ECONOMIC OUTLOOK REPORT XXIII

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Prepared by the Economic Analysis Unit:

AGRICULTURAL ECONOMICS AND CAPACITY DEVELOPMENT DIVISION

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1. EXECUTIVE SUMMARY

Global and local macroeconomic outlook

GDP growth is rising across all major economies. Current investment climate may be characterized by improved economic growth around the world (both in developing and developed markets) and it offers a constructive outlook for continued growth in consumer demand for the entire spectrum of food and agricultural products. South Africa's economic outlook has improved, with GDP growth of 2.1% projected in 2020 South Africa's stable macroeconomic environment provides a strong platform to attract much-needed foreign savings that can fund additional investment. There is optimism among the South African agribusinesses-which is somewhat reflective of positive sentiment following recent political developments, tail-end benefits of robust agricultural output in the 2016/17 production, as well as favourable weather conditions for the 2017/18 summer crop growing areas of the country. The food security situation across the region is stable as a result of above-average supplies from the 2017 harvests and food prices that are much lower than they were during this same period last year. The exception is areas in the southern parts of Zimbabwe, Mozambique, and Madagascar that are experiencing abnormal dryness this cropping season.

Livestock outlook

International demand for beef, sustained cattle prices and strong pasture conditions are expected to serve as opportunities to the global beef market. Growth in milk supply is expected to continue throughout 2018. Market demand for lamb largely remains supported by continuing low supply. Locally, there is a decline in the number of sheep slaughtered as farmers struggle with herd building from drought. The global and local outlook for poultry trade remains challenging for 2018. Locally, the impact of the recent Avian Influenza (AI) outbreaks on the market is reported to be very significant, with poultry and egg prices now 15-25% above last year's levels. Global egg consumption is expected to rise worldwide through 2024. The demand for wool is reported to be strong while wool supplies are low. The market is driven by the growth in demand, notably from China, but also from Europe. Despite the uneasy land issues, which are debated widely no drastic wool price movements are expected in the short to medium term. The market price of mohair continued to climb since November 2017 against the strengthening of the Rand. This accentuates the strong demand for mohair all over.

Horticulture outlook

Despite the long drought spell that befell the fruit-producing area of the Western Cape in 2017, the horticulture sector persevered and generally performed well. The macadamia, avocado and blue berry industries are among the important commodities that contributed to agricultural growth in 2017. These commodities are growing in terms of area planted and export volumes. Macadamia crop is estimated to reach 65000 tons in 2018. Grapefruit and lemons are also expected to grow in 2018. The drought conditions and low winter rainfall that happened in 2017 in the Western Cape is expected to severely restrict availability of irrigation water in 2017/18. This is expected to constrain production of soft citrus, lemons and oranges in the area.

Field crops outlook

The forecast for world total grains production in 2017/18 is expected to be the second largest at 2,100m tons, only 2% less than the record of last year. Grain demand is expected to exceed increase in total supply, stocks are projected to fall for the first time in five seasons. Locally, total commercial maize is estimated at 12.2million tons. The expected production of wheat is 1.5million tons, which is 385 250 tons compared to previous seasons. The sunflower seed ending stock is estimated at 183 081 tons, boosting supplies for 2018/19, the estimated production is 731 505 tons. The production forecast for soybeans indicate increase by 35.08% as compared to previous season. For groundnuts and dry beans production estimates are at 88 850 tons and 70 770 tons, respectively. Cotton production for the 2017/18 production year is estimated at 190 859-lint bales, up by 141% from the previous season.

2. FOREWORD AND ACKNOWLEDGEMENTS

The Economic Services Unit presents this 23rd Economic Outlook to the ARC as a planning resource. The document analyses global and domestic trends in economic and agricultural markets and in related policy, as well as potential impacts on sector performance. Apart from a macroeconomic perspective, it deals with production, consumption, and price trends. A range of projections are provided, based on assumptions about a set of economic, technological, environmental, political, institutional and social factors. International and local publications form the basis of the Outlook analyses. Projections developed by the Organisation for Economic Cooperation and Development (OECD), International Monetary Fund (IMF), Food and Agricultural Organisation (FAO) and the World Agricultural Outlook are used. Respected local sources such as BFAP, SAPA, Absa and FNB outlooks are also used. Projections should be interpreted as possible scenarios. The following sources are acknowledged:

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3. MACRO-ECONOMIC INDICATORS

World economic growth is at its highest level since 2014 and continues to gather pace. GDP growth is rising across all major economies. The International Monetary Fund (IMF) forecasts global growth of 3.7% in 2017 and 3.9 % in 2018. Growth in Sub-Saharan Africa is projected to remain at 2.7% at 2017, increasing to 3.3% and 3.5% in 2018 and 2019 respectively. Risks in global forecasts include unsustainable asset prices and elevated indebtedness.

Table1: Economic Growth in selected countries

Region/Country Percentage	200-2008 Pre-crisis	2010-2016 Post crisis	2017	2018	2019
World	4.3	3.8	3.7	3.9	3.9
Advance Economies	2.4	1.9	2.3	2.3	2.2
Developing Economies	6.5	5.4	4.7	4.9	5.0
Sub-Saharan Africa	5.9	4.5	2.7	3.3	3.5

Source: National Treasury, Budget Review (2018)

Global agricultural outlook

The 2018 global food and agriculture investment outlook reports that 2018 investment climate may be characterized by improved economic growth around the world (both in developed and emerging markets), and offers a constructive outlook for continued growth in consumer demand for all the spectrum of food and agricultural products. Globally a growing population together with greater economic prosperity in emerging markets means that demand for food will only increase in the coming years. This may bring about an expectation of more investments in farmland across the world, combined with increasing capital raised within private equity and venture capital strategies.

The 2018 Global Food and agriculture investment report projects that more broadly, favourable macroeconomic conditions coupled with consumer demand for healthy products is expected to drive demand in the growing Natural, Organic & Better-For-You segment. The report further states that cross-border Markets and Agricultural activity and valuations are likely to remain strong in the broad food packaged sector and to expand into emerging markets, mainly through private equity strategies.

On the other hand, Sub Saharan region is projected to see a pick-up in growth as commodity prices firm, but growth—including in per capita terms—would remain well below its long-term average (Global Economic Prospects, January 2018). The report further projects that Angola, Nigeria, and South Africa will continue to struggle to boost growth, while performance of the rest of the region will be more favourable. Downside risks to the outlook include the possibility that borrowing costs will begin to rise on the back of a deterioration in global sentiment amid weak commodity prices, and adverse weather conditions.

World Agricultural Supply and Demand Estimates show that U.S. wheat exports for 2017/18 are reduced from .08 million tons to 27.8 million tons, while ending stocks are raised by the same amount. The global coarse grain production forecast for 2017/18 is virtually unchanged at 1,321.96 million tons. Global 2017/18 rice production is raised to a new record of 486.3 million tons, fractionally surpassing last year's record.

South African economic outlook

The South African economy is forecasted to grow by 1.5% and 1.8% in 2018 and 2019 respectively. On average, the growth outlook is 0.4 percentage points higher than that projected in October 2017, mainly due to an expected increase in private investment as a result of improved business and consumer confidence. There are however risks to the economic outlook such as: continued policy and political uncertainty, and further deterioration in the finances of state-owned companies. Other risks include: a further downgrade of South Africa's local-currency debt, resulting in the country's exclusion from the Citi World Government Bond Index. This would result in higher risk premiums and trigger some capital outflows, leading to an increase in borrowing costs, exchange rate depreciation and further deterioration in economic activity. Additional risk is a severe contraction in the Western Cape economy due to the water crisis, which would threaten employment in agriculture and tourism. Calculations by National Treasury show that every 1% contraction in the economy of the Western Cape subtracts 0.2 percentage points from overall growth.

South Africa has experienced a period of protracted economic weakness, mainly as a result of domestic constraints. This is reflected in low levels of private investment, persistently high and rising unemployment, and declining real per capita income. Nevertheless, the economy has benefited from strong growth in agriculture, higher commodity prices and, in recent months, improving investor sentiment.

Table 1 below shows measurement of macroeconomic indicators for the country as estimates and the forecasts.

Table 2: Macroeconomic indicators for South Africa

Percentage change	**2017**	**2018**	**2019**	**2020**
	Estimate	**Forecasts**		
Household Consumption	1.3	1.7	1.9	2.3
Gross Fixed Capital	0.3	1.9	3.3	3.7
Exports	1.5	3.8	3.4	3.5
Imports	2.7	4.4	4.6	4.5
Gross Domestic Product (GDP)	1.0	1.5	1.8	2.1
CPI Inflation	5.3	5.3	5.4	5.5
Current Account Balance (%of GDP	-2.2	-2.3	-2.7	-3.2

Source: National Treasury, Budget Highlights (2018)

South African Agribusiness

Agriculture grew strongly as production recovered from drought in summer rainfall regions. GDP in the third quarter of 2017 grew by 2.0% (seasonally adjusted and annualised) down from a revised 2.8% in the second quarter. The largest contributor to growth in GDP in the third quarter was the agriculture, forestry and fishing industries, which increased output to 44.2%. Growth is expected to continue at a more moderate pace in 2018. Ongoing drought in the Western Cape – which contributes about 22% of agricultural value-added and is a key producer of wheat, horticultural products and wine – will restrict growth in 2018. Food Price Monitor (February, 2018) reports that overall expectation is that prices of key food products will increase marginally over the next three months. These increases will be largely attributable to increases in administered prices and VAT. As of April 1st 2018, fuel levies will increase by 50c/ℓ of petrol. Although fuel prices are currently at low levels due to low oil prices coupled with the exchange rate, shocks to either of these variables could result in significant pressure on production, manufacturing and distribution cost of food. The Agbiz/IDC Agribusiness Confidence Index improved by 9 points to 58 in the first quarter of 2018, after declining to levels below 50-points mark in the last quarter of 2017[1](Press release, Agbiz, March 2018). This improved confidence is reflective of broader positive sentiment following recent political developments, tail-end benefits of robust agricultural output in the 2016/17 production, as well as favourable weather conditions for the 2017/18 summer crop growing areas of the country.

[1] A reading above 50 indicates expansion in the South African agribusiness activity.

SADC Region

The February 2018 Famine Early Warning Systems Network (FEWS-Net) report indicates that the food security situation across the region is stable as a result of above-average supplies from the 2017 harvests and food prices that are much lower than they were during this same period last year. Most households are currently experiencing Minimal (IPC[2] Phase 1) or Stressed (IPC Phase 2) outcomes during the lean season as they continue to consume their own produced food stocks. The report further states that exceptions are areas in the southern parts of Zimbabwe, Mozambique, and Madagascar that are in Crisis (IPC Phase 3) and experiencing abnormal dryness this cropping season. Most of areas in the southern half of the region have experienced below-average rainfall and abnormally high temperatures since October/November 2017, resulting in poor crop conditions across several countries, including the maize-triangle region of South Africa. The Food and Nutrition Security Working Group released a Special Alert on February 8th that urged countries to closely monitor the current agricultural season (FEWS-Net, 2018).

[2] The Integrated Food Security Phase Classification (IPC) is a set of standardized tools that aims at providing a "common currency" for classifying the severity and magnitude of food insecurity.
Source: http://www.fews.net/southern-africa

4. ANIMAL PRODUCTION

The global and local outlook for poultry trade is envisioned to remain challenging for 2018. As the outbreak of avian influenza (AI) continues to threaten growth of the industry, volatility is expected as the disease has become endemic in Asia, Europe, parts of Africa, and parts of North America. Other risks include; rising supply of competitive meats and declining prices. International demand for beef, sustained cattle prices and strong pasture conditions are also expected to serve as opportunities to the global beef market. Internationally, market conditions continue to support mutton prices, with tight global supplies still giving some support to prices. Global egg consumption is expected to rise worldwide through 2024.

Beef market

Rise in availability of cattle in regions such as Argentina, Paraguay, Uruguay and other countries is expected to serve as an opportunity to the global beef market. In addition, international demand for beef, sustained cattle prices and strong pasture conditions are also expected to serve as opportunities to the global beef market. Asia Pacific is dominating the global beef market due to increasing consumption of beef in countries such as India, China, and Japan. Middle East and Africa also accounts for a major part of the market share for the global beef market. However, increasing US beef production looks set to challenge the beef market in coming months.

Locally, there is a current increase in weaner calf numbers, suppressing calve prices. ABSA Agri trends reports that the average weaner calf price over the third week of March 2018 was 4.3% lower at R34.00/kg. Further decline on weaner calf prices is projected due to the usual increased supply for weaner calves during the weaner calve season from March, 2018 until May, 2018. However, in the short run, increased uptake towards Easter may support prices. Weather forecasts show that the probability for rain over the central to western parts of the country remains positive until the middle of April 2018, and as veld conditions improve, this will assist with herd building process. Figure 1 illustrates beef prices from January to February 2018.

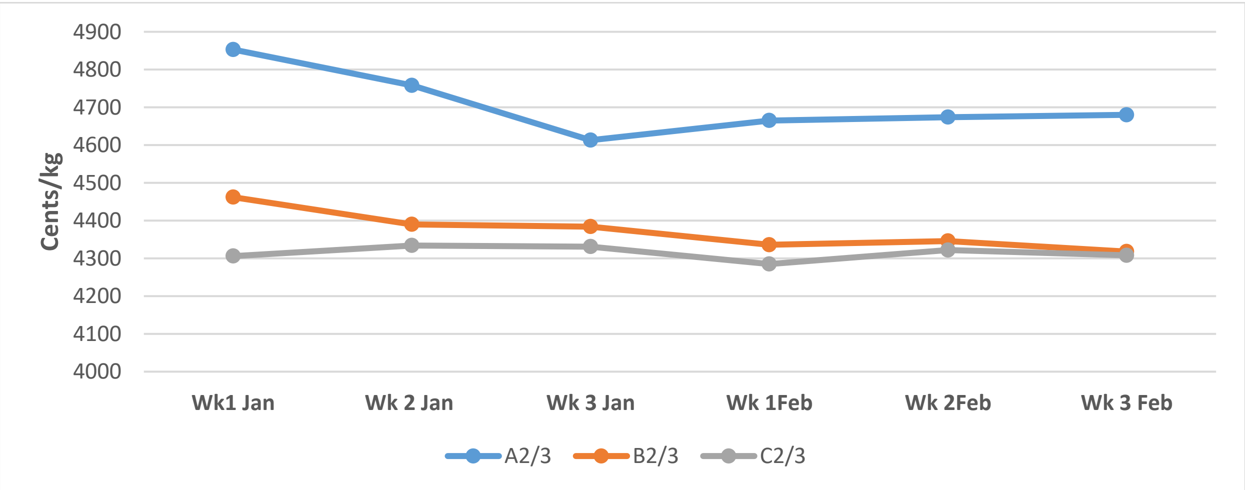

Figure1: Beef Prices from January to February 2018

Source: RPO, 2018

Mutton market

Market demand for lamb largely remains supported by continuing low supply. New Zealand lamb slaughter rates are expected to slowly increase. Internationally, market conditions continue to support prices, with tight global supplies still giving some support to prices.

Locally, as reported by ABSA Agri trends, approximately, 284 934 head of sheep were slaughtered in January 2018. This is 18% fewer herd of sheep slaughtered compared to the same time a year ago, and 20% less sheep slaughtered compared to January 2016. The decline of the slaughter numbers for sheep is far more than for cattle as farmers struggle with herd building given the recent and current drought in the major sheep producing areas of the country. Due to limited supply in the market, prices of mutton are currently on a downward trend. Lamb and mutton prices during the third week of March, 2018, as reported by ABSA Agri trends were as follows: the national average Class A carcass lamb prices decreased by 2.2% to R69.10/kg and the average Class C carcass prices decreased by 4.1% to R54.59/kg. The average price for feeder lambs traded 4.9% lower at R38.50/kg. In the short term, it can be expected that prices will start picking up towards Easter in line with increased consumer demand. Figure 2 illustrates mutton prices from January to February 2018.

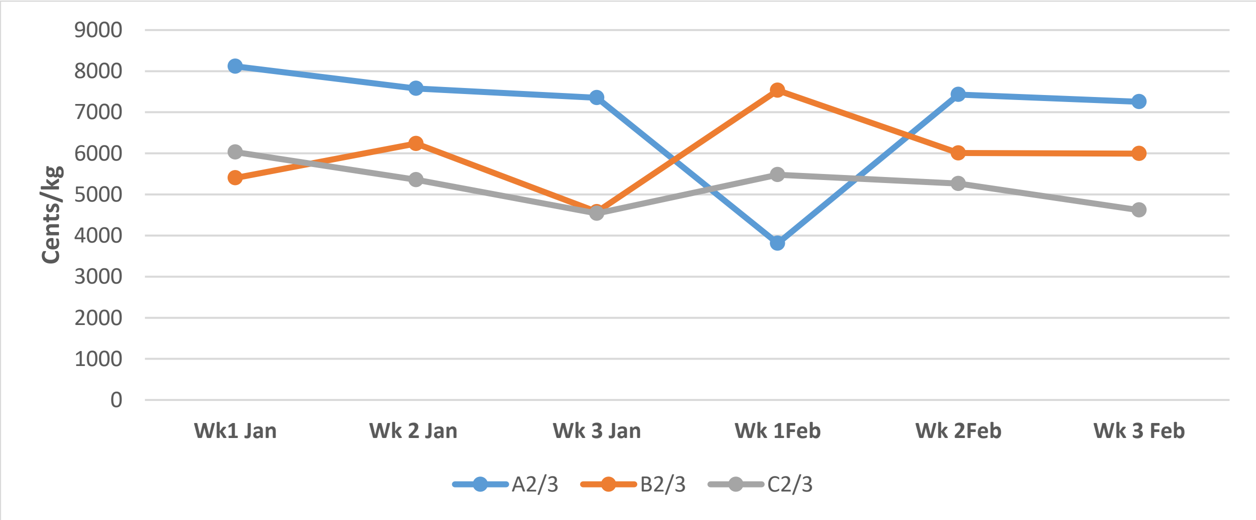

Figure2: Mutton prices from January to February 2018
Source: RPO, 2018

Dairy market

Rabobank expects growth in milk supply to continue throughout 2018, but at a slower rate. The bank forecasts that milk prices will be eased. Population growth, rising incomes, health consciousness and thriving food and beverage industries are reported to be some of the factors that drove the stable growth for the past many decades. As far as the world's dairy buyers are concerned, the world has too much milk and the excess is coming from the EU-28. But at least in the United States, milk production growth in the US has slowed to a more measured pace. Locally, national production is slightly down on last year's corresponding production, but forecasts still indicate a similar annual production of about 2.8 billion litres. According to MPO a substantial increase in milk production is not expected, as roughage supplies remain scarce and expensive and high beef prices encourage farmers to cull less productive animals. Figure 3 illustrates trends in milk purchases from 2014 July to 2017 December. Preliminary estimates for December milk purchases show a 7.89% increase than the amount bought in December 2016.

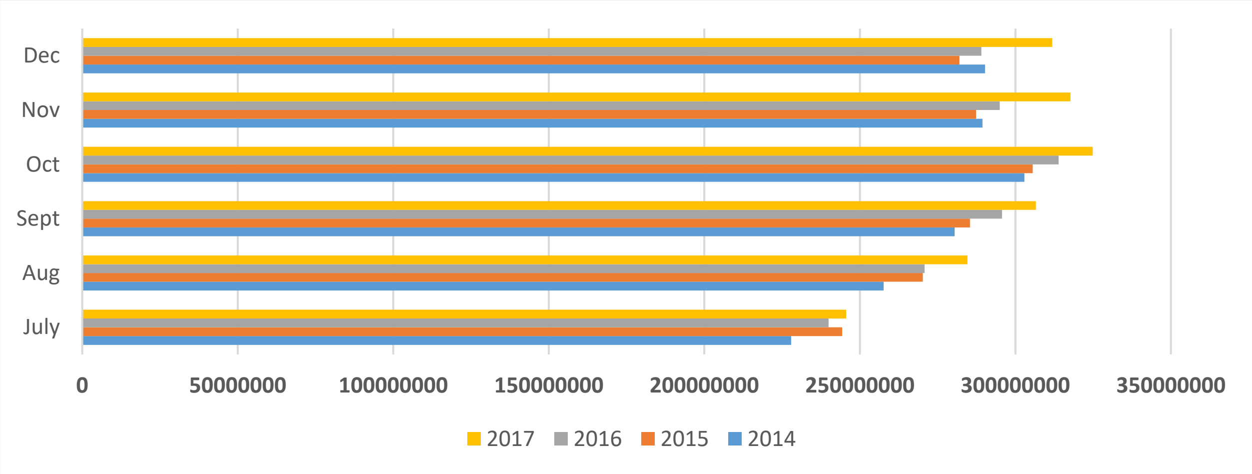

Figure 3: Trends in milk purchases from 2014 July to 2017 December.
Source: Milk SA, 2018

Poultry market

Rabobank projects the global outlook for poultry trade to remain challenging for 2018. A below – average market growth, of only 1.3% is projected due to ongoing difficult market conditions in China, where poultry demand is again predicted to decline by 4%. However, other markets such South East Asia and Africa show a continuous good growth with many markets set grow by more than 5% per year. Global trade volumes are expected to grow more or less in line with global poultry market growth at around 1%-1.5%, while due to forecasted growth (3%) in the global economy, USDA expects global chicken meat exports to increase by also 3% to reach 11.4 million tons. As the outbreak avian influenza continues to threaten the growth of the industry, volatility is expected as the diseases has become endemic in Asia, Europe, parts of Africa, and also parts of North America. Other risks include the rising supply of competitive meats and declining prices.

Locally, the impact of the recent AI outbreaks on the market is reported to be very significant, with poultry and egg prices now 15-25% above last year's levels. Another reported factor has been production restructuring which has led to several plants closing. Overall, similar to global projections, the outlook for 2018 is viewed as challenging despite the high margins enjoyed by companies still able to supply chicken. Confirmation that the origin of the listeriosis outbreak has been linked to processed meats like polony may bring some uncertainty and limits of the demand. In the short term, poultry prices may gain support from improvement in demand towards of Easter. Figure 4 shows trends in average number of broiler breeder hens from 2013 to 2018.

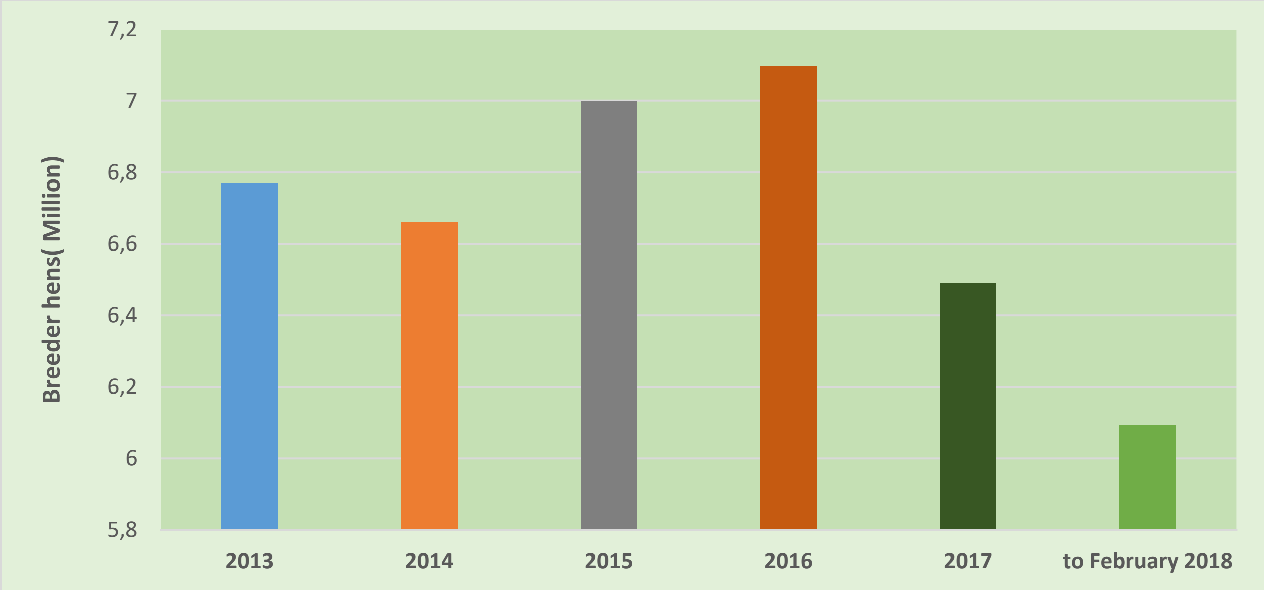

Figure 4: Annual average number of broiler breeder hens: 2013-2018
Source: SAPA, 2018

Egg market

Global egg consumption is expected to rise worldwide through 2024. However, outlook for European egg production is expected to be flat (0.2%) in 2018 due to AI concerns, trade changes and demand shifts. Locally, recovering from the impact of culling due to the HPAI outbreak, SAPA reported that in January 2018 the average weekly egg production during January 2018 decreased by 44 500 cases (11.1%) compared to January 2017. The rate of lay for the national flock for the month for the month was estimated to be 84.6% and this resulted into increased egg prices. However, based on the StatsSA monthly prices for February 2018, consumer egg prices were showing some slight recovery after following increasing trends. Egg prices for ½ dozen declined by 0.6%, to R16.40 whilst prices for 2.5 dozen declined by 1.2% to R62.97 during February 2018 when compared to January 2018. SAPA projects an average of 365 700 cases per week for the year 2018, a decrease of 3.5% over 2017 volumes. Figure 5 illustrates the average number of layers per annum from 2013 to 2017.

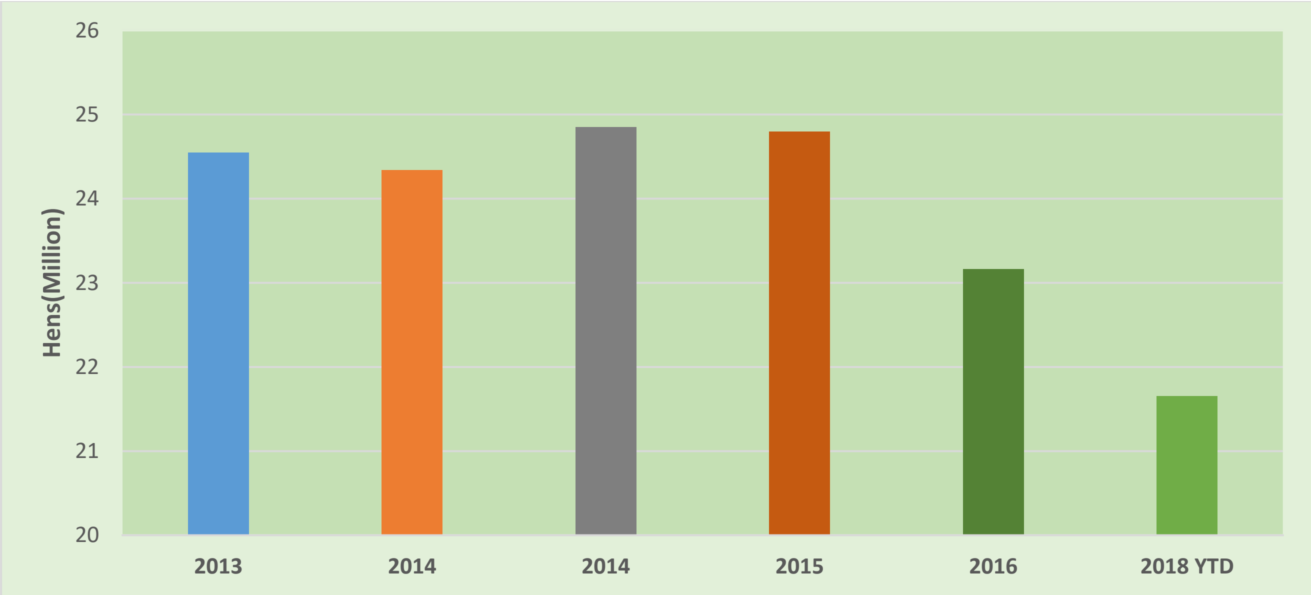

Figure 5: The trend in average layers per annum
Source: SAPA, 2018

Pork market

There are concerns that recent rapid expansion of large pig farms in China has outpaced slowing demand growth. Fuelled by large feed production and lower feed costs, increased production from the US, Canada and Brazil is also anticipated in 2018, and the EU is foreseen to have greater supply availability. Unless demand can pick up, the global markets risk being oversupplied. Hence, a further downward pressure on global pork prices is expected.

Locally, pork remains a cheaper protein, about 238 510 pigs were reported to have been slaughtered during January 2018 (Figure 6). This was 4.5% higher compared to the same time a year ago. During January 2018, the average porker price increased by 6.43%, whilst the average baconer price increased by 6.36% year on year. These higher prices may have created some resistance from consumers. Consequently, average pork prices have shown a declining trend over the past two months. The latest pork prices were mostly lower with average prices reported by ABSA - Agri trends as follows: porker prices are 2, 3% lower at R26.37kg, while the baconer prices are 3.4% lower at R24.59/kg. The average cutters prices were 5.0% higher at R25.4/kg and the average heavy baconer price was 3.3% higher at R24.79. Seasonality, less demand, plentiful supplies, the buying power of consumers and the Rand strength are reported to have been some of the factors that have contributed to these trends.

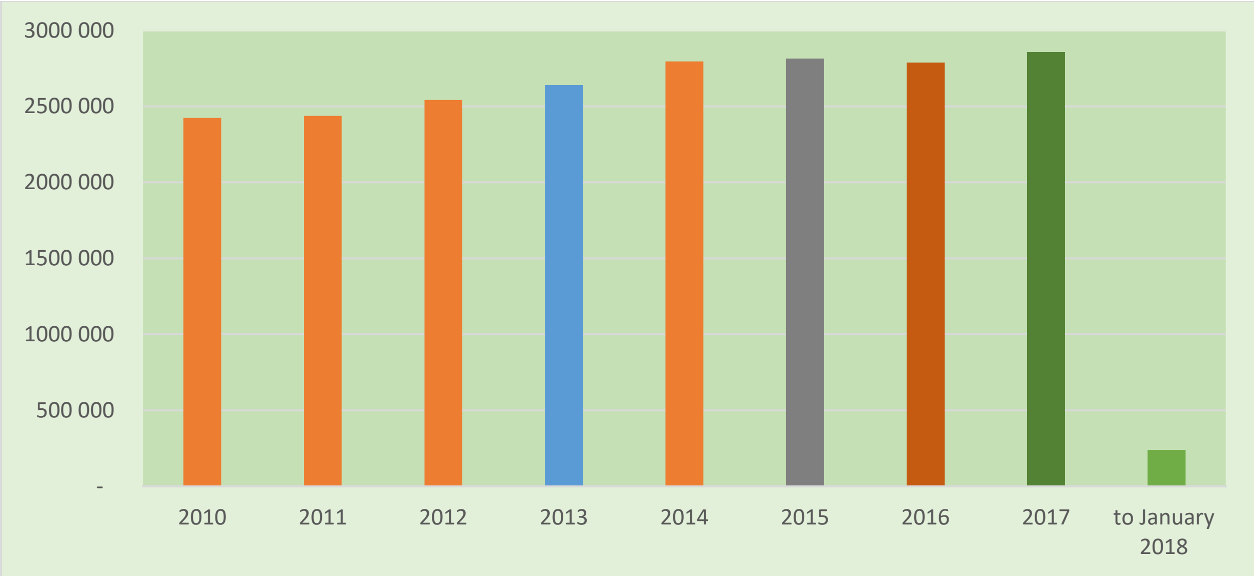

Figure 6: Trends in total number of pigs slaughtered in South Africa: 2010-2018
Source: SAPPO, 2017 and ABSA Agri Trends 23 March 2018

Wool market

The demand for wool is reported to be strong while supplies are low. The market is driven by the growth in demand, notably from China, but also from Europe. The Australian indicator is still the world wide leading frame of reference. Australian wool prices have recently gained momentum on the back of a surge in demand, lower supplies and favourable foreign exchange rate. The high and rising wool prices have encouraged producers to shear their sheep and deliver as quickly as possible into the market.

Locally, the market is positive, driven by strong demand and low supplies. Drought has affected production and according to Cape Wools' accumulative report, wool receipts up to 9 February were down 9.5% on the corresponding period last season. Wool-prices were slightly under pressure owing to a marginally weaker Australian market. Nonetheless, super fine-wool, of 17micron and finer, still traded at excellent price-levels. Wool of 17-19micron shed a scant 1.5%, while 19-20micron lost 1% and wool stronger than 20micron was also down by between 0.5 and 1.7% (Figure 7). Despite the uneasy land issues, which are debated widely, no drastic price movement are expected in the short to medium term.

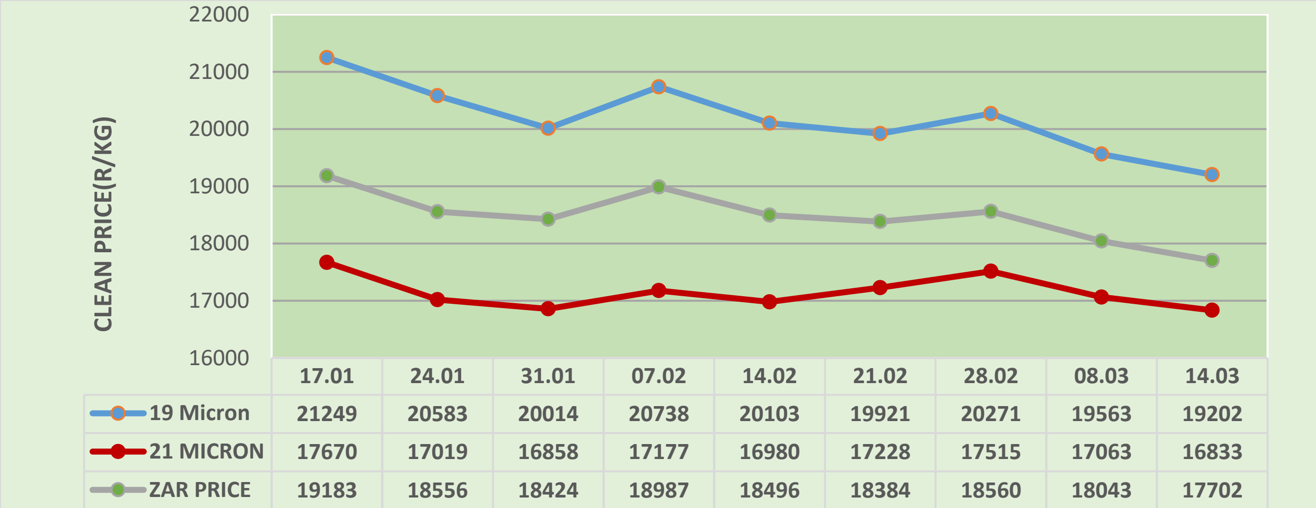

Figure 7: Price movement for good quality wool per micron
Source: CMW, 2018

Mohair market

According to CMW, the market price of mohair continued to climb since November 2017 against the strengthening of the Rand. This accentuates the strong demand for mohair all over. After being neglected for 2 to 3 years, the fine kid market is reported to be on the path of recovery. During the last auction sale, the price of kids increased by 7.2% a market indicator of R322.01/kg and a 100% sale clearance; young goat hair increased by 1.3% with a market indicator of R263.91/kg and a sale clearance of 100%. Adult mohair increased by 1.4% with a market indicator of R229.69/kg and a sale clearance of 100% (Figure 8). The overall sale clearance was 100% and the overall market indicator recorded R254.70 which is an increase of 2.7%. Farmers are cautioned to be sensitive for fineness differences when classing the young goat clip and be quality sensitive when classing the summer kids, not mixing lengths, because of the drought.

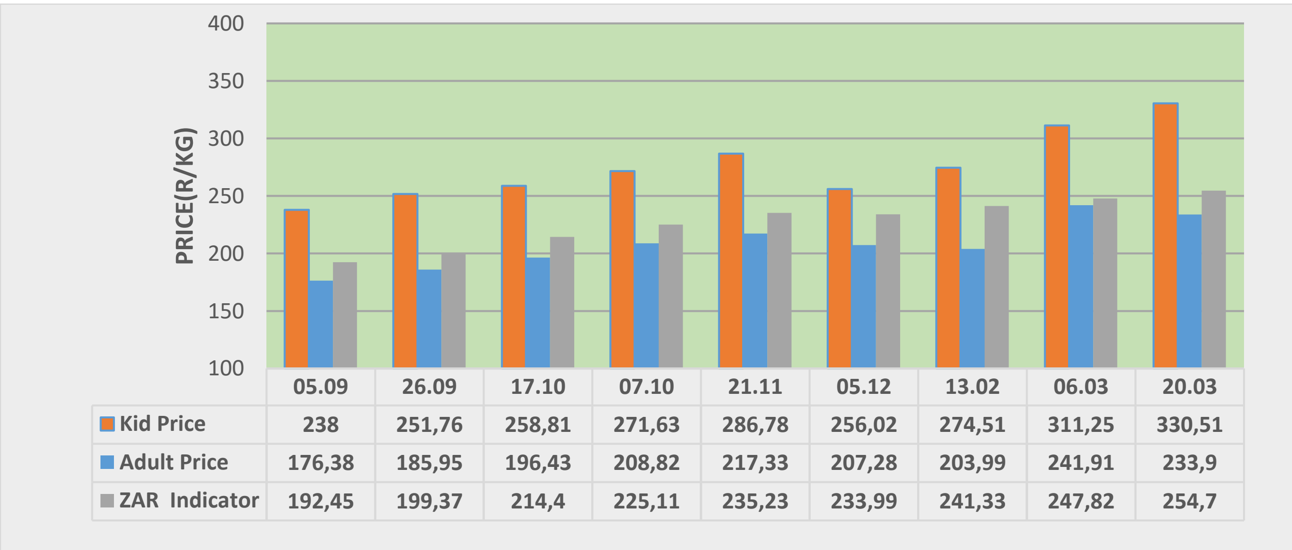

Figure 8: Cape mohair price movement
Source: CMW, 2018

5. HORTICULTURE

In this outlook we report on recent growth for the horticultural sector and report on a sub-sector, namely the macadamia industry whose exports in recent times have been growing in a higher rate. Figure 9 is derived from Stats SA. In the fourth quarter of 2017, agriculture registered a sterling performance with an annualised quarter-on-quarter growth of 37.5%.

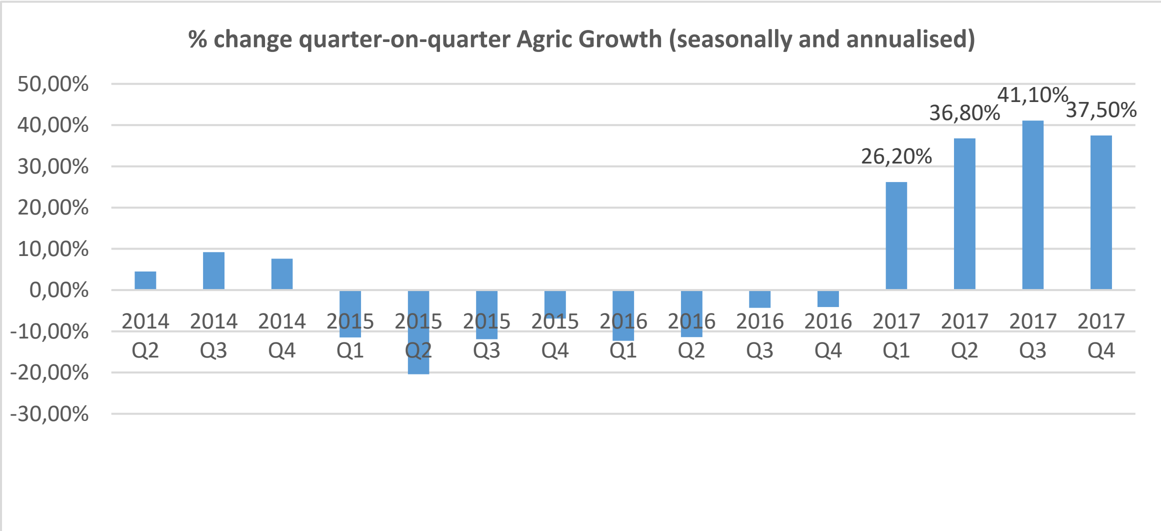

Figure 9: Agricultural GDP growth quarter-on-quarter: 2014-2017
Source: Stats SA, 2017

Against the backdrop of agriculture having grown in 2017, three subsectors in the horticultural sector, namely macadamia, avocado and blue berry industries are among the important commodities that contributed to such growth (NAMC, 2018; Flesh Plaza, 2018). These commodities are growing in terms of area planted and export volumes.

Export-oriented industries are realising a growth, macadamia industry is expected to increase to 57 600 metric tons from 54 000 metric tons in 2017. Citrus industry for production season 2017/18 is at 2 480 000 metric tons which recorded an increase by 65 000 metric tons.

Macadamia industry

The 1960s marked the first introduction of macadamia nuts into South Africa. Interestingly, in 2014, South Africa was identified as the world's largest producer of macadamia nuts, outcompeting Australia and Hawaii. The total estimated value of the industry was at about R32 million in 1996, and increased to over R4 billion in 2015. In 2016, it was reported that there were more than 8 million new macadamia nut plantations, covering a total area of approximately 28 000 hectares, with an annual growth of 3 900 ha (SAMAC, 2017). South Africa's macadamia nut industry is export driven, with more than 95% of annual production being destined for export international markets. About 50% of the macadamia nuts are exported as Nut in Shell (NIS) to Asia, and the remainder is processed into kernel. The USA and Canada constitute the largest market for kernel exports. Other markets include Europe, Japan, South East Asia and the Middle East (SAMAC, 2017 & DAFF, 2016).

Future projections for the South African macadamia nut industry

Given the size of the industry, which is predominantly small as compared with other nut crops such as almonds, it is reportedly estimated that by 2017 the crop should have reached a record of 55000, growing to 65000 tons in 2018 (NAMC, 2018). Table 3 presents projections for future plantings both in South Africa and in the world.

Table 3: Projected statistics for area to be planted and projected production

Country	Production area planted (ha)	Projected new plantings (ha/year)	Projected production (Metric tonnes nut in shell)					
			2015	2016	2017	2018	2019	2020
South Africa	19500	1500	46950	50500	54000	57600	61200	64800
Australia	17500	100	43945	46000	50000	53000	55000	58000
USA	8160	---	16500	16500	16500	16500	16500	16500
KENYA	17500	720	24000	27500	32000	36000	42000	47000
Malawi	6058	270	6559	7573	6967	7803	7178	8040
Guatemala	10000	1000	8867	9050	9225	9400	9575	9800
Brazil	6000	400	6000	6300	6600	6900	7200	7500
China	65000	10000	5000	8000	12000	20000	30000	50000
Vietnam	2000	2000	100	500	1000	2000	3000	5000
Mozambique	1000	500	500	1000	2000	5000	8000	10000
Total	**152718**	**17390**	**158421**	**172923**	**190292**	**214203**	**239653**	**276640**

Source: SAMAC, 2018

Citrus Industry

According to USDA (2018), total area planted to citrus increased by seven percent to 70,055 ha in the 2015/16 marketing year (MY), from 65,596 ha in the 2014/15 MY. This is due to the increase in investment mainly in mandarin and lemon orchards, driven by the growth in export revenue. Except for the soft citrus industry, for which in 2017 production is said to decrease by 9%, other commodities such as grapefruit and lemons are expected to grow in 2018. Drought conditions and low winter rainfall that happened in 2017 in the Western Cape are expected to severely restrict the availability of irrigation water in the 2017/18 MY. This will constrain production of soft citrus, lemons and oranges in the area. Table 4, presents a summary for the statistics of production and exports for all citrus species.

Table 4: Production and export statistics for South African citrus in million tons (MT)

Citrus	2016/2017 MY in MT			2017/18 MY in MT		
	Production	**Domestic consumption**	**Exports**	**Production**	**Domestic consumption**	**Exports**
Oranges	1,400,000	72,000	1,170,000	1,430,000	75,000	1,180,000
Grapefruit	366,000	6,000	232,000	400,000	7,000	250,000
Lemons	397,000	17,000	300,000	420,000	18,000	310,000
Soft citrus	252,000	28,000	211,000	230,000	28,000	180,000
Total	**2,415,000**	**123,000**	**1,913,000**	**2,480,000**	**128,000**	**1,920,000**

Source: CGA in USDA GAIN report, 2017

Table 5 presents statistics for the area planted with citrus and for the number of fruit trees, both bearing and non-bearing.

Table 5: Statistics for area planted and the number of fruit trees planted

Grapefruit						
Different citrus species	**2015/2016**		**2016/2017**		**2017/2018**	
	USDA	**New post**	**USDA**	**New post**	**USDA**	**New post**
Area planted (ha)	7161	7161	7600	7600	0	7900
Area harvested	6445	6445	6900	6900	0	7000
Bearing trees	6800	6800	7000	7000	0	7100
Non-bearing trees	350	350	600	600	0	650
Total No. trees (1000)	**7150**	**7150**	**7600**	**7600**	**0**	**7750**
Oranges						
Area planted	41956	41956	42100	42100	0	42500
Area harvested	34000	34000	35600	35600	0	37000
Bearing trees	37800	37800	38000	38000	0	38300
Non-bearing trees	3900	3900	3900	4000	0	4100
Total No. trees (1000)	**41700**	**41700**	**41900**	**42000**	**0**	**42400**
Tangerines/Mandarins						
Area planted	11433	11433	12500	12500	0	12400
Area harvested	9375	9375	10100	10100	0	9000
Bearing trees	6000	6000	6400	6400	0	6300
Non-bearing trees	2000	2000	2400	2400	0	2700
Total No. trees (1000)	**8000**	**8000**	**8800**	**8800**	**0**	**9000**
Lemons						
Area planted	9485	9485	10000	11000	0	11500
Area harvested	7967	7967	8300	8900	0	9200
Bearing trees	5700	5700	6000	6200	0	6300
Non-bearing trees	2000	2000	2050	2000	0	2100
Total No. trees (1000)	**7700**	**7700**	**8050**	**8200**	**0**	**8400**

Source: USDA GAIN report, 2017

Vegetable markets

According to the CEO of Agriculture Business Chamber, Dr. John Purchase, in 2017 South African Supermarkets operating in the African continent ordered the supply of vegetables from South Africa, and this resulted in a massive growth (Countryguide, 2017). Table 6 presents a summary for the vegetable prices in South Africa.

Table 6: Vegetable prices-South Africa's Major Fresh Produce Markets

Vegetable prices: South Africa's Major Fresh Produce Markets (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)						
Week Ending 23 March 2018	**Difference in weekly Prices (R/T)**	**This week's Average Price (R/T)**	**Previous week's Average Price (R/T)**	**Difference In Weekly Volumes**	**This week's Total volumes (T)**	**Previous week's Total volumes (t)**
Cabbages	0%	2012	2010	12%	1860	1662
Carrots	6%	4796	4528	26%	2403	1914
Onions	1%	5066	5008	25%	6981	5600
Potatoes	3%	3558	3438	17%	15953	13587
Tomatoes	-29%	5694	8068	36%	5047	3708
Peppers	-13%	7232	8340	16%	947	813

Source: ABSA Agri-Trends, Weekly 23 March 2018

Tomatoes

Favourable cropping conditions of tomatoes in the northern part of South Africa are met by unsatisfactory market conditions. The supply is higher than the demand, leaving most produce with reduced shelf life because of the hot and dry weather. Lack of demand week on week, lead to build up of product on the FPM's (Fresh Produce market) floors on the week ending 23 March, 2018. Prices declined by approximately 29% in response to a 36% volume increase.

Potatoes

As indicated in Table 6, potato deliveries for week on week were higher by 17%, which put it in the top 5 vegetable at the FPMs, prices increased by just 3%. The price for week ending 23 March 2018 was at R3 558 per tons. Potato prices are expected to remain trading between R30-R40/bag during the Easter season.

Pepper

Pepper prices decreased by 13% week on week. This follows a 16% increase in volumes delivered to the FPMs. Prices are expected to pick up during the week starting 25 March, 2018 because of the Easter holidays and month-end seasonal demand incline.

Onions

In the onion market, volumes delivered increased by 25% which caused prices increase by 1%. The week's average price was R5 066/ton, volumes delivered were 6981 as compared to 5600 the previous week ending 16th March, 2018.

Carrots

Carrots prices at the FPMs gained 6% on the week ending 23 March 2018 due to 26% increase in the volumes delivered. This was after a great gain in price of 50% week ending 09 March 2018, which was due to 39% decline in volumes delivered. Carrot prices are still expected to remain positive in the short term on volume gains.

Cabbages

In the cabbage market, prices remain the same as compared to the previous week. The price was at R2012/tons week ending 23 March 2018. The average weekly cabbage prices closed week ending 23 March 2018 at R2012 per ton which is almost unchanged w/w. Weekly volumes of cabbages traded increased by 12% w/w at 1860 tons as compared to 1662 tons the previous week. The short-term price outlook remains bearish as a result of increased volumes across markets (Table 6).

6. FIELD CROPS

The International Grains Council (IGC) forecast that the world total grains (wheat and coarse grains) production in 2017/18 is boosted by 21m tons month-on-month to 2 100m tons, but is still down by 2% year-on-year. The grain production levels would be the world second largest ever. This is mostly attributed to adjustments of China maize, which showed a significant increase. Grain demand growth is expected to exceed the supply, total grains stocks are forecast to fall for the first time in five years, although only marginally, to 617million tons as compared to 622million tons previous season. From a local perspective, South Africa is also projected to enjoy higher production levels for maize due to a combination of factors (such as increased in area planted) but largely to favorable weather conditions. The country is expected to continue being a net exporter of maize coming from the bumper crop the previous season.

Maize

As at 27 February 2018, and with reference to figure 10, the Crop Estimates Committee forecast that local maize production will be less for 2018 at 12.2million tons recording a decrease of 27,33% compared to the previous final crop season of 2017. This is projected to be achieved under an estimated 2 302 700ha for the 2018/19, which represents a decline of 325 900ha from the 2017/18 season. The expected yield is 4.85 t/ha and 5.85 t/ha for white and yellow maize respectively. This decline is due to very warm weather and lower than expected rainfall in the western parts of South Africa's maize belt. However, decrease in production and related supply is not affected much as it is above 10 million tons, which is the South African annual maize consumption. The three main maize producing areas, namely the Free State, Mpumalanga and North West provinces are expected to produce 81% of the 2018 maize crop.

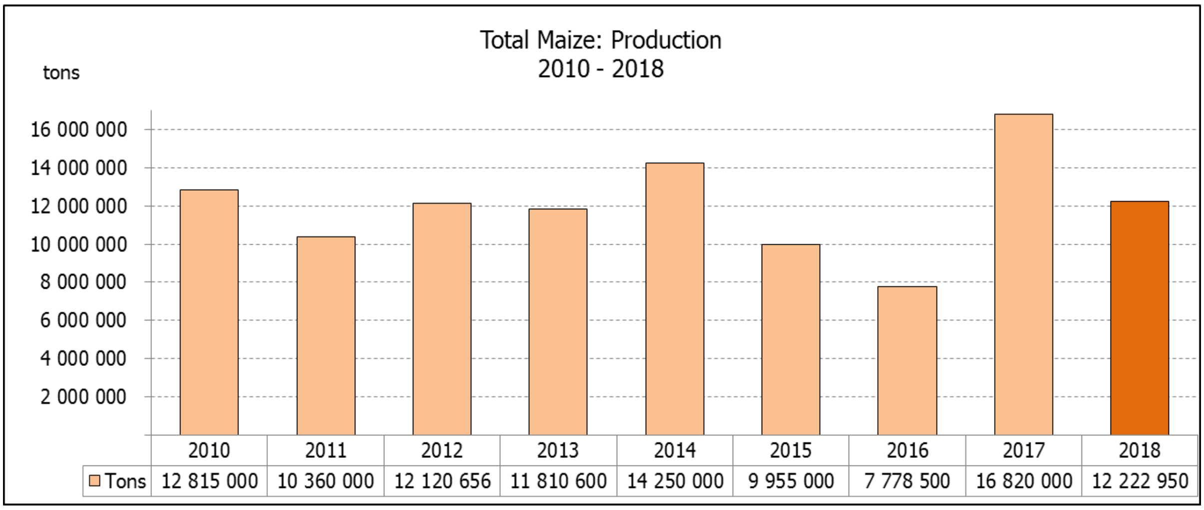

Figure 10: Trends in total maize production
Sources: CEC, February 2018

South Africa maize prices remain depressed partly due to trade war between China & USA and bumper crops in the region, but some gains are expected for September and December gaining some ground. The lower market trade, in the early months is because of a stronger Rand (Table 7).

Table 7: Weekly average white maize futures and estimated option prices

White maize Futures 01 February 2018	**March-18**	**July-18**	**September-18**	**December-18**
SAFEX (R/t)	1811	1913	1969	2030
SAFEX (R/t) Change W/W	-69	-72	-66	-69
Yellow maize FUTURES: 01 FEBRUARY 2018	**March-18**	**July-18**	**September-18**	**December-18**
CBOT ($/t)	142.41	148.71	151.57	154.81
SAFEX (R/t)	1903	1976	2034	2094

Source: Absa Agri Trends, 2018

Wheat

Wheat is the most important grain worldwide, based on grain area and is in total production volume. Global current wheat production is 757 million tons (FAO), March 2018). Based on modest year-on-year reductions in both area and average yields, 2018/19 global wheat output is expected to be 2% smaller in 2018/19 (Figure 11). Total world consumption is projected 3.1 million tons higher, primarily on greater usage from Indonesia and China. About 68% and 20% of the consumption will respectively be for food and feed industries (USDA, 2018).

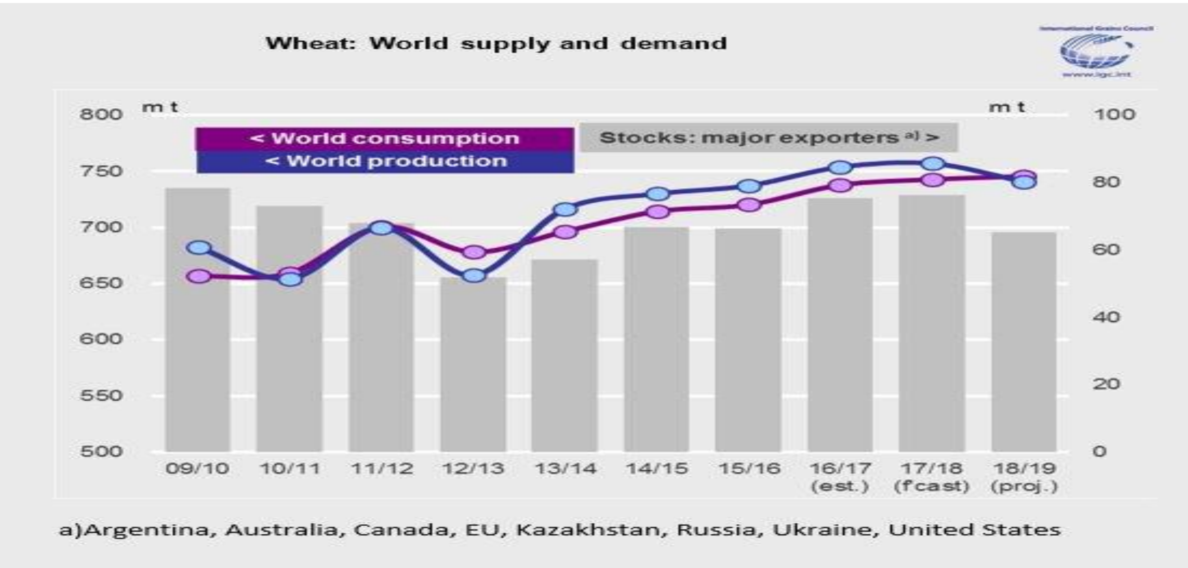

Figure 11: Wheat world supply and demand
Source: IGC, 2018

South Africa remains a net importer of wheat, hence, domestic wheat prices tend to be derived from import parity and therefore supported by the combination of the variable import tariff and exchange rate depreciation. The expected commercial production of wheat for 2017/18 is 1 524 750 tons, which is 385 250tons less than the previous seasons' crop of 1,910 million tons, whilst the expected yield is 3.10 t/ha. Western Cape contribution to the output although it remain the highest, it is reduced, the province production is expected at 586 800 tons (38%). Free State production is estimated at 10. 81% increase which stand at 328 000 tons and in the Northern Cape, expected production estimate increased by 2.50% or 7 600 tons. The area cultivated with wheat is 491 600ha, which is less by 16 765ha as compared to previous season.

Sunflower

The global production of sunflower seeds was approximately 41 million metric tons during 2017. Global sunflower seed production for 2018 is estimated to decline to 49 million tons, down by 2% year-on-year (SUNSEEDMAN, 2018). This is due to decrease in area planted in the Black Sea region (Russia and Ukraine) which are largest contributors and other key producers such as Hungary, USA, Kazakhstan and Spain.

In South Africa, the 2017/18 sunflower seed-marketing year ended in February 2018, but in better shape than the previous year. The ending stock is estimated at 183 081 tons, which is 12% higher than the 2016/17 marketing year. This will boost the country's supplies in the 2018/19 marketing year that starts 01 March 2018. The country's sunflower seed exports for 2017/18 about 66% went to Swaziland, 17% to Namibia and 17% to Botswana. In the same period, the country imported 26 tons of sunflower seed from Malawi. Sunflower yield since 2016/17 is recording a decline, which is also expected for 2018/19 production season (Figure 12).

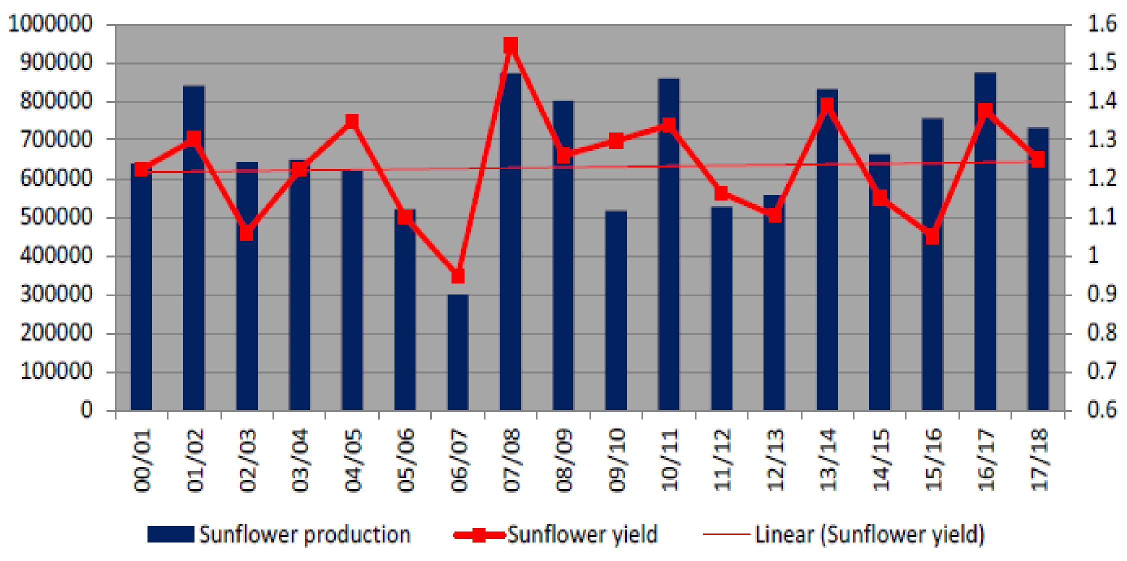

Figure 12: South Africa Sunflower seed production and yield
Source: Unigrain Weekly Report, March 2018

For 2018/19 season, the sunflower seed crop is in good condition, due to rainfall received in the past few weeks. The crop in the 2018 season is estimated at 731 505 tons which is based on an average national sunflower seed yield of 1.25 tons/ha. The area to be cultivated with sunflower seed is 584 900 ha which is 50 850 ha less than the 2017/18 season.

Soybeans

Area to be cultivated with soybean is expected to slightly decrease compared to the previous season. The soybean is estimated to decrease in Argentina and Uruguay more than offsetting gains in Brazil, Russia, and South Africa. IGC (2017) indicated that Asia's growing needs are seen continuing to boost traded volumes during the next five years. This is largely because of rising demand for soya meal from feed sectors, spanning livestock, poultry and aquaculture, world consumption is predicted to trend higher, reaching consecutive annual peaks.

Locally, it is estimated that 775 300 ha are cultivated with soybeans, which represents an increase of 35.08% (201 350 ha) compared to the 573 950 ha planted last season. For 2018/19, the production forecast is 1 374 700 tons, which is 58 700 tons more than the 1 316 000 tons of the previous season with 1, 77 t/ha yield. Since the beginning of 2018, the local soybean market traded mostly mixed, but ended higher end of February. The higher international prices contributed to support in the local market.

Groundnuts

The expected groundnut crop is estimated at 88 850 tons, which is 3.48% or 3 200 tons less compared to the 92 050 tons of previous season. The area estimate is 56 300 ha and the expected yield is 1.58 t/ha, representing a decrease from yield of 1.64 t/ha in the previous year.

Dry beans

In the case of dry beans, the production forecast is 70 770 tons, which shows an increase of 3.28% (2 245 tons) from the previous year's production. The area estimate of dry beans is 56 600 ha, increasing from 45 050 ha for the previous year, with a decrease in the yield of 1.25 t/ha (compared to 1.521 t/ha for the previous year). However, South Africa generally has a dry bean deficit and relies on imports.

Sorghum

The production forecast for sorghum stands at 78 200 tons from 152 000 tons in the previous season. The expected tonnage comes in the face of a declining area estimate for sorghum, which is at 17 550 ha down from 42 350 ha to 24 800. The expected yield is 3.15 t/ha, which is less than the previous year (3.51 t/ha).

Cotton

The International Cotton Advisory Committee (ICAC) forecast an increase in the world cotton production and higher ending stocks for2017/18 season. World production is expected at 25.5 million tons, up 11% from the previous season. Higher estimates for China, Brazil, and South Africa offset lower expectations for India and Australia. International demand is expected to increase by 3% in 2017/18 to 25.4 million tons, partly due to the rising price of competing fibres (Figure 13).

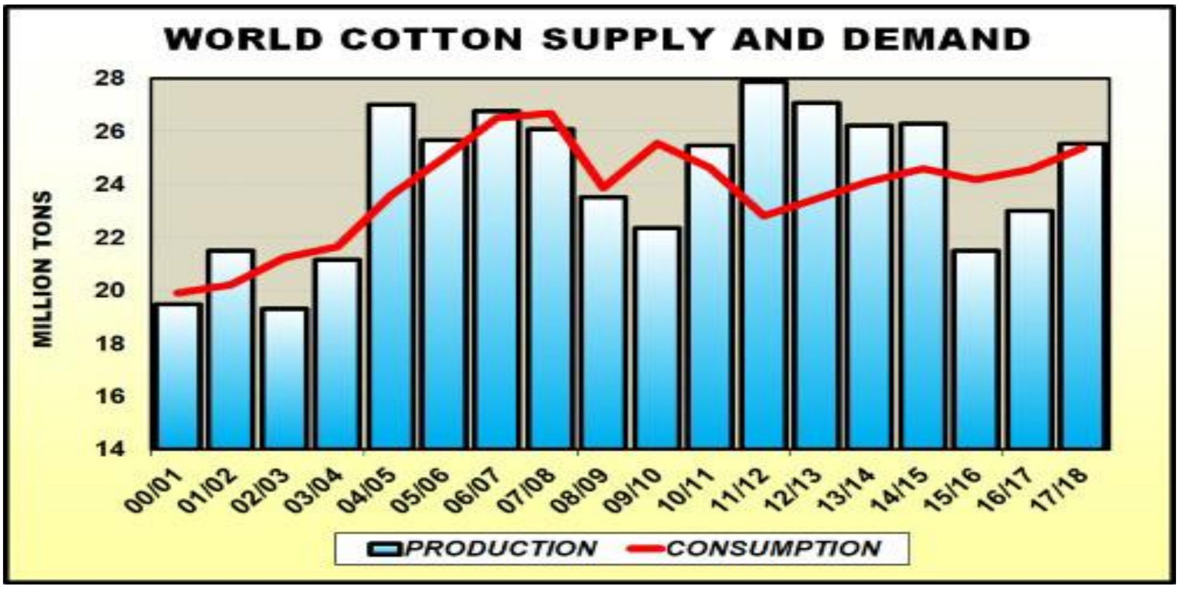

Figure 13: World Cotton supply and demand

Sources: Cotton SA, February 2018

Local outlook (including Swaziland), the estimate for the 2017/18 production year indicates a total crop of 190 859-lint bales, up by 141% from the previous season. The increase in production is due to competitive prices and renewed interest of cotton production. The estimated land to be cultivated is 37 113 ha, which 18 925 ha is land under irrigation and 18 188 ha dry land.

7. CONCLUSIONS

Global food and agriculture investment outlook (2018) predicts that 2018 offers attractive conditions to invest in several food and agricultural themes. Globally a growing population together with greater economic prosperity in emerging markets means that demand for food will only increase in the coming years. This may bring about an expectation of more investments in farmland across the world, combined with increasing capital raised within private equity and venture capital strategies. Locally, the stable outlook balances upward and downward pressures. This stable outlook is organized and developed by strong institutions pursuing an effective set of reforms and policies in the country. This point out that South Africa's economy has significant growth potential going forward.

Globally, animal disease outbreaks continue to threaten meat production. Globally, poultry production is faced with a threatening challenge of different strains of avian influenza. More R&D efforts and innovations are needed to ensure full and efficient protection of animals against diseases outbreaks. On the other hand more training that targets farmers particularly smallholder farmers in terms of basic primary animal health and bio security measures. This is more so because despite 80% of the land in the country being suitable for intensive livestock production, the country remains a net importer of meat and other livestock products. There is scope to increase production. Given the disease outbreaks, the persistent drought, and other market challenges, maximum participation in the mainstream economy by previously disadvantaged individuals and rural communities remains a dream. More drought persistent artificial pastures are needed. The fact that SA exports almost all of its wool production into a growing world market suggests that there exists substantial opportunity for production growth and this provides an ample opportunity for participation of smallholder producers including communal farmers, thereby promoting inclusive growth, rural development and utilization of marginal land. The ARC, through its renewed emphasis on smallholder development, should seek to intensify participation of smallholder farmers in agriculture to contribute towards both household and national food security. The ARC therefore could forge partnerships with organizations such as NERPO, National Wool Growers Association (NWGA) and others to develop and implement programmes that will seek to enhance effective and efficient participation of smallholder farmers in the mainstream markets for their livestock and products.

Despite the long drought spell that befell the fruit-producing area of the Western Cape in 2017, the horticulture sector persevered and generally performed well. The weak currency which to a large extent was associated with political uncertainty in the country has served to enhance the price-competitiveness of the sector with some of the sectors such as macadamia, blue berry nuts and avocados having recorded positive growth in export volumes. With a new political regime in place, putting more emphasis on the need to invest in Agriculture, there exists renewed hope for international investor confidence and this is with caution in terms of how the question of land expropriation will be handled. Land expropriation may see more black farmers enter the agricultural sector. The ARC is now more pressurised than before to provide guidance and leadership on issues related to land reform (e.g. feasibility studies), drought mitigation strategies and water management techniques. With regard to the horticultural sector, certain commodities such as blue berries are niche products, which require dedicated R&D investments.

Global total grains growth is expected to be on slightly below the record of the previous season. This is due to a weak La Niña weather phenomenon, which is associated with above average rainfall. The favourable weather condition is also promising to be beneficial to the grain production in the country, just few pocket climate issues like in the Western Cape. The stronger rand threatens the domestic grain market performance. However, the growth of the Asian market present an opportunity for exports. A number of grains recorded decrease in yield per hectare, this decrease is worrying. ARC improved cultivars and technologies can play a crucial role in improving the productivity, but also in advising the industry on other economic issues.