MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JULY 2014

Issued: 4 August 2014

Directorate: Statistics and Economic Analysis

Highlights:

- **During July 2014, significant rainfall events were limited to the western parts of the Western Cape Province.**
- **The preliminary area estimate for wheat is 484 000 ha, which is 4,3% less than the 505 500 ha planted for the previous season.**
- **The projected closing stocks of wheat for the current 2013/14 marketing year are 569 043 tons, which includes imports of 1,70 million tons. It is also 16,3% more than the previous years' ending stocks.**
- **The expected commercial maize crop for 2014 is 14,017 million tons, which is 18,7% more than the 11,811 million tons of the previous season.**
- **Projected closing stocks of maize for the current 2014/15 marketing year are 1,915 million tons, which is considerably more (225,0%) than the previous years' ending stocks.**
- **The projected closing stocks of sorghum for the current 2014/15 marketing year are 111 669 tons, which is 123,0% more than the previous years' ending stocks.**
- **The headline CPI (for all urban areas) annual inflation rate in June 2014 was unchanged at 6,6%.**
- **The annual percentage change in the PPI for final manufactured goods was lower at 8,1% in June 2014.**
- **The Monetary Policy Committee announced an increase of 25 basis points in interest rates, bringing the repo rate to 5,75%.**

agriculture, forestry & fisheries

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1. Weather conditions

Rainfall for July 2014

During July 2014, significant rainfall events were limited to the western parts of the Western Cape Province (**Figure 1**). Comparing rainfall totals to the long term average for July 2014, rainfall was below-normal over most parts of the country and above normal-only over the western coastal regions (**Figure 2**).

Figure 1: Rainfall (mm) for July 2014

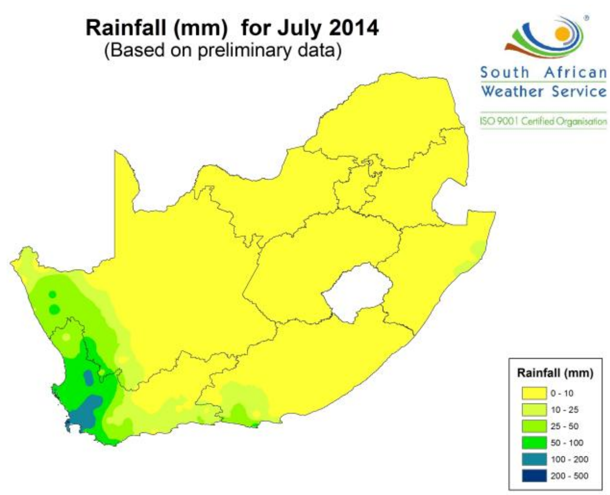
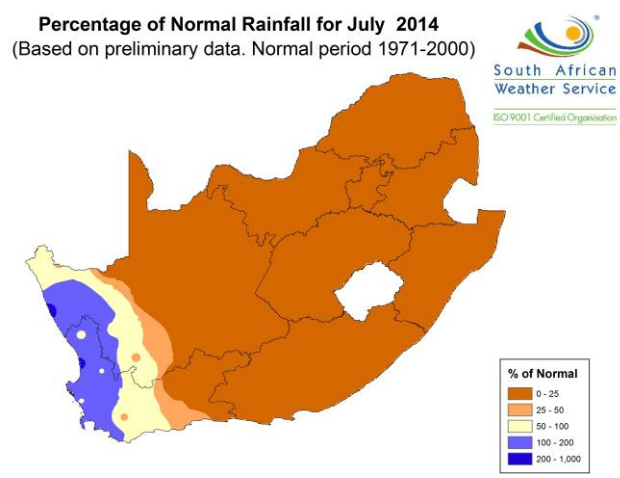


Figure 2: Percentage rainfall for July 2014



1.1 Level of dams

Available information on the level of South Africa's dams on 28 July 2014 indicates that the country has approximately 86% of its full supply capacity (FSC) available, 4% more than the corresponding period in 2013. Most of the provinces show an improvement in the full supply capacity of dams, especially in the Northern Cape (99%), Gauteng (96%), Mpumalanga (93%) and Western Cape (93%) provinces. However, KwaZulu-Natal still shows a decrease of 4% compared to the same period in 2013. The provincial distribution of South Africa's water supply is contained in **Table 1** below, including Lesotho and it is interesting to note that there is no change in the full supply capacity of dams thereof.

Table 1: Level of dams, 28 July 2014

Province	Net FSC million cubic meters	**28/7/2014 (%)**	Last Year (2013) (%)	% Increase/Decrease 2014 vs 2013
Eastern Cape	1 814	79	78	1,0
Free State	15 971	89	83	6,0
Gauteng	115	96	79	17,0
KwaZulu-Natal	4 669	82	86	-4,0
Lesotho	2 376	66	71	-5,0
Limpopo	1 504	90	72	18,0
Mpumalanga	2 520	93	88	5,0
North West	802	78	68	10,0
Northern Cape	146	99	78	21,0
Western Cape	1 854	93	84	9,0
Total	31 771	**86**	**82**	4,0

Source: Department of Water Affairs

2. Grain production

2.1 Summer grain crops

The sixth production forecast for summer crops for 2014 was released by the Crop Estimates Committee (CEC) on 29 July 2014, and is as follows:

Table 2: Commercial summer crops: Area planted and sixth production forecast - 2014 season

CROP	**Area planted 2014 Ha (A)**	**6th forecast 2014 Tons (B)**	Area planted 2013 Ha (C)	Final crop 2013 Tons (D)	Change % (B) ÷ (D)
White maize	**1 551 200**	**7 697 350**	1 617 200	5 606 800	37,29
Yellow maize	**1 137 000**	**6 319 500**	1 164 000	6 203 800	1,86
Maize	**2 688 200**	**14 016 850**	2 781 200	11 810 600	18,68
Sunflower seed	**598 950**	**853 325**	504 700	557 000	53,20
Soya-beans	**502 900**	**944 340**	516 500	784 500	20,37
Groundnuts	**52 125**	**82 690**	46 900	41 500	99,25
Sorghum	**78 850**	**255 700**	62 620	147 200	73,71
Dry beans	**55 820**	**86 030**	43 550	60 200	42,91
TOTAL	**3 976 845**	**16 238 935**	3 955 470	13 401 000	21,18

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

- The size of the expected **commercial maize** crop has been set at 14,017 million tons, which is 18,68% or 2,206 million tons higher than the previous season's 11,811 million tons. The area estimate for maize is 2,688 million ha, while the expected yield is 5,21 t/ha.
- The area estimate for white maize is 1,551 million ha and for yellow maize the area estimate is 1,137 million ha.
- The production forecast of **white maize** is 7,697 million tons which is 37,29% or 2,091 million tons more than the 5,607 million tons of the previous season. The yield for white maize is 4,96 t/ha. In the case of **yellow maize** the production forecast is 6,320 million tons, which is 1,86% or 115 700 tons more than the 6,203 million tons of the previous season. The yield for yellow maize is 5,56 t/ha.
- The production forecast for **sunflower seed** is 853 325 tons, an increase of 53,20% compared to the 557 000 tons of the previous season. The area estimate for sunflower seed is 598 950 ha, with an expected yield of 1,42 t/ha.
- The production forecast for **soya-beans** is 944 340 tons, which is 20,37% more than the 784 500 tons of the previous season. The area estimate is 502 900 ha, and the expected yield is 1,88 t/ha.
- The expected **groundnut crop** was increased by 99,25% to 82 690 tons, as compared to the 41 500 tons of the previous season. For groundnuts, the area estimate is 52 125 ha, with an expected yield of 1,59 t/ha.
- The production forecast for **sorghum** is 255 700 tons, which is 73,71% more than the 147 200 tons of the previous season. The area estimate for sorghum is 78 850 ha, and the expected yield is 3,24 t/ha.
- In the case of **dry beans**, the production forecast is 86 030 tons, which is 42,91% more than the 60 200 tons of the previous season. The area estimate of dry beans is 55 820 ha, and the expected yield is 1,54 t/ha.

Please note that the seventh production forecast for summer field crops for 2014, will be released on 27 August 2014.

2.2 Winter cereal crops

The preliminary area estimate for winter cereals for 2014 was also released by the CEC on 29 July 2014, and is as follows:

Table 3: Commercial winter crops: Preliminary area planted estimate - 2014 season

CROP	**Area planted 2014** **Ha** **(A)**	Intentions Mid April 2014 Ha (B)	**Area planted 2013** **Ha** **(C)**	Final crop 2013 Tons (D)	Change % (A) ÷ (C)
Wheat	**484 000**	500 500	**505 500**	1 870 000	-4,25
Malting barley	**83 525**	85 540	**81 320**	267 500	2,71
Canola	**85 000**	80 000	**72 165**	112 000	17,79
Total	**652 525**	666 040	**658 985**	2 249 500	-0,98

*Intentions based on conditions at the middle of April 2014

- The preliminary area estimate for **wheat** is 484 000 ha, which is 4,25% or 21 500 ha less than the 505 500 ha planted for the previous season. On record, this is the smallest area planted to wheat. The decrease in the expected planting of wheat can mainly be attributed to farmers that are expected to plant more oilseeds like soybeans at the expense of wheat, low prices (no longer profitable), as well as inadequate soil moisture levels in some of the northern producing areas.
- An estimated 315 000 ha is planted in the Western Cape, which is 5 000 ha more than the 310 000 ha planted for the previous season. In the Free State, 70 000 ha is planted, which is 20 000 ha less than the 90 000 ha planted for the previous season. The area planted in the Northern Cape is 38 000 ha, which is 4 000 ha less than the 42 000 ha for the previous season.
- The preliminary area estimate for **malting barley** is 83 525 ha, which is 2,71% or 2 205 ha more than the 81 320 ha of last season.
- The area planted to **canola** is 85 000 ha, which is 17,79% or 12 835 ha more than the 72 165 ha planted for the previous season. On record, this is the largest area planted to canola.

Please note that the revised area planted estimate and first production forecast of the winter cereal crops for 2014, will be released on 27 August 2014.

2.3 Non-commercial maize - 2014

The area planted to and production of non-commercial maize for 2014 was also released by the CEC on 29 July 2014, and is as follows:

Table 4: Non-commercial maize – Area planted and production estimate - 2014 season

CROP	**Area planted 2014** **Ha** **(A)**	**Production 2014** **Tons** **(B)**	Area planted 2013 Ha (C)	Final crop 2013 Tons (D)	Change % (B) ÷ (D)
Non-commercial agriculture:					
White maize	**288 100**	**447 500**	320 105	459 995	-2,72
Yellow maize	**119 900**	**227 500**	136 795	215 095	+5,77
Maize	**408 000**	**675 000**	456 900	675 090	-0,01

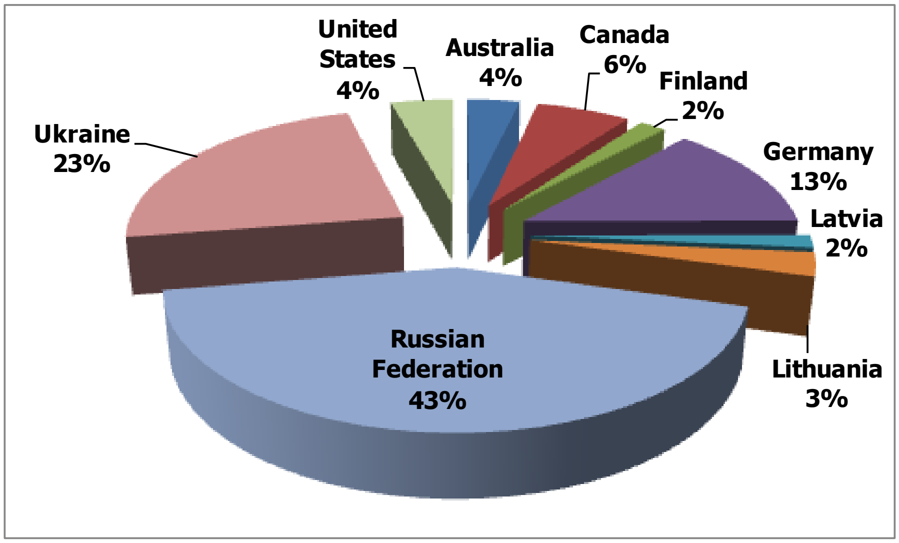
- The area planted to maize in the non-commercial agricultural sector is estimated at 408 000 ha, which represents a decrease of 10,70% compared to the 456 900 ha of the previous season. The expected maize crop for this sector is 675 000 tons, which is more or less the same than the 675 090 tons of last season.

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 July14 Annexure A.

3.1 Imports and exports of wheat for the 2013/14 marketing year

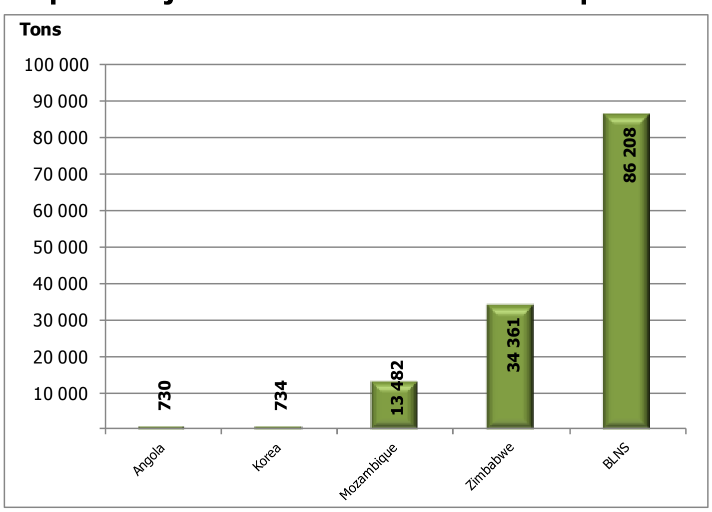
Graph 1: Major countries of wheat imports for South Africa: 2013/14 marketing year



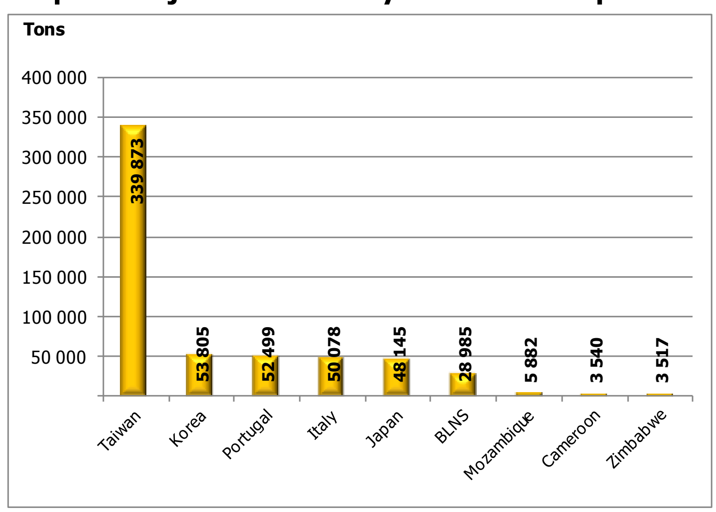
- The progressive wheat imports from 28 September 2013 to 25 July 2014, amount to 1,408 million tons, with the largest quantity (43% or 606 796 tons) imported from the Russian Federation followed by Ukraine (23% or 327 820 tons), and Germany (13% or 184 255 tons). The exports of wheat for the mentioned period amount to 205 419 tons, of which 79% or 161 686 tons were exported to the BLNS countries.

3.2 Exports of white and yellow maize for the 2014/15 marketing year

Graph 2: Major countries of white maize exports



Graph 3: Major countries of yellow maize exports



- From 26 April to 25 July 2014, progressive white maize exports amount to 135 515 tons, with the main destinations being the BLNS countries (63,6% or 86 208 tons) and Zimbabwe (25,4% or 34 361 tons). No imports were reported for the mentioned period.
- From 26 April to 25 July 2014, progressive yellow maize exports amount to 586 324 tons, with the main destinations being Taiwan (58,0% or 339 873 tons), Korea (9,2% or 53 805 tons), Portugal (9,0% or 52 499 tons) and Italy (8,5% or 50 078 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 June 2014 was 6,6%. This rate was the same as the corresponding annual rate of 6,6% in May 2014. On average, prices increased by 0,3% between May 2014 and June 2014.
- The food and non-alcoholic beverages index increased by 0,1% between May 2014 and June 2014. The annual rate was the same as the corresponding rate of 8,8% in May 2014. The following components in the food and non-alcoholic beverages index increased: Hot beverages (2,1%), milk, eggs and cheese (1,0%), other food (0,6%), sugar, sweets and desserts (0,5%), bread and cereals (0,4%), fish (0,3%) and cold beverages (0,3%). The following components decreased: Fruit (-4,6%), vegetables (-1,8%) and oils and fats (-0,1%).
- The housing and utilities index increased by 0,9% between May 2014 and June 2014, mainly due to a 1,5% increase in actual rentals for housing and 1,3% increase in owners' equivalent rent. The annual rate increased to 5,8% in June 2014 from 5,7% in May 2014.
- The household contents and services index increased by 1,2% between May 2014 and June 2014, mainly due to 2,3% increase in domestic workers' wages. The annual rate increased to 4,0% in June 2014 from 3,7% in May 2014.
- The transport index decreased by 0,1% between May 2014 and June 2014, mainly due to 22c/litre decrease in the price of petrol. The annual rate decreased to 8,6% in June 2014 from 8,9% in May 2014.
- The provinces with an annual inflation rate lower than or equal to the headline inflation were Gauteng (6,6%), Western Cape (6,5%), Free State (6,5%), Mpumalanga (6,5%) and Northern Cape (6,4%). The provinces with an annual inflation rate higher than the headline inflation were Limpopo (8,3%), KwaZulu-Natal (7,2%), North West (7,1%) and Eastern Cape (6,8%).

4.2 Producer Price Index (PPI)

- The annual percentage change in the PPI for final manufactured goods was 8,1% in June 2014 (compared with 8,7% in May 2014). From May 2014 to June 2014 the PPI for final manufactured goods increased by 0,3%.
- The main contributors to the annual rate of 8,1% were food products, beverages and tobacco products (7,6% year-on-year and contributing 2,8%), coke, petroleum, chemical, rubber and plastic products (9,3% year-on-year and contributing 1,6%), metals, machinery, equipment and computing equipment (9,5% year-on-year and contributing 1,4%), as well as transport equipment (8,0% year-on-year and contributing 0,8%).
- The main contributors to the monthly increase of 0,3% were wood and paper products (0,6% month-on-month and contributing 0,1%) and metals, machinery, equipment and computing equipment (0,6% month-on-month and contributing 0,1%).
- The annual percentage change in the PPI for intermediate manufactured goods was 9,0% in June 2014 (compared with 9,8% in May 2014). From May 2014 to June 2014 the PPI for intermediate manufactured goods increased by 0,2%. The main contributors to the annual rate of 9,0% were chemicals, rubber and plastic products (9,9% year-on-year and contributing 3,0%) and basic and fabricated metals (7,3% year-on-year and contributing 2,9%). The main contributor to the monthly increase of 0,2% was basic and fabricated metals (1,0% month-on-month and contributing 0,4%).
- The annual percentage change in the PPI for electricity and water was 8,2% in June 2014 (compared with 9,7% in May 2014). From May 2014 to June 2014 the PPI for electricity and water increased by 32,9%. The contributors to the annual rate of 8,2% were electricity (8,2% year-on-year and contributing 7,2%) and water (7,8% year-on-year and contributing 1,0%). The contributor to the monthly increase of 32,9% was electricity (39,6% month-on-month and contributing 32,9%).
- The annual percentage change in the PPI for mining was 5,8% in June 2014 (compared with 4,9% in May 2014). From May 2014 to June 2014 the PPI for mining increased by 1,4%. The main contributors to the annual rate of 5,8% were non-ferrous metal ores (10,7% year-on-year and contributing 4,6%) and coal and gas (5,8% year-on-year and contributing 1,6%). The main contributors to the monthly increase of 1,4% were non-ferrous metal ores (2,3% month-on-month and contributing 1,0%) and coal and gas (1,7% month-on-month and contributing 0,5%).

- The annual percentage change in the PPI for agriculture, forestry and fishing was 4,5% in June 2014 (compared with 6,7% in May 2014). From May 2014 to June 2014 the PPI for agriculture, forestry and fishing decreased by 2,2%. The main contributor to the annual rate of 4,5% was agriculture (4,4% year-on-year and contributing 3,4%). The main contributor to the monthly decrease of 2,2% was agriculture (-2,6% month-on-month and contributing -2,0%).

4.3 Future contract prices and the exchange rate

Table 5: Closing prices on Friday, 1 August 2014

	1 August 2014	1 July 2014	% Change
RSA White Maize per ton (Sep. 2014 contract)	R1 799,00	R1 808,00	-0,50
RSA Yellow Maize per ton (Sep. 2014 contract)	R1 868,00	R1 915,00	-2,45
RSA Wheat per ton (Sep. 2014 contract)	R3 731,00	R3 697,00	0,92
RSA Sunflower seed per ton (Sep. 2014 contract)	R4 530,00	R4 790,00	-5,43
RSA Soya-beans per ton (Sep. 2014 contract)	R5 440,00	R5 450,00	-0,18
Exchange rate R/$	R10,74	R10,65	0,85

Source: JSE/SAFEX

4.4 Monetary Policy Committee

- The Monetary Policy Committee (MPC) announced on 17 July 2014 an increase of 25 basis points in interest rates, bringing the repo rate to 5,75%.
- The MPC is, however, cognisant of the fact that the inflation pressures do not reflect excess demand conditions in the economy. Household consumption expenditure remains weak, and credit extension to households is contracting in real terms. However, the MPC do have to be mindful of second-round effects of supply side shocks.
- The MPC faces an increasingly difficult dilemma of rising inflation and slowing growth. The core mandate of the Bank remains price stability, but at the same time, in achieving this mandate, the MPC have to be mindful of the impact of their actions on economic growth and tread a fine line between acting effectively to address the inflation objective, while not undermining growth unduly.

4.5 Quarterly Labour Force Survey – 2nd Quarter of 2014

- The Quarterly Labour Force Survey (QLFS) is a household-based sample survey conducted by Statistics South Africa (Stats SA). It collects data on the labour market activities of individuals aged 15 years and above who live in South Africa. However, this report only covers labour market activities of persons aged 15 to 64 years.
- Between Quarter 1 of 2014 and Quarter 2 of 2014, employment increased by 39 000 - largely due to an increase of 60 000 and 43 000 jobs observed in Private Households and the Informal Sector, respectively. Employment declined by 39 000 in the Agricultural Industry and by 24 000 in the Formal Sector. The number of unemployed persons increased by 87 000 over the same period, to 5,2 million, the highest level since the inception of the QLFS in 2008. This resulted in an increase in the unemployment rate to 25,5% (up by 0,3%), while the absorption rate remained virtually unchanged, as compared to quarter 1 of 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