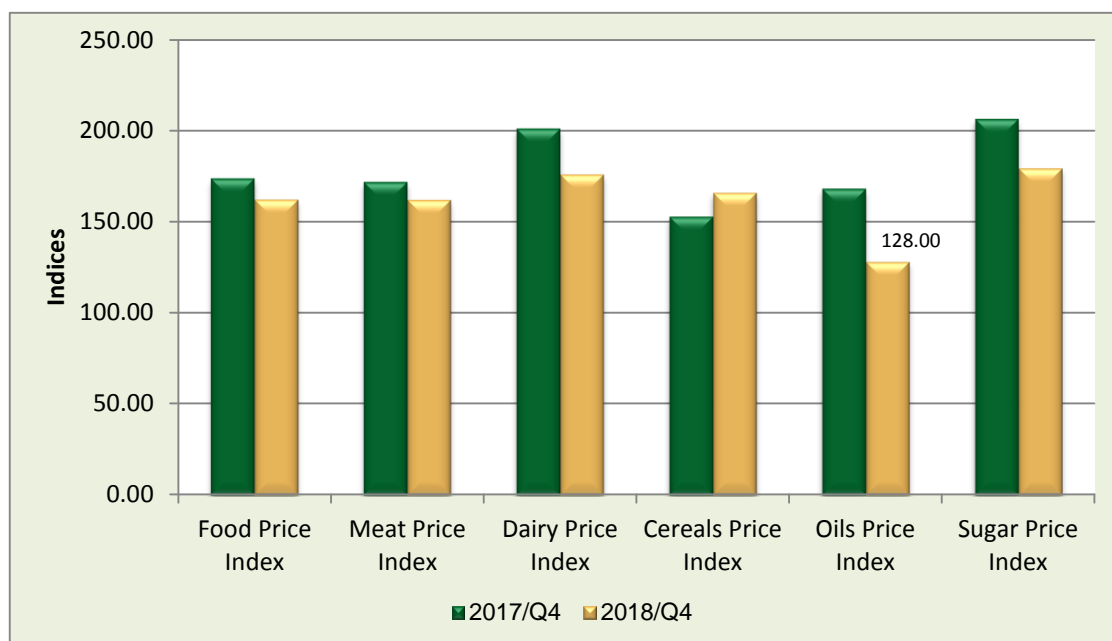
The Food and Agriculture Organization (FAO) Food Price Index averaged 162.14 points at the end of the fourth quarter, down by a notable 10.89% percent from

173.03 points in the third quarter. The decline was driven primarily by marked drops for palm oil and other vegetable oils, additionally Vegetable Oil Price Index hit a 12-year low and abundant supplies of soy and sunflower oils fuelled the decline.

Globally in 2018 (Q4) some major countries were paying slightly less by 10.89% on food purchases compared to 2018 (Q3). According to FAO a decrease was the result of falling oil prices, dairy, meat and sugar, which more than offset a surge in cereal prices. The following global food products price indices in 2018 (Q4), dairy, meat, oil and sugar reflect a steady decrease by 12.6%, 5.7%, 23.9% and 13.16% respectively. The FAO Cereal Price Index, covering wheat, coarse grains and rice, dropped 1.1 percent during the month, reflecting large export supplies of wheat, intensified export competition for maize and new crop arrivals of rice. Dairy Price Index declined for the sixth consecutive month, as large stocks and increased availability of export supplies - especially from New Zealand - led to lower price quotations for butter, cheese and whole milk powder.

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 sugarcane 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. 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 sugarcane yields and production. The figure below illustrates.

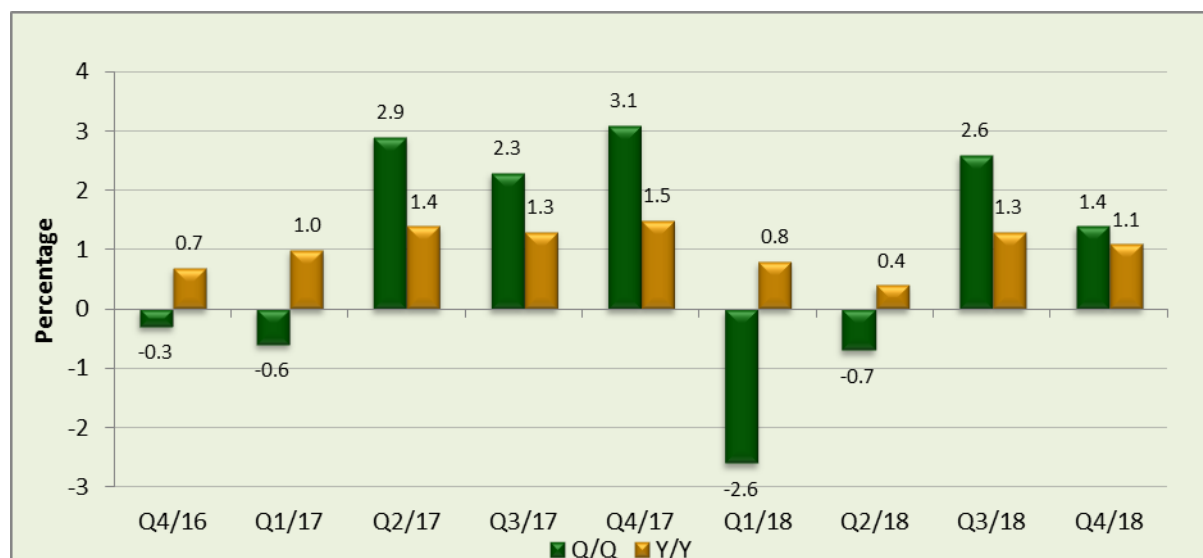


**Figure 4:** Quarterly global food price indices  
Data Source: FAO

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

### 2.1 Growth

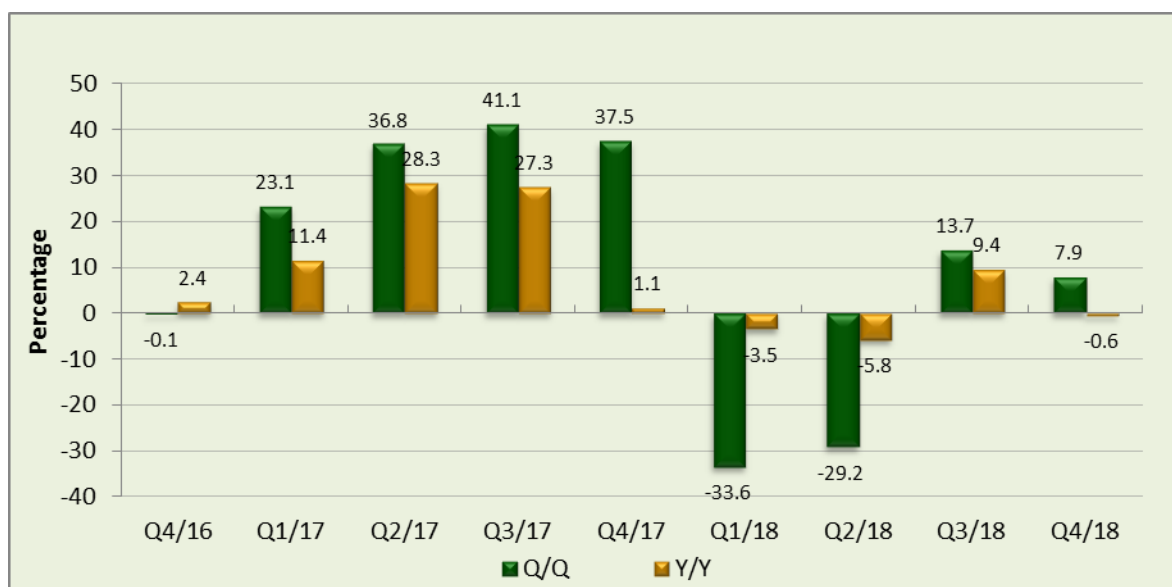
Latest preliminary indicators from Statistics South Africa (Stats SA) give a picture on the performance of the South Africa’s economy over the fourth quarter of 2018. South African’s economy emerged out of 2018 with annual economic growth of 0.8% which is slightly lower compared to 1.4% annual estimate of real GDP reported in 2017. However, the annual GDP growth rate of 0.8% in 2018 is slightly higher than expectations. The Bloomberg consensus expected an estimated growth of 0.6%, while both the National Treasury and the Reserve Bank estimated growth of 0.7%. During the fourth quarter of 2018, South Africa’s real gross domestic product moderated by 1.4% from 2.6% reported in the previous quarter (see figure 5). The positive growth in GDP during the fourth quarter of 2018 is mainly due to increased economic activities in the transport, manufacturing and finance industry. The transport, storage and communication industry; and finance, real estate and business services industries increased marginally by 7.7% and 2.7% respectively during the fourth quarter of 2018.



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

Stats SA data further reveals that the agriculture, forestry and fishery industry moderated by 7.9% during the fourth quarter of 2018 from a 13.7% growth during the third quarter of 2018 while mining and quarrying industries reported an improved contraction of 3.8% in the fourth quarter from a contraction of 8.9% reported during the third quarter of 2018. The positive growth in agricultural sector during the fourth quarter is attributed to an increase in the production of field crops while the decrease in the mining industry emanated from low production of gold and other mining and quarrying (including diamonds).

In the secondary sector, the manufacturing industry moderated by 4.5% in the fourth quarter from 7.5% reported in the previous quarter. The electricity, gas and water industry moderated by 0.2% during the fourth quarter from 0.8% in the third quarter of 2018 while the construction industry reported an improved contraction of 0.7% during the fourth quarter of 2018. According to Stats SA, decreased in residential building, non-residential building and low contraction works contributed to negative growth in the construction industry (see figure 6).



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

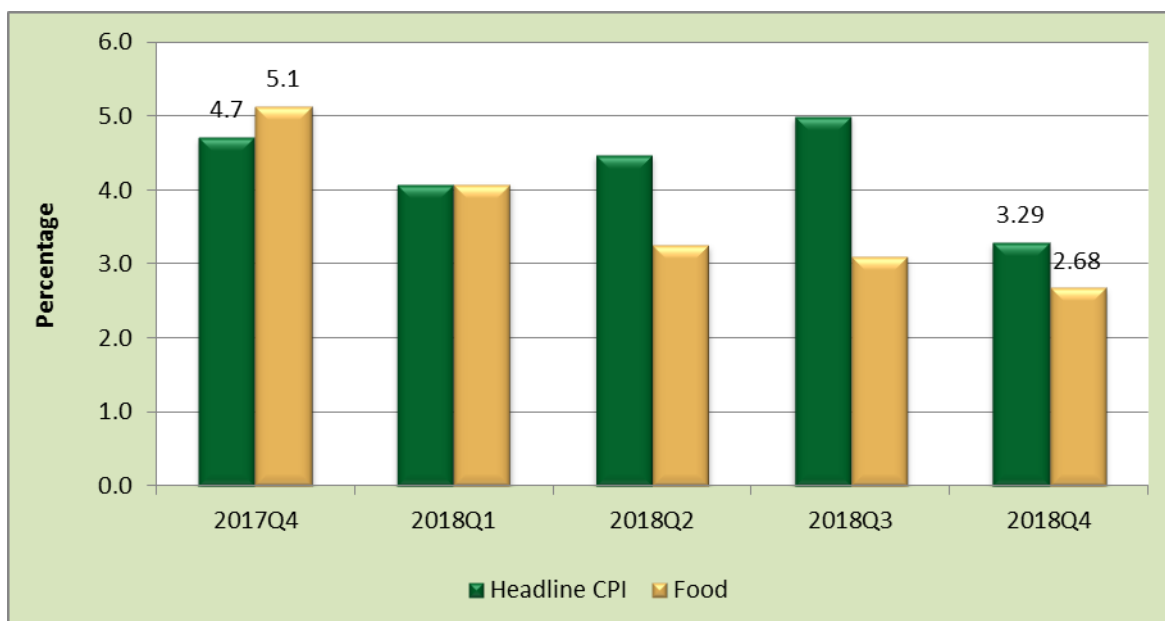
## 2.2 Inflation

South Africa's annual headline CPI and the food inflation from the third quarter of 2017 to the fourth quarter of 2018 is illustrated in figure 5 below. The annual average headline CPI for the fourth quarter 2018 was 3.29% which shows a decrease of 1.71% from 5% of the previous quarter. Food inflation for the fourth quarter of 2018 was 2.68% which shows a decrease of 0.42% from 3.1% of the previous quarter. On average quarter 4 inflation rate in South Africa fell to 3.29%, reaching the mid-point of the central bank's target range of 3 percent to 6 percent, from 5% in the previous month. It is the lowest annual inflation since 2018. One of the contributing factors to a lower inflation is the of transport that slowed sharply due to lower fuel prices, after a stronger rand and lower international crude oil prices contributed to fall in gasoline cost. Also, prices eased for food & non-alcoholic beverages, namely fish; meat and fruit.

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 tonnes, which is double the previous season's volume 1. This has led to a widespread decline in agricultural commodity prices. Overall, this



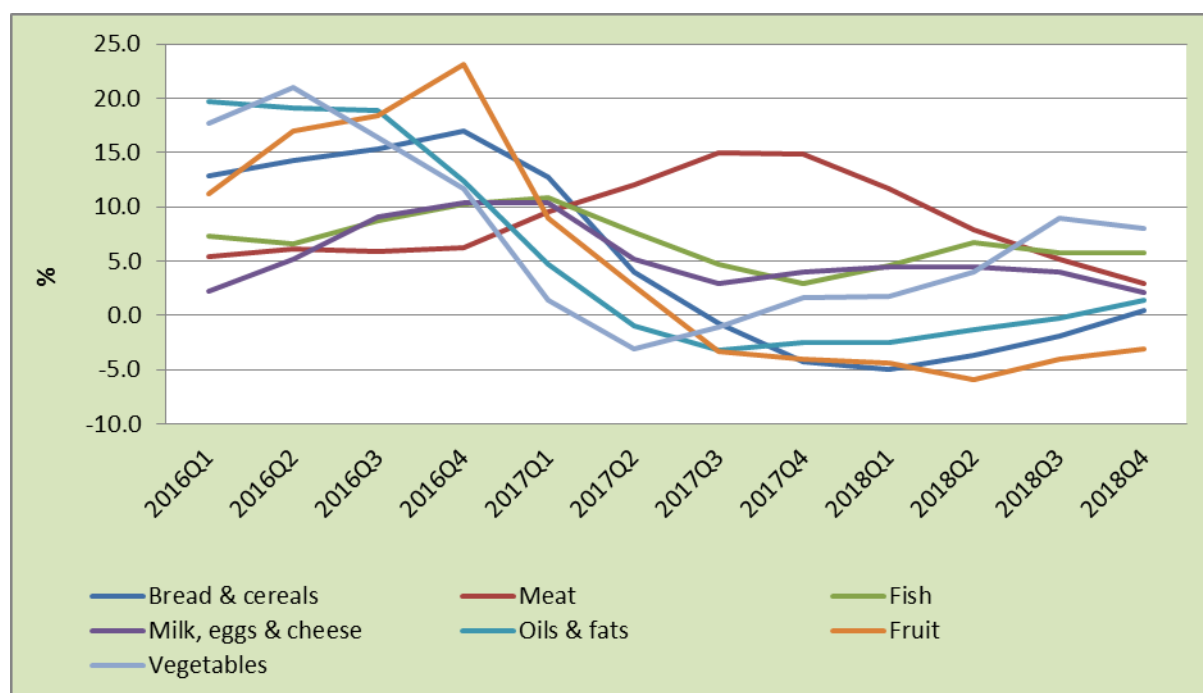
should keep agricultural commodity prices at relatively lower levels for some time, (see figure 7)..



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

Source: Stats SA

Figure 8 illustrates consumer trends of selected food items from the first quarter of 2017 to the fourth quarter of 2018. Quarter 4 of 2018 data for selected food items show that the CPI for bread & cereal, milk, egg and cheese and oils were generally less expensive compared to other food items. On a quarterly basis, the CPI for vegetables was the most expensive with a CPI of 7.98% down from 8.9% in the previous quarter, down by 0.92%. Followed by fish with a CPI of 5.72%, up by 0.2% from 5.70% of the previous quarter. According to Agbiz, 2018, the deceleration in meat price inflation was partly driven by an increase in slaughtering activity, specifically sheep and cattle subsectors. South African farmers slaughtered 220 534 head of cattle in October 2018, up by 13% from the previous month and a percentage point from the corresponding period last year. In addition, about 324 102 head of sheep were slaughtered, up by 3% from the previous month, but still 10% lower than October 2017.



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

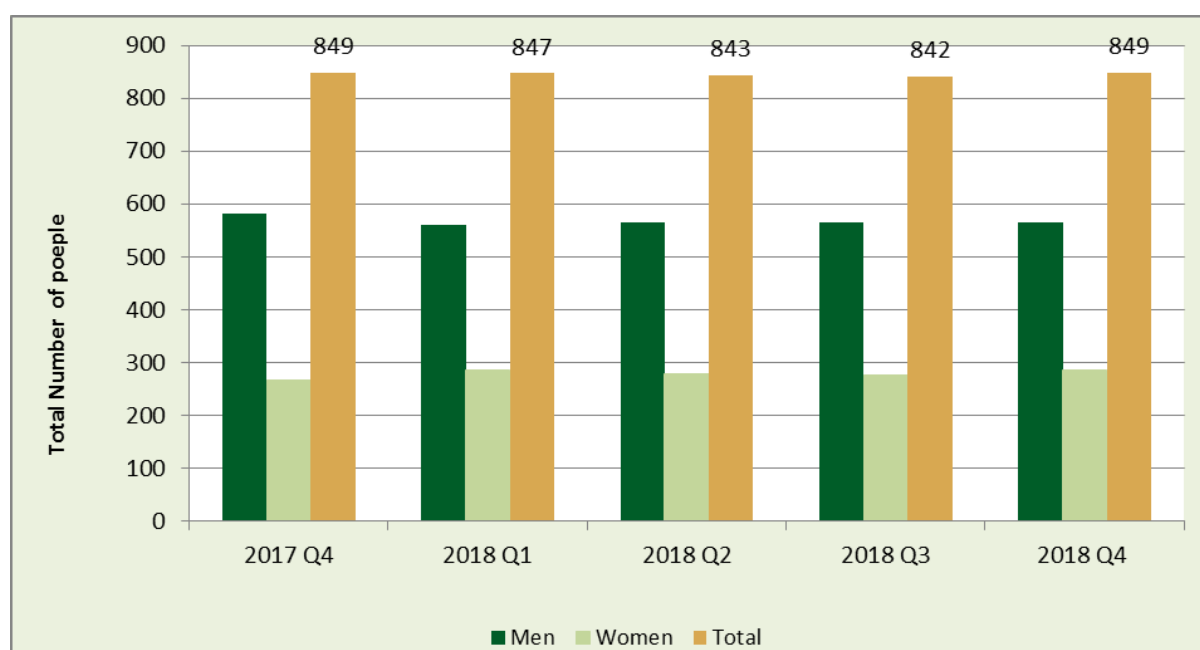
## 2.3 Employment

According to Statistics South Africa, unemployment rate decreased slightly to 27.1% in the last quarter of 2018 from 27.5% in the previous quarter, meaning the rate has fallen by 0.4 percentage points. According to the Quarterly Labour Force Survey, there are 16.5 million employed people and 6.1 million unemployed people between the ages of 15 and 64 years. Figures released showed that 16.5 million people were employed in the last quarter of 2018, up by 300 000 when compared with 2017. Youth unemployment, on the other hand, increased by 1.9 of a percentage point to 54.7% in the last quarter of 2018. The unemployment figures were expected to fall due to seasonal hiring in the services sectors in the last quarter of the year and that results in an improvement in the number of individuals employed.

Employment increased in three of the four sectors in fourth of 2018 with the formal sector recording the largest employment gains of 92 000 followed by Private households (65 000) and Agriculture (7 000). The informal sector employment declined by 15 000 jobs. There was a net increase of 70 000 in the not economically active population resulting in the number of discouraged work-seekers increasing by 108 000 while there was a decline of 38 000 in the number of people who were not economically active due to other reasons other than discouragement. Compared to a year ago employment and unemployment increased by 2.2% (358 000) and 4.4% (259 000) respectively. The number of persons who were not economically active declined by 0.1%.

The number of employed persons increased in six of the ten industries, with the largest increases recorded in Finance and other business services (109 000), Private households (65 000), Manufacturing (48 000), Mining (31 000) and Trade (14 000). While employment declines were recorded in Community and social services (51 000), Transport (30 000), Utilities (22 000) and Construction (21 000). Compared to the same period last year, employment gain of 358 000 persons was largely driven by Finance and other business services (238 000), Construction (91 000) and Trade (79 000). Employment in Agriculture remained unchanged at 849 000 persons during the same period.

The provincial statistics show that the number of employed persons increased in five of the nine provinces between the two quarters. The largest employment increases were recorded in Gauteng (86 000), Free State (by 33 000) and Western Cape (26 000). However, the largest decline in the number of employed persons was recorded in Eastern Cape (15 000) followed by North West (6 000). Compared to a year ago employment declined in North West (27 000) and Eastern Cape (16 000) while in Northern Cape the number of employed persons remained unchanged. The largest increase in the number of the employed persons was recorded in Gauteng (172 000), KwaZulu-Natal (135 000) and Limpopo (59 000).

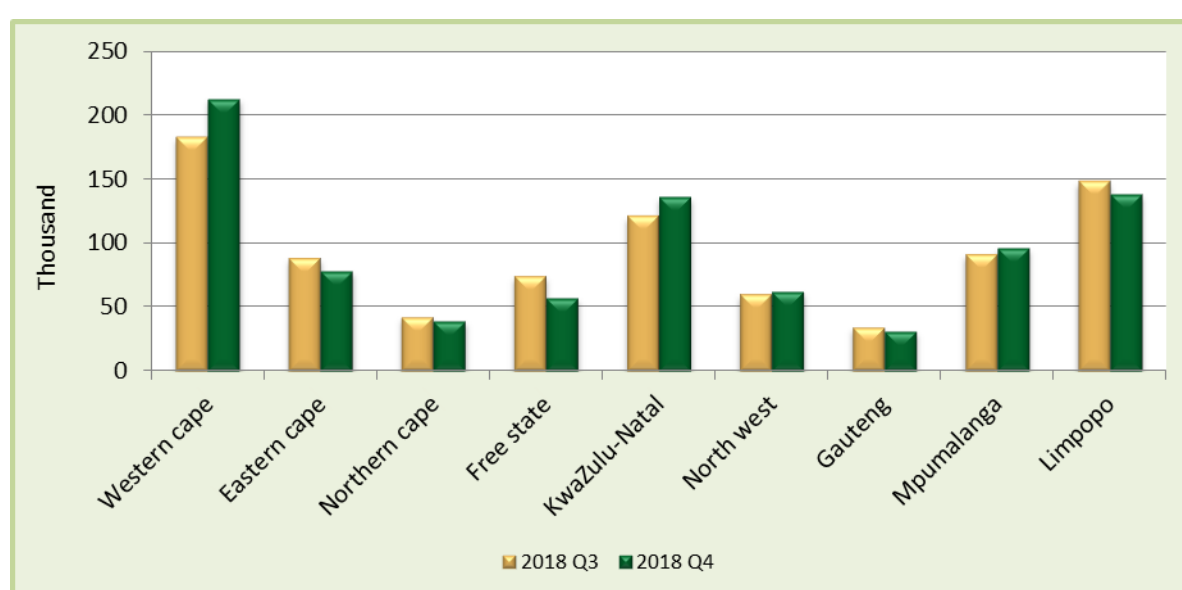


**Figure 9:** Total number of people employed in the agriculture sector between 2018: Q2 and 2018: Q4  
Source: DAFF

Figure 9 shows, the number of people employed in agricultural sector increased slightly by 0.9% in the last quarter of 2018, from 842 000 persons in the third quarter of 2018 to 849 000 persons in the last quarter of 2018. The 8 000 jobs were created for women, while man lost 1000 jobs between the two quarters. But when comparing 2017(Q4) and 2018 (Q4) In total, the agricultural sector remains constants with a total of 849 000 jobs.

Figure 10 below shows that between the third quarter of 2018 and the fourth quarter of 2018, provincial agriculture employment increased in only four provinces, whilst

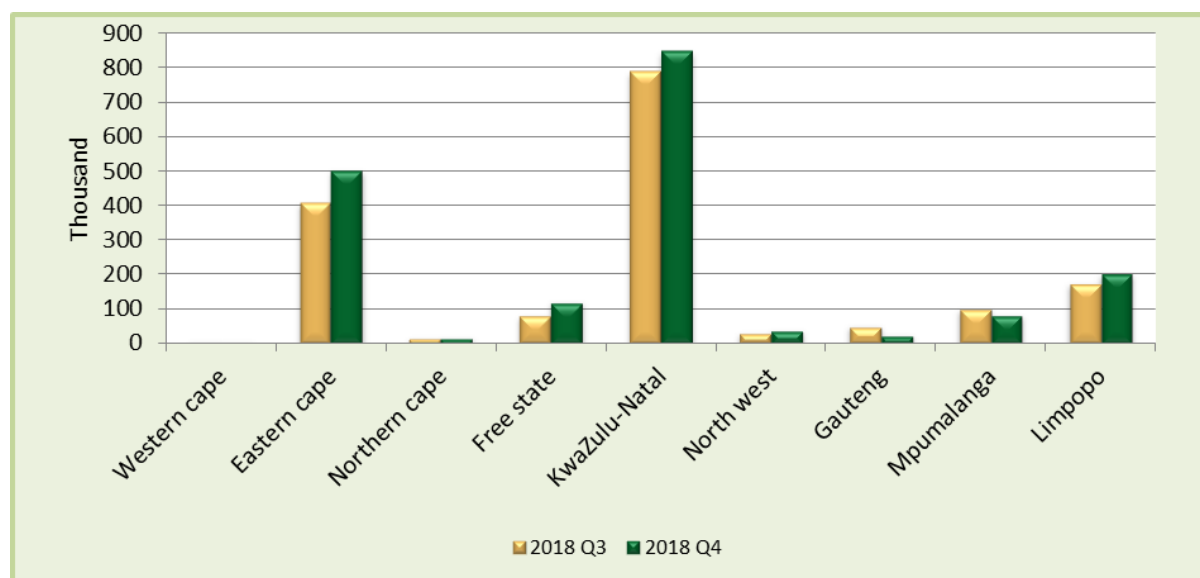
decreased in other five provinces. After a decrease in the previous quarter the provincial agriculture employment in Western Cape increased significantly by 16.0% in the last quarter of 2018, the province remained with the highest employment of 213 000. During the same period agriculture employment in KwaZulu- Natal, Mpumalanga and North West increased by 12.6%, 5.2% and 3.6% respectively. While provincial agriculture employment in Free State, Eastern Cape, Gauteng, Northern Cape, and Limpopo decreased by 23.5%, 12.1%, 10.4%, 7.2% and 6.5% respectively between the two quarters.



**Figure 10:** Provincial agriculture, employment between 2018: Q3 and 2018: Q4.  
Source: DAFF

The 2018 fourth quarter (QLFS) also indicate that 1.8 million people were involved in subsistence farming in the last quarter of 2018 compared to 1.7 million people in the third quarter of 2018, an increase of 11.3 %. **Figure 11** below illustrate the number of people involved in subsistence farming in all provinces in the fourth quarter of 2018 compared to the previous quarter. KwaZulu-Natal had the highest number (850 000) people involved in subsistence farming compared to (790 000) in the previous quarter, an increase of 7.6%. Meanwhile, Eastern Cape had (503 000) people involved in subsistence farming compared to (409 000) in the previous quarter, an increase of 22.8%. During the same period the number of people involved in subsistence farming in Free State, North West, Northern Cape and Limpopo also

increased by 50.4%, 23.2%, 16.7%, and 15.7% respectively. The increase the number of people involved in subsistence farming can be attributed to the planting season. Whilst the number of people involved in subsistence farming in Gauteng, Western Cape and Mpumalanga decreased by 51.0%, 17.6% and 16.7% between the two quarters.

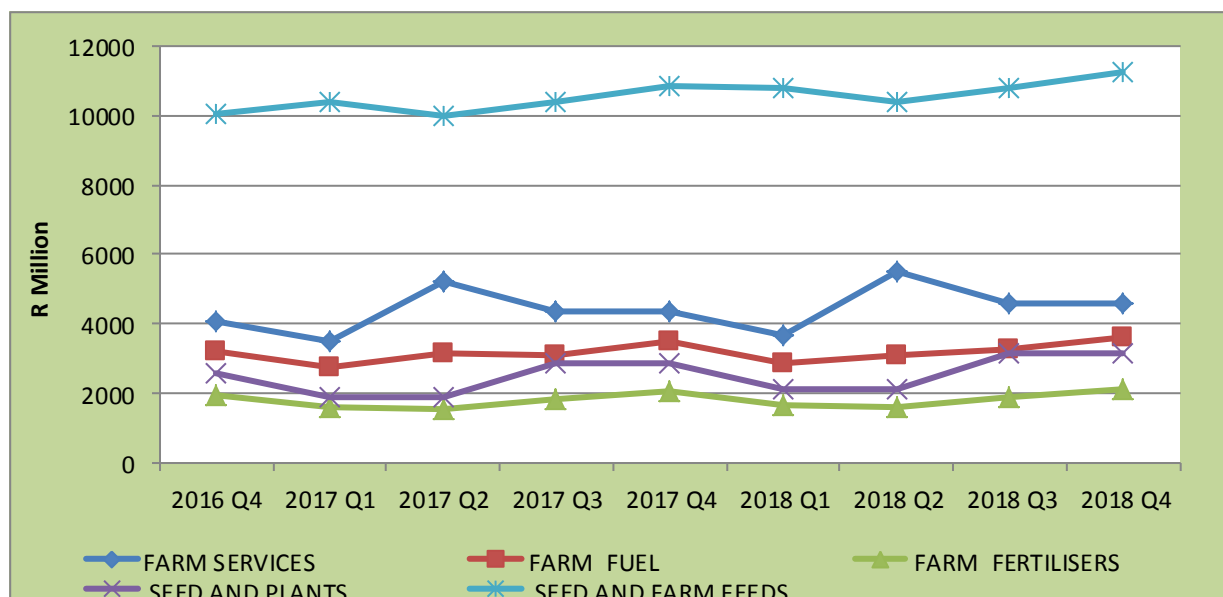


**Figure 11:** Provincial number of people involved in subsistence farming between 2018: Q3 and 2018: Q4  
Source: DAFF

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

The total expenditure on intermediate goods and services was reported at R40.7 billion in the fourth quarter of 2018 compared to R39.8 billion in the previous quarter, an increase of 2.20%. Compared to a year ago the total expenditure on intermediate goods and services increased by 1.1% from R38.5 billion in the fourth quarter of 2017 to 40.7 billion in the fourth quarter of 2018.

Figure 12 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 2018 compared to the previous quarter. The increase in total expenditure was attributed to the increase in expenditure on fuel by 11.7%, fertiliser 11.5%, and farm feeds by 4.0%. While the expenditure on farm services and seed and plants remained unchanged when compared to the previous quarter.

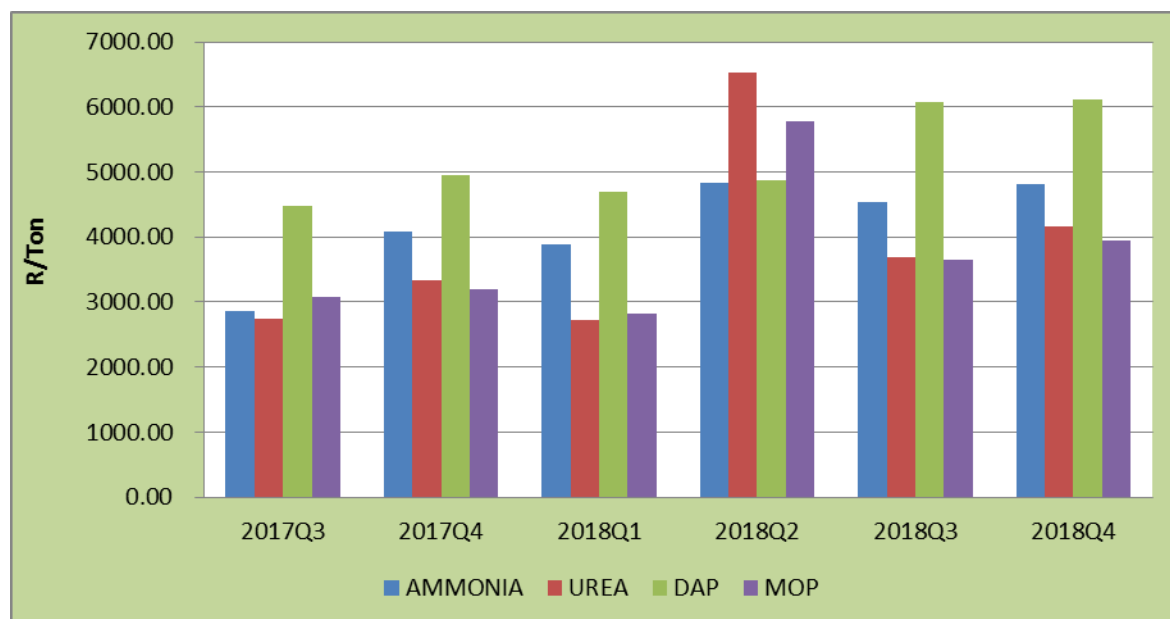


**Figure 12:** Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2016: Q4 and 2018: Q4  
 Source: DAFF

## 2.5 fertilizer market review

### 2.5.1 International fertiliser prices

The average prices for all four international fertilisers show an increasing trend between Q3 and Q4 of 2018. The average price in Rand terms of Ammonia increased by 5.96% between quarter 3 and quarter 4 of 2018. Average prices of Urea, DAP and MOP also increased by 13.04%, 0.6% 8.29% respectively.

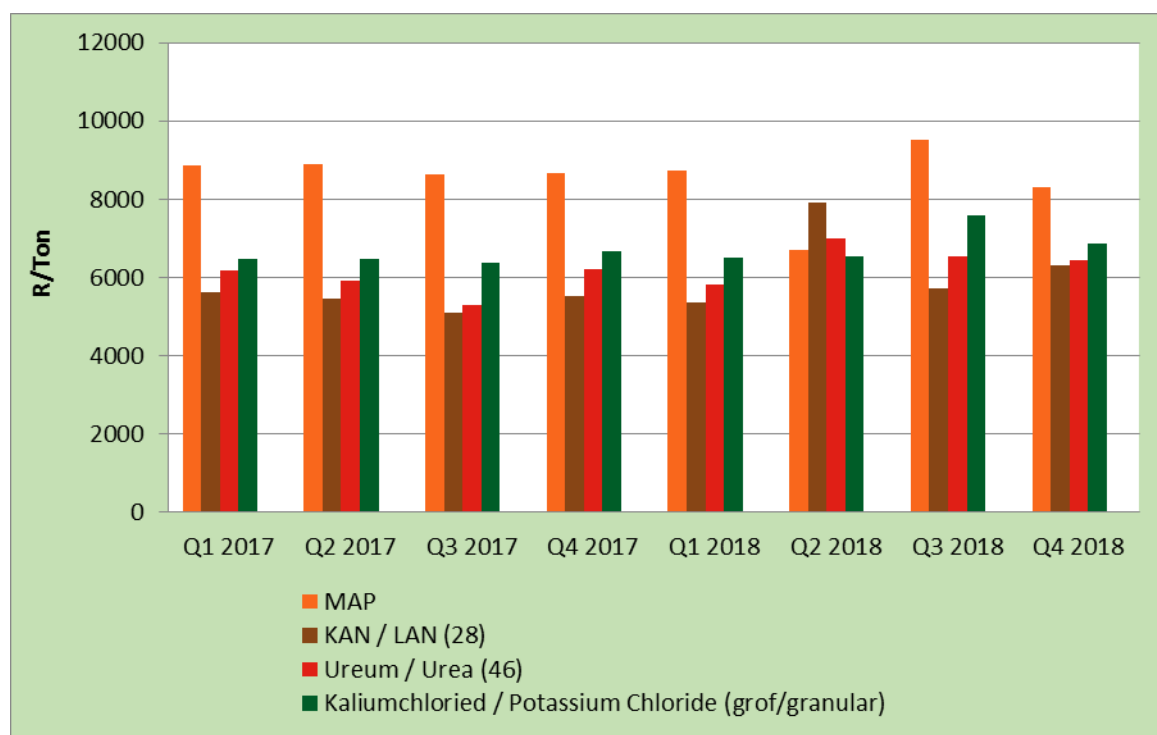


**Figure 13:** Average monthly prices of international fertilisers in Rand terms  
Source: GrainSA

### 2.5.2 South African fertiliser

Figure 14 below Figure above shows average fertilizer prices in South Africa from the first quarter of 2017 to the fourth quarter of 2018. Average fertilizer prices of the main local fertilizers fluctuate in the fourth quarter of 2018 following the trend of international fertilizer prices. Mono-Ammonium Phosphate (MAP), Potassium Chloride and Urea decreased by 12.68%, 9.23% 1.18% respectively when compared to the previous quarter (Q3). On the other hand, Lime Ammonium Nitrates (LAN) increased by 10.70%, when compare to the previous quarter. When comparing data from the fourth quarter of 2017 with the fourth quarter of 2018, all major fertilizers increased with exception of MAP which declined by 4%. Lime Ammonium Nitrates (LAN) increased by 14.23%, Urea by 3.67% lastly Potassium increased slightly by 3.27%



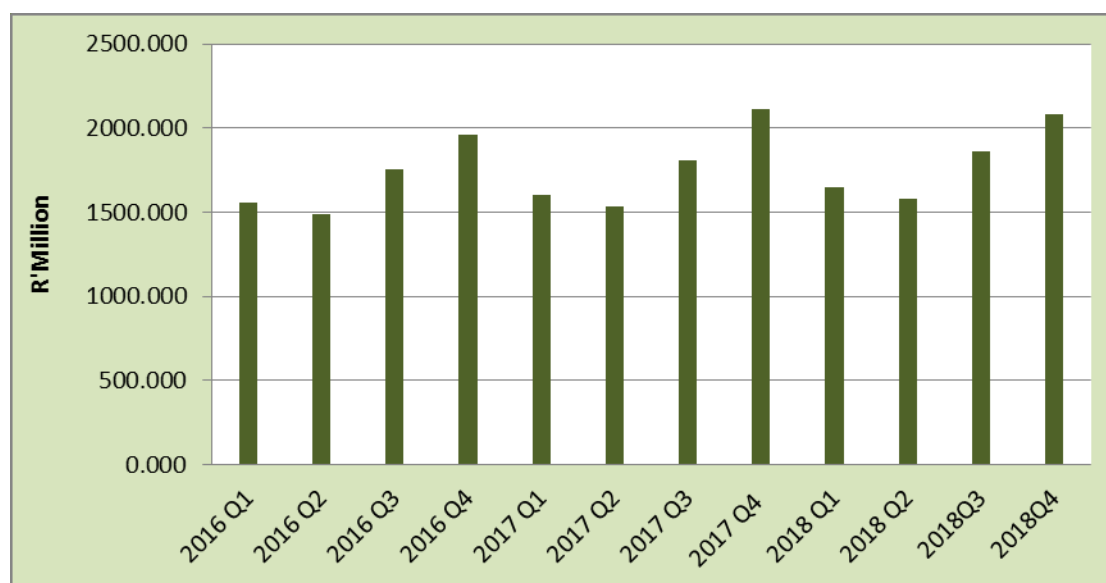


**Figure: 14** South Africa average fertiliser prices

Source: GrainSA

### 2.5.2.1 South African fertiliser expenditure

South African expenditure on fertilizer shows a fluctuating trend from the first quarter of 2016 to the third quarter of 2018. The fluctuation is as the results of changes in the area planted and the seasonality of the agricultural crops. The expenditure on fertilizer in quarter fourth of 2018 was R 2 079.411 million whilst in quarter three of 2018 it was R 1 864.300 million this represent 12% increase on fertilizer expenditure. The increase in the quantities consumed for fertilizers can be attributed to the fact that majority of the grain crops which account for large amount of hectares of land were in planting season in the fourth quarter 2018, On year to year the expenditure on fertilizers have decrease by 1% between 2017 quarter 4 and 2018 quarter 4 from R 2 108.846 million in 2017 to R2 079.411 in 2018, See figure 15.

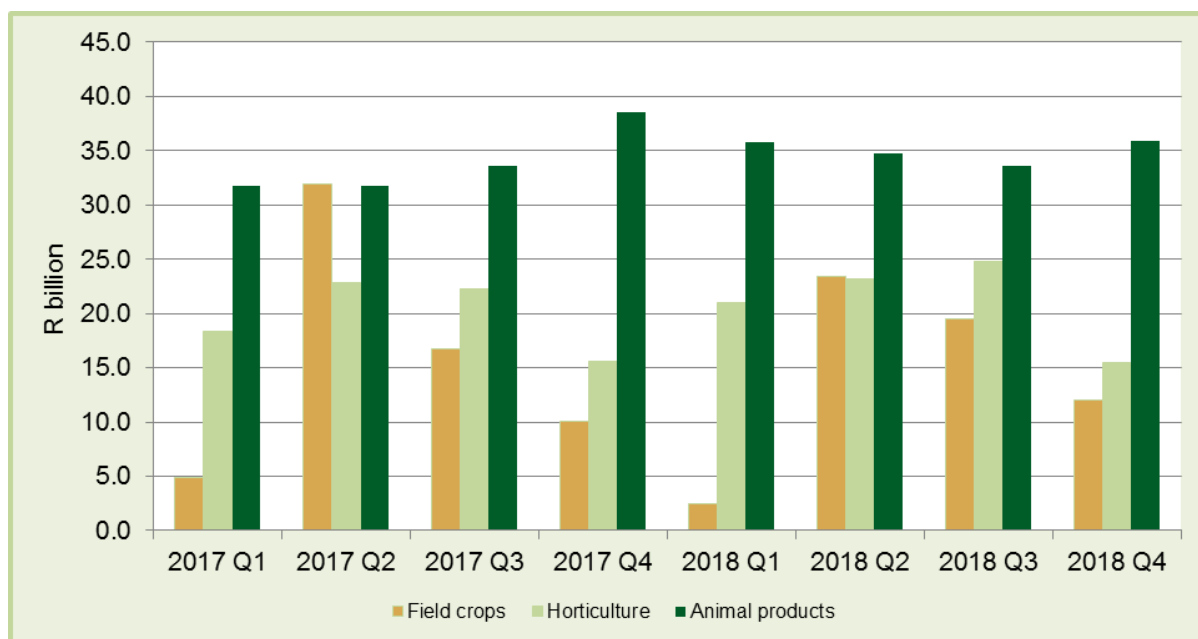


**Figure 15:** Expenditure of South African fertiliser from 2016: Q1 to 2018: Q4  
Source: DAFF

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

The figure 16 below illustrates that the nominal real gross income from all agricultural products decreased from R77.9 billion in the third quarter of 2018 to R63.3 billion in the last quarter of 2018, a significant decrease of 18.7%. The decrease was largely supported by a huge decrease in income from field crops and horticulture, which decreased by 38.4% and 37.8% respectively. The huge decrease in income from field crops and horticulture might be due to the drought in the Western cape province. While income from animal products increased by 6.9% between the two quarters.

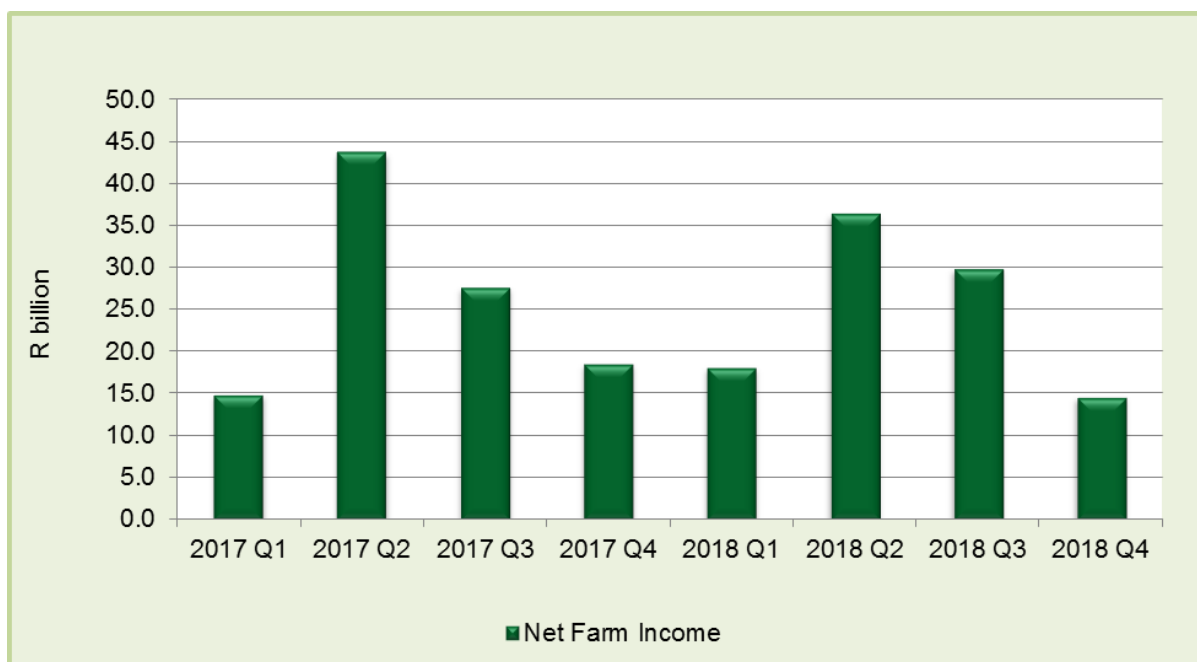
Compare to a year ago the nominal real gross income from all agricultural products decreased from R69.3 billion in the last quarter of 2017 to R63.3 billion in the same quarter of 2018, a decrease of 8.6%. During this period the decrease was largely supported by a decrease in income from animal products and horticulture that decreased by 6.9% and 1.2% respectively, whilst in income from field crops increased by 19.1%. respectively.



**Figure 16:** Trends in nominal gross farm income between Q1:2017 and Q4:2018  
Source: DAFF

## 2.7 The net farm income

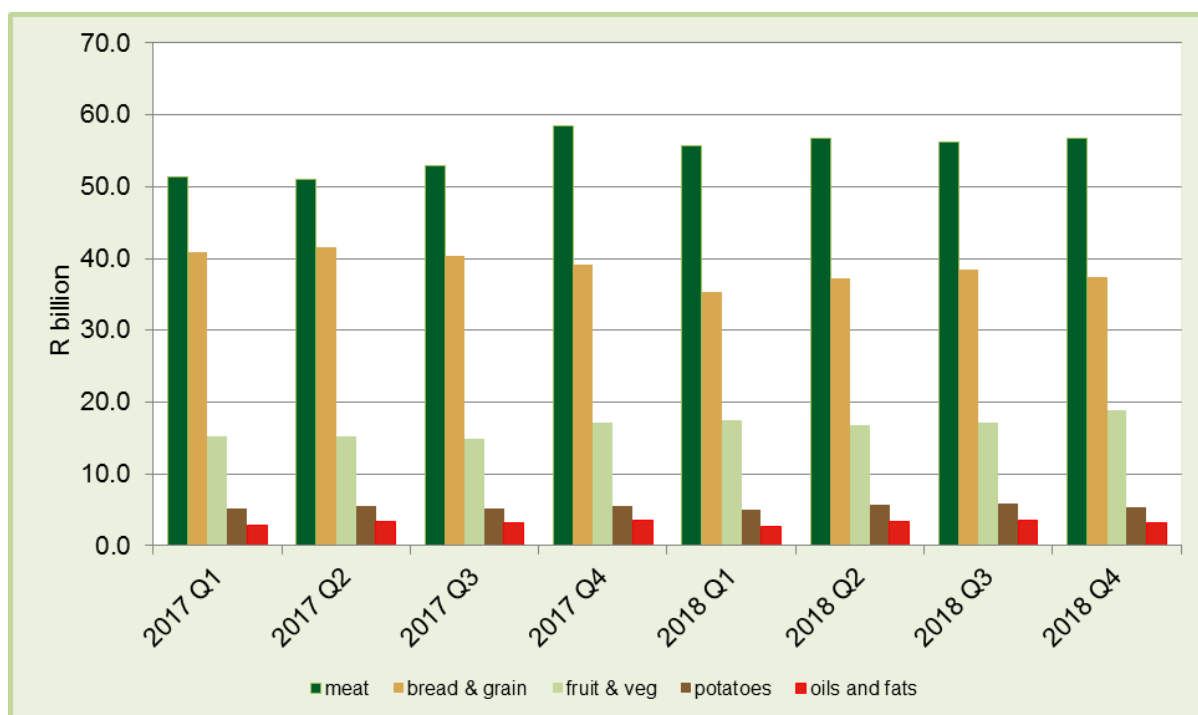
The figure 17 illustrate the net farm income trends between 2017 and 2018. The net farm income is estimated at R14.5 billion in the last quarter of 2018 compared to R18.5 billion in the same quarter of 2017, a significant decrease of 21.4%. During this period the decrease was largely supported by a decrease in income from animal products and horticulture that decreased by 6.9% and 1.2% respectively.



**Figure 17:** Trends in the net farm income Q4 2018  
Source: DAFF

## 2.8 Private consumption expenditure on agricultural products

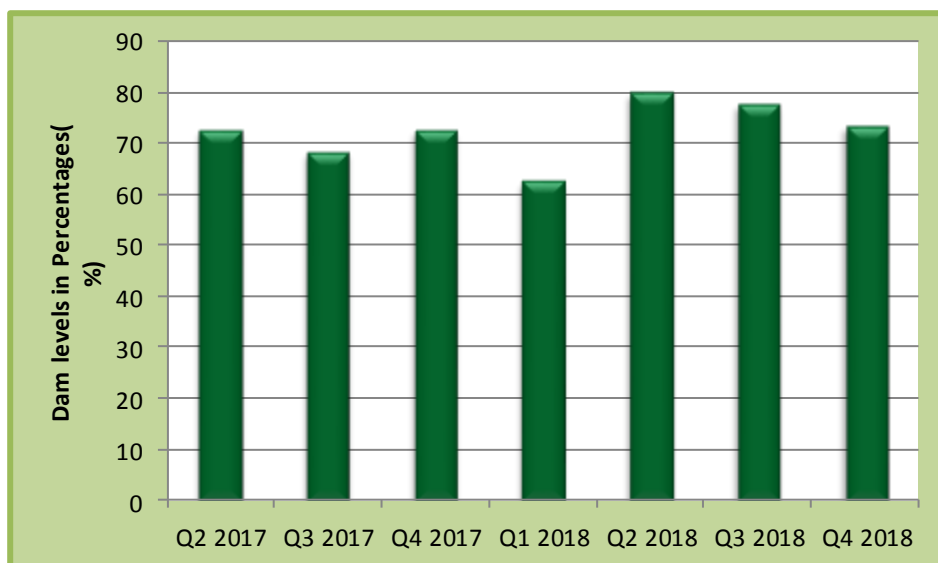
Figure 18 below shows that private consumption expenditure on food increased slightly in the fourth quarter of 2018 to R167.1 billion from R167.0 billion in the previous quarter, an increase of 0.3%. Compared to a year ago, total private consumption expenditure on food decreased to R167.1 billion reported in the last quarter of 2018 compared to R168.8 billion in same quarter of 2017, a slight decrease of 1.0%. During this period the main expenditure items were only fruit and vegetables which increased by 9.6%. While the expenditure on oils and fats also decreased by 6.1% between the two quarters. The expenditure on meat, potatoes as well as bread and grain also decreased by 2.7%, 2.1% and 4.7% during the same period.



**Figure 18:** Trends in private consumption expenditure between 2017: Q1 and 2018: Q4  
Source: DAFF

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

South Africa's dam levels have marginally increased in the fourth quarter of 2018 as compared to the same period the last year. When comparing y/y the overall South African dam levels increased by 1% in Q4: 2018, from 72% in Q4:2017 to 73% in Q4:2018. Between Q3:2018 and Q4:2018, the dam water levels have decreased by 6% from 78% in Q3:2018 to 73% in Q4:2018. 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, See figure 19.

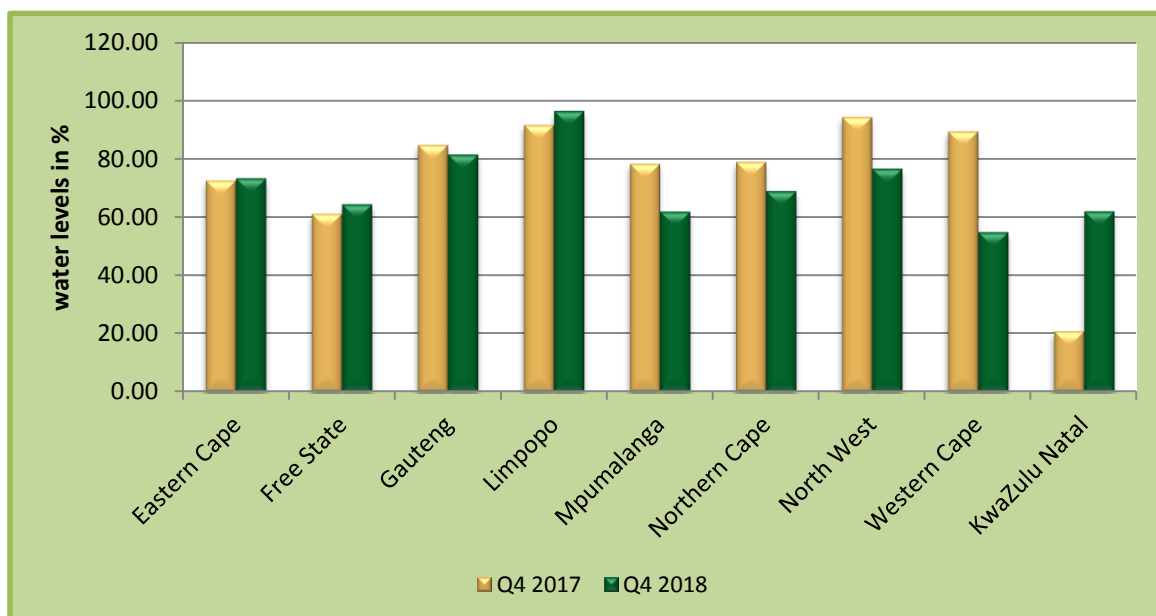


**Figure 19:** Total dam levels in Q4: 2018  
 Source: Department of Water & Sanitation (DWS)

### 1. Provincial average dam levels

South Africa's dam levels are showing signs of stability at 73% during Q4: 2018, compared to last year when they were at 72% during the drought that had ravaged the country. Some of the provinces are showing an increase in the dam water levels as compared to the previous year. Eastern Cape, Gauteng and Kwa-Zulu Natal provinces experienced an increase in dam levels of 5%, 5%, 3%, respectively year on year, whilst Western Cape reached an all-time high of 199% due to high rainfalls experienced by the Province during the period of reporting. Dam levels in KwaZulu-Natal have remained stable despite the hot summer weather conditions that the province has been facing. Although there have been rainy periods since the beginning of the summer season, temperatures have been climbing up to higher degrees. The hot temperatures have led to decline in some dams around the province, but not considerably as anticipated. Where else in the other parts of the country there has been a decline in dam levels year on year between Q:4 2017 and Q:4 2018, Free State, Limpopo, Mpumalanga, Northern Cape and North- West by 4%,21%, 13%, 19% and 39% respectively. However, when compared to the previous quarter, most provinces reflected a decline in their water levels with an exception of the Eastern Cape and Western Cape whose dam levels were increased marginally by 2% and 14% respectively Q/Q following the recent rains in the provinces. Free State, Gauteng, Limpopo, Mpumalanga, Northern Cape, North West

and KwaZulu- Natal decreased by 12%, 3%, 12%, 11%, 13%, 20% and 7% respectively compared to the previous quarter.



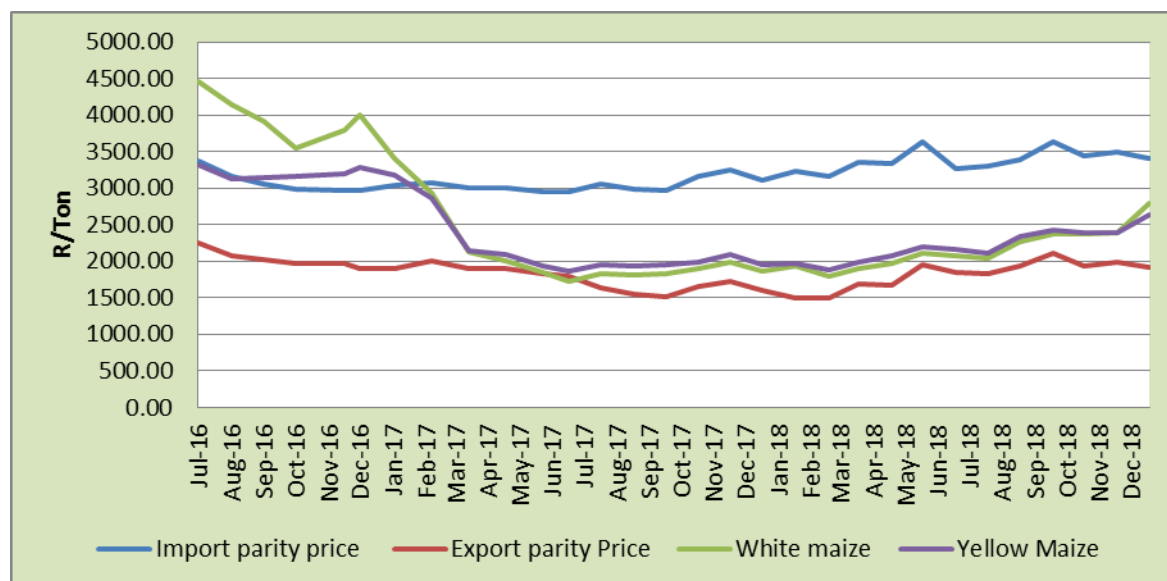
**Figure 20:** Average dam levels in 2018: Q4  
Source: Department of Water and Sanitation (DWS)

### 3. Review of Agricultural Markets

#### 3.1 Grain market review

##### 3.1.1 White and yellow maize

South Africa white maize and yellow maize remains consistent with economic theory, traded within import and export parity prices. During the fourth quarter of 2018, white maize prices traded at an average of R2521/ton below the import parity price of R3446/ton during the fourth quarter of 2018. The white maize price increased significantly by 13.2% between the third and fourth quarter of 2018. Domestic yellow maize prices which traded above the export parity prices increased by 8.2% during the fourth quarter of 2018 from R2286/ton in the third quarter to R2473/ton in the fourth quarter of 2018. There were marginal changes in import and export prices. Import parity prices increased by 0.12% while export parity prices decreased by 1% during the fourth quarter of 2018.



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

Figure 22 shows the quarterly white maize prices against the maize seed prices up to the fourth quarter of 2018. Month-on-month price of maize seed prices shows that maize seed prices increased by 16.5% from 2398/ton in November 2018 to 2793/ton in December 2018. On quarterly basis, maize seed prices increased by 13.2% to R2521/ton during the fourth quarter of 2018. An increase in white maize prices over time will most likely have a negative impact to the price of maize-by products. However, an increase in maize seed price in fourth quarter of 2018 have not yet filtered in to maize-by products.

The price of selected maize-by products reported a decrease in price on quarterly basis with exception of (Super Maize) Mealie meal/Maize flour 5kg which increased by 2.5% to R36.5 from R35.6 in the previous quarter. The quarterly price of Super Maize 1kg, Super Maize 2.5kg, (Special Maize) Mealie meal/Maize flour 1kg and (Special Maize) Mealie meal/Maize flour 2,5kg decreased 06%, 0.7%, 2.7% and



1.8% respectively during between the third quarter fourth quarter of 2018.

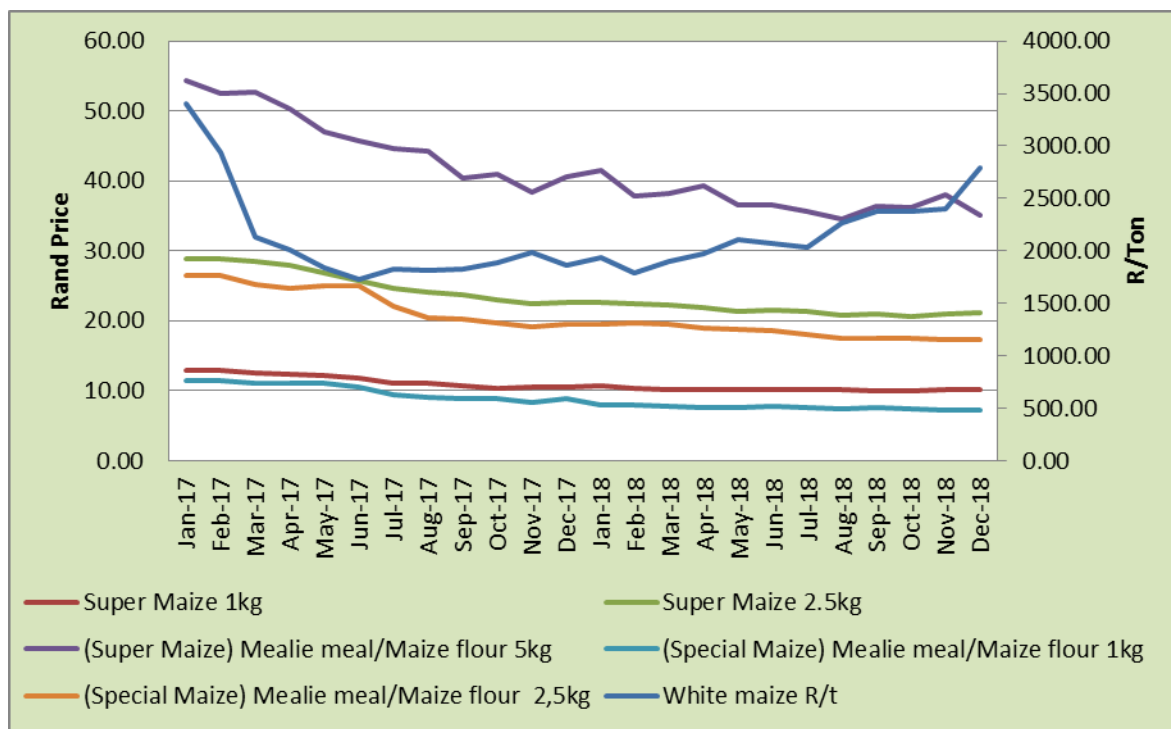
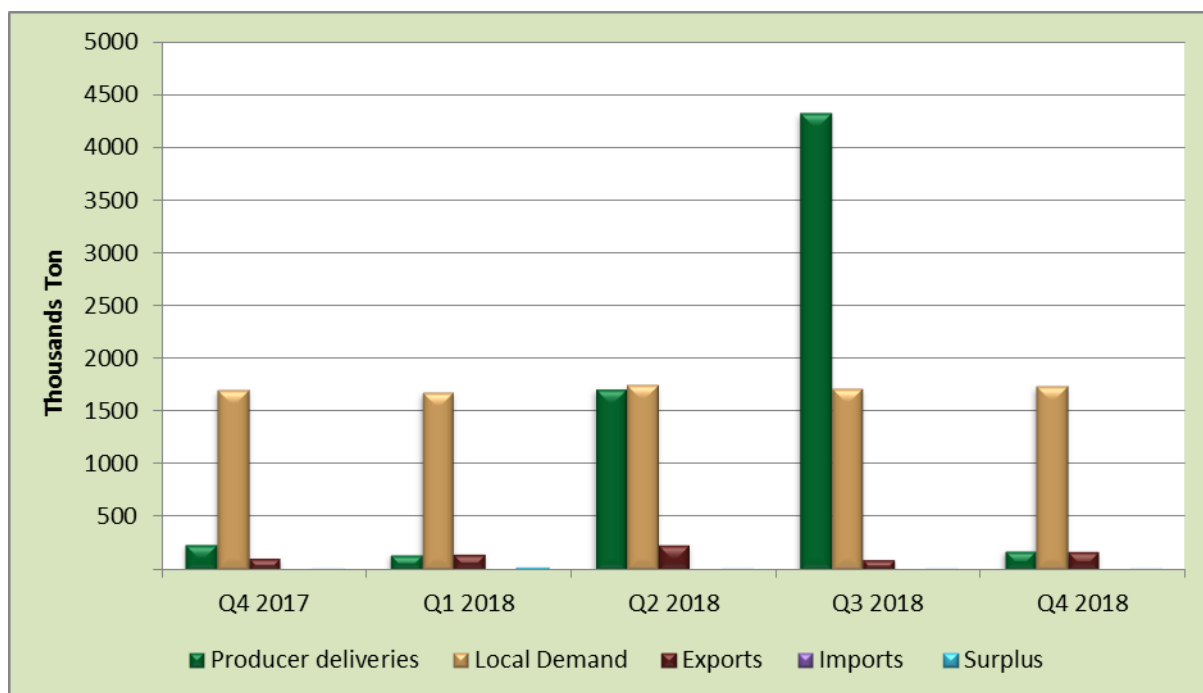


Figure 22: Retail prices vs white maize seed prices

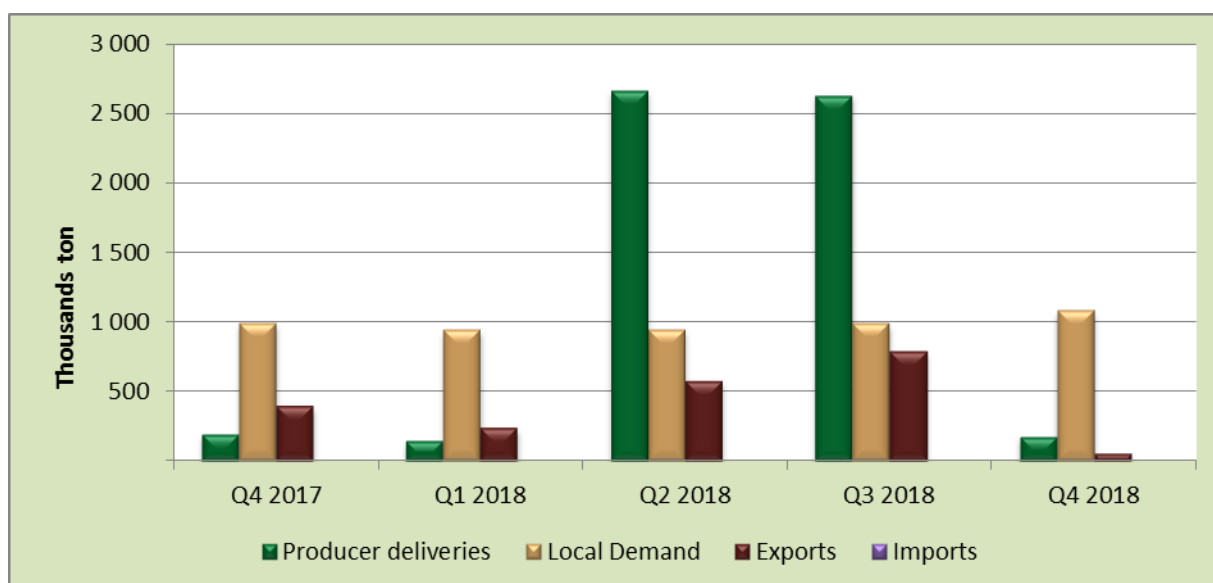
Source: Safex/Stats SA

Figure 23 illustrates the supply and demand of white maize from the fourth quarter of 2017 to the fourth quarter of 2018. Local demand of white maize and exports of white maize reported a positive growth of 2.4% and 50.7% respectively year-on-year on quarter 4 of 2018. Producer deliveries of white maize decreased by 23% during the fourth quarter of 2018 when compared to the fourth quarter of 2017. White maize surplus were also not spared, which decreased by 92.4% year on year in quarter 4 of 2018.



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

Figure 24 illustrates the supply and demand of yellow maize from the fourth quarter of 2017 to the fourth quarter of 2018. The year-on-year local demand of yellow maize and local demand for yellow maize reported a negative growth of 87.2% and 6.7% respectively while imports of yellow maize increased by 8.6% during the same period in quarter 4 of 2018.



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

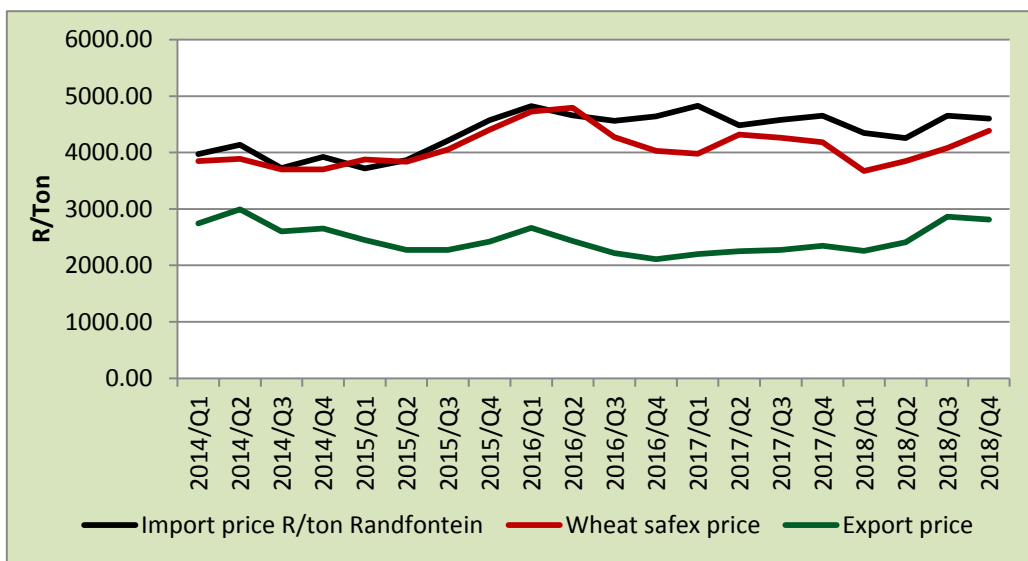
### 3.1.2 Wheat

According to (USDA, 2018) a hot, dry summer has ended five years of plenty in the many wheat- producing countries and drawn down the reserves of major exporters to their lowest level since 2007/08, when low grain stocks contributed to food riots across Africa and Asia. Although global stocks are expected to hit an all-time high of 273 million tons at the start of the 2018/19 grain marketing season; according to the US Department of Agriculture's (USDA) estimates, the problem is nearly half of what it is in China, which is not likely to release any on to the global markets. The USDA further estimates that China, which consumes 16% of the world's wheat, will hold 46% of its stocks at the beginning of the season. The wheat crop in several of the world's biggest exporters namely; Argentina, Australia, Canada, the EU, Kazakhstan, Russia, Ukraine and the US have suffered in 2018. A spring drought in the Black Sea bread baskets of Russia and Ukraine was swiftly followed by a summer heatwave in the EU. Dry weather now also threatens crops in another important exporter, Australia. Yield is forecast at 1.62 tons per hectare (t/ha), down from 1.68 t/ha which is 21% below the 5 year average. The reduction in estimated yield is attributed to persistent dryness and subsoil moisture deficits in major portions of Australia's winter crop region.

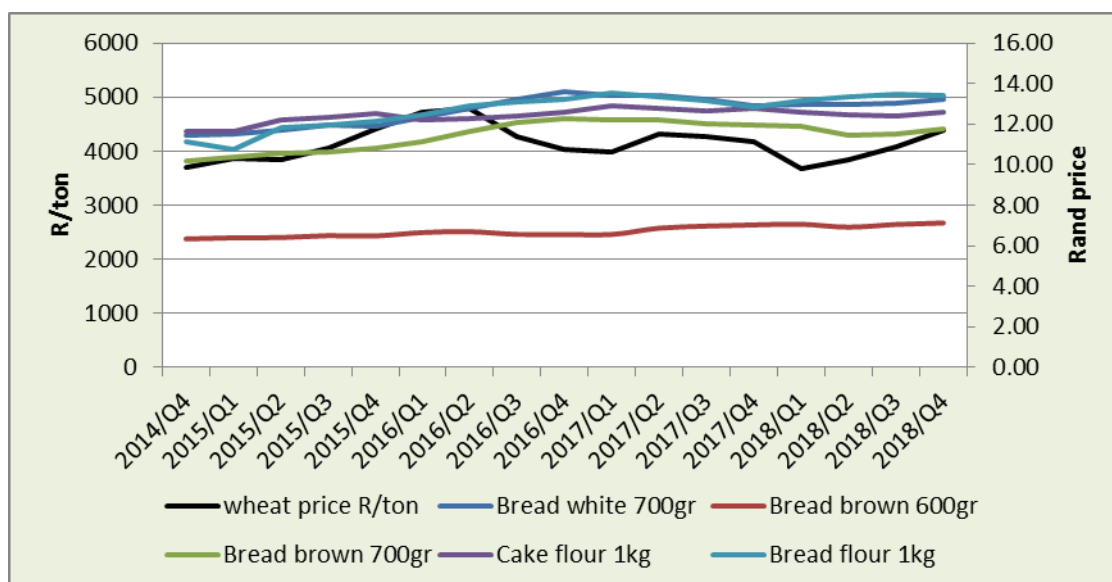
South African wheat production for the 2017/18 season is expected to decline by approximately 23% as compared to the previous season, this is due to the poor yields in the Western Cape (as it contributes a large share of 48% wheat in South Africa) and some parts of the Free State province. South Africa planted 491 600ha of wheat in the 2017/18 seasons, which was less than the 508 365ha planted a season ago.

As presented in figure 25 illustrates the wheat safex prices, exports price and import price seen from the first quarter of 2014 to the fourth quarter 2018. In the fourth quarter of 2018, the rand was volatile against the dollar. The dry and warm weather conditions in the past two years has affected yields expected; however, since South Africa is a net importer of wheat –lower yields in wheat are not going to affect the price of food for the consumers, but in the long run they can have an impact on tariffs as South Africa imports more wheat. In the Western Cape drought was severe despite the province increasing the area planted for wheat by 3000ha; during

2017/18 season Western Cape increased area planted to 326 000ha from 323 000ha compared to the 2016/17. In the fourth quarter of 2018, Import price (R/ton) declined by 1.12%, meanwhile export price and safex price went down by 19.68% and 4.80% respectively compared to the same quarter of 2017, with the import price still selling above the wheat safex price and export price presents retail bread price versus wheat import price. SA safex price has been trading below the import price (Randfontein), with the rand being volatile.



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

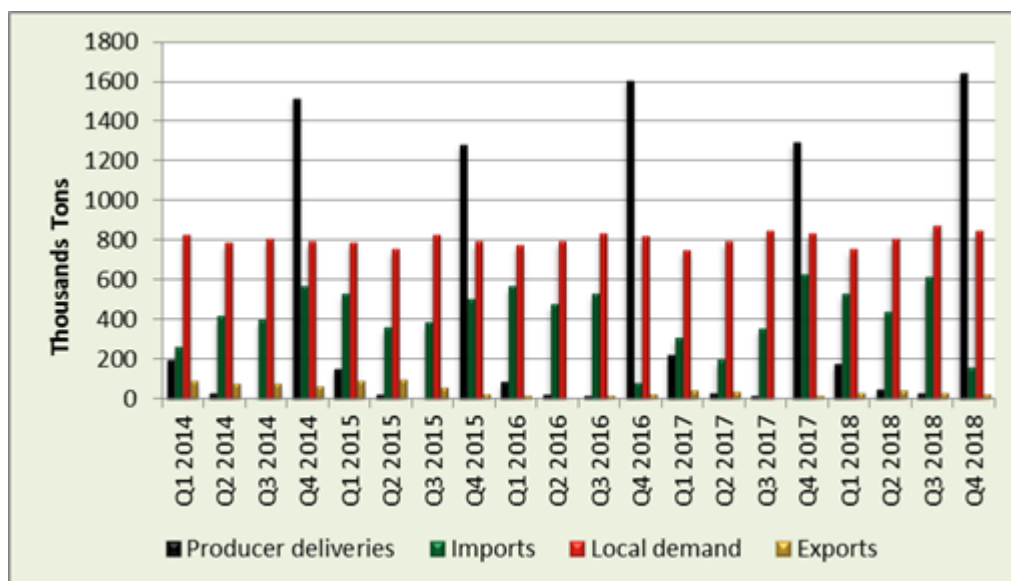


**Figure 26:** Retail bread price vs wheat import price  
Source: Stats SA & Safex

In the past two years Western Cape Province; which is one of the largest wheat producers in South Africa, there has been a drought, which affected wheat production in the country – as some producers switched to more profitable cash crops; on the other hand export volumes of agricultural products from the province are expected to decline. In South Africa over the years, local wheat production has declined considerably, resulting in the country relying on imports in order to meet local demand of 3.1 million tons. On average South Africa imported approximately 1.6million tons of wheat compared to 1.9million imported last year.

Even though imports in South Africa went down on the fourth quarter of 2018, 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 changing climate; there are several high-quality wheat cultivars available on the world market, but they are very expensive and availability varies according to climate and economic conditions.

As illustrated, the producer deliveries of wheat in the fourth quarter of 2018 increased by 26.89% compared to the same quarter in 2017. Local demand increased by 1.82% during the fourth quarter of 2018 compared to the same quarter in 2017; SA wheat imports went down massively from 625 781 tons to 157 105 tons in the fourth quarter of 2018, mean while exports increased from 14 464 tons to 22 362 tons compared to the fourth quarter of 2017. It has been noticed that, crops such as soya beans have become more popular than wheat, although farmers require more implements for such a system, see Figure 27.

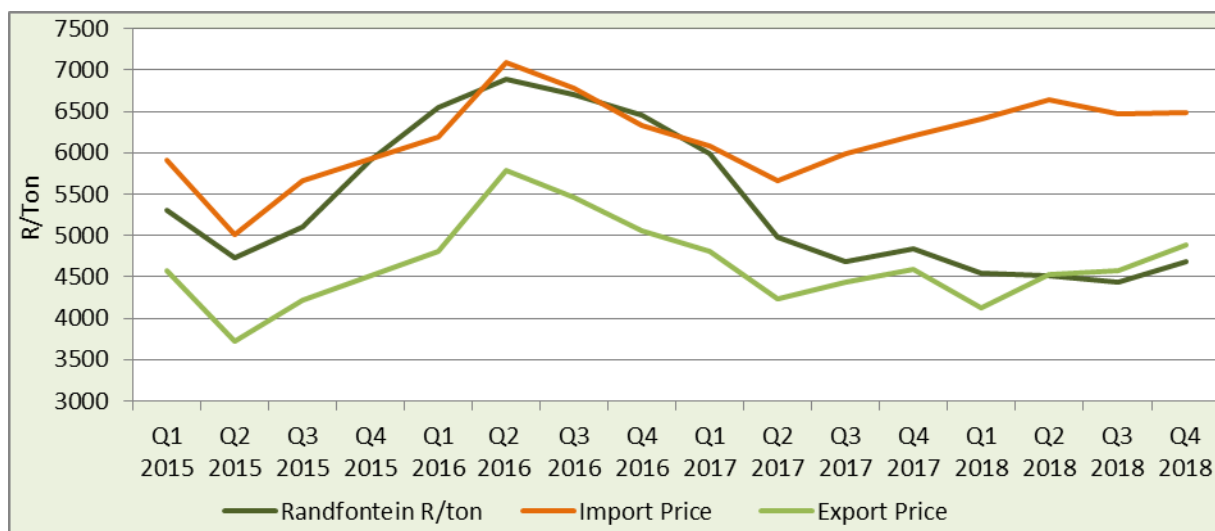


**Figure 27:** Wheat deliveries, Imports, Exports and local demand  
 Source: Stats SA & Safex

### 3.1.3 Soya beans

During the 4th quarter of 2018 the price of soybeans traded at 3.2% lower than they did during the same period in 2017(year-on-year), whilst on a quarter-on-quarter basis the price was 5.6% higher. The rise in the local price during the quarter could be attributed to the uncertain whether conditions during the planting season. The local price is currently trading at 4.2% below the export parity price.

Global oilseed prices are mixed as production is trimmed in major exporting countries as the rise in prices is countered by the subdued demand in China and a build-up in US stocks due to a decline of US exports to China. Global prices are 6.2% lower than they were during the previous quarter whilst on a year-on-year basis prices are 4% lower than they were in 2017 same period.



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

**Table 1: Soya beans projections for 2017**

Table 1 below shows the soybeans demand and supply estimates for 2019; production is expected to be 17.7% lower than the estimated production in 2018. The lower production could be attributed to the high stock to use ratio in 2018 plus the expectations of lower prices. Imports are expected to be lower whilst exports are also expected to remain lower as South Africa is not a major exporter of soybeans but currently production is mainly to meet local demand needs.

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

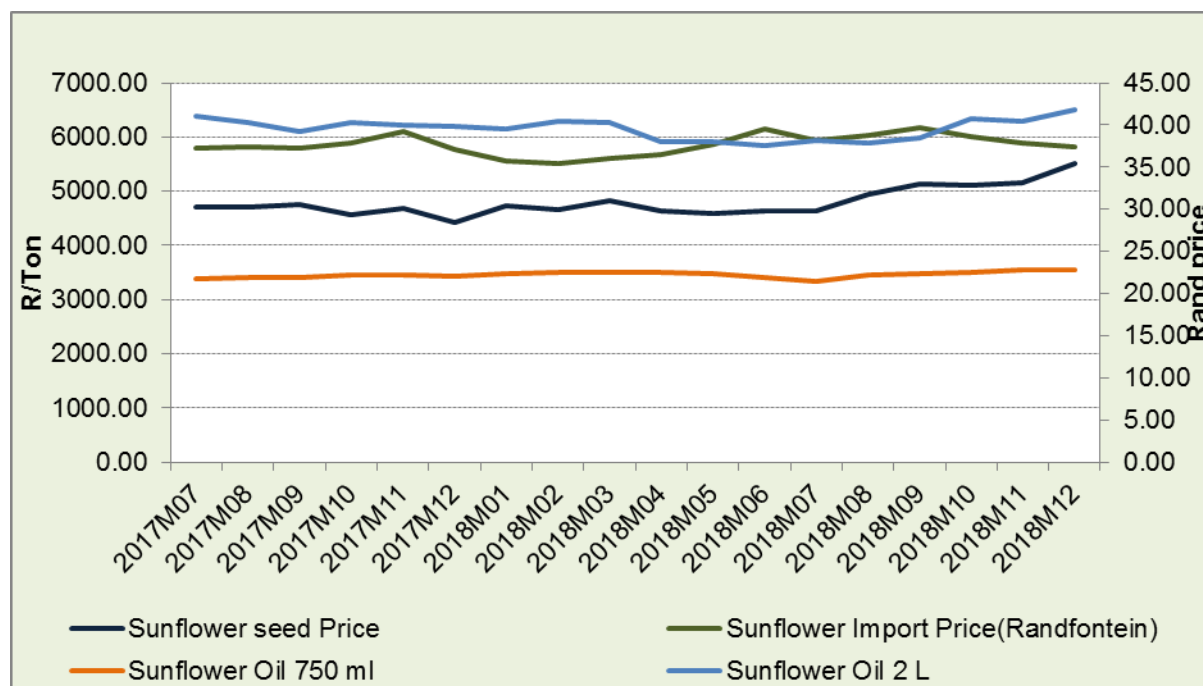
	2012	2013	2014	2015	2016	2017	2018	2019
Beginning Stock	225800	68639	61806	63704	89128	84792	330535	481835
Production	650000	784500	948000	1 070 000	742 000	1 316 000	1 550 800	1 276 035
Imports	976	4489	103704	124981	271098	28000	6000	7000
Total Supply	876776	857628	1113510	1 258 685	1102226	1 428 792	1 887 335	1 757 870
Local Consumption	655278	780432	1049230	1164880	1010689	1063783	1 270 270	1468050
Exports	152616	15390	576	4677	6745	414	25000	3000
Total Demand	807 894	795 822	1 049 806	1 169 557	1 017 434	1 098 257	1 295 270	1471050
Closing Stocks	68882	61806	63704	89128	84792	330 535	481,835	286820

Source: DAFF/ NAMC/Sagis

### 3.1.4 Sunflower

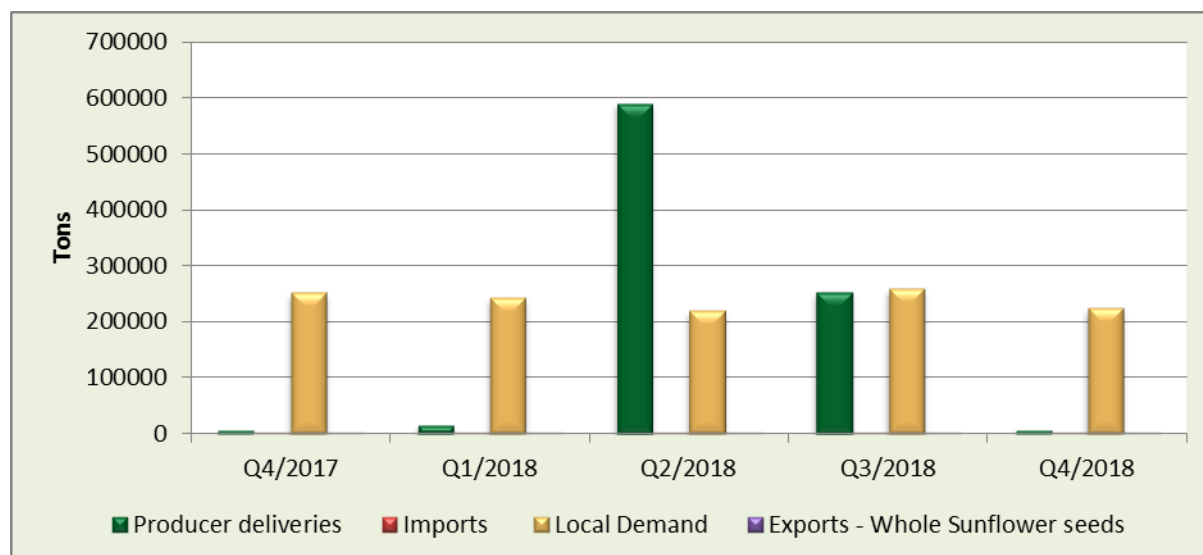
During the fourth quarter of 2018, South Africa sunflower seed prices traded below the import parity price at R5259.01/ton compared to R4906.13/ton in the third quarter of 2018, which is a total increase of 7.2% compared to the previous quarter. The price of sunflower seed has increased by 7.2% during the fourth quarter of 2018 as compared to the same period last year, which is 6.2% higher than it was in the previous quarter of 2018. The local sunflower seed price in the fourth quarter of 2018 traded at 10.9% lower than the import price, compared to trading at 18.9% below the import price in the third quarter of 2018. The prices of sunflower oil 2L in the fourth quarter 2018 traded higher by 2.4% and whilst the price of sunflower 750ml in the fourth quarter of 2018 traded 2.6% higher as compared to the same period in 2017. The price of sunflower oil 2L in the fourth quarter of 2018 increased by 7.4% and whilst the price of sunflower oil 750ml in the fourth quarter of 2018 increased by 3.4% 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 the fourth quarter of 2018. Producer deliveries in the fourth quarter of 2018 decreased by 97.9% as compared to the previous quarter of 2018. South African sunflower seed imports decreased by 20.7% in the fourth quarter of 2018 as compared to the previous quarter for the same year. Whilst sunflower seed exports significantly increased by 73.4% in the fourth quarter of 2018. Local sunflower seed consumption in the fourth quarter of 2018 was 12.9% lower than it was in the previous quarter of 2018. Local consumption in the fourth quarter of 2018 is expected to be 218.6% higher 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 39.8% on a year-on-year basis, whilst on a quarter-on-quarter basis the price increased by 8.4%. The price of sorghum traded by 7% above the import parity price during the quarter. Fundamentals like the uncertain weather conditions during the planting period locally pushed the local price higher during the quarter. Additionally, World Sorghum Production is expected to decline slightly in 2019 compared to 2018, thus also leading to a rise in World Sorghum prices.

Local production is expected to be higher than it was in 2018 as shown on table 2 below; expectations are of production increasing by 46.4% in 2019. Local demand is expected to decrease by 1.5% compared to the previous year, See Figure 31.



**Figure 31: Sorghum Parity Price**  
Source: Safex, Sagis

## Table 2: Sorghum production and use

Table 2 shows Imports are expected to be 95,4% lesser, whilst exports are expected to decline due to inter-alia, the higher local price.

## Table 2: Soya beans projections for 2018

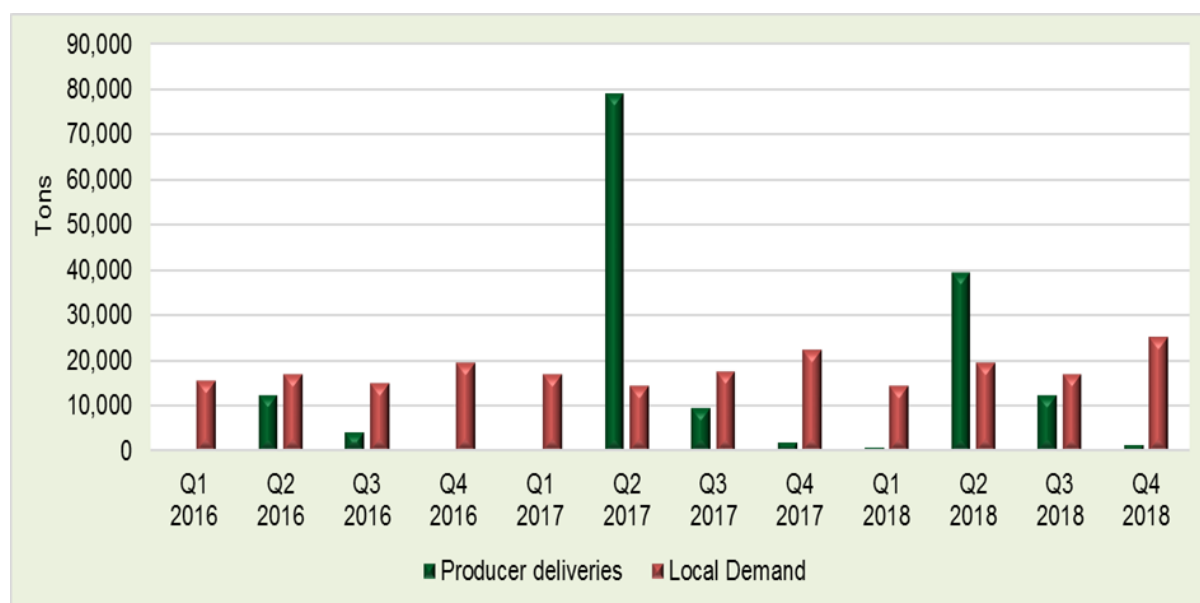
	2011	2012	2013	2014	2015	2016	2017	2018
Opening stock	73400	62500	56015	50069	121812	83142	35238	59246
Production	155000	135500	147200	265000	114700	70 500	152 000	109855
Imports	57800	54800	50033	8725	34316	74957	55824	32200
Total Supply	290800	250300	251652	320301	277713	226677	244073	201301
Local 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

	2012	2013	2014	2015	2016	2017	2018	2019
Opening stock	62500	56015	50069	121812	83142	35238	59246	33046
Production	135500	147200	265000	114700	70 500	152 000	115000	168400
Imports	54800	50033	8725	34316	74957	55824	32500	1500
Total Supply	250300	251652	320301	277713	226677	244073	206746	202946
Local demand	175300	182033	172320	165532	178790	176000	166500	164000
Exports	19000	19550	26169	29039	12649	13800	12345	10000
Total Demand	194300	201583	198489	194571	191439	182783	173700	174000
Ending Stock	56000	50069	121812	83142	35238	59246	33046	28946

Source: DAFF/ NAMC/Sagis

### 3.1.6 Groundnuts

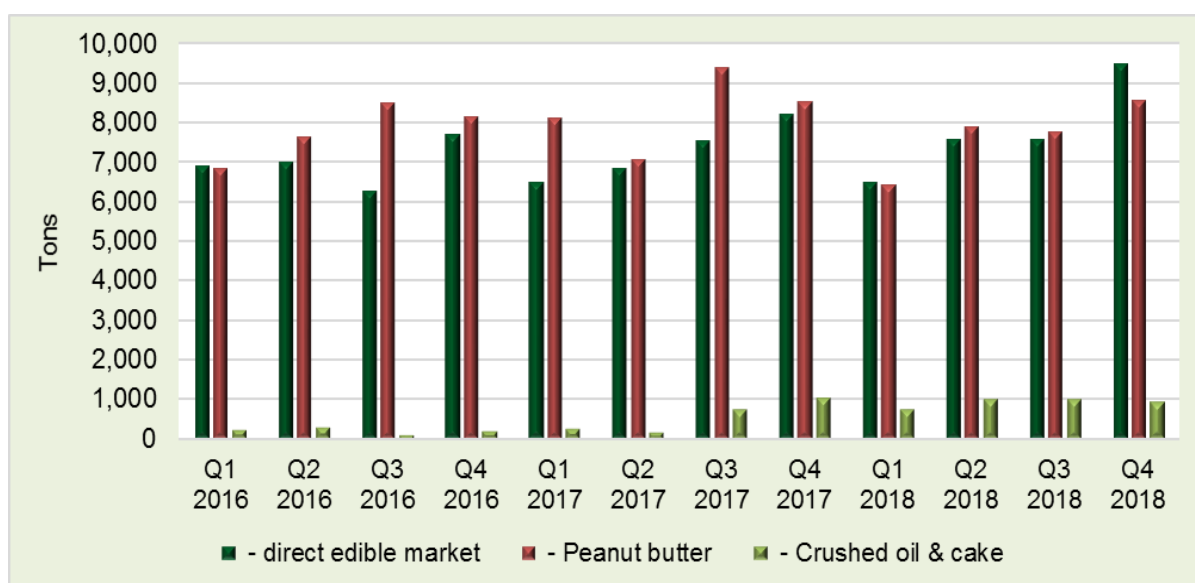
The final production figures by the Crop Estimate Committee (CEC) revealed that South Africa is expected to yield 57 000 tons of groundnut for the 2017/18 production season, which is 38% less than 92 050 tons harvested the previous season. It is clear that production proved challenging this season with drier weather conditions. Though the South African Weather Services offered an optimistic outlook during November 2018, pointing to the possibility of above-normal rainfall between December 2018 and February 2019, most areas are still characterised by very dry conditions with little evidence of an improvement in rainfall on the ground (Agbiz, 2018). Figure 32 shows producer deliveries and local demand of groundnuts from Q1:2016 to Q4:2018.



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

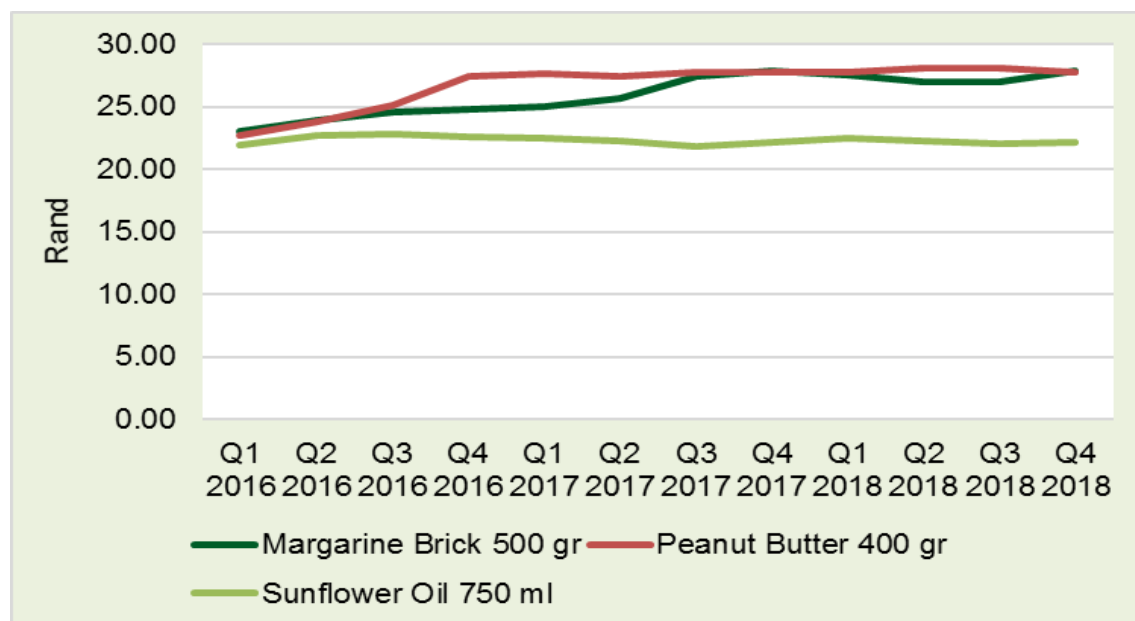
South Africans trade groundnuts in three forms: as edible peanuts, processed peanut butter and crushed oil and oilcake. During Q4: 2018, the edible groundnut market increased by 15,7% to 9 505 tons, from 8 215 tons in Q4: 2017. During the same period, peanut butter consumption increased by 0,3% in Q4: 2018, to 8 580 tons from 8 552 tons in Q4: 2017. Consumers nowadays are health conscious and demand high-protein foods. Moreover, “consumer price sensitivity”, which is

indicative of the degree to which consumers' behaviour are affected by the price of a product could have contributed to the increase in edible groundnut consumption in Q4: 2018. Consumption levels of crushed oil & cake decreased significantly in Q4: 2018 compared to Q4: 2017, to 904 tons from 1 001 tons. The crushing of groundnuts results in approximately equal amounts of oil and oil-cake. The oil-cake is most widely preferred for 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

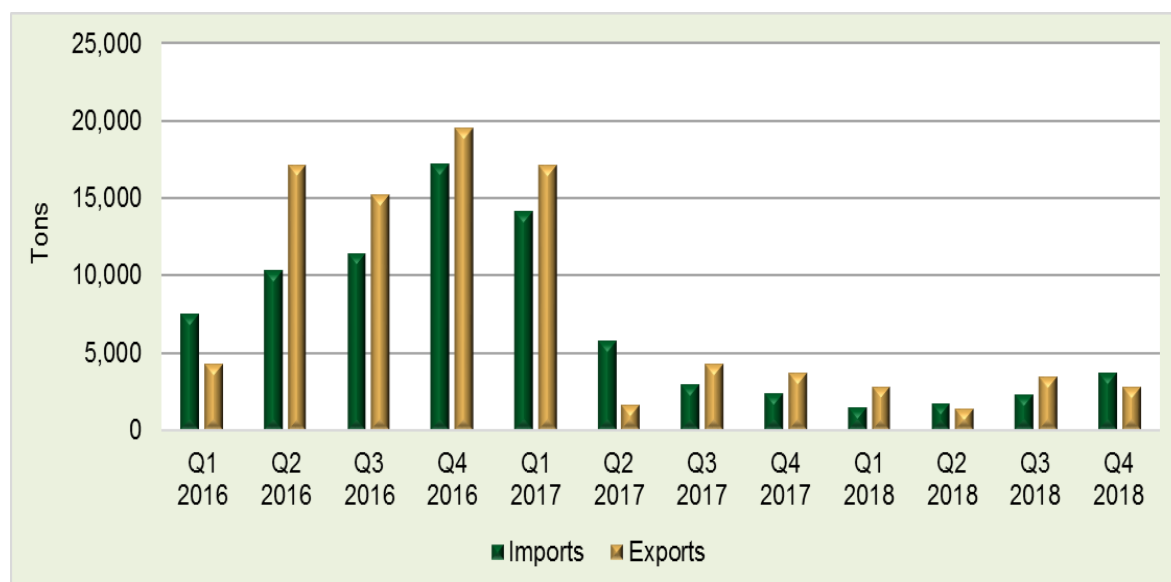
Figure 34 shows, In Q4: 2018, the average market price for peanut butter (400 gram) increased by 1% compared to Q4: 2017, to R27,98 (400 gram), from R 27,71 (400 gram) in Q4: 2017. On a quarter-on-quarter basis, the average market price for peanut butter (400 gram) decreased by 0.5%, from R 28,12 (400 gram) in Q3: 2018 to R 27,98 (400 gram) in Q4: 2018. According to Absa quarterly perspective report for quarter four (2018), the knock-on effect of higher sales taxes, rising crude prices and a weaker rand have been muted so far. However, with dry weather conditions and below average rainfall still persisting, these events could lead to upside pressure to food inflation. A further upside risk to the inflation outlook is the uncertainty around electricity tariffs in the coming year.



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

Exports of grounds decreased by 24% in Q4:2018 compared to Q4: 2017, from 3 685 tons in Q4: 2017 to 3 762 tons Q4: 2018. SA's top three leading export markets for groundnuts (not roasted or otherwise cooked, whether or not shelled or broken) in Q4: 2018 were Belgium, Japan and Mozambique, each accounting for 38% (R 21,5 million), 28% (R 15,8 million) and 21% (R 11,8 million) respectively, of the total groundnut export revenue in Q4: 2018. 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 increased significantly in Q4: 2018 compared to Q4: 2017, to 3 762 tons in Q4: 2018 from 2 362 tons in Q4: 2017. The top three leading suppliers of groundnuts (not roasted or otherwise cooked, whether or not shelled or broken) in Q4: 2018 were Argentina, Brazil and China, each accounting for 37% (R 31,6 million), 33% (R 27,8 million) and 12% (R 10,3 million) respectively, of the total groundnuts import value in Q4: 2018. Generally, over the years, the South African groundnut industry has shown a significant decline in the area under production which resulted in a decline on 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

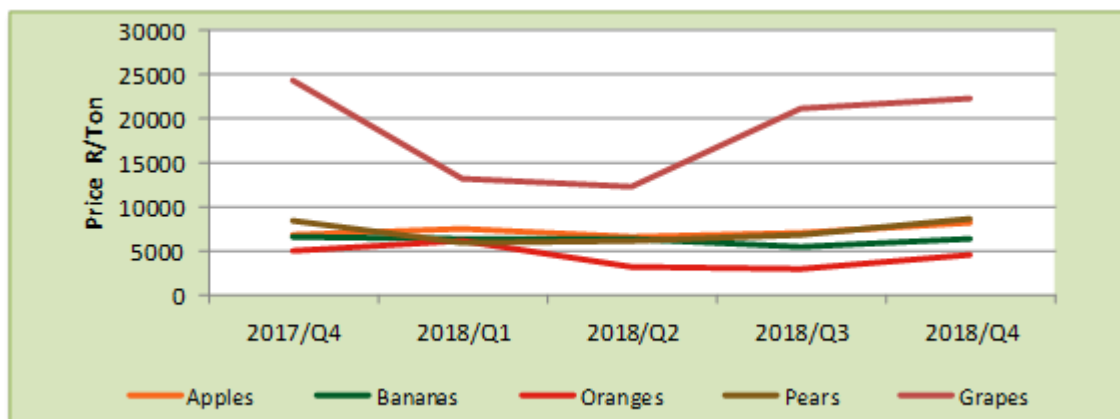
economically competitive in world markets, the South African Ground Forum believes that there is still a significant potential for the South African groundnut industry to increase their export market share in its existing markets and to infiltrate new markets.



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

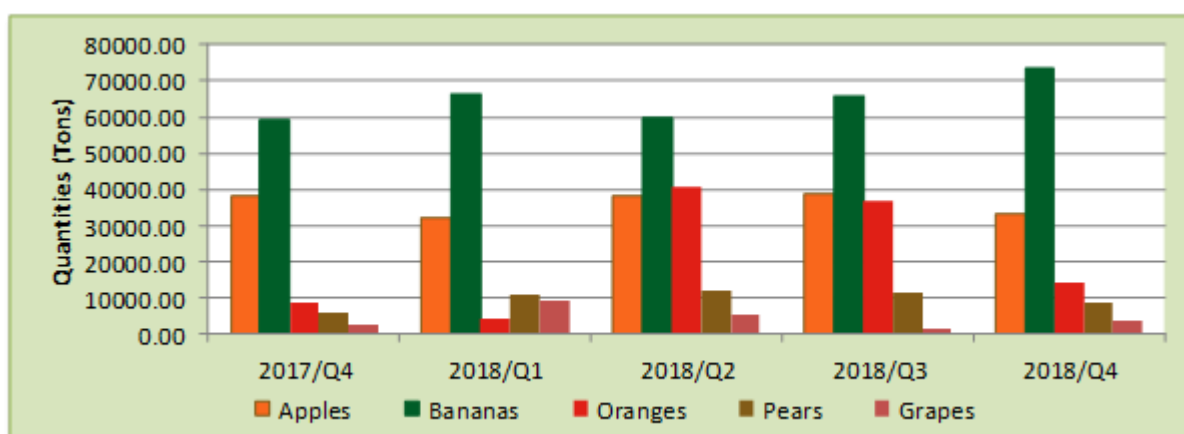
### 3.2 Fruit and vegetable market review

The following section looks at the average prices and quantities of fruits and vegetables supplied at Fresh Produce Markets (FPMs) between Q4:2017 and Q4:2018. When compared year on year prices of most fruits decreased with Bananas, Oranges and grapes decreasing by 5%, 6% and 8%, respectively, whilst the prices of Apples and pears increased by 5% respectively. Between the two quarters the prices of all major fruits increased, Apples, Bananas, Oranges, pears and grapes by 19%, 17%, 52%, 29% and 6% respectively. see Figure 36.



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

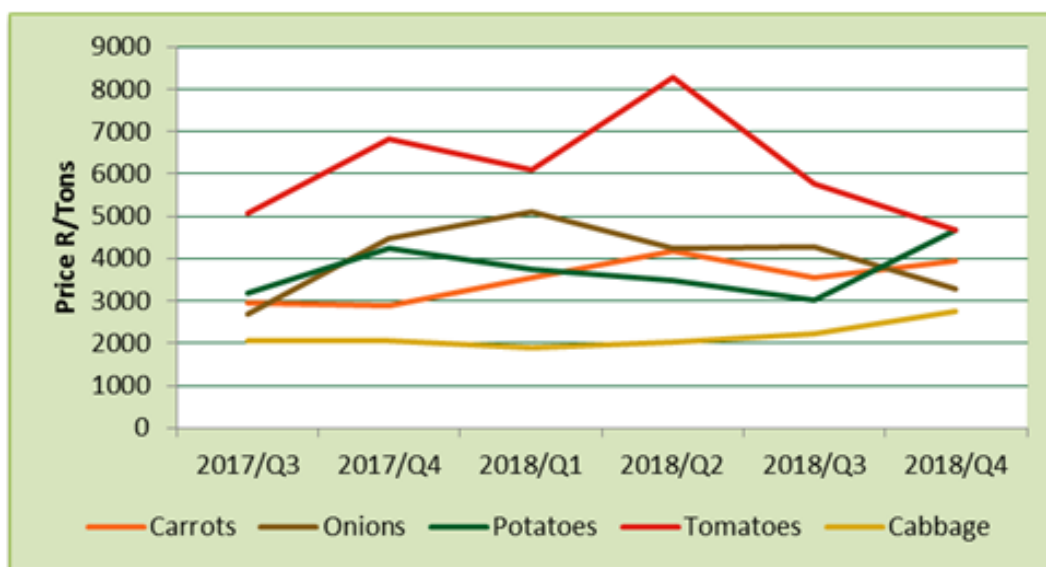
Figure 37 indicates various quantities of fruits traded at fresh produce markets in Q4: 2018. During Q4:2018 the quantities of bananas, oranges, pears and grapes increased by 24%, 65%, 54% and 32% respectively, when compared to Q4:2017, whilst the quantities of Apples decreased by 12% in the same period. When comparing Q4:2018 to Q3:2018 the quantities of apples, oranges and pears decreased by 14%, 61% and 22%, whilst the quantities of banana and grapes increased by 12% and 145% respectively Q/Q.



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

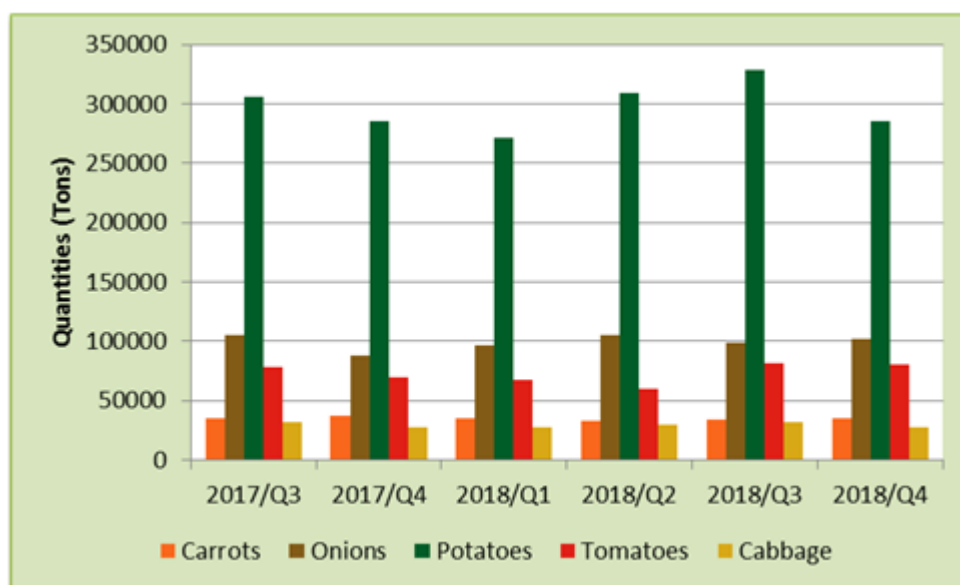


Figure 38 indicates the average prices of various vegetables traded at fresh produce markets in South Africa. The average prices of major vegetables increased in Q4:2018 when compared to Q4:2017. The average prices of carrots, Potatoes and cabbage increased by 36%, 11% and 34% respectively in Q4:2018 compared to Q4: 2017. Comparing Q4:2018 and Q3:2018 the average prices of carrots, potatoes and cabbage increased by 10%, 55% and 24% respectively, whilst the average prices of onions and tomatoes decreased by 23% and 19% respectively.



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

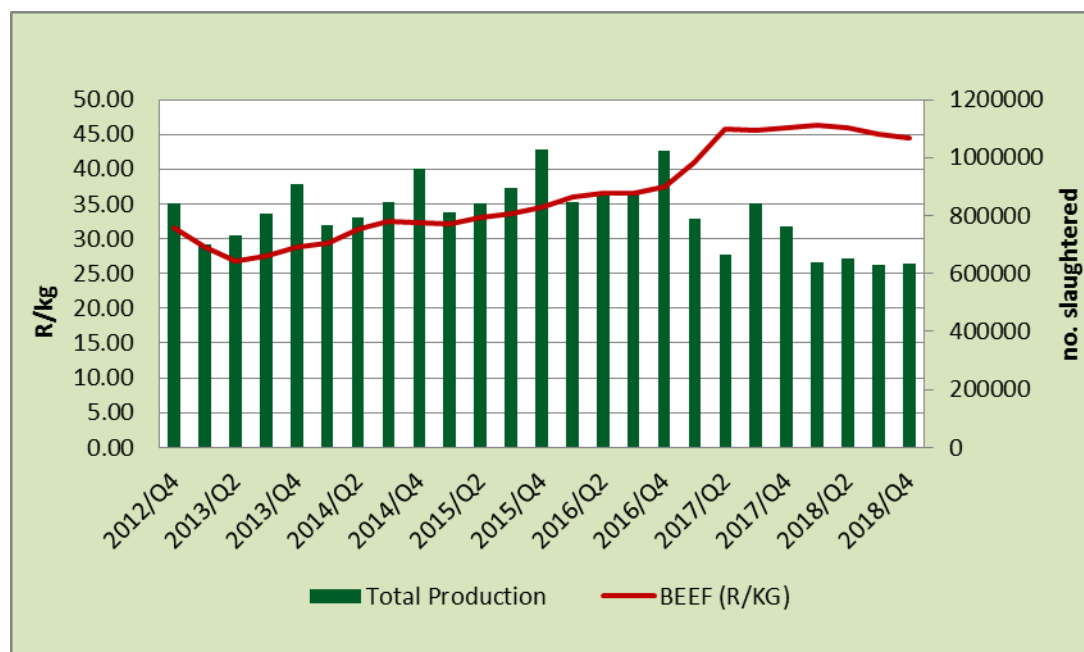
Figure 39 indicates the quantities of various vegetables traded at fresh produce markets in Q4: 2018 compared with Q4:2017. When comparing year on year, the quantities of major vegetables increased compared to the same period last year. The quantities of onions, tomatoes and cabbage increased by 15%, 16% and 2% respectively compared Y/Y, whilst carrots decreased by 5% and potatoes remained unchanged. Comparing Q4:2018 and Q3:2018 the quantities of carrots and onions increased by 35 and 2% respectively whilst the quantities of potatoes, tomatoes and cabbage decreased by 13%, 1% and 14% respectively.



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

### 3.3 Meat industry review

According to USDA (2018), global production is forecast to grow slightly by 1% in 2019 to 63.6 million tons, primarily from gains in Brazil, the United States and Argentina; in Brazil this expansion could be attributed to the steady domestic demand and solid export growth to key Asian markets; meanwhile in Argentina this is due to the rising weights in response to stronger export demand for heavier animals; in Australia the persistent hot and dry weather conditions have led to deteriorating pasture conditions, high grain prices and low water supplies, forcing more cattle into feedlots in order to alleviate pressure on pastures. In South Africa currently stock numbers are volatile as they recover from the drought of 2015/16, which affected stock numbers in key production regions. However the low cost of feed grains depicted from the low prices of maize has resulted into the increased carcass weight; yellow maize and soybean oilcake prices declined by 41% and 19% respectively in 2017. At the same time the existing recovery in meat prices has already induced a phase of rebuilding stock numbers and possibly in the long run production will expand further, in order to match consumption of meat. Weaner calf market was affected in deferent ways by the 2016 drought, as well as the decline in maize prices that occurred in 2017. As illustrated graphically above in figure1, total beef slaughtering decreased by 16.85% in quarter four of 2018 compared to quarter four of 2017; even though South Africa's middle class continues to grow, national demand for beef is stagnant. See figure 40



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

### 3.4 Poultry industry review

Total poultry production decreased by 7.9% on a year-on-year basis, whilst on a quarter-on-quarter basis production increased by 5.2%. The rise in production could be attributed to the declined poultry feed prices. On a year-on-year, basis poultry feed prices decreased by 18.7%, whilst compared to the previous quarter prices decreased by 7.9%.

Poultry prices during the quarter increased by 3.4% on a year-on-year basis, whilst again decreasing by 0.2% on a quarter-on-quarter basis as shown see figure 41.

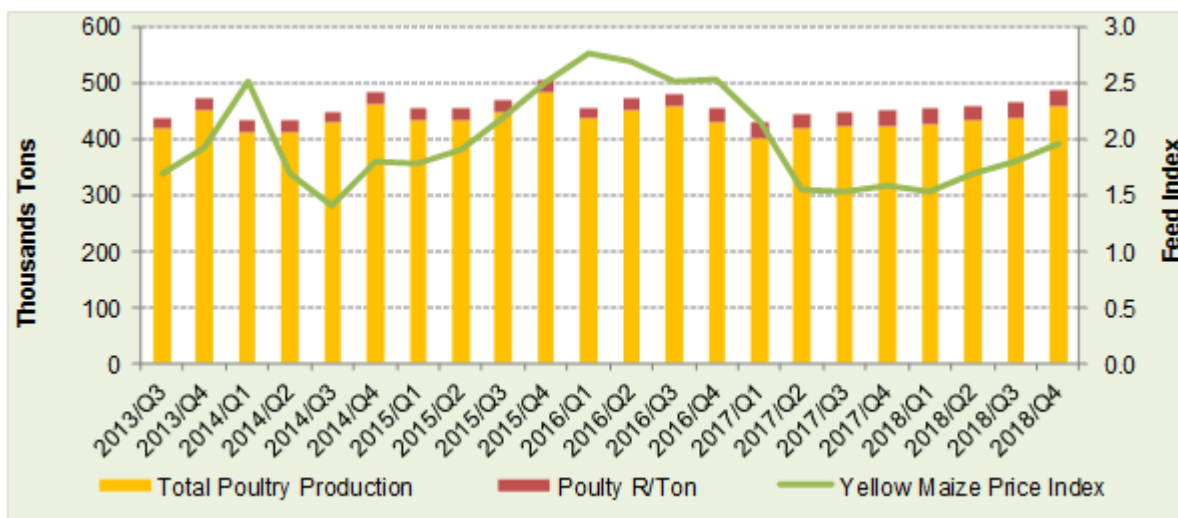


Figure 41: Poultry production  
Source: DAFF

Figure 42 shows that retail prices of whole chicken; chicken portions and frozen chicken portions per kg increased by 7.8%;4.9% and 3% respectively on a year-on-year basis; whilst on a quarter-on-quarter basis only the price of chicken portions-fresh increased by 1.9%. The price of whole chicken and chicken portions-frozen per kg decreased by 4.8% and 0.7% respectively, see figure 42.

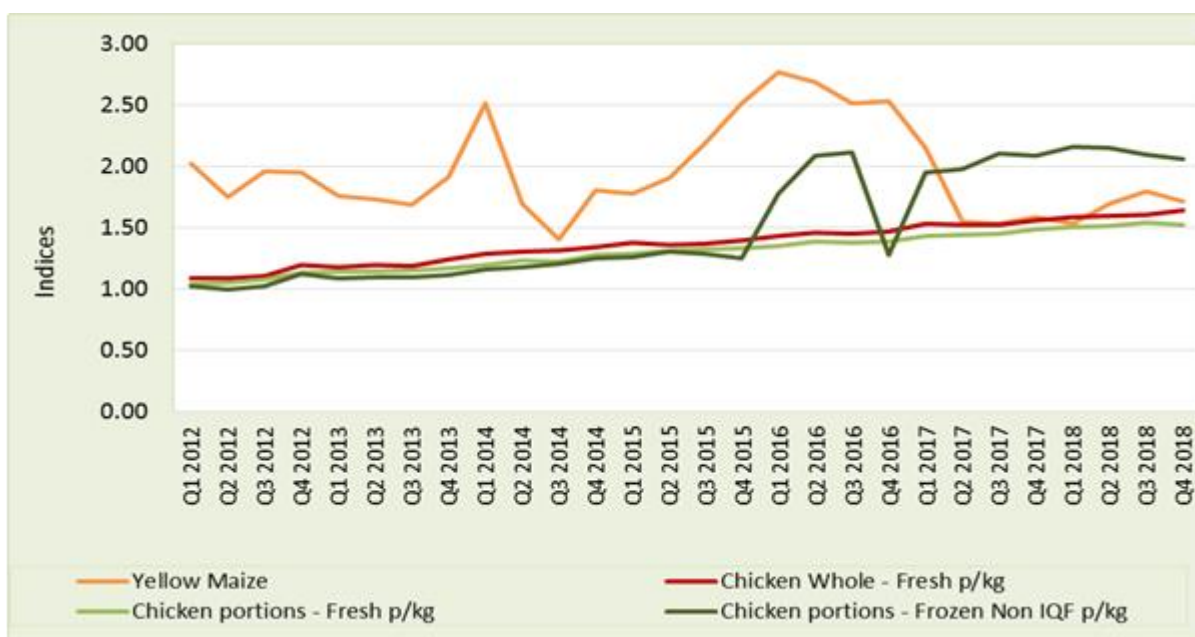
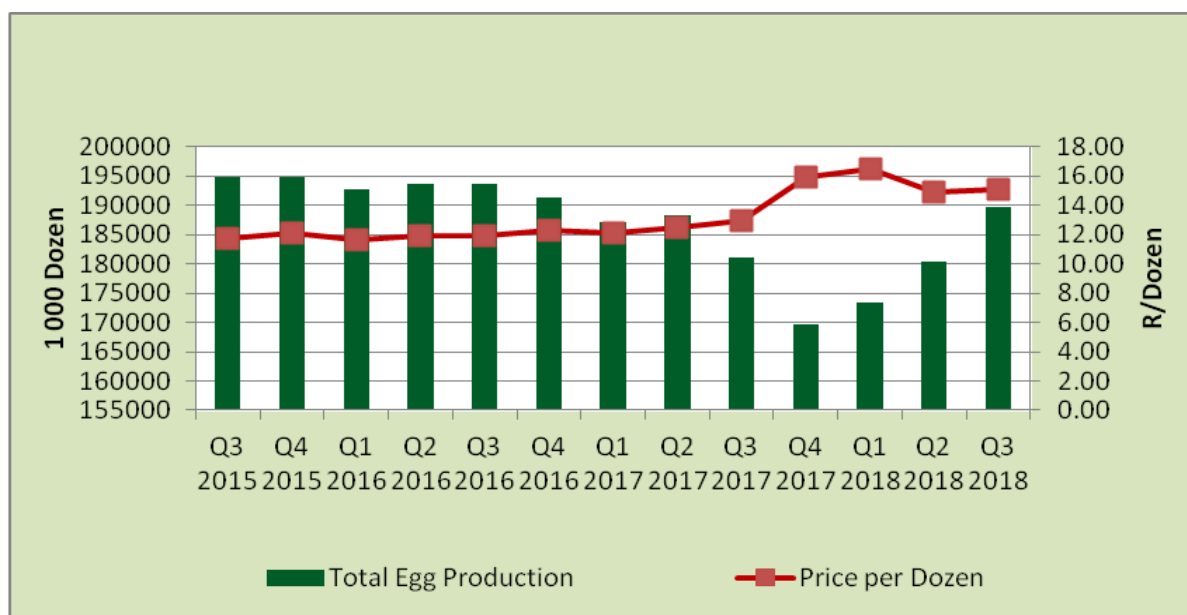


Figure 42: Poultry feed vs Retail prices  
Source: SAPA, STATSTA & Safex

### 3.5 Egg industry review

The South African poultry industry has been experiencing a constant increase in production since Quarter 1 2017. In the third quarter of 2018, the total production of eggs was 189.6 million dozen, a increase of 4.8% in production compared to 181.0 million dozen produced the previous year. Between Q2:2018 and Q3: 2018, 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 Q3: 2018, from R 12.99 per dozen in Q3: 2017 to R15.06. When comparing the Q2: with Q3: 2018, the average price per dozen of eggs increased by 0.9%, from R14.92 per dozen to R 15.06 per dozen.



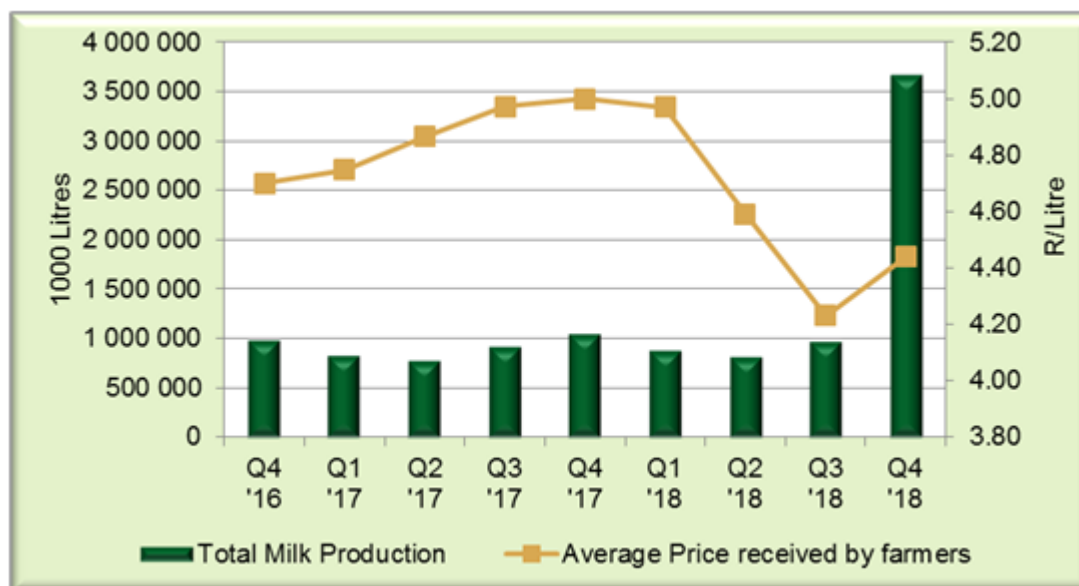
**Figure 43:** Trends in total egg production and average price per dozen eggs.  
Source: DAFF

### 3.6 Milk industry overview

Milk South Africa (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 251.33% higher in Q4:2018 than in Q4:2017, increasing from 1 044 411 million litres in Q4:2017 to 3 669 284 million litres in Q4:2018. Between the two quarters milk production increased by 1280.82% from 963 529.9 million litres in Q3:2018 to 3 669 284 million litres in Q4: 2018. 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.

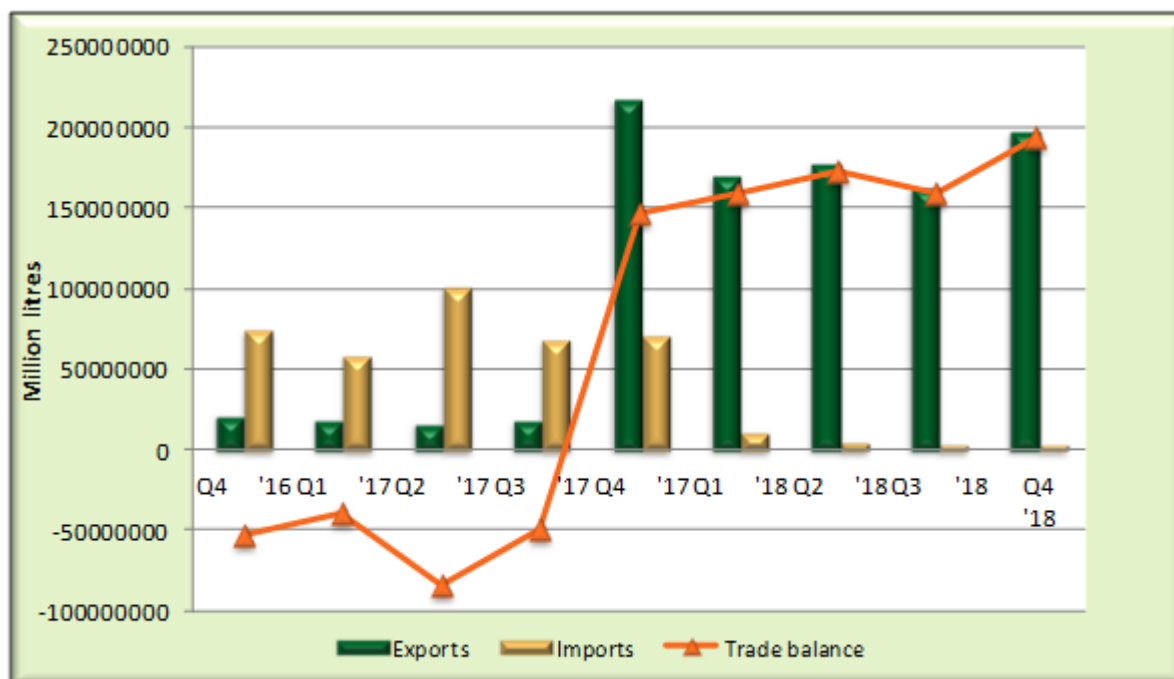
The average producer price per litre of milk decreased by 11.2% in Q4:2018, from R5/ℓ in Q4:2017 to R4.44/ℓ in Q4:2018. Comparing Q3: 2017 and Q4: 2018, the average price per litre of milk increased by 5% between the two quarters. Climatic conditions play an important role in determining agricultural 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 9.55% in Q4:2018 compared with Q4:2017, exporting a total of 197 423 450 million litres of milk and cream in Q4:2018 compared to 218 269 447 exported in Q4:2017. Between Q3:2018 and Q4:2018, exports of milk and cream (not concentrated or containing added sweetening) increased by 21.01%, from 163 143 074 million litres in Q3:2017 to 197 423 450 million litres in Q4:2018.

Imports of milk and cream decreased by 95.09% in Q4:2018, from million litres in Q4:2018 compared with Q4:2017, importing 3 522 215 million litres in Q4:2018 from 71 724 306 million litres in Q4:2017. When comparing Q3:2018 with Q4:2018, imports of milk and cream decreased by 24.16%, from 4 644 447 million litres in the Q3:2018 to 3 522 215 million litres in Q4:2018. With the current rise in SA's milk intake in the first months of 2018, Milk producer's 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 by 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

### 3.6 Trade of agricultural, forestry and fisheries

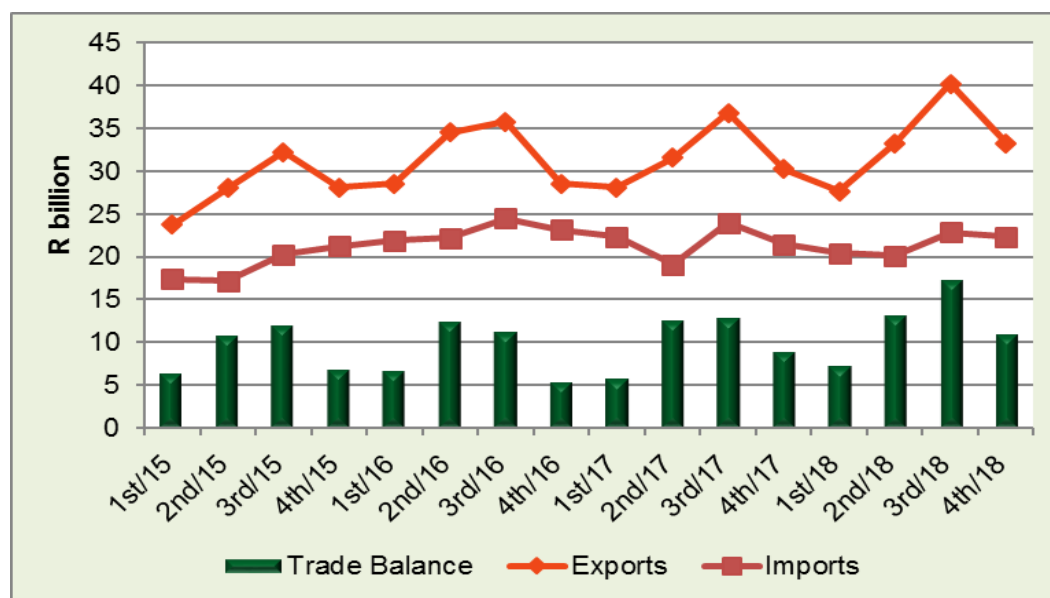
The agricultural sector ended 2018 on a mixed note as dry and hot weather conditions in many parts of the country create uncertainty (Agbiz, 2018).

South Africa's agricultural trade balance grew by 24,4% in Q4: 2018 compared with Q4: 2017, to R 10,99 billion from R 8,84 billion. On a quarter-on-quarter basis, agriculture's trade balance decreased by 36,7% in Q4:2018 compared with Q3, from R17,35 billion in Q3 to R10,99 billion on Q4: 2018. Even though South Africa emerged from the recession, the growth momentum did not appear to be strong in Q4: 2018 (Absa quarterly perspective report, 2019). Moreover, erratic weather conditions, tough production conditions and the Foot and Mouth disease outbreak will most likely add pressure to agriculture's trade balance in the near-term.

SA's export value of agricultural products increased by 10,0% in Q4: 2018 compared to Q4: 2017, to R 33,30 billion from R 30,28 billion. During the same period, the



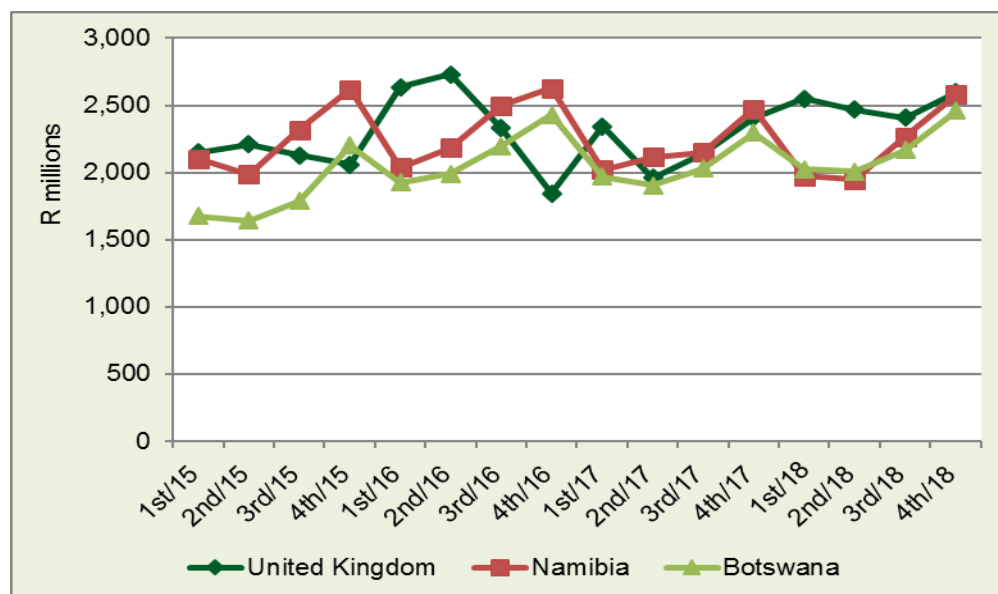
import value of agricultural products increased by 4,0%, from R 21,44 billion in Q4: 2017 to R 22,31 in Q4: 2018. Several fundamental factors such as weather conditions, inputs used to produce agricultural products, the exchange rate, as well as the fuel price will continue to have a significant impact on the value of the rand and on the gross production value of agriculture in 2018 and 2019 (BFAP, 2018).



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

On a quarter-on-quarter basis, the export value of agricultural products decreased by 17,2%, from R22,89 billion in Q3 to R22,31 billion in Q4: 2018. Though the economy gained traction since the recession in the first half of 2018, the near-term outlook remains muted (Absa, 2019).

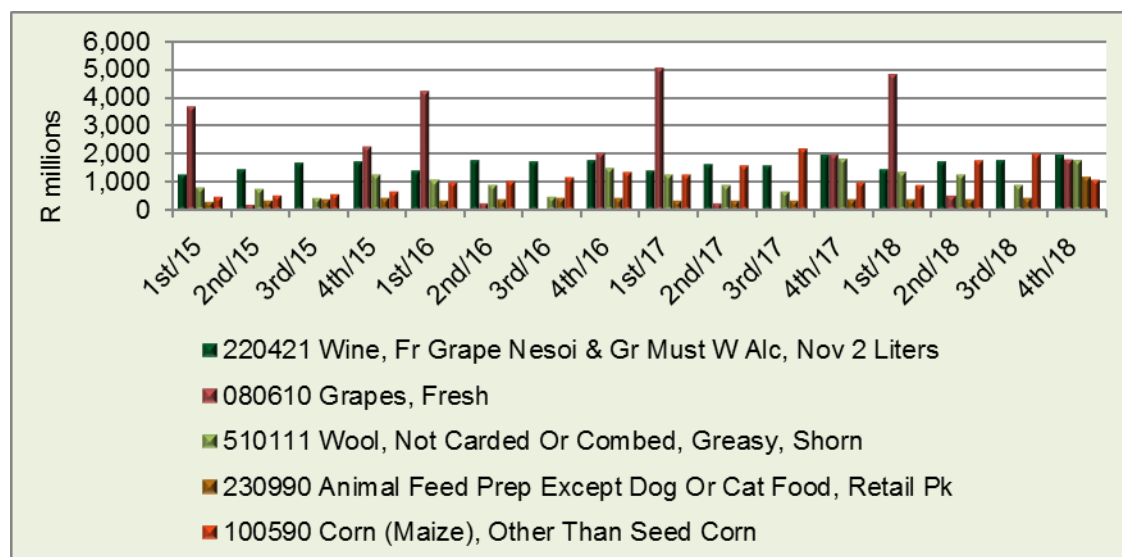
Figure 46 illustrates South Africa gained most of its agricultural export revenue from products exported to United Kingdom, which was the leading export destination followed by Namibia and Botswana.



**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 Q4: 2018 include wine (5,8%), fresh grapes (5,4%) and wool (5,2%) respectively, see Figure 47.

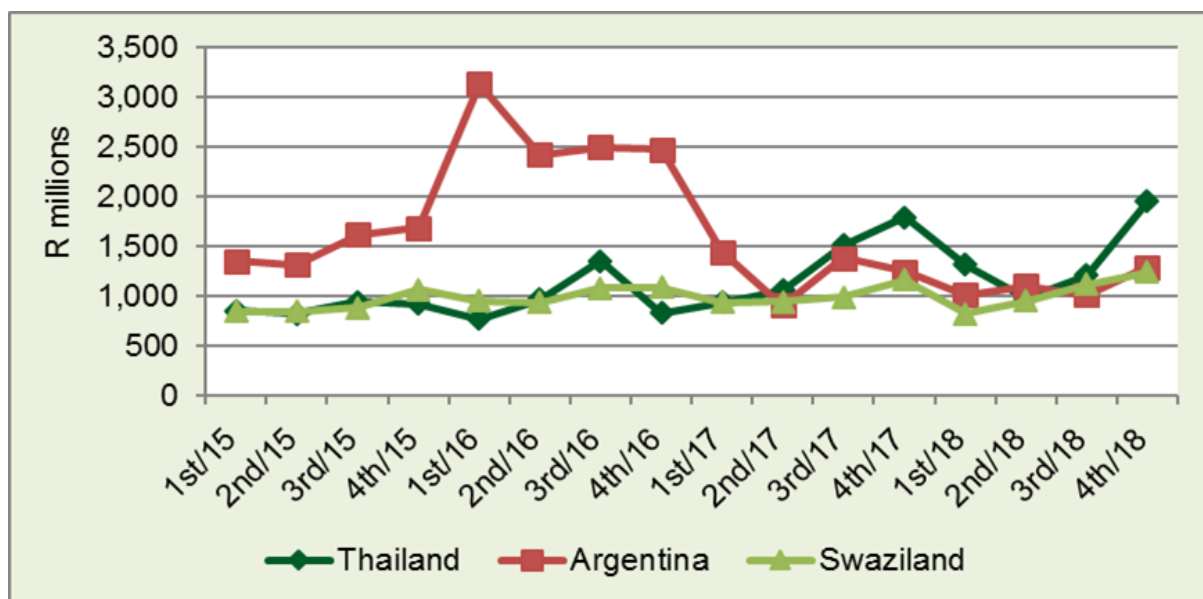
Even though the global economy is growing strongly, South Africa is caught in the cross-fire of trade tariff wars not beneficial to the country (Absa quarterly perspective report, 2018). Moreover, unfavourable weather conditions in parts of the country could lead to lower production for the current season.



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

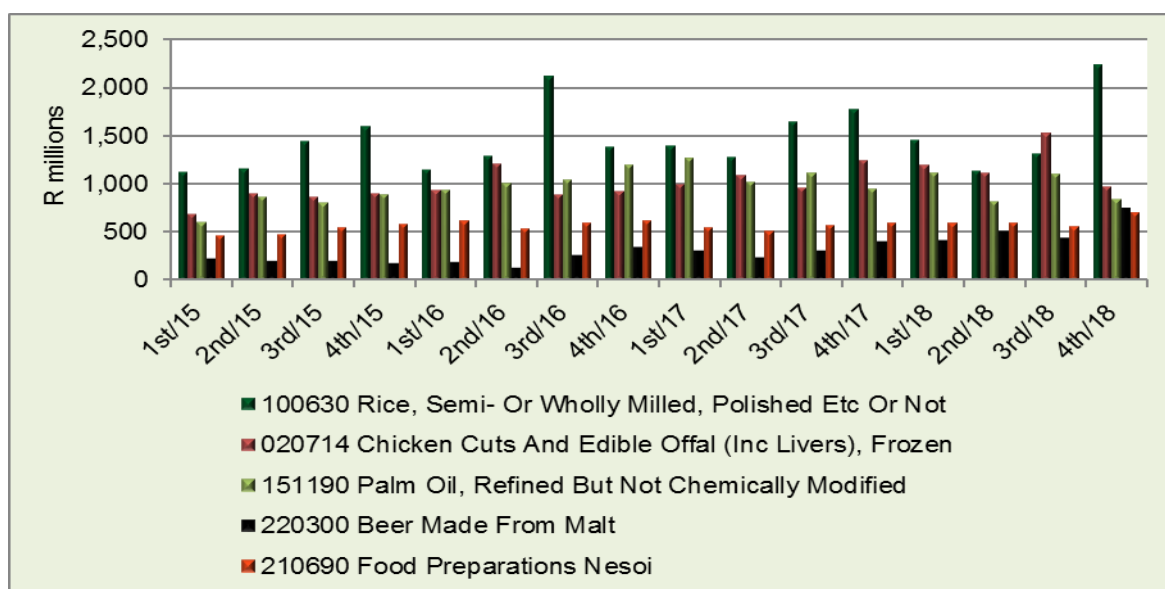
SA's total import value of agricultural products increased by 4,0% in Q4: 2018 compared to Q4: 2017, to R 22,31 billion from R 21,44 billion. On a quarter-on-quarter basis, SA's import value of agricultural products decreased by 2,5%, from R 22,89 billion in Q3: 2018 to R22,31 billion in Q4: 2018. Overall, 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 forecasts that South Africa will become increasingly dependent on imports (Absa agricultural outlook Spring edition, 2018).

SA's top three suppliers of agricultural products in Q4: 2018 include Thailand, Argentina and Swaziland, see Figure 48.



**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 Q4: 2018 include rice (10,1%), chicken cuts and edible offal (4,4%) and palm oil (3,8%), see Figure 50.



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

### 3.6.1 Fisheries trade

South Africa's fishing sector contributes less than 1% of the total GDP yet it's one of the main income sectors in the country. Sales in the fishing industry bring over R 3,4 billion in total foreign exchange and the sector is worth around R8,0 billion rand a year. In the commercial sector, the fisheries sector employ about 28 000 people, both land-based and sea-going. Moreover, indirect employment in industries linked to the sector is estimated at between 81 000 and 100 000 people.

With approximately 10 000 marine plant and animal species along South Africa's 3 000 km coastline, the biodiversity of the plant and animal resources is impressive. However, protecting resources against over usage is essential. The challenge is to create and sustain a workable balance between resource protection and the development of economic potential of the fishing industry in the country (Sea Harvest, 2017).

Coastal and marine resources form an important part of the livelihood and nutrition sources of many South Africans. Therefore, sustainable resource management is important (Sea Harvest, 2017).

In Q4: 2018, fisheries trade balance worsened into negative territory compared to Q4: 2017, from a negative trade balance of R 132, 24 million in Q4: 2017 to a negative trade balance of R 399,39 million in Q4: 2018. Comparing Q3 with Q4: 2018, fisheries trade balance worsened significantly in Q4: 2018, from a negative trade balance of R 245,54 million in Q3:2018. Illegal fishing practices place additional pressure on the coastal and marine resources in the Western Cape. Consequently, the Department of Agriculture, forestry and fisheries commenced with an extensive anti-poaching programme in the Western Cape, which includes the deployment of military veterans to help identify poaching activities in the Cape Town-Overberg region (Sea Harvest, 2017).

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.

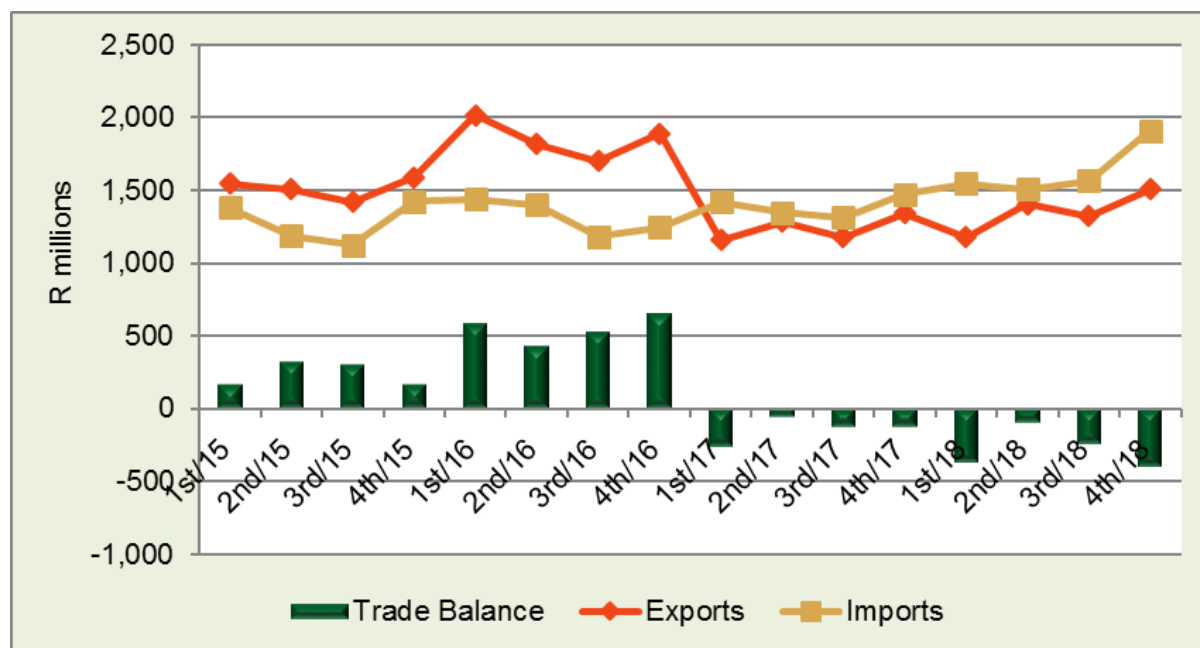
As pressure grows on the world's arable land, aquaculture is expected to play a bigger role in food production if it is expected to feed a population of 9,8 billion people by 2050, this is according to Bolton (2017). Aquaculture holds enormous potential given global demand. Although more than 70% of the globe is sea, sustainable aquaculture practices is critical due to the growing global demand for fish which will assist to reduce pressure on wild fish stocks.

Capture fisheries on the other hand are on the decline in South Africa and are unlikely to grow in future due to overfishing, illegal fishing, a growing population and a combination of the effects of climate change. Unless these issues are collectively addressed, the crisis will deepen. DAFF in partnership with scientists from Norway will be currently managing SA's oceans economy, with a research ship setting sail from Durban to collect data on distribution and abundance in fish stocks, biodiversity, environmental conditions and the occurrence of microplastics. The objective of this initiative is to provide data that will guide government in its implementation programme of the small-scale fisheries policy. The survey covers the south-eastern part of Africa and Indian Ocean as well as the Bay of Bengal (Timeslive, 2018).

Figure 50 illustrates that the export value of fisheries products increased by 12,6% in Q4: 2018 compared to Q4: 2017, from R 1,34 billion to R 1,51 billion. On a quarter-on-quarter basis, the export value of fisheries products increased by 14,2% in Q4: 2018 compared with Q3, from R1,32 billion in Q3:2018. Protecting resources against over usage is essential. Overfishing and its associated environmental impacts are among the biggest environmental challenges that the current generation has to tackle - alongside climate change (Timeslive, 2018).

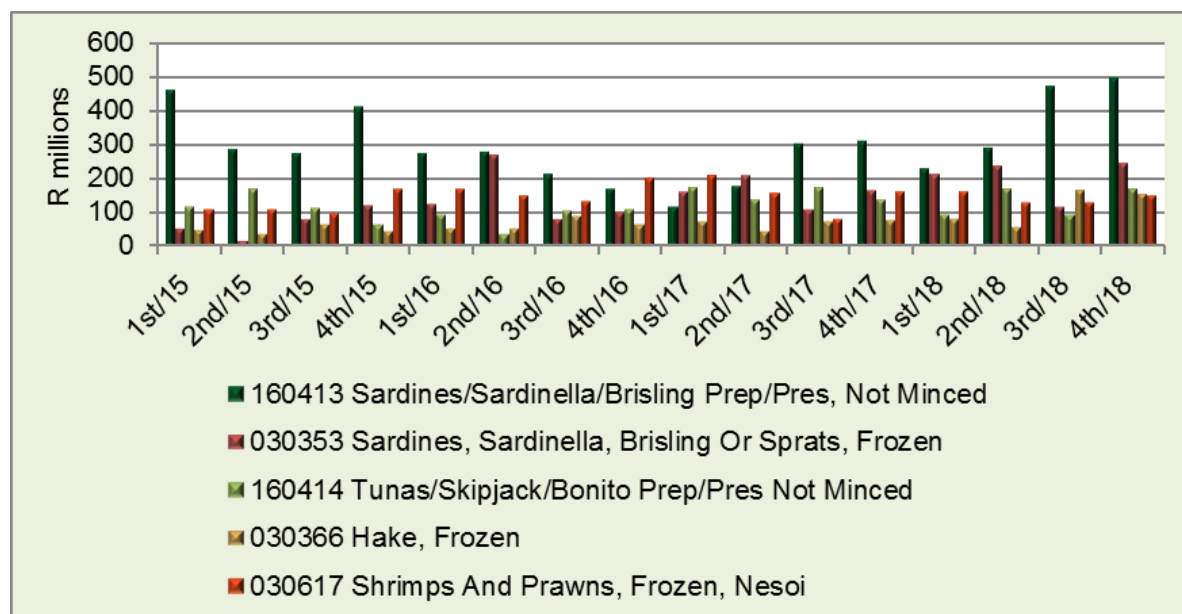
The import value of fisheries products in Q4: 2018 increased by 29,6% compared with Q4: 2017, from R 1,47 billion to R 1,91 billion. On a quarter-on-quarter basis, the import value of fisheries products increased by 21,8% in Q4: 2018, from R1,57 billion in Q3: 2018. Global fish trade is increasing rapidly. An estimated 45% of the world catch is now traded internationally. The Food and Agriculture Organization of

the United Nations (UN FAO) have identified a food gap with seafood, if production does not increase to keep pace with demand.



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

SA's top three imported fisheries products in Q4: 2018 include sardines/sardinella/brisling (prepared/preserved and not minced), sardines/sardinella/brisling or sprats (frozen) and tunas/skipjack/bonito (prepared/preserved and not minced), each accounting for 25,9% (R 494,3 million), 13,0% (R 247,6 million) and 8,8% (R 168,4 million) respectively, of the total fisheries import value in Q4: 2018, see figure 52.

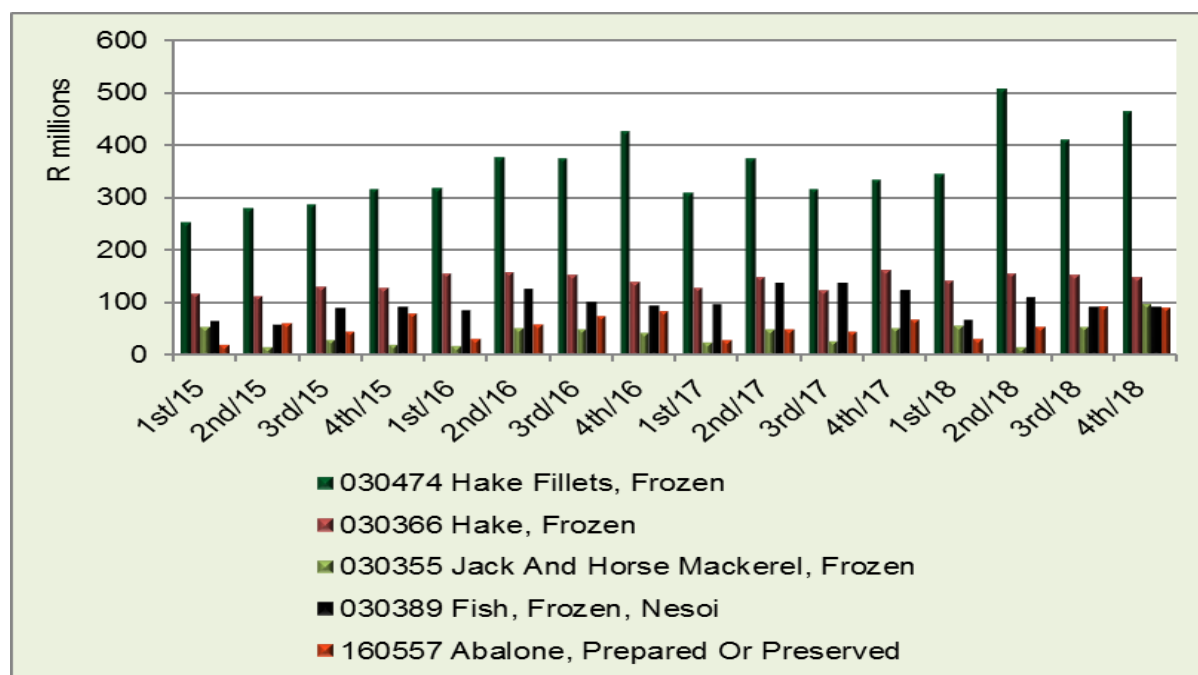


**Figure 52:** SA top five imported fisheries products  
Source: GTA, 2017

Figure 53 represents SA's top three fisheries products exported in Q4: 2018. Hake fillets (frozen), hake (frozen) as well as jack and horse mackerel (frozen) were the top three fisheries products exported to world markets in Q4: 2018, each accounting for 30,9% (R 466,0 million), 31,7% (R 147,7 million) and 20,5% (R 95,6 million) respectively, of the total fisheries export value in Q4: 2018, see figure 52. Comparing the top three exported fisheries products in Q4: 2017 with Q4:2018, exports of jack and horse mackerel (frozen) almost decreased by half in Q4: 2018 compared to Q4: 2017. According to the status of South African marine fishery resources report (2016), assessments for Cape horse mackerel indicated a decline in catch rates which may indicate declines in the abundance of this resource. Total allowable catches have been reduced and effort limitation implemented in



response.



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

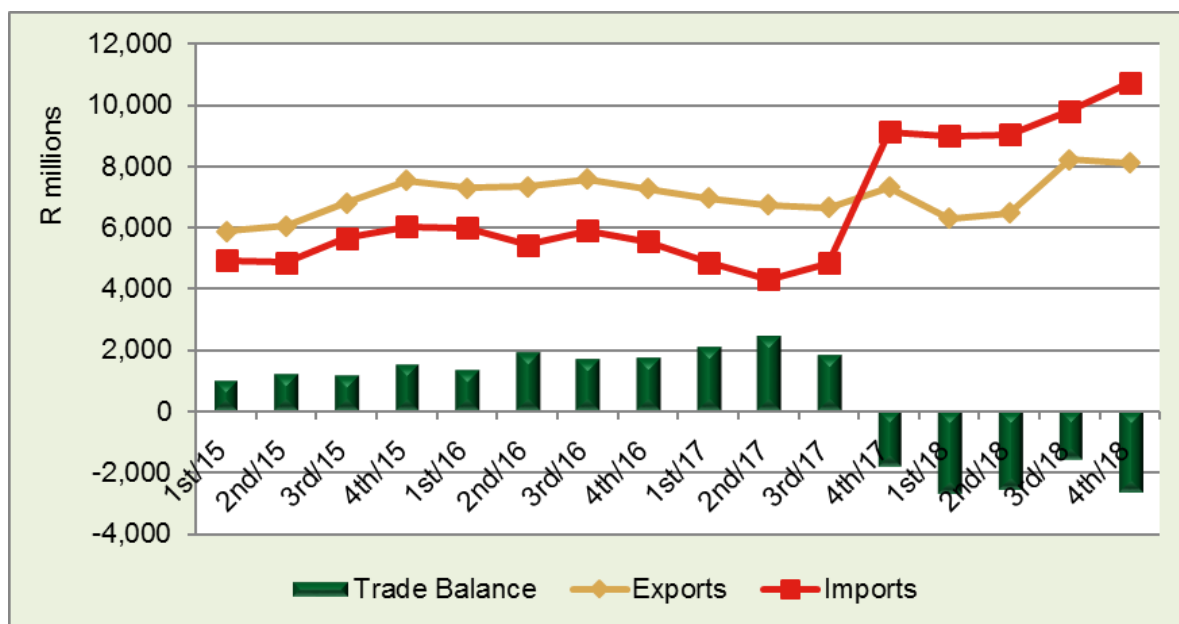
### 3.6.2 Forestry trade

The South African Forestry sector is a multi-billion sector, responsible for 11% of the country’s agricultural Gross Domestic Product (GDP) and is a key driver for the development of local economies, particularly in the rural areas where poverty is compounded by the lack of employment opportunities. The industry has an export value of over R25,8 billion and a trade balance of R7,2 billion. The forestry industry is a major employer while it indirectly supports well over half a million South Africans (F SA, 2019). With approximately 70% of all timber products exported, the industry is largely exposed to international markets and trends (van Wyk, 2018).

Figure 53 shows SA’s trade balance for forestry products from Q1:2015 to Q4:2018. In Q4: 2018, SA’s forestry trade balance worsened in negative territory, from a negative trade balance of R 1,82 billion in Q4: 2017 to a negative trade balance of R 2,64 billion in Q4: 2018. Changing dynamics have created a wild and unpredictable market that surpasses everyone’s expectations (Forestry South Africa, 2018). On a quarter-on-quarter basis, SA’s forestry trade balance deteriorated significantly in Q4:

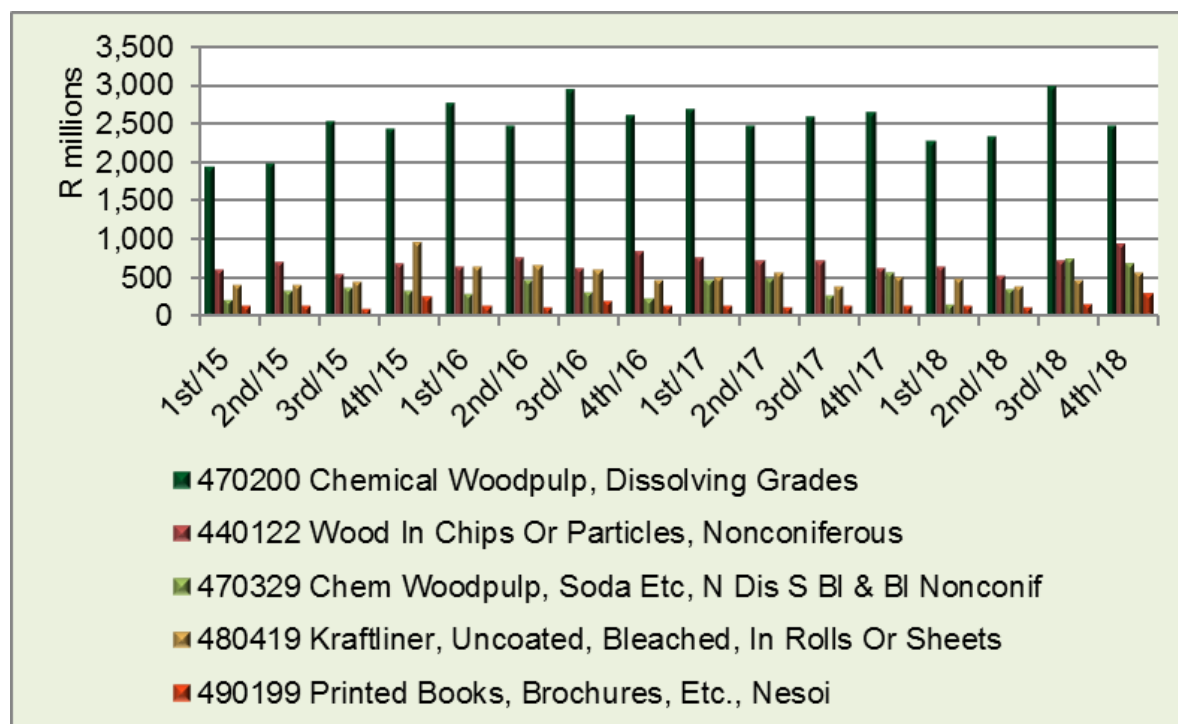
2018 compared to Q3, from a negative trade balance of R 1,59 billion in Q3: 2018, see figure 53.

The export value of forestry products increased by 10,8% in Q4: 2018 compared with Q4: 2017 while the import value of forestry products increased by 17,7% in Q4: 2018 compared with Q4: 2017.



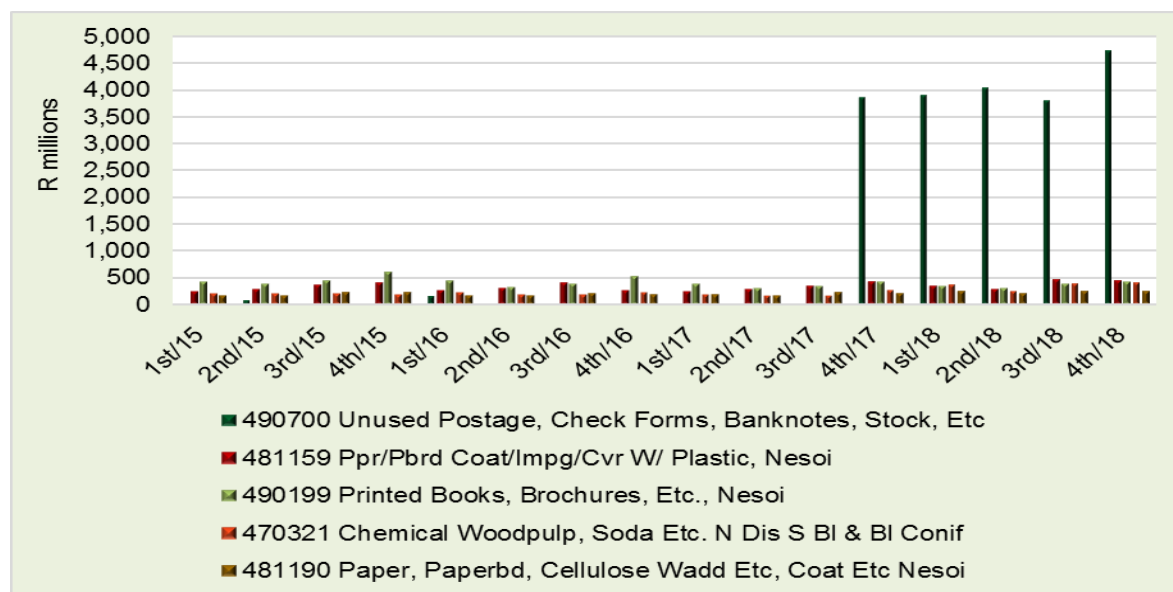
**Figure 54:** Trade balance of SA forestry products  
Source: GTA, 2017

SA's total export value of forestry products increased by 10,8% in Q4: 2018 to R 10,8 billion, from R 8,10 billion in Q4: 2017. SA's top three forestry products exported in Q4: 2018 include chemical woodpulp (dissolving grades), wood in chips or particles (non-coniferous) and chemical woodpulp (Soda Etc, N Dis S BI and BI Nonconif), each accounting for 30,3% (R 2,46 billion), 11,7% (R 949,04 million) and 8,4% (R 684,74million) respectively, of the total export value of forestry products in Q4: 2018, see figure 54. Though timber and forestry industries remain one of the more consistent and better performing commodities in the agricultural sector (van Wyk, 2018), the medium-term outlook for SA's forestry and timber industry is under pressure due to looming timber shortage, as the total area under plantation in South Africa is not expanding in line with the demand for structural timber.



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

The total import value of forestry products increased by 17,7% in Q4: 2018 compared with Q4: 2017, to R 10,74 billion from R 9,81 billion. The top three imported forestry products which accounted for a considerable amount of the total forestry import value in Q4: 2018 include unused postage, check forms, bank notes, stocks etc, paper or paperboard (Coat/Impg/CvrW/Plastic Nesoi) and printed books, brochures etc, each accounting for 43,9% (R 4,72 billion), 4,0% (R 434,80 million) and 3,9% (R 421,57 million) respectively, of the total forestry import value in Q4: 2018, Overall demand and market activity for forestry products in 2018 remained active and volatile, see Figure 55.



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

The total import value of forestry products increased by 17,7% in Q4: 2018 compared with Q4: 2017, to R 10,74 billion from R 9,81 billion. The top three imported forestry products which accounted for a considerable amount of the total forestry import value in Q4: 2018 include unused postage, check forms, bank notes, stocks etc, paper or paperboard (Coat/Impg/CvrW/Plastic Nesoi) and printed books, brochures etc, each accounting for 43,9% (R 4,72 billion), 4,0% (R 434,80 million) and 3,9% (R 421,57 million) respectively, of the total forestry import value in Q4: 2018, Overall demand and market activity for forestry products in 2018 remained active and volatile, see Figure 55.

## 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 favorable 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) 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, whilst 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 the third quarter of 2017 figures.

South African's economy grew by 2.2% in the third quarter of 2018 following a decrease of 0.4% in the second quarter of 2018. 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 the third quarter of 2018 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 the second quarter 2018 was 4.5% which shows an increase of 0.4% from 4.1% of the previous quarter. Food inflation for the second quarter of 2018 was 3.3%, which shows a decrease of 0.8% from 4.1% of the previous quarter.

South Africa's agricultural trade balance grew by 5.5% in Q2: 2018 compared with Q2: 2017, to R 13,17 billion from R 12,49 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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