

# Quarterly Economic Review of the Food and Beverages Industry in South Africa

April to June 2021

Volume 8 number 1

**DIRECTORATE: AGRO-PROCESSING SUPPORT**



agriculture, land reform  
& rural development

Department:  
Agriculture, Land Reform and Rural Development  
REPUBLIC OF SOUTH AFRICA

## PREFACE

The National Development Plan (NDP) identifies the agro-processing industry for its potential to spur economic growth and create sustainable employment. The agriculture and agro-industries are postulated as having the latent potential to contribute to inclusive economic growth through forward and backward linkages by providing various opportunities for earning income in the food production, processing, distribution and retailing phases of the agro/food value chain. At policy level, the Medium Term Strategic Framework (MTSF), **specifically outcome 1: Economic transformation and job creation**, notes the agro-processing industry as a key pillar for inclusive economic growth. At sector level, the Agriculture and Agro-processing Master Plan (AAMP), **specifically pillars 5 and 6**, notes the crucial role the agro-processing industry should play towards mitigating post-harvest losses, providing access to markets for farmers and ensuring household food security. At operational level, the competitive performance of agribusinesses is directly linked to the competitiveness of the industry and sector.

Consequently, the Department of Agriculture, Land Reform and Rural Development (DALRRD) established the Directorate: Agro-processing Support within the Branch: Economic Development, Trade and Marketing (EDTM) to develop and facilitate implementation of policies and strategies to enhance competitive performance of agro-processing agribusinesses. Among others, the function of the directorate is to provide timely and updated agro-processing economic and statistical information geared to monitor the performance of the industry and provide insight into the effects of economic policies and exogenous factors. To achieve this purpose, the directorate publishes regular quarterly reviews of the agro-processing industry.

This publication, *“Quarterly Economic Review of Food and Beverages Industry in South Africa: April to June,”* evaluates the performance of food and beverages divisions during the second quarter of 2021. The main economic indicators reviewed are the changes in producer price, production volume, value of sales, capacity utilisation by large enterprises, formal employment and trade balance.

Any comments and suggestions on the content of the publication are welcome.

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## EXECUTIVE SUMMARY

The real gross domestic product (GDP) increased slightly from a 1,0% in 2021: Q1 to 1,2% in 2021: Q2. In regard to the agricultural sector and manufacturing, the former realised an increase in real gross value added (GVA), while the latter saw a decline in GVA in 2021: Q2. Manufacturing activity continued to be impeded by weak domestic demand, rising input costs, electricity-supply disruptions, raw material shortages and subdued business confidence. (SA Reserve Bank, 2021).

In light of the negative factors impeding the growth of the manufacturing sector during 2021: Q2, the volume of production for the food products division contracted quarter-to-quarter by 2,2% from almost zero percent growth in 2021: Q1. Conversely, volume of production in the beverages division increased by 6,8% quarter-to-quarter in 2021: Q2. The value of sales in the food products division in 2021: Q2 increased quarter-to-quarter by 2,6% following a 1,8% growth in the last quarter. Likewise, value of sales in the beverages division increased by 4,7% quarter-to-quarter, while year-on-year, beverages sales accelerated by 92,3%.

The quarter-to-quarter exports of food products contracted by about 18,6% during 2021: Q2, however, imports of food products rebounded by 18,6% in 2021: Q2. South African beverages exports rebounded by 24,8% in 2021: Q2. Conversely, South Africa's imports of beverages products, quarter-to-quarter, contracted by 2,9% in 2021: Q2. Therefore, a trade deficit in food products division was recorded at about R1 446,2 million in 2021: Q2. However, the beverages division has a positive trade balance of about R3 219,8 million in 2021: Q2.

In terms of the share of food products exports, Africa (61%) accounted for the largest, followed by Europe (16%), Asia (13%), and the Americas (7%). Share of food products imports, on the other hand, Asia accounts for 40%, followed by Europe (26%), then Africa (20%) and the Americas (4%). Regarding exports of food by regions, SACU (excluding SA) accounted for a 31% share, followed by SADC (excluding SACU) (26%), the European Union (13%), and NAFTA (7%). Concerning the share of food imports by region, Southeast Asia accounted for 27%, the European Union at 23% and SACU (excluding SA) at about 18%.

Beverages import shares, on the other hand, saw Africa accounting for 40%, followed by Europe with 36%, then the Americas and Asia with 10% and 11% share, respectively. For beverage exports, Africa accounted for 61% share, followed by Europe, Asia and the Americas with a share of 16%, 13% and 7%, respectively. In regards to beverages exports by regions, the European Union accounted for 22% share, followed by SACU (excluding SA) (21%), SADC (excluding SACU) (14%) and NAFTA (10%).

The quarter-to-quarter employment in the food products division decelerated by 0,3% in 2021: Q2, while in the beverages and tobacco division, employment contracted by 8,2% in 2021: Q2. As a result, formal employment in the food products division declined to 206 162 in 2021: Q2, from 206 695 employees in 2021: Q1. This translates to about 533 jobs shed in the food products division. Likewise, the formal employment in the beverages and tobacco division declined to 38 633 in 2021: Q2 from 48 089 in 2021: Q1. Therefore, about 3 456 jobs were shed in the beverages and tobacco division.

## 1. INTRODUCTION

In 2021: Q2, the real economic activity in South Africa as witnessed an expansion for a fourth consecutive quarter. The real gross domestic product (GDP) increased slightly from 1,0% in 2021: Q1 to 1,2% in 2021: Q2. In regard to the agricultural sector and manufacturing, the former realised an increased in real gross value added (GVA), while the latter saw a decline in GVA in 2021: Q2. The agricultural sector's positive performance was mainly due to increased production of field crops. Conversely, the manufacturing sector's performance was due to, among other reasons, by weak domestic demand, rising input costs, electricity-supply disruptions, raw material shortages and subdued business confidence (SA Reserve Bank, 2021).

This review is organised as follows, the first section provides the analysis of the food products division. Likewise, the second section provides the analysis of the beverages division and, lastly, is the conclusion. The main variables analysed are the consumer price index, producer price index, production capacity, volume of production, value of sales, trade balance and employment. Additionally, wholesale and retail trade sales, and income are also analysed.

## 2. FOOD PRODUCTS

According to the Standard Industrial Classification (SIC), the food industry incorporates groups of products that are categorised into the following four codes:

- Code 301: refers to manufacturing, processing and preservation of meat, fish, vegetables, fruit, oils and fats
- Code 302: refers to manufacturing, processing and preservation of dairy products
- Code 303: refers to manufacture of grain mill products, starch products and prepared animal feeds
- Code 304: refers to manufacture of other food products like bread, sugar, chocolate, pasta, coffee, nuts and spices.

Hereafter, food products refer to those primary agricultural and fisheries products that have undergone some form of change through manufacturing and processing or performed some value addition activities such as preservation.

### 2.1 PRICE

#### **Consumer Price Index (CPI)<sup>1</sup>**

The quarter-to-quarter consumer price index for all items increased to 1,5% in 2021: Q2, following 1,1% recorded in the previous quarter. Some of the items that increased quarter-to-quarter were food; meat; milk, eggs and cheese; and sugar sweets and desserts. The consumer price index for both bread and cereals and fish moderated during 2021: Q2. Conversely, the consumer price index for fruit contracted in growth, while it rebounded for vegetables.

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<sup>1</sup> Stats SA defines CPI as a current social and economic indicator that is constructed to measure changes over time in the general level of prices of consumer goods and services that households acquire, use, or pay for.

In terms of the year-on-year, the consumer price index for all items moderated to 3,1% from a 4,9% recorded in the last quarter. Items that moderated year-on-year were food, meat, fish, oils and fats, vegetables and sugar sweets and deserts. However, the consumer price index for milk, eggs and cheese stagnated in growth, while for fruit it rebounded. The consumer price index for bread and cereals increased year-on-year as depicted in Table 2.1.

Table 2.1: Consumer Price Index of food products

Food products	Weight	Indices			% change between	
		2020: Q2	2021: Q1	2021: Q2	2021: Q1 and 2021: Q2	2020: Q1 and 2021: Q1
All Items (CPI Headline)	100	114.4	118.2	120.0	1.5	4.9
Processed	6,8	113.9	119.6	121.6	1.7	6.8
Unprocessed	7,4	113.5	118.0	121.3	2.7	6.9
Food and non-alcoholic beverages	15,4	114.2	119.2	121.7	2.1	6.6
Food	14,2	113.6	118.7	121.4	2.3	6.9
Bread and cereals	3,5	103.2	107.7	107.9	0.2	4.6
Meat	4,6	122.2	128.5	131.9	2.6	7.9
Fish	0,4	119.0	126.6	128.2	1.2	7.7
Milk, eggs and cheese	1,7	113.4	117.0	121.0	3.5	6.7
Oils and fats	0,5	106.7	115.7	128.3	10.9	20.3
Fruit	0,2	106.2	109.1	103.0	-5.6	-3.0
Vegetables	1,6	113.5	116.2	121.3	4.4	6.9
Sugar, sweets and deserts	0,6	116.8	124.6	126.3	1.3	8.2
Other food	0,9	109.4	112.4	113.9	1.4	4.1

Source: (Stats SA, 2021a)

## Producer Price Index (PPI)<sup>2</sup>

During 2021: Q2, quarter-to-quarter, the producer price index for final manufactured goods increased to 2,3% from a 1,8% recorded in 2021: Q1. The producer price index, quarter-to-quarter, increased for food products (1,8%), meat and meat products (2,9%); oil and fats (12,3%) and dairy products (4,0%). However, quarter-to-quarter, the producer price index for fish and fish products, bakery products and other food products stagnated at 1,3%, 0,4% and 0,5%, respectively, in 2021: Q2.

Conversely, quarter-to-quarter, the producer price index for fruit and vegetables (1,8%) rebounded in growth, while it moderated for starch and starch products, animal feeds (1,9%); and sugar (0,6%) in 2021: Q2. The producer index for grain mill products, quarter-to-quarter, remained unchanged during 2021: Q2 at zero percent as compared to a 1,3% recorded in 2021: Q1.

In terms of year-on-year, the producer price index for final manufactured goods increased to 7,3% in 2021: Q2 from 4,2% recorded in the preceding quarter. The producer price index, year-on-year, increased for food products (7,5%), meat and meat products (13,4%), oils and fats (27,7%), dairy products (3,7%) and sugar (8,6%) in 2021: Q2. However, year-on-year, the producer price index for fruit and vegetables (0,6%), grain mill products (11,6%), starch and starch products, animal feeds (22,1%), other food products (3,3%) and bakery products (2,3%) moderated during 2021: Q2 as shown in Table 2.2.

Table 2.2: Producer Price Index of food products

	Indices	Indices		% change between		
		Weight	2020: Q2	2021: Q1	2021: Q2	2021: Q1 and 2021: Q2
Food products						
Final manufactured goods (Headline PPI)	100	97.0	101.7	104.0	2.3	7.3
Food products	26,3	95.5	100.9	102.7	1.8	7.5
Meat and meat products	4,5	89.4	98.5	101.4	2.9	13.4
Fish and fish products	1,6	97.9	101.0	102.3	1.3	4.5
Fruit and vegetables	2,4	101.6	100.4	102.2	1.8	0.6
Oil and fats	0,5	94.7	107.7	121.0	12.3	27.7
Dairy products	3,3	103.6	103.2	107.4	4.0	3.7
Grain mill products	1,8	89.7	100.1	100.2	0.0	11.6
Starch and starch products, animal feeds	1,6	88.7	106.4	108.4	1.9	22.1

<sup>2</sup> OECD defines the Producer Price Index (PPI) as a measure of the change in the prices of goods either as they leave their place of production or as they enter the production process. The PPI can be used as an economic indicator of inflation, as an escalator in contracts and as a deflator in the calculation of the national accounts.

Other food products	0,9	97.7	100.4	100.9	0.5	3.3
Bakery products	6,9	98.1	99.9	100.4	0.4	2.3
Sugar	1,9	94.9	102.4	103.1	0.6	8.6

Source: Stats SA (2021b)

### Import Unit Value Index<sup>3</sup>

Table 2.3 presents the import unit value index of selected food products during 2021: Q2. The import unit value, quarter-to-quarter, contracted for food products by 2,2%, fats and oils by 2,3% and grain mill products by 3,4% in 2021: Q2. Similarly, year-on-year, the import unit value for fats and oils and grain mill products contracted by 1,6% and 4,9%, respectively, in 2021: Q2. However, for food products the import unit value decelerated by 10,3% year-on-year.

Table 2.3 presents the import unit value index of selected food products during 2021: Q2

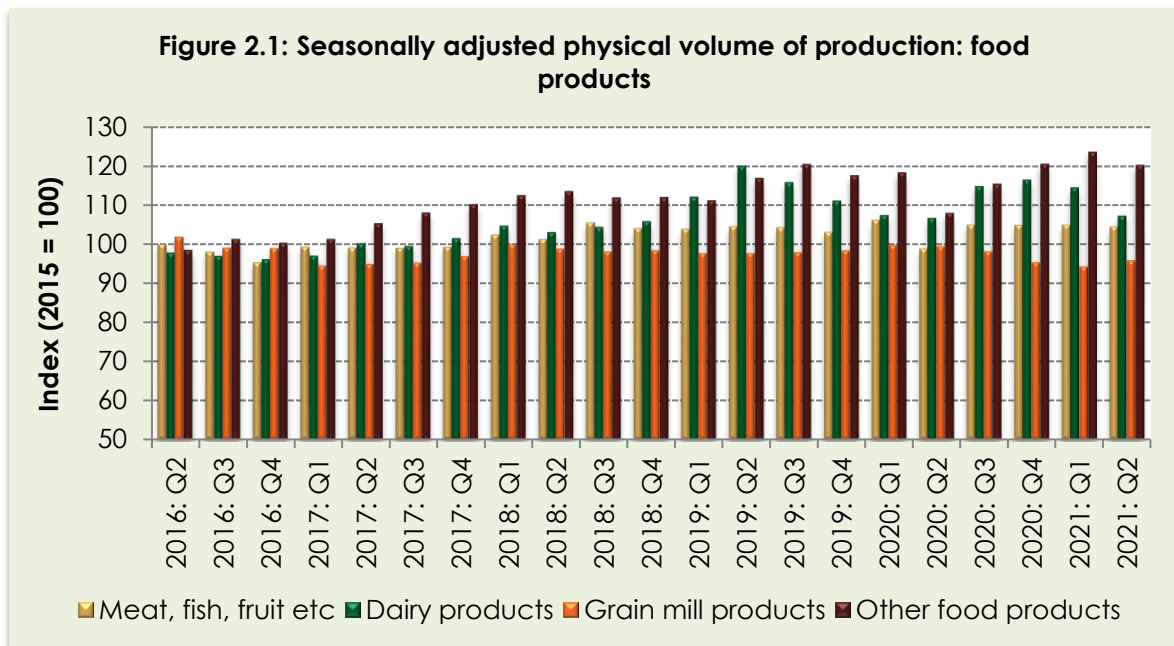
Food products	Indices			% change between	
	2020: Q2	2021: Q1	2021: Q2	2021: Q1 and 2021: Q2	2020: Q1 and 2021: Q1
Food (total)	109.7	100.7	98.5	-2.2	-10.3
Fats and oils	105.8	106.6	104.1	-2.3	-1.6
Grain mill products	106.9	105.3	101.7	-3.4	-4.9

Source: Stats SA (2021c)

<sup>3</sup> IMF defines export and import unit value index as a measure the overall change in the prices of transactions in goods and services between the residents of an economic territory and residents of the rest of the world. The average unit value is obtained by dividing the value of exported/imported goods in monetary terms with the respective volume/weight of the goods.



## 2.2 PRODUCTION



Source: Statistics SA (2021d)

Figure 2.1 presents seasonally adjusted physical volume of production for food products division in 2021: Q2. The seasonally adjusted volume of production, quarter-to-quarter, for meat, fish and fruit; and “other food products” contracted by 0,4% and 2,7% in 2021: Q2 following 0,1% and 2,5% growth, respectively, in the last quarter. The seasonally adjusted physical volume of production for dairy products, quarter-to-quarter, decelerated by 6,3% in 2021: Q2 from a 1,7% contraction in the last quarter, while for grain mill products it rebounded by 1,7% in 2021: Q2 from 1,1% contraction in the last quarter.

However, during 2021: Q2, year-on-year, the seasonally adjusted physical volume of production for meat, fish and fruit products rebounded by 5,6%, dairy products moderated by 0,6% and grain mill products receded further by 3,6%, while “other food products” increased by 11,3% .

### Production capacity

Table 2.4: Utilisation and reasons for underutilisation of production capacity by large enterprises: Food products (percentage)

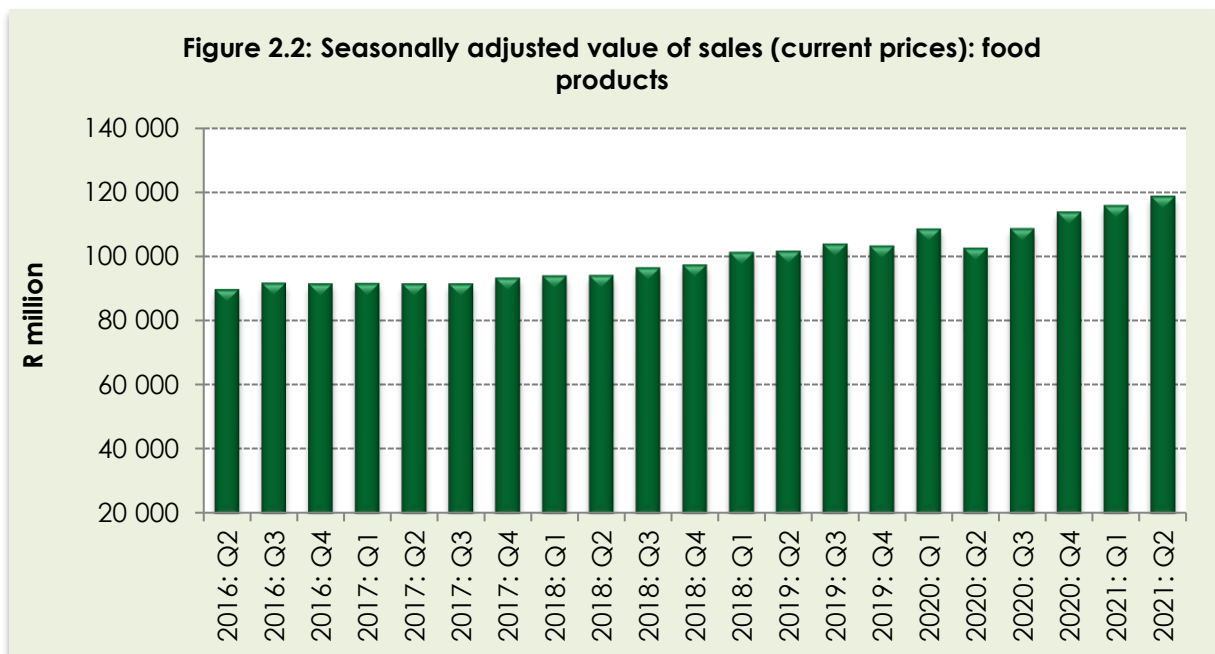
Period	Utilisation	Reasons for underutilisation				
		Total under-utilisation	Shortage of		Insufficient demand	Other
			Raw materials	Labour		
			Skilled	Semi and unskilled		

2020: Q2	79.1	20.9	1.4	1.1	0.1	12.9	5.4
2021: Q1	70,0	30,0	1.6	0.7	0.3	10.4	17.1
2021: Q2	82.4	17.6	1.5	0.7	0.1	10,0	5.3

Source: Statistics SA (2021e)

As Table 2.4 shows, the utilisation of production capacity by large enterprises in the food products division increased year-on-year and quarter-to-quarter by 3,3 and 12,4 percentage points. Insufficient demand remained the main reason for underutilisation in 2021: Q2, followed by other reasons such as seasonal factors.

### 2.3 VALUE OF SALES

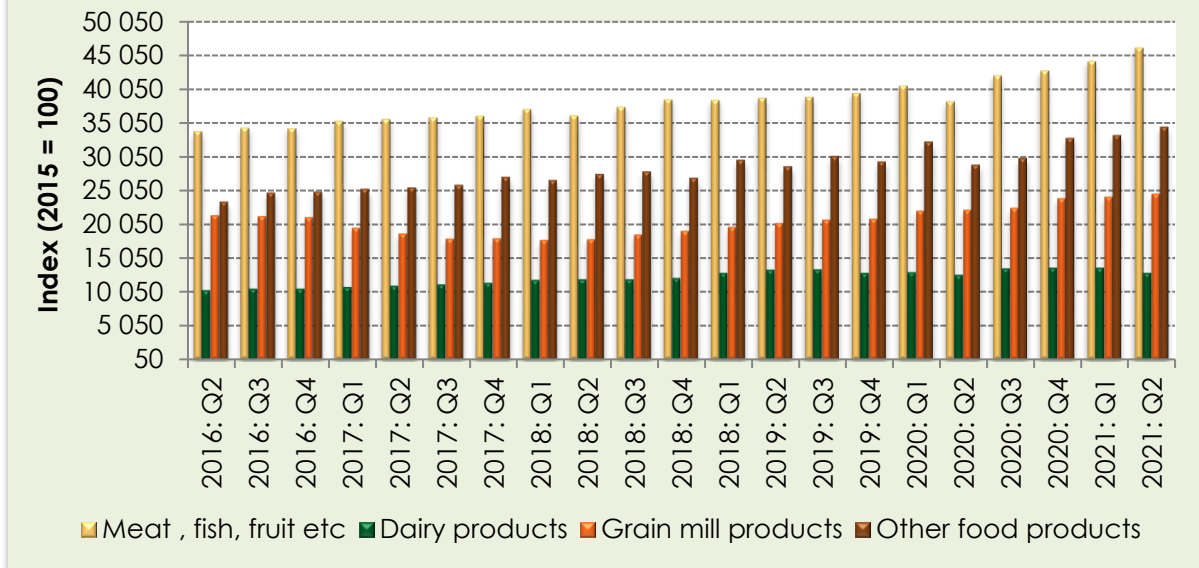


Source: Statistics SA (2021d)

During 2021: Q2, the quarter to-quarter value of sales of food products increased by 2,6% as compared to 1,8% growth in the last quarter. However, it accelerated by 16,0% following a growth of 6,8% year-on-year as illustrated in Figure 2.2.

As Figure 2.3 shows, quarter-to-quarter, sales of meat, fish and fruit; grain mill products and "other food products" increased by 4,6%, 1,9% and 3,6% in 2021: Q4 as compared to a growth of 3,2%, 0,9% and 1,4%, respectively, in the last quarter. However, sales of dairy products, quarter-to-quarter, decelerated by 5,4% in 2021: Q2 from a decline of about 0,1% in 2021: Q1. However, year-on-year, sales of meat, fish and fruit; grain mill products and "other food products" increased by 20,8%, 10,9% and 19,4%, respectively, in 2021: Q2.

**Figure 2.3: Seasonally adjusted value of sales (current prices): food products**

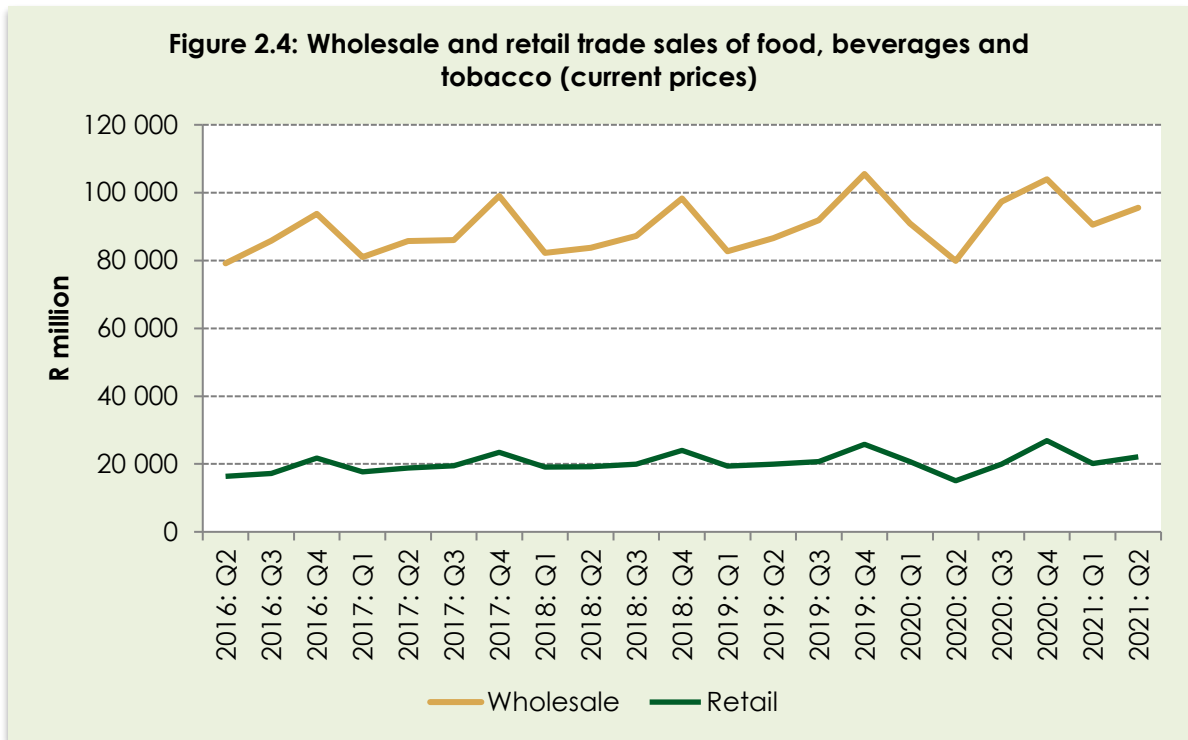


Source: Statistics SA (2021d)

#### Wholesale and retail sales<sup>4</sup>

The quarter-to-quarter and year-on-year wholesale trade sales of food, beverages and tobacco divisions rebounded by 5,5% and 9,6% in 2021: Q2, as compared to a contraction of 12,9% and 0,4% in 2021: Q1, respectively. Similarly, the retail trade sales, quarter-to-quarter and year-on-year, rebounded by 10,1% and 47,0% in 2021: Q2, from a contraction of about 25,2% and 2,7%, respectively, in 2021: Q1. As a result, the wholesale trade sales increased to R95,5 billion in 2021: Q2 from R90,5 billion in 2021: Q1. The retail trade sales also increased to R22,1 billion in 2021: Q2 from R20,1 billion in 2021: Q1 as shown in Figure 2.4.

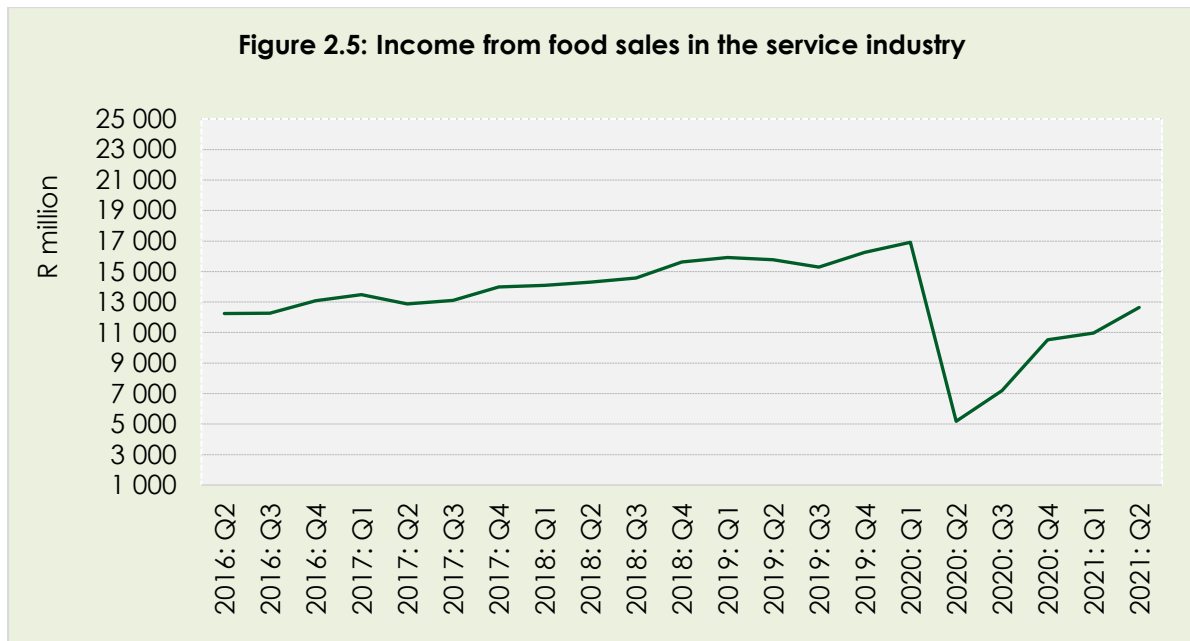
<sup>4</sup> Statistics South Africa (Stats SA) conducts a monthly survey covering enterprises in the wholesale and retail trade industry. The results of the monthly wholesale and retail trade sales survey are used to compile estimates of the gross domestic product (GDP) and its components, which are used in monitoring the state of the economy and formulation of economic policy. These statistics are also used in the analysis of comparative business and industry performance.



Source: Statistics SA (2021f)

## 2.4 INCOME FROM FOOD SALES IN THE SERVICE INDUSTRY<sup>5</sup>

Table 2.5 below shows the income from food sales in the service industry, which includes food sales in restaurants and coffee shops, take-away/fast food outlets and catering services.

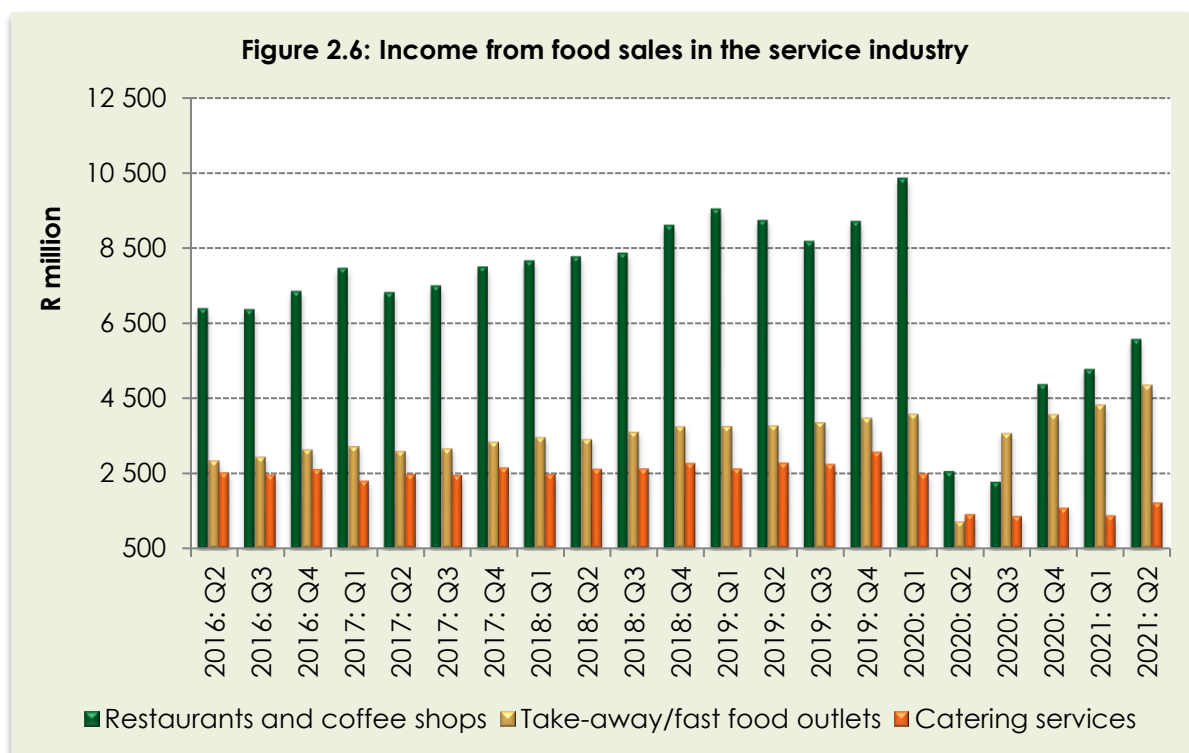


Source: Statistics SA (2021f)

<sup>5</sup> Income from food sales in the service industry refers to income from the sale of meals and non-alcoholic drinks.

The total income from food sales in the service industry accelerated by 15,3% quarter-to-quarter in 2021: Q2 as compared to a 4,2% growth in 2021: Q1. However, the total income from food sales rebounded by 144,0% year-on-year in 2021: Q3. As a result, the income from food sales increased to R12 641,1 million in 2021: Q2 from R10 967,4 million in 2021: Q1 as presented in Figure 2.5.

Figure 2.6 shows the income from food sales in the service industry. The quarter-to-quarter, income from food sales in restaurants and coffee shops and takeaway/fast food outlets increased by 15,3% and 12,1% in 2021: Q2 as compared to 8,2% and 6,2% growth in 2021: Q1, respectively. On the other hand, year-on-year, income from food sales in restaurants and coffee shops rebounded by 137,8% , while for take away/fast food outlets it accelerated by 298,6% in 2021: Q2. Income from food sales in catering services rebounded year-on-year and quarter-to-quarter by 21,7%, and 24,8% in 2021:Q2 from a contraction of 44,6% and 13,2% in 2021:Q2, respectively.



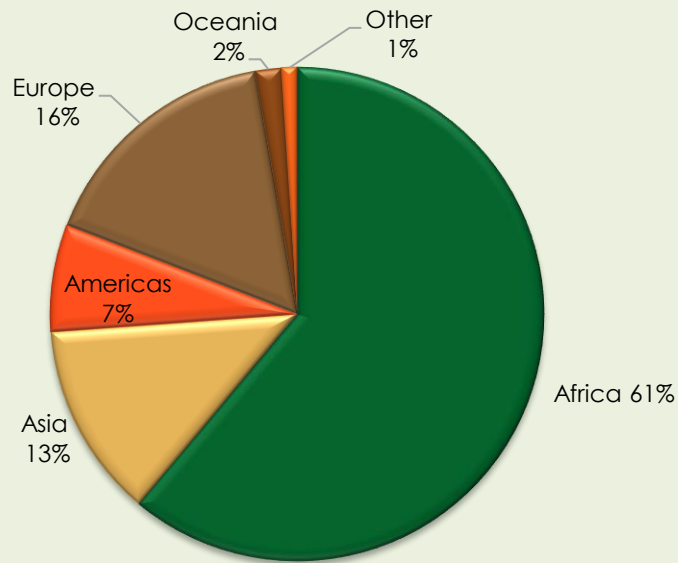
Source: Statistics SA (2021f)

## 2.5 TRADE

### Main food export destinations and products

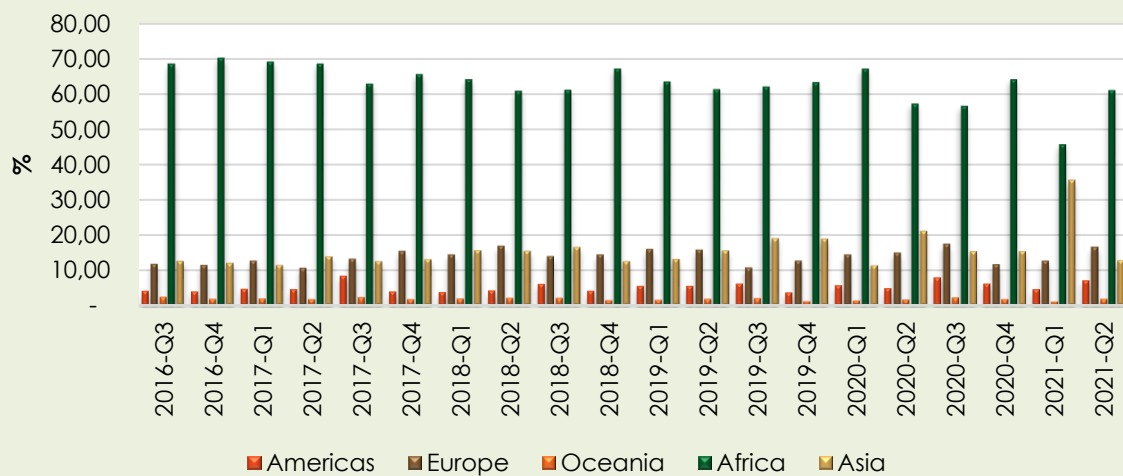
Figure 2.7 & 2.8 show food exports destinations' share of the continents. Africa accounted for the highest share of South African food exports in 2021: Q2. Africa accounted for about 61% of South African food exports, followed by Europe, Asia and Americas with a share of 16%, 13% and 7%, respectively. Oceania's has the least share of approximately 2%.

**Figure 2.7: The food export destinations' share of continents in 2021: Q2**



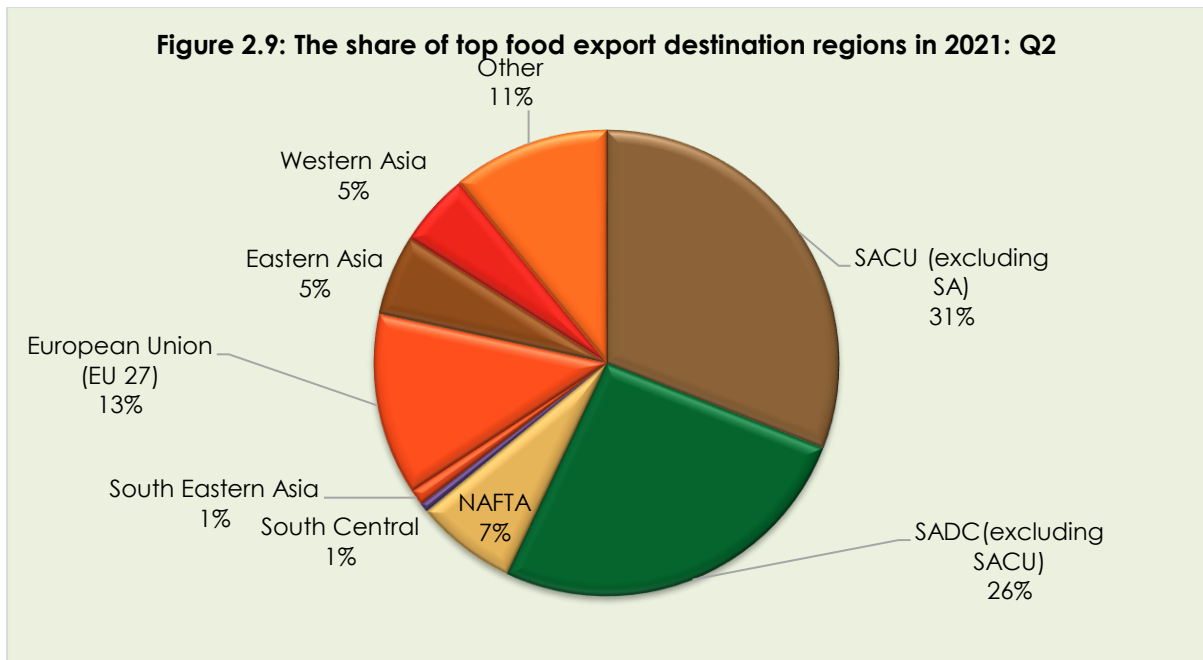
Source: Trade Map (2021)

**Figure 2.8: The food import destination's share of the continents (2016: Q3 – 2021: Q2)**

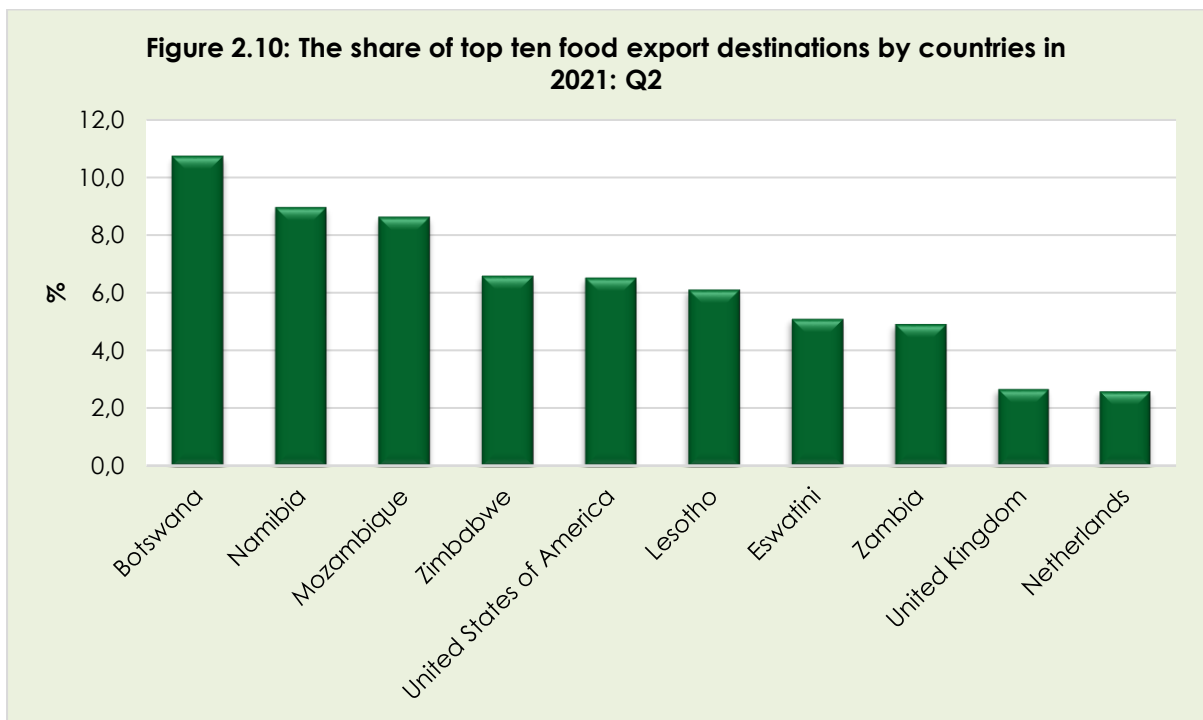


Source: Trade Map (2021)

Figure 2.9 shows the food exports destinations' share of the main regions in 2021: Q2. Among the main regions, SACU (excluding RSA) accounted for the highest share of South African food exports (31%) followed by SADC (excluding SACU) (26%), then the European Union (13%), NAFTA (7%), East Asia (6%) and Western Asia (5%). South-central Asia and South Eastern Asia both accounted for 1% a share of South African food exports in 2021: Q2.



Source: Trade Map (2021)



Source: Trade Map (2021)

Figure 2.10 shows the top ten food exports destinations by countries in 2021: Q2. Botswana, Namibia, Mozambique, Zimbabwe, Lesotho, Eswatini and Zambia accounted for 10,7%, 9,0%, 8,6%, 6,6%, 6,1%, 5,1% and 4,9% share of South African food exports , respectively, in 2021: Q2. The USA, the United Kingdom and the Netherlands accounted for a 6,5%, 2,7% and 2,6% share of South African food exports, respectively, during the period under review.

Table 2.5 presents the major exports of food products during 2021: Q2 and their percentage share. The leading South African exports of food products are food preparation, preparations

for sauces and prepared sauces and cane or beet sugar with an export value of R666,2 million, R586,9 million and R570,8 million respectively, in 2021: Q2.

Table 2.5: Major exported food products 2021: Q2

HS code	Product description	Export value R_million	% share
'210690	Food preparations, n.e.s.	666,2	4,4
'210390	Preparations for sauces and prepared sauces; mixed condiments and seasonings (excluding soya ...	586,9	3,9
'170199	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar ...	570,8	3,8
'382370	Fatty alcohols, industrial	514,0	3,4
'230990	Preparations of a kind used in animal feeding (excluding dog or cat food put up for retail ...	495,8	3,3
'230120	Flours, meals and pellets of fish or crustaceans, molluscs or other aquatic invertebrates, ...	478,1	3,2
'170114	Raw cane sugar, in solid form, not containing added flavouring or colouring matter (excluding ...	477,0	3,2
'110313	Groats and meal of maize "corn"	472,2	3,1
'151219	Sunflower-seed or safflower oil and their fractions, whether or not refined, but not chemically ...	282,4	1,9



'210410	Soups and broths and preparations therefor	273,9	1,8
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Source: Trade Map (2021)

Table 2.6 shows the major imports of food products during 2021: Q2 and their percentage share. The leading imports of food products are palm oil amounting to R 2 230,6 million, semi-milled or wholly milled rice (R1 836,0 million) and mixtures of odoriferous substances and mixtures (R1 554,2 million)

Table 2.6: Major imported food products in 2021: Q2

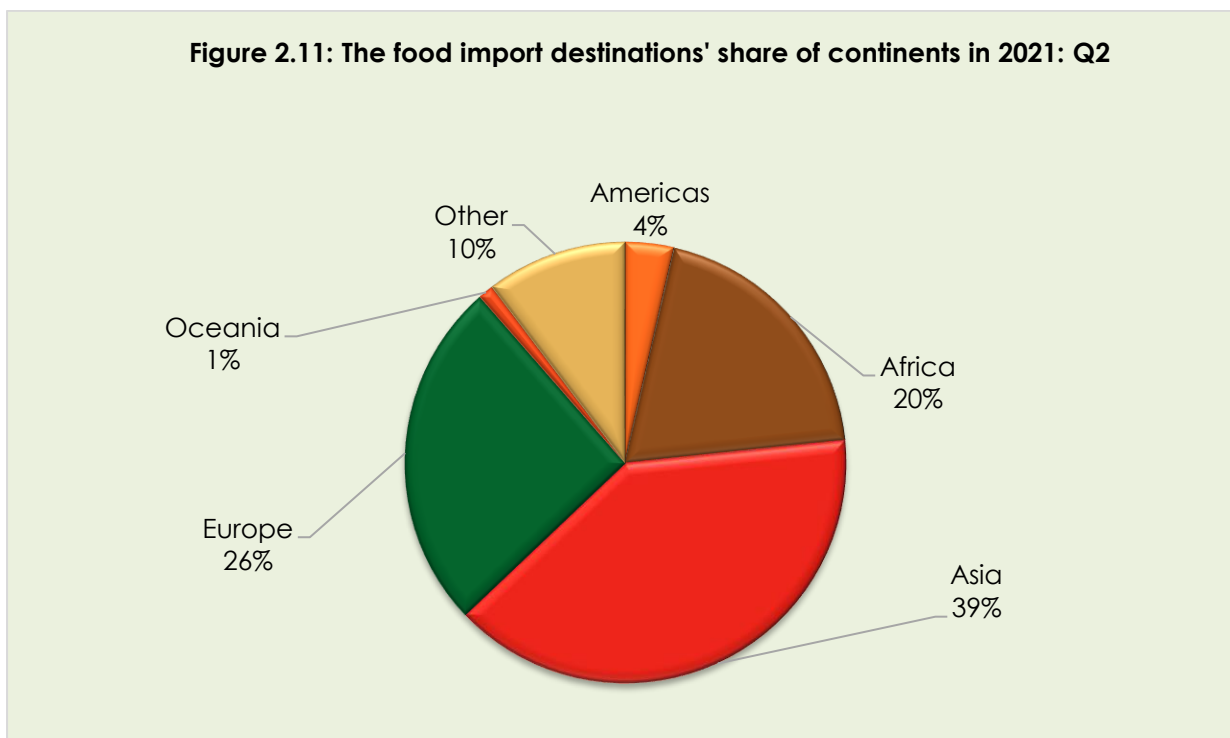
HS code	Product description	Export value R_million	% share
'151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	2 230,6	13,5
'100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1 836,0	11,1
'330210	Mixtures of odoriferous substances and mixtures, including alcoholic solutions, with a basis of ...	1 554,2	9,4
'230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	1 037,4	6,3
'210690	Food preparations, n.e.s.	785,3	4,7
'170113	Raw cane sugar, in solid form, not containing added flavouring or colouring matter, obtained ...	740,8	4,5
'150790	Soyabean oil and its fractions, whether or not refined (excluding chemically modified and ...	452,6	2,7

'330290	Mixtures of odoriferous substances and mixtures, including alcoholic solutions, based on one or ...	411,7	2,5
'230990	Preparations of a kind used in animal feeding (excluding dog or cat food put up for retail ...	349,1	2,1
'200979	Apple juice, unfermented, Brix value > 20 at 20 °C, whether or not containing added sugar or ...	298,6	1,8

Source: Trade Map (2021)

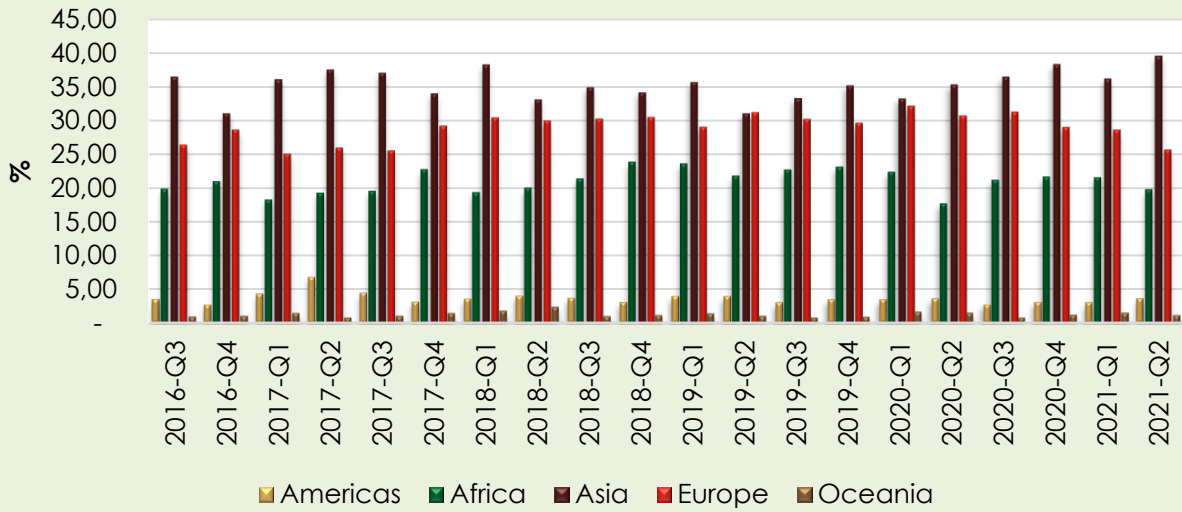
### Main source of imported food products

South Africa's main source of food imports during 2021: Q2 is presented in Figure 2.11. Asia accounted for 39% share of food imports in 2021: Q2, followed by Europe with a share of about 26%, Africa (20%) and the Americas (4%). Oceania accounted for a least of South African food imports at around 1%.



Source: Trade Map (2021)

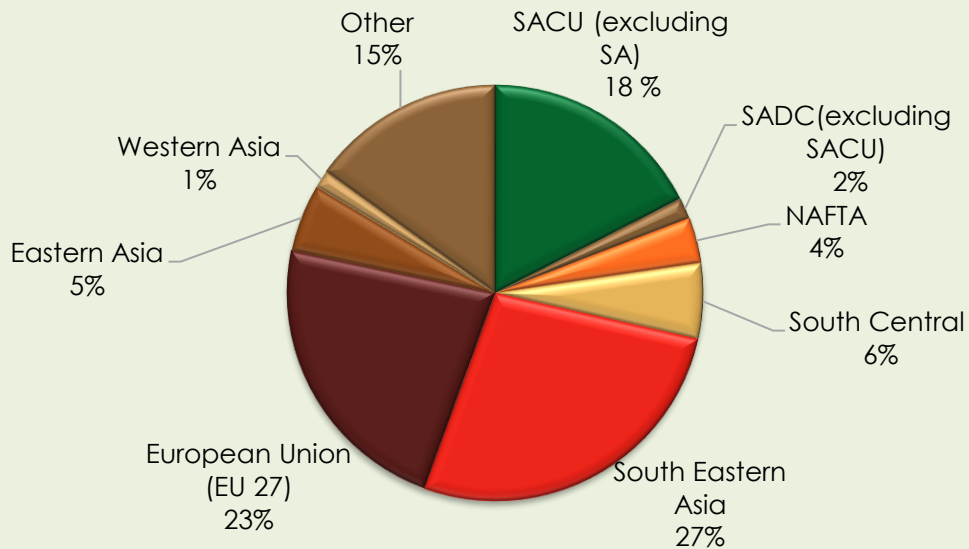
**Figure 2.12: The food import destination's share of the continents (2016: Q3 – 2021: Q2)**



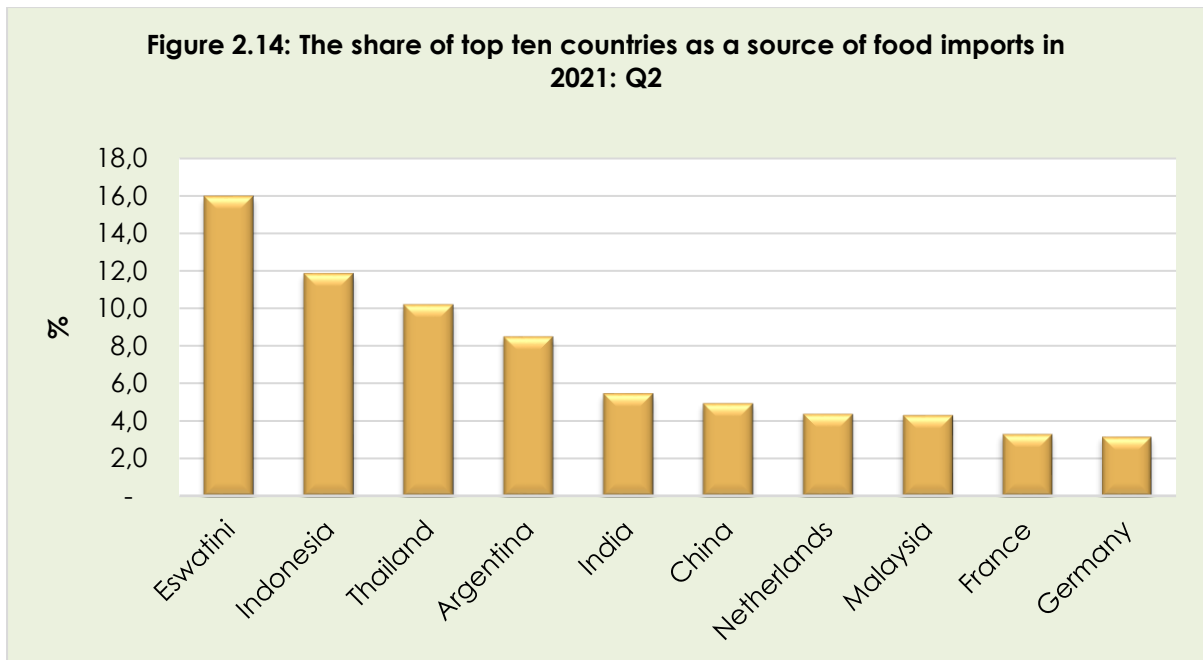
Source: Trade Map (2021)

Amongst the trading regions, South Eastern Asia accounted for an approximately 27% share of South African food imports, followed by the European Union (23%), and SACU (excluding SA) (18%). South Central Asia, East Asia, SADC (excluding SACU) and Western Asia accounted for 6%, 5%, 2% and 1% share of South African food imports, respectively, in 2021: Q2 as presented in Figure 2.13.

**Figure 2.13: The share of continents as a source of food imports by regions (2021: Q2)**

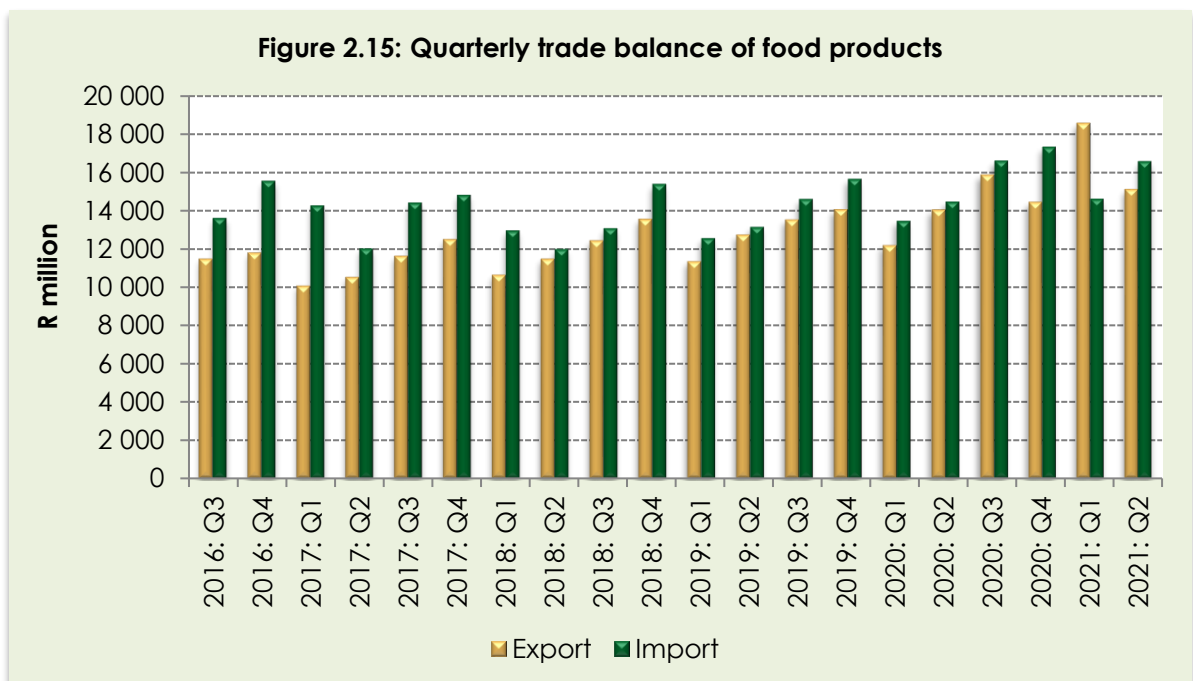


Source: Trade Map (2021)



Source: Trade Map (2021)

Figure 2.14 shows the top ten countries as a source of South African food imports in 2021: Q2. South Africa's imports food products mainly come from Eswatini which has share of about 16,0%, followed by Indonesia (11,9%) and Thailand (10,2%). Argentina, India and China has a share of 8,5%, 5,5% and 5,0%, respectively, in 2021: Q2, as a major source of South African food imports.

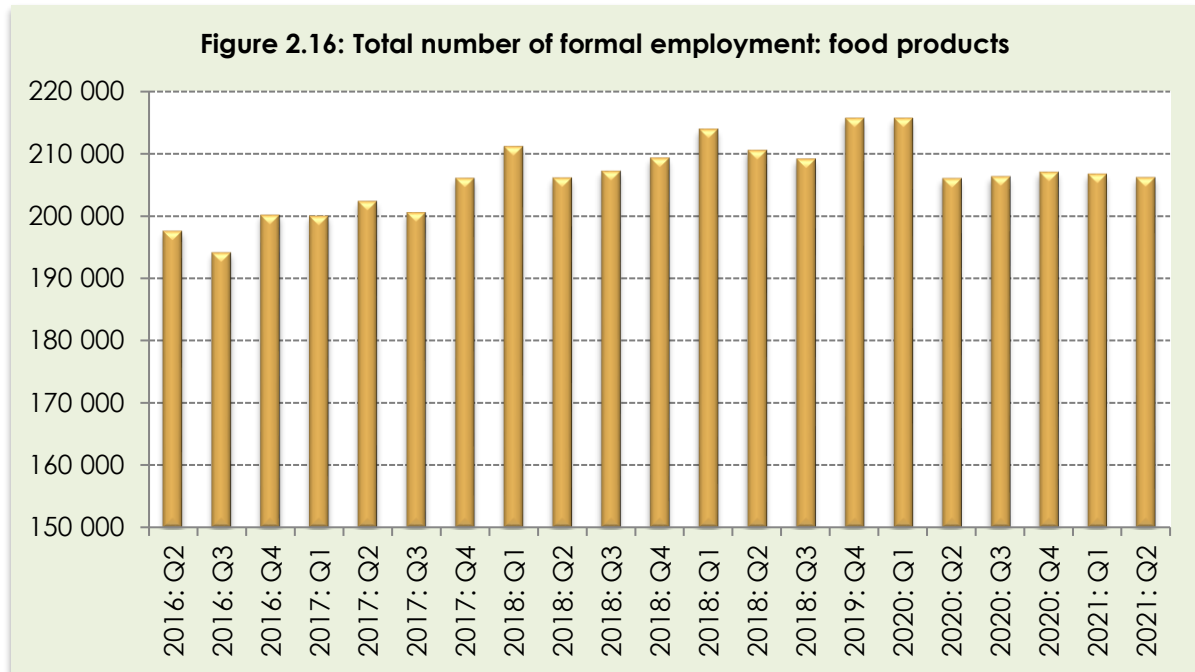


Source: Trade Map (2021)

Figure 2.15 shows the quarterly trade balance of food products in 2021: Q2. During 2021: Q2, the quarter-to-quarter food exports contracted by 18,6% from a 28,5% growth in 2021: Q1. However, it moderated by 7,6% year-on-year. The quarter-to-quarter imports rebounded by

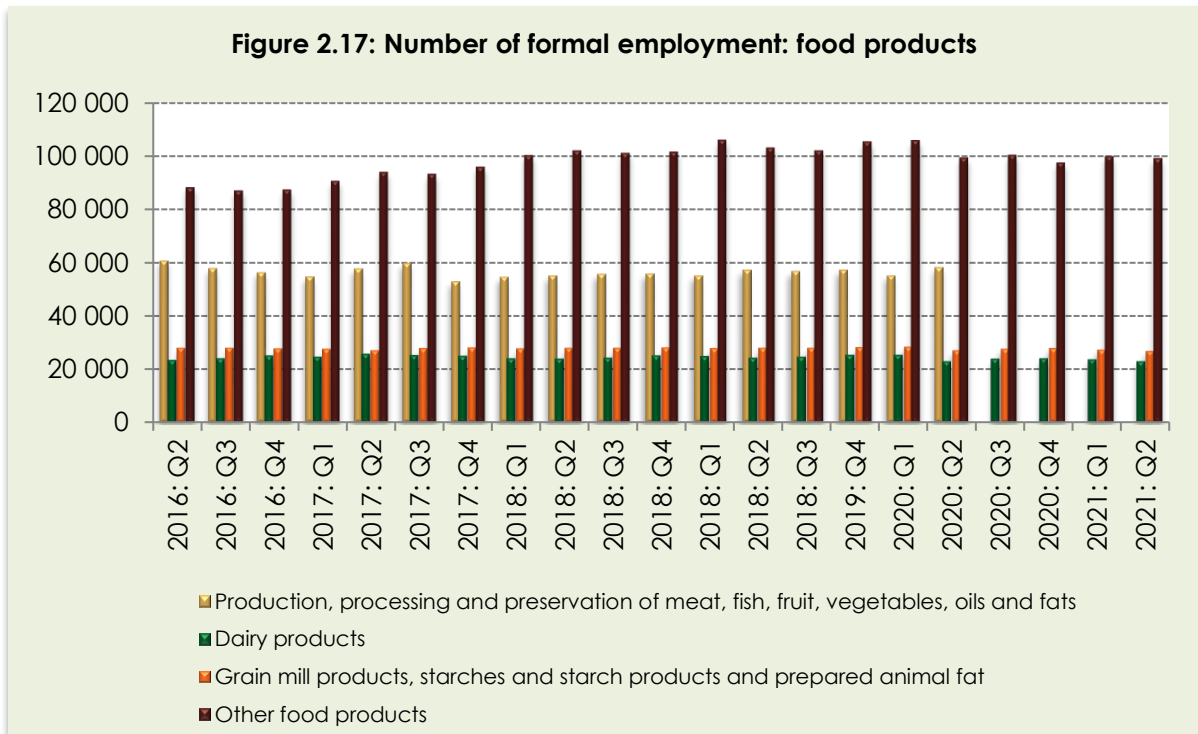
13,5% following a 15,7% contraction in 2021: Q1. However, imports accelerated by 14,6% year-on-year. As a result, the trade deficit was R1 446,2 million in 2021: Q2 from a trade surplus of R3 974,6 million in 2021: Q1.

### 3.6 EMPLOYMENT



Source: Statistics SA (2021g)

Figure 2.16 shows formal employment in the food products division in 2021: Q2. The quarter-to-quarter employment in food products division decelerated by 0,3% in 2021: Q2 as compared to a contraction of 0,2% registered in the previous quarter, however, the employment in food products division rebounded by 0,1% year-on-year.



Source: Statistics SA (2021g)

Figure 2.17 shows the number of formal employment in the food products divisions in 2021: Q2. During 2021: Q2, the quarter-to-quarter and year-on-year employment in meat, fish and fruit and vegetables, etc. employment rebounded by 2,3% and 1,2% from 2,7% and 0,3% contraction in 2021: Q1, respectively. The quarter-to-quarter and year-on-year employment in grain mill products receded further by 1,7% and 0,7% following 2,4% and 3,9% contraction, respectively, in 2020: Q1. The year-on year employment in dairy products and other food products, similarly, receded further by 0,3% and 0,2% in 2021: Q2, from 6,8% and 5,7% contraction in 2020: Q1. However, the quarter-to-quarter employment in dairy products decelerated by 3,0% in 2021: Q2 from 1,8% contraction in 2020: Q1, while in other food products employment, quarter-to-quarter, contracted by 0,7% from 2,4% growth in 2020: Q1.

### 3. BEVERAGES

Beverages, according to the SIC, is code 305 and comprises of the following beverage products:

- Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials
- Manufacture of wine
- Manufacture of beer and other malt liquors and malt
- Breweries, except sorghum beer breweries
- Sorghum beer breweries
- Manufacture of malt
- Manufacture of soft drinks; production of mineral waters.

### 3.1 PRICE

Table 3.1 below shows the consumer price indices, producer price indices and export unit value of beverages division in 2021: Q2. During 2021: Q2, the consumer price index for all items increased to 1,5% from 1,1% recorded in 2021: Q1. Similarly, the consumer price index for all items increased to 4,9% year-on-year. Beverages items that recorded an increase in consumer price during the quarter under review were alcoholic beverages (1,3%), spirits (2,2%) and wine (1,7%). However, the consumer price index for cold beverages and beer moderated to 0,3% and 0,8%, respectively. Conversely, the consumer price index for hot beverages recorded a contraction of about 0,3% in 2021: Q2.

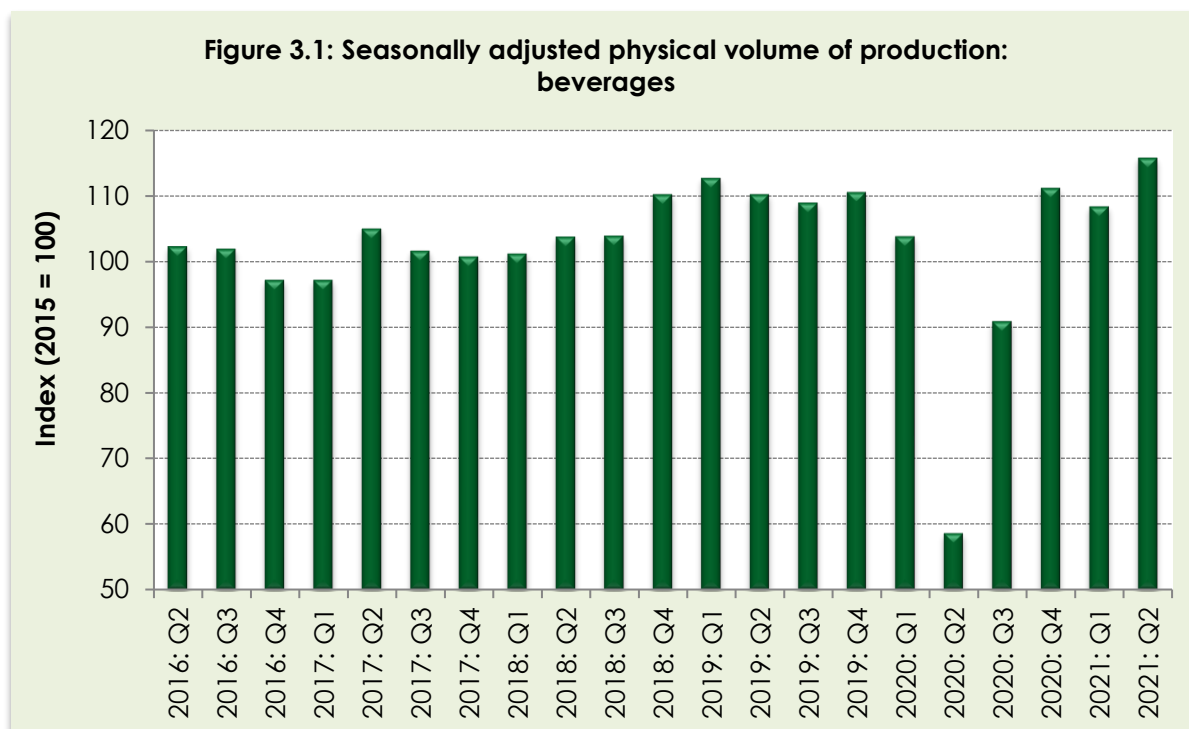
In terms of year-on-year, the consumer price index increased for cold beverages (3,8%), alcoholic beverages (4,7%), spirits (4,5%), wine (6,5%) and beer (3,6%). However, for non-alcoholic beverages the consumer price index stagnated at 4%, while for hot beverages it moderated to 4,4%. The year-on-year and quarter-to-quarter producer price index for beverages increased to 2,2% and 1,2%, respectively, while the export unit value for beverages receded further by 2,2% quarter-to-quarter and decelerated by 10,3% year-on-year.

Table 3.1: Price indices of beverages

Beverages products	Weight	Indices			% change between	
		2020: Q2	2021: Q1	2021: Q2	2021: Q1 and 2021: Q2	2020: Q2 and 2021: Q2
		Consumer price indices				
All items (CPI Headline)	100	114.4	118.2	120.0	1.5	4.9
Alcoholic beverages	3,9	117.1	121.1	122.7	1.3	4.7
Spirits	0,8	118.1	121.9	124.6	2.2	5.5
Wine	0,7	124.0	129.8	132.0	1.7	6.5
Beer	2,5	113.5	116.7	117.6	0.8	3.6
Non-alcoholic beverages	1,2	119.3	123.9	124.1	0.1	4.0
Hot beverages	0,3	117.9	123.5	123.1	-0.3	4.4
Cold beverages	0,9	120.1	124.2	124.6	0.3	3.8
		Producer price index				
Beverages	8,5	99.6	100.6	101.8	1.2	2.2
		Export unit value				
Beverages	135,2	109.7	100.7	98.5	-2.2	-10.3

Source: Stats SA (2021a, 2021b, 2021c)

## 3.2 PRODUCTION



Source: Statistics SA (2021d)

Figure 3.1 presents the seasonally adjusted physical volume of production for the beverages division in 2021: Q2. During 2021: Q2, the quarter-to-quarter seasonally adjusted physical volume of production for beverages division rebounded by 6,8% from 2,5% contraction in 2021: Q1. However, year-on-year, the seasonally adjusted physical volume of production for the beverages division the accelerated by 97,6% year-on-year.

### Production capacity

Table 3.2: Utilisation and reasons for underutilisation of production capacity by large enterprises: Beverages division (percentage)

Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
				Skilled	Semi-and unskilled		
2020: Q2	35.3	64.7	5.5	3.8	0.5	27.6	27.3
2021: Q1	75.4	24.6	1.1	0.7	0.2	17.1	5.6

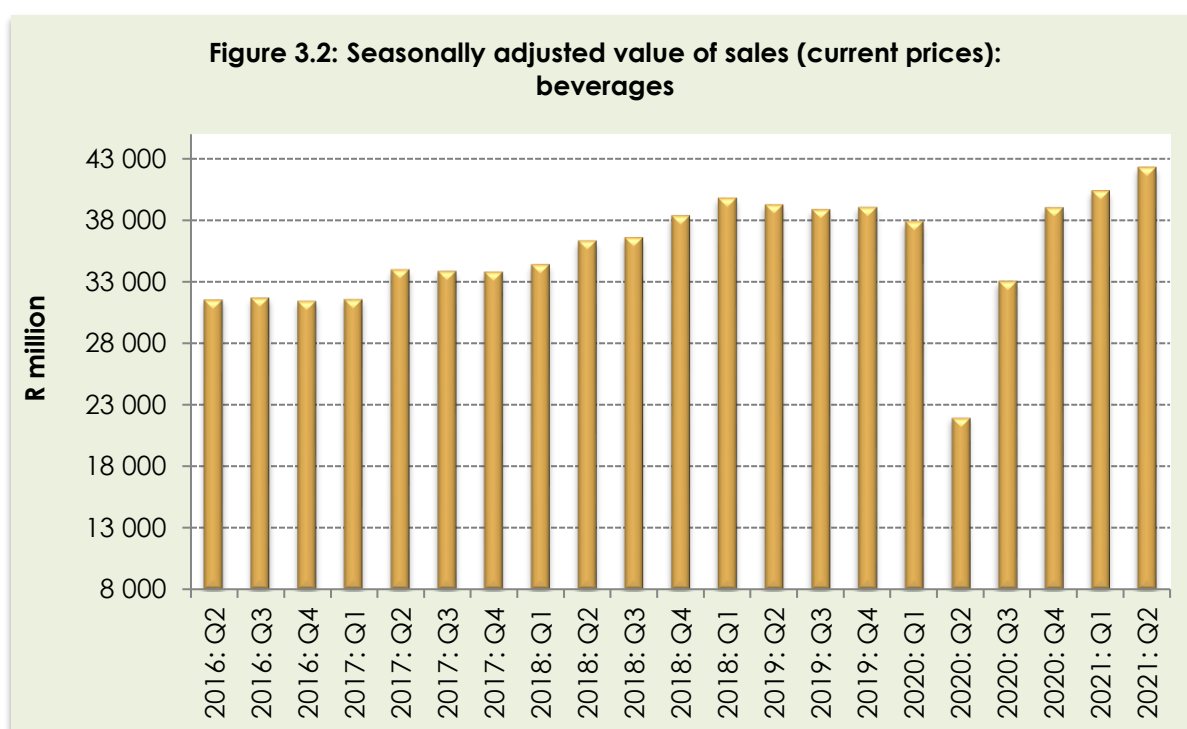


2021: Q2	82.1	17.9	4.0	0.7	0.2	11.0	2.0
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Source: Statistics SA 2021e)

Table 3.2 shows the utilisation capacity by large enterprises for the beverages division. The utilisation capacity increased the quarter to quarter and year-on-year by 6,7 percentage points and 46,8 percentage points, respectively, in 2021: Q2. Insufficient demand remained the main reason for underutilisation during the period under review, followed by other reasons such as seasonal factors.

### 3.3 VALUE OF SALES

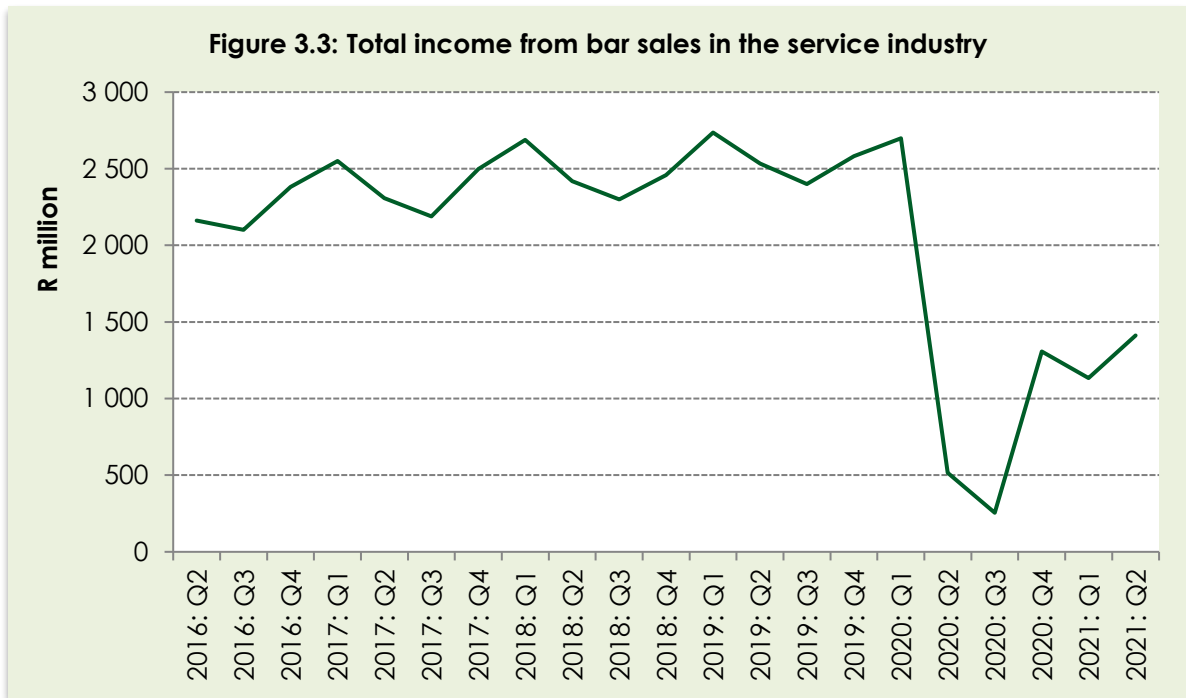


Source: Statistics SA (2021d)

During 2021: Q2, the quarter-to-quarter seasonally adjusted value of sales for the beverages division increased by 4,7% from 3,5% growth recorded in 2021: Q1. However, the year-on-year, the seasonally adjusted value of sales for beverages accelerated by 92,3% as shown in Figure 3.2.

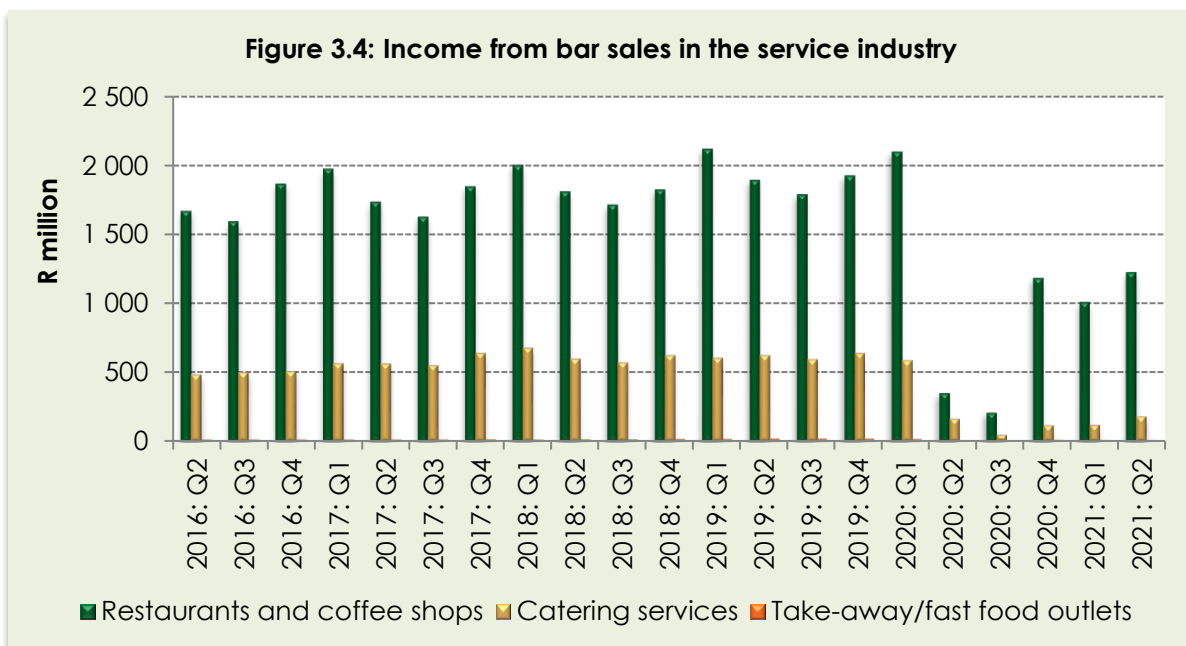
### 3.4 INCOME FROM BAR SALES IN THE SERVICE INDUSTRY

Figure 3.3 below shows the income from bar sales in the food and beverages service industry in 2021: Q2. The income from bar sales in the food and beverages service industry rebounded by 24,4% in 2021: Q2 as compared to a 13,3% growth in the previous quarter. Similarly, year-on-year, income from bar sales rebounded by 173,9% in 2021: Q2 following a contraction of about 58,0% in 2021: Q1. Therefore, the income from bar sales increased to R1 411,3 million in 2021: Q2 from R1 134,1 million in 2021: Q1.



Source: Statistics SA (2021f)

Figure 3.4 below shows the performance of the bar sales in the service industry, which include restaurants and coffee shops, take-away/fast food outlets and catering services. During 2021: Q2, the quarter-to-quarter and year-on-year income from restaurants and coffee shops rebounded by 21,3% and 251,2% from a 14,7% and 51,9% contraction in 2021: Q2, respectively. Similarly, quarter-to-quarter and year-on-year, income from take away/fast food outlets rebounded by 18,8% and 58,3% in 2021: Q2 from 38,5% and 68,0% contraction in 2021: Q2, respectively. Income from catering services accelerated by 51,4% quarter-to-quarter from 2,5% growth in the last quarter, however, it rebounded by 10,6% year-on-year.



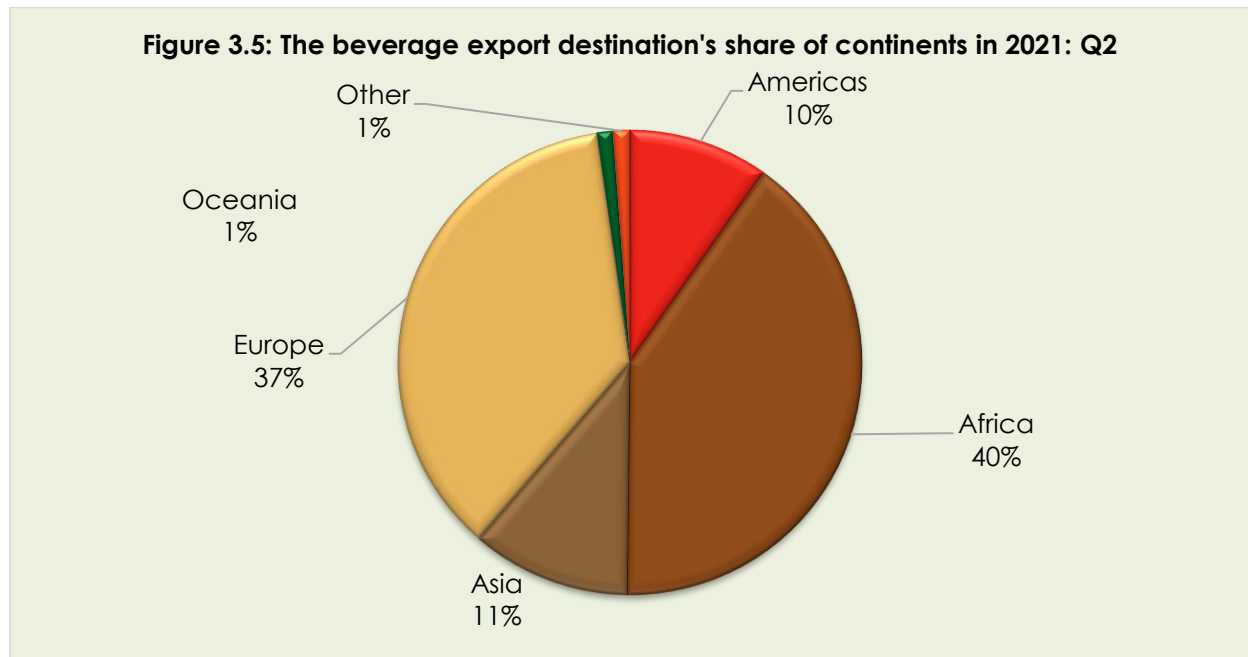
Source: Statistics SA (2021f)

### 3.5 TRADE

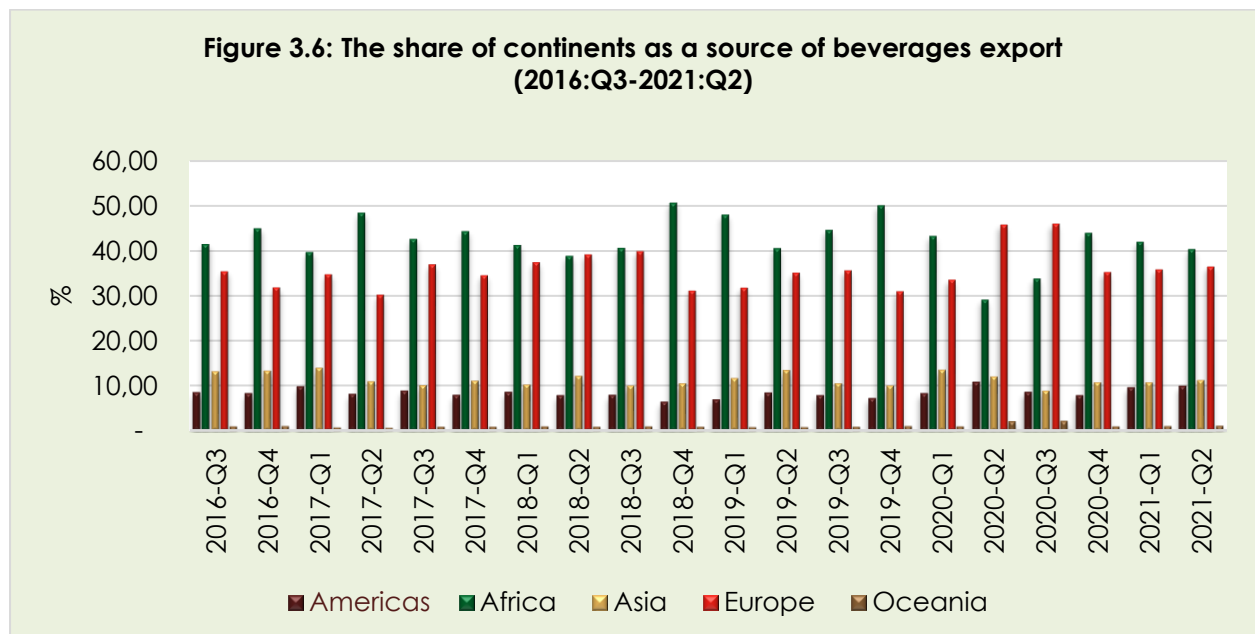
#### Main export destinations of beverages products

As Figure 3.5 shows, during the quarter under review, Africa has the largest share of South African exports of beverages. Africa accounted for 40%, followed by Europe (37%). Asia and the Americas accounted for 11% and 10%, respectively. Oceania has the least share of South African beverages exports at 1%. The trend of exports destination's share shows that Africa has the larger share, followed by Europe, Asia, Americas and Oceania as presented in Figure 3.6.

Source: Trade Map (2021)

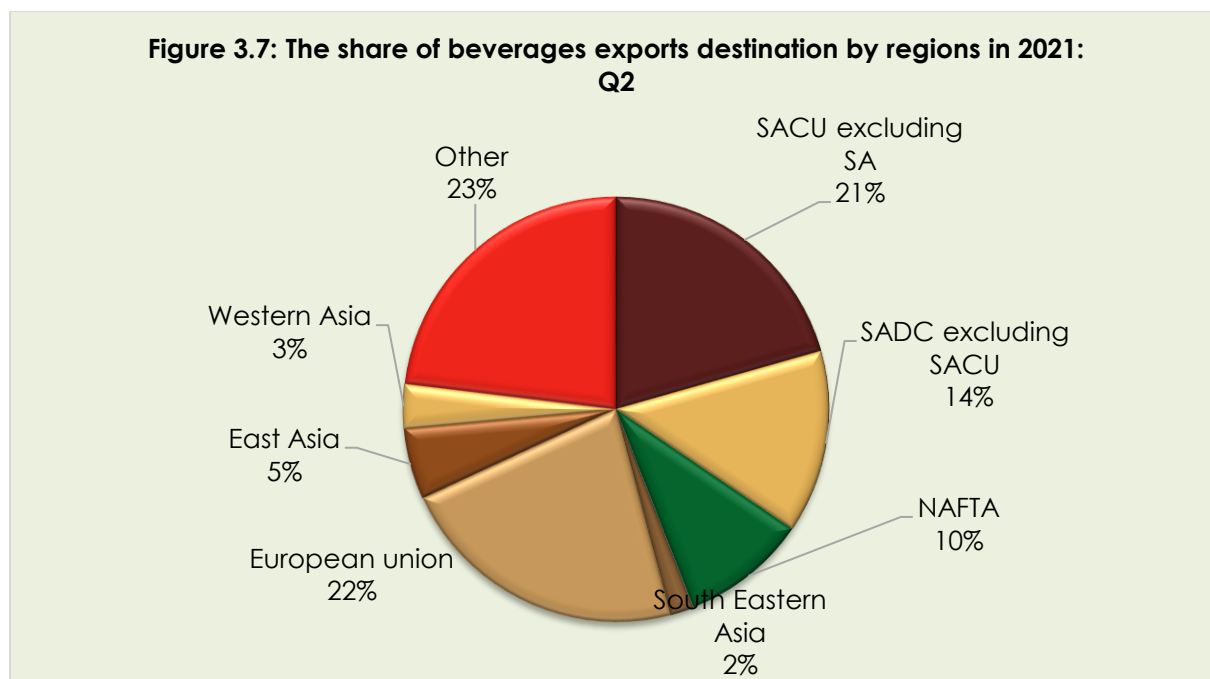


Source: Trade Map (2021)



Source: Trade Map (2021)

Among the main trading regions during 2021: Q2, the European Union and SACU (excluding SA) accounted for the largest share of beverage exports during 2021: Q2 at 22% and 21%, respectively. Moreover, SADC (excluding SACU) accounts for 14% of South African exports of beverages, while NAFTA comprises of about 10%. East Asia and Western Asia and South Eastern Asia account for a respective share of 5%, 3% and 2% in 2021: Q2 as illustrated in Figure 3.7.



Source: trade maps (2021)

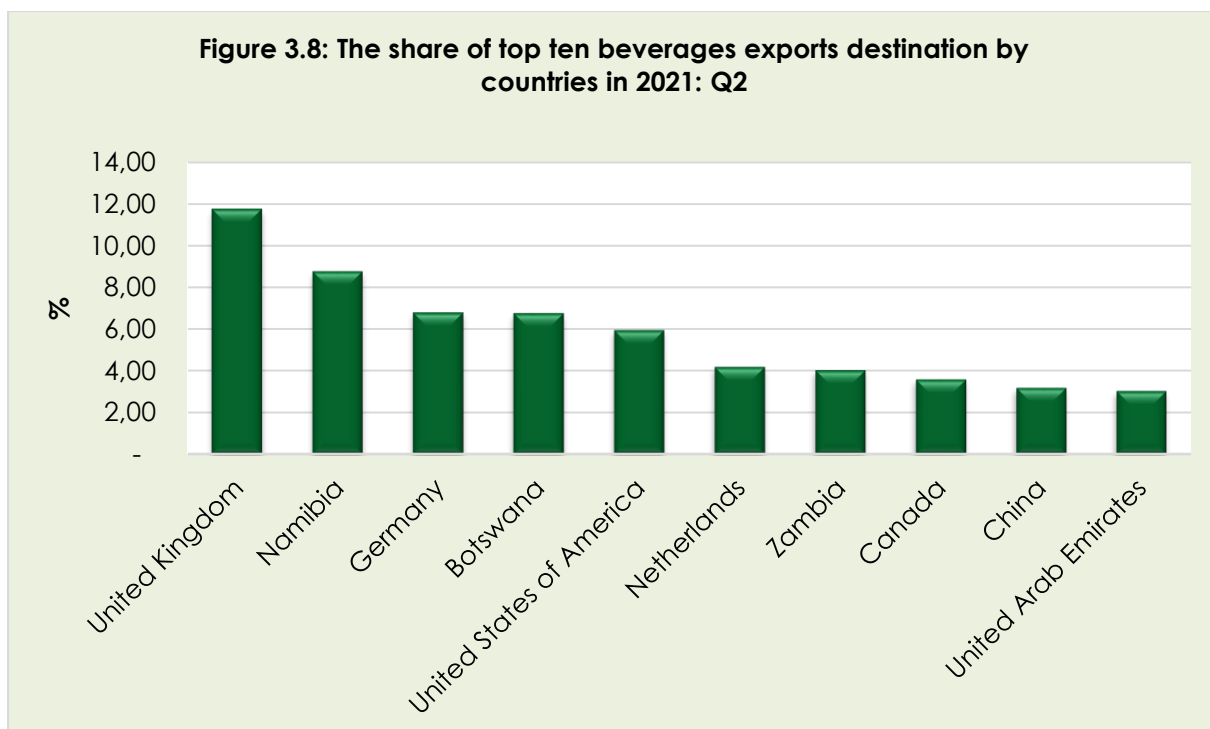
Table 3.3 below presents the major exported beverages products during 2021: Q2 and their percentage share in the beverages category. The leading South African beverages export is wine with an export value of R 2 019,8 million , which accounts for approximately 37.5% of South Africa's total beverages exports.

Table 3.3: Major exported beverages products in 2021: Q2 and their percentage share.

HS code	Product description	Export value R_million	% share
'220421	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested ...	2 019,8	37,5
'220429	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested ...	712,7	13,2

'220210	Waters, incl. mineral and aerated, with added sugar, sweetener or flavour, for direct consumption ...	453,5	8,4
'220710	Undenatured ethyl alcohol, of actual alcoholic strength of $\geq 80\%$	345,2	6,4
'220600	Cider, perry, mead and other fermented beverages and mixtures of fermented beverages and non-alcoholic ...	323,8	6,0
'220300	Beer made from malt	318,2	5,9
'220422	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested ...	201,8	3,7
'220720	Denatured ethyl alcohol and other spirits of any strength	177,2	3,3
'220870	Liqueurs and cordials	153,3	2,8
'220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	147,5	2,7

Source: Trade Map (2021)



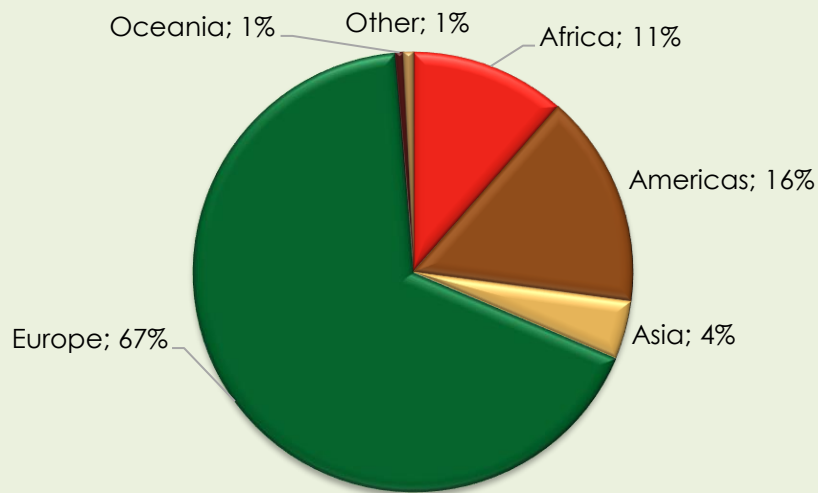
Source: Trade Map (2021)

Figure 3.8 above shows the shares of the top ten beverages exports destinations during 2021: Q2. The following are the main countries that accounted for a huge share of South Africa's beverages exports in 2021: Q2: the United Kingdom (11,72%), Namibia (8,75%), Germany (6,78%), Botswana (6,74%), the United States (5,93%), Netherlands (4,17%), Zambia (4,02%), Canada (3,58%), China (3,18%) and the United Arab Emirates (3,02%).

### **Main imported beverages products and the source**

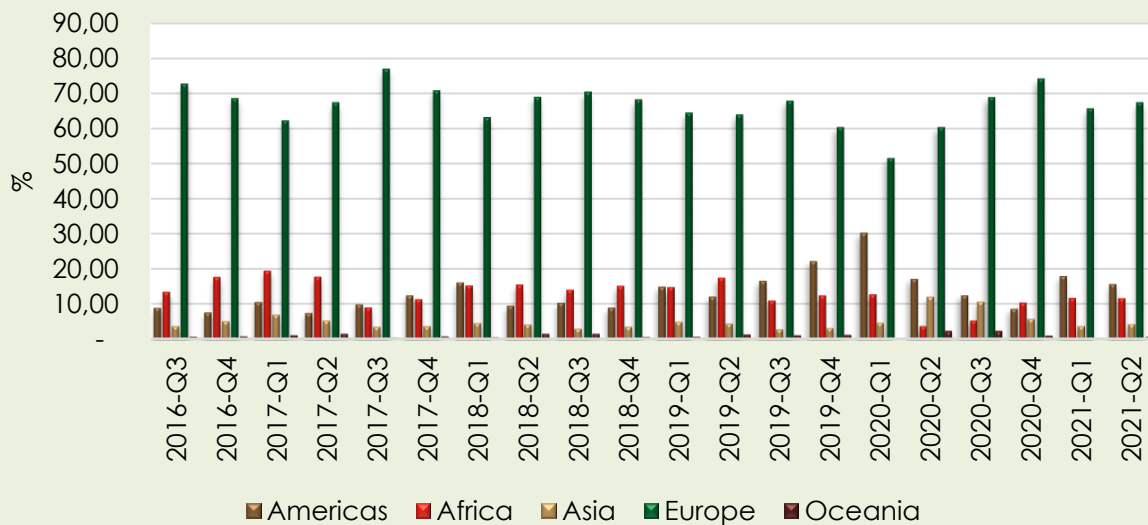
Figure 3.9 illustrates the share of continents as a source of beverages imports in 2021: Q2. South Africa mainly imports beverages products from Europe, which accounts for approximately 67% share, followed by the Americas (16%), Africa (11%), Asia (4%) and Oceania (1%). Figure 3.10 shows that Europe has been a consistent source of South African beverages imports followed by the Americas, Africa, Asia and Oceania.

**Figure 3.9: The share of continents as a source of beverages import (2021: Q2)**



Source: Trade Map (2021)

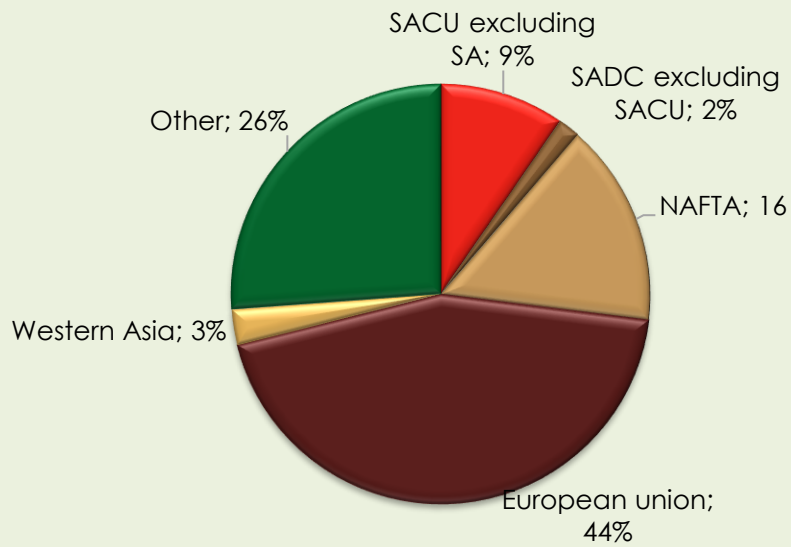
**Figure 3.10: The share of continents as a source of beverages import (2016:Q3-2021:Q2)**



Source: Trade Map (2021)

The European Union, as the leading source of South Africa's imports of beverages, accounts for about 44% share in 2021: Q2. This is followed by NAFTA with a share of around 16%, while SACU (excluding SA), Western Asia and SADC (excluding SACU) account for 10%, 3% and 2% share, respectively, as illustrated in Figure 3.11.

**Figure 3.11: The share of continents as a source of beverages imports by regions (2021: Q2)**



Source: Trade Map (2021)

Table 3.5 below presents major imported beverages products during 2021: Q2 and the percentage share in the beverages division category. During 2021:Q2, the major beverages imports in South Africa are whiskies at around R532,2 million, followed by beer at R442,5 million and spirits amounting to approximately R361.5 million.

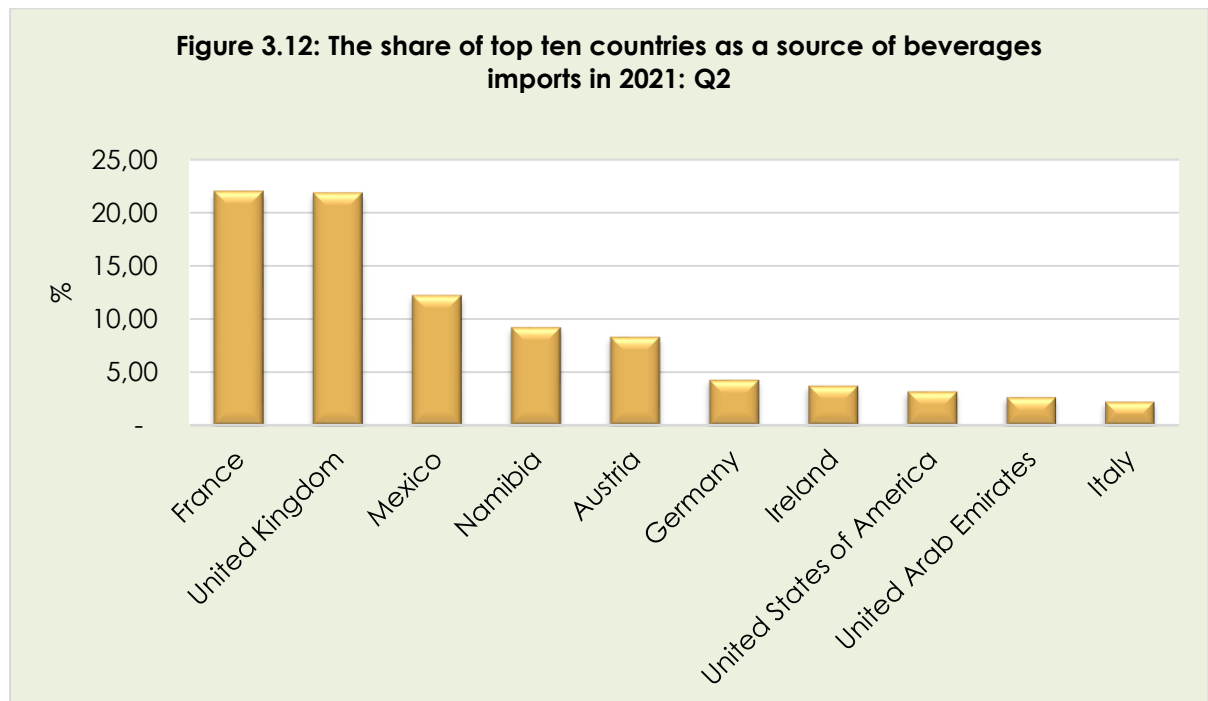
**Table 3.5: Imported beverages in 2021: Q2 and percentage share**

HS code	Product description	Export value R_million	% share
'220830	Whiskies	532,2	24,5
'220300	Beer made from malt	442,5	20,4
'220820	Spirits obtained by distilling grape wine or grape marc	361,5	16,7
'220210	Waters, incl. mineral and aerated, with added sugar, sweetener or flavour, for direct consumption ...	339,1	15,6



'220870	Liqueurs and cordials	97,2	4,5
'220410	Sparkling wine of fresh grapes	94,7	4,4
'220850	Gin and Geneva	61,4	2,8
'220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	44,6	2,1
'220890	Ethyl alcohol of an alcoholic strength of < 80% vol, not denatured; spirits and other spirituous ...	40,3	1,9
'220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	36,9	1,7

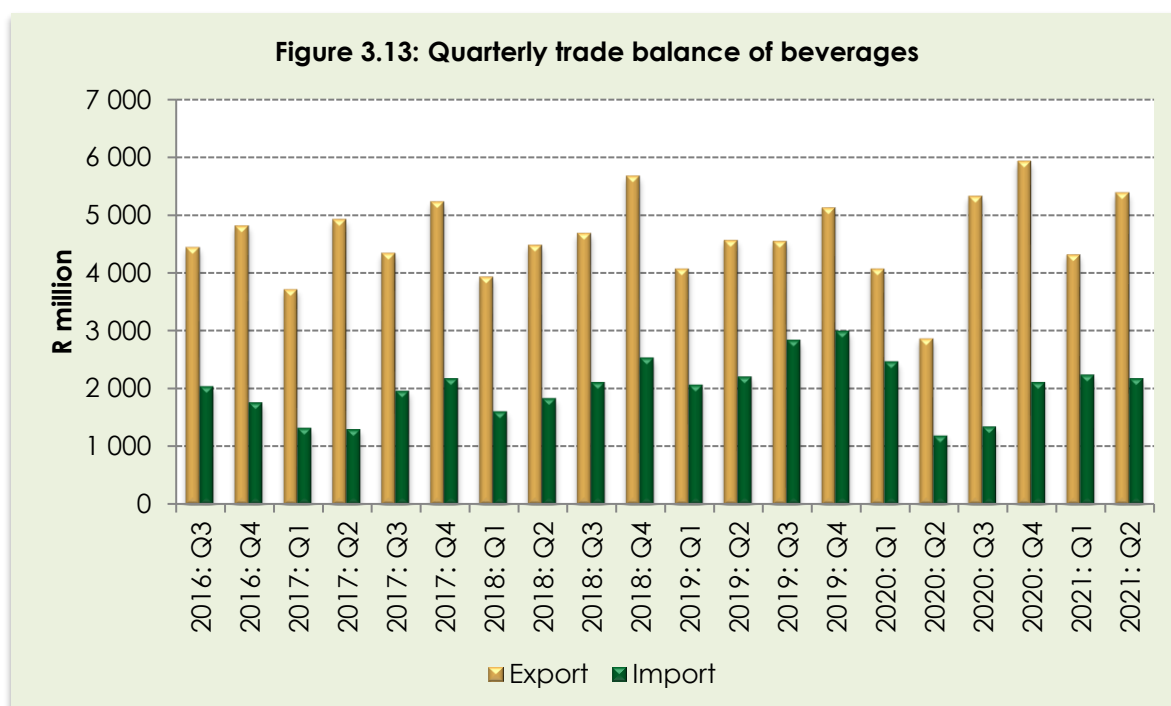
Source: Trade Map (2021)



Source: Trade Map (2021)

Figure 3.12 above shows the share of the top ten countries as a source of beverages imports. During 2021: Q2, France(22,0%) accounted a highest share of South Africa's beverages imports, followed by the United Kingdom (21,8%), Mexico (12,2%), Namibia (9,2%), Austria

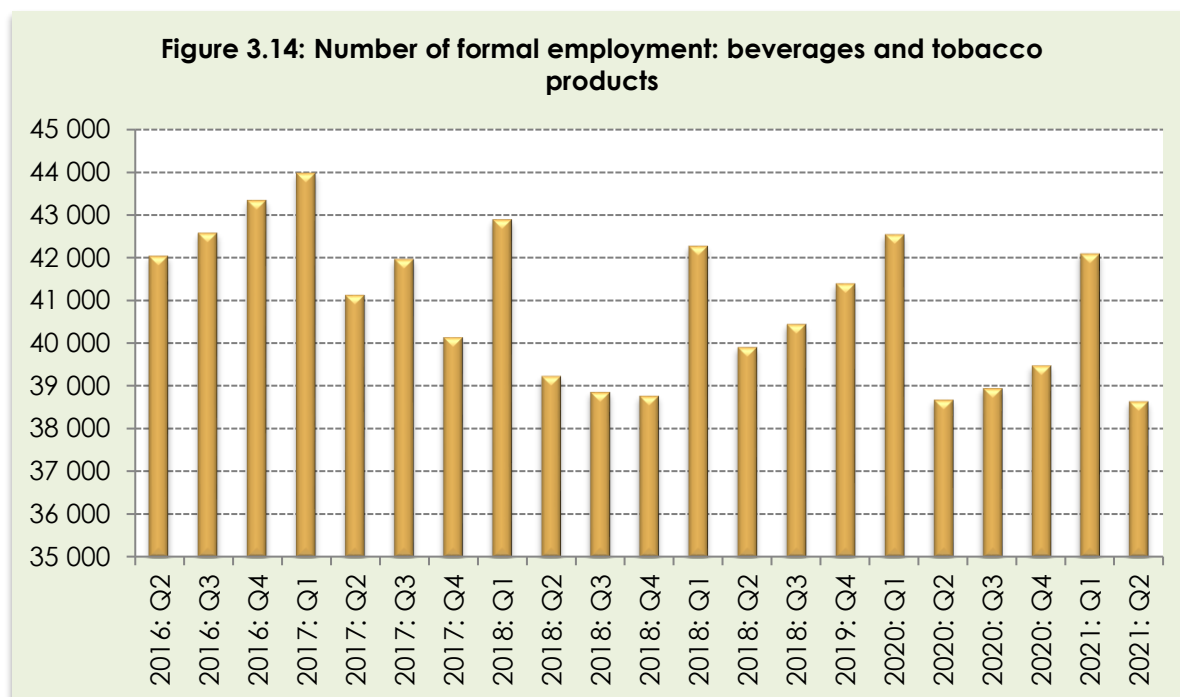
(8,3%), Germany (4,2%), Ireland (3,7%), the United States (3,18%), the United Arab Emirates (2,6%) and Italy (2,2%).



Source: Trade Map (2021)

During 2021: Q2, quarter-to-quarter, South African beverages exports rebounded by 24,8% following a contraction of about 27,2% in 2021: Q1. However, year-on-year, South African beverages exports accelerated by around 87,8% in 2021: Q2 following a growth of about 6,1% in 2021: Q1. Conversely, South Africa's imports of beverages products, quarter-to-quarter, contracted by 2,9% in 2021: Q2 following a growth of about 6,2% in 2021: Q1. However, year-on-year, South African beverages imports rebounded by 83,1% in 2021: Q2 after shrinking by 9,1% in 2021: Q1. As a result, South Africa's positive trade balance in beverages widened from R2 085,5 million in 2021: Q1 to R3 219,8 million in 2021: Q2.

### 3.6 EMPLOYMENT



Source: Statistics SA (2021g)

Figure 3.14 shows the formal employment in the beverages and tobacco products divisions. The quarter-to-quarter formal employment in the beverages division contracted by 8,2% in 2021: Q2 from a 6,6% growth in 2021: Q1. However, the division receded further by 0,1% year-on-year.

## 4. CONCLUSION

The real economic activity in South Africa, during 2021: Q2, expanded for a fourth consecutive quarter. This resulted in real gross domestic product (GDP) increasing slightly from a 1,0% in 2021: Q1 to 1,2% in 2021: Q2. In regard to the agricultural sector and manufacturing, the former realised an increased in real gross value added (GVA), while the latter saw a decline in GVA in 2021: Q2. In regard to prices, the consumer price index for all items increased to 1,5% quarter-to-quarter, while it moderated to 3,1% year-on-year during 2021: Q2. Likewise, in 2021: Q2, the producer price index for final manufactured goods increased to 2,3% quarter-to-quarter and to 7,3% year-on-year.

The utilisation of production capacity by large enterprises in food products and beverages divisions increased quarter-to-quarter by 12,4 and 6,7 percentage points respectively. This resulted in an increase in volume of production for food and beverages divisions in 2021: Q2. Sales in the food and beverages divisions increased quarter-to-quarter and accelerated in growth year-on-year. However, the employment in both divisions, food products and beverages, contracted in 2021: Q2. The quarter-to-quarter employment in food products division decelerated by 0,3% in 2021: Q2, while in beverages division, employment contracted by 8,2% in 2021: Q2.

Trade in food and beverages divisions showed mixed results. The quarter-to-quarter exports of food products contracted by about 18,6% during 2021: Q2, however, imports of food products

rebounded by 18,6% in 2021: Q2. This resulted in a trade deficit of about R1 446,2 million in 2021: Q2 from a trade surplus of R3 974,6 million in 2021: Q1. Africa is the leading destination of South African exports of food products accounting for about 61% share, followed by Europe, Asia and Americas with a share of 16%, 13% and 7%, respectively. Different to exports of food products, Asia accounted for 39% share of food imports in 2021: Q2, followed by Europe with a share of about 26%, Africa (20%) and Americas (4%).

South African beverages exports rebounded by 24,8% in 2021: Q1. Conversely, South Africa's imports of beverages products, quarter-to-quarter, contracted by 2,9% in 2021: Q2. As a result, South Africa's positive trade balance in beverages widened from R2 085,5 million in 2021: Q1 to R3 219,8 million in 2021: Q2. About 61% of South African beverages exports are destined to Africa. Europe, Asia and the Americas have a respective share of about 16%, 13% and 7% of South African beverages exports in 2021: Q2.

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**NOTES:**

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