MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: DECEMBER 2016

Issued: 13 January 2017

Directorate: Statistics and Economic Analysis

Highlights:

- **During December 2016, significant rainfall events were limited to the central and eastern half of the country.**
- **The expected production of wheat for 2016 is 1,876 million tons, which is 30,2% more than the previous seasons' crop of 1,440 million tons.**
- **The projected closing stocks of wheat for the current 2016/17 marketing year are 846 472 tons, which includes imports of 1,45 million tons. It is also 2,3% more than the previous years' ending stocks.**
- **Projected closing stocks of maize for the current 2016/17 marketing year are 1,116 million tons, which is 54,8% less than the previous years' ending stocks.**
- **The projected closing stocks of sorghum for the current 2016/17 marketing year are 37 492 tons, which is 54,9% less than the previous years' ending stocks.**
- **The projected closing stocks of sunflower seed for current 2016/17 marketing year are 130 967 tons, which is 185,5% more than the previous years' ending stocks.**
- **The projected closing stocks of soybeans for the current 2016/17 marketing year are 74 178 tons, which is 16,8% less than the previous years' ending stocks.**
- **The headline CPI (for all urban areas) annual inflation rate in November 2016 was higher at 6,6%.**
- **The annual percentage change in the PPI for final manufactured goods was higher at 6,9% in November 2016.**
- **December 2016 tractor sales of 349 units were significantly (almost 28%) more than the 273 units sold in December 2015.**

agriculture, forestry & fisheries

Department: Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Enquiries: Marda Scheepers or Queen Makgoka

Directorate: Statistics and Economic Analysis

Tel: +27 12 319 8033/8164

Tel: +27 12 319 8031

Email:MardaS@daff.gov.za or QueenS@daff.gov.za

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1. Weather conditions

1.1 Rainfall for December 2016

During December 2016, significant rainfall events were limited to the central and eastern half of the country (**Figure 1**). Comparing rainfall totals to the long term average for December 2016, rainfall received was below-normal for most of the western half of the country (**Figure 2**). The rainfall received was near-normal in the remaining areas, but above-normal over the North West, Limpopo and the eastern regions of the Free State Province for the mentioned period.

Figure 1: Rainfall in mm for December 2016

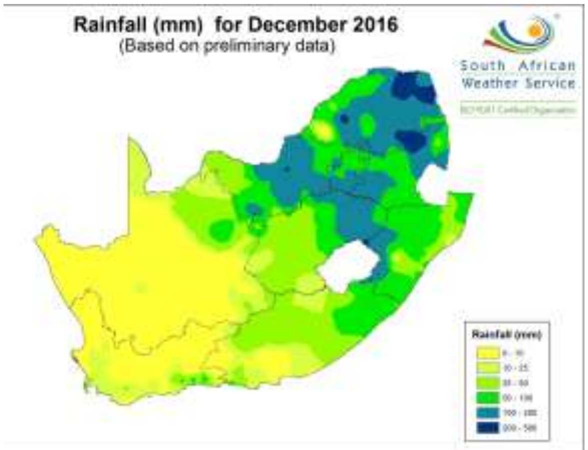
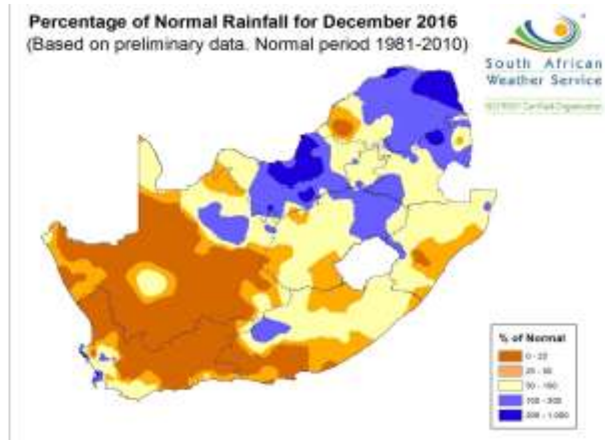


Figure 2: Percentage rainfall for December 2016



According to the latest Seasonal Climate Watch of the SA Weather Service, most local and international forecasting systems consistently indicate that South Africa's summer-rainfall areas might expect wetter conditions during the late-summer (Jan/Feb/Mar) through to the early autumn (Feb/Mar/Apr) period; however, the probability is lower when compared to previous months. There are no strong indications regarding temperatures for the late-summer season apart from a slight tendency of possible above-normal temperatures.

1.2 Level of dams

Available information on the level of South Africa's dams on 9 January 2017 indicates that the country has approximately 51% of its full supply capacity (FSC) available, 5% less than the corresponding period in 2015. Almost all the provinces show a decreasing trend, in the full supply capacity of dams of between 5% and 14%, except for the Mpumalanga, Gauteng, Northern Cape and North West provinces which show improvements of 2%, 8%, 13% and 23%, respectively compared to the same period last year. The largest decreases in the full supply capacity for the mentioned period are evident in the Eastern Cape with 14%, as well as Kwazulu-Natal and Limpopo with 10%, each. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 9 January 2017

Province	Net FSC million cubic meters	**9/1/2017 (%)**	Last Year (2016) (%)	% Increase/Decrease 2017 vs. 2016
Eastern Cape	1 832	**58**	72	-14,0
Free State	15 971	**51**	56	-5,0
Gauteng	115	**87**	79	8,0
KwaZulu-Natal	4 669	**42**	52	-10,0
Lesotho	2 376	**41**	48	-7,0
Limpopo	1 508	**54**	64	-10,0
Mpumalanga	2 539	**63**	61	2,0
North West	887	**66**	43	23,0
Northern Cape	146	**75**	62	13,0
Western Cape	1 870	**43**	51	-8,0
Total	31 913	**51**	56	-5,0

Source: Department of Water and Sanitation

2. Grain production

2.1 Summer grain crops

Please note that the preliminary area planted estimate for summer grains for 2017 will be released on 26 January 2017.

2.2 Winter cereal crops

The CEC released the area estimate and fifth production forecast for winter crops for 2016 on 20 December 2016, and is as follows:

Table 2: Commercial winter crops: Area planted and fifth production forecast - 2016 season

CROP	**Area planted 2016 Ha (A)**	5th Forecast 2016 Tons (B)	Area planted 2015 Ha (C)	Final crop 2015 Tons (D)	Change % (B) ÷ (D)
Wheat	**508 365**	**1 875 540**	482 150	1 440 000	30,25
Malting barley	**88 695**	**339 135**	93 730	332 000	2,15
Canola	**68 075**	**108 860**	78 050	93 000	17,05
Total	**665 135**	**2 323 535**	653 930	1 865 000	24,59

- The expected commercial production of **wheat** is 1,876 million tons, which is 30,25% or 435 540 tons more than the previous seasons' of 1,440 million tons, whilst the expected yield is 3,69 t/ha.
- The expected production in the Western Cape is 1,066 million tons (57%), in the Free State 308 000 tons (16%) and in the Northern Cape 266 000 tons (14%). The area estimate for wheat is 508 365 ha, which is 26 215 ha more than the 482 150 ha of the previous season.
- The production forecast for **malting barley** is 339 135 tons, which is 2,15% more than the previous seasons' of 332 000 tons. The area planted is estimated at 88 695 ha, while the expected yield is 3,82 t/ha.
- The expected **canola** crop was 108 860 tons, which is 17,05% more than the previous seasons' crop of 93 000 tons. The area estimate for canola is 68 075 ha, with an expected yield of 1,60 t/ha.

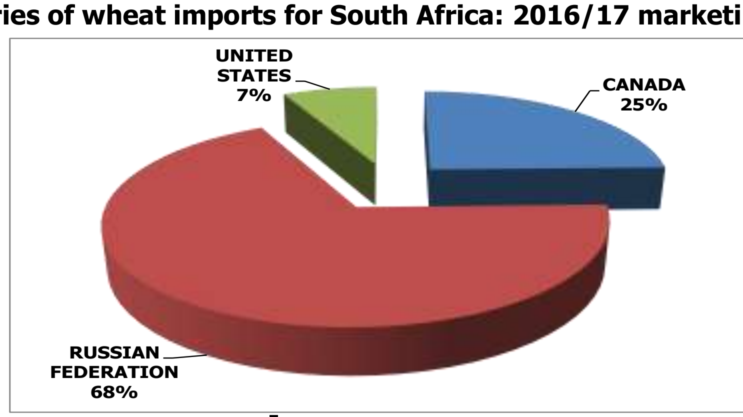
Please note that the sixth production forecast for winter cereals for 2016 will be released on 26 January 2017.

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 Dec16 Annexure A.

3.1 Imports and exports of wheat for the 2016/17 marketing year

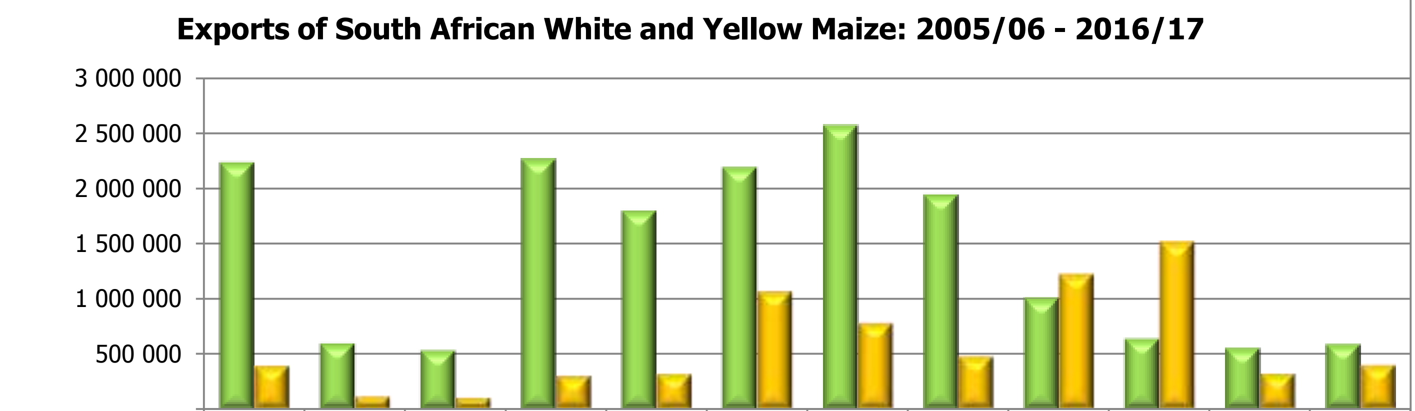
Graph 1: Major countries of wheat imports for South Africa: 2016/17 marketing year



- The progressive wheat imports for the 2016/17 marketing year (1 October 2016 to 6 January 2017) amount to 81 376 tons, with 67,98% or 55 321 tons imported from the Russian Federation, followed by Canada (24,61% or 20 027 tons) and the United States (7,41% or 6 028 tons). The exports of wheat for the above-mentioned period amount to 14 692 tons, of which 51,95% or 7 633 tons were exported to the BLNS Countries and 48,05% or 7 059 tons to Zimbabwe.

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	590 000
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	400 000

*Projection

- The exports of white maize for the 2016/17 marketing year are projected 590 000 tons, which represents an increase of 5,91% compared to the 557 063 tons of the previous marketing year. Yellow maize exports are projected at 400 000 tons, which represents an increase of 23,94% compared to the 322 748 tons of the previous marketing year.
- From 30 April 2016 to 6 January 2017, progressive white maize exports amount to 355 043 tons, with the main destinations being the BLNS Countries (72,62% or 257 845 tons), Zimbabwe (19,87% or 70 558 tons), Mozambique (6,82% or 24 209 tons) and Malawi (0,68% or 2 431 tons). The imports of white maize for the mentioned period amount to 622 788 tons, of which 93,33% or 581 264 tons were from Mexico and 6,67% or 41 524 tons from the United States.
- From 30 April 2016 to 6 January 2017, progressive yellow maize exports amount to 213 744 tons, with the main destinations being the BLNS Countries (57,92% or 123 806 tons), Zimbabwe (30,67% or 65 559 tons), Mozambique (9,40% or 20 101 tons), Korea (1,94% or 4 146 tons) and Zambia (0,06% or 132 tons). The imports of yellow maize for the mentioned period amount to 1,157 million tons, of which 86,00% or 995 307 tons were from Argentina, 8,16% or 94 462 tons from Brazil, 4,33% or 50 088 tons from Ukraine and 1,51% or 17 504 tons from Romania.

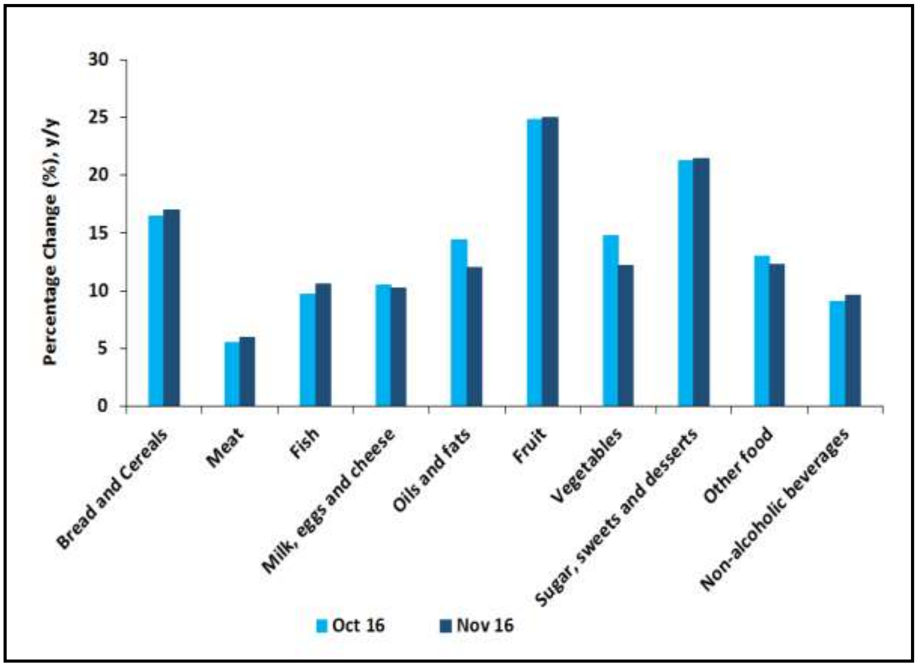
4. Market information

4.1 Consumer Price Index (CPI)

- Annual consumer price inflation was 6,6% in November 2016, up from 6,4% in October 2016. The consumer price index increased by 0,3% month-on-month in November 2016.
- Consumer Price Index data, as released in December 2016, shows that food and non-alcoholic beverages inflation decelerated to 11,6% year-on-year in November 2016 from 11,7% in October 2016 (with non-alcoholic beverages aside, food inflation fell to 11,8% year-on-year in November 2016 from 12% year-on-year in October 2016).

- Food and non-alcoholic beverages basket consist of bread and cereals; meat; fish; milk, eggs, and cheese; oils and fats; fruit; vegetables; sugar, sweets, and desserts; non-alcoholic beverages and other foods. The overall decline was driven by milk, eggs, and cheese; oils and fats; vegetables and other foods which eased at 10,2% year-on-year, 12,0% year-on-year, 12,2% year-on-year and 12,3% year-on-year, respectively (**Graph 3**).
- The decrease in milk, eggs, and cheese inflation coincide with seasonal milk price trend which normally decelerates during mid-summer season owing to an increase domestic milk supplies on the back of improving grazing fields. Moreover, oils and fats inflation mirror the domestic sunflower seed prices which have maintained a declining trend due to relatively large domestic supplies. The fall in vegetable inflation coincides with increasing domestic supplies on the back of ongoing harvest for a number of vegetable crops. Meanwhile, bread and cereals, meat, fish, fruit and non-alcoholic beverages inflation accelerated to 17,0% year-on-year, 6,0% year-on-year, 10,6% year-on-year, 25,0% year-on-year and 9,6% year-on-year, respectively. To some extent, the increase in these food products inflation still mirror the effects of the 2015/16 drought.

Graph 3: October and November 2016 year-on-year percentage changes



Source: Stats SA, Agbiz

4.2 Producer Price Index (PPI)

- The annual percentage change in the PPI for final manufactured goods was 6,9% in November 2016 (compared with 6,6% in October 2016). From October 2016 to November 2016 the PPI for final manufactured goods increased by 0,4%.
- The main contributors to the annual rate of 6,9% were food products, beverages and tobacco products (3,9%), coke, petroleum, chemical, rubber and plastic products (0,9%), as well as metals, machinery, equipment and computing equipment (0,9%). The main contributor to the monthly increase of 0,4% was coke, petroleum, chemical, rubber, as well as plastic products (0,4%).
- The annual percentage change in the PPI for electricity and water was 8,3% in November 2016 (compared with 8,5% in October 2016). From October 2016 to November 2016 the PPI for electricity and water decreased by 0,3%. The contributors to the annual rate of 8,3% were electricity (6,6%) and water (1,7%). The contributor to the monthly decrease of 0,3% was electricity (-0,3%).
- The annual percentage change in the PPI for agriculture, forestry and fishing was 8,1% in November 2016 (compared with 11,1% in October 2016). From October 2016 to November 2016 the PPI for agriculture,

forestry and fishing increased by 1,7%. The contributors to the annual rate of 8,1% were agriculture (6,0%), forestry (1,2%) and fishing (0,9%). The contributor to the monthly increase of 1,7% was agriculture (1,6%).

4.3 Future contract prices and the exchange rate

Table 3: Closing prices on Thursday, 12 January 2017

	12 January 2017	12 December 2016	% Change
RSA White Maize per ton (Jan. 2017 contract)	R3 665,00	R3 972,00	-77,29
RSA Yellow Maize per ton (Jan. 2017 contract)	R3 271,00	R3 235,00	1,11
RSA Wheat per ton (Jan. 2017 contract)	R3 944,00	R3 940,00	0,10
RSA Sunflower seed per ton (Jan. 2017 contract)	R5 515,00	R5 920,00	-6,84
RSA Soya-beans per ton (Jan. 2017 contract)	R6 305,00	R6 520,00	-3,30
Exchange rate R/$	R13,58	R13,79	-1,52

Source: JSE/SAFEX

4.4 Agricultural machinery sales

- December 2016 tractor sales of 349 units were significantly (almost 28%) more than the 273 units sold in December 2015. On a calendar year basis tractor sales for 2016 were approximately 11% down on those for 2015. December 2016 combine harvester sales of 7 units were the same as the 7 units sold in December 2015. On a calendar year basis, 2016 combine harvester sales were approximately 14% down on those for 2015.
- General summer rains have fallen over most of the country and most farmers, even in the west which was dry for a time, have completed their planting. Standing crops are looking good and market sentiment is positive. However, what is required now, is follow-up rains through to the end of February 216 in order for the planted crops to realise their full yield potential.
- Industry expectations for 2017 are that overall tractor sales should be at least as good as those in 2016.

Table 4: Agricultural machinery sales

	Year-on-year		Percentage	Year-to-date		Percentage
	December		Change	December		Change
Equipment class	2016	2015	%	2016	2015	%
Tractors	349	273	-27,84	5 855	6 602	-11,31
Combine harvesters	7	7	0,00	185	216	-14,35

Source: SAAMA press release, January 2017

PLEASE NOTE: the Food Security Bulletin for January 2017 will be released on **3 February 2017**.

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