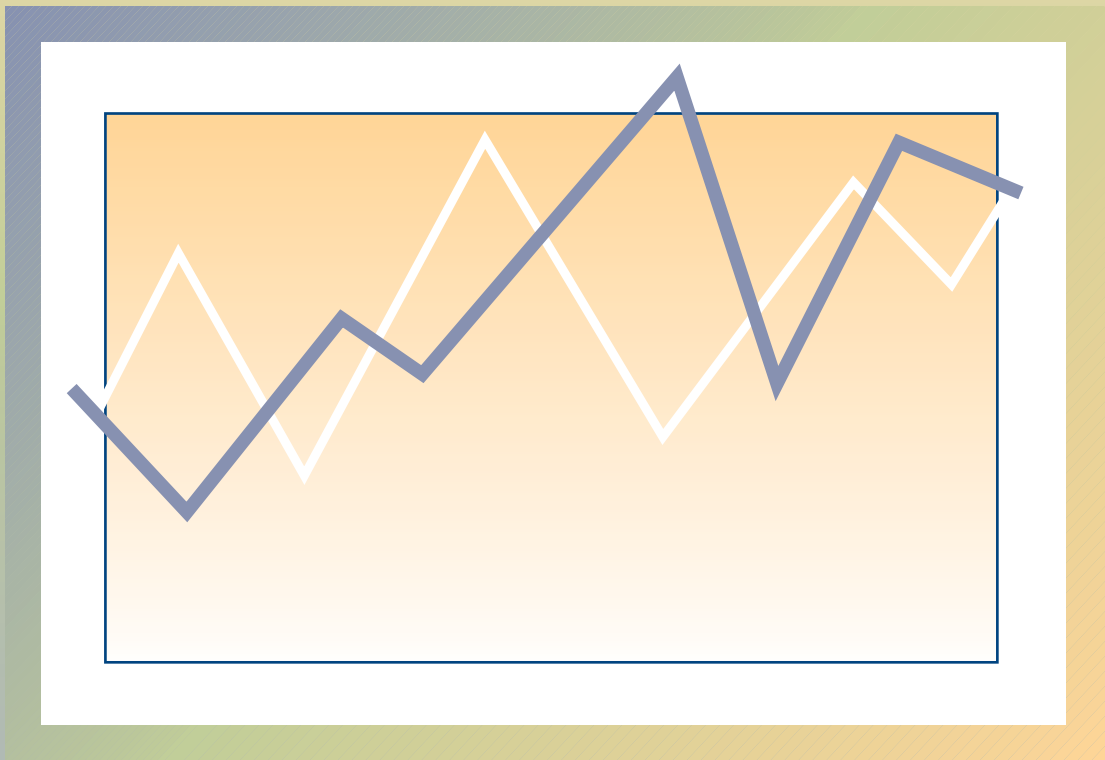


# Trends in the Agricultural Sector



2003



agriculture

Department:  
Agriculture  
REPUBLIC OF SOUTH AFRICA

# Trends in the Agricultural Sector 2003

2004

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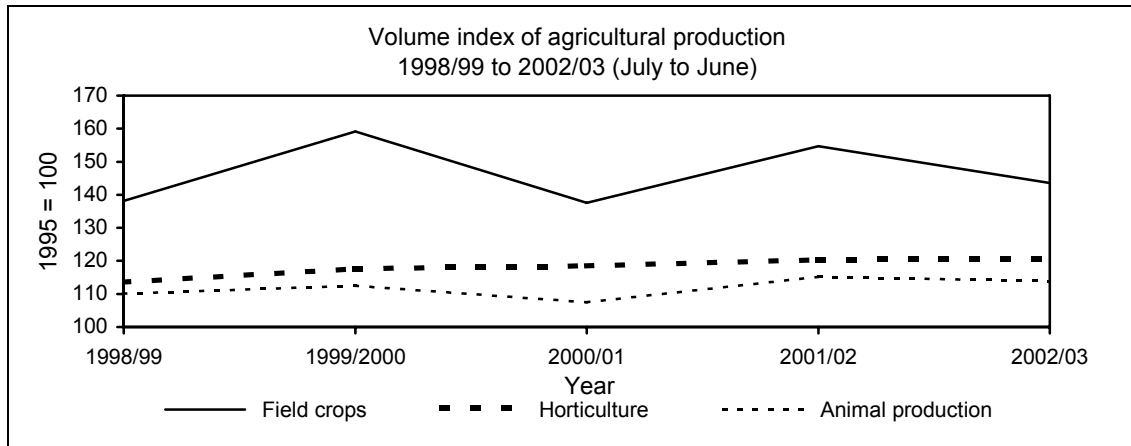
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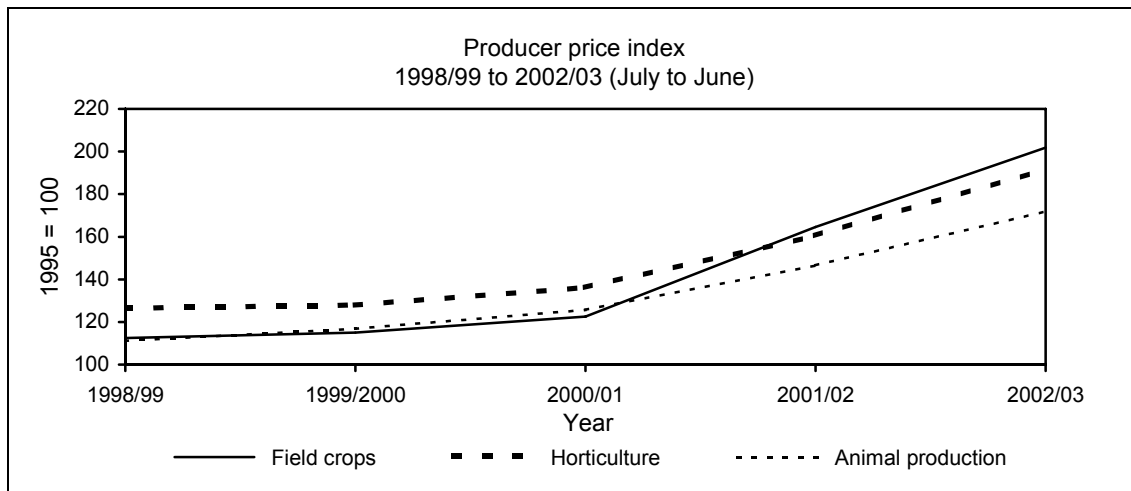
**Volume of agricultural production**

During 2002/03, the estimated total volume of agricultural production was 3 % lower than during 2001/02. As a result of a decline in the production of grains, oilseeds and nonfood crops such as tobacco and cotton, the volume of field crop production decreased by 7 % compared to the previous season. Horticultural production increased slightly (0,2 %), while animal production decreased by 1,2 %.



**Producer prices**

Producer prices of agricultural products increased, on average, by 19,6 % from 2001/02 to 2002/03, compared to an increase of 22 % during the previous year.



For the period under review, the producer prices of field crops were 23 % higher than during the same period the previous year. The prices of oilseeds decreased by 15 %, while the prices of maize, cotton, wheat, sugar cane and hay increased by 28,5; 10,5; 14,1; 6,6 and 84,2 %, respectively.

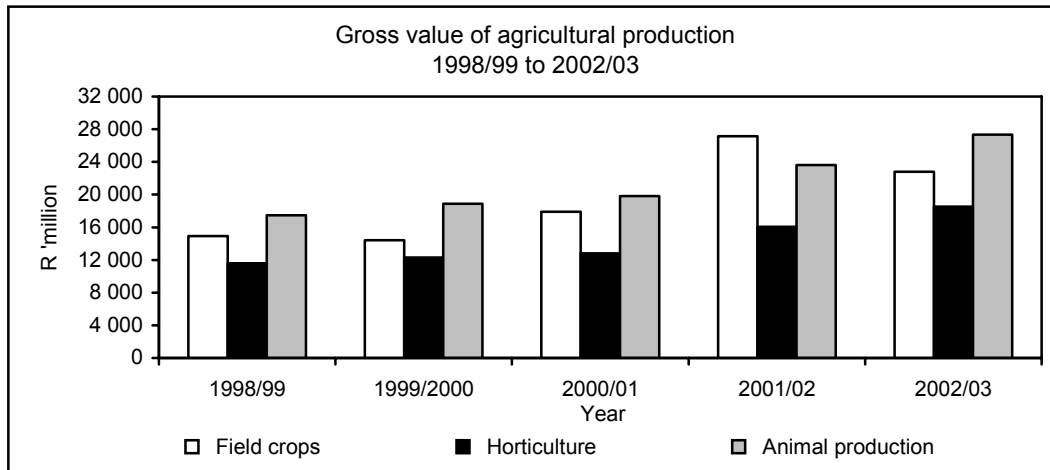
Producer prices of horticultural products increased by 19,4 % compared to that of 2001/02. Prices of fresh vegetables increased significantly by 43,0 %, while the prices of fruit increased by 6,4 %.

The producer prices of animal products were 17,4 % higher in 2002/03 than in 2001/02. Prices of pastoral products increased by 25,0 % and that of dairy, slaughtered stock and poultry by 11,3; 23,8 and 15,2 %, respectively.

## Gross value of agricultural production

The total gross value of agricultural production (total production during a production season valued at the average basic prices received by producers) for 2002/03 is estimated at R68 680 million (R66 818 million)—an increase of 2,8 %. This increase can mainly be attributed to a general improvement in the prices producers received for their products mainly during the second half of 2002.

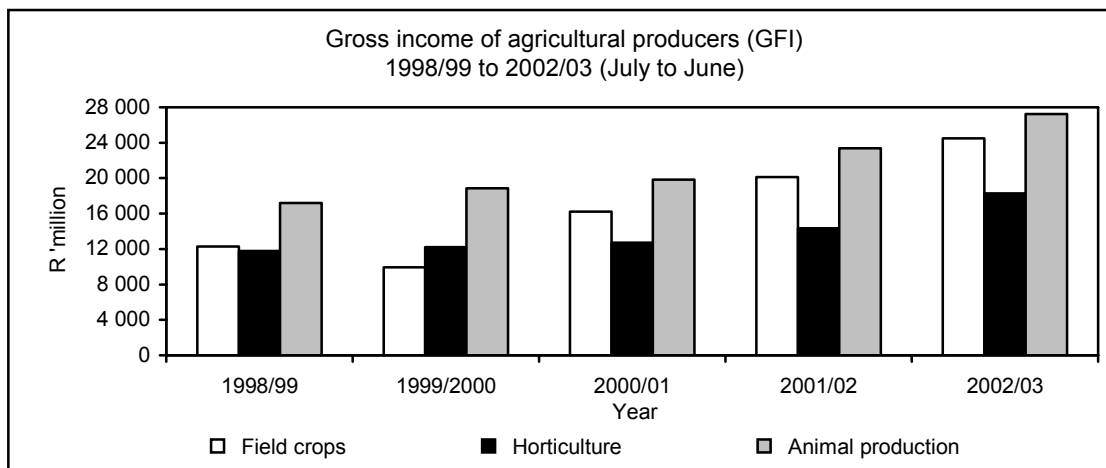
The gross value of animal products, field crops and horticultural products contributed 39,8; 33,2 and 27,0 %, respectively, to the total gross value of agricultural production. The maize industry made the largest contribution to the total gross value of agricultural production with 13,8 %, followed by the broiler industry, with 12,5 %, and cattle and calves slaughtered, with 8,3 %.



## Farm income

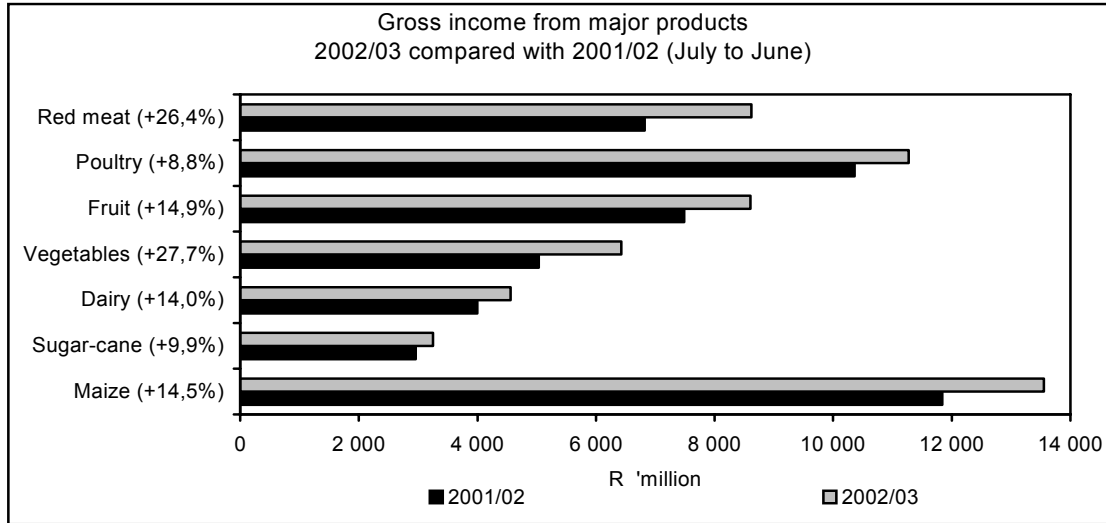
The gross income of producers (the value of sales and production for other uses plus the value of changes in inventories) for the year ended 30 June 2003 amounted to R70 037 million (R62 244 million)—an increase of 12,3 %.

The gross income from field crops increased by only 5,6 % to R24 508 million for the year ended 30 June 2003. This increase is much lower than the 39,4 % increase during the preceding 12 months mainly because of lower levels of production of some of the important summer grains as well as the downward trend in the prices that farmers received for summer crops during 2003.



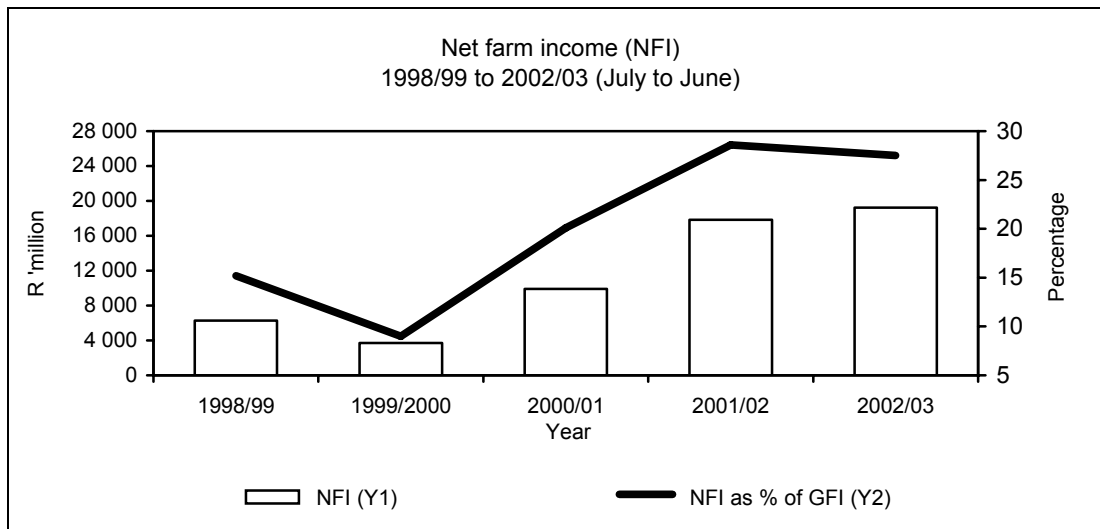
Note: Figures in brackets represent aggregates for 2001/02

The gross income from horticultural products increased by 17,2 % to R18 279 million (R15 596 million). The income from subtropical fruit increased by 18,6 % to R968 million (R816 million), while that of citrus fruit remained at the same level. Income from deciduous and other fruit is estimated to have increased by 26,6 %. The increase in income from horticultural products can mainly be attributed to increases in producer prices.



The income from vegetables amounted to R6 437 million (R5 034 million)—an increase of 27,7 %. Potatoes, which maintained a contribution of approximately 40 % to the gross income from vegetables, increased by 28 %, from R2 006 million in 2001/02 to R2 579 million in 2002/03.

The gross income from animal products was 15,7 % higher and amounted to R27 249 million (R23 548 million). Producers earned R5 754 million (R4 629 million) from the slaughtering of cattle and calves—an increase of 24,3 %. The average producer price of beef increased by 22,8 % during 2002/03. The income from slaughtering of sheep increased by 20,1 %, and amounted to R1 514 million (R1 261 million). The price of mutton increased by 19,0 %. Income from poultry and egg production amounted to R11 274 million (R10 361 million)—an increase of 8,8 %.



The net farm income (after the deduction of all production expenditures, excluding expenditure on fixed assets and capital goods) increased by 7,8 % during 2002/03 and amounted to R19 246 million (R17 843 million). Payments for salaries and wages, representing 16,8 % of total farm costs, amounted to R8 781 million, while interest payments are estimated at R4 268 million or 8,1 % of total farm costs.

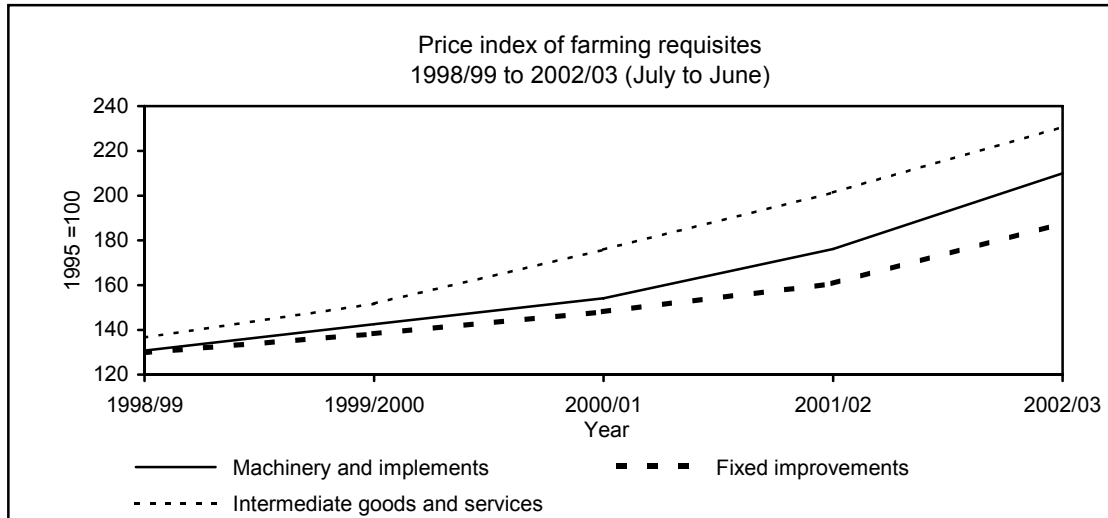
**Expenditure on intermediate goods and services**

Expenditure on intermediate goods and services (inputs consumed in the production process) increased to an estimated R36 183 million (R30 914 million)—an increase of 17 %.

Expenditure on fertilisers showed an increase of 18,3 %, amounting to R3 719 million compared to an increase of 27,5 % during 2001/02. Expenditure on fuel increased by 6,5 %, amounting to R3 893 million, compared to an increase of 21,4 % in 2001/02. In the case of farm services and maintenance and repairs of machinery and implements, expenditure increased by 22,8 %, amounting to R3 255 million, and 24 %, to R5 426 million, respectively. Expenditure on seeds and plants increased by 16,3 % to R2 450 million and packing material increased by 6,1 % to R2 152 million. Expenditure on dips and sprays increased by 10,6 %.

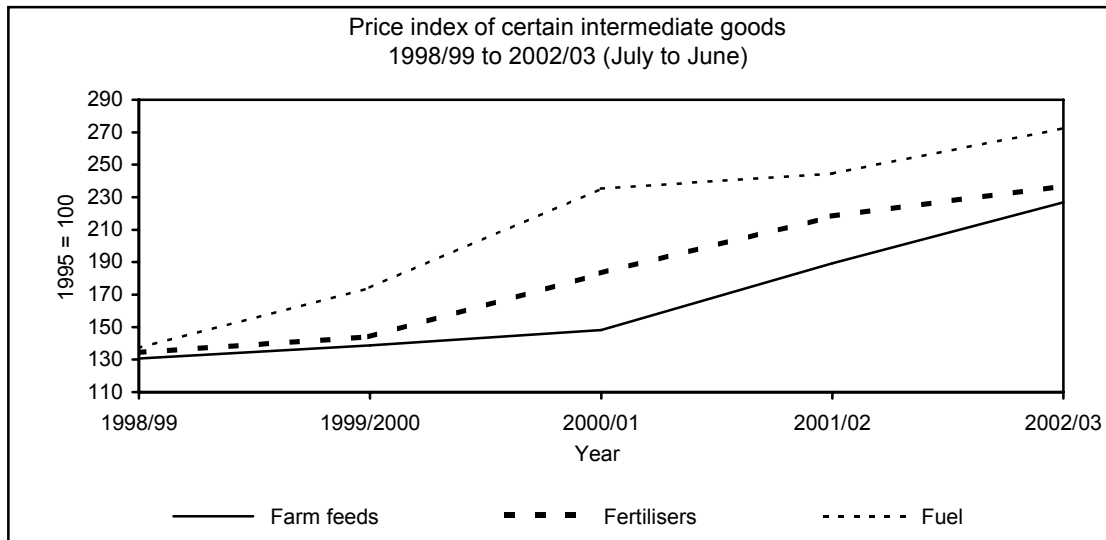
**Prices of farming requisites**

Prices of farming requisites increased by 14,7 % compared to an increase of 14,5 % in the previous year.

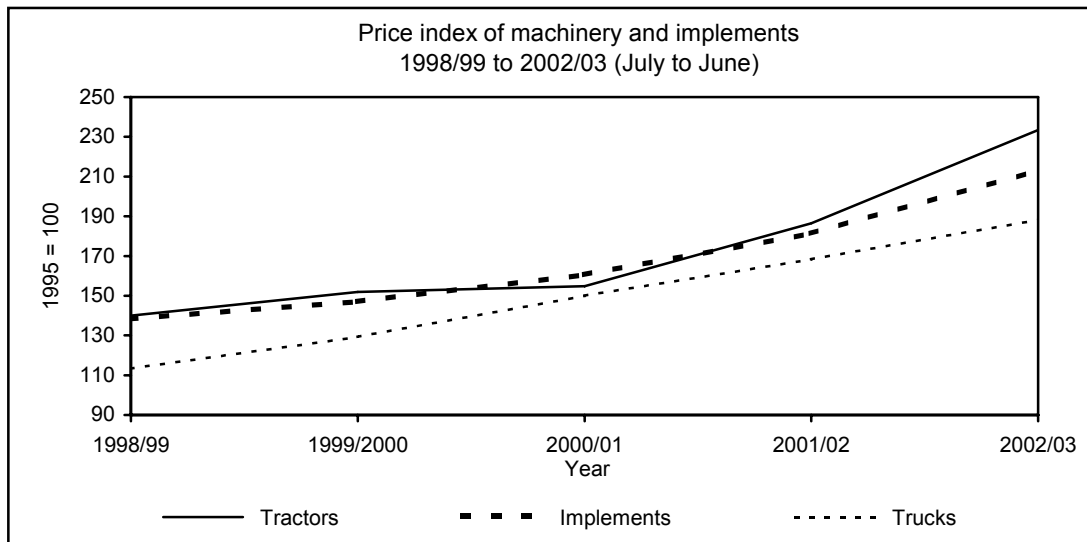


The price index of machinery and implements increased by 17,9 %, that of requisites for fixed improvements by 17,2 % and the prices of intermediate goods and services by 14,2 %.

Prices of trucks and implements showed increases of 11,8 and 15,6 % respectively, as against increases of 12,2 and 14,8 % in the previous year. Prices of tractors increased by 25,2 % compared to an increase of 20,4 % in the previous year.



An increase of 21,1 % in the price of maintenance and repairs made the most significant contribution to the increase in the prices of intermediate goods and services followed by an increase of 19,9 % in the price of farm feeds. Price increases of 8,3 % in the case of fertilisers and 7,3 % for dips and sprays, occurred. Prices of packing material increased by 2,6 %, compared to an increase of 4,5 % in the previous year.

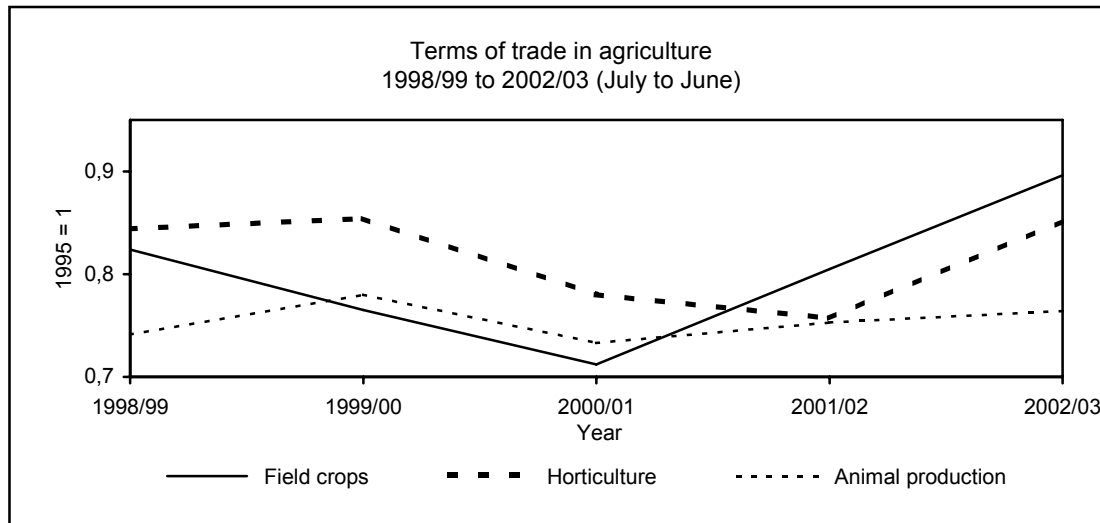


### Terms of trade in agriculture (1995 = 1)

The terms of trade indicate the extent to which producer prices in agriculture keep pace with the prices of farming requisites.

The terms of trade in agriculture strengthened from 0,791 in 2001/02 to 0,825 in 2002/03. The terms of trade for field crops strengthened by 6,9 %, from 0,838 in 2001/02 to 0,896 in 2002/03, and by 2,4 %, from 0,746 to 0,764 for animal production. In the case of horticulture, the terms of trade strengthened from 0,818 to 0,852.





### Contribution of agriculture to value added at basic prices

The value added is the value of total output less the value of intermediate consumption during the production period.

The contribution of agriculture to value added for the year ended 31 December 2002 is estimated at R35 383 million. This represents 3,4 % of total value added to the economy.

Year	Total Value Added	Contribution of agriculture to the Value Added	Contribution of agriculture as % of total Value Added
	R 'million	R 'million	%
1996	565 473	19 922	3,5
1997	627 167	21 366	3,4
1998	673 860	20 285	3,0
1999	728 785	20 537	2,8
2000	808 461	21 032	2,6
2001	895 533	25 343	2,8
2002	1 021 685	35 383	3,4

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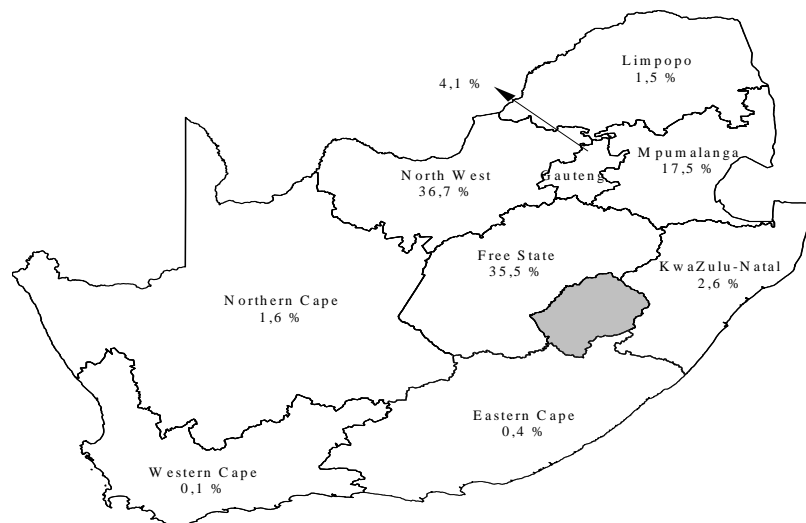
**FIELD HUSBANDRY**

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**Maize**

Maize, especially white maize, is one of South Africa's most important agricultural products, used as staple food by millions of people in Southern Africa. On the other hand, yellow maize is also the most important ingredient in feed rations for dairy, beef, poultry and egg production. Maize contributes approximately 42 % to the gross value of field crops, and the average annual gross value of maize for the past five years amounts to R8 406 million. Maize is produced in most parts of South Africa. However, the major areas of commercial production are situated in the Free State, North West and Mpumalanga Provinces.

The following map indicates the distribution of maize plantings (2002/03) in South Africa:



Maize is planted mainly between mid-October and mid-December. The rainfall pattern and other weather conditions of a particular season determine the planting period as well as the length of the growing season.

Over the past few years, a swing towards the production of white maize has taken place. The present ratio of production is 67 % white and 33 % yellow maize. The estimated area of white maize under irrigation is approximately 5 % and dryland 95 %, while the estimated area of yellow maize under irrigation is approximately 11 % and dryland 89 %.

During the 2001/02 production season, genetically modified (GM) white maize was planted in South Africa for the first time. During the 2002/03 production season, an estimated 2,8 % of the total area planted to white maize and approximately 17,3 % of the total area planted to yellow maize is expected to be genetically modified. The planting of GM yellow maize (which is used for animal feed) began five years ago. The main aim of this genetic modification was to improve insect resistance with specific reference to the maize stalk borer.

*Area planted and production*

During 2002/03, an estimated 3 225 000 ha were planted to commercial maize – an increase of 6,9 % compared to the 3 016 880 ha planted in 2001/02. Commercial white and yellow maize comprised 2 246 000 ha and 979 000 ha respectively of the total hectares planted to maize.

This represents an increase of 21,9 % in the case of white maize and a 16,6 % decrease for yellow maize. The increase in total plantings can mainly be ascribed to the fact that in many cases producers planted

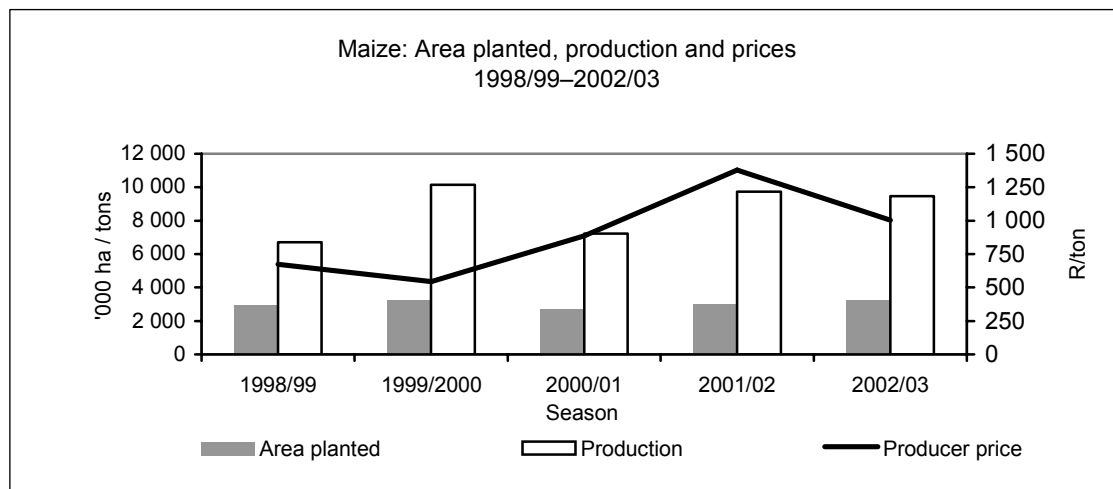
maize instead of sunflower seed, groundnuts and soya-beans. The substantial increase in maize prices during planting time, together with the depreciation in the value of the Rand also encouraged producers to increase their maize plantings.

The commercial maize crop for the 2002/03 production season is estimated to be 9,468 million tons, with an estimated yield of 2,94 t/ha. This represents a decrease of 2,7 % compared to the 2001/02 crop, which was estimated at 9,732 million tons.

Plantings, production and yield of maize from 1998/99 to 2002/03 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
Plantings (ha)	2 904 700	3 230 440	2 707 905	3 016 880	3 225 000
Production (t)	6 715 500	10 140 940	7 225 140	9 731 830	9 468 000
Yield (t/ha)	2,31	3,14	2,67	3,23	2,94

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



The area planted to maize by the developing sector for 2002/03 is estimated at 465 944 ha, consisting of 367 861 ha white maize and 98 083 ha yellow maize. Production by the developing sector is estimated at 286 055 tons – 221 097 tons of white maize and 64 958 tons of yellow maize. Maize grown by this sector is mainly for own use and contributes only 3,0 % of national production.

### Prices

Since the deregulation of the South African agricultural market in 1996, the maize market has essentially been an open market in which a number of fundamental factors play a role in determining maize prices. These factors include:

- International prices of maize;
- Exchange rate;
- Local production (influenced by weather conditions and area planted);
- Local consumption;
- Production levels in the SADC region (South Africa is usually the main source of white maize for these countries in times of shortage); and
- Stock levels (both domestic and international).

Based on domestic stock levels, the domestic prices move within a band that is determined by world prices. Because of the erratic South African climate, substantial variations in local production occur. The result is that local prices vary substantially from one season to the next.

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

Currently, prices of maize differ from one area to another and from day to day and can fluctuate between import and export parity prices. Producers negotiate spot, contract or futures prices, based on market forces.

The average producer price of maize decreased by 25 %, from R1 343 to R1 008 per ton, compared to the previous season (2001/02). The decrease in the producer price was caused by a unique combination of factors. For example, there were decreasing world prices for these commodities; the appreciation in the value of the local currency; as well as the domestic maize surplus available.

The producer prices of maize from 1998/99 to 2002/03 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
	R/ton				
Producer price	674,00	547,00	878,00	1 343,00	1 008,00

### *Consumption*

The local commercial consumption requirements for white maize for 2002/03 are approximately 4,4 million tons, of which approximately 88 % is expected to be used for human consumption. The local commercial consumption requirements for yellow maize are approximately 3,3 million tons, of which approximately 83 % is expected to be used as animal feed. During times of white maize shortages, yellow maize is sometimes mixed with white maize for human consumption.

Commercial consumption of maize from 1998/99 to 2002/03 is as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
	Tons				
Consumption	7 327 000	7 789 000	7 909 000	7 539 000	7 663 000

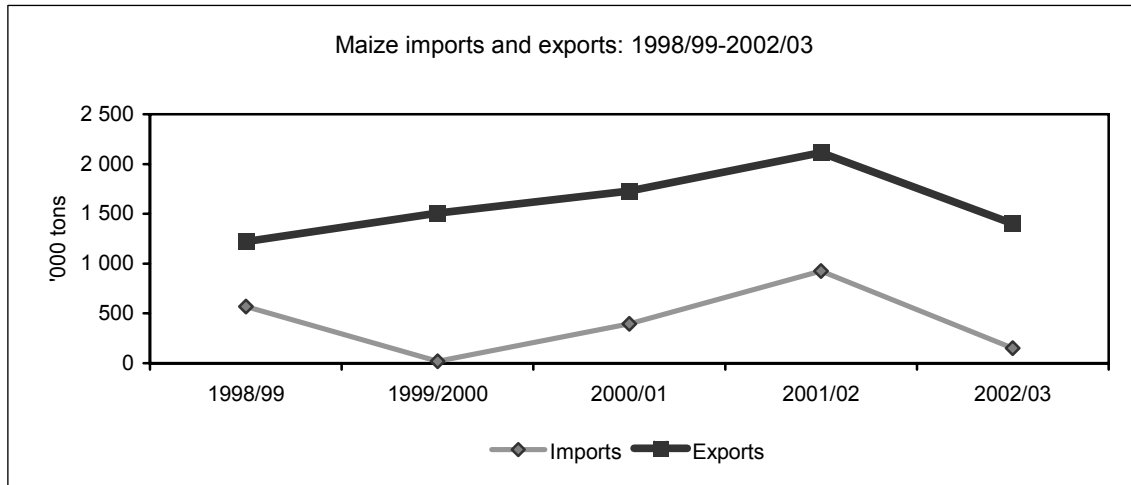
### *Trade balance*

The maize industry is an important earner of foreign exchange for South Africa through the export of maize and maize products. The international maize market, especially the US market, has a dominant influence on local imports and exports as it determines the world price of maize.

In the case of a product such as maize, millers (who are the biggest buyers of the maize crop) have the option of importing maize rather than buying local maize. In a deregulated market, they will buy from domestic and foreign sources for a wide range of reasons. However, the source of the bulk of their purchases will depend mostly on price. When they import the product, the exchange rate has an important influence on the actual Rand price they pay.

A depreciation in the value of the Rand makes it more expensive to import products such as maize, wheat and oilseeds, thereby providing some protection to South African farmers, and an incentive to produce more in the longer term. Yet, if South African producers are unable to meet the needs of the processors, or if processors are uncertain about local supplies, foreign sources will again be considered. South African suppliers, on the other hand, will consider the export market if domestic processors are unwilling to pay the prevailing market price. In this manner, the market sets a 'natural' floor and ceiling price, i.e. a price band within which such products trade. The mechanism by which these prices are set is the Agricultural Products Division of the JSE Security Exchange of SA.

The following graph shows the imports of maize to and exports from South Africa during the past five



seasons:

Important export destinations are BLNS countries, Zimbabwe, Angola, Mozambique, and other foreign countries such as Japan. Normally, the window of opportunity for exports of domestic maize lasts only until the end of October, when the harvesting of the US crop and US exports start.

#### Maize tariff

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

If the 21-day moving average f.o.b. price of maize in the US Gulf deviates by more than US\$7/ton from the reference price of US\$92,07/ton for 21 consecutive US trading days, a new tariff is triggered. The current import tariff for maize as published in the *Government Gazette* on 30 July 2003 is R16,50/ton.

#### Marketing

The maize marketing season in South Africa commences on 1 May and ends on 30 April the following year.

Since 1997, after the termination of the Maize Board, no statutory levies have been applicable and the marketing of maize is free from statutory intervention. All assets of the former Maize Board were transferred to the Maize Trust and are to be used to the benefit of the entire maize industry.

#### Organisations involved

- Farmers are represented by Grain South Africa (GSA), which promotes the interests of maize producers at all levels.
- Directly affected groups in the marketing of maize and maize products are represented by the Technical Advisory Forum.
- The Board of Trustees of the Maize Trust ensures that the income derived from the assets of the Maize Trust is utilised for the benefit of the entire industry.
- The South African Grain Information Service (SAGIS), a section 21 Company funded by, amongst others, the maize industry, administers the information function—that is registration, records and returns.
- Research is financed with income from the Maize Trust and performed by the ARC, the Council for Scientific and Industrial Research (CSIR) and other research organisations.

## Sunflower seed

Almost 90 % of the sunflower seed crop is produced in the Free State (52 %) and North West (35 %) Provinces. Sunflower seed contributes approximately 5,4 % to the gross value of field crops and the average annual estimated gross value of sunflower seed for the past five years amounts to R1 247 million.

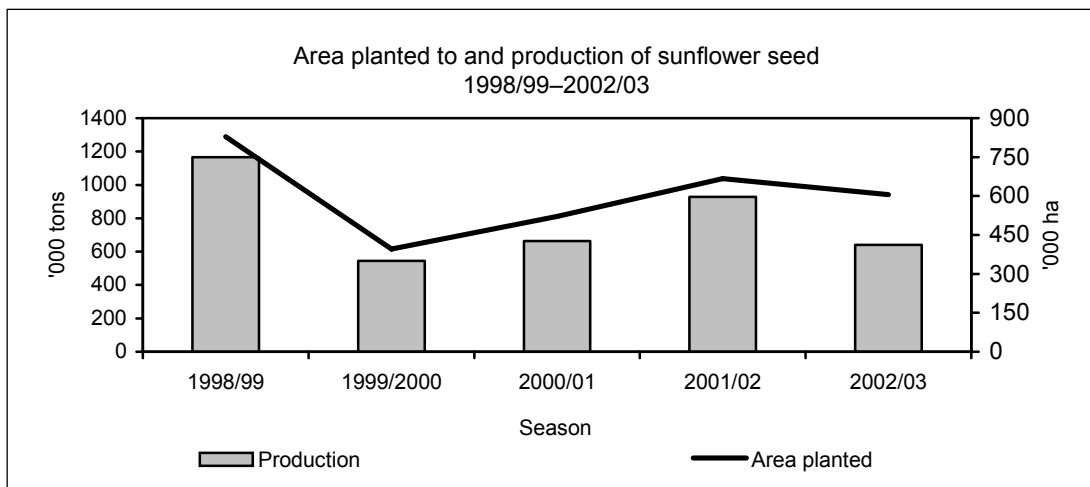
### Plantings and production

During the 2002/03 production season, an estimated 605 000 ha were planted to sunflower seed for commercial use, as against an estimated 667 510 ha during 2001/02. This represents a decrease of 9,4 %, which was mainly the result of unfavourable weather conditions and because of higher producer prices for substitute crops such as yellow maize.

The commercial production of sunflower seed during 2002/03 was approximately 640 000 tons, as against 928 790 tons produced during 2001/02. This represents a decrease of 31 %, with an average yield of approximately 1,06 t/ha during 2002/03. Developing agriculture contributed an estimated 28 680 tons (3,8 %) to the total sunflower seed production in South Africa during 2002/03.

Commercial plantings, production and yield of sunflower seed from 1998/99 to 2002/03 are as follows:

Season	1998/99	1999/00	2000/01	2001/02	2002/03
Plantings (ha)	828 000	396 350	521 695	667 510	605 000
Production (t)	1 166 184	544 937	664 499	928 790	640 000
Yield (t/ha)	1,41	1,37	1,27	1,39	1,06



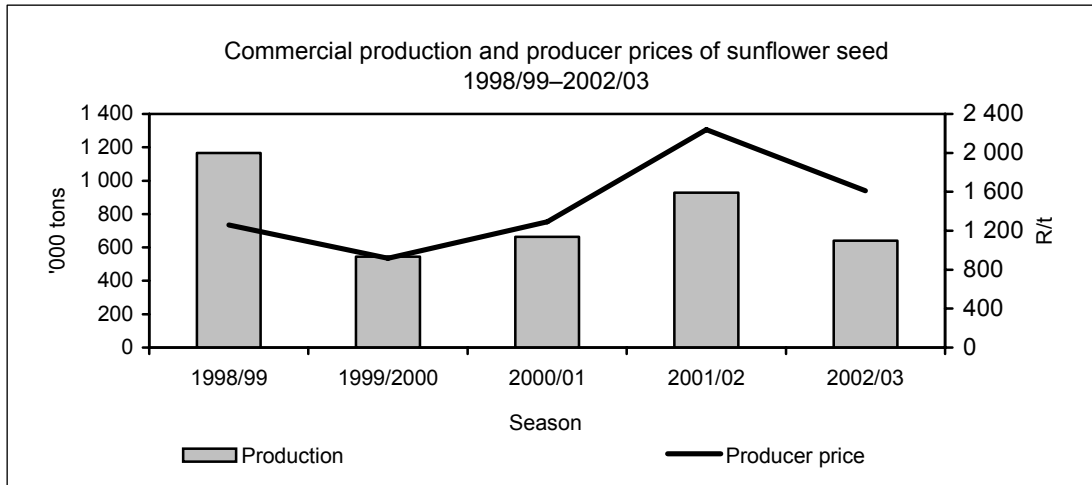
### Producer prices

The average producer prices of sunflower seed from 1999 to 2003 are as follows:

Season	1999	2000	2001	2002	2003
Producer price	1 258	916	1 293	2 238	1 610

R/ton

The average producer price decreased by 28 %, from R2 238 per ton during 2002 to R1 610 per ton during 2003.



### Consumption

The total demand for sunflower seed in South Africa increased by 5,6 %, from 780 000 tons in 2002 to 824 000 tons in 2003. A breakdown of the total demand for sunflower seed is as follows:

Season	1999	2000	2001	2002	2003
Commercial consumption (t)	764 000	818 000	670 000	713 000	812 000
On-farm (unspecified) consumption (t)	45 000	24 000	8 000	21 000	12 000
Exports (t)	56 000	0	1 000	46 000	0
Total demand	865 000	842 000	679 000	780 000	824 000

No exports of sunflower seed are projected for 2003.

High-oil sunflower seed is by far the most important cultivar produced in South Africa. Sunflower seed is the main source of plant oil for human consumption in South Africa. About 50 % of the demand for plant oil is satisfied by locally produced sunflower seed. The balance is made up of imports and other local plant oils such as canola, cottonseed and soya-beans. Sunflower oil-cake is an important by-product of the oil extraction process and is a source of protein for animal feed. Although there is a huge demand for protein, the inclusion of sunflower oil-cake in pig and poultry feeds is restricted by the high fibre content of the cake. Because of this constraint, the demand for sunflower oil-cake plays an important part to determine the demand for sunflower seed.

The production of sunflower oil has increased by 10 %, from 242 000 tons during 2002 to 266 000 tons during 2003.

### Marketing arrangements

On 30 June 1998, the Oilseeds Board terminated its functions. All assets of the Oilseeds Board were transferred to the Oil and Protein Development Trust to be used for the benefit of the entire oilseeds industry. No levies are applicable and the marketing of oilseeds is free from statutory intervention.

The information function is performed by Grain South Africa and the South African Grain Information Service (SAGIS), a section 21 Company funded by, amongst others, the oilseeds industry. Research is financed with income from the Trust and performed by the ARC, CSIR and other organisations.

## Sorghum

### Plantings and production

Sorghum is indigenous to Africa. Sorghum is mainly cultivated on low-potential, shallow soils with a high percentage clay content, that are not suitable for maize cultivation. Less than 1 % of the arable land in South Africa is used for the cultivation of sorghum. Sorghum is planted mainly between mid-October and mid-December. The rainfall pattern and other weather conditions of a particular season mainly determine the planting period as well as the length of the growing season.

During the last few years, sorghum production shifted from the drier western to the wetter eastern production areas. This change in the area of production led to the development of cultivars that are less sensitive to lower temperatures.

Sorghum for commercial purposes is mainly produced in the Free State (58,4 %), Mpumalanga (27,3 %), North West (6,0 %) and Limpopo (5,7 %). During the 2002/03 production season, an estimated 94 500 ha were planted to sorghum for commercial use. This represents an increase of 25,6 % compared to the 75 250 ha planted during 2001/02. This increase can mainly be attributed to better price expectations and low domestic stock levels as well as an increase in the food consumption of sorghum as malt and meal.

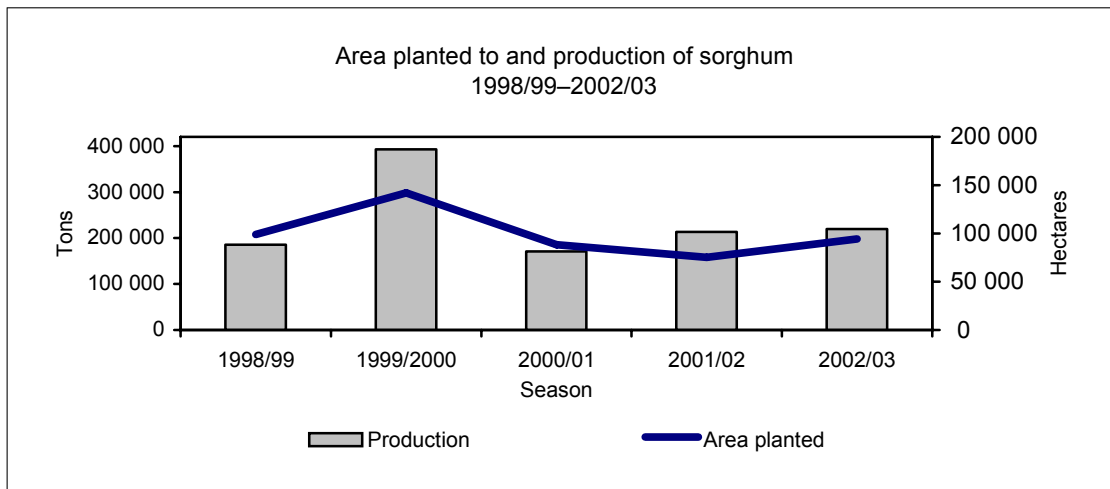
The commercial sorghum crop for the 2002/03 production season is estimated at 220 000 tons, with a yield of 2,33 t/ha, as against 213 200 tons the previous season.

The average annual gross value of sorghum for the past five years amounts to R253,1 million.

Plantings, production and the yield of sorghum from 1998/99 to 2002/03 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
Plantings (ha)	98 900	142 200	88 300	75 250	94 500
Production (t)	185 636	392 617	171 221	213 200	220 000
Yield (t/ha)	1,88	2,76	1,94	2,83	2,33

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



It is estimated that between 9 000 and 21 000 tons of sorghum are produced annually by the developing agricultural sector for own use.

### Consumption

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

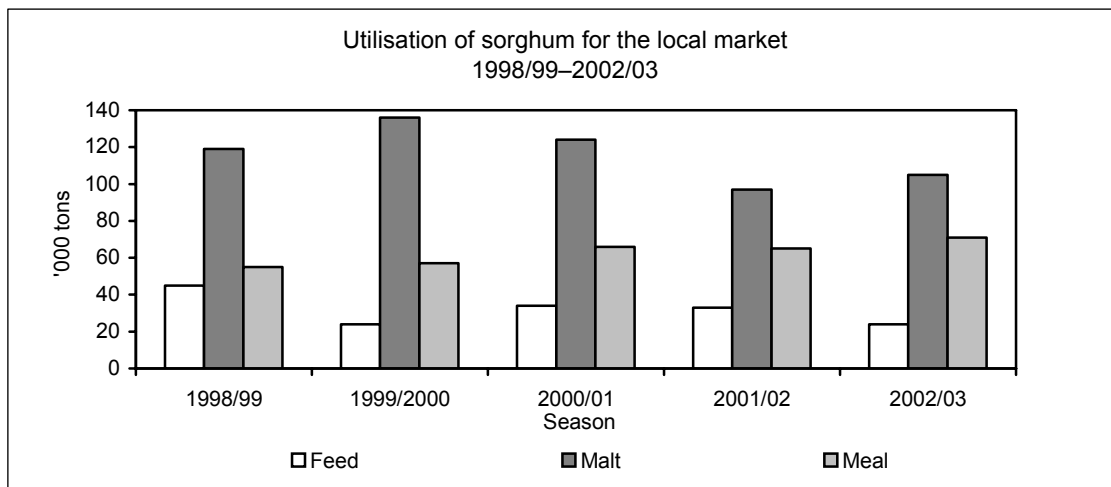


Sorghum is mainly used for human consumption, for example malt, sorghum meal and sorghum rice. Malt is used for manufacturing beer. Sorghum meal, also known as “Mabele”, competes directly with maize-meal and is used as a breakfast cereal. Sorghum rice, or corn rice, is served instead of rice.

The stock feed market is the most important outlet channel for surpluses in sorghum production, because it is competitive relative to other grain crops in terms of price and nutritive value. For example, sorghum is successfully used as a substitute for yellow maize as an energy source. No grinding is required, which leads to a cost reduction.

The consumption of sorghum as feed shows a decreasing trend and can mainly be attributed to the fact that the sorghum industry is losing its market share in the pet and poultry feed markets as producers are switching to cheaper alternatives like maize. On the positive side it is evident that sorghum consumption for malting purposes and the consumption of sorghum meal has increased over time. The average annual commercial consumption of sorghum (human and animal) during the past five years is approximately 210 800 tons, of which 178 800 tons are for human consumption (malt and meal) and 32 000 tons for feed.

The following graph depicts the utilisation of sorghum in South Africa:



#### Producer prices

Local producer prices of sorghum decreased by 7 %, from R1 500 per ton in 2001/02 to R1 400 per ton for the 2002/03 production season.

Year	1998/99	1999/2000	2000/01	2001/02	2002/03
Producer price	730,00	520,00	760,00	1 500,00	1 400,00

#### Marketing

The Sorghum Forum, consisting of all the participating parties in the sorghum industry (producers, traders, silo-owners, processors, labour, consumers and the ARC) meets regularly to discuss various issues relevant to the sorghum industry.

Currently, a levy of R6,00/ton is applicable to all producers and first buyers of sorghum, and the payment thereof is shared between the producers and first buyers on a 50/50 basis. The purpose of this statutory levy is to provide financial support for sorghum research and information functions. The Sorghum Forum successfully applied for the extension of the validation period of the current levy for the period 14 February 2003 to 28 February 2006.

## Soya-beans

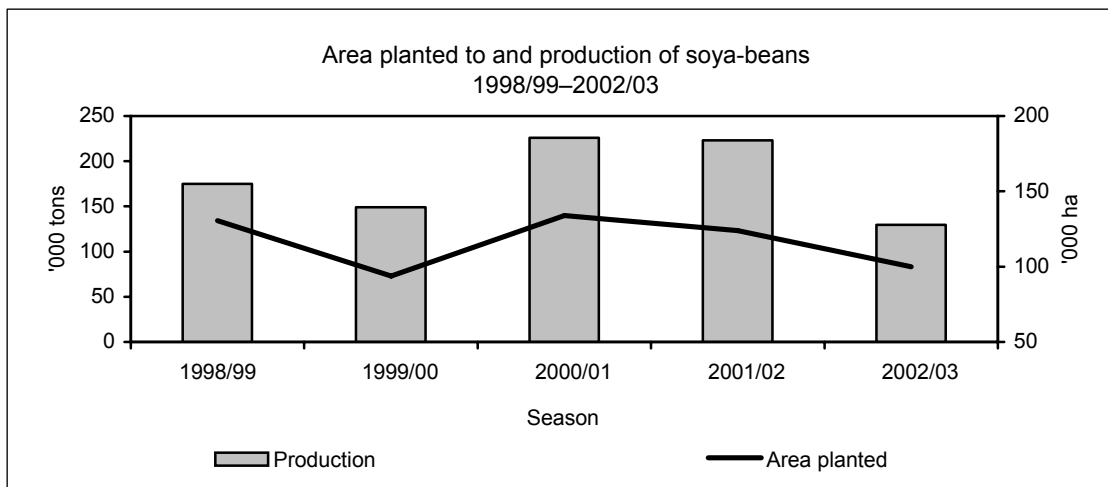
Various soya-bean cultivars are very well adapted to South African conditions. Soya-beans are mainly cultivated under dryland conditions and grown primarily in Mpumalanga (51 %), KwaZulu-Natal (17 %), as well as Limpopo and the Free State Provinces (12 %), respectively. Small quantities are cultivated in the Gauteng and North West Provinces.

### Production

During 2002/03, approximately 100 000 ha were planted to soya-beans in the commercial areas—a decrease of 19,5 % compared to the 124 150 ha cultivated during 2001/02. The current estimated crop of 129 500 tons of soya-beans represents a decrease of 41,9 % compared to the 2001/02 crop of 223 000 tons.

Plantings, production and yield of soya-beans from 1998/99 to 2002/03 are as follows:

Year	1998/99	1999/2000	2000/01	2001/02	2002/03
Plantings (ha)	130 500	93 787	134 150	124 150	100 000
Production (t)	174 800	148 720	226 210	223 000	129 500
Yield (t/ha)	1,34	1,59	1,69	1,80	1,30

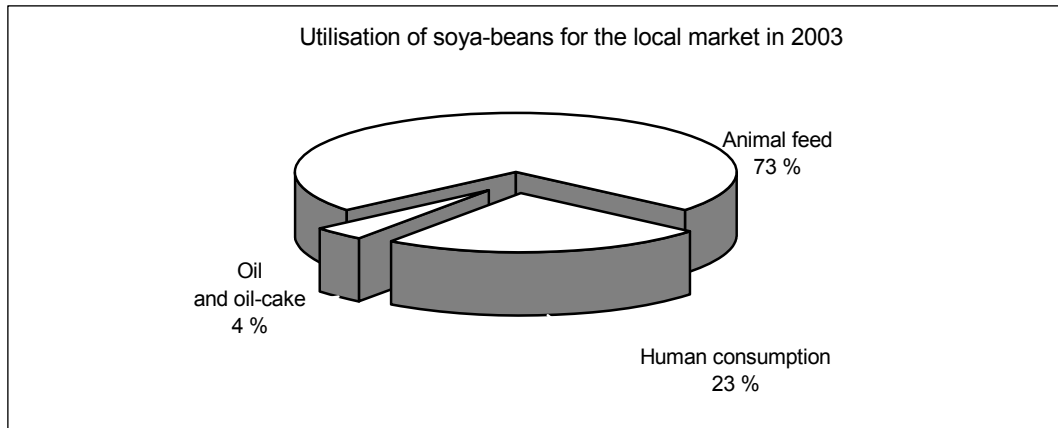


### Consumption

A total of 254 800 tons of soya-beans are available for utilisation during the 2003 marketing season. Carry-over stocks on 1 January 2003 amounted to 105 000 tons, and the expected production was 129 500 tons. Imports of approximately 20 000 tons are expected. Small quantities are exported annually. In 2003, expected exports amount to 3 000 tons.

In South Africa soya-beans are mainly used for animal feed. Less than 40 % of the production is used for human consumption. The local commercial consumption of soya-beans for 2003 is estimated at 206 000 tons, of which approximately 49 000 tons will be used for human consumption, 149 000 tons for feed and 8 000 tons will be crushed for oil and oil-cake. Carry-over stocks on 31 December 2003 are expected to be approximately 33 800 tons. This is lower than the required three months pipeline stock of about 49 000 tons.

The following graph illustrates the utilisation of soya-beans in 2003:



#### *Producer prices*

The average local producer price for soya-beans for 2003 was approximately R1 736/ton, which is 14 % lower than the price for 2002.

The average producer prices of soya-beans from 1999 to 2003 are as follows:

Year	1999	2000	2001	2002	2003
	R/ton				
Producer price	1 203	1 286	1 243	2 011	1 736

#### *Marketing*

On 30 June 1998, the Oilseeds Board terminated its functions. All assets of the Board were transferred to the Oil and Protein Development Trust to be used for the benefit of the oilseeds industry.

Grain South Africa and the South African Grain Information Service (SAGIS), a section 21 Company, formed and funded by, amongst others, the oilseeds industry, perform the information function.

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

## Groundnuts

### Plantings and production

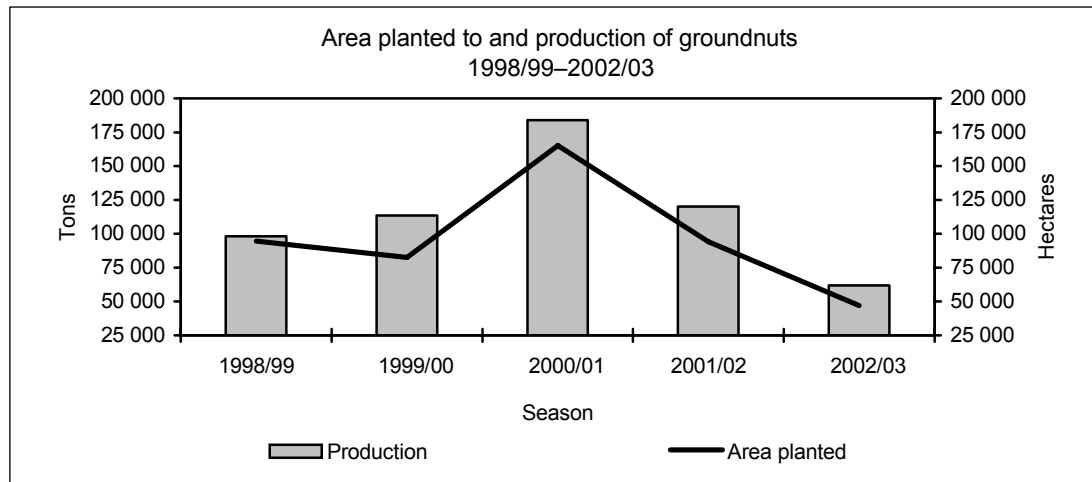
Groundnuts are mainly produced in the northwestern regions of South Africa, namely the western and north-western Free State (38 %); the North West Province (33 %), and the Northern Cape (24 %).

During the 2002/03 production season, an estimated 47 000 ha were planted to groundnuts for commercial use, as against 94 160 ha the previous season, with estimated crops of 62 000 tons as opposed to 120 185 tons the previous season. The average crop yield for 2002/03 is approximately 1,32 t/ha as compared to the previous season's 1,28 t/ha. The average annual gross value of groundnuts for the past five years amounts to approximately R319 million.

Production is highly affected by the costs of production inputs as well as the demand for groundnuts.

Plantings, production and the yield of groundnuts from 1998/99 to 2002/03 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
Plantings (ha)	94 550	82 600	165 250	94 160	47 000
Production (t)	98 250	113 550	183 840	120 185	62 000
Yield (t/ha)	1,04	1,37	1,11	1,28	1,32



### Producer prices

The average producer prices of groundnuts from 1998/99 to 2002/03 are as follows:

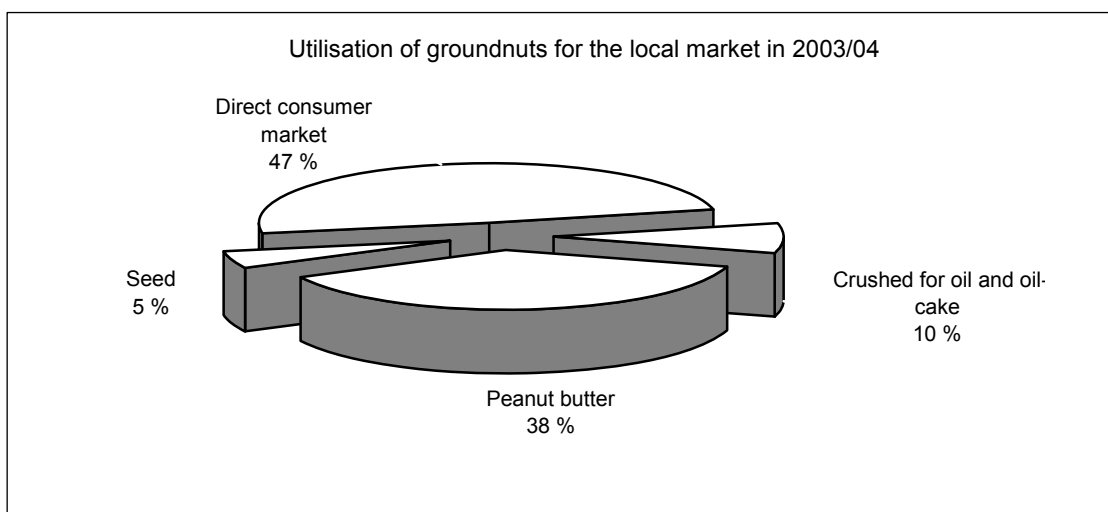
Season	1998/99	1999/2000	2000/01	2001/02	2002/03
	R/ton				
Producer prices	1 626	2 276	2 128	2 350	4 525

As a result of the national decline in production, which is mainly due to the high input costs and the fact that producers expanded on their white maize plantings, the average producer price for groundnuts increased significantly (93 %) from last season's price of R2 350/ton.

### Consumption

In total, 116 300 tons of groundnuts are available for local consumption during the 2003/04 marketing year. Carry-over stocks on 1 March 2003 amounted to 40 300 tons, and the estimated production is 62 000 tons. The expected imports are projected at 14 000 tons.

In South Africa, groundnuts are mainly used for human consumption. It is expected that approximately 5 000 tons of groundnuts will be used for oil and oil-cake during the 2003/04 marketing season, 24 000 tons for peanut butter and 31 000 tons for the edible market. The expected exports amount to 26 000 tons. Carry-over stocks from the 2003/04 season are expected to be approximately 16 300 tons. This is slightly higher than the required three month pipeline stock of 15 800 tons. The *per capita* consumption for 2003/04 is estimated at 1,41 kg, as against 1,60 kg for 2002/03.



### Marketing arrangements

The Oilseeds Board closed its doors on 30 September 1997. All assets of the Oilseeds Board were transferred to the Oil and Protein Development Trust to be used for the benefit of the entire oilseeds industry. A forum was also established for oilseeds, including the Groundnut Forum. The primary function of the Groundnut Forum is to conduct research in the oilseed industry.

Grain South Africa and the South African Grain Information Service (SAGIS), a section 21 Company funded by, amongst others, the oilseeds industry, perform the information function.

Research is financed with income from the Trust and performed by the ARC, CSIR and other organisations.

## Dry beans

### Areas planted and production

During 2002/03, an estimated 51 039 ha were planted to commercial dry beans—an increase of 13,7 % compared to the 44 900 ha planted in 2001/02. The 2002/03 crop of 60 078 tons represents an increase of 1,8 % compared to the 2001/02 crop of 59 020 tons. The average yield of the 2001/02 crop is approximately 1,18 ton/ha. Most of the locally produced commercial dry beans are produced in Mpumalanga, followed by the Free State and Gauteng Provinces.

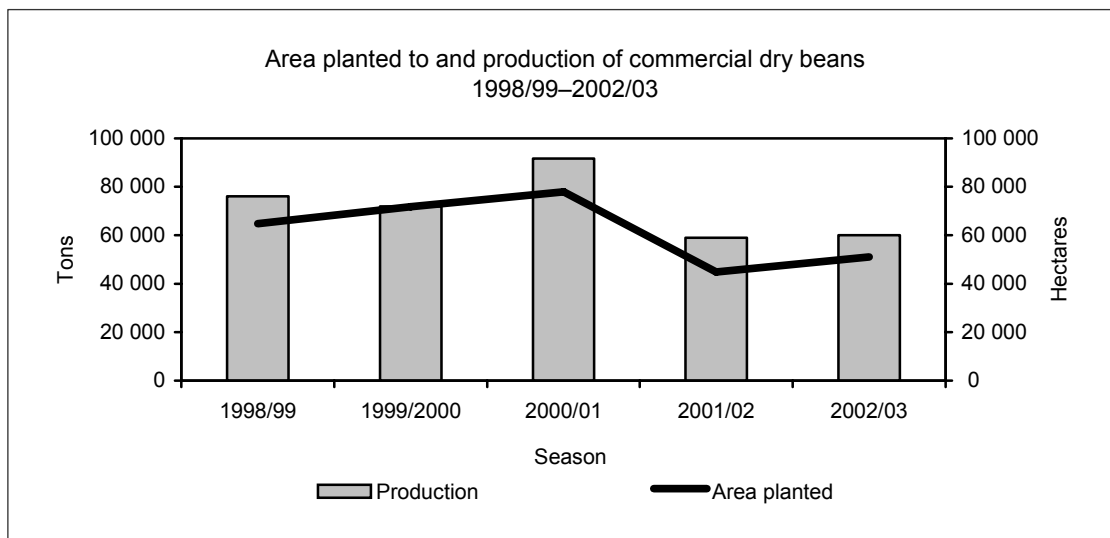
Production per province and their share in the 2002/03 crop are as follows:

Province	Production (tons)	Share in crop (%)
Mpumalanga	34 012	56,6
Free State	14 842	24,7
Gauteng	3 401	5,7
North West	3 319	5,5
KwaZulu-Natal	2 242	3,7
Limpopo	1 360	2,3
Western Cape	155	0,3
Eastern Cape	155	0,3
Northern Cape	592	0,9
<b>Total</b>	<b>60 078</b>	<b>100,0</b>

The estimated gross value of dry beans for the 2002/03 season amounts to R286,5 million.

Production per type during 2002/03 is estimated to be as follows: 52 056 tons (86,6 %) Red Speckled, 4 312 tons (7,2 %) Small White, 2 000 tons (3,3 %) Large White Kidney and 1 710 tons (2,8 %) other dry beans - mainly cariocas.

The most extensive seed production takes place in the Lowveld area in Mpumalanga, followed by the Limpopo and the Northern Cape Provinces. There is, however, a dramatic decrease in seed production in the Northern Cape.

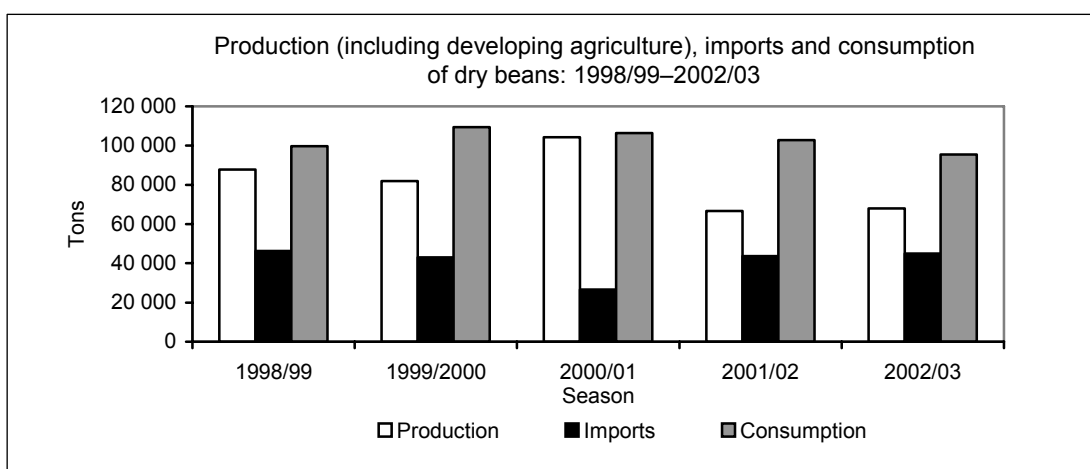


### Consumption

An estimated 95 442 tons of dry beans were consumed locally during 2002/03, which represents a decrease of 7 364 tons (7,7 %) compared to 2001/02. The estimated *per capita* consumption for 2002/03 is 2,06 kg, which is lower than the 2001/02 figure of 2,26 kg. Because the local demand is substantially higher than local production, large quantities of dry beans have to be imported each year.

The quantities of dry beans produced, imported and consumed from 1998/99 to 2002/03 are as follows:

Year	1998/99	1999/2000	2000/01	2001/02	2002/03
	Tons				
Production (including developing agriculture)	87 722	81 957	104 302	66 654	67 934
Imports	46 198	42 987	26 583	43 651	45 000
Consumption	99 667	109 300	106 386	102 806	95 442



### Producer prices

The average prices received by producers for dry beans from 1998/99 to 2002/03 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
	R/ton				
Producer price	3 221	3 180	2 764	4 500	4 200

### Research and information

The Dry Bean Producers' Organisation is the national commodity organisation promoting the interests of the dry bean producers in the country. The main objectives of the organisation are to provide production and market information to producers, support product and market research and ensure the supply of disease-free certified seed to producers.

At present, mainly the Oil and Protein Seed Centre (OPSC) in Potchefstroom and, to a certain extent, the Plant Protection Research Institute (PPRI) in Pretoria undertake research on dry beans. The functions of the OPSC mainly comprise the breeding of dry bean cultivars and the evaluation of local cultivars. The PPRI is mainly involved in pathological research, which is especially valuable for the certification of dry bean seed.

## Wheat

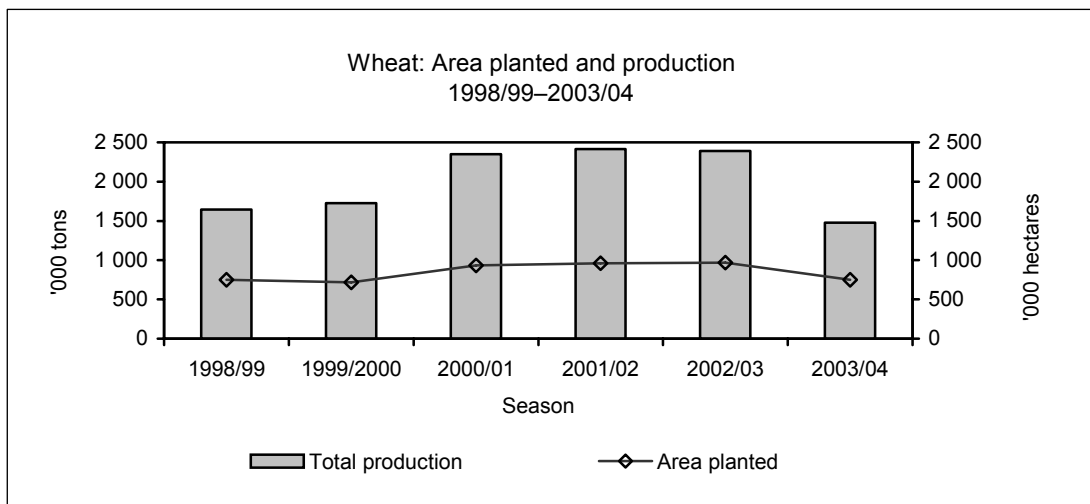
Wheat is the second most important field crop produced in South Africa. Wheat contributes approximately 15 % to the gross value of field crops and the average annual gross value of wheat for the past five years amounts to R2 684 million.

Wheat is planted mainly between mid-April and mid-June in the winter rainfall area and between mid-May and the end of July in the summer rainfall area. Most of the wheat produced in South Africa is bread wheat, with small quantities of durum wheat being produced in certain areas.

### Areas planted and production

The estimated area planted to wheat for the 2003/04 season is 748 000 ha—a decrease of 22,7 % in plantings from the 2002/03 season—of which 325 000 ha (43 %) each are in the Free State and the Western Cape. Approximately 20 % of the total area planted to wheat is cultivated under irrigation and 80 % under dryland conditions. The prospects of wheat production for the 2003/04 production season are below normal as a result of dry conditions in especially the Swartland area of the Western Cape. In some production areas in the Free State soil moisture is also below normal.

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



The expected commercial wheat crop for 2003/04 is 1,478 million tons, of which 503 750 tons (34 %) are in the Western Cape, 487 500 tons (33 %) in the Free State, and 251 550 tons (17 %) in the Northern Cape. The expected average yield for commercial wheat is 1,98 t/ha.

Plantings, production and the yields of wheat from 1998/99 to 2003/04 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
Plantings (ha)	748 000	718 000	934 000	959 400	968 000	748 000
Production (t)	1 644 000	1 725 000	2 348 000	2 415 000	2 390 000	1 478 200
Yield (t/ha)	2,20	2,40	2,51	2,52	2,47	1,98

### Consumption

A total of 3,717 million tons of wheat were available for local consumption during the 2002/03 marketing season. Carry-over stocks as at 1 October 2002 amounted to 580 000 tons. Deliveries directly from farms during the 2002/03 production season were approximately 2,390 million tons, while 747 000 tons of wheat were imported.



In South Africa, wheat is mainly used for human consumption. It is estimated that, for the 2002/03 marketing year, approximately 2 574 000 tons of wheat were used for human consumption, 30 000 tons for animal feed and 23 000 tons for seed. An additional 15 000 tons were used on-farm. During the 2002/03 marketing season, a total of 177 000 tons of wheat were exported—136 000 tons as whole wheat and 41 000 tons as products. The total demand for wheat for the 2002/03 season is therefore estimated at 2 819 000 tons.

Carry-out stocks at 30 September 2003 were estimated to be 897 000 tons. This is higher than the required 3 month pipeline stock of 564 000 tons.

#### *Imports*

Wheat is mostly imported for human consumption. In October 2003, the import duty on wheat was adjusted to R22,00/ton.

Wheat imports from 1998/99 to 2002/03 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
	Tons				
Imports	484 000	624 000	308 000	407 000	747 000

#### *Prices*

The basic average producer prices for wheat (grade 1) from 1998/99 to 2002/03 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
	R/ton				
Producer price	808,19	960,60	1 165,35	1 421,61	1 572,05

Wheat prices are influenced, among other factors, by international wheat prices, the strength of the Rand against other currencies, international and local wheat supply and weather conditions. The contract price for wheat for delivery in December 2003 closed at R1 690/ton on 14 November 2003.

#### *Marketing*

The wheat market has been deregulated since 1 November 1997 and wheat can be traded freely. The only government intervention in the market is the tariff on wheat imports.

The Winter Grain Trust is responsible for the allocation of funding and appraisal of relevant research projects in the winter grain industry. Since 1998, statutory levies on sales of winter cereal have been imposed to finance the Winter Grain Trust. The ARC—Small Grain Institute in Bethlehem, conducts the research on wheat and other winter grains.

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

#### *World wheat situation*

According to the United States Foreign Agricultural Services November report, world wheat trade in 2003/04 is forecast at 96,1 million tons; this is a decrease of 11,7 million tons from 2002/03. Global production of wheat has decreased by 17,5 million tons to 548,2 million tons compared to the previous year. Global consumption is expected to be at 585,7 million tons—14,5 million tons less than the previous year. Consumption is forecast to exceed production, therefore global stocks are expected to decrease by 37,4 million tons to 126,3 million—the lowest in 22 years.

## Barley

### Plantings and production

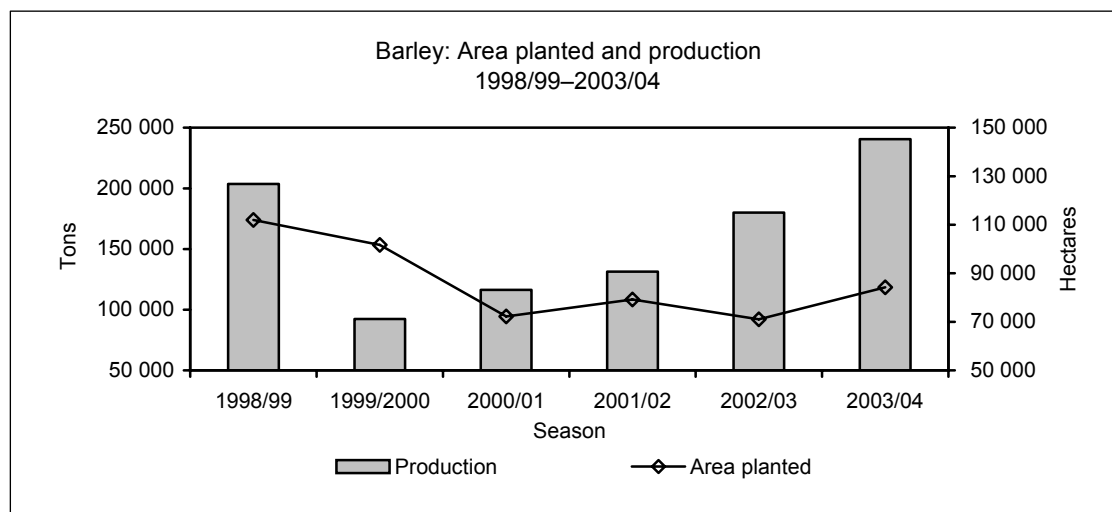
Barley is a winter cereal crop that is mainly produced in the Western Cape and the average annual gross value of barley for the past five years amounts to R137,7 million. Barley is mainly produced in the Western Cape (68 %) under dryland conditions and in the Northern Cape (26 %) under irrigation - Vaalharts area. The climate in the southern Cape, where most of the country's barley is grown, has, of late, not been favourable for barley production. Until five years ago, South Africa produced an average of 250 000 tons of barley a year, about 90 % of which was malting grade, compared to an average of 152 500 tons a year during the past five years. Substantially more barley is now produced in the Taung and Vaalharts areas, where yields are better and more stable than in the Western Cape.

The barley plantings for the 2003/04 season are estimated at 84 220 ha, which is 18,5 % more than the estimated plantings of 71 100 ha for 2002/03. A total estimated crop of approximately 240 558 tons of barley is expected for the 2003/04 season, which is 33,6 % more than the estimated production of 180 000 tons the previous season.

The areas planted, production and yield of barley from 1998/99 to 2003/04 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
Plantings (ha)	112 000	101 700	72 220	79 190	71 100	84 220
Production (t)	203 800	92 400	116 200	131 400	180 000	240 558
Yield (t/ha)	1,82	0,91	1,61	1,66	2,53	2,86

Season: 1 October to 30 September



### Consumption

Barley is mainly used for the production of malt (which is used for brewing beer), animal feed and pearl barley. Part of the South African barley crop is generally less suitable for malting purposes and is therefore used as animal feed.

An estimated 359 100 tons of barley were available for local consumption during the 2002/03 marketing season. Carry-over stocks as at 1 October 2002 amounted to 46 400 tons. Deliveries directly from farms during the 2002/03 production season were 180 000 tons, while 132 700 tons of barley were imported.

For the 2002/03 marketing season the total demand for barley was 281 100 tons. Carry-out stocks at 30 September 2003 were estimated to be 78 000 tons. This is substantially higher than the required 3 month pipeline stock of 34 700 tons.

### *Producer prices*

The average producer prices of malting barley from 1998/99 to 2002/03 are estimated to be as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
	R/ton				
Producer price	750,00	758,24	800,00	1 000,00	1 200,00

### *Marketing*

Barley is different from most, if not all, other agricultural commodities, as there is only one major barley buyer in South Africa, namely Southern Associated Maltsters (SAM), which supplies its major shareholder, SA Breweries, with malted barley. Barley producers have a guaranteed market (written commitment to source locally) and fixed price forward contracts.

### *Imports*

Over the past five years, variability in rainfall has caused wide fluctuations in barley quality and yields in South Africa. When the local crop has fallen short of requirements, SAM has imported mostly from Canada and Australia and to a lesser extent from the EU.

Barley and malt imports from 1998/99 to 2002/03 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
	Tons				
Imports – Barley	71 186	157 300	134 800	166 900	132 700
- Malt	133 761	87 300	67 000	63 200	59 700

### *World barley situation*

According to the November 2003 trade report of the United States Foreign Agricultural Services, global production of barley in 2003/04 is forecast to increase by 3,5 million tons to 136,1 million tons compared to the previous season, and global consumption of 145,5 million tons is expected to be 11,7 million tons less than the previous season. Consumption is forecasted to exceed production, therefore global stocks are expected to decrease by 9,4 million tons to 17,7 million tons.

### **Canola**

Canola is an oilseed crop that is mainly grown in the Western Cape, but since the 2001/02 production season, small quantities of canola have also been planted in the northern production areas. As a result of the large quantities of imported oils, the international oilseed prices largely determine the local prices of canola.

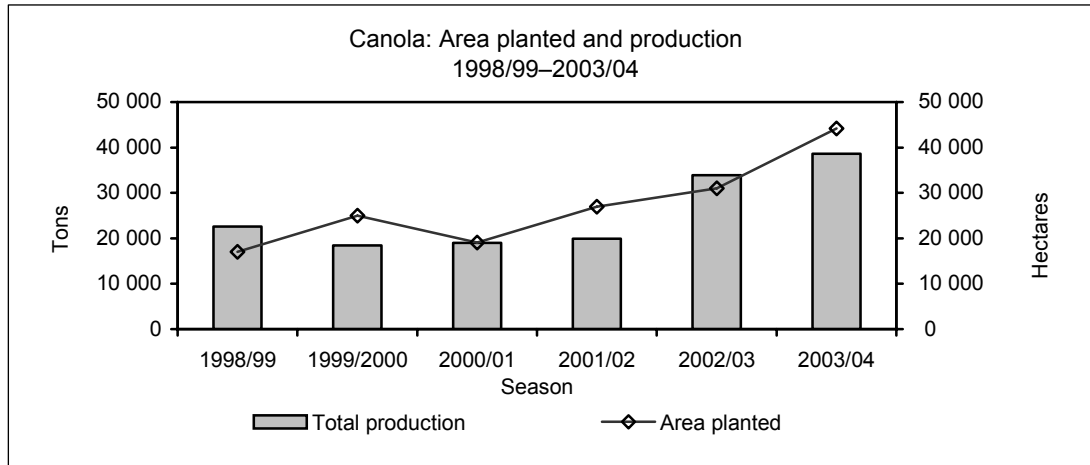
### *Plantings and production*

Official crop forecasts for canola only started in the 1997/98 production season. The estimated area planted to canola increased by 42,6 %, from 31 000 ha during the 2002/03 season to 44 200 ha during the 2003/04 season, and production is expected to increase by 13,9 %, from 33 900 tons in 2002/03 to 38 600 tons in 2003/04. The increase in production of canola is as a result of the local demand for canola exceeding the local supply and producers therefore expect favourable prices.

Estimated plantings, production and yield of canola from 1998/99 to 2003/04 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
Plantings (ha)	17 000	25 000	19 100	27 000	31 000	44 200
Production (t)	22 600	18 400	19 000	19 900	33 900	38 600
Yield (t/ha)	1,33	0,74	0,99	0,74	1,09	0,87

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



### Consumption

Canola competes with other oilseeds – like sunflower seeds and soy-bean oil-cake – on the local market and South Africa is a net importer of oilseeds. Although the physical characteristics of palm oils make them more suitable for use in baking fats, hard margarine and some other sectors of the oil market, the market for soft oils (oil that is liquid at room temperature), which includes canola, is still huge. Applications for this market are typically bottled oil for household use, soft margarine, mayonnaise, salad oil and various industrial uses.

The unique fatty acid composition of canola oil makes it a healthy choice for human nutrition. Canola oil contains less saturated fats than the other frequently used plant oils, which makes it effective in the lowering of cholesterol levels. It also has a higher omega-3 fatty acid content than the other frequently used plant oils. Omega-3 fatty acids are important for general health and have been proven to combat the development of cancer. It is therefore expected that the household consumption of canola will continue to increase. Canola is also a good source of protein in animal feed.

Altogether 35 000 tons of canola were available for local consumption during the 2002/03 marketing season. Carry-over stocks as at 1 October 2002 amounted to 1 100 tons, production during the 2002/03 production season is estimated to be 33 900 tons, while no canola was imported or exported. The total demand for canola for the 2002/03 marketing year was 27 900 tons and carry-out stocks at 30 September 2003 were 7 100 tons. This is higher than the required 3 month pipeline stock of 3 400 tons.

### Prices

The price of canola is based on the local price of soya-bean oil-cake (containing 47 % protein). Prices paid to producers during the 2002/03 season varied between R2 400 and R2 500 per ton, depending on the moisture content and whether it was delivered for the feed market or crushed for oil. During the 2001/02 season, the average price for canola was approximately R1 650 per ton at harvesting time—prices paid varied between R1 400 and R2 000 per ton—and for the 2000/01 season, the average price was approximately R1 425 per ton.

### Research and information

The Western Cape Department of Agriculture conducts research and cultivar trials on canola. The Protein Research Foundation (PRF) funds this research and it is the task of the canola working group of the PRF to promote the local canola industry. The information function for canola is also performed by SAGIS.

### Sweet lupins

Sweet lupins, which are mainly grown in the Western Cape Province, is a tasty cereal crop with a high protein and energy content. Smaller quantities of sweet lupins are also planted in the northern production areas. Because the crop is sensitive to high temperatures during flowering and pod formation, it is better suited to the cooler areas of the country and planted in winter. Sweet lupins are mainly utilised in animal feed rations. There are three species of sweet lupins, namely broad-leaf lupin cultivars (*Lupinus albus*), narrow-leaf cultivars (*Lupinus angustifolius*) and yellow sweet lupins (*Lupinus luteus*). The broad-leaf cultivars produce higher yields with higher protein and oil content, while some of the narrow-leaf cultivars (Wanga and Tanjil) are more resistant to anthracnose.

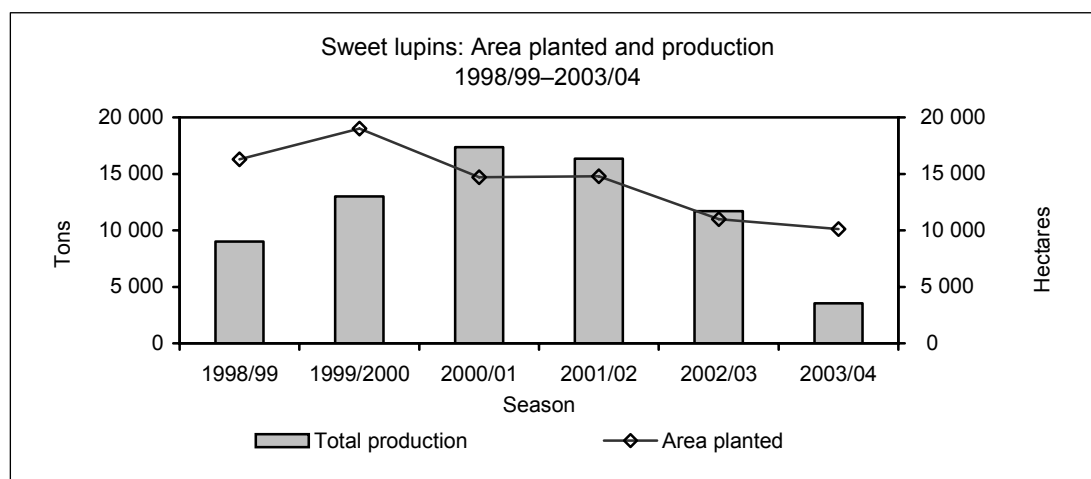
### Plantings and production

The estimated area planted to sweet lupins decreased by 8,2 %, from 11 000 ha during the 2002/03 season to 10 100 ha during the 2003/04 season, and production is expected to decrease by 69,8 %, from 11 700 tons in 2002/03 to 3 535 tons in 2003/04.

Plantings, production and yield of sweet lupins from 1998/99 to 2003/04 are as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
Plantings (ha)	16 300	19 000	14 705	14 785	11 000	10 100
Production (t)	9 000	13 000	17 360	16 338	11 700	3 535
Yield (t/ha)	0,55	0,68	1,18	1,11	1,06	0,35

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



Sweet lupins are a legume crop that releases nitrogen into the soil, therefore it is used in rotation systems with crops such as maize and sunflower seed to increase the yields of these crops. Through selection and breeding, sweet lupin cultivars were developed from bitter lupin species. Unwanted bitter seeds are still found in sweet lupins when generation of seed takes place and the bitter seed causes higher alkaloid content in the lupins. A maximum alkaloid content of 0,03 % is permissible. Anthracnose (*Colletotrichum gloeosporioides*) is the most important disease that affects sweet lupins. It is a fungal disease and can lead to the total collapse of the infected plant and cause extensive crop losses. It is distributed by air as well as through infested seed. The expected decrease in production for the 2003/04 season is mainly as a result of

anthracnose infestation. Farmers need to switch to new cultivars that are more resistant to anthracnose and the availability of seed of these cultivars has been a problem. Research is undertaken to breed for anthracnose resistance in sweet lupins.

#### *Consumption*

Sweet lupins are used as a supplement in poultry, ostrich, dairy, beef, horse, sheep and goat rations. It contains between 32 and 37 % protein – compared to 47 % protein in soya-bean oil-cake – and 10 % oil and has an energy value of approximately 11 megajoules per kg. On the local market, sweet lupins compete with other oilseeds that can be used as oil-cake in feed rations, for example soya-beans and canola.

#### *Prices*

The price of sweet lupins is based on the price of imported soya-bean oil-cake (containing 47 % protein). There are currently about four different buyers of sweet lupins in the Western Cape. The buyers offer pre-planting contracts to producers and contract prices offered for the narrow-leaf cultivars were between R1 300 and R1 400 per ton for the 2002/03 production season, while contract prices offered for *L. albus* and *L. luteus* varied between R1 500 and R1 600 per ton.

#### *Marketing*

The ARC-Grain Crops Institute and the Protein Research Foundation (PRF) at Elsenburg conduct research and cultivar trials on sweet lupins. The PRF funds most of the research on sweet lupins and has also established a lupins working group to promote the local lupins industry.

### **Cotton**

The primary production areas for cotton are situated in the Limpopo, Mpumalanga, Northern Cape, North-West and KwaZulu-Natal Provinces. Temperature is of vital importance in determining areas that are suitable for the cultivation of cotton. Minimum night temperatures should be at least 15 ° C. Approximately 60 to 80 % of plantings are on dryland but as a rule the majority of the crop comes from irrigation schemes in the various provinces. This is because yield per hectare is up to 6 times higher compared to dryland production. The cotton industry is labour intensive and provides work to roughly one labourer per hectare of cotton planted

#### *Area planted and production*

Total cotton plantings for 2003/04 are estimated at 22 964 ha, which is 16 093 ha or 42 % less than the plantings during 2002/03. Approximately 54 % of the area planted to cotton in the RSA for 2003/04 season is on dryland and the remainder under irrigation. It is estimated that 76 126 bales of 200 kg of cotton lint will be produced for 2003/04, which is 16 % less than the RSA produced crop of 90 274 bales for the 2002/03. The main contributing factors to the downward pressure on production are the low international prices at planting time and the competitive prices of alternative crops such as wheat.

Areas planted to cotton and the production of cotton lint from 1999/00 to 2003/04 for the RSA and Swaziland compare as follows:

RSA

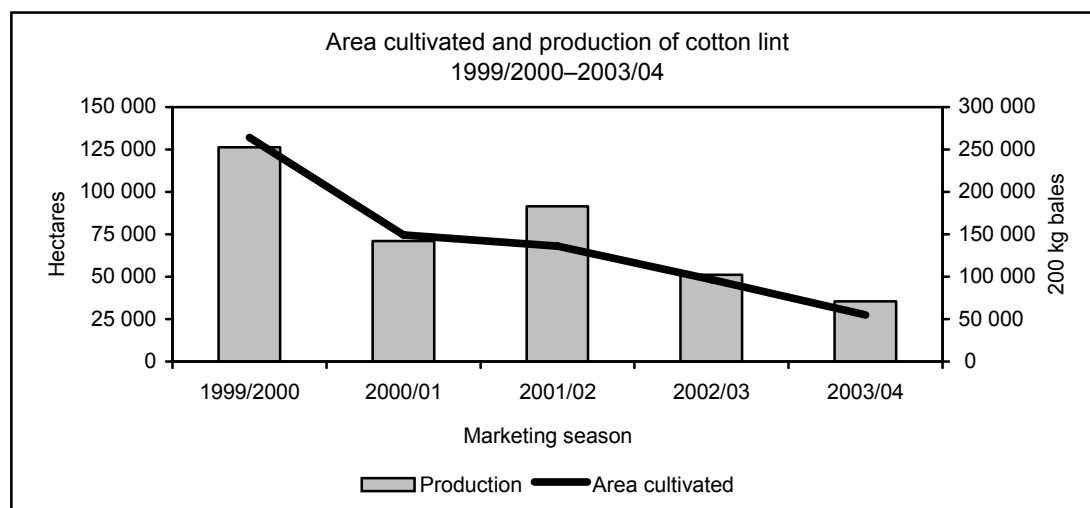
Season	1999/2000	2000/01	2001/02	2002/03	2003/04
Total RSA plantings (ha)	98 619	50 768	56 692	38 688	22 595
Dryland (ha)	67 356	40 282	38 153	28 897	12 262
Irrigation (ha)	31 263	10 486	18 539	9 791	10 333
Production of cotton lint (200 kg bales) from RSA- grown cotton	224 630	128 785	169 465	86 920	76 126

Source: Cotton SA

Swaziland

Marketing Season	1999/2000	2000/01	2001/02	2002/03	2003/04
Total Swaziland plantings (ha)	33 382	23 875	11 301	9 606	4 500
Dryland (ha)	32 932	23 875	11 301	9 606	4 500
Irrigation (ha)	450	0	0	0	0
Production of cotton lint (200 kg bales) from Swaziland-grown cotton	28 150	13 175	13 655	15 310	2 189

Source: Cotton SA



The Swaziland crop for 2003/04 is estimated at 2 189 cotton lint bales, cultivated on 4 500 ha dryland.

*Prices*

The average producer price for seed cotton (lint and seed derived from the ball of the cotton plant before it has been ginned) for 2002/03 was 351 c/kg.

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

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
	c/kg				
Seed cotton	253,0	258,0	216,0	254,0	351,0
Cotton lint	810,0	820,0	764,0	962,0	1 179,0

*Consumption*

Consumption of cotton lint by RSA spinners for 2003/04 season is estimated at 331 500 bales of 200 kg, compared to the 377 595 bales of 200 kg consumed during 2002/03. During 2002/03 about 87 % the 257 960 bales of 200 kg cotton lint imports were imported from SADC countries, with Zimbabwe and Zambia contributing 33 % and 45 % respectively and other non-SADC countries making a contribution of 13 %. No cotton lint was exported during 2002/03.

Consumption of cotton lint compares as follows:

Season	1998/99	1999/2000	2000/01	2001/02	2002/03
	200 kg bales				
RSA consumption	328 163	356 685	320 140	359 720	377 595
Swaziland consumption	19 152	18 605	5 435	4 410	9 540

*Marketing arrangements*

On 5 January 1998, the Cotton Board terminated its functions. All assets of the Board were transferred to the Cotton Trust to be used for the benefit of the entire cotton industry. After the Cotton Board was dissolved, role-players formed a Section 21 Company, namely Cotton SA. A statutory levy, which was introduced for the period April 2000 to April 2004 in terms of the Marketing of Agricultural Products Act, 1996, is applicable (currently 14c/kg cotton lint) to finance research and the other functions of Cotton SA, namely information, promotion and grading. Research is coordinated by Cotton SA, and performed by the ARC. Cotton SA also administers registration, records and returns.

Both the local marketing and exporting of cotton are free from statutory intervention. In terms of the free trade agreement between countries within the SADC, which has been in force since 2000, South Africa's duty on cotton imports from SADC countries have been scaled down since 2000 and will be terminated on 1 January 2004.



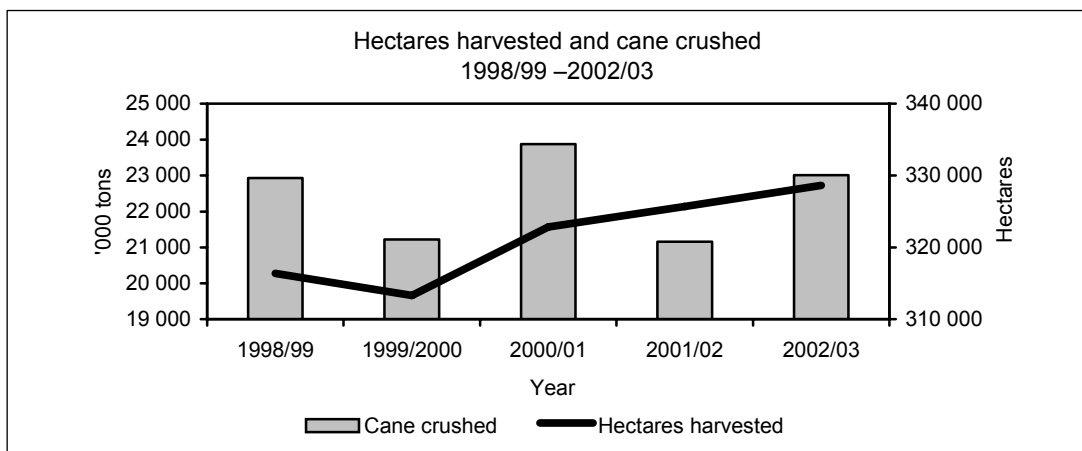
## Sugar

### The industry

The South African sugar industry makes an important contribution to the agricultural sector, given its investment, foreign exchange earnings and employment. Based on revenue generated through sugar sales within the Southern African Customs Union (SACU) and exports to countries outside the SACU, the South African sugar industry generates direct income totalling approximately R6 billion per year. Approximately 85 000 people are employed directly by the sugar industry. There are more than 50 000 registered cane growers of which approximately 48 000 are small-scale growers. The sugar industry is regulated in terms of the Sugar Act and the Sugar Industry Agreement, which is binding on all those who grow sugar cane and produce sugar products.

### Production

Sugar cane is mainly produced in the KwaZulu-Natal and Mpumalanga Provinces. The 2002/03 season yielded good results in terms of production for the South African sugar industry. The production of sugar cane increased by 8,8 %, from 21,2 million tons during the 2001/02 season to 23,0 million tons during the 2002/03 season. Production of sugar increased by 15 %, from 2,3 million tons to 2,7 million tons. For the 2003/04 season, however, it is expected that production of sugar cane will be around 20,5 million tons. This will be 11 % down on the 2002/03 production and may be the lowest crop during the last five years.



### Marketing

About 50 % of sugar produced in South Africa is marketed in the South African Customs Union (SACU). The remainder is exported to other African countries, the Middle East, North America and Asia.

### Consumption

The total local consumption of 1,41 million tons of sugar during 2002/03 represents an increase of 14,9 % compared to the 2001/02 consumption of 1,23 million tons. The production and consumption of sugar from 1998/99 to 2002/03 are as follows:

Year	1998/99	1999/2000	2000/01	2001/02	2002/03
	'000 tons				
Production	2 646	2 531	2 729	2 396	2 763
Consumption	1 220	1 195	1 269	1 230	1 413

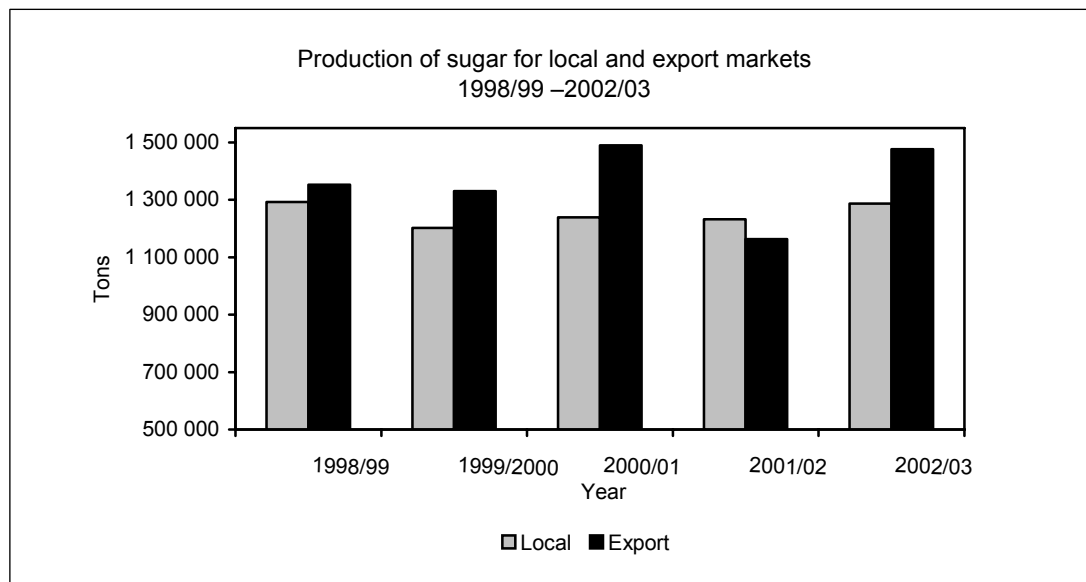
### Producer prices

The producer prices of sugar cane from 1998/99 to 2002/03 are as follows:

Year	1998/99	1999/2000	2000/01	2001/02	2002/03
	R/ton				
Producer price	125,85	121,36	130,50	160,23	171,78

### Exports

The proportion of sugar exported to sugar production was 53 % for the 2002/03 season, as against 52 % during the previous two seasons. A total of 1,5 million tons of sugar were allocated to the export market during 2002/03.



### Empowerment

The industry, through Umthombo Agricultural Finance (UAF), offered financial assistance (loans) to more than 45 000 developing cane farmers in KwaZulu-Natal, Mpumalanga and Eastern Cape Provinces. To date, the UAF has given out in excess of R250 million in production loans.

Through the empowerment and development of previously disadvantaged communities, it is expected that more medium-scale farmers will enter the sugar-cane industry.

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## HORTICULTURE

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### Deciduous fruit

#### *Production areas*

The main deciduous fruit producing areas of South Africa are situated in the Western and Eastern Cape Provinces, mainly in areas where warm, dry summers and cold winters prevail. The area under production during the 2003 season is estimated at 77 428 ha.

#### *Production*

Although some producers grow fruit both for canning and fresh consumption, it is estimated that there are about 2 455 producers of fruit for fresh consumption, 1 101 producers of canned and about 1 104 producers of dried fruit in the South Africa. The production of deciduous fruit during 2002/03 is estimated at 1 657 662 tons, which is 12 % higher than in 2001/02.

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

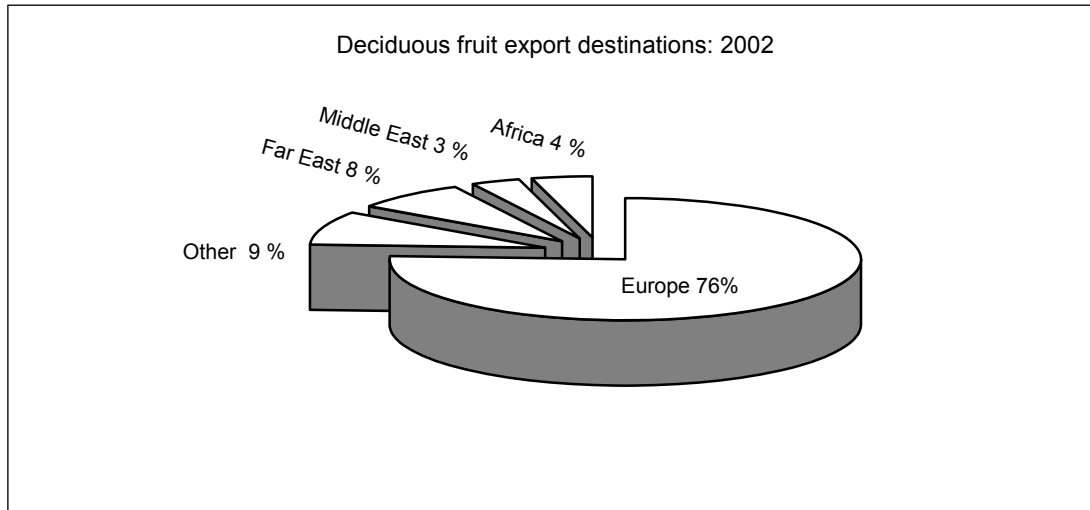
Fruit type	1998/99	1999/2000	2000/01	2001/02	2002/03
	Tons				
Apples	564 928	571 966	565 905	590 614	680 052
Pears	278 367	298 076	256 849	303 606	274 115
Table grapes	211 687	204 026	212 314	273 238	282 633
Peaches and nectarines	223 071	216 322	171 411	212 016	326 002
Apricots	58 917	52 133	54 662	49 395	42 214
Plums	47 282	32 832	39 077	38 730	52 646
Total	1 384 252	1 375 355	1 261 141	1 467 599	1 657 662

#### *Marketing*

The exporting of deciduous fruit is a very important earner of foreign exchange for South Africa. During the 2002/03 season, about 38 % of deciduous fruit produced was exported and approximately 70 % of the gross value from deciduous fruit came from foreign exchange export earnings. Total exports amounted to 621 240 tons during 2002/03, these represent an increase of 6,60%, as against exports during 2001/02.

During 2002/03, deciduous fruit contributed approximately 25 % to the gross value of horticultural products. During the 2002/03 season, approximately 384 522 tons of deciduous fruit were sold locally on the 16 major fresh produce markets, other markets and directly to retailers, which represents an 8 % increase compared to 355 695 tons sold during the 2001/02 season.

The following graph indicates deciduous fruit export destinations during 2002:

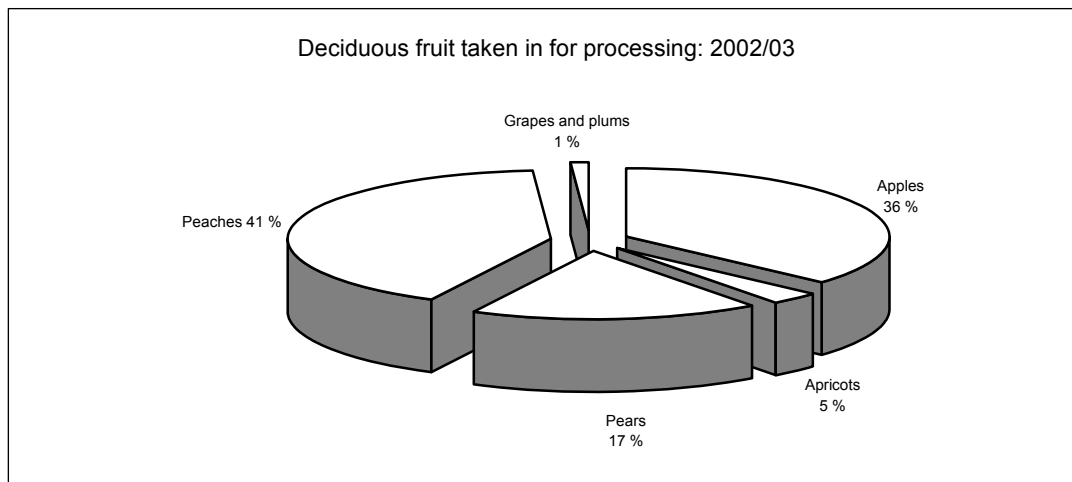


The average prices of deciduous fruit on the 16 major fresh produce markets during the period 1998/99 to 2002/03 are as follows:

Fruit type	1998/99	1999/2000	2000/01	2001/02	2002/03
	R/ton				
Apples	1 772	1 801	1 903	2 197	2 409
Pears	1 428	1 329	1 499	1 712	1 996
Table grapes	2 936	2 781	3 151	3 394	3 609
Peaches and nectarines	2 619	2 644	2 732	2 864	3 428
Apricots	1 854	1 973	2 150	2 177	2 804
Plums	1 850	2 072	2 154	2 368	2 308

*Intake of deciduous fruit for processing*

During 2002/03, about 39 % of deciduous fruit produced was taken in for processing—an increase of 23 % compared to 2001/02. The following graph indicates deciduous fruit taken in for processing during 2002/03:



Over the past five years, most of the deciduous fruit taken in for processing was canned, with the exception of apples, which are mostly used for juice.

However, more recently a significant volume of pears was also used for juice. During 2002/03, approximately 97 % of apples taken in for processing was used for juice and 3 % for canning, while 78 % of pears were used for juice and 22 % was canned. Producers received an average price of R760 and R410 per ton, respectively, for apples used for canning and for juice. In case of pears used for canning and for juices, producers received an average of R1 179 and R286 per ton, respectively, representing significant increases compared to the 2001/02 season.

#### *Domestic consumption*

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

Season	1998	1999	2000	2001	2002
<i>Per capita</i> consumption (kg/year)	16,50	18,16	19,46	16,25	17,51
Total consumption ('000 tons)	695	782	850	724	796

#### *Prospects*

Temperature dropped sharply in most areas from the second week of August 2003 and more chilling units accumulated than during any of the previous three years. Low temperatures can result in a high percentage of small fruit for the approaching season. The lack of chilling during May to July and above-average crops of the past season will not favour a further heavy crop for the 2003/04 season.

### **Dried fruit**

#### *Production areas*

Dried fruit is produced mainly in the western and southern parts of the Western Cape Province and the Lower and Upper Orange River areas in the Northern Cape Province. Tree fruit, as opposed to vine fruit, is dried mainly in the Western Cape.

The most important dried-fruit products are Thompson seedless raisins, golden sultanas, unbleached sultanas, hanepoot raisins, prunes, peaches and apricots. The quantities of dried fruit produced vary per fruit type, depending on the factors that influence production and the competition offered by alternative marketing channels. Apricots are mainly produced in the Little Karoo and prunes are grown almost exclusively in the Tulbagh district in the Western Cape. Most raisins are produced in the area along the Lower Orange River and most currants come from the Vredendal district.

#### *Production*

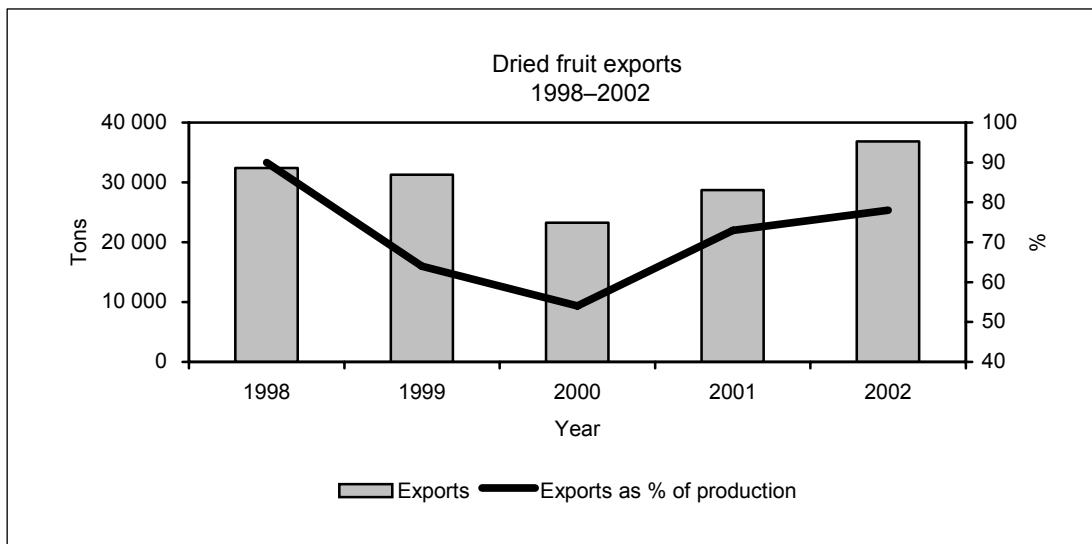
In 2003 production of dried vine fruit decreased by 13,3 % from 42 355 tons in 2002 to 36 727 tons and that of dried tree fruit by 28,8 % from 4 948 tons in 2002 to 3 519 tons. The decrease occurred in the production of Thompson Seedless Raisins and is as a result of the increase in production of unbleached and golden sultanas. The shift may be attributed by the fact that the seedless-grape crop can be utilised for different markets and also for different types of raisins.

During the past 5 years the production trends were as follows:

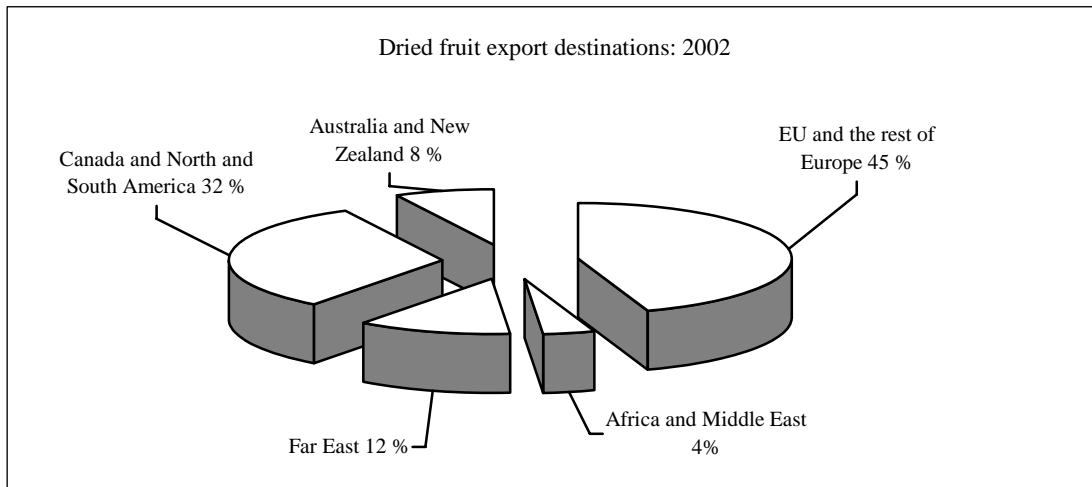
Fruit type	1999	2000	2001	2002	2003
	Tons				
<b>Sultana type</b>					
Unbleached	5 097	4 709	9 158	2 591	6 507
Golden	8 539	4 028	7 490	5 656	7 473
Thompson seedless raisins	26 722	27 622	16 552	32 092	20 858
Currants	1 702	1 463	1 420	1 837	1 774
Raisins	534	320	223	179	115
<b>Total vine fruit</b>	<b>42 594</b>	<b>38 142</b>	<b>34 843</b>	<b>42 355</b>	<b>36 727</b>
Prunes	2 098	1 300	1 100	1 800	2 200
Apricots	1 848	1 022	1 612	1 423	1 576
Apples	79	200	110	80	89
Peaches	1 526	1 214	1 000	1 049	1 120
Pears	697	1 180	480	596	712
<b>Total tree fruit</b>	<b>6 248</b>	<b>4 916</b>	<b>4 302</b>	<b>4 948</b>	<b>5 697</b>
<b>Grand total</b>	<b>48 842</b>	<b>43 058</b>	<b>39 145</b>	<b>47 303</b>	<b>42 424</b>

*Marketing*

The PPECB (Perishable Products Export Control Board) is responsible for the inspection of export dried fruit to ensure quality requirements. Exporters are required to obtain the PPECB certificate. More than 50 % of production is exported.



The following chart depicts dried fruit export destinations during 2002:



### Viticulture

At present, 107 998 ha are under vines in South Africa. In 2002 South Africa was ranked 17th in the world in terms of area under vines. South Africa is the eighth-largest wine producer, producing 2,5 % of the world's wine.

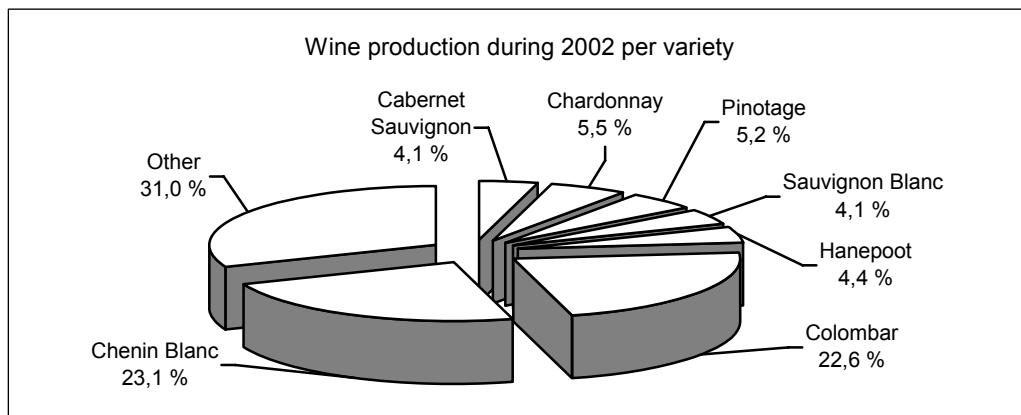
The wine industry is labour intensive and provides a living to approximately 345 000 farmworkers, including dependants, and 3 500 wine cellar personnel. Primary wine producers in South Africa are estimated at 4 390. Wine is mainly produced in the Western Cape Province and along parts of the Orange River in the Northern Cape Province.

### Production

Wine production from 1999 to 2003 is as follows:

Year	1999	2000	2001	2002	2003
	Gross million litres				
Wine production	914	837	747	834	956

During 2002, the production of wine increased by 11,7 %, while 956 million litres is estimated for 2003. During the past six years, a shift from white to red wines took place, causing a dramatic increase in the production of red wine varieties, namely Shiraz, Merlot, Ruby Cabernet, Cabernet Sauvignon and Pinotage. The variety distribution for 2002 is depicted in the following graphical presentation:



### Prices

Producer prices of wine products for the past five years are as follows:

Year	1999	2000	2001	2002	2003
	c/l @ 10 % A/V				
Average price of:					
Good wine	214,7	212,0	229,2	299,4	379,17
Rebate wine	127,4	119,6	115,2	130,2	186,55
Distilling wine	73,1	64,9	63,2	73,5	103,08

### Income of producers

The production of wine grapes and income of producers from 1998 to 2002, are as follows:

Year	1998	1999	2000	2001	2002
Grape production ('000 tons)	1 041	1 174	1 098	977	1 079
Income of producers (R million)	1 413	1 436	1 460	1 596	2 088

The producers' income increased by 30,8 % during 2001, owing to an increase in income from exports.

### Exports

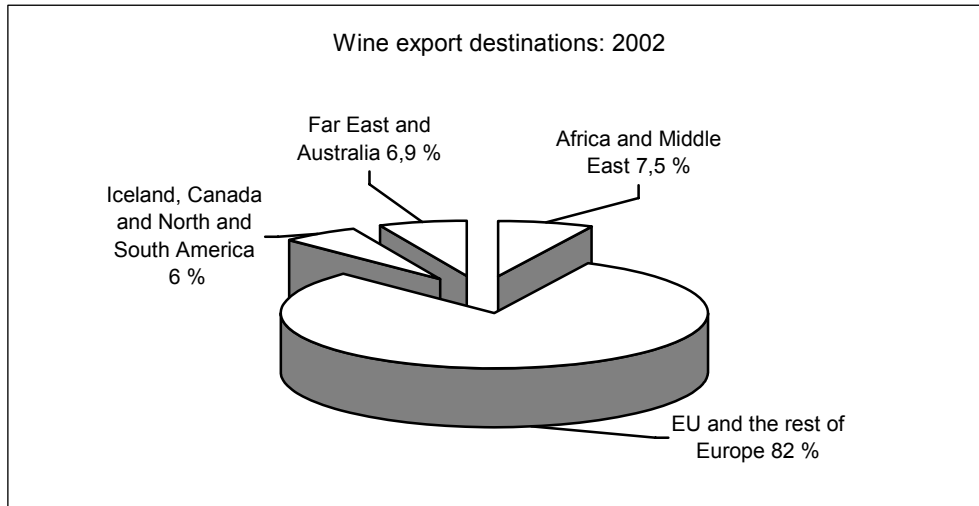
Total quantities of wine exported during the past five years are as follows:

Year	1999	2000	2001	2002	2003
	'000 litres				
Natural wine	127 637	139 800	176 092	215 766	230 595
Fortified wine	695	472	548	523	450
Sparkling wine	810	685	779	1 401	1 700
Total	129 042	139 937	177 419	217 689	232 745

Exports as a percentage of the good wine crop increased from 7,1 % in 1998 to 22,8 % in 2002.



The following graph depicts wine export destinations during 2002:



### Consumption

The *per capita* consumption of wine products on the domestic market from 1998 to 2002 is as follows:

Year	1998	1999	2000	2001	2002
	<i>ℓ per capita</i>				
Natural wine	8,37	8,59	8,41	8,44	8,08
Fortified wine	0,79	0,72	0,66	0,64	0,70
Sparkling wine	0,20	0,23	0,13	0,14	0,17
Total	9,36	9,54	9,20	9,22	8,95

### Prospects

Indications are that the 2003 wine production may be around 956 million litres, approximately 16,4 % higher than the 2002 production. While the wine grape harvest is estimated at 1 183 323 tons, which represents an increase of 5,5 % compared to the 2002 harvest, the total export market for wine should increase by about 11 %.

## Subtropical fruit

Measured in terms of value the of production, the subtropical fruit industry earned R966 million in 2002/03, an increase of 18,2 % on the 2001/02 figure of R817 million.

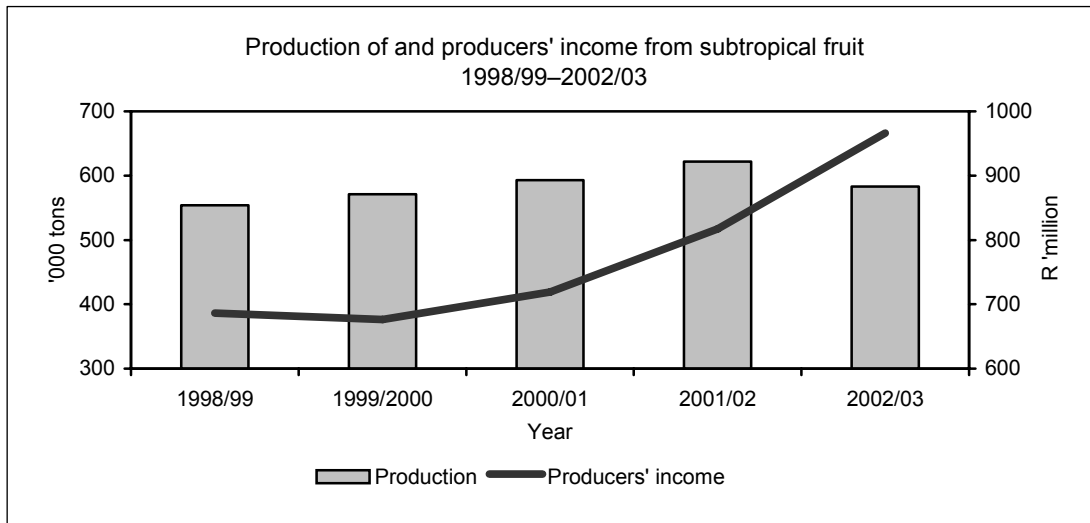
### *Production and production areas*

The particular climatic requirements of some types of subtropical fruit make the cultivation thereof possible in only certain specific areas of the country. In general, subtropical fruit types require warmer conditions and are sensitive to large fluctuations in temperature and to frost. The main production areas of subtropical fruit in South Africa are parts of the Limpopo, Mpumalanga and KwaZulu-Natal Provinces. Fruit such as granadillas and guavas is also grown in the Western Cape, while pineapples are grown in the Eastern Cape and KwaZulu-Natal.

The total areas of production of avocados, bananas, mangoes, litchis and pineapples during 2002/03 are estimated at approximately 12 000, 12 035, 7 748, 3 000 and 13 581 ha, respectively.

Production of subtropical fruit from 1998/99 to 2002/03 is as follows:

Fruit type	1998/99	1999/2000	2000/01	2001/02	2002/03
	'000 tons				
Avocados	79,9	68,9	69,5	66,5	78,2
Bananas	226,9	249,8	260,1	273,9	229,1
Pineapples	146,8	160,2	161,2	167,7	171,7
Mangoes	50,6	40,8	48,0	59,2	52,1
Papayas	23,2	23,6	20,3	22,1	16,1
Granadillas	1,1	0,9	1,2	1,4	1,5
Litchis	7,3	5,0	7,5	4,8	4,3
Guavas	18,1	21,9	23,9	26,6	27,7



From 1998/99 to 2002/03, total production of subtropical fruit increased on average by 2,8 % per annum. From 2001/02 to 2002/03, production of avocados increased by 17,6%, while the total production of papayas showed a decrease of 29,1 %. Bananas, pineapples and avocados respectively contributed 39,3, 29,4 and 13,4 % to the total production of subtropical fruit during 2002/03.

### Domestic sales

The largest contributors to sales of subtropical fruit on the 16 major fresh produce markets are bananas, pineapples, avocados, mangoes and papayas, contributing 73,2, 7,5, 7,4, 5,8 and 3,9 %, respectively.

Except for granadillas, the quantities of all subtropical fruit types sold on the major fresh produce markets decreased during 2002/03.

Total quantities of subtropical fruit sold on the 16 major fresh produce markets (year ending 30 June) are as follows:

Fruit type	1998/99	1999/2000	2000/01	2001/02	2002/03
	Tons				
Avocados	28 051	19 536	26 005	21 996	21 128
Bananas	212 790	227 505	234 043	249 117	209 845
Pineapples	18 166	25 994	24 827	23 864	21 528
Mangoes	20 852	19 875	20 277	24 513	16 564
Papayas	17 029	16 831	14 127	15 279	11 134
Granadillas	749	729	803	1 008	1 093
Litchis	3 717	2 312	4 151	1 807	2 655
Guavas	3 696	3 240	2 960	3 076	2 852
Total	305 050	316 022	327 193	340 660	286 799

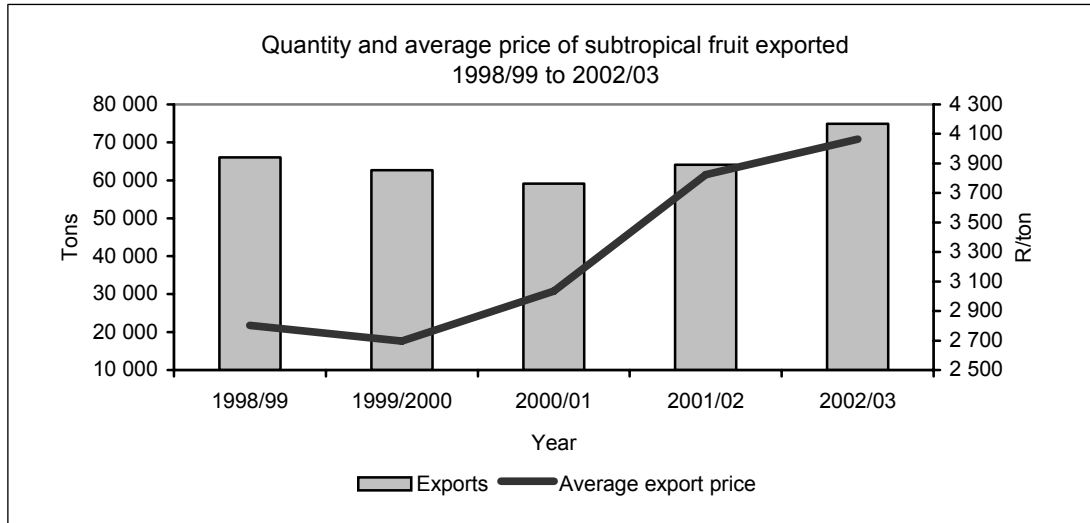
### Intake for processing (year ending 30 June)

The three largest contributors to the processing of subtropical fruit are pineapples, guavas and mangoes. Pineapples account for approximately 75,5 % of the total intake of subtropical fruit for processing. While the intake of most subtropical fruit for processing increased during 2002/03, intake of mangoes decreased by 6,5 %.

Fruit type	1998/99	1999/2000	2000/01	2001/02	2002/03
	Tons				
Avocados	2 017	2 726	1 730	2 539	6 040
Bananas	614	865	887	1 715	1 924
Pineapples	121 569	125 619	127 748	136 473	143 639
Mangoes	13 230	6 480	10 819	12 452	11 640
Papayas	257	982	1 604	1 255	1 337
Granadillas	142	35	184	176	176
Litchis	465	24	50	473	1 229
Guavas	13 676	18 074	21 699	22 993	24 302
Total	151 970	154 805	164 721	178 076	190 287

### Exports

From 1998/99 to 2002/03, total exports of subtropical fruit increased by an average of 4,9 % per annum and export prices for all subtropical fruit increased on average by 9,3 % per annum.



The main subtropical fruit type exported is avocados. During 2002/03, exports of avocados contributed 61,1 % to the total value of exports of subtropical fruit. Other subtropical fruit types that were exported are mangoes, pineapples and papayas.

### Marketing and research

The Institute for Tropical and Subtropical Crops (ITSC) of the ARC is responsible for research on all aspects of the cultivation of tropical and subtropical crops countrywide. Some of the organisations involved in the marketing of specific subtropical crops are the Banana Growers' Association, Avocado Growers' Association, Mango Growers' Association and Litchi Growers' Association.

### Prospects

Because of drought in the major production areas a further decrease is expected for most subtropical fruit types during 2003/04.

## Citrus fruit

### Areas of production

Citrus is grown in the Limpopo, Mpumalanga, KwaZulu-Natal, Eastern Cape and Western Cape Provinces, where subtropical conditions (warm to hot summers and mild winters) prevail. A survey done during 2000 indicated that there were about 3 500 citrus growers who collectively managed more than 16 million trees. Orchard sizes varied from small (less than 100 trees) to estates with up to half a million trees.

### Production

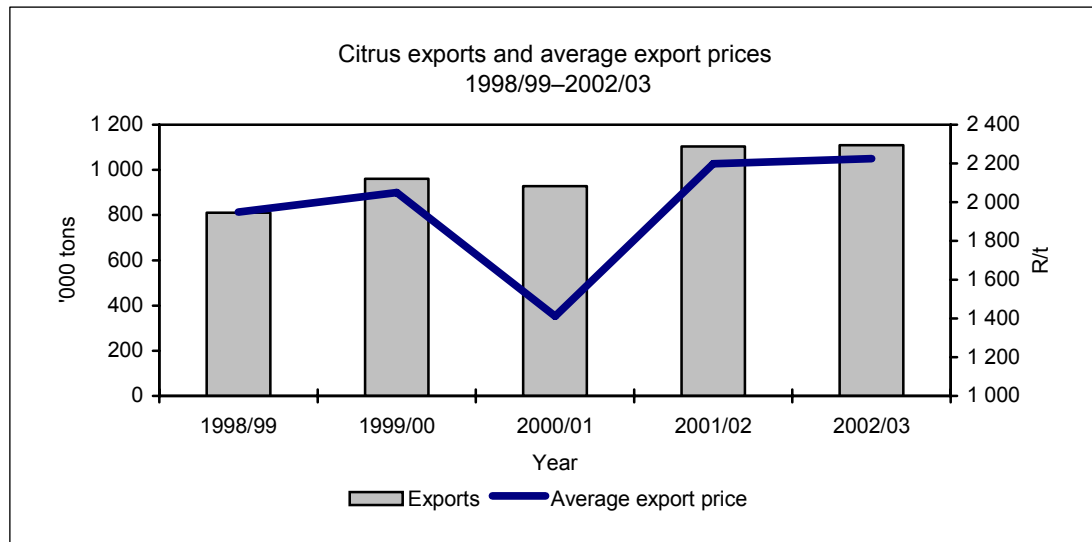
Oranges constitute about 67 % of the total production of citrus fruit in South Africa. On average, citrus fruit production increased by 7,4 % per annum from 1998/99 to 2002/03. However, with the exception of oranges, the production of other citrus fruit types levelled out or even decreased during 2003.

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

Fruit type	1998/99	1999/2000	2000/01	2001/02	2002/03
	Tons				
Oranges	963 589	1 156 359	1 117 964	1 262 527	1 265 247
Grapefruit	196 037	212 181	267 669	383 709	268 195
Lemons	103 283	101 669	120 121	169 688	189 258
Naartjes	90 123	136 901	108 432	147 999	109 783
Soft citrus	82 507	126 267	98 492	72 189	63 441
<b>Total</b>	<b>1 435 539</b>	<b>1 733 377</b>	<b>1 712 678</b>	<b>2 036 112</b>	<b>1 895 924</b>

### Exports

South Africa is one of the top five exporters of citrus fruit in the world. Exports increased from 811 432 tons during 1998/99 to 1 108 983 tons during 2002/03. During 2002/03, about 757 028 tons of oranges, almost 60 % of the crop, were exported.



### *Domestic sales*

During 2002/03, only about 8 % of citrus production was sold on the 16 major fresh produce markets in South Africa.

In the case of naartjes, around 13 % of production was sold on the fresh produce markets, while in the case of oranges and soft peelers, 10 and 9 % of production were sold on the major fresh produce markets, respectively.

There has been a noticeable increase of 27,9 % in the prices of all citrus fruit sold on the fresh produce markets during 2002/03 as compared to 2001/02.

The average prices realised on the major fresh produce markets during the period 1998/99 to 2002/03 are as follows:

Fruit type	1998/99	1999/2000	2000/01	2001/02	2002/03
	R/ton				
Oranges	835	1 494	714	768	925
Grapefruit	846	903	689	921	1 205
Lemons	1 192	1 193	1 032	1 185	1 543
Naartjes	1 481	1 327	1 467	1 598	2 148
Soft citrus	1 115	997	1 146	1 236	1 480

### *Processing*

Approximately 25,7 % of the total citrus fruit production was taken in for processing during 2002/03. During the past five years, citrus fruit taken in for processing showed an average annual growth of 12,3 %, increasing from 317 090 tons in 1998/99 to 486 852 tons in 2002/03.

### *Consumption*

*Per capita* consumption of citrus fruit over the past five years is as follows:

Year	1998	1999	2000	2001	2002
	kg/year				
<i>Per capita</i> consumption	14,73	11,73	19,83	15,73	18,45

### *Prospects*

While citrus fruit sales on the fresh produce markets during 2003 remained at the same level as during 2002, indications are that export volumes may be 16 % up on the previous year. Because of the improvement in the value of the Rand, the income generated by producers will be affected negatively.

## Vegetables (excluding potatoes)

### General

Vegetables are produced in most parts of the country, but farmers in certain areas tend to concentrate on specific crops. For example, green beans are mainly grown at Kaapmuiden, Marble Hall and Tzaneen; green peas at George and Vaalharts; onions at Caledon, Pretoria and Brits; and asparagus at Krugersdorp and Ficksburg.

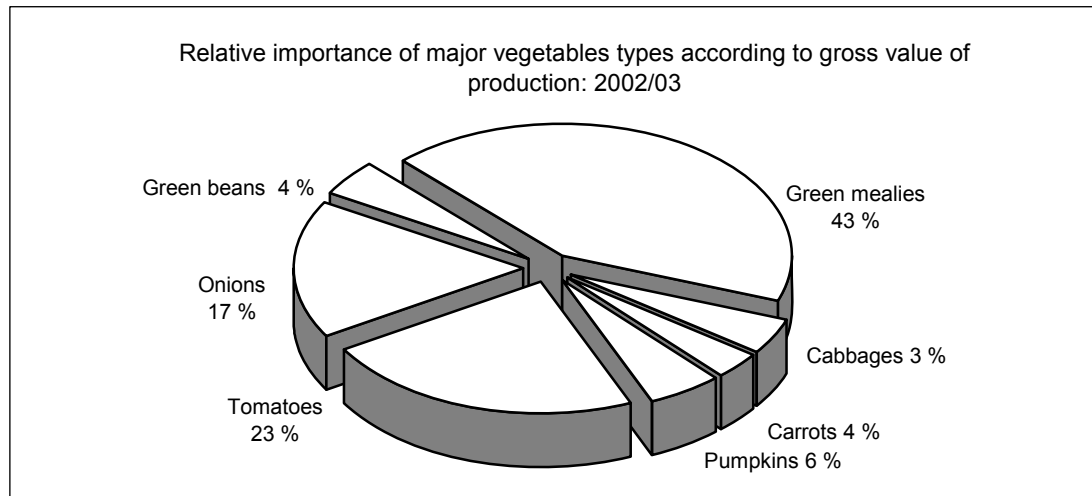
### Production

During the period 2001/02 to 2002/03 (July–June), the total production of vegetables (excluding potatoes) increased by 3,4 % from 2 004 000 tons to 2 082 000 tons. In terms of volumes produced, the largest percentage increase occurred in the case of carrot production, which increased by 12,7 % from 101 000 tons to 115 000 tons. Onion, tomato, and pumpkin production increased by 6, 4,3, and 1,9 % respectively. The production of green mealies decreased by 0,3 %, while the production of cabbage remained unchanged.

The production of vegetables (excluding potatoes) in South Africa for the period 1998/99 to 2002/03 compares as follows:

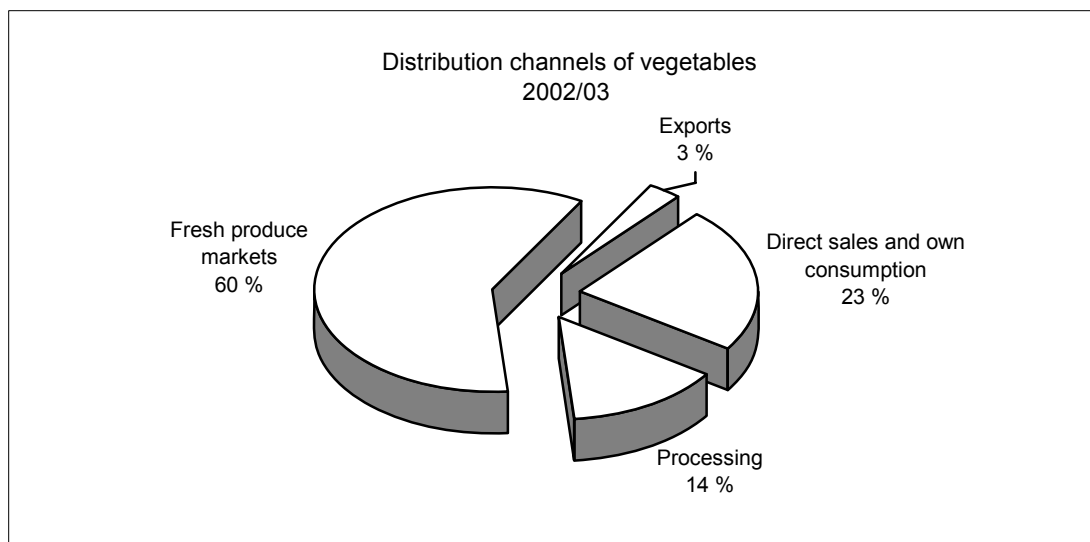
Year	1998/99	1999/2000	2000/01	2001/02	2002/03
	Thousand tons				
Tomatoes	415	405	486	420	438
Onions	387	329	323	335	355
Green mealies	300	299	298	295	294
Cabbages	202	190	195	176	176
Pumpkins	199	201	210	210	214
Carrots	101	97	101	102	115
Other	488	457	475	466	481
<b>Total</b>	<b>2 092</b>	<b>1978</b>	<b>2088</b>	<b>2004</b>	<b>2073</b>

*Contribution to the gross value of vegetable production by the major vegetable types during the 12 months up to 30 June 2003*



### Distribution channels

As depicted in the following graphical presentation, approximately 60 % of the volume of vegetables produced is traded on the 16 major fresh produce markets. The total volume of vegetables (excluding potatoes) sold on these markets during 2002/03 amounted to 108 000 tons, while 105 000 tons were sold during 2001/02, which represents an increase of 2,9 %.



The value of sales of the most important vegetables (excluding potatoes) on the South African fresh produce markets for the period 1998/99 to 2002/03 are as follows:

Year	1998/99	1999/2000	2000/01	2001/02	2002/03
	R '000				
Tomatoes	428 557	447 686	400 733	486 007	584 913
Onions	200 803	267 824	334 689	354 637	418 882
Green mealies	9 124	10 726	10 016	11 743	15 027
Cabbages	61 621	71 623	60 379	83 117	101 071
Pumpkins	37 831	43 990	46 212	53 225	64 242
Carrots	58 994	67 292	63 758	84 542	105 968
Other	1 307 937	1 385 268	1 406 158	1 678 321	2 240 251
Total	2 104 867	2 294 409	2 321 945	2 751 592	3 530 354

The value of green mealies had the largest increase of about 28 % from 2001/02 to 2002/03, whereas the value of cabbages, carrots, tomatoes, pumpkins and onions increased by 21,6, 25,3, 20,4, 20,7 and 18,1 %, respectively.

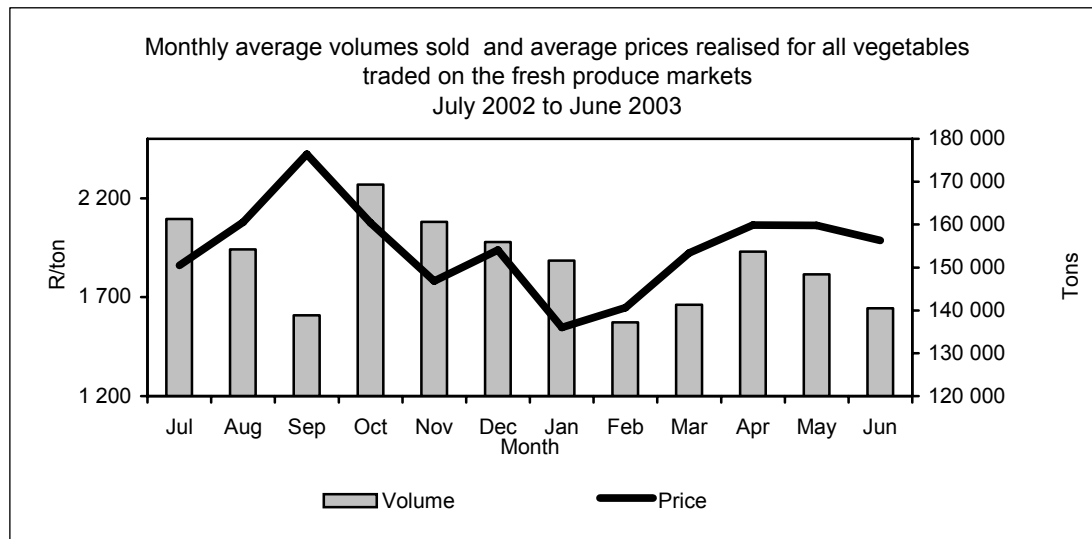


### Prices

The average prices of some of the more important vegetables realised on the fresh produce markets for the period 1998/99 to 2002/03 are as follows:

Year	1998/99	1999/2000	2000/01	2001/02	2002/03
	R/ton				
Tomatoes	1 657,24	1 827,19	1 614,67	2 071,31	2 471,88
Onions	765,05	927,95	1 458,96	1 469,06	1 672,56
Green mealies	2 974,45	2 957,25	3 250,38	4 073,22	6 025,39
Cabbages	356,91	438,65	374,77	562,166	683,77
Pumpkins	652,18	756,39	747,09	877,79	1 032,03
Carrots	900,38	1 056,35	927,23	1 255,62	1 321,30
Other	1 316,48	1 159,07	1 183,38	1 1426,14	2 168,72

The price of green mealies had the largest increase of about 47,9 % from 2001/02 to 2002/03, whereas the prices of carrots, tomatoes, cabbages, pumpkins and onions increased by 5,2, 19,3, 21,6, 17,6 and 13,9 %, respectively.



### Consumption

The importance of vegetables in a healthy diet is being strongly promoted by all the stakeholders in the fresh produce marketing chain. The *per capita* consumption of fresh vegetables was 39,72 kg during 2002/03—approximately 0,6 % lower than the 39,98 kg consumed during 2001/02.

## Potatoes

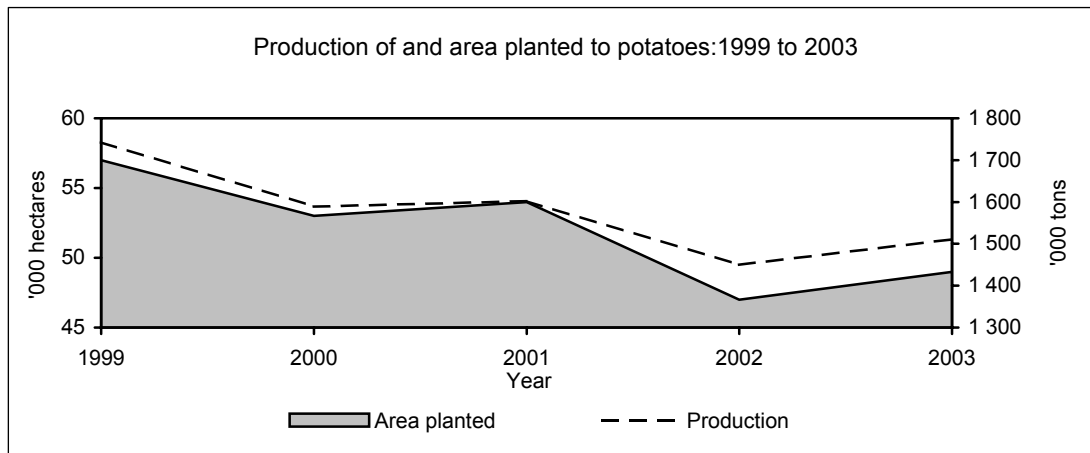
Potatoes are planted in 16 distinct potato production regions, which are spread over the country. The main production regions, however, are situated in the Limpopo, North West, Mpumalanga, Free State and Western Cape Provinces. Because of the difference in the climates of these production areas, potatoes are planted at different times, which results in fresh potatoes being available throughout the year. During the last two decades there has been a major shift from dryland production to production under irrigation. Today, almost 75 % of the area cultivated is under irrigation and dryland production occurs mainly in areas with proven reliable summer rainfall, such as the Eastern part of the Free State and parts of the Mpumalanga and the Eastern Cape.

### Area planted

Since 1998, when 53 872 hectares were planted, there has been a moderate decrease of 0,4 % per annum in the hectares planted. Plantings for 2003, however, is estimated at around 49 300 hectares, which is 4,6 % up on the previous season.

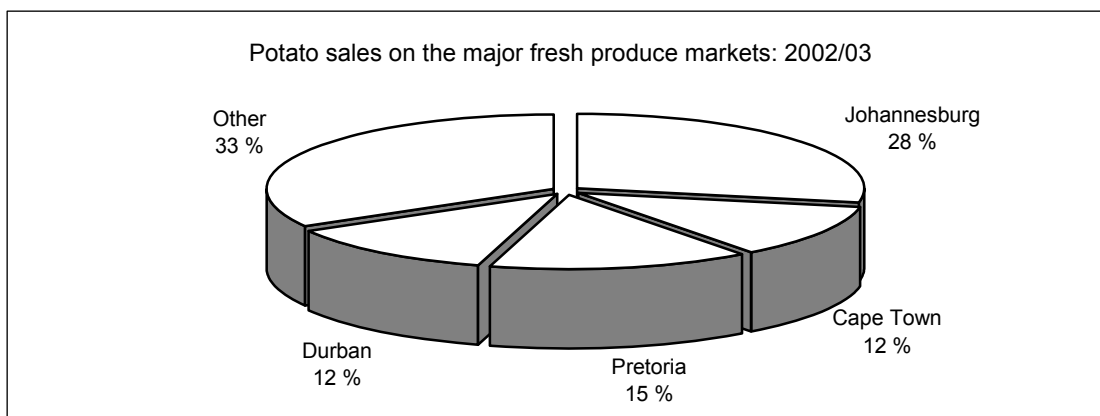
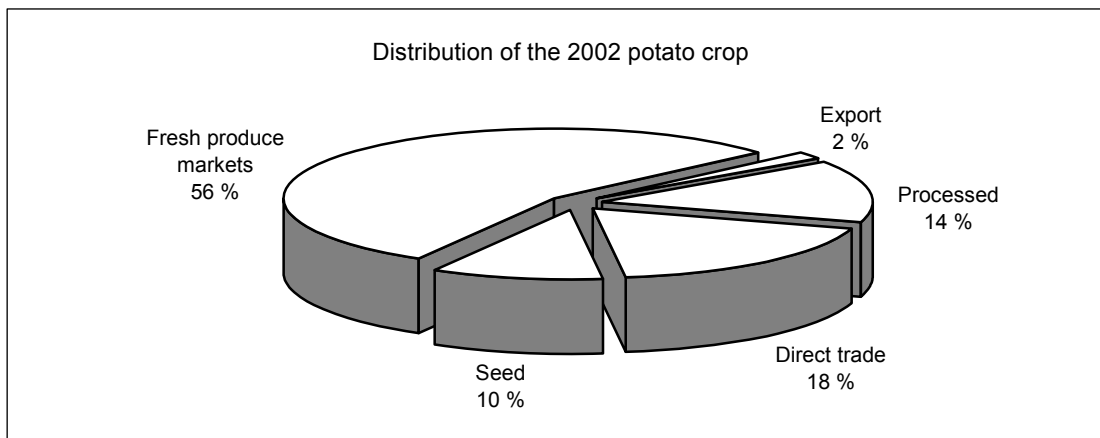
### Production

Potatoes contributed approximately 40 % to the total gross value of vegetables produced during 2002. A total crop of about 151 million 10kg bags, which is 4 % more than that of the 2002 crop, is expected for 2003. South Africa is not an important role-player in terms of world production, as it produces only 0,5 % of the world production. In 2001, the total average yield was approximately 2 979 x 10 kg pockets of potatoes per ha compared to 3 076 x 10 kg pockets per ha in 2002, which is an increase of 3,3 %.



## Sales

The 16 major fresh produce markets remain an important channel for selling potatoes. During 2002, approximately 78 million x 10 kg pockets of potatoes were sold on the 16 major fresh produce markets, as against the 90 million of 2001. The Johannesburg fresh produce market remains the biggest seller of potatoes, followed by Pretoria, Cape Town and Durban. During the last the five years potato sales on the 16 major fresh produce markets showed an average decrease of approximately 2 % per annum.



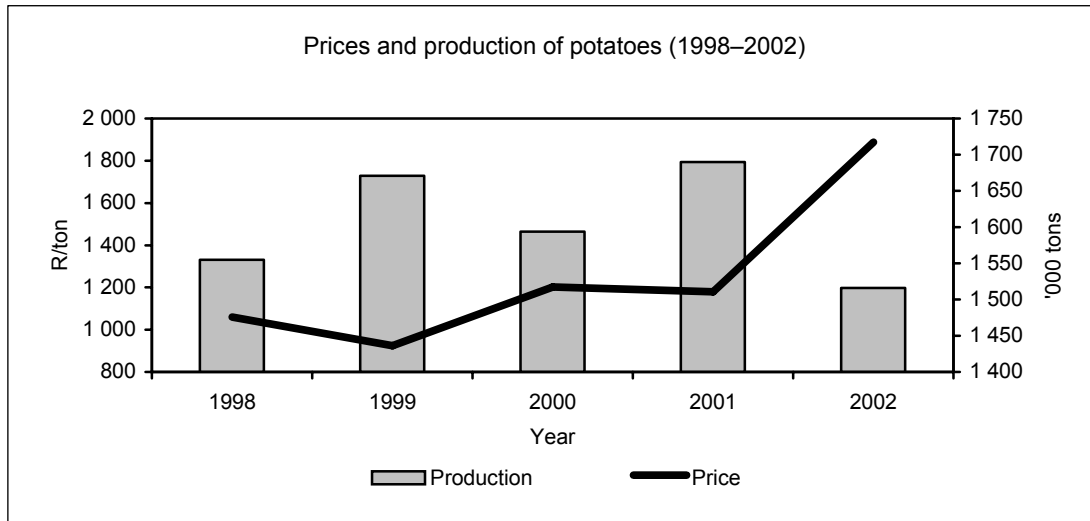
## Consumption

The total gross human consumption of potatoes decreased by approximately 6,3 % during 2002 and the *per capita* consumption decreased by 8,2 %.

Year	1998	1999	2000	2001	2002
Total production ('000 tons)	1 555	1 671	1 594	1 655	1 560
Gross human consumption ('000 tons)	1 289	1 429	1 355	1 409	1 320
<i>Per capita</i> consumption (kg p.a.)	30,61	33,21	30,03	31,64	29,05

### Prices

Between 1998 and 2002, potato prices realised on the major fresh produce markets increased by an average of 16,6 % per annum from R882 per ton in 1998 to R1 888 per ton in 2002.



### Processing

During 2002, approximately 13 % of the total production of potatoes was taken in for processing. About 98,6 % of the potatoes taken in for processing were processed into potato chips, both fresh and frozen, while the remaining 1,4 % was used for mixed vegetables, crisps, canning, etc. The processing of potatoes showed an upward trend between 1998 and 2002.

### Exports

During 2002, about 8 % of the total potato production was exported. The quantity of potatoes exported increased by 24,8 % during 2002 as compared to 2001. The Rand value of exported potatoes increased by approximately 53,4 % during 2002. There has been an improvement of trade between South Africa and the other SADC countries. During 2002, approximately 93 % of total potato exports was to Angola, Mozambique, Mauritius and Zimbabwe.

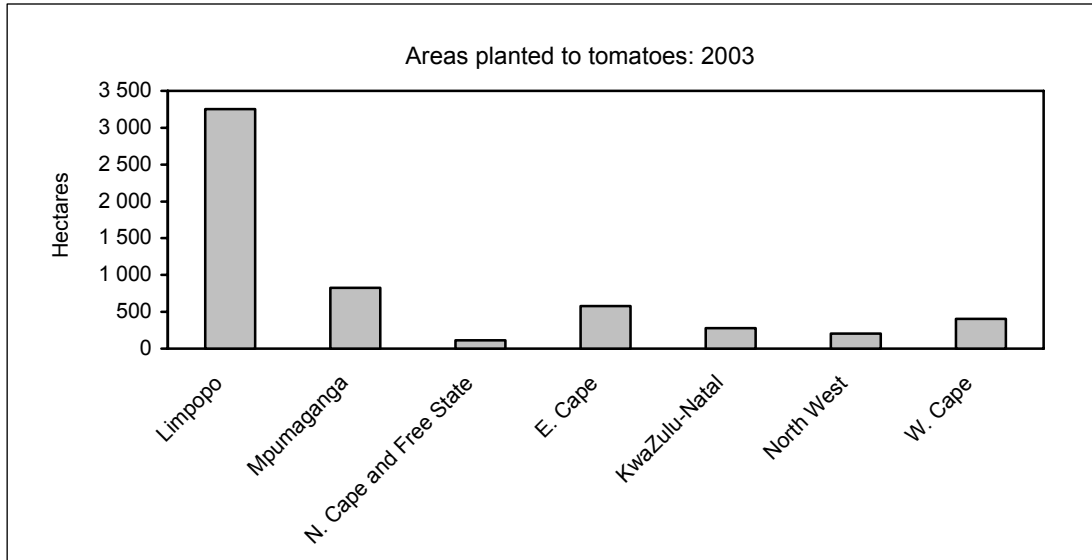
### Prospects

The continued process of urbanisation will increase the demand for food that can be prepared easily and semi-prepared food. This means that the growth in the intake of potatoes by processing factories will continue. Prices for potatoes are expected to remain above R1 800 per ton during the first half of 2004.

## Tomatoes

### Area planted

Tomato plantings for the 2003 season are estimated at 5 660 ha. This is approximately the same as the area planted during 2002. The northern Lowveld of the Limpopo Province is the major producing area, with 2 700 ha which is 48 % of the total area planted to tomatoes. Other important regions in terms of hectares under tomato cultivation are the Onderberg area of the Mpumalanga Province with 550 ha and the Border area in the Eastern Cape, with 450 ha. Growing of tomatoes in tunnels is still on the increase as an important crop production method in South Africa.

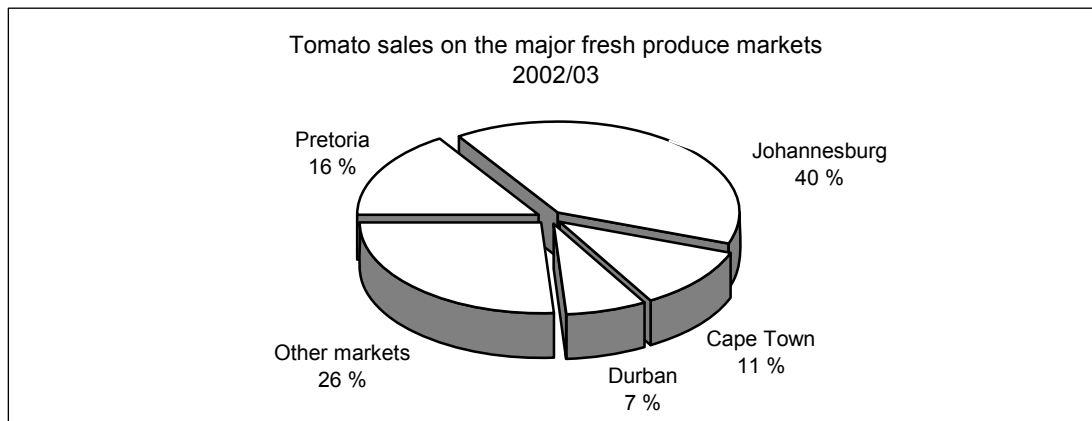


### Production

Production during 2003 is estimated at 345 440 tons. The northern Lowveld and far northern areas in the Limpopo Province could be expected to produce 162 000 and 38 500 tons respectively, followed by the Border area in the Eastern Cape, with 36 000 tons. The Onderberg region in the Mpumalanga Province showed a remarkable increase in production from 15 000 tons in 2001 to 27 500 tons in 2003. This can be attributed to the increase in the area planted from 300 to 550 ha.

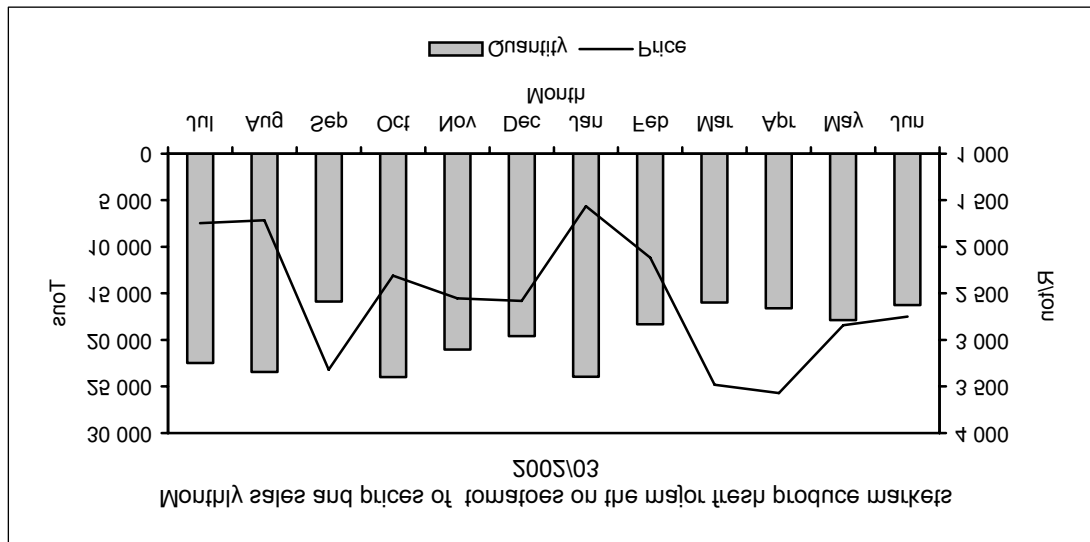
### Sales

The quantity of tomatoes sold on the 16 major fresh produce markets increased by 0,8 %, from 233 626 tons during 2001/02 to 235 387 tons for 2002/03.



### Prices

The average price of tomatoes increased by 19,3 %, from R2 061 per ton during 2001/02 to R2 459 per ton in 2002/03. Tomatoes are subject to large seasonal price fluctuations, which means that tomatoes have a high price risk.



### Consumption

The *per capita* consumption of tomatoes in South Africa is 19 kg per annum, compared to 35 kg in Europe. Population growth, urbanisation, *per capita* income and the income elasticity of demand for tomatoes are important factors influencing the demand for tomatoes. The average household in South Africa consumes between five to ten tomatoes per week.

### Exports

The volume of tomatoes exported has decreased by 32,2 % during 2002 to 7 025 tons.

### Research

Research in the tomato industry is undertaken in collaboration with the ARC, which has found several remedies for different tomato diseases.

### International perspective

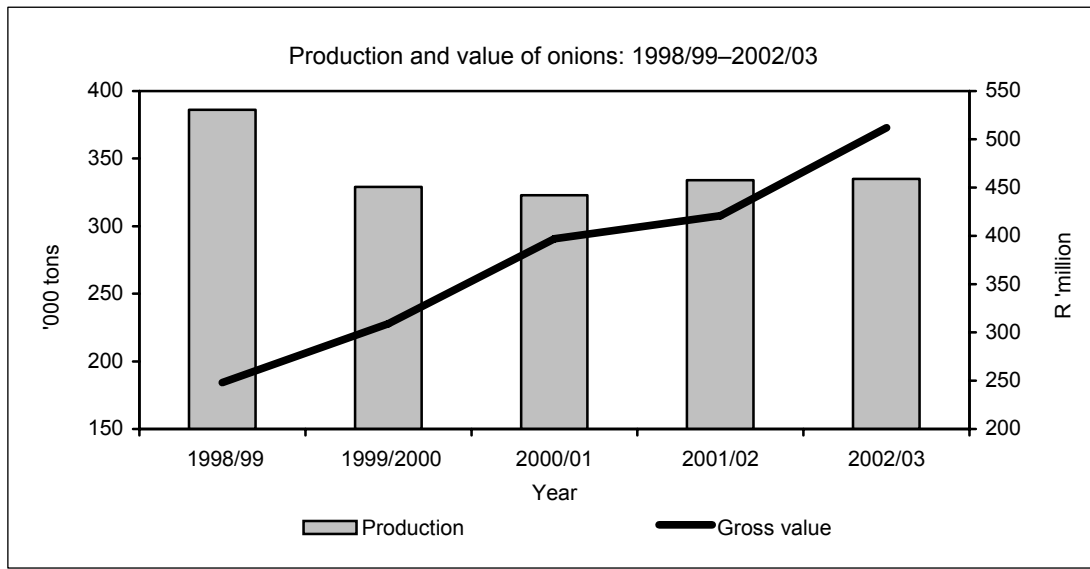
The area planted to and production of tomatoes in the world stayed fairly constant over the past five years. China is the largest producer of tomatoes in the world, followed by the USA, Italy and Turkey. These four countries represent close to 50 % of world production. The tomato-producing countries with the highest yields per hectare are the United Kingdom, Netherlands, Belgium and Sweden.

## Onions

### Production

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

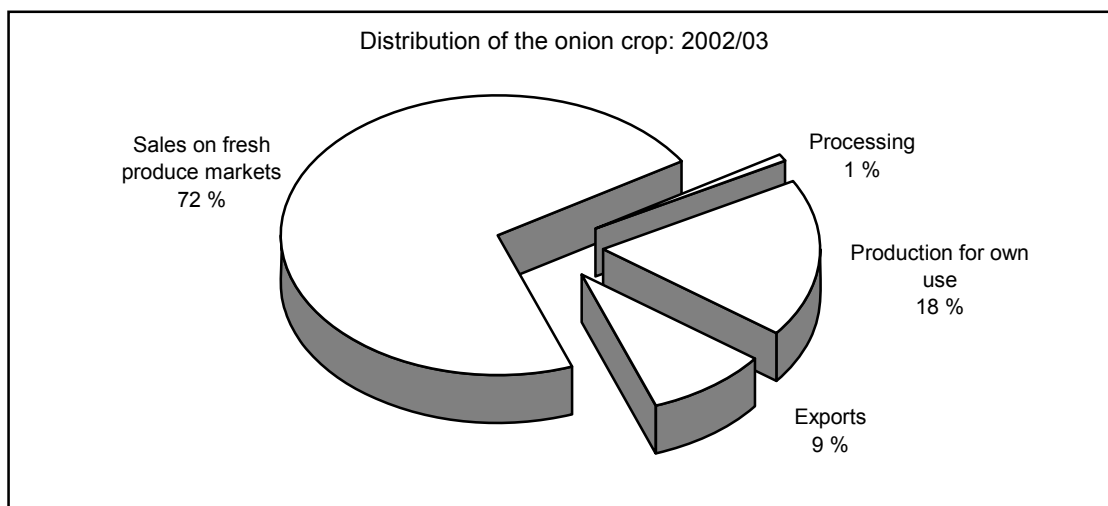
Approximately 335 407 tons of onions were produced during the 2002/03 season. This is 13,3 % lower than the highest ever production of 387 000 tons, during the 1998/99 season but slightly up on the crop of 20001/02.

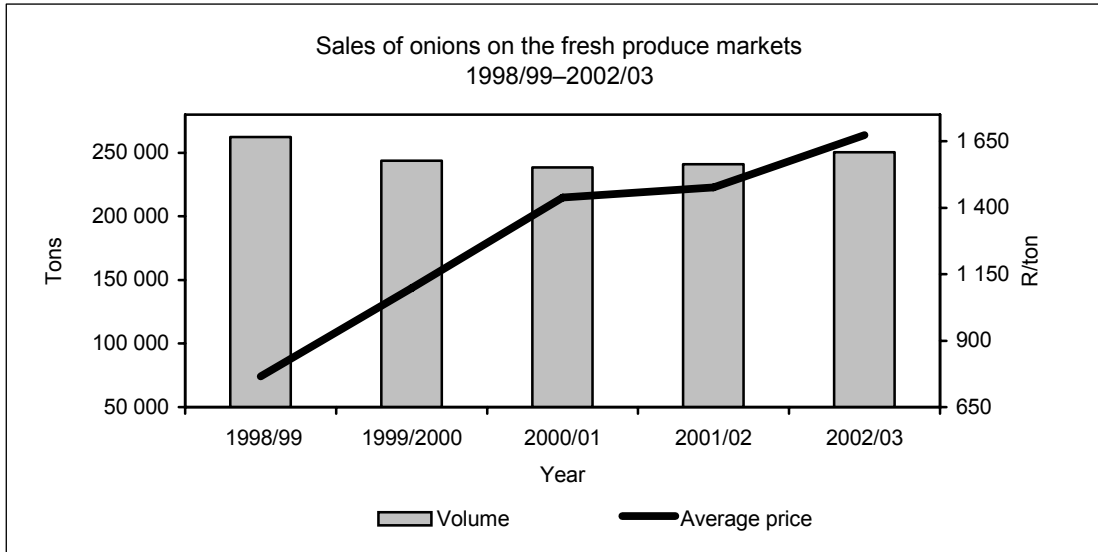


### Sales

The major fresh produce markets remain an important marketing channel for onions. Approximately 72 % of the total onion production during the 2002/03 season was sold on fresh produce markets, while 9 % was exported. The remainder comprises own consumption, direct sales to supermarkets and chain stores, as well as sales to processing factories.

During the period 1998/99 to 2002/03, the sales of onions on the fresh produce markets decreased by an annual average rate of 1,1 % from 262 401 tons to 250 373 tons, respectively.





### *Prices*

The average price of onions sold on the fresh produce markets increased by 13,9 %, from R1 467 per ton in 2001/02 to R1 672 per ton in 2002/03. Prices paid for onions recovered strongly since 1998/99 when over-supply caused prices to drop to around R700 per ton.

### *Processing*

Only 1 % of the total production of onions was taken in for processing during the 2001/02 season, of which 60 % was dehydrated and 35 % canned, while the remaining 5 % was frozen or used for oil extraction. From 2001/02 to 2002/03, onions taken in for processing decreased slightly by approximately 0,8 % from 3 461 tons to 3 435 tons.

### *Exports*

During the 2002/03 season, the volume of onions exported represented about 9 % of the total volume of the onion crop. During 2002/03, the volume of exports of onions increased by approximately 30 % to 32 095 tons.



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## ANIMAL PRODUCTION

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### Livestock numbers

Approximately 80 % of agricultural land in South Africa is mainly suitable for extensive livestock farming. Livestock are also found in other areas where they are kept in combination with other farming enterprises. Sheep and goat farming occupies approximately 590 000 km<sup>2</sup> of land in South Africa. This represents 53 % of all agricultural land in the country. This includes the vast Karoo areas of the Northern and Western Cape Provinces and the mixed veld types of the Eastern Cape Province and the southern Free State. Commercial sheep farms are also found in other areas such as the Kalahari, the winter rainfall area, and the grasslands of Mpumalanga, eastern Free State and KwaZulu-Natal, where other farming enterprises, such as cattle farming, are also practised.

As rainfall plays a major role in the availability of fodder and grazing, it is logical that a good correlation would exist between rainfall and the size of the national herd, in particular cattle numbers.

### Cattle

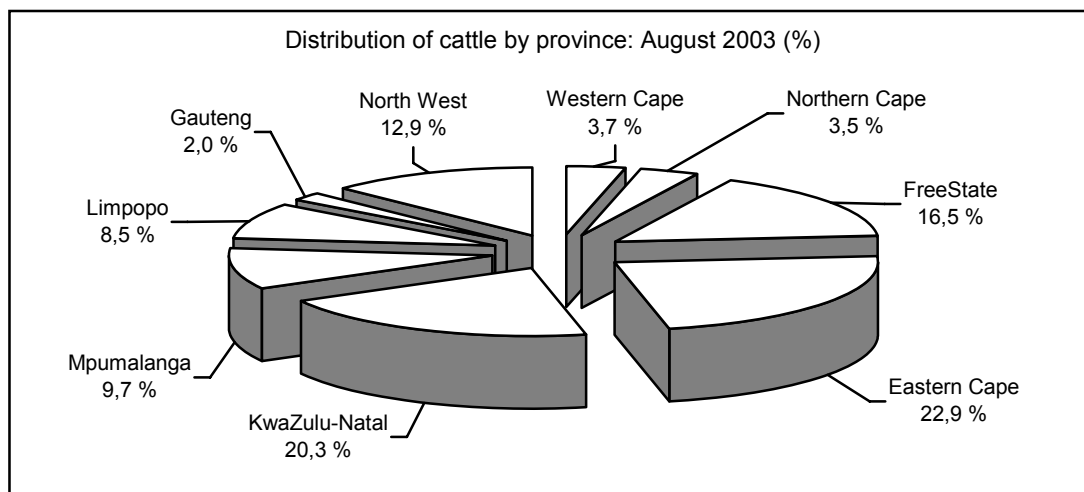
Cattle are found throughout the country, but particularly in the Eastern Cape, KwaZulu-Natal, the Free State and the northern provinces. Herd sizes vary by farm type. Dairy cattle herd sizes vary between less than 50 up to 300, averaging approximately 110. Beef cattle farms range from fairly small farms (less than 50 cattle) to large farms and feedlots with more than 1 000 cattle per farm.

The total number of cattle in South Africa at the end of August 2003 was estimated at 13,5 million, consisting of various international dairy and beef cattle breeds, as well as indigenous breeds such as the Afrikaner and Nguni. The numbers were approximately 0,9 % lower than the estimate of 13,6 million as at the end of August 2002.

There are various breeders' organisations representing most international and indigenous cattle breeds. Most of the organisations are affiliated to the South African Studbook and Animal Improvement Association. The Milk Producers' Organisation of South Africa (MPOSA) is the most prominent producer organisation in the South African dairy sector.

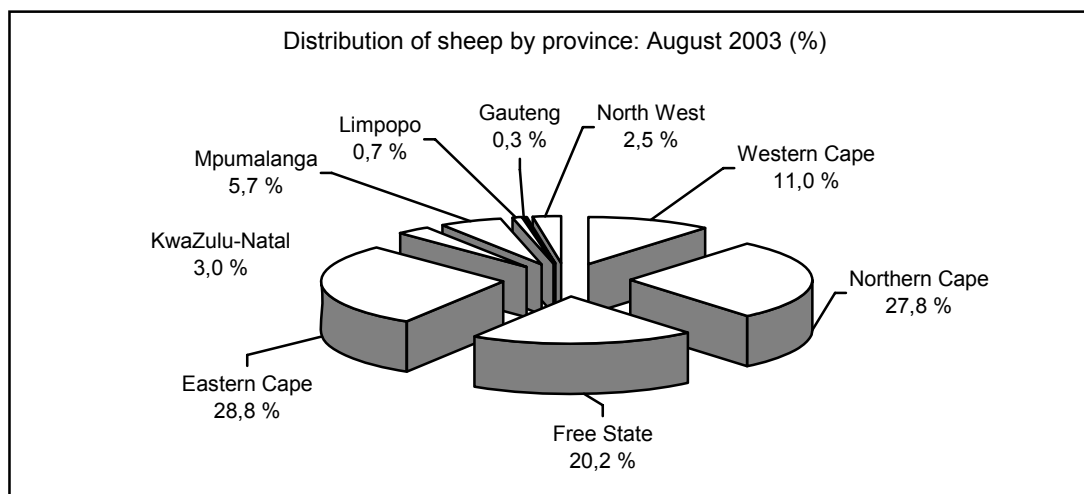
Cattle numbers per province since 1999 are estimated to be as follows:

Province	1999	2000	2001	2002	2003
	'000 head (August)				
Western Cape	505	509	489	498	494
Northern Cape	460	476	464	473	469
Free State	2 190	2 148	2 241	2 254	2 235
Eastern Cape	2 951	2 975	3 039	3 125	3 097
KwaZulu-Natal	2 889	2 797	2 736	2 771	2 746
Mpumalanga	1 367	1 344	1 328	1 327	1 315
Limpopo	1 167	1 173	1 203	1 165	1 155
Gauteng	303	287	282	267	265
North West	1 748	1 752	1 724	1 754	1 739
<b>Total</b>	<b>13 580</b>	<b>13 461</b>	<b>13 506</b>	<b>13 634</b>	<b>13 515</b>



### Sheep

Although sheep farms are found in all provinces, they are concentrated in the more arid parts of the country. The largest number of sheep is found in the Eastern Cape (29,0 %), Northern Cape (27,3 %), Free State (20,6 %) and Western Cape Provinces (10,9 %).



Sheep are kept mainly for wool and mutton production, and the industry is therefore represented by organisations from the mutton as well as the wool industry.

The sheep industry also has various breeders' associations with the Dorper Sheep Breeders' Society of South Africa and Merino SA, being the most prominent.

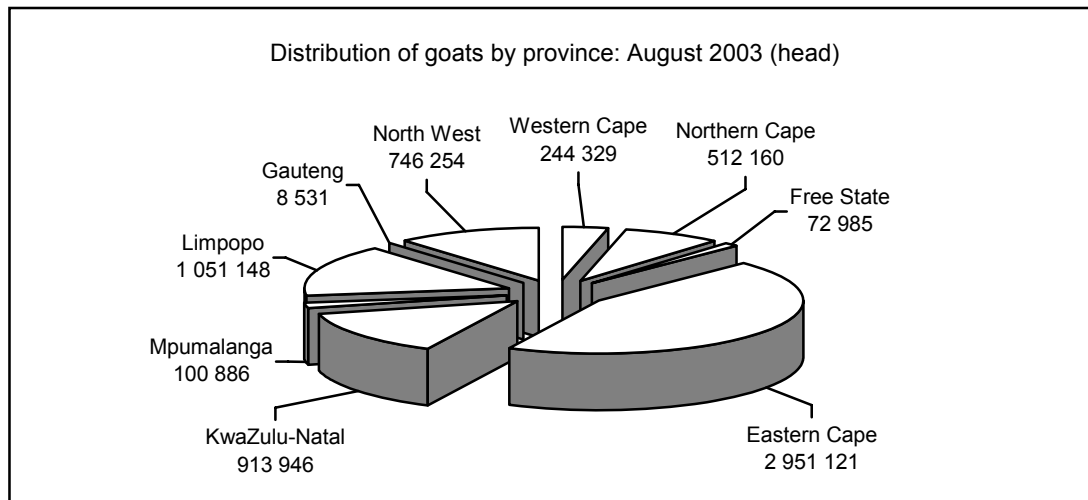
The total number of sheep in South Africa at the end of August 2003 is estimated at 29 million—approximately 0,10 % lower than the estimated 29,03 million as at the end of August 2002.

The number of sheep in the various provinces since 1999 is estimated to be as follows:

Province	1999	2000	2001	2002	2003
	'000 head (August)				
Western Cape	3 459	3 349	3 261	3 192	3 189
Northern Cape	7 337	7 765	7 882	8 061	8 053
Free State	5 855	5 831	5 881	5 870	5 864
Eastern Cape	8 067	7 917	8 154	8 372	8 363
KwaZulu-Natal	970	887	888	864	863
Mpumalanga	1 848	1 743	1 694	1 641	1 640
Limpopo	216	206	210	211	211
Gauteng	92	91	91	84	84
North West	836	762	725	739	738
<b>Total</b>	<b>28 680</b>	<b>28 551</b>	<b>28 786</b>	<b>29 034</b>	<b>29 005</b>

### Goats

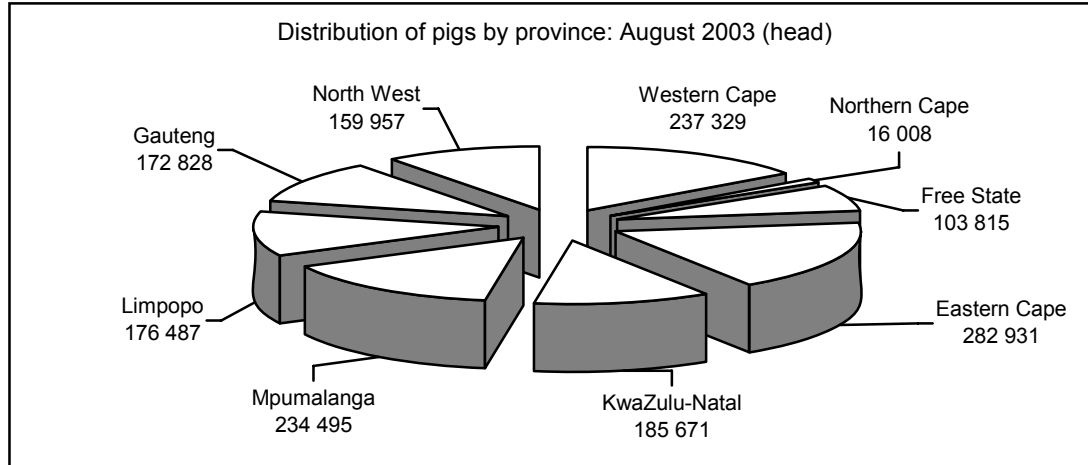
Most goats are found in the Eastern Cape, Limpopo, KwaZulu-Natal, and North West Provinces. It is estimated that there was a 1,4 % decrease in the number of goats, from 6,7 million in August 2002 to 6,6 million in August 2003.



Flocks of goats kept for meat tend to be smaller than sheep flocks, averaging approximately 230 head per farm. Angora goats are primarily kept for mohair production. There are also farmers who have adopted a market differentiating strategy by producing goat milk.

## Pigs

Pigs are found predominantly in the Eastern Cape, Western Cape and Mpumalanga. Pigs are kept mainly for pork (95 %). The remainder is kept for breeding purposes. It is estimated that pig numbers decreased by 0,06 % from 1,570 million in August 2002 to 1,569 million in August 2003.



## Red meat

The red meat industry is one of the most important industries in the agricultural sector and contributes approximately 11 % to the gross value of agricultural production in the RSA. While sheep farming is mainly extensive, a large percentage of beef animals is derived from feedlots.

### Slaughtering

It is estimated the total number of cattle slaughtered increased by 1,28 % between 2001/02 and 2002/03 and the number of sheep and pigs slaughtered increased by 0,90 and 0,74 %, respectively.

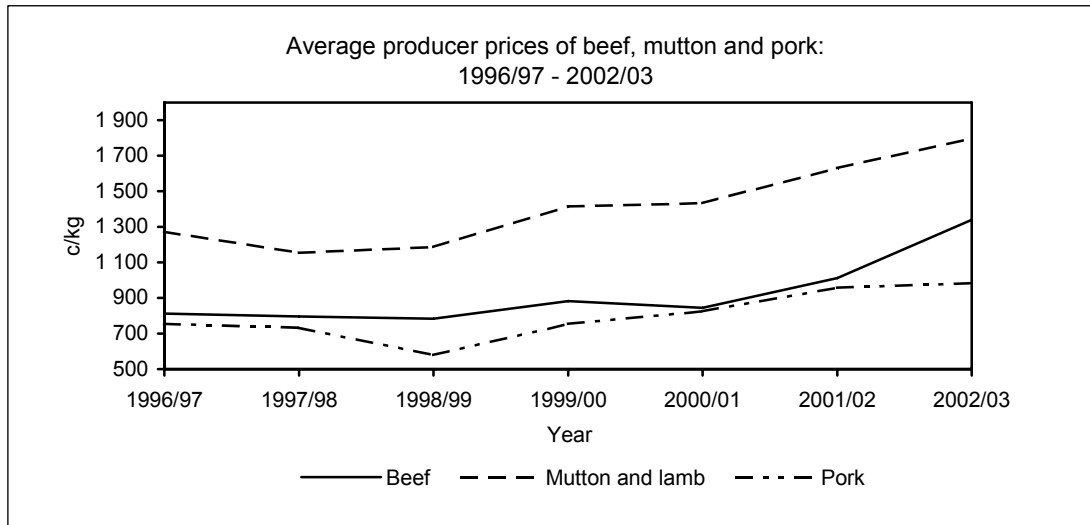
Commercial slaughtering of red meat producing livestock types over the past five years is as follows:

Year	1998/99	1999/2000	2000/01	2001/02	2002/03
	Number				
Cattle	1 756 384	2 121 988	1 735 102	1 933 610	1 958 447
Sheep and lambs	4 661 666	4 872 077	4 588 079	4 848 182	4 891 866
Pigs	1 809 773	1 941 423	1 629 786	1 752 192	1 765 122

### Auction prices

The prices for red meat are mainly the result of the interaction between demand and supply, which are influenced by the level of the consumers' disposable income, the price of substitute products and import parity prices. In the case of mutton, for example, the level of wool prices influences the domestic supply of mutton.

The average producer price of beef for 2002/03 amounted to R13,40/kg (average for all classes on all auction markets), which represents a 5,2 % increase compared to the average price of R12,73/kg for 2001/02.



In view of the ever-stronger influence of international trade on the local mutton industry, both the cyclical and seasonal price patterns for mutton are influenced by imports. The average producer price for mutton and lamb increased by 10,2 % during 2002/03 to R17,97/kg, compared to the average price of R16,31/kg for 2001/02.

The average producer price for pork increased by 2,6 % to R9,83/kg during 2002/03, compared to an average of R9,58/kg for 2001/02.

*Imports*

While imports of red meat increased by 28 425 tons in 2001/02 to 39 821 tons in 2002/03, they are still below the average tonnage of approximately 50 658 tons for the past five years. Imports of beef amounted to 12 085 tons which remained relatively constant as compared to the five-year average of 13 000 tons. Imports of pork were 11 691 tons for 2002/03, which is relatively higher than the five-year average of 9 795 tons. Imports for mutton amounted to 16 044 tons, which is much lower than the average of 31 674 tons for the previous five years.

Imports from outside the Southern African Customs Union (SACU) for 2002 amounted to approximately 4 388 tons of beef, a decrease of 18 % compared to the previous year. During 2002, 43 % of beef imports came from Argentina. Imports of mutton and lamb decreased by 55 %, from 34 194 tons during 2001 to 15 399 tons in 2002. During 2002, 94 % of total mutton imports from outside SACU came from Australia and 6 % from New Zealand.

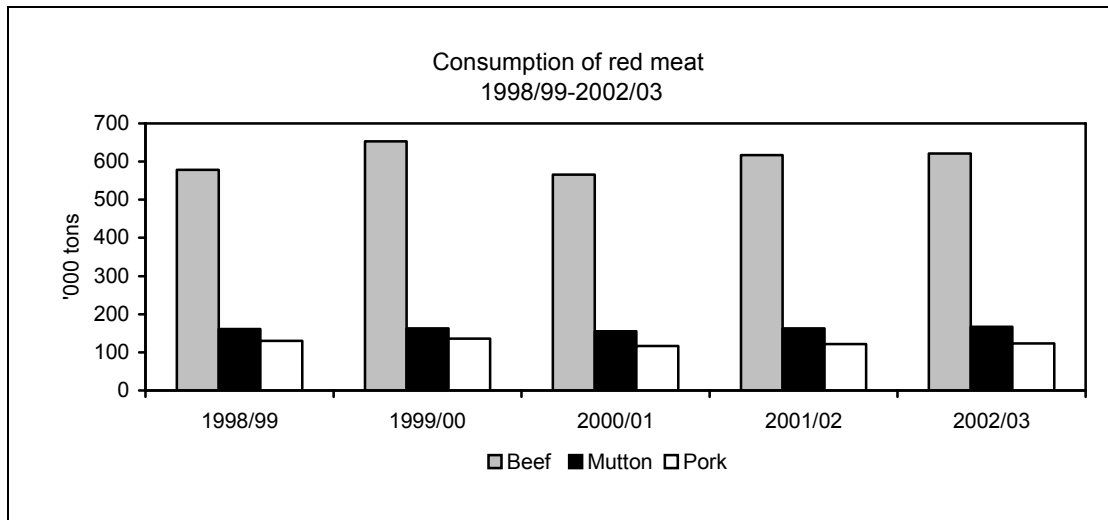
Imports of pork decreased by 4,5 %, from 8 579 tons during 2001 to 8 196 tons during 2002. During 2002, 70 % of total pork imports came from the Americas Ex NAFTA, of which 97 % were from Brazil.



*Consumption*

Consumption of beef and veal increased by 0,6 % from 617 000 tons in 2001/02 to 621 000 tons in 2002/03. Consumption of mutton increased by 2,4 % from 163 000 tons in 2001/02 to 167 000 tons in 2002/03. Consumption of pork increased by 0,8 % from 122 000 tons in 2001/02 to 123 000 tons in 2002/03.

Imports of red meat accounted for 12,7 % of red meat consumed locally for the period 2002/03. Imports of beef accounted for 8,1 % of beef consumed for 2002/03 and imports of pork accounted for 6,7 % of pork consumed for 2002/03. Imports of mutton represents 34,2 % of mutton consumed for the period 2002/03.



*Prospects*

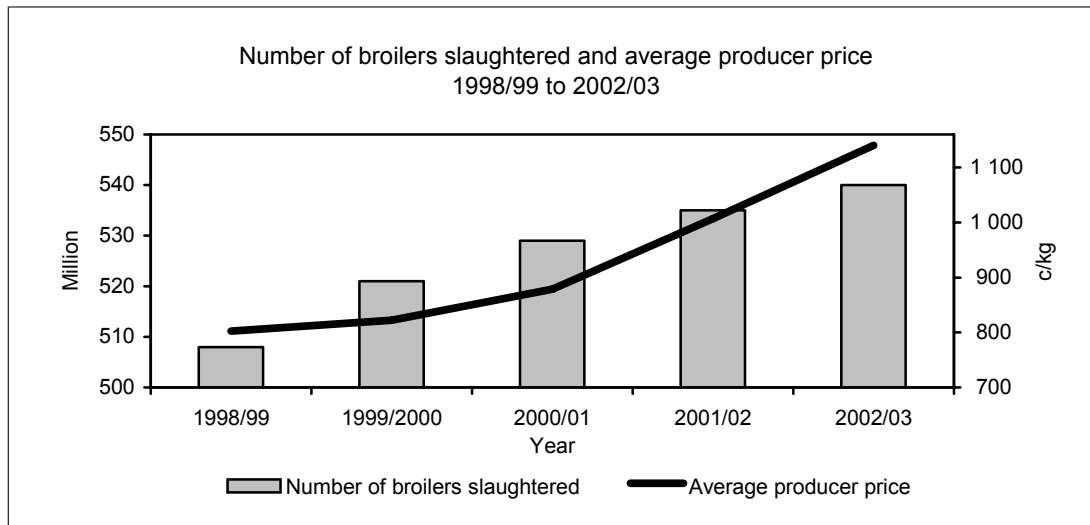
The import tariffs of R2/kg on mutton, R2,40/kg on beef and R1,30/kg on pork remain unchanged for 2003. Although the value of the Rand has improved in 2003, It is unlikely that imports will increase, as there is currently a surplus of meat. Local producer and retail prices are not expected to increase dramatically because of the surplus. The maize price also dropped during 2003 and this will ease pressure on feedlots, as there are also high stock levels in the feedlots.

## Poultry

The poultry industry consists of three distinctly separate branches, namely the day-old chick supply industry, the broiler industry and the egg industry. This article focuses on the broiler and egg industries.

### Broiler industry

A small number of large producers handle approximately 66 % of the total broiler production in South Africa. These consist of 4 producers who slaughter more than 600 000 chickens per week and approximately 11 intermediate producers, producing between 50 000 and 600 000 chickens per week. The rest of the production of the estimated 13,3 million broilers being slaughtered per week, is produced by an estimated 93 commercial producers slaughtering less than 50 000 chickens per week and hundreds of small and/or casual producers. The number of small producers varies from time to time as many of these producers enter the commercial trade only when the market is positive.



The number of broilers slaughtered by commercial producers during the twelve months up to 30 June 2003 is estimated at 545 million units. This is 1,4 % more than the estimated 538 million units that were slaughtered during the preceding twelve months. The gross value of broilers slaughtered by commercial producers during 2002/03 is estimated at R8 632 million.

### Imports

Imports play an important part in terms of the supply of broiler meat in the country. Approximately 6 to 7 % of poultry meat consumed is imported. A worrying aspect for the broiler industry is the fact that imports are increasing. During the 2003 this percentage increased to approximately 9 % of consumption. The main countries from which poultry meat is imported are Brazil, Canada and Australia.

*Per capita* consumption of chicken meat from 1998/99 to 2002/03 is as follows:

Year	1998/99	1999/2000	2000/01	2001/02	2002/03
	kg per year				
<i>Per capita</i> consumption	21,1	22,4	21,8	22,2	23,1

### Prices received by producers

During the 12 months up to 30 June 2003 prices received by producers of broilers increased by 13,2 % to an average weighted price of R11,40 per kilo.

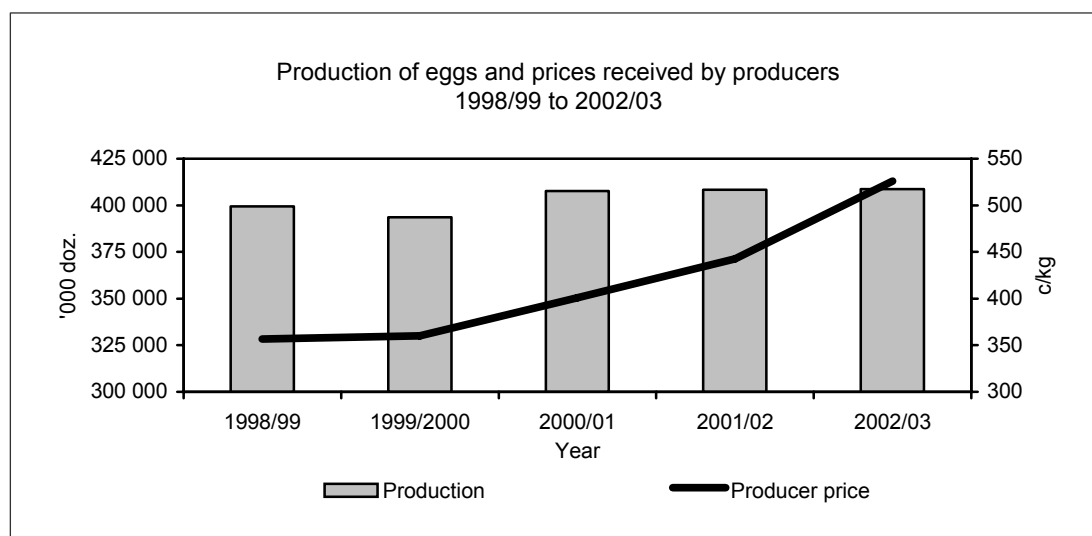
Producer prices of broilers from 1998/99 to 2002/03.

Year	1998/99	1999/2000	2000/01	2001/02	2002/03
	c/kg.				
Price of broilers	802	822	879	1007	1140

### Egg industry

The average number of layers increased sharply from around 13,8 million in 1995 to around 17,4 million in 2001. During the last two years, the number of layers remained at more or less the same level.

Producer prices of eggs (average including all sizes) increased by 20,8 % from 2001/02 to 2002/03.



Year	1998/99	1999/2000	2000/01	2001/02	2002/03
	c/doz				
Price of eggs	356	360	400	442	534

It is estimated that both the local consumption and *per capita* consumption of eggs remained virtually unchanged between 2001/02 and 2002/03.

### Prospects

The growth in the local broiler industry will depend to some extent on whether the South African Poultry Association's application for the amendment of duties on poultry imports is successful. It is, however, expected that demand for chicken meat will remain strong. Based on the fact that prices of broiler feeds, especially maize, came under pressure during 2003, it can be expected that the broiler industry will look at expansion during 2004.

The production of eggs may also increase slightly, mainly because of lower feed costs. As a result, the price of eggs is expected to move sideways.

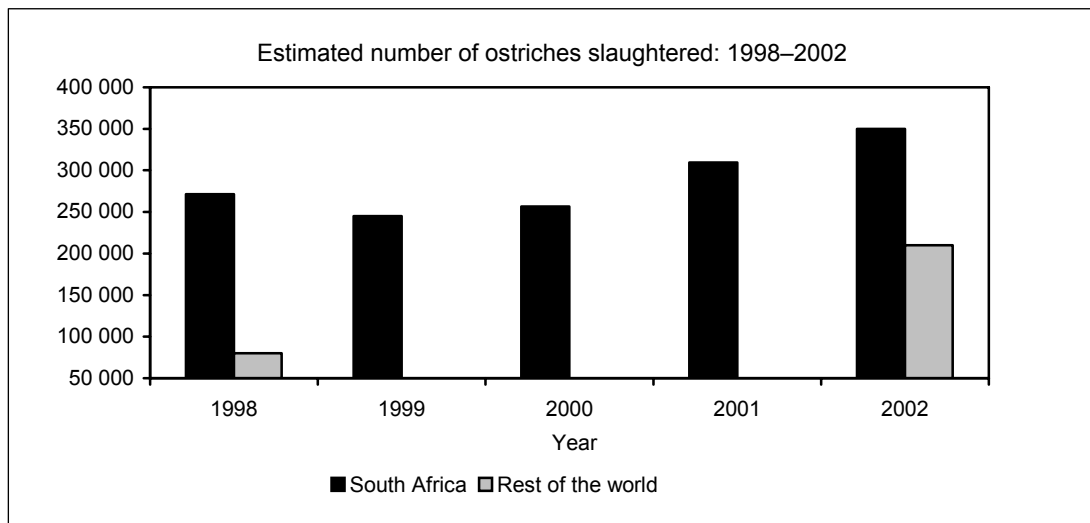


## Ostriches

The South African ostrich industry was established in 1838 with the export of feathers to Europe. Between 1900 and 1914 the industry flourished during what was referred to as the second ostrich feather boom. Soon afterwards the industry virtually collapsed as a result of changes in world fashion trends. During the 1960s the industry transformed to an intensively managed farming activity. The emphasis shifted from feather production to leather production. More recently ostrich meat became popular because of its low fat content.

Since the deregulation of the marketing of agricultural products in South Africa during the 1990s, farming with ostriches not only spread from the Little Karoo region to other parts of South Africa but to several other countries.

South Africa, however, remains the foremost supplier of ostrich products to the world, supplying some 67 % of ostrich meat, leather and feathers to international markets. Today all major stakeholders in the industry are affiliated to the National Ostrich Processors of SA and the South African Ostrich Business Chamber, with the object to cooperate in the advancement of the ostrich industry in South Africa. The South African ostrich industry is in the process of becoming more transparent and is implementing proactive steps on matters such as labour, animal welfare and environmental protection.



The number of birds slaughtered worldwide is estimated at 560 000 for 2002, of which 350 000 birds were slaughtered in South Africa. Demand in Europe for ostrich meat remained strong during 2002 and the weak currency during most of 2002 contributed positively to the total realisation per ostrich. However, during the same period prices of ostrich leather dropped sharply. Income from leather varies significantly because of dramatic price differences between raw skin grades. In 2002 a producer earned approximately R1 200 for a first grade raw skin and around R800 for a third grade skin. The average price producers of ostrich meat received during 2002 was approximately R19 per kg and R90 for feathers per bird. On average, South African producers received approximately R960 per raw skin. The improved South African currency has put further pressure on prices paid for ostrich products.

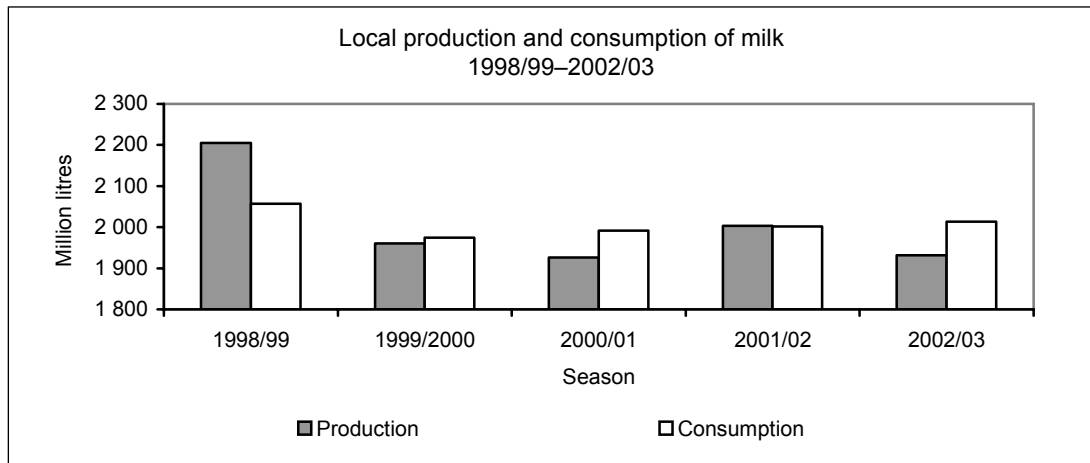
### Prospects

During 2003, the slaughtering of ostriches in South Africa is expected to drop to around 300 000 units. Because of the sharp recovery of the Rand, it is expected that the income of producers will be much lower. The situation may carry over to 2004. Production levels in South Africa will also come under further pressure from production in other countries.

## Milk

Milk is produced in nearly all regions of South Africa. However, the coastal areas are more suitable because of mild temperatures and good rainfall. This assures good-quality natural and artificial pastures. In 2002, the Western Cape contributed 24 % to total production, Eastern Cape 20 %, KwaZulu-Natal 17 %, North West 11 %, Free State 14 %, Mpumalaga 9 % and the remaining four provinces 5 %. There are an estimated 5 200 milk producers in the country.

Milk production in South Africa makes a very small contribution to world milk production (approximately 0,5 %), but in terms of the value of agricultural production in South Africa, it is the fifth largest agricultural industry in the country. The gross value of milk produced during the 2002/03 production season (March – February), including milk that was produced for own consumption on farms, is estimated at R3 862 million. With the exception of the 2001/02 season, the production of milk has decreased since 1999. South Africa traditionally is a producer of milk surpluses and shortages are an infrequent occurrence. This has, however, changed during the last four seasons. Some of the factors that contributed to this are the slow increase in producer prices during the period 1998 to 2001 as well as dramatic increases in the cost of production inputs, especially feed costs for intensive milk production.



### Imports.

During 2002, 24 617 tons of concentrated milk and powders, whey, butter and milk fats were imported. It was expected that imports of these products during 2003 would be approximately 24 000 tons.

### Prices

The average producer price for 2002/03 came to 194 c/l.

Production season	1998/99	1999/2000	2000/01	2001/02	2002/03
	c/l				
Average producer price	110,9	113,0	129,0	142,0	194,0

### Prospects

It is expected that the production of milk for 2003/04 will be approximately 5 % higher than the previous year. Because of the lower grain prices especially maize, the cost of production inputs should level out. The increase in the producer price of milk from approximately 145 c/l during January 2002, to 200 c/l during July 2003 may also stimulate production.

## Wool

### *Areas of production*

Wool is produced throughout South Africa, but the main production areas are situated in the drier regions of the country. On a provincial basis, the Eastern Cape is the largest wool-producing region, having produced 27 % of the national clip during 2002/03, followed by the Free State (22 %), Western Cape (17 %), Northern Cape (13 %) and Mpumalanga (6 %).

### *Production*

Australia remains the largest supplier of apparel wool to the world textile market, with an estimated production of 500 million kg (greasy) in 2002/03. South Africa, like Australia, produces mainly apparel wool, while the bulk of the production of the other major producers, such as New Zealand, China, Uruguay and Argentina is coarse wool, used for the production of carpets and interior textiles. The main competitors of wool are cotton and manmade fibres such as polyester, nylon and acrylic.

Global wool supply has been on a downward trend for many years and is expected to show a further decline in 2003/04 following the devastating drought in Australia, which resulted in a dramatic drop in production to its lowest level since 1950/51.

In South Africa production declined to 44,1 million kg in 2002/03 from 47,5 million kg in 2001/02 despite higher price levels. The 2002/03 season saw the raw-wool market reaching its highest price levels in many years. The upswing started in the second half of the 2001/02 season and continued throughout the first half of 2002/03, with the market indicator reaching an all-time high of R49,75 per kg (clean) in October 2002. This price rise has been unprecedented because it was mainly driven by the increasing shortage of Merino wool for apparel and resulted in strong competition on primary processing level for wool to keep mills running.

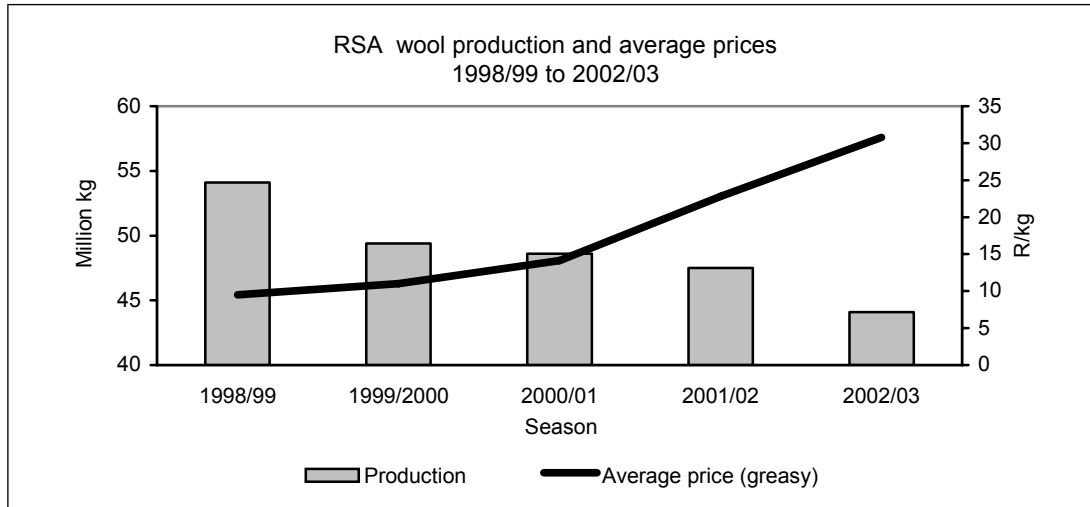
Although supply concerns were the main driving force behind the price rise, exchange rates also played a significant role. The currencies of most of the major wool-exporting countries, but particularly that of South Africa and Australia, fell to their lowest levels ever against the US dollar, which helped to boost prices

During the past 5 years, trends in local production of wool by class were as follows:

Class	1998/99	1999/2000	2000/01	2001/02	20002/03
	Million kg				
Merino	39,3	34,9	33,2	32,9	31,1
Other white wool	5,7	5,5	5,2	4,8	4,3
Lesotho, Ciskei and Transkei	2,8	2,7	2,9	2,9	3,7
Coarse and Coloured	1,6	1,6	1,7	1,8	1,9
Dead wool and other	4,7	4,5	5,6	4,9	3,1
Total	54,1	49,4	48,6	47,5	44,1

### *Prices*

In excess of 90 % of all greasy wool sold in South Africa is traded by means of weekly auctions taking place from August to June. There normally is considerable volatility in prices during and between auctions. The price of wool is determined by a complex set of variables, including the level of the market in Australia on a given day; exchange rate fluctuations; quantities offered for sale at auction; the specific demand for different types of wool at different times; the extent and timing of contract commitments by local buyers for delivery to clients; and economic conditions prevailing in wool-consuming countries.



Average prices (total auction revenue divided by total mass sold per season) for different and all classes of wool from 1998/99 to 2002/03 compare as follows:

Class	1998/99	1999/2000	2000/01	2001/02	2002/03
	R/kg greasy wool				
Merino	10,46	12,51	15,57	24,12	34,14
Lesotho, Ciskei and Transkei	4,76	8,93	11,48	20,53	21,78
Other white wool	6,33	7,34	9,59	17,40	24,66
Coarse and coloured	6,14	4,45	5,13	7,91	9,99
Dead wool and other	5,50	7,75	9,95	12,58	10,73
All classes	9,51	11,02	14,13	22,77	30,79

South Africa is mainly producing a Merino clip, which comprises over 80 % of all lots offered for sale. Mean fibre diameter is the major price determinant for Merino wool, with finer micron categories normally commanding a premium over medium and strong wool.

#### *Marketing arrangements*

The marketing of wool in South Africa is free from statutory intervention. Wool is traded primarily *via* the open-cry auction system. Alternative selling mechanisms such as contract growing, forward deliveries and futures, have not yet been established in South African wool industry.

The global price for apparel wool is determined in Australia where the largest volumes of wool are traded. South Africa, with its small clip, is therefore a market follower or price-taker.

Wool auctions are characterised by many sellers and few buyers. Buyers normally have to compete for wool over a number of auctions to make up processing batches to meet their clients' contract specifications in terms of price, quantity and delivery date. Contracts in foreign currencies, such as the euro or the US dollar, have to be converted to buying limits in Rand and the buyer carries the risk.

Cape Wools of South Africa promotes the interests of the South African wool industry. It is a nonprofit company established and owned by farmers and other directly affected industry groups registered with the Wool Forum, the official policy-making body of the industry. The Board of Directors proportionately represents these groups and is selected from the Forum. Cape Wools acts as the executive arm of the Forum and started operating on 1 September 1997.

The company has since been granted statutory measures for the collection of statistics for the wool industry, which enables it to create a wool statistics data bank from which a national market indicator and other information regarding the industry can be made available locally as well as internationally.

Its service portfolio comprises market information and statistics, research and development, transfer of wool production, and promotion. Cape Wools is funded by the Wool Trust from funds having been transferred from the former Wool Board.

*Exports*

Wool is an export product with over 90% of total production exported in either greasy or semi-processed form (scoureds and wool top). The main export destination countries are Italy, France, Germany, the UK, South Korea, Japan, China and Taiwan.

*Prospects*

The 2003/04 season opened on a disappointing note both in terms of demand and price levels. There is concern about sluggish global economic growth and its effect on raw wool demand. Business sentiment among leading wool textile mills in Western Europe, Japan, Korea and Taiwan has deteriorated, with generally weaker orders experienced, while stocks have started to build up in some sectors. Throughout the second half of 2003, the stronger Rand exerted downward pressure on wool prices. As a result, the expectations for improved auction prices and trading level remain uncertain.

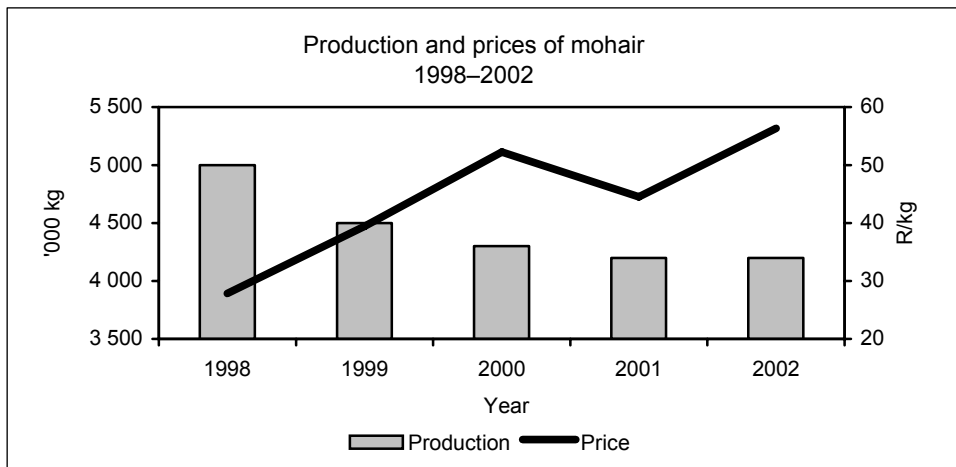
**Mohair**

*Production*

South Africa produces around 60 % of the world mohair production. The Angora goat farmer plays a crucial role in enhancing through selective breeding and farming techniques, the constant availability of quality fibres. South Africa’s production figures on mohair showed a downward trend from 5,0 million kg in 2001 to 4,2 million kg in 2002. This downward trend in production occurred in most mohair producing countries including the USA, Argentina and Australia.

Production of mohair by South Africa during the period 1998 to 2002 is as follows:

Year	1998	1999	2000	2001	2002
	Million kg				
Production	5,0	4,5	4,3	4,2	4,2



### Prices

The average realisation of the South African clip improved quite substantially from R27,85/kg in 1998 to R56,34 /kg in 2002. During 2003, however, prices on average dropped to below R40/kg. This was the result of the improvement in the value of the South African currency, but also the lower demand for certain micron groups. Most of the clip is still traded as a commodity on open cry auctions. Because of the limited number of buyers at these auctions and a lack of effective competition, there has been a general fall in the volume of hair being channelled through these auctions.

Average prices for mohair for the period 1998 to 2002 are as follows:

Year	1998	1999	2000	2001	2002
	R/kg				
Price	27,85	39,46	52,28	44,55	56,34

### Exports

Mohair is in essence an export commodity for South Africa. As such it is susceptible to international economic, fashion and lifestyle trends. Because of this, the volume and the prices realised can vary substantially from year to year. During 1997, the total mohair exports reached an unsatisfactory level of 3,5 million kg. Within the next two years, exports increased to 7,5 million kg. During 2002 exports increased to 5,2 million kg from 4,4 million kg that were exported during 2001.

Export figures for the period 1998 to 2002:

Year	1998	1999	2000	2001	2002
	Million kg				
Exports	4,9	7,5	5,6	4,4	5,2

### Prospects

With the South African currency remaining strong throughout 2003, it is expected that prices paid for mohair will remain under pressure. Because of renewed interest by spinners, prospects for kid and young goat hair started to pick up towards the end of 2003. It is generally accepted that mohair as noble and versatile fibre will always be sought after by the high-end market for luxury products. To utilise this market will require complete dedication in terms of product quality and an innovative approach to product marketing.