

MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: NOVEMBER 2014

Issued: 5 December 2014

Directorate: Statistics and Economic Analysis

Highlights:

- During November 2014, significant rainfall was received over the central and eastern parts of the country.
- The expected production of wheat for 2014 is 1,791 million tons, which is 4,2% less than the previous seasons' crop of 1,870 million tons.
- The projected closing stocks of wheat for the current 2014/15 marketing year are 488 843 tons, which includes imports of 1,8 million tons. It is also 0,7% less than the previous years' ending stocks.
- Commercial producers intend to plant 2,600 million ha of maize for 2015, which is 3,3% less than the 2,688 million ha planted last season.
- Projected closing stocks of maize for the current 2014/15 marketing year are 2,161 million tons, which is considerably more (266,8%) than the previous years' ending stocks.
- The projected closing stocks of sorghum for the current 2014/15 marketing year are 126 564 tons, which is 152,8% more than the previous years' ending stocks.
- The headline CPI (for all urban areas) annual inflation rate in October 2014 was unchanged at 5,9%.
- The annual percentage change in the PPI for final manufactured goods was higher at 6,7% in October 2014.
- The Monetary Policy Committee announced in November 2014 that the repo rate will remain unchanged at 5,75%
- Real gross domestic product at market prices (3rd quarter of 2014) increased by 1,4% quarter-on-quarter.
- November tractor sales of 482 units were seven units less than the 489 units reported in November 2013.



**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 or QueenS@daff.gov.za

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	7
4.4 Monetary Policy Committee	7
4.5 Gross Domestic Product – 3 rd Quarter of 2014	8
4.6 Agricultural machinery sales	8
5. Acknowledgements	9



1. Weather conditions

1.2 Rainfall for November 2014

During November 2014, significant rainfall was received over the central and eastern parts of the country (**Figure 1**). Comparing rainfall totals to the long term average for November 2014, rainfall was above-normal over most parts of the western and central regions of the country but below-normal in Limpopo and isolated areas of Mpumalanga, as well as KwaZulu-Natal (**Figure 2**).

Figure 1: Rainfall (mm) for November 2014

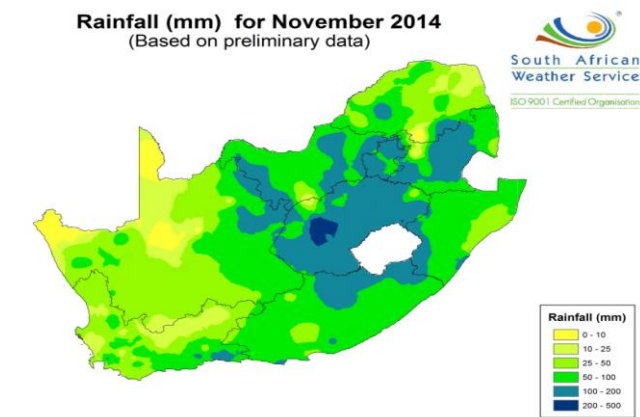
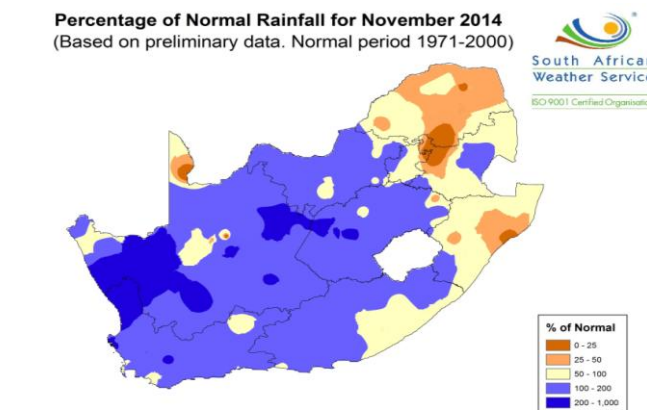


Figure 2: Percentage rainfall for November 2014



1.1 Level of dams

Available information on the level of South Africa's dams on 1 December 2014 indicates that the country has approximately 78% of its full supply capacity (FSC) available, 6% 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 (24%), Gauteng (17%), Limpopo (17%) and Free State (14%) provinces. However, the Western Cape and KwaZulu-Natal provinces show decreases of 8% and 7%, respectively, compared to the same period in 2013. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 1 December 2014

Province	Net FSC million cubic meters	1/12/2014 (%)	Last Year (2013) (%)	% Increase/Decrease 2014 vs 2013
Eastern Cape	1 826	76	76	0,0
Free State	15 971	82	68	14,0
Gauteng	115	94	77	17,0
KwaZulu-Natal	4 669	70	77	-7,0
Lesotho	2 376	65	60	5,0
Limpopo	1 504	82	65	17,0
Mpumalanga	2 520	85	86	-1,0
North West	802	68	57	11,0
Northern Cape	146	95	71	24,0
Western Cape	1 854	84	92	-8,0
Total	31 783	78	72	6,0

Source: Department of Water Affairs

2. Grain production

2.1 Summer grain crops

The intentions of producers to plant summer crops for 2015 was released by the Crop Estimates Committee (CEC) on 28_October 2014, and is as follows:

Table 2: Commercial summer crops: Intentions to plant - 2015 season

CROP	Intentions 2015 Ha	Area planted 2014 Ha	Final estimate 2014 Tons	Change %
	as mid October 2014		as on 30 Sep 2014/	
	(A)	(B)	(C)	(A) ÷ (B)
White maize	1 401 450	1 551 200	7 697 350	-9,7
Yellow maize	1 198 550	1 137 000	6 609 700	5,4
Maize	2 600 000	2 688 200	14 307 050	-3,3
Sunflower seed	633 600	598 950	853 325	5,8
Soya-beans	618 000	502 900	944 340	22,9
Groundnuts	58 200	52 125	78 090	11,7
Sorghum	80 500	78 850	268 920	2,1
Dry beans	64 000	55 820	82 130	14,7
TOTAL	4 054 300	3 976 845	16 533 855	1,9

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

- Producers intentions to plant summer crops are based on the results of a non-probability survey conducted by the Directorate: Statistics and Economic Analysis of the Department of Agriculture, Forestry and Fisheries and reflects the position as at the middle of October 2014.
- According to the results of the survey, commercial producers intend to plant 2,600 million ha of **maize** for 2015, which is 3,3% or 88 200 ha less than the 2,688 million ha planted last season.
- The figures show that producers intend to plant 1,401 million ha to **white maize**, which is 149 750 ha (9,7%) less than in the previous season. In the case of **yellow maize**, the expected plantings are 1,199 million ha, which is 61 550 ha (5,4%) more than in the previous season.
- Producers indicated that less maize, specifically white maize, will be planted for the 2015 season mainly due to lower prices. Farmers are also expected to plant more oilseeds such as soya-beans and sunflower seed at the expense of maize. However, the rainfall can still influence farmers' decisions.
- In the case of **sunflower seed**, the expected area planted is estimated at 633 600 ha, which is 5,8% or 34 650 ha more than the 598 950 ha planted last season.
- The intended plantings of **soya-beans** shows an increase of 22,9% compared to the previous season, from 502 900 ha to 618 000 ha.
- The expected plantings of **groundnuts** increased by 11,7%, from 52 125 ha to 58 200 ha.
- The intended plantings of **sorghum** and **dry beans** are expected to increase by 2,1% and 14,7%, respectively, compared to the previous season.

Please note that the preliminary area planted estimate for summer grains for 2015 will be released on 27 January 2015.



2.2 Winter cereal crops

The area estimate and fourth production forecast for winter cereals for 2014 was released by the CEC on 25 November 2014, and is as follows:

Table 3: Commercial winter crops: Area planted and fourth production forecast - 2014 season

CROP	Area planted 2014 Ha (A)	4 th Forecast 2014 Tons (B)	Area planted 2013 Ha (C)	Final crop 2013 Tons (D)	Change % (B) ÷ (D)
Wheat	476 570	1 790 684	505 500	1 870 000	-4,24
Malting barley	85 125	317 511	81 320	267 500	18,70
Canola	95 000	133 000	72 165	112 000	18,75
Total	656 695	2 241 195	658 985	2 249 500	-0,40

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

- The expected commercial production of **wheat** is 1,791 million tons, which is 4,2% or 79 316 tons less than the previous seasons' crop of 1,870 million tons, whilst the expected yield is 3,76 t/ha.
- The expected production in the Western Cape is 914 500 tons (51%), in the Northern Cape 285 000 tons (16%) and in the Free State 271 050 tons (15%).
- The area estimate for wheat remained unchanged at 476 570 ha
- The production forecast for **malting barley** is 317 511 tons, which is 18,7% or 50 011 tons more than the previous seasons' crop of 267 500 tons. The area planted is estimated at 85 125 ha, while the expected yield is 3,73 t/ha.
- The expected **canola** crop is 133 000 tons, which is 18,75% or 21 000 tons more than the previous seasons' crop of 112 000 tons. The area estimate for canola is 95 000 ha, with an expected yield of 1,40 t/ha.

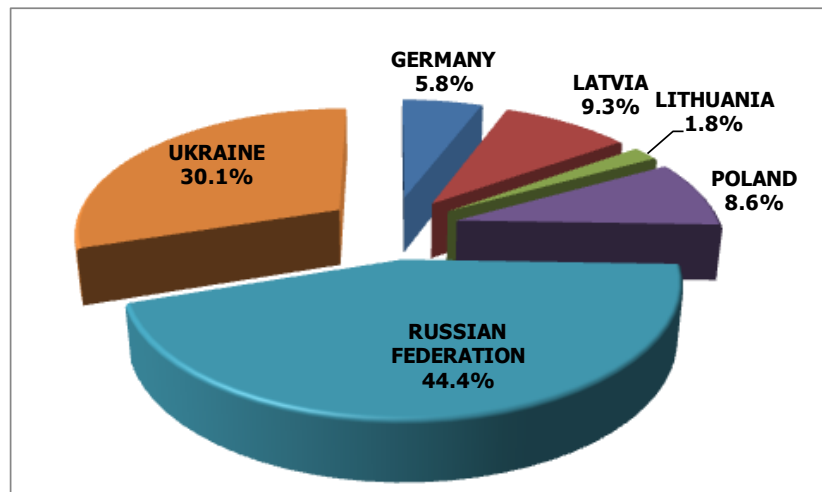
Please note that the fifth production forecast of the winter cereal crops for 2014, will be released on 19 December 2014.

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 Nov14 Annexure A.

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

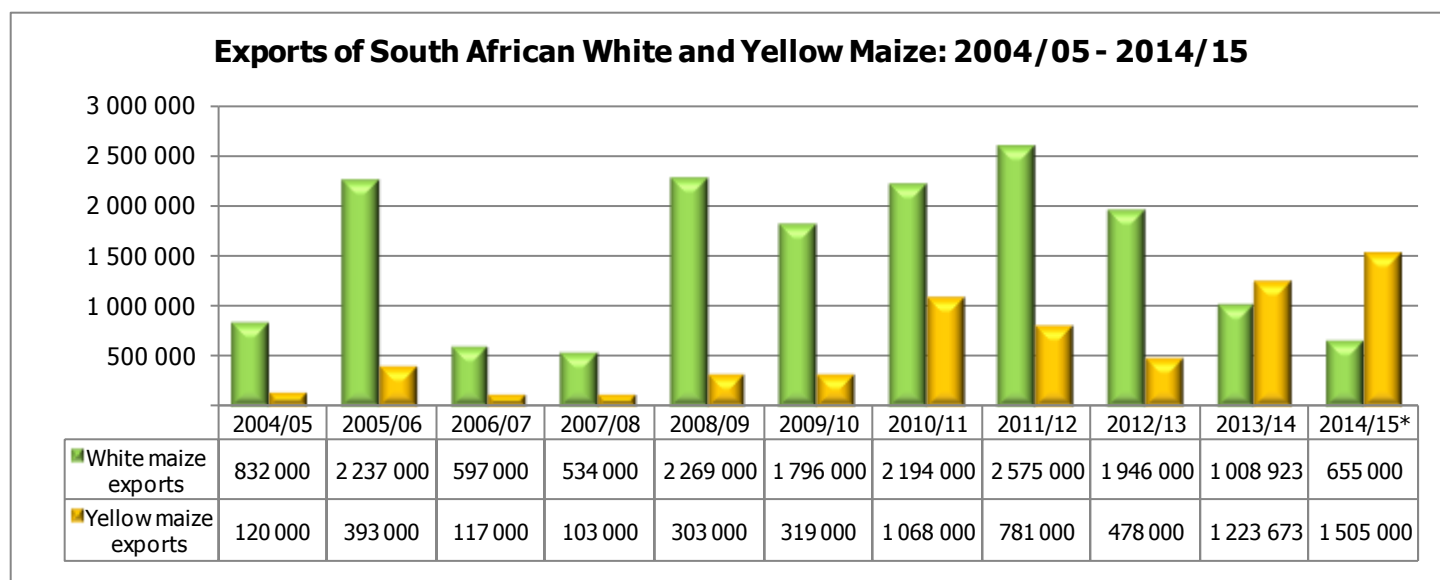
Graph 1: Major countries of wheat imports for South Africa: 2014/15 marketing year



- The progressive wheat imports from 27 September to 28 November 2014, amount to 450 284 tons, with the largest quantity (44,4% or 199 908 tons) imported from the Russian Federation followed by Ukraine (30,1% or 135 394 tons), Latvia (9,3% or 41 931 tons) and Poland (8,6% or 38 647 tons). The exports of wheat for the mentioned period amount to 22 975 tons, of which 69,7% or 16 007 tons were exported to the BLNS countries.

3.2 Exports of white and yellow maize

Graph 2: Exports of South African white and yellow maize for the 2004/05 to 2014/15 marketing year



*Projection

- The projection for the 2014/15 marketing year exports are 655 000 tons for white maize, which represents a decrease of 35,1 % 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.
- From 26 April to 28 November 2014, progressive white maize exports amount to 316 800 tons, with the main destinations being the BLNS countries (64,9% or 205 754 tons) and Zimbabwe (17,5% or 55 545 tons). No imports were reported for the mentioned period.
- From 26 April to 28 November 2014, progressive yellow maize exports amount to 1 344 264 tons, with the main destinations being Taiwan (50,5% or 679 185 tons), Korea (16,0% or 214 474 tons) and Japan (14,7% or 198 197 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 October 2014 was 5,9%. This rate was the same as the corresponding annual rate of 5,9% in September 2014. On average, prices increased by 0,2% between September 2014 and October 2014.
- The food and non-alcoholic beverages index increased by 0,2% between September 2014 and October 2014. The annual rate decreased to 7,8% in October 2014 from 8,5% in September 2014. The following components in the food and non-alcoholic beverages index increased: Fruit (1,9%), other food (1,5%), meat (0,9%) and cold beverages (0,7%). The following components decreased: Oils and fats (-1,1%), hot beverages (-1,0%), vegetables (-0,8%), fish (-0,5%), bread and cereals (-0,3%), sugar, sweets and desserts (-0,2%) and milk, eggs and cheese (-0,1%).
- The alcoholic beverages index increased by 1,9% between September 2014 and October 2014. The annual rate increased to 6,3% in October 2014 from 5,3% in September 2014.



- The transport index increased by 0,3% between September 2014 and October 2014. The annual rate increased to 4,8% in October 2014 from 4,2% in September 2014.
- The provinces with an annual inflation rate lower than or equal to headline inflation were Northern Cape (5,8%), Gauteng (5,8%), Eastern Cape (5,7%), Mpumalanga (5,6%) and Free State (5,5%). The provinces with an annual inflation rate higher than headline inflation were Limpopo (6,3%), KwaZulu-Natal (6,2%), North West (6,1%) and Western Cape (6,0%).

4.2 Producer Price Index (PPI)

- The annual percentage change in the PPI for final manufactured goods was 6,7% in October 2014. From September 2014 to October 2014 the PPI for final manufactured goods increased by 0,3%.
- The main contributors to the annual rate of 6,7% were food products, beverages and tobacco products (7,7% year-on-year and contributing 2,8%) and metals, machinery, equipment and computing equipment (9,3% year-on-year and contributing 1,4%). The contributors to the monthly increase of 0,3% were food products, beverages and tobacco products (0,7% month-on-month and contributing 0,3%), wood and paper products (2,3% month-on-month and contributing 0,2%), as well as metals, machinery, equipment and computing equipment (0,8% month-on-month and contributing 0,1%).
- The annual percentage change in the PPI for electricity and water was 8,0% in October 2014 (compared with 7,4% in September 2014). From September 2014 to October 2014 the PPI for electricity and water decreased by 4,3%. The contributors to the annual rate of 8,0% were electricity (8,2% year-on-year and contributing 6,8%) and water (7,0% year-on-year and contributing 1,2%). The contributor to the monthly decrease of 4,3% was electricity (-5,0% month-on-month and contributing -4,2%).
- The annual percentage change in the PPI for mining was 2,5% in October 2014 (compared with 5,1% in September 2014). From September 2014 to October 2014 the PPI for mining decreased by 3,3%. The contributor to the annual rate of 2,5% was non-ferrous metal ores (9,0% year-on-year and contributing 3,9%). The main contributor to the monthly decrease of 3,3% was non-ferrous metal ores (-4,1% month-on-month and contributing -1,9%).
- The annual percentage change in the PPI for agriculture, forestry and fishing was 3,0% in October 2014 (compared with 4,4% in September 2014). From September 2014 to October 2014 the PPI for agriculture, forestry and fishing increased by 1,4%. The main contributor to the annual rate of 3,0% was agriculture (2,5% year-on-year and contributing 1,9%). The contributor to the monthly increase of 1,4% was agriculture (2,1% month-on-month and contributing 1,6%).

4.3 Future contract prices and the exchange rate

Table 4: Closing prices on Wednesday, 3 December 2014

	3 December 2014	3 November 2014	% Change
RSA White Maize per ton (Dec. 2014 contract)	R2 010,00	R1 913,00	5,07
RSA Yellow Maize per ton (Dec. 2014 contract)	R2 050,00	R1 969,00	4,11
RSA Wheat per ton (Dec. 2014 contract)	R3 738,00	R3 642,00	2,64
RSA Sunflower seed per ton (Dec. 2014 contract)	R4 800,00	R4 860,00	-1,23
RSA Soya-beans per ton (Dec. 2014 contract)	R5 475,00	R5 542,00	-1,21
Exchange rate R/\$	R11,19	R11,04	1,36

Source: JSE/SAFEX

4.4 Monetary Policy Committee

- The Monetary Policy Committee (MPC) announced on 20 November 2014 that the repo rate will remain unchanged at 5,75%.



- The marked decline in international oil prices has had a significant impact on the medium term outlook for headline inflation in the global economy and in South Africa. At this stage it is unclear whether this is a temporary shock, or if it will be sustained or decline further. As with an oil price increase, we would look through the impact effect and focus on the possible second round effects of this decline. The possibility that oil prices are sustained at current levels introduces a degree of downside risk to the inflation forecast.
- The domestic growth outlook remains challenging, and the risks to the forecast are assessed to be moderately on the downside. The MPC does not see significant signs of excess demand pressures that are impacting on the inflation outlook and household consumption expenditure is expected to remain constrained.
- At the same time, despite its recent relative stability, the exchange rate remains an upside risk to the inflation outlook, vulnerable to changing perceptions of the timing of global monetary policy adjustments, and the slow pace of contraction in the current account deficit. The extent to which policy normalisation is already priced into the exchange rate is also unclear. A further upside risk to the inflation forecast comes from a possible increase in wage settlement rates in excess of inflation and productivity growth in the coming year.
- In light of this assessment, the MPC sees the overall risk to the headline inflation forecast to be more or less balanced. However, given the elevated level of core inflation, and the fact that headline inflation is expected to increase later in the forecast period as the first round effect of the oil price decline dissipates, the Committee remains vigilant and will continue to monitor developments closely.

4.5 Gross Domestic Product – 3rd Quarter of 2014

- Real gross domestic product at market prices increased by 1,4% quarter-on-quarter, seasonally adjusted and annualised.
- The largest contributions to the quarter-on-quarter growth of 1,4% were as follows:
 - Finance, real estate and business services and the wholesale, retail and motor trade; catering and accommodation industry each contributed 0,5% based on increases of 2,4% and 3,4%, respectively;
 - General government services contributed 0,3% based on growth of 2,2%; and
 - The agriculture, forestry and fishing industry and the transport, storage and communication industry each contributed 0,2% based on increases of 8,2% and 2,2%, respectively.

4.6 Agricultural machinery sales

- November tractor sales of 482 units were seven units less than the 489 units reported in November 2013. Sales for the eleven months year-to-date are now 3% down on the same period last year. November combine harvester sales of 11 units were one unit less than the 12 units sold in November 2013. On a year-to-date basis combine harvester sales are now approximately 4% down on the same period last year.
- Although the summer-cropping season started fairly late and rainfall has been quite patchy, most farmers have been able to plant. Crops will now be dependent on continuing rain falling through to the end of February 2014. With the maize price having recovered in recent weeks, overall market sentiment is still cautiously optimistic.
- Industry expectations are still that the market in 2014 will be approximately 5% down on last year.

Table 5: Agricultural machinery sales

Equipment class	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	November			November		
	2014	2013		2014	2013	
Tractors	482	489	-1,4	6 120	6 304	-2,9
Combine harvesters	11	12	-8,3	325	340	-4,4

Source: SAAMA press release, December 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