

Monthly grain market report



Marketing and Agri-Business Section

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PERIOD UNDER REVIEW: APRIL 2016

Compiled by: Michelle Swarts

1. SOUTH AFRICAN GRAIN MARKET

On 29 April 2016, the MTM price for wheat to be delivered in May 2016 traded at R 4615 per ton.

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

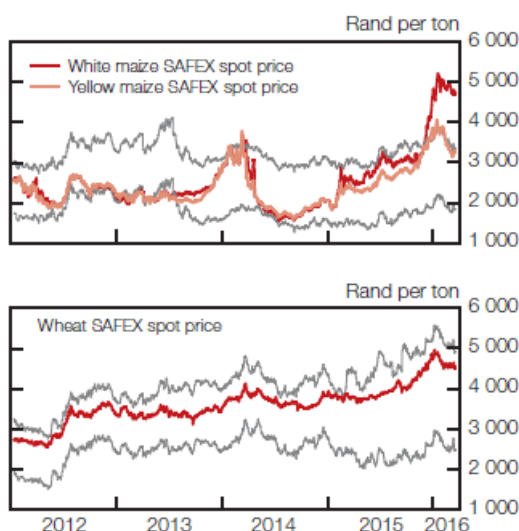
| <u>MTM-Prices (29/04/2016) - expressed in Rand/MT</u> | | | | | | | | Month end R/MT (30/04/15) | Year-on- Year Change (%) | Month end R/MT (29/02/16) | Month end R/MT (31/03/16) |
|---|------------|------------|------------|-------------|------------|------------|------------|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Commodity/ Delivery Date | May -16 | Jun -16 | Jul -16 | Sept -16 | Dec -16 | Mar -17 | Jul -16 | May-15 | Apr-15 vs. Apr-16 | Mar-16 | Apr-16 |
| Wheat (RFTN) | 4615 | - | 4715 | 4676 | 4430 | - | - | 3751 | 23.0% | 4680 | 4463 |
| White maize | 4408 | 4450 | 4482 | 4553 | 4600 | 4370 | 3261 | 2571 | 71.5% | 5035 | 4720 |
| Yellow maize | 3134 | 3167 | 3208 | 3260 | 3308 | 3298 | 2965 | 2322 | 35.0% | 3458 | 3121 |
| Sunflower | 6255 | 6220 | 6251 | 6380 | 6470 | - | - | 4780 | 30.9% | 7650 | 6553 |
| Soybean | 6100 | 6172 | 6190 | 6265 | 6350 | - | - | 4715 | 29.4% | 6259 | 5687 |
| Sorghum | - | - | 3650 | - | 3750 | - | - | 2600 | - | 4080 | 3650 |

Source: SAFEX (2015 & 2016)

MARKET FUTURE PRICES

The majority of the future-prices of the above-mentioned grain commodities have substantially recovered since the effects of the drought have become evident for agricultural commodities traded on the South African Future Exchange, especially as since the end of 2015 (refer to table 1 and figure 1 respectively).

Figure 1: Maize & Wheat prices



* The top grey line is the import parity price and the bottom grey line is the export parity price. These prices are the theoretical upper and lower bound prices for commodities.

Source: Grain South Africa

Since the inception of the 2015/16 wheat marketing season, future prices has systemically escalated upward and reached more than 20% y/y since trade from November 2015 till the end of April (SAFEX, 2016).

Sunflower futures traded at R6255 per ton on 29 April 2016, which is 30.9% y/y or R1475 per ton lower compared the same contact traded for the same period last year. Whereas the April 2016 contract for sunflower traded lesser by 4.5% or R298 and 18.2% or R1395 per ton than the 29 February 2016 and 31 March 2016 respective contracts traded (SAFEX, 2016).

The soya contract at the end of April 2016 traded at R6100 per ton, which is 29.4% y/y or R1385 per ton higher than the same contract traded last year (SAFEX, 2016).

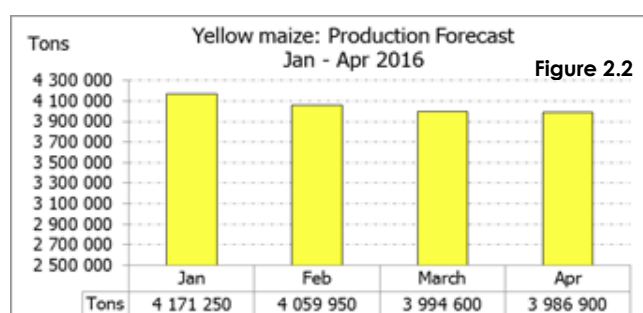
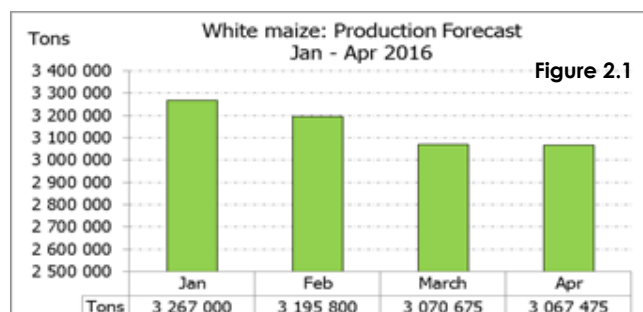
PRODUCTION AND PRODUCTION AREA ESTIMATES

In this section the 4th summer crop estimates for the 2015/16 production season as well as intentions to plant winter cereals for the 2016/17 production season will be analysed.

Summer crop estimate: 4th summer crop estimates for the 2015/16 production season

The National Crop Estimate Committee (NCEC) has lowered the total maize production outlook for 2015/16 for a third consecutive period during the current production season to 7,054 million tons which is 0.15% or 10,900 tons lesser than the previous estimate of 7,065 million tons. If compared with the 2015 final maize crop, the current total estimate is lesser by 29.14% or 2,900 million tons than the 9,955 million harvested in the previous production season (NCEC, 2016).

The current crop estimate for white maize is expected to yield 3,067 million tons (figure 2.1), amounting to 0.10% or 3,200 tons lesser than the previous estimate of 3,070 million tons. On an annual basis, the white maize crop has decreased by 35.22% y/y or 1,667 million tons compared to the 4,735 million harvested in the previous production year (NCEC, 2016).



Yellow maize crop estimates declined by 0.19% or 7,700 tons compared to the previous crop estimate of 3,994 million tons (figure 2.2). The current yellow maize estimate of 3,986 million tons translates into a 23.63% y/y or 1,233 million tons decline compared to the final crop realised in the previous production period (NCEC, 2016).

Provincial maize crop estimations of the following production areas had a more positive outlook as it has been respectively adjusted upward: Northern Cape (15,000 tons), Kwa-Zulu Natal (13,600 tons), Mpumalanga (32,000 tons) and Gauteng (16,800 tons). On the other hand the production outlook for the Free State has declined by 54,500 tons (NCEC, 2016).

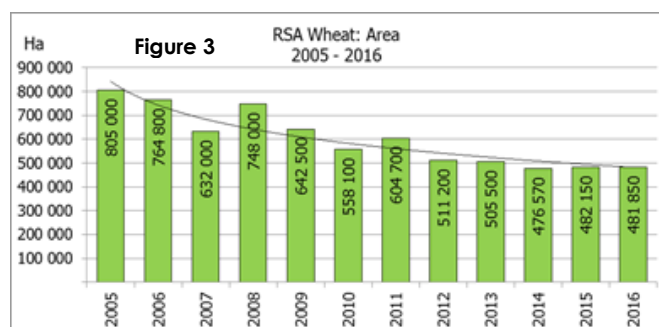
Non-commercial commercial maize plantings are still mainly derived from the Eastern Cape Province. The area planted in 2015/16 declined by 32.7% y/y or 128,870 hectares to 266,130 hectares. Subsequently, the production output has declined by 35.3% y/y or 238,060 tons to an expected 435,740 tons from the previous non-commercial harvest of 673,800 tons (NCEC, 2016).

The sunflower production forecast has been adjusted upward by 2.81% or 20,000 tons from the previous forecast of 710,500 tons. The 2015/16 sunflower harvest is thus expected to yield 10.18% y/y or 67,500 tons more than the 663,000 tons in the previous production year (NCEC, 2016).

Despite the positive sunflower crop outlook, the opposite is anticipated for soybeans, groundnuts, sorghum and dry beans if compared on an annual basis. Soybeans estimates have been adjusted upward by 0.40% or 2,800 tons compared to the previous forecast, although the total soybeans crop will still remain lower by 35.09% y/y or 375,450 tons compared to the 1,070 million tons harvested in the previous production season. Whereas the crop estimates for groundnuts, sorghum and dry beans had been adjusted down by 2.98% (1,000 tons), 4.53% (4,200 tons) and 0.26% (100 tons) respectively compared to the previous crop estimate. On an annual basis, the total crop estimates for groundnuts, sorghum and dry beans declined by 47.75% y/y (29,750 tons), 25.56% y/y (32,000 tons) and 48.09% y/y (35,295) respectively (NCEC, 2016).

Winter cereals for the 2016/17 production season

Note: Intentions to plant wheat, excludes hectares intended to be planted for fodder and grazing and merely focuses on wheat intended as grain (NCEC, 2016).



During the 2015/16 production season, the final commercial wheat crop output is estimated at 1,457 million tons in view of the 482,150 hectares planted. The 2016/17 production season outlook is however undesirable as the area under production is expected to decrease by 0.06% y/y or 300 hectares to 481,850 hectares (figure 3). This is however lesser than the 2016/17 wheat plantings forecasted by Bloomberg which was estimated at 495,000 hectares (Die Burger, 27 April 2016). With reference to the adjacent figure 3, it is evident that the overall area under production from 2005 is on a decreasing trend if assessed over the long term (NCEC, 2016).

The Western Cape, which is the largest wheat producing region with a share of 66.41% (2016), is planting 320,000 hectares during 2016. The aforementioned demonstrates an increase of 10,000 hectares or 3% y/y compared to the previous planting area. Whereas, the Northern Cape (production share of 7.06% in 2016) is expected to plant 2,000 hectares lesser than the 36,000 hectares planted in the previous season. The intended plantings for wheat in the Free State have been unchanged at 80,000 hectares, thus representing the 3rd largest wheat producing area with a share of 17% (2016).

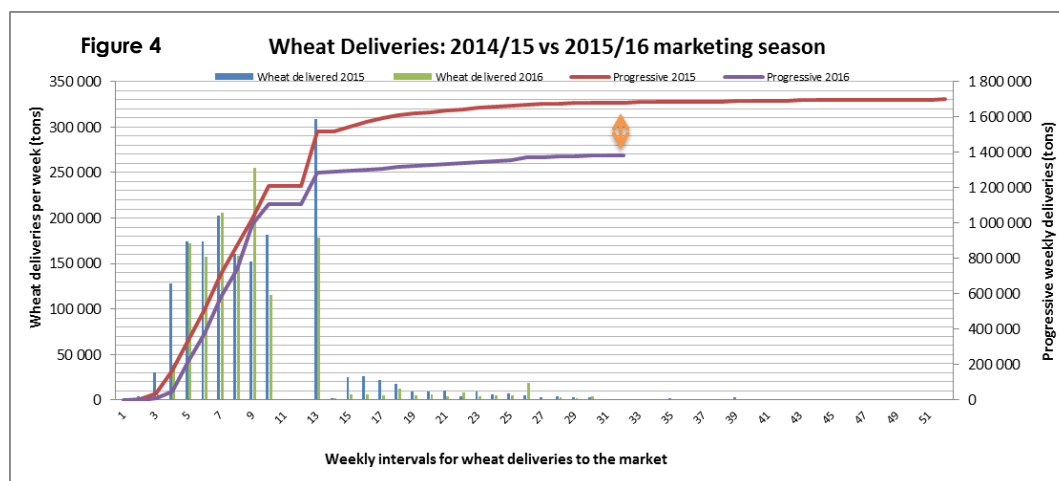
The final crop for malting barley is estimated at 333,373 tons, taking into consideration that 93,73 hectares has been planted within the 2015/16 production season. The recently released intentions to plant

indicated that malting barley has declined by 1.84% y/y or 1730 hectares. Over the long term, the area under malting barley seems to be on an upward trend (NCEC, 2016).

Canola plantings reached 78,050 hectares in 2015/16 and are expected to yield a final crop estimate of 97,600 tons. Planting prospects has however declined by 8.97% y/y or 7,000 hectares compared to previous season's area under plantings. The industry has however significantly developed over the past 10 years, from 40,200 hectares in 2005 to a peak of 95,000 hectares in 2014 to slight lesser plantings of 71,050 hectares in 2016 (NCEC, 2016).

PRODUCER DELIVERIES

Wheat

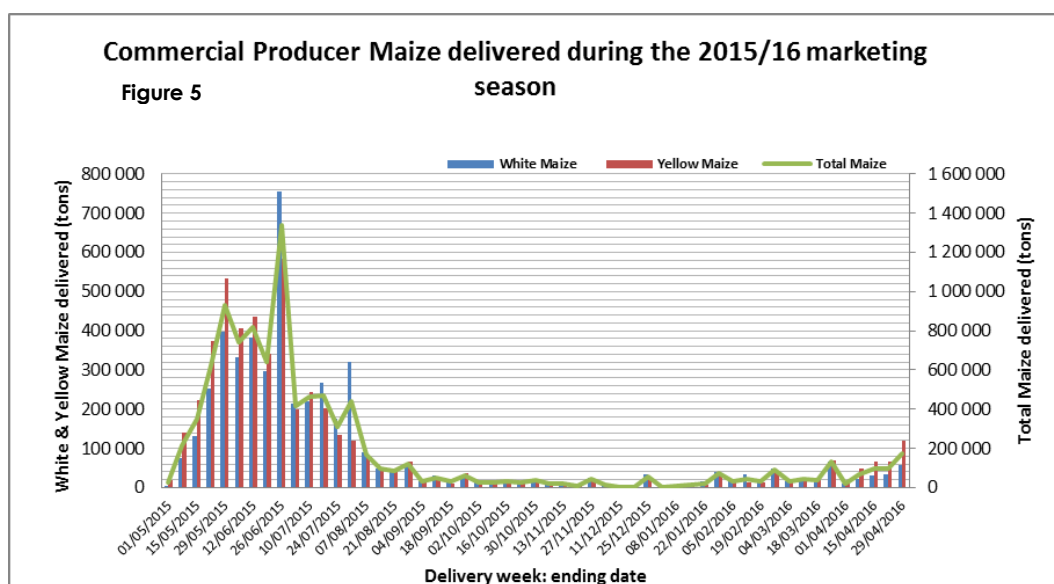


The present wheat marketing season commenced moderately on 26 August 2015, although it started in earnest as from October and is anticipated to complete during late September 2016. Progressive commercial deliveries for the 2015/16 season amounted to 1,381 million tons on 29 April 2016, of which 8,472 tons were delivered during the 02-29 April 2016 (SAGIS, 2016).

As per the above depiction in figure 4, progressive deliveries within the current marketing segment (i.e. 2016) is much lower compared to the previous marketing season (i.e. 2015) which is evident due to the shrinkage in volumes realised due to the drought within the main producing areas and especially more so for the Swartland area within the Western Cape (SAGIS, 2016).

Maize

Producer deliveries during the 2015/16 marketing season



The total maize deliveries (depicted in figure 5) from commercial producers during the 2015/16 marketing season amounted to 9,768 million tons. The maize marketing season commenced during the last week of April 2015 (i.e. 25th) and ended on 29 April 2016. Weekly deliveries systematically increased from the start of the marketing season in May 2015, reaching a peak of 1,341 million tonnes during the week ending 26 June 2015 where after weekly deliveries declined and reached below 100,000 tonnes as from August/September 2015. Both white and yellow maize followed the same trend through the marketing season. 49.1% of the total deliveries during the 2015/16 marketing season were derived from white maize, whilst the remaining 50.9% was derived from yellow maize (SAGIS, 2016).

Producer deliveries during the 2016/17 marketing season

The recent marketing season for maize commenced on 30 April 2016. A total of 165,285 tons of maize was delivered during the first delivery week, and 67.39% or 111,391 tons was yellow maize and 32.61% or 53,894 tons thereof white maize. Furthermore, the bulk of the deliveries was classed as WM1 (31%) and YM1 (66%) (SAGIS, 2016).

EXPORTS, IMPORTS AND RE-EXPORTS

Wheat

This section pertains to the trade of wheat for the period from 02 to 29 April 2016:

| Table 2 a: Wheat trade for the 2015/16 season, according to tons | | | Source: SAGIS, 2016 |
|--|----------------------------|--|---|
| Progressive wheat exports for 2015/16 | 36,828 | Progressive wheat imports for 2015/16 | 1,209,461 |
| Wheat exports during the reporting period : (02 to 29 April 2016) | 4,369 | Wheat imports during the reporting period : (02 to 29 April 2016) | 114,833 tons of which 104,769 tons was for RSA and 10,064 tons for export to other SADC countries |
| Importing countries | Share in RSA wheat exports | Supplying countries to RSA | Share in RSA wheat imports |
| Lesotho | 43.3% | ¹ Poland | 47.0% |
| Zimbabwe | 38.0% | ¹ Lithuania | 20.2% |
| Botswana | 8.4% | ¹ Russian Federation | 15.7% |
| Namibia | 8.0% | ¹ Argentina | 9.5% |
| Zambia | 1.5% | ¹ Germany | 7.7% |
| Swaziland | 0.8% | ¹ Imports were shipped through the following ports: ➤ 100% thereof was shipped through the Durban harbour. | |
| | | | |
| | | | |
| | | | |

Source: SAGIS, 2016

The overall wheat supply estimate remained unchanged at 4,032 million tons for the 2015/16 marketing season which concludes at the end of September 2016. The estimated commercial producer deliveries also remained unchanged at 1,425 million tons, whilst imports of 2,000 million tons of wheat is expected to cover shortages in conjunction with the anticipated opening stock on 01 October 2015 of 596,823 tons (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 (96.18%) and animal feed (0.09%). Whereas 2, 53% of wheat is required for the export of wheat products and as whole wheat and 0.61% as seeds for planting purposes (NAMC, 2016).

Wheat import duty increase

On 8 April 2016 SA Treasury realised a media statement in which it announced a 34.4% increase in the wheat import duty, from R911.20 to R1224.30 per ton (SA Treasury, 2016). The increase materialised after the moving average of the reference wheat price measured within three consecutive weeks deviated by more than USD10 from the international reference of wheat price. The deviation that triggered an upward adjustment in the wheat duty, took place at the week ending 17 and 24 November 2015 and 01 December 2015. Thus, expectations were that the increase would have been announced much earlier than April 2016. As a result wheat importers benefitted R333 per ton (i.e. R1224.30 per ton – R911.20 per ton) imported since the "period in which the import duty was triggered" till the date of implementation of the revised import duty (Grain SA, 2016).

The SA Treasury statement indicated that the Finance Minister has received a recommendation in December 2015 from the Trade Minister to increase the import duty on wheat and wheaten flour as per the current escalations. After consultation with both upward and downward value-chain actors a decision was taken to revise the existing variable import duty formula used to determine wheat import tariff adjustments (SA Treasury, 2016 & Blive, April 2016). The variables that mainly influence prospective adjustments of the import tariff are the international wheat reference price and the exchange rate volatility – thus it does consider whether the domestic wheat producers would be able to compete against the higher priced imported produce. In addition, the perception that domestic producers would receive gains at the cost of end consumers is yet again gaining momentum (Blive, April 2016). In response, Grain SA has indicated that the import duty is merely levelling the "playing field" and thus protects domestic consumers against imports from subsidised counterparts (Blive, April 2016). Furthermore, Grain SA has also conducted a study to indicate the relative small share (between 15-20%) of cost primary producers is contributing towards the retail price of a loaf of bread (Blive, April 2016). For further reference read the full article on "Wheat import tariff does not lead to significant increase in the price of bread" at <http://www.grainsa.co.za/upload/Bread-Article-11-April-2016.pdf> (Grain SA, 2016).

In order to address the concerns regarding the impact of higher import duties on wheat and the price of staple food (more specified towards the downward value chain players such as the wheat-to-bread value-chain) – a proposal was made to investigate the existing variable calculation, as stakeholders are of the opinion that food security and the protection of the domestic farming industry should be fostered (SA Treasury, 2016 & Blive, April 2016).

Sources: SA Treasury, Grain SA & Business Day (Blive): 2016

Maize

Although South Africa has traditionally been a net exporter of maize, the persisting drought has led to the country becoming a net importer of maize yet again since the 2007/08 production season. For the 2015/16 marketing season which ended on 30 April 2016, maize imports tallied to 1,976 million tons. The aforementioned is the highest import level realised since 1991/92 marketing year. Yellow maize accounted for 95% of the reported maize imports, whilst the remaining imports were white maize (i.e. 5%) during the recent marketing window (AGBIZ & SAGIS, 2016).

The shortfall in stock levels to be capable to supply the domestic market during the 2015/16 marketing season was mainly due to the 30.1% crop reduction between the 2014/15 maize production season when 14,250 million tons were realised and 2015/16 when a mere 9,955 million tons were harvested. Considering that South Africa has an average domestic demand of maize of approximately 10,500 million tonnes per annum excluding the export demand for maize to other SADC trading partners, it was necessary to acquire the shortfall from other supplying international maize producers (AGBIZ & SAGIS, 2016).

This section pertains to the trade of maize for the period from 02-29 April 2016:

| Table 2 b: Maize trade for the 2015/16 season, according to tons | | | | Source: SAGIS, 2016 | |
|--|---------------------------------------|--|---|---------------------------------------|---|
| Progressive maize exports for 2015/16 | White maize: 468,143 | Yellow maize: 216,083 | Progressive maize imports for 2015/16 | White maize: 103,176 | Yellow maize: 1,872,936 |
| Maize exports during the reporting period : (02-29 April 2016) | White maize: 40,139 | Yellow maize: 14,457 | Maize imports during the reporting period : (02-29 April 2016) | White maize: 30,611 | Yellow maize: 298,356 tons was for RSA and 2,312 tons for the SADC region. |
| Importing countries (for the 2015/16 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 |
| Botswana | 32.8% | 28.3% | ² Argentina | - | 60.3% |
| Lesotho | 13.6% | 5.5% | ² Brazil | - | 26.8% |
| Mozambique | 15.8% | 17.8% | ² Paraguay | - | 11.4% |
| Namibia | 22.2% | 19.6% | ² Ukraine | - | 1.5% |
| Swaziland | 6.3% | 24.4% | ² USA | 49.5% | |
| Zimbabwe | 9.1% | 0.8% | ² Mexico | 29.7% | |
| Korea, Democratic Peoples Republic | - | 0.4% | Zambia | 20.9% | |
| Korea, Republic | - | 2.1% | ² Imports were shipped through the following ports (for the 2015/16 marketing year): ➤ 81,651 tons white maize & 1,883,043 tons yellow maize ➤ Durban: 72% white maize and 51.5% yellow maize ➤ East London: 28% white maize and 1.7% yellow maize ➤ Port Elizabeth: 12.5% yellow maize ➤ Richards Bay: 0.8% yellow maize ➤ Cape Town: 33.5% yellow maize | | |
| Central African Republic | - | 1.1% | | | |
| | | | | | |

Source: SAGIS, 2016

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

The total maize supply was estimated at 12,551 million tonnes during the 2016/17 marketing season, of which the opening stock levels on 1 May 2016 was reported at 2,331 million tons (of which 53.9% is derived from white maize and 46.1% from yellow maize) (NAMC, 2016).

Total commercial deliveries are estimated to amount to 6,624 million tons of which 2,987 million tonnes is expected to be derived from white maize and 3,636 million tons from yellow maize. In order to cover the shortage within the market, imports are estimated to escalation by 1,250 million tons for white maize and 2,400 million tons for yellow maize (SAGIS, 2016).

The overall demand for maize in the domestic market is estimated at 10,515 million tons, whilst exports are estimated at 760,000 tons. The demand for white maize is expected to reach 4,858 million tons and yellow maize at 6,417 million tons. White maize demand is mainly towards local demand of which local consumption is estimated at 4,200 million tons and 480,000 tons towards exports. Whilst yellow maize demand is estimated at 6,037 million tons of which 5,350 million tons is required to fulfil animal feed and industrial consumption requirements, whilst merely 520,000 tons are requested for human consumption and 290,000 tons intended for yellow maize exports. Accordingly, closing stock levels of 1,276 million tons are estimated of which 42.7% thereof will be white maize and 57.3% yellow maize (SAGIS, 2016).

"South Africa did not have immediate need of white maize imports as the country had large opening stocks of over 1, 2 million tons at the start of the season. This followed a bumper crop in the 2014/15 season, where South Africa's white maize production reached 7, 7 million tons. With the current imports of 96 932 tons already factored in, South Africa could have a carry-over stock of close to a million tons, which will form opening stocks in the 2016/17 marketing year" (Grain SA, 2016 as cited by Agbiz, 2016).

"South Africa had relatively lower opening stocks of 791 000 tons of yellow maize at the start of the season, due to higher export volumes to the world market in 2014/15 marketing season which reached 1,4 million tons. At the start of the 2015/16 marketing season, yellow maize opening stocks were estimated at 791 000 tons. With total yellow imports of 1,86 million tons this year, the country could have opening stocks of roughly just under 900 000 tons in the 2016/17 marketing season" (Grain SA, as cited by Agbiz, 2016).

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

The Western Cape Province received normal to above-normal rainfall in the Overberg and parts of Eden. On the other hand, the Cape Winelands and Central Karoo received above-normal rainfall in certain areas, whereas other areas received below-normal rainfall.

Monthly mean temperatures were on average 1 to 2°C lower than the long term means. Except for the southern coastal parts experiencing normal agricultural production conditions the rest of the province has to cope with below-normal dry conditions. Although the province received some rainfall, thus far it has been extremely dry in areas which should have received some rain by now. The average level of dams within the Province has decreased compared to the same period in the previous year (i.e. 30% in 2016 compared to 45% in 2015).

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

Click [here](#) to view the most recent update (latest update on 19 April 2016) on the dam levels within the Western Cape Province or alternatively visit the Elsenburg Website at www.elsenburg.com.

A comprehensive list of preventative strategies can be found in the monthly NAC Advisory. It can be accessed 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

Forward an email to Mrs. Zaibu Arai to ZaibuA@elsenburg.com or alternatively call (021) 808 5368.

Source: Elsenburg, 2016.

Additional weather updates in grain production areas

Vegetation activity was reported to be above-normal over much of the north-eastern parts including the eastern maize production regions, however below-normal over the western maize production region. Similarly below-normal rainfall was experienced over the western winter region, though conditions were expected to improve following the rain received by 21 April 2016.

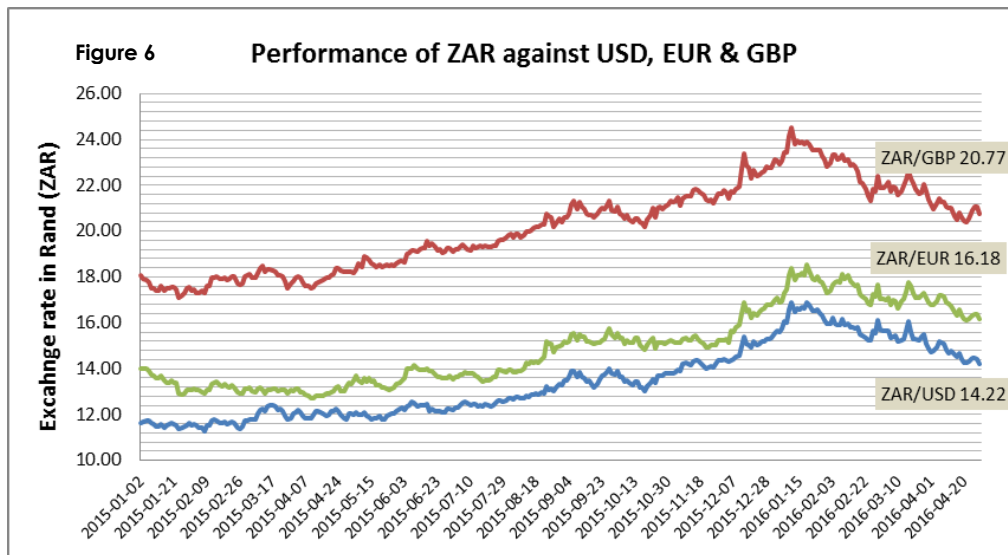
Autumn rainfall is expected to be near-normal over the western winter rainfall region, as well as over the central to western interior as per the present projections. The impact of the El Niño varies from event to event. The present event is mostly influencing the western maize production regions negatively whereas the eastern parts were reported to be better-off.

Because of normal to below-normal rainfall during 2014/15, there are some cumulative deficiencies in water resources which were exacerbated due to low rainfall and high temperatures over the central interior whereas conditions in the northeast were better. The Eastern maize production region received above-normal rainfall during December/January and again by March 2016. Whist, the western maize production region received below-normal rainfall during October to December 2015 and again in February 2016. These areas received above-normal rainfall during April 2016, whereas the east region was reported to be drier. Furthermore, widespread rain occurred over the central parts by late March and early April at around 20 April 2016. Similar rainfall was experienced over the western winter rainfall region around 21st of April 2016 (ARC ISCW, 2016).

Extraction from the Agricultural Research Council: Institute for Soil, Climate and Water, Umlindi Report April, 2016.

ECONOMY

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



The Rand appreciated in value during the month of April 2016 and traded at R20.77; R16.18 and R14.22 against the British pound, Euro and US dollar on 29 April 2016 (figure 6) (SARB, 2016).

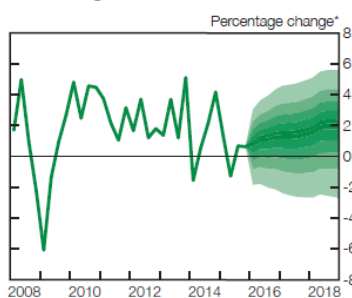
A range of international and domestic factors influenced the performance of the Rand against major currencies. A summary (although not limited) of the international and domestic economic environment is provided below:

The period from November 2015 onwards, has been characterised by volatility and uncertainty in financial markets alongside generally disappointing real economy news.

Global markets have also been on a sharp slow-down in the final quarter of 2015. However, SARB indicated that some factors which has led to the slowdown is expected to be temporary, such in the case of the United States whilst other major economies have underperformed gradually. The European area and Japan economies have not been expanding for some time, whilst emerging markets continue on a downward trend. The Chinese economy has demonstrated a change-over from rapid to moderate growth prospects. On the other hand, the both the Brazil and Russian economies are locked in economic recessions (SARB, 2016).

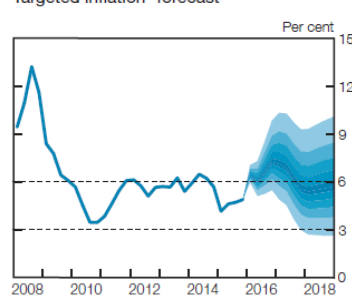
Due to weak international demand within the global market, commodity prices have been on a declining trend, whereas global trade growth has significantly weakened. On average global inflation has been remarkably low, whilst inflation has been on an upward trend due to linkages thereof with domestic currency depreciations within some countries whom are commodity exporters (SARB, 2016).

Figure 7.1
Real GDP growth forecast



* At seasonally adjusted annualised rates
Source: South African Reserve Bank

Figure 7.2
Targeted inflation* forecast



* CPIX for metropolitan and other urban areas until the end of 2008; CPI for all urban areas thereafter
Source: South African Reserve Bank

Growth in the South African economy has slowed down remarkably since 2011. Output increased by a mere 1, 3% in 2015, whereas projections indicates that growth will be less than 1% in 2016 (figure 7.1). This is the slowest economic growth undertaken since the Great Recession (which lasted from December 2007 to June 2009) as well as the emerging-market crisis during 1998. Insufficient growth outcomes have

been traceable to specific shocks, including strikes, electricity shortages and drought in the recent past. Despite low gross domestic product (GDP) growth, inflation in South Africa has begun to accelerate upwards, after a year of relatively moderate price increases (figure 7.2). Inflation in 2015 averaged 4, 6 %, very close to the midpoint of the 3 to 6 % target range which is mostly due to sharply lower international oil prices. Inflation has since recovered to 6, 2 % in January 2016 and 7, 0 % in February 2016, which is the "highest rate within the post-crisis period" earlier mentioned. Inflation is however expected to reach 6 % in both 2016 and 2017 (SARB, 2016).

South Africa is in the midst of its worst drought in over 20 years, of which it was expected to push food prices extensively upward during the most part of 2015. As at the date of issuing the SARB Monetary Policy Review during April 2016, these anticipated "extensive" food increases did not materialise on the anticipated scale, as the largest uptake thereof was in the vegetable category as opposed other food categories. Subsequently due to vegetables having a relative shorter growing season as opposed to other agricultural commodities, it is expected that the present effects of the drought on food prices would be more short-term. Whereas prospects of price increases for other agricultural commodities such as meat and cereals have been unfortunate as these food categories are anticipated to shape food prices over the rest of the year, as cereal shortfalls are presently covered by imports in order to meet domestic demand primarily. On the other hand, meat prices are expected to follow suit as farmers restore livestock herds (SARB, 2016).

ENERGY

"The collapse in world oil prices reflects a mix of supply and demand factors, with supply-side dynamics most important in explaining recent price movements. During 2015, members of the Organization of the Petroleum Exporting Countries (OPEC) increased oil supply, hoping to force US shale oil producers out of the market. US producers nonetheless managed to cut costs, maintaining production at lower oil prices than previously thought possible. This left world oil markets oversupplied and posed major financial challenges for both OPEC and US producers. In February, Saudi Arabia and Russia announced plans to cap OPEC production at January levels – a move that is expected to stabilise oil prices if it gains the support of other members. But achieving this consensus could be difficult. OPEC members are reluctant to reduce production if that means handing over their market share to shale oil competitors. Furthermore, Iran is resuming exports following the lifting of sanctions and intends to regain its market share. A forthcoming OPEC meeting in April should bring clarity on the likelihood of a production freeze" (SARB, 2016).

On a domestic front, the Department of Energy indicated that the strengthening in Rand against the US dollar (i.e. United States of America dollar, which is the currency in which international crude oil is traded) (OPEC, 2016). On average the Rand strengthen from R 14.65 to R15.47, from 01 April 2016 to 28 April 2016 and subsequently resulted in in the monthly fuel price adjustments (DOE, 2016).

Table 3: Monthly fuel price adjustment effective as from Wednesday, 04 May 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 | 12.00c | cents per litre increase in retail price | 1206.00 |
| Petrol 95 ULP & LRP | 12.00c | cents per litre increase in retail price | 1 226.00 |
| Diesel 0.05% Sulphur | 1.00c | cents per litre decrease in wholesale price | 1052.87 |
| Diesel 0.005% Sulphur | 2.00c | cents per litre decrease in wholesale price | 1057.27 |
| Illuminating Paraffin (Wholesale) | 7.00c | cents per litre decrease in wholesale price | 601.03 |

| | | | |
|--------------------------------|-------|---|--|
| Illuminating Paraffin (SMNRP) | 9.00c | cents per litre decrease in the Single Maximum National Retail price (SMNRP) | 839.00 |
| Maximum Retail Price for LPGAS | 5.00c | cents per kilogram decrease in the maximum retail price | 385.69 (refinery gate) LPG for residential customers is derived as per the control sheet per kilometre. |

Source: Department of Energy, 29 April 2016

ACKNOWLEDGMENT OF INFORMATION SOURCES

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

- ✚ Agricultural Business Chamber (AGBIZ) : www.agbiz.co.za
- ✚ Agricultural Research Council (ARC): www.arc.agric.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
- ✚ Die Burger: www.media24.com
- ✚ Grain SA: www.grainsa.co.za
- ✚ Land Bank: www.landbank.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
- ✚ Organization of the Petroleum Exporting Countries (OPEC): www.opec.org/opec
- ✚ SAFEX: www.jse.co.za/redirects/safex
- ✚ SAGIS: www.sagis.org.za
- ✚ SARB: <http://www.resbank.co.za/>
- ✚ South African Treasury: www.treasury.gov.za
- ✚ Western Cape Department of Agriculture (Elsenburg) Weather advisory: www.elsenburg.com
- ✚ Western Cape Provincial Department of Agriculture (Elsenburg): www.elsenburg.com

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