

MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JANUARY 2015

Issued: 4 February 2015

Directorate: Statistics and Economic Analysis

Highlights:

- During January 2015, most of the country received below-normal rainfall.
- The expected production of wheat for 2014 is 1,776 million tons, which is 5,1% less than the previous seasons' crop of 1,870 million tons.
- The projected closing stocks of wheat for the current 2014/15 marketing year are 537 055 tons, which includes imports of 1,8 million tons. It is also 9,9% more than the previous years' ending stocks.
- The preliminary area estimate for maize is 2,656 million ha, which is 1,18% less than the 2,688 million ha planted for the previous season.
- Projected closing stocks of maize for the current 2014/15 marketing year are 2,238 million tons, which is considerably more (279,9%) than the previous years' ending stocks.
- The projected closing stocks of sorghum for the current 2014/15 marketing year are 121 564 tons, which is 142,8% more than the previous years' ending stocks.
- The headline CPI (for all urban areas) annual inflation rate in December 2014 was lower at 5,3%.
- The annual percentage change in the PPI for final manufactured goods was lower at 5,8% in December 2014.
- The Monetary Policy Committee announced in January 2015 that the repo rate will remain unchanged at 5,75%.
- December 2014 tractor sales of 344 units were 5,5% more than the 326 units reported in December 2013.



**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

Contents

1. Weather conditions	3
2. Grain production	4
2.1 Summer grain crops	4
2.2 Winter cereal crops	4
3. Cereal balance sheets	5
4. Market information	6
4.1 Consumer Price Index (CPI)	6
4.2 Producer Price Index (PPI)	7
4.3 Future contract prices and the exchange rate	7
4.4 Monetary Policy Committee	8
4.5 Agricultural machinery sales	8
5. Acknowledgements	9



1. Weather conditions

1.1 Rainfall for January 2015

During January 2015, most of the country, including parts of the western maize production region, as well as the extreme eastern parts, received below-normal rainfall (**Figure 1**). At the medium time scale, previous summers such as the current were associated with relatively wet conditions during November and December followed by drier conditions during January over the central to north-eastern parts. Drier conditions during January were mostly followed by slightly wetter conditions during February even though below-normal rainfall still occurred during 50% of years. Relatively wet conditions focused around dates equivalent to the 8th and 18th of February 2015. Wet conditions usually followed by March. At seasonal time scale, Coupled Global Climate Models are still dominated by weak ENSO Warm conditions. Therefore, current seasonal projections favor dry conditions by mid to late summer (**Figure 2**).

Figure 1: Percentage rainfall for January 2015

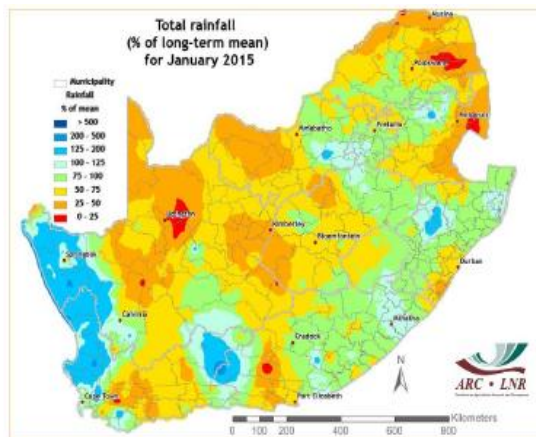
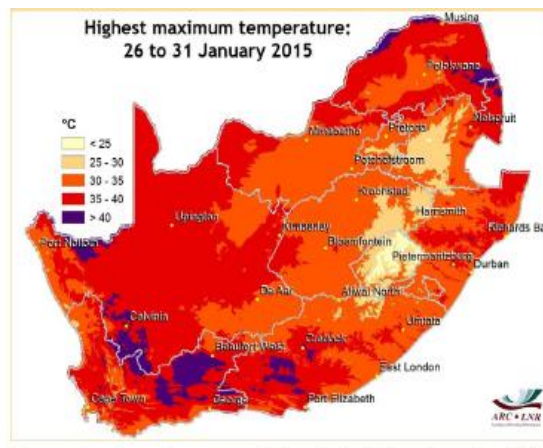


Figure 2: Maximum temperatures for January 2015



1.2 Level of dams

Available information on the level of South Africa's dams on 2 February 2015 indicates that the country has approximately 82% of its full supply capacity (FSC) available, 2% more than the corresponding period in 2014. Most of the provinces show an improvement in the full supply capacity of dams, especially in the Northern Cape (20%), Gauteng (15%) and Limpopo (8%) provinces. However, the Western Cape, Kwazulu-Natal and Eastern Cape provinces show decreases of 18%, 11% and 7%, respectively, compared to the same period in 2014. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 2 February 2015

Province	Net FSC million cubic meters	2/02/2015 (%)	Last Year (2014) (%)	% Increase/Decrease 2015 vs 2014
Eastern Cape	1 826	76	83	-7,0
Free State	15 971	87	80	7,0
Gauteng	115	101	86	15,0
KwaZulu-Natal	4 669	73	84	-11,0
Lesotho	2 376	75	66	9,0
Limpopo	1 504	91	83	8,0
Mpumalanga	2 520	93	95	-2,0
North West	802	70	63	7,0
Northern Cape	146	91	71	20,0
Western Cape	1 853	65	83	-18,0
Total	31 782	82	80	2,0

Source: Department of Water Affairs

2. Grain production

2.1 Summer grain crops

The preliminary area planted estimate for summer crops for 2015 was released by the Crop Estimates Committee (CEC) on 27 January 2015, and is as follows:

Table 2: Commercial summer crops: Preliminary Area planted estimate - 2015 season

CROP	Area planted	Area planted	Final estimate	Change
	2015 Ha (A)	2014 Ha (B)	2014 Tons (C)	% (A) ÷ (B)
White maize	1 487 650	1 551 200	7 697 350	-4,10
Yellow maize	1 168 800	1 137 000	6 609 700	2,80
Maize	2 656 450	2 688 200	14 307 050	-1,18
Sunflower seed	561 000	598 950	853 325	-6,34
Soya-beans	620 300	502 900	944 340	23,34
Groundnuts	55 200	52 125	78 090	5,90
Sorghum	75 000	78 850	268 920	-4,88
Dry beans	64 000	55 820	82 130	14,65
TOTAL	4 031 950	3 976 845	16 533 855	1,39

Note: Estimate is for calendar year, e.g. production season 2014/15 = 2015

- The preliminary area estimate for maize is 2,656 million ha, which is 1,18% or 31 750 ha less than the 2,688 million ha planted for the previous season, and also 2,17% or 56 450 ha more than the intentions to plant figure of 2,6 million ha released in October 2014.
- The area estimate for white maize is 1,488 million ha, which represents a decrease of 4,10% or 63 550 ha compared to the 1,551 million ha planted last season. In the case of yellow maize the area estimate is 1,169 million ha, which is 2,80% or 31 800 ha more than the 1,137 million ha planted last season.
- The preliminary area estimate for sunflower seed is 561 000 ha, which is about 6,34% or 37 950 ha less than the 598 950 ha planted the previous season.
- It is estimated that 620 300 ha have been planted to soya-beans, which represents an increase of 23,34% compared to the 502 900 ha planted last season.
- For groundnuts the area estimate is 55 200 ha, which is 5,90% more than the 52 125 ha planted for the previous season.
- The area estimate for sorghum decreased by 4,88%, from 78 850 ha to 75 000 ha against the previous season.
- In the case of dry beans the area estimate is 64 000 ha, which is 14,65% or 8 180 ha more than the 55 820 ha planted the previous season.

Please note that the revised area estimate and first production forecast for summer field crops for 2015 will be released on 26 February 2015.

2.2 Winter cereal crops

The area estimate and sixth production forecast for winter cereals for 2014 was also released by the CEC on 27 January 2015, and is as follows:

Table 3: Commercial winter crops: Area planted and sixth production forecast - 2014 season

CROP	Area planted 2014 Ha (A)	6 th Forecast 2014 Tons (B)	Area planted 2013 Ha (C)	Final crop 2013 Tons (D)	Change % (B) ÷ (D)
Wheat	476 570	1 775 534	505 500	1 870 000	-5,05
Malting barley	85 125	310 361	81 320	267 500	16,02
Canola	95 000	123 500	72 165	112 000	10,27
Total	656 695	2 209 395	658 985	2 249 500	-1,78

Note: Estimate is for calendar year, e.g. production season 2014/15 = 2014

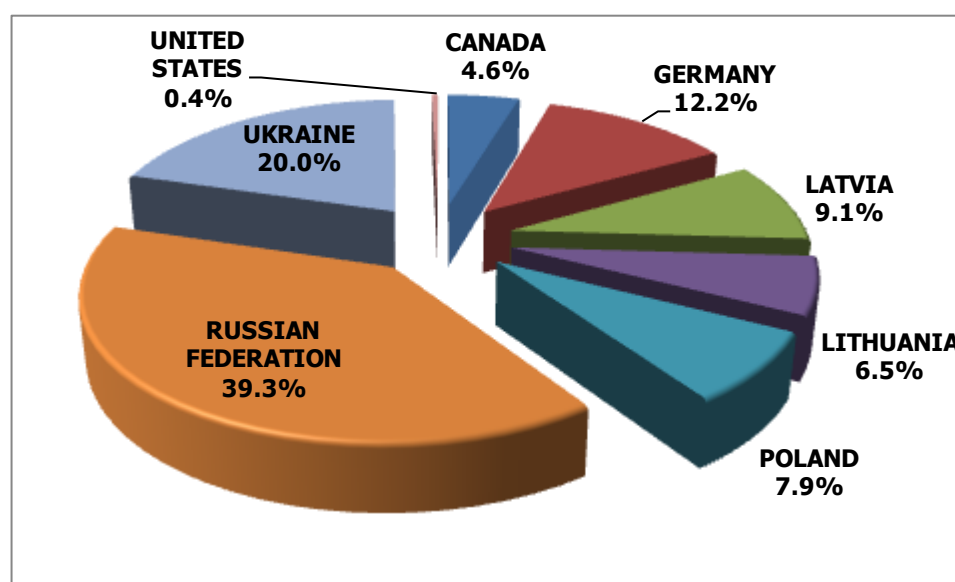
- The expected commercial production of **wheat** is 1,776 million tons, which is 5,05% or 94 466 tons less than the previous seasons' crop of 1,870 million tons, whilst the expected yield is 3,73 t/ha.
- The expected production in the Western Cape is 899 000 tons (51%), in the Northern Cape 285 000 tons (16%) and in the Free State 271 050 tons (15%).
- The area estimate for wheat remained unchanged at 476 570 ha
- The production forecast for **malting barley** is 310 361 tons, which is 16,02% or 42 861 tons more than the previous seasons' crop of 267 500 tons. The area planted is estimated at 85 125 ha, while the expected yield is 3,65 t/ha.
- The expected **canola** crop is 123 500 tons, which is 10,27% or 11 500 tons more than the previous seasons' crop of 112 000 tons. The area estimate for canola is 95 000 ha, with an expected yield of 1,30 t/ha.

Please note that the seventh production forecast of the winter cereal crops for 2014, will be released on 26 February 2015.

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 Jan15 Annexure A.

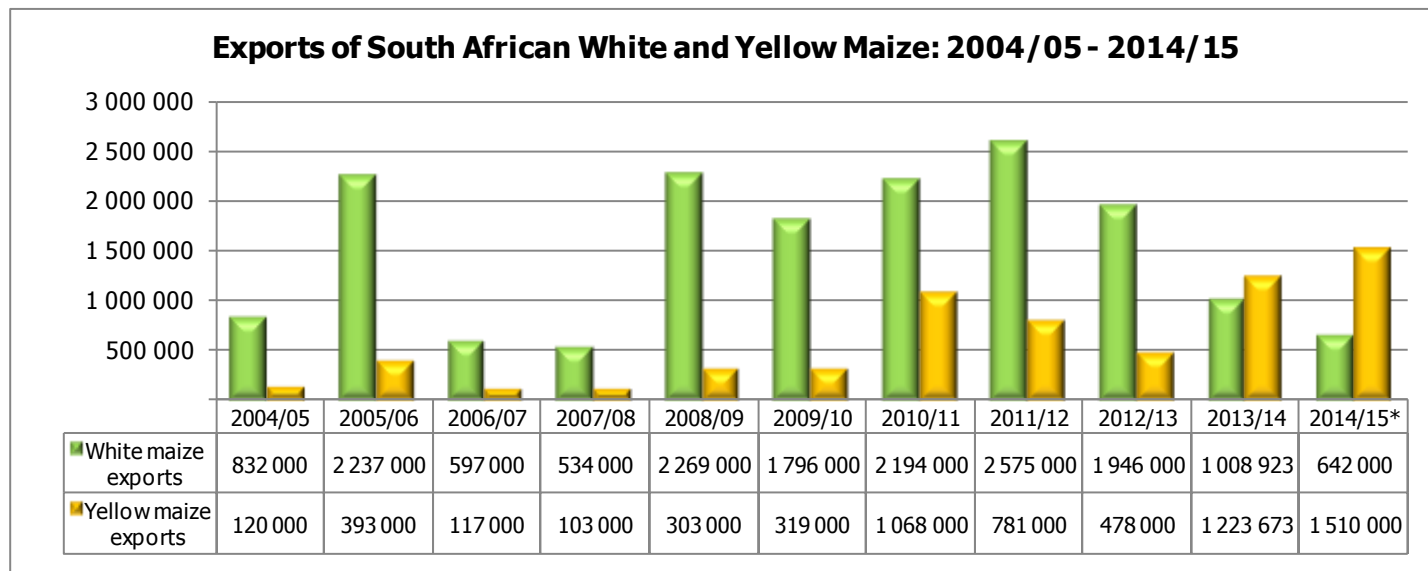
3.1 Imports and exports of wheat for the 2014/15 marketing year

Graph 1: Major countries of wheat imports for South Africa: 2014/15 marketing year

- The progressive wheat imports from 27 September 2014 to 30 January 2015, amount to 668 847 tons, with the largest quantity (39,3% or 262 790 tons) imported from the Russian Federation followed by Ukraine (20,0% or 133 503 tons), Germany (12,2% or 81 744 tons) and Latvia (9,1% or 61 005 tons). The exports of wheat for the mentioned period amount to 80 259 tons, of which 62,8% or 50 367 tons were exported to the BLNS countries and 37,2% or 29 836 tons to Zimbabwe.

3.2 Exports of white and yellow maize

Graph 2: Exports of South African white and yellow maize for the 2004/05 to 2014/15 marketing year



*Projection

- The projection for the 2014/15 marketing year exports are 642 000 tons for white maize, which represents a decrease of 36,4 % compared to the 1,009 million tons of the previous marketing year. With reference to yellow maize exports, the projection is 1,510 million tons, which represents an increase of 23,4% compared to the 1,224 million tons of the previous marketing year.
- From 26 April 2014 to 30 January 2015, progressive white maize exports amount to 408 500 tons, with the main destinations being the BLNS countries (68,6% or 280 401 tons), Mozambique (16,9% or 68 934 tons) and Zimbabwe (13,9% or 56 977 tons). No imports were reported for the mentioned period.
- From 26 April 2014 to 30 January 2015, progressive yellow maize exports amount to 1,369 million tons, with the main destinations being Taiwan (49,6% or 679 185 tons), Korea (15,7% or 214 474 tons) and Japan (14,5% or 198 197 tons). No imports were reported for the mentioned period.

4. Market information

4.1 Consumer Price Index (CPI)

- The headline CPI (for all urban areas) annual inflation rate in December 2014 was 5,3%. This rate was 0,5% lower than the corresponding annual rate of 5,8% in November 2014. On average, prices decreased by 0,2% between November 2014 and December 2014.
- The food and non-alcoholic beverages index decreased by 0,4% between November 2014 and December 2014. The annual rate decreased to 7,2% in December 2014 from 7,6% in November 2014. The following components in the food and non-alcoholic beverages index decreased: Vegetables (-2,9%), other food (-1,2%), fish (-0,9%), cold beverages (-0,8%), sugar, sweets and desserts (-0,6%), bread and cereals (-0,4%), oils and fats (-0,3%), milk, eggs and cheese (-0,2%) and hot beverages (-0,1%). The following components increased: Fruit (1,7%) and meat (0,6%).

- The housing and utilities index increased by 0,5% between November 2014 and December 2014, mainly due to a 0,9% increase in actual rentals for housing and 0,7% increase in owners' equivalent rent. The annual rate decreased to 5,7% in December 2014 from 5,8% in November 2014.
- The transport index decreased by 1,6% between November 2014 and December 2014, mainly due to 69c/litre decrease in the price of petrol. The annual rate decreased to 1,7% in December 2014 from 4,2% in November 2014.
- The miscellaneous goods and services index increased by 0,1% between November 2014 and December 2014. The annual rate increased to 7,1% in December 2014 from 6,9% in November 2014.
- The provinces with an annual inflation rate lower than or equal to headline inflation were both KwaZulu-Natal and North West (5,3%), Northern Cape and Gauteng (5,2%), Free State and Mpumalanga (5,1%). The provinces with an annual inflation rate higher than headline inflation were both Western Cape and Limpopo (5,9%) and Eastern Cape (5,4%).
- *The official average annual inflation rate was 6,1% for the year 2014 (i.e. the average CPI for all urban areas for the year 2014 compared with that for the year 2013). This average annual inflation rate of 6,1% was 0,4% higher than the corresponding average annual inflation rate of 5,7% for the year 2013.*

4.2 Producer Price Index (PPI)

- The annual percentage change in the PPI for final manufactured goods was 5,8% in December 2014 (compared with 6,5% in November 2014). From November 2014 to December 2014 the PPI for final manufactured goods decreased by 0,2%.
- The main contributors to the annual rate of 5,8% were food products, beverages and tobacco products (8,0% year-on-year and contributing 2,9%) and metals, machinery, equipment and computing equipment (9,1% year-on-year and contributing 1,3%).
- The main contributor to the monthly decrease of 0,2% was coke, petroleum, chemical, rubber and plastic products (-2,6% month-on-month and contributing -0,4%).
- The annual percentage change in the PPI for intermediate manufactured goods was 6,1% in December 2014 (compared with 5,4% in November 2014). From November 2014 to December 2014 the PPI for intermediate manufactured goods increased by 0,3%. The main contributors to the annual rate of 6,1% were basic and fabricated metals (6,1% year-on-year and contributing 2,4%) and chemicals, rubber and plastic products (6,7% year-on-year and contributing 2,1%). The main contributor to the monthly increase of 0,3% was basic and fabricated metals (1,5% month-on-month and contributing 0,6%).
- The annual percentage change in the PPI for electricity and water was 8,9% in December 2014 (compared with 8,4% in November 2014). From November 2014 to December 2014 the PPI for electricity and water decreased by 1,3%. The contributors to the annual rate of 8,9% were electricity (9,3% year-on-year and contributing 7,7%) and water (7,0% year-on-year and contributing 1,2%). The contributor to the monthly decrease of 1,3% was electricity (-1,5% month-on-month and contributing -1,2%).
- The annual percentage change in the PPI for mining was 1,8% in December 2014 (compared with -1,7% in November 2014). From November 2014 to December 2014 the PPI for mining increased by 2,7%. The main contributor to the annual rate of 1,8% was non-ferrous metal ores (5,9% year-on-year and contributing 2,6%). The main contributors to the monthly increase of 2,7% were non-ferrous metal ores (3,6% month-on-month and contributing 1,6%) and gold and other metal ores (4,4% month-on-month and contributing 0,9%).
- The annual percentage change in the PPI for agriculture, forestry and fishing was 2,3% in December 2014 (compared with 2,3% in November 2014). From November 2014 to December 2014 the PPI for agriculture, forestry and fishing increased by 1,4%. The main contributors to the annual rate of 2,3% were agriculture (1,4% year-on-year and contributing 1,2%) and fishing (15,5% year-on-year and contributing 0,6%). The main contributor to the monthly increase of 1,4% was agriculture (1,9% month-on-month and contributing 1,5%).

4.3 Future contract prices and the exchange rate



Table 4: Closing prices on Friday, 30 January 2015

	30 January 2015	30 December 2014	% Change
RSA White Maize per ton (May 2015 contract)	R2 101,00	R2 123,00	-1,04
RSA Yellow Maize per ton (May 2015 contract)	R2 065,00	R2 128,00	-2,96
RSA Wheat per ton (May 2015 contract)	R4 027,00	R4 030,00	-0,07
RSA Sunflower seed per ton (May 2015 contract)	R4 859,00	R4 685,00	3,71
RSA Soya-beans per ton (May 2015 contract)	R4 850,00	R5 025,00	-3,48
Exchange rate R/\$	R11,62	R11,61	0,09

Source: JSE/SAFEX

4.4 Monetary Policy Committee

- The Monetary Policy Committee (MPC) announced on 29 January 2015 that the repo rate will remain unchanged at 5,75%.
- The marked decline in international oil prices has had a significant impact on the medium term outlook for headline inflation in the global economy and in South Africa. At this stage it is unclear whether this is a temporary shock, or if it will be sustained or decline further. As with an oil price increase, we would look through the impact effect and focus on the possible second round effects of this decline. The possibility that oil prices are sustained at current levels introduces a degree of downside risk to the inflation forecast.
- The domestic growth outlook remains challenging, and the risks to the forecast are assessed to be moderately on the downside. The MPC does not see significant signs of excess demand pressures that are impacting on the inflation outlook and household consumption expenditure is expected to remain constrained.
- At the same time, despite its recent relative stability, the exchange rate remains an upside risk to the inflation outlook, vulnerable to changing perceptions of the timing of global monetary policy adjustments, and the slow pace of contraction in the current account deficit. The extent to which policy normalisation is already priced into the exchange rate is also unclear. A further upside risk to the inflation forecast comes from a possible increase in wage settlement rates in excess of inflation and productivity growth in the coming year.
- In light of this assessment, the MPC sees the overall risk to the headline inflation forecast to be more or less balanced. However, given the elevated level of core inflation, and the fact that headline inflation is expected to increase later in the forecast period as the first round effect of the oil price decline dissipates, the Committee remains vigilant and will continue to monitor developments closely.

4.5 Agricultural machinery sales

- December 2014 tractor sales of 344 units were 5,5% more than the 326 units reported in December 2013. Sales for the 2014 calendar year of 6 464 units were 2,5% down on 2013 sales of 6 630 units. December 2014 combine harvester sales of eight units were one unit more than the seven units sold in December 2013. Combine harvester sales of 333 units for 2014 were 4,0% less than the 347 units sold in 2013.
- Industry expectations are that the market in 2015 will be between 5 and 10% down on 2014.

Table 5: Agricultural machinery sales

Equipment class	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	December			December		
	2014	2013		2014	2013	
Tractors	344	326	5,5	6 464	6 630	-2,5
Combine harvesters	8	7	14,3	333	347	-4,0

Source: SAAMA press release, January 2015



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