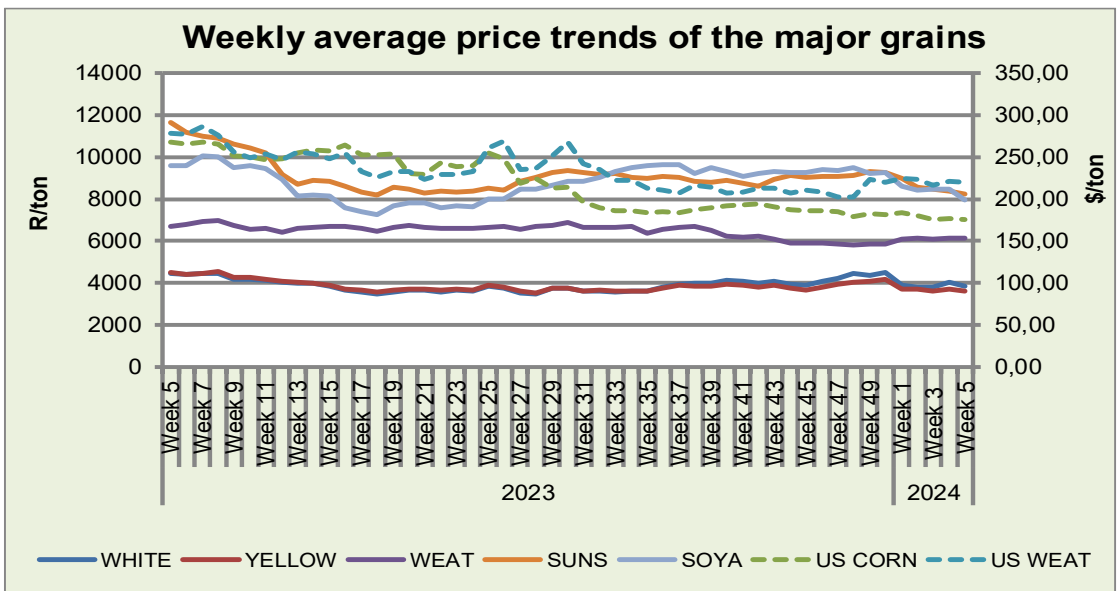
agriculture, land reform & rural development

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

Weekly Price Watch: 02 February 2024

Directorate: Statistics & Economic Analysis

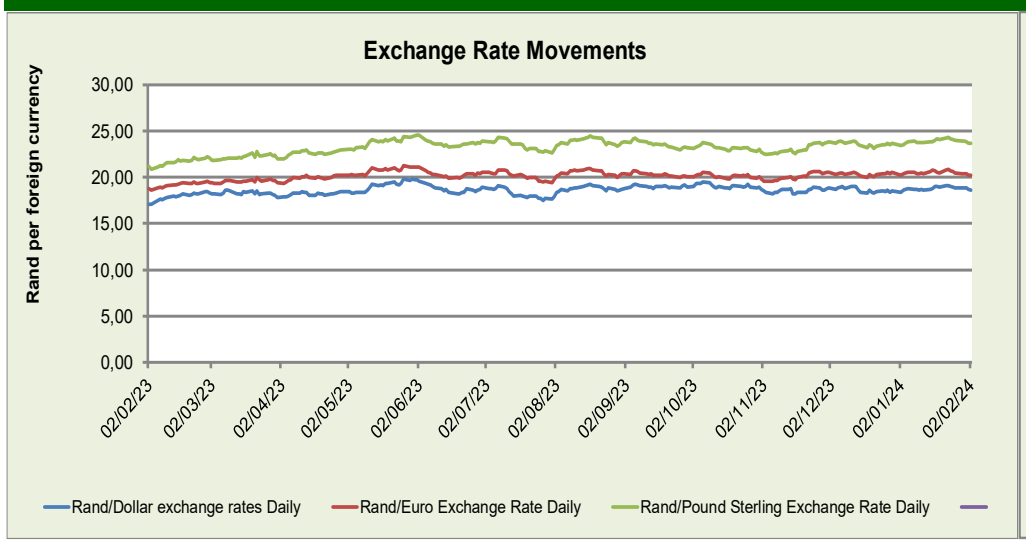
Sub-directorate: Economic Analysis



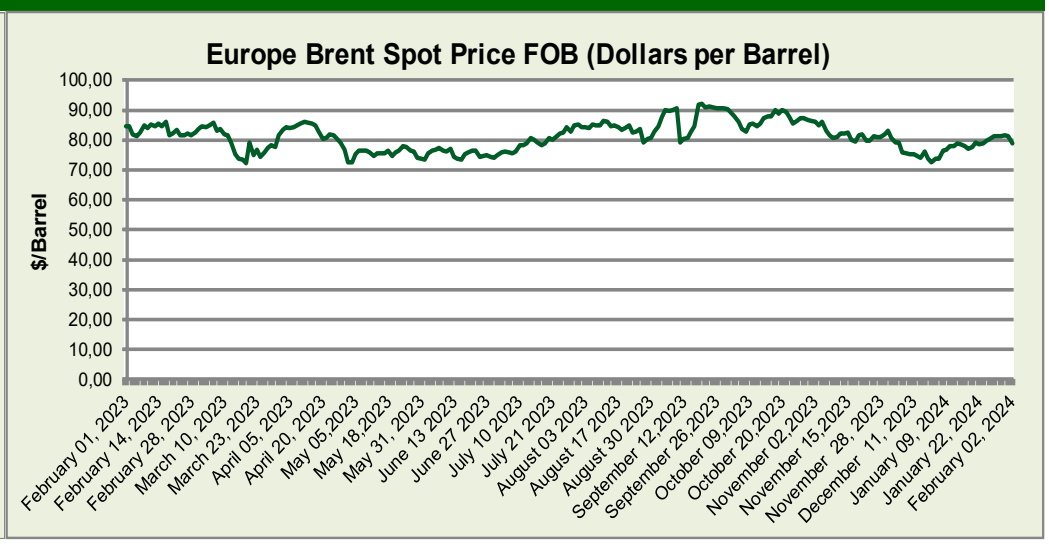
The domestic grain market weakened in the reporting week compared to the previous week. This decrease can be attributed to the favourable rainfall received since the latter half of December, which has alleviated concerns regarding drought conditions associated with the El Nino weather patterns in the majority of the summer rainfall regions. Local white and yellow maize prices decreased by 4.0% and 2.6% respectively, in comparison to the previous week. Similarly, local wheat, soybean and sunflower seed prices decreased by 0.4%, 5.9% and 2.1% respectively week-on-week. On the International front, the price of US yellow maize decreased by 0.5% week-on-week. The US government anticipates a 59% increase in domestic corn ending stocks for the 2023-24 period, indicating a favourable supply situation in the near future. The price of US wheat decreased by 0.4% week-on-week, due to sluggish global demand and falling export prices for Russia. Meanwhile, the price of US soybeans decreased by 1.5% week-on-week, weighed down from poor export demand.

Spot price trends of major grains commodities

	1 year ago Week 5 (30-01-23 to 03-01-23)	Last week Week 4 (22-01-24 to 26-01-24)	This week Week 5 (29-01-24 to 02-02-24)	w-o-w % change
RSA White Maize per ton	R 4 458.00	R 4 027.20	R 3 864.60	-4.0%
RSA Yellow Maize per ton	R 4 484.80	R 3 707.80	R 3 611.60	-2.6%
USA Yellow Maize per ton	$ 268.24	$ 176.46	$ 175,53	-0.5%
RSA Wheat per ton	R 6 720.00	R 6 155.20	R 6 130.20	-0.4%
USA Wheat per ton	$ 278.11	$ 221.11	$ 220.14	-0.4%
RSA Soybeans per ton	R 9 608.00	R 8 460.60	R 7 964.40	-5.9%
USA Soybeans per ton	$ 561.50	$ 451.21	$ 444.41	-1.5%
RSA Sunflower seed per ton	R 11 646.00	R 8 397.80	R 8 220.00	-2.1%
RSA Sweet Sorghum per ton	-	-	-	-
Crude oil per barrel	$ 84.37	$ 79.80	$ 80.94	1.4%



The rand appreciated by 1.3% against the US dollar week-on-week, after the Fed announcement boosted emerging market assets. The rand appreciated by 1.4% against the Pound Sterling week-on-week, as the Pound lost ground in global markets. The rand appreciated by 1.7% against the Euro week-on-week, with the Bank of England maintaining interest rates steady and has removed any mention of the possibility of tightening monetary policy in its statement.



Brent crude oil averaged $80,94 week-on-week, which is 1.4% more than $79.80 reported the previous week, as a strong US job report dampened hopes of swift rate cuts, but a US pledge to continue air strikes in the Middle East kept geopolitical tensions high. Investors continue to approach the situation in the Middle East with caution, especially in light of the US signalling the possibility of additional strikes on Iran-backed groups in the region.

National South African Price information (RMAA) : Beef

Week 3 (15/01/2024 to 21/01/2024)	Units	Avg Purchase Price	Avg Selling Price	Week 4 (22/01/2024 to 28/01/2024)	Units	Avg Purchase Price	Avg Selling Price
Beef							
Class A2	6 274	54,67	56,12	Class A2	11 091	54,63	56,49
Class A3	507	54,41	54,82	Class A3	693	54,07	57,50
Class C2	419	47,65	48,36	Class C2	647	47,55	49,64

Units sold for class A2, class A3 and class C2 beef increased by 76,9%, 36,7% and 54,4% respectively in the reporting week compared to the previous week. The surge in units sold could be attributed to an improvement in demand sentiments. Meanwhile, the weekly average purchase prices for class A2, class A3 and class C2 beef decreased by 0.1%, 0.6% and 0.2% respectively in the reporting week compared to the previous week. However, the weekly average selling prices for class A2, class A3 and class C2 beef increased by 0.7%, 4.9% and 2.6% respectively in the reporting week compared to the previous week. Looking ahead, analysts anticipate a slight increase in carcass prices leading up to the Easter weekend, followed by a potential easing in April.

National South African Price information (RMAA) : Lamb

Week 3 (15/01/2024 to 21/01/202	Units	Avg Purchase Price	Avg Selling Price	Week 4 (22/01/2024 to 28/01/2024)	Units	Avg Purchase Price	Avg Selling Price
Lamb							
Class A2	11 714	84,43	84,50	Class A2	13 309	84,44	84,44
Class A3	1 324	82,68	83,22	Class A3	1 364	83,15	83,15
Class C2	1 040	58,96	64,60	Class C2	902	59,10	64,32

Units sold for class A2 and class A3 lamb increased by 13.6% and 3.0% respectively in the reporting week compared to the previous week, whilst units sold for class C2 lamb decreased by 13.3% week-on-week. Meanwhile, the weekly average purchase prices for class A3 and class C2 lamb increased by 0.3% and 0.2% respectively in the reporting week compared to the previous week, whilst the weekly average purchase price for class A2 lamb decreased by 0.3% week-on-week. During the same period, the weekly average selling price for class A2, class A3 and class C2 lamb decreased by 0.1%, 0.1% and 0.4% respectively in the reporting week compared to the previous week. According to seasonal price patterns, it is anticipated that the prices of lamb carcass may face downward pressure in the initial quarter of the year. Nevertheless, due to the early arrival of Easter in 2024, analysts anticipate a rise in prices starting from the second week of March, as a result of increased demand.

National South African Price information (RMAA) : Pork

Week 3 (15/01/2024 to 21/01/2024)	Units	Avg Purchase Price	Week 4 (22/01/2024 to 28/01/2024)	Units	Avg Purchase Price
Pork					
Class BP	11 337	31,68	Class BP	11 512	32,31
Class HO	6 775	32,08	Class HO	6 772	31,99
Class HP	8 935	36,08	Class HP	8 958	31,94

Units sold for class BP and class HP pork increased by 1.5% and 0.3% respectively in the reporting week compared to the previous week, whilst units sold for class HO pork decreased by 0.04% week-on-week. Meanwhile, the weekly average purchase prices for class HO and class HP pork decreased by 0.3% and 0.4% respectively in reporting week compared to the previous week, whilst units sold for class BP pork increased by 2.0% week-on-week. Based on historical data, pork prices typically experience a decline during the initial three months of the year. Taking into account the reduced cost of feed and the decreasing prices of poultry, it is anticipated that there will be a gradual decrease in pork prices in the upcoming months.

Latest News Developments

The Bank of America predicts that South Africa's economy will experience a threefold increase in growth, reaching 1.5% in 2024 compared to a meager 0.5% in 2023. However, Tatonga Rusike, the Sub-Saharan Africa economist at Bank of America, believes that this growth rate is not particularly impressive and falls short of what the country needs. Rusike anticipates a tumultuous year for South Africa in 2024, with national elections, expected interest rate cuts in the second half of the year, and worsening public finances. In contrast, the International Monetary Fund forecasts a 1% growth for South Africa's economy this year, followed by a 1.3% growth in the subsequent 12 months. While this represents a slight improvement from the less than 1% gain in 2023, which was the slowest since the contraction in 2020, it is still not sufficient. However, the Bank of America expects this situation to improve as Kusile's power units come back online and more households and businesses adopt rooftop solar energy. Another contributing factor to South Africa's improved economic growth will be the Reserve Bank's decision to lower interest rates in the second half of the year.

The Bank of America's expectations for economic growth align with those of the Reserve Bank, which also predicts a 1.2% growth in 2024. The Reserve Bank has acknowledged that the underperformance of SA’s ports and rail infrastructure has significantly hindered the local economy. Failures within Transnet and prolonged periods of power outages have contributed to weak economic growth in 2023 and higher inflation throughout the year. On a positive note, the Reserve Bank anticipates a gradual increase in electricity supply in the long term, with the growing adoption of alternative energy sources by the private sector.

The International Trade Administration Commission (ITAC) has recently announced a new rebate system for chicken imports. Under this system, bone-in chicken pieces will receive a 25% rebate, while boneless chicken pieces will receive a 30% rebate. Additionally, chicken carcasses and offal will be given a full rebate. These measures have been put in place temporarily to address the chicken shortages caused by the outbreak of highly pathogenic avian influenza (HPAI) or bird flu last year. As a result of these rebates, the import duty on boneless cuts will decrease from 42% to 12%, and for bone-in products, it will fall from 62% to 37%. The aim of these measures is to increase imports and alleviate the impact of the bird flu outbreak on the availability of chicken products.

According to ITAC, an investigation revealed that the country is expected to face a shortage of 172,000 tonnes of poultry products this year due to bird flu. The rebates are intended to address this shortfall by allowing for increased imports. Paul Matthews, the chief executive of the Association of Meat Importers and Exporters (AMIE), has expressed support for ITAC's decision, stating that it will help alleviate the financial burden on low-income households who have been avoiding chicken due to high prices. However, the South African Poultry Association (SAPA) has voiced concerns that the rebate system will further exacerbate the challenges faced by the local poultry industry, which is already struggling to recover from the bird flu outbreak. Despite differing opinions, ITAC believes that these temporary measures are necessary to ensure an adequate supply of chicken in the market during this challenging period.

For more information contact: Directorate Statistics & Economic Analysis (SEA) at HeidiP@dalrrd.gov.za or 0123198194.

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

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