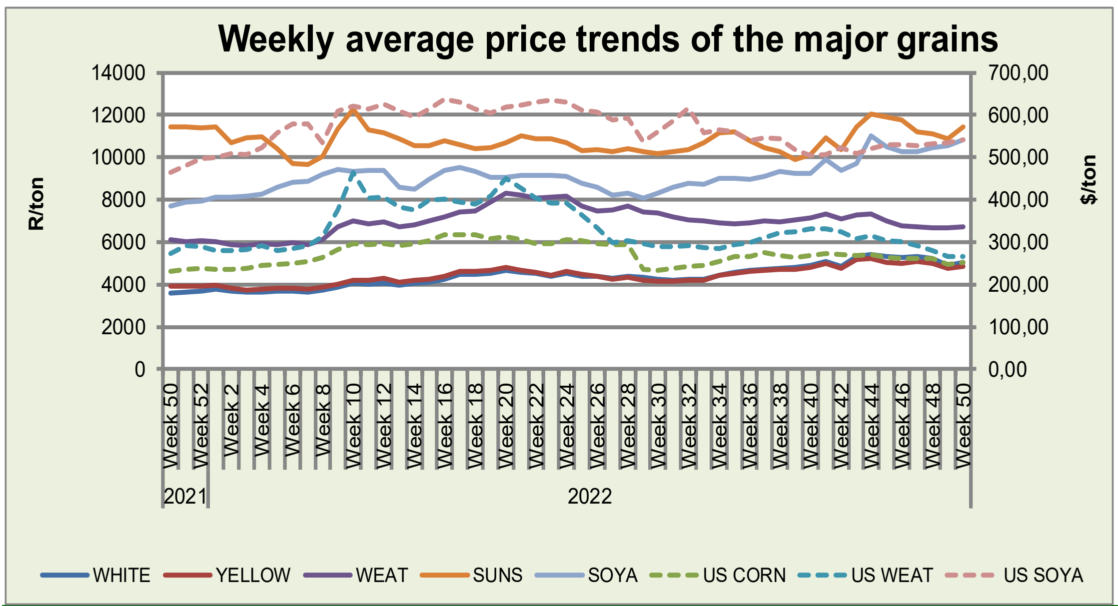
agriculture, land reform
& rural development
Department:
Agriculture, Land Reform and Rural Development
REPUBLIC OF SOUTH AFRICA

Weekly Price Watch: 15 December 2022

Directorate: Statistics & Economic Analysis

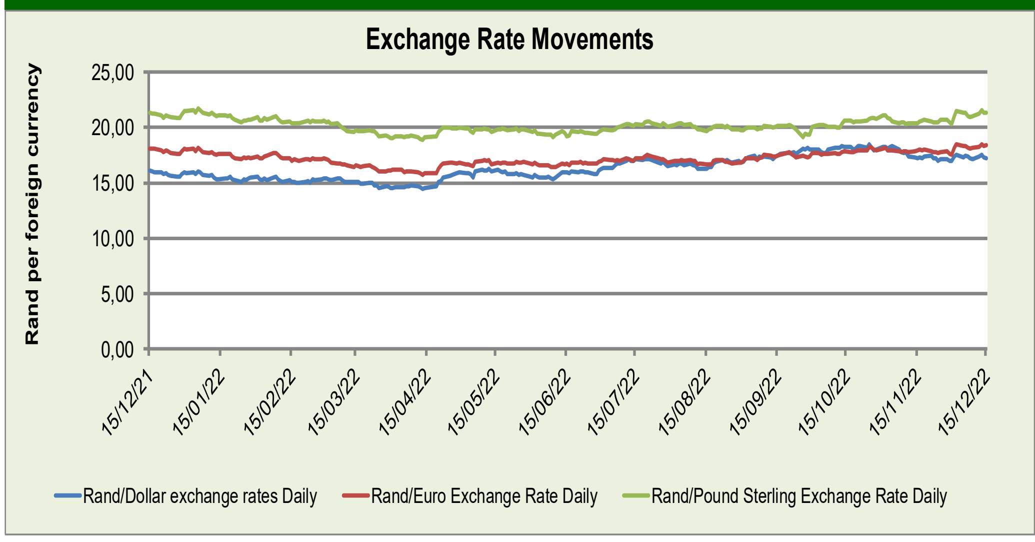
Sub-directorate: Economic Analysis

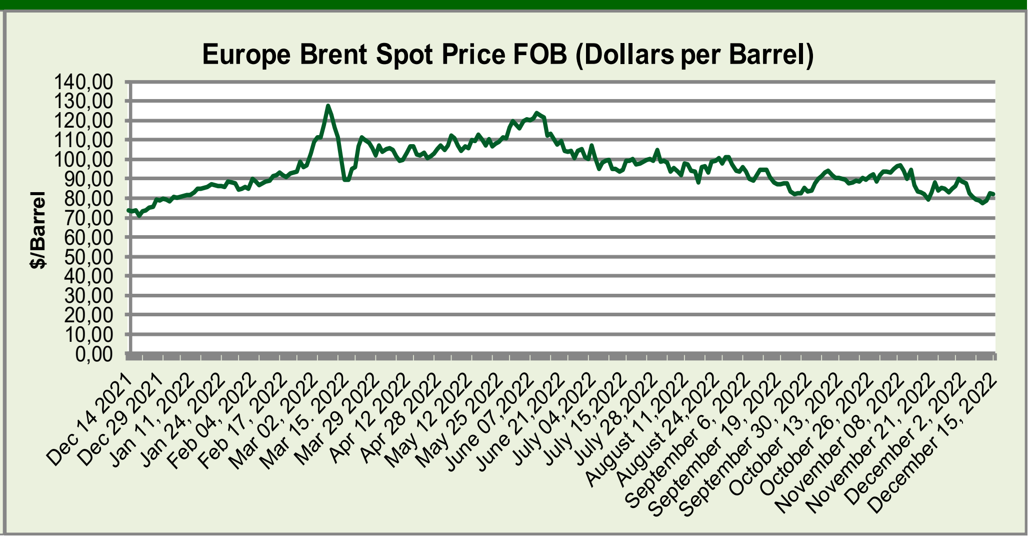


Domestic grain prices strengthened this week compared to the previous week, while domestic weather conditions will likely continue to influence prices. Local white and yellow maize prices increased by 2.7% and 2.2% respectively this week compared to the previous week whilst, wheat, soybean and sunflower seed prices increased by 0.8%, 2.9% and 5.4% respectively week-on-week. While South Africa is in a weather market, global events will likely continue to dominate the market. On the international front, US yellow maize price increased by 1.6% week-on-week, supported by stronger than expected export numbers, strength in soybean, wheat and crude oil markets and a sharp drop in the U.S. dollar index. US wheat price increased by 0.5% week-on-week, supported by signs of improvement in export demand. US soybean price increased by 1.3% week-on-week, as fresh export business concern over dryness in South America and bullish technicality fuelled speculative buying.

Spot price trends of major grains commodities

	1 year ago Week 50 (13-12-21 to 17-12-21)	Last week Week 49 (05-12-22 to 09-12-22)	This week Week 50 (12-12-22 to 15-12-22)	w-o-w % change
RSA White Maize per ton	R 3 479.25	R 4 915.00	R 5 046.00	2.7%
RSA Yellow Maize per ton	R 3 799.50	R 4 770.40	R 4 873.75	2.2%
USA Yellow Maize per ton	$ 229.38	$ 247.91	$ 251.80	1.6%
RSA Wheat per ton	R 6 081.25	R 6 675.00	R 6 729.50	0.8%
USA Wheat per ton	$ 276.70	$ 265.23	$ 266.61	0.5%
RSA Soybeans per ton	R 7 568.50	R 10 534.00	R 10 841.50	2.9%
USA Soybeans per ton	$ 457.75	$ 535.66	$ 542.50	1.3%
RSA Sunflower seed per ton	R 11 270.20	R 10 855.00	R 11 437.25	5.4%
RSA Sweet Sorghum per ton	R 4 230.00	-	-	-
Crude oil per barrel	$ 73.91	$ 81.87	$ 80.08	-2.2%





The rand appreciated by 3.8% against the US dollar week-on-week, after the US Federal Reserve projected higher interest rates for a longer period. The rand appreciated by 4.1 % against the Pound Sterling week-on-week, tracking a global market selloff after the European Central Bank raised interest rates. The rand appreciated by 6.5% against the Euro week-on-week, after the European Central Bank policy decision to raise interest rates by 50 basis points rattled investors.

Brent crude oil averaged $80.08 week-on-week, which is 2.2% less than $81.87 reported the previous week, on fears of a looming recession, after central banks across Europe and North America signalled they will continue to battle inflation aggressively. The U.S. Federal Reserve indicated it will raise interest rates further next year, even as the economy slips toward a possible recession while the Bank of England and the European Central Bank also raised interest rates to fight inflation.

National South African Price information (RMAA) : Beef

Week 48 (28/11/2022 to 04/12/2022)	Units	Avg Purchase Price	Avg Selling Price	Week 49 (05/12/2022 to 11/12/2022)	Units	Avg Purchase Price	Avg Selling Price
Beef							
Class A2	10 233	59,98	62,74	Class A2	11 457	59,60	61,32
Class A3	782	58.77	59,20	Class A3	1 651	59,46	62,19
Class C2	741	50,01	53,21	Class C2	816	49,09	53,48

Units sold for class A2, class A3 and class C2 beef increased by 12.0%, 111,1% and 10.1% respectively in the reporting week compared to the previous week. Demand remained resilient amid supply tightness. Meanwhile, the weekly average purchase prices for class A2 and C2 beef decreased by 0.6% and 1.8% respectively in the reporting week compared to the previous week whilst, the weekly average purchase price for class A3 beef increased by 1.2% week-on-week. During the same period, the weekly average selling prices for class A3 and class C2 beef increased by 5.1% and 0.5% respectively in the reporting week compared to the previous week whilst, the weekly average selling price for class A2 beef decreased by 2.3% week-on-week. The improved seasonal upswing in demand as we head closer to Christmas will likely boost prices across the board.

National South African Price information (RMAA) : Lamb

Week 48 (28/11/2022 to 04/12/2022)	Units	Avg Purchase Price	Avg Selling Price	Week 49 (05/12/2022 to 11/12/2022)	Units	Avg Purchase Price	Avg Selling Price
Lamb				.			
Class A2	16 787	95,42	95,87	Class A2	18 051	93,33	93,82
Class A3	1 947	95,56	95,28	Class A3	2 022	92,39	92,64
Class C2	1 426	71,88	72,86	Class C2	2 327	70,31	71,79

Units sold for class A2, class A3 and class C2 lamb increased by 7.5%, 3.9% and 63.2% respectively in the reporting week compared to the previous week. The weekly average purchase prices for class A2, class A3 and class C2 lamb decreased by 2.2%, 3.3% and 2.2% respectively in the reporting week compared to the previous week. During the same period, the weekly average selling prices for class A2, class A3 and class C2 lamb decreased by 2.1%, 2.8% and 1.5% respectively in the reporting week compared to the previous week. Lamb prices are expected to increase on improved seasonal demand as we head closer to Christmas.

National South African Price information (RMAA) : Pork

Week 48 (28/11/2022 to 04/12/2022)	Units	Avg Purchase Price	Week 49 (05/12/2022 to 11/12/2022)	Units	Avg Purchase Price
Pork					
Class BP	12 364	36,84	Class BP	12 275	36,97
Class HO	6 085	37,49	Class HO	6 664	37,43
Class HP	6 499	36,52	Class HP	5 545	36,94

Units sold for class BP and class HP pork decreased by 0.7% and 14.7% respectively in the reporting week compared to the previous week whilst, units sold for class HO pork increased by 9.5% week-on-week. Meanwhile, the weekly average purchase prices for class BP and class HP pork increased by 0.4% and 1.2% respectively in reporting week compared to the previous week whilst, the weekly average purchase price for class HO pork decreased by 0.2% week-on-week. Adverse economic conditions are supporting demand for more affordable meat options while pork prices are expected to maintain the current momentum with further upside on improved seasonal demand.

Latest News Developments

Statistics South Africa in its Consumer Price Index (CPI) report revealed that headline consumer price inflation (CPI) eased to 7.4% in November 2022 from 7.6% in October, below market expectations of 7.5% but still above the upper limit of the South African Reserve Bank's target range of 3%-6%. The largest contributors to the 7.4% annual inflation rate were food and non-alcoholic beverages; housing and utilities; transport; and miscellaneous goods and services. The bread and cereals category continues to witness high levels of inflation, with the annual rate increasing to 19.9% from 19.5% in October. The dairy index (milk, eggs & cheese) registered an annual increase of 10.9%, the highest rate since February 2017 (10.7%). Oils & fat products, which drove food inflation higher for many months eased in November, recording a third consecutive month of disinflation, with prices falling by 1.0%, taking the annual rate to 24.8% in November from 25.7% in October 2022. Meanwhile, annual meat inflation steadied at 10.5% for the second consecutive month in November.

On a more positive note, fuel inflation continues to decline, as lower petrol prices saw the fuel index decline for the fourth consecutive month. This took the annual rate for fuel to 25.3% in November 2022 from 30.1% in October 2022.

Members of the citrus industry expressed concern about the 2023 export season after producers failed to meet the export targets for 2022. According to Justin Chadwick, CEO of the Citrus Growers' Association of Southern Africa (CGA), growers had an extremely tough season, as the surge in farming input prices and transport costs as well as astronomical shipping price hikes made the cost of getting fruit to the market commercially unviable for many growers. Simultaneously, the unjustified and discriminatory new False Coddling Moth (FCM) regulations passed by the European Union (EU) mid-season placed further financial strain and risk on growers. According to Chadwick, these challenges coupled with the ongoing decay of public infrastructure such as roads, rail and port operations; erratic electricity supply; and a decline in real export prices further deepened challenges the industry faced.

Although the Southern African citrus growers packed 164.8-million 15 kg cartons for export to global markets in 2022, which is an increase of 3.2-million cartons compared with 2021, this is 5.7-million cartons less than what was predicted at the start of the season. While the industry is doing its best to address these issues, farmers fear that many of these challenges would remain in the upcoming season.

The Health Promotion Levy (HPL), commonly known as the sugar tax, still poses the greatest threat to the continued existence of the sugar industry, this is according to the South African Sugar Association (SASA) executive director, Trix Trikam. The Health Promotion Levy resulted in the beverages sector reformulating its products away from sugar to avoid the levy, leading to substantial revenue loss for the sugar industry. Since the implementation of the HPL in April 2018, the sugar industry has lost revenue of about R1.2-billion a season. According to the National Economic Development and Labour Council, the industry has also shed almost 10 000 jobs owing to the HPL exacerbating the already dire financial state of the sector. The industry also faced several other serious challenges over the years such as droughts, sugar imports and insufficient tariff paid by sugar importers. As a result, the proposed increase and extension of the HPL will aggravate the negative impact and threaten the progress that the industry's Master Plan achieved in the past three seasons. An increase in the HPL from 2.21c/g to 2.32c/g was expected to come into effect on April 4 2022, but implementation was delayed by 12 months. SASA executive director, Trix Trikam, mentioned that the sugar industry operates in deep rural areas, creating 65 000 direct and 270 000 indirect jobs, with at least one-million livelihoods depending on the industry. Therefore, an increase in the levy will most likely result in massive job losses.

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Source: SAFEX, Standard bank, Stats SA, Reuters, Red Meat Abattoir Association, FNB and Absa Bank.