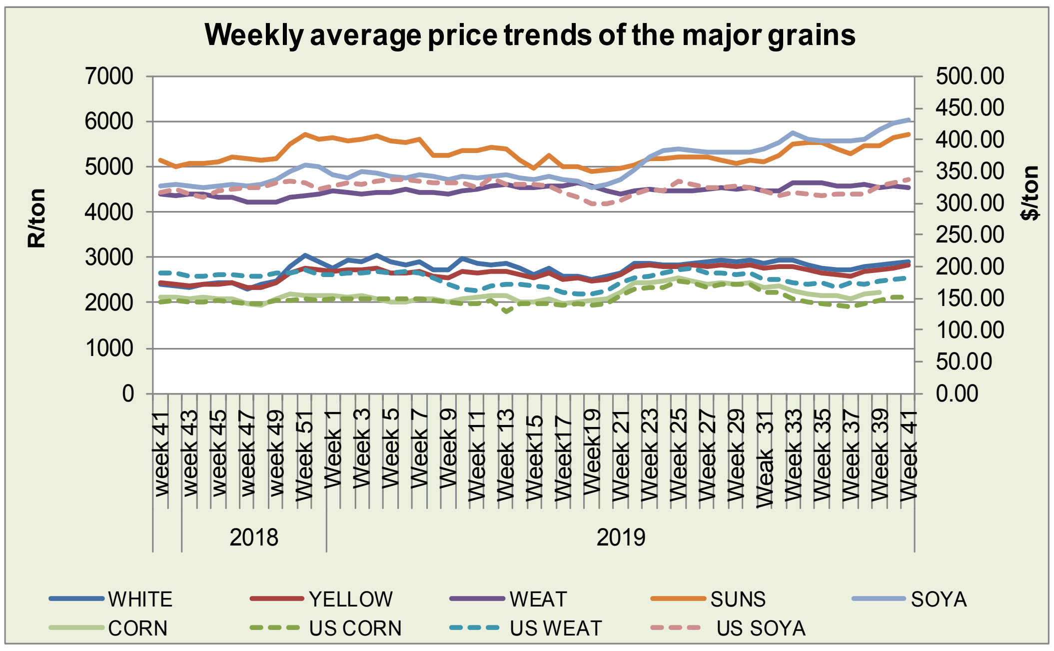
agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Weekly Price Watch: 11 October 2019

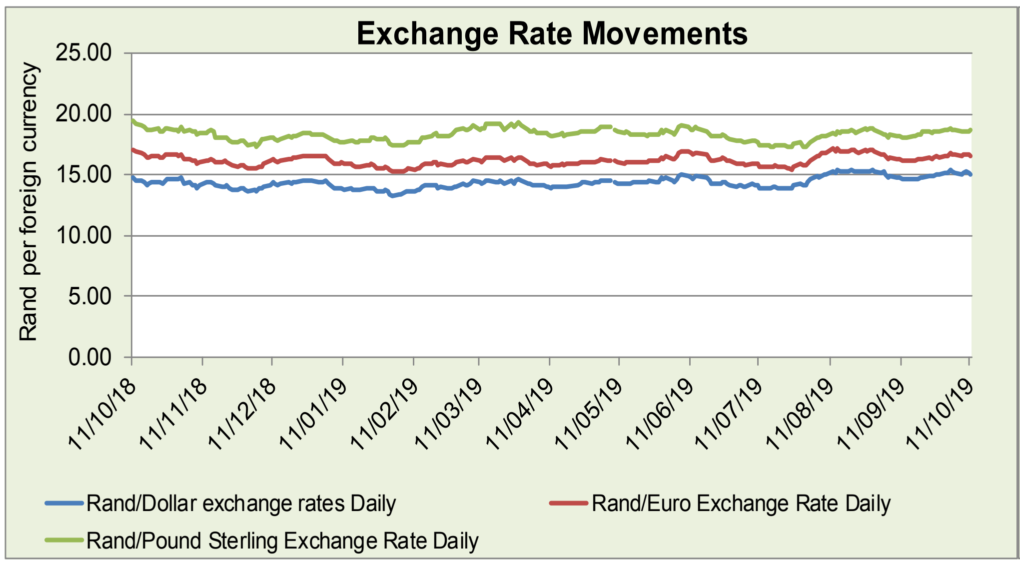
Directorate: Statistics & Economic Analysis

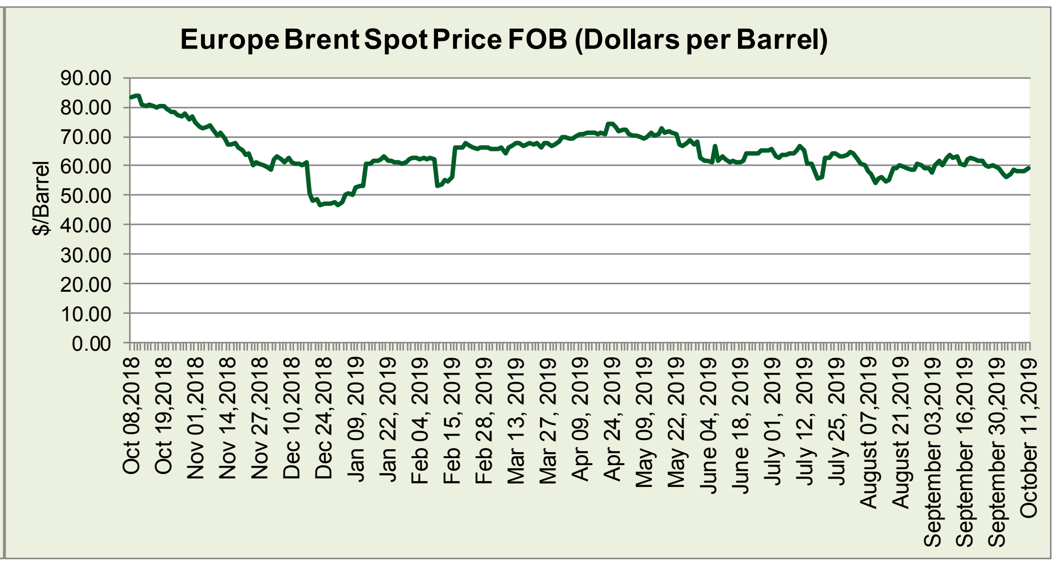


Domestic grain prices strengthened this week despite the strengthening rand. The poor summer crop harvest might have weighed on summer grain prices. Local white and yellow maize prices increased by 1.2% and 1.9% respectively this week compared to the previous week, while local soybean and sunflower seed prices increased by 1.0% and 1.1% respectively week-on-week. Local wheat prices decreased by 1.0% this week compared to the previous week, while there hasn't been any notable rainfall in the Western Cape to improve growing crop conditions. However, the wheat crop in the Free State and Northern Cape appear to be in a good condition. Internationally, despite the USDA's reaffirming its view that the world has relatively large grain supplies this year in its monthly supply and demand report, US yellow maize prices increased by 0.7% week-on-week. The USDA in its monthly supply-demand report raised its estimate of the US average corn yield. US wheat prices increased by 0.6% this week compared to the previous week, on worries about frosty temperatures in the US Plains wheat belt. US soybean prices increased by 0.4% week-on-week, supported by fears that the winter weather expected over the weekend could threaten Midwest production given tight US soybean supplies.

Spot price trends of major grains commodities

	1 year ago Week 41 (08-10-18 to 12-10-18)	Last week Week 40 (30-09-19 to 04-10-19)	This week Week 41 (07-10-19 to 11-10-19)	w-o-w % change
RSA White Maize per ton	R 2 396.60	R 2 863.00	R 2 897.20	1.2%
RSA Yellow Maize per ton	R 2 435.620	R 2 765.60	R 2 818.20	1.9%
USA Yellow Maize per ton	$ 144.15	$ 151.80	$ 152.88	0.7%
RSA Wheat per ton	R 4 414.00	R 4 591.60	R 4 546.80	-1.0%
USA Wheat per ton	$ 188.74	$ 180.70	$ 181.73	0.6%
RSA Soybeans per ton	R 4 596.00	R 5 978.00	R 6 037.60	1.0%
USA Soybeans per ton	$ 316.87	$ 333.16	$ 337.89	1.4%
RSA Sunflower seed per ton	R 5 140.80	R 5 648.00	R 5 708.60	1.1%
RSA Sorghum per ton	R 3 620.00	R 3 469.00	-	-
Crude oil per barrel	$ 82.46	$ 58.16	$ 59.85	0.7%





The rand appreciated by 6.2% against the US dollar this week, as risk sentiment strengthened following signs of progress in US-China trade talks and Brexit breakthrough. The rand appreciated by 1.9% against the Pound Sterling week-on-week, ahead of the Brexit deal finalisation that must still pass through UK's deeply divided Parliament. The rand appreciated by 0.3% against the Euro week-on-week, following comments by European Union's chief Brexit negotiator that a deal with Britain over Britain's departure is likely to happen soon.

Brent crude oil averaged $59.85 in the reporting week, 0.7% more than $58.16 reported the previous week, after an Iranian oil tanker was attacked off Saudi Arabia's coast in the Red Sea. This raised fears of further escalation in the already-volatile Gulf region. The National Iranian Tanker Company (NITC) confirmed that investigations are currently underway to determine if the tanker was hit by missiles. According to Aljazeera, this is expected to ignite more tensions between Tehran and Riyadh upon confirmation.


National South African Price information (RMAA) : Beef

Week 39 (23/09/2019 to 29/09/2019)	Units	Avg Purchase Price	Avg Selling Price	Week 40 (30/09/2019 to 06/10/2019)	Units	Avg Purchase Price	Avg Selling Price
Beef							
Class A2	9 718	45.77	46.36	Class A2	9 515	45.77	46.46
Class A3	746	45.92	46.68	Class A3	746	45.83	46.70
Class C2	1 179	36.96	39.73	Class C2	1 121	36.91	39.77

Class A2 and C2 beef unit sales decreased by 2.1% and 4.9% respectively in the reporting week while class A2 beef sales remained unchanged this week compared to the previous week. There is volume pressure on the markets and a growing concern of the potential impact of rising imports from neighbouring countries on prices heading to the festive season. Weekly average purchase prices for class A3 and C2 beef decreased by 0.2% and 0.1% respectively in the reporting week while class A2 beef prices remained unchanged week-on-week. During the same period, weekly average selling prices for class A2 and

National South African Price information (RMAA) : Lamb

Week 39 (23/09/2019 to 29/09/2019)	Units	Avg Purchase Price	Avg Selling Price	Week 40 (30/09/2019 to 06/10/2019)	Units	Avg Purchase Price	Avg Selling Price
Lamb							
Class A2	10 639	65.94	69.96	Class A2	9 764	67.88	70.15
Class A3	1 836	64.32	69.86	Class A3	1 581	68.19	69.31
Class C2	1 068	47.50	51.05	Class C2	1 418	48.46	53.56

Class A2 and A3 lamb unit sales decreased by 8.2% and 13.9% respectively in the reporting week while class C2 lamb sales increased by 32.8% week-on-week. Weekly average purchase prices for class A2, A3 and C2 lamb increased by 2.7%, 6.0% and 2.0% respectively in the reporting week compared to the previous week. During the same period, weekly average selling price for class A2 and C2 lamb increased by 0.4% and 4.9% respectively in the reporting week while the weekly average selling price for class A3 lamb decreased by 0.8% week-on-week. The Lamb meat market is expected to rebound on

National South African Price information (RMAA) : Pork

Week 39 (23/09/2019 to 29/09/2019)	Units	Avg Purchase Price	Week 40 (30/09/2019 to 06/10/2019)	Units	Avg Purchase Price
Pork					
Class BP	9 142	25.40	Class BP	8 465	25.49
Class HO	5 794	24.33	Class HO	5 933	24.18
Class HP	4 136	24.43	Class HP	5 203	24.22

Class HO and HP pork unit sales increased by 2.4% and 25.8% respectively in the reporting week while class BP pork sales decreased by 7.4% week-on-week. During the same period, weekly average purchase prices for class HO and class HP pork decreased by 0.6% and 0.9% respectively in the reporting week while class BP pork increased by 0.4% week-on-week. Demand concerns and a general weakness in the meat market weighed on pork prices.

Latest News Developments

The World Bank lowered South Africa's growth forecast for 2019 to 0.8%, from April's forecast of 1.3%. According to the World Bank, South Africa's economy is expected to rise to only 1% in 2020 and rise to only 1.3% in 2021. These downward revisions reflect the sharp slowdown in real gross domestic growth (GDP) in the first quarter of 2019, low investor sentiment, and persisting policy uncertainty, including concern's on Eskom's crisis, concerns on whether fiscal slippages would be averted and concerns on whether structural reforms would be undertaken. The World Bank indicated that South Africa's weak economic performance coupled with ongoing economic difficulties in Nigeria and Angola contributed to a lower growth outlook for sub-Saharan Africa (SSA) as a whole.

Meanwhile, ratings agency Standard & Poor indicated that there is no immediate pressure to change South Africa's sovereign rating, despite weak economic growth and a growing debt burden. Standard & Poor ratings agency ranked South Africa's economy at sub-investment grade, given its stable outlook. According to Standard & Poor's South African analyst, South Africa's economic growth rate for 2019 will likely be below 1% and believes that South Africa will find measures to contain fiscal slippage its Medium Term Budget Policy Statement (MTBPS) on the 30th of October 2019.

The South African Chamber of Commerce and Industry's (Sacci) monthly business confidence index (BCI) rose to 92.4 in September 2019 from 89.1 in August. According to Sacci, there are indications that the economy have had it tough but could obtain some stability which could auger well for growth prospects.

The Department of Agriculture, Forestry and Fisheries in its climate advisory report for the 2019/20 summer season indicated that drought conditions still persist in some parts of the country with water restrictions still in place in several provinces. The average level of major dams had increased in the Western Cape however decreased in other province. Meanwhile, the Vaal Dam, which is one of South Africa's largest dams and a critical water supplier for major economic activities declined to 58% in September, from 81.4% in 2018 same period. According to Rand Water, real-time data reveal that the levels are continuing on a downward trajectory, with levels plunging to around 52.2% since the beginning of October. The Vaal River has been under pressure after the contamination of its system as a result of the collapsed wastewater treatment plants and pollutants from nearby industries while the closure of the Lesotho Highlands Water Project added more pressure. The dam supplies water not only in Gauteng but covers important economic hubs in Mpumalanga, Free State and the Northern Cape.

For more information contact: Directorate Statistics & Economic Analysis (SEA) at HeidiP@daff.gov.za or 0123198194.

Source: SAFEX, Stats SA, Reuters, Red Meat Abattoir Association, Fnb and Absa.