Trends in the Agricultural Sector

2009

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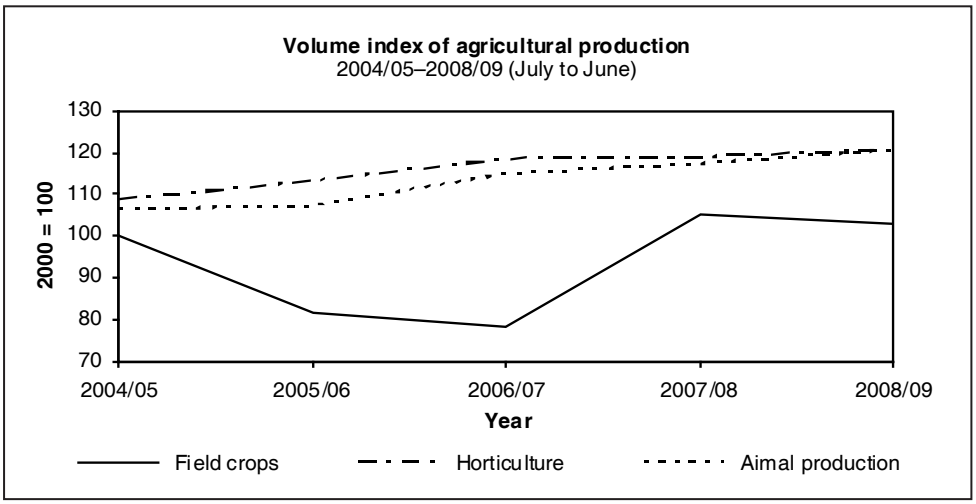
Contents

Economic review for the 12 months that ended 30 June 2009

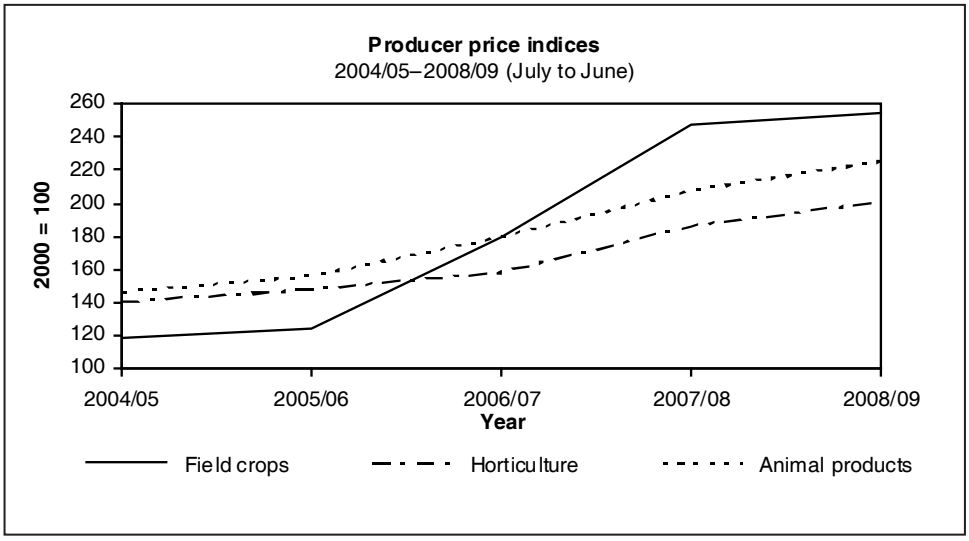
Volume of agricultural production

The estimated volume of agricultural production in 2008/09 was slightly higher (0,7 %) than in 2007/08. The volume of field-crop production reflected a 2,4 % decrease as a result of a drop in the production of summer grains; however, both winter grain and oilseed production showed increases. In the case of oilseeds, the highest volume of production ever was reported. Horticultural production increased by 1,3 %, mainly because of increases in production of citrus and subtropical fruit, as well as vegetables. The production of deciduous fruit showed a slight decrease. Animal production increased by 2,7 % as a result of an increase of 3,7 % in poultry products (meat and eggs), 3,3 % in fresh milk production, 3,0 % in stock slaughtered and 2,1 % in pastoral products.



Producer prices of agricultural products

Producer prices of agricultural products increased on average by 6,2 % from 2007/08 to 2008/09. The weighted average price of field crops rose by 3,0 %—prices for tobacco, hay, cotton, and sugar cane increased by 26,0, 25,8, 22,0 and 19,7 %, respectively. Winter grain, oilseed and summer grain prices decreased by 13,8, 0,8 and 0,7 %, respectively.



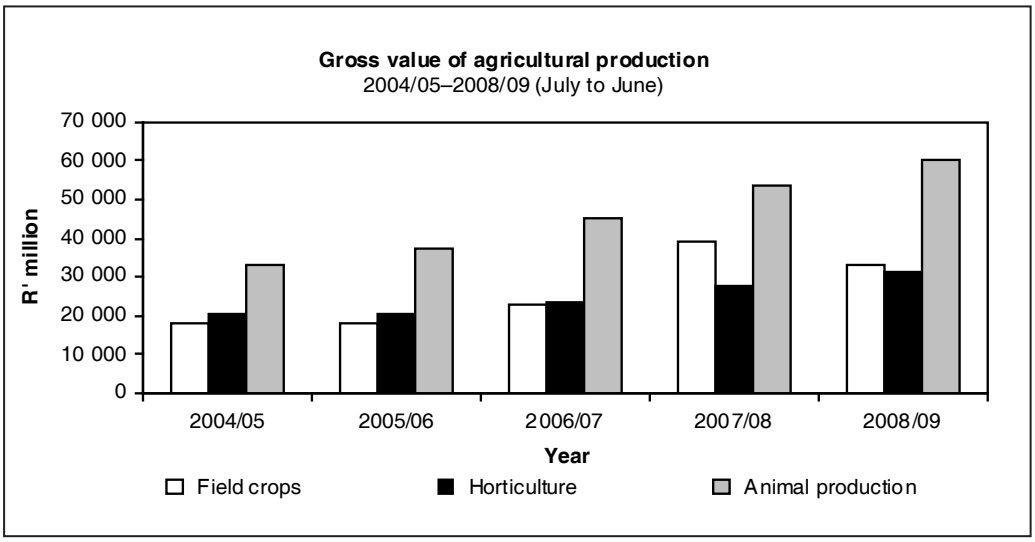
Producer prices of horticultural products rose by 7,7 % from 2007/08. Prices of fruit and vegetables increased by 8,6 and 8,3 %, respectively.

Prices of animal products rose by 8,5 %. The average price of poultry and slaughtered stock increased by 17,2 and 6,3 %, respectively, while the average price of pastoral products and dairy products decreased by 13,3 and 1,8 %, respectively.

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 2008/09 is estimated at R124 463 million, compared to R119 840 million the previous year—an increase of 3,9 %. This increase can be attributed mainly to a significant increase in the value of horticulture and animal products.

The gross value of animal products, field crops and horticultural products contributed 48,2, 26,7 and 25,1 %, respectively, to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 16,7 %, followed by maize with 13,1 % and cattle and calves slaughtered with 10,6 %.

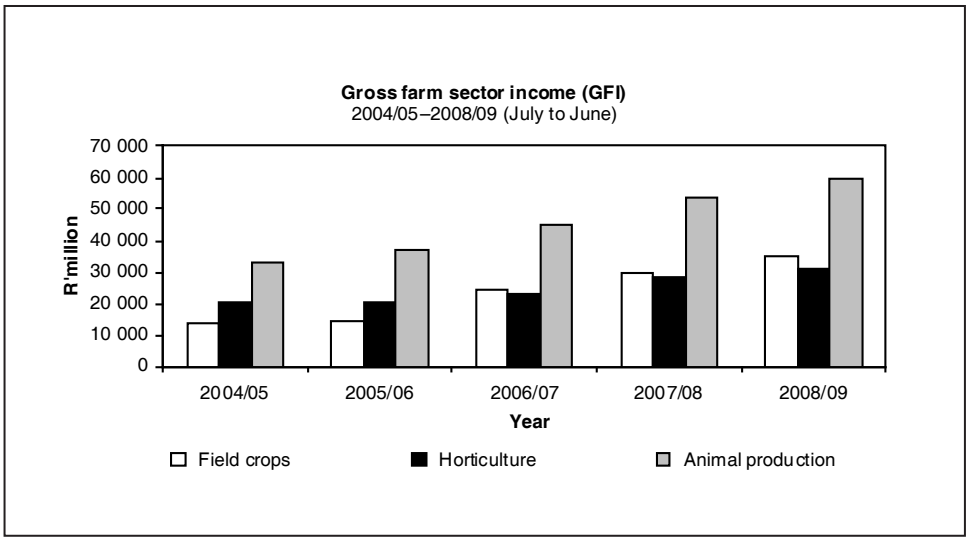


Farming income

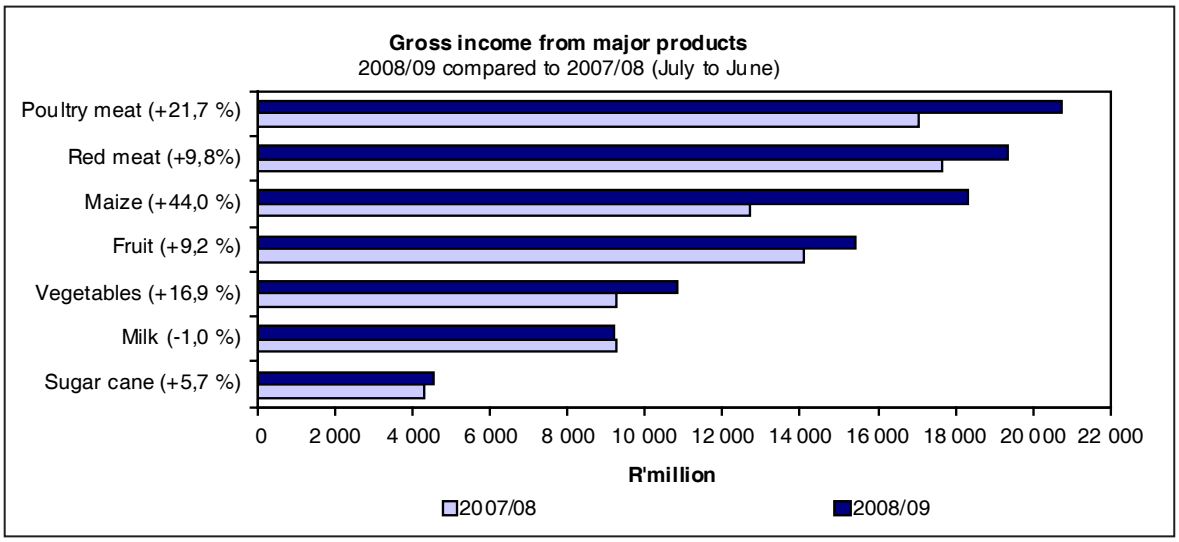
The gross income of producers (the value of sales and production for other uses, plus the value of changes in inventories) for the year ended 30 June 2009 amounted to R126 273 million, compared to R111 054 million the previous year—an increase of 13,7 %. The increase in income can mainly be ascribed to an increase in the production of field crops and better prices that farmers received for their horticultural, red meat and poultry products.

The gross income from field crops increased by 19,3 % to R35 248 million for the year ended 30 June 2009. Income from maize at R18 317 million was R5 598 million or 44,0 % more than the previous 12 months. Income from groundnuts and soya-beans showed increases of 52,2 % to R676 million and 45,7 % to R1 670 million, respectively. Income from wheat at R5 036 million was 7,5 % higher than that of the previous 12 months. Income from sunflower seed and cotton, however, decreased by 35,7 and 28,7 %, respectively.

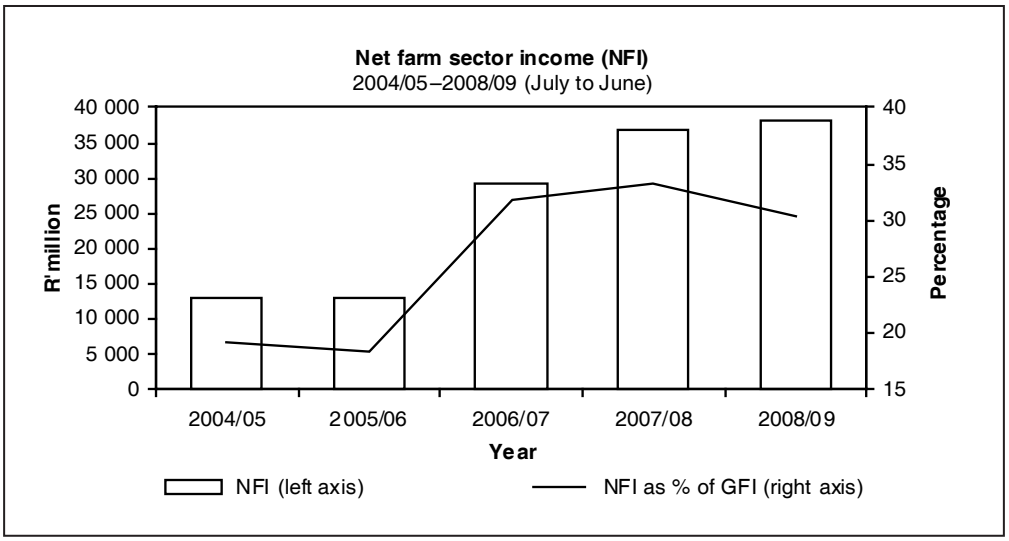
The gross income from horticultural products increased by 10,3 % to R31 033 million, compared to R28 126 million for 2007/08. Income from deciduous fruit rose by 10,2 % or R707 million, to R7 638 million, while subtropical fruit showed an increase of 13,7 % and amounted to R2 097 million, which is R253 million more than that of the previous 12 months. Income from citrus fruit rose by 6,4 % to R5 683 million. Income from viticulture increased by 4,2 % to R3 304 million. Income from vegetable production rose by 16,9 % or R1 560 million, to R10 797 million.



The gross income from animal products was 12,3 % higher than in 2007/08 and amounted to R59 992 million, compared to R53 434 million. Income from poultry meat production increased by 21,7 % to R20 765 million. The income of R6 573 million from egg production was 21,0 % higher compared to the previous year. Producers earned R13 133 million from slaughter cattle and calves, as against the previous year's R12 219 million—an increase of 7,5 %. Producers earned R9 186 million from milk production, which is 1,0 % less than during the previous 12 months. Income from wool decreased by 26,0 % to R1 078 million. Income from mohair at R209 million was only slightly down on the previous 12 months.



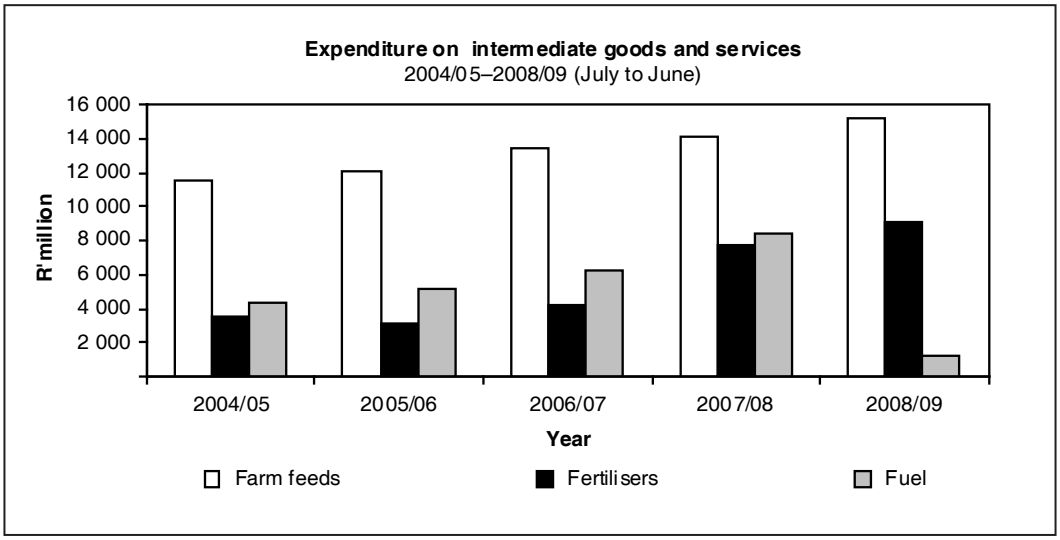
The net farming income (after the deduction of all production expenditures, excluding expenditure on fixed assets and capital goods) amounted to R38 230 million for the 12 moths that ended on 30 June 2009, which is only 3,7 % more than during the previous 12 months. Payments for salaries and wages, which represented 12,7 % of the total farming costs, amounted to R11 564 million. Interest paid by farmers to banks and other financiers is estimated at R5 019 million of 5,5 % of the total farming 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.

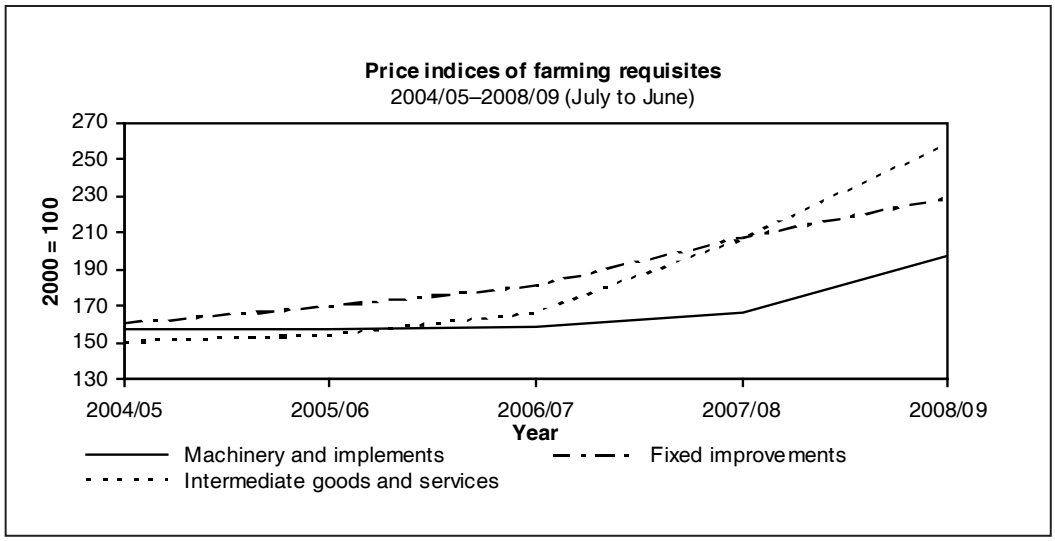
Expenditure on intermediate goods and services during 2008/09 is estimated at R69 862 million, which represents an increase of 21,5 % from R57 486 million in 2007/08. Expenditure on farm feeds, fuel and fertilisers increased by 21,8, 18,2 and 13,2 %, respectively.



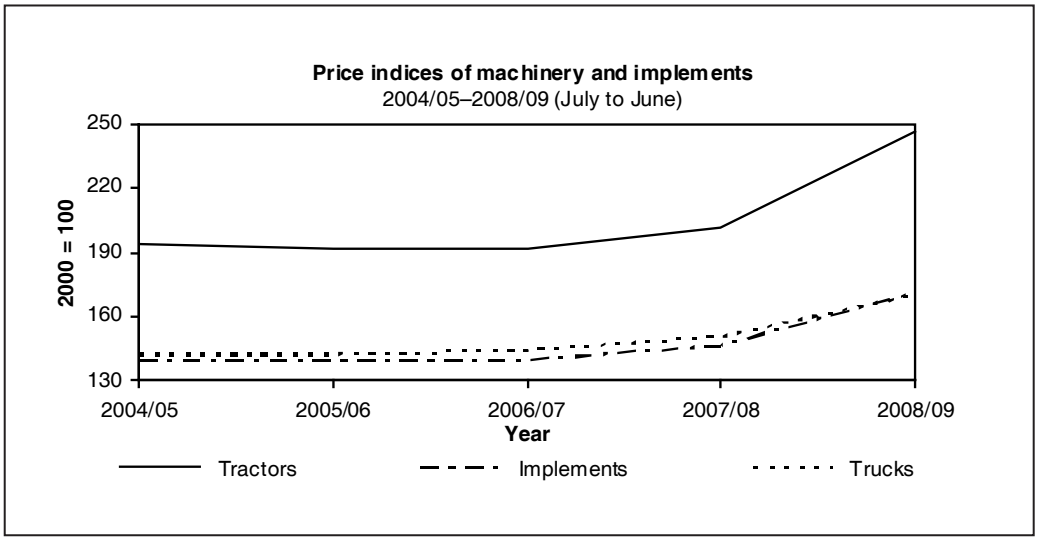
Expenditure on farm feeds remained the biggest expenditure item, accounting for 21,8 % of total expenditure on intermediate goods and services, even though it showed a relatively small increase of 8,2 % from the previous 12 months compared to other expenditure items. The following contributions were made to total expenditure on intermediate goods and services items: fuel 18,2 %, fertilisers 13,1 %, farming services 10,7 %, maintenance and repairs of machinery and implements 8,9 %, seeds and plants 6,8 %, dips and sprays 6,6 % and packaging material 5,2 %.

Prices of farming requisites

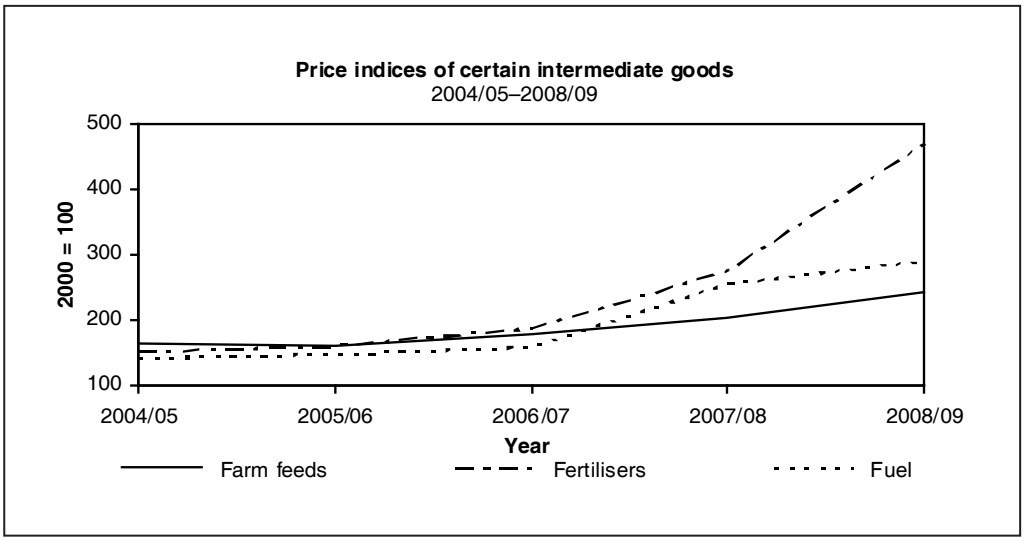
Prices of farming requisites rose by 23,2 % in 2008/09, compared to an increase of 21,4 % the previous year.



The price index of machinery and implements showed an increase of 18,4 % for 2008/09.



The price index of materials for fixed improvements increased by 10,3 % and the combined index of prices of intermediate production inputs and services rose by 25,0 %.



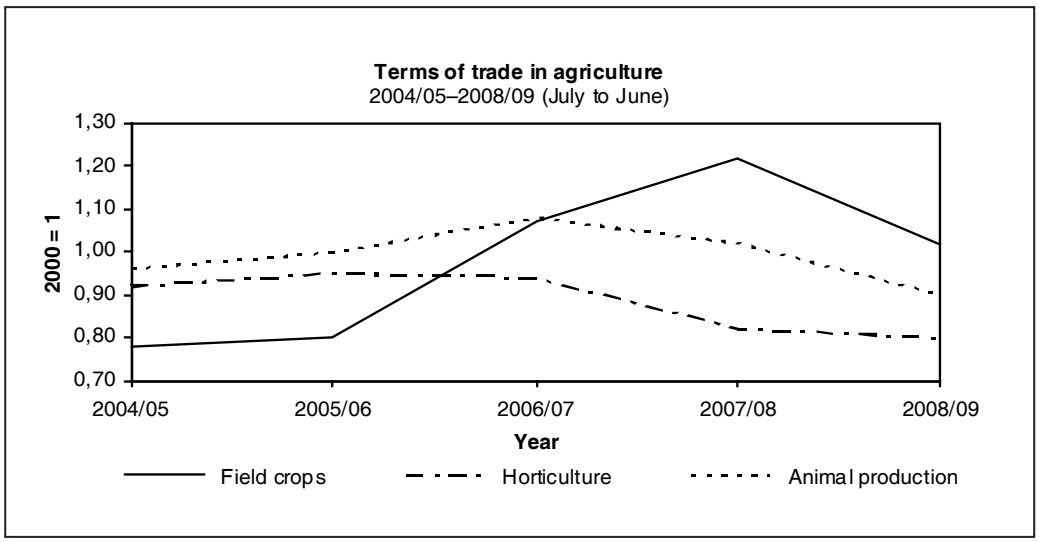
An increase of 70,6 % in the price of fertilisers made the most significant contribution to the increase in the prices of intermediate goods and services. The price of seed and feeds increased by 21,6 and 20,1 %, respectively, while the price paid for animal health and crop protection remedies increased by 17,4 %.

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 by 14,2 %, from 1,06 in 2007/08 to 0,91 in 2008/09.

The terms of trade for field crops decreased by 16,4 % from 1,22 in 2007/08 to 1,02 in 2008/09. In the case of the horticultural industry, the terms of trade weakened by 13,0 %, from 0,92 to 0,80. The terms of trade for the animal production industry decreased by 11,8 %, from 1,02 to 0,90.



Contribution of agriculture to value added at basic prices

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 2008 is estimated at R68 380 million. This represents 3,3 % of total value added to the economy.

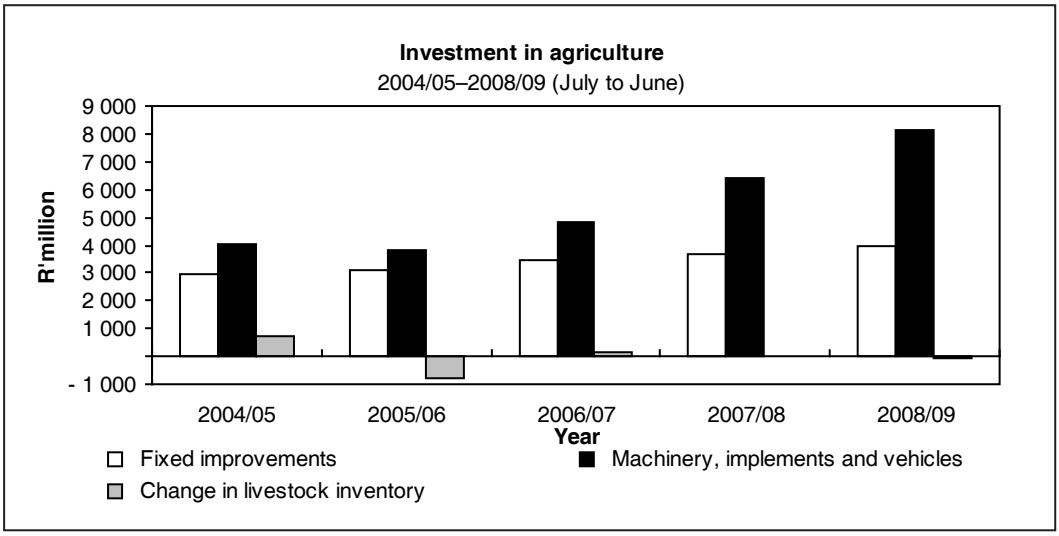
Year	Total value added R' million	Contributionof agriculture to value added R' million	Contribution of agriculture as % of total value added %
2003	1 143 679	34 353	3,0
2004	1 250 953	32 705	2,6
2005	1 372 374	29 994	2,2
2006	1 543 810	37 152	2,4
2007	1 774 972	48 066	3,1
2008*	2 053 487	68 380	3,3

* Figures are for agriculture, forestry and fisheries

Capital assets and investment in agriculture

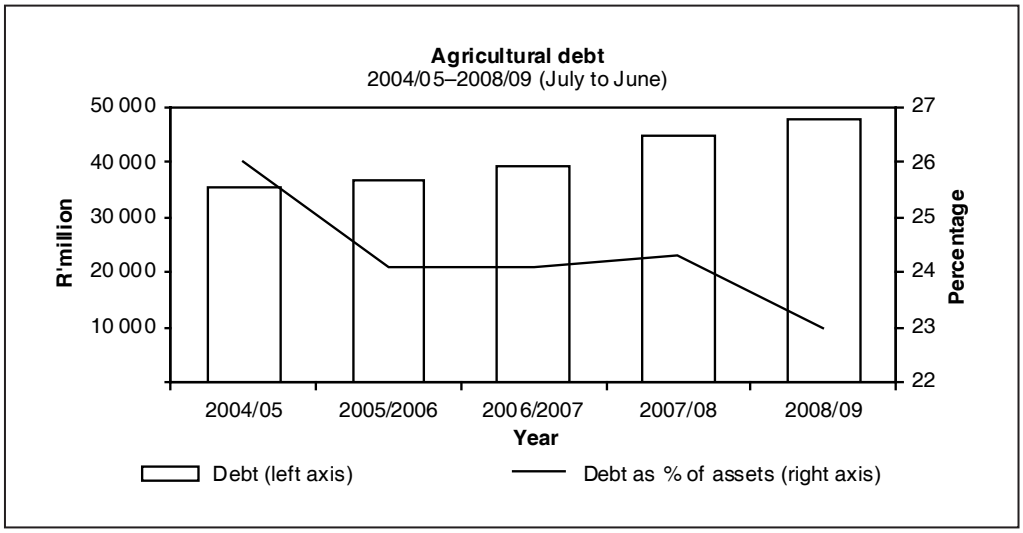
The value of capital assets in agriculture as at 30 June 2009 is estimated at R206 582 million, as against R184 874 million as at the end of June 2008—an increase of 11,7 %. Land and fixed improvements constituted R120 055 million, machinery and implements R38 241 million and livestock R48 286 million of the total value of capital assets.

The gross investment in respect of fixed improvements for the year ended 30 June 2009 increased by 6,5 % to R3 933 million. In the case of machinery, implements and vehicles, investment increased by 26,9 % and amounted to R8 109 million. The livestock inventory decreased by R47,3 million compared to the previous year.



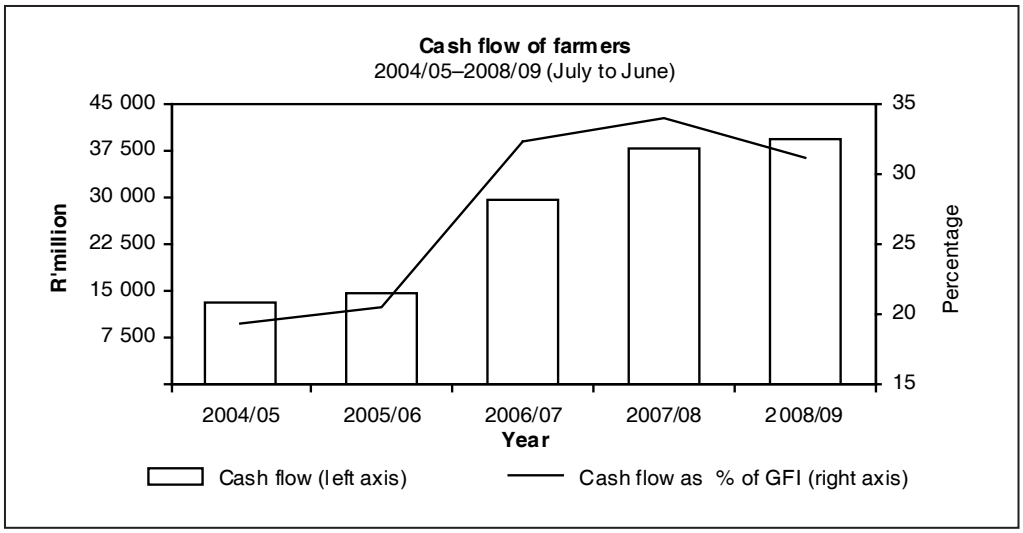
Farming debt

The total farming debt as at the end of June 2009 is estimated at R47 862 million, as against R44 940 million the previous year—an increase of 6,5 %.



Cash flow of farmers

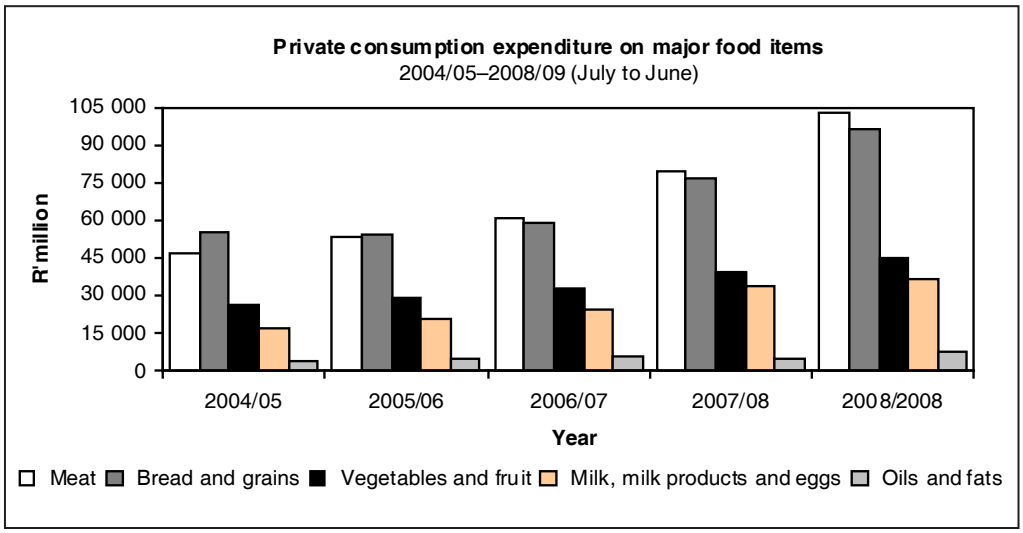
The cash flow of farmers amounted to R39 321 million for the year ended 30 June 2009, compared to the previous R37 650 million—an increase of 4,4 %. This was the result of an increase in the gross income of producers.



Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2009 increased by 22,7 % and amounted to R331 746 million, as against the R270 402 million of the previous year. Expenditure on oils and fats increased by 40,7 % to R7 451 million, on meat by 28,4 % to R102 370 million, on bread and grain products by 25,4 % to R96 273 million, on fruit and vegetables (including potatoes) by 15,8 % to R45 467 million and on milk, milk products and eggs by 10,3 % to R36 889 million. Expenditure on sugar rose by 3,8 %, from R4 000 million to R4 151 million.

Meat represented 31 % of the expenditure on the food component; bread and grains 29 %; milk, milk products and eggs 11 %; fruit and vegetables 10 %; and fats and oils only 2 %.



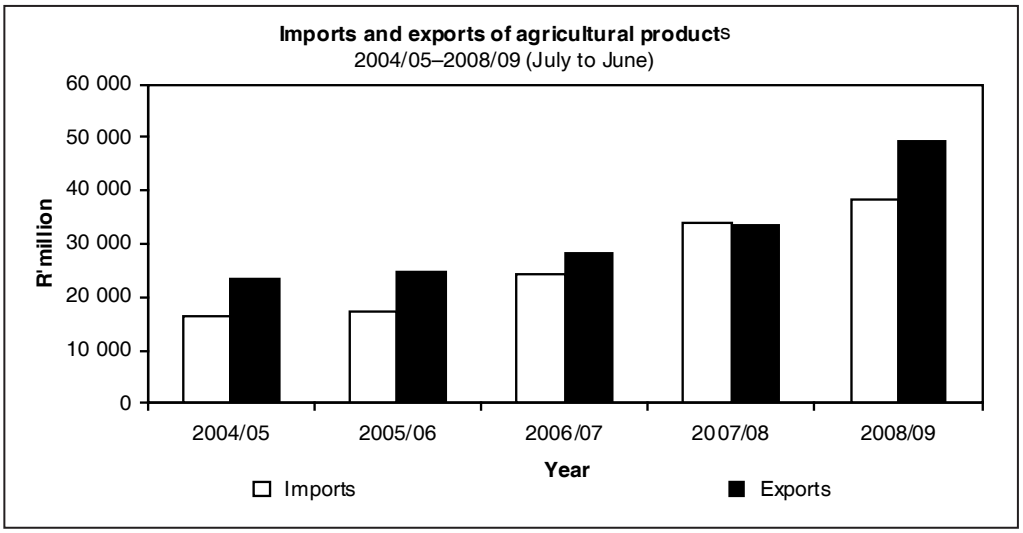
Consumer prices

The consumer price index (with base year 2000 = 100) of all items increased by 9,5 %, from 151,0 to 165,3, during the year ended 30 June 2009, that of food by 15,8 %, from 175,4 to 203,0 and that of nonfood items by 8,1 %, from 145,0 to 156,7.

Meat prices rose by 9,8 %, from an index figure of 188,4 to 207,1, while those of grain products reflected an increase of 25,7 %, from 173,9 to 218,5. The consumer price index of vegetables increased by 17,0 %, from 165,2 to 193,3, and that of fruit by 0,9 %, from 170,2 to 171,7. In the case of dairy products and eggs, prices rose by 14,7 %, from an index of 194,8 to 223,6, while a decrease of 0,9 % was recorded for sugar and related products, from 175,1 to 173,6.

Imports and exports of agricultural products

The estimated value of imports for 2008/09 came to R38 401 million—an increase of 12,0 % compared to the R34 009 million for 2007/08. The value of exports increased by 46,4 %, from R33 656 million to R49 278 million.



According to the 2008/09 export values, wine (R6 460 million), maize (R6 331 million), citrus fruit (R5 700 million), apples, pears and quinces (R3 257 million) and grapes (R2 212 million) were the most important agricultural export products.

Rice (R3 935 million), wheat (R3 332 million), oilcake and other solid residue (R2 168 million), palm oil (R3 301 million) and undenatured ethyl alcohol (R2 168 million) accounted for the highest imports.

During 2008/09, Zimbabwe, The Netherlands, the United Kingdom, Kenya and Mozambique were the five largest trading partners of South Africa in terms of export destinations for agricultural products, with export values of R4 890 million, R4 864 million, R4 825 million, R2 570 million and R2 335 million, respectively. About 19,8 % of total agricultural exports for the period July 2008 to June 2009 went to Zimbabwe and The Netherlands.

The five largest trading partners for South Africa's imported agricultural products during 2008/09 were Argentina, Brazil, Thailand, the United States and China, with import values of R6 275 million, R3 981 million, R3 366 million, R2 286 million and R2 079 million, respectively.

Branches of the industry

FIELD CROP HUSBANDRY

Maize

Maize is the most important grain crop in South Africa, being both the major feed grain and the staple food of the majority of the South African population. About 60 % of maize produced in South Africa is white and the remaining 40 % is yellow maize. White maize is primarily used for human consumption, while yellow maize is mostly for animal feed production.

The gross value of agricultural production is determined by the quantity produced and prices received by producers.

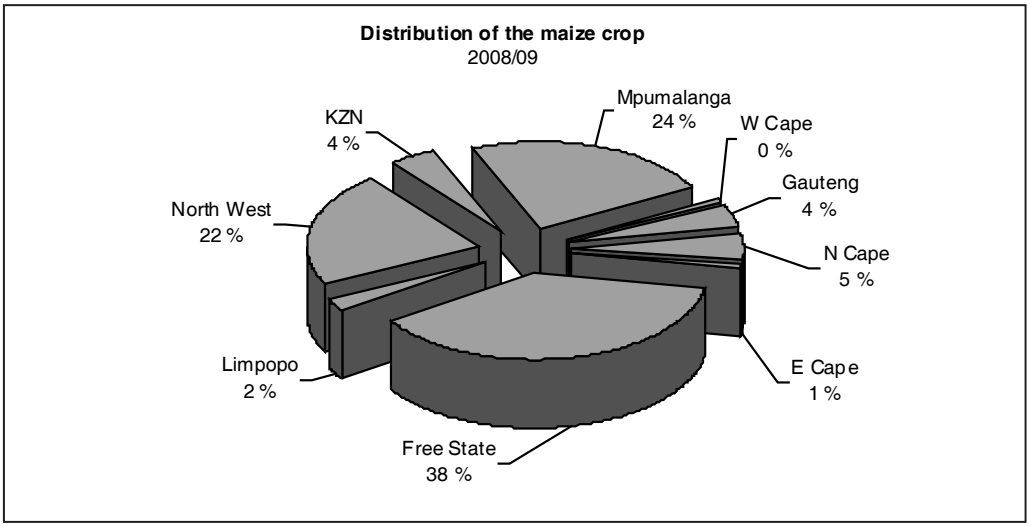
The largest contributor towards the gross value of field crops for the past 5 seasons is maize (48,2 %), followed by sugar cane (14,2 %), wheat (12,8 %), sunflower seed (7,1 %) and hay (6,2 %). The average annual gross value of maize for the 5 years up to 2008/09 amounts to R12 621 million.

The contribution of the maize industry to the gross value of agricultural production declined during the 4 years up to the 2005/06 production season, mainly as a result of relatively low maize prices. During the next two seasons, however, limited carry-over stocks and high international prices, among other factors, contributed to an increase in the gross value of maize relative to that of total agricultural production.

During the 2008/09 production season, the contribution of maize to the value of agricultural production declined again, mainly as a result of a reduction in maize plantings. Plantings were smaller because of restrictions on credit, the high cost of finance, high input costs and low international maize prices that prevailed at planting time, as well as the fact that below-normal rainfall occurred in the maize-producing areas before and during the planting season.

The major areas of commercial maize production are situated in the Free State, North West and Mpumalanga provinces. White maize is generally produced in the western maize belt, while yellow maize is planted towards the eastern parts of the country.

The contribution by provinces to maize production during the 2008/09 production season is depicted in the following figure:



Maize is planted during the late spring/early summer months, with optimal planting times between November and December. Planting can, however, start as early as October and extend to January. In a particular season, the rainfall pattern and other weather conditions determine the planting period as well as the length of the growing season. The majority of the maize is harvested from late May up to the end of August.

The present ratio of areas planted is 61 % white maize and 39 % yellow maize. An estimated 6,3 % of the area planted to white maize is under irrigation and 93,7 % is on dryland, while the estimated contribution of yellow maize under irrigation is approximately 14,9 % and dryland 85,1 %.

Area planted and production

The estimated area that South African commercial producers planted to maize during the 2008/09 season is 2,428 million ha. This is 13,3 % or 371 500 ha less than the 2,799 million ha planted the previous season and 3,7 % or 93 360 ha less than the 5-year average of 2 520 860 ha planted up to 2007/08. Overall, maize planting was done much later than usual.

Commercial white and yellow maize plantings were 1 489 000 and 938 500 ha, respectively. This represents decreases of 14,3 and 11,6 %.

Below-normal rainfall occurred in most parts of the country during December 2008. This was, however, ameliorated by the good rainfall distribution that occurred in January and February 2009. In March, moderate to heavy rains were received in the central and northern parts of the country. Because of these favourable growing conditions experienced in the main maize-producing areas during the second half of the season, another bumper crop was expected. The commercial maize crop for the 2008/09 production season is

estimated to be 11,684 million tons, with an estimated yield of 4,81 t/ha. The production represents a decrease of 8,0 % compared to the 2007/08 crop, which was estimated at 12,7 million tons—the largest crop since the 1980/81 season when 14,432 million tons were produced.

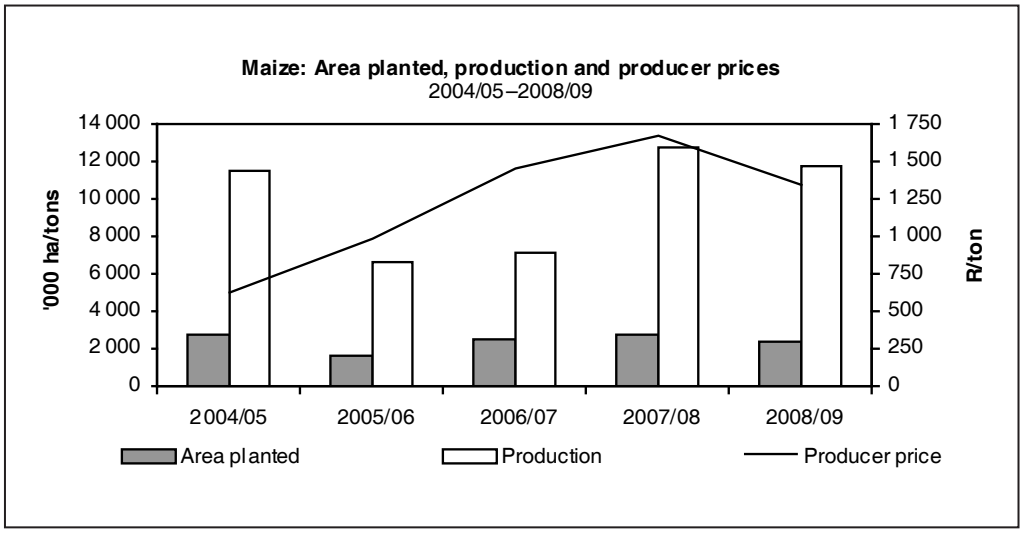
Virtually no quality problems have been reported during the 2008/09 season. On request from the industry, the South African Grain Information Services (SAGIS) started reporting in 2006 on the percentage of the different grades of maize being delivered during the season. For the 2008/09 season, approximately 97,0 % of the deliveries of white maize was grade WM1 and approximately 98,0 % of the yellow maize deliveries was grade YM1.

Plantings, production and yields of commercial maize from 2004/05 to 2008/09 were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09
Plantings (ha)	2 810 000	1 600 200	2 551 800	2 799 000	2 427 500
Production (t)	11 450 000	6 618 000	7 125 000	12 700 000	11 683 850
Yield (t/ha)	4,07	4,14	2,79	4,54	4,81

The improved yields can, among other factors, be attributed to the implementation of more efficient production technologies and practices by producers, the withdrawal of marginal lands from production and the development of high-yielding maize cultivars. However, the lower yields obtained in 2006/07 can mainly be ascribed to prolonged drought conditions.

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



The area planted to maize by the subsistence sector during 2008/09 is estimated at 468 683 ha, comprising 356 276 ha white maize and 112 407 ha yellow maize. Production by the subsistence sector is estimated at 516 633 tons—378 576 tons of white and 138 057 tons of yellow maize. Maize grown by this sector is mainly for own use and contributes only approximately 4 % to total production.

Genetically modified (GM) maize

Plantings of GM maize in South Africa have increased dramatically after more than 10 years of production. During the 2008/09 production season, GM maize contributed 62 % or 1,5 million ha of the total commercial area planted to maize. White GM maize contributed about 56 % or 834 000 ha of total white maize plantings, while yellow GM maize plantings contributed 72 % or 676 000 ha.

The international development of the various GM maize cultivars has targeted mainly the improvement of herbicide tolerance (notably Roundup) and insect resistance (notably stalk borer) in maize cultivars in order to reduce the use of herbicides and pesticides and to decrease production costs. The introduction of the stacked gene maize cultivar, with greater tolerance to herbicides and resistance to insects, will undoubtedly encourage the further adoption of the technology.

Following a recent statement by an agricultural company, Monsanto, farmers stood to benefit from other new products being developed. One of these is "YieldGard", which would offer "comprehensive protection" against maize pests. The second product is maize with better nitrogen utilisation. This could imply a 30 % cut in nitrogen usage without any loss in yield. Also in the pipeline is drought-tolerant maize, which would reduce losses caused by drought or insufficient water by 50 to 100 %.

However, during the 2008/09 growing season, pollination was unsatisfactory in three varieties of genetically modified maize. Worst affected were farmers in the Free State and North West provinces. About 280 farmers were affected and suffered some losses. It is claimed that a mistake was made in the breeding process, and that the problem could not be related to genetic modification as such.

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 prices. These factors include:

- International maize prices;
- Exchange rates;
- 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); and
- 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, the exchange rate and local maize production. Because of the erratic South African climate, substantial variations in local production occur.

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

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 conditions.

The average producer price of maize decreased by 19,3 %, from R1 660,33/ton in 2007/08 to R1 340,50/ton in 2008/09. The decrease was caused by a combination of factors, such as lower world prices as a result of high world stocks, surplus supply of local maize, the impact of the international recession, exchange rates, etc.

The average producer prices of maize from 2004/05 to 2008/09 are as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09
	R/ton				
Producer price	630,47	981,97	1 450,20	1 660,33	1 340,50

Consumption

The South African maize market has matured considerably since the deregulation of marketing. Producers, traders and other intermediaries interact freely in the marketing of maize. Most of the maize produced in South Africa is consumed locally; as a result, the domestic market is very important to the industry.

Considering the 2008/09 commercial maize crop of 11,684 million tons (6,771 million tons white and 4,913 million tons yellow), together with carry-over stocks of about 1,585 million tons (766 000 tons white and 819 000 tons yellow) from the previous season, the domestic supply of maize for the 2009/10 marketing season (May to April) is estimated at 13,269 million tons (7,537 million tons white and 5,732 million tons yellow).

The domestic demand for commercial maize is estimated at 9,818 million tons—5,180 million tons of white and 4,638 million tons of yellow maize. Projected exports amount to 1,920 million tons (1,720 million tons of white and 200 000 tons of yellow maize). South Africa therefore has sufficient maize stocks of 1,531 million tons—637 million tons white and 894 million tons yellow—available to meet the local demand. The surplus above pipeline requirements (45 days of commercial consumption) amounts to 424 000 tons of maize, consisting of 24 000 tons of white and 400 000 tons of yellow maize.

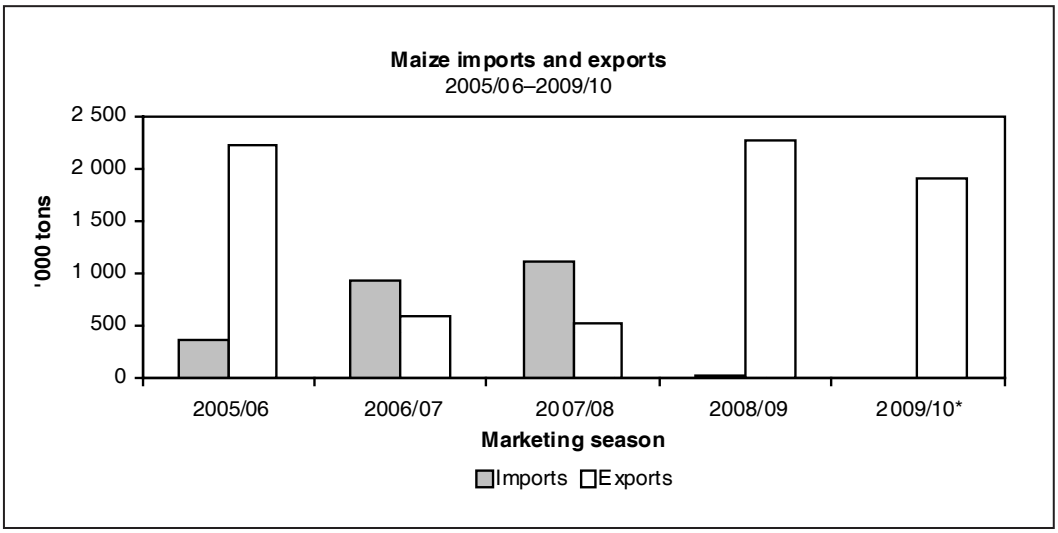
Trade balance

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 locally produced maize. In a deregulated market, the decision whether to buy from domestic or foreign sources is influenced by, among other factors, transport costs, price and quality. When the product is imported, the exchange rate plays an important role in the actual rand price.

Depreciation in the value of the rand against relevant foreign currencies makes import products such as maize, wheat and oilseeds more expensive in rand terms, thereby providing some protection to South African farmers and an incentive to increase 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 be considered.

South African producers, on the other hand, will consider the export market if local processors are unwilling to pay the prevailing local 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 South Africa.

The following graph shows the imports of maize to and exports from South Africa during the past 5 marketing seasons (May to April):



* Projection

Important export destinations are the BLNS countries (Botswana, Lesotho, Namibia and Swaziland), Zimbabwe and Mozambique. So far, the 2009/10 season also shows exports to inter alia Kenya, Iran, Madagascar and Senegal.

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.

The Famine Early Warning Systems Network (FEWS NET) of USAID reported that the latest national vulnerability assessments indicate a much smaller total food insecure population (about 2,4 million) in Southern Africa in the 2009 season than in the 2008 season (more than 7 million people). Furthermore, South Africa has the capacity to cover the maize import needs of neighbouring deficit countries, while projected surpluses from Malawi and Zambia (with record maize crops) could also be made available for exports to these countries.

Prospects

The area to be planted with maize for the 2009/10 season will be influenced by a combination of factors such as relatively low producer price levels, the above-average crop harvested in 2009, weather prospects (the expected El Niño phenomenon) and relatively high production costs.

According to recommendations by Grain SA, an organisation which represents commercial grain farmers, farmers should plant 8,6 % less maize than in 2008/09. This reduction will avoid surpluses and bring prices closer to import parity.

Maize tariff

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

The import tariff for maize, as published in the Government Gazette of 8 December 2006, is zero. If the 21-day moving average free on board price of maize in the US Gulf deviates by more than US$7/t from the reference price of US$117,65/t for 21 consecutive US trading days, a new tariff is triggered.

World maize situation

According to the August 2009 report of the United States Foreign Agricultural Services, world maize production in 2009/10 (July to June) is forecast at 796,3 million tons, which is 0,9 % or 6,8 million tons more than the 789,6 million tons produced during 2008/09. The United States contributed 41 % (324,1 million tons), China 20 % (162,5 million tons), the EU-27 7 % (56,2 million tons) and Brazil almost 7 % (54,0 million tons) to world production. The balance of 25 % is made up by inter alia Mexico, India, Argentina and South Africa.

Global consumption is expected to be 798,9 million tons—22,6 million tons more than the previous year. Global ending stocks at the end of August 2010 are expected to decrease to 141,5 million tons, which is 2,6 million tons or 1,8 % less than the previous year.

Marketing, information and research

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

The information function is performed by the Department of Agriculture, Forestry and Fisheries, through the Directorate Agricultural Statistics; Grain South Africa (GSA), who promotes the interests of maize producers; and by the South African Grain Information Services (SAGIS), a section 21 company funded by, among others, the maize industry.

Research is financed with income from the Maize Trust and performed by the Agricultural Research Council (ARC), the Council for Scientific and Industrial Research (CSIR) and other organisations.

Sorghum

Plantings and production

Sorghum is indigenous to Africa. It is mainly cultivated on low-potential, shallow soils with a high clay content and 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 areas 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.

During the 2008/09 production season (April to March), sorghum for commercial purposes was produced mainly in the Free State (61,8 %), Mpumalanga (24,3 %), Limpopo (8,1 %) and North West (4,6 %) provinces. An estimated 85 500 ha were planted to sorghum for commercial use, representing a decrease of 1,5 % compared with the 86 800 ha planted during 2007/08.

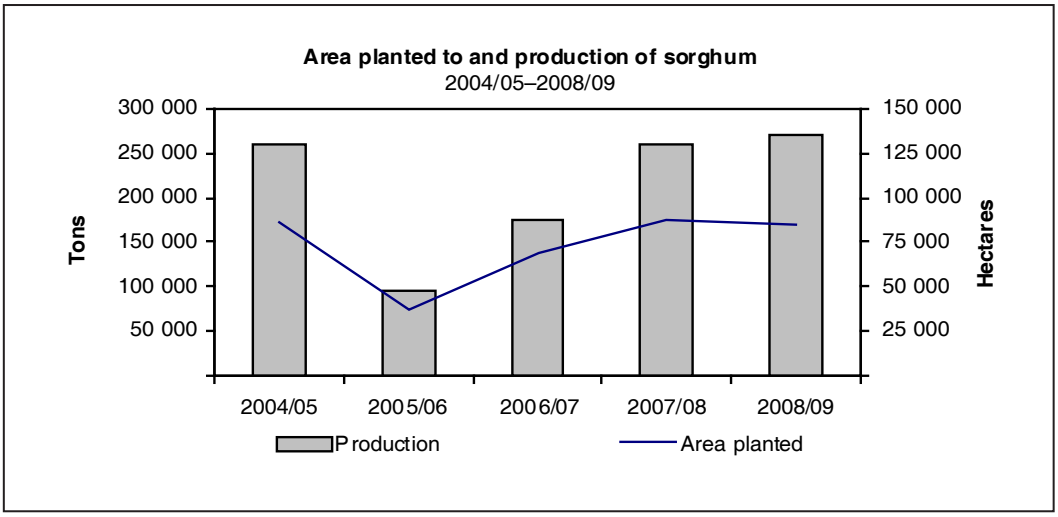
Although sorghum is, after maize and wheat, the most important grain crop produced in South Africa, it contributes only a small percentage to the total domestic grain crops. For the past five seasons, South Africa produced on average 212 735 tons of sorghum per annum, which is relatively small compared to the average domestic maize and wheat production.

The commercial sorghum crop for the 2008/09 production season is estimated at 271 250 tons, which is 4,2 % higher than that of the previous season and 16,9 % higher than the 5-year average production of 232 000 tons up to 2007/08. The yield for 2008/09 is 3,17 t/ha, which is 10,8 % higher than the 5-year average yield of 2,86 t/ha up to 2007/08. It is interesting to note that yields have been showing a rising trend since the early eighties.

Plantings, production and the yields of sorghum from 2004/05 to 2008/09 were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09
Plantings (ha)	86 500	37 150	69 000	86 800	85 500
Production (t)	260 000	96 000	176 000	255 000	271 250
Yield (t/ha)	3,01	2,58	2,55	3,00	3,17

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



The 5-year average, up to 2007/08, of sorghum produced by the developing agricultural sector for own use is assumed to be approximately 11 141 tons and represents about 5 % of the average commercial sorghum crop of 232 000 tons.

Consumption

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

Sorghum is mainly used for human consumption, for example malt, sorghum meal and sorghum rice. Malt is used in beer production and remains the biggest section of the market for sorghum, with approximately 50 % for the 5 marketing years up to 2008/09. Sorghum meal, also known as “Mabele”, competes directly with maize meal and is used as a breakfast cereal. Sorghum rice is served instead of rice.

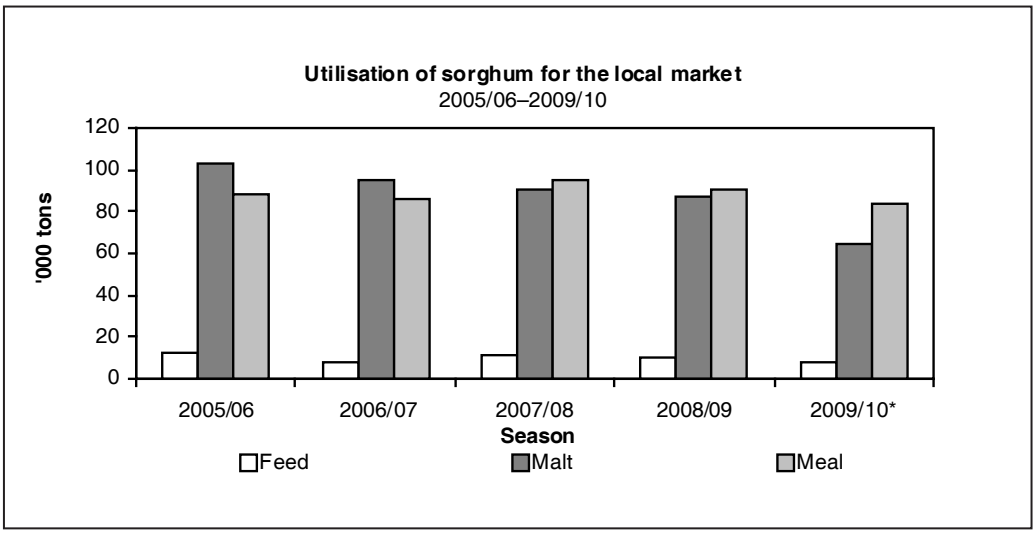
For the 5 years up to 2008/09, 94 % of total sorghum processed was for human consumption, of which 52 % was for malt and 48 % for meal. According to an analysis by the Bureau for Food and Agricultural Policy (BFAP), a body comprising some of South Africa’s top agricultural academics, human consumption of sorghum is projected to decline as consumer preferences change from traditional beers to premium and other types of beer.

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 declining trend in sorghum feed con-

sumption, however, which can be attributed mainly to the fact that the sorghum industry is losing its market share in the pet and poultry feed markets because producers are switching to cheaper alternatives.

The average annual commercial utilisation (for human and animal consumption) of sorghum during the 5 years up to 2008/09 was approximately 192 920 tons, of which 182 820 tons were for human consumption (malt, meal and other consumption) and 10 100 tons for animal feed.

The following graph depicts the utilisation of sorghum in South Africa (marketing seasons):



* Projection

Producer prices

Local producer prices of sorghum decreased by 15,18 %, from R1 774,43/t in 2007/08 to R1 504,90/t for the 2008/09 production season.

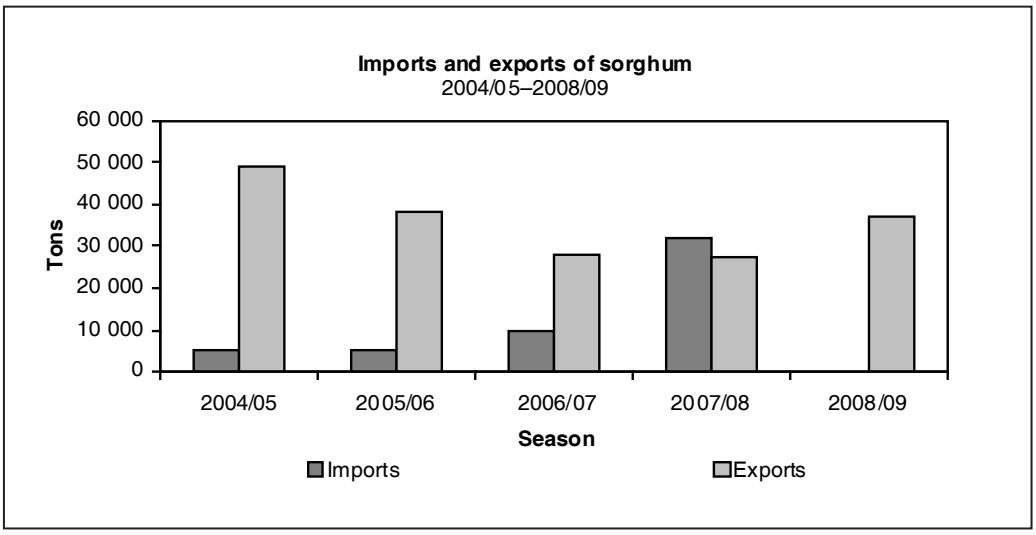
Season	2004/05	2005/06	2006/07	2007/08	2008/09
	R/ton				
Producer price	450,00	830,40	1 483,43	1 774,43	1 504,90

Sorghum prices are highly variable. In a year when local sorghum production exceeds utilisation for food and beverages, the price is determined by the lowest price of competing grains. When local demand exceeds local production, the price approaches import parity and a premium is paid on malting quality.

Imports and exports

Imports and exports of sorghum from 2004/05 to 2008/09 were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09
	Tons				
Imports	5 400	5 000	9 900	31 700	0
Exports	37 600	38 200	27 800	27 300	37 100



Outlook

For the 2009/10 production season, producers were expected to focus on price developments in deciding on the kind of crop to be planted, as well as the quantity. Therefore, domestic sorghum production will depend entirely on the profitability of sorghum production as against that of substitute crops.

A survey conducted in mid-October 2009, showed that producers intended to decrease sorghum plantings by approximately 18,1 %, from 85 500 ha planted in the 2008/09 production season to 70 000 ha in 2009/10. Using a 5-year average yield of 2,86 t/ha and the intended planting of 70 000 ha, a production of 200 200 tons of sorghum could be expected during the 2009/10 production season.

World sorghum situation

World production decreased by 2,1 %, from 63,30 million tons in 2007/08 to 61,95 million tons in 2008/09. Nigeria contributed 19,4 % (12 million tons), the United States 17,8 % (11,0 million tons), India 11,6 % (7,2 million tons) and Mexico 10,2 % (6,3 million tons) to world production. The balance of 41 % was made up by, inter alia, Sudan, Argentina, China, Ethiopia and Australia.

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.

The Sorghum Trust provides funding for research on sorghum, the maintenance and improvement of quality standards, as well as the storing and updating of information required by the sorghum industry.

SAGIS, an independent section 21 company, collects, collates and publishes market information on sorghum.

The Southern African Grain Laboratory, incorporated under Section 21 (association not for gain), analyses the quality of grain.

The Crop Estimates Committee plays an important role in providing real-time market information on which important decisions and actions can be based.

On a national basis, the ARC is responsible for research and development in the agricultural sector.

Wheat

In terms of value of production, wheat is the second most important field crop produced in South Africa. In the 2008/09 season, this crop contributed approximately 15 % to the gross value of field crops. The aver-

age annual gross value of wheat for the past 5 years up to 2008/09 amounts to R3 360 million, compared to R12 621 million for maize, which is the most important field 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 and harvested during the months of November to January. Most of the wheat produced in South Africa is bread wheat, with small quantities of durum wheat being produced in certain areas.

Wheat is generally classed as “hard” or “soft”. Hard wheat tends to have a higher protein content than softer wheat and is used mainly for bread. Soft wheat, on the other hand, is more suitable for confectionery.

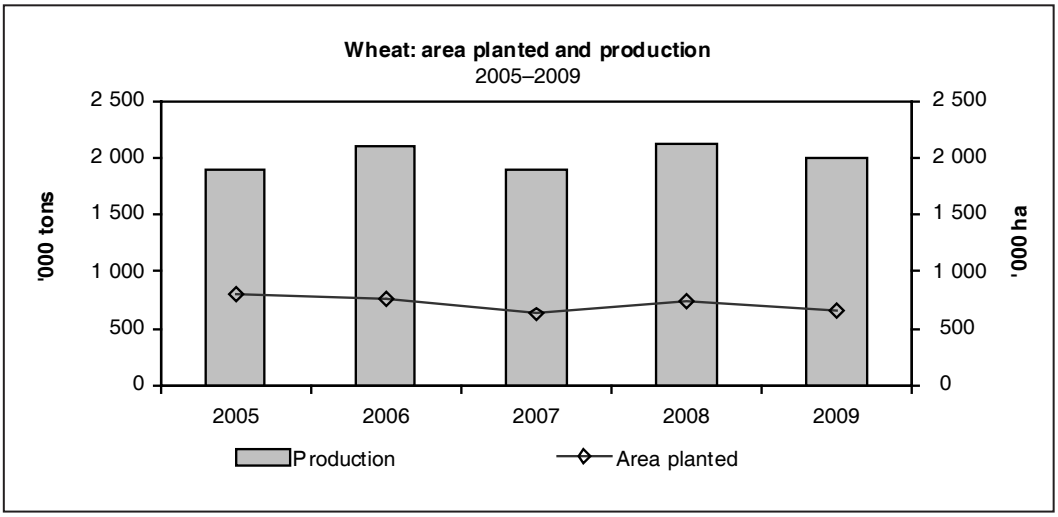
Areas planted and production

For many years, the southwestern part of the Western Cape was the most important wheat-producing area with its reliable winter rainfall. Following the application of better farming practices, scientific research and the availability of improved and adapted cultivars, the northern summer rainfall regions are currently contributing the largest part to the country’s wheat production.

The estimated area planted to wheat for the 2009 season is 656 200 ha, which is 12,3 % less than the 748 000 ha of the previous season. This is the second smallest area planted to wheat since the early 1900s. Of this area, 315 000 ha (48 %) are in the Western Cape and 235 000 ha (36 %) in the Free State. According to producers, the decrease in plantings can be attributed to mainly the relatively low producer prices of wheat compared to the high input costs.

The start to the 2009 production season for wheat was marked by favourable conditions in the Western Cape and drier conditions in the Free State. However, after this drier period, above-normal rain occurred during May and June, which improved the wheat-growing conditions in this province. The outlook for wheat for the rest of the season was encouraging, based on the late winter rains received over most of the production areas.

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



The expected commercial wheat crop for 2009 was 1,991 million tons, of which 787 500 tons (40 %) were from the Western Cape, 587 500 tons (30 %) from the Free State and 272 800 tons (14 %) from the Northern Cape provinces. The expected average yield was 3,03 t/ha, which is the highest yield recorded in the history of wheat production in South Africa.

Plantings, production and yields from 2005 to 2009 are as follows:

Season	2005	2006	2007	2008	2009
Plantings (ha)	805 000	764 800	632 000	748 000	656 200
Production (t)	1 905 000	2 105 000	1 905 000	2 130 000	1 991 020
Yield (t/ha)	2,37	2,75	3,01	2,85	3,03

Consumption

A total of 3,748 million tons of wheat were available for local consumption during the 2008/09 marketing season (October to September). This comprised carry-over stocks as at 1 October 2008 amounting to 509 000 tons, domestic production, including the developing sector, of 2,139 million tons, and imports of approximately 1,1 million tons.

The total demand for wheat for the 2008/09 marketing season is estimated at approximately 3,182 million tons, of which 240 000 tons were exported. Carry-out stocks at 30 September 2009 are estimated to be 566 000 tons.

For the 2009/10 marketing season, the total supply of wheat is estimated at 3,846 million tons (the estimated wheat crop of 2,0 million tons, including the developing sector, together with the carry-over stocks of about 566 000 tons and expected imports of 1,280 million tons). The demand for wheat (exports included) is estimated at 3,144 million tons. Carry-out stocks at the end of September 2010 are expected to amount to 702 000 tons.

Imports

South Africa is a net importer of wheat, meaning that its consumption exceeds local production. During the 2008/09 season, approximately 73 % of the wheat that was needed for domestic consumption was produced locally, while an estimated 1,1 million tons were imported.

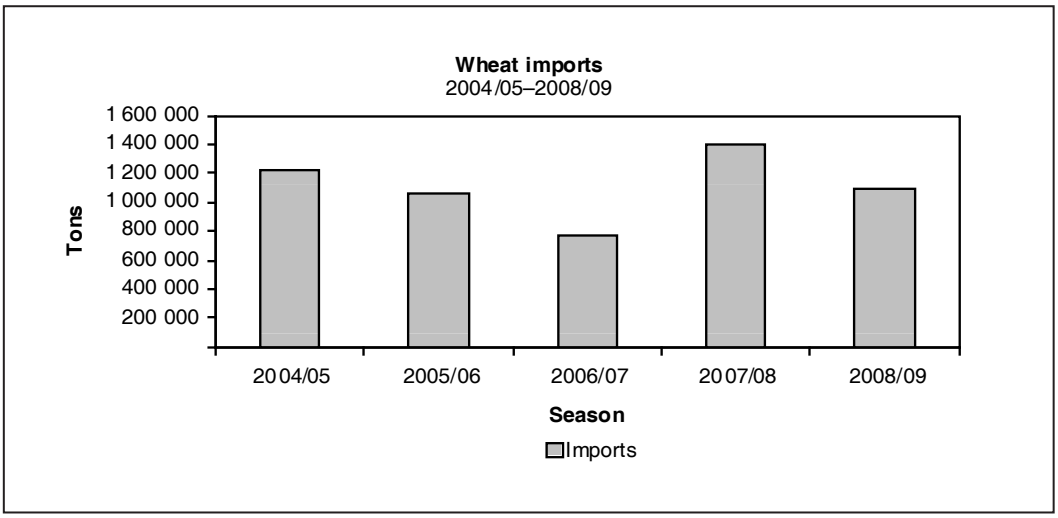
Wheat imports from 2004/05 to 2008/09 were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09*
	Tons				
Imports	1 227 000	1 055 000	777 000	1 396 000	1 100 000

* Projection for the 2008/09 marketing season

Source: SAGIS

The following graph shows the imports of wheat during the past five seasons (October to September):



Prices

The average producer price of wheat decreased by 7,4 %, from R2 505,58/ton in 2007/08 to R2 319,71/ton in 2008/09. The drop was mainly the result of a sharp decrease in the world wheat price. The price is expected to remain depressed as world prices struggle to recover. Other factors influencing local prices could also be the strength of the rand against other currencies, international and local supply, input costs and weather conditions.

The average producer prices of wheat (grade 1) from 2004/05 to 2008/09 were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09
	R/ton				
Producer price	1 091,43	1 033,99	1 524,19	2 505,58	2 319,71

Marketing

The South African wheat market was deregulated on 01 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 grains industry. Since 1998, statutory levies on sales of winter cereals have been used to finance the Winter Grains Trust.

World wheat situation

According to the September 2009 report of the United States Foreign Agricultural Services, world wheat production in 2009/10 (July to June) is forecasted at 663,7 million tons, which is 2,7 % or 18,5 million tons less than the 682,2 million tons produced during 2008/09. China contributed 17 % (114,5 million tons), India 12 % (80,6 million tons) and the United States 9 % (59,4 million tons) to world production. The balance of 62 % is made up by inter alia the EU-27, Russian Federation, Pakistan and Canada.

Global consumption is expected to be 646,1 million tons—10,3 million tons more than the previous year. Global ending stocks at the end of June 2010 are also expected to increase—to 186,6 million tons, which is 17,6 million tons or 10,4% more than the previous year.

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.

Accurate crop forecasts and estimates also play an important role by providing up-to-date 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.

Malting barley

Plantings and production

Barley is, after wheat, the most important small grain type in South Africa.

The cultivation area for malting barley under dryland conditions is at present restricted to a very specific region, namely the Southern Cape, which stretches from Bot River in the west to Heidelberg in the east. It would not be economically viable to cultivate malting barley on dryland in an area that does not receive 350 mm of well-distributed rainfall during the growing season (March to October).

The concentration of the production of a relatively minor commodity, such as malting barley, in a specific area has various advantages, e.g. it facilitates transport, storage, control, extension and research, which also implies cost advantages.

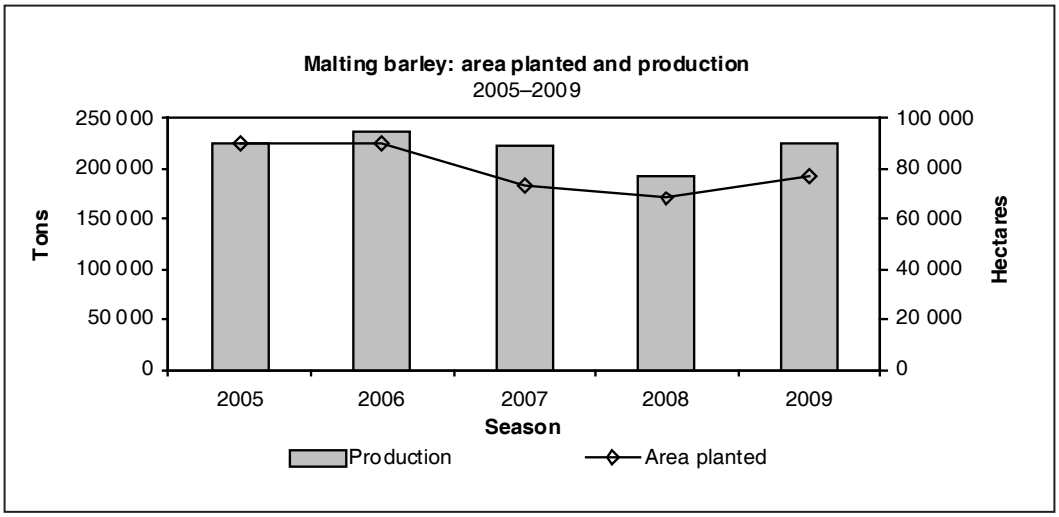
However, because of the risk of unpredictable weather conditions in the Southern Cape, barley production has also been introduced to the cooler central irrigation areas of the Northern Cape Province. Malting barley under irrigation has a higher yield and is more stable than in the Southern Cape where the crop is dependent on rainfall.

Despite barley being planted over a relatively short period (from 3 weeks in certain areas to 5 weeks in others), the earlier plantings generally have a higher yield potential. This results in greater yield increases with

disease and pest control programmes in earlier plantings. Barley planted later than the optimum planting date is therefore at greater risk in terms of both yield and quality.

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.

The plantings for the 2009 season are estimated at 76 790 ha. This is 12,5 % or 8 545 ha higher than the plantings of 68 245 ha during 2008, but 5,1 % or 4 127 ha less than the past 5-year average of 80 917 ha planted. Of this 76 790 ha, 66 000 ha (86 %) are in the Western Cape, 8 500 ha (11 %) in the Northern Cape and 2 250 ha (3 %) in the North West Province.



A total crop of 225 315 tons of malting barley is expected for the 2009 season, which is 17,4 % higher than the estimated production of 192 000 tons the previous season. It is also 6,2 % or 13 215 tons higher than the past 5-year average production of 212 100 tons.

Plantings, production and yield of malting barley from 2005 to 2009 were as follows:

Season	2005	2006	2007	2008	2009
Plantings (ha)	90 000	89 780	73 360	68 245	76 790
Production (t)	225 000	236 000	222 500	192 000	225 315
Yield (t/ha)	2,50	2,63	3,03	2,81	2,93

Consumption

The processing of barley into malt is done mainly in Caledon in the Southern Cape, but also in Alrode 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 malting barley for the 2008/09 marketing season (October to September) was estimated at 400 200 tons (imports included). Carry-over stocks as at 1 October 2008 amounted to 105 900 tons. Production for the 2008/09 season was 192 000 tons, while 102 300 tons were imported.

For the 2008/09 marketing season, the total demand for malting barley is estimated at 299 700 tons and carry-out stocks at 30 September 2009 were 100 500 tons. This is almost three times the required 3-month-pipeline stock of 36 700 tons.

For the 2009/10 marketing season, the total supply of malting barley is expected to be 423 800 tons, comprising the expected crop of about 225 300 tons, carry-over stocks of 100 500 tons and expected imports of 98 000 tons. The domestic demand is estimated at 294 800 tons, including 5 300 tons of exports. Carry-out stocks at the end of September 2010 are expected to amount to 129 000 tons, which is almost four times the required 3-month-pipeline stock of 35 700 tons.

Producer prices and value of crop

The average producer prices of malting barley from 2004 to 2008 were estimated to be as follows:

Season	2004	2005	2006	2007	2008
	R/ton				
Producer price	1 342,30	1 162,85	1 576,42	1 936,05	2 300,43

The average annual gross value of malting barley for the past 5 years up to 2008/09 amounts to R349 million, compared to the R3 360 million of wheat and R12 621 million 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 SAB Maltings, which supplies its major shareholder, the South African Breweries Limited (SAB), with malted barley. Barley producers have a guaranteed market (written commitment to source locally) and fixed-price forward contracts.

Imports

Variability in rainfall can cause wide fluctuations in barley quality and yields in South Africa. Whenever the local crop has fallen short of requirements, SAB Maltings imports, barley, mainly from Canada, the United States, Australia and Argentina, and malt, mainly from Canada, the US, Sweden and France. Barley and malt imports from 2004/05 to 2008/09 were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09*
	Tons				
Imports	101 600 56 900	79 500 81 000	51 100 75 900	96 600 40 400	102 300 74 040

* Projection

Source: SAGIS

World barley situation

According to the September 2009 report of the United States Foreign Agricultural Services, world barley production is estimated at 142,9 million tons for 2009/10, while global consumption is estimated at 146,3 million tons. Global ending stocks at the end of October 2010 are expected to decrease by 3,4 million tons, to 27,2 million tons. The decrease in production of barley can mainly be attributed to Russia Federation and European farmers planting 30,7 and 7,3 % less barley, respectively, as against the previous season.

Research and information

The South African Barley Breeders' Institute (SABBI) near Caledon and the ARC-Small Grain Institute in Bethlehem conduct the research on and breeding of barley in South Africa, which are financed by statutory levies on barley sales.

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

Sunflower seed

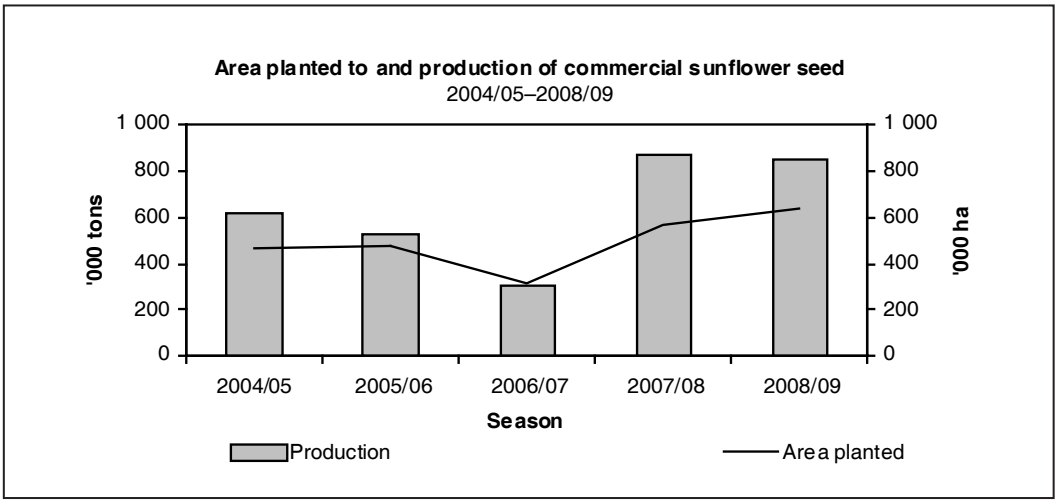
Sunflower seed can be planted from the beginning of November to the end of December in the eastern parts of the country, and up to the middle of January in the western parts. Compared to other crops, sunflower performs well under dry conditions. This is probably the main reason for the crop's popularity in the marginal production areas of South Africa. A close link exists between the area planted to maize and the

area planted to sunflower seed because the farmer can easily switch to sunflower if the optimum date for maize planting has passed.

During the 2008/09 production season, the bulk of the crop was produced in the Free State (46 %) and North West (37 %) provinces. The contribution of sunflower seed to the gross value of field crops during the season is approximately 7,6 %, compared to the 48,9 % of maize, the largest contributor. The average annual estimated gross value of sunflower seed for the past 5 years amounts to R1 845 million, compared to the R12 621 million of maize.

Plantings and production

The yearly plantings of sunflower show remarkable variation, between as low as 316 000 ha and as high as 828 000 ha during the past 2 decades. For two consecutive seasons, the area used for sunflower seed production has increased rapidly. During the 2008/09 production season, an estimated 635 800 ha were planted to sunflower seed for commercial use, as against an estimated 564 300 ha the previous season. This represents an increase of 12,7 % and is 35,7 % higher than the 5-year average of 468 626 ha up to 2007/08.



Commercial seed production during 2008/09 was approximately 843 530 tons, which is the fourth largest harvest in the history of sunflower seed production in South Africa. This is 3,3 % lower than the previous season and 42,5 % higher than the average of 592 00 tons for the previous 5 years. Yields obtained during the season have been described as average to below-average and were mainly the result of the negative effect of late plantings, as well as unfavourable production conditions experienced in the central and western production areas. Limited cases of sclerotinia fungus contamination were reported in a survey done by the Department of Agriculture, Forestry and Fisheries during June/July 2009. The average yield for 2008/09 is approximately 1,33 t/ha, which is 14,2 % lower than the 1,55 t/ha during the previous season, but 5,6 % higher than the 5-year average of 1,26 t/ha up to 2007/08.

Subsistence agriculture contributed an estimated 33 491 tons (3,8 %) to the total sunflower seed production in South Africa during 2008/09.

According to a report by the Bureau for Food and Agricultural Policy (BFAP) of the University of Pretoria, a decrease in plantings of sunflower seed could be expected for the 2009/10 production season.

Input costs remain an important factor to consider when planning for the new season. Although there were price reductions for fuel and fertilisers, the current input costs in relation to local producer prices severely affect the profitability of producing crops for the coming season.

Commercial plantings, production and yields of sunflower seed from 2004/05 to 2008/09 were as follows:

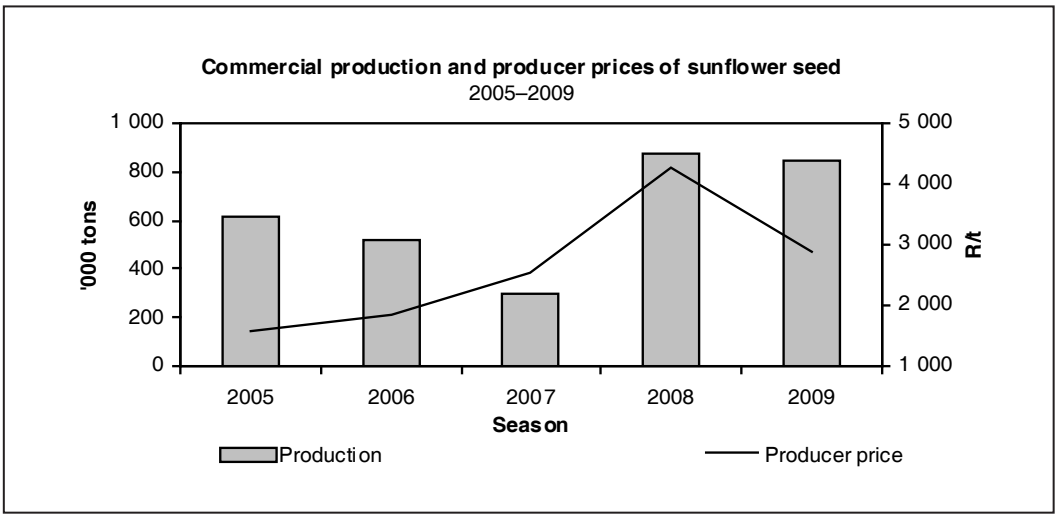
Season	2004/05	2005/06	2006/07	2007/08	2008/09
Plantings (ha)	460 000	472 480	316 350	564 300	635 800
Production (t)	620 000	520 000	300 000	872 000	843 530
Yield (t/ha)	1,35	1,10	0,95	1,55	1,33

Producer prices

The average producer prices of sunflower seed from 2005 to 2009 are as follows:

Season	2005	2006	2007	2008	2009
	R/ton				
Producer price	1 580	1 867	2 547	4 269	2 890

The average producer price decreased by 32,3 %, from R4 269/ton during 2008 to R2 890/ton during 2009. The main reason for this is the lower international prices as a result of record yields recorded in the Russian Federation and higher production in France, which led to lower derived local prices. The stronger rand also counteracted the effect of high international prices on local prices at the beginning of the season. Indications are that sunflower seed relative to soya-beans is too low priced and this increases the potential for price hikes later in the year. Traditionally, sunflower prices tend to increase after the second half of the year and reach a peak during November to February.



Consumption

The sunflower seed marketing season in South Africa commences on 1 January and ends on 31 December. The seed is used primarily for the manufacturing of sunflower oil and oilcake. The 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 estimated sunflower seed crop of 843 530 tons for the 2009 marketing season, together with carry-over stocks of about 236 200 tons on 1 January 2009 and estimated imports of 50 000 tons, leaves the domestic supply of commercial seed at an estimated 1,130 million tons for the season.

In South Africa, sunflower seed is used almost exclusively (an estimated 99 % or 725 000 tons in 2009) for oil and oilcake production. The estimated commercial consumption of seed for the 2009 marketing year is approximately 735 000 tons. No exports were projected for the 2009 season. South Africa's stock situation has again improved since the previous season and the country has enough seed available to meet local demand for 2009. Carry-out stocks on 31 December 2009 are expected to be approximately 394 730, which is more than double (118 %) of the required 3-month-pipeline stock of approximately 181 000 tons.

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 main country from which the seed has been imported is the Russian Federation, while exports are mainly to Portugal and Turkey.

Year	2005	2006	2007	2008	2009*
	Tons				
Imports	6 000	2 800	9 200	1 500	50 000
Exports	100	100	0	79 400	0

* Projection

International overview

According to the September 2009 report of the United States Foreign Agricultural Services, preliminary indications pointed to an increase of 1,9 % or 430 000 ha in the global harvested area, to a record of 23,6 million ha. The expansion was expected to occur in Kazakhstan and India in the northern hemisphere and Argentina in the southern hemisphere.

However, world output of sunflower seed is expected to decrease by around 700 000 tons or 2,1 %, to 31,9 million tons. The decrease in production can mainly be ascribed to lower expected yields as a result of drought conditions in the Ukraine; El Niño conditions in Malaysia, Indonesia and the Philippines; as well as the late start to the monsoon rains in India.

Marketing, information and research

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

The information function is performed by the Department of Agriculture, Forestry and Fisheries, through the Directorate Agricultural Statistics; Grain South Africa (GSA), which promotes the interests of oilseed producers; and the South African Grain Information Service (SAGIS), a section 21 company funded by, among others, the oilseeds industry.

Research is financed with income from the Oilseeds Trust and performed by the Agricultural Research Council (ARC), the Council for Scientific and Industrial Research (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 usually 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—provided hot, dry weather occurs. It is a relatively difficult crop to grow and not all areas are suitable for soya-bean cultivation. The plant thrives in warm, fertile, clayish soil. Soya-beans are mainly cultivated under dryland conditions and grown primarily in Mpumalanga (53 %), the Free State (23 %), and KwaZulu-Natal (11 %). Small plantings are found in the Limpopo, Gauteng and North West provinces.

Soya-beans contribute approximately 3,2 % to the gross value of field crops and the estimated average annual gross value of soya-beans for the past five seasons up to 2008/09 amounts to R841 million.

Plantings and production

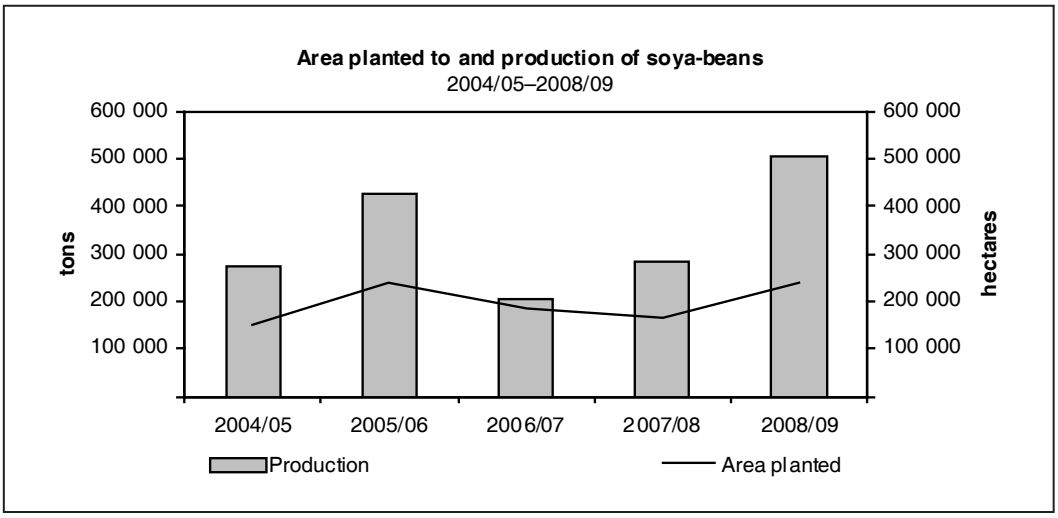
The plantings of soya-beans ranged between 44 000 and 241 000 ha over the past 20 years. After lower plantings in 2006/07 and 2007/08, the area planted to soya-beans for commercial use expanded to 237 750 ha in the 2008/09 production season, which is the second largest plantings during the past two decades. Comparing it to the estimated 165 400 ha planted during the previous season, it represents an increase of 43,7 % and is also 36,0 % higher than the 5-year average of 174 794 ha up to 2007/08. The increase in plantings was mainly caused by the relatively high price of soya-beans during the planting season and the prospects of even higher prices in the future because of an expected strong demand inter alia for use in the production of bio-diesel.

The record crop of an estimated 506 595 tons in 2008/09 (the highest during the past two decades) represents an increase of 79,6 % compared to the 2007/08 crop of 282 000 tons. It is also 80,5 % higher than the average of 280 700 tons for the 5 years up to 2007/08. The average yield of 2,13 t/ha is 25,3 % higher

than the 1,70 t/ha of the previous season. The yield is also the highest in the history of South African soya-bean production. The high yield for 2008/09 can mainly be attributed to exceptionally favourable production conditions; better technology through improved and regional adapted cultivars; as well as improved cultivation practices such as crop rotation.

Plantings, production and yields of soya-beans from 2004/05 to 2008/09 were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09
Plantings (ha)	150 000	240 570	183 000	165 400	237 750
Production (t)	272 500	424 000	205 000	282 000	506 595
Yield (t/ha)	1,82	1,76	1,12	1,70	2,13



Producer prices

The main influences on soya-bean prices include the level of soya production in South America, the demand for imported soya in China, marine freight rates and the rand/dollar exchange rate. An increase in GM cultivars could also increase yields and assist in stabilising prices.

The average local producer price of soya-beans for 2009 is approximately R3 186/ton, which is 20,8 % lower than the price for 2008. The decrease can mainly be attributed to the larger international and local crop, which led to increased stock levels, as well as the strengthening of the rand against the American dollar.

The average producer prices of soya-beans from 2005 to 2009 are as follows:

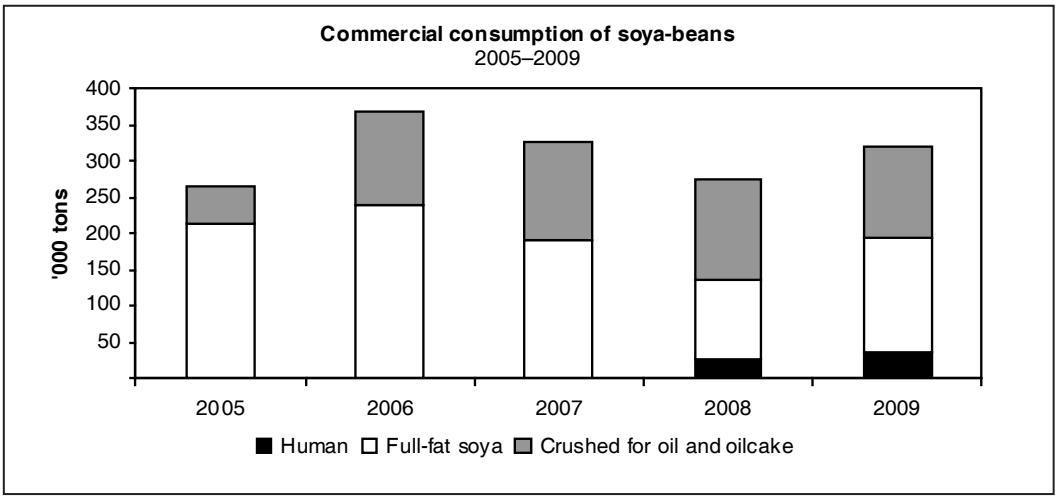
Season	2005	2006	2007	2008	2009
	R/ton				
Producer price	1 274	1 467	2 343	4 022	3 186

Consumption

An estimated total of 598 295 tons of soya-beans are available for utilisation during the 2009 marketing season (January to December). Carry-over stocks on 1 January 2009 amounted to 89 500 tons, and the estimated production is 506 595 tons. The projected imports amount to approximately 2 200 tons.

In South Africa, soya-beans are mainly used for animal feed. The local commercial consumption of soya-beans for 2009 is estimated at 330 400 tons—160 000 tons for feed, 125 000 tons for oil and oilcake and 35 000 tons for human consumption. Onfarm consumption is estimated at 10 400 tons. The projected exports during 2009 are 120 000 tons. Carry-over stocks on 31 December 2009 are expected to be approximately 147 900 tons.

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



Trade

During the first 6 months of 2009, South African imports were mainly from Zambia and Zimbabwe, whereas the exports were mainly to Saudi Arabia, followed by the United Arab Emirates and Malawi.

The imports and exports of soya-beans from 2005 to 2009 are as follows:

Season	2005	2006	2007	2008	2009*
	Tons				
Imports	14 300	10 400	120 100	16 300	2 200
Exports	8 400	1 200	1 200	5 400	120 000

*Projected

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. Towards the end of the 20th century and into the present, soya-beans played an important role in assisting to alleviate world hunger.

According to the World Agricultural Supply and Demand Estimate (WASDE) Report, released in September 2009, world production of soya-beans decreased by 4,7 %, from 221,1 million tons for the 2007/08 marketing season to 210,7 million tons for 2008/09. The United States contributed 38 % (80,5 million tons), Brazil 27 % (57,0 million tons), Argentina 15 % (32,0 million tons) and China 8 % (16,0 million tons) to world production. The balance of 12 % is made up by, inter alia, the EU-27, Japan and Mexico.

Outlook

According to a report by the Bureau for Food and Agricultural Policy (BFAP) of the University of Pretoria, an increase in the intended local plantings of soya-beans can be expected for the 2009/10 production season, as high world soya-bean prices relative to sunflower seed prices have caused local soya-bean prices to trade above sunflower prices for the first time in 8 years. This could lead to a 20 % increase in the soya-bean area planted in 2010, increasing to more than 300 000 ha in 2014.

The WASDE projected the global production of soya-beans for the 2009/10 marketing season at 243,9 million tons—an increase of 15,8 %.

Research and information

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

The information function is performed by the Department of Agriculture, Forestry and Fisheries, 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 highly factual and reliable market information (stocks, imports, exports, producer deliveries and consumption) once a month.

Accurate crop forecasts and estimates also play an important role by providing up-to-date 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.

The Protein Research Foundation has signed a memorandum of understanding with Embrapa in Brazil. Embrapa is a government-owned research institute that has a specific research division for soya-beans, namely Embrapa-Soya. This centre operates 24 laboratories, 25 hothouses and 350 ha of fields for experimental field trials. In future local soya-bean producers therefore could have access to new drought, disease and nematode-tolerant, high-yielding soya-bean cultivars from Brazil.

Research and information

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

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 highly factual 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 Province (39,4 %), the North West Province (36,7 %) and the Northern Cape Province (18,3 %). The normal planting time for groundnuts is mid-October to mid-November. Plantings are made early in the season, 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.

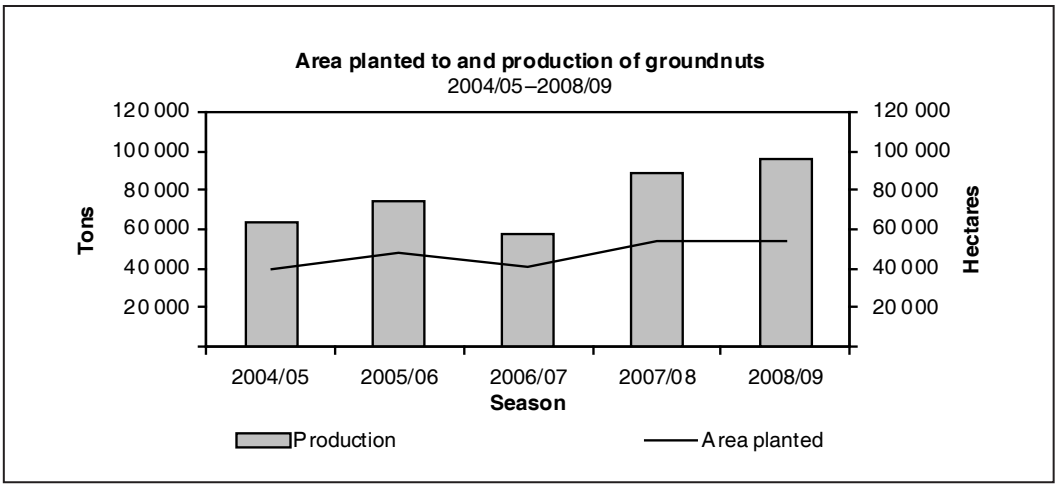
The contribution of groundnuts to the value of field crops is approximately 1,6 % and the average annual gross value of groundnuts for the 5 years up to 2008/09 amounts to approximately R412 million.

During the 2008/09 production season, an estimated 54 550 ha were planted for commercial use, as against 54 200 ha planted during 2007/08. This represents a slight increase of 0,6 % and is also 7,0 % higher than the average of 51 004 ha planted during the 5 years up to 2007/08.

A combination of increased plantings and favourable production conditions resulted in an estimated commercial crop of 96 060 tons of groundnuts for 2008/09, which represents an increase of 8,2 % compared to the 2007/08 crop of 88 800 tons. It is also 20,1 % higher than the 5-year average of 79 960 tons up to 2007/08. The average yield was 1,76 t/ha, which is 7,3 % more than the 1,64 t/ha of the previous season and 12,1 % more than the 5-year average of 1,57 t/ha.

Plantings, production and the yield of groundnuts from 2004/05 to 2008/09 were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09
Plantings (ha)	40 000	48 550	40 770	54 200	54 550
Production (t)	64 000	74 000	58 000	88 800	96 060
Yield (t/ha)	1,60	1,52	1,42	1,64	1,76



According to the production scope report of Grain SA for the 2009/10 summer crop production season, an estimated 39 801 ha of groundnuts could be planted, which is 27,0 % less than the 2008/09 season's plantings of 54 550 ha.

Producer prices

Groundnuts are traditionally an export commodity and local prices are determined mainly by export parity. The average producer prices of groundnuts from 2004/05 to 2008/09 were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09*
	R/ton				
Producer price	2 464	2 849	5 514	6 122	6 000

* Preliminary

The average producer price for groundnuts shows a decrease of 2,0 %, from R6 122/ton in 2007/08 to R6 000/ton in 2008/09, as a result of the decrease in international prices.

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 five marketing seasons (March to February) up to 2009/10 were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10*
	Tons				
Imports	2 200	21 400	21 400	10 900	9 300
Exports	22 200	17 800	11 300	22 600	18 900

* Projections

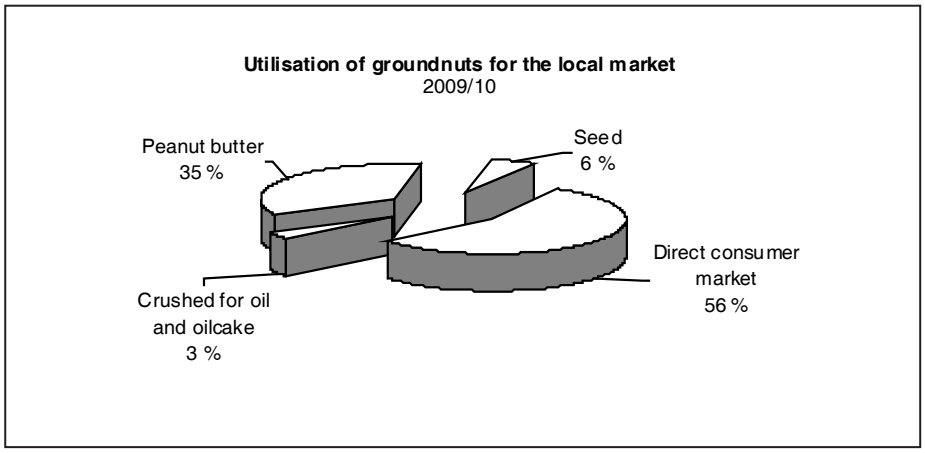
Consumption

A total of 83 400 tons of groundnuts are available for utilisation during the 2009/10 marketing year. Carry-over stocks on 1 March 2009 amounted to 26 900 tons, while the carry-over stocks at the end of February

2010 are expected to be 42 500 tons. The estimated local production is 96 100 tons, which is the highest since the 2003/04 production season when 115 000 tons were produced. Imports are projected at 9 300 tons and an expected exports amount to 18 900 tons.

In South Africa, groundnuts are mainly used for human consumption. It is expected that approximately 2 200 tons of groundnuts will be used for oil and oilcake during the 2009/10 marketing season, 24 000 tons for peanut butter and 38 000 tons for the edible market.

The *per capita* consumption for the 2009/10 marketing year is estimated at 1,2 kg, which is 13,5 % higher than the 1,0 kg of the previous season.



International overview

The world production of groundnuts increased by 6,2 %, from 32,4 million tons in 2007/08 to 34,4 million tons in 2008/09. Preliminary figures published in September 2009 by the USDA show that the increase can be attributed mainly to an increase of 9,7 % in China's production, from 13,0 million tons to 14,3 million tons, while India's production decreased by 7,4 %, from 6,8 million tons to 6,3 million tons.

The production of groundnuts is expected to be 31,9 million tons in 2009/10, which is 7,4 % lower than the 34,4 million tons in 2008/09. India's total groundnut production was forecasted at 5,2 million tons, which is 1,1 million tons or 16,8 % lower than the previous year, because of an erratic monsoon rainfall pattern that resulted in many regions receiving inadequate and uneven rainfall distribution. The low rainfall has resulted in a reduction in the areas sown and lower potential yields, particularly in key groundnut-growing regions in the south and northwest.

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 Seeds Development Trust, and performed by the ARC, CSIR and other organisations.

Canola

Canola is an oilseed crop that was almost exclusively grown in the Western Cape Province; however, since the 2001 production season, small quantities have also been planted in the northern areas, such as the North West and Limpopo provinces.

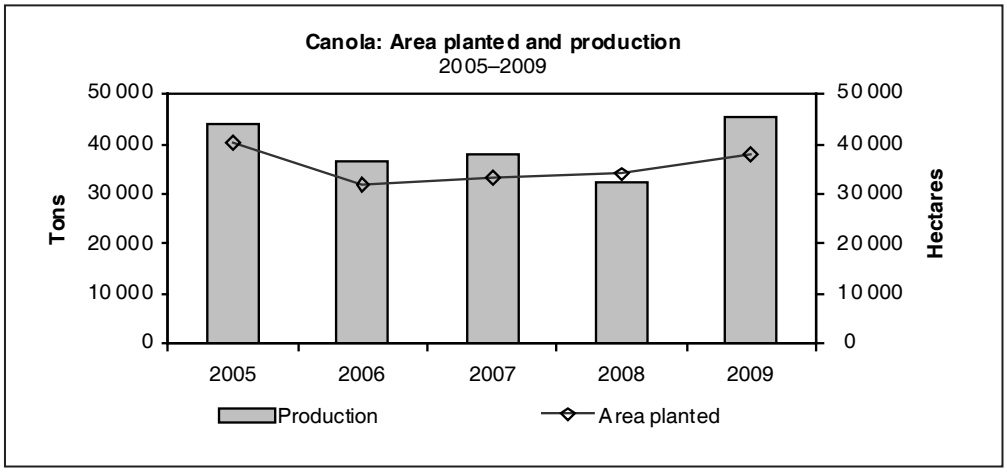
Plantings and production

While the estimated area planted to canola increased by approximately 12 %, from 34 000 ha in 2008 to 38 050 ha in 2009, production is expected to increase by 41,3 %, from 32 300 tons to 45 650 tons, because of good rainfall experienced during the season.

Estimated plantings, production and yield of canola from 2004 to 2008 are indicated in the table on p. 31.

Season	2005	2006	2007	2008	2009
Plantings (ha)	40 200	32 000	33 200	34 000	38 050
Production (t)	44 200	36 500	38 150	32 300	45 650
Yield (t/ha)	1,10	1,14	1,15	0,95	1,20

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



The planting of canola—as alternative crop to small grains—has become an important part of crop rotation practices in the Western Cape. If wheat is planted after canola, increases of up to 25 % in yields have been observed. One of the reasons for this is the deep taproot system of canola, which acts as a ''biological plough'' to facilitate root penetration for the crop planted after canola. This then improves infiltration of rainwater and reduces water runoff and surface erosion. In addition, canola has a biofumigation effect on the soil, which reduces the manifestation of pests and diseases in the soil. Just prior to harvesting time, the canola plants drop a large quantity of plant material that assists with the biofumigation effect, but also returns a considerable quantity of nutrients and organic material to the soil.

Consumption

On the local market, canola competes with other oilseeds such as sunflower seed and soya-beans. 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 43 200 tons of canola were available for local consumption during the 2008/09 marketing season (October to September). This comprised carry-over stocks as at 1 October 2008 amounting to 10 900 tons and domestic production of 32 300 tons. There were no canola imports or exports. The total demand for canola for the 2008/09 marketing season was approximately 32 270 tons.

For the 2009/10 marketing season, the total supply of canola is estimated at 56 580 tons (the estimated canola crop of 45 650 tons, together with carry-over stocks of 10 930 tons). The domestic demand for canola is estimated at 45 560 tons and therefore carry-out stocks at the end of September 2010 are expected to come to 19 230 tons. No exports or imports are expected during the season.

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 protein content and whether it is delivered for the feed market or crushed for oil.

The average producer prices of canola from 2004/05 to 2008/09 were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09
	R/ton				
Producer price	1 745,38	1 673,09	2 660,00	2 480,00	2 480,00

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 Services (SAGIS), a section 21 company funded by, amongst others, the oilseeds industry.

Cotton

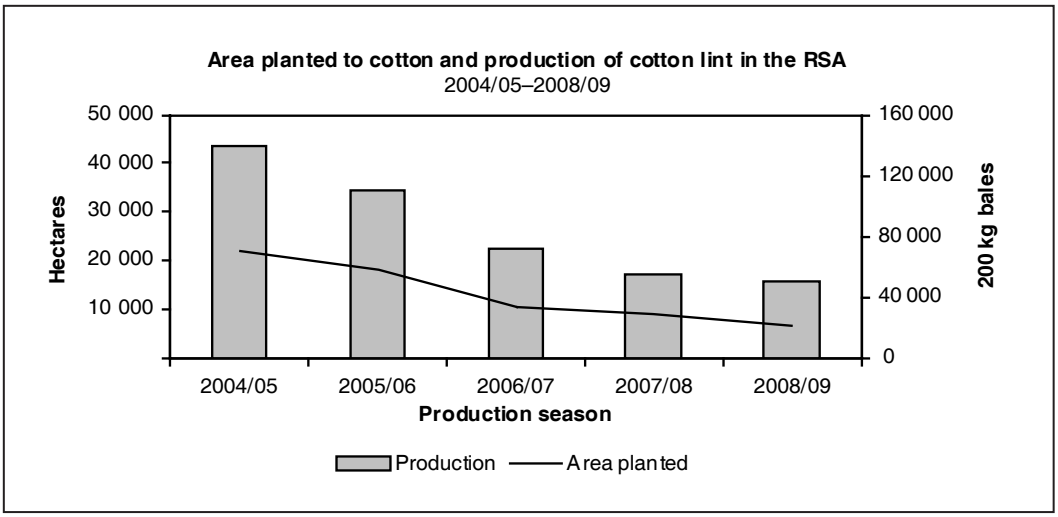
In South Africa, cotton is grown in the warm regions of the Limpopo, Mpumalanga, Northern Cape, North West and KwaZulu-Natal provinces where minimum night temperatures are at least 15 °C.

Cotton is planted mainly during October, though planting can be done until the second half of November.

The cotton industry is labour intensive and provides work to roughly one labourer per hectare of cotton planted. Oil extracted from cotton seed can be used for cooking and salad dressing. Extracted seed can also be used as a fertiliser or as feed for livestock, poultry and fish.

Area planted and production

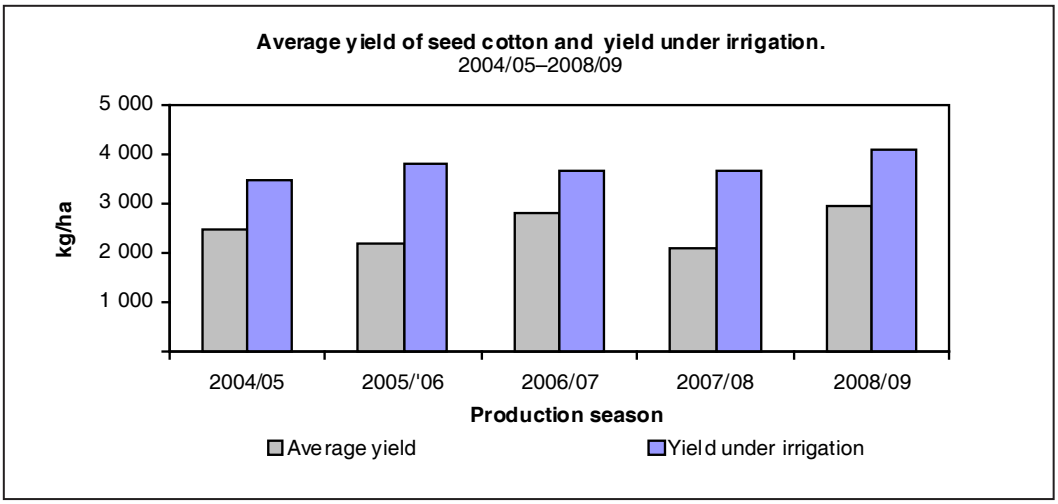
The total area planted to cotton in South Africa for the 2008/09 production season is estimated at 6 786 ha, which is a decrease of 26,4 % compared to the 9 221 ha of the previous season. The area planted to cotton reached its peak during the 1987/88 production season, when an estimated 181 676 ha were planted. Since then, plantings decreased substantially. The plantings for 2008/09 are the lowest in more than 30 years.



Source: *Cotton SA*

An estimated 64,8 % of the total area planted to cotton during the 2008/09 production season, was under irrigation. Yields per hectare under irrigation are normally up to 7 times higher than on dryland. An estimated

average yield of 825 kg/ha (seed cotton on dryland) during the 2008/09 season was 52,4 % higher than the yield of 541 kg realised during 2007/08.



The domestic production for the 2008/09 season is estimated at 49 855 bales of 200 kg cotton lint, which is a drop of 10,5 % compared to 55 730 (200 kg) bales produced in 2007/08. Lower cotton production means that more cotton lint will have to be imported.

As part of the cotton industry's objective to broaden participation by emerging farmers, through a training programme established by Cotton SA and other stakeholders (including the private sector and government), a goal was set that 25 % of the total local production should be from small-scale farmers by 2007 and 35 % by 2014. During the 2008/09 production season, 6 % of production came from these farmers.

Areas planted to cotton and the production of cotton lint for the 2004/05 to 2008/09 production seasons by the RSA and Swaziland compare as follows:

RSA					
Production season	2004/05	2005/06	2006/07	2007/08	2008/09*
Total RSA plantings (ha)	21 763	18 763	10 563	9 221	6 786
Dryland (ha)	8 866	8 394	2 863	3 242	1 726
Irrigation (ha)	12 897	9 720	7 700	5 979	5 060
Production of cotton lint (200 kg bales) from RSA-grown cotton	101 570	86 328	54 149	48 982	39 891

Swaziland					
Production season	2004/05	2005/06	2006/07	2007/08	2008/09*
Total Swaziland plantings (ha)	5 000	888	4 000	1 000	3 000
Dryland (ha)	5 000	888	4 000	1 000	3 000
Irrigation (ha)	0	0	0	0	0
Production of cotton lint (200 kg bales) from Swaziland-grown cotton	5 460	945	1 435	687	2 850

* Estimates (August 2009)

Source: *Cotton SA*

Prices

The average producer price for seed cotton (lint and seed derived from the ball of the cotton plant before it is ginned) for the 2007/08 marketing season (April to March) was 300 c/kg, while the price for 2008/09 is estimated at 420 c/kg. In South Africa, the price of cotton normally emulates global price trends.

According to the International Cotton Advisory Committee (ICAC), the international prices are expected to rise by 3,0 % to about $0,63/kg during the 2009/10 season, from an average of $0,61/kg in 2008/09. World production is forecast to decrease to 23,3 million tons for the 2009/10 season. The production is expected to decline significantly in China, Brazil, Turkey, Central Asia and Mexico, while Australia, India, the USA and Pakistan are expected to experience an increase in production.

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

Marketing year	2004/05	2005/06	2006/07	2007/08	2008/09*
	c/kg				
Seed cotton Cotton lint	318 1 109	220 737	230 723	300 924	420 1 100

* Estimates

Consumption

Consumption of cotton lint by RSA spinners (including Swaziland) for the 2009/10 marketing year is estimated at 212 500 bales of 200 kg, compared to the 233 985 bales of the 2008/09 year—a decrease of 9,2 %.

During the 2008/09 marketing year, about 87 % of the consumed cotton lint was imported from Southern African Development Community (SADC) countries. The two major suppliers were Zambia and Zimbabwe. Cotton lint exports for the 2008/09 season were 5 500 tons.

Consumption of cotton lint by South African and Swaziland spinners were as follows:

Marketing year	2004/05	2005/06	2006/07	2007/08	2008/09
	200 kg bales				
Consumption	296 120	240 930	232 575	233 985	212 500

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 since 1 January 2004, supporting the fact that about 99 % of imports in the 2007/08 marketing season were from the SADC region.

Locally, the seed cotton is either 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, in which case the lint will either be sold by the producer or by the contracted ginner on the producer's behalf.

After the Cotton Board was dissolved in 1998, a section 21 company, namely Cotton SA, was formed by stakeholders in the cotton industry. A statutory levy, which was introduced from April 2004 in terms of the Marketing of Agricultural Products Act, 1996, is applicable (currently 20 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.

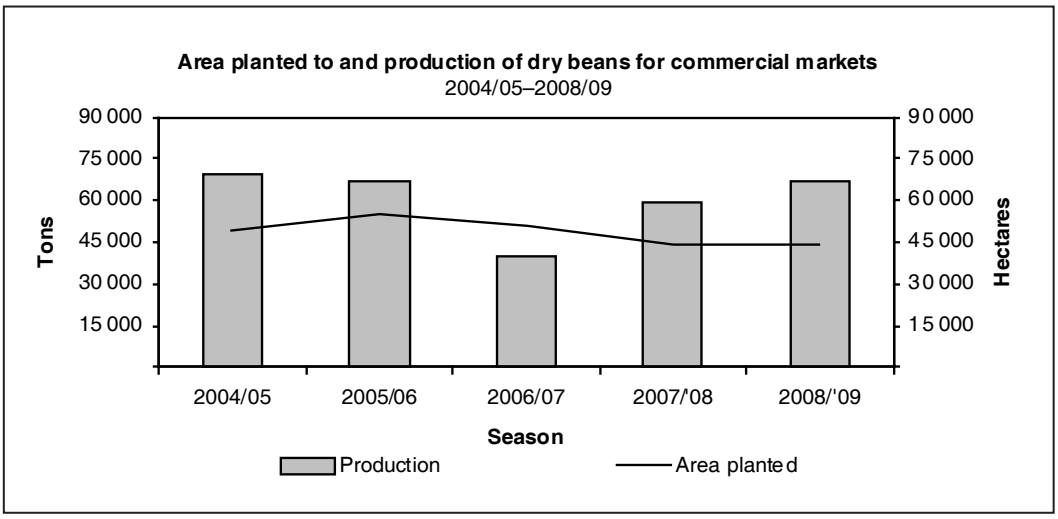
Research is coordinated by Cotton SA and performed by the Agricultural Research Council.

Dry beans

Areas planted and production

During the 2008/09 season, an estimated 43 800 ha were planted to dry beans for commercial markets, which is the same as the area planted in 2007/08. However, the estimated commercial crop of 67 030 tons for 2008/09 is 13,7 % higher than the previous crop of 58 975 tons. The average yield for the 2008/09 crop

is approximately 1,5 t/ha—an increase of 15 % from the previous season. The increase in production can therefore be ascribed largely to favourable weather conditions.



The Mpumalanga and Free State provinces are estimated to have produced 66,5 % of the 2008/09 commercial crop. The remaining 33,5 % was produced in the other provinces.

Production in the provinces and their share in the 2008/09 crop are as follows:

Province	Production (t)	Share in crop (%)
Mpumalanga	15 750	23,5
Free State	28 800	42,9
Gauteng	5 100	7,6
North West	5 000	7,5
KwaZulu-Natal	4 800	7,2
Limpopo	6 750	10,1
Western Cape	280	0,4
Eastern Cape	300	0,4
Northern Cape	250	0,4
Total	67 030	100,0

The estimated gross value of dry beans for the 2008/09 season amounts to R515 million and is 7,8 % more than the previous season.

Production per type during 2008/09 is estimated to be as follows: 53 624 tons (80,0 %) Red Speckled, 9 384 tons (14,0 %) Small White Canning, 3 352 tons (5,0 %) Large White Kidney and 670 tons (1,0 %) other dry beans, mainly Cariocas.

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

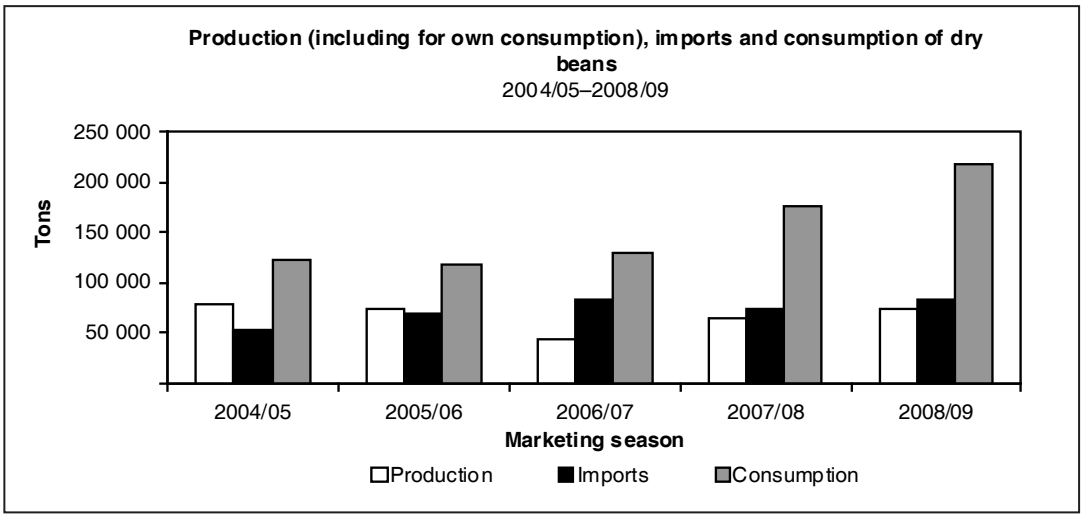
In an attempt to improve profitability for producers and to meet the increase in protein demand, cultivars have been developed, by the Dry Bean Producers' Organisation in partnership with the Agricultural Research Council, that can yield up to 1,4 t/ha, as against 0,6 t/ha some 20 years ago. These cultivars are suited to most soil types, have greater resistance to diseases and can be grown successfully in different areas. The average yield for dryland production during the 5 years up to 2007/08 is 1,3 t/ha.

Consumption

An estimated 218 000 tons of dry beans were consumed locally during the 2008/09 marketing season (March to February), which represents an increase of 23,9 % compared to 2007/08. The estimated *per capita* consumption for 2008/09 is 4,2 kg, which is 22,7 % higher than the 2007/08 figure.

Because the local demand is substantially higher than local production, large quantities of dry beans are imported each year, mainly from China.

The quantities of dry beans produced, imported and consumed from 2004/05 to 2008/09 were as follows:



Marketing season	2004/05	2005/06	2006/07	2007/08	2008/09
	Tons				
Production (including developing agriculture)	75 643	74 052	43 500	64 873	73 733
Imports	52 226	68 453	84 113	73 993	83 000
Consumption	124 000	117 676	130 000	176 000	218 000

Producer prices

The average prices received by producers for dry beans from 2004/05 to 2008/09 were as follows:

Production season	2004/05	2005/06	2006/07	2007/08	2008/09
	R/ton				
Producer price	3 100	4 400	6 165	7 375	6 981

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 lesser 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 useful for the certification of dry bean seed.

Sugar

Sugar cane is a ratoon crop, which means that, after cropping, new shoots emerge from the roots. It yields up to 10 crops of sugar cane from the original rootstock, after which it is eradicated and then replanted. This is done on a rotational basis, with approximately 10 % of the area under cane being replanted each season. Planting usually coincides with the first spring rains.

In the cooler production areas, sugar cane is harvested 18 to 24 months after resprouting. The late harvest 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.

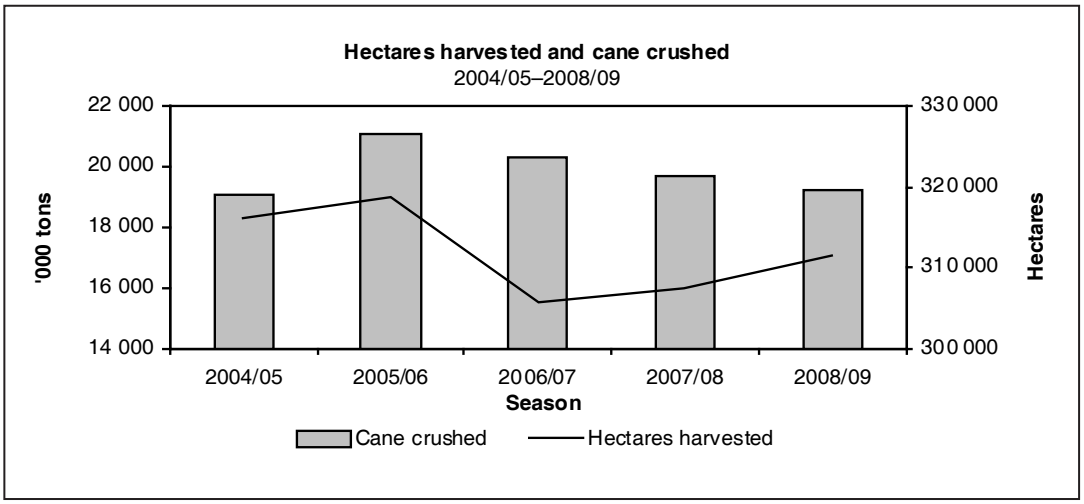
Industry overview

The sugar-cane-growing industry in South Africa is administered by the South African Cane Growers' Association, established in 1927. 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. There are currently approximately 38 200 registered cane growers who, on average, produce 20 million tons of sugar cane per year in areas extending from the Eastern Cape through KwaZulu-Natal to the Mpumalanga provinces. Large-scale growers are responsible for approximately 82,6 % of the total sugar-cane production, while 9,0 and 8,4 % of the total crop is produced by small-scale farmers and milling companies, respectively.

The South African sugar industry is among the most cost competitive producers of high-quality sugar. The industry combines sugar-cane production and production of sugar (raw or refined), syrup and some by-products. Employment within the industry is estimated at 427 000 people (direct and indirect) and the industry produces an average of approximately 2,3 million tons of sugar per season.

Production and price of sugar cane

The production of sugar cane decreased by 2,4 % to 19, 3 million tons between the 2007/08 and 2008/09 seasons, while production for the 2009/10 season is expected to be 4,4 % higher than in 2008/09.



The average cane production over the past decade (from the 1999/00 to the 2008/09 season) is 20,9 million tons per annum, with the yield of harvested cane averaging 66,2 t/ha over the same period. The yield stands at 63,4 t/ha for the 2008/09 season. The area harvested rose by 1,3 %, from 307 380 ha in 2007/08 to 311 425 ha in 2008/09.

The producer price of sugar cane increased by 7,0 % between 2007/08 and 2008/09. The average price over the 5-year period indicated below is R184,08 per ton.

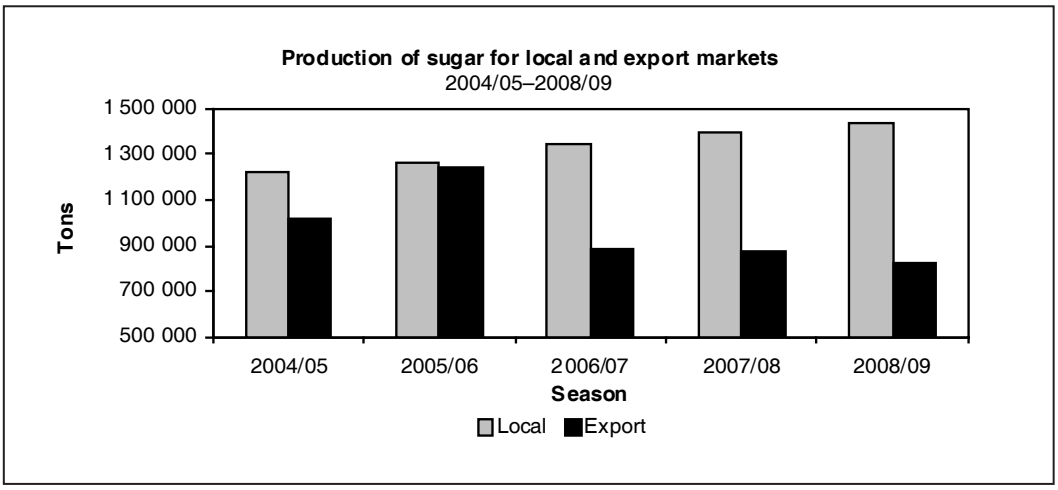
The average producer prices of sugar cane from 2004/05 to 2008/09 were as follows:

Year	2004/05	2005/06	2006/07	2007/08	2008/09
	R/ton				
Producer price	159,55	173,59	179,89	196,77	210,61

Production and consumption of sugar

The local production of sugar reached a record level of 2,76 million tons during the 2002/03 season. For 2008/09, production is estimated at 2,26 million tons. The quantity of cane crushed to produce a ton of

sugar reached a record high of 10,02 tons in 1995/96 before declining over the years, and stands at 8,49 tons for the 2008/09 season.



A total of 821 657 tons of sugar were produced for the international market during the 2008/09 season, which is a 6 % decrease from 2007/08, while 1,4 million tons were produced for the national market—an increase of 2,9 %.

The total supply of 1,427 million tons of sugar to the Southern African Customs Union (Sacu) during 2008/09 represents an increase of 4,7 % compared to the supply of 1,363 million tons in 2007/08.

The local production and sales of sugar to Sacu from 2004/05 to 2008/09 were as follows:

Year	2004/05	2005/06	2006/07	2007/08	2008/09
	'000 tons				
Production SACU sales	2 234 1 267	2 501 1 328	2 227 1 346	2 273 1 363	2 260 1 427

Marketing

Approximately 40 % of the locally produced sugar is for the world market, which is sold at prices below the domestic sugar price because of subsidy-induced production in some major sugar-producing countries. However, government supports the industry through interventions such as tariff protection and the Sugar Cooperation Agreement among SADC members. The raw sugar exports are handled at the Sugar Terminal in Durban.

The revenue from sugar sales during 2008/09 is estimated at approximately R5,6 billion, including foreign income estimated at R2,0 billion.

Land reform

Inkezo, a 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 entity. The primary objective of the company is to promote sustainable agricultural land reform in support of the national transformation goals of effecting 30 % black ownership of sugar-cane land by 2014. The initiative will be aligned closely with the government objectives and initiatives relating to land reform, also adding to numerous projects and initiatives being undertaken by individual milling companies as well as the Cane Growers' Association.

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 made available to cane farmers to also improve their profitability. The information includes improving soil quality; minimising

the occurrence of pests and diseases; and research on optimal choice in the use of fertilisers, water and ripening and weed control agents.

The quality of cane deliveries to the mills is determined by the Cane Testing Services, while Umthombo Agricultural Finance provides assistance to small-scale cane farmers concerning credit and savings facilities.

HORTICULTURE

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 2008 season is estimated at 74 202 ha.

Production

Although some producers grow fruit both for canning and fresh consumption, it is estimated that in South Africa there are about 2 254 producers of fruit for fresh consumption—1 174 producers for stone fruit, 954 producers for dry and table grapes and 700 producers for pome fruit.

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

Fruit type	2004/05	2005/06	2006/07	2007/08	2008/09
	Tons				
Apples	698 710	623 789	710 172	750 138	803 056
Pears	315 244	323 777	345 737	345 087	351 871
Table grapes	254 847	290 953	284 835	269 910	269 891
Peaches and nectarines	183 610	175 430	177 130	182 402	163 417
Apricots	43 687	83 765	43 197	61 331	50 078
Plums	54 519	38 741	54 444	62 632	59 815
Total	1 550 617	1 536 455	1 615 515	1 671 500	1 698 128

The production of deciduous fruit increased by 1,6 %, from 1,672 million tons in 2007/08 to 1,698 million tons in 2008/09. Apples showed the biggest increase of 7,1 %, followed by pears with 2,0 %. The production of apricots; peaches and nectarines; and plums show decreases of 18,3, 10,4 and 4,5 %, respectively. The production of table grapes stayed virtually unchanged from 2007/08 to 2008/09.

Marketing

During 2008/09, deciduous fruit contributed approximately 23,8 % to the gross value of horticultural products. Approximately 335 826 tons of deciduous fruit were sold locally on the major fresh produce markets, other markets and directly to retailers, which represents an increase of 2,7 % compared to the 327 082 tons sold during the 2007/08 season.

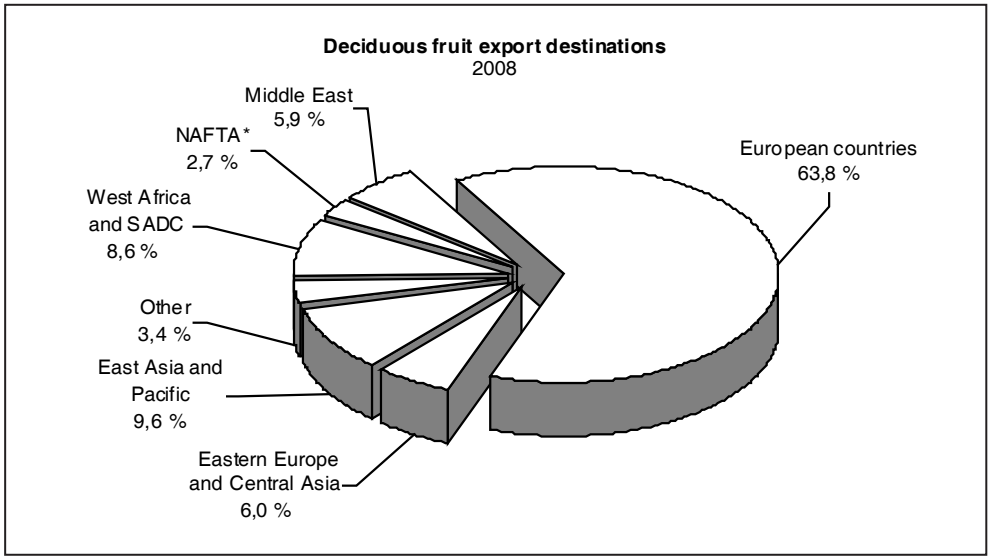
The average prices realised for deciduous fruit on the major fresh produce markets during the period 2004/05 to 2008/09 were as follows:

Fruit type	2004/05	2005/06	2006/07	2007/08	2008/09
	R/ton				
Apples	2 717	3 035	3 293	4 257	4 197
Pears	2 469	2 657	3 078	3 727	3 988
Table grapes	4 152	4 587	5 117	5 719	6 713
Peaches and nectarines	4 449	5 943	5 491	6 158	7 503
Apricots	3 654	3 609	4 499	4 653	6 141
Plums	2 657	3 973	3 548	3 614	4 644

The price of apricots showed the biggest percentage increase of 32,0 %, followed by plums with 28,5 %, peaches and nectarines with 21,8 %, table grapes with 17,4 % and pears with 7,0 %. The price of apples decreased slightly by 1,4 %, from R4 257 in 2007/08 to R4 197 in 2008/09.

The exporting of deciduous fruit is a major earner of foreign exchange for South Africa. During the 2008/09 season (October to September), about 47,7 % of deciduous fruit produced was exported and approximately 83,1 % of the gross value from deciduous fruit came from foreign exchange export earnings. Total exports amounted to 797 259 tons. This represents an increase of 2,4 % compared to 778 343 tons exported during 2007/08.

The following graph indicates deciduous fruit export destinations during 2008:

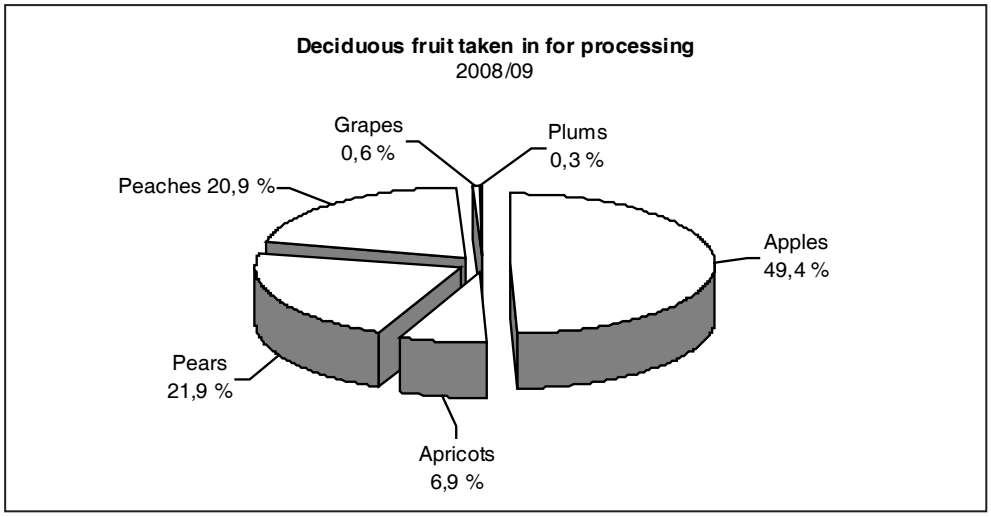


* Northern American Free Trade Agreement (United States, Canada and Mexico)

Intake of deciduous fruit for processing

During 2008/09, about 32,2 % of deciduous fruit produced was taken in for processing—a decrease of 0,7 % compared with 2007/08.

The following graph indicates deciduous fruit taken in for processing during 2008/09:



Over the past five seasons, most of the deciduous fruit was processed to juice, except for apricots and peaches, which were used mostly for canning.

During 2008/09, approximately 91,7 % of apples taken in for processing was used for juice and 8,3 % for canning, while 54,2 % of pears was used for juice and 45,8 % was canned. Producers received an average

of R1 437 and R744 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 R1 615 and R641 per ton, respectively.

Domestic consumption

Local *per capita* consumption and total consumption of deciduous fruit over the past 5 years were as follows:

Season	2004/05	2005/06	2006/07	2007/08	2008/09
Per capita consumption (kg/year)	17,82	15,50	14,49	16,09	16,32
Total consumption ('000 tons)	836	734	693	783	805

Prospects

The deciduous fruit industry seemed unaffected by the global economic crisis throughout the 2008 season. However, as the 2009 export season began in February, exporters started feeling the effects of the credit crunch and global economic downturn. Large buyers in the UK and Europe began demanding smaller shipments and requested extended credit from the usual 90 days to 160 days.

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 grown mainly 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 come mainly from the Vredendal district.

Production

In 2009, production of dried vine fruit decreased by 22,9 %, from 42 440 tons in 2008 to 32 719 tons, and that of dried tree fruit increased by 14,3 %, from 4 997 tons in 2008 to 5 712 tons in 2009.

The production of Thompson seedless raisins dropped by 19,9 %, from 19 121 tons in 2008 to 15 315 tons in 2009, while the production of unbleached sultanas show a huge decrease of 79,5 %, from 8 790 tons to 1 800 tons.

Because of the favourable weather conditions experienced during the 2009 production season, the production of dried tree fruit increased by 14,3 %, from 4 997 tons in 2008 to 5 712 tons in 2009.

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

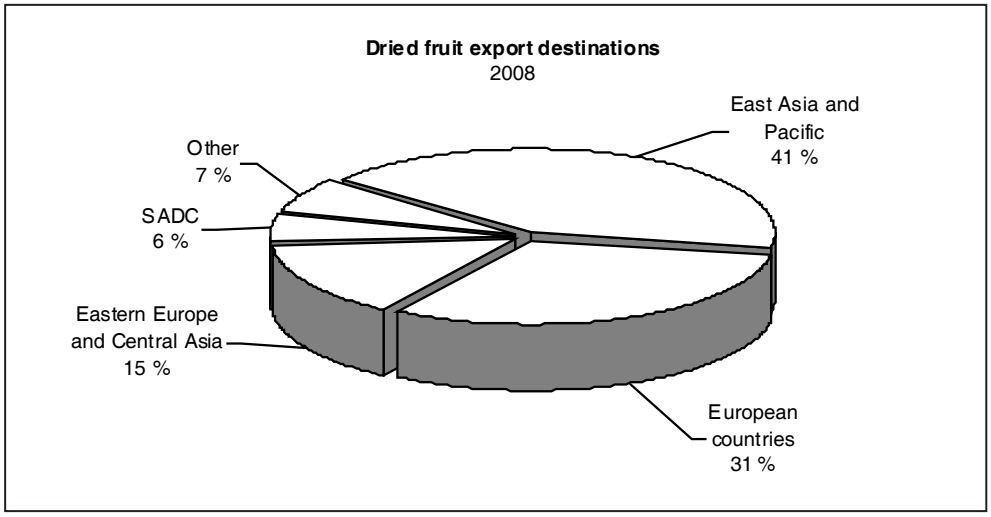
Fruit type	2005	2006	2007	2008	2009*
	Tons				
Sultana type					
Unbleached	1 980	3 128	4 435	8 790	1 800
Golden	8 285	8 800	13 054	12 210	12 800
Thompson seedless raisins	18 219	27 161	24 270	19 121	15 315
Currants	1 851	2 080	2 200	2 239	2 740
Raisins	81	60	73	80	64
Total vine fruit	30 416	41 229	44 032	42 440	32 719

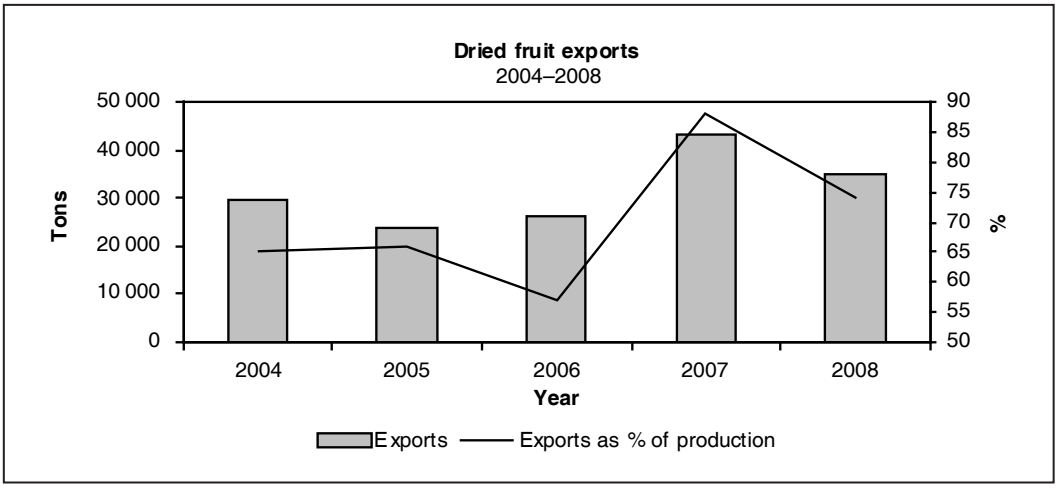
Fruit type	2005	2006	2007	2008	2009*
	Tons				
Prunes	2 600	1 100	1 000	1 089	1 127
Apricots	1 296	1 520	1 351	1 143	1 329
Apples	91	25	122	172	112
Peaches	1 208	1 307	1 490	1 442	2 001
Pears	680	938	1 074	1 086	1 012
Nectarines	0	0	62	65	117
	0	0	0	0	14
Total tree fruit	5 875	4 890	5 099	4 997	5 712
Grand total	36 291	46 119	49 131	47 437	38 431

* Preliminary

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 2008 and exports from 2004 to 2008, respectively:





Viticulture

South Africa is the seventh-largest wine producer, contributing 3,6 % to the world's wine production. The area under wine grape vineyards is estimated at 101 325 ha, which is 0,6 % lower than the 101 957 ha of the previous year.

The wine industry is labour intensive and provides employment to approximately 257 000 people directly and indirectly. The number of primary wine grape producers in South Africa is estimated at 3 839.

Wine is produced mainly in the Western Cape Province and along parts of the Orange River in the Northern Cape Province.

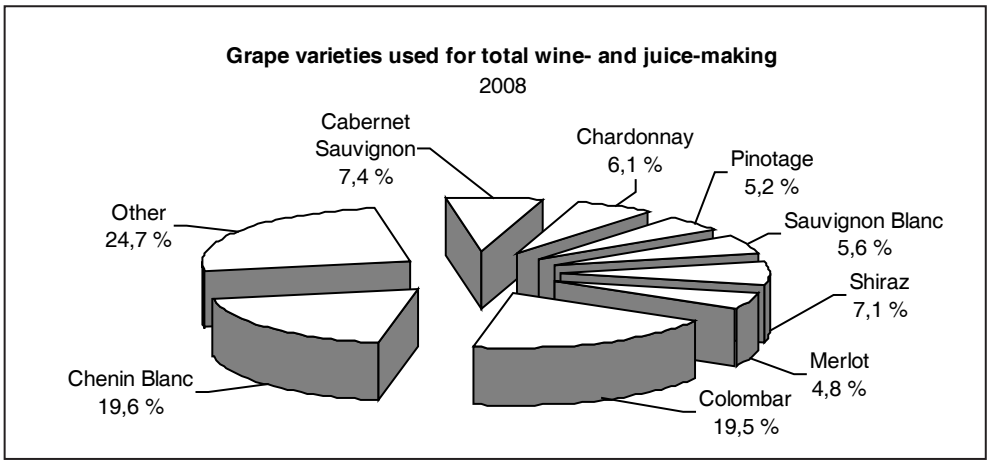
Production

Wine production, including rebate and distilling wine, juice and concentrate for non-alcoholic beverages, from 2004 to 2008 was as follows:

Year	2004	2005	2006	2007	2008
	Gross million litres				
Wine production	1 015	905	1 012	1 043	1 089

During 2008, the production of wine increased by 4,4 %. Approximately 33,9 % of the wine grapes utilised for wine-making purposes was red and 66,1 % was white.

The use of different varieties of grapes during 2008 is depicted in the following graph:



Prices

Producer prices of wine from 2004 to 2008 were as follows:

Year	2004	2005	2006	2007	2008
	c/ℓ @ 10 % A/V				
Average price of:					
Good wine	354,2	338,4	338,4	334,9	340,7
Rebate wine	198,2	210,8	210,6	222,4	225,5
Distilling wine	94,6	97,4	94,2	93,4	95,5

Income of producers

The production of wine grapes and income of producers from 2004 to 2008 were as follows:

Year	2004	2005	2006	2007	2008
Wine grape production ('000 tons)	1 312	1 171	1 302	1 351	1 426
Income of producers (R million)	2 811	2 644	2 642	2 853	3 320

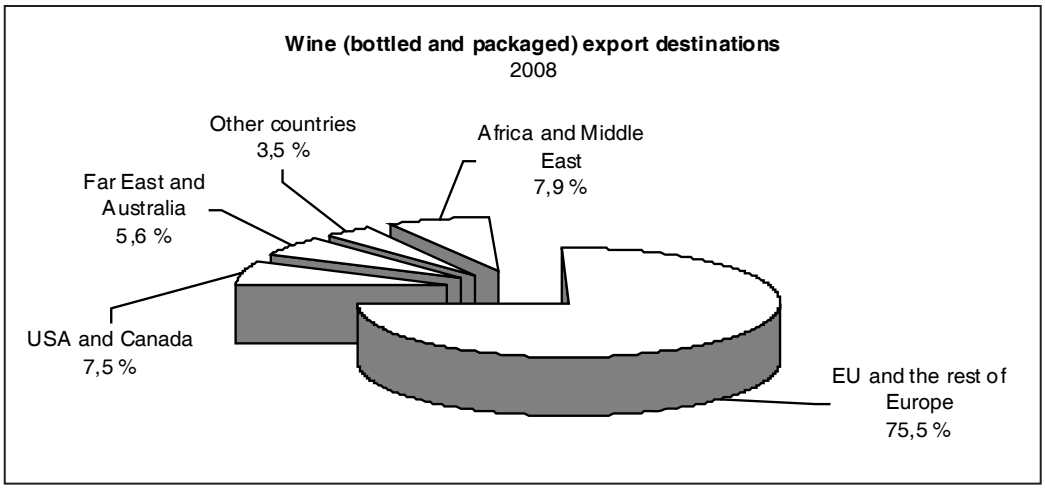
The producers' income increased by 16,4 % during 2008. The increase in demand for wine by other countries has led to an increase in local production as well as an increase in prices received by producers.

Exports

Total quantities of wine exported during the past 5 years were as follows:

Year	2004	2005	2006	2007	2008
	'000 litres				
Natural wine	265 762	279 871	269 167	309 356	407 378
Fortified wine	413	407	487	406	423
Sparkling wine	1 553	1 537	2 018	2 779	3 952
Total	267 728	281 815	271 672	312 541	411 753

During 2008, 31,7 % of the total wine produced was exported, compared to 15,0 % during 2007. The following graph depicts wine export destinations during 2008:



Consumption

The *per capita* consumption of wine on the domestic market from 2004 to 2008 was as follows:

Year	2004	2005	2006	2007	2008
	ℓ *per capita*				
Natural wine	6,73	6,43	6,44	6,52	6,43
Fortified wine	0,75	0,76	0,71	0,71	0,69
Sparkling wine	0,17	0,18	0,19	0,20	0,22
Total	7,65	7,37	7,34	7,43	7,34

Prospects

It is expected that the 2009 wine production, including rebate and distilling wine, juice and concentrate for non-alcoholic beverages, will be around 1 008 million litres. This represents a 7,4 % decrease on the 2008 production. Domestic demand for natural wine is expected to increase at an average of approximately 1 % per annum.

Subtropical fruit

Measured in terms of the value of production, the subtropical fruit industry earned R2 082 million in 2008/09—an increase of 12,1 % on the 2007/08 figure of R1 857 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 need warmer conditions and are sensitive to large temperature fluctuations and to frost. The best areas for production of these types of fruit in South Africa are in 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.

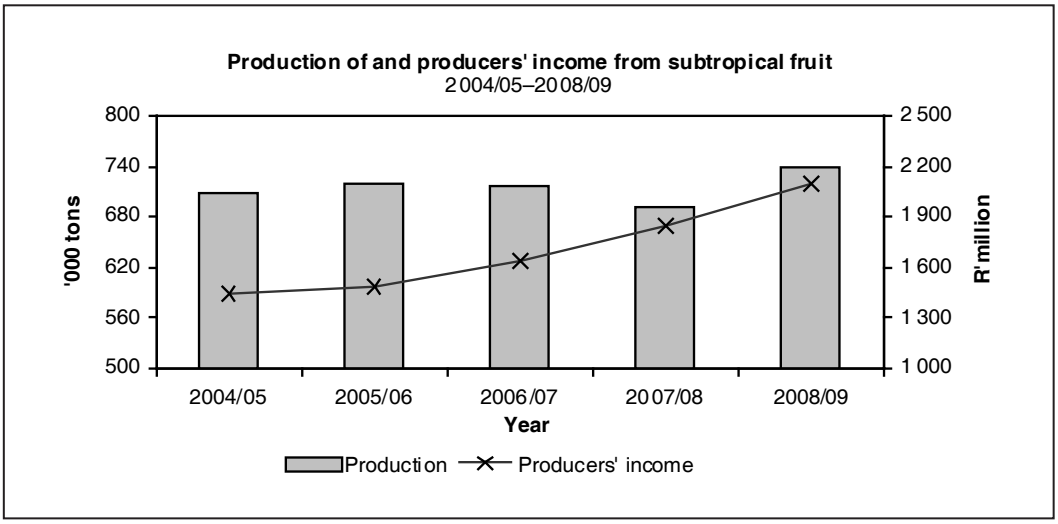
The total production areas of pineapples, avocados, bananas, mangoes and litchis during 2008/09 are estimated at approximately 14 000, 12 000, 11 600, 8 100 and 3 000 ha, respectively.

Production of subtropical fruit from 2004/05 to 2008/09 was as follows:

Fruit type	2004/05	2005/06	2006/07	2007/08	2008/09
	'000 tons				
Avocados	82,1	75,5	72,3	71,1	88,1
Bananas	316,3	365,1	357,2	334,2	405,0
Pineapples	166,5	166,1	160,1	145,0	124,4
Mangoes	93,4	63,9	80,1	88,2	42,9
Papayas	16,9	14,5	14,4	17,4	13,4
Granadillas	1,5	1,2	0,7	0,7	0,6
Litchis	4,2	4,5	5,8	5,8	4,6
Guavas	28,3	28,5	27,0	27,5	26,4

The total production of subtropical fruit increased by 2,2 %, from 690 860 tons in 2007/08 to 705 177 tons in 2008/09. The production of mangoes, papayas, litchis, granadillas, pineapples and guavas dropped by 51,4, 22,9, 20,7, 14,3, 14,2, and 4,0 %, respectively, while the production of avocados and bananas rose by 23,9 and 21,2 %, respectively.

Bananas, pineapples and avocados contributed 57,4, 16,6 and 12,5 %, respectively, to the total production of subtropical fruit during 2008/09.



Domestic sales

During 2008/09, the largest contributors to the sales of subtropical fruit on the major fresh produce markets were bananas (76,0 %), avocados (7,5 %), pineapples (7,2 %), mangoes (4,6 %) and papayas (3,2 %).

The quantities of all subtropical fruit types sold on the major fresh produce markets decreased during 2008/09, except for avocados, bananas, litchis and guavas.

Total quantities of subtropical fruit sold on the major fresh produce markets (year ending 30 June) were as depicted in the table on p. 46.

Fruit type	2004/05	2005/06	2006/07	2007/08	2008/09
	Tons				
Avocados	21 428	20 318	21 537	18 679	23 803
Bananas	188 904	218 452	213 904	200 204	242 271
Pineapples	26 212	25 733	24 046	23 529	22 860
Mangoes	18 276	16 169	20 098	18 979	14 805
Papayas	11 904	10 785	10 183	13 005	10 144
Granadillas	1 263	967	611	582	456
Litchis	1 433	1 706	2 368	2 611	1 701
Guavas	3 006	2 242	2 804	2 466	2 553
Total	272 426	296 372	295 551	280 055	318 593

Intake for processing

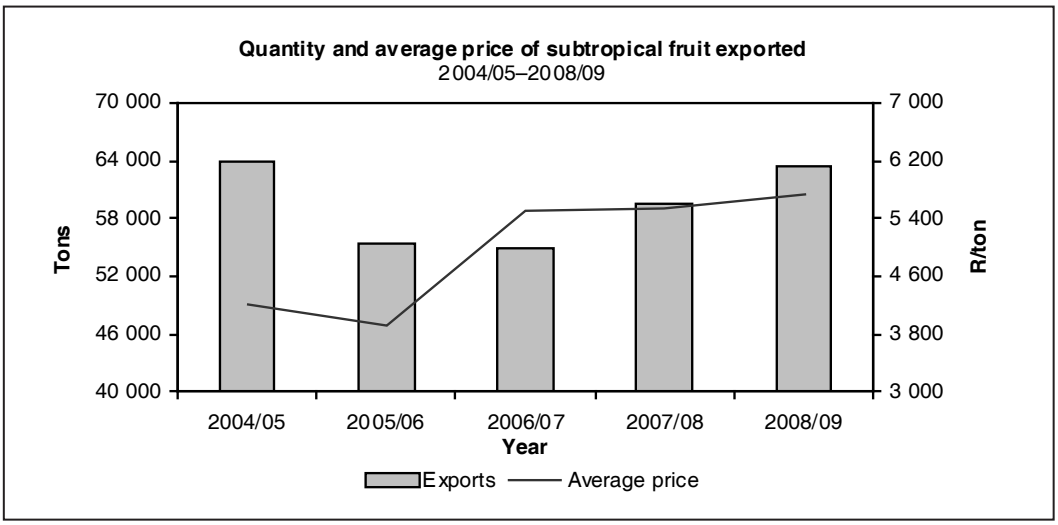
During 2008/09 (July to June), pineapples accounted for approximately 64,7 % of the total intake of subtropical fruit for processing. The other two main contributors to the processing industry were guavas (15,7 %) and mangoes (15,2 %).

While the quantities of all the other subtropical fruit types taken in for processing decreased (some significantly) during 2008/09, the intake of avocados and bananas increased.

Fruit type	2004/05	2005/06	2006/07	2007/08	2008/09
	Tons				
Avocados	7 651	6 491	4 786	4 054	5 269
Bananas	1 417	1 032	684	531	1 092
Pineapples	133 373	133 574	128 727	115 247	96 045
Mangoes	64 001	40 236	51 086	58 791	22 627
Papayas	1 228	233	928	238	21
Granadillas	18	16	9	13	8
Litchis	0	0	350	80	25
Guavas	24 718	25 883	23 681	24 565	23 331
Total	232 406	207 465	210 251	203 519	148 418

Exports

From 2007/08 to 2008/09, total exports of subtropical fruit increased by 6,8 %, from 59 516 tons to 63 449 tons and the average export price increased by 3,8 %, from R5 542/t to R5 752/t. The main subtropical fruit type exported is avocados. During 2008/09, exports of avocados contributed 86,9 % to the total value of exports of subtropical fruit. Other types that were exported are mangoes, pineapples and litchis.



Marketing and research

The ARC-Institute for Tropical and Subtropical Crops (ITSC) 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 2009/10 production season.

Citrus fruit

Production areas

Citrus fruit is grown in the Limpopo, Western Cape, Mpumalanga, Eastern Cape and KwaZulu-Natal provinces in areas where subtropical conditions (warm to hot summers and mild winters) prevail. The area under citrus for 2009 is estimated at 58 596 ha.

Production

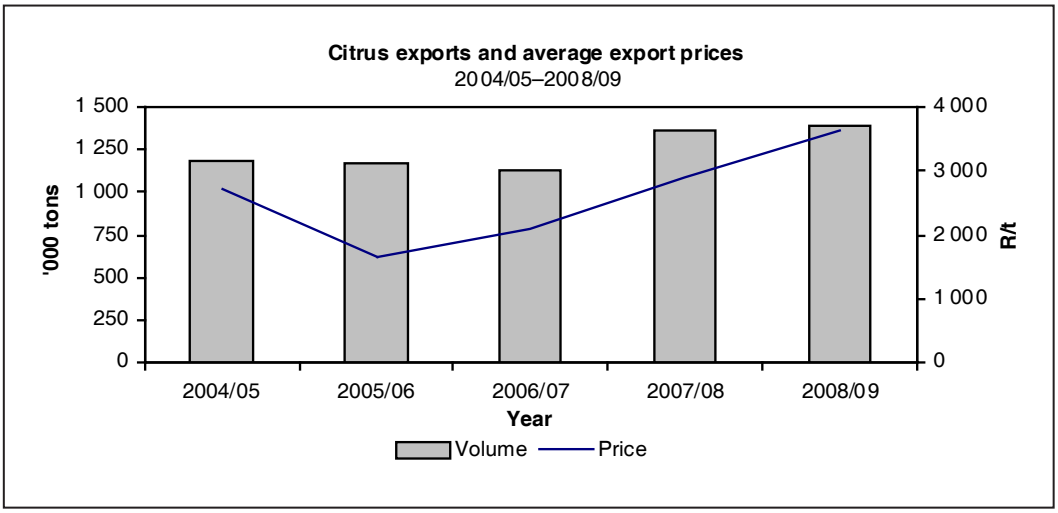
Oranges contribute about 66,0 % to the total production of citrus fruit in South Africa. Citrus fruit production increased by 21,0 %, or an average of 4,9 % per annum, from 2004/05 to 2008/09.

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

Fruit type	2004/05	2005/06	2006/07	2007/08	2008/09
	Tons				
Oranges	1 126 492	1 244 793	1 349 440	1 410 041	1 526 257
Grapefruit	300 060	363 068	354 119	388 972	340 750
Lemons	213 120	183 898	214 068	195 088	229 412
Naartjes	35 939	51 409	45 736	35 294	30 103
Soft citrus	205 292	138 716	126 746	143 335	158 862
Total	1 880 903	1 981 884	2 090 109	2 172 730	2 285 384

Exports

The citrus industry in South Africa is primarily export orientated, with very small quantities being imported. South Africa is one of the major citrus fruit exporters in the world. During 2008/09, the United Kingdom was its largest trading partner, particularly of soft citrus. Exports increased from 1 182 393 tons during 2004/05 to 1 392 533 tons during 2008/09—an increase of 17,0 %, or an average of 4,9 % per annum. During 2008/09, about 950 009 tons of oranges, approximately 42,0 % of the citrus crop, were exported.



Domestic sales

Citrus fruit sales on the major fresh produce markets in South Africa increased by 4,0 %, from 160 830 tons during 2007/08 to 167 958 tons during 2008/09, and comprised about 7,0 % of total citrus fruit production. Approximately 36,2 % of the naartje production, 8,7 % of the production of oranges and 5,5 % of the production of lemons were sold on these markets.

The average prices realised on the major fresh produce markets during the period 2004/05 to 2008/09, were as follows:

Fruit type	2004/05	2005/06	2006/07	2007/08	2008/09
	R/ton				
Oranges	1 084	1 112	1 026	1 283	1 431
Grapefruit	1 444	1 489	1 499	1 750	2 286
Lemons	1 453	1 723	1 864	2 507	3 316
Naartjes	2 166	1 510	2 571	3 150	4 072
Soft citrus	1 811	1 288	2 133	2 532	3 016

Processing

Approximately 24,0 % of the total citrus fruit production was taken in for processing during 2008/09. Citrus fruit taken in for processing showed an increase of 13,0 %, from 489 904 tons in 2007/08 to 556 435 tons in 2008/09.

Consumption

Per capita consumption of citrus fruit from 2004 to 2008 was as follows:

Year	2004	2005	2006	2007	2008
	kg/year				
Per capita consumption	21,20	9,74	7,11	12,22	12,80

Research

The Citrus Research International Group Alliance (CRI) commissioned by the Citrus Growers' Association of Southern Africa, continued to provide the industry with research and technical support services and was involved in improving access of South African citrus fruit to the world markets.

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

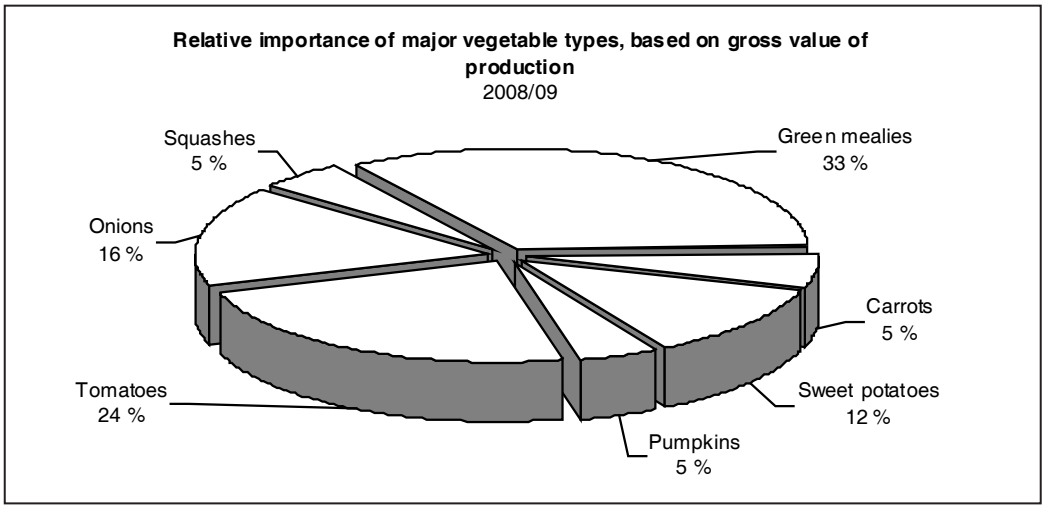
From 2007/08 to 2008/09 (July–June), the total production of vegetables (excluding potatoes) increased by 4,1 %, from 2 355 798 to 2 451 975 tons. Concerning the major vegetable types in terms of volumes produced, the production of onions rose by 33 000 tons or 7,4 %, carrots by 21 000 tons or 14,6 %, tomatoes by 20 000 tons or 4,0 % and green mealies by 13 000 or 4,0 %. The production of cabbage and pumpkins decreased by 9 000 tons or 6,0 and 1 000 tons or 0,4 %, respectively.

The production of vegetables (excluding potatoes) in South Africa for the period 2004/05 to 2008/09 compares as shown in the table on p. 49.

Year	2004/05	2005/06	2006/07	2007/08	2008/09
	'000 tons				
Tomatoes	514	506	528	500	520
Onions	438	448	475	445	478
Green mealies	318	317	319	324	337
Cabbages	168	160	146	150	141
Pumpkins	230	236	232	230	229
Carrots	143	150	146	144	165
Other	561	552	543	563	582
Total	2 372	2 369	2 389	2 356	2 452

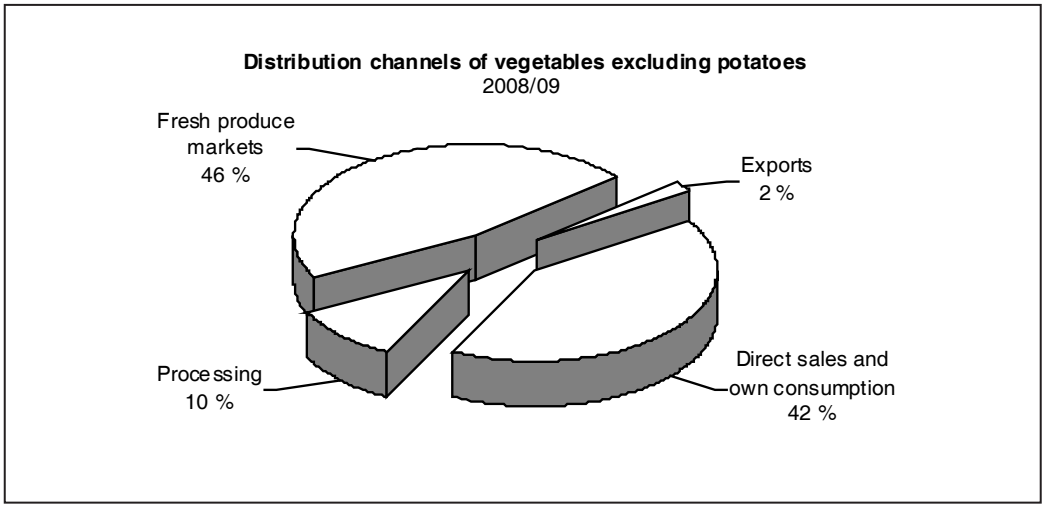
Relative importance of major vegetable types

The relative importance of the major vegetable types, according to gross value of production, during the 12 months up to 30 June 2009, is depicted by the following graph:



Distribution channels

As depicted in the following graph, approximately 46 % 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 2008/09 amounted to 1 136 663 tons, while 1 091 817 tons were sold during 2007/08, which represents an increase of 4,1 %.



The values of sales of vegetables (excluding potatoes) on the major South African fresh produce markets for the period 2004/05 to 2008/09 are as follows:

Year	2004/05	2005/06	2006/07	2007/08	2008/09
	R'000				
Tomatoes	582 761	716 559	738 837	880 038	1 057 462
Onions	353 143	388 410	546 277	778 592	733 117
Green mealies	18 441	20 789	21 748	26 016	29 414
Cabbages	88 636	91 924	107 624	136 880	162 417
Pumpkins	56 506	57 580	66 520	70 168	75 519
Carrots	124 736	136 189	165 497	194 075	234 253
Other	680 122	765 463	890 938	1 008 075	1 216 062
Total	1 904 345	2 176 914	2 537 441	3 093 844	3 508 244

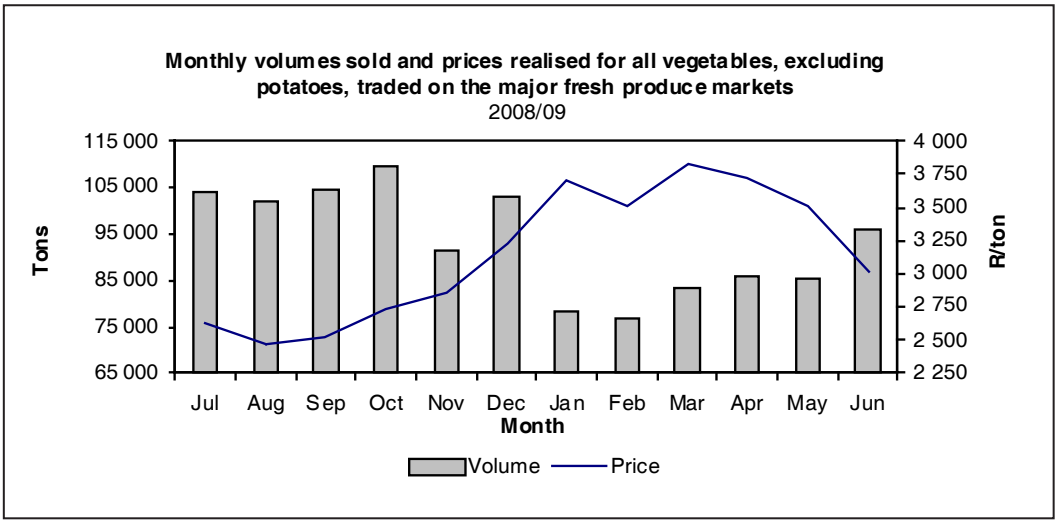
The value of carrots showed the largest increase of 20,7 % from 2007/08 to 2008/09, followed by tomatoes with 20,2 % and cabbages with 18,7 %. The value of onions decreased by 5,8 %.

Prices

The average prices of vegetables realised on the fresh produce markets for the period 2004/05 to 2008/09 were as follows:

Year	2004/05	2005/06	2006/07	2007/08	2008/09
	R/ton				
Tomatoes	2 267,02	2 844,88	2 828,45	3 603,06	4 270,28
Onions	1 221,39	1 345,50	1 927,41	2 941,64	2 496,07
Green mealies	5 196,06	5 678,27	6 772,37	7 193,85	8 161,13
Cabbages	642,61	716,33	960,96	1 217,78	1 535,27
Pumpkins	876,17	865,79	1 099,52	1 265,54	1 454,68
Carrots	1 404,02	1 460,35	1 945,23	2 263,97	2 499,28
Other	2 046,90	2 344,00	2 821,91	3 086,91	3 573,66

Of the major vegetable types, the price of cabbages showed the largest increase of 26,1 % from 2007/08 to 2008/09, followed by tomatoes with 18,5 % and pumpkins and green mealies with 14,9 and 13,4 %, respectively. The price of onions decreased by 15,1 %.



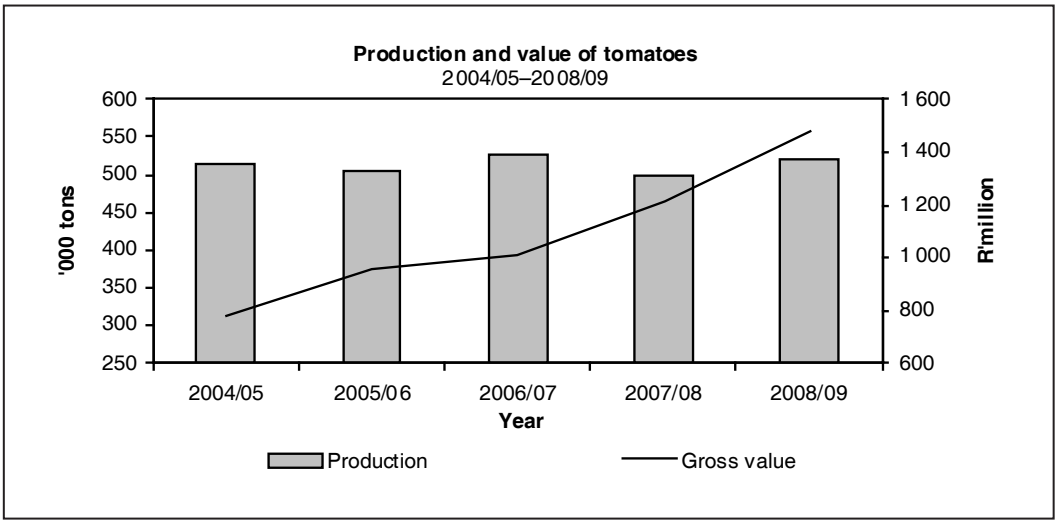
Consumption

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 42,50 kg during 2008/09, approximately 6,3 % lower than the 45,35 kg of 2007/08.

Tomatoes

Production

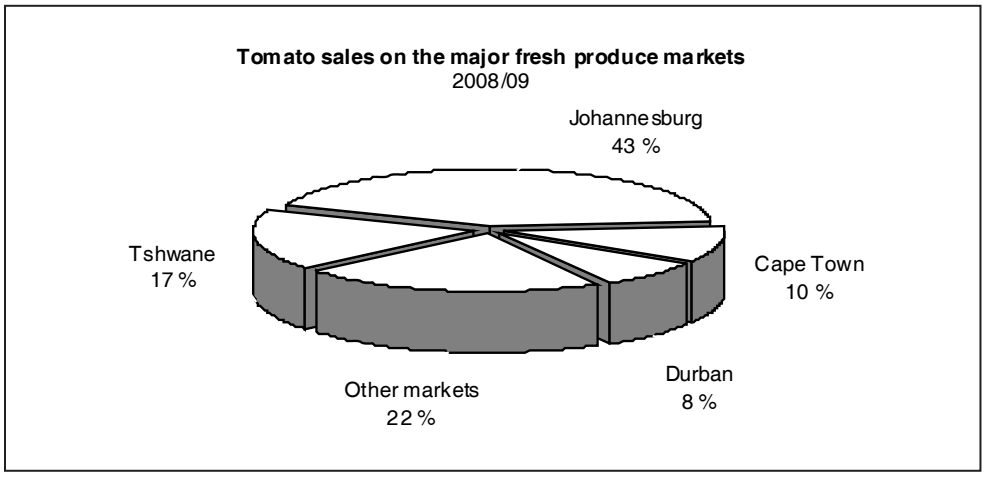
Approximately 519 812 tons of tomatoes were produced during 2008/09, which is an increase of 4,0 % compared to the previous season.



Sales

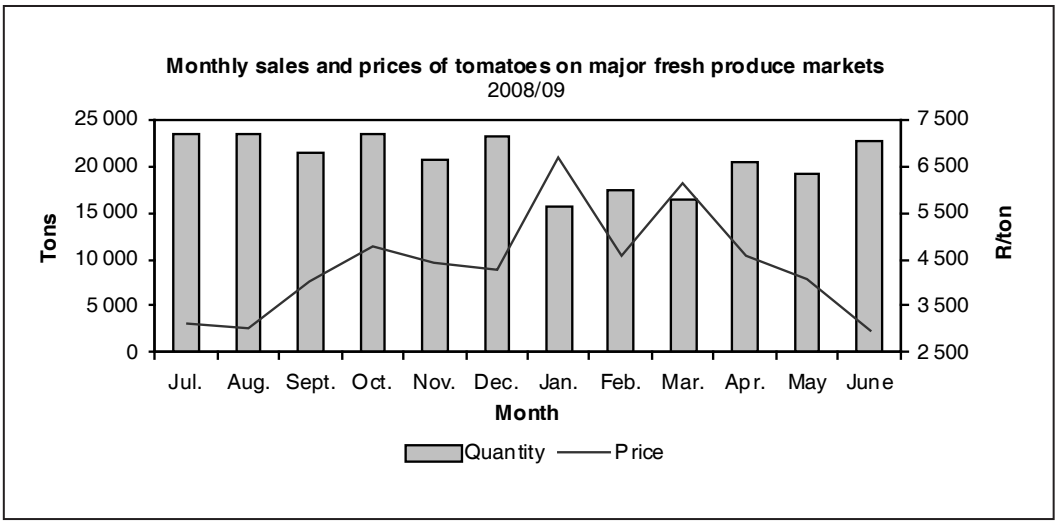
Sales on fresh produce markets and direct sales constitute approximately 48 % of the total volume of tomato sales. Tomatoes are mainly produced for the local market, with limited exports to the Seychelles, Zimbabwe and Mozambique. Owing to the geographic distribution and production of tomatoes, a sufficient volume of good-quality tomatoes is normally being produced almost throughout the year to meet the daily demand.

The quantity of tomatoes sold on the major fresh produce markets increased by 1,4 % from 244 248 tons during 2007/08 to 247 633 tons during 2008/09.



Prices

The average price of tomatoes sold on the major fresh produce markets increased sharply by 18,5 %, from R3 603 per ton during 2007/08 to R4 270 per ton in 2008/09. The increase was mainly the result of higher volumes, especially of good-quality tomatoes, supplied for sale on the markets. Prices of tomatoes also increased significantly owing to high production cost. Tomatoes are subject to large seasonal price fluctuations, which means that there is a high price risk involved.



Exports

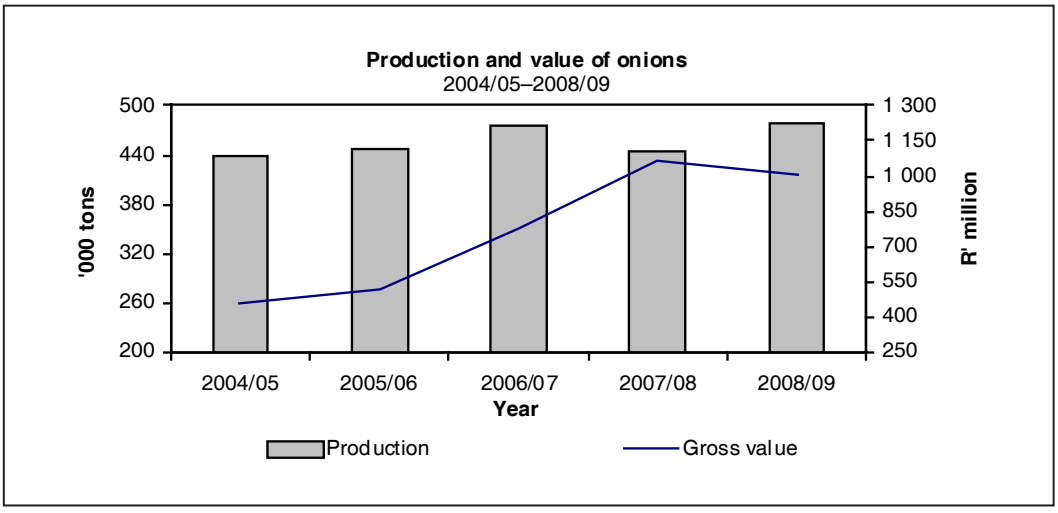
The quantity of tomatoes exported increased by 15,7 %, from 7 054 tons in 2007/08 to 8 165 tons in 2008/09. Approximately 95,9 % of total tomato exports during 2008/09 were to Mozambique, Angola, the Seychelles, Zambia and Zimbabwe.

Onions

Production

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

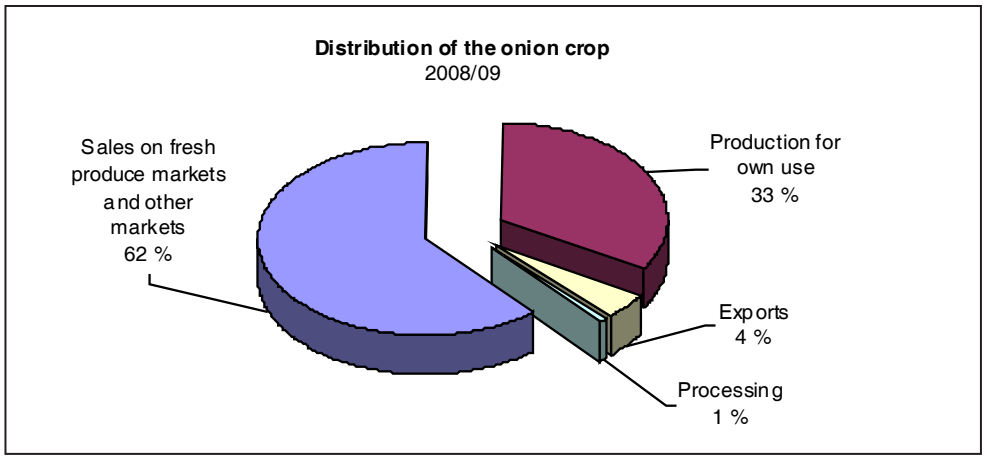
Approximately 477 856 tons of onions were produced during the 2008/09 season (July to June). This is 7,4 % higher than the production of 445 011 tons during the previous season. The industry experienced an average annual increase of 2,3 % in production from 2004/05 to 2008/09.



Sales

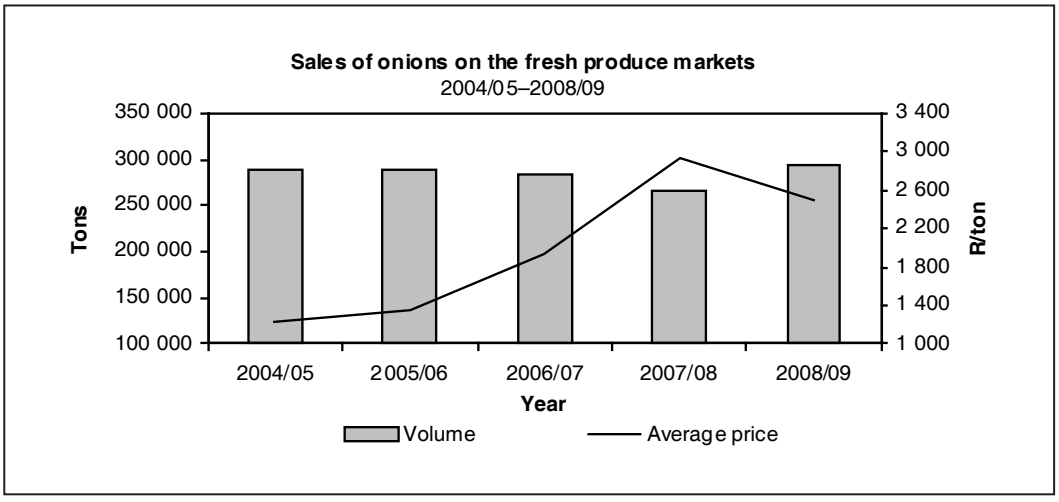
The fresh produce markets remain an important marketing channel for onions. Approximately 61 % of the total production during the 2008/09 season was sold on the major fresh produce markets, compared to 59 % the previous season, while 4 % was exported. The remainder comprises own consumption and direct sales to supermarkets and chain stores, as well as sales to processing factories.

During the period 2004/05 to 2008/09, the sales of onions on the fresh produce markets increased by an annual average rate of 0,7 %, from 289 133 to 293 708 tons. The quantities sold on fresh produce markets decreased by 10,7 %, from 264 679 tons in 2007/08 to 293 708 tons in 2008/09.



Prices

The average price of onions sold on the fresh produce markets decreased by 15,2 %, from R2 942 per ton in 2007/08 to R2 497 per ton in 2008/09. This was mainly the result of lower volumes offered for sale on the markets.



Processing

Only 1,0 % of the total production of onions was taken in for processing during the 2008/09 season. There has been a steady decrease in the total processing of onions since the 2004/05 season, when 4 612 tons were taken in for processing, to 4 331 tons in the 2008/09 season. During 2008/09, about 35,9 % of processed onions was dehydrated, 55,8 % was canned, and the remaining 8,3 % was frozen.

Exports

During the 2008/09 season, the volume of onions exported represented approximately 4,4 % of the total onion crop. The volume of exports decreased by 33,8 %, from 32 039 tons in 2007/08 to 21 215 tons during 2008/09.

Potatoes

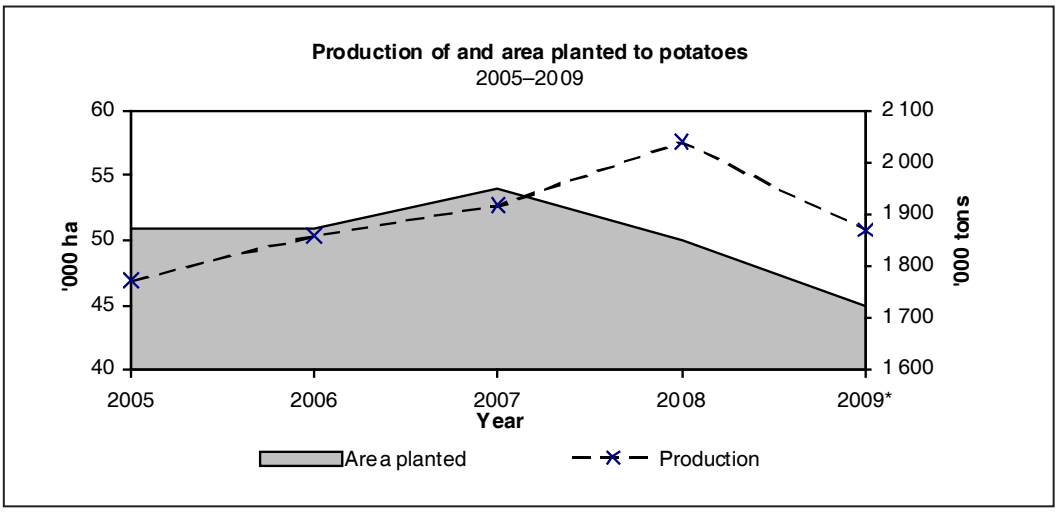
There are 16 distinct potato-production regions in South Africa, which are spread throughout the country. The main regions are situated in the Free State, Western Cape, Limpopo and Mpumalanga provinces. Potatoes are planted at different times because of climate differences in the production areas, resulting in fresh potatoes being available throughout the year. In the early 1990s there was a major shift in production from dryland to irrigation and currently almost 80 % of plantings are under irrigation.

Area planted

Plantings for 2009 are estimated at around 44 900 ha, which is 10,9 % lower than the previous year.

Production

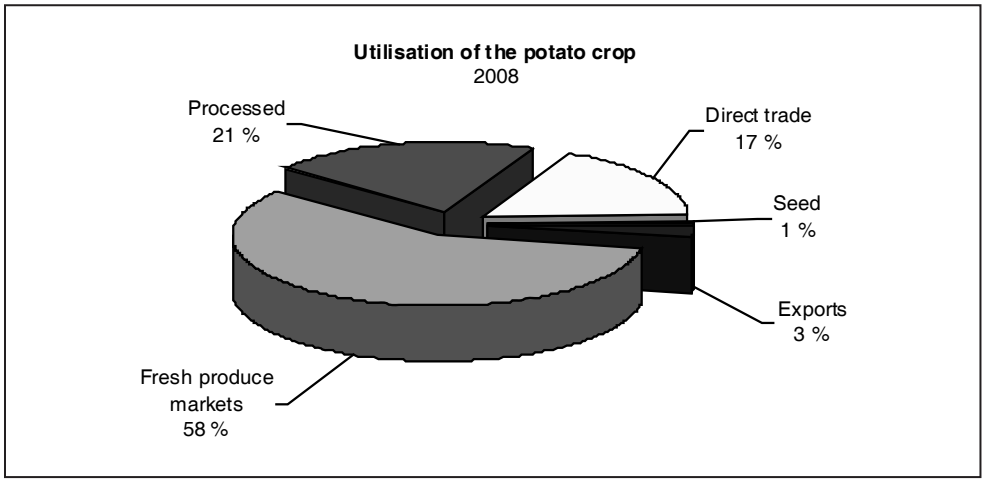
Potatoes constituted approximately 45 % of the total gross value of vegetables produced during 2008. In 2008, the average yield was approximately 4 047 x 10-kg pockets per hectare, compared to 3 553 x 10-kg pockets per hectare in 2007, which is an increase of 2,2 %. A total crop of about 187 million x 10-kg bags is expected for 2009.



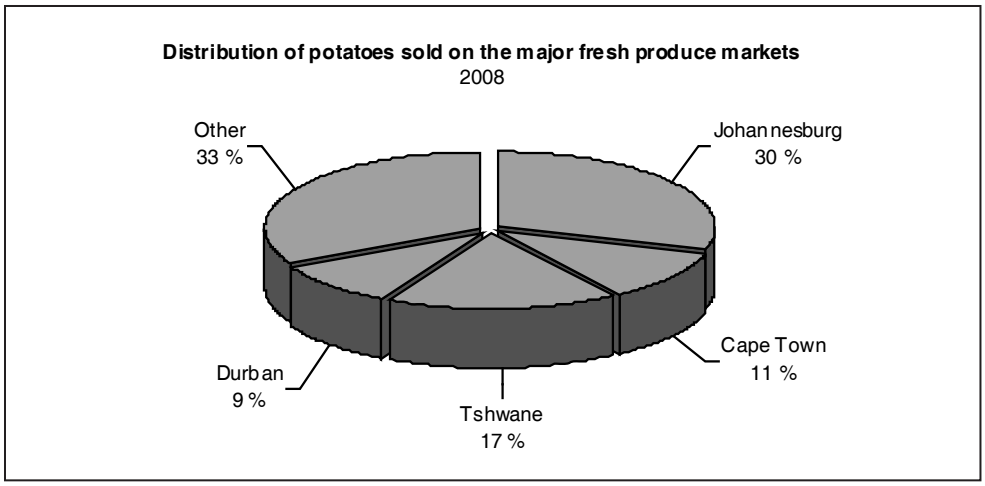
* Forecast

Sales

The major fresh produce markets remain an important channel for the sale of potatoes.



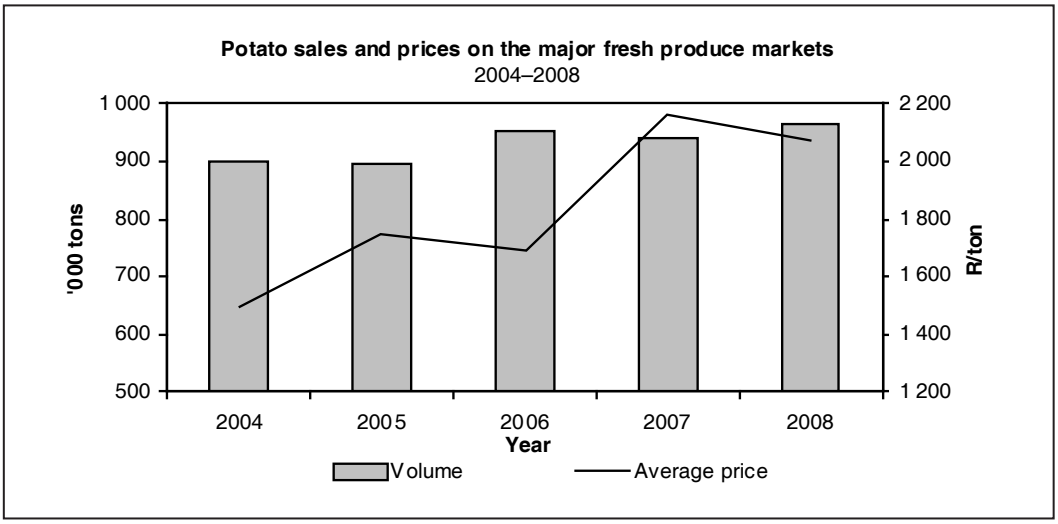
During 2008, approximately 100 million x 10-kg pockets of potatoes were sold on the major fresh produce markets, as against 95 million in 2007—an increase of 6,4 %. The Johannesburg fresh produce market remains the biggest outlet, followed by the Tshwane, Cape Town and Durban markets. During the 5 years from 2004 to 2008, potato sales on the major fresh produce markets on average showed an increase of approximately 4,7 % per annum.



Prices

Between 2004 and 2008, potato prices realised on the major fresh produce markets increased significantly by an average of 8,0 % per annum, from R1 499 per ton in 2004 to R2 076 per ton in 2008.

The average price dropped by 4,1 %, from R2 165 per ton in 2007 to R2 076 per ton in 2008. This decrease was mainly caused by higher volumes being supplied at the fresh produce markets.



Processing

During 2008, approximately 18 % of the total potato production was taken in for processing. About 55 % of these potatoes was processed into potato chips, both fresh and frozen, while 43 % was used for crisps. The remaining 2,0 % was used for canning, mixed vegetables and other purposes. The processing of potatoes showed an increase of 6,4 % between 2007 and 2008.

Exports

More than 30 000 tons, approximately 2,3 % of the total local potato production, was exported during 2008. The quantities of potatoes exported decreased by 28,5 % compared to 2007, while the rand value decreased by approximately 13,5 %. During 2008, 97 % of total potato exports went to Eastern, Southern and Western Africa. Exports showed an average annual decrease of 5,0 % from 2004 to 2008.

Consumption

The total gross human consumption of potatoes increased by 1,2 % to 1,61 million tons during 2008, while the *per capita* consumption decreased slightly by 0,4 % to about 34 kg.

Year	2004	2005	2006	2007	2008
Total production ('000 tons)	1 800	1 768	1 857	1 917	2 040
Gross human consumption ('000 tons)	1 521	1 499	1 577	1 608	1 628
Per capita consumption (kg p.a.)	32,66	31,98	33,27	33,59	33,45

Prospects

Currently, the import of potatoes (mostly fresh fries) is higher because of an increase in demand in South Africa. The intake of potatoes by processing factories will increase by an average of 10 to 12 % next year. To meet the consumer demand in 2010, Potatoes South Africa is in the process of expanding its local production factories. This will also lower the quantities imported.

ANIMAL PRODUCTION

Livestock numbers

Approximately 80 % of the agricultural land in South Africa is suitable mainly for extensive livestock farming. However, livestock are also found in areas where the animals are kept in combination with other farming enterprises.

In South Africa, the area involved in cattle, sheep and goat farming is approximately 590 000 km2. 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 also occur in other areas such as the Kgalagadi, 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

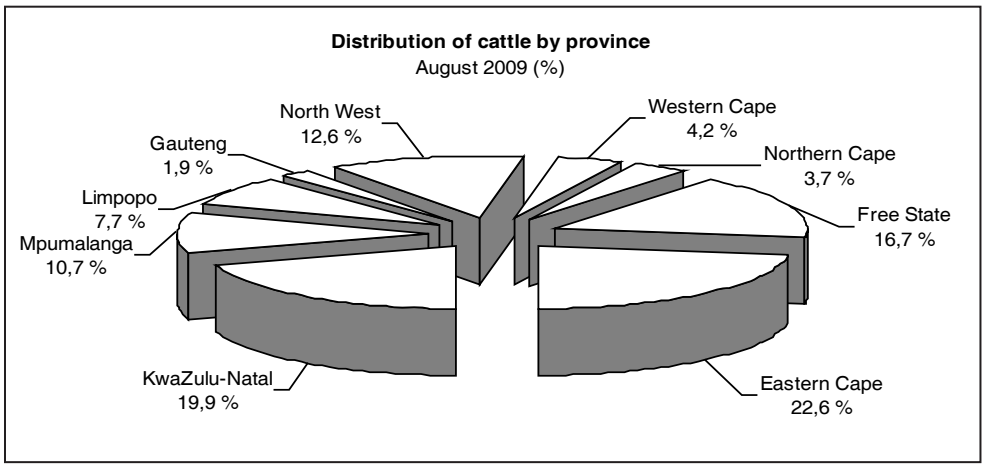
Cattle are found throughout the country, however, mainly in the Eastern Cape, KwaZulu-Natal, the Free State and the North West provinces. Herd sizes vary according to type of farming. In the case of dairy cattle, it varies between less than 50 and 300 (average approximately 110). Beef cattle farms range from fairly small (less than 20 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 2009 is estimated at 13,81 million, comprising various international dairy and beef cattle breeds, as well as indigenous breeds such as the Afrikaner and the Nguni. The number is approximately 0,4 % lower than the estimate of 13,87 million as at the end of August 2008. Beef cattle contribute approximately 80 % of the total number of cattle in the country, while dairy cattle make up the remaining 20 %.

Cattle numbers per province since 2005 were estimated to be as follows:

Province	2005	2006	2007	2008	2009
	'000 head (August)				
Western Cape	492	529	566	576	574
Northern Cape	473	485	492	511	510
Free State	2 297	2 237	2 306	2 312	2 302
Eastern Cape	3 082	3 045	3 136	3 140	3 128
KwaZulu-Natal	2 813	2 766	2 901	2 763	2 753

Province	2005	2006	2007	2008	2009
	'000 head (August)				
Mpumalanga	1 359	1 402	1 497	1 491	1 485
Limpopo	1 192	1 031	1 025	1 071	1 067
Gauteng	281	274	257	258	257
North West	1 800	1 763	1 731	1 744	1 737
Total	13 789	13 532	13 911	13 866	13 813

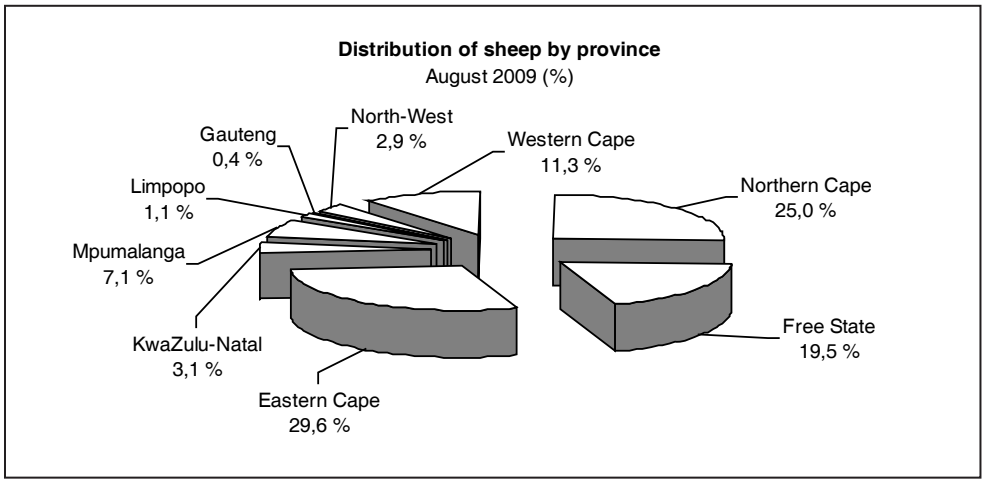


There are various breeders' organisations representing most international and indigenous cattle breeds. Most of the organisations are affiliated to the South African Studbook and Animal Improvement Association. The Milk Producers' Organisation (MPO) is the most prominent producer organisation in the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

Sheep

Although sheep farms are found in all provinces, these are concentrated in the more arid parts of the country. The total number of sheep in South Africa at the end of August 2009 is estimated at 24,83 million—1,0 % lower than the estimated 25,08 million as at the end of August 2008. For August 2009, the largest numbers of sheep were estimated to be in the Eastern Cape (29,6 %), Northern Cape (25,0 %), Free State (19,5 %) and Western Cape (11,0 %) provinces.

Flock sizes vary between less than 50 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.

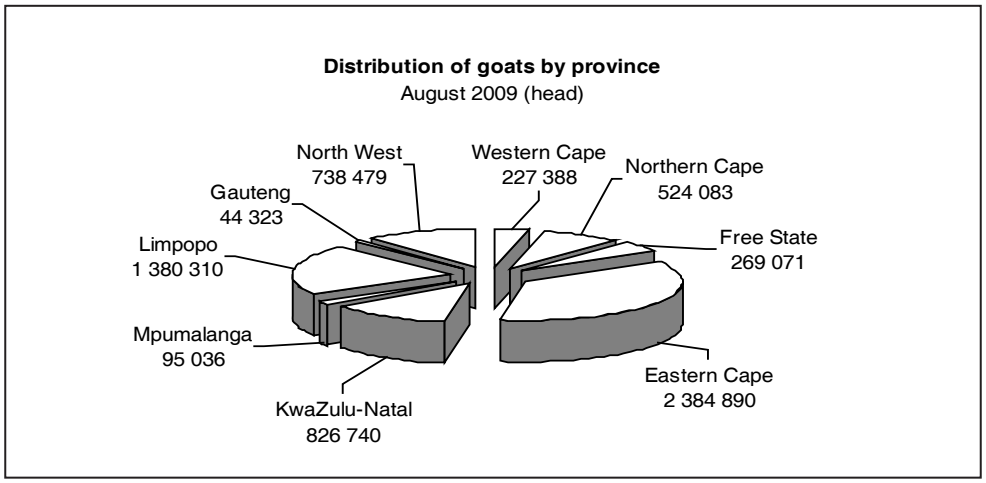
The number of sheep in the various provinces since 2005 was estimated to be as follows:

Province	2005	2006	2007	2008	2009
	'000 head (August)				
Western Cape	2 736	2 760	2 817	2 831	2 801
Northern Cape	6 403	6 422	6 244	6 279	6 213
Free State	5 176	4 998	4 900	4 895	4 844
Eastern Cape	7 616	7 330	7 488	7 422	7 344
KwaZulu-Natal	780	805	787	785	777
Mpumalanga	1 724	1 672	1 793	1 787	1 768
Limpopo	212	243	244	272	269
Gauteng	92	94	94	103	102
North West	595	659	715	720	712
Total	25 334	24 983	25 082	25 094	24 830

Goats

Goats are found mainly in the Eastern Cape, Limpopo, KwaZulu-Natal and North West provinces. Estimates indicate that there was a decrease of 0,6 % in the number of goats, from 6,529 million in August 2008 to 6,490 million in August 2009.

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.

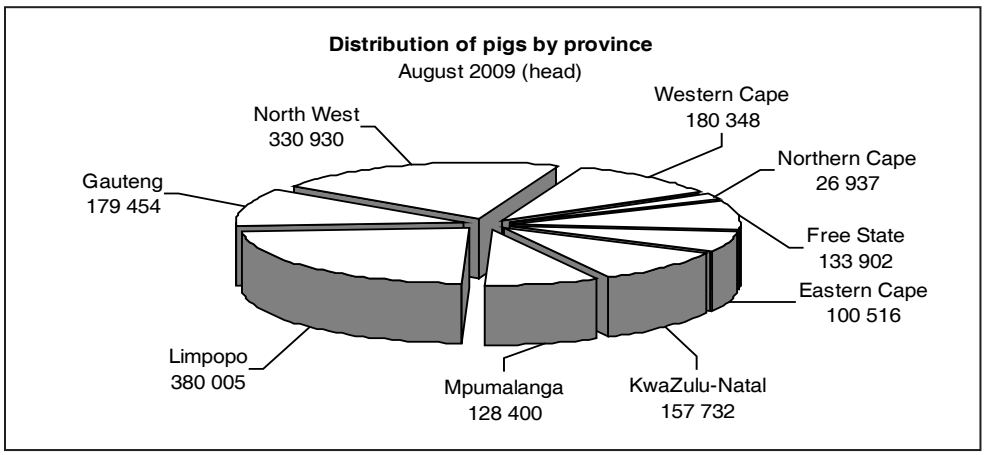


Pigs

Pigs are found predominantly in the Limpopo, North West and Western Cape provinces. There are approximately 400 commercial pork producers and 19 stud breeders in South Africa. It is estimated that pig numbers increased by 0,2 %, from 1,614 million in August 2008 to 1,618 million in August 2009.

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 formal pork production industry in South Africa is estimated to be approximately 10 000, comprising about 4 000 farmworkers and 6 000 workers in the processing and abattoir sectors.



Red meat

The red meat industry is one of the most important and growing industries in the agricultural sector and contributed approximately 15,5 % to the gross value of agricultural production in the RSA during 2008/09. While sheep farming is mainly extensive, a large percentage of beef animals are supplied by feedlots.

Slaughterings

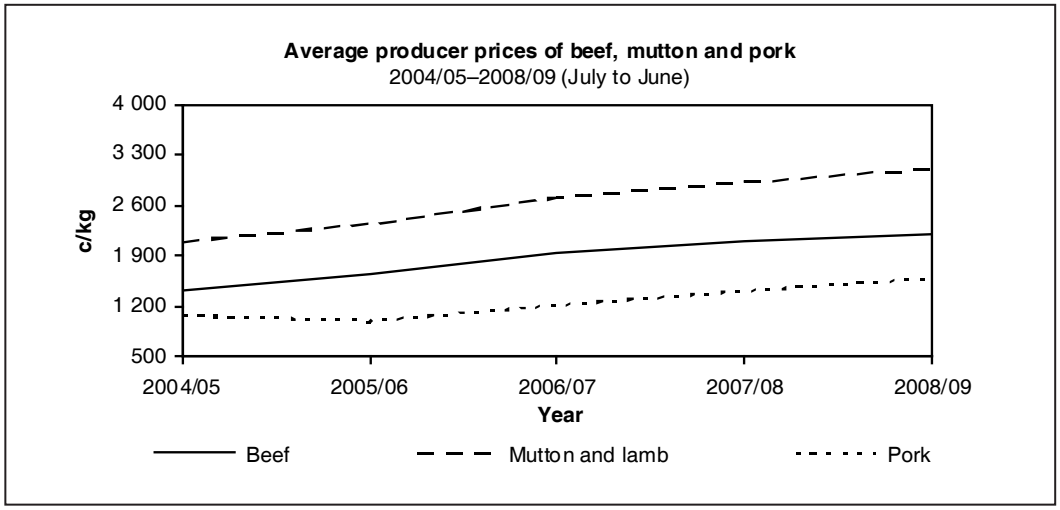
It is estimated that the total number of cattle and pigs slaughtered increased by 3,5 and 0,8 %, respectively, while the number of sheep (including lambs) slaughtered, decreased by 26,3 % from 2007/08 to 2008/09.

Commercial slaughterings of red-meat-producing livestock types over the past 5 years were as follows:

Year	2004/05	2005/06	2006/07	2007/08	2008/09
Cattle	1 981 505	2 266 932	2 314 566	2 140 250	2 214 395
Sheep and lambs	4 116 640	4 195 070	4 608 815	4 654 843	3 431 668
Pigs	1 981 097	2 115 234	2 321 114	2 249 841	2 266 841

Auction prices

The prices for red meat are mainly the result of the interaction between demand and supply, which are affected by the level of the consumers' disposable income, the prices of substitute products and import parity prices, etc. 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 2008/09 amounted to R22,15/kg (average for all classes on all auction markets), which represented a 6,1 % increase compared to the average price of R20,88/kg for 2007/08.

In view of the ever-strong influence of international trade on the local mutton industry, both the cyclical and seasonal price patterns for mutton were influenced by imports. The average producer price for mutton and lamb increased by 6,5 % to R31,06/kg during 2008/09, compared to R29,17/kg for 2007/08. The average producer price for pork increased by 30,6 %, from R14,15/kg in 2007/08 to R15,85/kg in 2008/09.

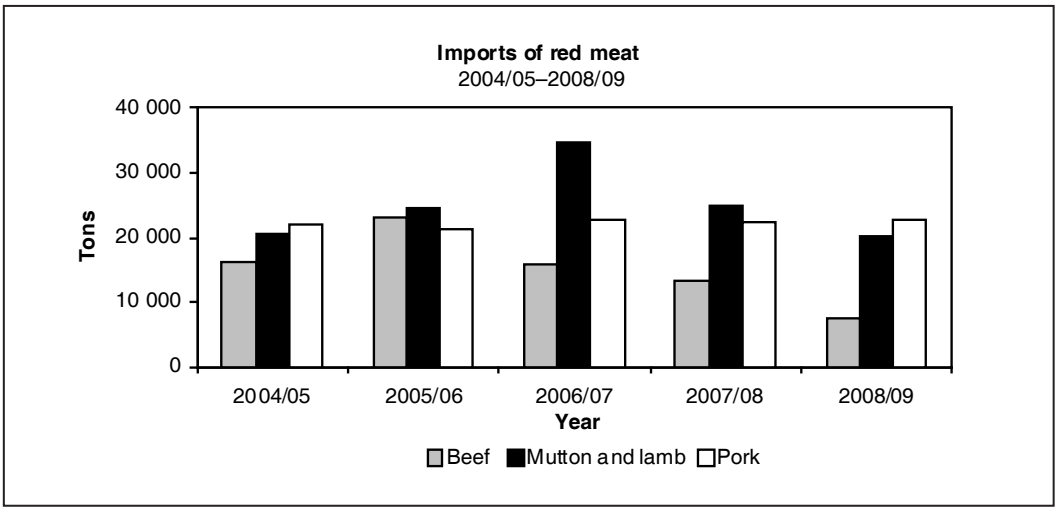
Imports

Imports of red meat decreased by 17,3 %, from 60 585 tons in 2007/08 to 50 123 tons in 2008/09 (19,6 % lower than the average of approximately 62 376 tons for the 5 years up to 2008/09).

Beef imports amounted to 7 338 tons, a decrease of 45,4 % from the 13 446 tons imported during 2007/08 and 58,0 % lower than the 5-year average of 17 468 tons.

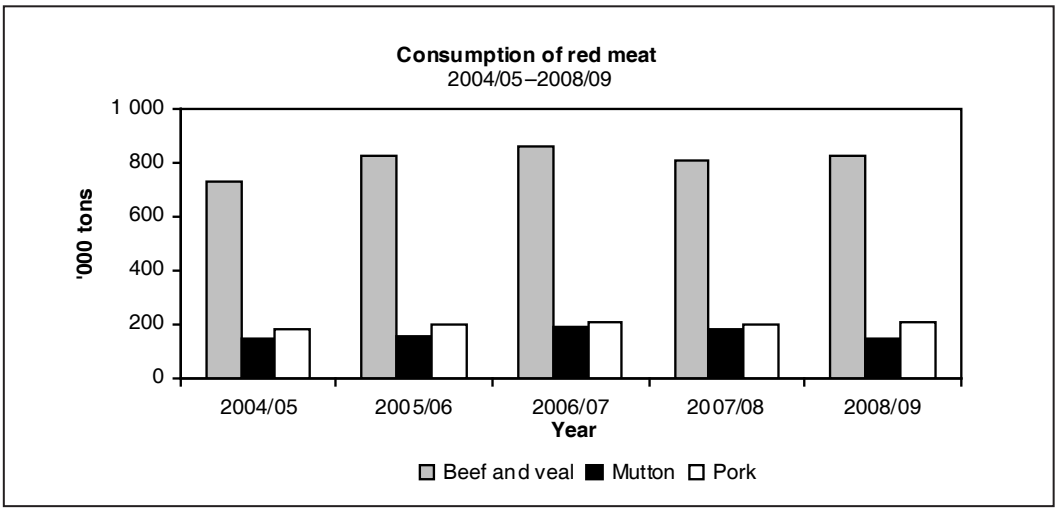
Imports of pork were 22 661 tons, was an increase of 1,5 % on the 22 325 tons imported during 2007/08 and 2,0 % more than the 5-year average of 22 208 tons.

Imports of mutton amounted to 20 124 tons—a decrease of 18,9 % from the 24 814 tons imported the previous season and 19,3 % lower than the average of 24 952 tons for the 5 years up to 2008/09.



Consumption

Consumption of beef and veal increased by 1,9 %, from 810 808 tons in 2007/08 to 826 161 tons in 2008/09, that of mutton decreased by 18,3 %, from 183 815 tons to 150 147 tons, and that of pork increased slightly by 1,5 %, from 202 794 tons to 205 744 tons.



Poultry

The poultry industry consists of three distinct, separate branches, namely the day-old chick supply industry, the broiler industry and the egg industry. The Southern African Poultry Association (SAPA) represents both commercial and developing poultry farmers within these branches.

This article focuses on the latter two, as the chick supply industry delivers an input to them.

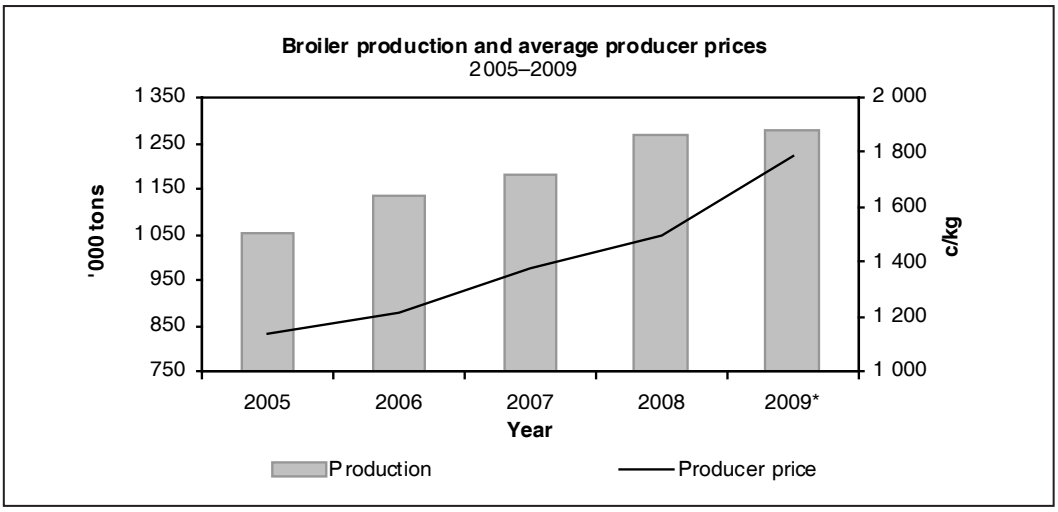
Broiler industry

The broiler industry continues to dominate the agricultural sector in South Africa as the main supplier of animal protein. About 13 large producers supply more than 70 % of the total broiler production in South Africa, while many small production units and the informal sector are responsible for the remaining 30 %.

According to SAPA, the provincial distribution of broilers in South Africa was as follows in 2008: 25 % were in the North West Province, 21 % in the Western Cape Province, followed by Mpumalanga with 18 %, KwaZulu-Natal with 15 %, the Eastern Cape with 7 % and Gauteng and the Free-State with 6 % each. The Limpopo and Northern Cape provinces account for the remaining 2 %.

Production

The number of broilers slaughtered for commercial markets during 2008 is an estimated 924 million units. This is 6,8 % more than the estimated 865 million units slaughtered during 2007. It is expected that approximately 931 million units will be slaughtered during 2009. The producer value of broilers slaughtered, including offal, during 2009 is expected to be around R18 200 million.



* Projected production

Prices received by producers

The average weighted price received by producers of broilers increased by 16,4 %, from R14,95/kg in 2008 to R17,88/kg in the first half of 2009.

Producer prices of broilers from 2003 to 2007 were as follows:

Year	2004	2005	2006	2007	2008
	c/kg				
Price of broilers	1 138	1 218	1 379	1 495	1 788

* Preliminary: January-June 2009

Consumption

During 2008, an estimated 14,9 % of local consumption of poultry consisted of broiler imports.

The consumption of poultry meat from 2004 to 2008 accounted for approximately 55 % of total consumption of meat (beef, mutton, goat, pork and poultry meat) in South Africa.

Per capita consumption of commercially produced chicken meat from 2004 to 2008 was as follows:

Year	2004	2005	2006	2007	2008
	kg/year				
Per capita consumption	23,6	25,6	28,5	29,6	30,5

Imports

In 2008, poultry meat imports decreased to 221 661 tons—a drop of 20 % from the 278 216 tons imported in 2007. The imports of broiler meat from January to June 2009 was 115 990 tons—an increase of 2 % compared with the same period in 2008. During 2008, about 71 % of South African poultry imports originated from Brazil and 13 % from Argentina.

Prospects

Feed costs have always been a significant issue in the poultry industry, especially during the past 2 years. Dramatic feed price increases were the result of rising prices of maize and soya, the main raw materials in broiler feed. The impact of producing ethanol from maize and biodiesel from soya-beans has the potential to maintain upward pressure on the price of animal feeds.

Profit margins are getting smaller as feed costs continue to increase. The average reported broiler feed price for 2008 was R3 502 per ton, an increase of 32 % as against the average price for 2007.

The broiler industry is also experiencing pressure because of the economic downturn. High imports remain a threat in the event of a weakening in local demand.

Egg industry

Production and prices

Based on a census of members of SAPA during 2008, the distribution of layers per province was as follows: 23 % in Gauteng, 19 % in the Western Cape, 16 % in KwaZulu-Natal, 14 % in the Free State, 9 % in North West and 6 % in Mpumalanga.

The number of layers increased from an average of 22,7 million in 2007 to 23,1 million in 2008. This represents an increase of 1,2 %. The average size of the national flock during 2009 is expected to be around 21,7 million layers.

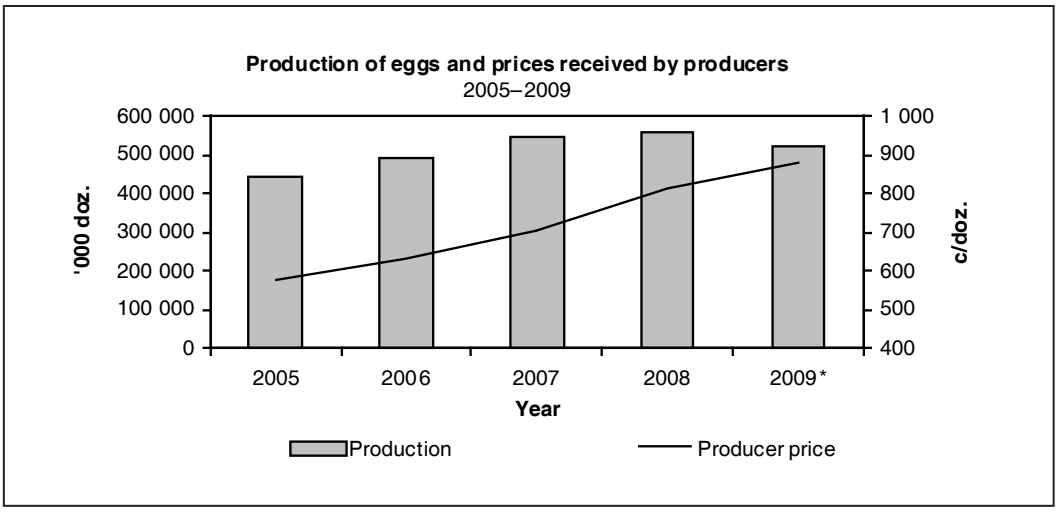
The average producer price of eggs increased by 14,8 % from 2007 to 2008. The average price for the first half of 2009 is 882 c/kg—a rise of 8,5 % on the price for the first half of 2008.

The average producer prices of eggs from 2005 to 2009 are as follows:

Year	2005	2006	2007	2008	2009*
	c/doz.				
Price of eggs	581	632	708	813	882

* Preliminary: January-June 2009

The production of eggs increased by 1 % in 2008, to 558 million dozen eggs. It is expected that 525 million dozen eggs will be produced in 2009.



* Projected production

Consumption

The *per capita* consumption for 2008 was 137 eggs per person per annum, an increase of only 0,3 % compared to 2007. Considerable scope, however, exists for the *per capita* consumption to increase, particularly in view of the competitive price of eggs as a protein source compared to other animal proteins.

Prospects

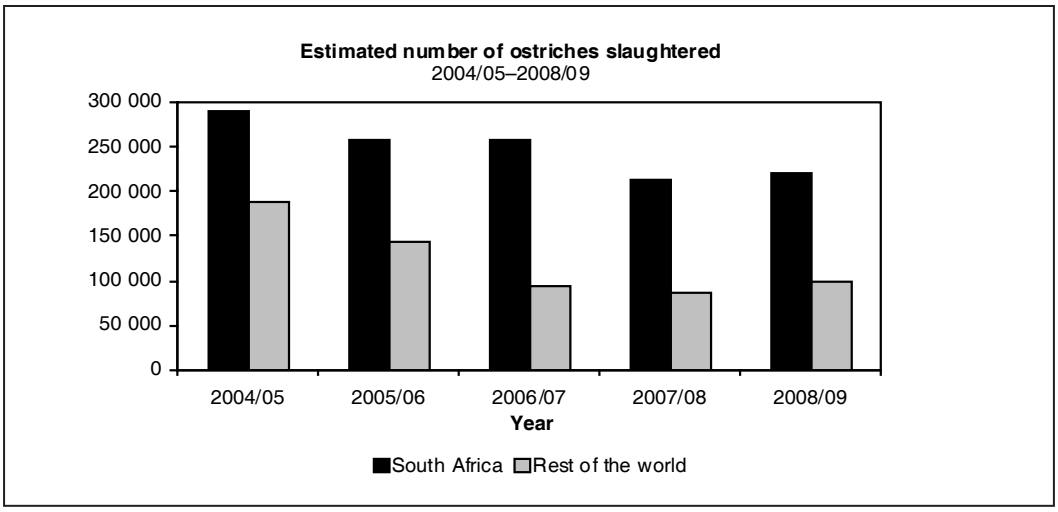
The biggest challenge for the industry will be to continue to produce a competitive product in an environment of increasing costs. The responsible application of biosecurity measures will be important in preventing the occurrence of avian influenza or containing the spread thereof in the event of an occurrence.

Ostriches

Commercial ostrich farming in the country started in 1864 with large-scale exports of feathers to Europe. The industry flourished during what was referred to as the second ostrich feather boom between 1900 and 1914. At this stage, ostriches were only farmed for their feathers and a hand full of feathers was enough to buy a farm. Soon afterwards, the industry virtually collapsed as a result of changes in world fashion trends; the introduction of the motor car as a means of transport, as ladies could not fit into the cars whilst wearing their hats with long ostrich feathers; and the First World War. 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 health aspects such as almost no fat and cholesterol, and the meat being rich in protein and iron. The greater focus on a healthy lifestyle leads to a growing demand for ostrich meat worldwide and South Africa is the main supplier.

Since the deregulation of the marketing of agricultural products in South Africa during the 1990s, farming with ostriches has spread from the Little Karoo region to other parts of the country, as well as to several other countries. However, the industries in most other countries did not last longer than 10 years and South Africa regained its position as world market leader with a more than 70 % world market share.

Today, all major stakeholders in the industry are affiliated to either the National Ostrich Processors of South Africa (NOPSA) or the South African Ostrich Producers' Organisation (SAOPO). Both these organisations are key members of the South African Ostrich Business Chamber (SAOBC). The objective of the SAOBC is to facilitate the sustainability and profitability of the ostrich industry in South Africa. The implementation of various strategic initiatives in the industry was hampered by the outbreak of avian influenza (H5N2, non-lethal strain) on two farms in the Eastern Cape Province in August 2004; however, because of concerted efforts of all parties, the industry recovered, regained market share, identified new markets and opportunities and initiated research regarding animal diseases such as avian influenza. The objective with these efforts is to provide assurances to trading partners regarding food safety.



The number of birds slaughtered worldwide is estimated at approximately 320 000 for 2008/09, 222 000 (69 %) of which were slaughtered in South Africa.

In Europe, the demand for ostrich meat remained good, while local consumers showed increased interest in the product.

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

The average prices that producers received during 2008/09 were R35/kg for ostrich meat and R100 for feathers per bird (depending on the quality).

Prospects

During the 2009/10 season, the number of ostriches slaughtered in South Africa is expected to remain at about 200 000, mainly as a result of the after-effects of avian influenza and the severe drought followed by floods in the main production areas during 2006. The worldwide economic crysis also affected the ostrich leather industry, as these are luxury goods. The SAOBC, being the representative body of the South African ostrich industry, accepted its role as partner with the Department of Agriculture, Forestry and Fisheries, as well as with the provincial departments of agriculture, in ensuring compliance with international export requirements. Generic promotional activities take place in collaboration with the Department of Trade and Industry to try and increase the ostrich industry's contribution of R2 billion per annum to the South African economy, as well as to safeguard more than 20 000 direct jobs in South Africa's rural areas.

Various Black Economic Empowerment projects have been launched since the recovery of the industry and these projects range from producers in rural areas supplying ostriches to EU-approved abattoirs via mentorships, training and financial assistance; to previously unemployed people sorting ostrich feathers, manufacturing ostrich leather goods and producing curios from ostrich egg shells; to employees being shareholders in some processing plants.

Milk

Production and consumption

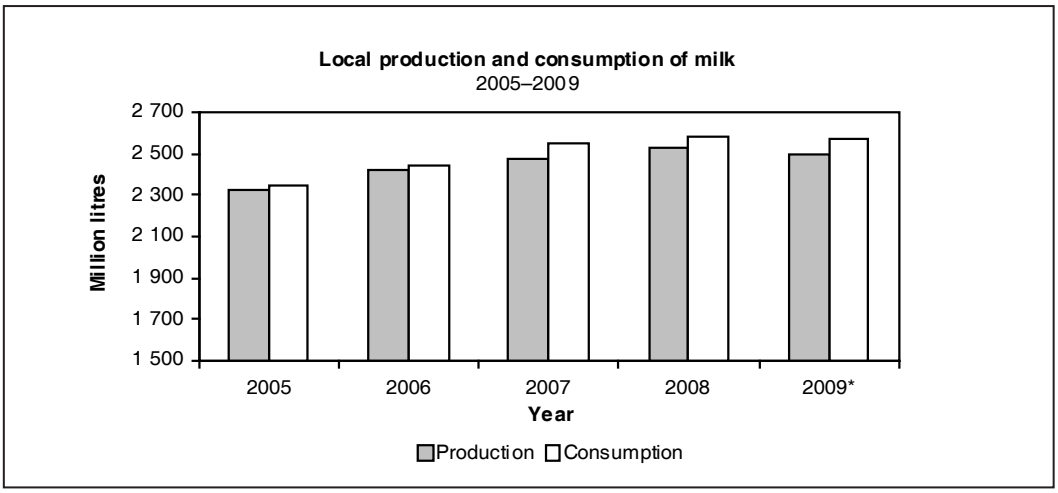
Milk is produced in nearly all regions of South Africa. However, the coastal areas are more suitable because of mild temperatures and good rainfall ensuring good-quality natural and artificial pastures. In 2008, the Western Cape Province contributed 27,2 % to total production, Eastern Cape 24,0 %, KwaZulu-Natal 21,4 %, Free State 14,0 %, Mpumalanga 4,6 %, North West 5,2 % and the remaining three provinces 3,6 %. According to the Milk Producers' Organisation, the estimated number of commercial milk producers in the country in July 2009 was 3 458, as against 3 637 in July 2008.

Milk production in South Africa makes a very small contribution to world milk production (approximately 0,5 %); however, in terms of the value of agricultural production, it is the fourth largest agricultural industry in the country. The gross value of milk produced during 2008, including milk for own consumption and on-farm usage, is estimated at R9 638 million.

Traditionally, milk production in South Africa was fairly in line with demand and severe shortages were seldom reported. Production during 2009 is expected to be approximately 2 499 million litres, which is 3,6 % less than the 2 593 million litres produced in 2008 and 3,1 % lower than the expected consumption of 2 577 million litres in 2009.

The decrease in producer prices resulted in lower producer margins and forced producers to cut back on production. Unfavourable weather, particularly in coastal areas, negatively affected natural pastures and the high price of roughage limited production.

The local commercial production and consumption figures of milk from 2005 to 2009 are depicted in the following graph.



* Projected

Imports

In 2008, the imports of milk and milk products amounted to 37 664 tons, which is a decrease of 17,7 % on the 45 811 tons imported during the previous year.

Prices

The average producer price of milk for the first half of 2009 is R2,98/l, which is 7,5 % lower than the R3,22/ℓ for the corresponding period the previous year. Prices were down because of lower demand during the autumn and winter of 2009.

Production season	2005	2006	2007	2008	2009*
	c/ℓ				
Average producer price	179	189	253	316	293

* Preliminary: January to June 2009

Prospects

Milk production will stay at relatively lower levels for the rest of 2009. Demand remains under pressure as a result of the economic slowdown. However, increased social grants and lower interest rates have already resulted in some improvement in demand.

World prices of dairy products have recovered slightly from the lower levels in 2008. Recovery is, however, sluggish, probably because of the impact of export subsidies in the EU and USA. When the global economy recovers, world prices will return to sustainable levels. In South Africa, producer prices will probably remain at current levels for the rest of the year.

Wool

Areas of production

Wool is produced throughout South Africa; however, 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 (13 565 093 kg), followed by the Free State (10 199 553 kg), Western Cape (8 285 615 kg), Northern Cape (5 269 111 kg) and Mpumalanga (2 572 180 kg).

Production

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.

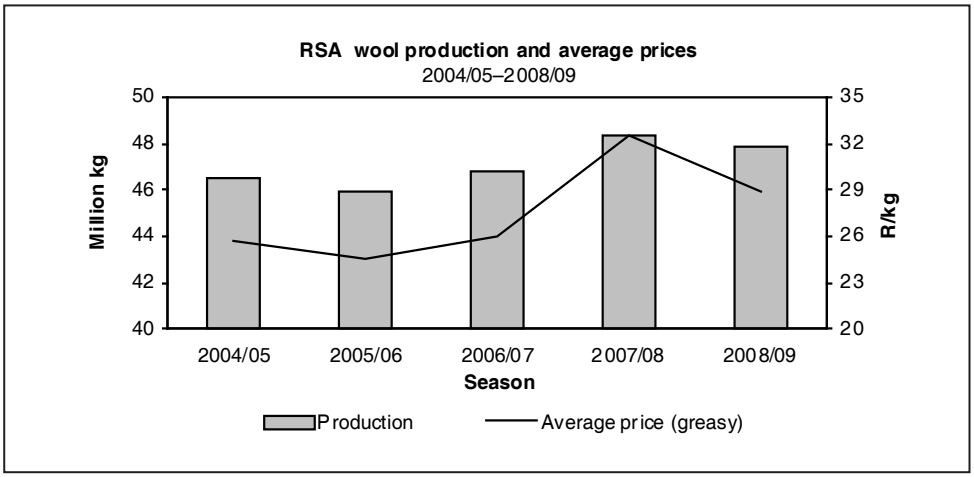
Australia remains the largest supplier of apparel wool to the world textile market, with a share of approximately 46 %. Trends in Australian production therefore direct global apparel wool production. Australian wool production is forecast by the Australian Wool Innovation Production Forecasting Committee to drop by 10 % to 330 million kg greasy wool (shorn and nonshorn) during the 2008/09 season and a further 8 % decline is expected for 2009/10.

World production of apparel wool has declined significantly since 2000. Production in 2008 is estimated at just above 600 million kg clean, compared to 735 million kg clean in 2000, a fall of almost one-fifth in 8 years.

Based on estimates from the main producing countries, world production of apparel wool is expected to drop by 10 % in 2009, and forecast to decline again in 2010 by around 5 %.

The main reason for this decline in the main producing countries is a major shift from wool production to other farming enterprises such as meat production. In some countries, poor seasonal conditions have also contributed.

In South Africa, production decreased by a marginal 1 % to 47,9 million kg in 2008/09, from 48,4 million kg in 2007/08, mainly because of drought conditions in some production areas.



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 specific day; exchange rate fluctuations; quantities offered for sale at auctions; the specific demand for different types of wool at various 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 been established in the South African wool industry yet.

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 the 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.

Cape Wools' 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 approximately 98 % of total production going to other countries in either greasy or semiprocessed form (scoureds and wool top). Main export destinations for the year under review were China, Italy, the Czech Republic, Germany, India, Bulgaria, the United Kingdom and Mauritius.

During 2008/09, the export destinations for South African wool were as follows:

Country	Volume		Value	
	'000 kg (clean)	% of total	R'000	% of total
China	14 299	52,6	622 665	46,8
Italy	3 476	12,8	218 765	16,4
Czech Republic	2 807	10,3	129 501	9,7
Germany	2 660	9,8	127 868	9,6
India	1 795	6,6	105 486	7,9
United Kingdom	743	2,7	41 642	3,1
Bulgaria	357	1,3	13 628	1,0
Mauritius	314	1,2	19 011	1,4
Korea	122	0,5	8 726	0,7
Others	119	0,4	8 715	0,7
	502	1,8	35 895	2,7
Total	27 194	100,0	1 331 902	100,0

Market movement

The 2008/09 wool season was relatively poor because of the global financial crisis, with the indicator for the year averaging out at R48,03/kg clean, some 21,9 % down on the average for the 2007/08 season. The season peaked at the first sale at R55,51/kg, dropping to a seasonal low at R42,55/kg. For a large part of the season the market indicator (in US$ terms) moved at levels 20-25 % below the August 2006 benchmark, reflecting the poor international demand for Merino wool. However, a sharp reversal in this trend was observed during the last quarter of the season, with the indicator moving sharply upward in US$ terms, reflecting industry concerns for international wool supply and possibly also the factoring in of improved demand expected during 2010.

The recorded gross value of sales for the season came to R1 154 million, compared to R1 536-million in 2007/08—a decrease of 24,9 %.

Prospects

Global economic conditions and exchange rates will, to a large extent, determine demand in the new season. There are positive signs for prices to improve, such as expectations of better global economic growth in 2009/10 and low supply of apparel (Merino) wool, following the significant decline in Australia's production.

Mohair

Production

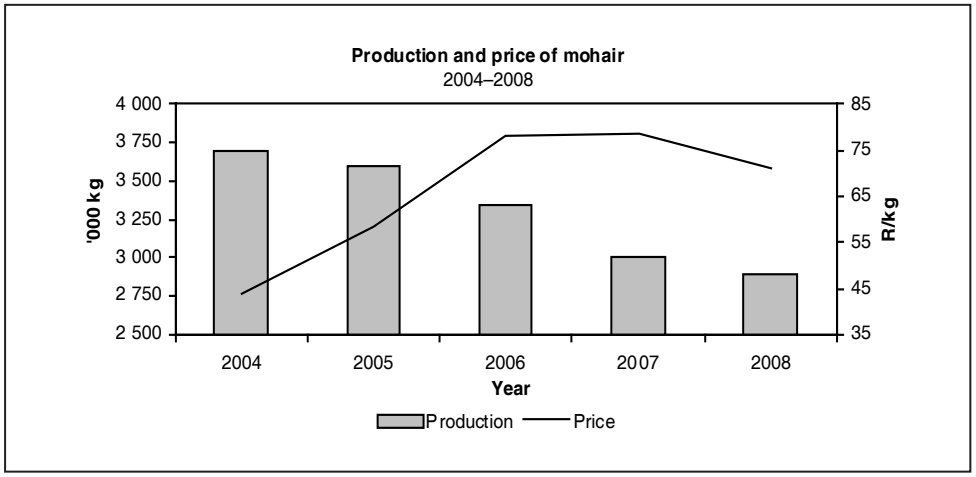
South Africa produces approximately 55 % of the world mohair clip. In realising the responsibility attached to being the most reliable source of mohair, Mohair South Africa was established to perform functions aimed at the advancement of the entire mohair industry. Through selective breeding and farming techniques, the Angora goat farmer plays a crucial role in enhancing the constant availability of quality natural fibres.

South Africa's mohair production figures show a downward trend, from 3,7 million kg in 2004 to 2,9 million kg in 2008. This decline in production is not unique to South Africa.

The continuing drought experienced in a large part of the local production area adversely affected the quantity and length of the hair offered.

Production of mohair by South Africa during the period 2004 to 2008 was as follows:

Year	2004	2005	2006	2007	2008
	Million kg				
Production	3,70	3,60	3,35	3,00	2,90



Prices

The average auction price of mohair decreased by 9,0 %, from R78,38/kg in 2007 to R71,33/kg in 2008. Despite the depressing economic climate, the mohair market remained relatively stable while other commodities experienced downward pressure.

Average auction prices of mohair for the period 2004 to 2008 were as follows:

Year	2004	2005	2006	2007	2008
	R/kg				
Price	43,75	58,47	78,08	78,38	71,33

Imports and exports

Most of the world mohair production is imported to South Africa for further processing, after which it is exported together with locally (including Lesotho) produced mohair.

Mohair exports increased by approximately 25 %, from an estimated 3,47 million kg in 2007 to 4,43 million kg in 2008.

Year	2004	2005	2006	2007	2008
	Million kg				
Imports Exports	1,7 5,1	1,6 5,0	1,3 3,8	0,8 3,4	1,1 4,4

Prospects

The prospects for mohair for the remainder of 2009 remain positive, despite the economic uncertainty. The demand for kid mohair is expected to remain depressed to some extent; however, young goats' hair is staging a positive recovery. The demand for adult mohair of good length is expected to remain steady. Length remains a challenge, owing to the effect of the drought on hair growth.

Notes