

# MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: SEPTEMBER 2008

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**agriculture**

Department:  
Agriculture  
REPUBLIC OF SOUTH AFRICA

Enquiries: Marda Scheepers or Queen Sebidi

Directorate: Agricultural Statistics

Tel: +27 12 319 8033/8164

Tel: +27 12 319 8031

Email: [MardaS@nda.agric.za](mailto:MardaS@nda.agric.za) or [QueenS@nda.agric.za](mailto:QueenS@nda.agric.za)

# Contents

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<b>1.</b>	<b>Highlights</b>	<b>3</b>
<b>2</b>	<b>Weather conditions</b>	<b>4</b>
2.1	Rainfall for July to September 2008	4
2.2	Rainfall forecast for the period October 2008 to March 2009	4
<b>3.</b>	<b>Grain production</b>	<b>7</b>
3.1	Summer grain crops	7
	<b>3.1.1 Crop forecasts</b>	<b>7</b>
<b>4.</b>	<b>Cereal Balance Sheets</b>	<b>11</b>
4.1	Winter cereals	11
	<b>4.1.1 Discussion of 2007/08 food security situation</b>	<b>12</b>
	<b>4.1.2 Discussion of the projected 2008/09 food security situation</b>	<b>13</b>
4.2	Summer crops	14
	<b>4.2.2 Discussion of the 2008/09 food security situation</b>	<b>15</b>
<b>5.</b>	<b>Market information</b>	<b>17</b>
5.1.	Consumer Price Index (CPI) and CPI excluding mortgage rates (CPIX)	17
5.2	Producer Price Index (PPI)	18
5.3	'War on Poverty' campaign	19
5.4	Futures contract prices	20
5.5	Agricultural machinery sales	20
<b>6.</b>	<b>Acknowledgements</b>	<b>21</b>



# 1 Highlights

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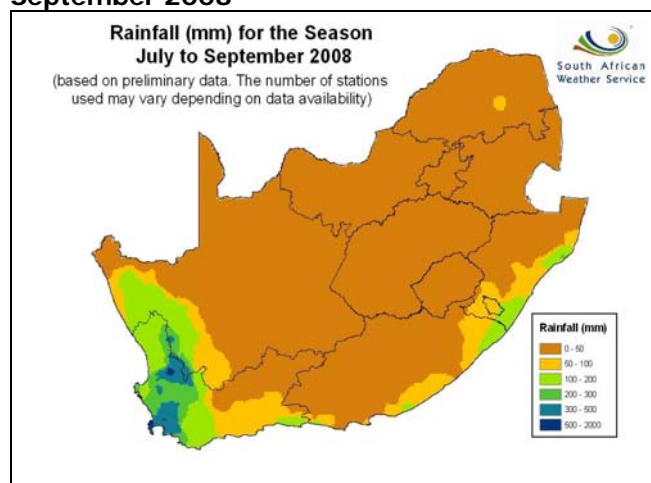
- According to the South African Weather Service for the period July to September 2008, rainfall occurrences were restricted to the coastal areas, especially in the Western Cape.
- The size of the commercial wheat crop for the 2008 production season is 2,187 million tons, which is 14,78% more than the 1,905 million tons of the previous season.
- Wheat imports are estimated at 1,3 million tons during the current 2007/08 marketing season.
- Projections for the 2008/09 marketing season indicate that South Africa will have a surplus of 603 000 tons of wheat at the end of September 2009.
- Projections for the 2008/09 marketing season indicate that South Africa will have a surplus of 2,454 million tons of maize at the end of April 2009.
- Maize exports are projected at 1,550 million tons during the current 2008/09 marketing season.
- The headline inflation rate for August 2008 (i.e. the Consumer Price Index for the historical metropolitan areas for August 2008 compared with that in August 2007) is 13,7%. The annual change in CPIX, the monetary policy inflation target measure, was 13,6% for August 2008.
- The year-on-year increase in the headline PPI in August 2008 was 19,1% (i.e. the PPI in August 2008 compared with that in August 2007).
- A total of 505 tractor units were sold during August 2008, which is virtually the same as the 504 units sold last year in August.
- The 'War on Poverty' campaign was announced during August 2008 by Cabinet.

## 2 Weather conditions

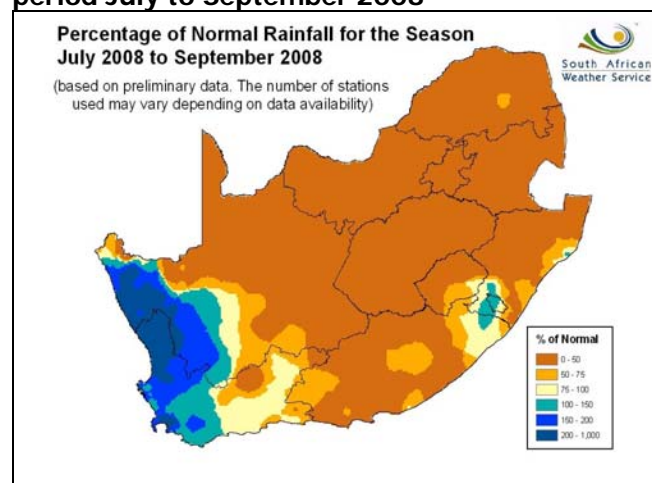
### 2.1 Rainfall for July to September 2008

According to the South African Weather Service for the period July to September 2008, rainfall occurrences were restricted to the coastal areas, especially in the Western Cape. The central and eastern parts of the country remained dry for the mentioned period, but some good rainfall amounts are needed to boost the soil moisture levels as the planting season approaches. September, which usually signals the start of the summer rainfall season has been characterised by isolated rainfall occurrences in the central parts of the country.

**Figure 1: Total rainfall for period July to September 2008**



**Figure 2: Percentage of normal rainfall for the period July to September 2008**

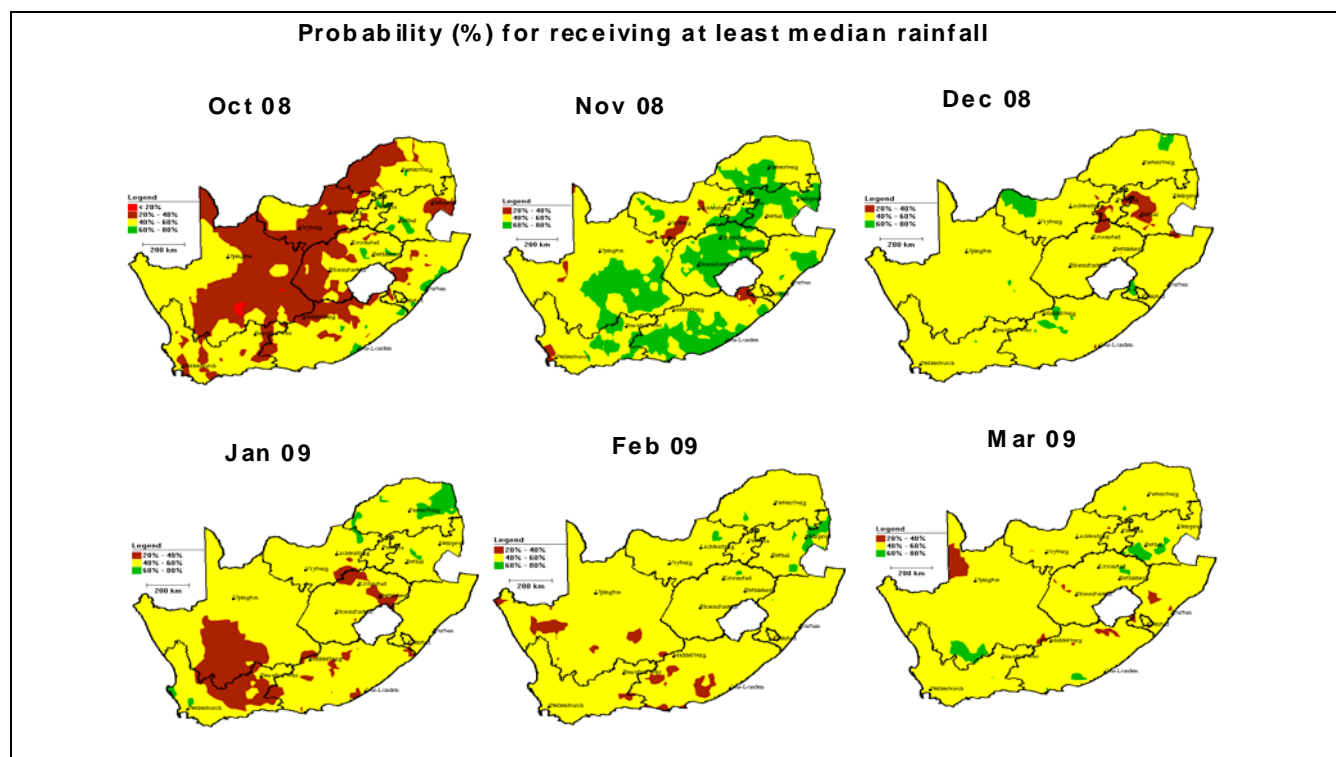


Source: South African Weather Service

### 2.2 Rainfall forecast for the period October 2008 to March 2009

Indications for the La Niña phenomenon to occur in the next few months are neutral. South Africa is expected to have a late start to the summer rainfall season with dry weather conditions expected to prevail during October 2008. November could see an improvement as above-normal rainfall conditions could be experienced. Given the late start to the season the eastern producing areas may experience difficulties to plant within their optimal planting window. A mid-summer dry spell is expected to prevail during December 2008 and January 2009. For the period February to March 2009, there is a 40-60% probability of normal rainfall could occur over most of the producing areas.

**Figure 3: The probability of receiving median rainfall from October 2008 to March 2009**

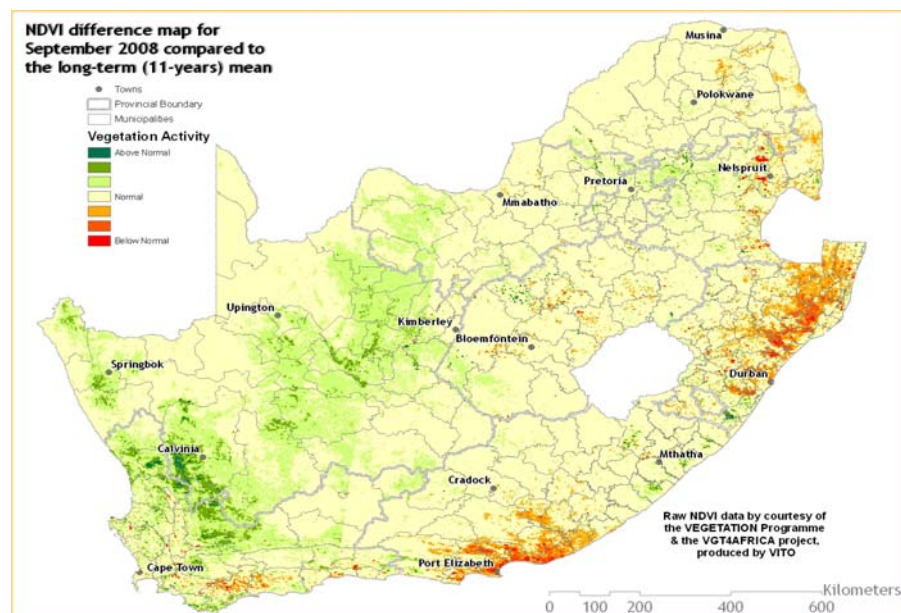


*Source: South African Weather Service*

## 2.3 Vegetation

Vegetation conditions for September compared to the long-term mean were normal to below-normal throughout the country. Lower vegetation activity, than the long-term mean, is evident in the southern parts of the Western and Eastern Cape as well as the northern parts of KwaZulu-Natal (Figure 4).

**Figure 4: NDVI map for September 2008 compared to long-term mean**



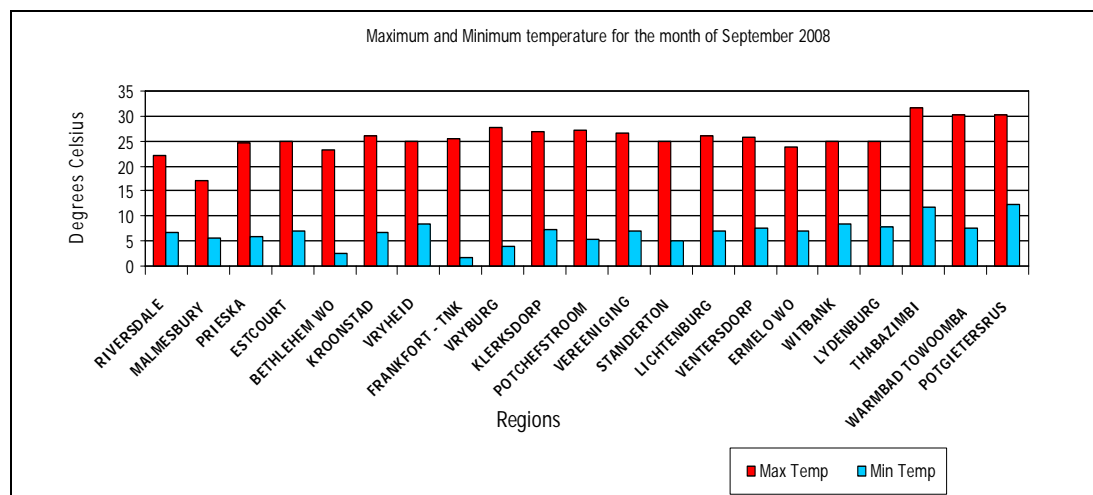
*Source: Agricultural Research Council*



## 2.4 Temperatures for the month of September 2008

The graph below summarises the average minimum and maximum temperature for the month of September in the different regions. Temperatures vary from a minimum of 2°C to a maximum of more than 30°C during the above-mentioned period.

**Graph 1: Average minimum and maximum temperature for the month of September 2008**



Source: South African Weather Service

## 2.5 Level of dams

Available information on the level of South Africa's dams on 29 September 2008 indicates that the country has approximately 81%, which is 4% less than what was reported in August, of its full supply capacity (FSC) available. The provincial distribution of South Africa's water supply (including Lesotho) is contained in Table 1 below.

**Table 1: Level of dams, 29 September 2008**

Province	Total FSC	29/09/2008 (%)	Last Year (%)
Eastern Cape	1 807	71	70
Free State	16 090	83	68
Gauteng	115	98	69
KwaZulu-Natal	4 529	81	78
Lesotho	2 376	77	69
Limpopo	1 142	69	54
Mpumalanga	2 527	81	64
North West	808	68	49
Northern Cape	143	92	88
Western Cape	1 843	92	83
<b>Total</b>	<b>31 381</b>	<b>81</b>	<b>69</b>

Source: Department of Water Affairs and Forestry

Note: FSC is equal to the Full Supply Capacity in million cubic metres.



### 3. Grain production

#### 3.1 Summer grain crops

##### 3.1.1 Crop forecasts

The CEC released the final area and production estimate of commercial summer grain crops for the 2007/08 production season on 27 August 2008.

**Table 2: Final area and production estimate of summer crops: 2007/08 production season**

CROP	AREA PLANTED 2007/08 HA (A)	FINAL ESTIMATE 2007/08 TONS (B)	AREA PLANTED 2006/07 HA (C)	FINAL CROP 2006/07 TONS (D)	CHANGE % (B) ÷ (D)
Commercial:					
White Maize	1 737 000	7 098 250	1 624 800	4 315 000	+64,50
Yellow Maize	1 062 000	4 922 900	927 000	2 810 000	+75,19
Total maize	2 799 000	12 021 150	2 551 800	7 125 000	+68,72
Sunflower seed	564 300	885 560	316 350	300 000	+195,19
Soya-beans	165 400	308 295	183 000	205 000	+50,39
Groundnuts	54 200	85 360	40 770	58 000	+47,17
Sorghum	86 800	260 425	69 000	176 000	+47,97
Dry beans	43 800	58 975	50 725	39 545	+49,13
Total	3 713 500	13 619 765	3 211 645	7 903 545	+72,32

The area estimate for maize is 2,799 million ha, which is 9,69% more than the 2,552 million ha planted for the previous season. The size of the **commercial maize crop** is 12,021 million tons, which is 68,72% more than the 7,125 million tons produced in the previous season.

The area estimate for white maize is 1,737 million ha, which represents an increase of 6,91% compared to the 1,625 million ha planted last season. In case of yellow maize the area estimate is 1,062 million ha or approximately 14,56% more than the 927 000 ha planted last season.

The ratio of white to yellow maize plantings is 62:38 as against the previous seasons' 64:36.

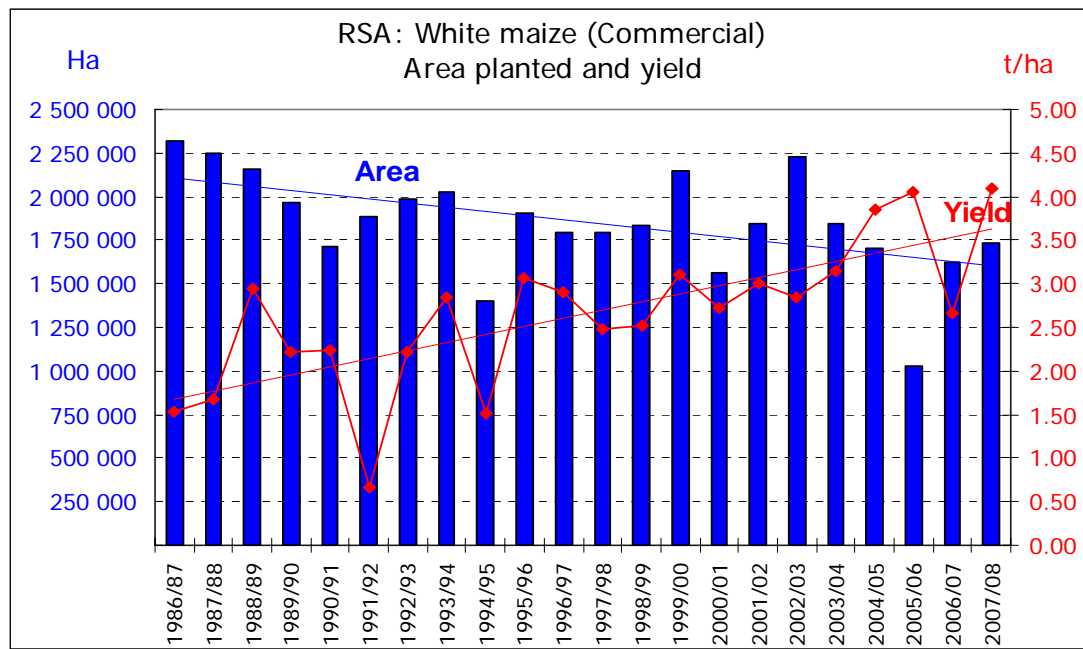
The majority of South Africa's maize is planted in the Free State, North West and Mpumalanga Provinces. Plantings of maize in the Free State are 1,170 million ha - an increase of 14,71% in comparison with 1,020 million ha in 2006/07. The estimated plantings of maize in North West increased by 1,30% from 770 000 ha to 780 000 ha, and in Mpumalanga by 10,21% from 470 000 ha to 518 000 ha, compared to the plantings in the 2006/07 production season.

The production estimate of **white maize** is 7,098 million tons, which is 64,5% more than the 4,315 million tons of last season. The yield of white maize is 4,09 t/ha as against 2,66 t/ha of the previous season. In case

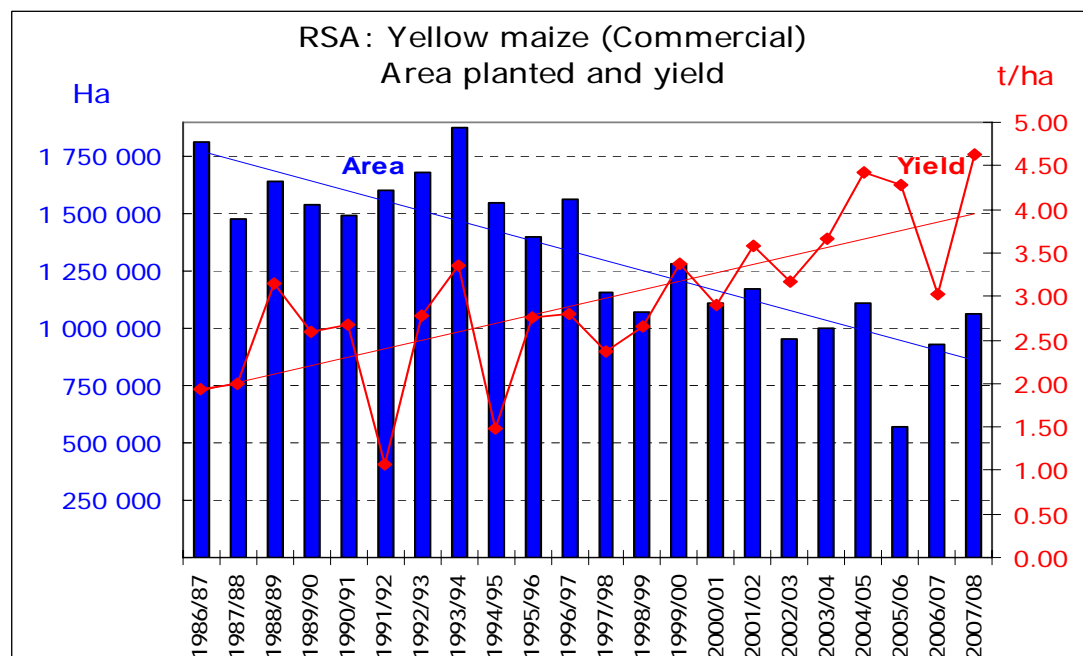
of **yellow maize** the production estimate is 4,923 million tons, which is 75,19% more than the 2,810 million tons of last season. The yield of yellow maize is 4,64 t/ha as against 3,03 t/ha of the previous season.

The Graphs below provide a historic overview of the area planted to and yield of commercial white and yellow maize. It is evident that although the area planted shows a decreasing trend over time, the yield shows an increasing trend.

**Graph 2: Estimated area planted and yield of commercial white maize**



**Graph 3: Estimated area planted and yield of commercial yellow maize**





### 3.1.2 Other summer crops

The size of the **sunflower seed** crop is 885 560 tons, which is 195,19% more than the 300 000 tons of the previous season. The area estimate for sunflower seed is 564 300 ha, which is 78,38% more than the 316 350 ha planted the previous season. The expected yield is 1,57 t/ha as against 0,95 t/ha of the previous season.

The production estimate for **soya-beans** is 308 295 tons, which is 50,39% more than the 205 000 tons of the previous season. It is estimated that 165 400 ha were planted to soya-beans, which represents a decrease of 9,62% compared to the 183 000 ha planted last season. The expected yield is 1,86 t/ha as against the 1,12 t/ha of last season.

The size of the **groundnut** crop is 85 360 tons, which is 47,17% more than the 58 000 tons of last season. For groundnuts the area estimate is 54 200 ha, which is 32,94% more than the 40 770 ha planted for the previous season. The expected yield is 1,57 t/ha as against 1,42 t/ha of last season.

The production estimate for **sorghum** is 260 425 tons, which is 47,97% higher than the 176 000 tons of the previous season. The area estimate for sorghum is 86 800 ha, which is 25,8% more than the previous seasons' planting of 69 000 ha. The expected yield is 3,00 t/ha as against the 2,55 t/ha of the previous season.

In the case of **dry beans** the production estimate is 58 975 tons, which is 49,13% more than the 39 545 tons of the previous season. In the case of dry beans the area estimate is 43 800 ha or 13,65% less than the 50 725 ha planted the previous season. The expected yield is 1,35 t/ha as against 0,78 t/ha of the previous season.

### 3.2 Winter cereal crops

The CEC released the revised area estimate and second production forecast of winter cereals for the 2008 production season on 23 September 2008.

**Table 3: Revised area estimate and second production forecast of winter cereals: 2008 production season**

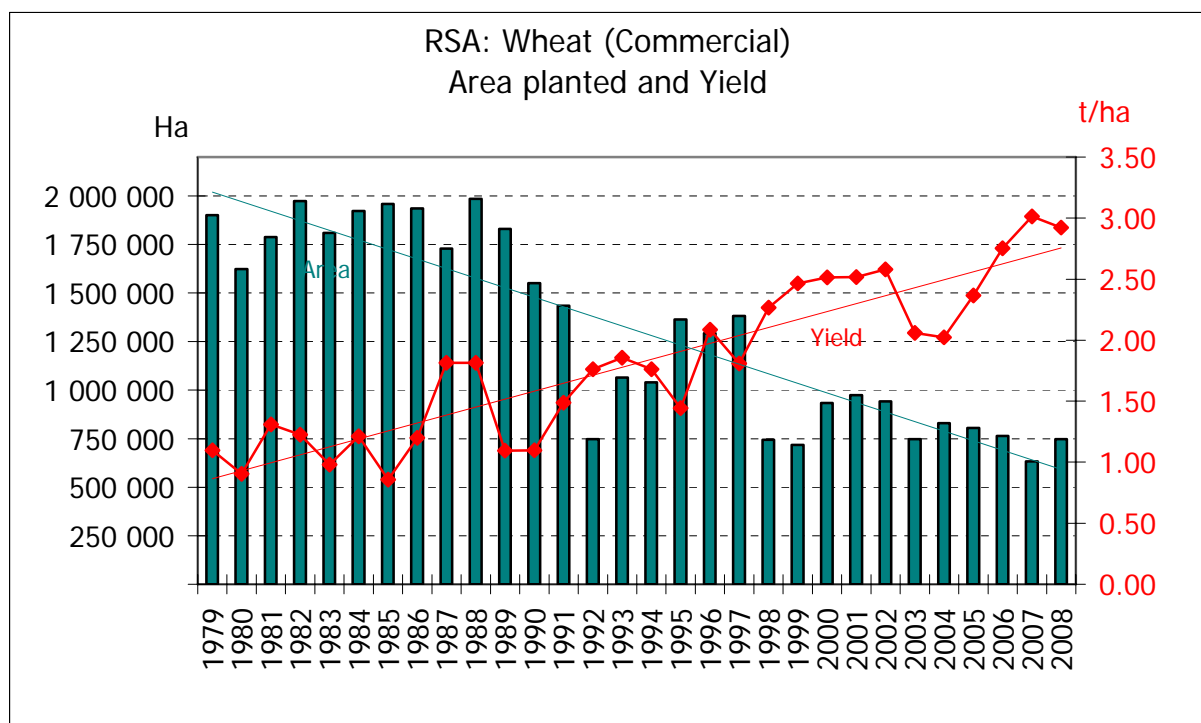
CROP	AREA PLANTED 2008  Ha (A)	2 <sup>nd</sup> Forecast 2008  Ha (B)	AREA PLANTED 2007  Ha (C)	FINAL CROP 2007  Tons (D)	CHANGE  % (B) ÷ (D)
Commercial:					
Wheat	748 000	2 186 500	632 000	1 905 000	+14,78
Malting barley	65 045	170 924	73 360	222 500	-23,18
Canola	34 000	34 000	33 200	38 150	-10,88
TOTAL	847 045	2 391 424	738 560	2 165 650	+10,43

The revised area estimate for **wheat** is 748 000 ha, which is 18,35% more than the 632 000 ha of the previous season. For the current season an estimated 350 000 ha or 47% is planted in the Western Cape, 280 000 ha or 37% in the Free State and 50 000 ha or 7% in the Northern Cape.

The expected production of wheat is 2,187 million tons - 14,78% more than the 1,905 million tons of last season. The expected yield is 2,92 t/ha as against 3,01 t/ha of the previous season. The expected production for the current season is 805 000 tons in the Western Cape, 714 000 tons in the Free State and 315 000 tons in the Northern Cape.

The Graph below provides a historic overview of the area planted to and yield of commercial wheat. It is evident that although the area planted shows a decreasing trend over time, the yield shows an increasing trend.

**Graph 4: Area planted to commercial wheat**



The production forecast for **malting barley** is 170 924 tons, which is 23,18% less than the previous seasons' crop of 222 500 tons. The area planted is estimated at 65 045 ha, a decrease of 11,33% compared to the previous seasons' plantings of 73 360 ha. The expected yield is 2,63 t/ha as against 3,03 t/ha of the previous season.

The expected **canola** crop is 34 000 tons, which is 10,88% less than the 38 150 tons of last season. The area estimate for canola is 34 000 ha, which is 2,41% more than last seasons' plantings of 33 200 ha. The expected yield is 1,0 t/ha as against 1,15 t/ha of the previous season.

## 4. Cereal Balance Sheets

Supply and demand data for August 2008 was released by SAGIS on 23 September 2008. Tables 4 and 6 contain the Wheat Balance Sheets for the 2007/08 and 2008/09 marketing seasons. Table 7 contains the Maize and Sorghum Balance Sheets for the 2008/09 marketing season. **Preliminary information is subject to change on a monthly basis.**

### 4.1 Winter cereals

**Table 4: Balance Sheet for Wheat for the current 2007/08 marketing season**

<b>2007/08 Wheat Balance Sheet as at 1 October 2008</b>	<b>Wheat (1 000 tons)</b>
<b>Supply</b>	
<b>Opening stocks (October 2007)</b>	<b>376</b>
SAGIS Opening Stocks	376
<b>Gross production (2007 season)</b>	<b>1 913</b>
Commercial production	1 905
Subsistence agriculture	8
<b>Total domestic supply</b>	<b>2 289</b>
Plus: Imports	1 330
<b>Total supply</b>	<b>3 619</b>
<b>Demand</b>	
<b>Consumption</b>	<b>2 902</b>
Commercial: Human	2 860
Animal (feed)	5
Seed for planting purposes	22
Other*	15
<b>Subsistence agriculture</b>	<b>8</b>
<b>Total domestic consumption</b>	<b>2 910</b>
Plus: Exports	291
<b>Total demand</b>	<b>3 201</b>
<b>Closing stocks (September 2008)</b>	<b>418</b>
<b>Pipeline requirements</b>	<b>628</b>
<b>Domestic shortfall</b>	<b>-1 249</b>
<b>Import gap</b>	<b>1 249</b>
<b>Deficit above pipeline</b>	<b>-210</b>
<b>SAGIS closing stock as at 23 September 2008</b>	<b>522</b>

#### Notes:

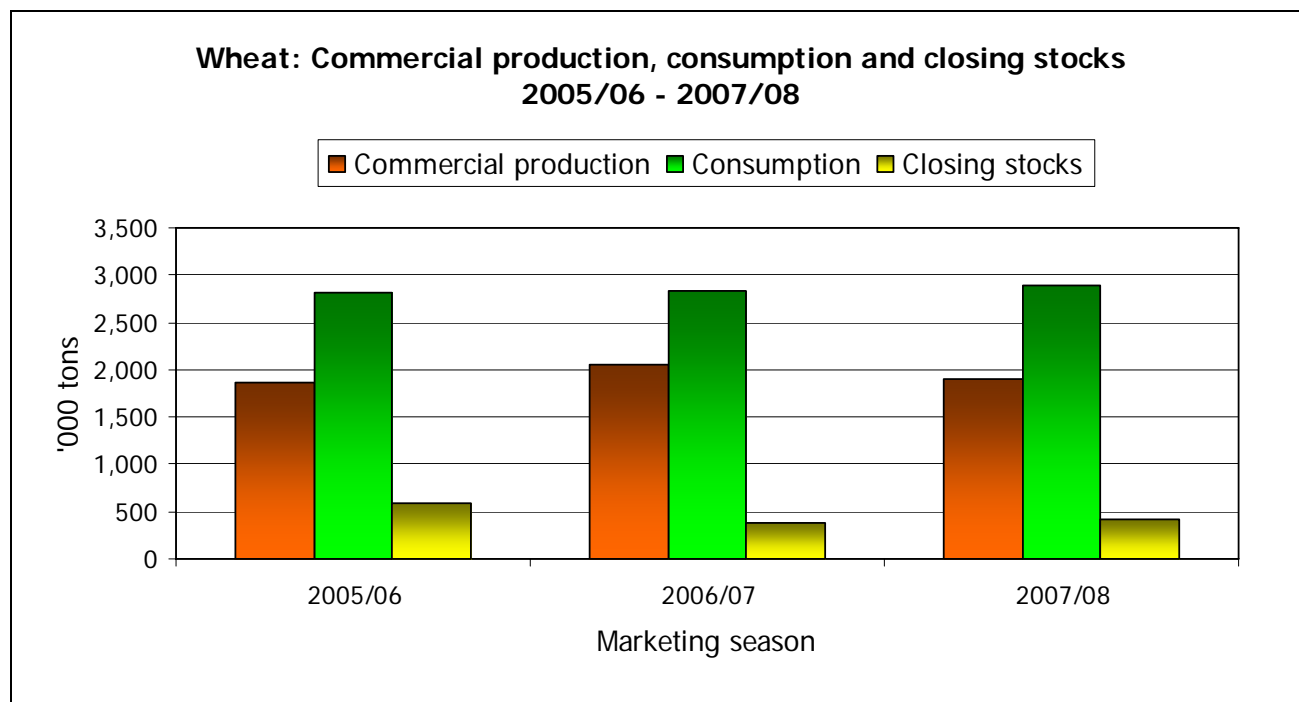
- Source: SAGIS, Directorate: Agricultural Statistics.
- \*Other refers to wheat released to end-consumers, withdrawn by producers and/or retentions by producers.
- Figures might not add up correctly due to rounding.
- Marketing season for wheat is October to September



#### 4.1.1 Discussion of 2007/08 food security situation

A surplus (before pipeline requirements) of 418 000 tons of wheat is expected for South Africa at the end of the current marketing season (30 September 2008). The wheat closing stocks at the end of September 2008 is projected at 522 000 tons. The total supply is estimated at 3,619 million tons, including imports of 1,3 million tons. Total demand, including exports, is projected at 3,201 million tons.

**Graph 5: Wheat: Commercial production, consumption and closing stocks**



From the graph is evident that although the consumption of wheat is consistent at around the 2,8 million tons, commercial production and closing stocks vary from one season to another.

Wheat imports are estimated at 1,3 million tons for the 2007/08 marketing season. Wheat imports for the current season until 26 September 2008, comes to 1,327 million tons. Table 5 provides a breakdown of wheat imports per country of origin for the current 2007/08 marketing season:

**Table 5: South Africa's wheat imports per country, 29 September 2007 to 26 September 2008**

Country	Tons
Canada	165 088
United States of America	403 476
Argentina	647 037
Germany	111 013
<b>Total</b>	<b>1 326 614</b>

*Source: SAGIS Weekly imports and exports, 1 October 2008*

Please note that detailed information relating to import and export parity prices can be obtained weekly on the following link: <http://www.sagis.org.za/Flatpages/swi17028.asp>.

**Table 6: Projected Balance Sheet for Wheat for the coming 2008/09 marketing season**

<b>2008/09 Wheat Balance Sheet as at 1 October 2008</b>	<b>Wheat (1 000 tons)</b>
<b>Supply</b>	
<b>Opening stocks (October 2008)</b>	<b>418</b>
SAGIS Opening Stocks	418
<b>Gross production (2008 season)</b>	<b>2 196</b>
Commercial production	2 187
Subsistence agriculture	9
<b>Total domestic supply</b>	<b>2 614</b>
Plus: Imports	1 150
<b>Total supply</b>	<b>3 764</b>
<b>Demand</b>	
<b>Consumption</b>	<b>2 922</b>
Commercial: Human	2 880
Animal (feed)	5
Seed for planting purposes	22
Other*	15
<b>Subsistence agriculture</b>	<b>9</b>
<b>Total domestic consumption</b>	<b>2 931</b>
Plus: Exports	230
<b>Total demand</b>	<b>3 161</b>
<b>Closing stocks (September 2009)</b>	<b>603</b>
<b>Pipeline requirements</b>	<b>632</b>
<b>Domestic shortfall</b>	<b>-949</b>
<b>Import gap</b>	<b>949</b>
<b>Deficit above pipeline</b>	<b>-29</b>

**Notes:**

- Source: SAGIS, Directorate: Agricultural Statistics.
- \*Other refers to wheat released to end-consumers, withdrawn by producers and/or retentions by producers.
- Figures might not add up correctly due to rounding.
- Marketing season for wheat is October to September

#### **4.1.2 Discussion of the projected 2008/09 food security situation**

The expected production of wheat is 2,187 million tons, based on an average yield of 2,92 t/ha. The projected total supply of wheat is therefore 3,764 million tons, including imports of 1,150 million tons during the 2008/09 marketing season. Projections for the 2008/09 marketing season indicate that South Africa will have a surplus (before pipeline requirements) of 603 000 tons at the end of September 2009. Total demand, including exports, is projected at 3,161 million tons.

## 4.2 Summer crops

**Table 7: Projected Balance Sheet for Maize and Sorghum for the current 2008/09 marketing season**

2008/09 Projected Annual Cereal Balance Sheet as at 1 October 2008 (1 000 tons)	Maize			Sorghum
	White	Yellow	Total	
<b>Supply</b>				
<b>Opening stocks</b>	<b>618</b>	<b>439</b>	<b>1 057</b>	<b>42,6</b>
SAGIS Opening Stocks	618	439	1 057	42,6
<b>Gross production</b>	<b>7 432</b>	<b>5 053</b>	<b>12 485</b>	<b>301,0</b>
Commercial production	7 098	4 923	12 021	260,4
Subsistence agriculture	334	130	464	40,6
<b>Total domestic supply</b>	<b>8 050</b>	<b>5 492</b>	<b>13 542</b>	<b>343,6</b>
Plus: Imports	-	200	200	-
<b>Total supply</b>	<b>8 050</b>	<b>5 692</b>	<b>13 742</b>	<b>343,6</b>
<b>Demand</b>				
<b>Consumption</b>	<b>5 180</b>	<b>4 094</b>	<b>9 274</b>	<b>199,9</b>
Commercial: Human	3 900	270	4 170	179,8
Animal (feed)	1 000	3 250	4 250	9,6
Gristing	60	10	70	-
Seed for planting purposes	20	14	34	-
Other*	200	550	750	10,5
<b>Subsistence agriculture</b>	<b>334</b>	<b>130</b>	<b>464</b>	<b>40,6</b>
<b>Total domestic consumption</b>	<b>5 514</b>	<b>4 224</b>	<b>9 738</b>	<b>240,5</b>
<b>Plus: Exports</b>	<b>1 200</b>	<b>350</b>	<b>1 550</b>	<b>30,0</b>
Products	50	30	80	-
Whole maize	1 150	320	1 470	-
<b>Total demand</b>	<b>6 714</b>	<b>4 574</b>	<b>11 288</b>	<b>270,5</b>
<b>Closing stocks</b>	<b>1 336</b>	<b>1 118</b>	<b>2 454</b>	<b>73,1</b>
<b>Pipeline requirements</b>	<b>612</b>	<b>435</b>	<b>1 047</b>	<b>23,4</b>
<b>Domestic surplus</b>	<b>1 924</b>	<b>833</b>	<b>2 757</b>	<b>79,7</b>
<b>Surplus above pipeline</b>	<b>724</b>	<b>683</b>	<b>1 407</b>	<b>49,7</b>
<b>SAGIS closing stocks as at 23 September 2008</b>	<b>5 074</b>	<b>3 249</b>	<b>8 323</b>	<b>186,9</b>

### Notes:

- Source: SAGIS, Directorate: Agricultural Statistics.
- \*Other refers to grains released to end-consumers and/or withdrawn by producers, and retentions on farms.
- Figures might not add up correctly due to rounding.
- Marketing season for maize: May to April.
- Marketing season for sorghum: April to March.
- Early deliveries refer to the deliveries in March and April for maize and March for sorghum.





#### 4.2.2 Discussion of the 2008/09 food security situation

**White maize:** Projections for the 2008/09 marketing season indicate that South Africa will have a surplus (before pipeline requirements) of 1,336 million tons at the end of April 2009. The expected total domestic supply is 8,051 million tons, while total domestic consumption is estimated at 5,514 million tons. Exports are projected at 1,2 million tons.

**Yellow maize:** A domestic surplus (before pipeline requirements) of 1,118 million tons is expected at the end of April 2009. The total domestic supply is estimated at 5,692 million tons, while the total domestic consumption is projected at 4,224 million tons. Anticipated exports during the 2008/09 marketing season are seen at 350 000 tons.

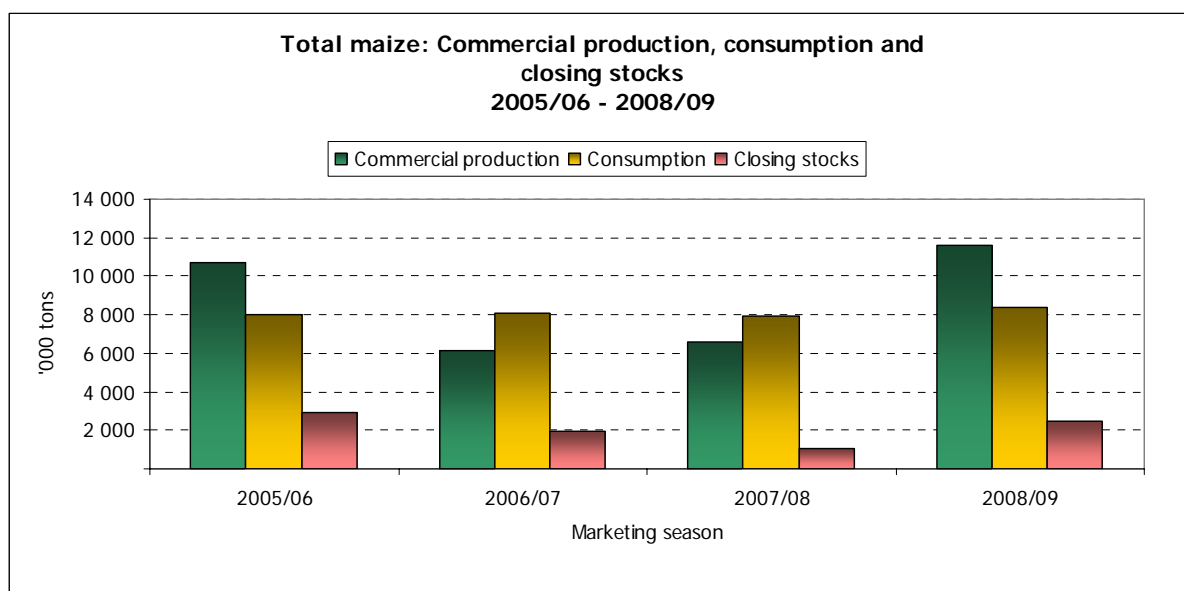
The SAGIS export data up to 26 September 2008, indicates that 692 092 tons of maize was exported. The exports of maize for the 2008/09 marketing season are projected at 1,550 million tons. A summary of export destinations to African countries and other countries is contained in Table 8.

**Table 8: Export destinations of South African maize, 3 May to 26 September 2008**

White maize		Yellow maize	
Country	Tons	Country	Tons
BLNS countries	154 104	BLNS countries	23 001
Mozambique	68 530	Mozambique	6 021
Zambia	677	Iran	94 422
Ethiopia	5 548	Zimbabwe	704
Benin	645	Malaysia	34 089
Senegal	1 475	Yemen	27 500
Angola	322		
Kenya	40 588		
Zimbabwe	172 642		
Iran	33 415		
Mauritius	12 400		
Cameroon	1 635		
Ghana	237		
Chad	366		
Somalia	13 771		
<b>Total white maize</b>	<b>506 355</b>	<b>Total yellow maize</b>	<b>185 737</b>
<b>Total Maize</b>			<b>692 092</b>

Source: SAGIS Weekly imports and exports, 1 October 2008

**Graph 6: Total maize: Commercial production, consumption and closing stocks**

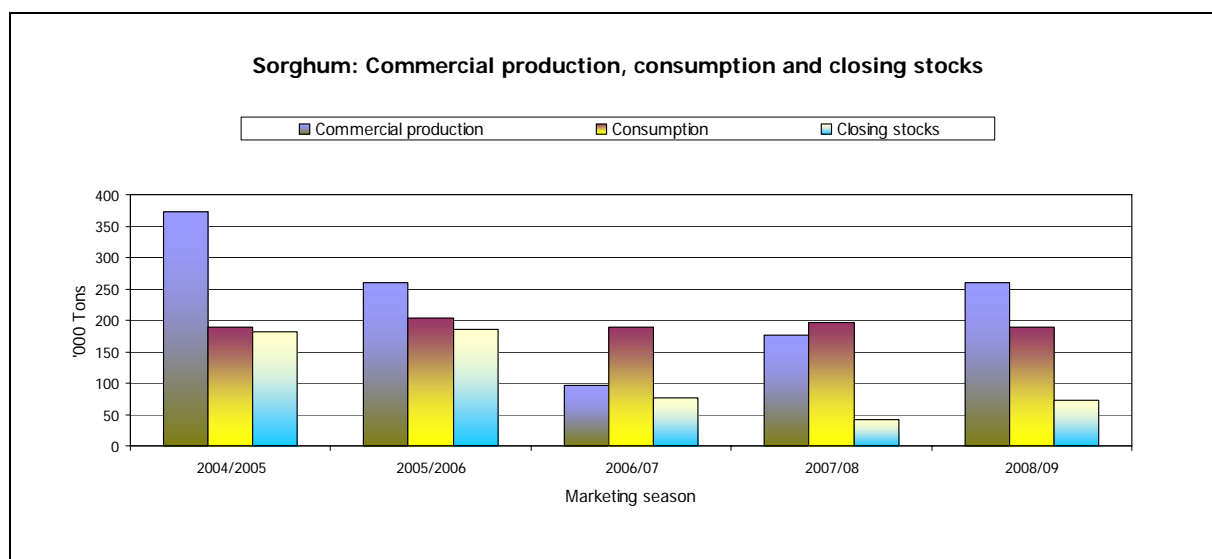


From the graph it is evident that although consumption of maize is constant at around 8,5 million tons, commercial production varies from one season to another. The estimated closing stocks are also returning to the level of the 2005/06 marketing season.

**Sorghum:** South Africa could have a surplus (before pipeline requirements) of 73 100 tons at the end of March 2009, although we are only five months into the 2008/09 marketing season. The expected total domestic supply is seen at 343 600 tons, while total domestic consumption is estimated at 240 500 tons. The total domestic demand is seen at 270 500 tons, including projected exports of 30 000 tons. The ending stocks estimated by SAGIS are 186 900 tons for the 2008/09 marketing season.

The graph below illustrates the difference between production, consumption and closing stocks of sorghum from 2004/05 to the 2008/09 marketing season.

**Graph 7: Commercial production, consumption and closing stocks for sorghum**



## 5. Market information

### 5.1. Consumer Price Index (CPI) and CPI excluding mortgage rates (CPIX)

The headline inflation CPI annual inflation rate for August 2008 was 13,7%. The annual percentage change in the CPIX, the monetary policy inflation target measure, was 13,6% for August 2008.

The official inflation rate (i.e. the percentage change in the CPI for the historical metropolitan areas for August 2008 compared with that in August 2007) was 13,7% in August 2008. This rate was 0,3 of a percentage point higher than the corresponding annual rate of 13,4% in July 2008 (i.e. the percentage change in the CPI for the historical metropolitan areas in July 2008 compared with that in July 2007). From July 2008 to August 2008 the Consumer Price Index for the historical metropolitan areas increased by 0,7%.

The annual percentage change in the Consumer Price Index excluding interest rates on mortgage bonds (CPIX) for the historical metropolitan and other urban areas was 13,6% for August 2008 (i.e. the CPIX in August 2008 compared with that in August 2007). This rate was 0,6 of a percentage point higher than the corresponding annual rate of 13,0% in July 2008.

This higher headline rate in August 2008 can be explained by increases in the annual rates of change for:

- Fuel and power, which increased to 28,8% in August 2008 from 23,4% in July 2008, mainly due to an increase in electricity tariffs;
- Food, which increased to 18,8% in August 2008 from 17,8% in July 2008; and
- Household operation, which increased to 14,6% in August 2008 from 13,4% in July 2008.

These increases were slightly counteracted by decreases in the price indices for:

- Transport, which decreased to 22,7% in August 2008 from 23,5% in July 2008, mainly due to a decrease in the price of petrol; and
- Housing, which decreased to 9,7% in August 2008 from 11,0% in July 2008.

The annual rate of increase in food prices for the historical metropolitan areas was 18,8% in August 2008. This rate was 1,0% higher than the corresponding annual rate of 17,8% in July 2008. The increase of 18,8% was due to increases in the prices of grain products, meat, other food products, fats and oils, milk, cheese and eggs, vegetables, coffee, tea and cocoa, fruit and nuts, fish and other seafood and sugar.

The annual rate of increase in the price index for non-food items for metropolitan areas was 12,2% in August 2008. This rate was 0,1% higher than the corresponding annual rate of 12,1% in July 2008. Annual increases occurred in the price indices for fuel and power (+28,8%), transport (+22,7%), clothing and footwear (+17,2%), household operation (+14,6%), housing (+9,7%), education (+8,8%), cigarettes, cigars and tobacco (+8,4%), non-alcoholic beverages (+8,0%), personal care (+6,9%), medical care and health expenses (+6,6%), alcoholic beverages (+6,5%), reading matter (+5,4%), other products (+4,1%), communication (+3,2%) and recreation and entertainment (+1,6%).

These increases were slightly counteracted by a decrease in the price index for furniture and equipment (-0,1%).



*It is also important to mention that Stats SA announced on 1 July 2008 that the new weights it will be using in the CPIX inflation calculation from 2009. Food, petrol, electricity and health will lose heavily in weight, as compared to alcohol, transport and miscellaneous, which have gained in weight. The new weights are mainly based on the Income and Expenditure Survey of 2005/06, which was released in March 2008. The net result will lower CPIX inflation by 1,5% compared to what it otherwise would have been from 2009 onward.*

## **5.2 Producer Price Index (PPI)**

The Producer Price Index (PPI) for domestic output shows an annual rate of change of 19,1%T in August 2008 (i.e. the PPI in August 2008 compared with that in August 2007). This rate is 0,2 of a percentage point higher than the corresponding annual rate of 18,9% in July 2008 (i.e. the PPI for July 2008 compared with that in July 2007). This higher annual rate in August 2008 compared with that in July 2008 can be explained by increases in the annual rate of change in the Producer Price Indices for:

- Basic metals: The rate increased from +42,1% in July 2008 to +46,5% in August 2008;
- Electricity: The rate increased from +31,3% in July 2008 to +33,1% in August 2008;
- Non-electrical machinery and equipment: The rate increased from +18,4% in July 2008 to +26,5% in August 2008;
- Chemicals and chemical products: The rate increased from +16,9% in July 2008 to +18,6% in August 2008;
- Non-metallic mineral products: The rate increased from +6,5% in July 2008 to +12,2% in August 2008;
- Transport: The rate increased from +2,3% in July 2008 to +8,0% in August 2008;
- Other manufactures: The rate increased from +5,4% in July 2008 to +6,9% in August 2008; and
- Beverages: The rate increased from +4,0% in July 2008 to +5,3% in August 2008.

These increases were partially counteracted by decreases in the annual rate of change for:

- Products of petroleum and coal: The rate decreased from +40,8% in July 2008 to +36,0% in August 2008;
- Mining and quarrying: The rate decreased from +16,2% in July 2008 to +15,0% in August 2008; and
- Agricultural products: The rate decreased from +6,1% in July 2008 to +2,3% in August 2008.

From July 2008 to August 2008 the PPI for domestic output increased by 0,5%. The monthly increase of 0,5% in the PPI for domestic output is mainly due to monthly increases in the price indices for transport equipment (+0,3%) and non-electrical machinery and equipment (+0,2%). These increases were partially counteracted by decreases in the price indices for products of petroleum and coal (-0,4%) and mining and quarrying (-0,3%).

The annual rate of change in the PPI for exported commodities is higher in +7,8% in August 2008 (i.e. the PPI in August 2008 compared with that in August 2007). The PPI for exported commodities shows an annual rate

of increase of 7,8% in August 2008 (i.e. the PPI in August 2008 compared with that in August 2007). This rate is 0,5% higher than the corresponding annual rate of 7,3% in July 2008 (i.e. the PPI in July 2008 compared with that in July 2007). The annual increase of 7,8% in the PPI for exported commodities is mainly due to annual increases in the price indices of mining and quarrying products (+4,2%), basic metals (+1,5%), products of petroleum and coal (+0,6%), all other groups (+0,5%) and food in manufacturing (+0,4%).

### **5.3 'War on Poverty' campaign**

The 'War on Poverty' campaign was announced during August 2008 by Cabinet. The Deputy President will launch the campaign in the Xhariep District in the Free State. The Inter-Ministerial Committee (IMC) on rising food prices previously released a progress report on possible interventions to mitigate the impact of the rising prices. Short-term interventions considered by the IMC include the possible expansion of the school feeding scheme to reach more learners; increasing the value of starter packs; increasing the number of households receiving starter packs from 70 000 to 140 000; and the possible increase and extension of social grants. The IMC will table concrete proposals to the Ministers Budget Committee to determine the cost implications of the proposed interventions.

It was noted that existing government interventions are already reaching millions of people in need of a social net. For instance, over 12 million people are receiving social grants while expenditure on social assistance will be over R75,3 billion by 2009. One of the key challenges is to ensure that those in need can access the available government services; and for government to ensure that its support is better coordinated and organised to reach those in need on an ongoing basis.

The rising food prices also present a window for the development of a vibrant and sustainable agricultural programme to meet the country's food requirements and to make South Africa a net exporter of food. The medium- to long- term strategies to deal with rising food prices include measures to increase the country's food production capabilities through, inter alia, support and strengthening of small and emerging farmers and co-operatives; development of agricultural trade and tariff policies; enhancing freight rail infrastructure to support the movement of agricultural products; implementation of the Ilima/Letsema campaign; and the creation of food gardens by communities and households. These are some of the measures needed to increase food production and strengthening the value chain with a view to reducing reliance on food imports.

Cabinet also clarified the role of the proposed National Food Control Agency that was announced by the former President Thabo Mbeki at the post lekgotla media briefing. This agency will not regulate food prices. It will deal with issues such as strengthening the agro-processing industry; food safety; sanitary and phyto-sanitary certification and promote industry exports. The legislative framework will be finalised by the end of March 2009, after consultation with the relevant stakeholders. The name of the agency may have to be re-considered as it is complete misnomer.

## 5.4 Futures contract prices

**TABLE 9: DOMESTIC GRAIN PRICES AS QUOTED ON SAFEX (Rand/ton) ON 6 OCTOBER 2008**

Futures contract prices (2008/10/06) in R/ton						
Commodity	Oct. 2008	Nov. 2008	Dec. 2008	March 2009	May 2009	July 2009
White maize	R1 701	R1 732	R1 776	R1 855	R1 925	R1 975
Yellow maize	R1 703	n/a	R1 759	R1 835	R1 967	R1 954
Wheat	R3 079	n/a	R2 953	R3 047	n/a	R3 247
Commodity	Oct. 2008	Dec. 2008	March 2009	May 2009	July 2009	
Sunflower seed	R3 934	R4 055	R4 120	R3 860	R4 040	
Soya-beans	R3 515	R3 590	R3 826	R3 430	R3 629	

Source: Safex, 6 October 2008

*If the 21-day moving average f.o.b. price of maize in the US Gulf deviates by more than US\$7/ton from the reference price of US\$92,07/ton for 21 consecutive US trading days, a new tariff is triggered. The import tariff for maize, as published in the Government Gazette on 8 December 2006, is zero.*

*In July 2005, a new tariff system for imports of wheat was published in the Government Gazette. The new tariff is 2 % ad valorem duty on imports.*

## 5.5 Agricultural machinery sales

A total of 505 tractor units were sold during August 2008, which is virtually the same as the 504 units sold last year in August.

Table 10 shows how the individual year-on-year price changes have moved over the past two months for the four classes of agricultural machinery, together with the overall figure. The figures have been “smoothed” by using a three-month moving average in each case.

**Table 10: Agricultural machinery price changes**

Equipment class	Year-on-year change (%)		Trend
	August 2008	September 2008	
Tractors	21,4	22,1	+3,3%
Combine harvesters	14,6	16,1	+10,3%
Hay and forage equipment	24,4	26,8	+9,8%
Implements	10,4	12,9	+24,0%
<b>Overall</b>	<b>19,6</b>	<b>20,9</b>	<b>+6,6%</b>

Source: Agfacts, September 2008

The sharp devaluation in the value of the rand at the beginning of the year has caused prices to rise very sharply over the past seven months.



## 6. Acknowledgements

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- Agfacts
- Agrimark Trends
- Department of Water Affairs and Forestry (DWAF)
- Farmer's Weekly
- Grain South Africa (GrainSA)
- National Agricultural Marketing Council
- Robinson Mulder De Waal Financial Services (Pty) Ltd
- South African National Seed Organisation (SANSOR)
- Standard Bank Economics Division
- Statistics South Africa (StatsSA)
- South African Futures Exchange (SAFEX)
- South African Reserve Bank
- The South African Grain Information Service (SAGIS)
- The South African Weather Service (WeatherSA)
- USDA Foreign Service
- UT Grain Management (Pty) Ltd