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EXECUTIVE SUMMARY

Global and local macroeconomic outlook

The global economic outlook displays uncertainty arising from escalating trade tensions and tightening global financial conditions. The domestic economy has entered a technical recession. There is the deteriorating inflation outlook, driven mainly by multiple supply-side factors. Headline inflation remains within the inflation target range throughout the forecast period but the SARB's model projects an increase in headline inflation, peaking at levels closer to the upper end of the target range. The forecast for core inflation is 4.4% in 2018, 5.6% in 2019 and 5.5% in 2020. It is expected that elevated international oil prices will contribute to fuel price inflation locally. Household consumption expenditure is likely to be constrained by tax changes of April 2018, weak employment growth as well as subdued growth in credit extension to households.

Livestock outlook

Animal disease outbreaks, sanitary restrictions, and trade policies drive the evolution and dynamics in world meat markets. Global chicken production is forecasted to grow 2% in 2018 to 92.5 million tons while local chicken consumption is projected to expand by 27% over the next 10 years. A growth rate of more than 3.47% over the period 2017-2025 is expected on global bee market. World sheep meat production is expected to continue its upward trajectory in 2018 and reach 15 million tons. Locally, producer prices of milk and eggs dropped from June 2018 to July 2018 by 0.3%. Global pork production is forecasted to grow over 2% in 2018, while local production growth of almost 3% per annum over the next 10 years is projected.

Horticulture outlook

Although the severity of drought in the Western Cape was mitigated by a healthy share of young establishment of orchards, which reached full bearing in 2018, production for apples and pears will still be affected. Due to irrigation constraints, the apple bearing area is projected to increase by only 0.21% over the outlook period. The pear bearing area is projected to decrease marginally by 0.26% over the same period, to reach 11 326 ha by 2027.

Field crops outlook

Global demand for grains is expected to increase month-on-month, as an increase for maize outweighs reductions in demand for wheat and barley. The projected closing inventories for 2018/19 are expected to be at 538 million tons. For Local production, total commercial maize is estimated at 13.2million tons. The expected wheat production for 2018/19 is 1.8million tons, a 17.8% increase compared to previous seasons. The sunflower seed increased by 8.37% with an estimated planted area of 601 500 ha. The production forecast for soybeans is at 1 550 800 tons for 2018/19. For 2018/19 season groundnut, dry beans and sorghum production estimates are at 52 000 tons, 65 610 tons and 105 120 tons, respectively. World cotton production for the 2018/19 production year is estimated to decrease compared to the previous season, while local production is forecasted at 191 310-lint bales.

1. FOREWORD AND ACKNOWLEDGEMENTS

The Economic Services Unit presents this 24th 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.

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2. MACRO-ECONOMIC INDICATORS

Macro-Economic outlook

The global economic outlook is expected to remain broadly favourable over the short term. Medium term risks are tilted to the downside due to elevated uncertainty. This uncertainty arises from escalating trade tensions and tightening global financial conditions. The global inflation outlook is on a moderate upward path, largely due to rising oil prices and higher GDP growth rates in some advanced economies. The Eurozone, saw its industrial production fall for a second consecutive quarter, something which restrained real GDP growth to just 1.5% annualized in the second quarter. Germany grew faster than the zone as a whole, although its growth of 1.8% during the quarter was well below last year's pace. It is unclear if the zone's growth can accelerate in the second half of 2018, more so with uncertainties hanging over critical industries such as autos and steel.

Tighter global financial conditions and the change in investor sentiment towards emerging markets remain key external risks to emerging market currencies, which are expected to remain volatile. However, the pace of monetary policy normalisation in the advanced economies continues to be gradual and further policy tightening by the US Fed is expected to follow a measured path in the absence of significant inflation or growth surprises. The International Monetary Fund (IMF) global growth forecast is depicted in Table 1.

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: Budget Review (2018) National Treasury

Global agricultural outlook

AMIS Market Monitor of September 2018 indicates that the current El Niño Southern Oscillation (ENSO) conditions are neutral. Models indicate that a weak to moderate strength El Niño may develop during the northern hemisphere 2018 fall season and be present through the northern hemisphere 2018/19 winter (60-70 percent chance).

The Amis Market Monitor generally shows that agricultural markets are in rougher shape than in previous years. Several factors are at play. While policy developments such as the US-China trade dispute have loomed over markets for the past couple of months, more recently heat waves and prolonged dry conditions in several parts of the world have introduced new risks by sharply reducing the expected production of wheat and other crops.

USDA World Agricultural Supply and Demand Estimates Report of September 2018 states that global coarse grain production for 2018/19 is forecast up 5.1 million tons to 1,347.2 million.

The report further shows that corn exports for 2018/19 are raised for Ukraine, Serbia, and Paraguay, but lowered for Canada and South Africa. Imports are raised for the EU, Japan, Brazil, and Guatemala, with partly offsetting declines for Algeria and Saudi Arabia. For 2017/18, exports are lowered for both Brazil and Argentina, reflecting slower-than-expected trade to date. Foreign corn ending stocks for 2018/19 are down from last month, with declines for Argentina, South Africa, Ukraine and Canada more than offsetting increases for Angola, Paraguay, the EU, Brazil, Turkey, and India.

Table2: World maize production

Country of origin	2017/2018		2018/2019		Change from 2017/2018
	Estimate	Change from August 10	Forecast	Change from August 10	
World	1,033.6	0.3	1,069.0	7.9	35.4
United States	371.0	--	376.6	6.1	5.7
Foreign	662.7	0.3	692.4	1.8	29.7
Argentina	32.0	-1.0	41.0	--	9.0
Brazil	82.0	-1.0	94.5	--	12.5
Mexico	26.8	--	26.0	--	-0.8
European Union	62.3	--	60.8	1.0	-1.5
FSU-12	42.1	--	47.8	0.1	5.7
Ukraine	24.1	--	31.0	--	6.9
Russia	13.2	--	12.0	--	-1.2
South Africa	13.8	--	13.0	-0.5	-0.8
China	215.9	--	225.0	--	9.1
India	28.7	1.8	26.0	--	-2.7

-- No change.

Source: USDA: World Agricultural Supply and Demand Estimates Report of September 12, 2018

South African economic outlook

The domestic economy has entered a technical recession, following two consecutive quarters of contracting economic activity. Quarter-on-quarter GDP contracted by 0.7% in the second quarter and GDP data for the first quarter was revised down from -2.2% to -2.6%. The South African Reserve Bank (SARB) forecasts growth in 2018 to average 0.7% (down from 1.2% in July). The forecast for 2019 and 2020 is unchanged at 1.9% and 2.0% respectively.

The SARB composite leading business cycle indicator increased in June, largely reflecting an improvement in the measures of external sector activity. However, business confidence, as reflected in the RMB/BER business confidence index, decreased to 38 index points in the third quarter. Growth in gross fixed capital formation is expected to remain weak. Household

consumption expenditure contracted by 1.3% in the second quarter, declining for the first time in two years.

The Monetary Policy Committee (MPC) sitting of September 2018 kept the repurchase rate unchanged at 6.5% per annum. The year-on-year inflation rate as measured by the consumer price index (CPI) for all urban areas was 5.1% in July 2018 and has declined to 4.9% in August. Goods price inflation was 5.0% (down from 5.3% in July), while services price inflation was unchanged at 5.0%. SARB's measure of core inflation, which excludes food, fuel and electricity, declined to 4.2% in August (down from 4.3%). Producer price inflation for final manufactured goods increased to 6.1% in July (up from 5.9% in June).

Headline inflation is expected to remain at an average of 4.8% in 2018, before increasing to 5.7% in 2019 (up from 5.6%) and moderating to 5.4% in 2020. Headline CPI inflation is expected to peak at around 5.9% in the second quarter of 2019.

Average wage growth is expected to remain elevated at around 7% over the forecast period-increased wage inflation are at levels above headline inflation. Other administered prices are expected to increase at rates above the upper end of the inflation target range, as water and electricity tariffs rise, alongside rates and taxes in major metros. The impact on headline inflation continues to be moderated by lower food price inflation.

The Committee expressed concern about growing risks to the inflation outlook, mainly due to exchange rate risks related to both domestic and external factors, elevated international oil prices and the possibility of higher electricity tariffs. It concluded that demand pressures in the economy are not assessed to pose a significant risk to the inflation outlook. It further stated that current challenges facing the economy are primarily structural in nature and cannot be solved by monetary policy alone.

South African Agribusiness

The Agbiz/IDC Agribusiness Confidence Index declined by 6 points to 48 in the third quarter of 2018. This is the lowest level since the second quarter of 2016, which was a drought year. The local weather agency has expressed concerns about the weather outlook, forecasting dryness between October and December, a period that coincides with summer crop planting. This is likely to affect the planting area for the summer crops. In the main, many reports show that most of the summer crops particularly maize and soya-beans.

BMI projects that over the long term (2017/18 to 2021/22), there are a number of structural challenges that the South African agribusiness industry will have to deal with. The report projects that the country will be running widening deficits in wheat, rice, sugar, poultry and pork over the coming years. Areas dedicated to wheat and corn are declining and the recent downtrend in prices will discourage farmers from investing in yield-boosting technologies. The poultry industry has been unable to compete with cheap imports, and faces increasing costs as a result of domestic regulatory changes requiring lower brine content in chicken. The

government has attempted to protect both sugar and poultry producers by increasing the sugar reference price in the former case and by introducing a safeguard duty in the latter - but this is unlikely to prove sustainable over the long term, particularly in the case of poultry. BFAP 2018 stated that food inflation is expected to increase albeit not substantially, until the end of 2019.

SADC Region

The food security outlook for August 2018 to January 2019 by the Famine Early Warning Systems Network (FEWS NET) indicates that following below-average 2018 harvests in many parts of the region, poor households in southern areas of Malawi, Zimbabwe, Madagascar, and central and southern Mozambique are expected to continue facing crisis (IPC¹ Phase 3) outcomes through at least January. In eastern DRC, where conflict continues to disrupt households' access to food and income, crisis (IPC Phase 3) is also expected. It is expected that the rest of the region is likely to maintain minimal (IPC Phase 1) or stressed (IPC Phase 2) throughout the projection period.

An increased likelihood of an El Niño event is forecasted to occur during the main part of the summer cropping season. Historically, El Niño has been associated with below-average rainfall in Southern Africa between October and December, when summer cereals are planted in most parts of the region. The below-average rainfall during this time would likely result in lower levels of planting and weeding, and consequently lower availability of agricultural labour for poor households who rely on this source of income during the lean season.

¹ 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

3. ANIMAL PRODUCTION

Globally, animal disease outbreaks sanitary restrictions, and trade policies remain the main factors driving the evolution and dynamics in world meat markets. United States (US) weather conditions, low Brazilian domestic export prices and changes to live cattle trading are seen as potential factors that could change the course of the global beef market. Global egg consumption is expected to rise worldwide through 2024. Locally, it is reported that since 2009, consumption growth for chicken, beef and pork slowed to 1.9% per annum, 1.2% per annum and 0.1% per annum, respectively.

Chicken Market

Global production is forecasted to grow 2% in 2018 to 92.5 million tons, primarily from gains in the US, Brazil, India, and the European Union (EU). The US and Brazilian expansion is bolstered by ample feed supplies at relatively low prices, the absence of highly pathogenic avian influenza (HPAI) and modest global demand. Gains in EU and India are driven by rising domestic demand. Locally, having increased significantly in 2017, chicken prices are expected to trade largely sideways in 2018, as a modest increase in international prices is offset by a stronger exchange rate. Over the 10 year period, BFAP, 2018 projected prices to increase by an annual average of just over 4%, marginally below general inflation and therefore reflecting a modest decline in real terms. Driven by the expected income growth over the coming decade, chicken consumption is projected to expand by 27% over the next 10 years. Annual average prices since 2015 are depicted in figure 1.

Egg production:

The local egg industry remains under continued threat of Avian Influenza (AI) outbreak. However, this has benefited some producers through the consequent increase in egg prices. The continued increase in the price of eggs is one of the factors foreseen to contribute positively to profit margins in the poultry industry even moving into 2020 and 2021 (ABSA, 2018). The 2018 BFAP report projects a 9% increase in egg consumption in the 10-year period to 2027. This is because of high prices arising from the recent AI outbreak. Annual average prices since 2015 are depicted in figure 1.

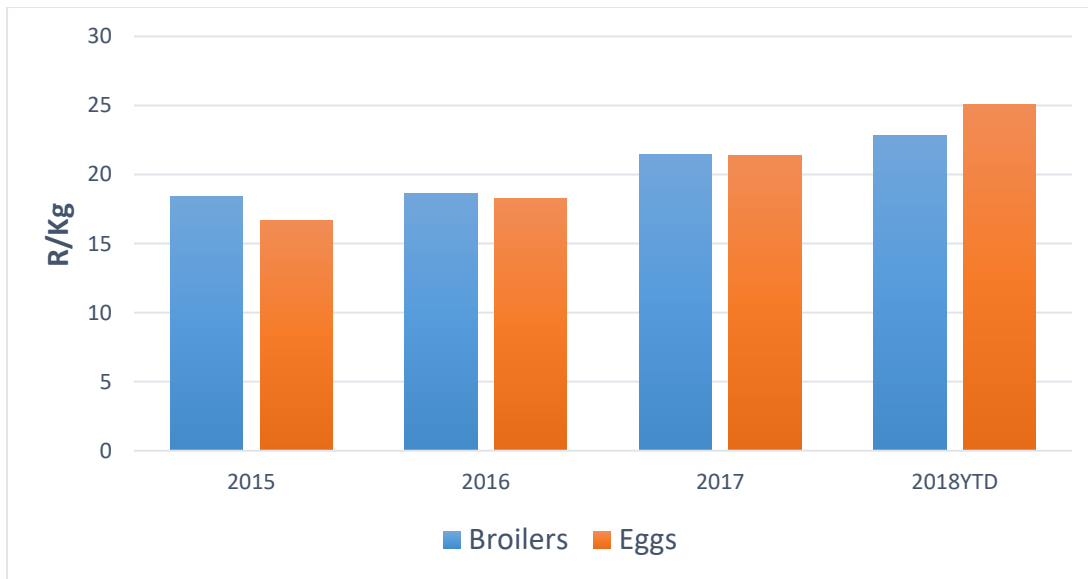


Figure 1: Producer prices: Annual averages for broilers and eggs

Source: SAPA, 2018

Beef market

Driven by gains in Brazil, the US and Argentina, global beef market is predicted to grow at a growth rate of more than 3.47% over the period 2017-2025, while in the short term, the forecast is marginal (2%) in 2018 to 63.0 million tons. Growing disposable income in emerging markets are reported to have resulted in increased consumption of beef. In addition, the market is expected to witness significant growth owing to food safety issues such as chemical residue and pathogen detection in other meat products. Locally, beef consumption is projected to increase by 24% and beef prices to increase by an annual average of 4.5%, while declining marginally in real terms. The effects of herd rebuilding are expected to remain evident in 2018, with only a small increase of 3% in production volumes, before a more substantial increase of 8% in 2019. In the long term to 2027, beef production is estimated to exceed 930 thousand tons by 2027. Figure 2 illustrates the movement in cattle slaughtering from May 2015 to May 2018 and the effects of drought and herd rebuilding are evident.

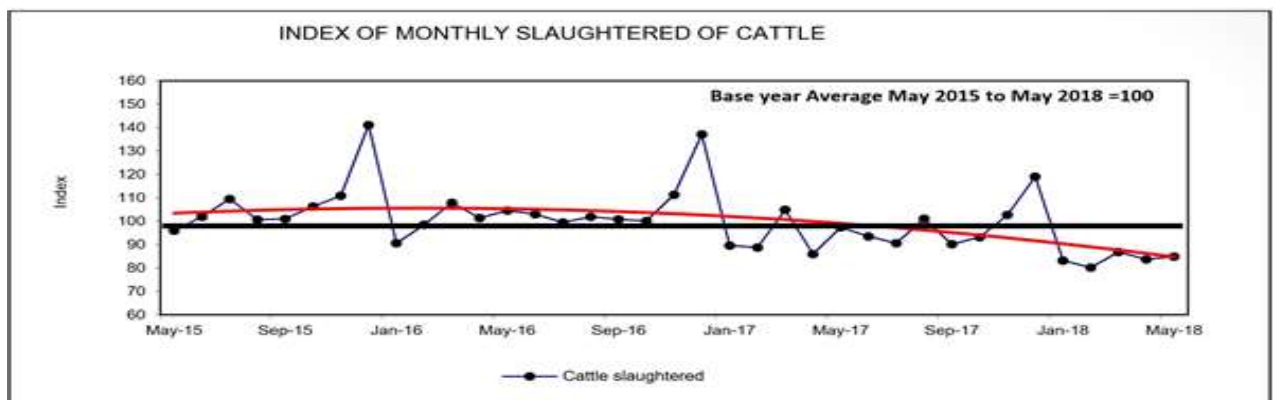


Figure 2: Beef Prices from January to February 2018

Source: AMT, 2018

Mutton market

World sheep meat production is expected to continue its upward trajectory in 2018 and reach 15 million tons for the first time. The growth in world production has been a long-term trend with a 29 % increase being recorded since 2000, driven by increases in China and Africa of 70% and 63%, respectively. The expected growth in production in 2018 is largely from China. According to the Rural Bank of Australia, 2018, China has been a major contributor to the long-term growth in world sheep meat production and produced 32% of the world’s sheep meat in 2017. Locally, BFAP projects nominal lamb prices to increase by an annual average of 4.7% over the next 10 years, only marginally less than general inflation and therefore declining slightly in real terms. In the short run, predicted price trends for mutton are illustrated in in figure 3.

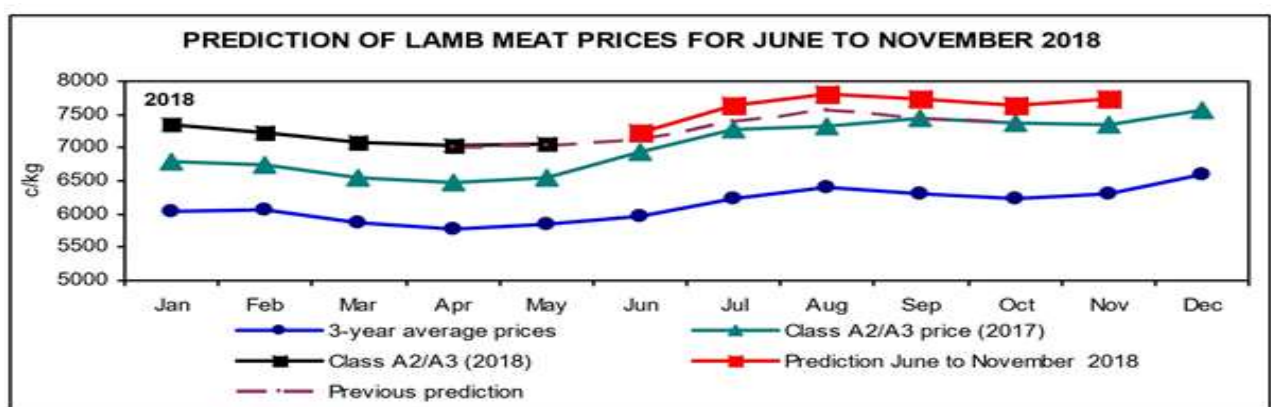


Figure3: Mutton prices from January to February 2018

Source: AMT, 2018

Dairy market

According to Rabobank, 2018 milk production across the major exporting regions is expected to grow at modest rate of 0.4% in the third quarter of 2018 before gaining momentum in the first quarter of 2019. At the same time, global milk prices are also expected to stabilize in the third quarter of 2018 into the second quarter of 2019. However, expansion of milk production is expected to reach 26% by 2027 relative to the 2015-2017 base period, with the majority of the increase projected to originate in developing countries (BFAP, 2018).

Locally, according to Stats SA, producer prices of milk dropped from June 2018 to July 2018 by 0.3%. The decline in milk prices in 2018 is anticipated to lead to a decline in the milk to feed ratio over the short term, although this is expected to stabilize post 2020 (BFAP, 2018). Milk supply in the country for the 2018 year stands at about 3.5 billion litres (ABSA, 2018). This includes both local production (approximately 3 billion) and milk imports (approximately 5 000 000 litres). Consumption of milk on the other hand in 2018 stands at just a little over 3 million litres, which is slightly lower than 2017. Lower feed cost is one of the factors that contributed to the relatively high milk supply in 2018, while the growth in demand was relatively low. Similar to production, milk consumption is expected to increase by an annual average of 1.9 % over the next ten-year period, a rate similar to growth in production.

Pork market

Global production is forecasted up by over 2% in 2018 to 113.5 million tons, primarily on expansion in China and to a lesser extent, the US and EU. Steady economic growth is boosting meat demand in most countries, while relatively low feed prices support producer margins. Locally, according to Agrimark Trends (AMT) report of June 2018, the listeriosis outbreak had put a lot of pressure on the pig producers in South Africa. As a result, the market prices are reported to have reached a four year low. Estimates show that the profits of pork producers have dropped by 40% since the listeriosis outbreak (Dordely, 2018). BFAP, 2018 reports that pork prices, tumbled by 34% from January 2018 to May 2018. On 3 September 2018, the Minister of Health pronounced that the listeriosis outbreak is over in South Africa. It is hoped that the market will start to recover slowly as consumers realize that. In addition, BFAP, 2018 projects a production growth of almost 3% per annum and 23% consumption increase over the next 10 years.

Wool market

In the latest auction of 26 September 2018, wool traded lower and the Cape Wools Market Indicator declined by 5.6% and by 1362 points, to close on R229.28/kg for clean wool. (Figure 4). The Australian EMI, the world leading indicator, decreased by 2.8%. During the previous sale of wool the Rand traded at R14.70 against the US Dollar compared to the latest sale where it traded at R14.30 against the US Dollar. The strengthening of the Rand against the US Dollar and other important currencies and a sluggish demand are reported as the driving forces behind the decline of the local market compared to the previous sale where trades were at R14.70. The wool of 22 to 22.5 microns showed the largest decrease and traded up to 8% weaker. Despite the decline, in the short to medium term, the exceptional levels of the current wool market are expected to maintain their track as there is still visible indication of a strong demand for good quality long fine wool. In addition, the worldwide demand and preference towards the South African clip is still positive. Farmers are urged to vaccinate against Rift Valley fever, which shows to be a bigger probability in the up and coming summer season.

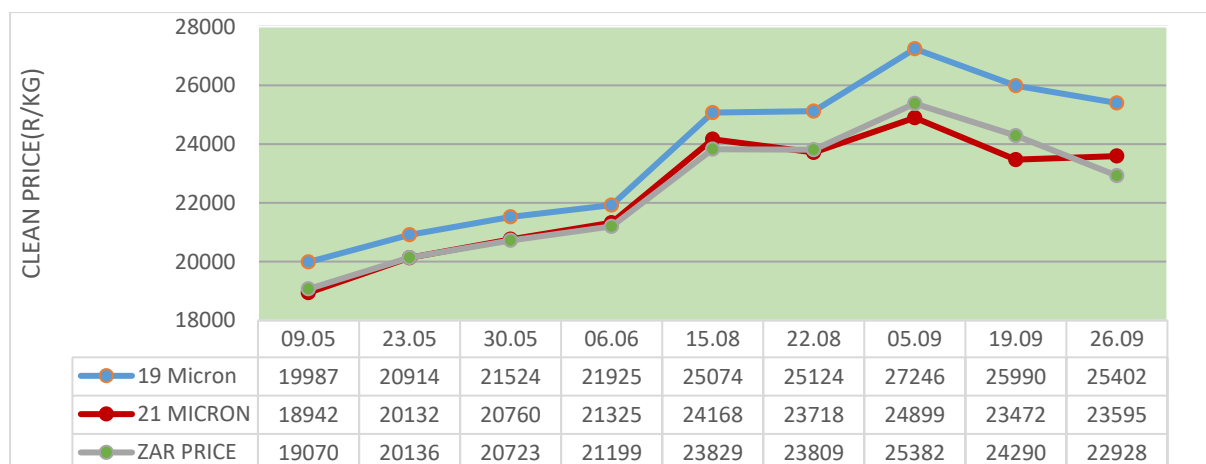


Figure 4: Price movement for good quality wool per micron

Source: CMW, 2018

Mohair market

Fuelled by a strengthening of the local currency against the US\$, the 3rd mohair sale of the 2018 winter selling season was under pressure. (Cape Mohair & Wool, 2018). The most downward pressure were on strong adults with virtually no pressure on the fine kid market. Figure 8 depicts price movement for the second mohair sale of the winter season. The price of kids decreased by 2% with a market indicator of R369.31/kg. Adult mohair decreased by 7% with a market indicator of R262.95/kg. The overall market indicator was recorded at R291.42. (Figure 5).

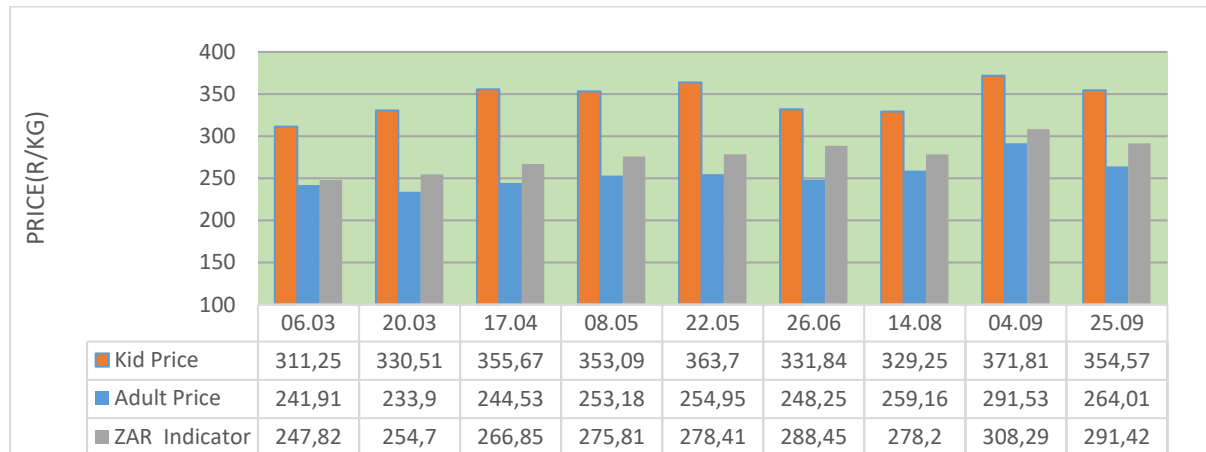


Figure 5: Cape mohair price movement

Source: CMW, 2018

4. HORTICULTURE

HORTICULTURE

The focus of this section is levelled at the impact of drought in the Western Cape towards production of apples and pears. This is preceded by a section comparing the yield performance of South African apples and the gross revenue per ton with those of Europe. Finally, the outlook for production and export of apples and pear commodities is presented.

The impact of drought on pear and apple production

Although the severity of drought in the Western Cape was mitigated by a healthy share of young establishment of orchards, which reached full bearing in 2018, production for apples and pears will fairly be affected (BFAP, 2018; USDA, 2018). The below-average winter rainfall received in 2017 and the low dam levels will severely impact the availability of irrigation water in the 2017/18 Marketing Year (MY) by up to 60 % (USDA, 2018).

The 2017/18 MY apple production is expected to decrease by 11% to 800 000 Million Tons (MT). This is due to the decrease in area harvested, limited irrigation water, lower yields, smaller fruit sizes, and fruit damage from hail, windstorms and severe sunburn. Exports of apples are estimated to decrease by 12% to 485 000 MT in the 2017/18 MY, based on the available production and sub-standard export quality of some fruits (e.g. colour, size and limited shelf life). Pear production in the 2017/18 MY is also estimated to decrease by 7 percent to 400,000 MT. As a result, the 2017/18 MY pear exports are expected to decrease by 10 % to 240,000 MT (USDA, 2018).

Farm-level yield performance of South African apple versus those in Europe

The comparisons by BFAP are based on 2 apple farms in South Africa, the one in Ceres (120 ha) and the other in the Elgin, Grabouw, Vyeboom and Villiersdorp (80 ha) region, that form part of the Agri benchmark horticulture network which also involves certain farms in Europe. The average yield per hectare and gross revenue per ton for apples on the typical farms of Germany (DE), Italy (IT) and South Africa (ZA) are presented in figure 6. The different sizes of the respective typical farms is also illustrated in figure 6. The yields for the South African typical farms are higher than those of the German typical farms. They are however, more comparable to the yields of the Italian typical farm. The gross revenue per ton of the South African typical farms was considerably lower than those of Europe over the period 2010-2017. This can possibly be ascribed to the fact that the gross revenues of the South African typical farms are based on farm gate prices (cost of packaging already deducted).

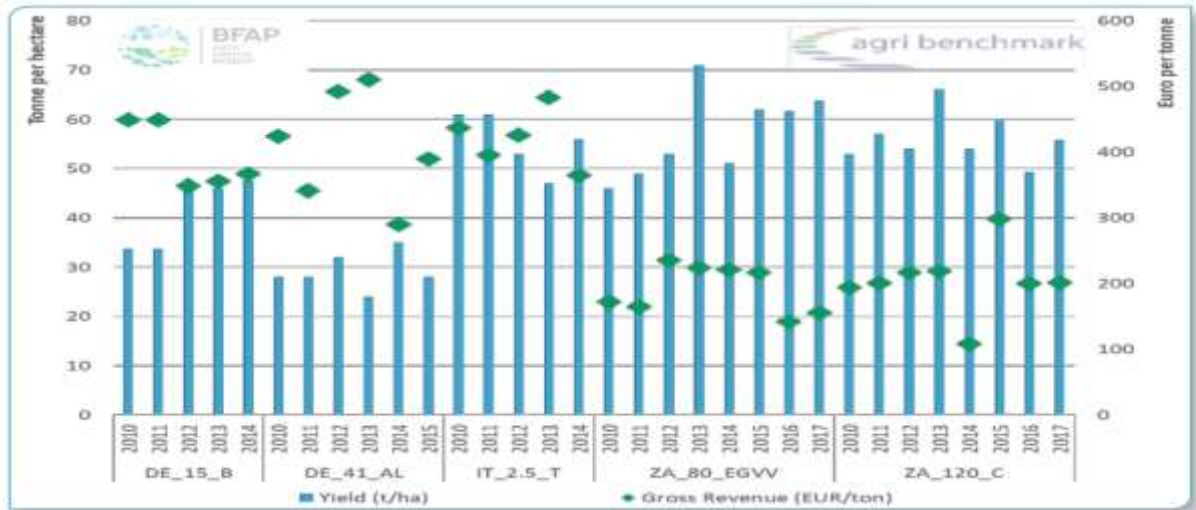
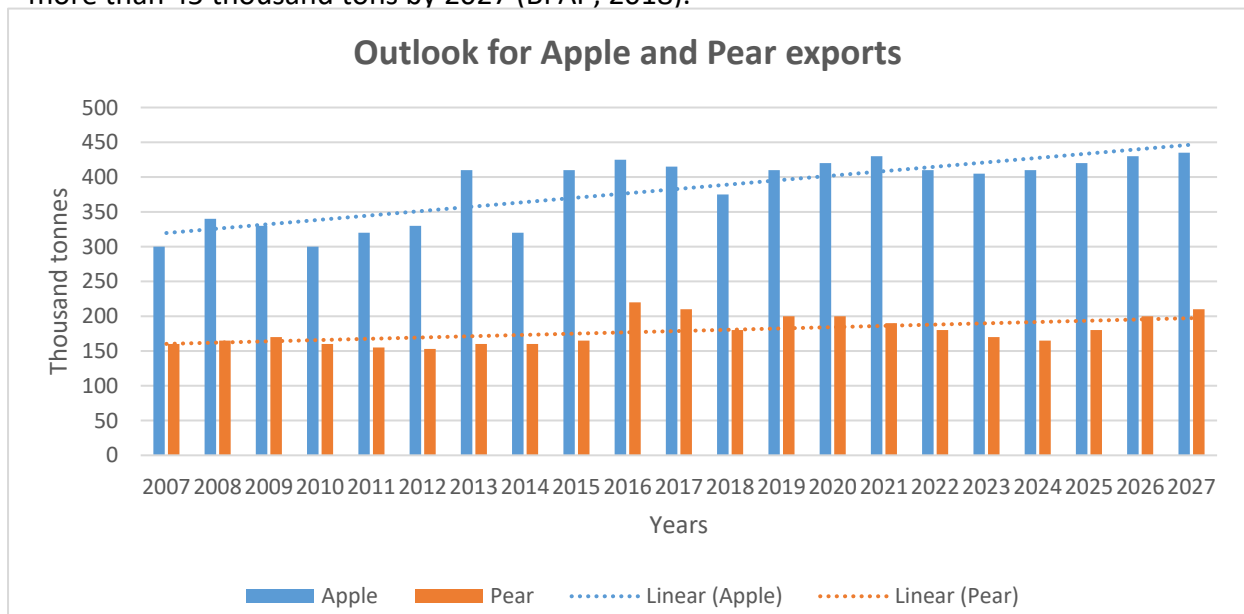


Figure 6: South African apple yields and gross revenue versus those of Europe

Outlook for Apples and Pear production

Figure 7, presents the outlook for production and export growth up to 2027. Over the 10-year projection period, apple production is set to expand by 5.3% from 940 thousand tons in 2017, to 990 thousand tons by 2027. This represents a significant reduction in the growth of 32.4% over the past decade (BFAP, 2018). Pear production in turn increased by 26.1% since 2007 and is projected to expand by a further 1.9% towards 2027 to reach 444 thousand tons. Due to irrigation constraints, the apple bearing area is projected to increase by only 0.21% over the outlook period.

The pear bearing area is projected to decrease marginally by 0.26% over the same period, to reach 11 326 ha by 2027, as apple re-establishment is favoured in key production areas as opposed to pears (BFAP, 2018). Given that fruit tree bearing units were affected, complete recovery from the drought is expected to take a number of years. Apple exports, however, are still expected to increase by 15.8% by 2027 relative to 2017 levels. Pear exports are projected to increase by 7.8% over the same period (BFAP, 2018). Domestic apple consumption is expected to grow by 9.1% over the next 10 years, to surpass 221 thousand tons by 2027. Pear consumption growth is expected to be slower, increasing by almost 2% to more than 45 thousand tons by 2027 (BFAP, 2018).



Vegetable markets

Table 3 presents a summary for the vegetable prices among the four major National Fresh Produce Markets. Tomato, potato and carrots recorded a positive week-on-week growth in price, whereas for other commodities, this figure was negative.

Table 3: 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 02 March 2018	Average Price (R/kg)	Price (R/t) w/w	Price (R/t) y/y	Total Volume (t)	Volume (t) w/w	Volume (t) y/y
Tomato	6.87	25.7%	25.8%	4164	-17.7%	-10.6%
Potato	3.32	8.1%	-18.4%	18261	-3.8%	7.1%
Onion	4.03	-0.1%	77.4%	7228	6.1%	-7.4%
Carrot	4.49	24.2%	56.0%	2055	-16.3%	-12.5%
Cabbage	2.33	-5.4%	7.1%	1758	-3.6%	-0.5%
Butternuts	3.82	-15.1%	-21.9%	1706	-9.1%	29.5%
Lettuce	9.15	21.4%	58.6%	276	-5.6%	-28.8%

Source: FNB Agri-Weekly 07 March 2018

5. FIELD CROPS

The International Grains Council (IGC) forecast that the world total grains (wheat and coarse grains) production in 2018/19 is boosted by 4 million tons month-on-month to 2063 million tons, but is still down by 1% year-on-year. The decreased is led by production reduction in Europe and the CIS, the global wheat harvest is seen falling (-42m t) for the first time in six years, while barley output could be the lowest since 2012/13. At the local level, South Africa is expecting an occurrence of El Niño in the early stages of the 2018/19 production season, which is the crucial stage of production.

Maize

OECD-FAO (2018) outlook report projects that by 2027, global maize production will rise by 161 million tons (Mt) to 1.2 billion tons, led by China (31 Mt), Brazil (24 Mt) and the United States (22 Mt). In the short run, USDA Report (September 12, 2018) indicates that world maize production is projected at 1,069.0 million tons for 2018/19 season, which shows an increase by 35.4 million tons as compared to previous year. Maize consumption for 2018/19 period is expected to reach 1 106.1 million tons, showing an increase of 38.8 million tons as compared to 2017/18.

Locally, the Crop Estimates Committee, as at 26 September 2018, forecasts the targets for the commercial maize production for 2018/19 at 12 931 210 tons, a decrease of 3 888 790 tons as compared to the previous final crop season of 2017/18. The production forecast of white maize is 6 802 million tons and yellow maize is 6 130 million tons. This is projected to be achieved under an estimated 2 318 850ha, which is less than what was cultivated the previous season. The area estimate for white maize is 1 268 100 ha and 1 050 750 ha for yellow maize. The expected yield is 5.36 t/ha and 5.83 t/ha for white and yellow maize, respectively. South Africa maize prices gained some ground despite lower international prices, finding support from the weaker Rand. Table 4; indicates that white maize prices for delivery in May 2019 will increase by R177/ton from R2334/ton to R2511/ton. New season yellow maize prices for delivery in May 2019 increased on average by R41.5/ton, to R2 534/ton.

Table 4: Weekly average white and yellow maize futures and estimated option prices

White maize Futures 17 August 2018	Sep-18	Dec-18	Mar-19	May-19
SAFEX (R/t)	2334	2435	2487	2511
<i>SAFEX (R/t) Change W/W</i>	22	25	27	40
Yellow maize FUTURES: 17 AUGUST 2018	Sep-18	Dec-18	Mar-19	May 19
CBOT (\$/t)	143.79	149.50	154.13	156.88
SAFEX (R/t)	2402	2506	2544	2534
<i>SAFEX (R/t) Change W/W</i>	40	44	38	44

Source: Absa, 2018

Wheat

Estimates for the 2018/19 season point to a contraction in area and weaker yields, resulting in declining global production for the first time in 6 years. This reduction in production is expected in all major exporting countries; with a particularly pronounced decline in Russia due to warm, dry weather. Global stock levels are also expected to decline for the first time in 6 years, with reductions in most major exporters (BFAP, 2018).

Table 5: Global Wheat production and consumption

	Million tons			
	2015/16	2016/17	2017/18	2018/19 forecast
Production	737	752	758	716
Consumption	718	735	736	734

Source: International grain council, August 2018

Locally, the expected commercial production of wheat for 2017/18 is 1 845 100 tons, an increase of 310 100 tons as compared to the previous seasons' crop of 1 535 000 tons. The expected yield is 3.63 t/ha. The projected contribution of 48% is expected from the Western Cape Province. The estimated local area for production is increased to 508 350 ha, 16 750 ha higher than the previous season. The good and promising rainfall create good conditions and increased dams level allowing more land to be devoted to the wheat production.

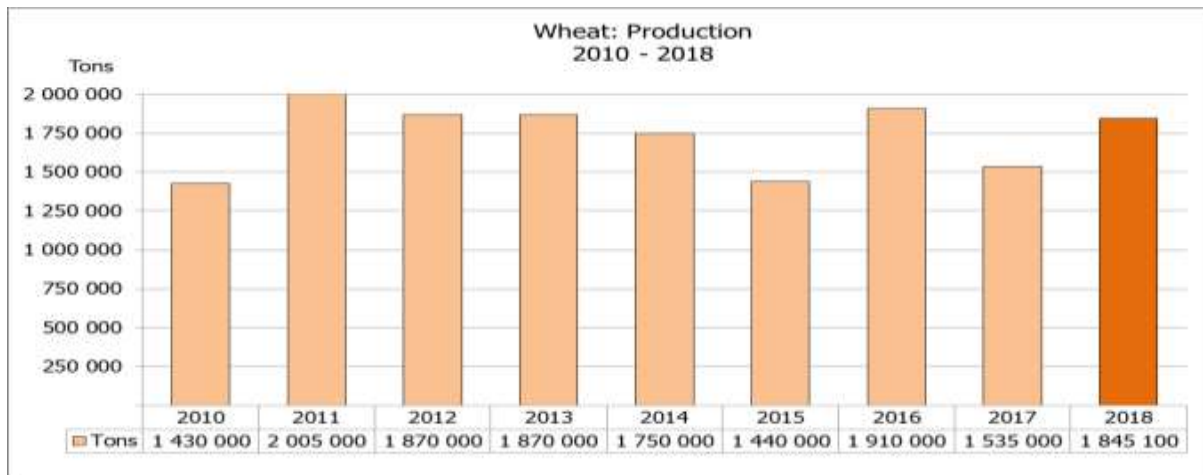


Figure 8: Wheat production in South Africa

Source: CEC, September 2018

Sunflower

Fueled by increase in area planted and expected higher yields on the back of favorable weather conditions in some areas, global sunflower seed production is estimated at 51 million tons for 2018/19, an increase of 3% from the previous season. About 50% of the world supply is expected from Ukraine and Russia. Locally, the production forecast for sunflower seed was increased by 8.37% (66 350) tons to 858 605 tons, with an estimated planted area of 601 500 ha and an expected yield of 1.43 t/ha. Fuelled by the expected large harvest and large stocks from the 2017/18 marketing year, the 2018/19 imports are estimated at 500 tons, down by 10% from the previous season. It is projected that the country will import about 469 tons in 2018/19 (Table 6).

Table 6: South African sunflower seed supply demand

	2015/16	2016/17	2017/18	2018/19
Sunflower opening stock	92 933	45 897	163 086	154 841
<i>Sunflower seed deliveries*</i>	663 700	759 614	872 171	858 605
<i>Imports</i>	36 064	70 643	554	469
Total Supply	792 697	876 154	1 035 811	1 013 915
Projected consumption season	746 800	713 068	880 970	9 200 000
Ending Stocks surplus/ (deficit)	45 897	163 086	154 841	93 915
Area	576 000	718 500	635 750	601 500
Yield	1.15	1.06	1.37	1.43

Source: Unigrain Weekly Report, September 2018

Soybeans

For 2018/19 production season, Brazil, Argentina and the US are projected to produce over 82% of the world's soybeans. The US still remains with the highest productivity and the highest exporter of Soybeans. As heavy shipments to Europe, Argentina and other

destinations more than offset a fall in China's purchases, world soybean trade in 2017/18 is forecast to rise by 3% year on year. Global output in 2018/19 is predicted to expand by 8% year-on-year, to a record of 366 millions tons.

Locally, it is estimated that 787 200 ha are cultivated with soybeans, which represents an increase of 213 250 ha compared to the 573 950 ha planted last season. For 2018/19, the production forecast is estimated at 1 550 800 tons, an increase from 1 316 000 tons of the previous season 2017/18 at 1.97 t/ha yield.

Table 7: South African soybean situation (Marketing season Mar-Feb)

	2015/16	2016/17	2017/18	2018/19 (CEC Aug)
Soybean opening stock	63 705	89 116	84 792	330 535
<i>Soybean producer deliveries*</i>	1 042 130	713 660	1 290 218	1 515 800
<i>Imports</i>	124 981	271 000	27 508	5 000
Total Supply	1 230 816	1 073 776	1 402 518	1 851 335
Soybeans processed for local market	1 137 000	982 239	1 071 569	1 175 000
SA Soybean export	4 700	6745	414	500
Ending Stocks surplus/ (deficit)	89 116	84 792	330 535	675 835
Area	687 300	502 800	573 950	787 200
Yield	1.52	1.47	2.29	1.77

Source: Unigrain Weekly Report, September 2018

Groundnuts

The expected groundnut crop is estimated at 53 750 tons, which is 38 300 tons less compared to the 92 050 tons of previous season. The area estimate is 56 300 ha and the expected yield is 0.95 t/ha, representing a decrease from yield of 1.58 t/ha in the previous season.

Dry beans

The production forecast for dry beans is at 69 360 tons, which is 5.72% more as compared to the 7th forecast, but more by 835 tons as compared to 2017/18 season. The area estimate of dry beans is 53 360 ha, increasing from 45 050 ha for the previous year, with a decrease in the yield of 1.30 t/ha (compared to 1.521 t/ha for the previous year).

Sorghum

The production forecast for sorghum was increased by 4 735 tons to 109 855 tons. The area estimate for sorghum is 28 800 ha. With the yield of 3.81 t/ha.

Cotton

The International Cotton Advisory Committee (ICAC) forecast a decrease in the world cotton production for the 2018/19 season which started in 01 August 2018. World production is estimated at 25.9 million tons, and for 2017/18 it was 26.6 tons. The decrease is due to a combination of lower beginning stocks and higher consumption offsetting higher production. The growing demand for cotton will see the world consumption estimated to reach a record of 27.4 million tons in 2018/19.

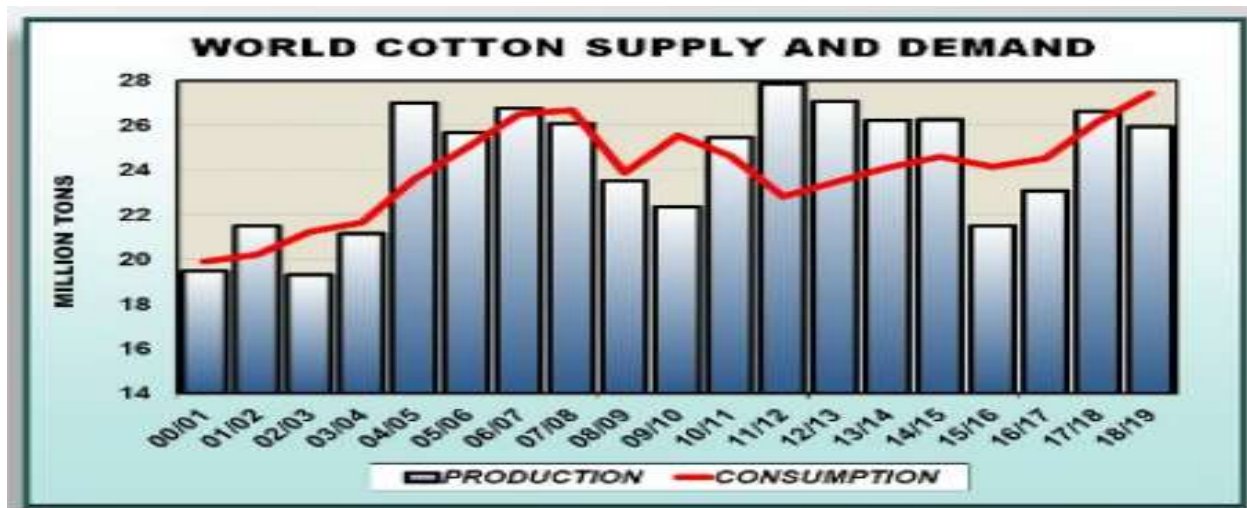


Figure 9: World Cotton supply and demand

Sources: Cotton SA, July 2018

Local outlook, seventh crop estimates for the 2018/19 production year estimates a cotton crop production of 191 310-lint bales. Lower maize prices induced by large maize stocks and crop production coupled with renewed interest has supported cotton planting in South Africa. The land cultivated show an increase of 67% and 168% for dryland an irrigated land, respectively.

6. CONCLUSIONS

In 2018, most currencies have weakened against the dollar, but emerging economies have been particularly hard hit. There is also a trade slowdown and this affected some advanced economies. Currency depreciations pose further challenge to food market stability. Domestic growth has weakened further and the Monetary Policy Committee sitting of September 2018 suggested that there should be commitment to credible structural policy initiatives and implementation in the country. South Africa received a bountiful summer crops harvest. In the SADC region, mainly poor households in southern areas of Malawi, Zimbabwe, Madagascar, and central and southern Mozambique are expected to continue facing food insecurity outcomes through at least January. There is a likelihood of an El Niño which is projected to affect this season production adversely as farmers may reduce the crop area planted. The ARC could assist the farming communities with awareness campaigns to be better prepared to deal with adverse climate conditions.

Animal disease outbreaks continue to threaten meat production in the country. More R&D efforts and innovations are needed to ensure full and efficient protection of animals against diseases outbreaks. In addition, given the persistent drought, drought persistent artificial pastures are needed. Considering the economic importance of livestock and the myriad of challenges, collaboration between government and other respective private and commodity groups for strategic interventions is recommended.

Despite the fact that the pome fruit industry in the Western Cape is resilient against drought conditions, in 2018, exports and production volumes have decreased. However, there are prospects for recovery in terms of rainfall and dam levels and this will see exports levels improves going into 2027, although at a slower pace. A comparative study by BFAP shows that South African Apple orchards are performing very well when it comes to per capita yield, when compared to European counterparts-this reflecting very well on local R&D capacity. More comparative studies are needed for other horticultural crops. The issue of drought in the face of continuing effects of global warming remains a permanent challenge for research organizations such as the ARC. There is a need for more investment in the area of irrigation and water harvesting technologies.

Global total grains is expected to be on slightly decreased as compared to previous season. This mainly due a decrease of wheat harvest in Europe and the CIS in six years barley production. The looming El Niño it might cause some issues for the local summer grain production as it is expected in the critical stage of production. The weaker rand promise the domestic grain market good performance, especial the exports. The growth of the Asian market present an opportunity for exports. The ARC will have to advise the industry as there is an expectation of bad weather, which mean farmers will have to take serious decision in trying to minimise risk.