

MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: NOVEMBER 2016

Issued: 6 December 2016

Directorate: Statistics and Economic Analysis

Highlights:

- During November 2016, significant rainfall events were limited to the eastern half of the country.
- The expected production of wheat for 2016 is 1,766 million tons, which is 22,7% more than the previous seasons' crop of 1,440 million tons.
- The projected closing stocks of wheat for the current 2016/17 marketing year are 754 212 tons, which includes imports of 1,5 million tons. It is also 8,8% less than the previous years' ending stocks.
- Projected closing stocks of maize for the current 2016/17 marketing year are 1,102 million tons, which is 55,4% less than the previous years' ending stocks.
- The projected closing stocks of sorghum for the current 2016/17 marketing year are 34 342 tons, which is 58,7% less than the previous years' ending stocks.
- The projected closing stocks of sunflower seed for current 2016/17 marketing year are 76 767 tons, which is 67,4% more than the previous years' ending stocks.
- The projected closing stocks of soybeans for the current 2016/17 marketing year are 73 678 tons, which is 17,3% less than the previous years' ending stocks.
- The headline CPI (for all urban areas) annual inflation rate in October 2016 was higher at 6,4%.
- The annual percentage change in the PPI for final manufactured goods was unchanged at 6,6% in October 2016.
- October tractor sales of 567 units were significantly lower (16%) than the 678 units sold in October 2015.



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1. Weather conditions

1.1 Rainfall for November 2016

During November 2016, significant rainfall events were limited to the eastern half of the country (**Figure 1**). Comparing rainfall totals to the long term average for November 2016, rainfall received was below-normal for most of the western half of the country, while the eastern half received near- to above-normal rainfall, with below-normal rainfall evident in some areas (**Figure 2**).

Figure 1: Rainfall in mm for November 2016

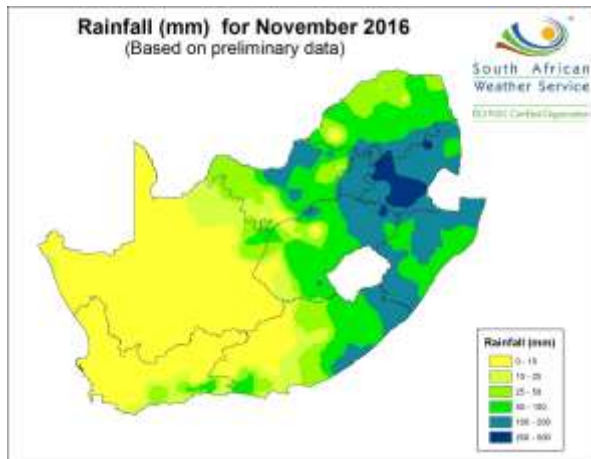
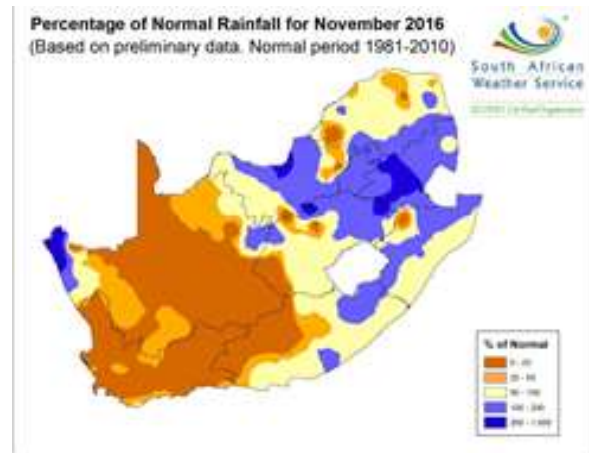


Figure 2: Percentage rainfall for November 2016



According to the latest Seasonal Climate Watch of the SA Weather Service, most local and international forecasting systems are consistently indicating that South Africa's summer rainfall areas can expect wetter conditions during the mid-summer (Des/Jan/Feb) through to the early autumn (Feb/Mar/Apr) period. The likelihood of cooler conditions for the mid-summer season have further increased, which could be attributed to the expected wetter conditions in the seasons mentioned above. There is an increased possibility that a weak La Niña will develop and persist during the summer season, which strengthens the expected wetter conditions this summer.

1.2 Level of dams

Available information on the level of South Africa's dams on 5 December 2016 indicates that the country has approximately 50% of its full supply capacity (FSC) available, 11% less than the corresponding period in 2015. Almost all the provinces show a decreasing trend, in the full supply capacity of dams of between 9% and 22%, except for Gauteng and the North West Province which show improvements of 3% and 9%, respectively compared to the same period last year. The largest decreases in the full supply capacity for the mentioned period are evident in Limpopo with 22% and the Northern Cape with 19%. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 5 December 2016

| Province | Net FSC million cubic meters | 5/12/2016 (%) | Last Year (2015) (%) | % Increase/Decrease 2016 vs. 2015 |
|---------------|------------------------------|---------------|----------------------|-----------------------------------|
| Eastern Cape | 1 832 | 60 | 76 | -16,0 |
| Free State | 15 971 | 51 | 62 | -11,0 |
| Gauteng | 115 | 83 | 80 | 3,0 |
| KwaZulu-Natal | 4 669 | 42 | 54 | -12,0 |
| Lesotho | 2 376 | 38 | 53 | -15,0 |
| Limpopo | 1 508 | 45 | 67 | -22,0 |
| Mpumalanga | 2 539 | 53 | 64 | -11,0 |
| North West | 887 | 58 | 49 | 9,0 |
| Northern Cape | 146 | 52 | 71 | -19,0 |
| Western Cape | 1 870 | 52 | 61 | -9,0 |
| Total | 31 913 | 50 | 61 | -11,0 |

Source: Department of Water and Sanitation

2. Grain production

2.1 Summer grain crops

Please note that the preliminary area planted estimate for summer grains for 2017 will be released on 26 January 2017.

2.2 Winter cereal crops

The CEC released the area estimate and fourth production forecast for winter crops for 2016 on 24 November 2016, and is as follows:

Table 2: Commercial winter crops: Area planted and fourth production forecast - 2016 season

| CROP | Area planted | 4 th Forecast | Area planted | Final crop | Change |
|----------------|----------------|--------------------------|--------------|------------|-----------|
| | 2016 | 2016 | 2015 | 2015 | |
| | Ha | Tons | Ha | Tons | % |
| | (A) | (B) | (C) | (D) | (B) ÷ (D) |
| Wheat | 508 365 | 1 766 280 | 482 150 | 1 440 000 | 22,66 |
| Malting barley | 88 695 | 309 815 | 93 730 | 332 000 | -6,68 |
| Canola | 68 075 | 112 260 | 78 050 | 93 000 | 20,71 |
| Total | 665 135 | 2 188 355 | 653 930 | 1 865 000 | 17,34 |

- The expected commercial production of **wheat** is 1,766 million tons, which is 22,66% or 326 280 tons more than the previous seasons' of 1,440 million tons, whilst the expected yield is 3,47 t/ha.
- The expected production in the Western Cape is 969 000 tons (55%), in the Free State 308 000 tons (17%) and in the Northern Cape 252 000 tons (14%). The area estimate for wheat is 508 365 ha, which is 26 215 ha more than the 482 150 ha of the previous season.
- The production forecast for **malting barley** is 309 815 tons, which is 6,68% less than the previous seasons' of 332 000 tons. The area planted is estimated at 88 695 ha, while the expected yield is 3,49 t/ha.
- The expected **canola** crop was 112 260 tons, which is 20,71% more than the previous seasons' crop of 93 000 tons. The area estimate for canola is 68 075 ha, with an expected yield of 1,65 t/ha.

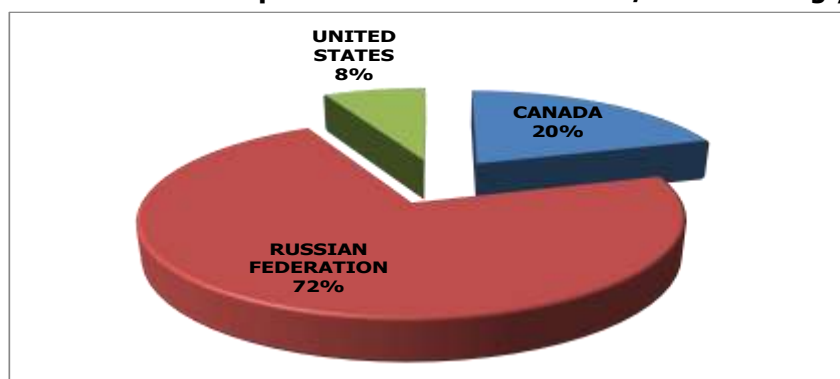
Please note that the fifth production forecast for winter cereals for 2016 will be released on 20 December 2016.

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 Nov16 Annexure A.

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

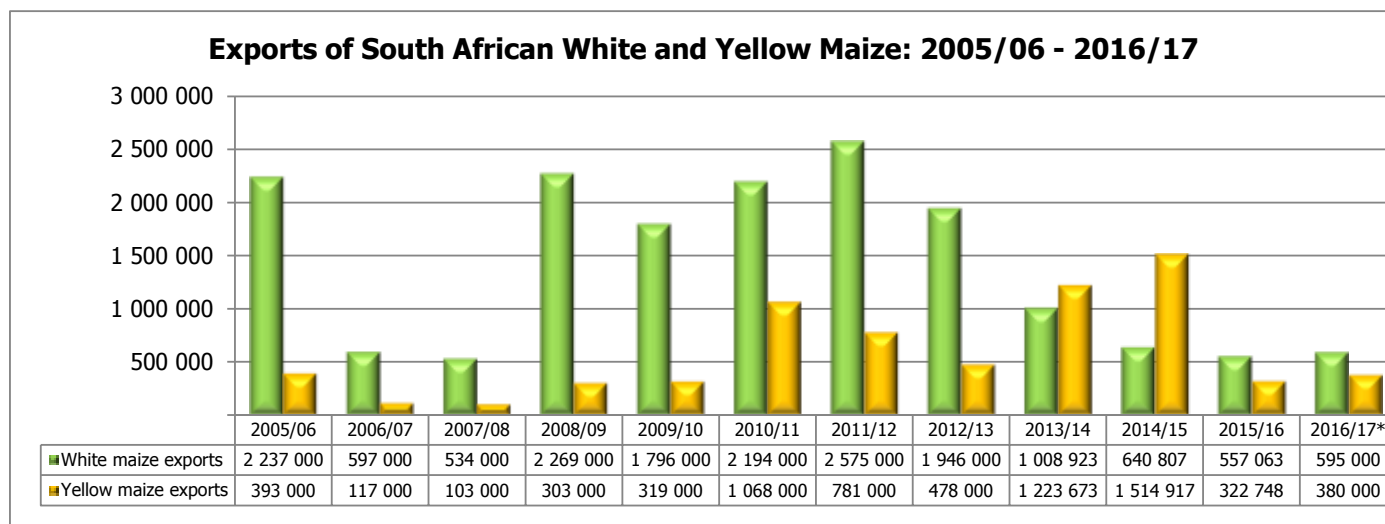
Graph 1: Major countries of wheat imports for South Africa: 2016/17 marketing year



- The progressive wheat imports for the 2016/17 marketing year (01 October to 2 December 2016) amount to 96 818 tons, with 72,10% or 69 809 tons imported from the Russian Federation, followed by the United States (7,51% or 7 274 tons) and Canada (20,38% or 19 735 tons). The exports of wheat for the above-mentioned period amount to 6 143 tons, of which 79,62% or 4 891 tons were exported to the BLNS Countries and 20,38% or 1 252 tons to Zimbabwe.

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 595 000 tons, which represents an increase of 6,81% compared to the 557 063 tons of the previous marketing year. Yellow maize exports are projected at 380 000 tons, which represents an increase of 17,74% compared to the 322 748 tons of the previous marketing year.
- From 30 April to 2 December 2016, progressive white maize exports amount to 317 014 tons, with the main destinations being the BLNS Countries (73,43% or 232 783 tons), Zimbabwe (20,31% or 64 373 tons), Mozambique (5,55% or 17 601 tons) and Malawi (0,71% or 2 257 tons). The imports of white maize for the mentioned period amount to 595 489 tons, of which 97,53% or 580 789 tons were from Mexico and 2,47% or 14 700 tons from the United States.
- From 30 April to 2 December 2016, progressive yellow maize exports amount to 183 442 tons, with the main destinations being the BLNS Countries (58,21% or 106 787 tons), Zimbabwe (29,08% or 53 353 tons), Mozambique (9,98% or 18 300 tons), Korea (2,26% or 4 146 tons), Angola (0,39% or 724 tons) and Zambia (0,07% or 132 tons). The imports of yellow maize for the mentioned period amount to 1,039 million tons, of which 86,35% or 897 016 tons were from Argentina, 9,09% or 94 462 tons from Brazil, 2,87% or 29 801 tons from Ukraine and 1,69% or 17 504 tons from Romania.

4. Market information

4.1 Consumer Price Index (CPI)

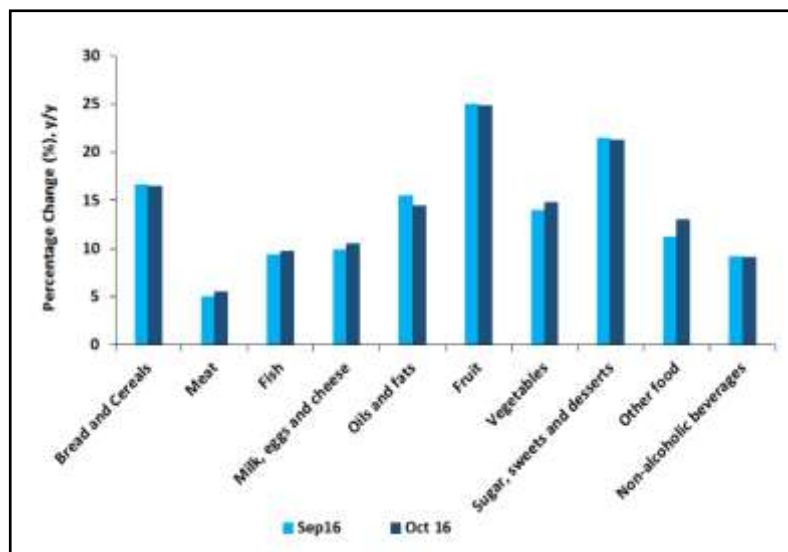
- Recent consumer price index data indicates that headline inflation has accelerated to 6,4% year-on-year in October 2016 from 6,1% in the September. However, food and non-alcoholic beverages inflation accelerated to 11,7% year-on-year in October 2016 from 11,3% in September 2016 (with non-alcoholic beverages aside, food inflation rose to 12,0% year-on-year in October 2016 from 11,6% in September 2016).
- 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. The largest percentage increases were recorded in meat; fish; milk, eggs and cheese; vegetables and other foods which



reached 5,5% year-on-year, 9,7% year-on-year, 10,5% year-on-year, 14,8% year-on-year and 13% year-on-year, respectively (**Graph 3**).

- Worth noting is that, of all the aforementioned products, meat constitutes about a third of the general consumer price index headline food basket. Moreover, data from the Red Meat Abattoir Association shows that the slaughtering rate trebled - from a 2014 average weekly rate of 6 500 head of cattle, to an average of 15 000 head per week in 2016. In fact, recent data shows that South African farmers slaughtered 17 585 head of cattle in the week ending 11 November 2016, up by 17% year-on-year. Given this trend, meat prices would ideally have been in deflation. Therefore, the current increases signal some structural adjustments on the demand side. Meanwhile, the increase in milk and cheese inflation coincides with seasonal milk prices which normally reach higher levels during winter and early spring season owing to lower domestic milk supplies. Moreover, vegetables inflation mirror the effects of the 2015/16 drought.

Graph 3: September and October 2016 year-on-year percentage changes

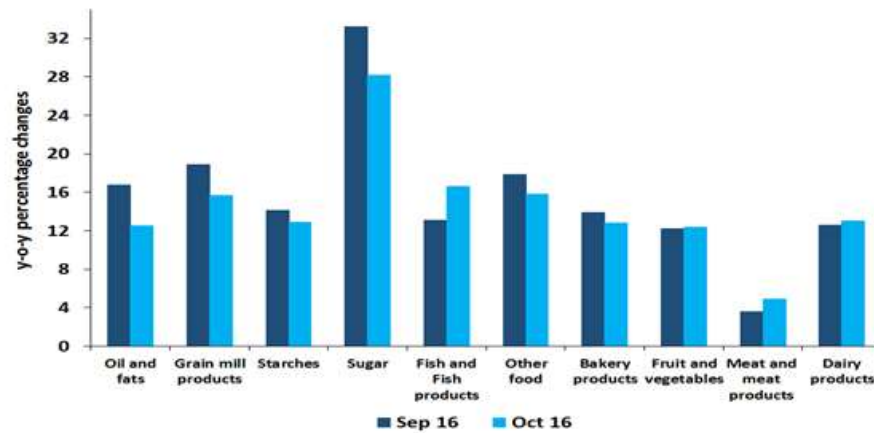


Source: Stats SA, Agbiz

4.2 Producer Price Index (PPI)

- Recent producer price index data indicates that in October 2016, producer inflation for final manufactured goods remained unchanged at to 6,6% year-on-year.
- Recent producer price index data shows that food products (producer) inflation fell to 12,7% year-on-year in October 2016 from 13,1% year-on-year in September 2016. This suggests that consumer inflation (food) is likely to decelerate over the coming months.
- The food products basket consists of four broad categories which include (1) meat, fish, fruit, vegetables, oils and fats, (2) dairy products, (3) grain mill products, starches and starch products, and animal feeds and (4) other food products. Although overall food products inflation has decelerated, some products recorded an upward movement. Notable increases have been recorded in, for instance, fruit and vegetables; fish and fish products; meat and meat products and dairy products (**Chart 4**).
- The increase in fruit and vegetables inflation coincides with seasonal price trends, since fruit prices normally reach higher levels at this time of the year – with most fruits currently “out-of-season”. Following the same trend is dairy products inflation, which is also in line with seasonal price behaviour caused by lower domestic supplies.

Graph 4: Annual producer inflation for food products



Source: Stats SA, Agbiz

4.3 Future contract prices and the exchange rate

Table 3: Closing prices on Friday, 2 December 2016

| | 2 December 2016 | 2 November 2016 | % Change |
|--|-----------------|-----------------|----------|
| RSA White Maize per ton (Dec. 2016 contract) | R4 186,00 | R3 553,00 | 17,82 |
| RSA Yellow Maize per ton (Dec. 2016 contract) | R3 245,00 | R3 131,00 | 3,64 |
| RSA Wheat per ton (Dec. 2016 contract) | R3 900,00 | R3 935,00 | -0,89 |
| RSA Sunflower seed per ton (Dec. 2016 contract) | R5 950,00 | R6 016,00 | -1,10 |
| RSA Soya-beans per ton (Dec. 2016 contract) | R6 570,00 | R6 115,00 | 7,44 |
| Exchange rate R/\$ | R14,40 | R13,42 | 7,30 |

Source: JSE/SAFEX

4.4 Agricultural machinery sales

- October tractor sales of 567 units were significantly (16%) lower than the 678 units sold in October 2015. On a year-to-date basis tractor sales are 14% down on those for the same period last year. October combine harvester sales of 18 units were 10% down on the 20 units sold in October 2015. On a year-to-date basis combine harvester sales are approximately 16% down on last year.
- Rain has fallen in some parts of the summer cropping regions and many farmers, particularly those in the east, have planted already. In other areas farmers are busy planting. Overall, farmers are being quite cautious about making decisions to purchase agricultural equipment. It is likely that this trend will continue in the short term. Banks are also acting very conservatively in evaluating the financing of machinery purchases.
- Industry expectations for 2016 have not changed recently and expectations are still that overall tractor sales will be down on last year, perhaps by between 15 to 20%, that is, between 5 250 and 5 600 units.

Table 4: Agricultural machinery sales

| Equipment class | Year-on-year | | Percentage Change % | Year-to-date | | Percentage Change % |
|--------------------|--------------|------|---------------------------|--------------|-------|---------------------------|
| | October | | | October | | |
| | 2016 | 2015 | | 2016 | 2015 | |
| Tractors | 567 | 678 | -16,37 | 5 053 | 5 877 | -14,02 |
| Combine harvesters | 18 | 20 | -10,00 | 166 | 198 | -16,16 |

Source: SAAMA press release, November 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