



PERIOD UNDER REVIEW: MAY 2016

Compiled by: Michelle Swarts

1. SOUTH AFRICAN GRAIN MARKET

On 31 May 2016, the MTM price for wheat to be delivered in June 2016 traded at R 5116 per ton.

Table 1: Mark-to-market prices for the summer crops and winter cereals traded on SAFEX

<u>MTM-Prices (31/05/2016) - expressed in Rand/MT</u>								Month end R/MT (29/05/15)	Year-on- Year Change (%)	Month end R/MT (31/03/16)	Month end R/MT (29/04/16)
Commodity/ Delivery Date	Jun -16	Jul -16	Sept -16	Dec -16	Mar -17	May -17	Jul -17	June-15	May-15 vs. May-16	Apr-16	May-16
Wheat (RFTN)	5116	5180	5173	4864	4908	-	-	3870	32%	4463	4615
White maize	4972	5006	5067	5097	4647	3477	3302	2712	83%	4720	4408
Yellow maize	3826	3869	3929	3954	3856	3085	3199	2382	61%	3121	3134
Sunflower	6451	6521	6664	6841	-	-	-	5015	29%	6553	6255
Soybean	7621	7694	7750	7855	7614	6884	-	4617	65%	5687	6100
Sorghum	-	3685	-	3792	-	-	-	2660 (Jul 2015)	-	3650 (Jul 2016)	3650 (Jul 2016)

Source: SAFEX (2015 & 2016)

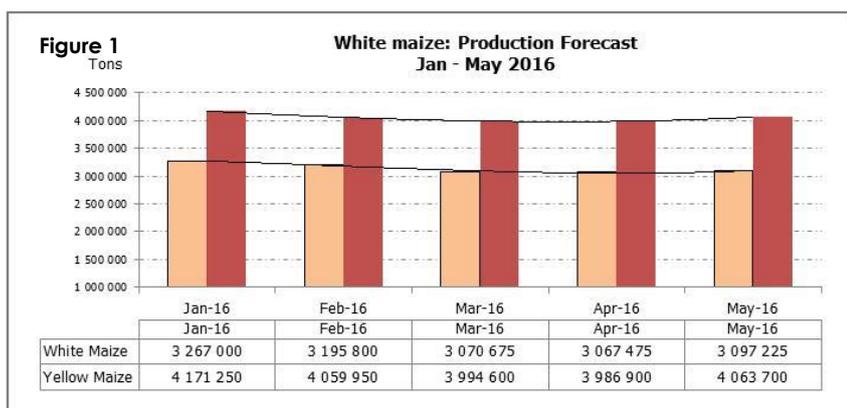
MARKET FUTURE PRICES

The May 2016 future contract for wheat traded R1246 per ton or 32% y/y higher than an equivalent contract traded in the same period in the previous year. Whilst the May 2016 contract for wheat obtained R635 per ton (15%) and R501 per ton (11%) more than similar contracts traded during March and April 2016 respectively.

The futures price for both white and yellow maize has become more expensive for the respective future contracts traded in May 2016, for delivery in June 2016. The May 2016 futures price for white maize escalated upwards by R2260 per ton (83% y/y) compared to the futures contract traded in the same period last year whilst, yellow maize futures escalated by 61% y/y or R1444 per ton for the same period.

Sunflower futures traded R1436 per ton or 29% higher than an equivalent contract traded in the same period last year. Whereas, the soybean May 2016 futures contract for delivery in July 2016 traded 65% or R3004 per ton higher than a similar contract traded in the previous year.

PRODUCTION AND PRODUCTION AREA ESTIMATES: SUMMER CROPS



The 5th crop estimate for the 2015/16 production season for maize amounted to 7, 16 million tons of maize as per the most recent crop estimation by the National Crop Estimate Committee during May 2016. White maize crop expectations were adjusted to 3, 10 million tons if compared to the 1st crop estimation of 3, 27 million tons issued in

January 2016. Whilst, the yellow maize estimate followed a similar trend as it was also adjusted downward to 4, 06 million tons from the 1st estimate of 4, 17 million tons. Both these crop estimates represents a downward trend (refer to figure 1) of 5.20% or 169,775 tons for white maize and 2.59% or 107,550 tons for yellow maize, if compared between the 1st and 5th crop estimate for the 2015/16 production season (CEC, 2016).

Analysing the most recent crop estimate for maize which is estimated at 7, 16 million tons of which 3, 10 million tons is expected to be white maize and the rest thereof yellow maize – it evident that white maize crop expectations improved by 0.97% or 29,750 tons whereas yellow maize is expected to yield an additional 1.93% or 76,800 tons compared to the previous crop estimation figures released in April 2016. In general the maize crop of 2015/16 is expected to deliver an additional 1.51% or 106,550 tons compared to the previous crop estimate of 7, 05 million tons (CEC, 2016).

Whilst the recent crop estimated figures are an improvement on the two prior crop estimations, the reality is that the 2015/16 production season is delivering a smaller crop which will bring about a decline of 28.1% or 2, 80 million tons of maize if compared to previous final harvest. Currently, the white maize crop is 34.6% y/y or 1,164 million tons lesser and the yellow maize crop by 22.2% y/y or 1, 16 million tons compared to the previous season's final harvest (CEC, 2016).

Non-commercial maize is estimated to deliver 31.2% lesser white maize and 36.6% lesser yellow maize, which translates into a crop reduction of 35.3% or 238,060 tons to yield an estimated 435,740 tons in the 2015/16 production year (CEC, 2016)

Summer crops (excluding maize) such as sunflower and soybeans have also followed an upward trend in the 5th crop estimations recently released in May 2016. The sunflower crop was adjusted upwards by 1.68% or 12,250 tons to amount to 742,750 tons and the soybeans by 4.91% or 34,100 tons to 728,650 tons compared to the 4th crop estimation released in April 2016. Whereas, the crop estimate for both sorghum and dry beans have remained unchanged at 88,500 and 38,095 tons which is still 26.6% y/y (32,000 tons) and 48.1% y/y (35,295 tons) lesser than the final crop realised for the respective crops within the previous production season. Groundnuts have however delivered a negative production outlook, in that the 5th crop estimate was adjusted downward by a further 2.92% or 950 tons. The estimated production figure for groundnuts is thus expected to yield 31,600 tons which is currently 30,700 tons or 49.3% y/y lesser than the final production figure realised in the previous production season (CEC, 2016).

Invitation to comment on the newly proposed Oil Seeds Statutory Measure

The Sunflower, Soybean and Groundnut Forums jointly applied to the Minister of Agriculture, Forestry and Fisheries and the National Agricultural Marketing Council for the consideration and promulgation of a statutory levy for the oil seeds industry. The purpose thereof is to put measures in place to ensure that important industry information is obtained from manufacturers, processors, importers and exporters within the oilseeds industry within South Africa to ensure effective operation and planning within the industry.

Affected parties are invited to comment on the [newly proposed Statutory Measure](#) for the oilseeds industry. Any comments (in written format) or enquiries can be forwarded to lizette@namc.co.za before 8 July 2016.

Source: NAMC, 2016

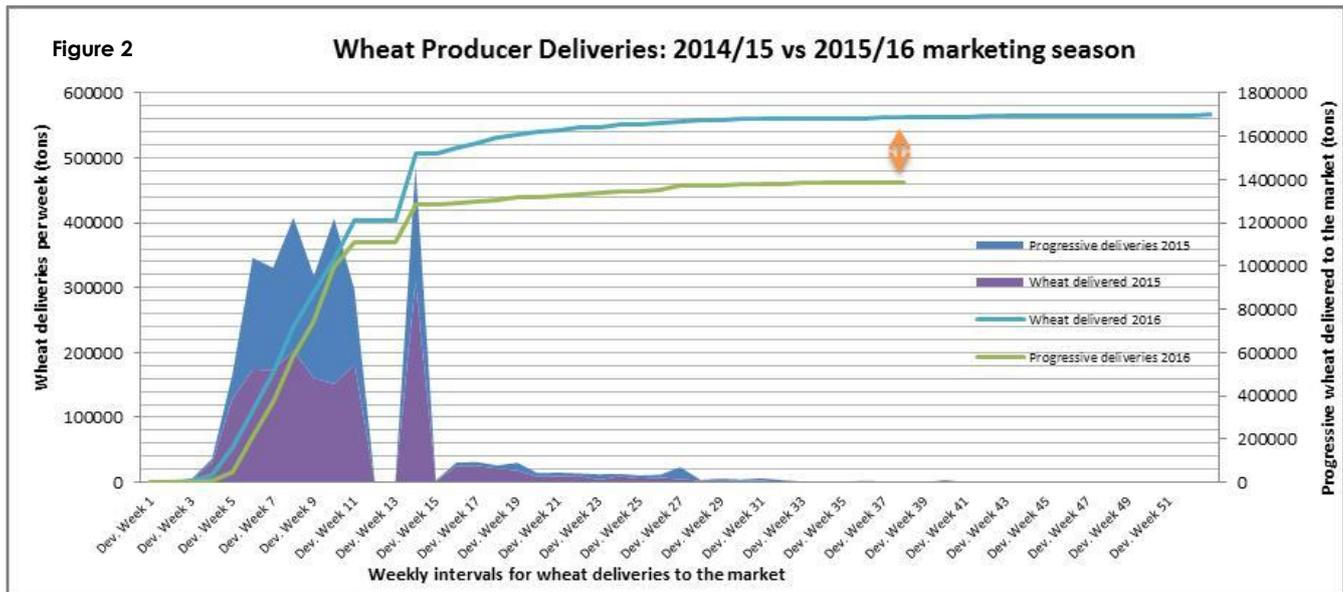
Final Winter Crop Figures for the 2015/16 production season

The final calculated crop figures as determined by the National Crop Estimate Committee (NCEC) during February 2016 brought about the following results:

- The commercial wheat harvest yielded 1,440 million tons in May 2016, which amounts to 17,015 tons or 1.17% lesser than the estimated final crop of 1,457 million tons for the 2015/16 production season.
- Malting barley yielded 332 000 tons, which amounts to 1, 372 tons or 0.41% lesser than the estimated final crop of 333,373 tons.
- Whilst the canola crop yielded 93,000 tons, which also represents a decline of 4,600 tons or 4.71% lesser than the final estimate crop of 97,600 tons (CEC, 2016).

PRODUCER DELIVERIES

Wheat



Source: SAGIS, 2016 (own depiction)

The above figure depicts the actual weekly deliveries of wheat supplied to the market as from the inception of the marketing season both for 2014/15 and 2015/16 respectively. The progressive wheat delivered for the 2015/16 marketing season for the week ending 03 June 2016, amounted to 1,39 million tons of which 3,320 tons was delivered between 30 April and 03 June 2016. The progressive delivery for 2015/16 has however declined by 17.8% y/y or 300,723 tons compared to progressive deliveries for the same period in the previous marketing season (SAGIS, 2016).

Re-application of the Wheat Statutory Measure for another 4 year cycle, for inception as from 01 October 2016

The current 4 year statutory measure cycle for both wheat and barley will expire on 30 September 2016. Thus, the industry has applied to the Minister of Agriculture, Forestry and Fisheries and the National Agricultural Marketing Council for the consideration and promulgation of the following statutory levies for inception as from 01 October to 30 September 2016/17 to 2019/20:

- Wheat: R 10.00 per metric ton (2016- 2017); R10.70 per metric ton (2017-2018); R11.45 per metric ton (2018-2019) & R12.25 per metric ton (2019-2020).
- Barley: R5.00 per metric ton (2016/17 to 2019/20).

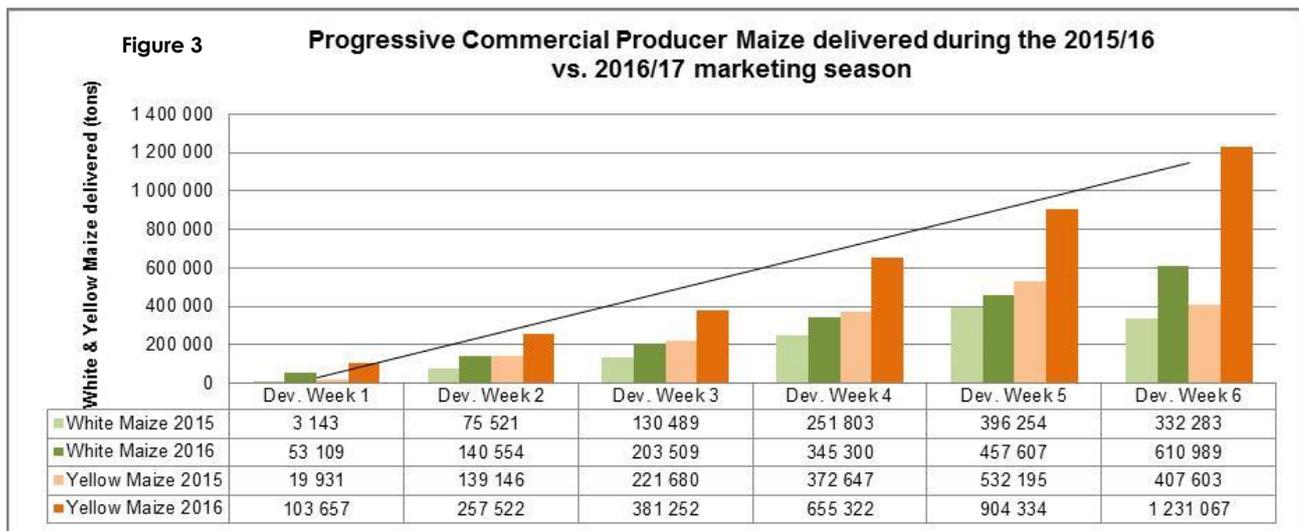
The levy amounts exclude value-added tax (VAT). The proposed levies are lower due to the exclusion of the seed breeding research levy component, as the previous statutory levy of R 17 per metric ton (excluding VAT) was utilised to include the seed breeding research in conjunction with other services such as information (via SAGIS), quality and grading (SA Grain laboratory), transformation, administration, capacity building, research, the Supply & Demand Estimate Committee.

The Grain Industry through the NAMC however indicated that alternative applications for statutory measures on winter cereals have been submitted to fund breeding research and technology for both wheat and barley. The proposed statutory measures will however only be published for comment at a later stage.

It should however be considered that directly affected parties (i.e. whom form part of the production, purchasing and processing of winter cereals as well consumers of winter cereals within the Republic of South Africa) were requested to have already forwarded comments to the NAMC by 3 June 2016, the above is thus merely for information purposes.

Source: NAMC, 2016

Maize



Source: SAGIS, 2016 (own depiction)

The maize production season commenced on 30 April 2016, and has already delivered 1,36 million tons of maize in producer deliveries up until 03 June 2016. The total deliveries till the reported date amounted to 904,334 tons of yellow maize and 457,607 tons of white maize. Compared to the previous season, white maize deliveries have increased by 83.9% y/y or 135,941 tons whereas yellow maize deliveries has increased by 202% or 372,139 tons (SAGIS, 2016).

EXPORTS, IMPORTS AND RE-EXPORTS

Wheat

This section pertains to the trade of wheat for the period from 30 April to 03 June 2016:

Progressive wheat exports for 2015/16		Progressive wheat imports for 2015/16	
Wheat exports during the reporting period : (29 April to 03 June 2016)	38,564	Wheat imports during the reporting period : (02 to 29 April 2016)	1,403,025
	2,921		230,684 tons of which 104,769 tons was for RSA and 15,095 tons for export to other SADC countries
Importing countries	Share in RSA wheat exports	Supplying countries to RSA	Share in RSA wheat imports
Namibia	40%	¹ Russian Federation	58% (RSA) & 100% (SADC countries)
Lesotho	35%	¹ Germany	19%
Zimbabwe	12%	¹ Canada	12%
Botswana	11%	¹ Argentina	8%
Swaziland	2%	¹ USA	3%
		¹ Wheat Imports were shipped through the following ports: <ul style="list-style-type: none"> • Cape Town - 7.4% • Durban - 87.8% • Port Elizabeth - 4.8% 	

Source: NAMC, 2016

Supply and demand estimates for the 2015/16 maize marketing season

The overall wheat supply estimate was adjusted downward from 4,032 million to 3,912 million tons for the 2015/16 marketing season during the most recent Supply & Demand estimate report issued by the National Agricultural Marketing Council at 31 May 2016. The estimated commercial producer deliveries were lowered to 1,406 million tons; whilst wheat imports were reduced by 100,000 tons to 1,900 million tons to cover market shortages. The closing stock at 30 September 2016 is thus estimated at 640,423 tons to be carried over to the 2016/17 wheat marketing season (NAMC, 2016).

On the other hand, the local and export demand estimates for the 2015/16 wheat marketing season has also remained unchanged at 3,275 million tons. The largest portion of wheat is demanded for the processing aimed at human consumption (96%) and animal feed (0.09%). Whereas 0.61% of the wheat demand is required for the exports of processed wheat products, 1.89% as whole wheat exports and 0.52% for seeds for planting purposes (NAMC, 2016).

Maize

This section pertains to the trade of maize for the period from 30 April to 03 June 2016:

Progressive maize exports for 2016/17		Progressive maize imports for 2016/17			
Maize exports during the reporting period : (30 April to 03 June 2016)	White maize: 55,609	Yellow maize: 20,504	Maize imports during the reporting period : (30 April to 03 June 2016)		
	White maize: 55,609	Yellow maize: 20,504	White maize: 21,167		
			Yellow maize: 170,712 tons		
Importing countries (for the 2016/17 marketing year)	Share in white maize exports	Share in yellow maize exports	Supplying countries (for the 2015/16 marketing year)	Share in white maize imports	Share in yellow maize imports
Zimbabwe	43%	-	² USA	100%	
Botswana	20%	21%	² Argentina		100%
Mozambique	12%	18%			
Namibia	10%	9%			

Lesotho	9%	8%			
Swaziland	7%	23%			
Zambia	-	18%			
Korea, Democratic Peoples Republic	-	2%	² Imports were shipped through the following ports (for the 2015/16 marketing year): <ul style="list-style-type: none"> ➤ 22,260 tons white maize & 170,712 tons yellow maize ➤ Durban: 100% white maize and 28% yellow maize ➤ Port Elizabeth: 10% yellow maize ➤ Cape Town: 62% yellow maize 		

Source: NAMC, 2016

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

The total maize supply estimate for the 2016/17 marketing season was adjusted to 12,616 million tonnes during, of which the opening stock levels on 1 May 2016 was reported at 2,481 million tons (of which 53% is derived from white maize and 47% from yellow maize) (NAMC, 2016).

The opening balances on 1 May 2016 amounted to 1,309 million and 1,172 million tons for white and yellow maize respectively. Local commercial deliveries are estimated to amount to 6,730 million tons of which 3,017 million tonnes is expected to be derived from white maize and 3,714 million tons from yellow maize. Although South Africa is normally a net exporter of maize, it has to cover maize market shortages, with estimated imports of 1,000 million tons of white maize and 2,300 million tons for yellow maize (Business Day & NAMC, 2016).

The overall demand for maize was estimated at 11,209 million tons, which is 1,058 million tons more than the 10,515 million tons estimated in April 2016, of which 780,000 tons of maize is estimated for exports. The total demand for white maize is estimated to reach 4,782 million tons and yellow maize at 6,427 million tons (NAMC, 2016).

The demand for white maize is mainly to meet local consumption needs which are estimated at 4,302 million, animal and industrial use estimated at 100,000 tons and 480,000 tons towards exports for both processed and unprocessed product form. Whilst the local yellow maize demand is estimated at 6,127 million tons of which 5,330 million tons is required to fulfil animal feed and industrial consumption needs, whilst 520,000 tons are required for human consumption and 300,000 tons intended for yellow maize exports (both processed and unprocessed product form) (NAMC, 2016).

Accordingly, the estimated closing stock level for white maize is expected to realise 623,827 tons and 783,529 tons for yellow maize at the end of the 2016/17 marketing season at 30 April 2017 (NAMC, 2016).

WEATHER UPDATE: DAFF NAC ADVISORY ON THE 2015/16 SUMMER SEASON FOR MAY 2016

For the season from July 2015 to April 2016, below-normal rainfall was received with patches of above-normal rainfall mainly in the Northern Cape, Eastern Cape and Western Cape Provinces. Rainfall received was near-normal to below-normal within the Western Cape during May 2016. The Overberg and coastal areas of the Eden district appeared to be receiving good rains over months and the agricultural conditions are normal. The normal winter rainfall which normally commences in April was absent this season. In the

Karoo there were no grazing material and there was poor water supply to livestock. The average level of dams has decreased to 31% during May 2016 compared to 42% obtained during the same period in 2015.

Source: DAFF National Agro-meteorological Committee (NAC) & ARC, 2016

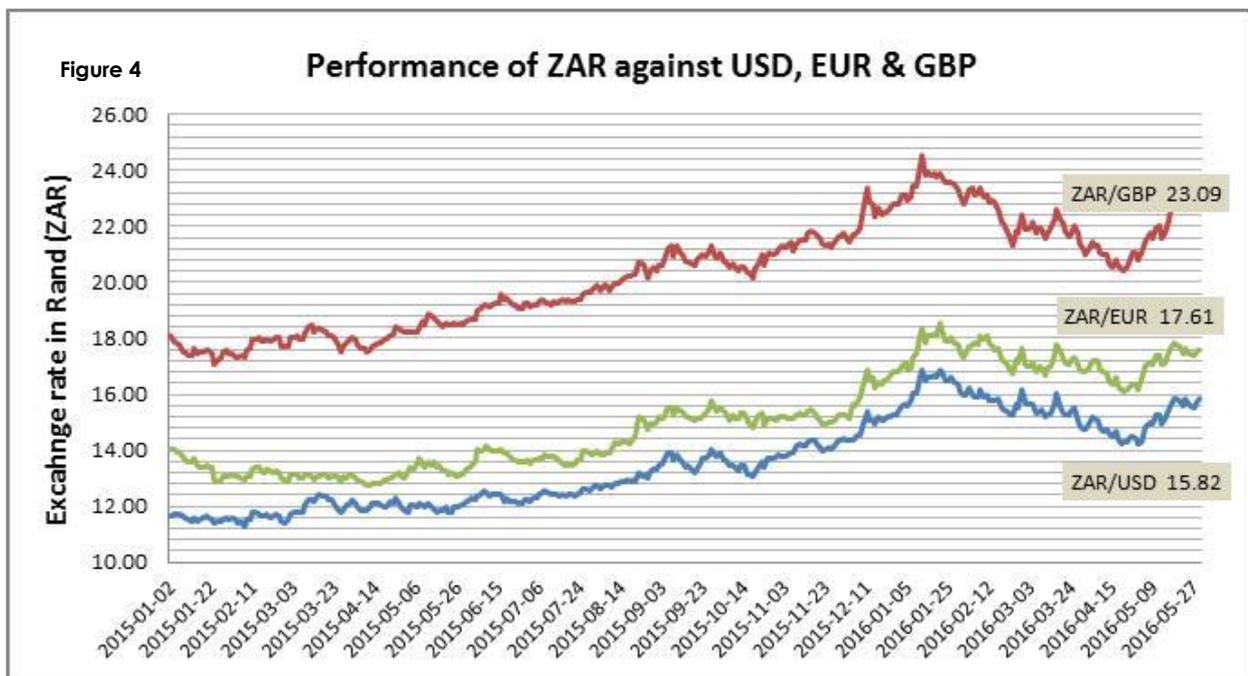
Click [here](#) to view the most recent update for 2016, on the dam levels within the Western Cape Province or alternatively visit the Elsenburg Website at www.elsenburg.com and access the Agri-tools drop-down list.

A comprehensive list of preventative strategies can be found in the monthly *National Agro-meteorological Committee (NAC) Advisory*. It can be accessed from the following websites: www.daff.gov.za and/or www.agis.agric.za. Alternatively 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 contact via (021) 808 5368.

Source: Elsenburg, 2016.

2. ECONOMY

REVIEW OF THE PERFORMANCE OF THE SOUTH AFRICAN RAND (ZAR) AGAINST MAJOR CURRENCIES SUCH AS USD, GBP & EUR AT THE END OF MAY 2016



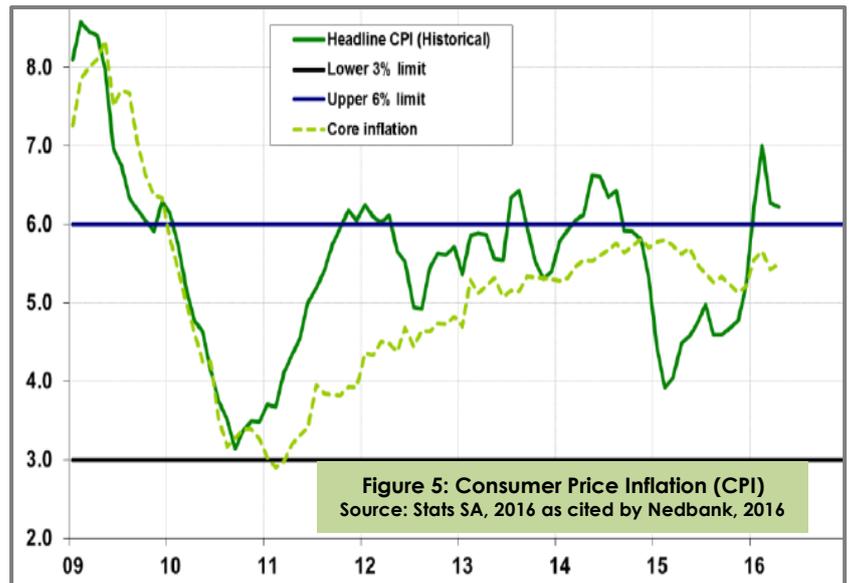
Source: SARB, 2016

The Rand depreciated in value during the month of May 2016 and traded at R23.09 (11.1% m/m); R17.61 (8.8% m/m) and R15.82 (11.3% m/m) against the British pound (GBP), Euro (EUR) and United States (US) dollar on 31 May 2016 (figure 4) (SARB, 2016).

The recovery of the South African currency during April 2016 was also short-lived as the weakening of the currency was impacted by both domestic and global economic factors (SARB, 2016).

A range of international and domestic factors influenced the performance of the Rand against major currencies. A summary (although not limited) of the international and domestic economic environment is provided below:

- Consumer Price Inflation (CPI) has moderated from the 7% level reached during February 2016 and recovered to 6.1% during May 2016 from March and April 2016 levels which reached 6.3% and 6.2% respectively. The moderation is however expected to be temporal as both food and petrol prices remain under severe strain, which provides an indication that CPI is expected to intensify yet again



above the 3-6% target range set by the South African Reserve Bank.

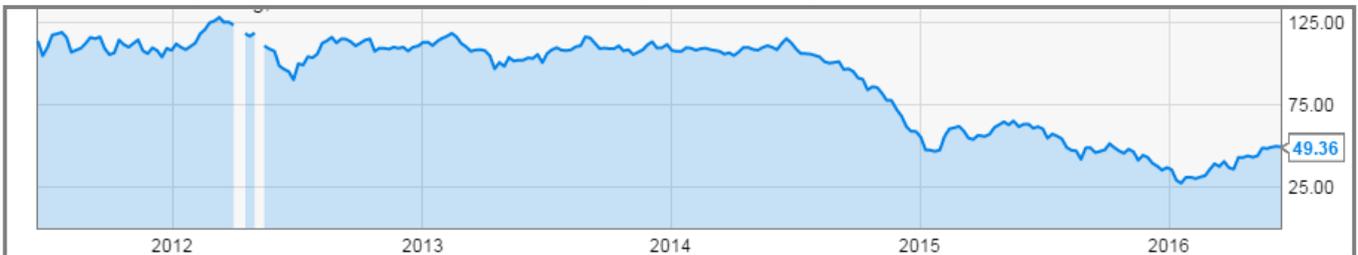
- Inflation forecast have been adjusted downward to 6.2% and 5.4% in 2017 and 2018 respectively. Whereas the forecast in the 4th quarter of 2016 remained unchanged at 7.3% (SARB, 2016). *The downward revisions in inflation has largely been motivated through assumptions such as persisting higher interest rate in conjunction with a lesser depreciating exchange rate, a wider output gap, lower electricity price as well as the impact of upward revisions in the international oil price base (SARB, 2016).*
- The Monetary Policy Committee (MPC) of the South African Reserve Bank indicated whilst the economy is reaching its lowest point in the economic growth cycle, the economy is however expected to systematically recover from economic contractions over time but that it is faced with potential downside risk. Due to current economic condition, the MPC has adjusted the GDP forecast from 0.8% to 0.6%. Furthermore, the lower growth outlook for the domestic economic together with a possible sovereign credit downgrade and the political uncertainty adversely impacted on the performance of the domestic currency against the major currencies (SARB, 2016).
- The persisting weakening in the economic outlook for Sub-Saharan African countries, which includes some of South Africa's significant trading partners, has also been of great concern (SARB, 2016).
- Economic growth in developed economies such as the USA, UK and Japan remained unsatisfactory during the first quarter of 2016. Due to lower corporate profits being realised in the USA, investment has been hampered within the economic sphere. Whilst the UK economic outlook has been overwhelmed by the possibility of an exit from the European Union (i.e. "Brexit referendum"). On the other hand, the Japanese economic outlook seems to be uncertain at this point in time. The Chinese economy has been responding to government policy interventions, which together with the weakening of the US dollar has resulted in some form of recovery in commodity prices (SARB, 2016).
- After consideration of various domestic and international factors, in conjunction with the improvement in long term inflation forecast, the MPC decided to keep the repurchasing (i.e. repo) rate unchanged at 7.0% per annum (SARB, 2016).

ENERGY

MONTHLY FUEL PRICE ADJUSTMENT HAVE BEEN EFFECTIVE AS FROM WEDNESDAY, 27 MAY 2016

International Spot Price Chart for Brent Crude Oil (2012 to 2016)

Source: Ycharts.com



Economic Factors affecting the unit over/under recoveries for the period between 29 April 2016 and 26 May 2016:

The average international product price of petrol, diesel and illuminating paraffin increased during the period under review.

- The exchange rate against the US dollar depreciated for the period under review (29 April to 26 May 2016) as it amounted to R15.20/USD, compared to the previous period under review when it reached R14.65/USD.
- The depreciating exchange rate increased the contribution to the Basic Fuels Price on petrol, diesel and illuminating paraffin 22.1 cents per litre, 20.65 cents per litre and 20.39 cents per litre respectively (DoE, 2016).

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 in South Africa (cents per litre)
Petrol 93 ULP	52.00c	cents per litre increase in retail price	1258.00
Petrol 95 ULP & LRP	52.00c	cents per litre increase in retail price	1 278.00
Diesel 0.05% Sulphur	76.00c	cents per litre increase in wholesale price	1128.87
Diesel 0.005% Sulphur	76.00c	cents per litre increase in wholesale price	1133.27
Illuminating Paraffin (Wholesale)	62.00c	cents per litre increase in wholesale price	663.03
Illuminating Paraffin (SMNRP)	83.00c	cents per litre increase in the Single Maximum National Retail price (SMNRP)	922.00
Maximum Retail Price for LPGAS	98.00c	cents per kilogram increase in the maximum retail price LPG for residential customers is derived as per the control sheet per kilometre.	R7699.15 or R427.30 per kilogram (refinery gate)

Source: Department of Energy, 27 May 2016

- The South African Reserve Bank pre-expected in May 2016, that should the current exchange and international oil price trends persist, a significant increase can be expected in June 2016 (SARB, 2016).

- Based on unaudited mid-month data released by the Central Energy Fund, the Automobile Association (AA) reported that the cost of petrol is expected to increase by 27 cents per litre at the inception of July 2016, whilst diesel is estimated to increase by 61 cents per litre with illuminating paraffin also expected to raise by at least 60 cents per litre (Times Live, June 2016). The estimated increases are mainly due to appreciating international oil prices and the unfavourable domestic exchange rate against the US dollar (Times Live, June 2016).
- On the contrary, preliminary estimates from the Central Energy Fund issued by the Agbiz: Economic & Agricultural Intelligence Unit however indicated that petrol and diesel prices could increase by 14 cents per litre and 47 cents per litre, respectively on the 6 July 2016 (Agbiz, 2016).

ACKNOWLEDGMENT OF INFORMATION SOURCES

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

- ✚ Agricultural Business Chamber (AGBIZ) : www.agbiz.co.za
- ✚ Business Day: www.bdlive.co.za
- ✚ Department of Agriculture, Forestry and Fisheries: www.daff.gov.za
- ✚ Department of Energy (DoE): www.energy.gov.za
- ✚ Grain SA: www.grainsa.co.za
- ✚ National Agricultural Marketing Council: www.namc.co.za
- ✚ National Crop Estimate Committee (NCEC), South Africa: www.daff.gov.za ; www.sagis.org.za or www.grainsa.co.za
- ✚ Nedbank: www.nedbank.co.za
- ✚ South African Future 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/>
- ✚ Statistics South Africa: <http://www.statssa.gov.za/>
- ✚ Times Live: <http://www.timeslive.co.za/>
- ✚ Western Cape Department of Agriculture (Elsenburg) Weather advisory: www.elsenburg.com
- ✚ Western Cape Provincial Department of Agriculture (Elsenburg): www.elsenburg.com
- ✚ Ycharts: www.ycharts.com

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