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Contents

1. Highlights

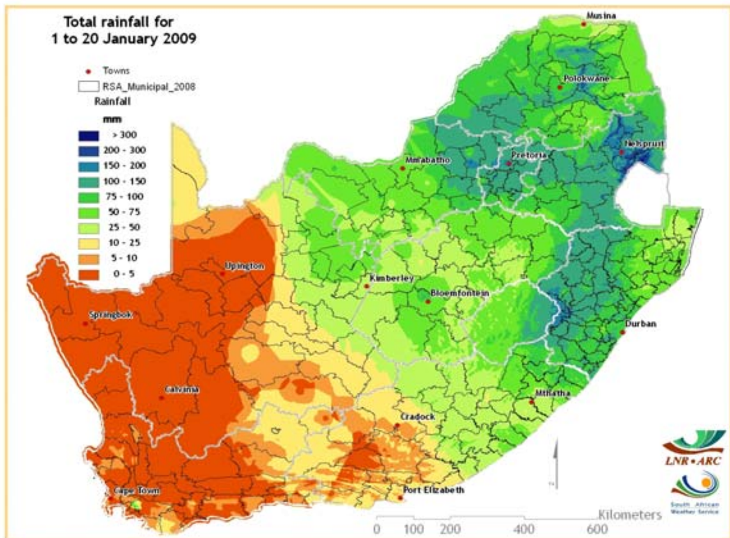
- During the first 20 days of January 2009 rainfall occurrences were restricted to the eastern regions of the summer rainfall area.
- Projections for the current 2008/09 marketing season indicate that South Africa will have a surplus of 2,113 million tons of maize at the end of April 2009.
- Maize exports are projected at 1,950 million tons during the current 2008/09 marketing season.
- The preliminary area estimate of the 2008/09 production season for commercial maize is 2,596 million ha, which is 7,25% or 203 000 ha less than the 2,799 million ha planted for the previous season.
- Projections for the 2009/10 marketing season indicate that South Africa will have a surplus of 1,974 million tons of maize at the end of April 2010.
- The expected size of the commercial wheat crop for the 2008 production season is 2,080 million tons, which is 9,18% more than the 1,905 million tons of the previous season.
- Projections for the current 2008/09 marketing season indicate that South Africa will have a surplus of 578 000 tons of wheat at the end of September 2009.
- The headline inflation rate for December 2008 (i.e. the Consumer Price Index for the historical metropolitan areas for December 2008 compared with that in December 2007) was 9,5%. The annual change in CPIX, the monetary policy inflation target measure, was 10,3% for December 2008.
- The year-on-year increase in the headline PPI in December 2008 was 14,2% (i.e. the PPI in December 2008 compared with that in December 2007).
- A total of 438 tractor units were sold during December 2008, which is almost 68% higher than the 261 units sold in December 2007.

2. Weather conditions

2.1 Rainfall for January 2009

According to the South African Weather Service for the period 1 to 20 January 2009 (Figure 1), rainfall occurrences were restricted to the eastern regions of the summer rainfall area, especially in the Gauteng, Mpumalanga and KwaZulu-Natal Provinces. Isolated areas of Limpopo also recorded good rainfall totals. Considering the North West and Free State Provinces, these parts of the country remained dry for the mentioned period, with limited rainfall being reported.

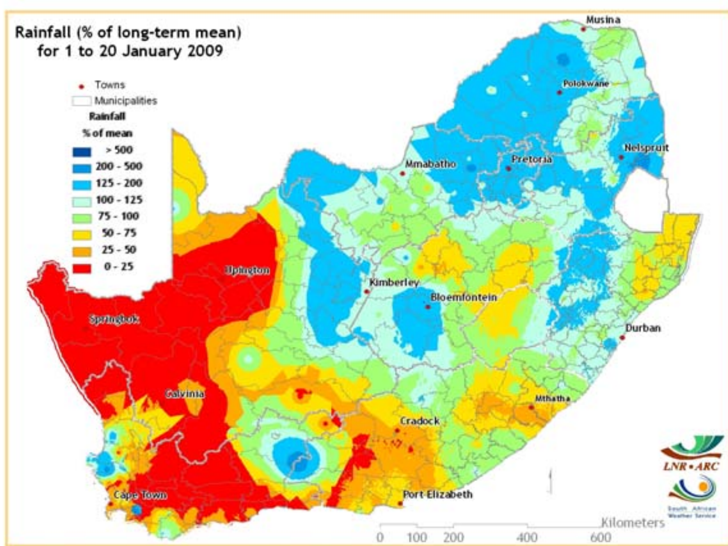
Figure 1: Percentage of normal rainfall for the period 1 to 20 January 2009



Source: South African Weather Service and ARC:ISCW

Comparing the rainfall for the first 20 days of January 2009 with the long-term mean (Figure 2), it is evident that it was below-average for the western and central parts of the country, but average to above-average in the eastern parts.

Figure 2: Percentage of normal rainfall for the period 1 to 20 January 2009

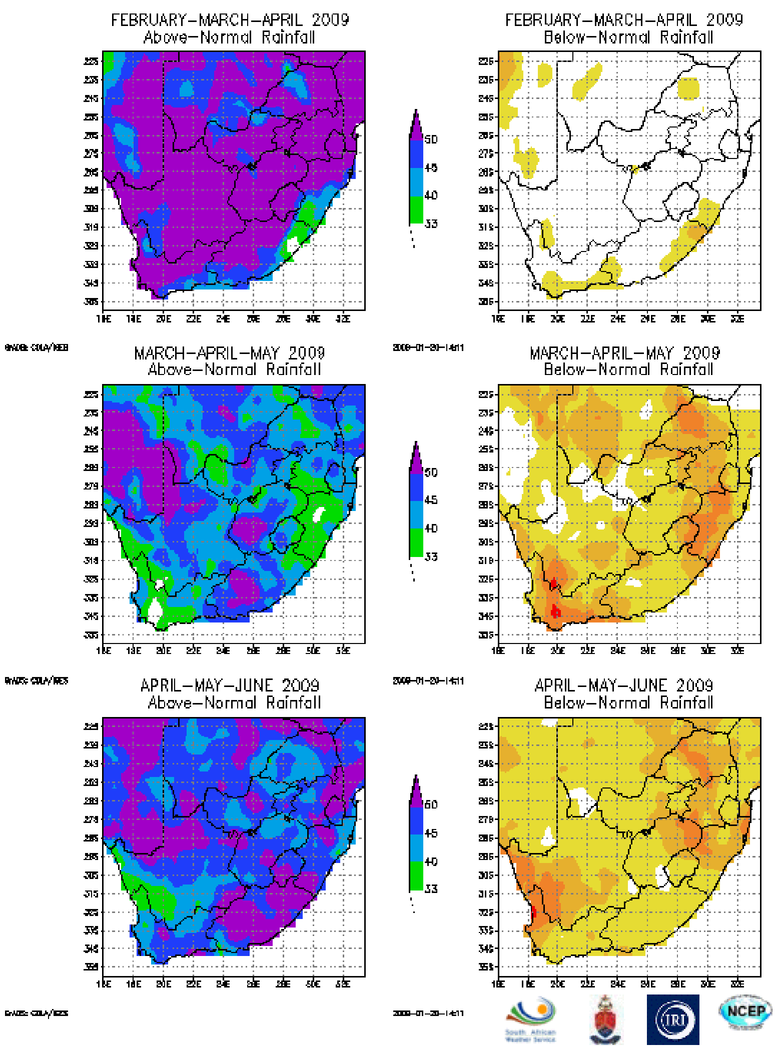


Source: South African Weather Service and ARC:ISCW

2.2 Seasonal forecast overview for South Africa

2.2.1. Rainfall Forecast (February to June 2009)

Figure 3: Rainfall Forecast (February to June 2009)



February-March-April

Above-normal rainfall totals are expected over the larger part of the country, except over the south-east coast where below-normal totals may occur.

March-April-May

Only isolated areas of above-normal rainfall totals are expected. The north-eastern interior and south-western Cape are expected to receive below-normal rainfall totals.

April-May-June

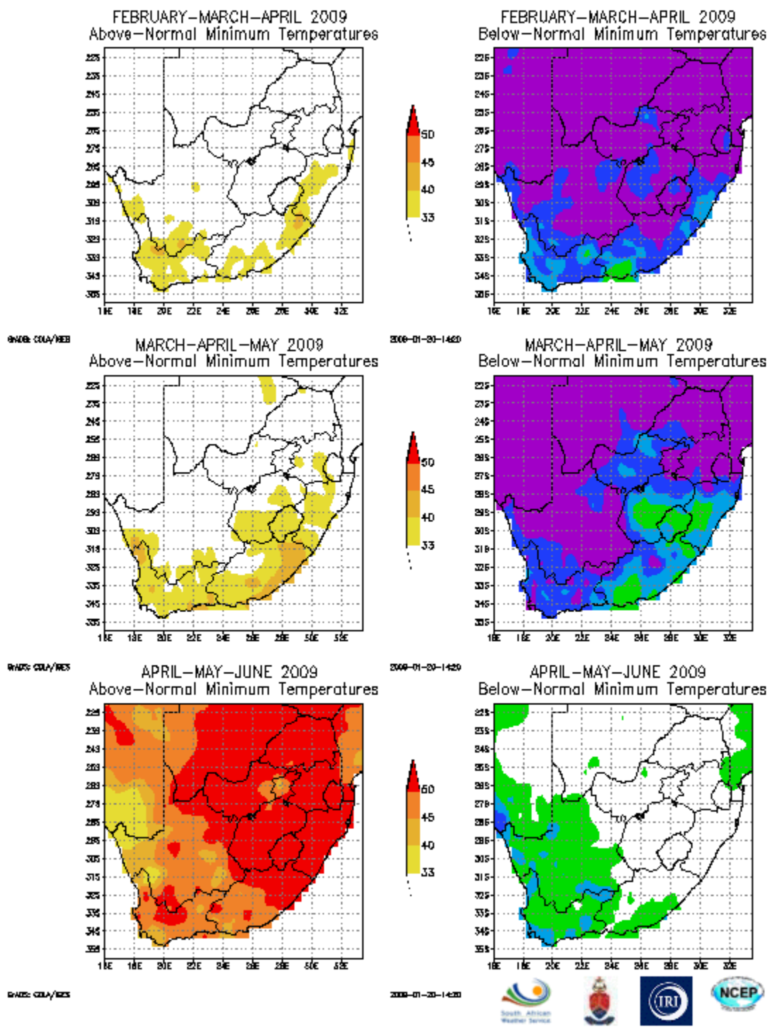
The Eastern Cape, parts of the Northern Cape and the far eastern interior may expect above-normal rainfall totals. Below-normal rainfall totals are forecasted over parts of the eastern and the far western interior.

Summary:

Favourable rainfall conditions are likely over the larger part of the summer rainfall region at the start of the forecast period. However, with the exception of some isolated areas (e.g., the Eastern Cape province), rainfall conditions are forecasted to become less favourable during autumn.

2.2.2. Minimum Temperature Forecast (February to June 2009)

Figure 4: Minimum Temperature Forecast (February to June 2009)



February-March-April

Below-normal minimum temperatures are expected over the larger part of the forecast region, with the exception of the south-eastern and southern areas.

March-April-May

Below-normal minimum temperatures are expected to persist over the larger part of the region, with higher minimum temperatures forecasted over the southern parts.

April-May-June

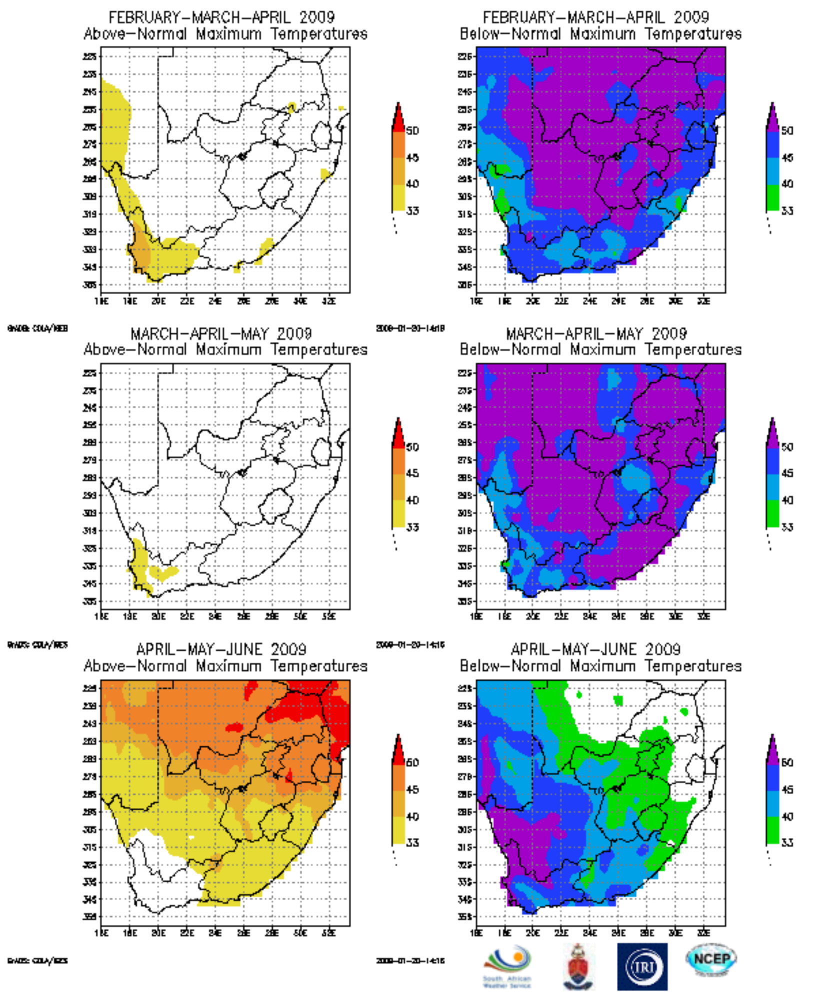
Above-normal minimum temperatures are expected to set in over the central and eastern parts.

Summary:

The below-normal minimum temperatures forecast over the larger part of the region are expected to be replaced by above-normal minimum temperatures over the central and eastern parts towards the end of the forecast period.

2.2.3. Maximum Temperature Forecast (February to June 2009)

Figure 5: Maximum Temperature Forecast (February to June 2009)



February-March-April

Below-normal maximum temperatures are expected, with the south-western Cape being the exception.

March-April-May

Below-normal maximum temperatures are expected over the larger part of the region.

April-May-June

Below-normal maximum temperatures are expected over the western parts, with above-normal maximum temperatures over the north-eastern parts.

Summary:

The larger part of the interior is expected to experience below-normal maximum temperatures. However, towards the end of the forecast period below-normal maximum temperatures are expected to set in over the western parts with warmer maximum temperatures elsewhere.

Source: South African Weather Service

2.3 Level of dams

Available information on the level of South Africa's dams on 26 January 2009 indicates that the country has approximately 78% of its full supply capacity (FSC) available, which is 8% less 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, 26 January 2009

Province	Total FSC	26/01/2009 (%)	Last Year (%)
Eastern Cape	1 807	63	79
Free State	16 090	78	86
Gauteng	115	103	104
KwaZulu-Natal	4 529	78	89
Lesotho	2 376	84	88
Limpopo	1 142	72	83
Mpumalanga	2 527	84	89
North West	808	69	77
Northern Cape	143	90	96
Western Cape	1 843	77	77
Total	**31 381**	**78**	**86**

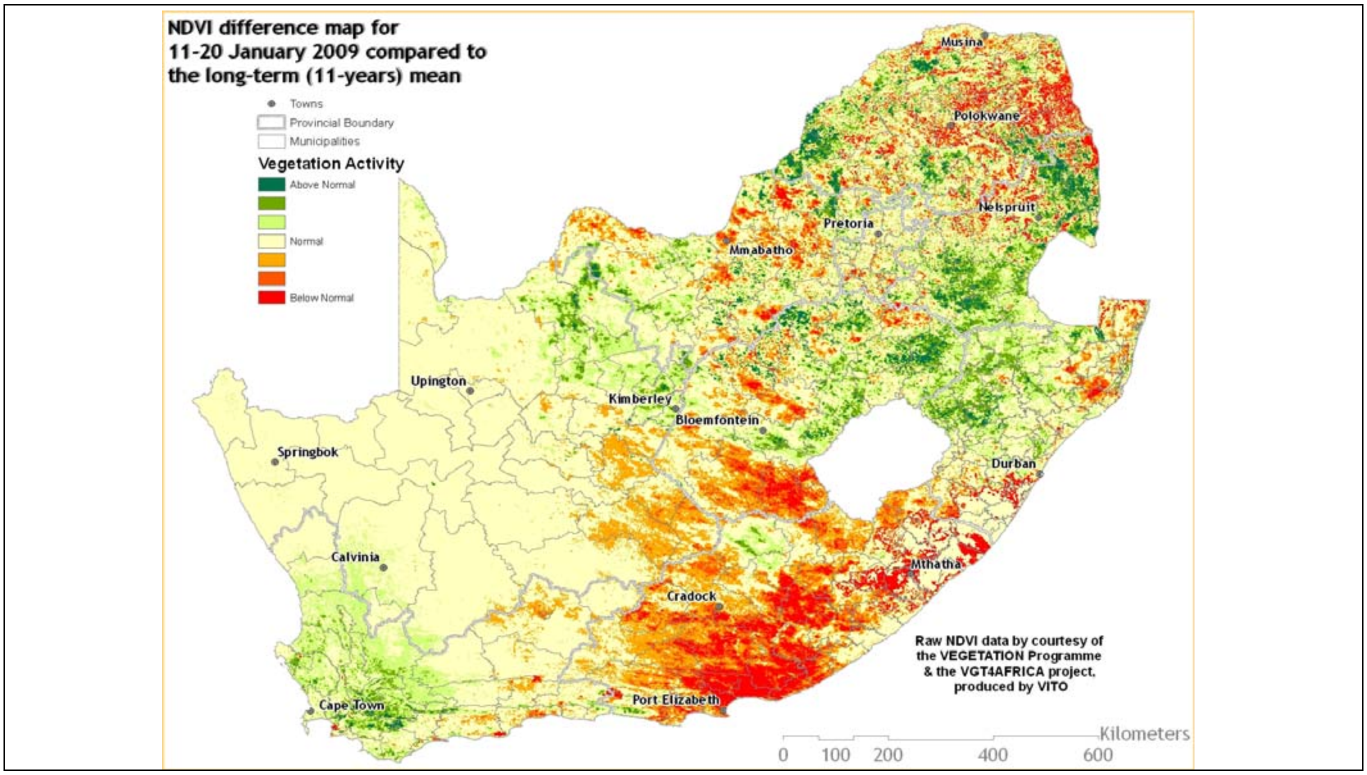
Source: Department of Water Affairs and Forestry

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

2.4 Vegetation activity

The NDVI difference map (Figure 6) for the period 11 to 20 January as compared to the 11 years long-term mean shows that the vegetation activity is normal to above-normal for the central parts of the country, especially in the Free State and Gauteng Provinces. Most parts of the Mpumalanga Province reflect normal vegetation activity. Considering the North West Province, the vegetation activity is normal to below-normal for the mentioned period. However, the eastern coastal region (i.e. Eastern Cape and KwaZulu-Natal Provinces) as well as the northern parts (i.e. Limpopo and North West Provinces) reflect below-normal vegetation activity.

Figure 6: NDVI map for the period 11 to 20 January 2009 compared to 11 years long-term mean



Source: ARC: ISCW

3. Grain production

3.1 Summer grain crops

3.1.1 Preliminary area estimate of summer crops for the 2008/09 production season

The CEC released the preliminary area planted figures of the commercial summer grain crops for the 2008/09 production season on 27 January 2009.

Table 2: Commercial summer crops: Preliminary area planted figures - 2008/09 production season

CROP	**Area planted 2008/09 Ha (A)**	Area planted 2007/08 Ha (B)	Final crop 2007/08 Tons (C)	Change % (A) ÷ (B)
Commercial:				
White Maize	**1 598 500**	1 737 000	7 480 000	-8,0
Yellow Maize	**997 500**	1 062 000	5 220 000	-6,1
Total maize	**2 596 000**	2 799 000	12 700 000	-7,3
Sunflower seed	**600 000**	564 300	872 000	+6,3
Soya-beans	**198 000**	165 400	282 000	+19,7
Groundnuts	**50 450**	54 200	88 800	-6,9
Sorghum	**86 600**	86 800	255 000	-0,2
Dry beans	**46 200**	43 800	58 975	+5,5
Total	**3 577 250**	3 713 500	14 256 775	-3,7

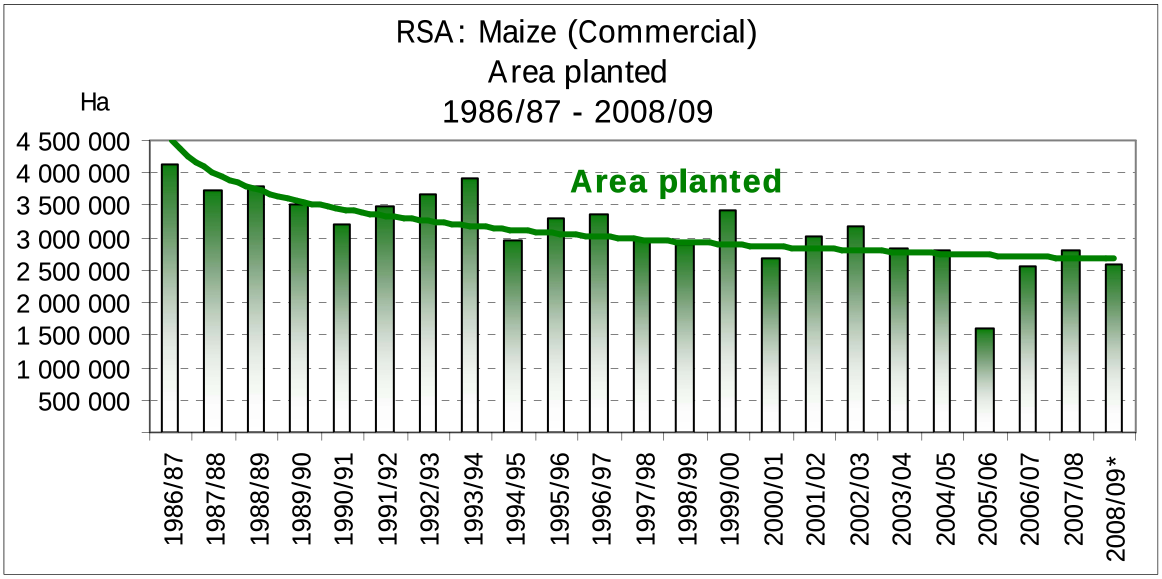
The preliminary area estimate for **commercial maize** is 2,596 million ha, which is 7,25% or 203 000 ha less than the 2,799 million ha planted for the previous season, and 1,33% more than the intentions to plant figure of 2,562 million ha released during October 2008.

The area estimate for **commercial white maize** is 1,598 million ha, which represents a decrease of 7,97% or 138 500 ha compared to the 1,737 million ha planted last season. In the case of **commercial yellow maize** the area estimate is 997 500 ha, which is 6,07% or 64 500 ha less than the 1,062 million ha planted last season.

The majority of South Africa's maize is planted in the Free State, North West and Mpumalanga Provinces. The expected plantings of maize in the Free State are 1,086 million ha - a decrease of 7,22% in comparison with 1,170 million ha in 2007/08. The expected plantings of maize in North West also decreased by 8,97%, from 780 000 ha to 710 000 ha, and in Mpumalanga by 4,44%, from 518 000 ha to 495 000 ha, compared to the plantings in the 2007/08 season.

The following Graph provides a historic overview of the area planted to commercial maize. It is evident that the area planted shows a decreasing trend over time.

Graph 1: Area planted to commercial maize



3.1.2 Other commercial summer crops

The preliminary area estimate for **sunflower seed** is 600 000 ha, which is about 6,33% more than the 564 300 ha planted the previous season.

It is estimated that 198 000 ha have been planted to **soya-beans**, which represents an increase of 19,71% compared to the 165 400 ha planted last season.

For **groundnuts** the area estimate is 50 450 ha, which is 6,92% less than the 54 200 ha planted for the previous season.

The area estimate for **sorghum** decreased slightly by 0,23%, from 86 800 ha to 86 600 ha against the previous season.

In the case of **dry beans** the area estimate is 46 200 ha or 5,48% more than the 43 800 ha planted the previous season.

Please note that the revised area estimate and first production forecast for summer field crops for the 2008/09 production season will be released on 24 February 2009.

3.2 Winter cereal crops

The CEC released the revised area estimate and sixth production forecast of winter cereals for the 2008 production season on 27 January 2009.

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

CROP	AREA PLANTED 2008 Ha (A)	**6th Forecast 2008 Ha (B)**	AREA PLANTED 2007 Ha (C)	FINAL CROP 2007 Tons (D)	CHANGE % (B) ÷ (D)
Commercial:					
Wheat	748 000	**2 079 925**	632 000	1 905 000	+9,18
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	**2 306 624**	738 560	2 165 650	+6,51

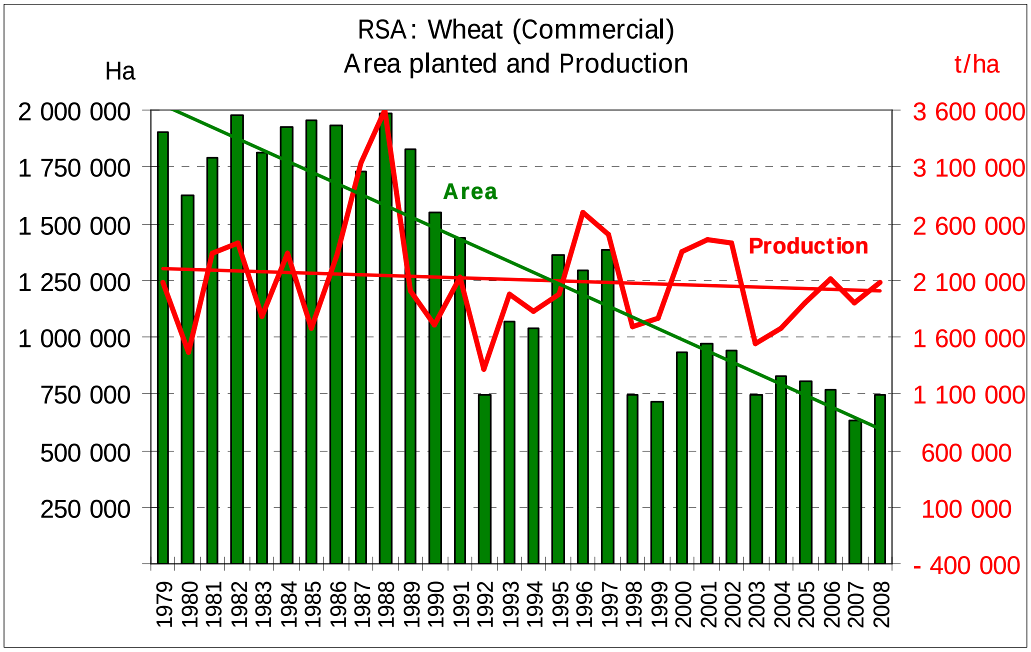
The expected production of **wheat** is 2,080 million tons - 9,18% more than the 1,905 million tons of last season. The expected yield is 2,78 t/ha as against 3,01 t/ha of the previous season. The expected production for the current season is 822 500 tons in the Western Cape, 532 000 tons in the Free State and 315 000 tons in the Northern Cape.

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

As most of the crop has already been harvested, some of the provincial yields were adjusted to reflect the actual production realised. The actual producer deliveries, as published by SAGIS were therefore taken into consideration. According to the SAGIS figures, the cumulative producer deliveries of wheat for the period 1 October 2008 to 16 January 2009, is 1,966 million tons. This represents about 95 % of the South African commercial wheat crop of 2,080 million tons for the current 2008 season.

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 2: Area planted and production of commercial wheat



The production forecast 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 expected yield is 2,85 t/ha as against 3,03 t/ha of the previous season.

The expected **canola** crop 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 expected yield is 0,95 t/ha as against 1,15 t/ha of the previous season.

Please note that the final production forecast for winter cereals for the 2008 production season will be released on 24 February 2009.

4. Cereal balance sheets

Supply and demand data for December 2008 was released by SAGIS on 21 January 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 30 January 2009	**Wheat (1 000 tons)**
Supply	
Opening stocks (October 2008)	**509**
SAGIS Opening Stocks	509
Gross production (2008 season)	**2 090**
Commercial production	2 080
Subsistence agriculture	10
Total domestic supply	**2 599**
Plus: Imports	1 150
Total supply	**3 749**
Demand	
Consumption	**2 939**
Commercial: Human	2 840
Animal (feed)	2
Seed for planting purposes	22
Other*	75
Subsistence agriculture	**10**
Total domestic consumption	**2 949**
Plus: Exports	**222**
Total demand	**3 171**
Closing stocks (September 2009)	**578**
Pipeline requirements	**623**
Domestic shortfall	**-973**
Shortfall above pipeline	**-45**
SAGIS closing stocks as at end of December 2008	**1 954**

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 2,080 million tons. The projected total supply of wheat is therefore 3,749 million tons, including imports of 1,150 million tons during the 2008/09 marketing season. Projections for the 2008/09 marketing season indicate that South Africa will need 623 000 tons pipeline requirements at the end of September 2009. Total demand, including exports, is projected at 3,171 million tons.

Wheat imports for the current season until 23 January 2009, comes to 402 198 tons. Table 5 provides a breakdown of wheat imports per country of origin for the current 2008/09 marketing season:

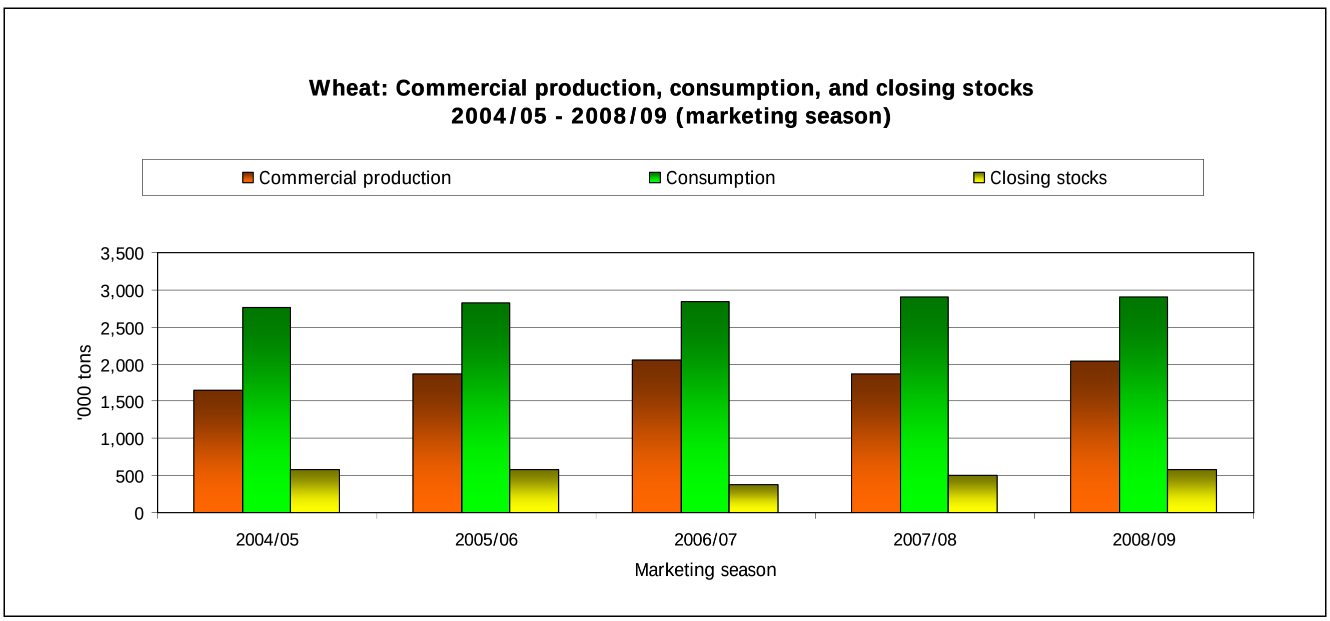
Table 5: South Africa's wheat imports per country, 4 October 2008 to 23 January 2009

Country	Tons	%
United States of America	69 360	17,25
Argentina	210 750	52,40
Germany	68 918	17,13
Canada	37 069	9,22
Australia	16 101	4,00
Total	**402 198**	**100,00**

Source: SAGIS Weekly imports and exports, 26 January 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 3: Wheat: Commercial production, consumption and closing stocks: 2005/06-2007/08 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 tend to be with reference to consumption 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 30 January 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	-			-
Total supply	**8 432**	**5 789**	**14 221**	**338,2**
Demand				
Consumption	**5 450**	**4 244**	**9 694**	**201,4**
Commercial: Human	4 200	350	4 550	182,9
Animal (feed)	920	3 200	4 120	11,1
Gristing	60	10	70	-
Seed for planting purposes	20	14	34	-
Other*	250	670	920	7,4
Subsistence agriculture	**334**	**130**	**464**	**40,6**
Total domestic consumption	**5 784**	**4 374**	**10 158**	**242,0**
Plus: Exports	**1 550**	**400**	**1 950**	**31,7**
Products	40	50	90	-
Whole maize	1 510	350	1 860	-
Total demand	**7 334**	**4 774**	**12 108**	**273,7**
Closing stocks	**1 098**	**1 015**	**2 113**	**64,5**
Pipeline requirements	**639**	**439**	**1 078**	**23,9**
Domestic surplus	**2 009**	**976**	**2 985**	**72,3**
Surplus above pipeline	**459**	**576**	**1 035**	**40,6**
SAGIS closing stocks as at end of December 2008	**2 986**	**2 010**	**4 996**	**119,6**

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 1,098 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 5,784 million tons. Exports are projected at 1,6 million tons.

Yellow maize: A domestic surplus (before pipeline requirements) of 1,015 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 4,374 million tons. Anticipated exports during the 2008/09 marketing season are seen at 400 000 tons.

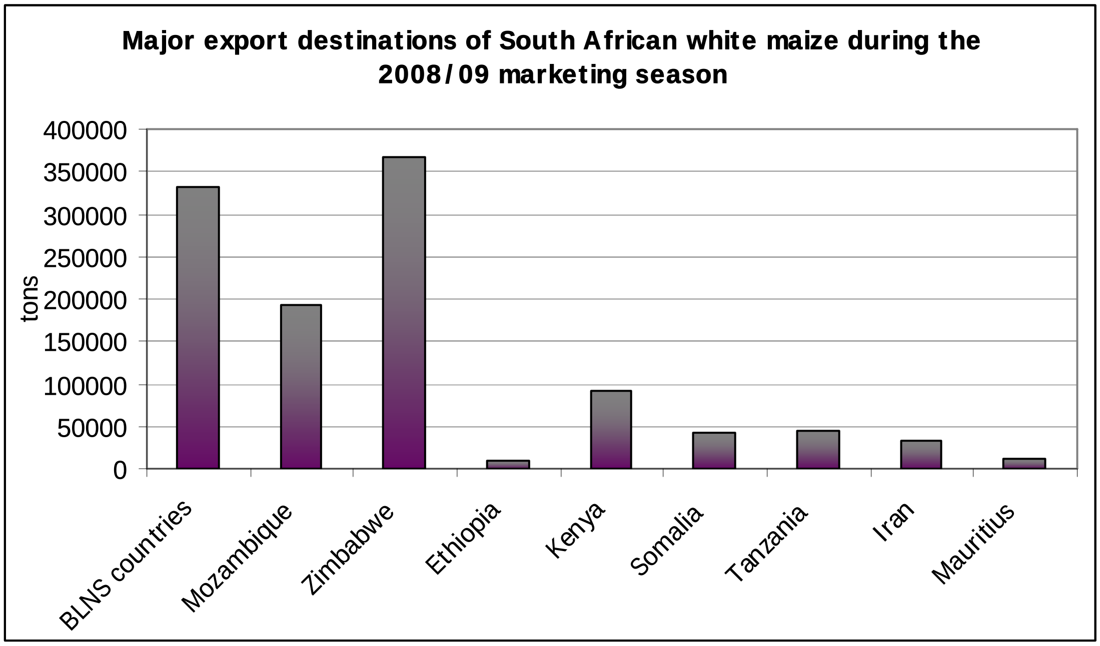
The SAGIS export data up to 23 January 2009, indicates that 1,382 million tons of maize was exported. The exports of maize for the 2008/09 marketing season are projected at 1,950 million tons. A summary of export destinations to African countries and other countries is contained in Table 7.

Table 7: Export destinations of South African maize, 3 May 2008 to 23 January 2009

White maize		Yellow maize	
Country	Tons	Country	Tons
Botswana	201545	Botswana	609
Lesotho	62748	Lesotho	8 090
Namibia	61314	Mozambique	13 644
Mozambique	192331	Namibia	12 599
Zimbabwe	368162	Swaziland	27 407
Zambia	853	Zimbabwe	704
Ethiopia	9386	Guinea	1 916
Benin	4279	Iran	104 333
Senegal	5473	Malaysia	34 089
Swaziland	6501	Yemen	27 500
Angola	2020		
Kenya	92532		
Ghana	2302		
Cameroon	3821		
Chad	366		
Somalia	42958		
Tanzania	45357		
Guinea	1129		
Togo	1989		
Malawi	409		
Iran	33 415		
Mauritius	12 400		
Madagascar	258		
Total white maize	**1 151 548**	**Total yellow maize**	**230 891**
Total Maize			**1 382 439**

Source: SAGIS Weekly imports and exports, 26 January 2009

Graph 4: 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 and Mozambique during the current marketing season.

It is also interesting to note that during the past month 23 303 tons of yellow maize were imported from Brazil.

Sorghum: South Africa could have a surplus (before pipeline requirements) of 64 500 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 242 000 tons. The total domestic demand is seen at 273 700 tons, including projected exports of 31 700 tons.

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

2009/10 Projected Annual Cereal Balance Sheet as at 30 January 2009 (1 000 tons)	Maize			Sorghum
	White	Yellow	Total	
Supply				
Opening stocks	**1 098**	**1 015**	**2 113**	**64,5**
SAGIS Opening Stocks	1 098	1 015	2 113	64,5
Gross production	**6 728**	**4 519**	**11 247**	**283,1**
Commercial production	6 394	4 389	10 783	242,5
Subsistence agriculture	334	130	464	40,6
Total domestic supply	**7 826**	**5 534**	**13 360**	**347,6**
Plus: Imports	-	-	-	-
Total supply	**7 826**	**5 534**	**13 360**	**347,6**
Demand				
Consumption	**5 076**	**4 046**	**9 122**	**197,5**
Commercial: Human	3 823	299	4 122	181,3
Animal (feed)	950	3 159	4 109	10,0
Gristing	63	10	73	-
Seed for planting purposes	20	14	34	-
Other*	220	564	784	6,2
Subsistence agriculture	**334**	**130**	**464**	**40,6**
Total domestic consumption	**5 410**	**4 176**	**9 586**	**238,1**
Plus: Exports	**1 400**	**400**	**1 800**	**35,0**
Products	50	50	100	-
Whole maize	1 350	350	1 700	-
Total demand	**6 810**	**4 576**	**11 386**	**273,1**
Closing stocks	**1 016**	**958**	**1 974**	**74,5**
Pipeline requirements	**596**	**428**	**1 024**	**23,6**
Domestic surplus	**1 820**	**930**	**2 750**	**85,9**
Surplus above pipeline	**420**	**530**	**950**	**50,9**

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.

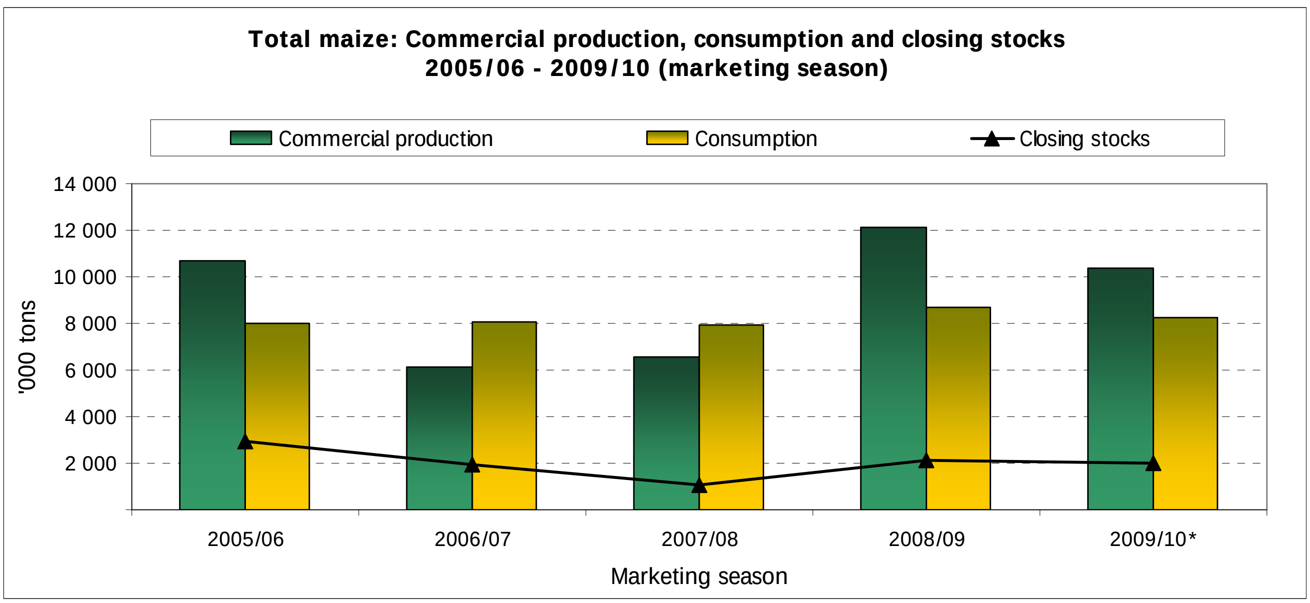
4.2.2 Discussion of the projected 2009/10 maize situation

According to the preliminary area estimate, producers intend to decrease maize plantings by approximately 7,25 %, from 2,799 million ha planted in the 2007/08 production season to 2,596 million ha in 2008/09. Using an average yield of 4,15 t/ha and the planting of 2,596 million ha, one would be looking at a production of 10,783 million tons of maize during the 2008/09 production season.

Using the same method to project the white maize crop, the expected production of white maize will be 6,394 million tons on an area of 1,599 million ha. The projected total supply of white maize is therefore 7,826 million tons, including opening stocks of 1,098 million tons. Total demand (exports included) is expected to reach 6,810 million tons and the closing stocks as at 30 April 2010, is expected to be 1,016 million tons.

For yellow maize, using an average yield of 4,4 t/ha and the intended planting of 962 000 ha, the expected production of yellow maize is 4,389 million tons. The projected total supply of yellow maize is therefore 5,534 million tons. Total demand, including exports, is projected at 4,576 million tons. Projections for the 2009/10 marketing season indicate closing stocks of 958 000 tons at the end of April 2010.

Graph 5: 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**:* According to the preliminary area planted figures, producers intend to decrease their sorghum plantings by 0,2% - from 86 800 ha to 86 600 ha. Using an average yield of about 2,80 t/ha, one would be looking at a production of 242 500 tons. The expected total domestic supply is seen at 347 600 tons, while total domestic consumption is estimated at 238 100 tons. The total domestic demand is seen at 273 100 tons, including projected exports of 35 000 tons. Projections for the 2009/10 marketing season indicate that South Africa could see closing stocks of 74 500 tons at the end of March 2010.

5. Market information

5.1 Consumer price index (CPI)

The headline inflation rate for December 2008 (i.e. the Consumer Price Index for the historical metropolitan areas for December 2008 compared with that in December 2007) was 9,5%.

This rate was 2,3 of a percentage point lower than the corresponding annual rate of 11,8% in November 2008 (i.e. the percentage change in the CPI for the historical metropolitan areas in November 2008 compared with that in November 2007).

From November 2008 to December 2008 the Consumer Price Index for the historical metropolitan areas decreased by 1,1%.

The annual percentage change in the CPIX, which is the Consumer Price Index excluding interest rates on mortgage bonds, for the historical metropolitan and other urban areas was 10,3% in December 2008 (i.e. the CPIX in December 2008 compared with that in December 2007). This rate was 1,8 of a percentage point lower than the corresponding annual rate of 12,1% in November 2008.

From November 2008 to December 2008 the CPIX for the historical metropolitan and other urban areas decreased by 0,9%.

Note that the targeted inflation measure will be changed from 25 February 2009, when the January 2009 CPI data are released. Following revisions to the methodology employed to compile the CPI, which will result, inter alia, in a change in the treatment of housing, the year-on-year increase in the CPI excluding mortgage interest cost for metropolitan and other urban areas (CPIX) will be replaced as the targeted measure with the headline CPI (CPI for all urban areas). The continuous inflation target range for headline CPI will remain at 3 to 6 percent.

The new CPI for all urban areas measure brings into alignment the two most commonly cited measures of inflation, namely the CPI (for metropolitan areas) and the CPIX. The new index will serve as both the headline measure and the inflation target measure, and will realign the geographic collection and reporting areas of the measures.

5.2 Producer price index (PPI)

The average annual rate of increase in the PPI for domestic output is higher at 14,2% for the year 2008 (i.e. the average PPI for the year 2008 compared with that for the year 2007).

The average annual rate of 14,2% is 3,3 percentage points higher than the corresponding average annual rate of 10,9% for the year 2007 (i.e. the average PPI for the year 2007 compared with that for the year 2006), while it is 6,6 percentage points higher than the corresponding average annual rate of 7,6 for the year 2006 (i.e. the average PPI for the year 2006 compared with that for the year 2005).

The annual percentage change in the PPI is lower at +11,0% for December 2008 (i.e. the PPI in December 2008 compared with that in December 2007).

The Producer Price Index (PPI) for domestic output shows an annual rate of change of 11,0% for December 2008 (i.e. the PPI in December 2008 compared with that in December 2007). This rate is 1,6 percentage points lower than the corresponding annual rate of 12,6% for November 2008 (i.e. the PPI in November 2008 compared with that in November 2007).

From November 2008 to December 2008 the PPI for domestic output decreased by 1,1%.

5.4 Futures contract prices

TABLE 9: DOMESTIC GRAIN PRICES AS QUOTED ON SAFEX (Rand/ton) ON 29 JANUARY 2009

Futures contract prices (29/01/2009) in R/ton					
Commodity	**Feb. 2009**	**March 2009**	**May 2009**	**July 2009**	**Sep 2009**
White maize	R1 799	R1 776	R1 759	R1 763	R1 795
Yellow maize	R1 700	R1 720	R1 715	R1 721	R1 760
Wheat	R2 840	R2 874	R2 920	R 2 960	n/a
Chicago corn contact[1)]	n/a	n/a	R1 580	R1 635	n/a
Commodity	**Feb. 2009**	**March 2009**	**May 2009**	**July 2009**	**Sep 2009**
Sunflower seed	R3 720	R3 644	R3 400	R3 460	n/a
Soya-beans	R3 715	R3 720	R3 460	R3 553	n/a

Source: Safex, 29 January 2009

1) CME Group, one of the world's largest derivatives exchanges, announced on 27 January 2009 that it has signed an agreement with the JSE Ltd to license its benchmark corn futures settlement prices to create a new JSE cash-settled corn futures contract. The contracts will be listed, traded and settled by the JSE's Safex agricultural products division alongside the current SA grain contracts. The 100 tonne corn contract will see the May 2009, July 2009 and September 2009 expiries introduced for trading on January 28 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 on 8 December 2006, is zero.

The tariff of 2% on the wheat fob price was replaced with the original formule 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) a ton. The import tariff for wheat, as published in the Government Gazette on 19 December 2008, is zero.

5.5 Agricultural machinery sales

December tractor sales of 438 units were almost 68% higher than the 261 units sold in December 2007. Tractor sales for 2008 were 44% up on 2007. Combine harvester sales continued to be very strong in 2008 and were more than double of those in 2007.

Several industry commentators were surprised at the high level of tractor sales in December, the highest December sales since 1988. Traditionally, December is the lowest sales month. However, farmers who harvested good crops during 2008 have taken the opportunity to replace their ageing equipment. In addition, with the recent turmoil in world financial markets and the resultant sharp weakening in the value of the rand, some farmers may have brought forward their buying decisions in order to take advantage of lower priced stock.

Table 10 shows the retail sales of agricultural equipment during December 2007 and 2008.

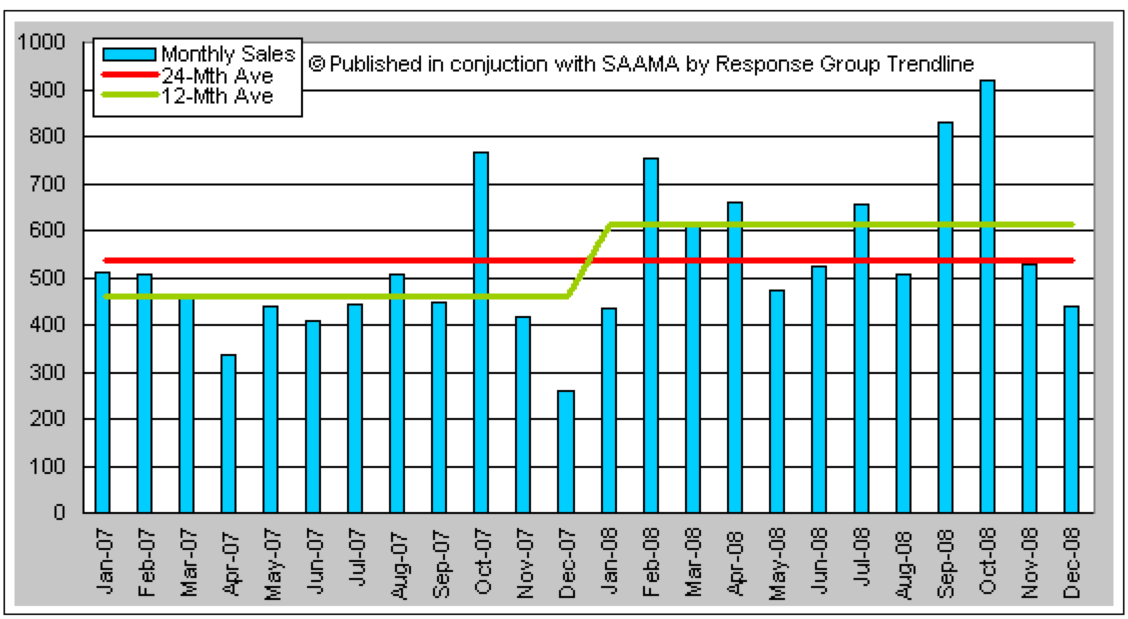
Table 10: Agricultural equipment retail sales

Equipment class	Year-on-year December		Percentage Change %	Year-to-date December		Percentage Change %
	2008	2007		2008	2007	
Tractors	438	261	67,8	7 338	5 084	44,3
Combine harvesters	12	3	300,0	341	160	113,1

Source: SAAMA press release, January 2009

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

Graph 6: Monthly sales (total market) of tractors for the past 24 months



Source: SAAMA press release, January 2009

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