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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. 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 International Monetary Fund has increased its world economic growth forecast for 2006 to 4,8% (from an estimation of 4,3% last September) and 4,7% in 2007. For the 12-nation Euro zone the IMF is now predicting growth of 2% this year rather than its September estimate of 1,8%, and by 2007 the Euro zone economy should expand by 1,9%. The United States economy is predicted to grow by 3,3% this year and 3,6% in 2007, though the US performance is potentially threatened by higher oil prices and bird flu, which could affect consumer confidence. Continued steady world oil demand growth, combined with only modest increases in world spare oil production capacity, and the continuing risks of geopolitical instability, are expected to keep crude oil prices high through 2006. The Energy Information Administration expects the price of West Texas Intermediate (WTI) crude oil to average \$64 per barrel in 2006 and \$61 in 2007. Recent events in Nigeria, Iran, and Iraq have been of particular concern and are contributing to current and projected high oil prices. Following attacks on Nigerian oil facilities in mid-February, Shell suspended export operations at its Forcados facility, shutting-in 340,000

barrels per day (bbl/d) of production. An additional 154,000 barrels of daily onshore and offshore production by Shell is also unavailable. The Dow Jones Industrial Index on the New York Stock Exchange were trading around 11300 by the end of March, 4,7% up from the end of December 2005. In London the FTSE All Share index increased by 7,9% in the last quarter, and the Japanese Nikkei increased by 3,7%. Chinese industrial production is currently growing at an annual rate of 16,2%, slightly lower than the 19,3% of Pakistan. Industrial production is growing faster than the economy in these countries. In India the gap is much smaller confirming that the Indian economy is specialising in services rather, especially IT related. Short term Interest rates have increased slightly in the Euro zone from 2,14% a year ago to 2,7% currently. It increased substantially in the US from 2,81% to 4,78%. This will impact on property markets as mortgage lending will become more expensive resulting in higher risks for banks. As the US current account is still reaching record deficits putting the Dollar under pressure, US interest rates will remain on its upward trend. Inflation in the US is currently at 4% compared to 3% a year ago.

TABLE 1: The World Economic Outlook-Real GDP growth

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

Source: IMF

¹ The 12 Euro countries

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

2. SUB-SAHARAN ECONOMY

TABLE 2: Sub Sahara Africa – Economic Outlook

	2005	2006	2007
SADC	6,0	5,4	5,2
Frank Zone	3,7	3,8	3,9
East Africa	5,3	5,4	5,5
Central and West Africa	4,9	4,9	3,9

Source: Economist Intelligence Unit (EIU)

The Economist Intelligence Units expects economic growth to slow down slightly in SADC, Central and West Africa, while accelerated growth is forecasted for the Frank Zone and East Africa. Inflation has been on a steady downward trend in most Sub-Saharan African countries since 2000, and the EIU now expects the average for Sub-Saharan Africa to fall into single digits, from an estimated 10,5% in 2005 to 9% in 2007. The economic situation in Zimbabwe is deteriorating further as unemployment stands at 75%. Many people who are fortunate to have a job earns around R130 per month. Inflation is currently over 780%, causing the currency to plummet by a factor of 16 during the past year. Zimbabwe is unable to repay their debts to the IMF and on 8 March the country lost its voting and borrowing rights. The Zimbabwe government also announced plans to nationalise 51% of platinum mines in the country without compensating share holders. This could depress their economy more as foreign investment will stop totally, mine maintenance will collapse resulting in production decreases. This will cause foreign exchange to dry up even more making Zimbabwe unable to pay for any imports. The World Bank is pre-

paring an emergency project worth US\$50 million to help combat avian flu in Nigeria – the first African country to be infected with the virus. All countries in Sub-Saharan Africa should be considered at high risk of infection and should be prepared for outbreaks of avian flu. The IMF issued a statement concerning food shortages in Sub-Saharan Africa as drought-related food shortfalls are intensifying in several regions in eastern Africa and the situation remains difficult in some southern African. An estimated 674 state-owned Chinese companies are operating in Sub-Saharan Africa at present. To fuel its own rapid economic many Chinese companies exploit Sub-Saharan Africa's natural resources as trade data shows that China is rapidly emerging as a key trading partner with many African states and of the higher-profile position taken by many Chinese companies in Sub-Saharan Africa. Military conflict in Sub-Saharan Africa is on the decline. At the end of the 1990s wars in Sub-Saharan Africa were killing more people than wars in the rest of the world combined. However, by 2003 the number of armed conflicts in Sub-Saharan Africa fell to only 35.

3. SOUTH AFRICAN ECONOMY

For the year 2005 the South African economy has grown by 4,9%, compared to 4,5% in 2004 and 3% in 2003. During the fourth quarter of 2005 the economy was growing at a rate of 4,5%, somewhat lower than the 5,8% the same quarter of the previous year. In general the South African economy seems to pick up momentum as interest rates have come down

and stabilised and foreign investment has increased substantially. The stable interest rates caused a convergence between CPI and CPIX, both moving around 4%. However, CPIX is on an upward trend which indicates that any further decreases in interest rates is highly unlikely, there rather exist some risk of increases sometime in the future. The Minister of Finance has tabled a very positive budget in parliament in February. The mere fact that Government needs to borrow less on a continual basis implies lower future taxation. Implications to Agriculture: The individual tax reduction will also benefit small scale farmers whose profit are below R400 000 per annum. With the tax rebate on bio-diesel increased from 30% to 40% a vast new market may open up for oilseed farmers. This is an opportunity which they should grab with both hands, especially emerging farmers. The tobacco and wine industry may be impacted slightly negative as excise duties were increased, however exports is forecasted to rise and these sub sectors may find an alternative market for their products.

Recent trends: Due to rising fuel prices, market expectations were that the CPIX will overshoot its upper limit of the target range. Owing to rising commodity prices (including precious metals), capital inflows and a stronger rand, among other factors, the CPIX inflation rate was lower than market expectations for 2005, where it averaged 3,9%. The rate was at its lowest in February last year and reached its maximum of 4,8% in August. It has since maintained a downward trend, recording a 4,0% in December 2005. The lagged effected of increased fuel prices has seen the February rate increase to 4,5%. This is confirmed by the contribution of transport to inflation, which increased from 1,3% in January 2006 to 1,6% in February 2006. Forecast: Inflation outlook remains oblique, but is expected to remain within the targeted range, assuming away drastic political and economic developments. Research institutions have revised their inflation forecast figures downwards. The Bureau for Economic Research (BER)'s inflation forecast for 2006 has been revised to 4,5%, Standard Bank to 4.3% and Absa to 4,5%. However, based on the institutions' forecast figures, the average forecast for 2006 is 4,4%, which still lies within central bank's upper bound of 6%. **Impact on agriculture:** The impact of inflation on agriculture is multifaceted. Firstly, it raises the sector's costs of production through increased material input costs. Secondly, higher production costs may be shifted to consumers, but this possibility is limited by the availability of competitive imports, thus reducing farmers' rate of return. Thirdly, if wage increases are tied to inflation rate, higher wage rates may

4. MACROECONOMIC VARIABLES AND THEIR IMPACT ON AGRICULTURE

4.1 Inflation

TABLE 2: Annual average CPIX inflation rate

2005		2006	2007
3,9	BER	4,5	5,2
	Standard Bank	4,3	4,7
	Absa	4,5	5,3
	Average	4,4	5,1

BER - Bureau for Economic Research

be demanded by unions to maintain positive real wages increases.

4.2 Growth

TABLE 4: Annual real GDP growth rates

2005		2006	2007
4,9	BER	4,6	4,1
	Standard Bank	4,9	4,6
	ABSA	4,1	4,4
	Average	4,5	4,4

BER - Bureau for Economic Research

Recent trends: In the recent past the South African economy has been growing at its highest in decades, with the growth rate averaging 4,5% in 2004 and 4,9% last year. This phenomenal growth was achieved at the backdrop of natural disasters and an oil shock in 2005, which saw oil prices reaching the \$70/b level in September 2005. 2005 was characterised by strong domestic demand, falling mining output in the face of a commodity boom, a booming property market (which saw the construction sector’s growth q/q averaging 11,45%). The q/q GDP growth rate rose from 4,2% in the first quarter of 2005 to 5,4% during the third quarter, and falling to 3,3% in the fourth quarter of 2005. The main culprits behind the fall were the mining and manufacturing sectors whose q/q output fell by 4,5% and 0,3% respectively. Forecast: South Africa’s GDP figures show that the economy has been growing at a rate faster than previously anticipated. A positive future growth outlook is supported by gross domestic fixed investment (GDFI) that is projected to expand by at least 8% this year and in 2007. The Bureau for Economic Research (BER) revised its 2006 (table 3) growth forecast upwards, from 4,1% to 4,6%.

However, the 2007 forecast figure has been revised down to 4,1%. The Standard Bank forecast the growth rates for 2006 and 2007 at 4,9% and 4,6% respectively. On the other hand Absa’s forecasts are 4,1% and 4,4% for the same periods. The seemingly sustainable growth pattern is supported by moderate inflation and interest rates, a favourable balance of payment position and improvement in job creation by the formal sector. All these factors are conducive to a strong domestic economy, which reduces reliance on volatile and protected foreign markets. Impact on agriculture: A strong domestic economy will reduce the agricultural sector’s reliance on imperfect international markets that are characterised by tariffs, subsidies and other forms of trade barriers. Increased demand resulting from economic growth may facilitate investment in the sector, hopefully leading to an increased output and the consequent cost benefits resulting from scale economies.

4.3 Exchange rates

TABLE 5: End of year R/\$ exchange rates

2005		2006	2007
6,36	BER	6,35	7,30
	Standard Bank	6,15	6,54
	Absa	6,36	6,76
	Average	6,29	6,87

BER - Bureau for Economic Research

Recent trends: The first two quarters of 2005 saw the rand depreciate against the US dollar, from R5,96/ \$ in January to R6,75/\$ at the end of the second quarter. Since July 2005 the rand has appreciated against the dollar to R6,35/\$ in December 2006. The appreciation of the rand has been attributed to an increase

in commodity prices (including precious metals) and capital inflows. Recently the USA raised interest rates and this has been identified as the factor behind the current decline of the rand (around R6,25/\$) down from R6,08/\$ in January. Forecast: The appreciation of the rand from the third quarter last year was driven mainly by precious metals and sound domestic fiscal and monetary policies which lead to significant capital inflows. Also, factors beyond South Africa's borders have played their part, such as the interest rate differentials between South Africa and the USA, and demand conditions in the international markets. With the current unfavourable balance-of-payment (BOP) position in South Africa the rand is expected to depreciate in the near future. The medium to long term expectations will depend on major political and economic shocks. The BER forecasts the rand-dollar exchange rate to average R6,35 in 2006, Absa R6,15 and Standard Bank R6,36 during the same period. Impact on agriculture: With the recent reported trade deficit and the rising US interest rates, the rand is expected to depreciate in the near future. The expected depreciation of the currency should impact positively on the agricultural sector's performance through increased exports. The sector's export performance will depend on the relative strength of the opposing forces of imported inflation and benefits from increased production.

4.4 Interest rates

Recent trends: Domestic Interest rates have been in a declining phase from mid-2003. The repo rate was cut to 7%, its lowest level in 30

years, in April 2005 and it has remained unchanged to date, with the prime interest rate at 10,5%. The main contributing factor to the Reserve Bank's Monetary Policy Committee stance to keep the repo rate unchanged has been the positive inflation outcomes throughout 2005 with CPIX inflation averaging 3,9% in 2005 compared to 4,3% in 2004. Bonds, which perform better on a firmer rand, have also remained strong supported by the rand which remained firmly strong throughout the first quarter of 2006. The key six-year R153 interest rate was 7,25% at the end of Q1 2006, significantly lower than the 8,20% rate at the end of Q1 2005. Forecast: The CPIX inflation rate, which rose to 4,5% in February 2006 largely due to increasing transport and food prices, is expected to increase slightly this year but to remain within the 3-6% target. Due to the positive inflation outlook and the expected sustained stability of the rand at relatively strong levels, the Bureau for Economic Research (BER) forecasts that the Reserve Bank will leave the repo rate unchanged during the first half of 2006. Nedcor, ABSA and Standard Bank are also in consensus regarding the interest rate prospects with all projecting that the Reserve Bank will leave the repo rate unchanged at 7% during 2006. Impact on agriculture: The agricultural sector will continue to enjoy the benefits of low interest rates through low debt servicing costs.

5. OTHER FACTORS IMPACTING ON AND RELATED TO AGRICULTURE

5.1 Agri-market indicators

TABLE 6: Price of maize and wheat per ton

	End March 2005	End March 2006
White Maize price	R560	R1 123
Yellow Maize price	R615	R1 003
Wheat price	R1 325	R1 413
Sunflower price	R1 739	R1 685

Source: Safex

Maize prices rose significantly during the first quarter of 2006 compared to the first quarter of 2005 as a result of, among other things, lower production figures with maize harvest estimated at 11,45 million tons in 2005 which is 6% below the forecast. Drought and food shortages in neighbouring countries also boosted the domestic maize price, together with the prospects of increased domestic demand due to the expected establishment of bio-ethanol plants in South Africa. The price of white maize more than doubled at the end of March 2006 compared to end of March 2005, whilst the price of yellow maize increased by 63,1% during the same period, table 5. On the world market, maize prices remained relatively constant with the price of yellow maize in the USA at R555,52 per ton at the end of March 2006, an increase of 6,3% from R522,63 per ton at the end of March 2005. The wheat price increased both locally, from R1 325 per ton at the end of March 2005 to R1 413 end of March 2006, and internationally, from R765,63 to R784,55 per ton during the same period. Sunflower prices decreased by 3,1% year-on-year from R1 739 end of March 2005 to R1 685 at

the end of March 2006, however, due to wet and cooler weather conditions sunflower yields are expected to drop and this is likely to increase prices in the medium term.

5.2 Climatic and other conditions

Climatic conditions: The period from January to March 2005 was characterized by mainly wet conditions with isolated incidences of floods in the central and eastern regions of the country with the exception of the winter rainfall areas. Warm to hot temperatures prevailed in most parts of the country with a few odd cold days in the eastern part of the country. The Normalised Difference Vegetation Index (NDVI) for the first sixteen days of February 2006 compared to the long-term mean has confirmed the largely normal vegetation conditions in most areas of the country in the wake of the good rains that persisted throughout. However, some areas were characterised by relatively higher vegetation activity compared to the six year average. Levels of dams: The levels of dams continued to improve in most of the summer rainfall areas with the exception of 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 surplus in the previous season, the crops are in good condition and good yields are expected in most areas. As such, a negative impact on food security is unlikely. Livestock conditions: The livestock has improved in most parts of the country following the improved veld conditions. However, the problem of overgrazing as a result of overstocking in cer-

TABLE 7: Estimated plantings and second production forecast of summer 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	%
Total maize	1 548 200	(1 261 800)	(44,90)	6 059 850	(5 390 150)	(47,08)
White maize	973 000	(727 000)	(42,76)	3 669 600	(2 871 100)	(43,90)
Yellow maize	575 200	(534 800)	(48,18)	2 390 250	(2 519 050)	(51,31)
Sorghum	33 520	(52 980)	(61,25)	85 655	(174 345)	(67,06)
Groundnuts	49 550	9 550)	23,88	83 575	19 575	30,59
Sunflower seed	466 480	6 480	1,41	574 620	(45 380)	(7,32)
Soya-beans	228 570	78 570	52,38	372 520	100 020	36,70
Dry beans	54 880	5 580	11,32	73 225	3 405	4,88

Source: Directorate Agricultural Statistics

tain areas has negated the veld improvement. Lightning was reported to have caused livestock mortalities in Rietfontein, Gauteng during the month of February. Irrespective of the improved veld conditions, livestock farmers were advised to continue with the existing drought assistance to allow the veld to improve further. Forecast of rainfall and temperature: Good falls of rain are expected to continue over the summer rainfall regions while dry over the winter rainfall areas as winter sets in. An unfavourable chance for rain is likely in the southwest. Warm temperatures are likely to continue into early winter though enhanced in the northeast. SADC: Good rains continued to fall over the northern and central parts of the SADC region with rainfall deficits over the southern continental areas and the bulk of Indian Island sectors. The Sea Surface Temperature (SST) pattern over the surrounding oceans

and associated circulation patterns are predominantly influencing good rainfall distribution as the summer rainfall season draws to an end. Meantime, heavy rains have spread across most of the region. The productive central areas of South Africa had good rains and are likely to have above-average crop performance this season. However, Tanzania has wrecked under extended dry spells. Conclusions: The good rains over the summer rainfall regions brought relief in most areas that were drought stricken. Since these rains are likely to continue for the next couple of months, precautions must be taken for diseases associated with wet and warm conditions. Due to the expected cloudiness over the central and eastern regions, an early frost is unlikely though cold spells might still be a cause for concern. Warm temperatures are likely to continue into winter. The dry conditions anticipated over the

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

Crop	Intentions as at the end of February 2006	Area planted 2005	2006 vs. 2005
	Ha	Ha	%
Wheat	820 900	800 500	2,55
Malting barley	93 600	91 950	1,79
Canola	33 900	41 200	(17,72)
Sweet lupines	15 200	14 100	7,80

Source: Directorate Agricultural Statistics

winter rainfall regions might have an unsavoury implication for the coming winter planting season.

5.3 Livestock numbers

Cattle, sheep and goats increased by 1,32%, 0,04% and 1,35%, respectively from August 2005 to November 2005. However, pig numbers decreased by 0,42% over the same period. Cattle: The number of cattle in the RSA at the end of November 2005 is estimated at 13,972 million. On a provincial basis, 3,125 million. (22%) occurred in the Eastern Cape, 2,857 million. (20%) in KwaZulu-Natal and 2,324 million. (17%) in the Free State. The remaining provinces represent 41% (5,666 million) of the total cattle population in South Africa. Sheep: The total number of sheep at the end of November 2005 is estimated at 25,345 million. The provincial distribution of sheep is as follows: 7,763 million (31%) are found in the Eastern Cape, 6,355 million (25%) in the Northern Cape, 5,184 million (20%) in the Free State and 6,043 million (24%) in the remaining provinces. Pigs: The number of pigs in the RSA at the end of November 2005 is estimated at 1,648 million. Most of South Africa's pig population occurs in the Limpopo Province with a population of 399 000 (24%). The North West Province follows with 301 000 (18%) and Gauteng with 176 000 (11%). The remaining provinces represent approximately 47% (772 000) of the total pig population. Goats: Goat numbers at the end of November 2005 are estimated at 6,441 million of which the most goats occurred in the Eastern Cape, namely 2,545 million (40%), followed by the Limpopo Province with 1,047 million (16%).

5.4 Crop production and estimates

Table 7 summarises the area estimate and second 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 1,548 million ha, which is 44,9% less than 2,81 million ha planted the previous season. The expected commercial maize crop is 6,06 million tons, which is 47,1% 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 seasons' 60:40. The expected white maize plantings are 973 000 ha, 42,8% less than the previous season, while yellow maize plantings are 575 200 ha, down 48,2% from the 1 110 000 ha of the previous season. According to preliminary indications the estimated area of white maize under irrigation is 5,68% or 55 300 ha and the estimated area of yellow maize under irrigation is approximately 10,38% or 59 700 ha. The production forecast of white maize is 3,67 million tons, which is 43,9% less than the 6,541 million tons of the 2004/05 season. The yield for white maize is 3,77 t/ha as against 3,85 t/ha of the previous year. In the case of yellow maize the production forecast is 2,39 million tons, which are 51,3% less than the 4,909 million tons of last season. The yield for yellow maize is 4,16 t/ha as against 4,42 t/ha of the previous season. The production forecast for sunflower seed is 574 620 tons, which is 7,3 % less than the 620 000 tons of the previous season. The area planted to sunflower seed is 466 480 ha, which is 1,4% more than the 460 000 ha of the previ-

ous season. The expected yield is 1,23 t/ha as against 1,35 t/ha of the previous season. The production forecast for sorghum is 85 655 tons. This is a decrease of 67,1% 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 33 520 ha. The expected yield is 2,56 t/ha as against 3,01 t/ha of the previous season. The expected groundnut crop is 83 575 tons and the area estimate is 49 550 ha. The expected yield is 1,69 t/ha. The production forecast for soybeans is 372 520 tons, the estimated area planted to soybeans is 228 570 ha, while the expected yield is 1,63 t/ha. The production forecast for dry beans is 73 225 tons, the estimated area planted to dry beans is 54 880 ha and the expected yield is 1,33 t/ha. Table 8 summarises the results of the 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 February 2006. Various factors can, however, still influence these intentions up until planting time. The survey shows that producers intend to plant 20 400 ha (2,5%) more wheat than in

2005. The main producing areas are within the Free State with 400 000 ha (48,7%) or 5,3% up against the previous season, followed by the Western Cape with 295 600 ha (36,0%) or 1,5% down compared to the previous season. The producers indicated that the increase in the expected planting of wheat could mainly be ascribed to high soil moisture levels in the north west Free State, as well as less maize planted this season. The expected area planted to malting barley and sweet lupines shows increases of 1,8% and 7,8%, respectively. The expected area planted to canola shows a decrease of 17,7%.

5.5 A short overview of the SA poultry industry South African poultry industries are mainly located on farms near metropolitan areas such as Gauteng, Durban, Pietermaritzburg, Cape Town and Port Elizabeth. Domestic poultry-meat production is currently estimated at 950 000 ton per annum and egg production at 578 million dozen per annum. Broiler (young chickens under 8 weeks) production contributes 82% to total poultry-meat production, with the rest made up of mature chicken slaughter (culls), small-scale and backyard poultry production, ducks, geese, turkeys and other specialised white-meat products. The gross value

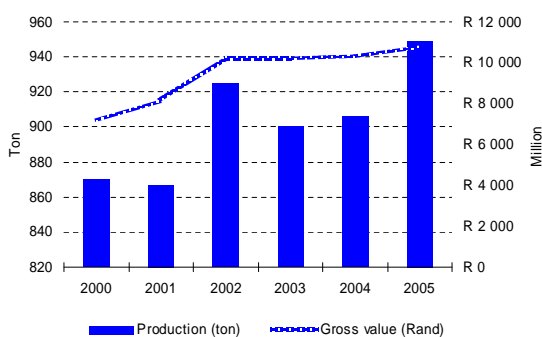
TABLE 8: Revised intentions to plant summer crops for the 2005/06 production season

Crop	Revised intentions as at the end of October 2005	Area planted 2004	2005 vs. 2004
	Ha	Ha	%
Total maize	1 371 540	2 810 000	(51,19)
White maize	744 360	1 700 000	(56,21)
Yellow maize	627 180	1 110 000	(43,50)
Sorghum	30 300	86 500	(64,97)
Groundnuts	65 000	40 000	62,50
Sunflower seed	592 100	460 000	28,72
Soya-beans	231 800	150 000	54,53
Dry beans	58 600	49 300	18,86

Source: Directorate Agricultural Statistics

of total poultry meat production amounted to R10 804 million during 2005, a 4,5% increase from R10 336 million in 2004, whilst the gross value of egg production was R3 363 million in 2004/2005, marking a 9,8% increase from R3 062 million in 2003/2004.

Fig 1: Production and gross value of poultry meat production



Source: Directorate Agricultural Statistics, 2006

South Africa, which is the world’s biggest producer of ostrich meat, accounted for 67% of world sales of ostrich products (namely leather, meat and feathers) in 2003, with a gross value estimated at R276,5 million during the same period. According to the SA Poultry Industry Association, the industry employs over 74 000 workers and it is by far the biggest poultry industry within SADC. The industry consumes about 69% of the feed industry’s output and between 15% to 25% of the total maize crop. Currently the industry is on high alert following the outbreak of Avian flu (bird flu) which has been reported in Asia and various parts of the world as well as in neighbouring countries such as Zimbabwe. Avian flu is a contagious disease of animals caused by viruses that normally infect birds and, less commonly, pigs. South Africa has so far been declared free of the disease and a six-month ban

on all imports of poultry meat from countries in which Avian flu has been identified is currently in place. The outbreak has put some pressure on international poultry prices which continued the declining trend since September 2005 due to a weaker demand for poultry. According to Farmer’s Weekly, the price of imported chicken leg quarter declined from R9,70 per kg during September 2005 to R6,80 per kg in January 2006. In contrast, domestic poultry prices remained firm as demand over the festive season remained strong. Domestic prices of frozen and fresh whole chickens were around R12 and R13 per kg, respectively, in September 2005 whilst both increased to R13,20 and R14,40 respectively, in January 2006.

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7. ACKNOWLEDEMENT OF INTERNAL (DOA) CONTRIBUTORS

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