

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

October to December 2022

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DIRECTORATE: AGRO-PROCESSING SUPPORT



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## 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: October to December”*, evaluates the performance of the food and beverages divisions during the fourth quarter of 2022. 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 contents of this publication are welcome.

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*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.*

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## EXECUTIVE SUMMARY

Economic activity in South Africa decreased in the fourth quarter of 2022. Real gross domestic product (GDP) reverted from a revised expansion of 1,8% in the third quarter of 2022 to a contraction of 1,3% in the fourth quarter as output declined in the primary, secondary and tertiary sectors (*SA Reserve Bank, 2023*).

The real output of the manufacturing sector contracted by 2,8% in 2022: Q4. The volume of production of the food and beverages division moderated by 2,0% from a 10,6% growth recorded in the last quarter, however, the division contracted by 4,0% year-on-year. The quarter-to-quarter value of sales in the food and beverages divisions, on the other hand, contracted by 2,0% in 2022: Q4 from a 3,9% growth in 2022: Q3. Sales of the food and beverages division, however, moderated by 9,1% year-on-year.

The quarter-to-quarter and year-on-year food and beverages exports contracted by 2,9% and 7,8% in 2022: Q4 from a 9,6% and 28,2% growth respectively in 2022: Q3. However, the quarter-to-quarter imports contracted by 5,0% following a 13,3 % growth in the preceding quarter, while year-on-year imports moderated by 3,9% from a growth of 20,8% recorded in the preceding quarter. As a result, the trade balance widened from R1 375,0 million in the preceding quarter to R1 833,6 million in the current quarter of review.

The main destination of South African food exports is Africa with a share of about 57%, followed by Europe, Asia and the Americas. Oceania accounted for about 2,0% of South African food exports. Likewise, Africa accounted for the largest share of South African exports of beverages by 47%, followed by Europe, the Americas and Asia. Oceania had the least share at 1%.

The formal employment in the food, beverages and tobacco division rebounded by 2,0% In 2022: Q4 from a contraction of about 0,8% in 2022: Q3. However, year-on-year employment remained unchanged in 2022: Q4 as compared to a 1,3% growth recorded in the last quarter. As a result, employment in the division increased to 264 029 in 2022: Q4 from about 258 779 in 2022: Q3. This translates to 5 250 jobs created in 2022: Q4.

## 1. INTRODUCTION

In 2022: Q4, the South African economic activity contracted as real gross domestic product (GDP) shrank by 1,3% following a revised increase of 1,8% in the third quarter. The contraction in the fourth quarter was broad-based, with activity declining in the primary, secondary and tertiary sectors. The primary sector contracted by 3,2% following a growth of 11,9% in the preceding quarter. Mining and agriculture contracted by 3,3% and 3,2% respectively. Similarly, the secondary sector's manufacturing also contracted by 0,9%. The real output of the agricultural sector contraction in the fourth quarter was due to the lower production of field crops and horticultural products. Annual growth in agricultural output moderated markedly to 0,3% in 2022, mainly due to lower field crop harvests, especially of maize and sugar cane (SA Reserve Bank, 2023).

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. The review is organised as follows: the first section provides the analysis of the food division; the second section analyses beverages industry, and lastly, 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)<sup>1</sup>*

The quarter-to-quarter consumer price index for all items moderated by 0,8% in 2022: Q4, following a growth of 2,7% in the previous quarter. Some of the items that moderated quarter-to-quarter were: food and non-alcoholic beverages (2,2%), food (2,3%), bread and cereals (2,5%), meat (1,9%), fish (1,4%), milk, eggs and cheese (2,6%) vegetables (1,7%) and sugar, sweets and deserts (2,0%). Oils and fats contracted by 3,9%, fruits rebounded by 9,4%, while other food grew by 4,2%. The year-on-year CPI for all items moderated by 7,1% following a 7% registered in the previous quarter. However, the year-on-year CPI for most food items grew during the period, i.e.: food and non-alcoholic beverages (11,1%), food (11,1%), bread and cereals (17,8%), meat (9,9%), fish (8,7%), milk (9,9%) and sugar, sweets and deserts (8,3%). However, the year-on-year percentage change for fruits rebounded by 2,5%, oils and fats; and vegetables moderated by 22,8% and 6,7% respectively during the period under review (see Table 2.1).

**Table 2.1: Consumer Price Index of food products**

Food products	Weight	Indices			% Change between	
		2021: Q4	2022: Q3	2022: Q4	2022: Q3 and 2022: Q4	2021: Q4 and 2022: Q4
All items (CPI Headline)	100	99,5	105,7	106,6	0,8	7,1
Food and non-alcoholic beverages	15,4	99,7	108,4	110,8	2,2	11,1
Food	14,2	99,7	108,3	110,8	2,3	11,1
Bread and cereals	3,5	99,7	114,6	117,5	2,5	17,8
Meat	4,6	99,2	107,0	109,0	1,9	9,9

<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.

Fish	0,4	99,5	106,6	108,1	1,4	8,7
Milk, eggs and cheese	1,7	99,9	107,1	109,8	2,6	9,9
Oils and fats	0,5	99,1	126,7	121,7	-3,9	22,8
Fruit	0,2	98,0	91,8	100,4	9,4	2,5
Vegetables	1,6	102,8	107,9	109,7	1,7	6,7
Sugar, sweets and deserts	0,6	99,6	105,7	107,9	2,0	8,3
Other food	0,9	100,0	107,4	111,8	4,2	11,9

Source: Statistics SA (2023)

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

During 2022: Q4, the quarter-to-quarter producer price index of final manufactured goods moderated by 1,0% from a 4,2% growth in 2022 Q3. The quarter-to-quarter producer price index moderated for food products (1,0%), meat and meat products (3,0%), fish and fish products (5,0%), fruits and vegetables (1,9%), dairy products (0,7%), grain mill products (14,1%), Starch and starch products, animal feeds (3,8%), other food products (1,2%) and bakery products (1,8%). However, oils and fats decelerated by 15,2%, while sugar contracted by 4,1%.

In terms of year-on-year, the producer price index of all items moderated by 14,8% in 2022: Q4 from a 17,0% growth in the last quarter. The year-on-year producer price index moderated for the following items: food products (14,3%), meat and meat products (12,1%), oils and fats (30,9%), other food products (10,6%), bakery products (12,3%) and sugar (0,6%). However, the following grew year-on-year: fish and fish products (17,1%), fruits and vegetables (12,7%), dairy products (15,8%), grain mill products (27,1%), and starch and starch products, animal feeds (24,6%) (see Table 2.2).

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<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.



Table 2.2: Producer Price Index of food products

Food products	Weight	Indices			% Change between	
		2021: Q4	2022: Q3	2022: Q4	2022: Q3 and 2022: Q4	2021: Q4 and 2022: Q4
Final manufactured goods (Headline PPI)	100	97,0	101,7	104,0	1,0	14,8
Food products	26,3	95,5	100,9	102,7	1,0	14,3
Meat and meat products	4,5	89,4	98,5	101,4	3,0	12,1
Fish and fish products	1,6	97,9	101,0	102,3	5,0	17,1
Fruit and vegetables	2,4	101,6	100,4	102,2	1,9	12,7
Oils and fats	0,5	94,7	107,7	121,0	-15,2	30,9
Dairy products	3,3	103,6	103,2	107,4	0,7	15,8
Grain mill products	1,8	89,7	100,1	100,2	4,1	27,1
Starch and starch products, animal feeds	1,6	88,7	106,4	108,4	3,8	24,6
Other food products	0,9	97,7	100,4	100,9	1,2	10,6
Bakery products	6,9	98,1	99,9	100,4	1,8	12,3
Sugar	1,9	94,9	102,4	103,1	-4,1	0,6

Source: Statistics SA (2023)

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

Table 2.3 presents the import unit value index of selected food products during 2022: Q4. The quarter-to-quarter import unit value, decelerated for food products by 7,2%, receded further for fats and oils by 15,8%. However, it moderated for grain mill products by 1,8%. In terms of year-on-year, import unit value for food contracted by 8,9%, however for fats and oils it decelerated by 31,5%, while for grain mill products it increased by 27,7%.

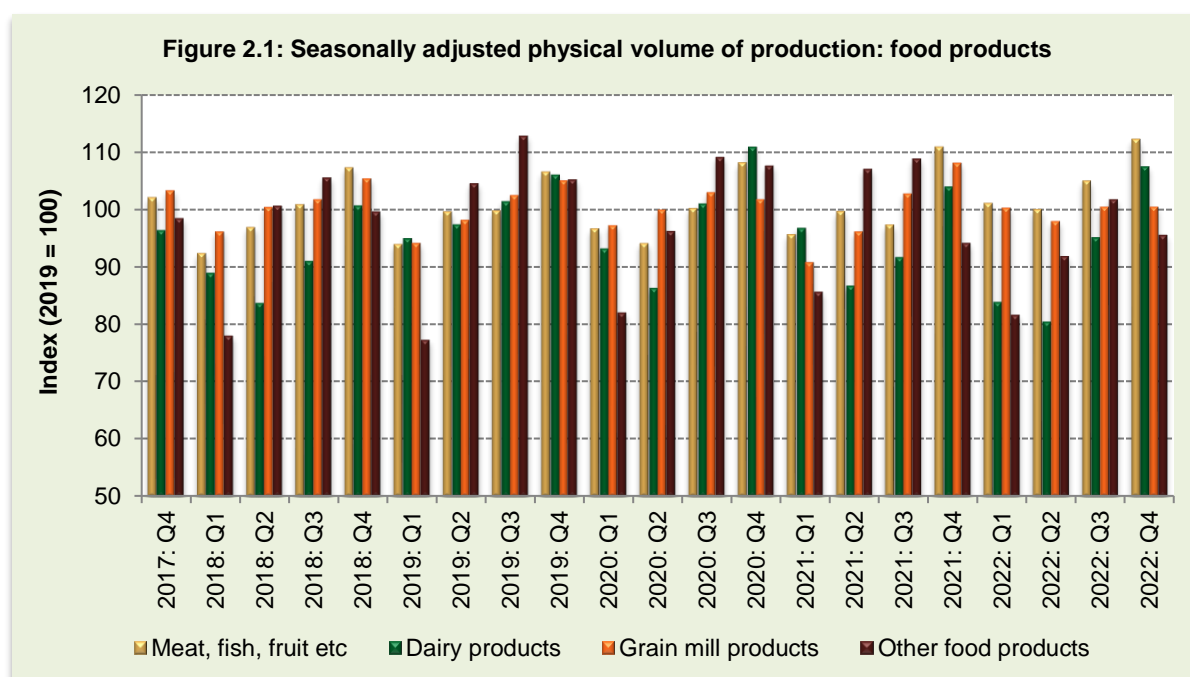
<sup>3</sup> IMF defines export and import unit value index as a measure the overall change in the prices of transactions in goods and services between the residents of an economic territory and residents of the rest of the world. The average unit value is obtained by dividing the value of exported/imported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

Table 2.3 presents the import unit value index of selected food products during 2022: Q4

Food products	Indices			% Change between	
	2021: Q4	2022: Q3	2022: Q4	2022: Q3 and 2022: Q4	2021: Q4 and 2022: Q4
Food (total)	103,2	101,2	94,0	-7,2	-8,9
Fats and oils	110,5	89,9	75,7	-15,8	-31,5
Grain mill products	94,6	118,6	120,8	1,8	27,7

Source: Statistics SA (2023)

## 2.2 PRODUCTION



Source: Statistics SA (2023)

Figure 2.1 presents seasonally adjusted physical volume of production for the food products division in 2022: Q4. The quarter-to-quarter seasonally adjusted volume of production for meat, fish and fruit grew by 6,9% in 2022: Q4 following a 5,0% growth in the last quarter, however, it moderated by 1,2% year-on-year. However, the seasonally adjusted physical volume of production for dairy products moderated quarter-to-quarter and year-on-year in 2022: Q4 by 13,0% and 3,4% respectively. Grain mill products, on the other hand, volume of

production remained unchanged. in 2022: Q4 as compared to 2,6% in the preceding quarter, however; it decelerated by 7,1% year-on-year. Other food products declined by 6,1% quarter-to-quarter in 2022: Q4 from a 10,8% growth in the last quarter, however, it rebounded by 1,5% year-on-year.

### *Production capacity*

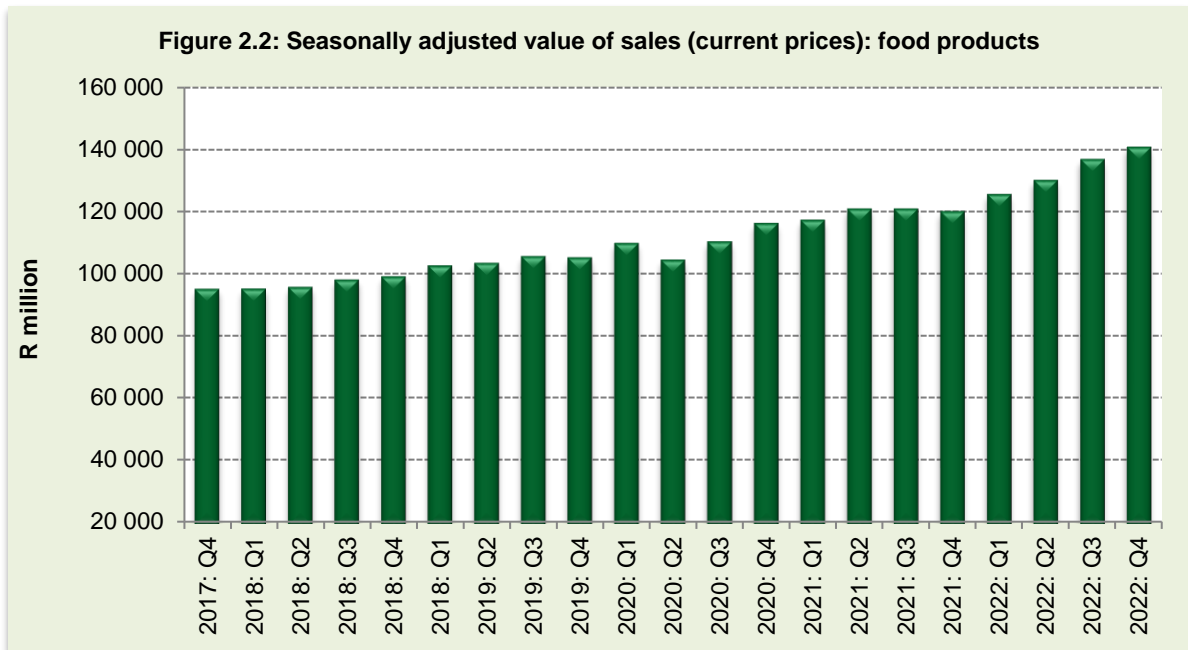
**Table 2.4: Utilisation and reasons for underutilisation of production capacity by large enterprises: Food products (percentage)**

Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
				Skilled	Semi- and unskilled		
2021: Q4	81,5	18,5	3,0	1,0	0,2	9,9	4,5
2022: Q3	83,8	16,2	2,3	0,9	0,1	10,0	3,0
2022: Q4	82,5	17,5	2,5	0,7	0,3	9,4	4,5

*Source: Statistics SA (2023)*

As Table 2.4 shows that the utilisation of production capacity by large enterprises of the food products division declined quarter-to-quarter, however, increased year-on-year. The quarter-to-quarter decline is by 1,3 percentage points, while year-on-year utilisation decreased by 1,0 percentage point. Insufficient demand remained the main reason for underutilisation in 2022: Q4, followed by other reasons such as seasonal factors.

## 2.3 VALUE OF SALES

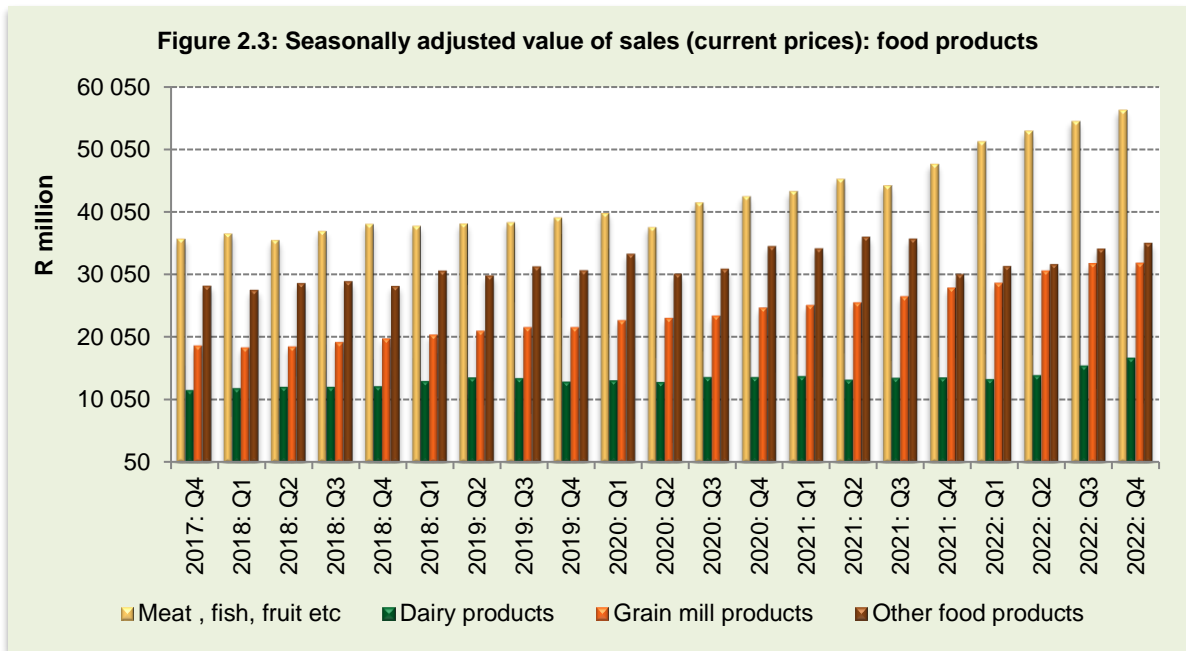


Source: Statistics SA (2023)

During 2022: Q4, the quarter-to-quarter value of sales of food products moderated by 2,9% as compared to a 5,2% growth in the last quarter. However, it grew year-on-year by 17,3% in 2022: Q4 following a growth of 13,3% in 2022: Q3 as illustrated in Figure 2.2.

As Figure 2.3 shows, quarter-to-quarter sales of meat, fish and fruit grew by 3,3%, in 2022: Q4 following a growth of 2,8% in the last quarter. The quarter-to-quarter seasonally adjusted value of sales for the dairy products and grain mill products moderated by 8,0% and 0,1% from a 10,8% and 3,9% growth in the last quarter. Similarly, sales of other food products moderated quarter-to-quarter by 2,7% following a 7,9% growth in the preceding quarter.

In terms of year-on-year, sales of meat, fish and fruit etc. and grain mill products moderated by 18,1% and 2,7% respectively. However, sales of dairy products increased by 23,2% while for other food products it bounced back by 16,6% in 2022: Q4.



Source: Statistics SA (2023)

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

The quarter-to-quarter wholesale trade sales of the food, beverages and tobacco divisions grew by 8,9% in 2022: Q4, as compared to a growth of 6,2% in 2022: Q3, however, it moderated year-on-year by 9,5% in 2022: Q4 from a 18,4% growth in the previous quarter. Conversely, the quarter-to-quarter retail trade sales accelerated by 24,2% in 2022: Q4, from a growth of about 1,8% in 2022: Q3. However, the retail trade sales moderated year-on-year by 5,7% in 2022: Q4 following a 10,6% growth in the last quarter.

As a result, the wholesale trade sales increased to R142 228 million in 2022: Q4 from R130 568 million in 2022: Q3. The retail trade sales also increased to R32 538 million in 2022: Q4 from R26 193 million in 2022: Q3 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 (2023)

## 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.

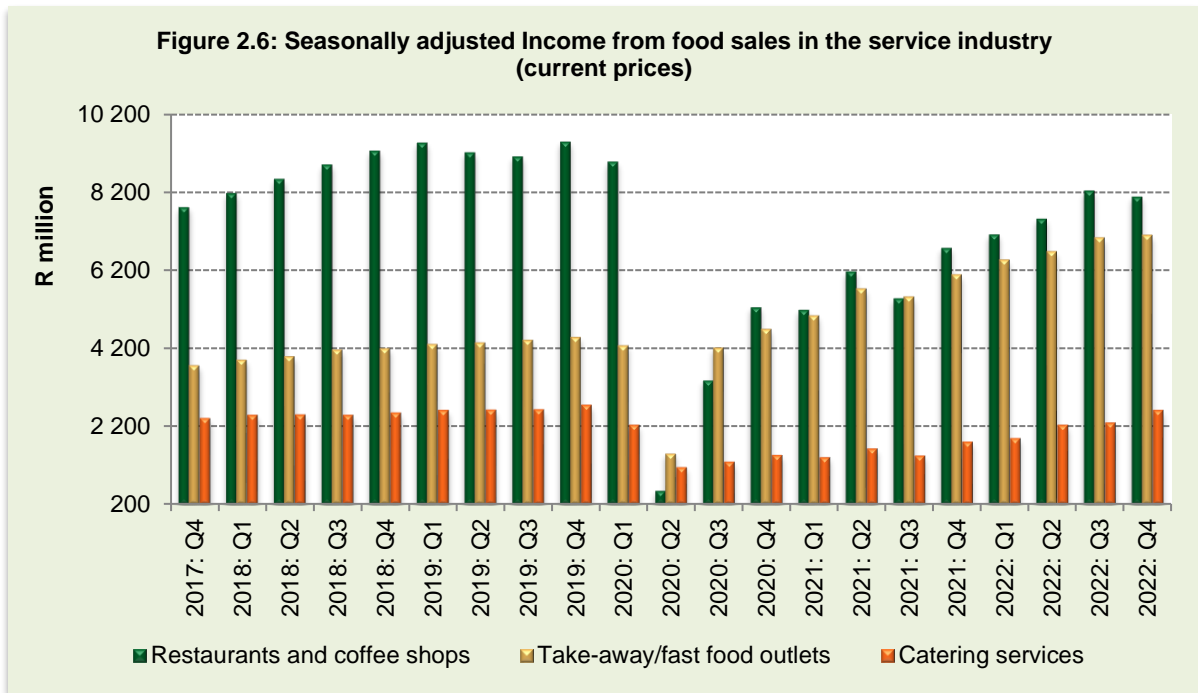
<sup>5</sup> Income from food sales in the service industry refers to income from the sale of meals and non-alcoholic drinks.



Source: Statistics SA (2023)

The total income from food sales in the service industry moderated quarter-to-quarter and year-on-year by 1,3% and 21,4% respectively in 2022: Q4 as compared to a 6,9% and 41,1% growth in 2022: Q3. As a result, the income from food sales increased to R17 795,9 million in 2022: Q4 from R17 560,9 million in 2022: 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 shrank by 1,9% in 2022: Q4 as compared to a 9,6% growth in 2022: Q3, while year-on-year, income from food sales in restaurants and coffee shops moderated by 19,5% from a 50,4% growth in the last quarter. Similarly, income from sales of takeaway/fast food outlets moderated quarter-to-quarter and year-on-year by 0,9% and 16,6% during 2022: Q4 following a 5,5% and 27,4% growth respectively in 2022: Q3. However, income from sales of catering services grew quarter-to-quarter by 14,1% as compared to a 2,4% growth in the preceding quarter, while year-on-year it moderated by 44,8% from a 58,3% registered in the preceding quarter.



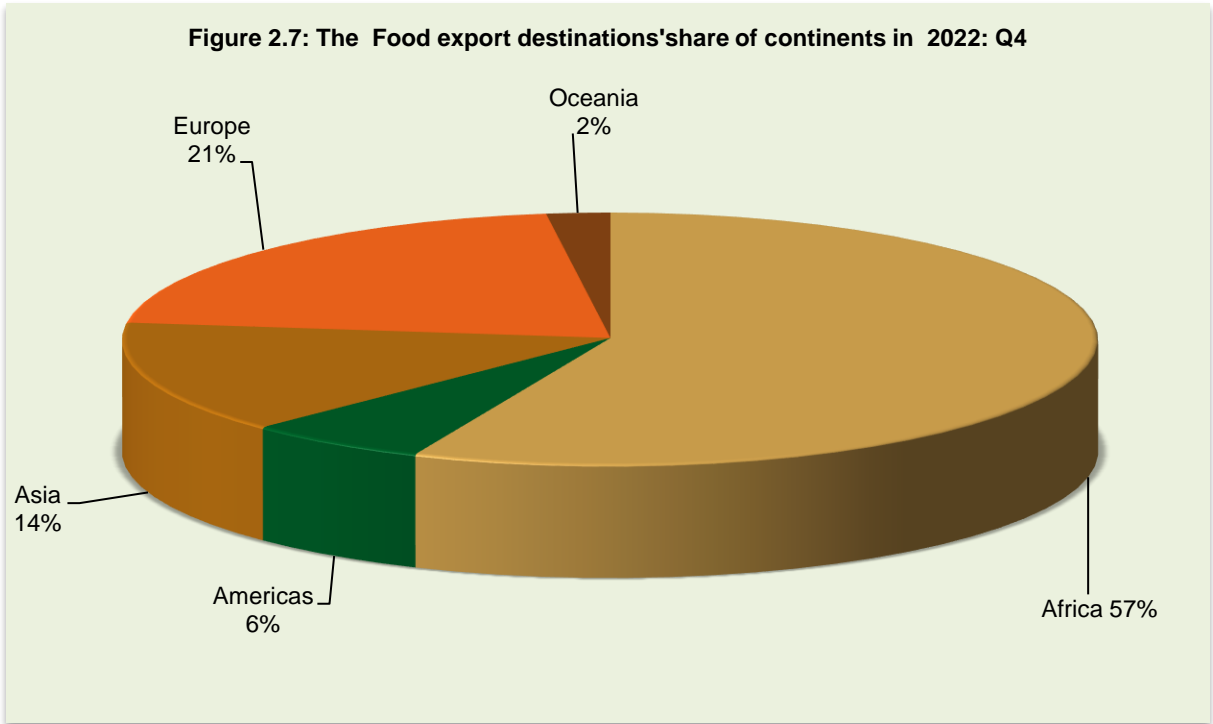
Source: Statistics SA (2023)

## 2.5 TRADE

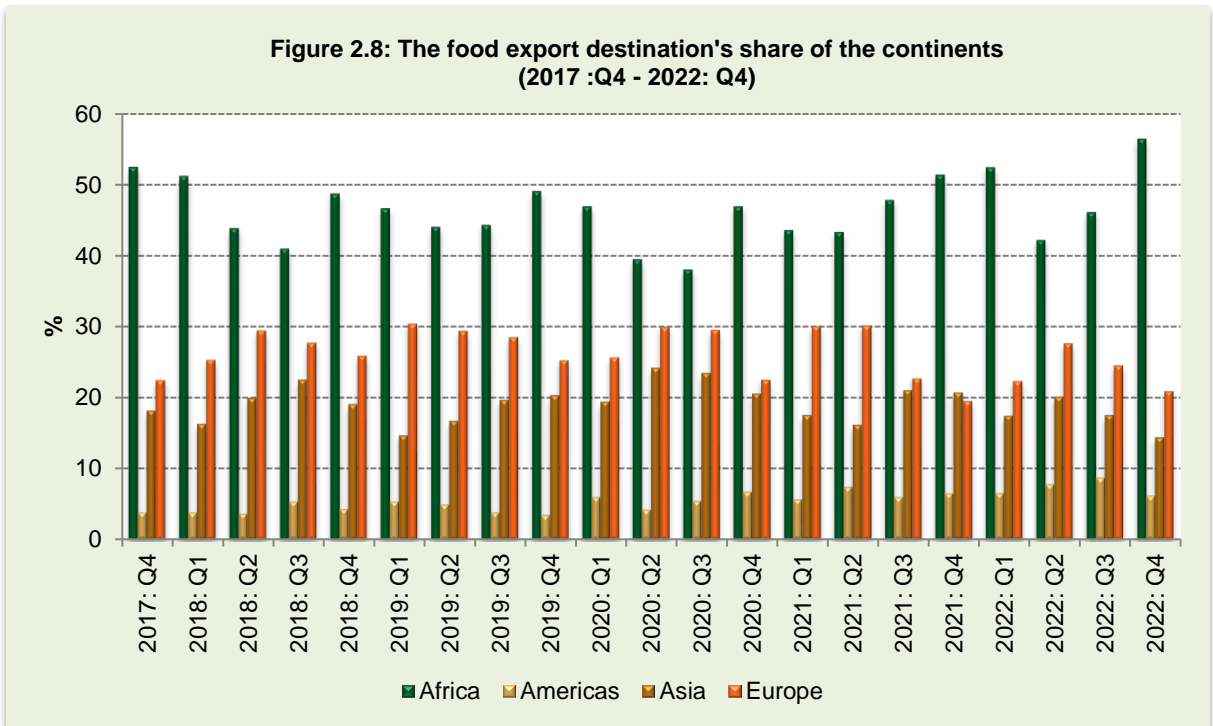
### Main food export destinations and products

Figure 2.7 shows food export destinations' share of the continents. Africa accounted for the highest share of South African food exports in 2022: Q4. Africa accounted for about 57% of South African food exports, followed by Europe, Asia and the Americas with a share of 21%, 14% and 6%, respectively. Oceania has the least share at approximately 2%. Figure 2.8 shows that, for the past five years, Africa accounted for the largest share of food exports in the world.





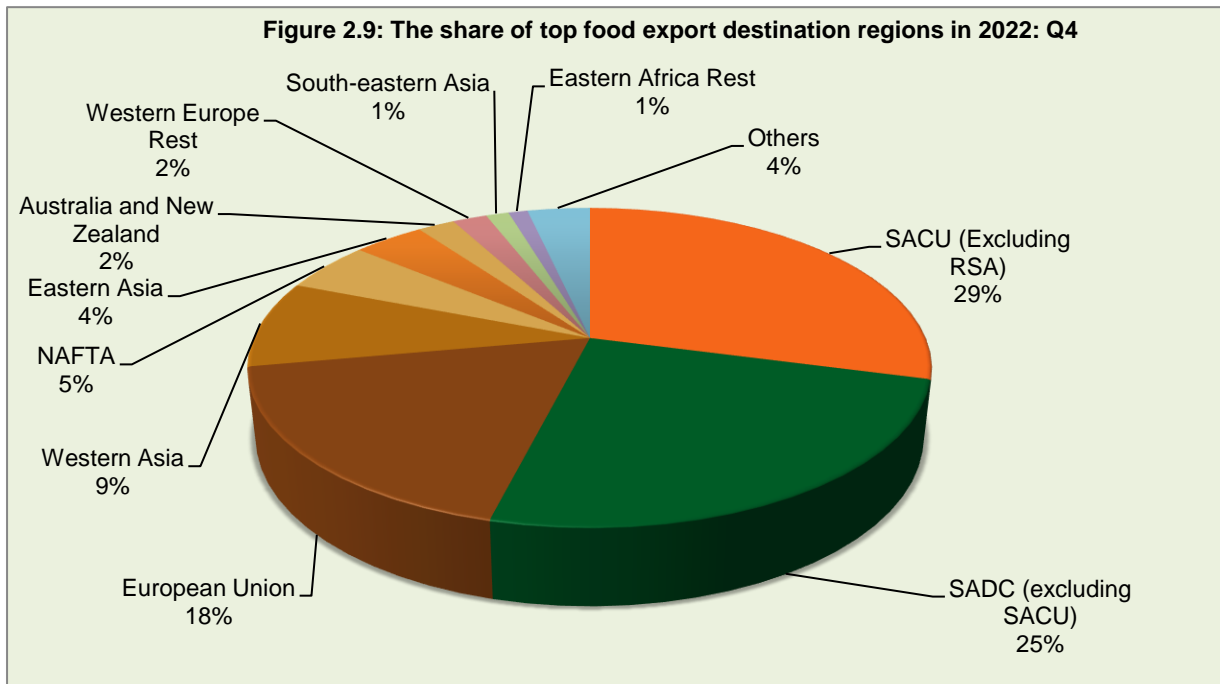
Source: Quantec (2023)



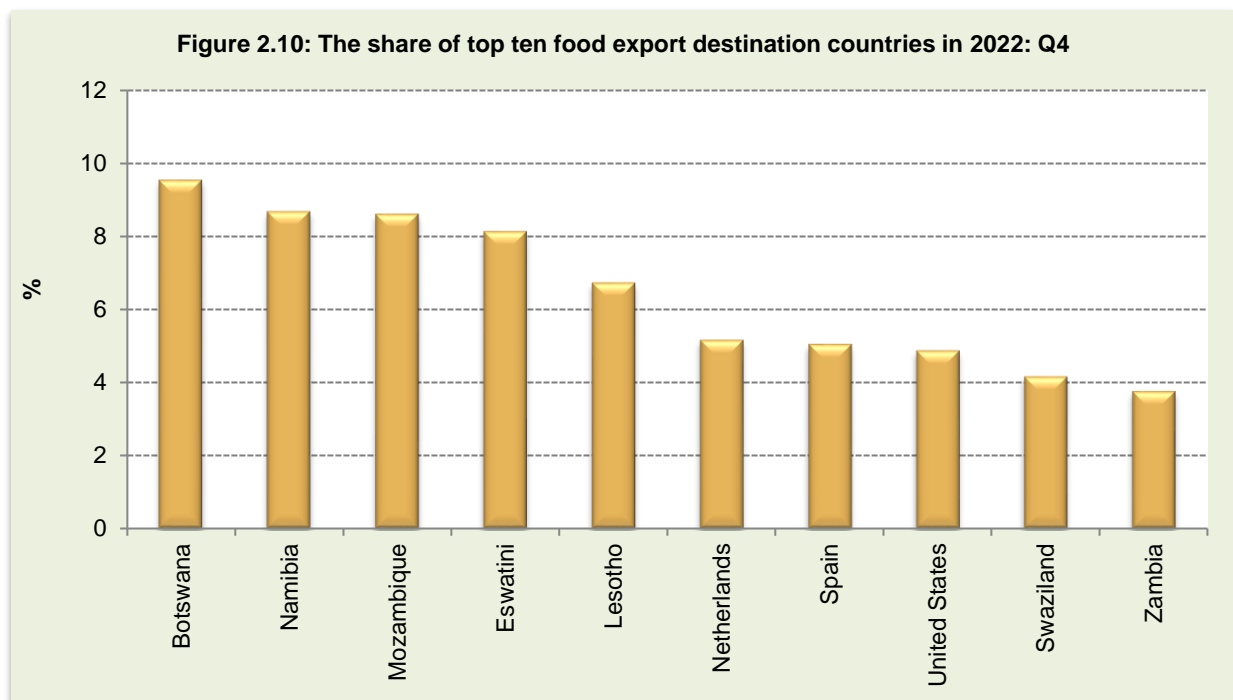
Source: Quantec (2023)

Figure 2.9 shows the food export destinations' share of the main regions in 2022: Q4. Among the main regions, SACU (excluding RSA) accounted for the highest share of South African

food exports (29%) followed by SADC (excluding SACU) (25%), then European Union (18%), Western Asia (9%), NAFTA (5%), Eastern Asia (4%). Australia and New Zealand; and western Europe rest both accounted for 2% each. South-Eastern Asia and Eastern Africa rest accounted for a 1% share each of South African food exports in 2022: Q4.



Source: Quantec (2023)



Source: Quantec (2023)

Figure 2.10 shows the top ten food export destinations by countries in 2022: Q4 were Botswana (9,5%), Namibia (8,7%), Mozambique (8,6%), Zimbabwe (8,1%), Lesotho (6,7%), Netherlands (5,2%), Spain (5,0%), USA (4,9%), Eswatini (4,2%) and Zambia (3,8%).

Table 2.5 presents the major exports of food products during 2022: Q4 and their year-on-year percentage change in the food category. The leading South African exports of food products are maize (excluding seed for sowing) (HS100590), fresh grapes (HS080610) and wine of fresh grapes, (HS220421) with an export value of R3 372,19 million, R2 276,51 million and R1 947,14 million, respectively, in 2022: Q4.

**Table 2.5: Major exported food products 2022: Q4**

HS code	Product description	Export value R_million	Year-on-year-% change
100590	Maize (excluding seed for sowing)	3 372,19	28,0
080610	Fresh grapes	2 276,51	59,2
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)	1 947,14	-7,9
081040	Fresh cranberries, bilberries and other fruits of the genus Vaccinium	1 834,06	6,3
080510	Fresh or dried oranges	1 454,55	-17,1
120190	Soya beans, whether or not broken (excluding seed for sowing)	1 413,46	658,0
080810	Fresh apples	1 085,19	6,8

100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	870,19	152,2
210690	Food preparations, n.e.s.	763,21	21,0
170114	Raw cane sugar, in solid form, not containing added flavouring or colouring matter (excluding cane sugar of 1701 13)	757,55	17,9

Source: Quantec (2023)

Table 2.6 shows the major imports of food products during 2022: Q4 and their percentage change. The leading imports of food products are semi-milled or wholly milled rice, whether or not polished or glazed (HS100630) amounting to R2 248,11 million, palm oil (HS 151190) amounting to (R1 980,20 million) and wheat and meslin (excluding seed for sowing, and durum wheat) (HS 100190) at (R1 200,04 million).

Table 2.6: Major imported food products in 2022: Q4

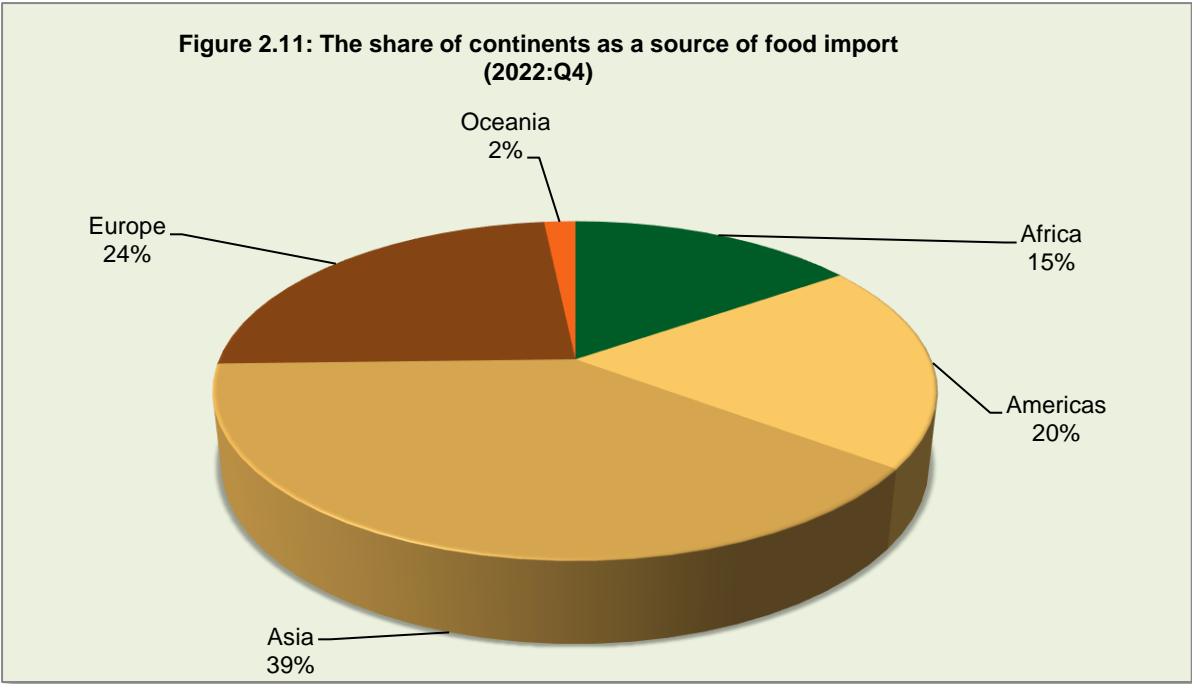
HS code	Product description	Import value R_million	Year-on-year % change
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	2 248,11	19,3
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	1 980,20	-3,6
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	1 200,04	47,0
210690	Food preparations, n.e.s.	899,33	14,5

170113	Raw cane sugar, in solid form, not containing added flavouring or colouring matter, obtained without centrifugation, with sucrose content 69° to 93°, containing only natural anhydral microcrystals (see subheading note 2.)	836,97	-3,4
010229	Live cattle (excluding pure-bred for breeding)	716,52	24,1
030353	"Frozen sardines ""Sardina pilchardus, Sardinops spp.", sardinella ""Sardinella spp.", brisling or sprats ""Sprattus sprattus"""	691,78	64,6
050400	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh, chilled, frozen, salted, in brine, dried or smoked	517,35	-4,4
230990	Preparations of a kind used in animal feeding (excluding dog or cat food put up for retail sale)	497,84	10,8
050400	Frozen fowls of the species Gallus domesticus, not cut in pieces	423,47	-39,4

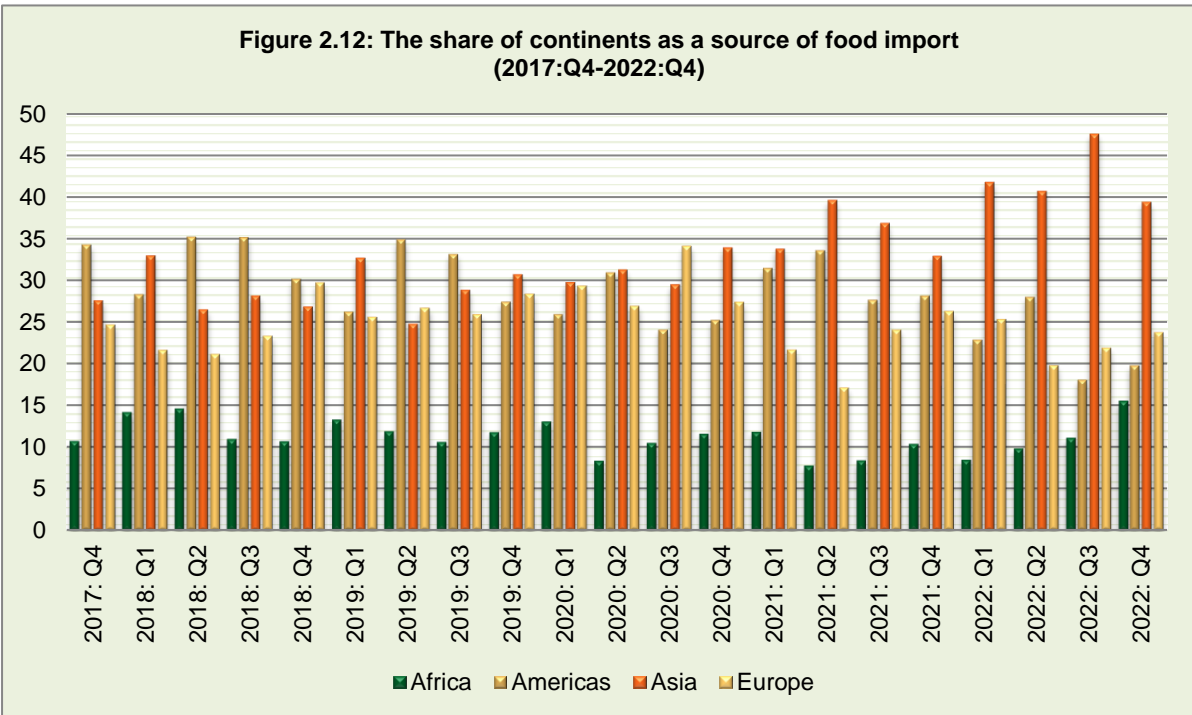
Source: Quantec (2023)

### Main source of imported food products

South Africa's main source of food imports during 2022: Q4 is presented in Figure 2.11. Asia accounted for a 39% share of food imports in 2022: Q4, followed by Europe with a share of about 24%, Americas (20%) and Africa (15%). 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.



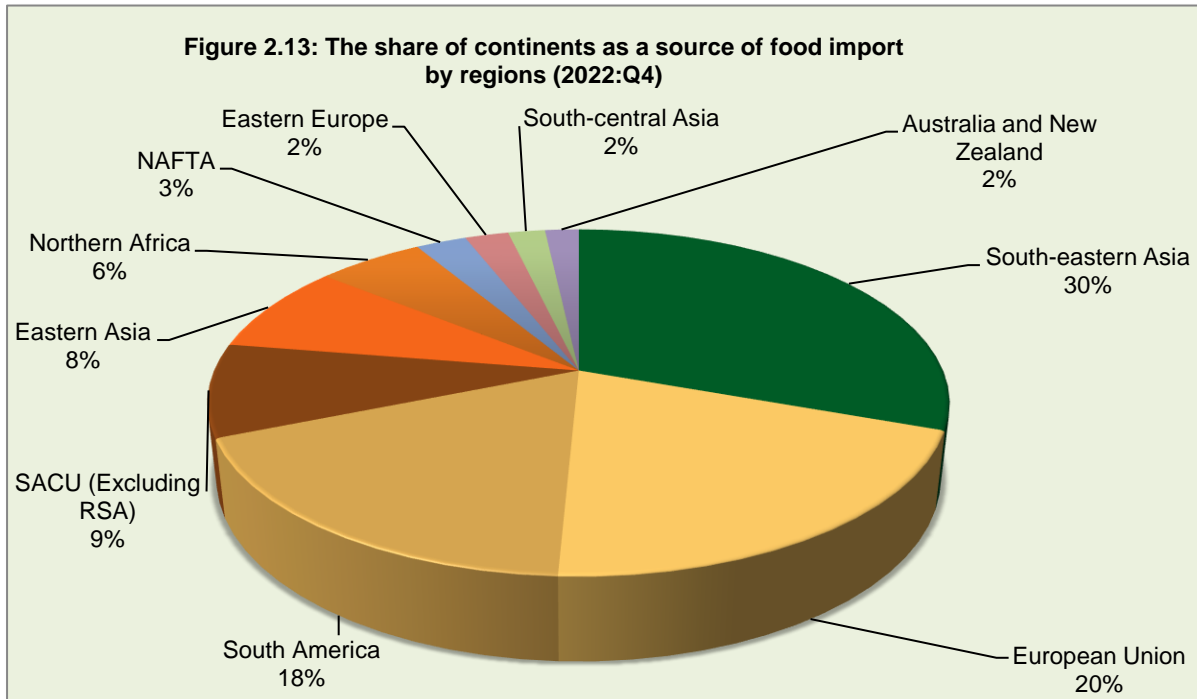
Source: Quantec (2023)



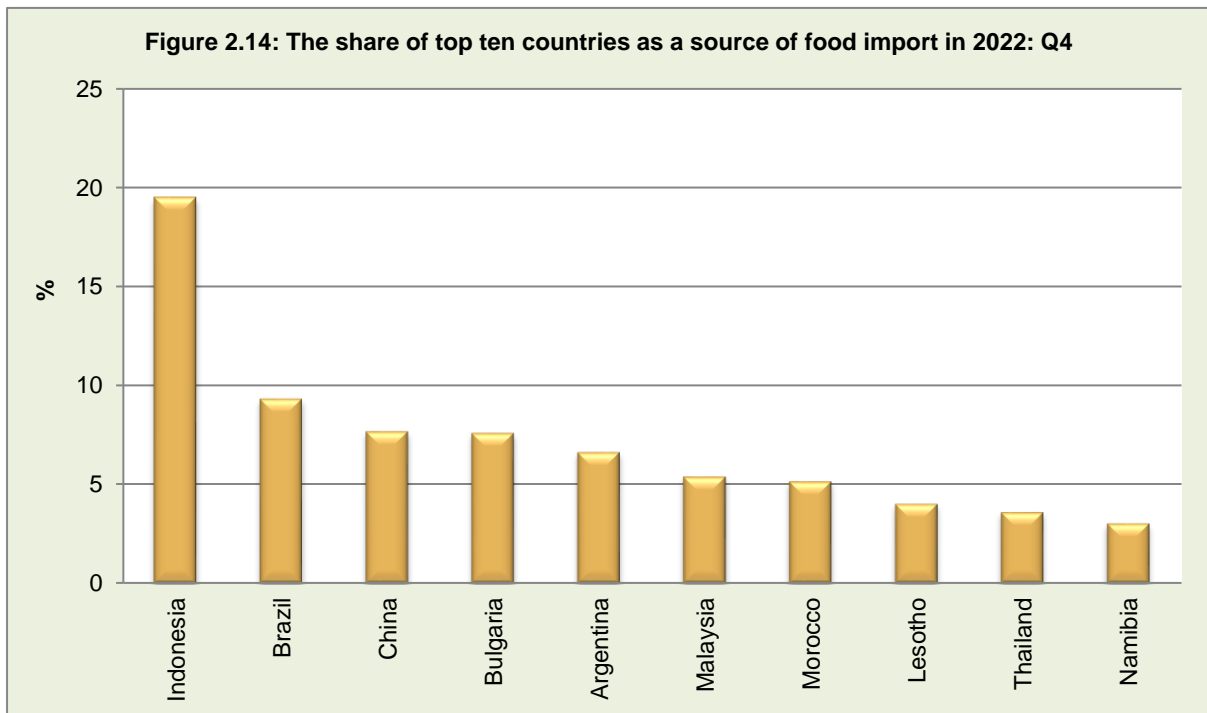
Source: Quantec (2023)

Amongst the trading regions, South-Eastern Asia accounted for an approximately 30% share of South African food imports, followed by European Union (20%), South America (18%) and SACU (excluding SA) (9%) in 2022: Q4. Eastern Asia, Northern Africa, NAFTA and Eastern

Europe accounted for 8%, 6%, 3% and 2% share of South African food imports, respectively, in 2022: Q4. South Central Asia; and Australia and New Zealand accounted for the least share, both at 2% as presented in Figure 2.13.

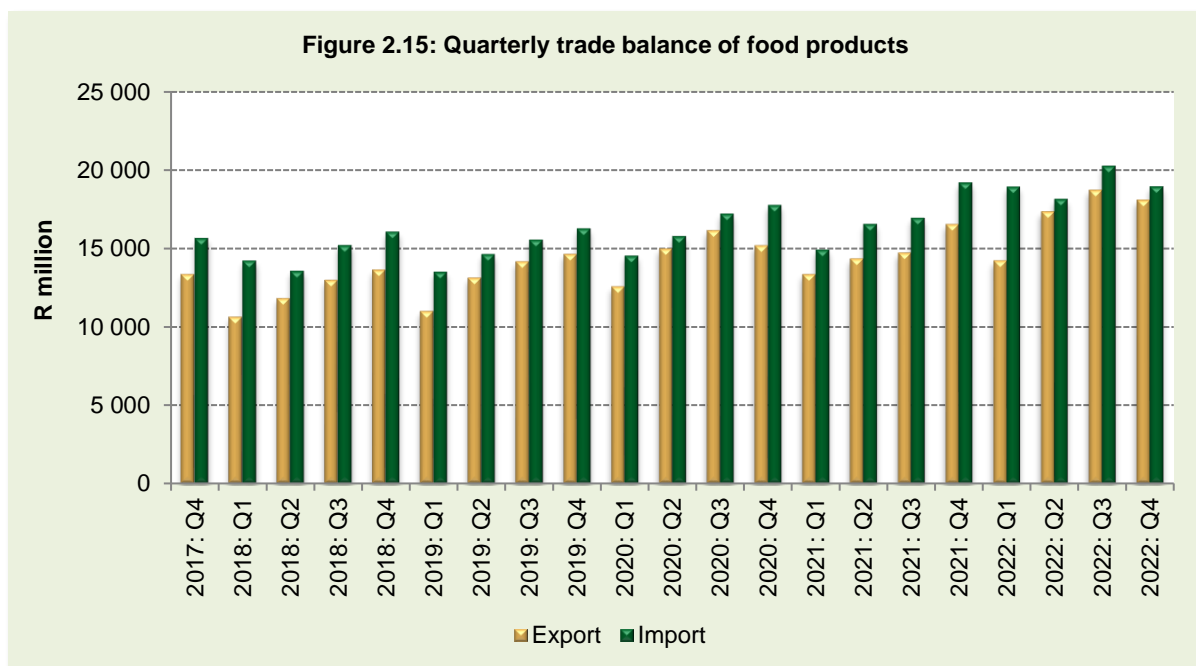


Source: Quantec (2023)



Source: Quantec (2023)

Figure 2.14 shows the top ten countries as a source of South African food imports in 2022: Q4. South Africa's imported food products mainly come from Indonesia, which has a share of about 19,5%, followed by Brazil (9,3%) and China (7,7%). Bulgaria, Argentina and Malaysia and Morocco had a share of 7,6%, 6,6%, 5,4% and 5,1%, respectively, in 2022: Q4. Namibia, Thailand and Lesotho were the least of the top three with a share of 3,0%, 3,6% and 4,0% respectively in the quarter under review.

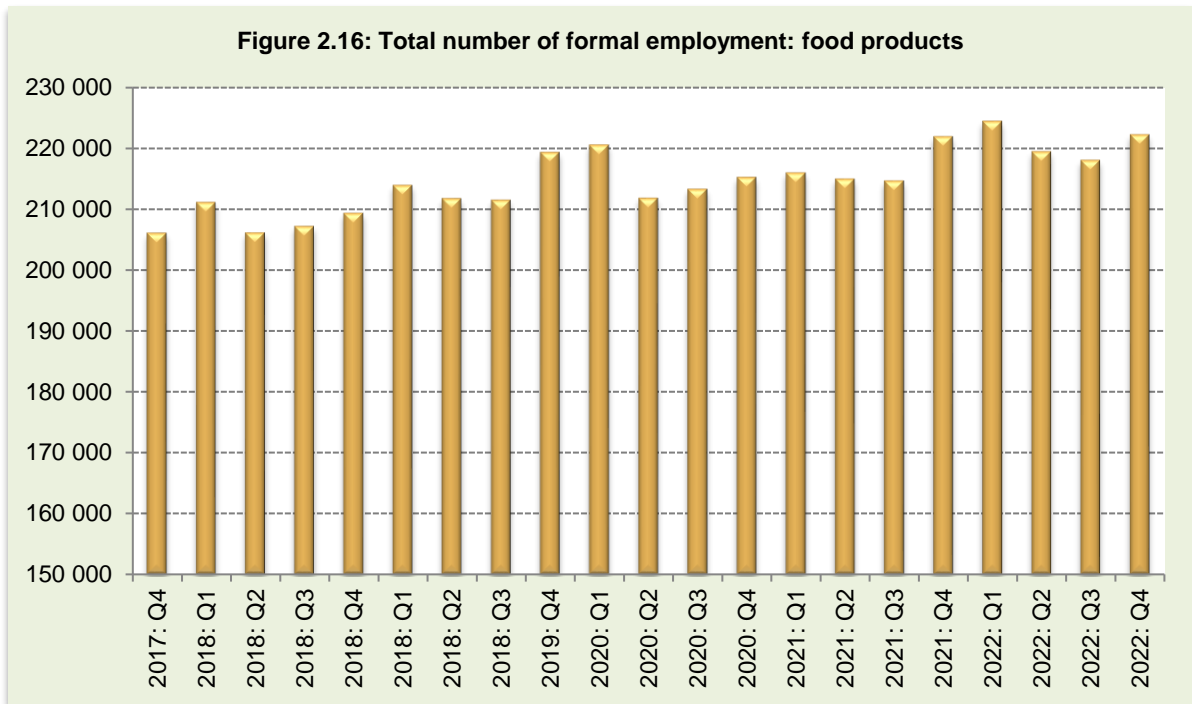


Source: Quantec SA (2023)

Figure 2.15 shows the quarterly trade balance of food products in 2022: Q4. During 2022: Q4, the quarter-to-quarter food exports and imports contracted by 3,3% and 6,5% from a 7,9% and 11,6% growth in 2022: Q3, respectively. However, year-on-year exports moderated by 9,5%, while year-on-year imports contracted by 1,2% during the period under review. As a result, the trade deficit narrowed from R1 502,7 million in 2022: Q3 to R815 million in 2022: Q4.

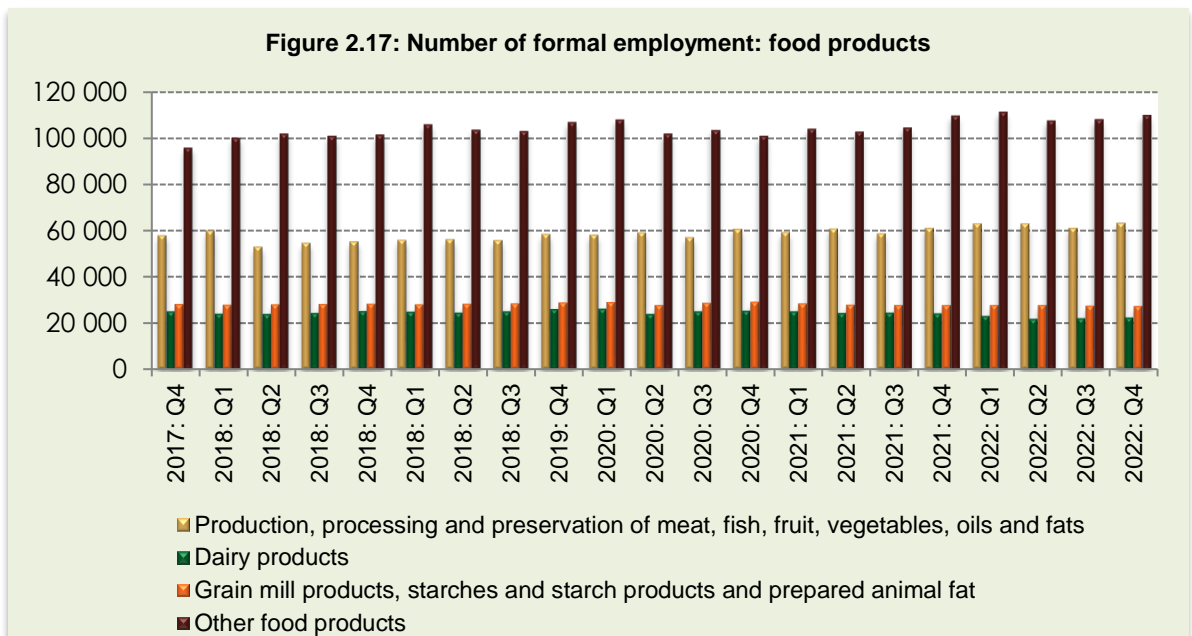


## 2.6 EMPLOYMENT



Source: Statistics SA (2023)

Figure 2.16 shows formal employment in the food products division in 2022: Q4. The quarter-to-quarter formal employment in the food products division rebounded by 1,9% in 2022: Q4 from a 0,7% contraction in 2022: Q3. However, the employment in the food products division moderated by 0,1% year-on-year. As a result, 4 203 jobs were created during the period under review.



Source: Statistics SA (2023)

Figure 2.17 shows formal employment in the food products divisions in 2022: Q2. During 2022: Q4, the employment in meat, fish and fruit and vegetables, etc. rebounded by 3,6% from a 3,1% contraction in the last quarter. Dairy products, it moderated by 1,1% in the current period following a 1,3% growth in the last quarter. Grain mill products, on the other hand, employment receded further by 0,5% in the current quarter following a 1,0% growth in the preceding quarter. However, employment in other food products division increased by 1,8% following a 0,5% growth in the previous quarter. In terms of year-on-year employment in meat, fish and fruit and vegetables; and other food products moderated by 3,7% and 0,3% respectively, dairy products, however, receded further by 7,8% and grain mill products decelerated by 1,5%.

### 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 the beverages division in 2022: Q4. During 2022: Q4.

The quarter-to-quarter consumer price index for non-alcoholic beverages, hot beverages and cold beverages moderated by 2,4%, 3,6% and 1,2% respectively, alcoholic beverages grew by 1,8%, spirits contracted by 0,4%, wine grew by 3,2% and beer rebounded by 2,2%.

The year-on-year producer price index for the following items grew: non-alcoholic beverages (11,9%), hot beverages (17,8%), cold beverages (6,8%), alcoholic beverages (7,0%), wine (7,5%) and beer (6,2%), however, spirits moderated by 7,4%. Export unit value of beverages

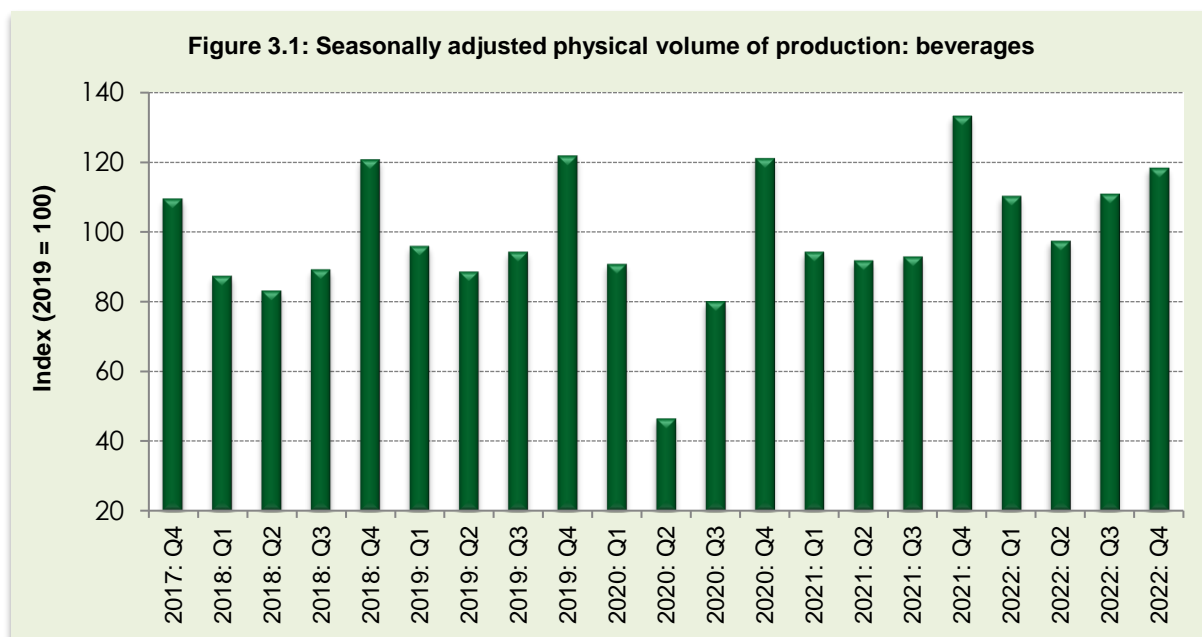
moderated quarter-to-quarter and year-on-year by 1,2% and 9,4% from a 4,1% and 9,7% growth respectively in the last quarter.

Table 3.1: Price indices of beverages

Beverages products	Weight	Indices			% Change between	
		2021: Q4	2022: Q3	2022: Q4	2022: Q3 and 2022: Q4	2021: Q4 and 2022: Q4
		Consumer price indices				
All items (CPI Headline)	100	99,5	105,7	106,6	0,8	7,1
Alcoholic beverages	3,9	100,0	105,1	107,0	1,8	7,0
Spirits	0,8	100,1	107,9	107,5	-0,4	7,4
Wine	0,7	99,9	104,1	107,5	3,2	7,5
Beer	2,5	100,0	103,8	106,1	2,2	6,2
Non-alcoholic beverages	1,2	99,8	109,1	111,7	2,4	11,9
Hot beverages	0,3	99,8	113,5	117,6	3,6	17,8
Cold beverages	0,9	99,8	105,4	106,6	1,2	6,8
		Producer price index				
Beverages	8,5	101,8	104,3	105,5	0,6	4,2
		Export unit value				
Beverages	135,2	97,4	105,3	101,2	1,2	9,4

Source: Quantec (2023)

### 3.2 PRODUCTION



Source: Statistics SA (2023)

Figure 3.1 presents the seasonally adjusted physical volume of production for the beverages division in 2022: Q4. The quarter-to-quarter seasonally adjusted physical volume of production for the beverages division moderated by 6,7% from a 13,9% growth in 2022: Q3. However, year-on-year, the division contracted by 11,1%.

#### Production capacity

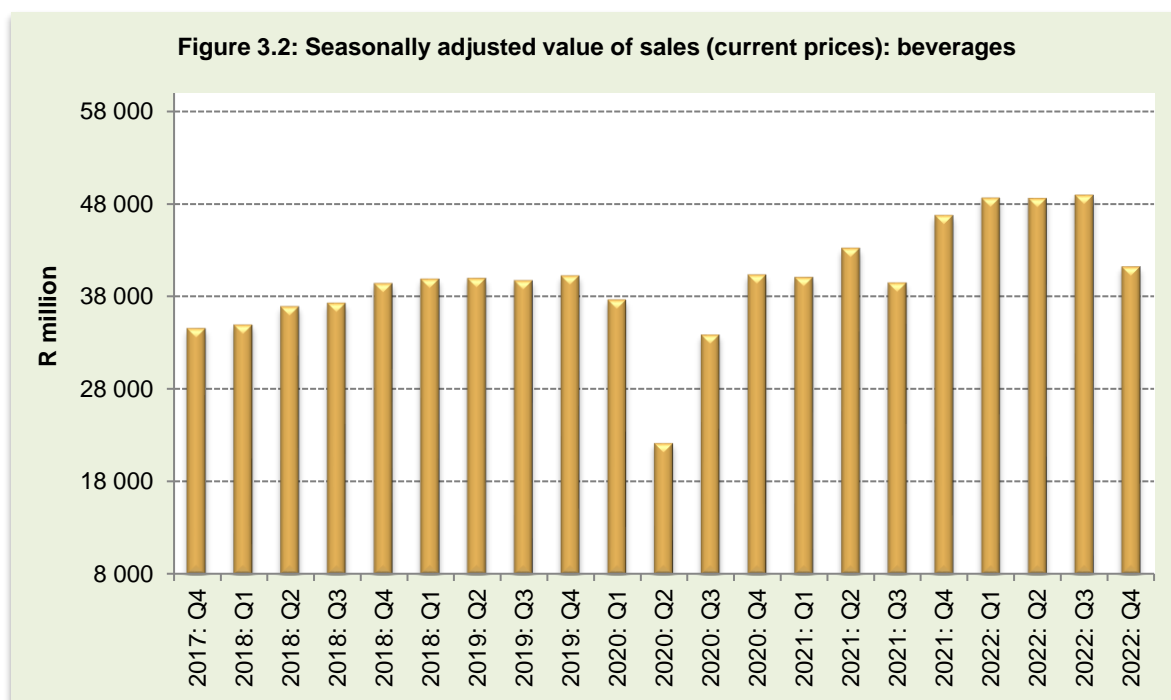
Table 3.2: Utilisation and reasons for underutilisation of production capacity by large enterprises: Beverages division (percentage)

Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
				Skilled	Semi- and unskilled		
2021: Q4	84,1	15,9	1,8	2,0	0,2	10,2	1,7
2022: Q3	78,8	21,2	4,0	3,9	0,2	11,4	1,8
2022: Q4	84,0	16,0	2,4	3,3	0,2	8,4	1,7

Source: Statistics SA (2023)

Table 3.2 shows the utilisation capacity by large enterprises for the beverages division. The utilisation capacity grew quarter-to-quarter, however declined year-on-year. the utilisationn capacity grew by 5,2 percenateg points. As shown in Table 3.2. Insufficient demand remained the main reason for underutilisation during 2022: Q4, followed by shortage of skilled labour.

### 3.3 VALUE OF SALES

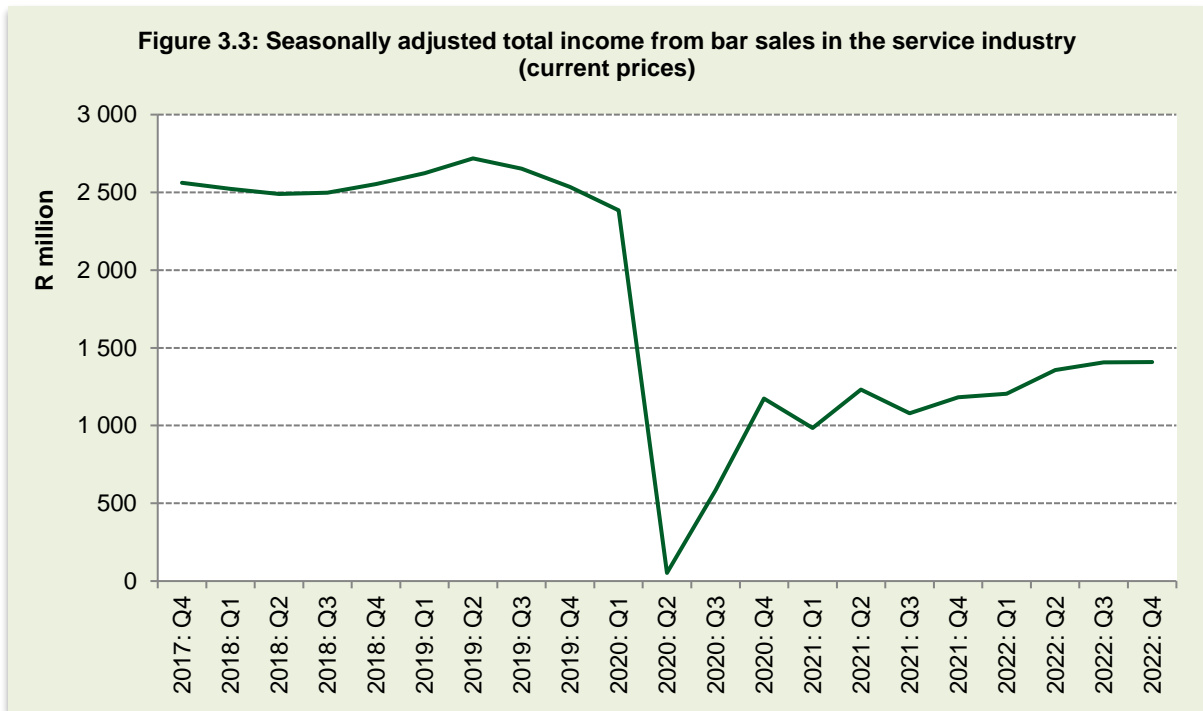


Source: Statistics SA (2023)

During 2022: Q4, the quarter-to-quarter and year-on-year seasonally adjusted value of sales for the beverages division contracted by 15,8% and 11,8% from a 0,7% and 24,0% growth respectively in 2022: Q3. Figure 3.2.

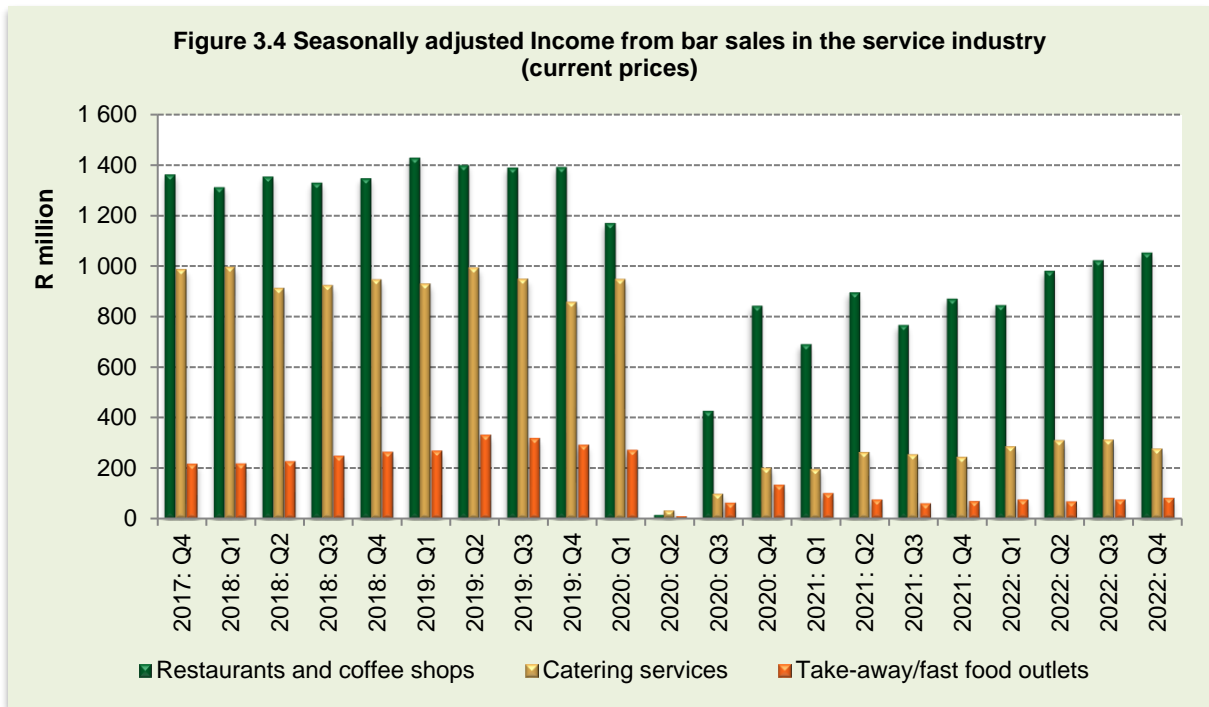
### 3.4 INCOME FROM BAR SALES IN THE SERVICE INDUSTRY

Figure 3.3 below shows the income from bar sales in the food and beverages service industry division in 2022: Q4. The income from bar sales in the food and beverages service industry grew quarter-to-quarter by 0,1% in 2022: Q4 from a 3,8% growth in the last quarter. However, it moderated by 19,3% year-on-year. Therefore, the income from bar sales increased to R1 409,10 million in 2022: Q4 from R1 407,2 million in 2022: Q3.



Source: Statistics SA (2023)

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: Q4, the quarter-to-quarter and year-on-year income from restaurants and coffee shops moderated by 3,0% and 21,0% from a 4,2% and 33,5% growth in the last quarter respectively. Similarly, quarter-to-quarter and year-on-year, income from bar sales for take away/fast food outlets moderated by 9,3% and 18,2% from a 11,1% and 24,7% growth respectively in the preceding quarter. Catering services' income, on the other hand, contracted in the current quarter by 11,5% as compared to a growth of 0,7% in the previous quarter, however it moderated year-on-year by 13,5% following a 22,9% growth registered in the preceding quarter.

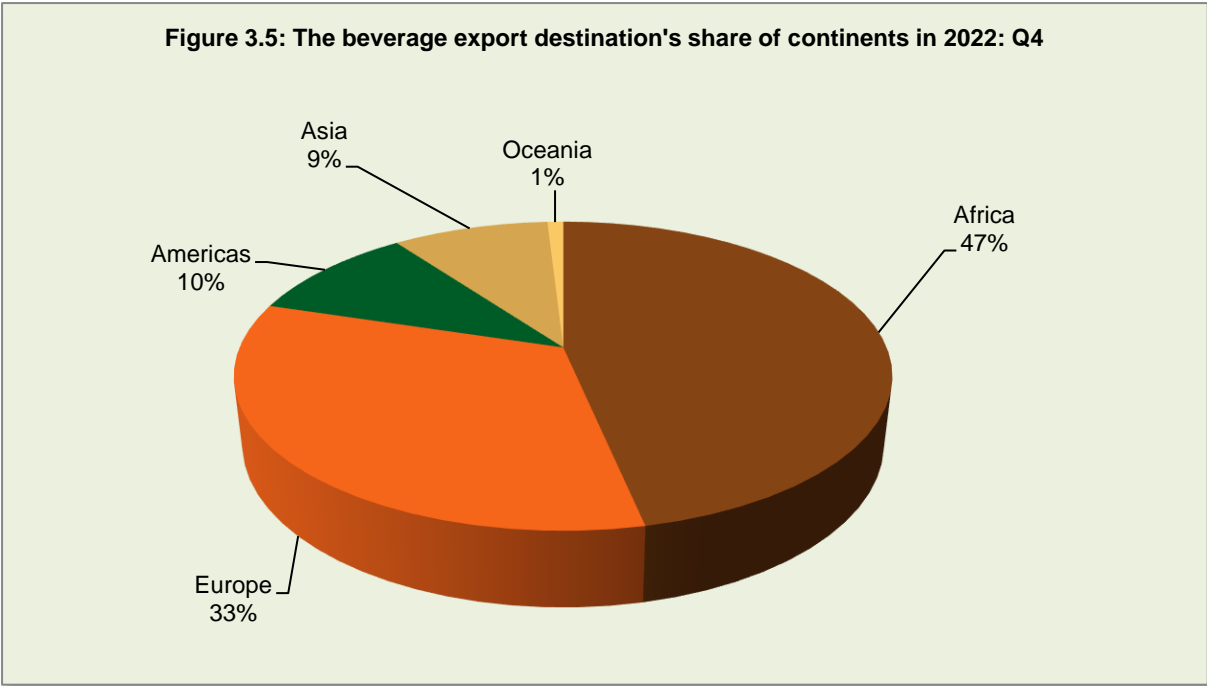


Source: Statistics SA (2023)

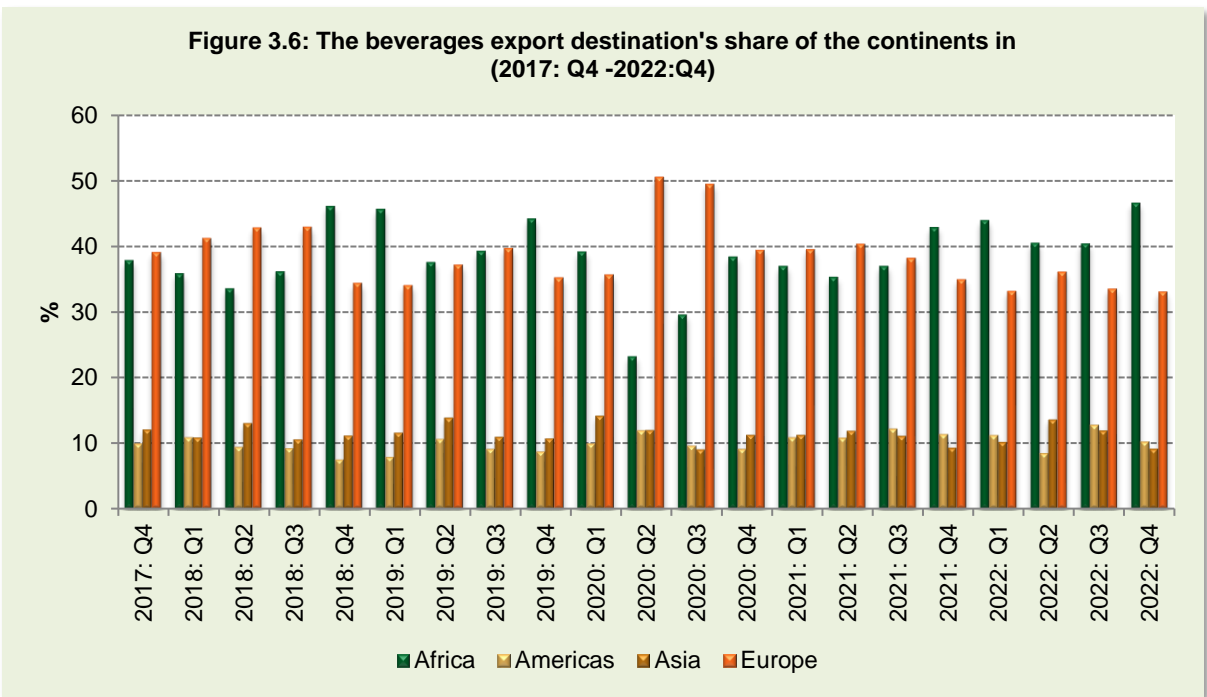
### 3.5 TRADE

#### 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 by 47%, followed by Europe (33%). The Americas and Asia accounted for 10% and 9%, 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, the Americas, Asia and Oceania as presented in Figure 3.6.



Source: Quantec (2023)

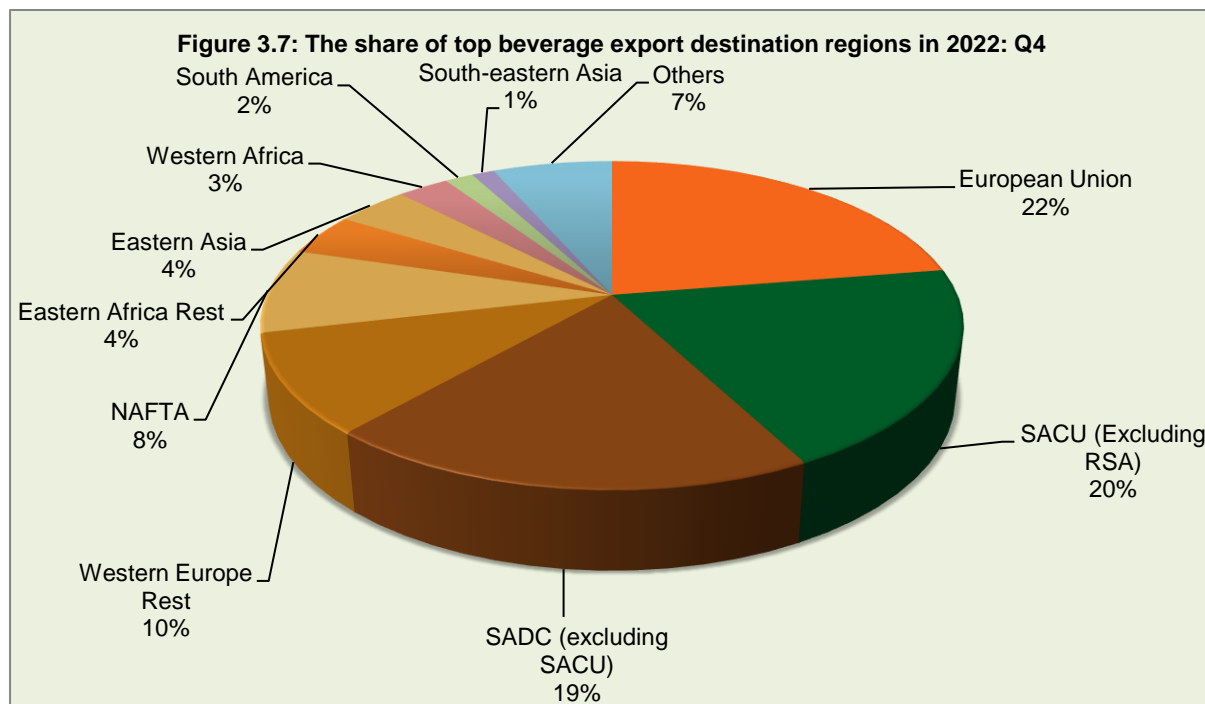


Source: Quantec (2023)

Among the main trading regions during 2022: Q4, the European Union, SACU (excluding SA) and SADC (excluding SACU) accounted for the largest share of beverages exports at 22%, 20% and 19% respectively. Moreover, Western Europe rest, NAFTA, accounted 10% and 8% respectively, Eastern Africa rest and Eastern Asia accounted 4% each, while Western Africa,



South America and South-eastern Asia accounted 6% share altogether during the period of review as illustrated in Figure 3.7.



Source: Quantec (2023)

Table 3.3 below presents the major exported beverages products during 2022: Q4 and their percentage change. The leading South African beverages export during the period were: Wine of fresh grapes (HS220421), wine of fresh grapes (HS220429), and other fermented beverages (HS220600) with an export value of around R1 947,14 million, R670,94 million and R657,05 million, respectively, in 2022: Q4.

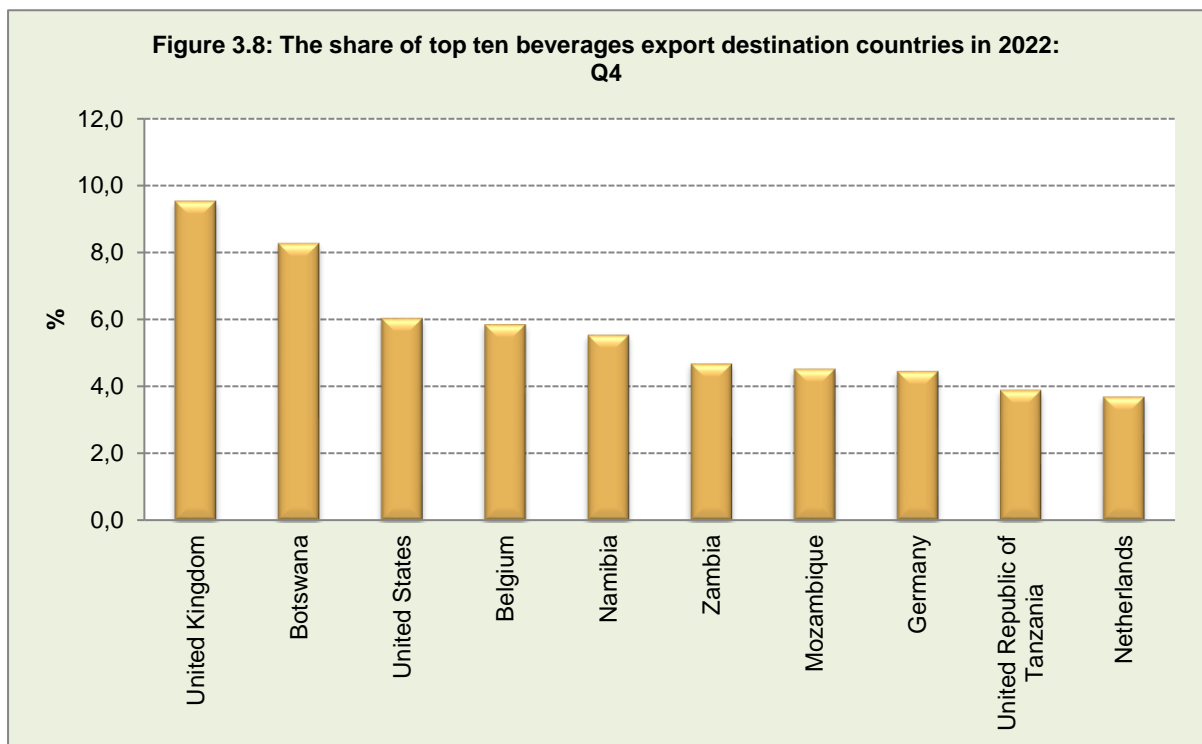
Table 3.3: Major exported beverages products in 2022: Q4 and their percentage change.

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) holding 2 litres or less	1 947,14	-7,9

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)	670,94	-18,9
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	657,05	34,8
220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	625,26	8,9
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher	613,04	50,2
220300	Beer made from malt	477,56	20,5
220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	259,33	25,2
220870	Liqueurs and cordials	252,52	4,6
220720	Ethyl alcohol and other spirits, denatured, of any strength	206,39	24,6
220820	Spirits obtained by distilling grape wine or grape marc	190,29	56,5
220422	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 but ≤ 10 l (excl. sparkling wine)	150,03	-16,3

220410	Sparkling wine of fresh grapes	138,95	2,0
220830	Whiskies	105,17	-4,5
220850	Gin and Geneva	77,36	-17,9
220890	Ethyl alcohol of an alcoholic strength of < 80% vol, not denatured; spirits and other spirituous beverages	58,74	-16,8

Source: Quantec (2023)

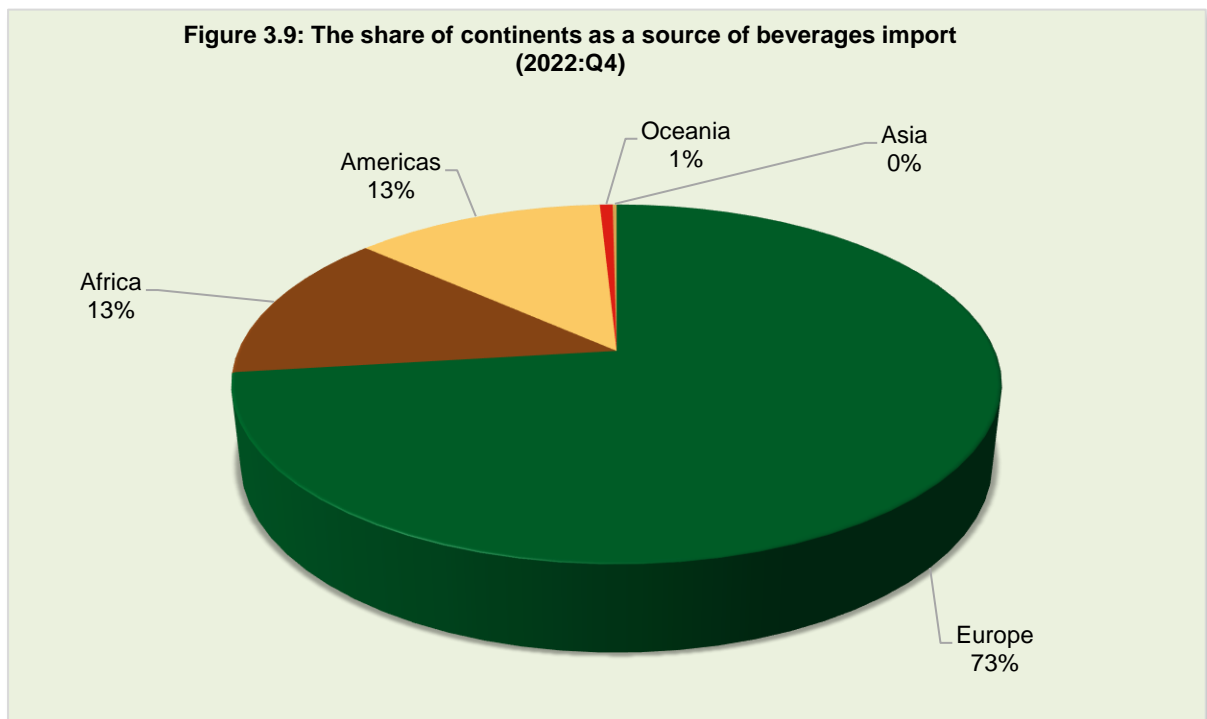


Source: Quantec (2023)

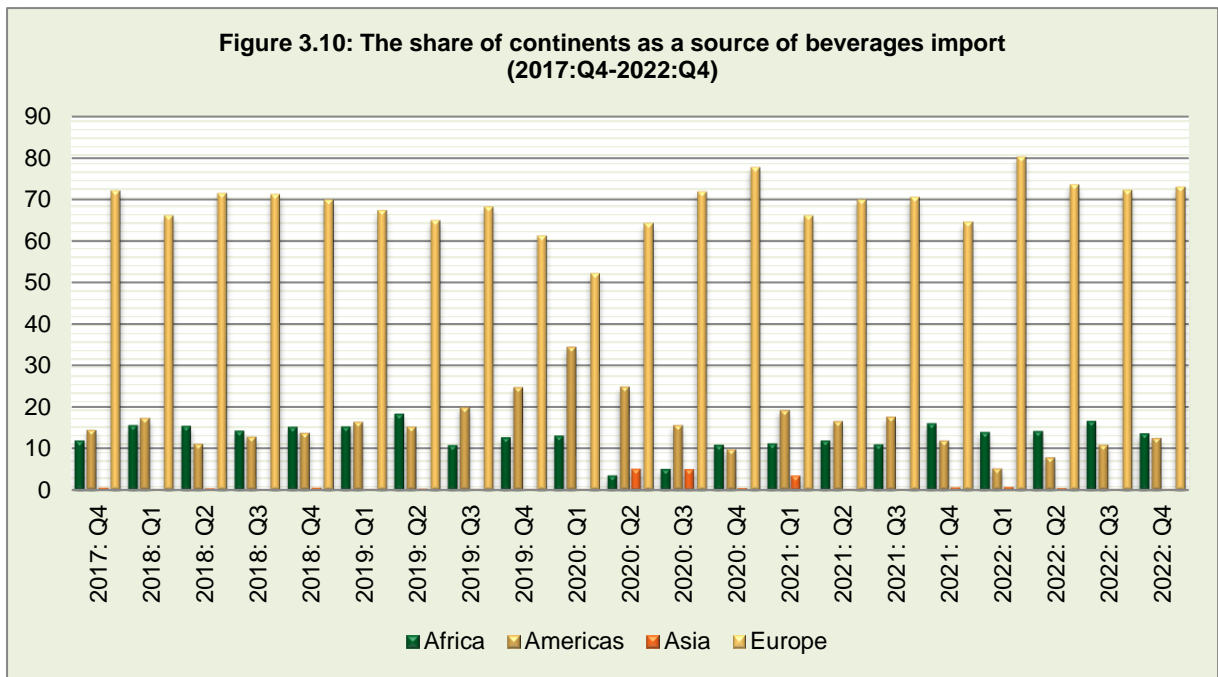
Figure 3.8 above shows that the significant share of the top ten beverages export destinations during 2022: Q4 were sourced from the United Kingdom (9,5%), Botswana (8,3%), the United States of America (6,0%), Belgium (5,9%), Namibia (5,5%), Zambia (4,7%) and Mozambique (4,5%). The least three of the top ten are the Netherlands, Tanzania and Germany with shares of 3,7%, 3,9% and 4,5% respectively.

### Main imported beverages products and the source

Figure 3.9 illustrates the share of continents as a source of beverages imports in 2022: Q4. Europe accounted for approximately 73% share of the continents source of beverages exports, followed by Africa and the Americas with shares of 13% each. Oceania accounted for the least share of 1%. Asia accounted for less than 1%. Figure 3.10 shows that, for the past five years, Europe has been a consistent source of South African beverages imports followed by Africa, the Americas, Asia and Oceania.

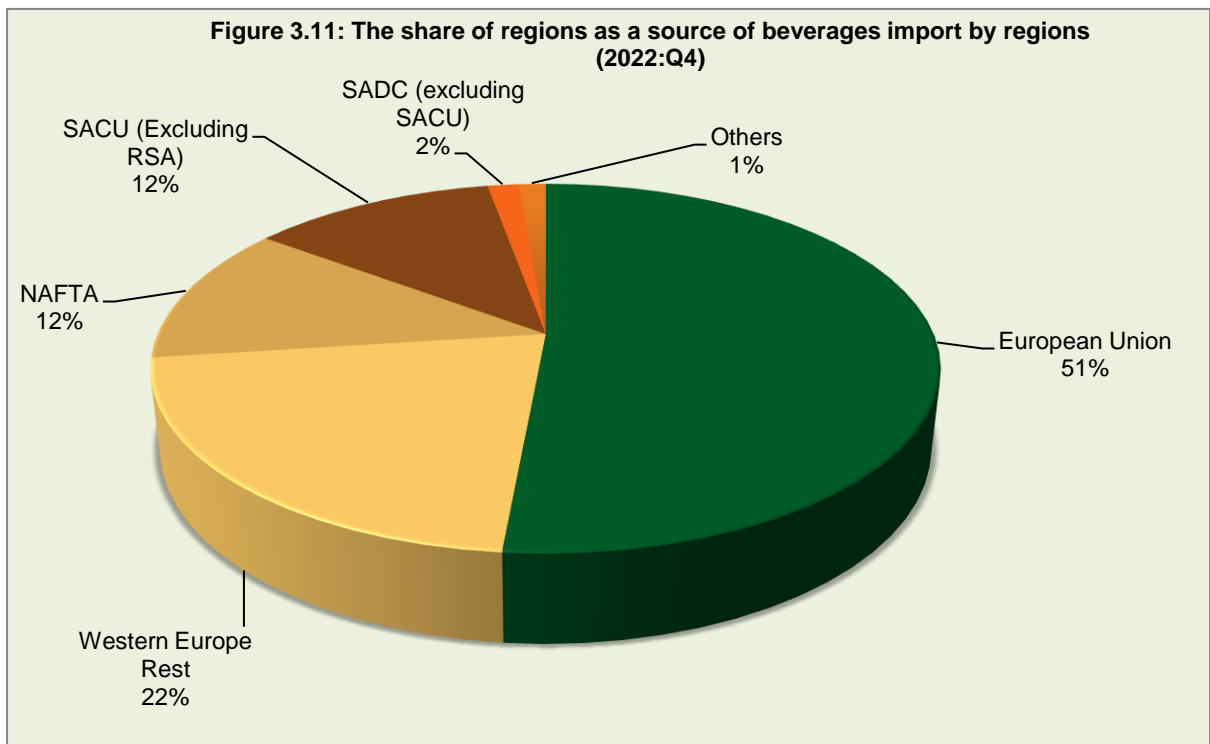


Source: Quantec (2023)



Source: Quantec (2023)

The European Union was the leading source of South Africa’s imports of beverages accounting for about 51% share in 2022: Q4, followed by Western Europe rest with a share of around 22%, then NAFTA and SACU (excluding SA), with a share of 12% each. SADC (excluding SACU) was minimal with a share of 2% as illustrated in Figure 3.11.



Source: Quantec (2023)

Table 3.5 below presents major imported beverages products during 2022: Q4 and the year-on-year percentage change. During 2022: Q4, the major beverages imports in South Africa were whiskies (HS220830), beer made from malt, (HS220300) and waters (HS220210) at around R811,53 million, R704,04 million and R508,23 million respectively.

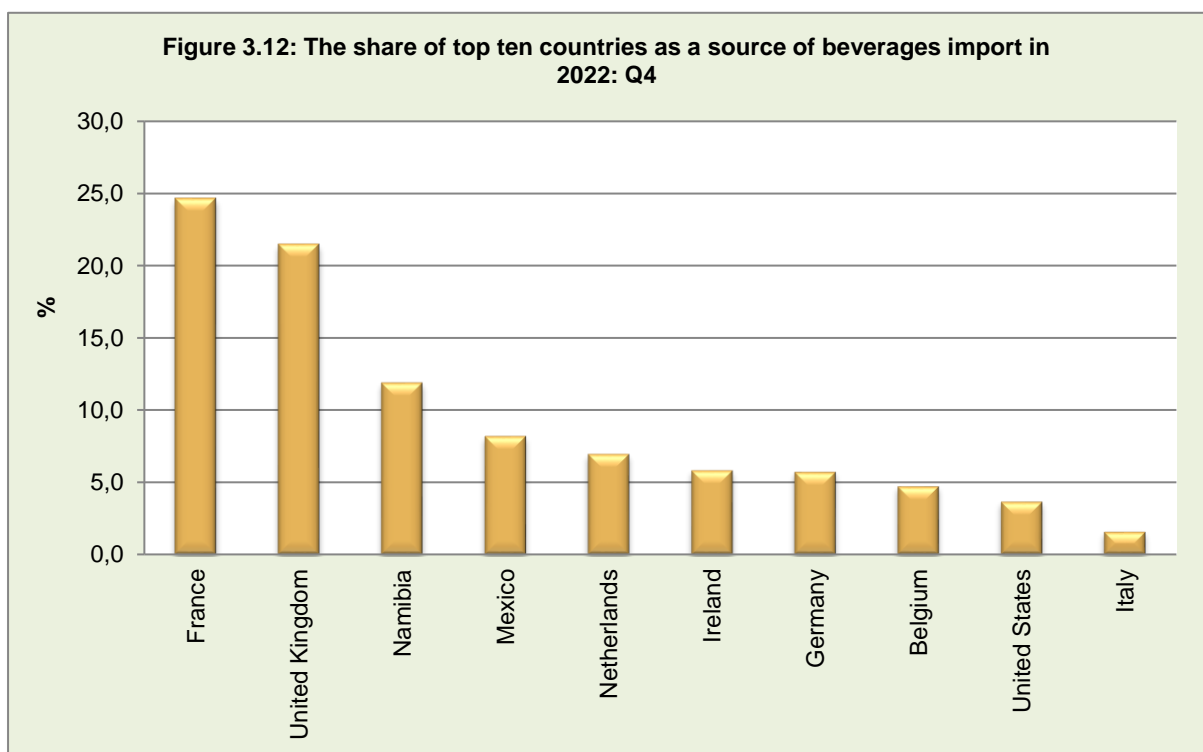
Table 3.5: Imported beverages in 2022: Q4 and percentage change.

HS code	Product description	Export value R_million	Year-on-year % change
220830	Whiskies	811,53	59,1
220300	Beer made from malt	704,04	66,8
220210	Waters, incl. mineral and aerated, with added sugar, sweetener or flavour, for direct consumption as a beverage	508,23	33,3
220820	Spirits obtained by distilling grape wine or grape marc	427,10	57,6
220410	Sparkling wine	203,13	66,6
220870	Liqueurs and cordials	202,91	28,0
220890	Ethyl alcohol of an alcoholic strength of < 80% vol, not denatured; spirits and other spirituous beverages	126,26	121,0
220850	Gin and Geneva	102,32	68,9

220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	56,68	27,2
220600	Cider, perry, mead and other fermented beverages and mixtures of fermented beverages and non-alcoholic beverages	51,08	78,0
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) <sup>2</sup>	33,94	20,8
220860	Vodka	29,99	62,7
220840	Rum and other spirits obtained by distilling fermented sugar-cane products	20,51	-16,1
220110	Mineral waters and aerated waters	11,61	44,8
220900	Vinegar and substitutes for vinegar obtained from acetic acid	11,28	-4,5
220291	Non-alcoholic beer	4,82	-56,2
220510	Vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances, in containers of <= 2 l	2,61	-30,3
220190	Ordinary natural water, not containing added sugar, other sweetening matter or flavoured; ice and snow	1,29	-40,3

	(excluding mineral waters and aerated waters, sea water, distilled water, conductivity water or water of similar purity)		
220422	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 but <= 10 l (excl. sparkling wine)	1,24	342,7
HST220720	Ethyl alcohol and other spirits, denatured, of any strength	0,58	3862,8

Source: Quantec (2023)

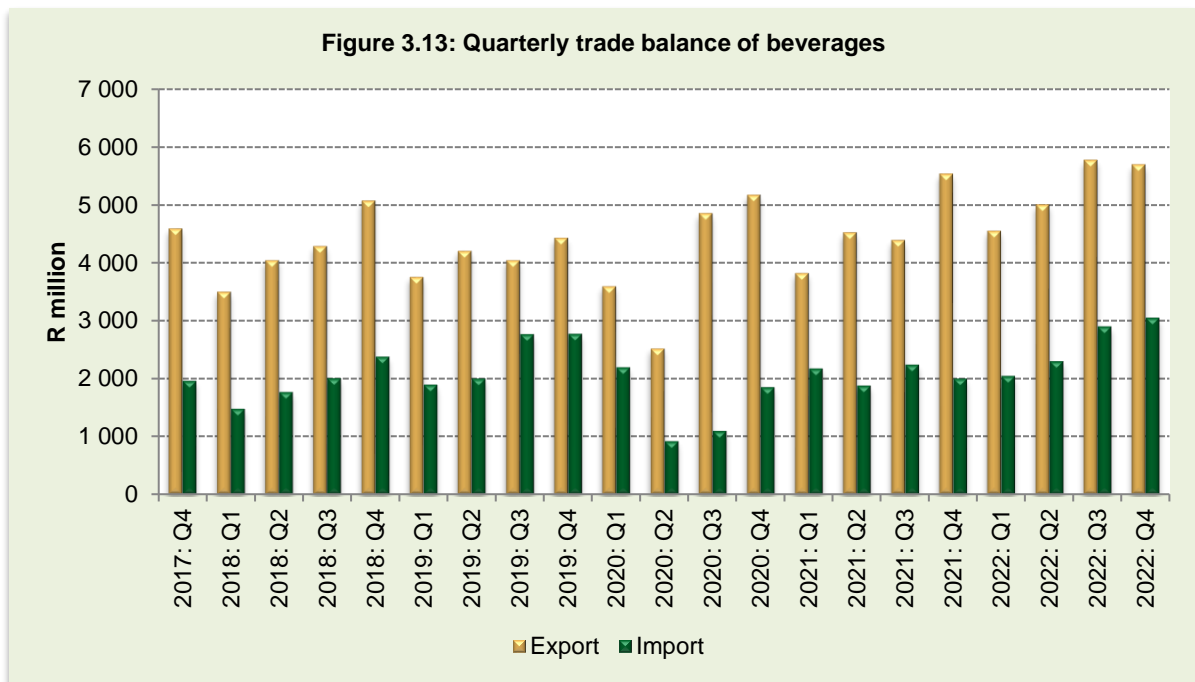


Source: Quantec (2023)

Figure 3.12 above shows the share of the top ten countries as a source of South African beverages imports. France accounted for the highest share at (24,7%), followed by the United Kingdom (21,5%), Namibia (11,9%), Mexico (8,2%), Netherlands (6,9%), Ireland (5,8%), and



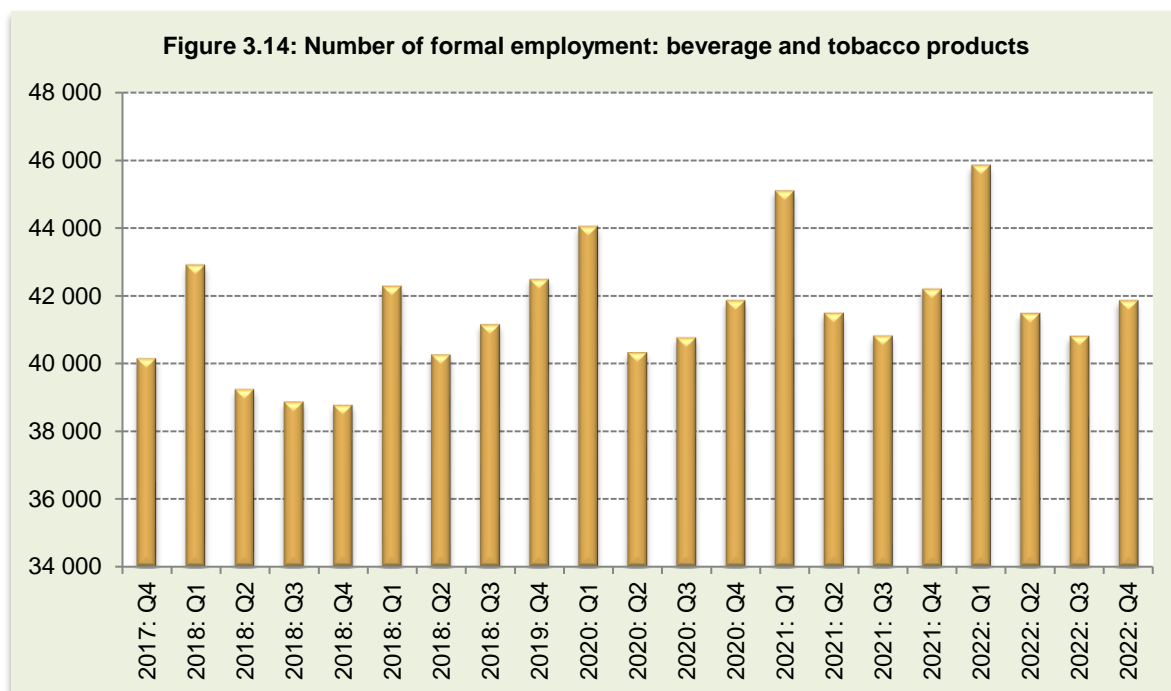
Germany (5,7%). Belgium, the United States and Italy accounted for combined 9,9% in 2022: Q4.



Source: Quantec (2023)

During 2022: Q4, quarter-to-quarter beverages exports contracted by 1,4% from a 15,4% growth in the preceding quarter, however, moderated by 2,9% year-on-year. Imports of beverages, on the other hand, moderated quarter-to-quarter by 5,1% in 2022:Q4 following a 26,1% growth in the last quarter, however; increased by 52,6% year-on-year. As a result, the trade surplus of the beverages division narrowed from R2 877,7 million in 2022: Q3 to R2 648,6 million in 2022: Q4.

### 3.6 EMPLOYMENT



Source: Statistics SA (2023)

Figure 3.14 shows formal employment in the beverages and tobacco products divisions. The quarter-to-quarter formal employment in the beverages division rebounded by 2,6% in 2022: Q4 from a 1,6% contraction in 2022: Q3. However, employment contracted by 0,8% year-on-year. Therefore, about 1 047 jobs were created in the beverages and tobacco division in 2022: Q4.

## 4. CONCLUSION

South Africa's real gross domestic product (GDP) shrank by 1,3% in 2022: Q4. Likewise, the real output of the agricultural sector contracted due to the lower production of field crops and horticultural products. The seasonally adjusted volume of production of food and beverages industry moderated by 2,0%, however, the division contracted by 4,0% year-on-year.

The quarter-to-quarter value of sales in the food and beverages division, on the other hand, contracted by 0,2% in 2022: Q4, however, the value of sales of the food and beverages industry moderated by 9,1% year-on-year. The quarter-to-quarter food and beverages exports and imports contracted by 2,9% and 5,0% in 2022: Q4. As a result a trade surplus of about R1 833,6 million was recorded in 2022: Q4.

The formal employment in the food, beverages and tobacco division rebounded quarter-to-quarter by 2,0% In 2022: Q4. However, year-on-year formal employment of the food, beverages and tobacco division remained unchanged as compared to a 1,3% growth in the last quarter. Therefore 5 250 jobs were created in this quarter.

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