MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JULY 2016

Issued: 4 August 2016

Directorate: Statistics and Economic Analysis

Highlights:

- **According to the latest Seasonal Climate Watch of the SA Weather Service for the period August to December 2016, most of the north-eastern parts of the country are expected to receive below-normal rainfall totals for the coming spring season (2016/17).**
- **The preliminary area estimate of wheat for 2016 is 486 350 ha, which is 0,9% more than the 482 150 ha planted for the previous season (2015).**
- **The projected closing stocks of wheat for the current 2015/16 marketing year are 640 923 tons, which includes imports of 1,85 million tons. It is also 7,4% more than the previous years' ending stocks.**
- **The expected commercial maize crop for 2016 has been set at 7,262 million tons, which is 27,1% less than the 9,955 million tons of the previous season (2015), which was also a drought year.**
- **Projected closing stocks of maize for the current 2016/17 marketing year are 1,276 million tons, which is 48,4% less than the previous years' ending stocks.**
- **The projected closing stocks of sorghum for the current 2016/17 marketing year are 16 042 tons, which is 80,7% less than the previous years' ending stocks.**
- **The projected closing stocks of sunflower seed for current 2016/17 marketing year are 77 367 tons, which is 68,7% more than the previous years' ending stocks.**
- **The projected closing stocks of soybeans for the current 2016/17 marketing year are 87 378 tons, which is 2,0% less than the previous years' ending stocks.**
- **The headline CPI (for all urban areas) annual inflation rate in June 2016 was higher at 6,3%.**
- **The annual percentage change in the PPI for final manufactured goods was higher at 6,8% in June 2016.**
- **June tractor sales of 385 units were 25% lower than the 512 units sold in June 2015.**

agriculture, forestry & fisheries

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1. Weather conditions

1.1 Climatic outlook for August to December2016

According to the latest Seasonal Climate Watch of the SA Weather Service for the period August to December 2016, most of the north-eastern parts of the country are expected to receive below-normal rainfall totals for the coming spring season (2016/17). There is an indication that the western coastal areas may receive above-normal rainfall totals in early spring. Caution is advised however as there is a large amount of uncertainty towards which direction rainfall may take in the coming seasons.

Mostly warmer than normal temperatures are expected for South Africa in the coming spring season. There is an indication for below-normal temperatures over the western coastal areas which may coincide with the above-mentioned expected rainfall. As above there remains uncertainty in the general forecast in this period and caution is advised.

Current observations show a neutral ENSO (El-Niño Southern Oscillation) state. Despite the fact that during June, most climate prediction models indicated a tendency of a moderate (weak) La Niña development towards the spring through summer season 2016/17. However, based on the current ENSO forecast (July 2016) the possibility of neutral conditions are also likely.

1.2 Level of dams

Available information on the level of South Africa's dams on 1 August 2016 indicates that the country has approximately 53% of its full supply capacity (FSC) available, 21% less than the corresponding period in 2015. All the provinces show a decreasing trend, except North West, in the full supply capacity of dams of between 5% and 27%, compared to the same period last year. The largest decreases in the full supply capacity for the mentioned period are evident in Limpopo with 27%, followed by the Free State and Mpumalanga with 23% each and KwaZulu-Natal with 19%. Only the North West Province shows a slight increase (2%) in the full supply capacity of the province for the mentioned period. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 1 August 2016

Province	Net FSC million cubic meters	**1/08/2016 (%)**	Last Year (2015) (%)	% Increase/Decrease 2016 vs 2015
Eastern Cape	1 833	66	80	-14,0
Free State	15 971	54	77	-23,0
Gauteng	115	85	90	-5,0
KwaZulu-Natal	4 669	46	65	-19,0
Lesotho	2 376	42	66	-24,0
Limpopo	1 508	53	80	-27,0
Mpumalanga	2 539	57	80	-23,0
North West	887	66	64	2,0
Northern Cape	146	66	81	-15,0
Western Cape	1 870	55	60	-5,0
Total	**31 914**	**53**	**74**	**-21,0**

Source: Department of Water and Sanitation

2. Grain production

2.1 Summer grain crops

The area planted estimate and seventh production forecast for summer crops for 2016 was released by the Crop Estimates Committee (CEC) on 27 July 2016, and is as follows:

Table 2: Commercial summer crops: Revised area planted and seventh production forecast - 2016 season

CROP	**Area planted 2016 Ha (A)**	**7th Production forecast 2016 Tons (B)**	Area planted 2015 Ha (C)	Final crop 2015 Tons (D)	Change % (B) ÷ (D)
White maize	**1 014 750**	**3 097 225**	1 448 050	4 735 000	-34,59
Yellow maize	**932 000**	**4 164 700**	1 204 800	5 220 000	-20,22
Total Maize	**1 946 750**	**7 261 925**	2 652 850	9 955 000	-27,05
Sunflower seed	**718 500**	**742 750**	576 000	663 000	12,03
Soybeans	**502 800**	**750 250**	687 300	1 070 000	-29,88
Groundnuts	**22 600**	**29 285**	58 000	62 300	-52,99
Sorghum	**48 500**	**88 500**	70 500	120 500	-26,56
Dry beans	**34 400**	**35 745**	64 000	73 390	-51,29
TOTAL	**3 273 550**	**8 908 455**	4 108 650	11 944 190	-25,42

Note: Estimate is for calendar year, e.g. production season 2015/16 = 2016

- The size of the expected **commercial maize crop** has been set at 7,262 million tons, which is 27,05% or 2,693 million tons less than the previous season of 9,955 million tons. The area estimate for maize is 1,947 million ha, which represents a decrease of 26,62% or 706 100 ha compared to the 2,653 million ha planted last season. The expected yield is 3,73 t/ha.
- The production forecast of **white maize** is 3,097 million tons, which is 34,59% or 1,638 million tons less than the 4,735 million tons of the previous season. The yield for white maize is 3,05 t/ha. In the case of **yellow maize** the production forecast is 4,165 million tons, which is 20,22% or 1,055 million tons less than the 5,220 million tons of the previous season. The yield for yellow maize is 4,47 t/ha.
- The area estimate for white maize is 1,015 million ha, which represents a decrease of 29,92% or 433 300 ha compared to the 1,448 million ha planted last season. In the case of yellow maize the area estimate is 932 000 ha, which is also 22,64% or 272 800 ha less than the 1,205 million ha planted last season.
- The production forecast for **sunflower seed** is 742 750 tons, which is 12,03% or 79 750 tons more than the 663 000 tons of the previous season. The revised area estimate for sunflower seed is 718 500 ha, which is about 24,74% or 142 500 ha more than the 576 000 ha planted the previous season. The expected yield is 1,03 t/ha.
- The production forecast for **soybeans** is 750 250 tons, which is 29,88% or 319 750 tons less than the 1,070 million tons of the previous season. It is estimated that 502 800 ha have been planted to soybeans, which represents a decrease of 26,84% or 184 500 ha compared to the 687 300 ha planted last season. The expected yield of 1,49 t/ha.
- The expected **groundnut** crop is 29 285 tons, which is 52,99% or 33 015 tons less than the 62 300 tons of the last season. For groundnuts, the area estimate is 22 600 ha, which is 61,03% or 35 400 ha less than the 58 000 ha planted for the previous season. The expected yield is 1,30 t/ha.

- The production forecast for **sorghum** is 88 500 tons, which is 26,56% or 32 000 tons less than the 120 500 tons of the previous season. The area estimate for sorghum decreased by 31,21% or 22 000 ha, from 70 500 ha to 48 500 ha against the previous season. The expected yield is 1,82 t/ha.
- In the case of **dry beans**, the production forecast is 35 745 tons, which is 51,29% or 37 645 tons less than the 73 390 tons of the previous season. For dry beans, the area estimate is 34 400 ha, which is 46,25% or 29 600 ha less than the 64 000 ha planted for the previous season. The expected yield of 1,04 t/ha.

Please note that the eighth production forecast for summer field crops for 2016 will be released on 25 August 2016.

2.2 Winter cereal crops

Table 3: Commercial winter crops: Preliminary area planted estimate - 2016 season

CROP	**Area planted** **2016** **Ha** **(A)**	Intentions* Mid April 2016 Ha (B)	Area planted 2015 Ha (C)	Final crop 2015 Tons (D)	Change % (A) ÷ (C)
Wheat	**486 350**	481 850	482 150	1 440 000	+0,87
Malting barley	**88 400**	92 000	93 730	332 000	-5,69
Canola	**70 500**	71 050	78 050	93 000	-9,67
Total	**645 250**	644 900	653 930	1 865 000	-1,33

* Intentions based on conditions at the middle of April 2016

- The preliminary area estimate is based on the results of a non-probability survey conducted by the Directorate: Statistics and Economic Analysis and reflects the position as at the middle of July 2016, as well as inputs from the PDA representatives.
- The preliminary area estimate for **wheat** is 486 350 ha, which is 0,87% or 4 200 ha more than the 482 150 ha planted for the previous season. On record, this is the third smallest area planted to wheat. The smallest area planted to wheat was during 2014, when 476 570 ha was planted, whereas the second smallest area was planted during 2015, namely 482 150 ha.
- An estimated 320 000 ha is planted in the Western Cape, which is 10 000 ha more than the 310 000 ha planted for the previous season. In the Free State, 90 000 ha is planted, which is also 10 000 ha more than the 80 000 ha planted for the previous season. The area planted in the Northern Cape is 35 500 ha, which is 500 ha less than the 36 000 ha for the previous season.
- The preliminary area estimate for **malting barley** is 88 400 ha, which is 5,69% or 5 330 ha less than the 93 730 ha of last season. The area planted to **canola** is 70 500 ha, which is 9,67% or 7 550 ha less than the 78 050 ha planted for the previous season.

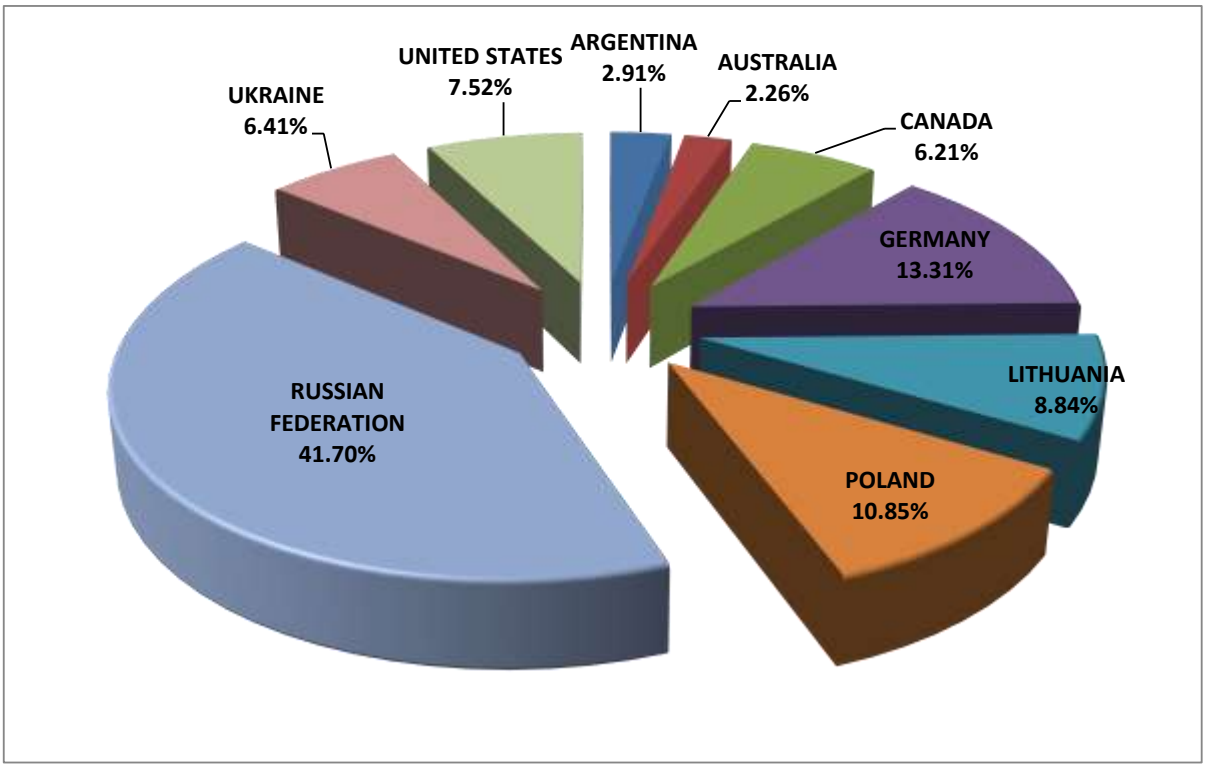
Please note that the revised area planted estimate and first production forecast for winter cereals for 2016 will be released on 25 August 2016.

3. Cereal balance sheets

For the latest Cereal balance sheets (supply and demand tables) on maize, wheat, sorghum, sunflower seed and soybeans please refer to the attachment called FSB July16 Annexure A.

3.1 Imports and exports of wheat for the 2015/16 marketing year

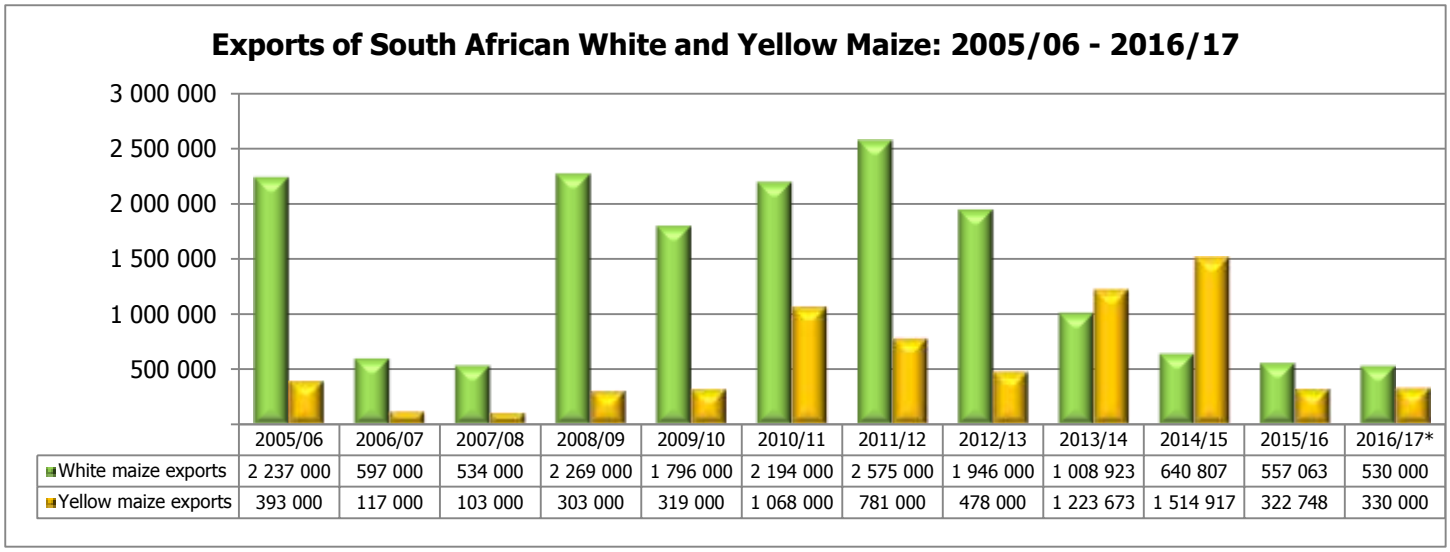
Graph 1: Major countries of wheat imports for South Africa: 2015/16 marketing year



- The progressive wheat imports from 26 September 2015 to 29 July 2016, amount to 1,704 million tons, with the largest quantity (41,70% or 710 820 tons) imported from the Russian Federation, followed by Germany (13,31% or 226 794 tons), Poland (10,85% or 184 965 tons), Lithuania (8,84% or 150 624 tons), United States (7,52% or 128 215 tons), Ukraine (6,41% or 109 267 tons), Canada (6,21% or 105 795 tons), Argentina (2,91% or 49 516 tons) and Australia (2,26% or 38 439 tons). The exports of wheat for the mentioned period amount to 47 069 tons, of which 54,59% or 25 695 tons were exported to Zimbabwe, 39,55% or 18 615 tons to the BLNS Countries (Botswana, Lesotho, Namibia and Swaziland), 5,29% or 2 490 tons to Mozambique and only 0,57% or 269 tons to Zambia.

3.2 Exports of white and yellow maize

Graph 2: Exports of South African white and yellow maize for the 2005/06 to 2016/17 marketing year



	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17*
White maize exports	2 237 000	597 000	534 000	2 269 000	1 796 000	2 194 000	2 575 000	1 946 000	1 008 923	640 807	557 063	530 000
Yellow maize exports	393 000	117 000	103 000	303 000	319 000	1 068 000	781 000	478 000	1 223 673	1 514 917	322 748	330 000

*Projection

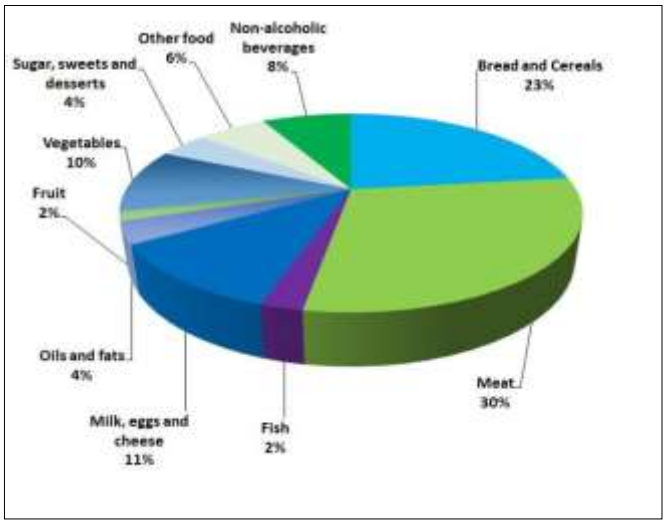
- The exports of white maize for the 2016/17 marketing year are projected 530 000 tons, which represents a decrease of 4,86% compared to the 557 063 tons of the previous marketing year. Yellow maize exports are projected at 330 000 tons, which represents an increase of 2,25% compared to the 322 748 tons of the previous marketing year.
- From 30 April to 29 July 2016, progressive white maize exports amount to 124 717 tons, with the main destinations being the BLNS Countries (64,42% or 80 343 tons), Zimbabwe (29,84% or 37 218 tons) and Mozambique (5,74% or 7 156 tons). The imports of white maize for the mentioned period amount to 148 119 tons, of which 86,08% or 127 501 tons were from the United States and 13,92% or 20 618 tons from Mexico.
- From 30 April to 29 July 2016, progressive yellow maize exports amount to 66 551 tons, with the main destinations being the BLNS Countries (63,72% or 42 407 tons), Zimbabwe (18,51% or 12 320 tons), Mozambique (14,44% or 9 610 tons) and Korea (3,33% or 2 214 tons). The imports of yellow maize for the mentioned period amount to 275 042 tons, of which 100% were from Argentina.

4. Market information

4.1 Consumer Price Index (CPI)

- Recent data from Statistics South Africa indicates that in June 2016, headline inflation accelerated to 6,3% year-on-year from 6,1% in May 2016. This was in line with market expectations. More specifically, food and non-alcoholic beverages inflation accelerated to 10,8% year-on-year, from 10,5% year-on-year in the previous month.
- The food and non-alcoholic beverages basket consists of "bread and cereals", "meat", "fish", "milk, eggs and cheese", "oils and fats", "fruit", "vegetables", "sugar, sweets and deserts", "non-alcoholic beverages" and "other foods". Each of these products is allocated a weight, with the largest being "meat" and "bread and cereal", which make up 30% and 23%, respectively (**Graph 3**).

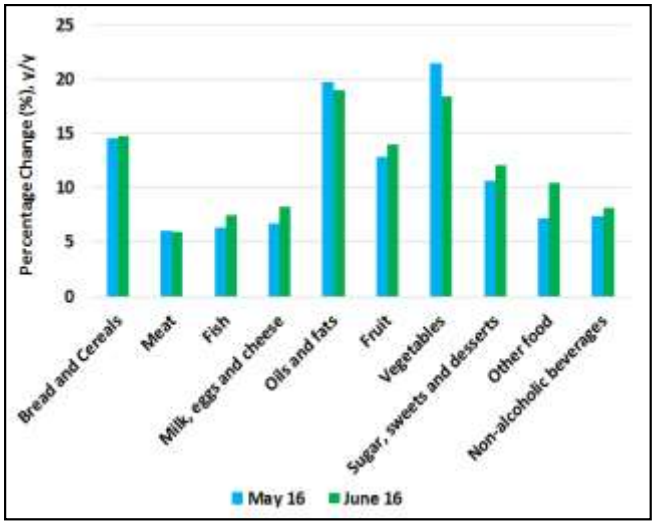
Graph 3: Weights of products in the food and non-alcoholic beverages basket



Source: Stats SA & Agbiz

- The largest percentage increases were recorded in almost all of the food categories, with the exception of "meat", "vegetables" and "oils and fats" which eased to 5,9% year-on-year, 18,5% year-on-year and 19% year-on-year, respectively (**Graph 4**). The decrease in meat can mainly be attributed to large supplies following a high slaughtering pace in the previous months. Some vegetables, specifically potatoes, have slowed from the previous month's higher levels due to harvest pressure.

Graph 4: June 2016 year-on-year percentage changes

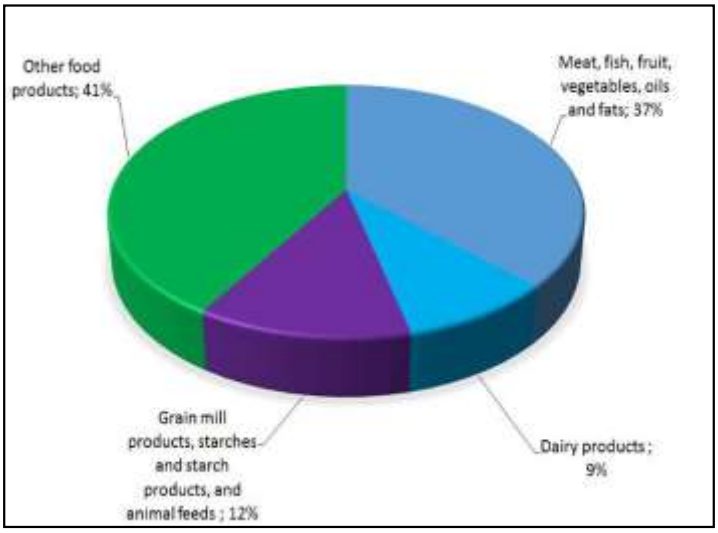


Source: Stats SA & Agbiz

4.2 Producer Price Index (PPI)

- The recent producer price index (PPI) data released by Statistics South Africa indicates that in June 2016, producer inflation for final manufactured goods accelerated to 6,8% from 6,5% year-on-year in the previous month. Higher food product prices were among the key drivers of this increase. In fact, food product price inflation reached 11,2% year-on-year from 10,9% year-on-year in May 2016.
- The food products basket consists of four broad categories, which include "meat, fish, fruit, vegetables, oils and fats", "dairy products", "grain mill products, starches and starch products, and animal feeds" and "other food products". Each of the above-mentioned categories within the food products basket is allocated a weight, with the largest being "meat, fish, fruit, vegetables, oils and fats" and "other food products", which make up 37% and 41%, respectively **(Graph 5)**.

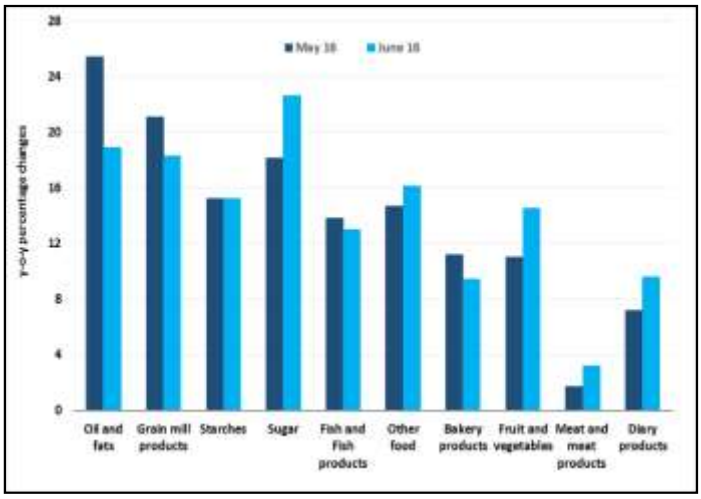
Graph 5: Weights of products in the food manufacturing basket



Source: Stats SA & Agbiz

- Significant increases were recorded for "sugar, fruit, vegetables, meat, dairy products and other food", of which when put together constitutes about 50% of the food basket (**Graph 6**).
- The grain milling category, which has been a key driver of food price inflation in the previous months decelerated by 1,2% month-on-month, in line with the current raw commodity price trend. The increase in dairy products is in line with seasonal price trend in the South African milk industry.

Graph 6: RSA Food products price inflation (year-on-year)



Source: Stats SA & Agbiz

4.3 Future contract prices and the exchange rate

Table 4: Closing prices on Monday, 1 August 2016

	1 August 2016	1 July 2016	% Change
RSA White Maize per ton (Sept. 2016 contract)	R4 107,00	R4 644,00	-11,56
RSA Yellow Maize per ton (Sept. 2016 contract)	R3 181,00	R3 481,00	-8,62
RSA Wheat per ton (Sept. 2016 contract)	R4 221,00	R4 835,00	-12,70
RSA Sunflower seed per ton (Sept. 2016 contract)	R5 740,00	R6 618,00	-13,27
RSA Soya-beans per ton (Sept. 2016 contract)	R6 586,00	R7 925,00	-16,90
Exchange rate R/$	R13,89	R14,76	-5,89

Source: JSE/SAFEX

4.5 Agricultural machinery sales

- June tractor sales of 385 units were almost 25% less than the 512 units sold in June 2015. On a year-to-date basis tractor sales are almost 11% down on those for 2015. June combine harvester sales of 19 units were three units more than the 16 units sold in June 2015. On a year-to-date basis combine harvester sales are approximately 12% down on 2015.
- Although market sentiment is positive, many farmers are taking their time on making buying decisions, as they harvest their summer crops. It is likely that the market will continue to be a little depressed in the next month or two. Once farmers are sure of what their crops have yielded and they need to start land preparation for their summer crop plantings, there should be a better indication of the trend in future tractor sales.
- Industry expectations are still that 2016 tractor sales will be less than last year, perhaps by between 15 to 20%.

Table 5: Agricultural machinery sales

Equipment class	Year-on-year June 2016	Year-on-year June 2015	Percentage Change %	Year-to-date June 2016	Year-to-date June 2015	Percentage Change %
Tractors	385	512	-24,80	2 952	3 308	-10,76
Combine harvesters	19	16	18,75	118	134	-11,94

Source: SAAMA press release, July 2016

5. Acknowledgements

The Directorate: Statistics and Economic Analysis makes use of information sourced from various institutions and organisations within South Africa in order to compile the monthly report on South Africa's Food Security Situation. This report has been compiled with the aid of information and reports sourced from the following institutions and organisations:

- Agbiz
- Agfacts
- Department of Water Affairs (DWA)
- Farmer's Weekly
- Grain South Africa (GrainSA)
- IGC Grain Market Report
- National Agricultural Marketing Council (NAMC)
- South African Agricultural Machinery Association (SAAMA)
- South African Futures Exchange (SAFEX)
- South African Reserve Bank
- Statistics South Africa (Stats SA)
- The South African Supply and Demand Estimates Report (SASDE)
- The South African Grain Information Service (SAGIS)
- The South African Weather Service (WeatherSA)
- USDA Foreign Service
- UT Grain Management (Pty) Ltd
- Weekly Price Watch, DAFF