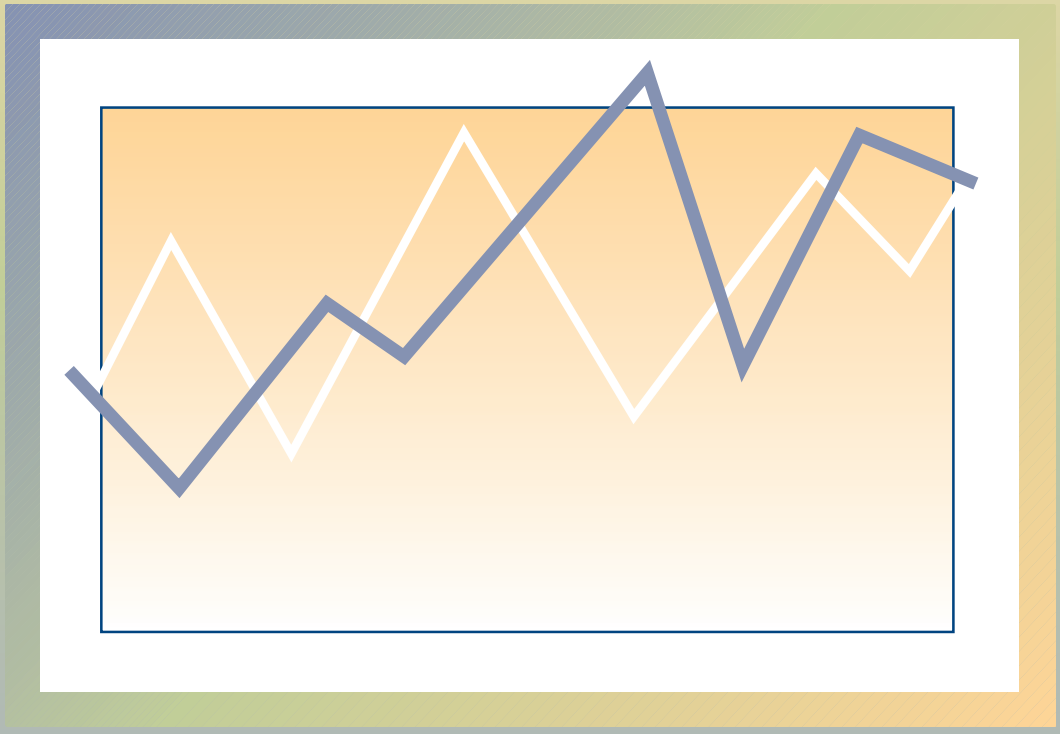
Trends in the Agricultural Sector



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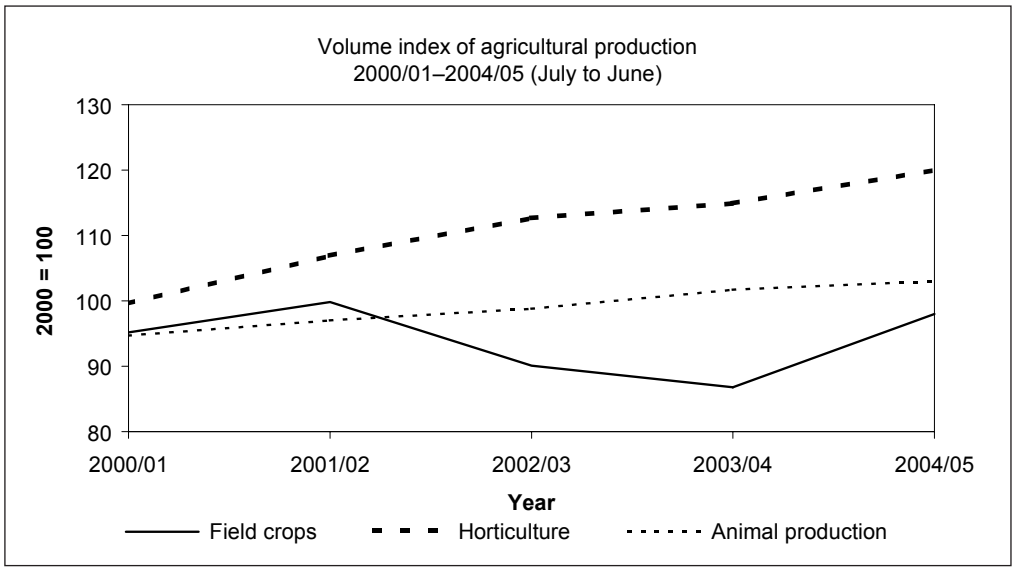
Economic review for the 12 months that ended 30 June 2005

Volume of agricultural production

During 2004/05 the estimated volume of agricultural production was 5,7 % higher than in 2003/04. The volume of field crop production increased by 12,9 % compared to the previous year as a result of higher maize and soya-bean production. Horticultural production increased by 4,4 %, while animal production rose by 1,2 %.

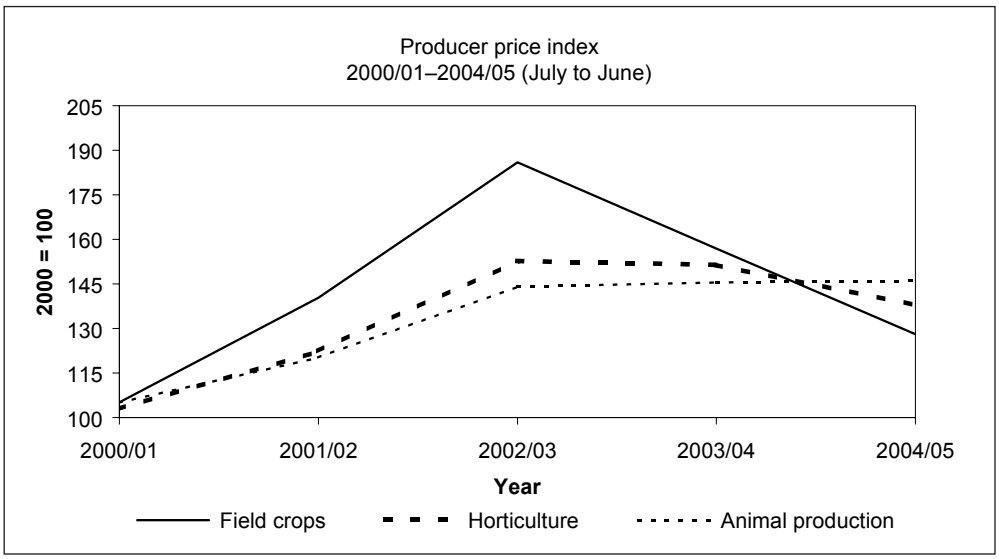


Producer prices of agricultural products

Producer prices of agricultural products decreased on average by 8,4 % from 2003/04 to 2004/05. For the period under review, the combined producer price index of field crops was 18,4 % lower than during the same period of the previous year. The prices of oilseeds, tobacco, winter cereals, cotton, hay and maize decreased by 32,7, 26,0, 24,2, 22,6, 21,6 and 17,1 %, respectively.

Producer prices of horticultural products decreased by 9,0 % compared with those of 2003/04. This was because of a decrease of 14,1 % in the prices of fresh vegetables. Fruit prices also decreased by 5,9 %.

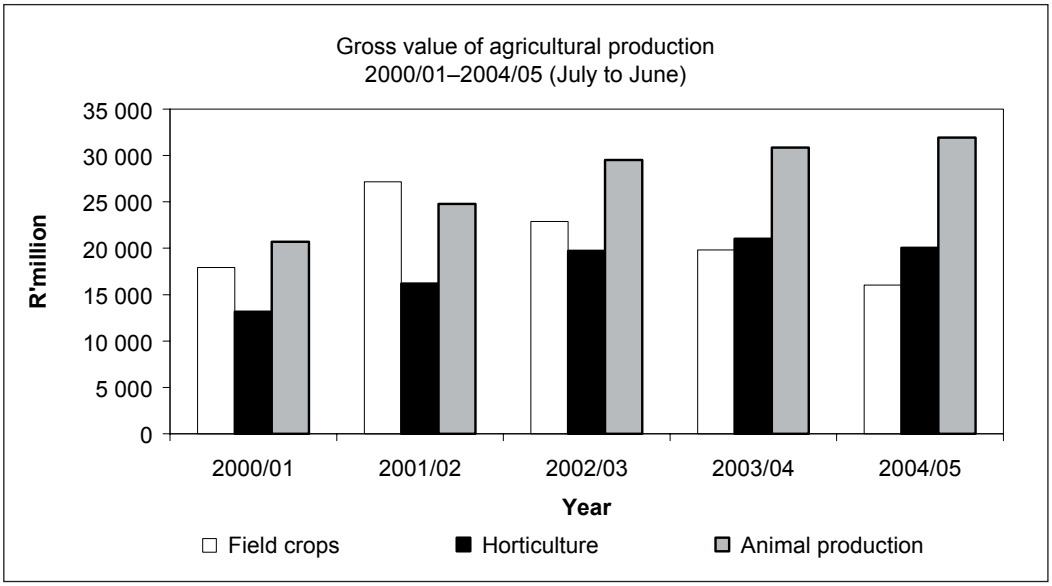
The producer prices of animal products were 0,4 % higher in 2004/05 than in 2003/04. Prices of pastoral products and dairy products decreased by 10,8 and 3,7 %, respectively, while prices of slaughtered stock increased by 7,3 %.



Gross value of agricultural production

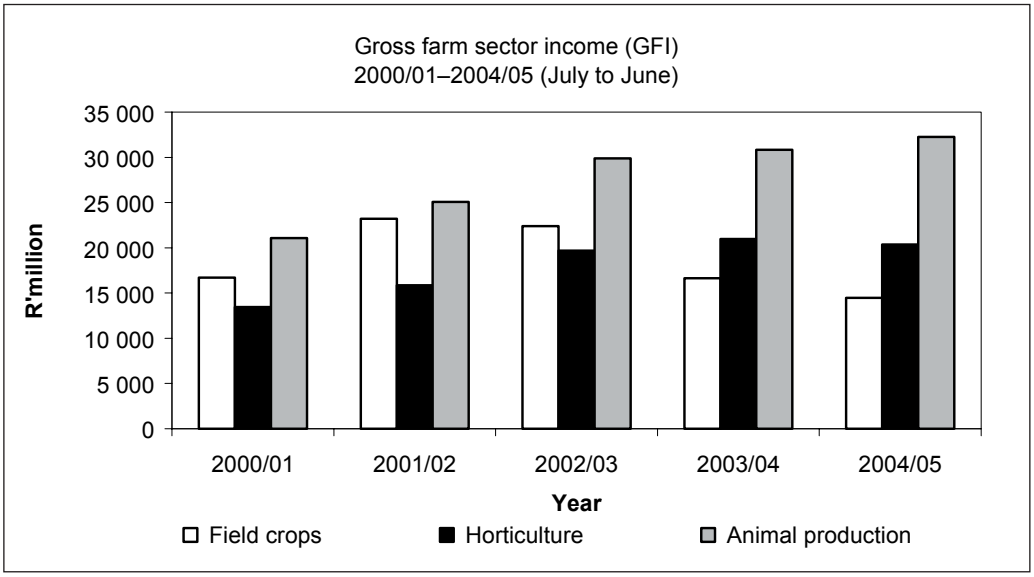
The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2004/05 is estimated at R68 026 million compared to the previous R71 690 million—a decrease of 5,1 %. This decrease can be attributed mainly to a general decrease in the value of field crops as a result of lower prices received by farmers for field crops.

The gross value of animal products, horticultural products and field crops contributed 46,9, 29,5 and 23,6 %, respectively, to the total gross value of agricultural production. The poultry meat industry made the largest contribution to the total gross value of agricultural production with 15,6 %, followed by cattle and calves slaughtered with 10,8 % and maize with 8,5 %.

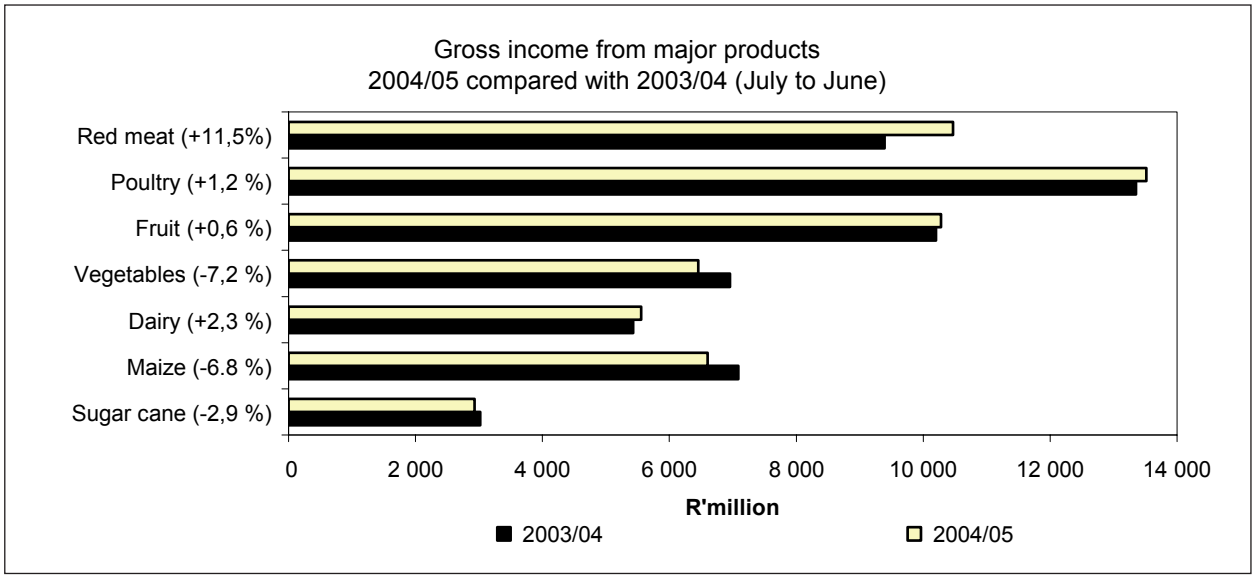


Farm income

The gross income of producers (the value of sales and production for other uses, plus the value of changes in inventories) for the year ended 30 June 2005 amounted to R67 103 million, compared with the previous R68 430 million—a decrease of 2 %.

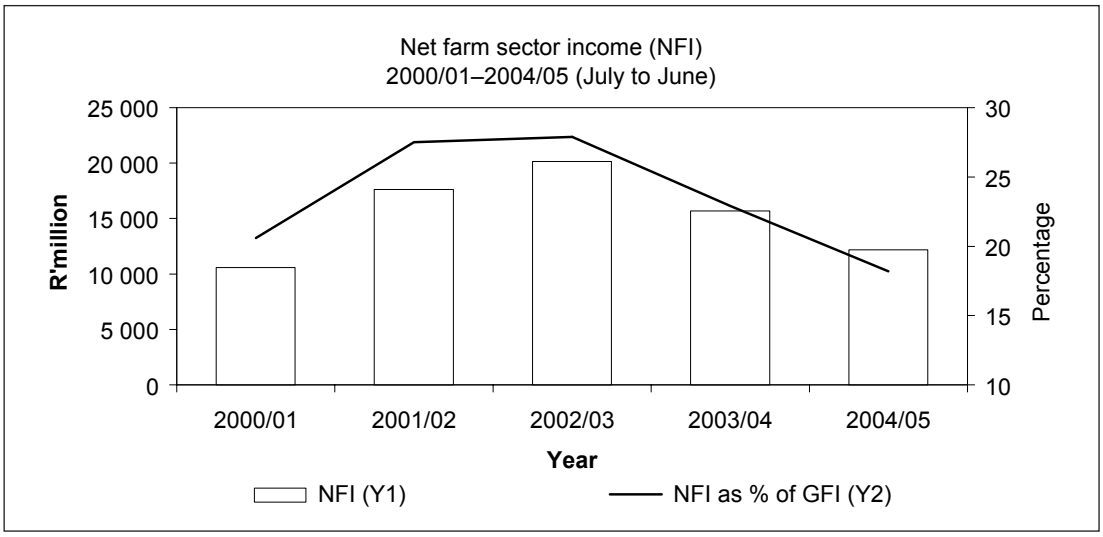


The gross income from field crops decreased by 12,9 % to R14 480 million for the year ended 30 June 2005. The main reason for the decrease was the lower prices that farmers received for summer grain crops, oilseeds and sugar cane.



The gross income from horticultural products decreased by 2,8 %, from R20 967 million to R20 379 million. The income from deciduous fruit, subtropical fruit and viticulture decreased by 2,7, 2,2 and 5,1 %, respectively. However, income from citrus production increased by 6,8 %, while income from tree nuts showed a relatively small increase of 2,4 %. Income from vegetable production decreased by 7,2 % to R6 454 million.

The gross income from animal products was only 4,6 % higher, and amounted to R32 243 million, compared to the previous R30 829 million. Producers earned R7 329 million from slaughtered cattle and calves, as against the previous R6 411 million—an increase of 14,3 %. The income from slaughtered sheep increased by 3,7 % and amounted to R1 706 million. The carcass prices of cattle and sheep rose by 8,3 and 4,3 %, respectively. Income from poultry meat production increased by 1,5 % to R10 440 million. Income from egg production remained at almost the same level as the previous year. Income from wool decreased by 14,7 % and came to R816,1 million.

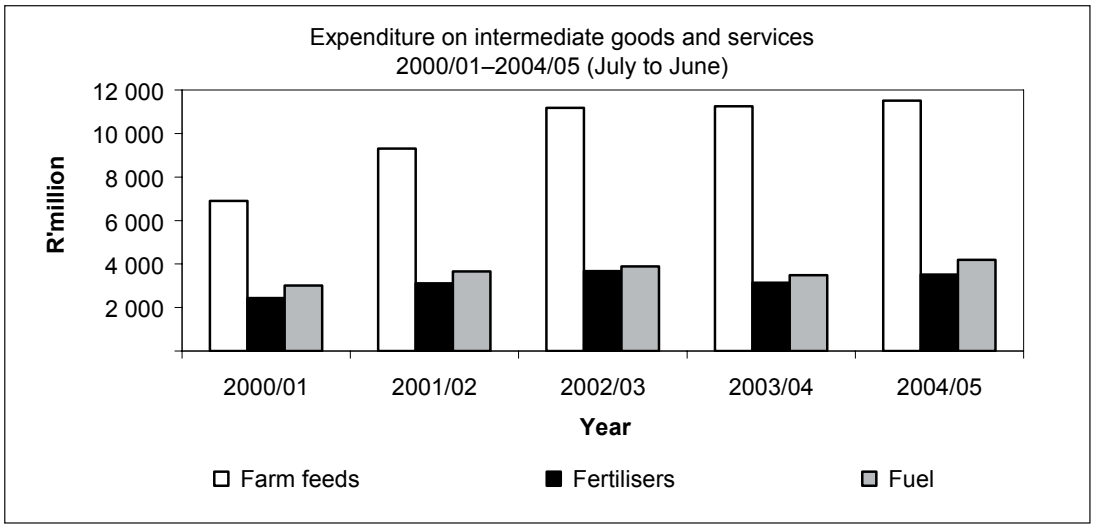


The net farm income (after the deduction of all production expenditures, excluding expenditure on fixed assets and capital goods) decreased by 22 % during 2004/05 and amounted to R12 188 million. Payments for salaries and wages, which represent 16,7 % of the total farm costs, amounted to R9 541 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2005, is estimated at R4 037 million or 7,1 % of the total farm cost.

Expenditure on intermediate goods and services

Intermediate expenditure refers to the value of goods and services that were purchased for consumption as inputs during the production process.

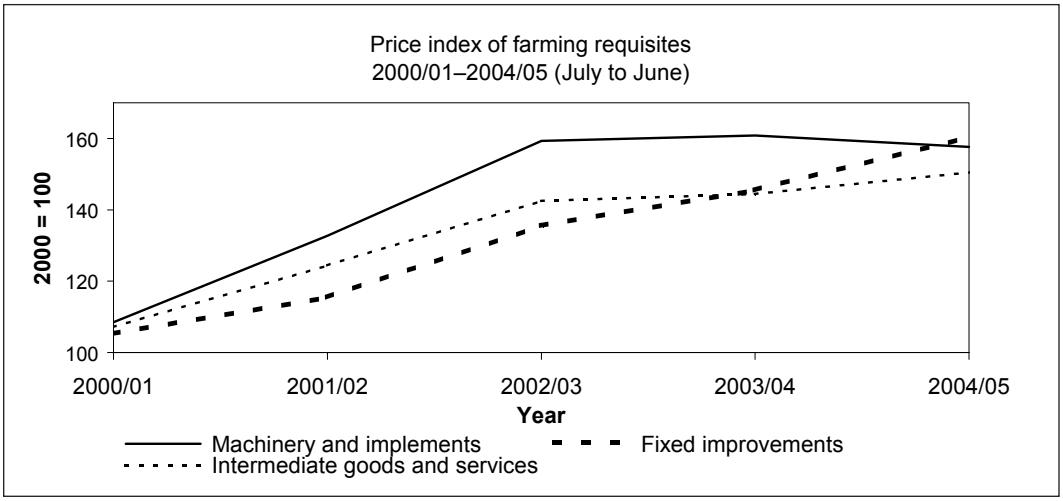
Expenditure on intermediate goods and services during 2004/05 is estimated at R40 157 million, which is an increase of 5,9 % from R37 931 million in 2003/04. Expenditure on fuel and fertilisers showed the biggest increases of 20,1 and 11,8 %, respectively.



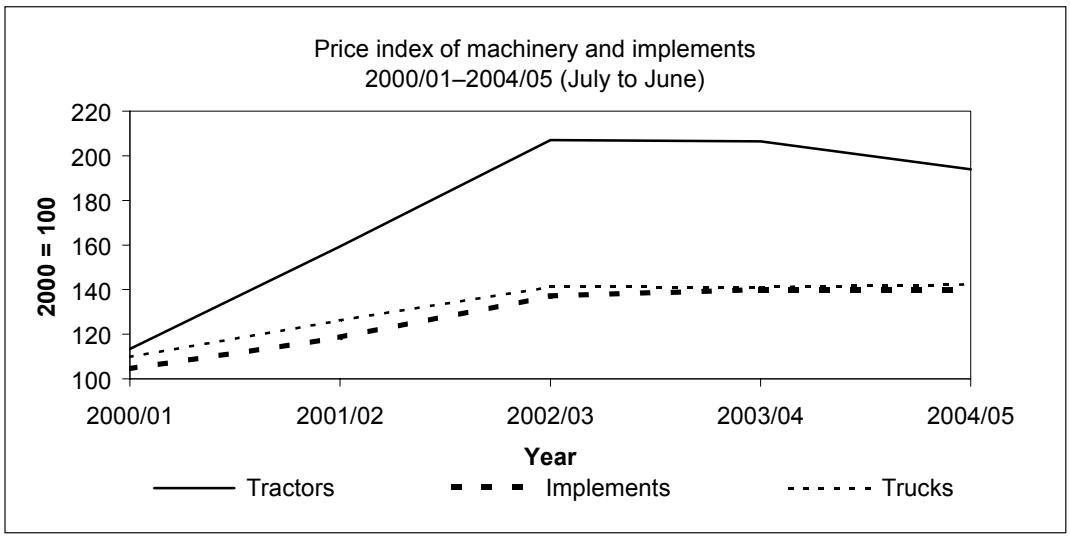
Expenditure on farm feeds remained the biggest intermediate expenditure item, accounting for 28,7 % of total expenditure even though it showed a small increase (i.e. 2,3 %) for the previous 12 months. Farm services, maintenance and repairs, fuel, and fertilisers contributed 11,3, 10,5, 10,4, and 8,8 %, respectively, to the total intermediate expenditure. Expenditure on dips and sprays increased relatively little by 0,3 %, from R2 832 million to R2 839 million, and expenditure on packing material increased by 3 % to R2 581 million. Generally, there was an increase in the prices of goods and services purchased for use during the production process.

Prices of farming requisites

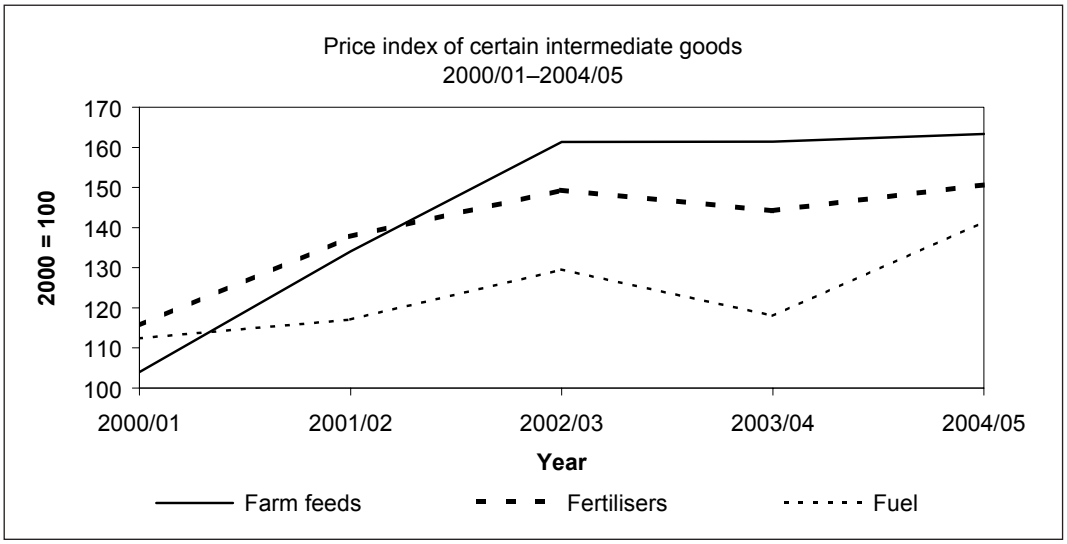
Prices of farming requisites increased by 4 % in 2004/05 compared with an increase of 1,8 % in the previous year.



The price index of machinery and implements showed a slight decrease of 1,9 % for 2004/05. Prices of tractors also decreased, by 6 %. However, on average the combined index of prices of intermediate production inputs and services increased by 4,2 %.



An increase in the price of fuel of 19,9 % made the most significant contribution to the increase in the prices of intermediate goods and services. The price of animal feeds increased slightly by 1,1 % despite lower field crop prices and the prices paid by farmers for fertilisers rose by 4,5 %. Prices paid for animal health and crop protection remedies decreased by 0,8 %.

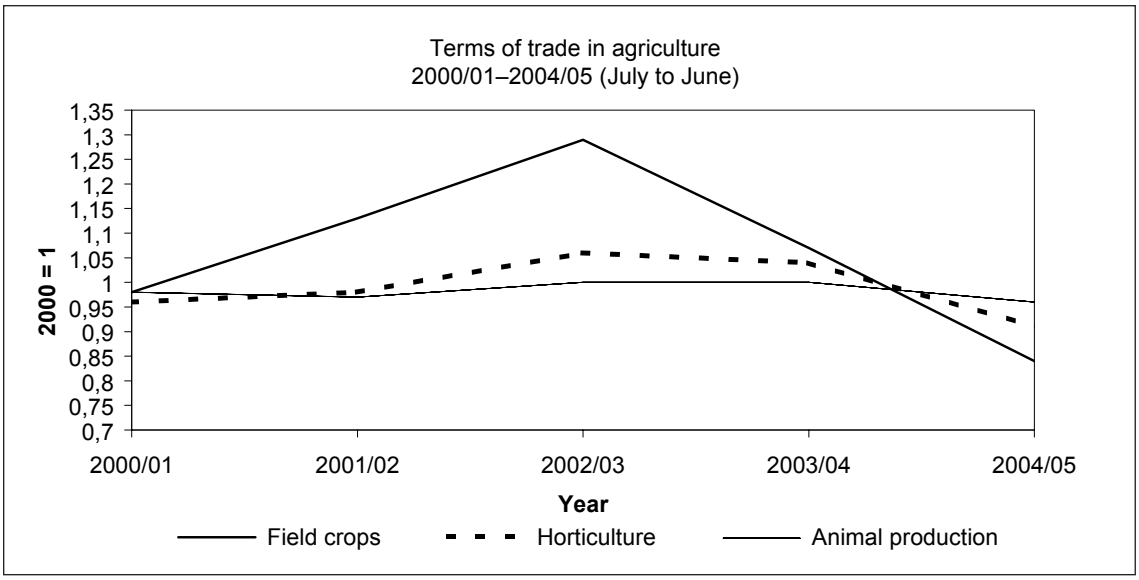


Domestic terms of trade in agriculture (2000 = 1)

The terms of trade indicate the extent to which producer prices received by farmers keep pace with the prices paid for farming requisites.

The terms of trade in agriculture weakened from 1,03 in 2003/04 to 0,91 in 2004/05.

The terms of trade for field crops weakened by 21,5 %, from 1,07 in 2003/04 to 0,84 in 2004/05. In the case of the horticultural industry, the terms of trade declined by 12,5% from 1,04 to 0,91. The terms of trade for the animal products industry also decreased, by 4 %.



Contribution of agriculture to value added at basic prices

The value added is the value of total output less the value of intermediate consumption during the production period.

The contribution of agriculture, fishing and forestry to value added for the year ended 31 December 2004 is estimated at R41 323 million. This represents 3,3 % of total value added to the economy.

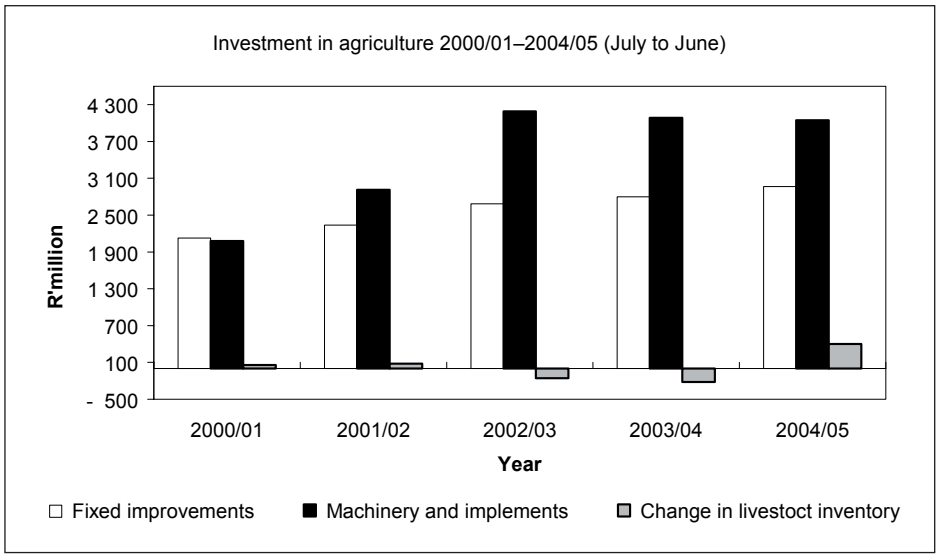
Year	Total value added by all sectors R'million	Contribution of agriculture to value added R'million	Contribution of agriculture as % of total value added %
2000	838 218	22 412	2,7
2001	928 216	27 005	2,9
2002	1 059 788	37 705	3,6
2003	1 134 585	35 631	3,1
2004*	1 230 409	41 323	3,3

*Figures for agriculture (including forestry and fisheries)

Capital assets and investment in agriculture

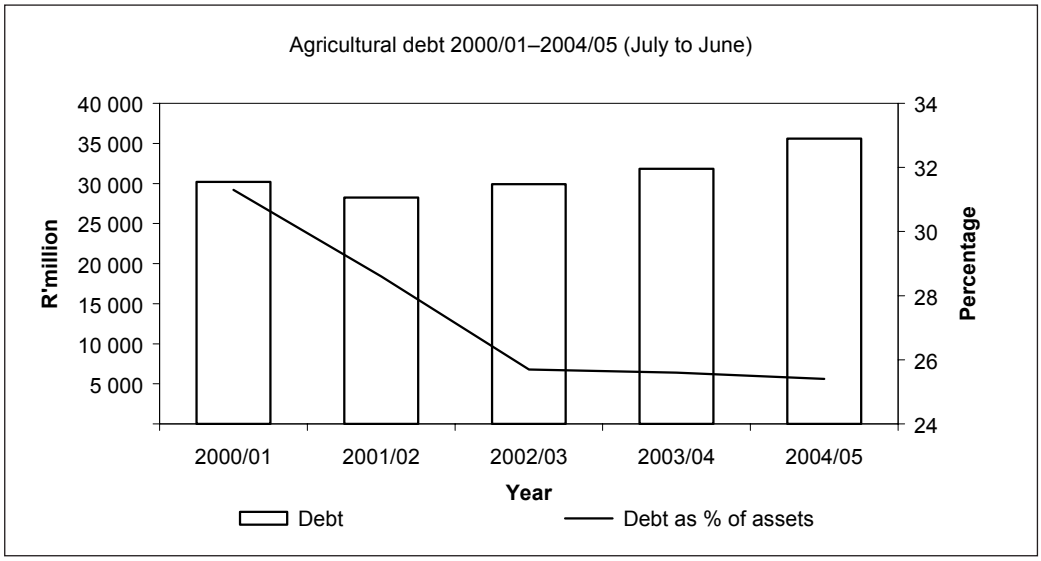
The value of capital assets in agriculture as at 31 June 2005 is estimated at R139 981 million (R123 951 million). Land and fixed improvements constituted R82 052 million, machinery and implements R24 786 million and livestock R33 143 million. The gross investment in fixed improvements for the year ended 30 June 2005 decreased by 2,2 % to R2 964 million. Investment in machinery, implements and vehicles, decreased by 1,1 % and amounted to R4 044 million.

The change in the livestock inventory was positive because of an increase in cattle that were rounded off on farms as well as an increase in the herd value per unit owing to an increase of 8 % in prices received for beef compared to the previous year.



Farming debt position

The total farming debt at the end of June 2005 is estimated at R35 589 million (R31 826 million)—an increase of 11,8 %.



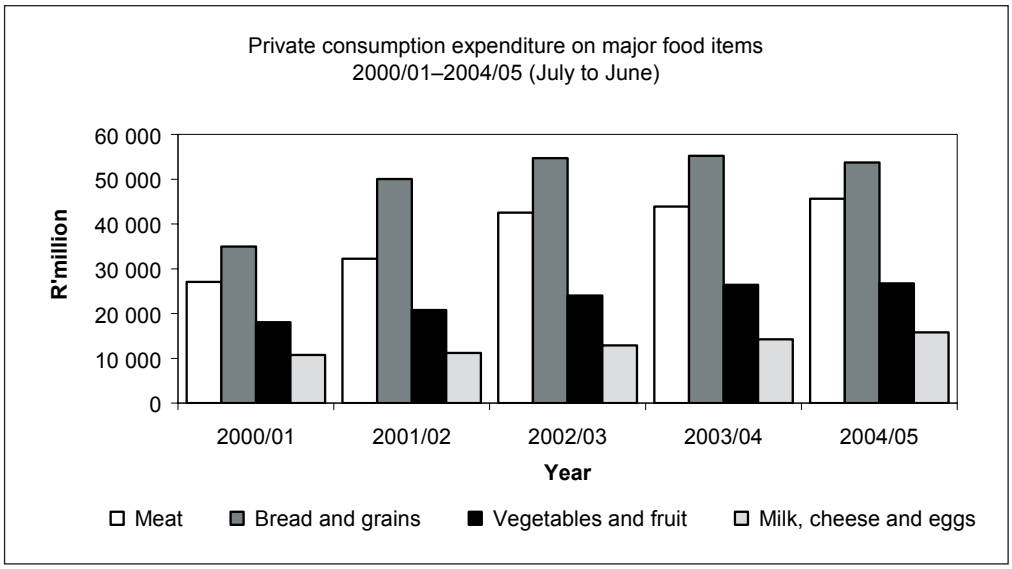
Cash flow of farmers

The cash flow of farmers for the year ended 30 June 2005 amounted to R12 443 million, compared to the previous R16 404 million—a decrease of 24,1 %. This was the result of a decrease in the gross income from field crops and horticultural products.

Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2005 increased by 1,4 % and amounted to R168 653 million, as against the R166 340 million of the previous year. Expenditure on meat increased by 3,4 % to R45 654 million, on fruit and vegetables (including potatoes) by 1,2 % to R26 740 million, on milk, milk products and eggs by 10,7 % to R15 785 million, and on sugar by 4,2 % to R3 747 million. Expenditure on bread and grains decreased by 2,7 % to R53 735 million, mainly because of the lower prices paid by consumers for maize meal and maize products compared to the previous year. Expenditure on oils and fats also decreased, by 6,7 % from R3 313 million to R3 091 million.

Meat represents 27 % of the expenditure on the food component, bread and grains 32 %, fruit and vegetables 16 % and milk, milk products and eggs 9 %.



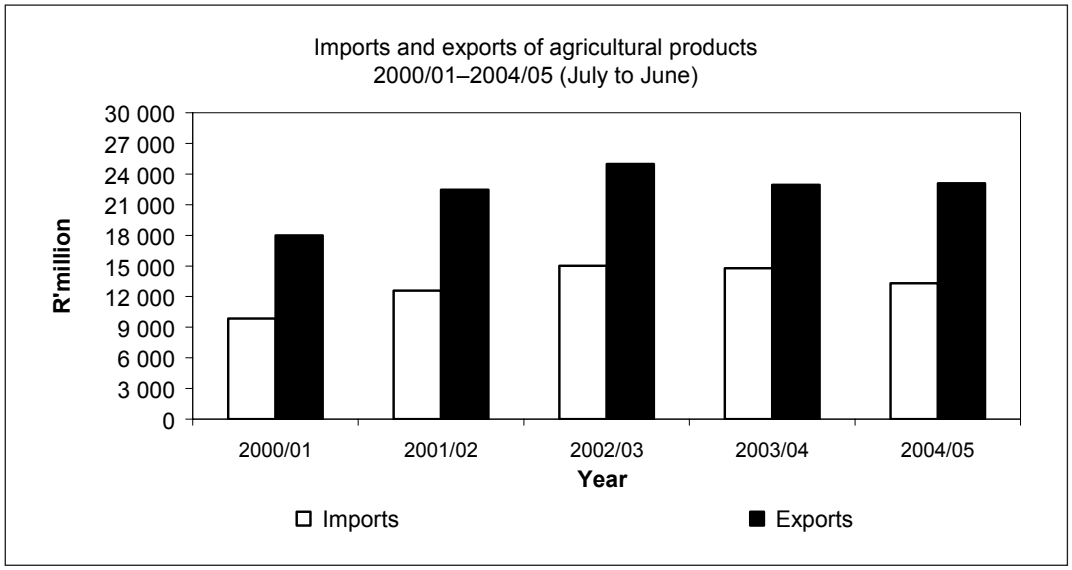
Consumer prices

The consumer price index of all items increased by 2,6 % for the year ended 30 June 2005, that of food by 1,6 % and that of nonfood items by 3,4 %.

Meat prices increased by 4,2 %, while the prices of grain products reflected a decrease of 0,4 %. The consumer price of vegetables decreased by 2,9 % and fruit prices increased by 3,7 %. In the case of dairy products and eggs, prices rose by 1,5 %, and an increase of 1,4 % was recorded for sugar and related products.

Imports and exports of agricultural products

The value of imports for 2004/05 came to R13 291 million—a decrease of 10,1 % compared to the R14 788 million for 2003/04. The value of exports increased by 0,7 %, from R22 938 million for 2003/04 to R23 104 million for 2004/05.



According to the 2004/05 export values, wine (R3 675 million), citrus fruit (R3 149 million), grapes (R1 927 million), fresh apples, pears and quinches (R1 810 million) and sugar (R1 515 million) were the most important exports products. Rice (R1 490 million), wheat (R1 243 million), undenatured ethyl alcohol (R1 025 million), oilcake (R885 million) and meat and edible offal (R839 million) were the most important import products.

During 2004/05, the United Kingdom, Netherlands, Zimbabwe, Germany and Japan were the five largest trading partners of South Africa in terms of export destinations, with export values of R3 756 million, R2 681 million, R1 481 million, R1 170 million and R1 092 million, respectively. About 28 % of all exports went to the United Kingdom and the Netherlands.

The five largest trading partners from whom South Africa imported agricultural products during 2004/05 were Argentina, Brazil, the United States, Thailand and the United Kingdom, with import values of R2 416 million, R1 944 million, R1 289 million, R1 227 million and R1 044 million, respectively.

Branches of the industry

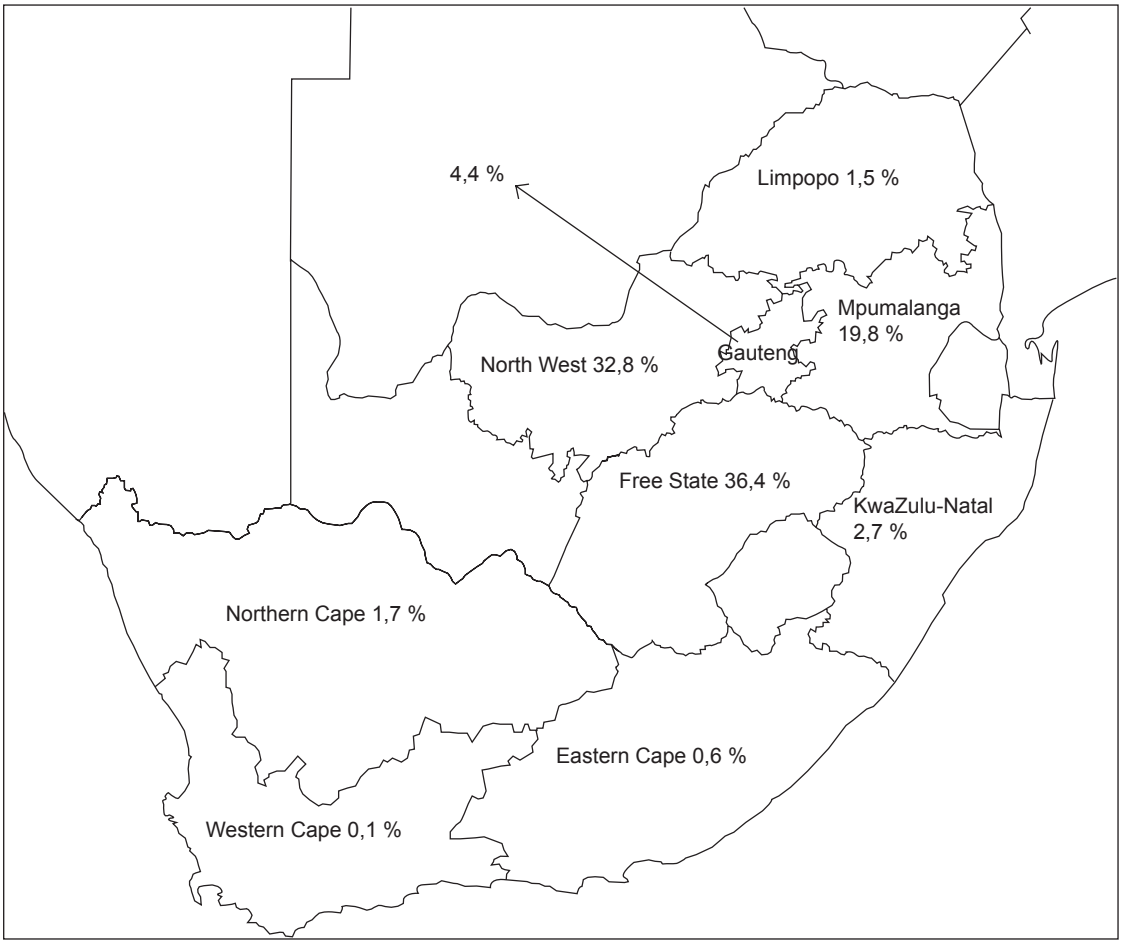
FIELD CROP HUSBANDRY

Maize

Maize, especially white maize, is one of South Africa's most important agricultural products, used as staple food by millions of people in Southern Africa. Yellow maize is the most important ingredient in feed rations for dairy, beef, poultry and egg production. Maize contributes approximately 36 % to the gross value of field crops, and the average annual gross value of maize for the five years up to 2004/05 amounts to R8 675 million.

The major areas of commercial production are situated in the Free State, North West and Mpumalanga provinces.

The following map indicates the distribution of maize plantings (2004/05) per province in South Africa:



Maize is planted mainly between mid-October and mid-December. The rainfall pattern and other weather conditions of a particular season determine the planting period as well as the length of the growing season.

The present ratio of areas planted is 63 % white and 37 % yellow maize. The estimated area of white maize under irrigation is approximately 3,8 % and dryland 96,2 %, while the estimated area of yellow maize under irrigation is approximately 11 % and dryland 89 %.

During the 2001/02 production season, genetically modified (GM) white maize was planted in South Africa for the first time. Genetically modified plantings are expected to comprise an estimated 8,2 % of the total area planted to white maize and approximately 24,1 % of the total area planted to yellow maize during the 2004/05 production season. The planting of GM yellow maize (which is used for animal feed) started seven years ago. The main aim of genetic modification is to improve insect resistance, especially against the maize stalk borer.

The large-scale production of biofuel from maize in South Africa will soon become a reality when South Africa's first bioethanol plant, being built in Bothaville in the Free State Province, starts production, which is scheduled for the end of February 2007. Worldwide, there is a growing demand for ethanol, as the blending-in of ethanol into fossil fuels will help countries meet their commitments to reduce emissions under the Kyoto protocol. A ton of maize will produce 410 litres of ethanol and 375 000 tons of maize are scheduled to be processed at the Bothaville plant every month, producing about 155 million litres of ethanol per month.

Area planted and production

For the 2004/05 production season, following a delayed start to the rainfall season, farmers planted later than normal, but still within a safe planting window.

About 150 % of the normal rainfall occurred over the larger part of the maize growing area during December 2004 and January 2005. Rainfall for the period up to April 2005 was in general normal to above-normal for the maize growing areas. February was below normal for most of the North West Province, but was followed by good falls in March and April.

Despite the fact that farmers had been advised to plant less maize owning to large carry-over stocks, an estimated 2 929 500 ha were planted to commercial maize during 2004/05—an increase of 3 % compared to the 2 843 300 ha planted in 2003/04. Commercial white and yellow maize comprised 1 845 000 and 1 084 500 ha, respectively, of the total number of hectares planted to maize. This represents an increase of 0,2 and 8,3 % for white and yellow maize, respectively.

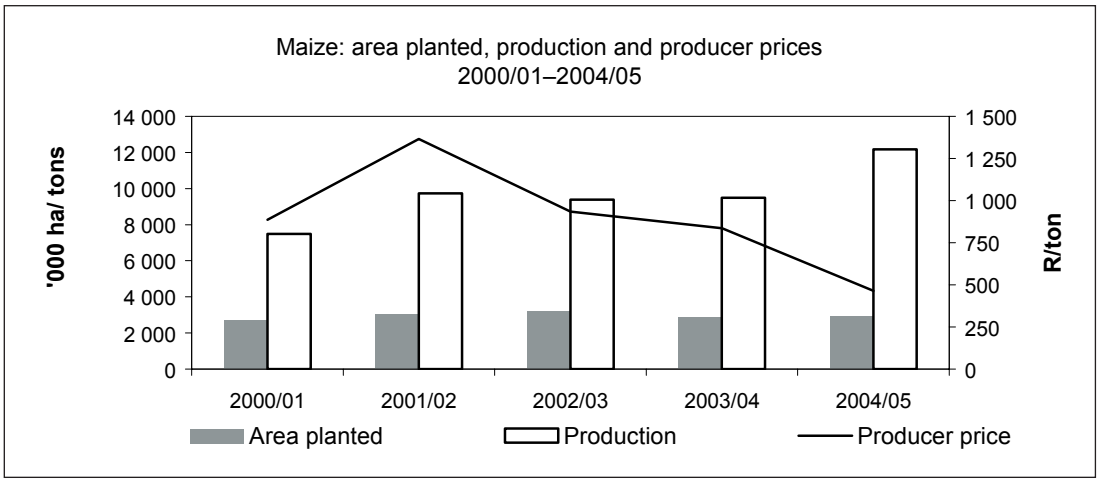
The commercial maize crop for the 2004/05 production season is estimated to be 12,180 million tons, with an estimated yield of 4,16 t/ha—the highest ever. This represents an increase of 28,5 % compared to the 2003/04 crop, which was estimated at 9,482 million tons, and is the largest crop since the 14,423 million tons produced in 1980/81.

Plantings, production and yields of maize from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
Plantings (ha)	2 673 905	3 016 880	3 184 950	2 843 300	2 929 500
Production (t)	7 486 840	9 731 830	9 391 450	9 482 000	12 180 300
Yield (t/ha)	2,80	3,23	2,95	3,33	4,16

The better yields per hectare obtained during this season can, among other factors, be attributed to new maize seed varieties, including genetically modified seeds, good rains and a low incidence of frost.

The area planted to, production and producer prices of maize are depicted in the following graph:



The area planted to maize by the developing sector for 2004/05 is estimated at 413 440 ha, comprising 324 960 ha white maize and 88 480 ha yellow maize. Production by the developing sector is estimated at 265 948 tons—202 755 tons of white and 63 193 tons of yellow maize. Maize grown by this sector is mainly for own use and contributes only approximately 2 % of national production.

Prices

Since the deregulation of the South African agricultural market in 1996, the maize market has essentially been an open one in which a number of basic factors play a role in determining the prices. These factors include:

- International maize prices
- Exchange rate
- Local production (influenced by weather conditions and area planted)
- Local consumption
- Production levels in the Southern African Development Community region (South Africa is usually the main source of white maize for these countries in times of shortage)
- Stock levels (both domestic and international)

Based on domestic stock levels, the domestic prices of maize fluctuate within a band that is determined by world prices. Because of the erratic South African climate, substantial variations in local production occur. The result is that local prices vary substantially from one season to the next.

During periods of shortages, the rand price is expected to increase towards import parity, which is the international maize price multiplied by the exchange rate, plus transport and other costs. During surplus periods, the rand price tends to move towards export parity, which is the price of maize on the international market multiplied by the exchange rate, minus transport and other costs.

Currently, prices of maize differ from one area to another and can fluctuate daily between import and export parity prices. Producers negotiate spot, contract or futures prices, based on market forces.

The average producer price of maize decreased by 44,4 %, from R836/ton in 2003/04 to R465/ton in 2004/05. The decrease was caused by a unique combination of factors, such as the drop in world prices for these commodities, appreciation in the value of the local currency, as well as a domestic maize surplus.

The average producer prices of maize from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Producer price	887,00	1 365,00	934,00	836,00	465,00

Consumption

Considering the commercial maize crop of 12,180 million tons, together with carry-over stocks of about 3,1 million tons from the previous season and imports of 168 000 tons, the domestic supply of maize for the 2005/06 marketing season (May to April) is estimated at 15,5 million tons. The domestic demand for commercial maize (including exports of 436 000 tons to BLNS-countries) is estimated at 10,4 million tons—6,3 million tons of white and 4,1 million tons of yellow maize. Projected exports amount to 1,6 million tons (1,1 million tons of white and 446 000 tons of yellow maize). South Africa therefore has sufficient maize available to meet the local demand. Carry-over stocks at the end of April 2006 are expected to amount to 5,3 million tons—3,6 million tons of white and 1,7 million tons of yellow maize.

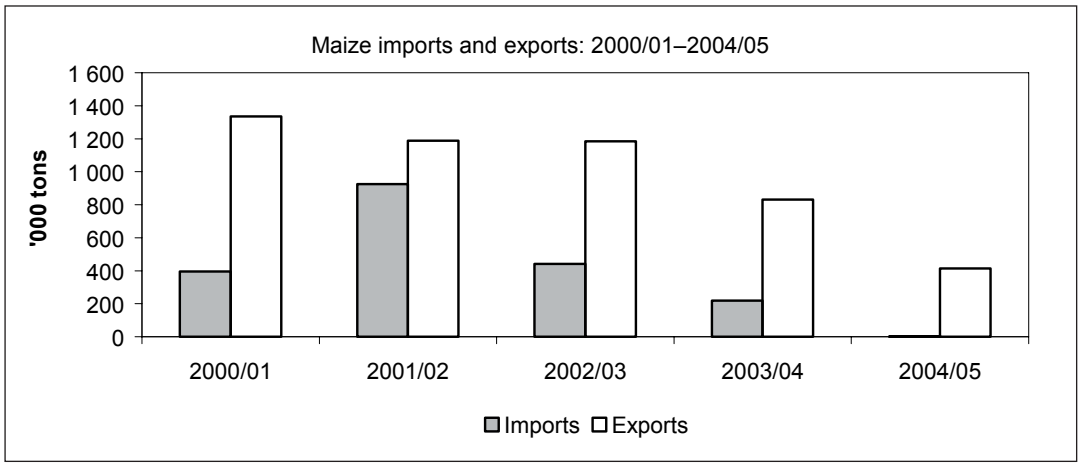
Trade balance

The maize industry is an important earner of foreign exchange for South Africa through the export of maize and maize products. The international maize market, especially in the US, has a dominant influence on local imports and exports, as it determines the world maize price.

In the case of a product such as white maize, millers (who are the main buyers of the maize crop) have the option of importing maize rather than buying local maize. In a deregulated market, they will buy from domestic and foreign sources for a wide variety of reasons. However, the source of the bulk of their purchases will depend on price and quality. When they import the product, the exchange rate has an important influence on the actual rand price that they pay.

Depreciation in the value of the rand makes it more expensive to import products such as maize, wheat and oilseeds, thereby providing some protection to South African farmers and an incentive to higher production in the longer term. However, if South African producers are unable to meet the needs of the processors, or if processors are uncertain about local supplies, foreign sources will again be considered. South African suppliers, on the other hand, will consider the export market if domestic processors are unwilling to pay the prevailing market price. In this manner, the market sets a “natural” floor and ceiling price, i.e. a price band within which such products trade. The price-setting mechanism for these prices is the Agricultural Products Division of the JSE Security Exchange of SA.

The following graph shows the imports of maize to and exports from South Africa during the past five seasons:



Important export destinations are BLNS countries, Zimbabwe, Angola, Mozambique and other foreign countries such as Japan. Normally, the window of opportunity for exports of domestic maize lasts only until the end of October, when the harvesting of the US crop and US exports start.

Apparently there are many logistical problems associated with the exporting of maize, e.g. a limited rail capacity available for exports to African countries. South Africa’s ports can only handle 100 000 to 150 000 tons of maize per month and therefore, should a large export order from abroad materialise, it could tie up South Africa’s export facilities for a few months.

Maize tariff

The import tariff on maize is another domestic factor that has an impact on the local price of maize.

If the 21-day moving average f.o.b. price of maize in the US Gulf deviates by more than US$7/ton from the reference price of US$92,07/ton for 21 consecutive US trading days, a new tariff is triggered. The import tariff for maize, as published in the *Government Gazette* on 13 January 2005, was R84,24/ton. A new tariff of R22,91/ton, based on SAGIS calculations, was triggered during August 2005 and published on 23 September 2005. However, tariffs do not play a major role when large surpluses exist, which is currently the case.

Marketing

Since 1997, after the disbanding of the Maize Board, no statutory levies have been applicable and the marketing of maize is free from statutory intervention. All assets of the former Maize Board were transferred to the Maize Trust and are used to the benefit of the entire maize industry.

Organisations involved

- Farmers are represented by Grain South Africa (GSA), which promotes the interests of maize producers at all levels.
- Directly affected groups in the marketing of maize and maize products are represented by the Technical Advisory Forum.
- The Board of Trustees of the Maize Trust ensures that the income derived from the assets of the Maize Trust is utilised for the benefit of the entire industry.
- The South African Grain Information Service (SAGIS), a Section 21 Company funded by, amongst others, the maize industry, administers the information function—that is registration, records and returns.
- The Southern African Grain Laboratory (SAGL), a Section 21 Company, mainly performs wheat and maize quality analyses.
- Research is financed with income from the Maize Trust and undertaken by the ARC, the Council for Scientific and Industrial Research (CSIR) and other research organisations.

Sorghum

Plantings and production

Sorghum is indigenous to Africa. It is mainly cultivated on low-potential, shallow soils with a high clay content, that are not suitable for maize cultivation. Less than 1 % of the arable land in South Africa is used for the cultivation of sorghum. During the last few years, sorghum production shifted from the drier western to the wetter eastern production areas. This change in the production area led to the development of cultivars that are less sensitive to lower temperatures.

Sorghum is planted mainly between mid-October and mid-December. The rainfall pattern and other weather conditions of a particular season to a large extent determine the planting period as well as the length of the growing season.

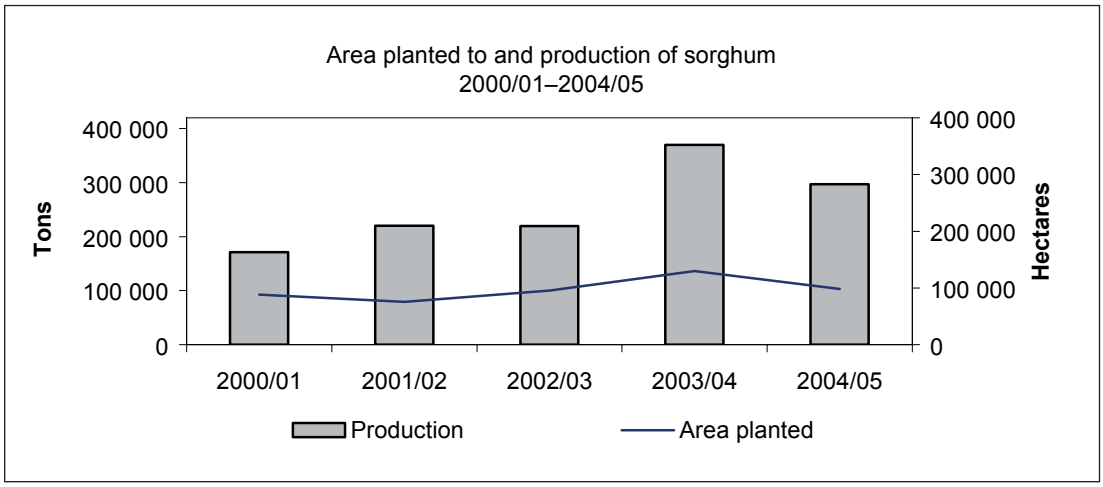
Sorghum for commercial purposes is mainly produced in the Free State (61,1 %), Mpumalanga (20,4 %), Limpopo (8,7 %) and North West (6,1 %) provinces. During the 2004/05 production season (April to March), an estimated 98 240 ha were planted to sorghum for commercial use. This represents a decrease of 24,4 % compared to the 130 000 ha planted during 2003/04. The decrease in the area planted can be ascribed to lower producer prices which, in turn, could be attributed to high carry-over stocks from the 2003/04 season.

The commercial sorghum crop for the 2004/05 production season is estimated at 297 300 tons, which is 20,3 % lower than the previous season and about 12,8 % higher than the 5-year average production of 263 564 tons up to 2003/04. The average yield is 3,03 t/ha, which is 22,2 % higher than the 5-year average yield of 2,48 t/ha.

Plantings, production and the yields of sorghum from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
Plantings (ha)	88 300	75 250	95 497	130 000	98 240
Production (t)	171 221	220 000	219 514	373 000	297 300
Yield (t/ha)	1,94	2,92	2,30	2,87	3,03

The following graph shows the area planted to and the production of sorghum in South Africa:



It is estimated that between 9 000 and 21 000 tons of sorghum are produced annually by the developing agricultural sector for own use.

Consumption

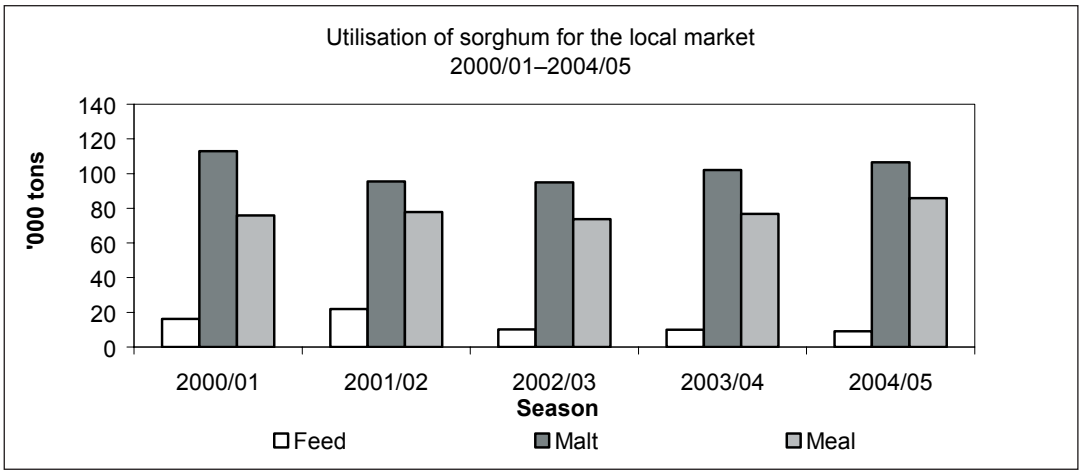
Processors of sorghum products for the consumer market find themselves in an extremely competitive environment in which consumers can easily switch to substitutes such as maize meal, “clear beer” and rice.

Sorghum is mainly used for human consumption, for example malt, sorghum meal and sorghum rice. Malt is used in beer production. Sorghum meal, also known as “Mabele”, competes directly with maize meal and is used as a breakfast cereal. Sorghum rice, or corn rice, is served instead of rice.

The stock feed market is the most important outlet channel for surpluses in sorghum production, because it can be used successfully as a substitute for yellow maize as an energy source. No grinding is required, which reduces the cost of processing sorghum into feed. There is a trend towards a decline in sorghum feed consumption, however, which can mainly be attributed to the fact that the sorghum industry is losing its market share in the pet and poultry feed markets as producers are switching to cheaper alternatives such as maize.

The average annual commercial consumption (human and animal) of sorghum during the past five years is approximately 212 000 tons, of which 196 000 tons are for human consumption (malt, meal and other consumption) and 16 000 tons for animal feed.

The following graph depicts the utilisation of sorghum in South Africa:



Producer prices

Local producer prices of sorghum decreased by 50 %, from R900/ton in 2003/04 to R450/ton for the 2004/05 production season.

Season	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Producer price	760,00	1 500,00	1 450,00	900,00	450,00

Cooperation

The Sorghum Forum, consisting of all the participating parties in the sorghum industry (producers, traders, silo-owners, processors, labour, consumers and the ARC) meets regularly to discuss various issues relevant to the industry.

Wheat

In terms of value of production, wheat is the second most important field crop produced in South Africa. In the 2004/05 season, wheat contributed approximately 12 % to the gross value of field crops. The average annual gross value of wheat for the past 5 years amounts to R2 854 million, compared to R8 675 of maize, which is the most important crop.

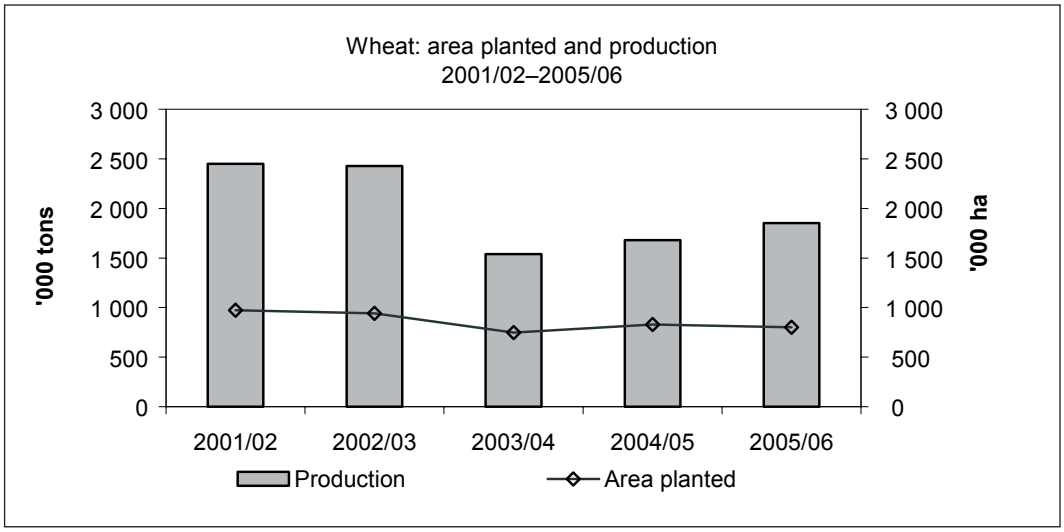
Wheat is planted mainly between mid-April and mid-June in the winter rainfall area and between mid-May and the end of July in the summer rainfall area. Most of the wheat produced in South Africa is bread wheat, with small quantities of durum wheat being produced in certain areas.

Areas planted and production

The estimated area planted to wheat for the 2005/06 season is 800 500 ha (a decrease of 2,1 % from the 2004/05 season), of which 380 000 ha (47 %) are in the Free State and 300 000 ha (37 %) in the Western Cape. With the exception of July 2005, the Western Cape experienced favourable conditions during the 2005/06 season and yields were noticeably higher than the average of the previous five years.

Up to October 2005, the Free State experienced dry conditions, which resulted in lower yields for wheat than expected initially.

The areas planted to and production of wheat are depicted in the following graph:



The expected commercial wheat crop for 2005/06 is 1,851 million tons, of which 675 000 tons (37 %) are in the Free State, 551 000 tons (30 %) in the Western Cape, and 272 600 tons (15 %) in the Northern Cape provinces. The expected average yield for commercial wheat is 2,31 t/ha.

Plantings, production and yields from 2001/02 to 2005/06 are as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
Plantings (ha)	973 500	941 100	748 000	830 000	800 500
Production (t)	2 450 000	2 427 000	1 540 000	1 680 000	1 851 300
Yield (t/ha)	2,52	2,58	2,06	2,02	2,31

Consumption

A total of 3,512 million tons of wheat were available for local consumption during the 2004/05 marketing season (October to September). This comprised carry-over stocks as at 1 October 2004 amounting to 598 000 tons, domestic production, including the developing sector, of approximately 1,687 million tons and imports of 1,227 million tons.

The total demand for wheat for the 2004/05 marketing season is estimated at approximately 2,952 mllion tons. During this period, a total of 156 000 tons of wheat were exported. Carry-out stocks at 30 September 2005 are estimated to be 560 000 tons.

For the 2005/06 marketing season, the total supply of wheat is estimated at 3,592 million tons (the estimated wheat crop of 1,858 million tons, including the developing sector, together with the carry-over stocks of about 560 000 tons and imports of 1,174 million tons). The demand for wheat (exports included) is estimated at 2,986 million tons. Carry-out stocks at the end of September 2006 are expected to amount to 606 000 tons.

Imports

Wheat is mostly imported for human consumption. In July 2005, a new tariff system for imports of wheat was published in the *Government Gazette*. The new tariff is 2 % ad valorem duty on imports.

Wheat imports from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
	Tons				
Imports	308 000	407 000	747 000	1 042 000	1 227 000

Prices

The average producer prices of wheat (grade 1) from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Producer price	1 165,35	1 421,61	1 572,05	1 428,14	1 090,91

Wheat prices are influenced by, among other factors, international wheat prices, the strength of the rand against other currencies, international and local wheat supply and weather conditions.

Marketing

The South African wheat market was deregulated on 1 November 1997 and wheat can therefore be traded freely. The only government intervention in the market is the tariff on wheat imports.

The Winter Grain Trust is responsible for the allocation of funding and appraisal of relevant research projects in the winter grain industry. Since 1998, statutory levies on sales of winter cereals have been used to finance the Winter Grains Trust.

Research and information

The ARC-Small Grain Institute in Bethlehem conducts the research on wheat and other winter grains.

The South African Grain Information Service (SAGIS), a Section 21 company funded by, amongst others, the wheat industry, administers the information function for the wheat industry.

World wheat situation

According to the August 2005 report of the United States Foreign Agricultural Services, world wheat trade in 2005/06 (July to June) is forecast at 108 million tons, which is less than in 2004/05. Global production of wheat has decreased by 14 million tons to 610 million tons compared to 2004/05. Global consumption is expected to be 617 million tons—18 million tons more than the previous year. Consumption is forecast to exceed production. Therefore global stocks are expected to decrease by 7 million tons to 141 million tons. For South Africa it is important to note that Argentina's exports in 2005/06 are likely to drop by more than 40 % to only 8 million tons, compared to 13,5 million tons the previous season.

Malting barley

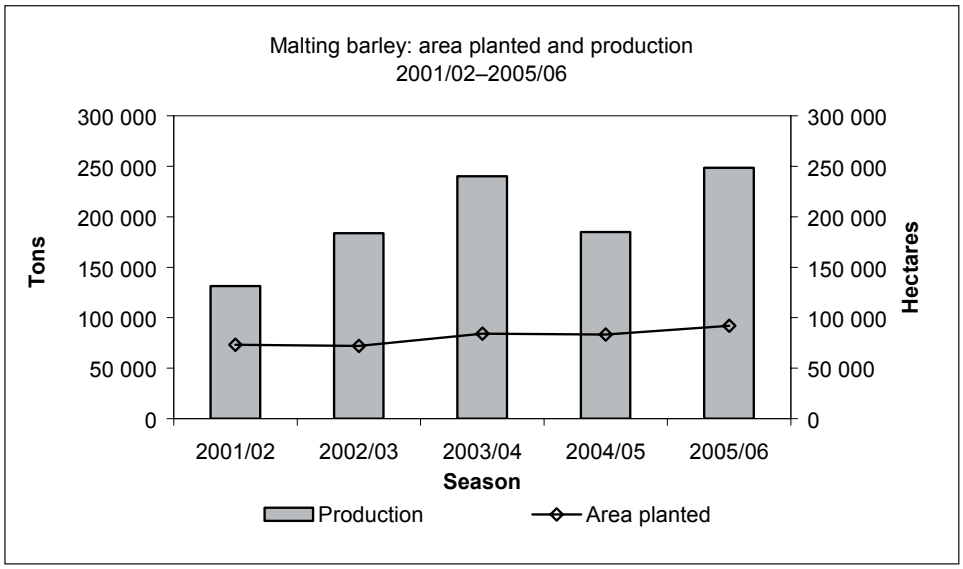
Plantings and production

Barley is a winter cereal crop that is mainly produced in the Western Cape. The average annual gross value of malting barley for the past five years amounts to R206,5 million. Malting barley is mainly produced in the Western Cape Province (87 %) under dryland conditions and in the Vaalharts and Taung areas of the Northern Cape Province (11 %) under irrigation. Substantially more barley is now produced in the Northern Cape, where the crop is irrigated and therefore yields are better and more stable than in the Western Cape where the crop is dependent on rainfall.

The malting barley plantings for the 2005/06 season are estimated at 91 950 ha, which is an increase of 10,5 % from the 83 200 ha planted in 2004/05. A total estimated crop of approximately 248 600 tons of malting barley is expected for the 2005/06 season, which is 34,4 % more than the estimated production of 185 000 tons the previous season.

Plantings, production and yield of malting barley from 2001/02 to 2005/06 are as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
Plantings (ha)	73 160	72 100	84 220	83 200	91 950
Production (t)	131 400	183 770	240 000	185 000	248 600
Yield (t/ha)	1,80	2,55	2,85	2,22	2,70



Consumption

Barley is mainly used for the production of malt (for brewing beer), animal feed and pearl barley. However, the Crop Estimates Committee's barley estimates only involve malting barley, therefore excluding barley for animal feed. Caledon Maltings was built in 1981 to process barley into malt and there is another smaller malting plant at the Alrode Brewery near Johannesburg. Part of the South African barley crop is generally less suitable for malting purposes and is therefore used as animal feed.

The total supply of barley for the 2004/05 marketing season (October to September) was estimated at 389 000 tons (imports included). Carry-over stocks as at 1 October 2004 amounted to 102 000 tons. Production during the 2004/05 season was 185 000 tons, while 102 000 tons were imported.

For the 2004/05 marketing season, the total demand for barley was 289 000 tons. Carry-out stocks at 30 September 2005 were estimated at 103 000 tons. This is substantially higher than the required 3-month-pipeline stock of 35 000 tons.

For the 2005/06 marketing season, the total supply of barley is estimated at 379 000 tons, comprising the estimated crop of 248 600 tons, carry-over stocks of about 99 000 tons and expected imports of 31 400 tons. The domestic demand for barley is estimated at 290 000 tons, including 5 000 tons of exports. Carry-out stocks at the end of September 2006 are expected to amount to 89 000 tons, which is more than double the required 3-month-pipeline stock of 35 000 tons.

Producer prices and value of crop

The average producer prices of malting barley from 2000/01 to 2004/05 are estimated to be as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Producer price	800	1 000	1 200	1 433	1 342

The average annual gross value of malting barley for the past five years amounts to R206,5 million, compared to the R2 854 million of wheat and R8 675 of maize.

Marketing

Malting barley is different from most, if not all, other agricultural commodities, as there is only one major buyer in South Africa, namely Southern Associated Maltsters (SAM), which supplies its major shareholder, SA Breweries, with malted barley. Barley producers have a guaranteed market (written commitment to source locally) and fixed price forward contracts.

Imports

Over the past few years, variability in rainfall has caused wide fluctuations in barley quality and yields in South Africa. Whenever the local crop has fallen short of requirements, SAM has imported mostly from Canada and Australia and, to a lesser extent, from the EU.

Barley and malt imports from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
	Tons				
Imports : Barley	134 800	166 900	132 700	69 500	101 600
Malt	67 000	63 200	59 700	70 800	56 900

World barley situation

According to the August 2005 trade report forecasts of the United States Foreign Agricultural Services, global production of barley for 2005/06 is set to decrease by 19,5 million tons, to 133,4 million tons, compared to the previous season, and global consumption of 140,3 million tons was expected to be 3,3 million tons less than the previous season. Barley production is projected to be less than consumption, therefore global stocks are expected to decrease by 6,8 million tons, to 24,6 million tons.

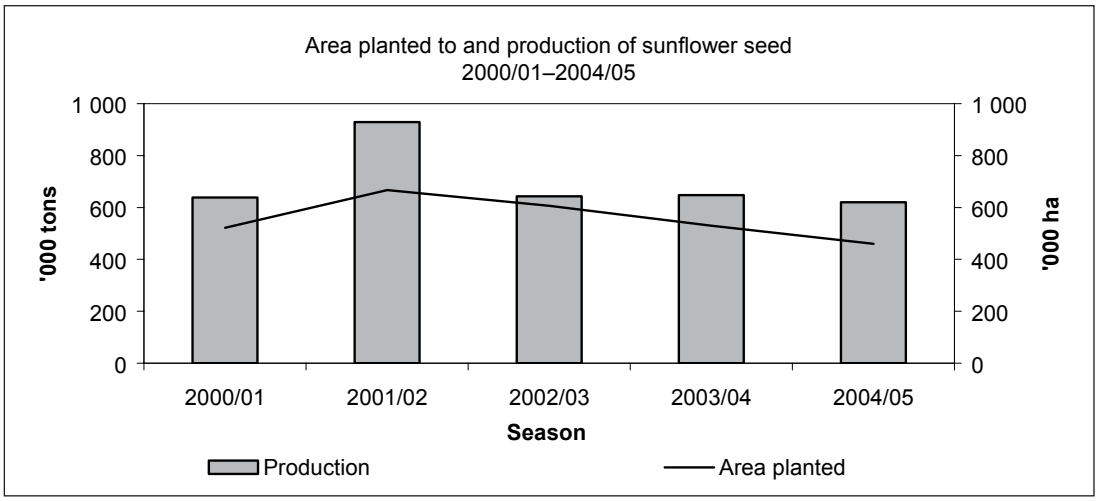
Sunflower seed

Sunflower seed can be planted from the beginning of November to the end of December in the eastern parts of the country, and up to the middle of January in the western parts. Compared to other crops, sunflower seed performs well under dry conditions. This is probably the main reason for the crop's popularity in the marginal production areas of South Africa. The crop is produced in the Free State (40 %) and North West (43 %) provinces. The contribution of sunflower seed to the gross value of field crops during 2004/05 is approximately 6,1 % and its average annual estimated gross value for the past five years amounts to R1 231 million, compared to the 36 % and R8 675 million of maize.

Plantings and production

The plantings of sunflower seed vary quite dramatically from year to year, but remain more or less within a range of between 380 000 and 830 000 ha over the years. During the 2004/05 production season, an estimated 460 000 ha were planted to sunflower seed for commercial use, as against an estimated 530 000 ha during the previous season. This represents a decrease of 13,2% and is also lower than the five-year average of 544 401 ha up to 2003/04.

The commercial production of sunflower seed during 2004/05 was approximately 620 000 tons. This is 4,3 % lower than the previous season and 8,5 % lower than the average of 677 669 tons for the previous five years. Yields during the past production season were quite good. The average yield is approximately 1,35 t/ha, which is higher than the 1,22 t/ha during the previous season, and slightly higher than the five-year average of 1,24 t/ha up to 2003/04. Developing agriculture contributed an estimated 26 368 tons (4,0 %) to the total sunflower seed production in South Africa during 2004/05.



Indications for the 2005/06 production season are that producers intend increasing sunflower plantings by approximately 35 %, mostly at the expense of maize plantings. Applying the average of 1,24 t/ha for the previous five seasons to an expected area of 621 000 ha, a production of 770 040 tons of sunflower seed could be projected.

Commercial plantings, production and yield of sunflower seed from 2000/01 to 2004/05 are as follows:

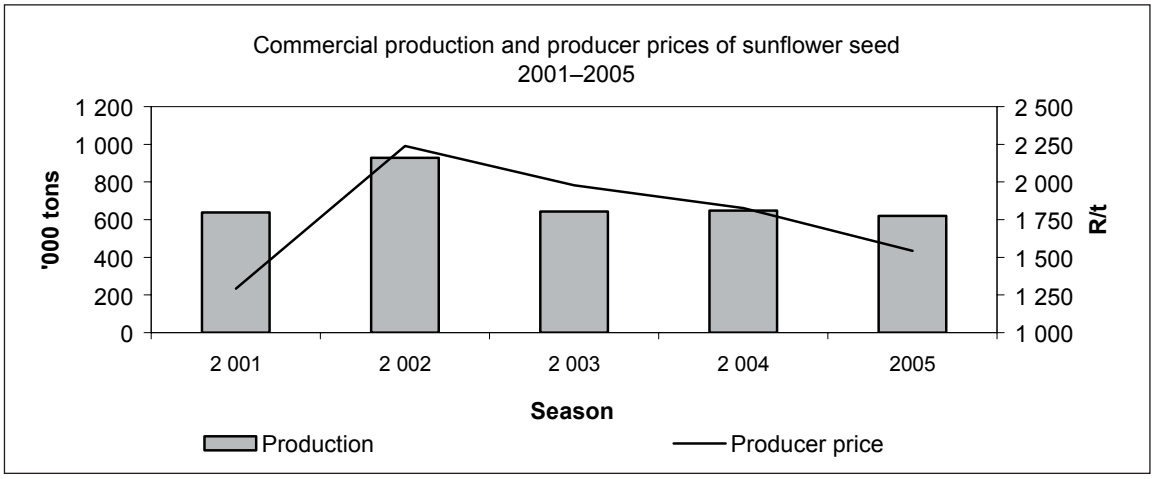
Season	2000/01	2001/02	2002/03	2003/04	2004/05
Plantings (ha)	521 695	667 510	606 450	530 000	460 000
Production (t)	638 320	928 790	642 610	648 000	620 000
Yield (t/ha)	1,22	1,39	1,06	1,22	1,35

Producer prices

The average producer prices of sunflower seed from 2001 to 2005 are as follows:

Season	2001	2002	2003	2004	2005
	R/ton				
Producer price	1 293	2 238	1 978	1 827	1 543

The average producer price decreased by 15,5 %, from R1 827/ton during 2004 to R1 543/ton during 2005. The main reasons for this are the sharp increases in world supplies of sunflower seed and sunflower oil, as well as the stronger rand.



Consumption

The sunflower seed marketing season in South Africa commences on 1 January and ends on 31 December of the calendar year. Sunflower seed is primarily used for the manufacturing of sunflower oil and oilcake. Sunflower oil is marketed in the form of refined oil for domestic and industrial cooking and baking purposes and is also processed into margarine and other consumer products. Oilcake is an important protein ingredient of balanced animal feed.

The total demand for sunflower seed in South Africa decreased by 1,9 %, from 674 000 tons in 2004 to 661 000 tons in 2005.

A breakdown of the total demand for sunflower seed is as follows:

Season	2001	2002	2003	2004	2005*
Commercial consumption (t)	670 000	713 000	805 000	661 000	648 000
On-farm (unspecified) consumption (t)	8 000	21 000	11 000	13 000	12 000
Exports (t)	1 000	46 000	0	0	1 000
Total demand	679 000	780 000	816 000	674 000	661 000

*Projections

An estimated 745 300 tons of sunflower seed were available for commercial utilisation during the 2005 marketing season. Carry-over stocks on 1 January 2005 amounted to 120 300 tons and the estimated production is approximately 620 000 tons. Imports are estimated at 5 000 tons and exports at 1 000 tons.

In South Africa, sunflower seed is mainly (an estimated 99 % or 647 700 tons in 2005) used for oil and oilcake production. Carry-out stocks on 31 December 2005 are expected to be approximately 82 800 tons. This is about half the required three-month-pipeline stock of approximately 161 800 tons.

High-oil sunflower seed is by far the main cultivars produced in South Africa. Sunflower seed is the major source of plant oil for human consumption in South Africa. About 50 % of the demand for plant oil is satisfied by locally produced sunflower seed. The balance is made up of imports and other local plant oils such as canola, cottonseed and soya-bean.

Sunflower oilcake is an important by-product of the oil extraction process and is a source of protein for animal feed. Although there is a huge demand for protein, the inclusion of sunflower oilcake in pig and poultry feeds is restricted by the high fibre content of the cake. Because of this constraint, the demand for sunflower oilcake plays an important role in determining the demand for sunflower seed.

Trade

With regard to exports, phytosanitary requirements and quality standards must be adhered to and a Perishable Products Export Control Board (PPECB) certificate must be obtained. Although trade in sunflower seed is low, the most important country from which sunflower seed have been imported is the Ukraine, while exports are mainly to Pakistan and Thailand.

Year	2001	2002	2003	2004	2005*
	Tons				
Imports	7 500	1 800	1 500	17 500	5 000
Exports	1 100	45 700	200	0	1 000

*Projections

International overview

World production of sunflower seed decreased by 5,8 %, from 27,7 million tons in 2003 to 26,1 million tons in 2004. The former USSR countries contribute 33 % (8,6 million tons), the Russian Federation 18 % (4,8 million tons) and Argentina and the Ukraine 12 % (3,1 million tons) to world production.

It is estimated that world production recovered more sharply than expected and could reach a record level of 28,8 million tons for 2005.

Marketing arrangements

No levies are applicable and the marketing of oilseeds is free from statutory intervention.

The information function is performed by the national Department of Agriculture, through the Directorate Agricultural Statistics, Grain South Africa and the South African Grain Information Service (SAGIS), a Section 21 Company funded by, amongst others, the oilseeds industry. Research is financed with income from the Trust and performed by the ARC, CSIR and other organisations.

Soya-beans

Various soya-bean cultivars are very well adapted to South African conditions. Depending on local conditions, soya-beans are typically planted in November and December. On ripening, the leaves turn yellow and the moisture content of the seeds drops – from about 65 to 14 % within 14 days – given that the weather is hot and dry. It is a relatively difficult crop to grow and not all areas are suitable for soya-bean cultivation. The plant thrives best in warm, fertile, clayish soil. Soya-beans are mainly cultivated under dryland conditions and grown primarily in Mpumalanga (58 %), Free State (14 %), and KwaZulu-Natal (12 %). Small quantities are cultivated in the Limpopo, Gauteng and North West provinces. Soya-beans contribute approximately 2,0 % to the gross value of field crops and the estimated average annual gross value of soya-beans for the past five seasons amounts to R370 million.

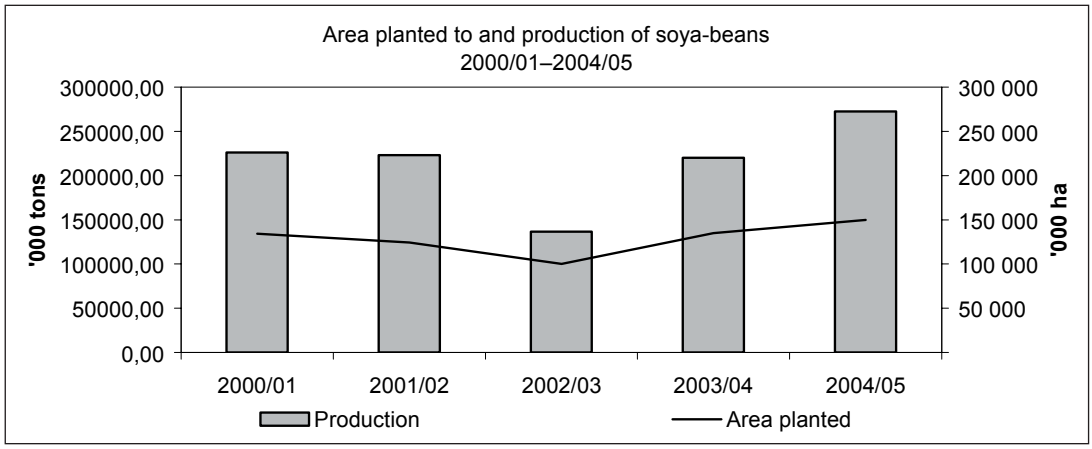
Plantings and production

The plantings of soya-beans vary between 40 000 and 150 000 ha over the years. During the 2004/05 production season, an estimated 150 000 ha were planted to soya-beans for commercial use, as against an estimated 135 000 ha during the previous season. This represents an increase of 11,1 % and is also approximately 28 % higher than the five-year average of 117 500 ha up to 2003/04.

The estimated crop of 272 500 tons for 2004/05 represents an increase of 23,9 % compared to the 2003/04 crop of 220 000 tons. It is also 41,9 % higher than the average of 192 000 tons for five years up to 2003/04. The average yield is 1,82 t/ha, which is higher than the 1,63 t/ha of the previous season.

Plantings, production and yields of soya-beans from 2000/01 to 2004/05 were as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
Plantings (ha)	134 150	124 150	100 130	135 000	150 000
Production (t)	226 210	223 000	136 520	220 000	272 500
Yield (t/ha)	1,69	1,80	1,36	1,63	1,82



Soya-bean production in South Africa has steadily increased during the past decade, partly as a result of an increase in yields per hectare. The average production for the past ten years is 161 000 tons with an average yield of 1,54 t/ha, whereas the average production for the past five seasons up to 2003/04 is 192 000 tons at an average yield of 1,63 t/ha.

There is a growing interest in soya products in South Africa, because of the associated health benefits. Soya-beans are therefore not only regarded as an economical replacement for maize, but also as a crop for the future.

Producer prices

The average local producer price of soya-beans for 2005 is approximately R1 143/ton, which is 46,4 % lower than the price for 2004. The main influences on soya-bean prices include the rate of increase in South American soya production, the Chinese demand for imported soya, marine freight rates, the continued strengthening of the rand/dollar exchange rate and the spread of genetically modified (GMO) cultivars in the main production areas. An increase in GMO cultivars could increase yields and help stabilise prices.

The average producer prices of soya-beans from 2001 to 2005 are as follows:

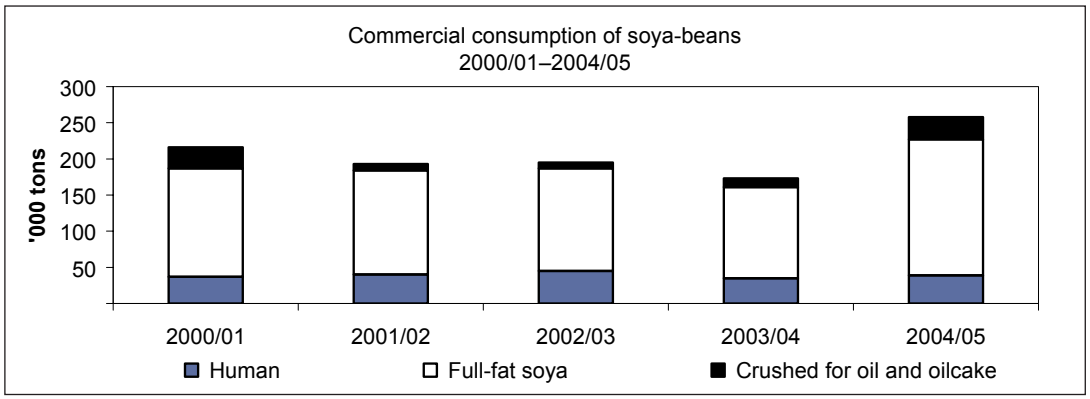
Year	2001	2002	2003	2004	2005
	R/ton				
Producer price	1 243	2 011	2 487	2 135	1 143

Consumption

An estimated total of 390 000 tons of soya-beans are available for utilisation during the 2005 marketing season (January to December). Carry-over stocks on 1 January 2005 amounted to 101 000 tons, and the estimated production is 272 500 tons. Imports of approximately 17 000 tons are expected. Small quantities are exported annually. The expected exports are 10 000 tons.

In South Africa, soya-beans are mainly used for animal feed. Less than 20 % of the production is used for human consumption. The local commercial consumption of soya-beans for 2005 is estimated at 258 000 tons, of which approximately 39 000 tons are for human consumption, 188 000 tons for feed and 31 000 tons for oil and oilcake production. Carry-over stocks on 31 December 2005 are expected to be approximately 111 000 tons. This is considerably higher than the required three-months-pipeline stock of about 65 000 tons.

The following graph illustrates the commercial consumption of soya-beans:



About 20 % of the South African soya-bean crop is used for human purposes, 73 % for feed and 7 % for oil and oilcake production.

Trade

With regard to exports, phytosanitary requirements and quality standards must be adhered to and a PPECB certificate must be obtained. South Africa exports mainly to Zimbabwe and imports mainly from Argentina.

The imports and exports of soya-beans from 2001 to 2005 are as follows:

Year	2001	2002	2003	2004	2005
	Tons				
Imports	13 900	34 800	23 400	18 000	17 000
Exports	1 400	1 200	5 100	2 000	10 000

International overview

Economically, the soya-bean is the most important legume in the world, providing good-quality vegetable protein to millions of people and animals, as well as ingredients for numerous chemical products. In the late 20th century and into the present, soya-beans have played an important part in helping to alleviate world hunger.

World production increased by 8,1 %, from 188,9 million tons in 2003 to 204,3 million tons in 2004. The United States contributed 42 % (85,5 million tons), Brazil 24 % (49,2 million tons), Argentina 15 % (31,5 million tons) and China 9 % (17,6 million tons) to world production. The balance of 10 % is made up, *inter alia*, by Paraguay, Canada, Europe, India and South Africa.

Research and information

Research is financed with income from the Oil and Protein Development Trust and performed by the ARC, CSIR and other organisations.

The information function is performed by the national Department of Agriculture, through the Directorate Agricultural Statistics, by Grain South Africa and by the South African Grain Information Service (SAGIS), a Section 21 company funded by the four grain trusts. SAGIS collects, collates and publishes cold, clinical and reliable market information (stocks, imports, exports, consumption and producer deliveries) once a month.

Accurate crop forecasts and estimates also play an important role by providing real-time information upon which important decisions and measures can be based. The crop estimates are a result of the collated inputs of and consensus reached by the various members of the Crop Estimates Committee.

Groundnuts

Plantings and production

Groundnuts are mainly produced in the north-western regions of South Africa, namely the western and north-western Free State (44,4 %), the North West Province (30,4 %) and the Northern Cape (21 %). The normal planting time for groundnuts is mid-October to mid-November. Groundnuts must be planted as early in the season as possible, as soon as the danger of cold spells has diminished. Low temperatures are inclined to delay the germination process, which exposes the seedlings to fungal and herbicide damage.

Groundnuts contribute approximately 1,3 % to the gross value of field crops, and the average annual gross value of groundnuts for the five years up to 2003/04 amounts to approximately R364 million.

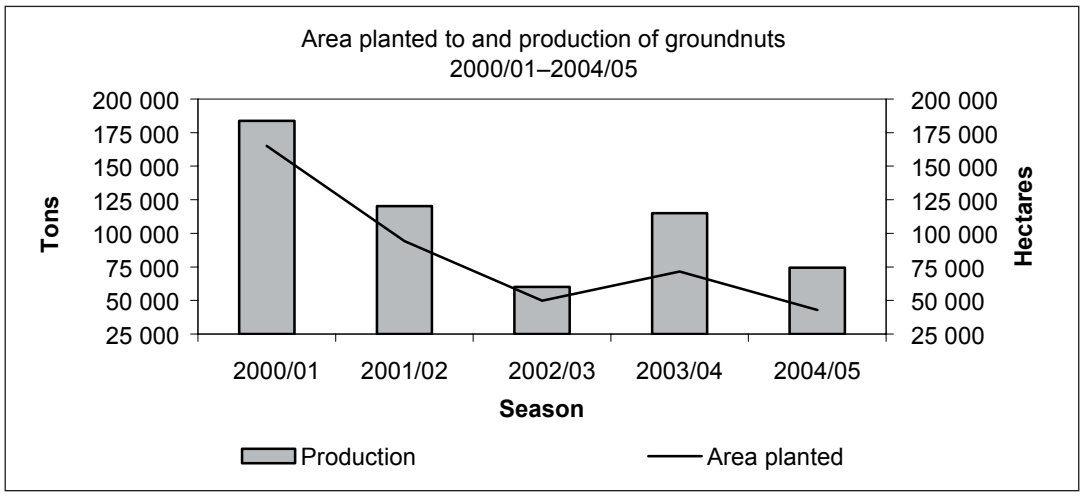
During the 2004/05 production season, an estimated 42 800 ha were planted to groundnuts for commercial use, as against an estimated 71 500 ha planted during 2003/04. This represents a decrease of 40,1 % and is about 53,8 % lower than the average of 92 675 ha planted during the five years up to 2003/04.

The estimated commercial crop of 74 388 tons of groundnuts for 2004/05 represents a decrease of 35,3 % compared to the 2003/04 crop of 115 000 tons. It is 37,2 % less than the five-year average of 118 516 tons up to 2003/04. The average yield was 1,74 t/ha, which is 8,1 % higher than the 1,61 t/ha of the previous season and 35,9 % higher than the five-year average of 1,28 t/ha. Yields achieved during the past few years show a continued upward trend, probably indicating changes to better cultivars and to an ongoing improvement of cultivation techniques.

Production is highly affected by the costs of production inputs as well as the demand for groundnuts.

Plantings, production and the yield of groundnuts from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
Plantings (ha)	165 250	94 160	49 850	71 500	42 800
Production (t)	183 840	120 185	60 005	115 000	74 388
Yield (t/ha)	1,11	1,28	1,20	1,61	1,74



Indications for the 2005/06 production season point to an increase of 49,5 % in the number of hectares planted to groundnuts. Applying the average yield of about 1,3 t/ha for the previous five seasons to an expected area of 64 000 ha, a production of 83 200 tons of groundnuts for 2005/06 is projected. Because of the maize surplus and the resultant relatively low maize prices, some farmers were considering to plant groundnuts instead of maize for the 2005/06 season. As a large surplus of groundnuts already existed, farmers have, however, been warned to secure supply contracts before planting.

Producer prices

The average producer prices of groundnuts from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Producer prices	2 045	2 426	5 050	2 870	2 504

The dramatic decrease in exports since the 2001/02 marketing season (March to February), mainly as a result of the strengthening of the rand against the dollar, together with the large domestic stock situation at the beginning of the season, contributed to a decrease (12,8 %) in the average producer price for groundnuts from R2 870/ton for 2003/04.

Trade balance

The SA Groundnut Forum has requested all role-players to comply with legally prescribed standards for permissible levels of chemical residue on groundnuts destined for export in order to maintain the market share of South African groundnuts, especially in the European Union and Japan. These regulations are based on the principle of critical good agricultural practices (CGAP).

Imports of groundnuts to and exports from South Africa during the past five seasons are as follows:

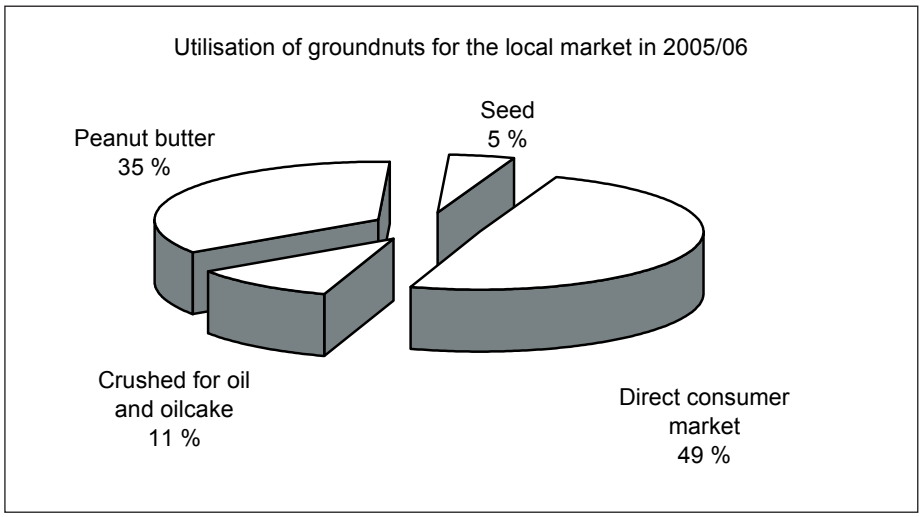
Season	2000/01	2001/02	2002/03	2003/04	2004/05
	Tons				
Imports	3 100	600	18 500	12 300	1 000
Exports	50 500	48 900	20 400	21 100	17 500

Consumption

A total of 137 300 tons of groundnuts are available for utilisation during the 2005/06 marketing year. Carry-over stocks on 1 March 2005 amounted to 53 500 tons, and the estimated production, including developing agriculture, is 82 800 tons. The expected imports are projected at 1 000 tons.

Expected exports amount to 17 500 tons. Carry-over stocks at the end of February 2006 are expected to be approximately 30 200 tons. This is almost twice the required three-month-pipeline stock of 17 600 tons.

In South Africa, groundnuts are mainly used for human consumption. It is expected that approximately 7 400 tons of groundnuts will be used for oil and oilcake during the 2005/06 marketing season, 24 700 tons for peanut butter and 34 600 tons for the edible market.



The *per capita* consumption for the 2005/06 marketing year is estimated at 1,18 kg, as against 1,13 kg for the previous season.

Research and information

The information function is performed by the South African Grain Information Service (SAGIS), a Section 21 company funded by, amongst others, the oilseeds industry.

Research is managed by the Groundnut Forum, financed with funding received from the Oil and Protein Development Trust, and performed by the ARC, CSIR and other organisations.

Sweet lupines

Sweet lupines is a tasty cereal crop with a high protein and energy content and is mainly planted in the Western Cape Province. Because the crop is sensitive to high temperatures during flowering and pod formation, it is better suited to the cooler areas of the country and planted in winter. Sweet lupines are mainly utilised in animal feed rations.

Sweet lupines is a legume crop that releases nitrogen into the soil, therefore it is used in rotation systems with crops such as wheat and canola to increase their yields. Through selection and breeding, sweet lupine cultivars were developed from bitter lupine species. Unwanted bitter seeds are still found in sweet lupines when generation of seed takes place and the bitter seed causes a higher alkaloid content in the lupines. A maximum alkaloid content of 0,03 % is permissible. Anthracnose (*Colletotrichum gloeosporioides*) is the most important disease that affects sweet lupines. It is a fungal disease and can lead to the total collapse of the infected plant and cause extensive crop losses. It is distributed by air as well as through infested seeds.

There are three species of sweet lupines, namely broad-leaf cultivars (*Lupinus albus*), narrow-leaf cultivars (*Lupinus angustifolius*) and yellow sweet lupines (*Lupinus luteus*). The broad-leaf cultivars produce higher yields with higher protein and oil contents, while some of the narrow-leaf cultivars (Wanga and Tanjil) are more resistant to anthracnose.

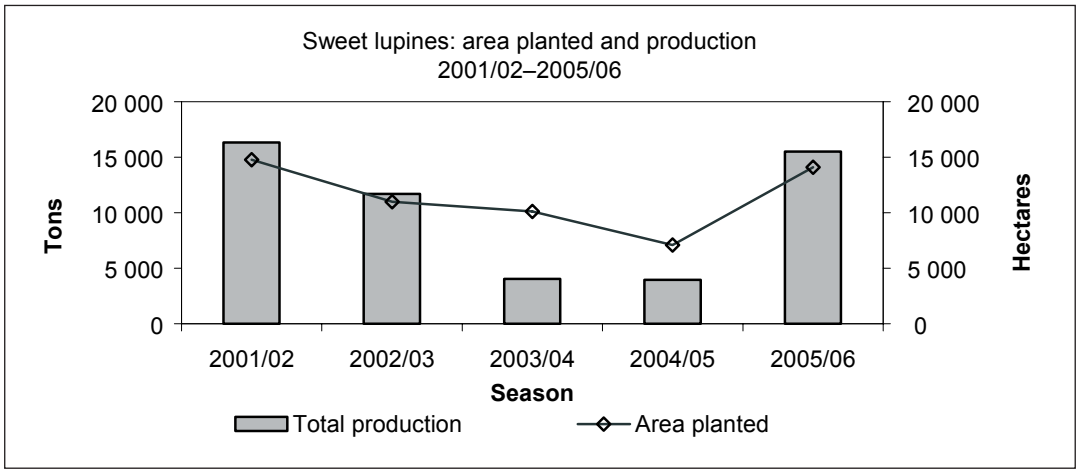
Plantings and production

The estimated area planted to sweet lupines increased by 98,6 %, from 7 100 ha during the 2004/05 season to 14 100 ha in the 2005/06 season. Production is also expected to increase—by 292,6 %, from 3 950 tons to 15 510 tons—as a result of favourable weather conditions.

Plantings, production and yields of sweet lupines from 2001/02 to 2005/06 are as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
Plantings (ha)	14 785	11 000	10 100	7 100	14 100
Production (t)	16 338	11 700	4 040	3 950	15 510
Yield (t/ha)	1,11	1,06	0,40	0,56	1,10

The areas planted to and production of sweet lupines are depicted in the following graph:



The decrease in areas planted from 2001/02 to 2004/05 was mainly a result of the problems that farmers experienced with drought and anthracnose infestation. Farmers need to switch to new cultivars that are more resistant to anthracnose, but the availability of seed of these cultivars has been a problem. Research is undertaken to breed for anthracnose resistance in sweet lupines.

Consumption

Sweet lupines are used as a supplement in poultry, ostrich, dairy, beef, horse, sheep and goat rations. It contains between 32 and 37 % protein—compared to 47 % protein in soya-bean oilcake—and 10 % oil and has an energy value of approximately 11 mJ/kg. On the local market, sweet lupines compete with other oilseeds that can be used as oilcake in feed rations, for example soya-beans and canola.

Prices

The price of sweet lupines is based on the price of imported soya-bean oilcake (containing 47 % protein). There are currently about four different buyers of sweet lupines in the Western Cape who offer preplanting contracts to producers and the prices that farmers received during November 2005 were around R1 050/ton.

Research

The ARC-Grain Crops Institute and the Protein Research Foundation (PRF) at Elsenburg conduct research and cultivar trials on sweet lupines. The PRF funds most of the research on sweet lupines and has also established a working group to promote the local lupine industry.

Canola

Canola is an oilseed crop that is mainly grown in the Western Cape Province, but since the 2001/02 production season, small quantities have also been planted in the northern production areas.

Plantings and production

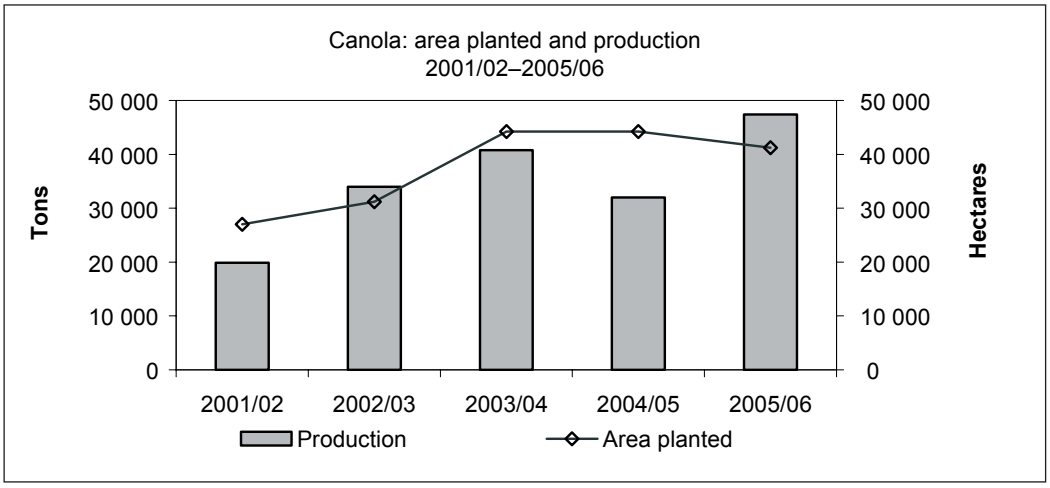
While the estimated area planted to canola decreased by 6,9 %, from 44 250 ha during the 2004/05 season to 41 200 ha in the 2005/06 season, production is expected to increase by 48 %, from 32 000 to 47 370 tons. The expected increase in production is a result of favourable rainfall conditions that prevailed early in the season in the Western Cape Province, which resulted in better yields than the previous year.

The planting of canola has become an important part of crop rotation practices in the Western Cape.

Estimated plantings, production and yield of canola from 2001/02 to 2005/06 are as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
Plantings (ha)	27 000	31 200	44 200	44 250	41 200
Production (t)	19 900	34 000	40 770	32 000	47 370
Yield (t/ha)	0,74	1,09	0,92	0,72	1,15

The areas planted to and production of canola are depicted in the following graph:



Consumption

Canola competes with other oilseeds—such as sunflower seed and soya-beans—on the local market. The market for soft oils (oils that are liquid at room temperature), including canola, is a huge one and applications for this market are typically bottled oil for household use, soft margarine, mayonnaise, salad oil and various industrial uses.

The unique fatty acid composition of canola oil makes it a healthy choice for human nutrition. Canola oil contains less saturated fat than the other frequently used plant oils, which makes it effective in lowering cholesterol levels. It also has a higher omega-3 fatty acid content than the other frequently used plant oils. Omega-3 fatty acids are important for general health and have been proven to contain the development of cancer. It is therefore expected that the household consumption of canola will continue to increase. Canola, especially the oilcake part, is also a good source of protein in animal feed.

Altogether 42 500 tons of canola were available for local consumption during the 2004/05 marketing season (October to September). This included carry-over stocks as at 1 October 2004 of 10 500 tons, while no canola was imported or exported. The total demand for canola for the 2004/05 marketing season was approximately 31 800 tons.

For the 2005/06 marketing season, the total supply of canola is estimated at 58 070 tons (the estimated canola crop of 47 370 tons, together with the carry-over stock of about 10 700 tons). The domestic demand for canola is estimated at 39 690 tons and therefore carry-out stocks at the end of September 2006 are expected to come to 18 380 tons. This is almost four times the required 3-month-pipeline stock of 4 870 tons.

Prices

As a large percentage of the local demand for vegetable oil is imported, the international oilseed prices largely determine the local prices of oilseeds, and therefore also the price of soya-bean oilcake. The price of canola, again, is based on the local price of sunflower oil and soya-bean oilcake. Prices paid to producers vary, depending on the moisture content and whether it is delivered for the feed market or crushed for oil.

The basic average producer prices of canola from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Producer price	1 208,00	1 638,00	2 385,00	1 754,50	1 745,38

Research and information

The Western Cape Department of Agriculture conducts research and cultivar trials on canola. The Protein Research Foundation (PRF) funds this research and it is the task of the canola working group of the PRF to promote the local canola industry.

The information function for canola is performed by the South African Grain Information Service (SAGIS), a Section 21 company funded by, amongst others, the oilseeds industry.

Cotton

Cotton is a summer crop, with primary production areas in South Africa situated in the Limpopo, Mpumalanga, Northern Cape, North West and KwaZulu-Natal provinces. Temperature is of vital importance in determining areas that are suitable for the cultivation of cotton. Mostly, cotton grows in the tropics and warm regions, where minimum night temperatures are supposed to be at least 15 °C.

The cotton industry is labour intensive and provides work to roughly one labourer per hectare of cotton planted. In South Africa, cotton is mainly planted during October (though planting can be done until December).

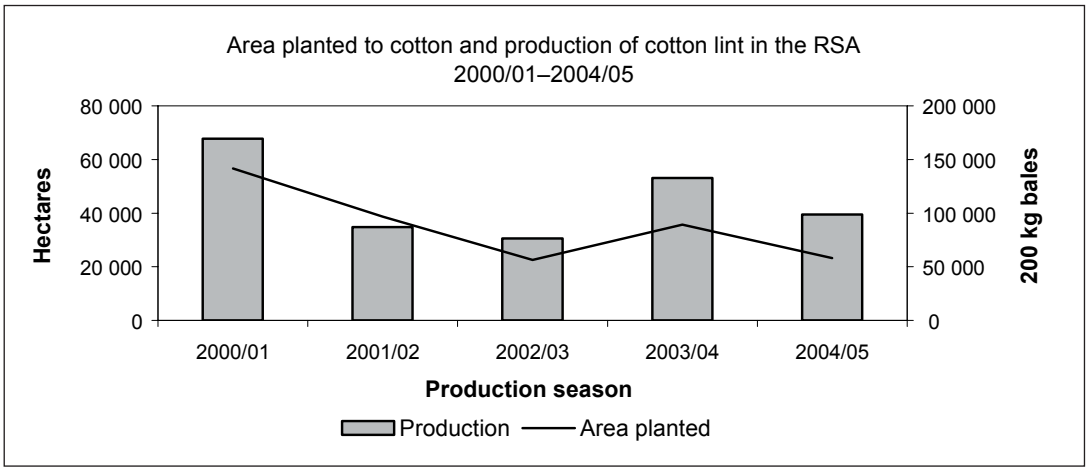
Oil extracted from cotton seed can be used for cooking and salad dressing. The remaining seed can also be used as a fertiliser or feed for livestock, poultry and fish.

Area planted and production

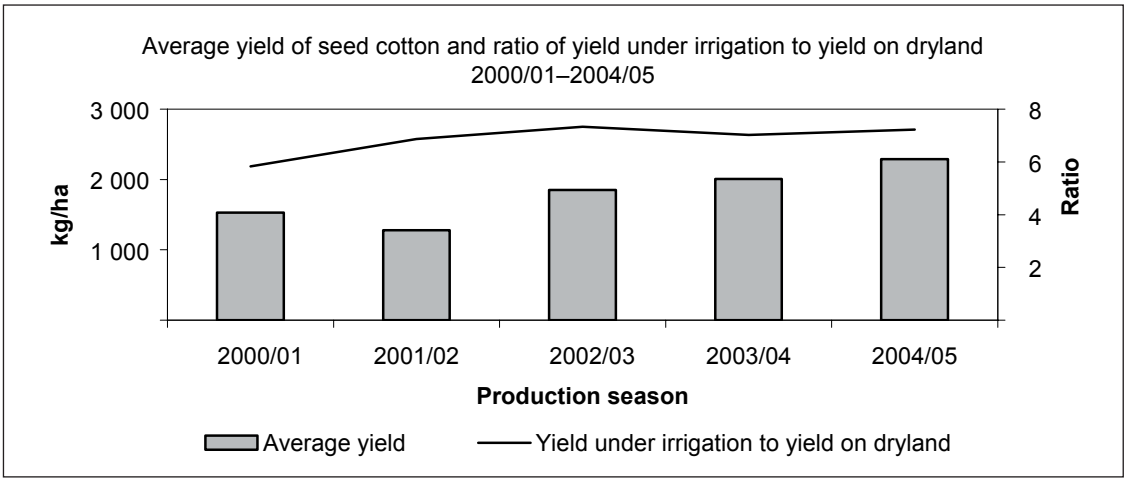
The total area planted to cotton in the RSA for the 2004/05 production season is estimated at 23 199 ha—a 35 % decrease compared to the previous season. It is estimated that 98 758 bales of 200 kg cotton lint were produced, which is a reduction of about 26 % compared to the 132 646 bales produced in the 2003/04 season. Lower cotton production means a rise in imports, which drains foreign exchange as imports must be paid for with foreign currency.

Total hectares planted to cotton reached a peak in more than twenty years in the 1998/99 production season, estimated to be 98 619 ha, with 68,3 % of the cultivation being on dryland. However, a decrease of almost 50 % was recorded for the 1999/2000 production season, and the lowest level of plantings in more than 50 years, 22 574 ha, was reached in the 2002/03 season.

Although plantings on dryland have been higher than under irrigation in the past, cultivation under irrigation during the 2003/04 and 2004/05 production seasons were, for the first time, higher than cultivation on dryland. An estimated 55,5 % of the total area planted to cotton during the 2004/05 production season, was under irrigation.



Yields per hectare under irrigation were more than 7 times higher than on dryland for the 2002/03 to 2004/05 production seasons. The average yield has been increasing over the years and the June 2005-estimate shows a figure of 2 291 kg/ha for 2004/05 (3 747 kg/ha under irrigation and and 473 kg/ha on dryland). This is an average growth of 14 % per annum between 2000/01 and 2004/05. The yield ratio for irrigation to dryland has also been increasing over the same period.



Areas planted to cotton and the production of cotton lint for the 2000/01 to 2004/05 production seasons by the RSA and Swaziland compare as follows:

RSA					
Production season	2000/01	2001/02	2002/03	2003/04	2004/05*
Total RSA plantings (ha)	56 692	38 688	22 574	35 719	23 199
Dryland (ha)	38 153	28 897	12 252	17 450	10 427
Irrigation (ha)	18 539	9 791	10 322	18 269	12 772
Production of cotton lint (200 kg bales) from RSA-grown cotton	169 465	86 920	76 425	132 646	98 758
Swaziland					
Production season	2000/01	2001/02	2002/03	2003/04	2004/05*
Total Swaziland plantings (ha)	11 301	9 606	4 500	6 500	5 000
Dryland (ha)	11 301	9 606	4 500	6 500	5 000
Irrigation (ha)	0	0	0	0	0
Production of cotton lint (200 kg bales) from Swaziland-grown cotton	11 550	7 363	2 189	7 750	5 550

Source: Cotton SA * Estimates (June 2005)

Prices

In South Africa, the price of cotton emulates global price trends. Currently the world prices are said to be collapsing owing to large subsidies being paid to US cotton producers and this is adversely affecting profits on and production of cotton in South Africa and the rest of Africa. The South African Government has indicated that it is not in favour of subsidising cotton farmers. The average producer price for seed cotton (lint and seed derived from the ball of the cotton plant before it is ginned) for the 2003/04 production season was 300 c/kg, while the price for 2004/05 is estimated at 220 c/kg.

The average South African prices for seed cotton and cotton lint compare as follows:

Marketing year	2000/01	2001/02	2002/03	2003/04	2004/05
	c/kg				
Seed cotton	216	254	351	369	300
Cotton lint	764	962	1 179	1 102	900

Consumption

Consumption of cotton lint by RSA spinners (including Swaziland) for the 2005/06 marketing year (April to March) is estimated at 290 000 bales of 200 kg, compared to the 296 120 bales of 200 kg during 2004/05. During the 2004/05 marketing year, about 56 % of the consumed cotton lint was imported from the Southern African Development Community (SADC) countries, with Zimbabwe and Zambia contributing 32,8 and 42,8 %, respectively. No cotton lint was exported during the 2004/05 marketing year, while the estimated exports for 2005/06 is 3 000 tons.

Consumption of cotton lint compares as follows:

Marketing year	2000/01	2001/02	2002/03	2003/04	2004/05
	200 kg bales				
RSA	320 140	359 720	377 595	296 931	296 120
Swaziland	5 435	4 410	9 540	12 714	n/a

Marketing arrangements, information and research

In terms of the free trade agreement between countries within the SADC region that has been operational since 2000, there has been no duty on cotton imports among these countries since 1 January 2004, supporting the fact that about 90 % of imports were from the SADC region. However, imports from elsewhere are charged a levy of 160 c/kg on lint. Locally, the seed cotton is sold to a ginner who gins and sells lint to spinners and seed to processors or a producer may contract a ginner to gin at a fee, then the lint will be sold by the producer or the contracted ginner on the producer's behalf.

Following the dissolvement of the Cotton Board in 1998, a Section 21 company, namely Cotton SA, was formed by stakeholders in the cotton industry. A statutory levy, which was introduced for the period April 2004 to March 2008 in terms of the Marketing of Agricultural Products Act, 1996, is applicable (currently 17 c/kg cotton lint produced) to finance research and the other functions of Cotton SA, namely information, promotion and grading. Cotton SA also administers registration, records and returns. Accordingly, one of the goals of the cotton industry is that 30 % of the total local production should be from small-scale farmers by 2007. This will be achieved through a training programme established by Cotton SA and other stakeholders (including the private sector and Government).

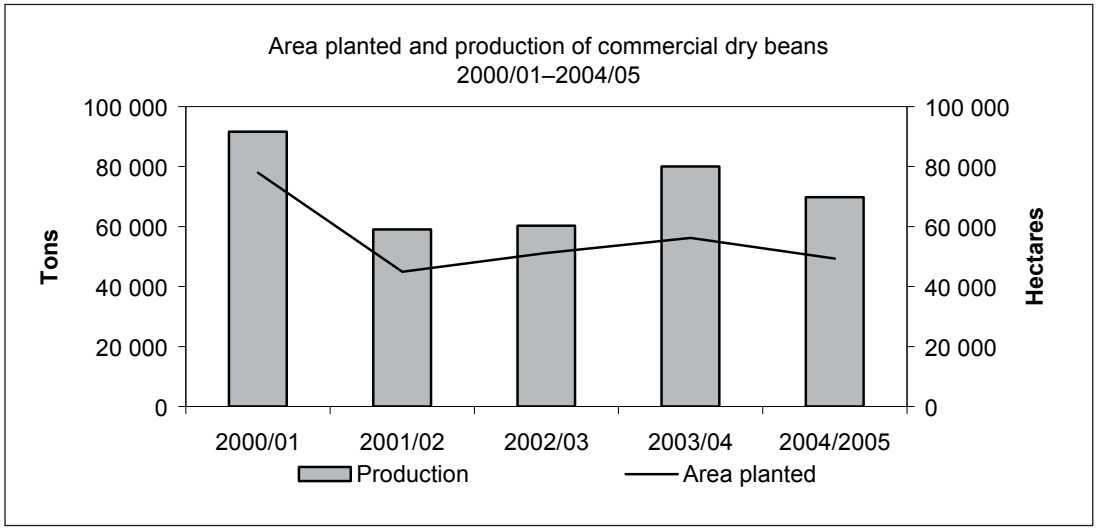
Also, two projects were reported in June 2004 to be undertaken in the Eastern Cape to empower black cotton farmers and in Mpumalanga to empower women farmers in the area. Small, rural cotton farmers have been granted access to national markets via the internet through the use of cellphone technology that allows them to obtain the same information that big farmers get in terms of prices, to assist them to sell at the right time in order to make a profit.

Research is coordinated by Cotton SA and performed by the Agricultural Research Council. In advancing research within the product itself, current information is that new varieties of super-resistant and fast-growing genetically modified (GM) cotton will be tested in the Mpumalanga and Limpopo provinces. These trials (with trial fields surrounded by non-GM cotton to prevent the spreading) will be carried out by Monsanto, a multinational agricultural biotechnology company, with the aim of finding a plant that is resistant to bollworms and herbicides (according to News24.com).

Dry beans

Areas planted and production

During 2004/05, an estimated 49 300 ha were planted to commercial dry beans—a decrease of 12,3 % compared to the 56 200 ha planted in 2003/04. The 2004/05 crop of 69 820 tons represents a decrease of 12,7 % compared to the previous crop of 80 000 tons. The average yield of the 2004/05 crop is approximately 1,42 t/ha. Most of the commercial dry beans are produced in Mpumalanga, followed by the Free State and Gauteng provinces.



Production per province and their share in the 2004/05 crop are as follows:

Province	Production (tons)	Share in crop (%)
Mpumalanga	33 600	48,1
Free State	19 600	28,1
Gauteng	5 250	7,5
North West	7 150	10,2
KwaZulu-Natal	1 800	2,6
Limpopo	560	0,8
Western Cape	600	0,9
Eastern Cape	300	0,4
Northern Cape	960	1,4
Total	69 820	100,0

The estimated gross value of dry beans for the 2004/05 season amounts to R242,1 million and is 18,7 % less than the previous year.

Production per type during 2003/04 is estimated to be as follows: 62 838 tons (90,0 %) Red Speckled, 3 491 tons (5,0 %) Small White Canning, 2 909 tons (4,2 %) Large White Kidney and 582 tons (0,8 %) other dry beans, mainly Cariocas.

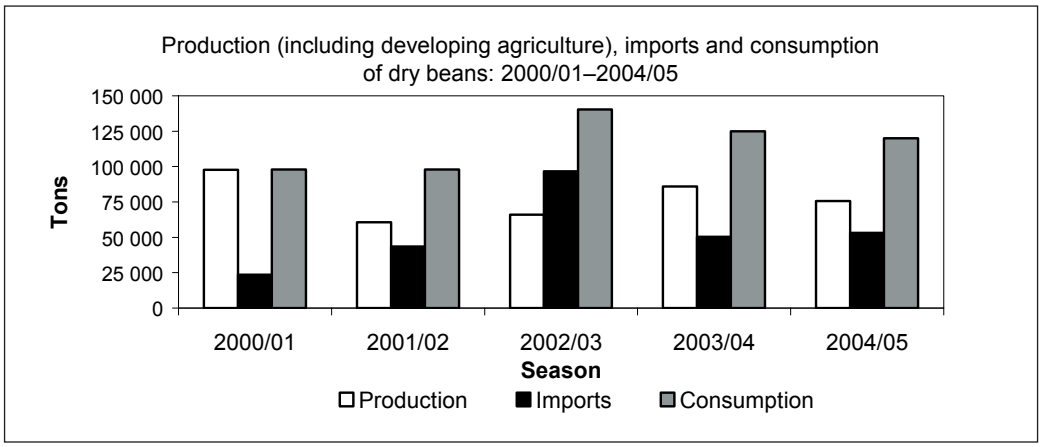
The most extensive seed production takes place in the lowveld area of Mpumalanga, followed by the Limpopo and Northern Cape provinces.

Consumption

An estimated 119 975 tons of dry beans were consumed locally during 2004/05 (March to February), which represents a decrease of 4 889 tons (3,9 %) compared with 2003/04. The estimated *per capita* consumption for 2004/05 is 2,58 kg, which is 4,1 % lower than the 2003/04 figure of 2,69 kg. Because the local demand is substantially higher than local production, large quantities of dry beans have to be imported each year, mainly from China.

The quantities of dry beans produced, imported and consumed from 2000/2001 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
	Tons				
Production (including developing agriculture)	97 625	60 631	66 022	85 925	75 643
Imports	23 572	43 604	96 581	50 312	53 073
Consumption	97 862	97 892	140 396	124 864	119 975



Producer prices

The average prices received by producers for dry beans from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Producer price	2 764	4 500	4 200	3 500	3 200

Research and information

The Dry Bean Producers' Organisation is the national commodity organisation promoting the interests of the dry bean producers in the country. The main objectives of the organisation are to provide production and market information, support product and market research and ensure the supply of disease-free certified seed to producers.

At present, mainly the Oil and Protein Seed Centre (OPSC) in Potchefstroom and, to a certain extent, the Plant Protection Research Institute (PPRI) in Pretoria, undertake research on dry beans. The functions of the OPSC mainly comprise the breeding of dry bean cultivars and the evaluation of local cultivars. The PPRI is mainly involved in pathological research, which is especially valuable for the certification of dry bean seed.

Sugar

Sugar cane is a ratoon crop, which means that after planting it yields up to 10 crops of sugar cane from the original rootstock, after which it is eradicated and then replanted.

As a general rule, roots are replanted every 10 years. This is done on a rotational basis, with approximately 10 % of the area under cane being replanted each season. Planting usually occurs to coincide with the first spring rains.

In the cooler production areas, the sugar cane is harvested when it is between 18 and 24 months old. This maximises growth and sucrose content. In the coastal areas, where the crop grows faster, it is harvested at an average age of approximately 12 months. Cane is harvested from April to December.

The industry: overview

Sugar-cane growing in South Africa is administered by the South African Cane Growers' Association, established in 1927. There are approximately 50 000 registered cane growers who normally produce more than 20 million tons of sugar cane per year from 14 mill supply areas, extending from the Eastern Cape through KwaZulu-Natal to the Mpumalanga Province. Large-scale growers (approximately 4 %) are responsible for 75 % of the total sugar cane production, while 13 % and 12 % of the total crop is produced by small-scale farmers (approximately 95 %) and milling companies, respectively.

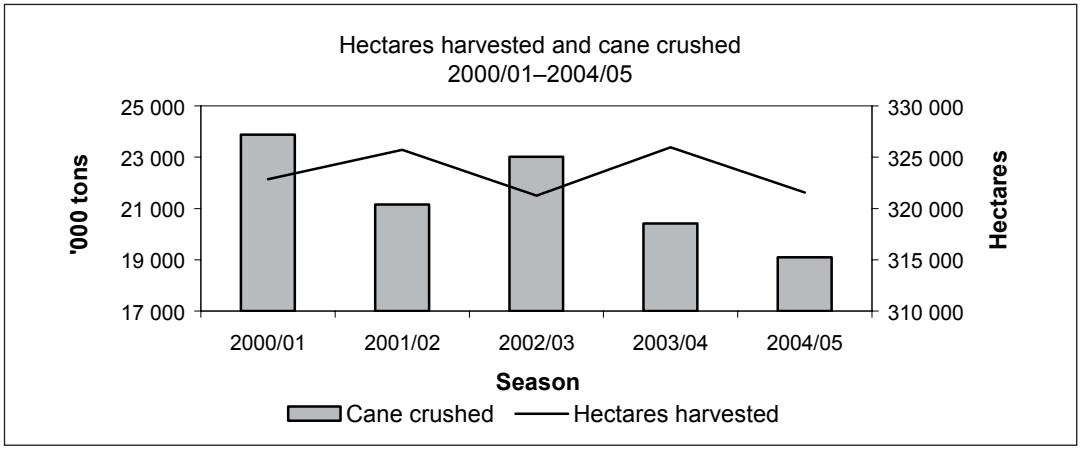
The South African sugar industry is seen as a cost competitive industry producing high-quality sugar. The industry combines sugar-cane production and production of sugar (raw or refined), syrup and some by-products of sugar. Employment within the industry is estimated at 350 000 people (direct and indirect) and the industry produces an average of approximately 2,5 million tons of sugar per season. The industry is regulated in terms of the Sugar Act and the Sugar Industry Agreement, which are binding on all sugar-cane growers and producers of sugar products.

Production

The production of sugar cane decreased by 11,3 %, from 23,0 million tons during the 2002/03 season (July to June) to 20,4 million tons during the 2003/04 season, with a further decline (6,9 %) to 19,1 million tons for the 2004/05 season. This is an average decline of 9,1 % over the two seasons, with production for the 2005/06 season estimated to be approximately 13,3 % higher than in 2004/05.

The 11-year moving average for cane production over the past decade, with 1999/2000 as the central point, is 20,7 million tons, while the yield of harvested cane averaged 67,5 tons/ha over the same period.

The yield stands at 59,6 tons/ha for the 2004/05 season. The area harvested declined by 1,3 %, from 325 956 ha in 2003/04 to 321 571 ha in 2004/05.



The production of sugar has been declining since reaching the record level of 2,76 million tons for the 2002/03 season. It decreased by 7,6 %, from 2,4 million to 2,2 million tons, between 2003/04 and 2004/05. The ratio of the number of tons of cane crushed to produce 1 ton of sugar reached a record of 10,02 in 1995/96 before declining over the years and stands at 8,54 for the 2004/05 season.

The total local consumption of 1,267 million tons of sugar during 2004/05 represents an increase of 15 % compared to the 2003/04 consumption of 1,102 million tons.

The production and consumption of sugar from 2000/01 to 2004/05 are as follows:

Year	2000/01	2001/02	2002/03	2003/04	2004/05
	'000 tons				
Production	2 729	2 396	2 763	2 419	2 234
Consumption	1 311	1 227	1 413	1 102	1 267

Producer prices

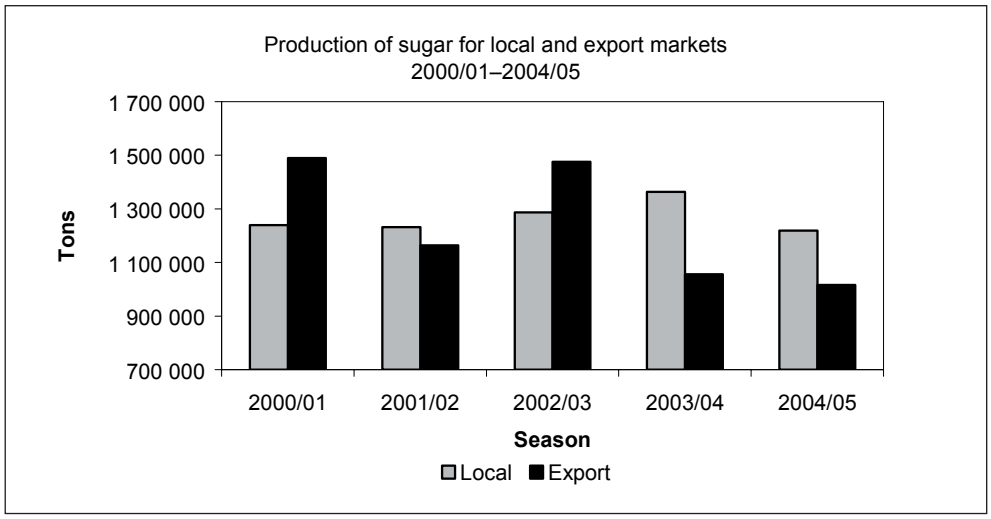
After having increased over the years up to a maximum of R171,78/ton for the 2002/03 season, the producer price of cane has declined for two consecutive years, with a decrease of 5,6 % between the 2003/04 and 2004/05 seasons. The average price over the five-year period indicated below is R158,23/ton. Despite the decrease during the last two seasons, the 2004/05 price is still 22 % higher than that of the 2000/01 season.

The average producer prices of sugar cane from 2000/01 to 2004/05 are as follows:

Year	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Producer price	130,50	160,23	171,78	169,08	159,55

Exports

A total of 1,01 million tons of sugar were allocated to the export market during 2004/05, while 1,2 million tons were for the local market. There was a 3,7 % drop in sugar exported between the 2003/04 and the 2004/05 seasons, with the national market also experiencing a 10,5 % drop during the same period.



Land reform

Inkezo, a new land reform company, initiated and developed by the cane growers and milling companies in the South African sugar industry, was established in 2004. Although Inkezo was initially funded by the industry, it operates as an independent land reform initiative. The primary objective of the company is to promote sustainable agricultural land reform in support of national transformation goals by effecting the initial transfer of 80 000 ha of land in the sugar industry. This objective excludes the 31 000 ha of freehold land under sugar cane already established under black ownership. This initiative will be aligned closely with government objectives and initiatives relating to land reform. In addition to this, there are numerous projects and initiatives being undertaken by individual milling companies as well as the Cane Growers' Association.

Marketing

It is estimated that 50 % of the locally produced sugar is marketed in the Southern African Customs Union. The remainder is exported to markets in the rest of Africa, Middle East, Asia and North America. Internationally, price risk is managed through hedging the value of raw sugar exports on the New York Board of Trade's Coffee, Sugar and Cocoa Exchange. The raw sugar exports are handled at the Sugar Terminal in Durban. The revenue from sugar sales is estimated at approximately R6 billion a year, including foreign income estimated at R2,38 billion.

Research, training and other information

In order to improve the quality of the cane produced, the South African Sugar-cane Research Institute is tasked with developing new sugar cane varieties and other developments that are then transferred to cane farmers to also improve their profitability. The information includes improving soil quality; minimising pests and diseases; and research into optimal choice in the use of fertilisers, water, ripeners and weed control.

The Cane Testing Services determine the quality of cane deliveries to the mills, which assists in determining cane payments to producers, while Umthombo Agricultural Finance assists small-scale cane farmers (current and aspiring) with credit and savings facilities.

The Shukela Training Centre is the provider of agricultural and industrial training within South Africa and the SADC region through various SETAs.

Deciduous fruit

Production areas

The main deciduous-fruit-producing areas of South Africa are situated in the Western and Eastern Cape provinces, mainly in areas where warm, dry summers and cold winters prevail. The area under production during the 2004 season is estimated at 76 084 ha.

Production

Although some producers grow fruit both for canning and fresh consumption, it is estimated that in South Africa there are about 2 455 producers of fruit for fresh consumption, 1 100 producers for canned fruit and 1 105 producers for dried fruit. The production of deciduous fruit during 2004/05 is estimated at 1 511 432 tons, which is 13 % lower than in 2003/04.

The production per fruit type over the past five seasons compares as follows:

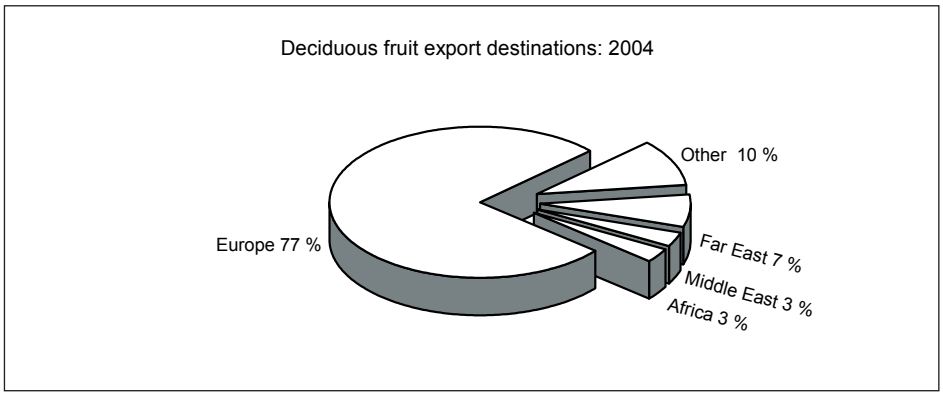
Fruit type	2000/01	2001/02	2002/03	2003/04	2004/05
	Tons				
Apples	561 410	590 632	681 694	755 279	661 190
Plums	38 235	38 728	295 059	329 017	323 852
Pears	255 627	303 624	282 933	291 674	257 085
Table grapes	210 802	272 408	285 698	215 578	177 805
Peaches and nectarines	168 312	183 819	42 189	83 874	36 458
Apricots	54 435	49 394	57 557	62 340	55 042
Total	1 288 821	1 438 605	1 645 130	1 737 762	1 511 432

Marketing

The exporting of deciduous fruit is a major earner of foreign exchange for South Africa. During the 2004/05 season (October to September), 43 % of deciduous fruit produced was exported and approximately 80 % of the gross value from deciduous fruit came from foreign exchange export earnings. Total exports amounted to 642 361 tons, representing a decrease of 15 % as against exports during 2003/04.

During 2004/05, deciduous fruit contributed approximately 21 % to the gross value of horticultural products. Approximately 392 902 tons of deciduous fruit were sold locally on the major fresh produce markets, other markets and directly to retailers, which represents a slight increase compared with the 392 416 tons sold during the 2003/04 season.

The following graph indicates deciduous fruit export destinations during 2004:



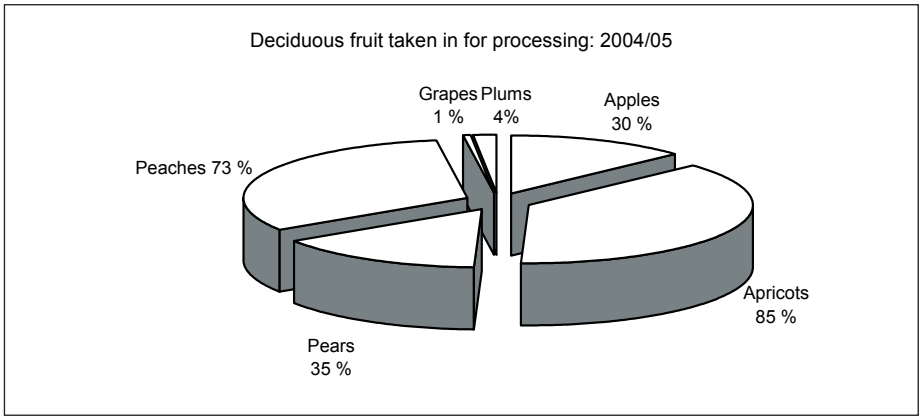
The average prices of deciduous fruit on the major fresh produce markets during the period 2000/01 to 2004/05 are as follows:

Fruit type	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Apples	1 907	2 282	2 408	2 481	2 721
Pears	1 507	1 712	1 996	2 302	2 457
Table grapes	3 210	3 418	3 623	3 982	4 146
Peaches and nectarines	2 694	2 865	3 455	4 774	4 467
Apricots	2 110	2 177	2 723	3 230	3 662
Plums	2 139	2 369	2 315	2 622	2 655

Intake of deciduous fruit for processing

During 2004/05, about 32 % of deciduous fruit produced was taken in for processing—a decrease of 20 % compared to 2003/04.

The following graph indicates deciduous fruit taken in for processing during 2004/05:



Over the past five seasons, most of the deciduous fruit taken in for processing was canned, with the exception of apples, which are mostly used for juice.

However, more recently a significant volume of pears was also used for juice. During 2004/05, approximately 97 % of apples taken in for processing was used for juice and 3 % for canning, while 57 % of pears was used for juice and 43 % was canned. Producers received an average price of R746 and R325 per ton, respectively, for apples used for canning and for juice. In the case of pears used for canning and for juice, producers received an average of R869 and R198 per ton, respectively.

Domestic consumption

Local *per capita* consumption and total consumption of deciduous fruit over the past five years are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
Per capita consumption (kg/year)	14,64	16,55	19,02	20,48	19,23
Total consumption ('000 tons)	652	752	883	954	901

Prospects

The financial position of fruit farmers is under pressure as a result of high input costs and the strong rand remains a problem for all export industries.

Dried fruit

Production areas

Dried fruit is produced mainly in the western and southern parts of the Western Cape Province and the Lower and Upper Orange River areas in the Northern Cape Province. Tree fruit, as opposed to vine fruit, is dried mainly in the Western Cape.

The most important dried fruit products are Thompson seedless raisins, golden sultanas, unbleached sultanas, hanepoot raisins, prunes, peaches, pears, apples and apricots. The quantities of dried fruit produced vary per fruit type, depending on the factors that influence production and the opportunities offered by alternative marketing channels. Apricots are mainly grown in the Little Karoo and prunes are produced almost exclusively in the Tulbagh district in the Western Cape. Most raisins are produced in the area along the Lower Orange River and currants mainly come from the Vredendal district.

Production

In 2005, production of dried vine fruit decreased by 28 %, from 39 516 tons in 2004 to 28 386 tons, and that of dried tree fruit stayed virtually unchanged at approximately 5 800 tons. The decrease occurred mainly in the production of unbleached sultanas (65 %) to 1 980 tons and Thompson seedless raisins (29,0 %) to 17 555 tons. The decrease may be attributed to the fact that the seedless grape crop can be utilised for different markets and for various types of raisins, but also to the total grape crop in the main production region in the Northern Cape having been small.

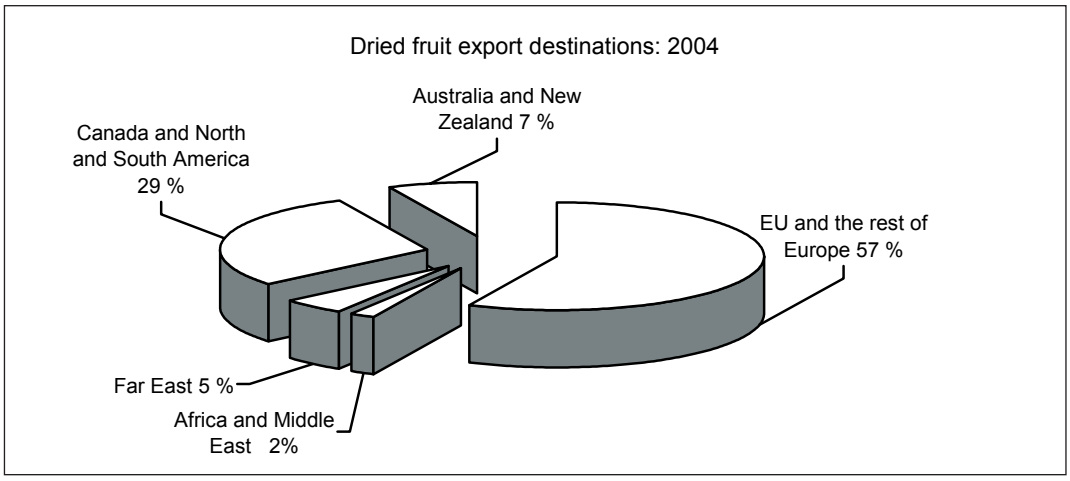
During the past 5 years, the production trends of dried fruit types were as follows:

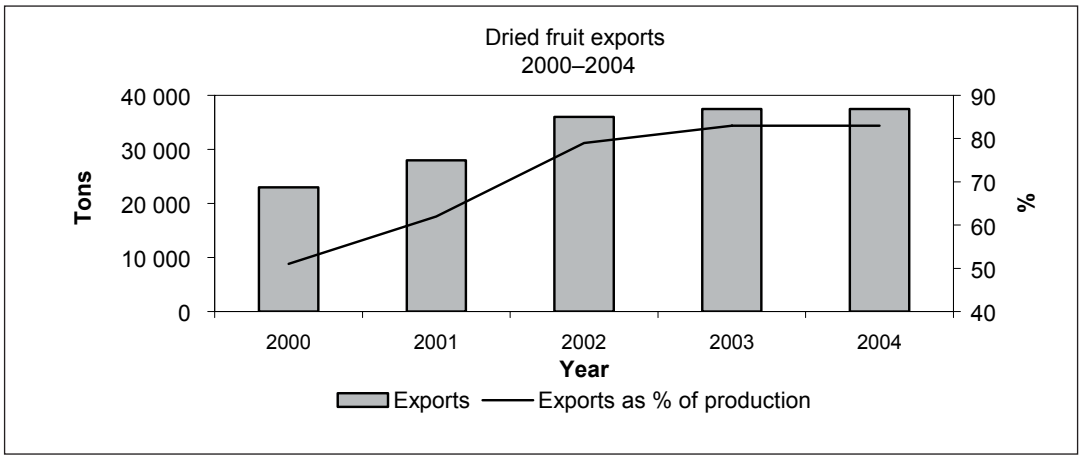
Fruit type	2001	2002	2003	2004	2005
	Tons				
Sultana type					
Unbleached	9 158	2 591	6 507	5 716	1 980
Golden	7 490	5 656	7 473	7 557	7 020
Thompson seedless raisins	16 552	32 092	20 858	24 814	17 555
Currants	1 420	1 837	1 774	1 300	1 750
Raisins	223	179	115	129	81
Total vine fruit	34 843	42 355	36 727	39 516	28 386
Prunes	1 100	1 800	2 200	2 484	2 600
Apricots	1 612	1 423	1 576	1 728	1 200
Apples	110	80	89	86	80
Peaches	1 000	1 049	1 120	959	1 220
Pears	480	596	712	543	680
Total tree fruit	4 302	4 948	5 697	5 800	5 780
Grand total	39 145	47 303	42 424	45 316	34 166

Marketing

The Perishable Products Export Control Board (PPECB) is responsible for the inspection of export dried fruit to ensure adherence to quality standards. Exporters are required to obtain the PPECB certificate. More than 50 % of production is exported.

The following two charts depict dried fruit export destinations during 2004 and exports from 2000 to 2004:





Viticulture

South Africa is the eighth-largest wine producer, namely 2,7 % of the world's wine. The area under vines is estimated at 100 207 ha.

The wine industry is labour intensive and provides a living to approximately 345 000 farmworkers, including dependants, and 3 500 wine cellar personnel. The number of primary wine producers in South Africa is estimated at 4 406. Wine is mainly produced in the Western Cape Province and along parts of the Orange River in the Northern Cape Province.

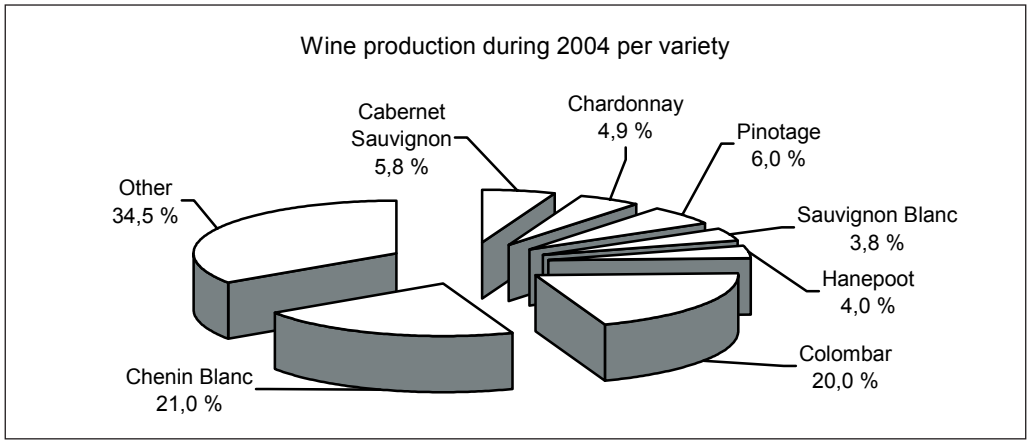
Production

Wine production from 2000 to 2004 is as follows:

Year	2000	2001	2002	2003	2004
	Gross million litres				
Wine production	837	747	834	956	1 015

During 2004, the production of wine increased by 6,2 %. During the past six years, a shift from white to red wines took place, causing a dramatic increase in the production of red varieties, namely Shiraz, Merlot, Ruby Cabernet, Cabernet Sauvignon and Pinotage.

The variety distribution for 2004 is depicted in the following graph:



Prices

Producer prices of wine products for the past five years are as follows:

Year	2000	2001	2002	2003	2004
	c/ℓ @ 10 % A/V				
Average price of:					
Good wine	212,0	229,2	299,4	378,1	338,1
Rebate wine	119,6	115,2	130,2	186,6	206,8
Distilling wine	64,9	63,2	73,5	103,1	97,3

Income of producers

The production of wine grapes and income of producers from 2000 to 2004, are as follows:

Year	2000	2001	2002	2003	2004
Wine grape production ('000 tons)	1 098	977	1 079	1 234	1 312
Income of producers (R million)	1 460	1 596	2 076	2 576	2 790

The producers' income increased by 8,3 % during 2004.

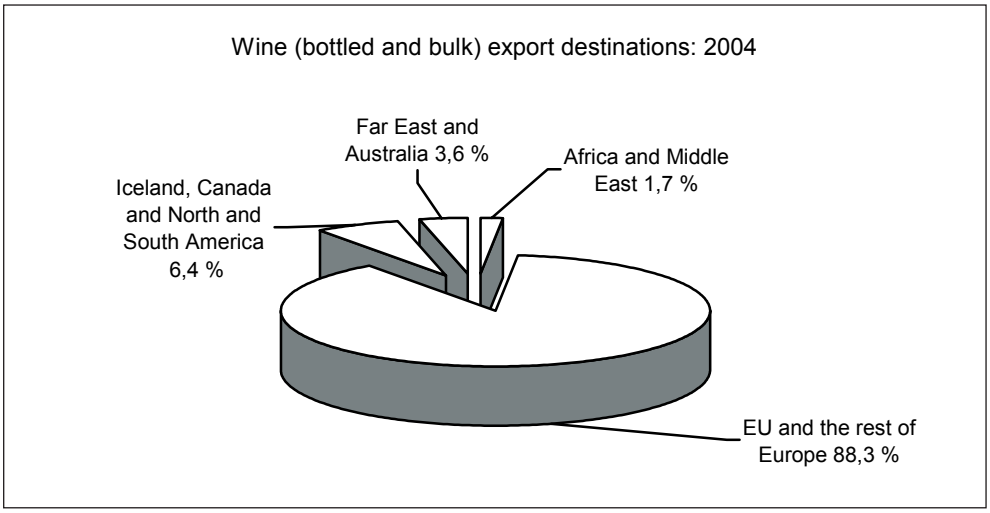
Exports

Total quantities of wine exported during the past five years are as follows:

Year	2000	2001	2002	2003	2004
	'000 litres				
Natural wine	139 800	175 986	215 759	237 212	266 506
Fortified wine	472	548	523	531	426
Sparkling wine	685	779	1 401	1 630	1 566
Total	140 957	177 313	217 683	239 373	268 498

During 2004, 38,5 % of the total wine produced, was exported.

The following graph depicts wine export destinations during 2004:



Consumption

The *per capita* consumption of wine products on the domestic market from 2000 to 2004 is as follows:

Year	2000	2001	2002	2003	2004
	ℓ per capita				
Natural wine	8,21	8,20	8,04	7,00	6,73
Fortified wine	0,66	0,66	0,70	0,75	0,75
Sparkling wine	0,13	0,15	0,17	0,17	0,17
Total	9,00	9,01	8,91	7,92	7,65

Prospects

Indications are that wine production for 2005 will be around 896 million litres. The wine grape harvest is expected to be almost 11 % lower than the previous season.

Subtropical fruit

In terms of the value of production, the subtropical fruit industry earned R1 326 million in 2004/05—a decrease of 0,1 % on the 2003/04 figure of R1 327 million.

Production and production areas

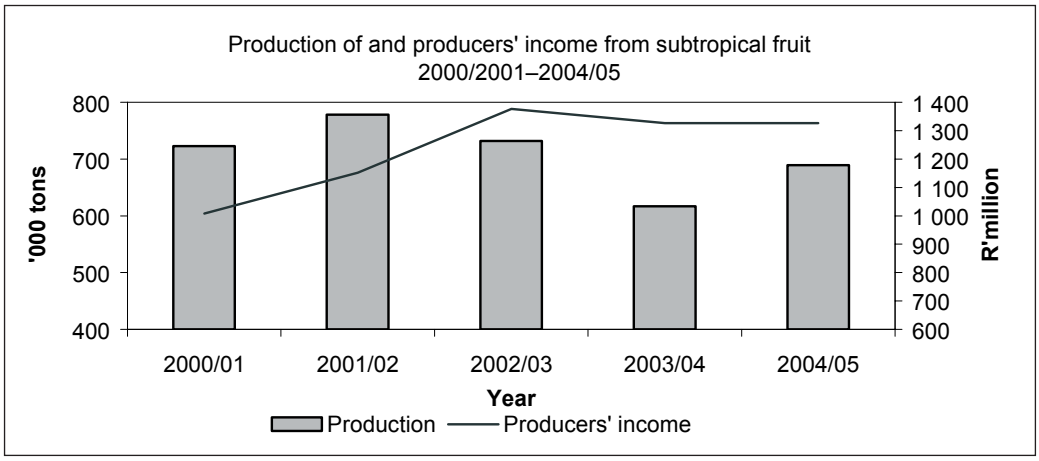
The cultivation of some types of subtropical fruit is only possible in certain specific areas of the country because of particular climatic requirements. In general, subtropical fruit types require warmer conditions and are sensitive to large fluctuations in temperature and to frost. The main production areas of subtropical fruit in South Africa are parts of the Limpopo, Mpumalanga and KwaZulu-Natal provinces. Fruit types such as granadillas and guavas are also grown in the Western Cape, while pineapples are cultivated in the Eastern Cape and KwaZulu-Natal.

The total production areas of avocados, bananas, mangoes, litchis and pineapples during 2004/05 are estimated at approximately 12 000, 11 568, 7 748, 3 000 and 13 581 ha, respectively.

Production of subtropical fruit from 2000/2001 to 2004/05 is as follows:

Fruit type	2000/01	2001/02	2002/03	2003/04	2004/05
	'000 tons				
Avocados	69,0	66,5	77,2	57,1	60,7
Bananas	372,2	392,5	352,0	277,0	320,5
Pineapples	159,9	167,7	176,5	160,8	171,3
Mangoes	67,9	95,6	74,0	80,0	94,9
Papayas	19,5	22,2	15,4	12,6	17,0
Granadillas	1,1	1,4	1,5	1,7	1,7
Litchis	8,4	5,3	12,1	10,0	4,7
Guavas	25,2	26,6	22,9	17,6	18,2

The total production of subtropical fruit increased by 11,7 %, from 616 787 tons in 2003/04 to 689 080 tons in 2004/05. The production of papayas, mangoes and bananas increased by 34,9, 18,6 and 15,7 %, respectively. The production of litchis decreased by 53 %. Hot, dry conditions with abnormally low minimum temperatures during fruit set resulted in the smaller litchi crop. Bananas, pineapples and avocados contributed 46,5, 24,8 and 8,8 %, respectively, to the total production of subtropical fruit during 2004/05.



Domestic sales

The largest contributors to sales of subtropical fruit on the major fresh produce markets are bananas (69,4 %), pineapples (9,6 %), avocados (7,5 %), mangoes (7,1 %) and papayas (4,3 %).

Except for litchis, the quantities of all subtropical fruit types sold on the major fresh produce markets increased during 2004/05.

Total quantities of subtropical fruit sold on the major fresh produce markets (year ending 30 June) are as follows:

Fruit type	2000/01	2001/02	2002/03	2003/04	2004/05
	Tons				
Avocados	25 519	22 037	21 316	17 016	20 607
Bananas	234 042	249 117	210 099	165 411	191 468
Pineapples	23 677	23 861	21 530	20 583	26 470
Mangoes	17 336	24 504	16 562	17 027	19 613
Papayas	13 493	15 368	11 248	8 745	11 951
Granadillas	768	1 006	1 093	1 258	1 252
Litchis	3 548	1 849	2 659	2 778	1 414
Guavas	2 937	3 076	2 854	2 607	3 008
Total	321 320	340 818	287 361	235 425	275 783

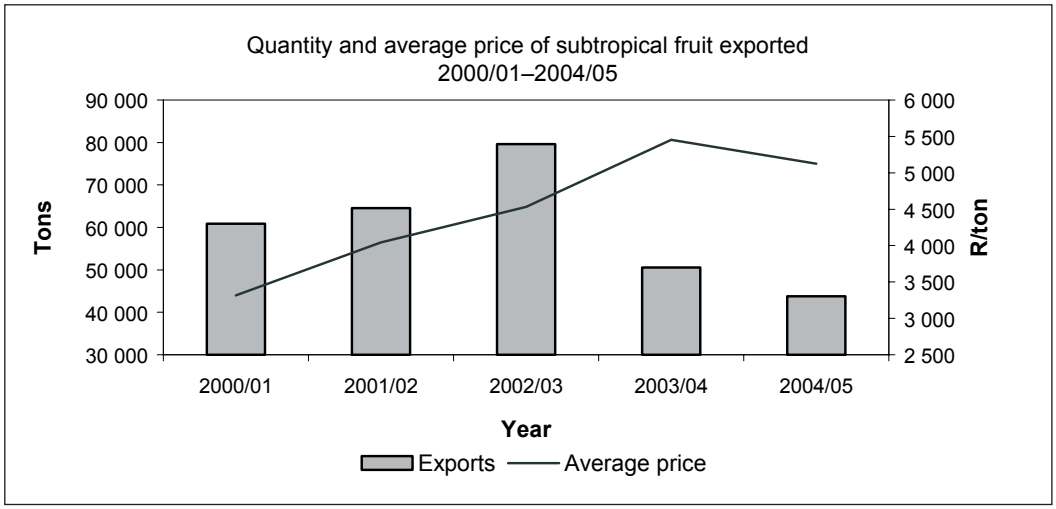
Intake for processing (year ending 30 June)

Pineapples account for approximately 60,7 % of the total intake of subtropical fruit for processing. The other two main contributors to the processing industry are mangoes and guavas. While the quantities of most subtropical fruit for processing increased during 2004/05, the intake of avocados rose significantly.

Fruit type	2000/01	2001/02	2002/03	2003/04	2004/05
	Tons				
Avocados	1 730	2 539	4 753	4 793	7 410
Bananas	887	1 715	1 859	1 349	1 428
Pineapples	127 748	136 473	148 476	133 973	137 905
Mangoes	34 082	48 780	33 896	51 460	64 001
Papayas	1 604	1 255	606	1 128	1 252
Granadillas	184	176	172	173	185
Litchis	50	473	1 652	839	571
Guavas	21 699	22 993	19 498	14 556	14 612
Total	187 984	214 404	210 912	208 271	227 364

Exports

From 2003/04 to 2004/05, total exports of subtropical fruit decreased by 13,4 % to 43 798 tons and export prices for all subtropical fruit decreased by 6,1 %.



The main subtropical fruit type exported is avocados. During 2004/05, exports of avocados contributed 66,9 % to the total value of exports of subtropical fruit. Other subtropical fruit types that were exported included mangoes, pineapples and litchis.

Marketing and research

The Institute for Tropical and Subtropical Crops (ITSC) of the ARC is responsible for research on all aspects of the cultivation of tropical and subtropical crops countrywide. Some of the organisations involved in the marketing of specific subtropical crops are the Banana Growers' Association, Avocado Growers' Association, Mango Growers' Association and Litchi Growers' Association.

Prospects

Expectations are that the production of most subtropical fruit types will increase slightly during the 2005/06 season.

Citrus fruit

Production areas

Citrus fruit is grown in the Limpopo, Mpumalanga, KwaZulu-Natal, Eastern Cape and Western Cape provinces, where subtropical conditions (warm to hot summers and mild winters) prevail. A survey done during 2000 indicated that there were about 3 500 citrus fruit growers who collectively managed more than 16 million trees. Orchard sizes varied from small (less than 100 trees) to estates with up to half a million trees.

Production

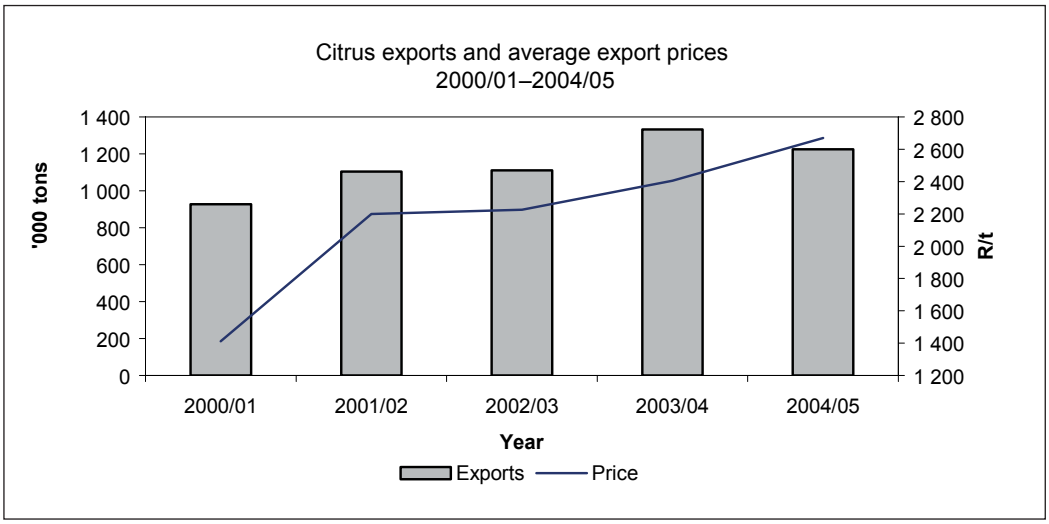
Oranges constitute about 60 % of the total production of citrus fruit in South Africa. On average, citrus fruit production increased by 1,6 % per annum from 2000/01 to 2004/05.

Citrus fruit production for the past five production seasons (1 February to 31 January) is as follows:

Fruit type	2000/01	2001/02	2002/03	2003/04	2004/05
	Tons				
Oranges	1 117 964	1 262 527	1 266 634	1 342 376	1 155 037
Grapefruit	267 669	233 312	268 281	256 138	233 439
Lemons	120 121	169 789	190 118	197 250	215 187
Soft citrus	98 467	72 189	109 783	112 182	112 636
Naartjes	108 432	147 999	63 441	71 255	92 438
Total	1 712 653	1 885 816	1 898 257	1 979 201	1 808 737

Exports

The citrus industry in South Africa is primarily export orientated, with very little citrus fruit being imported. South Africa is one of the major citrus fruit exporting countries in the world. Exports increased from 928 260 tons during 2000/01 to 1 224 490 tons during 2004/05, therefore an annual average increase of 7,7 % from 2000/01 to 2004/05. During 2004/05, about 793 567 tons of oranges, almost 69 % of the crop, were exported.



Domestic sales

During 2004/05, citrus fruit sales on the major fresh produce markets in South Africa remained more or less at the same level as the previous year and comprised only about 8,5 % of total citrus fruit production. Approximately 14 % of the naartje production, 9,9 % of the production of oranges and 9,5 % of the production of soft peelers were sold on the major fresh produce markets.

The average prices realised on the major fresh produce markets during the period 2000/01 to 2004/05 are as follows:

Fruit type	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Oranges	714	768	925	1 056	1 084
Grapefruit	689	921	1 206	1 518	1 414
Lemons	1 032	1 185	1 543	1 776	1 405
Naartjes	1 467	1 598	2 148	2 096	2 042
Soft citrus	1 142	1 236	1 480	1 706	1 760

Processing

Approximately 15,4 % of the total citrus fruit production was taken in for processing during 2004/05. During the past four years, citrus fruit taken in for processing showed an average annual decline of 10,2 % from 424 797 tons in 2000/01 to 278 162 tons in 2004/05.

Consumption

Per capita consumption of citrus fruit from 2000 to 2004 is as follows:

Year	2000	2001	2002	2003	2004
	kg/year				
Per capita consumption	19,19	20,57	19,34	18,43	13,76

Vegetables (excluding potatoes)

General

Vegetables are produced in most parts of the country. In certain areas, however, farmers tend to concentrate on specific crops. For example, green beans are mainly grown at Kaapmuiden, Marble Hall and Tzaneen; green peas at George and Vaalharts; onions at Caledon, Pretoria and Brits; and asparagus at Krugersdorp and Ficksburg.

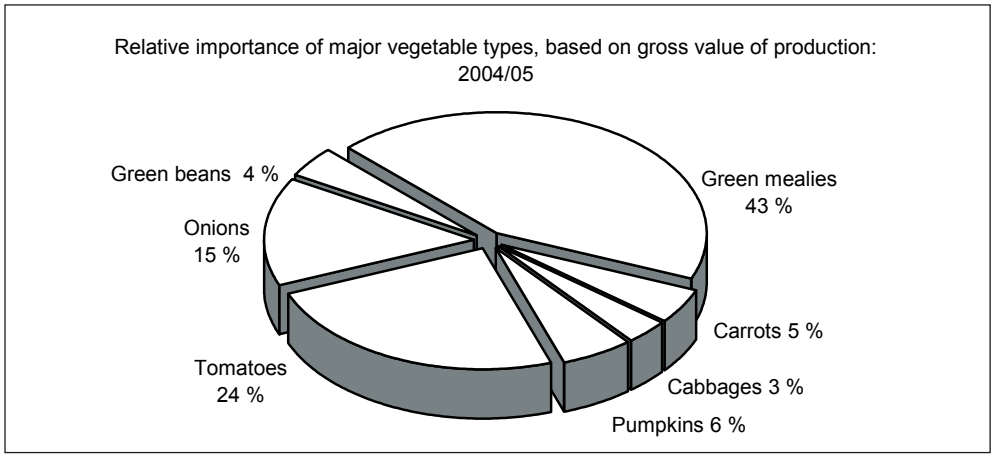
Production

From 2003/04 to 2004/05 (July–June), the total production of vegetables (excluding potatoes) decreased by 2,9 %, from 2 112 000 to 2 051 000 tons. However, concerning the major vegetable types in terms of volumes produced, a large increase occurred in the case of tomatoes, 18,8 %, from 383 000 to 455 000 tons, with increases of 5,6 and 2,3 %, respectively, in onion and carrot production. The production of cabbages decreased by 4,9 %, while the production of other major crop types remained virtually unchanged. The production of vegetables (excluding potatoes) in South Africa for the period 2000/01 to 2004/05 compares as follows:

Year	2000/01	2001/02	2002/03	2003/04	2004/05
	'000 tons				
Tomatoes	475	420	442	383	455
Onions	312	335	335	377	398
Green mealies	298	295	296	322	319
Cabbages	191	175	176	174	166
Pumpkins	209	210	215	225	226
Carrots	98	102	116	128	131
Other	462	468	481	503	356
Total	2 045	2 005	2 081	2 112	2 051

Relative importance of major vegetable types

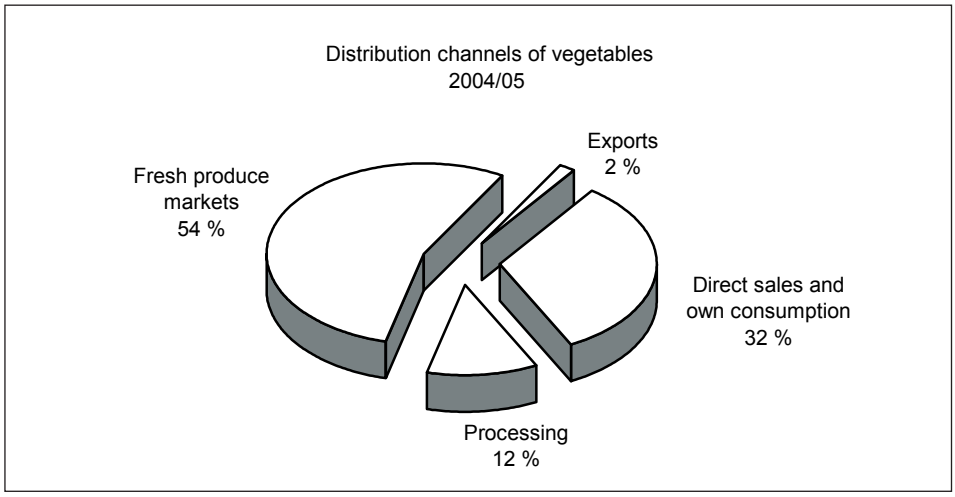
The relative importance of the major vegetable types, according to gross value of production during the 12 months up to 30 June 2005, is depicted by the following graph:



Distribution channels

As depicted in the following graph, approximately 54 % of the volume of vegetables produced is traded on the major fresh produce markets. The total volume of vegetables (excluding potatoes) sold on these markets during 2004/05 amounted to 1 185 000 tons, while 1 097 000 tons were sold during 2003/04, which represents an increase of 8,0 %.

The value of sales of vegetables (excluding potatoes) on the South African fresh produce markets for the period 2000/01 to 2004/05 are as follows:



Year	2000/01	2001/02	2002/03	2003/04	2004/05
	R'000				
Tomatoes	440 733	485 391	584 993	632 921	587 423
Onions	334 689	354 150	419 878	412 818	355 504
Green mealies	10 016	11 911	15 027	17 203	18 742
Cabbages	59 722	82 409	101 027	98 821	89 411
Pumpkins	37 628	42 699	53 122	52 364	57 045
Carrots	63 758	84 489	106 005	107 844	126 478
Other	413 907	507 693	596 763	672 355	688 982
Total	1 320 453	1 568 742	1 876 815	1 994 326	1 923 585

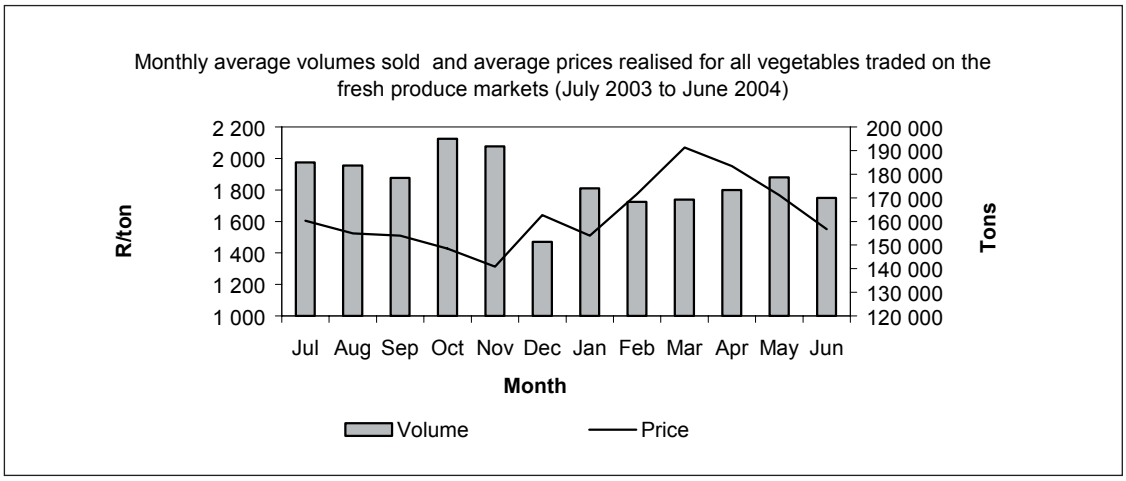
The value of carrots showed the largest increase of 17,3 % from 2003/04 to 2004/05, followed by both green mealies and pumpkins with 8,9 %. The value of onions, cabbages and tomatoes decreased by 13,9, 9,5 and 7,2 %, respectively.

Prices

The average prices of vegetables realised on the fresh produce markets for the period 2000/01 to 2004/05 were as follows:

Year	2000/01	2001/02	2002/03	2003/04	2004/05
	R/ton				
Tomatoes	1 614,67	2 071,31	2 471,79	2 851,32	2 266,84
Onions	1 459,52	1 469,52	1 672,73	1 558,42	1 216,61
Green mealies	3 250,97	4 145,82	5 996,33	6 000,21	5 245,44
Cabbages	374,77	563,16	685,15	681,18	644,37
Pumpkins	622,52	689,44	874,74	775,69	878,46
Carrots	927,23	1 258,48	1 325,92	1 214,57	1 399,18
Other	1 389,45	1 604,84	1 998,25	2 196,44	2 051,33

Of the major vegetable types, the price of carrots showed the largest percentage increase of about 15,2 from 2003/04 to 2004/05, followed by pumpkins with 13,2. The prices of onions, tomatoes, green mealies and cabbages decreased by 21,9, 20,5, 12,6, and 5,4 %, respectively.



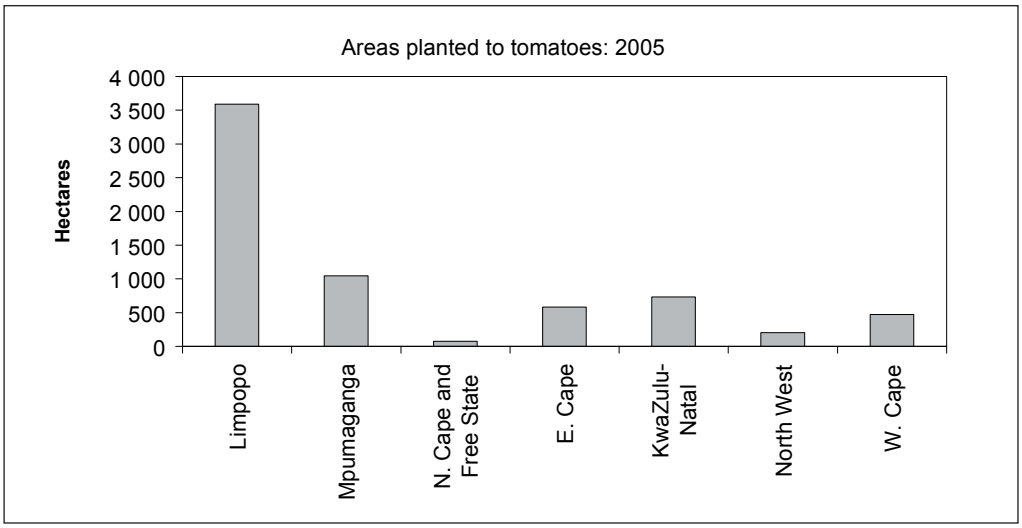
Consumption

The importance of vegetables in a healthy diet is being strongly promoted by all the stakeholders in the fresh produce marketing chain. The *per capita* consumption of fresh vegetables was 34,89 kg during 2004/05, approximately 1,1 % lower than the 35,29 kg of 2003/04.

Tomatoes

Area planted

Tomato plantings for the 2005 season are estimated at 6 475 ha. This is a 1,1 % increase compared to the area planted during 2004. Limpopo Province is the major production area, with 3 590 ha, which is more than 50 % of the total area planted to tomatoes in the country. Other important regions in terms of hectares under tomato cultivation are the Onderberg area of Mpumalanga with 550 ha and the Border area in the Eastern Cape, with 450 ha. Except for Gauteng, with virtually no area planted to tomatoes, plantings in the Northern Cape and Free State are the lowest, with only 75 ha.



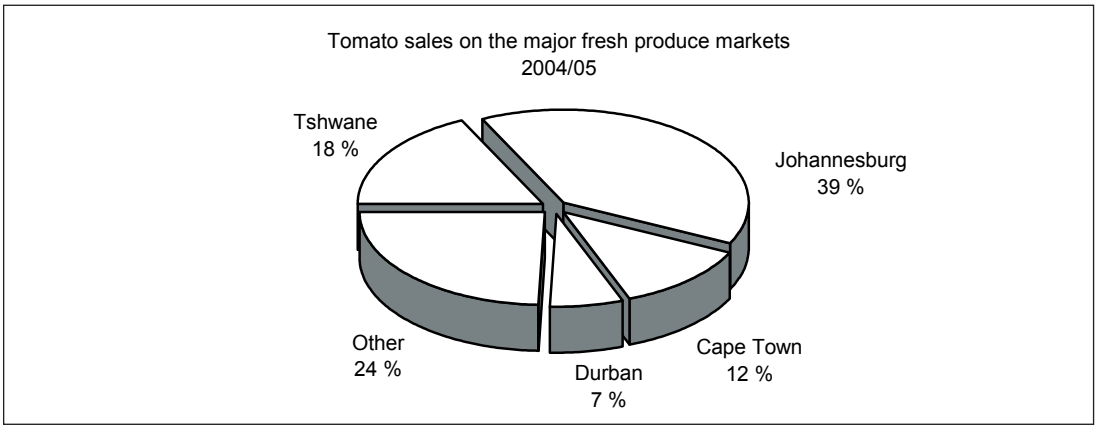
Growing of tomatoes in tunnels is still on the increase as an important crop production method in South Africa.

Production

Production during 2005 is estimated at 393 740 tons. The northern Lowveld and far northern areas in the Limpopo Province could be expected to produce 162 000 and 62 300 tons, respectively, followed by the Onderberg region in Mpumalanga with 38 500 tons, and the Border area in the Eastern Cape with 36 000 tons. There is no significant increase in the production of tomatoes in Mpumalanga from 2004 to 2005.

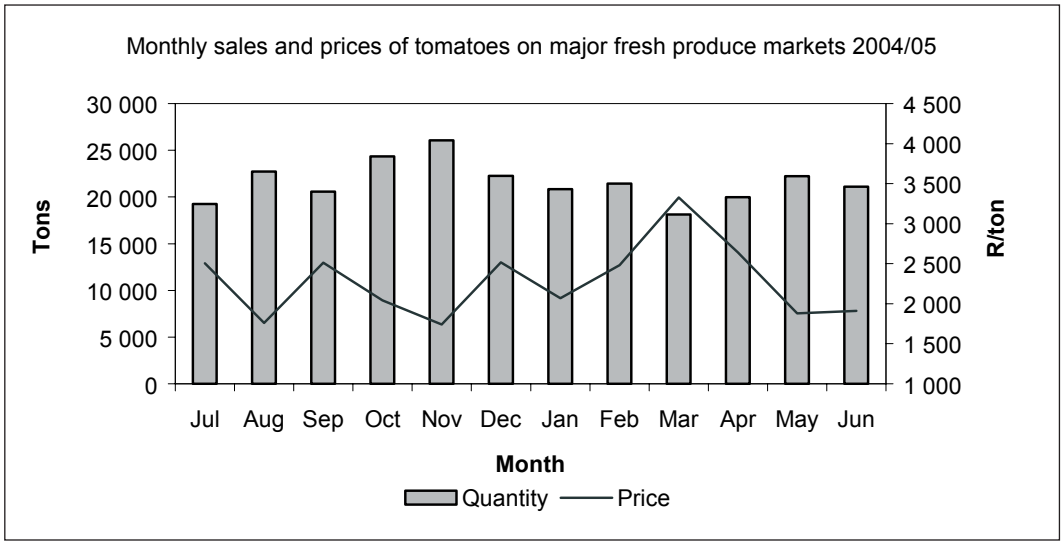
Sales

The quantity of tomatoes sold on the 19 major fresh produce markets increased by 16,7 %, from 221 975 tons during 2003/04 to 259 137 tons in 2004/05.



Prices

While there was a significant increase of 37,7 % in the average price of tomatoes from 2002/03 to 2003/04, the average price decreased dramatically by 21,1 %, from R2 851 per ton during 2003/04 to R2 250 per ton in 2004/05. Tomatoes are subject to large seasonal price fluctuations, which also implies a high price risk.



Consumption

The per capita consumption of tomatoes in South Africa is 12 kg per annum, compared to 32 kg in Europe. This 12 kg *per capita* consumption is only for metropolitan areas. Population growth, urbanisation, *per capita* income and the income elasticity of demand for tomatoes are important factors influencing the demand for tomatoes. The average household in South Africa consumes between five and ten tomatoes per week.

Exports

While the volume of tomatoes exported increased significantly by 6 % in 2003 to 7 472 tons, it showed a dramatic decrease of 21,3 % in 2004, to 6 160 tons.

Research

Research in the tomato industry is undertaken in collaboration with the ARC, which has developed several remedies for different tomato diseases.

International perspective

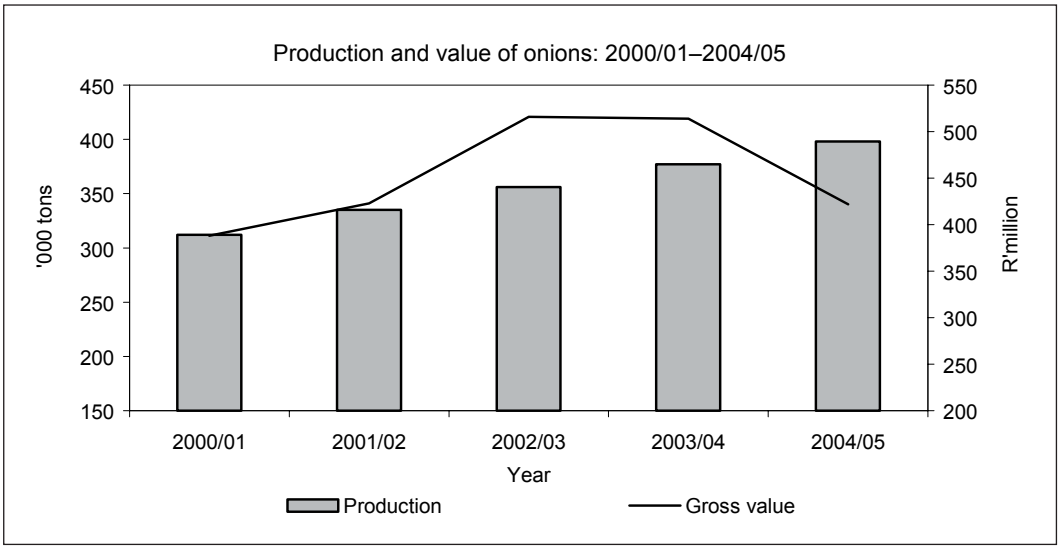
Worldwide the area planted to and production of tomatoes stayed fairly constant over the past seven years. China is the largest producer of tomatoes, followed by the USA, Italy and Turkey. These four countries represent close to 50 % of world production. The tomato-producing countries with the highest yields per hectare are the United Kingdom, Netherlands, Belgium and Sweden.

Onions

Production

Onions are produced in almost all the provinces of South Africa.

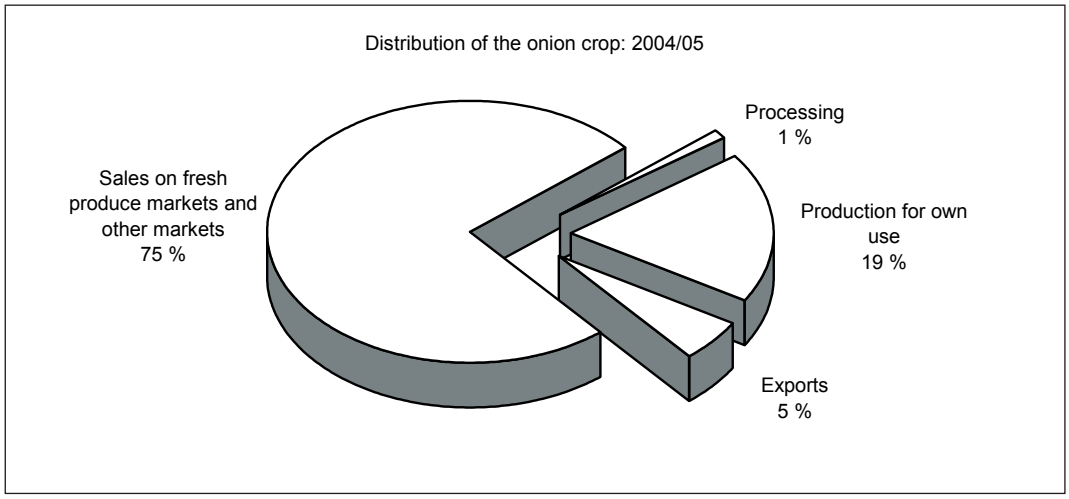
Approximately 397 817 tons of onions were produced during the 2004/05 season (July to June). This is 5,7 % higher than the production of 376 531 tons during the previous season. The industry has experienced a steady increase in production since the 2000/01 season.



Sales

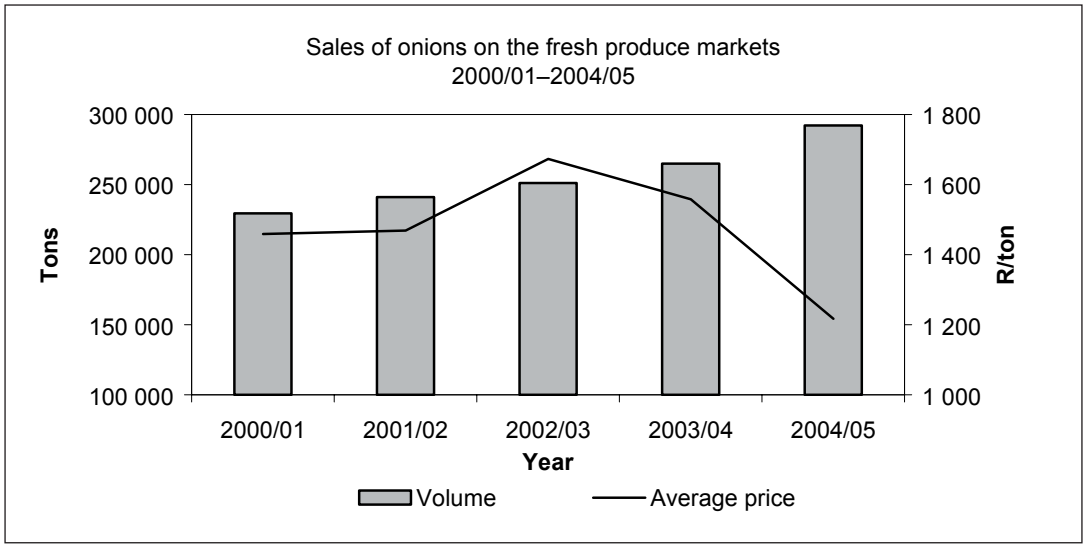
The fresh produce markets remain an important marketing channel for onions. Approximately 73 % of the total production during the 2004/05 season was sold on 19 major fresh produce markets, compared to 70 % the previous season, while 5 % was exported. The remainder comprises own consumption and direct sales to supermarkets and chain stores, as well as sales to processing factories.

During the period 2000/01 to 2004/05, the sales of onions on the fresh produce markets increased by an annual average rate of 4 %, from 229 382 to 292 208 tons.



Prices

The average price of onions sold on the fresh produce markets decreased by 22 %, from R1 558 per ton in 2003/04 to R1 217 per ton in 2004/05. This drop in the price of onions was mainly the result of higher volumes offered for sale on the markets.



Processing

Only 1 % of the total production of onions was taken in for processing during the 2004/05 season. There has been a steady increase in the total processing of onions since the 2000/01 season, when 3 509 tons were taken in for processing compared to 4 595 tons in the 2004/05 season. During 2004/05, about 46 % of processed onions was dehydrated, 44 % was canned, and the remaining 10 % was frozen.

Exports

During the 2004/05 season, the volume of onions exported represented about 5 % of the total volume of the onion crop. The volume of exports decreased by approximately 41 % from 34 935 tons in the previous season to 20 658 tons during the 2004/05 season.

Potatoes

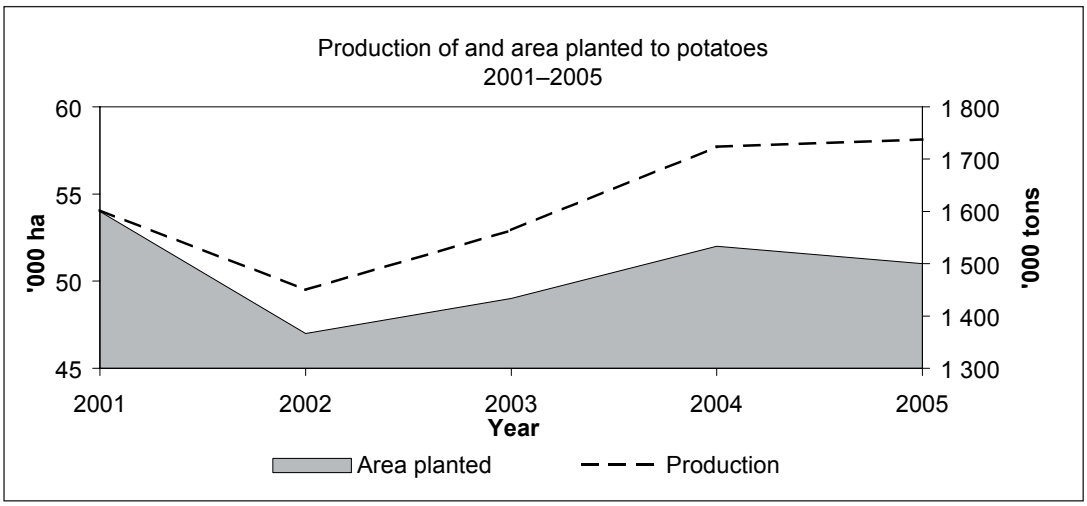
There are 16 distinct potato production regions, which are spread throughout the country. The main regions are situated in the Limpopo, North West, Mpumalanga, Free State and Western Cape provinces. Potatoes are planted at different times, because of climate differences in these production areas, resulting in fresh potatoes being available throughout the year. During the last two decades there has been a major shift from dryland production to production under irrigation. Today, almost 75 % of the area cultivated is under irrigation and dryland production occurs mainly in areas with proven, reliable summer rainfall, such as the eastern part of the Free State and parts of Mpumalanga and the Eastern Cape provinces.

Area planted

Plantings for 2005 are estimated at around 50 900 ha, which represents a 2,4 % decrease compared to the previous season.

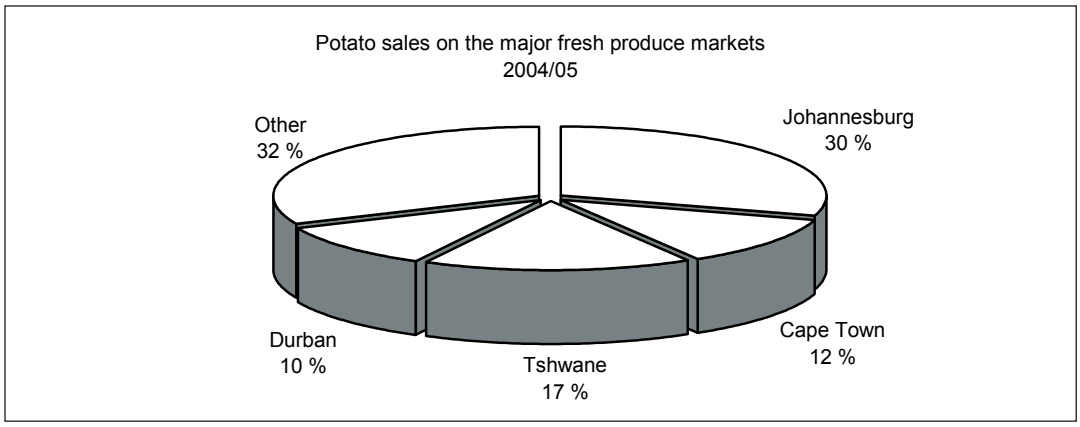
Production

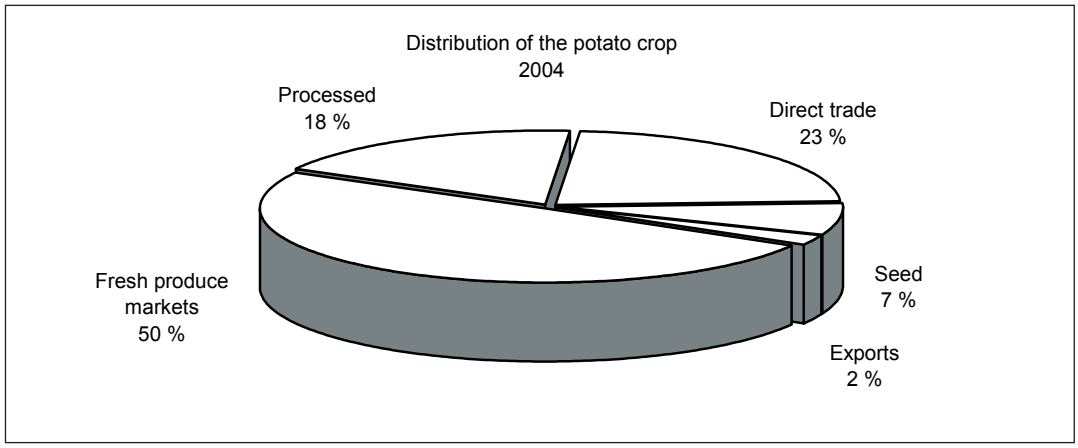
Potatoes contributed approximately 47 % to the total gross value of vegetables produced during 2004. A total crop of about 174 million x 10-kg bags, which is 1,2 % higher than in 2004, is expected for 2005. South Africa is not a major role-player in terms of world production, as it delivers only 0,5 %. In 2004, the total average yield was approximately 3 305 x 10-kg pockets per ha, compared to 3 413 x 10-kg pockets per ha in 2003, which is a decrease of 3,3 %.



Sales

The major fresh produce markets remain an important channel for selling potatoes. During 2004/05, more than approximately 95 million x 10-kg pockets of potatoes were sold on the 19 major fresh produce markets, as against 85 million in 2003/04. The Johannesburg fresh produce market remains the biggest outlet, followed by Tshwane, Cape Town and Durban. During the last five years, potato sales on the major fresh produce markets on average showed an increase of approximately 0,2 % per annum.





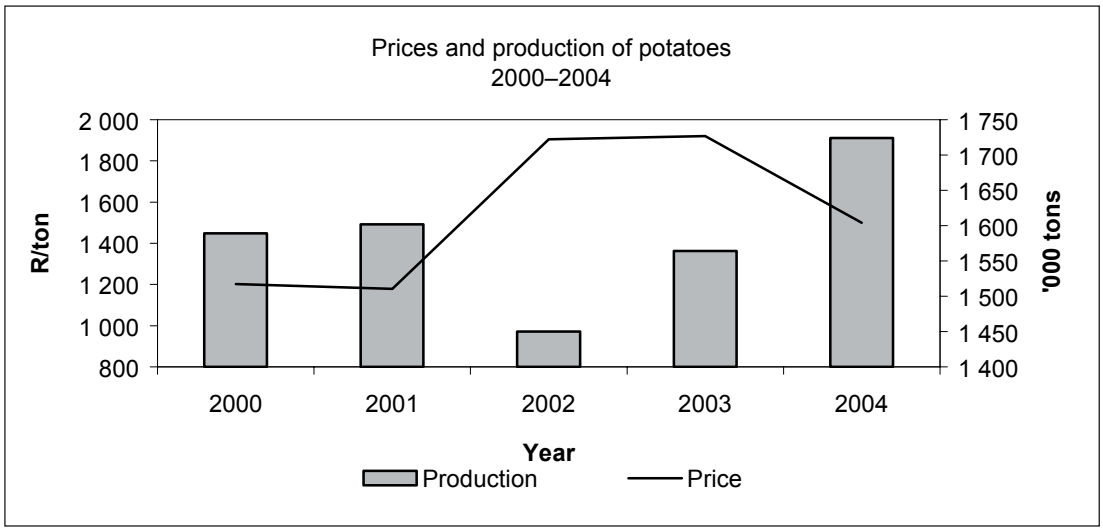
Consumption

The total gross human consumption of potatoes increased by approximately 13,7 % to 1,5 million tons during 2004 and the *per capita* consumption increased by 13,2 % to about 33 kg per annum.

Year	2000	2001	2002	2003	2004
Total production ('000 tons)	1 679	1 747	1 556	1 620	1 819
Gross human consumption ('000 tons)	1 436	1 480	1 295	1 354	1 539
Per capita consumption (kg p.a.)	32,87	33,20	28,49	29,17	33,03

Prices

Between 2000 and 2004, potato prices realised on the major fresh produce markets increased by an average of 5,6 % per annum, from R1 201 per ton in 2000 to R1 499 per ton in 2004.



Processing

During 2004, approximately 8,6 % of the total production of potatoes was taken in for processing. About 98 % of these potatoes were processed into potato chips, both fresh and frozen, while the remaining 2 % was used for mixed vegetables, crisps, canning, etc. The processing of potatoes showed an upward trend between 2000 and 2004.

Trade

About 1,7 % of the total potato production was exported during 2004. The quantity of potatoes exported increased by 8,3 % compared to 2003, while the rand value decreased by approximately 15,5 %. There has been an improvement in trade between South Africa and the other SADC countries. During 2004, approximately 92 % of total potato exports went to Angola, Mozambique, Mauritius and Zambia.

During 2004, it came to the attention of Potatoes South Africa that large quantities of processed potatoes were being imported. Agri Inspec was contracted and did a risk analysis on potatoes and potato products imported from 1 January 2003 to 31 December 2004. For these two years, 7 570 tons of frozen and 769 tons of dry potato products were imported.

Prospects

The continued process of urbanisation will increase the demand for easily and semiprepared food. This means that the growth in the intake of potatoes by processing factories will continue. However, imports should also be taken into account when determining the future of the South African processing industry.

Prices for potatoes are expected to remain above R1 400/ton during 2005.

Livestock numbers

Approximately 80 % of agricultural land in South Africa is mainly suitable for extensive livestock farming. Livestock are also found in other areas where they are kept in combination with other farming enterprises. In South Africa, cattle, sheep and goat farming involves approximately 590 000 km^2. This represents 53 % of all agricultural land in the country and includes the vast Karoo areas of the Northern and Western Cape provinces as well as the mixed veld types of the Eastern Cape and the southern Free State. Commercial sheep farms are also found in other areas such as the Kalahari, the winter rainfall area, and the grasslands of Mpumalanga, eastern Free State and KwaZulu-Natal, where other farming enterprises, such as cattle farming, are also found.

As rainfall plays a major role in the availability of fodder and grazing, it is logical that a good correlation would exist between rainfall and the size of the national herd, in particular cattle.

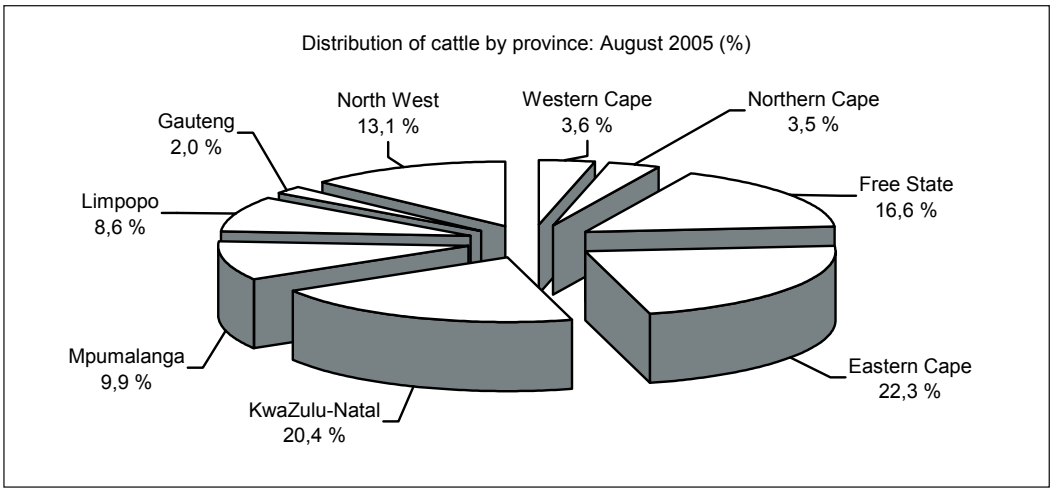
Cattle

Cattle are found throughout the country, but especially in the Eastern Cape, KwaZulu-Natal, the Free State and the North West provinces. Herd sizes vary according to type of farming. In the case of dairy cattle, it varies between less than 50 and 300 (average approximately 110). Beef cattle farms range from fairly small (less than 50 head of cattle) to large farms and feedlots (more than 1 000). The production of weaners for the feedlot industry is the most frequent form of cattle farming in South Africa. Feedlots account for approximately 75 % of all beef produced in the country.

The total number of cattle in South Africa at the end of August 2005 is estimated at 13,76 million, comprising various international dairy and beef cattle breeds, as well as indigenous breeds such as the Afrikaner and Nguni. The number is approximately 1,9 % higher than the estimate of 13,51 million as at the end of August 2004. Beef cattle comprise approximately 80 % of the total number of cattle in the country, while dairy cattle make up the remaining 20 %.

Cattle numbers per province since 2001 are estimated to be as follows:

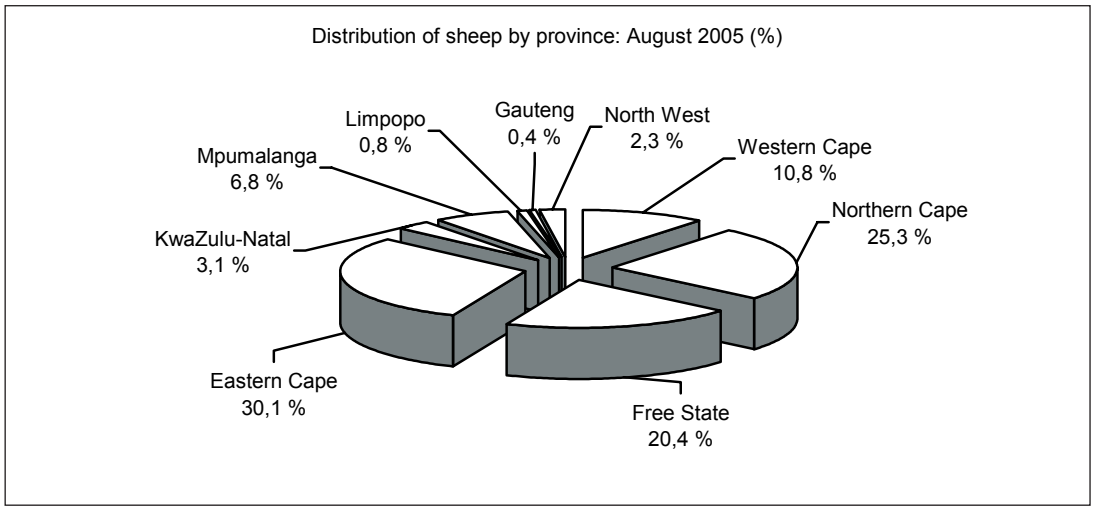
Province	2001	2002	2003	2004	2005
	'000 head (August)				
Western Cape	490	498	501	496	492
Northern Cape	464	473	471	468	476
Free State	2 241	2 254	2 256	2 253	2 281
Eastern Cape	3 039	3 125	3 083	3 042	3 072
KwaZulu-Natal	2 736	2 771	2 744	2 749	2 813
Mpumalanga	1 328	1 327	1 332	1 347	1 359
Limpopo	1 203	1 165	1 144	1 138	1 192
Gauteng	282	267	264	273	278
North West	1 724	1 754	1 743	1 747	1 800
Total	13 507	13 634	13 538	13 513	13 763



There are various breeders' organisations representing most international and indigenous cattle breeds. Most of the organisations are affiliated to the South African Studbook and Animal Improvement Association. The Milk Producers' Organisation (MPO) is the most prominent producer organisation in the South African dairy sector. The Red Meat Producers' Organisation (RPO) and the National Emergent Red Meat Producers' Organisation (NERPO) represent beef producers in the commercial and emerging agricultural sectors, respectively.

Sheep

Although sheep farms are found in all provinces, they are concentrated in the more arid parts of the country. The largest number of sheep is found in the Eastern Cape (30,1 %), Northern Cape (25,3 %), Free State (20,4 %) and Western Cape (10,8 %) provinces. Flock sizes vary between 125 and 1 800 head. Sheep flocks in the Eastern, Western and Northern Cape provinces tend to be much larger than those in the other provinces.



The animals are kept mainly for wool and mutton production and the industry is therefore represented by organisations from the mutton as well as the wool industry.

The sheep industry also has various breeders' associations, with the Dorper Sheep Breeders' Society of South Africa and Merino SA being the most prominent.

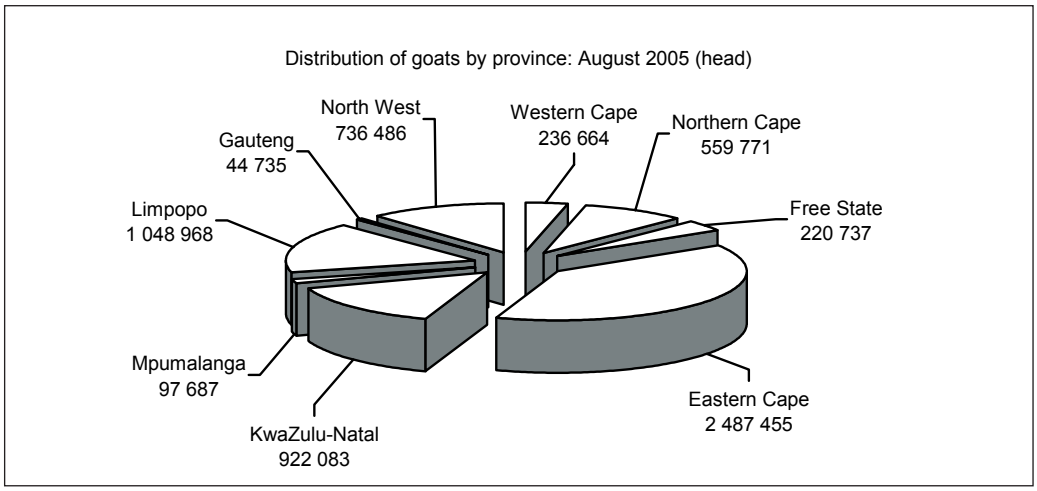
The total number of sheep in South Africa at the end of August 2005 is estimated at 25,3 million—approximately 0,2 % lower than the estimated 25,4 million as at the end of August 2004.

The number of sheep in the various provinces since 2001 is estimated to be as follows:

Province	2001	2002	2003	2004	2005
	'000 head (August)				
Western Cape	2 767	2 817	2 867	2 798	2 736
Northern Cape	6 676	6 727	6 841	6 517	6 395
Free State	5 355	5 078	5 090	5 093	5 160
Eastern Cape	7 787	7 517	7 628	7 536	5 160
KwaZulu-Natal	776	782	783	782	775
Mpumalanga	1 694	1 773	1 703	1 706	1 724
Limpopo	229	204	212	223	212
Gauteng	91	90	94	95	92
North West	725	739	602	609	593
Total	26 100	25 727	25 820	25 359	25 316

Goats

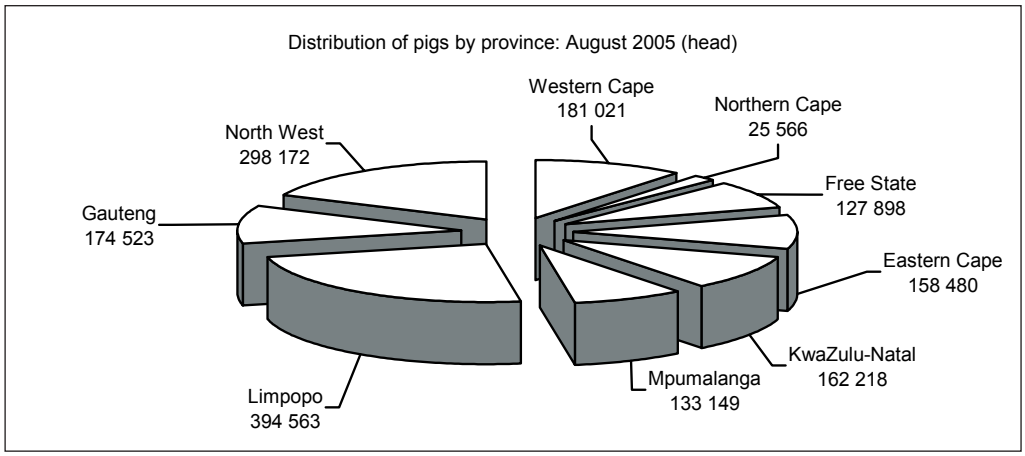
Goats are found mainly in the Eastern Cape, Limpopo, KwaZulu-Natal and North West provinces. Estimates indicate that there was a slight decrease of 0,16 % in the number of goats, from 6,37 million in August 2004 to 6,36 million in August 2005.



Flocks of goats intended for meat production are usually smaller than sheep flocks, averaging approximately 300 head per farm. Angora goats are kept primarily for mohair production, while Boer goats are mainly for meat production. There are also farmers who have adopted a market differentiating strategy by producing goat's milk.

Pigs

Pigs are found predominantly in the Limpopo, North West and Western Cape provinces. There are approximately 350 commercial pork producers and 20 stud breeders in South Africa. It is estimated that pig numbers increased by 0,3 %, from 1,651 million in August 2004 to 1,656 million in August 2005.



The South African Pork Producers' Organisation is the official mouthpiece of pork producers in South Africa. The organisation is primarily concerned with administration, liaison with Government, the promotion of pork and pork products and matters of national interest such as health and research. The total number of employees in the pork production industry in South Africa is estimated to be approximately 10 000.

Red meat

The red meat industry is one of the most important and growing industries in the agricultural sector and contributes approximately 13 % to the gross value of agricultural production in the RSA. While sheep farming is mainly extensive, a large percentage of beef animals are derived from feedlots.

Slaughterings

It is estimated that the total number of cattle slaughtered increased by 5,2 % between 2003/04 and 2004/05 and that the number of sheep and pigs slaughtered increased by 1,0 and 1,3 %, respectively.

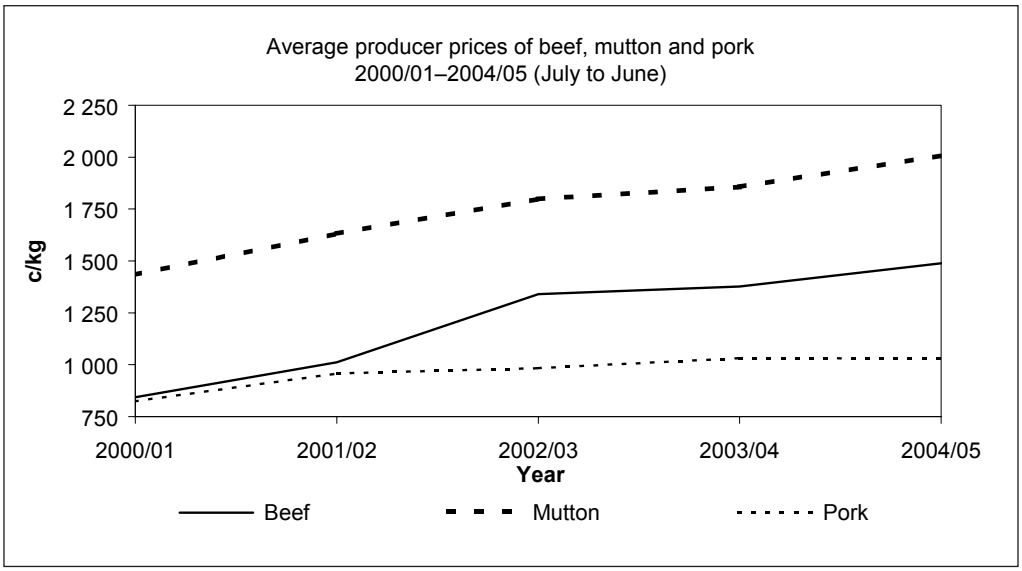
Commercial slaughtering of red-meat-producing livestock types over the past five years is as follows:

Year	2000/01	2001/02	2002/03	2003/04	2004/05
Cattle	1 735 102	1 933 610	1 958 447	1 985 107	2 088 365
Sheep and lambs	4 588 079	4 848 182	4 891 866	4 973 532	5 025 338
Pigs	1 629 786	1 752 192	1 765 122	1 782 612	1 806 561

Auction prices

The prices for red meat are the result of the interaction between demand and supply, which are affected by the level of the consumers' disposable income, the price of substitute products and import parity prices. In the case of mutton, for example, the level of wool prices also influences the domestic supply of mutton.

The average producer price of beef for 2004/05 amounted to R14,88/kg (average for all classes on all auction markets), which represents an 8,1 % increase compared to the average price of R13,77/kg for 2003/04.

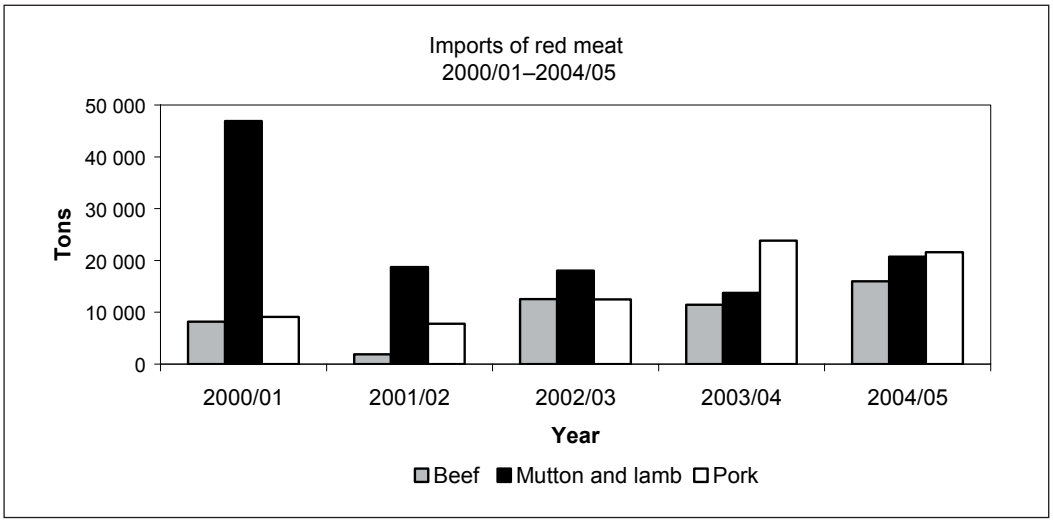


In view of the ever-stronger influence of international trade on the local mutton industry, both the cyclical and seasonal price patterns for mutton are influenced by imports. The average producer price for mutton and lamb increased by 8,1 % to R20,08/kg during 2004/05, compared to the average price of R18,57/kg for 2003/04.

The average producer price for pork stayed virtually unchanged from 2003/04 to 2004/05 at approximately R10,30/kg.

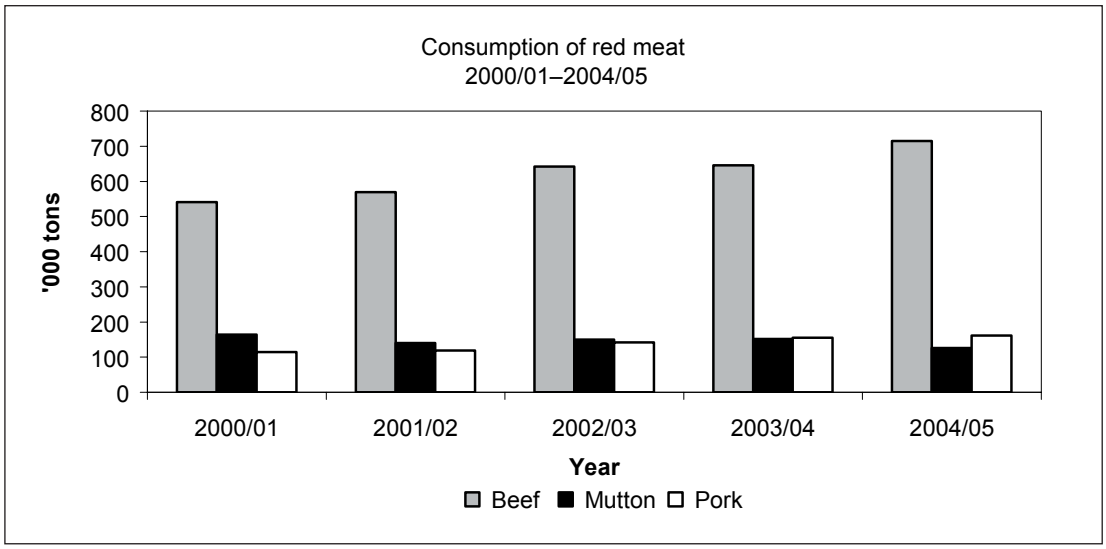
Imports

Imports of red meat increased from 49 031 tons in 2003/04 to 58 267 tons in 2004/05 (much higher than the average of approximately 53 000 tons for the past five years). Imports of beef amounted to 15 961 tons, which is higher than the five-year average of 11 000 tons. Imports of pork were 21 567 tons for 2004/05, which is more than double the five-year average of 9 947 tons, and imports of mutton amounted to 13 759 tons, which is less than half the average of 32 075 tons for the previous five years.



Consumption

Consumption of beef and veal increased by 10,7 %, from 646 000 tons in 2003/04 to 715 000 tons in 2004/05, and that of pork by 3,4 %, from 155 000 tons in 2003/04 to 161 000 tons in 2004/05. Consumption of mutton decreased by 17,3 %, from 152 000 tons in 2003/04 to 126 000 tons in 2004/05.



Prospects

Low rainfall in 2005 poses a serious problem to the red meat industry because of dry veld conditions and poor grazing.

The current low producer prices of grain could spill over to the meat industry in 2006 and could result in a downward movement of meat producer prices. Grain producers could feed grain to their cattle and expand their cattle operations, or sell their maize as feed in order to reduce financial losses as a result of low maize prices, resulting in higher cattle numbers.

Purchase prices of weaners could increase owing to the higher demand for weaners from feedlots. However, by the time the weaners are ready for slaughter, there could be an oversupply of beef on the market, which may put pressure on producers to drop their prices.

Poultry

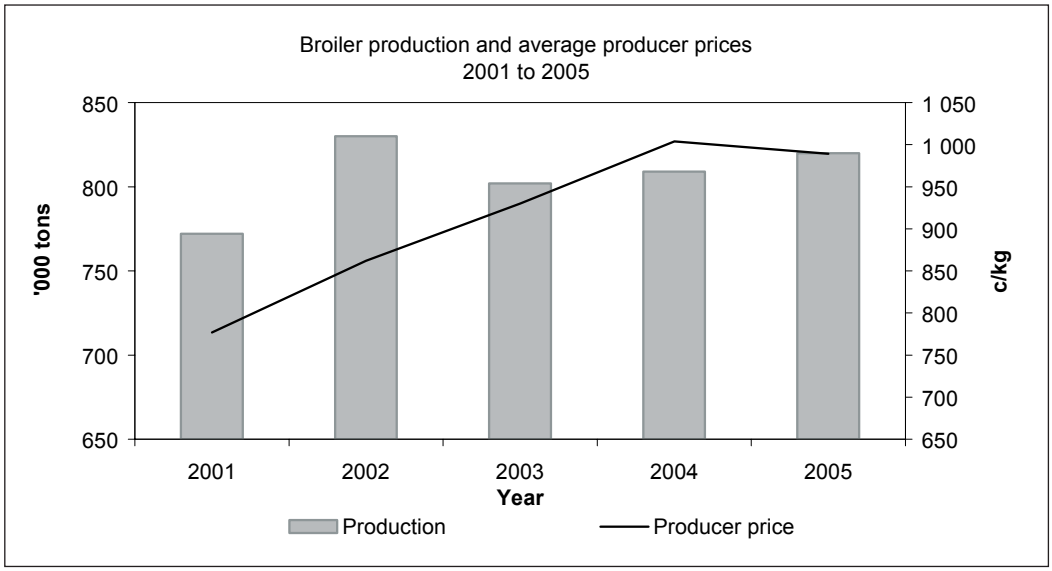
The poultry industry consists of three distinct, separate branches, namely the day-old chick supply industry, the broiler industry and the egg industry. This article focuses on the latter two, as the chick supply industry is an input to them.

Broiler industry

A small number (9) of large producers handle more than 80 % of the total broiler production in South Africa, while many small production units and the informal sector are responsible for the remaining 20 %. The Western Cape produces approximately 26,9 % of the total, followed by Gauteng with 16,3 %, North West Province with 15,8 % and Mpumalanga with 15 %, according to the South African Poultry Association (SAPA). The number of broilers slaughtered by commercial producers during 2004 was an estimated 599 million units. This is 0,6 % more than the estimated 595 million that were slaughtered during 2003. An estimated 608 millon units will be slaughtered during 2005, which is 1,6 % higher than in 2004. The producer value of broilers slaughtered, including offal, increased by 8,6 %, from R9 967 million in 2003 to R10 819 million in 2004. The producer value for 2005 is estimated to be R10 822 million, which is only marginally higher than in 2004.

Production

Commercial broiler production during 2004 is estimated at 807 000 tons. This is 0,4 % more than the estimated 804 000 tons produced during 2003. The gross value of broilers slaughtered by commercial producers during 2004 is estimated at R9 312 million, which is an increase of 1,6 % on the estimated R9 164 million for 2003.



Prices received by producers

During 2005, prices received by producers of broilers declined slightly by 1,5 % to an average weighted price of R9,89/kg.

Producer prices of broilers from 2001 to 2005 are as follows:

Year	2001	2002	2003	2004	2005
	c/kg				
Price of broilers	777	862	930	1 004	989

Consumption

An estimated 18 % of local consumption is made up of imports.

The consumption of poultry meat from 2001 to 2005 accounts for 52 % of total consumption of meat in South Africa (beef, mutton, pork and poultry).

Per capita consumption of commercially produced chicken meat from 2001 to 2005 is as follows:

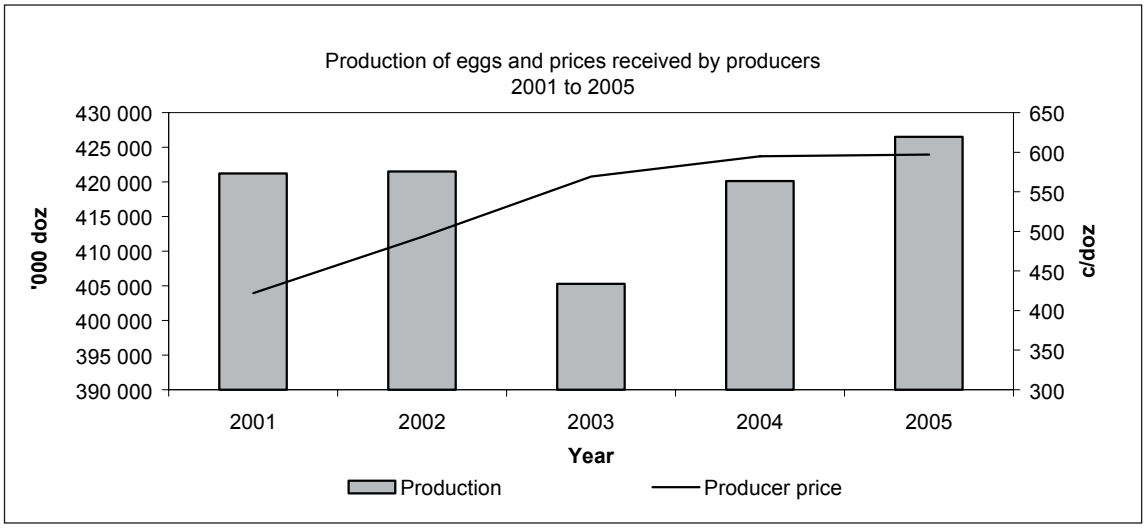
Year	2001	2002	2003	2004	2005
	kg/year				
Per capita consumption	18,90	20,10	20,51	21,13	22,04

Imports

The imports of poultry meat from January to May 2005 annualised for the entire year are 217 662 tons. This is an increase of 20 % from 2004. South African imports from Brazil account for approximately 78 % of total imports.

EGG INDUSTRY

Gauteng and the Western Cape provinces respectively produce 25 and 21 % of the total egg production, followed by KwaZulu-Natal with 14 % and North West Province with 10 %, according to SAPA. The number of layers in 2003 was 17 million hens. It increased to 17,6 million in 2004, which is a rise of 3,5 %. For 2005 up to August, the number of layers is estimated to be 17,8 million. This is an increase of approximately 0,2 % compared with the previous year.



The average producer price of eggs increased by 0,4 % from 2004 to 2005. The prices from 2001 to 2005 are as follows:

Year	2001	2002	2003	2004	2005
	c/doz				
Price of eggs	370,4	421,9	569,1	594,9	597,1

Consumption

It is estimated that both the total and *per capita* consumption of eggs remained virtually unchanged between 2004 and 2005 at approximately 6,9 kg per annum.

Prospects

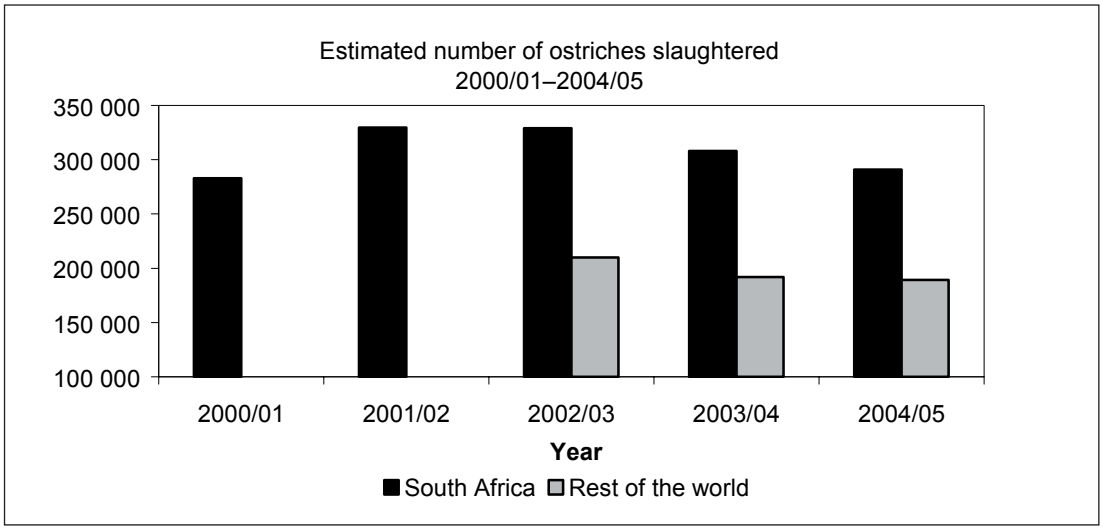
Both the egg and the broiler industries are experiencing lower feed prices owing to the drop in maize prices. The large maize crop and the carry-over stocks should keep these prices low for at least another 12 months. The market prices have been stabilising steadily after dropping slightly during 2004. Therefore the outlook for the egg industry for 2005 and 2006 is positive.

Ostriches

The South African ostrich industry became established in 1838 with the export of feathers to Europe. The industry flourished during what was referred to as the second ostrich feather boom between 1900 and 1914. Soon afterwards, the industry virtually collapsed as a result of changes in world fashion trends. During the 1960s, the industry was transformed into an intensively managed farming activity. The emphasis shifted from feather to leather production. More recently, ostrich meat became popular because of its health characteristics (almost no fat and cholesterol, and rich in protein and iron).

Since the deregulation of the marketing of agricultural products in South Africa during the 1990s, farming with ostriches not only spread from the Little Karoo region to other parts of the country, but to several other countries as well.

South Africa, however, remains the major supplier of ostrich products to the world. Approximately 70 % of all ostrich meat, leather and feathers is produced in South Africa. Today, all major stakeholders in the industry are affiliated to either the National Ostrich Processors of SA (NOPSA) or the South African Ostrich Producers' Organisation (SAOPO). Both these organisations are core members of the South African Ostrich Business Chamber (SAOBC). The objective of the SAOBC is to cooperate in the advancement of the ostrich industry in South Africa. The implementation of various strategic initiatives in the industry was severely hampered by the outbreak of avian influenza on two farms in the Eastern Cape Province in August 2004.



The number of birds slaughtered worldwide is estimated at approximately 420 000 for 2004/05, 291 000 (69,3 %) of which were slaughtered in South Africa. The demand in Europe for ostrich meat remained high, but the ban on the export of ostrich meat from South Africa as a result of avian influenza led to the fact that the demand could not be met. However, the local consumption of ostrich meat increased by 70 % owing to an awareness and marketing campaign.

Income from leather varies significantly because of large price differences between raw skin grades. The SAOBC aims that only higher-grade leather be placed on the market and therefore various research programmes regarding quality improvement and genetics are being undertaken. A producer earns approximately R1 000 for a first-grade raw skin and around R800 for a third-grade skin.

The average price producers of ostrich meat received during the past year was approximately R16/kg and R90 for feathers per bird (depending on the quality).

Prospects

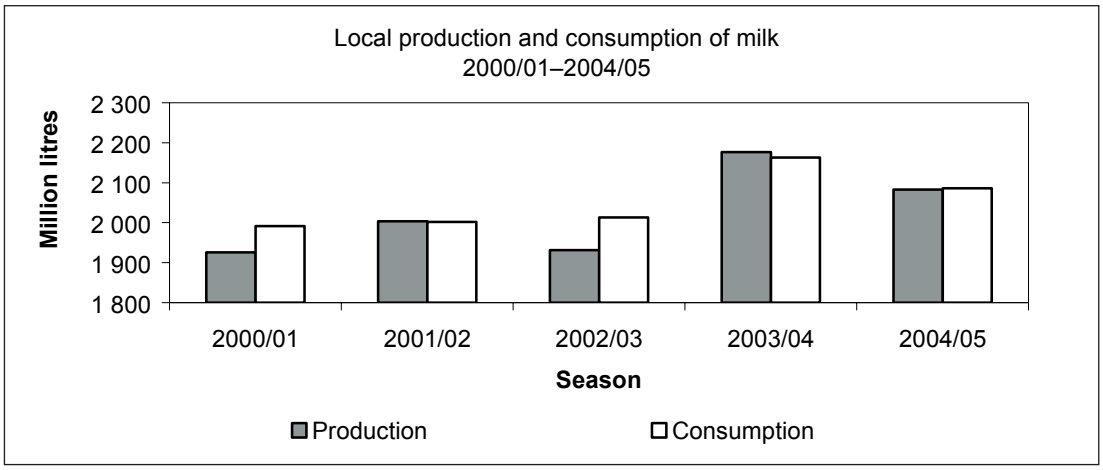
During the 2005/06 season, the volume of ostriches slaughtered in South Africa is expected to drop to around 230 000 units, mainly as a result of the effects of avian influenza. It is expected that the income of producers will be much lower because of the dramatic recovery of the rand. The situation could continue up to 2006.

Milk

Milk is produced in nearly all regions of South Africa. However, the coastal areas are more suitable because of mild temperatures and good rainfall. This assures good-quality natural and artificial pastures. The production of milk in the coastal provinces increased from 52,4 % in 1997 to 64 % in 2004. In 2004, the Western Cape Province contributed 24,5 % to total production, Eastern Cape 20,5 %, KwaZulu-Natal 19 %, North West 10,3 %, Free State 13,4 %, Mpumalanga 7,1 % and the remaining three provinces 5,2 %. According to estimates in July 2005, there were 4 290 commercial milk producers in the country.

Milk production in South Africa makes a very small contribution to world milk production (approximately 0,5 %), but in terms of the value of agricultural production in South Africa, it is the fifth largest agricultural industry in the country. The gross value of milk produced during the 2004/05 season (March to February), including milk for own consumption and processing on farms, is estimated at R5 409 million.

In South Africa traditionally milk surpluses are produced and severe shortages are seldom reported. The local commercial production and consumption of milk from the 2000/01 to the 2004/05 season are depicted in the following graph.



Imports

During 2003, 25 613 tons of concentrated milk and milk powder, whey, butter and milk fats and cheese were imported. During 2004, these imports amounted to 19 180 tons—a decrease of 25 % compared to 2003. It is expected that imports of these products during 2005 will be approximately 25 000 tons.

Prices

The producer price decreased to a low of 178 c/ℓ during 2004, mainly as a result of the stronger rand and heavily subsidised imports and came to 181 c/ℓ for the 2004/05 season. This represents a decrease of 11,7 % as against the price for 2003/04.

Production season	2000/01	2001/02	2002/03	2003/04	2004/05
	c/ℓ				
Average producer price	129,0	142,0	194,0	205,0	181,0

Prospects

It is expected that the production of milk for the 2005/06 season will be approximately 1,3 % lower than for the 2004/05 season. The lower grain prices, especially maize, and the cost of production inputs, should level out. The lower grain prices in 2005, which resulted in reduced feed costs, should assist producers to partially offset the losses suffered during 2004/05 as a result of high feed costs and lower milk prices. The unexpected decrease in producer prices in March 2005 had a negative impact on farmers' income. It is expected that the producer price will stay constant for the rest of 2005, but there might be a further increase in the gap between the producer price and retail price of fresh milk. An increase of only 0,6 % in consumption is expected for 2005/06.

Wool

Areas of production

Wool is produced throughout South Africa, but the main production areas are situated in the drier regions of the country. On a provincial basis, the Eastern Cape is the largest wool-producing region (29,4 % of the national clip during 2004/05), followed by the Free State (21,1 %), Western Cape (17,2 %), Northern Cape (11,9 %) and Mpumalanga (5,6 %).

Production

Australia remains the largest supplier of apparel wool to the world textile market, with an estimated production of 480 million kg (greasy) in 2004/05. South Africa, like Australia, produces mainly apparel wool, while

the bulk of the production of the other major producers, such as New Zealand, China, Uruguay and Argentina is coarse wool used in the manufacturing of carpets and interior textiles. The main competitors of wool are cotton and manmade fibres such as polyester, nylon and acrylic.

In 2004/05, global wool production fell to its lowest level since World War II to 2 109 million kg. Wool-growing generally remains under pressure from competing farm enterprises in the large wool-producing countries.

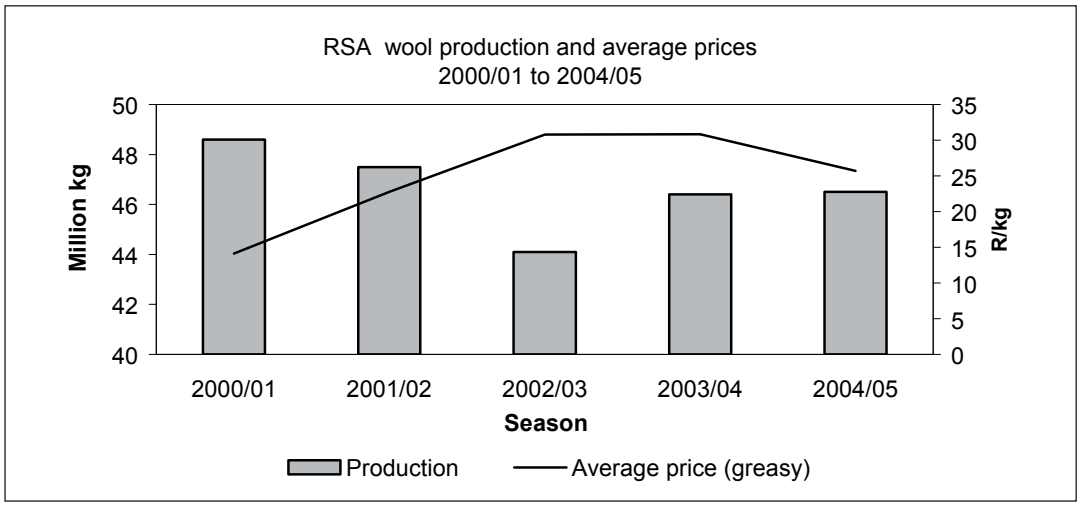
In South Africa, production increased slightly to 46,5 million kg in 2004/05, from 46,4 million kg in 2003/04. Because of the strong rand and poor pipeline business conditions in the wool industry, the 2004/05 wool season proved to be a difficult one for all stakeholders. This once again pointed to the uncertainty in the wool industry, which is susceptible to volatile exchange rates and other international factors that affect demand at consumer level.

During the past five seasons, trends in local production of wool by class were as follows:

Class	2000/01	2001/02	2002/03	2003/04	2004/05
	Million kg				
Merino	33,3	32,9	31,1	32,4	32,2
Other white wool	5,5	4,9	4,3	5,1	4,9
Lesotho, Ciskei and Transkei	2,7	2,9	3,7	4,9	5,0
Coarse and coloured	1,6	1,9	1,9	1,5	1,8
Dead wool and other	4,5	4,9	3,1	2,5	2,6
Total	47,6	47,5	44,1	46,4	46,5

Marketing

In excess of 90 % of all greasy wool sold in South Africa is traded by means of weekly auctions taking place from August to June. Normally there is considerable volatility in prices during and between auctions. The price of wool is determined by a complex set of variables, including the level of the market in Australia on a given day; exchange rate fluctuations; quantities offered for sale at auctions; the specific demand for different types of wool at different times; the extent and timing of contract commitments by local buyers for delivery to clients; and the prevailing economic conditions in wool-consuming countries.



South Africa is mainly producing a Merino clip, which comprises more than 80 % of all lots offered for sale. Mean fibre diameter is the major price determinant for Merino wool, with finer micron categories normally commanding a premium over medium and strong wool.

Marketing arrangements

The marketing of wool in South Africa is free from statutory intervention. Wool is traded primarily via the open-cry auction system. Alternative selling mechanisms, such as contract growing, forward deliveries and futures, have not yet been established in the South African wool industry.

The global price for apparel wool is determined in Australia where the largest volumes of wool are traded. South Africa, with its small clip, is therefore a market follower or price-taker.

Typical of wool auctions are numerous sellers and few buyers. Buyers normally have to compete for wool over a number of auctions to make up processing batches to meet their clients' contract specifications in terms of price, quantity and delivery date. Contracts in foreign currencies, such as the Euro or the US dollar, have to be converted to buying limits in rand and the buyer carries the risk.

Cape Wools of South Africa promotes the interests of the South African wool industry. It is a nonprofit company established and owned by farmers and other directly affected industry groups registered with the Wool Forum, which represents all role-players in die industry. The Board of Directors proportionately represents these groups and is selected from the Forum. Cape Wools acts as the executive arm of the Forum and started operating on 1 September 1997.

The Minister has granted approval for the introduction of statutory measures for the collection of information, including statistics for the wool industry, enabling Cape Wools to create a wool statistics databank from which a national market indicator and other information regarding the industry can be made available locally as well as internationally.

Its service portfolio comprises market information and statistics; research and development; transfer of wool production; and promotion. Cape Wools is funded by the Wool Trust from funds transferred from the former Wool Board.

Exports

Wool is an export product with over 90 % of total production exported in either greasy or semiprocessed form (scoureds and wool top). The main export destination countries (calculated on a value basis) in 2004/05 were the Czech Republic, Italy, Germany, France, the UK and China/Hong Kong, collectively absorbing 85 % of the total shipment volume (clean basis).

Market movement

The 2004/05 wool season was again disappointing, with the average market indicator at R25,68/kg (clean wool), which was 16,8 % lower than the previous season. The international demand curve for wool remained flat, while the stronger rand also exerted downward pressure on prices.

Prospects

Global economic conditions will determine demand in the new season. At the end of the 2004/05 season, the leading economic indicators for the major developed markets pointed to a continued downward drift. Exchange rates will also continue to have an effect on wool prices.

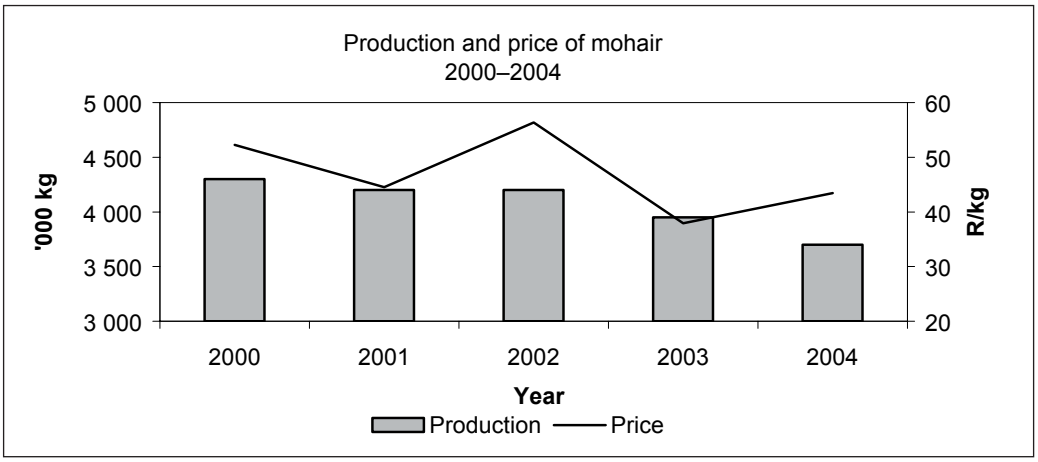
Mohair

Production

South Africa produces approximately 60 % of the world mohair production. Through selective breeding and farming techniques, the Angora goat farmer plays a crucial role in enhancing the constant availability of quality natural fibres. South Africa's mohair production figures showed a downward trend from 4,3 million kg in 2000 to 3,7 million kg in 2004—a decrease of 14 %. This downward trend in production occurred in most mohair-producing countries, including the USA, Argentina and Australia.

Production of mohair by South Africa during the period 2000 to 2004 is as follows:

Year	2000	2001	2002	2003	2004
	Million kg				
Production	4,3	4,2	4,2	4,0	3,7



Prices

Despite the further strengthening of the rand, the average price of mohair improved significantly by 12,8 %, from R37,91/kg in 2003 to R43,47/kg in 2004. This was mainly the result of fashion demand for mohair during the latter part of 2004, a trend which was expected to continue during 2005.

Average auction prices of mohair for the period 2000 to 2004 are as follows:

Year	2000	2001	2002	2003	2004
	R/kg				
Price	52,28	44,55	56,34	37,91	43,47

Imports and exports

Raw mohair is imported from Lesotho, Australia and the USA to be washed, after which it is exported together with locally produced mohair.

During 2004, exports improved to an estimated 5,1 million kg compared to 4,9 million kg in 2003, which represents an increase of about 4,1 % and reflects the higher demand during 2004. This result was achieved despite lower production and import levels, resulting in lower pipeline stocks, which could be promising for further improvements in demand and prices in 2005.

Year	2000	2001	2002	2003	2004
	Million kg				
Imports	1,1	0,7	1,8	2,4	1,7
Exports	5,6	4,4	5,2	4,9	5,1

Prospects

During the last quarter of 2004, demand for adult mohair showed improvement, leading to a turnaround in demand and prices. The production volume of mohair is expected to decrease in South Africa and other producing countries during 2005. It is also foreseen that a steady improvement in the average producer realisation could continue, reaching levels which could promote the increase of mohair production in South Africa over the longer term. An increase of more than 20 % in the average price is envisaged for 2005 and production estimates for 2005 are in the order of 3,5 million kg.