MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JUNE 2017

Issued: 5 July 2017

Directorate: Statistics and Economic Analysis

Highlights:

- **According to the latest Seasonal Climate Watch of the SA Weather Services, the forecast for late winter (July-August-September 2017) rainfall conditions, especially over the winter rainfall regions is still uncertain.**
- **The projected closing stocks of wheat for the current 2016/17 marketing year are 671 832 tons, which includes imports of 1,25 million tons. It is also 18,8% less than the previous years' ending stocks.**
- **The expected commercial maize crop for 2017 is 15,631 million tons, which is 101,0% more than the 7,778 million tons of the previous season (2016), which was a drought year.**
- **Projected closing stocks of maize for the current 2017/18 marketing year are 3,176 million tons, which is 190,2% more than the previous years' ending stocks.**
- **The projected closing stocks of sorghum for the current 2017/18 marketing year are 38 223 tons, which is 8,5% more than the previous years' ending stocks.**
- **The projected closing stocks of sunflower seed for current 2017/18 marketing year are 119 956 tons, which is 26,4% less than the previous years' ending stocks.**
- **The projected closing stocks of soybeans for the current 2017/18 marketing year are 179 662 tons, which is 111,9% more than the previous years' ending stocks.**
- **The headline CPI (for all urban areas) annual inflation rate in May 2017 was higher at 5,4%.**
- **The annual percentage change in the PPI for final manufactured goods was higher at 4,8% in May 2017.**
- **May 2017 tractor sales of 493 units were significantly more (almost 17%) than the 422 units sold in May 2016.**

agriculture, forestry & fisheries

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1. Weather conditions

1.1 Seasonal Climate Watch: July to November 2017

According to the latest Seasonal Climate Watch of the SA Weather Services, the forecast for late winter (July-August-September 2017) rainfall conditions, especially over the winter rainfall regions is still uncertain. There is, however, an indication of above-normal rainfall during early spring (August-September-October 2017) for the far western parts of the country. Most forecasting systems continuously indicate warmer than normal temperatures, in general, across the country moving towards spring (September-October-November 2017).

The chances of an El Niño event to occur during South Africa's summer rainfall period is still declining. Even with the decreased likelihood of an El Niño event to occur, the El Niño Southern Oscillation (ENSO) system is still in a warm phase, which is still of some concern, as the expected ENSO phase conditions can still change during spring. Precautionary measures are still advised where possible, in the event that an El Niño event does occur and has its usual impact of drier summer-rainfall conditions. This system is, as usual, monitored closely, and during spring an assessment of its impact on South Africa, if any, can be made with more certainty.

1.2 Level of dams

Available information on the level of South Africa's dams on 3 July 2017 indicates that the country has approximately 71% of its full supply capacity (FSC) available, which is 18% more than the corresponding period in 2016. Most of the provinces show an improvement in the full supply capacity. Dam levels in the Northern Cape increased by 31%, followed by Free State with 29%, Limpopo with 22%, North-West with 21%, and Mpumalanga with 19%. All of these provinces show a significant improvement in the full supply capacity compared to the same period last year. However, decreases in the full supply capacity for the same period are evident in the Western Cape with minus 18% and the Eastern Cape with minus 10%. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 3 July 2017

Province	Net FSC million cubic meters	**3/7/2017 (%)**	Last Year (2016) (%)	% Increase/Decrease 2017 vs. 2016
Eastern Cape	1 832	57	67	-10,0
Free State	15 972	83	54	29,0
Gauteng	115	90	86	4,0
KwaZulu-Natal	4 783	56	46	10,0
Lesotho	2 376	47	45	2,0
Limpopo	1 522	77	55	22,0
Mpumalanga	2 539	78	59	19,0
North West	881	87	66	21,0
Northern Cape	146	93	62	31,0
Western Cape	1 867	24	42	-18,0
Total	**32 033**	**71**	**53**	**18,0**

Source: Department of Water and Sanitation

2. Grain production

2.1 Summer grain crops

The area planted estimate and fifth production forecast for summer crops for 2017 was released by the Crop Estimates Committee (CEC) on 28 June 2017, and is as follows:

Table 2: Commercial summer crops: Area planted and fifth production forecast - 2017 season

CROP	Area planted 2017 Ha (A)	**5th forecast 2017 Tons (B)**	Area planted 2016 Ha (C)	Final crop 2016 Tons (D)	Change % (B) ÷ (D)
White maize	1 643 100	**9 466 800**	1 014 750	3 408 500	177,74
Yellow maize	985 500	**6 164 250**	932 000	4 370 000	41,06
Total Maize	2 628 600	**15 631 050**	1 946 750	7 778 500	100,95
Sunflower seed	635 750	**821 970**	718 500	755 000	8,87
Soybeans	573 950	**1 340 370**	502 800	742 000	80,64
Groundnuts	56 000	**90 550**	22 600	17 680	412,16
Sorghum	42 350	**151 335**	48 500	70 500	114,66
Dry beans	45 050	**68 450**	34 400	35 445	93,12
TOTAL	3 981 700	**18 103 725**	3 273 550	9 399 125	92,61

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

- The size of the expected commercial **maize** crop has been set at 15,631 million tons, which is 100,95% or 7,852 million tons more than the 7,778 million tons of the previous season. It is the largest maize crop produced in the history of SA. The area estimate for maize is 2,629 million ha, while the expected yield is 5,95 t/ha - also the highest yield ever.
- The estimated maize crop is 101% bigger than the 2016 crop, which was the smallest crop since 2007. The three main maize producing areas, namely the Free State, Mpumalanga and North West provinces are expected to produce 83% of the 2017 crop.
- The area estimate for white maize is 1,643 million ha and for yellow maize the area estimate is 985 500 ha.
- The production forecast of **white maize** is 9,467 million tons, which is 177,74% or 6,058 million tons more than the 3,408 million tons of the previous season. The yield for white maize is 5,76 t/ha. In the case of **yellow maize** the production forecast is 6,164 million tons, which is 41,06% or 1,794 million tons more than the 4,370 million tons of the previous season. The yield for yellow maize is 6,25 t/ha.
- The production forecast for **sunflower seed** is 821 970 tons, which is 8,87% or 66 970 tons more than the 755 000 tons of the previous season. The area estimate for sunflower seed is 635 750 ha, while the expected yield is 1,29 t/ha.
- The production forecast for **soybeans** is 1,340 million tons, which is 80,64% or 598 370 tons more than the 742 000 tons of the previous season. It is the largest soybean crop produced in the history of South Africa. The estimated area planted to soybeans is 573 950 ha and the expected yield is 2,34 t/ha.
- The expected **groundnut** crop is 90 550 tons, which is 412,16% or 72 870 tons more than the 17 680 tons of 2016. The area estimate is 56 000 ha and the expected yield of 1,62 t/ha.
- The production forecast for **sorghum** is 151 335 tons, which is 114,66% or 80 835 tons more than the 70 500 ton of 2016. The area estimate for sorghum is 42 350 ha. The expected yield is 3,57 t/ha.

- In the case of **dry beans**, the production forecast is 68 450 tons, which is 93,12% or 33 005 tons more than the 35 445 tons of the previous season. The area estimate of dry beans was 45 050 ha, with an expected yield of 1,52 t/ha.

Please note that the sixth production forecast for summer field crops for 2017 will be released on 26 July 2017.

2.2 Winter cereal crops

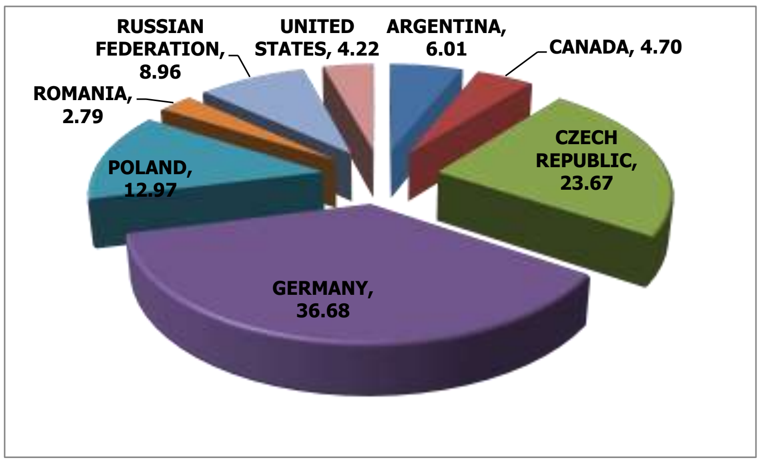
Please note that the preliminary area estimate of winter crops for 2017 will be released on 26 July 2017.

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 June17 Annexure A.

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

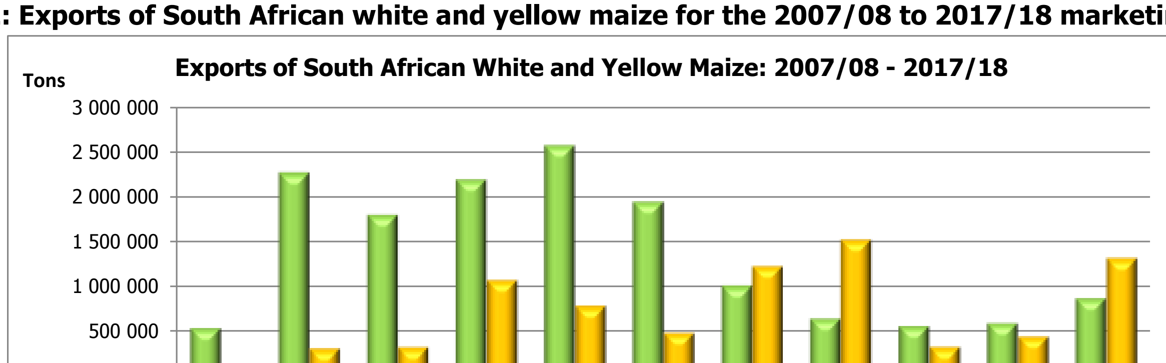
Graph 1: Major countries of wheat imports for South Africa: 2016/17 marketing year



- The progressive wheat imports for the 2016/17 marketing year (1 October 2016 to 30 June 2017) amount to 592 555 tons, with 36,68% or 217 338 tons imported from Germany, followed by the Chez Republic (23,67% or 140 264 tons), Poland (12,97% or 76 834 tons), Russian Federation (8,96% or 53 087 tons), Argentina (6,01% or 35 613 tons), Canada (4,70% or 27 841 tons), the United States (4,22% or 25 026 tons) and Romania (2,79% or 16 552 tons). The exports of wheat for the above-mentioned period amount to 85 885 tons, of which 52,56% or 45 143 tons went to the BLNS Countries, 26,13% or 22 438 tons to Zimbabwe, 17,83% or 15 312 tons to Zambia and only 3,48% or 2 992 tons were exported to Mozambique.

3.2 Exports of white and yellow maize

Graph 2: Exports of South African white and yellow maize for the 2007/08 to 2017/18 marketing year

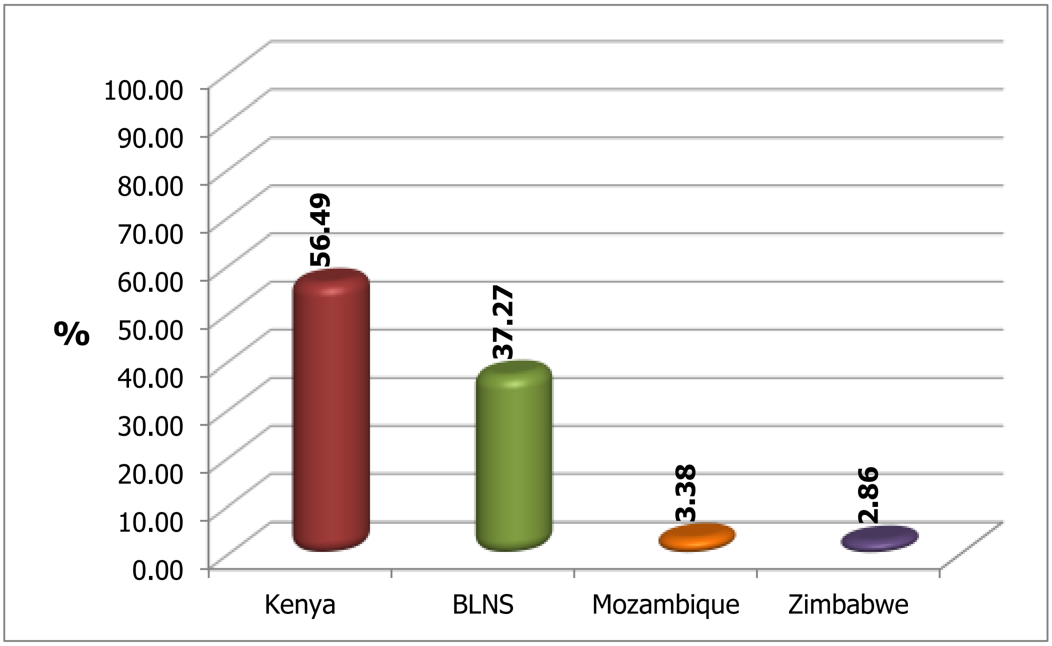


	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*
White maize	534 000	2 269 000	1 796 000	2 194 000	2 575 000	1 946 000	1 008 923	640 807	557 063	587 423	870 000
Yellow maize	103 000	303 000	319 000	1 068 000	781 000	478 000	1 223 673	1 514 917	322 748	438 879	1 310 000

*Projection

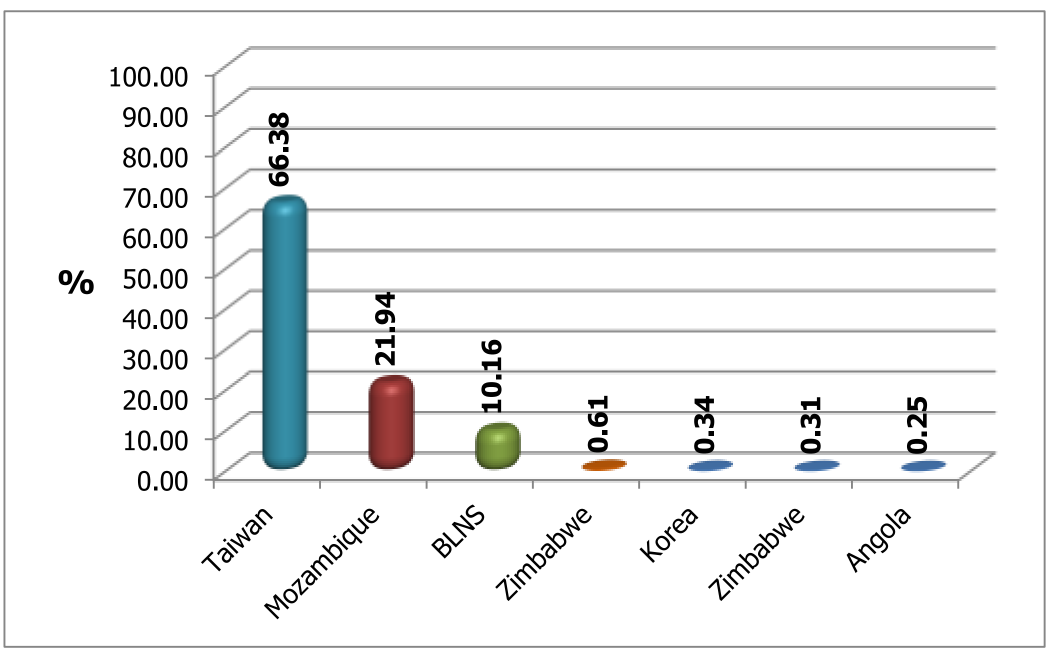
- The exports of white maize for the 2017/18 marketing year are projected 870 000 tons, which represents an increase of 48,10% compared to the 587 423 tons of the previous marketing year. Yellow maize exports are projected at 1,310 million tons, which represents a significant increase of 198,49% compared to the 438 879 tons of the previous marketing year.

Graph 3: Major countries for white maize exports for South Africa: 2017/18 marketing year



- From 29 April to 30 June 2017, progressive white maize exports amount to 186 688 tons, with the main destinations being Kenya (56,49% or 105 451 tons), the BLNS Countries (37,27% or 69 582 tons), Mozambique (3,38% or 6 313 tons), and Zimbabwe (2,86% or 5 342 tons). The imports of white maize for the mentioned period amount to zero.
- From 29 April to 30 June 2017, progressive yellow maize exports amount to 242 091 tons, with the main destinations being Taiwan (66,38% or 160 701 tons), Mozambique (21,94% or 53 120 tons), the BLNS Countries (10,16% or 24 596 tons), Korea (0,34% or 828 tons), Zimbabwe (0,31% or 752 tons), and Angola (0,25% or 610 tons). The imports of yellow maize for the mentioned period amount to zero.

Graph 4: Major countries for yellow maize exports for South Africa: 2017/18 marketing year



4. Market information

4.1 Consumer Price Index (CPI)

- Annual consumer price inflation was 5,4% in May 2017, up from 5,3% in April 2017. The consumer price index increased by 0,3% month-on-month in May 2017.
- The main contributors to headline annual consumer price inflation are as follows:
  - Food and non-alcoholic beverages increased from 1,1% in April to 1,2% in May. The index increased by 6,9% year-on-year; and
  - Transport increased from 0,7% in April to 0,8% in May. The index increased by 5,2% year-on-year.
- The main contributors to monthly consumer price inflation are as follows:
  - Food and non-alcoholic beverages contributed 0,1% in May. The index increased by 0,5% month-on-month; and
  - Transport contributed 0,2% in May. The index increased by 1,2% month-on-month.
- In May the CPI for goods increased by 5,5% year-on-year (up from 5,3% in April), and the CPI for services increased by 5,4% year-on-year (down from 5,5% in April).
- Provincial annual inflation rates ranged from 4,3% in Northern Cape to 6,5% in Western Cape

4.2 Producer Price Index (PPI)

- The annual percentage change in the PPI for final manufactured goods was 4,8% in May 2017 (compared with 4,6% in April 2017). From April 2017 to May 2017 the PPI for final manufactured goods increased by 0,5%.
- The main contributors to the annual rate of 4,8% were food products, beverages and tobacco products (1,9%), as well as coke, petroleum, chemical, rubber and plastic products (1,6%). The main contributor to the monthly increase of 0,5% was coke, petroleum, chemical, rubber and plastic products (0,4%).
- The annual percentage change in the PPI for intermediate manufactured goods was 3,1% in May 2017 (compared with 5,0% in April 2017). From April 2017 to May 2017 the PPI for intermediate manufactured goods increased by 0,3%.
- The main contributors to the annual rate of 3,1% were chemicals, rubber and plastic products (1,6%), as well as sawmilling and wood (1,3%). The main contributor to the monthly increase of 0,3% was basic and fabricated metals (0,3%).
- The annual percentage change in the PPI for electricity and water was 6,4% in May 2017 (compared with 5,9% in April 2017). From April 2017 to May 2017 the PPI for electricity and water increased by 0,6%.
- The contributors to the annual rate of 6,4% were electricity (4,7%) and water (1,7%).
- The contributor to the monthly increase of 0,6% was electricity (0,7%).
- The annual percentage change in the PPI for mining was -3,0% in May 2017 (compared with 5,7% in April 2017). From April 2017 to May 2017 the PPI for mining decreased by 4,0%.
- The main contributors to the annual rate of -3,0% were gold and other metal ores (-3,9%), as well as non-ferrous metal ores (-1,0%).
- The main contributors to the monthly decrease of 4,0% were gold and other metal ores (-2,2%), coal and gas (-1,4%), as well as non-ferrous metal ores (-1,0%).
- The annual percentage change in the PPI for agriculture, forestry and fishing was -0,5% in May 2017 (compared with -1,6% in April 2017). From April 2017 to May 2017 the PPI for agriculture, forestry and fishing remained unchanged. The main contributor to the annual rate of -0,5% was agriculture.

4.3 Future contract prices and the exchange rate

Table 3: Closing prices on Wednesday, 5 July 2017

	5 July 2017	5 June 2017	% Change
RSA White Maize per ton (July 2017 contract)	R1 815,00	R1 726,00	5,16
RSA Yellow Maize per ton (July 2017 contract)	R1 952,00	R1 858,00	5,06
RSA Wheat per ton (July 2017 contract)	R4 359,00	R4 376,00	-0,39
RSA Sunflower seed per ton (July 2017 contract)	R4 619,00	R4 567,00	1,14
RSA Soya-beans per ton (July 2017 contract)	R4 610,00	R4 544,00	1,45
Exchange rate R/$	R13,38	R12,74	5,02

Source: JSE/SAFEX

4.4 Agricultural machinery sales

- May 2017 tractor sales of 493 units were significantly more (almost 17%) than the 422 units sold in May 2016. On a year-to-date basis tractor sales are now very similar to what they were this time last year. May combine harvester sales of 24 units were two units less than the 26 units sold in May 2016. Combine harvester sales for the year-to-date, however, are now almost 12% up on last year.
- Overall, crop prospects look very good. The maize crop forecast is at an all-time record of 15,6 million tons, more than double last year's crop. The maize yield this season is forecasted to be 5,95 t/ha - the highest yield ever. The soya bean crop, at 1,34 million tons is also the largest crop ever produced. Although these excellent crop prospects have had an adverse effect on crop prices, the overall sentiment in the industry is positive. As harvesting is taking place, farmers are now better able to judge what their crops are yielding.
- Expectations for 2017 are that overall tractor sales should be between 5 700 and 6 000 units, or at least as good as those in 2016.

Table 4: Agricultural machinery sales

Equipment class	Year-on-year May 2017	Year-on-year May 2016	Percentage Change %	Year-to-date May 2017	Year-to-date May 2016	Percentage Change %
Tractors	493	422	16,82	2 559	2 567	-0,31
Combine harvesters	24	26	-7,69	111	99	12,12

Source: SAAMA press release, June 2017

PLEASE NOTE: the Food Security Bulletin for June 2017 will be released on **4 August 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