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1. Highlights

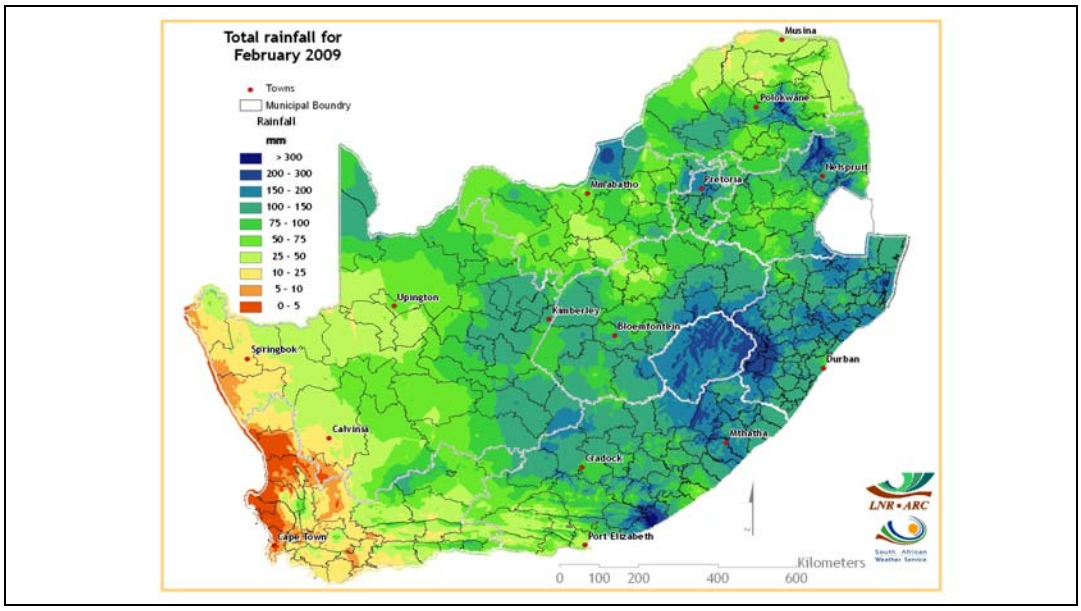
- During February 2009, rainfall occurrences were restricted to the central and eastern regions of the summer rainfall area.
- Projections for the current 2008/09 marketing season indicate that South Africa will have a surplus of 2,180 million tons of maize at the end of April 2009.
- Maize exports are projected at 1,990 million tons during the current 2008/09 marketing season.
- The expected commercial maize crop for the 2008/09 production season is 11,217 million tons, which is 11,68% less than the 12,7 million tons of the previous season.
- Projections for the 2009/10 marketing season indicate that South Africa will have a surplus of 2,490 million tons of maize at the end of April 2010.
- The final production estimate of wheat is 2,090 million tons, which is 9,70% more than the 1,905 million tons of last season.
- Projections for the current 2008/09 marketing season indicate that South Africa will have a surplus of 648 000 tons of wheat at the end of September 2009.
- The headline CPI (for all urban areas) annual inflation rate in January 2009 was 8,1%.
- The annual percentage change in the PPI is lower at 9,2% in January 2009 (i.e. the PPI in January 2009 compared with that in January 2008).
- South Africa's economy contracted by 1,8% during the fourth quarter of 2008 – the biggest contraction in 17 years – weighed down by a big fall in manufacturing output.
- February tractor sales of 762 units were marginally (1,7%) lower than the 775 units sold in February last year.

2. Weather conditions

2.1 Rainfall for January 2009

According to the South African Weather Service (Figure 1), rainfall occurrences for February 2009 were restricted to the central and eastern regions of the summer rainfall area, especially in the Free State, Eastern Cape and KwaZulu-Natal Provinces. Isolated areas of Limpopo, Mpumalanga and North West also recorded good rainfall totals. Considering the Northern Cape and North West Provinces (the central areas), rainfall occurrences showed an improvement.

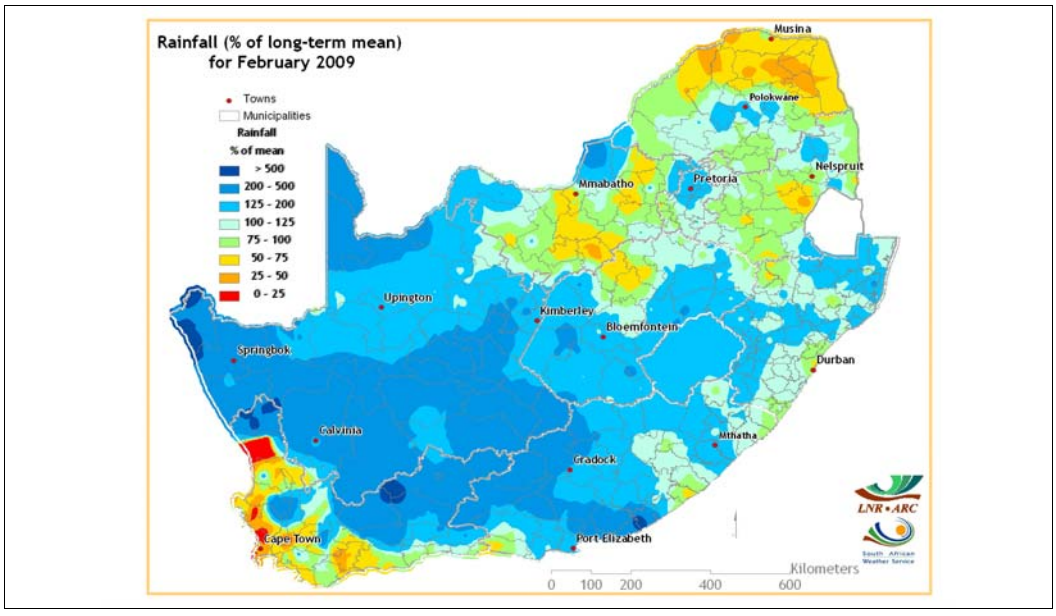
Figure 1: Total rainfall for February 2009



Source: South African Weather Service and ARC:ISCW

Comparing the rainfall for February 2009 with the long-term mean (Figure 2), it is evident that it was below-average for the north-eastern parts of the country, but average to above-average in the central to western parts.

Figure 2: Percentage of normal rainfall for February 2009

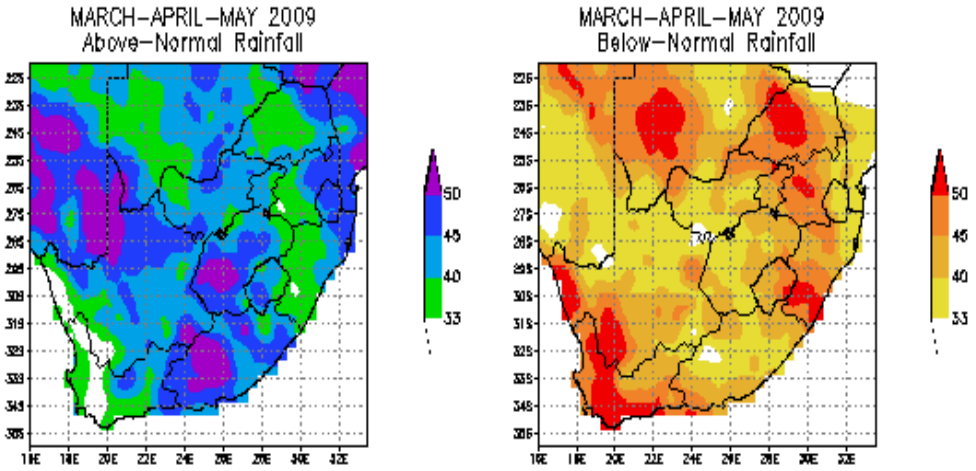


Source: South African Weather Service and ARC:ISCW

2.2 Seasonal rainfall forecast overview for South Africa

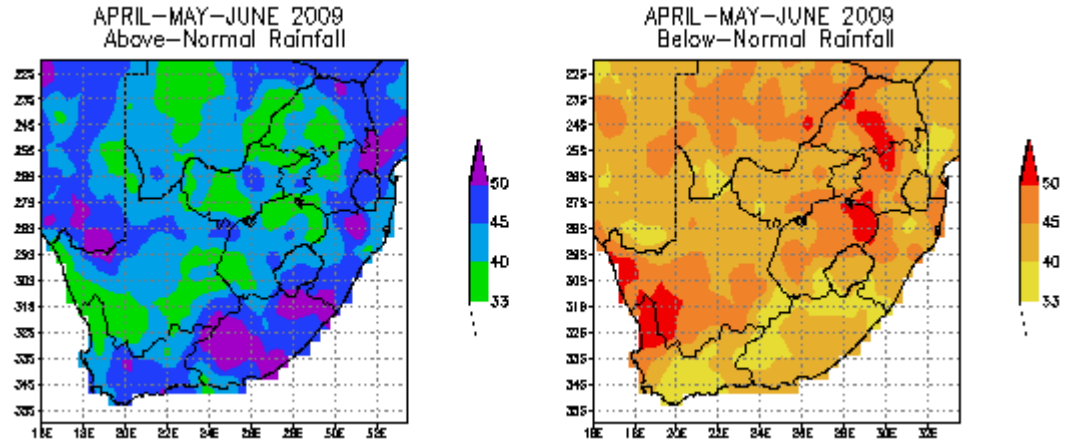
2.2.1. Rainfall Forecast (March to July 2009)

Figure 3: Rainfall Forecast (March to July 2009)



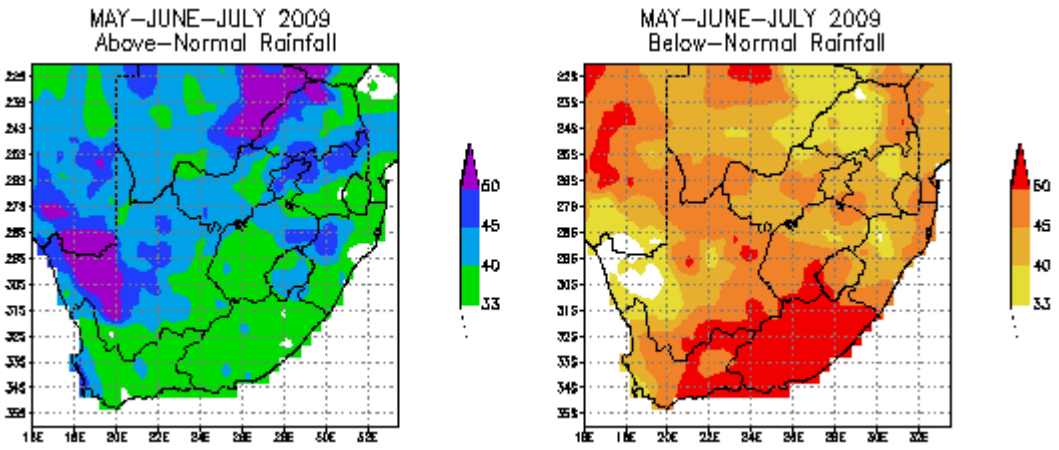
March-April-May

Above-normal rainfall totals are expected over parts of the Free State, Eastern and Northern Cape, the Lowveld and northern KwaZulu-Natal. Below-normal totals are expected over the south-western areas, and the larger part of KwaZulu-Natal, Mpumalanga and the Limpopo Provinces.



April-May-June

Above-normal rainfall totals are expected mainly over the larger parts of the south-western Cape, the Eastern Cape, KwaZulu-Natal and the Lowveld. The Northern Cape area adjacent to Namibia may also receive above-normal rainfall totals. The remainder of the interior is likely to receive below-normal rainfall totals.



May-June-July

Enhanced probabilities of below-normal rainfall totals are expected over the Eastern Cape and the eastern parts of the south-western Cape. Some isolated areas over the interior may receive above-normal rainfall totals, with enhanced probabilities of above-normal rainfall totals over the western parts of the Northern Cape.

Summary:

The favourable rainfall conditions experienced the past few months over large parts of the country seem to be dissipating. Notwithstanding, the forecasts are still optimistic for above-normal rainfall totals to occur over some parts of the summer rainfall regions. There is also some indication that above-normal rainfall totals may occur over the south-western Cape as winter approaches.

Source: South African Weather Service

2.3 Level of dams

Available information on the level of South Africa's dams on 2 March 2009 indicates that the country has approximately 91% of its full supply capacity (FSC) available, which is 5% more than last year. The provincial distribution of South Africa's water supply (including Lesotho) is contained in Table 1 below.

Table 1: Level of dams, 2 March 2009

Province	Total FSC	2/03/2009 (%)	Last Year (%)
Eastern Cape	1 807	67	83
Free State	16 090	98	88
Gauteng	115	101	101
KwaZulu-Natal	4 529	88	89
Lesotho	2 376	90	88
Limpopo	1 142	78	79
Mpumalanga	2 527	95	89

North West	808	79	74
Northern Cape	143	105	98
Western Cape	1 843	68	68
Total	**31 381**	**91**	**86**

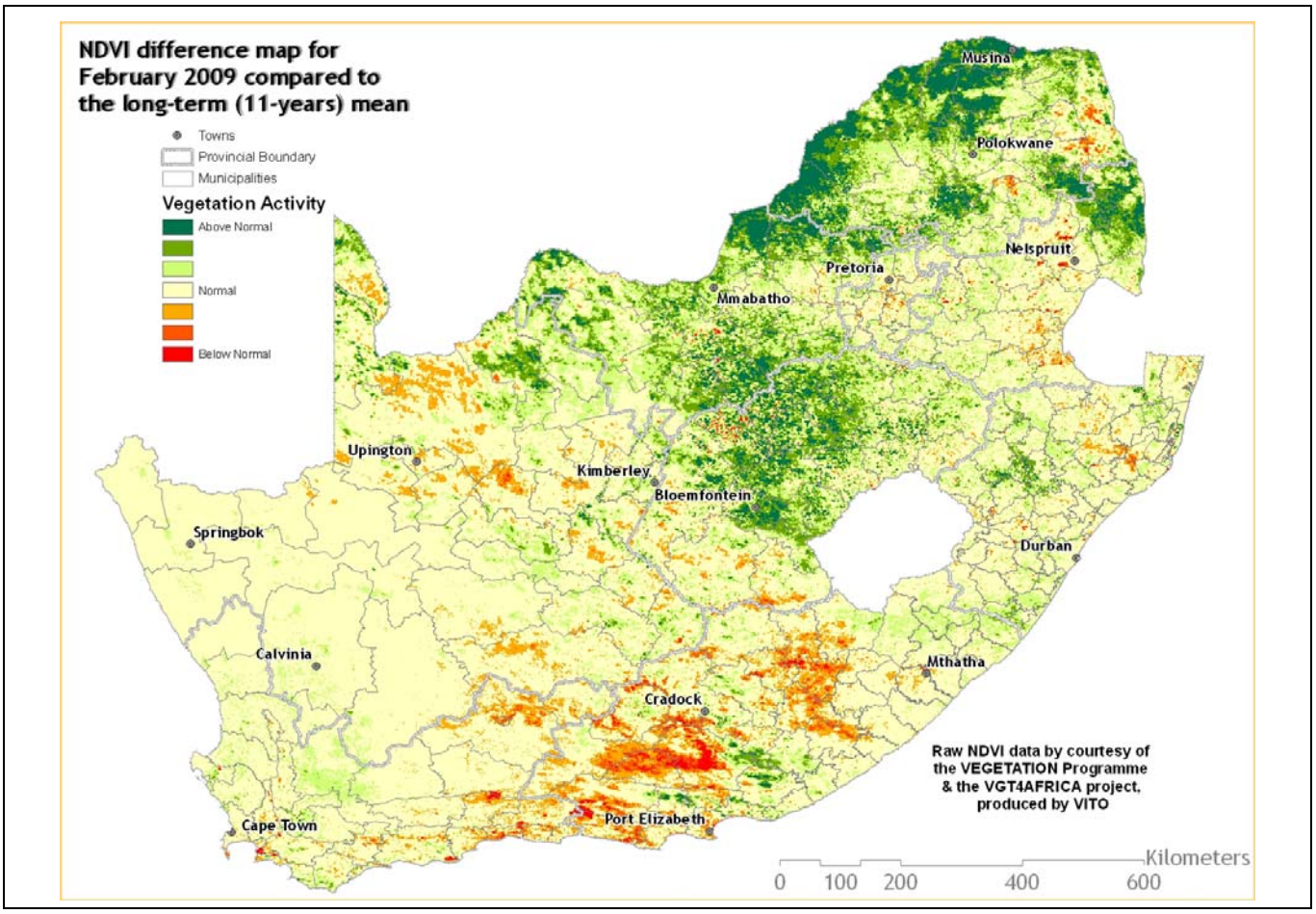
Source: Department of Water Affairs and Forestry

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

2.4 Vegetation activity

The NDVI difference map (Figure 4) for February 2009 as compared to the 11 years long-term mean shows that the vegetation activity is normal to above-normal for the central and northern parts of the country, especially in the Free State, North West and Limpopo Provinces. Most parts of the Mpumalanga Province reflect normal to below-normal vegetation activity. The coastal regions (i.e. Eastern and Western Cape as well as KwaZulu-Natal Provinces) also reflect below-normal vegetation activity.

Figure 4: NDVI map for February 2009 compared to 11 years long-term mean



Source: ARC: ISCW

3. Grain production

3.1 Summer grain crops

3.1.1 Revised area estimate and first production forecast of summer crops for the 2008/09 production season

The CEC released the revised area planted and first production forecast figures of the commercial summer grain crops for the 2008/09 production season on 24 February 2009.

Table 2: Commercial summer crops: Revised area planted and first production forecast figures - 2008/09 production season

CROP	**Area planted 2008/09** **Ha** **(A)**	**1st Forecast 2008/09** **Tons** **(B)**	Area planted 2007/08 Ha (c)	Final crop 2007/08 Tons (d)	Change % (B) ÷ (D)
Commercial:					
White Maize	**1 497 300**	**6 528 440**	1 737 000	7 480 000	-12,72
Yellow Maize	**952 500**	**4 688 100**	1 062 000	5 220 000	-10,19
Total maize	**2 449 800**	**11 216 540**	2 799 000	12 700 000	-11,68
Sunflower seed	**595 400**	**900 300**	564 300	872 000	+3,25
Soya-beans	**216 250**	**368 875**	165 400	282 000	+30,81
Groundnuts	**54 550**	**93 910**	54 200	88 800	+5,75
Sorghum	**90 100**	**268 100**	86 800	255 000	+5,14
Dry beans	**43 800**	**60 790**	43 800	58 975	+3,08
Total	**3 449 900**	**12 908 515**	3 713 500	14 256 775	-9,46

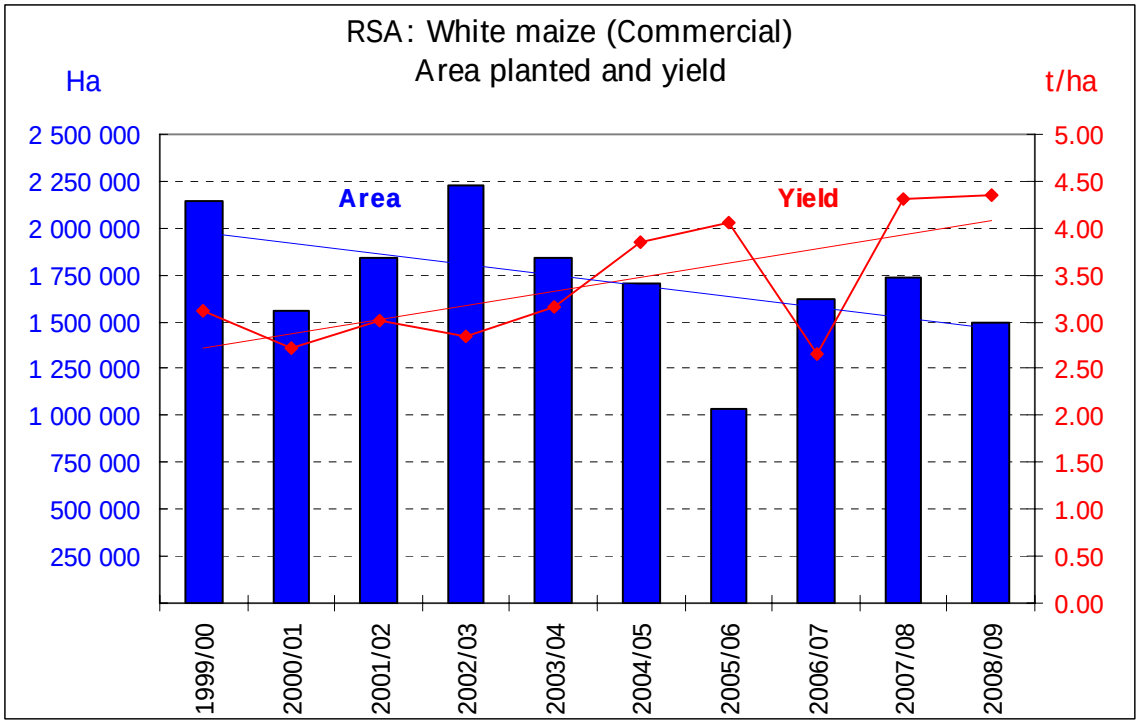
The revised area estimate for **commercial maize** is 2,450 million ha, which is 12,48% or 349 200 ha less than the 2,799 million ha planted for the previous season. The expected commercial maize crop is 11,217 million tons, which is 11,68% less than the 12,7 million tons of the previous season.

The area estimate for **commercial white maize** is 1,497 million ha, which represents a decrease of 13,80% or 239 700 ha compared to the 1,737 million ha planted last season. In the case of **commercial yellow maize** the area estimate is 952 500 ha, which is 10,31% or 109 500 ha less than the 1,062 million ha planted last season.

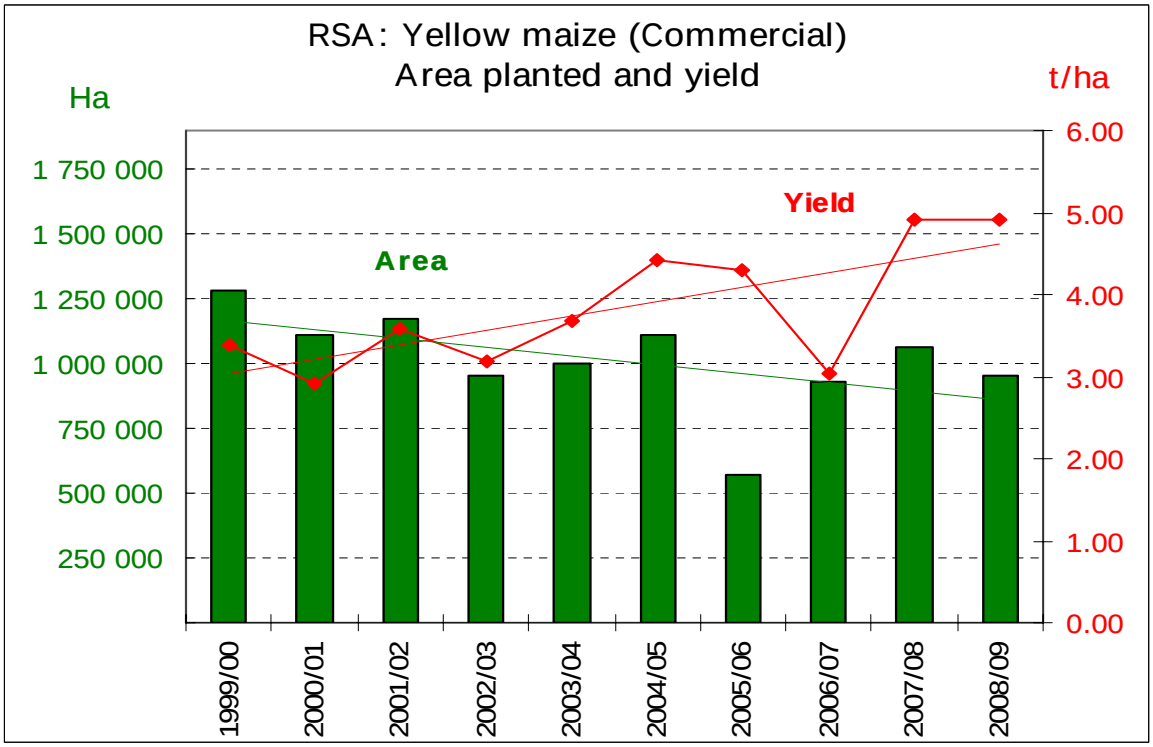
The production forecast of white maize is 6,528 million tons, which is 12,72% less than the 7,480 million tons of last season. The yield for white maize is 4,36 t/ha as against 4,31 t/ha the previous season. In the case of yellow maize the production forecast is 4,688 million tons, which is 10,19% less than the 5,220 million tons of last season. The yield of yellow maize is 4,92 t/ha, the same as for 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 1: Area planted and yield of commercial white maize



Graph 2: Area planted and yield of commercial yellow maize



3.1.2 Other commercial summer crops

The production forecast for **sunflower seed** is 900 300 tons, which is 3,25% more than the 872 000 tons of the previous season. The revised area estimate for sunflower seed is 595 400 ha, which is 5,51% more than

the 564 300 ha planted the previous season. The expected yield is 1,51 t/ha as against 1,55 t/ha of the previous season.

The production forecast for **soya-beans** is 368 875 tons, which is 30,81% more than the 282 000 tons of the previous season. It is estimated that 216 250 ha have been planted to soya-beans, which represents an increase of 30,74% compared to the 165 400 ha planted last season. The expected yield is 1,71 t/ha as against 1,70 t/ha last season.

The expected **groundnut** crop is 93 910 tons, which is 5,75% more than the 88 800 tons of last season. For groundnuts the area estimate is 54 550 ha, which is 0,65% more than the 54 200 ha planted for the previous season. The expected yield is 1,72 t/ha as against 1,64 t/ha last season.

The production forecast for **sorghum** is 268 100 tons, which is 5,14% higher than the 255 000 tons of the previous season. The area estimate for sorghum increased by 3,80%, from 86 800 ha to 90 100 ha against the previous season. The expected yield is 2,98 t/ha as against 2,94 t/ha of the previous season.

In the case of **dry beans** the production forecast for dry beans is 60 790 tons, which is 3,08% more than the 58 975 tons of the previous season. For dry beans the area estimate is 43 800 ha, the same as for the previous season. The expected yield is 1,39 t/ha as against 1,35 t/ha of the previous season.

Please note that the second production forecast for summer field crops for the 2008/09 production season will be released on 25 March 2009.

3.2 Winter cereal crops

The CEC released the revised area and final production estimate of winter cereals for the 2008 production season on 24 February 2009.

Table 3: Revised area and final production estimate of winter cereals: 2008 production season

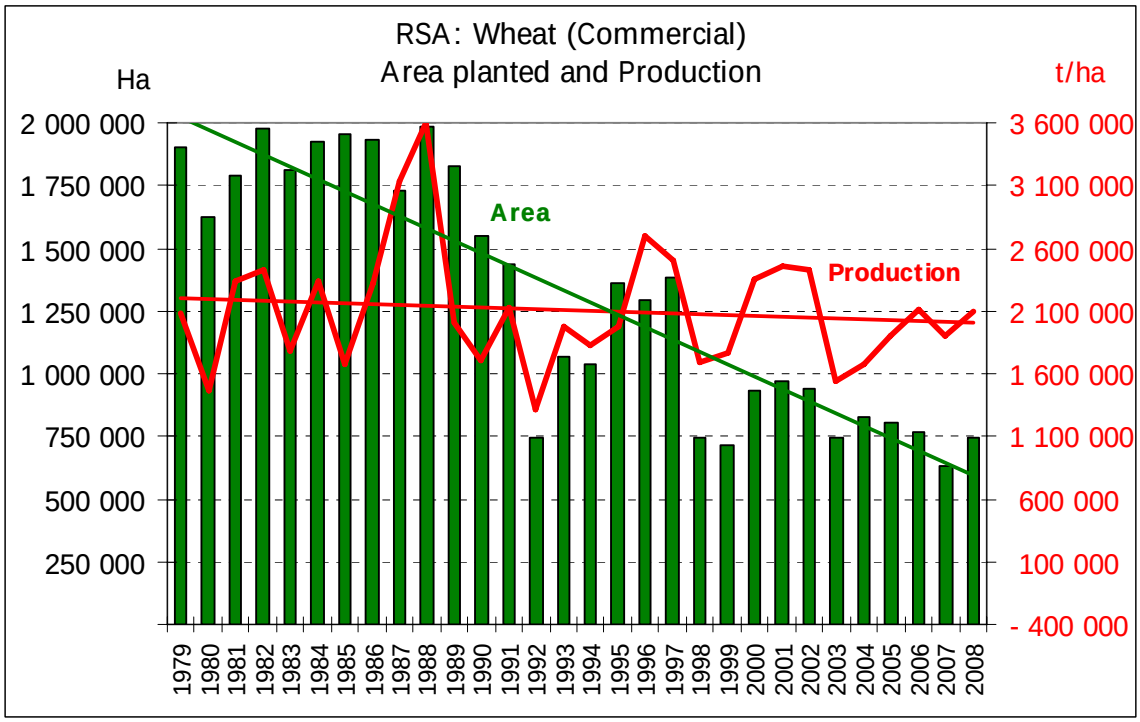
CROP	AREA PLANTED 2008 Ha (A)	**FINAL ESTIMATE 2008** **Ha** **(B)**	AREA PLANTED 2007 Ha (C)	FINAL CROP 2007 Tons (D)	CHANGE % (B) ÷ (D)
Commercial:					
Wheat	748 000	**2 089 775**	632 000	1 905 000	+9,70
Malting barley	68 245	**194 399**	73 360	222 500	-12,63
Canola	34 000	**32 300**	33 200	38 150	-15,33
TOTAL	850 245	**2 316 474**	738 560	2 165 650	+6,96

The final production estimate of **wheat** is 2,090 million tons - 9,70% more than the 1,905 million tons of last season. The yield is 2,79 t/ha as against 3,01 t/ha of the previous season. The production for the current season is 840 000 tons in the Western Cape, 560 000 tons in the Free State and 325 000 tons in the Northern Cape.

The final 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% was 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 following Graph provides a historic overview of the area planted to and production of commercial wheat. It is evident that the area planted as well as production show a decreasing trend over time.

Graph 3: Area planted and production of commercial wheat



3.2.1 Other commercial winter crops

The final production estimate for **malting barley** is 194 399 tons, which is 12,63% less than the previous seasons' crop of 222 500 tons. The area planted is estimated at 68 245 ha, a decrease of 6,97% compared to the previous seasons' plantings of 73 360 ha. The yield is 2,85 t/ha as against 3,03 t/ha of the previous season.

The final production estimate for **canola** is 32 300 tons, which is 15,33% 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 yield is 0,95 t/ha as against 1,15 t/ha of the previous season.

Please note that the intentions to plant winter cereals for the 2009 production season will be released on 23 April 2009.

4. Cereal balance sheets

Supply and demand data for January 2009 was released by SAGIS on 19 February 2009. Table 4 contains the Wheat Balance Sheet for the 2008/09 marketing season. Tables 6 and 8 contain the Maize and Sorghum Balance Sheets for the 2008/09 and 2009/10 marketing seasons. **Preliminary information is subject to change on a monthly basis.**

4.1 Winter cereals

Table 4: Projected Balance Sheet for Wheat for the current 2008/09 marketing season

2008/09 Wheat Balance Sheet as at 27 February 2009	Wheat (1 000 tons)
Supply	
Opening stocks (October 2008)	**509**
SAGIS Opening Stocks	509
Gross production (2008 season)	**2 100**
Commercial production	2 090
Subsistence agriculture	10
Total domestic supply	**2 609**
Plus: Imports	1 200
Total supply	**3 809**
Demand	
Consumption	**2 924**
Commercial: Human	2 770
Animal (feed)	12
Seed for planting purposes	27
Other*	115
Subsistence agriculture	**10**
Total domestic consumption	**2 934**
Plus: Exports	**227**
Total demand	**3 161**
Closing stocks (September 2009)	**648**
Pipeline requirements	**607**
Domestic shortfall	**-932**
Import gap	**932**
Surplus above pipeline	**41**
SAGIS closing stocks as at end of January 2009	**1 869**

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.
- Pipeline requirements are 80 days of food consumption.

4.1.1 Discussion of the current 2008/09 wheat situation

The expected production of wheat is 2,050 million tons. The projected total supply of wheat is therefore 3,809 million tons, including imports of 1,200 million tons during the 2008/09 marketing season. Projections for the 2008/09 marketing season indicate that South Africa will require 607 000 tons for pipeline requirements at the end of September 2009. Total demand, including exports of 227 000 tons is projected at 3,161 million tons. Thus, closing stocks at the end of September 2009 is seen at 648 000 tons.

Wheat imports for the current season until 27 February 2009, comes to 495 325 tons. Table 5 provides a breakdown of wheat imports per country of origin for the current 2008/09 marketing season:

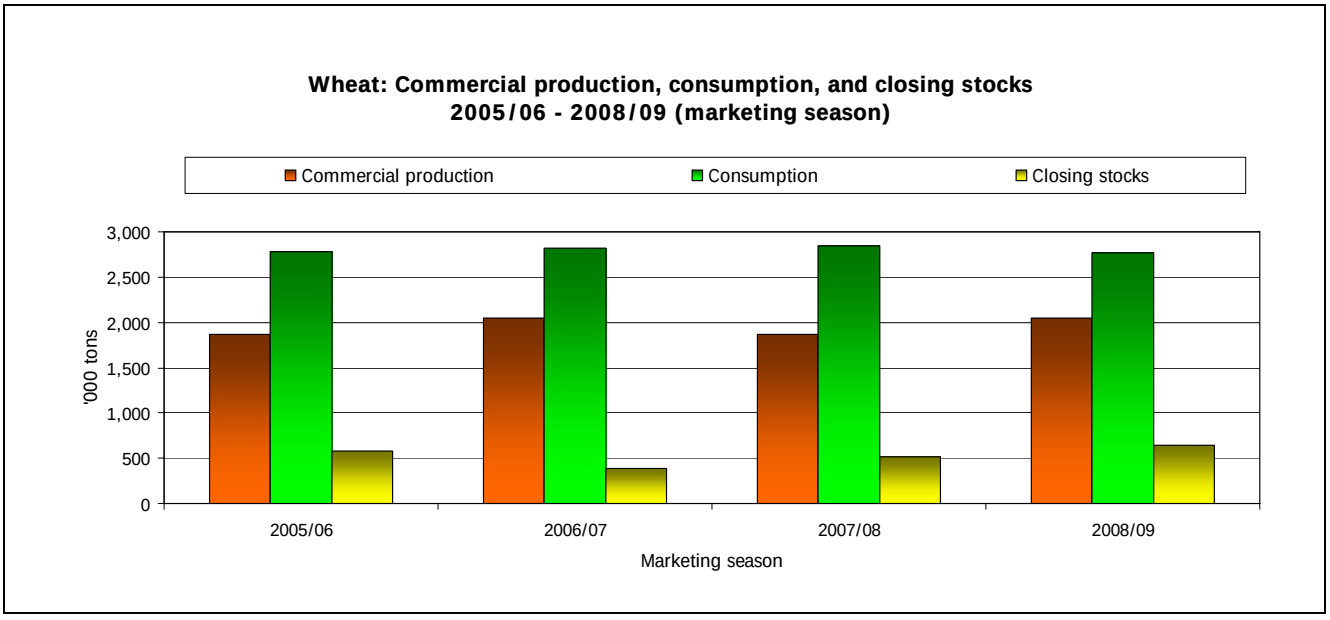
Table 5: South Africa's wheat imports per country, 4 October 2008 to 27 February 2009

Country	Tons	%
United States of America	64 392	13,00
Argentina	322 475	65,10
Germany	57 788	11,67
Canada	34 569	6,98
Australia	16 101	3,25
Total	**495 325**	**100,00**

Source: SAGIS Weekly imports and exports, 3 March 2009

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***.

Graph 4: Wheat: Commercial production, consumption and closing stocks: 2005/06 - 2008/09 marketing season



From the graph it 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, depending on the weather conditions. However, it is important to note that for the 2008/09 season there is a trend indicating a substitution effect away from wheat towards white maize.

4.2 Summer crops

Table 6: Balance Sheet for Maize and Sorghum for the current 2008/09 marketing season

2008/09 Projected Annual Cereal Balance Sheet as at 27 February 2009 (1 000 tons)	Maize			Sorghum
	White	Yellow	Total	
Supply				
Opening stocks	**618**	**439**	**1 057**	**42,6**
SAGIS Opening Stocks	618	439	1 057	42,6
Gross production	**7 814**	**5 350**	**13 164**	**295,6**
Commercial production	7 480	5 220	12 700	255,0
Subsistence agriculture	334	130	464	40,6
Total domestic supply	**8 432**	**5 789**	**14 221**	**338,2**
Plus: Imports	-	27	27	-
Total supply	**8 432**	**5 816**	**14 248**	**338,2**
Demand				
Consumption	**5 350**	**4 264**	**9 614**	**194,2**
Commercial: Human	4 200	320	4 520	178,0
Animal (feed)	820	3 250	4 070	10,5
Gristing	60	10	70	-
Seed for planting purposes	20	14	34	-
Other*	250	670	920	5,7
Subsistence agriculture	**334**	**130**	**464**	**40,6**
Total domestic consumption	**5 684**	**4 394**	**10 078**	**234,8**
Plus: Exports	**1 640**	**350**	**1 990**	**30,4**
Products	40	40	80	-
Whole maize	1 600	310	1 910	-
Total demand	**7 324**	**4 744**	**12 068**	**265,2**
Closing stocks	**1 108**	**1 072**	**2 180**	**73,0**
Pipeline requirements	**626**	**441**	**1 068**	**23,2**
Domestic surplus	**2 122**	**953**	**3 075**	**80,1**
Surplus above pipeline	**482**	**631**	**1 112**	**49,7**
SAGIS closing stocks as at end of January 2009	**2 438**	**1 688**	**4 126**	**104,4**

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.
- Pipeline requirements are 45 days of commercial consumption.

4.2.1 Discussion of the 2008/09 maize situation

***White maize**:* Projections for the 2008/09 marketing season indicate that South Africa will have a surplus (before pipeline requirements) of 1,108 million tons at the end of April 2009. The expected total domestic supply is 8,432 million tons, while total domestic consumption is estimated at 5,684 million tons. Exports are projected at 1,6 million tons.

***Yellow maize**:* A domestic surplus (before pipeline requirements) of 1,072 million tons is expected at the end of April 2009. The total domestic supply is estimated at 5,789 million tons, while the total domestic consumption is projected at 4,394 million tons. Anticipated exports during the 2008/09 marketing season are seen at 350 000 tons.

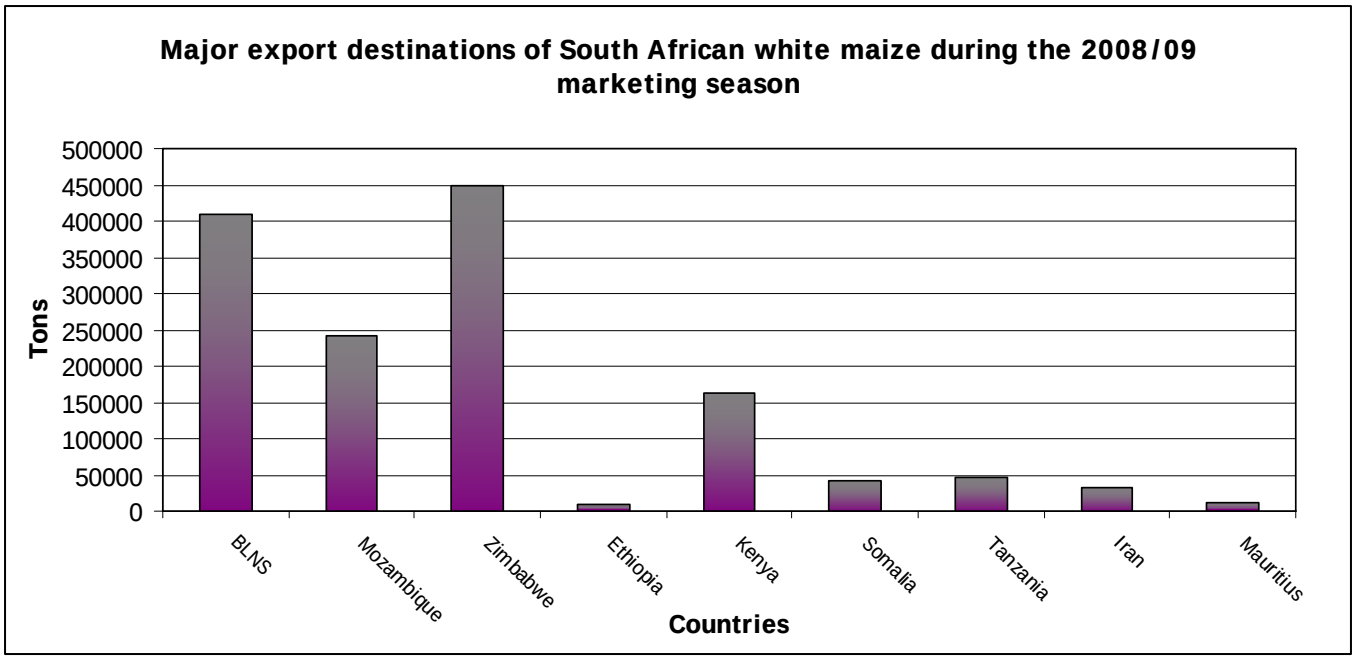
The SAGIS export data up to 27 February 2009, indicates that 1,680 million tons of maize was exported. The exports of maize for the 2008/09 marketing season are projected at 1,990 million tons. A summary of exports to African countries and other destinations is contained in Table 7.

Table 7: Export destinations of South African maize, 3 May 2008 to 27 February 2009

White maize		Yellow maize	
Country	Tons	Country	Tons
Botswana	230 645	Botswana	695
Lesotho	77 508	Lesotho	4 742
Namibia	89 778	Mozambique	19 732
Mozambique	241 966	Namibia	17 174
Zimbabwe	448 961	Swaziland	32 487
Zambia	3 434	Zimbabwe	1 321
Ethiopia	9 386	Guinea	1 916
Benin	4 279	Iran	104 333
Senegal	5 473	Malaysia	34 089
Swaziland	11 763	Yemen	27 500
Angola	2 020		
Kenya	161 783		
Ghana	2 302		
Cameroon	3 821		
Chad	366		
Somalia	42 958		
Tanzania	45 357		
Guinea	1 129		
Togo	1 989		
Malawi	4 526		
Iran	33 415		
Mauritius	12 400		
Madagascar	258		
Congo	98		
Total white maize	**1 435 615**	**Total yellow maize**	**243 989**
Total Maize			**1 679 604**

Source: SAGIS Weekly imports and exports, 3 March 2009

Graph 5: Major export destinations of South African white maize



From the Graph it is evident that most of the white maize has been exported to Zimbabwe, the BLNS countries Mozambique and Kenya during the current marketing season.

It is also interesting to note that during the past season 27 432 tons of yellow maize were imported from Brazil.

***Sorghum**:* South Africa could have a surplus (before pipeline requirements) of 73 000 tons at the end of March 2009. The expected total domestic supply is seen at 338 200 tons, while total domestic consumption is estimated at 234 800 tons. The total domestic demand is seen at 265 200 tons, including projected exports of 30 400 tons. Projections for the 2008/09 marketing season indicate that South Africa could see closing stocks of 73 000 tons at the end of March 2009.

Table 8: Projected Balance Sheet for Maize and Sorghum for the 2009/10 marketing season

2009/10 Projected Annual Cereal Balance Sheet as at 27 February 2009 (1 000 tons)	Maize			Sorghum
	White	Yellow	Total	
Supply				
Opening stocks	**1 108**	**1 072**	**2 180**	**73,0**
SAGIS Opening Stocks	1 108	1 072	2 180	73,0
Gross production	**6 862**	**4 818**	**11 680**	**308,7**
Commercial production	6 528	4 688	11 216	268,1
Subsistence agriculture	334	130	464	40,6
Total domestic supply	**7 970**	**5 890**	**13 860**	**381,7**
Plus: Imports	-	-	-	-
Total supply	**7 970**	**5 890**	**13 860**	**381,7**
Demand				
Consumption	**5 053**	**4 053**	**9 106**	**211,4**
Commercial: Human	3 850	290	4 140	192,4
Animal (feed)	900	3 175	4 075	12,9
Gristing	63	10	73	-
Seed for planting purposes	20	14	34	-
Other*	220	564	784	6,1
Subsistence agriculture	**334**	**130**	**464**	**70,6**
Total domestic consumption	**5 387**	**4 183**	**9 570**	**282,0**
Plus: Exports	**1 400**	**400**	**1 800**	**35,0**
Products	50	50	100	-
Whole maize	1 350	350	1 700	-
Total demand	**6 787**	**4 583**	**11 370**	**317,0**
Closing stocks	**1 183**	**1 307**	**2 490**	**64,7**
Pipeline requirements	**593**	**428**	**1 022**	**25,3**
Domestic surplus	**1 989**	**1 278**	**3 268**	**74,4**
Surplus above pipeline	**589**	**878**	**1 468**	**39,4**

Notes:

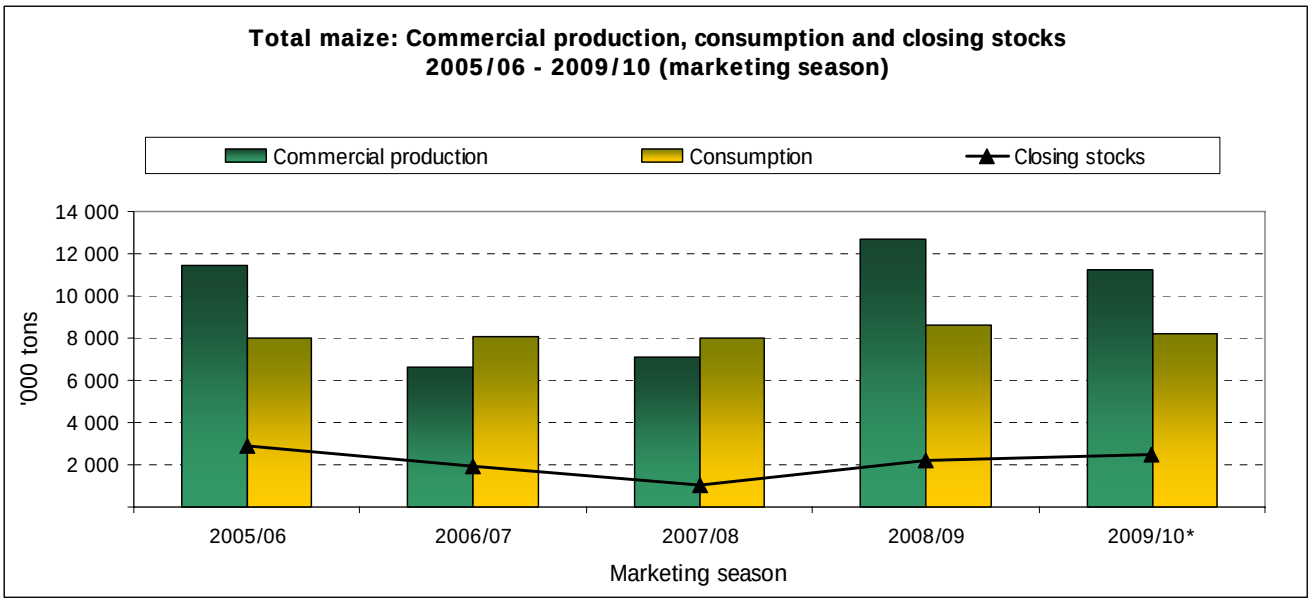
- Source: SAGIS, Directorate: Agricultural Statistics.
- *Other refers to grains released to end-consumers and/or withdrawn by producers, and retentions on farms.
- Figures might not add up correctly due to rounding.
- Marketing season for maize: May to April.
- Marketing season for sorghum: April to March.
- Early deliveries refer to the deliveries in March and April for maize and March for sorghum.
- Pipeline requirements are 45 days of commercial consumption.

4.2.2 Discussion of the projected 2009/10 maize situation

According to the first production forecast for the 2008/09 production season, the expected production of white maize will be 6,528 million tons on an area of 1,497 million ha. The projected total supply of white maize is therefore 7,970 million tons, including opening stocks of 1,108 million tons. Total demand (exports included) is expected to reach 6,787 million tons and the closing stocks as at 30 April 2010, is expected to be 1,183 million tons.

For yellow maize, the expected production of yellow maize is 4,688 million tons on an area of 952 500 ha. The projected total supply of yellow maize is therefore 5,890 million tons, including opening stocks of 1,072 million tons. Total demand, including exports, is projected at 4,583 million tons. Projections for the 2009/10 marketing season indicate closing stocks of 1,307 million tons at the end of April 2010.

Graph 6: Total maize: Commercial production, consumption and closing stocks: 2005/06 - 2009/10



*Projection

From the graph it is evident that although consumption of maize is constant at around 8,1 million tons, commercial production varies from one season to another. The estimated closing stocks are also returning to the level of the 2006/07 marketing season.

***Sorghum**:* The expected total domestic supply is seen at 381 700 tons, while total domestic consumption is estimated at 282 000 tons. The total demand is seen at 317 000 tons, including projected exports of 35 000 tons. Projections for the 2009/10 marketing season indicate that South Africa could see closing stocks of 64 700 tons at the end of March 2010.

5. Market information

5.1 Consumer price index (CPI)

The headline CPI (for all urban areas) annual inflation rate in January 2009 was 8,1%.

This is the first annual inflation rate published using the new 2008 CPI basket and weights. On average, prices increased by 0,4% between December 2008 and January 2009.

Food and non-alcoholic beverages prices increased by 1,9% between December 2008 and January 2009, taking the annual rate to 15,7%. The monthly increase in the food index was largely driven by monthly increases in vegetables (6,9%), fruit (4,2%) and meat (2,1%).

The transport index declined by 3,1% between December 2008 and January 2009, mainly due to an 18,8% drop in the price of petrol.

Prices for miscellaneous goods and services increased by 2,8% between December 2008 and January 2009, taking the annual rate to 10,7%. This was largely a result of a monthly increase of 3,7% in financial services and a 7,4% monthly increase in other services (funeral costs).

Other categories showing above average annual increases were restaurants and hotels (13,2%), alcoholic beverages and tobacco (10,2%), housing and utilities (9,2%) and recreation and culture (8,6%).

The provinces with the lowest annual inflation rate were Western Cape (7,7%), Northern Cape (7,7%) and Gauteng (7,8%). The provinces of KwaZulu-Natal (9,7%), Eastern Cape (9,2%) and Limpopo (8,8%) recorded the highest provincial annual rates of inflation.

5.2 Producer price index (PPI)

The Producer Price Index (PPI) for domestic output shows an annual rate of change of 9,2% in January 2009 (i.e. the PPI in January 2009 compared with that in January 2008). This rate is 1,8 percentage points lower than the corresponding annual rate of 11,0% in December 2008 (i.e. the PPI in December 2008 compared with than in December 2007).

This lower annual rate in January 2009 compared with that in December 2008 can be explained by decreases in the annual rate of change in the Producer Price Indices for:

- Electricity: The annual rate decreased from 36,7% in December 2008 to 31,5% in January 2009;
- Rubber and plastic products: The annual rate decreased from 21,5% in December 2008 to 15,6% in January 2009;
- Chemicals and chemical products: The annual rate decreased from 17,2% in December 2008 to 11,0% in January 2009;
- Mining and quarrying products: The annual rate decreased from 1,9% in December 2008 to -5,1% in January 2009;
- Products of petroleum and coal: The annual rate decreased from -12,9% in December 2008 to -24,1% in January 2009.

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

- Agricultural products: The annual rate increased from 0,0% in December 2008 to 9,5% in January 2009;
- Beverages: The annual rate increased from 4,4% in December 2008 to 5,8% in January 2009.

From December 2008 to January 2009 the PPI for domestic output decreased by 0,7%.

5.3 Real gross domestic product

South Africa's economy contracted by 1,8% during the fourth quarter of 2008 – the biggest contraction in 17 years – weighed down by a big fall in manufacturing output.

Real gross domestic product (GDP) at market prices decreased by 1,8 percent during the fourth quarter of 2008. The seasonally adjusted real GDP at market prices for the fourth quarter of 2008 decreased by an annualised rate of 1,8% compared with the third quarter of 2008. The corresponding real annualised economic growth rates for the first three quarters of 2008 were 1,7% (revised from an increase of 1,6), 5,0% (revised from an increase of 5,1%) and 0,2%, respectively.

The main contributors to the decrease in economic activity for the fourth quarter of 2008 were the manufacturing industry (-3,5%), as well as the electricity, gas and water industry (-0,1%). The wholesale and retail trade, hotels and restaurants industry and the mining and quarrying industry each contributing zero percent to total economic growth. The contributions by other industries were positive i.e. the finance, real estate and business services industry and the general government services (each contributing 0,6%); the agriculture, forestry and fishing industry (0,5%); the construction industry (0,4 %) and the transport, storage and communication industry and the personal services (each contributing 0,2%).

The seasonally adjusted and annualised real value added by non-agricultural industries (excluding the impact of the volatile agriculture industry) increased by 1,1% and 5,0% during first and second quarters of 2008 followed by decreases of 0,5% (revised from a decrease of 0,1%), and 2,2% during the third and fourth quarters of 2008 compared with the fourth quarter of 2007 and the first, second and third quarters of 2008 respectively.

The unadjusted GDP at market prices increased by 3,9% (revised from an increase of 3,8%), 4,5% (revised from an increase of 4,4%), 3,0% (revised from an increase of 2,9%) and 1,0% during the first, second, third and fourth quarters of 2008 compared with the first, second, third and fourth quarters of 2007 respectively.

Real annual GDP increased by 3,1% in 2008 following an increase of 5,1% in 2007.

First preliminary annual estimates of gross domestic product (GDP) are derived as the sum of the GDP for the four quarters of the specific year. These estimates indicate that the real annual GDP at market prices for 2008, increased by 3,1% compared with 2007 when the real annual economic growth rate was 5,1%.

The main contributors to the increase in economic activity in 2008 were the finance, real estate and business services industry (1,0%), the agriculture, forestry and fishing industry, the construction industry and the general government services (each contributing 0,5%) and the transport, storage and communication industry

(0,4%). The contributions by all other industries were either lower or negative i.e. the manufacturing industry and the personal services (each contributing 0,2%), the wholesale and retail trade, hotels and restaurants industry (0,1%), the electricity, gas and water industry (0,0%) and the mining and quarrying industry (-0,3%).

5.4 Futures contract prices, the exchange rate as well as the oil price per barrel

TABLE 9: CLOSING PRICES AT FRIDAY, 27 FEBRUARY 2009

Closing prices at Friday, 27 February 2009			
	1 year ago	The week ending 20 February 2009	The week ending 27 February 2009
RSA White Maize per ton (March contract)	R1 836	R1 695	R1 607
RSA Yellow Maize per ton (March contract)	R1 900	R1 577	R1 503
USA Yellow Maize per ton (March contract)	$204,71	$139,05	$142,51
RSA Wheat per ton (March contract)	R3 808	R2 770	R2 559
USA Wheat per ton (March contract)	$380,66	$190,84	$188,86
RSA Soybeans per ton (March contract)	R4 620	R3 498	R3 230
USA Soybeans per ton (March contract)	$513,82	$324,81	$319,37
RSA Sunflower seed per ton (March contract)	R4 909	R3 445	R3 370
Exchange rate R/$	R7,47	R10,08	R10,10
Oil price per barrel	$98,28	$41,11	$46,35

Source: Weekly Price Watch, DoA, 27 February 2009

Most local grains entered their third week of price declines taking their cues from global prices. Domestic yellow and white maize prices declined by 5,2% and 4,7% respectively, compared to the previous week, while wheat and soybeans recorded significant declines of 7,6% and 7,7% respectively. Internationally, most grain prices ended in a negative zone, mainly due to declining global demand, except for the yellow maize price which edged up by 2,5% to $142,51 per ton. The rand weakened slightly on the news of widened trade deficit, ending the week above the R10/$ level. The oil price recorded a noticeable increase of 12,7% to $46,35 for the week ending 27 February 2009.

5.5 Agricultural machinery sales

February tractor sales of 762 units were marginally (1,7%) lower than the 775 units sold in February last year. On a year-to-date basis sales are marginally up on last year. February combine harvester sales of 39 units were sharply higher than the 14 units sold in February last year. On a year-to-date basis combine harvester sales are almost double those of last year.

Many of the fundamentals within the agricultural machinery market are still positive. Summer crops are showing good potential. Interest rates have already been reduced this year and prospects of further reductions

are good. Although crop prices have come down in recent months, improved yields should compensate for this. Many farmers have taken the opportunity to buy new equipment at the lower prices prevailing on stock brought in prior to the rand devaluation late in 2008.

Table 10: Retail sales of Agricultural equipment during February 2009

Equipment class	Year-on-year February		Percentage Change %	Year-to-date February		Percentage Change %
	2009	2008		2009	2008	
Tractors	762	775	-1,7	1 245	1 224	1,7
Combine harvesters	39	14	178,6	52	27	92,6

Source: SAAMA press release, March 2009

The table below summarises 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 the three-month moving average in each case.

Table 11 shows the retail sales of agricultural equipment during January and February 2009.

Table 11: Agricultural machinery price changes

Equipment Category	Year- on-year percentage change		Trend % Change
	January 2009	February 2009	
Tractors	31,9	33,3	4,4
Combine Harvesters	26,4	27,9	5,7
Hay and Forage Equipment	32,8	33,0	0,6
Implements	24,8	26,7	7,7
Total	30,3	31,5	4,0

Source: Agfacts, February 2009

The sharp devaluation in the value of the rand at the beginning of 2008 and then again at the end of the year caused prices to rise very sharply over the past twelve months, with the trend in the price increases still being sharply upwards for all categories of equipment.

6. 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
- Agrimark Trends
- Department of Water Affairs and Forestry (DWAF)
- Farmer's Weekly
- Grain South Africa (GrainSA)
- National Agricultural Marketing Council
- South African Agricultural Machinery Association (SAAMA)
- 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