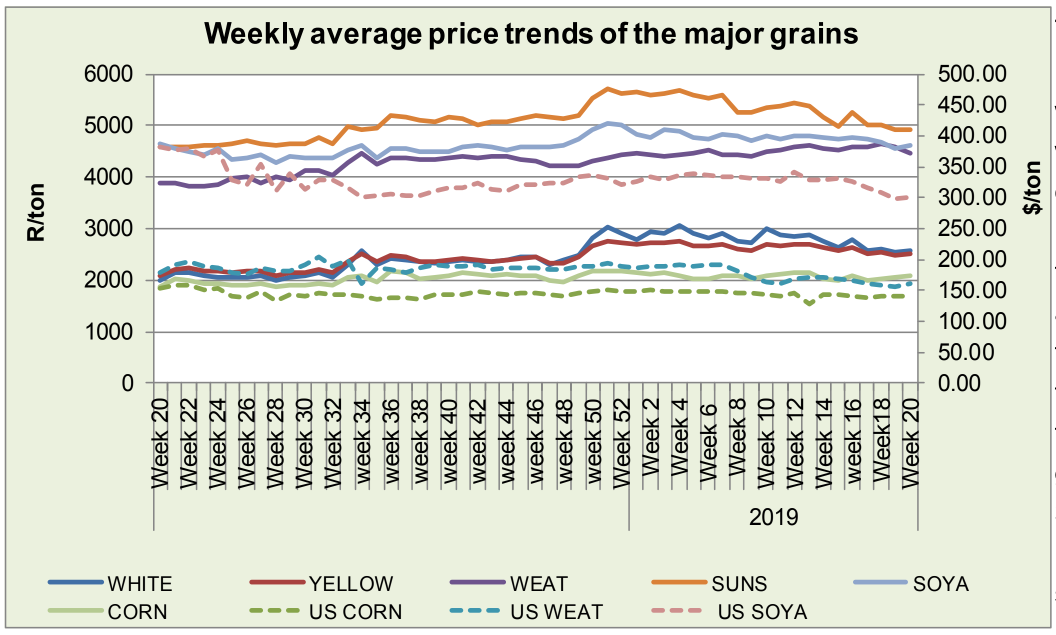
agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Weekly Price Watch: 17 May 2019

Directorate: Statistics & Economic Analysis

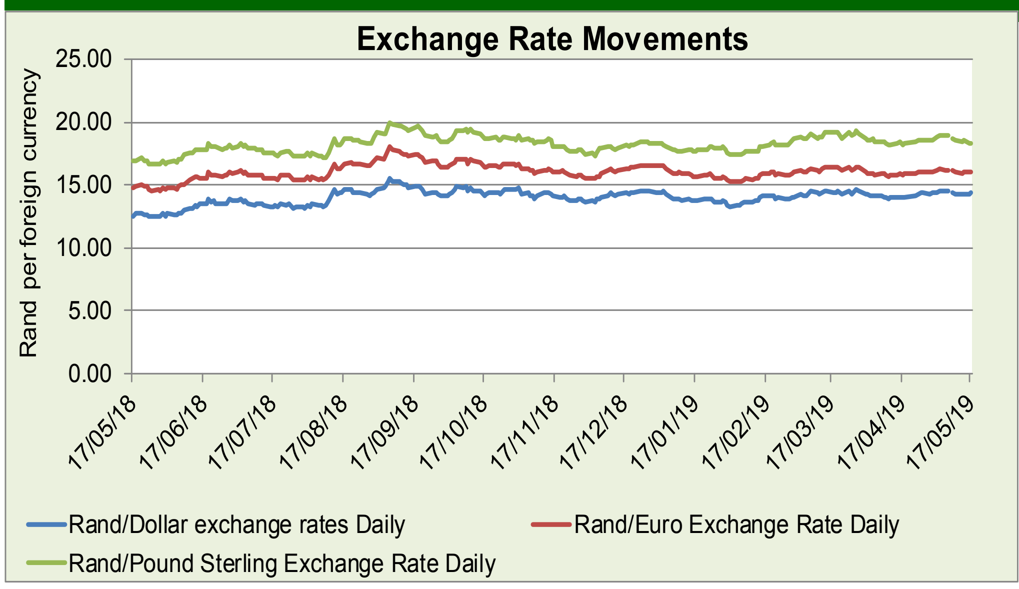
Sub-directorate: Economic Analysis



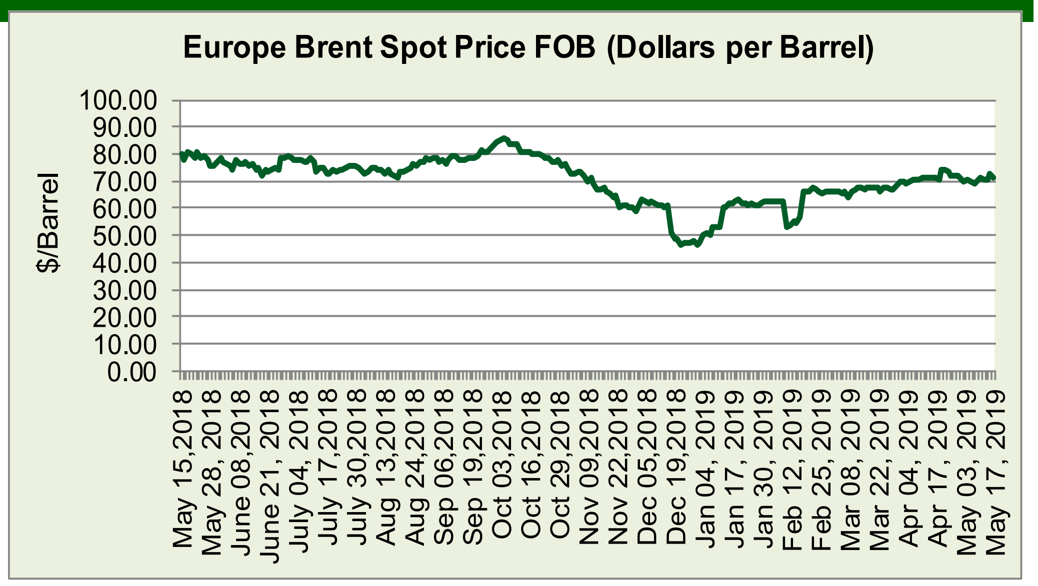
The domestic grain market experienced good price increases in the week, supported by higher international grain prices, except for domestic wheat prices, which decreased by 2.3% this week compared to the previous week. Local white and yellow maize prices increased by 1.9% and 1.3% respectively week-on-week, while exports of maize to neighbouring also increased in the week. Local soybean and sunflower seed prices increased by 1.4% and 0.6% respectively, week-on-week, on solid demand in the market. Grain SA highlighted that although sorghum futures contract has been listed on SAFEX, it has not served the purpose as a price risk hedging mechanism on account of insufficient participation in the contract. Consequently, this week, there were no sorghum future contract prices available. In addition, due to a decrease in domestic sorghum production, the standard contract sizes have decreased from 100 tons to 30 tons. Internationally, US yellow maize and US soybean prices increased by 1.3% and 0.1% respectively week-on-week, on dismal weather forecasts that signalled further planting delays in the US Midwest. US wheat prices increased by 1.3% this week compared to the previous week, on good export sales.

Spot price trends of major grains commodities

	1 year ago Week 20 (14-05-18 to 18-05-18)	Last week Week 19 (06-05-19 to 10-05-19)	This week Week 20 (13-05-19 to 17-05-19)	w-o-w % change
RSA White Maize per ton	R 2 091.20	R 2 532.50	R 2 581.00	1.9%
RSA Yellow Maize per ton	R 2 185.51	R 2 485.50	R 2 517.60	1.3%
USA Yellow Maize per ton	$ 155.52	$ 139.84	$ 141.62	1.3%
RSA Wheat per ton	R 3 880.22	R 4 573.75	R 4 470.40	-2.3%
USA Wheat per ton	$ 180.39	$ 156.96	$ 162.04	3 .2%
RSA Soybeans per ton	R 4 506.48	R 4 555.75	R 4 621.40	1.4%
USA Soybeans per ton	$ 368.96	$ 299.75	$ 299.87	0.1%
RSA Sunflower seed per ton	R 4 565.56	R 4 908.75	R 4 936.60	0.6%
RSA Sorghum per ton	R 2 880.52	R 3 375.00	-	-
Crude oil per barrel	$ 79.15	$ 69.81	$ 71.42	2.3%



The Rand appreciated by 0.8% against the US dollar this week compared to the previous week, on favourable election outcome. The rand appreciated by 2.4% against the Pound Sterling in the reporting week, amid cross-party Brexit discussions that could not carry on due to the increasing weakness and instability of government. The rand depreciated by 2.9% against the Euro week-on-week, despite auto-sector tariff delays by the US, highlighting underlying concerns of the Eurozone currency.



Brent crude oil averaged $71.42 in the reporting week, 2.3% more than $69.81 reported the previous week, after Saudi Arabia mentioned it would recommend OPEC to maintain production cuts. Saudi Energy Minister, Khalid al-Falih, indicated that there was a consensus among OPEC members to maintain production cuts and gently reduce inventories.

National South African Price information (RMAA) : Beef

Week 18 (29/04/2019 to 05/05/2019)	Units	Avg Purchase Price	Avg Selling Price	Week 19 (06/05/2019 to 12/05/2019)	Units	Avg Purchase Price	Avg Selling Price
Beef							
Class A2	7 637	44.44	45.47	Class A2	8 063	44.38	45.51
Class A3	1 105	44.40	45.33	Class A3	1 254	44.55	45.32
Class C2	1 129	37.27	39.52	Class C2	973	37.58	40.18

With the foot and mouth disease declared to be under control according to the Department of Agriculture, forestry and fisheries, there is hope that livestock prices will strengthen with the strengthening rand. Units sales for class A2 and A3 beef increased by 5.6% and 13.5% respectively in the reporting week, while C2 beef decreased by 13.8% in the reporting week compared to the previous week. Weekly average purchase price for class A2 beef decreased by 0.1% in the reporting week while class A3 and C2 beef prices increased by 0.3% and 0.8% respectively, week-on-week, in line with seasonal demand. Weekly average selling prices for class A2 and C2 increased by 0.1% and 1.7% respectively in the reporting week while the average selling price for class A3 beef increased marginally week-on-week. According to Absa (2019), local beef prices are expected to remain fairly stable in May, in line with seasonal trends.

National South African Price information (RMAA) : Lamb

Week 18 (29/04/2019 to 05/05/2019)	Units	Avg Purchase Price	Avg Selling Price	Week 19 (06/05/2019 to 12/05/2019)	Units	Avg Purchase Price	Avg Selling Price
Lamb							
Class A2	9 334	64.00	62.86	Class A2	6 016	63.46	68.10
Class A3	1 919	63.52	71.69	Class A3	1 257	64.41	69.57
Class C2	797	43.73	49.58	Class C2	563	44.47	52.53

Lamb unit sales for class A2, A3 and C2 lamb decreased by 35.5%, 34.5% and 29.4% respectively in the reporting week compared to the previous week. Weekly average purchase prices for class A2 and C2 lamb increased by 1.4% and 1.7% respectively, in the reporting week while the average purchase price for class A2 lamb decreased by 0.8% week-on-week. During the same period, the weekly average selling prices for class A2 and C2 increased by 8.3% and 5.9% respectively in the reporting week while the average selling price for class A3 lamb decreased by 3.0% week-on-week. Indications are that there is a potential of a shorter supply of lamb in the market thereby pushing prices up.

National South African Price information (RMAA) : Pork

Week 18 (29/04/2019 to 05/05/2019)	Units	Avg Purchase Price	Week 19 (06/05/2019 to 12/05/2019)	Units	Avg Purchase Price
Pork					
Class BP	7 632	21.05	Class BP	7 742	20.79
Class HO	5 888	20.22	Class HO	6 972	19.93
Class HP	5 220	20.54	Class HP	5 148	20.22

The African Swine fever has hit the Free State Province and the domestic pork market is experiencing some concern regarding the African Swine Fever outbreaks in the country. Nevertheless, unit sales for class BP and HO pork increased by 1.4% and 18.4% respectively in the reporting week, while unit sales for class HP pork decreased by 1.4% week-on-week. During the same period, weekly average purchase prices for class BP, class HO and class HP pork decreased by 1.2%, 1.4% and 1.6% respectively in the reporting week compared to the previous week. Local pork prices are expected to experience a seasonal decline according to seasonal trends.

Latest News Developments

Following South Africa's sixth successful democratic elections, credit rating agency Moody's issued an analysis of SA's credit profile, highlighting that it fully expects the new administration to put forward policies to tackle the sovereign credit challenges of persistently slow growth, staggering debt, leveraged state -owned enterprises, and weak institutions. Moody's warned that without effective policy changes, the sovereign credit profile would further erode, with the fiscal weakening and growth remaining low.

According to the latest Quarterly Labour Force Survey (QLFS) from Stats SA, South Africa's unemployment rate increased by 0.5 percentage points to 27.6% in the first quarter of 2019 compared with 27.1% in the fourth quarter of 2018, on account of SA's persistent lack of economic growth. Most concerning is the youth unemployment rate which is currently at 55.2% for ages 15-24 years, and 34.2% for ages 25-34 years, due to SA economy's incapacity to create meaningful jobs. North-West University Business School economist, Professor Raymond Parsons, indicated that although the rise in unemployment was widely expected owing to Eskom's load-shedding and its negative impact on the economy, this serves as a wake-up call regarding the country's economy in the post-election period. Employment for those without tertiary education is virtually out of reach. According to the first quarter of 2019 employment data, 309 000 people without tertiary education lost their jobs while only 60 000 people with tertiary education lost their jobs, demonstrating the importance of education. Generally, there was a decline in employment in all sectors of the economy. In the agricultural sector, the number of people employed in the agricultural sector decreased by 1.4%, to 837 000 persons in the first quarter of 2019, from 849 000 persons in the fourth quarter of 2018.

Trade Activity Index (TAI) released by the SA Chamber of Commerce and Industry (SACCI) was marginal down in April to 37, from 39 in March 2019, on account of political activity and the national elections anxiety, coupled with the effects of the public holidays that slightly depressed trade conditions. The seasonally adjusted Trade Expectations Index (TEI) for April 2019 was 38, down from 42 in March, according to SACCI. The South African Chamber of Commerce and Industry (SACCI) believes that the Trade Expectations Index (TEI) indicated that cautious trade conditions remain.

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, Farmer's Weekly and Standard Bank.