Western Cape Government
Agriculture
BETTER TOGETHER.

PERIOD UNDER REVIEW: JUNE 2017

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1. SOUTH AFRICAN GRAIN MARKET

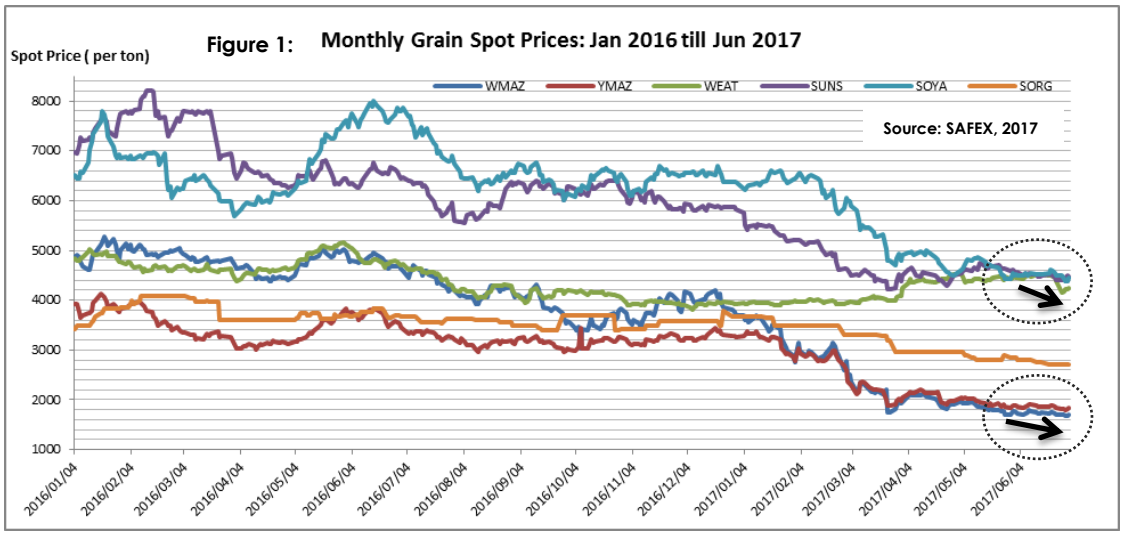
On 30 June 2017, **wheat** futures for delivery in July 2017 traded at R4,250 per ton. This translates to a decline of R448 per ton or 10% y/y compared to the contract traded within the same period in the previous year. The WEAT Jun17 contract declined by 5% m/m or R230 per ton of wheat if compared to the same contract traded in the previous month. Whilst, the WEAT Jun17 contract equated to 6% or R280 per ton less than the contract traded two months prior to June 2017 (SAFEX, 2017).

Table 1: Mark-to-market prices for the Summer Crops and Winter Cereals as traded on SAFEX

MTM-Prices (30/06/2017) - expressed in Rand/MT								Month end R/MT (30/06/16)	Year-on-Year Change	Month end R/MT (28/04/17)	Month end R/MT (31/05/17)
Commodity / Delivery Date	Jul-17	Aug-17	Sept-17	Dec-17	Mar-18	May-18	Jul-18	Jul-16	July-16 vs. July-17	May-17	Jun-17
Wheat (RFTN)	4250	4229	4020	3834	3939	-	-	4698	-10%	4530	4480
White maize	1713	1738	1770	1831	1878	1918	1977	4640	-63%	1914	1763
Yellow maize	1829	1842	1888	1952	1999	-	2077	3476	-47%	1987	1893
Sunflower	4480	4555	4623	4789	4871	4830	-	6450	-31%	4494	4582
Soybean	4444	4501	4552	4671	4761	4700	-	7796	-43%	4500	4493
Sorghum	2700	-	-	3174	-	-	-	3680	-27%	2970	2850 (Jul17)

Source: SAFEX (2016 & 2017)

1.1 MARKET PRICES & PRODUCTION ESTIMATIONS FOR THE SUMMER CROPS



On average, the market price of summer crops reacted to an overall improvement in the production output of the 2016/17 summer crops season compared to the previous production season. Market prices are continuing on a decreasing trend if compared to the same time last in the previous season (NCEC, 2017).

According to the most recent crop estimate issued by the National Crop Estimate on 28 June 2017, the maize belt, which includes the Free State, Mpumalanga and the North West Province, is expected to harvest a combined share of 83% of the total maize crop of the 2016/17 season (NCEC, 2017). Whilst, the total crop estimate of maize remains unchanged at 110% y/y or 7,852 million tons more than the previous production season NCEC, 2017).

On 30 June 2017, the spot price for **white maize** amounted to R1,713 per ton in relation to R4,640 per ton obtained in the same period a year ago, representing a 63% y/y decline (SAFEX, 2017). It is anticipated that South African consumers might realise a slight decrease in stable food prices as from the 3rd quarter of 2017, due to improvement in maize market prices expected within the next 4 to 9 months (Businessday, 2017). As indicated by Agbiz (2017), lower grain prices will be more favourable for consumers as opposed to producers, whom will have to absorb the lower prices being realised in months to come on the back of production losses incurred within the previous marketing year when shortages in the domestic market led to price increases of 65% year-on-year (Business day, 2017). The main reason for the significant decrease in white maize market prices is due to the additional 6, 06 million tons or 178% of white maize expected as per the fifth crop estimate for the 2016/17 production season (NCEC, 2017). The fifth crop estimate for 2016/17, for both white and yellow maize, remained unchanged at 9,467 million tons and 6,164 million tons respectively (NCEC, 2017). The WMAZ Jun17 contract traded at R50 per ton or 3% m/m lower than the contract traded within the previous month and R201 per ton or 11% lesser than the contract traded two months prior (SAFEX, 2017).

The average market price per ton of **yellow maize** reached R1,829 at the end of June 2017, which translates to R1,647 or 47% y/y more per ton of yellow maize traded in the same period within the previous year. In respect to the market price obtained during the previous month, the YMAZ Jun17 contract lost by R64 per ton or 3% m/m, whilst it traded lower than the R3,290 per ton obtained during the first trading day of January 2017 (SAFEX, 2017). The movement in market prices is also contributed to a significant increase in the crop estimate of yellow maize which is expected to increase by 41% y/y or an additional 1,79 million tons (NCEC, 2017).

The SUNS Jun17 contract reached R4,480 per ton which equates to R1,970 per ton or 31% y/y lesser than the futures contract traded within the same period in the previous year. Subsequently, a ton of **sunflower** traded at a loss of R102 or 2% m/m compared to the previous month (SAFEX, 2017). The crop estimate for sunflower improved by 9% y/y or 66,970 tons in addition to the previous season's harvest (NCEC, 2017). Whilst, the crop estimate dated 28 June 2017, indicates a 3.69% m/m decline in relation to the previous crop estimate at the end of May 2017 that amounted to 853,470 tons (NCEC, 2017).

Soybean production is expected to reach 81% y/y or 598,370 tons more than the previous production season and to subsequently reach a record harvest of 1,34 million tons according to the most recent production estimate (NCEC & Business day, 2017). The current crop estimate amounts to 8,7 % m/m or 107,240 tons more in relation to last year's final crop, which is mainly brought about by above-average yields being realised in production regions (NCEC & Agbiz, 2017). As a result, of the increased supply in soybean, exports thereof is expected to increase by more than 300% y/y and reach 300,000 tons even though South Africa will remain an importer of processed soybean oilcake and oil (NCEC & Agbiz, 2017). Subsequently, the SOYA Jun17 contract amounted to R4,444 per ton, which is R3,352 per ton or 43% y/y lower than the same contract traded last year. On the other hand, the same soybean contract decreased by R49 per ton or 1% m/m in relation to the contract traded the previous month (SAFEX, 2017).

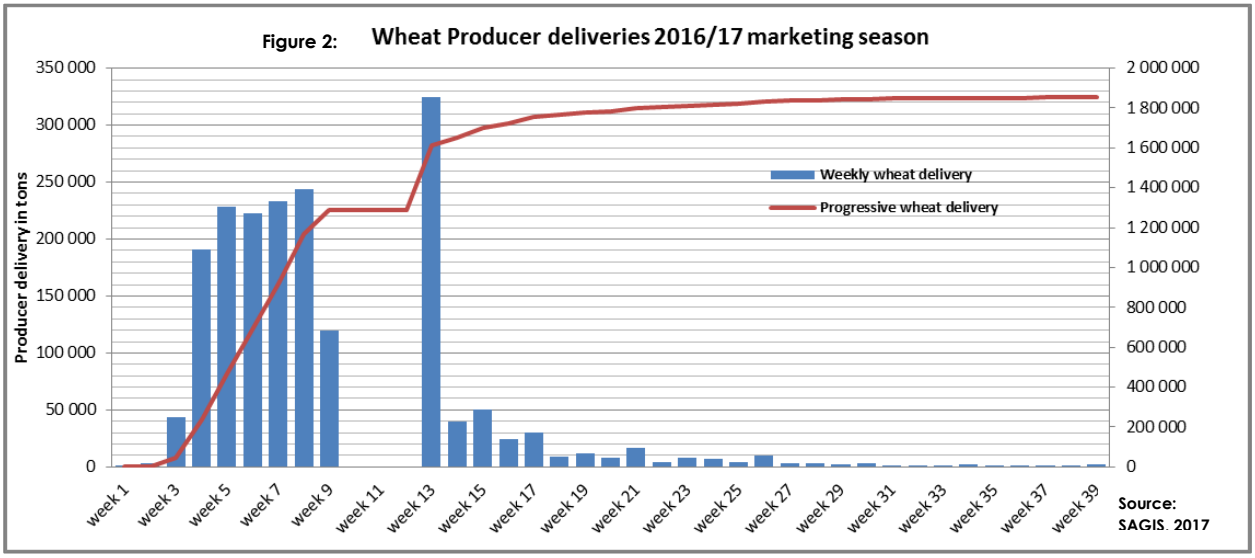
Sorghum traded at R2,700 per ton on 30 June 2017, which accounts for R980 per ton or 27% y/y lesser than the same contract traded in the previous year. The downward movement in market price could be attributed to the 115% y/y improvement in the sorghum production estimate during the current season, in relation to the previous season when 70,500 tons were harvested (NCEC, 2017). Although it should be noted that the most recent crop estimate decreased by 1.4% or 2,135 tons in relation to the previous crop estimate (NCEC, 2018). Whilst the SORG Jun17 contract was lesser by R150 per ton or 5% m/m if compared to the contract traded within the previous year (SAFEX, 2017).

The production estimate for the 2016/17 **groundnut** production season significantly increased, by more than 400% y/y or an additional 72,870 tons in relation to the previous production season when 17,680 tons were harvested (NCEC, 2017). In addition, the 5th crop estimate increased by 4.56% or 3,950 tons in relation to the previous crop estimate (NCEC, 2017). Whilst the **dry bean** production estimate increased by 93% y/y or 33,050 tons to reached 68,450 tons (NCEC, 2017).

1.2 PRODUCER DELIVERIES

Wheat

Figure 2: Wheat Producer deliveries 2016/17 marketing season

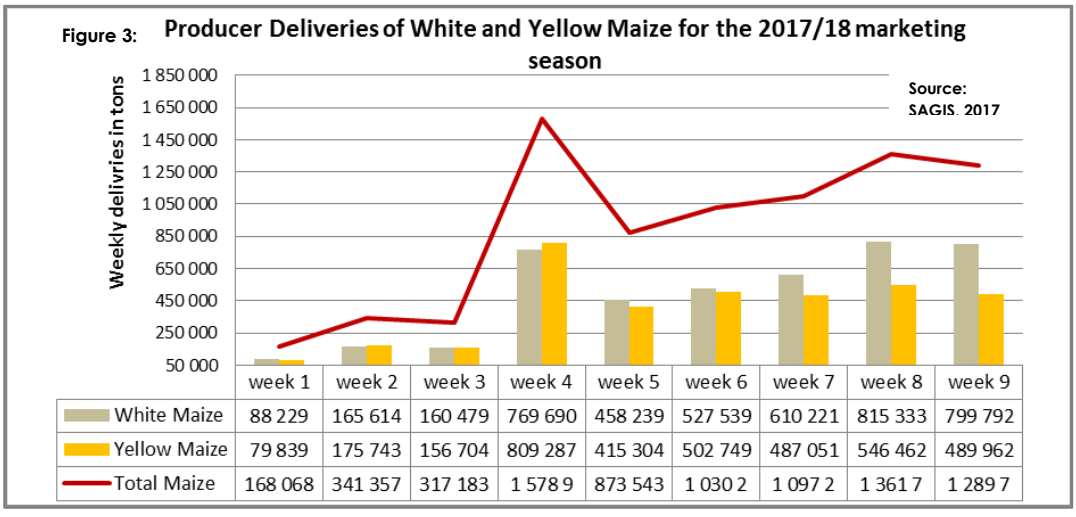


Note: Significant increase in producer deliveries reported in week 13, due to consolidated deliveries reported during 03 to 30 December 2017 (SAGIS, 2017).

Commercial producer deliveries amounted to 5,585 tons of wheat for the period between 03 to 30 June 2017 (i.e. week 37 to 39). Subsequently, the progressive wheat deliveries reached 1,857 million tons on 30 June 2017, representing a 99% delivery rate in terms of the 1,875 million tons estimated to be delivered by producers during the 2016/17 marketing season (SAGIS & NCEC, 2017).

Maize

Figure 3: Producer Deliveries of White and Yellow Maize for the 2017/18 marketing season



	week 1	week 2	week 3	week 4	week 5	week 6	week 7	week 8	week 9
White Maize	88 229	165 614	160 479	769 690	458 239	527 539	610 221	815 333	799 792
Yellow Maize	79 839	175 743	156 704	809 287	415 304	502 749	487 051	546 462	489 962
Total Maize	168 068	341 357	317 183	1 578 9	873 543	1 030 2	1 097 2	1 361 7	1 289 7

On 30 June 2017, progressive maize deliveries reached 24,543 million tons of which 4,779 million tons were delivered during the period of 03 to 30 June 2017. Progressive white maize deliveries amounted to 4,395 million tons of which 62.6% thereof was delivered between 03-30 June 2017 (week 6 to 9). In accordance with the crop estimate, 46% of the overall white maize harvest was delivered. Whilst, progressive deliveries of yellow maize amounted to 3,663 million tons of which 55.3% thereof was delivered between 03 to 30

June 2017 (NCEC, 2017). The delivery rate for the 2017/18 production season amounted to 59% on 30 June 2017 (NAMC, 2017).

1.3 EXPORTS, IMPORTS AND RE-EXPORTS

This section pertains to the trade of wheat for the week ending 03-30 June 2017:

Table 2a: Wheat trade for the 2016/17 marketing season, according to tons			**Source: SAGIS, 2017**
Progressive wheat exports for 2016/17	85,885	**Progressive wheat imports for 2016/17**	592,555
Wheat exports during the reporting period: (03-30 June 2017)	2,288	Wheat imports during the reporting period: (03-30 June 2017)	37,313 tons for RSA and 14,224 tons for export to other SADC countries
Importing countries	**Share in RSA wheat exports**	**Supplying countries to RSA**	**Share in RSA wheat imports**
Botswana	43%	[1] Germany	70%
Namibia	18%	[1] Czech Republic	30%
Lesotho	21%	[1] Wheat imports to the value of 51,537 tons were imported through the following ports: ➢ Durban: 78% ➢ East London: 22%	
Zimbabwe	10%		
Swaziland	8%		

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

The total supply of wheat during the 2016/17 marketing season is expected to reach 3, 96 million tons, of which 99% of the producer deliveries (1,875 million tons) has already been captured as being delivered to the market. In addition to the opening stock of 1 October 2017 that amounted to 827,232 tons, progressive wheat imports are currently at [1]47% of the anticipated imported quantity for the current marketing season concluding at the end of September 2017 (SAGIS & NAMC, 2017). The import of wheat has substantially declined in relation to the previous marketing season when imports thereof reached more than 2,062 million tons (NCEC, 2017).

On the demand side, local demand estimates have remained unchanged at 3,122 million tons - whilst wheat exports have slightly increased to 126,500 tons. On 30 June 2017, 68% of the estimated quantities have already been exported if compared to the total export market estimate (NAMC, 2017). Retention stock levels for wheat represent adequate inventory for 2.6 months or at least 76 days (NAMC, 2017).

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

Table 2b: Maize trade for the 2017/18 marketing season, according to tons			**Source: SAGIS, 2017**
Progressive maize exports during the reporting period: 2017/18	White maize: 186,688	Yellow maize: 242,091	***No imports – due to bumper crop during current season*** *(refer to 1.1 for more detail)*
Maize exports during the reporting period: (03-30 June 2017)	136,423	208,368	
Importing countries	**Share in white maize exports**	**Share in yellow maize exports**	
Botswana	12%	2%	
Namibia	1%	2%	
Swaziland	4%	3%	
Mozambique	1%	-	

[1] 592,555 tons of wheat has been imported by South Africa in the 2016/17 marketing season up until 30 June 2017 (SAGIS, 2017).

Lesotho	4%	-	
Korea	-	25%	
Kenya	77%	-	
Taiwan	-	68%	

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

The total supply estimate for the 2017/18 maize marketing season was adjusted to 16,039 million tons, due to the slight downward revision of white maize supplies to 9,641 million tons brought about by the revised opening stock levels of may 2017. Despite this, the supply estimate of yellow maize has remained unchanged at 6,398 million tons (NAMC, 2017). Given the *bumper* maize crop in South Africa, the country is expected to regain its net export status. Thus, no maize imports are anticipated during the current marketing season, in contrast to the 2,237 million tons of maize that has been imported during the previous marketing season as the estimated crop is expected to peak at 31% more than the previous season's supply (NAMC &Agbiz, 2017).

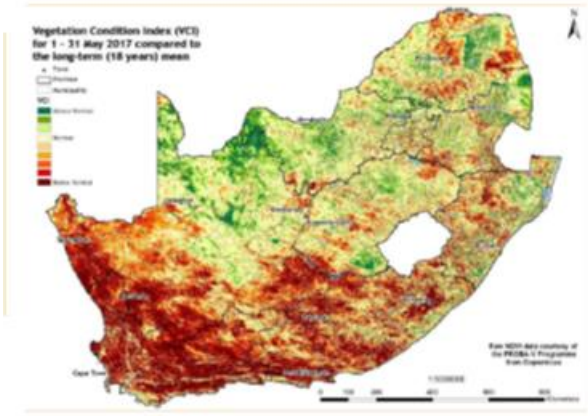
Subsequently, the demand estimate for white maize has increased to 6,490 million tons whilst the yellow maize demand estimates have remained unchanged at 3,833 million tons in relation to the previous estimate (NCEC, 2017). Significant changes are expected on the export front, due to the 112.4% y/y increase in maize exports of which white maize exports are estimated to increase by 282,577 tons and yellow maize exports by 871,121 tons (NCEC, 2017). As at 30 June 2017, only 20% or 428,779 tons of the estimated exports have taken place and thus a significant portion of the maize crop still needs to be exported during the current marketing season (NCEC, 2017).

It is however expected that South Africa will face fierce competition in the international market, as traditional white maize importing countries on the African continent are also expected to realise bumper maize harvest this season and thus able to fulfil domestic market needs (Agbiz & Business day, 2017). Zimbabwe has already banned the importation of maize four months ago as its government is expecting domestic supplies to be sufficient for local consumption purposes (Bizcommunity, 2017). Due to lower demand within the international market as a result of adequate supplies levels, there seems to be little room to maneuverer in the export market which is reportedly expected to only reached 2,2 million tons (Agbiz, 2017). Subsequently, the over-supply in the maize market could lead to increased carry-over stock of approximately 3.176 million tons during the current marketing season as opposed to the 1,095 million tons of maize carried over during the previous season (Agbiz & NAMC, 2017).

2. WEATHER UPDATE: DAFF NAC ADVISORY ON THE 2017 WINTER SEASON, JUNE 2017

According to DAFF (2017), the Vegetation Condition Index map for May 2017 indicated below-normal vegetation conditions mainly in the Western Cape, Eastern Cape and parts of the Northern Cape as depicted in the adjacent map. This is a result of below-normal rainfall received during May 2017 and along with warmer to normal temperatures (DAFF, 2017).

Figure 4: Vegetation Condition Index (VCI) map for May 2017, compared to the long-tem mean



Source: DAFF, June 2017

" The winter wheat growing areas of the Western Cape province are still battling with dryness, which is currently causing planting delays and damaging emerged grain plants in areas that managed to plant earlier in the season. Wheat irrigation areas of Northern Cape and Free State provinces which plant nearly half of South Africa's wheat crop could thrive well this season as dam levels in these respective provinces benefited from summer rainfall (Agbiz, 2017)."

The Western Cape has been declared as a drought area, in wake were rivers and dams are continuously decreasing to critically low levels. Subsequently, water restrictions for irrigation purposes remained in place. Whilst, conditions remained poor due to the drought, especially within the West Coast and Central Karoo areas.

Farmers in conjunction with non-farming communities are strongly advised to use water sparingly. In terms of agriculture, the planting density, selection of cultivars, the area being planted are some of the issues farmers should consider wisely in their farm planning (DAFF, 2017). Average levels of the major dams within the Province continued to decline and to 23% at the end of June 2017, in relation to 38% obtained in 2016 (DAFF, 2017).

Click here to view the most recent update, as on 10 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.

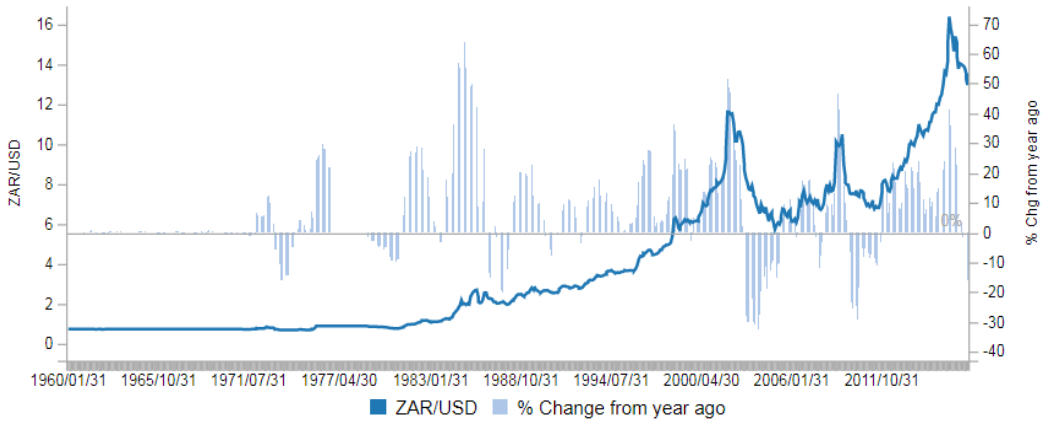
Additional sourced to information regarding climatic conditions, can be obtained in the monthly Agri-Outlook reports

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

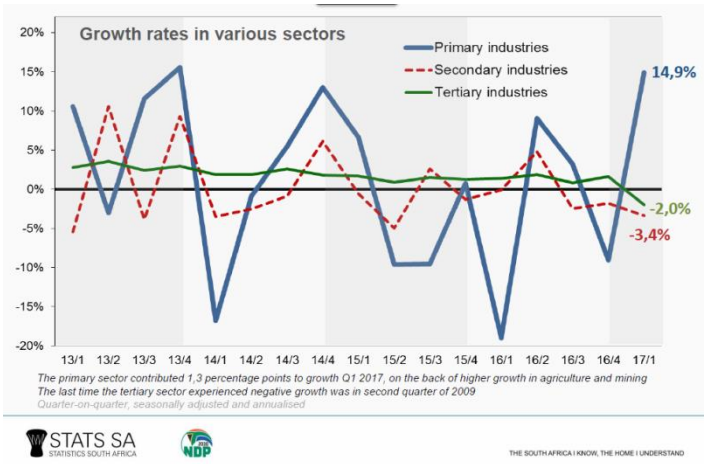
Figure 5: ZAR/USD Exchange rate performance as from 1960 to 2017



Source: Quantec, June 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:

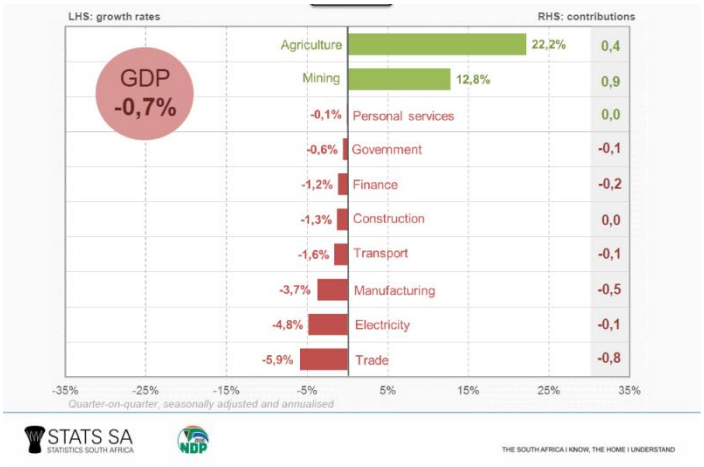
Figure 6: Quarterly Gross Domestic Product (GDP) performance (Q1 of 2013 to Q1 of 2017), in various economic sectors



The agricultural gross domestic product (GDP) experienced growth for the first time since 2014, as it increased to 22.2% q/q if compared to quarter 4 of 2016 (Stats SA; Agbiz & Nedbank, 2017). The agricultural sector contributed 2.4% of the overall GDP in Quarter 1 of 2017 (Nedbank, 2017). This is mainly due to the significant improvements in the production estimates of both maize and soybean (Agbiz, 2017). Growth is expected within the agricultural sector throughout the rest of the year, as the effects of the record maize and soybean harvest, which end in August 2017, are anticipated to filter through the economy (Agbiz, 2017).

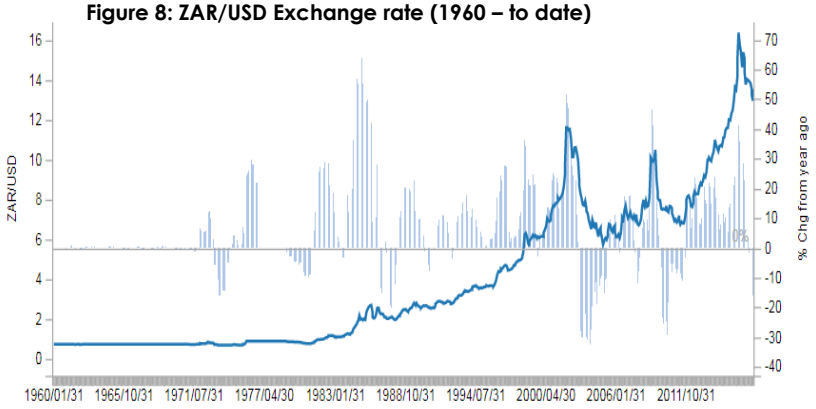
- Producer prices inflation amounted to 5.7 y/y in May 2017 from 6.4% y/y in April 2017, which reflects the recovery in agricultural production (Nedbank, 2017).
- Subsequently, consumer inflation is expected to subdue because of lower producer prices being filtered down to consumer consumer level (Nedbank, 2017).
- Food inflation pressures experienced in May 2017 (6.9% y/y) are mainly due to limited supply experienced in the livestock sector due to decreasing slaughtering numbers of red meat species (including sheep, beef, pigs). The decreasing trend is associated with the rebuilding of herds by farmers b (Agbiz, 2017).
- Click here to review the monthly slaughtering figures (RMIF, 2017).

Figure 7: Annual & quarterly Gross Domestic Product (GDP) performance (Q1 of 2017), per sub-economic sector



- The International Monetary Fund (IMF) revised South Africa's economic growth outlook to 1% y/y for 2017 (Nedbank & SA Treasury, 2017). The revised growth outlook is optimistic, since the IMF previously estimated the economy to grow by 0.8% y/y in May 2017 after the Bank considered the recovery within the agricultural sector and the implications thereof through the economy (Business day, 2017). The IMF has however revised the 2018 projection downward from 1.6% y/y to 1.2% y/y (SA Treasury, 2017). On the other hand, the World Bank revised its economic outlook to 0.6% y/y from 1.1% y/y, due to continued uncertainty that influences investor confidence following the subsequent sovereign credit downgrades by international rating agencies (Business day, 2017).
- The South African Treasury's economic growth estimate is 1.3% y/y for 2017, whilst the South African Reserve Bank is expecting the economy to expand by 1.0% y/y (Business day, 2017).
- Stats SA (2017), released the GDP figures for the 1st quarter of 2017, which indicates that the economy has contracted for two consecutive quarters which signals a recession as the economy contracted by 0.7% quarter-to-quarter in quarter 1 of 2017 and by 0.3% quarter-on-quarter in quarter 4 of 2016 (Nedbank, 2017).

Figure 8: ZAR/USD Exchange rate (1960 – to date)



Source: Quantec, June 2017

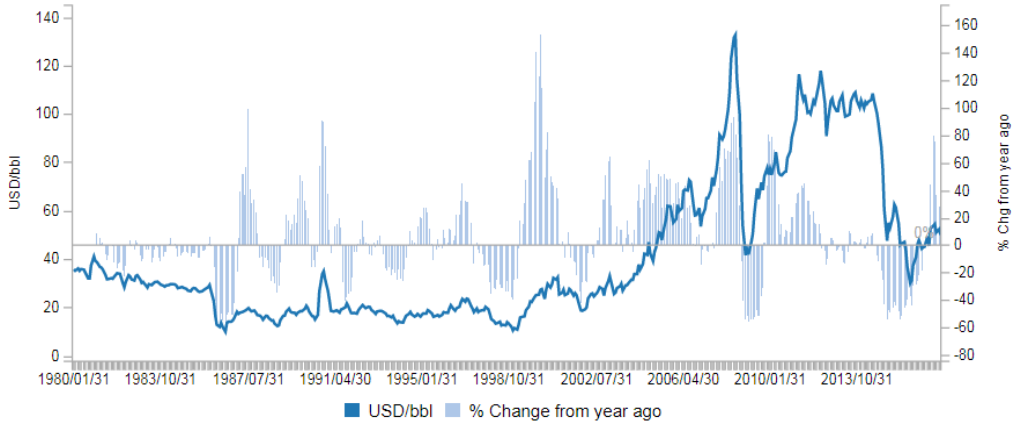
- A number of events occurred on the domestic front, which attributed to the weakening of the local currency. These include amongst other: (i) the release of the Mining Charter,
  (ii) the Public Protector's prospective change of the Reserve Bank's mandate, (iii) the widening of the current account,
  (iv) the multiple sovereign credit downgrades,
  (v) the gross domestic product contraction in the 1st quarter of 2017, as well as
  (v) the proposed outcomes of the ANC national policy conference with reference to some of the national policy proposals which will be put forward for adoption at the December 2017 national conference(Nedbank, Grapics24, Business day 2017).

Key proposals stemming from the governing party's (ANC) National Policy Conference to note

4. ENERGY

Fuel price adjustments

Figure 9: Commodity Prices – Crude Oil Averages USD/per barrel (1980-to date)



Source: Quantec, June 2017

The average international product prices of Petrol, Diesel and Illuminating Paraffin decreased during the period under review. The international price of crude oil decreased by an average of USD49 per barrel during May 2017, which persisted below the USD50 threshold per barrel during June 2017 (DoE & Quantec, 2017).

The Rand appreciated against the US Dollar during the period under review, which stems from 02 to 29 June 2017, on average, when compared to the previous period. The average ZAR/USD exchange rate for the period under review was R12.88 compared to R13.26 obtained during the previous period. Subsequently, this led to a lower contribution to the Basic Fuels Price on petrol, diesel and illuminating paraffin of 15.16 cents per litre 14.58 cents per litre and 14.58 cents per litre respectively (DoE, 2017).

Table 3: Fuel price adjustment effective as from Wednesday, 05 July 2017

Product Description	Numeric adjustment applicable to the Coastal parts in South Africa (cents per litre)	Price adjustment description	Average price applicable to the Coastal parts of South Africa (cents per litre)
Petrol 93 ULP	69c	cents per litre **decrease** in retail price	1224.00
Petrol 95 ULP & LRP	68c	cents per litre **decrease** in retail price	1 237.00
Diesel 0.05% Sulphur	60c	cents per litre **decrease** in wholesale price	1097.33
Diesel 0.005% Sulphur	60c	cents per litre **decrease** in wholesale price	1101.73
Illuminating Paraffin (Wholesale)	57c	cents per litre **decrease** in wholesale price	599.19

Source: Department of Energy, 30 June 2017

ACKNOWLEDGMENT OF INFORMATION SOURCES

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

- Agbiz: www.quantec.co.za
- 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
- Grafics24: www.grafika24.com
- Mail and Guardian: http://www.mg.co.za/
- National Agricultural Marketing Council (NAMC): www.namc.co.za
- Nedbank: www.nedbank.co.za
- Quantec: www.quantec.co.za
- Red Meat Industry Forum (RMIF): www.levyadmin.co.za
- South African Futures Exchange (SAFEX): www.jse.co.za/redirects/safex
- South African Grain Information Services (SAGIS): www.sagis.org.za
- Western Cape Department of Agriculture (Elsenburg): www.elsenburg.com