ECONOMIC OUTLOOK REPORT XIX

Prepared by the Economic Analysis Unit:

AGRICULTURAL ECONOMICS AND CAPACITY DEVELOPMENT DIVISION

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2. EXECUTIVE SUMMARY

Global macroeconomics and local macro economics

International economic outlook remains grim following a marked decline in global growth in the fourth quarter of 2015, as well as a continued moderation in industrial production in the advanced economies. Economic growth in the EU is expected to recover, but to remain below 2% a year. The outlook for many emerging market economies remains weak, with continuing recession in Brazil and Russia. The domestic economic growth outlook has deteriorated further. The growth forecast for 2016 and 2017 has been revised down from 0.9% and 1.6%, to 0.8% and 1.4% respectively. Growth of 1.8% is forecast for 2018.

Livestock outlook

Globally, the forecast for pork imports is raised on expectations of relatively large exportable supplies in the EU and continued strength of the U.S. dollar. South African livestock industry remains vulnerable to the effects of drought. Due to drought and increased culling, beef production is projected to expand further in 2016, rising 13% above the 5 year average while milk production poultry, and pork are projected to decline. The South African egg industry continues to face volatility and uncertainty. Domestic milk intake is projected to decrease with estimates of the 2016 milk production at least 3% lower than in 2015. Indications are that wool yields are set to fall dramatically in 2016.

Horticulture outlook

Across the horticultural subsector, BFAP (2016) expects production volumes to decline, with projections ranging from 5 to 15% for different industries. During December 2015, the total mass of fresh produce received by the 18 markets in South Africa dropped by 3.26% compared to December 2014 while prices went up 30% due to drought. It is expected that the impact of drought on the fresh produce industry will manifest more strongly from mid-February with comparative figures available from April onwards. On a positive note, by 2024, apple production is projected to surpass 950 thousand tons, an expansion of approximately 16% over the 10 year period.

Field crops outlook

The International Grains Council (IGC) (2015) expects world grains production in 2015/16 to exceed 2 billion tons for the third consecutive season. Global stocks are projected around a 29-year high at the end of 2015/16. Another year of expected bumper soybean harvests by the main producers will boost supplies, as world stocks edge up to a new peak. Smaller wheat, maize and barley crops are predicted in 2016/17, but large stocks will cushion the impact of any falls. The expected commercial maize crop is 7 256 million tons, which is 27.11% or 2 699 million tons less than the 9 955 million tons of the previous season (2015), which was also a drought year. The production forecast for sunflower seed is 687 150 tons, which is 3.64% more than the 663 000 tons of the previous season. The expected commercial production of wheat is 1 457 million tons, which is 2.94% less than the 1 501 million tons of the previous

forecast. The production forecast for malting barley is 333 373 tons, which is 2.34 % less than the previous forecast of 341 373 tons. The area estimate for canola is 78 050 ha, with an expected yield of 1.25 t/ha.

3. FOREWORD AND ACKNOWLEDGEMENTS

The Economic Services Unit presents this 19th Economic Outlook to the ARC as a planning resource. The document analyses global and domestic trends in economic and agricultural markets and in related policy, as well as potential impacts of the above on sector performance. Apart from a macroeconomic perspective, it deals with production, consumption, and price trends. A range of projections are provided, based on assumptions about a set of economic, technological, environmental, political, institutional and social factors. International and local publications form the basis of the Outlook. Projections developed by the OECD, IMF, FAO and the World Agricultural Outlook are used. Respected local sources such as SAPA, Absa, BFAP and FNB outlooks are also used. Projections should be interpreted as possible scenarios. The following sources are acknowledged:

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SAPA: South African Poultry Meat Imports: Country Report January 2016

4. MACRO-ECONOMIC INDICATORS

Macro-Economic outlook

The Reserve Bank Monetary Policy Committee (MPC) (March, 2016) report states that the international economic outlook remains challenging following a marked decline in global growth in the fourth quarter of 2015, as well as a continued moderation in industrial production in the advanced economies. This included a slowdown in the US, amid contractions in business fixed investment and exports, and a weakening in consumer spending. The subdued growth is also expected in the Japanese economy following a contraction in the fourth quarter, with only a slightly more favourable outlook for the euro area and the UK.

The OECD-FAO outlook 2015-2025 report states that after two years of a weakening euro, the exchange rate is assumed to appreciate and reach USD 1.37/EUR in 2025. Economic growth in the EU is expected to recover, but to remain below 2% a year. The outlook for many emerging market economies remains weak, with continuing recession in Brazil and Russia. The slowdown in China appears to be broad-based, moderating consumer demand, and lower imports and exports. These uncertain prospects for China remain a source of intense speculation and uncertainty for the rest of the global economy.

South African economic outlook

The domestic economic growth outlook has deteriorated further. Annual economic growth of 1.3% in 2015 was in line with Reserve Bank's expectations, but the forecasts for 2016 and 2017 have been revised down from 0.9% and 1.6%, to 0.8% and 1.4%. Growth of 1.8% is forecast for 2018. On the 17th March 2016, the MPC hiked the repo rate by 25 basis points to 7% per annum. The committee expressed its concern about the weak growth outlook, low consumer and business confidence and the significant upside risk to the inflation forecast.

The committee further acknowledges that although the longer-term inflation outlook had improved slightly, inflation was still expected to remain outside target for an extended period. The forecast period has been extended to the end of 2018, and the forecast average for that year is 5.5%. The Bank targets inflation at between 3% and 6%. Core inflation is expected to average at 6.2% in 2016.

The rand exchange rate had recovered a bit from lows in December and January, where it traded between 16.40 and 16.7 against the USD. The local unit has since appreciated by 4.5% against dollar but "remains in a vulnerable position". The exchange rate was also negatively impacted by the wider-than-expected current account deficit, and its slow pace of adjustment to a depreciated exchange rate.

Consumption expenditure by households increased in the final quarter of 2015 but at 1.6%, "remained at low levels". Month-to-month contractions in retail sales trade growth signal further pressure on consumption expenditure. A more protracted drought, combined with a

weaker exchange rate and restocking of herds, may keep food price inflation elevated for a longer period than currently forecast.

The recent budget provides for a fiscal consolidation path, which sees the deficit declining from 2.6% in 2017 to 2.4% in 2018/19. This is expected to be achieved by a combination of lower expenditure ceilings and tax revenues, which would moderate inflation somewhat by improving SA's credit metrics and confidence in general.

South African Agribusiness

Business Monitor International (BMI) South African Agribusiness report (April, 2016) presents mixed outlook for the South African agricultural market as a whole. It projects that both maize and wheat will be hit by severe drought and the effects of El Nino. BMI does not expect grains to rebound over the course of the forecast period (2013 to 2020). The report furthermore predicts that livestock production and sugar consumption will both embark on a positive trajectory. It is projected that over the medium term, a weak rand, weather volatility and falling farm incomes will exert downward pressures on the market. However, it is also anticipated that economic growth, increasing demand and a higher population with more discretionary spending power will be boosts for growth.

BMI forecast the South Africa Agribusiness Market Value for the period 2013 -2020 to be as per figure 1 below:

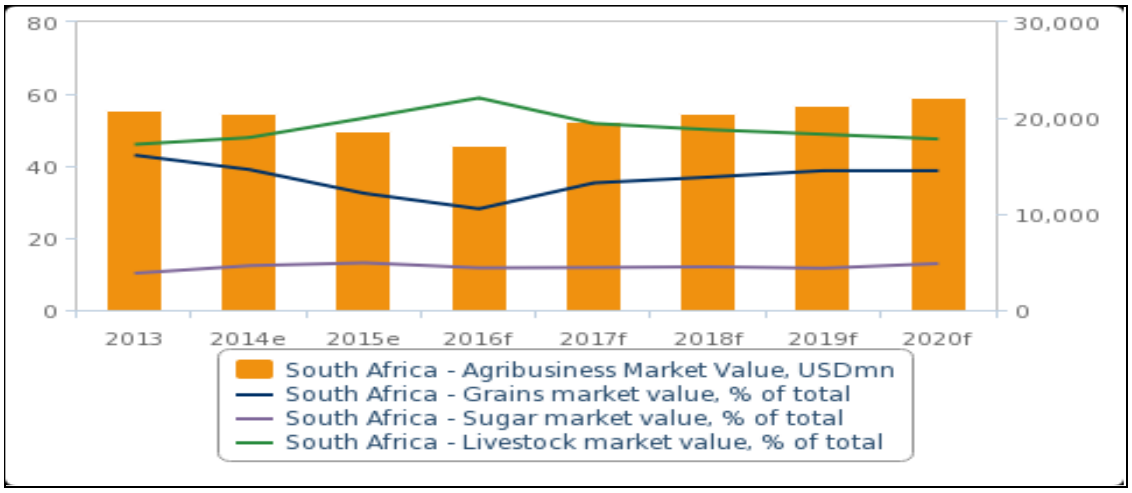

Figure 1: South Africa Agribusiness Market Value

Maize production is expected to take another year of heavy losses in 2015/16 due to severe drought, declining by an additional 25.9% y-o-y to reach 8.0mn tons. This is a view expressed by many agricultural reports. Sugar production is forecast to decline by 20.2% to reach 1.75mn tons in 2015/16, as El Nino and severe regional weather droughts hit output. Poultry production is projected to reach 1.3mn tons in 2015/16, representing a y-o-y increase of 1.2%

while pork production will rise by 2.1% in 2016 to reach 245,000 tons, while consumption will see a rise to 306,000 tons.

The Famine Early Warning System Network (January, 2016) states that most Southern African countries including Zimbabwe, Malawi, Lesotho, Zambia, Swaziland, South Africa, and Mozambique experienced a 30-60 day late start to the season. This has delayed planting and resulted in a significant decrease in planted area across countries. With poor and erratic rainfall as a result of the El Niño, the region is likely to experience significant reductions in crop production in 2016, a situation that will worsen food security during the 2016-17 consumption period.

5. ANIMAL PRODUCTION

In this outlook, we look at the historic and prospect trends in the meat market especially at this time of domestic economic uncertainty and the experienced drought.

Meat Industry overview

"The effect of the drought is also clear in grazing conditions and the impact on extensive livestock industries that depend on grazing has been catastrophic. Unlike the crop sector where production declines in a drought year, beef production tends to increase, as producers cull due to poor or insufficient grazing and high feed costs"(BFAP,2016). BFAP (2016) projects beef production to expand further in 2016, rising 13% above the 5 year average (Table 1). Milk production poultry, and pork are however, projected to decline.

Table 1: Impact of the drought on livestock production, thousand tons

Commodity	**5 year average**	**2016 Normal Weather (BFAP Baseline Aug 2015)**	**Drought Scenario (January 2016)**	**% Change from baseline**
Thousand tons		**% change**		
Beef	664	710	750	6%
Poultry	1 561	1 636	1 612	-1.5%
Pork	196	214	197	-8%
Milk	2 901	3 176	3 102	-3%

Source: BFAP (2016)

Despite the declining contribution of the agricultural sector to the South African GDP, agriculture remains one of the key players in the country's economy. However, the drought shocks caused by El Niño imposed devastating impacts on food security and high food inflation. The recent rains experienced in March brought a temporary sigh of relief as the rain may boost regrowth of natural pastures. However, AgriSA estimated that it would take commercial red meat producers between three to four years to recover economically from the drought.

Table 2: Summary of drought impacts on commodities

Commodities	Current impact of the drought		
	Severe	Moderate	Minimal effect
Maize			
Beef and sheep			
Poultry			
Pork			
Dairy			

Source: AgriSA, 2016

Given the above table, South African livestock industry remains vulnerable to the effects of drought. It can be noted that beef and sheep industries are the ones that are severely affected by the drought as farmers faced less supply of fodder due to poor pasture conditions and water scarcity. Poultry producers are not highly affected by drought and chances of this are quite slim, as poultry producers do not directly dependent on natural pastures or planted pastures for feed but may be affected through feed costs which are mostly grain based. During the drought season, crop yields deteriorate and become expensive forcing livestock to be marketed prematurely at a loss due to insufficient grazing land and high feed prices. This market trend led to a temporary oversupply in the market which normally pressure prices down. It is expected that liquidity in the sector will deteriorate as many farmers experienced livestock losses, constraint cash flow, diminished farm revenues and high operating costs. Internationally, as of 9 May 2016 the new import requirements for livestock exports from Namibia into South Africa will come into effect. The new regulations amongst others stipulate that animals should not have been vaccinated against foot-and-mouth disease (FMD), and stipulate anti-dumping duties. The import ban on pork from US has been lifted increasing competition in the already saturated industry.

Beef industry review

Despite weak global economic prospects, international livestock farmers will continue to benefit from lower feed costs and as a result, beef prices are expected to trend sideways. The 2016 beef production in Australia will drop by 13 % y/y and exports decreasing by 18% y/y boosting demand from competitors such as US and Brazil where production is at rebound. Locally, below normal rainfall has almost depleted natural grazing veld, placing feed supplies for the coming winter season in a risky position. Following recent rains, farmers slowed down on marketing of cattle pushing upward trend in prices as production conditions improved. Based on FNB Agri trends beef futures for June delivery continued to trend above the R40/kg level averaging to R42.60/kg.

Poultry industry review

In South Africa, chicken remains the most popular type of meat consumed and this is evidenced by the high levels of domestic broiler meat production. Rainbow and Astral are the two largest producers accounting for 50% of the market share in the local industry. South African poultry producers will not only face huge margin pressure as a result of record high maize price but also the competition from US imports which are estimated at 650 000 tons per annum. Poultry anti-dumping duties that were imposed on US in the last quarter of 2014 (DAFF, 2014) have been dropped in order to secure South Africa's inclusion in the AGOA trade benefits. The arrival of US poultry in South Africa opened a higher market competition in the industry also marking the end of a 15 year ban on US chicken imports. According to the South African government not only does the agreement secure South Africa's inclusion in the AGOA benefit, in addition, US offered to provide development support for the small farmers through investment, skills development. In January 2016, poultry imports into South Africa totalled 38

736 tons with Brazil as the main exporter at 49.3% of total imports followed by Netherlands, Belgium and the UK respectively.

Eggs and Dairy review

Following last year's highly Pathogenic Avian Influenza outbreaks, the global egg production forecast is raised on increased table egg production as the sector continues to rebuild. In South Africa, the egg industry continues to face volatility and uncertainty because of the rising feed costs, increasing production costs and the need for heightened biosecurity to safe- guard against avian influenza. These are all proving to be major challenges for South African egg producers. Moreover, depreciation of the rand and constrained consumer spending coupled with weak demand and limited export opportunities will affect the industry's profitability. In January 2016 an average of 406 500 cases of eggs was produced per week which is 0.6% decrease from December 2015 and a 0.8% increase compared to last January 2015.

An average of 411 100 cases per week are expected for April 2016. This is an increase of 1.0% compared to the same month of the previous year. It is expected that in April 2016, 72.2% of the spent hens will be from the egg industry and 27.8% from the broiler industry. About 85 758 tons of layer feed is expected to be consumed during April 2016; 1183 tons (1.4%) more than in April 2015. Based on the USDA WSADA report, egg prices are reduced on higher forecast production.

The 2016 global milk production forecast is lowered as a smaller decline in the cowherd is more than offset by slower growth in milk per cow. Fat and skim-solids basis exports are reduced primarily on strong competition in international whey product markets, and exports of a number of other dairy products are facing increased competition.The traditional milk market is shrinking although the dairy ingredient market experience high growth. Based on a report by dairy mail, dairy ingredient market is expected to grow by 3% a year until 2020. In South Africa milk intake decreased by 4.9% from January 2014 to January 2016. According to Milk Producers Organisation (MPO) this trend will continue with estimates of the 2016 milk production at least 3% lower than in 2015.

Pork industry review

South Africa's fresh meat trade is governed by several strict laws, which control the slaughter of meat, the sale of agricultural produce and the labelling of food, cosmetics and disinfectants. Based on the report by global meat news, the South African government recently lifted the de facto ban on US pork welcoming a variety of raw pork for unrestricted sale and further processing. The local producers will be under pressure to compete and share the market with US imports.

Unfortunately many pork farmers are facing financial hardships and feeling the pressure from the rand weakening as production of good quality and high quantity of pork products in these drought conditions is a challenge. Estimations are that, many farmers will struggle to recover from the knock and it is expected that this will have a domino effect on the supply and demand. Hence, it is projected that an increase in pork prices will be unavoidable. Globally,

the forecast for pork imports is raised on expectations of relatively large exportable supplies in the EU and continued strength of the U.S. dollar

Wool and mohair

Indications are that wool yields are set to fall dramatically in 2016. During the last auction, wool prices were once again bolstered by a weaker Rand/USD exchange rate. The drought has had an impact on production volumes which is likely to manifest on future auctions. This is expected to support prices substantially. Severe drought conditions currently also prevail in Tasmania where the best fine-wool in the world is produced.

The 3rd mohair sale of the 2016 summer selling season continued with the good demand. Cape Mohair & Wool (CMW) reports that prices on some finer adults and especially the summer kids were subdued. The CMW average was down with 1.6% with the average market indicator at R245.52/kg. The micron group from 28 micron to 32 micron, experienced excellent demand. Although the weaker currency plays a definite role in the better prices, the market remains demand driven and the demand is mainly from the East. The traditional demand from Europe is still lacking and will hopefully recover towards the second half of the season.

6. HORTICULTURE

"The horticultural sector is predominantly export oriented, with high value crops produced under irrigation. The relative strength of the Rand influences competitiveness in export markets and unless the drought is severe enough to influence the availability of irrigation water and product quality, the price impact tends to outweigh fluctuations in production volume. Given the severity of the current drought, this remains a concern" (BFAP, 2016).

Across the horticultural subsector, BFAP (2016) expects production volumes to decline, with projections ranging from 5 to 15% for different industries. Considering the assumed 32% depreciation in currency value from 2015 to 2016, BFAP (2016) envisages that price impacts are likely to outweigh reduced production volume, provided that quality is sufficient to enter the export market. For individual producers, the profitability impact of higher prices is negated by rising input expenditure, as costs tend to be dollar based and therefore also rise as a result of the weaker exchange rate.

In the last outlook, the horticulture section provided an overview for the vegetable sector and the macadamia nuts industry. It was further shown how the proliferation of the South African supermarkets into Sub-Saharan Africa is assisting in terms of enhancing the growth and expansion of the vegetable industry to the rest of the African continent. In this outlook focus is levelled at the trade patterns of the Apple commodity, with China portrayed as an important emerging market for this commodity.

Impact of drought on fruit and vegetable market in South Africa

"During December the JHB fresh produce market received 107 594 tons of fresh fruit and vegetables. This figure is only 1.1% down from December 2014, but the price per kilogram is escalated by 31.28%. The Tshwane Fresh Produce Market received 54 257 tons of fresh fruit and vegetables, 0.81% up from December 2014 and the price per kilogram escalated by 34.43%. Overall, the total mass received by the 18 markets in South Africa dropped by 3.26% compared to December 2014" (RSA group, 2016). It is expected that the impact of drought on fresh produce industry will manifest more strongly from mid-February with comparative figures available from April onwards. Table 1 illustrates a qualitative analysis of drought on the horticulture sector by BFAP.

Table 3: Drought impacts in the horticultural sector

Table 5: Drought impacts in the horticultural sector Fruit type	**Current harvest 2015/2016**	**2016/2017 harvest**	**2017/2018 harvest**
Stone fruit	Overall smaller size. Fruit quantity is available but smaller individual fruit, hence, lower yields. Sunburn on later-maturing varieties. Earlier varieties are already harvested.	Reduced yield Uneven quality distribution	Reduced yield, but to a lesser extent than previous season. Ceteris paribus, the following season may be "normal".
Pome fruit	Overall smaller size. Fruit quantity is available but smaller individual fruit, hence, lower yields.	Reduced yield Effect more negative than stone fruit, as bearing units/buds are developed two seasons in advance. Uneven quality distribution	Reduced yield, but to a lesser extent than previous season. Ceteris paribus, the following season may be "normal". Effect more negative than stone fruit.
Table grapes	Lower yields "specific gravity" down.	Reduced yield Uneven quality distribution	Reduced yield, but returning to more average levels.
Wine grapes	Lower yields "specific gravity" down. Quality down from previous year as the ratio of Sugar: Acid is impacted negatively.	Decreased yield Uneven quality distribution	Decreased yield, but returning to more average levels.
Citrus	Lower yield expected Quality issues related to sunburn.	Ablactation of flowers/fruit, hence decreased yield	Decreased yield

Source: BFAP (2016)

Overview of the South African Apple Industry

Apples are one of the most important deciduous fruits grown in South Africa, taking into consideration their foreign exchange earnings, employment creation and linkages with support institutions. During the 2012/13 season, apples contributed approximately 36% (R4.8 billion) of the total gross value for deciduous fruits (R13.8 billion) in South Africa. Per capita consumption of deciduous and subtropical fruit in South Africa during 2013 was 24.74 kilograms per year. This represented a 5.6% increase from the 2012 figure of 23.27 kilograms per year.

The South African apple industry is export oriented with approximately half of the apples produced being absorbed by the export market. Majority of South African apples are available in many northern hemisphere countries during their winter and spring seasons. Large multinational companies (Pick ’n Pay and Shoprite) distribute fruits and vegetables across Sub Saharan Africa through their outlets and this helps increase the demand for extra production and purchase of these products.

Local production of apples and consumption patterns

According to BFAP 2015, apple production in South Africa has exhibited a consistently upward trend since 2006 and by 2014, production levels had expanded by 41% from the 627 thousand tons produced in 2006. During this period, the apple bearing area in South Africa expanded by 11% and hence the bulk of the production increase was attributed to yield improvements. Further expansion of pome fruit area remains constrained by climatic conditions, chilling requirements and the availability of water and consequently, apple bearing areas increase only marginally over the outlook period to 2024. Production is projected to sustain an upward trend, as continuous technological innovations such as improved rootstocks and scions/clones, which are proven to be more tolerant to apple viruses and diseases, drive increasing output per hectare. By 2024, apple production is projected to surpass 950 thousand tons, an expansion of approximately 16% over the 10 year period.

According to ABSA Agri Trends, 2015, although the increase in world hectares under apples in 2012 is very modest, productivity continues to increase and it is expected that this trend will continue. From 1996 to 2012, there was an average increase of 4% year on year in production. This growth is mainly driven from China, southern hemisphere countries and the rest of Asia. World apple production grew from 56, 9 million tons in 1996 to 76, 4 million tons in 2012, with the biggest growth in productivity in China. In 2008, the average yield in China was recorded at 12, 8 tons per hectare, compared to 18, 8 tons per hectare in 2012. China is responsible for 48% of the 2013 world production and the rest of Asia for 16%. The production growth in China is, however, mainly offset against its own consumption growth.

In most developed countries consumption is stagnant or declining. In developing countries, however, the trend is the opposite. This is mainly due to positive population growth and growth in the economic well-being of the consumers in these economies. In China, consumption has grown by 17 kg over the past 20 years to the current 23 kg per capita. In Russia, consumption has grown from 5 kg in the early 1990s to 13 kg at present. In Africa, consumption has grown from 0, 26 kg in 1990 to 1, 73 kg in 2011. Apple exports represent 11% of world apple production. The main export markets are Russia, the European Union, Mexico, Canada and the United States. The main exporter of fruit is the European Union, followed by China, the United States and Chile. South Africa is ranked number five and New Zealand number six. Growth in world apple exports over the past five years has been very modest.

The period 2012/13 was one of record production, quality and export, which was followed by an average quality crop in 2013/14, owing to adverse weather conditions. This resulted in an estimated 25% drop in export volumes. With quality problems it is expected that apples for processing will increase substantially in 2014. Owing to a good winter in the major producing areas, especially cold units, a good crop is expected in 2015. Since 2009, hectares under apples in South Africa have been growing constantly by 2% to reach an area of 22 500 hectares in 2013. Of the current hectares, 11% of plantings are three years old and younger. This indicates that supply will continue to increase. In 2000, the area harvested amounted to 1, 54 million hectares compared to 1.58 million hectares in 2010. Southern hemisphere plantings only represent 3% of the world plantings, while plantings in China represent 80%. Between 2000 and 2010, hectares planted in China increased by 8%. World production grew from 16 million tons in 2000 to 23 million tons in 2010. The increased production was mainly driven by China, where production increased by nearly 7 million tons over this period. Although the area planted in China only increased by 8% over this period, production increased by 80%.

Figure 2 shows the trends in the production of Apples since 2004 and further provides projections for the next coming years up to 2020.

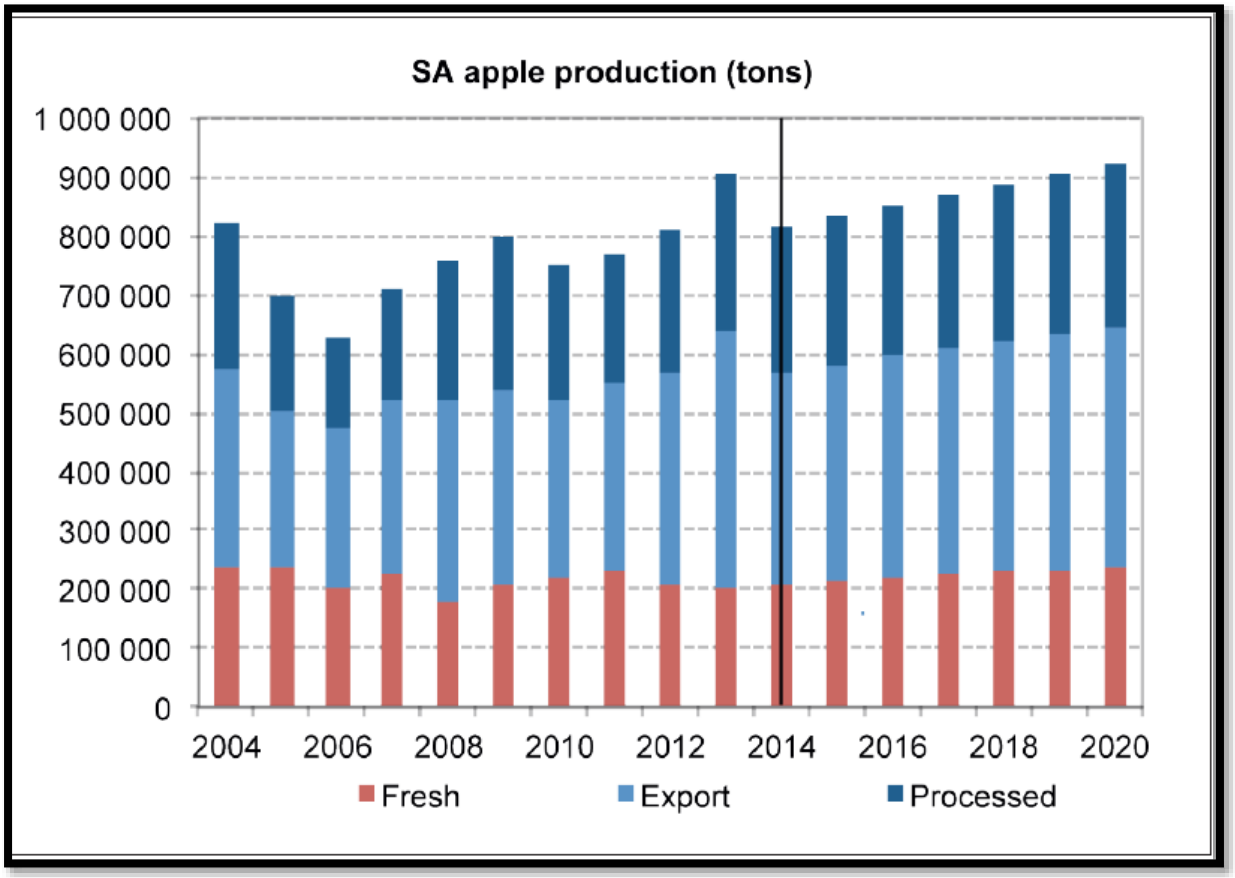

Figure 2: Trends in production of apples in South Africa

Source: ABSA Agri Trends 2015

Apple Exports

Apple exports from South Africa represent 11% of world apple production. The main export markets are Russia, the European Union, Mexico, Canada and the United States. The main exporter of fruit is the European Union, followed by China, the United States and Chile. South Africa is ranked number five and New Zealand number six. Growth in world apple exports over the past five years has been very modest.

The period 2012/13 was one of record production, quality and export, which was followed by an average quality crop in 2013/14, owing to adverse weather conditions. This resulted in an estimated 25% drop in export volumes. Over the past ten years there has been a substantial change in export destinations for SA apples, with Africa emerging as a top destination.
In 2008, 39% of apple exports went to the United Kingdom and 13% went into Africa. In 2013, apple exports to the United Kingdom dropped to 27% of total exports and exports into the rest of Africa increased to 27%. It is expected that this trend will continue. More than 46% of

South African apples are exported, and given the effect of a weaker exchange rate, it can be expected that the price of fresh apples will tend to follow that of exports. In general, prices are expected to continue to improve, gaining support from a weaker exchange rate. Figure 2 presents the trends in exports of South African apples since 2009 with further projections up to 2017 provided.

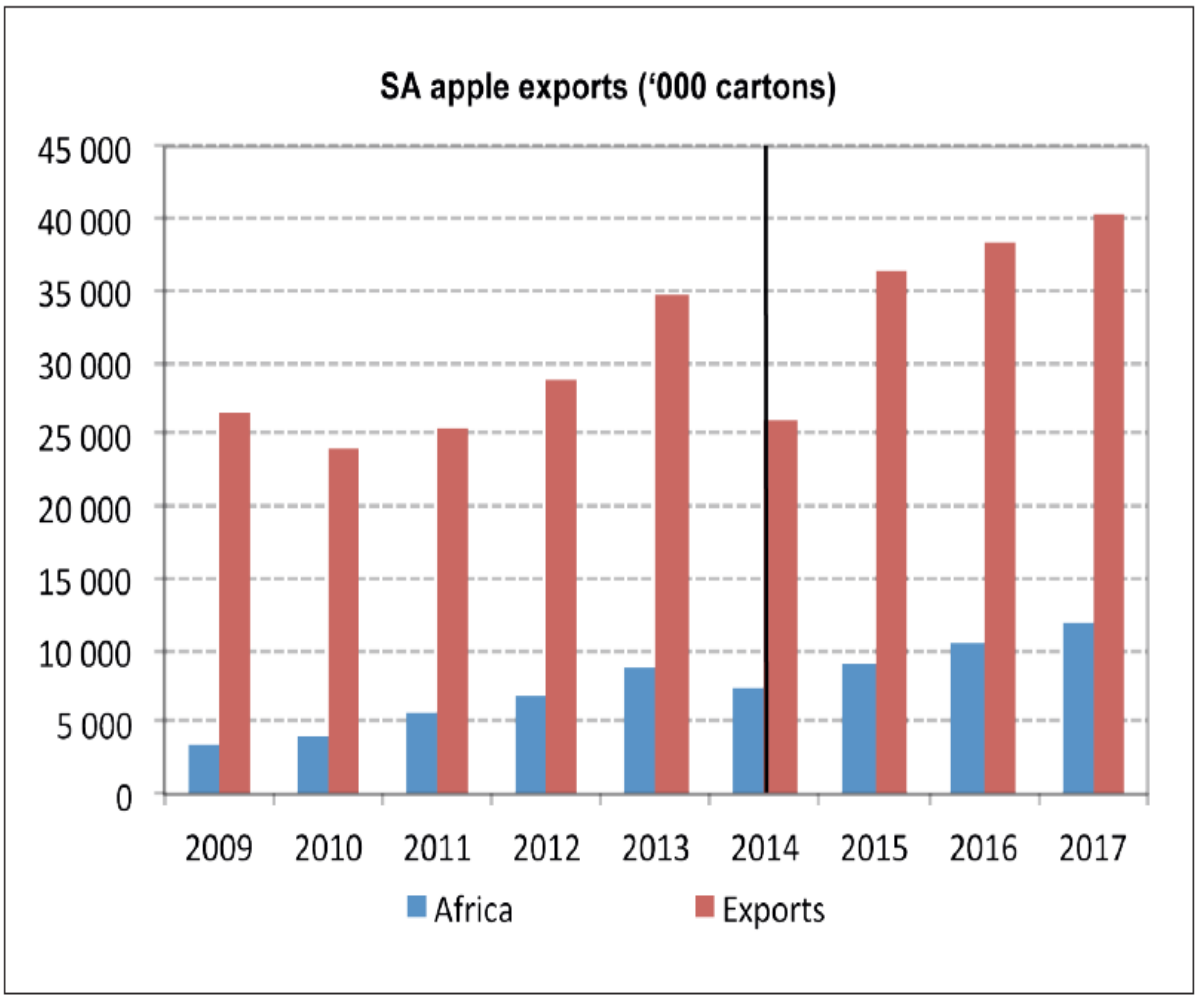

Figure 3: Trends in exports of South African Apples

Vegetable Section

Tomatoes

The weak momentum continued in the tomato market despite the good uptake on markets. The average weekly tomato prices were down 10% w/w and 54% y/y, closing at R4 621 per ton. Volumes of tomatoes traded reached 5 274 tons, up 8% w/w and 47% y/y.
Prices are expected to remain on the downside due to higher volumes.

Potatoes

Potato prices continued to trend firmer supported by good uptake on markets.
Weekly potato prices closed up 6% w/w at R5 901 per ton, which is 81% higher than last year's level. Volumes of potatoes traded came in at 12 925 tons, up 13% w/w and 3% y/y.
It is expected that prices will ease in the short to medium term on seasonal volume pressure as the harvest from the eastern Free State reaches the market.

Onions

The onion market rebounded and trended firmer after weeks of posting consecutive losses. Weekly onion prices were up 13% w/w and 30% higher y/y at R4 085 per ton. Volumes of onions traded were up 22% compared to last week and 12% higher y/y at 8 213 tons.
Prices are expected to trend sideways with limited upside potential due to increased supplies.

Carrots

Carrot prices posted sharp gains on strong uptake on markets. Weekly carrot prices closed at R4 823 per ton, up 13% w/w and 5% y/y. Volumes of carrots traded came in at 1 865 tons, up 4% w/w and 1% higher y/y. It is expected that prices will trend sideways but with limited upside potential given the increased supplies.

Cabbages

In the cabbage market, prices retained the recent uptrend due to supply tightness across most markets. Weekly cabbage prices closed R4 668 per ton, up by 16% w/w and 27% y/y. Volumes of cabbages traded reached 1 044 tons, down 17% w/w and 21% y/y.

In table 4, the summary for movements in prices of vegetables is provided based on statistics derived from the four main National Fresh Produce Markets.

Table 4: Summary for the trends in vegetable prices in South Africa

Vegetable prices: South Africa's Major Fresh Produce Markets. (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)						
Week ending 04 March 2016	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	4,621	-10%	-54%	5274	8%	47%
Potato	5,901	6%	81%	12925	13%	2.8%
Onion	4,085	3%	30%	8213	22%	12%
Carrot	4,823	13%	5%	1865	4%	1%
Cabbage	4,668	16%	27%	1044	-17%	-21%

Source: FNB.2016. Agri-Weekly 04 March 2016.

7. FIELD CROPS

Mainly due to an increase for maize, the forecast for world total grains (wheat and coarse grains) production in 2015/16 is 10 million tons higher m/m (month-on-month) at just over 2billion, down by 2% from last season's record. Nevertheless, because of large opening stocks, total supplies are seen matching the all-time high of the year before. With increased figures for maize and barley feeding, the global grains consumption forecast is raised slightly, to 1 986 million tons, only a small y/y (year-on-year) decline. The all-grains ending stocks projection is lifted by 10 million tons, to 465 million, the most in around three decades. Trade is placed at 318 million tons, up by 3m m/m and only modestly below 2014/15, which was the biggest ever.

The outlook for global soybean production in 2015/16 is slightly changed from January, at 321 million tons, and in line with the previous season's peak. With consumption seen at an all-time high of 321 million tons, the forecast for world inventories is maintained at a record of about 44 million tons, representing fractional y/y growth. Major exporters' stocks are expected to increase by in excess of one-quarter, more than offsetting declines in other nations, mainly in China where some destocking is likely after the large purchases of recent seasons. Global trade is projected to rise only marginally, to a record of 129 million tons. Led by declines for soybeans and wheat, the IGC Grains and Oilseeds Index (GOI) weakened by 3% since the January report.

The International Grains Council (IGC) (2016) raised its forecast for global maize production in 2015/16 by 10 million tons to 969 million, adding to grain stocks which are expected to be at the highest level in almost 30 years at the end of the season. The IGC also forecast for global maize area for the 2016/17 crop would expand by one percent from the previous season. World wheat production in 2015/16 was seen at 732 million tons, up 1 million tons from January estimate.

Local grains

The severity of the drought is clearly evident across the key summer crop production regions, yet its impacts range nationwide. The revised area estimate for maize is 1966 million ha, which is 25.90% or 687 100 ha less than the 2 653 million ha planted for the previous season and also 1.47% or 29 400 ha less than the preliminary area estimate of 1 995 million ha released in January 2016.

The expected commercial maize crop is 7 256 million tons, which is 27.11% or 2 699 million tons less than the 9 955 million tons of the previous season (2015), which was also a drought year. Interesting enough, the current crop of 7 256 million tons is about half of the 2014 crop, when it was 14 250 million tons. The area estimate for white maize is 1 021 million ha, which represents a decrease of 29.51% or 427 300 ha compared to the 1.448 million ha planted last season. In the case of yellow maize the area estimate is 945 000 ha, which is also 21.56% or 259 800 ha less than the 1 205 million ha planted last season. The production forecast of white maize is 3 196 million tons, which is 32.51% or 1 539 million tons less than the 4 735 million

tons of last season. The yield for white maize is 3.13 t/ha. In the case of yellow maize the production forecast is 4 060 million tons, which is 22.22% or 1 160 million tons less than the 5 220 million tons of last season. The yield for yellow maize is 4.30 t/ha.

The revised area estimate for sunflower seed is 687 500 ha, which is about 19. 36% or 111 500 ha more than the 576 000 ha planted the previous season. The production forecast for sunflower seed is 687 150 tons, which is 3.64% or 24 150 tons more than the 663 000 tons of the previous season. The expected yield is 1.00 t/ha.

The outlook for other local summer grain crops was also revised on the back of the drought.

Wheat

The expected commercial production of wheat is 1 457 million tons, which is 2.94% or 44 175 tons less than the 1 501 million tons of the previous forecast, with an expected yield of 3.02 t/ha. During the 2015 production season, most of the country's wheat crop was produced in the Western Cape (697 500 tons or 48 %), followed by the Northern Cape (259 200 tons or 18 %) and Free State (184 000 tons or 13 %) provinces. The area estimate for wheat is 482 150 ha.

Barley

The production forecast for malting barley is 333 373 tons, which is 2.34 % or 8 000 tons less than the previous forecast of 341 373 tons. The area planted is estimated at 93 730 ha, while the expected yield is 3.56 t/ha.

Canola

The expected canola crop remained unchanged at 97 600 tons. The area estimate for canola is 78 050 ha, with an expected yield of 1.25 t/ha.

Maize

Comparing the final calculated crop figures with the numbers set by the CEC during September 2015, the size of the commercial maize crop has been revised upwards at 9 955 million tons, which is 13 350 tons or 0.13% more than the final crop estimate figure of 9 942 million tons. For white maize, the recalculated crop size is 4 735 million tons, which is 0.69% or 32 300 tons higher than the final crop estimate figure, and for yellow maize the recalculated crop size is 5 220 million tons, which is 0.36% or 18 950 tons less than the final crop estimate figure. The 2015 maize crop, which is 9 955 million tons, is the lowest maize crop in South Africa since 2007, when it was 7 125 million tons.

Groundnuts

The area estimate is 23 100 ha, which is 60.17% or 34 900 ha less than the 58 000 ha planted for the previous season. The expected crop is 34 120 tons – which is 45.23% or 28 180 tons less than the 62 300 tons of last season. The expected yield is 1.48 t/ha.

Sunflower

The revised area estimate for sunflower seed is 687 500 ha, which is about 19.36% or 111 500 ha more than the 576 000 ha planted the previous season. The production forecast for sunflower seed is 687 150 tons, which is 3.64% or 24 150 tons more than the 663 000 tons of the previous season. The expected yield is 1.00 t/ha.

Soya beans

It is estimated that 519 800 ha have been planted to soybeans, which represents a decrease of 24.37% or 167 500 ha compared to the 687 300 ha planted last season. The production forecast is 724 600 tons, which is 32.28% or 345 400 tons less than the 1,070 million tons of the previous season. The expected yield is 1.39 t/ha. The soybeans crop was also adjusted upward, from 1 060 million tons to 1 070 million tons, which is 0.96% or 10 150 tons.

Sorghum

The production forecast for sorghum was adjusted downward by 31.21% or 22 000 ha, from 70 500 ha to 48 500 ha against the previous season. The production forecast for sorghum is 93 400 tons, which is 22.49% or 27 100 tons less than the 120 500 tons of the previous season. The expected yield is 1.93 t/ha.

Dry beans

The area estimate is 36 400 ha, which is 43.13% or 27 600 ha less than the 64 000 ha planted for the previous season. The production forecast is 44 095 tons, which is 39.92% or 29 295 tons less than the 73 390 tons of the previous season. The expected yield is 1.21 t/ha.

Cotton industry

Due to the fall in Chinese cotton consumption, China's cotton imports are expected to fall by 40% to 1.08 million tons in 2015/16. According to the International Cotton Advisory Committee (ICAC), Vietnam may overtake China as the largest importer of cotton this season and cotton imports by Vietnam and Bangladesh are forecast to be double that of China in 2015/16. Cotton consumption in both Vietnam and Bangladesh is increasing steadily due to lower production cost

Table: 5: Estimated world supply and demand for cotton for the 2014/15 season and projections for 2015/16 and 2016/17 (seasons beginning 1 August)

(*million metric tons*)	**2014/15**	**2015/16**	**2016/17**
Beginning stocks	20.4	22.2	20.5
Production	26.1	22.5	23.1
Consumption	24.3	24.1	24.1
Exports	7.7	7.4	7.7

Imports	7.6	7.4	7.7
Ending Stock	22.2	20.5	19.5
Ending stock *(China excluded)*	55%	50%	50%

Source: Cotton SA, February 2016

Given the ongoing drop in polyester prices which have cut into cotton's market share, the ICAC projects world cotton consumption to decline by 1% in 2015/16. World ending stocks of cotton are projected by the ICAC to decrease by 7% to 20.5 million tons in 2015/16. This reduction in stocks is attributed to the sharp drop in world cotton production which is forecast down 14% to 22.5 million tons, which is 5.4 million tons less than the record achieved in 2011/12. Adverse weather and increased pest pressure contributed to a 6% decrease in the world average cotton yield. As far as the local outlook is concerned, the first estimate for the 2015/16 production year indicates a total crop of 56 266 lint bales, down 41% from the previous season. South African dry land hectares are down by 80% mainly due to the drought. Subsequently, Cotton SA estimates about 55 366 lint bales to be produced from local grown seed cotton, down 41% from the previous season.

8. CONCLUSIONS

Current food insecurity is already worse than usual in Southern Africa. While April/May harvests are expected to improve food access in the short term for the region, there is still that likelihood that food security may begin deteriorating by July, reaching its peak between December 2016 and March 2017. After drought emergencies have been declared in several provinces in South Africa, it is expected that the planned initiatives to improve productivity in agriculture and measures addressing drought-related challenges especially in rural areas will make a difference.

The problems of prolonged country-wide and regional drought that impacted negatively on both the agricultural and agribusiness environment coupled with South African economy that is not growing fast enough to raise employment or improve average incomes put the country at the crossroad. All these call for investment growth that must be substantially scaled up.

The national average for maize yield is also low at 4.31t/ha compared to 15t/ha that has been achieved in maize variety trials. There is room for improvements. Low national yields for dry beans, sorghum, soybeans, sunflower and groundnuts against fairly good experimental yields mean that farmers face a lot of production side problems that influence the health of plantings and ultimately yields. Prior to the 2014/15 drought, 2013/14 plantings were attacked by nematodes and other forms of soil borne diseases which were not discovered until it was late. Development of technologies that will help in monitoring the health of crops on a real-time basis and better methods of detecting and managing soil borne diseases will go a long way in helping farmers increase their yields. Monitoring the health of plantings on a real-time basis will enable the ARC to provide timely solutions to organised agriculture which should also act as a portal for motivating for further funding.

Technological advances in the area of agricultural R&D has assisted farmers in obtaining higher per capita yield for apples. The relative weaker rand is assisting farmers to obtain higher real prices in exports markets. Exports are expected to normalize in developed countries whereas in emerging economies, there is an expectation of a substantial growth in exports with China seen to be the main driver for this trend in growth. It must be remembered that when these projections were made, the current unprecedented high level of depreciation of the Rand was never anticipated hence with everything remaining constant, more growth than earlier projected can be expected. The ARC needs to invest more in yield enhancing technologies for the apple industry. Considering that Asia and Africa are also emerging as important markets, more research should be channelled towards incorporating the taste and preferences for the consumers in these markets.

Meat production in South Africa continues to exhibit an increasing trend. However, the country remains a net importer of meat and other livestock products. There is scope to increase production. The participation by previously disadvantaged individuals and rural communities is still minimal. The ARC, through its renewed emphasis on smallholder development, should seek to intensify the participation of small holder farmers to contribute towards ensuring both household and national food security.