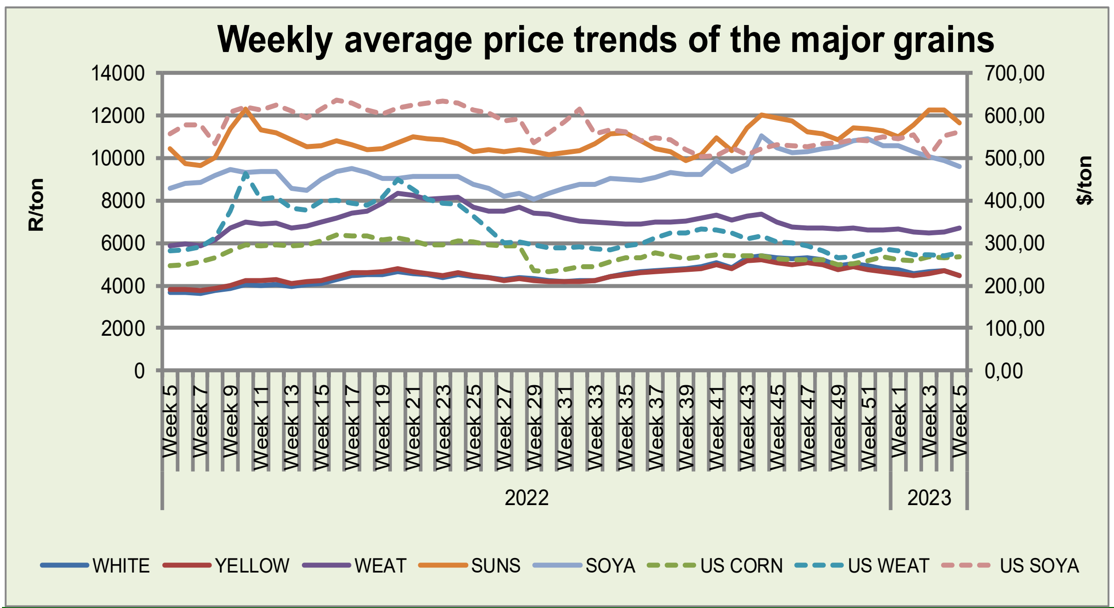
agriculture, land reform & rural development

Department:
Agriculture, Land Reform and Rural Development
REPUBLIC OF SOUTH AFRICA

Weekly Price Watch: 03 February 2023

Directorate: Statistics & Economic Analysis

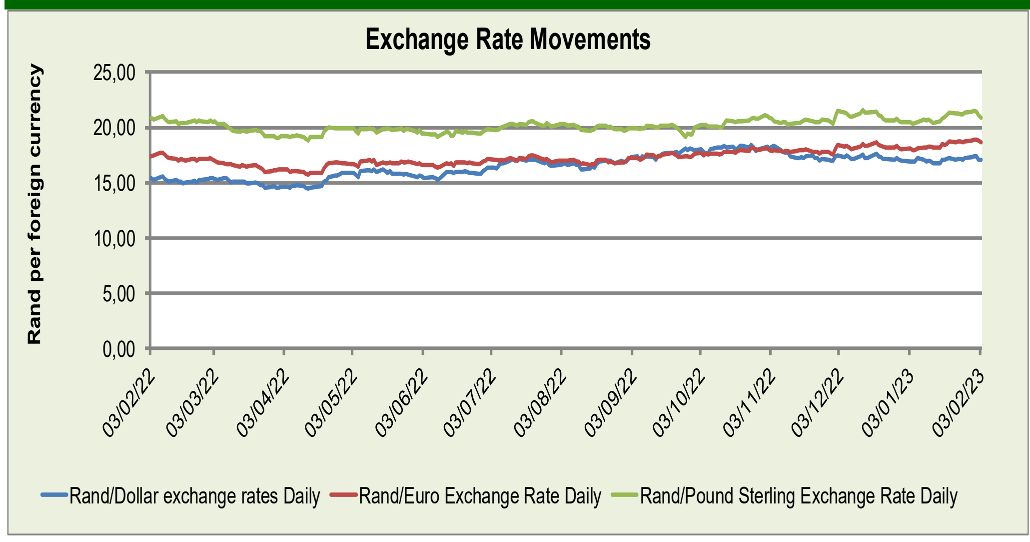
Sub-directorate: Economic Analysis



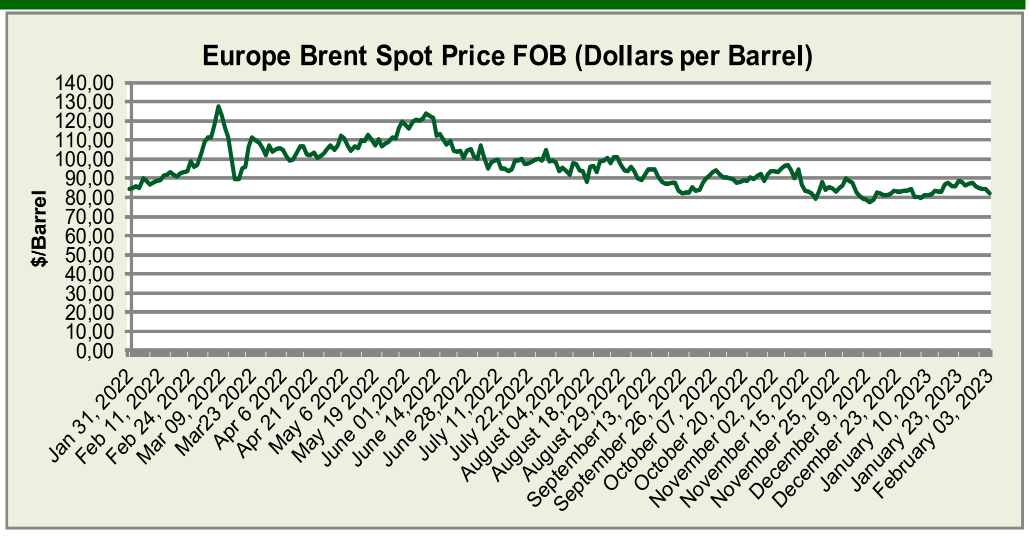
Domestic grain prices came under pressure this week compared to the previous week, with the exception of wheat prices, which increased by 3.1% week-on-week. Local white and yellow maize prices decreased by 5.5% and 4.5% respectively this week compared to the previous week, whilst soybean and sunflower seed prices decreased by 2.6% and 5.1% 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 0.9% week-on-week, supported by export sales that picked up week-on-week according to data from USDA. US wheat price increased by 3.1% week-on-week, supported by an improvement in export sales. US soybean price increased by 1.7% week-on-week, while drought in Argentina has been driving prices in soybean markets.

Spot price trends of major grains commodities

	1 year ago Week 5 (31-01-22 to 04-02-22)	Last week Week 4 (23-01-23 to 27-01-23)	This week Week 5 (30-01-23 to 03-01-23)	w-o-w % change
RSA White Maize per ton	R 3 683.60	R 4 716.40	R 4 458.00	-5.5%
RSA Yellow Maize per ton	R 3 819.40	R 4 695.60	R 4 484.80	-4.5%
USA Yellow Maize per ton	$ 246.89	$ 265.85	$ 268.24	0.9%
RSA Wheat per ton	R 5 890.20	R 6 517.40	R 6 720.00	3.1%
USA Wheat per ton	$ 280.94	$ 271.12	$ 278.11	2.6%
RSA Soybeans per ton	R 8 598.80	R 9 864.60	R 9 608.00	-2.6%
USA Soybeans per ton	$ 556.90	$ 551.95	$ 561.50	1.7%
RSA Sunflower seed per ton	R 10 428.80	R 12 266.40	R 11 646.00	-5.1%
Crude oil per barrel	$ 86.08	$ 87.61	$ 84.37	-3.7%



The rand appreciated by 3.1% against the US dollar week-on-week, amid robust US jobs data, casting doubts on the market narrative that US interest rates would soon peak. The rand appreciated by 4.7 % against the Pound Sterling week-on-week, showing resilience against many other currencies. The rand appreciated by 9.1% against the Euro week-on-week, after the Bank of England raised interest rates, providing guidance that it is nearing the end of its rate hiking cycle.



Brent crude oil averaged $84.37 week-on-week, about 3.7% less than $87.61 reported the previous week, in a volatile session, after strong U.S. jobs data raised concerns about higher interest rates and as investors sought more clarity on the imminent EU embargo on Russian refined products. According to market analysts, increases in interest rates in 2023 are likely to weigh on the US and European economies, boosting fears of an economic slowdown that is highly likely to dent global crude oil demand.

National South African Price information (RMAA) : Beef

Week 3 (16/01/2023 to 22/01/2023)	Units	Avg Purchase Price	Avg Selling Price	Week 4 (23/01/2023 to 29/01/2023)	Units	Avg Purchase Price	Avg Selling Price
Beef							
Class A2	7 298	56,80	58,89	Class A2	7 888	56,77	58,86
Class A3	614	57.29	58,64	Class A3	674	56,99	58,96
Class C2	571	51,39	52,79	Class C2	653	51,31	52,21

Units sold for class A2, class A3 and class C2 beef increased by 8.1%, 9,8% and 14.4% respectively in the reporting week compared to the previous week. Meanwhile, the weekly average purchase prices for class A2 beef, class A3 and class C2 beef decreased by 0.1%, 0.5% and 0.2% respectively in the reporting week compared to the previous week. During the same period, the weekly average selling prices for class A2 and class C2 beef decreased by 0.1% and 1.1% respectively in the reporting week compared to the previous week whilst, the weekly average selling price for class A3 beef increased by 0.5% week-on-week. The seasonal downturn in demand and loadshedding challenges placed downward pressure on prices almost across the board.

National South African Price information (RMAA) : Lamb

Week 3 (16/01/2023 to 22/01/2023)	Units	Avg Purchase Price	Avg Selling Price	Week 4 (23/01/2023 to 29/01/2023)	Units	Avg Purchase Price	Avg Selling Price
Lamb				.			
Class A2	8 921	85,19	87,26	Class A2	12 814	85,35	87,20
Class A3	1 035	85,47	87,38	Class A3	1 704	85,81	87,14
Class C2	842	64,51	69,25	Class C2	962	66,01	72,52

Units sold for class A2, class A3 and class C2 lamb increased by 43.6%, 64.6% and 14.3% respectively in the reporting week compared to the previous week. The weekly average purchase prices for class A2, class A3 and class C2 lamb increased by 0.2%, 0.4% and 2.3% respectively in the reporting week compared to the previous week. During the same period, the weekly average selling prices for class C2 lamb increased by 4.7% in the reporting week compared to the previous week whilst, the weekly average selling prices for class A2 and class A3 lamb decreased by 0.1% and 0.3% respectively week-on-week. While lamb prices are at their best levels, the higher input costs coupled with loadshedding challenges might erode producers profit margins.

National South African Price information (RMAA) : Pork

Week 3 (16/01/2023 to 22/01/2023)	Units	Avg Purchase Price	Week 4 (23/01/2023 to 29/01/2023)	Units	Avg Purchase Price
Pork					
Class BP	9 574	36,36	Class BP	12 099	36,69
Class HO	5 861	35,89	Class HO	5 349	35,38
Class HP	6 645	35,92	Class HP	5 559	35,52

Units sold for class HO and class HP pork decreased by 8.7% and 16.3% respectively in the reporting week compared to the previous week whilst, units sold for class BP pork increased by 26.4% week-on-week. Meanwhile, the weekly average purchase prices for class HO and class HP pork decreased by 1.4% and 1.1% respectively in reporting week compared to the previous week whilst, the weekly average purchase price for class BP pork increased by 0.9% week-on-week. The elevated grain prices and the recent outbreak of the African Swine Fever (ASF) constrained pork prices.

Latest News Developments

The Bureau for Food and Agricultural Policy (BFAP) in its latest 'Food Inflation Brief has warned of the consequences of load-shedding on the South African agricultural and food sectors. According to BFAP, load-shedding increases costs directly, and indirectly through higher rates of wastage and spoilage within food chains and these costs cannot be absorbed in the chain and as a result end up being passed on to consumers.

Meanwhile, the fruit processing industry is experiencing tremendous challenges because of the power crisis. According to Jacques Jordaan, CEO of the Canning Fruit Producers' Association (CFPA), rolling blackouts have resulted in farmers being unable to irrigate their crops during critical times. According to Jordaan, there is no way producers can supply crops under drip irrigation with sufficient water with the current power restrictions. Furthermore, on the processing front, the industry has been spending millions of rand on diesel to run generators to keep cold storage facilities and factories running.

In addition, the chairperson of Canning Fruit Producers' Association (CFPA), Anthony Dicey, stated that although farmers are investing in generators and solar energy to alleviate the impact of load-shedding, this was significantly driving up production costs. According to Dicey, the current situation is unsustainable as farmers could not mitigate load-shedding through diversifying, a strategy often used by farmers to offset market and climate risks.

Despite record levels of load shedding, the International Monetary Fund (IMF) expects South Africa's economy to grow by 1.2% in 2023, which is 0.1% higher than its forecast in October 2022 and expects SA's economy to grow by 1.3% in 2024. According to the IMF, Gross domestic product (GDP) will likely expand by 2.9% in 2023, which 0.2 % more than forecast its forecast in October 2022. While there is a slowdown from a 3.4% expansion in 2022, the IMF expects growth to bottom out this year, accelerating to 3.1% in 2024.

Agbiz chief economist, Wandile Sihlobo, expects agricultural machinery sales to not reach record highs of 2022 in 2023, as inflation rates and high input costs weigh on farmers. Meanwhile, Dawie Maree, head of agriculture information and marketing at FNB noted that lower interest rates over the past two years had given farmers a reprieve from their debt, which enabled them to buy new machinery. According to Maree, since the 2022 Harvest Day, machinery sales have held up and this trend is expected to continue until June this year, after which should decline. According to Sihlobo, the strong growth in agricultural machinery sales over the past two years created an exceptionally high base. However, while the current grain harvest looks to be one of the best on record, challenges across the agriculture sector will have an impact on cash flow in 2023. In addition, the slight declines in the harvests of staple crops such as maize, production challenges in the sugar industry, trade friction in the fresh produce market, beef and wool sectors, as well as widespread outbreaks of foot-and mouth disease, all of these would weigh on the industry's performance this year while CEO of AFGRI, Norman Celliers, cautioned farmers against overburdening their businesses with debt.

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