MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: AUGUST 2016

Issued: 6 September 2016

Directorate: Statistics and Economic Analysis

Highlights:

- **During August 2016, significant rainfall events were mainly limited to the Western Cape, Eastern Cape and KwaZulu-Natal provinces.**
- **The expected production of wheat for 2016 is 1,683 million tons, which is 16,88% tons more than the previous seasons' crop of 1,440 million tons.**
- **The projected closing stocks of wheat for the current 2015/16 marketing year are 791 523 tons, which includes imports of 2,0 million tons. It is also 32,6% more than the previous years' ending stocks.**
- **The projected closing stocks of wheat for the coming 2016/17 marketing year are 731 263 tons, which includes imports of 1,6 million tons. It is also 7,6% less than the previous years' ending stocks.**
- **The expected commercial maize crop for 2016 has been set at 7,297 million tons, which is 26,7% 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 1,234 million tons, which is 50,1% less than the previous years' ending stocks.**
- **The projected closing stocks of sorghum for the current 2016/17 marketing year are 18 142 tons, which is 78,2% 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 85 378 tons, which is 4,2% less than the previous years' ending stocks.**
- **The headline CPI (for all urban areas) annual inflation rate in July 2016 was lower at 6,0%.**
- **The annual percentage change in the PPI for final manufactured goods was higher at 7,4% in July 2016.**
- **July tractor sales of 451 units were 32% down on the 665 units sold in July last year.**

agriculture, forestry & fisheries

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1. Weather conditions

1.1 Rainfall for August 2016

During August 2016, significant rainfall events were mainly limited to the Western Cape, Eastern Cape and KwaZulu-Natal provinces (**Figure 1**). Comparing rainfall totals to the long term average for August 2016, rainfall received was above-normal over the southern parts of the Northern Cape, parts of Free State, KwaZulu-Natal, as well as isolated areas of the Western and Eastern Cape provinces (**Figure 2**). The rest of the country received near-normal to below-normal rainfall for the mentioned period.

Figure 1: Rainfall in mm for August 2016

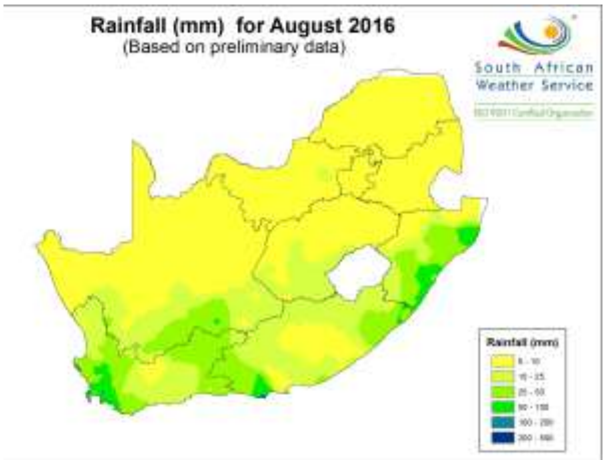
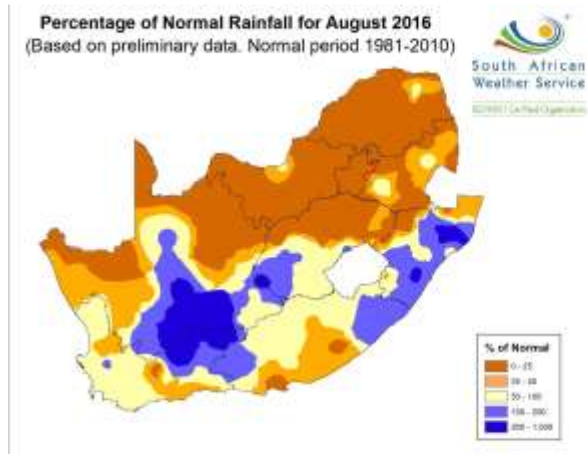


Figure 2: Percentage rainfall for August 2016



According to the latest Seasonal Climate Watch of the SA Weather Service, ccurrent observations still show a neutral ENSO (El-Niño Southern Oscillation) state. As indicated during July, the development of a weak La Niña to be in effect during spring and summer has become less likely and the persistence of the current neutral conditions may also occur, limiting its impact on Southern African rainfall. Spring rainfall is largely expected to be below-normal due to certain conditions over the Indian Ocean that may negatively impact moisture transport towards the African continent.

1.2 Level of dams

Available information on the level of South Africa's dams on 29 August 2016 indicates that the country has approximately 54% of its full supply capacity (FSC) available, 18% 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 26%, compared to the same period last year. The largest decreases in the full supply capacity for the mentioned period are evident in Limpopo with 26%, followed by Mpumalanga with 24%, the Free State with 20% 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, 29 August 2016

Province	Net FSC million cubic meters	**29/08/2016 (%)**	Last Year (2015) (%)	% Increase/Decrease 2016 vs. 2015
Eastern Cape	1 833	66	79	-13,0
Free State	15 971	55	75	-20,0
Gauteng	115	83	88	-5,0
KwaZulu-Natal	4 669	44	63	-19,0
Lesotho	2 376	40	63	-23,0
Limpopo	1 508	51	77	-26,0
Mpumalanga	2 539	54	78	-24,0
North West	887	65	63	2,0
Northern Cape	146	64	79	-15,0
Western Cape	1 870	61	68	-7,0
Total	**31 913**	**54**	**72**	**-18,0**

Source: Department of Water and Sanitation

2. Grain production

2.1 Summer grain crops

The area planted estimate and eighth production forecast for summer crops for 2016 was released by the Crop Estimates Committee (CEC) on 25 August 2016, and is as follows:

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

CROP	**Area planted 2016 Ha (A)**	**8th 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**	**4 199 800**	1 204 800	5 220 000	-19,54
Total Maize	**1 946 750**	**7 297 025**	2 652 850	9 955 000	-26,70
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**	**26 550**	58 000	62 300	-57,38
Sorghum	**48 500**	**82 000**	70 500	120 500	-31,95
Dry beans	**34 400**	**35 445**	64 000	73 390	-51,70
TOTAL	**3 273 550**	**8 934 020**	4 108 650	11 944 190	-25,20

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 7,297 million tons, which is 26,70% or 2,658 million tons less than the previous season of 9,955 million tons. The area estimate for maize is 1,947 million ha, while the expected yield is 3,75 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 4,200 million tons, which is 19,54% or 1,020 million tons less than the 5,220 million tons of the previous season. The yield for yellow maize is 4,51 t/ha.
- 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 area estimate for sunflower seed is 718 500 ha, with an 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, while the expected yield is 1,49 t/ha.
- The expected **groundnut** crop is 26 550 tons, which is 57,38% or 35 750 tons less than the 62 300 tons of the last season. For groundnuts, the area estimate is 22 600 ha, with an expected yield of 1,17 t/ha.
- The production forecast for **sorghum** decreased by 31,95% from 120 500 tons to 82 000 tons. The area estimate for sorghum is 48 500 ha and the expected yield is 1,69 t/ha.
- In the case of **dry beans**, the production forecast is 35 445 tons, which is 51,70% or 37 945 tons less than the 73 390 tons of the previous season. The area estimate of dry beans is 34 400 ha, with an expected yield of 1,03 t/ha.

Please note that the final production estimate for summer field crops for 2016 will be released on 27 September 2016.

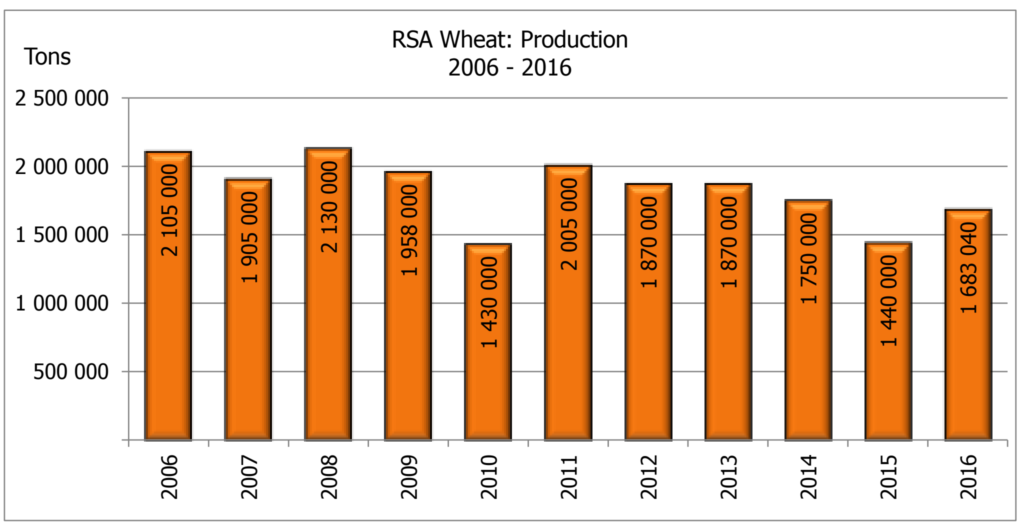
2.2 Winter cereal crops

Table 3: Commercial winter crops: Revised area planted and first production forecast - 2016 season

CROP	**Area planted 2016 Ha (A)**	1st Forecast 2016 Tons (B)	Area planted 2015 Ha (C)	Final crop 2015 Tons (D)	Change % (B) ÷ (D)
Wheat	**498 150**	**1 683 040**	482 150	1 440 000	+16,88
Malting barley	**88 685**	**271 885**	93 730	332 000	-18,11
Canola	**68 000**	**102 000**	78 050	93 000	+9,68
Total	**654 835**	**2 056 925**	653 930	1 865 000	+10,29

- The expected production of **wheat** is 1,683 million tons, which is 16,88% or 243 040 tons more than the previous seasons' crop of 1,440 million tons, whilst the expected yield is 3,38 t/ha.
- The expected production in the Western Cape is 904 400 tons (54%), which is 206 900 tons higher than the 697 500 tons produced in the previous season. In the Northern Cape, the expected production is 252 000 tons (15%), which is 7 200 tons less than the previous seasons' crop of 259 200 tons. In the Free State, 290 000 tons (17%) is expected to be produced – 113 500 tons more than the previous season.
- The area estimate for wheat was revised to 498 150 ha, which is 16 000 ha more than the 482 150 ha of the previous season. An estimated 323 000 ha or 65% is planted in the Western Cape, 100 000 ha or 20% in the Free State and 35 000 ha or 7% in the Northern Cape.
- The production forecast for **malting barley** is 271 885 tons, which is 18,11% or 60 115 tons less than the previous seasons' crop of 332 000 tons. The area planted is estimated at 88 685 ha, while the expected yield is 3,07 t/ha.
- The expected **canola crop** is 102 000 tons, which is 9,68% or 9 000 tons more than the previous seasons' crop of 93 000 tons. The area estimate for canola is 68 000 ha, with an expected yield of 1,50 t/ha.

Graph 1: Production of wheat in South Africa from 2006 to 2016



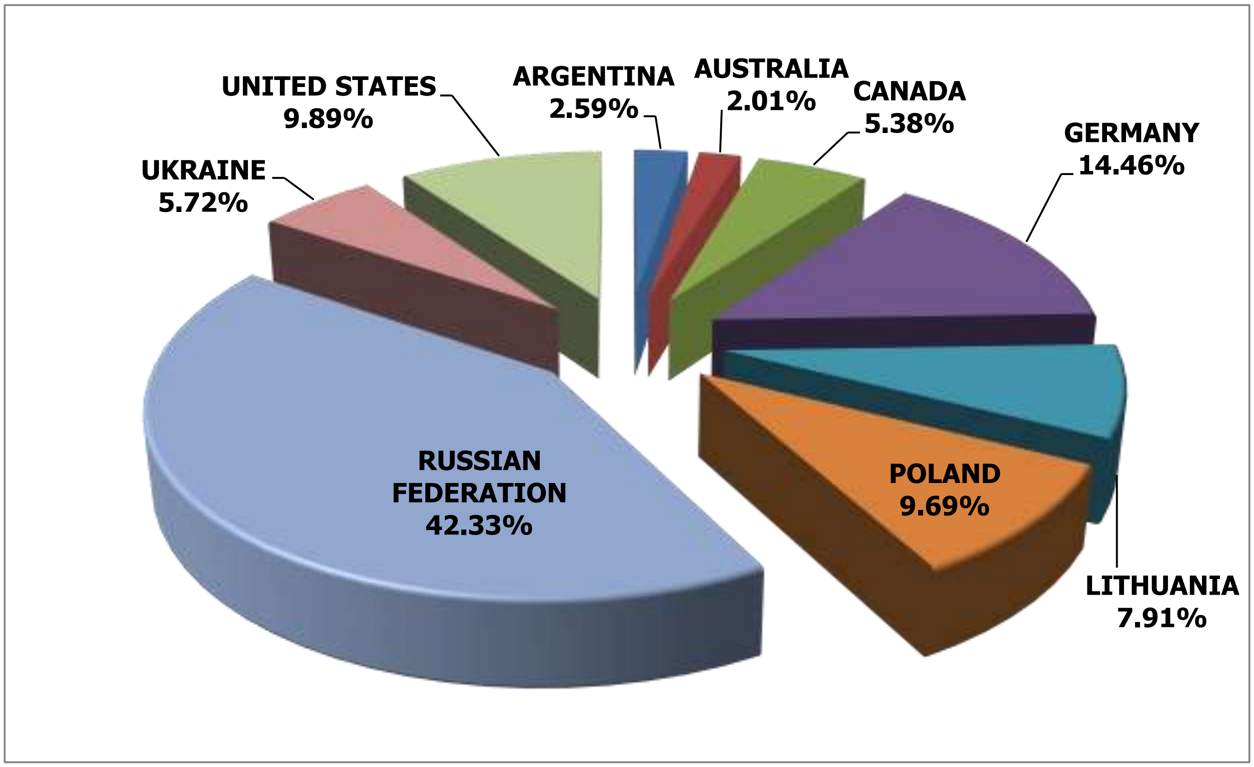
Please note that the second production forecast for winter cereals for 2016 will be released on 27 September 2016.

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 Aug16 Annexure A.

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

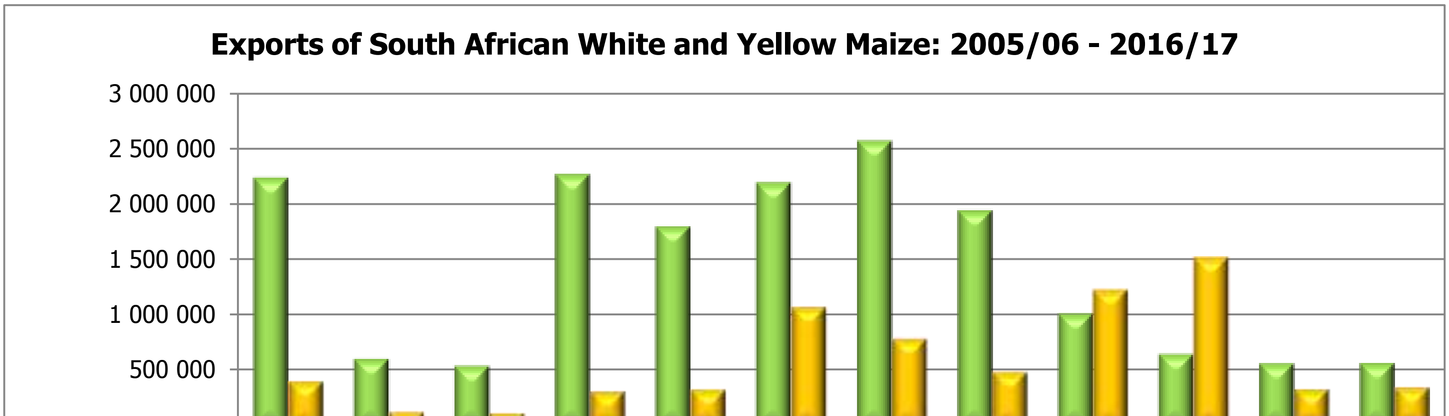
Graph 2: Major countries of wheat imports for South Africa: 2015/16 marketing year



- The progressive wheat imports from 26 September 2015 to 2 September 2016, amount to 1,909 million tons, with the largest quantity (42,33% or 808 226 tons) imported from the Russian Federation, followed by Germany (14,46% or 276 193 tons), United States (9,89% or 188 900 tons), Poland (9,69% or 185 036 tons), Lithuania (7,91% or 151 014 tons), Ukraine (5,72% or 109 267 tons), Canada (5,38% or 102 816 tons), Argentina (2,59% or 49 516 tons) and Australia (2,01% or 38 445 tons). The exports of wheat for the mentioned period amount to 51 735 tons, of which 50,00% or 25 865 tons were exported to Zimbabwe, 44,67% or 23 111 tons to the BLNS Countries (Botswana, Lesotho, Namibia and Swaziland), 4,81% or 2 490 tons to Mozambique and only 0,52% or 269 tons to Zambia.

3.2 Exports of white and yellow maize

Graph 3: 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	560 000
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	340 000

*Projection

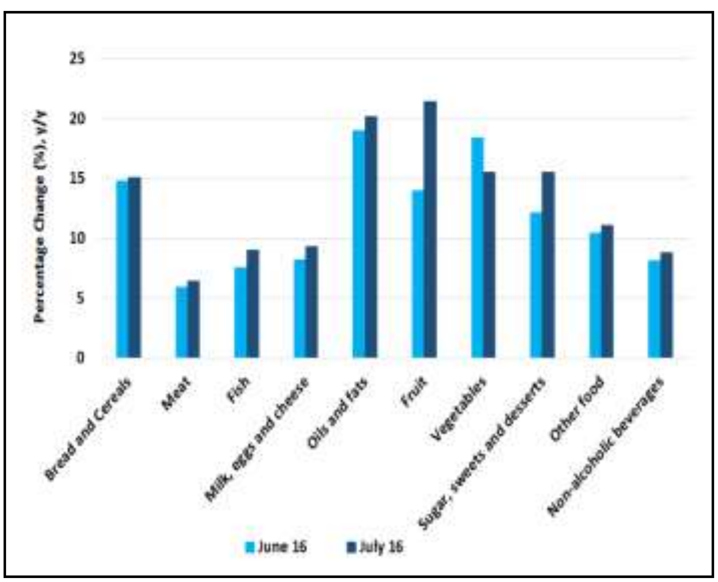
- The exports of white maize for the 2016/17 marketing year are projected 560 000 tons, which represents an increase of 0,53% compared to the 557 063 tons of the previous marketing year. Yellow maize exports are projected at 340 000 tons, which represents an increase of 5,35% compared to the 322 748 tons of the previous marketing year.
- From 30 April to 2 September 2016, progressive white maize exports amount to 178 338 tons, with the main destinations being the BLNS Countries (69,97% or 124 775 tons), Zimbabwe (24,13% or 43 031 tons) and Mozambique (5,91% or 10 532 tons). The imports of white maize for the mentioned period amount to 258 258 tons, of which 92,00% or 237 587 tons were from Mexico and 8,00% or 20 671 tons from the United States.
- From 30 April to 2 September 2016, progressive yellow maize exports amount to 86 864 tons, with the main destinations being the BLNS Countries (67,07% or 58 259 tons), Zimbabwe (17,30% or 15 024 tons), Mozambique (13,05% or 11 334 tons) and Korea (2,55% or 2 214 tons). The imports of yellow maize for the mentioned period amount to 514 540 tons, of which 90,48% or 465 574 tons were from Argentina and 9,52% or 48 966 tons from Brazil.

4. Market information

4.1 Consumer Price Index (CPI)

- Recent data from Statistics South Africa indicates that in July 2016, headline inflation eased at 6,0% year-on-year from 6,3% year-on-year in June 2016. This was slightly below market expectations of 6,1% year-on-year. However, food and non-alcoholic beverages inflation accelerated to 11,3% year-on-year, from 10,8% 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% of the food and non-alcoholic beverages basket, respectively.
- The percentage increases were recorded in all food categories, with the exception of vegetables, which eased at 15,5% year-on-year (**Graph 4**). This decrease was mainly due to large supplies on the back of the on going harvest, specifically in potatoes industry.
- The increase in bread and cereals inflation is reflective of the effects of the 2015/16 drought, which has led to higher grain prices. Additionally, the increase in milk inflation is in line with seasonal milk prices, which normally reach higher levels owing to lower domestic supplies during the winter season. More broadly, the effects of the drought are also reflected on the fruit and sugar inflation.

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

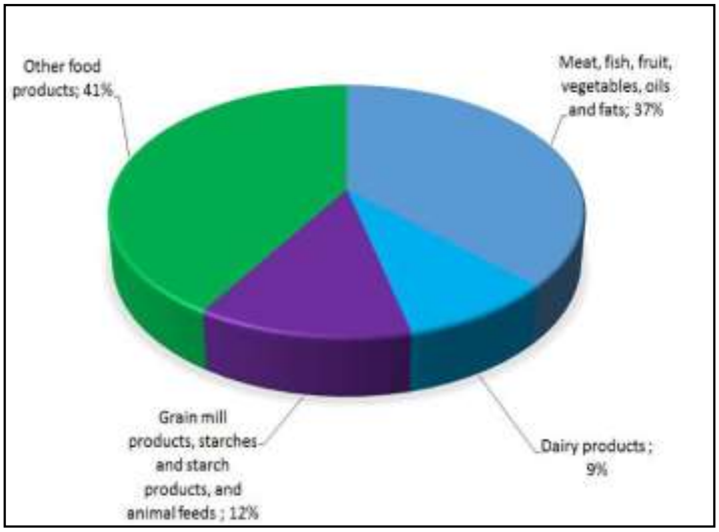


Source: Stats SA & Agbiz

4.2 Producer Price Index (PPI)

- The recent producer price index (PPI) data released by Statistics South Africa indicates that in July 2016, producer inflation for final manufactured goods accelerated to 7,4% from 6,8% year-on-year in the previous month. Food products price inflation were among the key drivers of this increase, reaching 12,6% year-on-year from 11,2% year-on-year in June 2016 – driven in part, by lower domestic supplies and a weaker Rand against the US Dollar.
- The food products basket consists of four broad categories, which include *(1)* meat, fish, fruit, vegetables, oils and fats, *(2)* dairy products, *(3)* grain mill products, starches and starch products, and animal feeds and *(4)* other food products. Each of the aforementioned 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**).

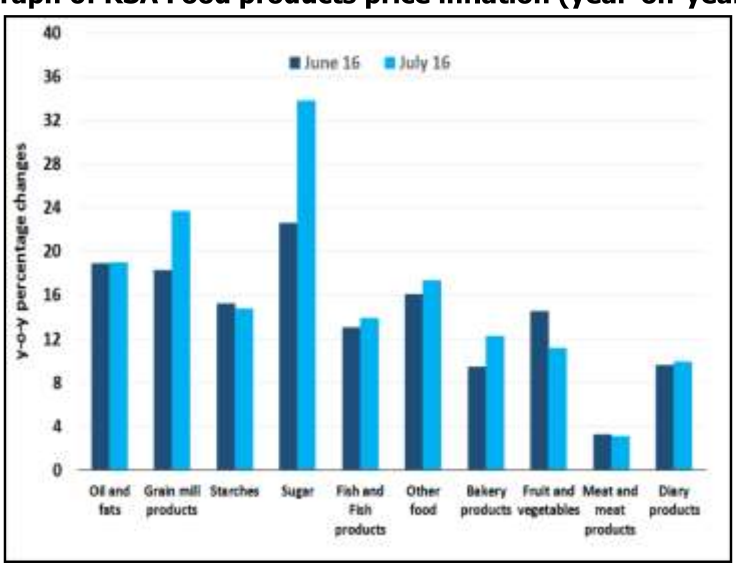
Graph 5: Weights of products in the food manufacturing basket



Source: Stats SA & Agbiz

- The significant increases were recorded on sugar, grain mill products and other food (**Graph 6**).
- Inflation in the sugar category reached 33,8% year-on-year and up by 8,3% month-on-month. All of this is reflective of the effects of the 2015/16 drought which has led to lower supplies in the sugar cane industry. The increase in grain mill products has also been driven by higher grain prices on the back of lower domestic supplies.

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, 5 September 2016

	5 September 2016	5 August 2016	% Change
RSA White Maize per ton (Sept. 2016 contract)	R4 026,00	R4 083,00	-1,40
RSA Yellow Maize per ton (Sept. 2016 contract)	R3 257,00	R3 147,00	3,50
RSA Wheat per ton (Sept. 2016 contract)	R3 985,00	R4 194,00	-4,98
RSA Sunflower seed per ton (Sept. 2016 contract)	R6 325,00	R5 782,00	9,39
RSA Soya-beans per ton (Sept. 2016 contract)	R6 689,00	R6 450,00	3,71
Exchange rate R/$	R14,35	R13,67	4,97

Source: JSE/SAFEX

- South African wheat import tariff has increased by 30% to a record high of R1 591,40 per ton on 22 August 2016, from the previous level of R1 224,31 per ton. This came on the back of a decline in international wheat prices (*US No 2HRW fob*). Additionally, the weaker Rand against the US Dollar also added to this record increase. At the time the tariff was calculated on 24 May 2016, the Rand against the US Dollar was R15,80. Therefore, the recent gains on the currency at the time of publication will not be considered in the calculation.
- The wheat import tariff has triggered 12 times since 2002, in response to changes in the international wheat price movements. The tariff has increased 10-fold between 2014 and 2016, from R157 per ton in October 2014 to R1 591,40 per ton in August 2016

4.5 Agricultural machinery sales

- July tractor sales of 451 units were 32% down on the 665 units sold in July 2015. On a year-to-date basis tractor sales are approximately 14% down on those for 2015. July combine harvester sales of 14 units were two units more than the 12 units sold in July 2015. On a year-to-date basis combine harvester sales are approximately 10% down on 2015.
- Market sentiment still remains positive. The late rains in July 2016, particularly in the east of the summer rainfall areas, will have helped a lot with winter wheat and the upcoming summer crop plantings. Nevertheless, it is likely that the market will continue to be depressed for the next month or two. Thereafter, the market will be driven mainly by weather conditions as they develop in the summer cropping areas.
- Industry expectations are still that 2016 tractor sales will be down on last year, perhaps by between 15 to 20%.

Table 5: Agricultural machinery sales

Equipment class	Year-on-year July 2016	Year-on-year July 2015	Percentage Change %	Year-to-date July 2016	Year-to-date July 2015	Percentage Change %
Tractors	451	665	-32,18	3 403	3 973	-14,35
Combine harvesters	14	12	16,67	132	146	-9,59

Source: SAAMA press release, August 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