



# Quarterly Economic Overview

OF THE AGRICULTURE, FORESTRY AND FISHERIES SECTOR



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## PREFACE

The core business of the Directorate: Statistics and Economic Analysis is to provide economic and statistical services to monitor the economic performance of the agriculture, forestry and fisheries (AFF) sector. To support this important task, the Economic and Statistical Research Unit conducts economic analyses of the performance of the AFF sector, as well as the external impact on the AFF sector and its industries.

This publication, the *Quarterly Economic Overview of the Agriculture, Forestry and Fisheries Sector*, was developed because of a need within the Department of Agriculture, Forestry and Fisheries (DAFF) to be regularly informed on developments and expected economic trends in the agricultural sector. The quarterly report has been established as a regular feature in the directorate's workplan. Since the beginning of 2004, the report has also been published for outside use to add value to a number of regular economic publications about the agricultural sector. It is our vision to maintain it as an indispensable reading for everyone interested in developments in the AFF and the South African AFF sector.

This issue looks at the economic developments in the fourth of 2016, as well as the expected economic trends in the South African AFF sector as the domestic and global economies continue to face economic uncertainties.

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## 1 EXECUTIVE SUMMARY

**Global growth prospects:** Global growth in 2016 is estimated at a post-crisis low of 2,3 percent and is projected to rise to 2,7 percent in 2017. Growth in emerging market and developing economies is expected to pick up in 2017, reflecting receding obstacles to activity in commodity exporters and continued solid domestic demand in commodity importers. Weak investment and productivity growth are, however, weighing on medium-term prospects across many emerging market and developing economies.

**Global grain supply forecast:** The global grain supply forecast indicates a total grain increase of 4,11%, from 3028,55 million metric tons in 2015 (Q4) to 3152,99 million metric tons in 2016 (Q4). Global supply projections for 2016 (Q4) of wheat, coarse grains, rice milled, oil seeds, oil meals and vegetable oils increased by 4,4%, 3,9%, 4,10%, 2,8%, 3,8% and 2,9% respectively. Whereas cotton declined by 7,9%, as compared to Q4) of 2016.

**South Africa GDP:** South Africa's GDP contracted by 0,3% in the fourth quarter following an increase of 0,4% in the third quarter of 2016. Mining and quarrying industry was the largest contributors to a negative growth in the fourth quarter of 2016. The agriculture sector improved from a contraction of 0,1% in the fourth quarter of 2016.

**Inflation:** The average inflation rate for quarter three and quarter four of 2016 were 6% and 6,6% respectively, which represent an increase of 10%. In layman's terms, this means that on average, consumers paid 10% for food in the fourth quarter of 2016 compared to the third quarter of 2016.

**Employment:** The number of employed people in South Africa rose by 235 000 to reach 16,1 million people employed in the fourth quarter of 2016 compared to the previous quarter. Growth in employment was driven by the services sector which grew

by 73 000, followed by transport and manufacturing which grew by 46 000 and 44 000, respectively. The number of people employed in agriculture sector increased by 6,9% in the fourth quarter of 2016, from 860 000 persons in the fourth quarter of 2015 to 919 000 persons in the fourth quarter of 2016.

**The agriculture sector:** The nominal real gross income from all agricultural products decreased from R67,8 billion in the third quarter of 2016 to R61, 9 billion in the fourth quarter of 2016, a decrease of 8,6%. This was largely supported by a decrease of 33,1% and 28,1% in income from field crops and horticulture. Meanwhile, income from animal products increased from R30.0 in the third quarter of 2016 to R35.6 in the fourth quarter of 2016. The total expenditure on intermediate goods and services was reported at R361,5 billion in the fourth quarter of 2016 compared to R347,2 billion in the previous quarter, an increase of 4,1%.

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

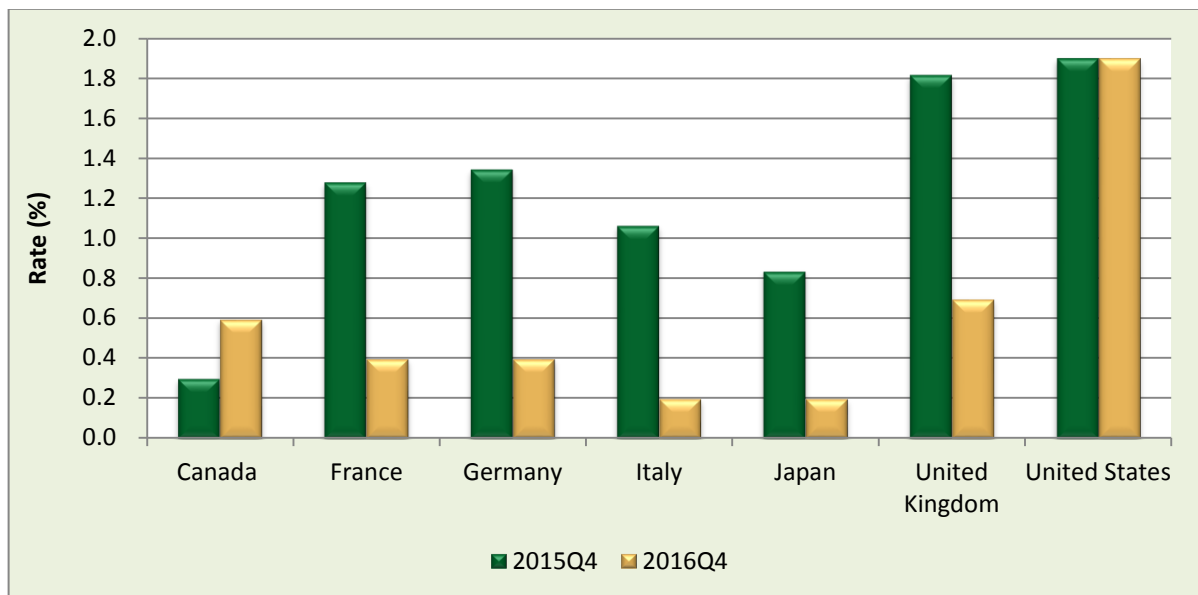
**Trade:** South Africa's agricultural trade balance in the fourth quarter of 2016 decreased by 23%, from R6,8 billion in the fourth quarter of 2015 to R5,3 billion in the fourth quarter of 2016. Exports grew by 1%, from R28, 1 billion in the fourth quarter of 2015 to R28,5 billion in the fourth quarter of 2016. Imports of agricultural products grew by 9%, from R21,3 billion in the fourth quarter of 2015 to R23,3 billion in the fourth quarter of 2016.



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

### 1.1 Global growth

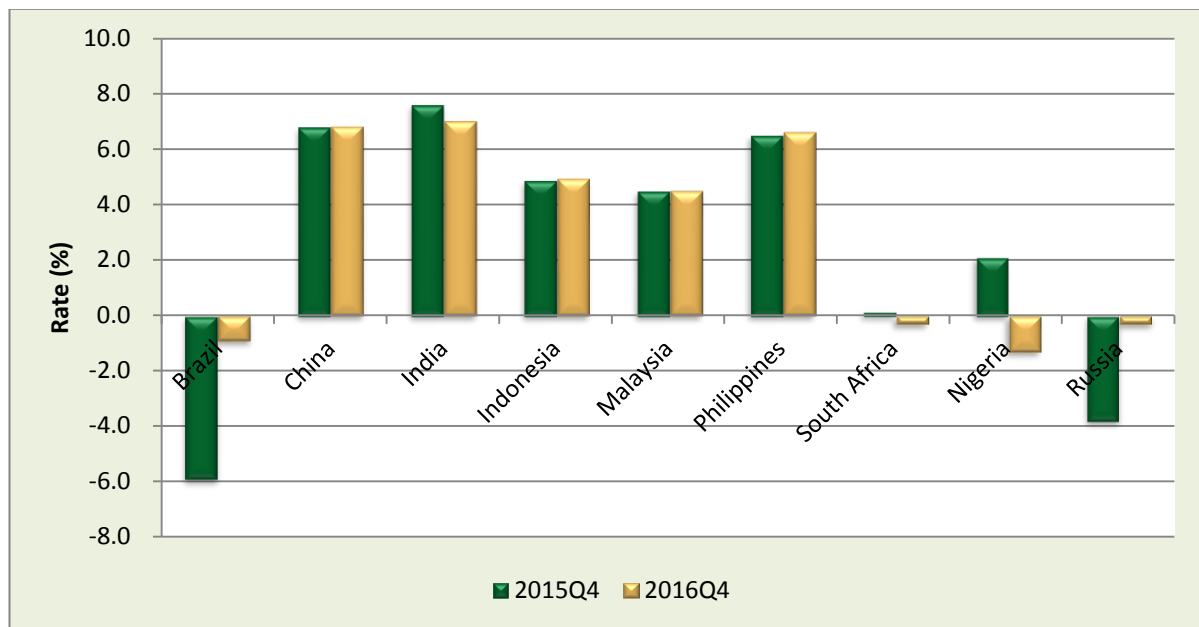
Global growth in 2016 is estimated at a post-crisis low of 2, 3 percent and is projected to rise to 2, 7 percent in 2017 according to the World Bank forecasts. Growth in emerging markets and developing economies is expected to pick up in 2017, the following reasons are seen as obstacles to activity in commodity exporters and continued solid domestic demand in commodity importers. Weak investment and productivity growth are, however, weighing on medium-term prospects across many emerging market and developing economies according to the World Bank forecasts. According to IMF (2016) there has been a stronger-than-expected pickup in growth in advanced economies, due mostly to a reduced drag from inventories and some recovery in manufacturing output. In contrast, it is matched by an unexpected slowdown in some emerging market economies, mostly reflecting idiosyncratic factors. Forward-looking indicators such as purchasing managers' indices have remained strong in the fourth quarter in most areas. Quarterly Real GDP growth Rates, 2016 (Q4) in the advanced economies of the following countries: France, Germany, Italy, Japan and United Kingdom decreased by 0,4%, 0,4%, 0,2%, 0,2% and 0,7% respectively, meanwhile Canada increased by 0,6% as compared to 2015 (Q4). Whereas, the United States remains constant by 1,9%, see Figure1.



**Figure 1:** Advanced Economies Quarterly GDP Rates

Data Source: Various Sources

According to IMF (2016), growth prospects marginally worsened for emerging market and developing economies, where financial conditions have generally tightened. Near-term growth prospects were revised up for China, due to expected policy stimulus, but were revised down for a number of other large economies most notably India, Brazil, and Mexico. Figure 2 indicates that in the emerging markets and developing economies, 2016 (Q4) the Quarterly Real GDP growth rates grew slightly in the following countries, Brazil, Philippines and Russia by -0,9%, 6,6%, and -0,3% respectively. Meanwhile, India, South Africa and Nigeria, decreased by 7%, -0,3%, and -1,3% as compared to the (Q4) of 2015. Whereas, China, Indonesia and Malaysia remain constant at 6,8%, 4,9% and 4,5%.



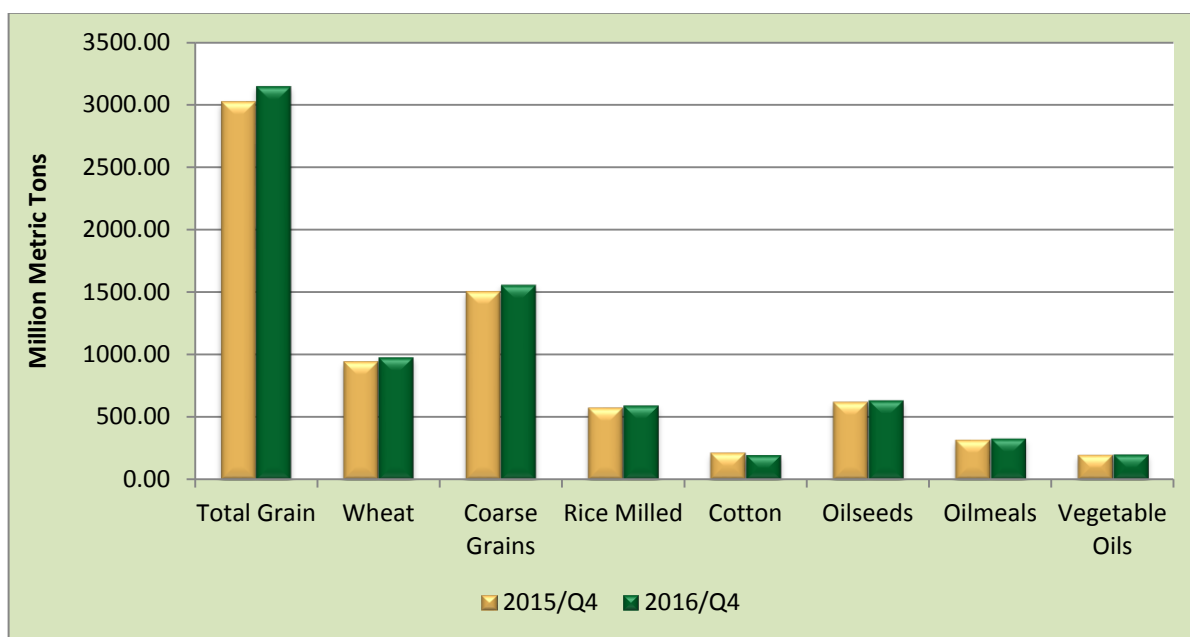
**Figure 2:** Emerging Markets and Developing Economies Quarterly GDP Rates

Data Source: Various Sources

## 1.2 Global grain forecast

USDA (2016) indicated that ending stocks for major exporters of coarse grains are expected to swell even further this month. In Argentina and Brazil, corn production is forecast to reach record levels with favourable crop prospects. Similarly, exporter-held wheat stocks are forecast to be the largest in six years' time. These are available to the world market and therefore have a direct impact on prices. The U.S. stocks, representing the biggest piece of that total, are forecast to rise by 16 percent from last year. In contrast to wheat and coarse grains, major rice exporters have seen a decrease in stocks recently.

The global grain supply forecast indicates a total grain increase of 4,11%, from 3028,55 million metric tons in 2015 (Q4) to 3152.99 million metric tons in 2016 (Q4). Global supply projections for 2016 (Q4) of wheat, coarse grains, rice milled, oil seeds, oil meals and vegetable oils increased by 4,4%, 3,9%, 4,10%, 2,8%, 3,8% and 2,9% respectively. Whereas cotton declined by 7,9%, as compared to Q4) of 2015, see Figure 3.



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

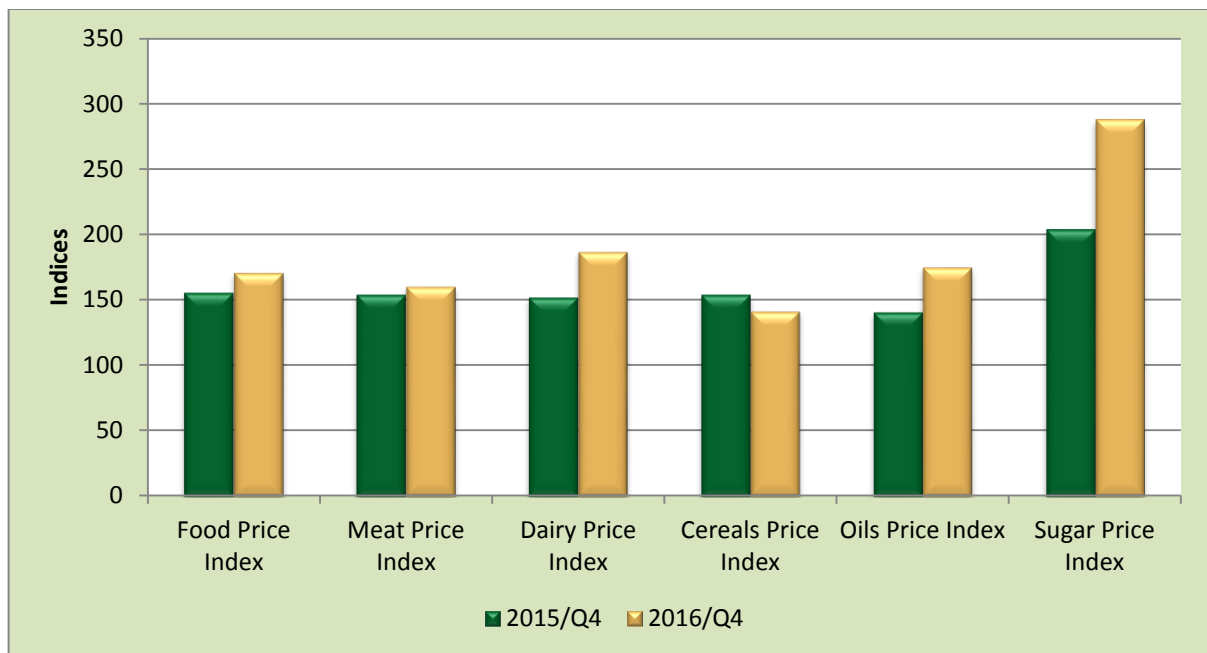
### 1.3 Global Food Prices

The Food and Agriculture Organisation (FAO, 2016) recorded a lift in its Food Price Index of 2,1% in January putting it at the highest value since February 2015. The rise was also the first time since 2012 the January value was higher than the preceding December. The FAO Food Price Index measured the monthly change in international prices of a basket of food commodities covering cereals, vegetable oils, dairy, meat and sugar. An exponential rise in sugar prices helped lift the overall index as expectations of a shortage in global sugar production became clearer for the 2016/2017 season.

Data from the FAO showed average annual food prices had been falling since 2011. The average FAO Food Price Index in 2016 fell by 1,5% in nominal terms compared to 2015 and in real terms the fall was almost 3%. The 2016 value had been the lowest since 2009 in nominal terms and the lowest since 2006 in real terms. Global food prices in January were at their highest point in nearly two years, being pushed along

by steady dairy prices, a rise in vegetable oils and cereals and a rebound in sugar prices.

The FAO Sugar Price Index increased by 9,9% in January after having dropped 17% from its 12-month peak in October. Dairy prices recorded little change with the index remaining stable for the month. That followed a period of big increases recorded in the third quarter of last year and a steadier, rising trend in Q4. The FAO Dairy Price Index rose 37% between May and September and rose 9% between September and December. Globally in 2016 (Q4) some major countries were paying more by 10,17% on food purchases compared to 2015 (Q4). The following global food products price indices in 2016 (Q4), meat, dairy, oil and, sugar reflect a steady increase by 4,2%, 23,1%, 24,7% and 41,4%, respectively. Whilst cereals decreased by 7,9% as compared with (Q4) of 2015.



**Figure 4:** Quarterly global food price indices

Data Source: FAO

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

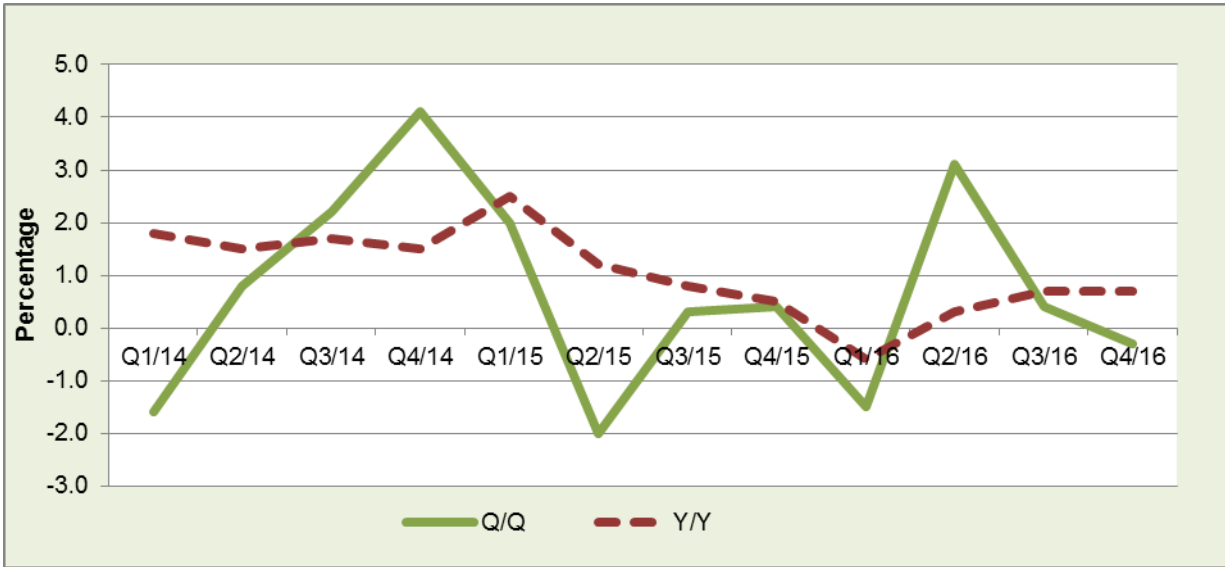
### **2.1 Growth**

The latest data released by Statistics South Africa for the fourth quarter of 2016 shows that the country's GDP contracted by 0,3% in the fourth quarter following an increase of 0,4% in the third quarter of 2016 (see Figure 5). The data reveals further that mining and the quarrying industry are the largest contributors to a negative growth in the fourth quarter of 2016. Mining and quarrying industries decelerated by 11, 5% from a growth of 4, 2% in the third quarter and contributed -0, 9% to the GDP growth. A disappointing growth in the mining and quarrying industry is largely as a result of lower production in coal, gold and other metal ores which include platinum. The agricultural sectors mark the eight consecutive quarter of contraction since the first quarter of 2015 (Figure 6). The agriculture sector improved from a contraction of 7, 8% and 0, 2% in the second and third quarter of 2016 respectively, to 0, 1% in the fourth quarter of 2016. Although the agricultural sector contracted in the fourth quarter, the sector shows some improvement from a negative growth of 7, 8% to 0, 1% in the fourth quarter.

Manufacturing is the second largest contributor to a negative growth. Manufacturing decelerated by 3, 1% in the fourth quarter of 2016 from a contraction of 3,3% in the third quarter and contributed -0,4% to the country's economic growth. The manufacturing industry decline was brought about by a decline in the manufacturing of food and beverages, petroleum, chemical products, rubber and plastic products as well as motor vehicles, parts and accessories of transport equipment. The electricity, gas and water industry rebounded by 2% and contributed 0, 05% while the construction industry moderated by 0, 4% and contributed 0,01% in the fourth quarter of 2016.

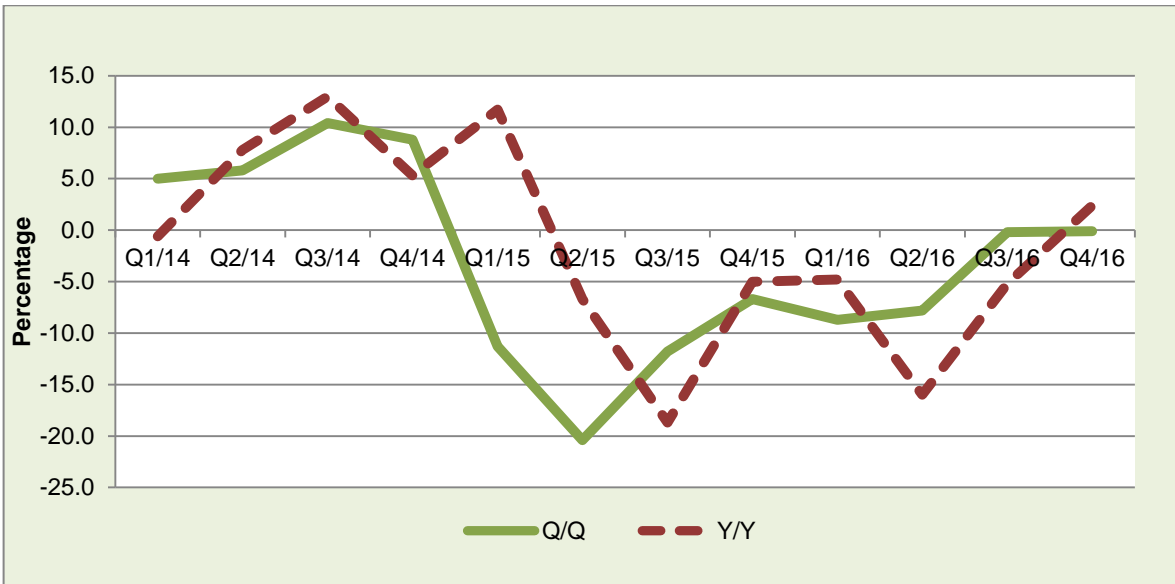
The largest positive contributors to GDP include trade, catering and accommodation industry, and finance, real estate and business services. Trade, catering and

accommodation industry accelerated by 2,1% in the fourth quarter from a contraction of 2,0% in the third quarter of 2016 and contributed 0,3% to the GDP growth while the finance, real estate and business services increased marginally from 1,3% in the third quarter to 1,6% in the fourth quarter.



**Figure 5:** Domestic real GDP growth

Source: Stats SA

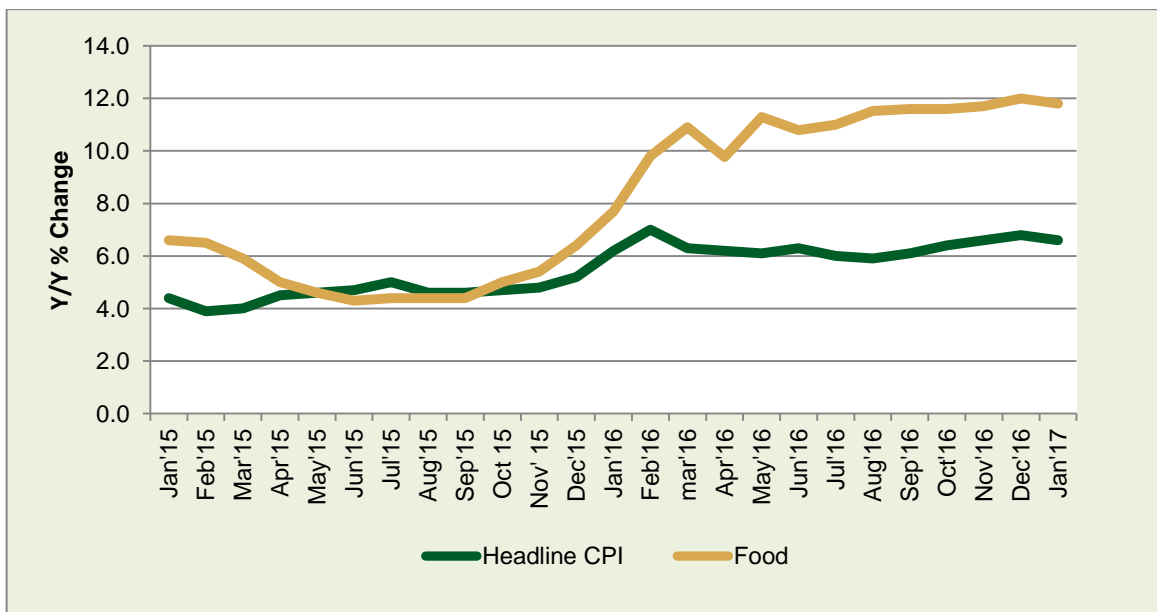


**Figure 6:** Agriculture, forestry and fishing sector growth rates

Source: Stats SA

## 2.2 Inflation

Figure 7 illustrates South Africa’s annual headline CPI and the food inflation. The annual average headline CPI for 2016 is estimated at 6,4% while the annual consumer price inflation for December 2016 was 6,8% which is 0,5% above Reserve Bank’s target rate. The year-on-year average annual consumer price inflation is 1, 8% higher than 4, 6% recorded in 2015. In the past three months from October to December 2016, South African inflation rate remained above the target rate and it was estimated at 6,4%, 6,6% and 6,8% respectively. The annual headline CPI increased by 3,03% month-on-month in December 2016. The main contributors to the headline annual consumer price inflation are housing and utilities which increased from 1,3% in November to 1,4% in December 2016. Recreation and culture as well as restaurants and hotels increased from 0,2% each in November to 0,3% each in December 2016 while transport decreased from 1,0% in November to 0,9% in December 2016. The average inflation rate for quarter three and quarter four of 2016 were 6% and 6,6% respectively, which represent an increase of 10%. In layman’s terms, this means that on average, consumers paid 10% for food in the fourth quarter of 2016 compared to the third quarter of 2016.



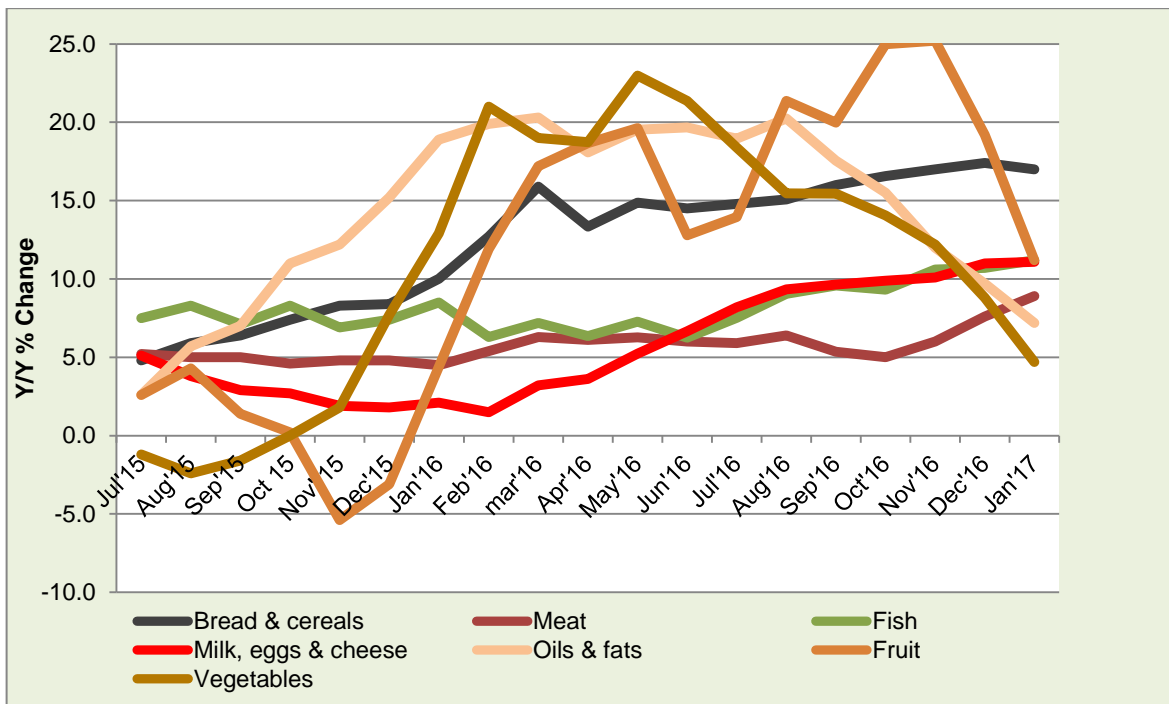
**Figure 7:** SA headline CPI and CPI for food

Source: Stats SA



Figure 8 illustrates consumer trends of selected food items since the first quarter of 2015. The figure shows that since May 2016, the CPI for food has been increased steadily. The annual average CPI for food over 12 month's period (Jan-Dec) for 2016 is estimated at 10,8% while the CPI for food in December 2016 is estimated at 12%. On a month-on-month, CPI for food increased by 2,56% in December 2016. The CPI for food averaged 11,8% in the fourth quarter of 2016 which is 3,45% higher than compared to 11,4% in the third quarter of 2016.

Among the selected food items, CPI for fruits, bread and cereals, fish as well as milk, eggs and cheese were the most expensive with averages of 19,2%, 18,4%, 17,4%, 10,7% and 11,0% respectively in December 2016. The least expensive were meat with CPI of 7,6% while oils and fats; and vegetable were moderate with 9,7% and 8,8% in December 2016. The month-on-month CPI of the selected food items for vegetables, fruits and oil and fats had decreased dramatically by 27,87%, 23,81% and 19,17% while bread and cereals, fish and milk, eggs and cheese has increased by 2,35%, 0,94% and 8,91% respectively.



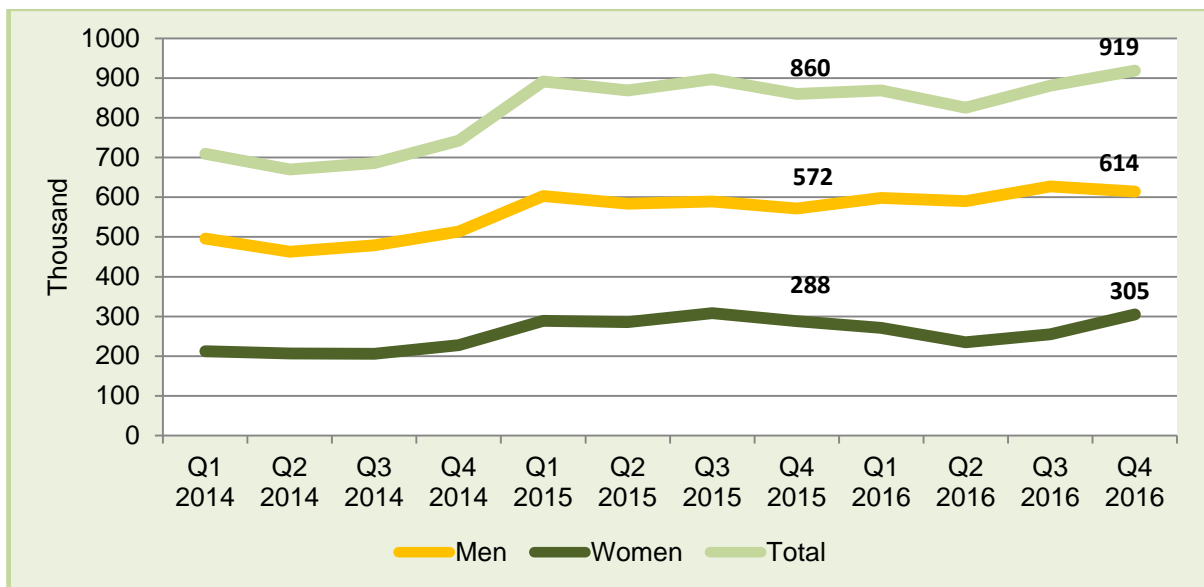
**Figure 8:** CPI for selected food items

Source: Stats SA

## 2.3 Employment

According to the Quarterly Labour Force Survey (QLFS) the number of employed people in South Africa rose by 235 000 people to reach 16,1 million people employed in the fourth quarter of 2016 compared to the previous quarter. The QLFS collects data on the labour market activities of individuals aged 15 years and above. Growth in employment was driven by the services sector which grew by 73 000, followed by transport and manufacturing industries which grew by 46 000 and 44 000, respectively. Other industries reported employment growth except for the mining and construction that declined by 17 000 and 9 000, respectively.

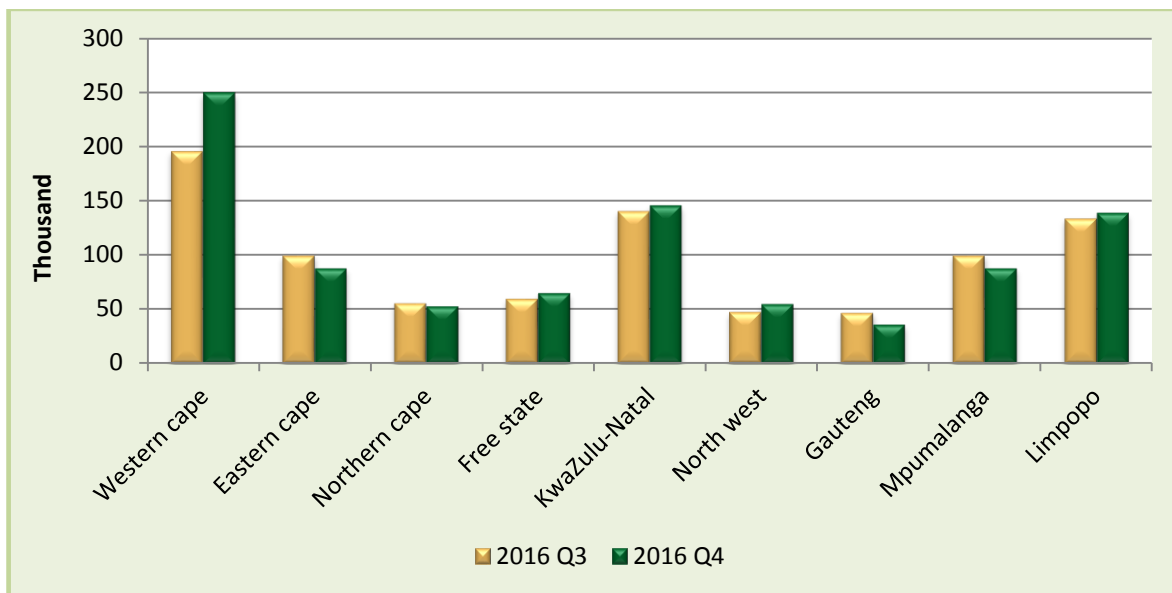
The QLFS also states that despite the rise in the number of employed people, the absorption rate has not recovered to pre-recession level of 45,8% in 2008. When looking at the labour market rate by age, young people between the ages of 15 to 24 remained vulnerable in the labour market. This is a very important statistic and it relates to what the country invest for what outcome. When coming to the labour market rates for youth aged 15 to 34, there is high unemployment rate among black graduates. The numbers suggest that there is something that is discriminating in the education system. It is either the employers look at the graduates and assumes that black graduates will not be employed or graduates themselves are coming from disreputable institutions. There is a comparison of the kind of qualification graduate get especially when they are black compared to other race groups. This needs serious attention. The QLFS showed that black Africans had an unemployment rate of 40,8%, coloured 29,2%, Indian/Asian 16,4% and whites 10,5% for age groups of between 15 to 34. The figure below compares employment in agriculture sector in the fourth quarter of 2015 and the same quarter in 2016.



**Figure 9:** Total number of people employed in the agriculture sector between 2014 and 2016

Source: DAFF

The number of people employed in agriculture sector increased by 6,9% in the fourth quarter of 2016, from 860 000 persons in the fourth quarter of 2015 to 919 000 persons in the fourth quarter of 2016. Of the 59 000 jobs created by the sector in the fourth quarter of 2016 42 000 jobs were created for men meanwhile 17 000 jobs were created for women. In total, the agricultural sector comprised of 305 000 women and 614 000 men in the fourth quarter of 2016 compared to 255 000 women and 625 000 men the previous quarter.



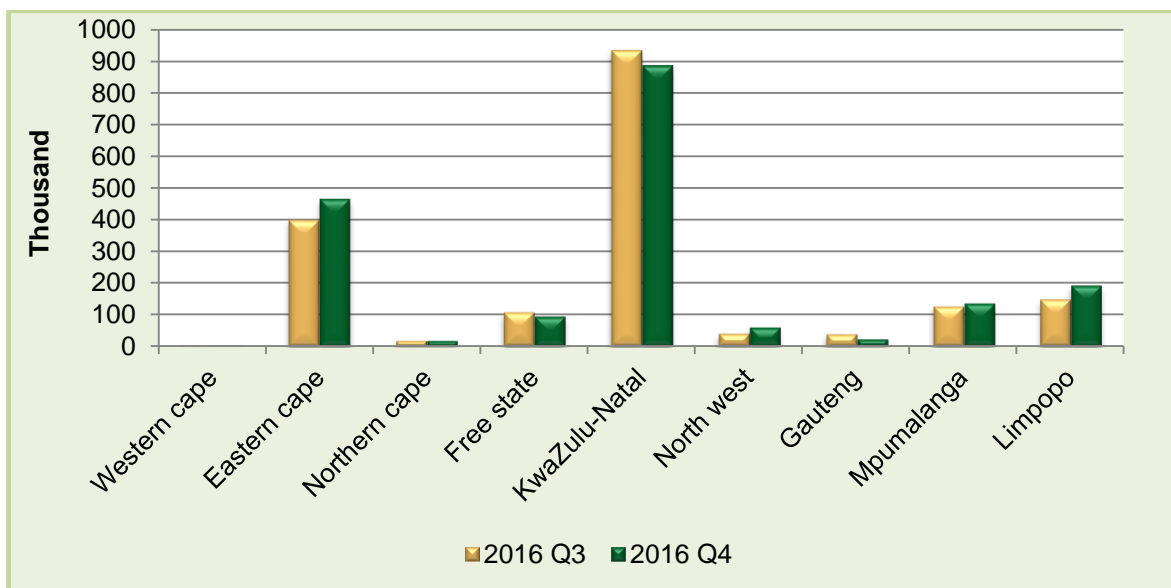
**Figure 10:** Provincial agriculture employment between the third quarter of 2016 and the fourth quarter of 2016.

Source: DAFF

Figure 10 shows that between the third quarter and the fourth quarter of 2016, provincial agriculture employment increased in five provinces and decreased in other four provinces. Western Cape had the highest employment of 27, 5 in agriculture between the two quarters. Compared to other provinces it remained with the highest employment in agriculture. During the same period agriculture employment in North West, Free State, Limpopo and KwaZulu-Natal increased by 13,6%, 8,6%, 3,8% and 3,5% respectively. Meanwhile agriculture employment in Gauteng, Mpumalanga, Eastern Cape and Northern Cape decreased by 24,1%, 11,8%, 11,6% and 5,3% respectively between the two quarters.

The 2016 fourth (QLFS) also indicated that 1,9 million people were involved in subsistence farming in the last quarter of 2016 compared to 1,8 million people in the previous quarter, a slight increase of 3,1%. Figure 11 below illustrates the number of people involved in subsistence farming in all provinces in the fourth quarter of 2016 compared to the previous quarter. KwaZulu-Natal had the highest number (887 000) people involved in subsistence farming compared to (937 000) in the previous quarter, a decrease of 5,3%. Meanwhile, Eastern Cape had (467 000) people involved in subsistence farming compared to (402 000) in the previous quarter, an increase of 16,3%. During the same period Limpopo had (193 000) people involved in subsistence

farming compared to (150 000) people, an increase of 28,6%, Mpumalanga had (137 000) people involved in subsistence farming compared to (128 000) people. The number of people involved in subsistence farming in the Free State decreased from (109 000) in the third quarter of 2016 to (95 000) people in the fourth quarter of 2016. The number of people involved in subsistence farming in Northern Cape remained flat at (18 000) between the two quarters. The number of people involved in subsistence farming in Gauteng decreased from (39 000) to (23 000) during the same period, while the number of people involved in subsistence farming in North West increased from (41 000) to (61 000) between the two quarters.



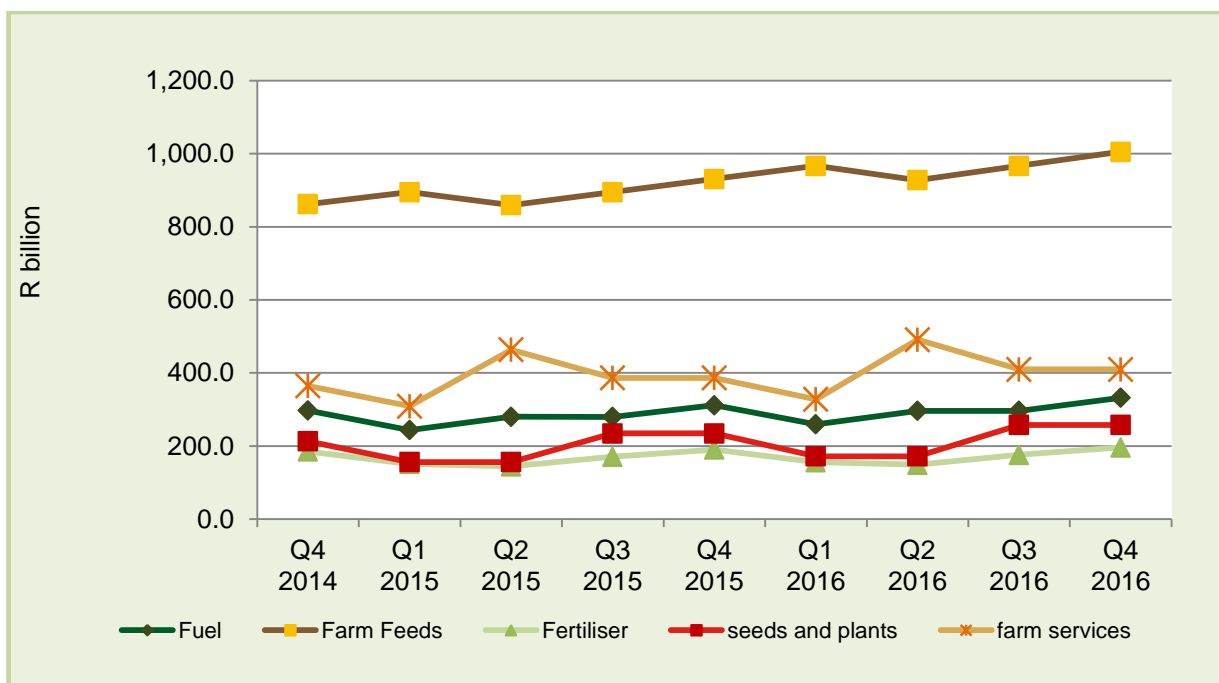
**Figure 11:** Provincial number of people involved in subsistence farming between third quarter of 2016 and fourth quarter of 2016.

Source: DAFF

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

The total expenditure on intermediate goods and services was reported at R361,5 billion in the fourth quarter of 2016 compared to R347,2 billion in the previous quarter, an increase of 4,1%. Compared to a year ago the total expenditure on intermediate goods and services increased by 6,9% from R338,1 billion in the fourth quarter of 2015 to 361,5 billion in the fourth quarter of 2016.

Figure 12 shows comparison of the total expenditure on fuel, farm feeds, fertilisers, seeds and plants as well as farm services in the fourth quarter of 2016 compared to the previous quarter. The increase in total expenditure was attributed to the increase in expenditure on fuel (12.1) and fertiliser (11.5). While the expenditure on seeds and plants remained the same and farm services also remained the same (0.0) compared to the previous quarter.



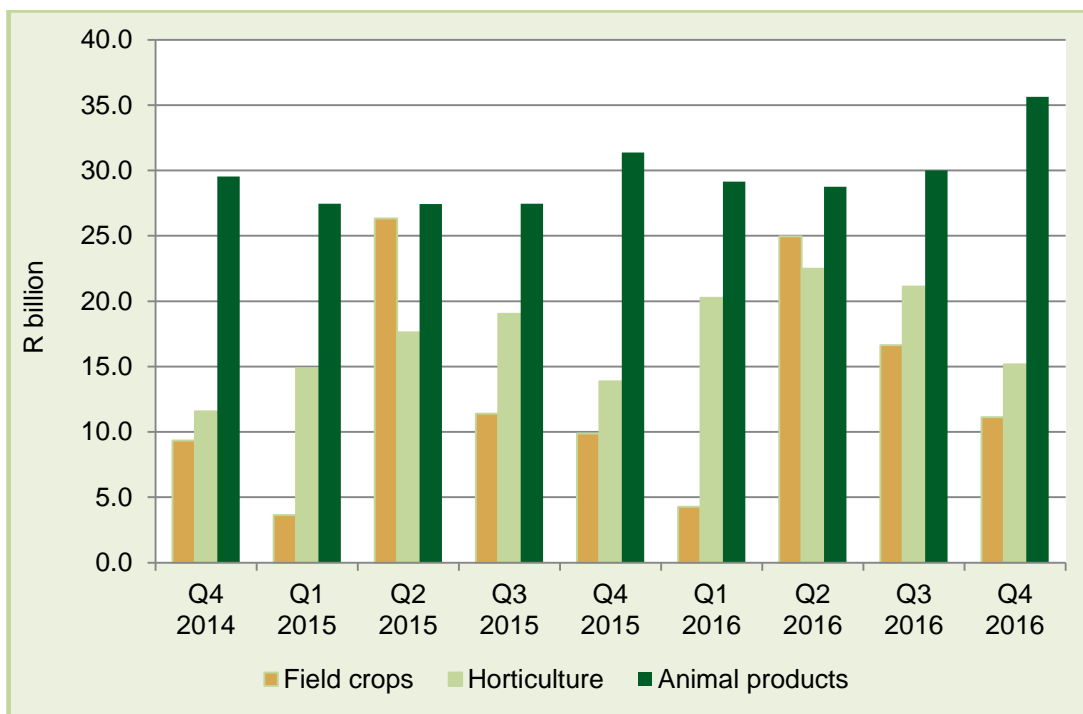
**Figure 12:** Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2014 and 2016.

Source: DAFF

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

The nominal real gross income from all agricultural products decreased from R67,8 billion in the third quarter of 2016 to R61,9 billion in the fourth quarter of 2016, a decrease of 8,6%. This was largely supported by a decrease of 33,1% and 28,1% in income from field crops and horticulture. Meanwhile, income from animal products increased from R30,0 in the third quarter of 2016 to R35,6 in the fourth quarter of 2016. The significant decrease in income from field crops is attributed to the decrease in income from cotton, groundnuts, sunflower seeds, maize, grain sorghum, Lucerne seeds, soybeans, sugar cane and dry beans which decreased by 100,0%, 97,7%, 97,6%, 94,2%, 76,0%, 74,6%, 55,2%, 50,3% and 38,7% respectively. The decrease in income from field crops might be due to the effects of the drought. The income from

horticulture decreased by 28,1% between the two quarters. During the same period the decline in income from horticulture was due to a decrease in income from rooibos tea, dried fruit, citrus fruit, nuts and viticulture which decline by 100,0%, 99,6%, 96,5%, 78,9% and 54,5% respectively. Flowers and bulbs also decreased by 29,3%, while income from animal products increased by 18,7%, largely supported by an increase in income from wool, sheep slaughtered, mohair and poultry meat which increased by 101,3%, 32,5%, 30,6% and 26,0% respectively. Furthermore, real gross farm income from all agricultural products increased from R55,1 billion in the fourth quarter of 2015 to R61,9 billion reported in the same quarter of 2016, an increase of 12,4%. During this period, the increase was largely supported by an increase in income from field crops and animal products which increased by 12,8% and 13,6% respectively, while income from horticulture also increased by 9,4%, see Figure 13.

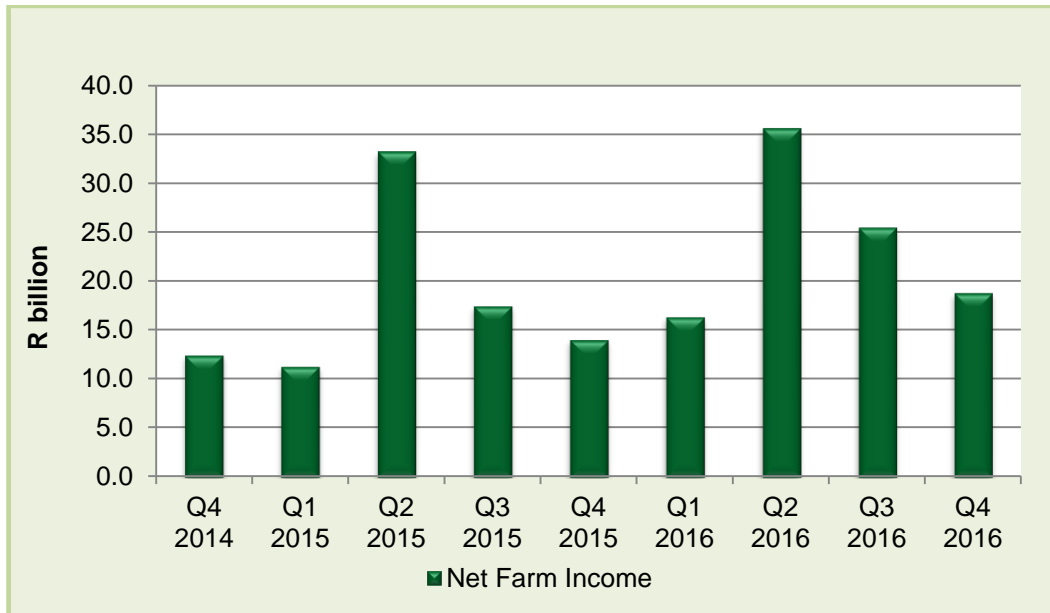


**Figure 13:** Trends in nominal gross farm income between 2014 and 2016

Source: DAFF

Figure 14 illustrates the net farm income trends between 2015 and 2016. The net farm income is estimated at R18,8 billion in the fourth quarter of 2016 compared to R14,0 billion in the same quarter of 2015, an increase of 34,2%. The increase in net farm

income was largely supported by an increase in income from animal products field crops and horticulture which all increased by 13,6%, 12,8% and 9,4% respectively.



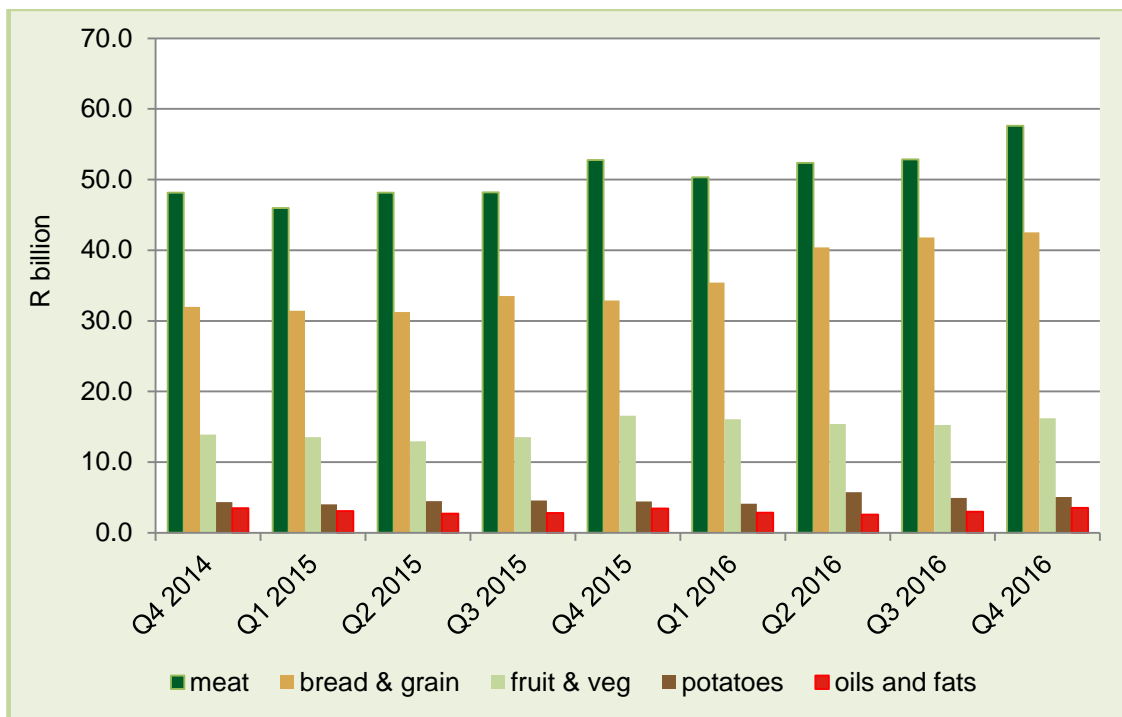
**Figure 14:** Trends in the net farm income between 2014 and 2016.

Source: DAFF

## 2.6 Private consumption expenditure on agricultural products

Figure 14 below shows that private consumption expenditure on food increase in the fourth quarter of 2016 to R168,3 billion from R158,0 billion in the previous quarter, an increase of 6,5%. Compared to a year ago, total private consumption expenditure on food increased to R168,3 billion reported in the fourth quarter of 2016 compared to R150,0 billion in same quarter of 2015, an increase of 12,2%. During the same period the main expenditure items were bread and grain which increased by 29,3%. The expenditure on potatoes and meat also increased by 14,3 and 9,3% respectively between the two quarters. The expenditure on oils and fats also increased by 3,2%. Meanwhile the expenditure on fruit and vegetables decreased slightly by 2,2% in the fourth quarter of 2016 compared to the same quarter of 2015.





**Figure 15:** Trends in private consumption expenditure between 2014 and 2016.

Source: DAFF

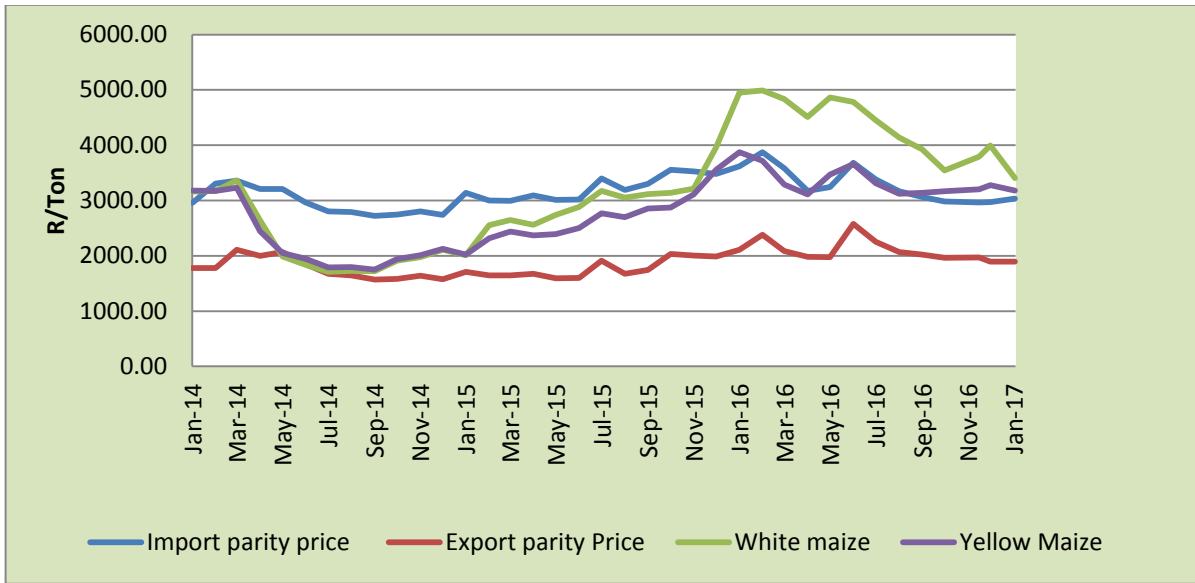
### **3 Review of agricultural markets**

#### **3.1 Grains market review**

##### **3.1.1 White and yellow maize**

Figure 16 illustrates the price trends of white and yellow maize, as well as the international maize prices. South Africa is a net exporter of white maize and net importer of yellow maize. Domestic white maize prices are influenced by development in the international market while yellow maize prices are largely determined in the international market mainly by the largest producers. As depicted in Figure 16, South Africa white maize prices were consistently trading between import and export parity price over the past years until December 2016. The deviation of the domestic maize price is largely due to weaker exchange rates and drought which have had a major effect on the price.

During the fourth quarter of 2016, South African white maize prices traded above the import parity price at R3777/ton compared to R4171/ton in quarter three which represents 9,4% decline in price. Domestic white maize price increased by 9,6% year-on-year during the fourth quarter of 2016. The local yellow maize traded at import parity price in the fourth quarter of 2016 at an average of R3215/ton which is 0,7% higher compared to R3192/ton of the previous quarter. The year-on-year prices of yellow maize increased marginally by 1,2% in the fourth quarter of 2016. South Africa has received good rains and producer deliveries are on the increase. Maize prices are therefore expected to decline and trade within parity prices in the second quarter of 2017.



**Figure 16:** White maize price

Source: Sagis

Figure 17 shows the real prices against the maize seed prices. The average quarterly price of maize seed prices for quarter four of 2016 was R3777/ton which is 9,44% lower compared to quarter three. Although, there is a significant decline in the price of maize seed, the price of maize by-products have increased significantly. On a quarterly basis, the price super maize 1kg, super maize 2,5kg, (super maize) mealie meal/maize flour 5kg, (special maize) mealie meal/maize flour 1kg and (special maize) mealie meal/maize flour 2,5kg increased by 3,19%, 1,86%, 0,79%, 2% and 2,75% respectively. The prices of super maize 1kg, super maize 2,5kg, (super maize) mealie meal/maize flour 5kg, (special maize) mealie meal/maize flour 1kg, (special maize) mealie meal/maize flour 2,5kg were 32,4%, 36,2%, 38,7%, 64,7% and 65,8% higher compared to the same period last year.

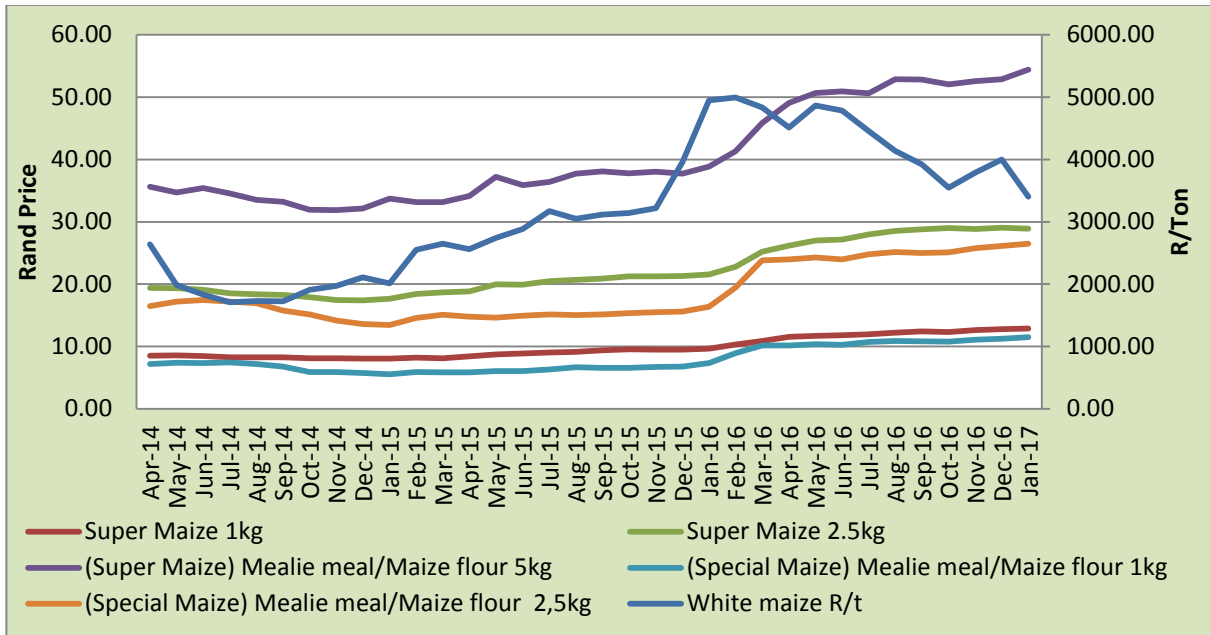
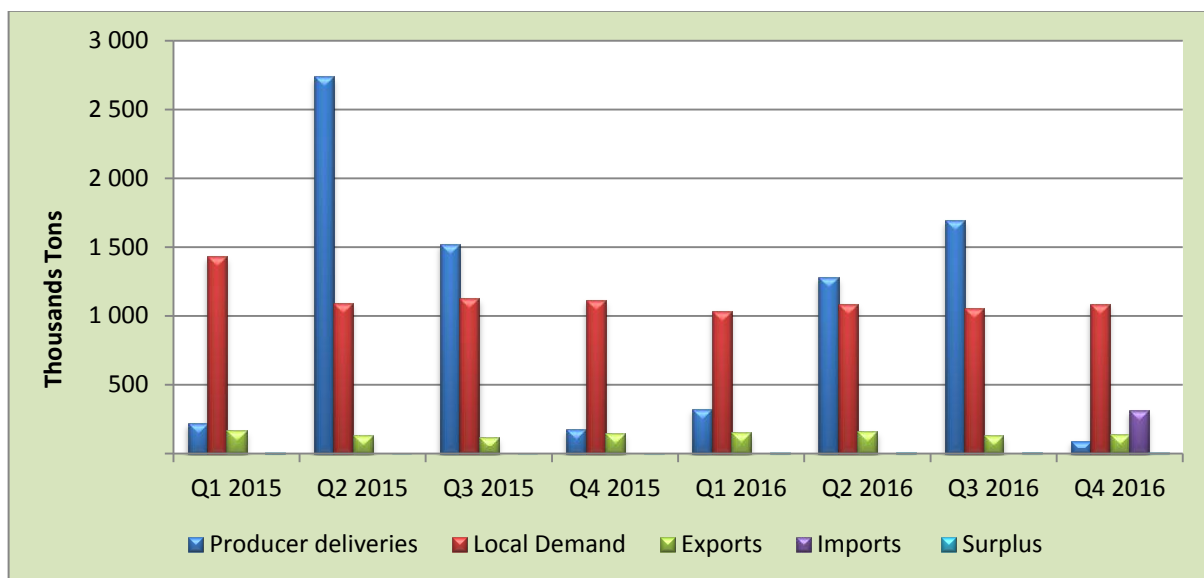


Figure 17: Retail prices vs white maize seed prices

Source: Safex/Stats SA

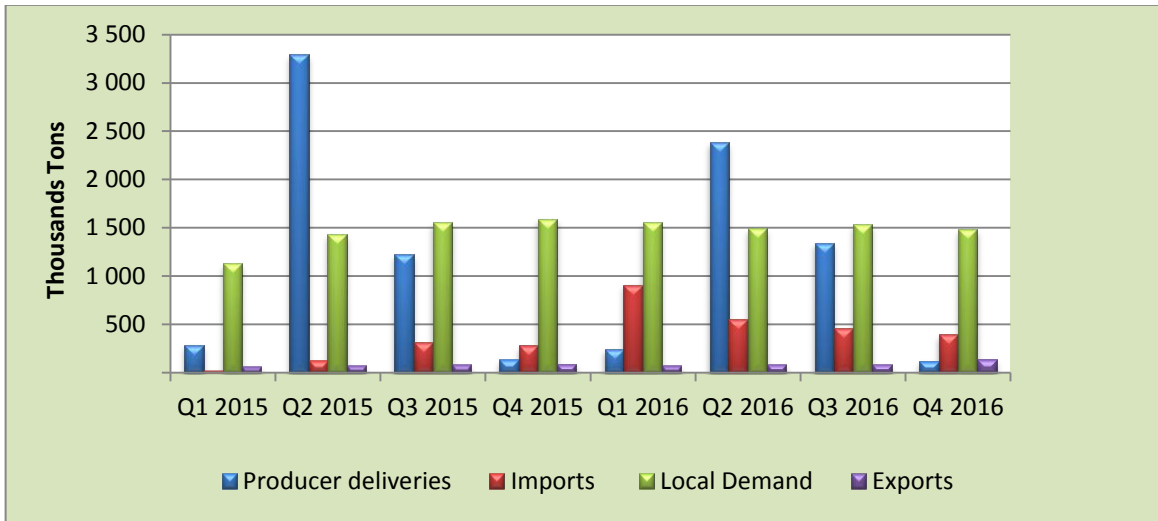
Figure 18 shows the supply and demand of white maize. Local demand and exports of white maize have rebounded by 3% and 19% during the fourth quarter of 2016 respectively while exports were 3,71% lower compared to the same period last year. The final estimated figure for yellow maize for the production season of 2016 is estimated at 4,370 million tons which is 2,03% higher compared to more than estimated figure in for September 2016 (CEC). Producer deliveries are estimated at 96 314 tons between Jan 2017 to Feb 2017.



**Figure 18:** Supply and demand of white maize.

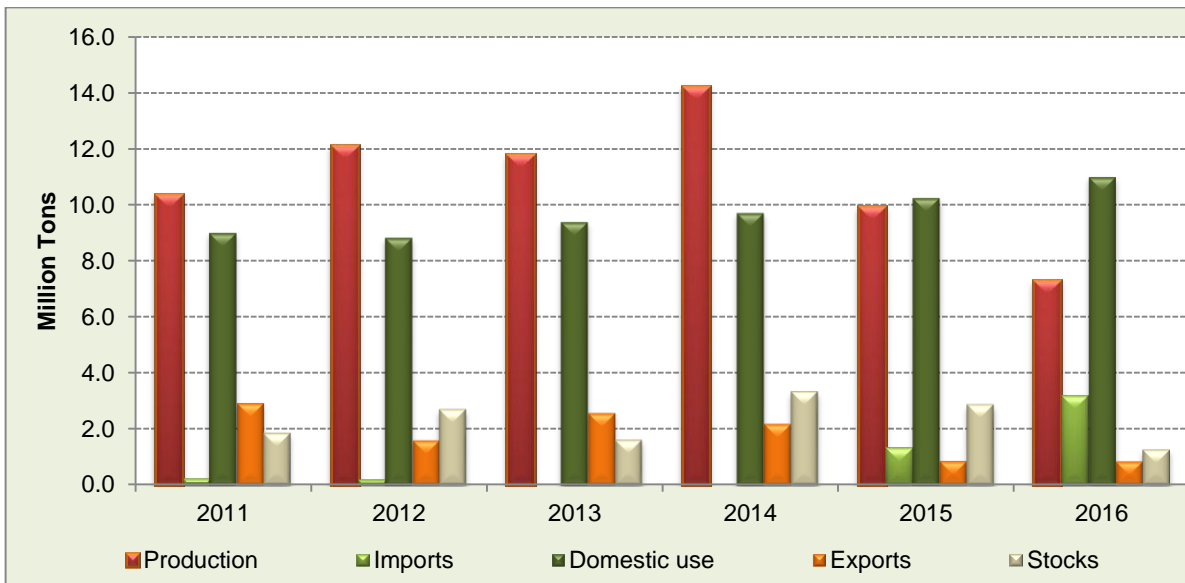
Source: Sagis

Figure 19 shows the supply and demand of yellow maize. According to the CEC committee, the revised figure for white maize for the 2016 season is estimated at 3,408 million tons which is 4,76% compared to more than estimated figure in for September 2016. The area planted for white maize is estimated at 1,014 million hectares. The projected producer delivery is estimated at 116 772 tons between Jan 2017 to Feb 2017. The local demand of yellow maize decelerated further from 17% in the third quarter compared to 14,85% in the fourth quarter of 2016. Imports of yellow maize accelerated from a 0,04% in the third quarter of 2016 to 56,20% in the fourth quarter of 2016 while exports contracted from 3% in third quarter to 2,93% in the fourth quarter of 2016.



**Figure 19:** Supply and demand of yellow maize

Source: Sagis



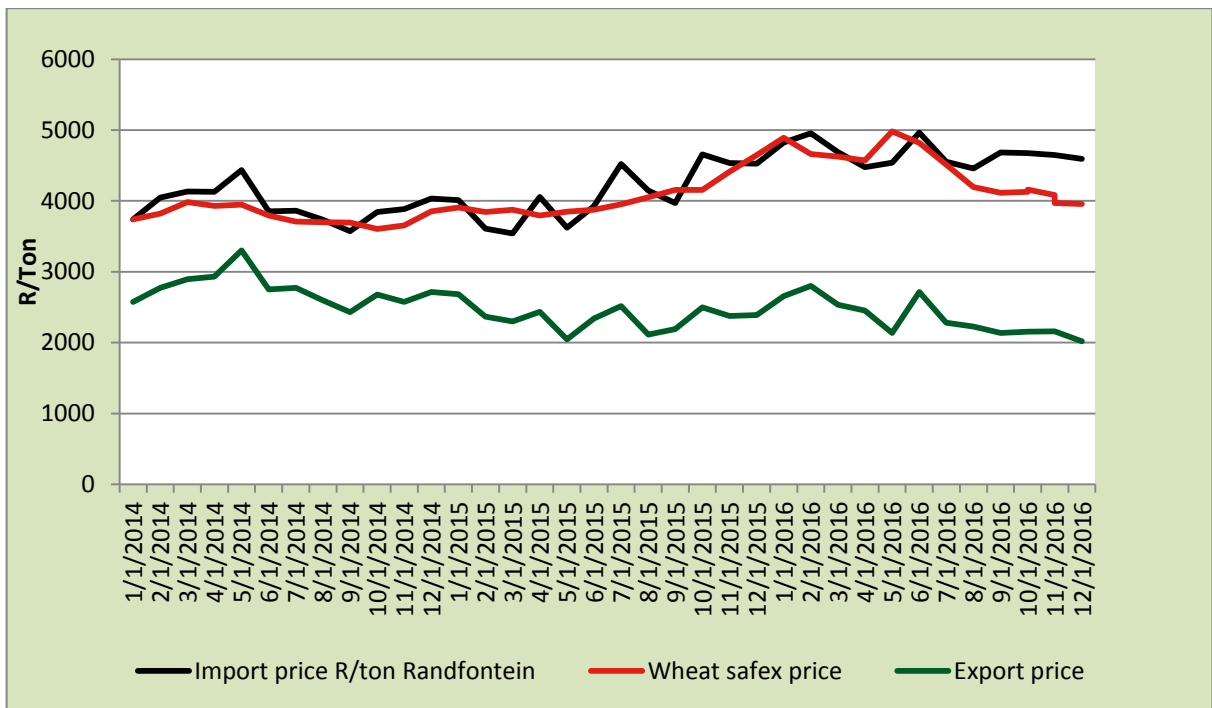
**Figure 20:** Maize supply and use

Source: DAFF/NAMC

### 3.1.2 Wheat

According to USDA (2016) global production of wheat in 2016/17 remains at a record. During the fourth quarter of 2016, global trade also boosted to a new record with stronger import demand from Asia and Brazil; with the lager exports for Australia and Argentina partially offset by a decrease for Russia. In October 2016 EU exports were

cut again due to tighter supplies. Total wheat utilization in 2016/17 is projected to reach 730,5 million tonnes, almost 15 million tonnes or 2% above the 2015/16 estimate; meanwhile, the use of wheat in animal rations is forecast to increase by 6,2% to 146 million tonnes. Wheat imports in South Africa were predicted to fall to multi-year low, after the improvement in the harvest due to favourable rains with near-record of total yield estimated at 3,9 tonnes per hectare, also in the Western Cape where about 57% of the country's total wheat output is produced, yield achieved near-record.

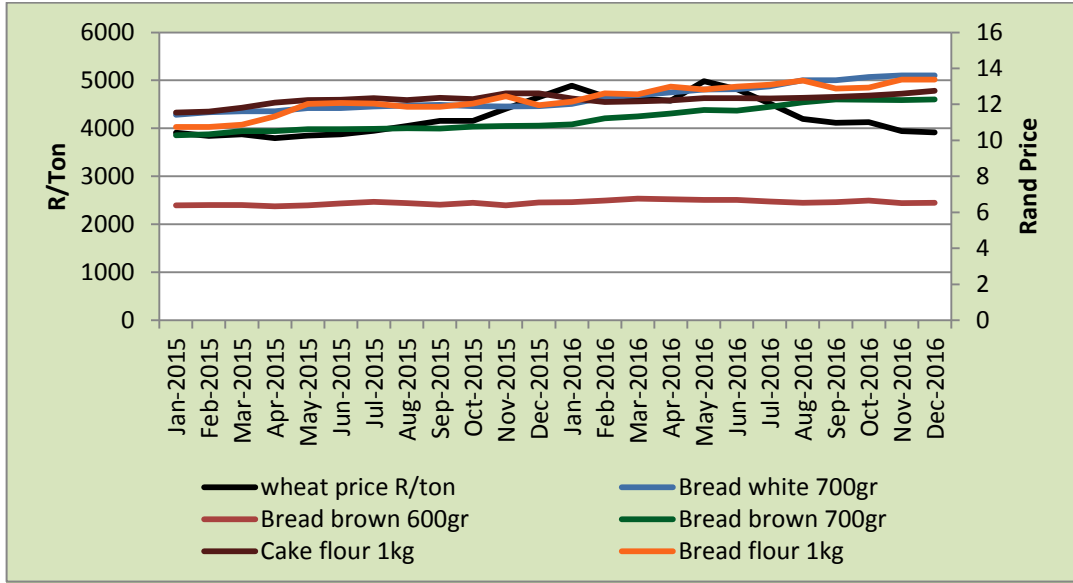


**Figure 21:** Wheat price Vs World Price

Source: Sagis/Safex

Figure 21 illustrates the wheat safex prices, exports price and import price seen from January 2014 to December 2016. In the third quarter of 2016, Import price (R/ton), the price of wheat and export price declined, but import price was selling above the wheat safex price and export price. In the global market for wheat, South Africa is a very small player; that means- South African wheat prices are determined by global market; as a result of that domestic supply and demand factors have less effect on global prices. As presented in Figure 22, comparing fourth quarter of 2015 with fourth quarter

of 2016; the price of bread rose by 13,6% and 14,2% for both 700 grams of (brown and white bread); that is from R11,89 to R13,58 bread white and R10,80 to R12,26 bread brown. Bread and cake flour prices also increased by 8,9% and marginal 0,9% respectively as shown on Figure 22.



**Figure 22:** Retail bread price vs Wheat Imports Price (Randfontein)

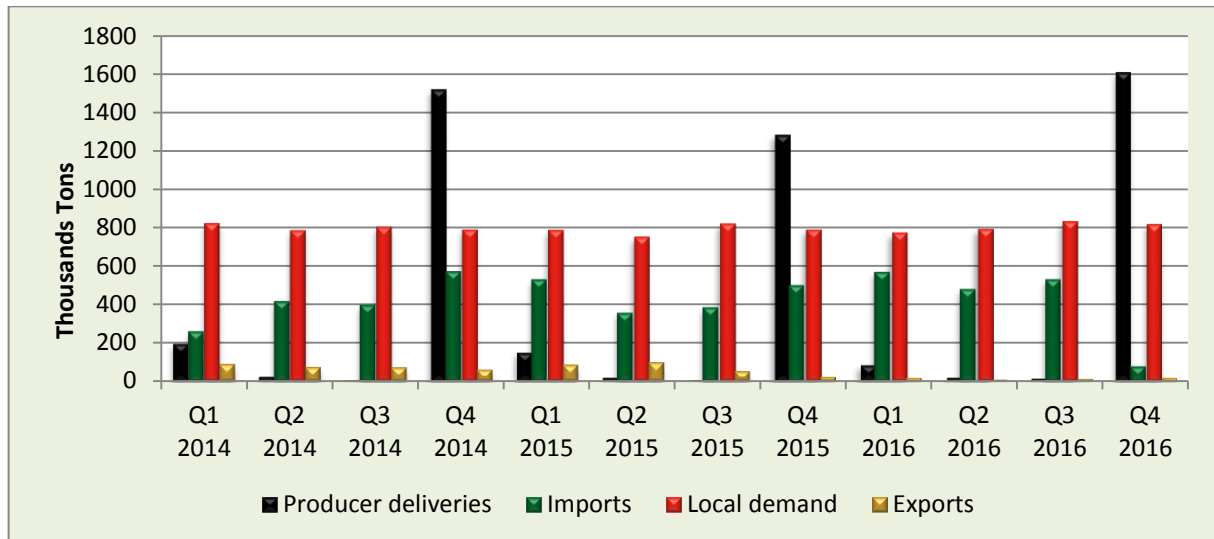
Source: Safex & Stats SA

Figure 22 presents retail bread price versus wheat import price. From Figure 22 above, in both the third quarter of 2015 and the third quarter of 2016, the SA safex price has been trading below the import price (Randfontein), with the rand being volatile.

The producer deliveries of wheat in third quarter of 2016 declined by 19 442 tons compared to the same quarter in 2015, which presents 32% down fall on wheat deliveries as shown in Figure 23. South African wheat imports in quarter three of 2016 indicated that 101 691 tons of wheat were imported compared to 2015 same quarter. SA wheat exports declined by 81% in third quarter of 2016 compared to third quarter of 2015, whereas local demands have seen a slight increase of 2% in 2016 third quarter as compared to the same quarter in 2105. South Africa’s wheat imports for the 2016/17 MY will be five percent lower than in the 2015/16 MY at 1,9 million tons due



to an expected 17 percent increase in local production under normal climatic conditions.



**Figure 23:** Wheat deliveries and use

Source: Sagis/Safex

### 3.1.3 Soybeans

The price of soybeans was 9% higher in the fourth quarter of 2016, than it was in the same quarter 2015, but it was 4% lower compared to last quarter; tracking lower international prices during the quarter. Various fundamentals moved the price of beans during the quarter; rand volatility, a 13 200 ha increase in soya area, profit taking as investors sold their soybeans holdings, traders winding down positions for the holidays etc.

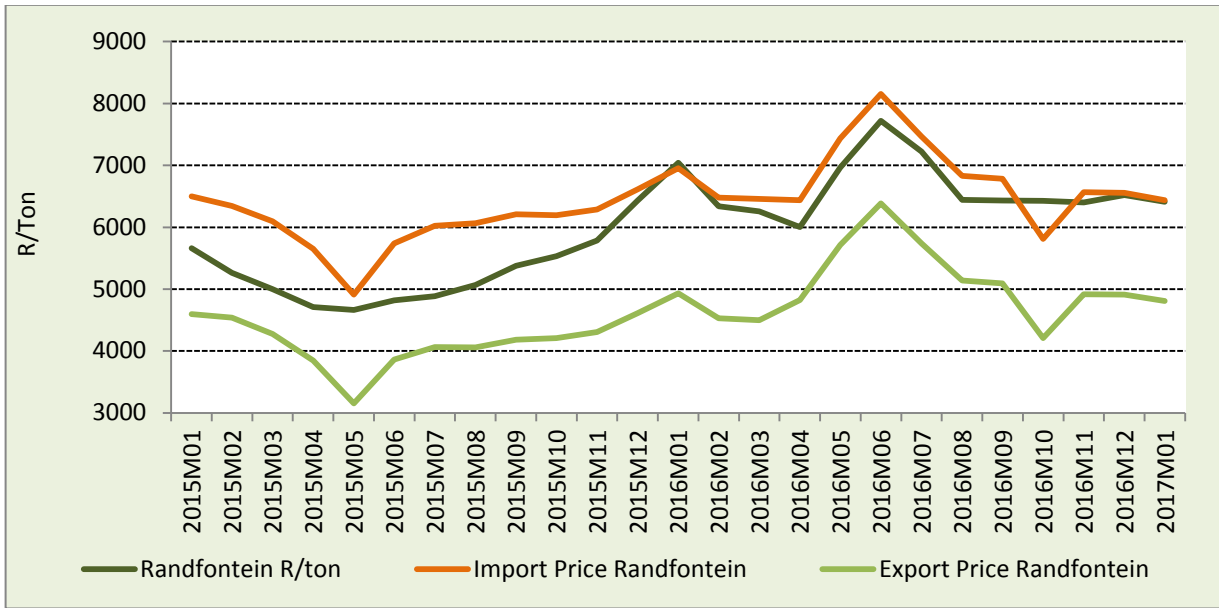


Figure 24: Soybeans local price vs Import Price

Source: Safex/Sagis/USDA/World Bank

Table 1 below shows the soybeans outlook for the 2017 season; as shown on the table the opening stock is higher due to the high prices of soybeans in 2016. Production is expected to be the second best in history in 2017 due to the good rainfalls received during the 2017 season. The result is an expected decline in the price of soybean as the price of soybeans is starting to level off trading at or below the import parity price.

South Africa has never been competitive in the soybeans market the price continues to trade above the export parity price. Soybeans consumption is expected to be lower due to inter-alia; the declining production in the poultry industry a major consumer of soybeans as the industry is struggling to contend with cheap imports.

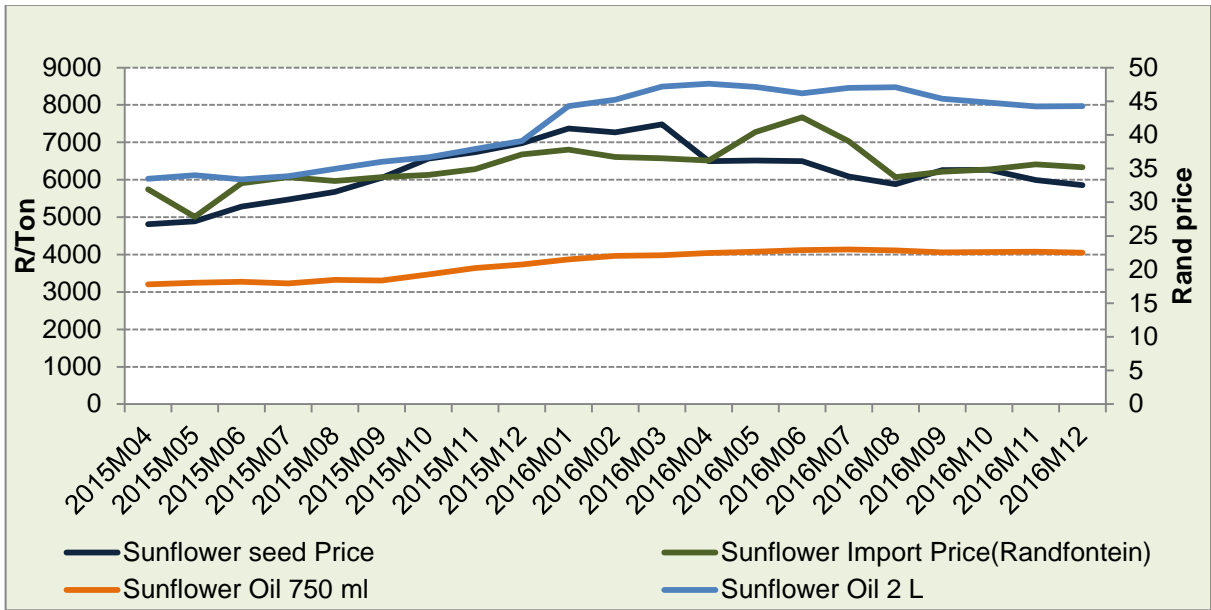
Table 1: Production and use of soybeans

	2011	2012	2013	2014	2015	2016	2017	% Change
<b>Beginning Stock</b>	46200	225800	68639	61806	63704	43092	75178	74.5%
<b>Production</b>	710000	650000	784500	948000	107000	741550	1038495	40.0%
<b>Imports</b>	1539	976	4489	103704	124981	300000	0	
<b>Total Supply</b>	757739	876776	857627	1113510	1294296	1324882	1107173	-16.4%
<b>Local Consumption</b>	466100	629572	755024	1019861	1146006	1042500	1029000	-1.3%
<b>Exports</b>	47200	152616	15390	576	4677	4500	5000	11.1%
<b>Closing Stocks</b>	225800	68882	61806	63704	43092	75178	73173	-2.7%

Source: DAFF/ NAMC/Sagis

### 3.1.4 Sunflower

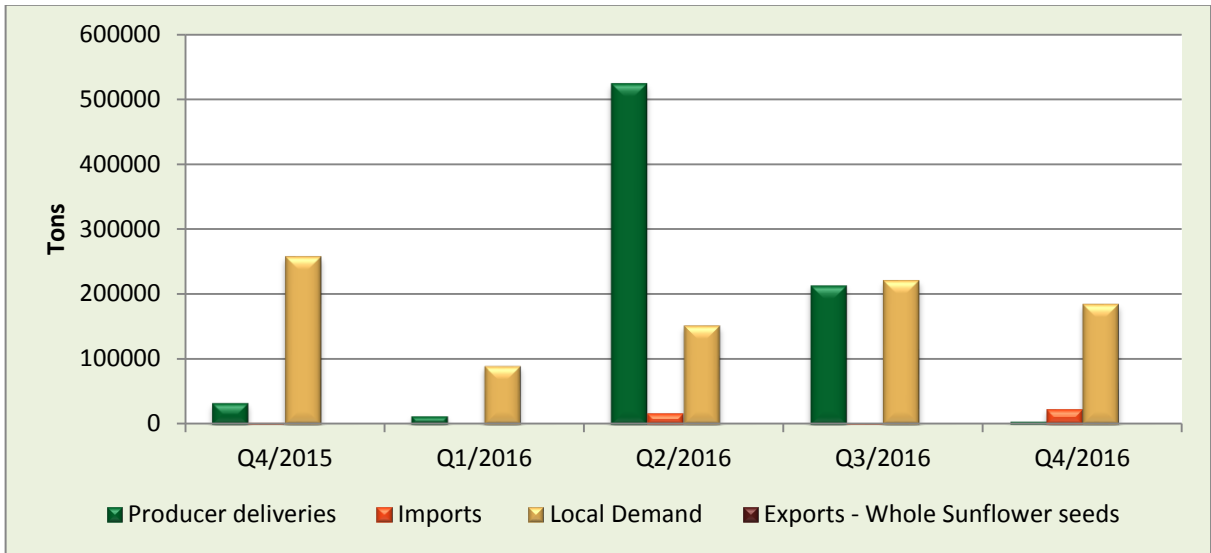
The price of sunflower seed has decreased by 10,7% during the fourth quarter of 2016 (Q4) as compared to the same period last year, which is 0,7% lower than it was in the previous quarter of 2016 (Q3). The local sunflower seed price in the fourth quarter of 2016 (Q4) traded at 4,7% lower than the import price, compared to trading at 5,6% below the import price in the third quarter of 2016 (Q3). The prices of sunflower oil for 2L and 750ml in the fourth quarter of 2016 (Q4) are 17,3% and 12,4% higher than they were as compared to the same period in 2015 and the price of sunflower oil for 20L and 750ml in 2016 (Q4) declined by 4,4% and 1% as compared to the previous quarter in 2016 (Q3).



**Figure 25:** Retail sunflower oil prices vs Sunflower import price

Source: Safex/Stats SA

Producer deliveries in the fourth quarter of 2016 (Q4) declined by 98% as compared to the previous quarter of 2016 (Q3), whilst also imports increase with greater margin of 1250% in the same quarter. Local sunflower consumption in the fourth quarter of 2016 (Q4) was 17% lower than it was in the previous quarter of 2016 (Q3). Imports are expected to decline by 750% to 22 188 tons as a result of lower crop production in the fourth quarter of 2016 (Q4) as compared to fourth quarter 2015 (Q4). Local consumption in the fourth quarter of 2016 (Q4) is expected to be 28% lower than it was in the same quarter of 2015 (Q4) see Figure 26.

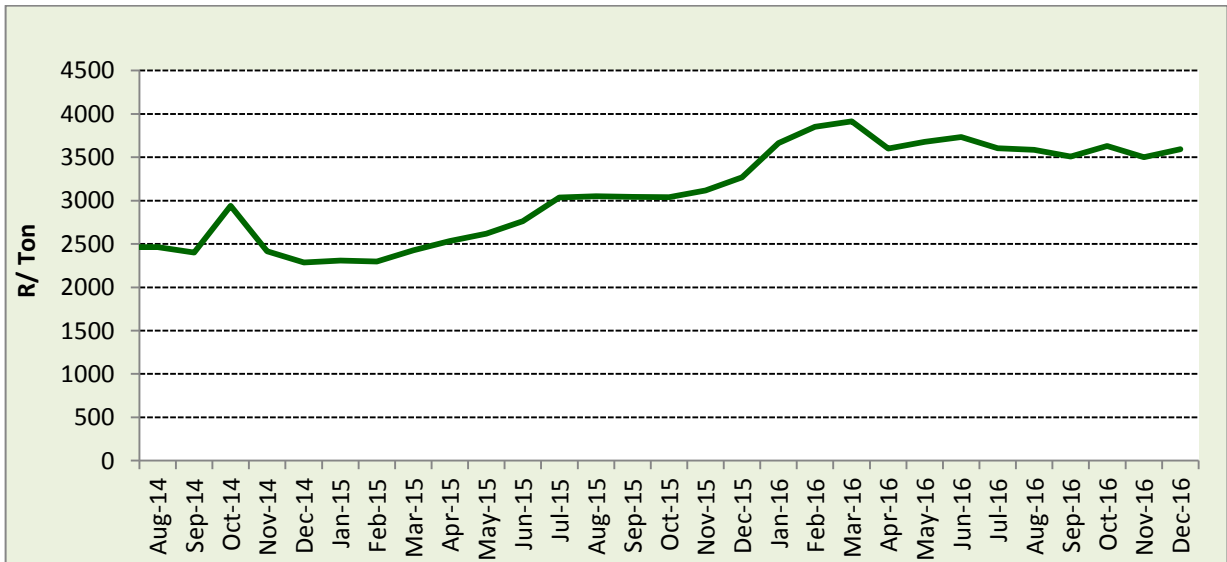


**Figure 26:** Sunflower deliveries

Source: Sagis

### 3.1.5 Sorghum

In the 4th quarter of 2016, the price of sorghum was 14% higher than it was in the same period in 2015 and it was 3% lower than it was in the prior quarter, see Figure 27.



**Figure 27:** Sorghum prices

Source: Safex

The high opening stock as shown in the table 2 below just like in the case of soybeans highlight the effect of high prices had on consumption in 2016.

Table 2: Production & Use of sorghum

	2011	2012	2013	2014	2015	2016	2017	% changes
<b>Production</b>	155000	135500	147200	265000	120500	70 500	140950	100%
<b>Imports</b>	57800	54800	50033	8725	34316	80000	50000	-38%
<b>Total Supply</b>	286 200	252800	253233	323794	276628	233642	230962	-1%
<b>Local Consumption</b>	203500	175000	178890	167342	165532	180680	187300	4%
<b>Exports</b>	24800	19000	19550	26169	29039	13000	14000	8%
<b>Ending Stocks</b>	62500	56000	50069	121812	83142	40012	27162	-32%

Source: DAFF/ NAMC/Sagis

The good rainfalls received means the imports will decline by 38% in 2017 compared to last year, as production is expected to increase by over 100% compared to drought ridden 2016 production.

### 3.1.6 Groundnuts

The drought had a marked effect on the groundnut industry. For the first time in the groundnut industry, the smallest number of hectares was recorded for the 2015/2016 production season and the smallest hectares recorded in the industry's history. For the 2015/2016 crop, only 22 600 hectares were planted with a final harvest of 18 850 tons expected. However, through the finalisation of the crop production figures of the South African Grain Information Services, final crop figures for groundnut were adjusted downward to 17 680 tons. Considering the effect of the drought, certain role players expressed concern of the late rain received which will only be helpful for the following season. Usually, the average rainfall for groundnut grown areas is about 500 mm/year while during the 2015/2016 season, producers in groundnut grown areas only received an average of 87 mm of rain. Moreover, with the late rain received, the groundnut industry estimates that it will take at least two more years to get back to full production. This does not look promising for the groundnut industry as meeting local demand is already affected because of the effects of the drought, especially because

peanuts cannot be planted late. Therefore, with the late arrival of rain, some producers opted for maize instead. Nevertheless, the chairperson of the South African Groundnut Forum (SAGF) remains positive about the industry. According to SAGF, there is still an export market in which demand is higher than supply. SAGF believes there is enough room for South Africa to perform well in the export market.

Figure 28 shows retail prices of oilseed products between January 2015 and December 2016.

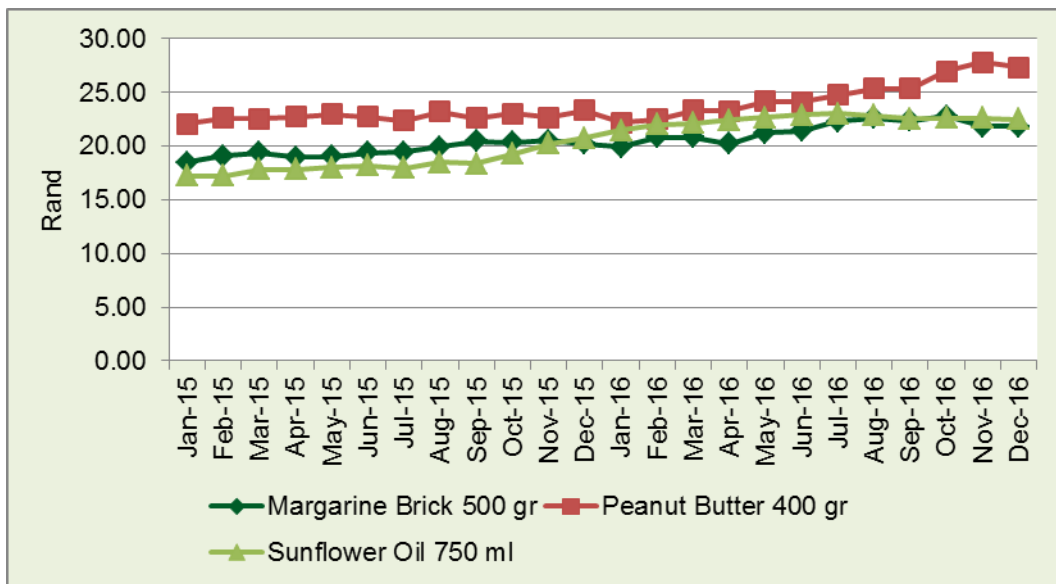
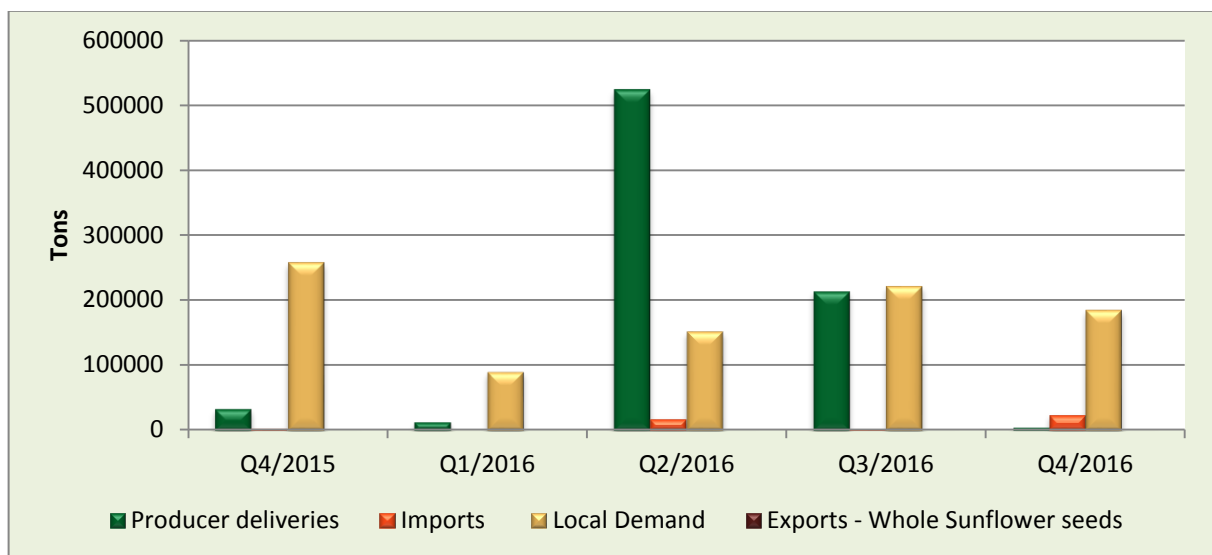


Figure 28: Oilseed products

Source: Stats SA

Producer deliveries in the fourth quarter of 2016 (Q4) declined by 98% as compared to the previous quarter of 2016 (Q3), while imports also increased with a greater margin in the same quarter. Local sunflower consumption in the fourth quarter of 2016 (Q4) was 17% lower than it was in the previous quarter of 2016 (Q3). Imports are expected to decline by 750% to 22 188 tons as a result of lower crop production in the fourth quarter of 2016 (Q4) as compared to fourth quarter 2015 (Q4). Local consumption in the fourth quarter of 2016 (Q4) is expected to be 28% lower than it was in the same quarter of 2015 (Q4).



**Figure 29:** Supply and demand of Groundnuts

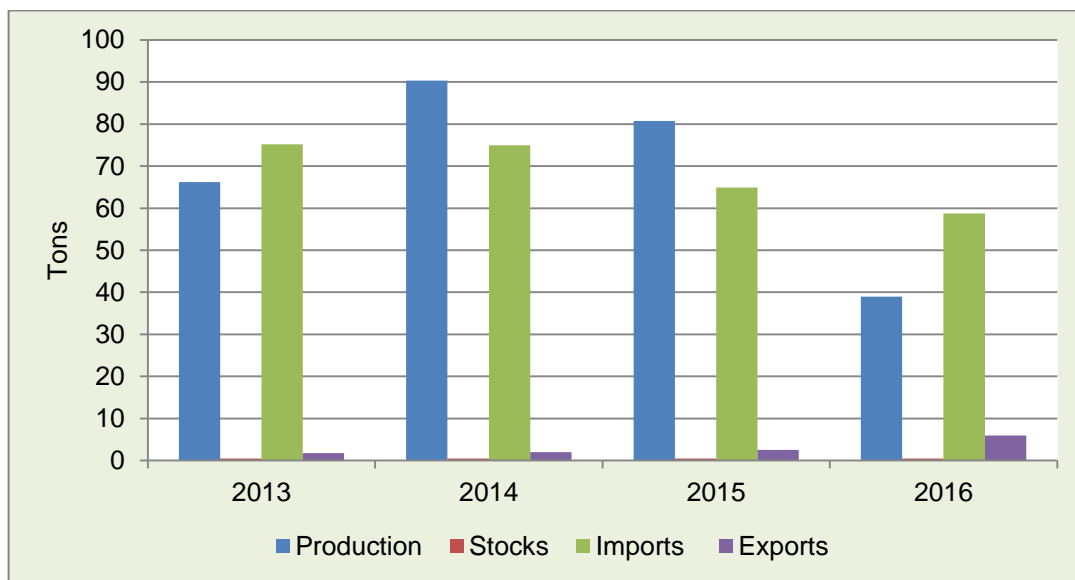
Source: Stats SA

South African groundnut producers can earn a healthy premium from locally produced groundnuts since the local industry is unable to meet demand unlike in a normal year. Producer deliveries decreased significantly since the second quarter of 2015 and have been decreasing ever since due to high labour costs, higher mechanisation costs, a lack of available new-yield cultivars as well as competition from alternative commodities. Meanwhile, local demand for groundnut has been volatile, reaching 19 495 tons in the fourth quarter of 2016 compared with 20 004 tons in the fourth quarter of 2015. Exports of groundnuts decreased considerably in the fourth quarter of 2016 to 1 113 tons compared with 4 507 tons in the fourth quarter of 2015 while imports increased from 5 274 tons in the fourth quarter of 2015 to 17 195 in the fourth quarter of 2016. Therefore, in stimulating production, the greatest challenge facing the groundnut industry is to re-establish South Africa as a relevant role-player in the international market. Major investments have been made to support new practices with major selection facilities well equipped and able to cope with increased planting. Therefore, the entire industry as a whole is responsible for restoring the industry to its former glory. According to the South African Groundnut Forum, strategies are being put in place.



### 3.1.7 Dry beans

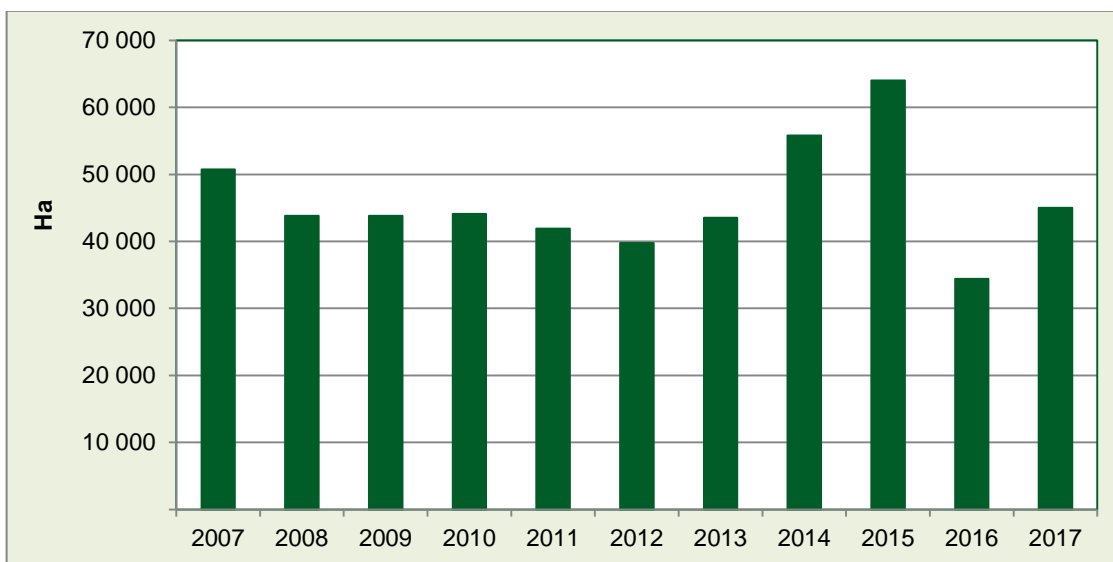
The supply of dry beans decreased by 34% from 143 000tons in 2016 to 94 000 tons in 2017. The decrease was due to 52% decrease in production and a 5% decrease in imports. However, exports rose 133% from 3 000 tons in 2016 to 7 000 tons in 2017. Between 2006 and 2017 40% - 60% of all dry beans are imported making RSA very dependent on global markets. Import prices are greatly dependent on weather conditions in countries where dry beans are produced. The worldwide production fluctuates therefore the dollar price also fluctuates. RSA import prices are determined by the import parity prices of China. Between 2007 and 2012 there was a constant small decrease in area planted.



**Figure 30:** Dry bean production, imports and exports

Source: Sagis

From 2013 to 2015 area planted increased but dropped significantly in 2016 when there was a nationwide drought. A significant increase (31%) in area planted is forecast for 2017.



**Figure 31:** Area planted of dry beans

Source: Dry bean Association

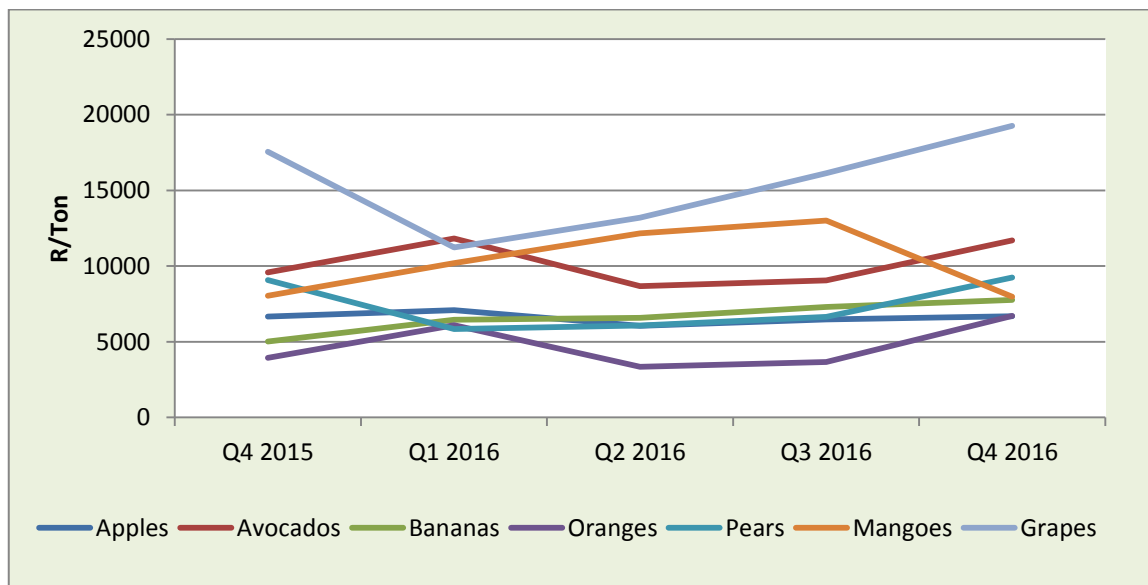
There is a decreasing trend in the area planted between 2013 and 2016. Between 2015 and 2016, there was a 48,6% decrease in the area planted due to the drought.

### 3.2 Fruit and vegetable market review

The review point out average prices and quantities of fruits and vegetables supplied at Fresh Produce Markets (FPMs) between the fourth quarter of 2015 and the fourth quarter of 2016. The price of the produce sold on the fresh produce markets are solely determined by supply and demand, when stock levels on markets are high due to increased supply or depressed demand or a combination of both, prices will drop to clear markets and vice versa, favouring the end consumer. They are governed by the Agricultural Produce Agency Act, 1992 (Act No. 12 of 1992). Fresh Produce Markets (FPMs) play a crucial part in economic development of the country as a whole.

Most of the local and international forecasting systems consistently indicate that South Africa's summer-rainfall areas may expect wetter conditions during the latter parts of the summer season. The likelihood, slightly favouring wetter conditions, however; remains relatively low. Temperatures are expected to be warmer than normal across the country, though similar to the rainfall outlook, there is a significant amount of uncertainty in the forecast.

Recommendations are that even though some relief of the severe drought conditions has occurred over the eastern and north eastern parts of the country, the central and western parts of the country are still burdened with below normal rainfall conditions. The public is reminded that with winter on the horizon significant water loss can be expected with the usual decline of rainfall as well as high amounts of evaporation, particularly over the summer rainfall areas. Thus continuation of water saving measures is highly recommended across the country. As usual, it is also very important to keep monitoring any developments that may provide more clarity on the current expectations for the coming seasons.

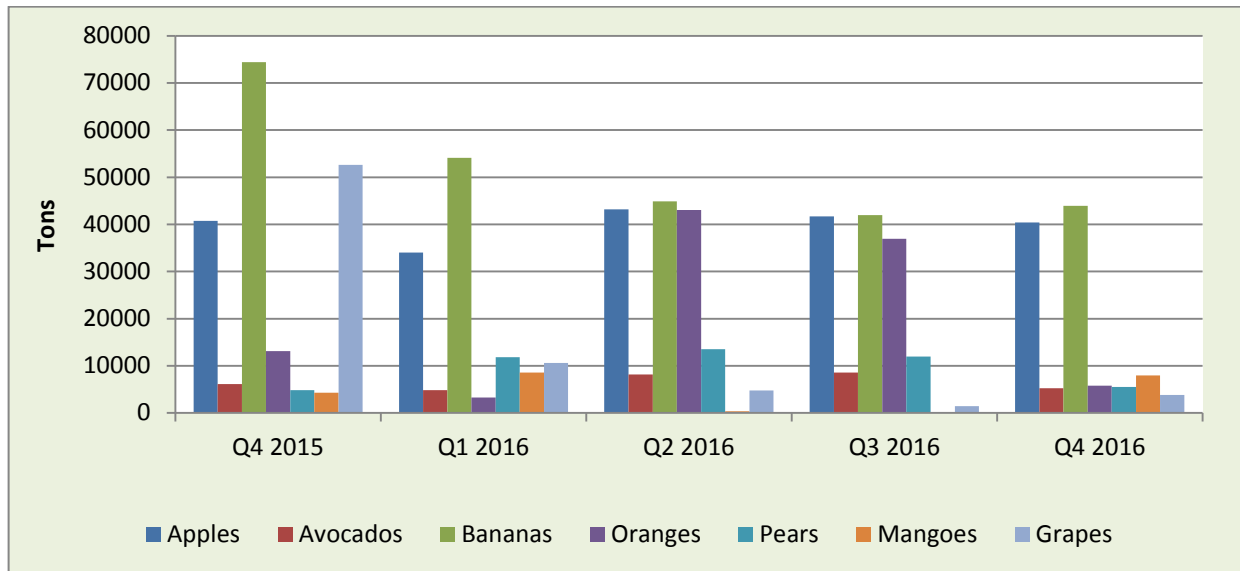


**Figure 32:** Average price trends of various fruits traded at Fresh Produce Markets (FPMs)

Source: Daff

Figure 32 shows average price trends of various fruits traded at Fresh Produce Markets between the fourth quarter of 2015 and the fourth quarter of 2016. Between the fourth quarter of 2015 and the fourth quarter of 2016, the average prices of avocados, bananas, oranges, pears and grapes increased by 22%, 55%, 70%, 2% and 10% respectively due to a decline in agricultural production impacted by the drought. On the other hand there was no alteration in average price of apples between

the fourth quarter of 2015 and the fourth quarter of 2016 and this can be attributed to slight decline in quantities of apples supplied. Average prices of mangoes decreased by 1%.



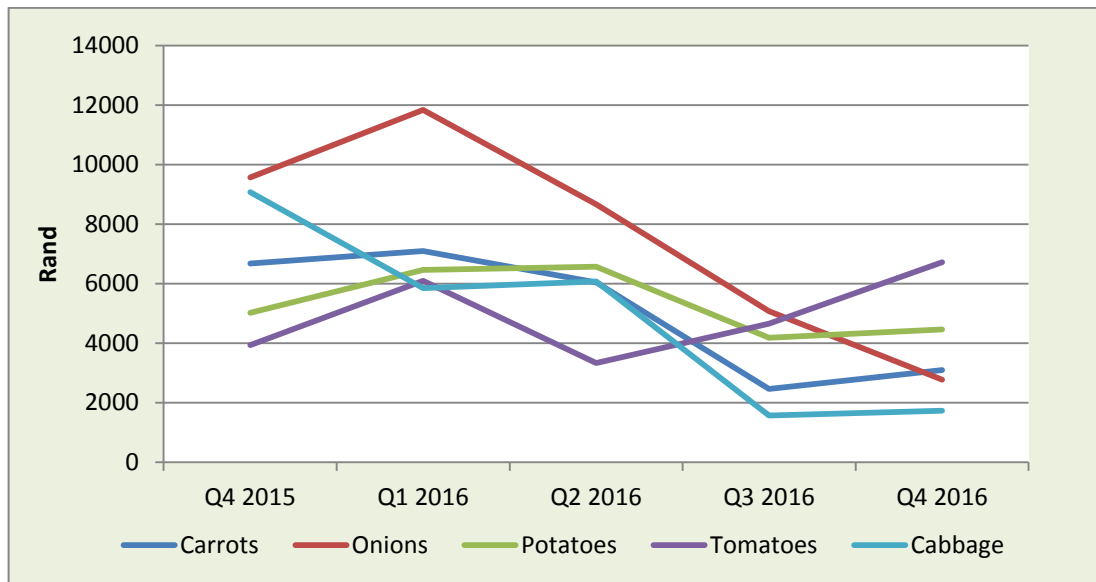
**Figure 33:** Quantities of various fruits traded at Fresh Produce Markets (FPMs)

Source: Daff

Figure 33 indicates quantities of various fruits traded at Fresh Produce Markets (FPMs) between the fourth quarter of 2015 and the third quarter of 2016. Supplies of most fruits have dropped with less fruits available across fresh produce markets due to non-consistent monitoring of any developments that may provide more clarity on the current expectations for the coming seasons. Supplies of apples, avocados, bananas, oranges and grapes decreased by 1%, 15%, 41%, 56% and 93% respectively between the fourth quarter of 2015 and the fourth quarter of 2016 while pears and mangoes supplies increased by 13% and 86% respectively during the same period. Meanwhile, rainfall outlook remains good for agriculture as it offers a favourable condition for farmers to exploit production.

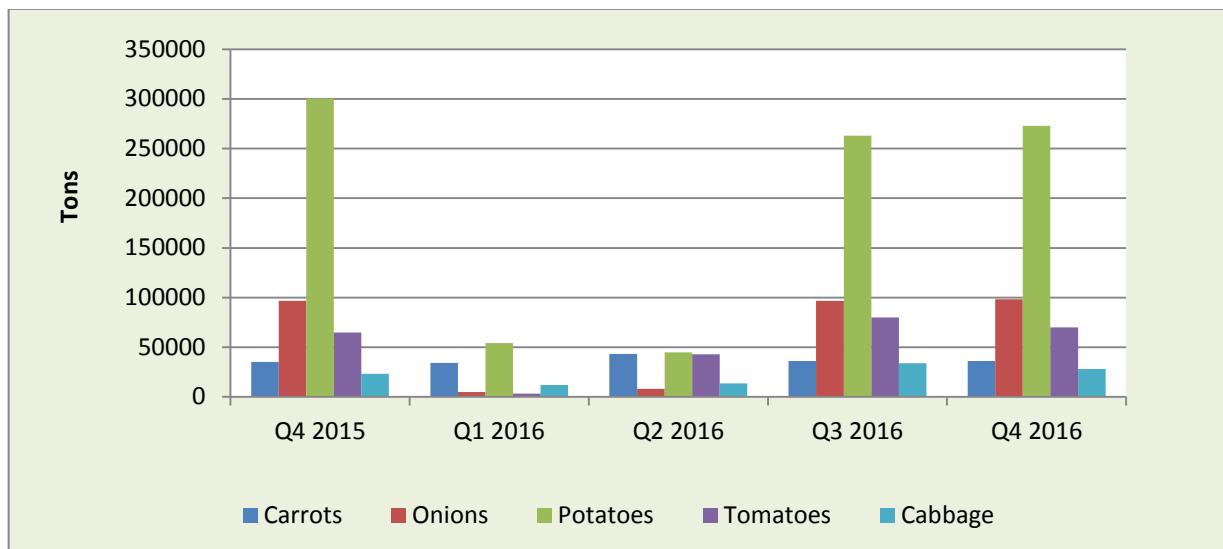
Figure 34 shows average prices of a number of vegetables traded through the FPMs between the fourth quarter of 2015 and the fourth quarter of 2016. Figure 34 shows average price trends of various vegetables traded at Fresh Produce Markets (FPMs) between the fourth quarter of 2015 and the fourth quarter of 2016. Between the fourth

quarter of 2015 and the fourth quarter of 2016, the average prices of carrots, onions, potatoes, and cabbage decreased by 54%, 71%, 11% and 81% respectively, across all fresh produce markets while tomato prices increased by 71%. The drop in prices of various selected vegetables can be credited to increased quantities of vegetables supplied due to improved levels of production.



**Figure 34:** Average price trends of various vegetables traded at Fresh Produce Markets (FPMs)  
Source: Daff

Figure 35 indicates quantities of various vegetables traded at Fresh Produce Markets (FPMs) between the fourth quarter of 2015 and the fourth third quarter of 2016. The supplies of vegetables at FPMs have improved due to improving weather conditions. Between the fourth quarter of 2015 and the fourth quarter of 2016, quantities of carrots, onions, tomatoes and cabbage increased by 2%, 2%, 8% and 21% respectively, while quantities of potatoes decreased by 9% in the fourth quarter of 2016. Meanwhile, weather forecasting is promising to be favourable for agricultural production.



**Figure 35:** Quantities of various vegetables traded at Fresh Produce Markets (FPMs)

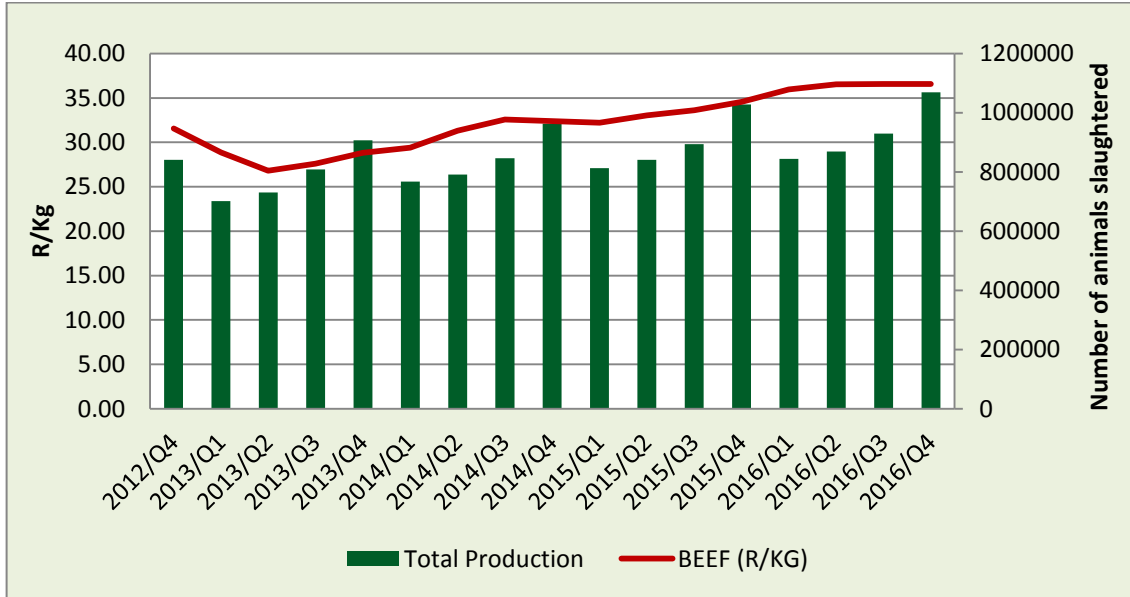
Source: Daff

### 3.3 Meat industry review

Global production is expanding among major traders as cattle supplies increase in the United States (USDA, 2016). In Brazil production is expected to rise due to the rise export demand, which is supported by market access improvement in China, Saudi Arabia and United States. However, also the low grain prices have contributed to heavier carcass weights, which have further boosted an increase in production. Unlike other enterprises, cost of feed is less influential in beef price levels; however, supply can be volatile and is more sensitive to extreme conditions which cause unexpected changes in herd numbers.

Figure 36 represents total number of beef slaughtered and R/kg value. As indicated graphically above, from the fourth quarter of 2012 up to the fourth quarter of 2016, number of beef slaughtered has been volatile. Despite the recent gains, the South African beef industry has generally been under pressure since the drought occurrence in 2015; currently there is higher slaughter rate as farmers struggle to feed their livestock due to drier grazing and elevated feed costs. In the fourth quarter of 2016, a number of beef slaughtered increased by 4,1% compared to the same quarter in 2015, which is 15% more compared to the previous quarter (third quarter) of 2016. Looking

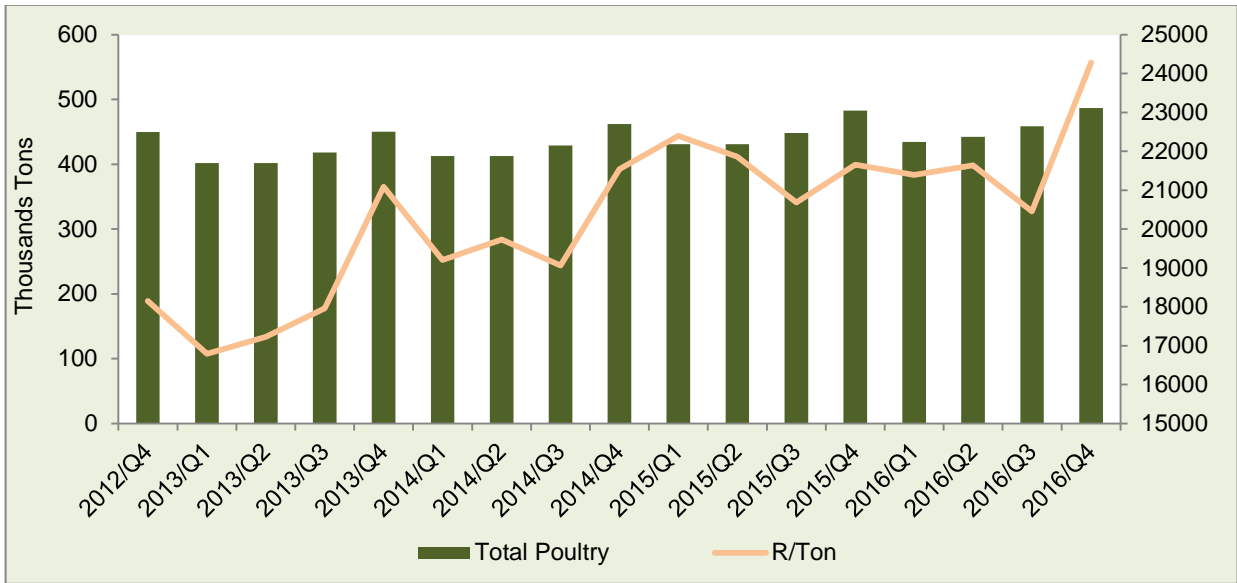
ahead, a recovery of the South African beef industry is dependent on weather conditions; according to Wandile Sihlobo (Agbiz, 2017), as most parts of the country already received rainfall over the past few months; if this persists, as forecasts suggest, there could be an improvement of grazing which will subsequently assist farmers in rebuilding their herds.



**Figure 36:** Quarterly beef production and prices  
 Source: DAFF/SA Feedlot Association

### 3.4 Poultry industry review

Poultry production has increased by 0,8% in the fourth quarter of 2016 compared to the same period in 2015 and it was 6,2 % higher than it was in the third quarter of 2016( Figure 37). The price of poultry(R/ton) was 12, 1%% compared to the same period in 2015 and it was 19% higher than it was compared to the third quarter of 2016. The price of poultry has increased slower than the price of feed which were 15% to 20% higher compared to the same period in 2015.



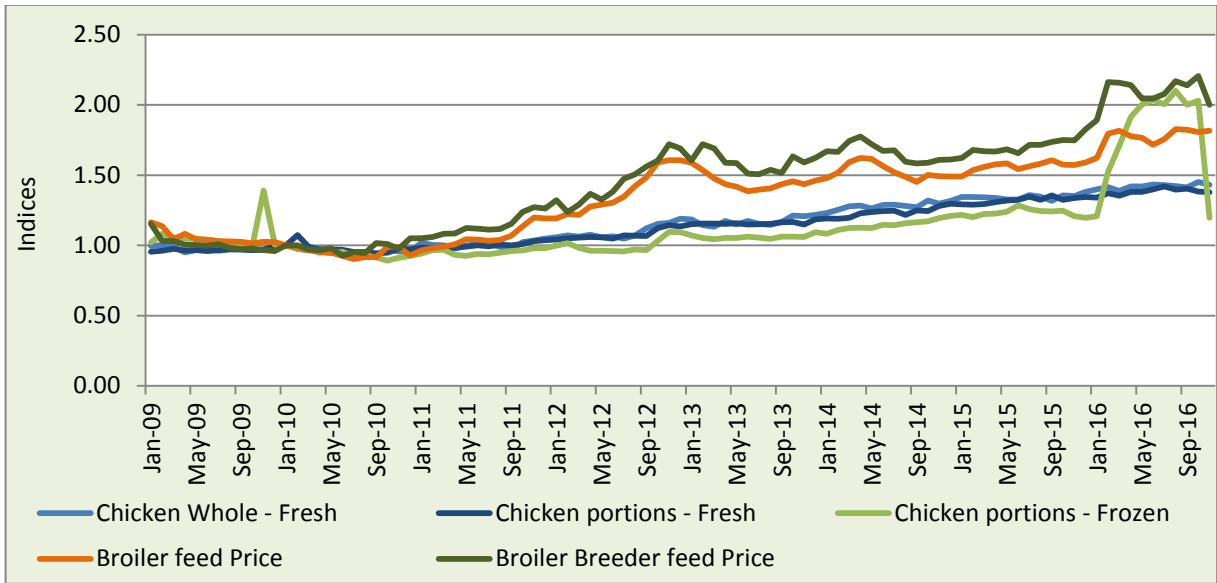
**Figure 37:** Poultry Production

Source: DAFF

Figure 38 shows the change in the price of poultry feed relative to retail poultry prices. Poultry feed prices show an upward trend relative to the change in final retail poultry prices. Feed prices have risen at an annual average rate of 0,6% and 0,3% between January up to December 2016. While the retail prices for whole chicken, chicken portions, chicken portions fresh and frozen have increased at lower averages. The slow rise in chicken prices is due to the competition from lower priced chicken imports especially chicken cuts. This makes it impossible for South African poultry producers to raise their prices relative to the rise in feed prices.

According to South African Poultry Producers Association (SAPA), the consumers in the EU prefer chicken breasts and wings, the brown meat left is exported in to countries like South Africa.





**Figure 38:** Poultry and Feed prices

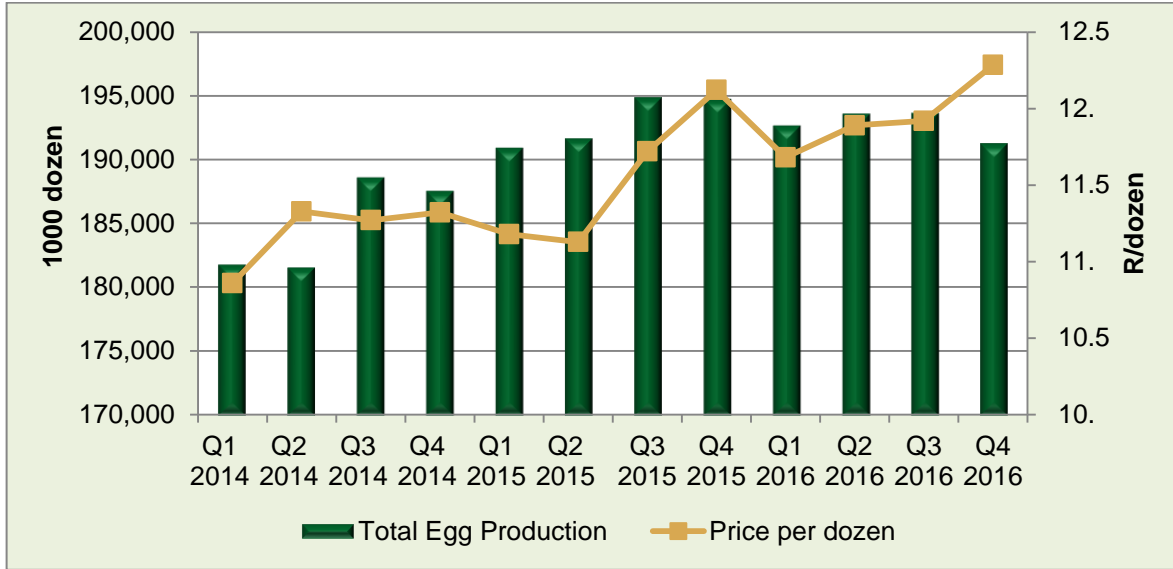
Source: DAFF, Safex

### 3.5 Egg industry review

The South African egg industry continues to face challenges presented by high feed prices and low levels of consumer spending (SAPA, 2016). In the fourth quarter of 2016, total production of eggs totalled 191,3 million dozens, a 1,8% decrease in production compared with 194,8 million dozens produced in the fourth quarter of 2015, see Figure 39. When comparing the third quarter of 2016 with the fourth quarter of 2016, total production of eggs decreased by 1,2%. Local demand for eggs remained weak in the fourth quarter of 2016 despite changing views on cholesterol and the increasing popularity of high protein/high fat diets which has fuelled resurgence in the consumption of eggs elsewhere in the world.

The average price per dozen of eggs increased by 1,4%, from R 12,12 per dozen in the fourth quarter of 2015 to R12,28 per dozen in the fourth quarter of 2016. When comparing the third quarter and the fourth quarter of 2016, the average price per dozen of eggs increased by 3,1%, from R11,92 per dozen in the third quarter to

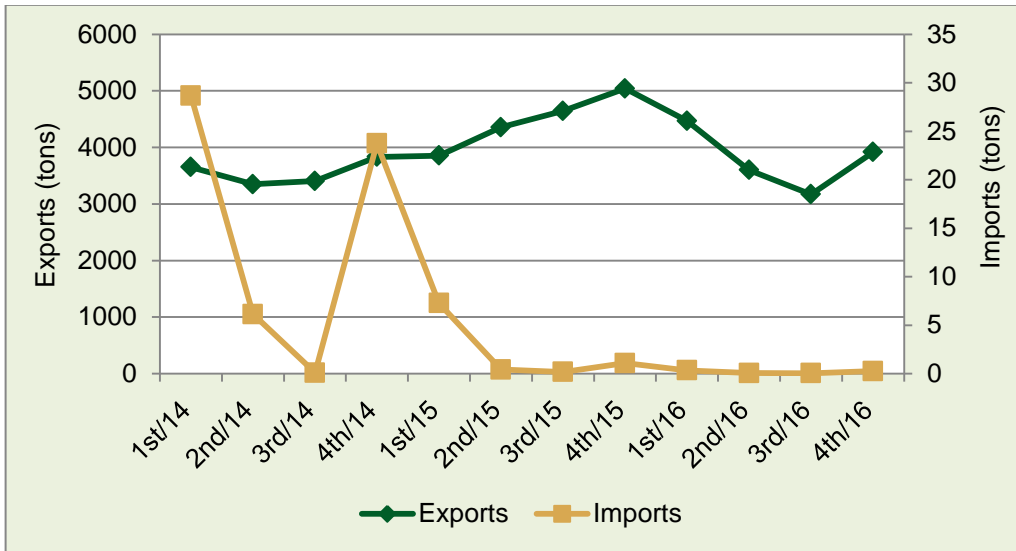
R12,28 per dozen in the fourth quarter of 2016. In the meantime, there seems to be dark clouds hanging over the local poultry industry which may at some point spill over to the local egg industry.



**Figure 39:** Trends in total egg production and average price per dozen of eggs.

Source: DAFF

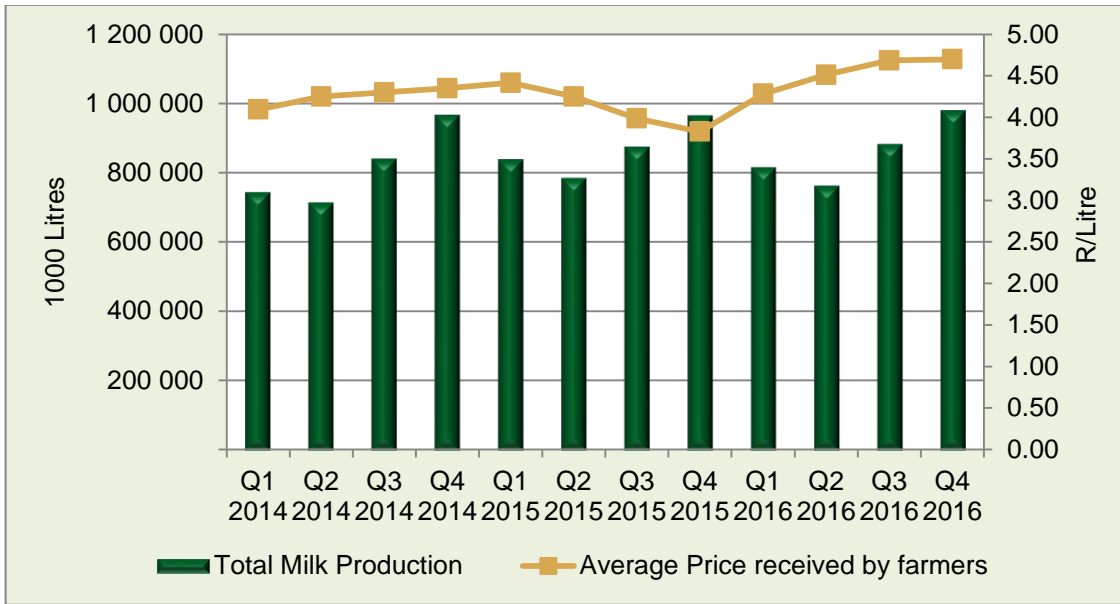
In the fourth quarter of 2016, South Africa exported a total of 3 916,15 tons of birds eggs, 22,3% less than 5040,2 tons exported in the fourth quarter of 2015. Between the second quarter and the third quarter of 2016, South Africa's exports of bird eggs decreased by 11,9%, from 0,07 tons in the second quarter to 0,04 tons in the third quarter of 2016 while between the third quarter and the fourth quarter of 2016, SA's exports of bird eggs increased by 24%, from 0,04 tons in the third quarter to 0,26 tons in the fourth quarter of 2016. Imports of bird eggs decreased sharply since the first quarter of 2015 and have been on a downward trend except for the fourth quarter of 2015 and the fourth quarter of 2016. In the fourth quarter of 2016, imports of bird eggs decreased by 76%, from 1,08 tons in the fourth quarter of 2015 to 0,26 tons in the fourth quarter of 2016, see Figure 40.



**Figure 40:** Trends in imports and exports of birds' eggs, in shell, fresh, preserved or cooked  
Source: GTA, 2016

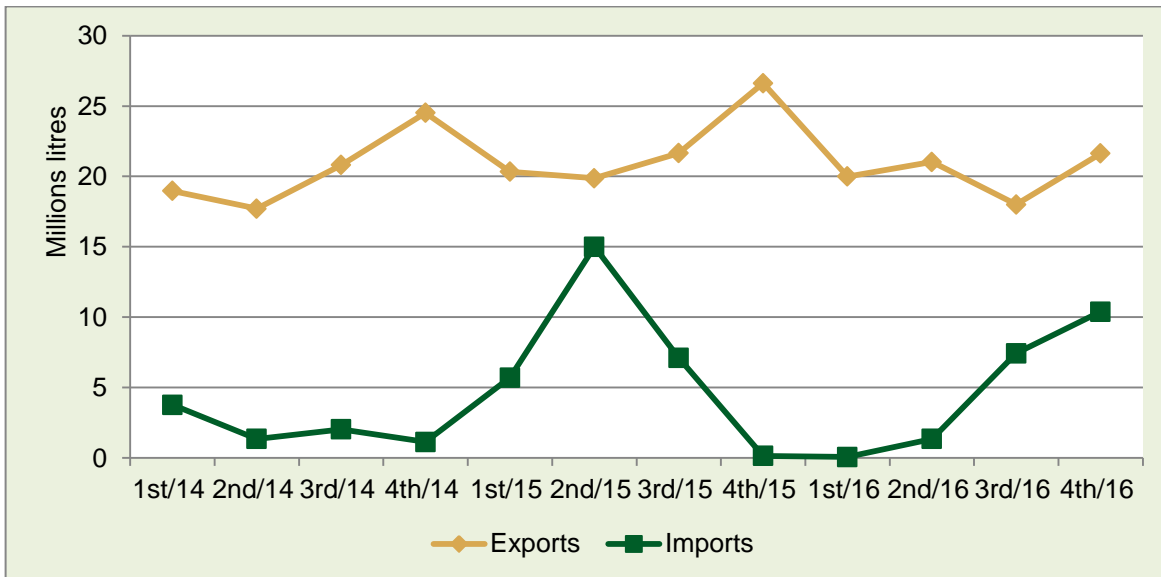
Total milk production came in 2% more in the fourth quarter of 2016, increasing from 963,5 million litres in the fourth quarter of 2015 to 979 million litres in the fourth quarter of 2016. More favourable early-season production conditions in pasture areas contributed to the recovery of production (MPO, 2016). Furthermore, the expected lower grain prices due to rain will favour producers as well as improve pasture conditions which will likely increase production growth.

The average producer price per litre of milk increased by 23%, from R3,83/ℓ in the fourth quarter of 2015 to R4,70/ℓ between the fourth quarter of 2016. Producer prices increased towards the end of the year as MPO had predicted. Meanwhile, major milk processors have announced price increases from February 2017 (MPO, 2017).



**Figure 41:** Trends in total production and average price of milk

Source: DAFF



**Figure 42:** Trends in imports and exports of milk and cream, not concentrated nor containing added sweetening

Source: GTA, 2016

Exports of milk and cream (not concentrated nor containing added sweetening) were 19% lesser in the fourth quarter of 2016 compared with the fourth quarter of 2015, exporting a total of 21,63 million litres of milk and cream in the fourth quarter of 2016 compared with 26,62 million litres exported in the fourth quarter of 2015. Between the

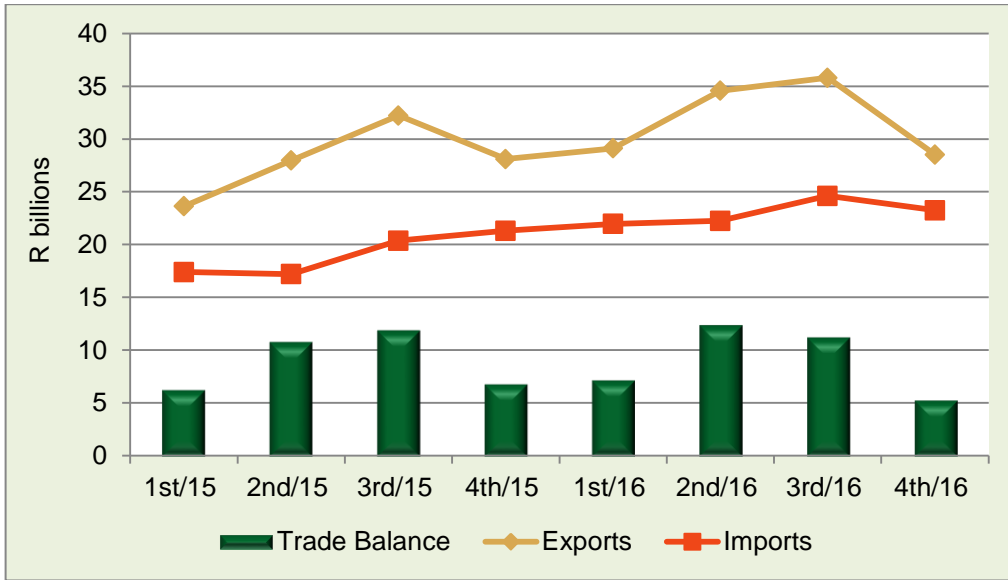
third quarter and the fourth quarter of 2016, exports of milk and cream (not concentrated nor containing added sweetening) increased by 20% from 18,01 million litres in the third quarter to 21,63 million litres in the fourth quarter of 2016. Lower production and lower imports during 2015 production season resulted in the depletion of surplus carry-over stocks into 2016.

Imports of milk and cream increased significantly in the fourth quarter of 2016 compared with the fourth quarter of 2015, increasing from 140 792 litres in the fourth quarter of 2015 to 10,38 million litres in the fourth quarter of 2016. Between the third quarter and the fourth quarter of 2016, imports of milk and cream increased by 40%, from 7,34 million litres to 10,38 million litres, see Figure 42.

### **3.6 Trade of agricultural, forestry and fisheries**

Prevailing drought conditions continued in the fourth quarter of 2016, while a declining economy and constrained consumer spending led to dampened demand and a declining output. South Africa's agricultural trade balance in the fourth quarter of 2016 decreased by 23%, from R6,8 billion in the fourth quarter of 2015 to R5,3 billion in the fourth quarter of 2016. Policy uncertainty and the country's deteriorating political economy resulted in agriculture's Gross Domestic Product (GDP) in negative territory for the past three quarters of 2016 while international events such as Brexit and the outcome of the US elections will likely carry long term implications for South Africa's key agricultural export markets.

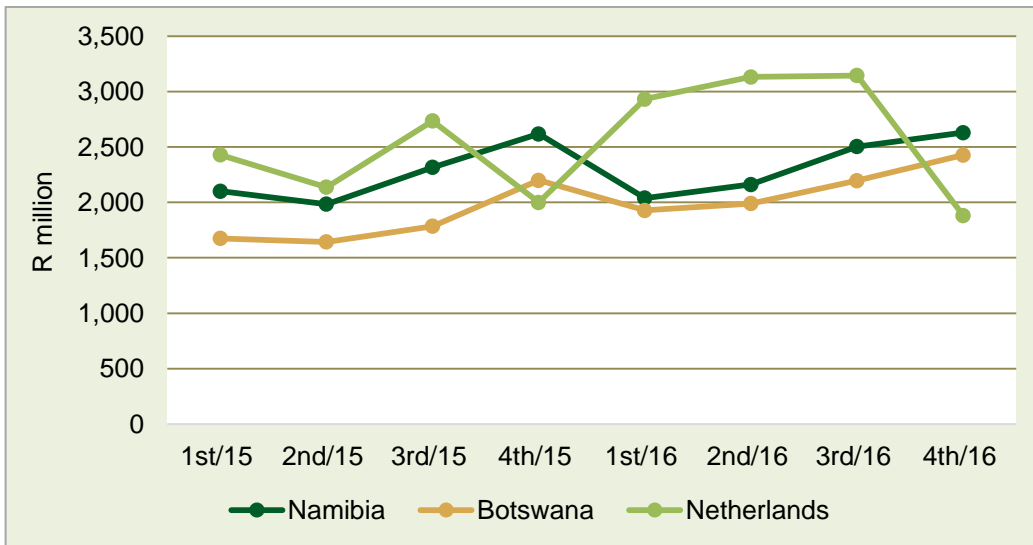
In the fourth quarter of 2016, exports grew by 1%, from R28,1 billion in the fourth quarter of 2015 to R28,5 billion in the fourth quarter of 2016. During the same period, imports of agricultural products grew by 9%, from R21,3 billion in the fourth quarter of 2015 to R23,3 billion in the fourth quarter of 2016, see Figure 43.



**Figure 43:** Trade balance of agricultural products

Source: GTA, 2016

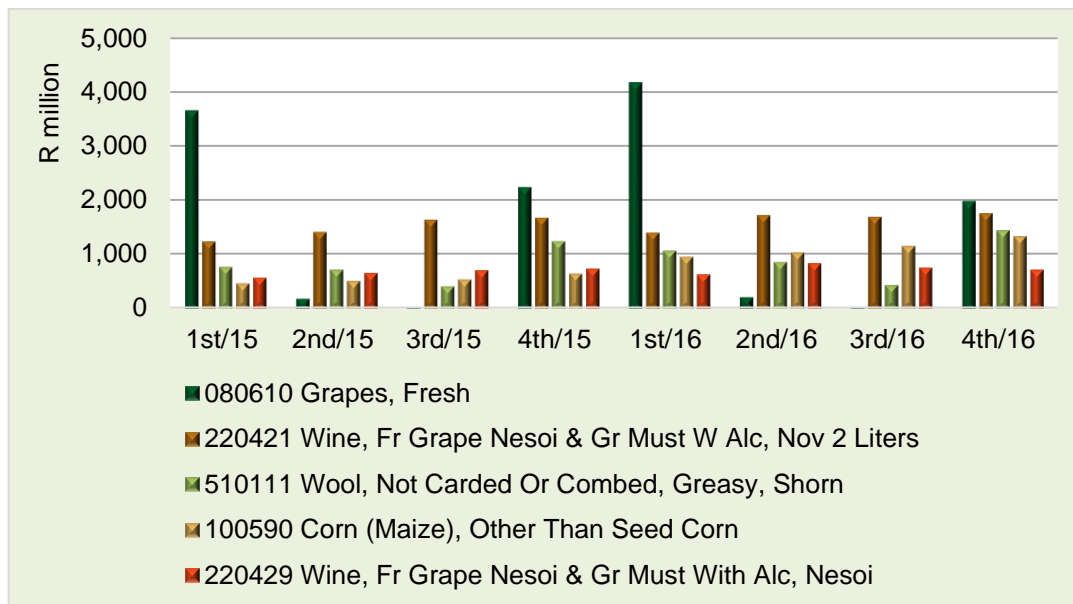
Figure 44 illustrates that South Africa gained most of its agricultural export revenue from products exported to Namibia, which was the leading export destination, followed by Botswana and Netherlands.



**Figure 44:** Top three markets of agricultural products exported by SA

Source: GTA, 2016

The top three agricultural products which contributed a considerable amount to the total export value in the fourth quarter of 2016 include fresh grapes (7%), wine (6%) and wool (5%) respectively, see Figure 45.

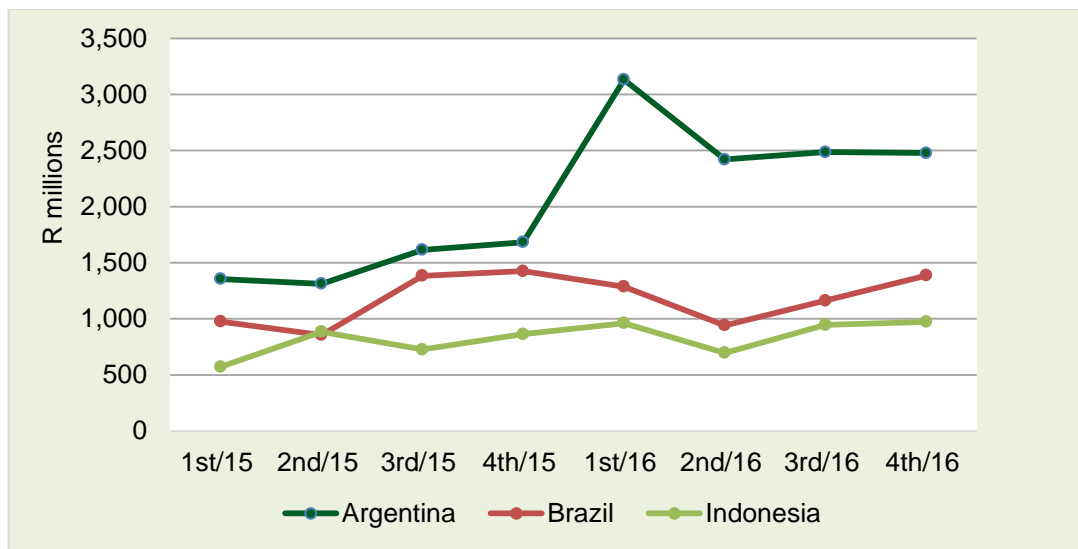


**Figure 45:** Top five agricultural products exported by SA

Source: GTA, 2016

Though there has been quarterly decline in agriculture's GDP due to the drought, analysts expect an improvement in agricultural conditions and production which could escape the current mediocre growth path by the end of 2017 (Agbiz, 2016).

In the fourth quarter of 2016, the total import value of agricultural products increased by 9%, from R 21,3 billion in the fourth quarter of 2015 to R23,3 billion in the fourth quarter of 2016. The top three suppliers of agricultural products to the total import value were Argentina, Brazil and Indonesia, see Figure 46.



**Figure 46:** Top three market suppliers of agricultural products to SA

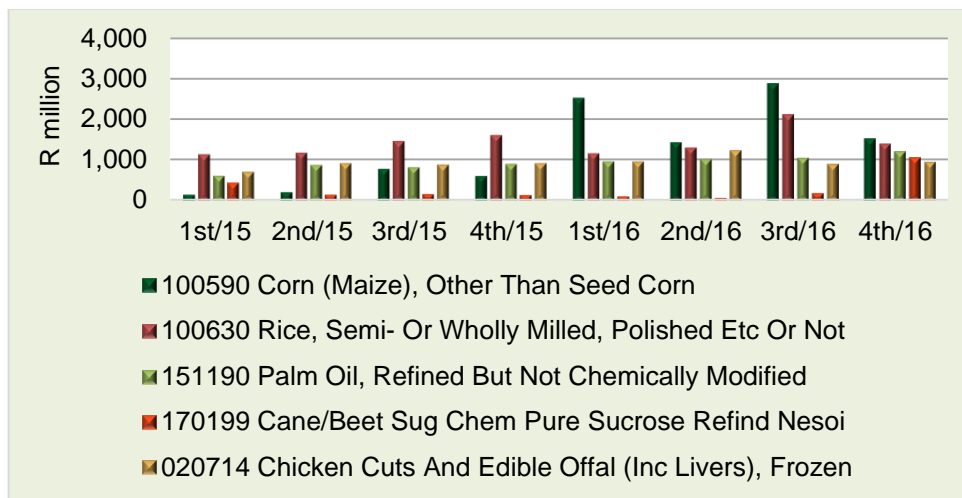
Source: GTA, 2016

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The top three agricultural products which contributed a considerable amount to the total import value include corn or maize (7%), rice (6%) and palm oil (5%), see Figure 47.





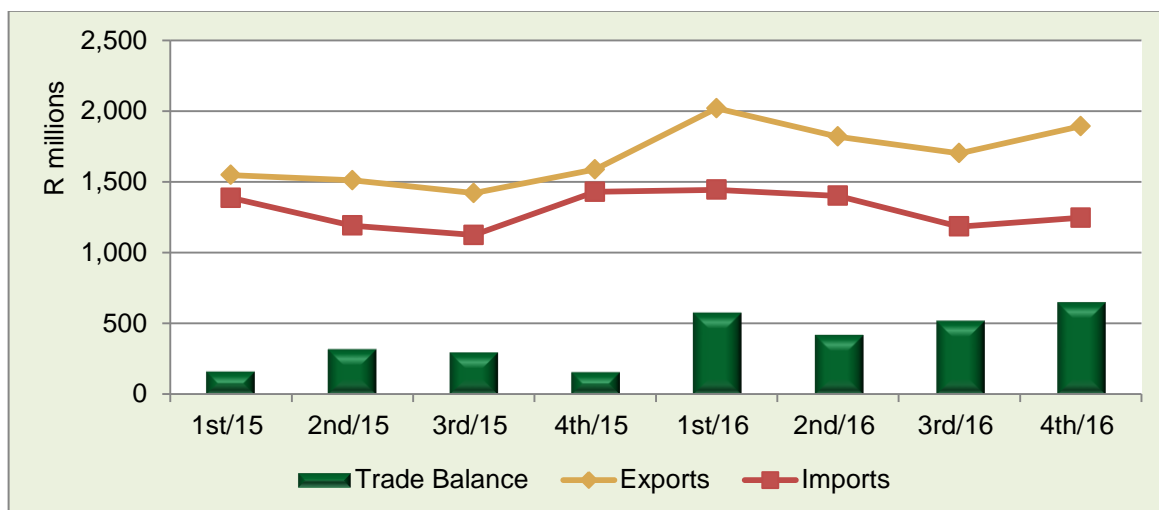
**Figure 47:** Top five agricultural products imported by SA

Source: GTA, 2016

### 3.6.1 Fisheries trade

Throughout 2016, several exporters faced supply constraints associated with the drought, including diseases and fishing quotas (FAO, 2016). South Africa, in the fourth quarter of 2016 produced R1,9 billion worth of fisheries products compared with R 1,6 billion produced in the fourth quarter of 2015.

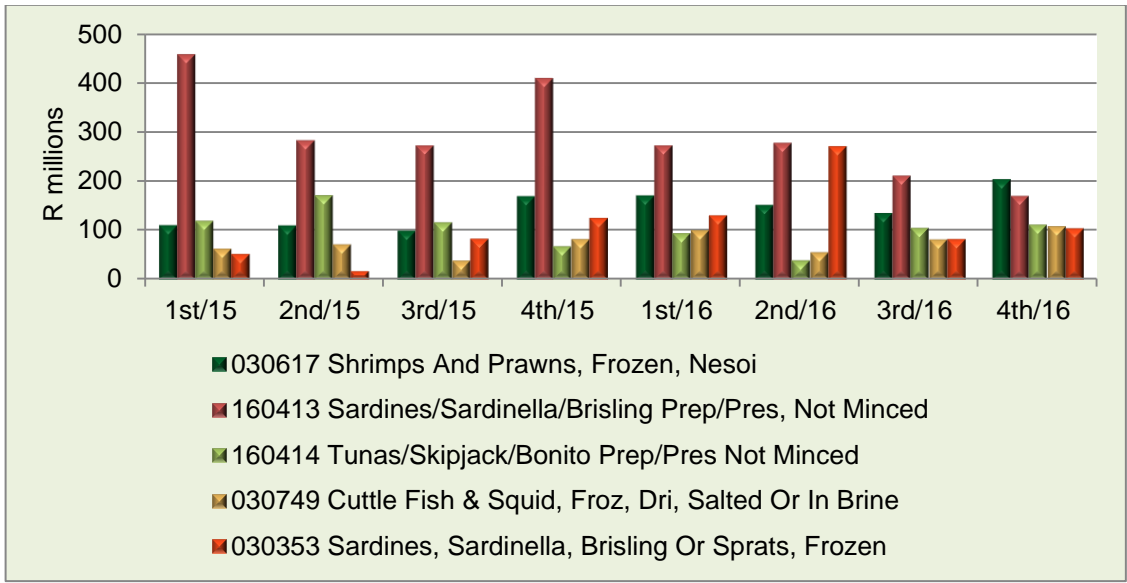
Figure 48 illustrates that in the fourth quarter of 2016, exports grew by 19% while imports decreased by 13%. Trade volumes of fishery products continued to expand in the fourth quarter of 2016.



**Figure 48:** Trade balance of SA fisheries products

Source: GTA, 2016

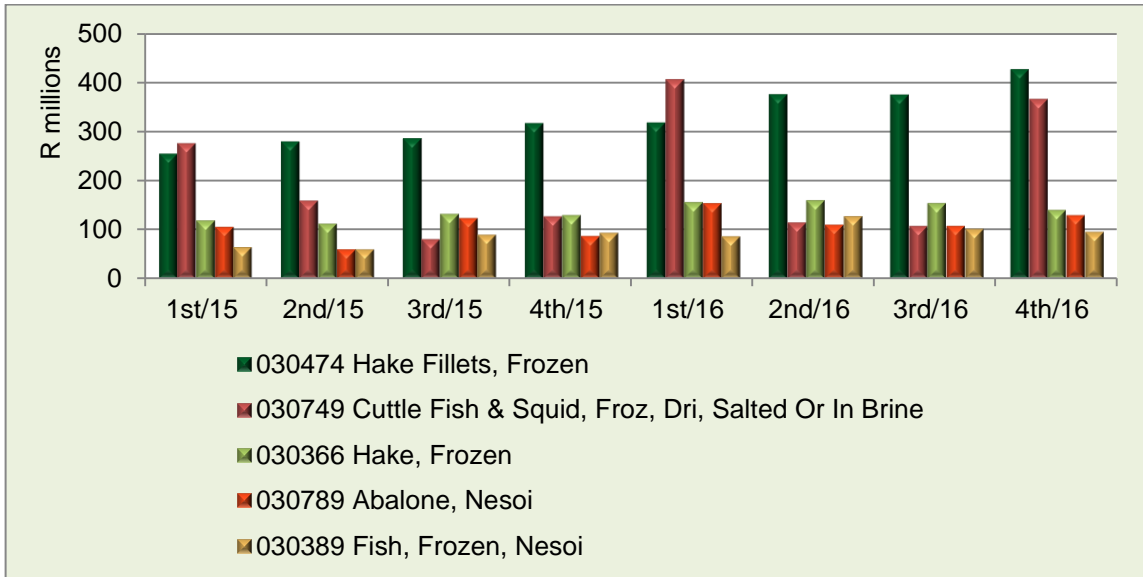
The top three imported fisheries products in the fourth quarter of 2016 were frozen, shrimp and prawns, sardines/sardinella/brisling (prepared/ preserved and not minced) as well as tunas/skipjack/bonito (prepared/preserved and not minced) each accounting for 16%, 14% and 9% of the total import value. Furthermore, during the fourth quarter of 2016, imports of sardines/sardinella/brisling (prepared/ preserved and not minced) decreased by 58% while imports of frozen shrimp and prawns as well as tunas/skipjack/bonito (prepared/preserved and not minced) increased by 20% and 65% respectively, see Figure 49. Developing countries continue to play a significant role in the international supply of fish. The overall outlook for the value of seafood trade in 2016 continues to be positive.



**Figure 49:** SA top five imported fisheries products

Source: GTA, 2016

Figure 50 presents the top three fisheries products exported by SA in the fourth quarter of 2016. Frozen hake fillets were the main exported seafood product in the fourth quarter of 2016, followed by cuttle fish and squid (frozen, dried, salted or in brine) as well as frozen hake. During the same period, exports of frozen hake fillets, cuttle fish and squid as well as frozen hake increased by 35%, 187% and 9% respectively.



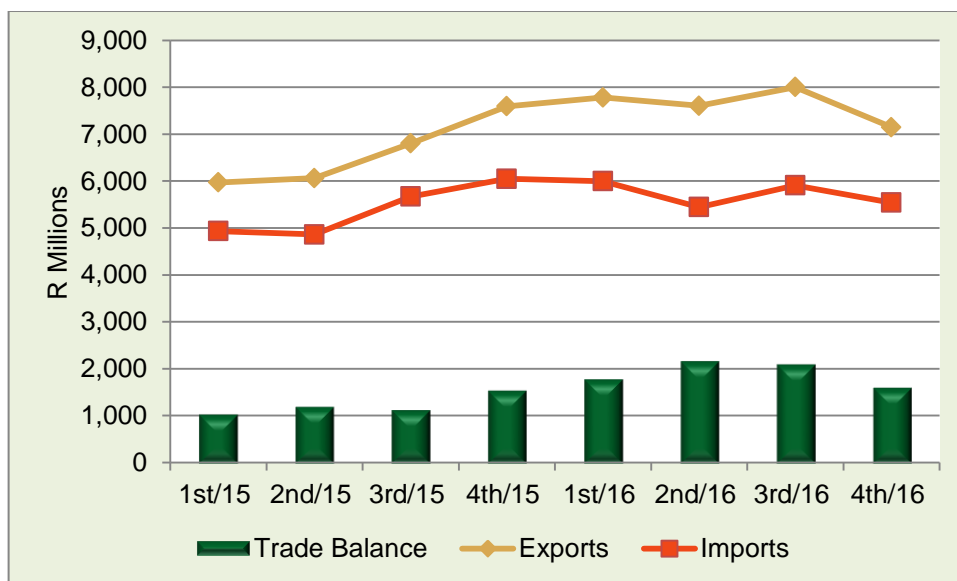
**Figure 50:** SA top five exports of fisheries products

Source: GTA, 2016

### 3.6.2 Forestry trade

Although the recent rainfalls have brought about the much needed relief, the long standing effects of the drought are quite palpable and still felt within the timber industry.

Figure 51 shows the trade balance of South African forestry products in 2016. In the fourth quarter of 2016, exports of forestry products decreased by 6%, while imports decreased by 8%.



**Figure 51:** Trade balance of SA forestry products

Source: GTA, 2016

The total export value of forestry products decreased by 6%, from R7,6 billion in the fourth quarter of 2015 to R7,1 billion in the fourth quarter of 2016. The top three forestry products exported in the fourth quarter of 2016 include chemical woodpulp (dissolving grades), wood in chips or particles (non-coniferous) and kraftliner (uncoated, bleached, in rolls or sheets), see Figure 52.

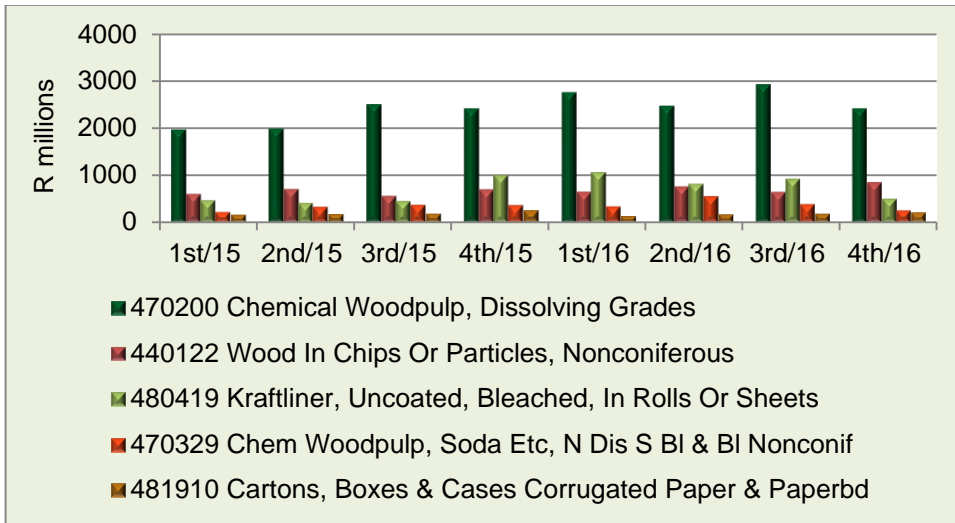


Figure 52: SA top five exports of forestry products

Source: GTA, 2016

Meanwhile, the total import value of forestry products in the fourth quarter of 2016 decreased by 8%, from R6,0 billion in the fourth quarter of 2015 to R5,5 billion in the fourth quarter of 2016. SA’s top three forestry products imported in the fourth quarter of 2016 include printed books, brochures etc, paper or paperboard and chemical wood pulp, see Figure 53.

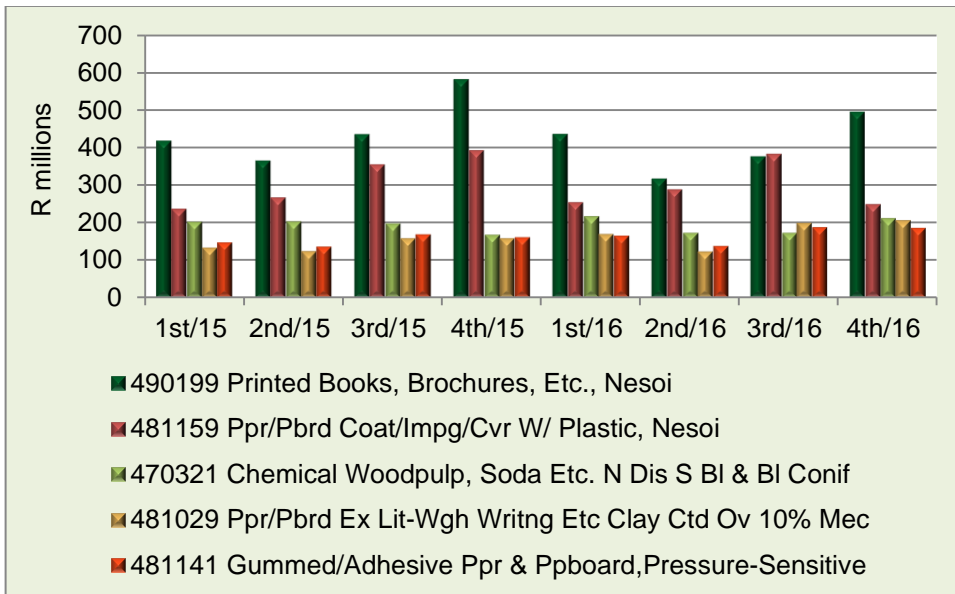


Figure 53: SA top five imports of forestry products

Source: GTA, 2016

#### 4. CONCLUSION

According to IMF (2016) there has been a stronger-than-expected pickup in growth in advanced economies, due mostly to a reduced drag from inventories and some recovery in manufacturing output. Quarterly Real GDP growth Rates, 2016 (Q4) in the advanced economies of the following countries: France, Germany, Italy, Japan and United Kingdom decreased by 0,4%, 0,4%, 0,2%, 0,2% and 0,7% respectively, while Canada increased by 0,6% as compared to 2015 (Q4). Whereas, the United States remain constant by 1,9%,

Growth prospects marginally worsened for emerging market and developing economies, where financial conditions have generally tightened. Quarterly Real GDP growth rates in 2016 (Q4) grew slightly in the following countries, Brazil, Philippines and Russia by -0,9%, 6,6%, and -0,3% respectively. Meanwhile, India, South Africa and Nigeria, decreased by 7%, -0,3%, and -1,3% as compared to the (Q4) of 2015. Whereas, China, Indonesia and Malaysia remain constant at 6,8%, 4,9% and 4,5%.

South Africa's GDP contracted by 0,3% in the fourth quarter following a disappointing growth in the mining and quarrying industry largely as a result of lower production in coal, gold and other metal ores which include platinum.

The agricultural sectors mark the eighth consecutive quarter of contraction since the first quarter of 2015. Prevailing drought conditions continued in the fourth quarter of 2016, while a declining economy and constrained consumer spending led to dampened demand and declining output. South Africa's agricultural trade balance in the fourth quarter of 2016 decreased by 23%, from R6,8 billion in the fourth quarter of 2015 to R5,3 billion in the fourth quarter of 2016.

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