

# MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: MAY 2009

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Directorate: Agricultural Statistics



**agriculture**

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## 1. Highlights

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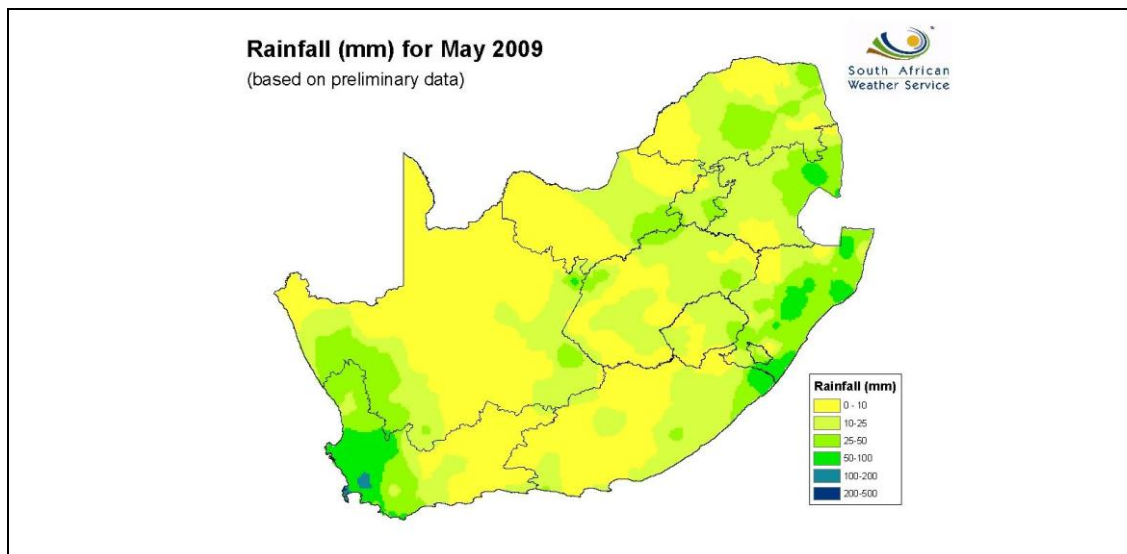
- Rainfall during May was restricted to isolated areas of the winter rainfall region and the Mpumalanga and KwaZulu-Natal Provinces.
- Projections of maize for the 2008/09 marketing season indicate that South Africa should have a surplus of 1,612 million tons of maize at the end of April 2009.
- Maize exports were projected at 2,267 million tons during the 2008/09 marketing season.
- The expected commercial maize crop for the 2008/09 production season is 11,514 million tons, which is 9,33% less than the 12,7 million tons of the previous season.
- Projections for the current 2009/10 marketing season indicate that South Africa will have a surplus of 1,956 million tons of maize at the end of April 2010.
- Projections for the current 2008/09 marketing season indicate that South Africa will have a surplus of 627 000 tons of wheat at the end of September 2009.
- Projections for the 2009/10 marketing season indicate that South Africa will have a surplus of 563 000 tons of wheat at the end of September 2010.
- The headline CPI (for all urban areas) annual inflation rate in April 2009 is lower at 8,4%.
- The annual percentage change in the PPI is lower at 2,9% in April 2009 (i.e. the PPI in April 2009 compared with that in April 2008).
- The Monetary Policy Committee of the South African Reserve Bank has decided to reduce the repurchase rate by 100 basis points to 7,5 per cent per annum with effect from 29 May 2009.
- Total tractor sales during April 2009 were 304 units, which is almost 55% less than the 668 units sold in April last year.

## 2. Weather conditions

### 2.1 Rainfall for May 2009

According to the South African Weather Service, rainfall during May (Figure 1) was restricted to isolated areas of the winter rainfall region as well as the Mpumalanga and KwaZulu-Natal Provinces. The rest of the country received very little or no rain.

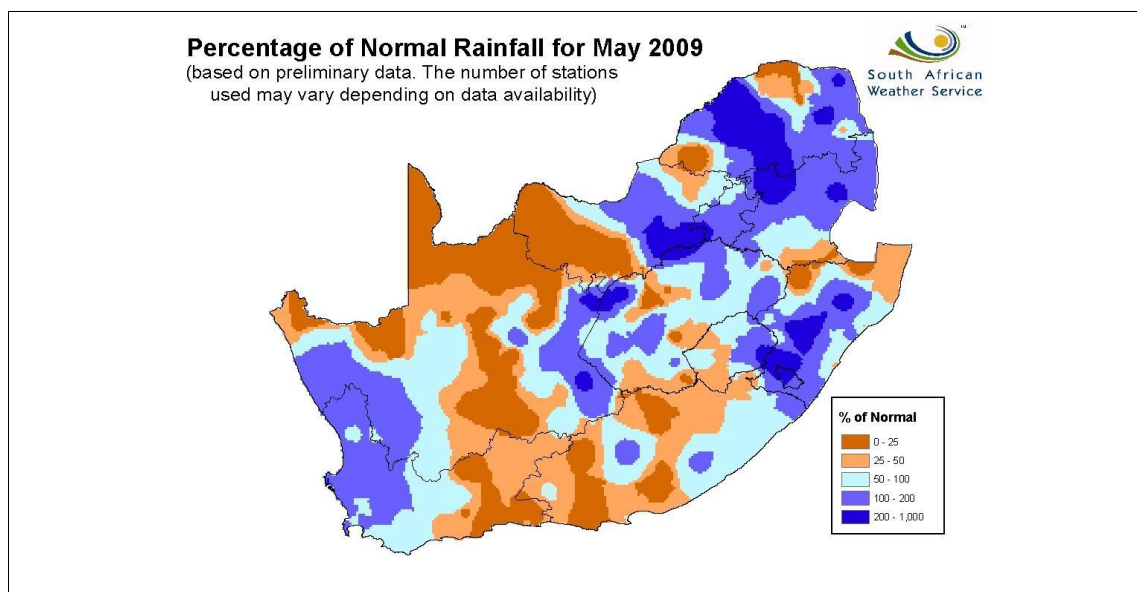
**Figure 1: Total rainfall for May 2009**



*Source: South African Weather Service*

Comparing the total rainfall received for the period under review to the long term mean (Figure 2), 50-100 percent of near-normal rainfall occurred in most parts of the country, except for the central parts of the Northern and Eastern Cape Provinces as well as the western part of the North West Province, with 0-25 percent of the normal rainfall being reported.

**Figure 2: Percentage of normal rainfall for May 2009**

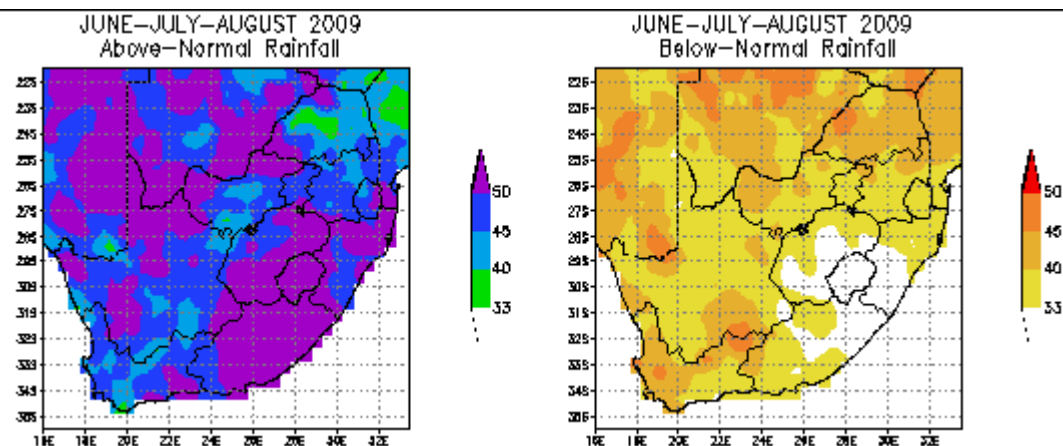


*Source: South African Weather Service*

## 2.2 Seasonal rainfall forecast overview for South Africa

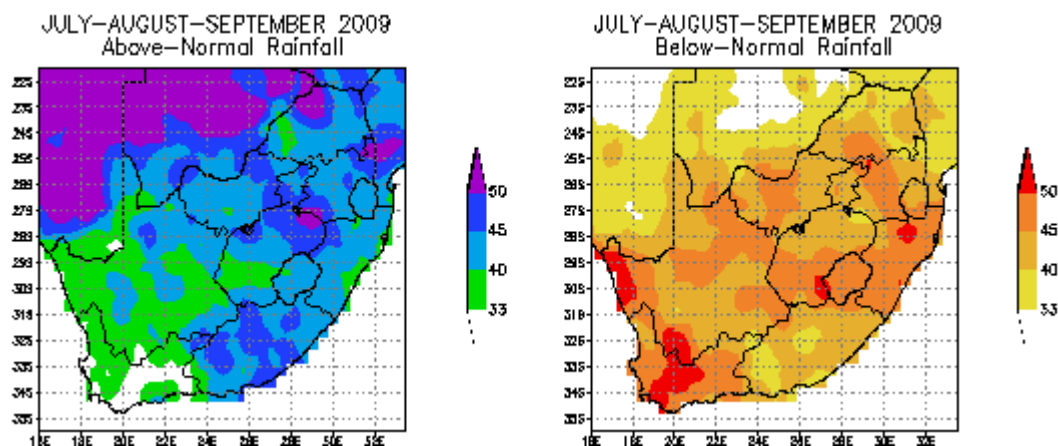
### 2.2.1. Rainfall Forecast (June to October 2009)

Figure 3: Rainfall Forecast (June to October 2009)



#### *June-July-August*

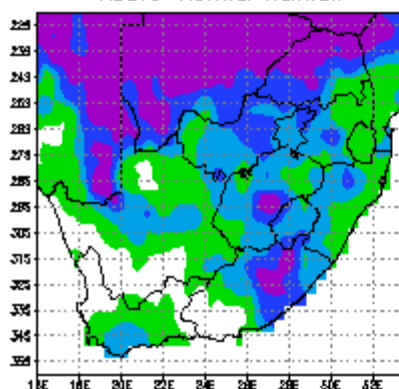
The larger part of the Eastern Cape, parts of the Free State and KwaZulu-Natal, and isolated areas over the interior, may receive above-normal mid-winter rainfall totals. The predicted chances for above-normal rainfall totals to occur over the south-western Cape have decreased considerably since the previous seasonal forecast was issued on the 14<sup>th</sup> of April 2009.



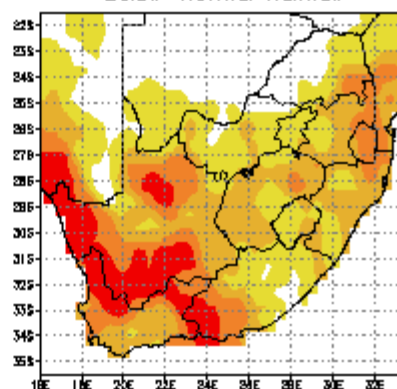
#### *July-August-September*

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

AUGUST–SEPTEMBER–OCTOBER 2009  
Above-Normal Rainfall



AUGUST–SEPTEMBER–OCTOBER 2009  
Below-Normal Rainfall



### August-September-October

Only isolated areas over the interior are likely to receive above-normal rainfall totals, while some of the south-western parts are more likely to receive below-normal rainfall totals.

### Summary:

Except for some isolated areas, there is a general decrease, during the forecast period, in the likelihood of South Africa receiving above-normal rainfall totals.

Source: South African Weather Service

## 2.3 Level of dams

Available information on the level of South Africa's dams on 1 June 2009 indicates that the country has approximately 87% of its full supply capacity (FSC) available, which is 1% 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, 1 June 2009**

Province	Total FSC	1/6/2009 (%)	Last Year (%)
Eastern Cape	1 807	61	79
Free State	16 090	92	90
Gauteng	115	99	101
KwaZulu-Natal	4 529	86	88
Lesotho	2 376	88	88
Limpopo	1 142	79	77
Mpumalanga	2 527	94	90
North West	808	82	77
Northern Cape	143	83	100
Western Cape	1 843	61	58
<b>Total</b>	<b>31 381</b>	<b>87</b>	<b>86</b>

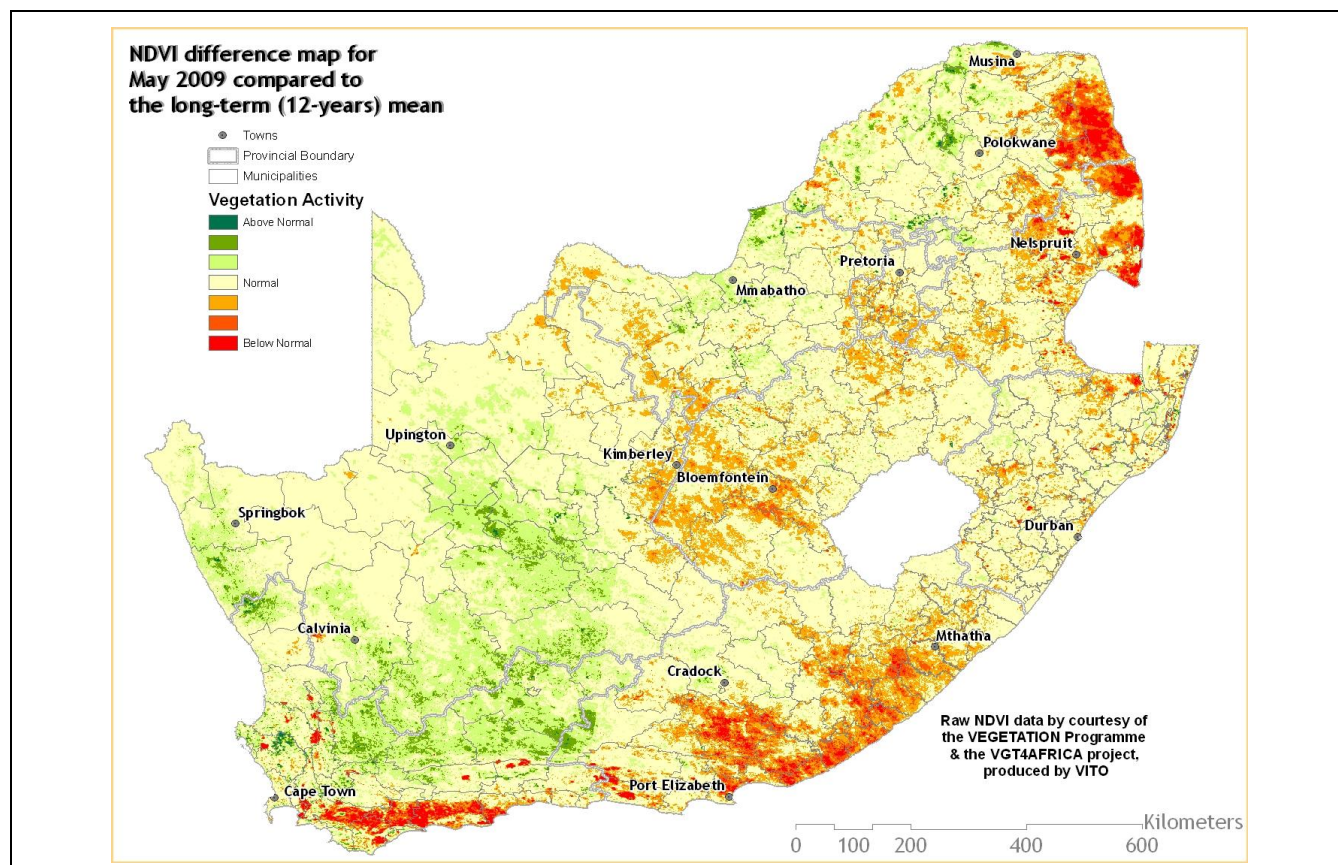
Source: Department of Water Affairs and Forestry

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

## 2.4 Vegetation activity

The NDVI difference map (Figure 4) for May 2009 as compared to the 12 year long-term mean shows that the vegetation activity for the Western and Eastern Cape Provinces as well as isolated areas of the Free State, Mpumalanga and Limpopo Provinces are characterized by below-normal vegetation activity, whereas the Northern Cape and North West Provinces are mostly characterized by above-normal vegetation activity. Most parts of the KwaZulu-Natal and Gauteng Provinces reflect normal vegetation activity.

**Figure 4: NDVI map for May 2009 compared to 12 year long-term mean**



Source: ARC: ISCW

### 3. Grain production

#### 3.1 Summer grain crops

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

The CEC released the fourth production forecast figures of the commercial summer grain crops for the 2008/09 production season on 26 May 2009.

**Table 2: Commercial summer crops: Fourth production forecast figures - 2008/09 production season**

CROP	Area planted 2008/09  Ha (A)	4th 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	6 735 300	1 737 000	7 480 000	-9,96
Yellow Maize	938 500	4 778 650	1 062 000	5 220 000	-8,45
Total maize	2 427 500	11 513 950	2 799 000	12 700 000	-9,33
Sunflower seed	635 800	875 280	564 300	872 000	+0,38
Soya-beans	229 750	429 860	165 400	282 000	+52,43
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	3 476 900	13 240 280	3 713 500	14 256 775	-7,13

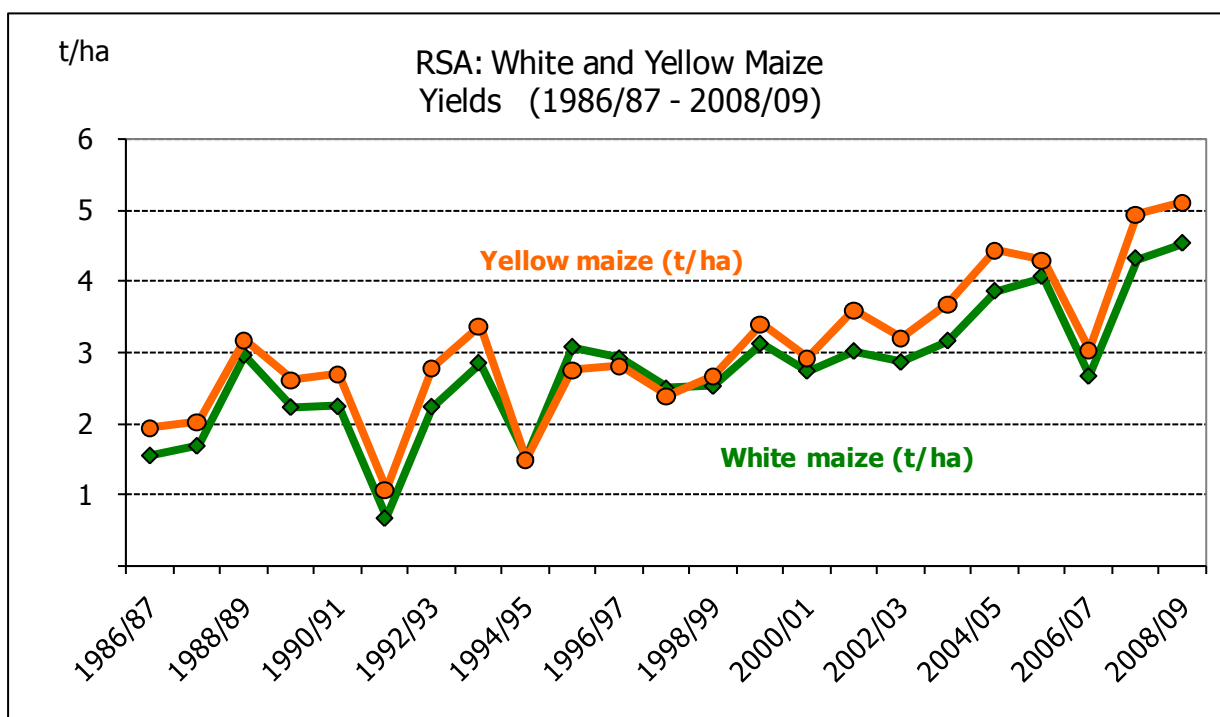
The revised area estimate for **commercial maize** is 2,428 million ha, which is 13,27% or 371 500 ha less than the 2,799 million ha planted for the previous season. The expected **commercial maize** crop is 11,514 million tons, which is 9,33% or 1,186 million tons less than the 12,7 million tons of 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 6,735 million tons, which is 9,96% less than the 7,480 million tons of last season. The yield for white maize is 4,52 t/ha as against 4,31 t/ha the previous season. In the case of yellow maize the production forecast is 4,779 million tons, which is 8,45% less than the 5,220 million tons of last season. The yield of yellow maize is 5,09 t/ha as against 4,92 t/ha the previous season.

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

**Graph 1: Yields of commercial white and 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 429 860 tons, which is 52,43% more than the 282 000 tons of the previous season. It is estimated that 229 750 ha have been planted to soya-beans, which represents an increase of 38,91% compared to the 165 400 ha planted last season. The expected yield is 1,87 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 for the previous season. 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 for 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.

*Please note that the fifth production forecast for summer field crops for the 2008/09 production season will be released on 24 June 2009.*

### 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 April 2009 was released by SAGIS on 20 May 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**

<b>2008/09 Wheat Balance Sheet as at 29 May 2009</b>	<b>Wheat (1 000 tons)</b>
<b>Supply</b>	
<b>Opening stocks (October 2008)</b>	<b>509</b>
SAGIS Opening Stocks	509
<b>Gross production (2008 season)</b>	<b>2 139</b>
Commercial production	2 130
Subsistence agriculture	9
<b>Total domestic supply</b>	<b>2 648</b>
Plus: Imports	1 120
<b>Total supply</b>	<b>3 768</b>
<b>Demand</b>	
<b>Consumption</b>	<b>2 899</b>
Commercial: Human	2 770
Animal (feed)	12
Retentions by producers	42
Seed for planting purposes	25
Other*	50
<b>Subsistence agriculture</b>	<b>9</b>
<b>Total domestic consumption</b>	<b>2 908</b>
Plus: Exports	233
<b>Total demand</b>	<b>3 141</b>
<b>Closing stocks (September 2009)</b>	<b>627</b>
<b>Pipeline requirements</b>	<b>607</b>
<b>Domestic shortfall</b>	<b>-867</b>
<b>Import gap</b>	<b>867</b>
<b>Surplus above pipeline</b>	<b>20</b>
<b>SAGIS closing stocks as at end of April 2009</b>	<b>1 473</b>

#### Notes:

- Source: SAGIS, Directorate: Agricultural Statistics.
- \*Other refers to wheat released to end-consumers, withdrawn by producers and/or retentions by producers.
- Figures might not add up correctly due to rounding.
- Marketing season for wheat is October to September.
- 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 3,768 million tons, including imports of 1,120 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 233 000 tons is seen at 3,141 million tons during the 2008/09 marketing season. Thus, closing stocks at the end of September 2009 is expected to be 627 000 tons.

According to the National Chamber of Milling, the milling figure of wheat for the period October 2008 to March 2009 is 1,253 million tons. This is 7,4% less than the milling figure (1,353 million tons) for the period October 2007 to March 2008.

Wheat imports for the current season until 29 May 2009, comes to 689 640 tons. Table 5 provides a breakdown of wheat imports per country of origin for the current 2008/09 marketing season:

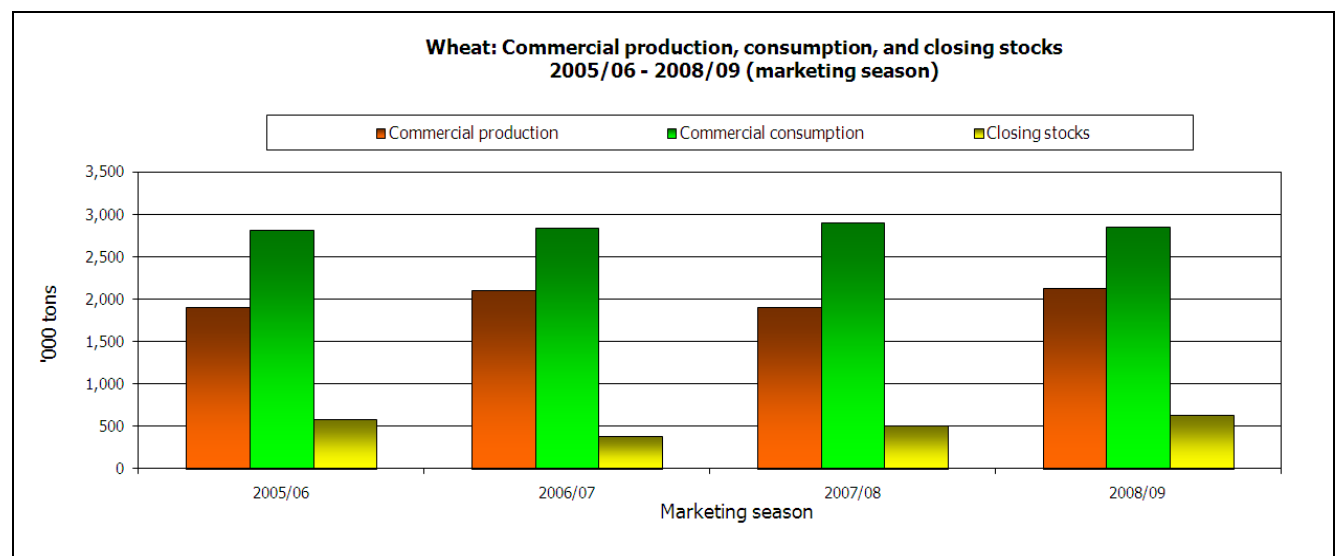
**Table 4: South Africa's wheat imports per country, 4 October 2008 to 29 May 2009**

Country	Tons	%
United States of America	86 827	12,59
Argentina	376 299	54,56
Australia	48 061	6,97
Canada	34 569	5,01
Germany	143 884	20,86
<b>Total</b>	<b>689 640</b>	<b>100</b>

Source: SAGIS Weekly imports and exports, 2 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 2: 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 627 000 tons for the current season is 23,18% more than the previous season (509 000 tons) and just above 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**

<b>2009/10 Projected wheat Balance Sheet as at 29 May 2009</b>	<b>Wheat (1 000 tons)</b>
<b>Supply</b>	
<b>Opening stocks (October 2009)</b>	<b>627</b>
SAGIS Opening Stocks	627
<b>Gross production (2009 season)</b>	<b>1 809</b>
Commercial production	1 800
Subsistence agriculture	9
<b>Total domestic supply</b>	<b>2 436</b>
Plus: Imports	1 260
<b>Total supply</b>	<b>3 696</b>
<b>Demand</b>	
<b>Consumption</b>	<b>2 891</b>
Commercial: Human	2 770
Animal (feed)	12
Retentions by producers	42
Seed for planting purposes	25
Other*	42
<b>Subsistence agriculture</b>	<b>9</b>
<b>Total domestic consumption</b>	<b>2 900</b>
Plus: Exports	233
<b>Total demand</b>	<b>3 133</b>
<b>Closing stocks (September 2010)</b>	<b>563</b>
<b>Pipeline requirements</b>	<b>607</b>
<b>Domestic shortfall</b>	<b>-1 071</b>
<b>Import gap</b>	<b>1 071</b>
<b>Surplus above pipeline</b>	<b>-44</b>

**Notes:**

- Source: SAGIS, Directorate: Agricultural Statistics.
- \*Other refers to wheat released to end-consumers, withdrawn by producers and/or retentions by producers.
- Figures might not add up correctly due to rounding.
- Marketing season for wheat is October to September.
- 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 563 000 tons.

## 4.2 Summer grains

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

<b>2008/09 Projected Annual Cereal Balance Sheet as at 29 May 2009 (1 000 tons)</b>	<b>Maize</b>			<b>Sorghum</b>
	<b>White</b>	<b>Yellow</b>	<b>Total</b>	
<b>Supply</b>				
<b>Opening stocks</b>	<b>618</b>	<b>431</b>	<b>1 049</b>	<b>42,6</b>
SAGIS Opening Stocks	618	431	1 049	42,6
<b>Gross production</b>	<b>7 814</b>	<b>5 350</b>	<b>13 164</b>	<b>293,3</b>
Commercial production	7 480	5 220	12 700	255,0
Subsistence agriculture	334	130	464	38,3
<b>Total domestic supply</b>	<b>8 432</b>	<b>5 781</b>	<b>14 213</b>	<b>335,9</b>
Plus: Imports	-	27	27	-
<b>Total supply</b>	<b>8 432</b>	<b>5 808</b>	<b>14 240</b>	<b>335,9</b>
<b>Demand</b>				
<b>Consumption</b>	<b>5 361</b>	<b>4 536</b>	<b>9 897</b>	<b>198,0</b>
Commercial: Human	4 348	321	4 669	177,4
Animal (feed)	670	3 437	4 107	9,7
Gristing	62	7	69	-
Seed for planting purposes	20	14	34	-
Other*	261	757	1 018	10,9
<b>Subsistence agriculture</b>	<b>334</b>	<b>130</b>	<b>464</b>	<b>38,3</b>
<b>Total domestic consumption</b>	<b>5 695</b>	<b>4 666</b>	<b>10 361</b>	<b>236,3</b>
<b>Plus: Exports</b>	<b>1 965</b>	<b>302</b>	<b>2 267</b>	<b>37,1</b>
Products	65	38	103	-
Whole maize	1 900	264	2 164	-
<b>Total demand</b>	<b>7 660</b>	<b>4 968</b>	<b>12 628</b>	<b>273,4</b>
<b>Closing stocks</b>	<b>772</b>	<b>840</b>	<b>1 612</b>	<b>62,5</b>
<b>Pipeline requirements</b>	<b>626</b>	<b>464</b>	<b>1 090</b>	<b>23,1</b>
<b>Domestic surplus</b>	<b>2 111</b>	<b>651</b>	<b>2 762</b>	<b>76,5</b>
<b>Surplus above pipeline</b>	<b>146</b>	<b>376</b>	<b>522</b>	<b>39,4</b>
<b>SAGIS closing stocks as at end of April 2009</b>	<b>772</b>	<b>840</b>	<b>1 612</b>	<b>62,5</b>

### Notes:

- Source: SAGIS, Directorate: Agricultural Statistics.
- \*Other refers to grains released to end-consumers and/or withdrawn by producers, and retentions on farms.
- Figures might not add up correctly due to rounding.
- Marketing season for maize: May to April.
- Marketing season for sorghum: April to March.
- Early deliveries refer to the deliveries in March and April for maize and March for sorghum.
- 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 should have a surplus (before pipeline requirements) of 772 000 tons at the end of April 2009. The expected total domestic supply was 8,432 million tons, while total domestic consumption was estimated at 5,695 million tons. Exports were projected at 1,965 million tons.

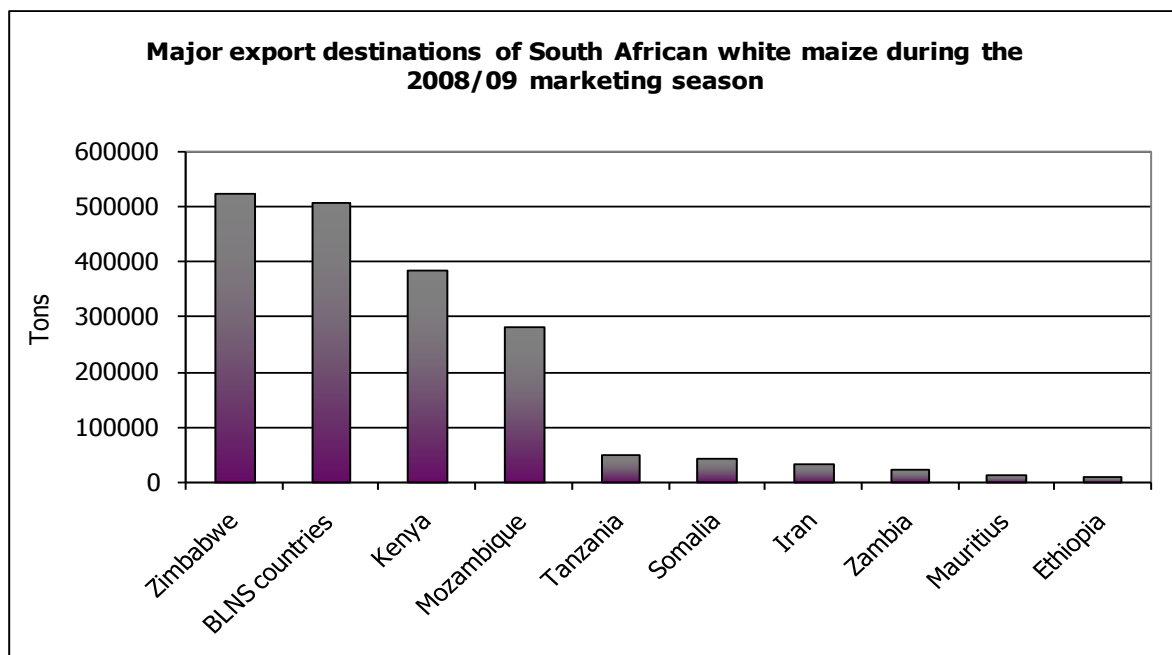
**Yellow maize:** A domestic surplus (before pipeline requirements) of 840 000 tons was expected at the end of April 2009. The total domestic supply was estimated at 5,781 million tons, while the total domestic consumption was projected at 4,666 million tons. Expected exports during the 2008/09 marketing season were seen at 302 000 tons.

According to the National Chamber of Milling, the milling figure of maize for the period May 2008 to March 2009 is 2,522 million tons. This is 15,2% more than the milling figure (2,189 million tons) for the period May 2007 to March 2008.

According to the SAGIS monthly bulletin released in May, the human consumption of white maize for the 2008/09 marketing season to date is seen at 4,183 million tons, which is a significant higher (17,8%) than the same period last year. With reference to yellow maize, the usage of yellow maize in the animal or industrial sector for the season to date is seen at 3,345 million tons, which is 10,9% more than in the same period last year.

Considering the whole maize exports of 2,164 million tons for the season to date, it was interesting to note that the white maize exports of 1,9 million tons in the 2008/09 marketing season exceeded that of the 2005/06 season (1,786 million tons) and is therefore the highest figure in recent history.

**Graph 3: Major export destinations of South African white maize (2008/09 marketing season)**



**Sorghum:** The total domestic consumption was seen at 236 300 tons for the 2008/09 marketing season, including food and feed consumption of 177 400 tons and 9 700 tons, respectively. The total domestic supply was seen at 335 900 tons. A closing stock of 62 500 tons at the end of March 2009, was expected.

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

<b>2009/10 Projected Annual Cereal Balance Sheet as at 29 May 2009 (1 000 tons)</b>	<b>Maize</b>			<b>Sorghum</b>
	<b>White</b>	<b>Yellow</b>	<b>Total</b>	
<b>Supply</b>				
<b>Opening stocks</b>	<b>772</b>	<b>840</b>	<b>1 612</b>	<b>62,5</b>
SAGIS Opening Stocks	772	840	1 612	62,5
<b>Gross production</b>	<b>7 114</b>	<b>4 917</b>	<b>12 031</b>	<b>300,9</b>
Commercial production	6 735	4 779	11 514	261,9
Subsistence agriculture	379	138	517	39,0
<b>Total domestic supply</b>	<b>7 886</b>	<b>5 757</b>	<b>13 643</b>	<b>363,4</b>
Plus: Imports	-	-	-	-
<b>Total supply</b>	<b>7 886</b>	<b>5 757</b>	<b>13 643</b>	<b>363,4</b>
<b>Demand</b>				
<b>Consumption</b>	<b>5 306</b>	<b>4 114</b>	<b>9 420</b>	<b>199,7</b>
Commercial: Human	4 216	290	4 506	171,9
Animal (feed)	790	3 236	4 026	10,8
Gristing	60	10	70	-
Seed for planting purposes	20	14	34	-
Other*	220	564	784	17,0
<b>Subsistence agriculture</b>	<b>379</b>	<b>138</b>	<b>517</b>	<b>39,0</b>
<b>Total domestic consumption</b>	<b>5 685</b>	<b>4 252</b>	<b>9 937</b>	<b>238,7</b>
<b>Plus: Exports</b>	<b>1 400</b>	<b>350</b>	<b>1 750</b>	<b>39,6</b>
Products	50	50	100	-
Whole maize	1 350	300	1 650	-
<b>Total demand</b>	<b>7 085</b>	<b>4 602</b>	<b>11 687</b>	<b>278,3</b>
<b>Closing stocks</b>	<b>801</b>	<b>1 155</b>	<b>1 956</b>	<b>85,1</b>
<b>Pipeline requirements</b>	<b>625</b>	<b>436</b>	<b>1 061</b>	<b>22,5</b>
<b>Domestic surplus</b>	<b>1 576</b>	<b>1 069</b>	<b>2 645</b>	<b>102,2</b>
<b>Surplus above pipeline</b>	<b>176</b>	<b>719</b>	<b>895</b>	<b>62,6</b>

**Notes:**

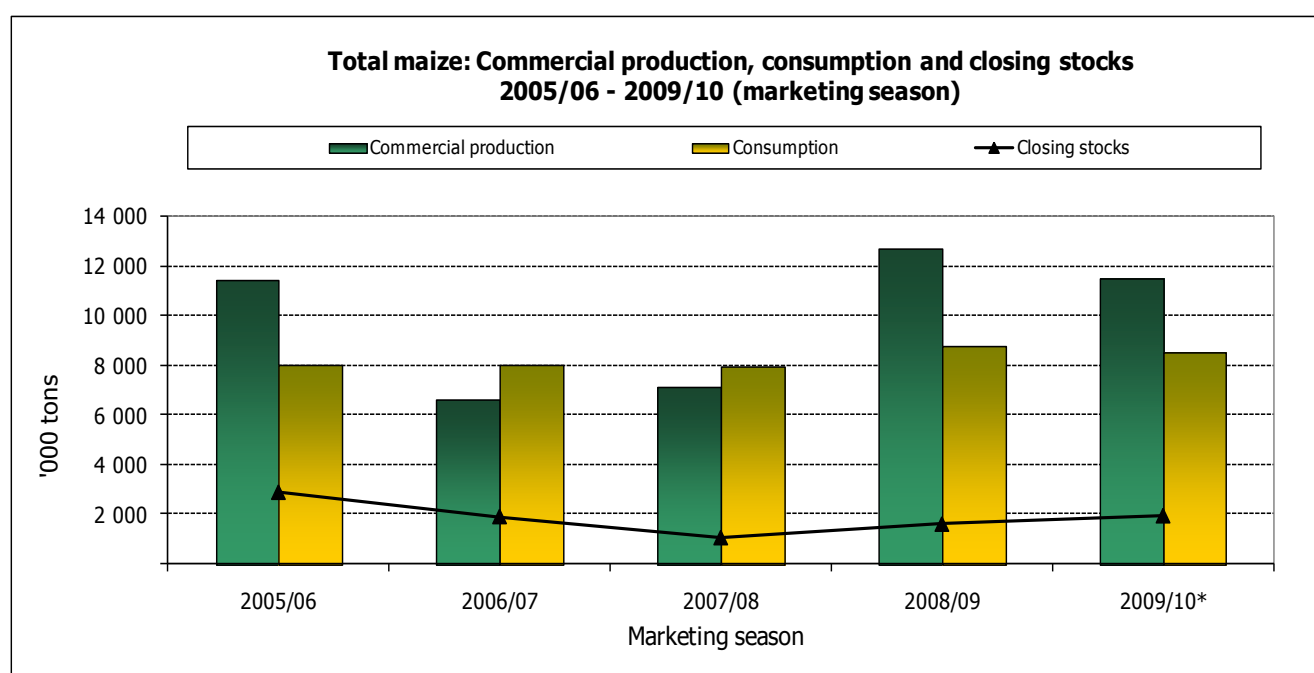
- Source: SAGIS, Directorate: Agricultural Statistics.
- \*Other refers to grains released to end-consumers and/or withdrawn by producers, and retentions on farms.
- Figures might not add up correctly due to rounding.
- Marketing season for maize: May to April.
- Marketing season for sorghum: April to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

#### 4.2.2 Discussion of the projected 2009/10 maize situation

According to the third production forecast for the 2008/09 production season, the expected production of white maize is 6,735 million tons on an area of 1,489 million ha. The projected total supply of white maize is 7,886 million tons, including opening stocks of 772 000 tons. Total demand (exports included) is expected to reach 7,085 million tons and the closing stocks as at 30 April 2010, are expected to be 801 000 tons.

For yellow maize, the expected production is 4,779 million tons on an area of 938 500 ha. The projected total supply of yellow maize is 5,757 million tons, including opening stocks of 840 000 tons. Total demand, including exports, is projected at 4,602 million tons. Projections for the 2009/10 marketing season indicate closing stocks of 1,155 million tons at the end of April 2010.

**Graph 4: 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 1,956 million tons for total maize for the 2009/10 marketing season is 21,34 more than that of the previous season. This increase could, amongst other factors, be attributed to the projected decrease in the commercial production (-9,34%) and a lower export estimate (-22,81%) 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 238 700 tons. The total demand is seen at 278 300 tons, including projected exports of 39 600 tons. Projections for the 2009/10 marketing season indicate that there could be closing stocks of 85 100 tons at the end of March 2010.

## 5. Market information

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### 5.1 Consumer Price Index (CPI)

The headline Consumer Price Index (CPI) (for all urban areas) annual inflation rate for April 2009 is 8,4%. This rate is 0,1% lower than the corresponding annual rate of 8,5% in March 2009. On average, prices increased by 0,5% between March 2009 and April 2009.

The food and non-alcoholic beverages index increased by 0,5% between March 2009 and April 2009, taking the annual rate to 13,7% in April 2009, from 14,7% in March 2009. The monthly increase in the food and non-alcoholic beverages index was largely driven by monthly increases in hot beverages (4,7%), fruit (2,6%), sugar, sweets and desserts (2,2%), milk, eggs and cheese (1,6%), other food (1,3%), vegetables (1,0%), cold beverages (0,4%) and fish (0,2%). These increases were slightly counteracted by monthly decreases in oils and fats (-3,1%), bread and cereals (-0,3%) and meat (-0,1%).

The transport index increased by 1,3% between March 2009 and April 2009, mainly due to a 4,9% increase in the price of petrol.

The provinces with an annual inflation rate lower or equal to headline inflation were Gauteng (7,9%) and Western Cape (8,0%). The provinces with an annual inflation rate higher than headline inflation were Free State (8,6%), Northern Cape (8,7%), North West (8,9%), Limpopo (8,9%), Eastern Cape (9,6%), KwaZulu-Natal (10,0%) and Mpumalanga (10,1%).

### 5.2 Producer Price Index (PPI)

The annual percentage change in the Producer Price Index (PPI) is lower at 2,9% in April 2009 (i.e. the PPI in April 2009 compared with that in April 2008). This rate is 2,4% lower than the corresponding annual rate of 5,3% in March 2009 (i.e. the PPI in March 2009 compared with that in March 2008).

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

- Basic metals: The annual rate decreased from 40,2% in March 2009 to 37,4% in April 2009;
- Electricity: The annual rate decreased from 36,3% in March 2009 to 24,9% in April 2009;
- Products of petroleum and coal: The annual rate decreased from -24,0% in March 2009 to -28,4% in April 2009;
- Mining and quarrying: The annual rate decreased from -10,5% in March 2009 to -13,7% in April 2009;
- Paper and paper products: The annual rate decreased from 13,6% in March 2009 to 12,1% in April 2009;
- Rubber and plastic products: The annual rate decreased from 15,0% in March 2009 to 10,3% in April 2009;
- Food at manufacturing: The annual rate decreased from 9,4% in March 2009 to 8,4% in April 2009;
- Other manufactures: The annual rate decreased from 11,7% in March 2009 to 5,2% in April 2009;



- Chemicals and chemical products: The annual rate decreased from 10,2% in March 2009 to 4,9% in April 2009; and
- Forestry: The annual rate decreased from 8,1% in March 2009 to -3,4% in April 2009.

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

- Agricultural products: The annual rate increased from -2,1% in March 2009 to 2,2% in April 2009.

### **5.3 Repo rate cut**

The global downturn continues to have a negative impact on the domestic economy which experienced two consecutive quarters of contraction. The significant widening of the domestic output gap has added further downside risk to the inflation outlook. The downward trend in inflation is expected to continue, despite inflation being subject to some inertia in the near term.

Domestic economic developments will be influenced to a large degree by the pace and magnitude of the recovery in the global economy. There are tentative signs that the global economy may have seen the worst of the downturn, but the recovery is expected to be slow and protracted.

The evidence which was presented to the Monetary Policy Committee (MPC) suggests that the output gap has widened further. This is expected to contribute to an improved inflation outlook, notwithstanding some current inflation inertia. Accordingly the MPC has decided to reduce the repurchase rate by 100 basis points to 7,5 per cent per annum with effect from 29 May 2009.

### **5.4 Real gross domestic product**

The seasonally adjusted real GDP at market prices for the first quarter of 2009 decreased by an annualised rate of 6,4% compared with the fourth quarter of 2008. The corresponding real annualised economic growth rates for the four quarters of 2008 were increases of 1,7%, 5,0%, 0,2% and a decrease of 1,8%, respectively. This is the first instance of two consecutive quarters of negative growth since the fourth quarter of 1992.

The main contributors to the decrease in economic activity for the first quarter of 2009 were the manufacturing industry (-3,3%); the mining and quarrying industry (-1,7%) and the finance, real estate and business services industry (-0,5%). Positive contributions by other industries included the general government services (0,5%), the construction industry (0,4%) and the personal services (0,2%).

The seasonally adjusted and annualised real value added by non-agricultural industries (excluding the impact of the volatile agriculture industry) for the first quarter of 2009 decreased by 6,3% compared to the fourth quarter of 2008.

The unadjusted real GDP at market prices for the first quarter of 2009 decreased by 1,3% compared to the first quarter of 2008. The corresponding increases for the respective four quarters of 2008 were 3,9%, 4,5%, 3,0% and 1,0% yielding an annual growth rate of 3,1% in real GDP at market prices.

## 5.5 Quarterly food price monitor

According to the latest Food Price Monitor (FPM), the year-on-year (i.e. April 2008 to April 2009) increase in the Consumer Price Index for food and non-alcoholic beverages was 13,7%, which is 1,0% lower than the figure reported in March 2009 (14,7%). The overall CPI reflects a year-on-year increase of 8,4%, which is 0,1% lower than the 8,5% recorded for March 2009 and 0,3% higher than the 8,1% recorded for January 2009.

Wheat prices have decreased remarkably between April 2008 and April 2009, i.e. by 36,24%. During the same period, the average year-on-year inflation of wheat products also decreased from 29,51%, reported in February 2009, to 15,57%. On average the price of wheat products decreased by 0,71% between January 2009 and April 2009.

The price of maize experienced a year-on-year price decrease of 12,19% between April 2008 and April 2009. During the same period, maize products experienced an average price increase of 6,33%, which is lower than the 8,59% reported in February 2009. Between January 2009 and April 2009 the average price of maize products declined by 5,31%.

The year-on-year decline in the price of sunflower seed amounted to 39,39%. On average, the price of sunflower products increased by 21,90% (year-on-year), which is lower than the 43,6 % reported in February 2009.

The prices of processed vegetables increased, on average, by 18,37% between April 2008 and April 2009. This figure is 0,05% higher than the 18,32% reported in February 2009. The price of fresh vegetables increased, on average, by 22,60% between April 2008 and April 2009. This figure is lower compared to the 78,54% reported in February 2009.

The price of dairy products increased, on average, by 10,77% for the period April 2008 to April 2009.

Unprocessed and processed meat prices increased, on average, by 10,55% and 25,65%, respectively - between April 2008 and April 2009. Both figures are higher than the corresponding figures reported in February 2009, i.e. 7,88% and 23,40%, respectively.

Fruits prices decreased, on average, by 6,40% between April 2008 and April 2009. Between January 2009 and April 2009 the price of fruits decreased by 8,58%. The price of fish products experienced double digit inflation (34,67%) between April 2008 and April 2009.

In general the January 2009 to April 2009 food inflation data presents encouraging figures that shows food prices are softening. In rural areas maize products experienced a 13,24% average increase in prices between April 2008 and April 2009. During the same period wheat and sunflower products experienced average price increases of 13,76% and 17,79%, respectively. Rice and peanut butter had the highest rates of inflation (67,60% and 31,09%) during the same period. In rural areas consumers had to pay R 7,44 more than consumers in urban areas to buy the same basket of selected products in April 2008. This increased to R 9,74 in January 2009 and R 16,50 in April 2009.

Between February 2008 and February 2009, the producer and retail prices of fresh chicken meat increased by 27% and 17%, respectively. During the same period the producer and retail prices of frozen broiler meat increased by 21% and 7%, respectively. The producer price of IQF mixed portions and the retail price of frozen chicken portions increased by 26% and 10%, respectively.

The cost of the food basket expressed as a share of the average monthly income of the poorest 30% of the population increased from 28% in April 2008 to 33% in April 2009, while the cost of the food basket expressed as a share of the average monthly income of the wealthiest 30% of the population only increased slightly from 2,2% to 2,6% over the same period.

In contrast to most demand categories in the South African economy, the demand for food has remained strong and as the impact of the recession filters through the economy, the demand for fresh produce and more basic food items (e.g. maize meal, potatoes, vegetables, fresh milk, fresh meat etc.) is expected to remain high.

## 5.6 Futures contract prices, the exchange rate and the oil price per barrel

**Table 8: Closing prices at Friday, 29 May 2009**

Closing prices as at Friday, 29 May 2009			
	1 year ago	The week ending 22 May 2009	The week ending 29 May 2009
RSA White Maize per ton (June contract)	R1 772	R1 577	R1 505
RSA Yellow Maize per ton (June contract)	R1 795	R1 486	R1 437
USA Yellow Maize per ton (July contract)	\$233,22	\$166,92	\$168,73
RSA Wheat per ton (June contract)	R3 773	R2 645	R2 633
USA Wheat per ton (July contract)	\$278,88	\$218,03	\$231,63
RSA Soybeans per ton (June contract)	R4 079	R3 520	R3 420
USA Soybeans per ton (July contract)	\$504,34	\$431,73	\$433,20
RSA Sunflower seed per ton (June contract)	R4 890	R3 099	R3 010
Exchange rate R/\$	R7,64	R8,28	R7,94
Oil price per barrel	\$129,33	\$60,78	\$65,52

*Source: Weekly Price Watch, DoA, 29 May 2009*

Domestic grain prices ended the week (29 May 2009) a few cents lower than the previous week with white and yellow maize prices declining by 4,6% and 3,3%, respectively. Contrary to price gains in the international market, local wheat and soybeans prices declined by 0,5% and 2,8%, respectively, while sunflower prices declined by 2,9%. The major grain markets in the US recorded price increases for the mentioned period with maize reaching new recent highs supported by the tumbling US dollar and stronger crude oil prices. US maize, wheat and soybeans prices increased by 1,1%, 6,2% and 0,3%, respectively. The Rand appreciated further against the weakening US dollar to R7,94/US\$. The Oil price continued its upward spiral closing at \$65,52 a

barrel for the week ending 29 May 2009 – the domestic petrol price is set to rise by 17c a litre in the first week of June 2009.

## 5.7 Agricultural machinery sales

April tractor sales of 304 units were almost 55% less than the 668 units sold in April last year. On a year-to-date basis tractor sales are almost 19% less than the same time last year. April combine harvester sales were almost 19% up on sales in April last year. On a year-to-date basis combine harvester sales are approximately 27% up on last year. A combination of factors has led to tractor sales being significantly lower in April. Firstly, April was a very difficult trading month. Secondly, April is a quiet month in terms of agricultural activity. As mentioned previously, the consolidation in the market was as a result of potential buyers reassessing their situation regarding the purchasing of tractors. This has meant that many buying decisions would have been deferred until later. Situations will then undoubtedly be reassessed once crop, economy and pricing conditions are clearer. Combine harvester sales continue to be positive in response to the good crops currently on the land.

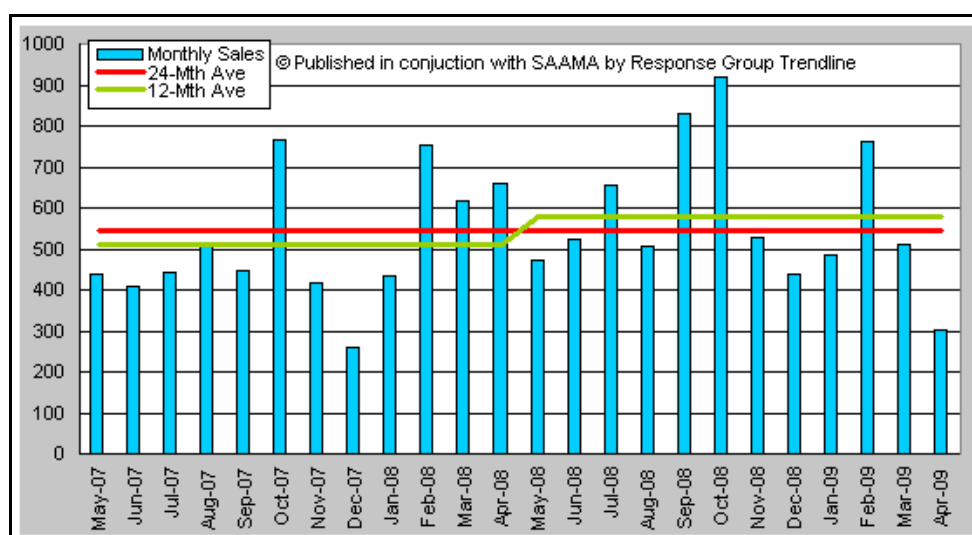
**Table 9: Agricultural equipment retail sales**

Equipment class	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	April			April		
	2009	2008		2009	2008	
Tractors	304	668	-54,5	2 061	2 5828	-18,5
Combine harvesters	51	43	+18,6	133	105	+26,7

*Source: SAAMA press release, May 2009*

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

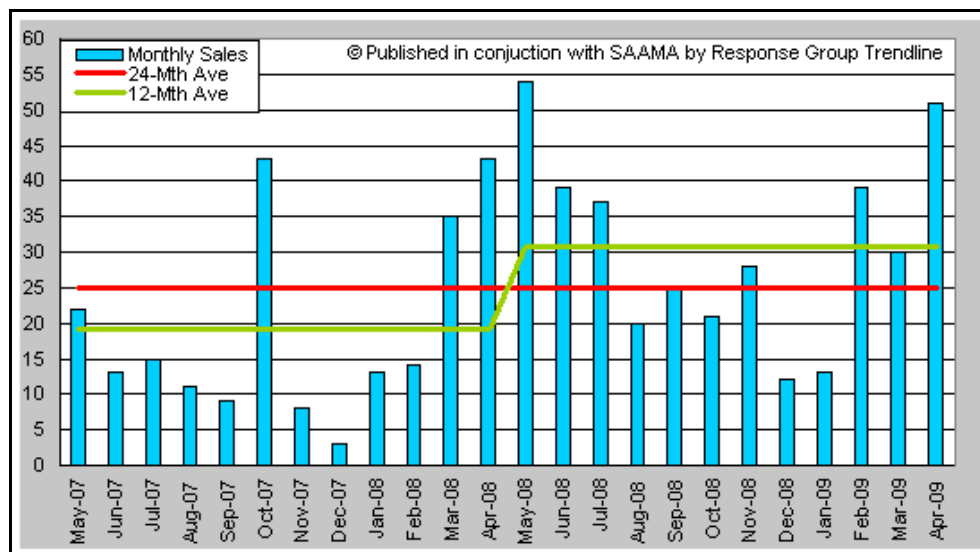
**Graph 5: Monthly sales (total market) of tractors for the past 24 months**



From the graph above it is evident that the sales of tractors reached a peak in October 2008.

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

**Graph 6: Monthly sales (total market) of combine harvesters for the past 24 months**



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

## 6. Acknowledgements

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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