

MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: OCTOBER 2016

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Directorate: Statistics and Economic Analysis

Highlights:

- During October 2016, significant rainfall events were limited to the eastern coastal regions, as well as the central parts of the country, including the Gauteng, North West and Mpumalanga provinces.
- The expected production of wheat for 2016 is 1,734 million tons, which is 20,4% 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 726 781 tons, which includes imports of 1,5 million tons. It is also 12,7% less than the previous years' ending stocks.
- Commercial producers intend to plant 2,463 million ha of maize for 2017, which is 26,5% more than the 1,947 million ha planted last season.
- Projected closing stocks of maize for the current 2016/17 marketing year are 1,137 million tons, which is 54,0% less than the previous years' ending stocks.
- The projected closing stocks of sorghum for the current 2016/17 marketing year are 38 392 tons, which is 53,8% 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 75 178 tons, which is 15,6% less than the previous years' ending stocks.
- The headline CPI (for all urban areas) annual inflation rate in September 2016 was higher at 6,1%.
- The annual percentage change in the PPI for final manufactured goods was lower at 6,6% in September 2016.
- September tractor sales of 623 units were marginally (2%) down on the 637 units sold in September 2015.



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1. Weather conditions

1.1 Rainfall for October 2016

During October 2016, significant rainfall events were limited to the eastern coastal regions, as well as the central parts of the country, including the Gauteng, North West and Mpumalanga provinces (**Figure 1**). Comparing rainfall totals to the long term average for October 2016, rainfall received was below-normal over the western parts of the country and isolated areas of the Limpopo Province (**Figure 2**). The remaining areas of the country received near-normal rainfall with isolated areas of above-normal rainfall evident.

Figure 1: Rainfall in mm for October 2016

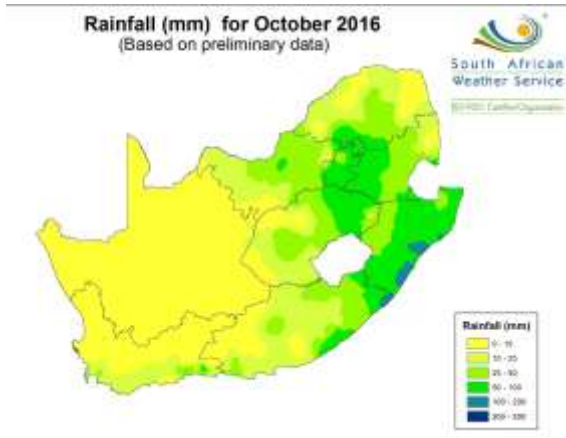
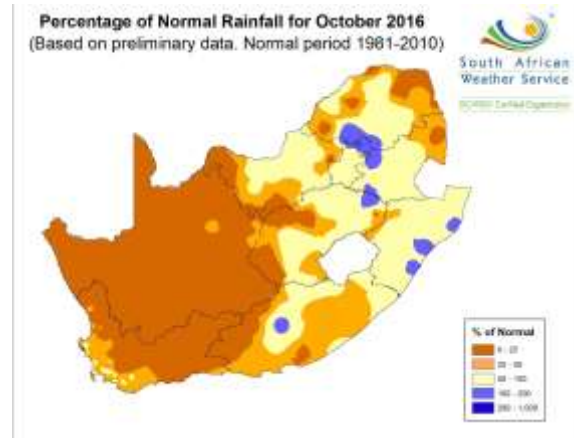


Figure 2: Percentage rainfall for October 2016



According to the latest Seasonal Climate Watch of the SA Weather Service, most local and international forecasting systems are indicating that South Africa's summer rainfall areas can expect wetter conditions during the early (NDJ) and mid-summer (DJF) periods. The expected warmer conditions from the previous forecast have also subsided somewhat, which may be further evidence of wetter conditions in the seasons mentioned above. Uncertainty of these forecasts remains a concern, however since factors such as the possible development of a La Niña (increased chances of wetter conditions) have not yet strongly manifested, and this usually casts doubt on the accuracy of the forecasting systems.

1.2 Level of dams

Available information on the level of South Africa's dams on 31 October 2016 indicates that the country has approximately 49% of its full supply capacity (FSC) available, 17% less than the corresponding period in 2015. All the provinces show a decreasing trend, in the full supply capacity of dams of between 4% and 26%, except for the North West Province with an improvement of only 1% compared to the same period last year. The largest decreases in the full supply capacity for the mentioned period are evident in Limpopo with 26%, followed by Mpumalanga with 24%, the Northern Cape with 23%, the Free State with 17%, and KwaZulu-Natal and the Eastern Cape with 16%, respectively. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 31 October 2016

Province	Net FSC million cubic meters	31/10/2016 (%)	Last Year (2015) (%)	% Increase/Decrease 2016 vs. 2015
Eastern Cape	1 832	62	78	-16,0
Free State	15 971	50	67	-17,0
Gauteng	115	79	83	-4,0
KwaZulu-Natal	4 669	42	58	-16,0
Lesotho	2 376	37	56	-19,0
Limpopo	1 508	45	71	-26,0
Mpumalanga	2 539	46	70	-24,0
North West	887	55	54	1,0
Northern Cape	146	56	79	-23,0
Western Cape	1 870	61	69	-8,0
Total	31 913	49	66	-17,0

Source: Department of Water and Sanitation



2. Grain production

2.1 Summer grain crops

The intentions' of producers to plant summer crops for 2017 was released by the Crop Estimates Committee (CEC) on 26 October 2016, and is as follows:

Table 2: Commercial summer crops: Intentions to plant - 2017 season

CROP	Intentions 2017	Area planted 2016	Final estimate 2016	Change %
	Ha		Tons	
	as mid October 2016	Ha	as on 27 Sep 2016	
	(A)	(B)	(C)	(A) ÷ (B)
White maize	1 455 000	1 014 750	3 253 775	43,39
Yellow maize	1 008 000	932 000	4 283 100	8,15
Maize	2 463 000	1 946 750	7 536 875	26,52
Sunflower seed	670 000	718 500	755 000	-6,75
Soybeans	516 000	502 800	741 550	2,63
Groundnuts	33 500	22 600	18 850	48,23
Sorghum	38 300	48 500	74 150	-21,03
Dry beans	33 000	34 400	35 445	-4,07
TOTAL	3 753 800	3 273 550	9 161 870	14,67

Note: Estimate is for calendar year, e.g. production season 2016/17 = 2017

- 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 2016.
- According to the results of the survey, commercial producers intend to plant 2,463 million ha of **maize** for 2017, which is 26,52% or 516 250 ha more than the 1,947 million ha planted last season.
- The figures show that producers intend to plant 1,455 million ha to **white maize**, which is 440 250 ha (43,39%) more than in the previous season. In the case of **yellow maize**, the expected plantings are 1,008 million ha, which is 76 000 ha (8,15%) more than in the previous season.
- Producers indicated that more maize will be planted for the 2017 season, mainly because of favourable weather forecasts for the new season, which will hopefully bring relief after the previous seasons' drought conditions. However, the rainfall can still influence farmers' decisions.
- In the case of **sunflower seed**, the expected area planted is estimated at 670 000 ha, which is 6,75% or 48 500 ha less than the 718 500 ha planted last season.
- The intended plantings of **soybeans** shows an increase of 2,63% compared to the previous season – from 502 800 ha to 516 000 ha.
- The expected plantings of **groundnuts** will increase by 48,23%, from 22 600 ha to 33 500 ha.
- The intended plantings of **sorghum** is expected to decrease by 21,03% or 10 200 ha to 38 300 ha, compared to the previous season.

- The expected plantings of dry beans is estimated at 33 000 ha, which is 4,07% or 1 400 ha less than in the previous season.

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 also released the area estimate and third production forecast for winter crops for 2016 on 26 October 2016, and is as follows:

Table 3: Commercial winter crops: Area planted and third production forecast - 2016 season

CROP	Area planted 2016 Ha (A)	3 rd Forecast 2016 Tons (B)	Area planted 2015 Ha (C)	Final crop 2015 Tons (D)	Change % (B) ÷ (D)
Wheat	508 365	1 733 980	482 150	1 440 000	20,42
Malting barley	88 695	299 895	93 730	332 000	-9,67
Canola	68 075	108 860	78 050	93 000	17,05
Total	665 135	2 142 735	653 930	1 865 000	14,89

- The expected commercial production of **wheat** is 1,734 million tons, which is 20,42% or 293 980 tons more than the previous seasons' of 1,440 million tons, whilst the expected yield is 3,41 t/ha.
- The expected production in the Western Cape is 936 700 tons (54%), in the Free State 308 000 tons (18%) and in the Northern Cape 252 000 tons (15%).
- The area estimate for wheat was revised to 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 299 895 tons, which is 9,67% less than the previous seasons' of 332 000 tons. The area planted is estimated at 88 695 ha, while the expected yield is 3,38 t/ha.
- The expected **canola** crop was 108 860 tons, which is 17,05% more than the previous seasons' crop of 93 000 tons. The area estimate for canola is 68 075 ha, with an expected yield of 1,60 t/ha.

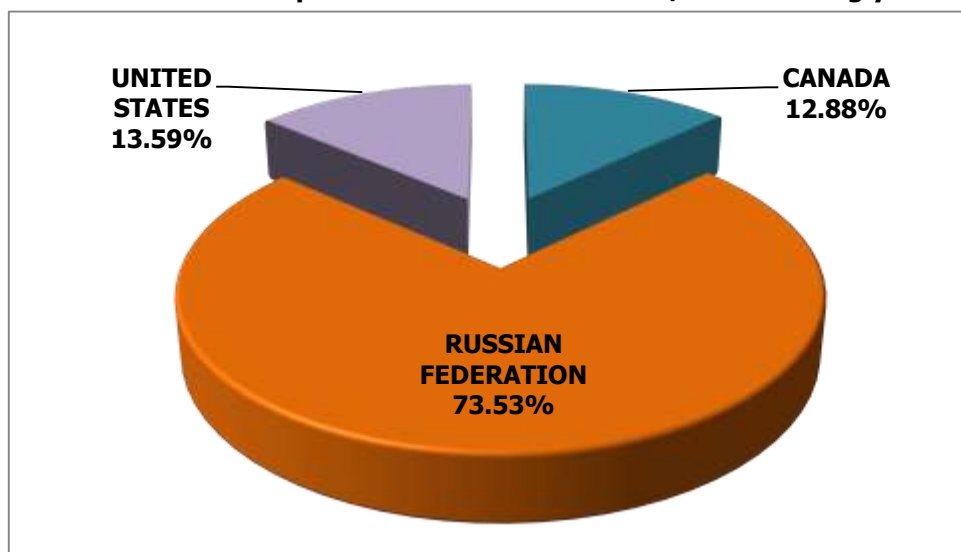
Please note that the fourth production forecast for winter cereals for 2016 will be released on 24 November 2016.

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 Oct16 Annexure A.

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

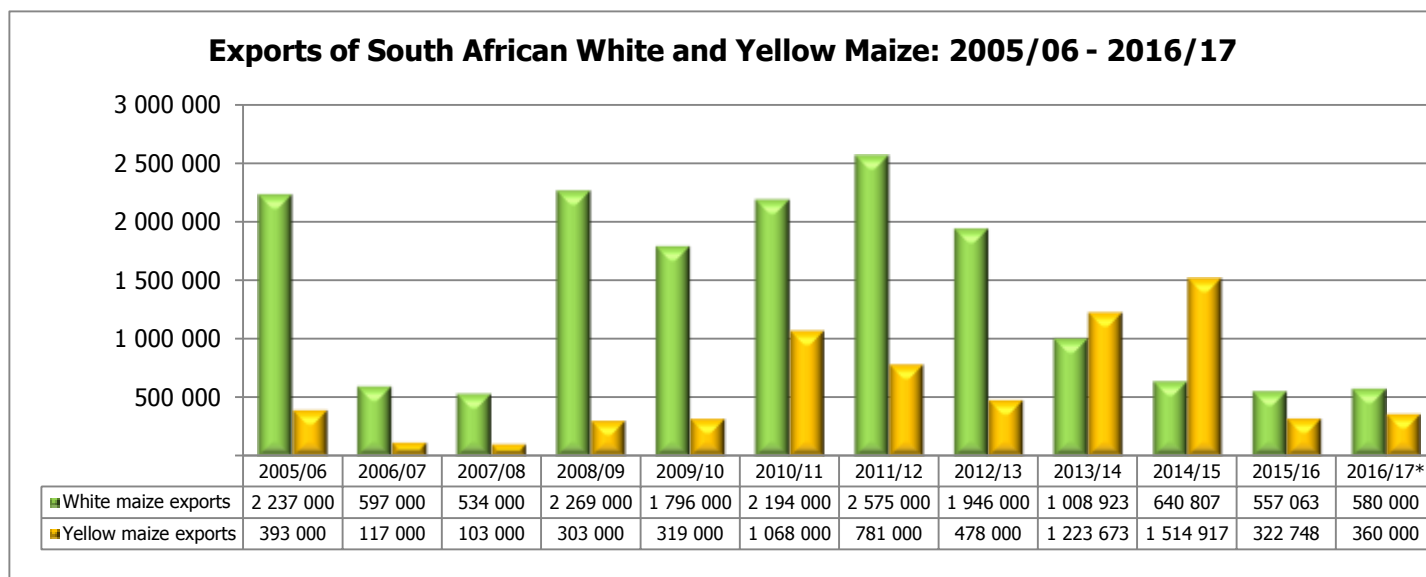
Graph 1: Major countries of wheat imports for South Africa: 2016/17 marketing year



- The progressive wheat imports for the first month of the 2016/17 marketing year from 01 October to 28 October 2016, amount to 53 486 tons, with 73,53% or 39 328 tons imported from the Russian Federation, followed by the United States (13,59% or 7 271 tons) and Canada (12,88% or 6 887 tons). The exports of wheat for the above-mentioned period amount to 1 227 tons, of which 79,72% or 1 018 tons were exported to Namibia, 15,97% or 204 tons to Zimbabwe and only 4,31% or 55 tons to Botswana.

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 580 000 tons, which represents an increase of 4,12% compared to the 557 063 tons of the previous marketing year. Yellow maize exports are projected at 360 000 tons, which represents an increase of 11,54% compared to the 322 748 tons of the previous marketing year.
- From 30 April to 28 October 2016, progressive white maize exports amount to 255 375 tons, with the main destinations being the BLNS Countries (73,46% or 187 599 tons), Zimbabwe (19,96% or 50 964 tons), Mozambique (5,89% or 15 035 tons) and Malawi (0,70% or 1 777 tons). The imports of white maize for the mentioned period amount to 376 882 tons, of which 95,32% or 359 249 tons were from Mexico and 4,68% or 17 633 tons from the United States.

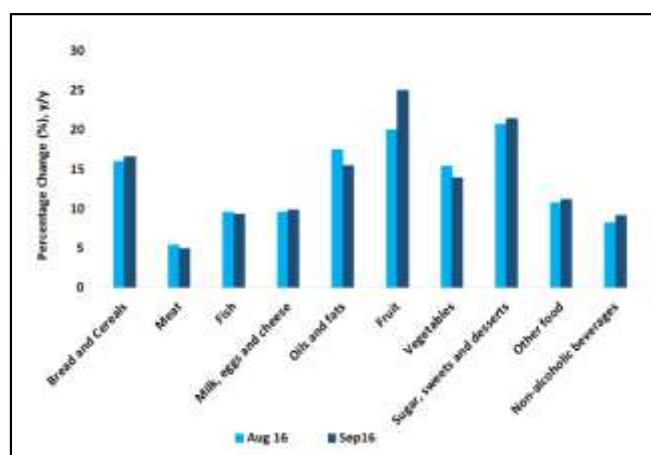
- From 30 April to 28 October 2016, progressive yellow maize exports amount to 136 365 tons, with the main destinations being the BLNS Countries (62,35% or 85 030 tons), Zimbabwe (23,34% or 31 833 tons), Mozambique (11,16% or 15 224 tons), Korea (3,04% or 4 146 tons) and Zambia (0,10% or 132 tons). The imports of yellow maize for the mentioned period amount to 929 979 tons, of which 87,96% or 818 045 tons were from Argentina, 10,15% or 94 430 tons from Brazil and 1,88% 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 6,1% year-on-year in September 2016 from 5,9% in the August, with rentals for housing and owners' equivalent rent being the key driver of this uptick. However, food and non-alcoholic beverages inflation has remained unchanged from August, at 11,3% year-on-year.
- 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. Although overall food and non-alcoholic beverages inflation has remained unchanged, there have been some price movements within the basket. Notably, increases have been recorded in bread and cereals; milk, eggs and cheese; fruit; sugar, sweets and deserts and other foods whereas meat; oils and fats; vegetables and fish decelerated (**Graph 3**).

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



Source: Stats SA, Agbiz

- The increase in bread and cereals inflation is still reflective of the effects of the 2015/16 drought, which has led to lower grain supplies and in turn higher prices. Additionally, the increase observed in eggs inflation is in line with increases in feed prices. The increase in milk and cheese inflation coincides with seasonal milk prices, which normally reach higher levels during winter and the early spring season owing to lower domestic milk supplies. The increases in sugar, sweets and deserts inflation mirror the effects of the 2015/16 drought on sugar cane production.

4.2 Producer Price Index (PPI)

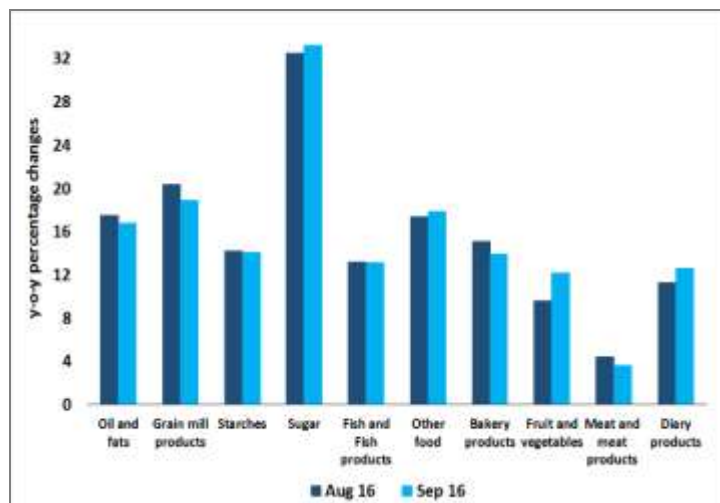
- Recent producer price index data indicates that in September 2016, producer inflation for final manufactured goods decelerated to 6,6% from 7,2% year-on-year in August. Food products (producer) inflation eased at 13,1% year-on-year from 13,4% year-on-year in August 2016. This suggests that consumer 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. Each of the aforementioned categories within the food products basket is allocated a



weight, the largest being “meat, fish, fruit, vegetables, oils and fats” and “other food products”, which make up 37% and 41%, respectively.

- Although overall food products inflation has decelerated, some products recorded an upward movement. Notably, increases have been recorded in sugar; fruit and vegetables; dairy products and other foods whereas oil and fats; grain mill products; starches; fish and fish products; bakery products; meat and meat products decelerated (**Graph 4**).

Graph 4: RSA Food products price inflation (year-on-year).



Source: Stats SA, Agbiz

- The increase in sugar products inflation reflects the effects of the 2015/16 drought on sugar cane production. The fruit and vegetables inflation increase coincides with seasonal price trend, normally reaching higher levels due to lower supplies as most fruits are currently in the “out-of-harvest” season. Following the same trend, dairy products inflation is in line with seasonal price behaviour caused by lower domestic supplies.

4.3 Future contract prices and the exchange rate

Table 4: Closing prices on Thursday, 3 November 2016

	3 November 2016	3 October 2016	% Change
RSA White Maize per ton (Dec. 2016 contract)	R3 512,00	R3 493,00	0,54
RSA Yellow Maize per ton (Dec. 2016 contract)	R3 122,00	R3 022,00	33,09
RSA Wheat per ton (Dec. 2016 contract)	R3 935,00	R4 080,00	-3,55
RSA Sunflower seed per ton (Dec. 2016 contract)	R6 130,00	R6 400,00	-4,22
RSA Soya-beans per ton (Dec. 2016 contract)	R6 158,00	R6 160,00	-0,03
Exchange rate R/\$	R13,51	R13,58	-0,52

Source: JSE/SAFEX

4.5 Agricultural machinery sales

- September tractor sales of 623 units were marginally (2%) down on the 637 units sold in September 2015. On a year-to-date basis tractor sales are approximately 14% down on those for 2015. September combine harvester sales of 14 units were 26% down on the 19 units sold in September last year. On a year-to-date basis combine harvester sales are approximately 16% down on last year.
- Fundamentals underpinning the market have not changed much in August. In regard to rainfall prospects, with the El Niño effect having given way to a weak La Niña effect, the country is in a better situation in terms of

prospects for the forthcoming summer cropping season than it was twelve months ago. However, general rain is required over all the summer cropping regions.

- 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%.

Table 5: Agricultural machinery sales

Equipment class	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	September			September		
	2016	2015		2016	2015	
Tractors	623	637	-2,20	4 486	5 199	-13,71
Combine harvesters	14	19	-26,32	152	180	-15,56

Source: SAAMA press release, October 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