

MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: MAY 2011

Issued: 3 June 2011

Directorate: Statistics and Economic Analysis

Highlights:

- **In May normal to above-normal rainfall was received over most parts of the western half of the country, as well as parts of Limpopo province.**
- **The expected production of maize for the 2010/11 production season is 10,993 million tons, which is 14,2% less than the 12,815 million tons of the previous season.**
- **The projected closing stocks of wheat for the 2010/11 marketing season was 474 000 tons, which includes imports of 1,65 million tons.**
- **The projected closing stocks of wheat for the coming 2011/12 marketing season is 500 000 tons, which includes imports of 1,55 million tons.**
- **The projected closing stocks of maize for the 2010/11 marketing season is 2,385 million tons.**
- **The projected closing stocks of maize for the coming 2011/12 marketing season is 1,245 million tons.**
- **The headline CPI (for all urban areas) annual inflation rate in April 2011 is higher at 4,2%.**
- **The annual percentage change in the PPI was lower at 6,6% in April 2011.**
- **The Monetary Policy Committee, at its meeting during May 2011, has decided to keep the repurchase rate unchanged at 5,5% per annum.**
- **April tractor sales of 368 units were 4,2% up on the 353 units sold in April 2010.**



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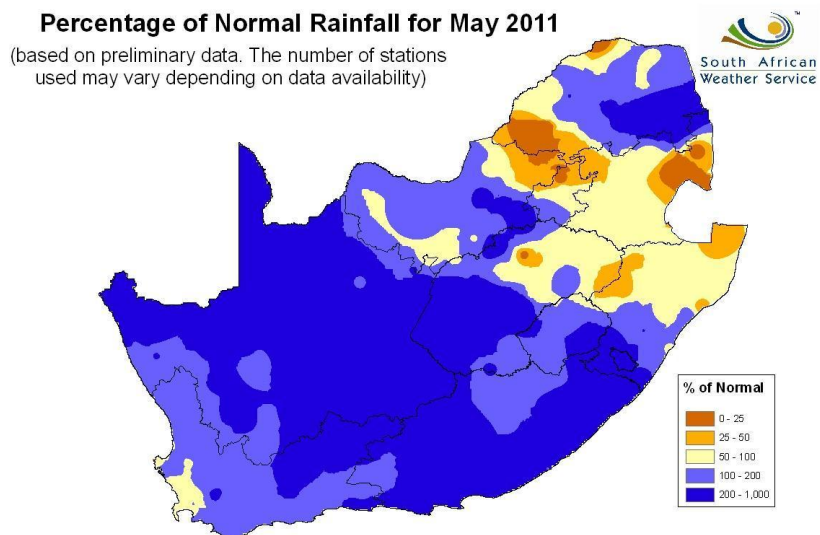
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1. Weather conditions

1.1 Rainfall for May 2011

In May normal to above-normal rainfall was received over most parts of the western half of the country, as well as parts of Limpopo province (Figure 1). Near-normal to below-normal rainfall was received over the remainder of the country with a patch of near-normal rainfall in the Western Cape province.

Figure 1: Percentage of normal rainfall for May 2011

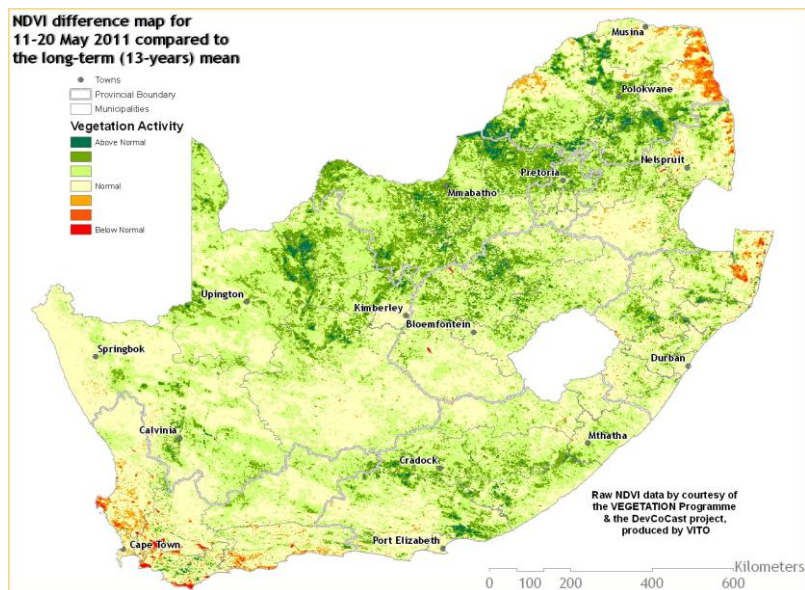


Source: SA Weather Service

1.2 Vegetation activity

Vegetation conditions for mid-May 2011 were normal to above-normal throughout most parts of the country with isolated areas of below-normal vegetation conditions in the Western Cape, Limpopo and KwaZulu-Natal provinces (Figure 2).

Figure 2: The NDVI difference map for 11 to 20 May 2011 compared to the 13 year long term mean



Source: ARC:ISCW

2. Grain production

2.1 Summer grain crops

The area planted estimate and fourth production forecast of summer grain crops for the 2010/11 production season, was released by the Crop Estimates Committee (CEC) on 24 May 2011, and is as follows:

Table 1: Commercial summer crops: Area planted estimate and fourth production forecast - 2010/11 production season

Summer field crops	Area planted 2010/11 Ha (A)	4th forecast 2010/11 Tons (B)	Area planted 2009/10 Ha (C)	Final crop 2009/10 Tons (D)	Change % (B) ÷ (D)
White Maize	1 418 300	6 370 800	1 719 700	7 830 000	-18,64
Yellow Maize	954 000	4 621 900	1 022 700	4 985 000	-7,28
Total Maize	2 372 300	10 992 700	2 742 400	12 815 000	-14,22
Sunflower seed	642 700	809 470	397 700	490 000	+65,20
Soya-beans	418 000	676 850	311 450	566 000	+19,58
Groundnuts	55 150	85 525	57 450	88 000	-2,81
Sorghum	69 200	201 800	86 675	196 500	+2,70
Dry beans	41 900	47 620	44 100	52 255	-8,87
Total	3 599 250	12 813 965	3 639 775	14 207 755	-9,81

- The area estimate for **maize** is 2,372 million ha, which is 13,5% less than the 2,742 million ha planted for the previous season. The expected commercial maize crop is 10,993 million tons, which is 14,2% less than the 12,815 million tons of the previous season. The expected yield is 4,63 t/ha as against 4,59 t/ha of the previous season.
- The area estimate for white maize is 1,418 million ha, which represents a decrease of 17,5% compared to the 1,720 million ha planted last season. In the case of yellow maize the area estimate is 954 000 ha, which is 6,7% less than the 1,023 million ha planted last season.
- The production forecast of **white maize** is 6,371 million tons, which is 18,6% less than the 7,830 million tons of last season. The yield for white maize is 4,49 t/ha as against 4,41 t/ha the previous season. In the case of **yellow maize** the production forecast is 4,622 million tons, which is 7,3% less than the 4,985 million tons of last season. The yield for yellow maize is 4,84 t/ha as against 4,87 t/ha the previous season.
- The production forecast for **sunflower seed** is 809 470 tons, which is 65,2% more than the 490 000 tons of the previous season. The area estimate for sunflower seed is 642 700 ha, which is 61,6% more than the 397 700 ha planted the previous season. The expected yield is 1,26 t/ha as against 1,23 t/ha of the previous season.
- The production forecast for **soya-beans** is 676 850 tons, which is 19,6% more than the 566 000 tons of the previous season. It is estimated that 418 000 ha have been planted to soya-beans, which represents an increase of 34,2% compared to the 311 450 ha planted last season. The expected yield is 1,62 t/ha as against 1,82 t/ha last season.

- The expected **groundnut** crop is 85 525 tons, which is 2,8% less than the 88 000 tons of last season. For groundnuts the area estimate is 55 150 ha, which is 4,0% less than the 57 450 ha planted for the previous season. The expected yield is 1,55 t/ha as against 1,53 t/ha last season.
- The production forecast for **sorghum** is 201 800 tons, which is 2,7% higher than the 196 500 tons of the previous season. The area estimate for sorghum decreased by 20,2%, from 86 675 ha to 69 200 ha against the previous season. The expected yield is 2,92 t/ha as against 2,27 t/ha of the previous season.
- In the case of **dry beans** the production forecast is 47 620 tons, which is 8,9% less than the 52 255 tons of the previous season. The area estimate is 41 900 ha, which is 5,0% less than the 44 100 ha planted for the previous season. The expected yield is 1,14 t/ha as against 1,18 t/ha of the previous season.

The area planted and fifth production forecast of summer grain crops for the 2010/11 production season will be released on 23 June 2011.

2.2 Winter cereal crops – 2011 production season

The preliminary area estimate of winter crops for 2011 will be released on 26 July 2011.

3. Cereal balance sheets

Supply and demand data for April 2011 was released by SAGIS on 23 May 2011. *(Preliminary information is subject to change on a monthly basis.)*

3.1 Winter cereals

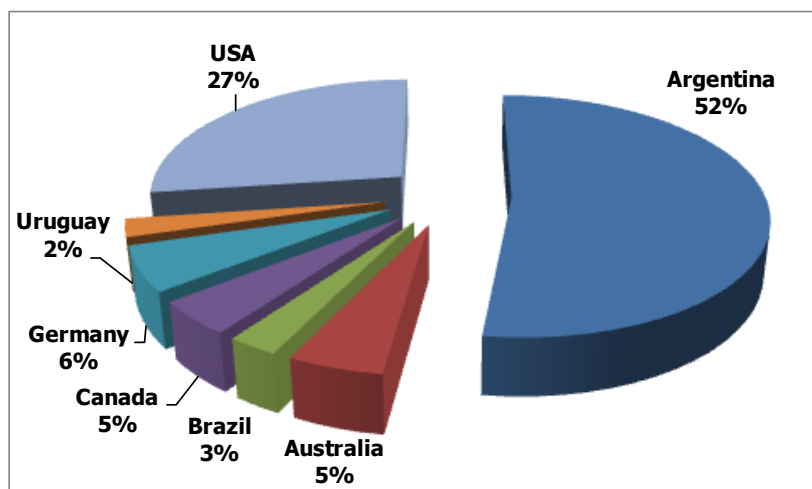
Table 2:

2010/11 Projected Wheat Balance Sheet as at 31 May 2011 (1000 tons)	Wheat (October to September)
Supply	
Opening stocks (October 2010)	579
SAGIS Opening Stocks	579
Gross production (2010 season)	1 436
Commercial production	1 430
Subsistence agriculture	6
Total domestic supply	2 015
Plus: Imports	1 650
Total supply	3 665
Demand	
Consumption	2 985
Commercial: Human	2 885
Animal (feed)	15
Retentions by producers	42
Seed for planting purposes	23
Other (released to end consumers +withdrawn by producers +retentions by producers)	20
Subsistence agriculture	6
Total domestic consumption	2 991
Plus: Exports	200
Total demand	3 191
Closing stocks (September 2011)	474
Pipeline requirements (80 days of human (food) consumption)	632
Domestic shortfall	-1 608
Import gap	1 608
Shortage above pipeline	-158
SAGIS closing stocks as at end of April 2011	1 109

- The projected closing stocks of wheat for the 2010/11 marketing season is 474 000 tons, which is 18,1% less than the previous season (579 000 tons). The decrease can mainly be attributed to the smaller wheat crop for the current 2010/11 marketing season.



Graph 1: Major countries of imports of wheat for South Africa: 2010/11 marketing season



- From 2 October 2010 up to 27 May 2011, the progressive wheat imports stands at 1,045 million tons, with the largest quantity (545 257 tons or 52%) imported from Argentina (Source: SAGIS).
- To meet local demand, total imports are projected at 1,65 million tons of wheat, the largest quantity ever recorded.

Table 3:

2011/12 Projected Wheat Balance Sheet as at 31 May 2011 (1000 tons)	Wheat (October to September)
Supply	
Opening stocks (October 2011)	474
SAGIS Opening Stocks	474
Gross production (2011 season)	1 712
Commercial production	1 706
Subsistence agriculture	6
Total domestic supply	2 186
Plus: Imports	1 550
Total supply	3 736
Demand	
Consumption	2 995
Commercial: Human	2 885
Animal (feed)	25
Retentions by producers	42
Seed for planting purposes	23
Other (released to end consumers +withdrawn by producers +retentions by producers)	20
Subsistence agriculture	6
Total domestic consumption	3 001
Plus: Exports	235
Total demand	3 236
Closing stocks (September 2012)	500
Pipeline requirements (80 days of human (food) consumption)	632
Domestic shortfall	-1 447
Import gap	1 447
Shortage above pipeline	-132

- Applying a 5 year average yield of 2,85 t/ha to the intentions figure of 598 500 ha, a wheat crop of 1,706 million tons is expected for the coming 2011/12 marketing season. The projected closing stocks of wheat is 500 000 tons, which is 5,5% less than the previous season (514 000 tons). The increase can mainly be attributed to the larger expected wheat crop for the coming 2011/12 marketing season.
- The projected closing stocks are also 14,8 % lower than the 10 year average of 587 000 tons.

3.2 Summer grains

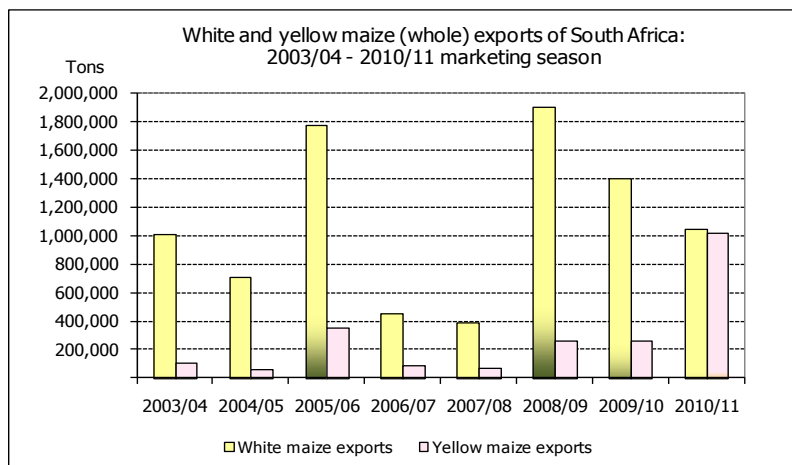
Table 4:

2010/11 Projected Annual Cereal Balance Sheet as at 29 April 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	6 439	3 938	10 377	207,4
Commercial: Human	4 205	352	4 557	181,8
Animal (feed)	1 660	2 670	4 330	8,6
Gristing	63	17	80	-
Seed for planting purposes	16	14	30	-
Other (grains released to end-consumers + withdrawn by producers + retentions on farms)	495	885	1 380	17,0
Subsistence agriculture	422	184	606	39,4
Total domestic consumption	6 861	4 122	10 983	246,8
Plus: Exports	1 116	1 068	2 184	24,2
Products	68	51	119	-
Whole maize	1 048	1 017	2 065	-
Total demand	7 977	5 190	13 167	271,0
Closing stocks (2011)	1 637	748	2 385	58,1
Pipeline requirements (45 days of commercial consumption)	731	375	1 106	23,5
Domestic surplus	2 022	1 441	3 463	58,8
Surplus/ shortage above pipeline	906	373	1 279	34,6
SAGIS closing stocks as at end of April 2011	1 637	748	2 385	58,1

Source: SAGIS, Directorate: Agricultural Statistics.

- The projected closing stocks of maize for the 2010/11 marketing season was 2,385 million tons, which is 11,9% more than the previous season (2,131 million tons). This increase could 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 was estimated at 58 100 tons, which is considerable less (37,7%) than the previous season (93 200 tons). This decrease can mainly be attributed to the smaller sorghum crop of the 2009/10 production season.

Graph 2: White and yellow maize exports from South Africa: 1 May 2010 to 29 April 2011



- From 1 May 2010 up to 29 April 2011, the progressive white and yellow maize exports stood at 1,047 and 1,017 million tons, respectively. Thus, the progressive grand total of exports to 2,065 million tons (Source: SAGIS).
- It is interesting to note that the export totals of white and yellow maize of the past marketing season are almost the same. The exports of yellow maize showed a considerable improvement of 234,8% compared to the previous season, while white maize showed a decrease of 24,1%.

Table 5:

2011/12 Projected Annual Cereal Balance Sheet as at 31 May 2011 (1 000 tons)	Maize (May to April)			Sorghum
	White	Yellow	Total	(April to March)
Supply				
Opening stocks	1 637	748	2 385	58,1
SAGIS Opening Stocks	1 637	748	2 385	58,1
Gross production	6 767	4 790	11 557	241,2
Commercial production	6 371	4 622	10 993	201,8
Subsistence agriculture	396	168	564	39,4
Total domestic supply	8 404	5 538	13 942	299,3
Plus: Imports	-	-	-	-
Total supply	8 404	5 538	13 942	299,3
Demand				
Consumption	6 050	4 158	10 208	209,2
Commercial: Human	4 252	350	4 602	185,6
Animal (feed)	1 370	2 950	4 320	9,3
Gristing	60	20	80	-
Seed for planting purposes	16	14	30	-
Other (grains released to end-consumers + withdrawn by producers + retentions on farms)	352	824	1 176	14,3
Subsistence agriculture	396	168	564	39,4
Total domestic consumption	6 446	4 326	10 772	248,6
Plus: Exports	1 225	700	1 925	24,8
Products	60	45	105	-
Whole maize	1 165	655	1 820	-
Total demand	7 671	5 026	12 697	273,4
Closing stocks (2012)	733	512	1 245	25,9
Pipeline requirements (45 days of commercial consumption)	701	409	1 110	24,0
Domestic surplus	1 257	803	2 060	26,7
Surplus/ shortage above pipeline	32	103	135	1,9

Source: SAGIS, Directorate: Agricultural Statistics.

- The projected closing stocks of maize for the 2011/12 marketing season is 1,245 million tons, which is lowest total recorded since the 1,049 million tons in the 2007/08 marketing season. It is also 51,1% less than the previous seasons' closing stock of 2,545 million tons. This decrease can mainly be attributed to the lower expected maize crop for the 2010/11 production season.
- The projected closing stocks of sorghum for the 2011/12 marketing season is 25 900 tons, the smallest total recorded since the 21 900 tons in 1999/2000 marketing season. It is also 55,4% less than the previous seasons' closing stock of 58 100 tons.

4. Market information

4.1 Consumer Price Index (CPI)

- The headline CPI (for all urban areas) annual inflation rate in April 2011 was 4,2%. This rate was 0,1% higher than the corresponding annual rate of 4,1% in March 2011. On average, prices increased by 0,3% between March 2011 and April 2011.
- The food and non-alcoholic beverages index decreased by 0,1% between March 2011 and April 2011. The annual rate decreased to 4,8% in April 2011 from 5,0% in March 2011. The following components in the food and non-alcoholic beverages index decreased: Fruit (-1,5%), fish (-0,9%), other food (-0,6%), meat (-0,3%), cold beverages (-0,3%) and vegetables (-0,1%). The following components increased: Oils and fats (1,6%), bread and cereals (0,3%), milk, eggs and cheese (0,1%) and hot beverages (0,1%).



- The alcoholic beverages and tobacco index increased by 0,9% between March 2011 and April 2011. The annual rate increased to 5,6% in April 2011 from 5,2% in March 2011.
- The transport index increased by 1,2% between March 2011 and April 2011, mainly due to a 53c/l increase in the price of petrol. The annual rate increased to 3,4% in April 2011 from 3,3% in March 2011.
- The restaurants and hotels index increased by 0,6% between March 2011 and April 2011. The annual rate increased to 5,2% in April 2011 from 4,8% in March 2011.
- The provinces with an annual inflation rate lower than or equal to headline inflation were North West (4,2%), Gauteng (4,1%), Western Cape (4,0%) and KwaZulu-Natal (3,6%). The provinces with an annual inflation rate higher than headline inflation were Free State (5,2%), Eastern Cape (4,8%), Northern Cape (4,8%), Mpumalanga (4,5%) and Limpopo (4,5%).

4.2 Producer Price Index (PPI)

- The annual percentage change in the PPI was 6,6% in April 2011 (i.e. the PPI in April 2011 compared with April 2010). This rate is 0,7% lower than the corresponding annual rate of 7,3% in March 2011.
- This lower annual rate in April 2011 can be explained by decreases in the annual rate of change in the Producer Price Index for:
 - Mining and quarrying: The annual rate decreased from 8,1% in March 2011 to 4,6% in April 2011;
 - Basic metals: The annual rate decreased from 10,2% in March 2011 to 9,8% in April 2011;
 - Other manufactures: The annual rate decreased from 9,3% in March 2011 to 5,3% in April 2011;
 - Beverages: The annual rate decreased from 5,1% in March 2011 to 3,9% in April 2011; and
 - Non-metallic mineral products: The annual rate decreased from 3,6% in March 2011 to 1,1% in April 2011.
- These decreases were partially counteracted by increases in the annual rate of change for:
 - Electricity: The annual rate increased from 21,2% in March 2011 to 25,7% in April 2011;
 - Products of petroleum and coal: The annual rate increased from 17,1% in March 2011 to 18,6% in April 2011; and
 - Metal products: The annual rate increased from -0,8% in March 2011 to 3,1% in April 2011.
- From March 2011 to April 2011 the PPI for domestic output increased by 0,9%.
- The monthly increase of 0,9% in the PPI for domestic output was mainly due to monthly contributions from increases in the price indices of electricity (0,9%), products of petroleum and coal (0,4%) and all other groups (0,1%). These increases were partially counteracted by decreases in the price indices of mining and quarrying (-0,3%), agriculture (-0,1%) and non-metallic mineral products (-0,1%).

4.3 Statement of the Monetary Policy Committee

- Since the previous meeting of the Monetary Policy Committee (MPC), the inflation outlook has deteriorated further, mainly as a result of external cost-push factors. Underlying demand conditions remain relatively restrained, and are not seen to pose a significant risk to the inflation outlook at this stage. However, there are elevated risks that these external price shocks could ultimately feed through to more generalised inflation.
- Thus, the MPC, at its meeting during May 2011, has decided to keep the repurchase rate unchanged at 5,5% per annum, for the time being. Given the upside risks to the inflation outlook, the MPC will monitor closely any indications of second round effects on inflation emanating from these cost pressures. The MPC will not hesitate to respond timeously to signs that threaten to move inflation out of the target range on a sustained basis. In addition, the MPC will remain vigilant with respect to any inflation risks that could emanate from domestic demand developments.

4.4 Gross domestic product

- Real gross domestic product at market prices increased by 4,8% quarter-on-quarter, seasonally adjusted and annualised. The largest contributions to the quarter-on-quarter growth of 4,8% were as follows:
 - The manufacturing industry contributed 2,2% based on a growth of 14,5%;
 - Finance, real estate and business services contributed 1,0% based on a growth of 4,8%;
 - The wholesale, retail, motor trade and accommodation industry contributed 0,5% based on a growth of 4,4%; and
 - The transport, storage and communication industry contributed 0,3% based on a growth of 3,6%.

4.5 Future contract prices and the exchange rate

Table 6: Closing prices on Wednesday, 1 June 2011

	1 June 2011	3 May 2011	% change June vs May
RSA White Maize per ton (June contract)	R1 725	R1 643	4,99
RSA Yellow Maize per ton (June contract)	R1 743	R1 690	3,14
RSA Wheat per ton (June contract)	R3 247	R3 105	4,57
RSA Soya-beans per ton (June contract)	R3 265	R3 207	1,81
RSA Sunflower seed per ton (June contract)	R4 077	R3 935	3,61
Exchange rate R/\$	R6,78	R6,62	2,42

Source: SAFEX

- Maize prices (June 2011 contract) ended higher on 1 June 2011, as compared to the month of May 2010. Local white and yellow maize prices increased by 5% and 3,1%, respectively, as compared to the previous month, after harsh weather raised concerns that farmers would not produce as big a crop as previously expected.
- Local wheat, soya-bean and sunflower seed prices also showed increases of 4,6%, 1,8 and 3,6%, respectively, during the same period.
- For the mentioned period, the Rand depreciated by 2,4% against the US Dollar to reach R 6,78/US\$.

4.6 Agricultural machinery sales

- April tractor sales of 368 units were 4,2% up on the 353 units sold in April 2010. On a year-to-date basis tractor sales were approximately 17% up on sales in the first four months of last year. April combine harvester sales of 42 units were almost 14% up on the 37 units sold in April 2010. On a current year-to-date basis combine harvester sales of 91 units are within one unit of what they were for the first four months of 2010.
- April tractor sales continue to reflect the current optimism in the agricultural machinery market. With the continued strong rand, new equipment prices have stabilised or, in many cases, been reduced. Maize, soya-bean and wheat prices have improved in recent months and this together with easier bank financing, means that farmers can use current market opportunities to invest in new capital equipment. Industry predictions for tractor sales for the 2011 calendar year are between 5 600 and 5 900 units, approximately 10 to 15% up on 2010 sales.

Table 7: Agricultural machinery sales

Equipment class	Year-on-year		Percentage Change %	Year-to-date		Percentage Change %
	April			April		
	2011	2010		2011	2010	
Tractors	368	353	4,2	1 998	1 706	17,1
Combine harvesters	42	37	13,5	91	90	1,1

Source: SAAMA press release, May 2011



5. Acknowledgements

The Directorate: Statistics and Economic Analysis 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