



PERIOD UNDER REVIEW: August 2018

Compiled by Tshifhiwa Labase

South African Grain Market

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

MTM (31/08/18) expressed in R/MT							Month end R/MT (31/08/17)	Year on Year Change	Month end R/MT (31/07/18)	Month End (29/06/18)
Commodity	Sept 18	Oct 18	Dec 18	March 19	May 19	July 19	Sept 17	Sept 17vs 18	Aug 18	July 18
White maize	2316	2341	2414	2466	2484	2540	1973	17.4%	2096	2056
Yellow maize	2364	2395	2466	2510	2487	2532	1900	24.4%	2162	2171
Wheat	4295	-	4448	4555	-	-	4103	4.7%	4125	4014
Sunflower	5052	-	5183	5141	4975	-	4725	6.9%	4728	4767
Soybean	-	-	4543 (Nov18)	4758	-	-	4436	2.4%	4287	4275
Sorghum	3500	-	-	3600	-	-	2500	40%	3600 (Marc19)	3180

Source (SAFEX, 2018)

The seventh crop forecast for 2018 estimates remains unchanged at an output of 13.207 million tons of maize. White maize August 2018 contract traded at R2316 per ton, this signifies a 17.4% increase year-year (y/y) gain per ton obtained of white maize for a corresponding agreement traded during the same time last year (SAFEX, 2018). At the same time, white maize contract traded at 1.9 % or R40 less than last month. Results show a decrease of 30.62% from 9916000 tons in August 2017 to 6879960 tons in August 2018 in white maize (y/y) compared to last year's harvest of 9.9 million tons during the same period (CEC, 2018). Yellow maize also decreased by 8.35% or 576650 tons in August 2018 compared to August 2017. Yellow maize August 2018 contract traded at R2364 per ton which is a 24.4%% increase from a ton of maize traded during the same time period last year (SAFEX, 2018).

On 31st of August 2018 Wheat futures contract traded at R 4295 per ton for physical deliveries to take place in September 2018. The Wheat August contract traded 4.7% (y/y) or R192 higher per ton compared to the same period in the previous year. Whilst the Wheat month-month contract traded at 2.8% or R111 more than the previous month.

Sunflower

According to the seventh production forecast of 2018, for sunflower seed was increased by 8,37% or 66 350 tons to 858 605 tons in relation to the previous crop estimate, representing a 1.76 % y/y or 15395-ton decrease in relation to the previous production season (NCEC, 2018). Sunflower prices increased by 6.9% compared to the previous year, traded at R5052 per ton on 31 August 18 whilst traded at R 4725 per ton on 31 August 17. Sunflower prices also showed a slight decrease of 0.8% (m/m) when comparing current price per ton of sunflower to that of the previous month (SAFEX, 2018).

Soybean

Soybean future contract is expected to trade at R4543 per ton in November 2018, this translates in 2.4% y/y or R107 per ton increase in price of soybean contract traded within the corresponding period in the previous year (SAFEX, 2018). The seventh soybean crop is estimated to be 1550800 tons in August 2018, this translates to 17.84% y/y or 234 800 tons increase in relation to the previous year's harvest (NCEC, 2018). The increase in tons of soybean can be attributed to the increase in the number of hectares planted. Number of hectares increased from 573 950 ha in August 2017 to 787 200 ha in August 2018.

Sorghum

On 31st August 2018 sorghum future contract traded at R 3500 per ton, translating into a 40% or R 1000 increase from R2500 per ton in August 2017 (SAFEX, 2018). A reduction of 46880 tons or 30.84% y/y is estimated for the 2017/18 sorghum production season, which can be attributed to the 32% y/y or 13,550 hectare decrease in the area planted (NCEC, 2018).

Area planted for **groundnuts** for the 2017/18 season increased by 0.54% y/y, while production decreased by 43.5% compared to last year. The **dry bean** production decreased by 4.25% y/y despite the increase of 18.45% y/y in area planted.

1.2. WINTER CEREAL PRODUCTION ESTIMATES: 2018 SEASON

Wheat

The area estimate for wheat was revised to 508 350 ha, which is 16 750 ha higher than the 505 000 ha of the previous forecast (NCEC, 2018).

Wheat planting increased by 4500 hectares in relation to the intended planting issued mid- April 2018, however the preliminary 505000 hectares planted are 13400 hectares more (2.73%) than 491 600 hectares planted during the same season last year (NCEC,2018).

Malting barley

The production forecast for malting barley is 390 840 tons, which is 27,31% or 83 840 tons more than the previous seasons' crop of 307 000 tons. The area planted is estimated at 119 000 ha, while the expected yield is 3,28 t/ha (NCEC, 2018).

Canola

The expected **canola crop** is 112 000 tons, which is 19,79% or 18 501 tons more than the previous seasons' crop of 93 500 tons. The area estimate for canola is 80 000 ha, with an expected yield of 1,40 t/ha (NCEC, 2018).

1.3. Producer Deliveries

1.3.1 Weekly producer deliveries for wheat

Table 1: Weekly wheat deliveries

Week ending	Product deliveries	Adjustments	Week Total	Progressive Total
04/08 - 10/08/2018	2137	-192	1945	1527694
11/08 - 17/08/2018	2240	-339	1901	1529595
18/08 – 24/08/2018	2897	-557	2340	1531935
25/08 – 31/08/2018	2571	601	3172	1535107

Table 1 above represents weekly wheat deliveries that that occurred in August 2018. As from 4th August to 31st August 2018, an additional 9358 tons of wheat has been delivered to the market (SAGIS, 2018). As a result, the progressive deliveries amounted to 1,535 million tons, which represents a 100% delivery rate in relation to the crop estimate of 1535 000 tons (SAGIS & NCEC, 2018). There were more deliveries compared to the month of July by 23.75% meaning there were more tons delivered during the month of August. There was a significant adjustment made on week 47 and week 48 with about 557 and 601 tons respectively.

1.3.2 Weekly producer deliveries for maize

Table 2: White maize

Week ending	Product deliveries	Adjustments	Week Total	Progressive Total
04/08 - 10/08/2018	453414	813	454227	4709808
11/08 - 17/08/2018	397252	-1888	395364	5105172
18/08 – 24/08/2018	282046	-71	281975	5387147
25/08 – 31/08/2018	183697	121477	305174	5692321

Table 3: Yellow maize

Week ending	Product deliveries	Adjustments	Week Total	Progressive Total
04/08 - 10/08/2018	19503	199	195282	4610523
11/08 - 17/08/2018	164026	-615	163411	4773934
18/08 – 24/08/2018	108859	457	109316	4883250
25/08 – 31/08/2018	68968	88532	157500	5040750

As from the 4th of August to 31st August 2018, a total of 1436740 tons of white maize and 625509 tons of yellow maize were delivered to the market (SAGIS, 2018). Major adjustments were made in week 48 for white and yellow maize deliveries. Crop estimates for white and yellow maize is estimated to be 6879 960 tons and 6327 350 tons respectively. Subsequently, this led to 82.74% delivery rate for white maize and 79.67% delivery rate for yellow maize (SAGIS, 2018).

1.4. Exports, Imports and Re-exports

Table 2a: Wheat trade for the 2017/18 marketing season, according to tons (SAGIS, 2018)

Progressive wheat exports 2017/18	62138	Progressive wheat imports 2017/18	1815759
Wheat exports during the reporting period	7824	Wheat imports during the reporting period	184699
Importing countries	Share in RSA exports	Exporting countries	Share in RSA imports
Botswana	47	Russian Federation	80
Zambia	38	Canada	20
Namibia	11		
Zimbabwe	2		
Swaziland	2		

SOURCE (SAGIS, 2018)

Supply and demand estimates 2017/2018 wheat marketing season

The total supply of wheat is projected at 3 989 424 tons for the 2017/18 marketing season. This includes an opening stock level (at 1 October 2017) of 341 424 tons, local commercial deliveries of 1 540 000 tons, whole wheat imports estimated for South Africa of 2 100 000 tons and a surplus of 8 000 tons.

On the other hand total demand (domestic plus exports) for wheat is projected at 3 290 100 tons. This includes 3 150 000 tons processed for human consumption, 3 000 tons processed for animal consumption, 1 300 tons withdrawn by producers, 1 800 tons released to end consumers, 19 000 tons projected seed for planting purposes and a balancing figure of 5 000 tons (net receipts and net dispatches). A projected export quantity of 37 000 tons processed products and 73 000 tons whole wheat are estimated for the 2017/18 marketing season. Stock levels: The projected closing stock level at 30 September 2018 is estimated at 699 324 tons. At an average processed quantity of 262 750 tons per month, this represent available stock levels for 2.7 months or 81 days (NAMC, 2018). During the reporting period, Botswana was the leading export destination for South African wheat with a share of 47%, followed by Zambia (38%), Namibia (11%), Zimbabwe (2%) and Swaziland (2%).

Table 2b: Maize trade for 2018/19 marketing season, according to tons

Progressive 2017/18	maize	White maize: 119 923	Yellow maize: 947 496	No imports due to bumper crop harvested during the current production season.
Maize exports during the reporting period : (04 August to 31 August)		17925	136910	
Importing countries		Share in white maize exports	Share in yellow maize exports	
Botswana		76	0.6	
Mozambique		21	0.7	
Lesotho		3	0.7	
Namibia		-	1.7	
Swaziland		-	4	
Vietnam		-	72	
Korea, Den Rep		-	0.3	
Japan		-	20	
Taiwan, Prov of China		-	-	

White maize

The total supply of white maize is projected at 9 201 244 tons for the 2018/19 marketing season. This includes an opening stock level (at 1 May 2018) of 2 428 653 tons and local commercial deliveries of 6 679 960 tons. No whole white maize imports are estimated for the current season, with early deliveries of 82 631 tons and a surplus of 10 000 tons. The total demand (domestic plus exports) for white maize is projected at 7 389 000 tons. The total domestic demand is projected at 6 829 000 tons. This includes 4 600 000 tons processed for human consumption, 2 150 000 tons processed for animal and industrial consumption, 12 000 tons for grinding, 30 000 tons withdrawn by producers, 32 000 tons released to end-consumers and a balancing figure of 5 000 tons (net receipts and net dispatches). A projected export quantity of 60 000 tons of processed and 500 000 tons of white whole maize are estimated for exports for the 2018/19 marketing season. Projected closing stock level at 30 April 2019 is estimated at 1 812 244 tons. At an average processed quantity of 563 500 tons per month, this represent available stock levels for 3.2 months or 98 days (NAMC, 2018).

Yellow maize

The total supply of yellow maize is projected at 7 483 625 tons for the 2018/19 marketing season. This includes an opening stock (at 1 May 2018) of 1 260 823 tons and local commercial deliveries of 5 977 350 tons. No yellow maize imports are estimated for the current season, with early deliveries of 227 452 tons and a surplus of 18 000 tons. The total demand (domestic plus exports) for yellow maize is projected at 5 714 000 tons. The total domestic demand is projected at 4 024 000 tons. This includes 570 000 tons processed for human consumption, 3 200 000 tons processed for animal and industrial consumption, 12 000 tons for grinding, 65 000 tons withdrawn by producers, 165 000 tons released to end-consumers and a balancing figure of 12 000 tons (net receipts and net dispatches). A projected export quantity of 140 000 tons of processed products and 1 550 000 tons of yellow whole maize are estimated for exports for the 2018/19 marketing season. The projected closing stock level at 30 April 2019 is estimated at 1 769 625 tons. At an average processed quantity of 315 167 tons per month, this represent available stock levels for 5.6 months or 171 days.

During the reporting period, the main exports destinations for South African white maize are Botswana (76%) and Mozambique (21%) with a combined share of 97 percent. On the other hand, Vietnam, Japan and Korea Rep altogether absorbed the largest share of South Africa's yellow maize exports (92.3%) during the period under review (SAGIS, 2018).

2. WEATHER ADVISORY ON THE 2017/2018 SUMMER SEASON, July 2018

Figure 1

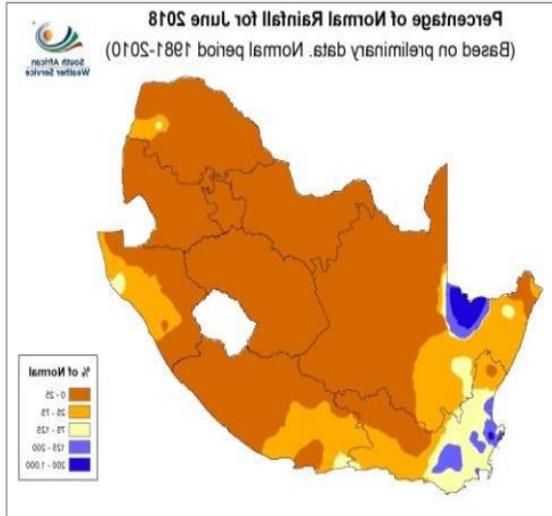


Figure 2

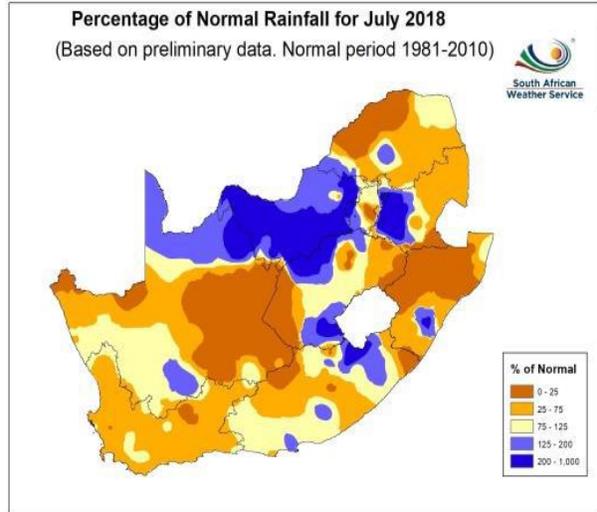


Figure 3

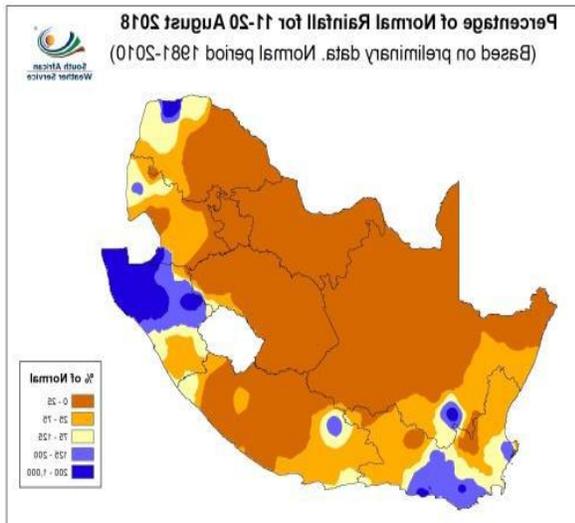
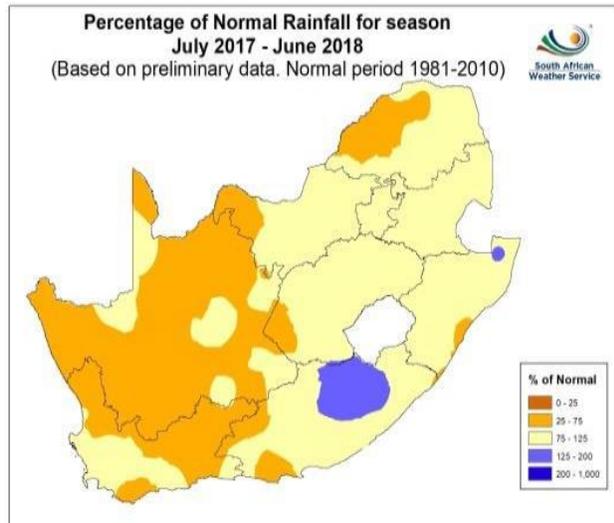


Figure 4



In June, rainfall received was below normal rainfall over most parts of the country (**Figure 1**). In July, rainfall increased resulting in above normal rainfall mainly over northern parts of the Northern Cape, North West, and Gauteng Provinces (**Figure 2**). During mid-August, above normal rainfall was received mainly over the Eden District of the Western Cape and over the northern half of

KwaZulu-Natal (**Figure 3**). In other areas, rainfall was below normal. For the season July 2017 to June 2018, mainly near normal rainfall was received but below normal over the western half of the country (**Figure 4**).

Western Cape

The province experienced normal winter rainfall distribution during July; however conditions remained dominantly below to normal. Above normal monthly rainfall was mostly evident in the western side of the province. The Central Karoo received below normal rainfall, In comparison to the long term, the rainfall over the western parts ranged from below normal to normal, while in the northern parts rainfall appeared to be more positive. Due to a period of above normal temperatures during July, the province experienced above normal monthly mean temperatures. Winter cereal crop production in the Swartland and Overberg so far indicate reasonable conditions, though rainfall remained less optimistic for July. As for extensive livestock farming, the dry parts of the province Central Karoo, Matzikama, Little Karoo region received poor rainfall, resulting in no relief for these areas. The overall water level of state dams in the province is at 55%, compared to 33% in 2017. Brandvlei dam is 57.8% full compared to 33% during the same time period last year. Water level has also increased in Theewaterskloof from 27.8% in 2017 to 55.8% in August 2018. Alternatively, visit the Elsenburg Website at <http://www.elsenburg.com/agri-tools/western-cape-dam-levels> to obtain the most recent update on dam levels within the Western Cape (Elsenburg, 2018).

Strategies to mitigate climatic change and related disasters

A comprehensive list of strategies can be retrieved from 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.

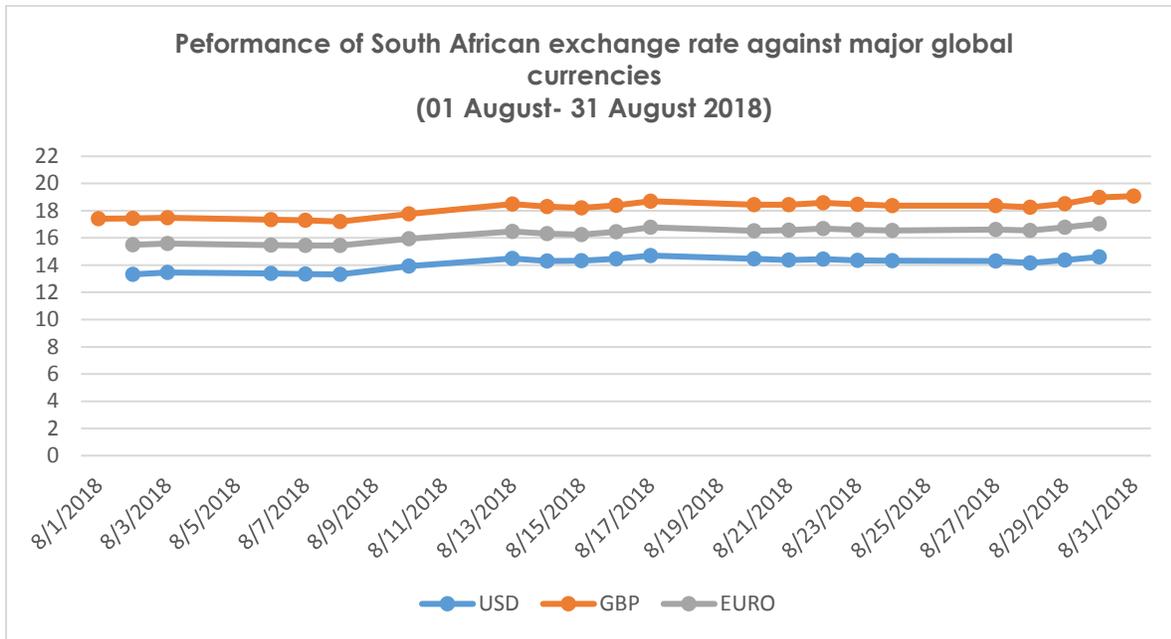
Source: DAFF National Agro-meteorological Committee (NAC) Advisory, 2018.

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 www.elsenburg.com and go to Agri-tools Agri-Outlook (Elsenburg, 2018).

3. Economic Reviews

3.1 Exchange Rates



Source: South African Reserve Bank (2018)

During the reporting period 1st August to 31st August 2018, the ZAR exchange rate weakened against major global currencies such as the US dollar (USD), Great Britain Pound (GBP) and Euro (SARB, 2018). The rand weakened by 5% against the US dollar and traded at R14.10 in August 2018 while it traded for R13.42 in July of 2018. Similarly when looking at month to month trade of Rand against the Great British Pound (GBP) and EURO, it can be noted that the rand also weakened by 2.8% and 3.9% respectively against these major currencies.

3.2 South African Economy

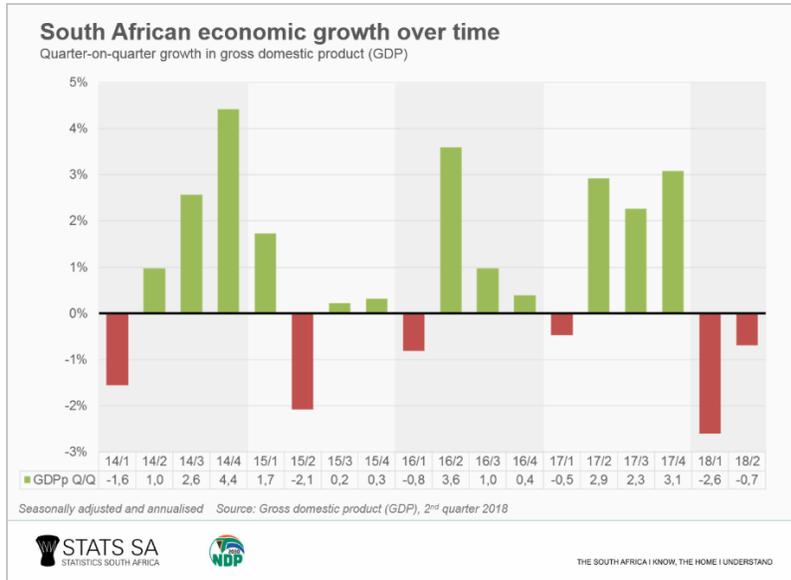
3.2.1 GDP growth, Inflation rate Land prices in South Africa

South Africa's gross domestic product (GDP) growth rate declined by 0,7% in the second quarter of 2018. The largest negative contributor to growth in GDP in the second quarter was the agriculture, forestry and fishing industry, which decreased by 29, 2% and contributed -0, 8 of a percentage point to GDP growth. The headline CPI (for all urban areas) annual inflation rate in July 2018 was 5,1%. This rate was 0,5 of a percentage point higher than the corresponding annual rate of 4,6% in June 2018. On average, prices increased by 0,8% between June 2018 and July 2018 (Statssa,2018).

Farm prices in South Africa have plunged by a third since the ruling party decided to seek a change to the Constitution to make it easier to expropriate land without compensation. This as commodity prices fell due to bumper harvests following a drought. This move is likely to distort property rights. Lingering policy uncertainty and weak economic growth dragged an index tracking confidence in agriculture industry to a more than two- year low in the third quarter. Output by the agricultural industry contracted 29% in the second quarter - a major contributor to the country falling into its first recession since 2009. The average price of a hectare of agricultural land is 43% lower than April 2016, the total value of transactions has dropped 57% since December to R826m. Farming debt with lenders such as commercial banks and cooperatives and which is often secured with land is at about R160 billion (South African Reserve Bank, 2018; Business Tech, 2018).

3.2.2 Overall Inflation and Food inflation

3.2.2 South African economic growth over time



Source: (Statistics South Africa, 2018)

The South African economy slipped into recession during the second quarter of 2018, shrinking by 0,7% quarter-on-quarter (seasonally adjusted and annualised). This followed a revised 2,6% contraction in the first quarter of 2018. The widely recognized indicator of recession is two (or more) consecutive quarters of negative growth (real GDP quarter-on-quarter). South Africa experienced its last recession during the 2008–2009 global financial crisis with three consecutive quarters of economic decline (Statssa, 2018).

The 0,7% downturn in the second quarter of 2018 was a result of a fall-off in activity in the agriculture, transport, trade, government and manufacturing industries. Agriculture production fell by 29,2%¹ in the second quarter of 2018, following a 33,6% slump in the first quarter. This was largely driven by a decline in the production of field crops and horticultural products. Continued drought conditions in Western Cape and a severe hailstorm in Mpumalanga, resulting in extensive crop damage, also placed additional pressure on production in the second quarter (Statssa, 2018).

4. Energy

Table 4.1 Basic fuel Price adjustments

Product Description	Numerical adjustment applicable to the coast parts in South Africa	Price adjustment Description	The average price applicable to the coastal parts of South Africa
Petrol 95 ULP & LRP	5	cents per litre increase in the retail price	1549.00
Diesel 0.05% Sulphur	0	cents per litre increase in the retail price	1392.030
illuminating Paraffin (Wholesale)	0	cents per litre increase the retail price	892.588
LPGAS (maximum retail price)	0	cents per litre increase in the retail price	2372.00

During the reporting period, the department report indicated a 5 cent increase for a litre of 95 octane fuel, from 1543 cents in July 2018 to 1549 cents in August 2018. While diesel (0.05% sulphur), illuminating paraffin price per litre and price of LPGAS remained unchanged when compared to the previous month. The main reasons for the fuel price adjustments are due to the rand depreciated, on average, against the US Dollar (from 13.42 to 14.10 Rand per USD) during the period under review. The Rand's movements were mainly influenced by global factors.

South Africa's fuel prices are adjusted on a monthly basis, informed by international and local factors. International factors include the fact that South Africa imports both crude oil and finished products at a price set at the international level, including importation costs, e.g. shipping costs. Government wishes to remind all South Africans that the reality for non-oil producing countries like ours is that we have to accept the price of crude oil determined in the international market. The main player in the determination of oil pricing internationally is the Organisation for Petroleum Exporting Countries (OPEC).

This time of the year (May till September) represents the summer season in the Northern hemisphere and is popularly known as the driving season especially in the United States of America. The demand on crude oil is usually higher during this period as people in this part of the world go on summer vacations. This increased demand for crude oil also has the impact of increasing the crude oil price until enough summer petrol stocks have been manufactured.

South African refined petroleum product prices are based on international bench-mark refineries. The level of international refined petroleum product prices at these international refineries are not only a factor of the price of crude oil as an input cost to refine petroleum products but, are also affected by geo-political events, international demand and supply of refined petroleum products, natural disasters (Department of Energy, 2018).

ACKNOWLEDGMENTS

The below-listed sources are acknowledged, as cited in this publication:

Agricultural Produce Agents Council (APAC): www.apacweb.org.za

Agricultural Research Council (ARC): www.arc.agric.za

Department of Agriculture, Forestry and Fisheries (DAFF): www.daff.gov.za

Department of Energy (DoE): www.energy.gov.za

Department of Water & Sanitation (DWS): www.dwa.gov.za

Elsenburg (Western Cape Department of Agriculture): www.elsenburg.com

Organization of the Petroleum Exporting Countries (OPEC): www.opec.org/opec

Potatoes South Africa: www.potatoes.co.za

South African Government: www.gov.za

South African Reserve Bank (SARB): www.sarb.gov.za

South African Revenue Services (SARS): www.sars.gov.za

Statistics South Africa (Stats SA): www.statssa.gov.za

Techno Fresh CRM: www.technofresh.co.za

Trading Economics (2018): <https://tradingeconomics.com/south-africa/balance-of-trade>

For more information, contact:

The Western Cape Department of Agriculture

Programme: Agricultural Economic Services

Division: Marketing and Agribusiness

Tel: 021 808 5193 or 7753

Fax: 021 808 5210

E-mail: TshifhiwaL@elsenburg.com

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