

UPDATE: Food and beverages manufacturing output shows moderate gains - 11 August 2016

- Recent data from Statistics South Africa indicates that the food and beverages sector's manufacturing output increased by 2% year-on-year (y/y) in June 2016¹.
- This sector consists of five sub-sectors, namely, (1) **meat, fish, fruit, etc.**, (2) **dairy products**, (3) **grain mill products**, (4) **beverages** and (5) **other food products**. The largest annual output was recorded in the **beverages** sub-sector, up by 4.7% y/y in June 2016. The **meat, fish, fruit, etc.**, **grain mill products** and **other food products** subsectors showed increases of 2.9% y/y, 1.9% y/y and 1.6% y/y, respectively. Meanwhile, production of **dairy products** output declined by 7.9 y/y (see **Chart 1**).
- The increase in **meat** sub-sector output is reflective of the higher pace of cattle slaughtering, which was observed in June 2016 (see **Chart 2**). Additionally, this trend is likely to prevail in the July 2016 figures, as the slaughtering pace remained fairly unchanged. Moreover, the increase in the **fruits** sub-sector output was in line with the harvesting period in the citrus industry. **Grain mill products** are staple foods, therefore the output is likely to remain positive in the coming months. The decrease in **dairy products** output is in line with a seasonal production trend in the milk industry. During winter season, production tends to decrease and that in turn could affect the output in dairy products.
- Looking ahead**, we are of the opinion that in the medium term, South African cattle slaughtering pace could decline, especially around spring when the grazing fields recover and farmers start to rebuild their herds. Moreover, milk production could remain under pressure throughout the winter season, and that will subsequently weigh on the **dairy products** output. We expect **grain mill products** output to remain positive in the coming months, regardless of higher grain prices.

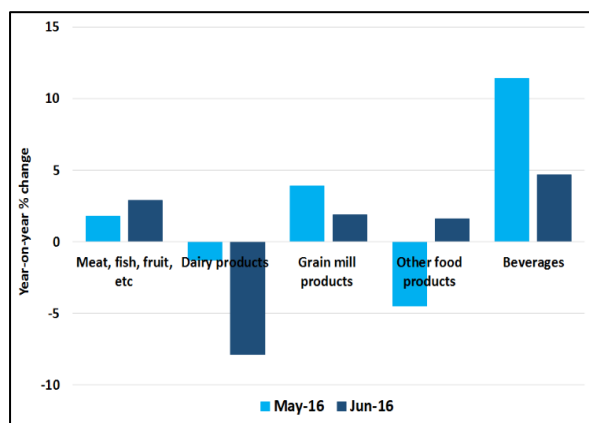


Chart 1: May and June 2016 manufacturing output changes
Source: Statistics South Africa, Agbiz Research

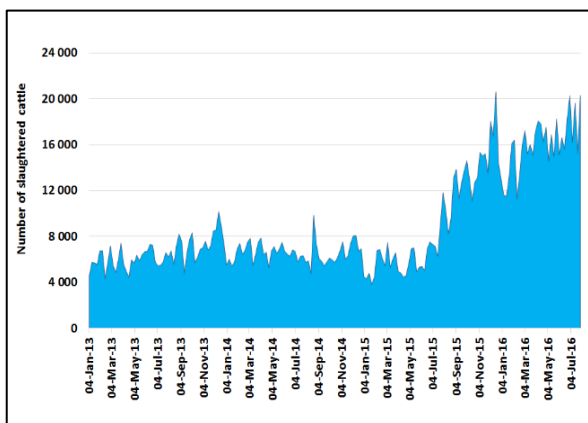


Chart 2: RSA weekly number of slaughtered cattle
Source: RMAA, Agbiz Research

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¹ Food and beverages sector is the largest within manufacturing sector, with a weighting of 24.53 of the total overall manufacturing sector (using a 2013 base year).

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