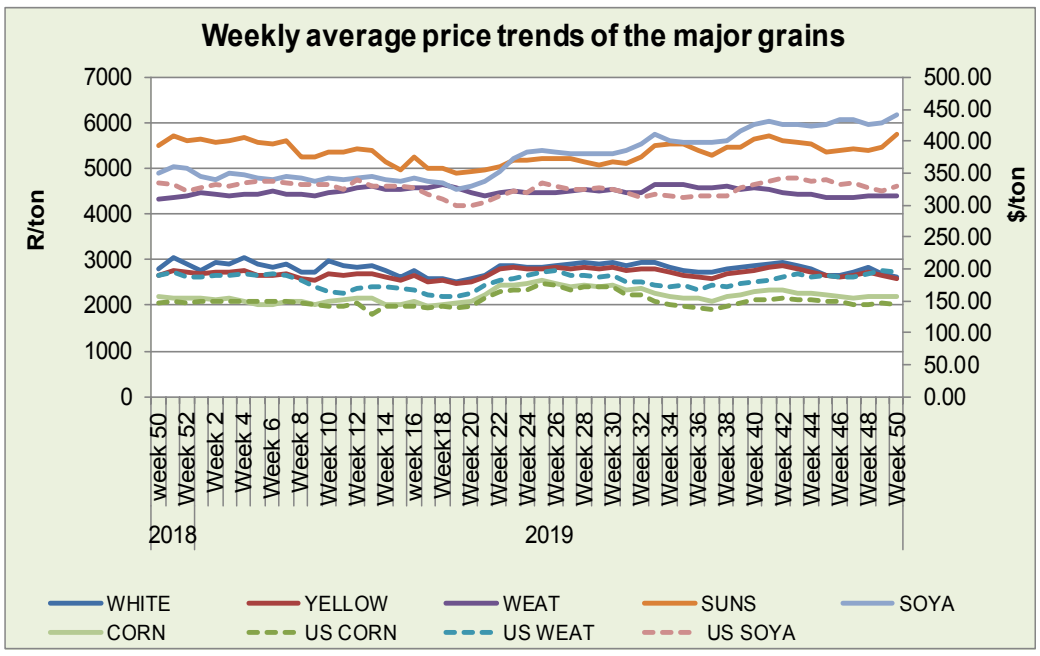
agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Weekly Price Watch: 13 December 2019

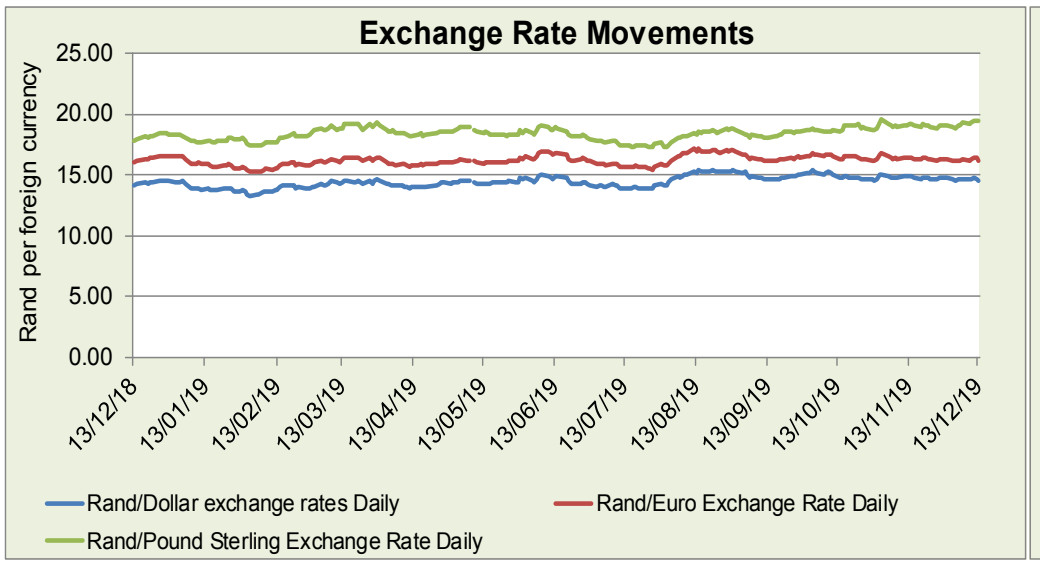
Directorate: Statistics & Economic Analysis

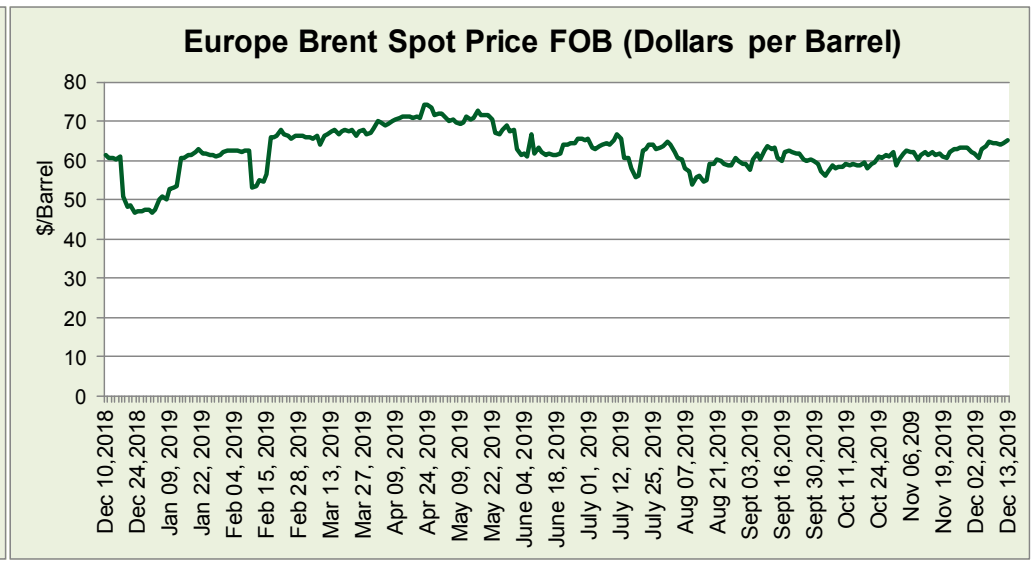


Domestic grain prices strengthened this week except for white and yellow maize prices which decreased by 2,8% and 3,5% respectively this week compared to the previous week. There was some good rains received over the past week that ensured enough moisture in some parts of the country to begin planting. Local wheat prices increased by 0,5% this week compared to the previous week while all grades of wheat look good despite the dry conditions experienced in the Western Cape. Local soybean and sunflower seed prices increased by 2,7% and 5,1% respectively week-on-week, gaining support from the international oilseed prices. Local sweet sorghum price remained unchanged this week compared to the previous week. Internationally, US yellow maize prices decreased by 1,7% this week compared to the previous week, while the International Grains Council (IGC) raised its forecast for global maize production in the 2019/2020 season, reflecting an improved outlook for the US crop. US wheat prices decreased by 0,7% this week compared to the previous week, after the USDA forecast a drop in the US wheat supplies to a five-year low. US soybean prices increased by 2,3% week-on-week, on renewed hopes that a trade agreement with China was very close.

Spot price trends of major grains commodities

	1 year ago Week 50 (10-12-18 to 14-12-18)	Last week Week 49 (02-12-19 to 06-12-19)	This week Week 50 (09-12-19 to 13-12-19)	w-o-w % change
RSA White Maize per ton	R 2 817.00	R 2 705.00	R 2 628.00	-2.8%
RSA Yellow Maize per ton	R 2 650.80	R 2 673.20	R 2 580.00	-3.5%
USA Yellow Maize per ton	$ 147.62	$ 145.82	$ 143.29	-1.7%
RSA Wheat per ton	R 4 322.80	R 4 385.20	R 4 408.60	0.5%
USA Wheat per ton	$ 190.06	$ 197.53	$ 196.12	-0.7%
RSA Soybeans per ton	R 4 915.60	R 6 022.40	R 6 187.20	2.7%
USA Soybeans per ton	$ 335.70	$ 321.88	$ 329.17	2.3%
RSA Sunflower seed per ton	R 5 523.00	R 5 465.20	R 5 743.00	5.1%
RSA Sweet Sorghum per ton	R 3 730.00	R 3 469.00	R 3 469.00	0.0%
Crude oil per barrel	$ 60.90	$ 62.70	$ 64.48	2.8%





The rand depreciated by 0,2% against the US dollar week-on-week, amid pressure facing SA economy as Eskom's power cuts created fears that the economy could end up in recession. The rand depreciated by 1,8% against the Pound Sterling week-on-week, while market participants are very optimistic over the outlook of the pound following the general election victory of Prime Minister Boris Johnson. The rand depreciated by 0,6% against the Euro week-on-week, while the European Central Bank kept its interest rate unchanged.

Brent crude oil averaged $64.48 in the reporting week, 2,8% more than $62.70 reported the previous week, supported by hopes that the US-China trade deal will bolster oil demand in 2020 and the prospects of lower US crude supplies. Moreover, the Organisation of Petroleum of Exporting Countries and allies such as Russia are making a further oil supply cut of 500 000 barrels per day from January 2020 to support the market.

National South African Price information (RMAA) : Beef

Week 48 (25/11/2019 to 01/12/2019)	Units	Avg Purchase Price	Avg Selling Price	Week 49 (02/12/2019 to 08/12/2019)	Units	Avg Purchase Price	Avg Selling Price
Beef							
Class A2	12 004	44.77	45.09	Class A2	12 767	44.67	46.00
Class A3	1081	44.80	45.56	Class A3	986	44.07	46.29
Class C2	1236	36.94	38.59	Class C2	1 125	37.47	39.73

Units sold for class A3 and C2 beef decreased by 8,8% and 9,0% respectively in the reporting week while units sold for class A2 beef increased by 6,4% week-on-week. The outbreak of the Foot and Mouth Disease created uncertainty on the demand for beef while auctions have been banned nationwide. The weekly average purchase prices for class A2 and A3 beef decreased by 0,2% and 1,6% respectively in the reporting week while the Foot and Mouth Disease outbreak will add severe strain on producer cash flow. Meanwhile, the weekly average purchase price for class C2 beef prices increased by 1,4% in the reporting week compared to the previous week. During the same period, the weekly average selling prices for class A2, A3 and C2 beef increased by 2,0%, 1,6 % and 3,0% respectively in the reporting week compared to the previous week, displaying some slight gains on the back of improved seasonal demand ahead of Christmas.

National South African Price information (RMAA) : Lamb

Week 48 (25/11/2019 to 01/12/2019)	Units	Avg Purchase Price	Avg Selling Price	Week 49 (02/12/2019 to 08/12/2019)	Units	Avg Purchase Price	Avg Selling Price
Lamb							
Class A2	9 304	68.38	69.51	Class A2	8 580	68.91	70.80
Class A3	1 511	67.79	69.83	Class A3	1 071	69.49	70.45
Class C2	1 547	50.19	52.82	Class C2	2015	49.23	53.97

Units sold for class A2 and A3 lamb decreased by 7,8% and 29,1% respectively in the reporting week while pressure in the red meat market in general may limit supplies. Meanwhile, units sold for class C2 lamb increased by 30,3% in the reporting week compared to the previous week. The weekly average purchase prices for class A2 and A3 lamb increased by 0,8% and 2,5% respectively in the reporting week while the weekly average purchase price for class C2 lamb decreased by 1,9% week-on-week. During the same period, the weekly average selling prices for class A2, A3 and C2 lamb increased by 1,9%, 0,9% and 2,2% respectively in the reporting week compared to the previous week on renewed uptake on markets. Local lamb prices are expected to increase on improved seasonal demand during the festive season however, pressure in the red meat market in general may limit the potential upside.

National South African Price information (RMAA) : Pork

Week 48 (25/11/2019 to 01/12/2019)	Units	Avg Purchase Price	Week 49 (02/12/2019 to 08/12/2019)	Units	Avg Purchase Price
Pork					
Class BP	9 825	26.85	Class BP	10 657	26.56
Class HO	6 169	25.97	Class HO	5 982	25.80
Class HP	5 380	25.77	Class HP	4 306	25.66

Units sold for class HO and HP pork decreased by 3,0% and 20,0% respectively in the reporting week while units sold for class BP pork increased by 8,5% week-on-week. During the same period, the weekly average purchase prices for class BP, HO and class HP pork decreased by 1,1%, 0,7% and 0,4% respectively in the reporting week compared to the previous week. Local pork prices are expected to increase in the short tem as the festive trading season is nearing an end in a few weeks.

Latest News Developments

Statistics South Africa in its Quarterly Employment survey revealed that total employment decreased by 28 000 or 0,3% quarter–on-quarter in the third quarter of 2019. This was largely due to a contraction in the construction (-2,0%) industry, manufacturing (-1,0%), community services (-0,4%), business (-0,4%) and transport services (-0,2%). This is at odds with the Quarterly Labour Force Survey that reported that jobs in the formal non-agricultural sector increased by 43 000 in the third quarter of 2019 while jobs in the agricultural sector and private households increased by 38 000 and 35 000 respectively. According to Absa, the lackluster labour market and declining real earnings growth will likely keep consumption expenditure subdued in the near-term. The November Producer Price Index (PPI) inflation for final manufactured goods fell to a 10 year low. According to Stats SA, the annual producer price inflation for final manufactured good was 2,3% in November 2019, down from 3,0% in October 2019, slowing for seven consecutive month since May 2019 while on a month-on-month basis, the producer price index decreased by 0,3% in November 2019. Main contributors to the headline PPI annual inflation were food products, beverages and tobacco products; metals, machinery, equipment and computing equipment as well as transport equipment. Within the food products category, meat and meat products as well as dairy products exerted the most downward pressure. Meanwhile, prices of machinery and equipment increased at a steady rate of 3,7% year-on-year in November while those of transport equipment accelerated by 5,1% year-on-year due to higher prices of transport equipment parts. South Africa could face a second recession due to nationwide power cuts. Eskom implemented rolling blackouts since Monday due to further losses of generation capacity at its plants. However, according to analysts, while the power utility implemented power cuts to prevent a collapse of the electricity grid, this has debilitating effects on the economy. The South African Reserve Bank (SARB) in its Quarterly Bulletin reported that personal disposable income was almost flat in the third quarter of 2019. According to SARB, growth in household expenditure slowed to 0,2% in the third quarter of 2019 due to household limited spending on essential goods and services given the poor job market and weak consumer confidence. Moreover, given the challenging economic climate, households were also cautious to add more debt as the ratio of household debt-to-disposable income edged down slightly to 72,6% in the third quarter of 2019 from 72,7% in the second quarter. According to the Reserve Bank, debt was mainly driven by mortgage advances, which accelerated over the quarter, while growth in overdrafts, credit cards as well as leasing finance and instalment sale loans moderated. The debt service ratio also eased to 9,4% in the third quarter of 2019 from 9,5% in the second quarter.

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

Disclaimer: DAFF will not be liable for results of actions based on this price watch.