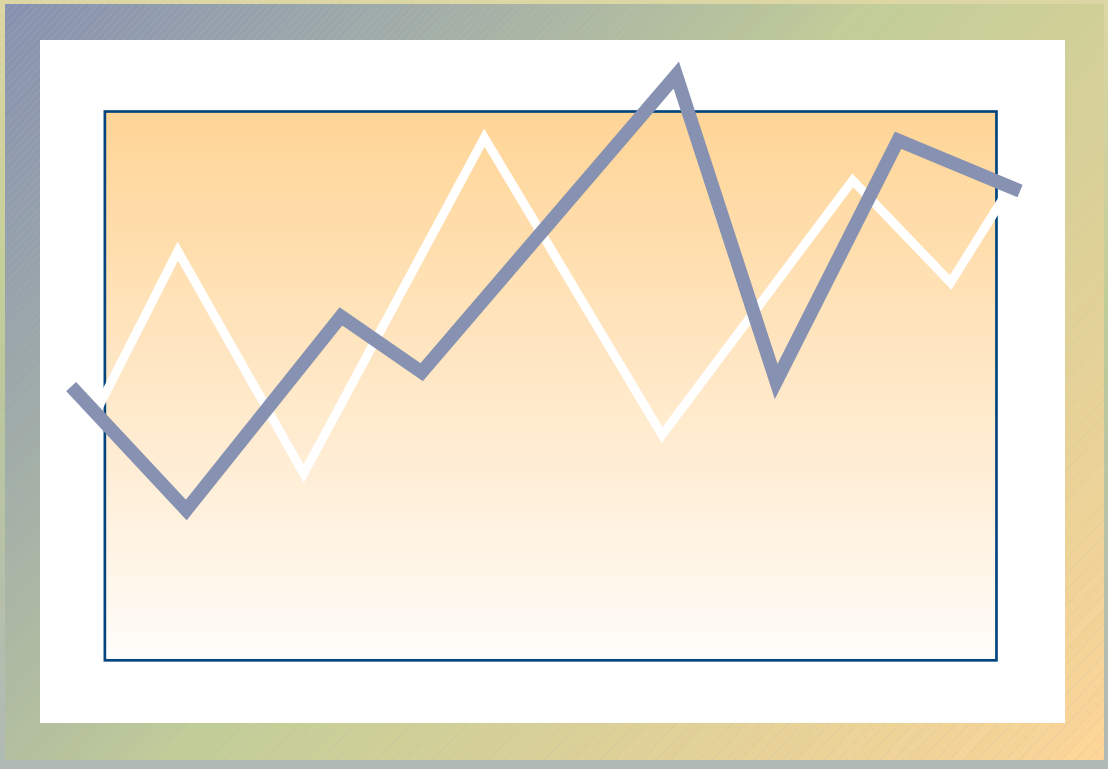
Trends in the Agricultural Sector



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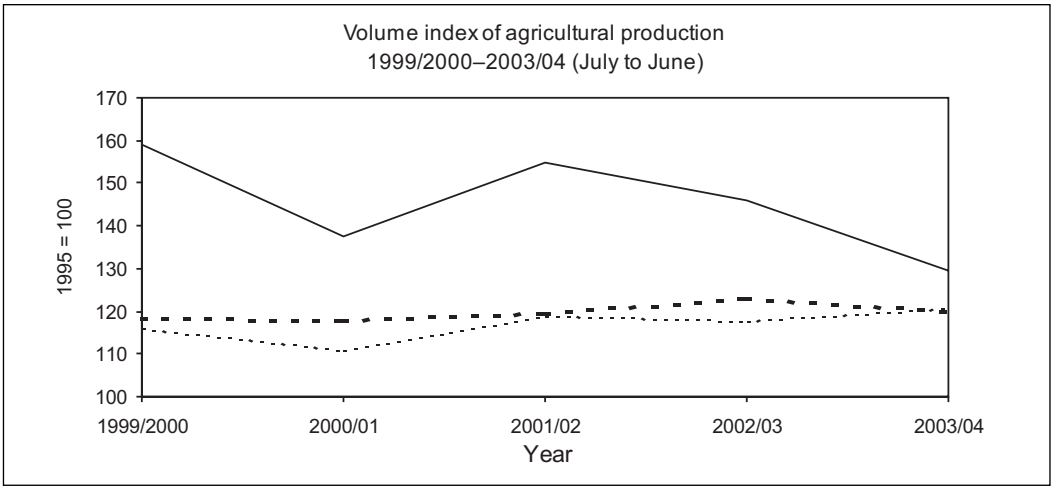
Contents

Economic review for the 12 months that ended on 30 June 2004

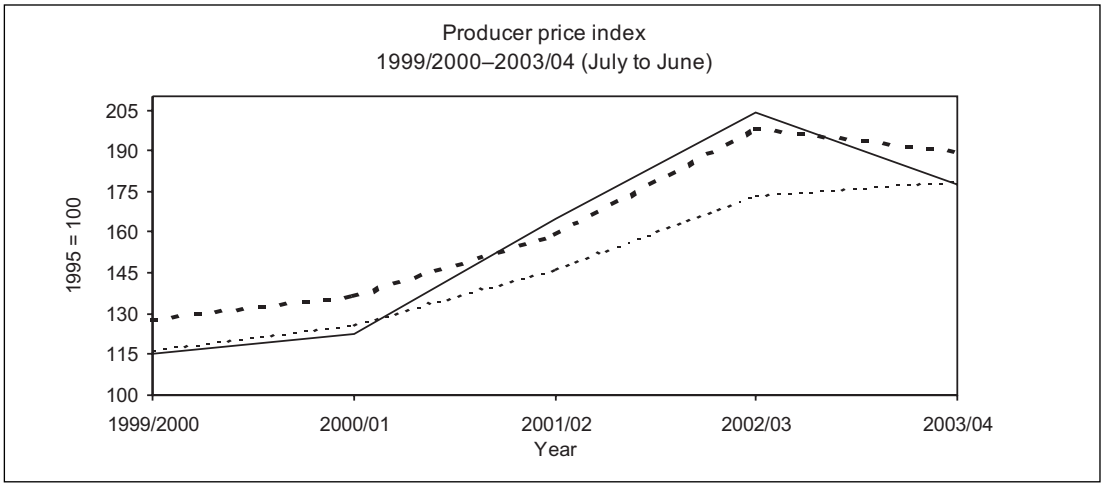
Volume of agricultural production

The estimated total volume of agricultural production for 2003/04 is 3 % lower than it was in 2002/03. The volume of field crop production decreased by 11 %. This came as a result of a decline in the production of grains, oilseeds and sugar cane. Horticultural production decreased by 2 %, mainly as a result of a decrease in vegetable and subtropical fruit production, while animal production increased by 2 %.



Producer prices

Producer prices of agricultural products decreased on average by 3,9 % from 2002/03 to 2003/04, compared to an increase of 21,6 % the previous year.



For the period under review, the combined producer price index of field crops was 13 % lower than during the previous year. The prices of oilseeds, maize, cotton, wheat, sugar cane and hay decreased by 14,1, 26,8, 16,4, 9,2, 2,1 and 4,0 %, respectively.

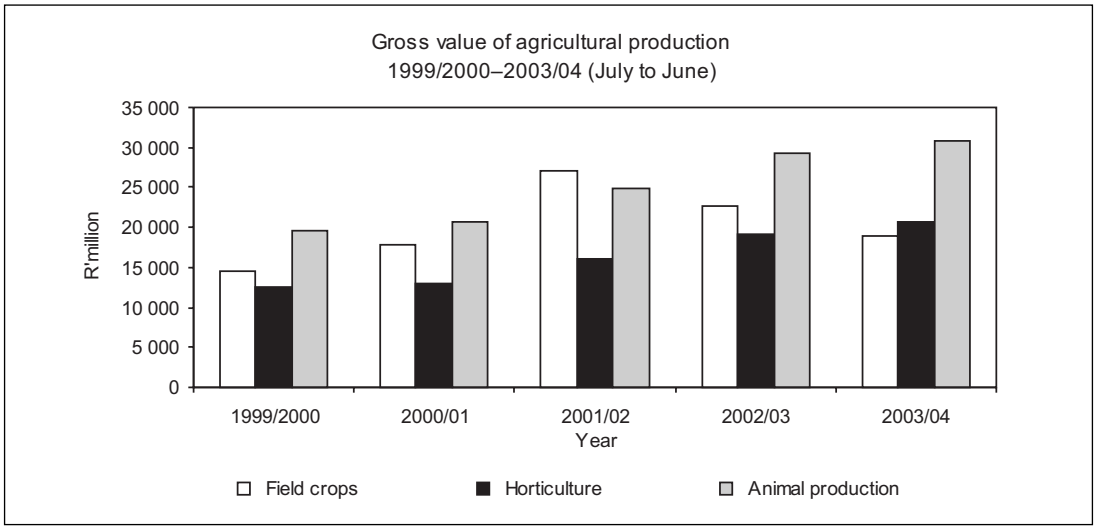
Producer prices of horticultural products decreased by 4,3 % compared with those of 2002/03. This was mainly owing to a decrease of 10,7 % in the prices of fresh vegetables. However, the prices of fruit increased by 3,9 %.

The prices of animal products were 3,0 % higher in 2003/04 than in 2002/03. Prices of pastoral products decreased by 22,9 % while those of slaughtered stock, poultry and milk increased by 2,1, 3,1 and 10,7 %, respectively.

Gross value of agricultural production

The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2003/04 is estimated at R70 485 million compared to the previous R71 213 million—a decrease of 1 %. This decrease can mainly be attributed to a general decrease in the value of field crops as a result of smaller crops and a drop in prices received by farmers.

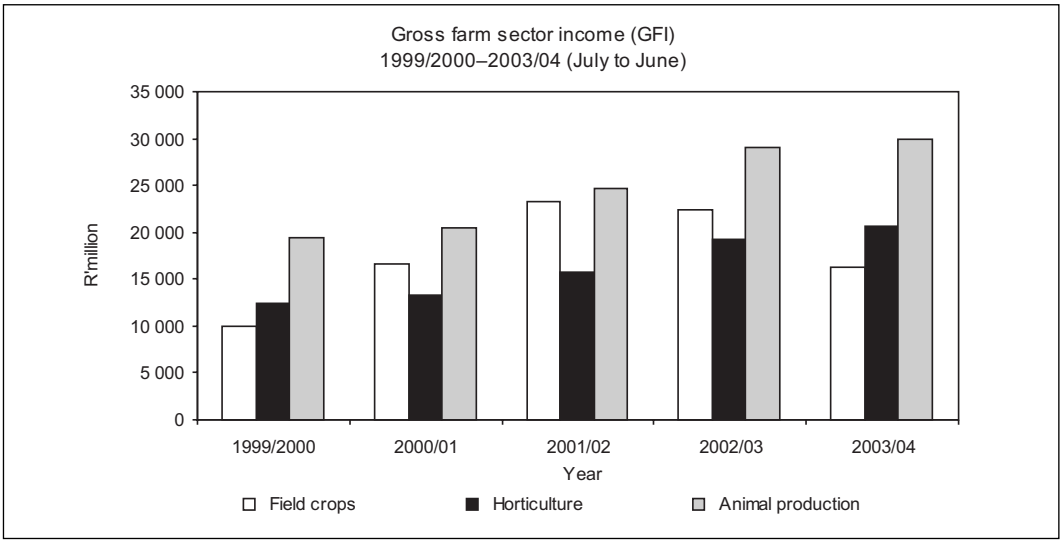
The gross value of animal products, field crops and horticultural products contributed 43,9, 26,9 and 29,2 %, respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution to the total gross value of agricultural production with 14,6 %, followed by maize with 10,9 %, and cattle and calves slaughtered with 8,9 %.



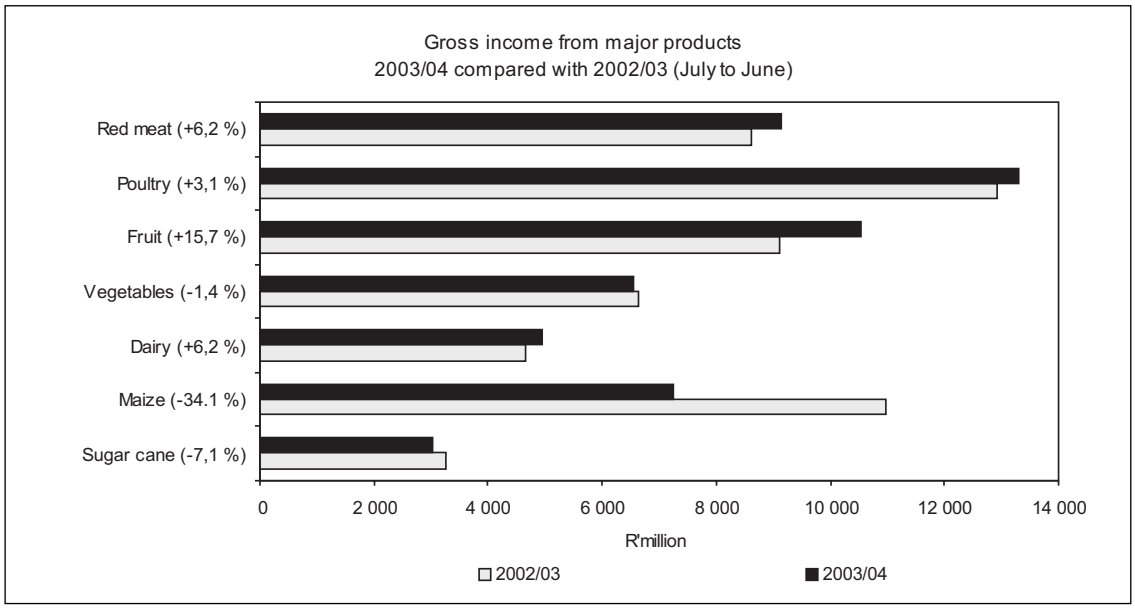
Farm income

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 2004 amounted to R66 923 million compared to R70 682 million the previous season—a decrease of 5,3 %.

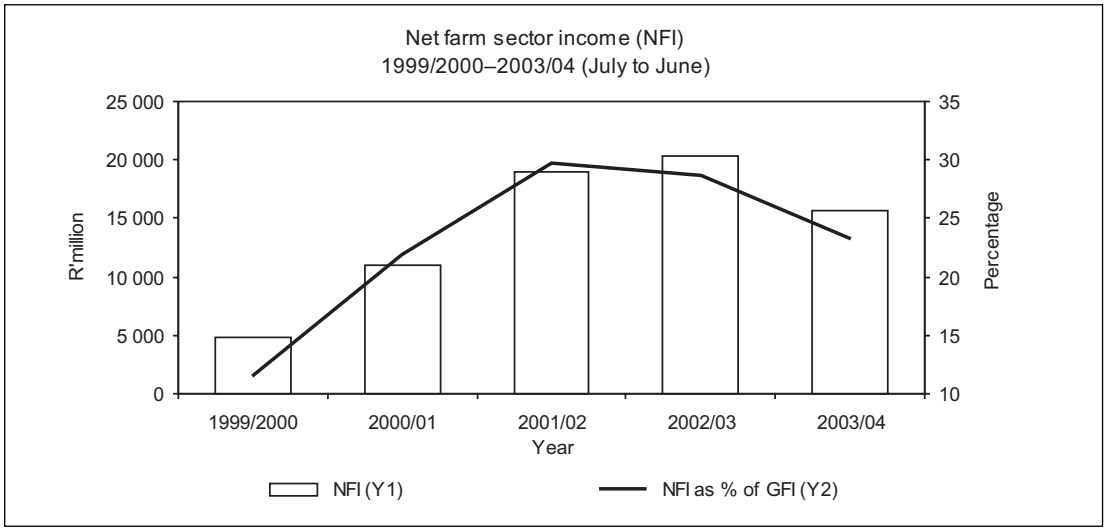
The gross income from field crops decreased by 26,9 % to R16 361 million for the year ended 30 June 2004. This is a substantial decrease when compared with the decrease of 3,5 % during the preceding 12 months. The reasons for the decrease were mainly lower production levels of some important summer grains, and the downward trend in the prices that farmers received for summer crops.



The gross income from horticultural products increased by 6,9 % to R20 645 million, compared to a figure of R19 316 million for the preceding 12 months. The income from citrus fruit and deciduous fruit showed the biggest increases of 19,9 and 14,4 %, respectively. The income from subtropical fruit decreased by 8 % to R1 207 million. Income from vegetable production decreased by 1,4 %, from R6 633 million to R6 538 million. This was mainly owing to lower production levels of potatoes and tomatoes.



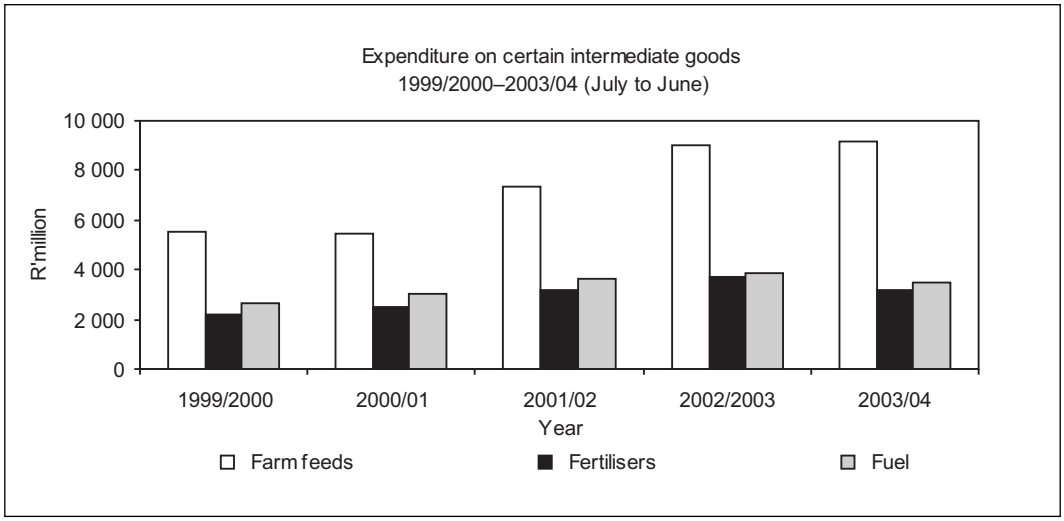
The gross income from animal products was only 3,2 % higher, and amounted to R29 917 million, compared to R28 992 million for 2002/03. Producers earned R6 306 million, as against R5 753 million in 2002/03, from slaughtered cattle and calves—an increase of 9,6 %. The income from slaughtered sheep increased by 6,6 % and amounted to R1 643 million compared to R1 541 million. The carcass prices of cattle and sheep increased by 3,8 and 10,1 %, respectively. However, prices received by farmers for pork decreased by 16 %. Income from poultry meat production increased by only 0,3 % to R10 288 million. Income from egg production showed better results and increased by 13,9 % to R3 023 million. Income from wool and ostrich products also showed decreases, mainly because of lower prices following an improvement in the exchange rate of the Rand.



The net farm income (after the deduction of all production expenditures, excluding expenditure on fixed assets and capital goods) decreased by 23 % during 2003/04 and amounted to R15 589 million compared to the previous R20 261 million. Payments for salaries and wages, which represent 17,6 % of the total farm costs, amounted to R9 264 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2004, is estimated at R4 057 million or 7,7 % of the total farm cost.

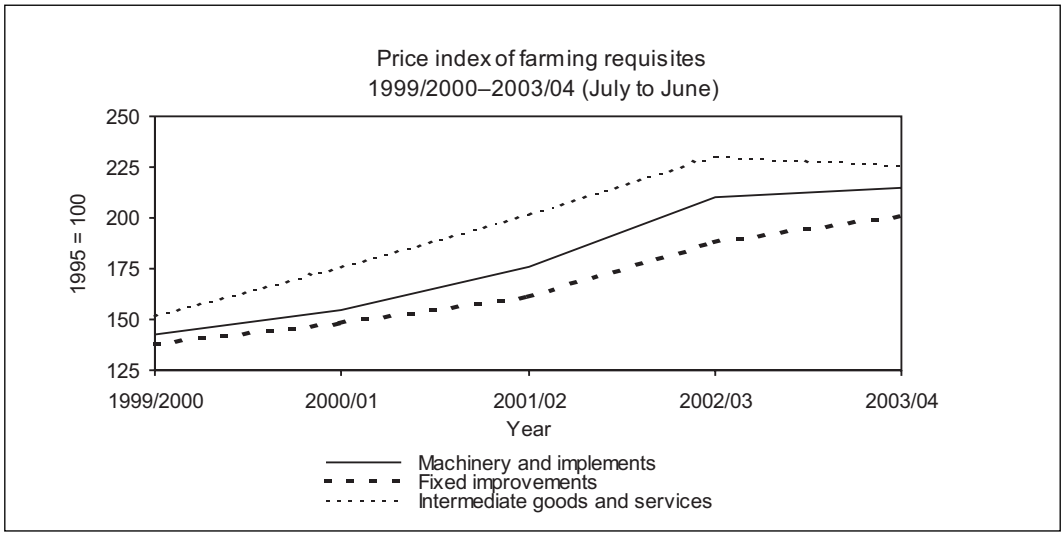
Expenditure on intermediate goods and services

Expenditure on intermediate goods and services (inputs consumed in the production process) increased to an estimated R36 097 million compared to the previous R36 040 million—an increase of only 1,6 %. Expenditure on farm feeds remained the biggest intermediate expenditure item (25 % of consumable production inputs) and amounted to R9 157 million. However, it showed virtually no increase on the previous 12 months. Expenditure on maintenance and repairs of machinery and implements and expenditure on farm services showed the most significant increases of 8,2 %, to R5 870 million, and 7,1 %, to R3 485 million, respectively. Expenditure on seed and plants (at R2 347 million) remained almost unchanged, while on packing material it is estimated at R2 270 million—an increase of 6,1 %. Expenditure on dips and sprays, fertilisers and fuel all showed decreases compared with the previous year.

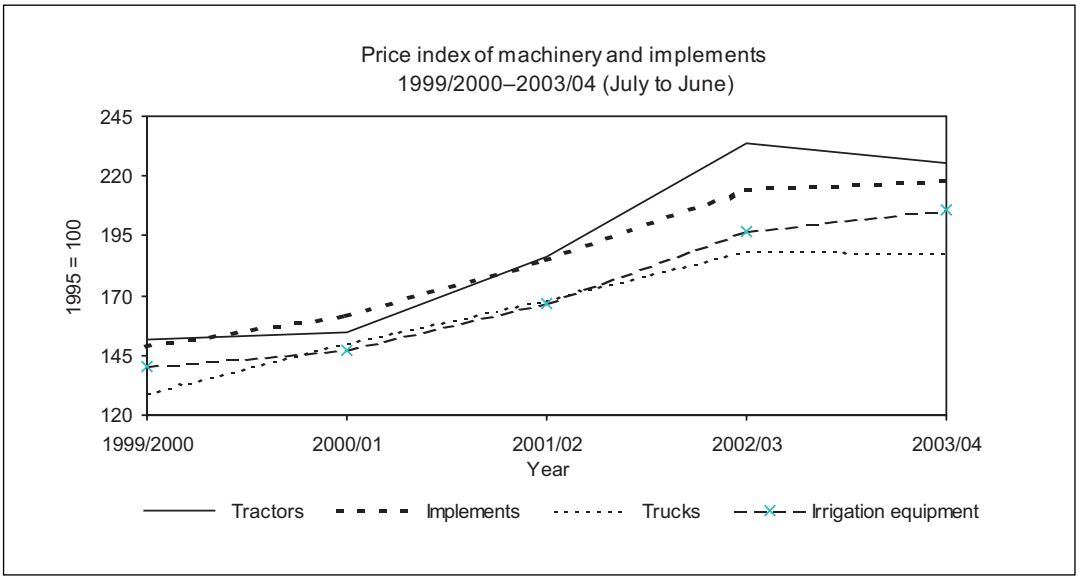


Prices of farming requisites

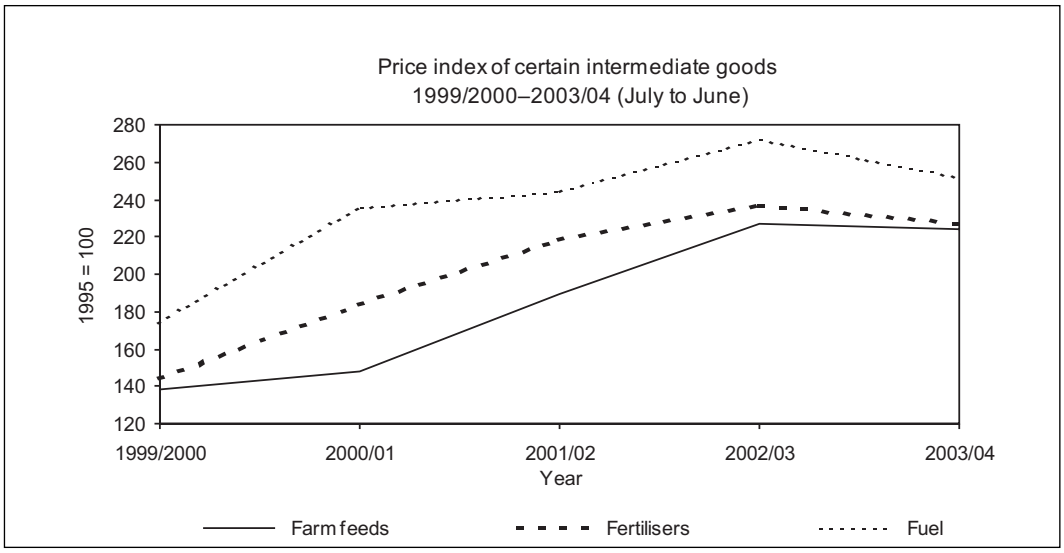
Prices of farming requisites decreased by 1,3 % compared to an increase of 14,7 % in the previous year.



The price index of machinery and implements increased by 2,0 %, that of requisites for fixed improvements by 6,9 %, while the prices of intermediate goods and services decreased by 1,9 %.



Prices of trucks decreased by 0,1 %, while prices of implements and irrigation equipment showed increases of 2,0 and 4,5 %, respectively. Prices of tractors decreased by 3,3 %, compared to an increase of 25,2 % in the previous year.

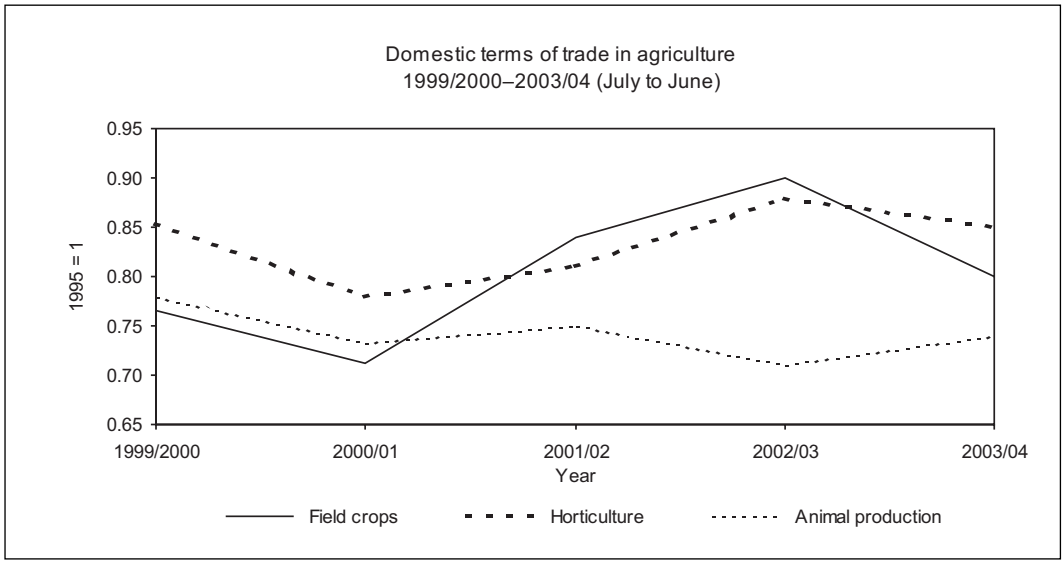


A decrease of 7,5 % in the price of fuel made the most significant contribution to the decrease in the price of intermediate goods and services, followed by a decrease of 5,1 % in the price of dips and sprays. Prices of fertilisers also decreased, by 4,3 % compared to an increase of 2,6 % the previous year. Prices of farm feeds increased by 1,4 %, those of maintenance and repairs by 5,6 %, and those of packaging material by 2,8 %.

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 domestic terms of trade in agriculture weakened by 4,7 %, from 0,85 % in 2002/03 to 0,81 % in 2003/04. The terms of trade for field crops weakened by 11 %, from 0,91 % in 2002/03 to 0,80 % in 2003/04, and for horticultural production by 3,4 %, from 0,88 % to 0,85 %. In the case of animal products, the terms of trade strengthened by 4,2 %, from 0,71 % to 0,74 %.



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, fishing and forestry to value added for the year ended 31 December 2003 is estimated at R35 631 million. This represents 3,1 % of the total value added to the economy.

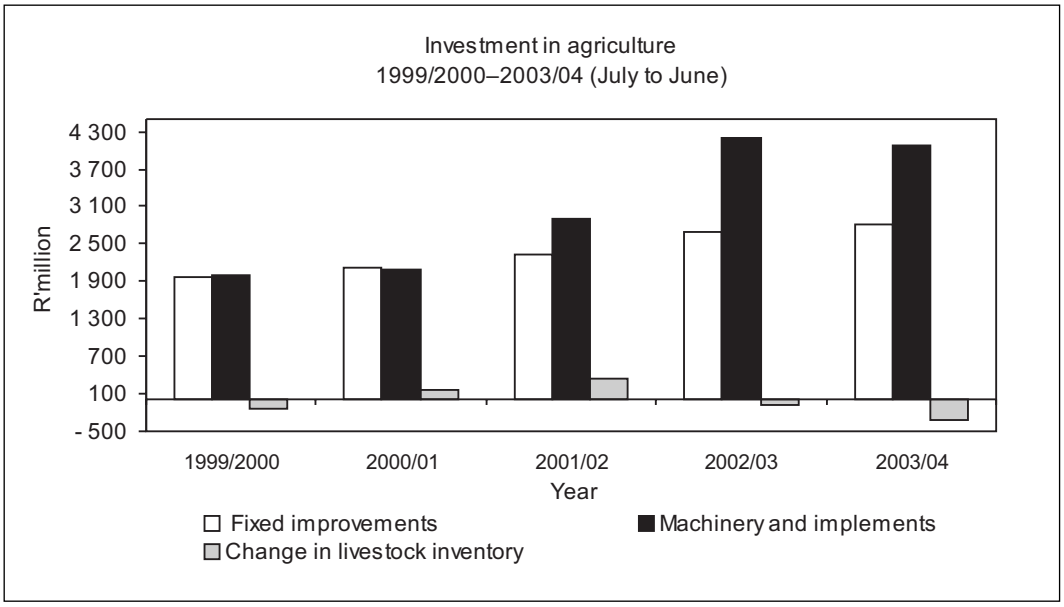
Year	Total value added by all sectors R'million	Contribution of agriculture to the value added R'million	Contribution of agriculture as % of total value added %
1998	674 874	21 349	3,2
1999	738 873	21 750	2,9
2000	838 218	22 412	2,7
2001	928 216	27 005	2,9
2002	1 059 788	37 705	3,6
2003	1 134 585	35 631	3,1

Source: Statistics South Africa

Capital assets and investment in agriculture

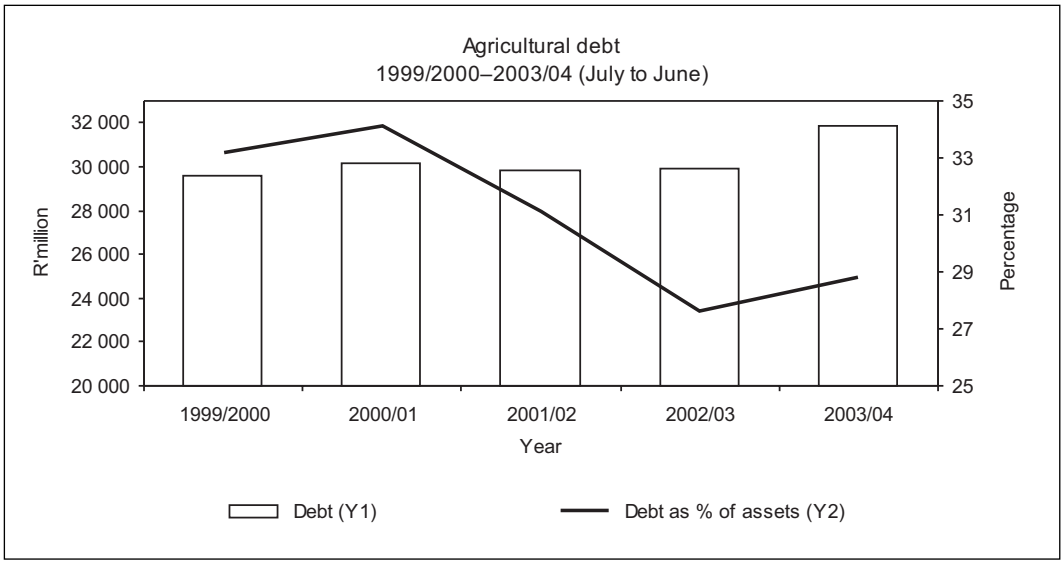
The value of capital assets in agriculture as at 30 June 2004 was estimated at R114 086 million compared to the previous R110 302 million. Land and fixed improvements constituted R64 322 million, machinery and implements R20 979 million, and livestock R28 785 million of the total value of capital assets.

The gross investment in respect of fixed improvements for the year ended 30 June 2004 increased by 4,2 % to R2 798 million. In the case of machinery, implements and vehicles, investment decreased by 2,5 % and amounted to R4 087 million. Owing to the decline in animal numbers, a change in the livestock inventory showed a negative trend.



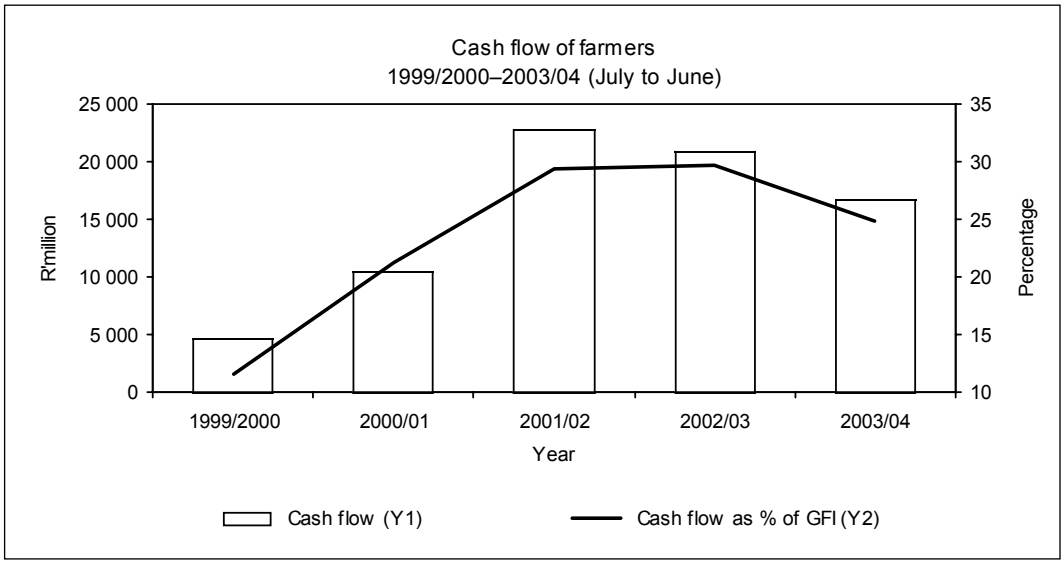
Farming debt position

The total farming debt at the end of June 2004 was estimated at R31 827 million, compared to the previous R29 926 million—an increase of 6,3 %. The debt in relation to assets also deteriorated slightly.



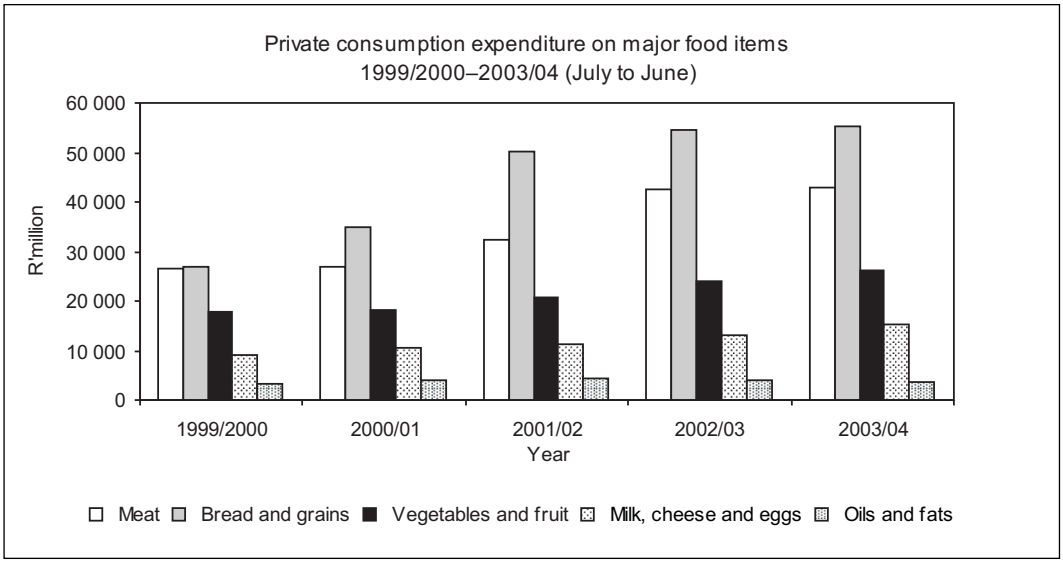
Cash flow of farmers

The cash flow of farmers amounted to R16 641 million, compared to R20 966 million for the year that ended 30 June 2003—a decrease of 20,6 %. This was caused by a decrease in the gross income from field crops.



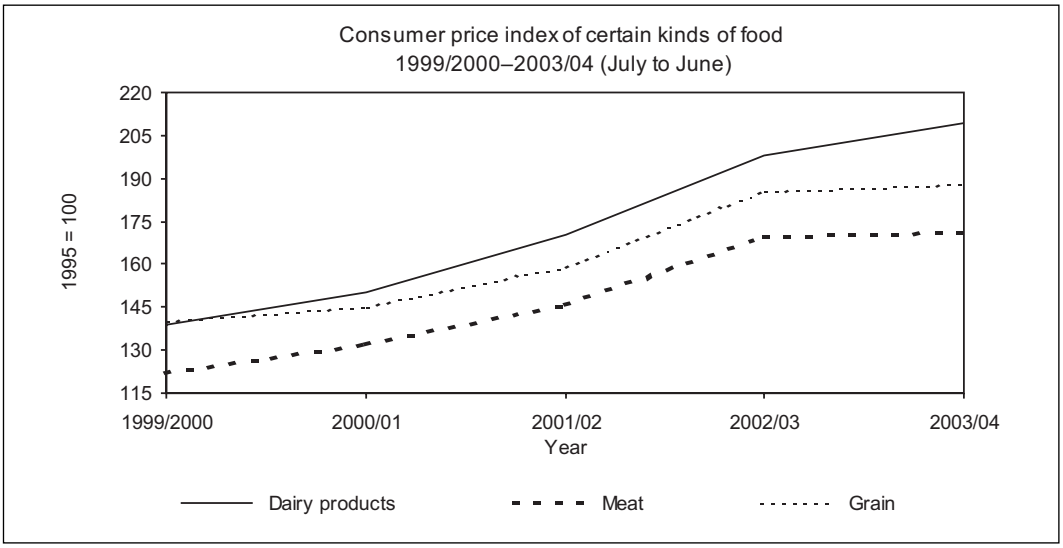
Consumption expenditure on food

Consumption expenditure on food for the year ended 30 June 2004 amounted to R166 874 million, which is a 3,7 % increase from the previous R160 924 million. Expenditure on bread and grains increased by 0,8 % to R55 169 million, on meat by 0,4 % to R42 782 million, on fruit and vegetables (including potatoes) by 10 % to R26 345 million, and on milk and milk products by 16,9 % to R15 192 million. Expenditure on oils and fats decreased by 9,5 %.



Consumer prices

The consumer price index of all items increased by 1,6 % for the year ended 30 June 2004, of food items by 3,5 %, and of nonfood items by 1,1 %.



Meat prices increased by 0,9 %, while the prices of grain products showed an increase of 1,2 %. The consumer price of vegetables and fruit increased by 5,4 and 6,8 %, respectively. In the case of dairy products and eggs, prices increased by 5,6 %, and an increase of 4,2 % was recorded for sugar and related products.

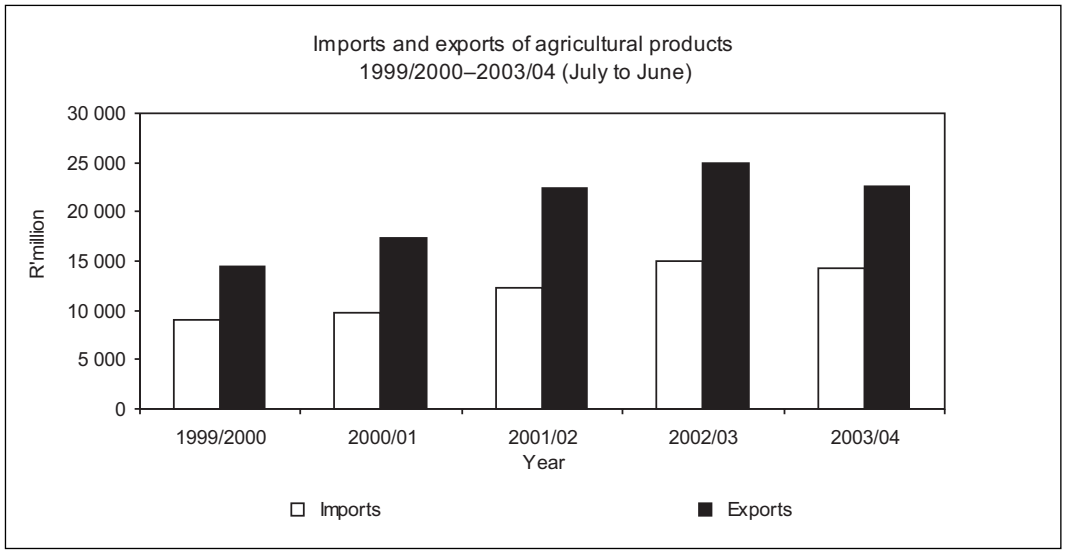
Imports and exports of agricultural products

The value of imports for 2003/04 came to R14 296 million—a decrease of 4,8 % compared to the R15 022 million for 2002/03. The value of exports decreased by 9,7 %, from R24 997 million for 2002/03 to R22 583 million for 2003/04.

According to the 2003/04 export values, wine (R3 211 million), citrus fruit (R2 758 million), grapes (R1 991 million), sugar (R1 553 million) and fruit, nuts and edible parts of plants (R1 437 million) were the major export products. Rice (R1 170 million), wheat (R830 million), oil cake (R802 million), palm oil (R758 million) and undenatured ethyl alcohol (R720 million) were the most important import products.

During 2003/04, the United Kingdom, the Netherlands, Germany, Mozambique and the United States of America were South Africa's five largest trading partners in terms of export destinations, with export values of R3 264 million, R2 635 million, R1 234 million, R1 152 million and R992 million, respectively. About 14 % of all agricultural exports was taken to both the United Kingdom and the Netherlands.

The five largest trading partners from which South Africa imported agricultural products during 2003/04 were Argentina, the United States of America, Brazil, Thailand and the United Kingdom, with import values of R2 155 million, R1 356 million, R1 211 million, R911 million and R867 million, respectively.



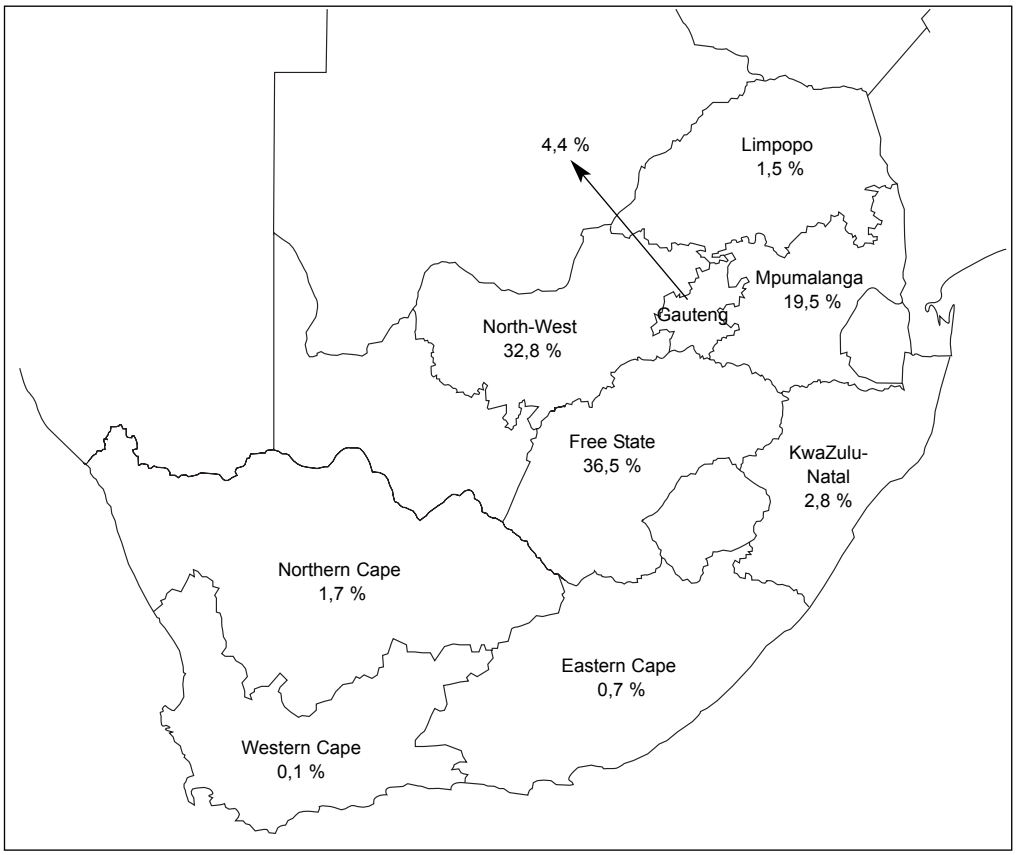
Branches of the industry

FIELD CROP HUSBANDRY

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 five years up to 2003/04 amounts to R8 919 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 (2003/04) 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.

The past few years were characterised by a swing towards the production of white maize. The present ratio of areas planted is 65 % white and 35 % 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 10 % and dryland 90 %.

During the 2001/02 production season, genetically modified (GM) white maize was planted in South Africa for the first time. Genetically modified plantings are expected to comprise an estimated 3,8 % of the total area planted to white maize and approximately 14,0 % of the total area planted to yellow maize during the 2003/04 production season. The planting of GM yellow maize (which is used for animal feed) started six years ago. The main aim of genetic modification was to improve insect resistance, especially against the maize stalk borer.

Area planted and production

The 2003/04 production season was characterised by very dry conditions during the normal planting times, which resulted in very late plantings. In some instances producers planted up to the end of January 2004. Welcome relief was brought by widespread rains that occurred from the last part of February 2004 onward.

During 2003/04, an estimated 2 843 300 ha were planted to commercial maize—a decrease of 10,7 % compared to the 3 184 950 ha planted in 2002/03. Commercial white and yellow maize comprised 1 842 000 and 1 001 300 ha respectively of the total number of hectares planted to maize. This represents a decrease of 17,5 % in the case of white and a 5,1 % increase for yellow maize.

The decrease in total plantings can mainly be ascribed to the fact that farmers had been advised to plant less maize owing to the large carry-over stocks and in many cases producers opted for sorghum, groundnuts and soya-beans instead of maize. The substantial decrease in maize prices during planting time, together with the appreciation in the value of the Rand also contributed to the smaller maize plantings.

The commercial maize crop for the 2003/04 production season is estimated to be 9,482 million tons, with an estimated yield of 3,33 t/ha. This represents a slight increase of 1,0 % compared to the 2002/03 crop, which was estimated at 9,391 million tons.

Plantings, production and yields of maize from 1999/2000 to 2003/04 were as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
Plantings (ha)	3 230 440	2 707 905	3 016 880	3 184 950	2 843 300
Production (t)	10 140 940	7 225 140	9 731 830	9 391 450	9 482 000
Yield (t/ha)	3,14	2,67	3,23	2,95	3,33

The yield per hectare obtained during 2003/04 was the highest ever.

The increasing trend in yields per hectare over time can, amongst other factors, be attributed to firstly the decrease in plantings. It can be assumed that mainly lower-potential soil, or soil that is less suitable for maize production, is withdrawn, which leads to a proportional increase in the cultivation of higher-potential soil and higher average yields.

Secondly, the impact of technology is an important factor to be considered:

- The application of higher-yielding cultivars.
- Improved seed (including GM and non-GM cultivars).
- More affordable precision-farming technology.
- Greater availability and affordability of high-technology machinery.
- Improved herbicides, pesticides, fertilisers, etc.

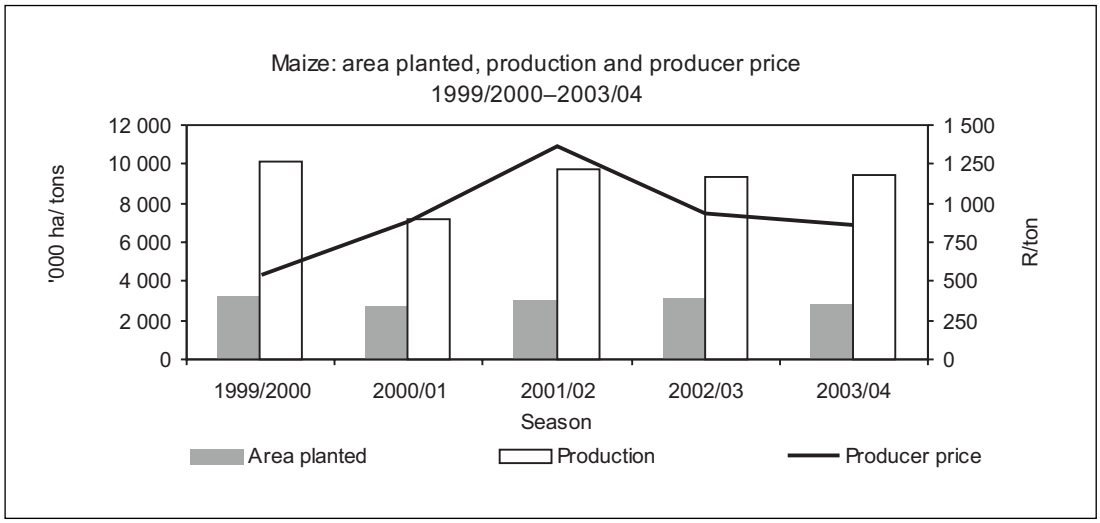
All of the above factors do not necessarily increase the size of the maize cob, but lead to pips with a higher mass and reduced insect damage.

Thirdly, soil management practices followed by the producer are also important:

- Greater use of effective crop rotation systems, including the fallow land practice (fallow systems where water is stored over two seasons are playing a more important role).
- Better fertiliser and seed placement because an increasing number of high-technology implements are used.
- Better timing of optimal planting dates.
- In general, more scientific cultivation practices.

Fourthly and lastly, an important aspect that must be kept in mind is the planted areas under irrigation. The cultivation of white maize under irrigation is estimated at approximately 5 % and yellow maize at about 10 %. Availability of irrigation water, however, becomes a problem during periods of severe drought.

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 2003/04 is estimated at 360 810 ha, comprising 281 890 ha white maize and 78 920 ha yellow maize. Production by the developing sector is estimated at 228 070 to 170 890 tons of white and 57 180 tons of yellow maize. Maize grown by this sector is mainly for own use and contributes only approximately 2,3 % of national production.

Prices

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

- International maize prices;
- Exchange rate;
- Local production (influenced by weather conditions and area planted);
- Local consumption;
- Production levels in the Southern African Development Community 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 of maize fluctuate 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 Rand 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 Rand price tends 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 can fluctuate daily 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 7,8 %, from R934/ton in 2002/03 to R861/ton in 2003/04. The decrease was caused by a unique combination of factors, such as the drop in world prices for these commodities, appreciation in the value of the local currency, as well as a domestic maize surplus.

The producer prices of maize from 1999/2000 to 2003/04 are as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Producer price	545,00	887,00	1 365,00	934,00	861,00

Consumption

Considering the commercial maize crop of 9,482 million tons, together with carry-over stocks of about 2,4 million tons from the previous season and imports of 210 000 tons, the domestic supply of maize for the 2004/05 marketing season is estimated at 12,1 million tons. The domestic demand for commercial maize (including exports of 410 000 tons to BLNS-countries) is estimated at 8,7 million tons—4,8 million tons of white and 3,9 million tons of yellow maize. Projected exports amount to 750 000 tons (615 000 tons of white and 135 000 tons of yellow maize). South Africa therefore has sufficient maize available to meet the local demand. Carry-over stocks at the end of April 2005 are expected to amount to 3,1 million tons—2,6 million tons of white and 500 000 tons of yellow maize.

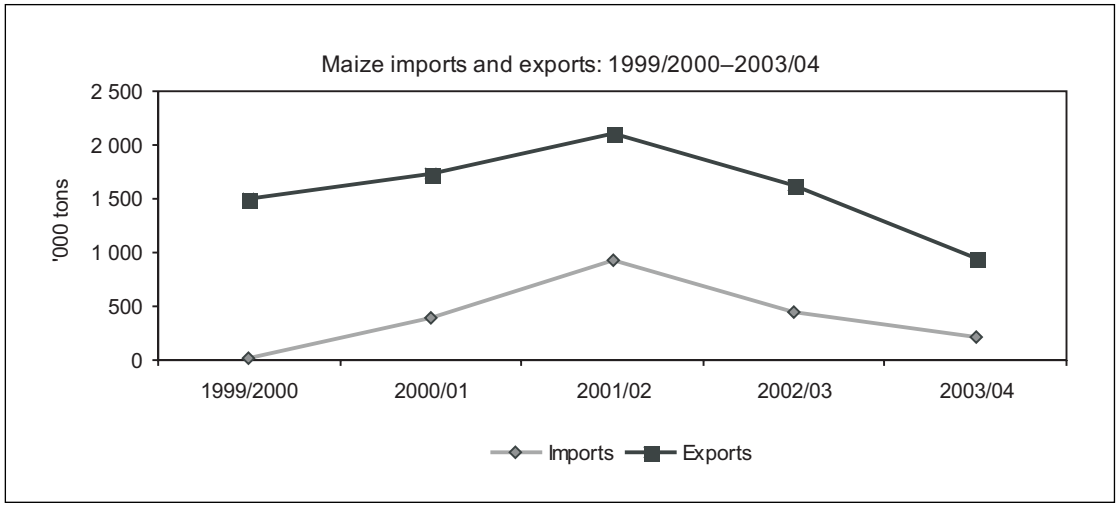
Trade balance

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 in the US, has a dominant influence on local imports and exports, as it determines the world maize price.

In the case of a product such as white maize, millers (who are the main 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 variety of reasons. However, the source of the bulk of their purchases will depend on price and quality. When they import the product, the exchange rate has an important influence on the actual Rand price that they pay.

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 higher production 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 price-setting mechanism for these prices 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 8 October 2004, is R31,68/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 dissolvement 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 will in future 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.
- The Southern African Grain Laboratory (SAGL), a section 21 Company, mainly performs wheat and maize quality analyses.
- Research is financed with income from the Maize Trust and undertaken by the ARC, the Council for Scientific and Industrial Research (CSIR) and other research organisations.

Sorghum

Plantings and production

Sorghum is indigenous to Africa. It is mainly cultivated on low-potential, shallow soils with a high 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. During the last few years, sorghum production shifted from the drier western to the wetter eastern production areas. This change in the production area led to the development of cultivars that are less sensitive to lower temperatures.

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

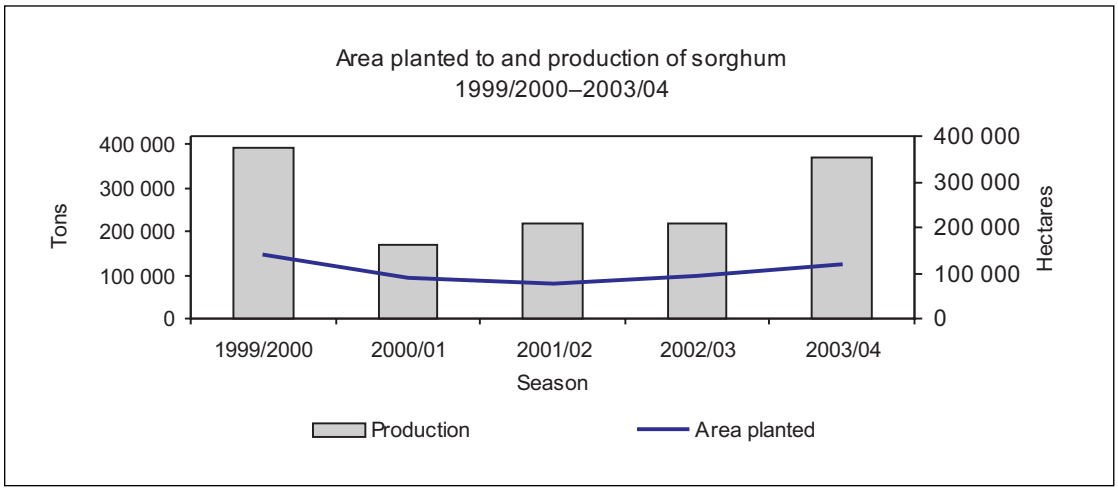
Sorghum for commercial purposes is mainly produced in the Free State (56,5 %), Mpumalanga (28,1 %), Limpopo (6,5 %) and North West (5,3 %) provinces. During the 2003/04 production season (April to March), an estimated 130 000 ha were planted to sorghum for commercial use. This represents an increase of 36,1 % compared to the 95 497 ha planted during 2002/03. A relatively good premium for sorghum above maize prices led to this increase in production.

The commercial sorghum crop for the 2003/04 production season is estimated at 370 000 tons, which is 68,6 % higher than the previous season and about 59,5 % higher than the 5-year average production of 232 000 tons up to 2002/03. The average yield is 2,85 t/ha, which is 22,8 % higher than the 5-year average yield of 2,45 t/ha.

Plantings, production and the yields of sorghum from 1999/2000 to 2003/04 were as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
Plantings (ha)	142 200	88 300	75 250	95 497	130 000
Production (t)	392 617	171 221	220 000	219 514	370 000
Yield (t/ha)	2,76	1,94	2,92	2,30	2,85

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

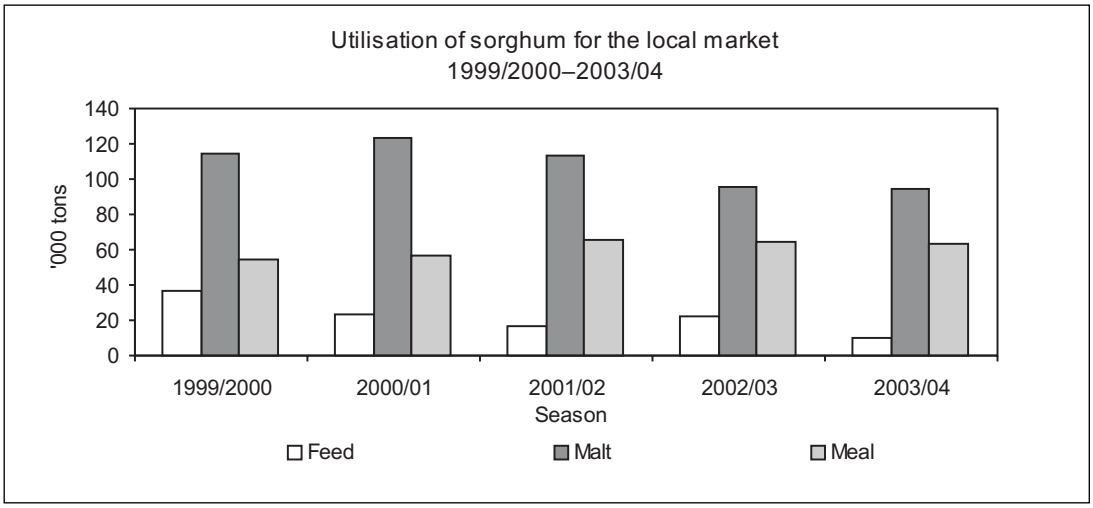
Processors of sorghum products for the consumer market find themselves in an extremely competitive environment in which consumers can easily switch to substitutes such as maize meal, "clear beer" and rice.

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 human consumption of sorghum appears to be stable and it seems that there is not much room for expansion in market share.

The stock feed market is the most important outlet channel for surpluses in sorghum production, because it is successfully used as a substitute for yellow maize as an energy source. No grinding is required, which reduces the cost of processing sorghum into feed. There is a trend towards a decline in sorghum feed consumption, however, which 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 such as maize. With current low sorghum prices, this situation could, however, change in the coming season.

The average annual commercial consumption (human and animal) of sorghum during the past five years is approximately 200 240 tons, of which 178 660 tons are for human consumption (malt, meal and other consumption) and 21 580 tons for animal feed.

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



Producer prices

Local producer prices of sorghum decreased by 38 %, from R1450/ton in 2002/03 to R900/ton for the 2003/04 production season.

Year	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Producer price	520,00	760,00	1 500,00	1 450,00	900,00

Cooperation

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 industry.

Wheat

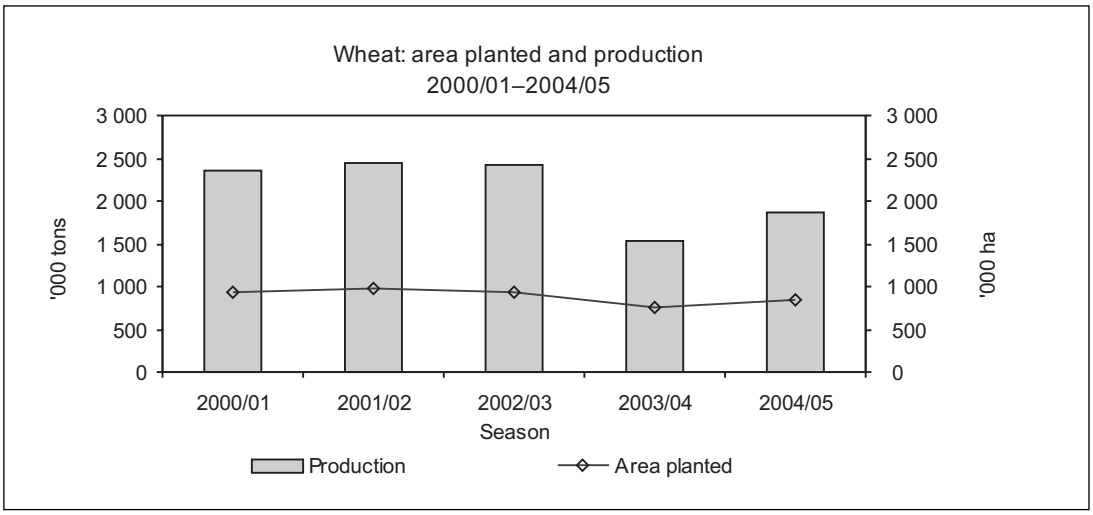
Wheat is the third important field crop produced in South Africa. In the 2003/04 season, wheat contributed approximately 11 % to the gross value of field crops and the average annual gross value of wheat for the past 5 years amounts to R2 837 million.

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 2004/05 season is 851 200 ha (an increase of 13,8 % from the 2003/04 season), of which 375 000 ha (44 %) are in the Free State and 356 000 ha (42 %) in the Western Cape provinces. Approximately 30 % of the total area planted to wheat is cultivated under irrigation and 70 % under dryland conditions. Wheat farmers in South Africa experienced an unfavourable production season during 2004/05. Rainfall was erratic and below normal in many of the main wheat production regions. In the Southern Cape (Rûens), rainfall was less than average, causing lower than normal yields. The Swartland area of the Western Cape experienced an even drier season, with late rainfall when crop damage had already occurred and which also resulted in lower than normal yields. In the northern provinces, exceptionally dry weather conditions were also experienced, resulting in reduced yields for dryland production, while a normal yield was expected for production under irrigation.

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



The expected commercial wheat crop for 2004/05 is 1,86 million tons, of which 637 500 tons (34 %) are produced in the Free State, 587 400 tons (32 %) in the Western Cape, and 300 900 tons (16 %) in the Northern Cape. The expected average yield for commercial wheat is 2,19 t/ha.

Plantings, production and crop yields from 2000/01 to 2004/05 were as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
Plantings (ha)	934 000	973 500	941 100	748 000	851 200
Production (t)	2 348 000	2 450 000	2 427 000	1 540 000	1 863 600
Yield (t/ha)	2,51	2,52	2,58	2,06	2,19

Consumption

A total of 3,489 million tons (imports included) of wheat were available for local consumption during the 2003/04 marketing season. Carry-over stocks as at 1 October 2003 amounted to 897 000 tons. Domestic production of wheat, including the developing sector, was approximately 1,550 million tons, while 1,042 million tons of wheat were imported.

In South Africa, wheat is mainly used for human consumption. It is estimated that for the 2003/04 marketing year, approximately 2 650 000 tons of wheat were used for human consumption, 1 000 tons for animal feed, 20 000 tons for seed and 64 000 tons for other (unspecified) purposes. During this period, a total of 158 000 tons of wheat were exported—135 000 tons as whole wheat and 23 000 tons as products. The total demand for wheat (exports included) for the 2003/04 season is therefore estimated at 2 893 000 tons.

Carry-out stocks at 30 September 2004 were estimated to be 596 000 tons. This is higher than the required 3-month-pipeline stock of 581 000 tons.

For the 2004/05 marketing season, the domestic supply of wheat is therefore estimated at 2,5 million tons (the estimated commercial wheat crop of 1,864 million tons, together with the carry-over stocks of about 596 000 tons). The domestic demand for commercial wheat (exports included) is estimated at 2,9 million tons. The resulting local deficit should, however, not be a reason for concern, because imports have been a regular feature in the past. Carry-out stocks at the end of September 2005 are expected to amount to 550 000 tons.

Imports

Wheat is mostly imported for human consumption. In August 2004, the import duty on wheat was adjusted to R18,67 per ton.

Wheat imports from 1999/2000 to 2003/04 were as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
			Tons		
Imports	624 000	308 000	407 000	747 000	1 042 000

Prices

The average basic producer prices of wheat (grade 1) from 1999/2000 to 2003/04 are as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Producer price	960,60	1 165,35	1 421,61	1 572,05	1 428,14

Wheat prices are influenced by, among other factors, international wheat prices, the strength of the Rand against other currencies, international and local wheat supply and weather conditions.

Marketing

The South African wheat market was deregulated on 1 November 1997 and wheat can therefore 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 cereals have been used in financing the Winter Grain Trust.

Research and information

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 November 2004 report of the United States Foreign Agricultural Services, world wheat trade in 2004/05 is forecast at 106 million tons, which is the same as in 2003/04. Global production of wheat has increased by 66 million tons to 617 million tons compared to 2003/04. The higher production is primarily the result of excellent harvests throughout Europe and the former Soviet Union, as well as good North African crops. Global consumption is expected to be 606 million tons—18 million tons more than the previous year. Production is forecast to exceed consumption, therefore global stocks are expected to increase by 11 million tons to 142 million—allowing for some stock rebuilding for the first time in 5 years.

Barley

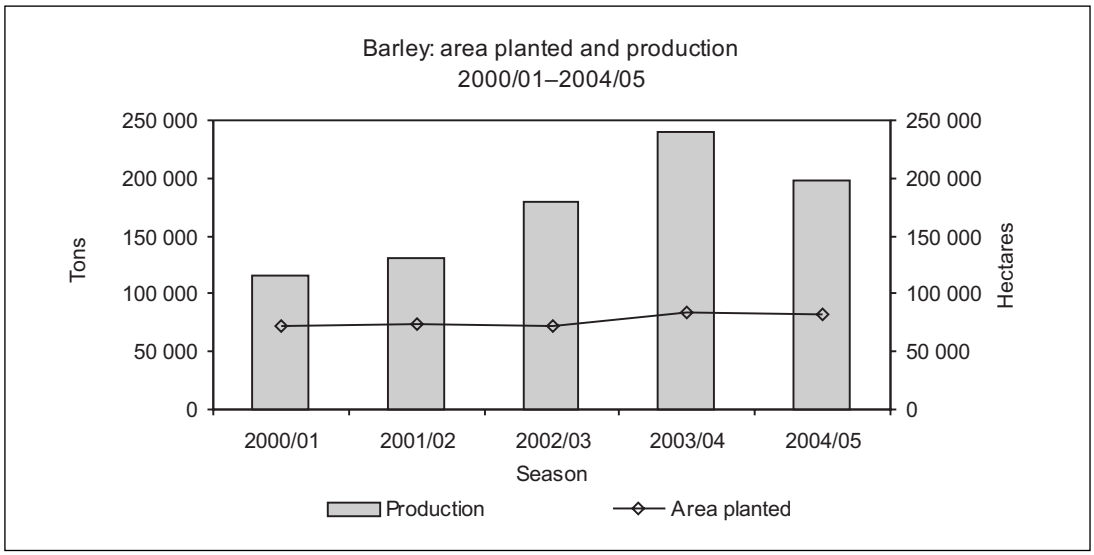
Plantings and production

Barley is a winter cereal crop that is mainly produced in the Western Cape. The average annual gross value of barley for the past five years amounts to R175,9 million. Malting barley is mainly produced in the Western Cape Province (86 %) under dryland conditions and in the Vaalharts and Taung areas of the Northern Cape Province (11 %) under irrigation. The climate in the southern Cape, where most of the country's barley is grown, has lately not been favourable for barley production. Until six 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 162 000 tons a year during the six years up to 2004/05. Substantially more barley is now produced in the Northern Cape, where the crop is irrigated and therefore yields are better and more stable than in the Western Cape where the crop is dependent on rainfall.

The malting barley plantings for the 2004/05 season are estimated at 82 650 ha, which is 1,9 % less than the estimated plantings of 84 220 ha for 2003/04. A total estimated crop of approximately 198 600 tons of malting barley is expected for the 2004/05 season, which is 17,3 % less than the estimated production of 240 000 tons the previous season.

The areas planted, production and yield of barley from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
Plantings (ha)	72 220	73 160	72 100	84 220	82 650
Production (t)	116 200	131 400	179 900	240 000	198 600
Yield (t/ha)	1,61	1,80	2,50	2,85	2,40



Consumption

Barley is mainly used for the production of malt (for brewing beer), animal feed and pearl barley. Caledon Maltings was built in 1981 to process barley into malt and there is another smaller malting plant at the Alrode Brewery near Johannesburg. Part of the South African barley crop is generally less suitable for malting purposes and is therefore used as animal feed.

The total supply of barley for the 2003/04 marketing season (October to September) was estimated at 386 100 tons (imports included). Carry-over stocks as at 1 October 2003 amounted to 78 200 tons. Deliveries directly from farms during the 2003/04 production season were 238 400 tons, while 69 500 tons of barley were imported.

For the 2003/04 marketing season, the total demand for barley was 284 600 tons. Carry-out stocks at 30 September 2004 were estimated at 101 500 tons. This is substantially higher than the required 3-month-pipeline stock of 34 900 tons.

For the 2004/05 marketing season, the estimated barley crop is 199 000 tons and, together with carry-over stocks of about 101 500 tons, the domestic supply of barley is estimated at 300 500 tons. The domestic demand for barley is estimated at 291 100 tons. South Africa therefore has a domestic shortfall of barley, but this should not cause concern, because barley has always been imported. Carry-out stocks at the end of September 2005 are expected to amount to 44 400 tons.

Producer prices

The average producer prices of malting barley from 1999/2000 to 2003/04 are estimated to be as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Producer price	758	800	1 000	1 200	1 433

Marketing

Barley is different from most, if not all, other agricultural commodities, as there is only one major 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 few years, variability in rainfall has caused wide fluctuations in barley quality and yields in South Africa. Whenever 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 1999/2000 to 2003/04 are as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
			Tons		
Imports: Barley	157 300	134 800	166 900	132 700	69 500
Malt	87 300	67 000	63 200	59 700	70 800

World barley situation

According to the November 2004 trade report forecasts of the United States Foreign Agricultural Services, global production of barley for 2004/05 was set to increase by 11,8 million tons, to 152,3 million tons, compared to the previous season, and global consumption of 144,8 million tons was expected to be 1,6 million tons less than the previous season. Barley production is projected to exceed consumption, therefore global stocks are expected to increase by 7,5 million tons, to 28,3 million tons.

Sunflower seed

Sunflower seed can be planted from the beginning of November to the end of December in the eastern parts of the country, and up to the middle of January in the western parts of South Africa. Sunflower seed is a crop which, compared to other crops, performs well under drought conditions - this is probably the main reason for the crop's popularity in the marginal production areas of South Africa. Almost 85 % of the sunflower seed crop is produced in the Free State and North West provinces (43 and 41 % respectively). Sunflower seed contributes approximately 6,1 % 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 230 million.

Plantings and production

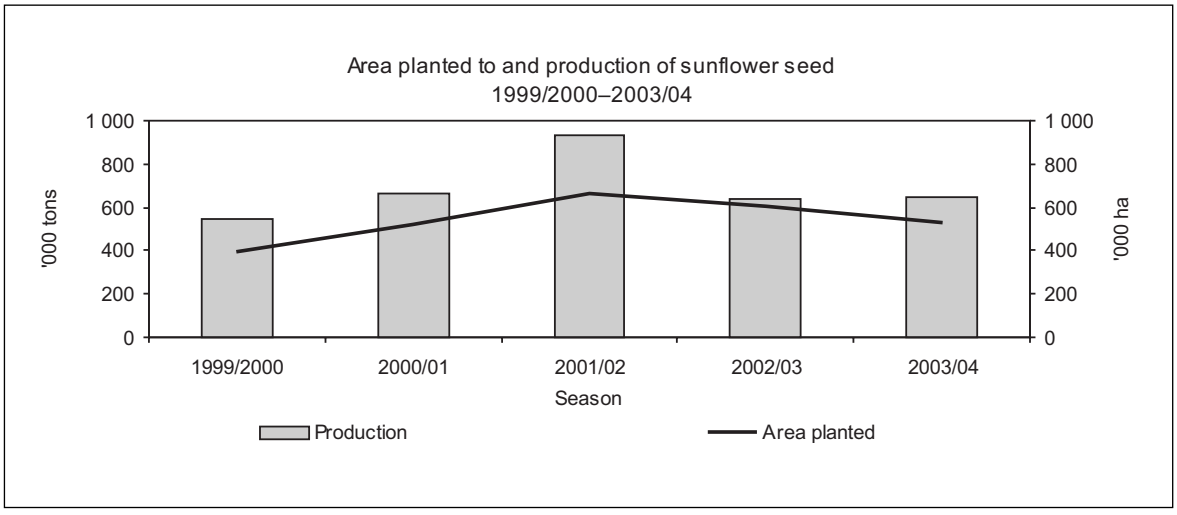
The plantings are dependent on the expected prices of sunflower seed and sunflower oil relative to those of alternative crops, especially maize, as well as weather conditions (rainfall patterns) and the availability of marginal land. Plantings vary quite dramatically from year to year, but remain more or less within a range of between 400 000 and 830 000 ha over the years. During the 2003/04 production season, an estimated 530 000 ha were planted to sunflower seed for commercial use, as against an estimated 605 000 ha during the previous season. This represents a decrease of 12,4 % and is also lower than the five-year average of 604 000 ha up to 2002/03.

The commercial production of sunflower seed during 2003/04 was approximately 648 000 tons. It is almost the same as the previous season, but 15,8 % lower than the average of 770 000 tons for the previous five years. However, the production of sunflower seed is increasing marginally over time.

Yields during the past production season were quite good. The average yield is approximately 1,22 t/ha, which is higher than the 1,06 t/ha during the previous season, and slightly lower than the average of 1,27 t/ha for the previous five years. Developing agriculture contributed an estimated 25 811 tons (3,8 %) to the total sunflower seed production in South Africa during 2003/04.

Commercial plantings, production and yield of sunflower seed from 1999/2000 to 2003/04 are as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
Plantings (ha)	396 350	521 695	667 510	605 000	530 000
Production (t)	544 937	664 499	928 790	640 000	648 000
Yield (t/ha)	1,37	1,27	1,39	1,06	1,22



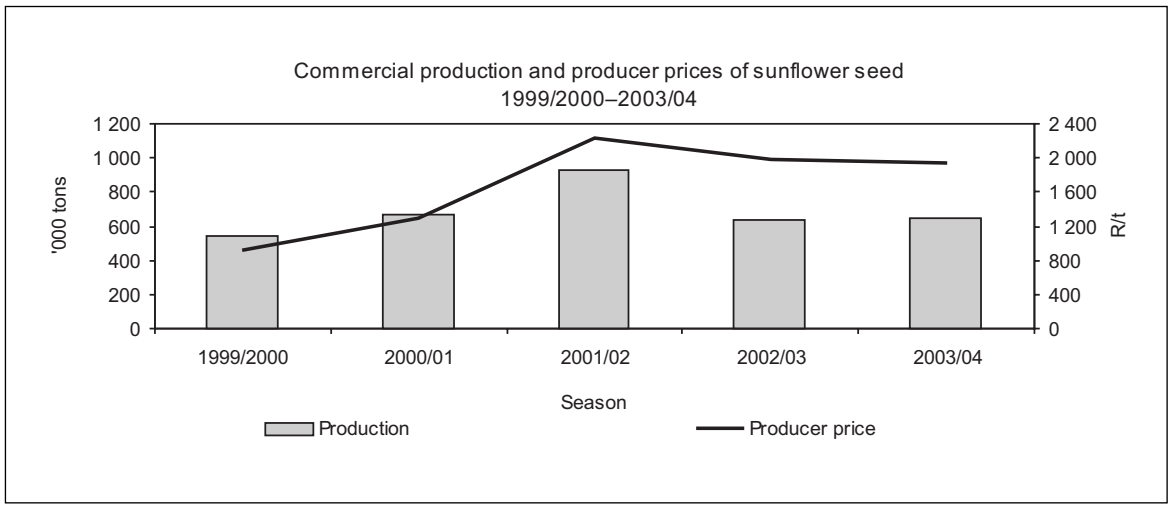
Projections for the 2004/05 production season indicate a decrease of 9,1% in the number of hectares planted. Applying the average of 1,25 t/ha for the past five seasons to an expected area of 482 000 ha, a production of 602 500 tons could be projected.

Producer prices

The average producer prices of sunflower seed from 2000 to 2004 are as follows:

Year	2000	2001	2002	2003	2004
			R/ton		
Producer price	916	1 293	2 238	1 978	1 815

The average producer price decreased by 8,2 %, from R1 978 per ton during 2003 to R1 815 per ton during 2004. The main reasons for this are the stronger Rand and subsidies paid to sunflower producers and processors in some countries, which led to the importation of oil at a lower price than was available locally.



Consumption

The sunflower seed marketing season in South Africa commences on 1 January and ends on 31 December of the calendar year. Sunflower seed is primarily used for the manufacturing of sunflower oil and oil cake. The total demand for sunflower seed in South Africa decreased by 17,6 %, from 816 000 tons in 2003 to 672 000 tons in 2004. A breakdown of the total demand for sunflower seed is as follows:

Year	2000	2001	2002	2003	2004
Commercial consumption (t)	818 000	670 000	713 000	805 000	660 000
On-farm (unspecified) consumption (t)	24 000	8 000	21 000	11 000	12 000
Exports (t)	0	1 000	46 000	0	0
Total demand	842 000	679 000	780 000	816 000	672 000

Commercial consumption of sunflower seed also decreased by approximately 18,0 %, from 805 000 tons in 2003 to 660 000 tons in 2004. The long-term average consumption is around 700 000 tons, proving the latter estimated consumption figure of 660 000 tons to be slightly below the norm.

High-oil sunflower seed cultivars are by far the main cultivars produced in South Africa. Sunflower seed is the major 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-bean.

Sunflower oilcake 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 oilcake in pig and poultry feeds is restricted by the high fibre content of the cake. Because of this constraint, the demand for sunflower oilcake plays an important role in determining the demand for sunflower seed.

Trade

With regard to exports, phytosanitary requirements and quality standards must be adhered to and a PPECB certificate must be obtained. Although trade in sunflower seed is low, the main country from which sunflower seed has been imported is Australia, while exports are largely to Argentina.

The imports and exports of sunflower seed from 2000 to 2004 are as follows:

Year	2000	2001	2002	2003	2004
			Tons		
Imports	400	7 500	1 800	1 500	17 900
Exports	300	1 100	45 700	200	100

International overview

World production decreased by 5,6 % from 27,8 million tons in 2003 to 26,2 million tons in 2004. The Russian Federation contributes 16 %, Ukraine 13 %, Argentina 12 % and China 7 % to world production. South Africa contributes approximately 3 %.

Research and information

The information function is performed by the national Department of Agriculture, through the Directorate Agricultural Statistics, by Grain South Africa and by 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 Oil and Protein Development Trust and performed by the ARC, CSIR and other organisations.

Soya-beans

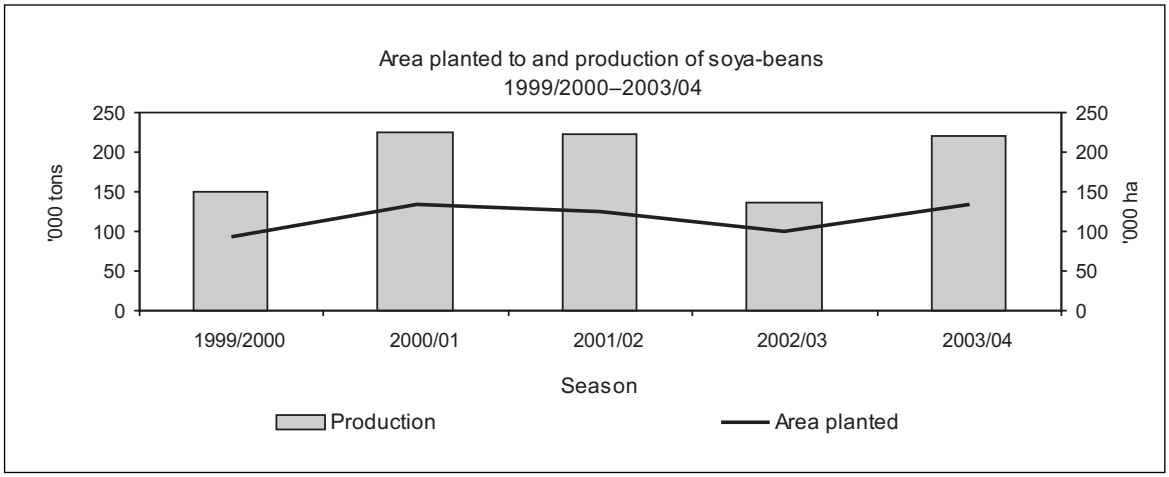
Various soya-bean cultivars are very well adapted to South African conditions. Depending on local conditions, soya-beans are typically planted in November and December. On ripening, the leaves turn yellow and the moisture content of the seeds drops-from about 65 to 14 % within 14 days-given that the weather is hot and dry. It is a relatively difficult crop to grow and not all areas are suitable for soya-bean cultivation. Soya-beans are mainly cultivated under dryland conditions and grown primarily in Mpumalanga (54 %), Free State (16 %), and KwaZulu-Natal (14 %). Small quantities are cultivated in the Limpopo, Gauteng and North West provinces. Soya-beans contribute approximately 2,3 % to the gross value of field crops and the estimated average annual gross value of soya-beans for the past five years amounts to R347 million.

Plantings and production

The plantings of soya-beans vary between 40 000 and 135 000 ha over the years. During the 2003/04 production season, an estimated 135 000 ha were planted to soya-beans for commercial use, as against an estimated 100 130 ha during the previous season. This represents an increase of 34,8 % and is also approximately 16 % higher than the five-year average of 116 500 ha up to 2002/03.

The estimated crop of 220 000 tons for 2003/04 represents an increase of 61,1 % compared to the 2002/03 crop of 136 520 tons. It is also 17,0 % higher than the average of 188 000 tons for five years up to 2002/03. The average yield is 1,63 t/ha, which is higher than the 1,36 t/ha of the previous season, and more or less the same as the average of 1,61 t/ha for the five years up to 2002/03.

Plantings, production and yields of soya-beans from 1999/2000 to 2003/04 were as follows:



Year	1999/2000	2000/01	2001/02	2002/03	2003/04
Plantings (ha	93 787	134 150	124 150	100 130	135 000
Production (t)	148 720	226 210	223 000	136 520	220 000
Yield (t/ha)	1,59	1,69	1,80	1,36	1,63

Projections for the 2004/05 production season indicate an increase of 14,8% in the area planted to soya-beans. Applying the average of 1,61 t/ha for the past five seasons to an expected area of 155 000 ha, a production of approximately 250 000 tons could be projected for 2004/05. There is a growing interest in soya products in South Africa, because of the health benefits associated with the product. Soya-beans are therefore not only regarded as an economical replacement for maize, but also as a crop for the future.

Producer prices

The average local producer price of soya-beans for 2004 is approximately R2 137/ton, which is 14,1 % lower than the price for 2003. The main reasons for this are the continued strengthening of the Rand/Dollar-exchange rate, as well as a decline in the international prices for soya-beans. The domestic price of soya-beans depends to a large extent on the movements of the international price.

The average producer prices of soya-beans from 2000 to 2004 are as follows:

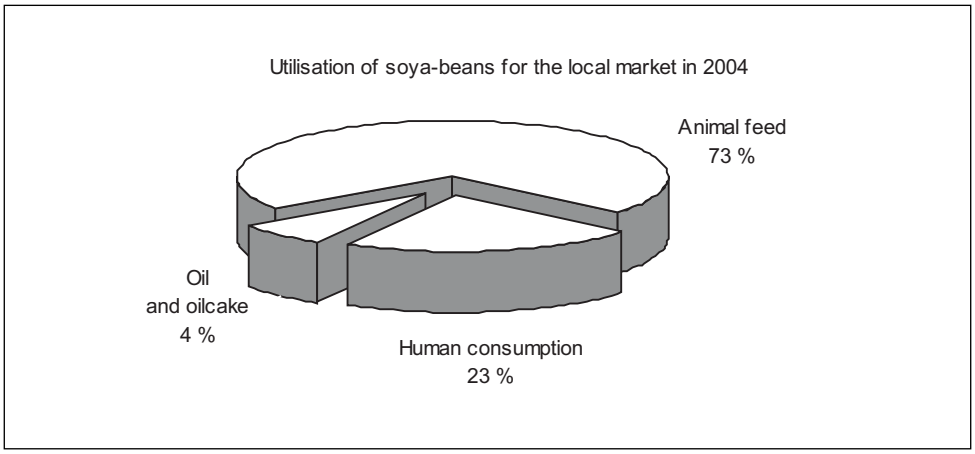
Year	2000	2001	2002	2003	2004
			R/ton		
Producer price	1 286	1 243	2 011	2 487	2 137

Consumption

A total of 284 000 tons of soya-beans were available for utilisation during the 2004 marketing season (January to December). Carry-over stocks on 1 January 2004 amounted to 48 700 tons, and the expected production was 220 000 tons. Imports of approximately 15 000 tons were expected. Small quantities are exported annually. In 2004, expected exports amounted to 4 000 tons.

In South Africa, soya-beans are mainly used for animal feed. Less than 30 % of the production is used for human consumption. The local commercial consumption of soya-beans for 2004 is estimated at 172 000 tons, of which approximately 38 000 tons are for human consumption, 122 000 tons for feed and 12 000 tons for oil and oilcake production. Carry-over stocks on 31 December 2004 were expected to be approximately 33 800 tons. This is much lower than the required three-months-pipeline stock of about 96 000 tons. However, this should not be a reason for concern, as South Africa is a traditionally a net importer of soya-beans.

The following graph illustrates the utilisation of soya-beans in 2004:



Trade

With regard to exports, phytosanitary requirements and quality standards must be adhered to and a PPECB certificate must be obtained. SA exports mainly to Zimbabwe and imports mainly from Argentina.

The imports and exports of soya-beans from 2000 to 2004 are as follows:

Year	2000	2001	2002	2003	2004
			Tons		
Imports	91 900	13 900	34 800	23 400	15 000
Exports	2 800	1 400	1 200	5 100	4 000

International overview

Economically, the soya-bean is the most important legume in the world, providing good-quality vegetable protein to millions of people and animals, as well as ingredients for numerous chemical products. In the late 20th century and into the present, soya-beans have played an important part in helping to alleviate world hunger.

World production increased by 8,9 %, from 189 million tons in 2003 to 206 million tons in 2004. The United States contributes 42 %, Brazil 24 %, Argentina 16 % and China 9 % to world production. The balance of 9 % is made up, inter alia, by Europe, India and South Africa.

Research and information

The information function is performed by the national Department of Agriculture, through the Directorate Agricultural Statistics, by Grain South Africa and by 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 Oil and Protein Development Trust and performed by the ARC, CSIR and other organisations.

Groundnuts

Plantings and production

Groundnuts are mainly produced in the north-western regions of South Africa, namely the western and north-western Free State (33 %); the North West Province (44 %), and the Northern Cape (19 %). The normal planting time for groundnuts is mid-October to mid-November. However, several factors, the most important being rain, determine the actual planting period. Groundnuts must be planted as early in the season as possible, as soon as the danger of cold spells has diminished. Low temperatures are inclined to delay the germination process, which exposes the seedlings to fungal and herbicide damage.

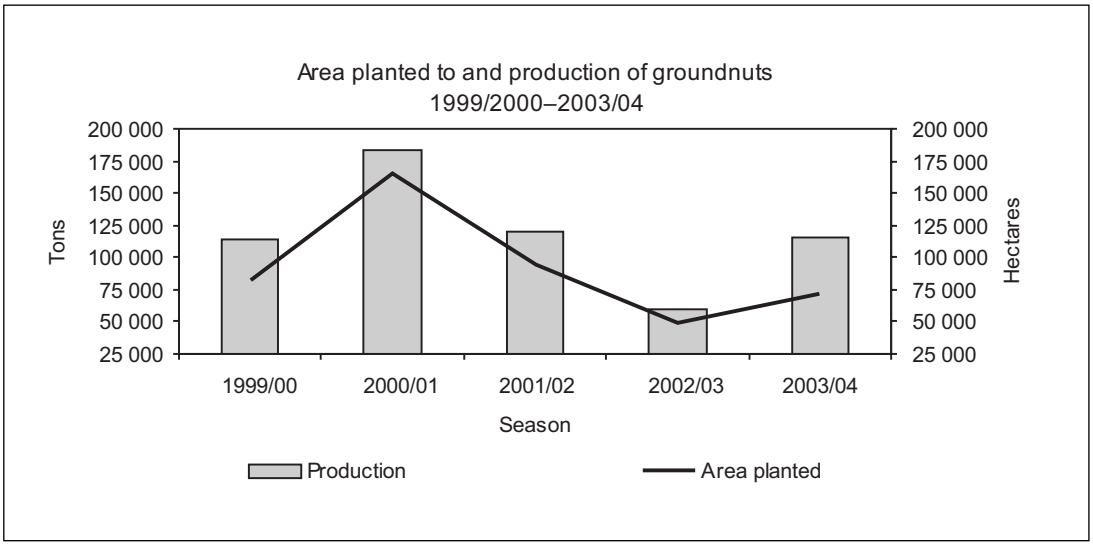
During the 2003/04 production season, an estimated 71 500 ha were planted to groundnuts for commercial use, as against an estimated 49 850 ha during 2002/03. This represents an increase of 43,4 % and is about 27 % lower than the average of 97 500 ha planted during the five years up to 2002/03.

The current estimated commercial crop of 115 000 tons of groundnuts represents an increase of 91,7 % compared to the 2002/03 crop of 60 005 tons. It is almost the same as the five-year average of 115 200 tons up to 2002/03. The average yield is 1,61 t/ha, which is 34,2 % higher than the 1,20 t/ha of the previous season and 36,4% higher than the five-year average of 1,18 t/ha. Yields achieved during the past few years show a continued upward trend, probably indicating changes to better cultivars and to an ongoing improvement of cultivation techniques.

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 1999/2000 to 2003/04 are as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
Plantings (ha)	82 600	165 250	94 160	49 850	71 500
Production (t)	113 550	183 840	120 185	60 005	115 000
Yield (t/ha)	1,37	1,11	1,28	1,20	1,61



Indications for the 2004/05 production season point to a decrease of 13,3% in the number of hectares planted to groundnuts. Applying the average of about 1,20 t/ha for the past five seasons to an expected area of 62 000 ha, a production of 74 400 tons of groundnuts for 2004/05 could be projected.

Producer prices

The average producer prices of groundnuts from 1999/2000 to 2003/04 are as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Producer prices	2 460	2 045	2 426	4 500	2 871

Because of the national increase in production during 2003/04, which was mainly the result of the low domestic stock situation at the beginning of the season, the average producer price for groundnuts decreased significantly (36 %) from the price of R4 500/ton for 2002/03.

The average annual gross value of groundnuts for the five years up to 2002/03 amounts to approximately R352,5 million.

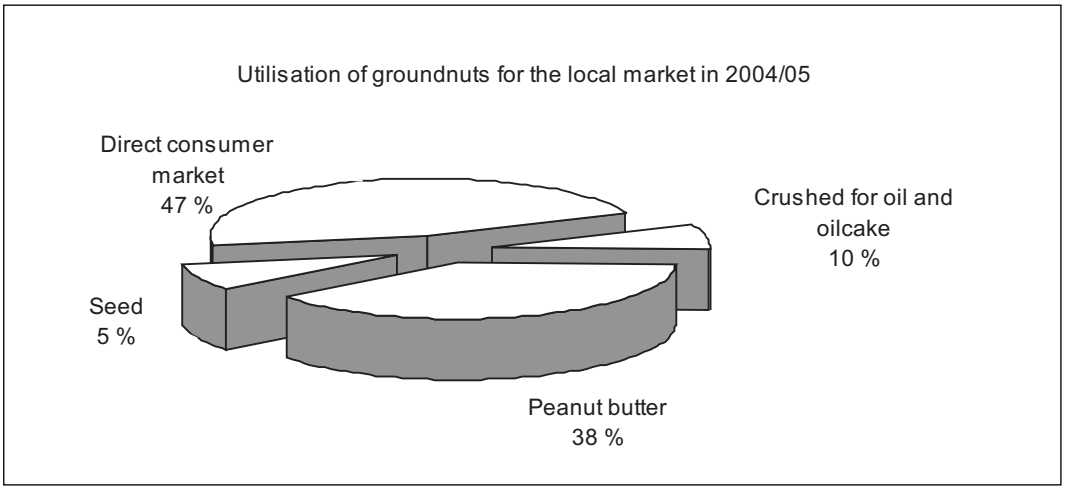
Consumption

A total of 143 300 tons of groundnuts are available for utilisation during the 2004/05 marketing year. Carry-over stocks on 1 March 2004 amounted to 16 700 tons, and the estimated production is 115 000 tons. The expected imports are projected at 11 600 tons.

Expected exports amount to 16 500 tons. Carry-over stocks at the end of February 2005 are expected to be approximately 45 700 tons. This is almost three times the required three month pipeline stock of 15 900 tons.

In South Africa, groundnuts are mainly used for human consumption. It is expected that approximately 4 800 tons of groundnuts will be used for oil and oilcake during the 2004/05 marketing season, 24 300 tons for peanut butter and 29 000 tons for the edible market.

The *per capita* consumption groundnuts for the 2004/05 marketing year is estimated at 1,08 kg, as against 1,19 kg for the previous season.



Research and information

The information function is performed by the South African Grain Information Service (SAGIS), a Section 21 company funded by, amongst others, the oilseeds industry.

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

Sweet lupins

Sweet lupins is a tasty cereal crop with a high protein and energy content and is mainly planted in the Western Cape Province. Smaller quantities of sweet lupins are also produced 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.

Sweet lupins is a legume crop that releases nitrogen into the soil, therefore it is used in rotation systems with crops such as wheat and canola to increase their yields. 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 a 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.

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 contents, while some of the narrow-leaf cultivars (Wanga and Tanjil) are more resistant to anthracnose.

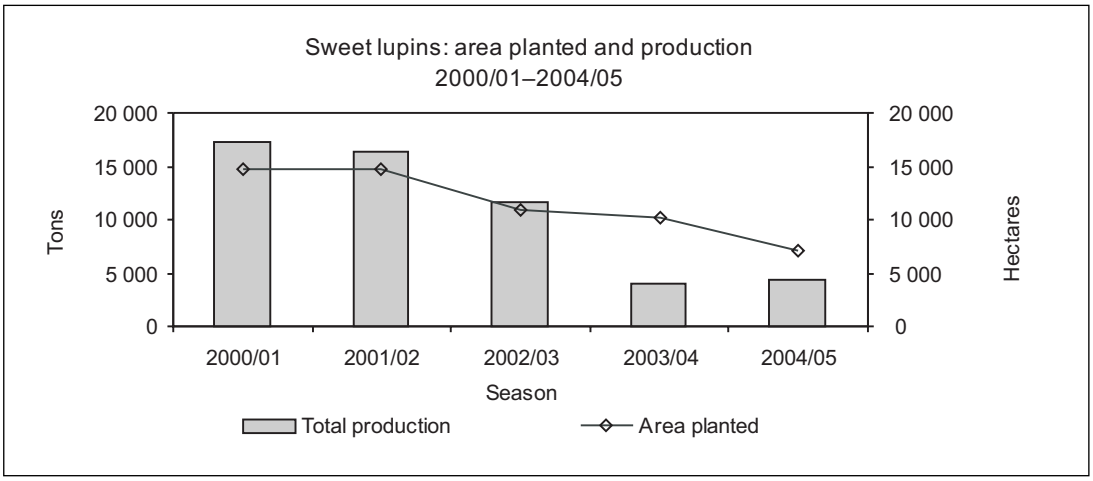
Plantings and production

The estimated area planted to sweet lupins decreased for the third consecutive season—by 29,7 %, from 10100 ha during 2003/04 to 7100 ha during 2004/05. Production was also expected to decrease—the fourth decrease in a row—by 2,2 %, from 4040 tons in 2003/04 to 3950 tons in 2004/05. Unfavourable weather conditions contributed to the reduction in production, especially during the last two seasons when the estimated yields dropped to only 0,40 and 0,56 t/ha, respectively.

Plantings, production and yields of sweet lupins from 2000/01 to 2004/05 were as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
Plantings (ha)	14 705	14 785	11 000	10 100	7 100
Production (t)	17 360	16 338	11 700	4 040	3 950
Yield (t/ha)	1,18	1,11	1,06	0,40	0,56

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



The decrease in areas planted since the 2001/02 season is mainly as a result of the problems that farmers experience with anthracnose infestation. Farmers need to switch to new cultivars that are more resistant to anthracnose, but 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 oilcake—and 10 % oil and has an energy value of approximately 11 mJ/kg. On the local market, sweet lupins compete with other oilseeds that can be used as oilcake in feed rations, for example soya-beans and canola.

Prices

The price of sweet lupins is based on the price of imported soya-bean oilcake (containing 47 % protein). There are currently about four different buyers of sweet lupins in the Western Cape who offer preplanting contracts to producers and the prices that farmers received for 2004/05 vary between R1 300 and R1 500/ton.

Research

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.

Canola

Canola is an oilseed crop that is mainly grown in the Western Cape Province, but since the 2001/02 production season, small quantities of canola have also been planted in the northern production areas. The 2004/05 production season was marked by dry conditions in some areas of the Western Cape and this resulted in below normal yields for canola.

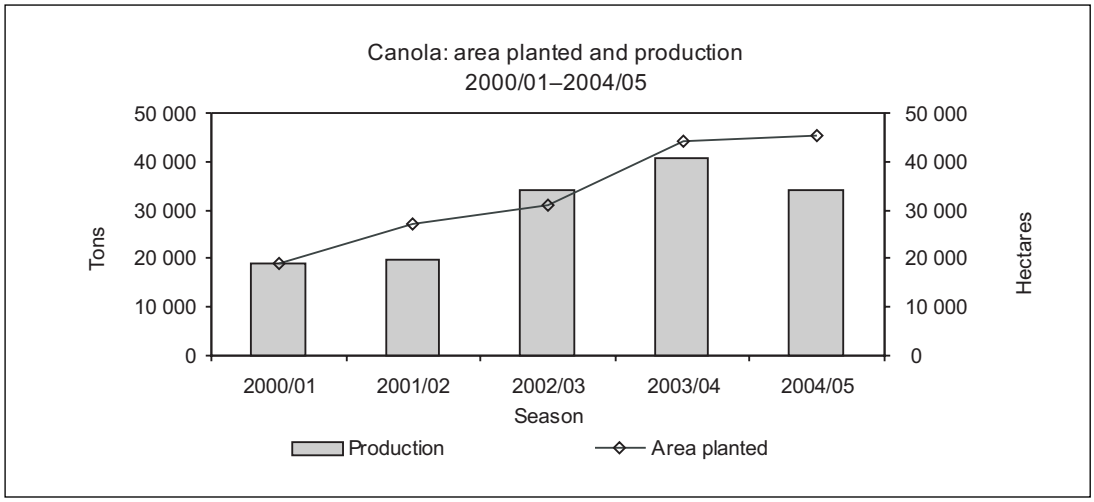
Plantings and production

The estimated area planted to canola increased by 2,9 %, from 44 200 ha during the 2003/04 season to 45 500 ha during the 2004/05 season, and production is expected to decrease by 16,0 %, from 40 770 to 34 250 tons. The expected decrease in production for the 2004/05 production season was caused by below average rainfall in the Southern Cape and a very dry season in the Swartland area of the Western Cape Province, which resulted in lower than normal yields. The increase in the area planted to canola was a result of the local demand for canola having exceeded the local supply and producers therefore expect favourable prices.

Estimated plantings, production and yields of canola from 2000/01 to 2004/05 are as follows:

Season	2000/01	2001/02	2002/03	2003/04	2004/05
Plantings (ha)	19 100	27 000	31 200	44 200	45 500
Production (t)	19 000	19 900	34 000	40 770	34 250
Yield (t/ha)	0,99	0,74	1,09	0,92	0,75

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



Consumption

Canola competes with other oilseeds—such as sunflower seed and soya-beans—on the local market and South Africa is a net importer of oilseeds. The market for soft oils (oil that is liquid at room temperature), which includes canola, is a huge one and 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 fat than the other frequently used plant oils, which makes it effective in lowering 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 48 300 tons of canola were available for local consumption during the 2003/04 marketing season (October to September). Carry-over stocks as at 1 October 2003 amounted to 7 500 tons, production during the 2003/04 production season was 40 800 tons, while no canola was imported or exported. The total demand for canola for the 2003/04 marketing year was approximately 37 800 tons and carry-out stocks at 30 September 2004 are estimated at 10 500 tons. This is higher than the required 3-month-pipeline stock of 4 610 tons.

For the 2004/05 marketing season, the total supply of canola is estimated at 44 750 tons (the estimated canola crop of 34 250 tons, together with the carry-over stock of about 10 500 tons). The domestic demand of canola is estimated at 43 600 tons and therefore carry-out stocks at the end of September 2005 are expected to amount to 1 150 tons. This is lower than the required 3-month-pipeline stock of 5 370 tons and will result in a domestic shortfall of 4 220 tons.

Prices

As a large percentage of the local demand for vegetable oil is imported, the international oilseed prices largely determine the local prices of oilseeds, and therefore also the price of soya-bean oilcake. The price of canola, again, is based on the local price of sunflower oil and soya-bean oilcake. Prices paid to producers vary, depending on the moisture content and whether it is delivered for the feed market or crushed for oil. Canola prices that farmers receive for the 2004/05 marketing season fluctuate between R1 650 and R1 800 per ton.

The basic average producer prices of canola from 1999/2000 to 2003/04 are as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Producer price	1 208,00	1 638,00	2 385,00	1 754,50	1 754,50

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 performed by the South African Grain Information Service (SAGIS), a Section 21 company funded by, amongst others, the oilseeds 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 50 to 80 % of plantings are on dryland, but most of the crop usually comes from irrigation schemes. This is because the 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.

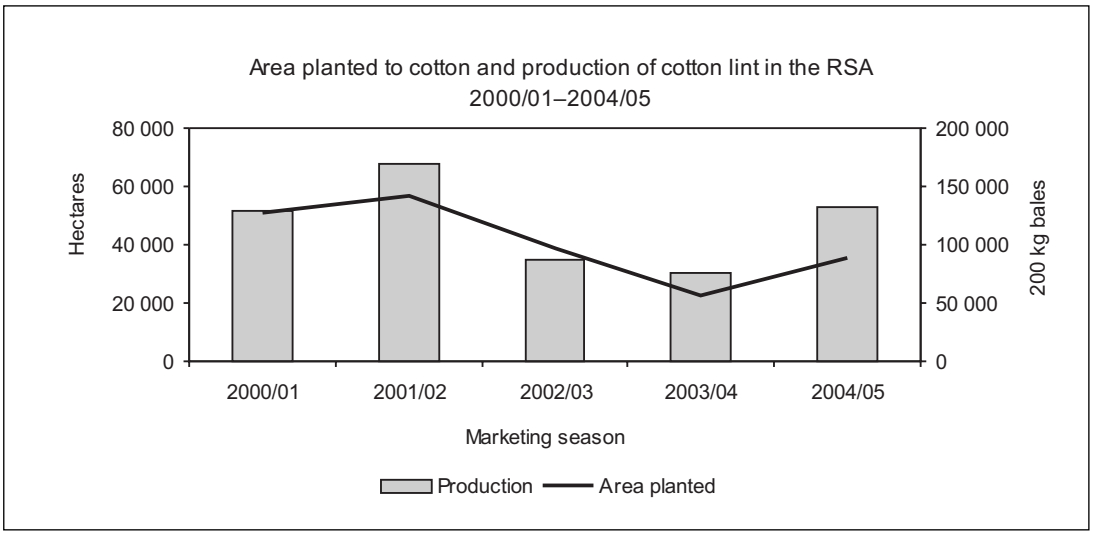
Area planted and production

Total cotton plantings in the RSA for the 2004/05 marketing season are estimated at 35 680 ha, which is 13 106 ha or 58 % more than the plantings for the 2003/04 marketing season (April to March). Approximately 49 % of the area planted to cotton in the RSA for the 2004/05 marketing season is on dryland and the remainder under irrigation. It is estimated that 131 522 bales of 200 kg of cotton lint will be produced for the 2004/05 marketing season, which is 73 % more than the RSA-produced crop of 76 085 bales produced in 2003/04. The increase in plantings can mainly be attributed to higher international prices that prevailed at planting time towards the end of 2003.

Areas planted to cotton and the production of cotton lint from 2000/01 to 2004/05 for the RSA and Swaziland compare as follows:

RSA					
Marketing season	2000/01	2001/02	2002/03	2003/04	2004/05
Total plantings (ha)	50 768	56 692	38 688	22 574	35 680
Dryland (ha)	40 282	38 153	28 897	12 252	17 420
Irrigation (ha)	10 486	18 539	9 791	10 322	18 260
Production of cotton lint (200 kg bales)	128 785	169 465	86 920	76 085	131 522
Swaziland					
Marketing season	2000/01	2001/02	2002/03	2003/04	2004/05
Total plantings (ha)	23 875	11 301	9 606	4 500	6 500
Dryland (ha)	23 875	11 301	9 606	4 500	6 500
Irrigation (ha)	0	0	0	0	0
Production of cotton lint (200 kg bales)	13 175	13 655	15 310	2 189	7 720

Source: Cotton SA



Prices

The average producer price for seed cotton (lint and seed derived from the ball of the cotton plant before it is ginned) for the 2003/04 marketing season was 369 c/kg.

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

Marketing season	1999/2000	2000/01	2001/02	2002/03	2003/04
			c/kg		
Seed cotton	258,0	216,0	254,0	351,0	269,0
Cotton lint	820,0	764,0	962,0	1 179,0	1 102,0

Consumption

Consumption of cotton lint by RSA spinners for the 2004/05 marketing season is estimated at 300 000 bales of 200 kg, compared to the 309 645 bales during 2003/04. During the 2003/04 marketing season, about 84 % of the 233 115 bales of 200 kg cotton lint imports came from Southern African Development Community (SADC) countries, with Zimbabwe and Zambia contributing 30 and 39 % respectively and other (non-SADC) countries making a contribution of 16 %. No cotton lint was exported during the 2003/04 marketing season.

Consumption of cotton lint compares as follows:

Marketing season	1999/2000	2000/01	2001/02	2002/03	2003/04
			200 kg bales		
RSA consumption	356 685	320 140	359 720	377 595	296 931
Swaziland consumption	18 605	5 435	4 410	9 540	12 714

Marketing arrangements, information and research

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 that has been in force since 2000, there has been no duty on cotton imports from these countries since 1 January 2004.

Following the dissolvement of the Cotton Board in 1998, a Section 21 company, namely Cotton SA. was formed by role-players. A statutory levy, which was introduced for the period April 2004 to March 2008 in terms of the Marketing of Agricultural Products Act, 1996, is applicable (currently 17 c/kg cotton lint produced) to finance research and the other functions of Cotton SA, namely information, promotion and grading. Cotton SA also administers registration, records and returns.

Research is coordinated by Cotton SA and performed by the Agricultural Research Council.

Dry beans

Areas planted and production

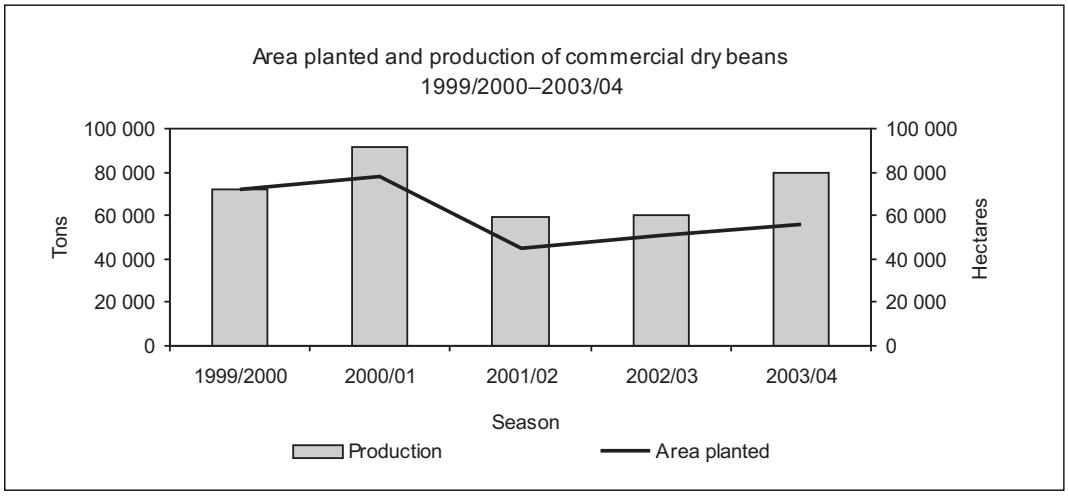
During 2003/04, an estimated 56 200 ha were planted to commercial dry beans—an increase of 9,9 % compared to the 51 150 ha planted in 2002/03. The 2003/04 crop of 80 000 tons represents an increase of 32,7 % compared to the 2002/03 crop of 60 295 tons. The average yield of the 2003/04 crop is approximately 1,42 ton/ha. Most of the commercial dry beans are produced in Mpumalanga, followed by the Free State and Gauteng provinces.

Production per province and their share in the 2003/04 crop are as follows:

Province	Production (tons)	Share in crop (%)
Mpumalanga	42 764	53,5
Free State	20 619	25,8
Gauteng	6 109	7,6
North West	5 957	7,4
KwaZulu-Natal	1 833	2,3
Limpopo	733	0,9
Western Cape	458	0,6
Eastern Cape	305	0,4
Northern Cape	1 222	1,5
Total	80 000	100,0

Production per type during 2003/04 is estimated to be as follows: 65 758 tons (82,2 %) Red Speckled, 9 091 tons (11,4 %) Small White, 2 424 tons (3,0 %) Large White Kidney and 2 727 tons (3,4 %) other dry beans, mainly cariocas.

The most extensive seed production takes place in the Lowveld area of Mpumalanga, followed by the Limpopo and Northern Cape provinces.



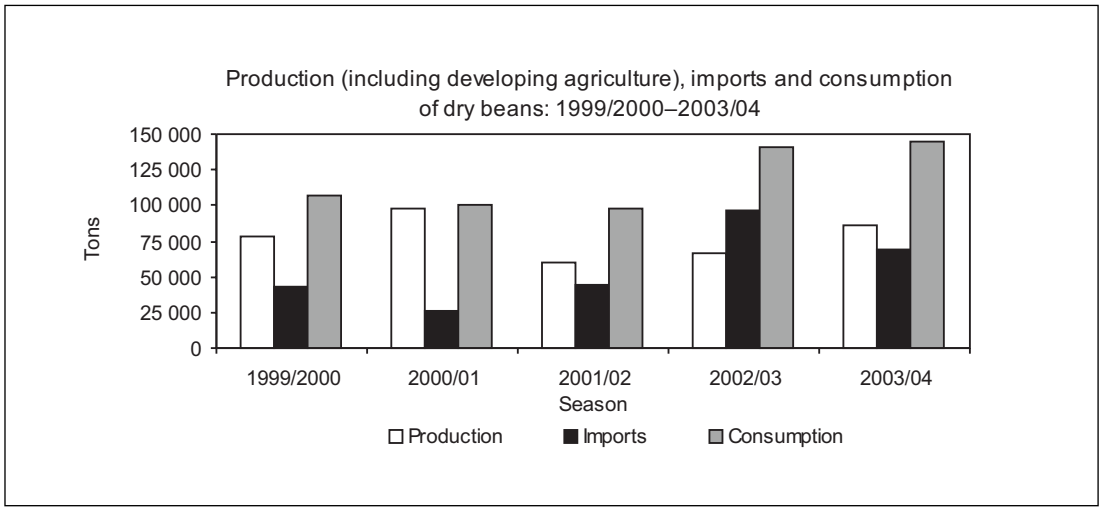
Consumption

An estimated 144 607 tons of dry beans were consumed locally during 2003/04, which represents an increase of 4 356 tons (3,1 %) compared with 2002/03. The estimated *per capita* consumption for 2003/04 is 3,13 kg, which is 4,3 % higher than the 2002/03 figure of 3,0 kg.

Because the local demand is substantially higher than local production, large quantities of dry beans have to be imported each year, mainly from China.

The quantities of dry beans produced, imported and consumed from 1999/2000 to 2003/04 are as follows:

Year	1999/2000	2000/01	2001/02	2002/03	2003/04
			Tons		
Production (including developing agriculture)	78 782	97 625	60 631	66 022	85 925
Imports	42 987	26 583	43 906	96 456	69 273
Consumption	106 712	100 872	98 194	140 251	144 607



Producer prices and value

The average prices received by producers for dry beans from 1999/2000 to 2003/04 are as follows:

Season	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Producer price	3 180	2 764	4 500	4 200	3 500

The estimated gross value of dry beans for the 2003/04 season amounts to R300,7 million and is 1,7 % more than the average for the past 3 years.

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, 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.

Sugar

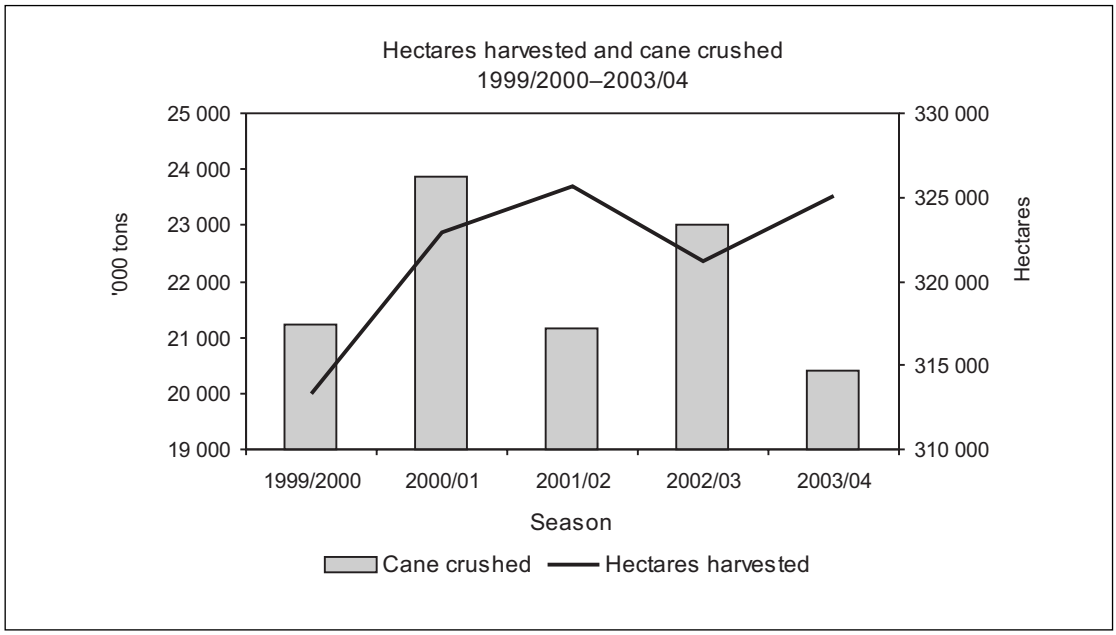
The industry

The 50 000 registered cane growers produce more than 27 million tons of sugar cane from 14 mill supply areas, extending from the Eastern Cape through KwaZulu-Natal to Mpumalanga provinces. Large-scale growers produce 75 % of the total sugar-cane production, while 13 % and 12 % of the total crop is produced by small-scale farmers and milling companies, respectively. The sugar industry is regulated in terms of the

Sugar Act and the Sugar Industry Agreement, which are binding on all sugar-cane growers and producers of sugar products.

Production

The production of sugar cane decreased by 11,3 %, from 23,0 million tons during the 2002/03 season (July to June) to 20,4 million tons during the 2003/04 season. Although the number of hectares harvested increased by 1,2 %, production of sugar decreased by 12,5 %, from 2,7 million tons during 2002/03 to 2,4 million tons during 2003/04.



Consumption

The total local consumption of 1,10 million tons of sugar during 2003/04 represents a decrease of 22 % compared to the 2002/03 consumption of 1,41 million tons.

The production and consumption of sugar from 1999/2000 to 2003/04 are as follows:

Year	1999/2000	2000/01	2001/02	2002/03	2003/04
			'000 tons		
Production	2 531	2 729	2 396	2 763	2 419
Consumption	1 230	1 311	1 227	1 413	1 102

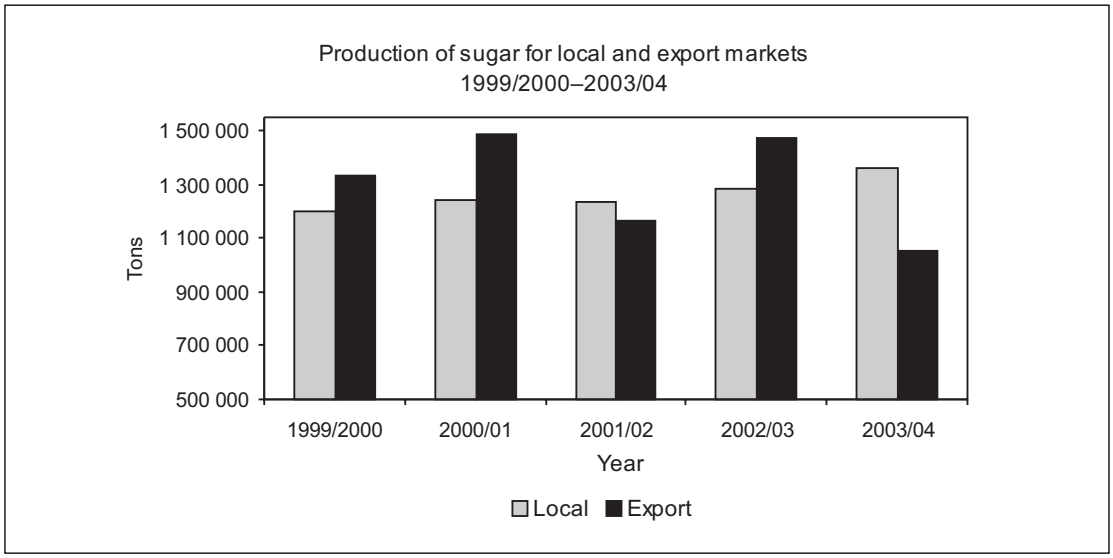
Producer prices

The producer prices of sugar cane from 1999/2000 to 2003/04 are as follows:

Year	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Producer price	121,36	130,50	160,23	171,78	169,08

Exports

A total of 1,1 million tons of sugar were allocated to the export market during 2003/04. There was a 28,5 % drop in sugar exported from the 2002/03 to the 2003/04 season.



Land Reform

During 2004, a new land reform company, called Inkezo, was formed. This important initiative was developed by the growers and millers in the South African sugar industry. The company, while initially funded by the industry, will operate as an independent land reform initiative. The primary objective of Inkezo is to promote sustainable agricultural land reform in support of national transformation goals by effecting the initial transfer of 80 000 ha of land in the sugar industry. This is apart from the 31 000 ha of freehold land under sugar cane already established under black ownership. This initiative will be aligned closely with government objectives and initiatives relating to land reform. In addition to this, there are numerous projects and initiatives being undertaken by individual milling companies as well as the Canegrowers' Association.

HORTICULTURE

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 South Africa. The production of deciduous fruit during 2003/04 is estimated at 1 705 140 tons, which is 3 % higher than in 2002/03.

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

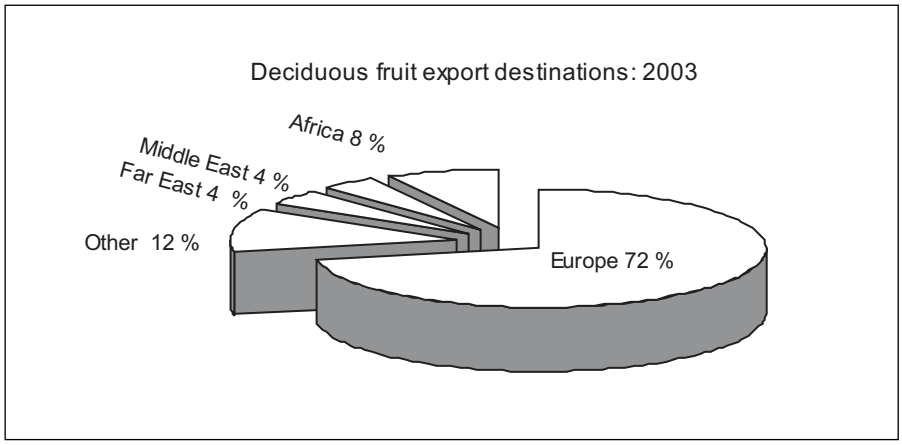
Fruit type	1999/2000	2000/01	2001/02	2002/03	2003/04
			Tons		
Apples	571 979	561 410	590 632	681 694	710 766
Pears	297 809	255 627	303 624	274 471	297 795
Table grapes	203 991	210 802	272 408	282 933	305 062
Peaches and nectarines	216 322	168 312	211 984	320 138	227 036
Apricots	52 112	54 435	49 395	42 189	105 106
Plums	32 911	38 235	38 730	57 557	59 375
Total	1 375 124	1 288 821	1 466 773	1 658 982	1 705 140

Marketing

The exporting of deciduous fruit is a major earner of foreign exchange for South Africa. During the 2003/04 season, about 40 % of deciduous fruit produced was exported and approximately 72 % of the gross value from deciduous fruit came from foreign exchange export earnings. Total exports amounted to 689 546 tons during 2003/04. This represents an increase of 10 % as against exports during 2002/03.

During 2003/04, deciduous fruit contributed approximately 25 % to the gross value of horticultural products. During the 2003/04 season, approximately 392 498 tons of deciduous fruit were sold locally on the major fresh produce markets, other markets and directly to retailers, which represents a 2 % increase compared with 385 240 tons sold during the 2002/03 season.

The following graph indicates deciduous fruit export destinations during 2003:

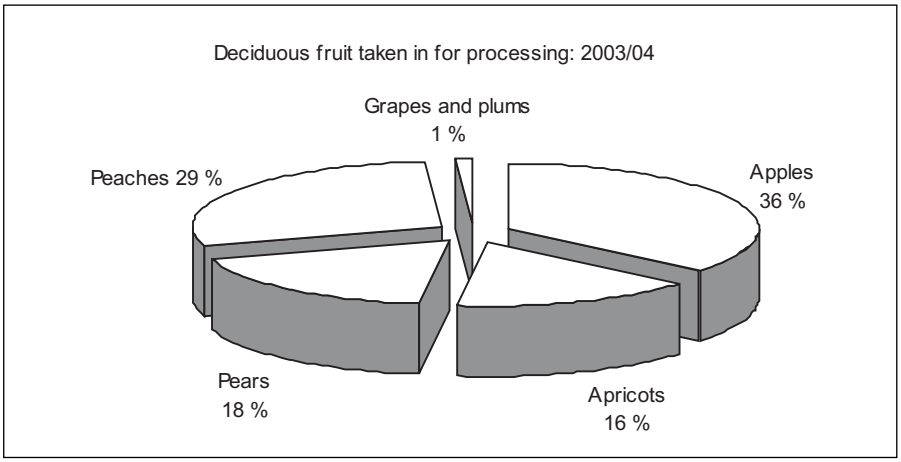


The average prices of deciduous fruit on the major fresh produce markets during the period 1999/2000 to 2003/04 are as follows:

Fruit type	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Apples	1 801	1 903	2 197	2 409	2 481
Pears	1 329	1 499	1 712	1 996	2 301
Table grapes	2 781	3 151	3 394	3 609	3 982
Peaches and nectarines	2 644	2 732	2 864	3 428	4 767
Apricots	1 973	2 150	2 177	2 804	3 203
Plums	2 072	2 154	2 368	2 308	2 612

Intake of deciduous fruit for processing

During 2003/04, about 37 % of deciduous fruit produced was taken in for processing-a decrease of 4 % compared to 2002/03. The following graph indicates deciduous fruit taken in for processing during 2003/04:



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, recently a significant volume of pears was also used for juice. During 2003/04, approximately 81 % of apples taken in for processing was used for juice and 19 % for canning, while 54 % of pears was used for juice and 46 % was canned. Producers received an average price of R356 and R329 per ton, respectively, for apples used for canning and for juice. In the case of pears used for canning and for juices, producers received an average of R872 and R193 per ton, respectively, representing significant increases compared to the 2002/03 season.

Domestic consumption

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

Season	1999	2000	2001	2002	2003
Consumption (kg/year)	17,60	18,34	15,07	16,27	18,48
Consumption ('000 tons)	758,00	801,00	671,00	740.00	855,00

Prospects

The dry conditions and deteriorating water situation in the Western Cape and other fruit producing regions will have a negative impact on the 2004/05 crop. The strong Rand remains a problem for all export industries. The financial position of fruit farmers is under pressure as a result of high input costs.

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, in contrast with 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 opportunities 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 currants mainly come from the Vredendal district.

Production

In 2004, production of dried vine fruit increased by 7,6 %, from 36 727 tons in 2003 to 39 516 tons and that of dried tree fruit by 1,8 %, from 5 697 tons in 2003 to 5 800 tons. The increase occurred in the production of Thompson seedless raisins (19,0 %) to 24 814 tons. The shift may be attributed to the fact that the seedless-grape crop can be utilised for different markets and for various types of raisins.

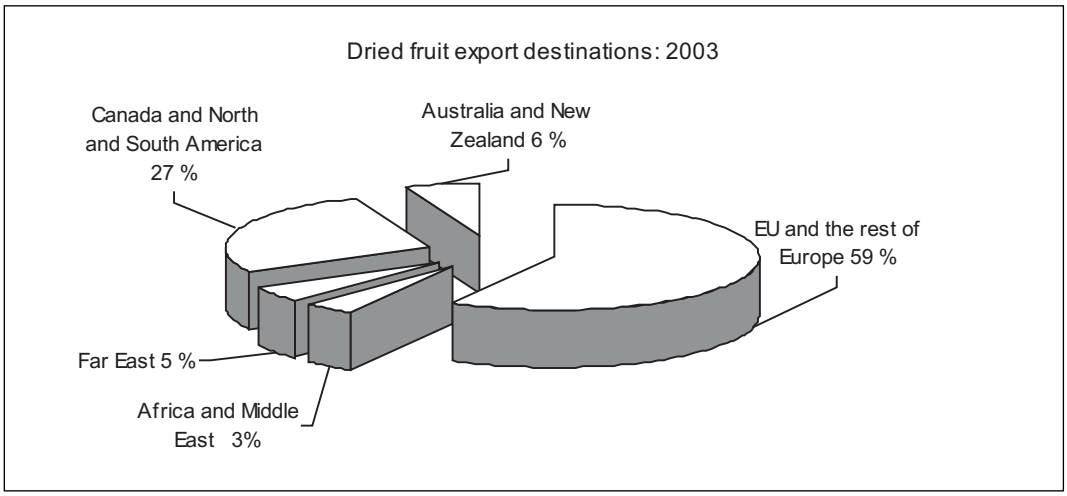
During the past 5 years, the production trends of dried fruit types were as follows:

Fruit type	2000	2001	2002	2003	2004
			Tons		
Sultana					
Unbleached	4 709	9 158	2 591	6 507	5 716
Golden	4 028	7 490	5 656	7 473	7 557
Thompson seedless raisins	27 622	16 552	32 092	20 858	24 814
Currants	1 463	1 420	1 837	1 774	1 300
Raisins	320	223	179	115	129
Total vine fruit	38 142	34 843	42 355	36 727	39 516
Prunes	1 300	1 100	1 800	2 200	2 484
Apricots	1 022	1 612	1 423	1 576	1 728
Apples	200	110	80	89	86
Peaches	1 214	1 000	1 049	1 120	959
Pears	1 180	480	596	712	543
Total tree fruit	4 916	4 302	4 948	5 697	5 800
Grand total	43 058	39 145	47 303	42 424	45 316

Marketing

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

The following charts depict dried fruit export destinations during 2003 and exports from 1999–2003:



Viticulture

South Africa is the eighth-largest wine producer, namely 2,5 % of the world's wine. The area under vines is estimated at 110 200 ha.

The wine industry is labour intensive and provides a living to approximately 345 000 farmworkers, including dependants, and 3 500 wine cellar personnel. The number of primary wine producers in South Africa is estimated at 4 435. Wine is mainly produced in the Western Cape Province and along parts of the Orange River in the Northern Cape Province.

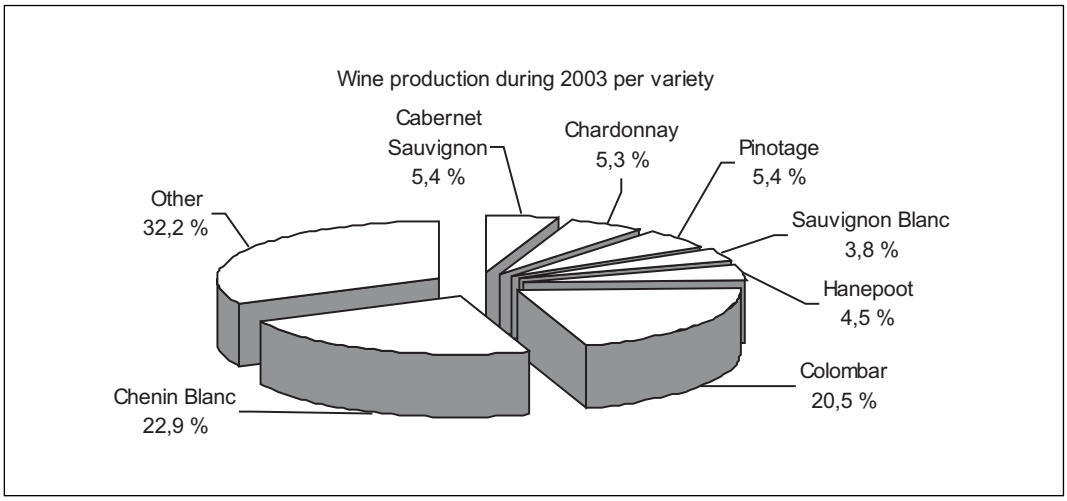
Production

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 2003, the production of wine increased by 14,6 %. During the past six years, a shift from white to red wines took place, causing a dramatic increase in the production of red varieties, namely Shiraz, Merlot, Ruby Cabernet, Cabernet Sauvignon and Pinotage.

The variety distribution for 2003 is depicted in the following graph:



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	378,1
Rebate wine	127,4	119,6	115,2	130,2	186,6
Distilling wine	73,1	64,9	63,2	73,5	103,1

Income of producers

The production of wine grapes and income of producers from 1999 to 2003, are as follows:

Year	1999	2000	2001	2002	2003
Production ('000 tons)	1 174	1 098	977	1 079	1 234
Income (R million)	1 436	1 460	1 596	2 088	2 597

The producers' income increased by 24,4 % during 2003, owing to an increase in income from exports.

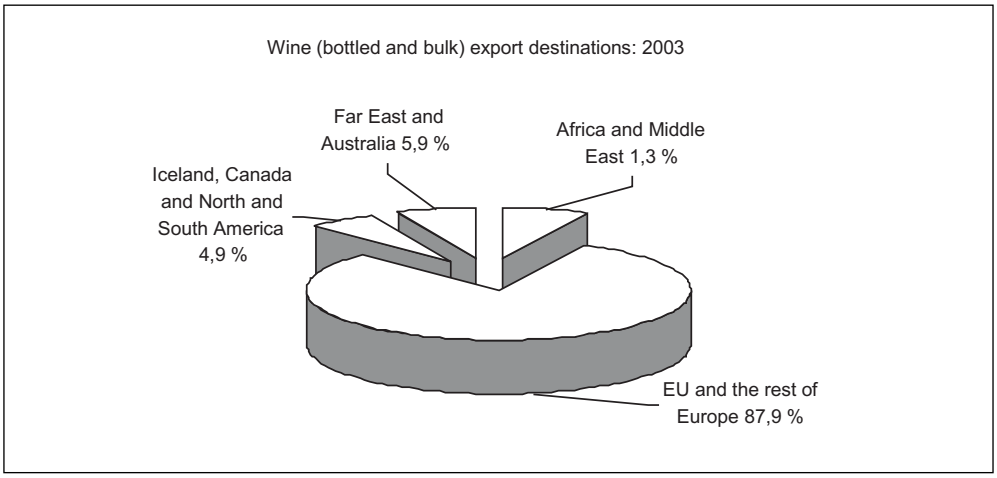
Exports

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	175 986	215 759	237 332
Fortified wine	695	472	548	523	531
Sparkling wine	810	685	779	1 401	1 638
Total	129 141	140 957	177 313	217 683	239 501

During 2003, 33,6 % of the total wine produced, was exported.

The following graph depicts wine export destinations during 2003:



Consumption

The *per capita* consumption of wine products on the domestic market from 1999 to 2003 is as follows:

Year	1999	2000	2001	2002	2003
			ℓ *per capita*		
Natural wine	8,25	8,21	8,20	8,04	7,00
Fortified wine	0,72	0,66	0,66	0,70	0,75
Sparkling wine	0,23	0,13	0,15	0,17	0,17
Total	9,19	9,00	9,01	8,91	7,92

Prospects

Indications are that wine production for 2004 will be around 947 million litres. The wine grape harvest is expected to be almost 1 % lower than the previous season because of drought conditions in the Western Cape. The KWV episode has tarnished our reputation and affected our position in the world market.

Subtropical fruit

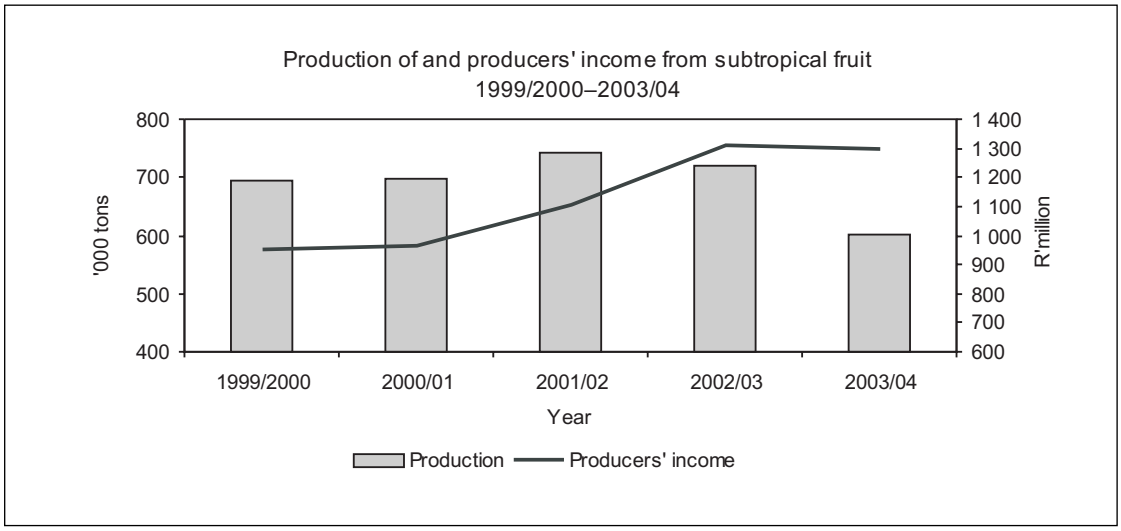
In terms of the value of production, the subtropical fruit industry earned R1 298 million in 2002/03, a decrease of 0,8 % on the 2002/03 figure of R1 308 million.

Production and production areas

The cultivation of some types of subtropical fruit is only possible in certain specific areas of the country because of particular climatic requirements. Subtropical fruit requires warmer conditions and is sensitive to large fluctuations in temperature and to frost. The main production areas in South Africa are parts of the Limpopo, Mpumalanga and KwaZulu-Natal provinces. Granadillas and guavas are also grown in the Western Cape, while pineapples are grown in the Eastern Cape and KwaZulu-Natal.

The total production areas of avocados, bananas, mangoes, litchis and pineapples during 2003/04 are estimated at approximately 12 000, 11 552, 7 748, 3 000 and 13 581 ha, respectively. Production of subtropical fruit from 1999/2000 to 2003/04 is as follows:

Fruit type	1999/2000	2000/01	2001/02	2002/03	2003/04
			'000 tons		
Avocados	68,9	69,0	66,5	77,2	62,0
Bananas	373,2	372,2	392,5	352,0	288,7
Pineapples	160,2	159,9	167,7	176,5	160,8
Mangoes	41,0	44,6	62,2	68,3	50,6
Papayas	23,6	19,5	22,2	15,4	12,7
Granadillas	0,9	1,1	1,4	1,5	1,7
Litchis	5,0	6,7	4,9	7,1	6,5
Guavas	21,9	25,2	26,6	22,9	17,6



The total production of subtropical fruit decreased by 16,6 %, from 721 000 tons in 2002/03 to 601 000 tons in 2003/04, mainly because of drought. The production of mangoes and avocados decreased by 25,9 and 19,7 %, respectively. Hot, dry conditions with abnormally low minimum temperatures during fruit set, as well as frost in some areas, resulted in the smaller crops. Bananas, pineapples and avocados contributed 48,1, 26,8 and 10,3 % respectively to the total production of subtropical fruit during 2003/04.

Domestic sales

The largest contributors to sales of subtropical fruit on the major fresh produce markets are bananas (70,3 %), pineapples (8,7 %), avocados and mangoes (7,2 % each) and papayas (3,7 %). Except for mangoes, granadillas and litchis, the quantities of all subtropical fruit types sold on the major fresh produce markets decreased during 2003/04.

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

Fruit type	1999/2000	2000/01	2001/02	2002/03	2003/04
			Tons		
Avocados	19 536	25 519	22 037	21 316	17 016
Bananas	227 505	234 042	249 117	210 099	165 411
Pineapples	25 981	23 677	23 861	21 530	20 583
Mangoes	20 166	17 336	24 504	16 562	17 027
Papayas	16 774	13 493	15 368	11 248	8 745
Granadillas	721	768	1 006	1 093	1 258
Litchis	2 312	3 548	1 849	2 659	2 778
Guavas	3 240	2 937	3 076	2 854	2 607
Total	316 235	321 320	340 818	287 361	235 425

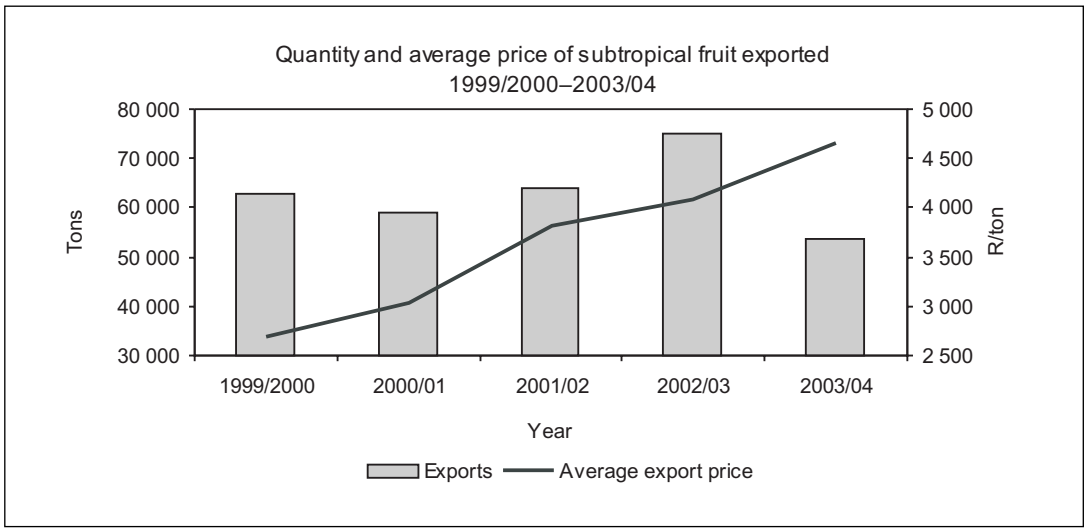
Intake for processing (year ending 30 June)

Pineapples account for approximately 75,5 % of the total intake of subtropical fruit for processing. The other two main contributors to the processing industry are mangoes and guavas. While the quantities of most subtropical fruit for processing decreased during 2003/04, the intake of papayas increased significantly.

Fruit type	1999/2000	2000/01	2001/02	2002/03	2003/04
			Tons		
Avocados	2 726	1 730	2 539	4 753	3 391
Bananas	865	887	1 715	1 859	1 349
Pineapples	125 619	127 748	136 473	148 476	133 973
Mangoes	6 480	10 819	15 451	28 115	22 061
Papayas	982	1 604	1 255	606	1 211
Granadillas	35	184	176	172	173
Litchis	24	50	473	1 652	839
Guavas	18 074	21 699	22 993	19 498	14 556
Total	154 805	164 721	181 075	205 131	177 553

Exports

From 2002/03 to 2003/04, total exports of subtropical fruit decreased by 28,3 % to 53 501 tons, while export prices for all subtropical fruit increased by 13,7 %.



The main subtropical fruit type exported is avocados. During 2003/04, exports of avocados contributed 72,7 % 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

Expectations are that the production of most subtropical fruit types will increase slightly during the 2004/05 season.

Citrus fruit

Areas of production

Citrus fruit 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 fruit 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.

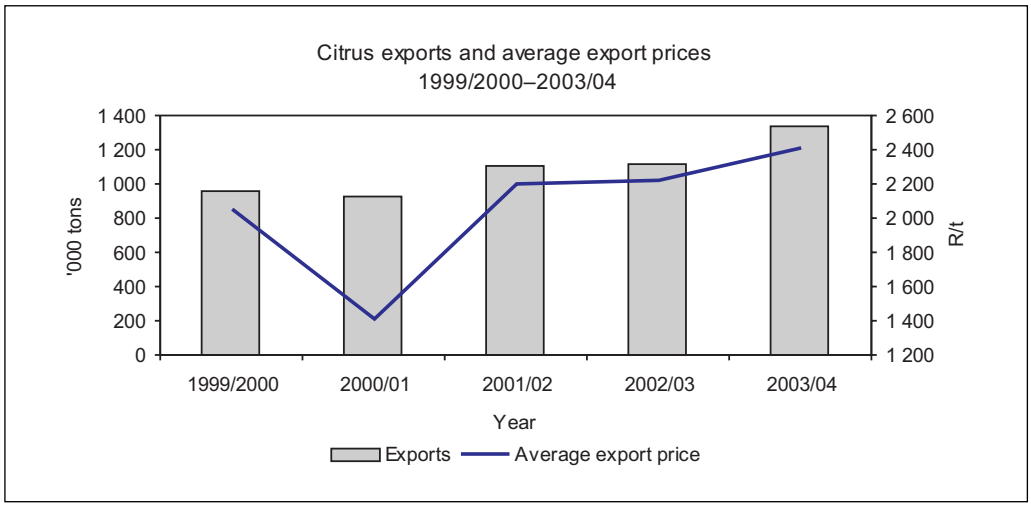
Production

Oranges constitute about 68 % of the total production of citrus fruit in South Africa. On average, citrus fruit production increased by 3,7 % per annum from 1999/2000 to 2003/04. Citrus fruit production for the past five seasons (1 February to 31 January) is as follows:

Fruit type	1999/2000	2000/01	2001/02	2002/03	2003/04
			Tons		
Oranges	1 156 359	1 117 964	1 262 527	1 266 634	1 341 611
Grapefruit	212 181	267 669	233 312	268 281	256 187
Lemons	101 669	120 121	169 789	190 118	197 259
Naartjes	136 901	108 432	147 999	109 783	112 174
Soft citrus	126 267	98 492	72 189	63 441	71 240
Total	1 733 377	1 712 678	1 885 816	1 898 257	1 978 471

Exports

South Africa is one of the top five exporters of citrus fruit in the world. Exports increased from 959 974 tons during 1999/2000 to 1 331 822 tons during 2003/04. The latter figure represents an increase of 19,9 % compared to 2002/03. During 2003/04, about 937 619 tons of oranges, almost 70 % of the crop, were exported.



Domestic sales

During 2003/04, citrus fruit sales on the major fresh produce markets in South Africa remained more or less at the same level as the previous year and comprised only about 8,4 % of total citrus fruit production. Approximately 14,5 % of the naartje production, 8,6 % of the orange production and 9,6 % of the production of soft peelers were sold on the major fresh produce markets. With the exception of naartjes, there has been a noticeable increase in the prices of citrus fruit sold on the fresh produce markets during 2003/04 compared to 2002/03. The average prices realised on the major fresh produce markets during the period 1999/2000 to 2003/04 are as follows:

Fruit type	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Oranges	1 494	714	768	925	1 056
Grapefruit	903	689	921	1 206	1 518
Lemons	1 193	1 032	1 185	1 543	1 776
Naartjes	1 327	1 467	1 598	2 148	2 096
Soft citrus	997	1 142	1 236	1 480	1 706

Processing

Approximately 17,5 % of the total citrus fruit production was taken in for processing during 2003/04. During the past five years, citrus fruit taken in for processing showed an average annual decline of 2,3 %, from 417 619 tons in 1999/2000 to 346 493 tons in 2003/04.

Consumption

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

Year	1999	2000	2001	2002	2003
			kg/year		
Per capita consumption	11,72	19,71	15,77	18,22	16,33

Vegetables (excluding potatoes)

General

Vegetables are produced in most parts of the country. In certain areas, however, farmers 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

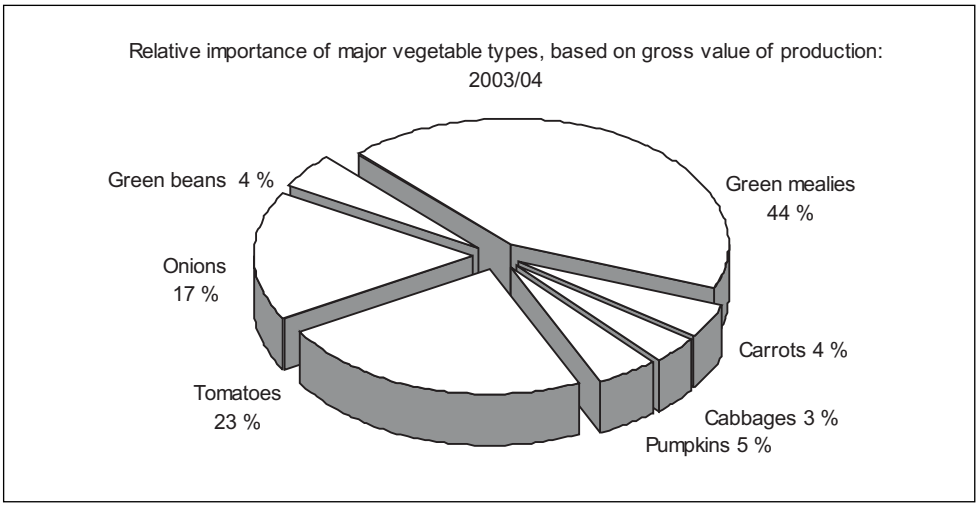
During the period 2002/03 to 2003/04 (July–June), the total production of vegetables (excluding potatoes) increased by 2,3 %, from 2 082 000 to 2 130 000 tons. The largest percentage increase occurred in the case of carrot production: 15,7 %, from 115 000 to 133 000 tons. Green mealie, onion and pumpkin production increased by 9,2, 6, and 4,7 %, respectively. The production of tomatoes decreased by 9,8 %, while the production of cabbages remained unchanged.

The production of vegetables (excluding potatoes) in South Africa for the period 1999/2000 to 2002/03 compares as follows:

Year	1999/2000	2000/01	2001/02	2002/03	2003/04
			'000 tons		
Tomatoes	405	486	420	438	395
Onions	329	323	335	355	378
Green mealies	299	298	295	294	321
Cabbages	190	195	176	176	176
Pumpkins	201	210	210	214	224
Carrots	97	101	102	115	133
Other	457	475	466	481	503
Total	1 978	2 088	2 004	2 073	2 130

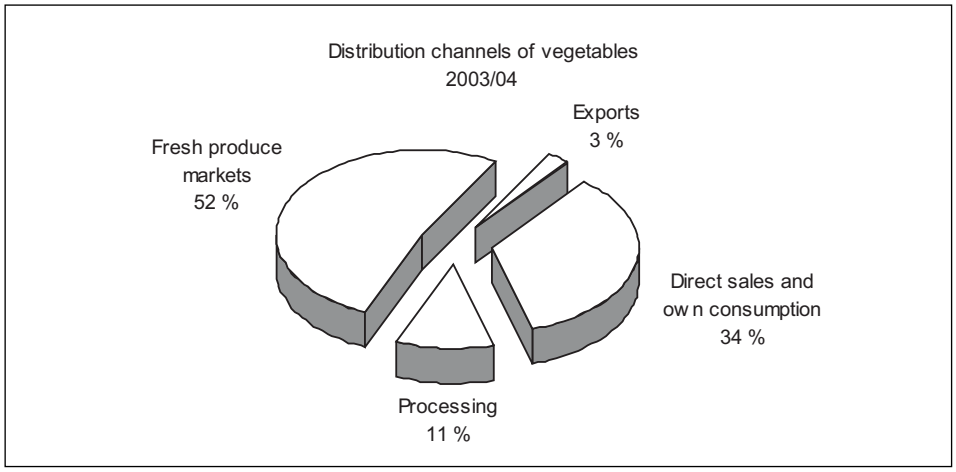
Relative importance of major vegetable types

The relative importance of the major vegetable types, according to gross value of production during the 12 months up to 30 June 2004, is depicted by the following graph:



Distribution channels

As depicted in the following graph, approximately 52 % of the volume of vegetables produced, is traded on the major fresh produce markets. The total volume of vegetables (excluding potatoes) sold during 2003/04 amounted to 1 097 000 tons, while 1 077 000 tons were sold during 2002/03, which represents an increase of 1,9 %.



The values of sales of vegetables (excluding potatoes) on the South African fresh produce markets for the period 1999/2000 to 2003/04 are as follows:

Year	1999/2000	2000/01	2001/02	2002/03	2003/04
			R'000		
Tomatoes	447 686	400 733	486 007	584 993	632 921
Onions	267 824	334 689	354 637	419 878	412 818
Green mealies	10 726	10 016	11 743	15 027	17 203
Cabbages	71 623	60 379	83 117	101 027	98 821
Pumpkins	43 990	46 212	53 225	53 122	52 364
Carrots	67 292	63 758	84 542	106 005	107 844
Other	1 385 268	1 406 158	1 678 321	1 897 847	2 302 481
Total	2 294 409	2 321 945	2 751 592	3 177 899	3 624 452

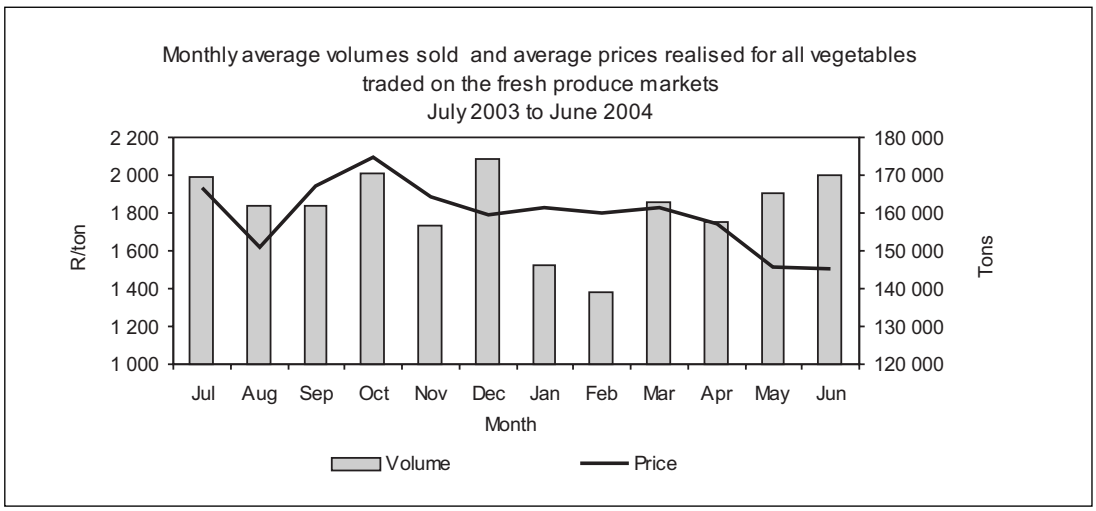
The value of green mealies increased by about 14,5 % from 2002/03 to 2003/04, tomatoes with 8,2 % and carrots with 1,7 %. The value of pumpkins, cabbages and onions decreased by 1,4, 2,2, and 1,7 %, respectively.

Prices

The average prices of vegetables realised on the fresh produce markets from 1999/2000 to 2003/04 were as follows:

Year	1999/2000	2000/01	2001/02	2002/03	2003/04
			R/ton		
Tomatoes	1 827,19	1 614,67	2 071,31	2 471,88	2 851,32
Onions	927,95	1 458,96	1 469,06	1 672,56	1 558,42
Green mealies	2 957,25	3 250,38	4 073,22	6 025,39	6 000,21
Cabbages	438,65	374,77	562,166	683,77	681,18
Pumpkins	756,39	747,09	877,79	1 032,03	775,69
Carrots	1 056,35	927,23	1 255,62	1 321,30	1 214,57
Other	1 159,07	1 183,38	1 1426,14	2 168,72	2 243,32

The price of tomatoes showed the largest increase of about 15,3 % from 2002/03 to 2003/04, whereas the prices of green mealies decreased by 0,4 % and the prices of pumpkins, carrots, onions and cabbages decreased by 24,8, 8,1, 6,8 and 0,4 %, respectively.



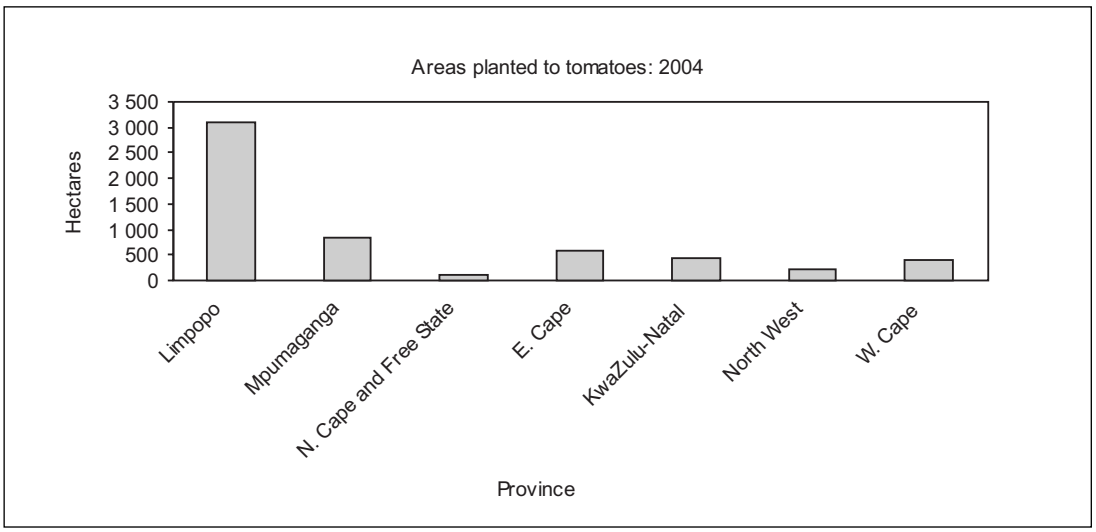
Consumption

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 37,51 kg during 2003/04—approximately 6,2 % lower than the 40,00 kg during 2002/03.

Tomatoes

Area planted

Tomato plantings for the 2004 season are estimated at 6 200 ha. This is an 8,71 % increase compared to the area planted during 2003. The northern Lowveld of the Limpopo Province is the major production area with 3 100 ha, which is 50 % of the total area planted to tomatoes. Other important regions in terms of hectares under cultivation are the Onderberg area of the Mpumalanga Province with 550 ha and the Border area in the Eastern Cape, with 450 ha. Tunnel production, an important method in South Africa, is still on the increase.



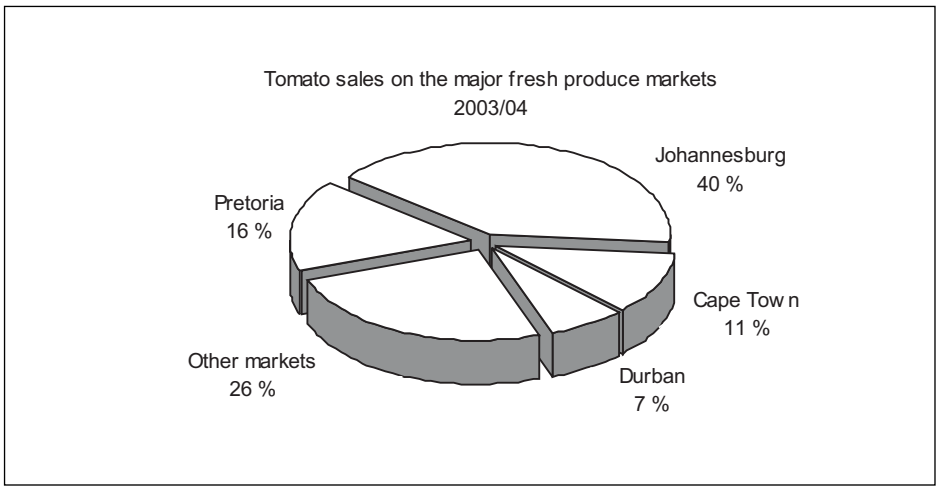
Production

Production during 2004 is estimated at 384 400 tons. The northern Lowveld and far northern areas in the Limpopo Province could be expected to produce 186 000 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 tomato production, from 15 000 tons in 2001 to 27500 tons in 2003. This can be attributed to an increase in the area planted from 300 to 550 ha. However, from 2003 to 2004 there was no increase in the production of tomatoes in Mpumalanga.

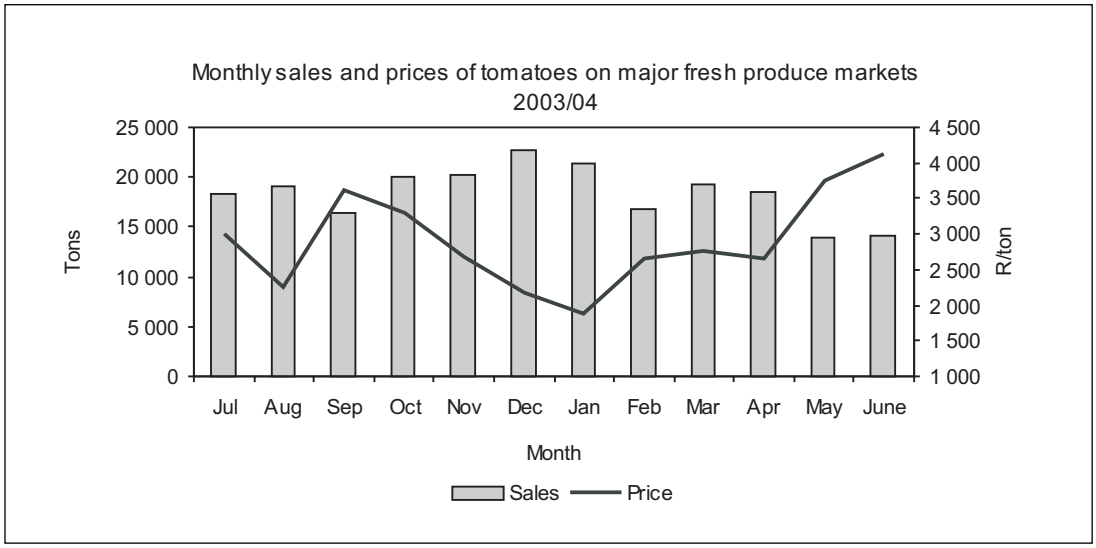
Sales

The quantities sold on the major fresh produce markets increased by 54 %, from 235 387 tons during 2002/03 to 435764 tons during 2003/04.



Prices

The average price of tomatoes increased by 37,7 %, from R2 071/ton during 2002/03 to R2 851/ton in 2003/04. Tomatoes are subject to large seasonal price fluctuations, which means that there is a high price risk involved for producers.



Consumption

The *per capita* consumption of tomatoes in South Africa is 12,5 kg per annum, compared to 32 kg in Europe. Population growth, urbanisation, *per capita* income and the income elasticity of demand are important factors influencing the demand for tomatoes. The average household in South Africa consumes between five and ten tomatoes per week.

Exports

The volume of tomatoes exported decreased dramatically by 32,2 % in 2002 to 7 025 tons, after which it increased by 6 % in 2003 to 7 472 tons.

Research

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

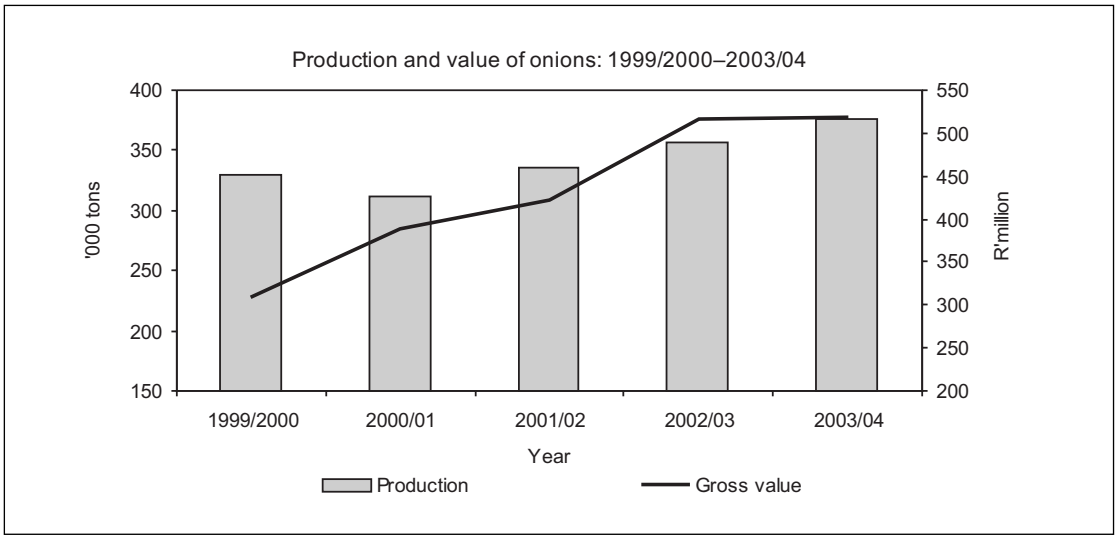
International perspective

The area planted to and production of tomatoes in the world stayed fairly constant over the past six years. China is the largest producer of tomatoes, 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

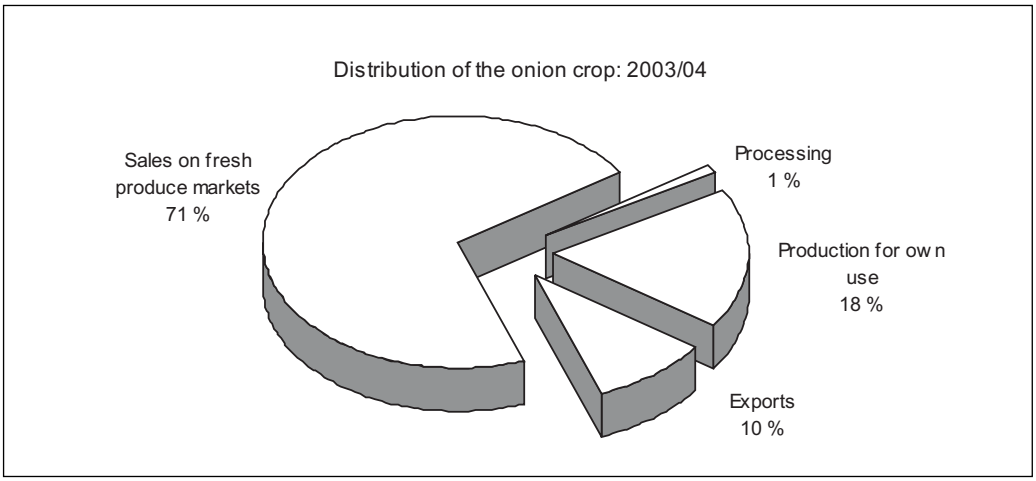
Production

Onions are produced in almost all the provinces of South Africa. Approximately 375 707 tons of onions were produced during the 2003/04 season (July to June)compared to the production of 355 635 tons during the previous season. The industry has experienced a steady increase in production since the 2000/01 season.



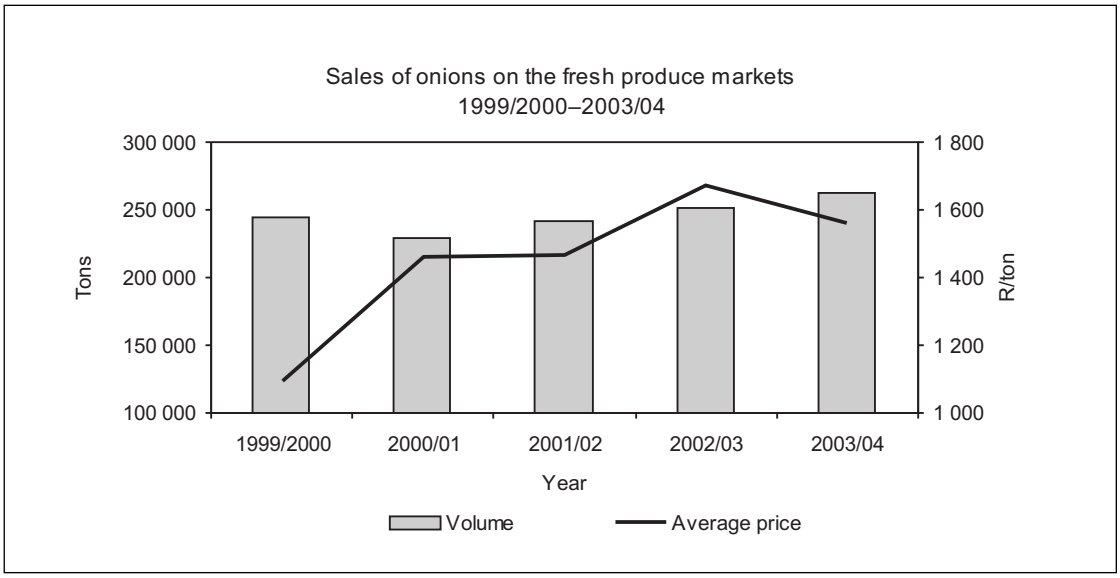
Sales

The fresh produce markets remain an important marketing channel for onions. Approximately 70 % of the total production during the 2003/04 season was sold on fresh produce arkets, compared to 71 % the previous season, while 10 % was exported. The remainder comprises own consumption, direct sales to supermarkets and chain stores and 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 to 250 373 tons.



Prices

The average price of onions sold on the fresh produce markets decreased by 6,8 %, from R1 673 per ton in 2002/03 to R1 560 per ton in 2003/04. The production levels of the 2003/04 season show a slight similarity to production levels for the 1998/99 season when oversupply caused prices to drop to around R700/ton.



Processing

Only 1 % of the total production of onions was taken in for processing during the 2003/04 season, of which 45 % was dehydrated. There has been a steady drop in dehydration of onions since the 1999/2000 season, when approximately 68 % was dehydrated. During 2003/04, about 45 % of production was dehydrated, 41 % was canned, while the remaining 14 % was either frozen or used for oil extraction.

Exports

During the 2003/04 season, the volume of onions exported represented about 10 % of the total volume of the onion crop. The volume of exports increased by approximately 13 % to 36 291 tons.

Potatoes

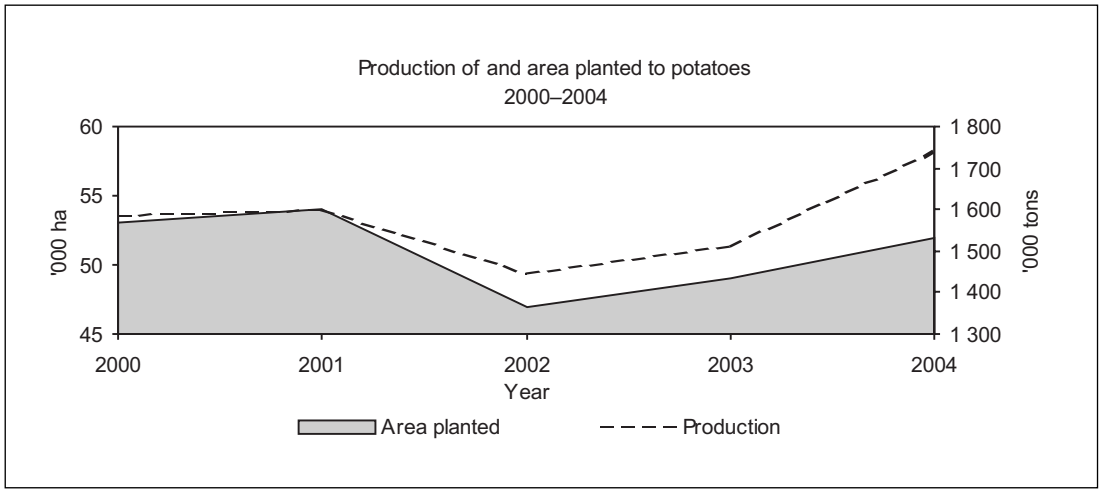
Potatoes are produced in 16 distinct production regions, which are spread throughout the country. The main production regions, however, are situated in the Limpopo, North West, Mpumalanga, Free State and Western Cape provinces. Because of climate differences in these production areas, potatoes are planted at different times, resulting 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 Mpumalanga and the Eastern Cape.

Area planted

Since 1998, when 53 872 ha were planted to potatoes, there has been a moderate decrease of 0,4 % per annum in the hectares planted. Plantings for 2004, however, are estimated at around 52 534 ha, which is a 6,6 % increase on the previous season.

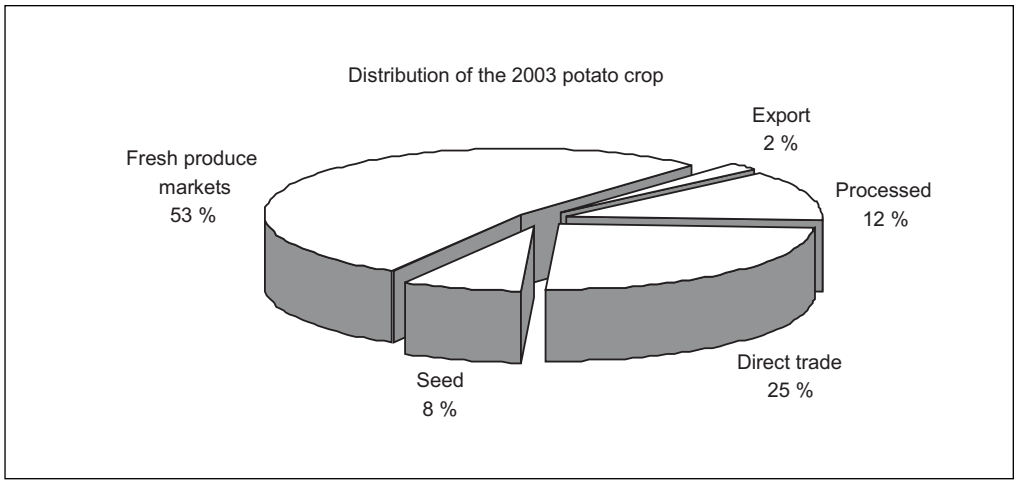
Production

Potatoes contributed approximately 40 % to the total gross value of vegetables produced during 2003. A total crop of about 174 million 10-kg bags, which is 11,5 % higher than in 2003, was expected for 2004. South Africa is not a major role-player in terms of world production, as it delivers only 0,5 % of the world production. In 2003, the total average yield was approximately 3 165 x 10-kg pockets per ha compared to 3 076 x 10-kg pockets per ha in 2002, which is an increase of 2,9 %.



Sales

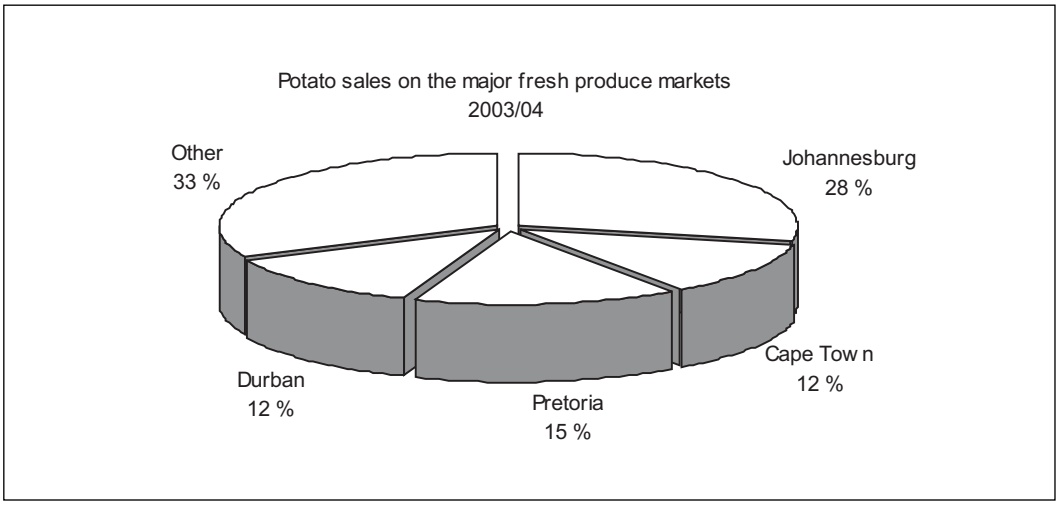
The major fresh produce markets remain an important channel for selling potatoes. During 2003, approximately 80 million x 10-kg pockets of potatoes were sold on the 16 major fresh produce markets, as against 78 million in 2002. The Johannesburg fresh produce market remains the biggest outlet, followed by Pretoria, Durban and Cape Town. During the last five years, potato sales on the major fresh produce markets showed an average decrease of approximately 2 % per annum.



Consumption

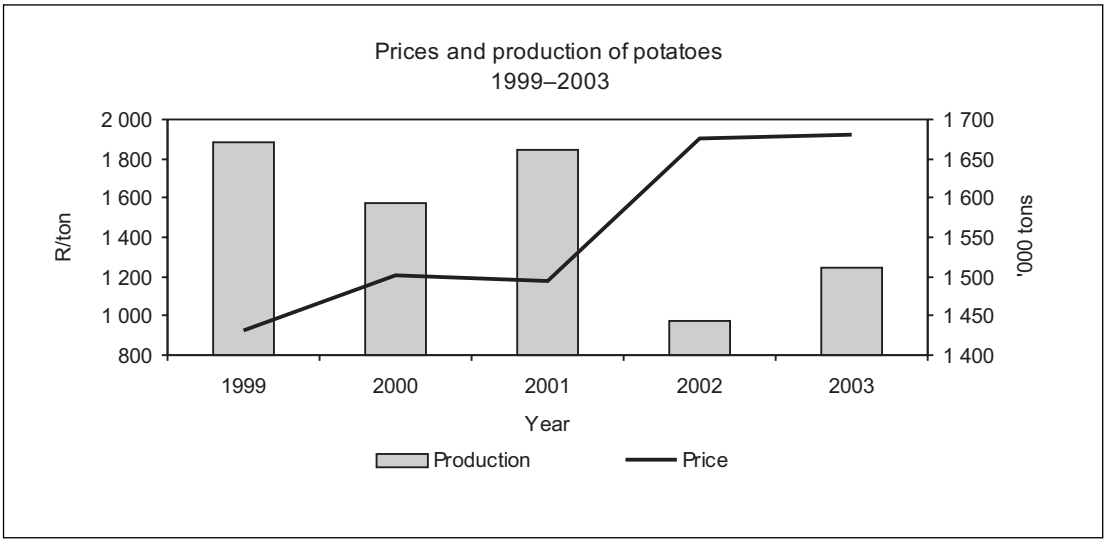
The total gross human consumption of potatoes decreased by approximately 3,4 % during 2003 and the *per capita* consumption increased by 1,5 %.

Year	1999	2000	2001	2002	2003
Total production ('000 tons)	1 671	1 594	1 655	1 560	1 511
Gross human consumption ('000 tons)	1 402	1 339	1 399	1 190	1 230
Per capita consumption (kg p.a.)	32,56	30,65	31,59	26,18	26,58



Prices

Between 1999 and 2003, potato prices realised on the major fresh produce markets increased by an average of 30,6 % per annum, from R921 per ton in 1999 to R1 920 per ton in 2003.



Processing

During 2003, approximately 12,4 % of the total production of potatoes was taken in for processing. About 97,9 % of the potatoes taken in for processing were processed into potato chips, both fresh and frozen, while the remaining 2,1 % was used for mixed vegetables, crisps, canning, etc. The processing of potatoes showed an upward trend between 1999 and 2003.

Exports

During 2003, about 1,9 % of the total potato production was exported. The quantity of potatoes exported increased by 20,0 % compared to 2002. The Rand value of exported potatoes increased by approximately 13,4 % during 2003. There has been an improvement in trade between South Africa and the other SADC countries. During 2003, approximately 91 % of total potato exports went to Angola, Mozambique, Mauritius and Zambia.

Prospects

The continued process of urbanisation will increase the demand for easily and semiprepared 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 2004.

ANIMAL PRODUCTION

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. In South Africa sheep and goat farming occupies approximately 590 000 km^2. This represents 53 % of all agricultural land in the country and includes the vast Karoo areas of the Northern and Western Cape provinces as well as the mixed veld types of the Eastern Cape Province and the southern Free State Province. 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 found.

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.

Cattle

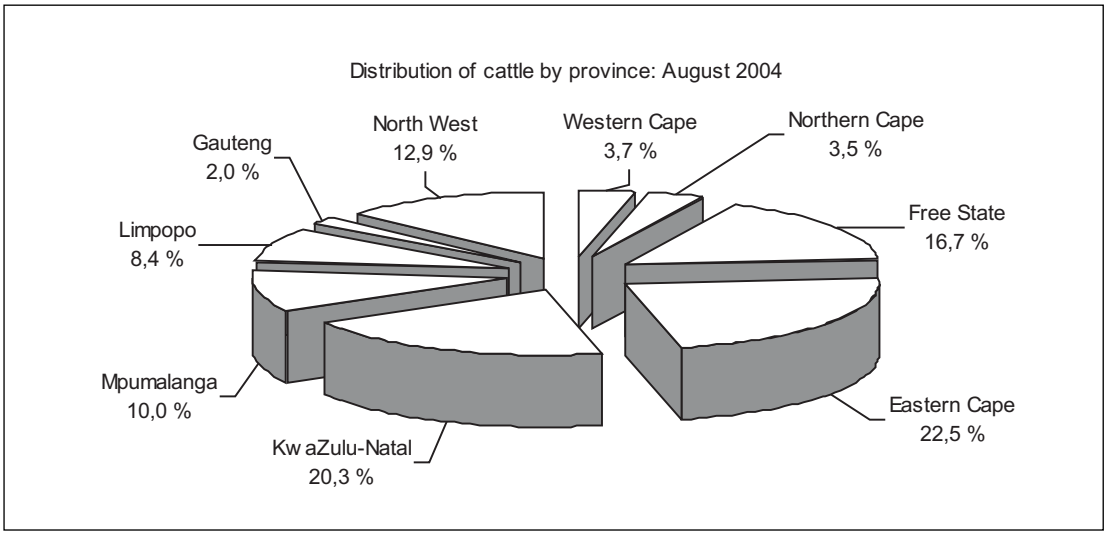
Cattle are found throughout the country, but especially in the Eastern Cape, KwaZulu-Natal, the Free State and the North West provinces. Herd sizes vary according to type of farming. Dairy cattle herd sizes vary between less than 50 and 300 (average approximately 110). Beef cattle farms range from fairly small (less than 50 head of cattle) to large farms and feedlots (more than 1 000). The production of weaners for the feedlot industry is the most frequent form of cattle farming in South Africa. Feedlots account for approximately 75 % of all beef produced in South Africa.

The total number of cattle in South Africa at the end of August 2004 was estimated at 13,51 million, comprising various international dairy and beef cattle breeds, as well as indigenous breeds such as the Afrikaner and Nguni. The numbers were approximately 0,22 % lower than the estimate of 13,54 million as at the end of August 2003. Beef cattle comprise approximately 80 % of the total number of cattle in South Africa, while dairy cattle make up the remaining 20 %.

Cattle numbers per province since 2000 are estimated to be as follows:

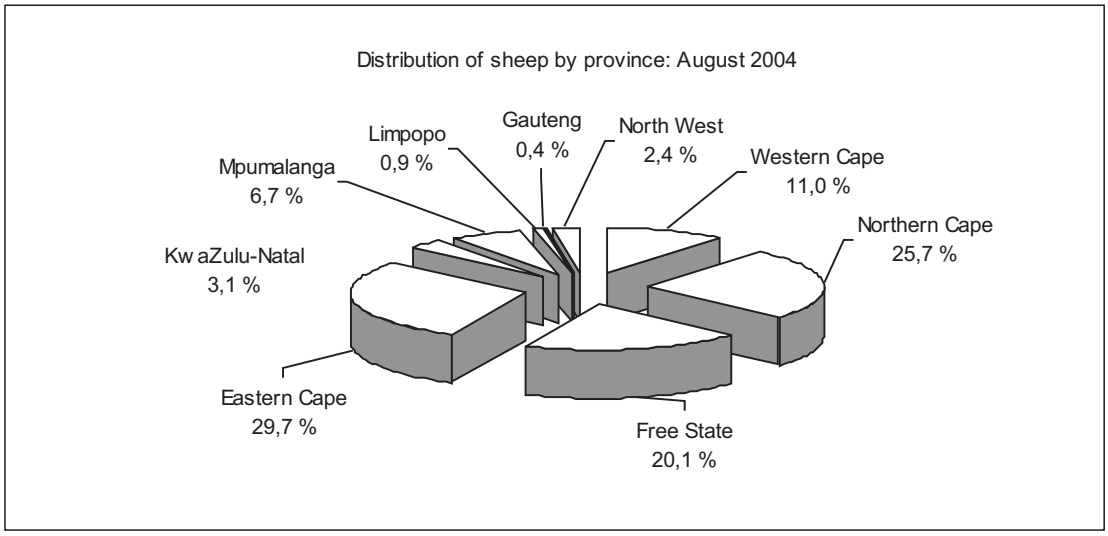
Province	2000	2001	2002	2003	2004
	'000 head (August)				
Western Cape	509	490	498	501	496
Northern Cape	476	464	473	471	468
Free State	2 149	2 241	2 254	2 256	2 253
Eastern Cape	2 975	3 039	3 125	3 083	3 042
KwaZulu-Natal	2 797	2 736	2 771	2 744	2 749
Mpumalanga	1 344	1 328	1 327	1 332	1 347
Limpopo	1 173	1 203	1 165	1 144	1 138
Gauteng	287	282	267	264	273
North West	1 752	1 724	1 754	1 743	1 747
Total	13 462	13 507	13 634	13 538	13 513

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. The Red Meat Producers' Organisation (RPO) and the National Emergent Red Meat Producers' Organisation (NERPO) represent beef producers in the commercial and emerging agricultural sectors respectively.



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 (29,7 %), Northern Cape (25,7 %), Free State (20,1 %) and Western Cape (11,0 %) provinces. Sheep flock sizes vary between 125 and 1 800 head. Sheep flocks in the Eastern, Western and Northern Cape provinces tend to be much larger than those in the other provinces.



The animals 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.

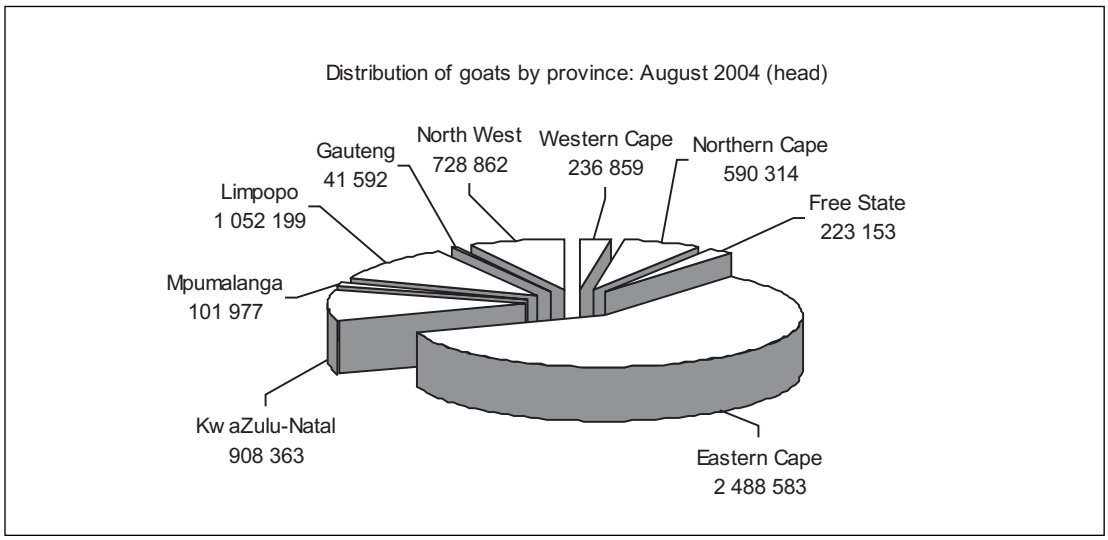
The total number of sheep in South Africa at the end of August 2004 is estimated at 25,4 million—approximately 1,79 % lower than the estimated 25,8 million as at the end of August 2003.

The number of sheep in the various provinces since 2000 is estimated to be as follows:

Province	2000	2001	2002	2003	2004
	'000 head (August)				
Western Cape	2 887	2 767	2 817	2 867	2 798
Northern Cape	6 680	6 676	6 727	6 841	6 517
Free State	5 559	5 355	5 078	5 090	5 093
Eastern Cape	7 917	7 787	7 517	7 628	7 536
KwaZulu-Natal	875	776	782	783	782
Mpumalanga	1 743	1 694	1 773	1 703	1 706
Limpopo	206	229	204	212	223
Gauteng	91	91	90	94	95
North West	762	725	739	602	609
Total	26 720	26 100	25 727	25 820	25 359

Goats

Goats are found mainly in the Eastern Cape, Limpopo, KwaZulu-Natal and North West provinces. It is estimated that there was a slight decrease of 0,16 % in the number of goats, from 6,36 million in August 2003 to 6,37 million in August 2004.

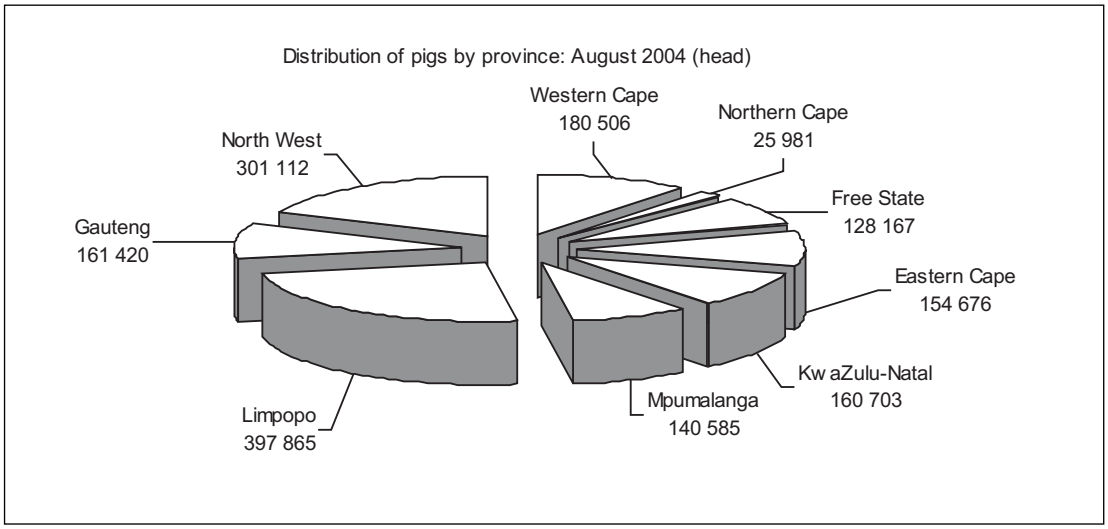


Flocks of goats intended for meat production are usually smaller than sheep flocks, averaging approximately 230 head per farm. Angora goats are kept primarily for mohair production. There are also farmers who have adopted a market differentiating strategy by producing goat's milk.

Pigs

Pigs are found predominantly in the Limpopo, North West and Western Cape provinces. There are approximately 350 commercial pork producers and 20 stud breeders in South Africa. It is estimated that pig numbers decreased by 0,72 %, from 1,663 million in August 2003 to 1,651 million in August 2004.

The South African Pork Producers' Organisation is the official mouthpiece of pork producers in South Africa. The organisation is primarily concerned with administration, liaison with government, the promotion of pork and pork products and matters of national interest such as health and research. The total number of employees in the pork production industry in South Africa is estimated to be approximately 10 000.



Red meat

The red meat industry is one of the most important and growing industries in the agricultural sector and contributes approximately 13 % to the gross value of agricultural production in the RSA. While sheep farming is mainly extensive, many beef animals are actually feedlot animals.

Slaughterings

It is estimated that the total number of cattle slaughtered increased by 1,4 % between 2002/03 and 2003/04 and that the number of sheep and pigs slaughtered increased by 1,7 and 1,0 %, respectively.

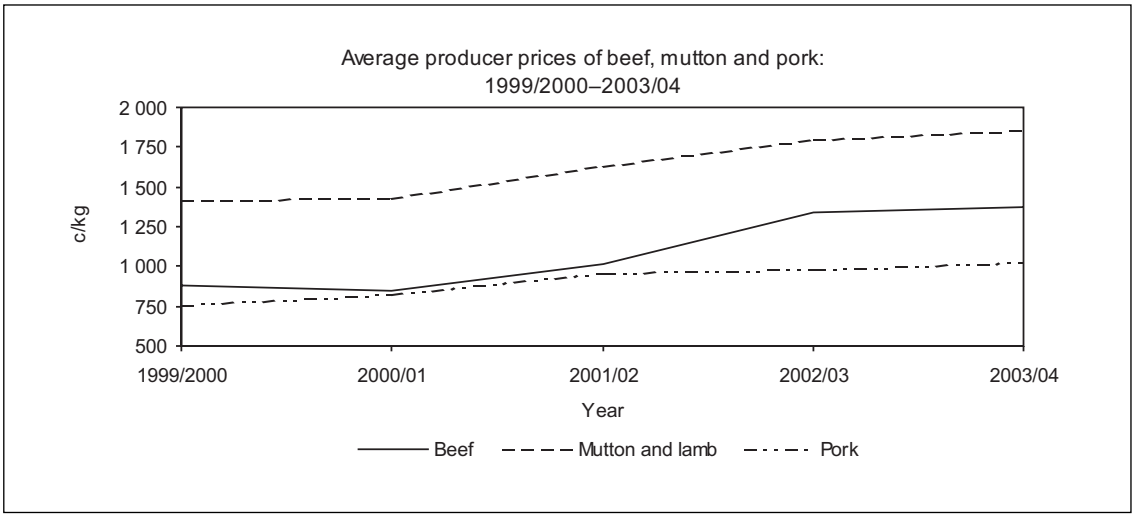
Commercial slaughtering of red meat producing livestock types over the past five years is as follows:

Year	1999/2000	2000/01	2001/02	2002/03	2003/04
Cattle	2 121 988	1 735 102	1 933 610	1 958 447	1 985 107
Sheep and lambs	4 872 077	4 588 079	4 848 182	4 891 866	4 973 532
Pigs	1 941 423	1 629 786	1 752 192	1 765 122	1 782 612

Auction prices

The prices for red meat are mainly the result of the interaction between demand and supply, which are affected 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 2003/04 amounted to R13,77/kg (average for all classes on all auction markets), which represents a 2,8 % increase compared to the average price of R13,40/kg for 2002/03.

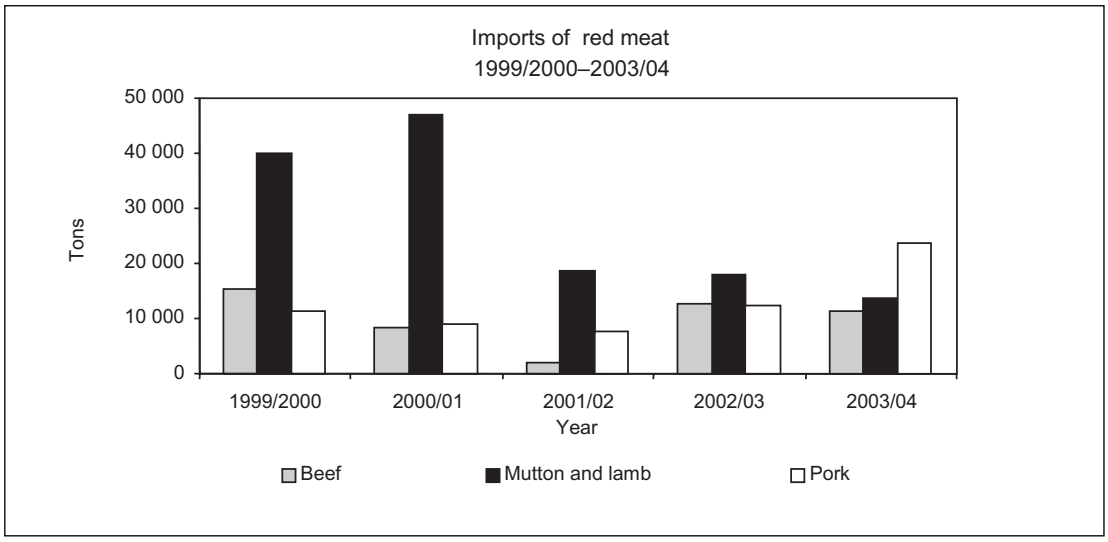


In view of the ever-stronger influence of international trade on the local mutton industry, both the cyclical and seasonal price patterns for mutton are influenced by imports. The average producer price for mutton and lamb increased by 3,3 % to R18,57/kg during 2003/04, compared to the average price of R17,97/kg for 2002/03.

The average producer price for pork increased by 4,9 % to R10,31/kg during 2003/04, compared to an average price of R9,83/kg for 2002/03.

Imports

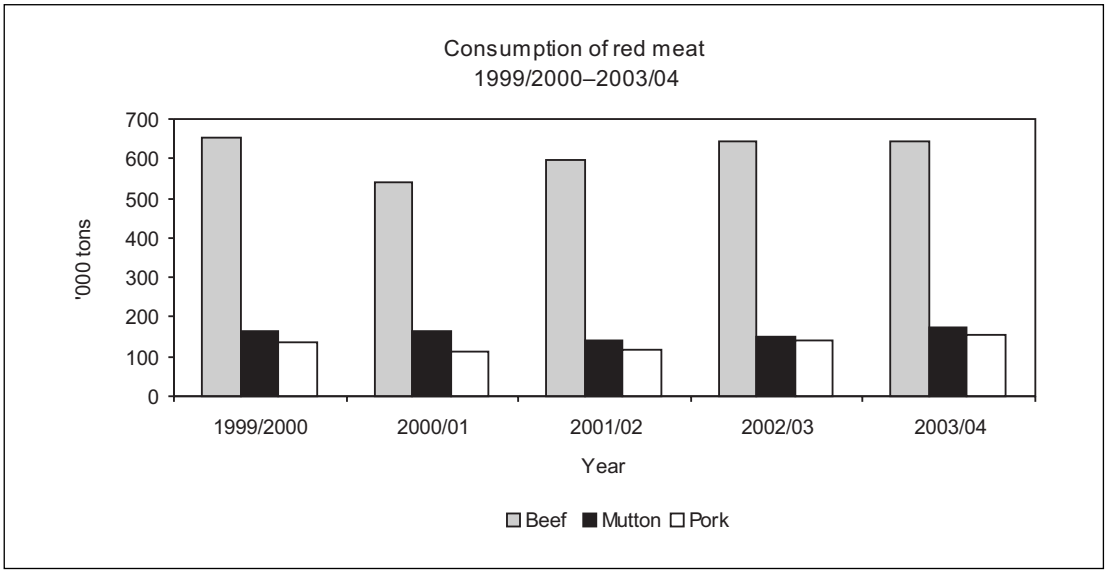
While imports of red meat increased from 43 037 tons in 2002/03 to 48 898 tons in 2003/04, these are below the average tonnage of approximately 52 944 tons for the past five years. Imports of beef amounted to 11 340 tons, which is higher than the five-year average of 10 910 tons. Imports of pork were 23 799 tons for 2003/04, which is more than double the five-year average of 9 947 tons, and imports of mutton amounted to 13 759 tons, which is much lower than the average of 32 075 tons for the previous five years.



Imports of red meat accounted for 12,7 % of red meat consumed locally during 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 represent 34,2 % of mutton consumed during 2002/03.

Consumption

Consumption of beef and veal increased by 0,2 %, from 642 000 tons in 2002/03 to 643 000 tons in 2003/04, that of mutton by 17,0 %, from 147 000 tons in 2002/03 to 172 000 tons in 2003/04 and consumption of pork increased by 7,7 %, from 142 000 tons in 2002/03 to 153 000 tons in 2003/04.



Prospects

Notwithstanding the good rainfall in January 2005, grazing probably still poses serious problems. The effect of the drought in the past 2 years could result in dry conditions in winter and the spring of 2005.

The current low producer prices of grain could spill over to the meat industry later on in 2005 and could result in a downward movement of meat producer prices. Grain producers might feed grain to their cattle and expand their cattle operations, or sell their maize as feed in order to reduce financial losses as a result of low maize prices. Although meat prices increased since October 2004 because of the increased demand for meat over the festive season, prices should drop later in 2005.

Purchase prices of weaners could increase owing to the increased demand for weaners from feedlots. However, by the time the weaners are ready for slaughter, there could be an oversupply of beef on the market, resulting in the meat industry facing the same crisis as the grain industry.

Furthermore, an additional amount of R100 million has been allocated to eight provinces (excluding Gauteng) for drought alleviation in the 2004/05 financial year. The money will be used for drilling and repairing of boreholes as well as purchasing and transporting of fodder. During the 2003/04 financial year, the National Treasury granted an amount of R148 million to assist farmers in the purchasing of fodder for their livestock.

Poultry

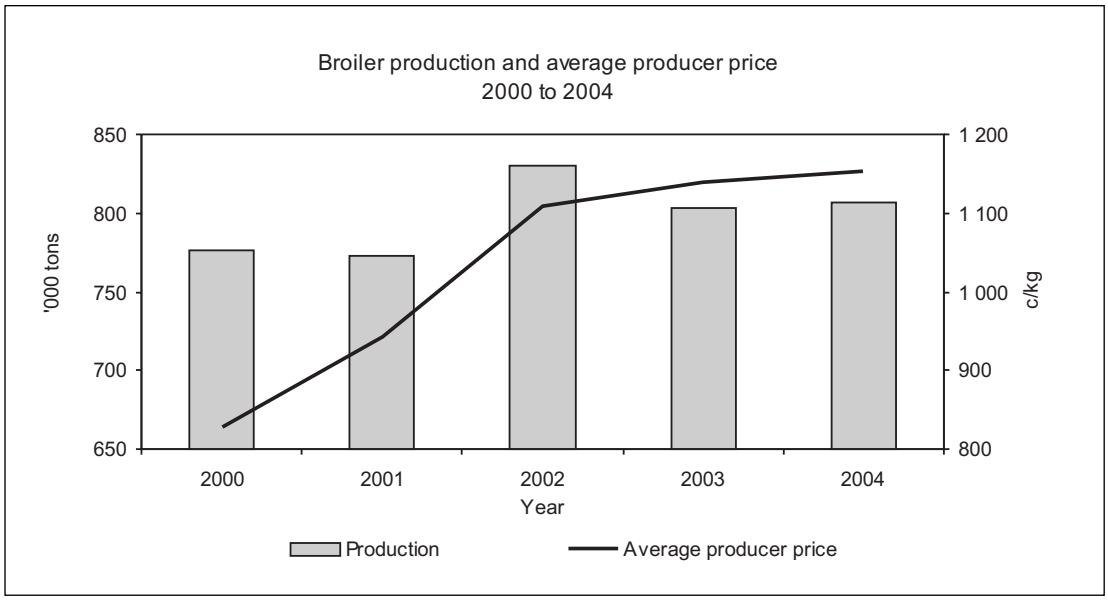
The poultry industry consists of three distinctly separate branches, namely the day-old chick supply industry, the broiler and the egg industry. This article focuses on the broiler and egg industries.

Broiler industry

A small number (11) of large producers handle more than 80 % of the total broiler production in South Africa, while many small production units and the informal sector are responsible for the remaining 20 %. The industry comprises four big producers (600 000 broilers per week and more). There are also 17 intermediate producers delivering between 50 000 and 600 000 broilers per week. This category represents approximately 30 % of estimated total production of 11,5 million per week. Another 50 commercial producers, with deliveries of less than 50 000 per week, are members of the SA Poultry Association.

Production

Commercial broiler production during 2004 is estimated at 807 000 tons. This is 0,4 % more than the estimated 804 000 tons that were produced during 2003.The gross value of broilers slaughtered by commercial producers during 2004 is estimated at R9 312 million, which is an increase of 1,6 % on the estimated R9 164 million for 2003.



Prices received by producers

During 2004, prices received by producers of broilers increased by 1,2 % to an average weighted price of R11,54/kg. Producer prices of broilers from 2000 to 2004 are as follows:

Year	2000	2001	2002	2003	2004
			c/kg		
Price of broilers	828	942	1 109	1 140	1 154

Consumption

It is estimated that the local consumption of commercially produced chicken meat increased by 1,8 %, while *per capita* consumption remained virtually unchanged between 2003 and 2004. *Per capita* consumption of commercially produced chicken meat from 2000 to 2004 is as follows:

Year	2000	2001	2002	2003	2004
			kg/year		
Per capita consumption	19,7	18,9	20,10	20,48	20,39

By comparison, the total *per capita* consumption of beef, mutton and goat's meat, as well as pork (including production for own consumption) during 2004 is estimated to be 14,26, 3,00 and 3,39 kg, respectively. Beef and pork consumption increased by 1,6 and 8,3 %, respectively, while the consumption of mutton and goat's meat decreased by 6,3 % from 2003 to 2004.

Imports

Imports play an important part in terms of the supply of broiler meat in the country. An estimated 9,8 % of poultry meat consumed is imported. An aspect of concern to the broiler industry is the fact that imports are increasing. During 2003, this percentage increased to approximately 10 % of consumption. The main countries from which poultry meat is imported are Brazil, Canada and Australia.

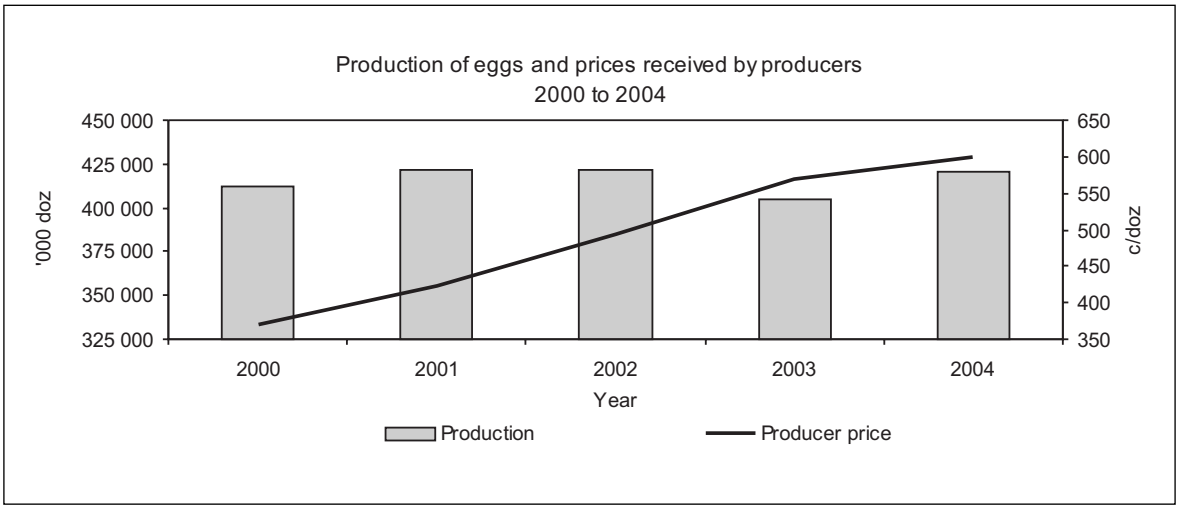
Prospects

If the value of the Rand remains unchanged, the demand for chicken meat is expected to remain strong.

EGG INDUSTRY

It is estimated that both the local consumption and *per capita* consumption of eggs decreased by 5,25 % from 2002 to 2003 (105 eggs per person in 2002 and 100 eggs per person in 2003). Producer prices of eggs (average, including all sizes) increased by 5,1 % from 2003 to 2004.

Year	2000	2001	2002	2003	2004
			c/doz		
Price of eggs	370	422	493	569	598



Consumption

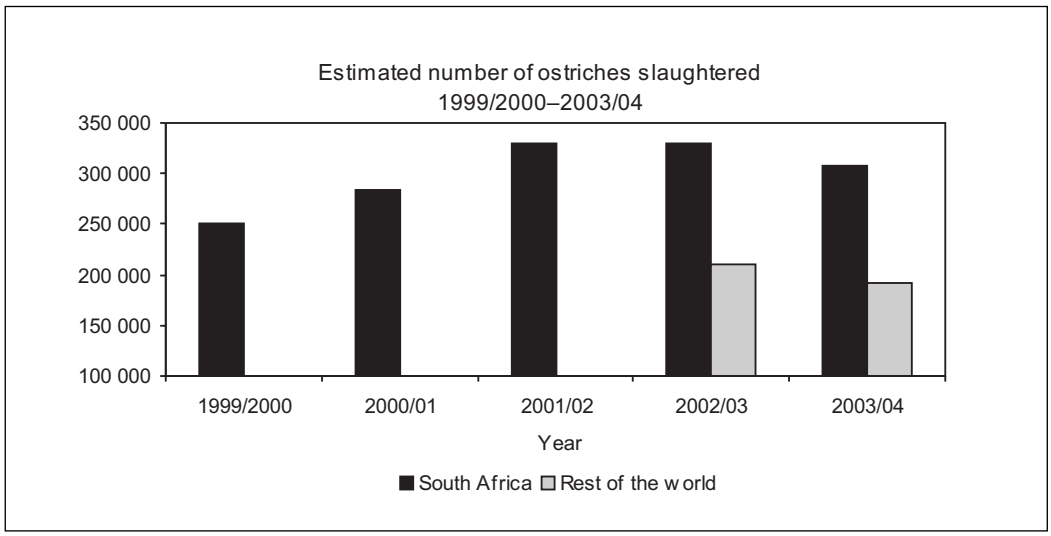
It is estimated that both the total and per capita consumption of eggs remained virtually unchanged between 2003 and 2004.

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 was transformed into an intensively managed farming activity. The emphasis shifted from feather 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 the country, but to several other countries as well.

South Africa, however, remains the major supplier of ostrich products to the world: approximately 67 % of ostrich meat, leather and feathers. 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 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 500 000 for 2003/04, of which 308 000 were slaughtered in South Africa. Demand in Europe for ostrich meat remained high, but the strengthening of the South African Rand impacted negatively on the realisation per ostrich. Income from leather varies significantly because of large price differences between raw skin grades. In 2004, a producer earned approximately R1 000 for a first-grade raw skin and around R800 for a third-grade skin. The average price producers of ostrich meat received during 2004 was approximately R16 per kg and R90 for feathers per bird.

The outbreak of avian influenza during 2004 led to a ban on export of meat for six months. This created the opportunity to satisfy the growing local (South African) demand for ostrich meat and owing to an improved promotional campaign, the local consumption increased in dollar terms. The strong SA currency, however, almost cancelled the profit again.

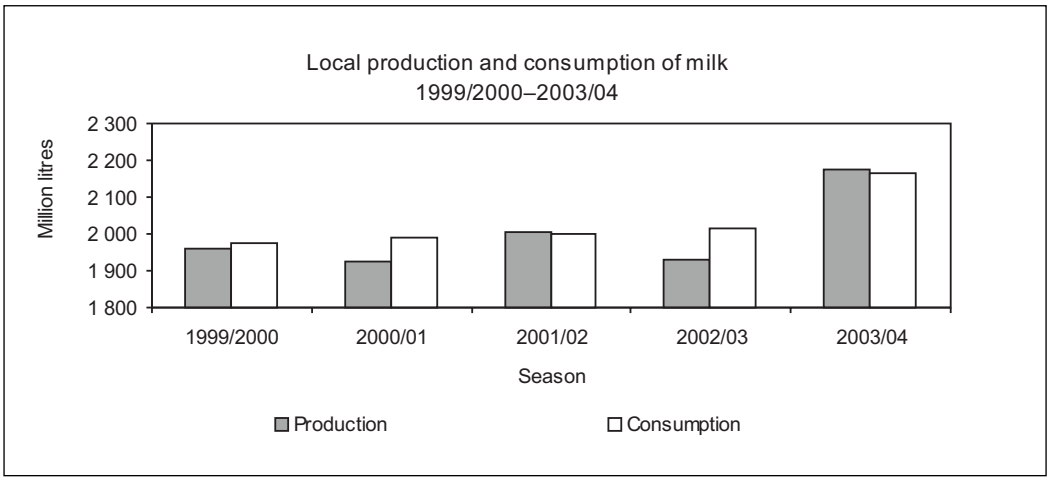
Prospects

During 2005, the slaughtering of ostriches in South Africa is expected to drop to around 230 000 units mainly as a result of the effects of avian influenza. Because of the sharp recovery of the Rand, it is expected that the income of producers will be much lower. The situation could continue up to 2006.

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 2003, the Western Cape Province contributed 27 % to total production, Eastern Cape 29 %, KwaZulu-Natal 20 %, North West 10 %, Free State 8 %, Mpumalanga 4 % and the remaining four provinces 2 %. There are an estimated 4 500 commercial 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 2003/04 production season (March to February), including milk for own consumption on farms, is estimated at R4 352 million. With the exception of the 2002/03 season, the production of milk has increased since 1999. South Africa traditionally is a producer of milk surpluses and severe shortages are seldom reported.



Imports

During 2003, 22 905 tons of concentrated milk and powders, whey, butter and milk fats were imported. It was expected that imports of these products during 2004 would be approximately 20 000 tons.

Prices

The average producer price for 2003/04 came to 205 c/ℓ, which represents an increase of 5,7 % as against the price for 2002/03.

Production season	1999/2000	2000/01	2001/02	2002/03	2003/04
			c/ℓ		
Average producer price	113,0	129,0	142,0	194,0	205,0

The producer price decreased to 178 c/ℓ during 2004, mainly as a result of the stronger Rand and heavily subsidised imports.

Prospects

It is expected that the production of milk for 2004/05 will be approximately 3 % higher than the previous year. Because of the lower grain prices, especially maize, the cost of production inputs should level out. The lower grain prices will help producers to regain profits lost during 2003/04. Furthermore, it is expected that the producer price may increase during the coming winter as the traditional shortage period is entered.

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 (30,5 % of the

national clip during 2003/04), followed by the Free State (22,4 %), Western Cape (17,5 %), Northern Cape (12,9 %) and Mpumalanga (6 %).

Production

Australia remains the largest supplier of apparel wool to the world textile market, with an estimated production of 480 million kg (greasy) in 2003/04. 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 in the manufacturing 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, mainly as a result of low prices and droughts, but showed a slight increase in 2003/04. This was mainly as a result of higher prices in 2001/02 and 2002/03 and improved weather conditions, particularly in Australia where rains brought relief from the drought of 2003.

In South Africa, production increased to 46,4 million kg in 2003/04, from 44,2 million kg in 2002/03. The 2003/04 wool season was difficult for all stakeholders owing to the strong Rand and poor pipeline business conditions in the wool industry. After a relatively good 2002/03 season in terms of wool prices, grower confidence was shaken by declining prices, with the season closing with the average price 29 % lower.

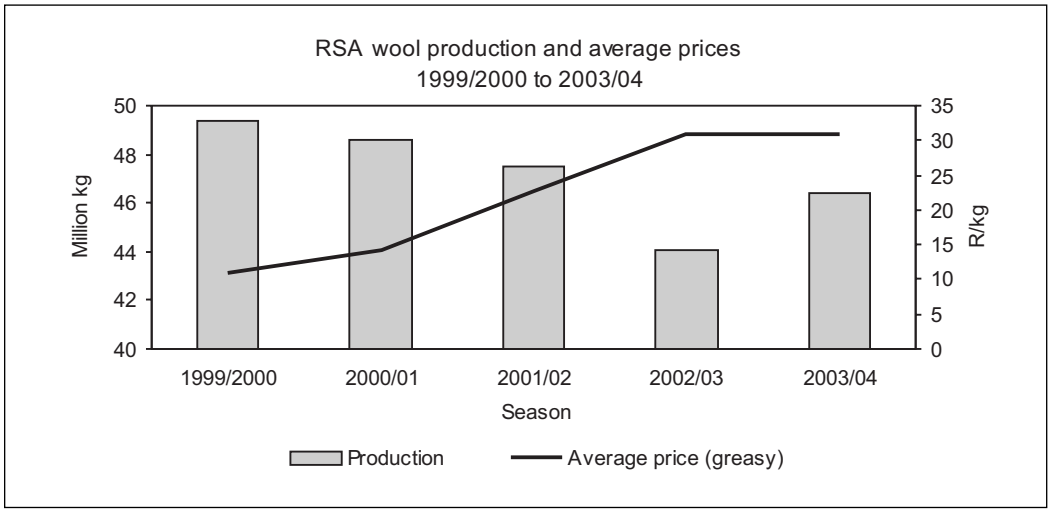
This again pointed to the uncertainty in the wool industry, which is susceptible to volatile exchange rates and other international factors that affect demand at consumer level. The reduction in the number of businesses involved in wool buying and processing during the past year further highlighted the uncertainty.

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

Class	1999/2000	2000/01	2001/02	2002/03	2003/04
			Million kg		
Merino	34,9	33,3	32,9	31,1	32,4
Other white wool	5,6	5,5	4,9	4,3	5,1
Lesotho, Ciskei and Transkei	2,7	2,7	2,9	3,7	4,9
Coarse and coloured	1,7	1,6	1,9	1,9	1,5
Dead wool and other	4,5	4,5	4,9	3,1	2,5
Total	49,4	48,6	47,5	44,1	46,4

Marketing

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. Normally there 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 auctions; 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 the prevailing economic conditions in wool-consuming countries.



South Africa is mainly producing a Merino clip, which comprises more than 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 the 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.

Typical of wool auctions are numerous 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, which represents all role-players in die 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 Minister has granted approval for the introduction of statutory measures for the collection of statistics for the wool industry, enabling Cape Wools to create a wool statistics databank 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 transferred from the former Wool Board.

Exports

Wool is an export product with over 90 % of total production exported in either greasy or semiprocessed form (scoureds and wool top). The main export destination countries in 2003/04 were Italy, France, Germany, the Czech Republic, the UK and China/Hong Kong.

Market movement

The wool market has been struggling to maintain the 2002/03 price levels and Cape Wools' market indicator has dropped to levels that last occurred in 2001.

Raw wool prices in South Africa and the other wool producing countries such as Australia and New Zealand appear to have been hostage to the daily and weekly currency movements against the US dollar for much of 2002/03 and 2003/04.

As has become the norm during the past two to three years, market volatility between weekly auction sales negatively affected market confidence throughout the 2003/04 season. During the 31 sales from August 2003 to June 2004, the average indicator came to 3 085 c/kg, which was 28,6% lower than in 2002/03. Market volatility is clearly illustrated by the fact that the seasonal peak (3 516 c/kg) in January 2004 was 13,9 % above the seasonal average, and the seasonal low (2 722 c/kg) in June 2004 was 11,8 % below the average.

Prospects

Some commentators believe that the close link between US dollar exchange rate movements and wool prices may continue for the foreseeable future in view of the importance of China as a wool processor. China buys in US dollar and its currency, the Renminbi, is linked to the dollar.

Another possible reason for wool's poor performance is the changing world conditions in the textile trade due to come into force on 1 January 2005 when tariffs on various textiles will be reduced around the world. China is expected to take a more dominant position in the global wool textile industry. As a result, some traditional wool textile mills in the higher-cost countries may have become ultra-cautious in the lead up to these changes.

China's aggressive expansion of its wool textile processing industry since 2000 and cheap labour have already resulted in the closure of a number of primary wool-processing mills in the higher-cost countries.

The high price of oil is also cause for concern. While it has led to a sharp increase in synthetic fibre prices, significantly improving the price competitiveness of apparel wool, the downside is that it is pushing up inflation and putting downward pressure on economic growth in the world's main wool-consuming countries.

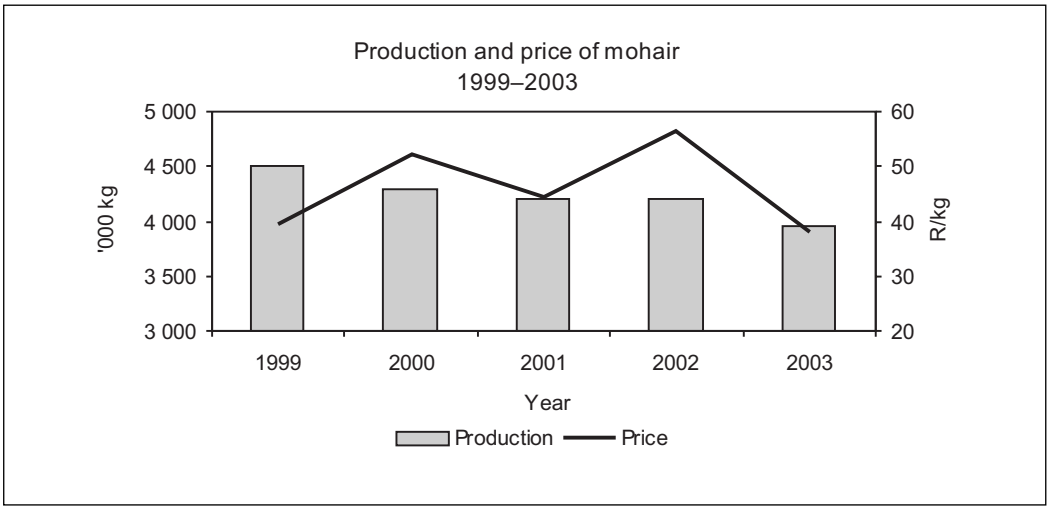
Mohair

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 4,5 million kg in 1999 to 3,95 million kg in 2003. This is a decrease of 12,2 % in the past four years. 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 1999 to 2003 is as follows:

Year	1999	2000	2001	2002	2003
			Million kg		
Production	4,5	4,3	4,2	4,2	4,0



Prices

While the average realisation of the South African mohair clip improved quite substantially from R39,85/kg in 1999 to R56,34/kg in 2002, the average price dropped to below R40/kg again in 2003. This was mainly 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 on open-cry auctions. However, because of the limited number of buyers at these auctions and a lack of effective competition, there has been a general decline in the volume of hair being channelled through these auctions.

Average auction prices of mohair for the period 1999 to 2003 are as follows:

Year	1999	2000	2001	2002	2003
			R/kg		
Price	39,46	52,28	44,55	56,34	37,91

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 produced and the prices realised can show

substantial yearly variations. 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 2003, exports decreased to 4,91 million kg from the 5,2 million kg that were exported during 2002. This represents a decrease of about 5,8 %.

Year	1999	2000	2001	2002	2003
			Million kg		
Exports	7,5	5,6	4,4	5,2	4,9

Prospects

With the further strengthening of the SA currency during 2004, prices for all types of mohair remained under pressure. However, fashion demand for mohair has been on the increase and it is expected that average prices for the year will increase marginally.

The prospects for 2005 remain positive because of this upturn in demand and prices should increase on the finer end of the clip (kids' and young goats' hair). Adult mohair prices will in all probability remain under pressure. Owing to heavy stock losses during September 2004, and lucrative prices for slaughter animals, it is expected that production could decrease to below 3,5 million kg during 2005.