

UPDATE: South Africa's Food and Beverages Output Falls – 10 November 2016

- Recent food and beverage sectors' manufacturing data indicates that in September 2016 output declined by 2.6% year-on-year (y/y), after registering a 3.1% y/y increase in August 2016.
- 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**. Substantial decreases in annual output were recorded in the **dairy products; beverages** and **meat, fish, fruit, etc** sub-sectors, which were down by 5.1% y/y, 3.3% y/y and 2.3% y/y, respectively. Moreover, **grain mill products** and **other food products** sub-sectors output declined by 0.6% y/y and 2.1% y/y, respectively (**Chart 1**).
- The decline in **dairy products** output was in line with the trend in raw milk purchases, which have been showing year-on-year contractions since January 2016. In addition, the decline in **fruit products** output can be attributed to lower supplies as most fruits are currently in the "out-of-harvest" season. The decline in **grain milling products** output coincides with a 0.13% decline in (raw) white maize demand, from 340 300 tons in September 2015 to 339 841 tons in September 2016.
- Looking ahead**, we anticipate that **dairy products** output will recover in the coming months due to a **recent increase** in raw milk purchases and expected recovery in milk production. The South African Milk Processors Organisation's Raw Milk Purchases Index for September 2016 increased by 5.1% y/y towards the end of September 2016 to 137.22 index points. With regards to **grain milling products** output, we expect output to recovery over the medium term due to stable domestic demand. **Grain milling products** are staple foods that are largely inelastic. Over the short to medium term, we expect **meat products** output to remain fairly stable due to higher slaughtering rates (**Chart 2**). However, early next year output could decline due to an expected decrease in slaughtering rates, as farmers will soon start to rebuild their stocks after higher slaughtering rates late last year and this year.

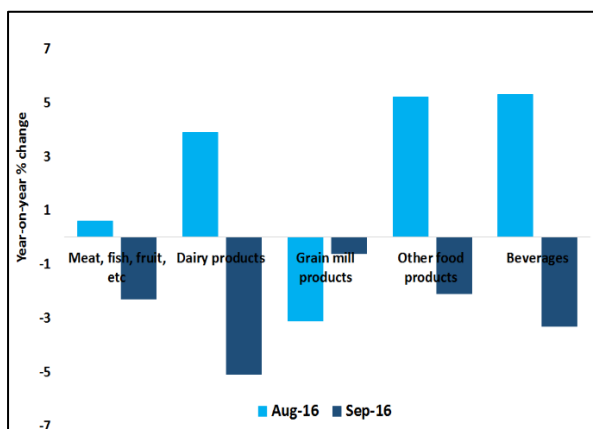


Chart 1: Aug and Sep 2016 manufacturing output changes
Source: Statistics South Africa, Agbiz Research

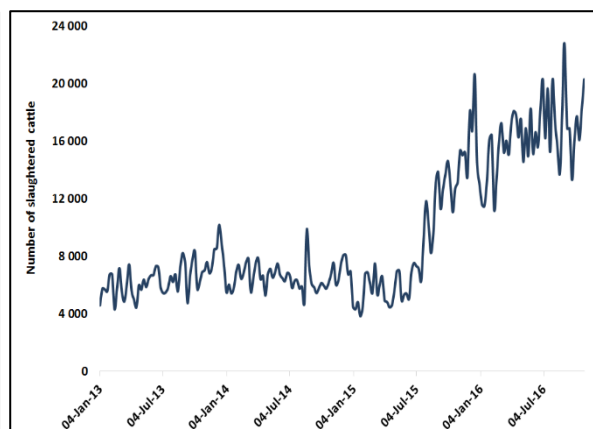


Chart 2: RSA's weekly number of slaughtered cattle
Source: RMAA, Agbiz Research

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