

MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: JULY 2010

Issued: 3 August 2010

Directorate: Agricultural Statistics

Highlights:

- The rainfall map indicates that limited rainfall occurrences were reported for the country for the period 11 to 20 July 2010.
- The expected commercial maize crop is 13,317 million tons, which is 10,51% more than the 12,050 million tons of the previous season.
- Projections for the current 2010/11 maize marketing season indicate that South Africa will have a surplus of 4,072 million tons of maize at the end of April 2011. Thus, enough maize will be available for local consumption and to meet export demand.
- Projections for the current 2009/10 wheat marketing season indicate that South Africa will have a surplus of 657 000 tons of wheat at the end of September 2010, including imports of 1,25 million tons.
- Projections for the coming 2010/11 wheat marketing season indicate that South Africa will have a surplus of 638 000 tons of wheat at the end of September 2011, including imports of 1,55 million tons.
- The headline CPI (for all urban areas) annual inflation rate in June 2010 was lower at 4,2%.
- The annual percentage change in the PPI was higher at 9,4% in June 2010.
- The Monetary Policy Committee, at its meeting in July, decided to keep the repurchase rate unchanged at 6,5% per annum.
- June tractor sales of 377 units were almost 11% less than the 424 units sold in June 2009.



**agriculture,
forestry & fisheries**

Department:
Agriculture, forestry & fisheries
REPUBLIC OF SOUTH AFRICA

Enquiries: Marda Scheepers or Queen Sebidi

Directorate: Agricultural Statistics

Tel: +27 12 319 8033/8164

Tel: +27 12 319 8031

Email: MardaS@daff.gov.za or QueenS@daff.gov.za

Contents

1. Weather conditions	3
2. Grain production	4
2.1 Summer grain crops	4
2.2 Non-commercial maize	5
2.3 Winter cereal crops	5
3. Cereal balance sheets	6
3.1 Winter cereals	6
3.2 Summer grains	8
4. Market information	9
4.1 Consumer Price Index (CPI)	9
4.2 Producer Price Index (PPI)	9
4.3 Monetary Policy Committee Statement (PPI)	9
4.4 Futures contract prices and exchange rate	10
4.5 Agricultural machinery sales	10
5. Acknowledgements	11

1. Weather conditions

1.1 Rainfall for 11 to 20 July 2010

The rainfall map indicates that limited rainfall occurrences were reported for the country for the period 11 to 20 July 2010, with most of the summer rainfall regions recording rainfall totals of 10 mm and less, except for isolated rainfall occurrences in the winter rainfall regions of the country (Figure 1).

Figure 1: Total rainfall for 11-20 July 2010

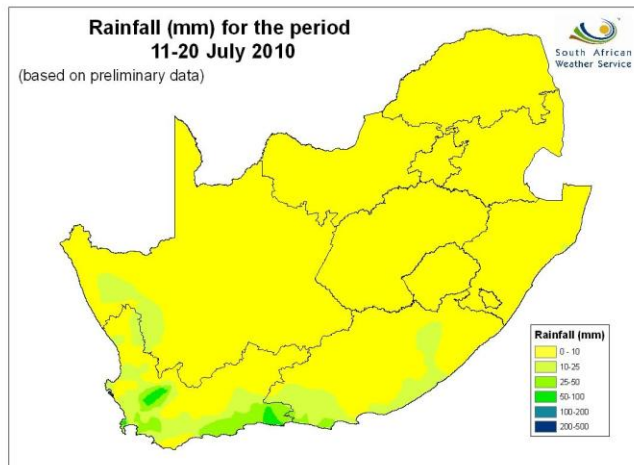
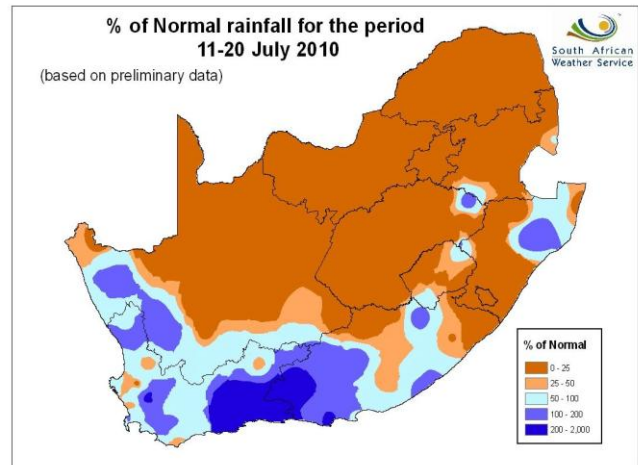


Figure 2: % of normal rainfall for 11-20 July 2010



Source: WeatherSA

The map for the percentage of normal rainfall for the period 11 to 20 July 2010 (Figure 2) illustrates a significant percentage of below-normal rainfall for most parts of the country, except for isolated areas of the Western, Northern, Eastern Cape as well as KwaZulu-Natal provinces, which were characterised by normal to above-normal rainfall occurrences as compared to the long term mean.

1.2 La Niña outlook for the 2010/11 season

According to Johan van den Berg of Santam Agri, the rapid development of a full scale La Niña weather phenomenon is evident up to September 2010. He explains that the La Niña weather phenomenon traditionally represents a late season - a late start to winter, frost occurrences in Spring and little rainfall occurrences during Spring time. In general the La Niña weather phenomenon can be positive for the summer rainfall region but negative for the winter rainfall region.

Advantages of a La Niña for the agriculture sector:

- Good production conditions for the summer rainfall region given substantial underground water from the previous season;
- Grazing conditions can be at reasonable levels; and
- Water levels are good and irrigation can run at full capacity

Disadvantages of a La Niña for the agriculture sector:

- Pests and diseases like rift valley fever could occur;
- Late frost occurrences in August but also in September and October can damage crops; and
- Hail occurrences can probably be expected in the coming season as it usually follows rainfall patterns especially during the first part of summer.

2. Grain production

2.1 Summer grain crops

The estimated area planted and sixth production forecast of summer grain crops for the 2009/10 production season, was released by the Crop Estimates Committee (CEC) on 22 July 2010, and is as follows:

Table 1: Area planted and sixth production forecast of summer crops for the 2009/10 production season

Summer crops	Area planted 2009/10 Ha A	6 th Forecast 2009/10 Tons B	Area planted 2008/09 Ha C	Final crop 2008/09 Ha D	Change % B ÷ D
Commercial:					
White Maize	1 719 700	7 999 250	1 489 000	6 775 000	+18,07
Yellow Maize	1 022 700	5 317 800	938 500	5 275 000	+0,81
Total maize	2 742 400	13 317 050	2 427 500	12 050 000	+10,51
Sunflower seed	397 700	528 765	635 800	801 000	-33,99
Soya-beans	311 450	567 200	237 750	516 000	+9,92
Groundnuts	57 450	87 880	54 550	99 500	-11,68
Sorghum	86 675	241 593	85 500	276 500	-12,62
Dry beans	44 100	52 255	43 800	67 030	-22,04
Total	3 639 775	14 794 743	3 484 900	13 810 030	+7,13

- The area estimate of **maize** is 2,742 million ha, which is 12,97% or 314 900 ha more than the 2,428 million ha planted in the previous season. The area estimate for white maize is 1,720 million ha, which represents an increase of 15,49% or 230 700 ha compared to the 1,489 million ha planted last season. In the case of yellow maize the area estimate is 1,023 million ha, which is 8,97% or 84 200 ha more than the 938 500 ha planted last season.
- The expected commercial **maize** crop is 13,317 million tons, which is 10,51% more than the 12,050 million tons of the previous season. The production forecast of white maize is 7,999 million tons, which is 18,07% more than the 6,775 million tons of last season. The yield of white maize is 4,65 t/ha as against 4,55 t/ha the previous season. In the case of yellow maize the production forecast is 5,318 million tons, which is 0,81% more than the 5,275 million tons of last season. The yield of yellow maize is 5,20 t/ha as against 5,62 t/ha the previous season.
- The production forecast of **sunflower seed** is 528 765 tons, which is 33,99% less than the 801 000 tons of the previous season. The area estimate for sunflower seed is 397 700 ha, which is 37,45% less than the 635 800 ha planted the previous season. The expected yield is 1,33 t/ha as against 1,26 t/ha the previous season.
- The production forecast of **soya-beans** is 587 950 tons, which is 9,92% more than the 516 000 tons of the previous season. It is estimated that 311 450 ha have been planted to soya-beans, which represents an increase of 31,0% compared to the 237 750 ha planted last season. The expected yield is 1,82 t/ha as against 2,17 t/ha last season.

The seventh production forecast for summer field crops for the 2009/10 production season will be released on 24 August 2010.



2.2 Non-commercial maize

The non-commercial agricultural sectors' production estimate of maize for the 2009/10 production season was released on 22 April 2010, and is as follows:

Table 2: Area planted and production estimate of non-commercial maize for the 2009/10 production season

CROP	Area planted 2009/10 Ha (A)	Estimate 2009/10 Tons (B)	Area planted 2008/09 Ha (C)	Final crop 2008/09 Tons (D)	Change % (B) ÷ (D)
Non-commercial agriculture:					
White maize	371 861	421 969	356 276	378 576	+11,46
Yellow maize	149 079	183 895	112 407	138 057	+33,20
Total	520 940	605 864	468 683	516 633	+17,27

- The area planted to maize in the non-commercial agricultural sector is estimated at 520 940 ha, which represents an increase of 11,1 % compared to the 468 683 ha of the previous season. Due to favourable production conditions, the expected maize crop for this sector is 605 864 tons, which is 17,3 % higher than the 516 633 tons of last season.

2.3 Winter cereal crops

The preliminary area planted estimate for winter cereal crops for the 2010 production season, was also released by the Crop Estimates Committee (CEC) on 22 July 2010, and is as follows:

Table 3: Preliminary area planted estimate for winter cereals crops for the 2010 production season

Winter cereal crops	Area planted 2010 Ha (A)	Intentions* 2010 Ha (B)	Area planted 2009 Ha (C)	Final estimate 2009 Tons (D)	Change % (A) ÷ (C)
Wheat	570 000	548 000	642 500	1 958 000	-11,28
Malting barley	84 670	85 000	74 760	216 000	+13,26
Canola	33 500	37 500	35 060	40 350	-4,45
Total	688 170	670 500	752 320	2 214 350	-8,53

*Based on conditions as at the middle of April 2010

- The preliminary area estimate for **wheat** is 570 000 ha, which is 11,3% or 72 500 ha less than the 642 500 ha planted for the previous season.
- According to producers the decrease in the expected planting of wheat can mainly be attributed to unfavourable prices for the crop.
- The preliminary area estimate for **malting barley** is 84 670 ha, which is 13,3% or 9 910 ha more than the 74 760 ha of last season.
- The area planted to **canola** is 33 500 ha, or 4,4% less than the 35 060 ha planted for the previous season.

Please note that the revised area estimate and first production forecast for winter cereal crops for 2010 production season will be released on 24 August 2010.



3. Cereal balance sheets

Supply and demand data for June 2010 was released by SAGIS on 21 July 2010. *(Preliminary information is subject to change on a monthly basis.)*

3.1 Winter cereals

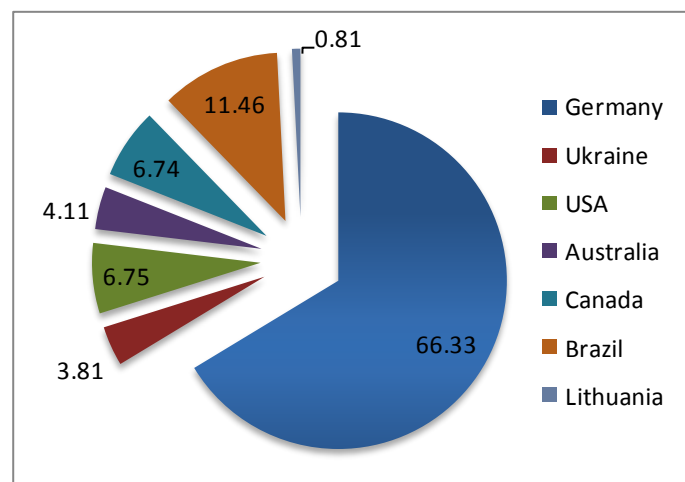
Table 4:

2009/10 Wheat Balance Sheet as at 30 July 2010 (1000 tons)	Wheat (October to September)
Supply	
Opening stocks (October 2009)	694
SAGIS Opening Stocks	694
Gross production (2009 season)	1 967
Commercial production	1 958
Subsistence agriculture	9
Total domestic supply	2 661
Plus: Imports	1 250
Total supply	3 911
Demand	
Consumption	3 000
Commercial: Human	2 890
Animal (feed)	25
Retentions by producers	42
Seed for planting purposes	21
Other (released to end consumers +withdrawn by producers +retentions by producers)	22
Subsistence agriculture	9
Total domestic consumption	3 009
Plus: Exports	245
Total demand	3 254
Closing stocks (September 2010)	657
Pipeline requirements (80 days of human (food) consumption)	633
Domestic shortfall	-981
Import gap	981
Surplus above pipeline	24
SAGIS closing stocks as at end of June 2010	1 169

Source: SAGIS, Directorate: Agricultural Statistics.

- Closing stocks at the end of September 2010 are expected to be 657 000 tons, which is 5,3% less than the 694 000 tons of the previous season. This calculation includes expected imports of 1,25 million tons.

Graph 1: South Africa's wheat imports per country as a % of total imports



- Cumulative imports up to 23 July 2010 come to 1,082 million tons.
- Germany remains by far the most popular exporting country with 717 478 tons or 66,33% of the total imports.

Source: SAGIS

Table 5:

2010/11 Projected Wheat Balance Sheet as at 30 July 2010 (1000 tons)	Wheat (October to September)
Supply	
Opening stocks (October 2010)	657
SAGIS Opening Stocks	657
Gross production (2010 season)	1 680
Commercial production	1 671
Subsistence agriculture	9
Total domestic supply	2 337
Plus: Imports	1 550
Total supply	3 887
Demand	
Consumption	2 995
Commercial: Human	2 890
Animal (feed)	20
Retentions by producers	42
Seed for planting purposes	21
Other (released to end consumers +withdrawn by producers +retentions by producers)	22
Subsistence agriculture	9
Total domestic consumption	3 004
Plus: Exports	245
Total demand	3 249
Closing stocks (September 2011)	638
Pipeline requirements (80 days of human (food) consumption)	633
Domestic shortfall	-1 300
Import gap	1 300
Shortfall above pipeline	5

- The preliminary area estimate for wheat is 570 000 ha. When applying an average yield of 2,93 t/ha the total commercial production of wheat is projected at almost 1,7 million tons.
- The projected closing stocks of wheat for the 2010/11 marketing season is 638 000 tons, which is only 2,7% less than the previous season (656 000 tons). This decrease can mainly be attributed to the lower plantings of wheat for the 2010/11 marketing season.
- Due to falling world wheat prices, the Department of Finance increased the import duty on wheat and wheat flour from R140,70/ton to R260,90/ton on 15 July 2010.
- In terms of the approved variable tariff formula for wheat, the customs duty on wheat is calculated as the difference between the domestic reference price for wheat of US\$215/ton and the current 3-week moving average US No. 2 HRW (ord) Gulf settlement price for wheat. Adjustments to the level of protection are effected when the difference between the current 3-week moving average price and the 3-week moving average price on which the previous duty was based (base price) amounts to more than US\$10/ton for 3 consecutive weeks.
- Subsequently, on 22 June 2010, wheat pricing indicated that conditions for an upward adjustment in the customs duty of 14,07 c/kg for wheat were met when the 3-week moving average of the US No. 2 HRW (ord) Gulf settlement price for wheat triggered an adjustment at US\$180,33/ton. The corresponding R/\$ exchange rate was 7,53. If the domestic reference price, the 3-week moving average price and the exchange rate on 22 June 2010, are applied to the formula, the customs duty on wheat adjusts upward from 14,07c/kg to 26,09c/kg.

3.2 Summer grains

Table 6:

2010/11 Projected Annual Cereal Balance Sheet as at 30 July 2010 (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	8 378	5 456	13 834	281,0
Commercial production	7 999	5 318	13 317	241,6
Subsistence agriculture	379	138	517	39,4
Total domestic supply	9 740	6 225	15 965	374,2
Plus: Imports	-	-	-	-
Total supply	9 740	6 225	15 965	374,2
Demand				
Consumption	5 332	4 344	9 676	209,5
Commercial: Human	4 261	310	4 571	181,8
Animal (feed)	650	3 418	4 068	9,8
Gristing	71	20	91	-
Seed for planting purposes	16	14	30	-
Other (grains released to end-consumers + withdrawn by producers + retentions on farms)	334	582	916	17,9
Subsistence agriculture	379	138	517	39,4
Total domestic consumption	5 711	4 482	10 193	248,9
Plus: Exports	1 450	250	1 700	40,3
Products	50	50	100	-
Whole maize	1 400	200	1 600	-
Total demand	7 161	4 732	11 893	289,2
Closing stocks (2011)	2 579	1 493	4 072	85,0
Pipeline requirements (45 days of commercial consumption)	614	462	1 076	23,6
Domestic surplus	3 415	1 281	4 696	101,7
Surplus/ shortage above pipeline	1 965	1 031	2 996	61,4
SAGIS closing stocks as at end of June 2010	3 555	2 517	6 072	187,8

Source: SAGIS, Directorate: Agricultural Statistics.

- The projected closing stocks of maize for the 2010/11 marketing season is 4,072 million tons, which is 91,08% 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 85 000 tons, which is 8,80% less than the previous season (93 200 tons).

Table 7: Major export destinations of South African maize, 1 May to 23 July 2010

2010/11 Season			
COUNTRY	AFRICA tons	COUNTRY	OVERSEAS tons
Botswana	38 755		
Cameroon	3 892		
Chad	3 182		
Kenya	28 175		
Lesotho	25 398		
Mozambique	48 488		
Namibia	11 963		
Senegal	2 281		
Swaziland	12 482	Korea	47 082
Zimbabwe	20 700		
Total	195 316	Total	47 082
BLNS	88 598		

- Cumulative maize exports for the season is standing on 242 398 tons, consisting of 169 030 tons of white maize and 73 368 tons of yellow maize.
- It is interesting to note that the first deep sea exports have taken place since the week ending 18 May when 28 175 tons of white maize went to Kenya. For the week ending 23 July, 27 346 tons of white maize was shipped to Somalia and 47 082 tons of yellow maize was shipped to Korea.

Source: SAGIS



4. Market information

4.1 Consumer Price Index (CPI)

- The headline CPI (for all urban areas) annual inflation rate in June 2010 was 4,2%. This rate was 0,4% lower than the corresponding annual rate of 4,6% in May 2010. On average, prices remained unchanged between May and June 2010.
- The food and non-alcoholic beverages index decreased by 0,4% between May and June 2010. The monthly decrease in the food and non-alcoholic beverages index was largely driven by monthly decreases in fruit (-5,4%), sugar, sweets and desserts (-1,2%), bread and cereals (-0,7%), meat (-0,6%), other food (-0,4%), cold beverages (-0,3%), hot beverages (-0,2%) and milk, eggs and cheese (-0,1%). These decreases were counteracted by monthly increases in vegetables (1,7%) and fish (0,5%).
- The provinces with an annual inflation rate lower or equal to headline inflation were Limpopo (3,1%), KwaZulu-Natal (3,2%), Northern Cape (3,6%), Eastern Cape (3,7%), North West (3,7%), Mpumalanga (3,8%), Free State (3,9%) and Gauteng (4,2%). The province with an annual inflation rate higher than headline inflation was Western Cape (4,8%).
- **Inflationary impact of the World Cup:** Three items whose prices were potentially sensitive to the 2010 Soccer World Cup were hotels, restaurants and airfares. Of the three, only hotels (excluding educational boarding fees) showed significant inflation in June, namely 17,6% month-on-month and 26,0% year-on-year. Restaurants increased by a modest 0,3% month-on-month. Airfares recorded a 3,3% drop between May and June.

4.2 Producer Price Index (PPI)

- The Producer Price Index (PPI) for domestic output shows an annual rate of change of 9,4% in June 2010 (i.e. the PPI in June 2010 compared with June 2009). This rate is 2,6% higher than the corresponding annual rate of 6,8% in May 2010.
- This higher annual rate in June 2010 compared with that in May 2010 can be explained by increases in the annual rate of change in the Producer Price indices for:
 - ❖ Agriculture: The annual rate increased from 0,3% in May 2010 to 1,5% in June 2010;
 - ❖ Mining and quarrying: The annual rate increased from 15,0% in May 2010 to 16,8% in June 2010;
 - ❖ Food at manufacturing: The annual rate increased from -1,3% in May 2010 to -0,7% in June 2010;
 - ❖ Basic metals: The annual rate increased from 3,8% in May 2010 to 14,0% in June 2010; and
 - ❖ Electricity: The annual rate increased from 32,1% in May 2010 to 39,5% in June 2010.
- These increases were partially counteracted by decreases in the annual rate of change for:
 - ❖ Products of petroleum and coal: The annual rate decreased from 12,7% in May 2010 to 8,9% in June 2010;
 - ❖ Chemicals and chemical products: The annual rate decreased from -2,3% in May 2010 to -2,6% in June 2010; and
 - ❖ Electrical machinery and apparatus: The annual rate decreased from 2,4% in May 2010 to 1,9% in June 2010.

4.3 Monetary Policy Committee Statement (MPC)

- The Monetary Policy Committee (MPC) assesses the risks to the inflation outlook as being evenly balanced and views the current monetary policy stance as appropriate. Therefore, the MPC, at its meeting in July, decided to keep the repurchase rate unchanged at 6,5% per annum. The Committee is aware of the

fragilities and vulnerabilities to the domestic economy, driven in part by global uncertainties. The Committee will continue to assess economic and financial developments and should circumstances warrant it, the appropriate response will be taken, consistent with the Bank's inflation targeting mandate.

4.4 Futures contract prices and exchange rate

Table 8: Closing prices on Friday, 30 July 2010

	1 year ago	The week ending 30 July 2010	The week ending 23 July 2010
RSA White Maize per ton (Aug. contract)	R1 366	R1 116	R1 107
RSA Yellow Maize per ton (Aug. contract)	R1 270	R1 157	R1 149
USA Yellow Maize per ton (Sep. contract)	\$126,21	\$149,28	\$148,18
RSA Wheat per ton (Sep. contract)	R2 492	R2 513	R2 465
RSA Soya-beans per ton (Aug. contract)	R2 935	R2 975	R2 930
RSA Sunflower seed per ton (Aug. contract)	R2 725	R3 451	R3 340
Exchange rate R/\$	R7,85	R7,28	R7,42

Source: DAFF Price Watch, 2 August 2010

- All domestic and international grain prices traded higher for the week ending 30 July, compared to the previous week, local white and yellow maize prices increased by 0,8% and 07%, respectively while the US maize price increased by 0,7%. For the same period, domestic wheat and soya-bean prices rose by 1,9% and 1,5%, respectively while the local sunflower seed price increased by 3,3%. The US wheat prices continued its upward movement, increasing by 5,2% as the market exploded on fears about tightening global supplies and the potential for Russia to ban wheat exports.
- The Rand appreciated by 1,9% against the US Dollar for the week ending 30 July compared to the previous week, as it continued to track a well bid Euro.

4.5 Agricultural machinery sales

- June tractor sales of 377 units were 11% down on the 424 units sold in June 2009. Year-to-date tractor sales are now almost 15% down on last year. June combine harvester sales were 36% down on sales in June 2009 and are now 35% down on a year-to-date basis.
- After a difficult month in May when some equipment deliveries were adversely affected by the Transnet strikes, most suppliers were able to clear some of their delivery backlogs in June. The other negative factors mentioned last month, namely delayed summer crop harvesting and low maize prices, are still affecting the market adversely. Farmers are not under any pressure to make buying decisions immediately, so it will probably only be in two to three month's time that a better sense of direction will be evident in the market. Industry forecasts for 2010 tractor sales are still in the order of 5 000 units, approximately 10% down on 2009.

Table 9: Agricultural machinery sales

Equipment class	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	June			June		
	2010	2009		2010	2009	
Tractors	377	424	-11,1	2 382	2 799	-14,9
Combine harvesters	16	25	-36,0	130	200	-35,0

Source: SAAMA press release, June 2010



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