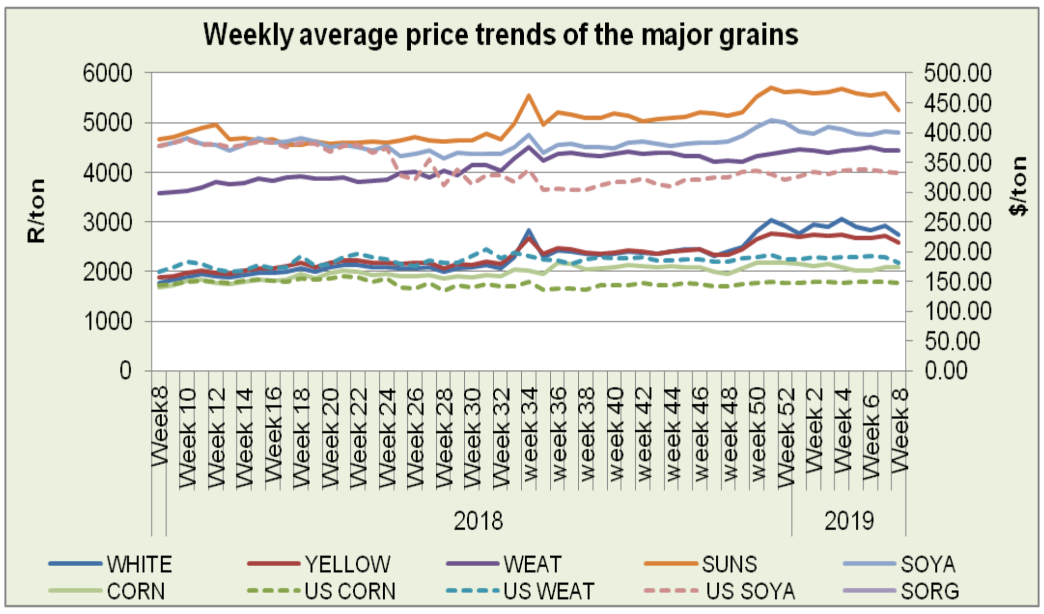
agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Weekly Price Watch: 22 February 2019

Directorate: Statistics & Economic Analysis

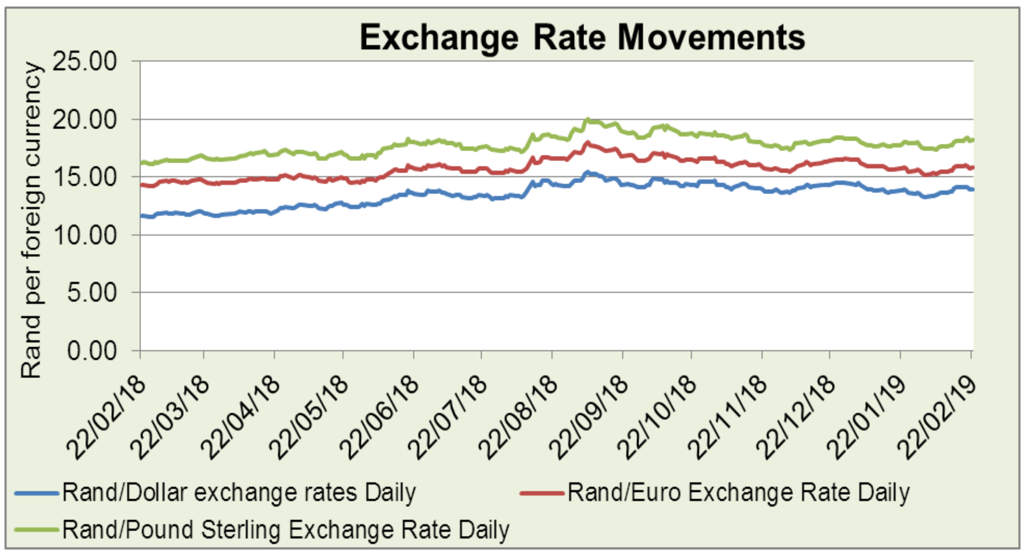
Sub-directorate: Economic Analysis

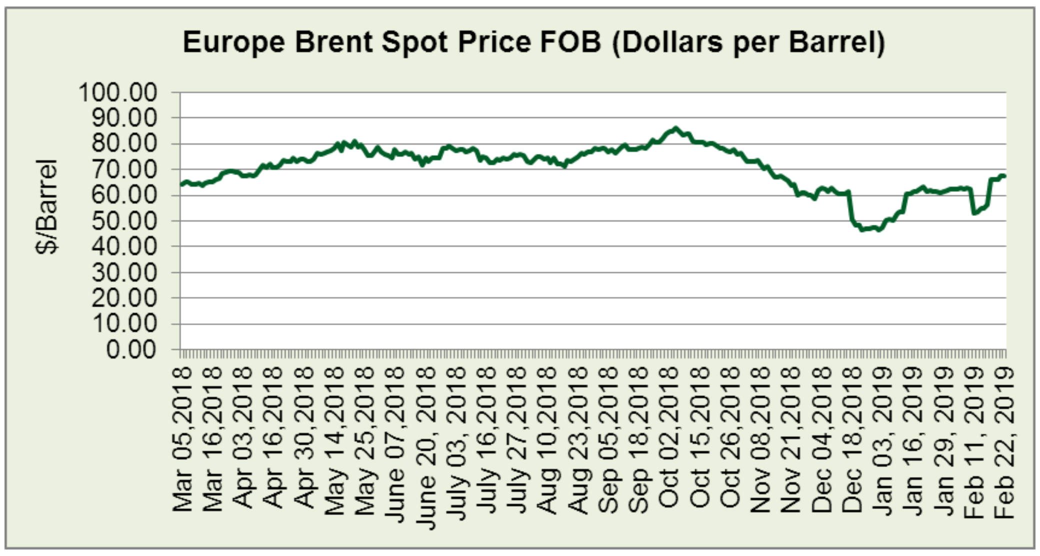


The significant rainfall occurred over large parts of the Summer Rainfall region, have provided some relieve to some farmers. However, currently the optimal planting season for all summer crops is closed. Both the domestic and international grain market were mixed this week as compared to the previous week. Local yellow maize, wheat and sunflower seed prices decreased by 0.2%, 2.4% and 0.7% respectively this week while white maize and soybean seed prices increased by 2.4% and 0.8% respectively end of week. In early February, the Free State province was declared a drought disaster area following the period of dryness. The recent increase in the oil price and the weakening of the rand are expected to increase the fuel price. Internationally, US yellow maize, wheat and soybean prices decreased by 0.7%, 4.6% and 2.3% respectively this week. In the latest WASDE report by the USDA, US winter wheat area planted is estimated lower than the previous season's area planted and lower than the initial market expectations.

Spot price trends of major grains commodities

	1 year ago Week 8 (19-02-18 to 23-02-18)	Last week Week 7 (11-02-19 to 15-02-19)	This week Week 8 (18-02-19 to 22-02-19)	w-o-w % change
RSA White Maize per ton	R 1 781.00	R 2 680.00	R 2743.00	2.4%
RSA Yellow Maize per ton	R 1 878.00	R 2 600.00	R 2 594.40	-0.2%
USA Yellow Maize per ton	$ 144.26	$ 147.88	$ 146.83	-0.7%
RSA Wheat per ton	R 3 582.00	R 4 546.40	R 4 439.20	-2.4%
USA Wheat per ton	$ 166.43	$ 189.93	$ 181.14	-4.6%
RSA Soybeans per ton	R 4 531.00	R 4 753.20	R 4 789.60	0.8%
USA Soybeans per ton	$ 377.63	$ 340.85	$ 333.01	-2.3%
RSA Sunflower seed per ton	R 4 656.00	R 5 288.20	R 5 249.20	-0.7%
RSA Sorghum per ton	R 3 000.00	R 3 820	R 3 820.00	0.0%
Crude oil per barrel	$ 63.23	$ 54.61	$ 66.7	22.2%





The domestic currency depreciated against all the major currencies in this reporting week compared to the previous week. The Rand depreciated by 1.5%, 1.7% and 2.3% against the US dollar, Euro and Sterling Pound respectively week on week. The rand has had a volatile week, following Finance Minister Tito Mboweni's 2019 Budget speech.

Brent crude oil averaged $66.7 in the reporting week. In the reporting week Brent crude price went up drastically by 22.2%. There are mounting concerns that slowing growth in China, and the global economy in general, will undermine demand for crude, meanwhile oil prices are still over 30% below a four-year high in October.

National South African Price information (RMAA) : Beef

Week 6 (04/02/2019 to 10/02/2019)	Units	Avg Purchase Price	Avg Selling Price	Week 7 (11/02/2019 to 17/02/2019)	Units	Avg Purchase Price	Avg Selling Price
Beef							
Class A2	8 040	40.04	41.13	Class A2	7 302	38.93	40.78
Class A3	525	39.99	40.74	Class A3	807	39.45	40.49
Class C2	603	37.25	37.87	Class C2	744	37.54	38.59

Beef weekly average prices were mixed across the different classes. Weekly average selling prices for class A2 and A3 beef decreased by 0.9% and 0.6% respectively in the reporting week, meanwhile average selling prices class C2 beef went up by 1.9%. Weekly average purchase prices for class A2 and A3 beef decreased by 2.8% and 1.4% respectively end of week while average purchase price for class C2 increased by 0.8%. Unit sales for class A3 and C2 beef increased by 53.7% and 23.4% respectively in the reporting week while class A2 beef unit sales decreased by 9.2% end of week.

National South African Price information (RMAA) : Lamb

Week 6 (04/02/2019 to 10/02/2019)	Units	Avg Purchase Price	Avg Selling Price	Week 7 (11/02/2019 to 17/02/2019)	Units	Avg Purchase Price	Avg Selling Price
Lamb							
Class A2	7 814	62.35	68.59	Class A2	5 380	64.62	69.01
Class A3	1 378	63.87	68.60	Class A3	922	65.63	68.72
Class C2	867	54.89	57.89	Class C2	526	53.59	57.34

Lamb weekly average prices were also mixed across the different classes. Weekly average selling prices for class A2 and A3 lamb increased by 0.6% and 0.2% respectively end of week on the back of limited supplies across markets, meanwhile average selling prices class C2 lamb decreased by 1%. Weekly average purchase prices for class A2 and A3 lamb increased by 3.6% and 2.8% respectively in the reporting week, while average purchase price for class C2 lamb decreased by 2.4%. Unit sales for class A2, A3 and C2 lamb decreased by 31.1%, 33.1%, and 39.3% respectively end of week on limited supplies across markets due to improved growing conditions which triggered herd rebuilding.

National South African Price information (RMAA) : Pork

Week 6 (04/02/2019 to 10/02/2019)	Units	Avg Purchase Price	Week 7 (11/02/2019 to 17/02/2019	Units	Avg Purchase Price
Pork					
Class BP	8 365	24.28	Class BP	8510	24.05
Class HO	5 807	23.58	Class HO	5788	23.34
Class HP	4 221	23.47	Class HP	3778	23.14

This week, pork prices were mostly lower. The weekly average purchase price for class BP,HO and HP pork decreased by 0.9%, 1% and 1.4% respectively in the reporting week. Unit sales for class HO and HP pork decreased by 0.3% and 10.5% respectively end of week, while unit sale for BP pork increased by 1.7%. After keeping a firmer trend in the year, pork and baconer prices are still under pressure following the Foot and Mouth Disease (FMD) outbreak in the country.

Latest News Developments

Finance minister, Tito Mboweni has delivered his 2019 budget speech for the fiscal year, outlining the state of South Africa's finances, and where the government will spend its money in the year ahead. The minister highlighted the country's challenges, like high expenditure, failing SOEs and declining revenues; but he outlined several processes underway to try and rein things in. The medium-term economic outlook has been revised down; real GDP growth for South Africa in 2019 is forecast at 1.5%, and then strengthens moderately to 2.1% in 2021. Nevertheless, SA's economy fell into recession in the second quarter of 2018 and has not expanded more than 2% annually since 2013. Looking ahead in the medium term, spending reductions are expected at R50.3 billion, while provisional allocations of R75.3 billion have been budgeted, mainly to deal with the Eskom crisis.

Currently Eskom is struggling to service R420bn in debt; on the domestic front, the Treasury acknowledged that Eskom posed the biggest risk to growth, while continuous load-shedding, higher electricity prices, prolonged strikes in the mining industry and weather conditions that could hamper the agricultural sector as well- as farmers are just price takers and electricity is a key production input, therefore rising electric costs pose a direct impact on the international competitiveness, where farmers must absorb rising input costs, this could also weigh on growth. Sin" taxes on alcohol and tobacco will be hiked, but according to the budget review report, these increases are automatic and based on market prices, not on deliberate tax increases. Excise duty on a can of beer will go up by 12cent to R1.74; 750ml of sparkling wine will go up by 84cent to R10.16; a 750ml bottle of wine will increase by 22cent to R3.15; and a bottle of whiskey will go up by R4.54 to R65.84; the South African wine and brandy industry has welcomed the inflationary increase in excise duties, stating that this will contribute to necessary and beneficial growth for the industry. The duty on a pack of 20 cigarettes will increase by R1.14 to R16.66. Another tax being increased is the Health Promotion Levy, popularly known as the sugar tax, from 2.1 cents per gram of sugar in a soft drink to 2.21 cents. Minister of Finance further announced that the price of petrol will go up by 29cent a litre, with diesel increasing by 30cent a litre in April.

South African government in seeking to limit the negative effect of tax hikes on already struggling economic growth, decided not increase tax rates and the VAT rate - they will remain unchanged. The rand gained value strongly after the National Budget Speech 2019, as markets assessed that South Africa will probably be able to avoid a downgrade by Moody's, for now; however rand volatility is set to continue as the global economy and SA political risks could keep the rand on the back foot this year, and particularly so in the first quarter of 2019. On the other hand, local CPI data revealed an inflation rate that had dropped to 4% in January from 4.5%, but this good news was mostly outshined by the budget. According to the statement issued by the South African Poultry Association (SAPA) this week- the country imported 538 434t of frozen broiler meat in 2018, up from the previous record in 2016 of about 528 000t; that means, South Africa set a new record for the amount of frozen broiler meat that was brought into the country last year, importing R6 billion worth of chicken.

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Source: SAFEX, Stats SA, Reuters, Red Meat Abattoir Association, Fnb, Farmer's Weekly and Standard Bank.