MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JANUARY 2016

Issued: 4 February 2016

Directorate: Statistics and Economic Analysis

Highlights:

- **During January 2016, significant rainfall events were limited to most of the central regions of the country.**
- **The expected commercial production of wheat for 2015 is 1,501 million tons, which is 14,2% less than the previous seasons' crop of 1,750 million tons.**
- **The projected closing stocks of wheat for the current 2015/16 marketing year are 715 513 tons, which includes imports of 1,950 million tons. It is also 19,9% more than the previous years' ending stocks.**
- **Projected closing stocks of maize for the current 2015/16 marketing year are 1,673 million tons, which is 19,3% less than the previous years' ending stocks.**
- **Projected closing stocks of maize for the coming 2016/17 marketing year are 1,291 million tons, which is 22,8% less than the previous years' ending stocks.**
- **The projected closing stocks of sorghum for the current 2015/16 marketing year are 69 852 tons, which is 42,7% less than the previous years' ending stocks.**
- **The projected closing stocks of sunflower seed for the current 2015/16 marketing year are 41 567 tons, which is 55,3% less than the previous years' ending stocks.**
- **The projected closing stocks of soybeans for the current 2015/16 marketing year are 147 454 tons, which is 131,5% more than the previous years' ending stocks.**
- **The headline CPI (for all urban areas) annual inflation rate in December 2015 was higher at 5,2%.**
- **The annual percentage change in the PPI for final manufactured goods was higher at 4,8% in December 2015.**
- **The Monetary Policy Committee announced in January 2016 that the repo rate will increase by 50 basis points to at 6,75% per annum.**
- **December 2015 tractor sales of 246 units were almost 30% down on the 344 units sold in December 2014.**

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 January 2016

During January 2016, significant rainfall events were limited to most of the central regions of the country (**Figure 1**). Comparing the rainfall totals to the long term average for January 2016, rainfall received was near-normal but above-normal for most of the western parts of the country (**Figure 2**). Isolated areas of above-normal rainfall was also evident in North West, Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo and Eastern Cape provinces while north-eastern Limpopo and northern KwaZulu-Natal received below-normal rainfall for the mentioned period.

Figure 1: Rainfall in mm for January 2016

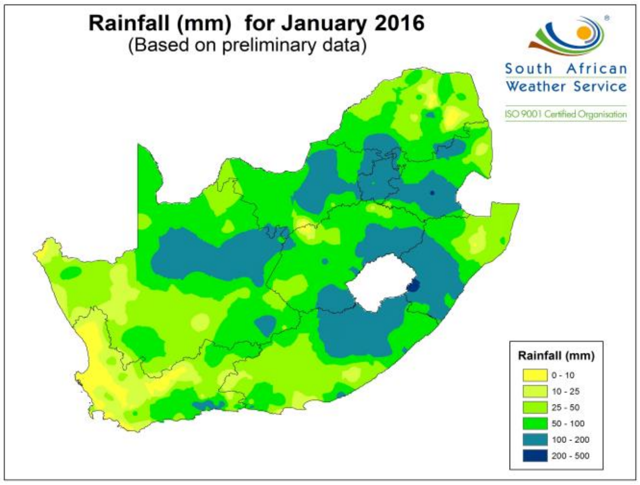
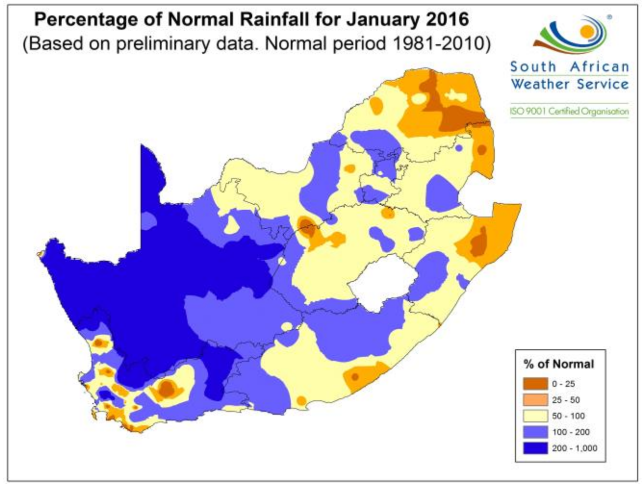


Figure 2: Percentage rainfall for January 2016



According to the latest Seasonal Climate Watch of the SA Weather Service, most models are showing the continuation of a strong El-Niño episode towards the late-summer season with the expectation to start gradually decaying during the autumn and early winter seasons. The forecasting system is showing that going towards the late-summer and autumn seasons, that there is still a likelihood of dry conditions over most parts of the country. The likelihood of warmer than normal temperatures over most of South Africa is predicted to be high toward the autumn season.

1.2 Level of dams

Available information on the level of South Africa's dams on 1 February 2016 indicates that the country has approximately 55% of its full supply capacity (FSC) available, 27% less than the corresponding period in 2015. All the provinces show a decreasing trend in the full supply capacity of dams of between 3% and 32%, compared to the same period last year. The largest decreases in the full supply capacity for the mentioned period are evident in the Free State with 32%, followed by the Mpumalanga with 31% and Limpopo with 28%. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 1 February 2016

Province	Net FSC million cubic meters	**1/02/2016 (%)**	Last Year (2015) (%)	% Increase/Decrease 2016 vs 2015
Eastern Cape	1 833	73	76	-3,0
Free State	15 971	55	87	-32,0
Gauteng	115	84	101	-17,0
KwaZulu-Natal	4 669	53	73	-20,0
Lesotho	2 376	47	75	-28,0
Limpopo	1 508	62	90	-28,0
Mpumalanga	2 538	62	93	-31,0
North West	825	46	68	-22,0
Northern Cape	146	65	91	-26,0
Western Cape	1 853	46	66	-20,0
Total	**31 834**	**55**	**82**	**-27,0**

Source: Department of Water Affairs

2. Grain production

2.1 Summer grain crops

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

Table 2: Commercial summer crops: Preliminary area planted and preliminary production forecast - 2016 season

CROP	Area planted 2016 Ha (A)	Production forecast 2016 Tons (B)	Area planted 2015 Ha (C)	Final estimate 2015 Tons (D)	Change % (B) ÷ (D)
White maize	**1 032 650**	**3 267 000**	**1 448 050**	**4 702 700**	**-30,53**
Yellow maize	**962 500**	**4 171 250**	**1 204 800**	**5 238 950**	**-20,38**
Total Maize	**1 995 150**	**7 438 250**	**2 652 850**	**9 941 650**	**-25,18**
Sunflower seed	**617 000**	**622 000**	**576 000**	**660 900**	**-5,89**
Soybeans	**535 000**	**768 560**	**687 300**	**1 059 850**	**-27,48**
Groundnuts	**24 000**	**29 600**	**58 000**	**56 675**	**-47,77**
Sorghum	**62 500**	**119 400**	**70 500**	**116 500**	**2,49**
Dry beans	**25 500**	**35 150**	**64 000**	**73 390**	**-52,11**
TOTAL	**3 259 150**	**9 012 960**	**4 108 650**	**11 908 965**	**-24,32**

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

- The preliminary area estimate for maize is 1,995 million ha, which is 24,79% or 657 700 ha less than the 2,653 million ha planted for the previous season, and also 21,78% or 555 650 ha less than the intentions to plant figure of 2,551 million ha released in October 2015.
- The preliminary size of the commercial maize crop is 7,438 million tons, which is 25,18% or 2,503 million tons less than the 9,942 million tons of the previous season, with an expected yield of 3,73 t/ha (versus the 3,75 t/ha in 2015).
- The preliminary area estimate for white maize is 1,033 million ha, which represents a decrease of 28,69% or 415 400 ha compared to the 1,448 million ha planted last season. In the case of yellow maize the area estimate is 962 500 ha, which is also 20,11% or 242 300 ha less than the 1,205 million ha planted last season.
- The preliminary production forecast of white maize is 3,267 million tons, which is 30,53% or 1,436 million tons less than the 4,703 million tons of last season. The yield for white maize is 3,16 t/ha as against the 3,25 t/ha of 2015. In the case of yellow maize the production forecast is 4,171 million tons, which is 20,38% or 1,068 million tons less than the 5,239 million tons of last season. The yield for yellow maize is 4,33 t/ha as against the 4,35 t/ha of 2015.
- The preliminary area estimate for sunflower seed is 617 000 ha, which is about 7,12% or 41 000 ha more than the 576 000 ha planted the previous season. The preliminary production forecast for sunflower seed is 622 000 tons, which is 5,89% or 38 900 tons less than the 660 900 tons of the previous season. The expected yield is 1,01 t/ha as against the 1,15 t/ha of 2015.
- It is estimated that 535 000 ha have been planted to soybeans, which represents a decrease of 22,16% or 152 300 ha compared to the 687 300 ha planted last season. The production forecast is 768 560 tons, which is

27,48% or 291 290 tons less than the 1,060 million tons of the previous season. The expected yield is 1,44 t/ha as against the 1,54 t/ha of 2015.

- For groundnuts, the area estimate is 24 000 ha, which is 58,62% or 34 000 ha less than the 58 000 ha planted for the previous season. The expected crop is 29 600 tons – which is 47,77% or 27 075 tons less than the 56 675 tons of last season. The expected yield is 1,23 t/ha as against the 0,98 t/ha of 2015.
- The area estimate for sorghum decreased by 11,35%, from 70 500 ha to 62 500 ha against the previous season. The production forecast for sorghum is 119 400 tons, which is 2,49% or 2 900 tons more than the 116 500 tons of the previous season. The expected yield is 1,91 t/ha as against the 1,65 t/ha of 2015.
- For dry beans, the area estimate is 25 500 ha, which is 60,16% or 38 500 ha less than the 64 000 ha planted for the previous season. The production forecast is 35 150 tons, which is 52,11% or 38 240 tons less than the 73 390 tons of the previous season. The expected yield is 1,38 t/ha as against the 1,15 t/ha of 2015.

Please note that the revised area and first production forecast for summer grains for 2016 will be released on 25 February 2016.

2.2 Winter cereal crops

The area estimate and sixth production forecast for winter crops for 2015 was also released by the Crop Estimates Committee (CEC) on 27 January 2016, and is as follows:

Table 3: Commercial winter crops: Area planted and sixth production forecast - 2015 season

CROP	Area planted 2015 Ha (A)	6th Forecast 2015 Tons (B)	Area planted 2014 Ha (C)	Final estimate 2014 Tons (D)	Change % (B) ÷ (D)
Wheat	**482 150**	**1 501 190**	**476 570**	**1 750 000**	**-14,22**
Malting barley	**93 730**	**341 373**	**85 125**	**302 000**	**13,04**
Canola	**78 050**	**97 600**	**95 000**	**121 000**	**-19,34**
Total	**653 930**	**1 940 163**	**656 695**	**2 173 000**	**-10,71**

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

- The expected commercial production of **wheat** is 1,501 million tons, which is 14,22% or 248 810 tons less than the previous seasons' crop of 1,750 million tons, whilst the expected yield is 3,11 t/ha (versus the 3,67 t/ha of the previous season).
- The expected production in the Western Cape is thus now 713 000 tons (47%), in the Northern Cape 259 200 tons (17%) and in the Free State 208 000 tons (14%).
- The production forecast for **malting barley** is 341 373 tons, which is 13,04% or 39 373 tons more than the previous seasons' crop of 302 000 tons. The area planted is estimated at 93 730 ha, while the expected yield is 3,64 t/ha (versus the 3,55 t/ha of the previous season).
- The expected **canola** crop is 97 600 tons, which is 19,34% or 23 400 tons less than the previous seasons' crop of 121 000 tons. The area estimate for canola is 78 050 ha, with an expected yield of 1,25 t/ha (versus the 1,27 t/ha of the previous season).

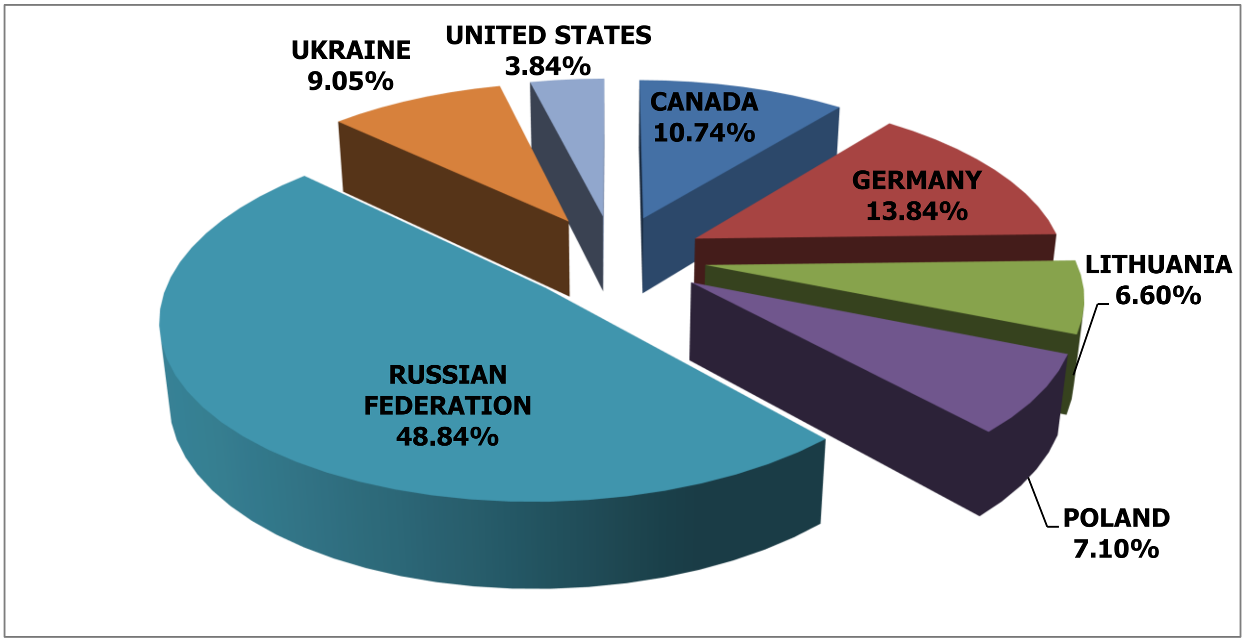
Please note that the final production estimate for winter cereals for 2015 will be released on 25 February 2016.

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 Jan16 Annexure A.

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

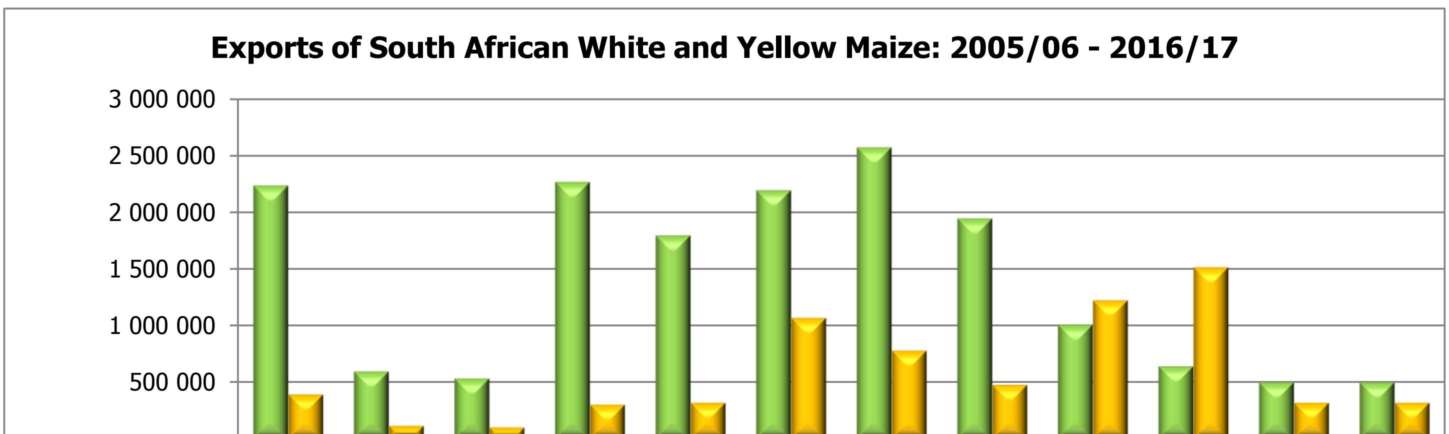
Graph 1: Major countries of wheat imports for South Africa: 2015/16 marketing year



- The progressive wheat imports from 26 September 2015 to 29 January 2016, amount to 676 313 tons, with the largest quantity (48,84% or 330 304 tons) imported from the Russian Federation followed by Germany (13,84% or 93 568 tons), Canada (10,74% or 72 613 tons), Ukraine (9,05% or 61 198 tons), Poland (7,10% or 48 020 tons), Lithuania (6,60% or 44 663 tons) and the United States (3,84% or 25 947 tons). The exports of wheat for the mentioned period amount to 23 778 tons, of which 53,06% or 12 617 tons were exported to Zimbabwe, 19,35% or 4 601 tons to Namibia, 13,27% or 3 156 tons to Botswana, 10,47% or 2 490 tons to Mozambique, 3,13% or 745 tons to Swaziland and only 0,71% or 169 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	500 000	500 000
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	320 000	320 000

*Projection

- The projection for exports of white maize for the 2015/16 marketing year are 500 000 tons, which represents a decrease of 22,0% compared to the 640 807 tons of the previous marketing year. With reference to yellow maize exports, the projection is 320 000 tons, which represents a decrease of 78,9% compared to the

1,515 million tons of the previous marketing year. The preliminary indications of exports for the 2016/17 marketing year are 500 000 tons and 320 000 tons for white and yellow maize, respectively.

- From 25 April to 29 January 2016, progressive white maize exports amount to 336 642 tons, with the main destinations being the BLNS Countries (81,24% or 273 479 tons), Mozambique (16,54% or 55 683 tons) and Zimbabwe (2,22% or 7 480 tons). The imports of white maize for the mentioned period amount to 71 559 tons, of which 71,33% or 51 040 tons were from Mexico and 28,67% or 20 519 tons from Zambia.
- From 25 April to 29 January 2016, progressive yellow maize exports amount to 169 546 tons, with the main destinations being the BLNS Countries (78,72% or 133 466 tons), Mozambique (17,38% or 29 461 tons), Democratic People's Republic of Korea (1,94% or 3 281 tons), Republic of Korea (1,34% or 2 277 tons), Central Republic of Africa (0,53% or 897 tons) and Zimbabwe (0,10% or 164 tons). The imports of yellow maize for the mentioned period amount to 798 604 tons, of which 44,87% or 358 363 tons were from Argentina, 44,57% or 355 954 tons from Brazil and 10,55% or 84 287 tons from Paraguay.

4. Market information

4.1 Consumer Price Index (CPI)

- Annual consumer price inflation was 5,2% in December 2015, up from 4,8% in November 2015. The consumer price index increased by 0,3% month-on-month in December 2015.
- Contributions to headline annual consumer price inflation were as follows:
  - Food and non-alcoholic beverages increased from 0,7% in November (4,8% year-on-year) to 0,9% in December (5,9% year-on-year);
  - Household contents and services increased from 0,1% in November (3,1% year-on-year) to 0,2% in December (3,5% year-on-year); and
  - Transport increased from 0% in November (0,0% year-on-year) to 0,3% in December (1,9% year-on-year).
- Contributions to monthly consumer price inflation were as follows:
  - Food and non-alcoholic beverages contributed 0,1% in December. The index increased by 0,6% month-on-month. The items with the highest monthly rates were fruit (5,5%) and vegetables (3,9%); and
  - Housing and utilities contributed 0,2% in December. The index increased by 0,8% month-on-month, mainly because of actual rentals for housing (1,1%) and owners' equivalent rent (1,2%).
- In December the CPI for goods increased by 4,6% year-on-year (up from 3,8% in November), and the CPI for services increased by 5,7% year-on-year (unchanged from 5,7% in November).
- Provincial annual inflation rates ranged from 4,5% in Mpumalanga to 5,7% in Free State.

4.2 Producer Price Index (PPI)

- The annual percentage change in the PPI for final manufactured goods was 4,8% in December 2015 (compared with 4,3% in November 2015). From November 2015 to December 2015 the PPI for final manufactured goods increased by 0,2%.
- The main contributors to the annual rate of 4,8% were food products, beverages and tobacco products (6,2% year-on-year and contributing 2,1%), wood and paper products (7,6% year-on-year and contributing 0,8%), as well as metals, machinery, equipment and computing equipment (4,5% year-on-year and contributing 0,7%).
- The main contributor to the monthly increase of 0,2% was transport equipment (1,9% month-on-month and contributing 0,2%).
- The annual percentage change in the PPI for electricity and water was 14,1% in December 2015 (compared with 12,9% in November 2015). From November 2015 to December 2015 the PPI for electricity and water decreased by 0,3%.

- The contributors to the annual rate of 14,1% were electricity (14,6% year-on-year and contributing 12,3%) and water (11,3% year-on-year and contributing 1,8%). The contributor to the monthly decrease of 0,3% was electricity (-0,4% month-on-month and contributing -0,3%).
- The annual percentage change in the PPI for mining was -0,7% in December 2015 (compared with 2,4% in November 2015). From November 2015 to December 2015 the PPI for mining decreased by 0,4%.
- The main contributor to the annual rate of -0,7% was non-ferrous metal ores (-13,2% year-on-year and contributing -4,6%). The main contributor to the monthly decrease of 0,4% was non-ferrous metal ores (-1,8% month-on-month and contributing -0,6%).
- The annual percentage change in the PPI for agriculture, forestry and fishing was 11,8% in December 2015 (compared with 9,6% in November 2015). From November 2015 to December 2015 the PPI for agriculture, forestry and fishing increased by 3,5%.
- The main contributor to the annual rate of 11,8% was agriculture (12,7% year-on-year and contributing 10,9%). The contributor to the monthly increase of 3,5% was agriculture (3,7% month-on-month and contributing 3,2%).

4.3 Future contract prices and the exchange rate

Table 4: Closing prices on Thursday, 4 February 2016

	4 February 2016	4 January 2016	% Change
RSA White Maize per ton (May 2016 contract)	R4 910,00	R4 710,00	4,25
RSA Yellow Maize per ton (May 2016 contract)	R3 650,00	R3 672,00	-0,60
RSA Wheat per ton (Feb. 2016 contract)	R4 707,00	R4 901,00	-3,96
RSA Sunflower seed per ton (May 2016 contract)	R7 060,00	R6 735,00	4,83
RSA Soya-beans per ton (May 2016 contract)	R6 282,00	R6 355,00	-1,15
Exchange rate R/$	R15,78	R15,54	1,54

Source: JSE/SAFEX

4.4 Monetary Policy Committee

- The Monetary Policy Committee (MPC) announced on 28 January 2016 that the repo rate will increase by 50 basis points to 6,75% per annum.
- The repo rate increased after the sharp upward revision of the Reserve Bank's inflation forecasts. It is expected that headline CPI may reach 7,8% in quarter 4 of 2016. The objective is to keep the annual inflation rate low at 6% or less. The purpose of the 50 basis point was primarily to stabilize the Rand. It is expected that interest rates may increase another 75 basis points during 2016. Consequently, the Rand may strengthen further leading to lower import and export parity price levels for agricultural commodities. A strengthening of the Rand leads to lower commodity prices, benefiting imports and the cost of imported agricultural production inputs and fuel prices, leading to a lower inflation rate.

4.5 Agricultural machinery sales

- December 2015 tractor sales of 246 units were almost 30% down on the 344 units sold in December 2014. On a calendar year basis 2015 sales were 12% down on those in 2014. December 2015 combine harvester sales of 5 units were significantly down on the 8 units sold in December 2014. On a calendar year basis combine harvester sales for 2015 were approximately 37% down on 2014.
- The situation has worsened again in December 2015 as the drought and heat wave conditions have prevailed. Summer crop plantings in the eastern areas of the country have been relatively good, but follow-up rain is urgently required. In the western areas (western Free State and North West province), plantings have been significantly down on the previous year. This situation will become clearer once the Crop Estimates Committee

releases its preliminary estimates of summer crop plantings towards the end of January 2016. Initial non-official estimates are that the maize crop could be less than half of what it was in 2015 and that up to five million tons of maize will need to be imported to satisfy local demand. Added to the serious weather problems, the recent sharp fall in the value of the rand will lead to significant increases in agricultural machinery and summer crop prices. This is going to have a serious knock-on effect through the whole South African economy. The agricultural and agricultural machinery industries, in particular, are going to be facing a very difficult future in 2016.

Table 5: Agricultural machinery sales

Equipment class	**Year-on-year December**		**Percentage Change %**	**Year-to-date December**		**Percentage Change %**
	2015	**2014**		**2015**	**2014**	
Tractors	246	344	-28,49	5 673	6 460	-12,18
Combine harvesters	5	8	-37,50	211	333	-36,64

Source: SAAMA press release, January 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:

- 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