



agriculture, land reform  
& rural development

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



**NAMC**

Promoting market access for South African agriculture



# South African Food Cost Review 2019



This publication attempts to provide more insight into the complex factors driving commodity and food prices. This is the 14th publication of the South African Food Cost Review, emanating from the recommendations of the Food Pricing Monitoring Committee in 2003 to monitor food prices in South Africa on a regular basis. The purpose of this publication is to reflect on food price trends up to April/May 2019, where applicable.

ISBN (print version): 978-0-6399581-1-8

ISBN (electronic version): 978-0-6399581-2-5

© Copyright 2019 – National Agricultural Marketing Council (NAMC). In terms of the Copyright Act, Act No. 98 of 1978, no part of this report may be reproduced or transmitted in or by any means, electronic or mechanical, including photocopying, recording or by any information storage and retrieval system, without the written permission of the publisher. The information contained in this report may not be used without acknowledging the publisher.

Published by the NAMC, Private Bag X935, Pretoria, 0001. Tel: +27 12 341 1115, Fax: +27 12 341 1811.

**Disclaimer:**

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises, or guarantees about the accuracy, completeness, or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the content thereof. No warranty of any kind, implied, expressed, or statutory, including but not limited to the warranties of non-infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus, is given with respect to the contents of this document in hard copy, electronic format or electronic links thereto. Reference made to any specific product, process and service by trade name, trademark, manufacturer or another commercial commodity or entity is for informational purposes only and does not constitute or imply approval, endorsement or favouring by the NAMC.



## FOREWORD

*The **availability** and **accessibility** of affordable nutritious food play a vital role in any household. With South African consumers under pressure, food price inflation is expected to average about 5% during 2019 and is unlikely to rise significantly.*

*The main challenges faced by farmers are **drought**, which means poor harvests and reduced incomes, and consequently, problems in repaying bank loans. Higher interest rates amid a weak economy could worsen the situation for those still grappling with drought, especially in parts of the Northern Cape, the Eastern Cape, the Western Cape and the North West. Climate change remains a great concern to farmers, and affects everyone because of the relationship between global commodity markets. Severe weather in one country or region can affect the supply-and-demand equation, and with it, prices, across the whole world.*

*Key factors that pose an upside risk to the expectations regarding food are the **electricity** price hikes as announced by the National Energy Regulator in March 2018 and the **exchange rate** movements. For 2019, it was announced that the electricity prices would increase by 9.1%. This added significant cost pressures to food manufacturing and retailing costs. Exchange rate volatility poses a risk for food inflation since South Africa imports the bulk of its fertiliser. Local farmers import more than 90% of their chemical inputs. A weaker rand could lead to a significant rise in input costs for the sector, which would most likely be pushed through the supply chain, with ordinary South Africans ultimately bearing the brunt. Disinvestment and a possible investment status down-grade could cause sharp depreciation in exchange rates.*

*The **Demand pull** for affordable eating options such as grains and vegetables were strong, but in more luxurious food groups, such as meat, consumption has reduced during 2019. The main contributors to food inflation over the past six months were vegetables, fruits, and breads and cereals. The marginal slowdown in food and non-alcoholic beverage inflation was largely attributable to meat inflation, which has lost momentum since April 2018 and was amplified by the Foot-and-Mouth Disease (FMD) outbreak in early January 2019. The FMD, along with muted demand, were causing meat prices to increase at a slower rate. The Department of Agriculture, Forestry and Fisheries (DAFF) negotiated revised veterinary certificates so that beef exports could resume to markets such as Bahrain, Qatar, Egypt, the UAE, Kuwait, Jordan, Lesotho, Eswatini (former Swaziland) and Mozambique. Vegetables have continued an upward inflationary trend since the end of 2018. Potatoes recorded an annual increase of just below 4%. The slight upward trend is much less profound than the large price increases recorded at the beginning of 2019 due to the drought and heat wave experienced by the Northern part of South Africa late in 2018. Based on the stabilization in supply, monthly increases are expected to be marginal over the coming months. Annual prices are expected to be significantly higher over the next quarter due to strong demand pull for vegetables.*

*The annual Food Cost Review published by the National Agricultural Marketing Council (NAMC) is a valuable document that provides important information about the key factors that drive food prices in South Africa.*

*Dr. S. Ngqangweni - Acting Chief Executive Officer, National Agricultural Marketing Council*



## EXECUTIVE SUMMARY

### Global food price trends

Food markets in 2019/20 are bracing for some additional uncertainties beyond their own fundamentals, according to the United Nations Food and Agriculture Organization (FAO). A fast-changing trade environment and the rapid spread of African Swine Fever constitute important challenges to be overcome. However, prospects point to generally well-supplied markets, which are seen to contribute to a lower food import bill in 2019 (FAO, 2019a).

### Trends in the agriculture, forestry and fisheries trade

South Africa's agricultural industry has a promising outlook, having experienced a positive trend from 2008 to 2018, with the potential to grow further. Generally, unprocessed agriculture has a greater value for its trade performance than processed agriculture does because more amounts of unprocessed products are exported than processed ones. Notably, both processed and unprocessed agricultural products exhibit a positive trade balance. This means that there is a growing opportunity for value addition in unprocessed products so that higher-value products, coupled with job creation opportunities, are realised in the sector. However, it requires a relatively large investment to establish processing plants where primary agriculture is located and to buy equipment to add value.

The value of exports in millions of Rands were higher than the imports were between 2008 and 2018, signifying a positive trade balance for South Africa. The exports of unprocessed agricultural products reached their record highest in 2018, with exports valued at R73.8 billion. Unprocessed agricultural exports grew by 7.2%, from R68.9 billion in 2017 to

R73.8 billion in 2018. Meanwhile, the lowest value of exports was registered in 2009, at R11.3 billion. This is attributable to the global financial meltdown that occurred then. Imports were at their highest in 2016, valued at about R37.5 billion. The increased imports in 2016 can be attributed to the drought that was experienced during the 2015/16 season across the country. Thereafter, imports of unprocessed agricultural products decreased, and by the end of 2018, imports were valued at R28.5 billion.

South Africa's trade performance in fisheries exhibits a negative, given that the negative trade balance widened by 90%, from R589 million in 2017 to R1 117 million in 2018. This implies that imports increased much more than exports did. During the same period (2017 to 2018), fisheries exports increased by only 9% (from R4 960 million to R5 411 million) while imports rose by 18% (from R5 549 million to R6 528 million). An assessment of the trade performance of unprocessed fisheries products reveals a positive trend, representing 26%, 21% and 37% rises in exports, imports and trade balance, respectively, between 2017 and 2018. The high positive trade balance (37%) suggests that exports increased faster than imports did; hence, South Africa was net exporter of unprocessed fisheries products.

The exports of forestry products play an important role towards the development of the sector through bringing in foreign export earnings. According to the Global Trade Atlas (GTA) database (2018), South Africa is a net importer of forestry products, which resulted in a negative trade balance of R6.6 billion for the period then under review. The largest suppliers





of forestry products destined for the South African markets include the UK (27%), Germany (8), China (7%), the US (6%) and Brazil (6%).

### Trends in input costs

The terms of trade for primary agriculture reached a peak in 2007, and then decreased drastically up to 2010. Thereafter, they experienced an increase from 2013, which continued during 2014, 2015 and 2016. The terms of trade for primary agriculture declined by 6.9% during 2017, with an 8.3% improvement during 2018.

The Total Farming Requisite Price Index (FRPI) increased by 198.59%, with the price of intermediate goods and services experiencing the highest increase of 209.16%. This was followed by the price of machinery and implements (162%) and the price of materials for fixed improvements (139.45%) for the period between 2005 and 2018. The FRPI increased by 3.89% from 2017 to 2018, with the largest increase being in the price of materials for fixed improvements (5.6%).

From 2012 to 2018, the PPI of electricity and water increased by 66.15%, final manufactured goods (headline PPI) increased by 39.69%, intermediate manufactured goods increased by 35.14%, agriculture, forestry and fisheries increased by 33.97%, and mining by 27.14%. During 2018, increasing trends were realised for final manufactured goods (5.45%), electricity and water (5.41%), intermediate manufactured goods (3.46%), mining (2.84%), and agriculture (1.36%).

International fertiliser prices between 2002 and 2018 showed a fluctuation of prices, with urea, muriate of potash (MOP) and diammonium phosphate (DAP) increasing by 147.69%, 140.34% and 104.37%, respectively. Between 2017 and 2018, the price of Urea Granular (46) and MOP increased by 14.96% and 13.68%, respectively, whilst DAP decreased by 1.67%. The prices of local fertilisers – monoammonium phosphate (MAP), Urea Granular (46) and potassium chloride (KCL) – showed increases of 209.52%, 188.64% and 140.24%, respectively, between 2002 and 2018.

Price trends for the items depicted between 2017 and 2018 were as follows: the crude oil price, 0.05% sulphur diesel in Gauteng, and 0.05% sulphur diesel at the coast increased by 31.97% (\$/barrel), 18.81% (R/ℓ) and 18.79% (R/ℓ), respectively.

The agricultural sector is still the industry that purchases electricity at the highest price. The agricultural sector utilised electricity at an average price of 142.78c/kWh in 2017/18.

The minimum wage from 2012 to 2013 increased by 51.2%. In 2018, the minimum wage was reported to be R3 169.19/month.

### Inflationary trends for selected food items

The average South African headline and food and non-alcoholic beverages inflation rates reached 4.6% and 3.3%, respectively, in April 2019.



Provincially, the Western Cape Province experienced the highest annual food inflation increase (5.2%), between April 2018 and April 2019. This was followed by the Free State (4.5%) and Limpopo (4.4%) provinces.

### Trends in prices, farm values and price spreads

**Poultry:** The real Farm- to- Retail- Price- Spread (FTRPS) of fresh whole chickens decreased, on average, by 5.64% between 2017 and 2018. During the same period, the farm value share of fresh whole chicken decreased by 3.95%. The average farm value share for fresh whole chicken per kg in 2018 was 56.95%.

**Beef:** The average real FTRPS of beef increased by 5.22% between 2017 and 2018 and reached R37.83/kg in 2018. The real farm value share of beef decreased by 3.14% between 2017 and 2018. The real farm value share of beef was 53.38% in 2018.

**Lamb:** The real FTRPS of lamb increased by 10.55% between 2017 and 2018 and was R62.78/kg, on average, during 2018. The real farm value share of lamb decreased by 4.85% between 2017 and 2018.

**Pork:** The average real FTRPS decreased from R50.37/kg in 2017 to R47.67/kg in 2018 (-5.36%). The real farm value share decreased by 4.57%, on average, between 2017 and 2018 and was 33.55%, on average, during 2018.

**Milk:** The average annual real FTRPS increased from R8.61/ℓ (between March 2017 and March 2018) to R9.25/ℓ (between March 2018 and March 2019) (7.5%).

**Maize:** Between January 2010 and December 2018, the FTRPS showed high instability as a result of the substitution effect between special and super maize meal. The FTRPS of super maize meal between 2010 and 2018 fluctuated between R2 632/ton and R3 714/ton.

**Wheat:** The average FTRPS for brown bread was R19 996/ton of flour in 2018, while the white bread average FTRPS was R21 051/ton of flour in 2018.





## **ACKNOWLEDGEMENTS**

This report was compiled by a team of researchers from the Markets and Economic Research Centre (MERC) division of the National Agricultural Marketing Council (NAMC). The efforts and dedication of the contributors are highly appreciated.









## TABLE OF CONTENTS

|  |            |
|--|------------|
| <b>FOREWORD .....</b>  | <b>I</b>   |
| <b>EXECUTIVE SUMMARY.....</b>  | <b>II</b>  |
| <b>TABLE OF CONTENTS .....</b>   | <b>VII</b> |
| <b>LIST OF FIGURES.....</b>  | <b>IX</b>  |
| <b>LIST OF TABLES.....</b>   | <b>XII</b> |
| <b>ABBREVIATIONS/ ACRONYMS.....</b>  | <b>XIV</b> |
| <b>1. FOOD PRICE TRENDS.....</b>   | <b>1</b>   |
| 1.1 Global food price trends.....  | 1          |
| <b>2. SOUTH AFRICA'S AGRICULTURE, FORESTRY AND FISHERIES TRADE REVIEW.....</b> | <b>3</b>   |
| 2.1 South Africa's agricultural trade review.....                              | 3          |
| 2.2 South African fisheries trade review .....                                 | 10         |
| 2.3 South African forestry trade review.....                                   | 16         |
| <b>3. TRENDS IN INPUT COSTS.....</b>   | <b>23</b>  |
| 3.1 Terms of trade for primary agriculture.....                                | 23         |
| 3.2 Farming Requisite Price Index (FRPI) trends .....                          | 25         |
| 3.3 Producer Price Index (PPI) trends .....                                    | 26         |
| 3.4 Trends in the cost of selected inputs .....                                | 28         |
| 3.4.1 Fertiliser prices .....  | 28         |
| 3.4.2 Administered and regulated prices .....                                  | 31         |
| <b>4. INFLATIONARY TRENDS FOR SELECTED FOODSTUFFS.....</b>                     | <b>39</b>  |
| 4.1 Food and non-alcoholic beverages.....                                      | 39         |
| 4.2 Urban food price trends .....  | 41         |
| 4.3 Rural food price trends .....  | 48         |
| 4.4 Comparison between rural and urban food prices.....                        | 53         |
| <b>5. TRENDS IN PRICES, FARM VALUES AND PRICE SPREADS .....</b>                | <b>54</b>  |
| 5.1 Introduction.....  | 54         |
| 5.2 Price trends in the meat sector .....                                      | 54         |
| 5.2.1 Poultry industry.....  | 54         |
| 5.2.2 Beef .....   | 57         |
| 5.2.3 Lamb.....  | 60         |
| 5.2.4 Pork .....   | 62         |
| 5.3 Price trends in the dairy sector .....                                     | 65         |
| 5.3.1 Milk .....   | 65         |
| 5.3.2 Powdered milk .....  | 71         |
| 5.3.3 Milk, cheese and margarine.....  | 72         |
| 5.4 Price trends in the maize sector .....                                     | 73         |



|           |   |           |
|-----------|---|-----------|
| 5.4.1     | Production, stock levels and consumption of white maize.....            | 73        |
| 5.4.2     | Production, stock levels and consumption of yellow maize .....          | 76        |
| 5.4.3     | White maize price trends .....  | 79        |
| 5.4.4     | Yellow maize price trends .....   | 80        |
| 5.4.5     | Real farm value of super maize meal .....                               | 81        |
| 5.5       | Wheat sector.....   | 83        |
| 5.5.1     | Production and imports.....   | 83        |
| 5.5.2     | Consumption.....  | 84        |
| 5.5.3     | Price trends.....   | 85        |
| 5.5.4     | Real farm-gate and retail prices of brown and white bread .....         | 86        |
| 5.5.5     | Real farm value share of brown and white bread .....                    | 87        |
| 5.5.6     | Real farm-to-retail-price spread (FTRPS) of white and brown bread ..... | 88        |
| 5.6       | Sunflower seed .....  | 88        |
| 5.6.1     | Production and consumption of sunflower seed .....                      | 89        |
| 5.6.2     | Price trends of sunflower seed .....                                    | 90        |
| 5.7       | Soybeans.....   | 90        |
| 5.7.1     | Soybean production.....   | 91        |
| 5.7.2     | Soybean consumption .....   | 92        |
| 5.7.3     | Price trends for soybeans .....   | 93        |
| 5.8       | Vegetable sector .....  | 93        |
| 5.9       | Fruit Sector .....  | 95        |
| <b>6</b>  | <b>CONCLUSION.....</b>  | <b>97</b> |
| <b>7.</b> | <b>REFERENCES.....</b>  | <b>98</b> |





## LIST OF FIGURES

|  |    |
|--|----|
| Figure 1: Annual averages for the international Food Price Index                               | 1  |
| Figure 2: International price indices for various food categories                              | 2  |
| Figure 3: South Africa's unprocessed AFF trade   | 3  |
| Figure 4: South Africa's unprocessed agricultural trade  | 4  |
| Figure 5: South African processed agricultural trade   | 5  |
| Figure 6: South Africa's unprocessed fisheries trade performance                               | 10 |
| Figure 7: South Africa's processed fisheries trade performance                                 | 13 |
| Figure 8: South Africa's unprocessed forestry trade performance                                | 16 |
| Figure 9: South Africa's processed forestry trade performance 2008–2018                        | 19 |
| Figure 10: Terms of trade (2005–2018)  | 23 |
| Figure 11: Real gross income, expenditure on intermediate goods and services, and farming      | 24 |
| Figure 12: Total FRPI (2005–2018)  | 25 |
| Figure 13: PPI for selected industry groups (2012–2018)  | 26 |
| Figure 14: PPI for selected input items (2012–2018)  | 27 |
| Figure 15: International fertiliser prices (2002–2018)   | 28 |
| Figure 16: Local fertiliser price trends (2002–2018)   | 30 |
| Figure 17: Crude oil price (2002–2018)   | 33 |
| Figure 18: Diesel prices in Gauteng and at the coast (2002–2018)                               | 34 |
| Figure 19: Vehicle costs over time for different sized vehicle (2007–2018)                     | 35 |
| Figure 20: Average price (c/kWh) sold to different sectors                                     | 36 |
| Figure 21: Eskom tariff changes  | 37 |
| Figure 22: Minimum wages (2008–2018)   | 38 |
| Figure 23: CPI rate of change for food and non-alcoholic beverages                             | 39 |
| Figure 24: CPI for food and non-alcoholic beverages in the different provinces of South Africa | 39 |
| Figure 25: CPI for different food groups   | 40 |
| Figure 26: Comparison between rural and urban food prices, 2015 to 2019                        | 53 |
| Figure 27: International poultry price trends  | 54 |
| Figure 28: Poultry retail price trends   | 55 |
| Figure 29: Poultry producer price trends   | 56 |
| Figure 30: Real FTRPS and farm value share of poultry  | 57 |
| Figure 31: International beef price trends   | 57 |
| Figure 32: Retail price trends for different beef cuts   | 58 |



|  |    |
|--|----|
| Figure 33: Beef producer price trends  | 59 |
| Figure 34: Real FTRPS and farm value share for beef  | 59 |
| Figure 35: International lamb price trends   | 60 |
| Figure 36: Lamb retail price trends  | 61 |
| Figure 37: Lamb producer price trends  | 61 |
| Figure 38: Real FTRPS and farm value share of lamb   | 62 |
| Figure 39: International pork price trends   | 62 |
| Figure 40: Pork retail price trends  | 63 |
| Figure 41: Pork producer price trends  | 63 |
| Figure 42: Real FTRPS and farm value share of pork   | 64 |
| Figure 43: Raw milk price and the retail values for full-cream and low-fat milk, sachets (R/ℓ)                   | 65 |
| Figure 44: Real farm value shares for full cream milk, sachets (R/ℓ)   | 66 |
| Figure 45: Real FTRPS for full cream milk, sachets (R/ℓ)   | 67 |
| Figure 46: Retail price of powdered milk   | 71 |
| Figure 47: Retail price of milk, (R/ℓ), cheddar cheese and butter (R/kg)   | 72 |
| Figure 48: Domestic maize production, consumption and area harvested (white maize)                               | 73 |
| Figure 49: Total exports, pipeline requirements, carry-out as a % of total domestic demand<br>(white maize)      | 74 |
| Figure 50: Domestic maize production, consumption and area harvested (white maize)                               | 75 |
| Figure 51: Domestic maize production, consumption and area harvested (yellow maize)                              | 76 |
| Figure 52: Total exports, pipeline requirements, carry-out as a % of total domestic demand                       | 77 |
| Figure 53: Import parity, export parity and the South African Futures Exchange (SAFEX)<br>for white maize prices | 79 |
| Figure 54: Import parity, export parity and SAFEX yellow maize price   | 80 |
| Figure 55: Real retail value and farm value of super maize meal  | 81 |
| Figure 56: Real farm value share of super maize meal   | 82 |
| Figure 57: Real FTRPS of super maize meal  | 82 |
| Figure 58: Area planted, production and imports of wheat (tons)  | 83 |
| Figure 59: Wheat consumption and production  | 84 |
| Figure 60: Import parity, export parity and SAFEX wheat price  | 85 |
| Figure 61: Real farm-gate price of wheat and real retail prices of brown and white bread                         | 86 |
| Figure 62: Price difference between white and brown bread  | 87 |
| Figure 63: Real farm value share of brown and white bread  | 87 |
| Figure 64: Real FTRPS of brown and white bread   | 88 |
| Figure 65: Area planted, production deliveries and processed sunflowers seed for<br>consumption in South Africa  | 89 |
| Figure 66: Domestic sunflower seed price and retail price of sunflower oil (750 ml)                              | 90 |





|   |    |
|---|----|
| Figure 67: Area planted, production deliveries and total demand for soybean seed in South   | 91 |
| Figure 68: Feed and full-fat soya, crushed for oil and oilcake, total domestic demand and consumption of soybean seed in South Africa | 92 |
| Figure 69: Soybean SAFEX, import and export parity prices in South Africa   | 93 |
| Figure 70: Volume of selected vegetables sold at fresh produce markets  | 93 |
| Figure 71: Market price trends for selected fresh vegetables  | 94 |
| Figure 72: Retail price trends for selected fresh vegetables  | 94 |
| Figure 73: Volume of selected fruits sold at fresh produce markets  | 95 |
| Figure 74: Market price trends for selected fresh fruits  | 95 |
| Figure 75: Retail price trends for selected fresh fruit   | 96 |





## LIST OF TABLES

|  |    |
|--|----|
| Table 1: Main unprocessed agricultural products exported by South Africa                   | 6  |
| Table 2: Main unprocessed agricultural products imported by South Africa                   | 7  |
| Table 3: Main processed agricultural products exported by South Africa                     | 8  |
| Table 4: Main processed agricultural products imported by South Africa                     | 9  |
| Table 5: South Africa's top ten exports of unprocessed fisheries products                  | 11 |
| Table 6: South Africa's top ten imports of unprocessed fisheries products                  | 12 |
| Table 7: South Africa's top ten exports of processed fisheries products                    | 14 |
| Table 8: South Africa's top ten imports of processed fisheries products                    | 15 |
| Table 9: South Africa's exports of unprocessed forestry products                           | 17 |
| Table 10: South Africa's imports of unprocessed forestry products                          | 18 |
| Table 11: South Africa's exports of processed forestry goods                               | 20 |
| Table 12: South Africa's imports of processed forestry goods                               | 21 |
| Table 13: South African fertiliser demand, domestic production and imports                 | 29 |
| Table 14: Vehicle cost changes from 2007 to 2018   | 36 |
| Table 15: Average annual retail prices for certain wheat products                          | 41 |
| Table 16: Average annual retail prices maize products                                      | 41 |
| Table 17: Average annual retail prices sunflower products                                  | 42 |
| Table 18: Average annual retail prices processed vegetables products                       | 42 |
| Table 19: Average annual retail prices for certain food items in the vegetable group       | 43 |
| Table 20: Average annual retail prices for certain items of processed and unprocessed meat | 44 |
| Table 21: Average annual retail prices for certain food items in the eggs and dairy group  | 45 |





|   |    |
|---|----|
| Table 22: Average annual retail prices for fruit  | 46 |
| Table 23: Average annual retail prices for certain food items in the fish group   | 46 |
| Table 24: Average annual retail prices for certain other food items   | 47 |
| Table 25: Average annual retail prices for wheat products in rural areas  | 48 |
| Table 26: Average annual retail prices for maize products in rural areas  | 48 |
| Table 27: Average annual retail prices for oils and fats in rural areas   | 49 |
| Table 28: Average annual retail prices for dairy products in rural areas  | 49 |
| Table 29: Average annual retail prices for tea and coffee in rural areas  | 50 |
| Table 30: Average annual retail prices for beans in rural areas   | 50 |
| Table 31: Average annual retail prices of sugar in rural areas  | 50 |
| Table 32: Average annual retail prices of meat and fish in rural areas  | 51 |
| Table 33: Average annual retail prices of rice in rural areas   | 51 |
| Table 34: Average annual retail prices of peanut butter in rural areas  | 52 |
| Table 35: Average annual retail prices of sorghum meal in rural areas   | 52 |
| Table 36: Average annual retail prices for fruit and vegetables in rural areas  | 52 |
| Table 37: Typical cost composition of pasteurised full-cream milk in 2 ℓ containers offered for sale in a retail store – low-cost scenario  | 69 |
| Table 38: Typical cost composition of pasteurised full-cream milk in 2 ℓ containers offered for sale in a retail store – high-cost scenario | 70 |
| Table 39: South African maize balance sheet for the 2018/19 season  | 78 |



## ABBREVIATIONS/ACRONYMS

|           |  |
|-----------|--|
| AFF       | Agriculture, Forestry and Fisheries  |
| AMT       | Agrimark Trends  |
| CEC       | Crop Estimates Committee   |
| CPI       | Consumer Price Index   |
| DAFF      | Department of Agriculture, Forestry and Fisheries                          |
| DAP       | Diammonium Phosphate   |
| DoL       | Department of Labour   |
| EU        | European Union   |
| FAO       | Food and Agriculture Organization  |
| Fertasa   | Fertilizer Association of Southern Africa                                  |
| FMD       | Foot-and-Mouth Disease   |
| FPI       | Food Price Index   |
| FP&M SETA | Fibre Processing and Manufacturing Sector Education and Training Authority |
| FRPI      | Farming Requisite Price Index  |
| FTRPS     | Farm-to-Retail-Price-Spread  |
| GDP       | Gross Domestic Product   |
| Grain SA  | Grain South Africa   |
| GTA       | Global Trade Atlas   |
| ha        | Hectares   |
| HS        | Harmonized System  |
| IEA       | International Energy Association   |
| IFA       | International Fertilizer Association                                       |
| IPAP      | Industrial Policy Action Plan  |
| IQF       | Individually Quick Frozen  |
| ITAC      | International Trade Administration Commission of South Africa              |
| KCL       | Potassium Chloride   |
| kg        | Kilogram   |
| km        | Kilometre  |
| kWh       | Kilowatt Hour  |
| MAP       | Monoammonium Phosphate   |





|          |   |
|----------|---|
| m-o-m    | Month-on-month                                    |
| MOP      | Muriate of Potash                                 |
| MPO      | Milk Producers' Organisation                      |
| NAMC     | National Agricultural Marketing Council           |
| NERSA    | National Energy Regulator of South Africa         |
| NFD      | National Freight Database                         |
| NGP      | National Growth Path                              |
| NRMDP    | National Red Meat Development Programme           |
| NSNP     | National School Nutrition Programme               |
| OLS      | Ordinary Least Squares                            |
| OPEC     | Organization of the Petroleum Exporting Countries |
| PPI      | Producer Price Index                              |
| S&DEC    | Supply & Demand Estimates Committee               |
| SADC     | Southern African Development Community            |
| SAFEX    | South African Futures Exchange                    |
| SAGIS    | South African Grain Information Service           |
| SAMPRO   | South African Milk Processors' Organisation       |
| SAPIA    | South African Petroleum Industry Association      |
| SARB     | South African Reserve Bank                        |
| Stats SA | Statistics South Africa                           |
| TSP      | Triple Superphosphate                             |
| UK       | United Kingdom                                    |
| UN       | United Nations                                    |
| US       | United States                                     |
| USA      | United States of America                          |
| USDA     | United States Department of Agriculture           |
| VAT      | Value-Added Tax                                   |
| WTA      | World Trade Atlas                                 |
| y-o-y    | Year-on-year                                      |







## FOOD PRICE TRENDS

### 1.1 Global food price trends

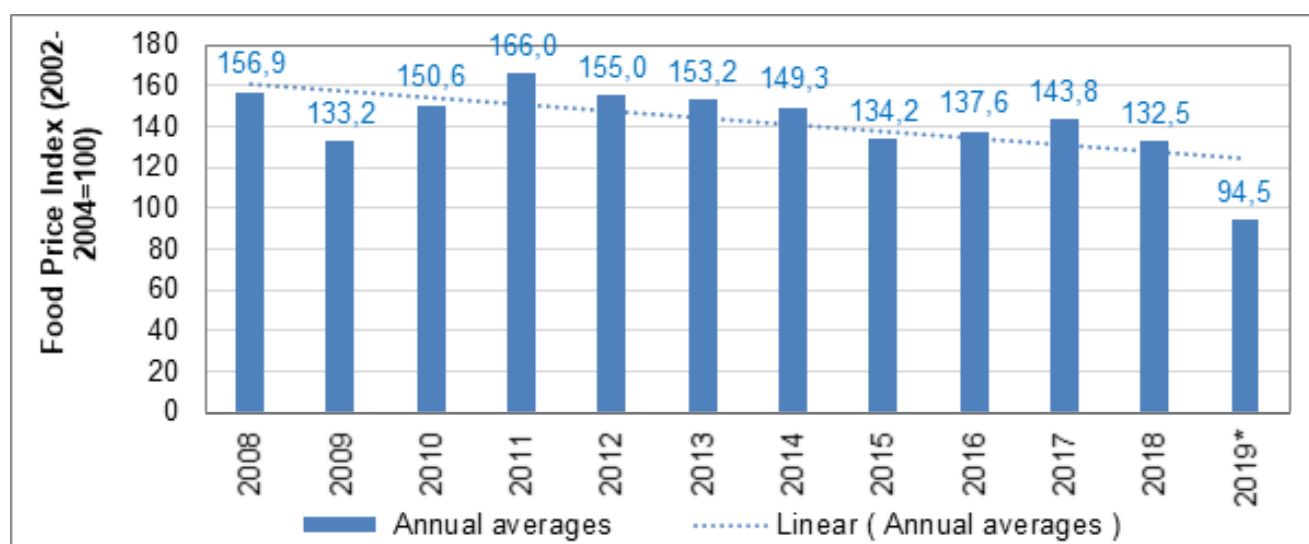
Food markets in 2019/20 are bracing for some additional uncertainties beyond their own fundamentals. A fast-changing trade environment and the rapid spread of African Swine Fever constitute important challenges to overcome. However, prospects point to generally well-supplied markets, which are seen to contribute to a lower food import bill in 2019 (FAO, 2019a).

The FAO Food Price Index (FFPI) continued to rise for the fifth consecutive month, averaging 172.4 points in May 2019, up 1.2% (2.1 points) from April, but still 1.9% below its level in the corresponding month last year. While prices for sugar and oils fell, the other sub-indices

registered increases in May 2019, led again by strong month-on-month (m-o-m) firming of prices of dairy products followed by cereals (FAO, 2019b).

For 2019, the United States Department of Agriculture (USDA) predicts that food prices will increase between 1% and 2%. Dairy prices are expected to rise 3% to 4%. Vegetable prices will rise 2.5% to 3.5%, and fresh fruit will become 2% to 3% more expensive. Cereal and bakery prices will go up 2% to 3%. Prices for beef and veal will rise 1% to 2%, while pork prices could drop 0.75%. Poultry prices will rise 1% to 2% (Amadeo, 2019).

The international Food Price Index decreased, on average, by 7.9% between 2017 and 2018, y-o-y (Figure 1).



**Figure 1:** Annual averages for the international Food Price Index

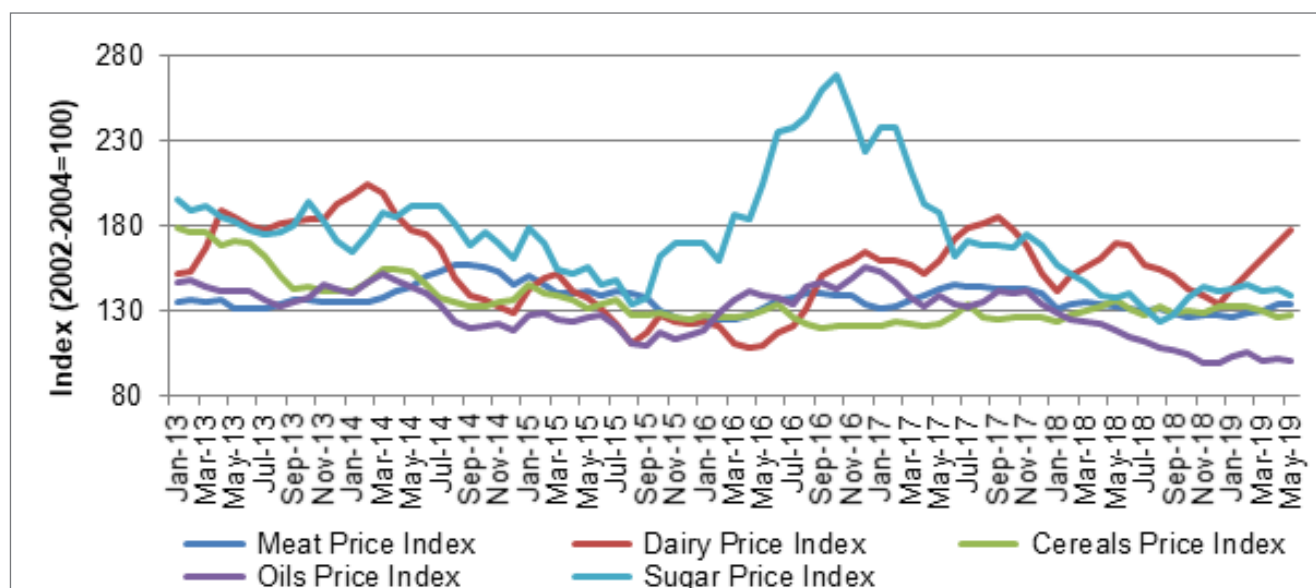
Source: FAO (2019)

\*Note: including up to May 2019





**Figure 2** shows the international price indices for various food categories from 2013 up to May 2019. Annual (May 2019 vs. May 2018) growth in the following food categories were reported: the dairy price index increased by 5.1%, followed by the meat and sugar price indexes by 0.9% and 0.4%, respectively. The oils price index illustrated the largest annual decline of 15.4%, followed by the cereal price index (-6%).



**Figure 2:** International price indices for various food categories

Source: FAO (2019)



# SOUTH AFRICA'S AGRICULTURAL, FORESTRY AND FISHERIES TRADE REVIEW

## 2.1 South Africa's agricultural trade review

Agriculture in South Africa plays a vital role in achieving food security and job creation in rural areas. Agriculture is also a significant earner of foreign exchange. In 2018, agriculture's value contributed 2.59% to the Gross Domestic Product (GDP), based on Stats SA data.

**Figure 3** shows the value of South Africa's trade performance in unprocessed Agriculture, Forestry and Fisheries (AFF), expressed in millions of Rands. The trade balance of unprocessed AFF increased relatively and remained positive between 2008 and 2018, meaning that the value of AFF exports in South

Africa has been greater than the value of AFF imports over the last 11 years. The value of unprocessed AFF imports, as well as exports, showed an upward trend from 2008 to 2018. While imports were at R14.4 billion in 2008, they were at R43.3 billion in 2018. Unprocessed AFF exports also grew substantially over the years. Between 2017 and 2018, exports reached a growth rate of 3.1%, from a value of R83.1 billion in 2017 to about R85.8 billion in 2018. This is attributable to the positive growth in the top 10 agricultural products exported in the last year. Products such as cane sugar, macadamia nuts and mandarins, to mention a few, attained growth rates of 22.36%, 56.72% and 30%, respectively.



**Figure 3:** South Africa's unprocessed AFF trade

Source: Global Trade Atlas (GTA) (2019)



South Africa's agricultural industry has a promising outlook, and experienced a positive trend from 2008 to 2018, with the potential to grow further. Generally, unprocessed agriculture has a greater value for its trade performance than processed agriculture does because more amounts of unprocessed products are exported than processed ones. Notably, both processed and unprocessed agricultural products exhibit a positive trade balance. This means that there is a growing opportunity for value addition to unprocessed products, with the result that higher-value products, coupled with job creation opportunities, could be realised in the sector. However, it requires a relatively large investment to establish processing plants where primary agriculture is located and to buy equipment to add value. **Figure 4** illustrates the value of exports and imports in millions of Rands

between 2008 and 2018, as well as their trade balance. It can be noted that exports were higher than the imports were, which signifies a positive trade balance for South Africa. The exports of unprocessed agricultural products reached their record highest in 2018, with exports valued at R73.8 billion. Unprocessed agricultural exports grew by 7.2%, from R68.9 billion in 2017 to R73.8 billion in 2018. Meanwhile, the lowest value of exports was registered in 2009, at R11.3 billion. This is attributable to the global financial meltdown that occurred then. Imports were at their highest in 2016, valued at about R37.5 billion. The increased imports in 2016 can be attributed to the drought that was experienced during the 2015/16 season across the country. Thereafter, imports of unprocessed agricultural products decreased, and by the end of 2018, imports were valued at R28.5 billion.



**Figure 4:** South Africa's unprocessed agricultural trade

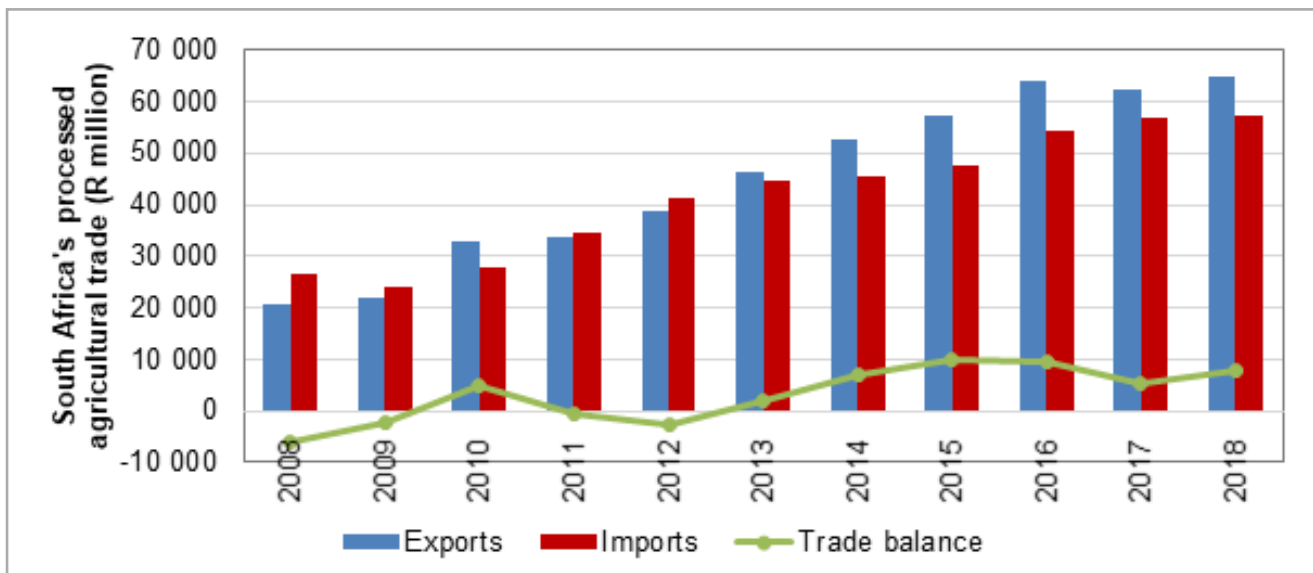
Source: GTA (2019)





South Africa has seen positive growth in its exports for processed agricultural products in recent years and the trend can be expected to continue growing, if there is sustained support towards adopting new technologies and processing machinery. **Figure 5** shows the trade performance of South Africa's processed agricultural trade in millions of Rands, from 2008 to 2018. The trade performance trend of South Africa's processed agricultural products shows a positive growth since 2013, when South Africa started experiencing a steady increase in

exports, more than in imports. This could have been as a result of the establishment of soybean crushing facilities, which led to a decrease in soybean oilcake imports by 12% between 2017 and 2018. During the global financial crisis in 2008, South Africa imported R26.5 billion worth of processed agricultural products, which was more than the exports worth R20.5 billion in the same year, hence the negative trade balance of R6 billion. In 2018, the value of processed agricultural exports was R64.9 billion, while imports were valued at R57.2 billion.



**Figure 5:** South African processed agricultural trade

Source: GTA (2019)



## Main unprocessed agricultural products exported by South Africa

Citrus fruit remains the largest contributor to South Africa's export earnings derived from unprocessed agricultural products (Daya, 2014). Table 1 shows the top ten unprocessed agricultural products exported by South Africa in millions of Rands. The value of unprocessed agricultural exports rose from R68.9 billion in 2017 to R 73.8 billion, signifying a 7.21% growth in unprocessed agricultural exports. The value of oranges exports grew by 7.28%, from R10.0 billion in 2017 to R10.7 billion in 2018. Grapes, corn, wool and apples followed oranges, representing R7.1 billion, R5.6 billion, R5.12 billion and R5.1 billion in 2018, respectively. Wool has had a positive growth in the last three years, where China continued

to import almost 69.8% of South Africa's wool in 2018, followed by the Czech Republic (20.1%) and Italy (4.5%). These are large markets for the clothing industry. The Netherlands was the largest market for oranges and grapes in 2018, accounting for 16% and 40% of oranges and grapes, respectively. South Africa continues to supply maize to the Asian markets, with Vietnam being a fairly new market, making up 32% of the exports, followed by Japan (8.9%) and South Korea (8.8%) in 2018. As mentioned previously, cane sugar, mandarins and macadamia nuts boosted the exports of agricultural products by growths of 22%, 30% and 56.7%, respectively, between 2017 and 2018.

**Table 1: Main unprocessed agricultural products exported by South Africa**

| Product HS6 code                  | Product Description | Value in R' million |       |       | Share value % |       |       | Growth (%) | Market Destination                                |
|-----------------------------------|---------------------|---------------------|-------|-------|---------------|-------|-------|------------|---|
|                                   |                     | 2016                | 2017  | 2018  | 2016          | 2017  | 2018  | 2017/18    |   |
| Unprocessed Agricultural products |                     | 63522               | 68857 | 73821 |               |       |       | 7.21       |   |
| 080510                            | Oranges             | 8836                | 10028 | 10758 | 13.91         | 14.56 | 14.57 | 7.28       | Netherlands (16%), China (12%), Hong Kong (7%)    |
| 080610                            | Grapes              | 6408                | 7209  | 7127  | 10.09         | 10.47 | 9.65  | -1.14      | Netherlands (40%), UK (23%), Germany (4%)         |
| 100590                            | Corn (Maize)        | 4441                | 5899  | 5624  | 6.99          | 8.57  | 7.62  | -4.66      | Vietnam (32.9%), Japan (8.9%), South Korea (8.8%) |
| 510111                            | Wool                | 3799                | 4557  | 5126  | 5.98          | 6.62  | 6.94  | 12.48      | China (70), Czech Republic (20%), Italy (5%)      |
| 080810                            | Apples              | 5275                | 4981  | 5106  | 8.30          | 7.23  | 6.92  | 2.52       | UK (21%), Malaysia (9%), Nigeria (7%)             |
| 080550                            | Lemons and Limes    | 3890                | 3895  | 3545  | 6.12          | 5.66  | 4.80  | -8.97      | Netherlands (14%), UAE (13%), UK (9%)             |
| 080521                            | Mandarins           | 0                   | 2557  | 3324  | 0.00          | 3.71  | 4.50  | 30.00      | UK (27%), Netherlands (19%), Russia (11%)         |
| 080830                            | Pears               | 2792                | 2662  | 2548  | 4.40          | 3.87  | 3.45  | -4.26      | Netherlands (20%), Russia (13%), UAE (10%)        |
| 170114                            | Cane Sugar          | 1194                | 2066  | 2528  | 1.88          | 3.00  | 3.42  | 22.36      | Malaysia (40%), China (19%), UK (14%)             |
| 080262                            | Macadamia Nuts      | 1571                | 1571  | 2461  | 2.47          | 2.28  | 3.33  | 56.72      | USA (51%), Netherlands (9%), Germany (7%)         |

Source: GTA (2019)



## Main unprocessed agricultural products imported by South Africa

**Table 2** shows the major unprocessed agricultural products that were imported by South Africa, as well as the countries that supplied these products. Rice was the most imported commodity, although the growth from 2017 to 2018 declined by 0.59%. In 2018, South Africa imported R6.1 billion worth of rice, mainly from Thailand and India. Wheat imports grew by 21.39% because carry-over stalks were low in number and the production had declined while wheat consumption by humans had increased by about 150 000 tons (Supply & Demand Estimates Committee (S&DEC), 2018). Most of the imports of wheat came from Russia in 2018, with a market share of 43%, followed by Germany (16%) and Canada (8%). South Africa imported R5.3 billion worth of wheat from the rest of the world in 2018. The value of imported live animals increased from R635 million in 2016 to R2.1 billion in 2018. Raw cane sugar imports declined by 14.49% because of increased production and the protection of farmers through an import tariff that was approved by the International Trade Administration Commission of South Africa (ITAC) in 2018. However, South Africa still imports R1.8 billion worth of cane sugar, and the majority is imported from Eswatini (former Swaziland) (92%), followed by Thailand (7%) and Brazil (1%).

**Table 2: Main unprocessed agricultural products imported by South Africa**

| Product HS6 code                  | Product Description | Value in R' million |       |       | Share value (%) |       |       | Growth (%) | Main supplying markets  |
|-----------------------------------|---------------------|---------------------|-------|-------|-----------------|-------|-------|------------|---|
|                                   |                     | 2016                | 2017  | 2018  | 2016            | 2017  | 2018  | 2017/18    |   |
| Unprocessed Agricultural products |                     | 37456               | 30145 | 28581 | 100             | 100   | 100   | -5.19      |   |
| 100630                            | Rice                | 5975                | 6126  | 6162  | 15.95           | 20.32 | 21.56 | 0.59       | Thailand (65%), India (28%), UAE (2%)                         |
| 100199                            | Wheat & Meslin      | 4453                | 4369  | 5304  | 11.89           | 14.49 | 18.56 | 21.39      | Russia (43%), Germany (16%), Canada (8%)                      |
| 010229                            | Live Cattle         | 635                 | 1975  | 2147  | 1.70            | 6.55  | 7.51  | 8.68       | Namibia (98%), Other (1%), Lesotho (0.25%)                    |
| 170113                            | Raw Cane Sugar      | 1776                | 2176  | 1861  | 4.74            | 7.22  | 6.51  | -14.49     | Eswatini (former Swaziland) (92%), Thailand (7%), Brazil (1%) |
| 240120                            | Tobacco             | 1704                | 1499  | 1683  | 4.55            | 4.97  | 5.89  | 12.32      | Zimbabwe (64%), Brazil (15%), Argentina (10%)                 |
| 170114                            | Cane Sugar          | 1258                | 1110  | 798   | 3.36            | 3.68  | 2.79  | -28.09     | Eswatini (former Swaziland) (77%), Brazil (6%), Zambia (3%)   |
| 090111                            | Coffee              | 786                 | 843   | 727   | 2.10            | 2.80  | 2.54  | -13.79     | Vietnam (38%), Tanzania (10%), Brazil (9%)                    |
| 100640                            | Broken Rice         | 139                 | 793   | 615   | 0.37            | 2.63  | 2.15  | -22.43     | Thailand (85%), India (6%), Pakistan (3%)                     |
| 100510                            | Corn (Maize) Seed   | 897                 | 490   | 574   | 2.40            | 1.62  | 2.01  | 17.13      | Chile (56%), USA (38%), Zambia (3%)                           |
| 090240                            | Black Tea           | 686                 | 650   | 534   | 1.83            | 2.15  | 1.87  | -17.78     | Malawi (47%), Sri Lanka (19%), Zimbabwe (17%)                 |

Source: GTA (2019)





**Table 3** shows the top ten processed agricultural products exported by South Africa in millions of Rands. The value of processed agricultural exports increased from R62.3 billion in 2017 to R64.9 billion in 2018, representing a 4.2% growth rate. Wine in units of 2 litres and Wine in units of 10 litres lead the group, contributing R6.7 billion and R2.3 billion, respectively. Wine in units of 2 litres constituted 10% of all processed agricultural exports. The United Kingdom and Germany were the biggest export markets for South Africa's wine in 2018, followed by the Netherlands and Denmark. Ethyl alcohol, animal feed and flour meal showed positive growths between 2017 and 2018, with growth rates of 20%, 20% and 26%, respectively. From the table, it can be noted that, except for wines and flour meal, the majority of the processed agricultural products go to other Southern African Development Community (SADC) ascribing countries.

**Table 3: Main processed agricultural products exported by South Africa**

| Product HS6 code                | Product Description                       | Value in R' million |       |       | Share value (%) |       |       | Growth (%) | Market Destination   |
|---------------------------------|---|---------------------|-------|-------|-----------------|-------|-------|------------|--|
|                                 |   | 2016                | 2017  | 2018  | 2016            | 2017  | 2018  | 2017/18    |  |
| Processed Agricultural products |   | 63820               | 62339 | 64965 |                 |       |       | 4.21       |  |
| 220421                          | Wine 2 Litres                             | 6546                | 6396  | 6742  | 10.26           | 10.26 | 10.38 | 5.42       | UK (18%), Germany (10%), Netherlands (9%)                        |
| 220429                          | Wine 10 Litres                            | 2851                | 2036  | 2350  | 4.47            | 3.27  | 3.62  | 15.42      | UK (28%), Germany (22%), Denmark (10%)                           |
| 210690                          | Food Preparations                         | 2407                | 2354  | 2188  | 3.77            | 3.78  | 3.37  | -7.04      | Zambia (10%), Mozambique (10%), Namibia (9%)                     |
| 220710                          | Ethyl Alcohol                             | 1416                | 1469  | 1763  | 2.22            | 2.36  | 2.71  | 20.03      | Rwanda (22%), Zambia (12%), Madagascar (12%)                     |
| 240220                          | Cigarettes                                | 1908                | 1870  | 1665  | 2.99            | 3.00  | 2.56  | -10.97     | Namibia (24%), Mali (21%), Botswana (13%)                        |
| 230990                          | Animal Feed                               | 1517                | 1311  | 1586  | 2.38            | 2.10  | 2.44  | 20.99      | Zimbabwe (19%), Namibia (17%), Zambia (15%)                      |
| 210390                          | Sauces                                    | 1595                | 1347  | 1392  | 2.50            | 2.16  | 2.14  | 3.34       | Botswana (15%), Zimbabwe (14%), Namibia (11%)                    |
| 220210                          | Waters                                    | 1190                | 1268  | 1379  | 1.86            | 2.03  | 2.12  | 8.73       | Botswana (25%), Namibia (19%), Eswatini (former Swaziland) (14%) |
| 230120                          | Flour Meal                                | 1572                | 997   | 1257  | 2.46            | 1.60  | 1.93  | 26.02      | Turkey (37%), China (18%), Denmark (10%)                         |
| 200990                          | Mixtures of Fruit and/or Vegetable Juices | 1200                | 1058  | 1192  | 1.88            | 1.70  | 1.84  | 12.63      | Mozambique (17%), Namibia (14%), Botswana (11%)                  |

Source: GTA (2019)



**Table 4** illustrates the value of processed agricultural products imported by South Africa in millions of Rands between 2016 and 2018. The value of processed agricultural imports grew from R54.3 billion in 2016 to R57.2 billion in 2018, representing a 0.6% growth rate. Chicken cuts were the most-imported processed agricultural products, accounting for an 8% share of all processed agricultural products. Chicken cuts have notably been imported from Brazil (51% market share), followed by the United States of America (19%). Palm oil was the second most-imported processed agricultural product into South Africa. Notably, palm oil imports decreased by 10.8% between 2017 and 2018. Whiskies were valued at R2.26 billion worth of imports in 2018, and the main supplying countries were the UK (82%), the USA (8%) and Ireland (7%). In 2018, whiskies imported dropped by 9.7%, as compared with 2017 imports. Imports of beer made from malt registered a growth rate of 67.5% and they mostly came from Namibia (48%). Soybean oilcake imports decreased by 12% (as highlighted earlier) because of the increased local processing facilities and the increased production capacity of the industry – thereby leading to import substitution for this product.

**Table 4: Main processed agricultural products imported by South Africa**

| Product HS6 code                | Product Description | Value in R' million |       |       | Share value % |      |      | Growth (%) | Main supplying markets                                       |
|---------------------------------|---------------------|---------------------|-------|-------|---------------|------|------|------------|--|
|                                 |                     | 2016                | 2017  | 2018  | 2016          | 2017 | 2018 | 2017/18    |  |
| Processed Agricultural products |                     | 54353               | 56938 | 57274 |               |      |      | 0.59       |  |
| 020714                          | Chicken Cuts        | 3972                | 4300  | 4820  | 7.31          | 7.55 | 8.42 | 12.08      | Brazil (51%), USA (19%), Denmark (9%)                        |
| 151190                          | Palm Oil            | 4200                | 4363  | 3892  | 7.73          | 7.66 | 6.80 | -10.80     | Indonesia (58%), Malaysia (41%), Argentina (1%)              |
| 210690                          | Food Preparations   | 2358                | 2241  | 2459  | 4.34          | 3.94 | 4.29 | 9.72       | USA (13%), Germany (12%), Poland (10%)                       |
| 220830                          | Whiskies            | 2495                | 2510  | 2264  | 4.59          | 4.41 | 3.95 | -9.77      | UK (82%), USA (8%), Ireland (7%)                             |
| 230400                          | Soybean Oilcake     | 2972                | 2455  | 2150  | 5.47          | 4.31 | 3.75 | -12.41     | Argentina (86%), Zambia (11%), Malawi (2%)                   |
| 220300                          | Beer from Malt      | 932                 | 1269  | 2127  | 1.72          | 2.23 | 3.71 | 67.53      | Namibia (48%), Netherlands (22%), Mexico (18%)               |
| 050400                          | Animal Guts         | 1046                | 1557  | 1622  | 1.92          | 2.74 | 2.83 | 4.12       | China (59%), USA (10%), Germany (9%)                         |
| 230990                          | Animal Feed Prep    | 1067                | 1148  | 1494  | 1.96          | 2.02 | 2.61 | 30.08      | France (19%), Eswatini (former Swaziland) (16%), China (11%) |
| 151211                          | Sunflower-Seed      | 1357                | 1526  | 1391  | 2.50          | 2.68 | 2.43 | -8.81      | Bulgaria (47%), Romania (20%), Netherlands (12%)             |
| 240220                          | Cigarettes          | 1106                | 1177  | 1288  | 2.03          | 2.07 | 2.25 | 9.41       | Switzerland (95%), Tanzania (2%), Poland (1%)                |

Source: GTA (2019)



## 2.2 South African fisheries trade review

Overall, South Africa's trade performance in fisheries exhibits a negative, given that the negative trade balance widened by 90%, from R589 million in 2017 to R1 117 million in 2018. This implies that imports increased much more than exports did. During the same period (2017 to 2018), fisheries exports increased by 9% only (from R4 960 million to R5 411 million) while imports rose by 18% (from R5 549 million to R6 528 million). An assessment of the trade performance of unprocessed fisheries reveals a positive trend, representing a 26%, 21% and 37% rise in exports, imports and trade balance, respectively, (Figure 6) between 2017 and 2018. The high positive trade balance (37%) suggests that exports increased faster than imports did; hence, South Africa was a net exporter of unprocessed fisheries products.



**Figure 6:** South Africa's unprocessed fisheries trade performance

Source: GTA (2019)







A detailed analysis of unprocessed fisheries exports presented in **Table 5** reveals that squid (030743) was the most-exported product, followed by hake (030366) and then rock lobster and other sea crawfish (030631). Between 2017 and 2018, squid exports increased by 38%, and the top three destination markets were Italy (47%), Spain (36%) and Portugal (7%). Amongst other unprocessed products, Italy, Spain, Portugal and China remain key export markets for South African fisheries. It is worthwhile to note that fish (030389) registered a significant fall in exports of 7% between 2017 and 2018.

**Table 5: South Africa's top ten exports of unprocessed fisheries products**

| HS code                     | Product description  | Value exported in R'Million |      |      | Share value % |      |      | Market destination  |
|-----------------------------|--|-----------------------------|------|------|---------------|------|------|---|
|                             |  | 2016                        | 2017 | 2018 | 2016          | 2017 | 2018 |   |
| Unprocessed fishery exports |  | 2153                        | 3434 | 4341 | 100           | 100  | 100  |   |
| 030743                      | Squid, Frozen  | 0                           | 1061 | 1657 | -             | 31   | 38   | Italy (47%) Spain (36%) Portugal (7%)                       |
| 030366                      | Hake, Frozen   | 604                         | 560  | 597  | 28            | 16   | 14   | Spain (42%) Portugal (29%) Italy (12%)                      |
| 030631                      | Rock Lobster & Other Sea Crawfish                                    | 0                           | 501  | 534  | -             | 15   | 12   | China (50%) Hong Kong (33%) Japan (5%)                      |
| 030389                      | Fish, Frozen, Nesoi  | 407                         | 493  | 362  | 19            | 14   | 8    | Italy (28%) Portugal (20%) Spain (18%)                      |
| 030355                      | Jack & Horse Mackerel  | 160                         | 152  | 221  | 7             | 4    | 5    | United Kingdom (59%) Mozambique (26%) Benin (9%)            |
| 030341                      | Albacore or Long finned Tunas Excl. Fillets, Livers and Roes, Frozen | 147                         | 87   | 177  | 7             | 3    | 4    | Spain (68%) Seychelles (16%) France (12%)                   |
| 030383                      | Toothfish (Dissostichus Spp.), Frozen                                | 61                          | 56   | 104  | 3             | 2    | 2    | United Kingdom (74%) Singapore (26%)                        |
| 030781                      | Abalone (Haliotis Spp.), Live, Fresh or Chilled                      | 89                          | 102  | 101  | 4             | 3    | 2    | Hong Kong (81%) Taiwan (14%) China (4%)                     |
| 030254                      | Hake, Fresh or Chilled   | 94                          | 71   | 82   | 4             | 2    | 2    | Spain (77%) Australia (7%) Eswatini (former Swaziland) (4%) |
| 030353                      | Sardines, Sardinella, Brisling or Sprats, Frozen                     | 173                         | 77   | 80   | 8             | 2    | 2    | Mauritius (48%) Fiji (18%) Ships & Aircraft stores (18%)    |

Source: GTA (2019)



**Table 6** provides analytical findings of the ten most-imported unprocessed fisheries products. Sardines (030353), largely supplied by Morocco (76%), were the most-imported unprocessed fisheries product into South Africa. Sardines accounted for about 30% of all unprocessed fisheries imports in 2018, followed by Hake (03066) (17%) and then jack and horse mackerel (030355) (11%), among other products. From the African continent, Namibia and Morocco are key suppliers of unprocessed fisheries products to South Africa, while Norway dominantly (100%) supplied the salmon type of fish (030214, 030313 and 030213).

**Table 6: South Africa's top ten imports of unprocessed fisheries products**

| HS code                     | Product description                               | Value imported in R'Million |      |      | Share value % |       |       | Supplier  |
|-----------------------------|---|-----------------------------|------|------|---------------|-------|-------|---|
|                             |   | 2016                        | 2017 | 2018 | 2016          | 2017  | 2018  |   |
| Unprocessed fishery imports |   | 2049                        | 2261 | 2738 |               |       |       |   |
| 030353                      | Sardines, Sardinella, Frozen                      | 583                         | 647  | 815  | 28.47         | 28.63 | 29.77 | Morocco (76%) Russia (12%) Netherlands (11%)        |
| 030366                      | Hake, Frozen                                      | 269                         | 271  | 459  | 13.12         | 12.00 | 16.77 | USA (32%) Namibia (29%) Canada (20%)                |
| 030355                      | Jack & Horse Mackerel, Frozen                     | 287                         | 314  | 314  | 13.99         | 13.89 | 11.47 | Namibia (98%) Other countries NES (1%) Ireland (1%) |
| 030389                      | Fish, Frozen, Nesoi                               | 319                         | 331  | 306  | 15.58         | 14.65 | 11.17 | New Zealand (65%) Namibia (11%) Taiwan (8%)         |
| 030214                      | Atlantic Salmon & Danube Salmon, Fresh or Chilled | 123                         | 82   | 170  | 6.01          | 3.65  | 6.21  | Norway (100%)                                       |
| 030313                      | Atlantic Salmon & Danube Salmon, Frozen           | 102                         | 147  | 139  | 4.96          | 6.50  | 5.08  | Norway (100%)                                       |
| 030743                      | Squid, Frozen                                     | 0                           | 74   | 93   | -             | 3.29  | 3.39  | Namibia (56%) China (30%) Argentina (7%)            |
| 030323                      | Tilapias, Frozen                                  | 55                          | 57   | 89   | 2.71          | 2.54  | 3.24  | China (88%) Vietnam (6%) Zimbabwe (2%)              |
| 030213                      | Pacific Salmon, Fresh or Chilled                  | 119                         | 112  | 71   | 5.79          | 4.94  | 2.59  | Norway (100%)                                       |
| 030314                      | Trout, Frozen                                     | 46                          | 37   | 41   | 2.23          | 1.64  | 1.49  | Lesotho (56%) Norway (44%)                          |

Source: GTA (2019)



As shown in **Figure 7**, South Africa registered a significant decline (30%) in processed fisheries exports, from R5274 million in 2016 to R3706 million in 2018, while imports increased by over R691 million during the same period. Thus, the negative trade performance exhibited by processed fisheries products is attributable to the overall negative performance (90% rise in trade balance between 2018 and 2016) of the fisheries sector.



**Figure 7:** South Africa's processed fisheries trade performance

Source: GTA (2019)



The top ten processed fisheries products exported by South Africa during 2018 are presented in **Table 7**. Hake fillets (030474) accounted for 47% of all processed fisheries exports destined for Spain, Italy and Portugal, in that order. Hake fillet was followed by abalone (030787; 160557) and Sardines (160413), among other products. Spain, Italy and China are key export markets for processed fisheries products, while Namibia, Botswana, Lesotho and Eswatini (former Swaziland) are critical markets on the African continent.

**Table 7: South Africa's top ten exports of processed fisheries products**

| HS code                   | Product description   | Value exported R'Million |      |      | Share value % |      |      | Market destination  |
|---------------------------|---|--------------------------|------|------|---------------|------|------|---|
|                           |   | 2016                     | 2017 | 2018 | 2016          | 2017 | 2018 |   |
| Processed fishery exports |   | 5274                     | 3435 | 3706 | 100           | 100  | 100  |   |
| 030474                    | Hake Fillets, Frozen  | 1499                     | 1338 | 1732 | 28            | 39   | 47   | Spain (31%) Italy (24%) Portugal (10%)                        |
| 030787                    | Abalone, Nesoi  | 0                        | 318  | 351  | -             | 9    | 9    | Hong Kong (77%) Taiwan (15%) Singapore (5%)                   |
| 160557                    | Abalone, Prepared or Preserved  | 249                      | 190  | 269  | 5             | 6    | 7    | Hong Kong (78%) Singapore (17%) China (3%)                    |
| 160413                    | Sardines, Sardinella & Brisling or Sprats, Prepared or Preserved, Whole or In Pieces, But Not Minced  | 243                      | 273  | 246  | 5             | 8    | 7    | Botswana (38%) Lesotho (19%) Namibia (16%)                    |
| 030611                    | Rock Lobster & Other Sea Crawfish Incl. In Shell, Cooked by Steaming or by Boiling in Water, Frozen   | 293                      | 317  | 208  | 6             | 9    | 6    | USA (85%) China (6%) Japan (5%)                               |
| 160419                    | Fish, Nesoi, Prepared or Preserved, Whole or In Pieces, But Not Minced  | 237                      | 275  | 201  | 4             | 8    | 5    | Germany (38%) Italy (24%) Australia (23%)                     |
| 030617                    | Shrimps & Prawns, Frozen, Other Than Cold-Water   | 115                      | 111  | 86   | 2             | 3    | 2    | Italy (20%) India (19%) Spain (12%)                           |
| 160420                    | Fish, Prepared or Preserved, Nesoi, Incl. Products Containing Meat of Crustaceans, Molluscs, Etc., & Fish Balls, Cakes & Puddings                           | 125                      | 93   | 84   | 2             | 3    | 2    | Namibia (27%) Lesotho (22%) Eswatini (former Swaziland) (18%) |
| 030619                    | Crustaceans, Nesoi, Incl. In Shell, Cooked by Steaming or By Boiling in Water, Frozen, Incl. Flours, Meals & Pellets of Crustaceans Fit for Hum Consumption | 2                        | 13   | 69   | 0             | 0    | 2    | Lithuania (66%) Germany (11%) Switzerland (8%)                |
| 030749                    | Cuttle Fish & Squid, Frozen, Dried, Salted or In Brine  | 995                      | 101  | 55   | 19            | 3    | 1    | Spain (33%) Italy (23%) Namibia (11%)                         |

Source: GTA (2019)





With regard to imports of processed fisheries products presented in **Table 8**, it is important to note that Sardines (160413), supplied by Thailand, Namibia and China, constituted the leading product imported into South Africa. Other products imported include shrimps and prawns (030617), tunas (030617) and hake fillets (030474). Thailand supplied a wide spectrum of processed fisheries products and is thus a key trading partner, while from the African continent, Namibia is also a very important partner.

**Table 8: South Africa's top ten imports of processed fisheries products**

| HS code                   | Product description   | Value imported R'Million |      |      | Share value % |      |      | Supplier  |
|---------------------------|---|--------------------------|------|------|---------------|------|------|---|
|                           |   | 2016                     | 2017 | 2018 | 2016          | 2017 | 2018 |   |
| Processed fishery imports |   | 3221                     | 3378 | 3912 | 100           | 100  | 100  |   |
| 160413                    | Sardines, Sardinella & Brisling or Sprats, Whole or In Pieces, But Not Minced   | 936                      | 908  | 1486 | 29            | 27   | 38   | Thailand (49%) Namibia (24%) China (23%)        |
| 030617                    | Shrimps & Prawns, Frozen, Other Than Cold-Water   | 656                      | 612  | 571  | 20            | 18   | 15   | Argentina (39%) India (29%) Vietnam (15%)       |
| 160414                    | Tunas, Skipjack & Bonito, Prepared or Preserved, Whole or In Pieces, But Not Minced   | 348                      | 622  | 528  | 11            | 18   | 14   | Thailand (94%) Taiwan (3%) China (2%)           |
| 030474                    | Hake Fillets, Frozen  | 272                      | 352  | 467  | 8             | 10   | 12   | Namibia (87%) USA (8%) Other countries NES (4%) |
| 030749                    | Cuttle Fish & Squid, Frozen, Dried, Salted or In Brine  | 341                      | 242  | 244  | 11            | 7    | 6    | China (64%) Spain (14%) Falkland Islands (11%)  |
| 160521                    | Shrimps & Prawns, Prepared or Preserved, Not in Airtight Containers   | 111                      | 111  | 160  | 3             | 3    | 4    | India (52%) Vietnam (30%) Thailand (11%)        |
| 160420                    | Fish, Prepared or Preserved, Nesoi, Including Products Containing Meat of Crustaceans, Molluscs, Etc., & Fish Balls, Cakes and Puddings | 97                       | 37   | 55   | 3             | 1    | 1    | Thailand (43%) Namibia (42%) China (13%)        |
| 160415                    | Mackerel, Prepared or Preserved, Whole or In Pieces, But Not Minced   | 19                       | 18   | 41   | 1             | 1    | 1    | China (69%) Thailand (25%) Poland (3%)          |
| 160553                    | Mussels, Prepared or Preserved  | 37                       | 41   | 36   | 1             | 1    | 1    | China (96%) Denmark (4%)                        |
| 030475                    | Alaska Pollock Fillets, Frozen  | 9                        | 12   | 30   | 0             | 0    | 1    | USA (83%) Netherlands (10%) China (4%)          |

Source: GTA (2019)

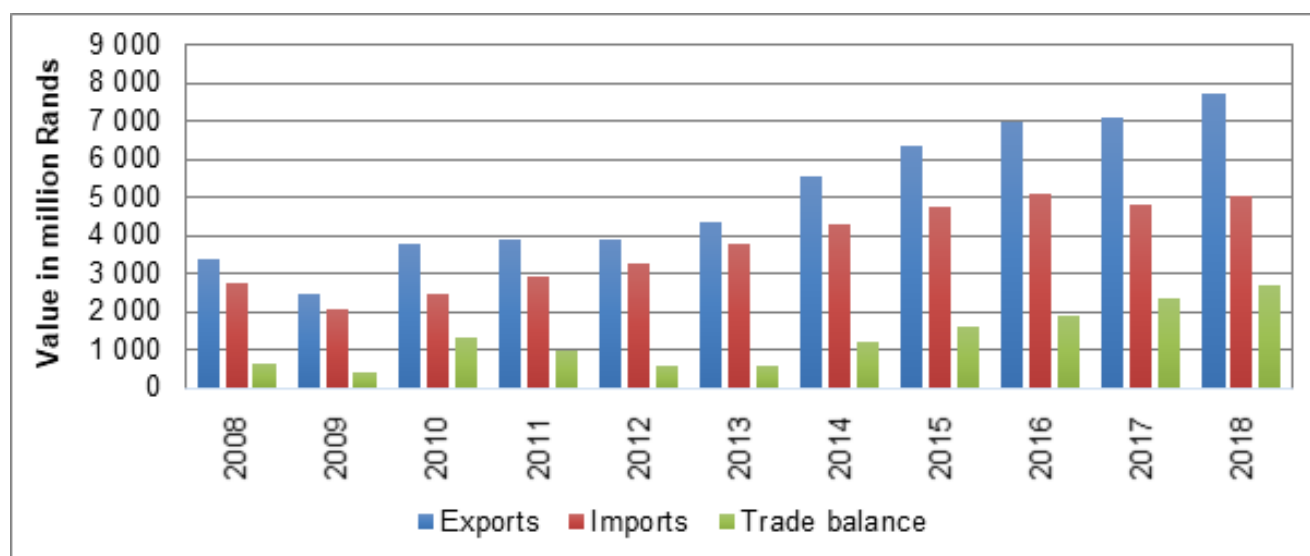


### 2.3 South African forestry trade review

According to the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) (2014), forestry is a key driver for the development of South Africa's local economies, particularly in rural areas where poverty is compounded by the lack of employment opportunities. Forestry and wood products provide a range of wood and non-wood products, as well as social and environmental services, such as the conservation of soil, water and biological diversity. Wood and wood products, as the main commercial products of forests, include fuel wood and charcoal (DAFF, 2009). The exports of forestry products play an important role towards attaining the development of the sector through foreign export earnings. According to the GTA (2018) database, South Africa is a net importer of forestry products, resulting in a negative trade balance of R6.6 billion. The largest suppliers of forestry products destined to the South African markets include the UK (27%), Germany (8), China (7%), the US (6%) and Brazil (6%), respectively. Unused postage constitutes about 40% of South Africa's imports, followed paper coat (4%), Printed books (3.9%) and Chemical wood pulp (3.8%), respectively.

The forest products industry ranks among the top exporting industries in the country, having exported R28.7 billion and imported about R35.3 billion in 2018, resulting in a negative trade balance. Regarding South African trade in both processed and unprocessed forestry products, the first component to focus on comprises unprocessed forestry products.

**Figure 8** highlights the trade performance of South Africa's unprocessed forestry products in the period under review. In 2018, unprocessed forestry exports constituted about 26.8% of the total forestry exports, while unprocessed forestry imports constituted 14.2% of the total forestry imports. It can be noted from **Figure 8** that South Africa's trade in unprocessed forestry products had been increasing in the period under review. Exports of unprocessed forestry products increased from R3.4 billion in 2008 to R7.7 billion in 2018, while imports also increased from R2.8 billion to R5 billion between 2008 and 2018. South Africa exports more unprocessed forestry products than it imports, which resulted in a positive trade balance.



**Figure 8:** South Africa's unprocessed forestry trade performance  
Source: GTA (2019)



Over 20% of the forestry products in South Africa have been exported as unprocessed goods to the international markets. **Table 9** presents the main unprocessed forestry products exported to the international markets over the past three years. It can be observed that wood chips are ranked as a principal product exported in 2018, constituting 37.3% of the total unprocessed forestry exports. Japan consumed 88% of wood chips destined to the world, followed by India (7%), China (5%), Botswana (0.03%) and Mauritius (0.02%), respectively. Doors and their frames constituted the second most-exported product, constituting about 8.3%, being largely supplied to the UK (23%), Botswana (17%), US (15%), Lesotho (9%) and Namibian (9%) markets. Particle board of wood ranked as the third most-exported product, at a value of R487 million in 2018 (6.3% share), and the top five markets supplied were Australia, Zimbabwe, Kenya, Zambia and Portugal. Pine wood sawn is ranked as the fourth most-exported product, at a share of 5.9%, followed by coniferous wood (5.4%), pallets & other (3.5%), wood charcoal (3.4%) and plywood veneer panels (2.7%), respectively.

**Table 9: South Africa's exports of unprocessed forestry products**

| HS code                      | Product description                      | Value exported |       |       | Share value % |       |       | Market destination                             |
|------------------------------|--|----------------|-------|-------|---------------|-------|-------|--|
|                              |  | R'Million      |       |       |               |       |       |  |
|                              |  | 2016           | 2017  | 2018  | 2016          | 2017  | 2018  |  |
| Unprocessed forestry exports |  | 6 963          | 7 124 | 7 748 | 100           | 100   | 100   |  |
| 440122                       | Wood in Chips or Particles               | 2 900          | 2 863 | 2 892 | 41.65         | 40.19 | 37.33 | Japan (88%) India (7%) China (5%)              |
| 441820                       | Doors & Their Frames & Thresholds        | 617            | 585   | 639   | 8.85          | 8.21  | 8.25  | UK (23%) Botswana (17%) US (15%)               |
| 441011                       | Particle Board of Wood                   | 297            | 363   | 487   | 4.26          | 5.10  | 6.28  | Australia (37%) Zimbabwe (19%) Kenya (9%)      |
| 440711                       | Pine Wood Sawn                           | 0              | 426   | 456   | 0.00          | 5.98  | 5.89  | Botswana (25%) Mozambique (22%) Namibia (17%)  |
| 440311                       | Coniferous Wood in the rough             | 0              | 380   | 415   | 0.00          | 5.33  | 5.36  | Namibia (19%) Botswana (18%) Ghana (15%)       |
| 441520                       | Pallets & Other Load Boards              | 224            | 236   | 273   | 3.21          | 3.31  | 3.53  | Botswana (18%) Zimbabwe (13%) Mozambique (13%) |
| 440290                       | Wood Charcoal                            | 170            | 209   | 261   | 2.44          | 2.93  | 3.37  | UK (52%) Netherlands (15%) Israel (5%)         |
| 441299                       | Plywood Veneer Panels & Similar Lam Wood | 104            | 168   | 209   | 1.49          | 2.36  | 2.70  | UK (31%) Namibia (18%) Belgium (11%)           |
| 440322                       | Wood in the Rough of Pine                | 0              | 25    | 157   | 0.00          | 0.35  | 2.03  | China (92%) Botswana (3%) Lesotho (2%)         |
| 440399                       | Non-coniferous Wood                      | 94             | 168   | 144   | 1.35          | 2.35  | 1.86  | Vietnam (39%) Namibia (13%) India (7%)         |

Source: GTA (2019)





Approximately 15% of the forestry products in South Africa have been imported as unprocessed goods from global markets. The imported raw forestry products cost more, thus making it more expensive to process goods for final utilisation. **Table 10** illustrates the value of top unprocessed forestry products imported in the country from global markets. Pine wood sawn is ranked as the leading imported product in the country, representing a share of 12.7% of total imports. Eswatini (96%), Brazil (2%), Chile (0.7%), Namibia (0.6%) and Zimbabwe (0.5%) were the main suppliers of pine wood sawn to South Africa. Dark/light red meranti & meranti bakau constituted 6.1% of the total imports and became the second highest product to be imported, with Malaysia being the largest supplier, with a share value of 91%, followed by Singapore, Indonesia, the US and Brazil, at share values of 4%, 4%, 0.5% and 0.2%, respectively. Casks barrels vats are depicted as the third highest imported product at a value of R280 million, followed by non-coniferous fuel wood (R273 million), polywood (R265 million), fibreboard (R239 million) and other tropical wood sawn (R224 million), respectively.

**Table 10: South Africa's imports of unprocessed forestry products**

| HS code                      | Product description                      | Value imported |       |       | Share value % |       |       | Market destination   |
|------------------------------|--|----------------|-------|-------|---------------|-------|-------|--|
|                              |  | R'Million      |       |       |               |       |       |  |
|                              |  | 2016           | 2017  | 2018  | 2016          | 2017  | 2018  |  |
| Unprocessed forestry imports |  | 5 083          | 4 797 | 5 036 | 100           | 100   | 100   |  |
| 440711                       | Pine Wood Sawn                           | 0              | 531   | 639   | 0.00          | 11.08 | 12.69 | Eswatini (96%) Brazil (2%) Chile (0.7%) Namibia (0.6%) Zimbabwe (0.5%)                   |
| 440725                       | Dark/Light Red Meranti & Meranti Bakau   | 400            | 285   | 306   | 7.86          | 5.94  | 6.07  | Malaysia (91%) Singapore (4%) Indonesia (4%) US (0.5%) Brazil (0.2%)                     |
| 441600                       | Casks Barrels Vats                       | 343            | 257   | 280   | 6.75          | 5.37  | 5.56  | France (88%) Australia (3%) US (2%) Austria (2%) Chile (2%)                              |
| 440112                       | Non-coniferous Fuel Wood                 | 0              | 235   | 273   | 0.00          | 4.90  | 5.41  | Eswatini (former Swaziland) (95%) Namibia (4%) NES (0.3%)                                |
| 441239                       | Plywood excluding Bamboo                 | 246            | 260   | 265   | 4.83          | 5.43  | 5.25  | Brazil (52%) China (19%) Malaysia (7%) Spain (6%) Finland (6%)                           |
| 441192                       | Fibreboard                               | 305            | 259   | 239   | 5.99          | 5.41  | 4.74  | Germany (36%) China (13%) Brazil (11%) Latvia (11%) Spain (7%)                           |
| 440729                       | Other Tropical Wood, Wood Sawn           | 535            | 211   | 224   | 10.52         | 4.40  | 4.45  | Gabon (26%) Eswatini (former Swaziland) (17%) Malaysia (15%) Brazil (13%) Indonesia (9%) |
| 441299                       | Plywood Veneer Panels & Similar Lam Wood | 224            | 231   | 195   | 4.41          | 4.81  | 3.87  | China (34%) Brazil (14%) Germany (12%) Malawi (10%) Netherlands (5%)                     |
| 440290                       | Wood Charcoal                            | 133            | 146   | 191   | 2.62          | 3.04  | 3.80  | Namibia (60%) China (17%) Eswatini (former Swaziland) (8%) NES (7%) Zimbabwe (5%)        |
| 440799                       | Non-coniferous Wood                      | 162            | 161   | 189   | 3.18          | 3.35  | 3.75  | Uruguay (25%) Malaysia (13%) Brazil (12%) Indonesia (11%) US (10%)                       |

Source: GTA (2019)



The processing of forestry products is critical because it increases the value of a product and gains greater returns in the foreign markets. It is important to note that South Africa trades more processed forestry products than unprocessed products, and this indicates that agro-processing capacity in the forestry industry is improving. The processed forestry products constitute 73.2% of the total forestry exports and 85.8% of the total forestry imports in 2019. **Figure 9** highlights South Africa's trade performance of forestry goods between 2008 and 2018. In 2018, South Africa exported about R22.7 billion of processed products, with China being the main market at a share value of 16.3%, followed by India (13.2%), Indonesia (8.5%), Namibia (7%) and Zimbabwe (6.6%). On the other hand, about R32 billions of forestry goods were imported, mainly from the UK (R9.5 billion), Germany (R2.5 billion), China (R2.1 billion), and the US (R1.8 billion). South Africa was a net exporter of processed forestry products in the period under review, except in 2018, where a negative trade balance of R9.2 billion was experienced.



**Figure 9:** South Africa's processed forestry trade performance 2008–2018

Source: GTA (2019)



**Table 11** shows the value of processed forestry exports, the top ten exported products, and the leading export destinations of these products from South Africa. Chemical wood pulp is the largest exported processed product, at an exported value of R10 billion, with the bulk of it being destined to China (29%), India (25%), Indonesia (17%), Thailand (10%) and the Netherlands (8%). The five countries import around 89% of the total of South Africa's chemical wood pulp exported. Kraft liner uncoated is the second most-exported processed product, constituting about R1.8 billion and 53% of exports, destined to Belgium, Spain, Italy, Germany and India. Other exported processed products include chemical wood pulp soda (7.5%), cartons boxes & cases corrugated paper (3.4%), printed books brochures (3.3%) and paper uncoated (3.2%) respectively. Overall, South Africa's processed forestry imports showed a growth of 3.1% between 2017 and 2018.

**Table 11: South Africa's exports of processed forestry goods**

| HS code                    | Product description                          | Value exported R'Million |        |        | Share value % |       |       | Market destination                               |
|----------------------------|--|--------------------------|--------|--------|---------------|-------|-------|--|
|                            |  | 2016                     | 2017   | 2018   | 2016          | 2017  | 2018  |  |
| Processed forestry exports |  | 22 542                   | 22 001 | 22 672 | 100           | 100   | 100   |  |
| 470200                     | Chemical Wood pulp                           | 10 740                   | 10 372 | 10 002 | 47.64         | 47.14 | 44.12 | China (29%) India (25%)<br>Indonesia (17%)       |
| 480419                     | Kraft Liner Uncoated                         | 2 399                    | 1 994  | 1 758  | 10.64         | 9.06  | 7.76  | Belgium (19%) Spain (10%) Italy (9%)             |
| 470329                     | Chem Wood pulp<br>Soda etc.                  | 1 330                    | 1 854  | 1 690  | 5.90          | 8.43  | 7.45  | China (25%) Thailand (13%)<br>Indonesia (11%)    |
| 481910                     | Cartons Boxes &<br>Cases Corrugated<br>Paper | 688                      | 712    | 776    | 3.05          | 3.24  | 3.42  | Zimbabwe (16%) Mozambique (15%)<br>Namibia (14%) |
| 490199                     | Printed Books<br>Brochures                   | 622                      | 549    | 743    | 2.76          | 2.50  | 3.28  | Zimbabwe (17%) Eswatini (13%)<br>DRC (13%)       |
| 480256                     | Paper Uncoated                               | 540                      | 569    | 736    | 2.39          | 2.59  | 3.24  | Uganda (23%) Tanzania (19%)<br>Zimbabwe (17%)    |
| 480100                     | Newsprint in Rolls or<br>Sheets              | 372                      | 275    | 427    | 1.65          | 1.25  | 1.88  | China (49%) Zimbabwe (15%)<br>Botswana (9%)      |
| 481810                     | Toilet Paper                                 | 361                      | 419    | 420    | 1.60          | 1.91  | 1.85  | Namibia (29%) Botswana (25%)<br>Eswatini (11%)   |
| 481159                     | Paper/Paperboard<br>Nesoi                    | 340                      | 350    | 408    | 1.51          | 1.59  | 1.80  | Nigeria (36%) Zimbabwe (18%)<br>Botswana (16%)   |
| 482090                     | Blotting Pads/Book<br>Covers                 | 132                      | 117    | 315    | 0.59          | 0.53  | 1.39  | Namibia (75%) Zimbabwe (7%)<br>Botswana (6%)     |

Source: GTA (2019)





Between 2017 and 2018, processed forestry imports showed a growth in value of 60.3%. **Table 12** highlights the top ten processed agricultural imports products, as well as the leading suppliers for these products. Unused postage check forms were the biggest contributor to this growth, with an imported value R13.1 billion, followed by paper/paperboard (4.6%), printed books brochures (4.4%), chemical wood pulp soda (4.2%) and paperboard cellulose (2.8%). The top ten products accounted for 67.7% of total processed forestry imports in 2018.

**Table 12: South Africa's imports of processed forestry goods**

| HS code                    | Product description                         | Value imported R'Million |        |        | Share value % |       |       | Market destination                              |
|----------------------------|---|--------------------------|--------|--------|---------------|-------|-------|---|
|                            |   | 2016                     | 2017   | 2018   | 2016          | 2017  | 2018  |   |
| Processed forestry imports |   | 17 797                   | 19 827 | 31 907 | 100           | 100   | 100   |   |
| 490700                     | Unused Postage<br>Check Forms               | 190                      | 3 883  | 13 085 | 1.07          | 19.58 | 41.01 | UK (66%) Area nes (8%)<br>Switzerland (7%)      |
| 481159                     | Paper/Paperboard<br>Nesoi                   | 1 176                    | 1 249  | 1 473  | 6.61          | 6.30  | 4.62  | Brazil (35%) Italy (9%) Turkey<br>(9%)          |
| 490199                     | Printed Books<br>Brochures                  | 1 635                    | 1 411  | 1 401  | 9.19          | 7.12  | 4.39  | UK (38%) US (22%) Eswatini<br>(12%) China (12%) |
| 470321                     | Chemical Wood pulp<br>Soda                  | 768                      | 732    | 1 345  | 4.32          | 3.69  | 4.22  | US (52%) Russia (16%) New<br>Zealand (9%)       |
| 481190                     | Paper Paperboard<br>Cellulose Wadd          | 677                      | 731    | 902    | 3.80          | 3.69  | 2.83  | Germany (49%) Austria (11%)<br>Spain (7%)       |
| 481141                     | Gummed/Adhesive<br>Paper                    | 673                      | 708    | 705    | 3.78          | 3.57  | 2.21  | India (23%) Poland (17%) Italy<br>(14%)         |
| 481029                     | Paper/Paperboard<br>excl. Lit-Weigh Writing | 698                      | 612    | 687    | 3.92          | 3.08  | 2.15  | Finland (38%) Korea S (23%)<br>China (22%)      |
| 481092                     | Paper/Paperboard<br>excl. Kraft/Graphic     | 583                      | 626    | 682    | 3.28          | 3.16  | 2.14  | Sweden (20%) Finland (19%)<br>Brazil (18%)      |
| 480257                     | Paper<br>Paperboard<10%<br>Fibre            | 502                      | 662    | 676    | 2.82          | 3.34  | 2.12  | Germany (33%) Indonesia<br>(25%) China (9%)     |
| 480421                     | Sack Kraft Paper<br>Uncoated                | 498                      | 490    | 655    | 2.80          | 2.47  | 2.05  | Sweden (48%) Bulgaria (15%)<br>Russia (14%)     |

Source: GTA (2019)





## TRENDS IN INPUT COSTS

### 3.1 Terms of trade for primary agriculture

The rise in input costs at farm level creates what is known as the cost–price squeeze effect. This is best illustrated by calculating the terms of trade at the primary agricultural level by dividing the primary Producer Price Index (PPI) by the Farming Requisite Price Index (FRPI); i.e., the prices received by farmers for their output, divided by the prices paid for farm inputs. It is evident that the terms of trade at the primary agricultural level have deteriorated significantly over time, as illustrated in **Figure 10**. There was, however, some relief during the commodity price boom from 2005 to 2007. The terms of trade for primary agriculture reached its peak in 2007, then decreased drastically up to 2010. The increase from 2013 continued during 2014, 2015 and 2016. The terms of trade for primary agriculture declined by 6.9% during 2017, with an 8.3% improvement during 2018.



**Figure 10:** Terms of trade (2005–2018)

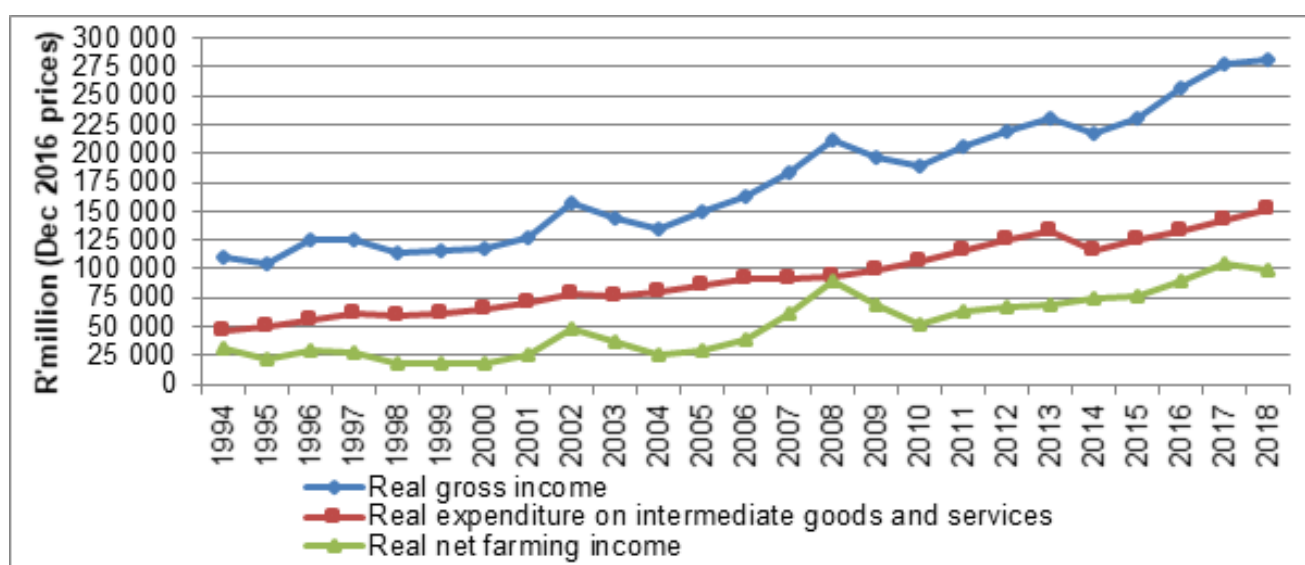
Source: DAFF (2019) and own calculations







The overall financial position of primary producers is constantly under pressure. **Figure 11** shows the real gross income, the real expenditure on intermediate goods and services, and the real net farming income from 1994 to 2018. Over the depicted period, the real net farming income increased by 215.26%, expenditure on intermediate goods and services by 219.17%, and gross income by 154.08%. Between 2017 and 2018, the real expenditure on intermediate goods and services and real gross income increased by 6.24% and 0.95% respectively, while the real net farm income decreased by 6.17%.



**Figure 11:** Real gross income, expenditure on intermediate goods and services, and farming income (1994–2018)

Source: DAFF (2019), Stats SA (2019) and own calculations

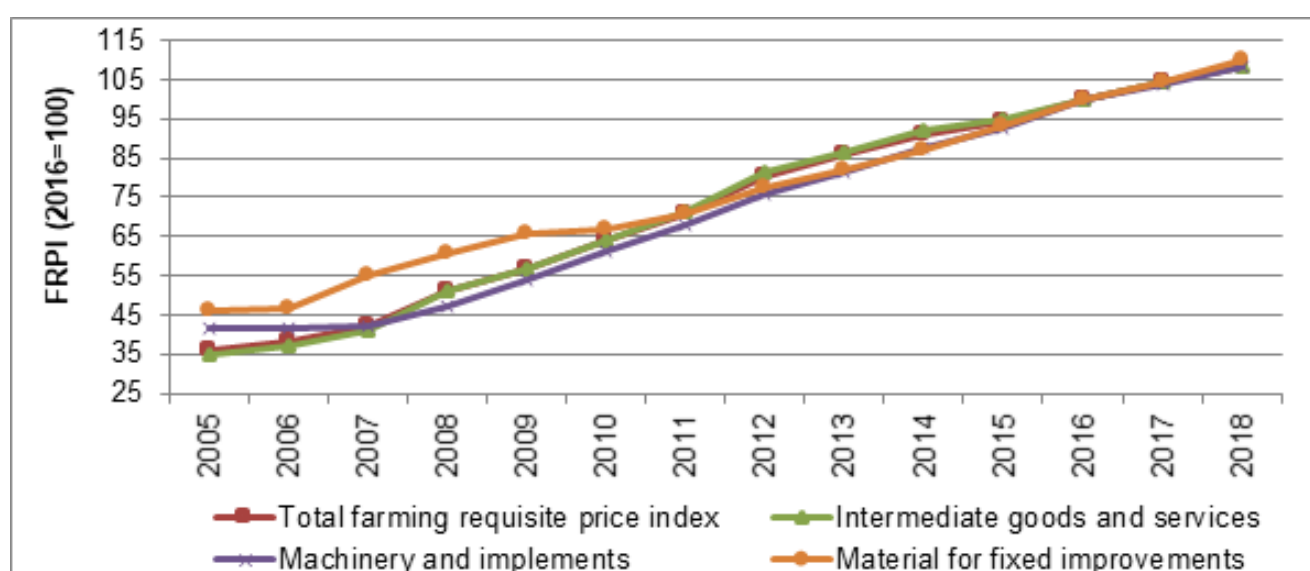
Within the ambit of the aforementioned, this section will reflect cost trends for selected inputs in primary agriculture and the food value chain responsible for the cost–price squeeze.



### 3.2 Farming Requisite Price Index (FRPI) trends

The FRPI, as calculated by the DAFF, measures the trends of prices that farmers pay for farming inputs. The total FRPI includes prices of machinery and implements, material for fixed improvements, and intermediate goods and services, and is a weighted average index.

From **Figure 12**, it is evident that all the prices of the input categories followed continuous increases throughout the depicted period. The total FRPI increased by 198.59%, with the price of intermediate goods and services resulting in the highest increase of 209.16%. This is followed by the price of machinery and implements (162%) and the price of materials for fixed improvements (139.45%) between 2005 and 2018. The FRPI increased by 3.89% from 2017 to 2018, with the largest increase in the price of materials being for fixed improvements (5.6%).



**Figure 12:** Total FRPI (2005–2018)

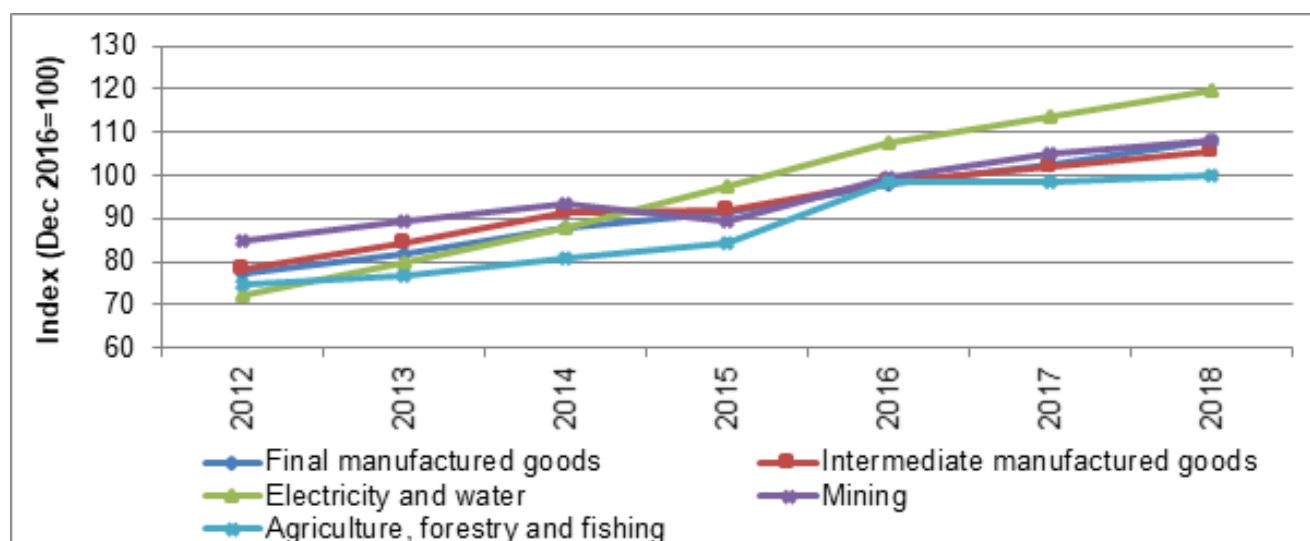
Source: DAFF (2019a)



### 3.3 Producer Price Index (PPI) trends

The cost of food manufacturing is influenced not only by the price of raw commodities as inputs, but also by non-food inputs. Among these are the costs of diesel, packaging material, electricity, and labour. The PPI (as calculated by Stats SA) was re-classified and rebased during 2013. The index changed from a first point-of-sale (factory-level) measure to a stage-of-production measure. Thus, the new PPI measures the change in the prices of goods either as they leave their place of production or as they enter the production process. This index includes the production stages of final manufactured goods, intermediate manufactured goods, electricity and water, mining and agriculture, and forestry and fisheries.

The PPI is measured at production stages and is a weighted average index to indicate the production inflation of the economy. **Figure 13** shows the PPI for the different stages of production. From 2012 to 2018, the PPI of electricity and water increased by 66.15%, final manufactured goods (headline PPI) increased by 39.69%, intermediate manufactured goods increased by 35.14%, agriculture, forestry and fisheries increased by 33.97%, and mining by 27.14%. During 2018, increasing trends were realised for final manufactured goods (5.45%), electricity and water (5.41%), intermediate manufactured goods (3.46%), mining (2.84%), and agriculture (1.36%).



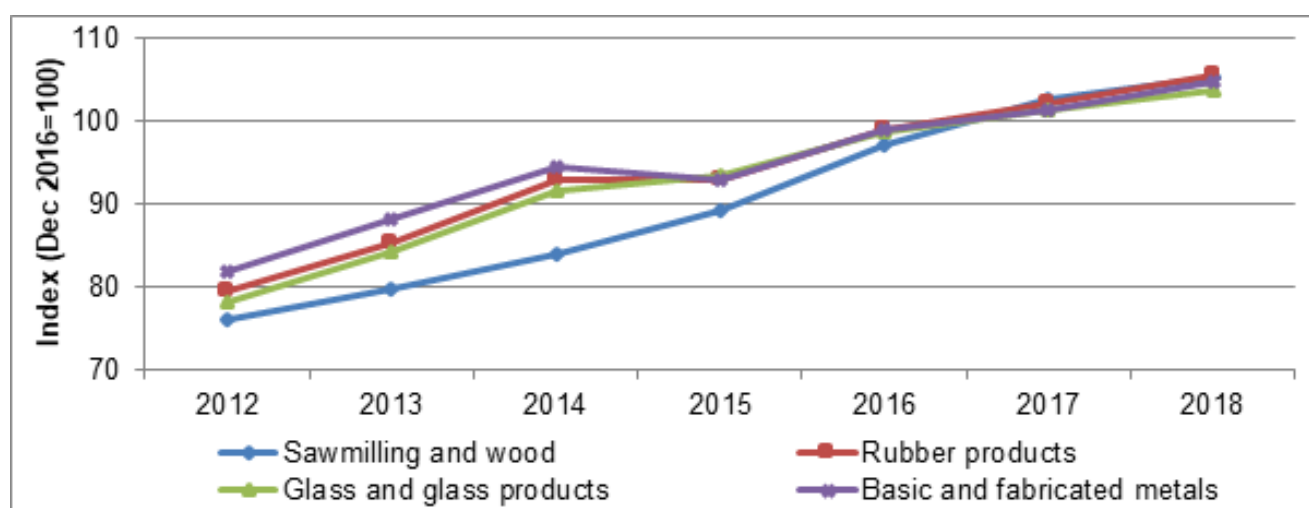
**Figure 13:** PPI for selected industry groups (2012–2018)

Source: Stats SA (2019)



**Figure 14** shows the PPI for intermediate manufactured goods. These items are not industry specific but indicate price trends to industry on the input side. From 2012 to 2018, the PPI of sawmilling and wood increased by 38.5%, rubber products by 32.92%, glass and glass products by 32.39%, and basic and fabricated metals by 27.89%.

Price trends between 2017 and 2018 for the items depicted were as follows: basic and fabricated metals increased by 3.42%, rubber products by 3.35%, sawmilling and wood by 2.38%, and glass and glass products by 2.2%.



**Figure 14:** PPI for selected input items (2012–2018)

Source: Stats SA (2019)







### 3.4 Trends in the cost of selected inputs

#### 3.4.1 Fertiliser prices

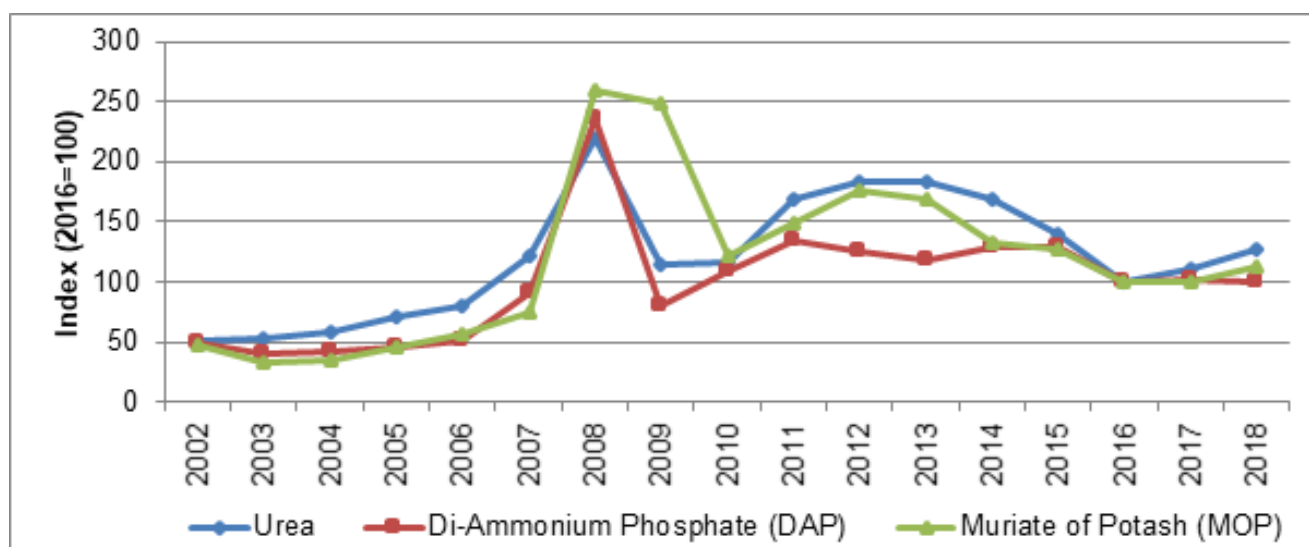
##### *International fertiliser prices*

The main role of fertilisers is to replenish nutrients in the soil to make it productive for agricultural practices. According to the International Fertilizer Industry Association (IFA) (2019), world fertiliser demand remained relatively subdued in 2018. Global fertiliser markets faced depressed or near stagnant crop prices and rising energy prices in a global context of escalating trade tensions and weakening currencies in some large fertiliser-consuming countries. These conditions influence fertiliser affordability and nutrient demand prospects throughout the year.

Despite a subdued fertiliser market in 2018, the main fertiliser raw materials (ammonia, phosphate rock and primary potash) registered record production levels. Downstream production of urea and monoammonium phosphate (MAP) expanded, while that of diammonium phosphate (DAP) and triple superphosphate (TSP) declined.

The global demand for fertiliser nutrients (consisting of nitrogen (N), phosphate ( $P_2O_5$ ) and potassium ( $K_2O$ )) is expected to reach 191.4 million tons by the middle of 2020 (IFA, 2019). World fertiliser demand growth would pick up in 2019, expanding at 1.4%. Global sales of primary raw materials for all uses in 2019 would grow by 1.2% to 254 Mt nutrients.

Figure 15 illustrates the trend of international fertiliser prices between 2002 and 2018. There was a fluctuation of prices over the period under review, where urea, muriate of potash (MOP) and DAP increased by 147.69%, 140.34% and 104.37%, respectively. Between 2017 and 2018, the price of Urea Granular (46) and MOP increased by 14.96% and 13.68%, respectively, while DAP decreased by 1.67%.



**Figure 15:** International fertiliser prices (2002–2018)

Source: Grain South Africa (Grain SA) (2019)



### Domestic fertiliser prices

The South African fertiliser industry is fully exposed to world market forces in a totally deregulated environment, with no import tariffs or government-sponsored protection measures. The local demand for fertiliser is in the region of 2 million physical tons. This amounts to approximately 731 000 tons of plant nutrients ( $N + P_2O_5 + K_2O$ ). **Table 13** shows South African fertiliser demand and the domestic production and import situation.

**Table 13: South African fertiliser demand, domestic production and imports**

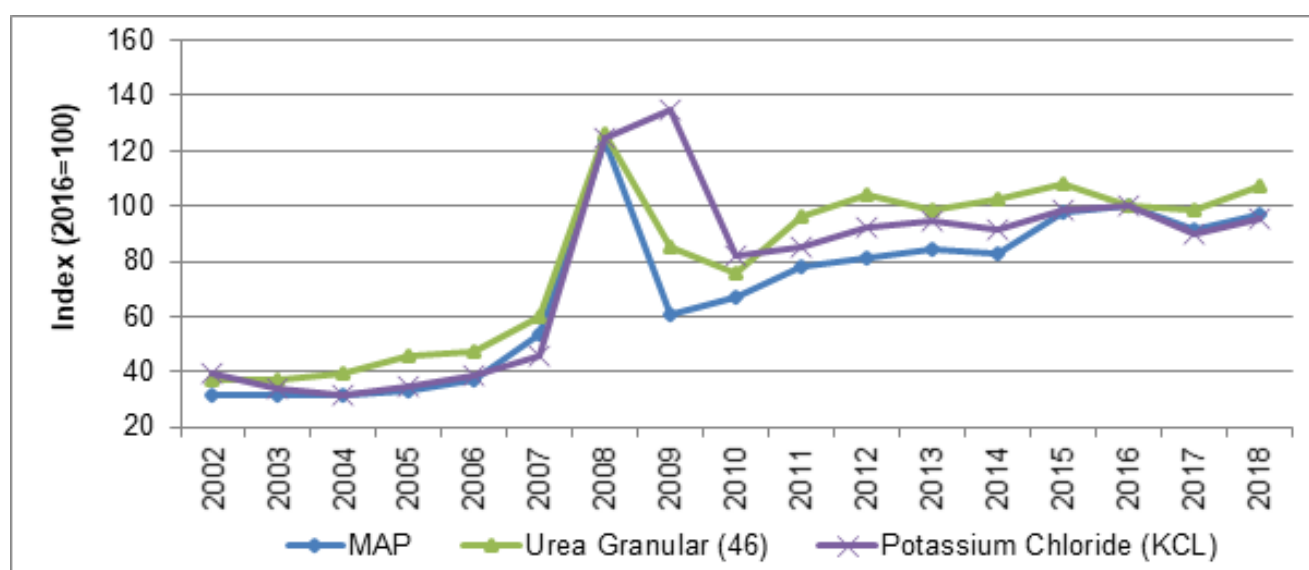
| Nutrient               | Demand (thousand tons) | Domestic production (thousand tons) | Imports (thousand tons) | Products    |
|------------------------|------------------------|-------------------------------------|-------------------------|-------------|
| Nitrogen (N)           | 403                    | 167                                 | 637                     | Mostly Urea |
| Phosphate ( $P_2O_5$ ) | 208                    | 233                                 | 133                     | Mostly DAP  |
| Potassium ( $K_2O$ )   | 120                    | None                                | 381                     | Mostly MOP  |

Source: FAO (2019)





South Africa imported USD 585.06 million and exported USD 343.15 million of fertiliser in 2018 (TradeMap, 2019). South Africa is a net importer of potassium and imports approximately 40% of its nitrogen requirements (Fertasa, 2018). Thus, the domestic prices are significantly impacted on by the international prices of raw material and fertiliser, as well as by shipping costs and the rand/dollar exchange rate. **Figure 16** details the analysis of movement in South African fertiliser prices between 2002 and 2018. The prices of local fertilisers – monoammonium phosphate (MAP), Urea Granular (46) and potassium chloride (KCL) – showed increases of 209.52%, 188.64% and 140.24%, respectively, between 2002 and 2018. Furthermore, on average, price movements were generally sideways and with some smaller fluctuations until the end of 2007, after which they escalated during 2008 with decreases during 2009, with the exception of KCL. During the period under review, MAP and Urea Granular (46) reached their peaks in 2008, while KCL had the highest price in 2009. The prices of Urea Granular (46), KCL and MAP increased by 8.58%, 5.78% and 5.77%, respectively, between 2017 and 2018.



**Figure 16:** Local fertiliser price trends (2002–2018)

Source: Grain SA (2019) and own calculations



### 3.4.2 Administered and regulated prices

An administered price is defined as the price of a product that is set consciously by an individual producer or group of producers and/or any price that can be determined or influenced by government, either directly or through a government agency/institution, without reference to market forces.

Examples of administered prices are the following:

- Housing (assessment rates, sanitary fees, refuse removal, water, electricity and paraffin);
- Transport (petrol, public transport – trains, motor licences and motor vehicle registration);
- Communication (telephone fees, postage, cell phone calls);
- Recreation and culture (television licence);
- Education (school fees and university, Technikon and college fees); and
- Restaurants, hotels and hostels (university boarding fees).

Regulated prices are those administered prices that are monitored and controlled by government policy. To this end, price regulation does not necessarily imply the presence of an economic regulator, but a restriction on the extent to which prices may vary, depending on government's policy objective.

Examples of administered prices that are regulated are the following:

- Housing (water, electricity and paraffin);
- Transport (petrol); and
- Communication (telephone fees, postage, cell phone calls).







## Transport

### *International crude oil prices*

Crude oil is not only the primary feedstock for fuels that transport everything around the globe, but is also a feedstock to many items along the supply chain. Crude oil prices affect food value chains in several complex ways, from influencing the prices of primary agricultural inputs, to inputs used in value-addition processes (e.g., packaging), to the distribution of food. Trends in the crude oil price are therefore an important indicator of trends in prices throughout the food value chain.

The movement of the crude oil price from 2002 to 2018 is illustrated in **Figure 17**. Crude oil was valued at USD 24.89/barrel in 2002, after which it increased at a decreasing rate until it rocketed in the early part of 2007 and reached an average price of USD 97.55/barrel in 2008. However, crude oil prices decreased significantly by 36.65% to USD 61.80/barrel in 2009, as compared with 2008.

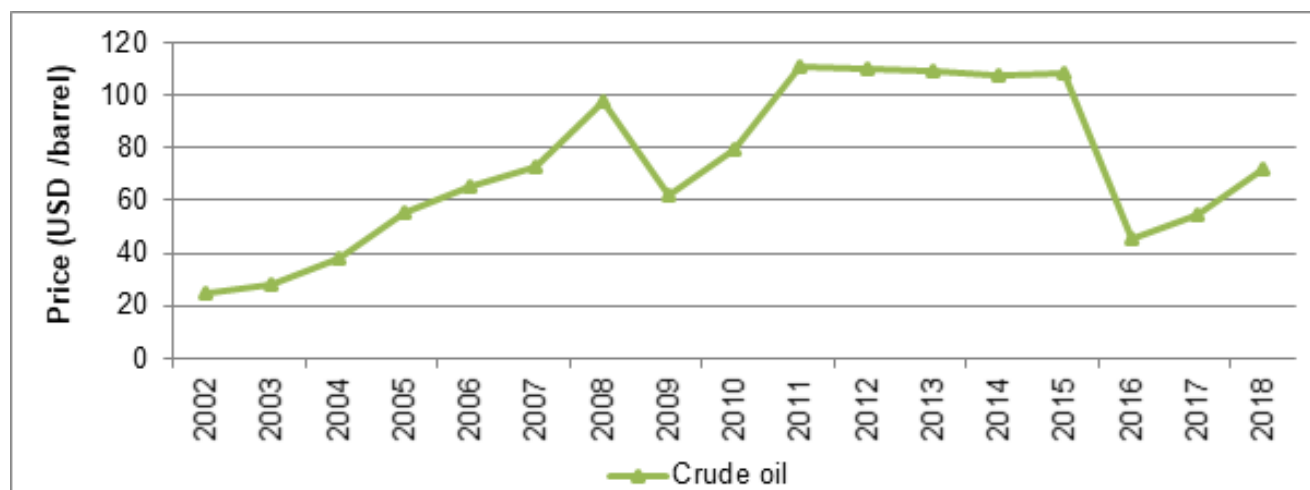
The International Energy Agency (IEA) (2009) reported that the price of oil depends on a multitude of global economic factors, such as economic growth, the future demand and supply of oil, and speculation in the oil market. Tighter credit availability, the slowdown in economic activity as a result of the global financial and economic crises, and less speculation in the oil market were the reasons provided by the IEA for the significant drop in oil prices since mid-2008. Nevertheless, this downward trend did

not continue during 2011 and the crude oil price increased by 79.9% on an average annual basis from 2009 to 2011. During the same year, 2011, the average crude oil price surpassed the peak of \$111.15/barrel. According to the IEA (2013), supply shortfalls during 2012 that were caused by the Libyan civil war, international sanctions against Iran, and unplanned non-OPEC output stoppages forced the price past the 2008 peak.

The situation has improved in the levels of supply from the USA and Iraq, and this includes some recovery in Libyan supply during 2012. On the demand side, the global economic recovery lost momentum and there are signs that China's demand is reducing. During 2013, the crude oil price decreased by only 0.9%. In 2014, the price of crude oil had a slight decrease of 1.4%. The combination of robust world crude oil supply growth and weak global demand contributed to rising global inventories and falling crude oil prices. The influx of US oil meant that major exporters, including Saudi Arabia, Nigeria and Algeria, have had to compete for new markets. This led to producers being forced to discount prices in the new competitive landscape. The world oil supply stayed higher than world oil demand throughout 2015 after similar conditions started at the beginning of 2014. This led to further decreases in the oil price. Demand slowed down in Europe, China and the US.



The crude oil price increased by 190.24% between 2002 and 2018. The crude oil price showed an increase of 31.68% from 2017 to 2018. The average value of crude oil was USD 72.24/barrel in 2018. The price increases during 2017 and 2018 was mainly attributable to supply control and lower global economic growth that cause lower demand.



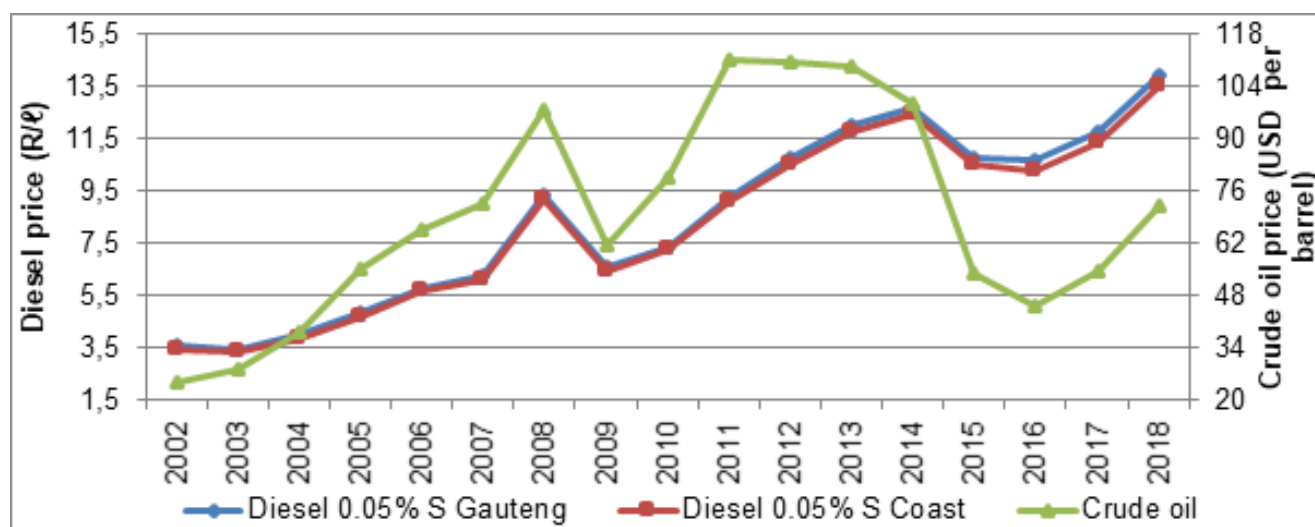
**Figure 17: Crude oil price (2002–2018)**

Source: Grain SA (2019)

### Domestic fuel and transport costs

Fuel makes a significant contribution to the variable costs of primary agricultural production, as well as food distribution costs. The crude oil price and 0.05% sulphur diesel price trends in Gauteng and at the coast between 2002 and 2018 are illustrated in **Figure 18**. The movement of the international oil price, taxes and levies, and the instability of the exchange rate affect the local price of diesel. From 2002 to 2018, the local prices of 0.05% sulphur diesel in Gauteng, 0.05% sulphur diesel at the coast, and crude oil (\$/barrel) increased by 289.64%, 289.14% and 190.24%, respectively. The diesel price peaked in 2008, achieving an average price of R9.27/ℓ, with R9.34/ℓ in Gauteng and R9.20/ℓ at the coast. The average diesel price, however, decreased significantly during 2009 (-29.47%). Over the same period, the crude oil price decreased by 36.65%. These peaks in the price of diesel were surpassed during 2013 and 2014 when the average diesel price amounted to R11.86/ℓ and R12.55/ℓ, respectively. During 2018, the diesel price reached new record levels, at R13.95, in Gauteng province and R13.49 at the coast, on the back of higher oil prices attributable to the slowdown of the global economy, supply situations in Venezuela (among others) and the ongoing trade war between USA and China.

Price trends for the items depicted between 2017 and 2018 were as follows: the crude oil price, 0.05% sulphur diesel in Gauteng, and 0.05% sulphur diesel at the coast increased by 31.97% (\$/barrel), 18.81% (R/ℓ) and 18.79% (R/ℓ), respectively.



**Figure 18:** Diesel prices in Gauteng and at the coast (2002–2018)

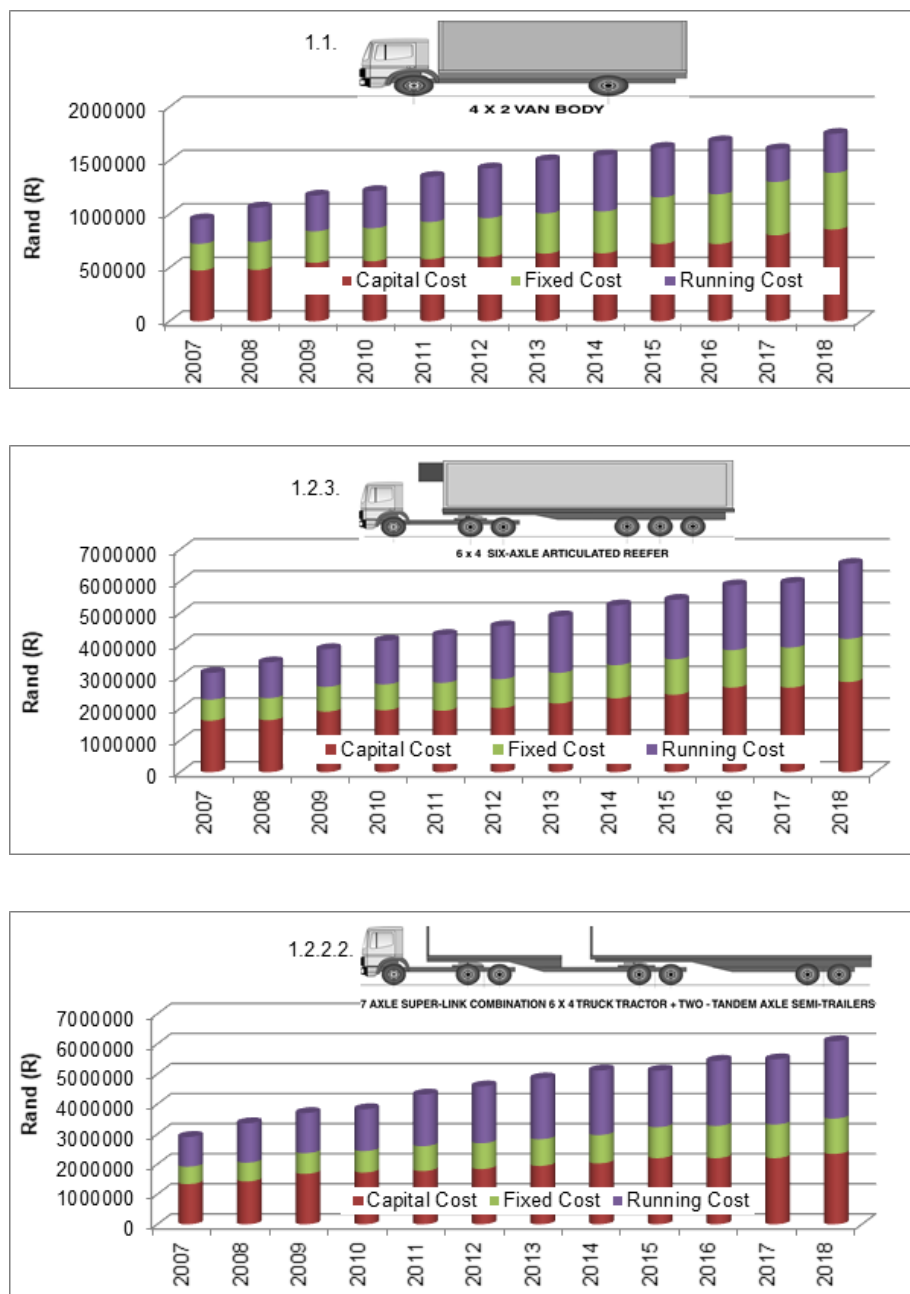
Source: South African Petroleum Industry Association (SAPIA) (2019) and Grain SA (2019)

Transport and logistical costs account for a substantial portion of the overall cost of food. The diverse nature, location and size of the various agricultural value chains, from farm gate to consumer, present a highly complex transport matrix. Furthermore, there is a perception that food prices are driven up by high fuel prices, but never come down when fuel prices drop. Cognisance should be taken of the fact that there are also other cost drivers that affect transport and logistical costs.

Based on the National Freight Database (NFD), three vehicle categories were chosen to represent vehicles typically used to transport agricultural products and livestock. The NFD categorises vehicles by their number of axles. This method is similar to that applied in the calculation of toll road fees.



**Figure 19** illustrates the vehicle cost composition over time for different sized vehicles<sup>1</sup>. Fixed costs include depreciation, cost of capital, licences, insurance and wages. Running costs include fuel, oil, maintenance, tyres and incidental costs. The sum of the fixed and running costs is the total operational cost.



**Figure 19: Vehicle costs over time for different sized vehicles (2007–2018)**

Source: FleetWatch (2019)

<sup>1</sup> Assumptions: 1 – 85 000 km per annum, 260 work days, 8-ton payload and estimated economical life of 8 years.  
 2 – 180 000 km per annum, 286 work days, 28-ton payload and estimated economical life of 5 years.  
 3 – 200 000 km per annum, 286 work days, 36-ton payload and estimated economical life of 4 years.





**Table 14** below illustrates the vehicle cost changes between 2007 and 2018.

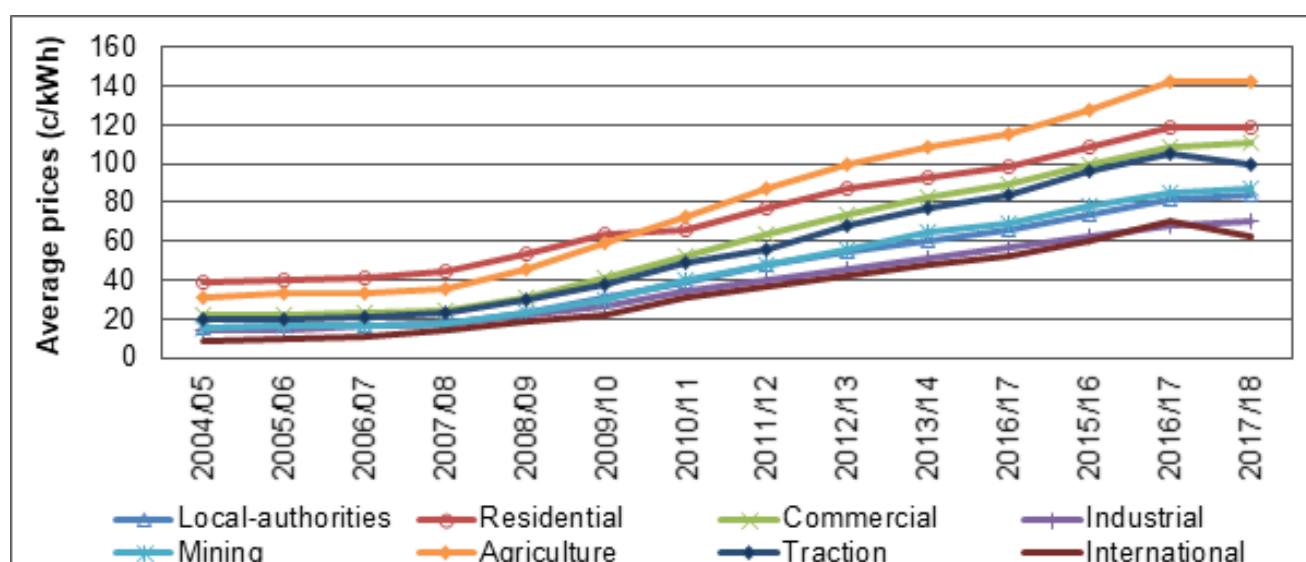
**Table 14: Vehicle cost changes from 2007 to 2018**

| 2-axle vehicles      | 6-axle vehicles       | 7-axle vehicles       |
|----------------------|-----------------------|-----------------------|
| Capital cost: 80.7%  | Capital cost: 75.01%  | Capital cost: 74.93%  |
| Fixed cost: 112.65%  | Fixed cost: 105.04%   | Fixed cost: 103.36%   |
| Running cost: 58.49% | Running cost: 181.01% | Running cost: 159.82% |

**Source: Own calculations, based on FleetWatch (2019)**

## Energy

Eskom is not only the major energy supplier in South Africa, but also in Africa at large. Eskom generates approximately 95% of the electricity used in South Africa, and about 45% in Africa (Eskom, 2019). **Figure 20** illustrates the average price (c/kWh) of electricity that Eskom transmits and distributes to industrial, mining, commercial, agricultural, residential customers and redistributors, as compared with the average price at international level. Between the financial years of 2004/05 and 2009/10, the average price (c/kWh) in the residential sector was expensive or highest, compared with other sectors. The residential sector utilised electricity at an average price of 38.70c/kWh and 63.98c/kWh from 2004/05 to 2009/10, respectively. During 2010/11, the agricultural sector overlapped the residential sector. Since then, the agricultural sector has remained the industry that purchases electricity at the highest price. The agricultural sector utilised electricity at an average price of 142.78c/kWh in 2017/18.

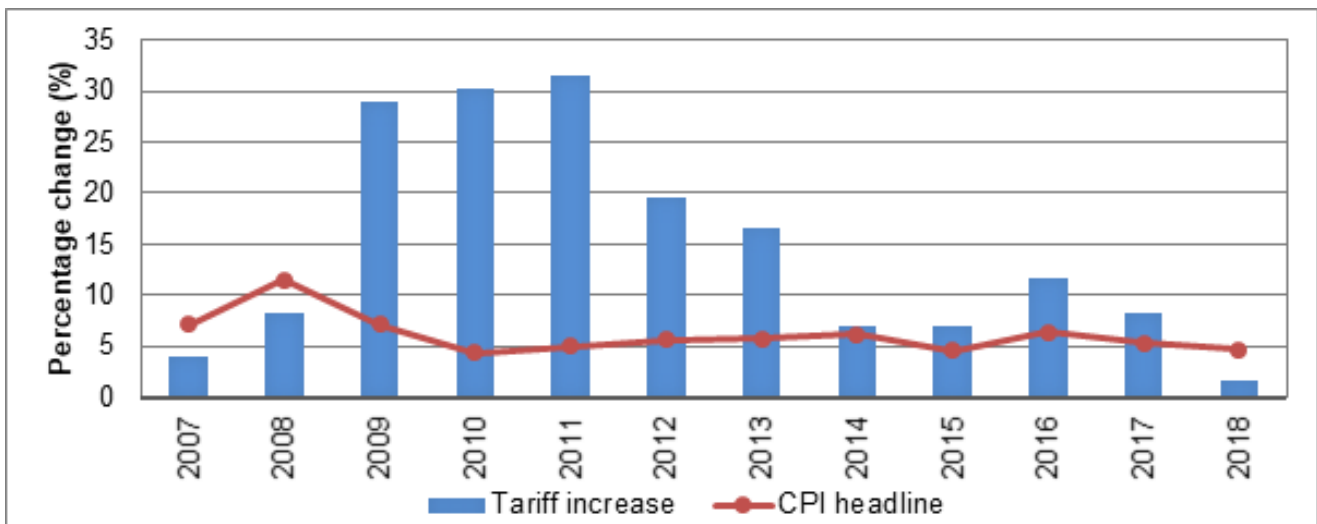


**Figure 20: Average price (c/kWh) sold to different sectors**

**Source: Eskom (2019)**



**Figure 21** depicts the trend between the change in average Eskom price and annual inflation rate between 2007 and 2018. There was a fluctuation movement between the two variables, tariff, and CPI headline, during the period under review. In 2011, Eskom tariffs increased by 31.6%, compared with 2010. In 2018, the Eskom tariff increased by 2%, compared with 2017, which is below inflation as was also the case in 2007 and 2008.



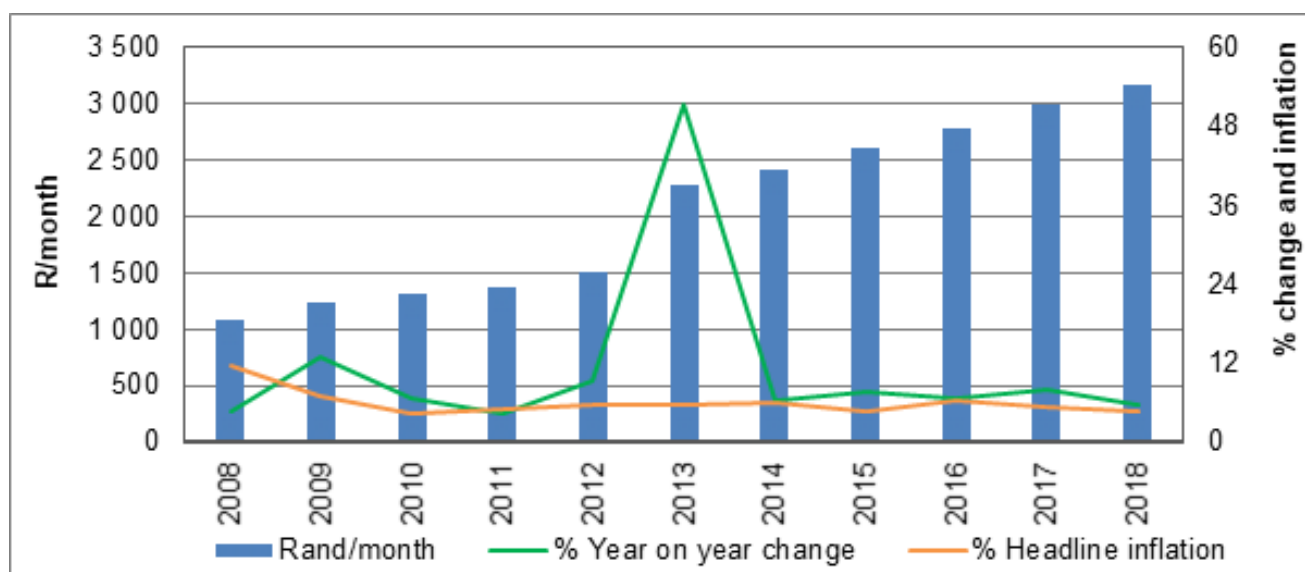
**Figure 21:** Eskom tariff changes

Source: National Energy Regulator of South Africa (NERSA) (2019) & Stats SA (2019)



## Labour

Promoting and creating quality jobs is regarded as one of the key priorities for the South African economy. **Figure 22** illustrates the regulated minimum wages for primary agriculture in South Africa. This minimum wage is always revised during March of each year. The minimum wage for farmworkers in 2008 was recorded as R1 090/month. Since 2012, it increased slightly, although the minimum wage from 2012 to 2013 increased drastically, by 51.2%. In 2018, the minimum wage was reported to be R3 169.19/month.



**Figure 22:** Minimum wages (2008–2018)

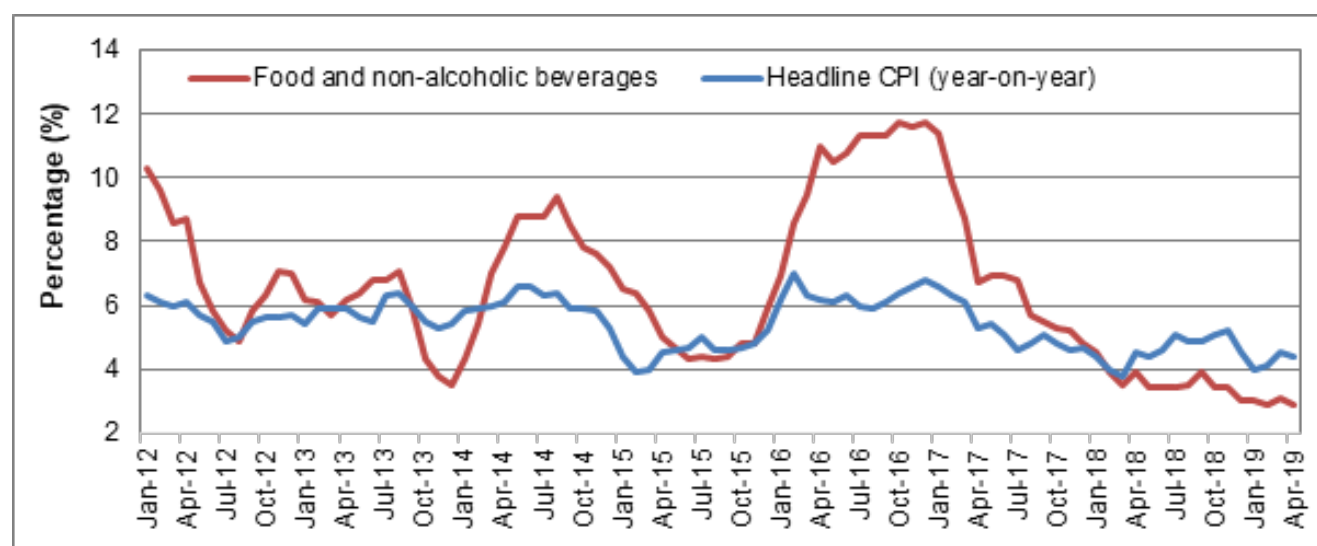
Source: Department of Labour (DoL) (2019)



## Inflationary Trends for Selected Food Stuffs

### 4.1 Food and non-alcoholic beverages

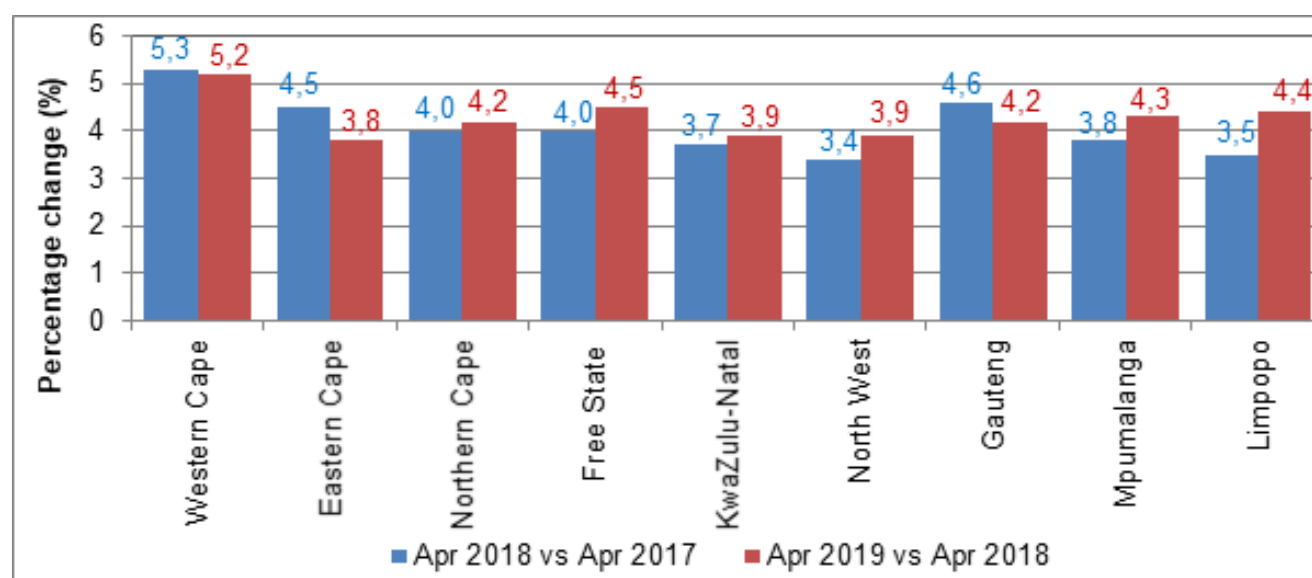
The average South African headline and food and non-alcoholic beverages inflation rates reached 4.6% and 3.3%, respectively, in April 2019. **Figure 23** presents the food and non-alcoholic beverage index and rate of change from January 2013 to April 2019.



**Figure 23:** CPI rate of change for food and non-alcoholic beverages

Source: Stats SA (2019)

The food inflation indices per province are illustrated in **Figure 24**. Provincially, the Western Cape province experienced the highest annual food inflation increase (5.2%) between April 2018 and April 2019. This was followed by the Free State (4.5%) and Limpopo (4.4%) provinces.



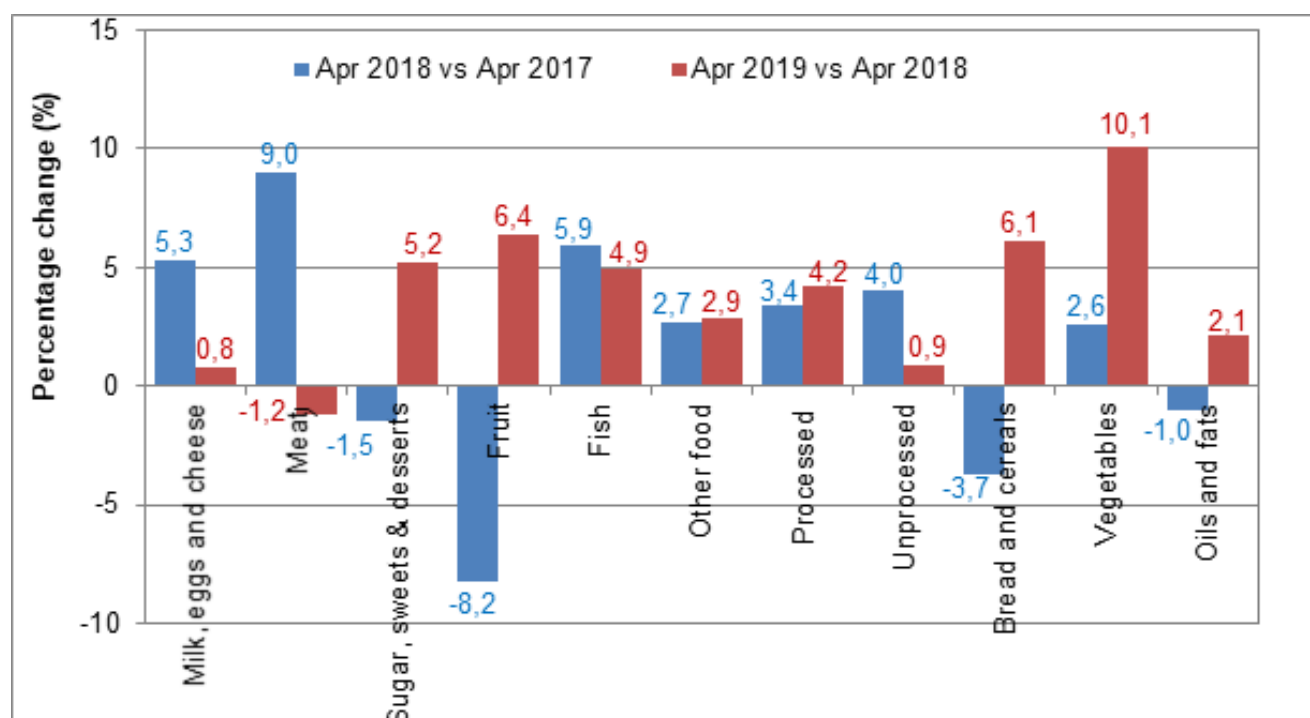
**Figure 24:** CPI for food and non-alcoholic beverages in the various provinces of South Africa

Source: Stats SA (2019)





The indices for the different food CPI components are shown in **Figure 25**. It is evident that the vegetables and fruit categories had the largest percentage increases of 10.1% and 6.4%, respectively, between April 2018 and April 2019. The largest decrease was in the meat category (-1.2%).



**Figure 25:** CPI for different food groups

Source: Stats SA (2019)



## 4.2 Urban food price trends

This section provides insights pertaining to the average retail prices of specific food items in urban areas for 2018, and to how they compared with the retail prices of the period from 2016 to 2017.

Selected retail prices for wheat products are shown in **Table 15**. On average, the retail price of wheat products decreased by 0.8% between 2017 and 2018. The price of a 700 g loaf of brown bread decreased by 3.6% and of a 700 g loaf of white bread by 1.5%, respectively, during the same period.

**Table 15: Average annual retail prices for certain wheat products**

| Wheat Products            | Price Level     |                 |                 | Percentage Change |              |
|---------------------------|-----------------|-----------------|-----------------|-------------------|--------------|
|                           | 2016            | 2017            | 2018            | 2017–2018         | 2016–2017    |
| Cake flour 1 kg           | 12.37           | 12.71           | 12.50           | -1.7%             | 2.8%         |
| Cake flour 2.5 kg         | 26.14           | 26.01           | 25.50           | -2.0%             | -0.5%        |
| Cake flour 5 kg           | 54.29           | 55.19           | 54.60           | -1.1%             | 1.6%         |
| Loaf of brown bread 600 g | 6.61            | 6.86            | 7.04            | 2.7%              | 3.7%         |
| Loaf of brown bread 700 g | 11.77           | 12.10           | 11.67           | -3.6%             | 2.8%         |
| Loaf of brown bread 800 g | 14.66           | 15.26           | 13.91           | -8.9%             | 4.1%         |
| Loaf of white bread 600 g | 7.69            | 7.88            | 8.03            | 1.9%              | 2.4%         |
| Loaf of white bread 700 g | 12.97           | 13.24           | 13.05           | -1.5%             | 2.1%         |
| Macaroni 500 g            | 12.09           | 12.59           | 11.94           | -5.2%             | 4.2%         |
| Spaghetti 500 g           | 12.39           | 12.85           | 12.51           | -2.7%             | 3.7%         |
| <b>Average</b>            |                 |                 |                 | <b>-0.8%</b>      | <b>2.7%</b>  |
| <b>Wheat (R/ton)</b>      | <b>4,445.55</b> | <b>4,213.59</b> | <b>4,026.62</b> | <b>-4.4%</b>      | <b>-5.2%</b> |

Source: Stats SA (2019)

Selected retail prices for maize products are shown in **Table 16**. On average, the retail price for 2.5 kg special maize decreased by 19.7% between 2017 and 2018. The average price of 2.5 kg super maize decreased by 16.1% during the same period.

**Table 16: Average annual retail prices maize products**

| Maize Products              | Price Level     |                 |                 | Percentage Change |               |
|-----------------------------|-----------------|-----------------|-----------------|-------------------|---------------|
|                             | 2016            | 2017            | 2018            | 2017–2018         | 2016–2017     |
| Special maize 10 kg         | 81.32           | 77.07           | 59.01           | -23.4%            | -5.2%         |
| Special maize 1 kg          | 10.25           | 10.00           | 7.58            | -24.2%            | -2.4%         |
| Special maize 2.5 kg        | 23.65           | 22.85           | 18.35           | -19.7%            | -3.4%         |
| Special maize 5 kg          | 48.89           | 43.85           | 34.25           | -21.9%            | -10.3%        |
| Super maize 10 kg           | 11.70           | 11.60           | 10.17           | -12.3%            | -0.8%         |
| Super maize 2.5 kg          | 26.85           | 25.64           | 21.51           | -16.1%            | -4.5%         |
| Super maize 5 kg            | 49.20           | 45.98           | 37.17           | -19.1%            | -6.6%         |
| <b>Average</b>              |                 |                 |                 | <b>-19.5%</b>     | <b>-4.8%</b>  |
| <b>Yellow maize (R/ton)</b> | <b>3,360.42</b> | <b>2,164.60</b> | <b>2,213.49</b> | <b>2.3%</b>       | <b>-35.6%</b> |
| <b>White maize (R/ton)</b>  | <b>4,396.11</b> | <b>2,107.36</b> | <b>2,168.61</b> | <b>2.9%</b>       | <b>-52.1%</b> |

Source: Stats SA (2019)



**Table 17** shows the retail prices for oils and fats between 2016 and 2018. Margarine spread (500g) increased by 2.3% between 2017 and 2018, compared with the 10.1% reported between 2016 and 2017. Sunflower oil (750ml) increased by 0.7% during the same period.

**Table 17: Average annual retail prices sunflower products**

|                               | Price Level     |                 |                 | Percentage Change |              |
|-------------------------------|-----------------|-----------------|-----------------|-------------------|--------------|
| Sunflower Products            | 2016            | 2017            | 2018            | 2017–2018         | 2016–2017    |
| Brick margarine 125g          | 8.38            | 8.39            | 7.91            | -5.8%             | 0.1%         |
| Brick margarine 1 kg          | 41.37           | 43.08           | 44.14           | 2.5%              | 4.1%         |
| Brick margarine 250g          | 13.37           | 14.02           | 13.58           | -3.2%             | 4.9%         |
| Brick margarine 500g          | 21.52           | 22.24           | 22.33           | 0.4%              | 3.4%         |
| Margarine spread 1 kg         | 40.28           | 40.63           | 40.94           | 0.7%              | 0.9%         |
| Margarine spread 500g         | 24.08           | 26.50           | 27.12           | 2.3%              | 10.1%        |
| Sunflower oil 2ℓ              | 45.86           | 41.87           | 39.28           | -6.2%             | -8.7%        |
| Sunflower oil 500 ml          | 16.58           | 14.63           | 15.02           | 2.7%              | -11.7%       |
| Sunflower oil 750 ml          | 22.48           | 22.19           | 22.35           | 0.7%              | -1.3%        |
| <b>Average</b>                |                 |                 |                 | <b>-1.1%</b>      | <b>0.2%</b>  |
| <b>Sunflower seed (R/ton)</b> | <b>6,535.17</b> | <b>4,694.07</b> | <b>4,880.37</b> | <b>4.0%</b>       | <b>28.2%</b> |

Source: Stats SA (2019)

**Table 18** shows the retail prices for processed vegetables between 2016 and 2018. Tinned baked beans (410g) increased by 5% between 2017 and 2018. Dried beans (1 kg) decreased by 4.7% during the same period.

**Table 18: Average annual retail prices processed vegetables products**

|                           | Price Level |       |       | Percentage Change |              |
|---------------------------|-------------|-------|-------|-------------------|--------------|
| Processed Vegetables      | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017    |
| Baked beans - tinned 225g | 7.98        | 8.74  |       |                   | 9.5%         |
| Baked beans - tinned 410g | 8.85        | 9.42  | 9.89  | 5.0%              | 6.4%         |
| Beans - dried 1 kg        | 33.18       | 39.04 | 37.22 | -4.7%             | 17.7%        |
| Beans - dried 2 kg        | 56.91       | 63.03 | 58.91 | -6.5%             | 10.8%        |
| Beans - dried 500g        | 17.65       | 19.63 | 19.28 | -1.8%             | 11.2%        |
| <b>Average</b>            |             |       |       | <b>-2.0%</b>      | <b>11.1%</b> |

Source: Stats SA (2019)

**Table 19** shows the average retail prices for selected fresh vegetables. Fresh broccoli showed the largest price increase of 27%. The average retail price of fresh cabbage increased by 4.1%, with onions per kg increasing by 21.7%, and tomatoes per kg by 8.5%, between 2017 and 2018.

**Table 19: Average annual retail prices for certain food items in the vegetable group**

| Fresh Vegetables              | Price Level |       |       | Percentage Change |             |
|-------------------------------|-------------|-------|-------|-------------------|-------------|
|                               | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017   |
| Beetroot - fresh per kg       | 12.48       | 12.64 | 10.74 | -15.1%            | 1.3%        |
| Broccoli - fresh per kg       |             | 33.04 | 41.96 | 27.0%             |             |
| Cabbage - fresh each          | 13.82       | 13.75 | 13.95 | 1.5%              | -0.5%       |
| Cabbage - fresh per kg        | 11.38       | 12.13 | 12.63 | 4.1%              | 6.6%        |
| Carrots - fresh per kg        | 10.72       | 9.75  | 9.32  | -4.4%             | -9.1%       |
| Cauliflower - fresh per kg    | 28.58       | 35.06 | 42.41 | 21.0%             | 22.7%       |
| Onions - fresh per kg         | 13.47       | 11.80 | 14.36 | 21.7%             | -12.4%      |
| Potatoes - fresh per kg       | 12.91       | 11.66 | 11.99 | 2.8%              | -9.7%       |
| Pumpkin - fresh per kg        | 12.09       | 11.87 | 11.20 | -5.7%             | -1.8%       |
| Sweet potatoes - fresh per kg | 18.86       | 18.48 | 18.15 | -1.8%             | -2.0%       |
| Tomatoes - fresh per kg       | 17.45       | 16.65 | 18.07 | 8.5%              | -4.6%       |
| <b>Average</b>                |             |       |       | <b>5.4%</b>       | <b>1.9%</b> |

Source: Stats SA (2019)

**Table 20** shows the retail prices of selected processed and unprocessed meat products between 2016 and 2018. On average, the retail prices for meat increased by 7.7% between 2017 and 2018. The average retail price of beef chuck per kg increased by 6.5% from 2017 (R82.04/kg) to 2018 (R87.41/kg). The average retail price of fresh chicken portions and whole chicken per kg increased by 4.6% and 4.5%, respectively.





**Table 20: Average annual retail prices for certain items of processed and unprocessed meat**

| Processed & Unprocessed Meat            | Price Level |        |        | Percentage Change |              |
|---|-------------|--------|--------|-------------------|--------------|
|   | 2016        | 2017   | 2018   | 2017–2018         | 2016–2017    |
| Bacon 250 g                             | 33.03       | 34.11  | 36.06  | 5.7%              | 3.3%         |
| Bacon per kg                            | 101.57      | 110.87 | 135.72 | 22.4%             | 9.2%         |
| Beef brisket - fresh per kg             | 69.10       | 80.16  | 85.83  | 7.1%              | 16.0%        |
| Beef chuck - fresh per kg               | 70.62       | 82.04  | 87.41  | 6.5%              | 16.2%        |
| Beef fillet - fresh per kg              | 172.16      | 189.27 | 192.41 | 1.7%              | 9.9%         |
| Beef mince - fresh per kg               | 69.01       | 76.21  | 83.82  | 10.0%             | 10.4%        |
| Beef offal - fresh per kg               |             | 42.60  | 36.68  | -13.9%            |              |
| Beef rump steak - fresh per kg          | 114.70      | 124.98 | 126.37 | 1.1%              | 9.0%         |
| Beef sirloin - fresh per kg             | 118.49      | 129.32 | 136.56 | 5.6%              | 9.1%         |
| Beef T-bone - fresh per kg              |             | 73.54  | 77.08  | 4.8%              |              |
| Chicken giblets per kg                  |             | 33.72  | 34.80  | 3.2%              |              |
| Chicken portions - fresh per kg         | 53.75       | 56.70  | 59.34  | 4.6%              | 5.5%         |
| Chicken portions frozen non IQF average |             | 46.59  | 48.07  | 3.2%              |              |
| Chicken portions frozen non IQF per kg  |             | 44.64  | 47.80  | 7.1%              |              |
| Corned beef 300 g                       |             | 23.31  | 22.64  | -2.9%             |              |
| Ham 500 g                               |             | 36.21  | 37.48  | 3.5%              |              |
| IQF chicken portions – 1.5 kg           |             | 57.09  | 64.56  | 13.1%             |              |
| IQF chicken portions – 1.8 kg           |             | 54.49  | 58.01  | 6.5%              |              |
| IQF chicken portions – 1 kg             |             | 20.55  | 39.53  | 92.4%             |              |
| IQF chicken portions – 2 kg             |             | 63.06  | 66.85  | 6.0%              |              |
| IQF chicken portions – 4 kg             |             | 146.85 | 142.27 | -3.1%             |              |
| IQF chicken portions – 5 kg             |             | 158.95 | 167.57 | 5.4%              |              |
| Lamb - fresh per kg                     | 122.07      | 129.15 | 141.95 | 9.9%              | 5.8%         |
| Lamb - leg per kg                       | 115.20      | 128.76 | 137.13 | 6.5%              | 11.8%        |
| Lamb - loin chop per kg                 | 131.62      | 145.77 | 159.36 | 9.3%              | 10.8%        |
| Lamb - neck per kg                      | 93.86       | 106.36 | 119.68 | 12.5%             | 13.3%        |
| Lamb - offal per kg                     |             | 44.06  | 50.11  | 13.7%             |              |
| Lamb - rib chop per kg                  | 126.46      | 141.25 | 155.49 | 10.1%             | 11.7%        |
| Lamb - stew per kg                      |             | 98.49  | 110.83 | 12.5%             |              |
| Polony per kg                           | 39.31       | 42.59  | 41.89  | -1.7%             | 8.4%         |
| Pork - ribs per kg                      | 73.53       | 81.94  | 76.85  | -6.2%             | 11.4%        |
| Pork chops - fresh per kg               | 71.43       | 79.66  | 77.36  | -2.9%             | 11.5%        |
| Sausage 500 g                           |             | 45.26  | 46.75  | 3.3%              |              |
| Whole chicken - fresh per kg            | 41.83       | 44.25  | 46.26  | 4.5%              | 5.8%         |
| <b>Average</b>                          |             |        |        | <b>7.7%</b>       | <b>10.0%</b> |

**Source: Stats SA (2019)**



**Table 21** below indicates that retail prices of eggs and dairy products increased by 4.1% between 2017 and 2018, with two dozen eggs showing the largest annual increase of 23.8%.

**Table 21: Average annual retail prices for certain food items in the eggs and dairy group**

| Eggs and Dairy Products            | Price Level |        |        | Percentage Change |             |
|------------------------------------|-------------|--------|--------|-------------------|-------------|
|                                    | 2016        | 2017   | 2018   | 2017–2018         | 2016–2017   |
| Cheddar cheese per kg              | 98.75       | 103.06 | 104.81 | 1.7%              | 4.4%        |
| Eggs 0.5 dozen                     | 14.44       | 14.95  | 17.08  | 14.2%             | 3.6%        |
| Eggs 1 dozen                       | 21.75       | 22.33  | 22.99  | 3.0%              | 2.7%        |
| Eggs 1.5 dozen                     | 36.91       | 39.06  | 44.09  | 12.9%             | 5.8%        |
| Eggs 2 dozen                       |             | 43.41  | 53.73  | 23.8%             |             |
| Eggs 2.5 dozen                     | 49.09       | 54.07  | 61.08  | 13.0%             | 10.1%       |
| Full-cream milk - fresh 1 ℓ        | 12.96       | 13.80  | 14.28  | 3.5%              | 6.5%        |
| Full-cream milk - fresh 250 mℓ     |             | 6.59   | 6.75   | 2.4%              |             |
| Full-cream milk - fresh 2 ℓ        | 25.00       | 25.74  | 25.97  | 0.9%              | 2.9%        |
| Full-cream milk - fresh 500 mℓ     | 9.51        | 10.01  | 10.43  | 4.3%              | 5.2%        |
| Full-cream milk - long life 1 ℓ    | 13.43       | 13.94  | 13.91  | -0.2%             | 3.8%        |
| Full-cream milk - long life 500 mℓ | 8.80        | 8.80   | 8.73   | -0.7%             | -0.1%       |
| Full-cream milk - long life 6x1 ℓ  |             | 75.53  | 74.24  | -1.7%             |             |
| Low-fat milk - fresh 1 ℓ           | 14.36       | 15.20  | 15.47  | 1.8%              | 5.9%        |
| Low-fat milk - long life 1.5 ℓ     |             | 19.33  | 20.00  | 3.5%              |             |
| Low-fat milk - long life 1 ℓ       | 13.30       | 13.81  | 13.79  | -0.2%             | 3.8%        |
| Low-fat milk - long life 2 ℓ       |             | 24.03  | 22.99  | -4.3%             |             |
| Low-fat milk - long life 6x1 ℓ     |             | 82.83  | 85.04  | 2.7%              |             |
| Powdered milk 250 g                | 37.88       | 37.99  | 40.68  | 7.1%              | 0.3%        |
| Powdered milk 400 g                | 60.71       | 63.27  | 65.25  | 3.1%              | 4.2%        |
| Powdered milk 500 g                | 54.18       | 53.88  | 54.59  | 1.3%              | -0.6%       |
| Powdered milk 900 g                | 130.59      | 137.66 | 138.60 | 0.7%              | 5.4%        |
| <b>Average</b>                     |             |        |        | <b>4.1%</b>       | <b>4.0%</b> |

Source: Stats SA (2019)



As shown in **Table 22**, the average retail prices of apples increased by 6%, while bananas decreased by 9.3%, between 2017 and 2018.

**Table 22: Average annual retail prices for fruit**

| Fruits                    | Price Level |       |       | Percentage Change |             |
|---------------------------|-------------|-------|-------|-------------------|-------------|
|                           | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017   |
| Apples - fresh per kg     | 17.59       | 18.56 | 19.67 | 6.0%              | 5.5%        |
| Bananas - fresh per kg    | 14.18       | 15.18 | 13.76 | -9.3%             | 7.1%        |
| Naartjies - fresh per kg  |             | 21.84 | 25.96 | 18.8%             |             |
| Nectarines - fresh per kg |             | 36.94 | 35.92 | -2.7%             |             |
| Oranges - fresh per kg    | 16.75       | 17.90 | 17.94 | 0.2%              | 6.8%        |
| Peaches - per kg          |             | 34.40 | 31.41 | -8.7%             |             |
| Pears - per kg            |             | 18.78 | 20.93 | 11.5%             |             |
| <b>Average</b>            |             |       |       | <b>2.2%</b>       | <b>3.1%</b> |

Source: Stats SA (2019)

The prices of selected fish products for 2016 to 2018 are presented in **Table 23**. The retail price of 400g tinned fish (excluding tuna) increased by 3.9%. The average retail price of tinned tuna (170g) increased by 11.7% during the same period.

**Table 23: Average annual retail prices for certain food items in the fish group**

| Fish Products                   | Price Level |       |       | Percentage Change |             |
|---------------------------------|-------------|-------|-------|-------------------|-------------|
|                                 | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017   |
| Fish (excl. tuna) - tinned 155g | 9.95        | 10.61 | 10.81 | 1.9%              | 6.7%        |
| Fish (excl. tuna) - tinned 215g | 12.91       | 13.61 | 13.92 | 2.3%              | 5.4%        |
| Fish (excl. tuna) - tinned 400g | 17.28       | 17.57 | 18.26 | 3.9%              | 1.7%        |
| Tuna - tinned 170g              | 16.20       | 17.94 | 20.04 | 11.7%             | 10.7%       |
| <b>Average</b>                  |             |       |       | <b>4.9%</b>       | <b>4.9%</b> |

Source: Stats SA (2019)



Various other products are listed in **Table 24**. The average retail price of 250g white sugar increased by 9.4% between 2017 and 2018. The retail price of instant coffee 500g increased by 6.2% between 2017 and 2018, compared with the 13.2% reported between 2016 and 2017. The retail prices of 62.5g Ceylon/black tea increased by 7.8% during the same period.

**Table 24: Average annual retail prices for certain other food items**

| Other Products          | Price Level |        |        | Percentage Change |             |
|-------------------------|-------------|--------|--------|-------------------|-------------|
|                         | 2016        | 2017   | 2018   | 2017–2018         | 2016–2017   |
| Cold Cereals 375 g      | 32.52       | 35.56  | 38.68  | 8.8%              | 9.3%        |
| Cold Cereals 400 g      | 31.19       | 34.62  | 39.00  | 12.7%             | 11.0%       |
| Cold Cereals 450 g      | 25.57       | 25.61  | 25.03  | -2.3%             | 0.2%        |
| Cold Cereals 500 g      | 30.77       | 32.60  | 33.76  | 3.6%              | 5.9%        |
| Cold Cereals 750 g      | 42.53       | 44.72  | 45.86  | 2.6%              | 5.1%        |
| Ceylon/black tea 125 g  | 23.55       | 24.82  | 26.73  | 7.7%              | 5.4%        |
| Ceylon/black tea 200 g  | 13.94       | 17.46  | 20.48  | 17.3%             | 25.3%       |
| Ceylon/black tea 250 g  | 27.88       | 31.56  | 34.38  | 9.0%              | 13.2%       |
| Ceylon/black tea 500 g  | 50.50       | 55.58  | 64.48  | 16.0%             | 10.1%       |
| Ceylon/black tea 62.5 g | 12.37       | 14.31  | 15.42  | 7.8%              | 15.7%       |
| Instant coffee 100 g    | 27.73       | 26.98  | 24.98  | -7.4%             | -2.7%       |
| Instant coffee 200 g    | 74.13       | 80.94  | 78.33  | -3.2%             | 9.2%        |
| Instant coffee 250 g    | 33.72       | 35.54  | 35.82  | 0.8%              | 5.4%        |
| Instant coffee 500 g    | 48.48       | 54.89  | 58.32  | 6.2%              | 13.2%       |
| Instant coffee 750 g    | 78.33       | 78.59  | 77.04  | -2.0%             | 0.3%        |
| Peanut butter 250 g     |             | 20.06  | 20.49  | 2.2%              |             |
| Peanut butter 400 g     | 24.77       | 27.61  | 27.98  | 1.3%              | 11.5%       |
| Peanut butter 800 g     | 47.05       | 50.91  | 51.98  | 2.1%              | 8.2%        |
| Rice 10 kg              | 111.10      | 113.90 | 120.48 | 5.8%              | 2.5%        |
| Rice 1 kg               | 17.20       | 18.62  | 18.74  | 0.6%              | 8.3%        |
| Rice 2kg                | 25.15       | 26.04  | 25.55  | -1.9%             | 3.6%        |
| Rice 500 g              | 7.96        | 8.21   | 8.34   | 1.6%              | 3.2%        |
| Rice 5kg                | 63.43       | 65.86  | 65.68  | -0.3%             | 3.8%        |
| White sugar 10 kg       | 139.10      | 159.11 | 156.82 | -1.4%             | 14.4%       |
| White sugar 1 kg        | 16.33       | 18.62  | 18.76  | 0.7%              | 14.0%       |
| White sugar 2.5 kg      | 33.49       | 38.65  | 37.57  | -2.8%             | 15.4%       |
| White sugar 250 g       | 5.02        | 5.48   | 6.00   | 9.4%              | 9.1%        |
| White sugar 2 kg        | 26.39       | 28.99  | 26.87  | -7.3%             | 9.9%        |
| White sugar 500 g       | 9.03        | 10.19  | 10.33  | 1.4%              | 12.8%       |
| White sugar 5 kg        | 69.97       | 81.12  | 79.02  | -2.6%             | 15.9%       |
| <b>Average</b>          |             |        |        | <b>2.9%</b>       | <b>8.9%</b> |

Source: Stats SA (2019)





### 4.3 Rural food price trends

This section provides insight into the average prices of specific food items in rural areas from 2016 to 2018.

**Table 25** shows that in 2018, consumers in rural areas paid 1.9% more, on average, for a loaf of brown bread (700 g) and 2.3% more for a loaf of white bread (700 g) than they did in 2017.

**Table 25: Average annual retail prices for wheat products in rural areas**

| Wheat Products           | Price Level |       |       | Percentage Change |             |
|--------------------------|-------------|-------|-------|-------------------|-------------|
|                          | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017   |
| Loaf of white bread 600g | 9.54        | 10.06 | 10.26 | 2.0%              | 5.4%        |
| Loaf of white bread 700g | 11.00       | 11.49 | 11.70 | 1.9%              | 4.4%        |
| Loaf of brown bread 600g | 9.97        | 10.43 | 10.53 | 1.0%              | 4.6%        |
| Loaf of brown bread 700g | 12.02       | 12.44 | 12.73 | 2.3%              | 3.6%        |
| <b>Average</b>           |             |       |       | <b>1.8%</b>       | <b>4.5%</b> |

Source: Stats SA (2019)

Selected rural retail prices for maize products are shown in **Table 26**. On average, the rural retail price for 2.5 kg special maize decreased by 20.8% between 2017 and 2018. The price of 2.5 kg super maize increased by 15.8% during the same period.

**Table 26: Average annual retail prices for maize products in rural areas**

| Maize Products      | Price Level |       |       | Percentage Change |             |
|---------------------|-------------|-------|-------|-------------------|-------------|
|                     | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017   |
| Special maize 1 kg  | 9.84        | 10.17 | 9.13  | -10.3%            | 3.4%        |
| Special maize 2.5kg | 22.54       | 23.14 | 18.32 | -20.8%            | 2.7%        |
| Special maize 5 kg  | 41.76       | 39.86 | 31.48 | -21.0%            | -4.6%       |
| Super maize 1 kg    | 11.47       | 12.06 | 10.71 | -11.2%            | 5.2%        |
| Super maize 2.5kg   | 25.48       | 25.60 | 21.57 | -15.8%            | 0.5%        |
| Super maize 5 kg    | 48.01       | 47.63 | 39.38 | -17.3%            | -0.8%       |
| <b>Average</b>      |             |       |       | <b>-16.1%</b>     | <b>1.1%</b> |

Source: Stats SA (2019)

The average prices of 750 ml sunflower oil, 500 g margarine spread and 250 g brick margarine increased by 0.5%, 14.4% and 0.3%, respectively, between 2017 and 2018 (**Table 27**).

**Table 27: Average annual retail prices for oils and fats in rural areas**

| Sunflower Products    | Price Level |       |       | Percentage Change |             |
|-----------------------|-------------|-------|-------|-------------------|-------------|
|                       | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017   |
| Brick margarine 125 g | 8.78        | 9.35  | 9.43  | 0.9%              | 6.5%        |
| Brick margarine 250 g | 13.57       | 14.65 | 14.69 | 0.3%              | 8.0%        |
| Brick margarine 500 g | 21.66       | 22.48 | 21.83 | -2.9%             | 3.8%        |
| Margarine 1 kg        | 39.06       | 39.95 | 39.03 | -2.3%             | 2.3%        |
| Margarine 250 g       | 12.03       | 14.45 | 15.00 | 3.8%              | 20.2%       |
| Margarine 500 g       | 20.69       | 24.42 | 27.93 | 14.4%             | 18.0%       |
| Sunflower oil 2 l     | 42.14       | 40.25 | 37.92 | -5.8%             | -4.5%       |
| Sunflower oil 500 ml  | 13.94       | 14.63 | 14.44 | -1.3%             | 5.0%        |
| Sunflower oil 750 ml  | 17.90       | 17.67 | 17.75 | 0.5%              | -1.3%       |
| <b>Average</b>        |             |       |       | <b>0.8%</b>       | <b>3.6%</b> |

Source: Stats SA (2019)

Consumers in rural areas paid 4.9% and 1% more for full-cream fresh (1 l) and full-cream long-life (1 l) milk, respectively. The price of half a dozen eggs increased by 21% between 2017 and 2018 (Table 28).

**Table 28: Average annual retail prices for dairy products in rural areas**

| Dairy Products                     | Price Level |       |       | Percentage Change |             |
|------------------------------------|-------------|-------|-------|-------------------|-------------|
|                                    | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017   |
| Eggs 0.5 dozen                     | 9.03        | 9.67  | 11.70 | 21.0%             | 7.1%        |
| Full-cream milk - fresh 1 l        | 12.76       | 13.11 | 13.76 | 4.9%              | 2.8%        |
| Full-cream milk - fresh 2 l        | 25.51       | 26.07 | 26.23 | 0.6%              | 2.2%        |
| Full-cream milk - fresh 500 ml     | 9.21        | 9.90  | 10.16 | 2.7%              | 7.5%        |
| Full-cream milk - long life 1 l    | 13.99       | 14.54 | 14.68 | 1.0%              | 3.9%        |
| Full-cream milk - long life 500 ml | 9.94        | 10.24 | 10.28 | 0.3%              | 3.1%        |
| Low-fat milk - fresh 1 l           | 15.00       | 15.11 | 14.72 | -2.6%             | 0.7%        |
| Low-fat milk - fresh 2 l           | 26.51       | 27.07 | 28.27 | 4.4%              | 2.1%        |
| <b>Average</b>                     |             |       |       | <b>4.0%</b>       | <b>3.7%</b> |

Source: Stats SA (2019)

Table 29 shows the prices of Ceylon/black tea and instant coffee paid by consumers in rural areas for the period 2016 to 2018. On average, the price of 250 g Ceylon/black tea increased by 7.1%.

**Table 29: Average annual retail prices for tea and coffee in rural areas**

| Tea and Coffee         | Price Level |       |       | Percentage Change |             |
|------------------------|-------------|-------|-------|-------------------|-------------|
|                        | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017   |
| Ceylon/black tea 125g  | 17.61       | 20.34 | 20.88 | 2.7%              | 15.5%       |
| Ceylon/black tea 200g  | 22.37       | 27.45 | 33.20 | 20.9%             | 22.7%       |
| Ceylon/black tea 250g  | 27.16       | 28.72 | 30.76 | 7.1%              | 5.7%        |
| Ceylon/black tea 62.5g | 11.22       | 12.20 | 12.58 | 3.1%              | 8.7%        |
| Instant Coffee 100g    | 17.73       | 19.15 | 19.68 | 2.7%              | 8.1%        |
| Instant Coffee 250g    | 35.27       | 37.62 | 37.63 | 0.0%              | 6.7%        |
| Instant Coffee 750g    | 78.61       | 79.40 | 79.46 | 0.1%              | 1.0%        |
| <b>Average</b>         |             |       |       | <b>5.2%</b>       | <b>9.8%</b> |

**Source: Stats SA (2019)**

**Table 30** shows the average retail prices of dried beans paid by consumers in rural areas from 2016 to 2018. The price of 1 kg dried beans decreased by 6.9% during the depicted period.

**Table 30: Average annual retail prices for beans in rural areas**

| Beans            | Price Level |       |       | Percentage Change |             |
|------------------|-------------|-------|-------|-------------------|-------------|
|                  | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017   |
| Beans Dried 1 kg | 30.25       | 32.46 | 30.21 | -6.9%             | 7.3%        |
| Beans Dried 2 kg | 53.05       | 49.78 | 51.78 | 4.0%              | -6.2%       |
| Beans Dried 500g | 16.14       | 16.60 | 16.09 | -3.1%             | 2.8%        |
| <b>Average</b>   |             |       |       | <b>-2.0%</b>      | <b>1.3%</b> |

**Source: Stats SA (2019)**

The retail prices of sugar in the rural areas increased by 0.4% and 1.5% for 1 kg and 500g white sugar between 2017 and 2018 (**Table 31**).

**Table 31: Average annual retail prices of sugar in rural areas**

| Sugar              | Price Level |       |       | Percentage Change |              |
|--------------------|-------------|-------|-------|-------------------|--------------|
|                    | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017    |
| White sugar 1 kg   | 16.32       | 19.00 | 19.07 | 0.4%              | 16.4%        |
| White sugar 2.5 kg | 36.56       | 41.48 | 41.22 | -0.6%             | 13.5%        |
| White sugar 500g   | 82.81       | 89.74 | 91.05 | 1.5%              | 8.4%         |
| <b>Average</b>     |             |       |       | <b>0.4%</b>       | <b>12.7%</b> |

**Source: Stats SA (2019)**



The average retail prices of meat and fish in rural areas increased 16.3% between 2017 and 2018 (Table 32).

**Table 32: Average annual retail prices of meat and fish in rural areas**

| Meat and Fish                   | Price Level |        |        | Percentage Change |              |
|---------------------------------|-------------|--------|--------|-------------------|--------------|
|                                 | 2016        | 2017   | 2018   | 2017–2018         | 2016–2017    |
| Beef brisket - fresh per kg     | 68.31       | 78.00  | 83.25  | 6.7%              | 14.2%        |
| Beef chuck - fresh per kg       | 68.54       | 78.03  | 83.47  | 7.0%              | 13.8%        |
| Beef fillet - fresh per kg      | 127.72      | 144.89 | 154.24 | 6.5%              | 13.4%        |
| Beef rump steak - fresh per kg  | 98.25       | 105.80 | 114.23 | 8.0%              | 7.7%         |
| Beef T-bone - fresh per kg      | 84.19       | 92.62  | 99.36  | 7.3%              | 10.0%        |
| Chicken portions - fresh per kg | 11.71       | 17.94  | 35.55  | 98.2%             | 53.2%        |
| Fish (excl. tuna) - tinned 155g | 10.15       | 10.82  | 10.96  | 1.3%              | 6.6%         |
| Fish (excl. tuna) - tinned 425g | 16.50       | 18.17  | 17.33  | -4.6%             | 10.1%        |
| <b>Average</b>                  |             |        |        | <b>16.3%</b>      | <b>16.1%</b> |

Source: Stats SA (2019)

On average, the rural retail price of various rice packages increased by 0.1% between 2017 and 2018 (Table 33).

**Table 33: Average annual retail prices of rice in rural areas**

| Rice           | Price Level |       |       | Percentage Change |             |
|----------------|-------------|-------|-------|-------------------|-------------|
|                | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017   |
| Rice 1kg       | 14.97       | 15.82 | 15.77 | -0.3%             | 5.6%        |
| Rice 2kg       | 25.03       | 25.47 | 25.78 | 1.2%              | 1.7%        |
| Rice 500g      | 8.21        | 8.78  | 8.74  | -0.4%             | 6.8%        |
| <b>Average</b> |             |       |       | <b>0.1%</b>       | <b>4.7%</b> |

Source: Stats SA (2019)



On average, the rural retail price of peanut butter (270g) increased by 1.5% between 2017 and 2018 (Table 34).

**Table 34: Average annual retail prices of peanut butter in rural areas**

| Peanut Butter      | Price Level |       |       | Percentage Change |              |
|--------------------|-------------|-------|-------|-------------------|--------------|
|                    | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017    |
| Peanut butter 270g | 20.38       | 23.11 | 23.75 | 2.8%              | 13.4%        |
| Peanut butter 400g | 25.90       | 29.26 | 29.66 | 1.4%              | 13.0%        |
| Peanut butter 800g | 45.80       | 53.57 | 53.71 | 0.3%              | 17.0%        |
| <b>Average</b>     |             |       |       | <b>1.5%</b>       | <b>14.4%</b> |

Source: Stats SA (2019)

Table 35 shows that the average rural retail price of sorghum meal increased by 0.1% between 2017 and 2018.

**Table 35: Average annual retail prices of sorghum meal in rural areas**

| Sorghum Meal                     | Price Level |       |       | Percentage Change |              |
|----------------------------------|-------------|-------|-------|-------------------|--------------|
|                                  | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017    |
| Sorghum meal (e.g. Mabella) 1 kg | 16.08       | 18.57 | 18.59 | 0.1%              | 15.5%        |
| <b>Average</b>                   |             |       |       | <b>0.1%</b>       | <b>15.5%</b> |

Source: Stats SA (2019)

As shown in Table 36, the average retail prices of fresh apples per kg increased by 8.5%, while banana prices decreased by 8% between 2017 and 2018. The retail price of potatoes decreased by 0.2% between 2017 and 2018.

**Table 36: Average annual retail prices for fruit and vegetables in rural areas**

| Fruit and Vegetables    | Price Level |       |       | Percentage Change |              |
|-------------------------|-------------|-------|-------|-------------------|--------------|
|                         | 2016        | 2017  | 2018  | 2017–2018         | 2016–2017    |
| Apples - fresh per kg   | 16.94       | 18.23 | 19.78 | 8.5%              | 5.4%         |
| Bananas - fresh per kg  | 14.04       | 14.73 | 13.56 | -8.0%             | 5.0%         |
| Onions - fresh per kg   | 12.16       | 11.36 | 12.76 | 12.3%             | -6.5%        |
| Oranges - fresh per kg  | 14.91       | 17.45 | 18.74 | 7.4%              | 17.0%        |
| Potatoes - fresh per kg | 12.83       | 11.72 | 11.69 | -0.2%             | -8.7%        |
| Potatoes - fresh 10kg   | 66.41       | 54.70 | 60.41 | 10.5%             | -17.6%       |
| Tomatoes - fresh per kg | 18.01       | 17.65 | 18.75 | 6.2%              | -2.0%        |
| <b>Average</b>          |             |       |       | <b>5.2%</b>       | <b>-0.9%</b> |

Source: Stats SA (2019)

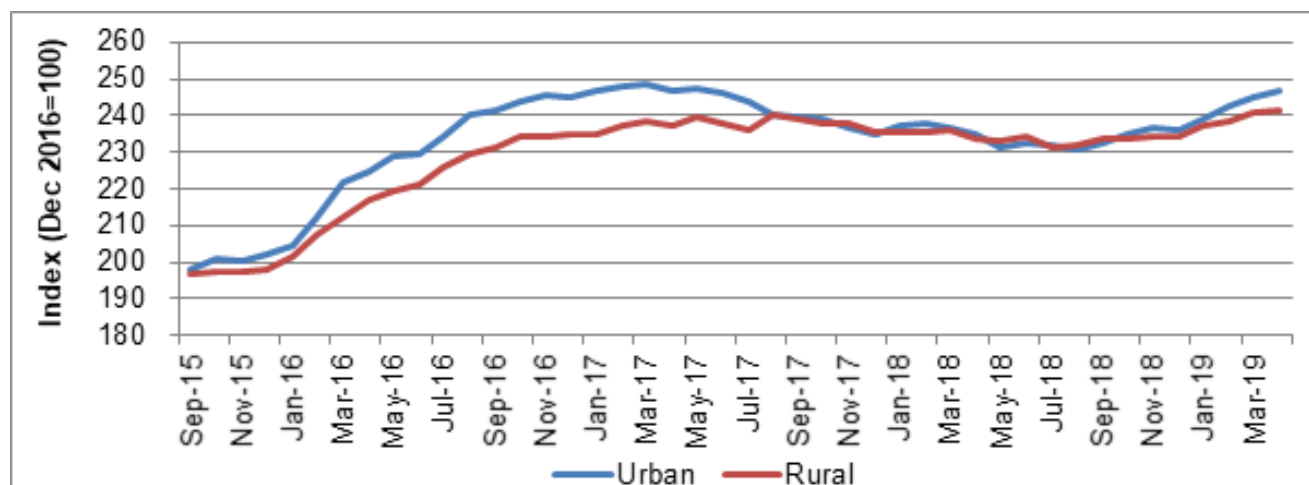




#### 4.4 Comparison between rural and urban food prices

**Figure 26** compares urban and rural prices from 2017 to 2018. On average, the cost of an urban food basket was higher in most months than that of the rural food basket. This basket consists of: full-cream milk – long life (1 l), a loaf of brown bread (700g), a loaf of white bread (700g), special maize meal (2.5kg), super maize meal (2.5kg), margarine spread (500g), peanut butter (400g), rice (2kg), sunflower oil (750ml), Ceylon/black tea (62.5g), and white sugar (2.5kg).

In April 2019, the urban and rural baskets amounted to R246.46 and R241.56, respectively, compared with April 2018, when the costs were R235.09 and R233.91, respectively.



**Figure 26:** Comparison between rural and urban food prices, 2015 to 2019

Source: Stats SA (2019)

## TRENDS IN PRICES, FARM VALUES AND PRICE SPREADS

### 5.1 Introduction

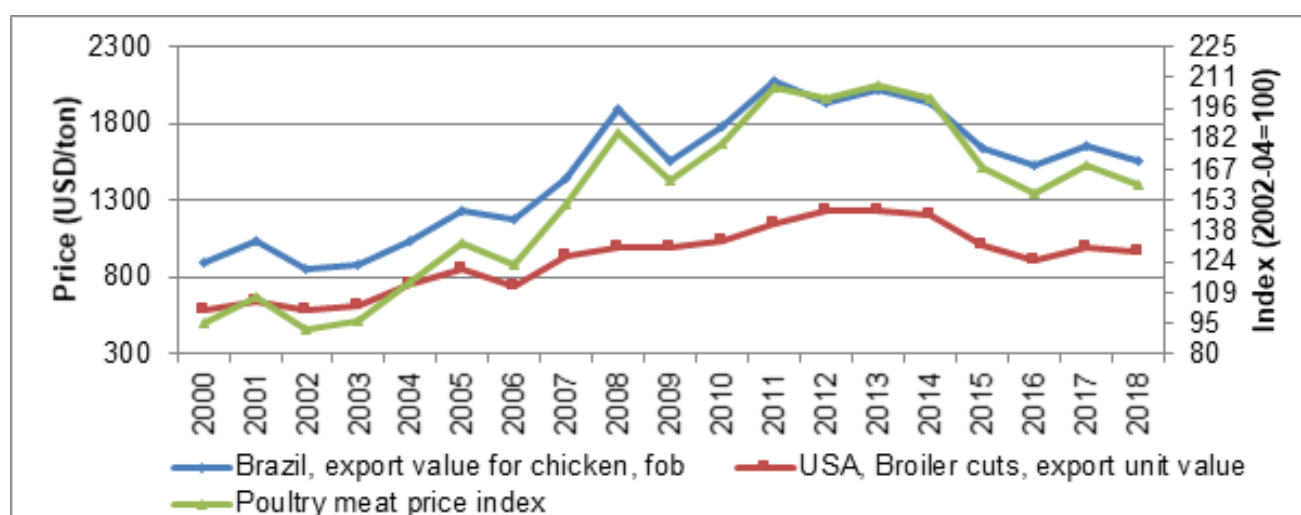
This section provides an overview of the price trends in selected food value chains. Where information is available, international trends are also discussed. This section also provides greater detail on the different cost components that contribute to the margin between farm-gate prices and the price the consumer pays for selected food items. One way to investigate this is to look at the farm values of selected products and the Farm-to-Retail-Price-Spread (FTRPS) of various industries.

In order to better understand the margin between farm-gate and retail prices, the farm values of selected products and the FTRPS will be calculated. The farm value share is the value of the farm product's equivalent in the final food product purchased by the consumer. The FTRPS is the difference between what the consumer pays for the food product at retail level and the value of the farm product used in that product. Price spreads measure the aggregate contributions of food manufacturing, distribution, wholesale and retail firms that transform farm commodities into final products.

### 5.2 Price trends in the meat sector

#### 5.2.1 Poultry industry

**Figure 27** illustrates the FAO Poultry Meat Price Index, Brazil, export value for chicken, and the USA export unit value of broiler cuts. According to the FAO, the Poultry Meat Price Index increased by 5.18% between 2017 and 2018.

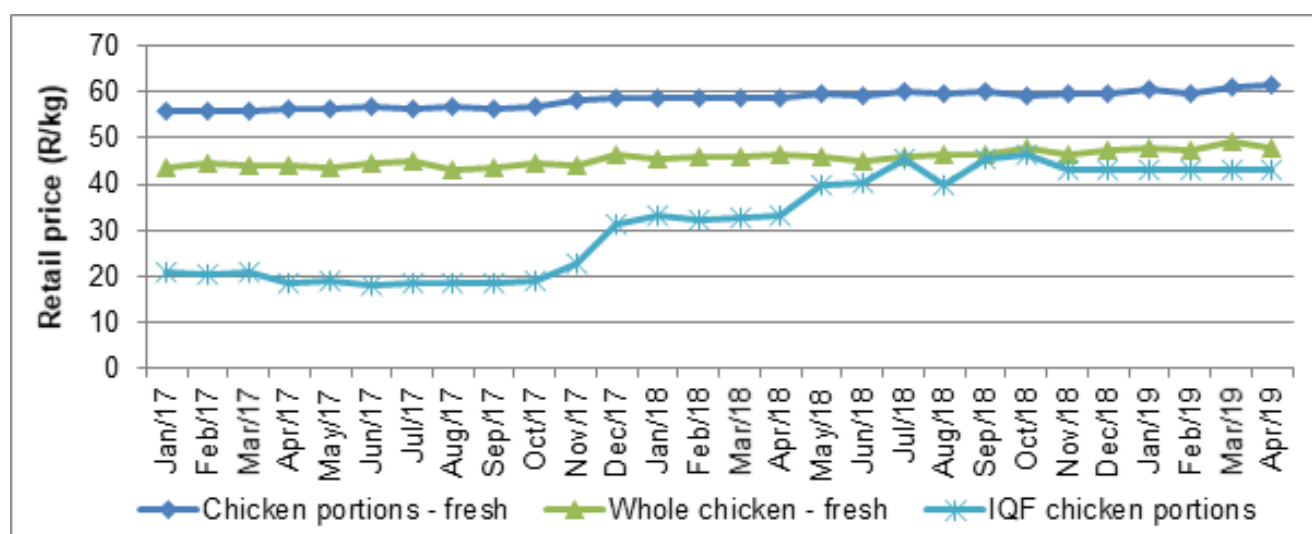


**Figure 27:** International poultry price trends

Source: FAO (2019)



The retail prices for selected poultry products are shown in **Figure 28**. The annual average retail prices of fresh chicken portions (per kg), fresh whole chickens (per kg), and individually quick frozen (IQF) chicken portions (1 kg) were R59.34/kg, R46.26/kg and R39.53/kg, respectively, in 2018. In real terms, the annual average retail prices for fresh chicken portions, fresh whole chickens and IQF chicken portions were R55.07/kg, R42.93/kg and R36.64/kg, respectively.



**Figure 28:** Poultry retail price trends<sup>2</sup>

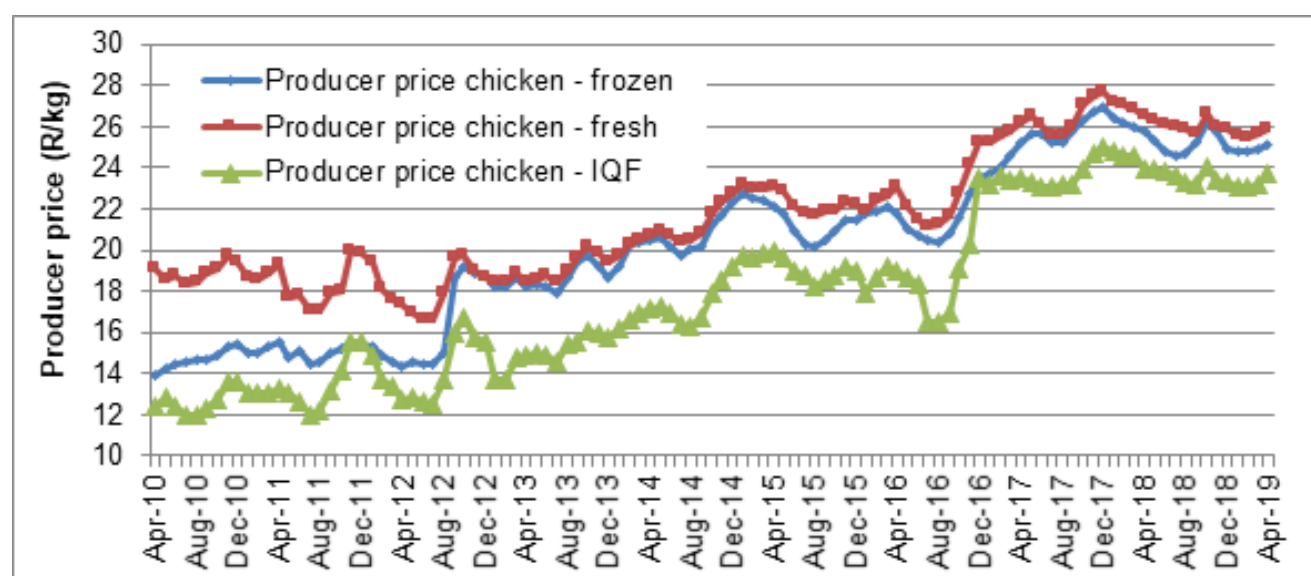
Source: Stats SA (2019)

<sup>2</sup> Note: Stats SA introduced additional products as from January 2017 and excluded some of the pre-January 2017 products. Due to the limitation of data, the trend for retail prices will start from January 2017.



**Figure 29** shows the trends in the producer prices of poultry. The annual average producer price of IQF chicken increased by 24.65% (from R19.15/kg in 2017 to R23.87/kg in 2018), and frozen chicken increased by 17.43% (from R21.73/kg in 2017 to R25.51/kg in 2018). The annual average producer price of fresh chicken increased by 15.7% (from R22.76/kg to R26.34/kg between 2017 and 2018). Compared with 2010 price levels, the 2018 annual average prices of IQF chicken, frozen and fresh chickens increased by 88.82%, 76.26% and 38.9%, respectively.

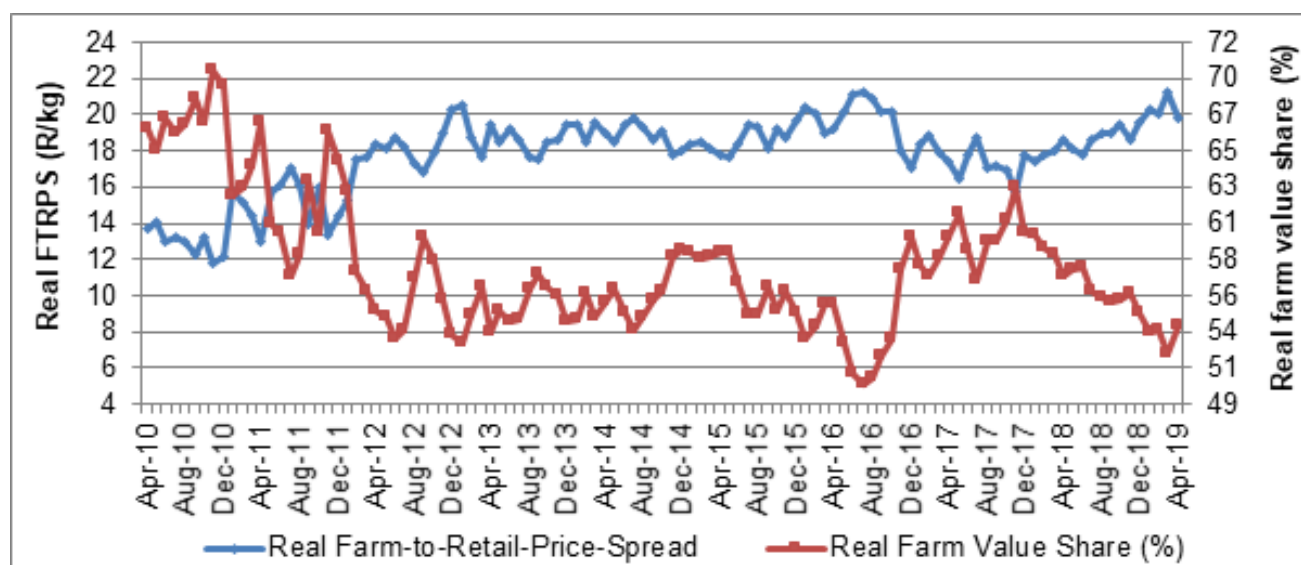
In real terms, IQF chicken, frozen and fresh chicken producer prices increased by 13.89%, 7.23% and 5.67%, respectively, between 2017 and 2018. When compared with 2010, the real producer prices of IQF and frozen chicken increased by 23.96% and 15.74%, respectively, while fresh chicken decreased by 8.82%.



**Figure 29:** Poultry producer price trends

Source: AMT (2019)

The real FTRPS and farm value share of fresh whole chicken are shown in **Figure 30**. The real FTRPS of fresh whole chicken decreased, on average, by 5.64% between 2017 and 2018. During the same period, the farm value share of fresh whole chicken decreased by 3.95%. The average farm value share for fresh whole chicken per kg in 2018 was 56.95%.

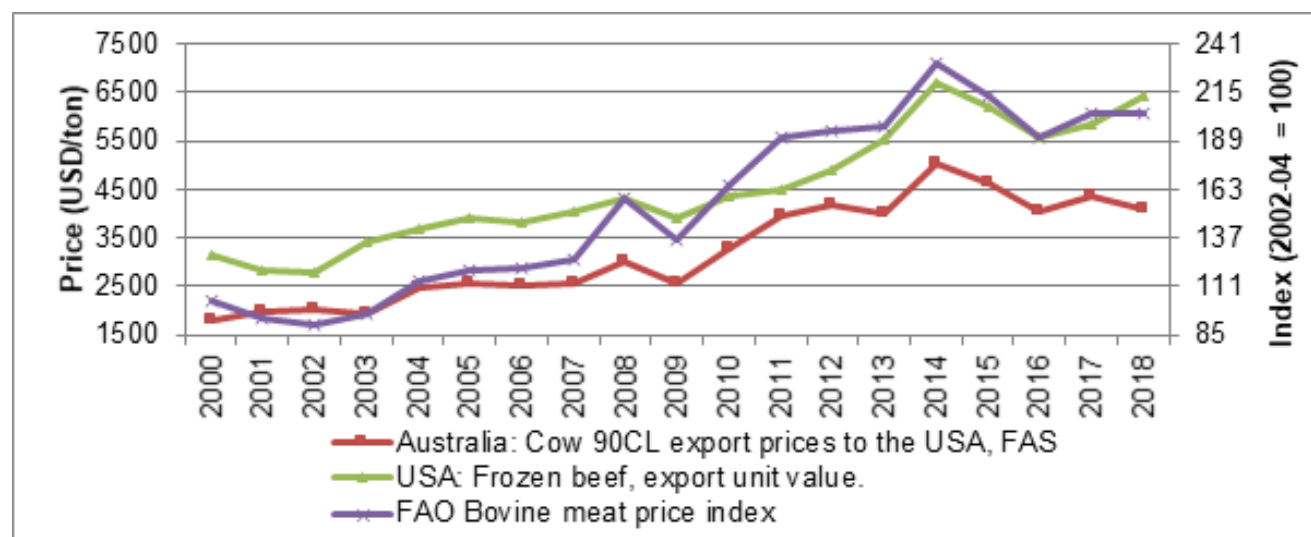


**Figure 30:** Real FTRPS and farm value share of poultry

Source: Stats SA (2019), AMT (2019) and own calculations

### 5.2.2 Beef

**Figure 31** depicts the international beef price trends. According to the FAO Bovine Meat Price Index, the annual average international beef price increased by 6.81% between 2017 and 2018. When comparing the figures for 2000 and 2018, the average international beef price increased by 97.21%.



**Figure 31:** International beef price trends

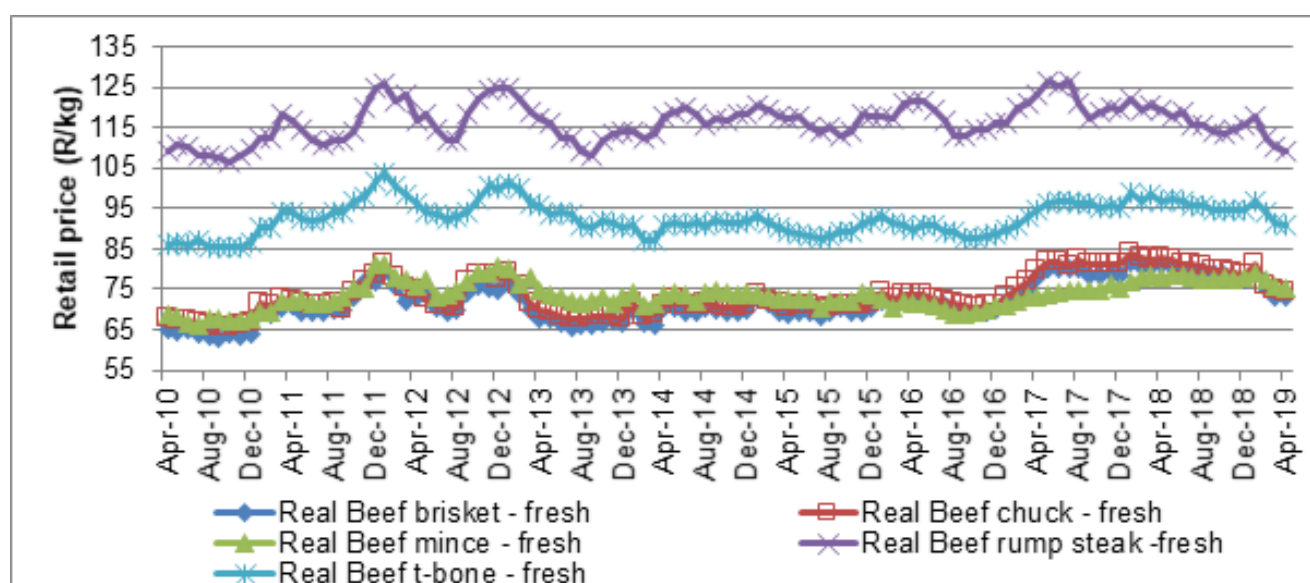
Source: FAO (2019)





The retail price of beef continued to increase throughout the period under review (**Figure 32**). The average annual retail prices for mince, brisket, chuck, T-bone, and rump steak increased by 9.99%, 7.07%, 6.54%, 6.28% and 1.12%, respectively, between 2017 and 2018.

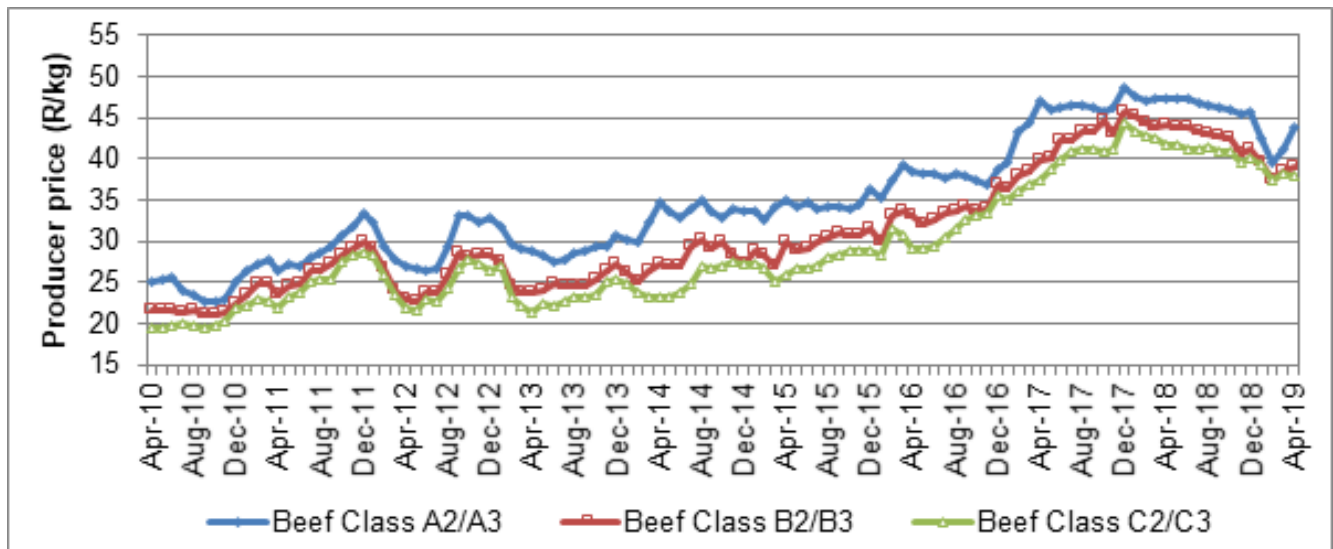
In real terms, the average annual retail prices for mince, brisket, chuck and T-bone increased by 5.15%, 2.39%, 1.9% and 1.62%, respectively, between 2017 and 2018, while the average annual retail price decreased by 3.32%.



**Figure 32: Retail price trends for different beef cuts**

Source: Stats SA (2019)

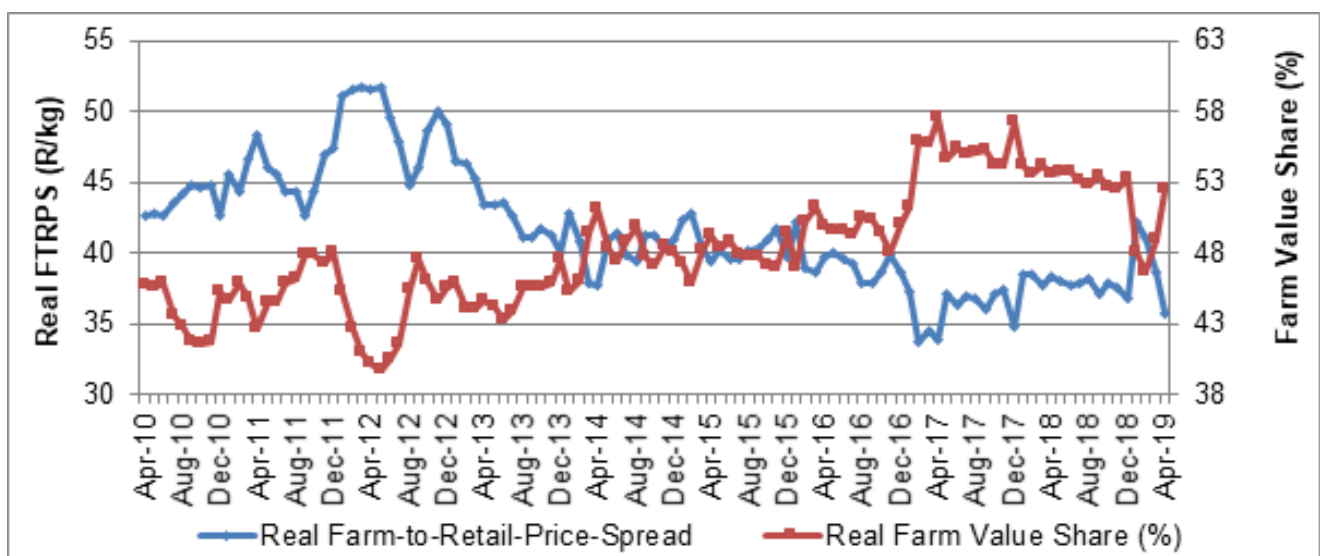
The producer prices for the different classes of beef are shown in **Figure 33**. The annual average producer prices of beef classes C2/C3, B2/B3 and A2/A3 increased by 30.47%, 27.4% and 22.4%, respectively, between 2017 and 2018. In real terms, beef producer prices showed an increasing trend. The annual average real producer prices of classes C2/C3, B2/B3 and A2/A3 increased by 19.21%, 16.37% and 11.74%, respectively, between 2017 and 2018.



**Figure 33: Beef producer price trends**

Source: AMT (2019)

The real FTRPS and the farm value share of beef are shown in **Figure 34** below. The average real FTRPS of beef increased by 5.22% between 2017 and 2018, and reached R37.83/kg in 2018. The real farm value share of beef decreased by 3.14% between 2017 and 2018. The real farm value share of beef was 53.38% in 2018.



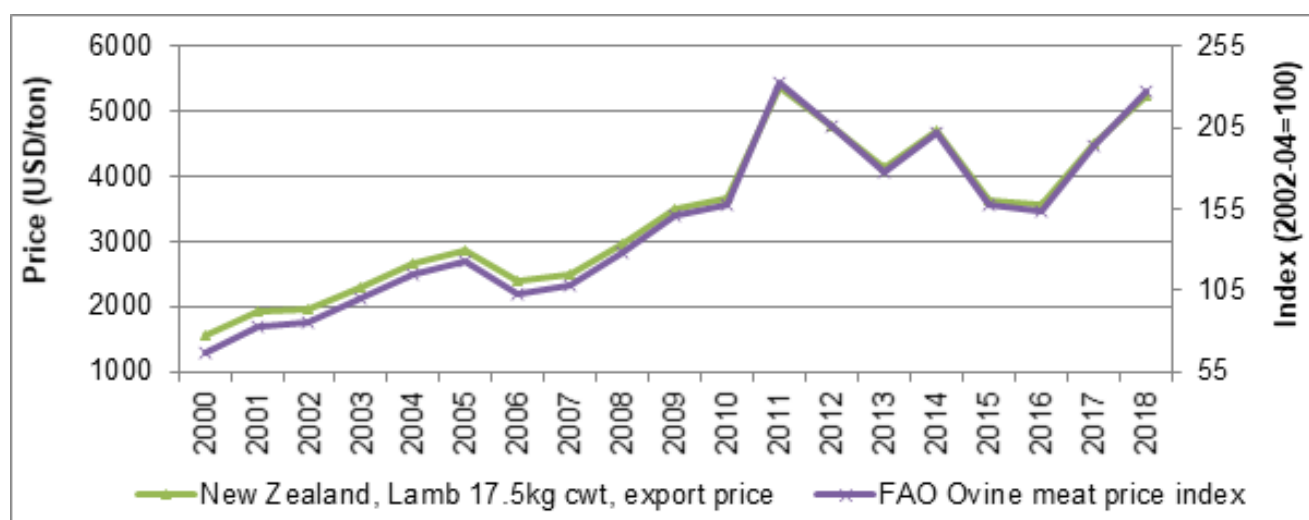
**Figure 34: Real FTRPS and farm value share for beef**

Source: Stats SA (2019), AMT (2019) and own calculations



### 5.2.3 Lamb

International lamb prices continued their upward trend during 2014, after some declines during 2012 and 2013 (**Figure 35**). This upward trend was short lived, with a noticeable decline during 2015 and 2016. According to the FAO, international lamb prices increased noticeably by 17.2% between 2017 and 2018.



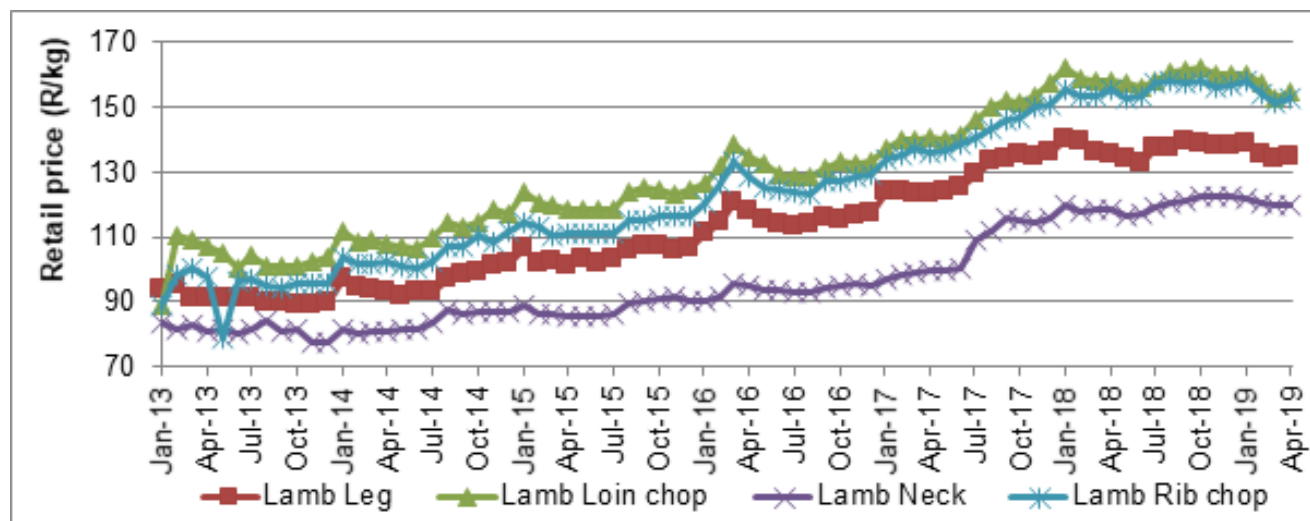
**Figure 35:** International lamb price trends

Source: FAO (2019)

The domestic retail prices of lamb cuts showed an increase during 2014, followed by a decline during 2013, and then continued with the long-term increasing trend (**Figure 36**). These increases continued during 2017 and 2018. The average annual retail prices of lamb neck, rib chops, loin chops and lamb leg increased by 12.52%, 10.08%, 9.32% and 6.5%, respectively, between 2017 and 2018.



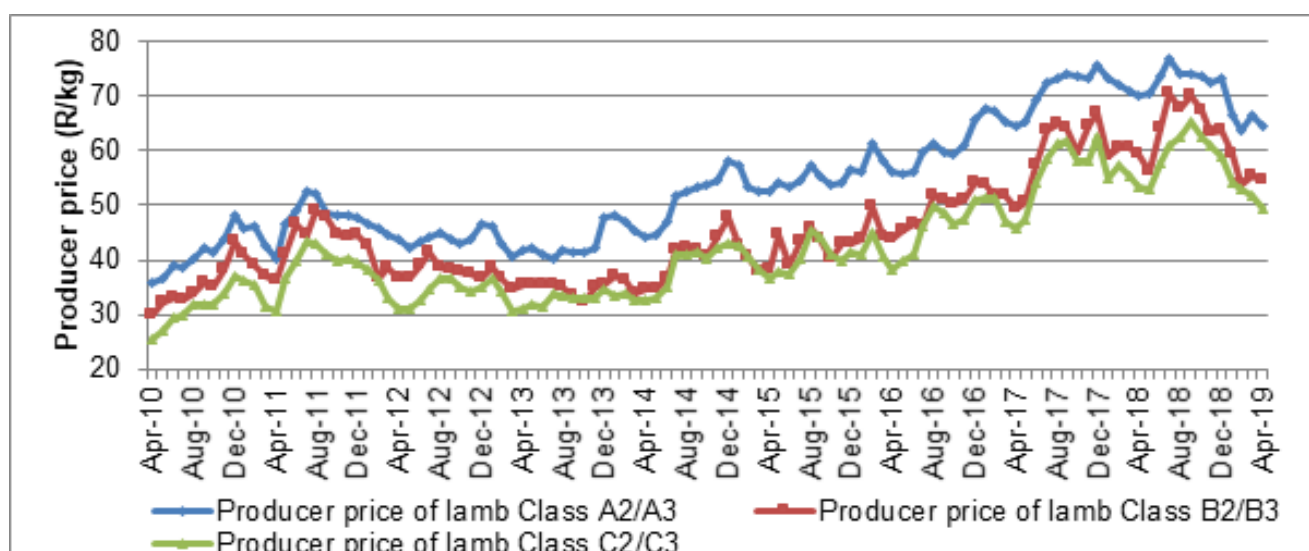
In real terms, the average annual retail prices of lamb neck, rib chops, loin chops and lamb leg increased by 7.62%, 5.26%, 4.54% and 1.85%, respectively, between 2017 and 2018.



**Figure 36:** Lamb retail price trends

Source: Stats SA (2019)

**Figure 37** shows that the producer prices for the different lamb classes continued with an increasing trend during 2017 and 2018, after a noticeable decline during 2012 and 2013. The average producer price of class B2/B3 increased by 29.78% between 2017 (R48.97/kg) and 2018 (R63.55/kg). The annual average producer prices for class C2/C3 and class A2/A3 increased by 28.8% and 21.28%, respectively, between 2017 and 2018.

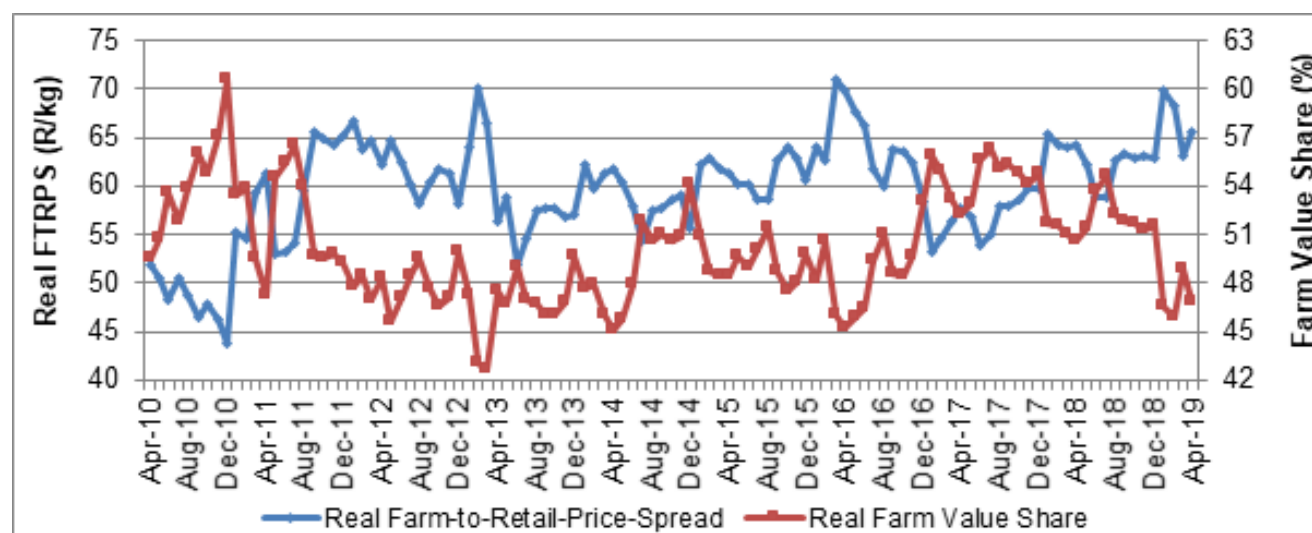


**Figure 37:** Lamb producer price trends

Source: AMT (2019)



The real FTRPS and the farm value share of lamb are depicted in **Figure 38**. The real FTRPS of lamb increased by 10.55% between 2017 and 2018, and was R62.78/kg, on average, during 2018. The real farm value share of lamb decreased by 4.85% between 2017 and 2018.

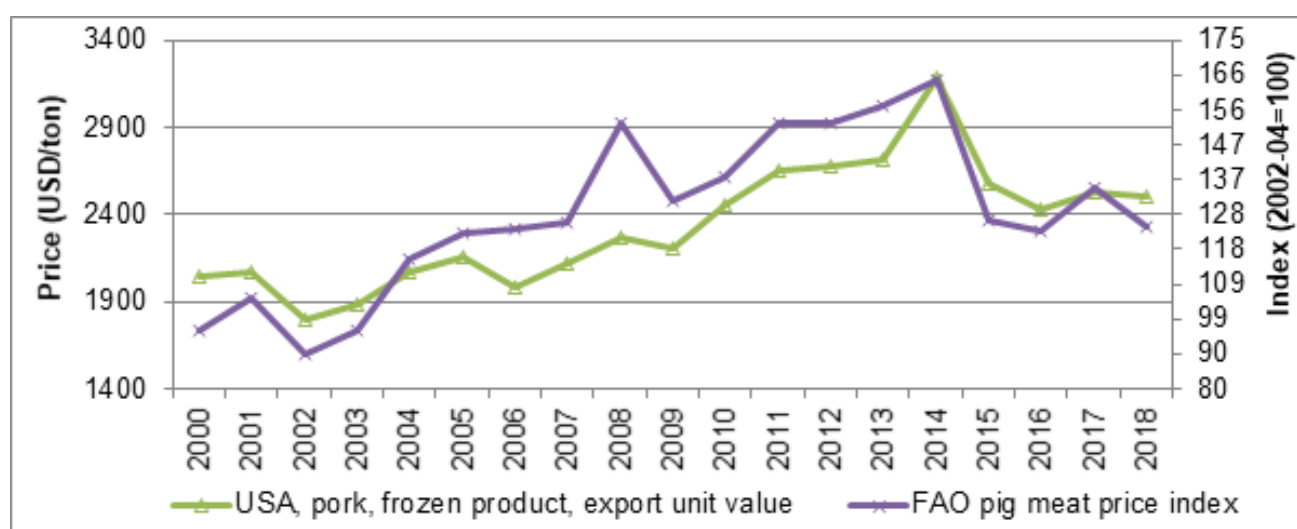


**Figure 38:** Real FTRPS and farm value share of lamb

Source: Stats SA (2019), AMT (2019) and own calculations

#### 5.2.4 Pork

According to the FAO Pig Meat Price Index, the annual average international pork price decreased by 7.83% between 2017 and 2018 (**Figure 39**). The annual average US frozen pork price increased by 29.05% between 2017 and 2018.



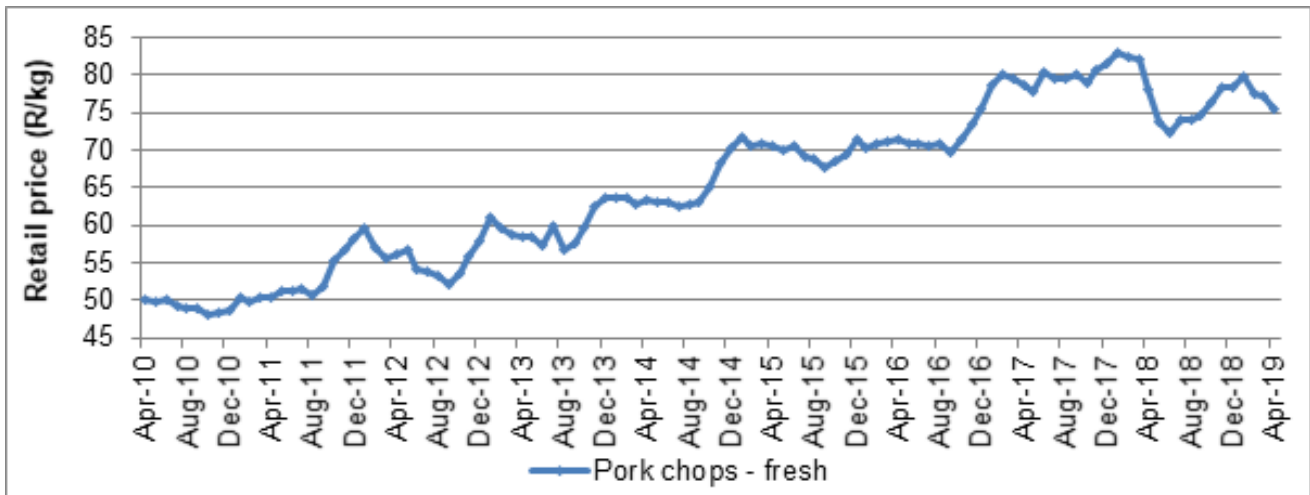
**Figure 39:** International pork price trends

Source: FAO (2019)





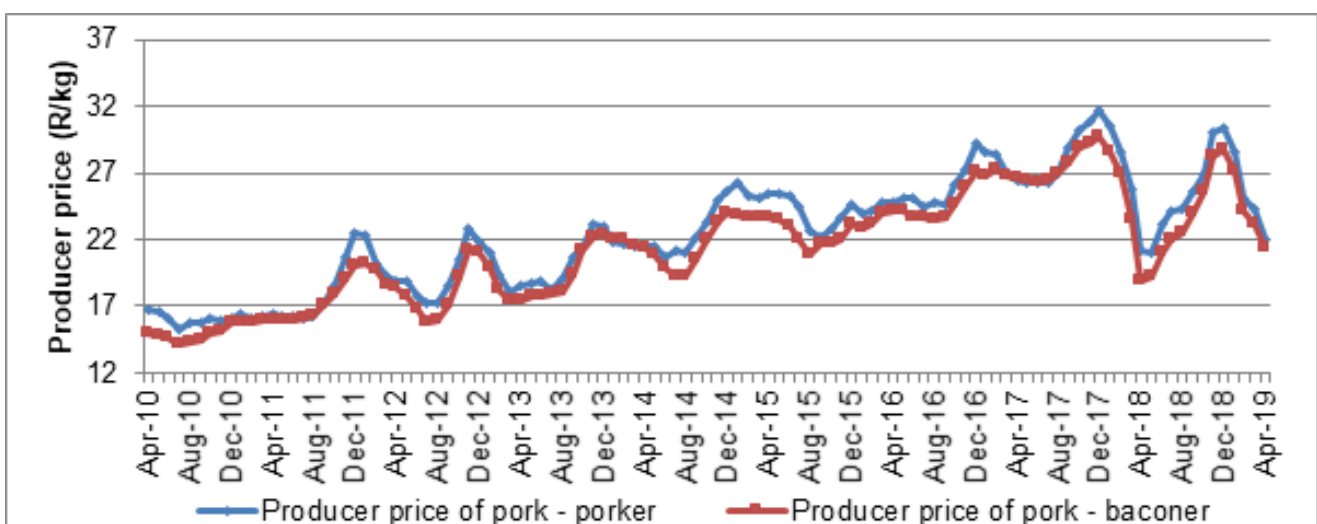
**Figure 40** shows the retail price trends of fresh pork chops. The retail price of pork chops decreased by 2.89% between 2017 (R79.66/kg) and 2018 (R77.36/kg). In real terms, the average retail price of pork chops decreased by 7.13% during the period under review.



**Figure 40:** Pork retail price trends

Source: Stats SA (2019)

**Figure 41** shows that the producer price of porkers and baconers experienced much more volatility after the end of 2011. The annual average producer price of porkers increased by 0.9% and baconers decreased by 1.75% between 2017 and 2018. During 2018, the annual average real producer prices decreased by 10.29% and 7.84% for baconers and porkers, respectively.

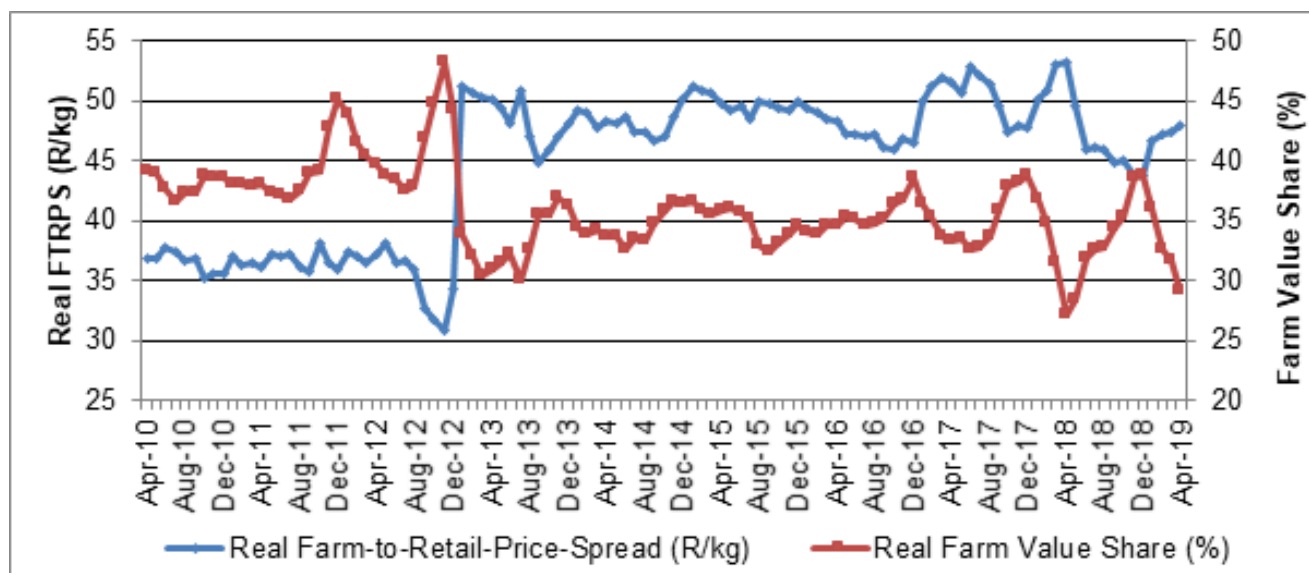


**Figure 41:** Pork producer price trends

Source: AMT (2019)



**Figure 42** shows the real FTRPS and farm value share of pork chops. The average real FTRPS decreased from R50.37/kg in 2017 to R47.67/kg in 2018 (5.36%). The real farm value share decreased by 4.57%, on average, between 2017 and 2018 and was 33.55%, on average, during 2018.



**Figure 42:** Real FTRPS and farm value share of pork

Source: Stats SA (2019), AMT (2019) and own calculations

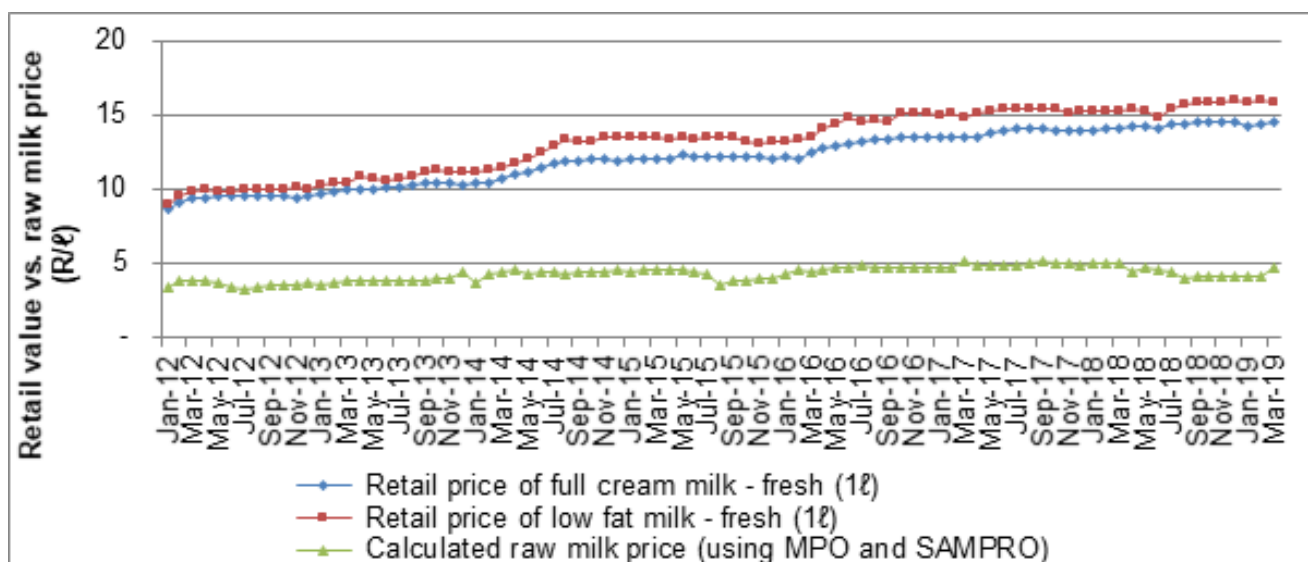




### 5.3 Price trends in the dairy sector

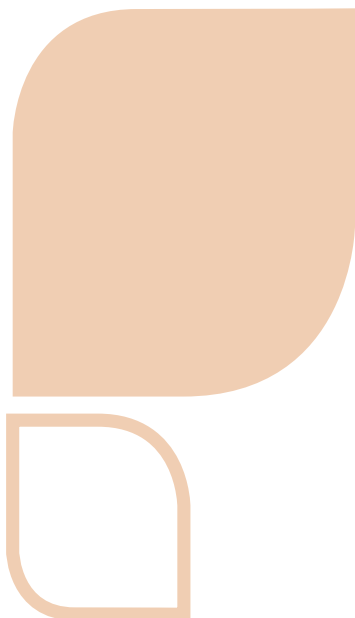
#### 5.3.1 Milk

**Figure 43** shows the trend in the raw milk price and retail values for fresh full-cream (1 ℓ) and low-fat milk (1 ℓ) between January 2012 and March 2019. The average retail prices between March 2018 and March 2019 were R14.35/ℓ and R15.59/ℓ for fresh full-cream (1 ℓ) and low-fat milk (1 ℓ), respectively. When compared with the period from March 2017 to March 2018, fresh full-cream (1 ℓ) and low-fat milk (1 ℓ) prices were, on average, R13.89/ℓ and R15.24/ℓ. Between March 2018 and March 2019, the prices increased, on average, by 3.3% for fresh full-cream (1 ℓ) and by 2.3% for fresh low-fat milk (1 ℓ). The calculated raw milk price using data from the South African Milk Processors' Organisation (SAMPRO) and the Milk Producers' Organisation (MPO), decreased from R4.95/ℓ in March 2018 to R4.68/ℓ in March 2019 (-12.5%).



**Figure 43:** Raw milk price and the retail values for full-cream and low-fat milk, sachets (R/ℓ)

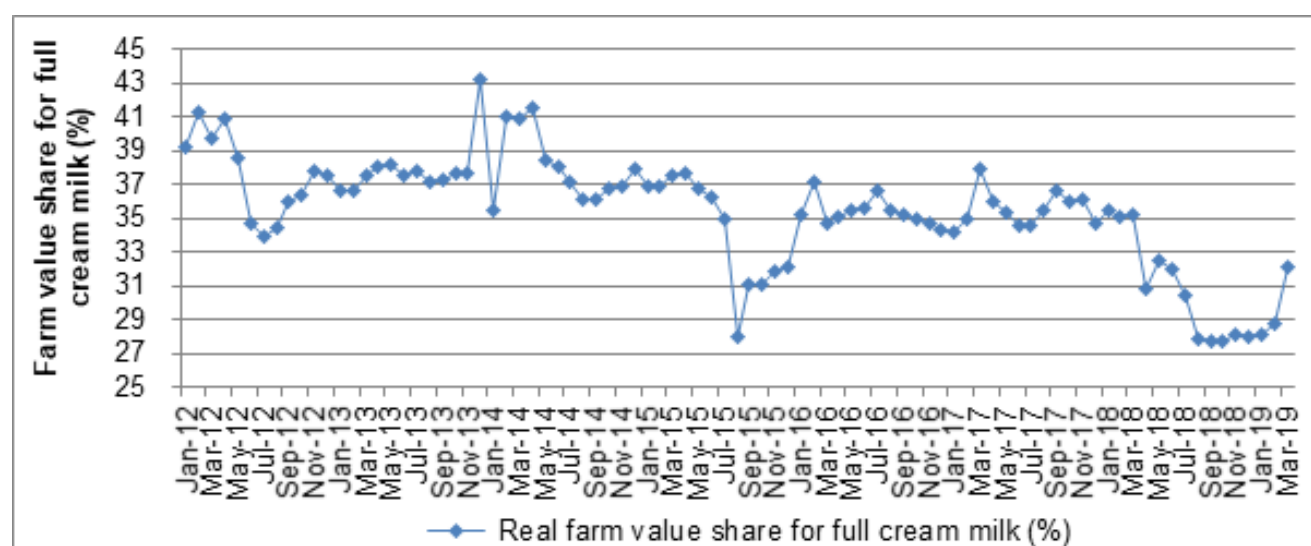
Sources: Stats SA (2019), MPO (2019), SAMPRO (2019) and own calculations





In order to explain the relationship between the raw milk price and packaged, standardised pasteurised milk, a high number of assumptions should be made regarding factors such as the fat content of milk produced in South Africa, the price of cream, the production, packaging, administration, marketing and management cost of cream, and the quantity of each fat class of milk (fat free, low fat and full cream) sold (SAMPRO, 2019). Due to the complex nature, process and the number of assumptions that should be addressed, the rest of this section will only discuss the farm value share and price spread of full cream milk.

**Figure 44** shows the farm value share as a percentage of the real retail value for fresh full cream milk (1 ℓ), between January 2012 and March 2019. In 2012, the average real farm value share of fresh full cream milk (1 ℓ) reached 37.55%. The real farm value share (%) for fresh full cream milk (1 ℓ) decreased to reach a trough of 27.66% in October 2018, after peaking at 43.21% during December 2013. In March 2019, the real farm value share (%) for fresh full cream milk (1 ℓ) reached 32.12%.

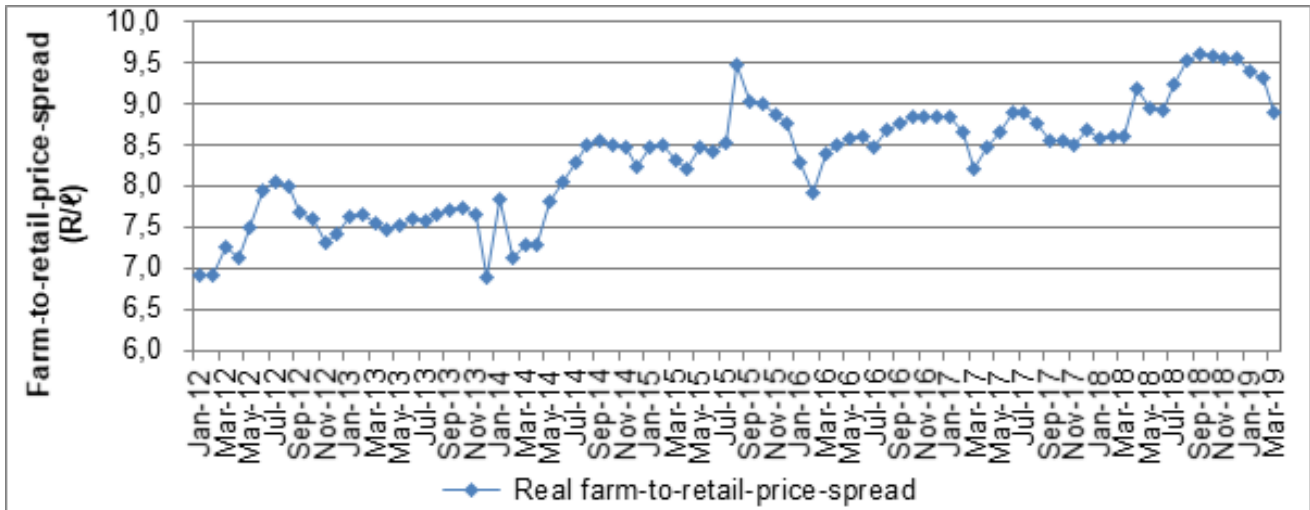


**Figure 44:** Real farm value shares for full cream milk, sachets (R/ℓ)

Sources: Stats SA (2019), MPO (2019), SAMPRO (2019) and own calculations



**Figure 45** shows the trend in the real FTRPS for fresh full cream milk (1 ℓ) between January 2012 and March 2019. In January 2012, the spread was R6.92/ℓ, reaching a peak of R9.61/ℓ during September 2018. The average annual real FTRPS increased from R8.61/ℓ (between March 2017 and March 2018) to R9.25/ℓ (between March 2018 and March 2019) (+7.5%).



**Figure 45:** Real FTRPS for full cream milk, sachets (R/ℓ)

Sources: Stats SA (2019), MPO (2019), SAMPRO (2019) and own calculations





In order to get a better understanding of the margins and costs in the fresh milk dairy value chain, industry stakeholders were consulted with regard to the off-farm value chain. Two different scenarios were constructed to explain the costs and margins in the fresh milk dairy value chain, as applicable to full-cream pasteurised milk in a 2ℓ container, namely:

(i) A low value-added scenario:

- Raw milk close to processing plant;
- Less complex technology;
- Cheaper type and size of packaging;
- Direct surroundings of distribution; and
- Limiting marketing and advertising costs.

(ii) A high value-added scenario:

- Raw milk farther away from processing plant;
- More complex technology;
- Type and size of packaging more expensive;
- Distribution to farther outlets; and
- Marketing and advertising costs.

It should be noted that the typical contribution of each value-adding activity to the retail selling price of full-cream pasteurised milk in a 2ℓ container will differ from firm to firm, from region to region, from one to another type and size of packaging, and from season to season. Information was received from a number of highly experienced and informed milk processors, who were requested to indicate what they regard as typical low- and high-cost scenarios in South Africa for each of the value-adding activities. **Table 37** and **Table 38** show the distribution costs and margins along the fresh milk dairy value chain, per action, for both a low- and a high-cost scenario.

From **Table 37** and **Table 38**, it is evident that in January 2019, the raw milk price (2ℓ) contributed between 36.4% and 42.6% of the total selling price to the consumer, compared with 40.3% and 45.3% in January 2018. The raw milk price for the low-cost scenario in January 2019 was R9 per 2ℓ container, compared with the R9.50 reported in January 2018 (-5.3%). The raw milk price for the high-cost scenario was R9.80 per 2ℓ container in January 2019, compared with the R10 reported in January 2018 (-2%).

**Action 1** comprises the collection and transportation of the raw milk to the processing plant in both the low- and high-cost scenarios, contributing between 5.9% and 6.1% to the total selling price consumers paid in January 2019. **Action 2** (the sum thereof) contributed between 22.1% and 24.3%, while **Action 3** contributed between 16.7% and 18.9% to the selling price consumers paid in January 2019.



When considering the individual items of the actions mentioned above for January 2019, the 2ℓ container (plastic or gable top) contributed the greatest proportion of 14.7% to the selling price in the low-cost scenario, while the retailer mark-up contributed the highest proportion of 16.7% to the selling price in the high cost scenario. The retailer mark-up is the difference between the price the consumer pays and the price at which the retailer procures the milk, and includes all electricity, labour, and distribution costs at retail level. Between January 2018 and January 2019, the growth of the low- and high-cost scenarios for the selling price to the consumer (**Action 4**) varied between 10.4% and 16.7%.

**Table 37: Typical cost composition of pasteurised full-cream milk in 2ℓ containers offered for sale in a retail store – low-cost scenario<sup>3</sup>**

|   | Low cost     |                    | Low cost     |                    | Low cost     |                    | Low cost     |                    | Low cost     |                    |
|---|--------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|
|   | Jan-19       |                    | Jan-18       |                    | Jan-17       |                    | Jan-16       |                    | Jan-15       |                    |
| Item  | R/2 ℓ        | % of selling price | R/2 ℓ        | % of selling price | R/2 ℓ        | % of selling price | R/2 ℓ        | % of selling price | R/2 ℓ        | % of selling price |
| <b>Raw milk price (2ℓ)</b>                            | <b>9.00</b>  | <b>42.6</b>        | <b>9.50</b>  | <b>45.3</b>        | <b>9.60</b>  | <b>40.2</b>        | <b>7.00</b>  | <b>36.2</b>        | <b>8.80</b>  | <b>41.6</b>        |
| <b>Action 1:</b>                                      |              |                    |              |                    |              |                    |              |                    |              |                    |
| Raw milk collection and transport to processing plant | 1.29         | 6.1                | 1.20         | 5.7                | 1.20         | 5.0                | 0.95         | 4.9                | 0.92         | 4.3                |
| <b>Action 2:</b>                                      |              |                    |              |                    |              |                    |              |                    |              |                    |
| Processing and quality assurance                      | 1.36         | 6.4                | 1.30         | 6.2                | 2.10         | 8.8                | 1.90         | 9.8                | 1.85         | 8.7                |
| Container (2ℓ plastic or 2ℓ gable top)                | 3.10         | 14.7               | 2.95         | 14.1               | 2.40         | 10.0               | 2.20         | 11.4               | 1.90         | 9.0                |
| Filling of 2ℓ containers                              | 0.21         | 1.0                | 0.20         | 1.0                | 0.20         | 0.8                | 0.15         | 0.8                | 0.16         | 0.8                |
| <b>Action 3:</b>                                      |              |                    |              |                    |              |                    |              |                    |              |                    |
| Marketing and distribution by milk processor          | 2.00         | 9.5                | 1.87         | 8.9                | 3.40         | 14.2               | 3.15         | 16.3               | 3.10         | 14.7               |
| Interest, profit and overhead costs                   | 2.00         | 9.5                | 1.90         | 9.1                | 1.80         | 7.5                | 1.50         | 7.8                | 1.65         | 7.8                |
| <b>Selling price to retailer</b>                      | <b>18.96</b> | <b>89.6</b>        | <b>18.92</b> | <b>90.3</b>        | <b>20.70</b> | <b>86.6</b>        | <b>16.85</b> | <b>87.1</b>        | <b>18.38</b> | <b>86.9</b>        |
| <b>Action 4:</b>                                      |              |                    |              |                    |              |                    |              |                    |              |                    |
| Retailer mark-up                                      | 2.19         | 10.4               | 2.03         | 9.7                | 3.20         | 13.4               | 2.50         | 12.9               | 2.78         | 13.1               |
| <b>Selling price to consumer</b>                      | <b>21.15</b> | <b>100.0</b>       | <b>20.95</b> | <b>100.0</b>       | <b>23.90</b> | <b>100.0</b>       | <b>19.35</b> | <b>100.0</b>       | <b>21.16</b> | <b>100.0</b>       |

Source: SAMPRO (2019) and own calculations

<sup>3</sup> A number of highly experienced and informed milk processors were requested to indicate what they regard as typical low costs and the typical high costs in South Africa for each of the value-adding activities. It must be emphasised that the milk processors concerned were not requested to reveal the costs of their firms. The question to the milk processors was to indicate what can, according to their judgment, be regarded in the South African dairy industry as the typical low and high costs of each value-adding activity. This does not mean that the milk processors continuously achieve the prices in the marketplace, as set out in the above calculations.



**Table 38: Typical cost composition of pasteurised full-cream milk in 2ℓ containers offered for sale in a retail store – high-cost scenario<sup>4</sup>**

|   | High cost    |                    | High cost    |                    | High cost    |                    | High cost    |                    | High cost    |                    |
|---|--------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|
|   | Jan-19       |                    | Jan-18       |                    | Jan-17       |                    | Jan-16       |                    | Jan-15       |                    |
| Item  | R/2 ℓ        | % of selling price | R/2 ℓ        | % of selling price | R/2 ℓ        | % of selling price | R/2 ℓ        | % of selling price | R/2 ℓ        | % of selling price |
| <b>Raw milk price (2ℓ)</b>                            | <b>9.80</b>  | <b>36.4</b>        | <b>10.00</b> | <b>40.3</b>        | <b>10.50</b> | <b>36.4</b>        | <b>9.00</b>  | <b>33.6</b>        | <b>10.40</b> | <b>35.3</b>        |
| <b>Action 1:</b>                                      |              |                    |              |                    |              |                    |              |                    |              |                    |
| Raw milk collection and transport to processing plant | 1.60         | 5.9                | 1.35         | 5.4                | 1.35         | 4.7                | 1.30         | 4.9                | 1.25         | 4.2                |
| <b>Action 2:</b>                                      |              |                    |              |                    |              |                    |              |                    |              |                    |
| Processing and quality assurance                      | 2.80         | 10.4               | 1.50         | 6.0                | 2.70         | 9.4                | 2.65         | 9.9                | 2.75         | 9.3                |
| Container (2ℓ plastic or 2ℓ gable top)                | 3.40         | 12.6               | 3.20         | 12.9               | 3.20         | 11.1               | 3.10         | 11.6               | 3.03         | 10.3               |
| Filling of 2ℓ containers                              | 0.35         | 1.3                | 0.30         | 1.2                | 0.30         | 1.0                | 0.20         | 0.7                | 0.22         | 0.7                |
| <b>Action 3:</b>                                      |              |                    |              |                    |              |                    |              |                    |              |                    |
| Marketing and distribution by milk processor          | 2.20         | 8.2                | 1.95         | 7.9                | 4.30         | 14.9               | 4.25         | 15.9               | 4.65         | 15.8               |
| Interest, profit and overhead costs                   | 2.30         | 8.5                | 2.10         | 8.5                | 2.50         | 8.7                | 2.50         | 9.3                | 2.70         | 9.2                |
| <b>Selling price to retailer</b>                      | <b>22.45</b> | <b>83.3</b>        | <b>20.40</b> | <b>82.3</b>        | <b>24.85</b> | <b>86.1</b>        | <b>23.00</b> | <b>85.8</b>        | <b>25.00</b> | <b>84.7</b>        |
| <b>Action 4:</b>                                      |              |                    |              |                    |              |                    |              |                    |              |                    |
| Retailer mark-up                                      | 4.50         | 16.7               | 4.40         | 17.7               | 4.00         | 13.9               | 3.80         | 14.2               | 4.50         | 15.3               |
| <b>Selling price to consumer</b>                      | <b>26.95</b> | <b>100.0</b>       | <b>24.80</b> | <b>100.0</b>       | <b>28.85</b> | <b>100.0</b>       | <b>26.80</b> | <b>100.0</b>       | <b>29.50</b> | <b>100.0</b>       |

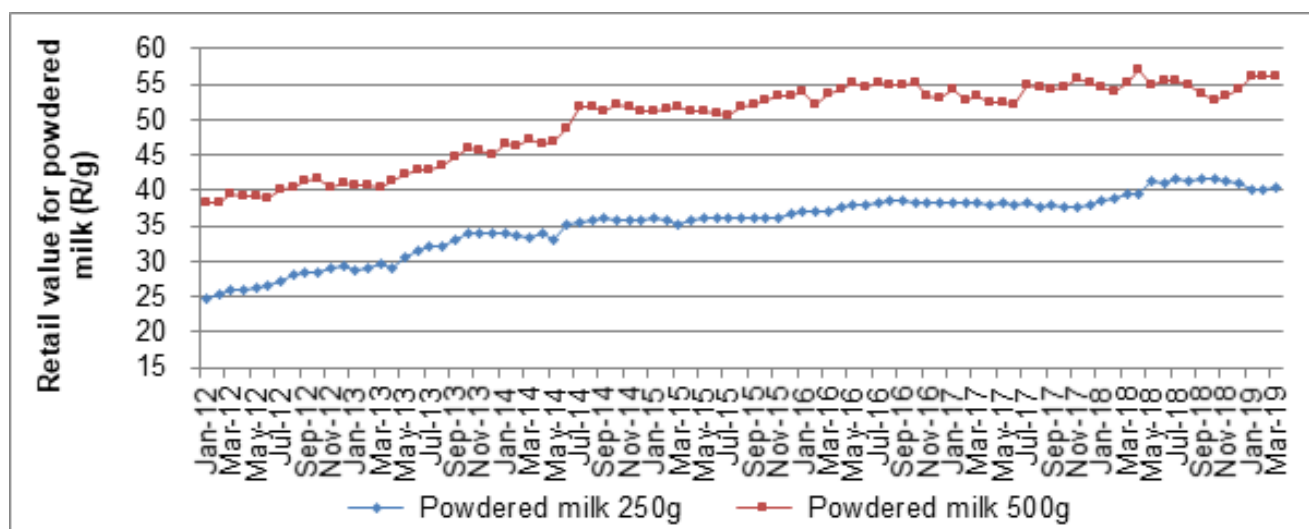
Source: SAMPRO (2019) and own calculations

<sup>4</sup> It must be emphasised that the milk processors concerned were not requested to reveal the costs of their firms. The question to the milk processors was to indicate what can, in their judgment, be regarded in the South African dairy industry as the typical low and high costs of each value-adding activity. This does not mean that the milk processors continuously achieve the prices in the marketplace as set out in the above calculations.



### 5.3.2 Powdered milk

**Figure 46** shows the trends in the powdered milk retail prices for 250g and 500g packets between January 2012 and March 2019. The average retail price for 250g powdered milk between March 2018 and March 2019 was R40.88, compared with the R38.18 reached between March 2017 and March 2018 (7.1%). From March 2018 to March 2019, 500g powdered milk, on average, reached R55.02, compared with R54.09 reached between March 2017 and March 2018 (1.7%).



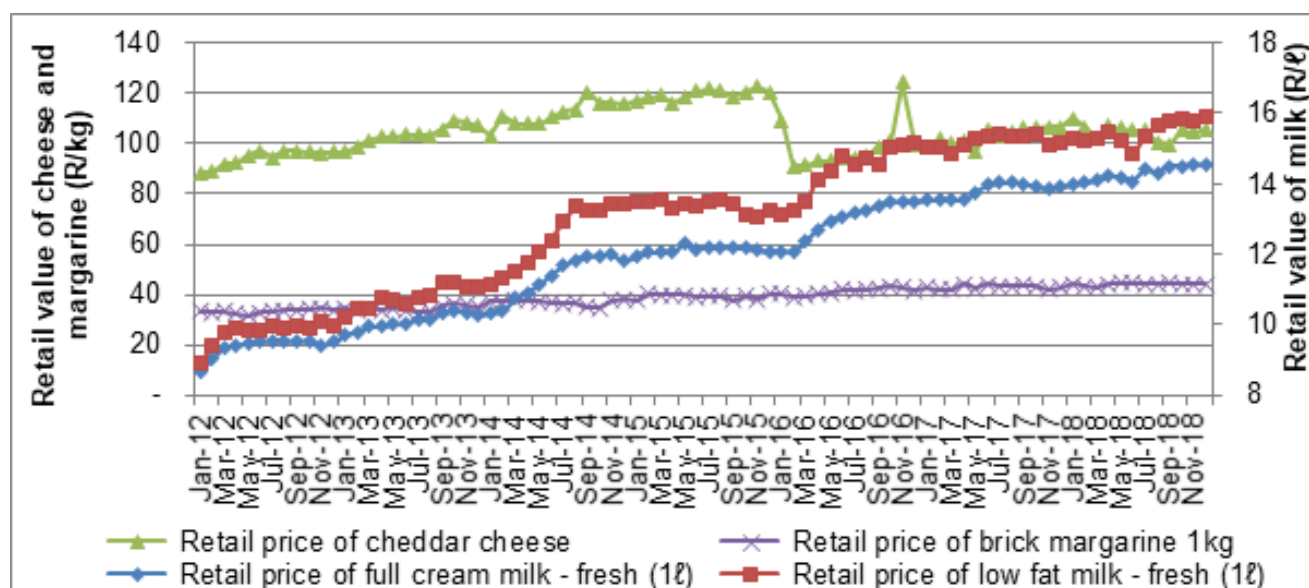
**Figure 46:** Retail price of powdered milk

Source: Stats SA (2019)



### 5.3.3 Milk, cheese and margarine

**Figure 47** shows the trends in the retail prices for fresh full-cream milk (R/ℓ), fresh low-fat milk (R/ℓ), cheddar cheese (R/kg), and margarine (R/kg) between January 2012 and March 2019. The average retail prices between March 2018 and March 2019 were R14.35/ℓ, R15.59/ℓ, R104.18/kg and R44.32/kg, respectively. Between March 2018 and March 2019, the average price changes were 3.3%, 2.3%, negative 0.03% and 2.5%, respectively.



**Figure 47:** Retail price of milk, (R/ℓ), cheddar cheese and butter (R/kg)

Sources: Stats SA (2019)

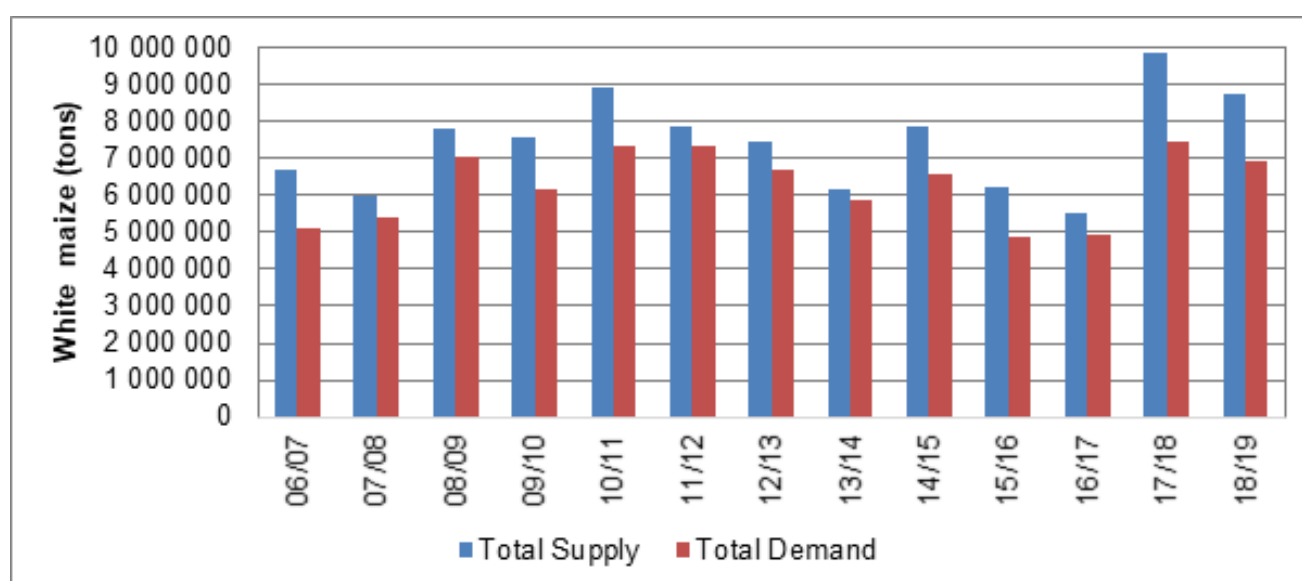




## 5.4 Price trends in the maize sector

### 5.4.1 Production, stock levels and consumption of white maize

In South Africa, white maize is mainly produced for human consumption and yellow maize for animal consumption. About 80% of white maize production is processed in the form of maize meal. Both white and yellow maize are summer crops, planted annually in the same season. The maize marketing season begins from the 1<sup>st</sup> of May to the 30<sup>th</sup> of April. **Figure 48** indicates the total supply and demand for white maize. During the season under review, the total white maize supplied amounted to 8 738 997 tons, down by 1 149 184 tons due to late plantings in the season and unpredictable climatic conditions. Although total white maize supplies were down, the total demand of 6 939 999 tons was still sustained.

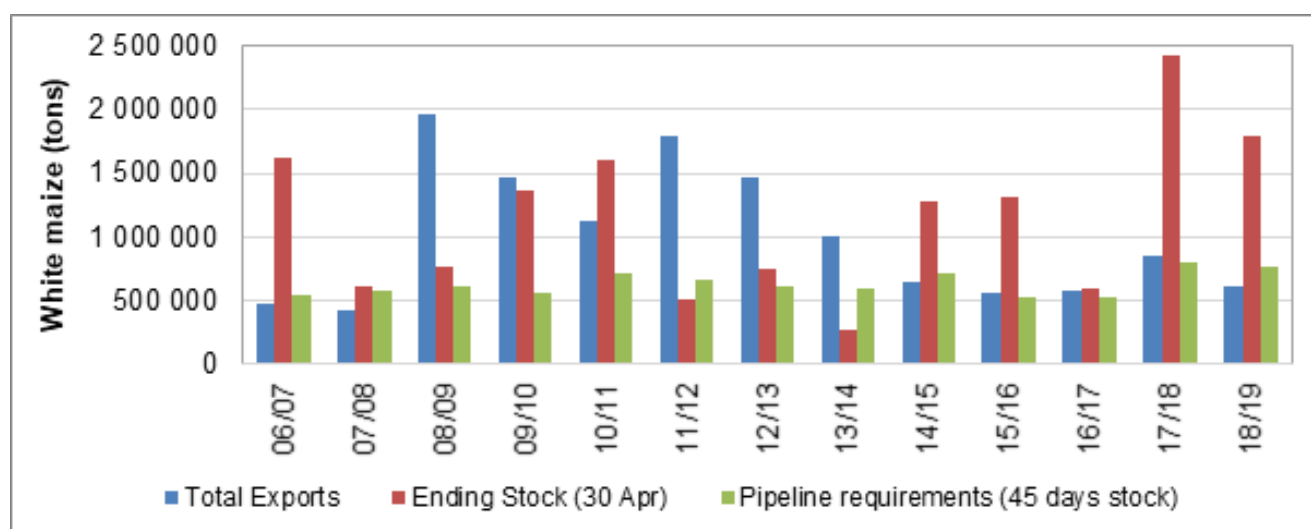


**Figure 48:** Domestic maize production, consumption and area harvested (white maize)

Source: South African Grain Information Service (SAGIS) (2019)



**Figure 49** indicates the stock levels of white maize for the 2018/19 marketing season. Ending stock levels were down by 629 655 tons when compared with the previous marketing year of 2017/18. This was a result of the decline in total supply and also a slight drop in total demand. South Africa maize stocks for 2018/19 after the end of marketing season, using the pipeline requirements (45-day stock), were 774 656 tons. Total white maize exports slightly decreased during the season under review, by 235 318 tons, on the back of the decline in total supply. The 2018/19 white maize export destinations were Botswana, Ethiopia, Italy, Lesotho, Mozambique, Namibia, Spain and Eswatini (previously known as Swaziland).

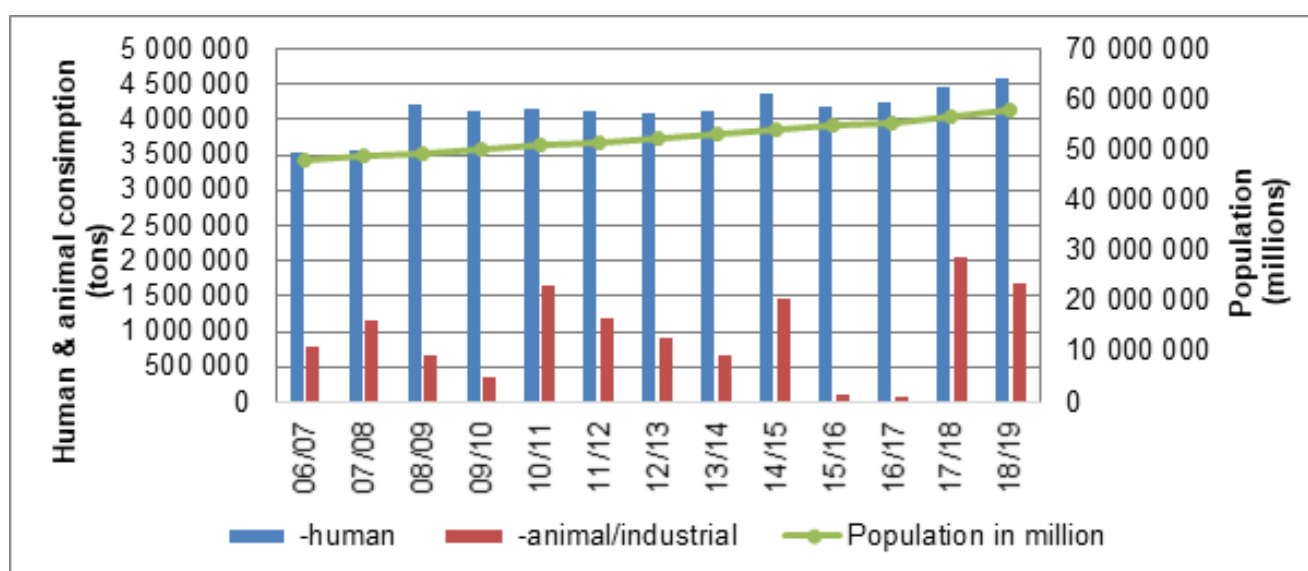


**Figure 49:** Total exports, pipeline requirements, carry-out as a % of total domestic demand (white maize)

Source: SAGIS (2019)



As noted above, white maize is predominately used for human consumption and yellow maize is used for animal feed. In some instances, this usage results in certain short-term shocks in the economy. This consumption pattern can change, depending on the price difference between white and yellow maize. If white maize trades below the price of yellow maize, feed manufacturers then tend to use white maize in their feed rations. If yellow maize trades below the price of white maize, the same tendency occurs in the market. **Figure 50** illustrates the breakdown of consumption patterns for the 2018/19 marketing season. Processed white maize for human consumption increased from 3 526 000 tons in 2006/07 to 4 594 000 tons in the 2018/19 season. This increase in processed maize for human consumption is possibly attributed to the growth in the human population over the years. The South Africa human population in 2018/19 was recorded at 57 730 000 heads.



**Figure 50:** Domestic maize production, consumption and area harvested (white maize)

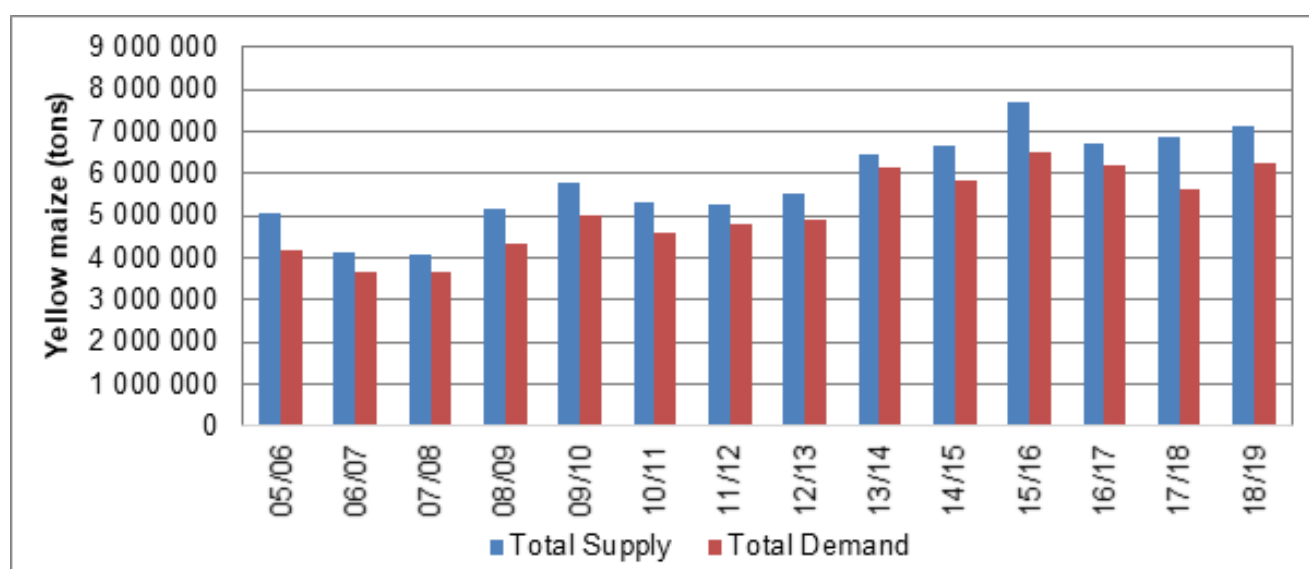
Source: SAGIS (2019), Stats SA (2019) and own calculations





### 5.4.2 Production, stock levels and consumption of yellow maize

Yellow maize is primarily used in the animal feed industry, while an estimated 10% is used for human consumption. **Figure 51** indicates total yellow maize supplies and total demand in South Africa during the 2018/19 season. A total of 7 128 126 tons were supplied to the commercial market, the yellow maize demand was at 6 264 038 tons. Total yellow maize demand, comparing 2017/18 and 2018/19, increased by 643 065 tons. This was attributed to an increase in yellow maize used for animal and industrial, and also to exports.



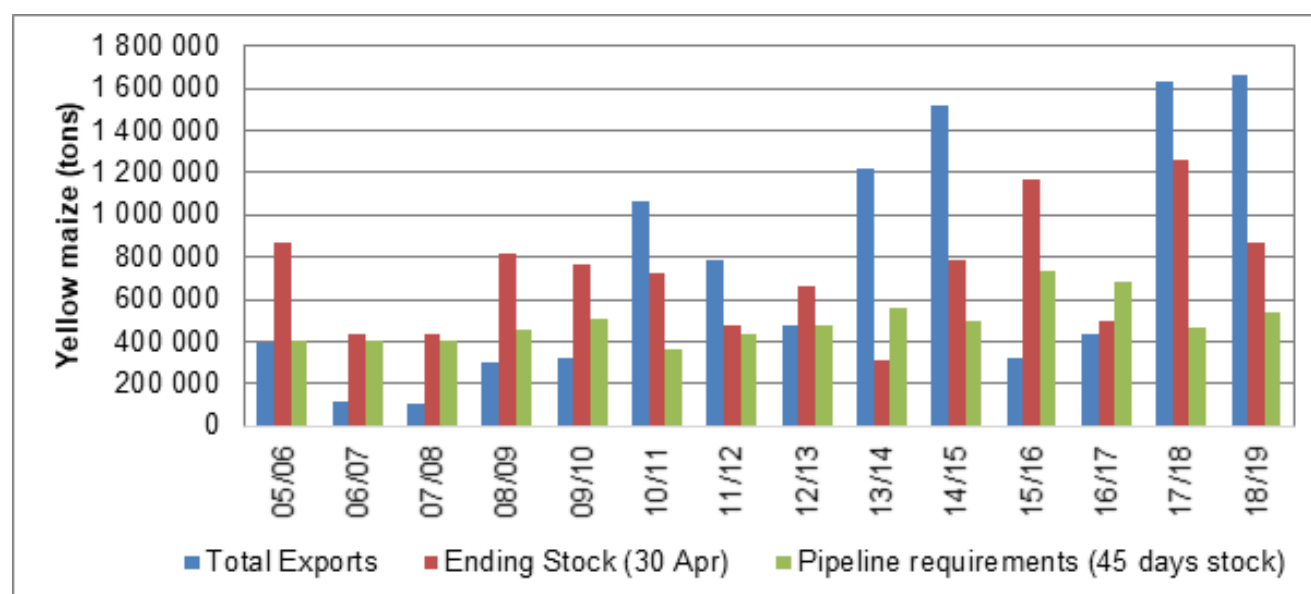
**Figure 51:** Domestic maize production, consumption and area harvested (yellow maize)

Sources: SAGIS (2019), Grain SA (2019) and own calculations



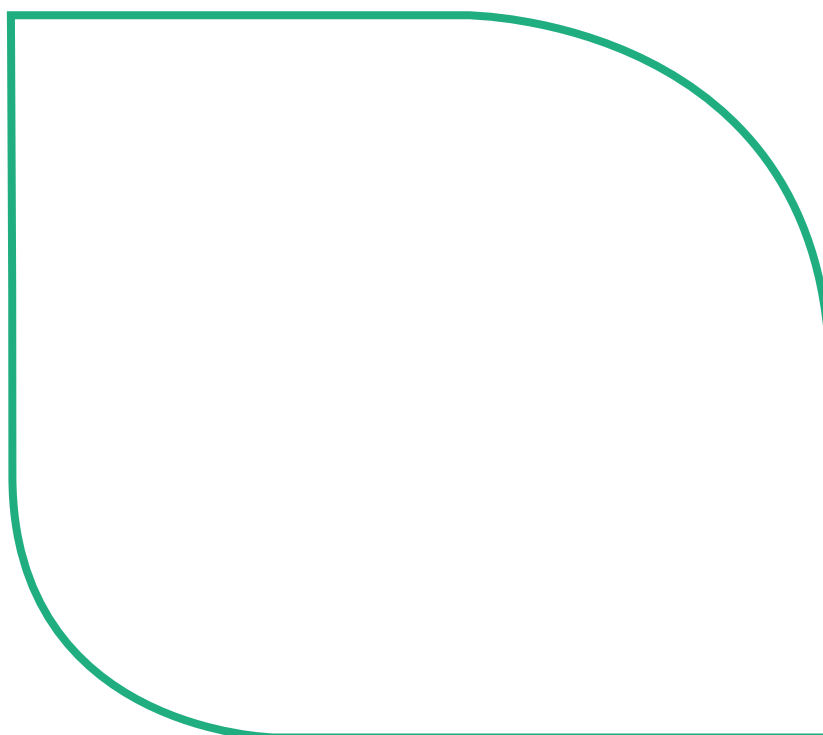


**Figure 52** illustrates the carry-over stocks of yellow maize required in the pipeline (consumption for 45 days) of 543 410 tons. Ending stock levels of yellow maize were lower than in the previous season, while exports increased from 1 629 739 tons to 1 667 407 tons in the 2018/19 marketing season (see **Table 39**).



**Figure 52:** Total exports, pipeline requirements, carry-out as a % of total domestic demand (yellow maize)

Sources: SAGIS (2019), Grain SA (2019)





**Table 39: South African maize balance sheet for the 2018/19 season**

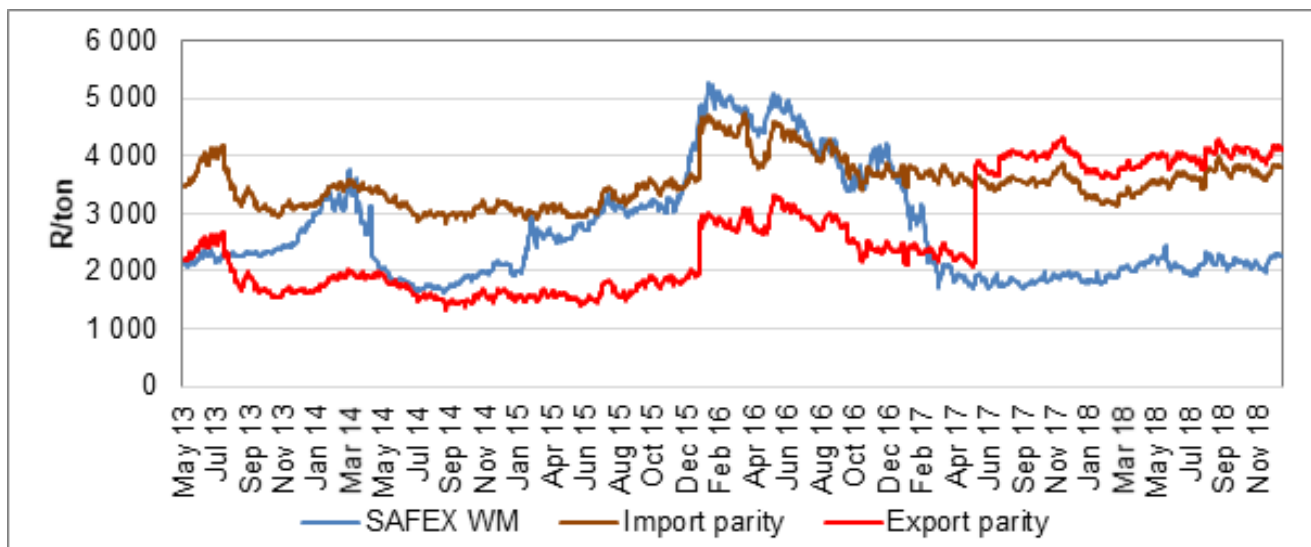
|                                       | White Maize      | Yellow Maize     | Total Maize       |
|---------------------------------------|------------------|------------------|-------------------|
| Marketing season                      | 2018/19          | 2018/19          | 2018/19           |
|                                       | tons             | tons             | tons              |
| CEC (Crop Estimate)                   | 6 540 000        | 5 970 000        | 12 510 000        |
| CEC (Retention)                       | 0                | 0                | 0                 |
|                                       |                  |                  |                   |
| <b>SUPPLY</b>                         |                  |                  |                   |
| Opening stock (1 May)                 | 2 428 653        | 1 260 823        | 3 689 476         |
| Producer deliveries                   | 6 308 941        | 5 674 911        | 11 983 852        |
| Imports                               | 0                | 171 622          | 171 622           |
| Early deliveries (Net)*               | 0                | 0                | 0                 |
| Surplus                               | 1 403            | 20 770           | 22 173            |
| <b>Total Supply</b>                   | <b>8 738 997</b> | <b>7 128 126</b> | <b>15 867 123</b> |
|                                       |                  |                  |                   |
| <b>DEMAND</b>                         |                  |                  |                   |
| <b>Processed for the local market</b> | <b>6 283 320</b> | <b>4 407 657</b> | <b>10 690 977</b> |
| - human                               | 4 594 123        | 566 649          | 5 160 772         |
| - animal and industrial               | 1 677 236        | 3 829 944        | 5 507 180         |
| - gristing                            | 11 961           | 11 064           | 23 025            |
| Withdrawn by producers                | 12 844           | 51 420           | 64 264            |
| Released to end-consumers             | 22 946           | 128 697          | 151 643           |
| Net receipts(-)/disp(+)               | 74 238           | 8 857            | 13 095            |
| Deficit                               | 0                | 0                | 0                 |
| <b>Local demand</b>                   | <b>6 323 348</b> | <b>4 596 631</b> | <b>10 919 979</b> |
| <b>Exports</b>                        | <b>616 651</b>   | <b>1 667 407</b> | <b>2 284 058</b>  |
| - products                            | 72 280           | 141 312          | 213 592           |
| - whole maize                         | 544 371          | 1 526 095        | 2 070 466         |
| <b>Total Demand</b>                   | <b>6 939 999</b> | <b>6 264 038</b> | <b>13 204 037</b> |
|                                       |                  |                  |                   |
| <b>Closing Stock (30 Apr)</b>         | <b>1 798 998</b> | <b>864 088</b>   | <b>2 663 086</b>  |
| - processed p/month                   | 523 610          | 367 305          | 890 915           |
| - months' stock                       | 3,4              | 2,4              | 3,0               |
| - days' stock                         | <b>105</b>       | <b>72</b>        | <b>91</b>         |

**Source: SAGIS (2019)***Note: Crop Estimates Committee (CEC)*



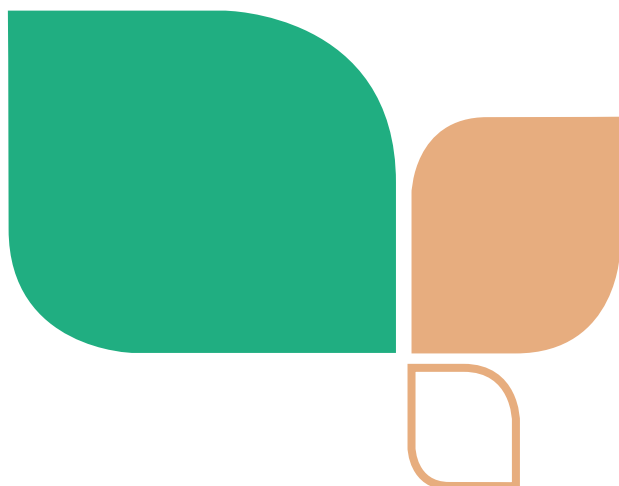
### 5.4.3 White maize price trends

**Figure 53** illustrates the trends of white maize prices in South Africa. The average spot price for white maize started to decrease in December 2016. The spot prices declined below export prices from the beginning of March 2016 and throughout 2017. The local price in 2017, on average, was trading at R2 161/ton, while in 2018 it improved to R2 214/ton.



**Figure 53:** Import parity, export parity and the South African Futures Exchange (SAFEX) for white maize prices

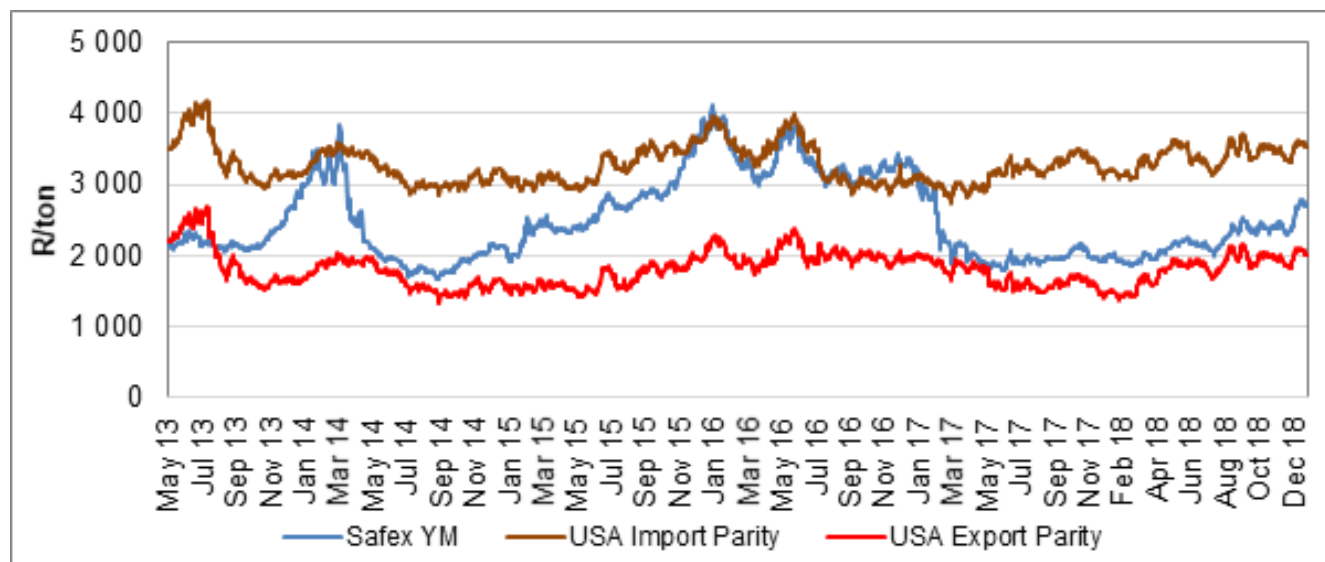
Source: Grain SA (2019)





#### 5.4.4 Yellow maize price trends

**Figure 54** explains the trends of domestic yellow maize prices. The average spot prices for yellow maize started to decline in February 2017. The spot price dropped close to the export parity of R2 064/ton in July 2017. The average spot price was at R2 649/ton in December 2018.



**Figure 54:** Import parity, export parity and SAFEX yellow maize price

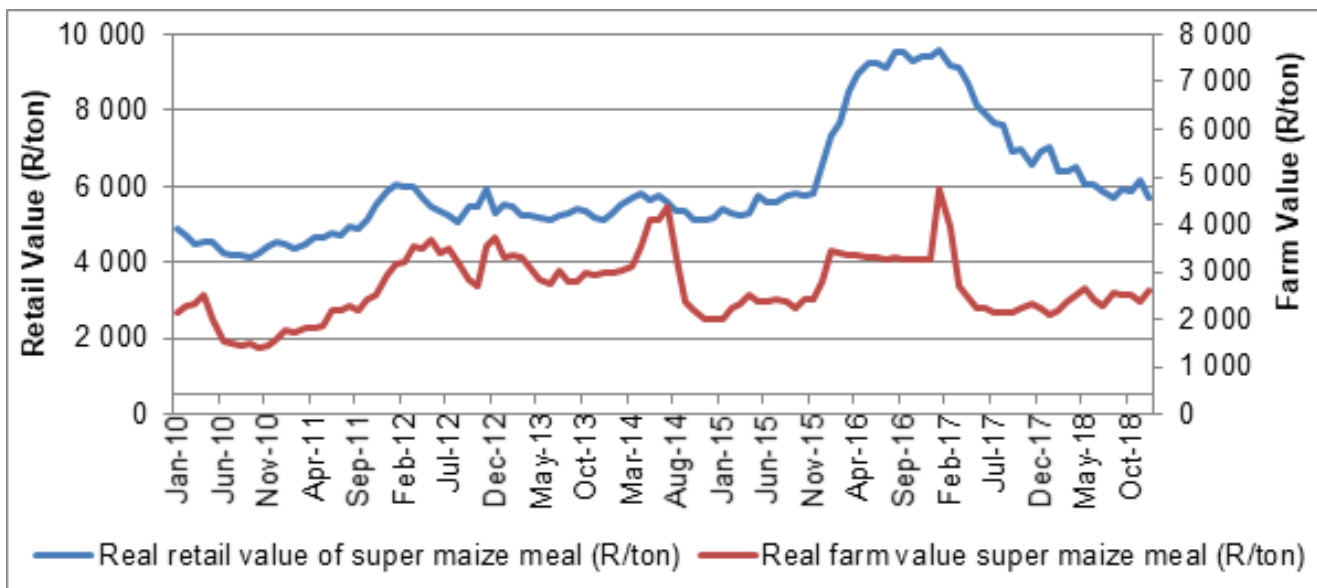
Source: Grain SA (2019)





#### 5.4.5 Real farm value of super maize meal<sup>5</sup>

**Figure 55** shows the trend in the real farm value and real retail value of super maize meal between January 2010 and December 2018. The real farm value of super maize meal decreased from R2 129/ton in January 2010 to R2 109/ton in January 2018, and improved to R2 620/ton in December 2018. The real retail value was at R4 868/ton in January 2010 and increased to R5 714/ton in December 2018.



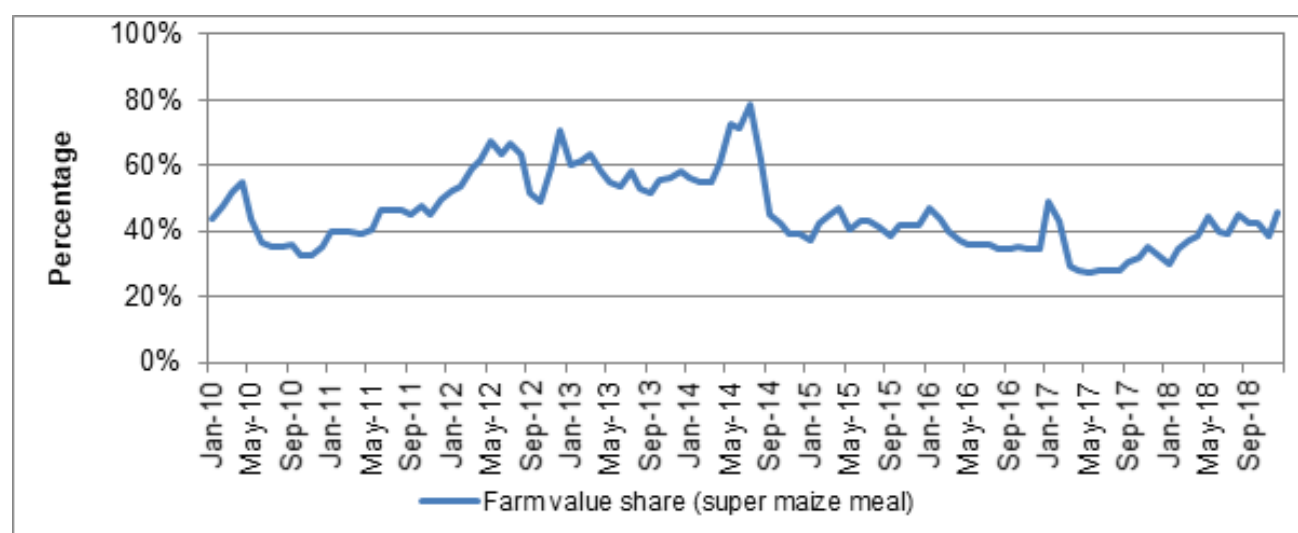
**Figure 55:** Real retail value and farm value of super maize meal

Source: SAFEX (2019), Stats SA (2019) and own calculations

<sup>5</sup> Due to the data limitation for the monitoring of an average retail price for special maize meal (5 kg) by Stats SA for the period February 2015 to December 2018, this section will only include the spread for super maize meal (5 kg).



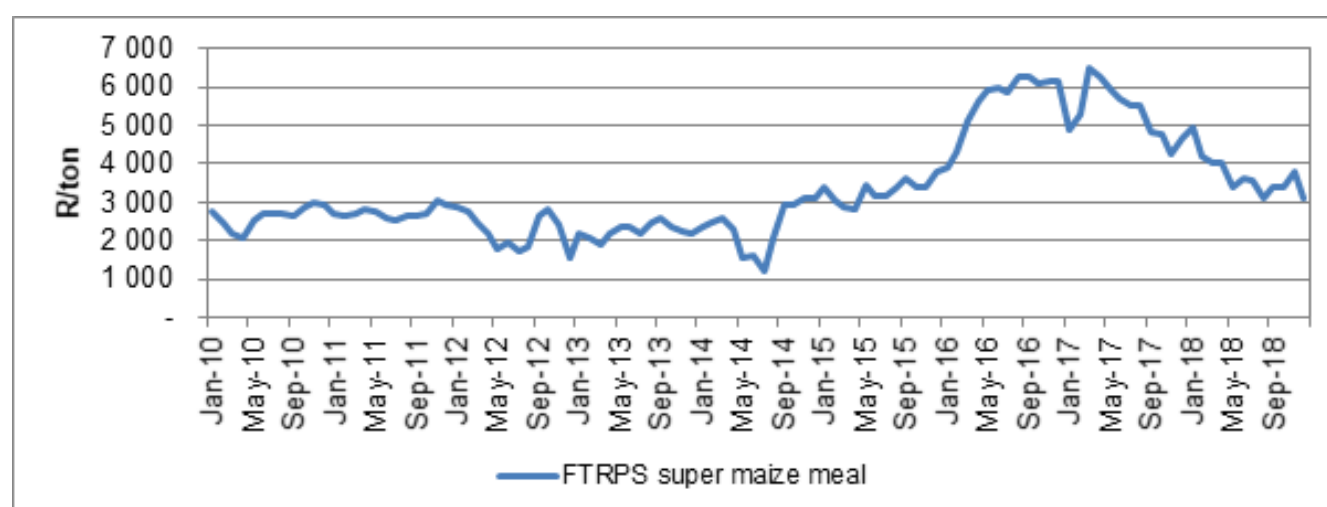
**Figure 56** shows the trend in the farm value shares for super maize meal. The farm value share of super maize meal increased to 78.4% in July 2014 and declined to 45.85% in December 2018. Between 2014 and 2017, the farm value share of super maize meal fluctuated between 27% and 78.4%. In 2018, the farm value share for super maize meal was fluctuating between 30% and 45.8% in 2018.



**Figure 56:** Real farm value share of super maize meal

Source: SAFEX (2019), Stats SA (2019) and own calculations

**Figure 57** shows the FTRPS for super maize meal between January 2010 and December 2018. The FTRPS showed high instability as a result of a substitution effect between special and super maize meal. When prices change, a likelihood that arises is that consumers tend to switch to a more affordable option of maize meal, as pressure on disposable income is realised. The FTRPS of super maize meal between 2010 and 2018 was fluctuating between R2 632/ton and R3 714/ton.



**Figure 57:** Real FTRPS of super maize meal

Source: SAFEX (2019), Stats SA (2019) and own calculations

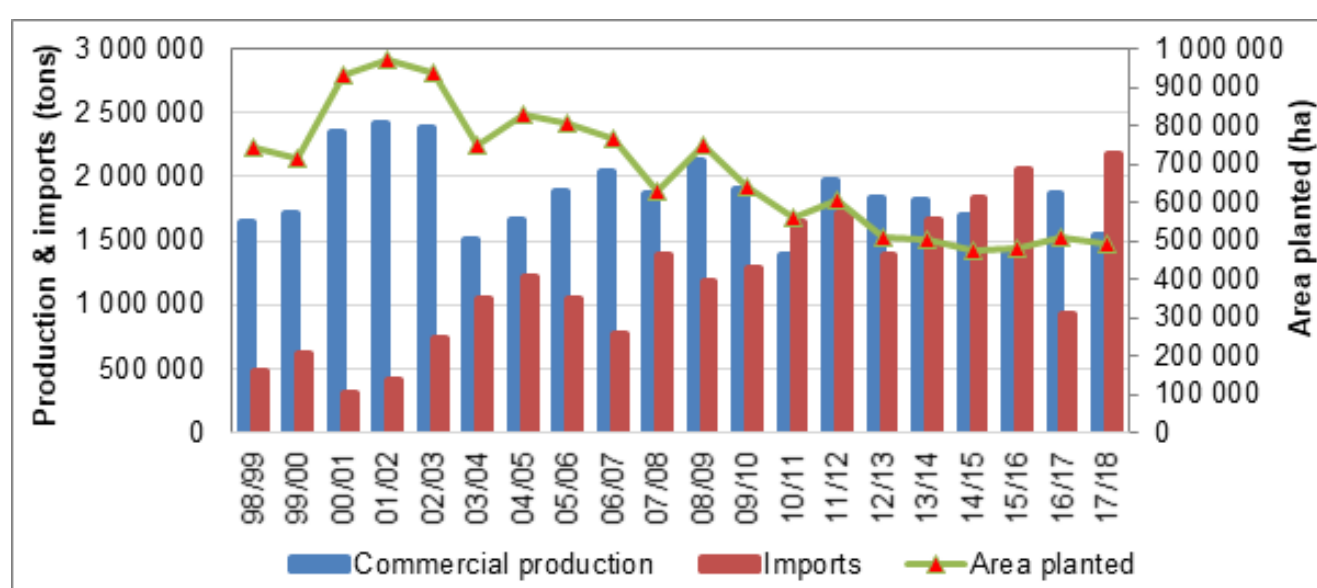




## 5.5 Wheat sector

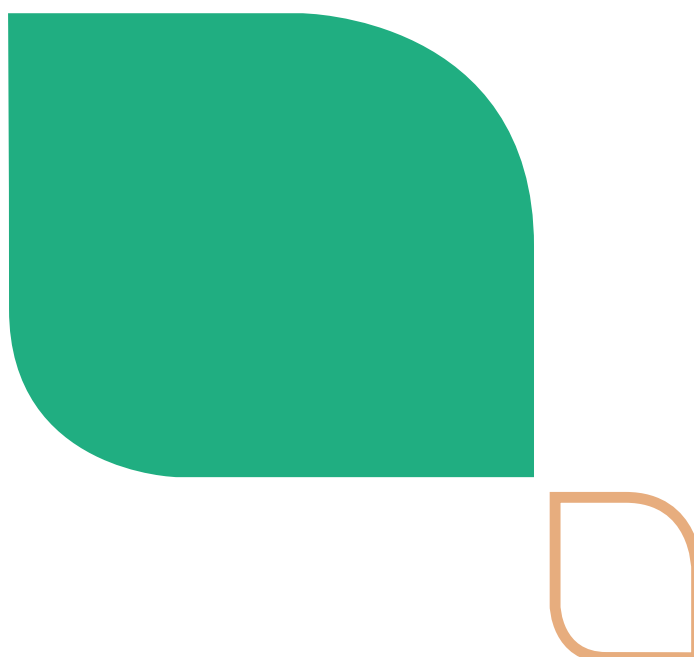
### 5.5.1 Production and imports

Wheat is predominantly produced in the Western Cape Province, with an average crop production of 1 768 000 tons being realised over the past ten years. During the 2017/18 marketing season, a total of 1 547 000 tons of wheat was produced from 491 600 ha. This was a 17.2% decrease from the 2016/17 season of 1 870 000 tons. The decrease in local production was attributed to a decline in area planted and other factors that include changes in climatic conditions in the major production areas. Wheat imports for South Africa more than doubled, from 934 000 tons to 2 173 000 tons. This was attributed to the decline in the local crop production during the season under review.



**Figure 58:** Area planted, production and imports of wheat (tons)

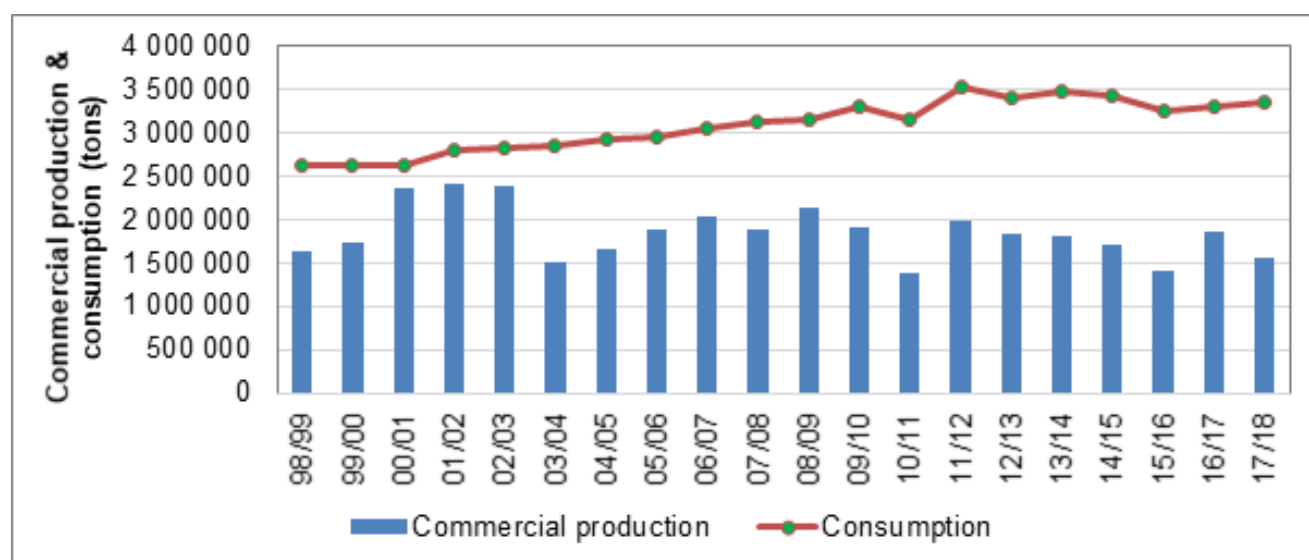
Source: SAGIS (2019) and Grain SA (2019)





### 5.5.2 Consumption

**Figure 59** illustrates domestic wheat consumption and production for the past 20 years. A large quantity of wheat produced locally is used for human consumption. Approximately less than 1% of wheat is used for the animal feed industry. South Africa wheat consumption in the 2017/18 marketing season was at 3 346 000 tons. This was a slight increase when compared with the 3 300 000 tons in the 2016/17 marketing season. This increase was due to a substitution effect from bread to maize meal and other starches.



**Figure 59:** Wheat consumption and production

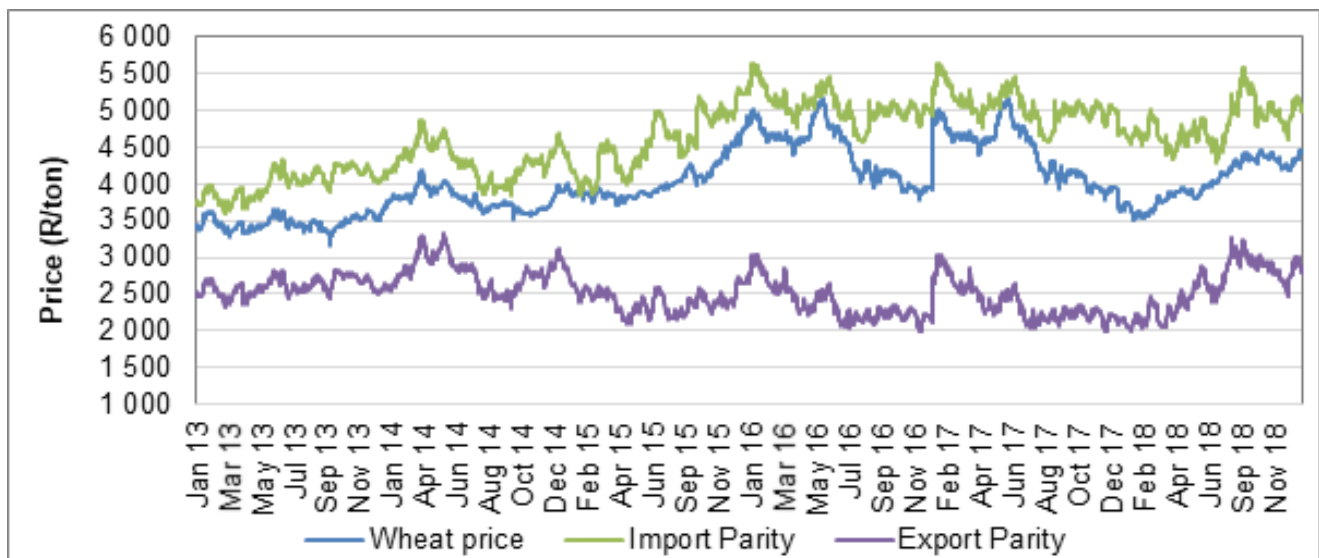
Source: SAGIS (2019)





### 5.5.3 Price trends

**Figure 60** shows domestic wheat prices together with import and export parities. From the movement of trends below, it can be seen that the domestic wheat price trades closely to the import parity. This implies that South Africa is a net importer of wheat, as local production does not meet local demand. Therefore, any change in exchange rates and global wheat prices due to structural changes in the economy will be immediately noted in the domestic wheat price. The domestic wheat price traded between R4 128/ton and R4 358/ton in the 2017/18 (October 2017 to September 2018) marketing season.



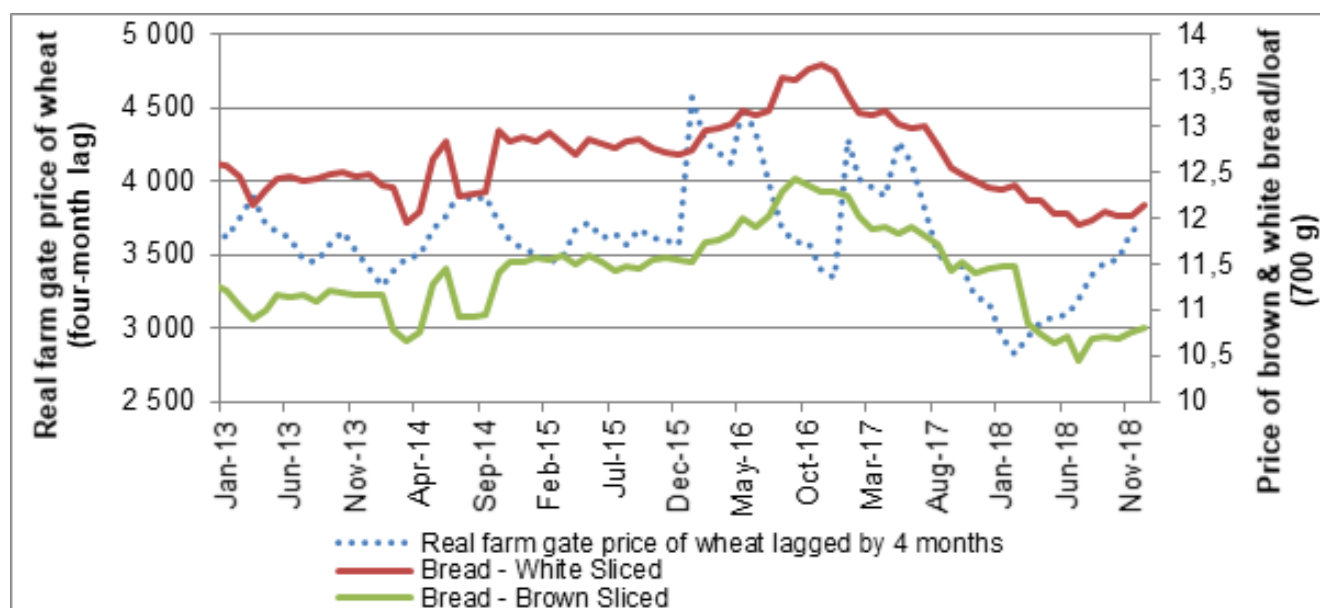
**Figure 60:** Import parity, export parity and SAFEX wheat price

Source: Grain SA (2019)



#### 5.5.4 Real farm-gate and retail prices of brown and white bread<sup>6</sup>

**Figure 61** represents the real farm-gate price of wheat per ton, lagged by four months, compared with the retail prices of brown and white bread. The average real farm-gate price of wheat (lagged by four months) decreased by 14% from R3 756/ton in 2017 to R3 231/ton in 2018. The retail price of white bread, sliced, decreased by 5.8%, while brown bread, sliced, decreased by 7.9% from 2017 to 2018. The decrease in the price of bread was a result of having greater supplies of wheat in the market. Total supply including production, imports and carry-over stocks was at 4 068 000 tons, while local demand was at 3 346 000 tons.



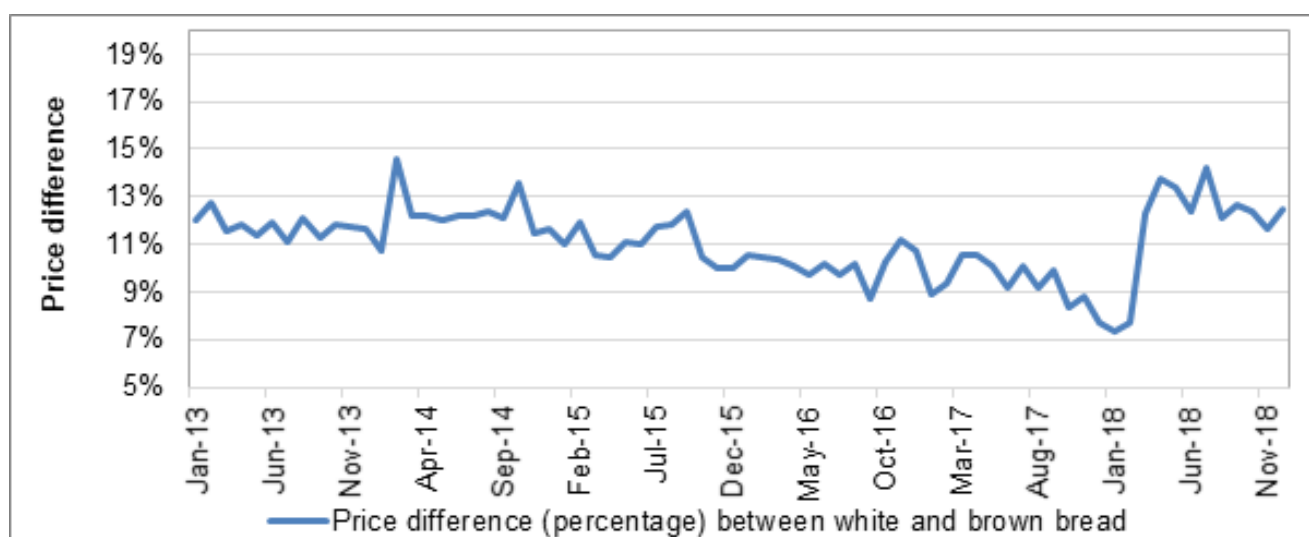
**Figure 61:** Real farm-gate price of wheat and real retail prices of brown and white bread

Source: Grain SA (2019), Stats SA (2019) and own calculations

<sup>6</sup> In order to calculate the real farm value and real retail value of a ton of flour used for a 700 g loaf of white bread, the following assumptions were made: the extraction rate from 1 ton of wheat is 0.8 tons of white bread flour and 0.87 tons of brown bread flour. An average of 464 g of flour is needed to bake a 700 g loaf of white bread, and 440 g to bake a 700 g loaf of brown bread.



**Figure 62** illustrates the percentage of differences in real prices between white and brown bread from 2013. On average during 2018, white bread was 11.87% more expensive than brown bread was. Brown bread is zero-rated for value-added tax (VAT), while 15% VAT was charged on white bread in 2018.

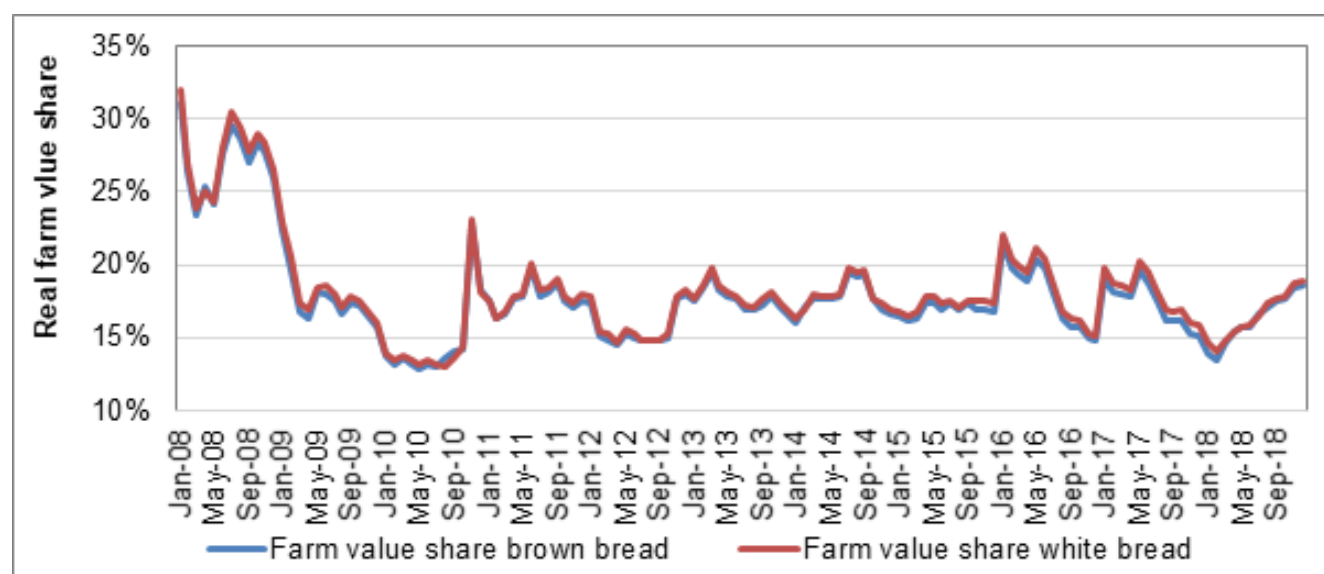


**Figure 62:** Price difference between white and brown bread

Source: Stats SA (2019) and own calculations

### 5.5.5 Real farm value share of brown and white bread

**Figure 63** shows that the average real farm value share for brown and white bread were 17.3% and 18%, respectively, for 2017. The averages in 2018 were 16.2% and 16.5% for brown and white bread.



**Figure 63:** Real farm value share of brown and white bread

Source: Grain SA (2019), Stats SA (2019) and own calculations





### 5.5.6 Real farm-to-retail-price spread (FTRPS) of white and brown bread<sup>7</sup>

Figure 64 shows the real FTRPS for brown and white bread. On average, the FTRPS for brown bread was R19 996/ton of flour in 2018, while the white bread average FTRPS was R21 051/ton of flour in 2018.

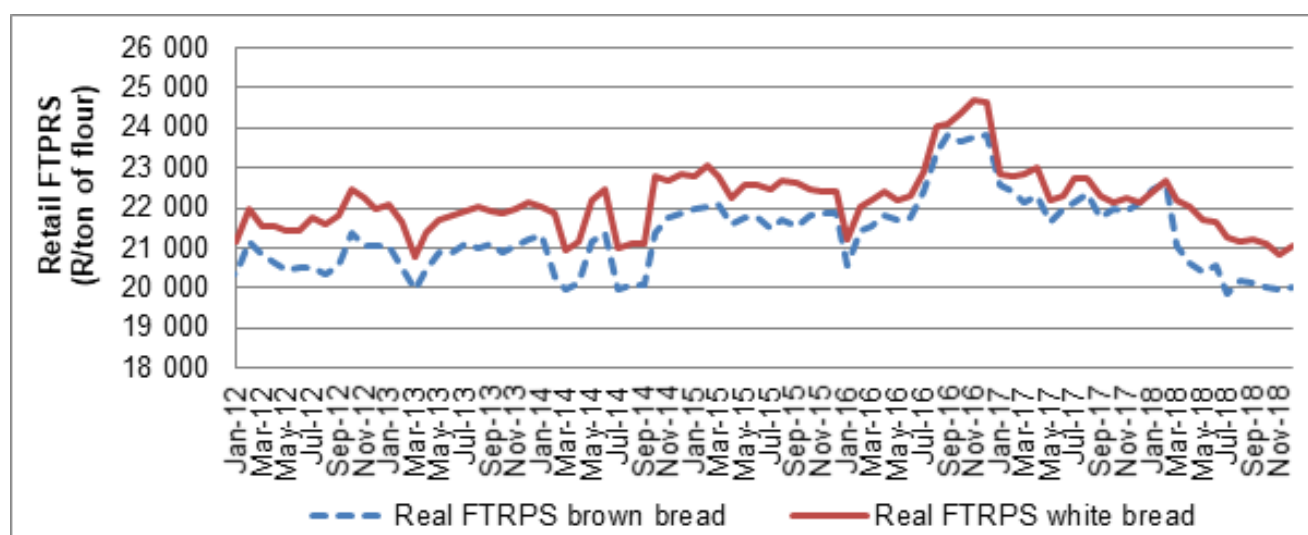


Figure 64: Real FTRPS of brown and white bread

Source: Grain SA (2019), Stats SA (2019) and own calculations

## 5.6 Sunflower seed

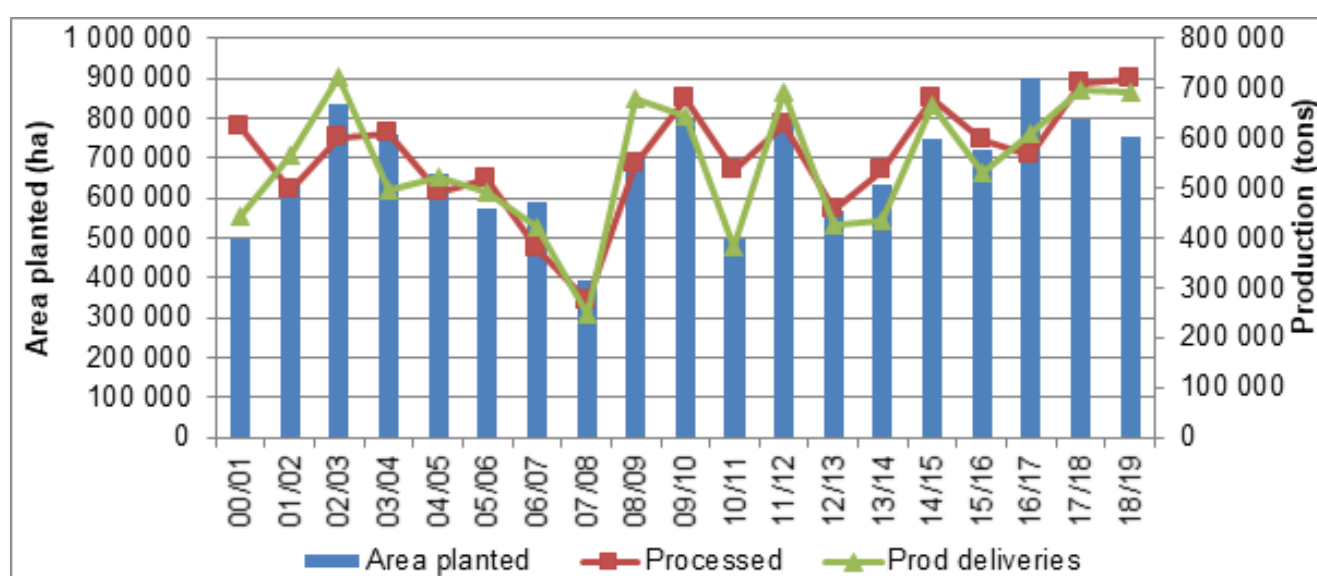
Sunflower seed is a summer grain that is usually planted from around October to mid-January. Sunflower is mainly produced in the Free State and North West provinces. Sunflower seed constitutes about 5% of the total grains produced in South Africa. Sunflower oil is one of the products manufactured from processed sunflower seeds. The by-product of sunflower is oilcake, which is used in the animal feed industry. The husk is used as bedding in the broiler industry or as an energy source at processing plants. The marketing season for sunflower seed is from 1 March to 28/29 February.

<sup>7</sup> Note: The real farm-to-retail-price-spread (FTRPS) is calculated by deducting the real farm value for a ton of flour from the real retail value of a ton of flour. The price spread is representative of all the costs involved in the value-adding process.



### 5.6.1 Production and consumption of sunflower seed

**Figure 65** indicates area planted, producer deliveries, and processed sunflower seeds for consumption. The sunflower area planted between 2000 and 2018 increased from 396 350 ha to 601 500 ha. A farmer's decision to plant sunflower is generally dependent on various factors, which include the price of substitute products, such as maize, and climatic conditions for that specific planting season. Sunflower adapts well under South African climatic conditions. Sunflower has the advantage that it can be produced when planting conditions are not suitable for other crops, especially maize. Over the past ten years, average yields (tons/ha) varied between 0.95 tons/ha to 1.55 tons/ha. Producer deliveries and processed sunflower seeds (for human and animal consumption, and crushed for oil & oilcakes) have been fluctuating over the past years, with high crops and low harvested crops, especially during drought-stricken years. Processed sunflower seeds increased by 1.7% from December 2017 (885 039 tons) to December 2018 (900 045 tons) due to an increase in demand for human consumption and crush (oil & oilcakes). Between 2017 and 2018, the sunflower area planted declined by 5.3%, from 635 750 ha to 601 500 ha.



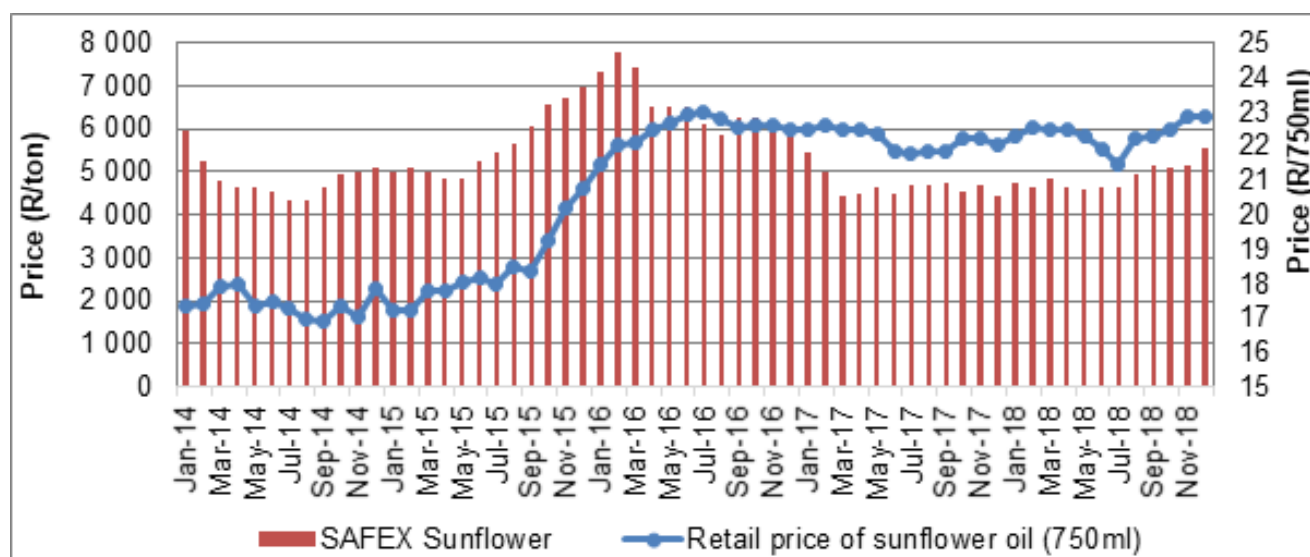
**Figure 65:** Area planted, production deliveries and processed sunflowers seed for consumption in South Africa

Source: SAGIS (2019) and own calculations



### 5.6.6 Price trends of sunflower seed

**Figure 66** illustrates domestic SAFEX sunflower prices. The average domestic sunflower price increased by 25% from December 2017 (R4430/ton) to December 2018 (R5538/ton). This increase in the domestic price of Sunflower seeds could be attributed to the increase in demand and the slight decline in the local production. The retail price of sunflower oil (750 ml) increased by 3.7% from December 2017 (R22.06/750 ml) to December 2018 (R22.88/750 ml), which was due to the decline in the domestic production.



**Figure 66:** Domestic sunflower seed price and retail price of sunflower oil (750 ml)

Source: SAGIS (2019) and Stats SA (2019)

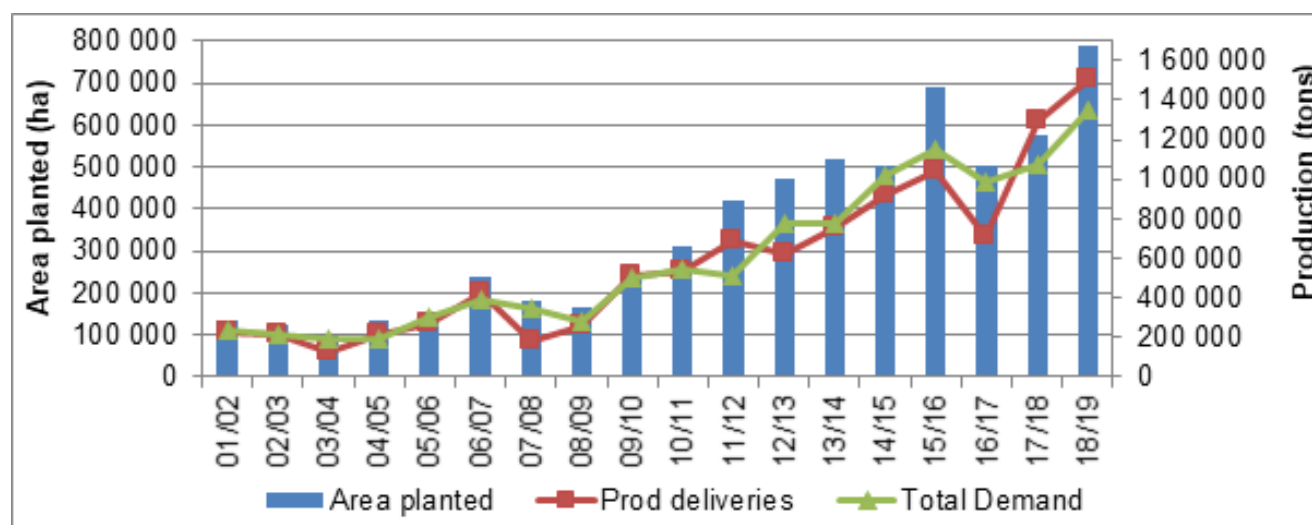
## 5.7 Soybeans

Soybeans are a summer crop that is mainly produced in the Free State, KwaZulu-Natal and Mpumalanga provinces, under both dryland and irrigation systems. These provinces account for approximately 85% of soybeans produced in the country, with a recent increase in production from the North West Province. Soybeans are estimated to constitute about 9% of the total summer grains produced domestically.



### 5.7.1 Soybean production

Domestic soybeans production for the 2018/19 marketing season was estimated at 1 502 976 tons, as indicated in **Figure 67**. This was a 16.4% increase from the previous season, 2017/18. The total area planted in 2018/19 increased by 37% from 2017 (573 950 ha) to 2018 (787 200 ha). Planting soybeans in the 2018/19 marketing season proved to be profitable, when compared with sunflowers and maize.



**Figure 67:** Area planted, production deliveries and total demand for soybean seed in South Africa

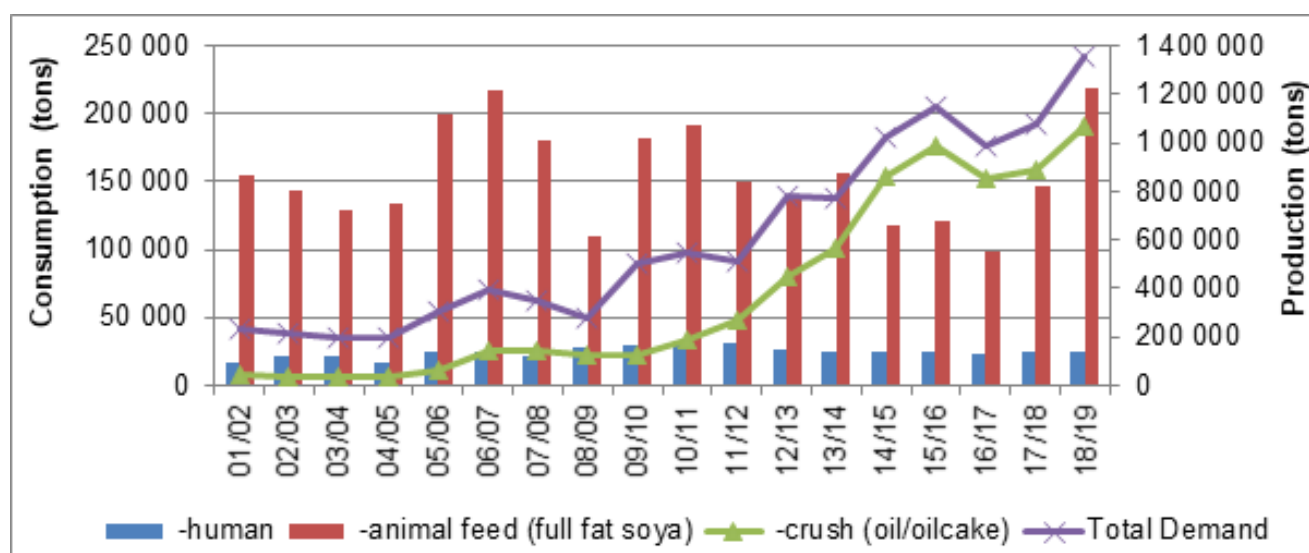
Source: SAGIS (2019) and own calculations





### 5.7.2 Soybean consumption

In the 2018/19 marketing year, domestic demand for soybeans was at approximately 1 352 609 tons. About 218 973 tons were processed as feed and full-fat soybean meal. This was a 48.9% increase from the previous season, 2017/18. In 2018/19, soybeans for human consumption was estimated at 25 005 tons, as illustrated in **Figure 68**.



**Figure 68:** Feed and full-fat soya, crushed for oil and oilcake, total domestic demand and consumption of soybean seed in South Africa

Sources: SAGIS (2019) and own calculations

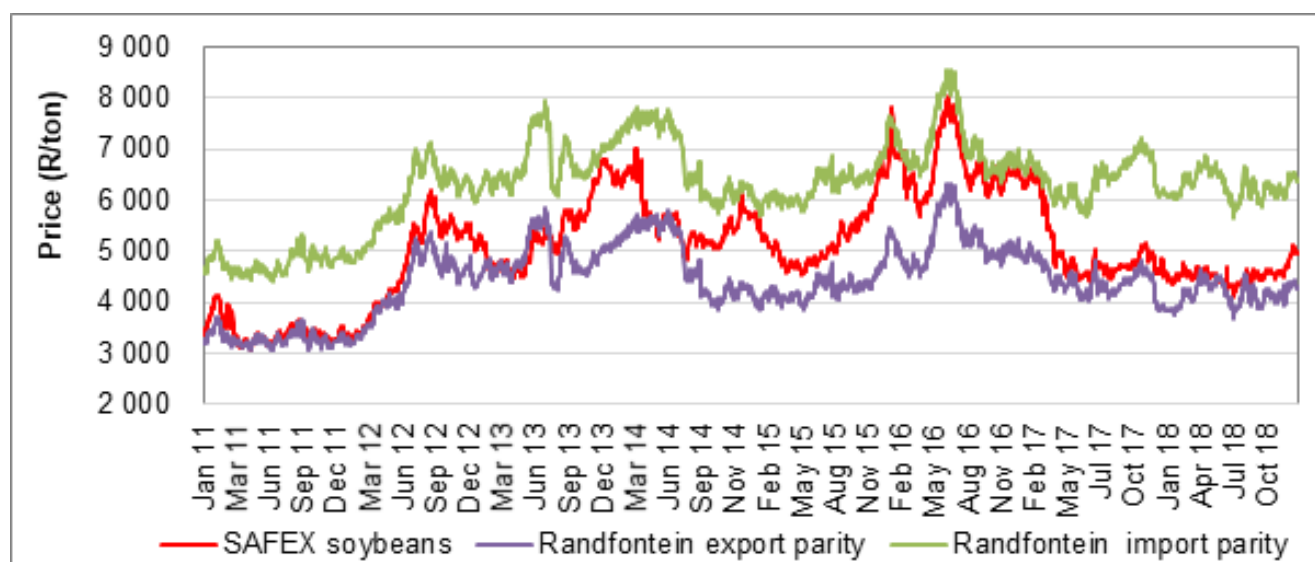






### 5.7.3 Price trends for soybeans

**Figure 69** illustrates the domestic (SAFEX), import and export parity prices at Randfontein for soybeans. The domestic average price increased by 4.3% from December 2017 (R4 765/ton) to December 2018 (R4 970/ton). The import parity price decreased by 5.8% over the same period, while export parity also decreased by 1.5%.

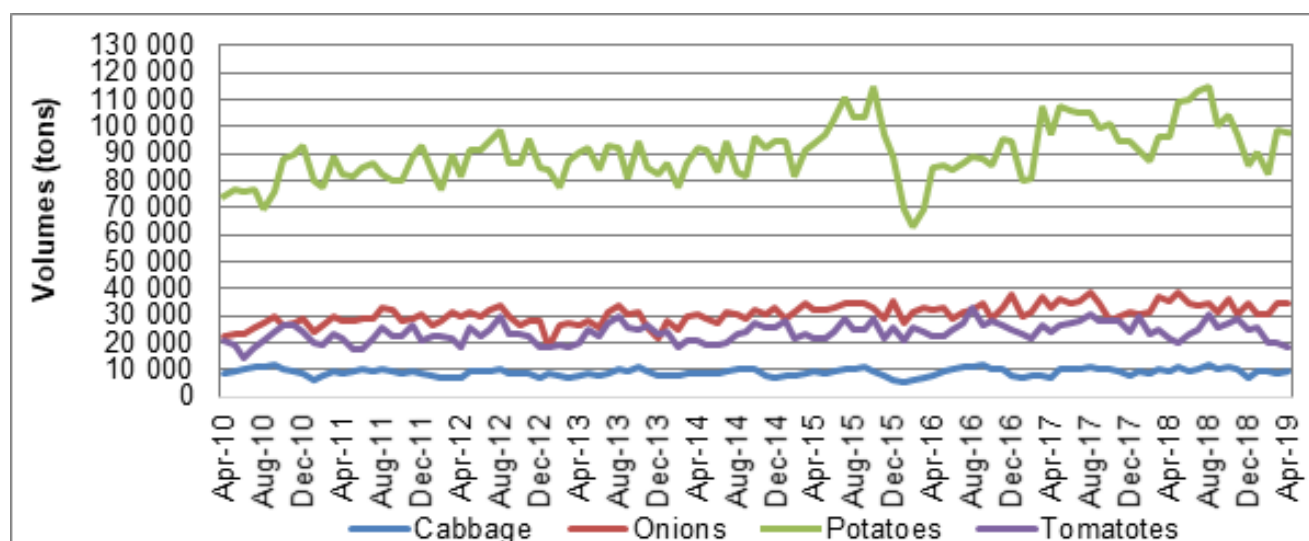


**Figure 69:** Soybean SAFEX, import and export parity prices in South Africa

Source: Grain SA (2019) and own calculations

## 5.8 Vegetable sector

**Figure 70** depicts the volumes of selected fresh vegetables sold at the national fresh produce markets from April 2010 to April 2019. The total volumes of cabbage, potatoes and onions sold increased by 7.67%, 2.33% and 1.66%, respectively, between 2017 and 2018. The total volume of tomatoes decreased by 3.76% between 2017 and 2018.

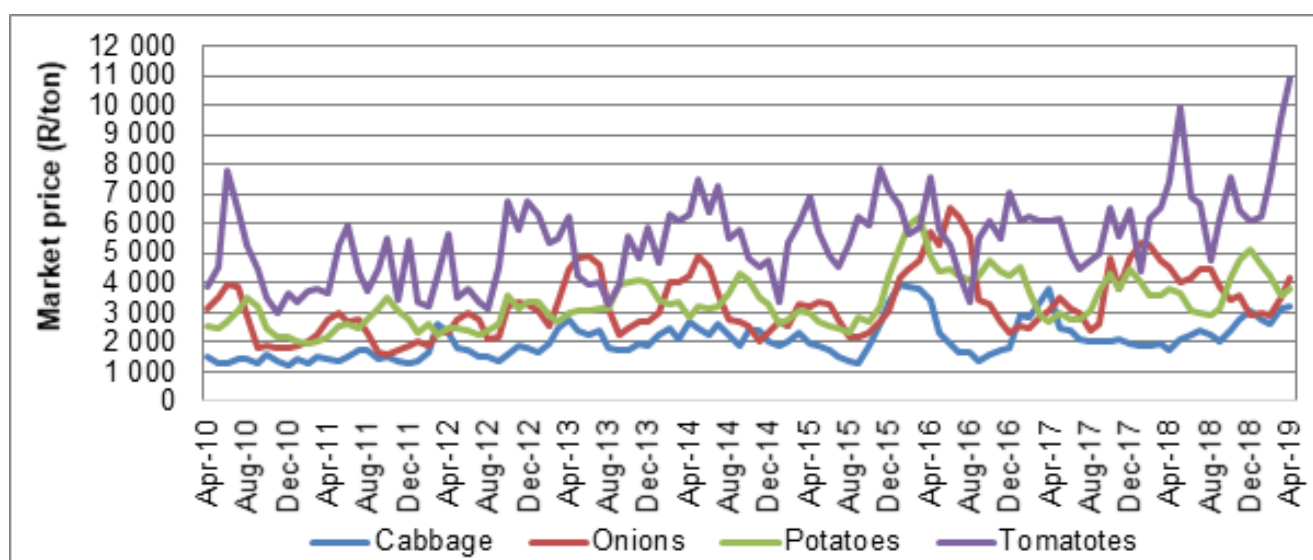


**Figure 70:** Volume of selected vegetables sold at fresh produce markets

Source: DAFF (2019) and own calculations



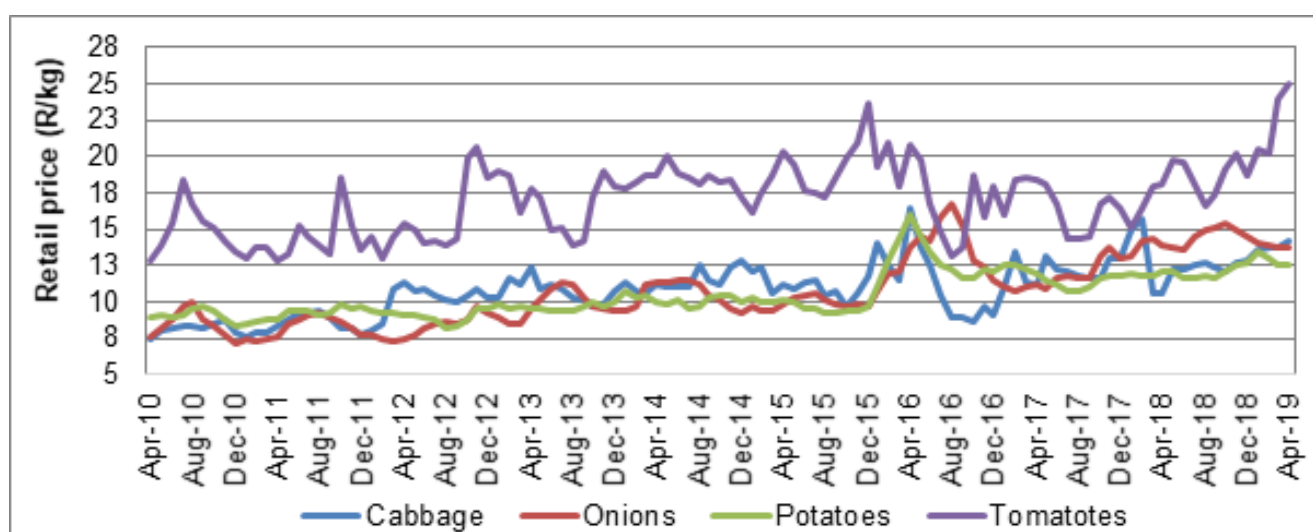
The market price trends for selected fresh vegetables from April 2010 to April 2019 are shown in **Figure 71**. The market prices for selected vegetables were, on average, higher in 2018, when compared with 2017. In nominal terms, the average increases in market prices, per ton, of onions, tomatoes and potatoes were 31.08%, 14.04% and 7.28%, respectively, in 2018, as compared with 2017. The average market price per ton of cabbages was 9.33% lower in 2018, as compared with 2017.



**Figure 71:** Market price trends for selected fresh vegetables

Source: DAFF (2019) and own calculations

**Figure 72** illustrates the nominal retail price trends for selected fresh vegetables from April 2010 to April 2019. The prices for fresh onions, tomatoes, cabbage and potatoes, per kg, increased by 21.71%, 8.54%, 4.14% and 2.80%, respectively, between 2017 and 2018.



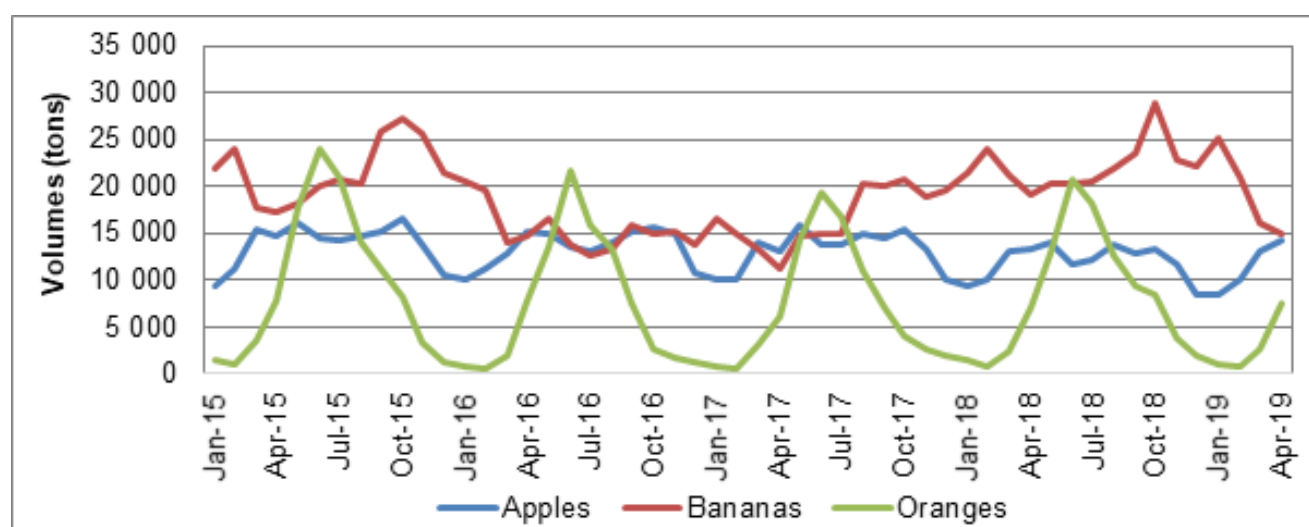
**Figure 72:** Retail price trends for selected fresh vegetables

Sources: Stats SA (2019) and own calculations



## 5.9 Fruit Sector

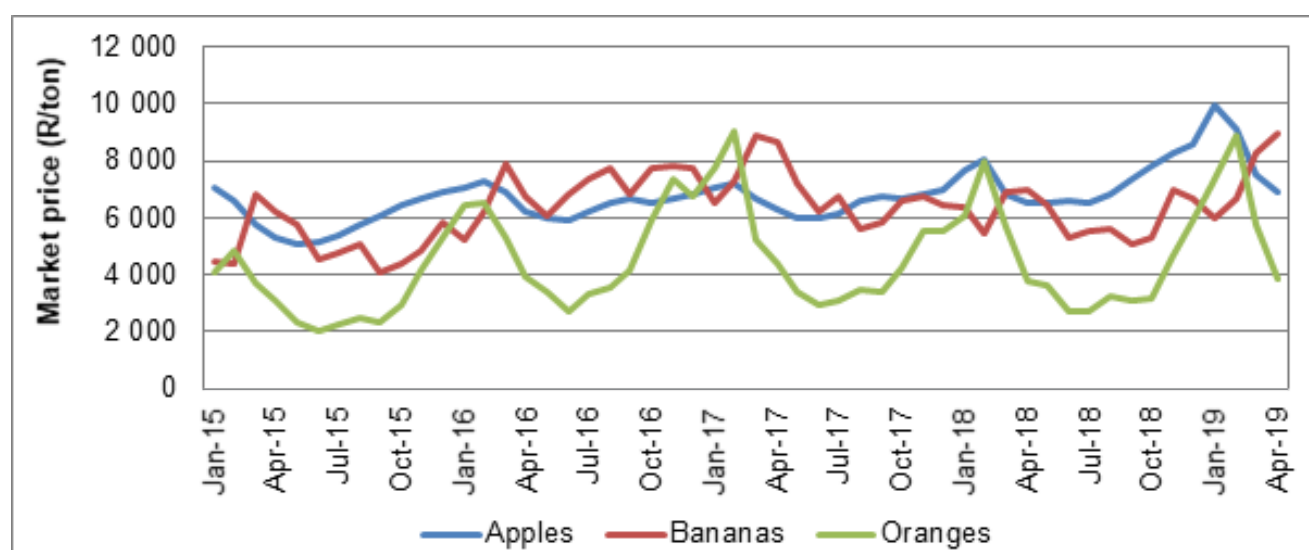
**Figure 73** depicts the volumes of selected fresh fruits sold at the national fresh produce markets from January 2015 to April 2019. The total volumes of bananas and oranges sold increased by 32.84% and 14.29%, respectively, between 2017 and 2018. The total volume of apples sold decreased by 9.63% between 2017 and 2018.



**Figure 73:** Volume of selected fruits sold at fresh produce markets

Source: DAFF (2019) and own calculations

The market price trends for selected fresh vegetables from January 2015 to April 2019 are shown in **Figure 74**. The market prices for selected fruits were, on average, lower in 2018 when compared with 2017. In nominal terms, the average decreases in market prices, per ton, of bananas and oranges were 11.09% and 6.79%, respectively, in 2018, as compared with 2017. The average market price per ton of apples was 10.14% higher in 2018, as compared with 2017.

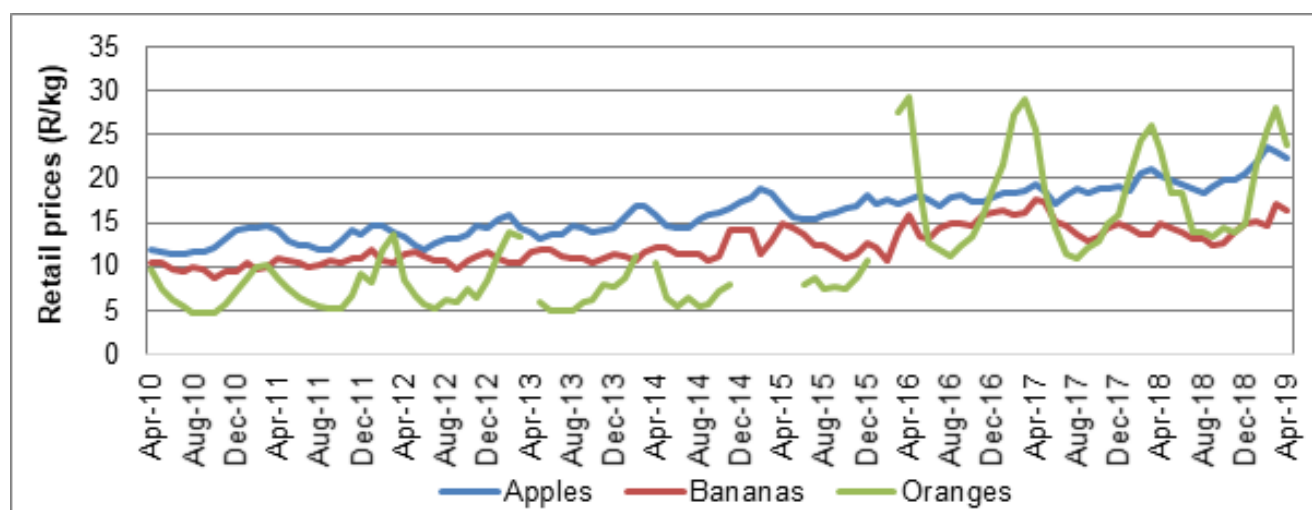


**Figure 74:** Market price trends for selected fresh fruits

Source: DAFF (2019) and own calculations



**Figure 75** depicts the retail price trends for selected fruits from April 2010 to April 2019. On average, the retail prices for the selected fruits were higher in 2018, when compared with 2017. The average prices, per kg, of apples and oranges were 5.97% and 0.22% higher, respectively, in 2018, as compared with 2017. The average retail price per kg of bananas was 9.35% lower in 2018, when compared with 2017.



**Figure 75:** Retail price trends for selected fresh fruit

Source: Stats SA (2019) and own calculations



## CONCLUSION

The South African Agricultural sector remains a vital sector in terms of food security, employment, and its contribution to the economy. The value of production doubled during the past ten years, with primary agriculture obtaining a positive trade balance, and expanding exports. The positive growth of processed products also indicate that this part of the industry becomes more and more competitive. Field crops and the livestock industry indicate outstanding growth from the previous season. The high supply of individual grains accompanied with lower food prices, contributes to the decreasing food inflation figures. Increasing administered cost, a weak exchange rate, uncertainty regarding specific policies, and the continuous outbreak of diseases such as Avian Influenza (AI), Listerioses, Food-and-Mouth Disease (FMD) and African Swine Fever (ASF) can be seen as some of the most constraining factors for growth for the sector. Besides this, South Africa has a very well-developed food system. The horticultural sector remains an excellent earner of foreign exchange

with products exported, such as citrus, grapes, apples, pears and macadamia nuts. Macadamia nuts looks very promising with a 56.7% increase in exports, y-o-y. Wool is also an excellent earner of foreign exchange. South Africa experiences difficulties with its competitiveness in the production of products such as wheat, rice, coffee, and black

tea and needs to import the bulk thereof. Wine, food preparation, ethyl alcohol, cigarettes, animal feed, waters, flour meal and juices contribute as very good earners of foreign exchange. Chicken cuts, palm oil, food preparation, whisky, soybean meal, beer for malt, animal cuts, animal feed prep, sunflower seed, and cigarettes are the most imported processed goods. South Africa shows a positive trade balance of unprocessed fishery goods with a negative trade balance of processed fishery goods. Forestry is also a positive earner of foreign exchange on unprocessed products and a negative earner on processed products. This indicates that more emphasis needs to go to the processing sector.

Input costs in the chain remains a concern. Inputs increased more than outputs which lead to the pressure of primary producers. The average South African headline and food and non-alcoholic beverages inflation rates reached 4.6% and 3.3%, respectively, in April 2019, which is good news for consumers. Vegetables and fruit have the most significant increases, and the most substantial decrease was in the meat sector.





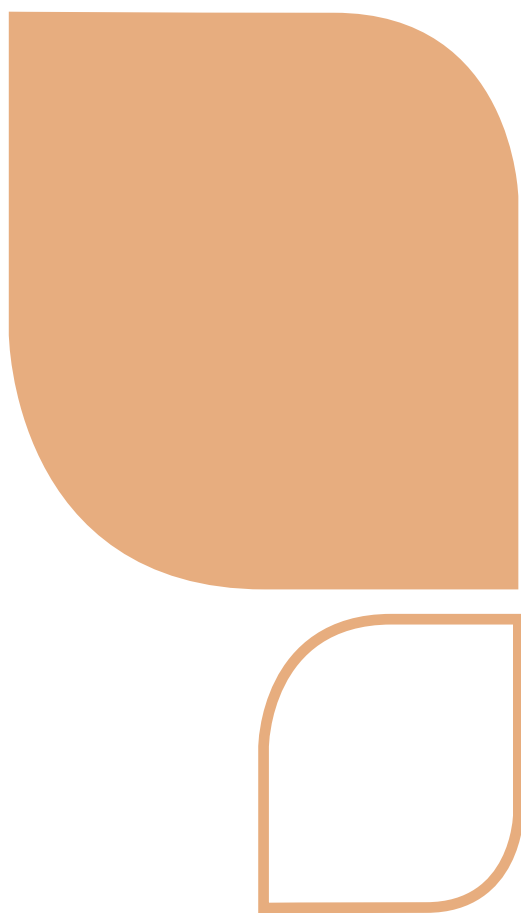
## REFERENCES

- Amadeo, K. 2019. *Why Food Prices Are Rising, Recent Trends, and 2019 Forecast*. The Balance, June 25, 2019. Available online at: <https://www.thebalance.com/why-are-food-prices-rising-causes-of-food-price-inflation-3306099>.
- AMT (Agrimark Trends). 2019. *Selected commodity price information*. North-West University: Agrimark Trends.
- CEC (Crop Estimates Committee). 2019. *The final production estimate for summer crops for 2018/19*. Available online at: [www.sagis.org.za/CEC:Crop Estimates](http://www.sagis.org.za/CEC:Crop%20Estimates).
- DAFF (Department of Agriculture, Forestry and Fisheries). 2019a. *Abstract of Agricultural Statistics 2019*. Pretoria: DAFF.
- DAFF (Department of Agriculture, Forestry and Fisheries). 2019b. *Agro-processing support*. Website link available at <https://www.daff.gov.za/daffweb3/branches/economic-development-trade-marketing/agro-processing-support>.
- DAFF (Department of Agriculture, Forestry and Fisheries). 2009. *State of the forests report (2007 – 2009)*. Published by DAFF. Report available at [https://www.nda.agric.za/doaDev/sideMenu/ForestryWeb/webapp/Documents/Stateoftheforestsreport\\_web.pdf](https://www.nda.agric.za/doaDev/sideMenu/ForestryWeb/webapp/Documents/Stateoftheforestsreport_web.pdf).
- Daya M.Y. (2014). *South African agricultural exports: trends, composition, direction and potential*. Compiled by Directorate: International Trade. Department of Agriculture.
- DoL (Department of Labour). 2019. *Department of Labour [home page]*. Available online at: <http://www.labour.gov.za>.
- Eskom. 2019. *Eskom [home page]*. Available online at: <http://www.eskom.co.za>.
- FAO (Food and Agriculture Organisation). 2019a. *Food Outlook*. Available online at: <http://www.fao.org/>.
- FAO (Food and Agriculture Organisation). 2019b. *World Food Situation*. Available online at: <http://www.fao.org/worldfoodsituation/>.
- Fertasa (Fertiliser Association of Southern Africa). 2018. *Fertasa [home page]*. Available online at: <http://www.fertasastats.co.za>.
- FleetWatch. 2019. *FleetWatch Magazine*. Available online at: <http://www.fleetwatch.co.za>.
- FP&M SETA (Fibre Processing and Manufacturing Sector Education and Training Authority). 2014. *A profile of the forestry and wood products subsector: forestry and wood products sector*. Available online at: [https://www.fpmseta.org.za/downloads/FPM\\_sub-sector\\_forestry\\_wood\\_final.pdf](https://www.fpmseta.org.za/downloads/FPM_sub-sector_forestry_wood_final.pdf).
- GTA (Global Trade Atlas). 2019. *Agricultural, forestry and fisheries trade statistics*. Database accessed (29 April 2018). Available online at: [www.gtis.com/gta/secure/default.cfm](http://www.gtis.com/gta/secure/default.cfm).



- Grain SA (Grain South Africa). 2019. *Grain SA [home page]*. Available online at: <http://www.grainsa.co.za>.
- IEA (International Energy Agency). 2009. *International Energy Agency [home page]*. Available online at: <http://www.iea.org>.
- IEA (International Energy Agency). 2013. *International Energy Agency [home page]*. Available online at: <http://www.iea.org>.
- IFA (International Fertilizer Association). 2019. *International Fertilizer Association [home page]*. Available online at: <http://www.fertilizer.org>.
- MPO (Milk Producers' Organisation). 2019. *Personal communication*. Pretoria.
- NERSA (National Energy Regulator of South Africa). 2019. Available online at: <http://www.nersa.org.za/>.
- S&DEC(Supply & Demand Estimates Committee). 2018. *South African Supply and Demand Estimates Report*. Available online at <https://www.namc.co.za/category/research-publications/supply-demand-estimates/>.
- SAFEX (South African Futures Exchange). 2019. *South African Futures Exchange [home page]*. Available online at <http://www.jse.co.za/Markets/Commodity-Derivatives-Market/commodity-Derivatives-physicaldelivery-info.aspx>.
- SAGIS (South African Grain Information Service). 2019. *South African Grain Information Service [home page]*. Available online at: <http://www.sagis.org.za>.
- SAMPRO (South African Milk Processors' Organisation). 2019. *Personal communication*, Pretoria.
- SAPIA (South African Petroleum Industry Association). 2019. Available online at: <http://www.sa-pia.org.za/>.
- Stats SA (Statistics South Africa). 2019. Available online at: <http://www.statssa.gov.za/>.
- Trade Map. 2019. Data available online at: <https://www.trademap.org/>.





## **Contact Us:**

Tel: +27 (12) 341 1115 | Fax: +27 (12) 341 1811

Block A | 4th Floor | Meintjiesplein Building | 536

Francis Baard Street

Arcadia | Pretoria | 0002

Email: [info@namc.co.za](mailto:info@namc.co.za)

**[www.namc.co.za](http://www.namc.co.za)**

