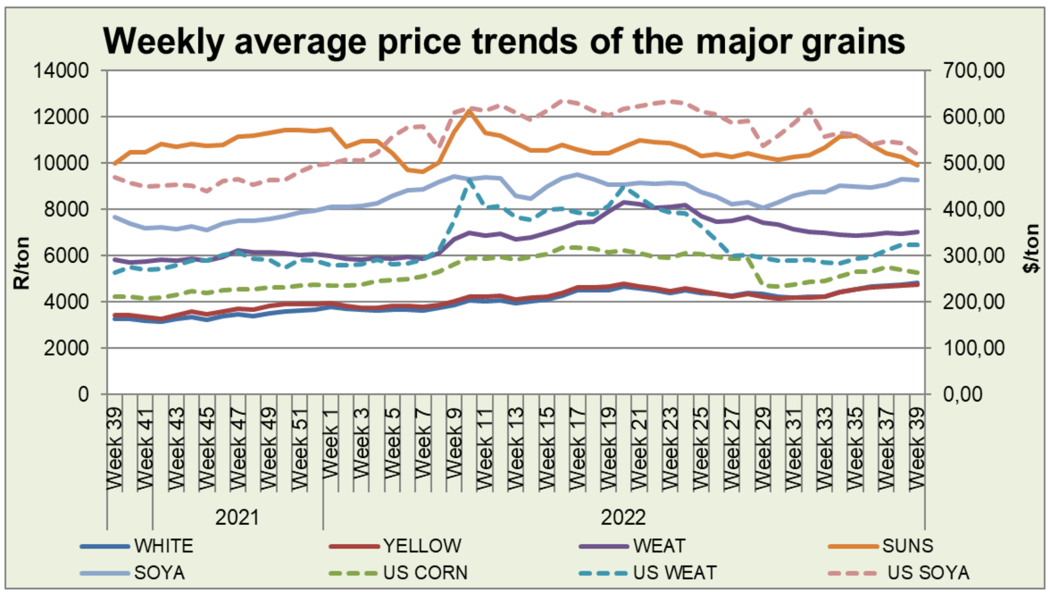
agriculture, land reform & rural development

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

Weekly Price Watch: 30 September 2022

Directorate: Statistics & Economic Analysis

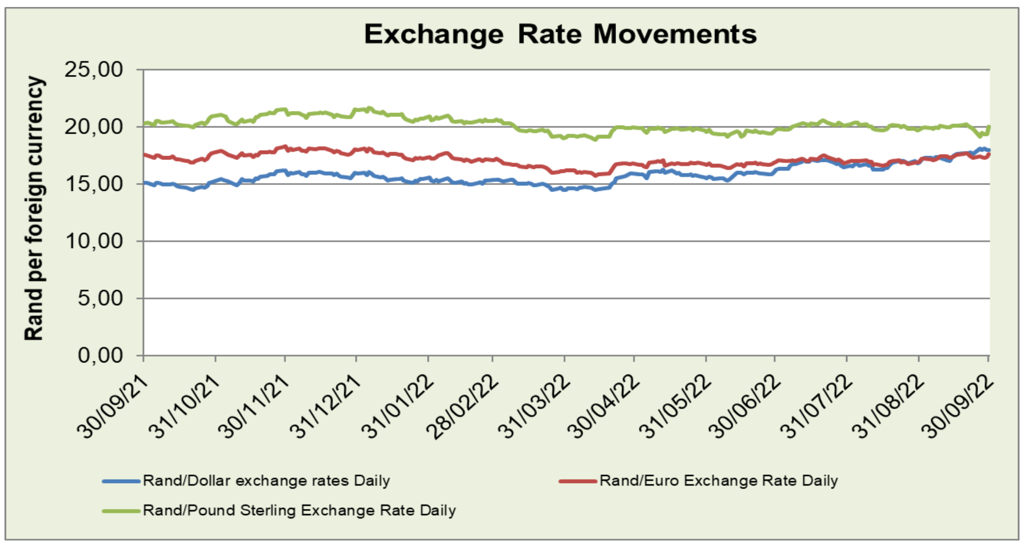
Sub-directorate: Economic Analysis



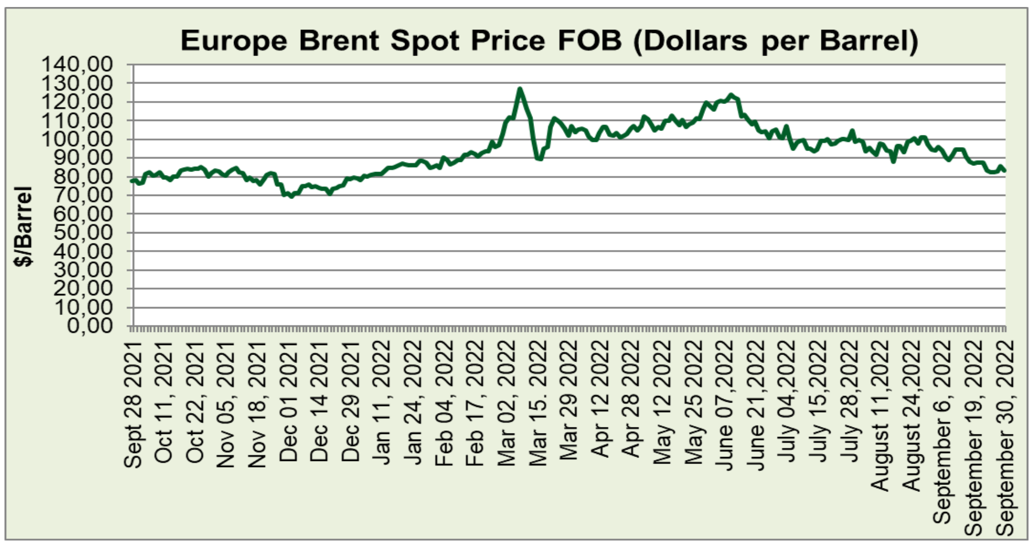
The International and local market traded marginally stronger this week when compared to the previous week. The prices of domestic grains reported an increase which seen the prices of white maize, yellow maize and wheat increased by 0.9%, 0.8% and 1.1% respectively, whilst the price soybeans and sunflower seed decreased by 0.7% and 3.8% respectively this week when compared the previous week. Internationally, the grain price of US corn and US soybean decreased by 2.1% and 4.5% respectively, while the price of US wheat increased by 0.3% week on week. South Africa's maize harvests may be coming later than usual, but there will be enough to meet local demand, even if it comes at a high cost for consumers on the back of steep input costs. South Africa's agricultural sector was the biggest contributor to the country's 0.7% GDP contraction in the second quarter. The sector declined 7.7%, driven by a number of factors, including declines in the crops subsector, where maize harvests began later this year.

Spot price trends of major grains commodities

	1 year ago Week 39	Last week Week 38 (19-09-22 to 23-09-22)	This week Week 39	w-o-w % change
RSA White Maize per ton	R3 256.40	R4 769.20	R4 810.60	0.9%
RSA Yellow Maize per ton	R3 435.60	R4 700.20	R4 735.60	0.8%
USA Yellow Maize per ton	$210.54	$269.36	$263.77	-2.1%
RSA Wheat per ton	R5 832.00	R6 970.00	R7 048.80	1.1%
USA Wheat per ton	$263.66	$323.18	$324.02	0.3%
RSA Soybeans per ton	R7 656.20	R9 321.80	R9 252.60	-0.7%
USA Soybeans per ton	$469.51	$543.53	$519.12	-4.5%
RSA Sunflower seed per ton	R9 989.60	R10 282.20	R9 893.80	-3.8%
Crude oil per barrel	$77.27	$86.53	$83.26	-3.8%



The South African rand depreciated by 1.9% against the US dollar, while appreciated by 0.7% against the Euro and by 2.9% against the Pound sterling respectively when compared to the previous week. The South African Rand fell in rough market conditions ahead of the weekend while analysts reiterated bearish outlooks for the currency owing in large part to a hawkish Federal Reserve (Fed) interest rate policy.



Brent crude oil price averaged $83.26/barrel in the reporting week which is 3.8% lower than $86.53/barrel reported in the previous week. Oil prices fell this week, settling at nine-month lows in choppy trade, pressured by a strengthening dollar as market participants awaited details on new sanctions on Russia.

National South African Price information (RMAA) : Beef

Week 37 (12/09/2022 to 18/09/2022)	Units	Avg Purchase Price	Avg Selling Price	Week 38 (19/09/2022 to 25/09/2022)	Units	Avg Purchase Price	Avg Selling Price
Class A2	6 753	61,95	65,86	Class A2	6 264	60,37	65,65
Class A3	569	59,52	64,83	Class A3	553	59,52	64,28
Class C2	615	49,24	49,00	Class C2	473	49,86	53,25

The quantities of class A2, A3 and C2 beef traded this week decreased by 7.2%, 2.8% and 23.1% respectively, relative to the previous week. The average purchase prices for class A2 beef decreased by 2.6%, while class A3 beef remain unchanged and class C2 beef increased by 1.3% when compared to the previous week. The average selling prices of class A2 and A3 beef decreased by 0.3% and 0.8% respectively, whilst class C2 beef increased by 8.7% week on week.

National South African Price information (RMAA) : Lamb

Week 37 (12/09/2022 to 18/09/2022)	Units	Avg Purchase Price	Avg Selling Price	Week 38 (19/09/2022 to 25/09/2022)	Units	Avg Purchase Price	Avg Selling Price
Class A2	5 433	91,67	92,43	Class A2	6 734	92,82	93,19
Class A3	847	89,07	90,57	Class A3	973	88,79	88,12
Class C2	343	75,74	77,40	Class C2	348	72,97	75,33

The quantities of class A2, A3 and C2 lamb bought this week increased by 23.9%, 14.9% and 1.5% respectively from the previous week. The average purchase prices for class A2 lamb increased by 1.3%, while class A3 and C2 lamb decreased by 0.3% and 3.7% respectively week on week. The average selling prices for class A2 lamb increased by 0.8%, whilst class A3 and C2 lamb both decreased by 2.7% when compared to the previous week.

National South African Price information (RMAA) : Pork

Week 37 (12/09/2022 to 18/09/2022)	Units	Avg Purchase Price	Week 38 (19/09/2022 to 25/09/2022)	Units	Avg Purchase Price
Class BP	10 695	27,39	Class BP	9 003	28,38
Class HO	6 749	27,31	Class HO	8 674	27,82
Class HP	4 767	27,38	Class HP	6 953	27,71

The quantities of class BP pork traded this week decreased by 15.8%, while class HO and HP pork increased by 28.5% and 45.9% respectively, when compared to the previous week. The average purchase prices for class BP, HO and HP pork increased by 3.6%, 1.9% and 1.2% respectively week on week.

Latest News Developments

According to Automobile Association (AA), it indicates that the petrol price projected to drop by R1 a litre in October 2022. However, the diesel users could face an increase in price in October while petrol users could see another sizable reduction. Petrol price is expected to decrease by between R1.14 and R1.24 a litre while diesel is expected to increase by between 43c and 50c a litre, according to unaudited mid-month data of the Central Energy Fund (CEF). At this mid-month stage, the outlook for petrol is positive. But the expected price increases to diesel are concerning as this is the fuel mainly used in the mining, manufacturing and agricultural sectors. An increase here will lead to increased product prices down the line. Of course, this is only mid-month data so the picture could change before the official adjustments for October are made. According to the CEF's data, average lower international oil prices play a significant role in the expected decreases in petrol but less so in the case of diesel. Unfortunately, these lower oil prices are being offset by a weaker rand since the start of September. At the end of August, the rand was trading at R16.95 to the US dollar but is trading in a band of around R17.45 to R17.50 to the US currency. This is taking some shine off the impact of lower oil prices.

The South African Rand was an outperformer ahead of September's Federal Reserve policy decision but could rise further against some currencies ahead of the weekend if the South African Reserve Bank (SARB) outpaces its U.S. counterpart when lifting its own benchmark for borrowing costs on Thursday. South Africa's Rand was treading water near 2-year lows against a broadly stronger Dollar on Wednesday in a show of resilience that helped to lift the currency against most G20 counterparts following the earlier release of inflation figures for the month of August. Inflation eased from 7.8% to 7.6% last month in line with expectations while the more important core inflation rate registered a surprise decline from 4.6% to 4.4% after prices softened once food, non-alcoholic beverages, fuel and energy items were removed from the basket of goods under the microscope. While falling inflation is a positive influence on the value of currencies, it's unlikely that August's data alone would alter the SARB's interest rate stance. According to Annabel Bishop, chief economist at Investec, both the SARB and the FOMC are seeking to get their targeted measures of inflation back to 4.5% y/y and 2.0% y/y respectively. With South Africa's inflation figures today not sufficient to show a downwards trend (nor those in the US), which is what will be needed to eventually halt rate hikes.

In contrast to record heat waves in the northern hemisphere, South Africa could expect lower-than-normal maximum temperatures this summer and good rainfall, Weather SA articulates. The weather forecast suggests it will remain in a La Niña phase, which for Southern Africa implies likely another good rainy season, according to agricultural economist Wandile Sihlobo. This type of weather bodes well for the upcoming summer harvest, adds Christo van der Rheede, CEO of Agri SA. He cautions that normally in high rainfall years, there can be a lot of cloud cover, which can have a negative impact on so-called heat units. Crops need enough sunshine, so if they are not getting enough, they cannot give maximum yield. Furthermore, the prediction of below normal maximum temperatures could cause sub-optimum growing conditions and excessive rainfall can potentially cause damage to crops and infrastructure. The crop might, therefore, not be as big as last year, but Hudson expects it will still be a good crop and well above the 10-year average. Overall, the outlook is positive. We expect another above average maize and soya crop and that bodes well for the sector. According to Tru-Cape Fruit Marketing's Quality Manager Henk Griessel, apple and pear trees will flower soon. It is critical not to have below zero temperatures over the next few weeks, as it might lead to frost damage in the flower.

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