

MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JANUARY 2011

Issued: 31 January 2011

Directorate: Agricultural Statistics

Highlights:

- **A National State of Disaster has been declared in 28 district municipalities in 7 provinces.**
- **The preliminary area estimate for maize is 2,516 million ha, which is 8,3% less than the 2,742 million ha planted for the previous season**
- **The expected production of wheat is 1,511 million tons, which is 22,8% less than the previous seasons' crop of 1,958 million tons.**
- **The projected closing stocks of wheat for the 2010/11 marketing season is 360 000 tons, which includes imports of 1,5 million tons.**
- **The projected closing stocks of maize for the 2010/11 marketing season is 2,880 million tons. Thus, more than enough maize will be available for local consumption and to meet export demand.**
- **The projected closing stocks of maize for the 2011/12 marketing season is 2,418 million tons. Thus, enough maize will be available for local consumption and to meet export demand.**
- **The headline CPI (for all urban areas) annual inflation rate in December 2010 was lower at 3,5%.**
- **The annual percentage change in the PPI was lower at 5,8% in December 2010.**
- **The MPC has decided, at its meeting in January 2011, to keep the repurchase rate unchanged at 5,5% per annum.**
- **December 2010 tractor sales of 381 units were considerably more (72%) than the 221 units sold in December 2009.**



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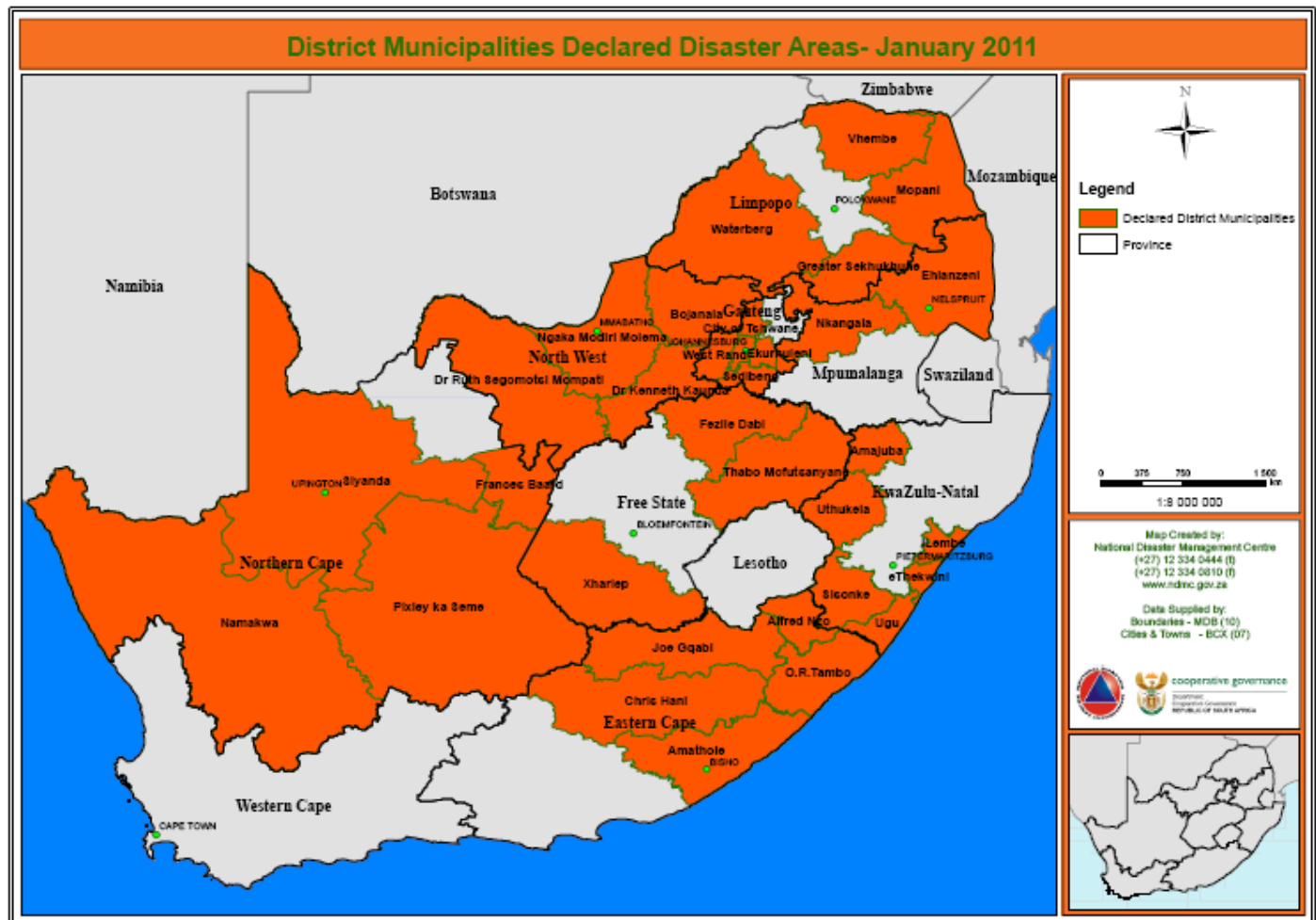
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1. Weather conditions

1.1 Statement on flooding and natural disasters

According to a press statement by the Ministry for Cooperative Governance and Traditional Affairs on 17 January 2011, a National State of Disaster has been declared in 28 district municipalities in 7 provinces. The provinces affected are Gauteng, Free State, KwaZulu-Natal, Mpumalanga, North West, Northern Cape and Limpopo (refer to Figure 1). The report further states that a total of 40 people have lost their lives as a result of flooding and incidents of lightning, thunderstorms and tornado's. The key sectors that have been affected the most are Agriculture, Tourism, Energy, Education, Private Enterprises and Human Settlements, in addition to directly and indirectly affected citizens. According to reports received, the damaged caused by floods amount to about R1 billion in lost agricultural production and another R1 billion in damage to farm infrastructure.

Figure 1: District municipalities - Declared disaster areas



1.2 Level of dams

The Department of Water Affairs, in a press statement on 28 January 2011, was urging people living downstream of the Lower Orange River to take precautions as fast rising water levels are predicted for parts of the Northern Cape. A flow of 4 500 m³/s (cubic meters per second) has been forecast for the Lower Orange River at Upington with the water level set to rise to 7,2 meter on Thursday (2011/02/03). In addition, monitoring of the situation in the four largest dams in the Vaal and Orange River Catchments is on-going. The Vaal Dam capacity is currently at 104% (to increase to 108% on 2011/02/01). Six flood gates remain open, the outflow is 740 m³/s. The Bloemhof Dam capacity is currently at 93%, the outflow is 1 400 m³/s and should remain unchanged until 2011/02/05. The Gariep Dam is

currently at 121%, the inflow is 4 300 m³/s the outflow is 3 000 m³/s (to increase to 3 100 m³/s on 2011/01/29). The Vanderkloof Dam is at 113%, the inflow is 3 000 m³/s the outflow is 2 300 m³/s.

Table 1: Level of dams, 24 January 2010

Province	Net FSC million cubic meters	24/01/2011 (%)	17/01/2011 (%)	Last Year (%)
Eastern Cape	1 792	64	60	59
Free State	15 940	103	102	91
Gauteng	115	102	103	103
KwaZulu-Natal	4 530	86	85	85
Lesotho*	2 376	83	83	82
Limpopo	1 159	90	87	78
Mpumalanga	2 527	101	101	100
North West	808	85	83	78
Northern Cape	143	105	107	103
Western Cape	1 843	65	68	73
Total	31 234	93	92	87

Source: Department of Water Affairs

2. Grain production

2.1 Summer grain crops

The preliminary area planted estimate of summer grain crops for the 2010/11 production season, was released by the Crop Estimates Committee (CEC) on 25 January 2011, and is as follows

Table 2: Commercial summer crops: Preliminary area estimate - 2010/11 production season

CROP	PRELIMINARY AREA PLANTED 2010/11 HA (A)	FINAL AREA PLANTED 2009/10 HA (B)	FINAL CROP 2009/10 TONS (C)	PRELIMINARY AREA vs FINAL AREA % (A) ÷ (B)
White Maize	1 481 300	1 719 700	7 830 000	-13,86
Yellow Maize	1 034 500	1 022 700	4 985 000	+1,15
Total Maize	2 515 800	2 742 400	12 815 000	-8,26
Sunflower seed	575 200	397 700	490 000	+44,63
Soya-beans	438 000	311 450	566 000	+40,63
Groundnuts	54 550	57 450	88 000	-5,05
Sorghum	72 000	86 675	196 500	-16,93
Dry beans	41 300	44 100	52 255	-6,35
Total	3 696 850	3 639 775	14 207 755	+1,57

- The preliminary area estimate for **maize** is 2,516 million ha, which is 8,3% or 226 600 ha less than the 2,742 million ha planted for the previous season, but 1,9% more than the intentions to plant figure of 2,469 million ha released during October 2010.



- The area estimate for white maize is 1,481 million ha, which represents a decrease of 13,9% or 238 400 ha compared to the 1,720 million ha planted last season. In the case of yellow maize the area estimate is 1,034 million ha, which is 1,2% or 11 800 ha more than the 1,023 million ha planted last season.
- The preliminary area estimate for **sunflower** seed is 575 200 ha, which is about 44,6% more than the 397 700 ha planted the previous season.
- It is estimated that 438 000 ha have been planted to **soya-beans**, which represents an increase of 40,6% compared to the 311 450 ha planted last season. This is the highest area ever planted to soya-beans.
- For **groundnuts** the area estimate is 54 550 ha, which is 5,1% less than the 57 450 ha planted for the previous season.
- The area estimate for **sorghum** decreased by 16,9%, from 86 675 ha to 72 000 ha compared to previous season.
- In the case of **dry beans** the area estimate is 2 800 ha or 6,4% less than the 44 100 ha planted the previous season.

The revised area planted and first production forecast of summer grain crops for the 2010/11 production season will be released on 24 February 2011.

2.2 Winter cereal crops

The revised area planted estimate and sixth production forecast for winter cereal crops for the 2010 production season, was also released by the CEC on 25 January 2011, and is as follows:

Table 3: Revised area planted estimate and sixth production forecast for winter cereals crops for the 2010 production season

Winter cereal crops	Area planted 2010 Ha (A)	6 th forecast 2010 Tons (B)	Area planted 2009 Ha (C)	Final estimate 2009 Tons (D)	Change % (B) ÷ (D)
Wheat	558 100	1 511 340	642 500	1 958 000	-22,81
Malting barley	82 670	200 035	74 760	216 000	-7,39
Canola	34 820	37 620	35 060	40 350	-6,77
Total	675 590	1 748 995	752 320	2 214 350	-21,02

- The expected production of **wheat** is 1,511 million tons, which is 22,8% less than the previous seasons' crop of 1,958 million tons. The area estimate for wheat is 558 100 ha, with an expected yield of 2,71 t/ha.
- The production forecast for **malting barley** is 200 035 tons, which is 7,4% less than the previous seasons' crop of 216 000 tons. The area planted is estimated at 82 670 ha, while the expected yield is 2,42 t/ha.
- The expected **canola** crop is 37 620 tons, which is 6,8% lower than the previous seasons' crop of 40 350 tons. The area estimate for canola is 34 820 ha, while the expected yield is 1,09 t/ha.

Please note that final production estimate for winter cereal crops for the 2010 production season will be released on 24 February 2011.

3. Cereal balance sheets

Supply and demand data for December 2010 was released by SAGIS on 27 January 2011. *(Preliminary information is subject to change on a monthly basis.)*

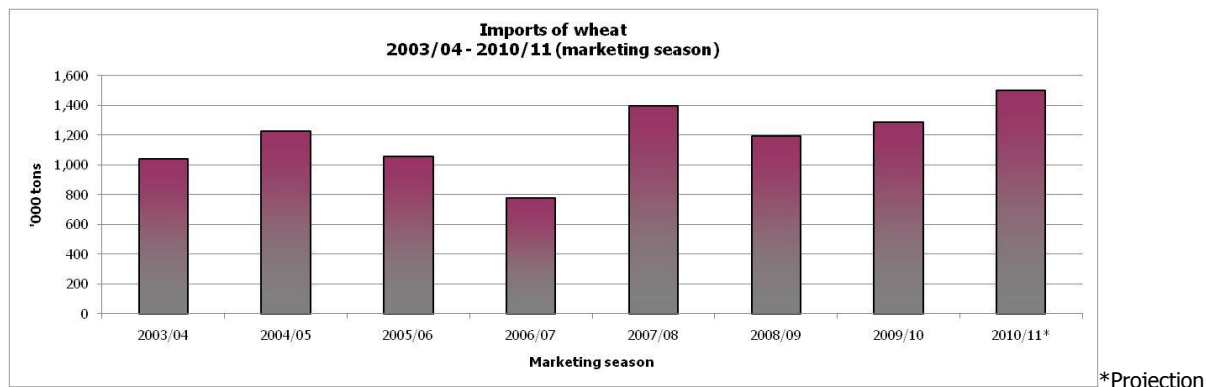
3.1 Winter cereals

Table 4:

2010/11 Projected Wheat Balance Sheet as at 27 January 2011 (1000 tons)	Wheat (October to September)
Supply	
Opening stocks (October 2010)	579
SAGIS Opening Stocks	579
Gross production (2010 season)	1 518
Commercial production	1 511
Subsistence agriculture	7
Total domestic supply	2 097
Plus: Imports	1 500
Total supply	3 597
Demand	
Consumption	2 995
Commercial: Human	2 885
Animal (feed)	26
Retentions by producers	42
Seed for planting purposes	22
Other (released to end consumers +withdrawn by producers +retentions by producers)	20
Subsistence agriculture	7
Total domestic consumption	3 002
Plus: Exports	235
Total demand	3 237
Closing stocks (September 2011)	360
Pipeline requirements (80 days of human (food) consumption)	632
Domestic shortfall	-1 537
Import gap	1 537
Shortage above pipeline	-272
SAGIS closing stocks as at end of December 2010	1 362

- The total supply of wheat for the 2010/11 marketing season is expected to be 3,597 million tons, including imports of 1,5 million tons and opening stocks of 579 000 tons at the beginning of October 2010. The projected closing stocks of wheat for the 2010/11 marketing season is 360 000 tons, which is 37,8% less than the previous season (579 000 tons). This decrease can mainly be attributed to the smaller expected wheat crop for the current 2010/11 marketing season.

Graph 1: South Africa's wheat imports from the 2003/04 to 2010/11 marketing seasons



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

3.2 Summer grains

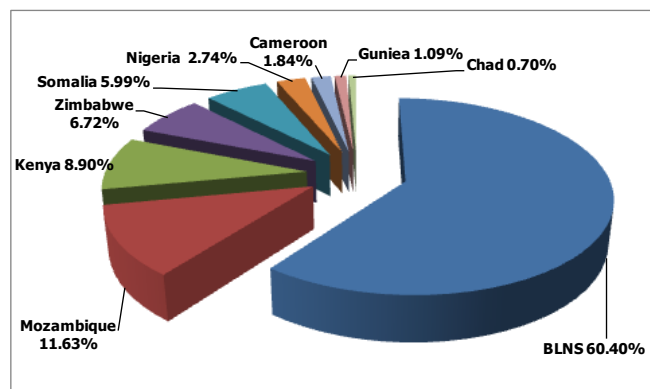
Table 5:

2010/11 Projected Annual Cereal Balance Sheet as at 27 January 2011 (1 000 tons)	Maize (May to April)			Sorghum (April to March)
	White	Yellow	Total	
Supply				
Opening stocks	1 362	769	2 131	93,2
SAGIS Opening Stocks	1 362	769	2 131	93,2
Gross production	8 252	5 169	13 421	235,9
Commercial production	7 830	4 985	12 815	196,5
Subsistence agriculture	422	184	606	39,4
Total domestic supply	9 614	5 938	15 552	329,1
Plus: Imports	-	-	-	-
Total supply	9 614	5 938	15 552	329,1
Demand				
Consumption	6 178	4 028	10 206	212,8
Commercial: Human	4 300	350	4 650	187,7
Animal (feed)	1 450	2 850	4 300	9,1
Gristing	60	20	80	-
Seed for planting purposes	16	14	30	-
Other (grains released to end-consumers + withdrawn by producers + retentions on farms)	352	794	1 146	16,0
Subsistence agriculture	422	184	606	39,4
Total domestic consumption	6 600	4 212	10 812	252,2
Plus: Exports	760	1 100	1 860	36,5
Products	60	50	110	-
Whole maize	700	1050	1 750	-
Total demand	7 360	5 312	12 672	288,7
Closing stocks (2011)	2 254	626	2 880	40,4
Pipeline requirements (45 days of commercial consumption)	716	397	1 113	24,3
Domestic surplus	2 298	1 329	3 627	52,6
Surplus/ shortage above pipeline	1 538	229	1 767	16,1
SAGIS closing stocks as at end of December 2010	4 239	1 891	6 130	100,9

Source: SAGIS, Directorate: Agricultural Statistics.

- The projected closing stocks of maize for the current 2010/11 marketing season is 2,880 million tons, which is 35,1% more than the previous season (2,131 million tons). This increase can mainly be attributed to the higher production of maize during the 2009/10 production season.
- Closing stocks of sorghum at the end of March 2011 are estimated at 40 400 tons, which is considerable less (56,7%) than the previous season (93 200 tons).
- According to reports received South Africa expects to seal a deal with buyers in Saudi Arabia and India to purchase about 100 000 tons of maize, in the first such successful government intervention in the agricultural sector.

Graph 2: Major export destinations of South African white maize: 1 May 2010 to 21 January 2011



- The figure shows the relative share of African countries as an export destination for South African white maize.
- From 1 May 2010 up to 21 January 2011, the progressive white and yellow maize exports stands at 481 236 and 774 623 tons, respectively. This brings the progressive grand total of exports to 1,256 million tons. Of the 481 236 tons of white maize exports, 456 829 tons was exported to African countries, while the remainder was exported to Italy (24 407 tons). (Source: SAGIS)

Table 6:

2011/12 Projected Annual Cereal Balance Sheet as at 27 January 2011 (1 000 tons)	Maize (May to April)			Sorghum
	White	Yellow	Total	(April to March)
Supply				
Opening stocks	2 254	626	2 880	40,4
SAGIS Opening Stocks	2 254	626	2 880	40,4
Gross production	7 088	5 377	12 465	237,4
Commercial production	6 666	5 193	11 859	198,0
Subsistence agriculture	422	184	606	39,4
Total domestic supply	9 342	6 003	15 345	277,8
Plus: Imports	-	-	-	-
Total supply	9 342	6 003	15 345	277,8
Demand				
Consumption	5 828	4 478	10 306	205,2
Commercial: Human	4 300	330	4 630	181,0
Animal (feed)	1 100	3 320	4 420	9,4
Gristing	60	20	80	-
Seed for planting purposes	16	14	30	-
Other (grains released to end-consumers + withdrawn by producers + retentions on farms)	352	794	1 146	14,8
Subsistence agriculture	422	184	606	39,4
Total domestic consumption	6 250	4 662	10 912	244,6
Plus: Exports	1 255	760	2 015	39,0
Products	55	45	100	-
Whole maize	1 200	715	1 915	-
Total demand	7 505	5 422	12 927	283,6
Closing stocks (2012)	1 837	581	2 418	-5,8
Pipeline requirements (45 days of commercial consumption)	673	452	1 125	23,5
Domestic surplus	2 419	889	3 308	9,7
Surplus/ shortage above pipeline	1 164	129	1 293	-29,3

Source: SAGIS, Directorate: Agricultural Statistics.

- Farmers intend to plant 2,516 million ha of maize. When applying an average yield of 4,71 t/ha, the total commercial production of maize is estimated at 11,859 million tons. The projected closing stocks of maize for the 2011/12 marketing season is 2,418 million tons, which is 16% less than the previous season (2,9 million tons). This decrease can mainly be attributed to the expected lower area planted to maize during the 2010/11 production season.
- In the case of sorghum, the area estimate decreased by 16,9%, from 86 675 ha to 72 000 ha compared to the previous season. When applying an average yield of 2,75 t/ha to the area estimate of 72 000 ha, the total commercial production of sorghum is projected at 198 000 tons. The projected closing stocks of sorghum for the 2011/12 marketing season show a negative figure of 5 800 tons, the smallest ever recorded.

4. Market information

4.1 Consumer Price Index (CPI)

- The headline CPI (for all urban areas) annual inflation rate in December 2010 was 3,5%. This rate was 0,1 % lower than the corresponding annual rate of 3,6% in November 2010. On average, prices increased by 0,2% between November 2010 and December 2010.
- The food and non-alcoholic beverages index remained unchanged between November 2010 and December 2010. The annual rate increased to 1,5% in December 2010 from 1,3% in November 2010.



- The following components in the food and non-alcoholic beverages index increased: Fruit (5,8%), oils and fats (1,5%), meat (1,2%), fish (0,3%) and hot beverages (0,2%). The following components decreased: Vegetables (-3,0%), other food (-0,9%), cold beverages (-0,7%), milk, eggs and cheese (-0,6%), sugar, sweets and desserts (-0,6%) and bread and cereals (-0,4%).
- The transport index increased by 0,1% between November 2010 and December 2010, mainly due to a 13 cent per litre increase in the price of petrol. The annual rate decreased to 1,6% in December 2010 from 2,1% in November 2010.
- The provinces with an annual inflation rate lower than or equal to headline inflation were KwaZulu-Natal (2,7%), Northern Cape (2,8%), North West (3,1%), Mpumalanga (3,2%), Western Cape (3,3%) and Limpopo (3,5%). The provinces with an annual inflation rate higher than headline inflation were Eastern Cape (3,7%), Gauteng (3,7%) and Free State (4,0%).

4.2 Producer Price Index (PPI)

- The Producer Price Index (PPI) for domestic output shows an annual rate of change of 5,8% in December 2010 (i.e. the PPI in December 2010 compared with December 2009). This rate is 0,4% lower than the corresponding annual rate of 6,2% in November 2010.
- This lower annual rate in December 2010 can be explained by decreases in the annual rate of change in the Producer Price Indices for:
 - Mining and quarrying: The annual rate decreased from 12,6% in November 2010 to 10,7% in December 2010;
 - Products of petroleum and coal: The annual rate decreased from 5,6% in November 2010 to 3,0% in December 2010; and
 - Rubber and plastic products: The annual rate decreased from 2,0% in November 2010 to 1,9% in December 2010.
- These decreases were partially counteracted by increases in the annual rate of change for:
 - Food at manufacturing: The annual rate increased from 0,6% in November 2010 to 1,1% in December 2010; and
 - Other manufactures: The annual rate increased from 7,1% in November 2010 to 10,1% in December 2010.
- From November 2010 to December 2010 the PPI for domestic output increased by 0,3%.

4.3 Global food prices

- According to the UN, world food prices rose to a record in December 2010, exceeding levels reached in 2008. FAO figures show that the cost of food increased by 25% from a year earlier, after Chinese demand strengthened and Russia's worst drought in a half-century devastated grain crops. The December 2010 year-on-year increase compares with the 43% increase in food costs in June 2008. Record fuel prices, weather-related crop problems, increasing demand from the growing Indian and Chinese middle classes, and the push to grow maize for ethanol fuel all contributed to that crisis. In the previous episode, the main driver in food commodities was cereals, while this time around it is sugar and oil seeds. Although the USA maize prices rose by 44% in 2010, and globally there were big increases in the cost of other basic foodstuffs, there is less pressure in South Africa because local maize prices are lower than a year ago, which also affects the price of dairy products and meat. However, flooding will also contribute to local food prices increasing in 2011.

4.4 Monetary Policy Committee Statement

- The current level of the repurchase rate (5,5%) is at its lowest level in nominal terms in over 30 years, while the real interest rate is at a level below 1%. This has helped with the recovery in consumption expenditure and should also stimulate domestic investment and growth by reducing the cost of borrowing. However, low interest rates on their own cannot ensure sustainably higher long-run trend growth and employment creation.



- The Monetary Policy Committee (MPC) has taken note of the improving growth outlook for the economy, and is of the view that the recovery in domestic consumption expenditure will be sustained. While there are increasing risks to the inflation outlook, these emanate primarily from external cost-push factors, and inflation is expected to remain within the target range until the end of the forecast period.
- The MPC has therefore decided, at its meeting in January 2011, to keep the repurchase rate unchanged at 5,5% per annum. At this stage there are no signs of incipient excess demand in the economy, and unless there are significant unexpected changes in the global or domestic outlook the monetary policy stance is expected to remain relatively stable for some time.

4.5 Future contract prices and the exchange rate

Table 7: Closing prices on Friday, 28 January 2011

	28 January 2011	28 December 2010	% change Jan. vs Dec.
RSA White Maize per ton (Mar. contract)	R1 466	R1 371	+6,93
RSA Yellow Maize per ton (Mar. contract)	R1 573	R1 448	+8,63
USA Yellow Maize per ton (Mar. contract)	R1 840	R1 648	+11,65
RSA Wheat per ton (Mar. contract)	R3 208	R2 852	+12,48
RSA Soya-beans per ton (Mar. contract)	R3 930	R3 370	+16,62
RSA Sunflower seed per ton (Mar. contract)	R4 780	R4 700	+1,70
Exchange rate R/\$	R7,13	R6,70	+6,42

Source: SAFEX

- All of the domestic grain prices (March 2011 contract) ended higher, following international price trends, on 28 January 2011, as compared to the month of December 2010. Local white and yellow maize prices increased by 6,9% and 8,6%, respectively as compared to the previous month. Local wheat, soya-bean and sunflower seed prices also show increases of 12,5%, 16,6% and 1,7% respectively, during the same period.
- For the mentioned period, the Rand appreciated by 6,4% against the US Dollar to reach R 7,13/US\$.

4.6 Agricultural machinery sales

- December tractor sales of 381 units were sharply (72%) up on the 221 units sold in December 2009. Overall tractor sales for 2010 were approximately 7% down on 2009. December combine harvester sales of 14 units were significantly up on the 5 units sold in December 2009. Overall combine harvester sales for 2010 were almost 32% down on 2009.
- December tractor sales were excellent, brought on by the late onset of general summer rains. It is a buyers' market, both in regard to stable prices due to the strong rand and financing which has become easier in the past twelve months. This has led to many farmers taking the opportunity to invest in capital equipment.
- Industry predictions earlier in the year were that the overall tractor market for 2010 would be of the order of 5 000 units, 10% down on 2009. The better than expected December sales resulted in overall tractor sales for 2010 of 5 155 units, only 7,1% down on 2009

Table 8: Agricultural machinery sales

Equipment class	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	December			December		
	2010	2009		2010	2009	
Tractors	381	221	72,4	5 155	5 550	-7,1
Combine harvesters	14	5	180,0	188	275	-31,6

Source: SAAMA press release, January 2011



5. Acknowledgements

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

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