

# MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: MARCH 2015

**Issued: 2 April 2015**

## **Directorate: Statistics and Economic Analysis**

### Highlights:

- During the period 1 to 23 March 2015, significant rainfall events were limited to the central and eastern parts of the country.
- The projected closing stocks of wheat for the current 2014/15 marketing year are 611 055 tons, which includes imports of 1,8 million tons. It is also 25,1% more than the previous years' ending stocks.
- The expected commercial maize crop for 2015 is 9,666 million tons, which is 32,2% less than the 14,250 million tons of the previous season.
- Projected closing stocks of maize for the current 2014/15 marketing year are 2,359 million tons, which is considerably more (300,5%) than the previous years' ending stocks.
- Projected closing stocks of maize for the coming 2015/16 marketing year are 1,306 million tons, which is 44,6% less than the previous years' ending stocks.
- The projected closing stocks of sorghum for the current 2015/16 marketing year are 81 092 tons, which is 34,0% less than the previous years' ending stocks.
- The projected closing stocks of sunflower seed for the current 2015/16 marketing year are 72 594 tons, which is 21,3% less than the previous years' ending stocks.
- The projected closing stocks of soybeans for the current 2015/16 marketing year are 68 504 tons, which is 8,6% more than the previous years' ending stocks.
- The headline CPI (for all urban areas) annual inflation rate in February 2015 was lower at 3,9%.
- The annual percentage change in the PPI for final manufactured goods was lower at 2,6% in February 2015.
- The Monetary Policy Committee announced in March 2015 that the repo rate will remain unchanged at 5,75%.
- February tractor sales of 605 units were six units more than the 599 units reported in February 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](mailto:MardaS@daff.gov.za) or [QueenS@daff.gov.za](mailto:QueenS@daff.gov.za)

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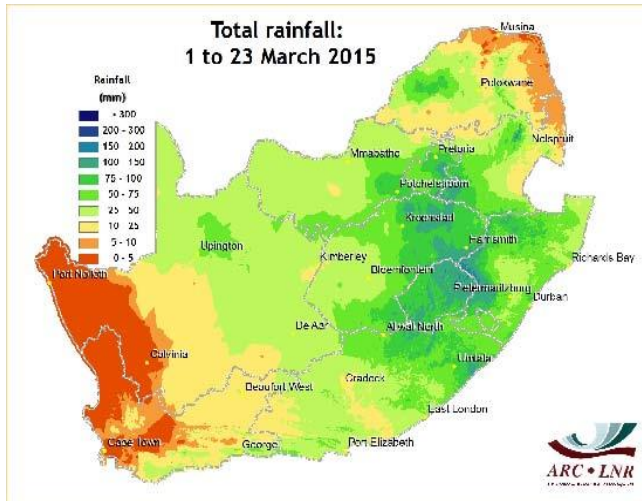


# 1. Weather conditions

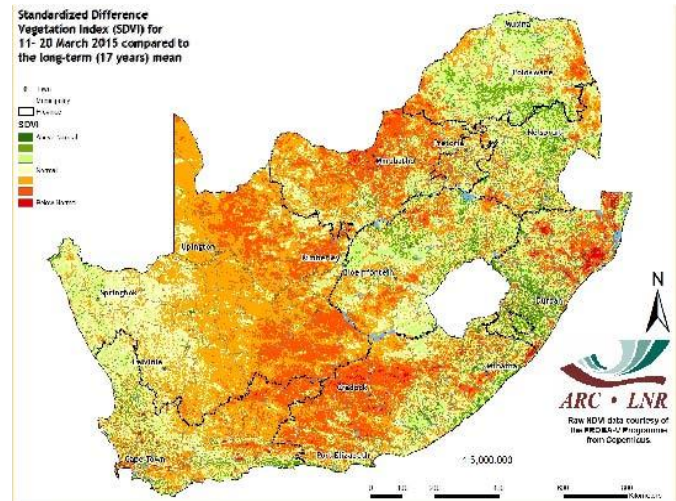
## 1.1 Rainfall for March 2015

During the period 1 to 23 March 2015, significant rainfall events were limited to the central and eastern parts of the country, especially in the important maize producing areas (**Figure 1**). The Standardised Difference Vegetation Index for the period 11 to 20 March 2015, reflects drier conditions over eastern KwaZulu-Natal, south-western Limpopo and large parts of the North West, as well as Northern and Eastern Cape provinces by early March 2015 (**Figure 2**).

**Figure 1: Rainfall in mm for 1 – 23 March 2015**



**Figure 2: NDVI for 11-20 March 2015**



## 1.2 Level of dams

Available information on the level of South Africa's dams on 30 March 2015 indicates that the country has approximately 79% of its full supply capacity (FSC) available, 14% less than the corresponding period in 2014. All of the provinces, except Gauteng, show decreases in the full supply capacity of dams, whereas the Western Cape, Kwazulu-Natal and Free State provinces show the largest of the decreases with 19%, 18% and 16%, respectively, compared to the same period in 2014. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

**Table 1: Level of dams, 30 March 2015**

Province	Net FSC million cubic meters	30/03/2015 (%)	Last Year (2014) (%)	% Increase/Decrease 2015 vs 2014
Eastern Cape	1 826	76	85	-9,0
Free State	15 971	83	99	-16,0
Gauteng	115	98	98	-
KwaZulu-Natal	4 669	73	91	-18,0
Lesotho	2 376	74	80	-6,0
Limpopo	1 508	88	89	-1,0
Mpumalanga	2 520	91	97	-6,0
North West	802	65	79	-14,0
Northern Cape	146	87	102	-15,0
Western Cape	1 853	51	70	-19,0
<b>Total</b>	<b>31 786</b>	<b>79</b>	<b>93</b>	<b>-14,0</b>

Source: Department of Water Affairs

## 2. Grain production

### 2.1 Summer grain crops

The revised area planted and second production forecast for summer crops for 2015 was released by the Crop Estimates Committee (CEC) on 25 March 2015, and is as follows:

**Table 2: Commercial summer crops: Revised area planted and second production forecast - 2015 season**

CROP	Area planted	2 <sup>nd</sup> Forecast	Area planted	Final estimate	Change
	2015 Ha (A)	2015 Tons (B)	2014 Ha (C)	2014 Tons (D)	% (B) ÷ (D)
White maize	1 448 050	4 639 400	1 551 200	7 710 000	-39,83
Yellow maize	1 204 800	5 026 950	1 137 000	6 540 000	-23,14
Maize	2 652 850	9 666 350	2 688 200	14 250 000	-32,17
Sunflower seed	576 000	578 600	598 950	832 000	-30,46
Soybeans	687 300	942 850	502 900	948 000	-0,54
Groundnuts	58 000	66 225	52 125	74 500	-11,11
Sorghum	70 500	158 300	78 850	265 000	-40,26
Dry beans	64 000	75 815	55 820	82 130	-7,69
TOTAL	4 108 650	11 488 140	3 976 845	16 451 630	-30,17

Note: Estimate is for calendar year, e.g. production season 2014/15 = 2015

- The revised area estimate for maize is 2,653 million ha, which is 1,32% or 35 350 ha less than the 2,688 million ha planted for the previous season.
- The expected commercial **maize** crop is 9,666 million tons, which is 32,17% less than the 14,250 million tons of the previous season, with an expected yield of 3,64 t/ha.
- The area estimate for white maize is 1,448 million ha, which represents a decrease of 6,65% or 103 150 ha compared to the 1,551 million ha planted last season. In the case of yellow maize the area estimate is 1,205 million ha, which is 5,96% or 67 800 ha more than the 1,137 million ha planted last season.
- The production forecast of **white maize** is 4,639 million tons, which is 39,83% less than the 7,710 million tons of last season. The yield for white maize is 3,20 t/ha. In the case of **yellow maize** the production forecast is 5,027 million tons, which is 23,14% less than the 6,540 million tons of last season. The yield for yellow maize is 4,17 t/ha.
- The revised area estimate for **sunflower seed** is 576 000 ha, which is 3,83% less than the 598 950 ha planted the previous season. The production forecast for sunflower seed is 578 600 tons, which is 30,46% less than the 832 000 tons of the previous season. The expected yield is 1,00 t/ha.
- It is estimated that 687 300 ha have been planted to **soybeans**, which represents an increase of 36,67% compared to the 502 900 ha planted last season. The production forecast for soybeans is 942 850 tons, which is 0,54% less than the 948 000 tons of the previous season. The expected yield is 1,37 t/ha.
- For **groundnuts**, the area estimate is 58 000 ha, which is 11,27% more than the 52 125 ha planted for the previous season. The expected groundnut crop is 66 225 tons – which is 11,11% less than the 74 500 tons of last season. The expected yield is 1,14 t/ha.
- The area estimate for **sorghum** decreased by 10,59%, from 78 850 ha to 70 500 ha against the previous season. The production forecast for sorghum is 158 300 tons, which is 40,26% less than the 265 000 tons of the previous season. The expected yield is 2,25 t/ha.

- For **dry beans**, the area estimate is 64 000 ha, which is 14,65% more than the 55 820 ha planted for the previous season. In the case of dry beans the production forecast is 75 815 tons, which is 7,69% less than the 82 130 tons of the previous season. The expected yield is 1,18 t/ha.

Please note that the third production forecast for summer field crops for 2015 will be released on 29 April 2015.

## 2.2 Winter cereal crops

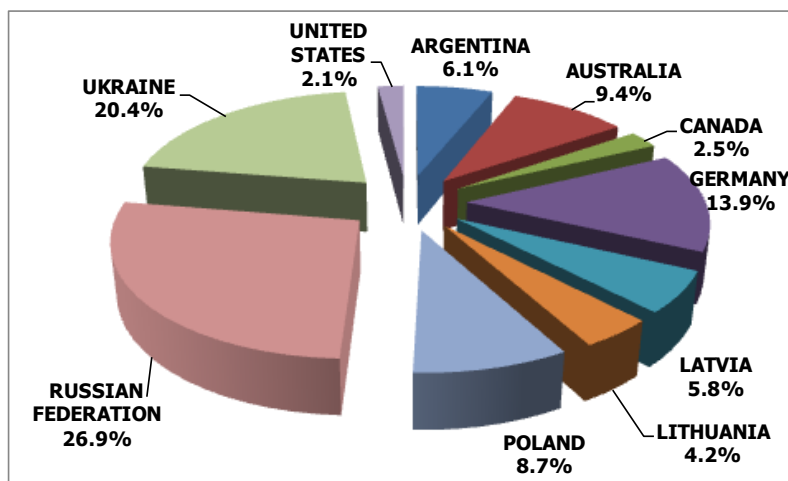
Please note that the intentions to plant winter cereals for 2015 will be released on 29 April 2015.

## 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 Mar15 Annexure A.

### 3.1 Imports and exports of wheat for the 2014/15 marketing year

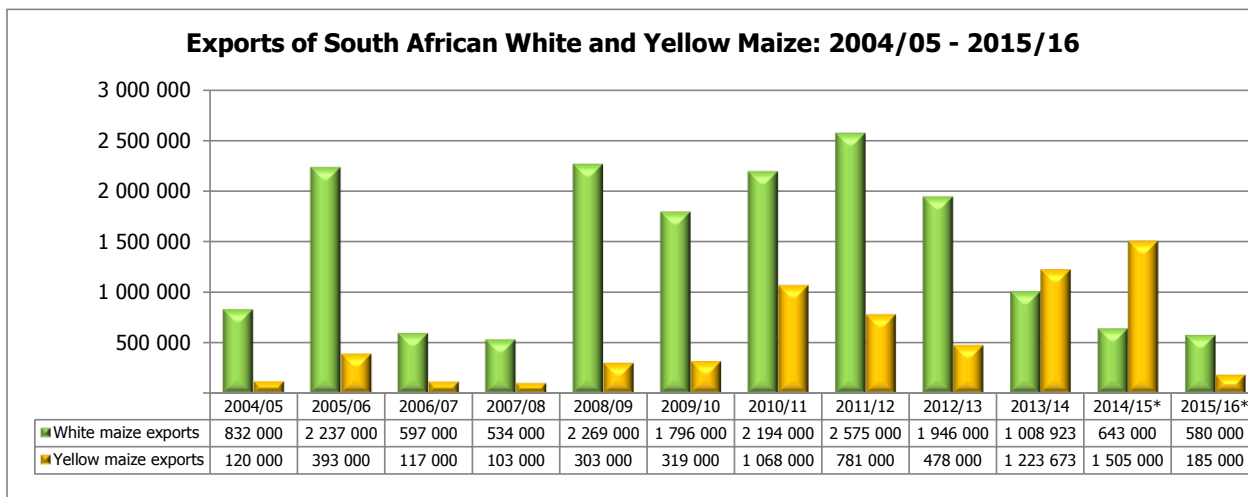
**Graph 1: Major countries of wheat imports for South Africa: 2014/15 marketing year**



- The progressive wheat imports from 27 September 2014 to 27 March 2015, amount to 1,049 million tons, with the largest quantity (26,9% or 282 671 tons) imported from the Russian Federation followed by Ukraine (20,4% or 213 743 tons), Germany (13,9% or 146 356 tons) and Australia (9,4% or 98 702 tons). The exports of wheat for the mentioned period amount to 131 503 tons, of which 59,4% or 78 067 tons were exported to the BLNS countries and 34,0% or 44 668 tons to Zimbabwe.

### 3.2 Exports of white and yellow maize

**Graph 2: Exports of South African white and yellow maize for the 2004/05 to 2015/16 marketing year**



\*Projection



- The projection for the 2014/15 marketing year - exports are 643 000 tons for white maize, which represents a decrease of 36,3% compared to the 1,009 million tons of the previous marketing year. With reference to yellow maize exports, the projection is 1,505 million tons, which represents an increase of 23,0% compared to the 1,224 million tons of the previous marketing year.
- The projection for the 2015/16 marketing year - exports are 580 000 tons for white maize, which represents a decrease of 9,8% compared to the 643 000 tons of the previous marketing year. With reference to yellow maize exports, the projection is 185 000 tons, which represents a decrease of 87,7% compared to the 1,505 million tons of the previous marketing year.
- From 26 April 2014 to 27 March 2015, progressive white maize exports amount to 496 582 tons, with the main destinations being the BLNS countries (69,2% or 343 527 tons), Mozambique (18,2% or 90 513 tons) and Zimbabwe (11,5% or 56 977 tons). No imports were reported for the mentioned period.
- From 26 April 2014 to 27 March 2015, progressive yellow maize exports amount to 1,393 million tons, with the main destinations being Taiwan (48,7% or 679 185 tons), Korea (15,4% or 214 474 tons) and Japan (14,2% or 198 197 tons). No imports were reported for the mentioned period.

## 4. Market information

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### 4.1 Consumer Price Index (CPI)

- The headline CPI (for all urban areas) annual inflation rate in February 2015 was 3,9%. This rate was 0,5% lower than the corresponding annual rate of 4,4% in January 2015. On average, prices increased by 0,6% between January 2015 and February 2015.
- The food and non-alcoholic beverages index increased by 0,4% between January 2015 and February 2015. The annual rate decreased to 6,4% in February 2015 from 6,5% in January 2015. The following components in the food and non-alcoholic beverages index increased: Fish (1,9%), bread and cereals (1,4%), oils and fats (1,4%), hot beverages (0,9%), milk, eggs and cheese (0,7%), sugar, sweets and desserts (0,7%), vegetables (0,5%), other food (0,4%) and cold beverages (0,3%). The following components decreased: Fruit (-7,3%) and meat (-0,1%).
- The alcoholic beverages and tobacco index increased by 1,0% between January 2015 and February 2015. The annual rate increased to 8,2% in February 2015 from 7,4% in January 2015.
- The transport index decreased by 2,5% between January 2015 and February 2015, mainly due to a 93c/litre decrease in the price of petrol. The annual rate decreased to -6,3% in February 2015 from -2,5% in January 2015.
- The restaurants and hotels index increased by 0,2% between January 2015 and February 2015. The annual rate decreased to 7,0% in February 2015 from 7,4% in January 2015.
- The miscellaneous goods and services index increased by 5,2% between January 2015 and February 2015, mainly due to a 9,0% increase in health insurance. The annual rate increased to 7,8% in February 2015 from 7,3% in January 2015.
- The provinces with an annual inflation rate lower than or equal to headline inflation were Northern Cape (3,9%), Gauteng (3,8%), Limpopo (3,8%) and KwaZulu-Natal (3,7%). The provinces with an annual inflation rate higher than headline inflation were Eastern Cape (4,0%), Mpumalanga (4,0%), North West (4,1%), Free State (4,2%) and Western Cape (4,5%).

### 4.2 Producer Price Index (PPI)

- The annual percentage change in the PPI for final manufactured goods was 2,6% in February 2015 (compared with 3,5% in January 2015). From January 2015 to February 2015 the PPI for final manufactured goods increased by 0,4%. The main contributor to the annual rate of 2,6% was food products, beverages and tobacco products (7,0% year-on-year and contributing 2,3%). The main contributor to the monthly increase of 0,4% was food products, beverages and tobacco products (0,9% month-on-month and contributing 0,3%).
- The annual percentage change in the PPI for intermediate manufactured goods was 1,5% in February 2015 (compared with 3,4% in January 2015). From January 2015 to February 2015 the PPI for intermediate



manufactured goods decreased by 0,2%. The main contributor to the annual rate of 1,5% was sawmilling and wood (6,1% year-on-year and contributing 1,2%). The main contributor to the monthly decrease of 0,2% was chemicals, rubber and plastic products (-1,1% month-on-month and contributing -0,3%).

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

### 4.3 Future contract prices and the exchange rate

**Table 3: Closing prices on Friday, 27 March 2015**

	<b>27 March 2015</b>	<b>27 February 2015</b>	<b>% Change</b>
<b>RSA White Maize per ton (May 2015 contract)</b>	R2 634,00	R2 677,00	-1,61
<b>RSA Yellow Maize per ton (May 2015 contract)</b>	R2 422,00	R2 433,00	-0,45
<b>RSA Wheat per ton (May 2015 contract)</b>	R3 880,00	R3 855,00	0,65
<b>RSA Sunflower seed per ton (May 2015 contract)</b>	R4 910,00	R5 105,00	-3,82
<b>RSA Soya-beans per ton (May 2015 contract)</b>	R4 784,00	R5 008,00	-4,47
<b>Exchange rate R/\$</b>	R12,01	R11,58	3,71

Source: JSE/SAFEX

### 4.4 Monetary Policy Committee

- The Monetary Policy Committee (MPC) announced on 26 March 2015 that the repo rate will remain unchanged at 5,75%.
- The rand exchange rate continues to be the main upside risk to the inflation outlook, and remains highly vulnerable to the timing and pace of US monetary policy normalisation. The extent to which US rate increases are priced into the exchange rate remains uncertain. While the weaker euro has provided some offset, and therefore a more moderate depreciation of the trade-weighted exchange rate, this effect is partial. Furthermore, the rand will also remain sensitive to domestic developments, including the slow pace of contraction in the deficit on the current account of the balance of payments.
- Wage and salary increases in excess of inflation and productivity growth also pose an upside risk to inflation. The Committee assesses the risk to the inflation outlook to be on the upside, with the possibility of further electricity tariff increases accentuating this risk.
- At the same time, the growth outlook remains constrained by electricity supply concerns and low business confidence, and the risks to the growth forecast are assessed to be moderately on the downside. Demand pressures on inflation remain muted, reinforced by a moderately tighter fiscal policy stance.

- In its previous statement the Committee noted that the more favourable inflation path allowed for some room to pause in the process of domestic monetary policy normalisation. The deterioration in the outlook suggests that this scope has narrowed. However, given the uncertainties related to US policy normalisation and the weak state of the domestic economy, the MPC has unanimously decided to keep the repurchase rate unchanged for now.
- The timing of future interest rate increases will be dependent, as before, on a range of domestic and external factors. The MPC will remain vigilant and will not hesitate to act in order to maintain the integrity of the inflation targeting framework.

#### 4.5 Agricultural machinery sales

- February tractor sales of 605 units were six units more than the 599 units reported in February 2014. On a year-to-date basis sales are almost 6% down on last year. February combine harvester sales of 43 units were significantly up on the 32 units sold in February 2014. On a year-to-date basis, however, sales are approximately 9% down on last year
- Although February sales were probably above market expectations, with some farmers buying for tax relief purposes, agricultural machinery sales in the short term are expected to reflect the market nervousness.
- Industry expectations are still that the agricultural tractor market in 2015 will be between 5 and 10% down on 2014.

**Table 4: Agricultural machinery sales**

Equipment class	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	February			February		
	2015	2014		2015	2014	
Tractors	605	599	1,0	1 160	1 231	-5,8
Combine harvesters	43	32	34,4	49	54	-9,3

Source: SAAMA press release, March 2015



## 5. Acknowledgements

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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