MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: MAY 2016

Issued: 6 June 2016

Directorate: Statistics and Economic Analysis

Highlights:

- **During May 2016, significant rainfall events were limited to the central parts of the country, as well as the eastern coastal areas.**
- **The projected closing stocks of wheat for the current 2015/16 marketing year are 640 423 tons, which includes imports of 1,9 million tons. It is also 7,3% 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 1,407 million tons, which is 43,3% 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 April 2016 was lower at 6,2%.**
- **The annual percentage change in the PPI for final manufactured goods was lower at 7,0% in April 2016.**
- **April tractor sales of 400 units were 11% down on the 450 units sold in April 2015.**

agriculture, forestry & fisheries

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1. Weather conditions

1.1 Rainfall for May 2016

During May 2016, significant rainfall events were limited to the central parts of the country, as well as the eastern coastal areas (**Figure 1**). Comparing rainfall totals to the long term average for May 2016, the rainfall received was above-normal for most parts of the country with few exceptions in the interior and the western parts of the country, which received near-normal to below-normal rainfall (**Figure 2**).

Figure 1: Rainfall in mm for May 2016

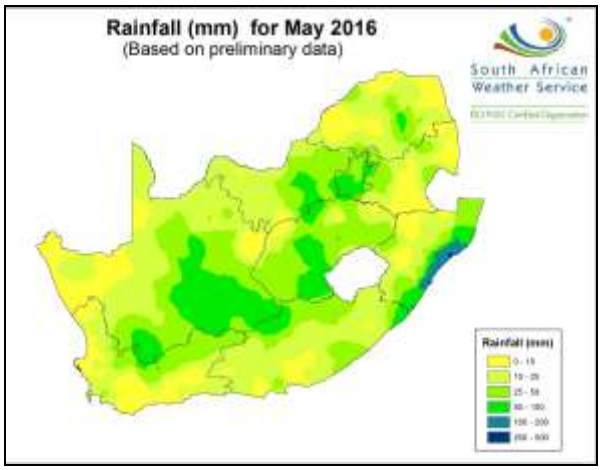
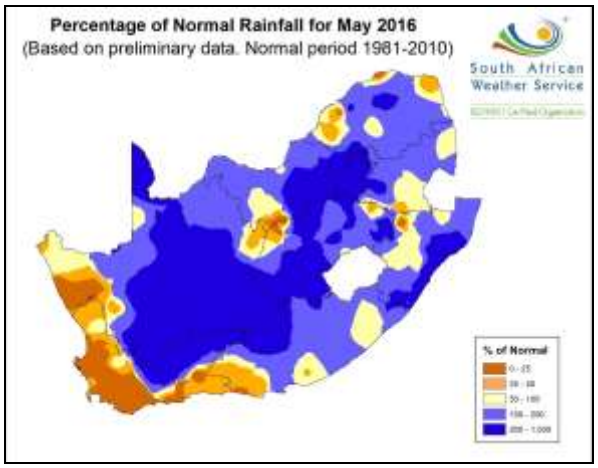


Figure 2: Percentage rainfall for May 2016



According to the latest Seasonal Climate Watch of the SA Weather Service, current observations still show the fast decay of El-Niño. As most ENSO (El-Niño Southern Oscillation) prediction models indicate, however, there is a possibility for the development of a weak La-Niña toward late spring through to the coming summer season. Despite the fact that current climate conditions and most of the forecast models are indicating the tendency of a warmer and drier winter season, the confidence in the forecasting systems is marginal.

1.2 Level of dams

Available information on the level of South Africa's dams on 30 May 2016 indicates that the country has approximately 54% of its full supply capacity (FSC) available, 22% less than the corresponding period in 2015. All the provinces show a decreasing trend in the full supply capacity of dams of between 7% and 27%, 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 27%, followed by the Limpopo Province with 26%, Mpumalanga with 24% and both the Northern Cape and KwaZulu-Natal provinces with 19%. Only the North West Province show a slight increase (1%) in the full supply capacity of the province for the metioned period. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 30 May 2016

Province	Net FSC million cubic meters	**30/05/2016 (%)**	Last Year (2015) (%)	% Increase/Decrease 2016 vs 2015
Eastern Cape	1 833	71	78	-7,0
Free State	15 971	54	81	-27,0
Gauteng	115	87	94	-7,0
KwaZulu-Natal	4 669	50	69	-19,0
Lesotho	2 376	49	72	-23,0
Limpopo	1 508	59	85	-26,0
Mpumalanga	2 539	62	86	-24,0
North West	887	66	65	1,0
Northern Cape	146	60	79	-19,0
Western Cape	1 870	30	41	-11,0
Total	**31 914**	**54**	**76**	**-22,0**

Source: Department of Water Affairs

2. Grain production

2.1 Summer grain crops

The area planted estimate and fifth production forecast for summer crops for 2016 was released by the Crop Estimates Committee (CEC) on 26 May 2016, and is as follows:

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

CROP	**Area planted 2016 Ha (A)**	**5th 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 sixth production forecast for summer field crops for 2016 will be released on 28 June 2016.

2.2 Winter cereal crops

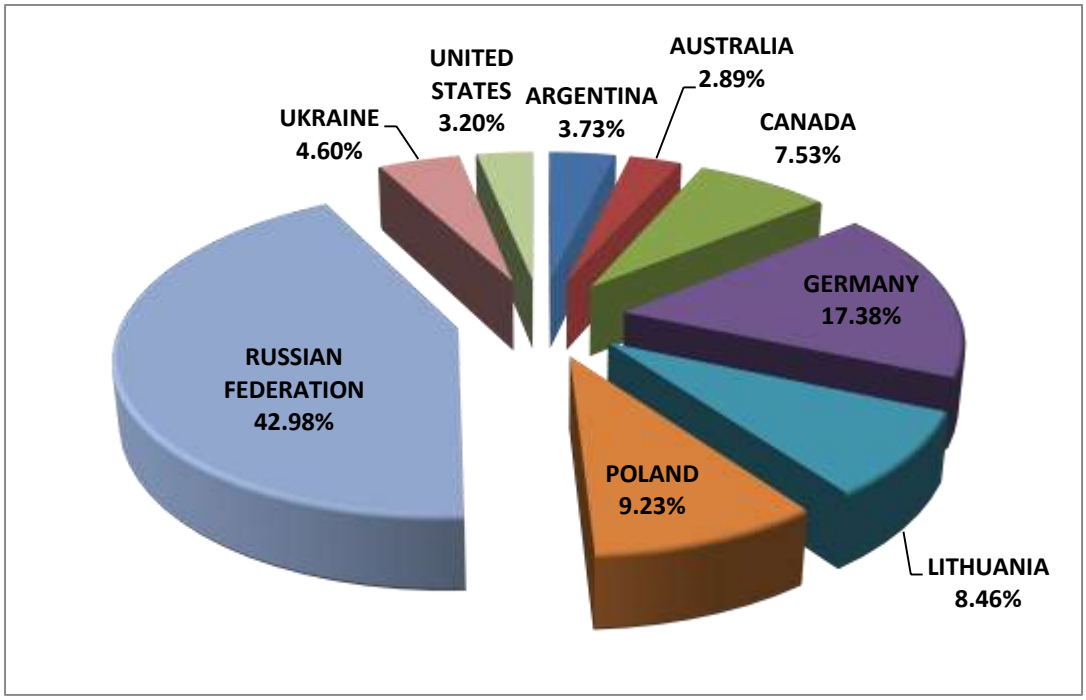
Please note that the preliminary area estimate of winter crops for 2016 will be released on 27 July 2016.

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 May16 Annexure A.

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

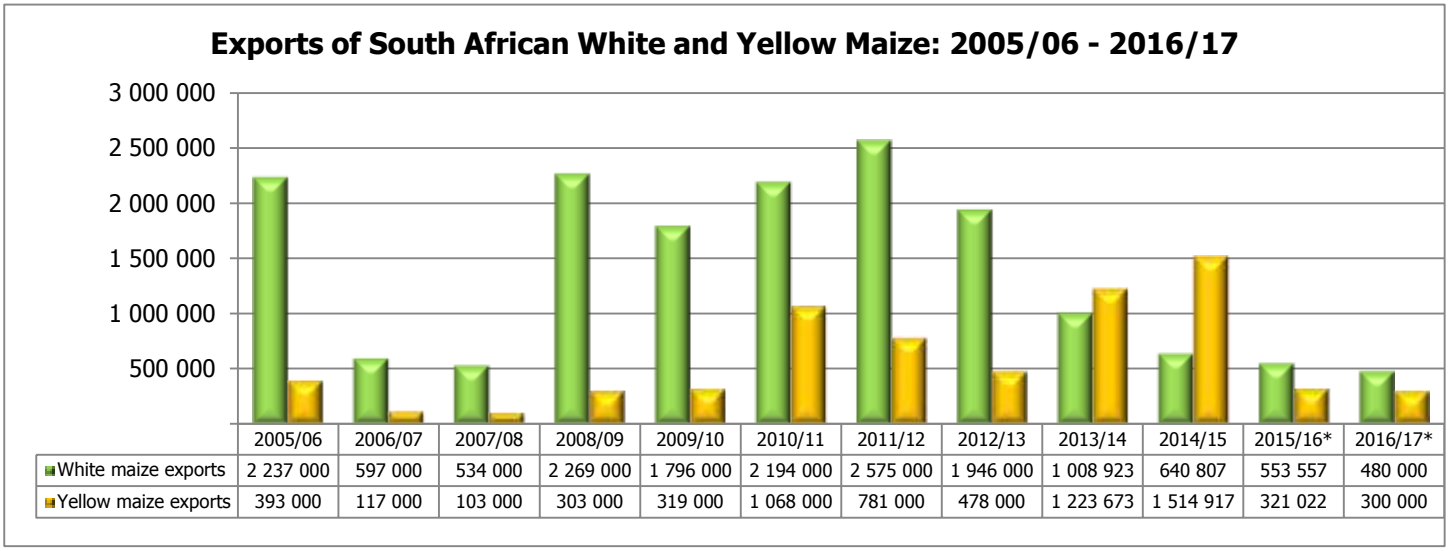
Graph 1: Major countries of wheat imports for South Africa: 2015/16 marketing year



- The progressive wheat imports from 26 September 2015 to 27 May 2016, amount to 1,328 million tons, with the largest quantity (42,98% or 571 011 tons) imported from the Russian Federation followed by Germany (17,38% or 230 831 tons), Poland (9,23% or 122 566 tons), Lithuania (8,46% or 112 411 tons), Canada (7,53% or 100 025 tons), Ukraine (4,60% or 61 129 tons), Argentina (3,73% or 49 519 tons), United States (3,20% or 42 482 tons) and Australia (2,89% or 38 439 tons). The exports of wheat for the mentioned period amount to 38 131 tons, of which 52,55% or 20 037 tons were exported to Zimbabwe, 40,22% or 15 335 tons to the BLNS Countries (Botswana, Lesotho, Namibia and Swaziland), 6,53% or 2 490 tons to Mozambique and only 0,71% 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



	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	553 557	480 000
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	321 022	300 000

*Projection

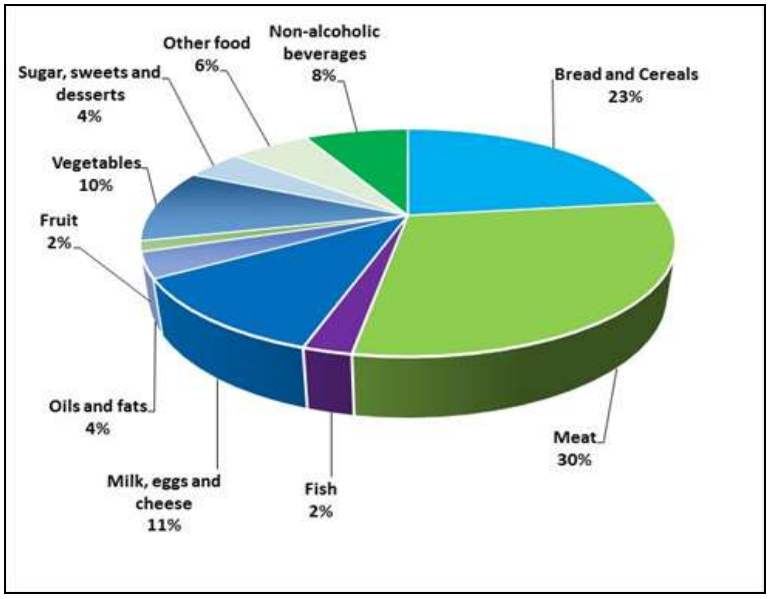
- The exports of white maize for the 2015/16 marketing year are 553 557 tons, which represents a decrease of 13,62% compared to the 640 807 tons of the previous marketing year. Yellow maize exports amount to 321 022 tons, which represents a decrease of 78,81% compared to the 1,515 million tons of the previous marketing year. The preliminary indications of exports for the 2016/17 marketing year are 480 000 tons and 300 000 tons for white and yellow maize, which is a decrease of 13,29% and 6,55%, respectively compared to the previous marketing year.
- From 30 April to 27 May 2016, progressive white maize exports amount to 40 636 tons, with the main destinations being Zimbabwe (49,99% or 20 314 tons), the BLNS Countries (39,38% or 16 003 tons) and Mozambique (10,63% or 4 319 tons). The imports of white maize for the mentioned period amount to 22 260 tons, of which 100% were from the United States.
- From 30 April to 27 May 2016, progressive yellow maize exports amount to 17 175 tons, with the main destinations being the BLNS Countries (63,67% or 10 935 tons), Mozambique (19,11% or 3 283 tons) and Zimbabwe (17,22% or 2 957 tons). The imports of yellow maize for the mentioned period amount to 147 291 tons, of which 100% were from Argentina.

4. Market information

4.1 Consumer Price Index (CPI)

- The latest consumer inflation data released by Statistics South Africa indicated that in April 2016, headline inflation expectedly decelerated to 6,2% year-on-year from 6,3% year-on-year in the previous month. However, the inflation of food and non-alcoholic beverages accelerated to 11% year-on-year, from 9,5% year-on-year in March 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 the products within the food and non-alcoholic beverages basket is allocated a weight, with the largest being "meat" and "bread and cereal", which make up 30% and 23%, respectively (**Graph 3**).
- Contributions to monthly consumer price inflation were as follows:

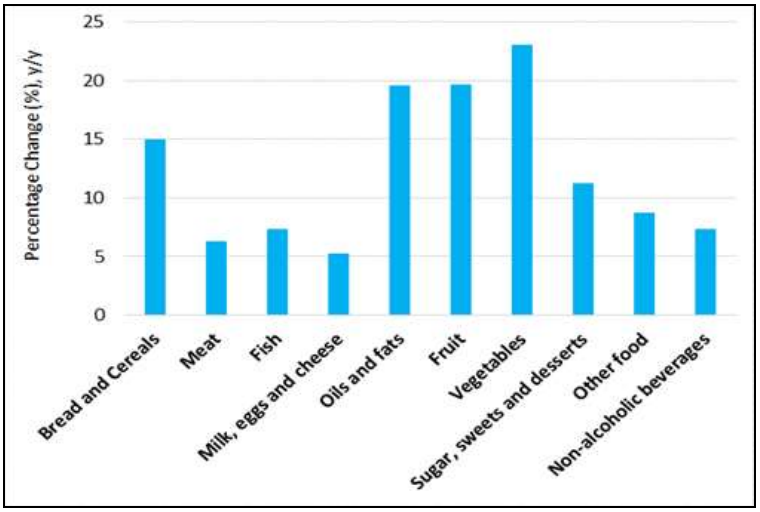
Graph 3: Weights of products in the food and non-alcoholic beverages basket



Source: Stats SA & Agbiz

- The largest year-on-year percentage increases were recorded in the "vegetables", "fruit" and "oils and fats", which rose by 23%, 19,6% and 19,5%, respectively **(Graph 4)**. This is largely driven by an increase in soft commodity prices due to lower supplies on the back of the ongoing drought.

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



Source: Stats SA & Agbiz

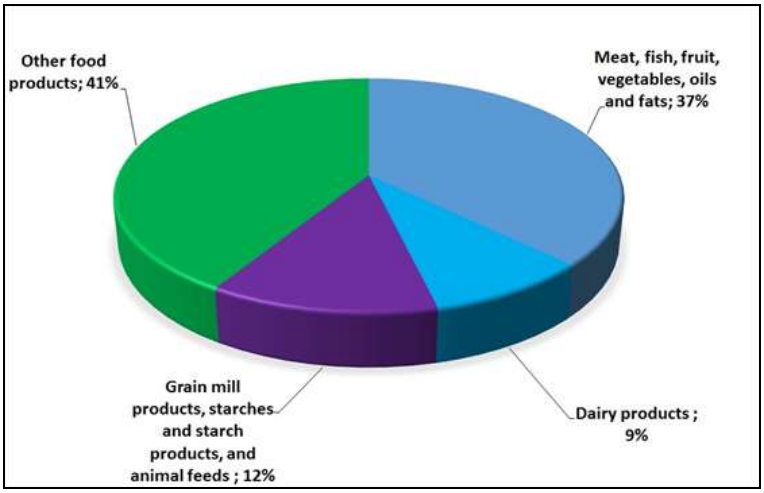
- South Africa is set to be a net importer of grains this season, therefore a weaker Rand also adds inflationary pressures on soft commodity prices, which in turn is translating to higher food prices.
- The pass through of soft commodity price increases into food products seem to be accelerating. In the previous months, this increase was relatively marginal due to the lag-effect, which accounts for the processing stages of raw-commodities into food-stuffs. This would roughly be nine months on maize into meat and shorter for maize into maize meal, which is estimated at six months (Source: Agbiz).

4.2 Producer Price Index (PPI)

- The latest producer price index data (PPI) released by Statistics South Africa indicated that in April 2016, producer inflation slowed to 7,0% from 7,1% year-on-year, in March 2016. Meanwhile, the food products inflation accelerated to 10,9% from 10,5% year-on-year in March 2016.

- 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", with a calculated weight of 37% and 41%, respectively **(Graph 5)**.

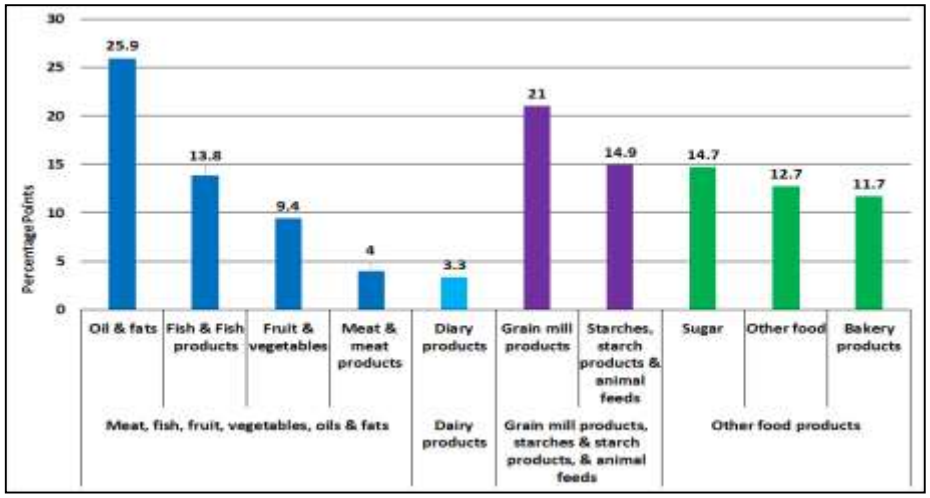
Graph 5: Weights of products in the food manufacturing basket



Source: Stats SA & Agbiz

- Overall, increases in the PPI for food products have largely been driven by an increase in soft commodity prices due to lower supplies on the back of the ongoing drought. The largest year-on-year percentage increases were recorded in the "grain mill products, starches and starch products" and "other food products", which rose by 17,5%, and 12,3% year-on-year, respectively. "Meat, fish, fruit, vegetables, oils and fats" increased by 9% year-on-year, whereas dairy products increased by 3,3% year-on-year (Source: Agbiz).
- Driving producer inflation increases for "grain mill products, starches and starch products" are "grain mill products" which increased by 21% year-on-year, and "starches, starch products and animal feeds" which rose by 14,9% **(Graph 6)**.
- Increase in "Meat, fish, fruit, vegetables, oils and fats" producer inflation has been driven by "oil and fats" which increased by 25,9%, "fish and fish products" (13,8%), "fruit and vegetables" (9,4%), and "meat and meat products" (4%) **(Graph 6)**.
- Meanwhile, "dairy products" increased by 3,3%; with "other food products" being driven by significant year-on-year increases in sugar (14,7%) and bakery products (11,7%) **(Graph 6)**.

Graph 6: April 2016 year-on-year percentage growth



Source: Stats SA & Agbiz

4.3 Future contract prices and the exchange rate

Table 3: Closing prices on Friday, 3 June 2016

	3 June 2016	3 May 2016	% Change
RSA White Maize per ton (June 2016 contract)	R4 801,00	R4 508,00	6,50
RSA Yellow Maize per ton (June 2016 contract)	R3 762,00	R3 206,00	17,34
RSA Wheat per ton (June 2016 contract)	R5 056,00	R4 676,00	8,13
RSA Sunflower seed per ton (June 2016 contract)	R6 351,00	R6 255,00	1,53
RSA Soya-beans per ton (June 2016 contract)	R7 742,00	R6 295,00	22,99
Exchange rate R/$	R15,61	R14,46	7,95

Source: JSE/SAFEX

- The South African wheat import tariff could increase further to levels around R1 550,00 per ton from the current level of R1 224,30 per ton. This is under the assumption that international wheat prices (*US No 2HRW fob*) remain at the current levels of US$193 per ton and the Rand/US dollar exchange rate at levels around R15,30. However, this expected increase might only be applicable if the industry role players submit an application for a revision of the tariff to the International Trade Administration Commission (ITAC) of South Africa.
- The tariff has gradually increased 8-fold between 2014 and 2016, from R157 per ton in October 2014 to R1 224,31 per to in April 2016. This significant increase was largely driven by lower international wheat prices, which are currently at a six year low, as well as the weaker Rand.
- The wheat import tariff is envisioned to support the domestic farmers against imports of subsidised wheat. It is important to highlight that this is not aimed at increasing the domestic wheat prices, but rather to ensure that local wheat prices do not fall to levels that make competitive production impossible in a distorted trade environment (Source: Agbiz).

4.4 Agricultural machinery sales

- April tractor sales of 400 units were 11% down on the 450 units sold in April 2015. On a rolling twelve month basis tractor sales are approximately 13% down on those for the previous twelve months. April combine harvester sales of 21 units were significantly down on the 29 units sold in April 2015. On a rolling twelve month basis combine harvester sales are approximately 33% down on 2015.
- It is likely that agricultural machinery sales will be sluggish for the next few months. Farmers are currently asking several questions: "What yield are they going to get on their standing crops?"; "What is going to happen to the exchange rate of the rand?"; "What are the weather prospects for the next season likely to be?" and "What are input costs and financing prospects for the next crop going to be?". Before making buying decisions, some, or all, of these questions will need to be answered.
- Current industry forecasts for the 2016 calendar year are that they will be between 15 and 20% down on 2015.

Table 4: Agricultural machinery sales

	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	April			April		
Equipment class	**2016**	**2015**		**2016**	**2015**	
Tractors	400	450	-11,11	2 145	2 394	-10,40
Combine harvesters	21	29	-27,59	73	99	-26,26

Source: SAAMA press release, May 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