



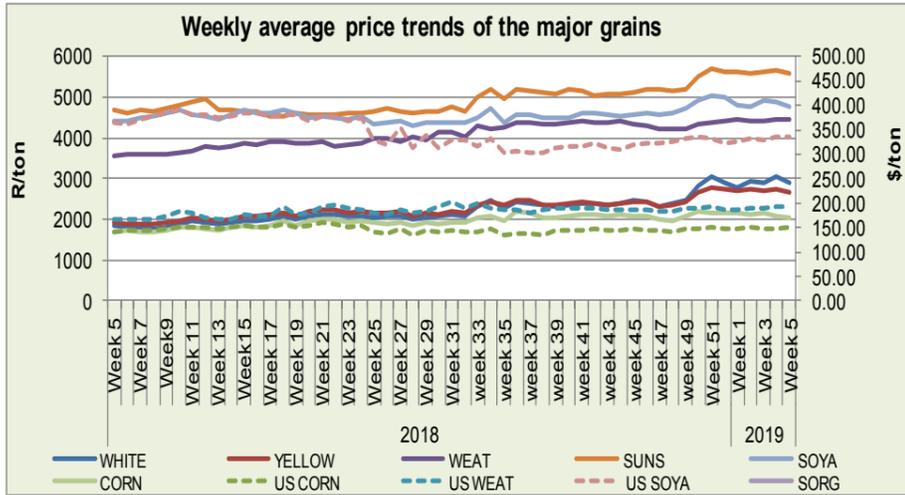
agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Weekly Price Watch: 01 February 2019

Directorate: Statistics & Economic Analysis

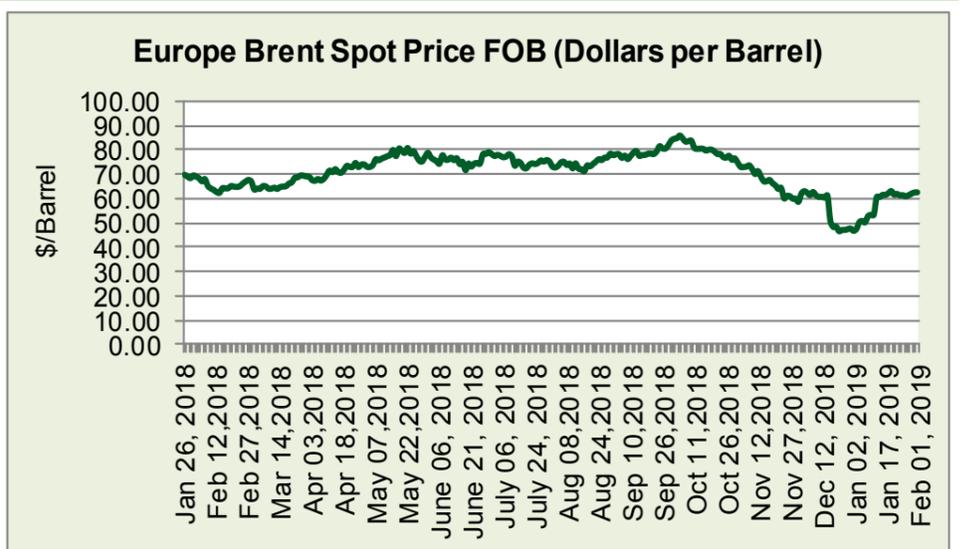
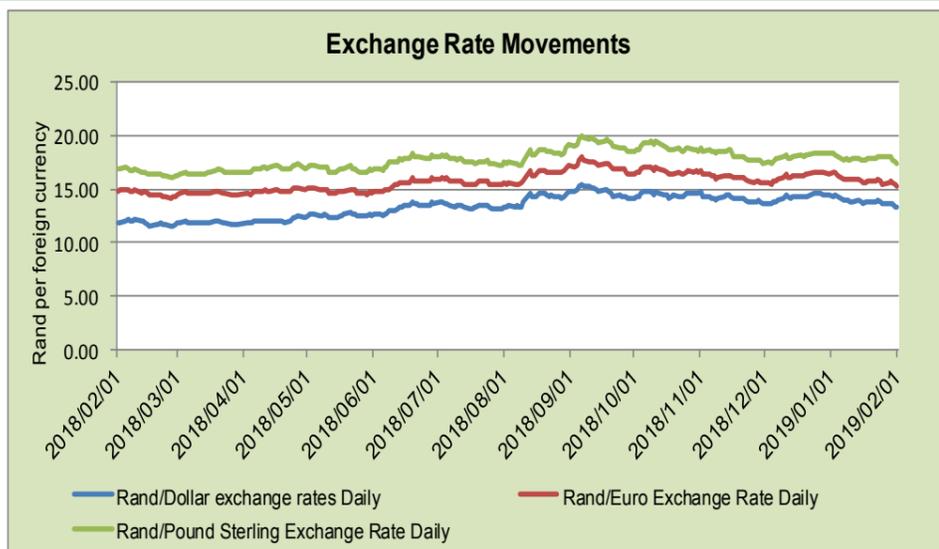
Sub-directorate: Economic Analysis



The South Africa's domestic market traded weaker this week compared to the previous week. The weaker domestic prices are due to; inter alia strengthening of the rand against the dollar which characterised the whole of January 2019. There were notable loss in the domestic price of white maize which decreased by 5.1% when compared to previous week. Other domestic commodities that reported a drop in price were yellow maize, soybean and sunflower prices which decreased by 2.7%, 1.9% and 1.7% respectively from last week's average. The domestic price of wheat was not affected by the surge in the value of rand. The domestic price of wheat and sorghum price increased by 0.2% and 1.1% respectively in the reporting week. Internationally, prices remained fairly unchanged for USA soybeans and USA wheat at \$336.1 and \$191.3 per ton respectively whilst marginal price increases were reported for USA yellow maize an increase of 0.5% compared to previous week.

Spot price trends of major grains commodities

	1 year ago Week 5 (29-01-18 to 02-02-19)	Previous week Week 4 (21-01-19 to 25-01-19)	This week Week 5 (28-01-19 to 01-02-19)	w-o-w % change
RSA White Maize per ton	R 1 835.00	R 3 050.20	R 2 894.80	-5.1%
RSA Yellow Maize per ton	R 1 922.60	R 2 749.20	R 2 675.20	-2.7%
USA Yellow Maize per ton	\$ 141.68	\$ 148.42	\$ 149.13	0.5%
RSA Wheat per ton	R 3 554.40	R 4 441.60	R 4 451.80	0.2%
USA Wheat per ton	\$ 165.34	\$ 191.34	\$ 191.34	0.0%
RSA Soybeans per ton	R 4 426.00	R 4 878.60	R 4 786.00	-1.9%
USA Soybeans per ton	\$ 364.31	\$ 336.08	\$ 336.08	0.0%
RSA Sunflower seed per ton	R 54 686.80	R 5 683.80	R 5 584.40	-1.7%
RSA Sorghum per ton	R 2 980.00	R 3 778.00	R 3 820.00	1.1%
Crude oil per barrel	\$ 68.87	\$ 61.87	\$ 61.88	0.0%



January was a good month for the South African rand which remained stronger against major currencies. On average, the rand strengthened by 7.4% against the dollar in January. This is according to Bloomberg which tracks the data since 1998, which further confirms that South Africa's rand was the top performing currency in the world in January 2019. However, volatility remains concerns in coming months as annual budget speech and scheduled election are seen as risk factors. The rand closed the week stronger at 0.02% each against the dollar and Euro; and 0.01% against pound sterling.

International price for Brent crude oil for the last week of January averaged \$61.89 a barrel which is the same price reported in the previous week. The price of Brent crude oil is likely to increase in coming months as shipments from Saudi Arabia to the United States have been falling. The plan by OPEC and other 10 nations including Russia to reduce production to 1.2 million barrels per day off market will have also an effect on the price of Brent crude oil.



National South African Price information (RMAA) : Beef

Week 3 (2019/01/14 to 2019/01/20)	Units	Avg Purchase Price	Avg Selling Price	Week 4 (2019/01/21 to 2019/01/27)	Units	Avg Purchase Price	Avg Selling Price
Class A2	6022	41.32	42.96	Class A2	9528	39.78	40.58
Class A3	696	41.24	43.38	Class A3	963	39.56	40.16
Class C2	1032	39.03	39.78	Class C2	894	37.77	39.63

Beef class A2 and A3 were preferred choice of meat this reporting week. Weekly units sold for class A2 and A3 beef increased significant by 58.2% and 38.4% respectively while class C2 beef decreased by 13.4% in the reporting week compared to previous week. Average purchases prices for class A2, A3 and C2 were in line with economic theory which reported a price decreased of 3.7%, 4.1% and 3.2% respectively week-on-week. During the same period, the weekly average selling prices for all classes of beef also decreased by 5.5%, 7.4% and 0.4% respectively week-on-week.

National South African Price information (RMAA) : Lamb

Week 3 (2019/01/14 to 2019/01/20)	Units	Avg Purchase Price	Avg Selling Price	Week 4 (2019/01/21 to 2019/01/27)	Units	Avg Purchase Price	Avg Selling Price
Class A2	6742	63.71	70.77	Class A2	5716	61.54	67.76
Class A3	1470	66.88	71.10	Class A3	1073	63.08	70.41
Class C2	361	55.40	59.20	Class C2	378	51.39	57.83

Lamb was a less preferred meat this week when compared to beef and pork. Lamb units sold for class A2 and A3 reported a drop in sales during the week compared to previous week. Lamb units sold for class A2 and A3 decreased by 15.2% and 27% respectively while class C2 increased by 4.7% in the reporting week compared to the previous week. Weekly average purchase price and weekly average selling prices for all classes of lamb were also down. Lamb average purchases price for class A2, A3 and C2 decreased by 3.4%, 5.7% and 7.2% respectively in the reporting week. Similarly weekly average selling prices for class A2, A3 and C2 lamb decreased by 4.3%, 1% and 2.3% respectively during the reporting week compared to previous week.

National South African Price information (RMAA) : Pork

Week 3 (2019/01/14 to 2019/01/20)	Units	Avg Purchase Price	Week 4 (2019/01/21 to 2019/01/27)	Units	Avg Purchase Price
Class BP	7351	26.51	Class BP	8125	25.80
Class HO	5335	26.24	Class HO	5836	25.83
Class HP	3410	26.28	Class HP	3801	25.79

Pork producers ended the week with smiles compared to previous week following an increase in units sold. Pork units sold for class BP, HO and HP pork increased by 10.5%, 9.4% and 11.5% respectively in the reporting week compared to previous week. Weekly average purchase prices for class BP, HP and HO pork decreased by 2.7%, 1.6% and 1.9% respectively week-on-week.

Latest News Developments

Eskom, which supplies approximately 90% of the country with electricity is in its worst state ever both financially and operationally. The state owned company's debt has ballooned to an estimated R419bn rand in debt irrespective of 4.5% tariff hike increase it received in 2018. The company faces severe coal supply shortage and its power plans appear to be falling. In an effort to address its challenges, the company has applied for annual tariff of 15% over the next three years. However, many analysts fears that if tariff increase are granted, the country could lose all but one of its gold mines and shed 150,000 jobs as other mineral producers cut back production. According to Minerals Council SA, a price increase is not the solution on its own. Eskom has to be restructured and the state has to intervene. The government has less than 30 days to announce how it plans to assist Eskom's financial woes. Some of the remedies suggested, are to take over R100 billion of its debts. This an option that is not favoured by our President and Finance Minister Tito Mboweni.

Crop Estimates Committee's (CEC) preliminary area estimate for summer grain crops reveals that South African grain farmers have planted 180 000ha less than what was initially intended. Maize total area planted is estimated at 2.2mil ha which is 7% less than the previous crop estimate released in October 2018 while around one million hectares were planted for yellow maize. In spite of less hectares planted, CEO of Grain SA Jannie de Villiers is sceptical if South African farmers could still produce enough maize to meet its demand since large portion of the crop was planted after the optimum planting window had closed, and could thus be damaged by early frost. He added that severe hot and dry spells across many areas put vulnerable young plants under pressure. Meanwhile, an estimated 440 000ha had been planted for sunflower which is about 26,2% less compared to the previous year. The CEC is due to release its revised area estimate and first production forecast for summer crops on 27 February.

The substantial decrease in fuel price during the month of December 2018, contributed to a lower producer price index. The PPI index which measure the change in prices that producers receive for their goods came in at 5.2% in December 2018, down from 6.8% year-on-year in the previous months (Stats SA). The decline in PPI was inline with the estimates by many analysts. The average strengthening of the rand over dollar nearly over the month, may point to stability for the currency. According to Automobile Association (AA), if international oil prices continue with their current stable trend, SA fuel users may see fewer of the wild swings in fuel prices that characterised 2018.

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