

MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JUNE 2016

Issued: 6 July 2016

Directorate: Statistics and Economic Analysis

Highlights:

- During June 2016, significant rainfall events were limited to the western parts of the Western Cape Province.
- The projected closing stocks of wheat for the current 2015/16 marketing year are 641 323 tons, which includes imports of 1,85 million tons. It is also 7,4% more than the previous years' ending stocks.
- The expected commercial maize crop for 2016 has been set at 7,161 million tons, which is 28,1% less than the 9,955 million tons of the previous season (2015), which was also a drought year.
- Projected closing stocks of maize for the current 2016/17 marketing year are 1,377 million tons, which is 44,4% less than the previous years' ending stocks.
- The projected closing stocks of sorghum for the current 2016/17 marketing year are 16 892 tons, which is 79,7% less than the previous years' ending stocks.
- The projected closing stocks of sunflower seed for current 2016/17 marketing year are 79 167 tons, which is 72,6% more than the previous years' ending stocks.
- The projected closing stocks of soybeans for the current 2016/17 marketing year are 80 778 tons, which is 9,4% less than the previous years' ending stocks.
- The headline CPI (for all urban areas) annual inflation rate in May 2016 was lower at 6,1%.
- The annual percentage change in the PPI for final manufactured goods was lower at 6,5% in May 2016.
- The real gross domestic product (measured by production) contracted by 1,2% in the first quarter of 2016.
- May tractor sales of 422 units were 5% up on the 402 units sold in May 2015.



**agriculture,
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Contents

1. Weather conditions	3
2. Grain production	4
2.1 Summer grain crops	4
2.2 Winter cereal crops	5
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	8
4.4 Gross Domestic Product – first quarter of 2016	8
4.5 Agricultural machinery sales	10
5. Acknowledgements	11



1. Weather conditions

1.1 Rainfall for June 2016

During June 2016, significant rainfall events were limited to the western parts of the Western Cape Province (**Figure 1**). Comparing the rainfall totals to the long term average for June 2016, rainfall received was above-normal, mainly in Gauteng, parts of North West, Limpopo, Mpumalanga, central Free State and the south-western parts of the country (**Figure 2**). In other areas rainfall occurrences were normal to below-normal.

Figure 1: Rainfall in mm for June 2016

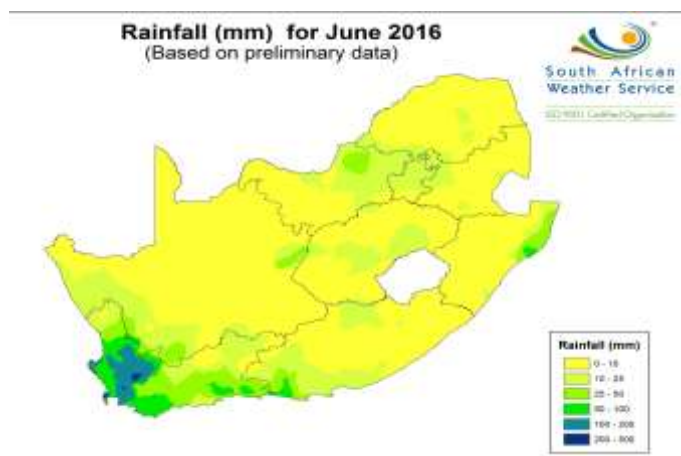
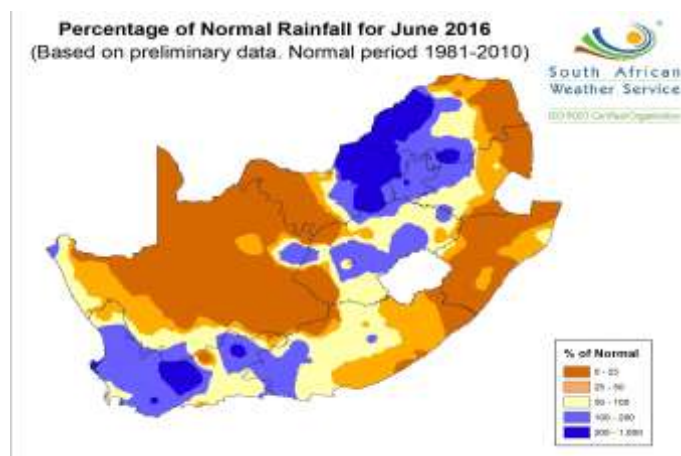


Figure 2: Percentage rainfall for June 2016



According to the latest Seasonal Climate Watch of the SA Weather Service, most ENSO prediction models indicate, the development of a (weak) La-Niña is likely toward late spring through the summer season of 2016/17. Climate conditions over adjacent oceans and most forecast models suggest the likelihood of a warmer and drier late winter season over the interior and north-eastern parts of the country. The far south-western parts may experience its usual winter conditions.

1.2 Level of dams

Available information on the level of South Africa's dams on 4 July 2016 indicates that the country has approximately 53% of its full supply capacity (FSC) available, 22% less than the corresponding period in 2015. All the provinces show a decreasing trend, except North West, in the full supply capacity of dams of between 5% and 26%, 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 26%, followed by Limpopo with 25%, Mpumalanga with 24%, the Northern Cape with 22% and KwaZulu-Natal with 19%. Only the North West Province show a slight increase (2%) in the full supply capacity of the province for the mentioned period. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 4 July 2016

Province	Net FSC million cubic meters	4/07/2016 (%)	Last Year (2015) (%)	% Increase/Decrease 2016 vs 2015
Eastern Cape	1 833	66	78	-12,0
Free State	15 971	53	79	-26,0
Gauteng	115	86	91	-5,0
KwaZulu-Natal	4 669	47	66	-19,0
Lesotho	2 376	45	68	-23,0
Limpopo	1 508	57	82	-25,0
Mpumalanga	2 539	59	83	-24,0
North West	887	66	64	2,0
Northern Cape	146	62	84	-22,0
Western Cape	1 870	43	49	-6,0
Total	31 914	53	75	-22,0

Source: Department of Water and Sanitation

2. Grain production

2.1 Summer grain crops

The area planted estimate and sixth production forecast for summer crops for 2016 was released by the Crop Estimates Committee (CEC) on 28 June 2016, and is as follows:

Table 2: Commercial summer crops: Revised area planted and sixth production forecast - 2016 season

CROP	Area planted 2016 Ha (A)	6th Production forecast 2016 Tons (B)	Area planted 2015 Ha (C)	Final crop 2015 Tons (D)	Change % (B) ÷ (D)
White maize	1 014 750	3 097 225	1 448 050	4 735 000	-34,59
Yellow maize	932 000	4 063 700	1 204 800	5 220 000	-22,15
Total Maize	1 946 750	7 160 925	2 652 850	9 955 000	-28,07
Sunflower seed	718 500	742 750	576 000	663 000	12,03
Soybeans	502 800	728 650	687 300	1 070 000	-31,90
Groundnuts	22 600	31 600	58 000	62 300	-49,28
Sorghum	48 500	88 500	70 500	120 500	-26,56
Dry beans	34 400	38 095	64 000	73 390	-48,09
TOTAL	3 273 550	8 790 520	4 108 650	11 944 190	-26,40

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

- The size of the expected **commercial maize crop** has been set at 7,161 million tons, which is 28,07% or 2,794 million tons less than the previous season of 9,955 million tons. The area estimate for maize is 1,947 million ha, which represents a decrease of 26,62% or 706 100 ha compared to the 2,653 million ha planted last season. The expected yield is 3,68 t/ha.
- The production forecast of **white maize** is 3,097 million tons, which is 34,59% or 1,638 million tons less than the 4,735 million tons of the previous season. The yield for white maize is 3,05 t/ha. In the case of **yellow maize** the production forecast is 4,064 million tons, which is 22,15% or 1,156 million tons less than the 5,220 million tons of the previous season. The yield for yellow maize is 4,36 t/ha.
- The area estimate for white maize is 1,015 million ha, which represents a decrease of 29,92% or 433 300 ha compared to the 1,448 million ha planted last season. In the case of yellow maize the area estimate is 932 000 ha, which is also 22,64% or 272 800 ha less than the 1,205 million ha planted last season.
- The production forecast for **sunflower seed** is 742 750 tons, which is 12,03% or 79 750 tons more than the 663 000 tons of the previous season. The revised area estimate for sunflower seed is 718 500 ha, which is about 24,74% or 142 500 ha more than the 576 000 ha planted the previous season. The expected yield is 1,03 t/ha.
- The production forecast for **soybeans** is 728 650 tons, which is 31,90% or 341 350 tons less than the 1,070 million tons of the previous season. It is estimated that 502 800 ha have been planted to soybeans, which represents a decrease of 26,84% or 184 500 ha compared to the 687 300 ha planted last season. The expected yield of 1,45 t/ha.
- The expected **groundnut** crop is 31 600 tons, which is 49,28% or 30 700 tons less than the 62 300 tons of the last season. For groundnuts, the area estimate is 22 600 ha, which is 61,03% or 35 400 ha less than the 58 000 ha planted for the previous season. The expected yield is 1,40 t/ha.



- The production forecast for **sorghum** is 88 500 tons, which is 26,56% or 32 000 tons less than the 120 500 tons of the previous season. The area estimate for sorghum decreased by 31,21% or 22 000 ha, from 70 500 ha to 48 500 ha against the previous season. The expected yield is 1,82 t/ha.
- In the case of **dry beans**, the production forecast is 38 095 tons, which is 48,09% or 35 295 tons less than the 73 390 tons of the previous season. For dry beans, the area estimate is 34 400 ha, which is 46,25% or 29 600 ha less than the 64 000 ha planted for the previous season. The expected yield of 1,11 t/ha.

Please note that the seventh production forecast for summer field crops for 2016 will be released on 27 July 2016.

2.2 Winter cereal crops

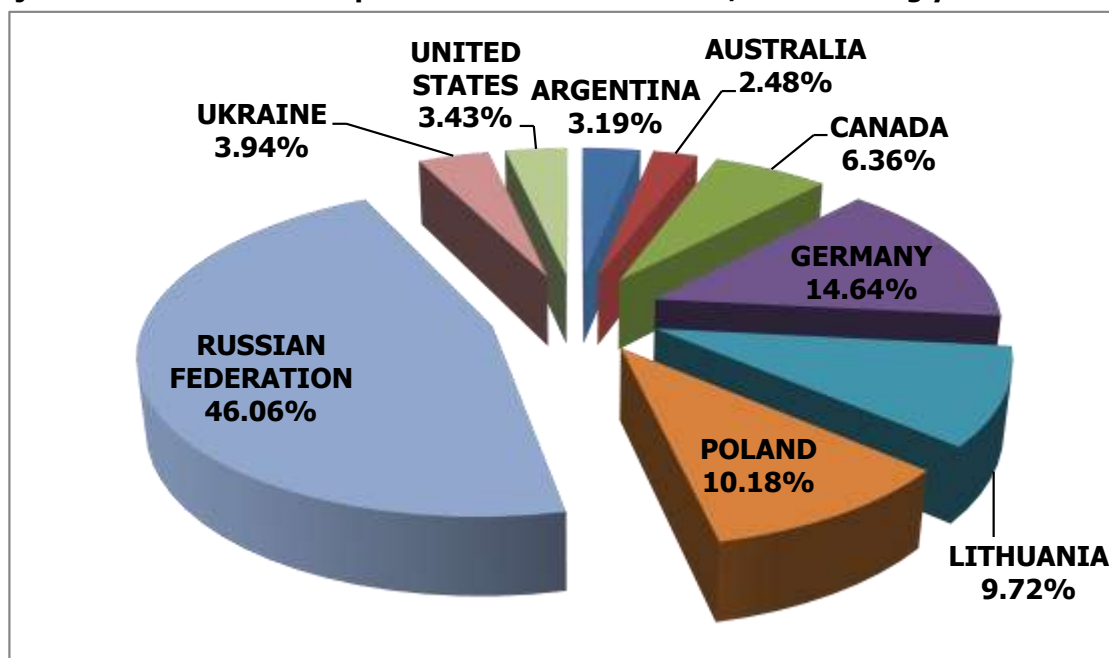
Please note that the preliminary area estimate of winter crops for 2016 will be released on 27 July 2016.

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 June16 Annexure A.

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

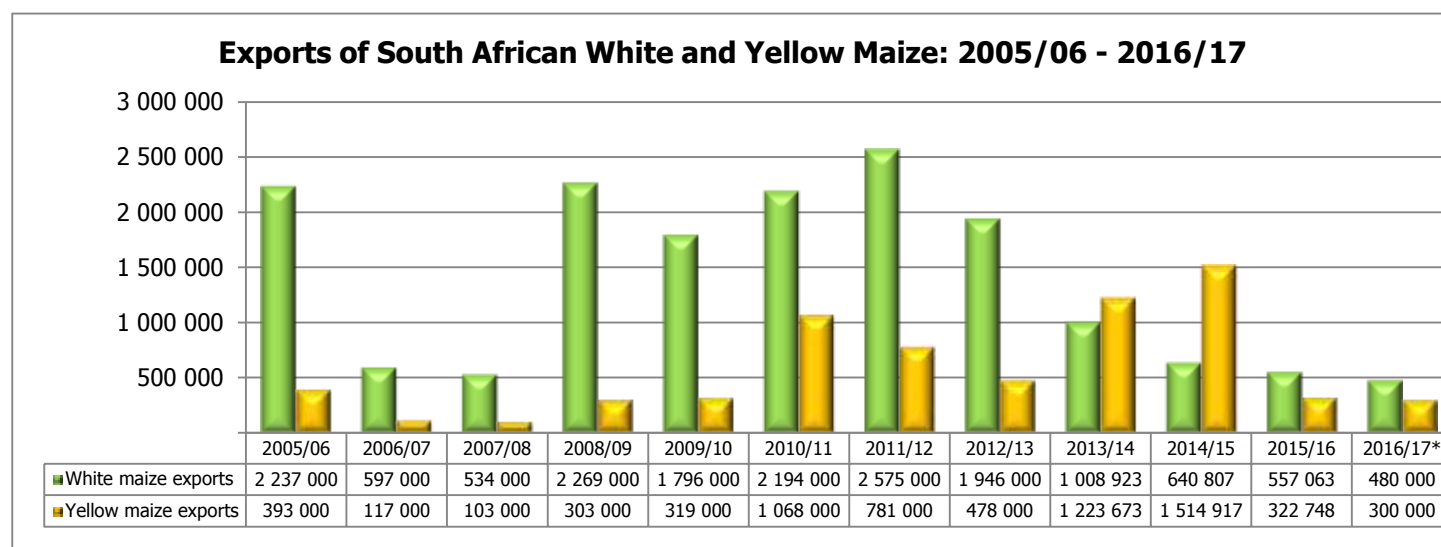
Graph 1: Major countries of wheat imports for South Africa: 2015/16 marketing year



- The progressive wheat imports from 26 September 2015 to 1 July 2016, amount to 1,550 million tons, with the largest quantity (46,06% or 713 945 tons) imported from the Russian Federation followed by Germany (14,64% or 226 861 tons), Poland (10,18% or 157 818 tons), Lithuania (9,72% or 150 624 tons), Canada (6,36% or 98 616 tons), Ukraine (3,94% or 61 129 tons), United States (3,43% or 53 172 tons), Argentina (3,19% or 49 516 tons) and Australia (2,48% or 38 439 tons). The exports of wheat for the mentioned period amount to 41 251 tons, of which 51,87% or 21 396 tons were exported to Zimbabwe, 41,44% or 17 096 tons to the BLNS Countries (Botswana, Lesotho, Namibia and Swaziland), 6,04% or 2 490 tons to Mozambique and only 0,65% or 269 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



*Projection

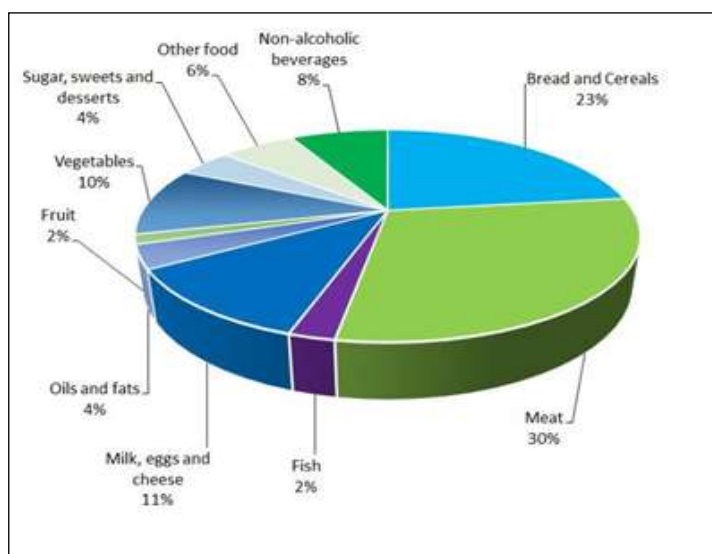
- The exports of white maize for the 2016/17 marketing year are projected 480 000 tons, which represents a decrease of 13,83% compared to the 557 063 tons of the previous marketing year. Yellow maize exports are projected at 300 000 tons, which represents a decrease of 7,05% compared to the 322 748 tons of the previous marketing year.
- From 30 April to 1 July 2016, progressive white maize exports amount to 92 237 tons, with the main destinations being the BLNS Countries (54,85% or 50 591 tons), Zimbabwe (37,39% or 34 490 tons) and Mozambique (7,76% or 7 156 tons). The imports of white maize for the mentioned period amount to 22 808 tons, of which 92,81% or 21 167 tons were from the United States and 7,19% or 1 641 tons from Mexico.
- From 30 April to 1 July 2016, progressive yellow maize exports amount to 45 145 tons, with the main destinations being the BLNS Countries (57,92% or 26 150 tons), Zimbabwe (22,64% or 10 220 tons), Mozambique (15,67% or 7 072 tons) and Korea (3,77% or 1 703 tons). The imports of yellow maize for the mentioned period amount to 271 662 tons, of which 100% were from Argentina.

4. Market information

4.1 Consumer Price Index (CPI)

- Recent data from Statistics South Africa indicates that in May 2016, headline inflation eased to 6,1% year-on-year from 6,2% year-on-year in the previous month. This was well below the market expectations of 6,4% year-on-year. This decrease was largely on the back of a fall in food and non-alcoholic beverages inflation to 10,5% year-on-year, from 11,0% year-on-year in April 2016.
- The food and non-alcoholic beverages basket consists of "bread and cereals", "meat", "fish", "milk, eggs and cheese", "oils and fats", "fruit", "vegetables", "sugar, sweets and deserts", "non-alcoholic beverages" and "other foods". Each of these products is allocated a weight, with the largest being "meat" and "bread and cereal", which make up 30% and 23%, respectively (**Graph 3**).

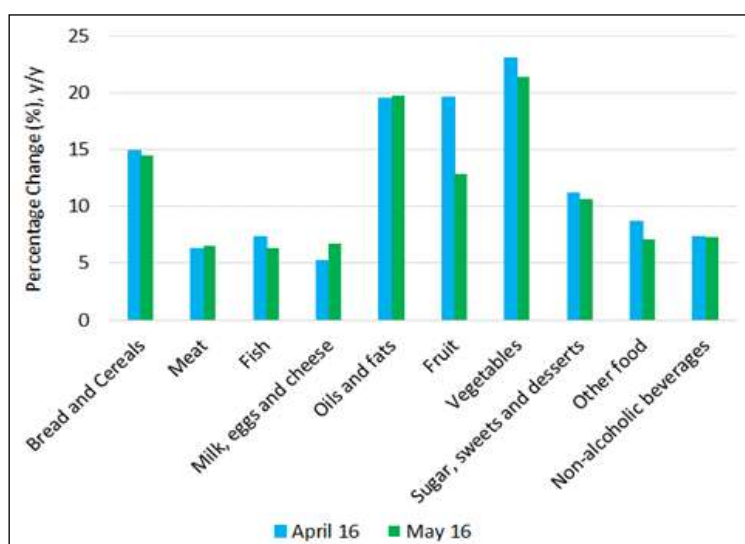
Graph 3: Weights of products in the food and non-alcoholic beverages basket



Source: Stats SA & Agbiz

- The largest year-on-year percentage decreases were recorded in “fruit”, “fish” and “other food”, which eased at 12,8%, 6,3% and 7,1%, respectively (**figure 4**). This decrease was to some extent due to statistical base effect. Agricultural commodity prices are still at higher levels on the back of tight supplies caused by the El Niño induced drought. Moreover, this year, South Africa is a net importer of grains, therefore a weaker Rand has added inflationary pressures on soft commodity prices, which in turn is translating to higher food prices.

Graph 4: April and May 2016 year-on-year percentage growth



Source: Stats SA & Agbiz

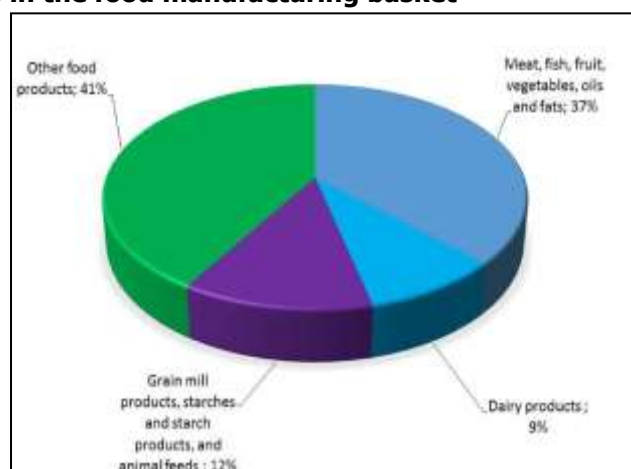
- Some sectors within the fruit industry, such as citrus, are at the harvesting stages, which to some extent, might ease pressure on prices. On grain related food stuffs, the pass through of high prices from high raw commodity side is already apparent on the retail food prices (Source: Agbiz).

4.2 Producer Price Index (PPI)

- The latest producer price index (PPI) data released by Statistics South Africa indicates that in May 2016, producer inflation for final manufactured goods slowed to 6,5% from 7,0% year-on-year, in April 2016. However, producer inflation for food products remained flat at 10,9%.
- The food products basket consists of four broad categories, which include “meat, fish, fruit, vegetables, oils and fats”, “dairy products”, “grain mill products, starches and starch products, and animal feeds” and “other food

products". Each of the above-mentioned categories within the food products basket is allocated a weight, with the largest being "meat, fish, fruit, vegetables, oils and fats" and "other food products", which contributes 37% and 41%, respectively (**figure 5**).

Graph 5: Weights of products in the food manufacturing basket



Source: Stats SA & Agbiz

- Even though the PPI for food products remained flat from the previous month, there were some movements in various food sub-sector categories indices. The "meat, fish, fruit, vegetables, oils and fats" decreased by 1,3% from the previous months' price.
- However, this decrease was offset by a 4,3% increase in "dairy products", which is in line with the seasonal increase in dairy products prices.
- The "grain mill products, starches and starch products, and animal feeds" increased by 1,2% from the previous month, a trend that is reflective of the increases in raw commodities prices.
- The "other food products" category also increased by 0,5% from the previous month, with sugar being the key driver of the increase. This again is reflective of the raw sugar prices, which have mainly been underpinned by lower supplies on the back of the current drought.

4.3 Future contract prices and the exchange rate

Table 3: Closing prices on Friday, 1 July 2016

	1 July 2016	1 June 2016	% Change
RSA White Maize per ton (July 2016 contract)	R4 587,00	R4 906,00	-6,50
RSA Yellow Maize per ton (July 2016 contract)	R3 427,00	R3 769,00	-9,07
RSA Wheat per ton (July 2016 contract)	R4 720,00	R5 126,00	-7,92
RSA Sunflower seed per ton (July 2016 contract)	R6 469,00	R6 422,00	0,73
RSA Soya-beans per ton (July 2016 contract)	R7 865,00	R7 544,00	4,26
Exchange rate R/\$	R14,67	R15,66	-6,32

Source: JSE/SAFEX

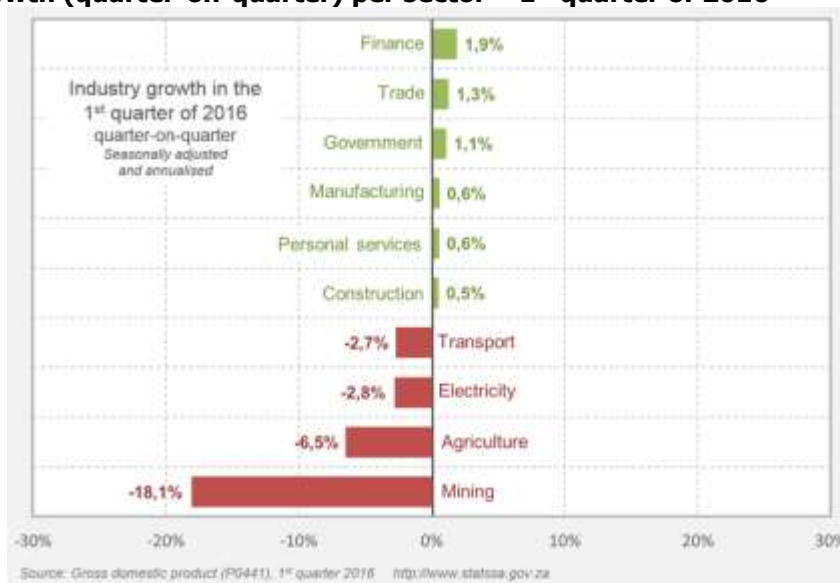
4.4 Gross Domestic Product – first quarter of 2016

- The real gross domestic product (measured by production) contracted by 1,2% in the first quarter of 2016, following an increase of 0,4% in the fourth quarter of 2015.
- A sharp contraction in mining tipped economic growth into negative territory in the first quarter of 2016. South Africa's economy shrank by 1,2% quarter-on-quarter (seasonally adjusted and annualised), according to the latest

gross domestic product (GDP) figures published by Stats SA in June 2016. Year-on-year growth for the same quarter was -0,2%.

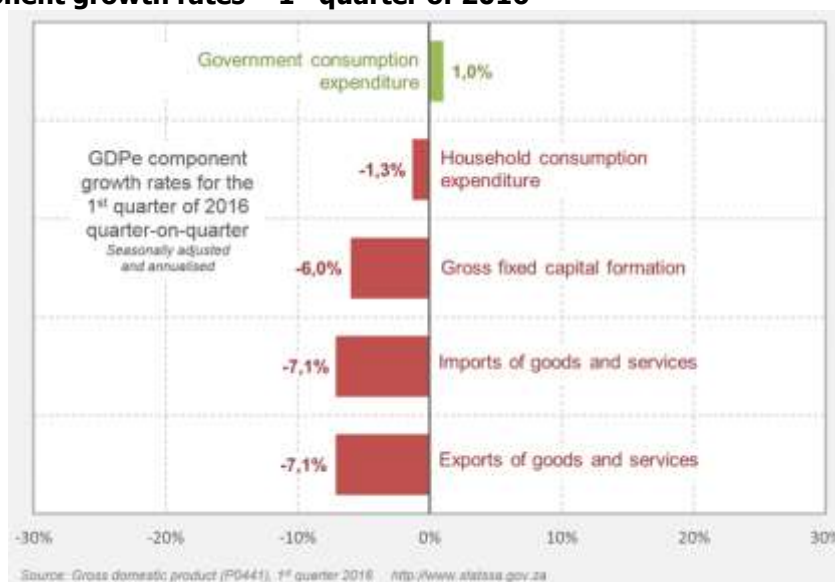
- If mining is excluded from the picture and non-mining growth is measured, the economy would have experienced growth of 0,5% instead of -1,2%.
- The impact of adverse weather continued to plague agriculture as the industry recorded its fifth consecutive quarter of negative growth. Agricultural production has fallen by 14% since the fourth quarter of 2014.
- The slowdown in mining and agriculture has had a knock-on effect on industries further along the production chain. Lower demand for energy, especially from mining, saw the electricity industry contract by 2,8%.
- The transport industry recorded its second consecutive quarter-on-quarter fall in activity, now joining beleaguered agriculture in recession territory. A fall in demand for freight and passenger land transportation contributed to the decline.

Graph 6: Industry growth (quarter-on-quarter) per sector – 1st quarter of 2016



- Stats SA has, for the first time, introduced expenditure on gross domestic product (GDPe) in the GDP statistical release. Historically Stats SA has published GDP production (GDPp) figures only, measuring the *supply side* of the economy (the extent to which industries drive economic output by producing goods and services). The growth figures outlined above fall under GDPp. The overall figure of -1,2%, reflecting the change in GDPp, continues to be the headline growth rate.
- GDPe, on the other hand, is a measure of the *demand side* of the economy, the amount of money that is used to buy the goods and services that are produced. GDPe includes data on household and government spending, capital investment, and exports (minus imports). Stats SA has taken over the responsibility for calculating GDPe from the South African Reserve Bank.
- GDPe fell by 0,7% quarter-on-quarter, joining GDPp growth in negative territory. Demand for goods and services declined for all components of GDPe with the exception of government, which experienced 1% quarter-on-quarter increase in expenditure. Exports of goods and services declined 7,1% and contributed most (-2,2%) to the overall decline.

Graph 7: GDPe component growth rates – 1st quarter of 2016



4.5 Agricultural machinery sales

- May tractor sales of 422 units were 5% up on the 402 units sold in May 2015. On a year-to-date basis tractor sales are approximately 8% down on those for the previous year. May combine harvester sales of 26 units were significantly up on the 19 units sold in May 2015. On a year-to-date basis combine harvester sales are approximately 16% down on last year.
- Some of the questions asked in the April 2015 press release are now being answered. Specifically, some of the crops, particularly those in the east are yielding well. Taken with the current excellent crop prices, farmers in the east will be in a good position to buy equipment later in the year. Many summer crop farmers in the west are not as well off.
- Nevertheless, there is still some way to go before farmers begin to plant their summer crops and despite the fundamentals of the market being positive, farmers still remain cautious. Industry expectations are still that 2016 tractor sales will be down on last year, perhaps by between 15 to 20%.

Table 4: Agricultural machinery sales

Equipment class	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	May			May		
	2016	2015		2016	2015	
Tractors	422	402	4,98	2 567	2 796	-8,19
Combine harvesters	26	19	36,84	99	118	-16,10

Source: SAAMA press release, June 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:

- 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