MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: SEPTEMBER 2010

Issued: 7 October 2010

Directorate: Agricultural Statistics

Highlights:

- **Vegetation conditions for September 2010 were normal to below-normal throughout most of the country.**
- **The expected commercial maize crop is 13,043 million tons, which is 8,24% more than the 12,050 million tons of the previous season.**
- **The expected production of wheat is 1,637 million tons, which is 16,38% less than the previous seasons' crop of 1,958 million tons.**
- **The projected closing stocks of maize for the 2010/11 marketing season is 3,493 million tons. Thus, enough maize will be available for local consumption and to meet export demand.**
- **The projected closing stocks of wheat for the 2009/10 marketing season is 701 000 tons, which includes imports of 1,3 million tons.**
- **The projected closing stocks of wheat for the 2010/11 marketing season is 572 000 tons, which includes imports of 1,5 million tons.**
- **The headline CPI (for all urban areas) annual inflation rate in August 2010 was lower at 3,5%.**
- **The annual percentage change in the PPI was higher at 7,8% in August 2010.**
- **The MPC has decided to reduce the repurchase rate by 50 basis points to 6,0% per annum with effect from 10 September 2010.**
- **September tractor sales of 426 units were almost 11% less than the 480 units sold in September 2009.**

agriculture, forestry & fisheries

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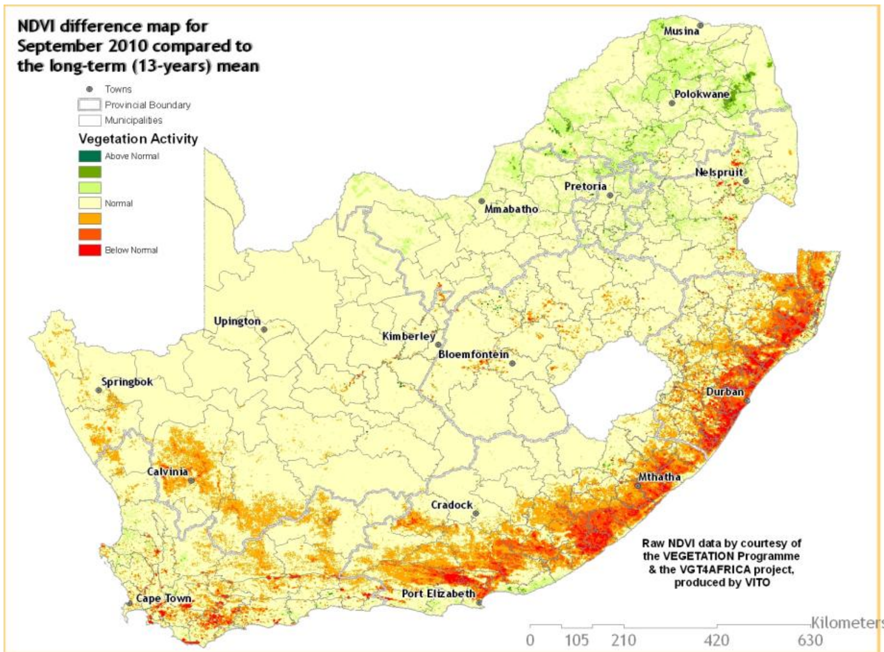
1. Weather conditions

1.1 Vegetation activity

Vegetation conditions for September 2010 were normal to below-normal throughout most of the country. Below-normal vegetation activity is especially evident along the southern and eastern coastal region. Higher vegetation activity occurred over isolated areas of the Limpopo Province.

Figure 1: NDVI map for September 2010 compared to 13 year long term mean



Source: ARC:ISCW

1.1 Level of dams

Available information on the level of South Africa's dams on 4 October 2010 indicates that the country has approximately 83% of its full supply capacity (FSC) available, the same as last year and 1% more than last week. The provincial distribution of South Africa's water supply (including Lesotho) is contained in Table 1 below.

Table 1: Level of dams, 4 October 2010

Province	Total FSC in million cubic metres	**4/10/2010 (%)**	27/09/2010 (%)	Last Year (%)
Eastern Cape	1 792	**52**	53	54
Free State	15 944	**88**	88	87
Gauteng	115	**99**	100	96
Kwazulu-Natal	4 530	**79**	80	80
Lesotho*	2 376	**78**	78	76
Limpopo	1 159	**81**	82	74
Mpumalanga	2 527	**95**	96	88
North West	808	**76**	78	73
Northern Cape	143	**95**	98	95
Western Cape	1 843	**80**	80	88
Total	31 237	**83**	84	83

Source: Department of Water Affairs

2. Grain production

2.1 Summer grain crops

The estimated area planted and final production estimate of summer grain crops for the 2009/10 production season, was released by the Crop Estimates Committee (CEC) on 23 September 2010, and is as follows:

Table 2: Area planted and final production estimate of summer crops for the 2009/10 production season

Summer crops	**Area planted 2009/10 Ha A**	**Final estimate 2009/10 Tons B**	Area planted 2008/09 Ha C	Final crop 2008/09 Ha D	Change % B ÷ D
Commercial:					
White Maize	**1 719 700**	**7 822 400**	1 489 000	6 775 000	+15,46
Yellow Maize	**1 022 700**	**5 220 600**	938 500	5 275 000	-1,03
Total maize	**2 742 400**	**13 043 000**	2 427 500	12 050 000	+8,24
Sunflower seed	**397 700**	**516 265**	635 800	801 000	-35,55
Soya-beans	**311 450**	**560 950**	237 750	516 000	+8,71
Groundnuts	**57 450**	**87 880**	54 550	99 500	-11,68
Sorghum	**86 675**	**220 093**	85 500	276 500	-20,40
Dry beans	**44 100**	**52 255**	43 800	67 030	-22,04
Total	**3 639 775**	**14 480 443**	3 484 900	13 810 030	+4,85

- The area estimate of **maize** is 2,742 million ha, which is 12,97% or 314 900 ha more than the 2,428 million ha planted in the previous season. The area estimate for white maize is 1,720 million ha, which represents an increase of 15,49% or 230 700 ha compared to the 1,489 million ha planted last season. In the case of yellow maize the area estimate is 1,023 million ha, which is 8,97% or 84 200 ha more than the 938 500 ha planted last season.
- The expected commercial **maize** crop is 13,043 million tons, which is 8,24% more than the 12,050 million tons of the previous season. The yield of maize is 4,76 t/ha as against 4,96 t/ha the previous season. The production forecast of white maize is 7,822 million tons, which is 15,46% more than the 6,775 million tons of last season. The yield of white maize is 4,55 t/ha, the same as the previous season. In the case of yellow maize the production forecast is 5,221 million tons, which is 1,03% less than the 5,275 million tons of last season. The yield of yellow maize is 5,10 t/ha as against 5,62 t/ha the previous season.
- The production forecast of **sunflower seed** is 516 265 tons, which is 35,55% less than the 801 000 tons of the previous season. The area estimate for sunflower seed is 397 700 ha, which is 37,45% less than the 635 800 ha planted the previous season. The expected yield is 1,30 t/ha as against 1,26 t/ha the previous season.
- The production forecast of **soya-beans** is 560 950 tons, which is 8,71% more than the 516 000 tons of the previous season. It is estimated that 311 450 ha have been planted to soya-beans, which represents an increase of 31,0% compared to the 237 750 ha planted last season. The expected yield is 1,80 t/ha as against 2,17 t/ha last season.

The 'intentions of farmers' to plant summer field crops for the 2010/11 production season will be released on 21 October 2010.

2.2 Non-commercial maize

The non-commercial agricultural sectors' production estimate of maize for the 2009/10 production season was released on 22 April 2010, and is as follows:

Table 3: Area planted and production estimate of non-commercial maize for the 2009/10 production season

Crop	Area planted 2009/10 Ha (A)	Estimate 2009/10 Tons (B)	Area planted 2008/09 Ha (C)	Final crop 2008/09 Tons (D)	Change % (B) ÷ (D)
Non-commercial agriculture:					
White maize	371 861	421 969	356 276	378 576	+11,46
Yellow maize	149 079	183 895	112 407	138 057	+33,20
Total	520 940	605 864	468 683	516 633	+17,27

- The area planted to maize in the non-commercial agricultural sector is estimated at 520 940 ha, which represents an increase of 11,1 % compared to the 468 683 ha of the previous season. Due to favourable production conditions, the expected maize crop for this sector is 605 864 tons, which is 17,3 % higher than the 516 633 tons of last season.

2.3 Winter cereal crops

The revised area planted estimate and second production forecast for winter cereal crops for the 2010 production season, was also released by the CEC on 23 September 2010, and is as follows:

Table 4: Revised area planted estimate and second production forecast for winter cereals crops for the 2010 production season

Winter cereal crops	**Area planted 2010 Ha (A)**	**2nd forecast 2010 Tons (B)**	Area planted 2009 Ha (C)	Final estimate 2009 Tons (D)	Change % (B) ÷ (D)
Wheat	**558 100**	**1 637 220**	642 500	1 958 000	-16,38
Malting barley	**82 670**	**225 716**	74 760	216 000	+4,50
Canola	**34 000**	**34 000**	35 060	40 350	-15,74
Total	**674 770**	**1 896 936**	752 320	2 214 350	-14,33

- The expected production of wheat is 1,637 million tons, which is 16,38% less than the previous seasons' crop of 1,958 million tons. The area estimate for wheat was revised to 558 100 ha, which is 13,14% less than the 642 500 ha of the previous season.
- The production forecast for malting barley is 225 716 tons. The area planted is estimated at 82 670 ha, while the expected yield is 2,73 t/ha.
- The expected canola crop is 34 000 tons. The area estimate for canola is also 34 000 ha, with an expected yield of 1,00 t/ha.

Please note that third production forecast for winter cereal crops for 2010 production season will be released on 21 October 2010.

3. Cereal balance sheets

Supply and demand data for August 2010 was released by SAGIS on 22 September 2010. *(Preliminary information is subject to change on a monthly basis.)*

3.1 Winter cereals

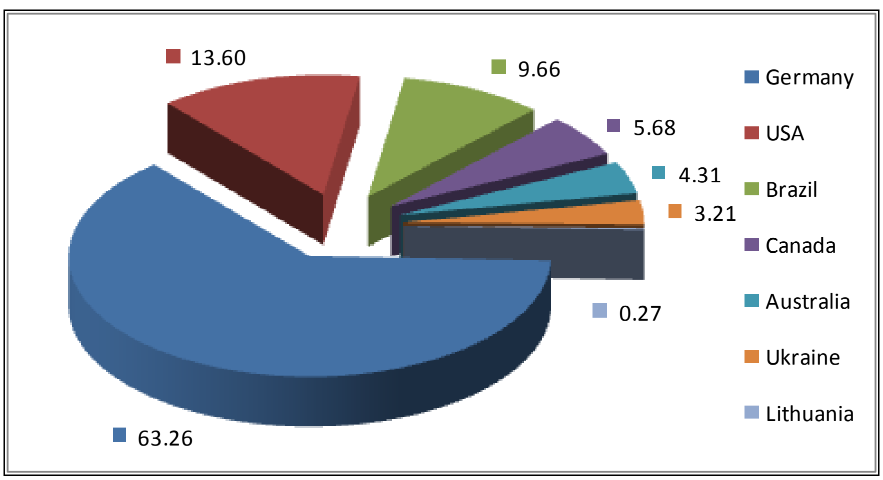
Table 5:

2009/10 Wheat Balance Sheet as at 30 September 2010 (1000 tons)	**Wheat** (October to September)
Supply	
Opening stocks (October 2009)	**694**
SAGIS Opening Stocks	694
Gross production (2009 season)	**1 967**
Commercial production	1 958
Subsistence agriculture	9
Total domestic supply	**2 661**
Plus: Imports	1 315
Total supply	**3 976**
Demand	
Consumption	**3 020**
Commercial: Human	2 910
Animal (feed)	30
Retentions by producers	42
Seed for planting purposes	20
Other (released to end consumers +withdrawn by producers +retentions by producers)	18
Subsistence agriculture	**9**
Total domestic consumption	**3 029**
Plus: Exports	**246**
Total demand	**3 275**
Closing stocks (September 2010)	**701**
Pipeline requirements (80 days of human (food) consumption)	**638**
Domestic shortfall	**-1006**
Import gap	**1006**
Surplus above pipeline	**63**
SAGIS closing stocks as at end of August 2010	**862**

Source: SAGIS, Directorate: Agricultural Statistics.

- Closing stocks at the end of September 2010 are expected to be 701 000 tons, which includes imports of 1,3 million tons.

Graph 1: South Africa's wheat imports per country as a % of total imports



- Cumulative imports, 3 October to 1 October 2010, come to 1,283 million tons.
- Germany remains by far the most popular exporting country with 811 822 tons or 63,59% of the total imports.

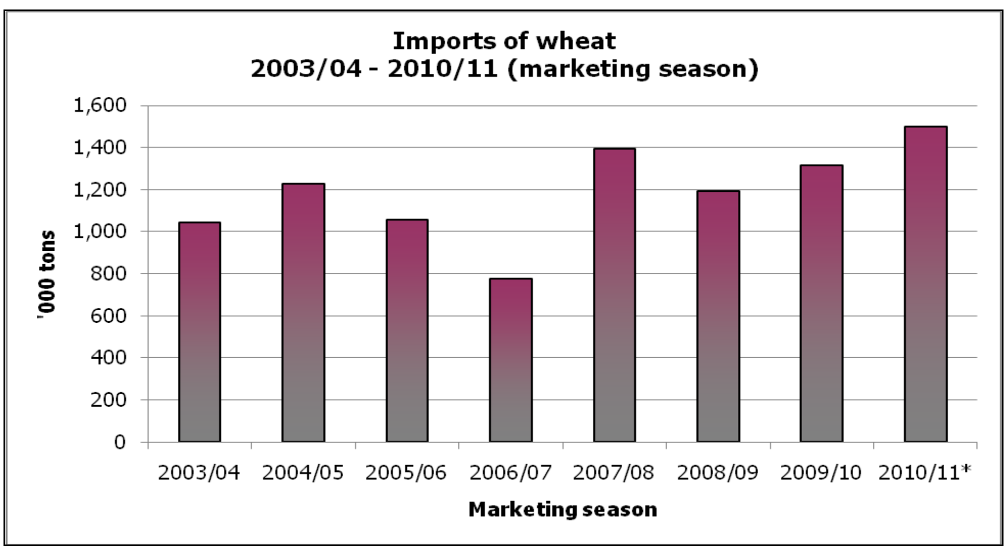
Source: SAGIS

Table 6:

2010/11 Projected Wheat Balance Sheet as at 30 September 2010 (1000 tons)	**Wheat** (October to September)
Supply	
Opening stocks (October 2010)	**701**
SAGIS Opening Stocks	701
Gross production (2010 season)	**1 646**
Commercial production	1 637
Subsistence agriculture	9
Total domestic supply	**2 347**
Plus: Imports	1 500
Total supply	**3 847**
Demand	
Consumption	**3 020**
Commercial: Human	2 910
Animal (feed)	30
Retentions by producers	42
Seed for planting purposes	20
Other (released to end consumers +withdrawn by producers +retentions by producers)	18
Subsistence agriculture	**9**
Total domestic consumption	**3 029**
Plus: Exports	**246**
Total demand	**3 276**
Closing stocks (September 2011)	**572**
Pipeline requirements (80 days of human (food) consumption)	**638**
Domestic shortfall	**-1 320**
Import gap	**1 320**
Shortage above pipeline	**-66**

- The projected closing stocks of wheat for the 2010/11 marketing season is 572 000 tons, which is only 18,4% less than the previous season (701 000 tons). This decrease can mainly be attributed to the smaller expected wheat crop for the 2010/11 marketing season.

Graph 2: South Africa's wheat imports from the 2003/04 to 2010/11 marketing season



*Projection

South Africa will probably import 1,5 million tons of wheat in the 2010/11 marketing season, the largest amount ever recorded, after local farmers planted less wheat.

3.2 Summer grains

Table 7:

2010/11 Projected Annual Cereal Balance Sheet as at 30 September 2010 (1 000 tons)	**Maize** (May to April)			**Sorghum** (April to March)
	White	**Yellow**	**Total**	
Supply				
Opening stocks	**1 362**	**769**	**2 131**	**93,2**
SAGIS Opening Stocks	1 362	769	2 131	93,2
Gross production	**8 244**	**5 405**	**13 649**	**259,5**
Commercial production	7 822	5 221	13 043	220,1
Subsistence agriculture	422	184	606	39,4
Total domestic supply	**9 606**	**6 174**	**15 780**	**352,7**
Plus: Imports	-	-	-	-
Total supply	**9 606**	**6 174**	**15 780**	**352,7**
Demand				
Consumption	**5 851**	**4 120**	**9 971**	**225,2**
Commercial: Human	4 160	350	4 510	184,9
Animal (feed)	1 250	3 000	4 250	8,4
Gristing	71	20	91	-
Seed for planting purposes	16	14	30	-
Other (grains released to end-consumers + withdrawn by producers + retentions on farms)	354	736	1 090	31,9
Subsistence agriculture	**422**	**184**	**606**	**39,4**
Total domestic consumption	**6 273**	**4 304**	**10 577**	**264,6**
Plus: Exports	**1 060**	**650**	**1 710**	**34,3**
Products	60	50	110	-
Whole maize	1 000	600	1 600	-
Total demand	**7 333**	**4 954**	**12 287**	**298,9**
Closing stocks (2011)	**2 273**	**1 220**	**3 493**	**53,8**
Pipeline requirements (45 days of commercial consumption)	**676**	**415**	**1 091**	**23,8**
Domestic surplus	**2 657**	**1 455**	**4 112**	**64,3**
Surplus/ shortage above pipeline	**1 597**	**805**	**2 402**	**30,0**
SAGIS closing stocks as at end of August 2010	**6 206**	**3 365**	**9 571**	**168,1**

Source: SAGIS, Directorate: Agricultural Statistics.

- The projected closing stocks of maize for the 2010/11 marketing season is 3,493 million tons, which is 63,91% more than the previous season (2,131 million tons). This increase can mainly be attributed to the higher production of maize during the 2009/10 production season.
- Closing stocks of sorghum at the end of March 2011 are estimated at 53 800 tons, which is 42,27% less than the previous season (93 200 tons).

Table 8: Major export destinations of South African maize, 1 May to 1 October 2010

- Cumulative maize exports for the season is standing on 662 023 tons, consisting of 285 023 tons of white maize and 377 000 tons of yellow maize.
- On a per country basis, Korea is the number one importer of South African maize with 209 040 tons (32%), followed by the BLNS Countries and Kuwait with 172 365 (26%) and 81 798 tons (12%), respectively.

**the Rest includes Guinea, Senegal, Chad and Madagascar. (Source: SAGIS)*

4. Market information

4.1 Consumer Price Index (CPI)

- The headline Consumer Price Index (CPI for all urban areas) annual inflation rate in August 2010 was 3,5%. This rate was 0,2% lower than the corresponding annual rate of 3,7% in July 2010
- The food and non-alcoholic beverages index increased by 0,5% between July 2010 and August 2010. The annual rate increased to 1,7% in August 2010 from 1,4% in July 2010. The monthly increase in the food and non-alcoholic beverages index was largely driven by monthly increases in fruit (2,7%), vegetables (1,1%), bread and cereals (0,9%), cold beverages (0,7%), sugar, sweets and desserts (0,3%), meat (0,2%), oils and fats (0,2%) and other food (0,2%). These increases were counteracted by monthly decreases in hot beverages (-0,7%), fish (-0,6%) and milk, eggs and cheese (-0,1%).
- The alcoholic beverages and tobacco index increased by 0,2% between July 2010 and August 2010. The annual rate decreased to 7,2% in August 2010 from 9,7% in July 2010.
- The housing and utilities index increased by 0,3% between July 2010 and August 2010, mainly due to a 1,5% increase in electricity and other fuels and a 0,5% increase in water and other services. The annual rate decreased to 6,3% in August 2010 from 6,4% in July 2010.
- The provinces with an annual inflation rate lower or equal to headline inflation were North West (2,8%), Northern Cape (2,9%), KwaZulu-Natal (2,9%), Limpopo (3,1%), Mpumalanga (3,2%) and Gauteng (3,3%). The provinces with an annual inflation rate higher than headline inflation were Free State (3,6%), Eastern Cape (3,7%) and Western Cape (3,8%).

4.2 Producer Price Index (PPI)

- The Producer Price Index (PPI) for domestic output shows an annual rate of change of 7,8% in August 2010 (i.e. the PPI in August 2010 compared with August 2009). This rate is 0,1 % higher than the corresponding annual rate of 7,7% in July 2010.
- This higher annual rate in August 2010 can be explained by increases in the annual rate of change in the Producer Price Indices for:
    - Agriculture: The annual rate increased from 0,2% in July 2010 to 1,4% in August 2010;
    - Forestry: The annual rate increased from 25,8% in July 2010 to 27,1% in August 2010;
    - Mining and quarrying: The annual rate increased from 14,1% in July 2010 to 17,2% in August 2010;
    - Gas and water: The annual rate increased from 3,0% in July 2010 to 13,0% in August 2010.
- These increases were partially counteracted by decreases in the annual rate of change for:
    - Products of petroleum and coal: The annual rate decreased from 3,3% in July 2010 to 2,0% in August 2010;
    - Basic metals: The annual rate decreased from 13,6% in July 2010 to 9,1% in August 2010;
    - Other manufactures: The annual rate decreased from 10,3% in July 2010 to 9,0% in August 2010;
    - Electricity: The annual rate decreased from 25,8% in July 2010 to 23,1% in August 2010.

4.3 The Monetary Policy Committee Statement

The assessment of the Monetary Policy Committee (MPC) is that the improved inflation outlook creates sufficient room for monetary policy to provide additional stimulus to the somewhat fragile recovery of the domestic economy which remains vulnerable to the uncertain global environment.

The MPC has decided to reduce the repurchase rate by 50 basis points to 6,0% per annum with effect from 10 September 2010. The MPC views this action to be consistent with the continued attainment of the inflation target, having given due regard to the risks to the outlook. The scope for further downward movement is seen to be limited, but this will be assessed on an ongoing basis. The approach remains forward-looking and is informed by close examination of the data and future developments.

4.4 Futures contract prices and exchange rate

Table 9: Closing prices on Friday, 1 October 2010

	1 year ago	The week ending 23 September 2010	The week ending 1 October 2010
RSA White Maize per ton (Oct. contract)	R1 430	R1 281	R1 214
RSA Yellow Maize per ton (Oct. contract)	R1 275	R1 358	R1 310
USA Yellow Maize per ton (Dec. contract)	$135,43	$198,81	$195,11
RSA Wheat per ton (Oct. contract)	R2 145	R2 710	R2 630
RSA Soya-beans per ton (Oct. contract)	R2 625	R3 255	R3 221
RSA Sunflower seed per ton (Oct. contract)	R2 515	R4 275	R4 420
Exchange rate R/$	R7,60	R7,00	R6,93

Source: DAFF Price Watch, 4 October 2010

- Most domestic grain prices ended lower for the week ending 1 October 2010, as compared to the previous week, with the exception of sunflower seed prices. Local white maize and yellow maize prices declined by 5,2% and 3,5%, respectively compared to the previous week. Local wheat and soya-bean prices declined by 3,0% and 1,0% respectively, whilst sunflower prices increased by 3,4%, during the same period.
- On the other hand, the US wheat recorded a price decline of 3,0% due to pressure from sinking corn prices and lacklustre demand. During the same period, the US maize price decreased by 1,9% while the US soya-bean price continued its upward trend, recording a slight 1,9% increase after a significant rise in the previous week.
- The Rand strengthened by 1,0% against the US Dollar to reach R 6,93/US$.

4.5 Agricultural machinery sales

- September tractor sales of 426 units were 11% down on the 480 units sold in September 2009. Year-to-date tractor sales are still approximately 12% down on last year. September combine harvester sales of 7 units were more than double those of September last year, but are still 33% down on a year-to-date basis.
- Many parts of the country are quite dry. Sugar cane and wheat growing areas are currently particularly badly affected by the drought. In summer rainfall areas farmers are waiting for rain before they can proceed with summer crop planting. Until such time as it rains, farmers will hold back on their decisions to buy tractors. With the large maize surplus overhanging the market, farmers are being asked to plant less maize this season. Some of the land withdrawn from maize will be planted to other summer crops. Government tenders have had a significant effect on the market this year. Nevertheless, industry expectations for 2010 sales are still of the order of 5 000 units, approximately 10% down on last year.

Table 10: Agricultural machinery sales

	Year-on-year September		Percentage Change %	Year-to-date September		Percentage Change %
Equipment class	**2010**	**2009**		**2010**	**2009**	
Tractors	426	480	-11,3	3 705	4 219	-12,2
Combine harvesters	7	3	-133,3	156	234	-33,3

Source: SAAMA press release, October 2010

5. Acknowledgements

The Directorate: Agricultural Statistics makes use of information sourced from various institutions and organisations within South Africa in order to compile the monthly report on South Africa's Food Security Situation. This report has been compiled with the aid of information and reports sourced from the following institutions and organisations:

- Agfacts
- Department of Water Affairs (DWA)
- Farmer's Weekly
- Grain South Africa (GrainSA)
- National Agricultural Marketing Council (NAMC)
- South African Agricultural Machinery Association (SAAMA)
- South African Futures Exchange (SAFEX)
- South African National Seed Organisation (SANSOR)
- South African Reserve Bank
- Statistics South Africa (Stats SA)
- The South African Grain Information Service (SAGIS)
- The South African Weather Service (WeatherSA)
- USDA Foreign Service
- UT Grain Management (Pty) Ltd