



DEPARTMENT: AGRICULTURE
REPUBLIC OF SOUTH AFRICA

Quarterly Agricultural Economic Review and Forecast July to September 2005

Volume 3 • Number 3

October 2005

CONTENTS

Preface	3
1. World economy	4
2. Sub-Saharan economy	4
3. South African economy	5
4. Macro economic variables and their impact on agriculture	6
4.1 Inflation	6
4.2 Growth	7
4.3 Exchange rates	7
4.4 Interest rates	8
5. Other factors impacting on and related to agriculture	8
5.1 Agri-market indicators	8
5.2 Climatic conditions	9
5.3 Livestock numbers.....	9
5.4 Crop production and estimates	10
5.5 A short overview of horticultural crops	12
6. Main external sources consulted	13
7. Acknowledgement of internal (DoA) contributors	13

Compiled by Economic Research Unit
In consultation with Senior Manager

Directorate Production and Resource Economics
2nd Floor – Maize Board
503 Belvedere Street, Arcadia, South Africa

All correspondence can be addressed to:
The Senior Manager: Production and Resource Economics
Private Bag X416, Pretoria 0001, South Africa

Tel: +27 (12) 319 8457
Fax: +27 (12) 319 8093
e-mail: secsmea@nda.agric.za

Layout done by Directorate Agricultural Information Services
Private Bag X144, Pretoria 0001, South Africa

This publication is also available on the Internet at:
<http://www.nda.agric.za>

PREFACE

The core business of this directorate is to do analysis on national level in order to produce agricultural economic information and advice for sound decision-making on the South African (SA) agricultural sector. To support this important task the division (Economic Research) concentrates on economic analysis of performance of and external impact on the agricultural sector and its industries.

This publication developed from a need within the Department of Agriculture (DoA) to be regularly informed on developments and expected economic trends in the agricultural sector. The quarterly report has now been established as a regular feature in the Directorate's work plan. Since the beginning of 2004 the report is also published for outside consumption to add value to a number of existing regular economic publications on the agricultural sector. It is our vision to maintain it as indispensable reading for every serious student of the SA agricultural sector.

At this stage most of the content is based on sources outside the DoA. In time we hope to incorporate more departmental generated material. Any comments on the content of this quarterly report series are most welcome.

Mr B J van Wyk
Senior Manager: Production and Resource Economics
October 2005
Pretoria

1. WORLD ECONOMY

The **global economy** has been enjoying a period of strong growth in 2004, but soaring oil prices, natural disasters and the London bombings has slightly affected the global economy in 2005. The IMF has kept its forecast for global growth unchanged at 4,3% for the current year and has reduced its forecast for next year to 4,3%. The Fund is not concerned about effects of hurricane Katrina, which they estimate will shave only 0,5 percentage points off the **US growth** and only 0,1 percentage points off the global economic growth rate this year. The EIU says the main driver of growth is also changing from world trade to domestic demand. The report published by Fitch's Sovereign Rating Group states that global economic growth could be 1 percent lower next year if oil prices remain at the recent highs of \$70 a barrel. In both the US and Japan, the domestic demand is performing better than expected. **China's** real GDP is expected to grow by 9,4% this year,

only slowing to 8,5% in 2006. The Euro zone remains an area of concern and the London bombings are certain to impact negatively on the Euro area in general and the UK specifically. The real GDP growth in the **Euro area** has been scaled down to 1,4% for 2005. The emerging Asian economies are vulnerable to the impact of high energy prices, apart from the negative impact of lower growth in their OECD export markets. Oil price volatility and US dollar uncertainty remain two potentially destabilising factors. Table 1 below indicates the World economic outlook in real GDP growth. In general growth figures for most regions declined from 2004 to 2005. The outlook for 2006 is more positive as growth rates are expected to rise slightly.

2. SUB-SAHARAN ECONOMY

The population in **Sub-Saharan Africa** is estimated at 681,9 million people, with an average GDP per capita of \$719. Growth in

TABLE 1: The World Economic Outlook-Real GDP growth

Industrial countries	2004	2005	2006	Developing countries	2004	2005	2006
Major seven	3.2	2.5	2.6	Emerging Asia ²	5.7	4.1	4.9
USA	4.4	3.6	3.3	China	9.5	9.4	8.5
Japan	2.6	1.8	2.0	India	6.5	7.0	7.0
Euroland ¹	1.7	1.4	1.9	Latin America	6.2	3.9	3.5
UK	3.2	2.0	2.4	Emerging Europe ²	6.4	4.7	4.6
Germany	1.0	1.4	1.6	Sub-Saharan Africa	5.1	5.2	5.6

¹ The 11 Euro countries

² Bulgaria, Czech Republic, Hungary, Poland, Slovak Republic, Russia, Turkey

Source: *Economic prospects, Third quarter 2005*

the Sub-Saharan Africa is this year expected to expand marginally to 5,2% from 5,1% in 2004. The Sub-Saharan Africa remains buoyant despite continued worsening of the terms of trade of the oil importers. The region's trade volumes increased by 8% due to the relative absence of important conflicts in the region, and hence contributed to the strengthening of aggregate growth (with the exception of Sudan, Cote d'Ivoire and Zimbabwe whose economies contracted). Aid levels have also increased in the form of debt relief and emergency assistance. **The Franc zone** has an estimated population of 111,4 million people with a per capita GDP of \$661. Real GDP growth is expected to slow from 6,2% in 2004 to 4,7% in 2005 and 4,6% in 2006. The slowdown is driven by low growth in the oil producing economies, however, the growth rate is expected to remain above 4% in both 2005 and 2006, mainly due to countries that are committed to economic reform. Inflation is expected to rise slightly in the coming years, from 2,6% in 2005 to 2,8% in 2006. **SADC** has a population of 156,9 million people with a per capita GDP of \$1737. The real GDP is expected to grow by 4,3% in 2005 and 4,4% in 2006 from 4% in 2004. Growth could be higher if it were not for the negative impact of the economic decline in Zimbabwe. Inflation is forecasted to be 4,9% in 2005 and 5,2% in 2006, from 4,9% in 2004. **East Africa's** population is estimated at 180,9 million people with a GDP per capita of \$232. Real GDP growth is expected to fall from 5,8% in 2004 to 5,1% in 2005, before rebounding to 5,4% in 2006. The economies

in the region are prone to drought, and given the importance of the food component in the consumer price index, this makes the inflation rate more volatile. Inflation reached 9,5% in 2004, and it is expected to jump to 10,5% in 2005. **Central and West Africa's** population is estimated at 232 million people with a GDP per capita of \$439. It will expand by 5,1% both in 2005 and 2006, a decrease from 6,1% in 2004. This is due to a slowdown in the rate of increase of oil production in Nigeria and a slowdown in the cocoa sector in Ghana. Inflation remains high in the region at 12% in 2005.

3. SOUTH AFRICAN ECONOMY

The **South African economy** grew by 4,8% in the second quarter of 2005 up from 3,5% in the first quarter. The improvement in growth in the second quarter of 2005 was mainly a result of a sharp increase in the real value added by the manufacturing sector, contributing 1,2 percentage points to the overall growth. Growth in **agricultural output** increased from an annualised rate of 4% in the first quarter of 2005 to 10% in the second quarter. By the end of August 9,2 million tons of maize was delivered, but a total production of 12 million tons of maize is still forecasted for the 2004/05 season. If so, this will be one of the best seasons in years. Indications are that the economy is driven by a rising domestic final demand and stronger export demand, alongside a weaker exchange rate. Inflation has re-

mained lower than anticipated, and that resulted in real incomes rising mre than expected. **Foreign capital inflows** in the second quarter of 2005 surged to R35bn from R11,7bn in the first quarter of 2005. This is due to the fact that South Africa is no longer regarded as a high risk investment destination. South Africa has built sizeable reserves over the past year and a generally stable political environment that is supportive of the continuation of the healthy current policy frame work. **The Current Account deficit** has shrunk relative to GDP from 3,8% in the first quarter of 2005 to 3,4% in the second quarter of 2005. This is due to the fact that South Africa's merchandise export volumes rallied strongly in the second quarter of 2005. **Employment:** Economic growth lately seems to better translate into job creation. The latest statistics released by Statistics South Africa reveals that 131 000 jobs were created in the non-agricultural sector, with the construction and wholesale & retail sectors being the champions of job creation with 46 000 and 29 000 respectively.

4. MACROECONOMIC VARIABLES AND THEIR IMPACT ON AGRICULTURE

4.1 Inflation

Recent trends: During the first half of 2005 the CPIX (consumer inflation excluding mortgage costs) has maintained a generally upward trend, despite trend reversals in February and June. The annual CPIX infla-

TABLE 2: Annual average CPIX inflation rate

2004		2005	2006
4.4	BER	4.5	6.0
	Standard Bank	4.1	5.5
	Nedcor	5.7	5.8
	Average	4.8	5.8

BER - Bureau for Economic Research

tion figure, measured on a monthly basis, rose from 3,6% in January 2005 to 4,6% in August 2005. The persistent increase in oil prices as a result of weather conditions in the Mexican Gulf and increasing demand from Asia was felt most towards the end of the second quarter, with the annual CPIX inflation increasing by more than 0,5% monthly since May 2005. **Forecast:** The outlook for inflation remains upward for the remainder of the year given deficient oil supplies and an increasing demand from the growing Asian economies. However, the impact of oil prices on domestic inflation is cushioned by a relatively strong rand and a slowing global economy which is likely to dampen global demand for oil. According to the BER the CPIX is forecasted at 5,4% for the first quarter of 2006 and an average of 6% (table 2) for the whole year. Standard Bank's forecast for 2005 is 4,1% and the group expects the figure to go up to 5,5% next year, still within the limits of the Reserve Bank's targeted band of 3%-6%. **Impact on agriculture:** Inflation has a direct impact on agriculture through higher input costs, and indirectly via the vicious circle created by the wage bargaining process.

This is normally the case should government tie wage increases to the rate of inflation. Also, the competitiveness of the agricultural sector is negatively impacted by a higher inflation rate. The international competitiveness of South African agriculture relies heavily on price competitiveness given the levels of domestic support (such as subsidies) that are enacted by many of SA's trading partners.

4.2 Growth

Recent trends: The first two quarters of 2005 have seen an increase in real economic activity as shown by the quarterly percentage changes of 3,5% and 4,8% in the first and second quarters respectively. According to StatsSA's latest GDP figures, the second quarter's growth was largely driven by the manufacturing sector which contributed 1,2% of the 4,8% growth in GDP. Other major contributors to GDP growth are the transport, retail and wholesale industries, and finance and business services industry that contributed over 0,5% each during the second quarter. The growth of the economy may be attributable to strong domestic demand that is supported by low interest rates and the consequently high credit extension. **Forecast:** According to the BER, assuming no unforeseen shocks, the economy is expected to grow at 4,2% in 2005 and 3,9% in 2006 (table 3). According to the average forecast, the South African economy is expected to grow by 4,1% in 2005. **Impact on agriculture:** Economic growth may create domestic demand that is needed by the agricultural sector, given

TABLE 3: Annual real GDP growth rates

2004		2005	2006
3.7	BER	4.2	3.9
	Standard Bank	4.1	3.8
	ABSA	4.0	3.5
	Average	4.1	3.7

difficulties that the sector experiences in penetrating the international markets. Should an increase in national output create more job opportunities it may translate into a higher effective demand for more expensive food such as meat.

4.3 Exchange rates

Recent trends: The rand depreciated consistently against the US dollar during the first two quarters of 2005, falling from R5,97 in January to the June average of R6,75 per US dollar. However, since July the rand has made some significant gains against the US dollar, mainly as a result of the weakening US dollar and also due to the inflow of foreign capital. Also, the takeover of ABSA by Barclays Bank has contributed towards the strength of the rand through improved con-

TABLE 4: End of year R/\$ exchange rates

2004		2005	2006
5.73	BER	6.60	7.50
	Standard Bank	6.33	6.53
	Nedcor	6.27	6.58
	Average	6.40	6.87

BER - Bureau for Economic Research

confidence in the management of the domestic economy. **Forecast:** Due to higher oil prices and the effect it has on domestic interest rates the rand is expected to depreciate. In table 4, according to the BER the rand/dollar exchange is expected to slide to R7,50/\$ and R9,50/euro by the forth quarter of 2006. Standard Bank forecasts the figure at R6,33/\$ this year , with a slight weakening to R6,53/\$ in 2006. **Impact on agriculture:** The strengthening of the rand against major currencies is having some negative effect on the international competitiveness of the agricultural sector, and the economy as a whole.

4.4 Interest rates

Recent trends: The repurchase rate (repo rate) has remained unchanged since it was cut to its 30-year low level of 7% in April this year. The SARB, in both the June and August Monetary Policy Committee meetings, decided to leave the repo rate unchanged and as a result private sector banks have also left their prime interest rate unchanged at 10,5%. The high domestic consumer spending stimulated by low interest rates continued, with the latest figures indicating a 6% increase in consumption spending by households during the second quarter of 2005. **Forecast:** Following the surprise interest rate cut in April, further rate cuts were initially forecasted towards the end of the year as the inflation rate was at its lowest after the declines in the earlier part of the year. However, recent months have seen an increase in the inflation rate mainly due to high oil prices and this has dampened

the prospects for further rate cuts. According to the Bureau for Economic Research (BER), the repo rate is forecasted to remain unchanged until the end of 2005, and then increase from 7% to between 8% and 8,5% during the first half of 2006. **Impact on agriculture:** With the prime interest rates expected to remain unchanged for the remainder of the year, the outlook remains favourable for farmers. However, it may change at the beginning of next year when interest rates are expected to increase, inducing an increase in the cost of production as servicing debt becomes more expensive.

5. OTHER FACTORS IMPACTING ON AND RELATED TO AGRICULTURE

5.1 Agri-market indicators

Table 5 shows that whilst there have been notable declines in the prices of white and yellow maize over the past year, wheat and sunflower seed prices have remained relatively constant. The price of yellow maize at the end of September 2005 was R755 per ton, compared to a R508 per ton

TABLE 5: Price of maize and wheat per ton

	End Sept 2004	End Sept 2005
White Maize price	R904	R823
Yellow Maize price	R942	R755
Wheat price	R1 436	R1 440
Sunflower price	R2 130	R2 185

Source: Safex

equivalent in the USA whilst the price of wheat was R1440 per ton, compared to an equivalent R766,70 per ton in the USA. Surplus maize production in South Africa, which caused the 19,9% and 9% declines in the prices of yellow and white maize respectively, has reduced intentions to plant maize for the 2005/06 season by 53% as announced by the Department of Agriculture. This is likely to result in higher maize prices in the coming season.

5.2 Climatic conditions

Background: Most parts of the country are still experiencing dry conditions with Limpopo being on the extreme. The winter rainfall regions received good rains in the past season except the northern part of the Swartland. **Levels of dams:** Generally the levels of dams are still low in the country and have improved only in the Western Cape and KwaZulu-Natal. **Crop conditions:** The planted winter crops are in good condition in most areas due to good rains received in the winter season and hence good yields are anticipated. **Livestock conditions:** The livestock is in fair to reasonable conditions in most provinces. The livestock in the northern part of the Swartland is in a poor condition due to insufficient rain in the previous winter season. Livestock is in a poor condition in all districts of Limpopo due to drought conditions. The drinking water for livestock is a problem in most provinces except in Northern Cape, KwaZulu-Natal and Western cape. **Forecast of rainfall and temperature, October 2005 to February 2006:** Temperatures over the country

are expected to be on the warm side during this period. Normal rainfall conditions are expected for the summer rainfall regions although biased to above-normal earlier in the season. Below-normal to normal conditions are expected in the southwestern parts of the country. **Conclusions:** The veld is not in good condition in the summer rainfall regions. This has resulted in the veld being vulnerable to the veld fires as is the case in KwaZulu-Natal, Mpumalanga, Free State, North West, Limpopo and Eastern Cape. However, the veld is in good condition in the winter rainfall regions which received good rains in the past winter season. The drought conditions remain a problem in the country and the expected near normal rainfall conditions might bring a relief to the situation.

5.3 Livestock numbers

Cattle and pig numbers increased by 3% and 0,67%, respectively from August 2004 to May 2005. However, sheep and goat numbers decreased by 0,13% and 0,19% respectively over the same period. **Cattle:** The number of cattle in the RSA at the end of May 2005 is estimated at 13,919 million. On a provincial basis, 3,113 million (22%) occurred in the Eastern Cape, 2,854 million (21%) in KwaZulu-Natal and 2,325 million (17%) in the Free State. The remaining provinces represent 40% (5,627 million) of the total cattle population in South Africa. **Sheep:** The total number of sheep at the end of May 2005 is estimated at 25,326 million. The provincial distribution of sheep is as follows: 7,631 million (30%) are found in the

Eastern Cape, 6,396 million (25%) in the Northern Cape, 5,183 million (21%) in the Free State, and 6,116 million (24%) in the remaining provinces. **Pigs:** The number of pigs in the RSA at the end of May 2005 is estimated at 1,663 million. Most of South Africa's pig population occurs in the Limpopo Province with a population of 396 000 (24%). The North West Province follows with 300 000 (18%) and the Western Cape with 182 000 (11%). The remaining provinces represent approximately 47% (785 000) of the total pig population. Classical swine fever was detected in July but only small areas in the Western and Eastern Cape Provinces are affected. No live pigs (domestic pigs, bush pigs and warthogs) are allowed to move through, into or out of the affected areas and no pork products, raw or processed, are allowed out of these quarantined areas. **Goats:** Goat numbers at the end of May 2005 are estimated at 6,360 million of which the most goats occurred in

the Eastern Cape, namely 2,493 million (39%), followed by the Limpopo Province with 1,051 million (17%).

5.4 Crop production and estimates

Table 6 summarises the estimated plantings and final production forecast of the most important summer crops for the 2004/05 production season. In spite of low maize prices for some time now, which are mainly due to an unexpected high carry-over stock, the South African farmers have still planted 2,93 million ha of maize for the current season. This is 3,0% more than the 2,843 million ha planted to **maize** in the previous season. The expected commercial maize crop is 12,180 million tons, which is 28,5% more than the 9,482 million tons of the previous season. The production **forecast** of white maize is 7,264 million tons, which is 25,1% more than the 5,805 million tons last season. The yield for white maize is estimated at 3,94 t/ha compared to 3,15 t/ha

TABLE 6: Estimated plantings and final production forecast of summer crops for the 2004/05 season

Crop	Estimated plantings for the 2004/05 season	2005 vs. 2004	Final production forecast for the 2004/05 season	2005 vs. 2004	First intentions as at the end of August 2005	2005 vs. 2004
	Ha	%		Tons		%
Total maize	2 929 500	3,03	12 180 300	28,46	1 699 110	-42,0
White maize	1 845 000	0,16	7 264 500	25,14	851 400	-53,9
Yellow maize	1 084 500	8,31	4 915 800	33,69	847 710	-21,8
Sorghum	98 240	-24,43	297 300	(20,29)	46 000	-53,2
Groundnuts	42 800	-40,14	74 388	(35,31)	64 000	49,5
Sunflower seed	460 000	-13,21	620 000	(4,32)	621 000	35,0
Soybeans	150 000	11,11	272 500	23,86	245 000	63,3
Dry beans	49 300	-12,28	69 820	(12,72)	58 500	18,7

Source: Directorate Agricultural Statistics

the previous season. **Historical trends** show that if good rains are received in January then the chances for a good maize crop increases. The favourable weather conditions, together with the more efficient use of inputs and improved varieties therefore resulted in the increase in expected yields. The **sunflower** seed and the **soybean** crops and areas for the 2004 season have been finalised. The sunflower seed crop is 620 000 tons, which is 4,3% less than the 648 000 tons of the previous season. The area planted to sunflower seed is 460 000 ha, which is 13,2% less than the 530 000 ha planted last season. The yield is 1,35 t/ha compared to 1,22 t/ha the previous season. The **soybeans** crop is 272 500 tons, which is 23,9% more than the 220 000 tons the previous season. The area planted to soya-beans is 150 000 ha, which is 11,1% more than the 135 000 ha planted last season. The yield is 1,82 t/ha compared to 1,63 t/ha last season. The production forecast for **sorghum** is 297 300 tons – 20,3% lower than the 373 000 tons the previous season. The area planted to sor-

ghum is 98 240 ha, which is 24,4% less than the 130 000 ha planted last season. The expected yield is 3,03 t/ha. The expected **groundnut** crop is 74 388 tons, which is 35,3% lower than the 115 000 tons last season. For groundnuts the area estimate is 42 800 ha, which is 40,1% less than the 71 500 ha planted last season. The expected yield is 1,74 t/ha compared to 1,61 t/ha last season. The estimated area of groundnuts under irrigation is 22,0% of the total or 9 416 ha. In the case of **dry beans** the production forecast is 69 820 – 12,7% lower than the 80 000 tons the previous season. The estimated area planted is 49 300 ha, or 12,3% less than the 56 200 ha planted last season. The expected yield is 1,42 t/ha. Table 6 also summarises the results of the **first intentions to plant summer crops** for the 2005/06 season. The expected area planted to **maize** for the 2005/06 production season is 1,699 million ha, of which 851 400 ha (50,1%) is for **white maize** and 847 710 ha (49,9%) is for **yellow maize**. The survey shows that producers intend to plant

TABLE 7: Estimated plantings and second production forecast of winter crops for the 2005/06 season

Crop	Estimated plantings for the 2005/06 season	Change from the 2004/05 season		Second production forecast for the 2005/06 season	Change from the 2004/05 season	
	Ha	Ha	%	Tons	Tons	%
Wheat	800 500	-29 500	-3,55	2 024 900	344 900	20,53
Malting barley	91 950	9 750	10,52	248 605	63 605	34,38
Canola	41 200	-3 050	-6,89	47 370	15 370	48,03
Sweet lupines	14 100	7 000	98,59	15 510	11 560	292,66

Source: Directorate Agricultural Statistics

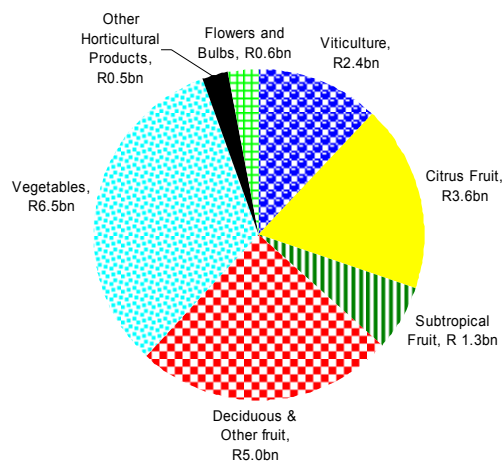
993 600 ha (53,9%) less white maize and 236 790 ha (21,8%) less yellow maize than in the previous season. The expected area planted to **groundnuts, sunflower seed, soya**-and **dry beans** shows increases of 49,5%, 35,0%, 63,3% and 18,7%, respectively. The plantings of **sorghum** shows a decrease of 53,2%. Table 7 summarises the estimated plantings and second production forecast of the most important winter crops for the 2005/06 production season. The expected winter **wheat** crop is 2,025 million tons, which is 20,5% or 344 900 tons more than the 1,680 million tons the previous season. The expected yield is 2,53 t/ha as against 2,02 t/ha of the previous season. The area estimate for wheat is 800 500 ha, 29 500 ha or 3,6% less than the 830 000 ha of the previous season. The production forecast for **malting barley** is 248 605 tons. The area planted is estimated at 91 950 ha, while the expected yield is 2,70 t/ha. The expected **canola** crop is 47 370 tons, while the area estimate for canola is 41 200 ha, with an expected yield of 1,15 t/ha. The production forecast for **sweet lupines** is at 15 510 tons and the area estimate is 14 100 ha, with an expected yield of 1,10 t/ha. An investigation will be undertaken to determine if these figures do not perhaps also include bitter lupines.

5.5 A short overview of horticultural crops

Horticultural crops, particularly **vegetables** are produced throughout South Africa. The south-western and southern regions of the Western Cape are mainly suitable for deciduous fruit, grapes, wine and vegetables;

the low-lying, subtropical areas of Mpumalanga and Limpopo for subtropical crops, citrus and vegetables; the lower reaches of river valleys of the Eastern Cape for citrus and vegetables and the Upington area for grapes and wine. The **gross value** from total horticultural products amounted to R20,1 billion during the 2004/05 season, which is 30% of the gross value of total agricultural products. The composition of the gross value of total horticultural products during 2004/2005 is depicted in figure 1.

Figure 1: Composition of total horticultural gross value



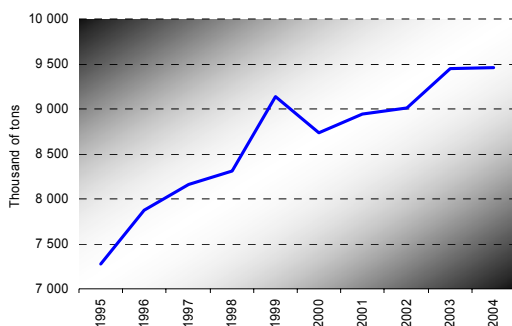
Source: Directorate: Agricultural Statistics

¹includes: Dried fruit, nuts, tea and other horticultural products.

The vegetable industry is the largest within the horticultural group both in terms of production and value. South Africa is self-sufficient with regard to vegetable production and exports both fresh and processed vegetables. During the period 2004/2005, 3,9 million tons of **vegetables** with a gross value of R6,5 billion were produced, and 76 326 tons with a gross value of R201,5 million were exported. Potatoes, which account for 47,6% of vegetable production,

are the most important vegetable crop. 1,9 million tons of potatoes with a gross value of R2,3 billion were produced during 2004/2005. Figure 2 depicts the total horticultural production trend over the past ten years. Although the citrus fruit industry is the second largest in terms of production, the deciduous fruit industry is the second largest in terms of value. Preliminary results for the 2004/2005 season indicate a **deciduous fruit** production of 1,7 million tons with a gross value of R4,8 billion.

Figure 2: Total Horticultural Production (1995-2004)



Source: Directorate: Agricultural Statistics

South Africa has a highly developed deciduous fruit industry geared for the export of a large percentage of its products. Preliminary results indicate that 46,3% of the total deciduous fruit production during 2004/05 was exported. From an economic point of view, **apples** rank first, followed by table grapes, pears, peaches, plums and apricots. The wine industry, although small compared to the leading European countries, is widely known for its high-quality products. The **ornamental** plant industry has also grown into an important branch of South African horticulture.

6. MAIN EXTERNAL SOURCES CONSULTED

Bureau for Economic Research (BER), Economic Prospects, Vol 20, No 3. Third Quarter 2005.

Business Day , 27 September, 2005

Business Monitor International (BMI), Africa Monitor, Southern Africa, Vol 10, Issue 7. July 2005

South African Reserve Bank Quarterly Bulletin, September 2005.

Economic Intelligence Unit (EIU). Country Forecast, Sub-Saharan Africa, Regional overview, August 2005

Farmer's Weekly, September 29, 2005

Finance Week, 7 September 2005

Fitch Ratings, *Can the world cope with oil at USD70 per barrel?*, September 2005

IMF, Economic Prospects and Policy Issues, April 2005

www.statssa.gov.za/keyindicators

www.safex.co.za

www.tralac.org/scripts/content

7. ACKNOWLEDEMENT OF INTERNAL (DOA) CONTRIBUTORS

Directorate: Risk Management: Climatic Conditions

Directorate: Agricultural Statistics: Livestock numbers and Crop Production and Estimates