

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

April to June 2022

Volume 9 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) identified 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 the Food and Beverages Industry in South Africa: April to June*”, evaluates the performance of the food and beverages divisions during the second quarter of 2022. The main economic indicators reviewed are the changes in prices, production volume, value of sales, capacity utilisation by large enterprises, formal employment, and trade balance.

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

Dr Mahlogedi LV Thindisa
Director: Agro-processing Support
Pretoria

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

TABLE OF CONTENTS

PREFACE.....	i
EXECUTIVE SUMMARY	iii
1. INTRODUCTION.....	1
2. FOOD PRODUCTS.....	1
2.1 PRICE	1
2.2 PRODUCTION.....	4
2.3 VALUE OF SALES	6
2.4 INCOME FROM FOOD SALES IN THE SERVICE INDUSTRY.....	8
2.5 TRADE	9
2.6 EMPLOYMENT.....	17
3. BEVERAGES	18
3.1 PRICE	19
3.2 PRODUCTION.....	20
3.3 VALUE OF SALES	21
3.4 INCOME FROM BAR SALES IN THE SERVICE INDUSTRY	21
3.5 TRADE	23
3.6 EMPLOYMENT.....	30
4. CONCLUSION	31

Compiled by Directorate: Agro-processing Support
Department of Agriculture, Land Reform and Rural Development
Sefala Building
503 Belvedere Street, Arcadia, South Africa

All correspondence can be addressed to:
Director: Agro-processing Support
Private Bag X416, Pretoria 0001, South Africa
Tel.: +27 (12) 319 8457
Fax: +27 (12) 319 8093
E-mail: VictorTH@dalrrd.gov.za

This publication is also available on the internet at: <http://www.dalrrd.gov.za>

EXECUTIVE SUMMARY

Real economic activity in South Africa contracted by 0,7% in 2022: Q2 following two successive quarters of expansion. The real output of the primary sector contracted by a further 5,1% in 2022: Q2 along with lower production in both the agricultural and mining sectors. The decrease in output in the agricultural sector emanated mainly from lower production of animal products following the foot-and-mouth disease outbreak and the sharp increase in input costs (Reserve Bank, 2022).

Real economic activity in the secondary sector contracted by 4,8% in 2022: Q2. Following two quarters of expansion, the real gross value added (GVA) by the manufacturing sector contracted sharply by 5,9% in the second quarter. Despite the contraction, the volume of production for the food and beverages division receded further by 0,4% from a 14,0% contraction recorded in the last quarter. However, the division contracted by 3,6% year-on-year. The quarter-to-quarter value of sales in the food and beverages divisions, on the other hand, moderated by 2,6% in 2022: Q2 from a 4,8% growth in 2022: Q1, similarly, sales moderated by 9,1% year-on-year.

The quarter-to-quarter food and beverages exports rebounded by 19,6% following a 19,2% contraction in the last quarter, however, it grew by 18,0% year-on-year. The quarter-to-quarter imports, on the other hand, decelerated by 2,5% following a 0,9% contraction in the preceding quarter, however, it moderated by 11,5% year-on-year. As a result, the trade balance was a surplus of R1 955,7 million in the current quarter from a trade deficit of R2 155,6 million in the preceding quarter.

In terms of food exports destinations by continents, Asia (31%) accounted for a higher share, followed by Europe (28%), Africa (24%) and the Americas (10%). Similarly, as a source of food imports, Asia (53%) is a main source, followed by Europe (26%), Americas (10%), Africa (8%) and Oceania (2%). Africa (41%) accounted for a large share of beverages exports, followed by Europe (36%), Asia (14%), Americas (8%) and Oceania (1%). Differently, Europe (74%) is a major source of beverages imports, followed by Africa (14%), Americas (8%), Oceania and Asia (1%).

The formal employment in the food division contracted by 2,4% in 2022: Q2 following a 1,2% growth in the last quarter, representing a loss of 5 425 jobs. Similarly, formal employment in beverages and tobacco division contracted by 9,5% in 2022: Q2 from an 8,7% growth in the last quarter, shedding 4 346 jobs in the current period of review.

1. INTRODUCTION

In 2022: Q2, real economic activity contracted by 0,7% in the second quarter of 2022. The output of the agricultural sector was weighed down by the sharp rising input costs, the ongoing Russia and Ukraine war as well as the outbreak of foot-and-mouth disease, which prohibited the movement of animals. Consequently, the level of real agricultural output in the first half of 2022 was 13,3% lower than in the corresponding period of 2021 (Reserve Bank, 2021).

This Quarterly Review provides analysis of the South African food and beverages Industry. It mainly looks at the following variables: consumer and producer price index, the utilisation capacity, volume of production, value of sales, employment and trade patterns. Moreover, the wholesale and retail trade sales of food, beverages and tobacco and income from bar sales are also analysed. This review is organised as follows: the first section provides the analysis of the food division; the second section analyses the beverages industry, and lastly, is the conclusion.

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)¹

The quarter-to-quarter consumer price index for all items grew by 2,3% in 2022: Q2, following a growth of 1,5% in the previous quarter. Some of the items that grew quarter-to-quarter were food and non-alcoholic beverages (4,6%), food (2,4%), bread and cereals (3,4%), meat (3,5%), fish (4,9%), milk, eggs and cheese (3,1%), fruit (2,9%) and vegetables (16,1%) and “other food (0,9%). Oils and fats contracted by 2,2%, while sugar, sweets and desserts contracted by 3,9%. In terms of year-on-year, the consumer price index for all items increased by 6,7% in 2022: Q2 from a 5,8% growth in the last quarter. The consumer price of most food items grew year-on-

¹ 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.

year during the period under review. Those items were: food and non-alcoholic beverages (9,8%), bread and cereals (7,5%), meat (7,8%), fish (8,2%), milk, eggs and cheese (9,3%), oils and fats (5,9%) and vegetables (22,7%). Food and fruit moderated by 4,2% and 2,9%, while sugar, sweets and desserts rebounded by 0,4% (see Table 2.1).

Table 2.1: Consumer Price Index of food products

Food products	Weight	Index			% Change between	
		2021: Q2	2022: Q1	2022: Q2	2022: Q1 and 2022: Q2	2021: Q2 and 2022: Q2
All items (CPI Headline)	100	96,9	98,4	99,5	2,3	6,7
Food and non-alcoholic beverages	15,4	97,1	98,1	99,5	4,6	9,8
Food	14,2	98,2	98,7	99,8	2,4	5,9
Bread and cereals	3,5	97,9	98,5	99,7	3,4	7,5
Meat	4,6	97,7	98,5	99,7	3,5	7,8
Fish	0,4	99,3	99,1	99,7	4,9	8,2
Milk, eggs and cheese	1,7	95,7	97,6	99,0	3,1	9,3
Oils and fats	0,5	98,8	99,0	99,6	2,2	5,9
Fruit	0,2	99,5	99,9	99,9	2,9	4,2
Vegetables	1,6	94,1	97,1	99,1	16,1	28,5
Sugar, sweets and deserts	0,6	97,2	94,4	98,1	-3,9	0,4
Other food	0,9	101,2	99,2	102,7	0,9	2,9

Source: (Stats SA, 2022)

Producer Price Index (PPI)²

During 2022: Q2, the quarter-to-quarter producer price index of final manufactured goods increased by 5,9% from a 3,1% growth in 2022: Q1. Similarly, the quarter-to-quarter producer price index grew for food products (6,1%), meat and meat products (4,9%), fish and fish products (3,8%), fruit and vegetables (3,3%) and oils and fats (37,1%). The producer price index increased for dairy products (4,6%), grain mill products (9,3%), starch and starch products

² 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.

(7,7%), "other food products" (4,3%) and bakery products (3,6%). However, sugar products rebounded by 2,2% during 2022: Q2.

In terms of year-on-year, the producer price index of all items increased by 14,7% in 2022: Q2 from a 10,8% growth in the last quarter. The year-on-year producer price index increased for food products (11,7%), meat and meat products (12,0%), fish and fish products (10,0%), fruit and vegetables (8,1%), oils and fats (60,6%), dairy products (9,0%), grain mill products (16,8%) and starch and starch products (9,9%), respectively. Other food products (8,6%), bakery products (6,7%) and sugar products (9,7%) also grew during the period under review (see Table 2.2).

Table 2.2: Producer Price Index of food products

Food products	Weight	Index			% Change between	
		2021: Q2	2022: Q1	2022: Q2	2022: Q1 and 2022: Q2	2021: Q2 and 2022: Q2
Final manufactured goods (Headline PPI)	100	104,0	112,7	119,3	14,7	5,9
Food products	26,3	102,7	108,1	114,7	11,7	6,1
Meat and meat products	4,5	101,4	108,3	113,6	12,0	4,9
Fish and fish products	1,6	102,3	108,3	112,5	10,0	3,8
Fruit and vegetables	2,4	102,2	107,0	110,5	8,1	3,3
Oils and fats	0,5	121,0	141,7	194,3	60,6	37,1
Dairy products	3,3	107,4	111,9	117,0	9,0	4,6
Grain mill products	1,8	100,2	107,0	117,0	16,8	9,3
Starch and starch products, animal feeds	1,6	108,4	110,6	119,1	9,9	7,7
Other food products	0,9	100,9	105,0	109,6	8,6	4,3
Bakery products	6,9	100,4	103,3	107,1	6,7	3,6
Sugar	1,9	103,1	110,7	113,1	9,7	2,2

Source: Stats SA (2022)

Import Unit Value Index³

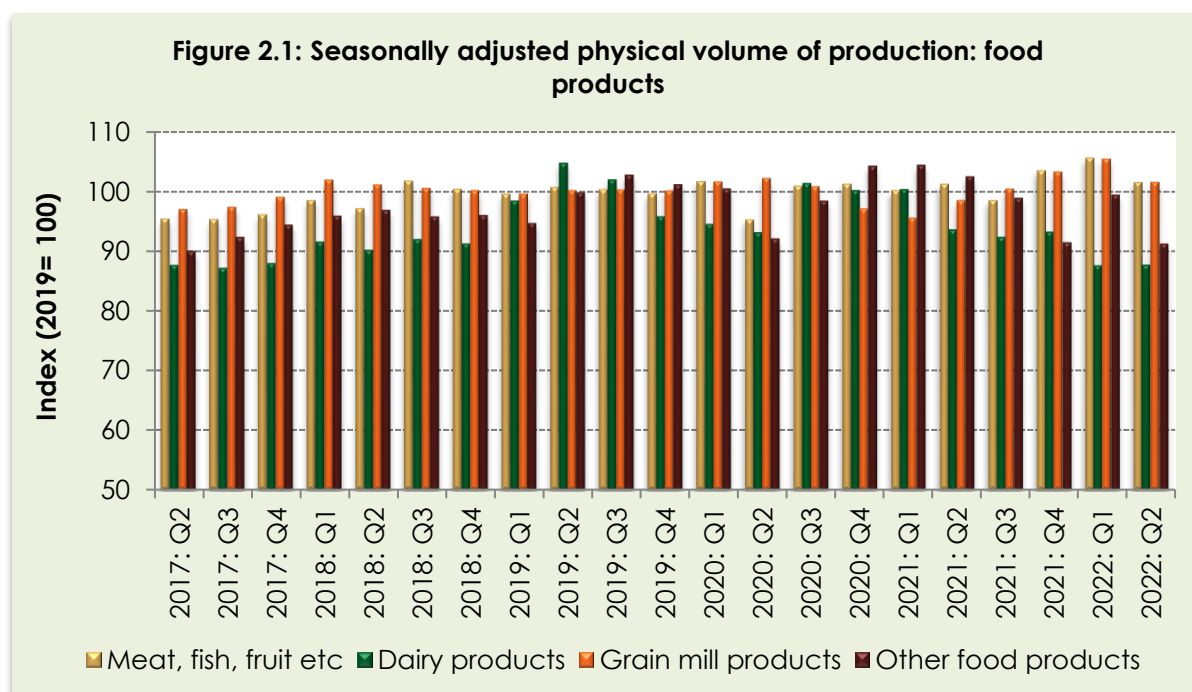
Table 2.3 presents the import unit value index of selected food products during 2022: Q2. The quarter-to-quarter import unit value rebounded for food products and fats and oils by 1,5% and 2,8%, respectively, in 2022: Q2. However, it contracted further for grain mill products by 8,0%. Year-on-year, import unit value index rebounded for food products by 0,2%, while it grew for fats and oils by 8,1%. On the other hand, it contracted for grain mill products by 6,0%.

Table 2.3 presents the Import Unit Value Index of selected food products during 2022: Q2

Food products	Indices			% Change between	
	2021: Q2	2022: Q1	2022: Q2	2022: Q1 and 2022: Q2	2021: Q2 and 2022: Q2
Food (total)	104,1	102,8	104,3	0,2	1,5
Fats and oils	101,7	106,9	109,9	8,1	2,8
Grain mill products	106,8	98,9	98,3	-0,6	-8,0

Source: Stats SA (2022)

2.2 PRODUCTION



Source: Statistics SA (2022)

³ 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.

Figure 2.1 presents seasonally adjusted physical volume of production for the food products division in 2022: Q2. The quarter-to-quarter seasonally adjusted volume of production for meat, fish and fruit, dairy products and grain mill products receded further by 1,2%, 3,1% and 1,1% in 2022: Q2 following contractions of 8,8%, 19,4% and 7,3%, respectively, in the last quarter. However, “other food products” rebounded quarter-to-quarter by 16,3% from a 13,3% contraction. The year-on-year seasonally adjusted physical volume of production for meat, fish and fruit, and grain mill products, on the other hand, moderated by 0,2% and 3,1% following a 5,7% and 10,5% growth in the previous quarter. Conversely, dairy products receded further year-on-year by 6,3% in 2022: Q2 from a 13,4% contraction in the previous quarter. “Other food products”, however, decelerated year-on-year by 11,3% in 2022: Q2 following a 4,7% contraction in 2022: Q1.

Production capacity

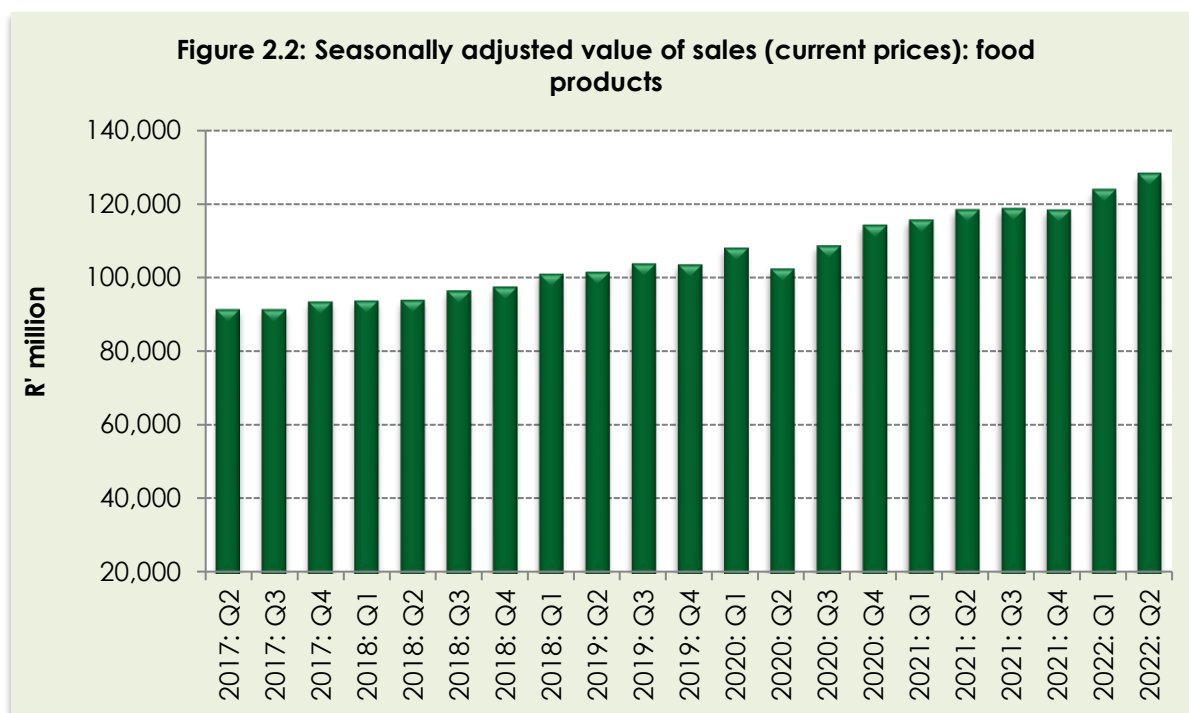
Table 2.4: Utilisation and reasons for underutilisation of production capacity by large enterprises: Food products (percentage) 2022: Q2

Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
				Skilled	Semi-and unskilled		
2021: Q2	82,3	17,7	1,6	0,7	0,1	10,1	5,3
2022: Q1	76,8	23,2	2,3	0,8	0,1	10,1	9,8
2022: Q2	82,1	17,9	3,1	1,1	0,2	10,8	2,8

Source: Statistics SA (2022)

As Table 2.4 shows, the utilisation of production capacity by large enterprises of the food products division declined year-on-year. However, it grew quarter-to-quarter. The quarter-to-quarter growth is by 5,3 percentage points, while year-on-year it declined by 0,2 percentage point. Insufficient demand remained the main reason for underutilisation in 2022: Q2, followed by shortage of raw materials.

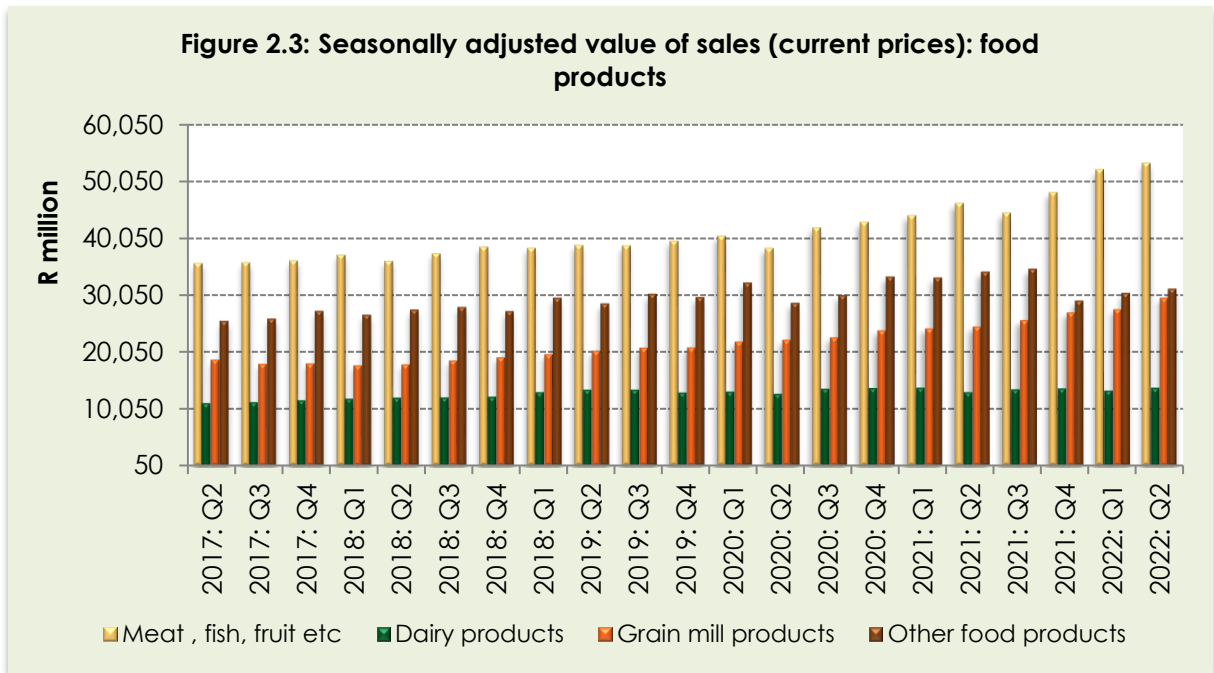
2.3 VALUE OF SALES



Source: Statistics SA (2022)

During 2021: Q2, the quarter-to-quarter value of sales of food products moderated by 3,6% as compared to a 4,8% growth in the last quarter. However, it grew year-on-year by 8,4% in 2022: Q2 following a growth of 7,2% in 2022: Q1 as illustrated in Figure 2.2.

As Figure 2.3 shows, quarter-to-quarter sales of meat, fish and fruit and “other food products” moderated by 2,1% and 2,6% in 2022: Q2 following a growth of 8,4% and 4,6% in the last quarter. Quarter-to-quarter seasonally adjusted value of sales for the dairy products division rebounded by 3,8% in 2022: Q2 from a contraction of about 2,7% in 2022: Q1. However, sales for grain mill products grew quarter-to-quarter by 7,2% in 2022: Q2 following a 2,2% growth in the preceding quarter. The year-on-year seasonally adjusted value of sales for meat, fish and fruit moderated by 15,2% in 2022: Q2, however, for dairy products it rebounded by 6,2%. Sales for grain mill products, on the other hand, grew year-on-year by 20,5%, while for “other food products” it decelerated by 8,8% in 2022: Q2.



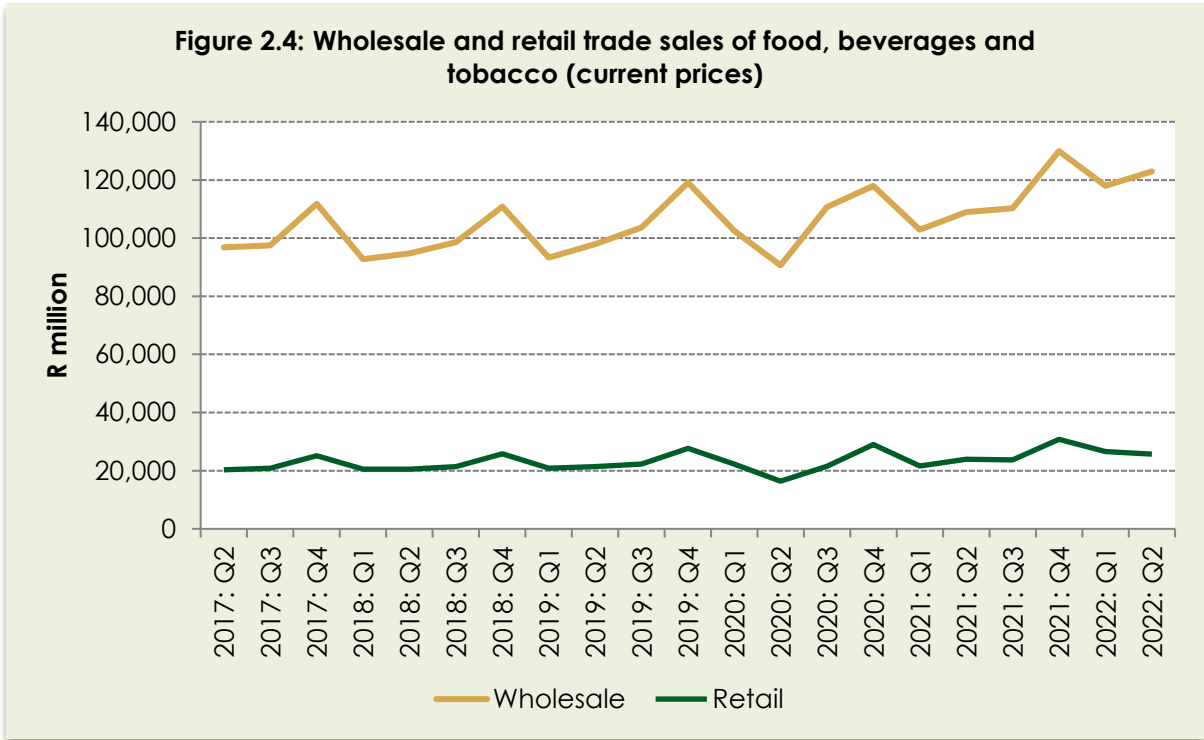
Source: Statistics SA (2022)

Wholesale and retail sales⁴

The quarter-to-quarter wholesale of the food, beverages and tobacco divisions rebounded by 4,1% in 2022: Q2, as compared to a contraction of 9,2% in 2022: Q1, however, it grew by 12,9% year-on-year. Conversely, the quarter-to-quarter retail trade sales receded further by 3,0% in 2022: Q2 from a contraction of about 13,8% in 2022: Q1. However, the retail trade sales moderated year-on-year by 7,8% in 2022: Q2 following a 22,4% growth in the last quarter.

As a result, the wholesale rebound in growth; the sales grew from R1 18 005 million in 2022: Q1 to R122 899 million in 2022: Q2. However, the retail trade sales declined to R25 738 million in 2022: Q2 from R26 532 million in 2022: Q1, as shown in Figure 2.4.

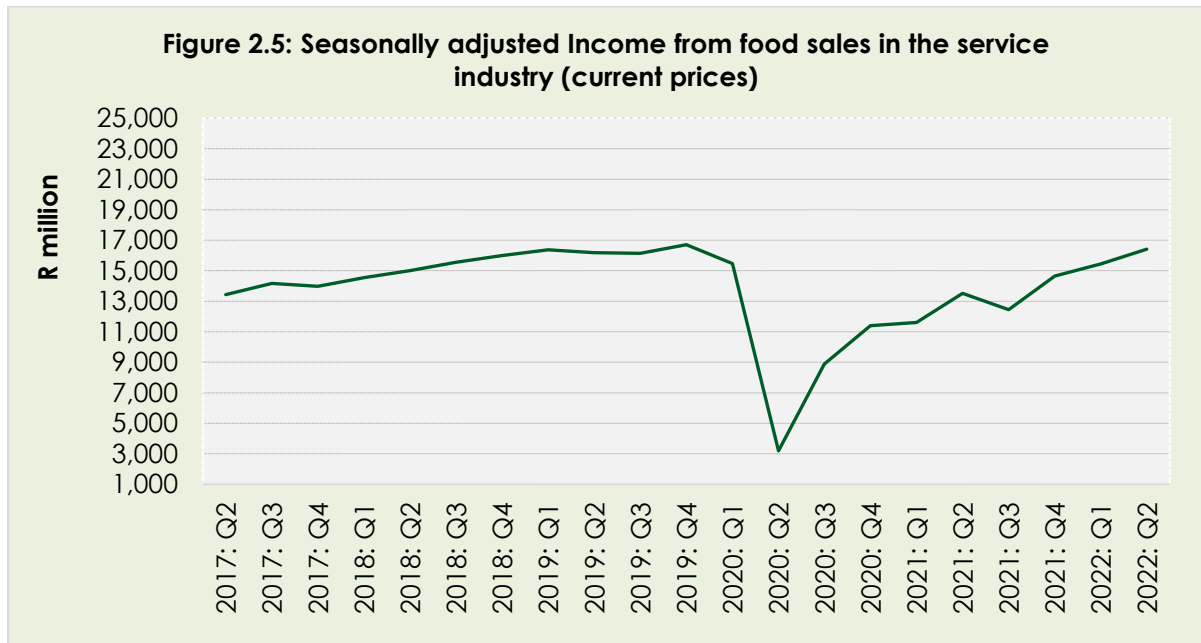
⁴ Statistics South Africa (Stats SA) conducts a monthly survey covering enterprises in the wholesale and retail trade industry. The results of the monthly wholesale and retail trade sales survey are used to compile estimates of the gross domestic product (GDP) and its components, which are used in monitoring 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 (2022)

2.4 INCOME FROM FOOD SALES IN THE SERVICE INDUSTRY⁵

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.

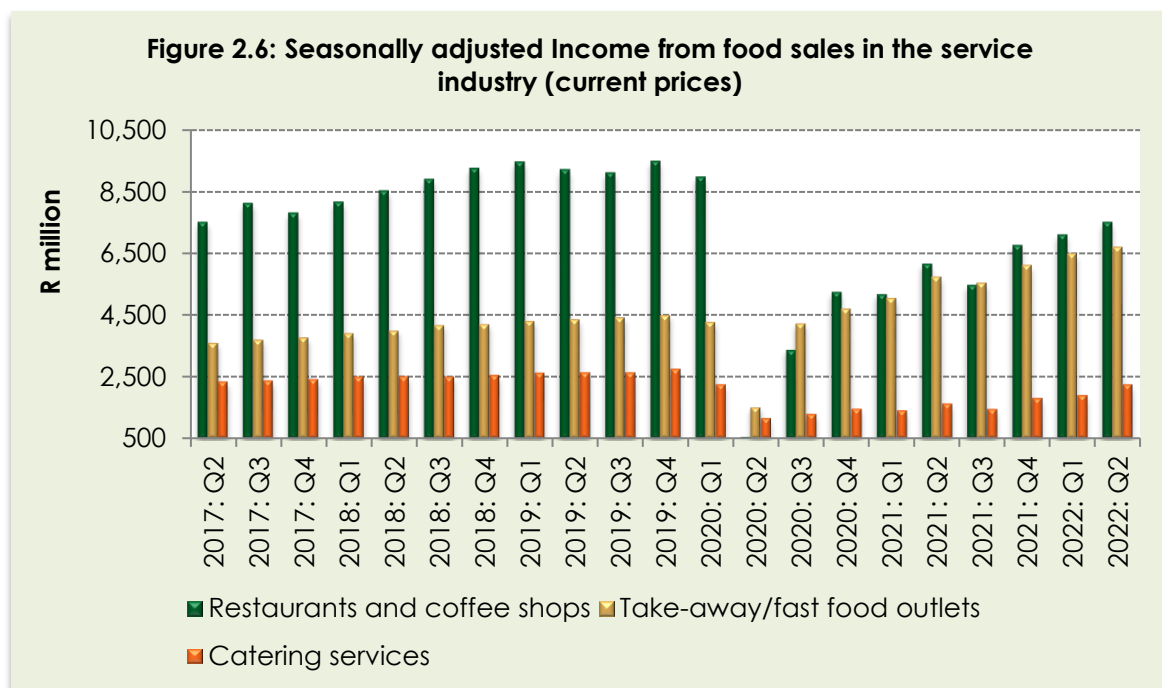


Source: Statistics SA (2022)

⁵ 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 grew by 6,2% quarter-to-quarter in 2022: Q2 as compared to a 5,4% growth in 2022: Q1. However, the total income from food sales moderated by 21,5% year-on-year in 2022: Q2 compared to a growth of about 33,1% in 2022: Q1. As a result, the income from food sales increased to R16 424,6 million in 2022: Q2 from R15 461,3 million in 2021: Q3 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 grew by 5,8% in 2022: Q2 from a 5,0% growth in the last quarter, however, it moderated year-on-year by 21,9% in 2022: Q2 from a 37,3% growth in 2022: Q1. Takeaway/fast food outlets' income moderated quarter-to-quarter and year-on-year by 3,2% and 16,6% in 2022: Q2 from a 6,1% and 28,4% growth in 2022: Q1, respectively. However, catering services' income grew quarter-to-quarter and year-on-year by 18,2% and 37,3% in 2022: Q2 following a 4,9% and 34,3% growth in the preceding quarter, respectively.



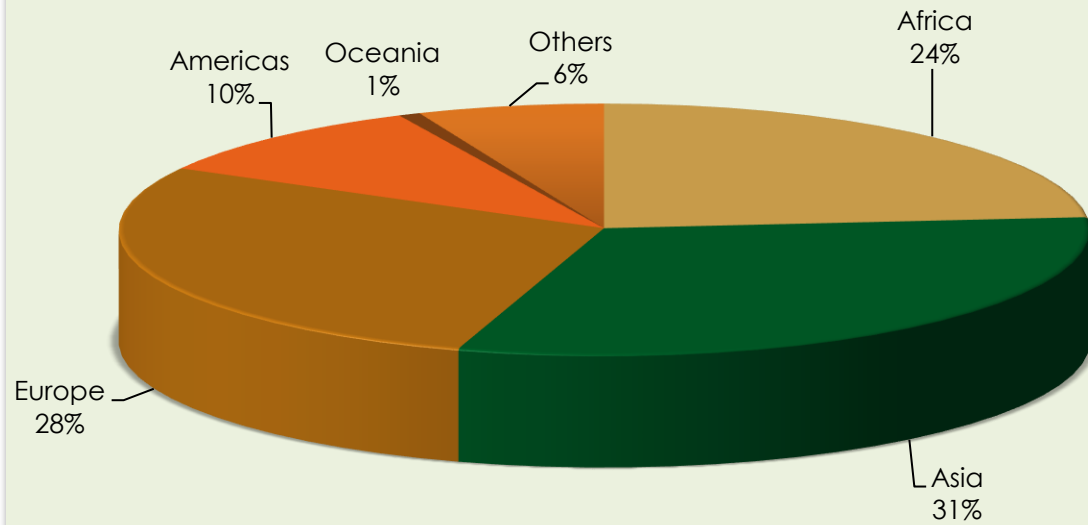
Source: Statistics SA (2022)

2.5 TRADE

Main food export destinations and products

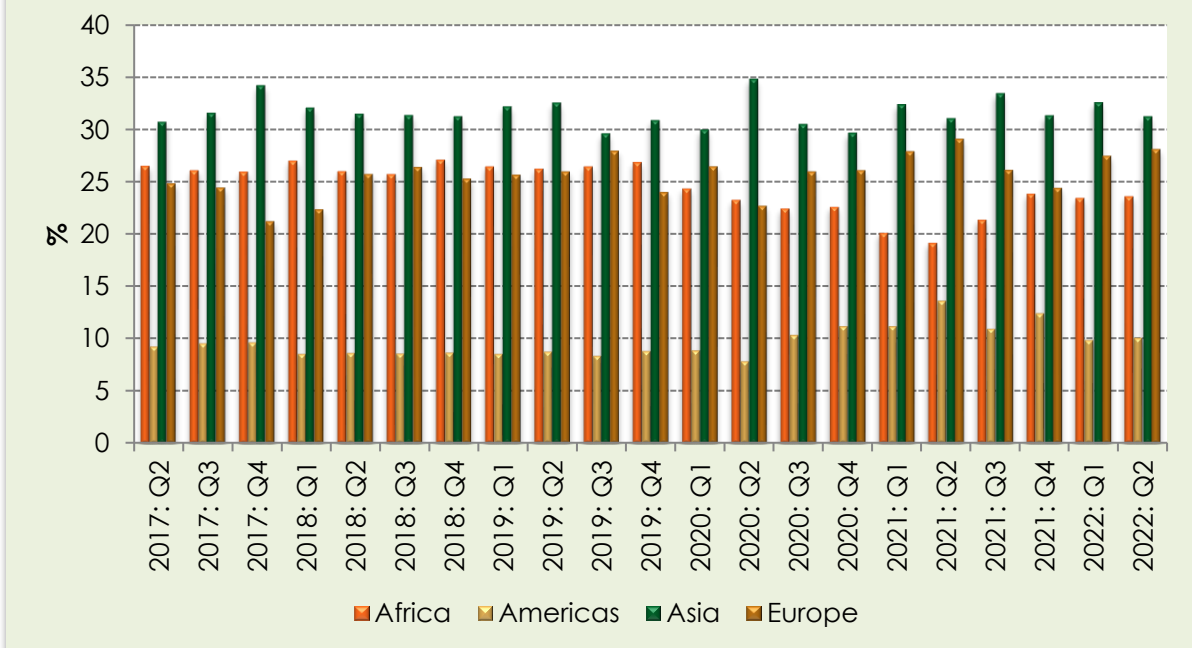
Figure 2.7 shows food export destinations' share of the continents. Asia accounted for the highest share of South African food exports in 2022: Q2. Asia accounted for about 31% of South African food exports, followed by Europe, Africa and the Americas with shares of 28%, 24% and 10%, respectively. Oceania has the least share at approximately 1%. Figure 2.8 shows that, for the past five years, Asia accounted for the largest share of South African food exports.

Figure 2.7: The food export destinations' share of continents in 2022: Q2



Source: Quantec (2022)

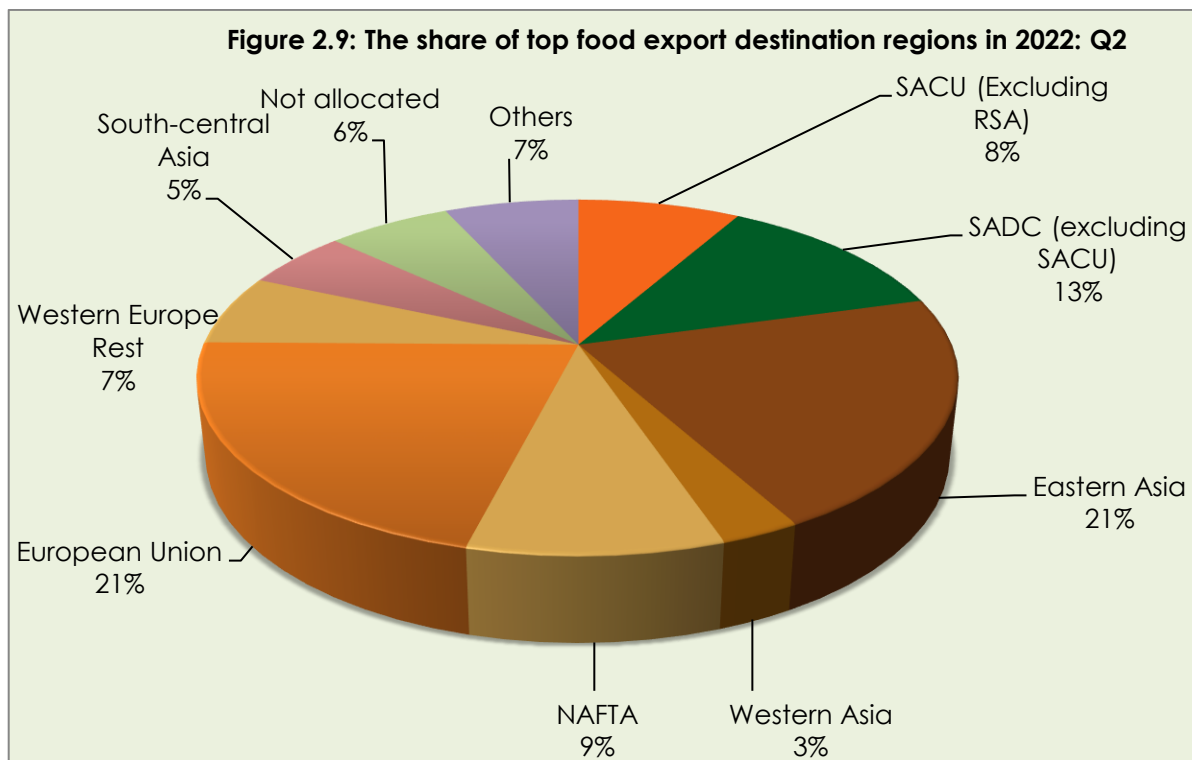
Figure 2.8: The food export destination's share of the continents (2017: Q2 – 2022: Q2)



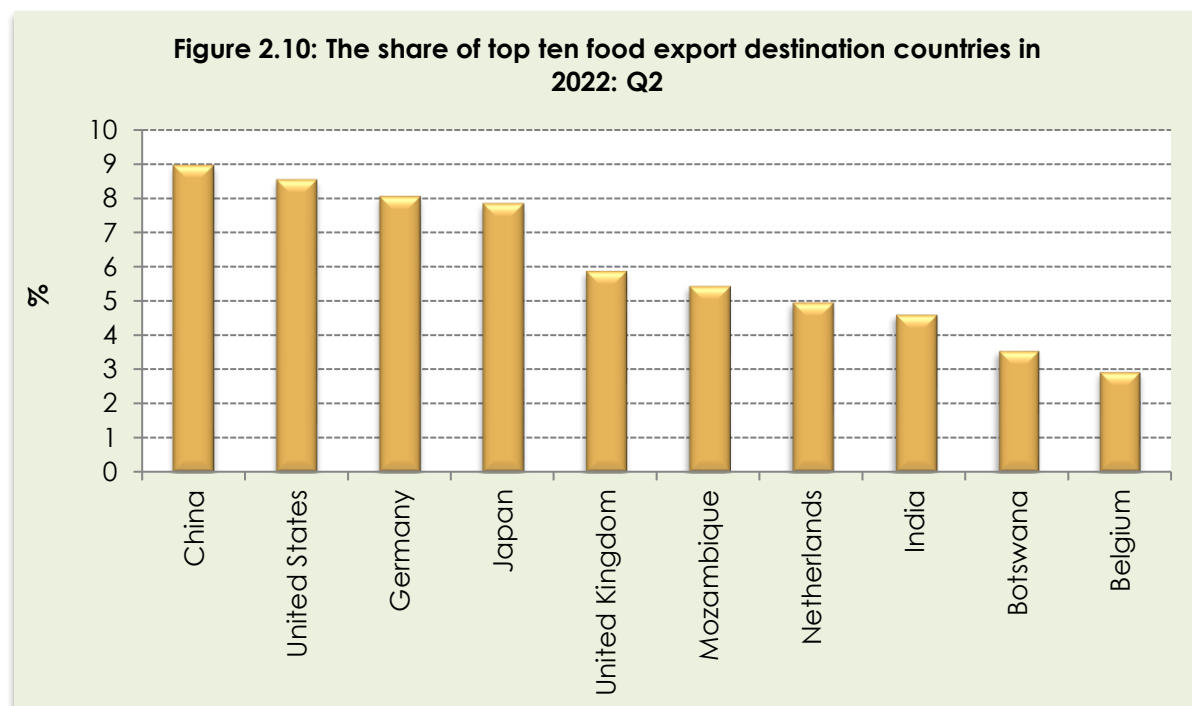
Source: Quantec (2022)

Figure 2.9 shows the food export destinations' share of the main regions in 2022: Q2. Among the main regions, Eastern Asia and the European Union accounted for the highest share of South African food exports, both at (21%), followed by SADC (excluding SACU) (13%), then NAFTA (9%), SACU (excluding RSA) (8%), Western Europe (7%) and South-central Asia

accounting for 5%. Western Asia accounted for a 3% share of South African food exports in 2022: Q2.



Source: Quantec (2022)



Source: Quantec (2022)

Figure 2.10 shows the top ten food export destinations by countries in 2022: Q2. China, the USA, Germany, Japan, the United Kingdom, Mozambique and the Netherlands accounted for 9.0%, 8.5%, 8.1%, 7.9%, 5.9%, 5.4% and 5.0% share of South African food exports, respectively, in 2022:

Q2. Likewise, India, Botswana and Belgium accounted for a 4,6%, 3,5% and 2,9% share of South African food exports, respectively, during the period under review.

Table 2.5 presents the major exports of food products during 2022: Q2 and their year-on-year percentage change. The leading South African exports of food products are maize (excluding seed for sowing) (HS100590), apples (HS080810) and lemons with export values of R4 896,9 million, R3 399,2 million and R2 551,0 million, respectively, in 2022: Q2. The exports of maize, apples and lemons grew by 49,8%, 13,6% and 6,2% year-on-year respectively.

Table 2.5: Major exported food products 2022: Q2

HS code	Product description	Export value (R million)	Year-on-year change %
100590	Maize (excluding seed for sowing)	4896,9	49,8
080810	Apples	3399,2	13,6
080550	Lemons (<i>Citrus limon</i> , <i>Citrus limonum</i>) and limes (<i>Citrus aurantifolia</i> , <i>Citrus latifolia</i>)	2551,0	6,2
080521	Mandarins (including tangerines and satsumas)	2049,4	-15,7
220421	In containers holding 2 litres or less	1847,9	-3,0
080830	Pears	1554,4	31,1
080510	Oranges	1481,3	-31,1
080540	Fresh or dried grapefruit	1440,1	-13,1
100510	Maize seed for sowing	1417,5	939,7

080610	Fresh grapes	1077,4	19,7
--------	--------------	--------	------

Source: Quantec (2022)

Table 2.6 shows the major imports of food products during 2022: Q2 and their year-on-year (2021: Q2 and 2022: Q2) percentage change. The leading imports of food products are wheat and meslin (excluding seed for sowing and durum wheat) amounting to R3 217,5 million, palm oil and its fractions (R2 309,0 million) and semi-milled or wholly milled rice (R1 848,1 million). The imports of wheat and meslin increased year-on-year by approximately 76,4%, while imports of palm oil and its fractions, and semi-milled or whole milled rice increased by 9,6% and 7,2%, respectively.

Table 2.6: Major imported food products in 2022: Q2

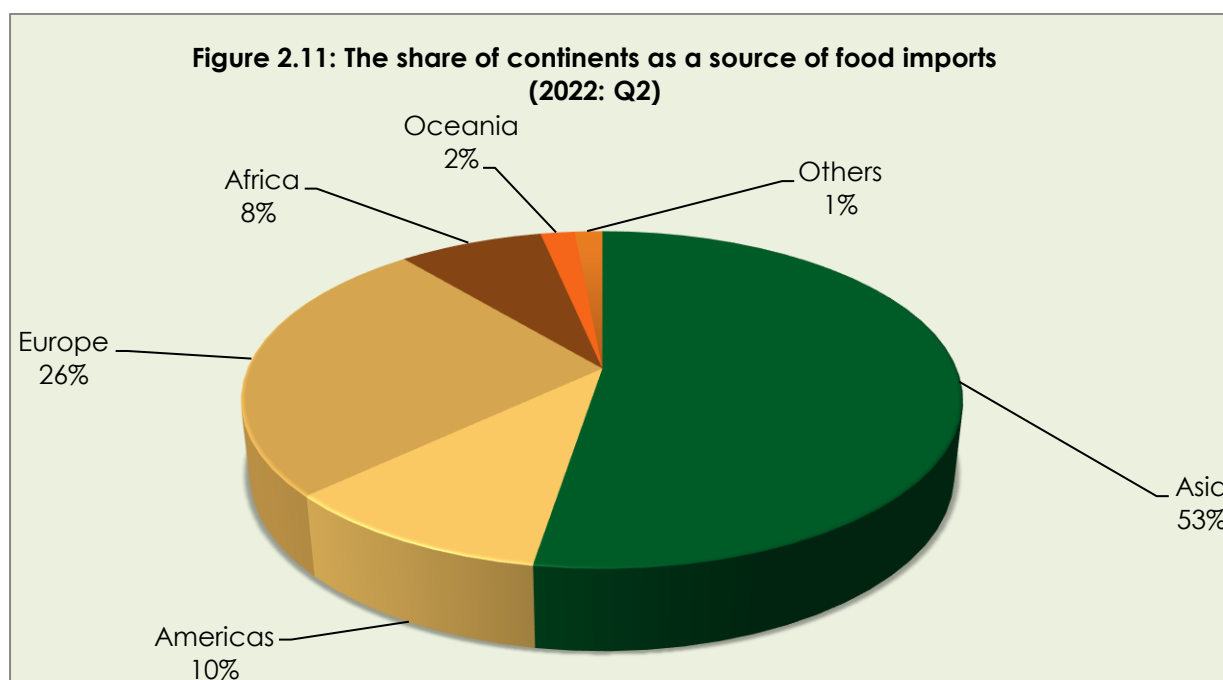
HS code	Product description	Import value (R million)	Year-on-year % change
100199	Wheat and meslin (excluding seed for sowing and durum wheat)	3217,5	76,4
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	2309,0	9,6
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1848,1	7,2
010229	Live cattle (excluding pure-bred for breeding)	805,8	36,1
020714	Frozen cuts and edible offal of fowls of the species <i>Gallus domesticus</i>	741,1	-4,7
210690	Food preparations, n.e.s.	718,5	-2,9

020712	Frozen fowls of the species <i>Gallus domesticus</i> , not cut in pieces	557,7	39,6
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya bean oil	552,2	-44,0
170113	Cane sugar specified in subheading note 2 to this chapter	522,7	-25,1
050400	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh, chilled, frozen, salted, in brine, dried or smoked	439,4	-1,1

Source: Quantec (2022)

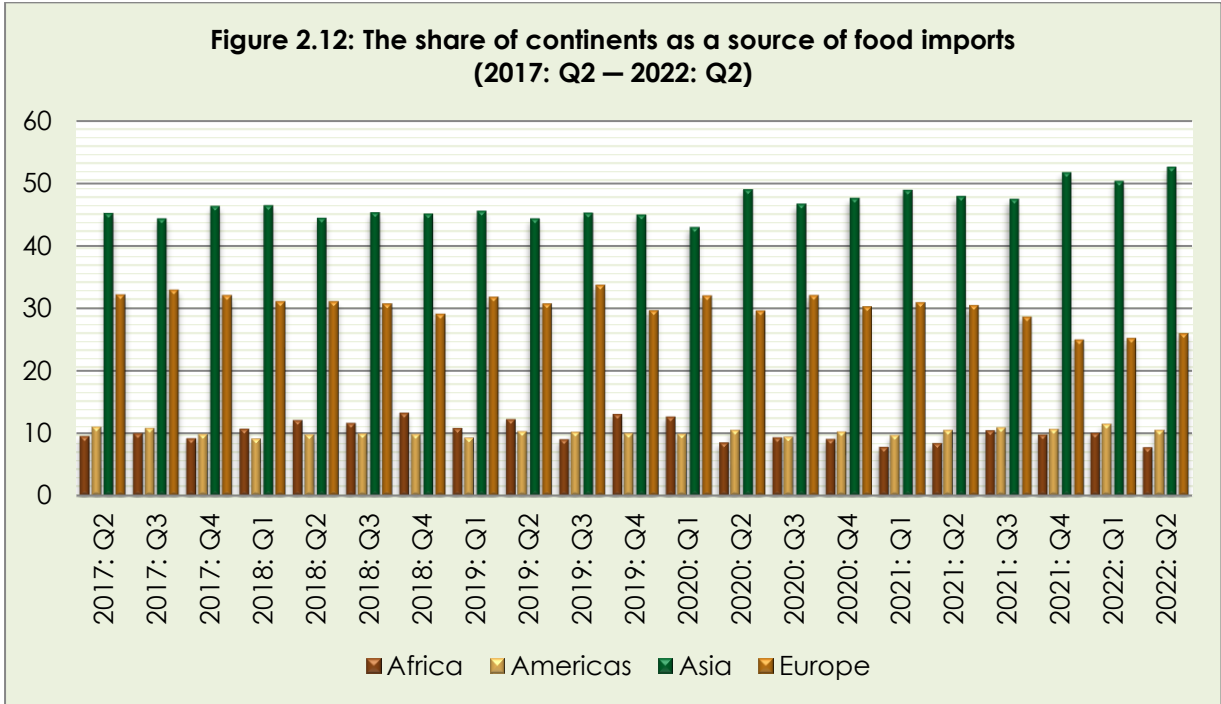
Main source of imported food products

South Africa's main source of food imports during 2022: Q2 is presented in Figure 2.11. Asia accounted for a 53% share of food imports, followed by Europe with a share of about 26%, the Americas (10%) and Africa (8%). Oceania accounted for the least of South African food imports at around 2%. Figure 2.12 below shows that, for the past five years, Asia and Europe accounted for the larger share of South African food imports.



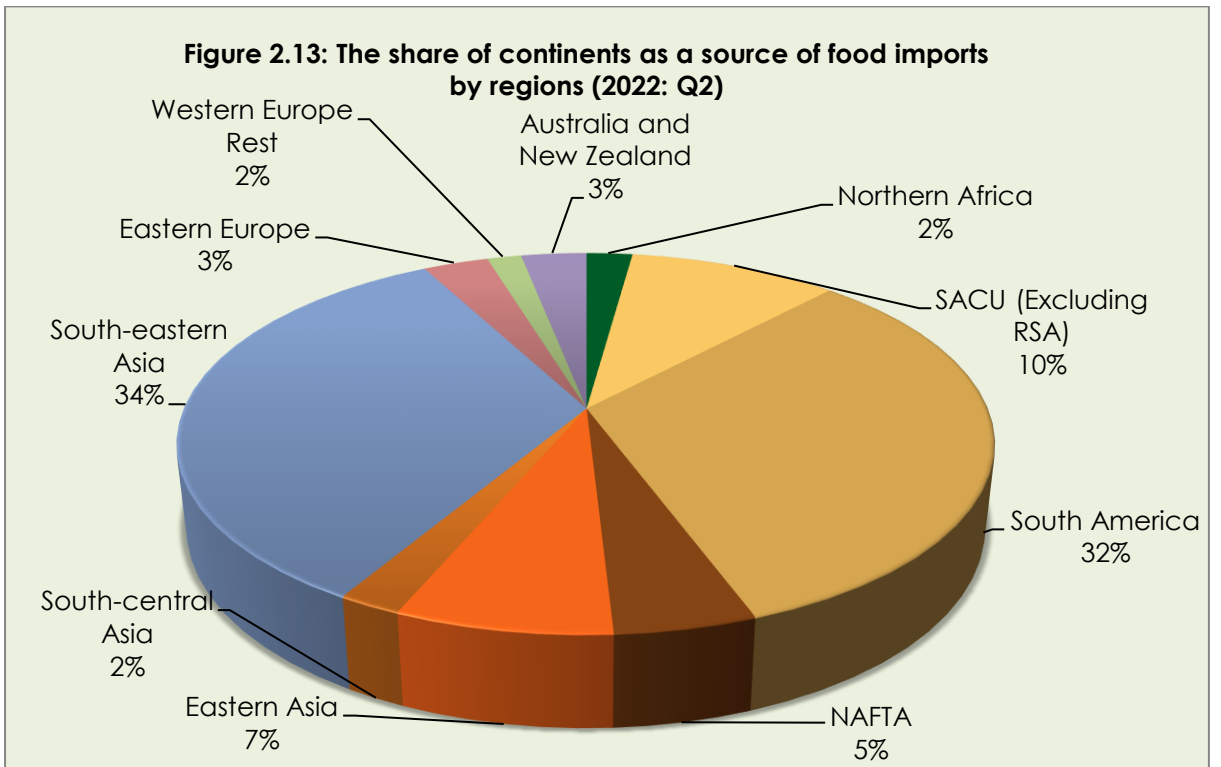
Source: Quantec (2022)

)

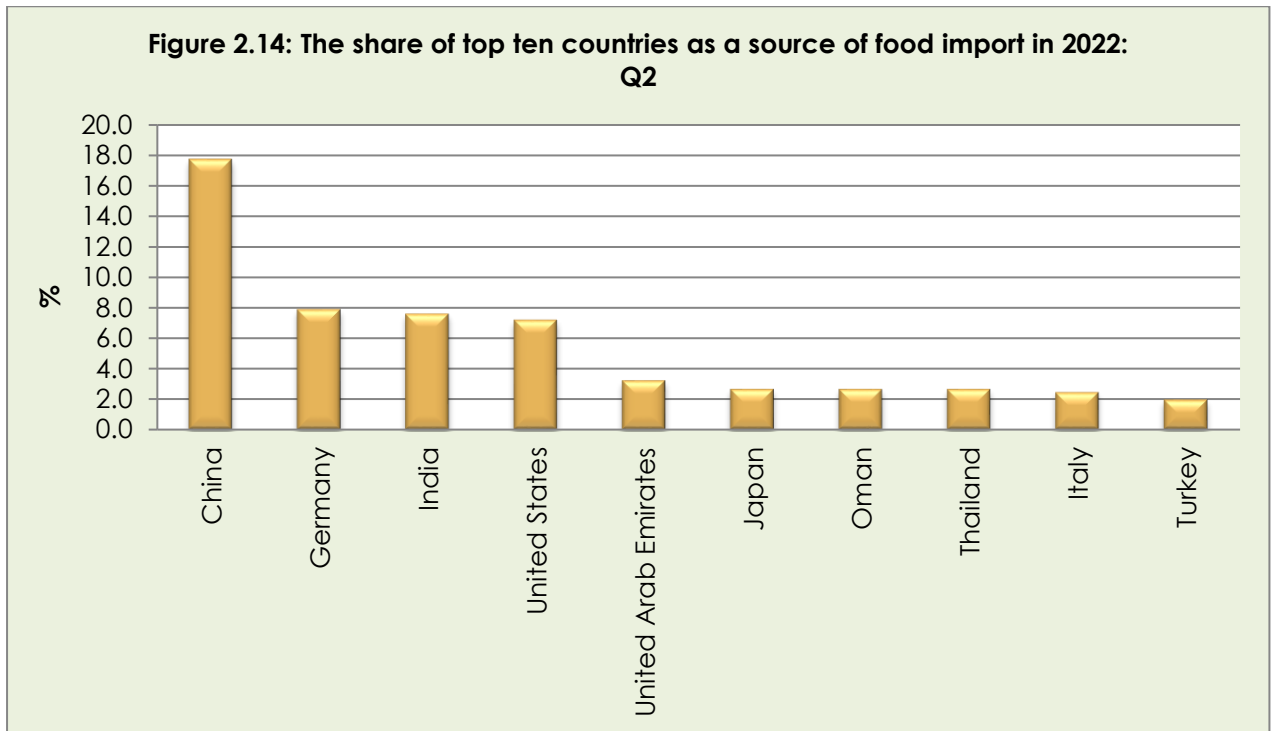


Source: Quantec (2022)

Amongst the trading regions, South-eastern Asia accounted for an approximate 34% share of South African food imports, followed by South America (32%) and SACU (excluding SA) (10%). Eastern Asia, NAFTA, Eastern Europe and Australia and New Zealand accounted for 7%, 5%, 3% and 3% shares of South African food imports, respectively, in 2022: Q2. Northern Africa and Western Europe Rest accounted for the least share, both at 2% as presented in Figure 2.13.

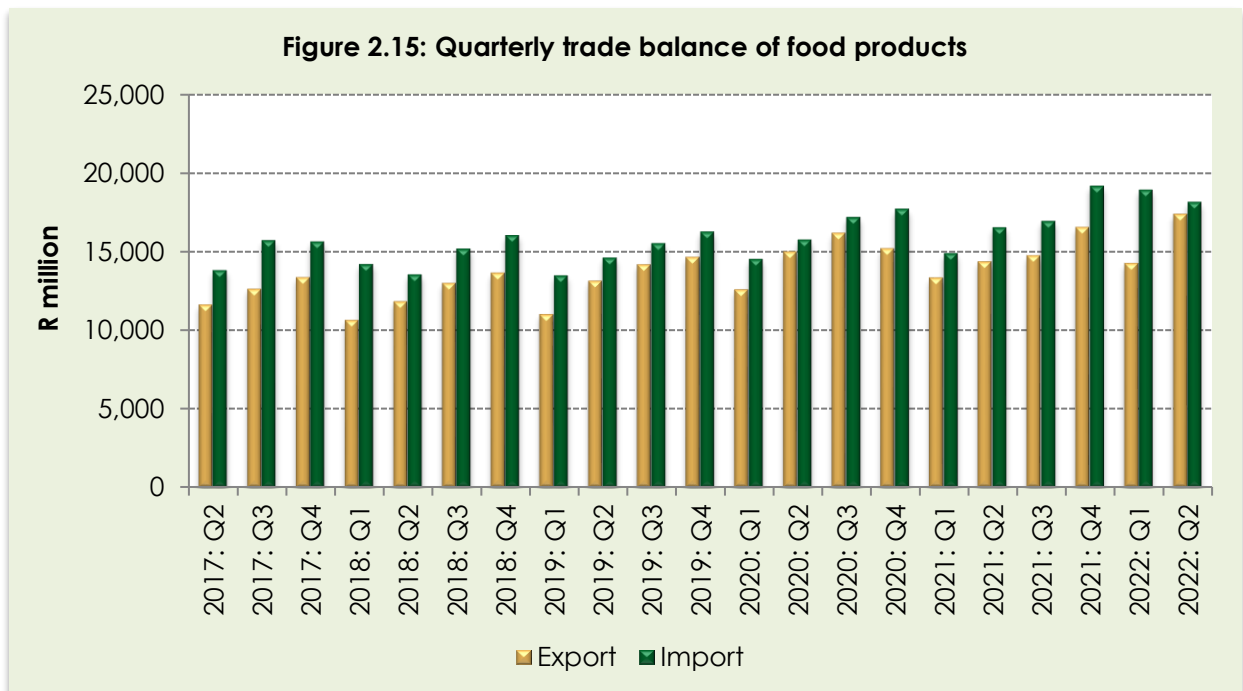


Source: Quantec (2022)



Source: Quantec (2022)

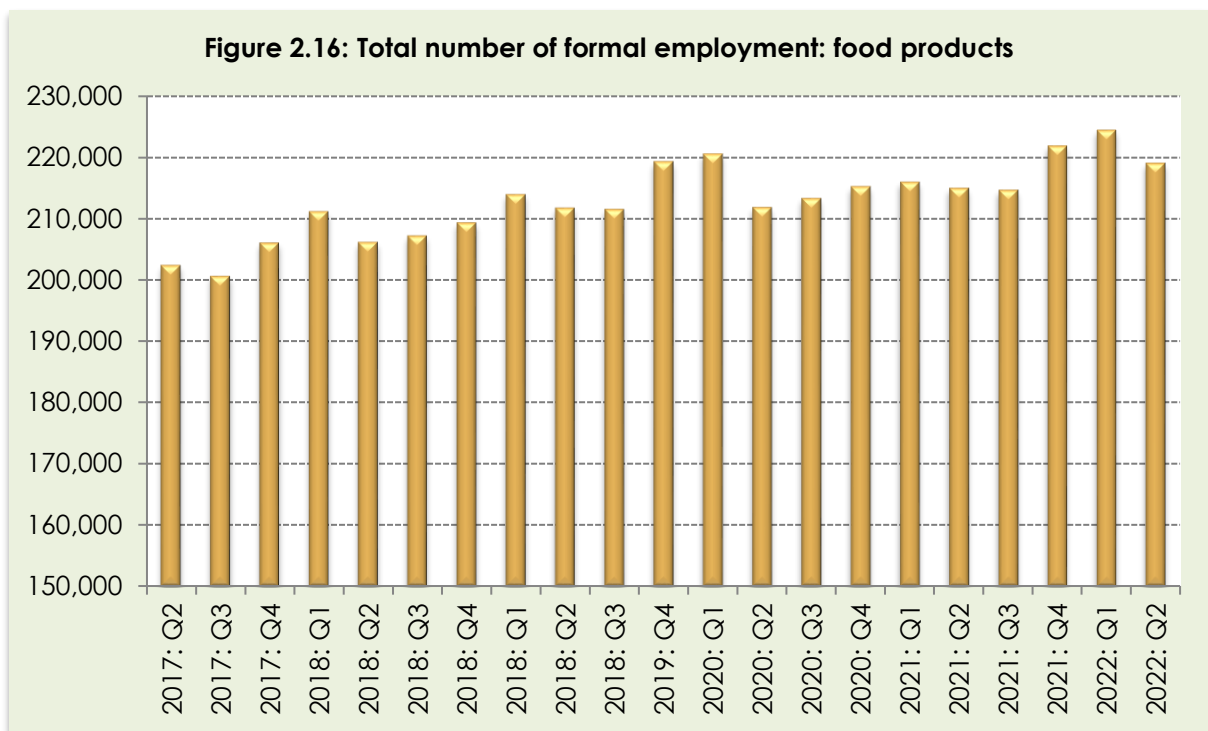
Figure 2.14 shows the top ten countries as a source of South African food imports in 2022: Q2. South Africa imported food products mainly come from China (17,7%), Germany (7,9%), India (7,6%), the United States (7,2%), the United Arab Emirates (3,2%), Japan (2,7%), Oman (2,7%), Thailand (2,7%), Italy (2,5%), and Turkey (2,0%).



Source: Quantec (2022)

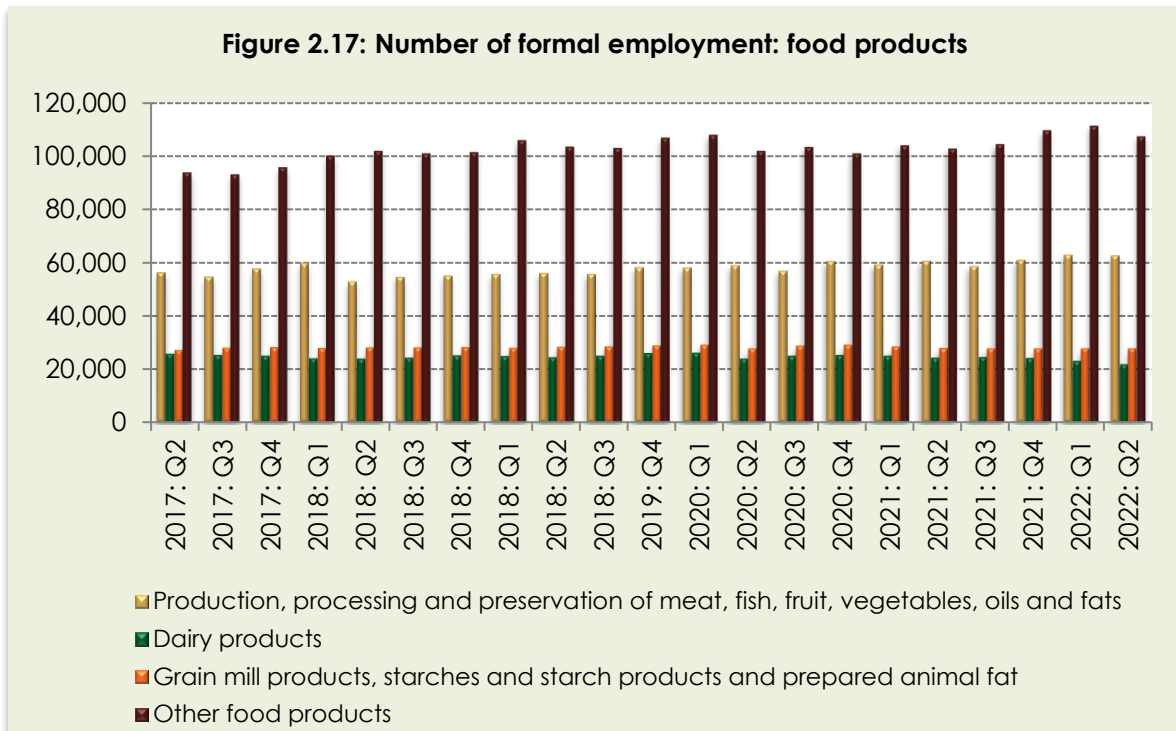
Figure 2.15 shows the quarterly trade balance of food products in 2022: Q2. During 2022: Q2, the quarter-to-quarter food exports rebounded by 22,0% from a 13,9% contraction in 2022: Q1, however, exports grew year-on-year by 21,1% following a 6,8% growth in the last quarter. The quarter-to-quarter imports, however, decelerated by 4,1% following a 1,3% contraction, while year-on-year imports moderated by 9,8% in 2022: Q2. As a result, the trade deficit narrowed from R4 659,7 million in 2022: Q1 to R755,0 million in 2022: Q2.

2.6 EMPLOYMENT



Source: Statistics SA (2022)

Figure 2.16 shows formal employment in the food products division. The quarter-to-quarter formal employment in the food products division contracted by 2,4% in 2022: Q2 from a 1,2% growth in 2022: Q1. However, the employment in the food products division moderated by 1,9% year-on-year. As a result, 5 425 jobs were lost in 2022: Q2.



Source: Statistics SA (2022)

Figure 2.17 shows formal employment in the food products divisions in 2022: Q2. During 2022: Q2, the quarter-to-quarter employment in meat, fish and fruit and vegetables, etc. and "other food products" contracted by 0,3% and 3,6% from a 3,2% and 1,5% growth, respectively, in the previous quarter. However, year-on-year employment in meat, fish and fruit and vegetables, etc. and "other food products" moderated by 3,4% and 4,4 from a 6,3% and 7,1% growth, respectively, in the last quarter. Dairy products' employment decelerated quarter-to-quarter and year-on-year by 5,5% and 10,2% from a 4,5% and 7,8% growth, respectively, in the last quarter. Grain mill products' employment rebounded quarter-to-quarter by 0,2% in 2022: Q2 from a 0,1% contraction in the last quarter, however, employment receded further year-on-year by 0,4% in 2020: Q2 from a 2,4% contraction recorded in the previous quarter.

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

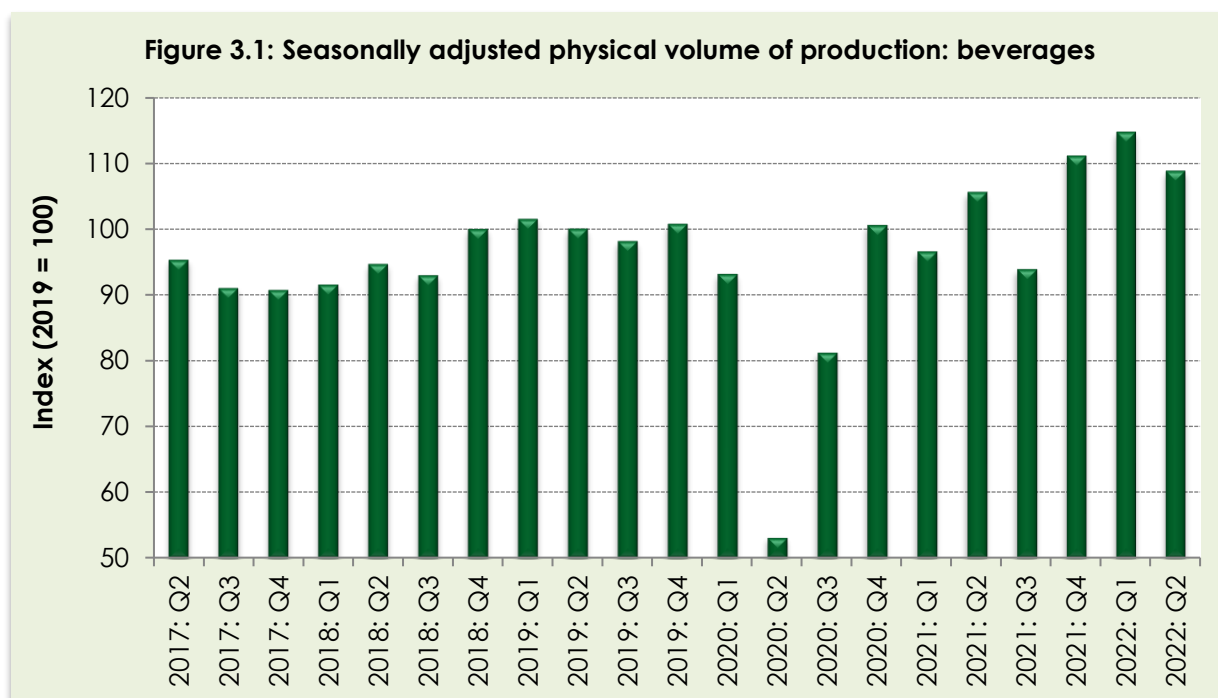
Table 3.1 below shows the consumer price index, producer price index and export unit value of the beverages division in 2022: Q2. During 2022: Q2, the consumer price index for all items grew quarter-to-quarter and year-on-year by 2,3% and 6,7% from a 1,5% and 5,8% growth in the last quarter. The quarter-to-quarter consumer price index grew for non-alcoholic beverages (3,0%), hot beverages (2,5%), cold beverages (2,5%), alcoholic beverages (1,5%), spirits (3,0%), wine (2,8%) and beer (4,3%). In terms of year-on-year, the following grew: non-alcoholic beverages (4,4%), hot beverages (7,6%), cold beverages (4,6%), alcoholic beverages (4,3%), sprits (6,6%), wine (7,4%) and beer (5,6%). The producer price index for beverages moderated quarter-to-quarter and year-on-year by 1,2% and 3,6% from a 2,5% and 3,6% growth, respectively, in 2022: Q2. The export unit value of beverages grew quarter-to-quarter by 2,5%, however, it rebounded by 2,8% year-on-year.

Table 3.1: Price indices of beverages

Beverages products	Weight	Index			% Change between	
		2021: Q2	2022: Q1	2022: Q2	2022: Q1 and 2022: Q2	2021: Q2 and 2022: Q2
		Consumer price index				
All items (CPI Headline)	100	96,9	101,0	103,3	6,7	2,3
Alcoholic beverages	3,9	98,3	101,1	102,6	4,3	1,5
Spirits	0,8	97,7	101,2	104,2	6,6	3,0
Wine	0,7	97,1	101,4	104,3	7,4	2,8
Beer	2,5	100,0	101,2	105,6	5,6	4,3
Non-alcoholic beverages	1,2	99,1	100,4	103,4	4,4	3,0
Hot beverages	0,3	96,5	101,3	103,8	7,6	2,5
Cold beverages	0,9	99,6	101,6	104,1	4,6	2,5
		Producer price index				
Beverages	8,5	101,8	104,3	105,5	3,6	1,2
		Export unit value				
Beverages	135,2	98,5	98,7	101,2	2,8	2,5

Source: Stats SA (2022)

3.2 PRODUCTION



Source: Statistics SA (2022)

Figure 3.1 presents the seasonally adjusted physical volume of production for the beverages division in 2022: Q2. As Figure 3.1 shows, the quarter-to-quarter seasonally adjusted physical volume of production for the beverages division declined further by 13,9% from a 17,2% contraction in 2022: Q1. However, year-on-year, the seasonally adjusted physical volume of production for the beverages division moderated by 3,5% in 2022: Q2 from a growth of around 17,0% in 2022: Q1.

Production capacity

Table 3.2: Utilisation and reasons for underutilisation of production capacity by large enterprises: Beverages division (percentage) 2022: Q2

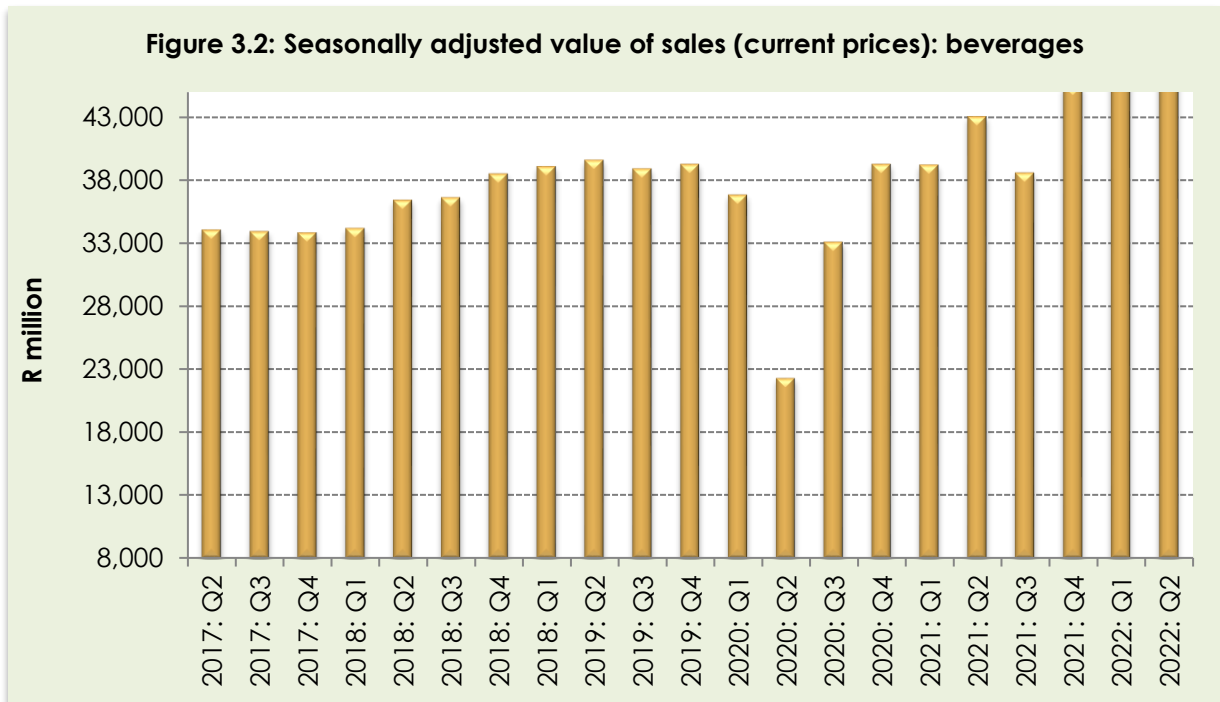
Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
				Skilled	Semi- and unskilled		
2021: Q2	82,1	17,9	4,0	0,7	0,2	11,0	2,0
2022: Q1	81,7	18,3	2,9	0,7	0,2	12,9	1,7

2022: Q2	79,4	20,6	4,1	3,2	0,2	11,3	1,8
----------	------	------	-----	-----	-----	------	-----

Source: Statistics SA (2022)

Table 3.2 shows the year-on-year utilisation capacity by large enterprises for the beverages division. The utilisation capacity grew quarter-to-quarter by 2,3 percentage points, however, it declined year-on-year by 2,7 percentage points. As Table 3.2 shows, insufficient demand remained the main reason for underutilisation during 2022: Q2, followed by shortage of raw materials.

3.3 VALUE OF SALES

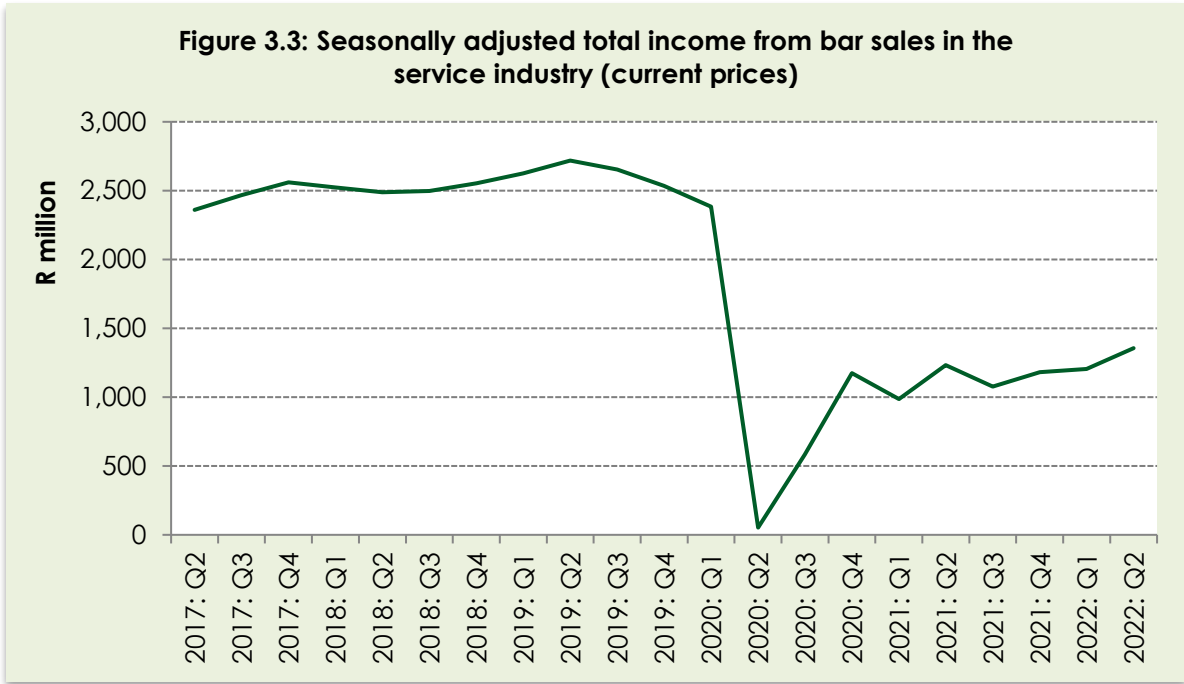


Source: Statistics SA (2022)

During 2022: Q2, the quarter-to-quarter seasonally adjusted value of sales for the beverages division moderated by 0,2% from a 4,9% growth recorded in 2022: Q1. Similarly, year-on-year, the seasonally adjusted value of sales for beverages moderated by 10,9% in 2022: Q2 from a growth of about 21,5% in 2022: Q1 as shown in Figure 3.2.

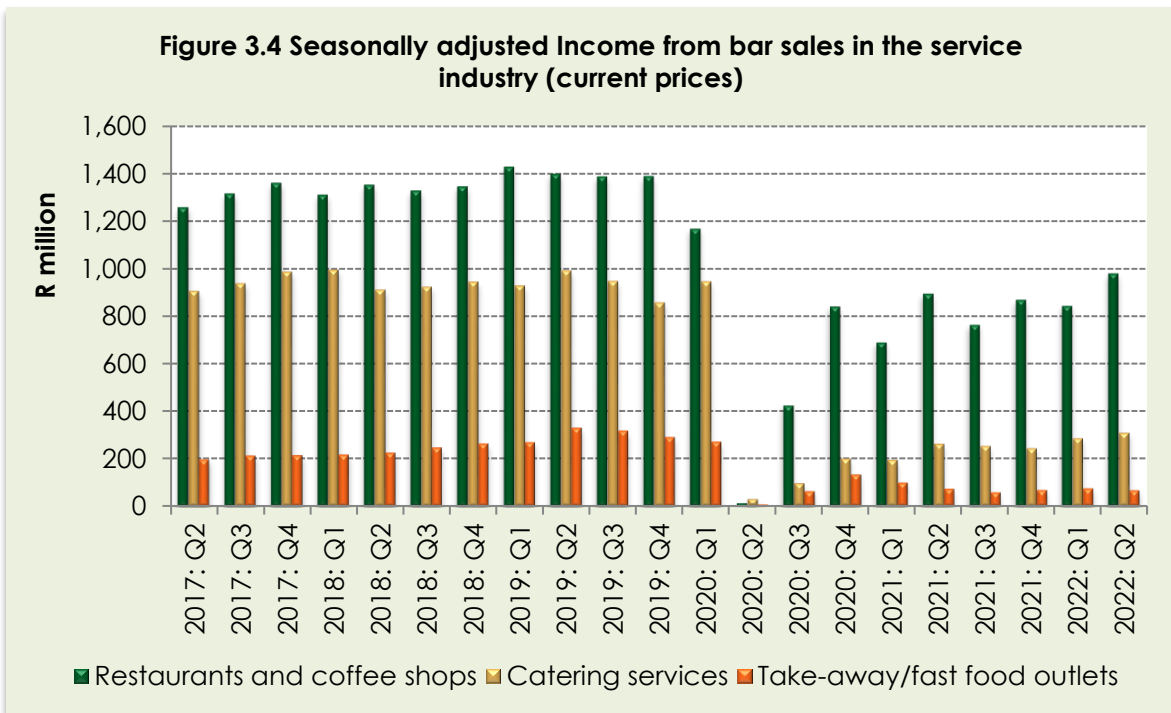
3.4 INCOME FROM BAR SALES IN THE SERVICE INDUSTRY

Figure 3.3 below shows the income from bar sales in the food and beverages service division in 2022: Q2. The income from bar sales in the food and beverages service industry grew quarter-to-quarter by 12,6% in 2022: Q2 from a 1,9% growth in the last quarter. However, it moderated by 10,1% year-on-year from about 22,2% growth in 2022: Q1. Therefore, the income from bar sales increased to R1 356,2 million in 2022: Q2 from R1 204,4 million in 2022: Q1.



Source: Statistics SA (2022)

Figure 3.4 below shows the performance of the bar sales in the service industry, which includes restaurants and coffee shops, take-away/fast food outlets and catering services. During 2022: Q2, the quarter-to-quarter income from restaurants and coffee shops rebounded by 16,1% from a 2,9% contraction in the last quarter. However, it moderated by 9,6% year-on-year. Income from take away/fast food outlets contracted by 11,1% from a 9,1% growth in the preceding quarter, however, it receded further by 10,4% year-on-year. Catering services' income moderated quarter-to-quarter and year-on-year by 8,4% and 17,8% from a 17,1% and 46,5% growth, respectively, in the previous quarter.



Source: Statistics SA (2022)

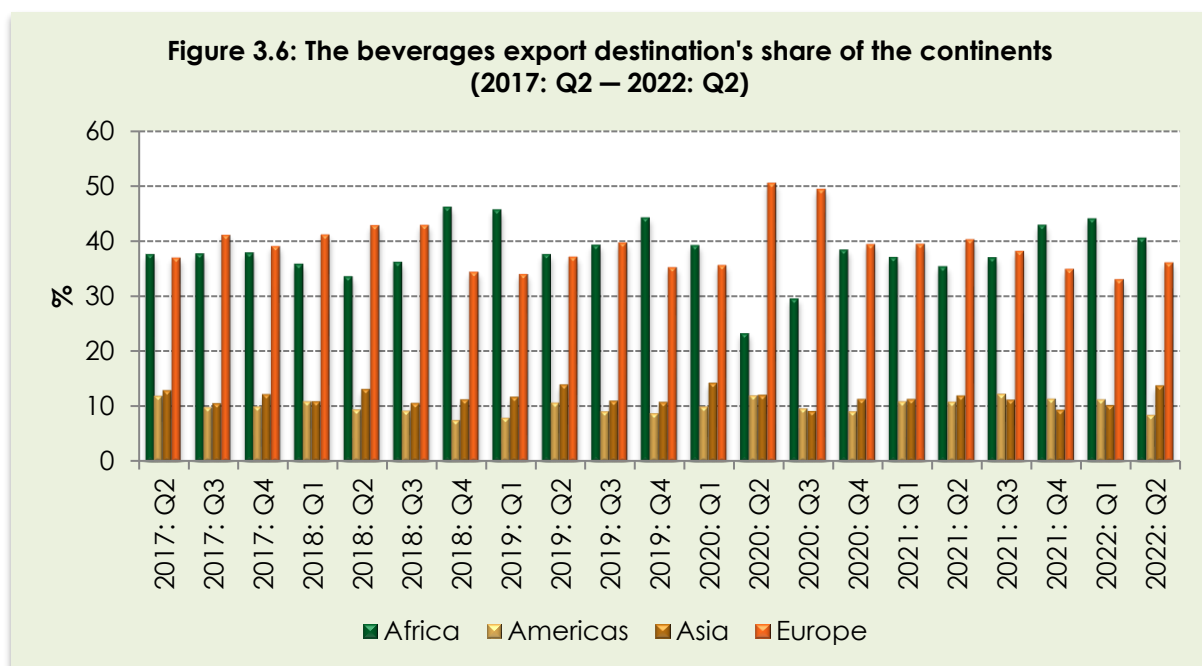
3.5 TRADE

Main export destinations of beverages products

As Figure 3.5 shows, during the quarter under review, Africa accounted for the largest share of South African exports of beverages. Africa accounted for 41% share, followed by Europe (36%). Asia and the Americas accounted for a share of 14% and 11%, 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, the Americas, and Oceania as presented in Figure 3.6.

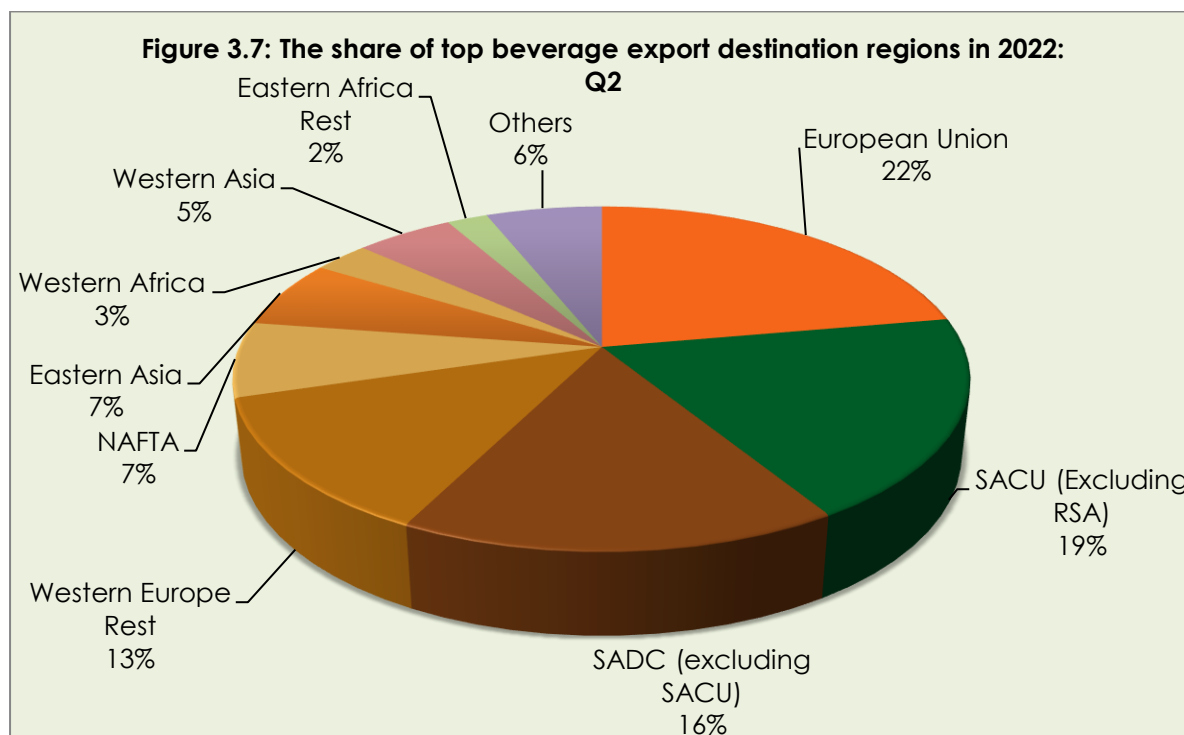


Source: Quantec (2022)



Source: Quantec (2022)

Among the main trading regions during 2022: Q2, the European Union accounted for the largest share of beverages exports at 22% followed by SACU (excluding SA) at 19%. Moreover, SADC (excluding SACU) accounts for 16% of South African exports of beverages, while Western Europe comprises of about 13% share. NAFTA and Eastern Asia both account for 7% followed by Western Africa with a share of 3% in 2022: Q2 as illustrated in Figure 3.7.



Source: Quantec (2022)

Table 3.3 below presents the major exported beverages products during 2022: Q2 and their percentage change. The leading South African beverages export is wine of fresh grapes in containers of <= 2 l with an export value of R1 847,9 million. As compared to the same quarter in the previous year, it is a decrease of approximately 3,0%. Wine of fresh grapes, in containers of > 2 l (excluding sparkling wine) export value was R68,0 million, representing a growth of 2,7% year-on-year. Beer export valued was at around R448,8 million, this is an increase of about 49,4% year-on-year.

Table 3.3: Major exported beverages products in 2022: Q2 and their percentage change.

HS code	Product description	Export value R_million	Year-on-year % change
220421	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of <= 2 l (excluding sparkling wine)	1847,9	-3,0

220429	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 l (excluding sparkling wine)	68,0	2,7
220300	Beer made from malt	448,8	49,4
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher	447,3	37,3
220600	Other fermented beverages (for example, cider, perry, mead, saké); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included	442,3	45,4
220210	Waters, incl. mineral and aerated, with added sugar, sweetener or flavour, for direct consumption as a beverage denatured, of any strength	342,1	-20,2
220720	Ethyl alcohol and other spirits, denatured, of any strength	240,5	43,6
220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	179,3	28,8
220870	Liqueurs and cordials	177,1	21,9
220422	In containers holding more than 2 litres but not more than 10 litres	153,9	-18,9

Source: Quantec (2022)

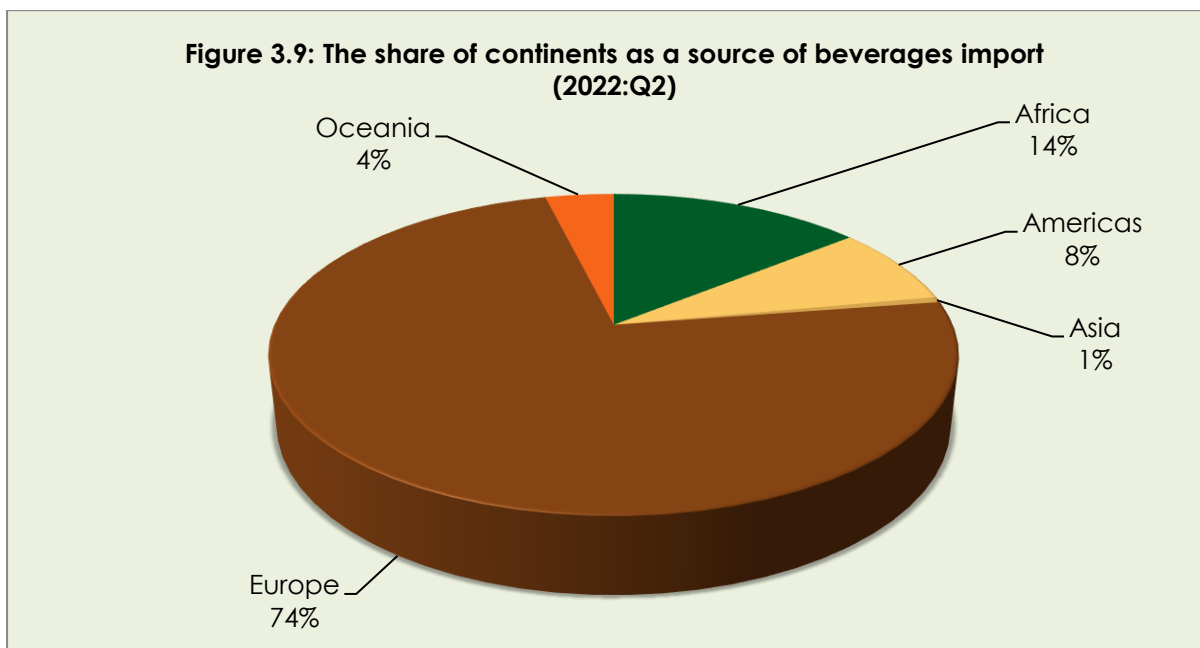


Source: Quantec (2022)

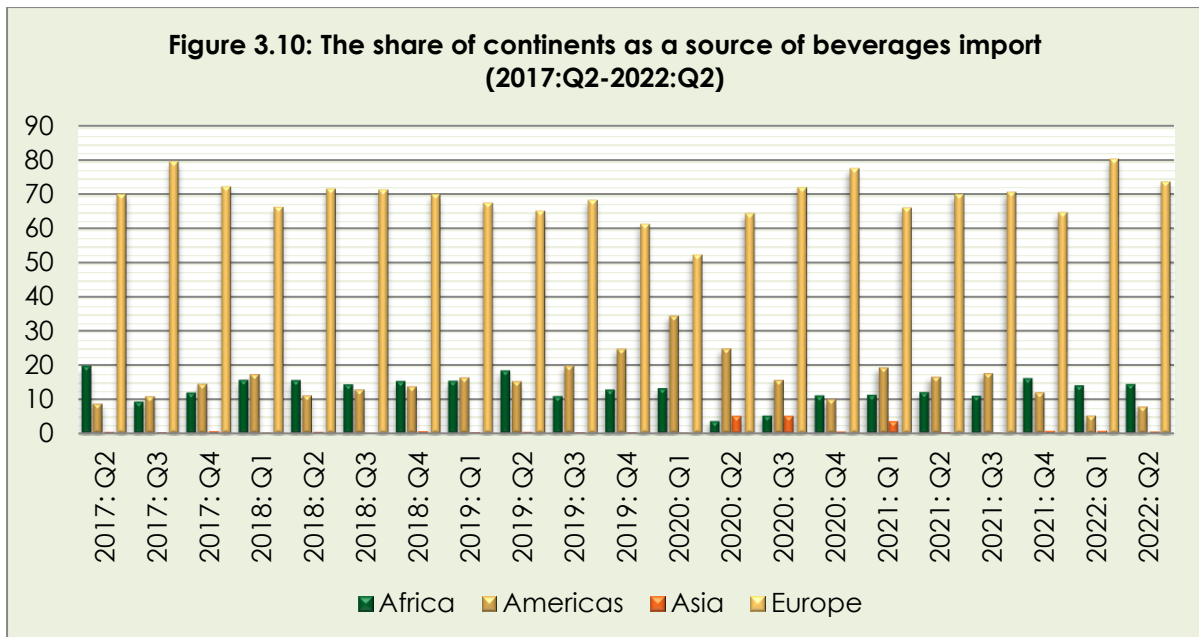
Figure 3.8 above shows the shares of the top ten beverages export destinations during 2022: Q2. The following are the main countries that accounted for a higher share of South Africa's beverages exports in 2022: Q2: the United Kingdom (12,2%), Botswana (6,8%), Namibia (6,8%), Germany (5,7%), United Arab Emirates (4,8%), Zambia (4,6%), the Netherlands (4,5%), Belgium (3,7%) and Mozambique (3,2%).

Main imported beverages products and the source

Figure 3.9 illustrates the share of continents as a source of beverages imports in 2022: Q2. South Africa mainly imports beverages products from Europe, which accounted for a 74% share, followed by Africa, Americas, Oceania and Asia with 14%, 8%, 4%, and 1% respectively.

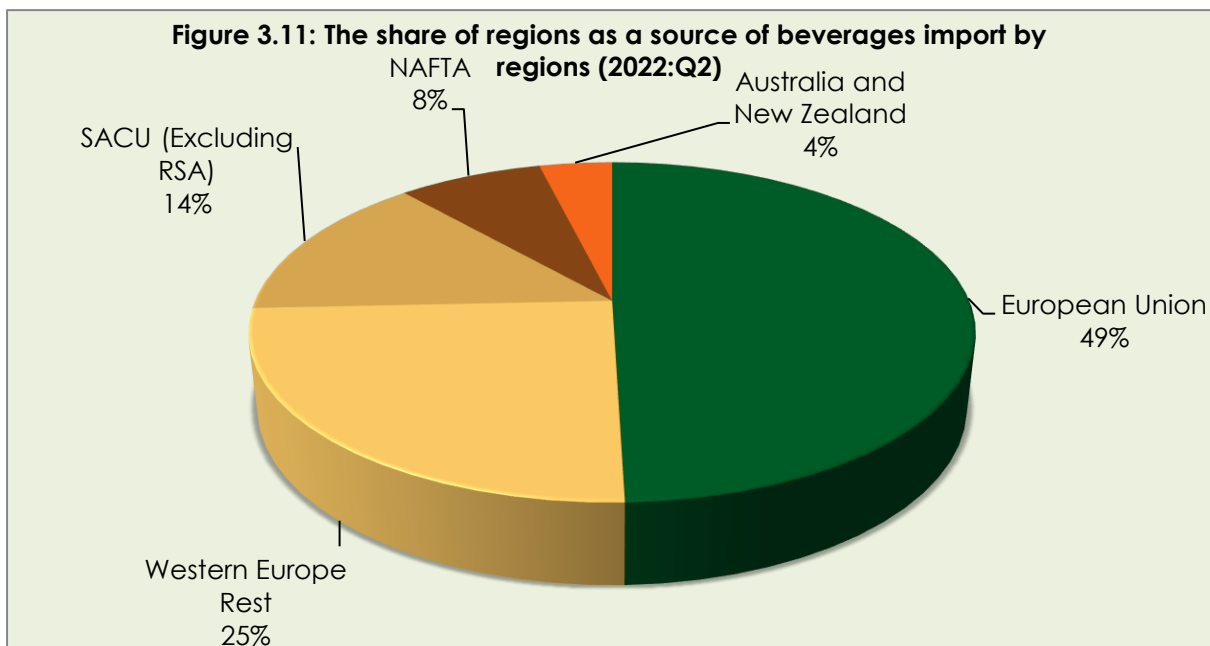


Source: Quantec (2022)



Source: Quantec (2022)

European union was the leading source of South Africa's imports of beverages, it accounted for about 49% share in 2022: Q2. This is followed by Western Europe Rest with a share of around 25% as illustrated in figure 3.11, followed by SACU (Excluding RSA) with 14% share. The NAFTA and Australian and New Zealand have a share of about 8% and 4%, respectively.



Source: Quantec (2022)

Table 3.5 below presents major imported beverages products during 2022: Q2 and the year-on-year percentage change. During 2022: Q2, the main imports of beverages in South Africa are waters at around R557,1 million, followed by beer made from malt at R360,2 million and liqueurs amounting to approximately R299,1 million. Waters; and liqueurs and cordials grew by

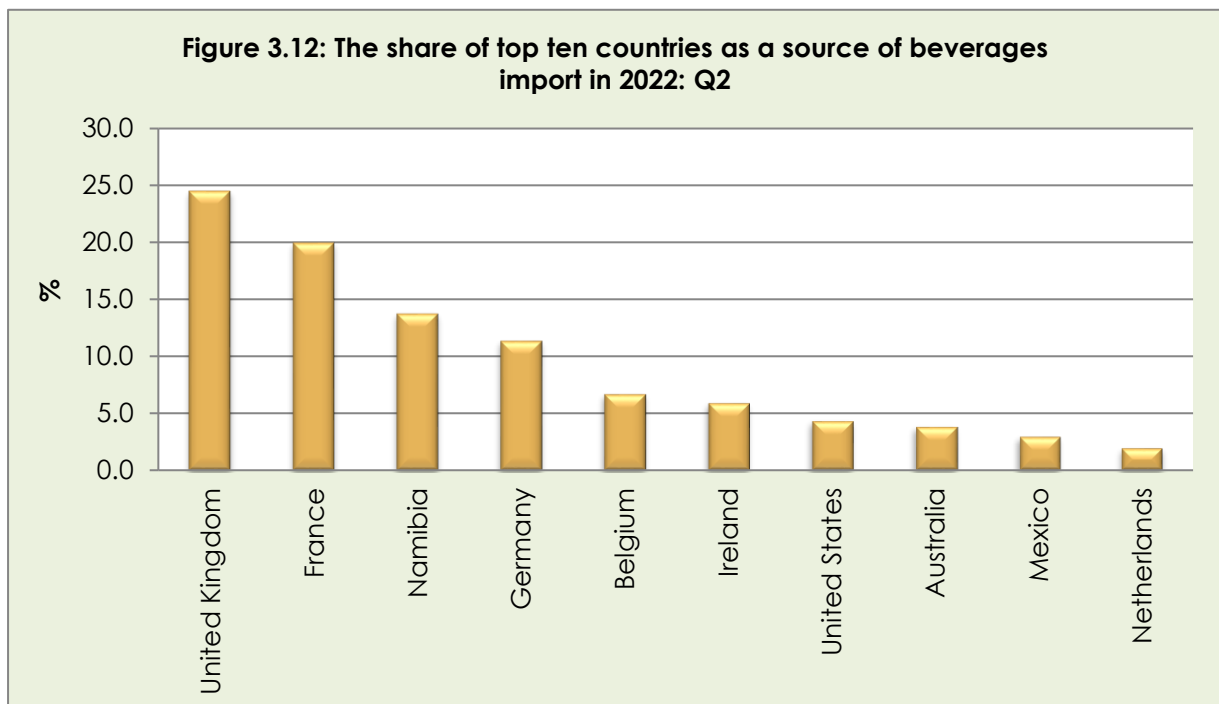
73,8% and 225,4% year-on-year respectively, while beer made from malt declined by about 13,6% year-on-year.

Table 3.5: Imported beverages in 2022: Q2 and percentage change.

HS code	Product description	Export value R_million	Year-on-year % change
220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	557,1	73,8
220300	Beer made from malt	360,2	-13,6
220870	Liqueurs and cordials	299,1	225,4
220820	Spirits obtained by distilling grape wine or grape marc	174,5	-48,8
220410	Sparkling wine	172,4	93,7
220890	Ethyl alcohol of an alcoholic strength of < 80% vol, not denatured; spirits and other spirituous beverages (excluding compound alcoholic preparations of a kind used for the manufacture of beverages, spirits obtained by distilling grape wine or grape marc, whiskies, rum and other spirits obtained by distilling fermented sugar cane products, gin, geneva, vodka, liqueurs and cordials)	78,5	105,6
220600	Other fermented beverages (for example, cider, perry, mead, saké); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included	70,2	121,1
220850	Gin and Geneva	59,5	2,8

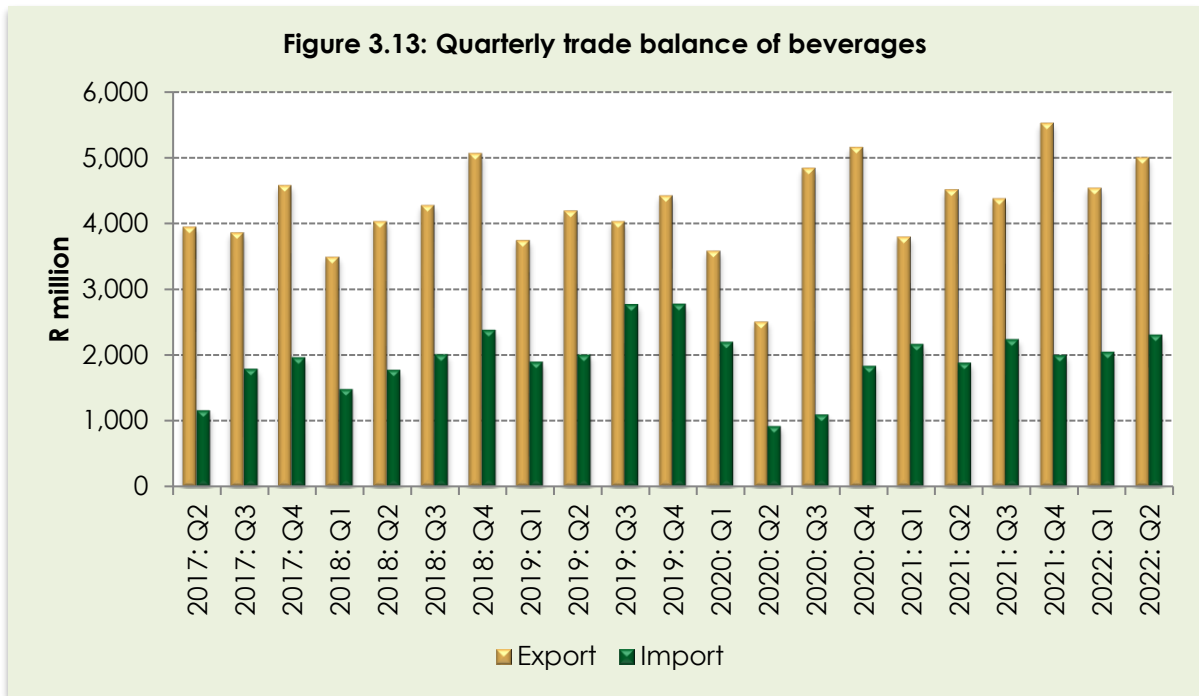
220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	46,7	11,3
220421	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of <= 2 l (excluding sparkling wine)	34,6	28,6

Source: Quantec (2022)



Source: Quantec (2022)

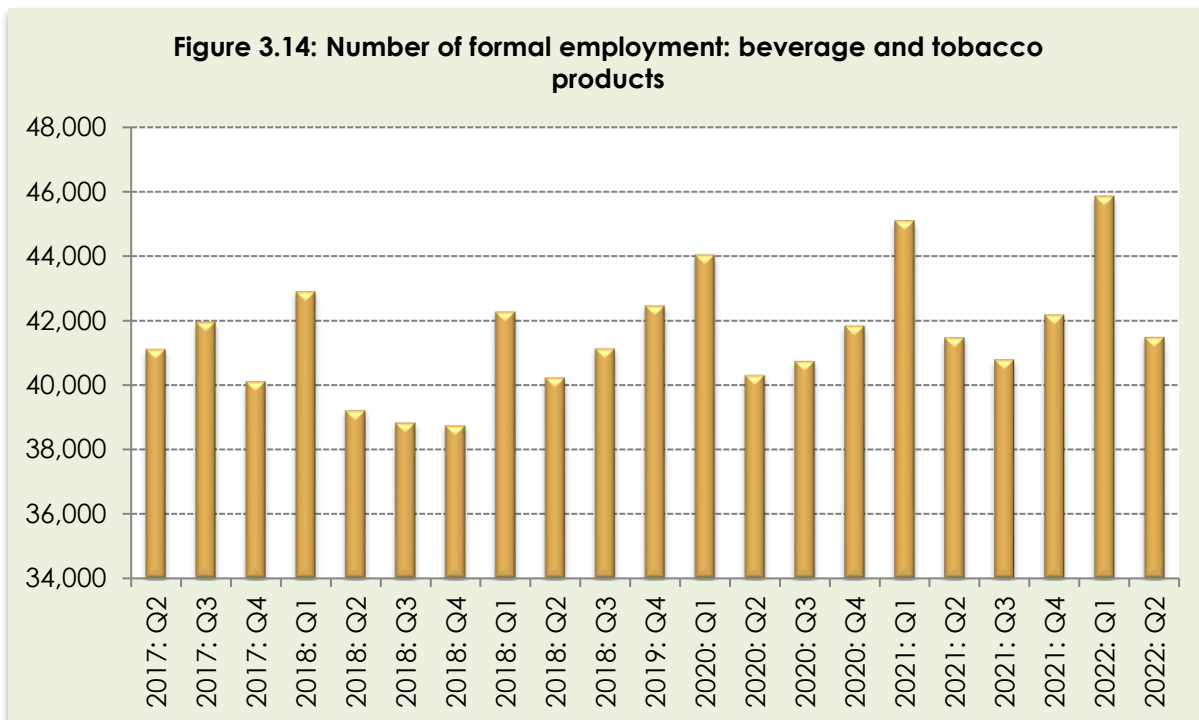
Figure 3.12 above shows the share of the top ten countries as a source of beverages imports in 2022: Q2. The United Kingdom accounted for the highest share of South Africa's beverages imports at 24,5%, followed by France (20,0%), Namibia (13,8%), Germany (11,4%), Belgium (6,7%), Ireland (5,9%), the United States (7,9%), Australia (7,6%) Mexico (3,0%) and the Netherlands (1,9%).



Source: Trade Map (2022)

During 2022: Q2, quarter-to-quarter, beverages exports rebounded by 10,2% from a contraction of about 17,8% in 2022: Q1, while exports moderated year-on-year by 10,8% following a 19,5% growth. However, quarter-to-quarter, imports grew by 12,6% in 2022: Q2 following a growth of about 2,4% in 2022: Q1. On the other hand, year-on-year, beverages imports rebounded by 22,8% in 2022: Q2. As a result, the trade surplus of the beverages division widened from R2 504,1 million in 2022: Q1 to R2 710,6 million in 2022: Q2.

3.6 EMPLOYMENT



Source: Trade Map (2022)

Figure 3.14 shows formal employment in the beverages and tobacco products divisions. The quarter-to-quarter formal employment in the beverages division contracted by 3,6% in 2022: Q2 from a 2,4% growth in 2022: Q1. However, employment moderated by 1,6% year-on-year from a 3,6% growth in the last quarter. Therefore, employment decreased to 41 493 in the current quarter from 45 839 in the previous quarter, representing a loss of 4 346 jobs.

4. CONCLUSION

Real economic activity in South Africa contracted by 0,7% in 2022: Q2. Output in agriculture contracted further in the second quarter. However, the volume of production for the food and beverages division receded further by 0,4% from a 14,0% contraction recorded in the last quarter. Furthermore, the division contracted by 3,6% year-on-year. The quarter-to-quarter and year-on-year value of sales in the food and beverages moderated in growth during this period.

The quarter-to-quarter food and beverages exports rebounded by 19,6% following a 19,2% contraction in the last quarter, however, it grew by 18,0% year-on-year. In contrast, the quarter-to-quarter imports decelerated by 2,5% following a 0,9% contraction in the preceding quarter, however, it moderated by 11,5% year-on-year. As a result, the trade balance was a surplus of R1 955,7 million during the period under review.

Food products exports are mainly destined for Asia (28%), Europe (28%) and Africa (24%). Likewise, food products imports are sourced from Asia (53%) and Europe (26%). On beverages exports, Africa (41%) accounted for a larger share of continents followed by Europe (36%), Asia (14%), Americas (8%) and Oceania (1%). On the other hand, Europe accounted for a larger share of beverages imports (74%), followed by Africa (14%), Americas (8%), Oceania and Asia (1%).

The formal employment of the food division contracted by 2,4% quarter-to-quarter resulting in 5 425 jobs shed in the period of review. Employment in beverages and tobacco division, similarly, contracted quarter-to-quarter resulting in approximately 4 346 jobs shed.

REFERENCES

Reserve Bank (2022), Quarterly Bulletin, September 2022, South African Reserve Bank.

Statistics SA (2022), Consumer Price Index, various issues. Statistics South Africa.

Statistics SA (2022), Producer Price Index, various issues. Statistics South Africa.

Statistics SA (2022), Export and Import Unit Value Indices, various issues. Statistics South Africa.

Statistics SA (2022), Manufacturing: Production and Sales, various issues. Statistics South Africa.

Statistics SA (2022), Manufacturing: Utilisation of Production Capacity by Large Enterprise.

Statistics South Africa.

Statistics SA (2022), Wholesale Trade Sales, various issues, Statistics South Africa.

Statistics SA (2022), Retail Trade Sales, various issues, Statistics South Africa.

Statistics SA (2022), Food and Beverages, various issues, Statistics South Africa.

Quantec (2022) (Trade) Exports and imports, continents, regional, top ten countries.

Quantec (2022) Top food and beverages items by value and percentage change

Statistics SA (2022), Quarterly Employment Statistics, various issues. Statistics South Africa.

A series of horizontal dashed lines for writing.