Western Cape Government
Agriculture
BETTER TOGETHER.

PERIOD UNDER REVIEW: APR/MAY 2017

Compiled by: Michelle Swarts

1. SOUTH AFRICAN GRAIN MARKET

On **28 April 2017**, wheat futures traded at R4,530 per ton for physical deliveries to take place in May 2017. The future contract equates to a 1.8% m/m or R85 decrease for each ton traded in relation to the same contract traded a year ago. If compared on a monthly basis, the WEAT Apr17 contract traded 7% m/m or R295 higher than the futures contract traded at the end of the previous month (SAFEX, 2017).

Table 1.1: Mark-to-market prices for the Summer Crops and Winter Cereals as traded on SAFEX

MTM-Prices (28/04/2017) - expressed in Rand/MT								Month end R/MT (29/04/16)	Year-on-Year Change	Month end R/MT (31/03/17)	Month end R/MT (28/02/17)
Commodity / Delivery Date	***May-17***	***Jun-17***	***Jul-17***	***Sept-17***	***Dec-17***	***Mar-18***	***Jul-18***	***May-16***	***May-16 vs. May-17***	***Apr-17***	***Mar-17***
Wheat (RFTN)	4530	4501	4563	4402	4200	4246	-	4615	1.9%	4235	3937
White maize	1914	1874	1903	1957	2031	2072	2185	4408	130.3%	1957	2780
Yellow maize	1987	1964	2004	2049	2126	2157	2250	3134	57.7%	2044	2572
Sunflower	4494	4551	4640	4738	4867	4864	-	6255	39.2%	4500	4644
Soybean	4500	-	4620	4929	4820	4900	-	6100	35.6%	4905	6049
Sorghum	2970	-	3020	-	-	-	-	3650 (Jul 2016)	22.9%	2970 (May 2017)	3100 (May 2017)

Source: SAFEX (2016 & 2017)

On **31 May 2017**, the WEAT futures contract traded at R4,480 per ton for physical deliveries to take place in June 2017. The WEAT May17 contract traded 12% y/y or R636 lower per ton compared to the same period traded in the previous year. Whilst the WEAT May17 contract traded 1.1%, m/m or R50 per ton lesser in relation to the contract traded in the previous month (SAFEX, 2017).

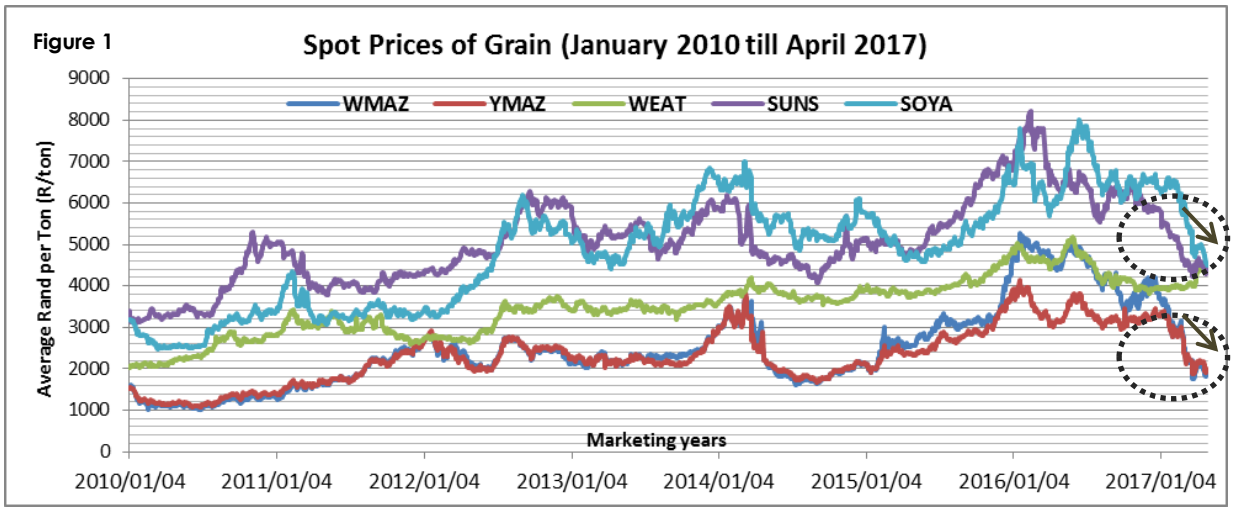
Table 1.2: Mark-to-market prices for the Summer Crops and Winter Cereals as traded on SAFEX

MTM-Prices (31/05/2017) - expressed in Rand/MT								Month end R/MT (31/05/16)	Year-on-Year Change	Month end R/MT (28/04/17)	Month end R/MT (31/03/17)
Commodity/ Delivery Date	***Jun-17***	***Jul-17***	***Sept-17***	***Dec-17***	***Mar-18***	***May-18***	***Jul-18***	***June-16***	***June-16 vs. June-17***	***May-17***	***Apr-17***
Wheat (RFTN)	4480	4410	4341	4195	-	4295	-	5116	14%	4530	4235
White maize	1763	1787	1843	1918	1950	-	2054	4972	182%	1914	1957
Yellow maize	1893	1915	1969	2036	2071	-	2155	3826	102%	1987	2044
Sunflower	4582	4655	4776	4953	5025	4959	-	6451	41%	4494	4500
Soybean	4493	4550	4650	4782	4852	4831	-	7621	70%	4500	4905
Sorghum	-	2850	-	-	-	-	-	3685 (Jul 2016)	-	2970	2970 (May 2017)

Source: SAFEX (2016 & 2017)

1.1 MARKET PRICES & PRODUCTION ESTIMATES: SUMMER CROPS

Figure 1



Source: SAFEX, 2017

The South African grain market is currently experiencing an exceptional production period, due to an optimistic **maize** harvest that points toward the second largest harvest since 1981 when it reached 14,656 million tons (SAGIS, 2017). The 4th crop estimate for 2016/17 crop signifies an output of 15,631 million tons, and is expected to result in 3,5 million tons of excess maize bearing in mind that South Africa's consumption level averages around 10,5 million per annum (Business Day & SAGIS, 2017). An additional 7, 5% or 1,095 million tons of maize is expected to be harvested, according to the most recent crop estimate dated 26 May 2017 (NCEC, 2017). Subsequently, the 2016/17 maize crop is expected to increase by 7,852

million tons or 101% y/y, in relation to the previous year's harvest (NCEC, 2017). Significant crop increases are expected in South Africa's '*maize belt*', of which the Free State output is estimated to increase by 208% y/y or 4,614 million tons , Mpumalanga by 36% y/y or 833,000 tons and the North West Province by 159% y/y 1,819 million tons (NCEC, 2017). In addition, the crop output of non-commercial maize is also expected to follow an upward trend, as it is expected to increase by 68% y/y to 731,000 tons as a result of a 38% y/y-increase in the area planted as well more conducive weather conditions within the Eastern Cape area (NCEC, 2017).

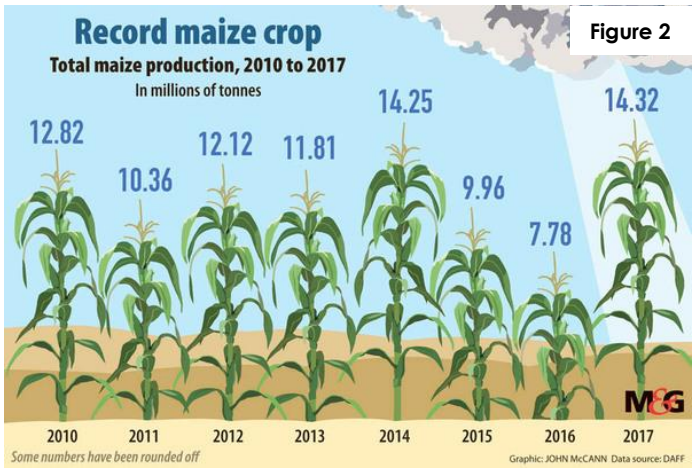


Figure 2

The interchange between demand and supply, however, influenced the response of market prices, to subsequent changes in either these factors. The dynamics in the maize industry is no different, as the oversupply in output, has already been evident in the downward pressurise experienced since February 2017 (SAFEX, 2017). WMAZ prices reached R5,000 per ton levels at the end of 2015 and continued until the early months in 2016 (SAFEX, 2017). WMAZ April17 traded at R1,914 per ton and the WMAZ May17 traded at R1,763 per ton respectively, which equated to a 57% y/y and 65% y/y decrease in relation to the same future contract traded a year ago (SAFEX, 2017). The YMAZ Apr17 futures traded at R1,987 and the YMAZ May17 traded at R1,893 per ton, which equates to 58% y/y and 102% y/y lesser for the same period (SAFEX, 2017).

The **soybean** production estimate is also expected to deliver its second largest output within 46 years and is estimated to obtain a harvest of 1,233 million tons, which is 66% y/y or 491,130 tons more than the previous season (NCEC, 2017). The most recent crop estimate, however, indicates that the harvest is expected to remain unchanged in relation to the previous estimate (NCEC, 2017). On average, soybean market prices decreased by 26% y/y or R1,600 per ton and reached R4,500 per ton on 28 April 2017 (SAFEX, 2017). Whilst market prices continued to lower and reached 41% y/y or R3,128 per ton lesser and reached R4,493 per ton on 31 May 2017 (SAFEX, 2017).

Sunflower output is expected to remain unchanged at 853,470 tons in relation to the previous crop estimate, representing a 13% y/y or 98,470-ton increase in relation to the previous production season (NCEC, 2017). Accordingly, sunflower prices bounced back in response to market dynamics and traded at R4,494 per ton on 29 April 2017 whilst recovering to R6,451 per ton on 31 May 2017(SAFEX, 2017). The SOYA Apr17 & SOYA May17 contracts respectively traded 28% y/y and 29% y/y lower than a year ago (SAFEX, 2017).

Sorghum production is estimated to remain unchanged at 153,480 tons in relation to the previous crop estimate release (NCEC, 2017). The crop will, however, realise 118% y/y or 82,980 tons more than the

previous harvest (NCEC, 2017). On 28 April 2017, the SOYA Jul17 futures traded at R4,493 per ton (SAFEX, 2017).

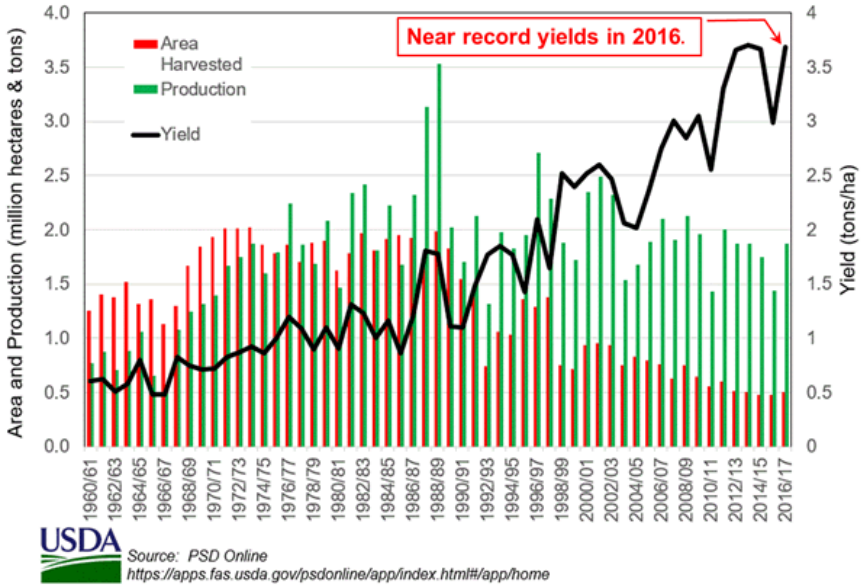
A 398% y/y-increase or an additional 68,920 tons of **groundnuts** is expected to be harvested during the 2016/17 production season (NCEC, 2017). The most recent crop estimate, however, reflected that the harvest is expected to remain unchanged at 86,600 tons (NCEC, 2017).

Dry bean production is estimated to increase by a further 1.94% to reach 68,450 tons, which is 93% y/y or 33,005 tons more than the crop realised in the previous production period (NCEC, 2017).

1.2 FINAL RE-CALCULATED PRODUCTION: WINTER CEREAL 2016/17

At the end of the 2016/17 production season, wheat farmers delivered 1,910 million tons of produce as from the start of the season until March 2017. The [1]DAFF survey indicated that 39,834 tons can however still be expected to account for future deliveries during the official end of the season and the inception of the next production season, whilst 35,000 tons will be retained on-farm (NCEC, 2017). The recalculated tonnage is 0.02% or 460 tons more than the final estimated production, as a result of better yields that were realised in the Western Cape, the largest wheat production area within the Western Cape (Business Day & NCEC, 2017).

Figure 3: South African Wheat Production trend (1960/1 to 2016/17



The amount of barley delivered at the end of the season amounted to 352,017 tons, which are 0.26% or 935 tons more than the final crop estimate (NCEC, 2017). An additional 1,483 tons of barley is estimated to account for future deliveries and 1,500-ton being retained on-farm (NCEC, 2017).

Canola production was recalculated to 105,000 tons, which is 0.44% or 460 tons lesser than the final estimated crop (NCEC, 2017). A total of 103,979 tons was delivered at the end of the season, whilst 921 tons is estimated to account for future deliveries and 100 tons retained on-farm (NCEC, 2017).

[1] The Department of Agriculture, Forestry and Fisheries (DAFF) conducted a survey to determine the wheat utilisation pertaining to on-farm usage and retention (NCEC, 2017).

Intended winter cereal plantings for 2017

Overall, the area planted under winter cereal is estimated to increase by 2.59% y/y or 17,215 hectares. Wheat plantings are however expected to decline by 2.4% or 12,015 hectares to 496,350 hectares. Whereas both malting barley and canola plantings are expected to increase by 8% y/y (7,305 hectares) and 32% y/y (21,925 hectares) respectively, and to amount to 96,000 and 90,000 hectares respectively.
Source: NCEC, 2017

1.3 PRODUCER DELIVERIES

Maize

Progressive producer deliveries have amounted to 2,48 million during the first 5 weeks of the 2017/18 marketing season, as at 02 June 2017. White maize deliveries accounted for 51.3% and yellow maize deliveries for 48.7%, representing an overall delivery rate of 33% of the estimated deliveries stemming from producers (NCEC, 2017).

The previous marketing season ended on 28 April 2017 and recorded a total of 7,46 million tons of maize of which 47.6% thereof was white maize and the latter part yellow maize (NCEC, 2017). Significant upward adjustments were recorded during week 48 for both white and yellow maize (NCEC, 2017).

Wheat

The progressive deliveries of wheat stood at 1,84 million tons for the 2016/17 marketing season, of which 22,324 tons was delivered for the month ending April 2017 and 4,1718 tons ending May 2017 (NCEC, 2017). This represents a 97% delivery rate in relation to the estimated producer deliveries (NCEC & NAMC, 2017).

1.4 EXPORTS, IMPORTS AND RE-EXPORTS

This section pertains to the trade of wheat for the week ending 02 June 2017:

Table 4 a: Wheat trade for the 2016/17 marketing season, according to tons			**Source: SAGIS, 2017**
Progressive wheat exports for 2016/17	83,595	**Progressive wheat imports for 2016/17**	559,209
Wheat exports during the reporting period: (29 April to 02 June 2017)	19,979	Wheat imports during the reporting period: (29 April to 02 June 2017)	96,113 tons for RSA and 13,885 tons for export to other SADC countries
Importing countries	**Share in RSA wheat exports**	**Supplying countries to RSA**	**Share in RSA wheat imports**
Botswana	20%	[1] Canada	5%
Zimbabwe	27%	[1] Czech Republic	21%
Swaziland	3%	[1] Germany	37%
Lesotho	21%	[1] Poland	14%
Mozambique	4%	[1] Romania	3%
Namibia	8%	[1] United States of America	5%
Zambia	18%	[1] Argentina	6%
		[1] Russian Federation	10%
		[1] Wheat imports to the value of 239,276 tons were imported through the following port: ➢ Durban: 93% ➢ East London: 6% ➢ Port Elizabeth: 2%	

Supply and demand estimates for the 2016/17 wheat-marketing season

Total supply of wheat stood at 3,958 million tons, of which 1,897 million tons was derived from producer deliveries in addition to the opening stock of 827,232 tons (NAMC, 2017). Regardless of the 33% increase in producer deliveries, supply was still unable to fulfil the domestic market requirement, and hence 1,250 million tons of wheat had to be imported (NAMC, 2017). It should, however, be considered that imports declined by 11% y/y or 156,752 tons (NAMC, 2017).

Total demand is pegged at 3,279 million tons of which 95% thereof is used in the processing market of which the majority thereof is for human consumption (NAMC, 2017). Wheat exports are expected to reach 121,500 tons in relation to the previous year's 68,525 tons that were exported.

The closing stock as at 30 September 2017 is expected to be 678,732 tons and the retention capacity of wheat in estimated to be sufficient for 2.6 months (NAMC, 2017).

This section pertains to the trade of maize for the 2016/17 marketing season that ended on 27 April 2017

Figure 4.1

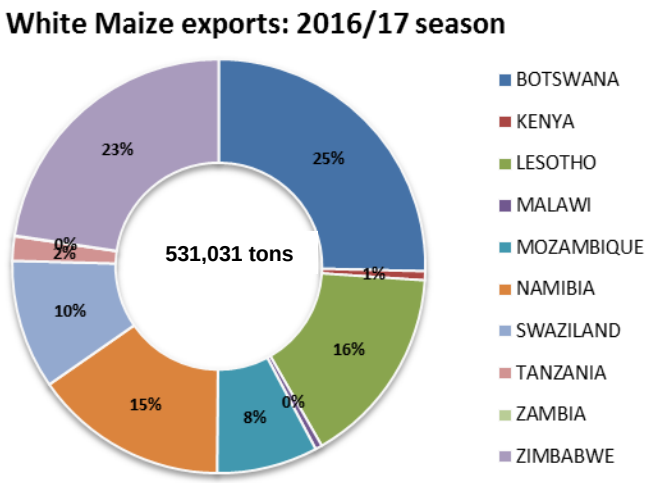


Figure 4.2

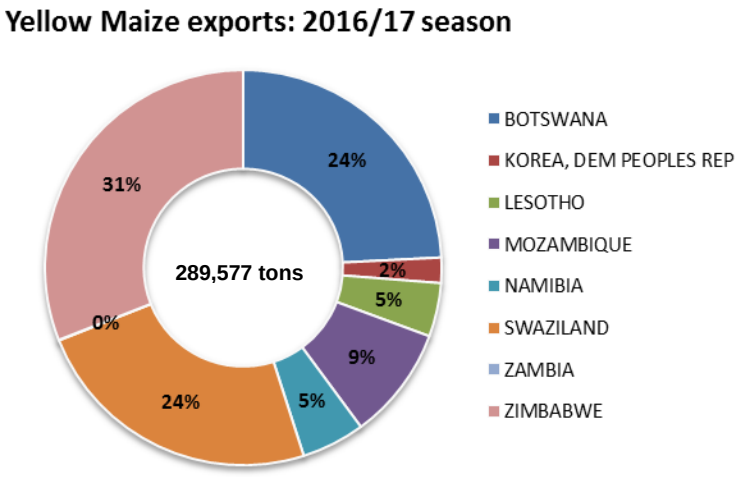


Figure 4.3

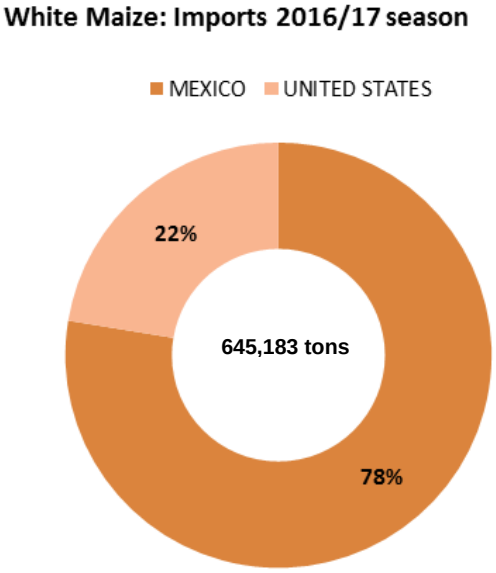


Figure 4.4

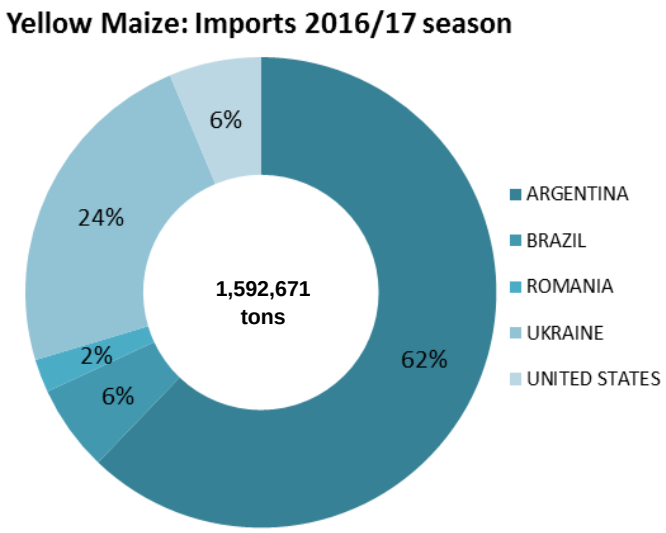
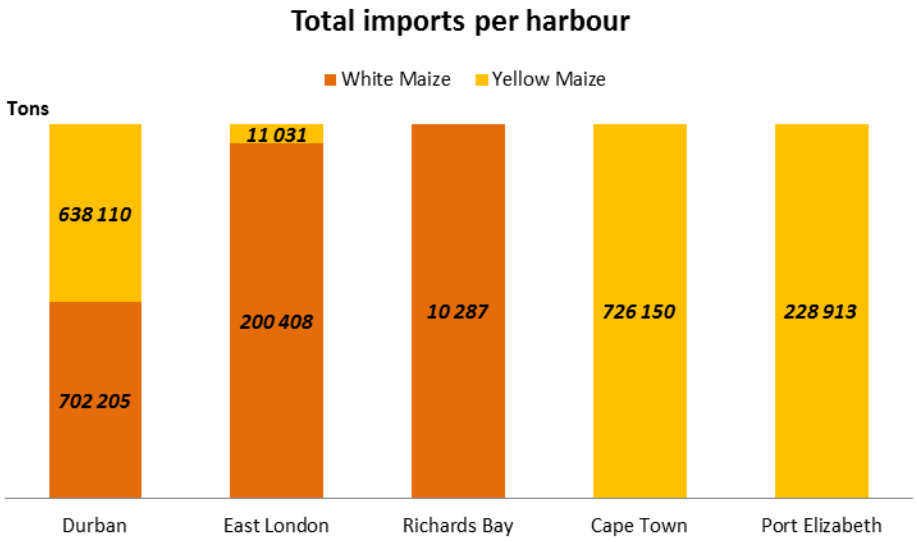


Figure 4.5



Source: SAGIS (own depiction), 2017

This section pertains to the trade of maize for the 2017/18 marketing season that ended on 02 June 2017

Table 4 b: Maize trade for the 2017/18 marketing season, according to tons 2017			**Source: SAGIS,**
Progressive maize exports during the reporting period: (29 April to 02 June 2017)	White maize: 44,063	Yellow maize: 31,306	
Importing countries	**Share in white maize exports**	**Share in yellow maize exports**	*No imports – due to bumper crop (refer to 1.1 for more detail)*
Zimbabwe	14%	1%	
Botswana	33%	11%	
Namibia	23%	5%	
Swaziland	9%	18%	
Mozambique	9%	3%	
Lesotho	10%	-%	
Korea	-	3%	
Zambia	-	1%	
Taiwan	-	58%	

Supply and demand estimates for the 2016/17 maize marketing season

Total maize supply amounted to 5,541 million tons of white maize and 6,677 million tons of yellow maize respectively, of which domestic production supplied 3,550 million tons of white maize and 3,909 million tons of yellow maize (NAMC, 2017). Considering that crop estimates were expected to be 3,408 million tons of white maize and 4,370 million tons of yellow maize, imports were necessary to meet the domestic demand of 4,326 million tons white maize and 5,769 million tons of yellow maize (NAMC, 2017). Subsequently, a total of 648,885 tons of white maize and 1,592 million tons of yellow maize were imported to meet domestic market shortage, in addition to exports to neighbouring SADC countries amounted to 414,478 tons (NAMC, 2017). Closing stock levels as at 30 April 2017 amounted to 603,264 tons of white maize and 493,445 tons of yellow maize and the retention capacity is set at 1.7 months for white maize and 1.1 month for yellow maize (NAMC, 2017).

Supply and demand estimates for the 2017/18 maize marketing season

Total supply is estimated to reach 9,64 million tons of white maize and 6,40 million tons of yellow maize, of which producer deliveries is estimated to contribute the largest share as a result of of expected bumper crop which is estimated to deliver 9,26 million tons of white maize and 5,78 million tons of yellow maize. Demand is estimated at an average of 10,143 million tons of which 62% is white maize and 38% yellow maize, and subsequently, the country will regain its net exporter status. Exports are estimated to 2,180 million tons of which 60% is expected to be yellow maize (Business Day & NAMC, 2017). The retention capacity is expected to reach 4.5 months for white maize and 3.1 months for yellow maize (NAMC, 2017).

2. WEATHER UPDATE: DAFF NAC ADVISORY ON THE 2017 AUTUMN AND WINTER SEASONS

During March 2017, below normal rainfall was received countrywide. However, during April, rainfall increased and resulted in near normal to above normal rainfall. Rainfall patterns over the western parts of the Western Cape and Northern Cape, as well as much of the Eastern Cape, were below normal. Above normal rainfall was received during mid-May, over most of the eastern half of the country, whilst the central and western half received below normal rainfall (DAFF, 2017).

Western Cape weather conditions

A drought has been declared across the province, due to below normal rainfall patterns that resulted in critical dam levels. Water restriction levels have also reached the most critical stage, in that water usage is only allowed for the most critical activities (DAFF, 2017).

Vegetation conditions have also deteriorated and resulted in livestock mortalities in some areas. In addition, some farmers were forced to plant winter crops in dry soil, whilst others have been reported to awaiting improved conditions before pursuing plantings. Dry conditions have also resulted in the fruit crop to yield lesser quantities and smaller fruit. Veld fires have also been reported in parts of the Central Karoo, which in some instances leaving communities' destitute and causing fatalities (DAFF, 2017).

Click here to view the most recent update, as on 05 June 2017, on the respective dam levels within the Western Cape Province. Alternatively, visit the Elsenburg Website at www.elsenburg.com and go to Agri-tools: ➡ Dam levels (Elsenburg, 2017).

Strategies to mitigate climatic change and disasters

A comprehensive list of strategies are listed in the monthly NAC Advisory report issued by DAFF: Climate Change and Disaster Management. Access the mentioned list from the following websites: www.daff.gov.za and www.agis.agric.za .

Request weather warning notifications from the Western Cape Department of Agriculture: Sustainable Resource Management, Disaster Risk Management, by forwarding an email to Mrs. Zaibu Arai to ZaibuA@elsenburg.com or alternatively call (021) 808-5368.

Source: DAFF National Agro-meteorological Committee (NAC) Advisory & Provincial Department of Agriculture, 2017.

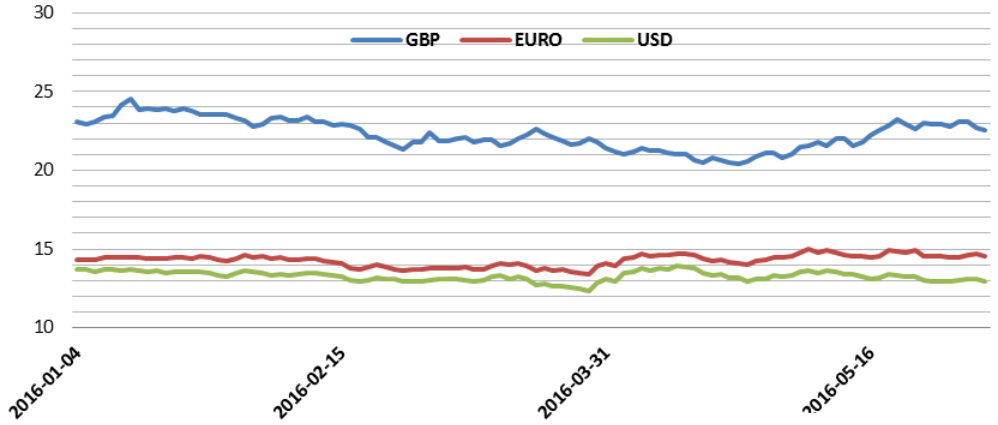
Additional sourced to information regarding climatic conditions, can be obtained in the monthly Agri-Outlook reports

Click *here* to view the monthly Agri-outlook reports. The Agri-outlook report provides a summative overview of both climatic and agricultural conditions in the Western Cape, through reference to

information regarding the rainfall, temperatures, dam levels, plant growth conditions as well as climatic forecast within a particular period. Alternatively visit the Elsenburg Website at www.elsenburg.com and go to Agri-tools ➡ Agri-Outlook (Elsenburg, 2017).

3. ECONOMY

Figure 5: **Exchange Rate Performance: ZAR against major global currencies**



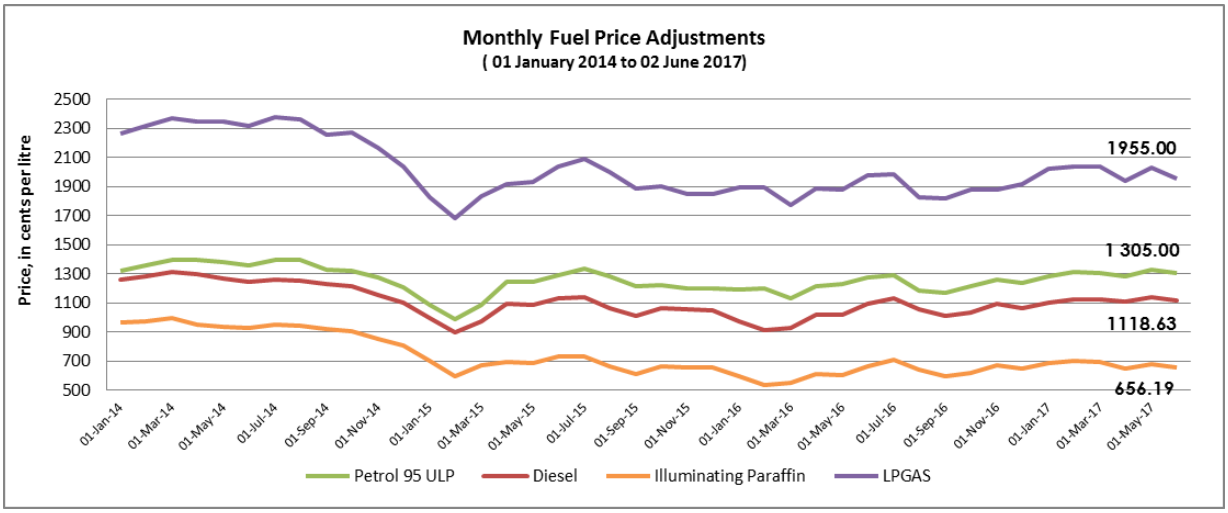
Source: SARB, 2017

A range of international and domestic factors influenced the performance of the Rand against major global currencies. A summary (although not limited) of the international and domestic macro environment, conditions are below:

- The long-feared sovereign foreign currency rating downgrade by Standards & Poor (S&P) Global took place in April 2017, whereby South Africa's status was changed to BB+ with a negative outlook. The country has subsequently, been ranked into the 'junk' or sub-investment grade category (Nedbank, 2017). S&P quoted that '*the divisions in the ANC-led government that have led to changes in the executive leadership, including the finance minister, have put policy continuity at risk. This has increased the likelihood that economic growth and fiscal outcomes could suffer*' (Nedbank, 2017).
- Consumer inflation as measured by the consumer price index (CPI) for all urban areas reached 6.1% and 5.3% during March and April 2017 (SARB, 2017). Food price inflation was the main contributor to the downside movement in CPI during April 2017 as it reached 6.6% (SARB, 2017).
- Headline consumer price inflation is expected to remain within SARB's target range (i.e. 3-6%) for the rest of 2017 and expected to average 5.7% in 2017 compared to 5.9% during the previous year (SARB, 2017). The forecast for 2018 has been revised downward by 0.1% to 5.3%, whilst the forecast average for 2019 is expected to remain unchanged at 5.5% (SARB, 2017).
- SARB has also revised the GDP growth expectation down by 0.2 % for 2017 and 2018 respectively and by 0.3 % in 2019 (SARB, 2017). The South African economy is expected to expand by only 1.0%, 1.5% and 1.7% in 2017, 2018 and 2019 (SARB, 2017). SARB (2017) echoed that the downward revision is mainly due to the impact of the sovereign credit ratings downgrade and domestic private sector gross fixed capital formation that is hampering growth within the economy (SARB, 2017).
- The annual electricity tariff increase from July 2017, is assumed to be lower than the 4.0% currently being speculated, given the 1.8% increments allowed by municipal authorities as per the guidelines issued by NERSA (National Energy Regulator of South Africa). However, there persists uncertainty concerning the 2018 increment (SARB, 2017).

4. ENERGY

Fuel price adjustments, effective as from Wednesday, 06 June 2017



Source: Department of Energy, 2017

The average international product prices of Petrol, Diesel and Illuminating Paraffin decreased to below USD50 levels during the period under review, which applies from 26 April 2017 to 01 June 2017 (DoE, 2017). The Rand appreciated against the US Dollar during the period under review that ended on 01 June 2017, on average, when compared to the previous month. The average ZAR/ USD exchange rate for the period 26 April 2017 to 01 June 2017 amounted to R13.25, compared to R13.51 obtained during the previous monthly report. This resulted in a higher contribution to the Basic Fuels Price on petrol, diesel and illuminating paraffin by 10.71 cents per litre, 10.27 cents per litre and 10.20 cents per litre respectively (DoE, 2017).

ACKNOWLEDGMENT OF INFORMATION SOURCES

In this publication, the below-listed sources are acknowledged:

- Business Day: www.bdlive.co.za
- Crop Estimate Committee (NCEC), South Africa: www.daff.gov.za ; www.sagis.org.za or www.grainsa.co.za
- Department of Agriculture, Forestry and Fisheries (DAFF): www.daff.gov.za
- Department of Energy (DoE): www.energy.gov.za
- Mail and Guardian: http://www.mg.co.za/
- National Agricultural Marketing Council (NAMC): www.namc.co.za
- Nedbank: www.nedbank.co.za
- South African Futures Exchange (SAFEX): www.jse.co.za/redirects/safex
- South African Grain Information Services (SAGIS): www.sagis.org.za
- South African Reserve Bank (SARB): http://www.resbank.co.za/
- United States Department of Agriculture (USDA): https://www.usda.gov/
- Western Cape Department of Agriculture (Elsenburg): www.elsenburg.com