Western Cape Government
Agriculture
BETTER TOGETHER.

PERIOD UNDER REVIEW: July 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 (31/07/18) expressed in R/MT							*Month end R/MT (28/07/17)*	*Year on Year Change*	*Month end R/MT (31/05/18)*	*Month End (29/06/18)*
Commodity	Aug 18	Sept 18	Dec 18	March 19	May 19	July 19	Aug 17	Aug 17vs 18	June 18	July 18
White maize	2096	2132	222	2275	2302	2351	1803	16.25%	2120	2056
Yellow maize	2162	2197	2288	2334	2353	2397	1909	13.25%	2208	2171
Wheat	4125	4183	4198	4280	-	-	4528	-8.9%	3808	4014
Sunflower	4728	4777	4907	4870	4689	-	4700	0.60%	4590	4767
Soybean	4360	4372 Nov 18	-	4540	-	-	4704	-7.31%	4476	4275
Sorghum	-	-	-	3600	-	-	3170 Dec 17	13.56%	3010	3180

Source (SAFEX, 2018)

The sixth crop forecast for 2018 estimates an output of 13.207 million tons of maize. White maize July 2018 contract traded at R2096 per ton, this signifies a 16.25% 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 3.02 % or R64 less than last month. Results show a decrease of 30.62% from 6904000 tons in July 2017 to 6327350 tons in July 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 July 2018 compared to July 2017. Yellow maize July 2018 contract traded at R2162 per ton which is a 13.25% increase from a ton of maize traded during the same time period last year (SAFEX, 2018).

On 31st of July 2018 Wheat futures contract traded at R 4125 per ton for physical deliveries to take place in August 2018. The Wheat July contract traded 8.9% (y/y) or R403 lower per ton compared to the same period in the previous year. Whilst the Wheat year-year contract traded at 5.41% or R 206 more than the previous month.

Sunflower

According to the sixth production forecast of 2018, sunflower output is expected to remain unchanged at 792255 tons in relation to the previous crop estimate, representing a 9.35 % y/y or 81745-ton decrease in relation to the previous production season (NCEC, 2018). Sunflower prices are fairly stable with only 0.60% increase compared to the previous year, traded at R4728 per ton on 29 Jun18 whilst traded at R 4700 per ton on 30 Jun17. Sunflower prices also showed a slight increase of 3.86% (m/m) when comparing current price per ton of sunflower to that of the previous month (SAFEX, 2018).

Soybean

On the 31st of July 2018 futures traded at R4360 per ton ,this translates in 7.31% y/y or R344 per ton decrease in price of soybean contract traded within the corresponding period in the previous year (SAFEX, 2018). The 6th soybean crop is estimated to be1550800 tons in July 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 July 2017 to 787 200 in July 2018.

Sorghum

Sorghum future contract is expected to trade at R3600 per ton in March 2019, translating into a 13.56% or R 430 increase from R3170 per ton in December 2017 (SAFEX, 2018). A reduction of 68930

tons or 45.35% 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 decreased by 38.83% y/y, while production also decreased by 7.14% 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 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 planting amounts to 106150 hectares, which is 10450 hectares more than the intended 95700 hectares to be planted by mid-April 2018 (NCEC, 2018) In relation to the previous year, the preliminary barley plantings indicate a 16.16 % y/y or 14770 hectare-increase in relation to the previous season's planting of 91380 hectares (NCEC, 2018).

Canola plantings point towards a 4.76% y/y or 4000-hectare decrease in relation to the previous season (NCEC, 2018). Whilst preliminary plantings are 1500 hectares more than the 78500 hectares intended to be planted as at mid-April 2018 (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
30/06 - 06/07/2018	2,303	311	2,614	**1,519,842**
07/07 - 13/07/2018	991	0	991	**1,520,833**
14/07 - 20/07/2018	374	70	444	**1,521,277**
21/07 - 27/07/2018	1,544	494	2,038	**1,523,315**
28/07 - 03/08/2018	1,475	0	1,475	**1,524,790**

Table 1 above represents weekly wheat deliveries that that occurred in July 2018. As from 30 June to 3rd August 2018, an additional 7562 tons of wheat has been delivered to the market (SAGIS, 2018). As a result, the progressive deliveries amounted to 1,524 million tons, which represents a 99.33% delivery rate in relation to the crop estimate of 1535 000 tons (SAGIS & NCEC, 2018). There were less deliveries compared to the month of June by 53.35% meaning there were less tons delivered during the month of June. There was a significant adjustment made on week 40 and week 43 with about 311 and 494 tons respectively.

1.3.2 Weekly producer deliveries for maize

Table 2: White maize

Week ending	Product deliveries	Adjustments	Week Total	Progressive Total
30/06 - 06/07/2018	500,481	-18,528	481,953	2,132,222
07/07 - 13/07/2018	438,378	1,295	439,673	2,571,895
14/07 - 20/07/2018	471,734	7,012	478,746	3,050,641
21/07 - 27/07/2018	540,612	288,530	829,142	3,879,783
28/07 - 03/08/2018	238,042	497	238,539	4,118,322

Table 3: Yellow maize

Week ending	Product deliveries	Adjustments	Week Total	Progressive Total
30/06 - 06/07/2018	429280	-14546	414734	3009742
07/07 - 13/07/2018	341655	259	341914	3351656
14/07 - 20/07/2018	274353	17934	292287	3643943
21/07 - 27/07/2018	273202	252197	525399	4169342
28/07 - 03/08/2018	157178	157178	158448	4327790

As from 30 June to 03 July 2018, a total of 2468053 tons of white maize and 1732782 tons of yellow maize were delivered to the market (SAGIS, 2018). Crop estimates for white and yellow maize is estimated to be 6879 960 tons and 6327 350 tons respectively. Subsequently, this led to 59.86% delivery rate for white maize and 68.40% 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		**Progressive wheat imports 2017/18**	
Wheat exports during the reporting period	**6322**	Wheat imports during the reporting period	**223864**
Importing countries	**Share in RSA exports**	**Exporting countries**	**Share in RSA imports**
Zambia	69	Russian Federation	51
Swaziland	18	Canada	24
Namibia	8	Czech Republic	21
Zimbabwe	4	United States	4
Botswana	1		

SOURCE (SAGIS, 2018)

Supply and demand estimates 2017/2018 wheat marketing season

The total supply of wheat is projected at 3 806 424 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 1 525 000 tons, whole wheat imports estimated for South Africa of 1 930 000 tons and a surplus of 10 000 tons (NAMC, 2018). On the other hand the total demand (domestic plus exports) for wheat is projected at 3 241 800 tons.

This includes 3 100 000 tons processed for human consumption, 2 700 tons processed for animal consumption, 1 400 tons withdrawn by producers, 1 700 tons released to end consumers, 22 000 tons projected seed for planting purposes and a balancing figure of 7 000 tons (net receipts and net dispatches). A projected export quantity of 37 000 tons processed products and 70 000 tons whole wheat are estimated for the 2017/18 marketing season. The projected closing stock level at 30 September 2018 is estimated at 564 624 tons. At an average processed quantity of 258 558 tons per month, this represent available stock levels for 2.2 months or 66 days (NAMC, 2018).

During the reporting period, Zambia was the leading export destination for South African wheat with a share of 69%, followed by Swaziland (18%), Namibia (8%), Zimbabwe (4%) and Botswana (1%).

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

Progressive maize 2017/18	White maize:	Yellow maize:	No imports due to bumper crop harvested during the current production season.
Maize exports during the reporting period : (01 June to 29 June)	26 689	458 315	
Importing countries	Share in white maize exports	Share in yellow maize exports	
Botswana	64	0.4	
Mozambique	19	0.6	
Swaziland	8.9	2	
Lesotho	8	0.2	
Namibia	0.1	0.5	
Vietnam	-	57	
Korea, Den Rep	-	0.2	
Italy	-	11	
Taiwan, Prov of China	-	12	

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. Total demand (domestic plus exports) for white maize is projected at 7 439 000 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 gritting, 30 000 tons withdrawn by producers, 32 000 tons released to end-consumers and a balancing figure of 5 000 tons (NAMC, 2018). A projected export quantity of 60 000 tons of processed products and 550 000 tons of white whole maize are estimated for exports for the 2018/19 marketing season. The projected closing stock level at 30 April 2019 is estimated at 1 762 244 tons. At an average processed quantity of 563 500 tons per month, this represent available stock levels for 3.1 months or 95 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 5 864 000 tons (NAMC, 2018).

According to NAMC (2018), the total domestic demand is projected at 4 074 000 tons. This includes 570 000 tons processed for human consumption, 3 250 000 tons processed for animal and industrial consumption, 12 000 tons for gritting, 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 1 650 000 tons of yellow whole maize are estimated for exports for the 2018/19 marketing season. Projected closing stock level at 30 April 2019 is estimated at 1 619 625 tons. At an average processed quantity of 319 333 tons per month, this represent available stock levels for 5.1 months or 154 days.

During the reporting period, the main exports destinations for South African white maize are Botswana (64%) and Mozambique (19%) with a combined share of 83 percent. On the other hand, Vietnam), Italy, Korea, Rep, and Taiwan altogether absorbed the largest share of South Africa's yellow maize exports (80.2%) during the period under review (SAGIS, 2018).

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

Figure 1

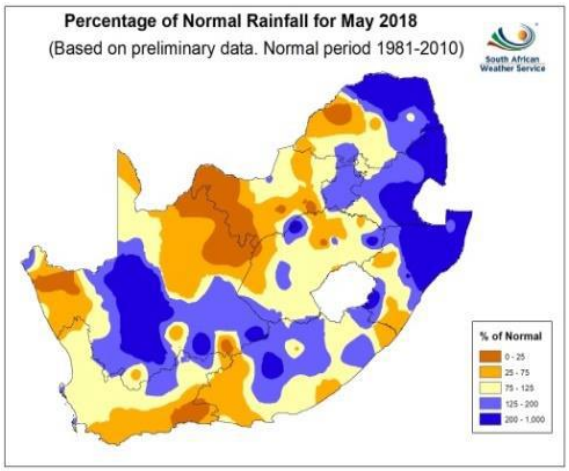


Figure 2

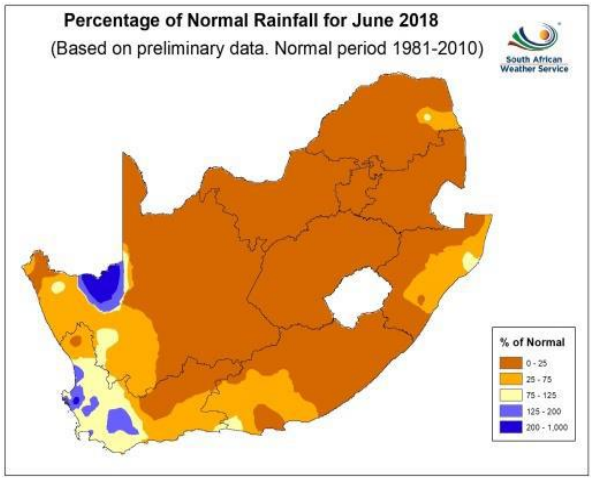


Figure 3

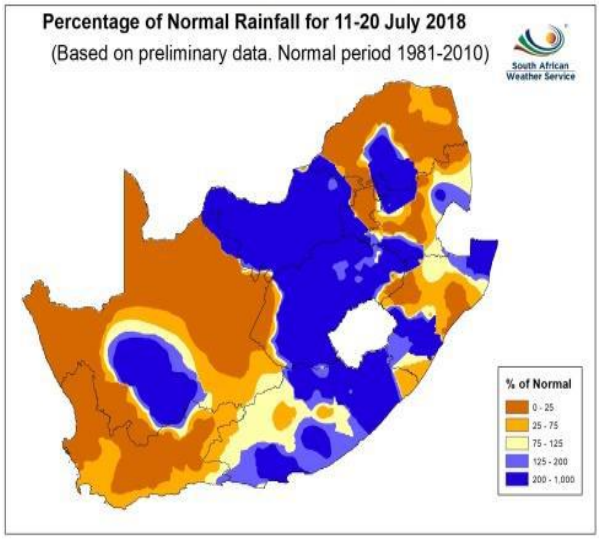
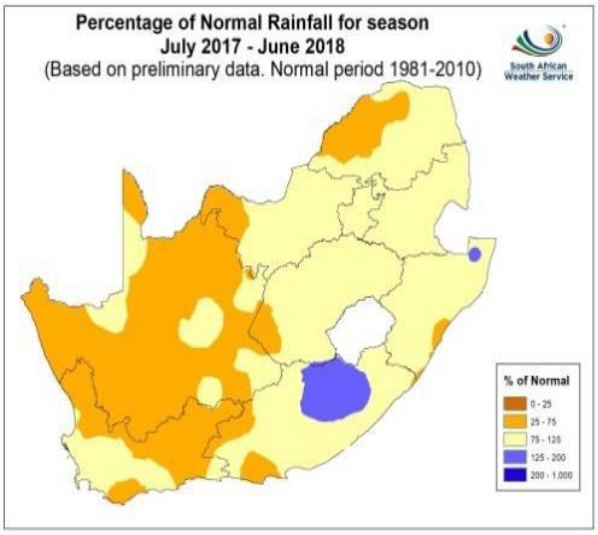


Figure 4



In May, rainfall received was near normal to below normal in many areas with above normal rainfall over some of the western parts, north-eastern and eastern parts of the country **(Figure 1)**. In June, rainfall received decreased further resulting in below normal rainfall over most parts of the country **(Figure 2)**. During mid-July, above normal rainfall was received mainly over the central parts of the country, becoming below normal in other areas **(Figure 3)**. 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

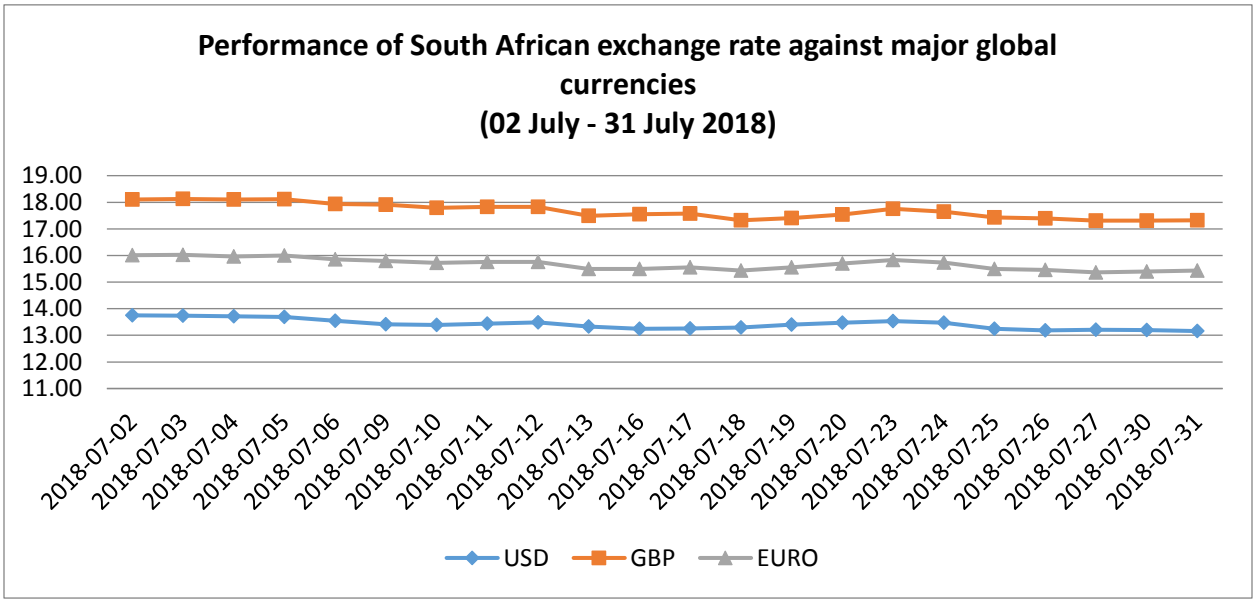
The western side of the province received above normal rainfall, while decreasing to the east of the province. In comparison to the long-term average, rainfall followed the typical winter rain pattern, i.e. the western parts receiving normal and even above normal rainfall, while in the east the rains became normal to below normal. The province experienced average monthly mean temperatures during June. Winter cereal crop production in the Swartland and Overberg so far indicates good conditions, while the drier regions of Eden reveal a less optimistic outlook. The Central Karoo and the Matzikama region received limited rainfall in isolated areas, resulting in some response in veld regrowth within remote areas. However, the accumulated drought remained present, resulting in extremely poor veld conditions over large parts. The overall water level of state dams in the province is at 50%, compared to 26% in 2017. Brandvlei dam is 48.92% full compared to 29.9% during the same time period last year. Water level has also increased in Theewaterskloof from 26.2% in 2017 to 48.7% in July 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 June and July 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 12% against the US dollar and traded at R13.42 in July 2018 while it traded for R13.30 in June 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 0.06% and 0.9% respectively against these major currencies.

3.2 South African Economy

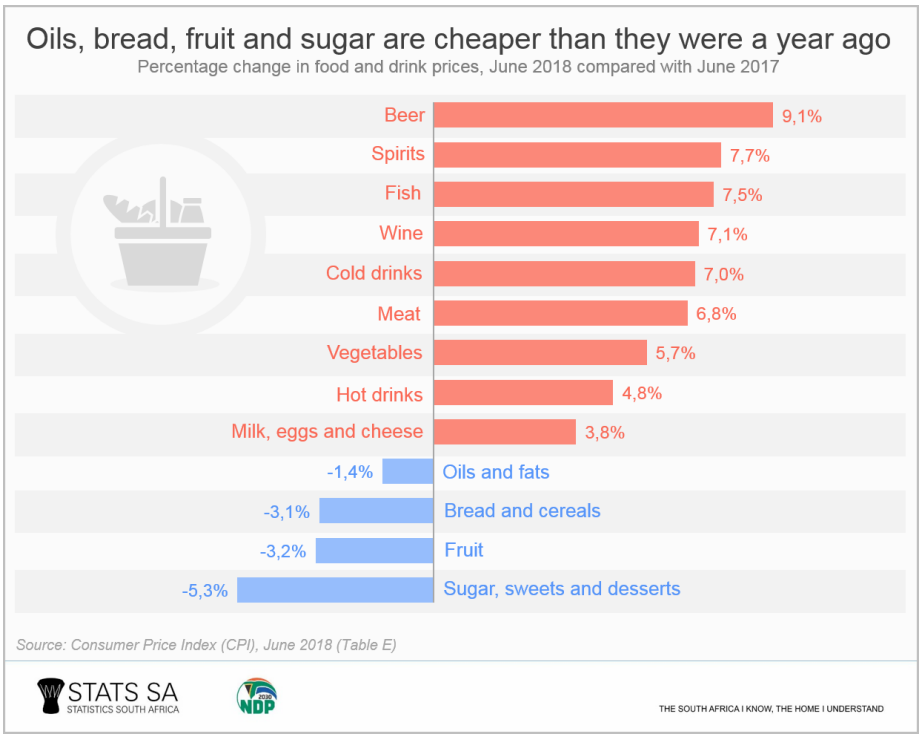
The South African trade surplus has widened to 12.0 billion in June 2018 from R3.84 billion in the previous month and well above market expectations of R5.0 billion surplus. According to the trade report it is the largest trade surplus since December of 2017. The number of exports has risen during this period while imports have fallen. In the first half of the year the country recorded a trade deficit of R1.79 billion.

Exports increased 7.1 percent month-over-month to R110.1 billion in June of 2018, driven by higher sales of precious metals and stonces (38.0 %); base metals (13 %) and vehicles and transport equipment (8 %t). In contrast, exports of mineral products fell (-6 %). The most important export partners were: the UK (9.1% of total exports), China (7.9%t), the US (7.0%), Germany (6.5 %) and India (5.1%).

Imports dropped 0.9 percent month-over-month to R 98.1 billion, mainly due to vegetable products (-51%); base metals (-9%) and machinery and electronics (-3 %). On the other hand, higher purchases were recorded for mineral products (11%) and original equipment components (15 %). Main import partners were: China (17.5% of total imports), Germany (10.6 %), the US (6.0 %), Saudi Arabia (5.1%) and Nigeria (4.3 %).

3.3 Food prices

Despite the increase in VAT, fod inflation continues to fall. Annual food inflation continues to to slow down, infact some food items are cheaper this year than lasy year. According to the latest Consumer Price index (CPI) release, the items that the public is paying less for are oils, bread, fruit and sugar categories. Bread and cereal prices were 3,1% cheaper in June 2018 than they were in June 2017. Fruit prices fell by 3,2% over the same period (Statssa, 2018).



Source: Statistics South Africsa (2018)

According to Statistics South Africa (2018), bread and cereals data reveals that the average price for a loaf of brown bread has fallen from R12.24 in June 2017 to R11.53 in June 2018. However, Fish, meat and dairy products have all become more expensive. A kilogram of hake that was selling at an average price of R41, 09 in June 2017, was selling for R47.37 in June 2018. Considering all food items in the inflation basket, overall food inflation has slowed. Food was actually 0, 1% cheaper in June 2018 than it was in April 2018 when VAT was raised. Note, however, that not all food items carry VAT. A closer look at the data suggests that much larger forces than VAT are at play: tough economic conditions and the recovery from drought.

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	1	cents per litre **increase** in the retail price	1544.00
Diesel 0.05% Sulphur	4	cents per litre **increase** in the retail price	1392.030
Illuminating Paraffin (Wholesale)	4	cents per litre **increas**e the retail price	892.588
LPGAS (maximum retail price)	17	cents per litre **increase** in the retail price	2372.00

At the beginning of July this year fuel prices hit record highs in South Africa and this has caused a lot of concern on motorists, fuel consumers and the society as a whole. Government remains gravely concerned about the negative impact that global geopolitical developments including trade spats between the US and its major trading partners are having on the currencies of emerging markets including the Rand/Dollar exchange rate.

The departmet report indicated a 1 cent increase for a litre of 95 octane fuel, from 1543 cents in June 2018 to 1544 cents in July 2018. While diesel (0.05% sulphur and illuminating paraffin price per litre went up by 4 cents respectively. The price of LPGAS increased by 17 cents from 2356

cents in June 2018 to 2372 cents in July 2018. The main reasons for the fuel price adjustments are due to the rand depreciated, on average, against the US Dollar (from 13.30 to 13.42 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).

Together with the Russian Federation, OPEC decided to cut oil production in order to eliminate an oil glut in the market, which was keeping prices of crude oil very low. In January 2016 a barrel of crude oil cost less than $30 and last month the average Brent Crude oil price was $77per barrel - more than double. In effect the windfall of low fuel prices enjoyed in March 2016 has been eliminated by the production cuts determined by OPEC. Since January 2017 OPEC has removed almost 2% of the world's oil production from the international market with the intended consequence of a reduction in global crude oil inventories, resulting in higher crude oil prices.

Added to the OPEC crude oil supply reductions is the continuing political turmoil in Venezuela which has led to the near collapse of oil production in South America's most prolific producer of crude oil. Venezuelan refineries are also not able to produce as much petroleum products placing a further strain on the global demand for refined products.

During the month of May 2018, the United States of America decided to pull out of the Joint Comprehensive Programme Of Action (JCPOA), which is an agreement between the Permanent members of the Security Council plus Germany on the one side and

the Islamic Republic of Iran on the other. This was followed by an immediate imposition of sanctions on oil export from Iran. Thus, the oil market is having to price-in the potential loss of more than 2 million barrels per day of Iranian exports from the International market. As a result of the unilateral action of the United States of America, countries that are importing from Iran have 180 days to wind down all Iranian imports if they are to avoid US sanctions. South African based oil companies currently do not import from Iran.

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.

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