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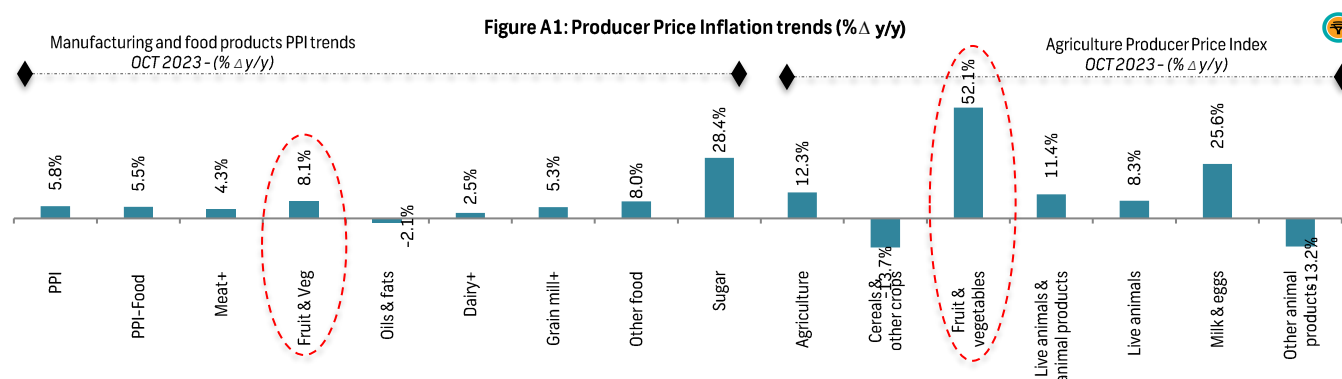
FNB
First National Bank

Paul Makube | Tumi Kgasago | Vhutshilo Mabela | 07 DEC 2023

Weekly update – Fruit and Vegetable Markets

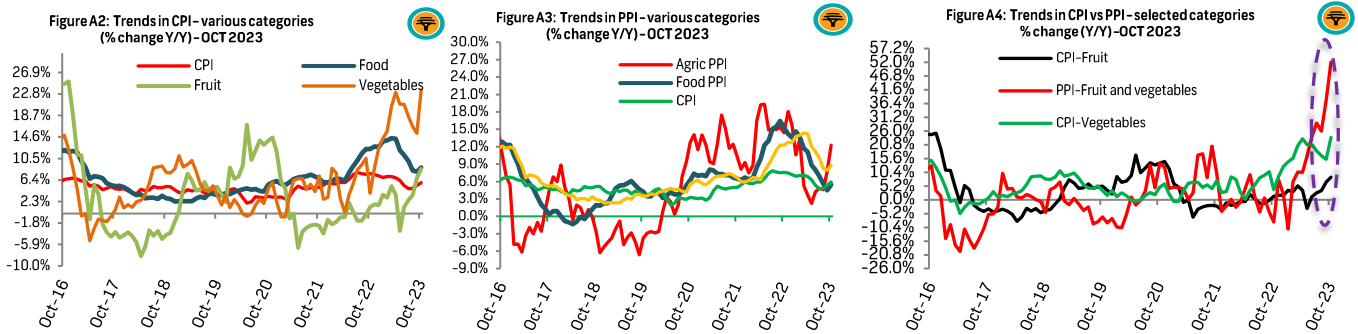
Concern over surging cost pressures as fruit and vegetable PPI jumps 52.1% y/y in OCT 2023

- Food inflation accelerated faster to 8.8% y/y in October 2023 with a significant pressure stemming from the fruit and vegetable categories. The monthly fruit CPI jumped 5.8% m/m in October and lifted by 1.8ppt to 8.5% y/y. In the vegetable category, prices accelerated faster by 7.3ppt to 7.1% m/m and annually surged to a record high of 23.6% y/y.
- Mounting cost pressures continued to post upside risk to the fruit and vegetable complex. Fruit and vegetable PPI came in at a 36-month high of 15.9% m/m and surged to 52.1% y/y which is a new record for the index according to data from Statistics South Africa (StatsSA). The fruit and vegetable PPI has trended higher at double-digit levels for the past eight month as energy cost pressures continued unabated (figure A1).
- The overall agriculture PPI increased to an 8-month high of 12.3% y/y in October from 8.3% previously. The agriculture PPI advanced by 2.6ppt to 8.1% m/m (figure A1).
- This reflects a combination of cost pressures such as energy mainly in irrigation and storage, as well as transport and logistics associated with the dilapidated road infrastructure in the country.
- On a positive note, there was some relieve at the pump as fuel prices have started to cool down following the recent cuts of 65 cents/ litre for all grades of petrol and R2.35/l and R2.41/l decreases for the two grades of diesel (0.05% and 0.005% sulphur) respectively in December 2023.
- Our analysis of weekly trends on fresh produce markets showed a monthly decline across most vegetables led by big-ticket items namely potatoes, onions, and tomatoes with monthly decreases of -16.2%, -14.1%, and -8.4% m/m respectively in November 2023. This implies easing of monthly pressures on the vegetable consumer price inflation.



Source: StatsSA

- However, the annual trend in vegetable prices remains elevated with potatoes and tomatoes up by a whopping 115% and 35% y/y respectively (figure B1). Mangoes, oranges, pears, and avocados posted monthly gains of 55%, 37%, 15%, and 13% m/m respectively which indicates some stickiness on the upside for the fruit CPI in the next Stats SA update (figure B2).



Source: StatsSA

- A further drill down into the monthly vegetable sales on fresh produce markets showed that supplies improved noticeably in November across most categories except for cabbages, butternuts, and lettuce whose volumes fell by 14%, 5.4%, and 14.7% m/m respectively.
- The first week of December started on a positive note for consumers as most vegetable prices were slight to moderately lower on improved supplies. Fruits posted sharp declines with avocados leading the pack and plunged by 25% week-on-week (w/w) and still 9.7% lower y/y.

Figure B1: Changes in average monthly vegetable prices on South Africa's major Fresh Produce Markets (% w/w, y/y) Avg NOV 2023

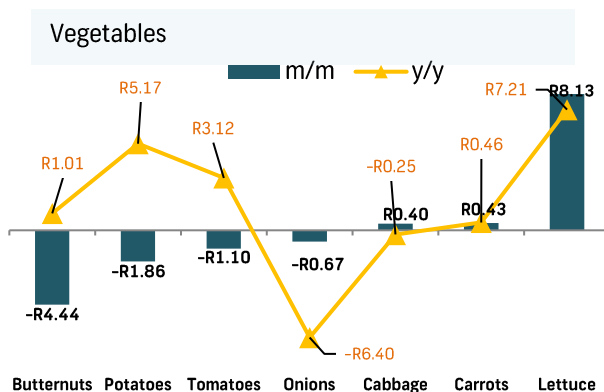
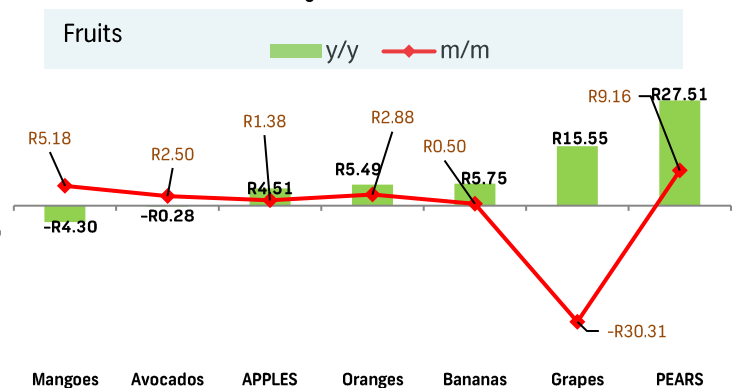


Figure B2: Changes in average monthly fruit prices on South Africa's major Fresh Produce Markets (% w/w, y/y) Avg for NOV 2023



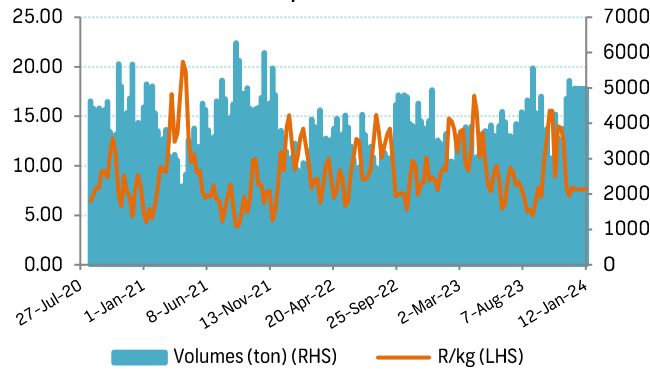
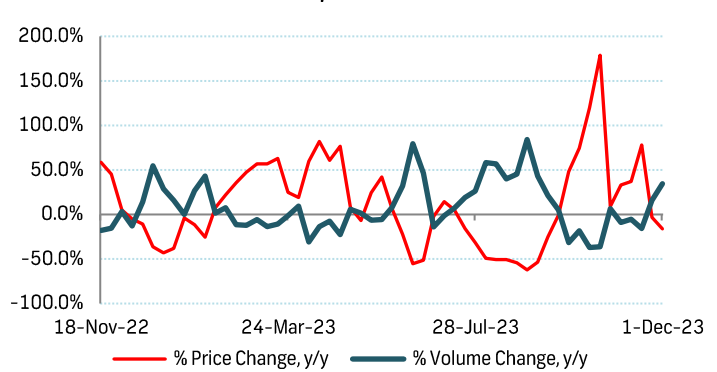
Source: Own calculations from FNB AgriComms.

OUTLOOK

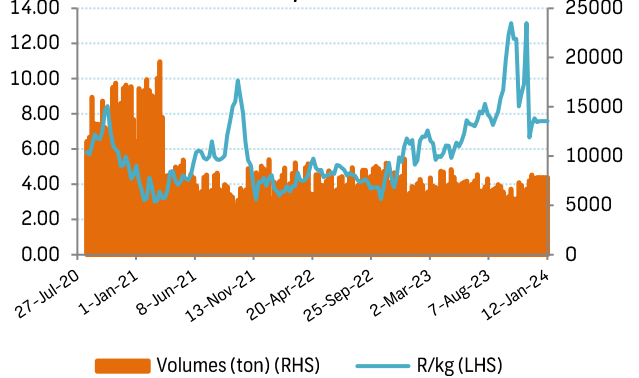
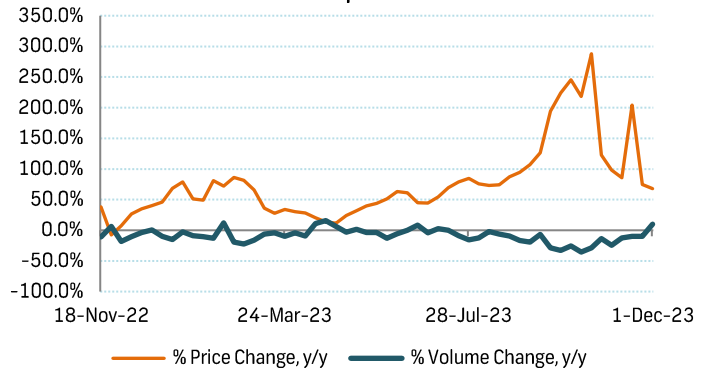
- Cost pressures mainly electricity will continue to be a challenge for producers that irrigate as well cold storage given the ongoing loadshedding.
- Nonetheless, a further decline in fuel prices bodes well for both producers and consumers. With international Brent crude oil prices trading well below the US\$80/ barrel we can expect another relieve at the pump if these levels are sustained.
- The general seasonal outlook into 2024 still points to a potentially good agriculture season despite the current El Nino weather pattern. Thus, supplies should rebound further in the medium.
- Weather forecasts still point to some rains into mid-December and water sources have been well replenished with most major dams over 70% full.

Vegetable trends on 5 Major Fresh Produce Markets in SA (Figures 1a to 1e)

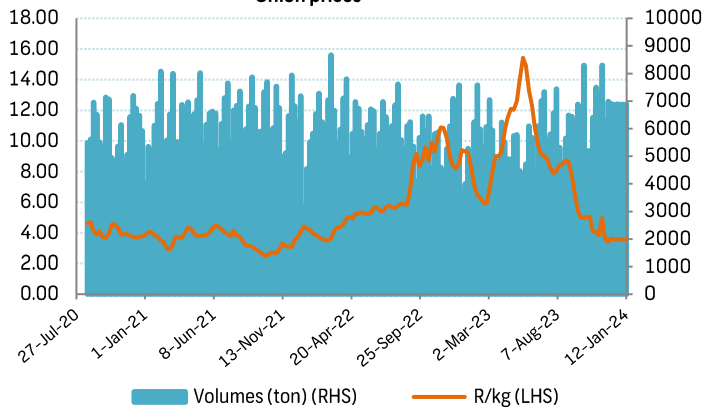
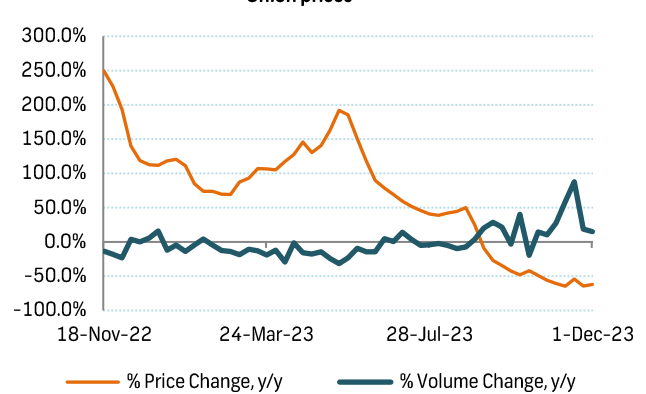
(Average 5 major markets – Pretoria, Bloemfontein, Johannesburg, Cape Town, and Durban)

Note: The last six data points are preliminary for all vegetable prices and quantity graphs.*Figure 1a: Fresh Produce Markets
– Tomato prices****Figure 1aa: Fresh Produce Markets
– Tomato prices**

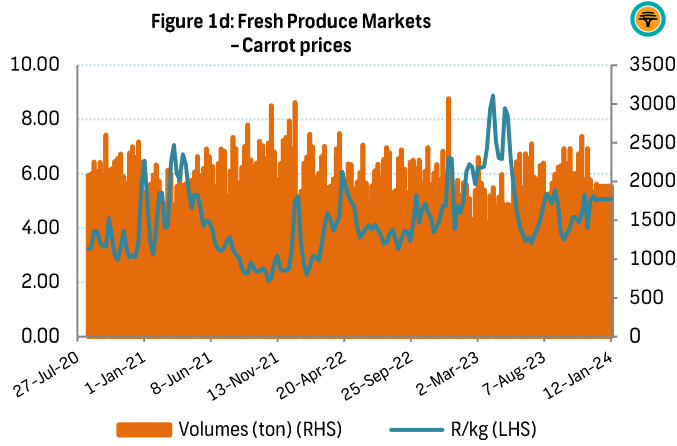
Source: FNB AgriComms

**Figure 1b: Fresh Produce Markets
– Potato prices****Figure 1ba: Fresh Produce Markets
– Potato prices**

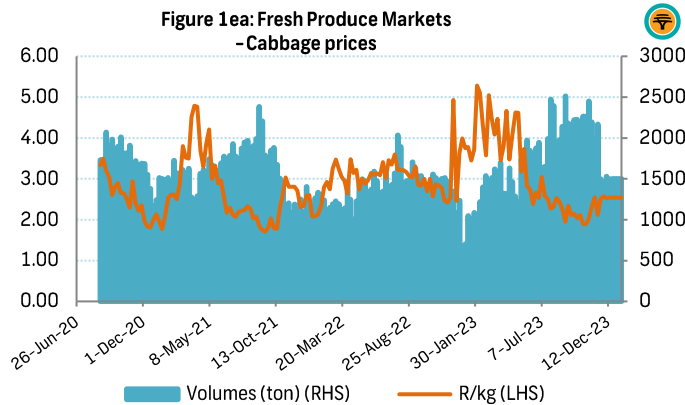
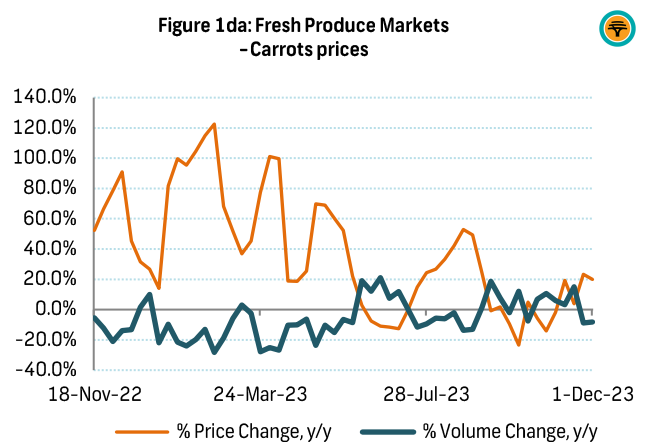
Source: FNB AgriComms

**Figure 1c: Fresh Produce Markets
– Onion prices****Figure 1ca: Fresh Produce Markets
– Onion prices**

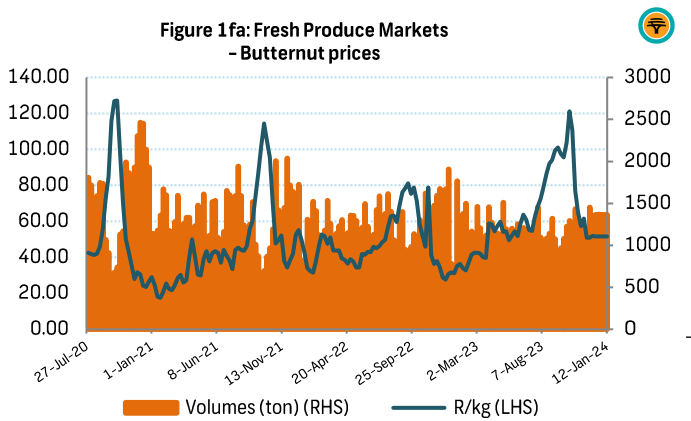
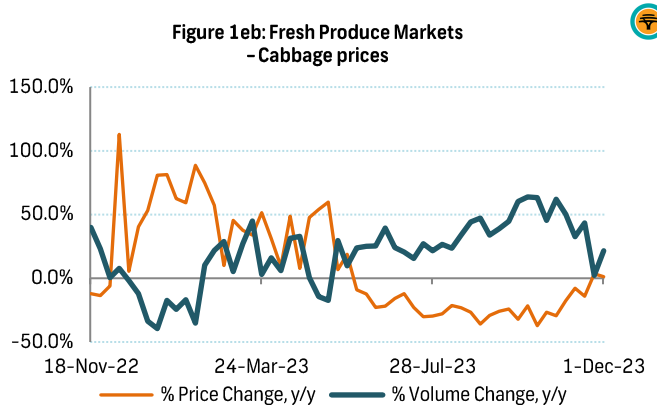
Source: FNB AgriComms



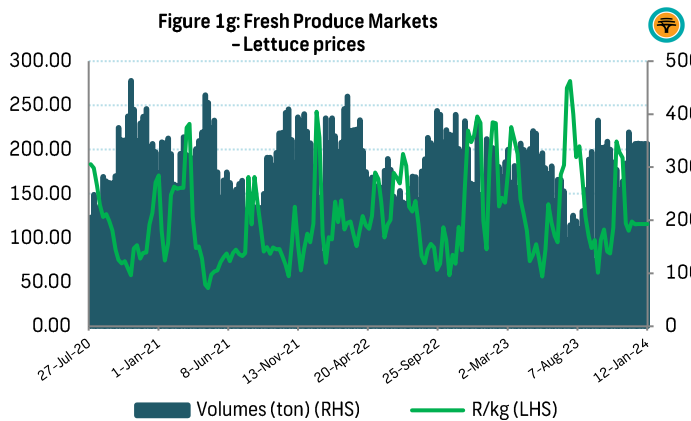
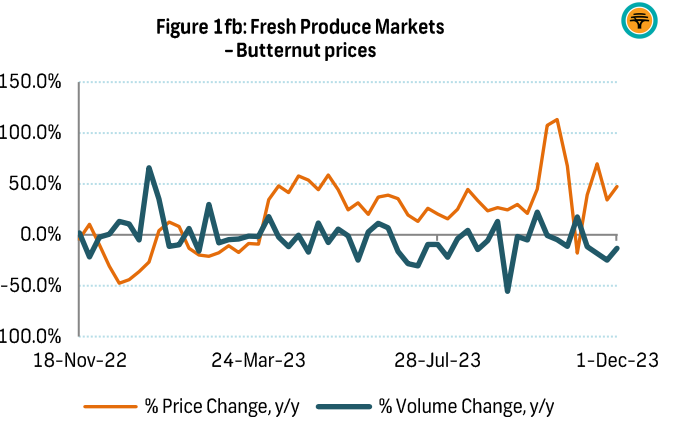
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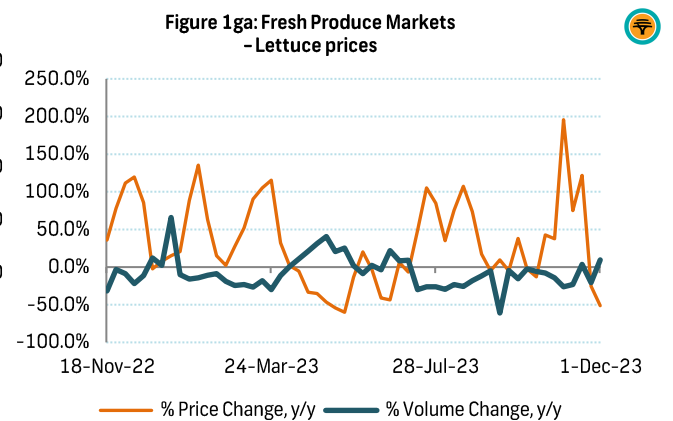
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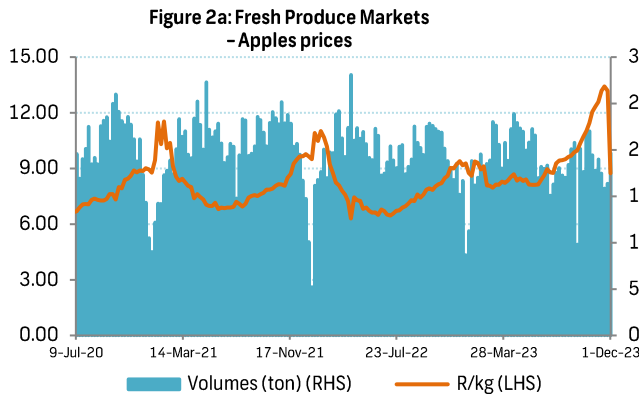


Source: FNB AgriComms

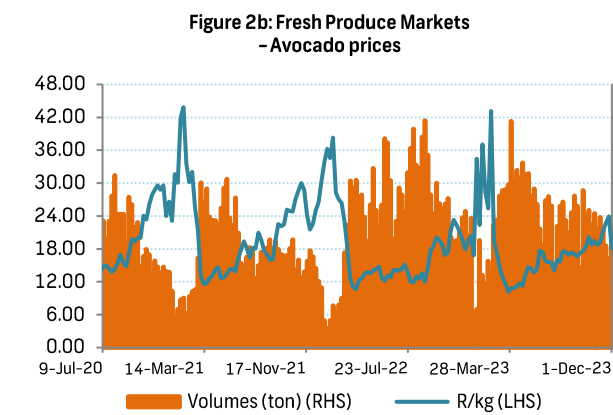
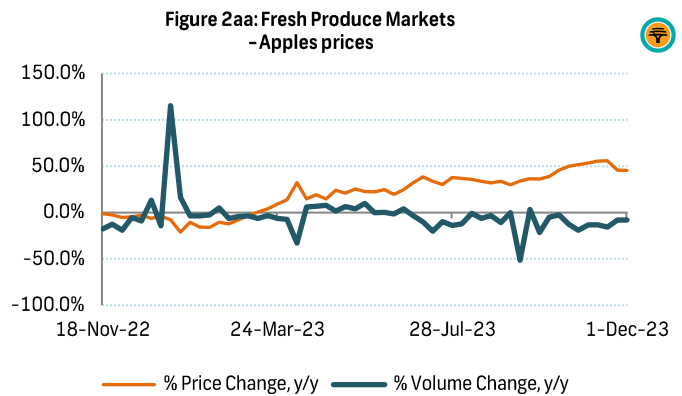


Fruit trends on Major Fresh Produce Markets in SA (figures 2a to 2f)

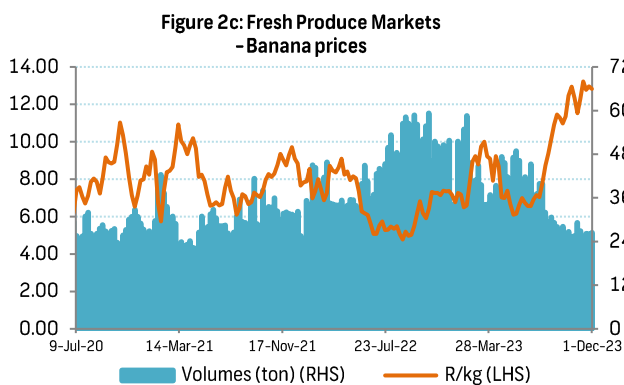
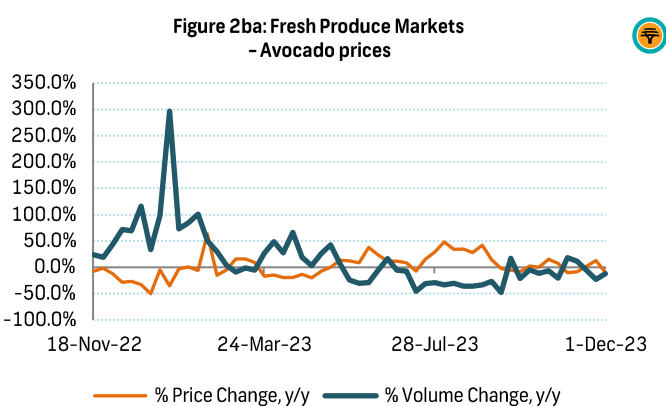
(Average 5 major markets – Pretoria, Bloemfontein, Johannesburg, Cape Town, and Durban)



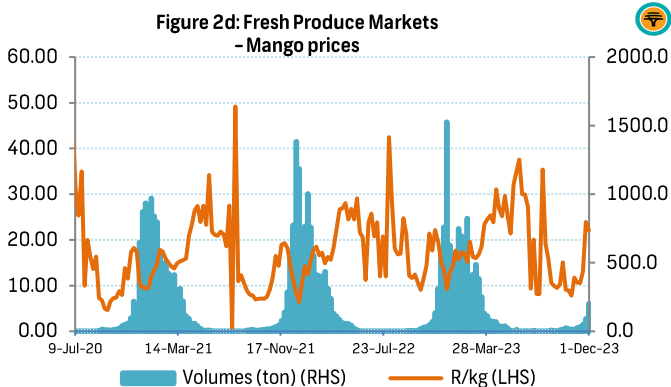
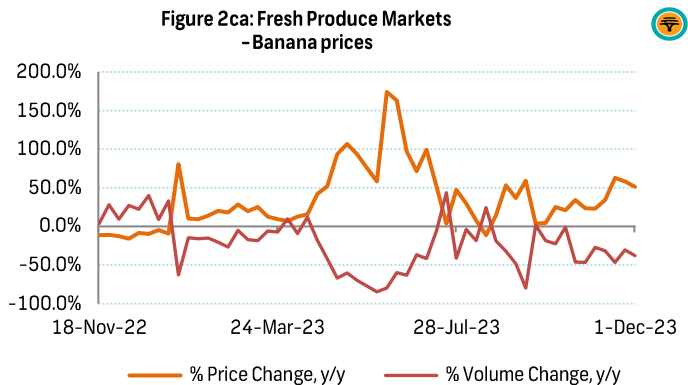
Source: FNB AgriComms



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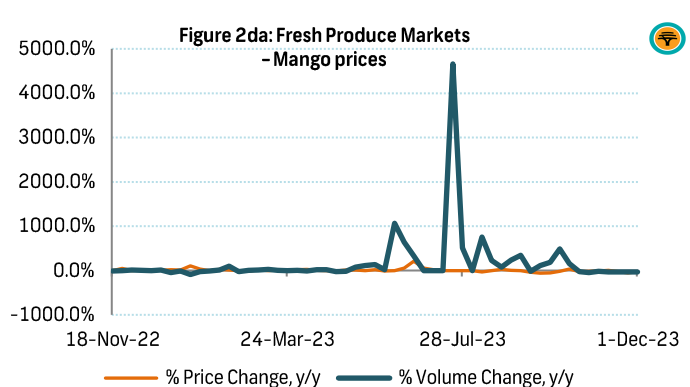
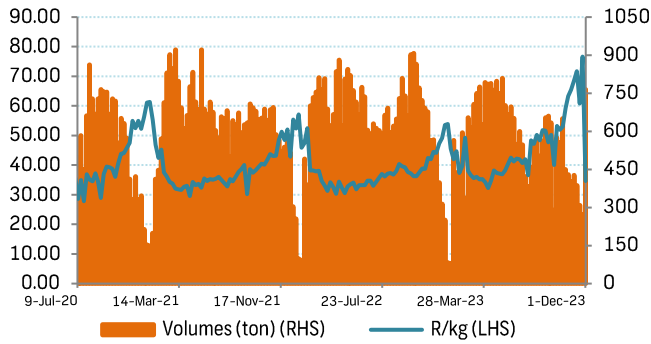
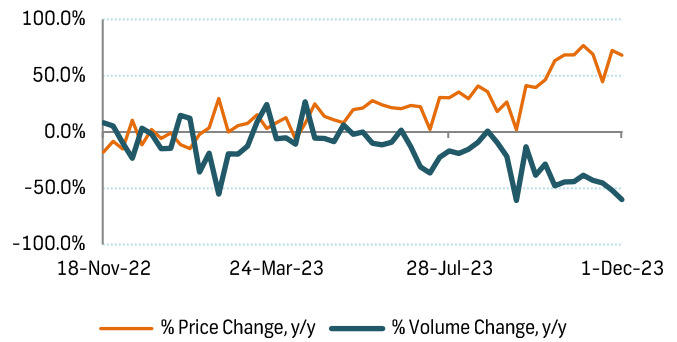
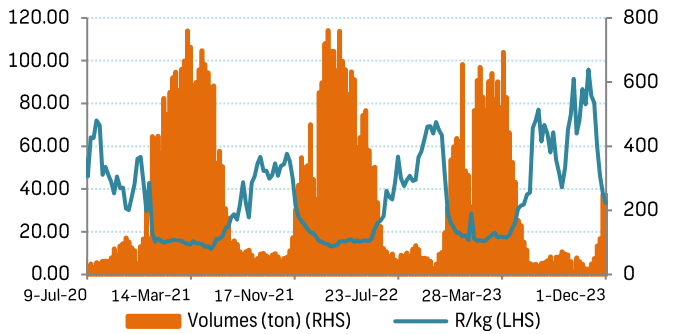
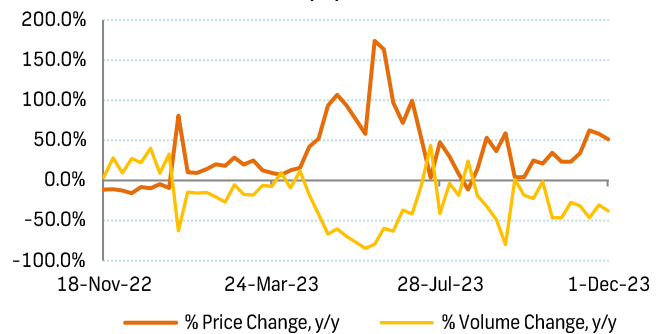


Figure 2e: Fresh Produce Markets
- Pear prices

Source: FNB AgriComms

Figure 2bb: Fresh Produce Markets
- Pear pricesFigure 2d: Fresh Produce Markets
- Grapes prices

Source: FNB AgriComms

Figure 2bb: Fresh Produce Markets
- Grape prices**Disclaimer:**

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