

**ECONOMIC OUTLOOK REPORT XVIII**



***Prepared by the Economic Analysis Unit:***

***ECONOMIC ANALYSIS UNIT***

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## **1. EXECUTIVE SUMMARY**

### ***Global macroeconomics and local macro economics***

This year, prospects for global growth are weaker with IMF and BMF revising their projected 2015/16 economic growth rates. Meanwhile, further dollar appreciation and depreciation of various currencies across major economies, would make imports more expensive, reduce investments and widen fiscal deficits on countries that are heavily in debt. In China, the recent devaluation of Yuan and weakened economy caused turmoil in global financial markets and the overall global economic environment, given that China is the world's second largest economy and the world's biggest consumer of raw material. The South African currency is among the emerging market currencies that are likely to be affected by the dramatic fall of the Chinese market, mainly due to reduction in the demand for mineral commodities.

### ***Livestock outlook***

There is a rise in global demand for higher-value and quality foods such as meat, eggs and milk compared with food of plant origin such as cereals. Profit margins of livestock producers worldwide particularly in the poultry and pork industries have been under severe pressure, largely due to high and volatile feed prices whilst the demand for meat products has expanded rapidly over the past years. In South Africa, the demand for beef is projected to increase by almost 28 percent through the next decade. In the medium term, a growth of 7.9 percent equivalent to 1.9million tons in poultry consumption is projected.

### ***Horticulture outlook***

Favourable local weather and climatic conditions enable the country to cultivate a variety of fruits and fresh vegetables. During the next three months, vegetable prices are expected to move sideways due to increased supply and demand associated with seasonal effects. Furthermore South African farmers who were brave enough to invest in macadamia orchards years ago are reaping the rewards as the local macadamia industry continues to be a major exporter worldwide.

### ***Field crops outlook***

The International Grains Council (IGC) (2015) expects world total grains production to reach 1,988 million tons in 2015/16 and consumption to reach 1,985 million tons during the same period. Opening stocks for world grains are also expected to be higher than in previous years. In real terms, the FAO (2015) expects prices for all agricultural products to decrease over the next ten years. Locally, plantings for white maize are expected to decline by 45 thousand hectares in the 2015/16 season. The total area under wheat is expected to remain relatively stable in 2015 on the back of support from the variable import tariff. The expected canola crop is 112 000 tons. The area planted is estimated at 93 730 ha, while the expected yield is 3.56 t/ha. Production forecast for soybeans, dry beans and sorghum remained unchanged at 1,042 million tons, 73 390 tons, and 114 700 tons, respectively.

## 2. FOREWORD AND ACKNOWLEDGEMENTS

The Economic Services Unit presents this 18<sup>th</sup> 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 and FNB outlooks are also used. Projections should be interpreted as possible scenarios. The following sources are acknowledged:

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Retail sector in South Africa receives increasing attention: GAIN 2013, South Africa-Republic of retail food

Wool Journal September 2015

### **3. MACRO-ECONOMIC INDICATORS**

#### **Macro-Economic outlook**

Although the global economy is growing, a setback to activity in the first quarter of 2015, mostly in North America, has resulted in a small downward revision to global growth for 2015. IMF adjusted the 2015 global economic growth rate to 3.3 percent despite the anticipated 3.5 percent, which is the weakest rate since financial crisis, and marginally lower compared to the 3.4 percent in 2014. In emerging market economies, the sustained slowdown in growth reflects several factors, including lower commodity prices, tighter external financial conditions and rebalancing in China. Most countries' stock markets were left in tumble when China, the world's second largest economy devalued its currency in order to boost its exports during the country's slow economic growth.

In 2016, global growth is expected to strengthen to 3.8 percent. A gradual pickup of 4.7 percent in advanced economies and a slowdown in emerging market and developing economies is expected. Growth will be driven by the projected improvement in economic conditions in a number of distressed economies, including Russia and some economies in the Middle East and North Africa.

The US oil development and gas station has increased global oil output by 70 percent in the last six years and the expectation that Iran would add significant supply of oil onto the market would result in an oversupply on the market putting oil prices under pressure. BFAP anticipates a large global supply and a decline in oil prices to continue for the rest of 2015 and 2016 resulting in an expected average Brent crude price of \$68 per barrel in 2016 and a slow recovery towards \$115 by 2024.

#### ***Review of the South African macro-economic status***

According to a report by Statistics SA, the local real GDP at market prices fell by 1.5 percent q/q, seasonally adjusted and annualised, during the second quarter of 2015. The decline is a result of the inability of major economic industries to expand output production. Contributions from mining, manufacturing and agriculture fell by 6.3 percent, 6.8 percent and 17.4 percent, respectively. Economic activity in finance and business services reflected a positive growth of 2.7 per cent boosted by an increase activities in financial markets.

A 1.4 percent decrease in unemployment rate has been reported. However, sectors such as Finance, Agriculture and Manufacturing recorded (31 000, 22 000, 23 000, respectively) of job losses compared to Q1:2015 reaching 5.2mil in Q2:2015.

Local headline CPI annual inflation rate in July was recorded at 5 percent and still matches the market expectation. However SARB expects inflation to diverge from the 3 percent to 6 percent target in the first and second quarters of 2016 given expectation of higher electricity tariffs and the depreciating value of rand. Locally, the rand reached its lowest in the beginning of September with JSE recording a R14 / US\$ which is the lowest against major currencies

since 2001. BFAP projects the rand to continue depreciating towards R15.80 to the dollar leading to a hike in food prices.

Though global food prices fell to six-year lows last months, the same is not the case for South Africa. Poor consumers who depend on staple food such as maize, cereals and bread are expected to continue to feel the impact of the drought experienced and the expected food prices increase, adding pressure on their ability to spend. BFAP indicates that in the next decade, the demand for food will not increase at the same rate as it did in the past years.

The SARB indicated that in July 2015, South Africa posted a ZAR -0.40 billion deficit from a downwardly revised ZAR 5.50 billion surplus a month earlier, as exports expanded at a slower pace than imports. Given the depreciation of rand, local commodity prices will be supported, exports are expected to slightly improve the local trade balance. South Africa has been posting trade deficits mainly due to imports of high value added goods while several mining strikes have hurt the export market.

### Overview of the agribusiness

South Africa remains a net importer of major food items such as wheat, rice and palm oil. Statistics SA attributed the sector’s decline to smaller harvest of field crops including maize, sunflower and sugar cane, as well as horticultural products such as citrus subtropical fruit which led to farmers scaling back on production as well as decline in gross income from field crops. BFAP projects the 2015 South African net farm income to decline by 16 per cent; while some recovery will be evident in 2016 due to improved production volume. Figure 1 shows historic and projected trends in Real Farm Income whereby it is anticipated that from 2017 to 2024 real NFI will gradually increase matching the 2014 highs.

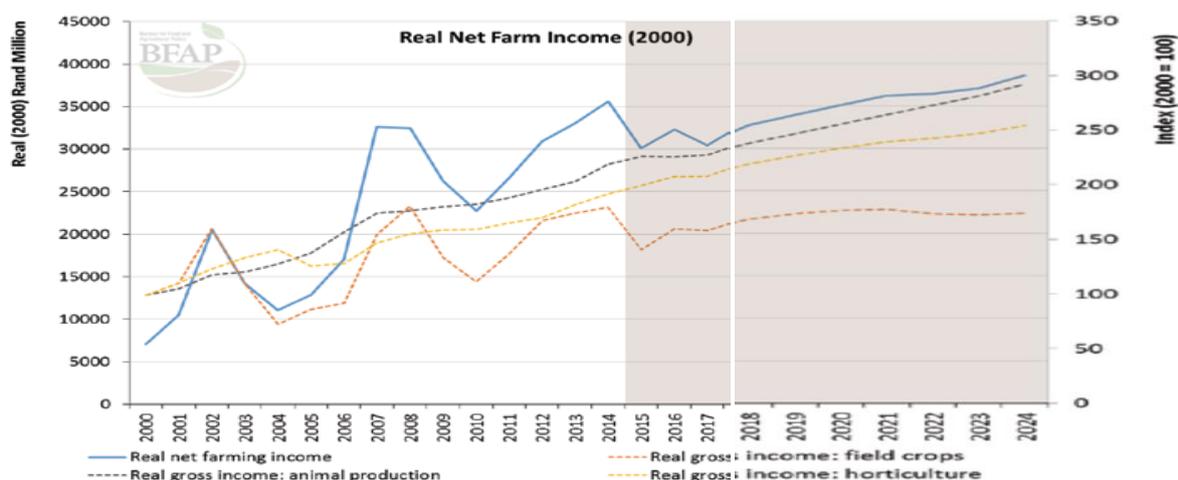


Figure 1: South African historic and projected Real Net Farm Income, BFAP (2015)

The electricity outages threaten the agribusiness sectors, moreover, agriculture, forestry and fishing industry contribution to the local real GDP has declined to 17.5 percent in Q2:2015. According to Land Bank, had the rand value been firmer, the recent decline in fuel prices would have been larger. In the coming years grain production growth is expected to be slow

as maize prices increase in the third quarter as yields will be constrained by the depreciation of rand, weather volatility across the globe. During the next three months dry weather conditions of the European Union might provide additional upward support for wheat prices and this will negatively impact bread prices.

**Food security outlook**

The FEWS-NET report of July to December 2015, indicated that with preliminary production estimates showing regional harvests to be below both last year and five year averages by 22 and 12 percent, respectively, household cereal availability is expected to be more restricted this marketing year than the previous year due to poor 2014/15 rainfall performance.. Nonetheless, South Africa is predicted to be sufficiently able to meet cereal requirements of structurally deficit countries, including Botswana, Namibia, Lesotho, and Swaziland.

#### 4. ANIMAL PRODUCTION

In this outlook, we look at the historic and prospect trends in the meat market especially at this time of global and domestic economic uncertainty and how local market may relate to the dramatic fall in the Chinese share market.

##### *Meat Industry overview*

Based on the report by FAO, there is a rise in global demand for higher-value and quality foods such as meat, eggs and milk compared with food of plant origin such as cereals. These changes in consumption, together with sizeable population growth, have led to large increases in the total demand for animal products in many developing countries, and the trend is expected to continue into the next decade. Figure 2 depicts past and projected meat consumption patterns in South Africa whereby animal production is projected to expand, as well as the share of imports in total consumption.

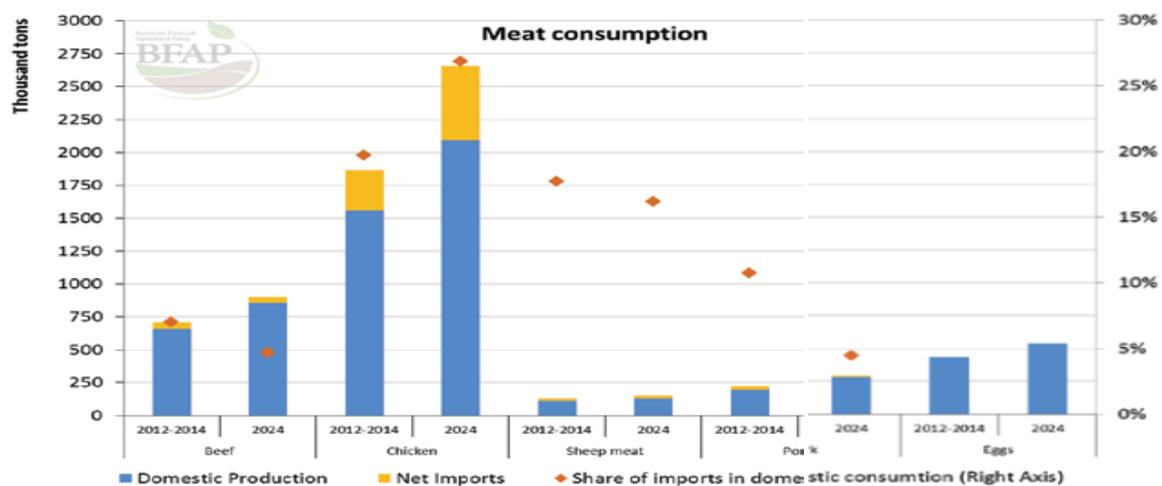


Figure 2: South African meat consumption, BFAP(2015)

Meat consumption in South Africa has expanded rapidly over the past decade while continued growth in consumption is projected in the coming decade. Even so, the South African meat industry remains a net importer of meat products and the weakening of rand will increase the cost of imported meat, aiding competitiveness in the market by supporting domestic prices.

##### *Beef industry review*

World beef prices are projected to start a downward cycle from 2016, declining steadily to 2020 as the impact of inventories becomes evident in the market. The 2015/16 beef production in United States is expected to increase which should pressure prices in the medium term. In South Africa the demand for beef is projected to increase by almost 28per cent through the next decade, reaching R57/kg and an additional 200tons of beef consumptions by 2024 (BFAP,2015). Based on the FNB Agric Trends, to improve the local grazing conditions, early rains are needed to kick start pasture regrowth as most areas remain

dry and prices are expected to follow the normal seasonal trend of a rebound as demand increases.

### ***Poultry industry review***

Due to high beef prices in the domestic market, poultry remains the affordable animal protein yet the industry is still dominated by imports from Europe and Brazil. Locally, in the medium term, BMI anticipates a growth of 7, 9 per cent to 1,9mn tons in poultry consumption while ABSA projects that the demand for poultry will increase in the second half of 2015 due to the increase in growth in the industry. In addition South African Poultry Association expects broiler producers to experience a rise in input prices through 2015 due to drought experienced in 2014/2015 summer season and the weakening of rand. FNB projects that domestic prices will remain under pressure in the short term due to increased stocks and general weakness in the local economy.

### ***Eggs and Dairy review***

Despite the global economic slowdown, the domestic egg market grew rapidly in recent years. However, BFAP suggests that the pressure of high feed costs and other input costs resulted in the domestic egg market being rather volatile. In July 2015, an average of 408 800 cases was produced per week which is a 0.4 per cent increase from June and 2.3 per cent compared to July 2014. Consequently, egg production is expected to increase by 1.3 per cent, approximately 409 000 cases per week starting in October 2015.

Even with the volatility in the market, South Africa's milk industry has seen the highest production since 1983 during the first seven months of 2015, a 10 per cent year-on-year increase in milk production. The July 2015 production was 6. 9 per cent higher than July 2014, given normal market growth, this resulted in oversupply since June whereby exports exceeded imports by 11 million litters. However, MPO posits that, lower producer prices announced by major milk processors and the possible increase in feed prices will lower the milk: feed ratio to below the long-term average of 1.3:1, affecting milk production growth negatively.

### ***Pork industry review***

China is the leading consumer and producer of pork. ABSA posits that, the surprising drop of the Chinese hog and sow herd will impact the entire global pork market for the remainder of 2015 and into 2016. In addition, the 2015/16 pork production in United States is expected to increase which should pressure prices in the medium term. Domestic pork prices are expected to start following an upward trend until the end of the year after months of lower prices in line with seasonal trends.

### ***Wool industry review***

The overall world wool production is expected to reach 108.7million tons, down 9 percent y/y as a result low of production in Brazil and Pakistan. Based on the September wool journal,

uncertainties in the global economy and the slowdown in China's economy may lead to volatility in various industries which supply China, including the wool industry. China plays a significant role in trade of wool, whereby the country's imports of raw and semi-processed wool has helped boost raw wool prices in the supplying countries, with South Africa being amongst the top five major exporting countries. However, as a result of the anticipated large Yarn stock from the fall of China's exports, FNB lowered the previous estimates on global consumption. Locally, Standard Wool SA, Lempriere SA and G Modiano SA remain the major wool buyers to date with 27.4 per cent, 25 per cent and 9.5 per cent share, respectively. As mentioned earlier, current weakening of rand against major currencies of trading partners will supports local price increases as South Africa generally exports its wool.

**Table 1: World wool export**

Mkg	Month	% change	Year to date	% change.	Major destinations	Trends for calendar year to date
Australia	25.2	+0.2 %	216.2	+17 %	China, India, Czech Rep, Italy, Korea	China, Korea, Czech Rep up; India down, Italy flat
NZ	13.1	+6%	101.9	+6 %	China, Italy, UK, India, Germany	China up; Germany, Italy UK & India down
Argentina	2.2	-34 %	26.6	+8 %	China, Germany, Italy, Peru, Mexico	China and Peru up; Germany, Italy, Mexico down
South Africa	0.9	+395 %	26.5	+11 %	China, Czech Rep, Italy, India	China up; Italy, Czech Rep and India down
USA	0.62	-18 %	4.67	-14 %	China, India	China up; India and other destinations down

Source: Wool journal, September (2015)

## **5. HORTICULTURE**

In this outlook, focus is given into the South African vegetable Industry (i.e. fresh produce and preserved). The main focus is given to consumer expenditure trends in previous years and projections into the future and the role played by supermarkets in growing the vegetable market. This report also provides an overview of the macadamia nuts industry as a growing important crop, which South Africa is reported to be the largest producer worldwide.

### ***Overview of the South African vegetables Industry***

The South African vegetable industry plays an important role in providing vegetables for the local market as most of the vegetables are sold locally. It also contributes significantly to vegetable supply to other African countries. Weather and climatic conditions enable the country to cultivate a variety of fresh vegetables which plays a vital role in quality and lifespan of most produce. South Africa is responding to expanding domestic demand producing potatoes, tomatoes and onions in large volumes. This demand is, according to PMA, derived from the increasing number of middle-class consumers in Southern Africa, along with consumer preferences towards healthy products.

According to GAIN (2013) South Africa sells its vegetables through fresh produce markets and export channels. 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 consumption and expenditure patterns***

According to PMA 2014, local fresh food consumption is very high and expected to grow with vegetables' expenditure growth because of increasing health awareness, quality standards dictated by retailers. With increasing health awareness, consumers are upping their intake of meat, fruit and vegetables. According to DAFF (2014) expenditure on fruits and vegetables increased by 2.9 per cent compared to the 2.7 per cent increase on meat. The world fruit and vegetable market is expected to exceed \$735 billion by 2015, representing 25 per cent growth over five years. In previous years, vegetable expenditure has experienced significant growth with South African consumer expenditure on vegetables higher when compared to expenditure on fruits.

### ***Consumer preference for vegetables***

According to GAIN 2013, South Africa produces various agricultural products of world class high quality for export, but continues to offer window for opportunities for imports. Modern Economic conditions have a large influence on the market in terms of agricultural production, consumer wealth and spending on all products including fresh food. South Africa seems well on track with strategies to meet the targeted economic growth in future vegetables trends. PMA suggests that, healthy eating drives vegetable purchase. Figure 3 shows that between 2008 and 2018, fresh vegetables are expected to have a 2 per cent volume growth which is 2100 tons in total volume.

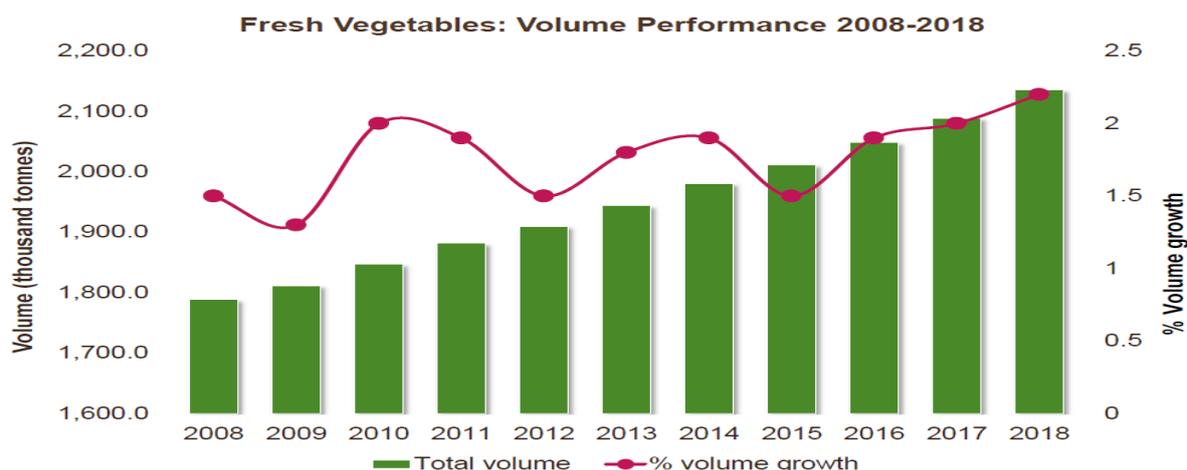


Figure 3: Estimated purchase on fresh vegetables Source: Produce Marketing Association, 2014

Consumer preference for fresh vegetables is higher than for canned/preserved vegetables and it is expected to increase more than processed vegetables due to growing awareness of healthy eating (Figure 4). The demand for ready-made nutritious food is led by urban consumers with more income and less time. Their lifestyle creates demand for quality and convenience products.

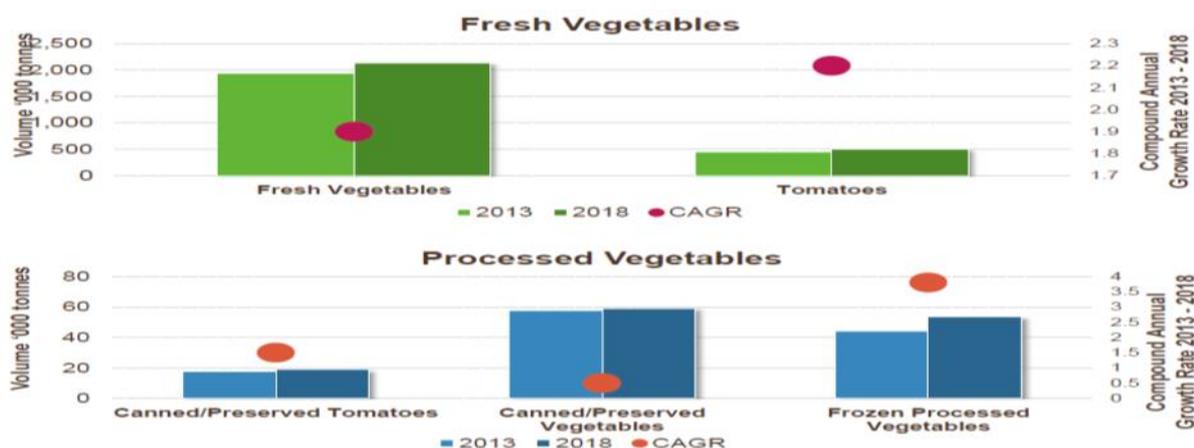


Figure 4: Projected consumption trends on fresh vegetables compared to process, PMA 2014

### Overview of the macadamia nuts industry

Macadamia nuts have been farmed in South Africa for some time but the industry is relatively new in terms of its life cycle. The north-eastern provinces of Limpopo, Mpumalanga and Kwa Zulu Natal are predominantly the areas producing the nuts due to their warm climatic conditions that favour the production. The production contributes more than 45 000 tons of the world's macadamia production.

Table 2: Global production of macadamia nuts

PRODUCERS	2010 (tons)	2012 t	2013 t	2014 t	2015 (est.)
AUSTRALIA	35 500	27 800		40 000	46 000
SOUTH AFRICA		34 946	37000	43 000	48 000

Source: Farmers Weekly, May 2015

Output of 48 000 tons production is projected for the year 2015. Table 2 above shows the world's production on macadamia nuts during the last four years, indicating that prior 2011 Australia was the globe's leading macadamia producer and South Africa's biggest competitor followed by Kenya and Hawaii. In the past season, South Africa's production increased by 20 per cent when compared to the previous season. The local harvest has reached a phase of exponential growth as the orchards reached maturity, which has resulted in greater returns. The current growth trend is expected to continue for at least the next 5 to 7 years which should put the domestic industry in a good position to meet the growing demand for macadamia nuts from Asia.

### ***Threats and opportunities in the industry***

China is one of the biggest importers of South African macadamia nuts and South African producers, processors and marketers have steadily increased their exports to China by 50 per cent. According to the African Commodity report, the South African macadamia nut industry is faced with a situation whereby 50 per cent of the country's harvest for 2015, destined for China may have to find other markets. As a result of Chinese government cracking down on corruption in the importation of agricultural products, this will leave farmers with high levels of carry over stock. Due to poor weather conditions over the past years, the Australia industry production dropped. Meanwhile Hawaii discontinued its world market supply where more than 20 000 tons of macadamia nuts from the world market are removed opening an opportunity for increasing South African market share. This will have an impact on the current inflexibility of the world's prices of nuts.

## **6. FIELD CROPS**

The International Grains Council (IGC) (2015) expects world total grains production to reach 1,988 million tons in 2015/16 and consumption to reach 1,985 million tons during the same period. Total global wheat production is projected at 720 million tons whilst maize, rice and soybeans will be 968, 479 and 318 million tons, respectively, in 2015/16. Opening stocks for world grains are also expected to be higher than in previous years. Reports of worse than anticipated drought damage in the EU and Ukraine for maize and spring wheat in Canada are behind the IGC's decision to lower estimates for total world grains. In real terms, the FAO (2015) expects prices for all agricultural products to decrease over the next ten years, as production growth, helped by improvements in productivity growth and lower input prices, overtakes slowing demand increases. Global wheat prices continued to slide during 2015, as world wheat production reached a new record. Whilst output from exporting countries such as the USA and Canada declined during 2015, significantly larger crops produced in the EU, Russia, Ukraine, Argentina, Brazil, China and India provided a counterbalance to the reduction, resulting in surplus production. Global wheat stocks in 2015 were calculated at 28.1% of global demand compared to 26.8% in 2014.

The weakening of the Rand against major currencies continues to bring in some opportunities and a lot of risks for agricultural production and trade. Keeping in mind that most of South Africa's agricultural inputs (whether fuel, fertiliser, seed, or implements etc.) correlate strongly with the Rand/Dollar exchange rates, the weakening South African Rand is expected to weigh heavily on agricultural input costs. Further, gains made from the decline in the international price for Brent Crude and fertilisers were eroded by the weakening Rand. Lower parity prices are expected to continue to induce significant decreases on local commodity prices. On the positive side, however, the weakening Rand will support commodity prices for export oriented agricultural producers.

Overall, BFAP expects the turbulent macroeconomic environment to add a great degree of uncertainty going forward. This will come mainly through its impacts on commodity prices and the cost of key inputs, severe weather conditions, as well as political and policy influences in agricultural markets.

### ***Local grains***

South African maize producers planted approximately 100 thousand hectares less white maize and 68 thousand hectares more yellow maize in 2015 relative to 2014. Total maize plantings declined by 1.3 per cent in 2015. The effects of the 2014/15 drought continued to be felt in the form of disappointing yields, together with reduced area planted to white maize which resulted in a decline of 39 per cent in white maize production, reaching merely 4.7 million tons, in 2015. BFAP expects a further decline in area harvested for white maize from 2015 to 2023. Plantings for white maize are expected to decline by 45 thousand hectares in the 2015/16 season. Prevailing market prices will be insufficient to offset the loss in yields

incurred during the 2014/15 season. Area harvested for yellow maize is expected to decrease in 2016 and 2017, thereafter it will increase till 2023 (Figure 5). In spite of the drought conditions, South Africa remains a net exporter of white maize. This is because the demand for white maize produced in South Africa by countries such as Lesotho, Swaziland and Mozambique, has come to be regarded as part of the South African white maize market.

BFAP observes that the prevailing 2015 white maize price draws from concerns related to the domestic supply. Prices have not increased sufficiently to allow for white maize imports from Zambia, which represents the only currently available source of surplus. BFAP expects the production of white maize to pick up to 6.9 million tons if normal trend yields are obtained, in 2015/16. And expects maize prices to move closer to export parity levels.

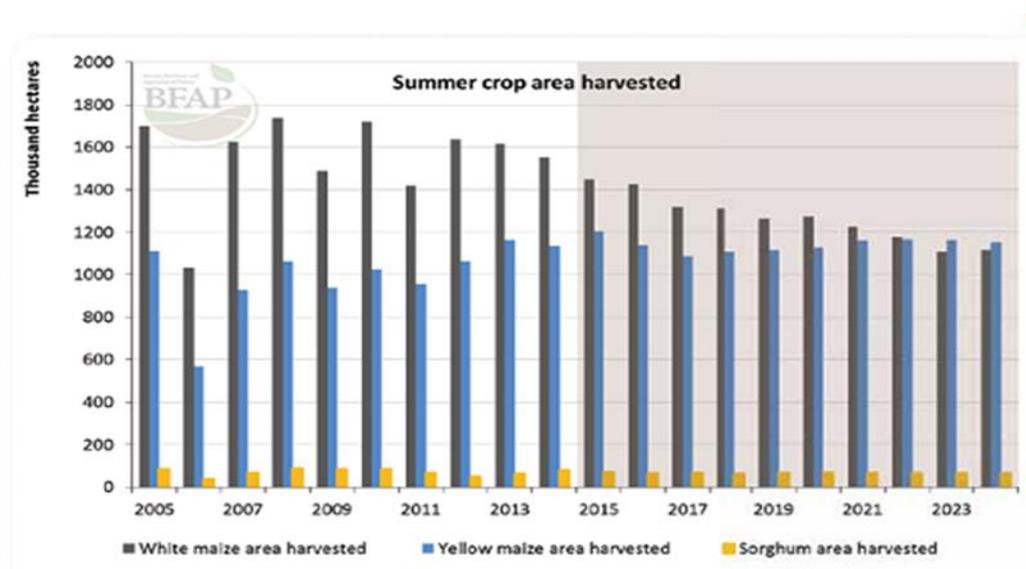


Figure 5. Summer grains area harvested, BFAP (2015).

The total area under wheat is expected to remain relatively stable in 2015 on the back of support from the variable import tariff. The wheat import tariff comes into play if world prices drop below the US\$294 mark. Over the longer term, wheat area in the winter rainfall areas (Western Cape Province) is expected to decline by approximately 40 thousand hectares as farmers switch to canola - in what is considered to be a more sustainable crop rotation system. BFAP further expects area in the winter rainfall region to consolidate around 265 thousand hectares by the end of the baseline period (Figure 6). Worth noting is that within the summer rainfall regions, wheat planted under dryland conditions has been declining for several seasons and is expected to stabilize around 65 thousand hectares over the next decade. Soil moisture levels and relative profitability to summer grain crops will determine the extent to which producers increase plantings above the current projected levels. As a result, BFAP expects the wheat area under irrigation to remain relatively stable with most of the hectares being planted in a double cropping system. Northern irrigation areas will face more stiff competition from barley due to the expansion in malting facilities in Alrode.

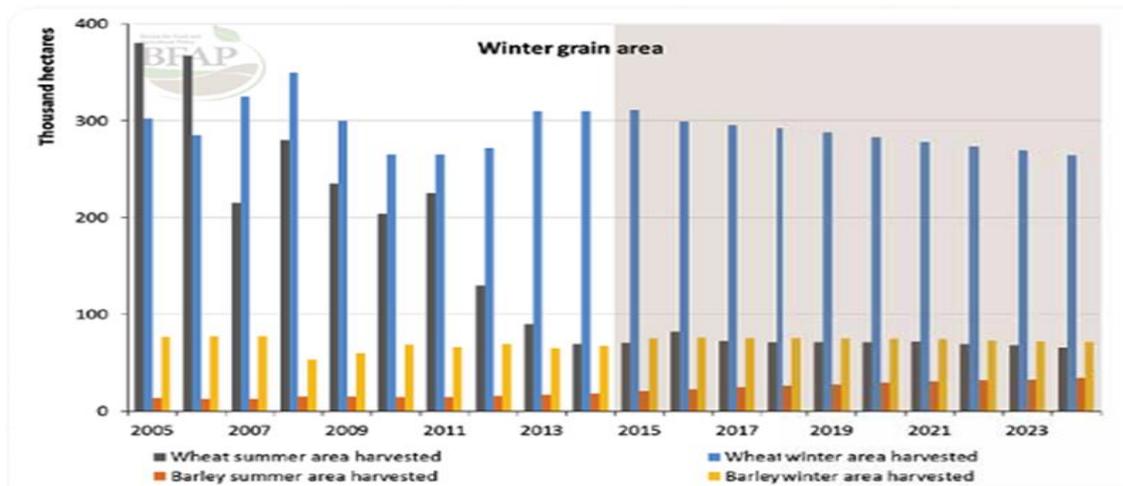


Figure 6. Winter grains area planted, BFAP (2015).

BFAP notes that since the wheat market is well-stocked, international prices declined during 2015 and are projected to remain under pressure in the short term. The price of USA Hard Red Winter wheat is expected to stabilize at approximately US\$235 per ton in 2016 and 2017, before finding support from consolidated production and higher demand from 2018 onwards. The outlook for other local summer grain crops was also revised on the back of the drought. Soybeans output decreased by 1 per cent year on year whilst sunflower, dry beans, groundnuts and sorghum output has also been negatively impacted.

### Wheat

The total area under wheat is projected to remain relatively stable in 2015 on the back of support from the variable import tariff that comes into effect when world prices drop below the US\$294 mark. Despite a decline in international wheat prices, BFAP expects the average SAFEX wheat price to rise above R3800 per ton in 2015, an increase of almost 6 per cent from 2014 levels.

The CEC expects wheat production to be at 1,691 million tons, which is 3.37 per cent or 59 025 tons less than the previous seasons' crop of 1,750 million tons. Expected yield is 3, 54 t/ha. Production in the Western Province will account for 51 per cent of the local wheat crop at 859 375 tons. This is 39 625 tons lower than the 899 000 tons produced in the previous season. In the Northern Cape, 270 000 tons (16 per cent) is expected to be produced. In the Free State, the expected production is 240 900 tons (14 per cent), which is 4 600 tons less than the previous seasons' crop of 245 500 tons. The area estimate for wheat was revised to 477 650 ha, which is 650 ha less than the 478 300 ha of the previous forecast. An estimated 312 500 ha or 65 per cent is planted in the Western Cape, 73 000 ha or 15 per cent in the Free State and 36 000 ha or 8 per cent in the Northern Cape.

### Barley

The production of malting barley is expected to increase by 10.61 per cent from the previous forecast on the back of improvements in plantings in the Northern Irrigation areas. The CEC's

forecast for malting barley is 334 033 tons, which is 32 033 tons more than the previous seasons' crop of 302 000 tons. The area planted is estimated at 93 730 ha, while the expected yield is 3.56 t/ha.

### **Canola**

The expected canola crop is 112 000 tons. This is 7.44 per cent or 9 000 tons less than the previous seasons' crop of 121 000 tons. The area estimate for canola is 80 000 ha, with an expected yield of 1.40 t/ha.

### **Maize**

The expected commercial maize crop has been adjusted upwards by 0.8 per cent or 83 200 tons to 9,838 million tons. The area estimate for white maize is 1,448 million ha and for yellow maize it is 1,205 million ha. The CEC estimates the maize crop at 9,665 million tons. The production forecast of white maize remained unchanged at 4,650 million tons. The yield for white maize is 3.21t/ha. In the case of yellow maize the production forecast increased by 1.6 per cent or 83 200 tons to 5,189 million tons. The yield for yellow maize is 4.31 t/ha.

### **Groundnuts**

The CEC expects an improvement in groundnut output since the last forecast. The new forecast puts the groundnut crop at 66 225 tons, which is 2.39 percent less than the 67 845 tons of the last forecast. For groundnuts, the area estimate is 58 000 ha and the expected yield is 1.14 t/ha.

### **Sunflower**

The production forecast for sunflower remained unchanged at 656 800 tons, against the previous forecast. The area estimate for sunflower seed is 576 000 ha. The expected sunflower yield is 1.14 t/ha.

### **Soya beans**

The CEC expects the production forecast for soybeans at 1,042 million tons, which is similar to the previous forecast. It is estimated that 687 300 ha have been planted to soybeans, with an expected yield of 1.52 t/ha.

### **Sorghum**

The production forecast for sorghum remained unchanged at 114 700 tons, against the previous forecast. The area estimate for sorghum is 70 500 ha and the expected yield is 1.63 t/ha.

### **Dry beans**

The CEC's production forecast for dry beans remained unchanged at 73 390 tons, as the previous forecast. Consequently, the area estimate for dry bean is 64 000 ha and yield are expected yield of 1.15 t/ha

## 7. CONCLUSIONS

The recent turmoil in financial markets and the struggling Chinese economy could combine to hit global economic growth this year. It is said emerging economies reliant on the sale of oil and basic commodities would be especially vulnerable to a decline in trade with Beijing. This state of affairs require that the country seeks ways to avert or reduce adverse effects of the turmoil on its economy. Despite the drought spell, South Africa is able to meet its food security demands and the cereal requirements of the structurally deficit countries. Food security conditions are expected to deteriorate and households in Zimbabwe, Malawi, Lesotho, and Madagascar are expected to be in crisis food insecurity phase from October through December, in the absence of external assistance. Most households in the drought-affected parts of Zimbabwe, Malawi, Botswana, Lesotho, Swaziland, and Namibia will rely on market purchases from July through December due to very little or no harvests.

The production of summer and winter grains is expected to pick up in 2015/16 on the back of an improvement in weather conditions. However, average yields for most summer grains are expected to continue to be below 1.6t/ha. 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 downsides 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.

According to ARC researchers, investment in vegetable research at ARC has been declining over the years and the institute has been active in only four commercial vegetable crops. It is recommended that investment in commercial vegetable research be increased at the institute. This would go a long way in increasing and improving food production and from this, food security in the country, given the expected future growth in the population. The growing demand for convenience food, expected long term economic expansion, rising middle class, and changes in consumer preferences, has resulted in the expansion of the supermarket retail sector

Meat production in South Africa continues to exhibit an increasing trend. However, the country remains the net importer of meat and other livestock products. There is scope to increase production. The participation in livestock markets 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.