

## 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 and the macro economic environment that impacts on its performance. 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. However, progress is being made to incorporate more departmental generated material.

Any new comments on the content of this quarterly report series are most welcome.

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## 1. WORLD ECONOMY

The Dow Jones Industrial Index on the New York Stock Exchange were trading around 11200 by the end of June, 0,4% up from the end of March 2006. In London the FTSE All Share index decreased by 5,2% in the last quarter, and the Japanese Nikkei decreased by 9,1%. The world's excess oil capacity diminished from an estimated 4 million to 6 million barrels per day (b/d) in the 1990s to the current levels of about 2,5 million b/d. Despite these economic impediments global economic growth exceeded expectations. The growth projectile looks positive, thanks to sound macroeconomic policies and relative political stability that the world enjoyed in 2005, except for the chaotic situation in Iraq, the Iran-USA standoff over nuclear weapons, the Darfour crisis in Sudan, economic meltdown in Zimbabwe and the volatile political situation in the Great Lakes. The IMF has revised its 2006 world output projections to 4,9%, up from 4,8% in September 2005. However, two thirds of the upward revision was from the emerging economies, namely China, India and Russia. The 2007 projection has remained the same at 4,7%. The US economy grew by 3,5% in 2005, however, it is expected to slow-down to 3,4% and 3,3% in 2006 and 2007. The

Euro zone economies grew by an average of 1,3% in 2005 and growth is expected to increase to 2,0% in 2006 and 1,9% in 2007. Leading the group was Ireland, which reported an output growth rate of 4,7%, followed by Luxembourg (4,3%). Germany ranked very low with a growth rate of 0,9% in 2005. The resultant growth trends will depend on how America and the global economy cope with developments in the property sector. Emerging Asia registered an 8,2% output growth in 2005, down from 8,4% the previous year. The region's output is projected to slow down to 7,6% in 2007 owing to the general slowdown in the global economy. Emerging Asia's output growth rate is dominated by China, with a 9,9% growth in 2005. The impetus in output growth comes mainly from foreign investment as international investors endeavor to reap the benefits of the growing demand in China and the rest of the emerging Asian markets. The US's budget deficit will remain relatively higher than that of the Euro zone and the world average (*capitalmultiplier.com*). The impact of that was the crowding out of private investment, the fueling of inflationary pressures and the hiking of interest rates. The US inflation rate is also expected to fall from 3,4% in 2005 to 2,5% in 2007, with the unemployment rate expected to remain almost constant at about 5% during the same period. Due to the US re-

TABLE 1: The World Economic Outlook-Real GDP growth

Industrial countries	2005	2006	2007	Developing countries	2005	2006	2007
Major seven	2,7	3,0	2,8	Emerging Asia	8,2	7,9	7,6
USA	3,5	3,4	3,3	China	9,9	9,5	9,0
Japan	2,7	2,8	2,1	India	8,3	7,3	7,0
Eurozone <sup>1</sup>	1,3	2,0	1,9	Latin America	4,3	4,3	3,6
UK	1,8	2,5	2,7	Emerging Europe <sup>2</sup>	5,3	5,2	4,8
Germany	0,9	1,3	1,0	Sub-Saharan Africa	4,9	5,3	4,3

Source: IMF

<sup>1</sup> The 12 Euro countries

<sup>2</sup> Bulgaria, Czech Republic, Hungary, Poland, Slovak Republic, Russia, Turkey

cord levels of spending the current account deficit has remained high at over 5% of GDP in 2004 and 2005, with expected increases to 6,5% during 2006 and 2007. Emerging Asia's current account surplus is expected to fall from 4,5% in 2004 to a projected level of 4,0% in 2007 owing to retaliatory protectionist policies – mainly against China, by the industrial world and the rising oil prices. Singapore and China have helped keep the region's average inflation rate under check, with the two countries reporting falling inflation rates of 0,5% and 1,8% respectively in 2005. In 2006, China's inflation rate is expected to increase to 2,0%, with a further increase of 2,2% projected for 2007. Otherwise some countries in the region experienced rising inflation rates. The emerging Asia's current account surplus was estimated at 4,5% of the region's GDP in 2005. Two thirds of the surplus is accounted for by China. Surpluses in non-oil exporting Asian countries have been due to a strong US dollar.

attacks are expected to continue beyond Nigeria's legislative and presidential elections in April 2007. Significant output growth was reported in East Africa, which averaged 5,7% in 2005, with growth averages of 5,5% and 5,4% projected in 2006 and 2007 respectively. The SADC region reported a 5,8% growth in output in 2005, a 0,7% higher than the previous year. The sub region's output is projected to slow down to 5,7% in 2006 with a slight recovery to 6,1% in 2007. Political instability in Zimbabwe, emanating from the transfer of land ownership has been blamed for retarding the sub region's output performance since 2000. Drought also affected agricultural production during the 2004/2005 agricultural season, thereby exerting pressure on the current accounts as countries had to rely more on imported food commodities. Inflation data for SADC, excluding Zimbabwe, fell to 6,0% in 2005, from 7,2% in 2004 and the EIU has projected a steady inflation rate of 6,6% in 2006 owing to high and rising oil prices. The SSA's economic performance is threatened by the increase in China's exports, ranging from textiles to electrical goods. However, China's involvement in Africa is not without some positive spin-offs, namely: unconditional financial assistance to host governments, a welcome relief to aid from the West which characterized both the Cold-War era and post-independence assistance; Chinese investors are also heavily involved in the development of resource based industries such as oil extraction and the exploitation of other minerals such as diamonds and copper; China is also involved in infrastructural development projects, a move that is likely to eradicate bottle-

## 2. SUB-SAHARAN ECONOMY

TABLE 2: Sub Sahara Africa – Economic Outlook

	2005	2006	2007
SADC	5,8	5,7	6,1
Frank Zone	3,8	3,7	4,0
East Africa	5,7	5,5	5,4
Central and West Africa	6,3	5,1	4,7

Source: Economist Intelligence Unit (EIU)

Central and West Africa reported the highest GDP growth rate of 6,3% in 2005, thanks to the improved political climate in Liberia, Democratic Republic of Congo (DRC) and Sierra Leon. However, the region has not been able to take advantage of rising oil prices due to rebel attacks around the Niger Delta. Such

necks that have hampered development of the African sub continent. It has been argued by some that China's involvement in Africa is meant to insure a steady supply of those commodities that are crucial in its economic expansion. However, despite China's motives, its involvement is likely to give the SSA economy the needed impetus for long-term sustainable development by supplying the technical expertise, capital resources and providing a leeway for a market constrained continent.

### 3. SOUTH AFRICAN ECONOMY

TABLE 3: South Africa – Economic Outlook

	2005	2006	2007*
Real GDP (% y/y)	4,9	4,4	4,3
Inflation (CPI)	3,4	4,7	5,0
Exchange rate (R/US\$)	6,33	6,72	6,75
Interest rate (Prime avg)	10,5	11,1	11,5

Source: Statistics SA.

\*Consensus of Standard Bank, Absa, BER

The recent tightening of the monetary policy by the South African Reserve Bank (SARB) was necessitated more by global, rather than changes in the domestic macroeconomic environment. The interest rate hike in the US coincided in South Africa with softening commodity prices, rising energy costs, low inflation, low interest rates and buoyant domestic demand, a strong currency and growing current account deficit. The situation was exacerbated by slowing down of capital flows into the country during the first two quarters of 2006. These developments were typical of looming balance of payments problems, a weaker currency and growing inflationary pressures. To counter these problems, the SARB

was left with no choice but to raise interest rates in June 2006. Already the rand has shown signs of depreciation against the US dollar and has crossed the R7/US\$ recently. Output growth declined to 3,3% during the fourth quarter of 2005 from 4,0% in the preceding quarter, with some recovery to 4,7% during the first quarter of 2006. This has been linked to weak manufacturing and mining production as a result an initially strong rand. However, lack of export competitiveness resulting from a strong rand was countered by strong domestic demand even though that was not enough to encourage production in the primary and manufacturing sectors. The current account worsened to a record high of R14,6 billion during the first quarter of 2006 compared to R4 billion in the corresponding period last year. Energy costs during the first two quarters of 2006 are over 19% higher than they were during the same period in 2005. Impact on Agriculture: The impact of the widening current account deficit on the rand is a blessing in disguise for the farming industry. The depreciation of the rand has a direct and positive impact on the export competitiveness of the agriculture sector. The extent to which a weaker rand promotes exports will depend largely on the strength of the opposing inflationary forces resulting from higher prices of imported intermediate inputs (including fuel). The repo rate, which was raised to 7,5% in June 2006 will increase the cost of borrowing and hence the sector's input prices, thereby affecting the agricultural sector's cost competitiveness negatively. However, historical data has shown that the dollar value of the rand and export competitiveness are more crucial in farming profit-

ability and existence than production costs emanating from higher interest rates. This leaves the exchange rate and foreign markets accessibility as important determinants of a healthy agricultural sector.

## 4. AGRICULTURAL ECON-VARIABLES

### 4.1 Consumer Expenditure on Agriculture

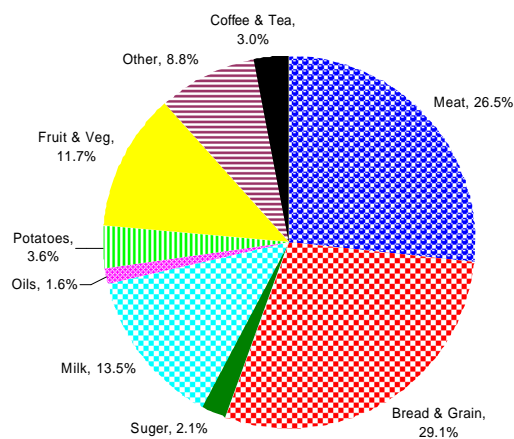
Expenditure on secondary agricultural products by households recorded a quarter to quarter improvement of 7,5% to reach R4,3 billion in the first quarter (January – March) of 2006, from 4 billion during the same period in the previous year. Buoyant domestic trading conditions mitigated the impact of restrained exports performance resulting from currency strength. Meat, bread and other grain products constituted about 55% of spending on secondary agricultural products. The performance of both markets (grain and meat) has a significant effect on agricultural expenditure trends.

According to the latest crop and markets estimations, commercial maize crop production is forecasted to decrease by 47 %. The reduction is likely to stimulate the maize price. Therefore expenditure on secondary agricultural products is expected to range between the level of R4 and R5 billion rand in the remaining quarters.

### 4.2 Farm Income

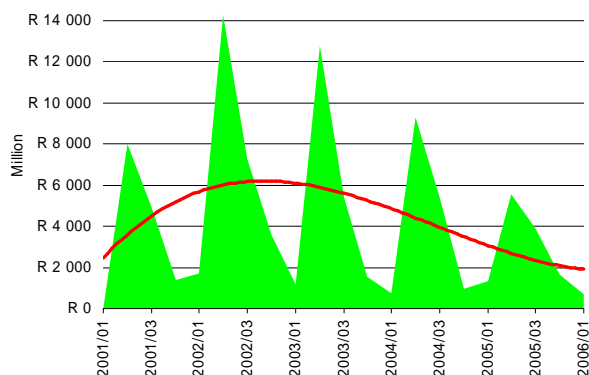
Strong revenue growth of 23% was recorded for field crops in the first quarter of 2006, revenue improved from R685 million in the first quarter 2005 to R843 million. Sugar cane and wheat revenue expanded by a staggering 61% and 38 %, respectively. The increase was mainly due to strong price performance in the respective industries, Revenue from horticultural products remained stable, growing only by a modest 0,9% from R5 billion in the first quarter of 2005 to R5,1 billion in the current year's first quarter. Quarterly income of R8,4 billion from animal products was 6,2% higher in the first quarter of 2006, compared to R7,9 billion achieved during the similar period last year. A 19,4% growth in cattle and calves slaughtered from R1,7 billion in the 2005 first quarter to R2,1 billion contributed significantly to revenue improvements.

Figure 4.1: Expenditure on food types



Source: Agricultural Statistics, 2006

Figure 4.2: Net Farm Income



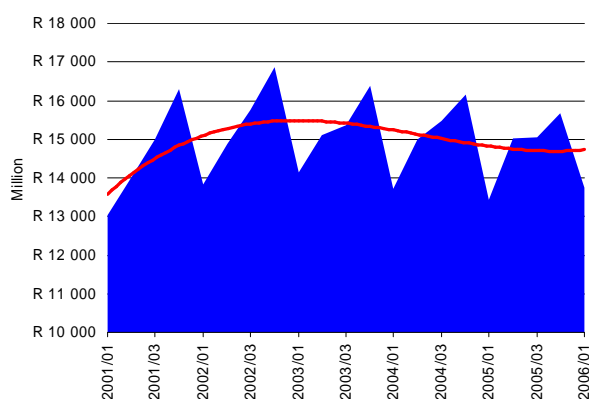
Source: Agricultural Statistics, 2006

The effect of input costs growing more than gross income resulted in a 40% decrease in net farm income for the first quarter of 2006 to R0,7 billion from R1,2 billion in the previous first quarter. The increase in the livestock inventory in the first quarter of 2006 (by R1,8 million) was 98% lower compared to R156 million of the first quarter of 2005.

#### 4.3 Agric-Input Expenditure

The first quarter of 2006 saw expenditure on intermediary goods rising by 10,5% to reach R9,8 billion from R8,9 billion in 2005, as price pressures at producer levels started to take effect.

Figure 4.3: Total Agric-Input Expenditure



Source: Agricultural Statistics, 2006

Labour remuneration grew by 4% in line with the CPIX, while interest paid by farmers dipped by 0,5% to R1,012 billion in the first quarter of 2006 from R1,017 billion in the same quarter of 2005. This is consistent with lower interest rates that prevailed in the economy during 2005, with strong demand condition further reducing the need for credit finance. For net farm income a clear downward trend is evident, while expenditure on intermediate goods displays an underlying upward trend. The above patterns of behaviour are expected to continue as the interest paid by farmers is expected to track its long term pattern, fluctuating between R950 million and R1,1 billion. In the next two quarters it is expected to rise to R1,1 billion before it tails off.

#### 4.4 Prices

Consumer prices for agricultural commodities was up by 10% in 2006, as grain, fruit and meat experienced an increase of 27%, 23% and 11% respectively (compared to the first quarter of 2005). Imported inflation was limited to 6% during the same period given the strong level of the currency that prevailed. Grain and meat contributed heavily to an upward price trend recording a 21,9% and 13,2% increase from the first quarter of 2005 to quarter one of 2006. Further escalation in the grain price is expected given the size of the forecasted maize and wheat harvest. A weaker currency will also force an upward movement in imported inflation, negatively affecting the overall inflation for agricultural commodities. Producer prices for agricultural commodities, consumed in South Africa rose by 11,2% in the first quarter of 2005 to 2006. The first quarter of 2006 saw

the production price index for petroleum products and coal rising by a massive 34% from 2005 as the oil price stubbornly remained close to \$65 during the year. The cost of fertilizer was 7,6% higher in the first quarter of 2006 compared to the first quarter of 2005. Transport and accessories producers price index rose by a modest 5,5%, in the year to quarter one of 2006. With the exception of petroleum products, both fertilizers and transport parts and accessories confirmed the low inflation environment prevalent in 2005. Input prices are expected to increase in the coming quarters as high energy cost accompanied by elevated imported inflation levels, start to negatively affect inputs costs.

#### 4.5 South Africa Agri-market indicators

TABLE 5: Domestic prices of selected crops per ton

	End June 2005	End June 2006
White Maize price	R572	R1 361
Yellow Maize price	R605	R1 235
Wheat price	R1 600	R1 652
Sunflower price	R1 712	R2 261

Source: Safex

The price of maize, South Africa's largest crop, remained significantly higher during the second quarter of 2006 compared to the second quarter of 2005, when very low prices prevailed. The price of white maize increased by 138% at the end of June 2006 compared to end of June 2005, whilst the price of yellow maize increased by 104% during the same period (table 5). This was mainly due to low acreage planted and expected lower yields during the next harvest period after low maize prices last year, and also due to heavy rains which damaged some of the plants early this year. The rand, which has been in the declin-

ing phase against the US dollar during the second quarter of 2006, has also contributed to the current rise in maize prices as a weaker rand increases the international demand for SA crops. Wheat prices remained relatively constant, increasing slightly by 3,1%. Following a year-on-year decline in sunflower prices during the first quarter of 2006, sunflower prices increased by 32,1% during the second quarter of 2006 and this may be due to a drop in sunflower yields resulting from wet and cooler weather conditions at the beginning of the year. The increase in crop prices is also in line with rising food prices (with agricultural food products rising by 15,5% in April) which has been cited as one of the factors behind the rise in producer prices in South Africa.

#### 4.6 World Agri-market indicators

TABLE 6: US prices of selected crops per ton

	End June 2005	End June 2006
Yellow Maize price	R570	R641
Soybean price	R1 652	R1 524
Wheat price	R807	R1 020

Source: Safex

World total grains (incl. wheat, coarse grains and rice) production declined by 1,7% from 2 044 million metric tons during the 2004/05 season to 2 009 million metric tons in the 2005/06 season, according to the United States Department of Agriculture (USDA). On the other hand, world oilseeds (incl. soybean, cottonseed, peanut, sunflower seed and rapeseed) production increased by 2,3%, from 381 million metric tons during 2004/05 to 390 million metric tons in 2005/06. South Africa contributed 0,5% to world total grains production and 0,3% to world oilseeds production during 2005/06. World maize production declined by 2,8%



(from 712 million metric tons during the 2004/05 season to 692 million metric tons during 2005/06) which is one of the factors contributing to an increase in international maize prices during that period, supported by a higher ethanol demand and improved export demand. Yellow maize price in the US (where maize production declined by 5,9% during 2005/06) increased by 12,5% in the second quarter of 2006 compared to the same quarter in 2005 (table 6). With world maize production expected to decline further by 1,5% during the 2006/07 season, international maize prices are expected to remain relatively high. According to the USDA, South Africa contributed 1,6% to world maize production during the 2004/05 season. World wheat production declined by 1,1% during the 2005/06 season and is projected to decrease further by 3,5% during the 2006/07 season. Wheat production in the US declined by 2,5% during the 2005/06 season, which is one of the factors contributing to a 26,4% increase in US wheat prices during the period under review. According to the FAO, wheat prices are likely to remain generally high and volatile in the coming season given a drop in world production and unexpected weather problems. South Africa contributed 1,1% to world wheat production during the 2004/05 season, and a 13,9% increase in SA wheat production during the 2005/06 season is one of the factors that resulted in a relatively constant domestic wheat price during the second quarter of 2006. Soybean prices in the US decreased by 7,7% during the second quarter of 2005, in line with the 27,3% increase in soybean production during the 2004/05 season.

## 5. OTHER FACTORS IMPACTING ON AND RELATED TO AGRICULTURE

### 5.1 Climatic and other conditions

**Climatic conditions:** The period from April to May 2006 was characterized by mainly wet conditions over most of the country except over the northern provinces. The winter rainfall regions received frontal rains in June while the rest of the country dried up, signalling the advent of the winter season. Warm temperatures were experienced in the country with cold days in between. Compared to last year this time around, there has been a notable improvement in terms of vegetation conditions over the country in the wake of good summer rains. Normal vegetation conditions extended as far as the western part of the Northern Cape. However, below average vegetation conditions were experienced to a limited extent over the north-eastern extremes of the country by end of first dekad of June 2006.

**Levels of dams:** The levels of dams continued to improve in most of the summer rainfall areas in contrast to the Western Cape and western parts of the Eastern Cape where water restrictions have been imposed in certain areas.

**Crop conditions:** Even though less area for maize has comparatively been planted due to a surplus harvest in the previous season, good yields are expected in most areas. As such, a negative impact on food security is unlikely.

**Livestock conditions:** The livestock condition has improved in most parts of the country following the improved veld conditions. However, the problem of overgrazing as a result of overstocking in certain areas has

negated the veld improvement. Irrespective of the improved veld conditions in some areas, livestock farmers were advised to continue with the existing drought assistance to allow the veld to improve further. Forecast of rainfall and temperature: Although good falls of rain were recorded over the winter rainfall areas during May, the period experienced below-normal rainfall conditions. An unfavourable rainfall season is anticipated over the winter rainfall areas. The remainder of the country is expected to experience normal winter rainfall conditions. Slightly warmer temperatures are expected over the bulk of the country though slightly cooler in the west. SADC: Preliminary estimates at the end of May indicate that a number of countries in the Southern Africa are expecting improved cereal harvests this season, but that regional cereal production will decline due largely to a significant reduction in area planted to maize in South Africa. As a result of better crop growing conditions this season, Malawi, Mozambique and Zambia, which faced large production shortfalls last season due to poor rainfall performance, estimate cereal production level above both last season's and the 5-year average. Angola, Tanzania, and the Swaziland expect cereal harvests that are below last year's, due to insufficient and poorly distributed rains as well as other factors including poor access to adequate inputs. In Zimbabwe, mostly favourable rains contributed to improved maize production this season, although estimates still lag behind the five-year average, due mainly to poor access to inputs. Although crop conditions were generally favourable in South Africa, the area planted to maize declined con-

siderably this season, in response to the record harvest last season and subsequent large carryover stocks and low maize prices. South Africa's maize production is now estimated to have declined at 46% compared to last season. With domestic availability now projected to be just sufficient to cover domestic requirements, there will be a much smaller exportable surplus than last year that will not cover all the region's maize import requirements. Conclusions: Most winter rainfall regions are still experiencing dry conditions despite the frontal rains that were experienced in June. Precautions must be in place for frost and cold spells as they are likely in most areas. As this is the winter season, veld fires are expected and precautionary measures must also be in place.

## 5.2 Livestock numbers

Cattle and goat numbers increased by 2,21% and 0,99%, respectively from August 2005 to February 2006. However, sheep and pig numbers decreased by 0,84% and 0,42%, respectively over the same period. Cattle: The number of cattle in the RSA at the end of February 2006 is estimated at 14,094 million. On a provincial basis, 3,171 million (22%) were present in the Eastern Cape, 2,867 million (20%) in KwaZulu-Natal and 2,373 million (17%) in the Free State. The remaining provinces represent 41% (5,683 million) of the total cattle population in South Africa. Sheep: The total number of sheep at the end of February 2006 is estimated at 25,120 million. The provincial distribution of sheep is as follows: 7,713 million (31%) are found in the Eastern Cape, 6,342 million (25%) in the Northern Cape, 5,128 million (20%)

in the Free State and 5,937 million (24%) in the remaining provinces. Pigs: The number of pigs in the RSA at the end of February 2006 is estimated at 1,649 million. Most of South Africa's pig population are present in the Limpopo Province with a population of 403 000 (24%). The North West Province follows with 300 000 (18%) and Gauteng with 180 000 (11%). The remaining provinces represent approximately 47% (766 000) of the total pig population. Goats: Goat numbers at the end of February 2006 are estimated at 6,419 million of which the most goats were present in the Eastern Cape, namely 2,531 million (39%), followed by the Limpopo Province with 1,043 million (16%).

### 5.3 Crop production and estimates

Table 7 summarises the area estimate and the fifth production forecast for the most important summer crops for the 2005/06 production season. The estimated area that South African commercial maize producers have planted to maize during the current 2005/06 season is 1,566 million ha, which is 44,3% less than 2,81 million ha planted the previous season. The expected commercial maize crop is 5,998 million tons, which is 47,6% less than the 11,45 million tons of the previous season. The ratio of

white to yellow maize plantings is 63:37 compared to the previous season's 60:40. The expected white maize plantings are 985 000 ha, 42,1% less than the previous season, while yellow maize plantings are 580 700 ha, down 47,7% from the 1 110 000 ha of the previous season. According to preliminary indications the estimated area of white maize under irrigation is 5,6% or 55 000 ha and the estimated area of yellow maize under irrigation is approximately 12,1% or 70 000 ha. The production forecast of white maize is 3,616 million tons, which is 44,7% less than the 6,541 million tons of the 2004/05 season. The yield for white maize is 3,67 t/ha as against 3,85 t/ha of the previous year. In the case of yellow maize the production forecast is 2,382 million tons, which is 51,5% less than the 4,909 million tons of last season. The yield for yellow maize is 4,10 t/ha as against 4,42 t/ha of the previous season. The production forecast for sunflower seed is 538 470 tons, which is 13,2% less than the 620 000 tons of the previous season. The area planted to sunflower seed is 472 480 ha, which is 2,7% more than the 460 000 ha of the previous season. The expected yield is 1,14 t/ha as against 1,35 t/ha of the previous season. The production forecast for sorghum is 79 890 tons.

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

Crop	Estimated plantings for the 2005/06 season	Change from the 2004/05 season		Fifth production forecast for the 2005/06 season	Change from the 2004/05 season	
	Ha	Ha	%	Tons	Tons	%
Total maize	1 565 700	-1 244 300	-44,28	5 997 950	-5 452 050	-47,62
White maize	985 000	-715 000	-42,06	3 615 650	-2 925 050	-44,72
Yellow maize	580 700	-529 300	-47,68	2 382 300	-2 527 000	-51,47
Sorghum	33 550	-52 950	-61,21	79 890	-180 110	-69,27
Groundnuts	48 550	8 550	21,38	72 600	8 600	13,44
Sunflower seed	472 480	12 480	2,71	538 470	-81 530	-13,15
Soya-beans	239 570	89 570	59,71	390 245	117 745	43,21
Dry beans	54 880	5 580	11,32	69 050	-770	-1,10

Source: Directorate Agricultural Statistics

TABLE 8: Revised intentions to plant winter crops for the 2006/07 production season

Crop	Revised intentions as at the end of April 2006	Area planted 2005	2006 vs. 2005
	Ha	Ha	%
Wheat	793 500	805 000	-1,43
Malting barley	92 700	90 000	3,00
Canola	36 600	40 200	-8,96
Sweet lupines	15 500	14 100	9,93

Source: Directorate Agricultural Statistics

This is a decrease of 69,3% compared to the 260 000 tons of the previous season. The area planted to sorghum decreased by 61,2% from the 86 500 ha last season, to 33 550 ha. The expected yield is 2,38 t/ha as against 3,01 t/ha of the previous season. The expected groundnut crop is 72 600 tons and the area estimate is 48 550 ha. The expected yield is 1,50 t/ha. The production forecast for soybeans is 390 245 tons and the estimated area planted to soybeans is 239 570 ha, while the expected yield is 1,63 t/ha. The production forecast for dry beans is 69 050 tons and the estimated area planted to dry beans is 54 880 ha with an expected yield of 1,26 t/ha. Table 8 summarises the results of the revised intentions to plant winter crops for the 2006/07 season. The survey, which was undertaken by the Department of Agriculture, is based on replies received from a sample of producers and it gives an indication of the intentions of farmers to plant winter crops as at the end of April 2006. Various factors can, however, still influence these intentions up until planting time. The survey shows that producers intend to plant 11 500 ha (1,4%) less wheat than in 2005. The main producing areas are within the Free State with 375 000 ha (47,3%), followed by the Western Cape with 294 500 ha (37,1%). The producers indicated that the decrease in the expected planting of wheat could mainly be

ascribed to the lower wheat prices at the time of the survey. The expected area planted to malting barley and sweet lupines shows increases of 3,0% and 9,9%, respectively. The expected area planted to canola shows a decrease of 9,0%.

#### 5.5 A short overview of MAFISA

Mafisa, the Micro Agricultural Finance Institutions of South Africa, was launched by the Department of Agriculture in 2005 with the aim of assisting emerging farmers and bringing about equal and improved participation in agriculture. It is intended to provide capital to increase support to agricultural activities in the communal land areas and other small-scale agriculture. It is the first state-owned scheme to provide micro and retail agricultural financial services on a large, accessible, cost effective and sustainable basis in the rural areas. Potential beneficiaries of this initiative include farm and non-farm entrepreneurs such as farm workers, tenants, household producers, landless, small landholders, food garden producers and rural micro-entrepreneurs. Mafisa has four products and services for the rural working poor and enterprises: credit, savings, insurance and payment facilities. The scheme has already been launched in three pilot provinces, namely Limpopo, Eastern Cape as well as KwaZulu-Natal (KZN) and it will be rolled out to

other provinces at a later stage. The Post Office is one of the vehicles to be utilised to provide front-end office and saving products and various development finance institutions will also be utilised. By May 2006, R34,834 million had been disbursed for 236 loans in Limpopo, R2,153 million disbursed for 51 loans in the Eastern Cape and 1 000 applications to the value of R8,million were in the final stages of consideration in KZN.

March 2006, [www.reservebank.co.za](http://www.reservebank.co.za)

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