Western Cape Government
Agriculture
BETTER TOGETHER.

PERIOD UNDER REVIEW: SEPTEMBER 2015

Compiled by: Michelle Swarts
Tel nr: (021) 808 5193/89

1. SOUTH AFRICAN GRAIN MARKET

On 30 September 2015, the MTM price for wheat to be delivered in October 2015 amounted to R 4 101 per ton.

MTM-Prices (30/09/2015) - R/MT								Month end R/mt (30/09/14)	Year-on-Year Change (%)	Month end R/mt (31/07/15)	Month end R/mt (30/08/15)
Commodity	***Oct-15***	***Nov-15***	***Dec-15***	***Mar-16***	***May-16***	***Jul-16***	***Sep-16***	***Oct-14***	***Oct-14 vs. Oct-15***	***Aug-15***	***Sept-15***
Wheat (RFTN)	4101	-	4146	4236	-	-	-	3626	↑ 13.10%	3980	4133
Yellow maize	2924	-	2960	2932	2651	2634	2644	1770	↑ 65.20%	2725	2799
White maize	3159	3196	3214	3167	2821	2820	-	1761	↑ 79.39%	3179	3099
Sunflower	6450	6353	6446	5760	5380	5411	-	4452	↑ 44.80%	5550	5849
Soya bean	-	4533	-	-	-	-	-	3816 (Nov 14)	-	4549	4328
Sorghum	-	-	3040	2974	-	-	-	2480 (Dec 14)	-	-	3050

Table 1: Mark-to-market prices for the summer crops and winter cereals as traded on SAFEX
Source: SAFEX, 2014 & 2015

Market future prices, production and production area estimates

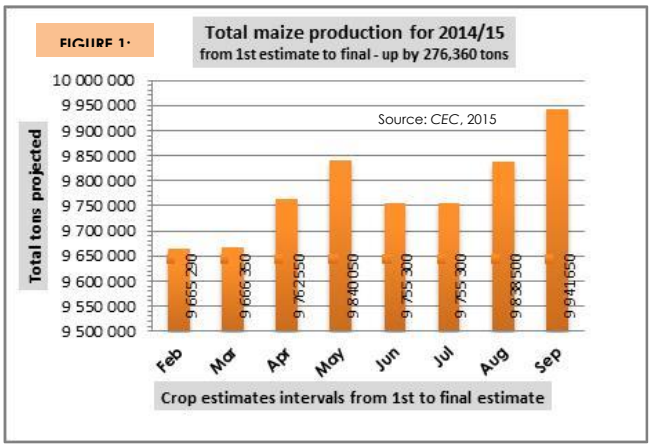
The respective future prices for wheat, maize (white and yellow) and sunflower for delivery in October 2015 experienced upward pressure, compared to the same period last year. On the domestic front, the movement in recent traded prices of summer crop had been affected by the prevailing effects of the drought conditions experienced since February 2015 in the maize triangle (i.e. largest production areas) which spreads from the Free State, North West and Mpumalanga (M&G, 2015). In addition, the rise in production cost was triggered by the weaker local currency, which also further contributed to the

domestic conditions (M&G, 2015). The final crop estimate prospects has clearly proven the effects the mentioned factors had on the 2015 harvest, which resulted in a 43% y/y reduction in the maize production and 26% y/y in the sunflower production (CEC, 2015).

The above mentioned should be considered in global perspective – which clearly point towards the external implications such as the slowdown in the Chinese economy, the weaker performance of the local currency, etc. having significant implications on the prospects of the local grain industry (including both the summer crops and the winter cereals) (CEC, 2015).

Further, the current *El NiÑo* is reported to be similar in strength than the 1998 occurrence and that it provides an indication that the effect thereof will bring about hot, dry summers which has a relative high probability to have adverse effects on agricultural production forecast, including that of grain (ARC, 2015). In addition, the insufficient rainfall during 2014/15, could add to the current cumulative water resource deficiencies required in the cultivation of agricultural produce (ARC, 2015).

Summer crops



The final 2014/15 summer crop harvest estimate has declined by 38% y/y, reaching 11, 9 million tons compared to the previous harvest season. Significant changes are experienced in the overall maize crop, due to 64% y/y decline of in white maize and 25% y/y in yellow maize production. On the other hand, the final crop estimate for the 2014/15 production season has been adjusted upward by 1, 05% from the previous crop estimate which was the 7th in the production season, released at the end of August 2015 by the Crop Estimates Committee (CEC). This is mainly due to the production prospects of both white and yellow maize that has been adjusted upwards as from the first production estimate in February 2015, to 4,7 million tons for white maize and 5,2 million tons for yellow maize which has contributed to the overall maize production forecast of 9,9 million tons.

The final crop estimate for the maize triangle has been adjusted downward with respective areas such as the Free State declining by 37% y/y, Mpumalanga declining by 12% y/y and the North West declining by 49% y/y. The average crop adjustment for the collective maize triangle as per the final crop accounts to 4, 0 million tons which is a decrease of 34% y/y (CEC; NAMC & Bizcommunity, 2015).

The Western Cape has planted 450 hectares during 2014/15, this accounts for 50 hectares lesser than the previous production season. The crop estimate for white maize production in the province has been adjusted downward by 10% y/y whereas the crop estimate for yellow maize has been adjusted upward by 20% y/y to 4,050 and 34,200 tons respectively. In addition, the crop harvest for soya beans for has been estimated at 1,600 tons and 390 tons (↓13% y/y) for dry beans during the 2014/15 production season (CEC, 2015).

Winter cereals

The Western Cape represents 65% of the total area under wheat production, and produced 51% of the final crop in the previous production season. Although the current area under production has remained unchanged at 310,000 hectares in relation to the previous production season, the harvest is anticipated to decline by 13.8% y/y for the Western Cape, which would subsequently shrink the production share of the Western Cape to 47% as per the 2nd crop estimate released in September 2015. As a result the national wheat crop estimate (1,64 million tons) for the 2015/16 marketing season which has been adjusted

downward by 7% y/y compared to the same period last year and 3% downward compared to the 1st crop estimate released in August 2015 which was projected at 1, 69 million tons (CEC, 2015).

There has been a downward adjustment of 6% in the 2015/16 canola crop estimate compared to the 1st crop estimate done in August 2015. Thus, the 2nd crop estimate currently indicates a 7% y/y decline in canola production if compared to the 2014/15 production season when 121,000 tons were harvested, subsequent after the record harvest achieved in 2013/14 which amounted 139,500 tons (CEC, 2015).

Producer deliveries

The progressive total for maize deliveries amounted to 8, 4 million tons of which 0.8% (63,013 tons) was delivered during the 4 marketing weeks of *29/08/15 to 25/09/15*. The progressive total delivered consisted of 49.3% yellow maize and 50.7% white maize. An upward adjustment of 23,759 and 13,989 tons was respectively recorded for both yellow and white maize in the last week of this period (SAGIS, 2015).

Up to 25 September 2015, 96.9% of white maize delivered was classified as WM_1 y and 93.4% of yellow maize as YM_1 (SAGIS, 2015). Thus, 84.8% of the final maize crop estimate has been delivered if compared to the progressive maize deliveries at the end of 25/09/2015 (SAGIS & CEC, 2015).

As the 2015/16 marketing season for wheat has only commenced on 26 September 2015, reporting thereof will follow in the next issue.

Exports, imports and re-exports

Trade conditions are reviewed for maize from *29/08/15 to 25/09/15*. The total white maize exports amounted to 162, 920 tons on 25/09/2015 for the marketing season, of which 16% thereof had been exported during the period under review (i.e. 29/08/15 -25/09/2015). White maize exports where mainly destined for SADC member states such as Mozambique (31%), Namibia (29%), Botswana (28%), Lesotho (9%) and Swaziland (< 1%) of the exports during the period under review. On the other hand, total yellow maize exports for the 2014/15 marketing season amounted to 84,552 tons, of which 22% was destined for exports during 29/08/15 - 25/09/2015 to Swaziland (29%), Mozambique (20%), Namibia (18%) and Lesotho (3%)(SAGIS, 2015).

The wheat import tariff of R 911.20 per ton was announced in the Government Gazette on 25 September 2015 (SAGIS, 2015).

In the 2014/15 marketing season, white maize imports amounted to 8,292 tons of which 30% thereof was imported during *29/08/15 to 25/09/15* and 362,385 tons yellow maize imported of which 41% thereof was imported during the period under review. The majority (94%) of white maize imports were derived from Zambia whilst 6% was imported from Mexico, all via the Durban harbour. 56% of the yellow maize imports where supplied by Argentina whilst 44% was supplied by Brazil, and imported via the Cape Town harbour(61%) and the Durban harbour (39%)(SAGIS, 2015).

Wheat exports for the 1st week of the marketing season amounted to 4,327 tons on 2 October 2015[1], and were mainly destined for Zimbabwe (80%) and Namibia (14.7%). On the other hand, wheat imports totalled to 75,642 tons at the 1st wheat marketing week of which the majority thereof was derived from the Russian Federation (82%) and Ukraine (15%). Re-exports of wheat also follow a similar trend as maize re-exports which are mainly destined for the SADC member state countries in close proximity to South Africa (SAGIS, 2015).

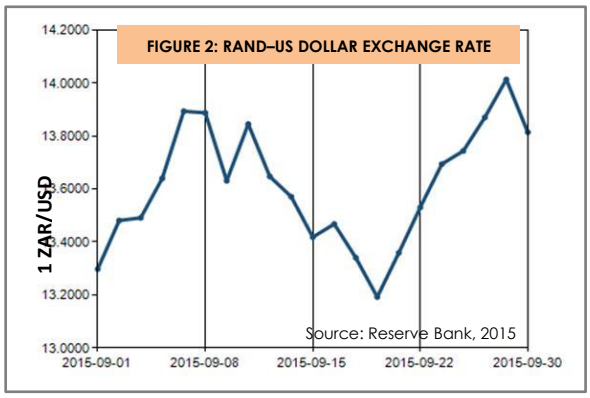
Review of the trade in the previous wheat marketing season

During the 2014/15 marketing season, an amount of 274,668 tons of wheat were exported mainly to the SADC member states such as Zimbabwe, Botswana, Zambia, Lesotho, Namibia, Swaziland and Mauritius.

[1] The 1st week of the wheat 2015/16 marketing season is from 26 September 2015 till 2 October 2015. Hence this is the main reason why the end date for the reporting period is for 2 October 2015 and not 30 September 2015.

Whilst, the total wheat imported amounted to 1,831,637 tons during 2014/15 of which the majority were supplied by the Russian Federation (39.5%), 19% Germany, 15% Ukraine, 5.8% Canada, 5% Australia and others. Imports for re-exports amounted to 147,399 tons whilst 151,506 tons were for importing on behalf of other countries. Wheat imports were mainly channelled via the Durban harbour (82.6%), 5% via Cape Town, 5.7% via the East London, 5.2% via Port Elizabeth and 1.6% via the Richards Bay harbour (SAGIS).

2. ECONOMY



The Rand reached R 13.30 against the US Dollar (USD) on 01/09/15, where after it depreciated against the USD to R 13.88 on 08/09/15. Subsequently the local currency (ZAR) appreciated up to 20/09/15 where after it started to depreciate in value and reached a peak of ZAR/USD 14.01 on 29 September 2015 (SARB, 2015). The local currency movements are mainly responding to both local and global market developments which includes the following, although not limited to: expectations in changes in the repo rate on 23 September 2015, mitigation of consumer inflation below the 6% threshold, local economic growth forecast, uncertainty prevailing around the global economic growth forecast with the implication of the slowdown of the Chinese economy and the US Federal Reserve Bank's decision to delay interest rate adjustment (Nedbank, 2015).

The weakening Rand is impacting on agricultural producer input cost, and especially on variable input cost such as diesel and fertiliser of which the largest part of these inputs are dependent on imports. Grain SA (2015) indicated that the mentioned two input components vary between 11-35% of the total variable cost account in respect of grain production (Biz Community & Grain SA, 2015).

3. ENERGY

The below fuel price adjustment have been effective as from Wednesday, 07 October 2015.

Product description	Numeric adjustment	Price adjustment description	Cents per litre (Coast SA)
Petrol 93 ULP & LRP	2.000	cents per litre decrease in retail price	
Petrol 95 ULP & LRP	4.000	cents per litre increase in retail price	1 218.00
Diesel 0.05% Sulphur	53.000	cents per litre increase in wholesale price	1061.270
Diesel 0.005% Sulphur	51.000	cents per litre increase in wholesale price	
Illuminating Paraffin (Wholesale)	50.000	cents per litre increase in wholesale price	
Illuminating Paraffin (SMNRP)	67.000	c/l increase in the Single Maximum National Retail price (SMNRP)	658.828
Maximum Retail Price for LPGAS	11.000	cents per kilogram increase in the maximum retail price	1 898.00

Source: Department of Energy, 2015

Economic factors influencing the unit over/under-recoveries for the period: 28 August 2015 to 01 October 2015

The average international product prices of Petrol decreased whilst Diesel and Illuminating Paraffin increased during the period under review. The Rand weakened against the US Dollar, on average, when compared to the previous period. The average Rand /US Dollar exchange rate for the period 28 August 2015 to 01 October 2015 was ZAR/USD13.59 compared to ZAR/USD 12.86 during the previous period. The weakening of the Rand against the US Dollar increased the contribution to the Basic Fuels Price on petrol, diesel and illuminating paraffin by 32.00 c/l, 30.89 c/l and 30.27 c/l.

4. INTERNATIONAL GRAIN MARKET

Formation of a regional platform for grain stakeholders for Southern African countries

The Southern Africa Grains Network, also known as SAGNET is a regional network of stakeholder's within the grain value-chains (i.e. including producers, traders, processors and service providers) which main aim is to synchronise individual efforts and influence the agenda concerning cross-cutting issues within the industry centred on issues which is paramount which includes the *creation and upholding of a vibrant grain sector through the addressing of the required policy, capacity and information.*

The founding countries include Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. It has been reported that SAGNET will work closely through the Southern African Confederation of Agricultural Unions (SACAU) secretariat to implement the objectives drafted in the current business plan (Bizcommunity, 2015).

5. ACKNOWLEDGMENT OF INFORMATION SOURCES

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

- ARC: www.arc.agric.za
- Biz Community: www.bizcommunity.com
- Crop Estimate Committee (CEC), South Africa: www.daff.gov.za ; www.sagis.org.za or www.grainsa.co.za
- Department of Engergy (DoE): www.energy.gov.za
- Grain SA: www.grainsa.co.za
- M&G: www.mg.co.za
- NAMC: www.namc.co.za
- NAMC: www.namc.co.za
- Nedbank: www.nedbank.co.za
- SAFEX: www.jse.co.za/redirects/safex
- SAGIS: www.sagis.org.za
- SARB: http://www.resbank.co.za/