MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: SEPTEMBER 2016

Issued: 6 October 2016

Directorate: Statistics and Economic Analysis

Highlights:

- **During September 2016, significant rainfall events were limited to the Western Cape, Eastern Cape and KwaZulu-Natal provinces.**
- **The expected production of wheat for 2016 is 1,700 million tons, which is 18,1% more than the previous seasons' crop of 1,440 million tons.**
- **The projected closing stocks of wheat for the past 2015/16 marketing year were 835 623 tons, which included imports of 2,1 million tons. It was also 40,0% more than the previous years' ending stocks.**
- **The projected closing stocks of wheat for the current 2016/17 marketing year are 641 713 tons, which includes imports of 1,5 million tons. It is also 23,2% less than the previous years' ending stocks.**
- **The expected commercial maize crop for 2016 has been set at 7,537 million tons, which is 24,3% 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 1,202 million tons, which is 51,4% less than the previous years' ending stocks.**
- **The projected closing stocks of sorghum for the current 2016/17 marketing year are 45 392 tons, which is 45,4% less than the previous years' ending stocks.**
- **The projected closing stocks of sunflower seed for current 2016/17 marketing year are 79 617 tons, which is 73,6% more than the previous years' ending stocks.**
- **The projected closing stocks of soybeans for the current 2016/17 marketing year are 76 678 tons, which is 14,0% less than the previous years' ending stocks.**
- **The headline CPI (for all urban areas) annual inflation rate in August 2016 was lower at 5,9%.**
- **The annual percentage change in the PPI for final manufactured goods was lower at 7,2% in August 2016.**
- **August tractor sales of 460 units were 22% down on the 589 units sold in August 2015.**

agriculture, forestry & fisheries

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1. Weather conditions

1.1 Rainfall for September 2016

During September 2016, significant rainfall events were limited to the Western Cape, Eastern Cape and KwaZulu-Natal provinces (**Figure 1**). Comparing rainfall totals to the long term average for September 2016, rainfall received was below-normal countrywide with isolated areas of near-normal rainfall, mainly along the south coast and parts of KwaZulu-Natal (**Figure 2**).

Figure 1: Rainfall in mm for September 2016

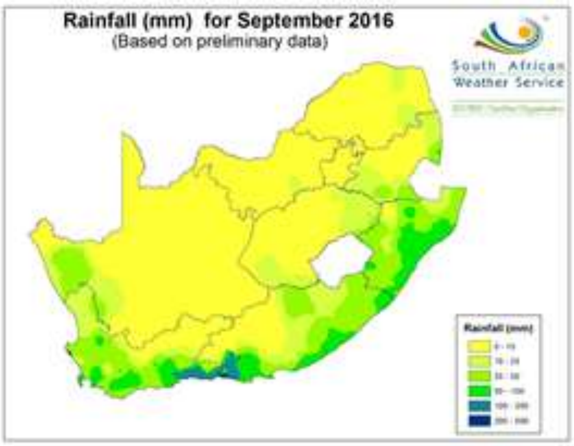
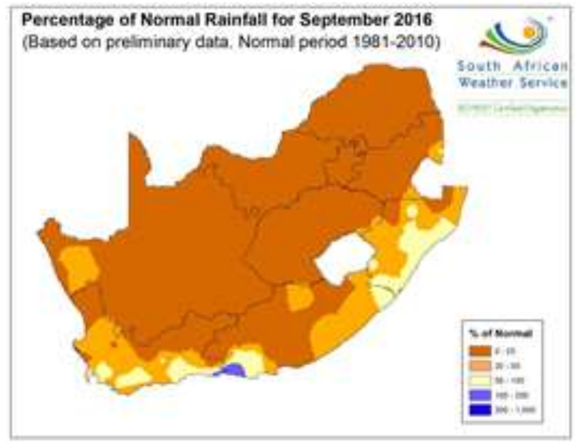


Figure 2: Percentage rainfall for September 2016



According to the latest Seasonal Climate Watch of the SA Weather Service, current observations show close to the border of a weak La-Niña state. The likelihood of a weak La-Niña development toward summer season remains low. The forecasting system favours a gradual improvement of chances for above-normal rainfall conditions toward the mid-summer season. However, the uncertainty level remains fairly high with a marginal confidence since most of those climate systems that govern our region are not clearly manifested in favour of the forecast's expectation.

1.2 Level of dams

Available information on the level of South Africa's dams on 3 October 2016 indicates that the country has approximately 51% of its full supply capacity (FSC) available, 18% less than the corresponding period in 2015. All the provinces show a decreasing trend, in the full supply capacity of dams of between 1% and 27%, compared to the same period last year. The largest decreases in the full supply capacity for the mentioned period are evident in Limpopo with 27%, followed by Mpumalanga with 25%, the Northern Cape with 23%, KwaZulu-Natal with 19%, the Free State with 18% and the Eastern Cape province with 16%. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 3 October 2016

Province	Net FSC million cubic meters	**3/10/2016 (%)**	Last Year (2015) (%)	% Increase/Decrease 2016 vs. 2015
Eastern Cape	1 832	64	80	-16,0
Free State	15 971	53	71	-18,0
Gauteng	115	80	87	-7,0
KwaZulu-Natal	4 669	42	61	-19,0
Lesotho	2 376	37	59	-22,0
Limpopo	1 508	47	74	-27,0
Mpumalanga	2 539	49	74	-25,0
North West	887	59	60	-1,0
Northern Cape	146	56	79	-23,0
Western Cape	1 870	63	72	-9,0
Total	**31 913**	**51**	**69**	**-18,0**

Source: Department of Water and Sanitation

2. Grain production

2.1 Summer grain crops

The final production estimate for summer crops for 2016 was released by the Crop Estimates Committee (CEC) on 27 September 2016, and is as follows:

Table 2: Commercial summer crops: Area planted and final production estimate - 2016 season

CROP	**Area planted 2016 Ha (A)**	**Final estimate 2016 Tons (B)**	Area planted 2015 Ha (C)	Final crop 2015 Tons (D)	Change % (B) ÷ (D)
White maize	**1 014 750**	**3 253 775**	1 448 050	4 735 000	-31,28
Yellow maize	**932 000**	**4 283 100**	1 204 800	5 220 000	-17,95
Total Maize	**1 946 750**	**7 536 875**	2 652 850	9 955 000	-24,29
Sunflower seed	**718 500**	**755 000**	576 000	663 000	13,88
Soybeans	**502 800**	**741 550**	687 300	1 070 000	-30,70
Groundnuts	**22 600**	**18 850**	58 000	62 300	-69,74
Sorghum	**48 500**	**74 150**	70 500	120 500	-38,46
Dry beans	**34 400**	**35 445**	64 000	73 390	-51,70
TOTAL	**3 273 550**	**9 161 870**	4 108 650	11 944 190	-23,29

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 7,537 million tons, which is 24,29% or 2,418 million tons less than the previous season of 9,955 million tons. The area estimate for maize remained unchanged at 1,947 million ha, while the estimated yield is 3,87 t/ha.
- The production estimate of **white maize** is 3,254 million tons, which is 31,28% or 1,481 million tons less than the 4,735 million tons of the previous season. The estimated yield for white maize is 3,21 t/ha. In the case of **yellow maize** the production estimate is 4,283 million tons, which is 17,95% or 936 900 tons less than the 5,220 million tons of the previous season. The estimated yield for yellow maize is 4,60 t/ha.
- The production estimate for **sunflower seed** is 755 000 tons, which is 13,88% or 92 000 tons more than the 663 000 tons of the previous season. The area estimate for sunflower seed is 718 500 ha, while the estimated yield is 1,05 t/ha.
- The production estimate for **soybeans** is 741 550 tons, which is 30,70% or 328 450 tons less than the 1,070 million tons of the previous season. The estimated area planted planted to soybeans is 502 800 ha, with an estimated yield of 1,47 t/ha.
- The expected **groundnut** crop is 18 850 tons, which is 69,74% or 43 450 tons less than the 62 300 tons of the last season. For groundnuts, the area estimate is 22 600 ha, with an estimated yield of 0,83 t/ha.
- The production estimate for **sorghum** decreased by 38,46% from 120 500 tons to 74 150 tons. The area estimate for sorghum is 48 500 ha and the expected yield is 1,53 t/ha.
- In the case of **dry beans**, the production estimate is 35 445 tons, which is 51,70% or 37 945 tons less than the 73 390 tons of the previous season. The area estimate of dry beans is 34 400 ha, with an expected yield of 1,03 t/ha.

Please note that the 'intentions of farmers' to plant summer grain crops for 2017 will be released on 26 October 2016.

2.2 Winter cereal crops

The CEC also released the second production forecast for winter crops for 2016 on 27 September 2016, and is as follows:

Table 3: Commercial winter crops: Revised area planted and second production forecast - 2016 season

CROP	**Area planted 2016 Ha (A)**	2nd Forecast 2016 Tons (B)	Area planted 2015 Ha (C)	Final crop 2015 Tons (D)	Change % (B) ÷ (D)
Wheat	**508 150**	**1 700 390**	482 150	1 440 000	18,08
Malting barley	**88 695**	**291 595**	93 730	332 000	-12,17
Canola	**68 075**	**102 060**	78 050	93 000	9,74
Total	**664 920**	**2 094 045**	653 930	1 865 000	12,28

- The expected production of **wheat** is 1,700 million tons, which is 18,08% or 260 390 tons more than the previous seasons' crop of 1,440 million tons, whilst the expected yield is 3,35 t/ha.
- The expected production in the Western Cape is 904 400 tons (53%), 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 508 150 ha, which is 26 000 ha more than the 482 150 ha of the previous season.
- The production forecast for **malting barley** is 291 595 tons, which is 12,17% or 40 405 tons less than the previous seasons' crop of 332 000 tons. The area planted is estimated at 88 685 ha, while the expected yield is 3,29 t/ha.
- The expected **canola crop** is 102 060 tons, which is 9,74% or 9 060 tons more than the previous seasons' crop of 93 000 tons. The area estimate for canola is 68 075 ha, with an expected yield of 1,50 t/ha.

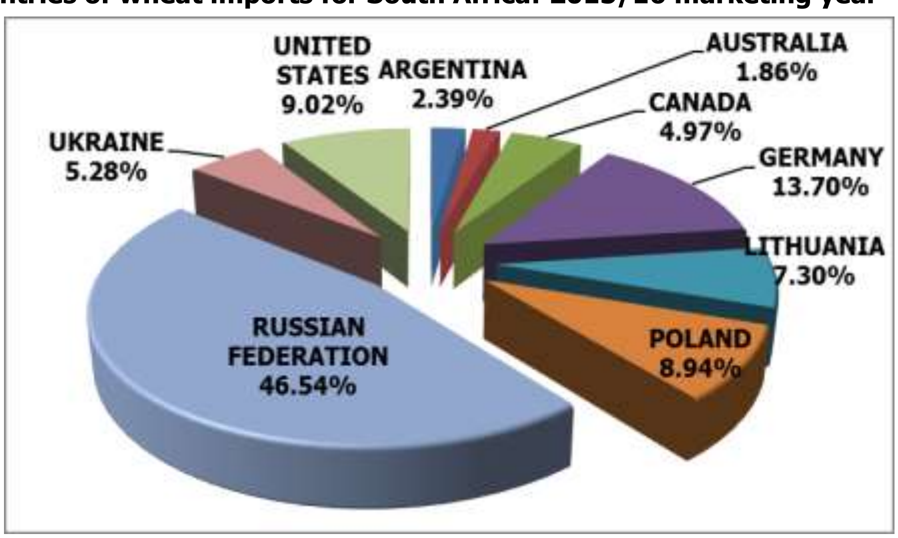
Please note that the third production forecast for winter crops will be released on the 26 October 2016.

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 Sept16 Annexure A.

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

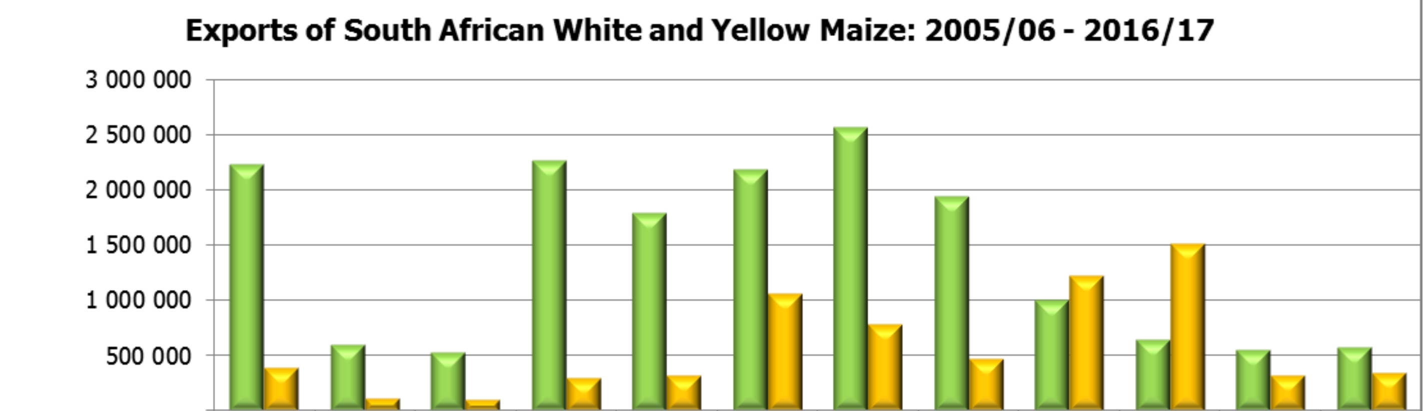
Graph 1: Major countries of wheat imports for South Africa: 2015/16 marketing year



- The progressive wheat imports from 26 September 2015 to 30 September 2016, amount to 2,069 million tons, with the largest quantity (46,54% or 963 141 tons) imported from the Russian Federation, followed by Germany (13,70% or 283 451 tons), United States (9,02% or 186 608 tons), Poland (8,94% or 185 036 tons), Lithuania (7,30% or 151 014 tons), Ukraine (5,28% or 109 350 tons), Canada (4,97% or 102 816 tons), Argentina (2,39% or 49 516 tons) and Australia (1,86% or 38 445 tons). The exports of wheat for the mentioned period amount to 53 974 tons, of which 47,92% or 25 865 tons were exported to Zimbabwe, 46,97% or 25 350 tons to the BLNS Countries (Botswana, Lesotho, Namibia and Swaziland), 4,61% or 2 490 tons to Mozambique and only 0,50% 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	557 063	580 000
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	322 748	350 000

*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 350 000 tons, which represents an increase of 8,44% compared to the 322 748 tons of the previous marketing year.
- From 30 April to 30 September 2016, progressive white maize exports amount to 215 349 tons, with the main destinations being the BLNS Countries (72,42% or 155 958 tons), Zimbabwe (20,81% or 44 819 tons) and Mozambique (6,54% or 14 086 tons). The imports of white maize for the mentioned period amount to 359 175 tons, of which 95,28% or 342 220 tons were from Mexico and 4,72% or 16 955 tons from the United States.
- From 30 April to 30 September 2016, progressive yellow maize exports amount to 106 061 tons, with the main destinations being the BLNS Countries (67,35% or 71 433 tons), Zimbabwe (18,73% or 19 870 tons), Mozambique (11,70% or 12 412 tons), Korea (2,09% or 2 214 tons) and Zambia (0,12% or 132 tons). The imports of yellow maize for the mentioned period amount to 716 275 tons, of which 88,47% or 633 690 tons were from Argentina and 11,53% or 82 585 tons from Brazil.

4. Market information

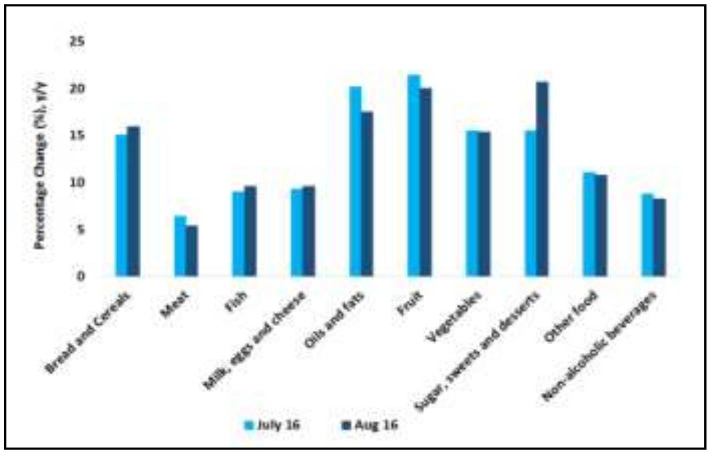
4.1 Consumer Price Index (CPI)

- Recent consumer price index data indicates that in August 2016, headline inflation decelerated to 5,9% year-on-year from 6,0% year-on-year in July 2016. Overall food and non-alcoholic beverages inflation remained unchanged from July, at 11,3% year-on-year. However, excluding the beverages component, food inflation accelerated to 11,6% year-on-year from 11,5% year-on-year in July 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 these products is allocated a weight, with the largest being meat and bread and cereal, which contributes 30%

and 23%, respectively to the food and non-alcoholic beverages basket.

- The increases were recorded in bread and cereals; milk, eggs and cheese; fish and sugar, sweets and deserts, whereas other food products decelerated (**Graph 3**).
- 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 (grain prices). The increase in milk and cheese inflation coincides with seasonal milk prices, which normally reach higher levels during winter season owing to lower domestic supplies. Lastly, the increases in sugar, sweets and deserts inflation signifies the effects of the 2015/16 drought on sugar cane production.

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

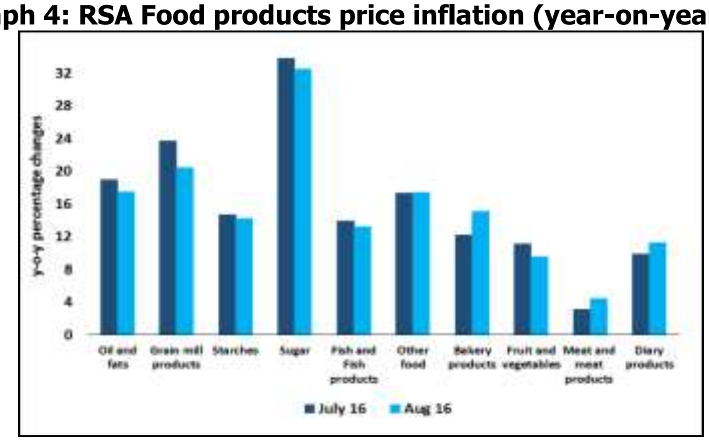


Source: Stats SA, Agbiz

4.2 Producer Price Index (PPI)

- Recent producer price index data indicates that in August 2016, producer inflation for final manufactured goods decelerated to 7,2% from 7,4% year-on-year in the previous month. However, food products (producer) inflation edged up to 13,4% year-on-year from 12,6% year-on-year in July 2016. This suggests that consumer inflation (food) is likely to increase further 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, with the largest being "meat, fish, fruit, vegetables, oils and fats" and "other food products", which contributes 37% and 41%, respectively.
- The increases were recorded on meat, dairy products, bakery products and other food (**Graph 4**). Inflation in the meat category reached 4,4% year-on-year and up by 1,4% month-on-month - driven in part by the expected decrease in the slaughtering rate. The increase in dairy products coincides with seasonal milk prices, which normally reach higher levels during winter season owing to lower domestic supplies. The increases in bakery products inflation are reflective of higher wheat price levels experienced over the past few months.

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



Source: Stats SA, Agbiz

4.3 Future contract prices and the exchange rate

Table 4: Closing prices on Wednesday, 5 October 2016

	5 October 2016	5 September 2016	% Change
RSA White Maize per ton (Oct. 2016 contract)	R3 474,00	R4 044,00	-14,09
RSA Yellow Maize per ton (Oct. 2016 contract)	R3 045,00	R3 286,00	-7,33
RSA Wheat per ton (Oct. 2016 contract)	R4 170,00	R4 053,00	2,89
RSA Sunflower seed per ton (Oct. 2016 contract)	R6 159,00	R6 412,00	-3,95
RSA Soya-beans per ton (Oct. 2016 contract)	R6 245,00	R6 636,00	-5,89
Exchange rate R/$	R13,73	R14,35	-4,32

Source: JSE/SAFEX

4.5 Agricultural machinery sales

- August tractor sales of 460 units were 22% down on the 589 units sold in August 2015. On a year-to-date basis tractor sales are approximately 15% down on those for 2015. August combine harvester sales of 6 units were significantly down on the 15 units sold in August 2015. On a year-to-date basis combine harvester sales are approximately 14% down on 2015.
- Although market sentiment is still positive, farmers in the summer cropping regions are now cautiously awaiting the onset of the summer rainfall season. Local and international weather services point to the El Niño effect having reversed into a weak La Niña effect. This could mean more favourable prospects for normal summer rains than we have seen for some time. However, the legacy of the poor rainfall conditions in recent years will not be quickly resolved and the market is still going to face difficult times in the short term. Weather conditions and to a lesser extent, the exchange rate will be the main drivers for the rest of 2016.
- Industry expectations are still that 2016 tractor sales will be down on last year, perhaps by between 15 to 20%.

Table 5: Agricultural machinery sales

Equipment class	Year-on-year August 2016	Year-on-year August 2015	Percentage Change %	Year-to-date August 2016	Year-to-date August 2015	Percentage Change %
Tractors	460	589	-21,90	3 863	4 562	-15,32
Combine harvesters	6	15	-60,00	138	161	-14,29

Source: SAAMA press release, September 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