

## 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

World **cereal stocks** are expected to decline sharply in 2006, due to a slight decrease in global cereal output and significant growth in utilisation, according to the latest forecast by the United Nations Food and Agriculture Organisation. During the third quarter of 2006 **oil prices** surged to record highs above \$78 as global geopolitical storm clouds gathered, though it recovered to \$60 by the end of September. **Israel and Lebanon** moved closer to all-out war on as missiles rained down on both sides of the countries' shared border and the United Nations scrambled to stem the escalating chaos in the region. **Airlines** cancelled hundreds of flights into and out of London after a foiled bomb threat sparked a security alert. The Sudanese government rejected a plan to send thousands of UN peacekeepers to try to halt three years of killings in **Darfur**. The Iraqi authorities have begun taking control of their armed forces from the US-led coalition. The North Atlantic Treaty Organisation (NATO) will expand its military operations into eastern Afghanistan. **Cuba's** Communist Party emphasised that it would stay in control no matter what happened to its leader, Fidel Castro. **Thailand's** new military leaders moved to tighten their grip on power, restricting politi-

cal activities and taking over legislative power. The International Monetary Fund has increased its world **economic growth** forecast for 2006 again, from 4,8% in June to 5,1% in September. The world growth forecast for 2007 is 4,9%. Growth in emerging economies was adjusted upwards and those in developed economies were mostly adjusted downwards. The major 7 economies of the world can expect to grow on average by 2,9% and 2,5% in 2006 and 2007 respectively. This is much lower than the 10% growth forecast for China and 8,3% growth for India. Of the emerging world, Latin America is expected to have the lowest growth. Sub-Saharan Africa grew by 5,8% in 2005 with a minor decrease to 5,2% expected in 2006. The **Dow Jones** Industrial Index on the New York Stock Exchange were trading around 11 679 points by the end of September, 4,4% up in the last quarter and 11% up in the last year. In London the **FTSE 100** index increased by 2,2% in the last quarter, and the Japanese **Nikkei 225** increased by 4%. China's economy grew 11,3% in the second quarter, its quickest pace in more than a decade, and the government said it would continue to clamp down on lending and exports. The European Central Bank stepped up its inflation warnings as it hinted strongly that **interest rates** would rise in October. Moody's Investors Service raised **Brazil's** credit ratings, citing reduc-

TABLE 1: The World Economic Outlook-Real GDP growth

Industrial countries	2005	2006	2007	Developing countries	2005	2006	2007
Major seven	2,4	2,9	2,5	Emerging Asia	9	8,7	8,6
USA	3,2	3,4	2,9	China	10,2	10	10
Japan	2,6	2,7	2,1	India	8,5	8,3	7,3
Euro zone <sup>1</sup>	1,3	2,4	2	Latin America	4,3	4,8	4,2
UK	1,9	2,7	2,7	Emerging Europe <sup>2</sup>	6,5	6,8	6,5
Germany	0,9	2	1,3	Sub-Saharan Africa	5,8	5,2	6,3

Source: IMF <sup>1</sup> The 12 Euro countries <sup>2</sup> Bulgaria, Czech Republic, Hungary, Poland, Slovak Republic, Russia, Turkey

tion of external debt vulnerability due to an improvement in the government's debt structure. The **Japanese** economy is also heading for a soft landing, with real GDP growth projected to slow from a 4% pace in 2005 to a 2½-3% pace this year. Private fixed investment spending remain firm and is expected to underpin sustained growth. Corporate profitability is at a multi-decade high in Japan. Export growth is also expected to remain solid, supported by vigorous demand from China and the region.

## 2. SUB-SAHARAN ECONOMY

**TABLE 2: Sub Sahara Africa – Economic Outlook**

	2005	2006	2007
Growth	5,8	5,2	6,3
Consumer Inflation	10,7	11,7	12,6
External Debt <sup>1</sup>	38,6	28,1	24,4
Current Account <sup>1</sup>	-0,6	0,4	2,3

*Source: IMF <sup>1</sup> % of GDP*

**Economic growth** in Sub Sahara Africa is expected to decrease slightly from the high 5,8% in 2005 to 5,2% in 2006. After that it is expected to increase again to 6,3% in 2007, very positive for Africa. Much of this growth is as a result of a boom in commodity prices and African governments should use the opportunity to invest in productive capacity. Of all African countries Angola has the highest growth rate, with a forecast of 14,3% in 2006 and 31,4% in 2007. The reason for this is the development of a fast growing oil industry with huge investments from China. The country with the lowest growth rate is Zimbabwe. Consumer **inflation** is on the rise in Sub Sahara Africa, though it is still at healthy levels. Zimbabwe is the only country with inflationary problems. The 2006 inflation

rate in Zimbabwe is expected to be 1216%, shooting up to 4278% in 2007. This will have a serious negative impact on poverty levels in that country, increasing along with it is the risk of political stability and revolution. Strangely enough the problems in Zimbabwe had a very small impact on its neighbours and the SADC region where all countries have managed improved economic conditions lately. External **debt** is expected to decrease drastically from 38,6% of GDP in 2005 to only 24,4% in 2007. This is very low compared to some developed countries which maintain debt levels around 100%+ of GDP. Low interest payments would free some much needed cash for capital investment and poverty alleviation. As a result of high commodity prices the **current account** balance is also expected to become positive as a % of GDP. This implies that Africa receives better compensation for its exports. A net inflow of money is thus responsible for the better debt payments, investment and economic growth. However, governments should take caution of market risk – if commodity prices suddenly decreases the economic situation can turn negative. Paying off debt is thus a very good strategy during more prosperous times. **Political** instability remains a problem. Somalia's government is unravelling after a fifth of the cabinet resigned in protest and Islamic rivals have taken over the presidential palace in Mogadishu. In September Nigerian oil workers launched a nationwide, three-day "warning" strike, to press their demand for better security in the country's restive Niger Delta region. President Levy Mwanawasa will stay in office after Zambians voted in a presidential election in September. Ethiopia appealed for international help on after the death toll from

a devastating series of **floods** in August rose to 870.

### 3. SOUTH AFRICAN ECONOMY

Chief **executives** of South African companies are paid 35 to 53 times more than average workers, according to a report released by trade union Solidarity. South African new **vehicle sales** jumped 20,8% in the year to July, with the sector looking set to notch up robust growth in 2006 despite higher lending rates. President **Vladimir Putin** visited South Africa, seeking to widen his sphere of political influence on the continent beyond Moscow's traditional Cold War allies. South Africa said that it would delay imposing planned quotas on Chinese clothing and **textile** imports from September to January 2007. The increases in residential real estate prices continued to slow during the course of 2006. The FNB-BER Consumer Confidence Index decreased slightly in the last quarter as inflation and interest rates increased. The South African construction boom is stretching **cement** producers to capacity as they struggle to expand production to meet the demand. In the year up to the end of the second quarter 2006 the South African economy has grown by 3,6%, compared to 4,8% the same time in 2005 and 4% in 2004. In general the South African economy seems to be losing momentum as interest rates have turned around and inflation is creeping upwards. **Producer inflation** has increased 9,2% in August. This implies that consumer inflation will start to follow soon, forcing the Reserve Bank to raise the repo interest rate. The shortage on the Current Account is increasing

in negative territory, resulting in the rand weakening against international currencies. The governor of the Reserve Bank has warned South African consumers to start spending less. The value added by the **Agriculture**, forestry and fishing industry for the second quarter of 2006 decreased by 15,9% compared with the second quarter of 2005. This was mainly due to the poor performance in the production of field crops. **Implications to Agriculture:** Improved relations with Russia are an opportunity for Agriculture to expand its export market, especially in terms of fruit, wine and flowers. Higher grain prices will result in higher planting of field crops, indicating that agriculture may show some growth in the year coming, though most of it will be the recovering from the recent slide.

### 4. MACROECONOMIC VARIABLES AND THEIR IMPACT ON AGRICULTURE

#### 4.1 Inflation

TABLE 2: Annual average CPIX inflation rate

2005		2006	2007
3,9	BER	4,8	5,5
	Standard Bank	4,7	5,7
	Absa	4,7	7,5
	Average	4,7	6,2

BER - Bureau for Economic Research

**Recent trends:** The CPI-inflation rate in August 2006 compared with that in August 2005 was 5,4%. This rate is 0,4% higher than the corresponding annual rate of 5% in July 2006. The increase is mainly due to relatively large annual contributions in the price indices for food (+1,8%), transport (+1,4%), housing (+1,2%), medical care and health expenses (+0,5%) and education (+0,3%). These annual in-

creases were slightly counteracted by annual decreases in the price indices for clothing and footwear (-0,2%), furniture and equipment (-0,1%) and household operation (-0,1%). The price index for food reflects an annual rate of increase of 7,2% by August 2006. Annual increases occurred in the price indices for meat (+15,2%), fish and other seafood (+10,7%), vegetables (+8,0%), sugar (+7,8%), fruit and nuts (+6,2%), grain products (+4,7%), milk, cheese and eggs (+2,6%), coffee, tea and cocoa (+2%) and fats and oils (+1,6%) (*Statistics South Africa, August 2006*). The annual increase of 9,6% in the **PPI** for locally produced commodities for consumption in South Africa is mainly due to relatively large annual price increases in agricultural products (+2%), mining and quarrying products (+1,1%), food at manufacturing (+1,1%), products of petroleum and coal (+1%). **Forecast:** All the main forecasters have adjusted inflation expectation drastically upwards. Absa expects CPIX-inflation in 2007 not to remain within the targeted range of the Reserve Bank. The average forecast for 2007 is also above 6%. To prevent such a scenario the Reserve Bank will have to raise interest rates substantially over time. **Impact on agriculture:** Since farming products have shown a higher inflation rate than other produce, and food inflation is higher than other items, farmers should benefit from a relative point of view. Their income will increase slightly more than their costs. This will result in a rise in agri-production for the next season. Lower levels of current agri-production have resulted in the larger rise in agri-prices. An increase in production may result in lower agri-inflation in the coming season.

## 4.2 Growth

**TABLE 4: Annual real GDP growth rates**

2005		2006	2007
4,9	BER	4,3	4,1
	Standard Bank	4,3	4,2
	ABSA	4,2	4,3
	Average	4,3	4,2

*BER - Bureau for Economic Research*

**Recent trends:** The GDP grew by 3,6% in the year from the second quarter of 2005 to the second quarter of 2006, down from the 3,9% growth in the year to the first quarter. The seasonally adjusted real GDP at market prices for the second quarter of 2006 increased by an annualised rate of 4,9% compared with the first quarter of 2006. The increase in the GDP was mainly due to increases in the real value added by the finance, real estate and business services industry (1,7%); the manufacturing industry (1%) and the wholesale and retail trade, hotels and restaurants industry (0,9 %). The value added by the Agriculture, forestry and fishing industry for the second quarter of 2006 decreased by 15,9% compared with the second quarter of 2005. The current GDP growth rate is the lowest rate in 2 years and may mark the start of a downward cycle. **Forecast:** All forecasters have adjusted their growth forecasts downwards. The previous average forecast was 4,4% compared to the current 4,3% for 2006. This is still very good for South Africa, though somewhat lower than the peak of 5,8% which was reached in quarter 4 of 2004. The Asgisa initiative by Government should have a positive impact on the economy, though current domestic and world trends of higher interest rates and inflation will be counteracting forces. World growth is expected to be higher than that in South Africa,

implying that exports may be an important factor to stimulate domestic growth. **Impact on agriculture:** As growth in agriculture was negative because of very low grain prices in the previous season, similarly higher current grain prices may lift agri-growth. High growth in the rest of the economy may stimulate an increase in living standards, which in turn may result in a substitution effect in favour of meat for starch. Households who are able to afford more, tend to increase meat in their diets. The meat industry may thus expect some growth. With world growth very high agri-exports may rise even more compared to domestic demand.

### 4.3 Exchange rates

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

2005		2006	2007
6,36	BER	7,15	7,60
	Standard Bank	6,67	6,82
	Absa	6,51	6,91
	Average	6,78	7,11

*BER - Bureau for Economic Research*

**Recent trends:** The rand continued to show significant volatility, fluctuating between levels of around R6,73 and R7,64 to the US dollar during the third quarter of 2006. During the first nine months of 2006, the rand depreciated by 18,3% against the US dollar. The depreciation, which was sparked by the increase in US interest rates (hiked to 5% in May), has also been fuelled by the huge deficit in the current account, currently at R101,7 billion (6,1% of GDP) after reaching a record high of R103,1 billion (6,4% of GDP) in the first quarter of 2006. **Forecast:** The rand's depreciation is not expected to spiral out of control although the US interest rate hikes in May and June diminished investment prospects for emerging markets. How-

ever, most economists forecast a further weakening until the end of the year and early 2007. This, to some extent, will depend on the global interest rate trend, domestic balance of payments position and inflationary pressures. The rand is not expected to return closer to R6 per dollar over the short term. The BER forecasts the rand-dollar exchange rate to average R7,15 in 2006, Absa R6,51 and Standard Bank R6,67 during the same period. **Impact on agriculture:** The forecasted weaker rand has double-sided effects on the agricultural sector. Firstly, agricultural exports will increase as South African products become more competitive in the global market, and secondly, a weaker rand implies increased input costs as imported raw materials become more expensive.

### 4.4 Interest rates

**TABLE 6: Average yearly Prime interest rate**

2005		2006	2007
	BER	11,9	11,5
	Standard Bank	11,1	12,3
	Absa	11,2	12,5
	Average	11,4	12,1

*BER - Bureau for Economic Research*

**Recent trends:** After being in a declining phase for about three years and reaching its lowest level in 30 years (7%), the repo rate began its upward trend in June when the Reserve Bank's Monetary Policy Committee hiked it by 50 basis points to 7,5% and further to 8% in August 2006. The main contributing factor to the interest rate hike is the deteriorating inflation outlook – CPIX inflation increased to 5,4% year-on-year in August – as a result of increases in food and energy prices. Commercial banks also increased their prime overdraft rate from 10,5% to 11% in June and fur-



ther to 11,5% in August. The key six-year R153 interest rate was 8,63% at the end of Q3 2006, slightly higher than the 7,86% rate at the end of Q3 2005. **Forecast:** Due to factors such as the deteriorating inflation outlook; the global economic climate following US interest hike; and the expected weakening of the rand, the Bureau for Economic Research (BER) forecasts that the Reserve Bank will increase the repo rate by 1% (coming to 9%), before the end of 2006. Nedcor and Absa's forecasts are in line with BER, expecting the Reserve Bank to hike interest rate by 50 basis points in October and a further 50 basis points in December 2006. Standard Bank on the other hand forecasts a 50 basis points interest rate hike in October but no change in December 2006. **Impact on agriculture:** Most farmers finance their businesses through debt and by June this year, agricultural debt was at its highest level in 10 years (standing at R36,685 billion). The expected interest rate hike is going to result in high input costs through higher debt servicing costs.

riod in 2005, table 6. This was mainly the result of a decrease in production, with the Crop Estimates Committee indicating a 40,5% decrease in white maize and 51,4% decrease in yellow maize production during the 2005/6 season. Total maize production, including the subsistence sector, decreased by 46,4% from 11,72 million tonnes in 2004/05 to 6,28 million tonnes in 2005/06. The price has also been supported by the weak rand which has made South African exports more competitive on the international market. Domestic maize prices may drop slightly in the next season as producers have indicated intentions to plant more maize than in the previous season. Internationally, maize prices also showed a significant increase with the price of yellow maize in the USA increasing by 58,7%, from R509 per ton at the end of September 2005 to R808 at the end of September 2006. Wheat and sunflower prices also continued to strengthen supported by better international prices. International wheat prices continued to increase due to tight world stocks, with the global ending stocks for the 2006/07 season estimated at 126,4 million tons, almost 20 million tons below last year stocks. Wheat prices in the USA increased by 62,7%, from R780 at the end of September 2005 to R1 270 end of September 2006. Following a year-on-year decrease in domestic sunflower prices during the first quarter of 2006, prices increased in the second and third quarters marking a 9,4% increase at the end of September 2006 compared to September 2005. This was mainly due to a drop in sunflower yields as a result of wet and cooler weather conditions at the beginning of the year, as well as the support of the weaker rand and higher international prices.

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

### 5.1 Agri-market indicators

TABLE 6: Price of maize and wheat per ton

	End September 2005	End September 2006
White Maize price	R823	R1 255
Yellow Maize price	R755	R1 270
Wheat price	R1 440	R1 885
Sunflower price	R2 185	R2 390

Source: Safex

White and yellow maize prices increased by 52,5% and 68,2% respectively, at the end of September 2006 compared to the same pe-



## 5.2 Climatic and other conditions

**Climatic conditions:** The middle of the period saw appreciable falls of rain along the southern coastal regions and the central interior, otherwise dry. Although winter temperatures were slightly warmer than the average, incidences of cold spells associated with snowfalls were reported over most of the country during the middle of the period when the southern coastal regions were inundated with floods. The country experienced largely normal vegetation conditions with high vegetation activity mostly over the western part. Patches of below normal vegetation activity were experienced in the far northern parts of Limpopo and north eastern KwaZulu-Natal although slightly better than last year this time around.

**Levels of dams:** Despite water restrictions over some areas in northeastern KwaZulu-Natal, the levels of dams remain good over the country.

**Crop conditions:** Winter crops are in good condition. Some farmers in the North West experienced frost damage and several hectares of sunflower, sorghum, dry beans and maize were lost. According to the CEC the expected commercial maize crop is 5,990 million tons and in the subsistence agricultural sector is estimated at 317 056 tons. A negative impact on food security is unlikely. **Livestock conditions:** The livestock and veld condition is still good in most parts of the country although showing signs of deteriorating over certain parts of Limpopo due to the dry winter conditions.

**Forecast of rainfall and temperature:** A weak El Niño is developing over the equatorial Pacific Ocean while the developments over the Indian Ocean do not support favourable rainfall conditions. Extreme above-normal temperatures coupled with extreme below-normal

rainfall conditions are expected over the northern part of the country while also dry with temperatures on the warm side over the remainder. Areas that experienced dry winter conditions are likely to have moisture stress.

**SADC:** Although final crop estimates have not yet been issued in many countries, available forecasts clearly indicate the increased cereal supply for most SADC countries except for South Africa which had a sharp reduction in area planted to maize in order to counter the effects of oversupply that occurred during the 2005/06 marketing season following the bumper harvest the year before. Food security over the 2006/07 consumption period is likely to improve considerably relative to the last few years, as a result of the improved domestic supplies of the major cereal and other food staples across many countries. Reports from across the region indicate that the food security situation for many of the region's vulnerable populations has been steadily improving since the end of the hunger season in March, when seasonal crops became available. At the same time, food prices have been dropping significantly, easing access for the poor and market-dependant households. **Conclusions:** Save for some rains over the central interior, relatively dry conditions prevailed over the country while the southern coastal regions continued to receive rain with heavy falls at times. The southern coastal regions have been experiencing floods, and as temperatures are expected to rise, there is a concern for diseases and pests associated with wet and hot conditions over these areas. The anticipated dry and very hot conditions warrant a conservative approach in the utilization of available

water. Precautions for runaway fires also have to be maintained.

**5.3 Livestock numbers**

Cattle and goat numbers increased by 0,22% and 0,63%, respectively from August 2005 to May 2006. However, sheep and pig numbers decreased by 2.13% and 3,56%, respectively over the same period. **Cattle:** The number of cattle in the RSA at the end of May 2006 is estimated at 13,789 million. On a provincial basis, 3,082 million (22%) were present in the Eastern Cape, 2,813 million (20%) in KwaZulu-Natal and 2,297 million (17%) in the Free State. The remaining provinces represent 41% (5,597 million) of the total cattle population in South Africa. **Sheep:** The total number of sheep at the end of May 2006 is estimated at 24,794 million. The provincial distribution of sheep is as follows: 7,360 million (30%) are found in the Eastern Cape, 6,362 million (26%) in the Northern Cape, 5,058 million (20%) in the Free State and 6,014 million (24%) in the remaining provinces. **Pigs:** The number of pigs in the RSA at the end of May 2006 is estimated at 1,597 million. Most of South Africa’s pig population are present in the Limpopo Province with a population of 398 000 (25%). The North West Province follows with

296 000 (19%) and Gauteng with 168 000 (11%). The remaining provinces represent approximately 45% (735 000) of the total pig population. **Goats:** Goat numbers at the end of May 2006 are estimated at 6,396 million of which the most goats were present in the Eastern Cape, namely 2,473 million (39%), followed by the Limpopo Province with 1,154 million (18%).

**5.4 Crop production and estimates**

**Table 7** summarises the area estimate and the final production estimate 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 2005/06 season is 1,60 million ha, which is 43,1% less than 2,81 million ha planted the previous season. The expected commercial maize crop is 6,28 million tons, which is 45,1% less than the 11,45 million tons of the previous season. The ratio of white to yellow maize plantings is 65:35 compared to the previous season’s 60:40. The expected white maize plantings are 1,03 million ha, 39,2% less than the previous season, while yellow maize plantings are 567 200 ha, down 48,9% from the 1,11 million ha of the previous season. The

**TABLE 7: Estimated plantings and final production estimate of summer crops for the 2005/06 season**

Crop	Estimated plantings for the 2005/06 season	Change from the 2004/05 season		Final production estimate for the 2005/06 season	Change from the 2004/05 season	
	Ha	Ha	%	Tons	Tons	%
Total maize	1 600 200	-1 209 800	-43,05	6 280 400	-5 169 600	-45,15
White maize	1 033 000	-667 000	-39,24	3 893 000	-2 647 700	-40,48
Yellow maize	567 200	-542 800	-48,90	2 387 400	-2 521 900	-51,37
Sorghum	37 150	-49 350	-57,05	89 730	-170 270	-65,49
Groundnuts	48 550	8 550	21,38	74 000	10 000	15,63
Sunflower seed	472 480	12 480	2,71	520 000	-100 000	-16,13
Soybeans	240 570	90 570	60,38	424 000	151 500	55,60
Dry beans	54 880	5 580	11,32	67 250	-2 570	-3,68

Source: Directorate Agricultural Statistics

production estimate of white maize is 3,89 million tons, which is 40,5% less than the 6,54 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 estimate is 2,39 million tons, which is 51,4% less than the 4,91 million tons of last season. The yield for yellow maize is 4,21 t/ha as against 4,42 t/ha of the previous season. The production estimate for **sorghum** is 89 730 tons. This is a decrease of 65,5% compared to the 260 000 tons of the previous season. The area planted to sorghum decreased by 57,1% from the 86 500 ha last season, to 37 150 ha. The expected yield is 2,42 t/ha as against 3,01 t/ha of the previous season. The production estimate for **dry beans** is 67 250 tons and the estimated area planted to dry beans is 54 880 ha, with an expected yield of 1,23 t/ha. The **sunflower** seed, **soybean** and **groundnut** crops and areas for the 2005/06 season have been finalised. The final **sunflower seed** crop is 520 000 tons, which is 16,1% 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 final yield is 1,10 t/ha as against 1,35 t/ha of the previous season. The final **groundnut** crop is 74 000 tons and the

final area is 48 550 ha, while the yield is 1,52 t/ha. The **soybean** crop is 424 000 tons and the area planted to soybeans is 240 570 ha, while the yield is 1,76 t/ha. **Table 8** summarises the results of the first intentions to plant summer 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 commercial farmers to plant summer crops as at the end of August 2006. Various factors can, however, still influence these intentions up until planting time. The expected area planted to **maize** for the 2006/07 production season is 2,63 million ha, of which 1,72 million ha (65,1%) is for white maize and 918 500 ha (34,9%) is for yellow maize. The survey shows that producers intend to plant 683 500 ha (66,2%) more white maize and 351 300 ha (61,9%) more yellow maize than in the previous season. The expected area planted to **sunflower** seed, **soybeans** and **groundnuts** shows decreases of 21,5%, 9,8% and 1,1%, respectively. The plantings of **sorghum** and **dry beans** show increases of 91,1% and 0,2% respectively. **Table 9** summarises the estimated plantings and second production forecast of the most important winter crops for the 2006 production season. The estimated

**TABLE 8: First intentions to plant summer crops for the 2006/07 production season**

Crop	First intentions as at the end of August 2006	Area planted 2005	2006 vs. 2005
	Ha	Ha	%
Total maize	2 635 000	1 600 200	64,67
White maize	1 716 500	1 033 000	66,17
Yellow maize	918 500	567 200	61,94
Sorghum	71 000	37 150	91,12
Groundnuts	48 000	48 550	-1,13
Sunflower seed	371 000	472 480	-21,48
Soybeans	217 000	240 570	-9,80
Dry beans	55 000	54 880	0,22

Source: Directorate Agricultural Statistics

**TABLE 9: Estimated plantings and second production forecast of winter crops for the 2006 season**

Crop	Estimated plantings for the 2006 season	Change from the 2005 season		Second production forecast for the 2006 season	Change from the 2005 season	
	Ha	Ha	%	Tons	Tons	%
Wheat	770 800	-34 200	-4,25	2 190 950	285 950	15,01
Malting barley	89 700	-300	-0,33	256 860	31 860	14,16
Canola	34 700	-5 500	-13,68	41 640	-2 560	-5,79
Sweet lupines	16 000	1 900	13,48	17 600	3 500	24,82

Source: Directorate Agricultural Statistics

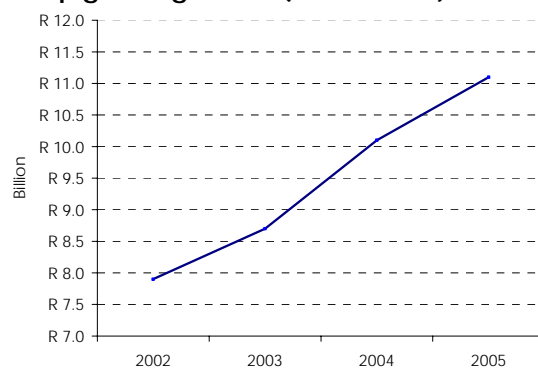
area planted to wheat during the 2006 season is 770 800 ha, which is 4,3% less than 805 000 ha planted the previous season. The expected winter **wheat** crop is 2,19 million tons, which is 15,0% or 285 950 tons more than the 1,90 million tons of the previous season. The expected yield is 2,84 t/ha as against 2,37 t/ha of the previous season. The expected production forecast for Free State is 846 000 tons, with an expected yield of 2,35 t/ha and for the Western Cape 669 750 tons, with an expected yield of 2,35 t/ha. The production forecast for **malting barley** is 256 860 tons, with the area planted estimated at 89 700 ha and the yield at 2,86 t/ha. The production forecast for **canola** is 41 640 tons, while the area planted to canola is 34 700 ha and the yield is 1,20 t/ha. The 2006 production estimate for **sweet lupines** is 17 600 tons, which is an increase of 24,8% from the previous season. The area planted to sweet lupines is 16 000 ha and the yield is 1,10 t/ha.

**5.5 A short overview of the red meat sector**

The **red** meat sector has been sited as one of the fastest growing agricultural industries in the world, with red meat consumption expected to grow by 43% in developing countries by 2020. The forecasted consumption increase in developed countries is however lower, at 7%, mainly due to red meat being regarded as an

unhealthy alternative to white meat in most well-developed countries. **Beef** is the most consumed red meat in South Africa, accounting for about 71,5% of the gross income from red meat (R11,1 billion) in 2005. Gross income from cattle and calves slaughtered in 2005 was the highest at R7,9 billion, followed by sheep, pigs and goats at R1,8 billion, R1,3 billion and R70,6 million respectively. Although the red meat sector has been faced with the classical swine fever and foot and mouth diseases in some regions, the gross income has shown an increasing trend over the past four years, figure 5.1. According to Farmer’s Weekly, domestic beef prices in September 2006 were 56% and 50% above 2004 and 2005 prices, respectively, due to tight supplies on the market. Import parity prices for beef continued to strengthen due to a weaker rand.

**Fig 5.1: Gross income from cattle, sheep, goats and pigs slaughtered (2002 – 2005)**



Source: Directorate Agricultural Statistics, 2006

Domestic and **international** lamb prices also remained high as a result of a strong demand on the markets amid tight supplies. International pork prices declined slightly in mid-September due to improved supplies on the markets however despite lower international prices, import parity prices continued to strengthen due to a weaker rand. Domestically, pork prices continued to strengthen and imports are expected to slow down in the near term as the gap between import parity and domestic prices widens due to further weakening of the rand.

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## 7. ACKNOWLEDEMENT OF INTERNAL (DOA) CONTRIBUTORS

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