April 2016

Summary Tables

Field crop commodity prices traded lower on a monthly basis mainly due to a combination of a slightly firmer exchange rate and current meteorological observations that are indicating a gradual decay of the El Niño weather phenomenon. In the following weeks, prices are generally expected to move sideways due to a combination of a firming rand and higher import parity prices.

In the following weeks, the affordability and demand for red meat is expected to have an influence on price movements. The lamb and mutton price could trend downward despite concerns about availability associated with the drought. Beef prices are forecast to move sideways or show a slight upward trend in the following weeks, while the price of pork is expected to increase due to lower availability, growing demand and escalating feed costs. Dairy farmers are under pressure, and further delays in increasing milk producer prices may seriously reduce milk production capacity and result in milk shortages.

Commodity price summary table

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Mar 2015</th>
<th>Feb 2016</th>
<th>Mar 2016</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellow maize</td>
<td>Average Safex spot prices</td>
<td>R/ton</td>
<td>2 448.50</td>
<td>3 716.86</td>
<td>3 289.22</td>
<td>-11.5%</td>
<td>34.3%</td>
</tr>
<tr>
<td>White maize</td>
<td></td>
<td></td>
<td>2 655.20</td>
<td>4 991.57</td>
<td>4 829.70</td>
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<td>81.9%</td>
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<tr>
<td>Wheat</td>
<td></td>
<td></td>
<td>3 879.85</td>
<td>4 661.00</td>
<td>4 622.04</td>
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<td>19.1%</td>
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<tr>
<td>Soya bean</td>
<td></td>
<td></td>
<td>4 992.85</td>
<td>6 732.10</td>
<td>6 238.13</td>
<td>-7.3%</td>
<td>24.9%</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td></td>
<td></td>
<td>4 999.00</td>
<td>7 790.24</td>
<td>7 445.78</td>
<td>-4.4%</td>
<td>48.9%</td>
</tr>
<tr>
<td>Beef</td>
<td>Class A2/A3</td>
<td>R/kg</td>
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<tr>
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<td>Weaner calf</td>
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<td>9.0%</td>
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<td>Lamb</td>
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<td>61.02</td>
<td>56.50</td>
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<td>8.3%</td>
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<td>Pork</td>
<td>Average porkers</td>
<td>R/kg</td>
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<td></td>
<td>Average baconers</td>
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<td>23.67</td>
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<td>Dairy</td>
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<td>R/L</td>
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<td>4.20</td>
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<td>-4.5%</td>
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</table>

JSE prices for crop commodity futures (per ton)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>JSE futures prices per ton as at 19 April 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>White maize</td>
<td>R 4 451.00 R 4 450.00 R 4 521.00 R 4 470.00 R 4 520.00 R 4 570.00 R 4 200.00 R 3 451.00 R 3 451.00</td>
</tr>
<tr>
<td>Yellow maize</td>
<td>R 3 120.00 R 3 140.00 R 3 163.00 R 3 184.00 R 3 245.00 R 3 301.00 R 3 297.00 R 3 045.00 R 3 000.00</td>
</tr>
<tr>
<td>Wheat</td>
<td>R 4 623.00 R 4 615.00 R 4 585.00 R 4 743.00 R 4 690.00 R 4 400.00 R 4 565.00 NA NA NA</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td>R 6 520.00 R 6 435.00 R 6 389.00 R 6 400.00 R 6 475.00 R 6 563.00 NA NA NA</td>
</tr>
<tr>
<td>Soya beans</td>
<td>R 6 001.00 R 5 970.00 R 6 032.00 R 6 040.00 R 6 158.00 R 6 233.00 NA NA NA</td>
</tr>
</tbody>
</table>
1 Weather forecast and dam levels

Current conditions

Figure 1: Current rainfall conditions

Figure 1 shows that in January 2015 rainfall was normal over the western half of the country, but near normal to below normal over the eastern half. In February 2016, there was a downward trend to near normal to below normal rainfall over most parts of the country. However, rainfall was above normal in the Eastern Cape, the southern coastal areas of the Western Cape, parts of Limpopo and parts of KwaZulu-Natal (KZN). From 11 to 20 March 2016, rainfall was below normal over most of the western half of the country, while the eastern half received near normal to above normal rainfall. From July 2015 to February 2016, rainfall was generally below normal over most of the country, with patches of above normal along the southern coastal areas and the Northern Cape.

Some effective rainfall fell over many parts of the country; however, more rainfall is still needed. Most of the summer rainfall region of the country remains drought stressed, except for the eastern maize production areas and the Northern Cape. Due to the recent rainfall, the veld and livestock conditions are improving. Incidents of African Horse Sickness were reported in KZN and incidents of veld fires were reported in the Western Cape.

Forecast conditions

The rainfall forecast for April to August 2016 (Figure 2) shows slight chances of above normal rainfall over most of the country in late autumn. There are higher chances of above normal rainfall during winter over most of the country, except for the central interior of the country.
Minimum and maximum temperatures are expected to be generally above normal across the country through autumn towards early winter. However, there are high chances of below normal minimum temperatures during mid-winter (National Agro-meteorological Committee, 2016).

**Dam levels**

**Table 1: Provincial dam levels**

In February 2016, dam levels in all reported provinces were lower than in February 2015 (Table 1).

Source: National Agro-meteorological Committee, 2016
Figure 2: Rainfall forecast – April to August 2016
Source: National Agro-meteorological Committee, 2016
2 Exchange rates

The average exchange rate for March 2016 was R15.42 to the US dollar. This was stronger than the February 2016 average by 2.6% but weaker than the March 2015 average by 27.8%.

Figure 3: Rand to US dollar exchange rate
Source: Standard Bank Research, 2016

In March 2016, the rand strengthened against the US dollar to its strongest level for this year, driven mainly by a weaker US dollar and domestic developments. In a unanimous decision, the Constitutional Court ruled that President Zuma had failed to uphold and respect the constitution, and ordered him to pay back a reasonable portion of the expenses on his Nkandla homestead. The court’s decision saw the rand rally to around R14.63 per US dollar. However, it was the dovish stance taken by US Federal Reserve chairperson Janet Yellen that drove emerging market currencies (including the rand) to rally. Yellen expressed caution on raising interest rates in the US, and signalled a gradual approach to raising US interest rates.

3 Fertilizer prices

In March 2016, domestic fertilizer prices showed a downward trend. Price changes were due to a combination of fluctuations in international fertilizer prices, oil prices movements, and exchange rate movements.

- MAP: R9 578 a ton, down 3.8% m/m but up 5.6% y/y.
- Limestone ammonium nitrate (LAN): R5 688 a ton, down 2.3% m/m but up 1.4% y/y.
- Urea: R6 145 a ton, down 4.3% m/m and 3.2% y/y.
- Potassium chloride: R7 547 a ton, down 2.6% m/m but up 5.2% y/y (Figure 4).

In March 2016, international fertilizer prices also showed a downward trend. The international price for urea was R3 061 a ton, down 6.4% m/m and 16% y/y, while MAP was R3 676 a ton, down 5% m/m and 1% y/y.
4 Fuel

The international Brent crude oil and fuel prices, the rand to US dollar exchange rate and transportation costs are the main factors that influence the domestic price of fuel. On 6 April 2016, the price of fuel went up significantly. The price of petrol went up by up to 88 cents a litre (c/l), while the price of diesel went up by up to 97 c/l mainly due to:

- an increase in fuel levies as determined annually by the Minister of Finance of 30 c/l;
- an increase in transportation costs by 5.2 c/l in Gauteng, resulting from a National Energy Regulator of South Africa (Nersa) approved pipeline tariff increase, as well a road transportation tariff increase obtained from the Road Freight Association (RFA);
- an average increase in the prices of petroleum products on the international markets of about 52 c/l for petrol and 61 c/l for diesel; and
- the strengthening of the rand against the US dollar during the period under review, which cushioned the price increases by close to 10 c/l.

The first quarter of 2016 (Q1: 2016) was characterised by steadily rising average monthly Brent crude oil prices. However, the average monthly rand to US dollar exchange rate has been improving during the same period, which cushioned fuel price increases on 4 May 2016.

Figures 5 and 6 show the average monthly prices of Brent crude oil and fuel respectively. On 6 April 2016, the price movements of fuel were as follows:

**Petrol:**
- Reef – unleaded 95 cost R12.62 a litre, up 88 c/l m/m but down 27 c/l y/y.
- Coast – unleaded 95 cost R12.14 a litre, up 83 c/l m/m but down 32 c/l y/y.

**Diesel:**
- Reef – 0.05% cost R10.54 a litre, up 96 c/l m/m but down 69c/l y/y.
- Coast – 0.05% cost R10.14 a litre, up 90 c/l m/m but down 76 c/l y/y.

- In March 2016, Brent crude oil cost USD39.40 a barrel on average, down 68 cents m/m and 22 cents y/y a barrel.

Members of the Organisation of the Petroleum Exporting Countries (Opec) and key non-members led by Russia are due to discuss a proposed oil output freeze at a meeting in Doha on 17 April 2016. If key oil producers agree to a coordinated freeze in oil production, oil prices are expected to show a slight upward trend in the following months.
5 Electricity and labour

Analysts expect Eskom and labour unions to continue to play an influencing role in the improvement of the country’s trade data (among other key variables), since any disruptions they cause affect production. The trade deficit for February 2016 came in surprisingly lower at R1.07 billion, from R17.96 billion in January 2016. Analysts had forecast a deficit of R4.3 billion and the market consensus had been R4.65 billion. South Africa’s trade deficit is expected to narrow further throughout the year, although this will depend on the recovery of commodity prices and reduced disruptions to domestic production, primarily from power outages and labour instability. The value of agricultural imports increased by 4.4% y/y reflecting a drop from levels of over 25% seen over the previous three months. Import growth is expected to continue to slow and export growth is expected to provide further relief.

6 Grains and oil seeds

On 30 March 2016, the Crop Estimates Committee (CEC) released figures of the revised area planted and third production forecast for summer crops for the 2016/17 marketing year (see Table 2). Out of all the crops, production and area planted is expected to only increase in sunflower seed as it is more drought-tolerant and farmers opted to increase the area planted.

Table 2: Second summer crop forecast for the 2016/17 marketing year

<table>
<thead>
<tr>
<th>Commodity</th>
<th>3rd forecast 2016 Tons</th>
<th>2nd forecast 2016 Tons</th>
<th>Final crop 2015 Tons</th>
<th>Area planted 2016 Hectares</th>
<th>Area planted 2015 Hectares</th>
<th>Change (a ÷ c)</th>
<th>Change (d ÷ e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>White maize</td>
<td>3 070 675</td>
<td>3 195 800</td>
<td>4 735 000</td>
<td>1 014 750</td>
<td>1 448 050</td>
<td>-35.1%</td>
<td>-29.9%</td>
</tr>
<tr>
<td>Yellow maize</td>
<td>3 994 600</td>
<td>4 059 950</td>
<td>5 220 000</td>
<td>932 000</td>
<td>1 204 800</td>
<td>-23.5%</td>
<td>-22.6%</td>
</tr>
<tr>
<td>Total maize</td>
<td>7 065 275</td>
<td>7 255 750</td>
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<td>1 946 750</td>
<td>2 652 850</td>
<td>-29.0%</td>
<td>-26.6%</td>
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<tr>
<td>Soya beans</td>
<td>691 750</td>
<td>724 600</td>
<td>1 070 000</td>
<td>502 800</td>
<td>687 300</td>
<td>-35.4%</td>
<td>-26.8%</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td>710 500</td>
<td>687 150</td>
<td>663 000</td>
<td>718 500</td>
<td>576 000</td>
<td>7.2%</td>
<td>24.7%</td>
</tr>
</tbody>
</table>

Source: Crop Estimates Committee, 2016

Table 3 shows the price trends of yellow maize, white maize, wheat, soya beans and sunflower seed on the Johannesburg Stock Exchange (JSE) Commodity Derivatives Market (Safex) in March 2016. The prices of these crop commodities traded lower on a monthly basis due to a combination of a slightly firmer exchange rate and current meteorological observations that are indicating a gradual decay of the El Niño weather phenomenon.

Table 3: Monthly price movements in grain and oil seeds

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Mar 2015</th>
<th>Feb 2016</th>
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<tr>
<td>Yellow maize</td>
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<td>Rand/ton</td>
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<td>R 3 716.86</td>
<td>R 3 289.22</td>
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<td>Wheat</td>
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<td>Soya beans</td>
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<td></td>
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<td>R 6 732.10</td>
<td>R 6 238.13</td>
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<tr>
<td>Sunflower seed</td>
<td></td>
<td></td>
<td>R 4 999.00</td>
<td>R 7 790.24</td>
<td>R 7 445.78</td>
<td>-4.4%</td>
<td>48.9%</td>
</tr>
</tbody>
</table>

Source: Grain SA, 2016

Table 4 shows the price trends of commodity futures as at 19 April 2016.
Table 4: JSE commodity futures prices per ton

<table>
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<tr>
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<tr>
<td>White maize</td>
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<td>R 4 520.00</td>
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<td>Yellow maize</td>
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<td>Wheat</td>
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<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Soya beans</td>
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<td>R 6 570.00</td>
<td>R 6 570.00</td>
<td>R 6 570.00</td>
<td>R 6 570.00</td>
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<td>NA</td>
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<td>NA</td>
</tr>
</tbody>
</table>

Source: Grain SA, 2016a

**Maize**

![Figure 7: Yellow maize monthly prices](image)

![Figure 8: White maize monthly prices](image)

**Domestic maize prices to move sideways**

The average price trends (per ton) of yellow and white maize are shown in Figures 7 and 8 respectively. Although the average domestic maize price remains at record high levels, it maintained a bearish outlook in the first quarter of 2016 (Q1: 2016). The white maize price remains higher than its import parity price, but the yellow maize price fell below its import parity price in March 2016. In March 2016, maize prices traded lower m/m but remain higher y/y. In the following weeks, the domestic maize price is expected to move sideways due to a combination of:

- strengthening of the rand;
- higher international maize prices; and
- meteorological observations that are indicating a gradual decay of the El Niño weather phenomenon.

**Domestic maize supply**

For the week ending 15 April 2016:

The weekly South African maize delivery figures showed that 95 334 tons of maize were delivered. This included 29 775 tons of white maize and 65 559 tons of yellow maize. This brings the total maize deliveries for the 2015/16 marketing year to date to 9 470 041 tons: 4 693 533 tons of white maize and 4 776 508 tons of yellow maize.

**Domestic maize imports**

For the week ending 15 April 2016:

South Africa’s weekly maize imports are estimated at 53 649 tons. About 1 330 tons were white maize from the United States (US). According to Trade Map data, this is the first shipment of maize from the US since 2005. Yellow maize imports were estimated at 52 319 tons, all from Argentina.
South Africa’s 2015/16 total maize imports currently stand at 1.79 million tons (96% yellow maize and 4% white maize). The 2015/16 marketing year ends on 30 April 2016. In the next season (2016/17), Grain SA estimates that South Africa will need to import 3.8 million tons (2.7 million tons yellow maize and 1.1 million tons white maize) due to drought.

**International maize price up**
Chicago Board of Trade (CBOT) maize prices have been trading higher over the past weeks mainly because of support from South American weather conditions. Excessive rainfall and flooding in some of the maize growing areas of Argentina and dryness in parts of Brazil, especially the northern parts, could result in crop losses. These conditions could see some of the international demand turning to US maize. Supplies in Brazil remain tight and this has resulted in the government of Brazil removing the import tax on maize up to a maximum of 1 million tons of maize imports.

In March 2016, the maize sub-index of the International Grains Council’s ‘Grains and Oilseeds Index’ decreased by 1.4% m/m and it remains 5.4% lower y/y. Better export demand provided occasional support for US maize prices, but larger than expected planting intentions resulted in a late-month drop in futures.

**Wheat**

![Figure 9: Wheat average monthly prices](image)

**Domestic wheat price to move sideways**
In March 2016, wheat prices showed a downward trend as the stronger rand made inbound shipments more affordable for South Africa, which is a net importer of wheat. Ample global supplies have also kept international wheat prices under pressure. The wheat price is however, expected to get support in the following weeks from the increase in the wheat import tariff, from R911.20 a ton to R1 224.31 a ton and good demand. As a result, the wheat price is expected to move sideways in the next few weeks.

**Domestic wheat supply**
In the week ending 15 April 2016, 37 545 tons of wheat were imported by South Africa. These imports originated from Lithuania (21 136 tons) and Russia (16 409 tons). This brings the cumulative imports for the season (from October 2015) to 1.117 tons. South African wheat imports have slowed down in the past few weeks due to uncertainty regarding the new import tariff.

**International wheat prices lower**
The 2015/16 US and global wheat stocks continue to keep wheat prices under pressure on the market. The USDA estimates global wheat production at a record 732.32 million tons, up 1% y/y. This increase is mainly due to large production in the European Union (EU), Australia,
Canada, Kazakhstan, Russia, Ukraine, the US and Argentina. Global ending-stocks are forecasted at 214 million tons, which is 6% higher y/y.

**Soya beans**

![Soya bean average prices](image)

Figure 10 shows the average monthly price trends of soya beans (rands per ton).

*Domestic soya bean price to move sideways*

In March 2016, domestic soya bean prices showed a downward trend mainly due to the stronger rand that made imported soya bean meal more affordable. In the following weeks, the domestic soya bean price could move sideways due to a combination of a strengthening rand and higher international soya bean prices.

*International soya bean prices up*

International soya bean prices are forecasted to maintain an upward trend due to concerns that flooding in parts of Argentina and dryness in parts of Brazil will result in crop damage. Demand for soya beans could to shift from South America to the US, as the US dollar (USD) has been weakening against the peso and the real, making US soya beans more competitive on the global market. More international price support is expected to come from increasing demand for soya beans in China.

**Sunflower seed**

![Sunflower seed monthly prices](image)

Figure 11 shows the average monthly price trends of sunflower seed (rands per ton).

*Domestic sunflower seed prices to trend lower*

Domestic sunflower seed prices showed a downward trend in March 2016 mainly due to a stronger rand. This trend is expected to continue over the following weeks. The CEC's third sunflower seed production estimates came out at 710 500 tons, which is 3.4% higher than the
second estimate. The increase in production was largely driven by a 4.5% upward revision in area planted to 718 500 hectares in the third estimate.

**International sunflower seed prices down**

Sunflower seed prices could get support from lower production and ending stocks for the 2015/16 season. World supply of sunflower seed production was reduced by 1.2% y/y to 39.143 million tons by the United States Department of Agriculture (USDA). Global sunflower seed production is projected lower mainly due to decreased production in the EU and Argentina which offset increases mainly in Ukraine and Russia. Sunflower seed ending stocks are projected at 1.77 million tons, down 36% y/y. However, any scarcity concerns are likely to be short-lived due to planting developments in the Black Sea region. It is the planting season for the 2016/17 sunflower seed crop, and according to Oilworld farmers in the Ukraine farmers have planted 805 000 hectares of sunflower seed so far, significantly higher by 181 000 hectares y/y. In addition, Russian farmers are reported to have planted 364 000 hectares so far, well above the 87 000 hectares planted by this time last year.

7 **Livestock**

**Lamb and mutton**

![Lamb and mutton price graph](image)

Figure 12 shows the average monthly price trends (rands per kg) of lamb and mutton.

**Figure 12: Average monthly lamb prices**

**Lamb and mutton prices could go up**

In March 2016, the price of lamb and mutton classes trended lower m/m, but prices remained higher y/y (Table 5). The number of sheep and lamb slaughtered was nearly 36% higher m/m (in February 348 476 head were slaughtered), but remained 4% lower y/y. The current economic environment has a negative impact on the purchasing power of consumers. This will see them opting for cheaper protein alternatives and result in lower demand for lamb and mutton.
Table 5: Monthly price movements in lamb and mutton

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Average price (R/kg)</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
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</thead>
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<td></td>
<td>Class A2/A3</td>
<td></td>
<td>52.18</td>
<td>61.02</td>
<td>56.50</td>
</tr>
<tr>
<td></td>
<td>Class AB2/AB3</td>
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<td>46.19</td>
<td>52.23</td>
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<td></td>
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<td>47.73</td>
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<td>44.12</td>
<td>38.92</td>
</tr>
</tbody>
</table>

In the following weeks, demand for lamb and mutton might remain subdued as consumers continue to opt for more affordable protein alternatives, hence prices are expected to trend downward despite concerns about availability associated with the drought.

The import parity price of lamb and mutton from Australia (based on the exchange rate) was R80.98 and R42.87 a kg respectively in March 2016. The rand is expected to continue to firm slightly against the Australian dollar in the next few weeks, so the import parity price of lamb and mutton could decrease slightly.

**Beef**

![Figure 13](image.png)

**Figure 13:** Average monthly beef prices
Source: RMAA, 2016

**Beef and weaner prices could go up**

In March 2016, the price of most beef classes decreased m/m, but all classes remained higher y/y. According to the Red Meat Levy Admin (2016), 208 293 cattle were slaughtered in February 2016. In March 2016, the head slaughtered increased by 12.4% m/m, but the slaughter volume remained 5.6% lower y/y. Slow growth in consumer spending and higher food inflation are expected to moderate demand. The weaner price also decreased m/m, but was higher y/y (Table 6) as the yellow maize price, which is still 34% higher y/y kept demand for weaners in check.

Table 6: Monthly price movements in beef and weaners

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Average price (R/kg)</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Class A2/A3</td>
<td></td>
<td>33.75</td>
<td>37.59</td>
<td>38.89</td>
</tr>
<tr>
<td></td>
<td>Class AB2/AB3</td>
<td></td>
<td>30.40</td>
<td>38.10</td>
<td>36.62</td>
</tr>
<tr>
<td></td>
<td>Class B2/B3</td>
<td></td>
<td>26.94</td>
<td>33.11</td>
<td>32.50</td>
</tr>
<tr>
<td></td>
<td>Class C2/C3</td>
<td></td>
<td>24.81</td>
<td>31.23</td>
<td>29.21</td>
</tr>
<tr>
<td></td>
<td>Weaner calf</td>
<td></td>
<td>18.51</td>
<td>21.42</td>
<td>20.17</td>
</tr>
</tbody>
</table>
Demand for beef is forecasted to remain moderate, mainly due to slow growth in consumer spending and the seasonal slowdown in demand as winter approaches. This, in conjunction with drought-related concerns about availability, could see beef prices move sideways or show a slight upward trend in the following weeks.

In March 2016, the derived import parity price of cow meat from Australia was R72.16 a kg, in comparison with domestic beef class C2/C3 at R29.21 a kg. The rand is expected to maintain its firmness against the Australian dollar in the following weeks, so the import parity price of cow meat could decrease.

**Figure 14: Beef-to-maize price ratio**

In March 2016, the beef-to-maize price ratio was 11.8:1, firmer by nearly 17% m/m due to a higher meat and lower feed price, but still nearly 18% weaker than the long-term average of 14.4:1.

The ratio has been below the long-term average since February 2015 due to rising feed prices. This is of great concern to the beef feedlot industry (Figure 14).

**Pork**

**Figure 15: Average pork prices**

Source: RMAA, 2016

**Pork prices to increase**

In March 2016, the monthly prices of porkers and baconers went up m/m () due to good demand and rising feed costs, which are posing a big challenge for pig farmers. The porker price was lower y/y while the baconer price was higher y/y. According to the Red Meat Levy Admin (2016), 220 238 pigs were slaughtered in February 2016. In March 2016, slaughter decreased by 6.6% m/m and 6.5% y/y as farmers continue to face production hardships related to the drought.
Table 7: Monthly price movements in pork products

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Average price</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pork</td>
<td>Porker</td>
<td>(R/kg)</td>
<td>25.22</td>
<td>24.20</td>
<td>24.81</td>
</tr>
<tr>
<td></td>
<td>Baconer</td>
<td></td>
<td>23.67</td>
<td>23.19</td>
<td>23.98</td>
</tr>
</tbody>
</table>

Over the next few weeks, the price of pork is expected to increase due to lower availability, growing demand (pork is a cheaper red-meat option) and escalating feed costs.

In March 2016, the derived import parity price of US barrows and gilts was R29.18 a kg. If the rand maintains its firmer trend, import parity prices could trend lower in the following weeks.

Dairy

Figure 16 shows the average monthly milk producer price trends (rands per litre).

Figure 16: Average monthly milk prices
Source: Milk Producers Organisation, 2016

Lower milk production persists
There was a slowdown in milk production growth in November 2015, which turned into negative growth from December 2015 to-date. This slowdown has resulted in improved market balance and the announcement of higher producer prices from February 2016 (Table 8). April 2016 was the fifth month of negative growth in milk production. The slowdown in production is due to a combination of higher grain prices; increases in electricity costs; and scarcity of roughage and lower-quality silage. Dairy farmers are under pressure, and further delays in increasing milk producer prices may seriously reduce milk production capacity and result in milk shortages.

Table 8: Monthly price movements in dairy

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Average price</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td>Class 1</td>
<td>(R/L)</td>
<td>4.45</td>
<td>4.20</td>
<td>4.25</td>
</tr>
</tbody>
</table>
Milk-to-maize price ratio

In March 2016, the milk-to-maize price ratio was 1.32:1, firmer by nearly 20% m/m, but nearly 26% weaker than the long-term average of 1.8:1.

The ratio has been below the long-term average since June 2015 due to rising feed costs.

Higher feed prices are expected to cause slower milk production growth in the first half of 2016 (Figure 17).

Global dairy prices still low

The global decrease in milk producer prices experienced in 2014, resulted in lower milk production in 2014 and in 2015. In 2015, production growth in all major exporting countries remained slower than in 2014. Production has however, shown an increase in the EU in 2016. This coupled to weak market conditions has resulted in a huge built-up of stocks in the EU which is expected to put pressure on prices. Compared to the previous month, the rand value prices of Oceania cheese, butter and non-fat milk powder declined in total by 14.8%, 10.2% and 6% in March 2016.

8 Vegetables

Table 9 shows the price trends (rands per ton) and Table 10 total volumes traded (tons) in onions, potatoes and tomatoes. The drought and hot conditions have had a negative impact on vegetable production, which has resulted in a significant rise in onion, potato and tomato prices.

Table 9: Average monthly price movements in vegetables

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Units</th>
<th>Average price</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onions</td>
<td>Rand/Ton</td>
<td>3 297</td>
<td>4 435</td>
<td>4 746</td>
</tr>
<tr>
<td>Potatoes</td>
<td>Rand/Ton</td>
<td>3 068</td>
<td>5 940</td>
<td>6 275</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>Rand/Ton</td>
<td>6 729</td>
<td>6 061</td>
<td>6 264</td>
</tr>
</tbody>
</table>

Table 10: Monthly volume movements in vegetables

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Tons</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onions</td>
<td>34 181</td>
<td>31 209</td>
<td>32 724</td>
</tr>
<tr>
<td>Potatoes</td>
<td>91 255</td>
<td>62 418</td>
<td>69 232</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>20 052</td>
<td>22 428</td>
<td>21 739</td>
</tr>
</tbody>
</table>
Onions

The average monthly price of onions is expected to show a downward trend in the following weeks as supply increases. Figure 18 depicts the current price trend.

![Figure 18: Onion prices and volumes](image)

Source: Department of Agriculture, Forestry and Fisheries (DAFF), 2016

Potatoes

Potato farmers could sell 3 million less 10kg bags of potatoes due to drought resulting in a steep rise in prices. The average price of potatoes is however, expected to gradually decrease in the following weeks due to anticipated increase in supply. Figure 19 depicts the current price trend.

![Figure 19: Potato prices and volumes](image)

Source: DAFF, 2016

Tomatoes

The average price of tomatoes could show a downward trend in the following weeks as availability improves. Figure 20 depicts the current price trend.

![Figure 20: Tomato prices and volumes](image)

Source: DAFF, 2016
9 Other news and developments

Economy

Growth forecast lowered
The economic outlook for South Africa got bleaker as the International Monetary Fund (IMF) lowered its forecasts for local growth for this year and next year in its latest World Economic Outlook report. The IMF cut its growth forecast for next year by 0.6% to 1.2%. In the February 2016 budget, National Treasury forecast growth for next year at 1.7%. The IMF also cut its growth forecast for this year by 0.1% to 0.6% due to lower commodity export prices, elevated policy uncertainty, and tighter monetary and fiscal policy. On the other hand, the World Bank kept its forecast for local growth this year at 0.8% according to Africa Pulse, the World Bank's latest analysis of economic trends in Africa.

Gordhan continues to reassure investors
Finance Minister Pravin Gordhan met ratings agencies as he continued his campaign to calm investors' concerns over the country's economic outlook. Gordhan confirmed that he met the agencies on the sidelines of the IMF and World Bank spring meetings in Washington. Gordhan reported that while the meeting with the agencies was on the margins, South Africa wanted to update investors on its economic revival programme.

Inflation slows down
Inflation slowed down in March 2016, but the Reserve Bank warns that food inflation is likely to hit 11.6% y/y later this year, affecting the poorest first. Consumer price inflation (CPI) figures revealed a decline to 6.3% y/y for March 2016, from 7% y/y in February 2016. However, analysts say this is slightly misleading because the figure comes off a much higher base.

International trade

Application to restrict chicken imports
The South African Poultry Association has asked the International Trade Administration Commission to impose an agricultural safeguard on some European chicken products that can enter the domestic market duty-free. The application has drawn the ire of meat importers, who argue local poultry producers are acting against the best interests of consumers. If the application is to be approved, provisional safeguard tariff duties of 37% could be imposed on European Union (EU) bone-in chicken portions.

Botswana suspends beef exports
The Botswana Meat Commission (BMC) has closed its main abattoir in Lobatse and suspended all beef exports to European and African markets amid fears that three buffaloes, which recently roamed through one of its major beef cattle source areas could expose cattle to Foot and Mouth Disease. The indefinite suspension of BMC's operations came after the Ministry of Agriculture banned the movement of all cloven-hoofed animals in a control zone – home to 700 000 cattle – pending a probe into the impact of the buffalo incursion.

Agribusiness

Probe into white maize price fixing continues
Nelspruit-based milling company Blinkwater challenged the Competition Commission for its decision to exempt Tiger Brands from being penalized for its involvement in fixing the price of white maize in its long-running probe into the milling cartel. Blinkwater, which makes Super B maize meal, argued before the Competition Tribunal that the commission went against its own leniency policy by granting Tiger Brands immunity when leniency had already been awarded to
Premier Foods. In terms of the leniency policy, the commission could grant immunity to only one company per product under investigation, it said. Spokesman for the Competition Commission Itumeleng Lesofe said the statutory body tasked with investigating uncompetitive business practices was within its rights to grant Tiger Brands, the maker of Ace maize meal, immunity as it had come out with new information that had not been provided by Premier Foods. Lesofe said Blinkwater had a gripe because new information supplied by Tiger Brands had implicated it.

**AB InBev commits to mentor smallholder farmers**
There could be a shakeup in local beer production as Anheuser-Busch InBev (AB InBev) promises to mentor its own group of 820 farmers from whom to source barley, hops, maize and malt. AB InBev made an offer to buy a controlling stake in SABMiller, in a R1.5 trillion deal that still needs to be approved by the Competition Commission. AB InBev reported that it had committed to invest R1 billion to support smallholder farmers as well as to promote enterprise development, local manufacturing, exports and jobs, the reduction of the harmful use of alcohol, and green and water-saving technologies. The move could see the beginning of turning South Africa from a net importer of barley to a net exporter of malt. However, African Farmers’ Association of South Africa (Atasa) general secretary Aggrey Mahanjana expressed cautious optimism about the long-term benefits as he remarked that these major companies have a tendency to turn small farmers into managers instead of business owners as they impose pricing that restricts growth.

**Dairy Day commissions new processing plant**
Dairy Day’s communications and marketing liaison Manager, Kim Mcleish, reported that Dairy Day celebrated the commissioning of its new processing facility in Howick, built at a cost of around R100 million. Dairy Day was formed in August 2014, and it is 85% owned by 31 farmers in KZN, with each farmer’s shareholding based on the number of litres of milk they supply to the company. The Dairy Day Farmers Workers Trust owns the remaining 15%, the beneficiaries being the supplier shareholders’ farm workers.

**Policy issues**

**New poultry brining regulations gazetted**
The Minister of Agriculture, Forestry and Fisheries, Mr Senzeni Zokwana, published the anticipated amendment to the Regulations Regarding Control over the Sale of Poultry Meat in the Government Gazette on 22 April 2016. Among others, these latest amendments stipulate that: (1) the total brine injection allowed for whole carcasses is limited to maximum 10% (versus the maximum of 8% previously prescribed). (2) Total brine injection allowed for individual portions is limited to maximum 15% (no limit was previously prescribed). (3) The product name shall include a true description of the added formulated solution, for example, ‘chicken with brine based mixture.’ (4) Producers must regularly perform tests to ensure compliance with the new water uptake and injection limits, and must keep records thereof for at least one year for auditing purposes. (5) These amendments will be phased in over a period of six months to allow producers to adjust the levels of brine injection and to bring the labelling of these products in line with the new requirements.

**Milk fat content regulations change**
In keeping with its Clover’s ‘Way Better’ promise and in line with the R260: Agricultural Product Standards Act passed by the Department of Agriculture, Forestry and Fisheries, Clover will be implementing a change to the fat content of its low-fat milk variant. A recent government bill, which came into effect on 28 March 2016, dictated that, going forward, low-fat milk should contain between 0.5% and 1.5% butter fat (cream) and, accordingly, milk with between 1.6% and 3.3% will fall into a new medium-fat category. As a result, and by law, Clover was faced
with the option of either reducing the milk fat in its 2% low-fat option, or re-categorising it as medium-fat milk. After careful consideration, and in consultation with consumers, Clover chose to reduce the fat content to 1.5%, thereby maintaining its low-fat status and minimising confusion for the health-conscious shopper.

**Eastern Cape agriculture gets support**

More than R200 million will be invested in Eastern Cape’s agriculture commercialisation programme this financial year, according to the provincial Member of the Executive Council (MEC) for Rural Development and Agrarian Reform – Mlibo Qoboshiyane. Of this amount, R172 million will go towards maize production. The programme plans to plant 43 800 hectares of maize and they expect a yield 4.5 tons a hectare which implies a total yield of approximately 197 100 tons of maize. The maize production project is expected to generate about 886 jobs.

**Western Cape agriculture gets support**

The Treasury and the Western Cape government have set up a R120 million fund to support emerging fruit farmers in the province. Agriculture is a major sector in the Western Cape Province, which produces a significant portion of South Africa’s agricultural exports. Western Cape economic opportunities MEC Alan Winde reported that 20 black deciduous fruit farmers in the province and four in the Eastern Cape would benefit from the grant, which was secured through the Jobs Fund. The money will be disbursed over four years.

**10 Conclusion**

The rainfall forecast for April to August 2016 shows slight chances of above normal rainfall over most of the country in late autumn. There are higher chances of above normal rainfall during winter over most of the country, except for the central interior of the country. Minimum and maximum temperatures are expected to be generally above normal across the country through autumn towards early winter. However, there are high chances of below normal minimum temperatures during mid-winter.

Some effective rainfall fell over many parts of the country; however, more rainfall is still needed. Most of the summer rainfall region of the country remains drought stressed, except for the eastern maize production areas and the Northern Cape. Due to the recent rainfall, the veld and livestock conditions are improving. Incidents of African Horse Sickness were reported in KZN and incidents of veld fires were reported in the Western Cape.

Field crop commodity prices traded lower on a monthly basis mainly due to a combination of a slightly firmer exchange rate and current meteorological observations that are indicating a gradual decay of the El Niño weather phenomenon. In the following weeks, prices are generally expected to move sideways due to a combination of a firming rand and higher import parity prices.

In the following weeks, demand for lamb and mutton is expected to remain subdued as consumers continue to opt for more affordable protein alternatives, hence prices are expected to trend downward despite concerns about availability associated with the drought.

Demand for beef is expected to remain moderate, mainly due to slow growth in consumer spending and the seasonal slowdown in demand as winter approaches. This, in conjunction with drought-related concerns about availability, is expected to see beef prices move sideways or show a slight upward trend in the following weeks.

Over the next few weeks, the price of pork is expected to increase due to lower availability, growing demand (pork is a cheaper red-meat option) and escalating feed costs.
More announcements of milk producer price increases are expected in the following weeks to support struggling dairy farmers.

11 References


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