Summary Tables

In July 2016, the domestic prices of field crop commodities traded lower on a monthly basis mainly due to a firmer rand to USD exchange rate. In the following weeks, these crop commodity prices could maintain a downward trend from a firmer rand and high global availability.

In the following weeks, the domestic prices of red meat could trend upwards due to tighter supply and picking consumer demand as spring approaches. The weaner price could move sideways as the yellow maize price could trend lower.

Milk production continues its trend of negative growth as producers continue to face a serious cost-price squeeze, as the rise in input costs outpaces that of the producer price.

In the following weeks, the price of onions and tomatoes could trend lower due to good market supply, while the price of potatoes could move sideways as supply stabilises.

### Commodity price summary table

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Jul 2015 Average Price</th>
<th>Jun 2016 Average Price</th>
<th>Jul 2016 Average Price</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellow maize</td>
<td></td>
<td>R/ton</td>
<td>2 766.30</td>
<td>3 667.14</td>
<td>3 314.19</td>
<td>-9.6%</td>
<td>19.8%</td>
</tr>
<tr>
<td>White maize</td>
<td></td>
<td>R/ton</td>
<td>3 170.61</td>
<td>4 789.59</td>
<td>4 453.48</td>
<td>-7.0%</td>
<td>40.5%</td>
</tr>
<tr>
<td>Wheat</td>
<td></td>
<td>R/ton</td>
<td>3 951.74</td>
<td>4 817.77</td>
<td>4 512.76</td>
<td>-6.3%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Soya bean</td>
<td>Average Safex spot prices</td>
<td>R/kg</td>
<td>4 885.87</td>
<td>7 734.64</td>
<td>7 224.14</td>
<td>-6.6%</td>
<td>47.9%</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td></td>
<td>R/kg</td>
<td>5 461.17</td>
<td>6 507.77</td>
<td>6 091.14</td>
<td>-6.4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Beef</td>
<td>Class A2/A3</td>
<td>R/kg</td>
<td>33.69</td>
<td>37.92</td>
<td>37.08</td>
<td>-2.2%</td>
<td>10.1%</td>
</tr>
<tr>
<td></td>
<td>Weaner calf</td>
<td>R/kg</td>
<td>20.20</td>
<td>19.63</td>
<td>19.55</td>
<td>-0.4%</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Lamb</td>
<td>Class A2/A3</td>
<td>R/kg</td>
<td>52.85</td>
<td>57.47</td>
<td>57.71</td>
<td>0.4%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Pork</td>
<td>Average porkers</td>
<td>R/kg</td>
<td>24.41</td>
<td>25.01</td>
<td>24.47</td>
<td>-2.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td></td>
<td>Average baconers</td>
<td>R/kg</td>
<td>22.00</td>
<td>23.48</td>
<td>23.45</td>
<td>-0.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Dairy</td>
<td>Class 1</td>
<td>R/L</td>
<td>4.30</td>
<td>4.60</td>
<td>4.65</td>
<td>1.1%</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

### JSE prices for crop commodity futures (per ton)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>White maize</td>
<td>R 4 052</td>
<td>R 4 066</td>
<td>R 4 120</td>
<td>R 4 014</td>
<td>R 3 797</td>
<td>R 2 916</td>
<td>R 2 786</td>
</tr>
<tr>
<td>Yellow maize</td>
<td>R 3 047</td>
<td>R 3 077</td>
<td>R 3 117</td>
<td>R 3 127</td>
<td>R 3 040</td>
<td>R 2 658</td>
<td>R 2 650</td>
</tr>
<tr>
<td>Wheat</td>
<td>R 4 146</td>
<td>R 4 151</td>
<td>R 4 157</td>
<td>R 4 129</td>
<td>R 4 192</td>
<td>R 4 291</td>
<td>R 4 406</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td>R 5 792</td>
<td>R 5 835</td>
<td>R 5 820</td>
<td>R 5 975</td>
<td>R 5 852</td>
<td>R 5 700</td>
<td>R 5 750</td>
</tr>
<tr>
<td>Soya beans</td>
<td>R 6 367</td>
<td>R 6 401</td>
<td>R 6 512</td>
<td>R 6 433</td>
<td>R 6 236</td>
<td>R 5 916</td>
<td>R 6 006</td>
</tr>
</tbody>
</table>
1 Weather forecast and dam levels

Current conditions

Figure 1: Current rainfall conditions

Figure 1 shows that in May 2016 rainfall was above normal over most parts of the country, but below normal mainly in the western and southern coastal parts of the country. In June 2016, rainfall was above normal mainly in Gauteng, parts of the North West, Limpopo, Mpumalanga, central Free State and the south-western parts of the country. Rainfall was normal to below normal in the remainder of the country. Up to 20 July 2016, rainfall was below normal over most parts of the country. From July 2015 to June 2016, rainfall was near normal to below normal over much of the central, northern and western parts of the country, while the remaining areas received above normal rainfall.

Drought persists in many parts of the country. The conditions of veld and livestock remain poor to very poor in communal areas but reasonable in other areas. Snowfall was reported in parts of KwaZulu-Natal (KZN), the Eastern Cape and the Western Cape. There were reports of veld fire in the Free State and KZN. Cases of swine fever were reported in the Free State and the North West.
**Forecast conditions**

The rainfall forecast for August to December 2016 (Figure 3) indicates chances of below normal rainfall over most of the north-eastern parts of the country in spring. The western coastal areas could receive above normal rainfall in early spring.

The temperature forecast shows chances of warmer than normal temperatures over the country in spring. There is an indication for below normal temperatures over the western coastal areas, which may coincide with rainfall (National Agro-meteorological Committee, 2016).

**Dam levels**

In June 2016, dam levels in all reported provinces were lower than in June 2015, except in the North West Province (Figure 2).

![Figure 2: Provincial dam levels](image)

Source: National Agro-meteorological Committee, 2016
The average exchange rate for July 2016 was R14.44 to the US dollar. This was firmer than the June 2016 average by 4.6% but weaker than the July 2015 average by 16% (Figure 4).

The rand has been on a rally as investors turned to emerging markets with liquid capital markets to seek returns after Britain voted to leave the European Union (EU) on 23 June 2016. The ANC’s declining support in the recent local government elections also led to further...
gains in the rand, on speculation that it will pressure the governing party to introduce economic reforms that will boost growth and cut unemployment. The rand is expected to firm in the following weeks from continuing positive investor sentiment towards emerging markets, positive domestic manufacturing and mining data released on 11 August 2016, a June 2016 trade surplus of R12.5 billion and fading indications of further interest rate hikes this year. Fading prospects of another rate hike have also boosted food and drug retailers as well as banks, financial and property stocks.

3 Fertilizer prices

In June 2016, domestic fertilizer prices traded mixed on a monthly basis. Price changes were due to a combination of fluctuations in international fertilizer prices, oil price that affects the natural gas price and exchange rates.

- MAP: R9 050 a ton, down 3.1% month-on-month (m/m) and 4.5% year-on-year (y/y).
- Limestone ammonium nitrate (LAN): R5 364 a ton, unchanged m/m but down 1% y/y.
- Urea: R5 829 a ton, up 0.7% m/m but down 7.9% y/y.
- Potassium chloride: R7 283 a ton, down 0.2% m/m and 2.5% y/y (Figure 5).

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 3 August 2016, domestic fertilizer prices traded mixed on a monthly basis. Price changes were due to a combination of fluctuations in international fertilizer prices, oil price that affects the natural gas price and exchange rates.
2016, the price of fuel went down. The price of petrol went down by 99 cents a litre (c/l), while the price of diesel went down by at least 73 c/l (Figure 7).

After slowly trending upwards for the first half of 2016, average monthly Brent crude oil prices have been bearish in the second half of 2016 (Figure 6) as the oil glut continues to put pressure on prices. Decrease in oil price and a firmer rand to USD exchange rate could result in further decreases in petrol and diesel prices of 69 c/l and 94 c/l respectively, on 7 September 2016.

Figures 6 and 7 show the average monthly prices of Brent crude oil and fuel respectively. On 6 July 2016, the price movements of fuel were as follows:

- **Petrol:**
  - Reef – unleaded 95 cost R12.35 a litre, down 99 c/l m/m and 91 c/l y/y.
  - Coast – unleaded 95 cost R11.87 a litre, down 99 c/l m/m and 96 c/l y/y.

- **Diesel:**
  - Reef – 0.05% cost R10.97 a litre, down 74 c/l m/m but up 2 c/l y/y.
  - Coast – 0.05% cost R10.58 a litre, down 73 c/l m/m and 4 c/l y/y.

- In July 2016, Brent crude oil cost USD47.10 a barrel on average, down USD3.40 m/m and USD4.61 y/y a barrel.

5 **Electricity**

Eskom signed a two-year wage deal to end a strike by thousands of its employees that began on 8 August 2016. The deal, which was signed with the National Union of Mineworkers (NUM) and trade union Solidarity brought a week-long strike by NUM members at the power utility to an end. However, the deal could hit a snag as the National Union of Metalworkers of South Africa (Numsa) reported that it was still considering the settlement. Numsa declined to sign the agreement on 12 August 2016 arguing that the power utility did not address some of its demands including a demand for Eskom to allow the union to represent its members who hold management positions in the bargaining unit and to absorb employment outsourced to contractors. Eskom spokesman Khulu Phasiwe, however, reported that the utility remained optimistic that Numsa would also sign the wage deal to enable the utility to firmly focus on the tasks at hand of ensuring that lights are kept on and economic growth is enabled.

6 **Labour**

Deputy President Cyril Ramaphosa, in his capacity as Chair of the Committee of Principals of the National Economic Development Council (Nedlac), recently appointed a seven-member panel to determine an appropriate level to set the national minimum wage. The committee comprises representatives of government, labour, business and the community. Professor Imraan Valodia is the Chair of the panel. He is a part-time member of the Competition Tribunal and a commissioner on the Employment Conditions Commission. The appointment of the advisers follows a consensus among Nedlac social partners that a national minimum wage could support efforts to restore the dignity of the majority of South Africans, address the triple challenges of poverty, under-development and inequality, and reduce pay differentials while maximising job creation.

However, the Free Market Foundation (FMF) does not concur with this thinking, arguing that the proposed minimum wage could rather hamper than stimulate job creation in SA, and that government should rather be giving its full attention to creating conditions that will lead to an increase in the demand for labour.
7 Grains and oil seeds

On 27 July 2016, the Crop Estimates Committee (CEC) released figures of the revised area planted and seventh production forecast for summer crops for the 2016/17 marketing year (see Table 1). Production was revised upwards for all the crops except for white maize and sunflower seed, which remained unchanged.

Table 1: Seventh summer crop forecast for the 2016/17 marketing year

<table>
<thead>
<tr>
<th>Commodity</th>
<th>7th forecast 2016 Tons (a)</th>
<th>6th forecast 2016 Tons (b)</th>
<th>Final crop 2015 Tons (c)</th>
<th>Area planted 2016 Hectares (d)</th>
<th>Area planted 2015 Hectares (e)</th>
<th>Change (a ÷ c)</th>
<th>Change (d ÷ e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>White maize</td>
<td>3 097 225</td>
<td>3 097 225</td>
<td>4 735 000</td>
<td>1 014 750</td>
<td>1 448 050</td>
<td>-34.6%</td>
<td>-29.9%</td>
</tr>
<tr>
<td>Yellow maize</td>
<td>4 164 700</td>
<td>4 063 700</td>
<td>5 220 000</td>
<td>932 000</td>
<td>1 204 800</td>
<td>-20.2%</td>
<td>-22.6%</td>
</tr>
<tr>
<td>Total maize</td>
<td>7 261 925</td>
<td>7 160 925</td>
<td>9 955 000</td>
<td>1 946 750</td>
<td>2 652 850</td>
<td>-27.1%</td>
<td>-26.6%</td>
</tr>
<tr>
<td>Soya beans</td>
<td>750 250</td>
<td>728 650</td>
<td>1 070 000</td>
<td>502 800</td>
<td>687 300</td>
<td>-29.9%</td>
<td>-26.8%</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td>742 750</td>
<td>742 750</td>
<td>663 000</td>
<td>718 500</td>
<td>576 000</td>
<td>12.0%</td>
<td>24.7%</td>
</tr>
</tbody>
</table>

Source: Crop Estimates Committee, 2016

Table 2 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 July 2016. The prices of these crop commodities traded lower on a monthly basis mainly due to a firmer rand to USD exchange rate.

Table 2: Monthly price movements in grain and oil seeds

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Jul 2015</th>
<th>Jun 2016</th>
<th>Jul 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>Rand/ton</td>
<td>R 2 766.30</td>
<td>R 3 667.14</td>
<td>R 3 314.19</td>
<td>-9.6%</td>
<td>19.8%</td>
</tr>
<tr>
<td>White maize</td>
<td></td>
<td></td>
<td>R 3 170.61</td>
<td>R 4 789.59</td>
<td>R 4 453.48</td>
<td>-7.0%</td>
<td>40.5%</td>
</tr>
<tr>
<td>Wheat</td>
<td></td>
<td></td>
<td>R 3 951.74</td>
<td>R 4 817.77</td>
<td>R 4 512.76</td>
<td>-6.3%</td>
<td>47.9%</td>
</tr>
<tr>
<td>Soya beans</td>
<td></td>
<td></td>
<td>R 4 885.87</td>
<td>R 7 734.64</td>
<td>R 7 224.14</td>
<td>-6.6%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td></td>
<td></td>
<td>R 5 461.17</td>
<td>R 6 507.77</td>
<td>R 6 091.14</td>
<td>-6.4%</td>
<td>26.8%</td>
</tr>
</tbody>
</table>

Source: Grain SA, 2016

Table 3 shows the price trends of commodity futures as at 17 August 2016.

Table 3: JSE commodity futures prices per ton

<table>
<thead>
<tr>
<th>Commodity</th>
<th>JSE futures prices per ton as at 17 August 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>White maize</td>
<td>R 4 052</td>
</tr>
<tr>
<td>Yellow maize</td>
<td>R 3 047</td>
</tr>
<tr>
<td>Wheat</td>
<td>R 4 146</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td>R 5 792</td>
</tr>
<tr>
<td>Soya beans</td>
<td>R 6 367</td>
</tr>
</tbody>
</table>

Source: Grain SA, 2016a
Maize

Figure 8: Yellow maize monthly prices

Figure 9: White maize monthly prices

**Domestic maize prices could trend lower**

The average monthly price trends (rands per ton) of yellow and white maize are shown in Figures 8 and 9 respectively. Following their peak at the beginning of 2016, average domestic maize prices maintained a bearish trend up to April 2016 as the rand firmed against the USD. From May 2016, maize prices began to firm again mainly because of a weaker rand, however, this trend was broken in July 2016 when prices trended lower due to a firmer rand. In the following weeks, the domestic maize price could remain under pressure from:

- a stronger rand which lowers the price of imported maize;
- domestic yellow maize production getting revised upwards by 2.5% (Table 1);
- lower Chicago Mercantile Exchange (CME) maize prices;
- favourable crop condition prospects in the US; and
- higher than expected global maize production of 1.028 billion tons, up by 7% y/y.

**International maize prices could trend lower**

In August 2016, the United States Department of Agriculture (USDA) raised its estimate of 2016/17 global maize production by 1.75% m/m to 1.028 billion tons, which is higher by 7% y/y. This higher production estimate along with favourable crop condition prospects in the US should keep international maize prices under pressure. However, prices could get slight support from increasing global demand.

In July 2016, there were divergent price trends across the leading maize exporters. The maize sub-index of the International Grains Council’s ‘Grains and Oilseeds Index’ gained by 0.8% m/m and 9.3% y/y as gains in South America, linked to tight spot availabilities, broadly offset slightly weaker quotations in the US and Black Sea region.

**Domestic maize deliveries**

For the week ending 12 August 2016:

The weekly South African maize delivery figures showed that 239 593 tons of maize were delivered. This included 152 728 tons of white maize and 86 865 tons of yellow maize. This brings the cumulative maize deliveries for the 2016/17 marketing year (May to April) to nearly 5.4 million tons.
**Domestic maize imports**

For the week ending 12 August 2016:

The weekly South African maize import figures showed that 42 721 tons of maize were imported. This included 2 894 tons of white maize from Mexico and 39 827 tons of yellow maize from Argentina. This brings the cumulative maize imports for this marketing year to 471 974 tons, including 157 105 tons of white maize and 314 869 tons of yellow maize.

**Wheat**

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

**Domestic wheat price could trend downwards**

In July 2016, wheat prices continued a downward trend as the firmer rand made inbound shipments more affordable for South Africa, which is a net importer of wheat. The wheat price could maintain a bearish trend in the following weeks from a combination of a firmer rand, a slight increase in wheat plantings in 2016 (Table 4), and lower CME and Kansas City Board of Trade (KCBT) prices, mainly due to record US and global wheat supplies.

**Table 4: Preliminary wheat area planted for the 2016 production year**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Area planted 2016</th>
<th>Intenotions April 2016</th>
<th>Area planted 2015</th>
<th>Final crop 2015</th>
<th>Area planted change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>486 350</td>
<td>481 850</td>
<td>482 150</td>
<td>1 440 000</td>
<td>0.87%</td>
</tr>
</tbody>
</table>

Source: Crop Estimates Committee, 2016

**International wheat price could trend downwards**

High global wheat availability kept the wheat price under pressure in July 2016, a trend expected to continue in the following weeks. In August 2016, the USDA revised its estimate of 2016/17 global wheat production upwards to a record 743.4 million tons, up 0.67% m/m and 1.18% y/y.

In July 2016, The IGC GOI wheat sub-Index softened by 1.2% m/m and 11.7% y/y, as weakness in Black Sea prices outweighed net gains in the EU and the US. Although seasonal northern hemisphere harvest pressure was evident, overall losses were capped by concerns about rain damage in some parts of Europe.
**Domestic wheat imports**
In the week ending 12 August 2016:

South Africa imported 42 109 tons of wheat. These imports originated from Germany (22 040 tons) and the US (20 069 tons). This brings the cumulative wheat imports for the 2016/17 marketing year (October to September) to 1.788 million tons.

**Soya beans**

Figure 11 shows the average monthly price trends of soya beans (rands per ton).

**Domestic soya bean price to move downwards**
In July 2016, domestic soya bean prices showed a downward trend mainly due to a firmer rand, which made imports more affordable. In the following weeks, prices are expected to remain generally bearish due to the firming of the rand, an upward revision in the latest domestic production estimate (Table 1), and sideways movement in international prices.

**International soya bean price to move sideways**
International soya bean prices could move sideways in the following weeks as high availability contends with increasing demand for US soya beans. The USDA indicated that 2016/17 global soya bean production could reach 330.41 million tons, up 2% y/y. Increases are forecasted in the US and Paraguay, with production estimated at 110.5 million tons and 9.17 million tons, respectively. Production estimates in Brazil and Argentinian are unchanged at 103 million tons and 57 million tons, respectively. Demand for US soya bean has been increasing steadily and demand by the key buyer – China – is expected to pick up.

**Sunflower seed**

Figure 12 shows the average monthly price trends of sunflower seed (rands per ton).

**Figure 12: Sunflower seed monthly prices**
Domestic sunflower seed prices to trend lower
Domestic sunflower seed prices showed a downward trend in July 2016 as a firmer rand offset good domestic buying interest. In the following weeks, the price of sunflower could come down due a firmer rand and harvest pressure in the North West province. Some farmers in the northern areas of the North West are at the final stages of sunflower seed harvesting, specifically in areas where the crop was planted in late January 2016.

International sunflower seed prices could move sideways
The international sunflower seed prices could move sideways in the following weeks due to a combination of record production and record global demand. Sunflower seed production in 2016/17 is anticipated to reach a record 43.3 million tons, up 10% from the current year. The bulk of the growth is projected in the Ukraine and Russia, which account for 54% of global production. Record supplies, especially in both the Ukraine and Russia, are expected to sharply raise crush and boost supplies of meal and oil for export. Global demand for sunflower seed and products is also expected to increase due to lower anticipated canola seed production.

8 Livestock products

Lamb and mutton

Figure 13 shows the average monthly price trends (rands per kg) of lamb and mutton.

Figure 13: Average monthly lamb prices

Lamb and mutton prices could trend upwards
In July 2016, the price of lamb and most mutton classes trended higher m/m and y/y (Table 5). According to the Red Meat Levy Admin, the number of sheep and lamb slaughtered in the first half of 2016 is estimated at 2.374 million head, down significantly by 10.4% y/y. Reduced availability has seen the price of lamb and mutton trend upwards since April 2016; a trend expected to continue in the following weeks.
Table 5: Monthly price movements in lamb and mutton

<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>Lamb and mutton</td>
<td>Class A2/A3</td>
<td>R/kg</td>
<td>52.85 R</td>
<td>0.4%</td>
<td>9.2%</td>
</tr>
<tr>
<td></td>
<td>Class AB2/AB3</td>
<td></td>
<td>43.79 R</td>
<td>4.3%</td>
<td>15.4%</td>
</tr>
<tr>
<td></td>
<td>Class B2/B3</td>
<td></td>
<td>41.59 R</td>
<td>-2.2%</td>
<td>8.4%</td>
</tr>
<tr>
<td></td>
<td>Class C2/C3</td>
<td></td>
<td>38.32 R</td>
<td>8.4%</td>
<td>16.7%</td>
</tr>
</tbody>
</table>

In July 2016, the import parity price of lamb and mutton from Australia (based on the exchange rate) was R94.16 a kg, up 22.8% y/y and R50.14 a kg, up 9.1% y/y respectively. In the next few weeks, the rand could firm against the Australian dollar, hence, the import parity price of lamb and mutton could decrease.

**Beef**

Figure 14 shows the average monthly price trends of beef and weaners (rands per kg).

![Figure 14: Average monthly beef prices](source: RMAA, 2016)

**Price of beef could move upwards and weaners sideways**

In July 2016, the price of all beef classes increased m/m except the most expensive A2/A3, which decreased. Monthly price movements seem to have been influenced by consumer demand for the more affordable beef classes. All beef classes increased y/y. For the first half of 2016, commercial beef slaughter was 1.3% higher than for the same period in 2015 at 1.39 million head. Slaughter is expected to keep tightening going forward. The weaner price decreased m/m and y/y (Table 6). Despite the 9.6% m/m decrease in the yellow maize price, demand for weaners remained subdued, as maize prices are still abnormally high.

The prices of beef could get slight support in the following weeks due to increasing demand coming out of the winter, in conjunction with tighter supply. Slow growth in consumer spending, and high consumer price inflation (CPI) will, however, put a cap on prices. The weaner price could move sideways as the yellow maize price could continue to trend lower.
Table 6: Monthly price movements in beef and weaners

<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>Beef</td>
<td>Class A2/A3</td>
<td>R/kg</td>
<td>33.69</td>
<td>37.92</td>
<td>37.08</td>
</tr>
<tr>
<td></td>
<td>Class AB2/AB3</td>
<td></td>
<td>31.92</td>
<td>35.86</td>
<td>35.96</td>
</tr>
<tr>
<td></td>
<td>Class B2/B3</td>
<td></td>
<td>29.62</td>
<td>31.83</td>
<td>32.42</td>
</tr>
<tr>
<td></td>
<td>Class C2/C3</td>
<td></td>
<td>27.31</td>
<td>28.68</td>
<td>29.90</td>
</tr>
<tr>
<td></td>
<td>Weaner calf</td>
<td></td>
<td>20.20</td>
<td>19.63</td>
<td>19.55</td>
</tr>
</tbody>
</table>

In July 2016, the derived import parity price of cow meat from Australia was R73.62 a kg, up 33.9% y/y compared to the domestic price of C2/C3 beef of R29.90 a kg, up 9.5% y/y. The rand could firm against the Australian dollar in the following weeks, so the import parity price of cow meat could decrease.

**Beef-to-maize price ratio**

In July 2016, the beef-to-maize price ratio was 11.2:1, firmer by 8.2% m/m due to a 9.6% m/m drop in the yellow maize price, and 21.4% weaker than the long-term average of 14.24:1 (Figure 15).

**Figure 15: Beef-to-maize price ratio**

**Pork**

Figure 16 shows the average monthly porker and baconer price trends (rands per kg).

**Pork prices to move upwards**

In July 2016, the monthly prices of porkers and baconers were down m/m but up y/y (Table 7). In the first half of 2016, the commercial slaughter of pigs was up 0.74% y/y at nearly 1.37 million head, but it could drop as feed prices come down and farmers rebuild their breeding stock. The price of pork could move upwards in the following weeks due to lower availability of pork and demand picks up as the weather warms up.
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>R 24.41</td>
<td>-2.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td></td>
<td>Baconer</td>
<td></td>
<td>R 22.00</td>
<td>-0.1%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

In July 2016, the derived import parity price of US barrow and gilt carcasses increased 9.3% y/y to R31.28 a kg, compared to the trend in domestic porker and baconer prices shown in Table 7. If the rand continues to firm in the following weeks, import parity prices could come down in the following weeks.

Dairy

Figure 17 shows the average monthly milk producer price trend (rands per litre).

Figure 17: Average monthly milk prices
Source: Milk Producers Organisation, 2016

Lower milk production persist
Milk production in June 2016 is estimated at 216 million litres, 5.8% lower y/y. Total year-to-date production is approximately 1.38 million litres, 4.9% lower y/y as milk producers continue to face a serious cost-price squeeze. Increases in feed costs continue to outpace the milk producer price. Scarcity of quality roughage due to drought is also contributing to lower production. In July 2016, the milk producer price was around R4.65 a litre, up by 1.1% m/m and 8.1% y/y (Table 8).

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>R 4.30</td>
<td>1.1%</td>
<td>8.1%</td>
</tr>
</tbody>
</table>
In July 2016, the milk-to-maize price ratio was 1.4:1, firmer by 11.9% m/m due to a lower yellow maize price and slightly higher producer price. The ratio was 20.5% weaker than the long-term average of 1.77:1 (Figure 18).

**Figure 18: Milk-to-maize price ratio**

*International dairy prices at the Global Dairy Trade (GDT) Event 170 of 16 August 2016*

**Skimmed milk powder (SMP):** Prices in Oceania are firmer, but not as firm as those of whole milk powder. The EU intervention program is also affecting output and pricing of SMP in Oceania. SMP prices for the September 2016 contract increased 3.8% and the all contract SMP price increased 3%. SMP production in Australia in June 2016 was down 19.3% y/y. For the period July 2015 to June 2016, production was up 5.6% y/y. SMP prices in the EU strengthened slightly. The market is quiet, partially attributed to the continuing holiday factor. Most of the current production is intended for existing contracts. In the EU, SMP manufacturers and sellers have begun discussions about fourth quarter contracts. However, a few have been finalized as each side is exploring market factors.

**Butter:** Prices in Oceania are getting support from firm EU butter prices. Butter prices for the September 2016 contract increased 8.2% and the all contract butter price increased 14.1%. Australia butter production during June 2016 was down 15.7% y/y. Total production for the period July 2015 to June 2016 was down 4.3% y/y. Butter prices in Western Europe are expected to remain firm in short-term. Current demand for new bulk butter transactions is quiet and supplies available for new sales are limited in Europe. There is uncertainty as to supplies and pricing towards the end of 2016, which has both manufacturers and buyers holding back from commitments.

**Cheddar:** Prices in Oceania strengthened as regular customers increase their stock of cheese for later year consumption. Cheddar prices for the September 2016 contract increased 14.4%, and the all contract cheddar price increased 8.9%. Australia cheese production in June 2016 was up 1.8% y/y and up 0.2% y/y for the period July 2015 to June 2016 (International Dairy Foods Association, 2016).
Table 9 shows the price trends (rands per ton) and Table 10 total volumes traded (tons) in onions, potatoes and tomatoes. The vegetable prices represent the national average for all markets and all classes.

**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>2 796</td>
<td>6 522</td>
<td>6 209</td>
</tr>
<tr>
<td>Potatoes</td>
<td>Rand/Ton</td>
<td>2 479</td>
<td>4 462</td>
<td>4 223</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>Rand/Ton</td>
<td>4 846</td>
<td>5 427</td>
<td>4 465</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>34 549</td>
<td>28 499</td>
<td>31 254</td>
</tr>
<tr>
<td>Potatoes</td>
<td>110 313</td>
<td>83 582</td>
<td>86 238</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>26 202</td>
<td>23 354</td>
<td>25 796</td>
</tr>
</tbody>
</table>

**Onions**

In July 2016, the average monthly price of onions trended lower due to improved supply, following a record high in June 2016 that was due to tight supply. This trend could continue in the following weeks. Figure 19 depicts the current price trend.

**Figure 19: Onion prices and volumes**

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

Prices were down in July 2016 as supply has improved since April 2016. Prices could move sideways in the following weeks from a combination of stable supply and good demand. Figure 20 depicts the current price trend.

Figure 20: Potato prices and volumes
Source: DAFF, 2016

Tomatoes

The average monthly price of tomatoes has been trending downwards in the last weeks. This trend is expected to continue in the following weeks due to good availability around late winter. Figure 21 depicts the current price trend.

Figure 21: Tomato prices and volumes
Source: DAFF, 2016

10 Other news and developments

Economy

Inflation figures to due this week
Figures of consumer and producer price inflation are due on 24 August 2016. These figures will be one of the inputs that the South African Reserve Bank (SARB) will use to decide whether to raise interest rates or keep them on hold. Inflation, its outlook and inflation expectations play an important role in the SARB’s monetary policy committee’s interest rate decisions. The committee should meet in September, when the SARB will announce its interest rate decision.

South Africa records another trade surplus
South Africa recorded a trade surplus of R12.5 billion in June 2016 as exports outpaced imports according to data from the South African Revenue Service. This is the second trade surplus in a row, though it is lower than the May 2016 surplus of R18.4 billion. Exports, mainly of vegetable products, machinery and electronics rose in June 2016. Germany, China and the US were the top export destinations.
Retail sales slow down
Retail sales grew 1.7% y/y in June 2016, slowing much more than expected from growth of 4.5% y/y in May 2016. Rising unemployment and high levels of indebtedness are affecting consumer spending and confidence. Lenders are also tightening their lending criteria. Falling consumer spending will negatively affect the economy.

Agribusiness

Pork producers look for export markets
The South African Pork Producers’ Association (SAPPO) is working with the Department of Agriculture, Forestry and Fisheries (DAFF) to gain access to international markets for locally produced pork products. According to Simon Streicher, the Chief Executive of SAPPO, the organisation is looking to export to China, India, Thailand, Philippines, Singapore, and Russia.

Wine grape production comes down
The 2016 wine grape crop is estimated at 1,378,596 tons, 6.7% lower y/y. However, despite the worst drought in decades in many parts of the country, the grapes are expected to be healthy and the concentrated flavours promise good wines. According to Francois Viljoen, manager of VinPro’s viticulture consultation service, the smaller berries will lead to good colour and intense flavour in this year’s red wines. The white wines also appear surprisingly good, with great structure and good flavours.

RCL Foods’ profit drops
Rainbow Chicken Limited (RCL) Foods’ share price tumbled on 18 August 2016 after the company reported that its full-year headline earnings per share could drop to between 95c to 105c from 113.1c in 2015. This outlook was short of market expectations of headline earnings per share of 104c according to analysts. RCL blamed the fall in profit on a R642.8 million impairment charge to its milling business, which it acquired from Food-Corp in 2013. The write-down was due mainly to lower forecasted cash flows as a result of a competitive trading environment. According to RCL, the effect of South Africa’s drought had also put pressure on its sugar and chicken operations, although its other divisions had "performed well."

Policy issues

Calls to reform diesel rebates
There are calls for the government to amend the onerous requirements for farmers to be eligible for diesel rebates. For farmers to be eligible for the rebate, the South African Revenue Service (SARS) insists on detailed record-keeping including purchase and sales invoices and comprehensive logbooks for the storage and use of fuel for each vehicle and piece of equipment. Unsurprisingly, farmers struggle to comply with this level of detail, and many have had their diesel rebates reversed when audited by SARS, and they have been issued with penalties and interest. Before April 2013, SARS could allow 80% of the diesel rebate when records were not sufficiently kept by a farmer, which was deemed sufficient to cover any potential non-eligible activities for which the fuel may have been used. However, this provision was since abolished for most farmers, and they are calling for swift legislative reform that introduces a pragmatic and more lenient approach to diesel rebates so that farmers and other primary industries can fully benefit.
11 Conclusion

Drought persists in many parts of the country. In June 2016, dam levels in all reported provinces were lower than in June 2015, except in the North West Province. The conditions of veld and livestock remain poor to very poor in communal areas but reasonable in other areas. Snowfall was reported in parts of KwaZulu-Natal (KZN), the Eastern Cape and the Western Cape. There were reports of veld fire in the Free State and KZN. Cases of swine fever were reported in the Free State and the North West.

The rainfall forecast for August to December 2016 indicates chances of below normal rainfall over most of the north-eastern parts of the country in spring. The western coastal areas could receive above normal rainfall in early spring. The temperature forecast shows chances of warmer than normal temperatures over the country in spring. There is an indication for below normal temperatures over the western coastal areas, which may coincide with rainfall.

In July 2016, the prices of crop commodities traded lower on a monthly basis mainly due to a firmer rand to USD exchange rate. In the following weeks, the domestic crop commodity prices could maintain a downward trend from a firmer rand and high global availability.

In the following weeks, the price of red meat could trend upwards due to tighter supply and picking consumer demand as spring approaches. The weaner price could move sideways as the yellow maize price could trend lower.

Milk production continues its trend of negative growth as producers continue to face a serious cost-price squeeze as the rise in input costs outpaces that of the producer price.

In the following weeks, the price of onions and tomatoes could trend lower due to good market supply, while the price of potatoes could move sideways as supply stabilises.
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