

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

October to December 2023

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DIRECTORATE: AGRO-PROCESSING SUPPORT



agriculture, land reform
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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 2023. The main economic indicators reviewed are the changes in producer price, production volume, value of sales, capacity utilisation by large enterprises, formal employment and trade balance.

Any comments and suggestions on the content of 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.

TABLE OF CONTENTS

PREFACE	i
EXECUTIVE SUMMARY	iv
1. INTRODUCTION	1
2. FOOD PRODUCTS	1
2.1 PRICE	2
2.2 PRODUCTION	5
2.3 VALUE OF SALES	7
2.4 INCOME FROM FOOD SALES IN THE SERVICE INDUSTRY	9
2.5 TRADE	11
2.6 EMPLOYMENT	20
3. BEVERAGES.....	21
3.1 PRICE	22
3.2 PRODUCTION	23
3.3 VALUE OF SALES	24
3.4 INCOME FROM BAR SALES IN THE SERVICE INDUSTRY	25
3.5 TRADE	27
3.6 EMPLOYMENT	36
4. CONCLUSION	36

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EXECUTIVE SUMMARY

The economic activity in South Africa expanded slightly by 0,1% in the fourth quarter of 2023 following a contraction of 0,2% in the third quarter 2023. Increased activity was recorded in the secondary and tertiary sectors, while activity decreased in the primary sector.

The real gross value added (GVA) by the primary sector contracted further in the fourth quarter of 2023 due to a further sharp contraction in agricultural output as the production of field crops as well as horticultural and animal products decreased. The manufacturing sector was still facing a challenging operating environment due to rising input costs related to the ongoing electricity load-shedding and logistics disruptions at Transnet as well as weaker domestic and global demand (Reserve Bank, 2024).

In 2023: Q4, the volume of production of the food and beverages division rebounded quarter-to-quarter and year-on-year by 2,1% and 1,0% from a 3,2% and 4,9% contraction in the last quarter, respectively. The quarter-to-quarter value of sales in the food and beverages division rebounded by 1,9% in 2023: Q4 from a 3,9% contraction in 2023: Q3. The value of sales of the food and beverages division, however, expanded by 5,1% year-on-year.

The quarter-to-quarter food and beverages exports and imports rebounded by 13,3% and 7,4% in 2023: Q4 from a 1,2% and 6,2% contraction in 2023: Q3, respectively. However, year-on-year exports rose by 25,1%, while imports rebounded by 8,9%. As a result, the trade surplus widened from R4 562,8 million in the last quarter to R6 519,3 million in the current quarter under review.

Africa accounted for the highest share of South African food exports in 2023: Q4. Africa accounted for about 47% share of South African food exports, followed by Europe and Asia with 23% each. The Americas followed with a share of 6% and Oceania had the least share of approximately 1%. Africa accounted for 47%, followed by Europe (34%), Asia (11%) and the Americas (7%). Oceania has the least share of South African beverages exports at 1%.

The formal employment in the food, beverages and tobacco division receded further quarter-to-quarter by 1,3% in 2023: Q4 from a contraction of about 3,1% in 2023: Q3. However, year-on-year, employment moderated by 1,1% in 2023: Q4. As a result, the number of formal employment decreased to 261 291 in 2023: Q4 from about 264 833 in 2023: Q3. This translates to 3 542 jobs lost in the division in 2023: Q4.

1. INTRODUCTION

The economic activity in South Africa expanded slightly by 0,1% in the fourth quarter of 2023 following a contraction of 0,2% in the third quarter 2023. Increased activity was recorded in the secondary and tertiary sectors, while activity decreased in the primary sector. The real output of the agricultural sector contracted further by 9,7% in the fourth quarter of 2023 following a revised decrease of 11,7% in the third quarter. Amongst other things, the decrease emanated from the lower production of field crops as well as horticultural and animal products (SA Reserve Bank, 2024).

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 the beverages industry, and lastly, it 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 manufacturing of grain mill products, starch products and prepared animal feeds.
- Code 304: refers to manufacturing 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 stagnated by 1,4% in 2023: Q4, as compared to the last quarter. However, it rose by 5,6% year-on-year. Items that rose quarter to quarter were food and non-alcoholic beverages (2,5%), food (2,5%), milk, eggs and cheese (4,0%) and “other food products” (2,5%). The CPI rebounded for meat (1,6%), oils and fats (0,4%), fruit (12,7%) and vegetables (6,6%). However, the CPI moderated for bread and cereals (1,0%) and sugar, sweets and desserts (1,9%), while for fish it contracted by 0,2%.

In terms of year-on-year, the CPI increased for food and non-alcoholic beverages (8,9%), food (9,0%), milk, eggs and cheese (14,0%), fruit (9,8%) and vegetables (21,8%). However, the CPI moderated for bread and cereals (8,3%), meat (3,9%), fish (6,3%), sugar, sweets and desserts (18,2%) and “other food products” (11,5%). Differently, the CPI for oils and fats receded further by 6,6% (see Table 2.1).

Table 2.1: Consumer Price Index of food products

Food products	Weight	Indices			% Change between	
		2022: Q4	2023: Q3	2023: Q4	2022: Q4 and 2023: Q4	2023: Q3 and 2023: Q4
All items (CPI Headline)	100	107,1	111,6	113,1	5,6	1,4

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.

Food and non-alcoholic beverages	15,4	112,0	119,0	122,0	8,9	2,5
Food	14,2	112,3	119,4	122,4	9,0	2,5
Bread and cereals	3,5	119,4	128,0	129,3	8,3	1,0
Meat	4,6	109,2	111,7	113,4	3,9	1,6
Fish	0,4	109,8	117,0	116,8	6,3	-0,2
Milk, eggs and cheese	1,7	110,1	120,8	125,6	14,0	4,0
Oils and fats	0,5	123,5	114,9	115,3	-6,6	0,4
Fruit	0,2	99,2	96,7	109,0	9,8	12,7
Vegetables	1,6	110,8	126,6	135,0	21,8	6,6
Sugar, sweets and deserts	0,6	108,4	125,7	128,2	18,2	1,9
Other food	0,9	112,6	122,5	125,5	11,5	2,5

Source: (Stats SA, 2024)

Producer Price Index (PPI)²

In 2023: Q4, the quarter-to-quarter producer price index of final manufactured goods expanded by 1,8% from a 1,4% growth in the last quarter. The quarter-to-quarter producer price index moderated for food products (0,5%), fruit and vegetables (2,0%), sugar (1,0%) and “other food products” (0,8%). Oils and fats (7,2%), dairy (2,3%) and bakery products (1,3%) contracted. Fish and fish products grew by 2,4%, grain mill products decelerated by 7,2% and starch and starch products and animal feeds receded further by 3,1%.

The year-on-year PPI of final manufactured goods rose by 4,8% from a 4,1% growth in the last quarter. Items that moderated year-on-year were: food products (5,1%), fish and fish products (6,7%), dairy products (4,3%), grain mill products (3,6%), “other food products” (7,7%) and bakery products (2,6%). However, the PPI increased for meat

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.

and meat products (4,0%), fruit and vegetables (9,9%) and sugar (26,2%). Oils and fats, it receded further by 9,0%, while starch and starch products and animal feeds it contracted by 6,7% (see Table 2.2)

Table 2.2: Producer Price Index of food products

Food products	Weight	indices			% Change between	
		2022: Q4	2023: Q3	2023: Q4	2022: Q4 and 2023: Q4	2023: Q3 and 2023: Q4
Final manufactured goods (Headline PPI)	100	96,0	98,9	100,6	4,8	1,8
Food products	26,3	95,3	99,6	100,1	5,1	0,5
Meat and meat products	4,5	94,6	92,7	98,4	4,0	6,1
Fish and fish products	1,6	93,4	97,4	99,7	6,7	2,4
Fruit and vegetables	2,4	90,7	97,6	99,6	9,9	2,0
Oils and fats	0,5	116,7	114,4	106,2	-9,0	-7,2
Dairy products	3,3	95,3	101,8	99,4	4,3	-2,3
Grain mill products	1,8	96,7	100,8	100,1	3,6	-0,7
Starch and starch products, animal feeds	1,6	107,4	103,4	100,2	-6,7	-3,1
Other food products	0,9	93,0	99,4	100,2	7,7	0,8
Bakery products	6,9	97,4	101,2	99,9	2,6	-1,3
Sugar	1,9	80,6	100,7	101,7	26,2	1,0

Source: Stats SA (2024)

Import Unit Value Index³

Table 2.3 presents the import unit value index of selected food products during 2023: Q4. The quarter-to-quarter import unit value for food products rebounded by 6,3%,

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.

however, it rose by 11,9% year-on-year. Fats and oils receded further by 0,5% and 6,9% quarter-to-quarter and year-on-year, respectively. Grain mill products grew by 15,0% and 40,3% quarter-to-quarter and year-on-year, respectively, in 2023: Q4.

Table 2.3 presents the import unit value index of selected food products during 2023: Q4.

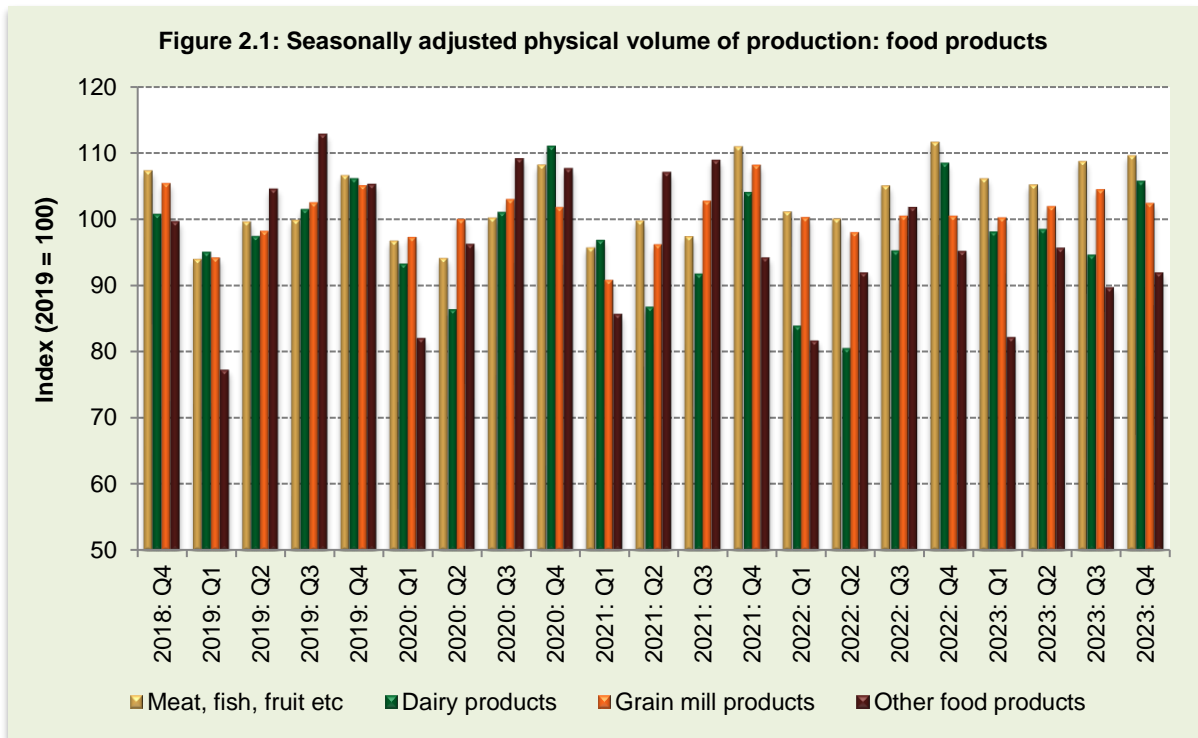
Food products	Indices			% Change between	
	2022: Q4	2023: Q3	2023: Q4	2022: Q4 and 2023: Q4	2023: Q3 and 2023: Q4
Food (total)	123,7	130,2	138,4	11,9	6,3
Fats and oils	127,8	119,6	119,0	-6,9	-0,5
Grain mill products	111,8	136,4	156,8	40,3	15,0

Source: Stats SA (2024)

2.2 PRODUCTION

Figure 2.1 presents the seasonally adjusted physical volume of production for the food products division in 2023: Q4. In 2023: Q4, the quarter-to-quarter seasonally adjusted volume of production for meat, fish and fruit contracted by 4,0% from a growth of 2,3% in the last quarter, dairy products rebounded by 0,5% from a 10,5% contraction in the last quarter, grain mill products decelerated by 3,1% from a 0,5% contraction in the preceding quarter and “other food products” rebounded by 5,8% from a 6,3% contraction in the previous quarter.

In terms of the year-on-year, meat, fish, fruit, etc. and dairy products contracted by 1,5% and 2,2% respectively. Grain mill products moderated by 2,4% and “other food products” receded further by 4,2%.



Source: Statistics SA (2024)

Production capacity

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

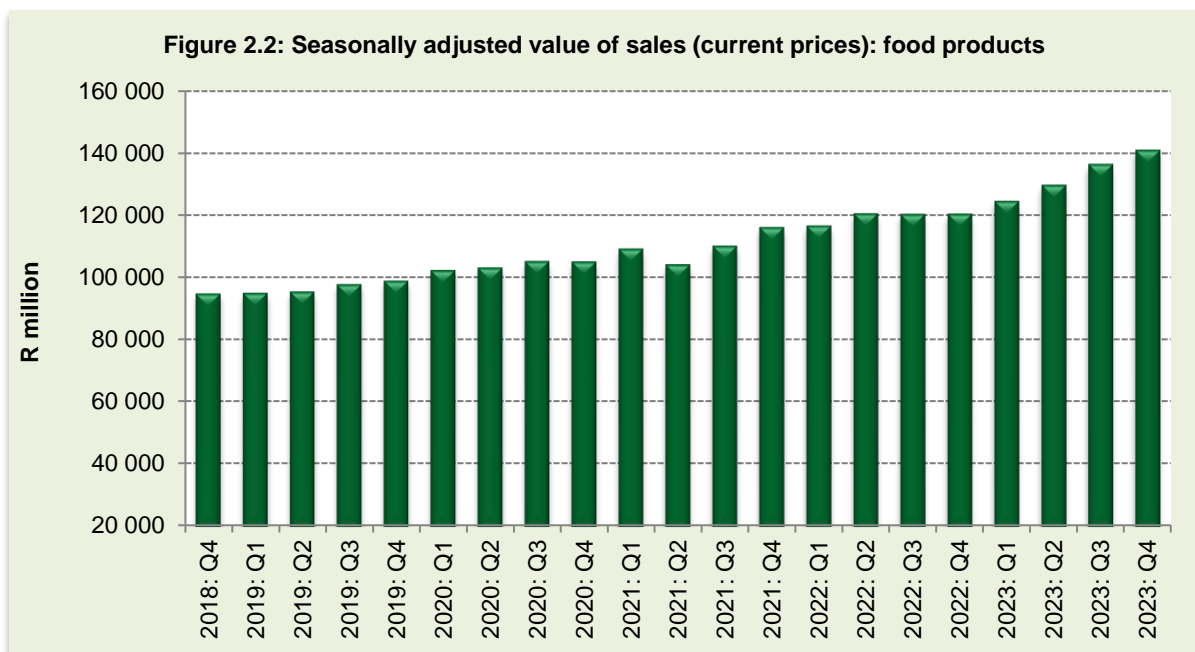
Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
				Skilled	Semi- and unskilled		
2022: Q4	82,5	17,5	2,5	0,7	0,4	9,4	4,5
2023: Q3	83,3	16,7	1,6	1,0	0,2	8,7	5,2
2023: Q4	82,5	17,5	2,0	1,2	0,2	8,7	5,5

Source: Statistics SA (2024)

As Table 2.4 shows, the utilisation of production capacity by large enterprises of the food products division decreased quarter-to-quarter, however, it stagnated year-on-year. The quarter-to-quarter decrease was by 0,8% percentage points. Insufficient demand remained the main reason for underutilisation in 2023: Q4, followed by other reasons such as seasonal factors.

2.3 VALUE OF SALES

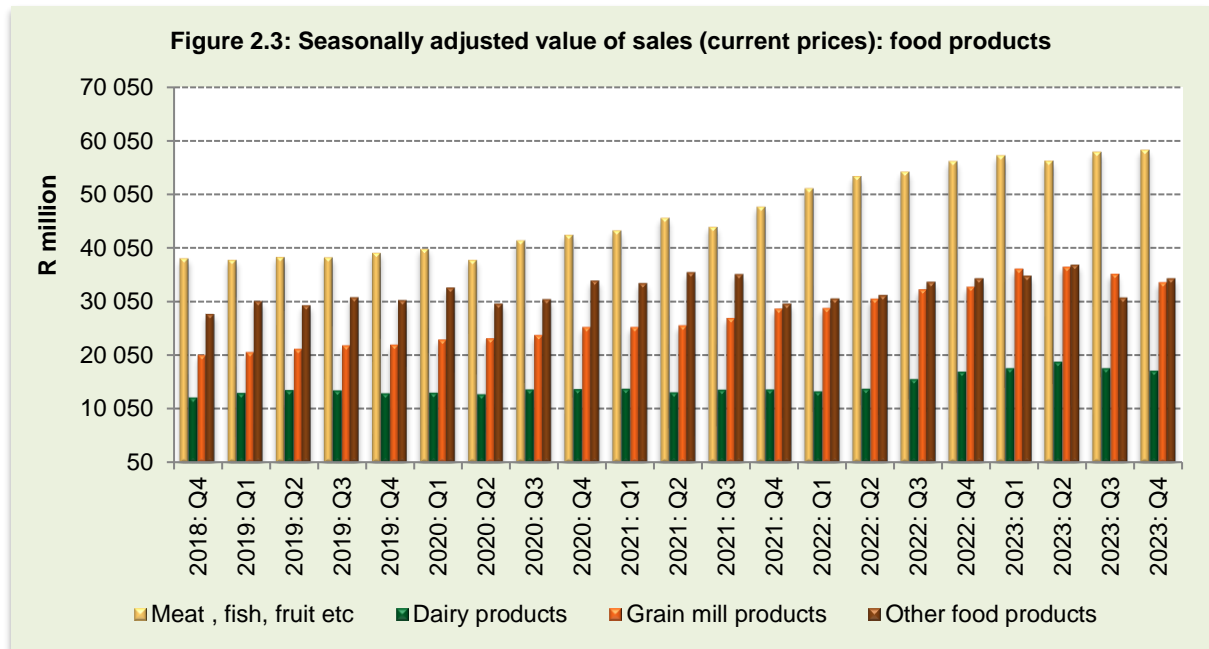
During 2023: Q4, the quarter-to-quarter value of sales of food products rebounded by 1,3% as compared to a 4,7% contraction in the last quarter. Conversely, the value of sales moderated year-on-year by 2,2% as illustrated in Figure 2.2.



Source: Statistics SA (2024)

Figure 2.3 shows the seasonally adjusted value of sales for the food products. In 2023: Q4, the quarter-to-quarter value of sales for meat, fish and fruit moderated by 0,5% as compared to a growth of 3,0% in the last quarter, the dairy and grain mill products decelerated by 2,7% and 4,4% from a contraction of 6,4% and 3,7%, respectively, in the preceding quarter. “Other food products”, on the other hand, sales rebounded by 11,6% from a 16,6% contraction in the preceding quarter.

In terms of year-on-year, the seasonally adjusted value of sales for meat, fish and fruit, dairy products and grain mill products moderated by 3,7%, 0,9% and 2,5%, respectively, however, “other food products” receded further by 0,1%.



Source: Statistics SA (2024)

Wholesale and retail sales⁴

In 2023: Q4, the quarter-to-quarter wholesale trade sales and retail sales of the food, beverages and tobacco divisions expanded by 5,9% and 21,3% as compared to a growth of 3,0% and 2,2% in the last quarter, respectively.

The wholesale trade sales and retail trade sales moderated by 2,4% and 5,1% year-on-year, respectively.

As a result, the wholesale trade sales increased to R133 300 million in 2023: Q4 from R125 858 million in 2023: Q3. The retail trade sales similarly increased to R33 300 million in 2023: Q4 from R27 450 million in 2023: Q3 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 (2024)

2.4 INCOME FROM FOOD SALES IN THE SERVICE INDUSTRY⁵

Figure 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. The seasonally adjusted total income from food sales in the service industry shrank by 1,2% quarter-to-quarter in 2023: Q4 as compared to a 3,4% growth in 2023: Q3. However, the total income from food sales moderated by 8,3% year-on-year. As a result, the income from food sales decreased to R19 970,7 million in 2023: Q4 from R20 213,1 million in 2023: Q3.

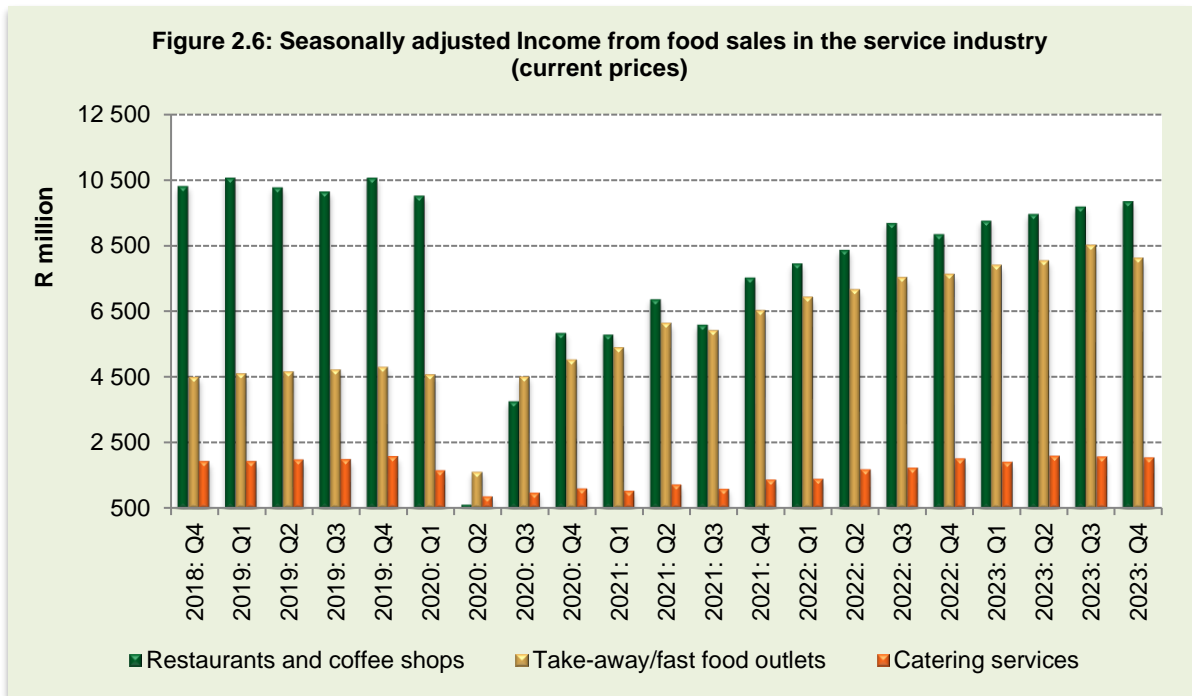
⁵ 5 Income from food sales in the service industry refers to income from the sale of meals and non-alcoholic drinks.



Source: Statistics SA (2024)

Figure 2.6 shows the income from food sales in the service industry. In 2023: Q4, the quarter-to-quarter income from food sales in the restaurants and coffee shops moderated by 1,7% from a 2,4% growth in the last quarter, takeaways/fast food outlets contracted by 4,5% from a 5,8% growth in the last quarter and catering services decelerated by 1,3% from a 1,1% contraction in the previous quarter.

In terms of year-on-year, restaurants and coffee shops expanded by 11,4%, takeaway/fast food outlets and catering services moderated by 6,4% and 1,7%, respectively, in 2023: Q4.

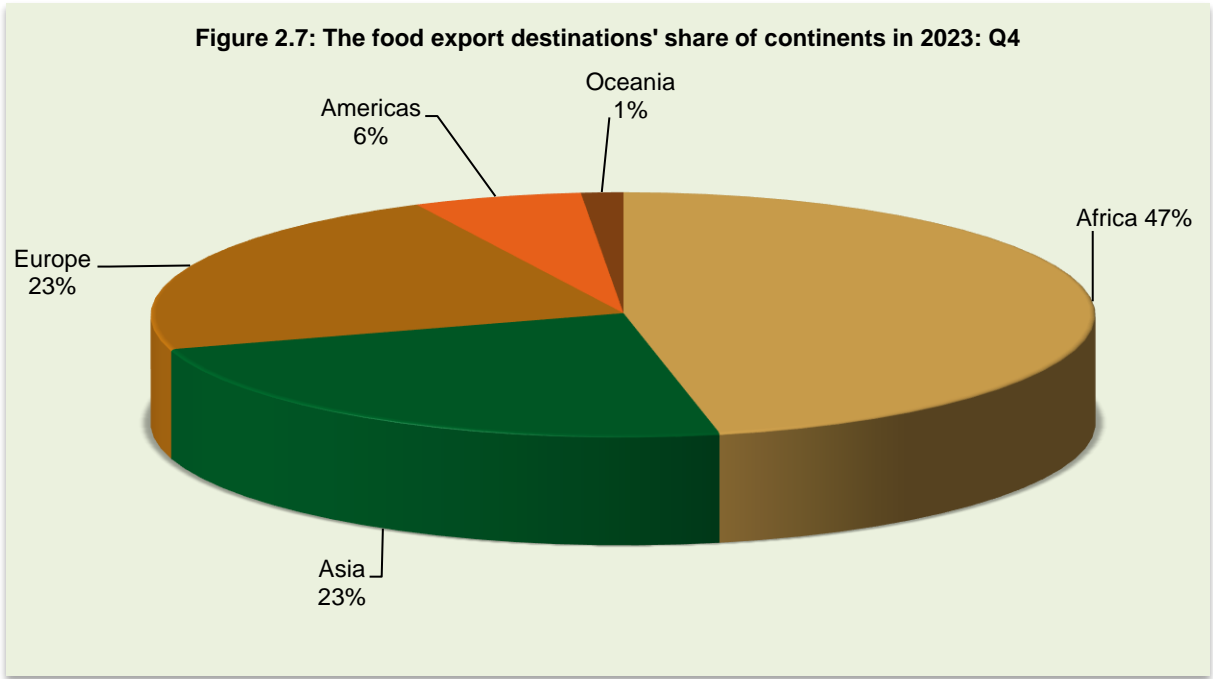


Source: Statistics SA (2024)

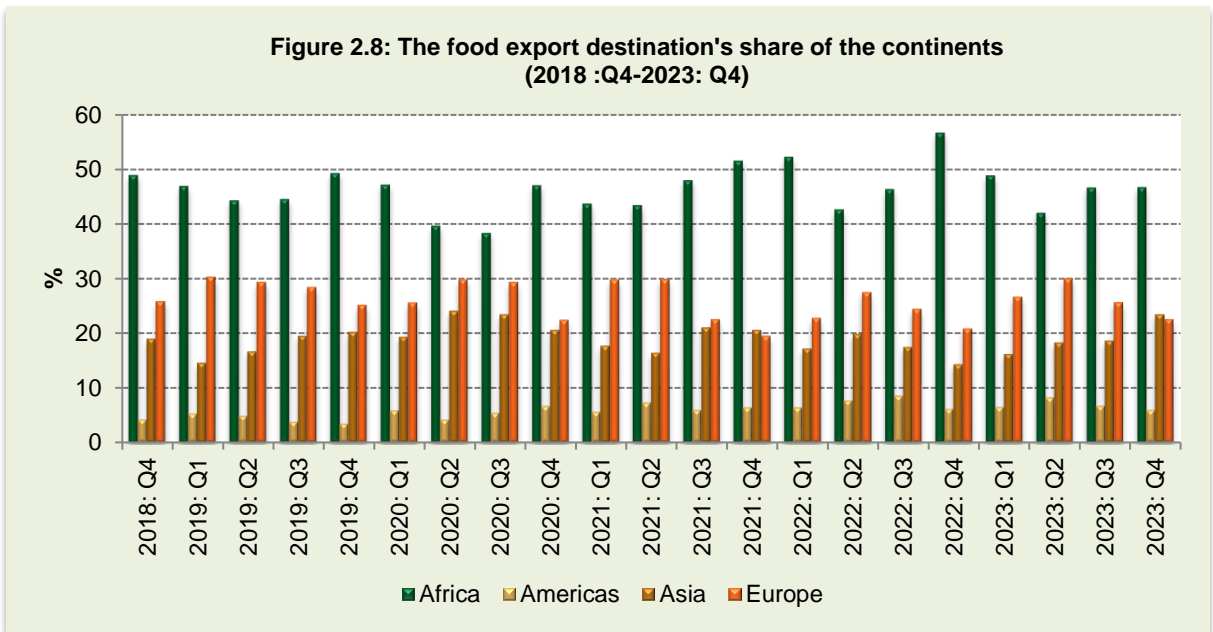
2.5 TRADE

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 2023: Q4. Africa accounted for about 47% share of South African food exports, followed by Europe and Asia with 23% each. The Americas followed with a share of 6% and Oceania had the least share of approximately 1%. Figure 2.8 shows that, for the past five years, Africa accounted for the largest share of food export destination in the world.



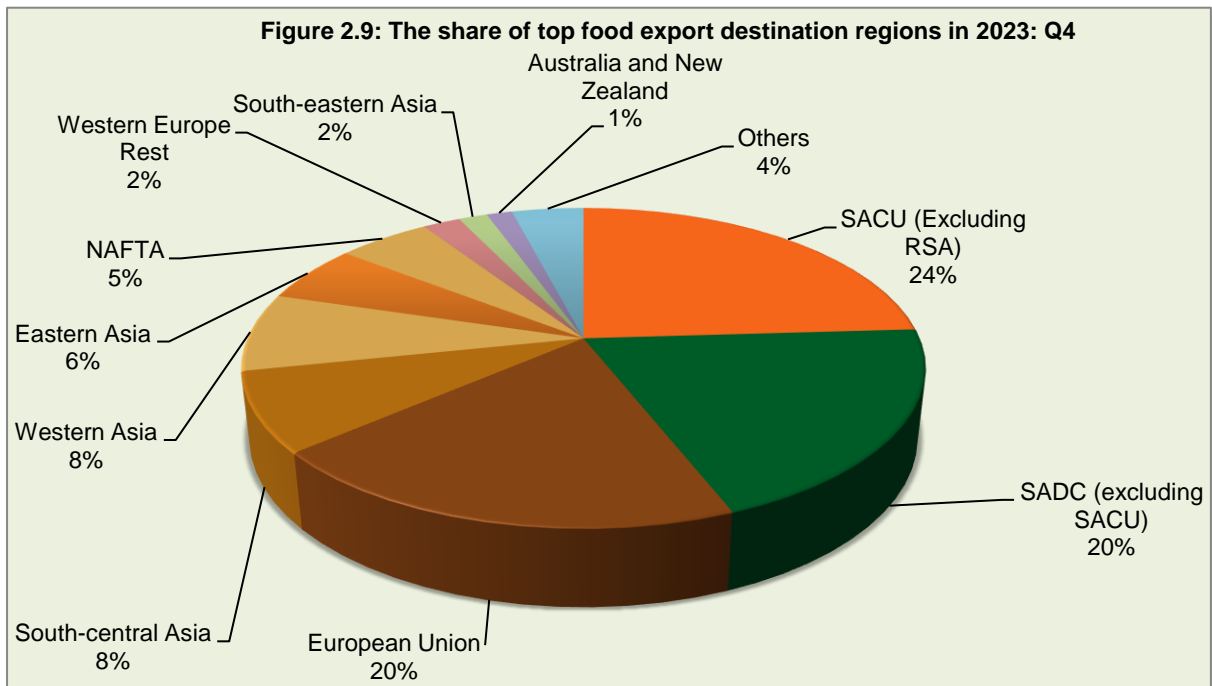
Source: Quantec (2024)



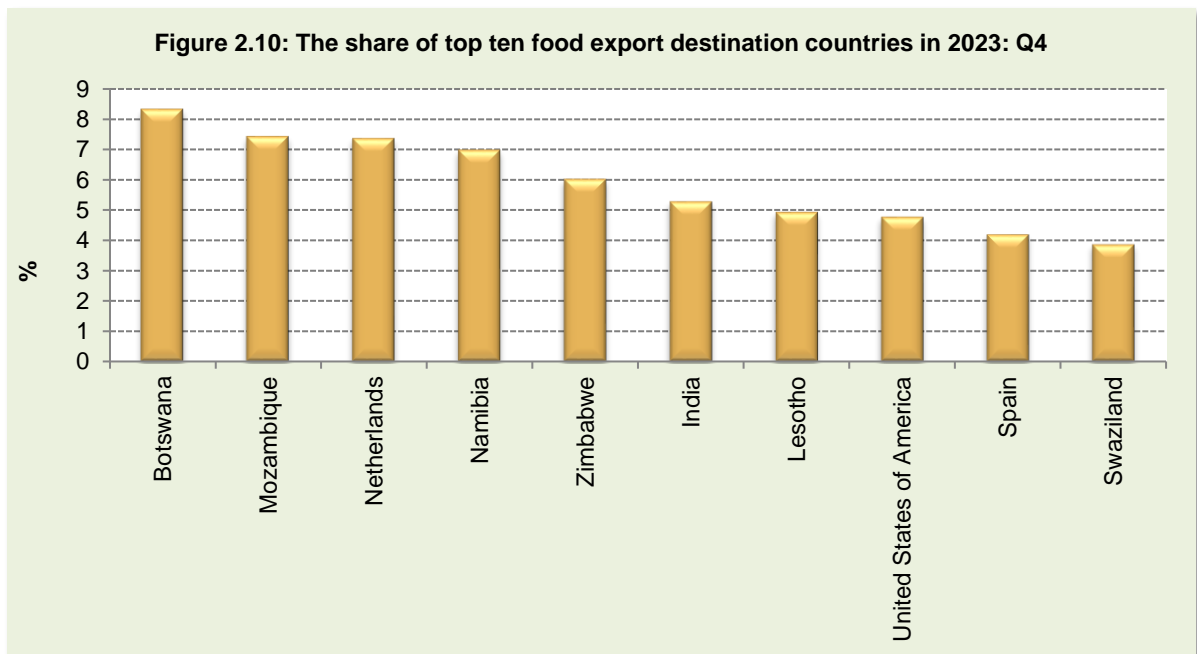
Source: Quantec (2024)

Figure 2.9 shows the food export destinations' share of the main regions in 2023: Q4. Among the main regions, SACU (excluding RSA) accounted for the highest share of South African food exports by 24%, followed by the European Union (20%), SADC (excluding SACU) (20%), South-central Asia (8%), Western Asia (8%), Eastern Asia

(6%), NAFTA (5%), Western Europe rest (2%), South-eastern Asia (2%) and New Zealand (1%).



Source: Quantec (2024)



Source: Quantec (2024)

Figure 2.10 shows the top ten food export destinations by countries in 2023: Q4. The top ten countries with a high share of South African food exports were Botswana (8,3%) and Mozambique (7,4%), the Netherlands (7,4%), Namibia (7,0%), Zimbabwe (6,0%), India (5,3%), Lesotho (4,9%) the United States of America (4,8%), Spain (4,2%) and Swaziland (3,9%).

Table 2.5 presents the major exports of food products during 2023: Q4 and their year-on-year percentage change in the food category. The leading South African exports of food products were maize (excluding seed for sowing) (HS100590), cranberries, bilberries and other fruit of the genus Vaccinium (HS081040) and raw cane sugar (HS170114) with an export value of R3 591,01 million, R2540,79 million and R2370,27 million, respectively, in 2023: Q2.

Table 2.5: Major exported food products 2023: Q4

HS code	Product description	Export value R_million	Year-on-year-change %
100590	Maize (excl. seed for sowing)	3 591,01	6,9
081040	Cranberries, bilberries and other fruit of the genus Vaccinium	2 540,79	38,5
170114	Raw cane sugar, in solid form, not containing added flavouring or colouring matter (excl. cane sugar of 170113)	2 370,27	212,9
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 (excl. sparkling wine)	2 206,18	13,4
120190	Soya beans, whether or not broken (excl. seed for sowing)	2 165,55	53,3
080610	Fresh grapes	1 885,68	-16,6

080810	Apples	1 245,18	14,8
080510	Oranges	1 224,22	-15,7
110313	Of maize (corn)	1 102,39	157,8
210690	Food preparations, n.e.s.	948,30	17,7

Source: Quantec (2024)

Table 2.6 shows the major imports of food products during 2023: Q4 and their percentage change in the food category. The leading imports of food products are Semi-milled or wholly milled rice, whether or not polished or glazed R3 875,93 million, Palm oil and its fractions, whether or not refined (excl. chemically modified and crude) (R2 017,18million) and Wheat and meslin (excl. seed for sowing, and durum wheat) (R1 983,60 million).

Table 2.6: Major imported food products in 2023: Q4

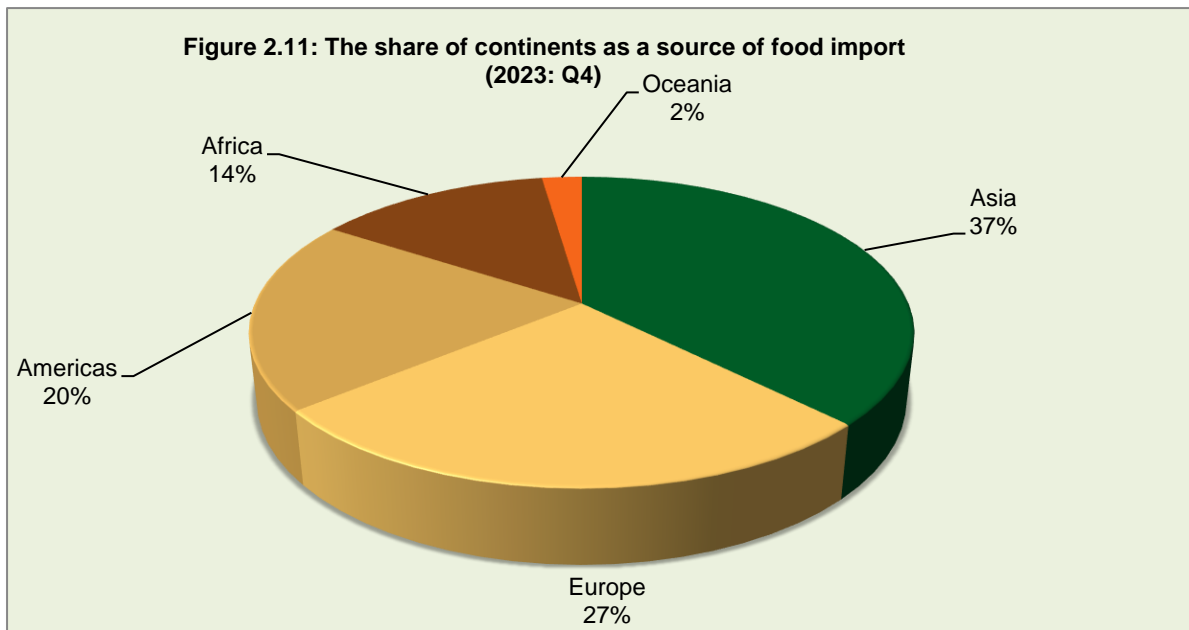
HS code	Product description	Export value R million	Year-on-year-change %
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	3 875,93	72,41
151190	Palm oil and its fractions, whether or not refined (excl. chemically modified and crude)	2 017,18	2,08
100199	Wheat and meslin (excl. seed for sowing, and durum wheat)	1 983,60	65,29
151211	Crude sunflower-seed or safflower oil	1 142,47	85,52
170113	Cane sugar specified in subheading note 2 to this chapter	922,91	10,21
210690	Food preparations, n.e.s.	804,29	-11,72

050400	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh, chilled, frozen, salted, in brine, dried or smoked	577,27	11,59
020712	Frozen fowls of the species Gallus domesticus, not cut in pieces	515,80	21,80
020714	Frozen cuts and edible offal of fowls of the species Gallus domesticus	449,75	24,16
190219	Uncooked pasta, not stuffed or otherwise prepared, not containing eggs	400,79	37,39

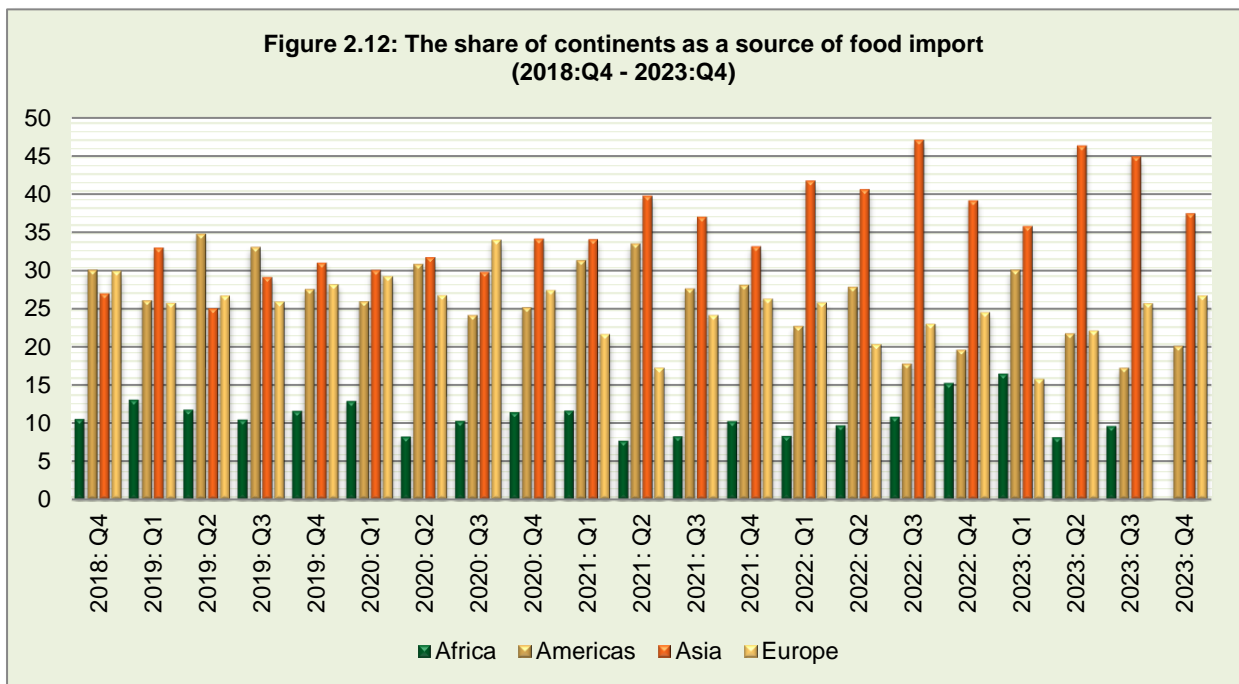
Source: Quantec (2024)

Main source of imported food products

South Africa's main source of food imports during 2023: Q4 is presented in Figure 2.11. Asia accounted for a 37% share of food imports in 2023: Q4, followed by the Europe Union with a share of about 27%, then the Americas and Africa with a 20% and 14%, respectively. 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 the Americas accounted for the larger share of South African food imports.



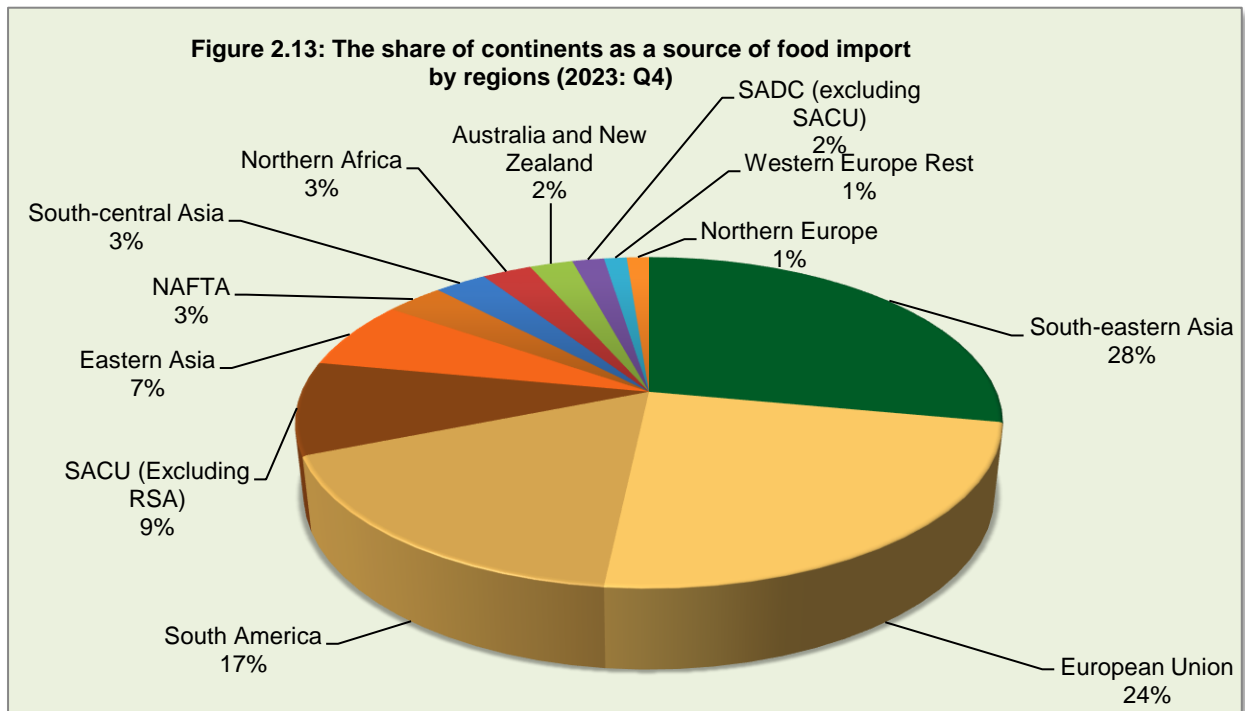
Source: Quantec (2024)



Source: Quantec (2024)

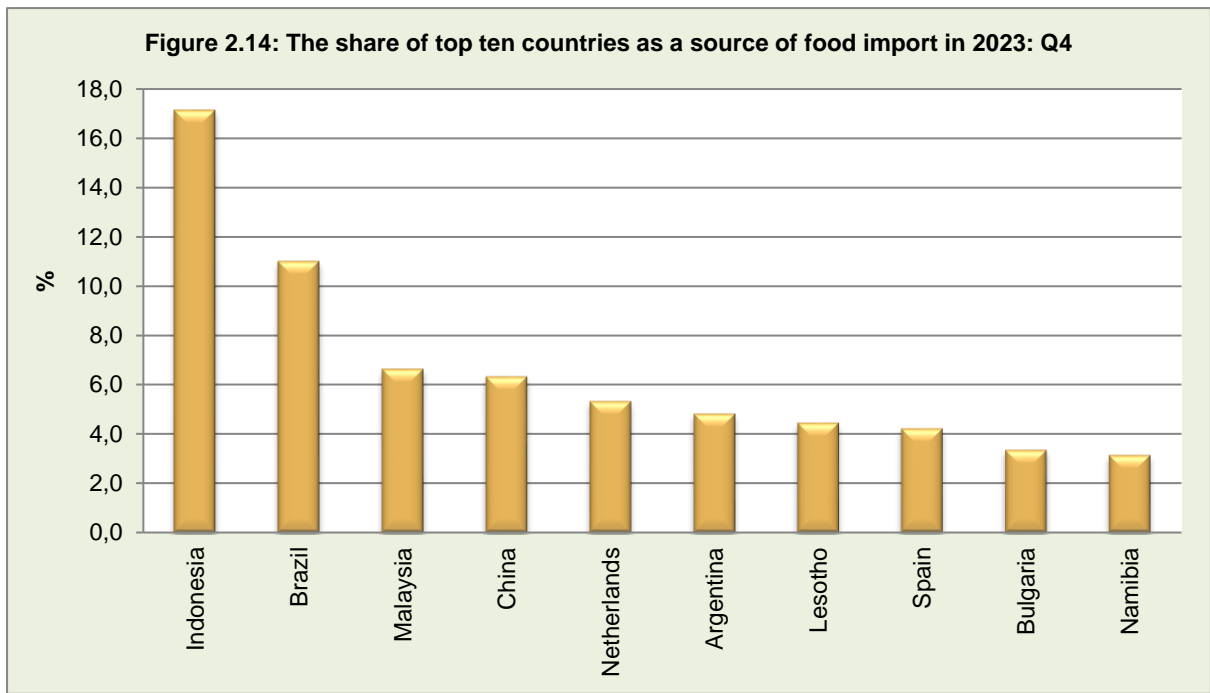
Amongst the trading regions, South-eastern Asia accounted for an approximate 28% share of South African food imports, followed by the European Union (24%), South America (17%), SACU (excluding SA) (9%), Eastern Asia (7%), NAFTA (3%), South-central Asia (3%), Northern Africa (3%), Australia and New Zealand (2%) each, SADC

(excluding SACU) (2%), Western Europe rest (1%) and Northern Europe (1%) as presented in Figure 2.13.

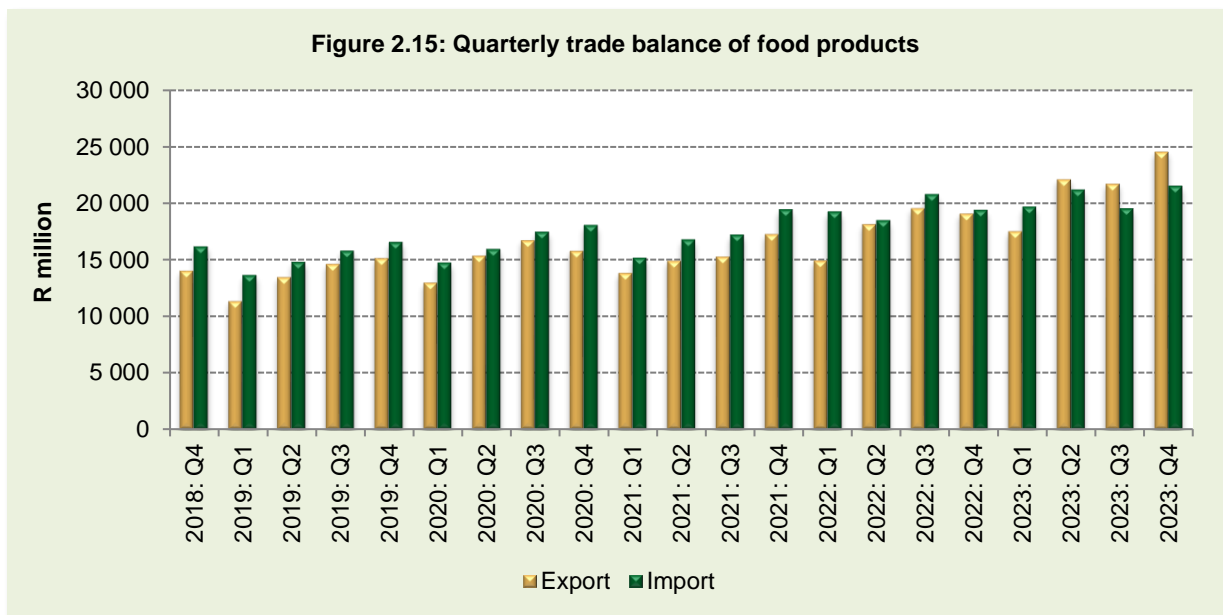


Source: Quantec (2024)

Figure 2.14 shows the top ten countries as a source of South African food imports in 2023: Q4. South Africa's imported food products mainly come from Indonesia (17,1%), Brazil (11,0%), Malaysia (6,6%), China (6,3%), the Netherlands (5,3%), Argentina (4,8%), Lesotho (4,5%), Spain (4,2%), Bulgaria (3,3%) and Namibia (3,1%).



Source: Quantec (2024)

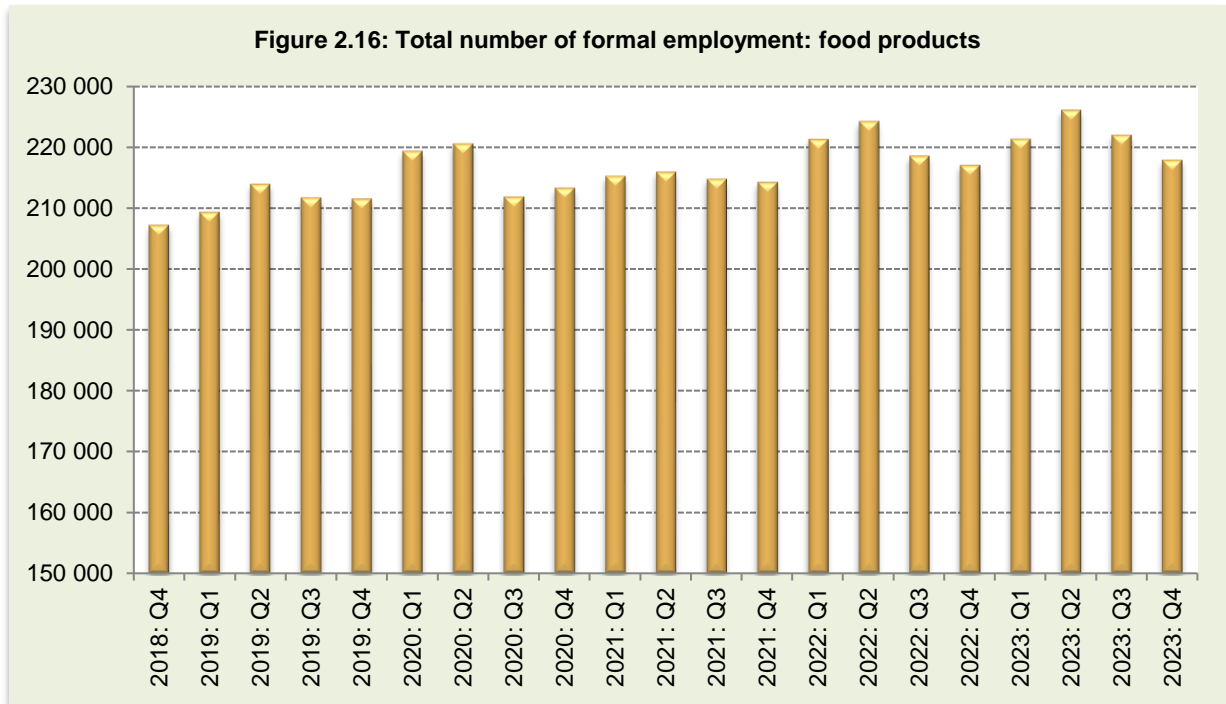


Source: Quantec (2024)

Figure 2.15 shows the quarterly trade balance of food products in 2023: Q4. In 2023: Q4, the quarter-to-quarter food exports and imports rebounded by 13,1% and 10,1% from a 1,8% and 7,7% contraction in the previous quarter.

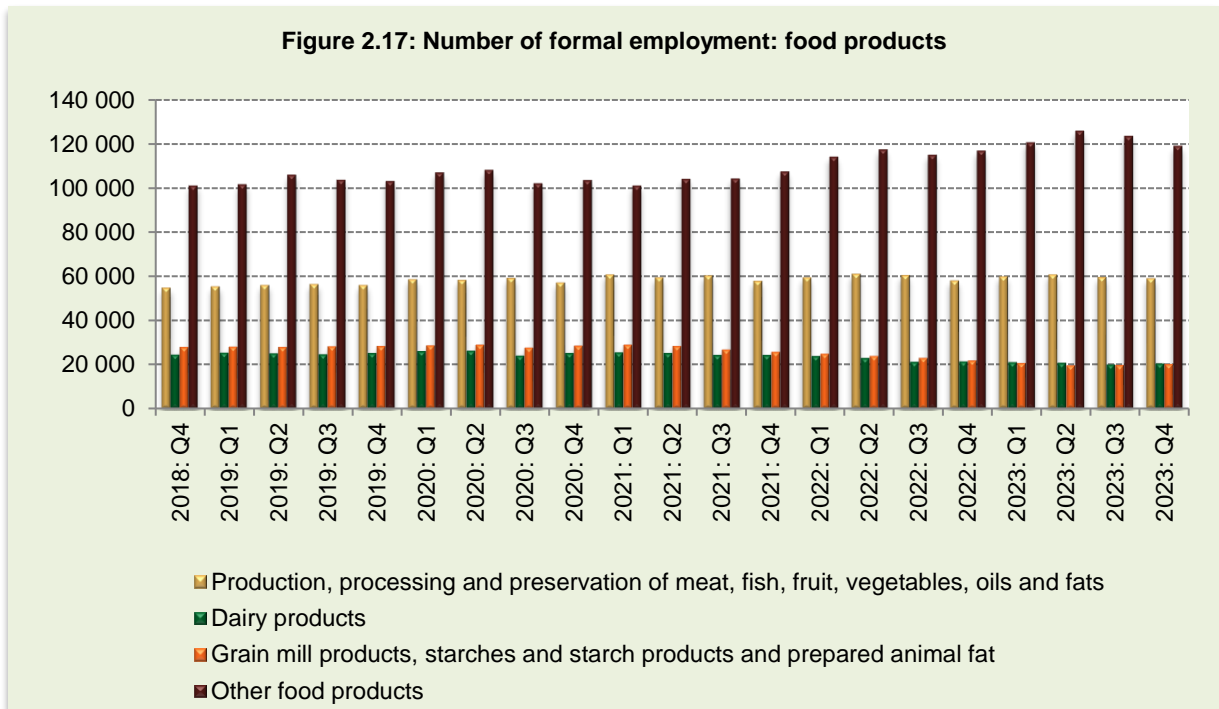
In terms of year-on-year, food exports rose by 28,7%, while food imports rebounded by 10,9%. As a result, the food trade surplus widened from R2 181,9 million in 2023: Q3 to R3 045,7 million in 2023: Q4.

2.6 EMPLOYMENT



Source: Statistics SA (2024)

Figure 2.16 shows the number of formal employments in the food products division. The quarter-to-quarter formal employment in the food products division contracted further by 1,8% as compared to the last quarter, however, it moderated by 0,4% year-on-year. As a result, 4 069 jobs were shed in 2023: Q4.



Source: Statistics SA (2024)

Figure 2.17 shows the number of formal employments in the food products divisions in 2023: Q4. In 2023: Q4, the quarter-to-quarter employment in meat, fish and fruit and vegetables, etc. receded further by 1,0% from a 2,0% contraction in the last quarter, dairy products rebounded by 2,5% from a contraction of 3,7% in the last quarter, grain mill products expanded by 2,1% from a 1,1% growth in the previous quarter, and “other food products” decelerated by 3,6% from a 1,9% contraction in the preceding quarter.

In terms of year-on-year, the employment in the meat, fish and fruit and vegetables, etc. rebounded by 1,8%, dairy products and grain mill products receded further by 3,9% and 7,2%, respectively, while “other food products” moderated by 1,9%.

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; and
- 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 2023: Q4.

The quarter-to-quarter consumer price index grew for non-alcoholic beverages (2,4%), alcoholic beverages (0,4%), hot beverages (5,5%) and cold beverages (0,5%). Spirits contracted by 0,3%, beer stagnated at 0,7% and alcoholic beverages moderated by 0,4%.

The year-on-year producer price index grew for non-alcoholic beverages (8,5%) and hot beverages (10,6%), however, alcoholic beverages (5,4%), cold beverages (7,2%), spirits (5,9%), wine (7,3%) and beer (4,3%) moderated in 2023: Q4.

Table 3.1: Price indices of beverages

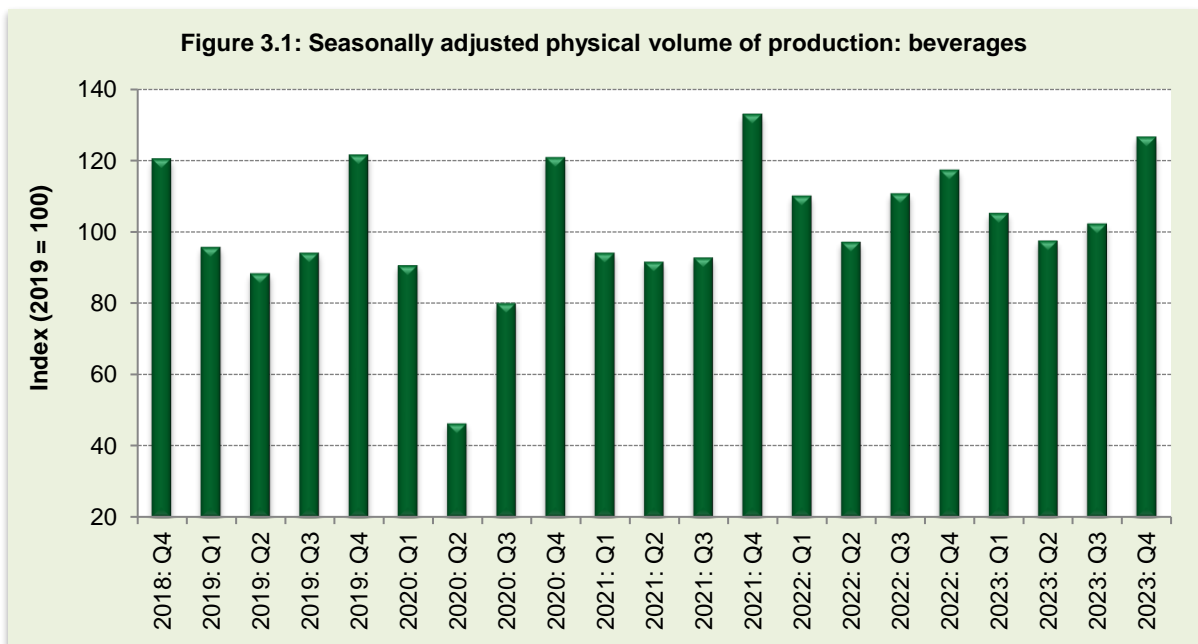
Beverage products	Weight	Indices			% Change between	
		2022: Q4	2023: Q3	2023: Q4	2022: Q4 and 2023: Q4	2023: Q3 and 2023: Q4
		Consumer price indices				
All items (CPI Headline)	100	107,1	111,6	113,1	5,6	1,4
Alcoholic beverages	3,9	106,8	112,1	112,5	5,4	0,4
Spirits	0,8	107,9	114,6	114,3	5,9	-0,3
Wine	0,7	105,9	113,0	113,6	7,3	0,5
Beer	2,5	106,8	110,7	111,4	4,3	0,7
Non-alcoholic beverages	1,2	108,9	115,5	118,2	8,5	2,4
Hot beverages	0,3	113,5	119,0	125,6	10,6	5,5

Cold beverages	0,9	106,4	113,5	114,1	7,2	0,5
		Producer price index				
Beverages	8,5	95,9	96,7	99,0	4,3	0,8
		Export unit value				
Beverages	135,2	111,0	117,8	116,1	4,6	-1,4

Source: Stats SA (2024)

3.2 PRODUCTION

Figure 3.1 presents the seasonally adjusted physical volume of production for the beverages division in 2023: Q4. The quarter-to-quarter seasonally adjusted physical volume of production for the beverages division rebounded by 3,6% from a 2,1% contraction in 2023: Q3. Similarly, the year-on-year seasonally adjusted physical volume of production for the beverages division rebounded by 8,0% in 2023: Q4.



Source: Statistics SA (2024)

Production capacity

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

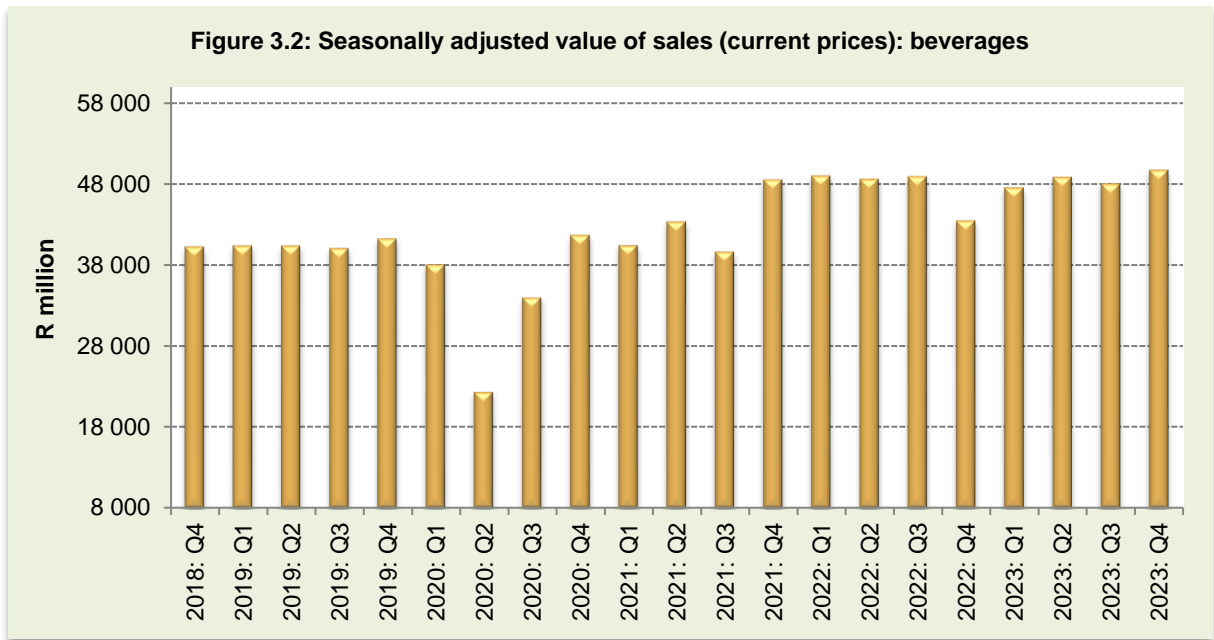
Period	Utilisation	Reasons for underutilisation					
		Total under-utilisation	Shortage of			Insufficient demand	Other
			Raw materials	Labour			
				Skilled	Semi- and unskilled		
2022: Q4	84,2	15,8	2,4	3,2	0,2	8,3	1,7
2023: Q3	82,0	18,0	2,2	3,2	0,2	10,3	2,1
2023: Q4	84,0	16,0	2,6	3,2	0,2	7,1	3,0

Source: Statistics SA (2024)

Table 3.2 shows the year-on-year utilisation capacity by large enterprises for the beverages division. The utilisation capacity increased quarter-to-quarter by 2,0 percentage points, and it decreased year-on-year by 0,2 percentage points. As Table 3.2 shows, insufficient demand remained the main reason for underutilisation during 2023: Q2, followed by shortage of skilled labour.

3.3 VALUE OF SALES

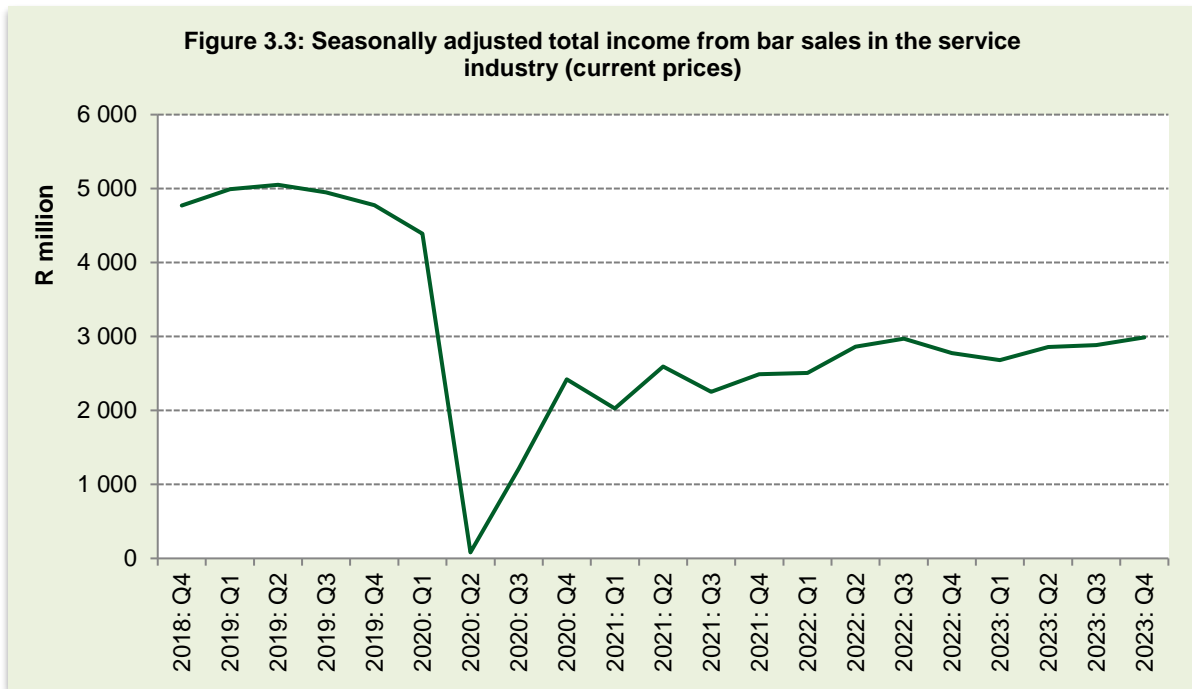
During 2023: Q4, the quarter-to-quarter seasonally adjusted value of sales for the beverages division rebounded by 3,5% from a 1,7% contraction recorded in 2023: Q3. As a results beverages sales increased from R48 047,7 million in 2023: Q3 to R49 737,3 million in 2024: Q4. Similarly, year-on-year, seasonally adjusted value of sales for the beverages division rebounded by 14,4% as shown in Figure 3.2



Source: Statistics SA (2024)

3.4 INCOME FROM BAR SALES IN THE SERVICE INDUSTRY

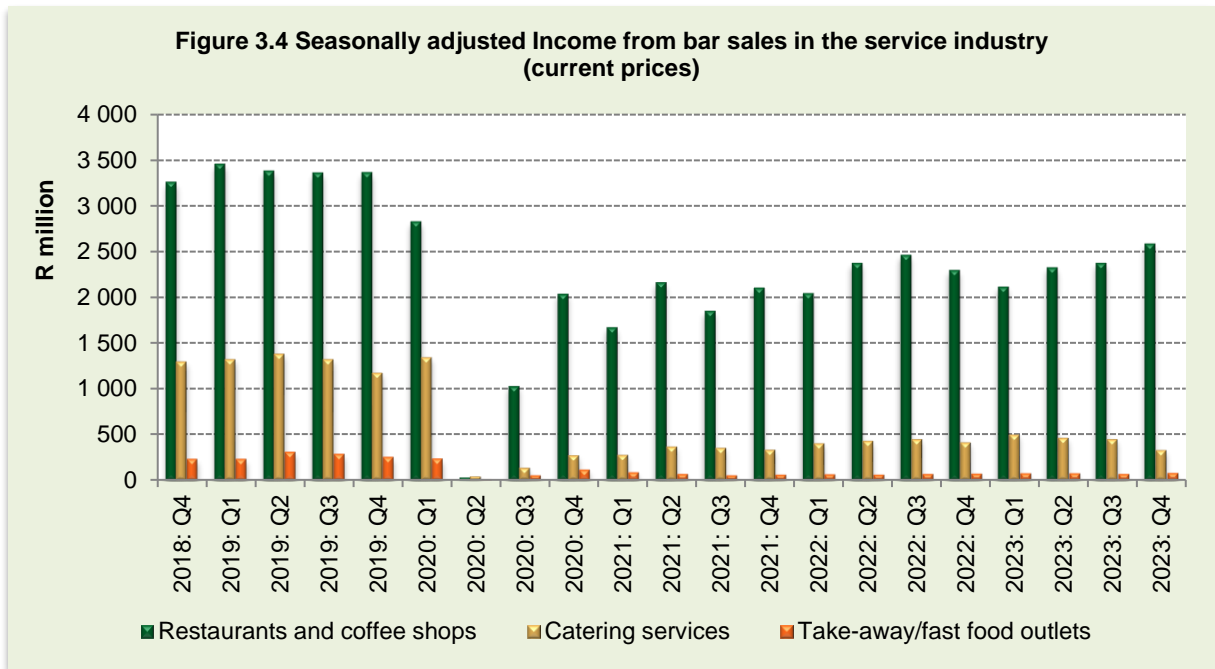
Figure 3.3 below shows the income from bar sales in the food and beverages service division in 2023: Q4. The income from bar sales in the food and beverages service industry rose quarter-to-quarter by 3,6% in 2023: Q4 from a 0,9% growth in the last quarter. However, it rebounded by 7,6% year-on-year. Therefore, the income from bar sales increased to R2 985,9 million in 2023: Q4 from R2 883,2 million in 2023: Q3.



Source: Statistics SA (2024)

Figure 3.4 below shows income from bar sales in the service industry, which includes restaurants and coffee shops, take-away/fast food outlets and catering services. In 2023: Q4, the quarter-to-quarter income from restaurants and coffee shops expanded by 8,8% from a 2,1% growth in the last quarter, take-away/fast food outlets rebounded by 17,2% from a 10,9% contraction in the last quarter and catering services decelerated by 26,1% following a 3,3% contraction in the preceding quarter.

In terms of year-on-year, income from restaurants and coffee shops and take-away/fast food outlets rebounded by 12,4% and 10,6%, respectively, while income from catering services decelerated by 19,7% in 2023: Q4.



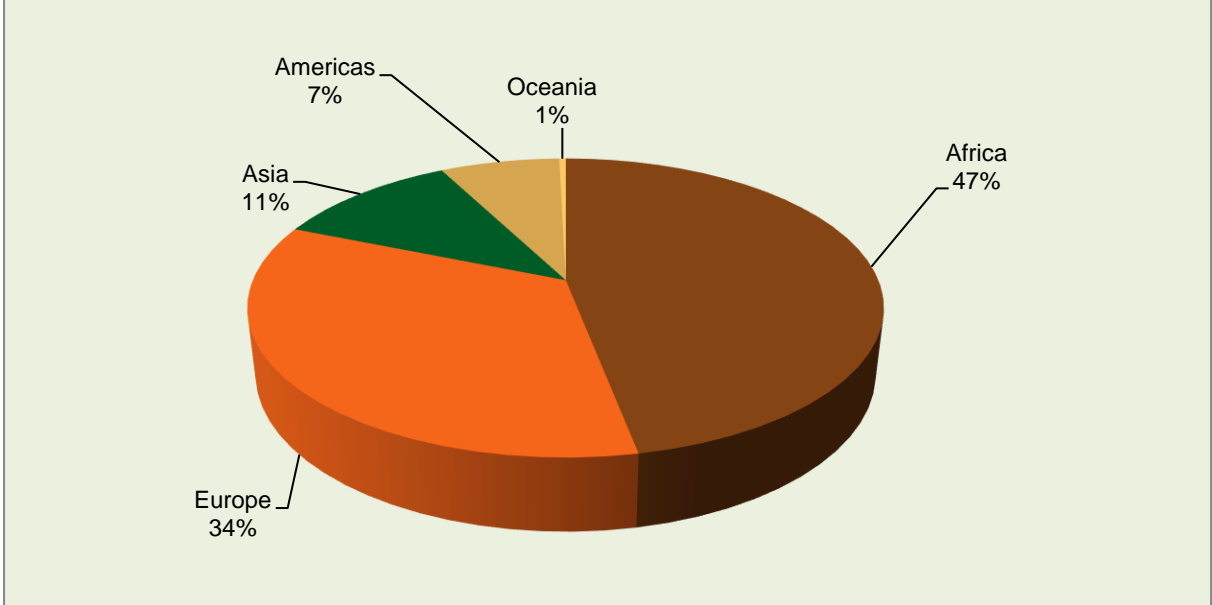
Source: Statistics SA (2024)

3.5 TRADE

Main export destinations of beverages products

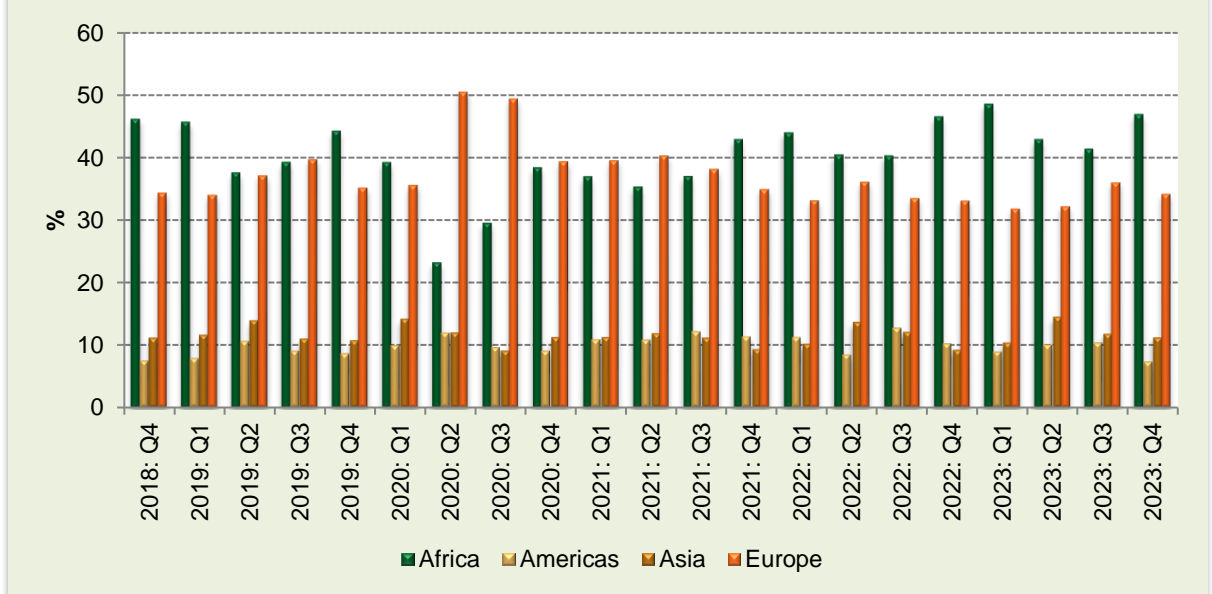
As Figure 3.5 shows, during the quarter under review, Africa accounted for the largest share of South African exports of beverages. Africa accounted for 47%, followed by Europe (34%), Asia (11%) and the Americas (7%). Oceania has the least share of South African beverages exports at 1%. The trend of 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.

Figure 3.5: The beverage export destination's share of continents in 2023: Q4



Source: Quantec (2024)

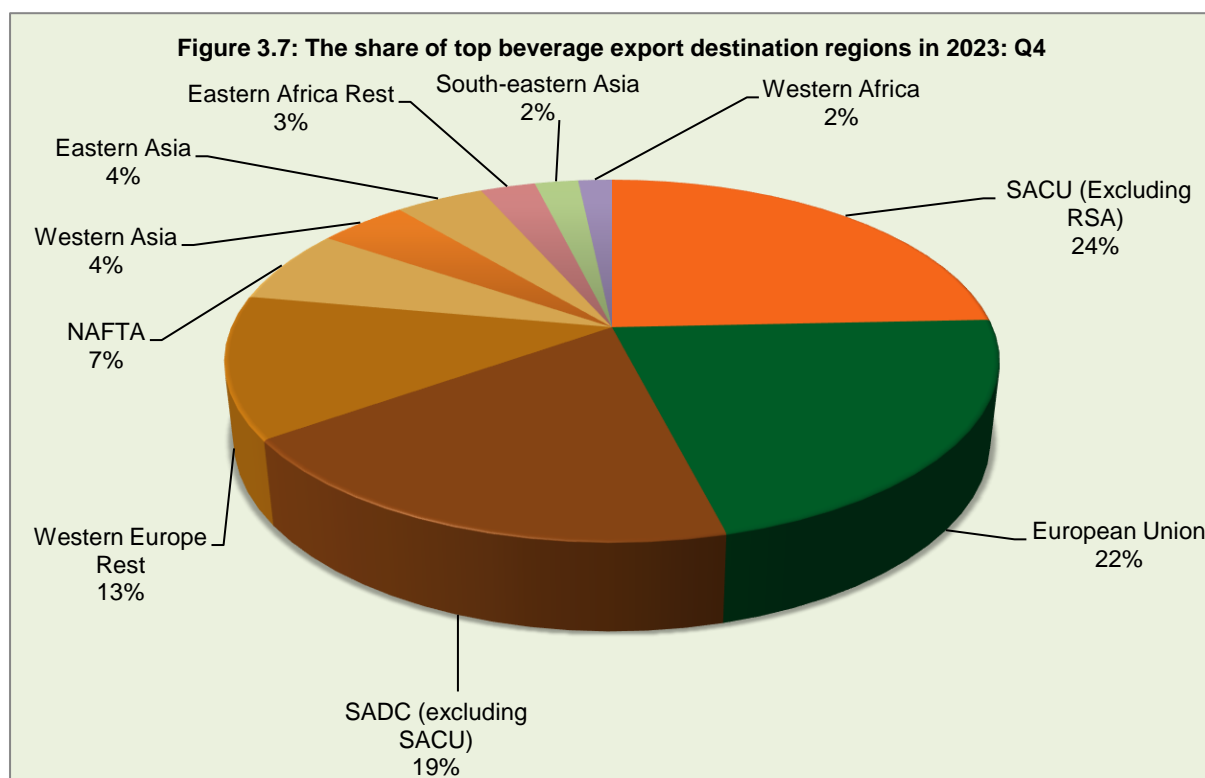
Figure 3.6: The beverages export destination's share of the continents in (2018: Q4 - 2023:Q4)



Source: Quantec (2024)

Among the main trading regions during 2023: Q4, the SACU (excluding SA) accounted for the largest share of South African beverages exports at 24%, followed by the European Union (22%), SADC (excluding SACU) (19%), the Western Europe rest

(13%), NAFTA (7%), Western Asia (4%), Eastern Asia (4%), Eastern Africa rest (3%), South-eastern Asia (2%) and Western Africa (2%) as illustrated in Figure 3.7.



Source: Quantec (2024)

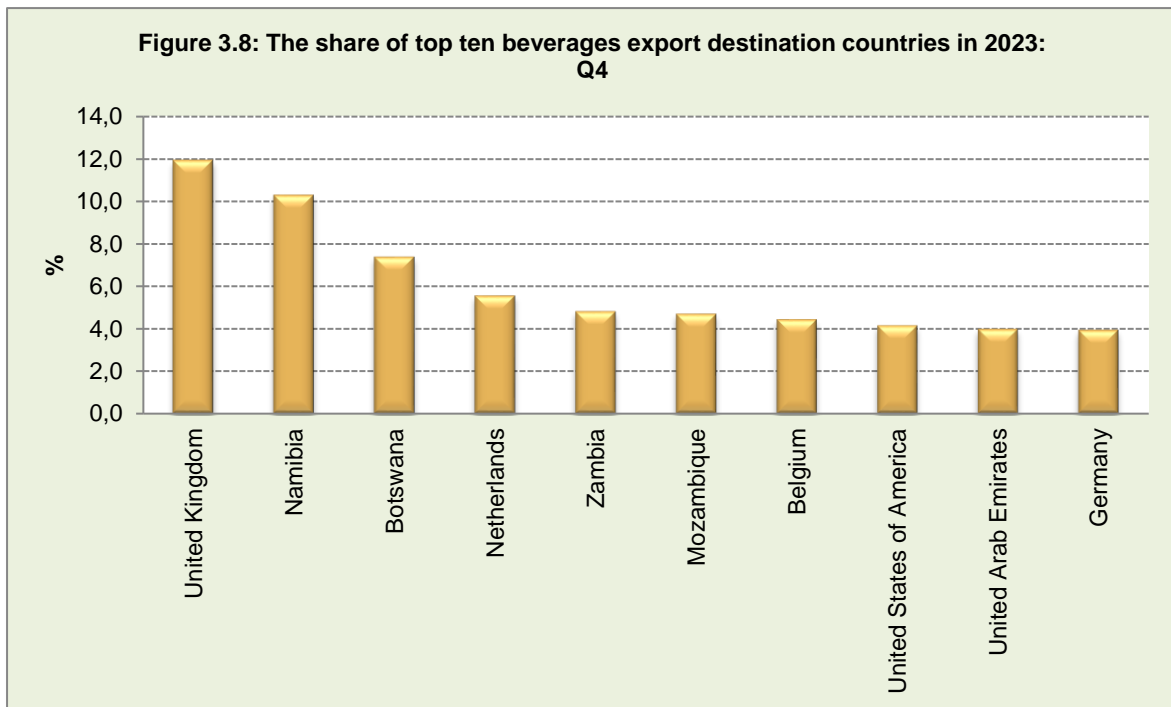
Table 3.3 below presents the major exported beverages products during 2023: Q4 and their percentage change. The leading South African beverages export is wine of fresh grapes (HS220421); waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured (HS220210, 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 (HS220600) with an export value of R2 206,18 million, R776,69 million and R746,55 million, respectively.

Table 3.3: Major exported beverages products in 2023: 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 (excl. sparkling wine)	2 206,18	13,4
220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	776,69	24,3
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	746,55	13,9
220429	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 10 l (excl. sparkling wine)	713,35	6,3
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher	639,56	4,3
220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	550,55	110,2
220300	Beer made from malt	474,39	-0,5
220720	Ethyl alcohol and other spirits, denatured, of any strength	373,07	80,7
220870	Liqueurs and cordials	198,00	-21,1
220422	In containers holding more than 2 l but not more than 10 l.	192,57	27,8

Source: Quantec (2024)

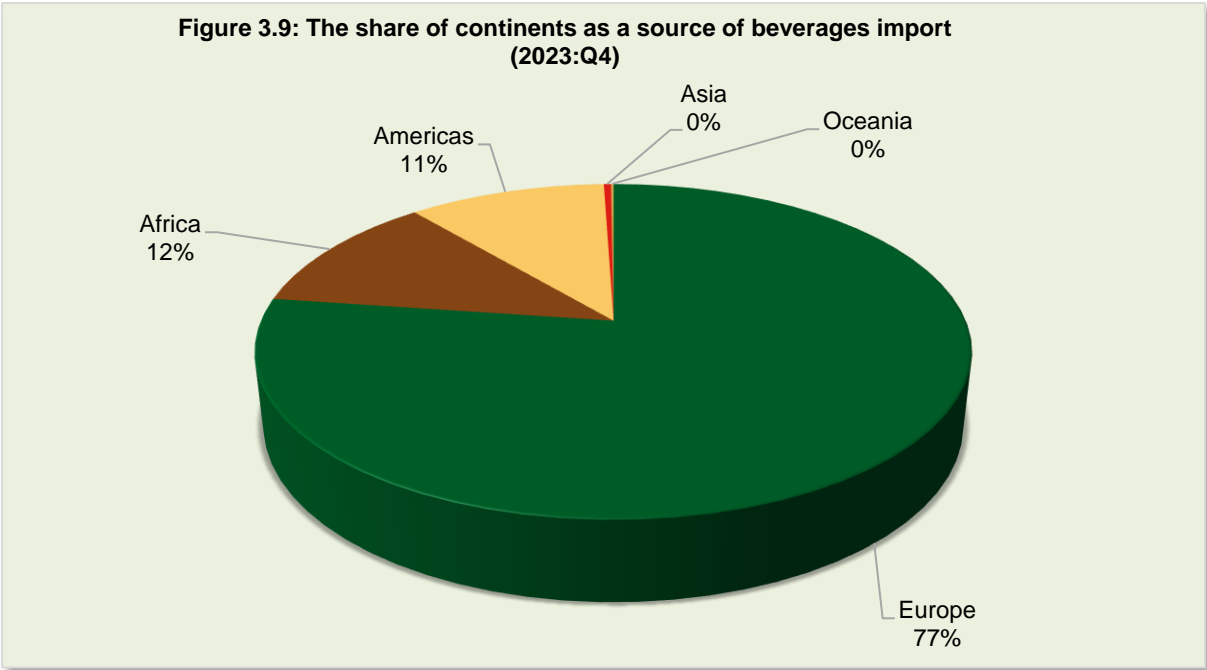


Source: Quantec (2024)

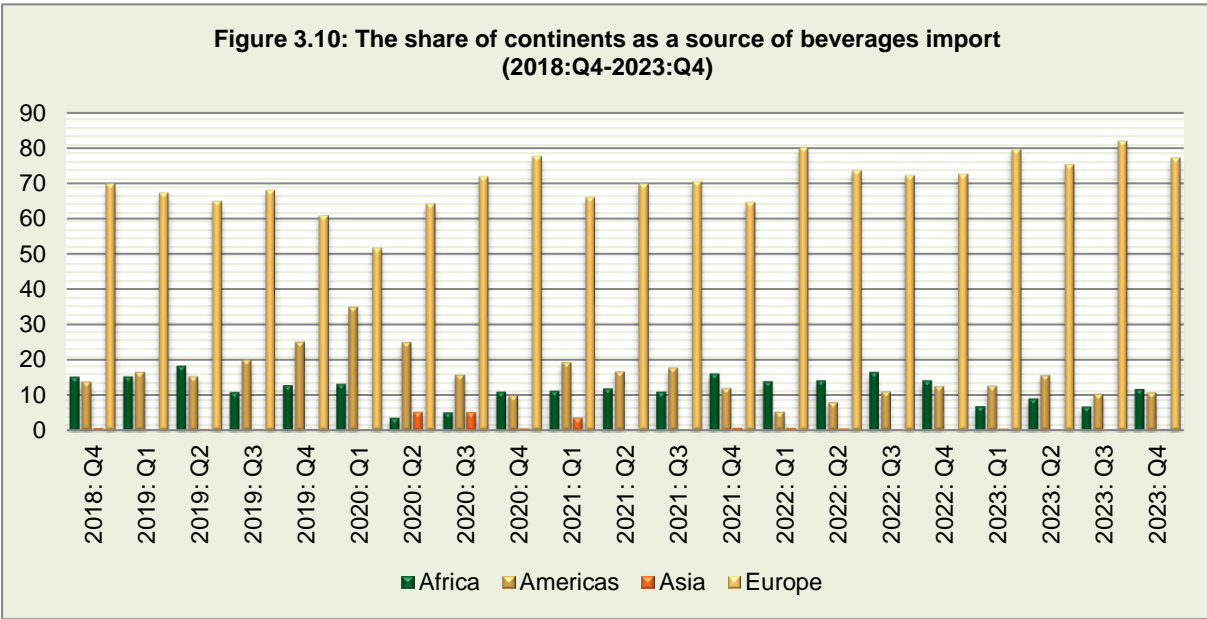
Figure 3.8 above shows the shares of the top ten beverages export destinations during 2023: Q4. The following are the main countries that accounted for a higher share of South Africa's beverages exports in 2023: Q4: the United Kingdom (11,9%), Namibia (10,3%), Botswana (7,4%), the Netherlands (5,5%), Zambia (4,8%), Mozambique (4,7%), Belgium (4,4%), the United States of America (4,1%), the United Arab Emirates (4,0%) and Belgium (3,9%).

Main imported beverages products and the source

Figure 3.9 illustrates the share of continents as a source of beverages imports in 2023: Q4. South Africa mainly imports beverages products from Europe, which accounts for approximately 77% share, followed by Africa (12%) and the Americas (11%). Asia's share was at less than 1% together with Oceania. 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.

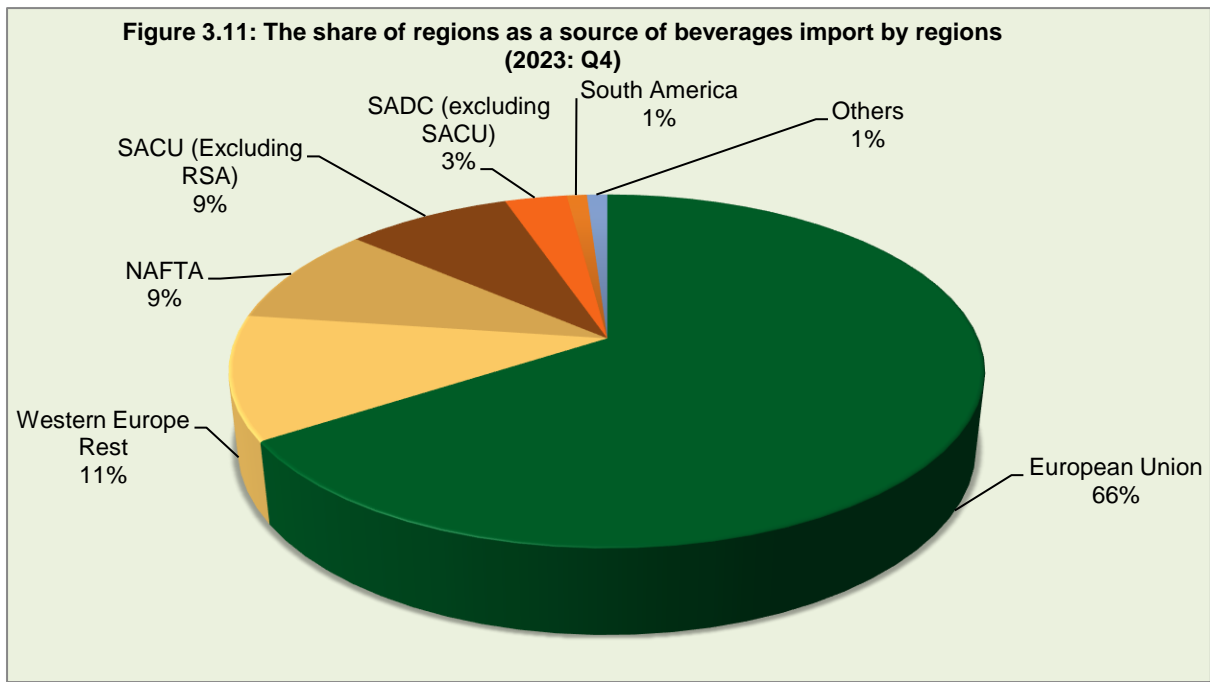


Source: Quantec (2024)



Source: Quantec (2024)

The European Union, as the leading source of South Africa’s imports of beverages, accounts for about 66% share in 2023: Q4. This is followed by Western Europe rest with a share of around 11%, followed by NAFTA (9%), SACU (excluding RSA) (9%), SADC (excluding SACU) (3%) and South America (1%) as illustrated in Figure 3.11.



Source: Quantec (2024)

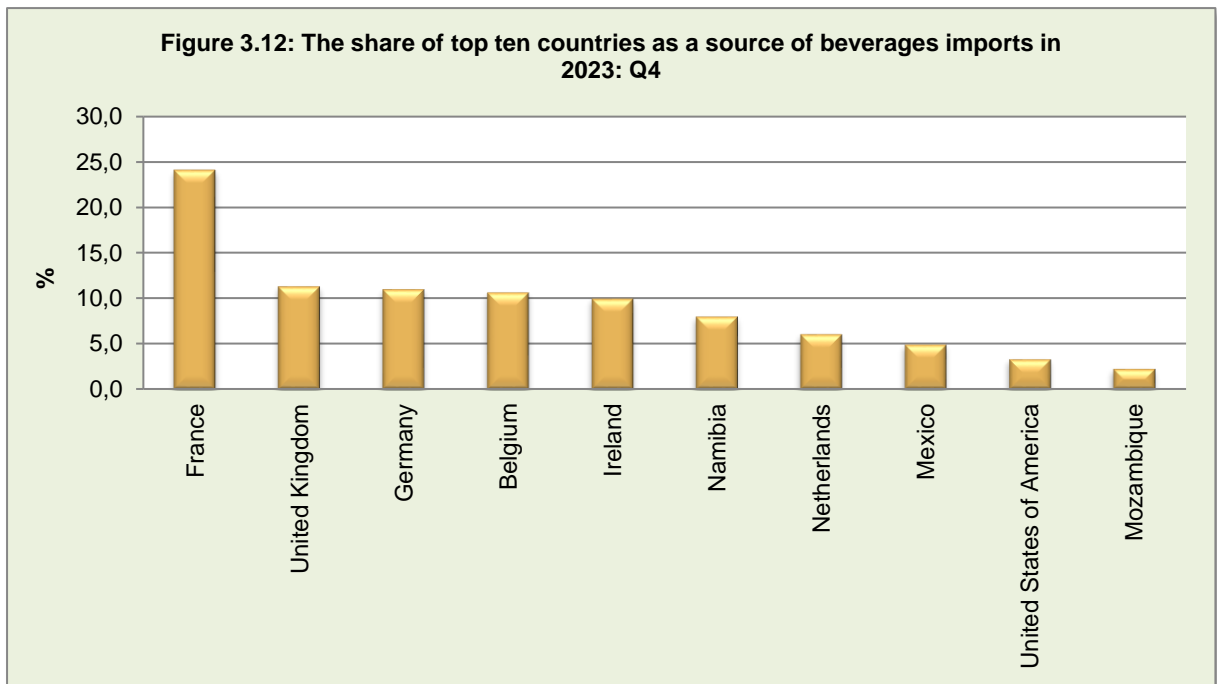
Table 3.5 below presents major imported beverages products during 2023: Q4 and the year-on-year percentage change. During 2023: Q4, the major beverage imports in South Africa were: Vermouth and other wines of fresh grapes, flavoured with plants or aromatic substances, in containers of > 2 l (HS220590); spirits obtained by distilling grape wine or grape marc (HS220820) and Vodka (HS220860) with a value R345,23 million, R237,09 million and R149,48 million, respectively.

Table 3.5: Imported beverages in 2023: Q4 and percentage change.

HS code	Product description	Export value R_million	Year-on-year % change
220590	Vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances, in containers of > 2 l	345,23	12,4
220820	Spirits obtained by distilling grape wine or grape marc	237,09	26,5

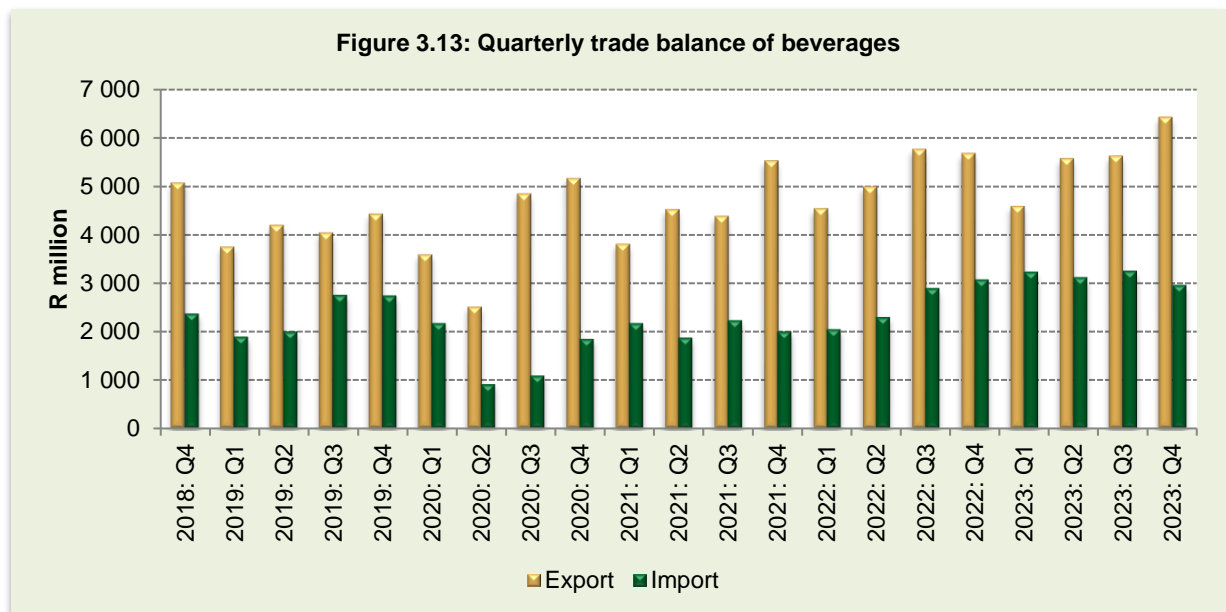
220860	Vodka	149,48	14,2
220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	119,59	-42,0
220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher	98,21	7,8
220720	Ethyl alcohol and other spirits, denatured, of any strength	74,22	8,3
220840	Rum and other spirits obtained by distilling fermented sugar cane products	57,65	59,8
220422	In containers holding more than 2 l but not more than 10 l	23,60	-50,7
220421	In containers holding 2 litres or less	18,83	111,8
220830	Whiskies	18,13	82,7

Source: Quantec (2024)



Source: Quantec (2024)

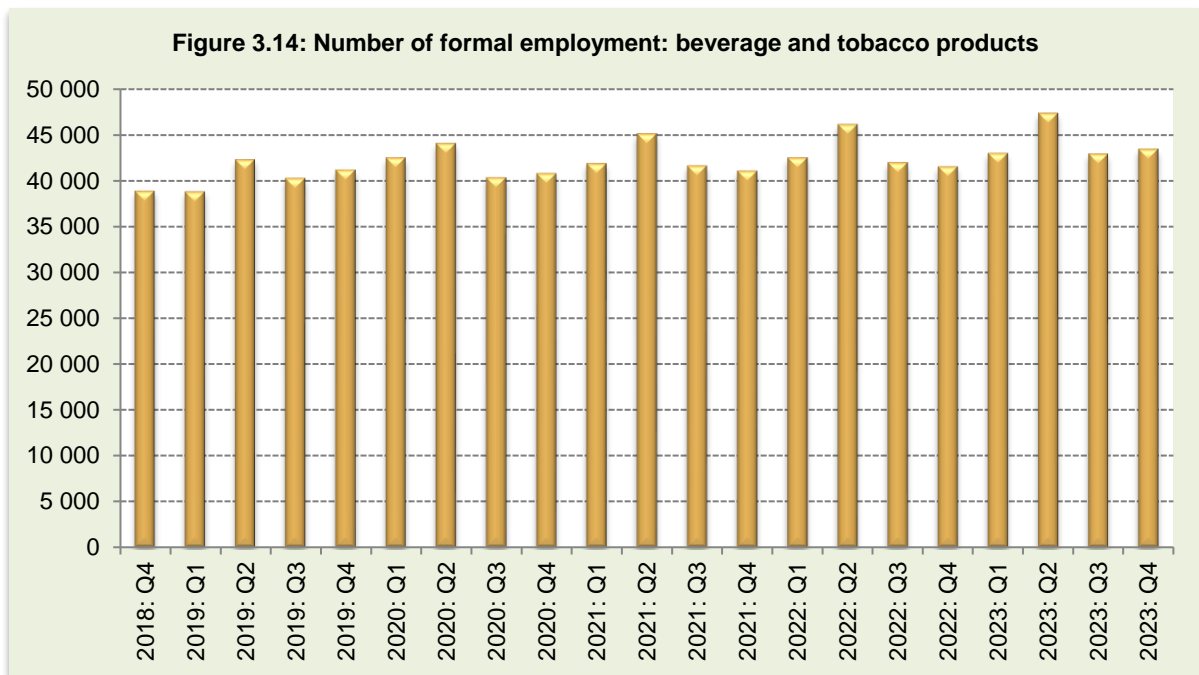
Figure 3.12 above shows the share of the top ten countries as a source of beverages imports. During 2023: Q4, France (24,1%) accounted for the highest share of South Africa’s beverages imports, followed by the United Kingdom (11,3%), Germany (11,0%), Belgium (10,6%), Ireland (10,0%), Namibia (8,0%), the Netherlands (6,1%), Mexico (4,9%), the United States of America (3,3%) and Mozambique (2,3%).



Source: Trade Map (2024)

During 2023: Q4, quarter-to-quarter beverages exports rose by 14,2% following a growth of about 15,4%. However, exports rebounded by 13,1% year-on-year. The quarter-to-quarter beverages imports contracted by 9,1% following a 4,3% growth in the last quarter, similarly, imports contracted by 3,8% year-on-year. As a result, the trade surplus of the beverages division widened from R2 380,9 million in 2023: Q3 to R3 473,6 million in 2023: Q4.

3.6 EMPLOYMENT



Source: Trade Map (2024)

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 1,2% in 2023: Q4 from a 9,4% contraction in 2023: Q3. However, employment rose by 4,6% year-on-year. Therefore, about 527 jobs were created in the beverages and tobacco division in 2023: Q4.

4. CONCLUSION

The economic activity in South Africa expanded slightly by 0,1% in the fourth quarter of 2023 following a contraction of 0,2% in the third quarter of 2023. Manufacturing

production was still facing a challenging operating environment due to rising input costs related to the ongoing electricity load-shedding, amongst others.

The volume of production of the food and beverages division rebounded quarter-to-quarter and year-on-year by 2,1% and 3,2% from a 3,2% and 4,9% contraction in the last quarter, respectively. The quarter-to-quarter value of sales in the food and beverages divisions rebounded by 1,9% in 2023: Q4 from a 3,9% contraction in 2023: Q3. The value of sales of the food and beverages division, however, expanded by 5,1% year-on-year.

The quarter-to-quarter food and beverages exports and imports rebounded by 13,3% and 7,4% in 2023: Q4 from a 1,2% and 6,2% contraction in 2023: Q3, respectively. As a result, the trade surplus widened from R4 562,8 million in the last quarter to R6 519,3 million in the current quarter under review.

The formal employment in the food, beverages and tobacco division receded further quarter-to-quarter by 1,3% in 2023: Q4 from a contraction of about 3,1% in 2023: Q3. However, year-on-year, employment moderated by 1,1% in 2023: Q4. Therefore 3 542 jobs were lost in the division in 2023: Q4.

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