

MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JANUARY 2014

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Directorate: Statistics and Economic Analysis

Highlights:

- During January 2014, significant rainfall events were limited to the northern and eastern parts of the country, as well as the southern coastal regions.
- The expected size of commercial wheat crop for 2013 is 1,795 million tons, which is 4,0% less than the previous seasons' crop of 1,870 million tons.
- The projected closing stocks of wheat for the current 2013/14 marketing year are 501 393 tons, which includes imports of 1,650 million tons. It is also 2,5% more than the previous years' ending stocks.
- The preliminary area estimate for maize is 2,710 million ha, which is 2,5% less than the 2,781 million ha planted for the previous season.
- Projected closing stocks of maize for the current 2013/14 marketing year are 516 937 tons, which is 63,5% less than the previous year.
- The projected closing stocks of sorghum for the current 2013/14 marketing year are 44 992 tons, which is 6,8% less than the previous year.
- The headline CPI (for all urban areas) annual inflation rate in December 2013 was higher at 5,4%.
- The annual percentage change in the PPI for final manufactured goods was higher at 6,5% in December 2013.
- SA Reserve Bank's Monetary Policy Committee has increased the repo rate by 50 basis points to 5,5% per annum.
- The December 2013 tractor sales of 353 units were almost 6% up on the 334 units reported in December 2012.



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1. Weather conditions

1.1 Rainfall for January 2014

During January 2014, significant rainfall events were limited to the northern and eastern parts of the country, as well as the southern coastal regions (Figure 1). Comparing the rainfall totals for January 2014 to the long term average, most of the southern and western coastal regions, as well as parts of the Limpopo Province, received above-normal rainfall while the remaining areas received near-normal to below-normal rainfall (Figure 2).

Figure 1: Rainfall (mm) for January 2014

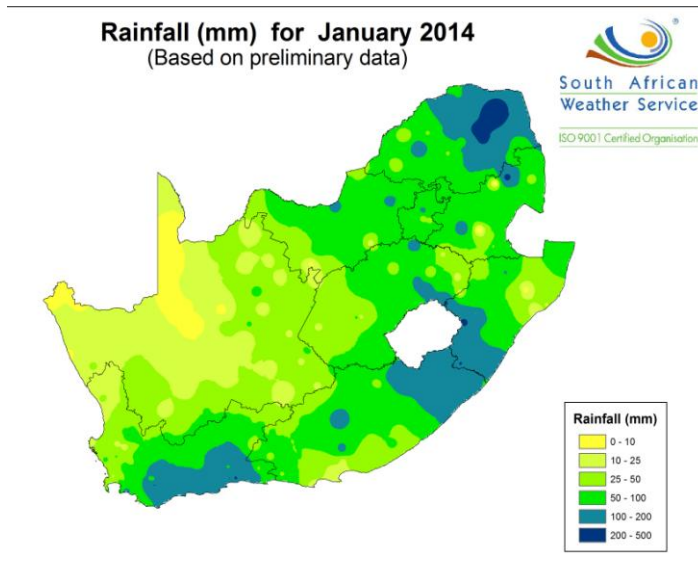
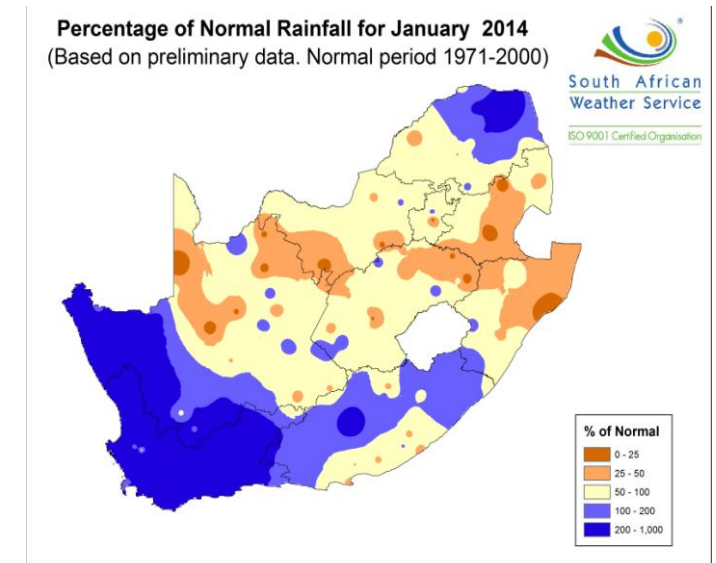


Figure 2: Percentage rainfall for January 2014



1.2 Level of dams

Available information on the level of South Africa's dams on 27 January 2014 indicates that the country has approximately 81% of its full supply capacity (FSC) available, 5% less than the corresponding period in 2013. The KwaZulu-Natal and Eastern Cape provinces show the same percentage, as compared to 2013. The Mpumalanga, as well as the Western Cape Province shows increases, whereas the remaining provinces show decreases for the mentioned period, as compared to 2013. The provincial distribution of South Africa's water supply (including Lesotho) is contained in Table 1 below.

Table 1: Level of dams, 27 January 2014

Province	Net FSC million cubic meters	27/01/2014 (%)	Last Year (2013) (%)	% Increase/Decrease 2014 vs 2013
Eastern Cape	1 814	83	83	-
Free State	15 971	80	88	-8,0
Gauteng	115	86	90	-4,0
KwaZulu-Natal	4 529	86	86	-
Lesotho	2 376	65	81	-16,0
Limpopo	1 159	89	93	-4,0
Mpumalanga	2 520	95	91	4,0
North West	802	60	73	-13,0
Northern Cape	146	70	87	-17,0
Western Cape	1 854	84	73	11,0
Total	31 286	81	86	-5,0

Source: Department of Water Affairs

2. Grain production

2.1 Summer grain crops

The preliminary area planted estimate for summer crops for 2014 production season was released by the Crop Estimates Committee (CEC) on 28 January 2014, and is as follows:

Table 2: Commercial summer crops: Preliminary area planted estimate - 2014 season

CROP	Area planted 2014 Ha (A)	Area planted 2013 Ha (B)	Final crop 2013 Tons (C)	Change % (A) ÷ (B)
White maize	1 571 500	1 617 200	5 545 000	-2,83
Yellow maize	1 139 000	1 164 000	6 145 000	-2,15
Maize	2 710 500	2 781 200	11 690 000	-2,54
Sunflower seed	618 400	504 700	557 000	22,53
Soya-beans	516 000	516 500	784 500	-0,10
Groundnuts	50 000	46 900	41 500	6,61
Sorghum	74 700	62 620	147 200	19,29
Dry beans	56 170	43 550	60 200	28,98
Total	4 025 770	3 955 470	13 280 400	1,78

Note: Estimate is for calendar year, e.g. production season 2013/14 = 2014

- The preliminary area estimate for **maize** is 2,710 million ha, which is 2,54% or 70 700 ha less than the 2,781 million ha planted for the previous season, and also 0,95% or 25 500 ha more than the intentions to plant figure of 2,685 million ha released in October 2013.
- The area estimate for **white maize** is 1,572 million ha, which represents a decrease of 2,83% or 45 700 ha compared to the 1,617 million ha planted last season. In the case of **yellow maize** the area estimate is 1,139 million ha, which is 2,15% or 25 000 ha less than the 1,164 million ha planted last season.
- The preliminary area estimate for **sunflower seed** is 618 400 ha, which is about 22,53% or 113 700 ha more than the 504 700 ha planted the previous season.
- It is estimated that 516 000 ha have been planted to **soya-beans**, which represents a slight decrease of 0,10% or 500 ha compared to the 516 500 ha planted last season.
- For **groundnuts** the area estimate is 50 000 ha, which is 6,61% or 3 100 ha more than the 46 900 ha planted for the previous season.
- The area estimate for **sorghum** increased by 19,29% (12 080 ha), from 62 620 ha to 74 700 ha against the previous season.
- In the case of **dry beans** the area estimate is 56 170 ha, which is 28,98% or 12 620 ha more than the 43 550 ha planted the previous season.

Please note that the revised area estimate and first production forecast for summer field crops for 2014 will be released on 27 February 2014.



2.2 Winter cereal crops

The area planted estimate and sixth production forecast for winter cereals for the 2013 production season was also released by the Crop Estimates Committee (CEC) on 28 January 2014, and is as follows:

Table 3: Commercial winter crops: Area planted estimate and sixth production forecast - 2013 production season

CROP	Area planted 2013	6 th forecast 2013	Area planted 2012	Final crop 2012	Change
	Ha (A)	Tons (B)	Ha (C)	Tons (D)	% (B) ÷ (D)
Wheat	505 500	1 795 150	511 200	1 870 000	-4,00
Malting barley	81 320	263 602	84 940	298 000	-11,54
Canola	72 165	112 041	44 100	79 000	41,82
Total	658 985	2 170 793	640 240	2 247 000	-3,39

Note: Estimate is for calendar year, e.g. production season 2013/14 = 2013

- The expected production of **wheat** is 1,795 million tons, which is 4,00% less than the previous seasons' crop of 1,870 million tons. The expected yield is 3,55 t/ha as against the 3,66 t/ha of 2012.
- The expected production in the Western Cape is 914 500 tons (51%), in the Northern Cape 289 800 tons (16%) and in the Free State 252 000 tons (14%).
- The area estimate for wheat for 2013 is 505 500 ha, which is 1,12% more than the previous season's plantings of 511 200 ha.
- The production forecast for **malting barley** is 263 602 tons, which is 11,54% less than the previous seasons' crop of 298 000 tons. The area planted is estimated at 81 320 ha, representing a decrease of 4,26% compared to the 84 940 ha of 2012. The expected yield is 3,24 t/ha compared to the 3,51 t/ha of 2012.
- The expected **canola crop** is 112 041 tons, which is 41,82% more than the previous seasons' crop of 79 000 tons. The area estimate for canola is 72 165 ha, which is 63,64% more than the previous season's plantings of 44 100 ha. The expected yield is 1,55 t/ha as against the 1,79 t/ha of 2012.

Please note that the final production estimate for winter cereals for 2013 will be released on 27 February 2014.

3. Cereal balance sheets

For the latest Cereal balance sheets (supply and demand tables) on maize, wheat and sorghum, please refer to the attachment called FSB Jan14 Annexure A.

4. Market information

4.1 Consumer Price Index (CPI)

- The headline CPI (for all urban areas) annual inflation rate in December 2013 was 5,4%. This rate was 0,1% higher than the corresponding annual rate of 5,3% in November 2013. On average, prices increased by 0,3% between November 2013 and December 2013.
- The food and non-alcoholic beverages index decreased by 0,1% between November 2013 and December 2013. The annual rate decreased to 3,5% in December 2013 from 3,8% in November 2013. The following components in the food and non-alcoholic beverages index decreased: Vegetables (-2,0%), fish (-0,6%), sugar, sweets and desserts (-0,6%), other food (-0,4%), cold beverages (-0,3%), as well as oils and fats (-0,1%). The following

components increased: Fruit (3,5%), milk, eggs and cheese (0,4%), meat (0,3%), bread and cereals (0,2%), as well as hot beverages (0,1%).

- The housing and utilities index increased by 0,7% between November 2013 and December 2013, mainly due to a 1,1% increase in actual rentals for housing and a 1,0% increase in owners' equivalent rent. The annual rate increased to 5,5% in December 2013 from 5,3% in November 2013.
- The transport index increased by 0,8% between November 2013 and December 2013, mainly due to a 17c/litre increase in the price of petrol. The annual rate increased to 6,3% in December 2013 from 5,8% in November 2013.
- The restaurants and hotels index increased by 0,8% between November 2013 and December 2013. The annual rate increased to 7,2% in December 2013 from 7,0% in November 2013.
- The miscellaneous goods and services index decreased by 0,1% between November 2013 and December 2013. The annual rate decreased to 7,0% in December 2013 from 7,3% in November 2013.
- The provinces with an annual inflation rate lower than or equal to headline inflation were Free State (5,3%), Limpopo (5,3%), KwaZulu-Natal (5,2%), Western Cape (5,0%), Eastern Cape (5,0%), Northern Cape (4,9%), Mpumalanga (4,9%) and North West (4,7%). The province with an annual inflation rate higher than headline inflation was Gauteng (5,6%).

4.2 Producer Price Index (PPI)

- The annual percentage change in the PPI for final manufactured goods was 6,5% in December 2013 (compared with 5,8% in November 2013). From November 2013 to December 2013, the PPI for final manufactured goods increased by 0,5%.
- The main contributors to the annual rate of 6,5% were food products, beverages and tobacco products (5,2% year-on-year and contributing 1,8%), coke, petroleum, chemical, rubber and plastic products (6,8% year-on-year and contributing 1,2%), transport equipment (10,5% year-on-year and contributing 1,1%) and metals, machinery, equipment and computing equipment (6,4% year-on-year and contributing 1,0%). The main contributor to the monthly increase of 0,5% was coke, petroleum, chemical, rubber and plastic products (1,1% month-on-month and contributing 0,2%).
- The annual percentage change in the PPI for intermediate manufactured goods was 8,1% in December 2013 (compared with 7,5% in November 2013). From November 2013 to December 2013 the PPI for intermediate manufactured goods decreased by 0,4%. The main contributors to the annual rate of 8,1% were chemicals, rubber and plastic products (9,7% year-on-year and contributing 3,9%), basic and fabricated metals (7,0% year-on-year and contributing 2,0%) and textiles and leather goods (14,1% year-on-year and contributing 1,2%). The main contributors to the monthly decrease of 0,4% were textiles and leather goods (-3,0% month-on-month and contributing -0,3%) and recycling and manufacturing (-9,4% month-on-month and contributing -0,2%).
- The annual percentage change in the PPI for electricity and water was 14,3% in December 2013 (compared with 15,8% in November 2013). From November 2013 to December 2013 the PPI for electricity and water decreased by 1,7%. The contributors to the annual rate of 14,3% were electricity (15,0% year-on-year and contributing 12,3%) and water (10,5% year-on-year and contributing 1,9%). The monthly decrease of 1,7% was mainly the result of electricity (-2,1% month-on-month and contributing -1,7%).
- The annual percentage change in the PPI for mining was 2,4% in December 2013 (compared with 1,4% in November 2013). From November 2013 to December 2013 the PPI for mining decreased by 0,8%. The main contributors to the annual rate of 2,4% were non-ferrous metal ores (4,7% year-on-year and contributing 2,2%), as well as coal and gas (8,5% year-on-year and contributing 2,1%).
- The main contributors to the monthly decrease of 0,8% were stone quarrying, clay and diamonds (-8,9% month-on-month and contributing -0,5%) and gold and other metal ores (-1,9% month-on-month and contributing -0,4%).
- The annual percentage change in the PPI for agriculture, forestry and fishing was 4,1% in December 2013 (compared with 2,8% in November 2013). From November 2013 to December 2013 the PPI for agriculture, forestry and fishing increased by 1,5%. The main contributor to the annual rate of 4,1% was agriculture (3,9% year-on-year and contributing 3,1%). The main contributor to the monthly increase of 1,5% was agriculture (1,6% month-on-month and contributing 1,2%).



4.3 Monetary Policy Committee

- The Monetary Policy Committee (MPC) announced on 29 January 2014 an increase of 50 basis points in interest rates, bringing the repo rate to 5,5% and the prime interest rate to 9%. The MPC had to consider the local economic pressures, defined by concerning growth outlooks, low credit extension, capital outflows, increased current account deficit, job losses and the low gross fixed capital formation in the private sector. As it is the Reserve Bank's primary responsibility to keep inflation under control, the main overarching influencers to the decision, is the continuing upside pressures on the inflation outlook together with the depreciating currency.
- Inflation has been at the upper end of the inflation target range (being 3-6%) since the end of 2011, bringing most economists under no disillusion that interest rates could be increased in response. As the economic growth and consumer well-being continues to be under severe pressure, very few economists expected an increase in interest rates so soon.

4.4 Future contract prices and the exchange rate

Table 4: Closing prices on Friday, 31 January 2014

	31 January 2014	31 December 2013	% Change
RSA White Maize per ton (Feb. 2014 contract)	R3 471,00	R2 853,00	21,66
RSA Yellow Maize per ton (Feb. 2014 contract)	R3 450,00	R2 812,00	22,69
RSA Wheat per ton (Feb. 2014 contract)	R3 824,00	R3 590,00	6,52
RSA Sunflower seed per ton (Feb. 2014 contract)	R6 000,00	R5 845,00	-2,65
RSA Soya-beans per ton (Mar. 2014 contract)	R6 310,00	R6 165,00	2,35
Exchange rate R/\$	R11,29	R10,49	7,63

Source: JSE/SAFEX

4.5 Agricultural machinery sales

- The December 2013 tractor sales of 353 units were almost 6% up on the 334 units reported in December 2012. Sales for the full 2013 calendar year of 7 516 units were approximately 5% down on those of 2012. The December 2013 combine harvester sales of 7 units were four units less than the 11 units sold in December 2012. On a calendar year basis 2013 combine harvester sales were almost 3% up on 2012 sales.
- Rainfall has been very patchy this season with some areas, mainly in the east, experiencing good rains. In the west, however, rains were late and this will have affected maize plantings. The recent weakness of the rand is causing some concern in the market. Commodity prices, however, should remain good in the face of the weaker rand and the relatively low grain stocks in the country. Several industry commentators have made the point that the industry is facing a challenging season ahead.
- Early predictions of sales for the 2014 calendar year indicate that tractor sales are likely to be at or up to 10% lower than 2013 sales.

Table 5: Agricultural machinery sales

Equipment class	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	December			December		
	2013	2012		2013	2012	
Tractors	353	334	5,7	7 516	7 889	-4,7
Combine harvesters	7	11	-36,4	352	343	2,6

Source: SAAMA press release, January 2014



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:

- 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