MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JANUARY 2017

Issued: 3 February 2017

Directorate: Statistics and Economic Analysis

Highlights:

- **During January 2017, significant rainfall events were limited to the central and eastern parts of the country.**
- **The expected production of wheat for 2016 is 1,893 million tons, which is 31,5% 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 824 622 tons, which includes imports of 1,45 million tons. It is also 0,3% less than the previous years' ending stocks.**
- **The preliminary area estimate for maize is 2,549 million ha, which is 31,0% ha more than the 1,947 million ha planted for the previous season.**
- **Projected closing stocks of maize for the current 2016/17 marketing year are 1,257 million tons, which is 49,1% less than the previous years' ending stocks.**
- **The projected closing stocks of sorghum for the current 2016/17 marketing year are 40 892 tons, which is 50,8% less than the previous years' ending stocks.**
- **The projected closing stocks of sunflower seed for current 2016/17 marketing year are 160 967 tons, which is 250,9% more than the previous years' ending stocks.**
- **The projected closing stocks of soybeans for the current 2016/17 marketing year are 73 178 tons, which is 17,9% less than the previous years' ending stocks.**
- **The headline CPI (for all urban areas) annual inflation rate in December 2016 was higher at 6,8%.**
- **The annual percentage change in the PPI for final manufactured goods was higher at 7,1% in December 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 January 2017

During January 2017, significant rainfall events were limited to the central and eastern parts of the country (**Figure 1**). Comparing rainfall totals to the long term average for January 2017, rainfall received was near normal to above normal in most areas (**Figure 2**). The winter rainfall areas received below normal rainfall.

Figure 1: Rainfall in mm for Jauary 2017

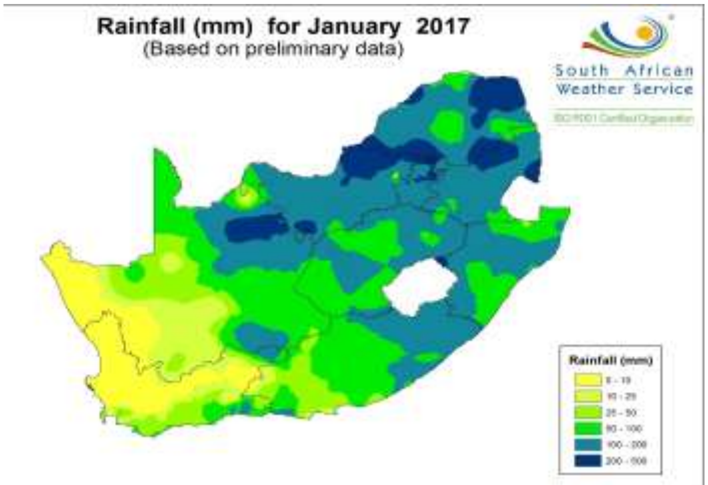
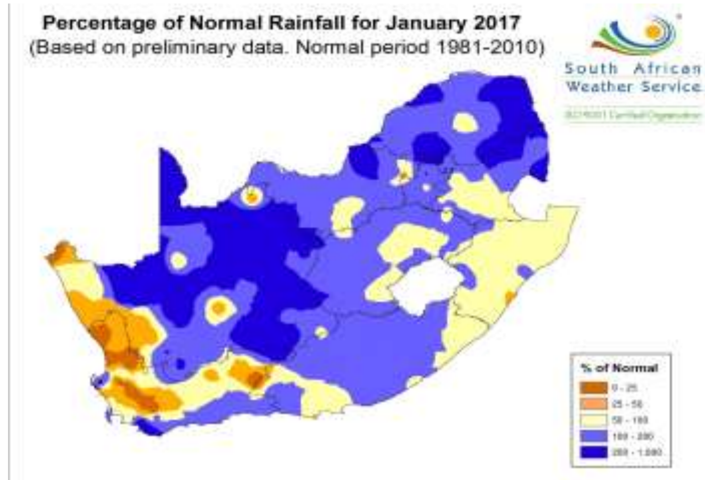


Figure 2: Percentage rainfall for January 2017



1.2 Level of dams

Available information on the level of South Africa's dams on 30 January 2017 indicates that the country has approximately 55% of its full supply capacity (FSC) available, 1% less than the corresponding period in 2016. The coastal provinces show a decreasing trend in the full supply capacity of dams between 7% and 16% compared to 2016. However, the Free State, Gauteng and Limpopo provinces show improvements of 2% each, followed by Mpumalanga with 4%, North-West with 24% and the Northern Cape with 26% compared to the same period last year. The largest decreases in full supply capacity for the same period are evident in the Eastern Cape with 16%, Western Cape with 8% and KwaZulu-Natal with 7%. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 30 January 2017

Province	Net FSC million cubic meters	**30/1/2017 (%)**	Last Year (2016) (%)	% Increase/Decrease 2017 vs. 2016
Eastern Cape	1 832	**58**	74	-16,0
Free State	15 971	**57**	55	2,0
Gauteng	115	**87**	85	2,0
KwaZulu-Natal	4 669	**47**	54	-7,0
Lesotho	2 376	**45**	47	-2,0
Limpopo	1 508	**64**	62	2,0
Mpumalanga	2 539	**66**	62	4,0
North West	887	**73**	49	24,0
Northern Cape	146	**94**	68	26,0
Western Cape	1 870	**38**	46	-8,0
Total	31 913	**55**	56	-1,0

Source: Department of Water and Sanitation

2. Grain production

2.1 Summer grain crops

The preliminary area planted estimate for summer crops for 2017 was released by the Crop Estimates Committee (CEC) on 26 January 2017, and is as follows:

Table 2: Commercial summer crops: Preliminary area planted - 2017 season

CROP	Area planted 2017 Ha (A)	Intentions[1)] 2017 Ha (B)	Area planted 2016 Ha (C)	Final estimate 2016 Tons (D)	Change % (A) ÷ (C)
White maize	1 557 200	1 455 000	1 014 750	3 253 775	53,46
Yellow maize	992 000	1 008 000	932 000	4 283 100	6,44
Total Maize	2 549 200	2 463 000	1 946 750	7 536 875	30,95
Sunflower seed	665 800	670 000	718 500	755 000	-7,33
Soybeans	542 200	516 000	502 800	741 550	7,84
Groundnuts	45 500	33 500	22 600	18 850	101,33
Sorghum	36 800	38 300	48 500	74 150	-24,12
Dry beans	45 000	33 000	34 400	35 445	30,81
TOTAL	3 884 500	3 753 800	3 273 550	9 161 870	18,66

Note: Estimate is for calendar year, e.g. production season 2016/17 = 2017
1) As mid October 2016

- The preliminary area estimate for **maize** is 2,549 million ha, which is 30,95% or 602 450 ha more than the 1,947 million ha planted for the previous season, and also 3,50% or 86 200 ha more than the intentions to plant figure of 2,463 million ha released in October 2016.
- The preliminary area estimate for **white maize** is 1,557 million ha, which represents an increase of 53,46% or 542 450 ha compared to the 1,015 million ha planted last season. In the case of **yellow maize** the area estimate is 992 000 ha, which is also 6,44% or 60 000 ha more than the 932 000 ha planted last season.
- The preliminary area estimate for **sunflower seed** is 665 800 ha, which is about 7,33% or 52 700 ha less than the 718 500 ha planted the previous season.
- It is estimated that 542 200 ha have been planted to **soybeans**, which represents an increase of 7,84% or 39 400 ha compared to the 502 800 ha planted last season.
- For **groundnuts**, the area estimate is 45 500 ha, which is 101,33% or 22 900 ha more than the 22 600 ha planted for the previous season.
- The area estimate for **sorghum** decreased by 24,12%, from 48 500 ha to 36 800 ha against the previous season.
- For **dry beans**, the area estimate is 45 000 ha, which is 30,81% or 10 600 ha more than the 34 400 ha planted for the previous season.

Please note that the revised area estimate and first production forecast for summer field crops for 2017 will be released on 28 February 2017.

2.2 Winter cereal crops

The CEC also released the area estimate and sixth production forecast for winter crops for 2016 on 26 January 2016, and is as follows:

Table 3: Commercial winter crops: Area planted and sixth production forecast - 2016 season

CROP	**Area planted 2016 Ha (A)**	6th Forecast 2016 Tons (B)	Area planted 2015 Ha (C)	Final crop 2015 Tons (D)	Change % (B) ÷ (D)
Wheat	**508 365**	**1 893 390**	482 150	1 440 000	31,49
Malting barley	**88 695**	**354 065**	93 730	332 000	6,65
Canola	**68 075**	**105 460**	78 050	93 000	13,40
Total	**665 135**	**2 352 915**	653 930	1 865 000	26,16

- The expected commercial production of **wheat** is 1,893 million tons, which is 31,49% or 435 540 tons more than the previous seasons' of 1,440 million tons, whilst the expected yield is 3,72 t/ha.
- The expected production in the Western Cape is 1,082 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 354 065 tons, which is 6,65% more than the previous seasons' of 332 000 tons. The area planted is estimated at 88 695 ha, while the expected yield is 3,99 t/ha.
- The expected **canola** crop was 105 460 tons, which is 13,40% more than the previous seasons' crop of 93 000 tons. The area estimate for canola is 68 075 ha, with an expected yield of 1,55 t/ha.

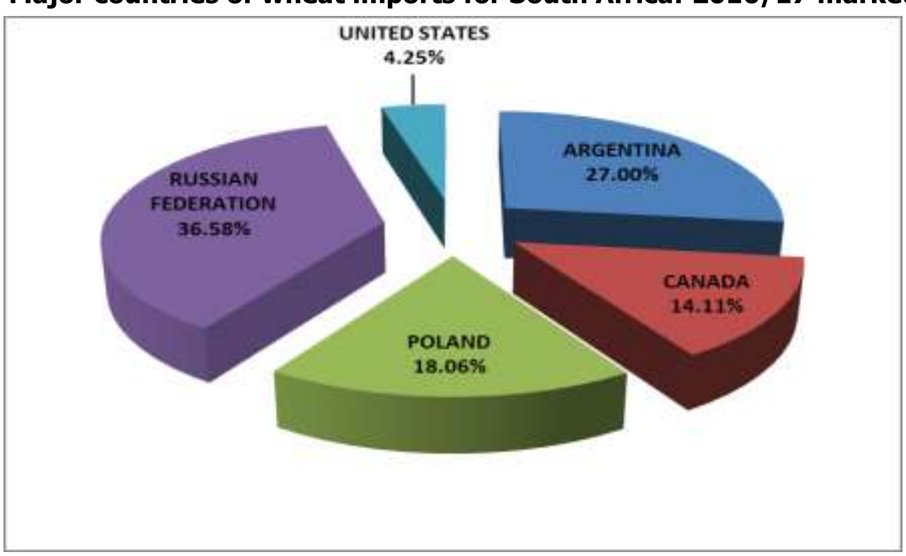
Please note that the final production estimate for winter cereals for 2016 will be released on 28 February 2017.

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 Jan17 Annexure A.

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

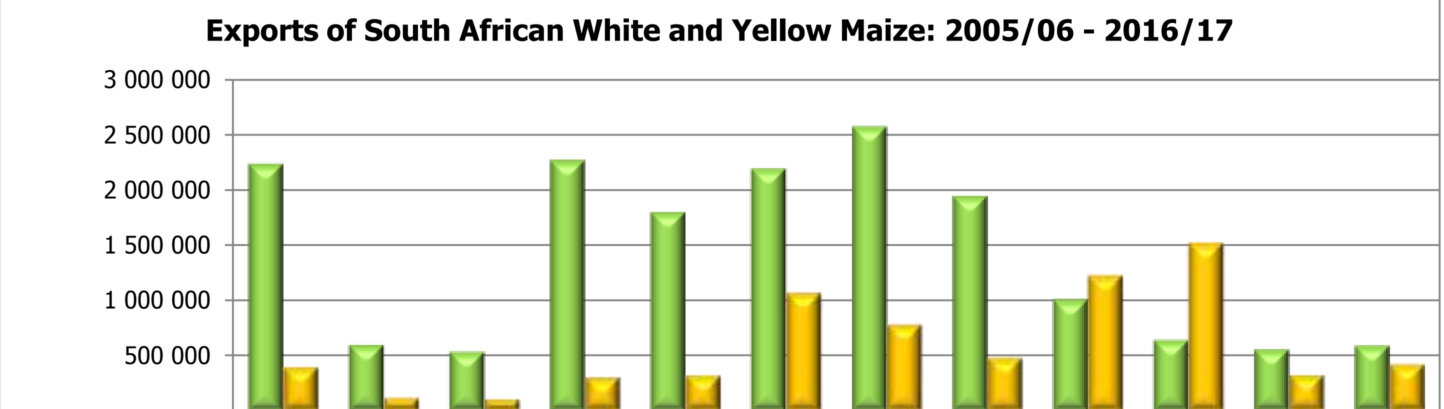
Graph 1: Major countries of wheat imports for South Africa: 2016/17 marketing year



- The progressive wheat imports for the 2016/17 marketing year (1 October 2016 to 27 January 2017) amount to 141 888 tons, with 36,58% or 51 900 tons imported from the Russian Federation, followed by Argentina (27,00% or 38 307 tons), Poland with (18,06% or 25 626 tons), Canada with (14,11% or 20 027 tons) and the United States (4,25% or 6 028 tons). The exports of wheat for the above-mentioned period amount to 24 507 tons, of which 48,13% or 11 796 tons to Zimbabwe, 47,74% or 11 699 tons were exported to the BLNS Countries and only 4,13% or 1 012 tons to Mozambique.

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	420 000

*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 420 000 tons, which represents an increase of 30,13% compared to the 322 748 tons of the previous marketing year.
- From 30 April 2016 to 27 January 2017, progressive white maize exports amount to 374 063 tons, with the main destinations being the BLNS Countries (71,66% or 268 035 tons), Zimbabwe (19,76% or 73 918 tons), Mozambique (7,86% or 29 417 tons) and Malawi (0,72% or 2 693 tons). The imports of white maize for the mentioned period amount to 658 826 tons, of which 87,54% or 576 768 tons were from Mexico and 12,46% or 82 058 tons from the United States.
- From 30 April 2016 to27 January 2017, progressive yellow maize exports amount to 237 071 tons, with the main destinations being the BLNS Countries (55,56% or 131 711 tons), Zimbabwe (33,57% or 79 581 tons), Mozambique (8,87% or 21 018 tons), Korea (1,95% or 4 629 tons) and Zambia (0,06% or 132 tons). The imports of yellow maize for the mentioned period amount to 1,212 million tons, of which 82,32% or 997 736 tons were from Argentina, 8,44% or 102 291 tons from Ukraine, 7,79% or 94 462 tons from Brazil and 1,44% or 17 504 tons from Romania.

4. Market information

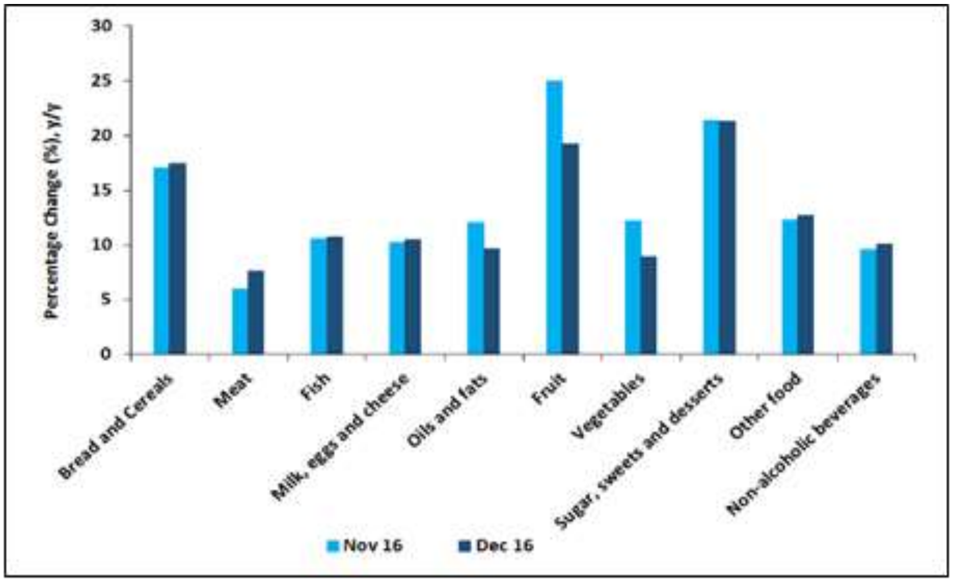
4.1 Consumer Price Index (CPI)

- Annual consumer price inflation was 6,8% in December 2016, up from 6,6% in November 2016. The consumer price index increased by 0,4% month-on-month in December 2016.
- Consumer price index data, as released in January 2017, shows that food and non-alcoholic beverages inflation accelerated to 11,7% year-on-year in December 2016 from 11,6% in November 2016 (with non-alcoholic beverages aside, food inflation increased to 12% year-on-year in December 2016 from 11,8% year-on-year in

November 2016).

- Food and non-alcoholic beverages basket consist of bread & cereals; meat; fish; milk, eggs & cheese; oils & fats; fruit; vegetables; sugar, sweets & desserts; non-alcoholic beverages and other foods. The overall increase was largely driven by bread & cereals; meat; eggs & cheese and other foods which reached 17,4% year-on-year 7,6% year-on-year 10,5% and 12,7%, respectively (**see Graph 3**).
- The increase in the bread & cereals inflation is reflective of the effects of 2015/16 El Nino induced drought that led to lower maize supplies and subsequently higher maize prices. The increase in milk, eggs & cheese inflation was largely driven by lower domestic milk supplies. In November 2016, the South African Milk Processors' Organisation Raw Milk Purchase Index fell by 3% from the previous month to 135,73 points – reflective of the decline in purchases. The increase in meat inflation coincides with seasonal demand during the festive season. Meanwhile, the decline in vegetables and fruits inflation was driven by harvest pressure.

Graph 3: November and December 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 7,1% in December 2016 (compared with 6,9% in November 2016). From November 2016 to December 2016 the PPI for final manufactured goods increased by 0,5%.
- The main contributors to the annual rate of 7,1 % were food products, beverages and tobacco products (3,9%), metals, machinery, equipment and computing equipment (0,9%) and coke, petroleum, chemical, rubber, as well as plastic products (0,8%). The main contributors to the monthly increase of 0,5% were non-metallic mineral products (0,2%), as well as transport equipment (0,2%).
- The annual percentage change in the PPI for intermediate manufactured goods was 7,3% in December 2016 (compared with 6,6% in November 2016). From November 2016 to December 2016 the PPI for intermediate manufactured goods increased by 0,6%. The main contributors to the annual rate of 7,3% were sawmilling and wood (2,0%), basic and fabricated metals (2,0%), as well as chemicals, rubber and plastic products (1,8%). The main contributor to the monthly increase of 0,6% was basic and fabricated metals (0,5%).
- The annual percentage change in the PPI for electricity and water was 7,4% in December 2016 (compared with 8,3% in November 2016). From November 2016 to December 2016 the PPI for electricity and water decreased by 1,1%. The contributors to the annual rate of 7,4% were electricity (5,7%) and water (1,7%). The contributor to the monthly decrease of 1,1% was electricity (-1,1%).

- The annual percentage change in the PPI for mining was 10,6% in December 2016 (compared with 8,1% in November 2016). From November 2016 to December 2016 the PPI for mining increased by 2,0%. The main contributors to the annual rate of 10,6% were non-ferrous metal ores (5,8%), gold and other metal ores (4,5%), as well as coal and gas (3,8%). The main contributor to the monthly increase of 2,0% was non-ferrous metal ores (1,8%).

- The annual percentage change in the PPI for agriculture, forestry and fishing was 6,4% in December 2016 (compared with 8,1% in November 2016). From November 2016 to December 2016 the PPI for agriculture, forestry and fishing increased by 1,7%. The contributors to the annual rate of 6,4% were agriculture (4,8%), forestry (0,9%) and fishing (0,6%). The main contributor to the monthly increase of 1,7% was agriculture (1,9%).

4.3 Future contract prices and the exchange rate

Table 4: Closing prices on Wednesday, 1 February 2017

	1 February 2017	3 January 2017	% Change
RSA White Maize per ton (May 2017 contract)	R2 220,00	R2 735,00	-18,83
RSA Yellow Maize per ton (May 2017 contract)	R2 250,00	R2 548,00	-11,70
RSA Wheat per ton (May 2017 contract)	R4 097,00	R4 100,00	-0,07
RSA Sunflower seed per ton (May 2017 contract)	R5 340,00	R5 700,00	-6,32
RSA Soya-beans per ton (May 2017 contract)	R5 835,00	R5 953,00	-1,98
Exchange rate R/$	R13,43	R13,75	-2,33

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 5: 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 February 2017 will be released on **7 March 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