MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JUNE 2009

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Directorate: Agricultural Statistics

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1. Highlights

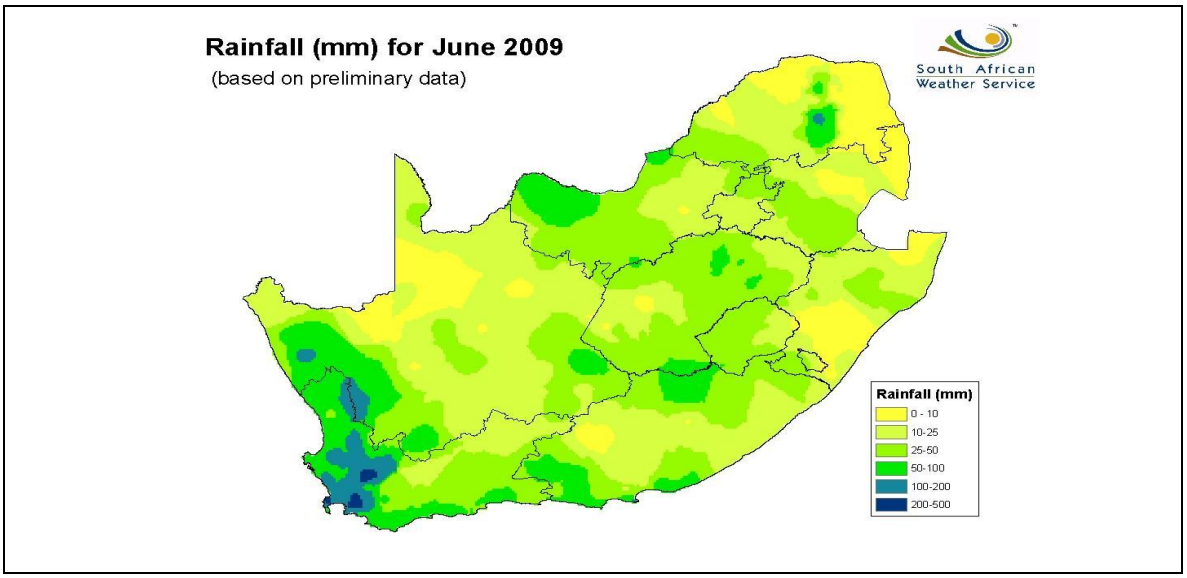
- Rainfall during June was restricted to isolated areas of the winter rainfall region as well as the Free State, North West and Limpopo Provinces.
- South Africa had a surplus of 1,585 million tons of maize at the end of April 2009.
- Maize exports came to 2,266 million tons during the 2008/09 marketing season.
- The expected commercial maize crop for the 2008/09 production season is 11,603 million tons, which is 8,63% less than the 12,7 million tons of the previous season.
- Projections for the current 2009/10 maize marketing season indicate that South Africa will have a surplus of 1,950 million tons of maize at the end of April 2010.
- Projections for the current 2008/09 wheat marketing season indicate that South Africa will have a surplus of 548 000 tons of wheat at the end of September 2009.
- Projections for the 2009/10 wheat marketing season indicate that South Africa will have a surplus of 547 000 tons of wheat at the end of September 2010.
- The headline CPI (for all urban areas) annual inflation rate in May 2009 was lower at 8,0%.
- The annual percentage change in the PPI was lower at -3,0% in May 2009 (i.e. the PPI in May 2009 compared with that in May 2008).
- The Monetary Policy Committee of the South African Reserve Bank decided to keep the repurchase rate unchanged at 7,5 per cent per annum at its meeting, which concluded on 25 June 2008.
- Total tractor sales during May 2009 were 314 units, which is almost 35% less than the 482 units sold in May last year.

2. Weather conditions

2.1 Rainfall for June 2009

According to the South African Weather Service, rainfall during June 2009 (Figure 1) was restricted to isolated areas of the winter rainfall region (i.e. Western, Northern and Eastern Cape Provinces) as well as Free State, North-West and Limpopo Provinces. The remaining provinces seem to have received limited rainfall during the mentioned period.

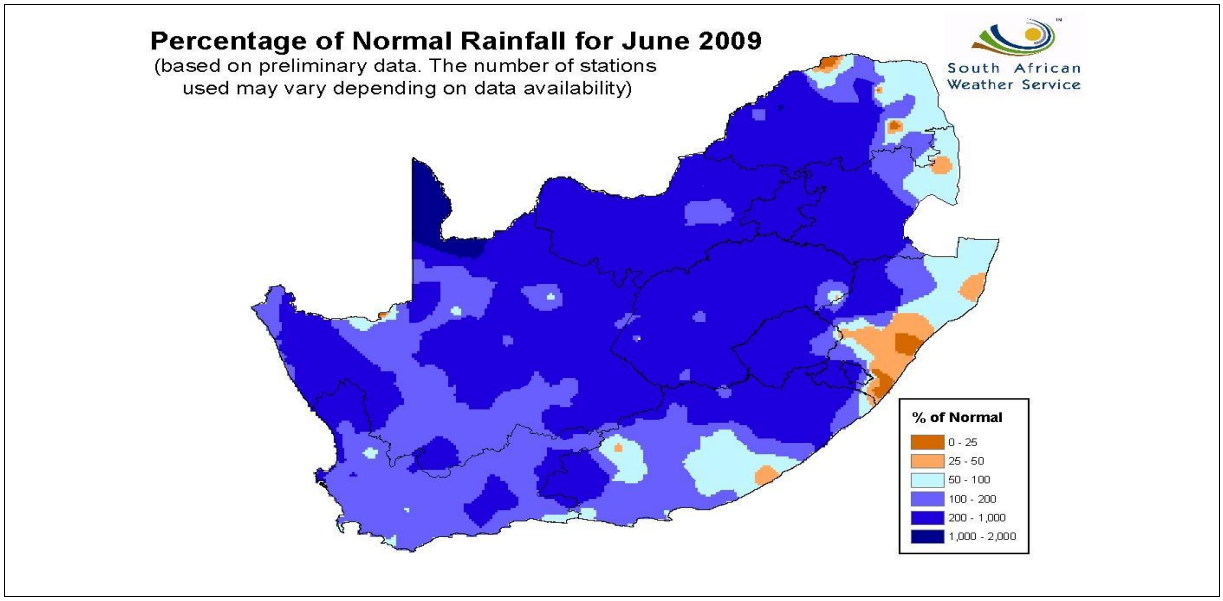
Figure 1: Total rainfall for June 2009



Source: South African Weather Service

The map for the percentage of normal rainfall for the month of June 2009 (Figure 2) illustrates a significant percentage of normal to above-normal rainfall for the entire country, except for some occurrences of below-normal rainfall patches in selected areas of the KwaZulu-Natal, Limpopo and the Eastern Cape Provinces.

Figure 2: Percentage of normal rainfall for June 2009

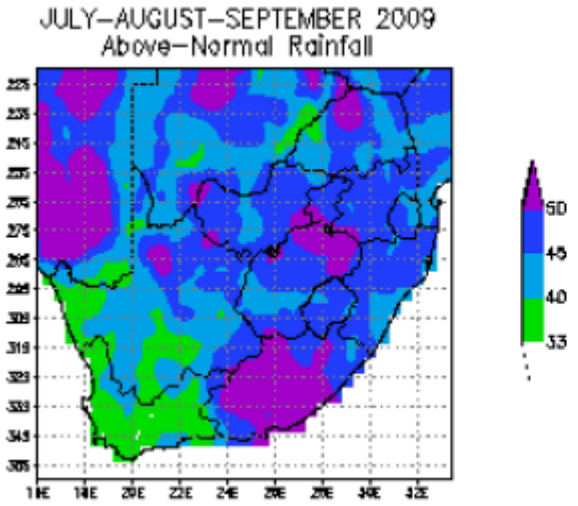


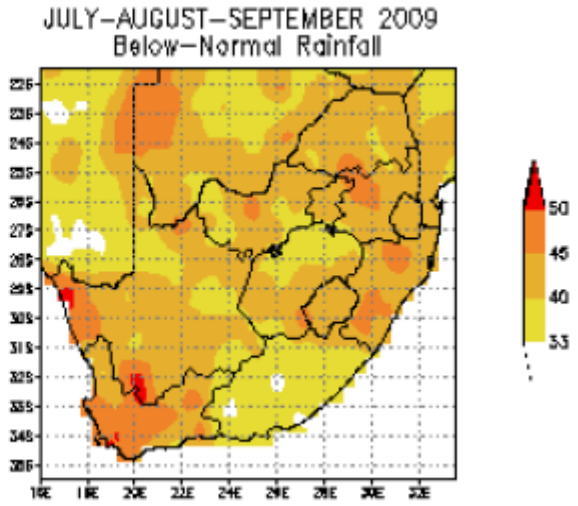
Source: South African Weather Service

2.2 Seasonal rainfall forecast overview for South Africa

2.2.1. Rainfall Forecast (July to November 2009)

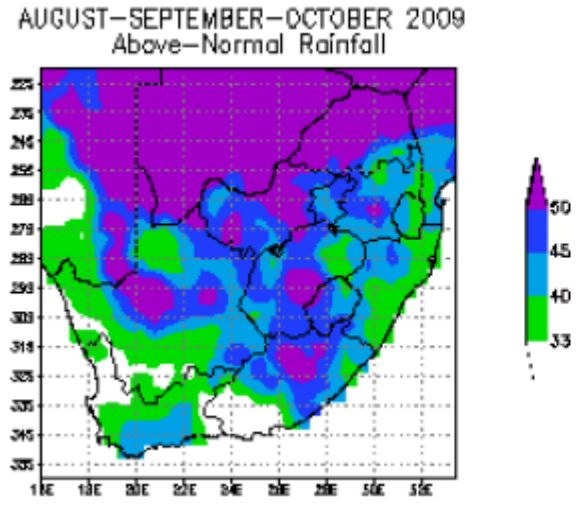
Figure 3: Rainfall Forecast (July to November 2009)

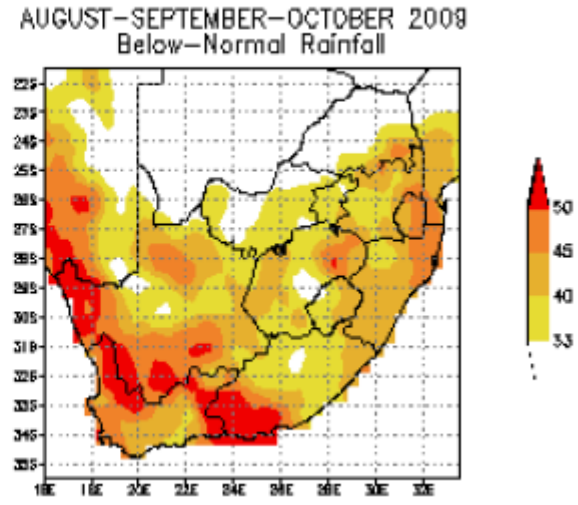




July-August-September

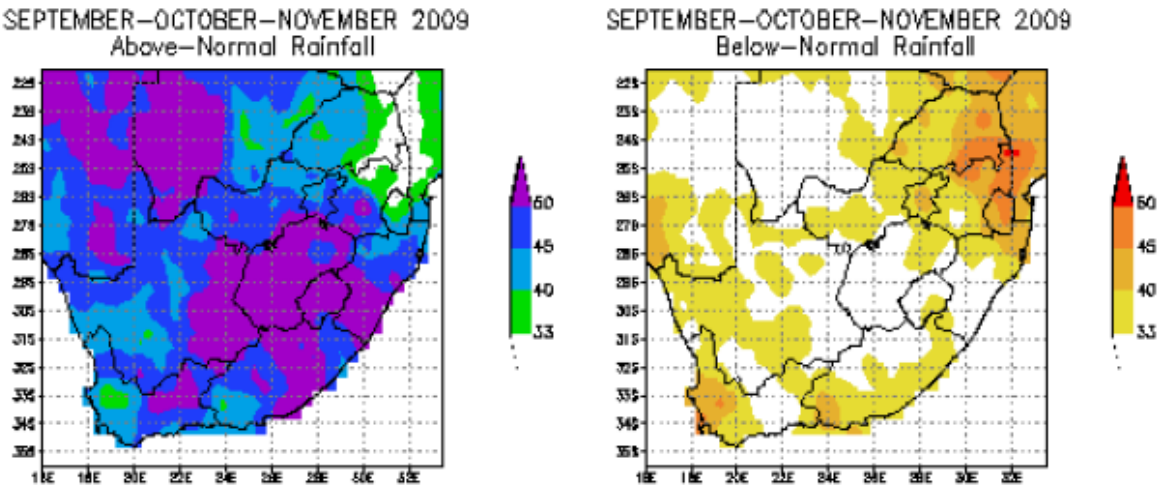
The Eastern Cape and isolated areas over the interior are likely to receive above-normal rainfall totals, while parts of the south-western region are likely to receive below-normal rainfall totals.





August-September-October

Only isolated areas over the interior as well as the far northern parts are likely to receive above-normal rainfall totals, while selected areas of the south-western parts are likely to receive below-normal rainfall totals.



September-October-November

The central and south-eastern parts are likely to receive above-normal rainfall totals, whereas the north-eastern parts are likely to experience dry conditions.

Summary:

The seasonal forecast is not favouring a good rainfall season over the winter rainfall region, but is more optimistic about good rainfall over the Eastern Cape. During the spring months starting in September, the interior may experience favourable rainfall conditions, but the north-eastern interior may be dry.

Source: South African Weather Service

2.3 Level of dams

Available information on the level of South Africa's dams on 29 June 2009 indicates that the country has approximately 87% of its full supply capacity (FSC) available, the same as last year. The provincial distribution of South Africa's water supply (including Lesotho) is contained in Table 1 below.

Table 1: Level of dams, 29 June 2009

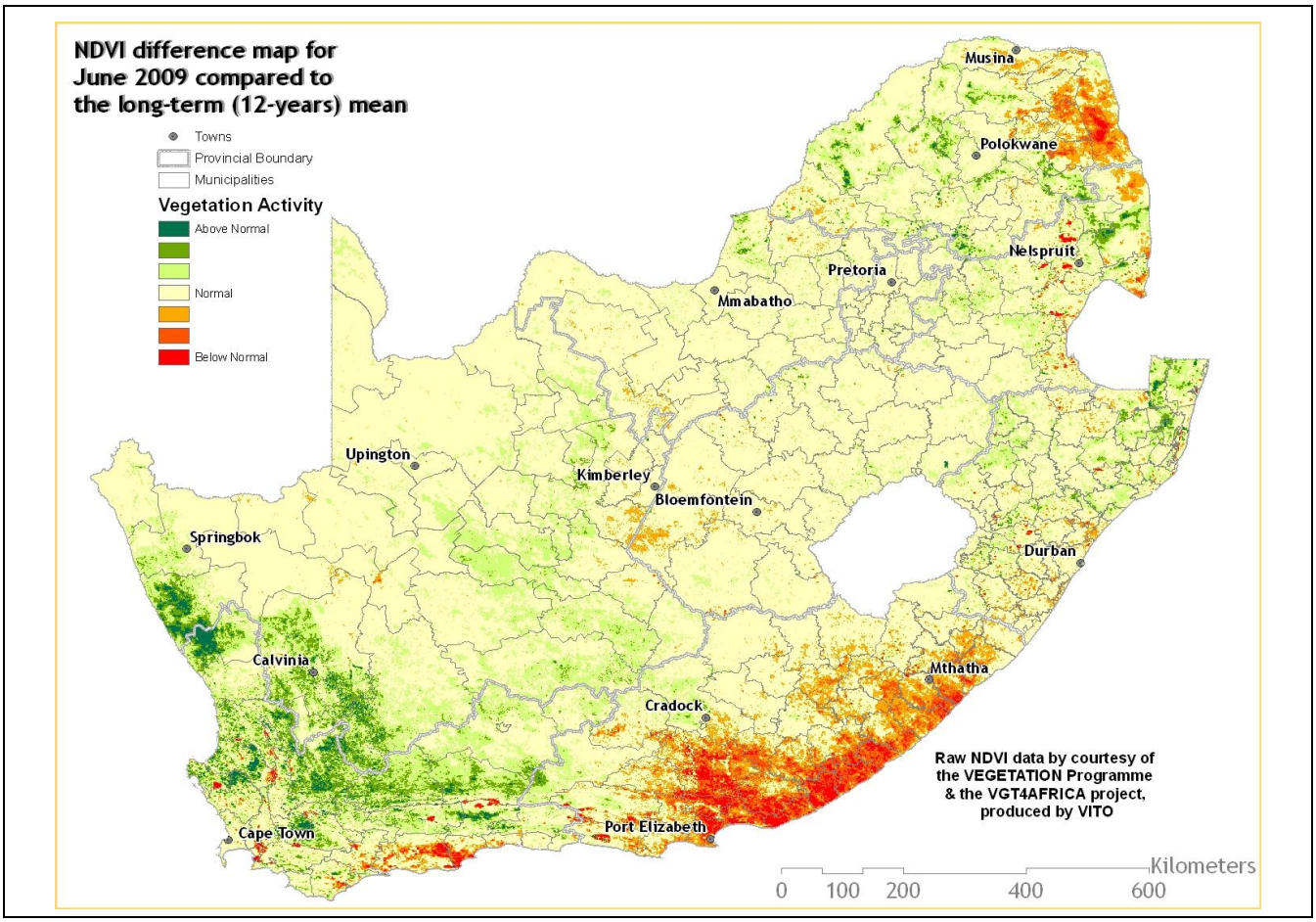
Province	Total FSC in million cubic metres	29/06/2009 (%)	Last Year (%)
Eastern Cape	1 807	59	78
Free State	16 090	92	91
Gauteng	115	100	101
KwaZulu-Natal	4 529	85	87
Lesotho	2 376	84	88
Limpopo	1 142	78	76
Mpumalanga	2 527	93	89
North West	808	82	76
Northern Cape	143	96	94
Western Cape	1 843	81	69
Total	**31 381**	**87**	**87**

Source: Department of Water Affairs and Forestry

2.4 Vegetation activity

The NDVI difference map (Figure 4) for June 2009 as compared to the 12 year long term mean shows that the vegetation activity for the Western and Northern Cape Provinces as well as isolated areas of the Limpopo Province are characterized by above-normal vegetation activity, whereas the central parts of the country are characterized by normal vegetation activity. The Eastern Cape, KwaZulu-Natal and the eastern parts of the Limpopo and Mpumalanga Provinces reflect below-normal vegetation activity.

Figure 4: NDVI map for June 2009 compared to 12 year long term mean



Source: ARC: ISCW

3. Grain production

3.1 Summer grain crops

3.1.1 Fifth production forecast of summer crops for the 2008/09 production season

The CEC released the fifth production forecast of the commercial summer grain crops for the 2008/09 production season on 24 June 2009.

Table 2: Commercial summer crops: Fifth production forecast - 2008/09 production season

CROP	**Area planted 2008/09** **Ha** **(A)**	**5th Forecast 2008/09** **Tons** **(B)**	Area planted 2007/08 Ha (C)	Final crop 2007/08 Tons (D)	Change % (B) ÷ (D)
Commercial:					
White Maize	**1 489 000**	**6 799 550**	1 737 000	7 480 000	-9,1
Yellow Maize	**938 500**	**4 803 850**	1 062 000	5 220 000	-7,97
Total maize	**2 427 500**	**11 603 400**	2 799 000	12 700 000	-8,63
Sunflower seed	**635 800**	**875 280**	564 300	872 000	+0,38
Soya-beans	**237 750**	**490 135**	165 400	282 000	+73,81
Groundnuts	**54 550**	**96 060**	54 200	88 800	+8,18
Sorghum	**85 500**	**261 900**	86 800	255 000	+2,71
Dry beans	**43 800**	**63 230**	43 800	58 975	+7,21
Total	**3 484 900**	**13 390 005**	3 713 500	14 256 775	+6,08

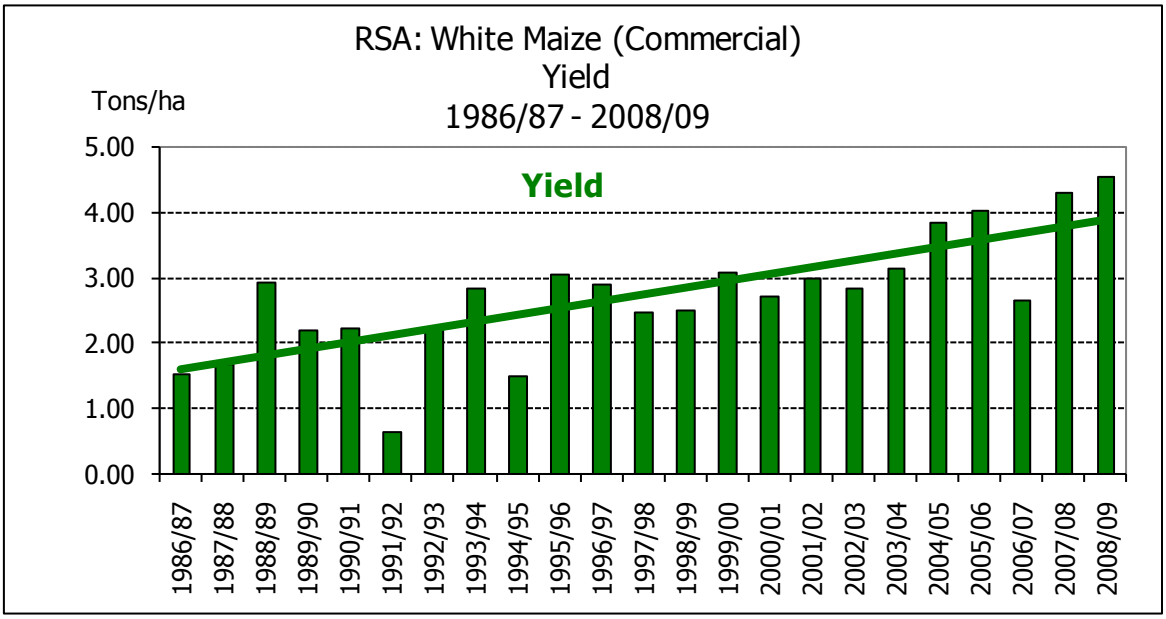
The revised area estimate for **commercial maize** is 2,428 million ha, which is 13,27% or 371 500 ha less than the 2,799 million ha planted for the previous season. The expected **commercial maize** crop is 11,603 million tons, which is 8,63% or 1,186 million tons less than the 12,7 million tons of the previous season.

The area estimate for **commercial white maize** is 1,489 million ha, which represents a decrease of 14,28% or 248 000 ha compared to the 1,737 million ha planted last season. In the case of **commercial yellow maize** the area estimate is 938 500 ha, which is 11,63% or 123 500 ha less than the 1,062 million ha planted last season.

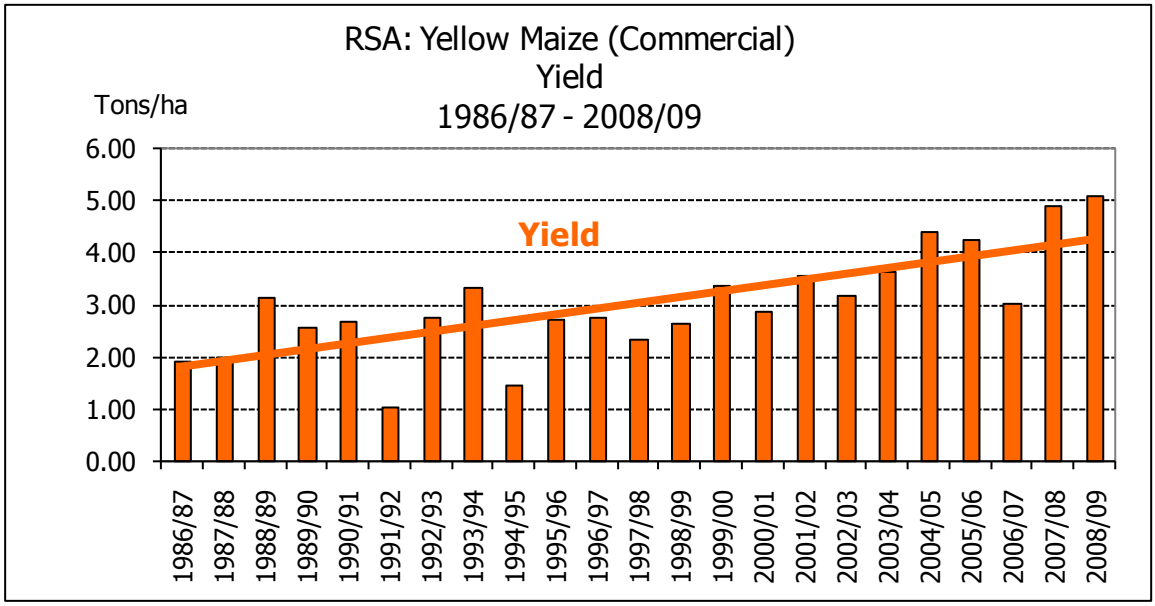
The production forecast of white maize is 6,8 million tons, which is 9,1% less than the 7,480 million tons of last season. The yield for white maize is 4,57 t/ha as against 4,31 t/ha the previous season. In the case of yellow maize the production forecast is 4,804 million tons, which is 7,97% less than the 5,220 million tons of last season. The yield of yellow maize is 5,12 t/ha as against 4,92 t/ha the previous season.

The following graphs provide a historic overview of the yields of commercial white and yellow maize. It is evident that the yields show an increasing trend over time. The current yields are also the highest yields reported for white and yellow maize over time.

Graph 1: Yield of commercial white maize



Graph2: Yield of commercial yellow maize



3.1.2 Other commercial summer crops

The production forecast for **sunflower seed** is 875 280 tons, which is 0,38% more than the 872 000 tons of the previous season. The area estimate for sunflower seed is 635 800 ha, which is 12,67% more than the 564 300 ha planted the previous season. The expected yield is 1,38 t/ha as against 1,55 t/ha of the previous season.

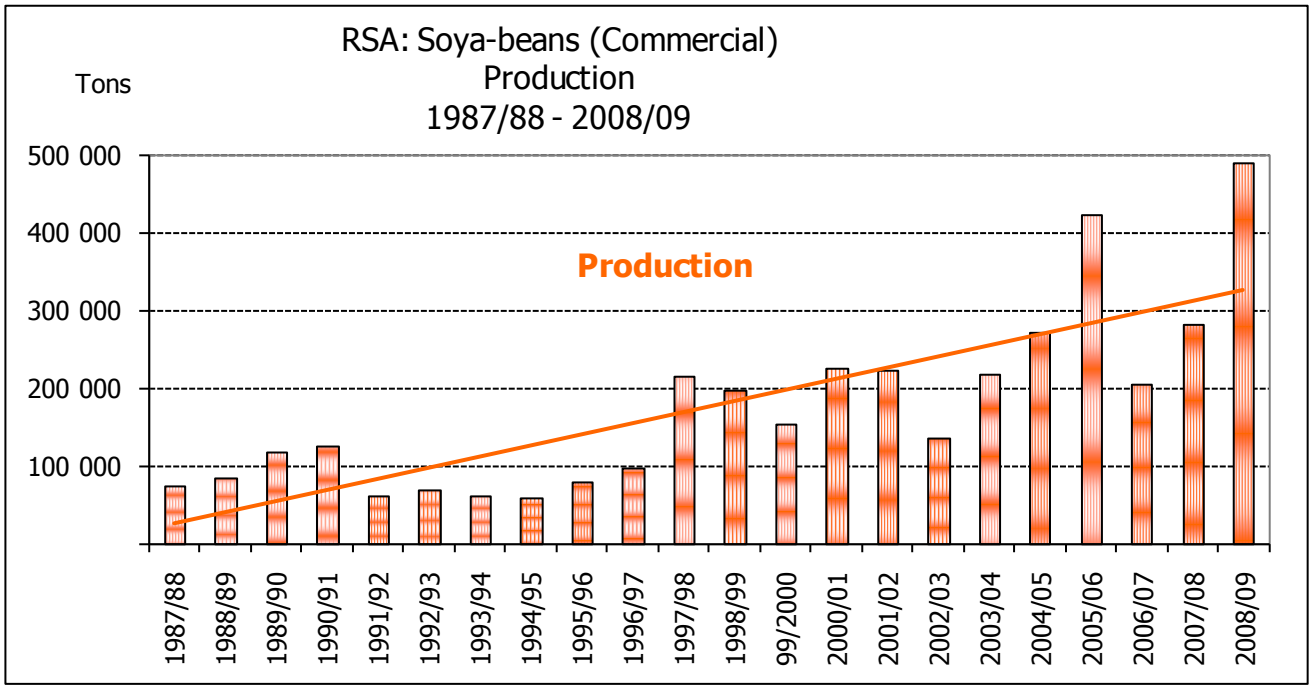
The production forecast for **soya-beans** is 490 135 tons, which is 73,81% more than the 282 000 tons of the previous season. It is estimated that 237 750 ha have been planted to soya-beans, which represents an increase of 43,74% compared to the 165 400 ha planted last season. The expected yield is 2,06 t/ha as against 1,70 t/ha last season.

The expected **groundnut** crop is 96 060 tons, which is 8,18% 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 1,76 t/ha as against 1,64 t/ha last season.

The production forecast for **sorghum** is 261 900 tons, which is 2,71% higher than the 255 000 tons of the previous season. The area estimate for sorghum decreased by 1,50%, from 86 800 ha to 85 500 ha. The expected yield is 3,06 t/ha as against 2,94 t/ha of the previous season.

In the case of **dry beans** the production forecast is 63 230 tons, which is 7,21% more than the 58 975 tons of the previous season. For dry beans the area estimate is 43 800 ha, the same as the plantings of the previous season. The expected yield is 1,44 t/ha as against 1,35 t/ha of the previous season.

Graph 3: Production of commercial soya-beans



From the graph it is evident that the production of soya-beans shows an increasing trend over time. It is also clear that the production figure for the current season is the highest ever.

3.2 Winter cereal crops

Please note that the preliminary area estimate of winter crops for 2009 will be released on 28 July 2009.

4. Cereal balance sheets

Supply and demand data for May 2009 was released by SAGIS on 22 June 2009. Tables 3 and 5 contain the Wheat Balance Sheets for the 2008/09 and projections for the 2009/10 marketing seasons. Tables 6 and 7 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 3: Balance Sheet for Wheat for the current 2008/09 marketing season

2008/09 Wheat Balance Sheet as at 30 June 2009	**Wheat (1 000 tons)**
Supply	
Opening stocks (October 2008)	**509**
SAGIS Opening Stocks	509
Gross production (2008 season)	**2 139**
Commercial production	2 130
Subsistence agriculture	9
Total domestic supply	**2 648**
Plus: Imports	1 020
Total supply	**3 668**
Demand	
Consumption	**2 868**
Commercial: Human	2 770
Animal (feed)	11
Retentions by producers	42
Seed for planting purposes	25
Other*	20
Subsistence agriculture	**9**
Total domestic consumption	**2 877**
Plus: Exports	**243**
Total demand	**3 120**
Closing stocks (September 2009)	**548**
Pipeline requirements	**607**
Domestic shortfall	**-836**
Import gap	**836**
Surplus above pipeline	**-59**
SAGIS closing stocks as at end of May 2009	**1 233**

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 total supply of wheat is 3,668 million tons, including imports of 1,020 million tons during the 2008/09 marketing season. South Africa will require 607 000 tons for pipeline requirements at the end of September 2009. Total demand, including exports of 243 000 tons is seen at 3,120 million tons during the 2008/09 marketing season. Thus, closing stocks at the end of September 2009 is expected to be 548 000 tons.

According to the National Chamber of Milling, the milling figure of wheat for the period October 2008 to May 2009 is 1,674 million tons. This is 5,5% less than the milling figure (1,772 million tons) for the period October 2007 to May 2008.

Wheat imports for the current season until 26 June 2009, comes to 806 374 tons. Table 4 provides a breakdown of wheat imports per country of origin for the current 2008/09 marketing season:

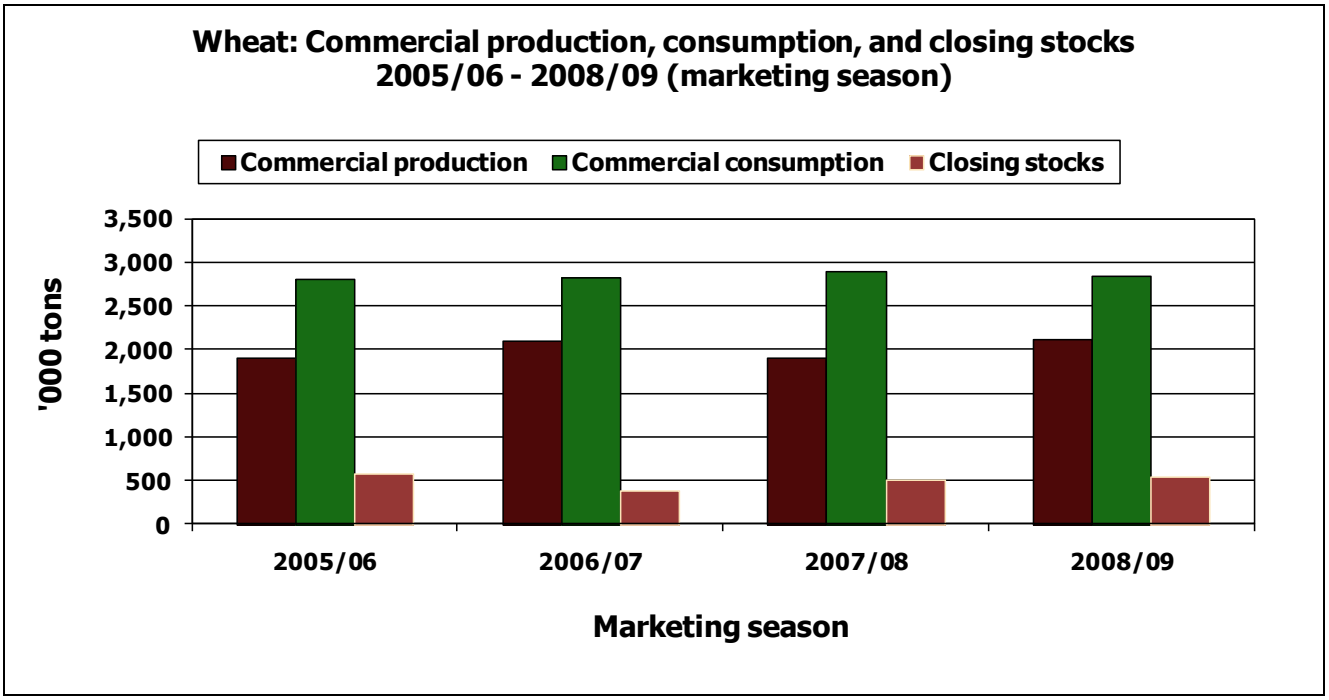
Table 4: South Africa's wheat imports per country, 4 October 2008 to 26 June 2009

Country	Tons	%
Argentina	371 645	46,09
Germany	233 838	29,00
United States of America	86 827	10,77
Australia	62 245	7,72
Canada	34 569	4,29
Brazil	17 250	2,14
Total	**806 374**	**100**

Source: SAGIS Weekly imports and exports, 30 June 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. The closing stocks of 548 000 tons for the current season is 7,66% more than the previous season (509 000 tons) and almost in line with the closing stocks of 582 000 tons for the 2005/06 marketing season.

Table 5: Projected Balance Sheet for Wheat for the 2009/10 marketing season

2009/10 Projected wheat Balance Sheet as at 30 June 2009	**Wheat (1 000 tons)**
Supply	
Opening stocks (October 2009)	**548**
SAGIS Opening Stocks	548
Gross production (2009 season)	**1 809**
Commercial production	1 800
Subsistence agriculture	9
Total domestic supply	**2 357**
Plus: Imports	1 300
Total supply	**3 657**
Demand	
Consumption	**2 868**
Commercial: Human	2 770
Animal (feed)	11
Retentions by producers	42
Seed for planting purposes	25
Other*	20
Subsistence agriculture	**9**
Total domestic consumption	**2 877**
Plus: Exports	**233**
Total demand	**3 110**
Closing stocks (September 2010)	**547**
Pipeline requirements	**607**
Domestic shortfall	**-1 127**
Import gap	**1 127**
Surplus above pipeline	**-60**

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.

4.1.2 Discussion of the 2009/10 wheat situation

The farmers intend to plant 646 400 ha of wheat. When applying an average yield of 2,78 t/ha the total commercial production of wheat is projected at 1,8 million tons. The total supply of wheat, including imports of 1,3 million tons is projected at 3,7 million tons for the 2009/10 marketing season. The total demand is projected at 3,1 million tons, including exports of 233 000 tons, while the closing stock at the end of September 2010 is projected at 547 000 tons.

4.2 Summer grains

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

2008/09 Projected Annual Cereal Balance Sheet as at 30 June 2009 (1 000 tons)	Maize		
	White	Yellow	Total
Supply			
Opening stocks	**618**	**431**	**1 049**
SAGIS Opening Stocks	618	431	1 049
Gross production	**7 814**	**5 350**	**13 164**
Commercial production	7 480	5 220	12 700
Subsistence agriculture	334	130	464
Total domestic supply	**8 432**	**5 781**	**14 213**
Plus: Imports	-	27	27
Total supply	**8 432**	**5 808**	**14 240**
Demand			
Consumption	**5 369**	**4 556**	**9 925**
Commercial: Human	4 197	326	4 523
Animal (feed)	661	3 350	4 011
Gristing	62	7	69
Seed for planting purposes	20	14	34
Other*	429	859	1 288
Subsistence agriculture	**334**	**130**	**464**
Total domestic consumption	**5 703**	**4 686**	**10 389**
Plus: Exports	**1 963**	**303**	**2 266**
Products	66	38	104
Whole maize	1 897	265	2 162
Total demand	**7 666**	**4 989**	**12 655**
Closing stocks	**766**	**819**	**1 585**
Pipeline requirements	**607**	**454**	**1 061**
Domestic surplus	**2 122**	**641**	**2 763**
Surplus above pipeline	**159**	**365**	**524**
SAGIS closing stocks as at end of May 2009	**766**	**819**	**1 585**

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: Final projections for the 2008/09 marketing season indicate that South Africa had a surplus (before pipeline requirements) of 766 000 tons at the end of April 2009. The total domestic supply was 8,432 million tons, while total domestic consumption was 5,703 million tons. Exports were 1,963 million tons.

Yellow maize: A domestic surplus (before pipeline requirements) of 819 000 tons was available at the end of April 2009. The total domestic supply was 5,781 million tons, while the total domestic consumption was 4,686 million tons. Exports during the 2008/09 marketing season were 303 000 tons.

According to the SAGIS monthly bulletin released in June, the human consumption of white maize for the 2008/09 marketing season was 4,197 million tons, which is a significant higher (18,2%) than the previous marketing season. With reference to yellow maize, the usage of yellow maize in the animal or industrial sector for the season was 3,350 million tons, which is 11,1% more than the previous marketing season.

Considering the whole maize exports of 2,171 million tons for the season that ended April 2009, it was interesting to note that the whole white maize exports of 1,905 million tons in the 2008/09 marketing season exceeded that of the 2005/06 season (1,782 million tons) and is therefore the highest figure in recent history.

Graph 5: Total and white maize (whole) exports: 2003/04 -2008/09 marketing season

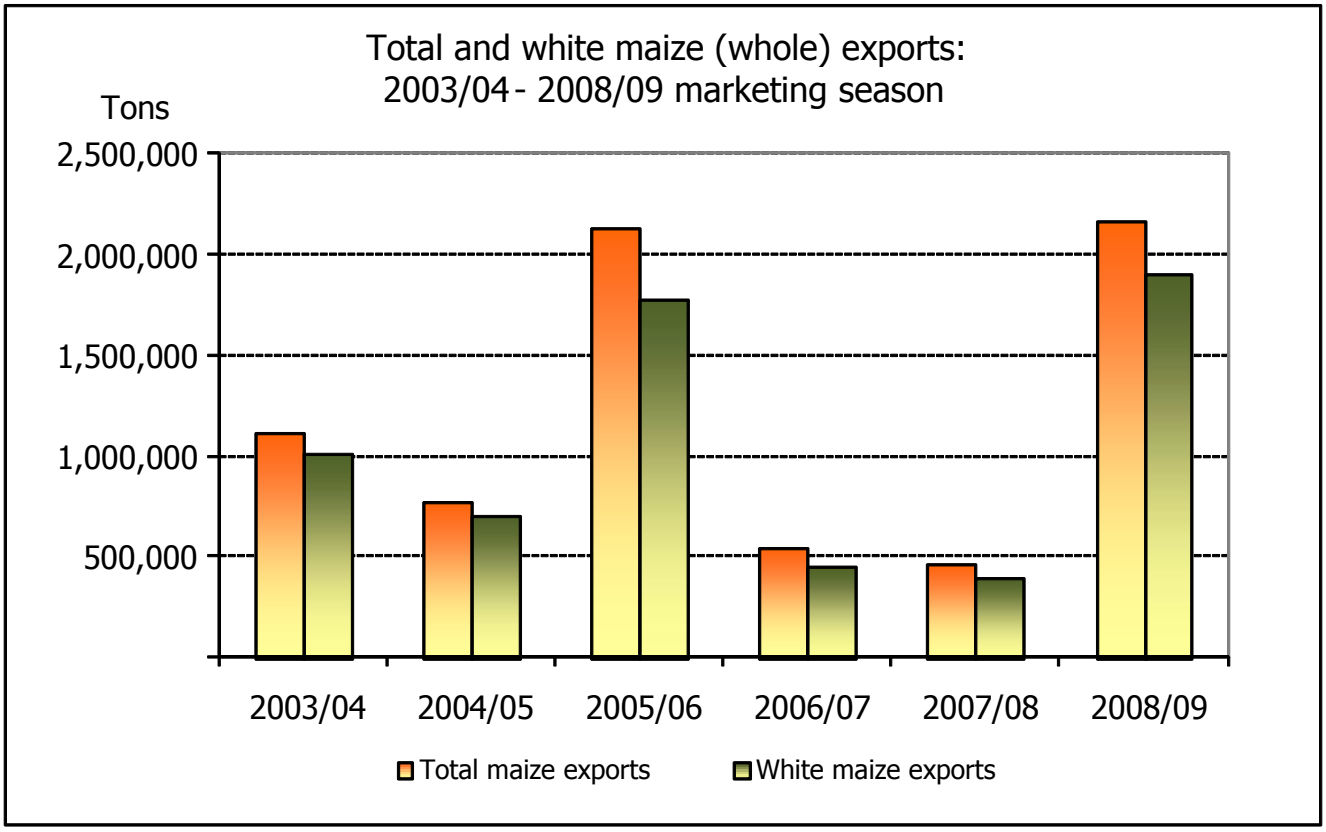


Table 7: Projected Balance Sheet for Maize and Sorghum for the 2009/10 marketing season

2009/10 Projected Annual Cereal Balance Sheet as at 30 June 2009 (1 000 tons)	Maize			Sorghum
	White	Yellow	Total	
Supply				
Opening stocks	**766**	**819**	**1 585**	**62,5**
SAGIS Opening Stocks	766	819	1 585	62,5
Gross production	**7 179**	**4 942**	**12 121**	**300,9**
Commercial production	6 800	4 804	11 604	261,9
Subsistence agriculture	379	138	517	39,0
Total domestic supply	**7 945**	**5 761**	**13 706**	**363,4**
Plus: Imports	-	-	-	5,0
Total supply	**7 945**	**5 761**	**13 706**	**368,4**
Demand				
Consumption	**5 252**	**4 087**	**9 339**	**211,8**
Commercial: Human	4 165	292	4 457	180,3
Animal (feed)	787	3 207	3 994	11,4
Gristing	60	10	70	-
Seed for planting purposes	20	14	34	-
Other*	220	564	784	20,1
Subsistence agriculture	**379**	**138**	**517**	**39,0**
Total domestic consumption	**5 631**	**4 225**	**9 856**	**250,8**
Plus: Exports	**1 550**	**350**	**1 900**	**39,0**
Products	50	50	100	-
Whole maize	1 500	300	1 800	-
Total demand	**7 181**	**4 575**	**11 756**	**289,8**
Closing stocks	**764**	**1 186**	**1 950**	**78,6**
Pipeline requirements	**618**	**433**	**1 051**	**23,6**
Domestic surplus	**1 696**	**1 103**	**2 799**	**89,0**
Surplus above pipeline	**146**	**753**	**899**	**55,0**

Notes:

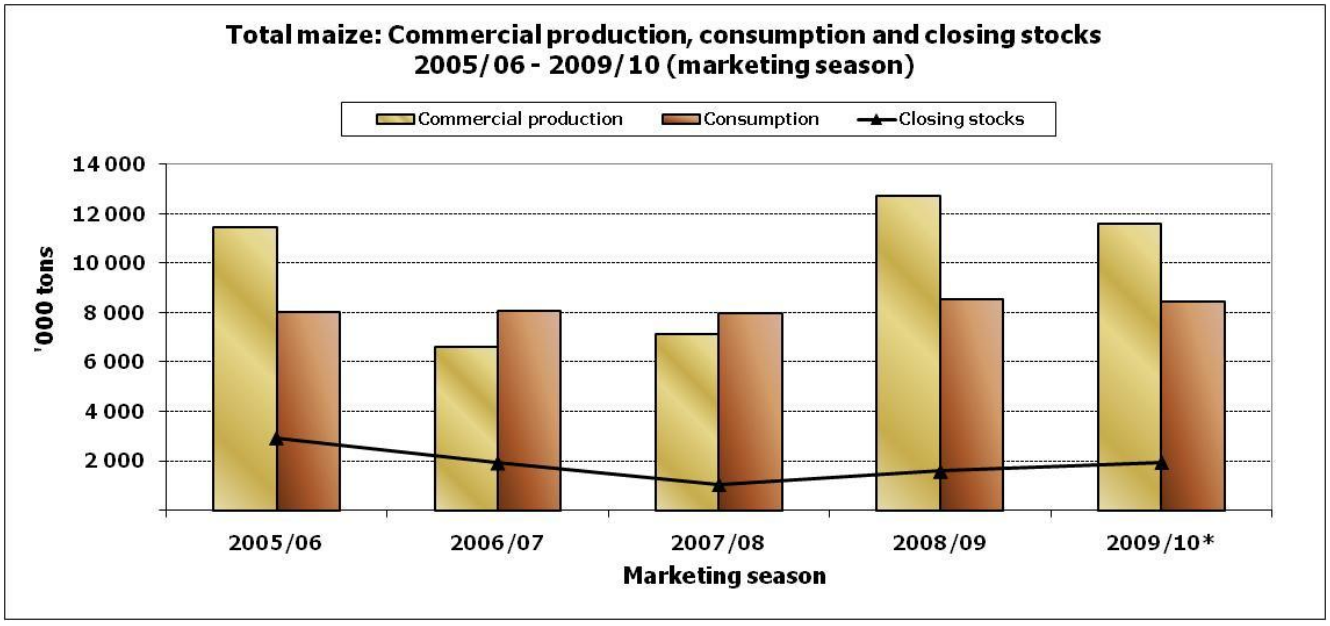
- Source: SAGIS, Directorate: Agricultural Statistics.
- *Other refers to grains released to end-consumers and/or withdrawn by producers, and retentions on farms.
- Figures might not add up correctly due to rounding.
- Marketing season for maize: May to April.
- Marketing season for sorghum: April to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

Considering the 2009/10 marketing season, the projected total supply of white maize is 7,945 million tons, including opening stocks of 766 000 tons. Total demand (exports included) is expected to reach 7,181 million tons and the closing stocks are expected to be 764 000 tons as at 30 April 2010.

For yellow maize, the projected total supply is 5,761 million tons, which includes the opening stocks of 819 000 tons. Total demand, including exports, is projected at 4,575 million tons. Projections for the 2009/10 marketing season indicate closing stocks of 1,186 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 projected ending stocks of 1,950 million tons for total maize for the 2009/10 marketing season is 23,03% more than that of the previous season. This increase can mainly be attributed to the lower export estimate (-16,15%) of maize for the 2009/10 marketing season.

***Sorghum**:* The expected total domestic supply is seen at 363 400 tons, while total domestic consumption is estimated at 250 800 tons. The total demand is seen at 289 800 tons, including projected exports of 39 000 tons. Projections for the 2009/10 marketing season indicate that there could be closing stocks of 78 600 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 May 2009 was 8,0%. This rate is 0,4% lower than the corresponding annual rate of 8,4% in April 2009.

The food and non-alcoholic beverages index increased by 0,5% between April 2009 and May 2009. The annual rate decreased to 12,3% in May 2009 from 13,7% in April 2009. The monthly increase in the food and non-alcoholic beverages index was largely driven by monthly increases in other food (2,1%), hot beverages (1,5%), milk, eggs and cheese (1,4%), sugar, sweets and desserts (1,2%), meat (0,7%), cold beverages (0,7%), fish (0,3%) and vegetables (0,3%). These increases were slightly counteracted by monthly decreases in fruit (-1,9%), oils and fats (-1,8%) and bread and cereals (-0,1%).

The transport index increased by 0,8% between April 2009 and May 2009, mainly due to a 1,4% increase in the price of vehicles. New vehicle prices increased by 2,3% in May 2009 compared with 1,3% in April 2009. Used vehicle prices decreased by 0,9% in both April 2009 and May 2009.

The provinces with an annual inflation rate lower or equal to headline inflation were Gauteng (7,6%), Western Cape (7,7%) and Northern Cape (7,9%). The provinces with an annual inflation rate higher than headline inflation were Free State (8,1%), North West (8,5%), Limpopo (8,7%), Eastern Cape (8,9%), KwaZulu-Natal (9,4%) and Mpumalanga (9,5%).

5.2 Producer Price Index (PPI)

The Producer Price Index (PPI) for domestic output shows an annual rate of change of -3,0% in May 2009 (i.e. the PPI in May 2009 compared with that in May 2008). This rate was 5,9% lower than the corresponding annual rate of 2,9% in April 2009 (i.e. the PPI in April 2009 compared with that in April 2008).

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

- Products of petroleum and coal: The annual rate decreased from -28,4% in April 2009 to -30,9% in May 2009;
- Electricity: The annual rate decreased from 24,9% in April 2009 to 23,8% in May 2009;
- Basic metals: The annual rate decreased from 37,4% in April 2009 to -14,1% in May 2009;
- Non-electrical machinery and equipment: The annual rate decreased from 15,7% in April 2009 to 9,5% in May 2009;
- Rubber and plastic products: The annual rate decreased from 0,3% in April 2009 to 9,5% in May 2009;
- Food at manufacturing: The annual rate decreased from 8,4% in April 2009 to 6,2% in May 2009;
- Chemicals and chemical products: The annual rate decreased from 4,9% in April 2009 to 3,5% in May 2009;
- Metal products: The annual rate decreased from 12,6% in April 2009 to 5,3% in May 2009;
- Other manufactures: The annual rate decreased from 5,2% in April 2009 to 2,0% in May 2009;

- Agricultural products: The annual rate decreased from 2,2% in April 2009 to 1,5% in May 2009;
- Electrical machinery and apparatus: The annual rate decreased from 3,0% in April 2009 to -0,7% in May 2009.

From April 2009 to May 2009 the PPI for domestic output decreased by 1,1%. The monthly decrease of 1,1% in the PPI for domestic output is mainly due to monthly contributions from decreases in the price indices for basic metals (-0,9%), agricultural products (-0,3%) and all other groups (-0,2%). These decreases were partially counteracted by increases in the price indices for mining and quarrying products (0,2%) as well as products of petroleum and coal (0,1%).

5.3 Repo rate cut

The domestic economy continues to show signs of stress in the wake of the global economic downturn. Output growth remains negative while trends in household consumption expenditure have continued to deteriorate. There is however signs that the downturn, both globally and domestically, may be nearing the lower turning point, but the recovery is expected to be slow and protracted.

The inflation rate has continued its downward trend which has been constrained by relatively sticky services price inflation. While the widening output gap and weak domestic demand pose a downside risk to the inflation outlook, these risks are increasingly being offset by various cost-push and exogenous factors that are impacting on the economy, as well as by deteriorating inflation expectations.

The Monetary Policy Committee (MPC) therefore decided to keep the repurchase rate unchanged at 7,5 per cent per annum at its meeting, which concluded on 25 June 2008. This decision was based on the economic and inflation analysis provided above.

5.4 Futures contract prices

Table 8: DOMESTIC GRAIN PRICES AS QUOTED ON SAFEX (Rand/ton) ON 30 JUNE 2009

Futures contract prices (30/06/2009) in R/ton					
Commodity	**Jul 2009**	**Sep 2009**	**Dec 2009**	**Mar 2010**	**Jul 2010**
White maize	R1 431	R1 470	R1 531	R1 564	R1 643
Yellow maize	R1 388	R1 428	R1 483	R1 518	R1 599
Wheat	R2 399	R2 432	R2 459	R2 624	n/a
Chicago corn contact	R1 166	R1 194	R1 263	n/a	R1 395
Commodity	**Jul 2009**	**Sep 2009**	**Dec 2009**	**Mar 2010**	**May 2010**
Sunflower seed	R2 988	R3 105	R3 205	n/a	n/a
Soya-beans	R3 210	R3 260	R3 395	R3 460	R3 400

Source: SAFEX, 30 June 2009

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 of 8 December 2006, is zero.

The tariff of 2% on the wheat fob price was replaced with the original formula on 19 December 2008. The 3 week average fob for 16 December 2008 is used as Reference Price. To calculate subsequent adjustments to the level of protection, the difference between the world reference price on which the previous adjustment was based, and the 3 week moving average of the same price will be calculated on a weekly basis. When this deviation amounts to more than US$10 for 3 consecutive weeks, a new tariff can be calculated and a new world reference price is set. Thus, the tariff only takes effect if the wheat price falls below $157 (R1 619) per ton. The import tariff for wheat, as published in the Government Gazette of 19 December 2008, is zero.

5.5 Agricultural machinery sales

May tractor sales of 314 units were almost 35% less than the 482 units sold in May last year. On a year-to-date basis tractor sales are currently 21% less than it was for the same period in 2008. May combine harvester sales were 22% down on sales in May last year, but are still 10% up on last year on a year-to-date basis.

Unfortunately, the wide-ranging pessimism created by the world economic meltdown has now spread to the South African agricultural machinery industry. Two main factors are currently having a negative effect on the local market. Firstly, financing of the purchase of new equipment has become very difficult. Secondly, many producers have adopted a wait-and-see attitude to buying new equipment. Once producers have harvested their summer crops and started planning their machinery requirements for the next season, there should be a clearer indication of the direction that sales will take for the rest of the year.

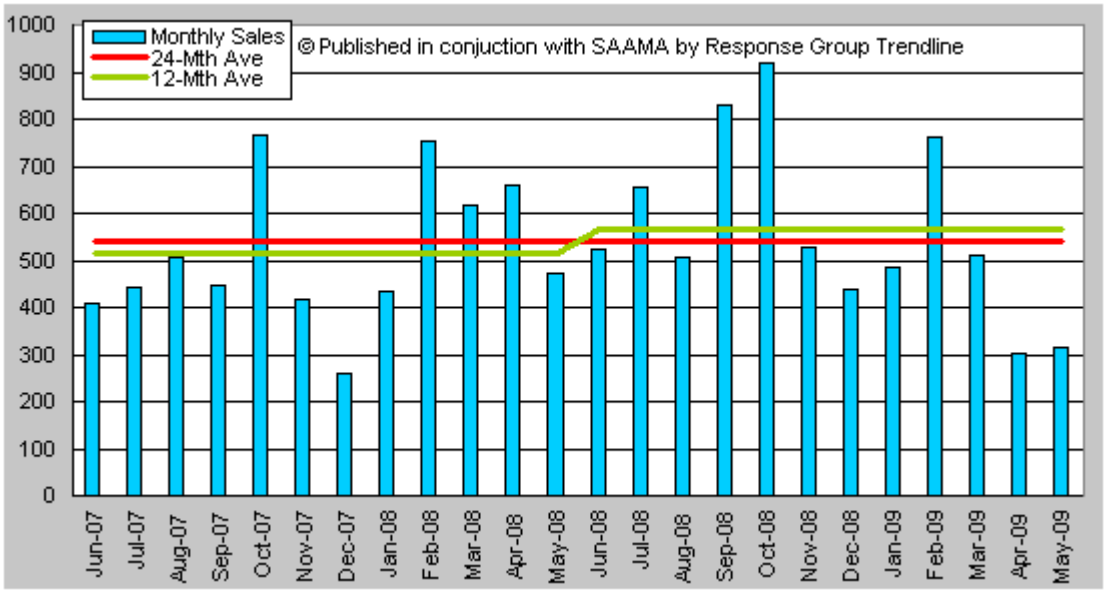
Table 9: Agricultural equipment retail sales

	Year-on-year		Percentage	Year-to-date		Percentage
	May		Change	May		Change
Equipment class	2009	2008	%	2009	2008	%
Tractors	314	482	-34,9	2 375	3 010	-21,1
Combine harvesters	42	54	-22,2	175	159	10,1

Source: SAAMA press release, June 2009

The following graph gives an indication of the trend of tractor sales (total market) for the past 24 months.

Graph 7: Monthly sales (total market) of tractors for the past 24 months

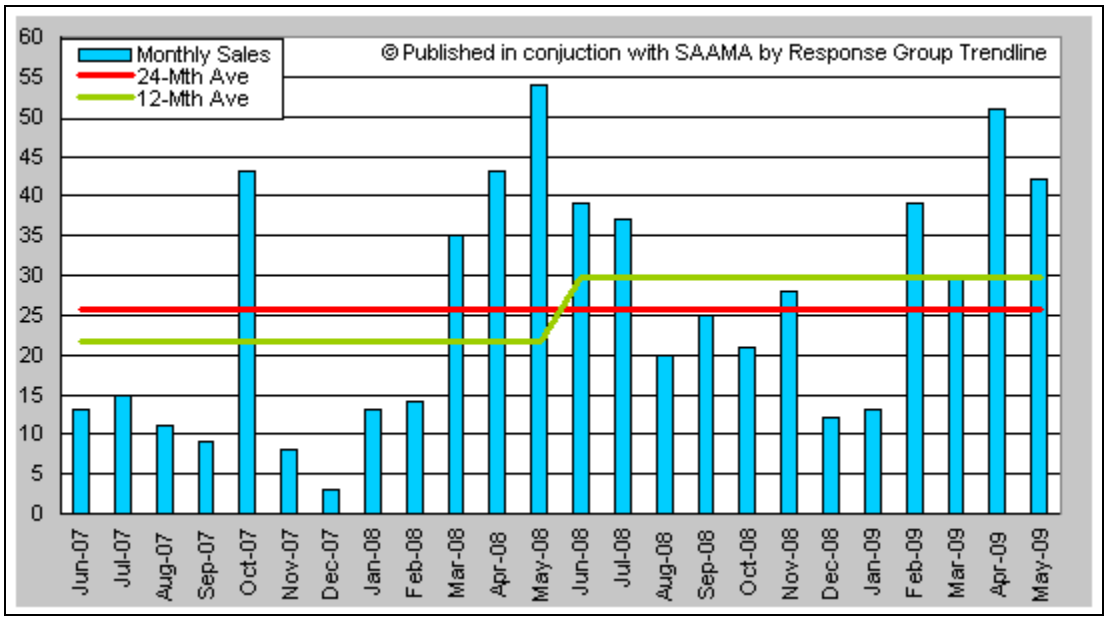


Source: SAAMA press release, June 2009

From the graph above it is evident that the sales of tractors reached a peak in October 2008 and since then show a steady decline, except for February 2009.

The graph below gives an indication of the trend of combine harvester sales (total market) for the past 24 months.

Graph 8: Monthly sales (total market) of combine harvesters for the past 24 months



Source: SAAMA press release, June 2009

It is evident that combine harvester sales again show an upward trend after sales slowed down during the latter part of 2008.

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
- National Chamber of Milling (NCM)
- 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