

# Trends in the Agricultural Sector



2006



agriculture

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Agriculture  
REPUBLIC OF SOUTH AFRICA

# Trends in the Agricultural Sector 2006

2007

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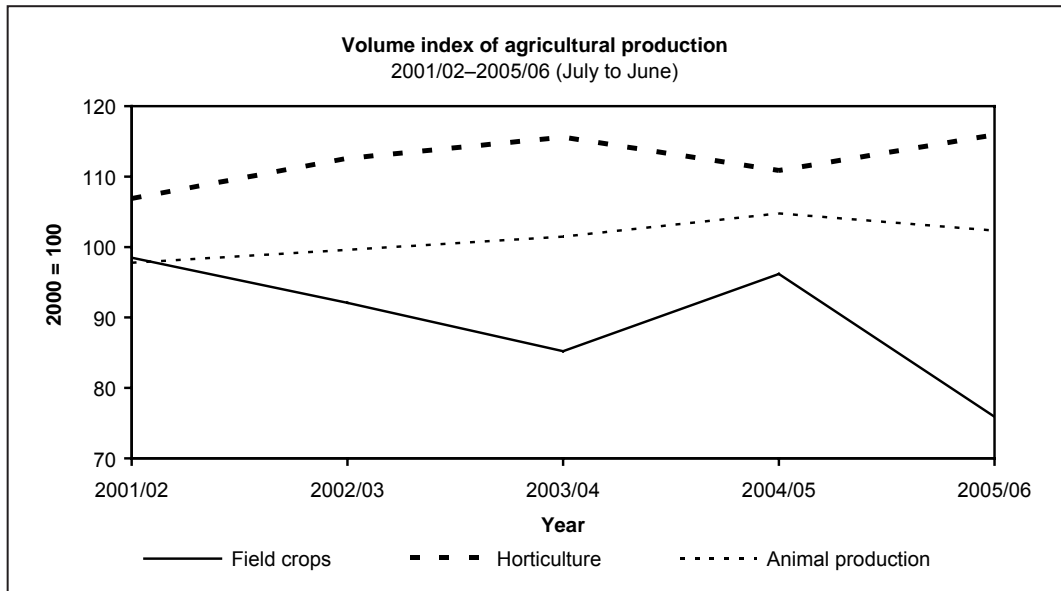
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## Economic review for the 12 months that ended 30 June 2006

### Volume of agricultural production

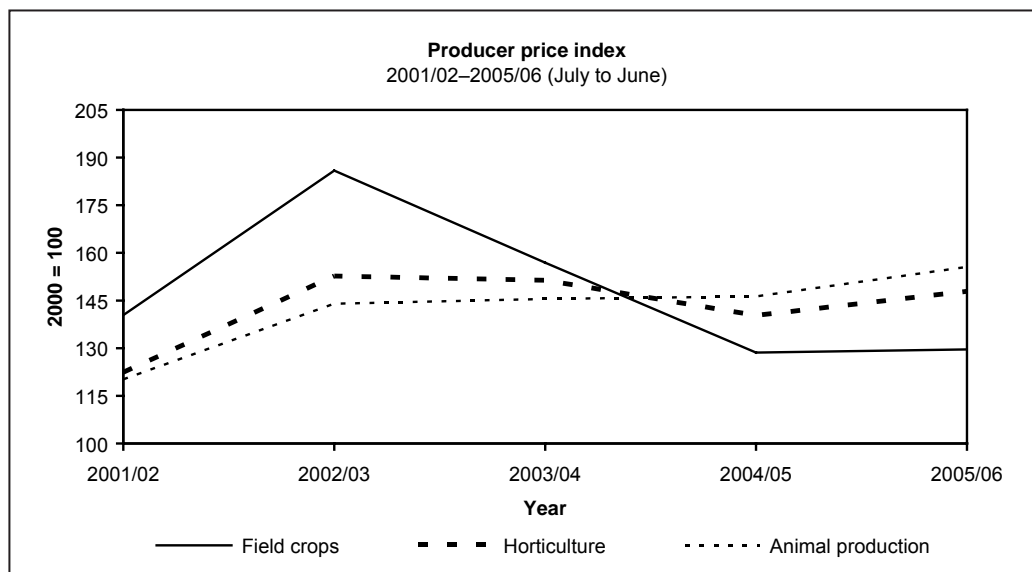
During 2005/06 the estimated volume of agricultural production was 6,4 % lower than in 2004/05. The volume of field crop production decreased by 21,1 % compared to the previous year as a result of the decrease in maize, sorghum and dry beans production. Horticultural production increased by 4,6 %, while animal production decreased by 2,3 %.



### Producer prices of agricultural products

Producer prices of agricultural products increased on average by 4,4 % from 2004/05 to 2005/06. For the period under review, the combined producer price index of field crops was 0,7 % higher than during the same period of the previous year. The prices of oilseeds, winter grains, sugar cane, hay and dry beans increased by 3,3, 16,1, 10,3, 1,3, and 21,1 %, respectively.

Producer prices of horticultural products increased by 5,6 % compared with those of 2004/05. This was mainly because of an increase of 17,6 % in the prices of fresh vegetables. Prices of fruit decreased by 2,2 %.

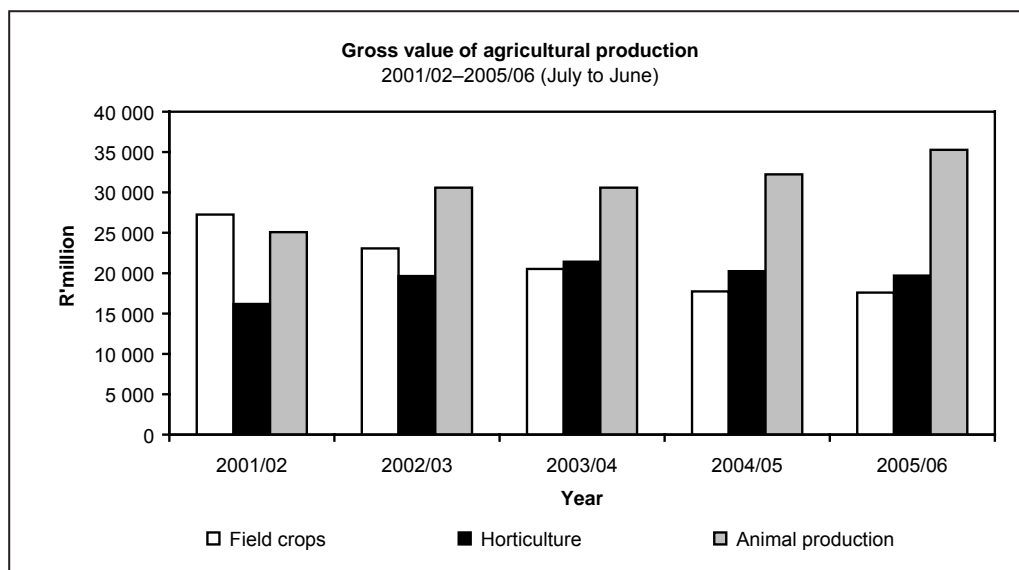


The producer prices of animal products were 6,4 % higher in 2005/06 than in 2004/05. Prices of pastoral products and slaughtered stock increased by 20,2 % and 11,8 %, respectively, while prices received for dairy products decreased by 0,8 %.

### Gross value of agricultural production

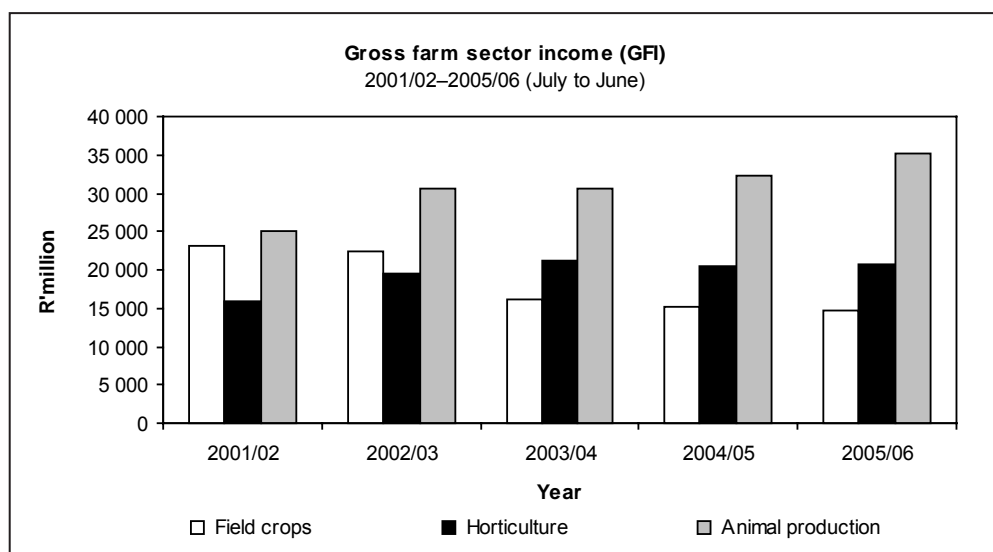
The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2005/06 is estimated at R72 587 million compared to the previous R70 207 million—an increase of 3,4 %. This increase can be attributed mainly to a significant increase in the value of animal products.

The gross value of animal products, horticultural products and field crops contributed 48,6, 27,2 and 24,2 %, 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 15,5 %, followed by cattle and calf slaughtering with 13,0 % and maize with 8,8 %.



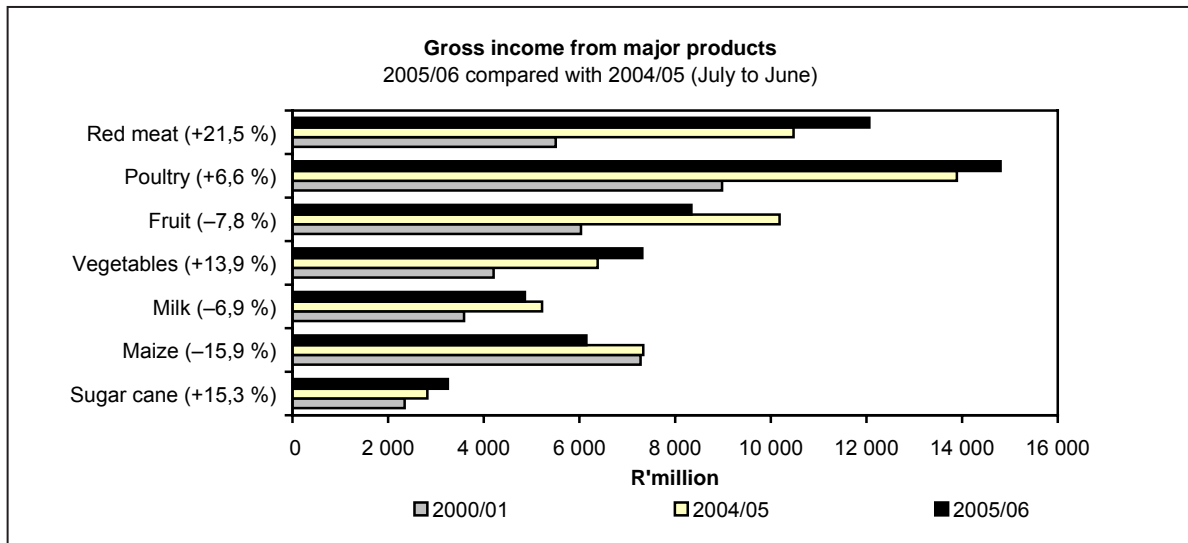
### Farm income

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 2006 amounted to R70 549 million, compared with the previous R67 795—an increase of 4,1 %.



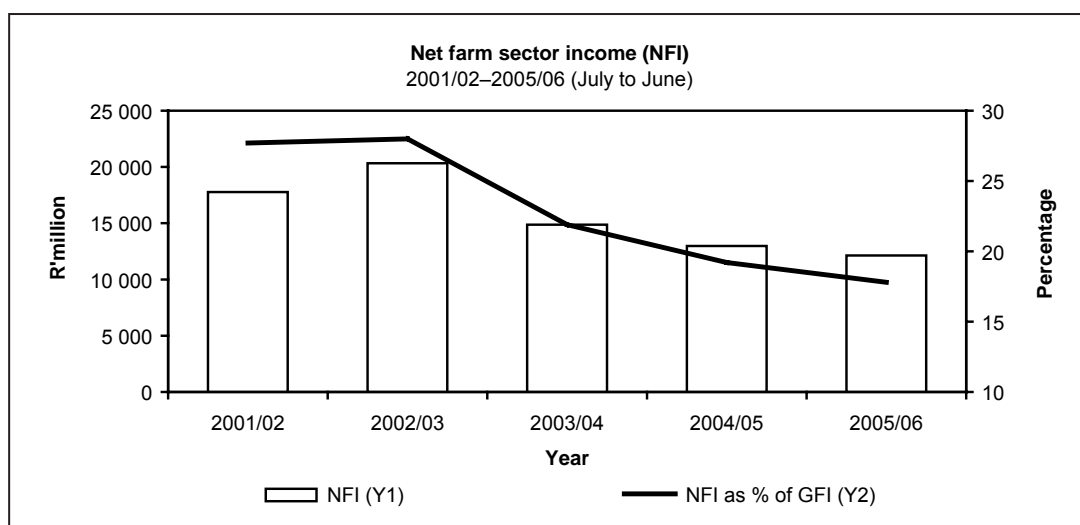
The increase in farm income can mainly be attributed to an increase in the production of red and white meat as well as an increase in the prices farmers received for animal and horticultural products.

The gross income from field crops decreased by 3,7 % to R14 619 million for the year ended 30 June 2006. The main reason for the decrease was the smaller maize crop.



The gross income from horticultural products increased by 1,3 %, from R20 388 million to R20 648 million. The income from deciduous fruit and citrus fruit decreased by 7,0 and 14,3 %, respectively, while income from subtropical fruit and viticulture increased by 3,9 and 2,0 % to R1 496 and R2 733 million, respectively. Income from vegetable production rose by 13,9 % to R7 229 million.

The gross income from animal products was 9,5 % higher and amounted to R35 280 million, compared to the previous R32 228 million. Producers' income from cattle and calf slaughterings increased to R9 448 million, as against the previous R7 329 million—an increase of 28,9 %. The income from sheep slaughterings increased by 12,1 % and amounted to R1 916 million. The carcass prices of cattle and sheep rose by 14,7 and 11,3 %, respectively. Income from wool decreased by 12,6 % and came to R691,5 million. Income from poultry meat production increased by 6,7 % to R11 278 million. Income from egg production rose by 6,2 %.



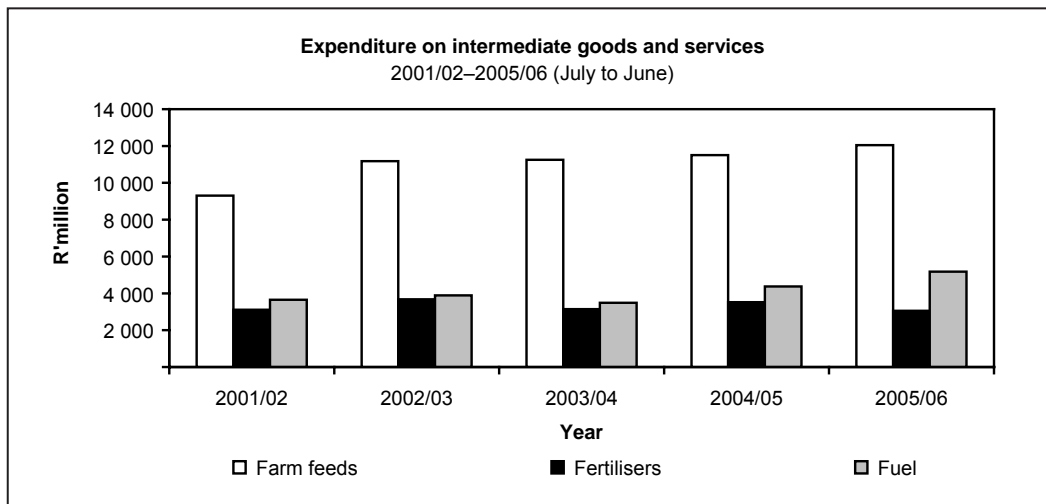
The net farm income (after the deduction of all production expenditures, excluding expenditure on fixed assets and capital goods) decreased by 6,5 % during 2005/06 and amounted to R12 134 million. Payments for salaries and wages, which represent 16,6 % of the total farm costs, amounted to R9 728 million. Interest

paid by farmers to banks and other financiers during the 12 months up to 30 June 2006, is estimated at R3 677 million or 6,6 % of the total farm cost.

### Expenditure on intermediate goods and services

Intermediate expenditure refers to the value of goods and services that were purchased for consumption as inputs during the production process.

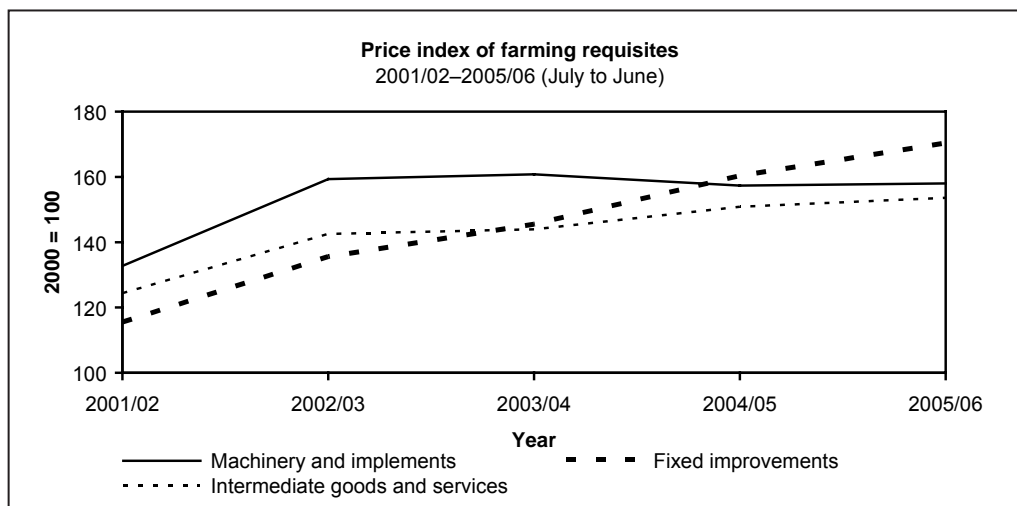
Expenditure on intermediate goods and services during 2005/06 is estimated at R42 641 million, which is an increase of 5,5 % from R40 410 million in 2004/05. Expenditure on fuel and farm services showed the biggest increases of 18,4 and 10,4 %, respectively.



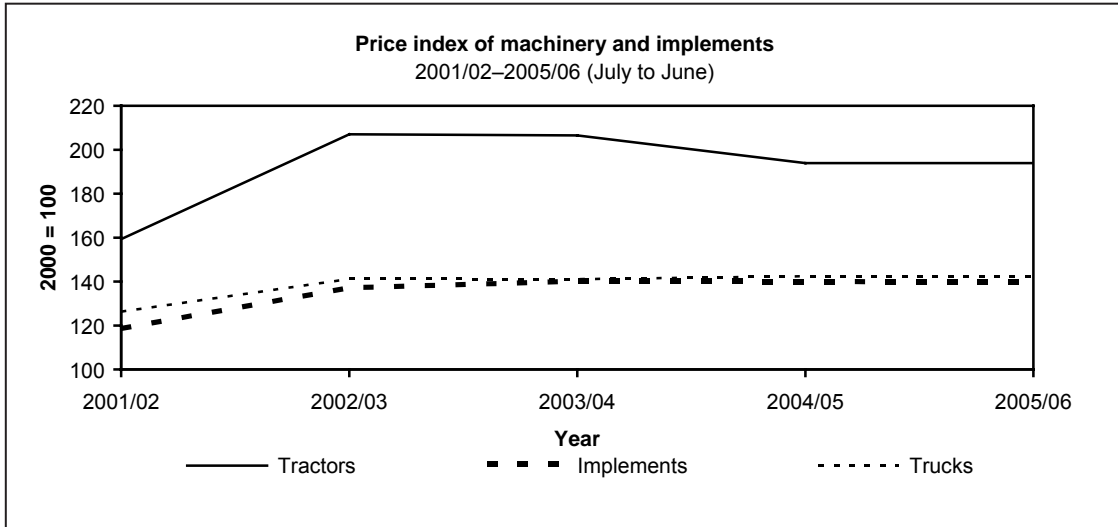
Expenditure on farm feeds showed an increase of 4,4 % from the previous 12 months and remained the biggest intermediate expenditure item, accounting for 28,2 % of total expenditure. Farm services, maintenance and repairs, fuel and fertilisers contributed 11,9, 10,5, 12,1, and 7,2 %, respectively, to the total intermediate expenditure. Expenditure on dips and sprays increased by 5,0 %, from R2 839 million to R2 981 million, and expenditure on packing material rose by 2,7 %, from R2 582 million to R2 652 million. Generally, there was an increase in the prices of goods and services purchased for use during the production process.

### Prices of farming requisites

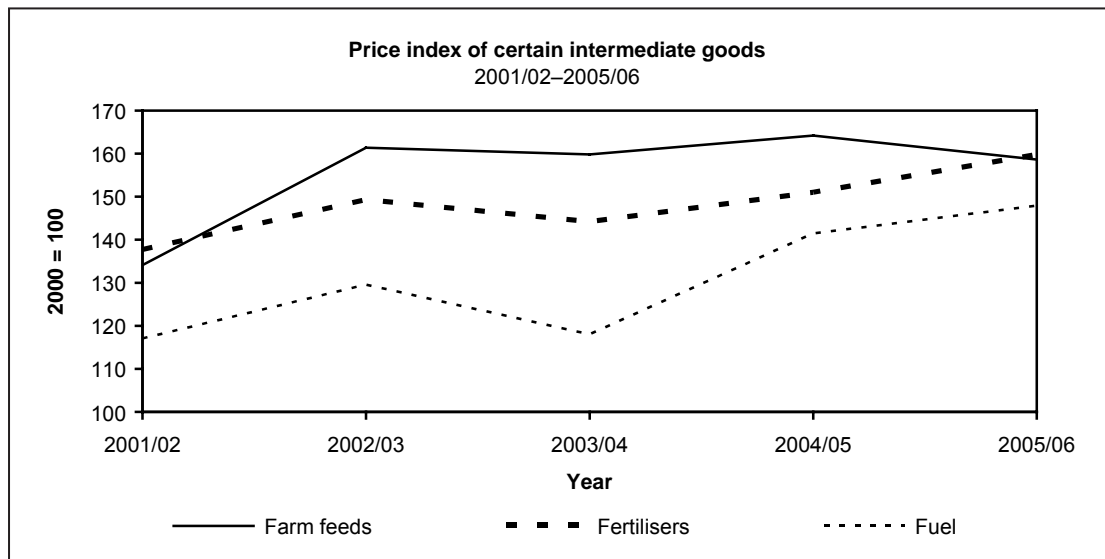
Prices of farming requisites increased by 2,0 % in 2005/06 compared with an increase of 4,5 % in the previous year.



The price index of machinery and implements showed a slight increase of 0,4 % for 2005/06. Prices of tractors remained virtually unchanged. However, on average the combined index of prices of intermediate production inputs and services increased by 1,8 %.



An increase of 5,8 % in the price of fertilisers made the most significant contribution to the increase in the prices of intermediate goods and services. The price of animal feeds decreased slightly by 3,4 %. Prices paid for animal health and crop protection remedies remained constant and prices paid for fuel increased by 4,6 %.



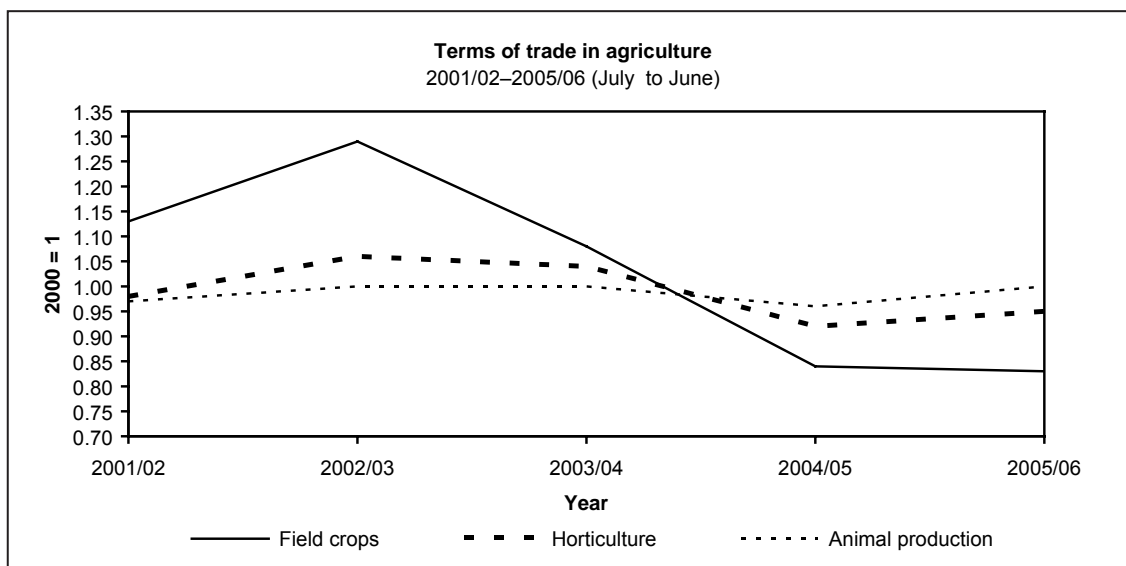
### Domestic terms of trade in agriculture (2000 = 1)

The terms of trade indicate the extent to which producer prices received by farmers keep pace with the prices paid for farming requisites.

The terms of trade in agriculture strengthened from 0,91 in 2004/05 to 0,93 in 2005/06.

The terms of trade for field crops weakened by 1,2 %, from 0,84 in 2004/05 to 0,83 in 2005/06. In the case of the horticultural industry, the terms of trade strengthened by 3,0%, from 0,92 to 0,95. The terms of trade for the animal products industry strengthened by 4,2 %, from 0,96 to 1,00.





### 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 2005 is estimated at R34 441 million. This represents 2,6 % of total value added to the economy.

Year	Total value added by all sectors R'million	Contribution of agriculture value added R'million	Contribution of agriculture as % of total value added %
2001	928 216	27 005	2,9
2002	1 063 879	37 705	3,5
2003	1 141 131	34 353	3,0
2004	1 242 864	31 745	2,6
2005*	1 352 951	34 441	2,6

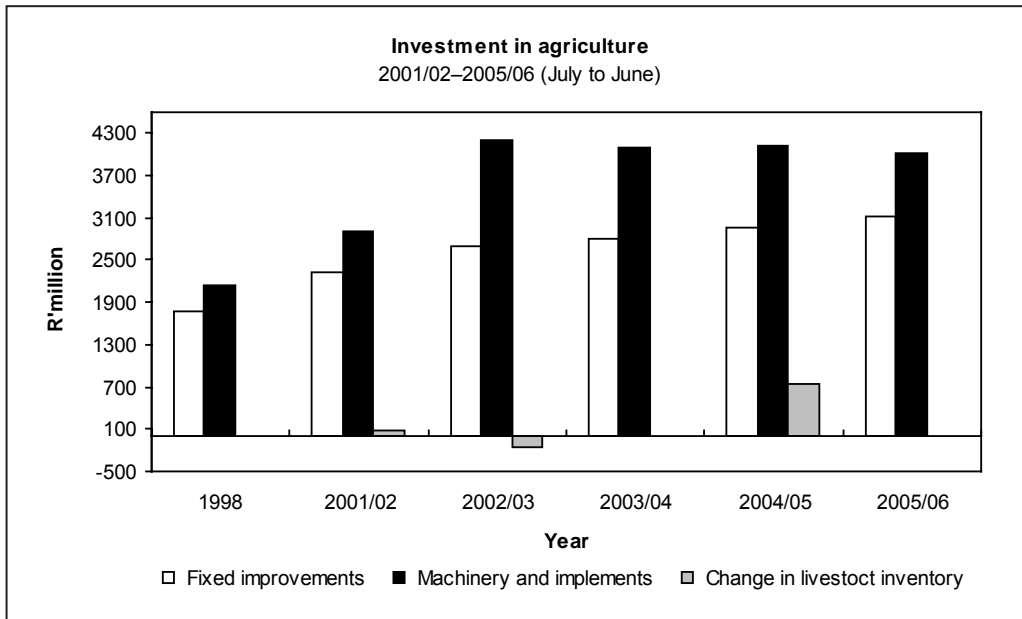
\* Figures for agriculture (including forestry and fisheries)

### Capital assets and investment in agriculture

The value of capital assets in agriculture as at 31 June 2006 is estimated at R151 072 million, as against R140 317 million the previous year—an increase of 7,7 %. Land and fixed improvements constituted R91 069 million, machinery and implements R26 314 million and livestock R33 690 million of the total value of capital assets.

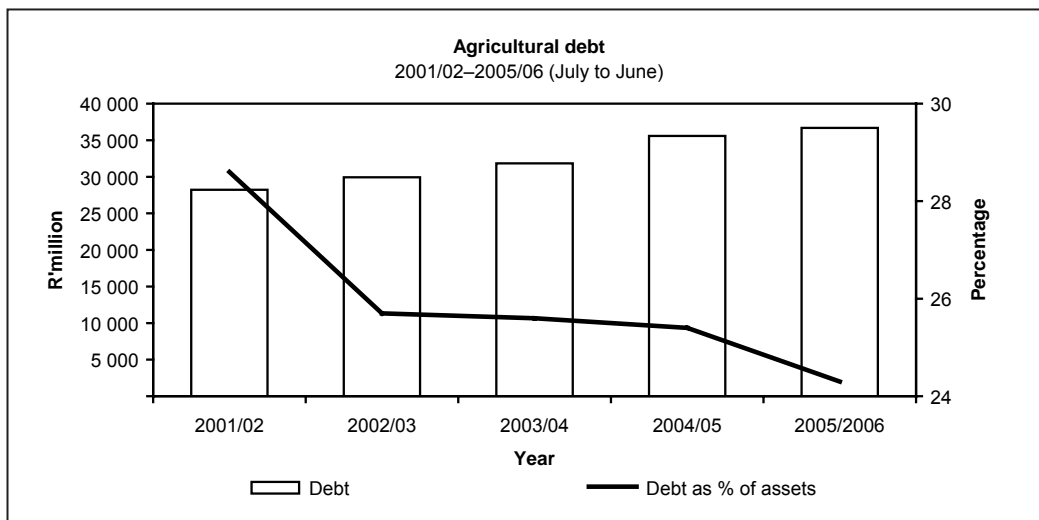
The gross investment in respect of fixed improvements for the year ended 30 June 2006 increased by 5,1 % to R3 118 million. In the case of machinery, implements and vehicles, investment decreased by 2,4 % to R4 031 million. The livestock inventory stayed virtually unchanged, as there was no significant change in animal numbers compared with the previous year.

The graph on the next page reflects the investment in agriculture.



### Farming debt position

The total farming debt at the end of June 2006 is estimated at R36 686 million, as against R35 592 million in 2005—an increase of 3,1 %.



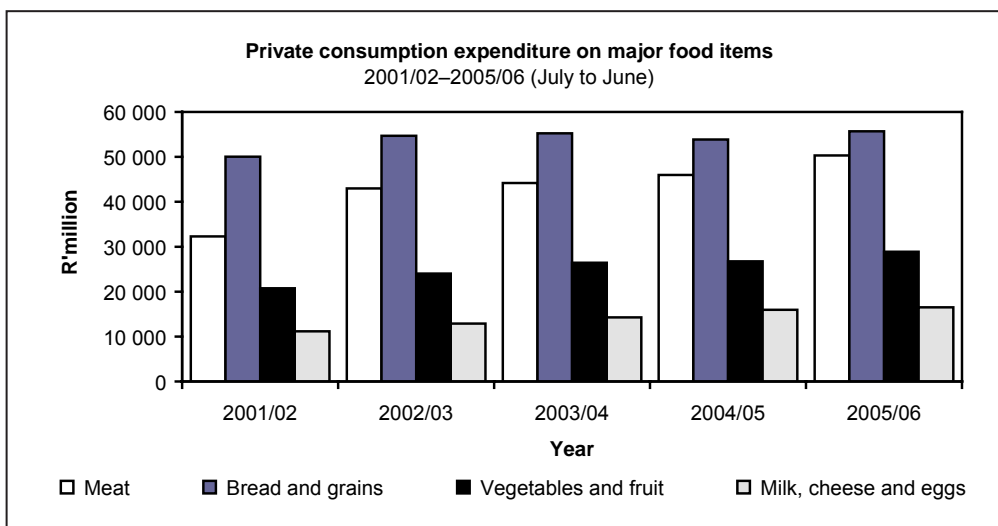
### Cash flow of farmers

The cash flow of farmers for the year ended 30 June 2006 amounted to R13 098 million, compared to the previous R13 061 million.

### Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2006 increased by 5,6 % and amounted to R178 971 million, as against the R169 403 million of the previous year. Expenditure on meat increased by 9,4 % to R50 312 million, on fruit and vegetables (including potatoes) by 8,0 % to R28 870 million, on milk, milk products and eggs by 3,4 % to R16 510 million, and on bread and grains by 3,4 % to R55 706 million. Expenditure on sugar decreased by 6,3 % to R3 513 and on oils and fat by 4,9 % to R2 941 million.

Meat represents 28 % of the expenditure on the food component, bread and grains 31 %, fruit and vegetables 16 % and milk, milk products and eggs 9 %.



### Consumer prices

The consumer price index of all items increased by 3,8 % for the year ended 30 June 2006, that of food by 4,5 % and that of nonfood items by 3,2 %.

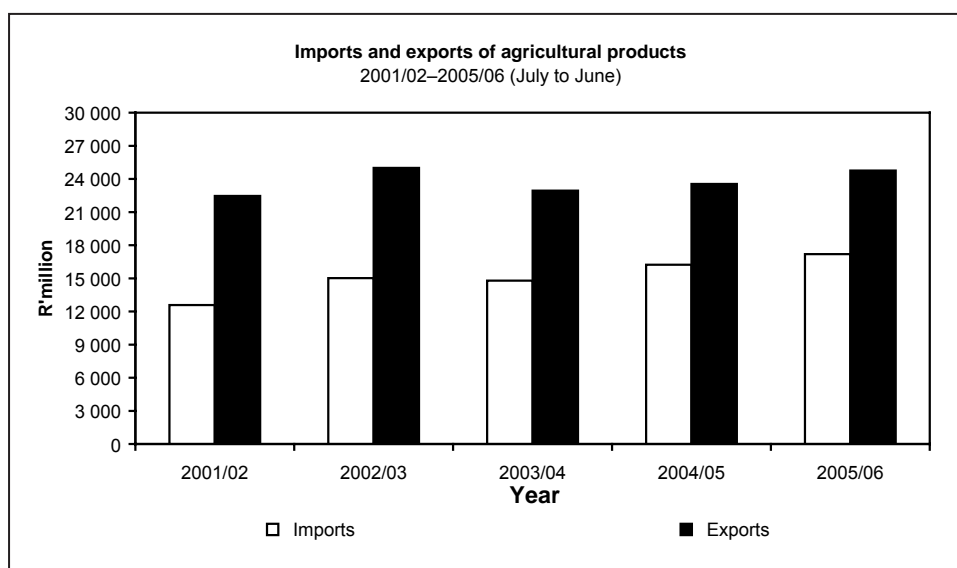
Meat prices increased by 8,3 %, while the prices of grain products reflected a decrease of 1,6 %. The consumer price of vegetables increased by 12,4 % and fruit prices increased by 0,5 %. In the case of dairy products and eggs, prices rose by 3,6 %, and an increase of 8,7 % was recorded for sugar and related products.

### Imports and exports of agricultural products

The value of imports for 2005/06 came to R17 193 million—an increase of 5,9 % compared to R16 232 million for 2004/05. The value of exports increased by 5,1 %, from R23 551 million for 2004/05 to R24 754 million for 2005/06.

According to the 2005/06 export values, wine (R3 564 million), citrus fruit (R2 979 million), sugar (R2 347 million), grapes (R2 103 million) and maize (corn) (R1 996 million) were the most important agricultural export products.

Rice (R1 318 million), undenatured ethyl alcohol (R1 211 million), wheat (R1 063 million), meat and edible offal of poultry (R1 050 million) and oilcake (R923 million) accounted for the highest imports.



During 2005/06, the United Kingdom, the Netherlands, Zimbabwe, United States and Japan were the five largest trading partners of South Africa in terms of export destinations for agricultural products, with export values of R2 943 million, R2 560 million, R1 383 million, R1 291 million and R1 154 million, respectively. About 22,6 % of total agricultural exports for the period July 2005 to June 2006 went to the United Kingdom and the Netherlands.

The five largest trading partners for South Africa's imported agricultural products during 2005/06 were Argentina, Brazil, the United States, United Kingdom and Thailand, with import values of R2 678 million, R1 955 million, R1 235 million, R1 139 million and R1 021 million, respectively.

## Branches of the industry

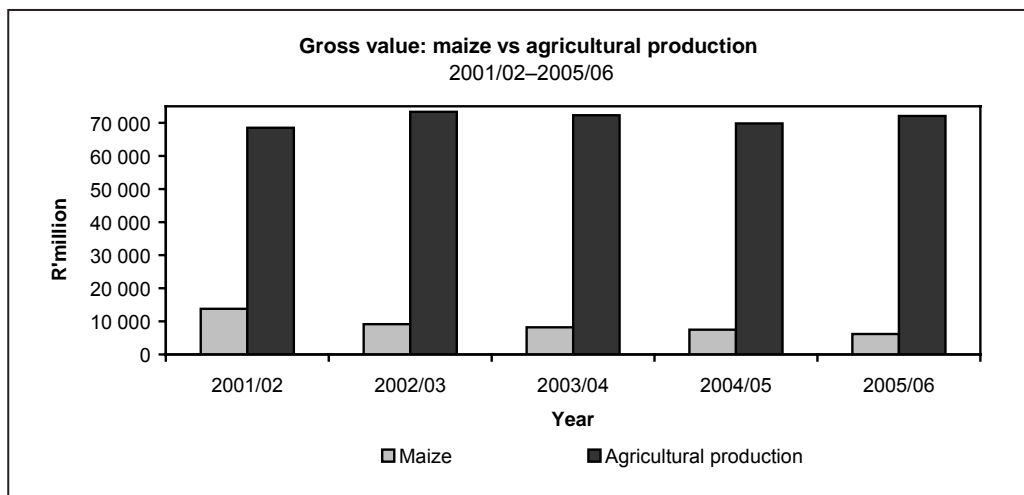
### FIELD CROP HUSBANDRY

#### Maize

Maize is the most important grain crop in South Africa, being both the major feed grain and the staple food of the majority of the South African population. About 60 % of maize produced in South Africa is white and the remaining 40 % is yellow maize. White maize is primarily used for human consumption, while yellow maize is mostly used for animal feed production.

The gross value of maize production is determined by the quantity produced and prices received by producers. The South African maize industry is characterised by volatile prices. The contribution of the maize industry to the gross value of agricultural production declined from the 2001/02 production season, mainly as a result of low world commodity prices.

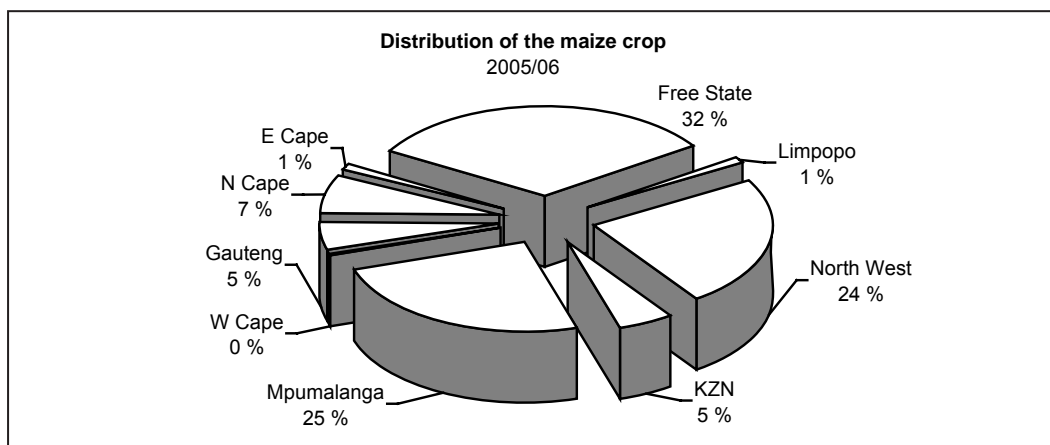
This is evident in the gross value of maize versus that of agricultural production, as shown in the following graph:



The largest contributor towards the gross value of field crops for the past 5 seasons is maize (48,6 %), followed by sugar cane (19,0 %), wheat (15,5 %), hay (10,7 %) and sunflower seed (7,2 %). The average annual gross value of maize for the five years up to 2005/06 amounts to R8 967 million.

The major areas of commercial maize production are situated in the Free State, North West and Mpumalanga provinces.

The contribution by provinces to maize production during the 2005/06 production season is depicted in the following figure:



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

The present ratio of areas planted is 65 % white and 35 % yellow maize. The estimated area of white maize under irrigation is approximately 6 % and dryland 94 %, while the estimated area of yellow maize under irrigation is approximately 12 % and dryland 88 %.

Genetically modified plantings are expected to constitute an estimated 28,8 % of the total area planted to white maize and approximately 30,5 % of the total area planted to yellow maize during the 2005/06 production season. The main aim of genetic modification is to improve insect resistance, especially against the maize stalk borer.

The large-scale use of maize for biofuel production in South Africa will soon become a reality with the building of the country's first bioethanol plant at Bothaville in the Free State Province. Production is scheduled to start by the end of 2007 or early in 2008. Worldwide, there is a growing demand for ethanol, as the blending of ethanol into fossil fuels will assist countries to meet their commitments under the Kyoto protocol to reduce emissions of greenhouse gases. The plant in Bothaville will be able to produce 473 000 litres of ethanol, 20 000 litres of biodiesel and 300 tons of stock feed daily from 1 150 tons of yellow maize. The plant is the first of 8 plants that have been scheduled for erection in South Africa, 4 of which will be built in the Free State Province. The plants will be set up at a cost of about R700 million each and will provide direct and indirect employment to about 10 000 people.

#### *Area planted and production*

South Africa experienced a poor start to the 2005/06 production season. However, good rainfall has been received countrywide since the second half of December 2005. Excessive rains also occurred in parts of the country, which led to waterlogging and the leaching of nutrients (drowning and yellowing of crops).

In an effort to balance maize supply and demand, an estimated 1 600 200 ha were planted to commercial maize during 2005/06—a decrease of 43,1 % compared to the 2 810 000 ha planted in 2004/05. Commercial white and yellow maize plantings were 1 033 000 and 567 200 ha, respectively. This represents a decrease of 39,2 and 48,9 % for white and yellow maize, respectively.

The commercial maize crop for the 2005/06 production season is estimated to be 6,280 million tons, with an estimated yield of 3,92 t/ha. This represents a decrease of 45,1 % compared to the 2004/05 crop, which was estimated at 11,450 million tons, and is the smallest crop since the 4,406 million tons produced in 1994/95.

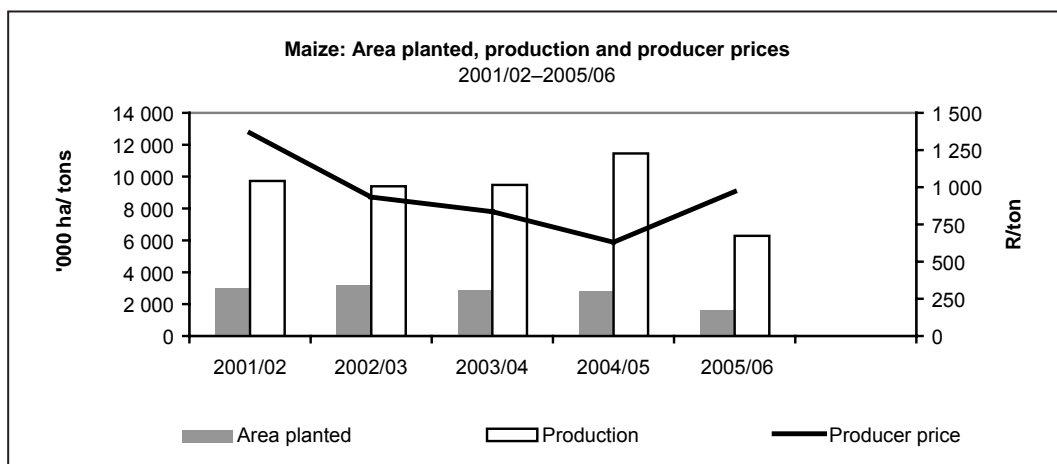
Quality problems have, to a large extent, been experienced during the 2005/06 season as a result of excessive rainfall. On request from the industry, the South African Grain Information Service (SAGIS) started reporting regularly on the percentage of the different grades of maize being delivered during the season. The maize deliveries until 6 October 2006, as reported by SAGIS, indicated that 63,3 % of the deliveries of white maize was WM1, 28,5 % was WM2, 7,8 % was WM3 and 0,4 % was WMO. In the case of yellow maize, 87,8 % of the deliveries was YM1, 11,6 % was YM2, 0,5 % was YM3 and 0,1 % was YMO.

Plantings, production and yields of maize from 2001/02 to 2005/06 were as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
Plantings (ha)	3 016 880	3 184 950	2 843 300	2 810 000	1 600 200
Production (t)	9 731 830	9 391 450	9 482 000	11 450 000	6 280 400
Yield (t/ha)	3,23	2,95	3,33	4,07	3,92

While the area planted to maize decreased over the past few years, the average yield of maize increased. This is the result of implementing more efficient production technologies and practices by producers, the withdrawal of marginal lands from production and the development of high-yielding maize cultivars. However, the slightly poorer yields per hectare obtained during the past season (compared to the previous season) can, among other factors, be attributed to prolonged wet and waterlogged conditions, cloudy and rainy weather and the absence of sufficient heat units to facilitate optimum pollination.

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 during 2005/06 is estimated at 432 246 ha, comprising 345 881 ha white maize and 86 365 ha yellow maize. Production by the developing sector is estimated at 317 056 tons—238 426 tons of white and 78 630 tons of yellow maize. Maize grown by this sector is mainly for own use and contributes only approximately 5 % to national production.

A producer survey conducted at the end of August 2006, showed that intended maize plantings for the 2006/07 production season would increase by approximately 64,7%, from 1,6 million ha to 2,6 million ha, as against the previous season. Using a 3-year average yield of 3,75 ton/ha and the area of 2,6 million ha, anticipated production could be 9,9 million tons of maize during the coming production season.

### 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 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 large variations in local prices 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.

Responding to a number of requests from the market and confirmation from silo owners of the tonnages received of grade 2 white maize (WM2), the Agricultural Products Division of the JSE Security Exchange of SA has decided to reintroduce the WOPT (white maize, optional) contract last traded in 2003. The WOPT contract is defined as “white corn of any origin, of the grade WM2 as defined in the South African grading regulations, that meets all phytosanitary requirements and import regulations, but is not subject to the containment conditions for the importation of genetically modified organisms”. Translated, it means that the GMO import requirements must still be complied with.

The average producer price of maize rose by 54,0 %, from R630,47/ton in 2004/05 to R970,90/ton in 2005/06. The increase was caused by a unique combination of factors, such as the decrease in plantings, higher world prices, as well as a smaller than expected domestic maize surplus.

The average producer prices of maize from 2001/02 to 2005/06 are as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
	R/ton				
Producer price	1 364,99	933,79	836,19	630,47	970,90

### *Consumption*

The South African maize market has matured considerably since deregulation of marketing took place. Producers, traders and other intermediaries interact freely in the marketing of maize. Most of the maize produced in South Africa is consumed locally; as a result, the domestic market is very important to the industry. More than two thirds of maize produced is consumed by humans (50 %) and the animal feed industry (40 %), while the rest is for seed and industrial use (10 %).

Although the total area planted to maize has decreased in the period after deregulation, South Africa still meets its annual maize requirements almost entirely from domestic production.

Considering the 2005/06 commercial maize crop of 6,280 million tons (3,893 million tons white and 2,387 million tons yellow), together with carry-over stocks of about 3,169 million tons (2,301 million tons white and 868 000 tons yellow) from the previous season and imports of 1,275 million tons of yellow maize, the domestic supply of maize for the 2006/07 marketing season (May to April) is estimated at 10,724 million tons (6,194 million tons white and 4,530 million tons yellow).

The domestic demand for commercial maize is estimated at 9,455 million tons—5,365 million tons of white and 4,090 million tons of yellow maize. Projected exports amount to 955 000 tons (810 000 tons of white and 145 000 tons of yellow maize). South Africa therefore has sufficient maize stocks available, both white and yellow, to meet the local demand. Carry-over stocks at the end of April 2007 are expected to amount to 1,269 million tons—829 000 tons of white and 440 000 tons of yellow maize.

### *Trade balance*

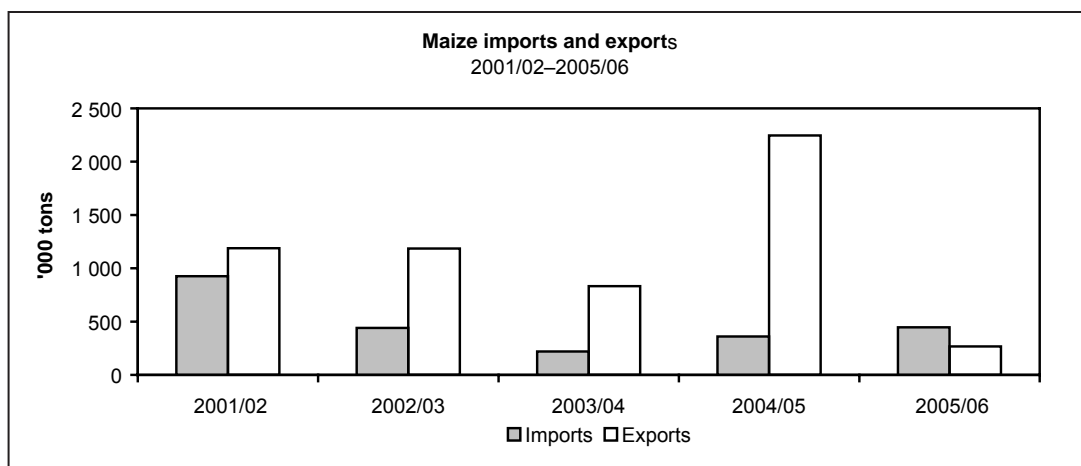
The maize industry is an important earner of foreign exchange for the country through the export of maize and maize products. The international maize market, especially in the US, which produces 40,2 % (2005) of the world's maize, has a dominant influence on local imports and exports, as it determines the world maize price.

In 2005, South Africa contributed 1,7 % to the world's maize production and 25,3 % to the maize produced in Africa.

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, the decision whether to buy from domestic or foreign sources is influenced by a wide variety of factors. However, the source of their bulk purchases will depend on price and quality. When the product is imported, the exchange rate plays an important role in the actual rand price that they pay.

Depreciation in the value of the rand makes import products such as maize, wheat and oilseeds more expensive, thereby providing some protection to South African farmers and an incentive to higher production in the longer term. However, 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 (May to April):



Important export destinations are the BLNS countries (Botswana, Lesotho, Namibia and Swaziland), 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.

Cumulative maize exports for the season up to 6 October 2006 amounted to 250 607 tons—208 233 tons of white maize and 42 374 tons of yellow maize. The pace of exports for the current season is regarded as quite slow and can be attributed to the fact that the high price levels are suppressing demand in the region and that the stocks situation of the neighbouring countries are considered to be adequate. In an article released by the World Food Programme, it was indicated that an expected 1,4 million people in Zimbabwe will require food aid this season, as the official maize crop will be significantly lower than estimates by the Zimbabwean government.

#### 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 import tariff for maize, as published in the Government Gazette on 23 September 2005, was R22,91/ton. According to the current tariff system, a new tariff of zero was triggered during August 2006, however, this has not been published yet.



### *Storage*

Grain silos with a capacity of 15,5 million tons (maize equivalent) were built at 220 depots in the northern parts of South Africa and 972 852 tons at 46 depots in the southern parts. There are currently 16,9 million tons of available bulk storage capacity in South Africa—85 % of silo capacity is owned by former cooperatives. Three companies, namely AFGRI, Senwes and Noordwes, own most of the bulk storage capacity (60 %).

### *Marketing*

Since 1997, after the dissolving of the Maize Board, no statutory levies have been applicable and the marketing of maize is free from statutory intervention. All assets of the former Maize Board were transferred to the Maize Trust and are 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 by 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 (45,8 %), Limpopo (21,5 %), Mpumalanga (20,2 %) and North West (8,1 %) provinces. During the 2005/06 production season (April to March), an estimated 37 150 ha were planted to sorghum for commercial use. This represents a decrease of 57,1 % compared to the 86 500 ha planted during 2004/05. The decrease in the area planted can mainly be ascribed to lower producer prices over the past two seasons, largely because of the domestic oversupply situation and the strengthening of the rand. Furthermore, input costs, especially of imported inputs such as fuel, chemicals and fertilisers, keep rising because of higher international prices.

Although sorghum is, after maize and wheat, the most important grain crop produced in South Africa, it contributes only a small percentage to the total domestic grain crops. For the past five seasons, South Africa produced on average 245 000 tons of sorghum per annum, which is approximately 2,6 and 12,3 % of the average domestic maize and wheat production, respectively.

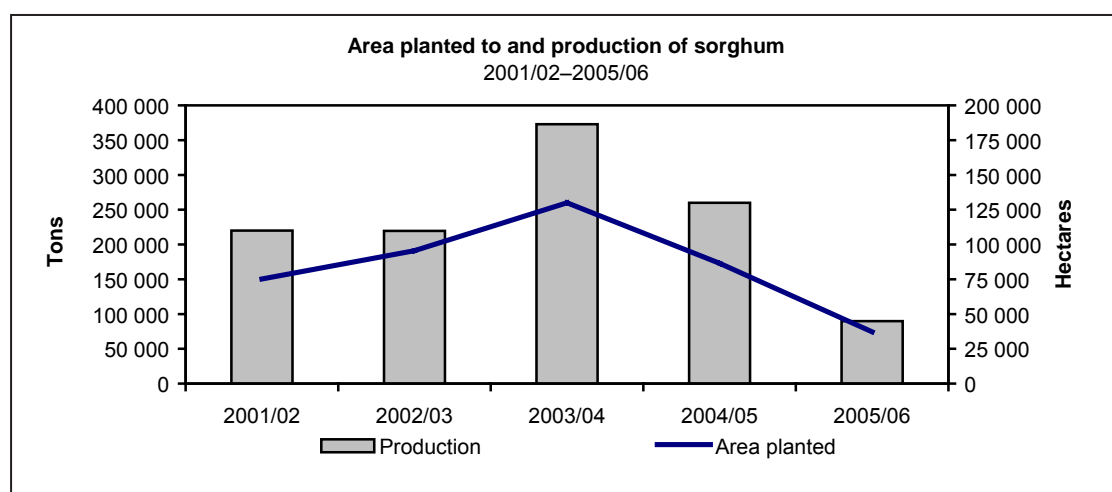
The commercial sorghum crop for the 2005/06 production season is estimated at 89 730 tons, which is 65,5 % lower than that of the previous season and about 63,4 % lower than the five-year average produc-

tion of 245 000 tons up to 2004/05. The average yield for 2005/06 is 2,42 t/ha, which is 6,2 % lower than the five-year average yield of 2,58 t/ha. Although a downward trend in the total area planted is noted, the yield per hectare increased significantly, which can be attributed to the utilisation of more efficient cultivation practices and new cultivars.

Plantings, production and the yields of sorghum from 2001/02 to 2005/06 were as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
Plantings (ha)	75 250	95 497	130 000	86 500	37 150
Production (t)	220 000	219 514	373 000	260 000	89 730
Yield (t/ha)	2,92	2,30	2,87	3,01	2,42

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



The 5-year average of sorghum produced by the developing agricultural sector for own use is believed to be approximately 46 500 tons and represents about 20 % of the average commercial sorghum crop of 230 000 tons.

### Consumption

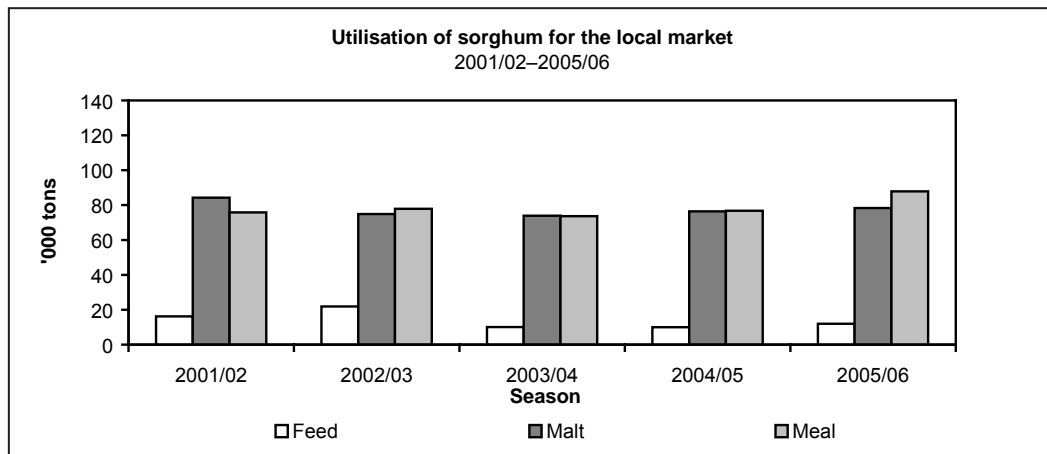
Processors of sorghum products for the consumer market find themselves in an extremely competitive environment in which consumers can easily switch to substitutes such as maize meal, “clear beer” and rice.

Sorghum is mainly used for human consumption, for example malt, sorghum meal and sorghum rice. Malt is used in beer production and remains overall the biggest share of the market for sorghum, which is approximately 40 % for the past 5-year-period. 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. For the past 5 years, the average share of sorghum for the food market is 93 % of total consumption.

The stock feed market is the most important outlet channel for surpluses in sorghum production, because it can be used successfully 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 declining trend 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.

The average annual commercial consumption (human and animal) of sorghum during the past five years is approximately 194 660 tons, of which 180 620 tons are for human consumption (malt, meal and other consumption) and 14 040 tons for animal feed.

The following graph depicts the utilisation of sorghum in South Africa (marketing seasons):



### Producer prices

Local producer prices of sorghum increased by 140 %, from R450/ton in 2004/05 to R1 082/ton for the 2005/06 production season.

Season	2001/02	2002/03	2003/04	2004/05	2005/06
	R/ton				
Producer price	1 500,00	1 450,00	900,00	450,00	1 082,00

Sorghum prices are highly variable. In a year when local sorghum production exceeds utilisation for food and beverages, the sorghum price is determined by the lowest price of competing grains. During the 2005/06 production season, the sorghum price was discounted against the cheapest of white or yellow maize. When sorghum demand exceeds production, the price for sorghum depends on the import parity price and a premium is paid on malting quality.

There was once again a dramatic cut back in area planted to sorghum in the country, from 86 500 ha in 2004/05 to 37 150 ha in 2005/06. The good crop (260 000 tons) of 2004/05, accompanied by large opening stocks (approximately 180 000 tons), led to a large sorghum oversupply situation. This resulted in depressed prices received by producers for the 2004/05 crop. However, during 2005/06, sorghum prices rose dramatically again, mainly because farmers implemented a strategy to counter the effects of the previous seasons' oversupply.

### Outlook

At current market conditions, profitable sorghum production is questionable and many producers will be forced to reduce sorghum plantings even further. The extent to which sorghum will be produced domestically in future will depend entirely on the profitability of sorghum production.

A survey conducted at the end of August 2006, showed that producers intended to increase sorghum plantings by approximately 50 %, from 37 150 ha planted in the 2005/06 production season to 55 725 ha in 2006/07. Using a 5-year average yield of 2,70 ton/ha and the intended planting of 55 725 hectares, one would be looking at a production of 150 460 tons of sorghum during the 2006/07 production season.

### 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.

The Sorghum Trust provides funding for research on sorghum, the maintenance and improvement of quality standards, as well as the maintenance of information required by the sorghum industry.

SAGIS, an independent Section 21 Company, collects, collates and publishes market information on sorghum.

The SAGL, incorporated under Section 21, analyses the quality of grain.

The Crop Estimates Committee plays an important role in providing real-time market information on which important decisions and actions can be based.

The ARC is, on a national basis, responsible for research and development in the agricultural sector.

## Wheat

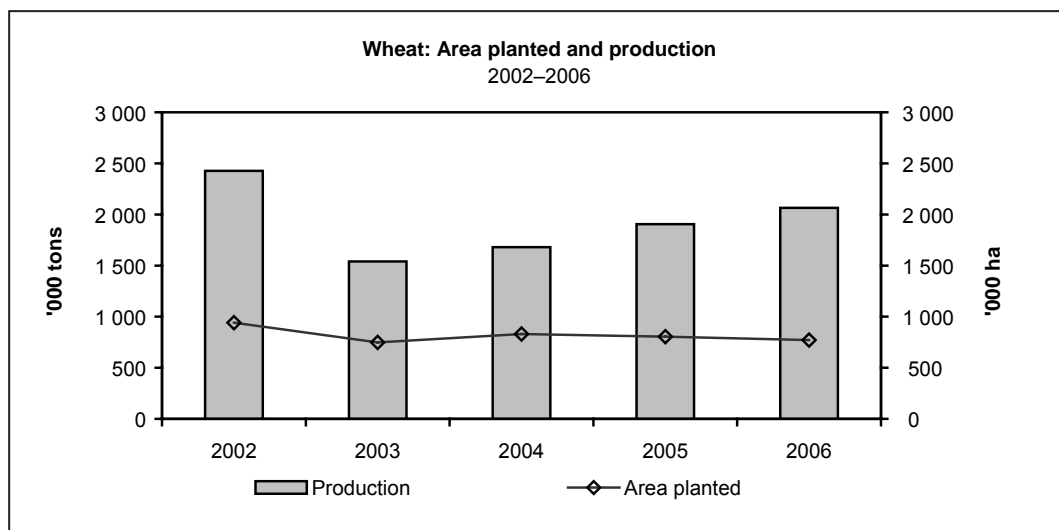
In terms of value of production, wheat is the third most important field crop produced in South Africa. In the 2005/06 season, this crop contributed approximately 12 % to the gross value of field crops. The average annual gross value of wheat for the past 5 years amounts to R2 681 million, compared to R8 675 of maize, which is the most important crop.

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 2006 season is 770 800 ha (a decrease of 4,2 % from the 2005 season), of which 360 000 ha (47 %) are in the Free State and 285 000 ha (37 %) in the Western Cape. Favourable growing conditions are experienced during the 2006 season and the expected average yield of 2,68 t/ha for commercial wheat, is the highest in the history of wheat production in South Africa.

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



The expected commercial wheat crop for 2006 is 2,064 million tons, of which 720 000 tons (35 %) are in the Free State, 669 750 tons (32 %) in the Western Cape, and 288 000 tons (14 %) in the Northern Cape provinces.

Plantings, production and yields from 2002 to 2006 were as follows:

Season	2002	2003	2004	2005	2006
Plantings (ha)	941 100	748 000	830 000	805 000	770 800
Production (t)	2 427 000	1 540 000	1 680 000	1 905 000	2 064 200
Yield (t/ha)	2,58	2,06	2,02	2,37	2,68

### Consumption

A total of 3,540 million tons of wheat were available for local consumption during the 2005/06 marketing season (October to September). This comprised carry-over stocks as at 1 October 2005 amounting to 574 000 tons, domestic production, including the developing sector, of approximately 1,912 million tons and imports of 1,054 million tons.

The total demand for wheat for the 2005/06 marketing season is estimated at approximately 2,932 million tons, of which 112 000 tons were exported. Carry-out stocks at 30 September 2006 are estimated to be 608 000 tons.

For the 2006/07 marketing season, the total supply of wheat is estimated at 3,576 million tons (the estimated wheat crop of 2,073 million tons, including the developing sector, together with the carry-over stocks of about 608 000 tons and expected imports of 895 000 tons). The demand for wheat (exports included) is estimated at 2,958 million tons. Carry-out stocks at the end of September 2007 are expected to amount to 618 000 tons.

### Imports

In South Africa wheat is mostly imported for human consumption. In July 2005, a new tariff system for imports of wheat was published in the Government Gazette. The new tariff is 2 % *ad valorem* duty on imports.

Wheat imports from 2001/02 to 2005/06 were as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
	Tons				
Imports	407 000	747 000	1 042 000	1 227 000	1 054 000

### Prices

The average producer prices of wheat (grade 1) from 2001/02 to 2005/06 were as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
	R/ton				
Producer price	1 421,61	1 572,05	1 428,14	1 091,43	1 024,98

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 to finance the Winter Grains Trust.

### Research and information

The ARC-Small Grain Institute in Bethlehem conducts the research on wheat and other winter grain crops.

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 August 2006 report of the United States Foreign Agricultural Services, world wheat trade in 2006/07 (July to June) is forecast at 112 million tons, which is less than in both 2005/06 and 2004/05. Global production of wheat has decreased by 20 million tons to 598 million tons compared to 2005/06. Global consumption is expected to be 615 million tons—9 million tons less than the previous year. Consumption is forecast to exceed production. Therefore global stocks are expected to decrease by 17 million tons to 128 million tons, which is the lowest level since 1995/96.

### Malting barley

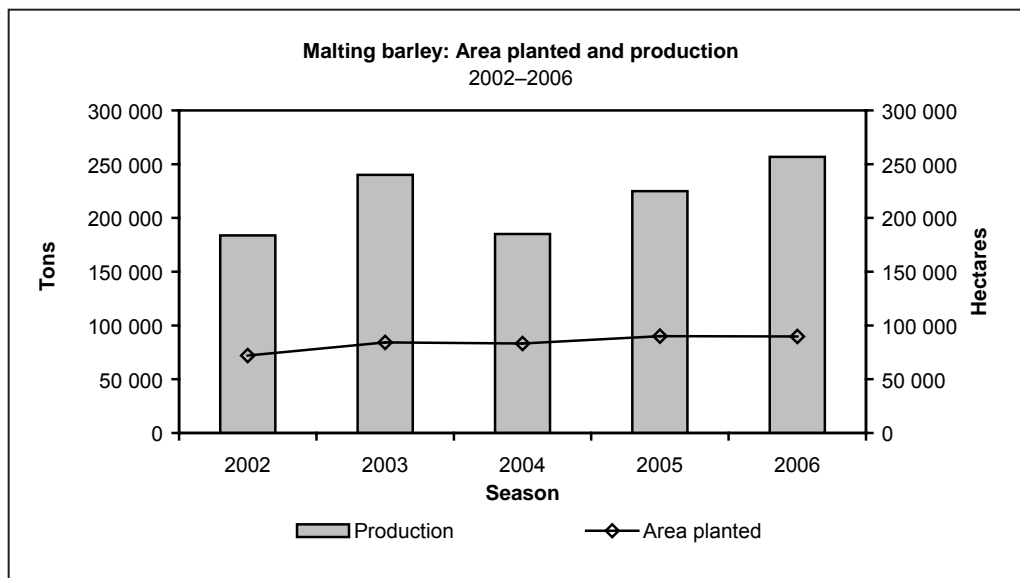
#### Plantings and production

Malting barley is mainly produced in the Western Cape Province (73 % of total production, on 87 % of total area) and in the Vaalharts and Taung areas of the Northern Cape Province (23 % of total production on 11 % of total area). In the Northern Cape, 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 2006 season are estimated at 89 700 ha, which is only marginally (0,3 %) lower than the plantings during 2005. A total estimated crop of approximately 256 860 tons of malting barley is expected for the 2006 season, which is 14,2 % higher than the estimated production of 225 000 tons the previous season.

Plantings, production and yield of malting barley from 2002 to 2006 are as follows:

Season	2002	2003	2004	2005	2006
Plantings (ha)	72 070	84 220	83 200	90 000	89 700
Production (t)	183 770	240 000	185 000	225 000	256 860
Yield (t/ha)	2,55	2,85	2,22	2,50	2,86



#### Consumption

Barley is mainly used for the production of malt (for brewing beer), animal feed and pearl barley. However, the Crop Estimates Committee's barley estimates only involve malting barley, therefore excluding barley for animal feed.

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 2005/06 marketing season (October to September) was estimated at 413 000 tons (imports included). Carry-over stocks as at 1 October 2005 amounted to 100 000 tons. Production for the 2005/06 season was 225 000 tons, while about 88 000 tons were imported.

For the 2005/06 marketing season, the total demand for barley is estimated at 303 000 tons. Carry-out stocks at 30 September 2006 were estimated at 110 000 tons. This is substantially higher than the required 3-month-pipeline stock of 36 000 tons.

For the 2006/07 marketing season, the total supply of barley is expected to be 453 000 tons, comprising the expected crop of 256 860 tons, carry-over stocks of about 110 000 tons and expected imports of 86 000 tons. The domestic demand for barley is estimated at 302 000 tons, including 9 000 tons of exports. Carry-out stocks at the end of September 2007 are expected to amount to 151 000 tons, which is more than four times the required 3-month-pipeline stock of 36 000 tons.

#### *Producer prices and value of crop*

The average producer prices of malting barley from 2001 to 2005 are estimated to be as follows:

Season	2001	2002	2003	2004	2005
	R/ton				
Producer price	1 000	1 200	1 433	1 342	1 000

The average annual gross value of malting barley for the past five years amounts to R232,9 million, compared to the R2 681 million of wheat and R8 967 of maize.

#### *Marketing*

Malting barley is different from most, if not all, other agricultural commodities, as there is only one major buyer in South Africa, namely SAB Maltings, 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, SAB Maltings has imported mostly from Canada and Australia and, to a lesser extent, from the EU.

Barley and malt imports from 2001/02 to 2005/06 are as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
	Tons				
Imports —Barley	166 900	132 700	69 500	101 600	79 000
—Malt	63 200	59 700	70 800	56 900	66 400

#### *World barley situation*

According to the August 2006 trade report forecasts of the United States Foreign Agricultural Services, global production of barley is set to increase by 48,1 million tons, to 140,0 million tons for 2006/07 (October/September), while global consumption is estimated at 146,2 million tons. Therefore global stocks are expected to decrease by 3,3 million tons, to 25,0 million tons.

#### *Research and information*

The South African Barley Breeders' Institute (SABBI) near Caledon and the ARC-Small Grain Institute in Bethlehem conduct the research on barley in South Africa.

The South African Grain Information Service (SAGIS), a section 21 company funded by, amongst others, the barley industry, administers the information function for the barley industry. Statutory levies on sales of barley have been used to finance barley breeding by SABBI and the ARC.

### Sunflower seed

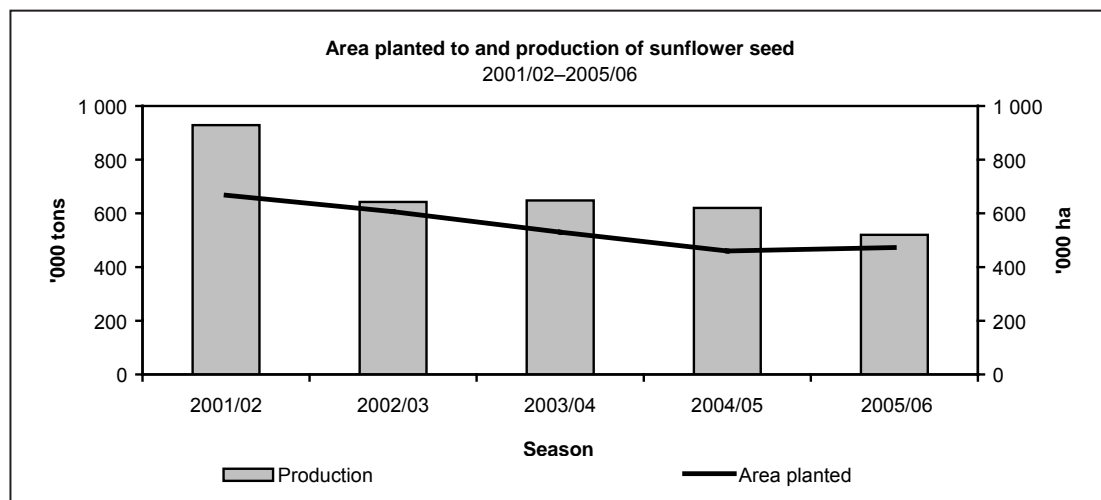
Sunflower seed can be planted from the beginning of November to the end of December in the eastern parts of the country, and up to the middle of January in the western parts. Compared to other crops, sunflower seed performs well under dry conditions. This is probably the main reason for the crop's popularity in the marginal production areas of South Africa. The crop is mainly produced in the Free State (36 %) and North West (42 %) provinces. The contribution of sunflower seed to the gross value of field crops during 2005/06 is approximately 5,3 % and its average annual estimated gross value for the past five years amounts to R1 330 million, compared to the 48,6 % and R8 967 million of maize.

#### Plantings and production

The plantings of sunflower seed vary quite dramatically from year to year, but basically remain within a range of between 380 000 and 830 000 ha over the years. During the 2005/06 production season, an estimated 472 480 ha were planted seed for commercial use, as against an estimated 460 000 ha the previous season. This represents an increase of 2,7 % and is lower than the five-year average of 557 131 ha up to 2004/05.

The commercial production of sunflower seed during 2005/06 was approximately 520 000 tons. This is 16,1 % lower than the previous season and 25,2 % lower than the average of 695 544 tons for the previous five years. Yields obtained during the past production season have been described as disappointing and can, among other factors, be attributed to persistent cloudy and rainy conditions, which resulted in diseases such as sclerotinia that negatively impact on crop production. The average yield for 2005/06 is approximately 1,10 t/ha, which is lower than the 1,35 t/ha during the previous season, and also lower than the five-year average of 1,25 t/ha up to 2004/05.

Developing agriculture contributed an estimated 20 646 tons (4,0 %) to the total sunflower seed production in South Africa during 2005/06.



Indications of producers' intentions for the 2006/07 season are that sunflower plantings will be reduced by approximately 21,5 %, and the decrease can mostly be attributed to the expected increase in maize plantings. The greater interest in crops for biofuel production resulted in producers switching to soya-beans, which could also have a negative effect on the potential production levels of sunflower seed. Applying the average of 1,25 t/ha for the previous five seasons to an expected area of 371 000 ha, a production figure of 463 750 tons could be projected.

Commercial plantings, production and yield of sunflower seed from 2001/02 to 2005/06 were as follows:

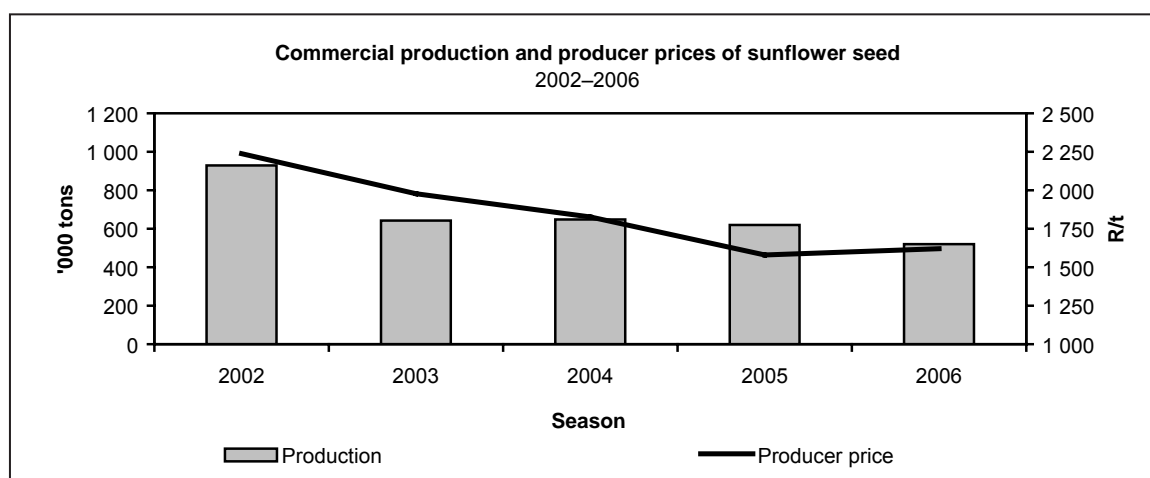


Season	2001/02	2002/03	2003/04	2004/05	2005/06
Plantings (ha)	667 510	606 450	530 000	460 000	472 480
Production (t)	928 790	642 610	648 000	620 000	520 000
Yield (t/ha)	1,39	1,06	1,22	1,35	1,10

### Producer prices

The average producer prices of sunflower seed from 2002 to 2006 are as follows:

Season	2001	2002	2003	2004	2005
	R/ton				
Producer price	2 238	1 978	1 827	1 580	1 620



The average producer price increased by 2,6 %, from R1 580/ton during 2005 to R1 620/ton during 2006. The main reasons for this are the limited stock levels of sunflower seed for the domestic market, as well as the depreciation of the rand.

### Consumption

The sunflower seed marketing season in South Africa commences on 1 January and ends on 31 December. Sunflower seed is used primarily for the manufacturing of sunflower oil and oilcake. Sunflower oil is marketed in the form of refined oil for domestic and industrial cooking and baking purposes and is processed into margarine and other consumer products. Oilcake is an important protein ingredient of balanced animal feed.

The total demand for sunflower seed in South Africa decreased by 17,8 %, from 640 000 tons in 2005 to 526 000 tons in 2006. A breakdown of the total demand is as follows:

Season	2002	2003	2004	2005	2006*
Commercial consumption (t)	713 000	805 000	661 000	639 000	520 000
On-farm (unspecified) consumption	21 000	11 000	13 000	1 000	5 000
Exports (t)	46 000	0	100	0	1 000
Total demand	780 000	816 000	674 100	640 000	526 000

\* Projections

An estimated 621 000 tons of sunflower seed were available for commercial utilisation during the 2006 marketing season. Carry-over stocks on 1 January 2006 amounted to 100 000 tons and the estimated production is approximately 520 000 tons. Imports and exports are estimated at 1 000 tons each.

In South Africa, sunflower seed (an estimated 99 % or 520 000 tons in 2006) is used mainly for oil and oil-cake production. Carry-out stocks on 31 December 2006 are expected to be approximately 95 000 tons. This is about 73 % of the required three-month-pipeline stock of approximately 130 000 tons.

High-oil sunflower seed cultivars are by far the main ones produced in South Africa. Sunflower seed is the major source of plant oil for human consumption in the country. About 50 % of the demand for plant oil is met by locally produced sunflower seed. The balance is made up of imports and local canola, cottonseed, soya-bean and other plant oils.

Sunflower oilcake is an important byproduct 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 oilcake's high fibre content. Because of this constraint, the demand for 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 Perishable Products Export Control Board (PPECB) certificate must be obtained. Although trade in sunflower seed is low, the main country from which the seed has been imported is the Ukraine, while exports are mainly to Pakistan and Thailand.

Year	2002	2003	2004	2005	2006*
	Tons				
Imports	1 800	1 500	17 500	6 000	1 000
Exports	45 700	200	100	100	1 000

\* Projections

### *International overview*

World production of sunflower seed increased by 14,9 %, from 26,24 million tons for 2004/05 to 30,16 million tons for 2005/06. The Russian Federation contributed 21,2 % (6,4 million tons) to world production, followed by the Ukraine with 16,3 % (4,9 million tons) and Argentina with 12,7 % (3,8 million tons)

It is estimated that world production will turn out higher than expected, mainly on account of favourable yields obtained in Russia and the Ukraine, and could reach a record level of 30,1 million tons for 2006.

### *Marketing arrangements*

No levies are applicable and the marketing of oilseeds is free from statutory intervention.

The information function is performed by the national Department of Agriculture, through the Directorate Agricultural Statistics, Grain South Africa and the South African Grain Information Service (SAGIS), a Section 21 company funded by, amongst others, the oilseeds industry. Research is financed with income from the trust and performed by the ARC, CSIR and other organisations.

## **Soya-beans**

Various soya-bean cultivars are very well adapted to South African conditions. Depending on local conditions, soya-beans are usually 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—provided 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. The plant thrives best in warm, fertile, clayish soil. Soya-beans are mainly cultivated under dryland conditions and grown primarily in Mpumalanga (58 %), Free State (19 %), and KwaZulu-Natal (10 %). Small

quantities are cultivated in the Limpopo, Gauteng and North West provinces. Soya-beans contribute approximately 3,9 % to the gross value of field crops and the estimated average annual gross value of soya-beans for the past five seasons amounts to R451 million.

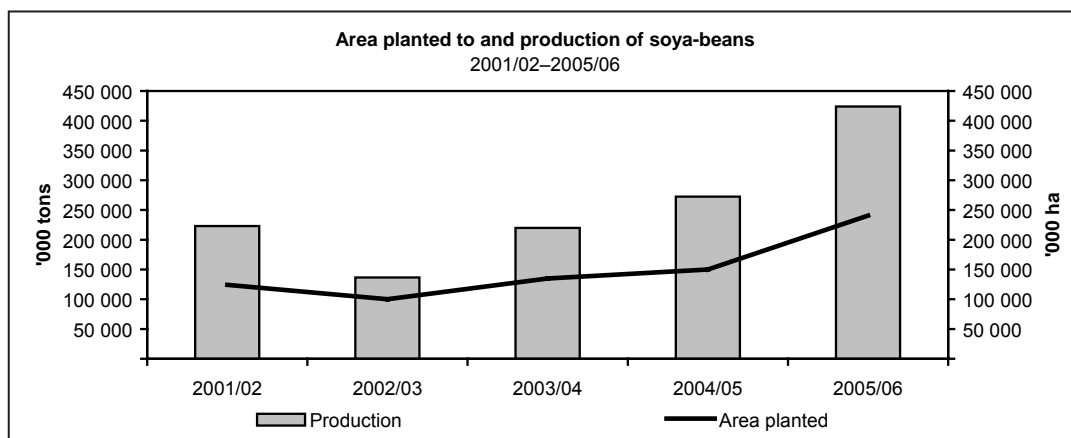
### Plantings and production

The plantings of soya-beans in the country varied between 70 000 and 250 000 ha over the past ten years. During the 2005/06 production season, an estimated 240 570 ha were planted to soya-beans for commercial use, as against an estimated 150 000 ha during the previous season. This represents an increase of 60,4 % in soya-bean plantings and is also approximately 87 % higher than the five-year average of 128 686 ha up to 2004/05.

The estimated soya-bean crop of 424 000 tons for 2005/06 represents an increase of 55,6 % compared to the 2004/05 crop of 272 500 tons. It is also 96,6 % higher than the average of 215 646 tons for the five years up to 2004/05. The average yield is 1,76 t/ha, which is slightly lower than the 1,82 t/ha of the previous season. Soya-bean production in South Africa has increased steadily during the past decade, partly as a result of an increase in yields per hectare.

Plantings, production and yields of soya-beans from 2001/02 to 2005/06 were as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
Plantings (ha)	124 150	100 130	135 000	150 000	240 570
Production (t)	223 000	136 520	220 000	272 500	424 000
Yield (t/ha)	1,80	1,36	1,63	1,82	1,76



There is a growing interest in soya products in South Africa, because of the associated health benefits. 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 2006 is approximately R1 611/ton, which is 39,2 % higher than the price for 2005.

The main influences on soya-bean prices include the rate of increase in South American soya-bean production, the growing demand for imported soya-bean in China, marine freight rates, the continued strengthening of the rand/dollar exchange rate and the spread of genetically modified (GMO) cultivars in the main production areas.

An increase in GMO cultivars could increase yields and assist in stabilising prices.

The average producer prices of soya-beans from 2002 to 2006 are as follows:

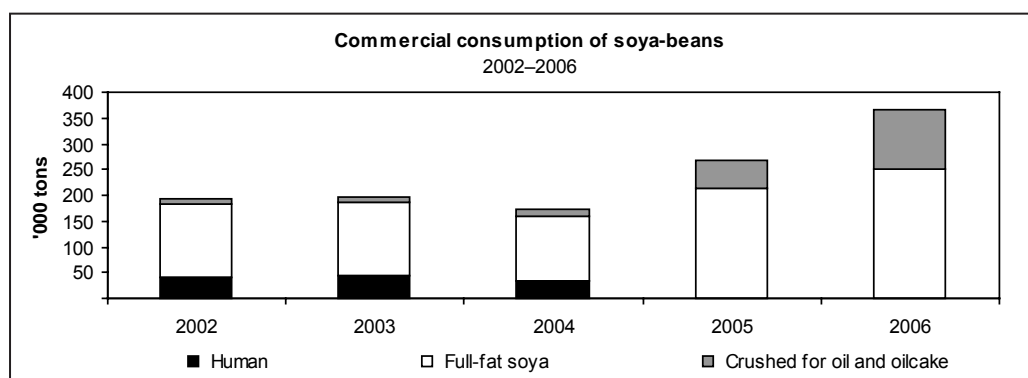
Year	2002	2003	2004	2005	2006
	R/ton				
Producer price	2 011	2 487	2 135	1 157	1 611

### Consumption

An estimated total of 390 000 tons of soya-beans are available for utilisation during the 2006 marketing season (January to December). Carry-over stocks on 1 January 2006 amounted to 89 100 tons, and the estimated production is 424 000 tons. Imports of approximately 8 000 tons are expected. Small quantities are exported annually. The expected exports are 5 000 tons.

In South Africa, soya-beans are mainly used for animal feed. The local commercial consumption of soya-beans for 2006 is estimated at 367 000 tons, 252 000 tons for feed and 115 000 tons for oil and oilcake production. Carry-over stocks on 31 December 2006 are expected to be approximately 130 000 tons. This is considerably higher than the required three-month-pipeline stock of about 90 000 tons.

The following graph illustrates the commercial consumption of soya-beans:



### Trade

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

The imports and exports of soya-beans from 2002 to 2006 are as follows:

Year	2002	2003	2004	2005	2006*
	Tons				
Imports	34 800	23 400	18 000	14 300	7 000
Exports	1 200	5 100	2 200	2 200	1 500

### 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 alleviating world hunger.

World production increased by 1,64 %, from 215,95 million tons in 2004 to 219,49 million tons in 2005. The United States contributed 38 % (83,9 million tons), Brazil 25 % (55,0 million tons), Argentina 19 % (40,5 million tons) and China 8 % (17,2 million tons) to world production. The balance of 10 % is made up, *inter alia*, by Paraguay, Canada, Europe, India and South Africa.

## *Outlook*

From recent estimates of the areas planted to and production of soya-beans, it becomes clear that soya-bean production is on the increase. This surge in production is mainly the result of the efforts currently involved in the possibility of biofuel production. With the worldwide increases in mineral oil prices, countries all over, including South Africa, started planning and constructing biofuel plants in order to combat the high cost of fuel.

This provided a strong incentive to local producers to increase the area planted to soya-beans, as this crop is one of the commodities identified as a source for biodiesel. However, although local soya-bean production increased by 55,6 % between the 2005/06 and 2006/07 production seasons, it can be expected that even larger quantities of soya-beans, either produced locally or imported, will be required shortly.

Most of the South African soya-bean crop has in the past been taken up in the production process of full-fat soya-meal. Crushing activities for oil and oilcake take up approximately 20 %, while the rest of the crop is for exporting and other uses. However, this utilisation pattern could change dramatically once the local production of biofuel becomes a reality.

## *Research and information*

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

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 the four grain trusts. SAGIS collects, collates and publishes highly factual and reliable market information (stocks, imports, exports, consumption and producer deliveries) once a month.

Accurate crop forecasts and estimates also play an important role by providing real-time information upon which important decisions and measures can be based. The crop estimates are a result of the collated inputs of and consensus reached by the various members of the Crop Estimates Committee.

## **Groundnuts**

### *Plantings and production*

Groundnuts are mainly produced in the north-western regions of South Africa, namely the western and north-western Free State (34,4 %), the North West Province (25 %) and the Northern Cape (37 %). The normal planting time for groundnuts is mid-October to mid-November. Plantings must be done 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.

Groundnuts contribute approximately 1,1 % to the gross value of field crops, and the average annual gross value of groundnuts for the five years up to 2004/05 amounts to approximately R332 million.

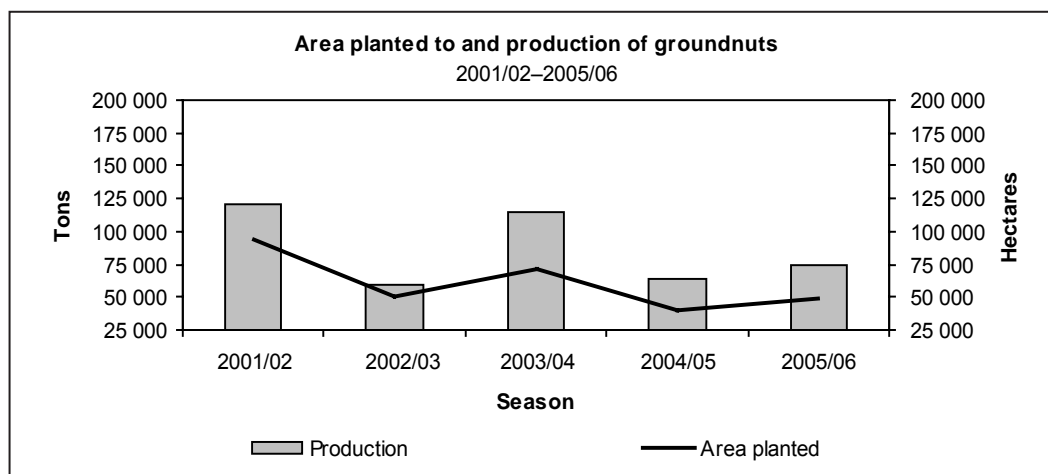
During the 2005/06 production season, an estimated 48 550 ha were planted to groundnuts for commercial use, as against an estimated 40 000 ha planted during 2004/05. This represents an increase of 21,3 % and is 42,3 % lower than the average of 84 152 ha planted during the five years up to 2004/05.

The estimated commercial crop of 74 000 tons of groundnuts for 2005/06 represents an increase of 15,6 % compared to the 2004/05 crop of 64 000 tons. It is 31,9 % less than the five-year average of 108 606 tons up to 2004/05. The average yield was 1,52 t/ha, which was 5,0 % less than the 1,60 t/ha of the previous season and 7,0 % higher than the five-year average of 1,42 t/ha. Yields achieved during the past few years show a continued upward trend, probably indicating changes to better cultivars and an ongoing improvement of cultivation techniques.

Groundnut 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 2001/02 to 2005/06 were as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
Plantings (ha)	94 160	49 850	71 500	40 000	48 550
Production (t)	120 185	60 005	115 000	64 000	74 000
Yield (t/ha)	1,28	1,20	1,61	1,60	1,52



Indications for the 2006/07 production season point to a decrease of 1,1 % in the area planted to groundnuts. Applying the average yield of about 1,42 t/ha for the previous five seasons to an expected area of 48 000 ha, a production of 68 160 tons of groundnuts for 2006/07 is projected.

#### *Producer prices*

The average producer prices of groundnuts from 2001/02 to 2005/06 were as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
	R/ton				
Producer price	2 426	5 050	2 870	2 464	2 790

Because of the decrease in production during 2004/05, which was mainly the result of high domestic stock levels in the previous season, the average producer price for groundnuts increased by 13,2 %, from R2 464/ton for 2004/05 to R2 790 in 2005/06.

#### *Trade balance*

The SA Groundnut Forum has requested all role players to comply with legally prescribed standards for permissible levels of chemical residue on groundnuts destined for export in order to maintain the market share of South African groundnuts, especially in the European Union and Japan.

These regulations are based on the principle of critical good agricultural practices (CGAP).

Imports of groundnuts to and exports from South Africa during the past five marketing seasons (March to February) were as follows:

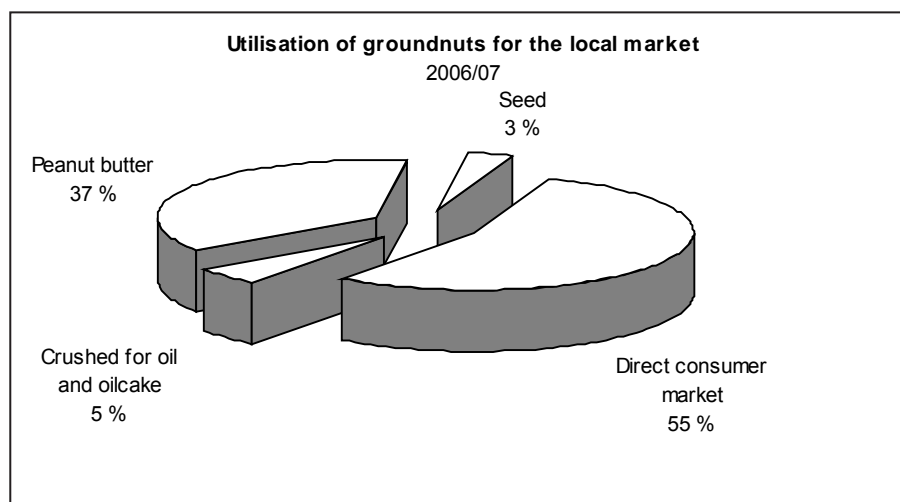
Season	2001/02	2002/03	2003/04	2004/05	2005/06
	Tons				
Imports	600	18 500	12 300	2 200	9 600
Exports	48 900	20 400	21 100	22 200	3 100

## Consumption

A total of 106 000 tons of groundnuts are available for utilisation during the 2006/07 marketing year. Carry-over stocks on 1 March 2006 amounted to 7 000 tons, and the estimated production is 74 000 tons. The expected imports are projected at 25 000 tons.

Expected exports amount to 12 000 tons. Carry-over stocks at the end of February 2007 are expected to be approximately 25 000 tons. This is almost one and a half times the required three-month-pipeline stock of 17 600 tons.

In South Africa, groundnuts are mainly used for human consumption. It is expected that approximately 3 000 tons of groundnuts will be used for oil and oilcake during the 2006/07 marketing season, 23 000 tons for peanut butter and 34 000 tons for the edible market.



The *per capita* consumption for the 2006/07 marketing year is estimated at 1,28 kg, as against 1,45 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 funding received 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. 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. Most plantings are therefore in the Western Cape Province. Sweet lupins are mainly utilised in animal feed rations.

Sweet lupins is a legume crop that releases nitrogen into the soil; it is consequently used in crop rotation systems to increase the yields of, for example, wheat and canola. Through selection and breeding, sweet lupin cultivars were developed from bitter lupin species. Undesirable 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. The maximum permissible alkaloid content is 0,03 %. Anthracnose (*Colletotrichum gloeosporioides*) is the most important disease affecting the crop. This fungal disease can lead to the total collapse of infected plants, resulting in extensive crop losses. Spreading of the disease is by air as well as through infested seeds.

There are three species of sweet lupins, namely broad-leaf 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 and some of the narrow-leaf cultivars (Wanga and Tanjil) are more resistant to anthracnose.

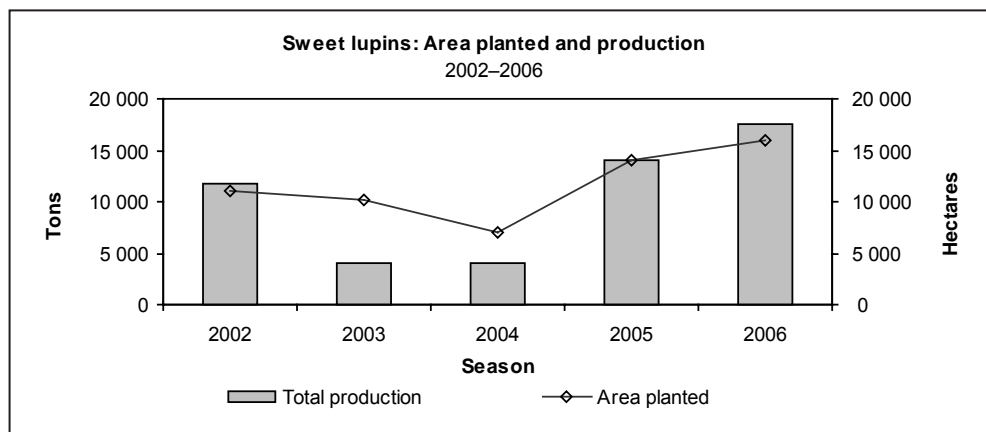
### Plantings and production

The estimated area planted to sweet lupins increased by 13,5 %, from 14 100 ha during the 2005 season to 16 000 ha in the 2006 season. Production is also expected to increase—by 24,8 %, from 14 100 tons to 17 600 tons—as a result of favourable weather conditions.

Plantings, production and yields of sweet lupins from 2002 to 2006 were as follows:

Season	2002	2003	2004	2005	2006
Plantings (ha)	11 000	10 100	7 100	14 100	16 000
Production (t)	11 700	4 040	3 950	14 100	17 600
Yield (t/ha)	1,06	0,40	0,56	1,00	1,10

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



The decrease in areas planted from 2002 to 2004 was mainly the result of problems that farmers experienced, namely drought and anthracnose infestation. Farmers should switch to new cultivars that are more resistant to anthracnose. However, 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). Currently, there are about four different buyers of sweet lupins in the Western Cape who offer preplanting contracts to producers and the prices that farmers expected to receive for the 2006 crop were around R1 000/ton.

### Research

The ARC-Grain Crops Institute, the Protein Research Foundation (PRF) and the Western Cape Department of Agriculture 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 working group to promote the local lupins industry.



## Canola

Canola is an oilseed crop that is mainly grown in the Western Cape Province, however, since the 2001 production season, small quantities have also been planted in the northern production areas.

### *Plantings and production*

While the estimated area planted to canola decreased by 13,7 %, from 44 200 ha during the 2005 season to 34 700 ha in the 2006 season, production is expected to decrease by 5,8 %, from 44 200 to 41 640 tons. The decrease in the area planted to canola can mainly be attributed to the lower prices expected by producers at planting time.

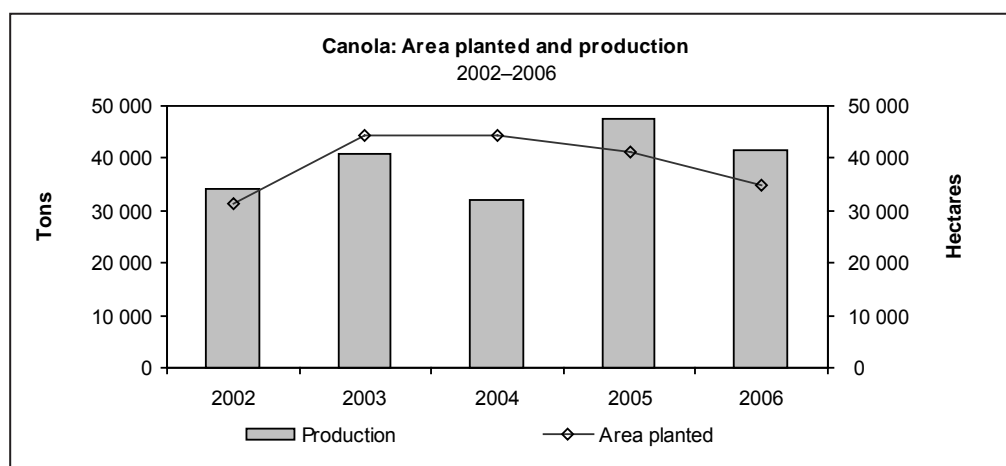
The Western Cape is experiencing favourable crop growing conditions for canola for the 2006 season and therefore the average yield expected is the highest since the 1998 production season.

The planting of canola has become an important part of crop rotation practices in the Western Cape.

Estimated plantings, production and yield of canola from 2002 to 2006 were as follows:

Season	2002	2003	2004	2005	2006
Plantings (ha)	31 200	44 200	44 250	40 200	34 700
Production (t)	34 000	40 770	32 000	44 200	41 640
Yield (t/ha)	1,09	0,92	0,72	1,10	1,20

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. The market for soft oils (oils that are liquid at room temperature), including 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 contain the development of cancer. It is therefore expected that the household consumption of canola will continue to increase.

Canola, especially the oilcake part, is also a good source of protein in animal feed.

Altogether 54 900 tons of canola were available for local consumption during the 2005/06 marketing season (October to September). This included carry-over stocks as at 1 October 2005 of 10 700 tons, while

no canola was imported or exported. The total demand for canola for the 2005/06 marketing season was approximately 31 400 tons.

For the 2006/07 marketing season, the total supply of canola is estimated at 54 540 tons (the estimated canola crop of 41 640 tons, together with carry-over stocks of about 12 900 tons). The domestic demand for canola is estimated at 40 000 tons and therefore carry-out stocks at the end of September 2007 are expected to come to 14 540 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.

The average producer prices of canola from 2001/02 to 2005/06 were as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
	R/ton				
Producer price	1 638,00	2 385,00	1 754,50	1 745,38	1 700,00

### 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.

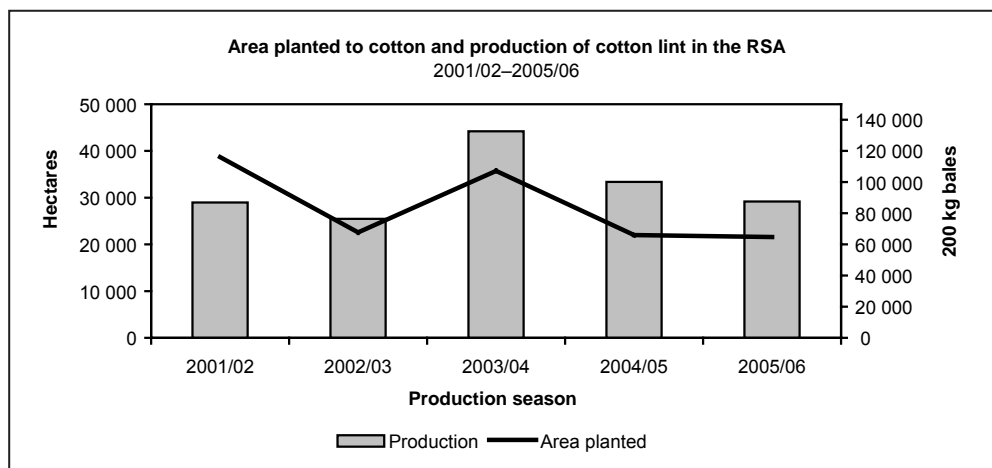
The information function for canola is performed by the South African Grain Information Service (SAGIS), a Section 21 company funded by, amongst others, the oilseeds industry.

### Cotton

In South Africa, cotton is grown in the warm regions of the Limpopo, Mpumalanga, Northern Cape, North West and KwaZulu-Natal provinces where minimum night temperatures are at least 15 °C.

Cotton is planted during October, though planting can be done until the second half of November

The cotton industry is labour intensive and provides work to roughly one labourer per hectare of cotton planted. Oil extracted from cotton seed can be used for cooking and salad dressing. Extracted seed can also be used as a fertiliser or as feed for livestock, poultry and fish.



Source: Cotton SA

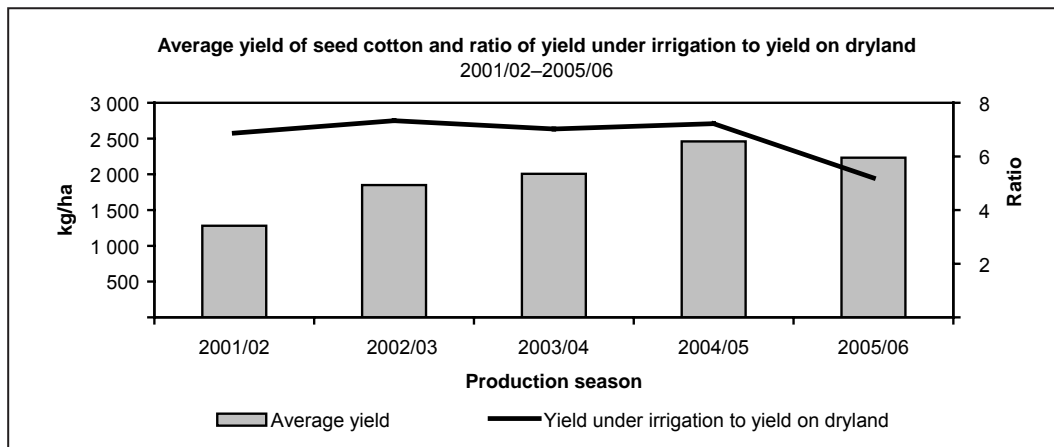
### Area planted and production

The total area planted to cotton in South Africa for the 2005/06 production season is estimated at 20 885 ha, which is a decrease of 4 % compared to the previous season. Total number of domestic hectares planted to cotton reached its highest peak during the 1987/88 production season, when an estimated 181 676 hectares were planted. Since then, the area planted decreased substantially. The lowest plantings in more than thirty years, 20 885 hectares, is estimated for the 2005/06 production season.

Up to the 2003/04 season, the area planted on dryland has been higher than that under irrigation. Since then, cultivation under irrigation consistently exceeded cultivation on dryland. An estimated 55,7 % of the total area planted to cotton during the 2005/06 production season, was under irrigation. Yields per hectare under irrigation are normally up to 7 times higher than on dryland. For the 2005/06 season, the estimated average yield of 682 kilograms of seed cotton per hectare for cultivation on dryland is 29,7 % higher than in 2004/05. This was the result of regular, good overall rainfall that benefited dryland areas.

The domestic production for the 2005/06 season is estimated at 84 673 bales of 200 kg cotton lint, which is a drop of 15,4 % compared to 100 103 (200kg) bales produced in 2004/05. Lower cotton production means that more cotton lint will have to be imported.

Areas planted to cotton and the production of cotton lint for the 2001/02 to 2005/06 production seasons by the RSA and Swaziland compare as follows:



RSA					
Production season	2001/02	2002/03	2003/04	2004/05	2005/06*
Total RSA plantings (ha)	38 688	22 574	35 719	21 763	21 581
Dryland (ha)	28 897	12 252	17 450	8 866	9 999
Irrigation (ha)	9 791	10 322	18 269	12 897	11 582
Cotton lint (200 kg bales) from RSA-grown cotton	86 920	76 425	128 990	101 570	86 328
Swaziland					
Production season	2001/02	2002/03	2003/04	2004/05	2005/06*
Total Swaziland plantings (ha)	9 606	4 500	6 500	5 000	888
Dryland (ha)	9 606	4 500	6 500	5 000	888
Irrigation (ha)	0	0	0	0	0
Cotton lint (200 kg bales) from Swaziland-grown cotton	15 310	2 175	5 565	5 460	945

Source: Cotton SA \* Estimates (July 2006)

## 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 2004/05 marketing season was 318 c/kg, while the price for 2005/06 is estimated at 227 c/kg. In South Africa, the price of cotton normally emulates global price trends.

According to the International Cotton Advisory Committee (ICAC), international prices are expected to show some improvement; however, price increases are expected to be slowed down by higher production in China, India and Pakistan.

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

Year	2001/02	2002/03	2003/04	2004/05	2005/06*
	c/kg				
Seed cotton	254	351	369	318	227
Cotton lint	962	1 179	1 102	1 109	737

\*Estimates

## Consumption

Consumption of cotton lint by RSA spinners (including Swaziland) for the 2006/07 marketing year (April to March) is estimated at 230 000 bales of 200 kg, compared to the 240 930 bales during 2005/06.

During the 2005/06 marketing year, about 42 % of the consumed cotton lint was imported from the Southern African Development Community (SADC) countries. The two major suppliers were Zambia and Malawi, where 66 % and 24 of all cotton imports originated, respectively. Cotton lint exports for the 2005/06 season were 6 599 tons, with an estimated 6 000 tons for 2006/07.

Consumption of cotton lint by South African and Swaziland spinners were as follows:

Marketing year	2001/02	2002/03	2003/04	2004/05	2005/06
	200 kg bales				
Consumption	364 130	387 135	309 645	296 120	240 930

## Marketing arrangements, information and research

In terms of the free trade agreement between countries within the SADC region that has been operational since 2000, there has been no duty on cotton imports since 1 January 2004, supporting the fact that about 99 % of imports in the 2005/06 marketing season were from the SADC region. However, a levy on lint of 160 c/kg is charged for imports from elsewhere.

Locally, the seed cotton is either sold to a ginner who gins and sells lint to spinners and seed to processors, or a producer may contract a ginner to gin at a fee, in which case the lint will be sold by the producer or by the contracted ginner on the producer's behalf.

Following the dissolving of the Cotton Board in 1998, a Section 21 company, namely Cotton SA, was formed by stakeholders in the cotton industry. 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.

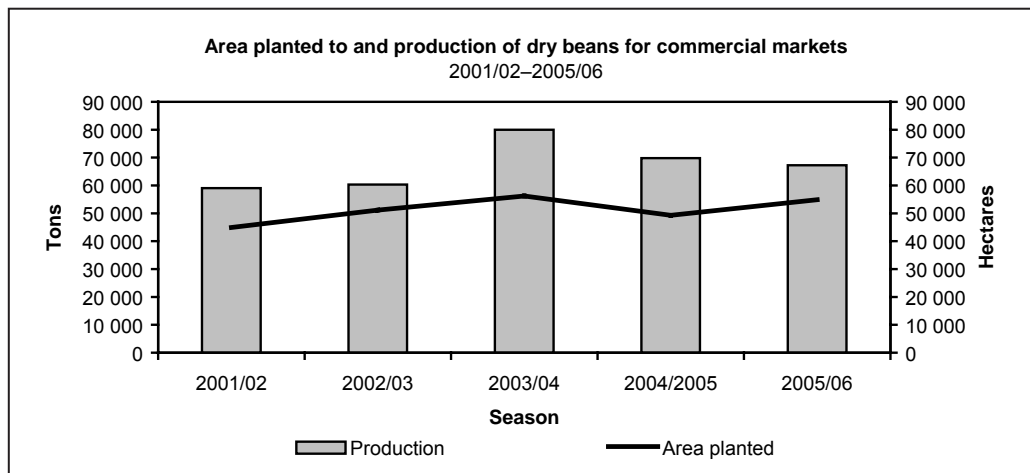
One of the goals of the cotton industry is that 25 % of the total local production should be from small-scale farmers by 2007. It is envisaged to achieve this goal through a training programme established by Cotton SA and other stakeholders (including the private sector and Government).

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

## Dry beans

### Areas planted and production

During the 2005/06 season, an estimated 54 880 ha were planted to dry beans for commercial markets—an increase of 11,3 % compared to the 49 300 ha planted in 2004/05. However, the expected commercial crop of 67 250 tons will be 3,7 % lower than the previous crop of 69 820 tons. The average yield for the 2005/06 crop is approximately 1,2 t/ha, a decrease of 14 % from the previous season and is mainly the result of rainy conditions just before harvesting.



The Mpumalanga, Free State and North West provinces are expected to produce 86,4 % of the commercial crop.

Production per province and their share in the 2005/06 crop are as follows:

Province	Production (tons)	Share in crop (%)
Mpumalanga	27 500	40,9
Free State	19 800	29,4
Gauteng	6 300	9,4
North West	10 800	16,1
KwaZulu-Natal	900	1,3
Limpopo	600	0,9
Western Cape	450	0,7
Eastern Cape	0	0
Northern Cape	901	1,3
<b>Total</b>	<b>67 250</b>	<b>100,0</b>

The estimated gross value of dry beans for the 2005/06 season amounts to R297,1 million and is 21,6 % higher than the previous season.

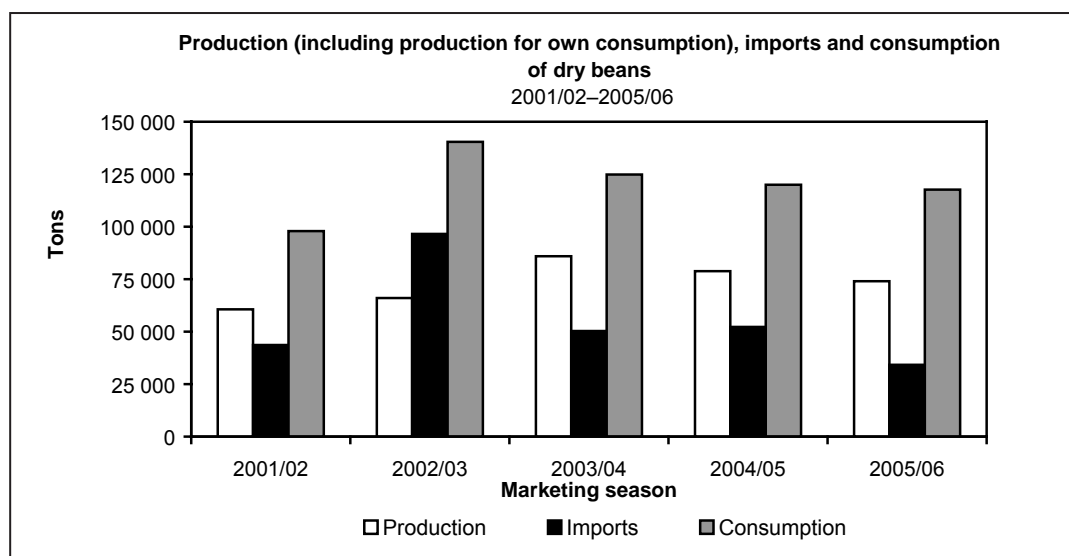
Production per type during 2005/06 is estimated to be as follows: 54 360 tons (80,8 %) Red Speckled, 10 088 tons (15,0 %) Small White Canning, 2 242 tons (3,3 %) Large White Kidney and 560 tons (0,8 %) other dry beans, mainly Cariocas.

The most extensive seed production takes place in the Lowveld area of Mpumalanga, followed by the Limpopo and Northern Cape provinces. In an attempt to improve profitability for producers and to meet the rise in protein demand, cultivars have been developed by the Dry Bean Producers' Organisation in partnership with the Agricultural Research Council that can yield up to 1,4 tons per hectare as against 0,6 tons per hectare 20 years ago. These cultivars are suited to most soil types, with greater resistance to diseases and can be grown successfully in different areas. The average yield for 2004/05 was 1,4 tons per hectare and higher yields of more than 1,5 tons per hectare are seen as a possibility in the near future.

### Consumption

An estimated 117 676 tons of dry beans were consumed locally during the 2005/06 marketing season (March to February), which represents a decrease of 1,9 % compared with 2004/05. The estimated *per capita* consumption for 2005/06 is 2,52 kg, which is 2,8 % higher than the 2004/05 figure.

Because the local demand is substantially higher than local production, large quantities of dry beans are imported each year. As China is the main import source, the present high costs of imports from China and the drop in the exchange rate of the rand, may lead to lower imports.



The quantities of dry beans produced, imported and consumed from 2001/2002 to 2005/06 are as follows:

Marketing season	2001/02	2002/03	2003/04	2004/05	2005/06
	Tons				
Production (including developing agriculture)	60 631	66 022	85 925	75 643	74 052
Imports	43 604	96 581	50 312	53 073	34 233
Consumption	97 892	140 396	124 864	119 975	117 676

### Producer prices

The average prices received by producers for dry beans from 2001/02 to 2005/06 are as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
	R/ton				
Producer price	4 500	4 200	3 500	3 200	4 012

### 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

Sugar-cane is a ratoon crop, which means that, after cropping, new shoots spring from the roots. It yields up to 10 crops of sugar cane from the original rootstock, after which it is eradicated and then replanted. This is done on a rotational basis, with approximately 10 % of the area under cane being replanted each season. Planting usually coincides with the first spring rains.

In the cooler production areas, the sugar cane is harvested when it is between 18 and 24 months old. The late harvest maximises growth and sucrose content. In the coastal areas, where the crop grows faster, it is harvested at an average age of approximately 12 months. Cane is harvested from April to December.

### *The industry: overview*

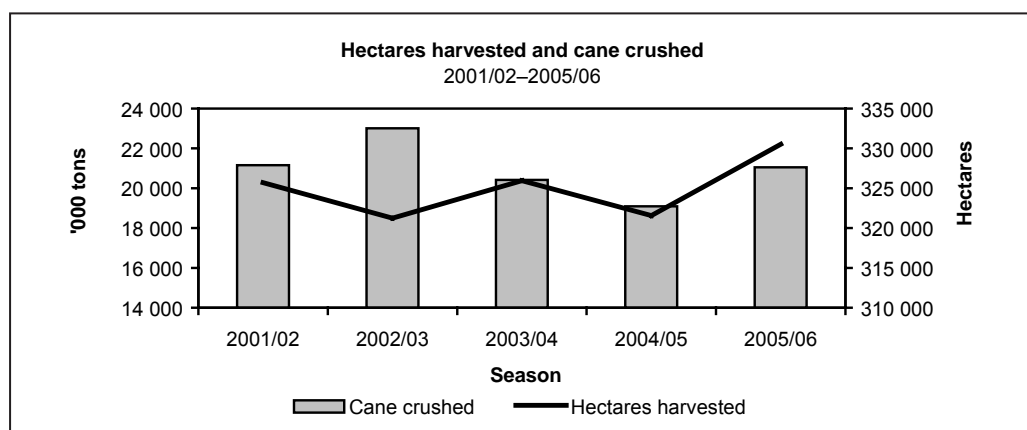
The sugar-cane-growing industry in South Africa is administered by the South African Cane Growers' Association, established in 1927. There are approximately 50 000 registered cane growers who normally produce more than 20 million tons of sugar cane per year from 14 mill supply areas, extending from the Eastern Cape through KwaZulu-Natal to the Mpumalanga provinces. Large-scale growers are responsible for approximately 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 South African sugar industry is seen as a cost competitive one producing high-quality sugar. The industry combines sugar-cane production and production of sugar (raw or refined), syrup and some by-products of sugar. Employment within the industry is estimated at 350 000 people (direct and indirect) and the industry produces an average of approximately 2,5 million tons of sugar per season. The 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 increased by 10,3 % to 21,6 million tons between the 2004/05 and 2005/06 seasons, while production for the 2006/07 season is estimated to be 2,3 % higher than in 2005/06.

The average for cane production over the past decade is 21,1 million tons, with the yield of harvested cane averaging 69,8 tons/ha over the same period. The yield stands at 57,9 tons/ha for the 2005/06 season. The area harvested rose by 4,6 %, from 316 010 ha in 2004/05 to 330 515 ha in 2005/06.



The production of sugar reached a the record level of 2,76 million tons during the 2002/03 season. For 2005/06, production is estimated at 2,51 million tons. The quantity of cane crushed to produce a ton of sugar reached a record of 10,02 tons in 1995/96 before declining over the years, and stands at 8,4 for the 2005/06 season.

The total local consumption of 1,328 million tons of sugar during 2005/06 represents an increase of 4,8 % compared to the 2004/05 consumption of 1,267 million tons.

The production and consumption of sugar from 2001/02 to 2005/06 were as follows:

Year	2001/02	2002/03	2003/04	2004/05	2005/06*
	'000 tons				
Production	2 396	2 763	2 419	2 234	2 507
Consumption	1 227	1 413	1 102	1 267	1 328

### Producer prices

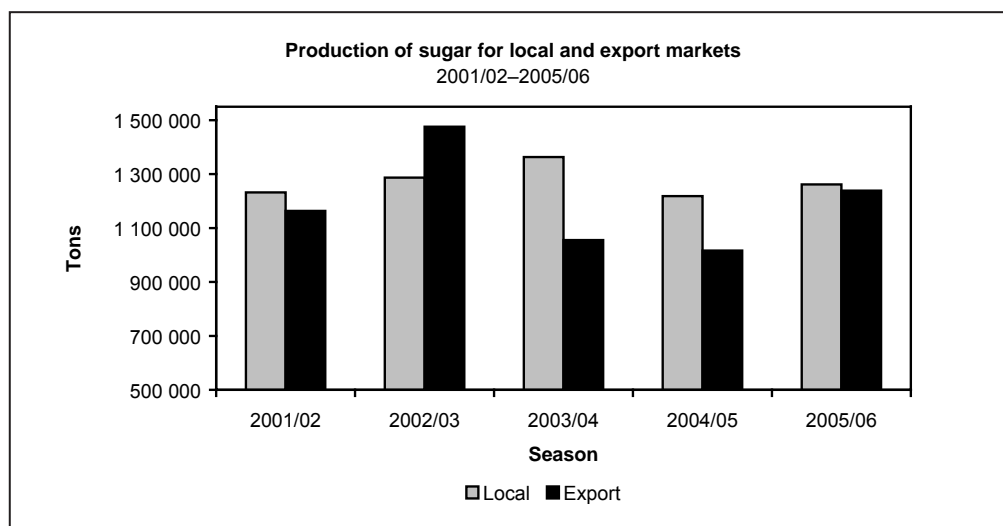
The producer price increased by 8,8 % between 2004/05 and 2005/06. The average price over the five-year period indicated below is R166,85 per ton.

The average producer prices of sugar cane from 2001/02 to 2005/06 were as follows:

Year	2001/02	2002/03	2003/04	2004/05	2005/06
	R/ton				
Producer price	160,23	171,78	169,08	159,55	173,59

### Exports

A total of 1,24 million tons of sugar were exported during the 2005/06 season, while 1,3 million tons were consumed by the local market. There was a 21,8 % rise in sugar exports between the 2004/05 and the 2005/06 seasons, while the local market experienced a 4,2 % increase during the same period.



### Land reform

Inkezo, a new land reform company, initiated and developed by the cane growers and milling companies in the South African sugar industry, was established in 2004. Although Inkezo was initially funded by the industry, it operates as an independent land reform initiative. The primary objective of the company 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 objective excludes 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 Cane Growers' Association.



### *Marketing*

Approximately 50 % of the locally produced sugar is marketed in the Southern African Customs Union. The remainder is exported to markets in the rest of Africa, Middle East, Asia and North America. Internationally, price risk is managed through hedging the value of raw sugar exports on the New York Board of Trade's Coffee, Sugar and Cocoa Exchange. The raw sugar exports are handled at the Sugar Terminal in Durban. The revenue from sugar sales is estimated at approximately R6 billion a year, including foreign income estimated at R2,38 billion.

### *Research, training and other information*

In order to improve the quality of the cane produced, the South African Sugar-cane Research Institute is tasked with developing new sugar-cane varieties and other developments that are then transferred to cane farmers to also improve their profitability. The information includes improving soil quality; minimising pests and diseases; and research on optimal choice in the use of fertilisers, water, ripening and weed control agents.

The Cane Testing Services determine the quality of cane deliveries to the mills, while Umthombo Agricultural Finance provides assistance to small-scale cane farmers concerning credit and savings facilities.

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## HORTICULTURE

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### **Deciduous fruit**

#### *Production areas*

The main deciduous-fruit-producing areas of South Africa are situated in the Western and Eastern Cape provinces, mainly in areas where warm, dry summers and cold winters prevail. The area under production during the 2005 season is estimated at 76 084 ha.

#### *Production*

Although some producers grow fruit both for canning and fresh consumption, it is estimated that in South Africa there are about 2 455 producers of fruit for fresh consumption, 1 100 producers for canned fruit and 1 105 producers for dried fruit. The production of deciduous fruit during 2005/06 is estimated at 1 415 121 tons, which is 6 % lower than in 2004/05.

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

Fruit type	2001/02	2002/03	2003/04	2004/05	2005/06
	Tons				
Apples	590 632	700 773	768 449	657 346	535 344
Pears	303 624	303 893	338 491	323 725	331 642
Table grapes	272 408	282 933	291 674	257 119	266 809
Peaches and nectarines	183 819	243 068	172 875	177 748	168 207
Apricots	49 394	42 189	89 134	37 261	76 039
Plums	38 728	58 336	62 843	54 591	37 080
Total	1 438 605	1 631 192	1 723 466	1 507 790	1 415 121

### *Marketing*

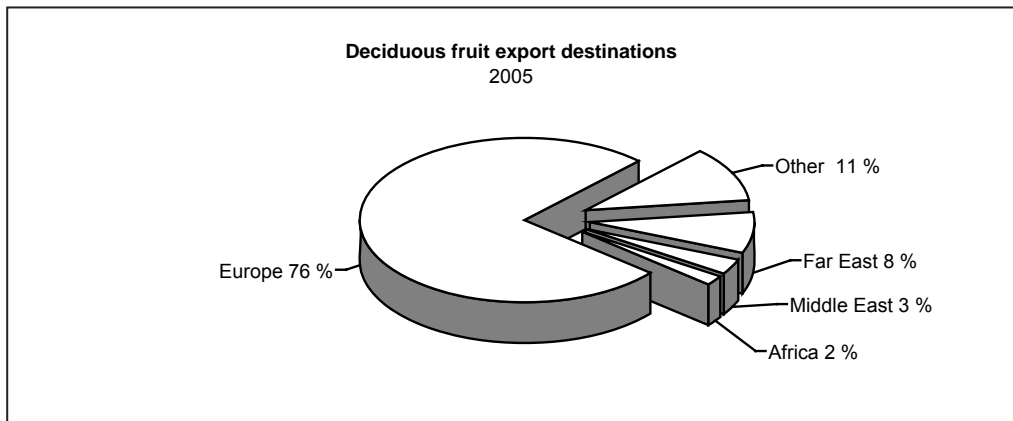
During 2005/06, deciduous fruit contributed approximately 20 % to the gross value of horticultural products. Approximately 358 368 tons of deciduous fruit were sold locally on the major fresh produce markets, other markets and directly to retailers, which represents a decrease of 9 % compared to the 392 902 tons sold during the 2004/05 season.

The average prices realised for deciduous fruit on the major fresh produce markets during the period 2001/02 to 2005/06 are as follows:

Fruit type	2001/02	2002/03	2003/04	2004/05	2005/06
	R/ton				
Apples	2 282	2 408	2 481	2 721	3 032
Pears	1 712	1 996	2 302	2 457	2 656
Table grapes	3 418	3 623	3 982	4 146	4 677
Peaches and nectarines	2 865	3 455	4 774	4 467	5 542
Apricots	2 177	2 723	3 230	3 662	3 604
Plums	2 369	2 315	2 622	2 655	3 748

The exporting of deciduous fruit is a major earner of foreign exchange for South Africa. During the 2005/06 season (October to September), about 39 % of deciduous fruit produced was exported and approximately 66 % of the gross value from deciduous fruit came from foreign exchange export earnings. Total exports amounted to 557 985 tons. This represents a decrease of 13 % as against exports during 2004/05.

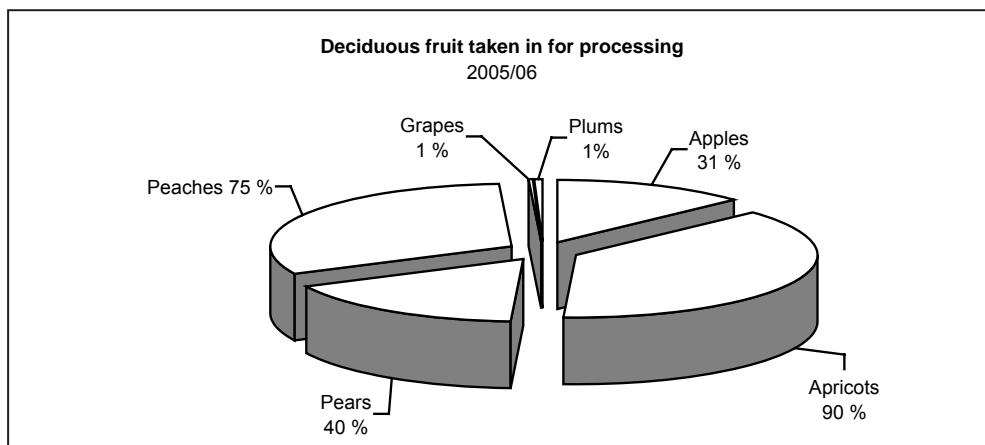
The following graph indicates deciduous fruit export destinations during 2005:



*Intake of deciduous fruit for processing*

During 2005/06, about 34 % of deciduous fruit produced was taken in for processing—an increase of 4 % compared to 2004/05.

The following graph indicates deciduous fruit taken in for processing during 2005/06:



Over the past five seasons, most of the deciduous fruit was processed to juice, except for apricots and peaches, which were used mostly for canning.

However, during 2005/06, the volume of pears used for canning increased by 67 % as against the 2004/05 season. During 2005/06, approximately 96 % of apples taken in for processing was used for juice and 4 % for canning, while 39 % of pears was used for juice and 61 % was canned. Producers received an average of R736 and R331 per ton, respectively, for apples used for canning and for juice. In the case of pears used for canning and for juice, producers received an average of R794 and R221 per ton, respectively.

#### *Domestic consumption*

Per capita consumption and total consumption of deciduous fruit over the past five years were as follows:

Season	2001/02	2002/03	2003/04	2004/05	2005/06
Per capita consumption (kg/year)	16,40	19,81	19,89	17,56	12,27
Total consumption ('000 tons)	745	919	926	823	573

#### *Prospects*

Expectations are that the production as well as exports of almost all deciduous fruit, except for apricots, will increase and that the weakening of the rand against the US dollar will also impact positively on the export industry.

### **Dried fruit**

#### *Production areas*

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

The most important dried fruit products are Thompson seedless raisins, golden sultanas, unbleached sultanas, hanepoot raisins, prunes, peaches, pears, apples 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 grown in the Little Karoo and prunes are produced 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 2006, production of dried vine fruit increased by 36 %, from 30 416 tons in 2005 to 41 229 tons, and that of dried tree fruit decreased by 17 %, from 5 875 tons in 2005 to 4 890 tons in 2006. The increase occurred mainly in the production of unbleached sultanas (58 %) to 3 128 tons and Thompson seedless raisins (49 %) to 27 161 tons. The increase may be attributed to more favourable weather conditions.

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

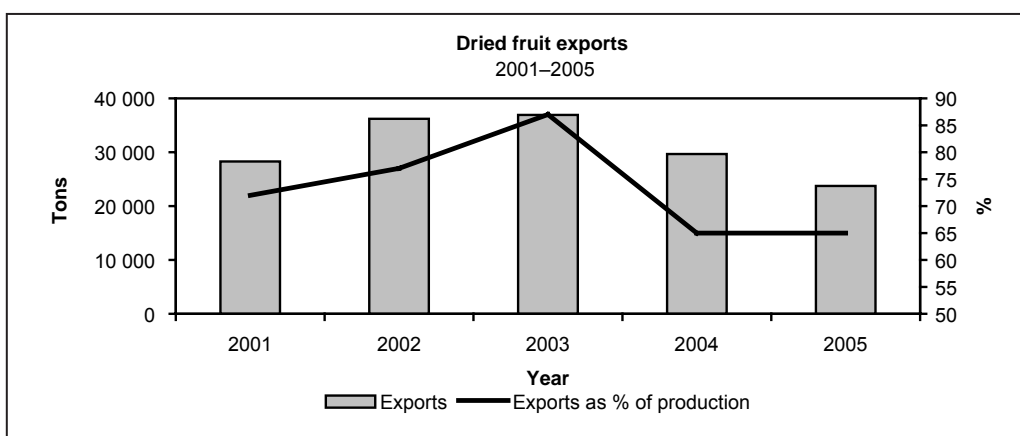
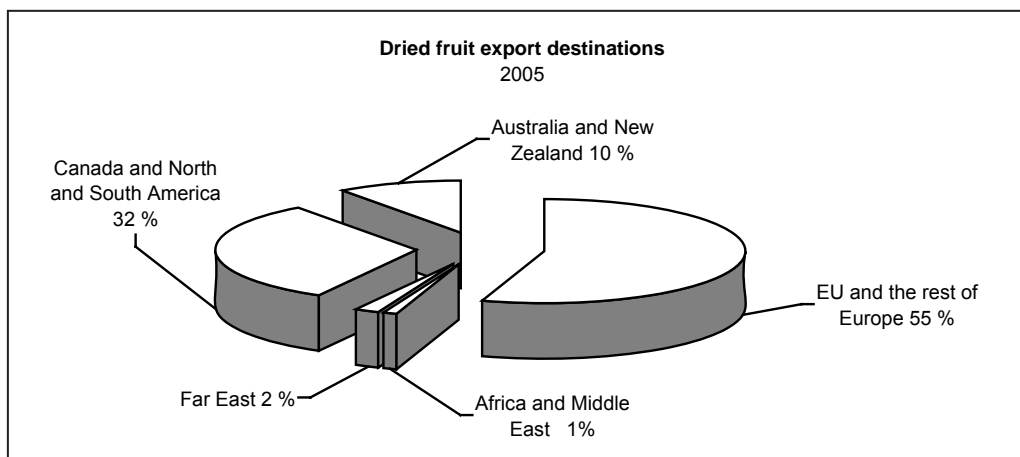
Fruit type	2002	2003	2004	2005	2006
	Tons				
Sultana type					
Unbleached	2 591	6 507	5 716	1 980	3 128
Golden	5 656	7 473	7 557	8 285	8 800
Thompson seedless raisins	32 092	20 858	24 814	18 219	27 161
Currants	1 837	1 774	1 300	1 851	2 080
Raisins	179	115	129	81	60
Total vine fruit	42 355	36 727	39 516	30 416	41 229

Fruit type	2002	2003	2004	2005	2006
	Tons				
Prunes	1 800	2 200	2 484	2 600	1 100
Apricots	1 423	1 576	1 728	1 296	1 520
Apples	80	89	86	91	25
Peaches	1 049	1 120	959	1 208	1 307
Pears	596	712	543	680	938
Total tree fruit	4 948	5 697	5 800	5 875	4 890
Grand total	47 303	42 424	45 316	36 291	46 119

### Marketing

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

The following two charts depict dried fruit export destinations during 2005 and exports from 2001 to 2005, respectively:



### Viticulture

South Africa is the ninth-largest wine producer, namely 3,3 % of the world's wine. The area under vines is estimated at 101 607 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 4 360. Wine is mainly produced in the Western Cape Province and along parts of the Orange River in the Northern Cape Province.

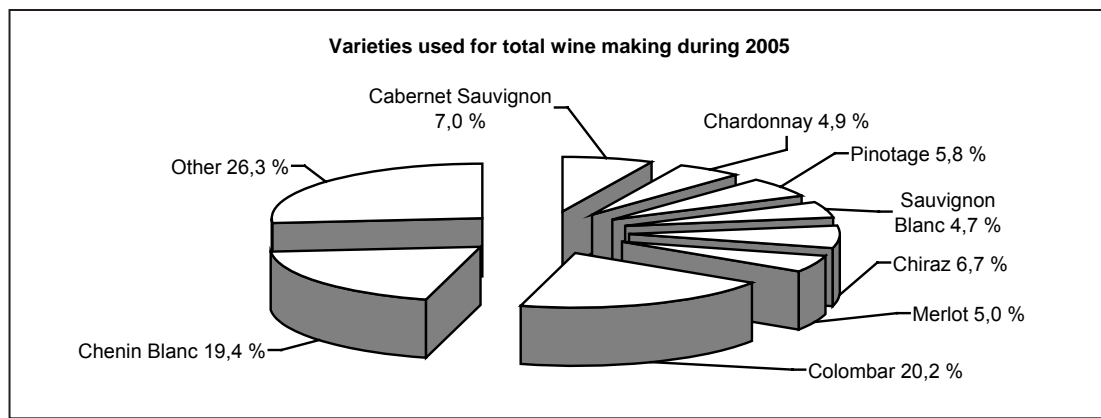
*Production*

Wine production from 2001 to 2005 is as follows:

Year	2001	2002	2003	2004	2005
	Gross million litres				
Wine production	747	834	956	1 015	905

During 2005, the production of wine decreased by 10,9 %. The shift from white to red wines continued, although at a much slower pace.

The variety distribution for 2005 is depicted in the following graph:



*Prices*

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

Year	2001	2002	2003	2004	2005
	c/l @ 10 % A/V				
Average price of:					
Good wine	229,2	299,4	378,1	354,2	338,4
Rebate wine	115,2	130,2	186,6	198,2	206,8
Distilling wine	63,2	73,5	103,1	94,6	97,4

*Income of producers*

The production of wine grapes and income of producers from 2001 to 2005, were as follows:

Year	2001	2002	2003	2004	2005
Wine grape production ('000 tons)	977	1 079	1 234	1 312	1 171
Income of producers (R million)	1 596	2 076	2 576	2 790	2 625

The producers' income decreased by 5,9 % during 2005.

## Exports

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

Year	2001	2002	2003	2004	2005/
	'000 litres				
Natural wine	175 986	215 759	237 212	265 762	279 871
Fortified wine	548	523	531	413	407
Sparkling wine	779	1 401	1 630	1 553	1 537
<b>Total</b>	<b>177 313</b>	<b>217 683</b>	<b>239 373</b>	<b>267 728</b>	<b>281 815</b>

During 2005, 44,8 % of the total wine produced, was exported, compared to 38,4 % during 2004.

The following graph depicts wine export destinations during 2005:



## Consumption

The *per capita* consumption of wine products on the domestic market from 2000 to 2004 was as follows:

Year	2001	2002	2003	2004	2005/
	ℓ per capita				
Natural wine	8,20	8,04	7,00	6,73	6,43
Fortified wine	0,66	0,70	0,75	0,75	0,76
Sparkling wine	0,15	0,17	0,17	0,17	0,18
<b>Total</b>	<b>9,01</b>	<b>8,91</b>	<b>7,92</b>	<b>7,65</b>	<b>7,37</b>

## Prospects

It is expected that the 2006 wine harvest, including rebate and distilling wine, juice and concentrate for non-alcoholic beverages, will be around 960 million litres. This represents a 6,6 % increase on the 2005 crop. Domestic demand for natural wine is expected to increase at an average of approximately 1 % per annum until 2010. Wine exports are expected to grow by approximately 11 % during 2006.

## Subtropical fruit

In terms of the value of production, the subtropical fruit industry earned R1 497 million in 2005/06—an increase of 3,9 % on the 2004/05 figure of R1 441 million.

### Production and production areas

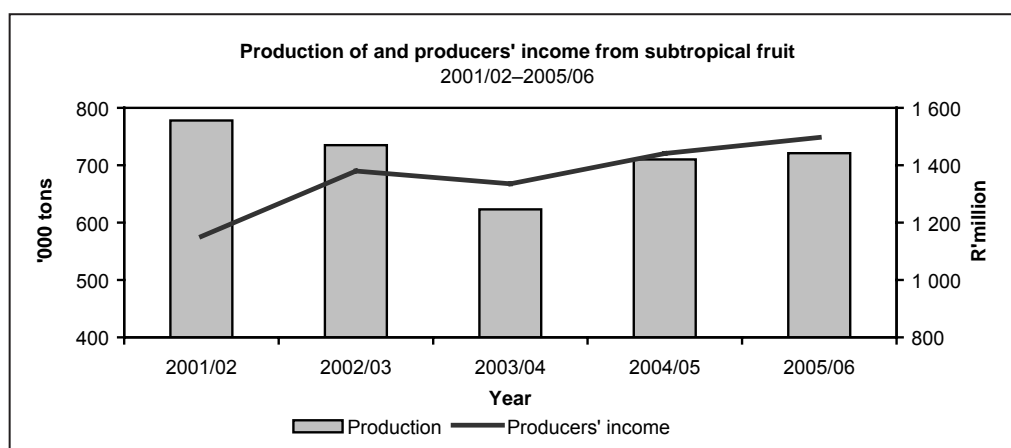
The cultivation of some types of subtropical fruit is only possible in certain specific areas of the country because of particular climatic requirements. In general, subtropical fruit types require warmer conditions and are sensitive to large temperature fluctuations and to frost. The main production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

The total production areas of avocados, bananas, mangoes, litchis and pineapples during 2005/06 are estimated at approximately 12 000, 11 568, 7 748, 3 000 and 13 581 ha, respectively.

Production of subtropical fruit from 2001/2002 to 2005/06 is as follows:

Fruit type	2001/02	2002/03	2003/04	2004/05	2005/06
	'000 tons				
Avocados	66,5	77,2	57,1	82,1	74,6
Bananas	392,5	352,0	277,0	316,3	366,2
Pineapples	167,7	176,5	160,8	166,5	166,7
Mangoes	95,6	74,0	80,0	93,4	63,9
Papayas	22,2	15,4	12,6	16,9	14,5
Granadillas	1,4	1,5	1,7	1,6	1,3
Litchis	5,3	12,1	9,9	4,7	4,9
Guavas	26,6	26,4	24,1	28,3	28,5

The total production of subtropical fruit increased by 1,5 %, from 709 815 tons in 2004/05 to 720 648 tons in 2005/06. The production of bananas and litchis increased by 15,8 and 4,2 %, respectively. However, the production of mangoes, granadillas, papayas and avocados decreased by 31,6, 26,7, 14,2 and 9,1 %, respectively. The warm winter climate, drought conditions in certain production areas and the previous season's good crop had an incredibly negative impact on the total mango crop. Bananas, pineapples and avocados contributed 50,9, 23,2 and 10,4 %, respectively, to the total production of subtropical fruit during 2005/06.



### Domestic sales

During 2005/06, the largest contributors to sales of subtropical fruit on the major fresh produce markets were bananas (73,7 %), pineapples (8,7 %), avocados (6,9 %), mangoes (5,4 %) and papayas (3,6 %).

Except for bananas and litchis, the quantities of all subtropical fruit types sold on the major fresh produce markets decreased during 2005/06.

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

Fruit type	2001/02	2002/03	2003/04	2004/05	2005/06
	Tons				
Avocados	22 037	21 316	17 014	21 428	20 359
Bananas	249 117	210 099	165 411	188 904	219 126
Pineapples	23 861	21 530	20 582	26 212	25 795
Mangoes	24 504	16 562	16 988	18 276	16 171
Papayas	15 368	11 248	8 745	11 904	10 816
Granadillas	1 006	1 093	1 257	1 263	966
Litchis	1 849	2 659	2 776	1 433	1 707
Guavas	3 076	2 854	2 607	3 006	2 242
<b>Total</b>	<b>321 320</b>	<b>340 818</b>	<b>235 380</b>	<b>272 462</b>	<b>297 182</b>

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

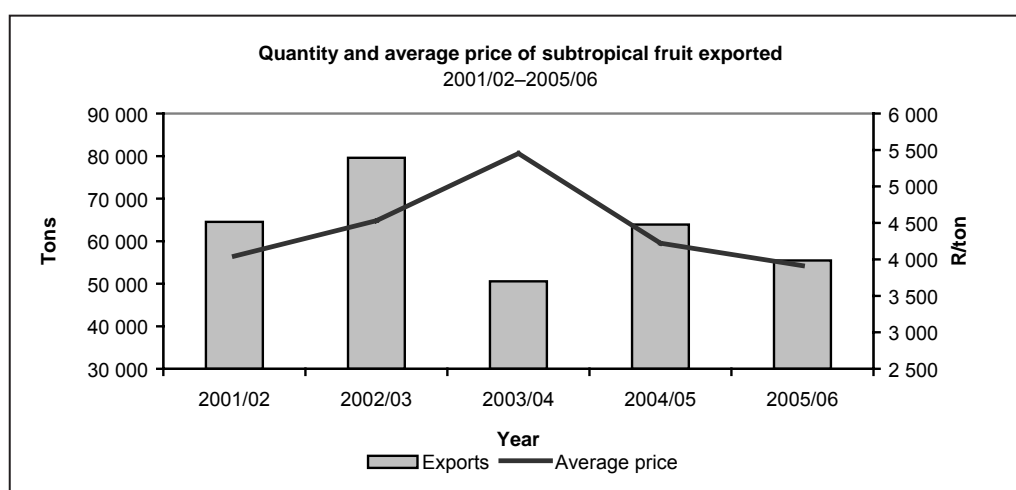
During 2005/06, pineapples accounted for approximately 64 % of the total intake of subtropical fruit for processing. The other two main contributors to the processing industry are mangoes and guavas. While the quantities of most subtropical fruit for processing decreased, some significantly, during 2005/06, the intake of pineapples and guavas increased marginally.

Fruit type	2001/02	2002/03	2003/04	2004/05	2005/06
	Tons				
Avocados	2 539	4 753	4 793	7 651	6 491
Bananas	1 715	1 859	1 349	1 417	977
Pineapples	136 473	148 476	133 973	133 373	134 049
Mangoes	48 780	33 896	51 460	64 001	40 236
Papayas	1 255	606	1 128	1 228	233
Granadillas	176	172	173	118	116
Litchis	473	1 652	839	571	571
Guavas	22 993	23 060	21 043	24 718	25 883
<b>Total</b>	<b>214 404</b>	<b>214 474</b>	<b>214 758</b>	<b>233 077</b>	<b>208 556</b>

#### Exports

From 2004/05 to 2005/06, total exports of subtropical fruit decreased by 13,2 % to 55 479 tons and the average export price for all subtropical fruit decreased by 7,3 %.

The following graph depicts the value of subtropical fruit exports :





The main subtropical fruit type exported is avocados. During 2005/06, exports of avocados contributed 80,0 % to the total value of exports of subtropical fruit. Other subtropical fruit types that were exported include mangoes, pineapples and litchis.

#### *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 during the 2006/07 season.

### **Citrus fruit**

#### *Production areas*

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. The area under citrus for 2005 is estimated at 57 168 ha.

#### *Production*

Oranges constitute about 63 % of the total production of citrus fruit in South Africa. Citrus fruit production increased by 2,4 %, or an average of 0,3 % per annum, from 2001/02 to 2005/06.

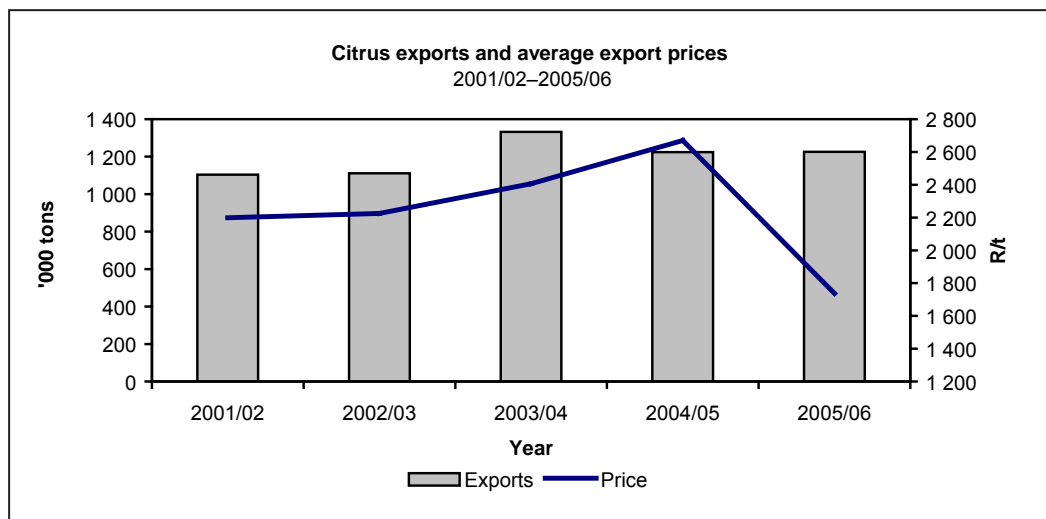
Citrus fruit production for the past five production seasons (1 February to 31 January) is as follows:

Fruit type	2001/02	2002/03	2003/04	2004/05	2005/06
	Tons				
Oranges	1 262 527	1 266 634	1 330 187	1 139 940	1 213 980
Grapefruit	233 312	268 281	256 138	290 387	290 929
Lemons	169 789	190 118	205 655	230 260	184 058
Naartjes	147 999	109 783	115 048	113 701	137 118
Soft citrus	72 189	63 441	71 256	91 951	105 227
<b>Total</b>	<b>1 885 816</b>	<b>1 898 257</b>	<b>1 978 284</b>	<b>1 866 239</b>	<b>1 931 312</b>

#### *Exports*

The citrus industry in South Africa is primarily export orientated, with very small quantities of citrus fruit being imported. South Africa is one of the major citrus fruit exporting countries in the world and in 2004 it was rated the second largest exporter.

Exports increased from 1 104 437 tons during 2001/02 to 1 226 681 tons during 2005/06—an increase of 11 %, or an average of 3.1 % per annum, from 2001/02 to 2005/06. During 2005/06, about 752 889 tons of oranges, almost 62,0 % of the crop, were exported.



### Domestic sales

During 2004/05, citrus fruit sales on the major fresh produce markets in South Africa remained more or less at the same level as in the previous year and comprised only about 9 % of total citrus fruit production. Approximately 16 % of the naartje production, 10 % of the production of oranges and 13 % of the production of soft peelers were sold on the major fresh produce markets.

The average prices realised on the major fresh produce markets during the period 2000/01 to 2004/05 are as follows:

Fruit type	2001/02	2002/03	2003/04	2004/05	2005/06
	R/ton				
Oranges	768	925	1 056	1 084	1 112
Grapefruit	921	1 206	1 518	1 444	1 489
Lemons	1 185	1 543	1 776	1 453	1 723
Naartjes	1 598	2 148	2 096	2 166	1 510
Soft citrus	1 236	1 480	1 706	1 811	1 288

### Processing

Approximately 18,4 % of the total citrus fruit production was taken in for processing during 2005/06. During the past five years, citrus fruit taken in for processing showed an average annual decline of 3,4 %, from 433 058 tons in 2001/02 to 356 040 tons in 2005/06.

### Consumption

Per capita consumption of citrus fruit from 2001 to 2005 is as follows:

Year	2001	2002	2003	2004	2005
	kg/year				
Per capita consumption	16,63	19,06	16,70	17,94	16,61

### Research

CRI (Citrus Research International) has been commissioned by the Citrus Growers' Association of Southern Africa to research and develop the technical issues required to enhance access to world markets for South African citrus fruit.

## 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

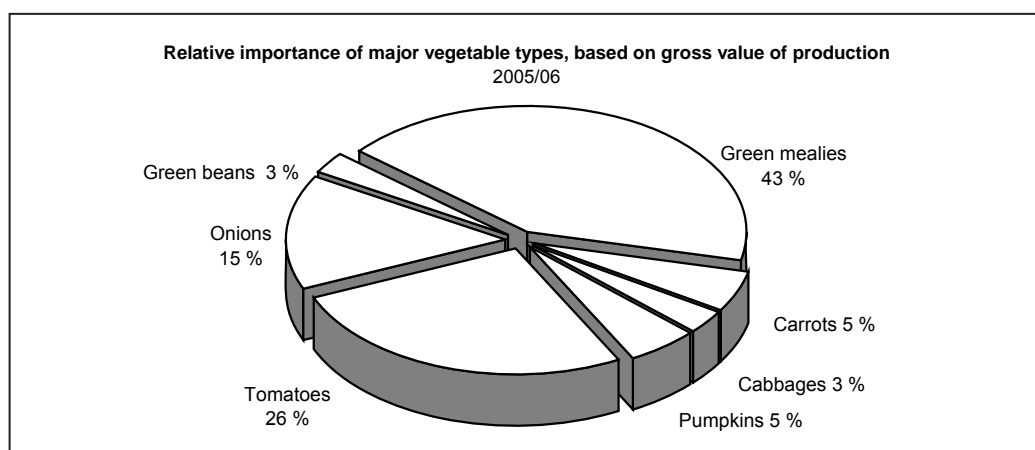
From 2004/05 to 2005/06 (July–June), the total production of vegetables (excluding potatoes) decreased by 1,0 %, from 2 206 431 to 2 184 763 tons. Concerning the major vegetable types in terms of volumes produced, increases occurred in the case of carrots, pumpkins and onions, which increased by 3,0, 2,7 and 1,0 %, respectively. The largest decrease was in the production of cabbages, which decreased by 6,7 %, followed by tomatoes with 2,8 %. The production of green mealies remained virtually unchanged.

The production of vegetables (excluding potatoes) in South Africa for the period 2001/02 to 2005/06 compares as follows:

Year	2001/02	2002/03	2003/04	2004/05	2005/06
	'000 tons				
Tomatoes	420	442	383	464	451
Onions	335	335	377	393	397
Green mealies	295	296	322	317	316
Cabbages	175	176	174	165	154
Pumpkins	210	215	224	225	231
Carrots	102	116	128	130	134
Other	468	501	481	512	502
<b>Total</b>	<b>2 005</b>	<b>2 081</b>	<b>2 089</b>	<b>2 206</b>	<b>2 185</b>

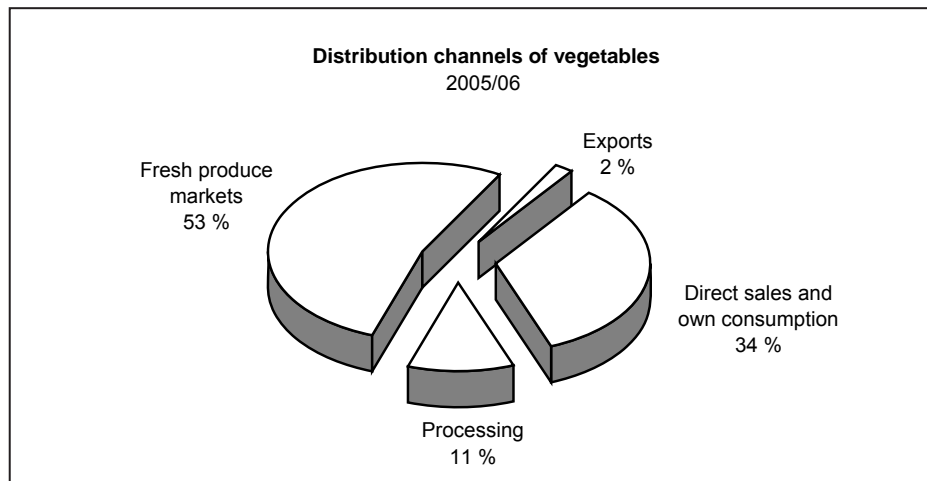
### Relative importance of major vegetable types

The relative importance of the major vegetable types, according to gross value of production during the 12 months up to 30 June 2006, is depicted by the following graph:



### Distribution channels

As depicted in the following graph, approximately 53 % of the volume of vegetables produced is traded on the major South African fresh produce markets. The total volume of vegetables (excluding potatoes) sold on these markets during 2005/06 amounted to 1 160 151 tons, while 1 173 277 tons were sold during 2004/05, which represents a decrease of 1,1 %.



The value of sales of vegetables (excluding potatoes) on the major fresh produce markets for the period 2001/02 to 2005/06 were as follows:

Year	2001/02	2002/03	2003/04	2004/05	2005/06
	R'000				
Tomatoes	485 391	584 993	632 921	582 761	718 599
Onions	354 150	419 878	412 818	353 143	389 257
Green mealies	11 911	15 027	17 200	18 441	20 809
Cabbages	82 409	101 027	98 821	88 636	92 266
Pumpkins	42 699	53 122	52 364	56 506	57 783
Carrots	84 489	106 005	107 844	124 736	136 590
Other	507 693	596 763	672 345	680 122	765 898
<b>Total</b>	<b>1 568 742</b>	<b>1 876 815</b>	<b>1 994 313</b>	<b>1 904 345</b>	<b>2 181 202</b>

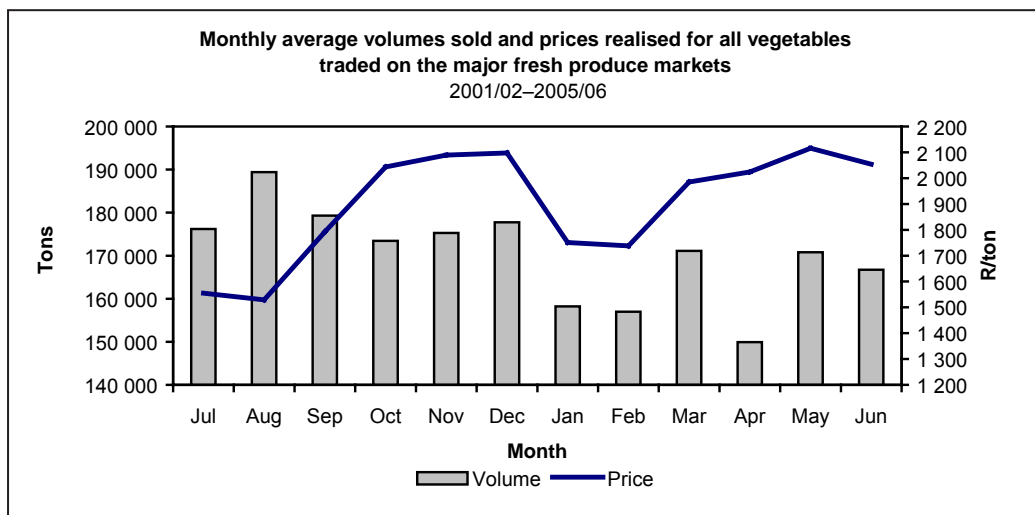
The value of tomatoes showed the largest increase of 23,3 % from 2004/05 to 2005/06, followed by green mealies and onions with 12,8 and 10,2 %, respectively.

### Prices

The average prices of vegetables realised on the fresh produce markets for the period 2001/02 to 2005/06 were as follows:

Year	2001/02	2002/03	2003/04	2004/05	2005/06
	R/ton				
Tomatoes	2 071,31	2 471,79	2 852,08	2 267,02	2 848,71
Onions	1 469,52	1 672,73	1 558,47	1 221,39	1 346,58
Green mealies	4 145,82	5 996,33	6 082,33	5 195,00	5 926,97
Cabbages	563,16	685,15	681,27	642,61	716,64
Pumpkins	689,44	874,74	775,71	876,17	864,71
Carrots	1 258,48	1 325,92	1 214,57	1 404,02	1 461,07
Other	1 604,84	1 998,25	2 194,80	2 046,90	2 347,52

Of the major vegetable types, the price of tomatoes showed the largest percentage increase of 25,7 from 2004/05 to 2005/06, followed by green mealies with 14,1 and cabbages, onions and carrots with 11,5, 10,2 and 4,1, respectively. The price of pumpkins decreased by 1,3 %.



### 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 41,30 kg during 2005/06, approximately 1,9 % lower than the 42,10 kg of 2004/05.

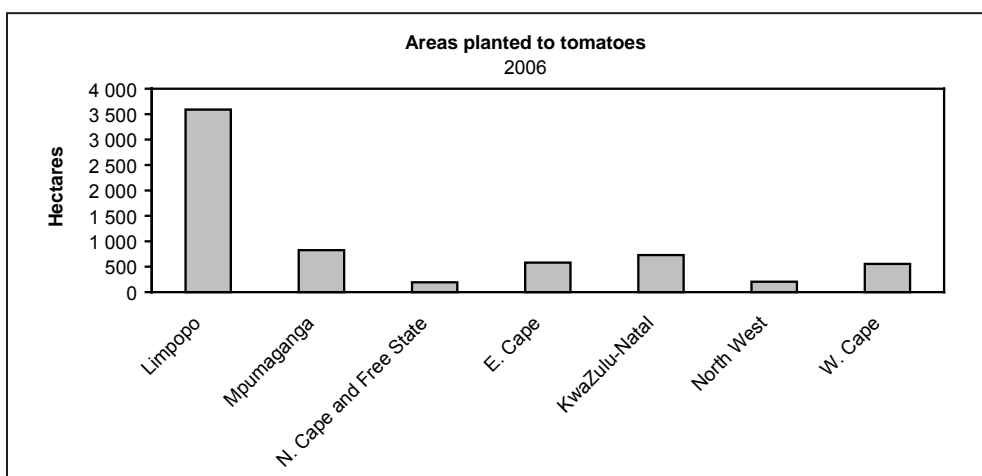
### Tomatoes

The total volume of the tomato industry in South Africa is approximately 650 000 tons to the value of R1,3 billion.

#### Area planted

Plantings of tomatoes for fresh consumption for the 2006 season are estimated at 6 830 ha. This is a 6,6 % increase compared to the area planted during 2005 and includes an estimated 150 ha established in tunnels.

Limpopo Province is the major tomato-producing area with 3 590 ha, which is more than 50 % of the total area planted to tomatoes in the country. Other important regions in terms of hectares under tomato cultivation are KwaZulu-Natal Province with 730 ha, Western Cape Province with 675 ha and the Underberg area of Mpumalanga Province with 551 ha.



### Production

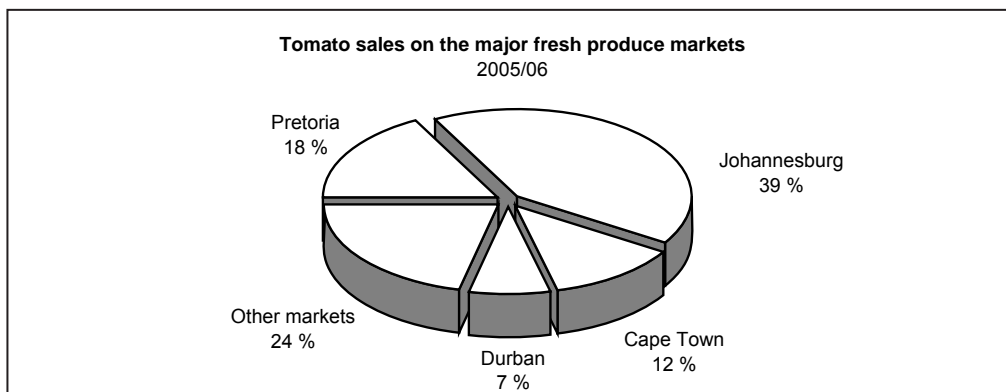
Production of tomatoes for fresh consumption during 2006 is estimated at 428 390 tons, including approximately 30 000 tons produced in tunnels. This is virtually the same as in 2005.

The northern Lowveld and far northern areas in the Limpopo Province contribute almost 60 % to total production and are expected to produce 162 000 and 62 300 tons respectively, followed by the Border area in the Eastern Cape with 36 000 tons and the Underberg region in Mpumalanga with 27 550 tons. Total production figures for the KwaZulu-Natal and Western Cape provinces are estimated at 36 500 and 33 360 tons, respectively.

### Sales

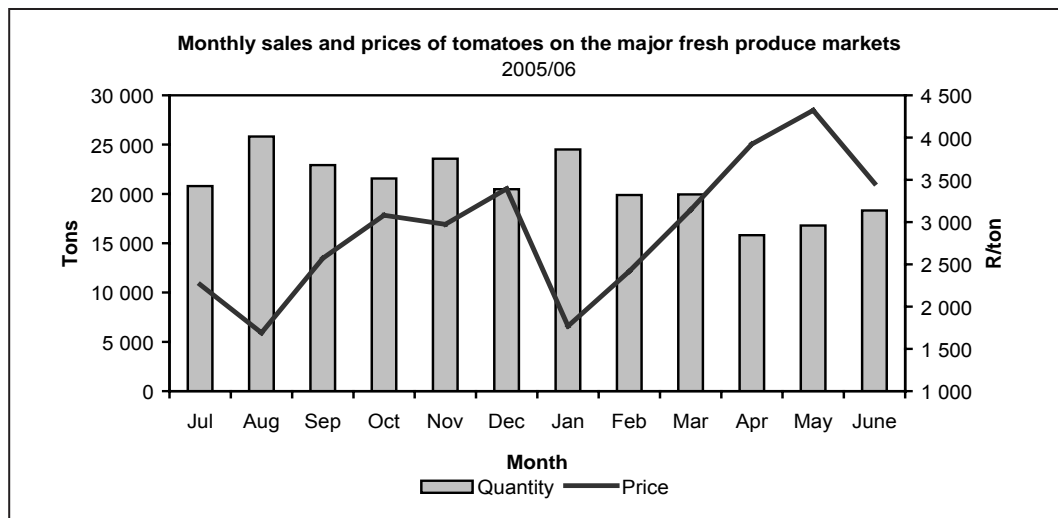
Sales on fresh produce markets and direct sales constitute approximately 50 % of mass. Owing to the geographic distribution and production of tomatoes, a sufficient volume of good-quality tomatoes is being produced throughout the year to meet the daily demand.

The quantity of tomatoes sold on the major fresh produce markets decreased by 3,5 %, from 259 137 tons during 2004/05 to 249 981 tons during 2005/06.



### Prices

Tomatoes are subject to large seasonal price fluctuations, which means that there is a high price risk. In order to guarantee a producer price of approximately R4/kg, the total feeding/supply to markets should not exceed 16 000 tons per month.



A dramatic decrease of 21,1 % in the average price of tomatoes that occurred from 2003/04 to 2004/05 was largely offset by an increase of 25,6 %, from R2 250 per ton during 2004/05 to R2 827 per ton in 2005/06.

### Consumption

The *per capita* consumption of tomatoes in the metropolitan areas of South Africa is 12 kg per annum, compared to 32 kg in Europe. Population growth, urbanisation, *per capita* income and the income elasticity of

demand for tomatoes are important factors influencing the demand. The average household in South Africa consumes between five and ten tomatoes per week.

### Exports

The volume of tomatoes exported has been significantly decreasing (by 17,6 %) from 2003 to 2004 and from 2004 to 2005 there was another, more dramatic, decrease of 92,8 %, from 6 160 to 446 tons.

### Research

Research in the tomato industry is undertaken in collaboration with the ARC. Several remedies for various tomato diseases have already been found.

A report on an investigation by the National Agricultural Marketing Council of the competitiveness of markets is expected shortly. Fresh produce markets are one of several, and possibly the most important, marketing channels of fruit and vegetables. Market prices that are determined within the free market environment on the market floor are used as a basis for determining the prices for almost all the other marketing channels.

### International perspective

The worldwide area planted to and production of tomatoes remained fairly constant over the past five 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, the Netherlands, Belgium and Sweden.

## Onions

### Production

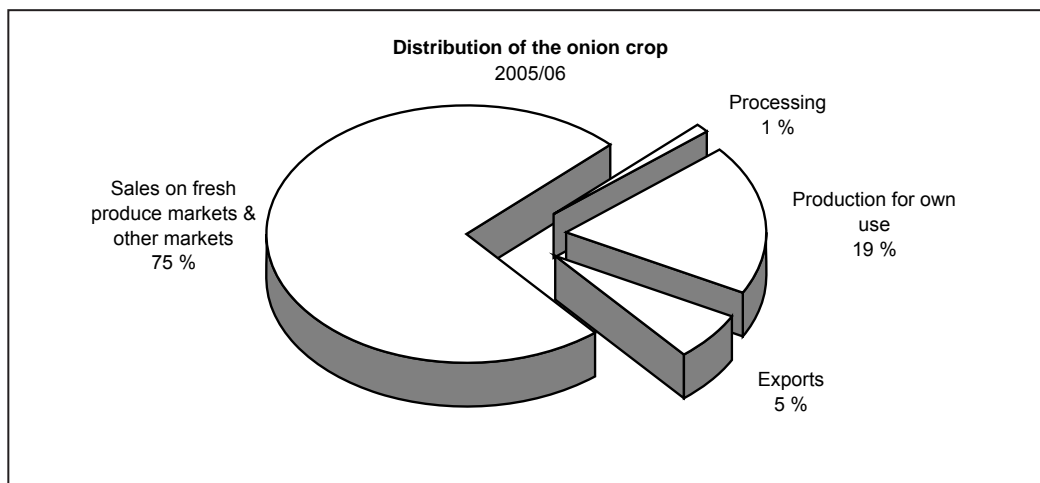
Onions are produced in almost all the provinces of South Africa.

Approximately 396 890 tons of onions were produced during the 2005/06 season (July to June). This is 1 % higher than the production of 393 008 tons during the previous season. The industry has experienced an average annual increase of 3,4 % in production from 2001/02 to 2005/06.



### Sales

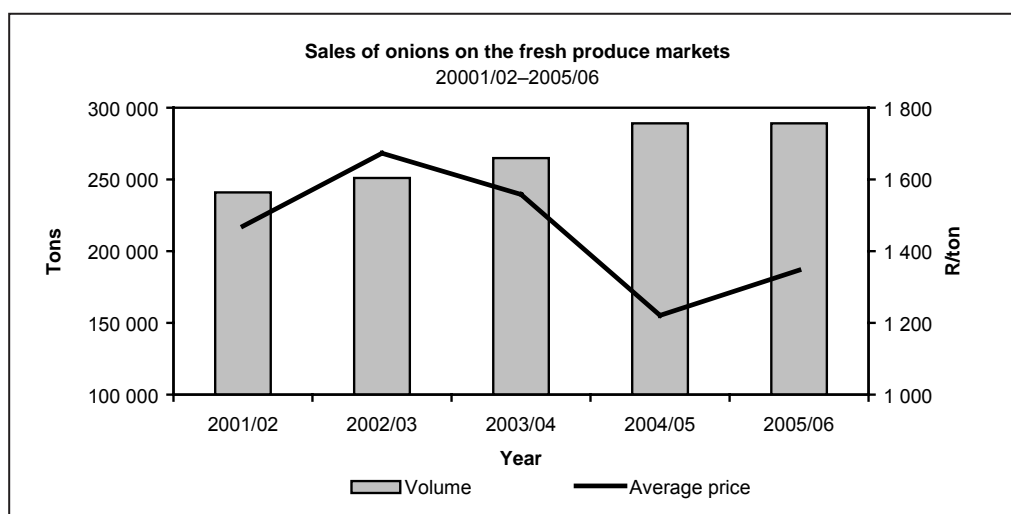
The fresh produce markets remain an important marketing channel for onions. Approximately 75 % of the total production during the 2005/06 season was sold on the major fresh produce markets, compared to 73 % the previous season, while 5 % was exported. The remainder comprises own consumption and direct sales to supermarkets and chain stores, as well as sales to processing factories.



During the period 2001/02 to 2005/06, the sales of onions on the fresh produce markets increased by an annual average rate of 3,7 %, from 240 996 to 289 070 tons.

### Prices

The average price of onions sold on the fresh produce markets increased by 10,3 %, from R1 221 per ton in 2004/05 to R1 347 per ton in 2005/06. This increase in the price of onions was mainly the result of lower volumes offered for sale on the markets.



### Processing

Only 1 % of the total production of onions was taken in for processing during the 2005/06 season. There has been a steady increase in the total processing of onions since the 2001/02 season, when 3 461 tons were taken in for processing compared to 4 509 tons in the 2005/06 season. During 2005/06, about 47 % of processed onions were dehydrated, 44 % was canned, and the remaining 9 % was frozen.

### Exports

During the 2005/06 season, the volume of onions exported represented about 6 % of the total volume of the onion crop. The volume of exports increased by more than 20 %, from 19 751 tons in the 2004/05 season to 23 816 tons during 2005/06.



## Potatoes

There are 16 distinct potato production regions in South Africa, which are spread throughout the country. The main regions are situated in the Limpopo, North West, Mpumalanga, Free State and Western Cape provinces. Potatoes are planted at different times, because of climate differences in these production areas, resulting in fresh potatoes being available throughout the year. During the last two decades there has been a major shift in production from dryland to 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 provinces.

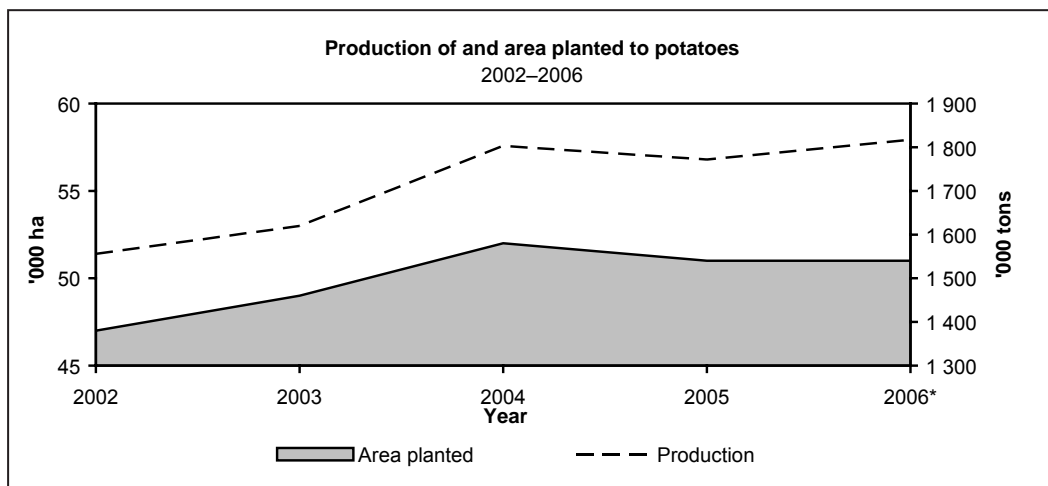
### Area planted

Plantings for 2006 are estimated at around 50 713 ha, which is virtually the same as in 2005.

### Production

South Africa is not a major role player in terms of world production, as it contributes only 0,5 %. Potatoes constituted approximately 45 % of the total gross value of vegetables produced during 2005. In 2005, the average yield was approximately 3 480 x 10-kg pockets per ha, compared to 3 457 x 10-kg pockets per ha in 2004, which is an increase of 0,7 %.

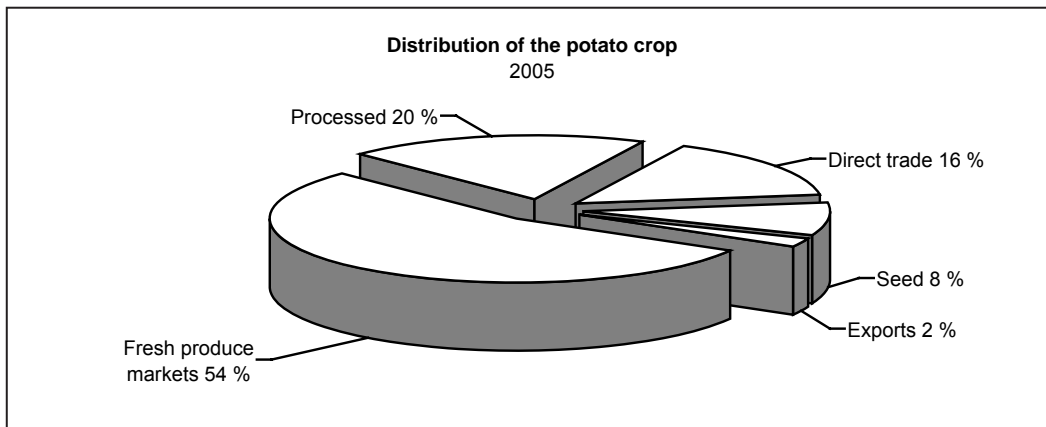
A total crop of about 182 million x 10-kg bags is expected for 2006.



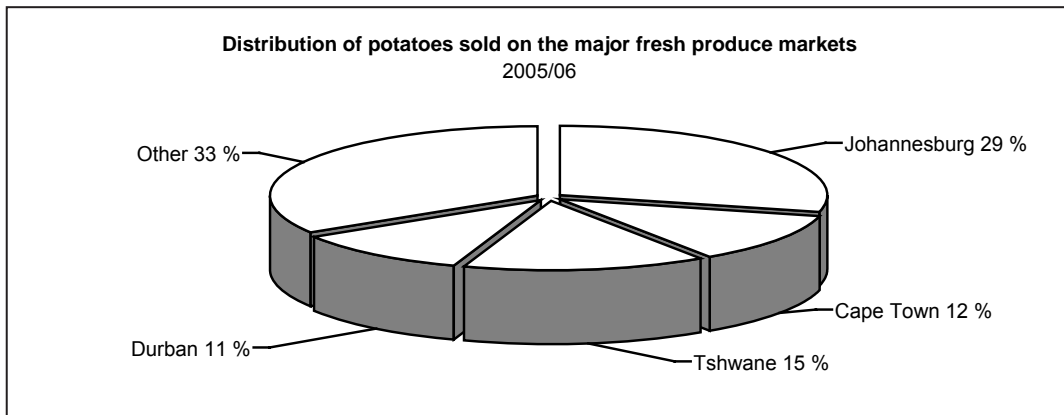
\* Forecast

### Sales

The major fresh produce markets remain an important channel for the sale of potatoes.

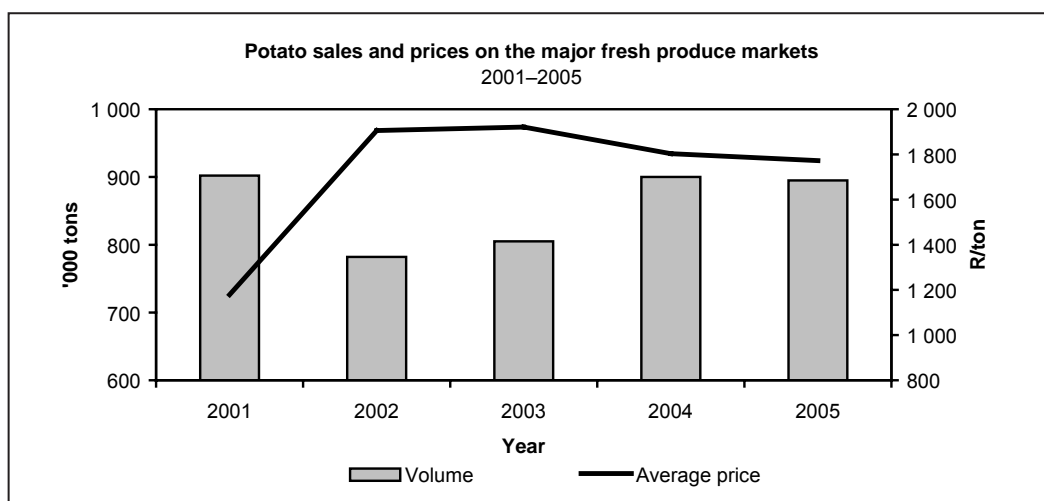


During 2005/06, approximately 89 million x 10-kg pockets of potatoes were sold on the major fresh produce markets, as against 91 million in 2004/05. The Johannesburg fresh produce market remains the biggest outlet, followed by the Tshwane, Cape Town and Durban markets. During the last five years, potato sales on the major fresh produce markets on average showed an increase of approximately 10 % per annum.



### Prices

Between 2001 and 2005, potato prices realised on the major fresh produce markets increased by an average of 10,3 % per annum, from R1 179 per ton in 2001 to R1 744 per ton in 2005.



### Processing

During 2005, approximately 20 % of the total production of potatoes was taken in for processing. About 58 % of these potatoes were processed into potato chips, both fresh and frozen, while 40 % was used for crisps. The remaining 2 % was used for canning, mixed vegetables, and others. The processing of potatoes showed an upward trend of 1,9 % between 2003 and 2005.

### Exports

Approximately 2 % of the total potato production was exported during 2005. The quantities of potatoes exported decreased by 29 % compared to 2004, while the rand value decreased by approximately 9 %. There has been an improvement in trade between South Africa and the other SADC countries. During 2005, approximately 94 % of total potato exports were destined for Angola, Malawi, Mozambique, Mauritius, Zambia and Zimbabwe. Exports showed an annual decrease of 0,4 % from 2001 to 2005. More than 30 000 tons were exported in 2001, while more than 21 500 tons were exported in 2005.

### Consumption

The total gross human consumption of potatoes decreased by 2,4 % to 1,49 million tons during 2005 and the *per capita* consumption also dropped, by 3 % to about 32 kg per annum.

Year	2001	2002	2003	2004	2005
Total production ('000 tons)	1 747	1 556	1 620	1 803	1 772
Gross human consumption ('000 tons)	1 480	1 295	1 354	1 525	1 489
<i>Per capita</i> consumption (kg p.a.)	33,20	28,49	29,17	32,72	31,77

### 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. However, imports should also be taken into account when determining the future of the South African processing industry.

On average, prices for potatoes are expected to remain above R1 700/ton during 2006.

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## ANIMAL PRODUCTION

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### Livestock numbers

Approximately 80 % of agricultural land in South Africa is suitable mainly for extensive livestock farming. Livestock are also found in other areas where they are kept in combination with other farming enterprises. In South Africa, cattle, sheep and goat farming involves approximately 590 000 km<sup>2</sup>. 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 and the southern Free State. Commercial sheep farms also occur in other areas such as the Kgalagadi, 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.

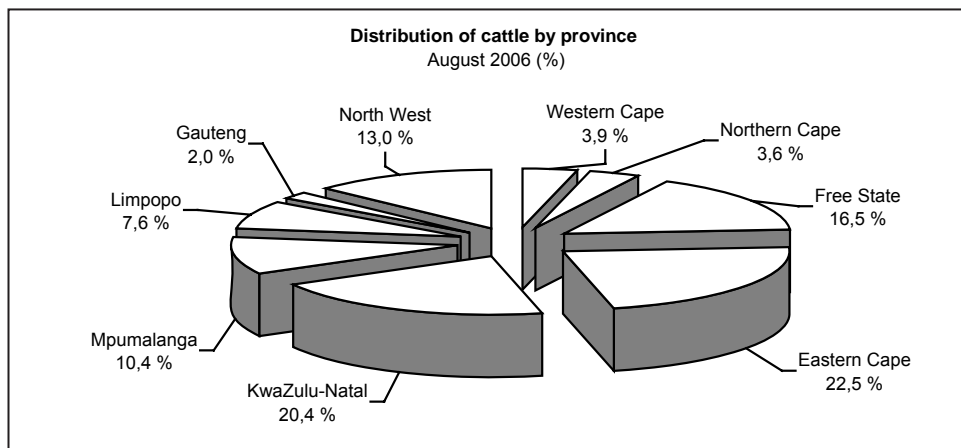
### Cattle

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. In the case of dairy cattle, it varies 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 the country.

The total number of cattle in South Africa at the end of August 2006 is estimated at 13,53 million, comprising various international dairy and beef cattle breeds, as well as indigenous breeds such as the Afrikaner and Nguni. The number is approximately 1,9 % lower than the estimate of 13,79 million as at the end of August 2005. Beef cattle comprise approximately 80 % of the total number of cattle in the country, while dairy cattle make up the remaining 20 %.

Cattle numbers per province since 2002 were estimated to be as follows:

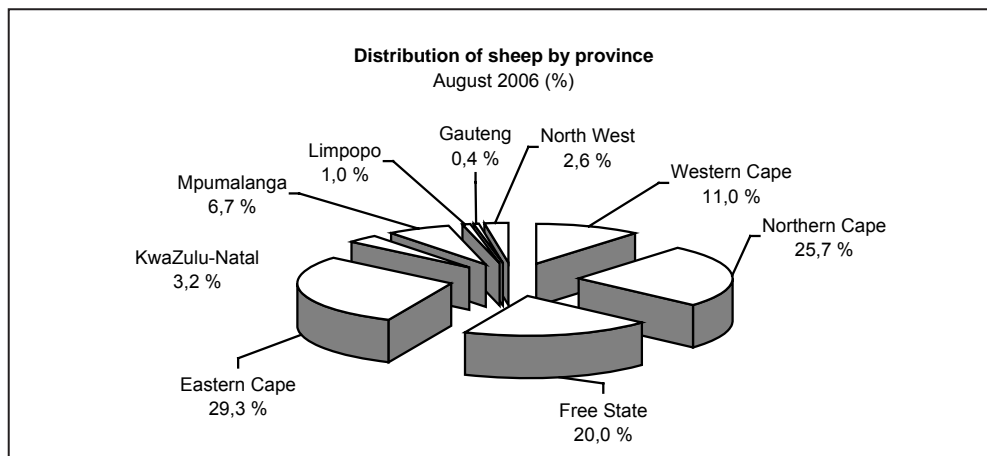
Province	2002	2003	2004	2005	2006
	'000 head (August)				
Western Cape	498	501	496	492	529
Northern Cape	473	471	468	476	485
Free State	2 254	2 256	2 253	2 281	2 237
Eastern Cape	3 125	3 083	3 042	3 072	3 045
KwaZulu-Natal	2 771	2 744	2 749	2 813	2 766
Mpumalanga	1 327	1 332	1 347	1 359	1 402
Limpopo	1 165	1 144	1 138	1 192	1 031
Gauteng	267	264	273	278	274
North West	1 754	1 743	1 747	1 800	1 763
<b>Total</b>	<b>13 634</b>	<b>13 538</b>	<b>13 513</b>	<b>13 763</b>	<b>13 532</b>



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 (MPO) is the most prominent producer organisation in the 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 arid parts of the country. The largest number of sheep is found in the Eastern Cape (29,3 %), Northern Cape (25,7 %), Free State (20,0 %) and Western Cape (11,0 %) provinces. 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.

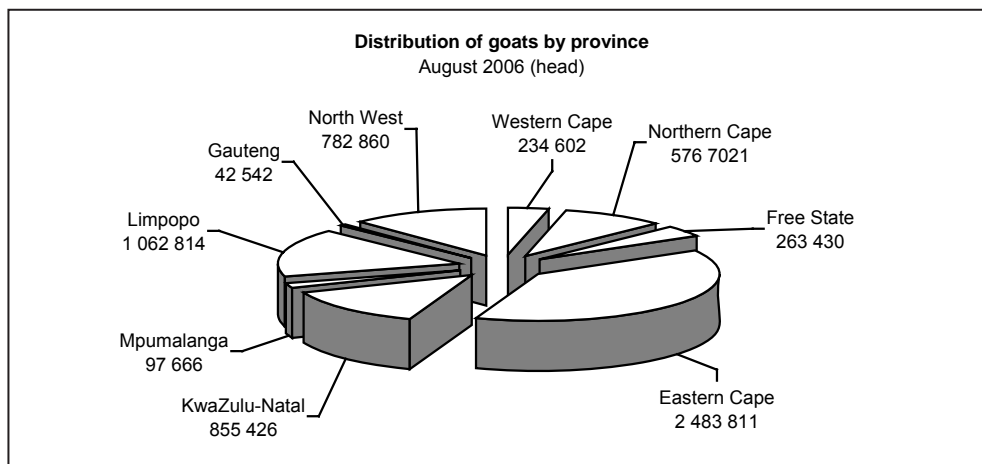
The sheep industry also has various breeders' associations, with the Dorper Sheep Breeders' Society of South Africa and Merino SA being the most prominent.

The total number of sheep in South Africa at the end of August 2006 is estimated at 25,0 million—approximately 1,2 % lower than the estimated 25,3 million as at the end of August 2005. The number of sheep in the various provinces since 2002 was estimated to be as follows:

Province	2002	2003	2004	2005	2006
	'000 head (August)				
Western Cape	2 817	2 867	2 798	2 736	2 760
Northern Cape	6 727	6 841	6 517	6 403	6 422
Free State	5 078	5 090	5 093	5 176	4 998
Eastern Cape	7 517	7 628	7 536	7 616	7 331
KwaZulu-Natal	782	783	782	780	805
Mpumalanga	1 773	1 703	1 706	1 724	1 672
Limpopo	204	212	223	212	243
Gauteng	90	94	95	92	94
North West	739	602	609	595	659
<b>Total</b>	<b>25 727</b>	<b>25 820</b>	<b>25 359</b>	<b>25 334</b>	<b>24 984</b>

### Goats

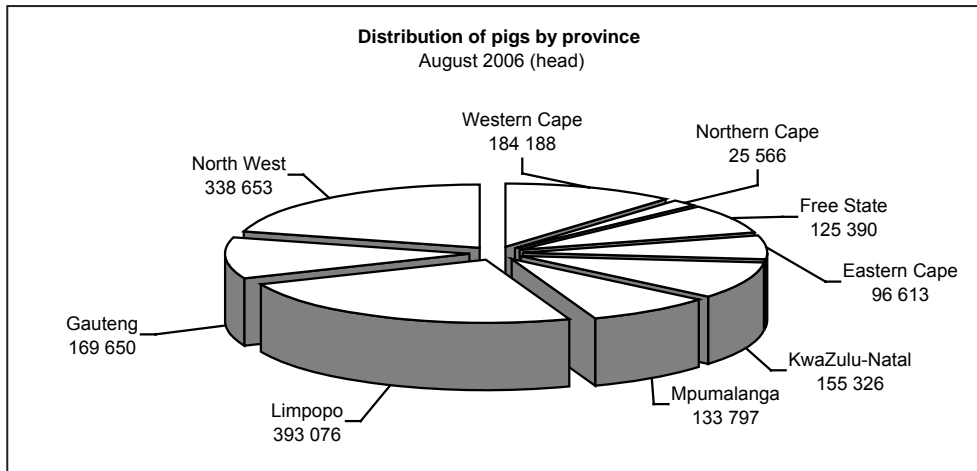
Goats are found mainly in the Eastern Cape, Limpopo, KwaZulu-Natal and North West provinces. Estimates indicate that there was an increase of 0,63 % in the number of goats, from 6,36 million in August 2005 to 6,40 million in August 2006.



Flocks of goats intended for meat production are usually smaller than sheep flocks, averaging approximately 300 head per farm. Angora goats are kept primarily for mohair production, while Boer goats are mainly for meat 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 400 commercial pork producers and 25 stud breeders in South Africa. It is estimated that pig numbers decreased by 2,0 %, from 1,656 million in August 2005 to 1,623 million in August 2006.



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 formal 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 17 % to the gross value of agricultural production in the RSA. While sheep farming is mainly extensive, a large percentage of beef animals are supplied by feedlots.

### *Slaughtering*

It is estimated that the total number of cattle slaughtered increased by 12,7 % from 2004/05 to 2005/06 and that the number of sheep (including lambs) and pigs slaughtered increased by 1,4 and 1,0 %, respectively.

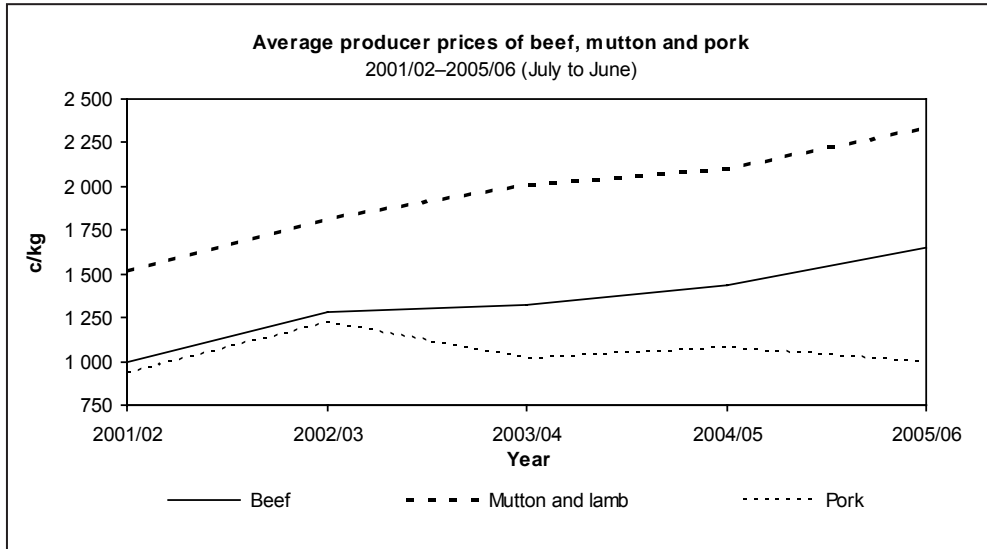
Commercial slaughtering of red-meat-producing livestock types over the past five years is as follows:

Year	2001/02	2002/03	2003/04	2004/05	2005/06
Cattle	1 933 610	1 958 447	2 020 757	2 088 365	2 353 963
Sheep and lambs	4 848 182	4 891 866	4 973 532	5 025 338	5 094 675
Pigs	1 752 192	1 765 122	1 782 612	1 806 561	1 824 989

### *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, etc. In the case of mutton, for example, the level of wool prices also influences the domestic supply of mutton.

The average producer price of beef for 2005/06 amounted to R16,47/kg (average for all classes on all auction markets), which represents a 14,7 % increase compared to the average price of R14,36/kg for 2004/05.

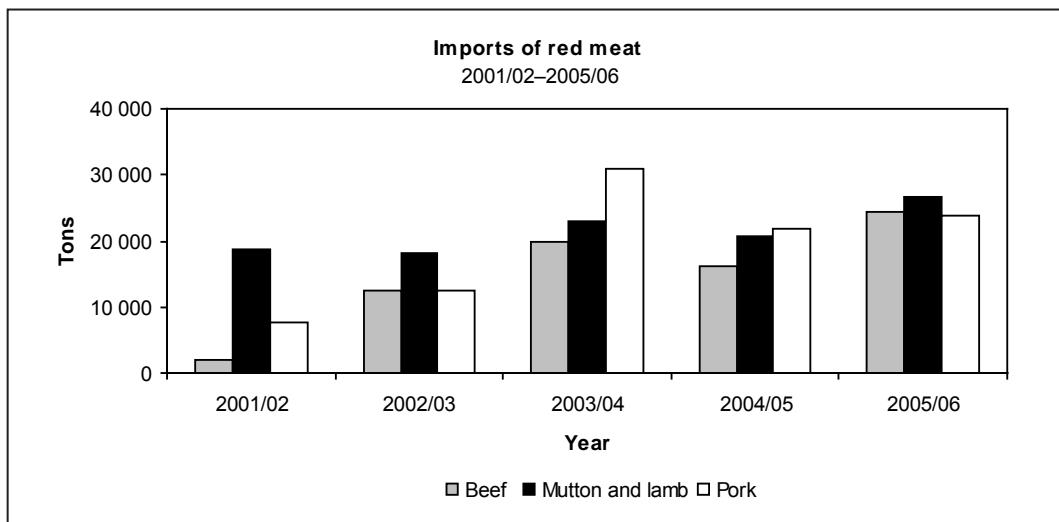


In view of the ever-stronger influence of international trade on the local mutton industry, both the cyclical and seasonal price patterns for mutton are influenced by imports. The average producer price for mutton and lamb increased by 11,2 % to R23,37/kg during 2005/06, compared to R21,01/kg for 2004/05.

The average producer price for pork decreased by 7,4 %, from R10,75/kg in 2004/05 to R9,95/kg in 2005/06.

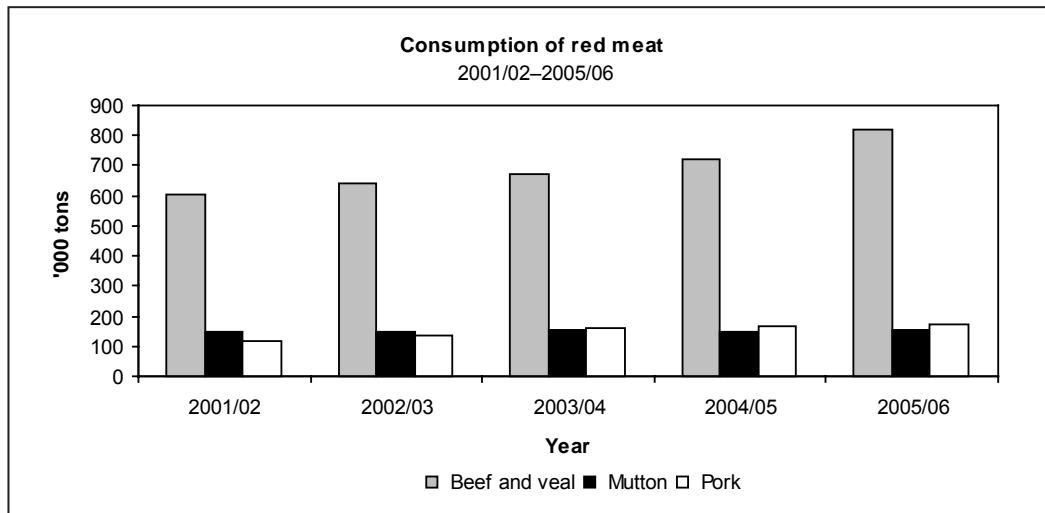
*Imports*

Imports of red meat increased from 58 649 tons in 2004/05 to 74 959 tons in 2005/06 (27,8 % higher than the average of approximately 55 787 tons for the five years up to 2005/06). Imports of beef amounted to 24 445 tons, which is 63,0 % higher than the five-year average of 15 000 tons. Imports of pork were 23 787 tons, which is 22,8 % more than the five-year average of 19 364 tons, and imports of mutton amounted to 26 727 tons, which is 24,8 % higher than the average of 21 421 tons for the five years up to 2005/06.



*Consumption*

Consumption of beef and veal increased by 13,1 %, from 723 000 tons in 2004/05 to 818 000 tons in 2005/06, that of mutton by 4,7 %, from 149 000 tons to 156 000 tons and that of pork by 1,2 %, from 168 000 tons to 170 000 tons.



### Prospects

Despite a continued strong demand for red meat, producer prices can be expected to decrease during 2007, as drier conditions and the high cost of feed are likely to result in an increase in the supply of slaughter animals by extensive red meat producers.

### Poultry

The poultry industry consists of three distinct, separate branches, namely the day-old chick supply industry, the broiler industry and the egg industry. This article focuses on the latter two, as the chick supply industry delivers an input to them.

#### BROILER INDUSTRY

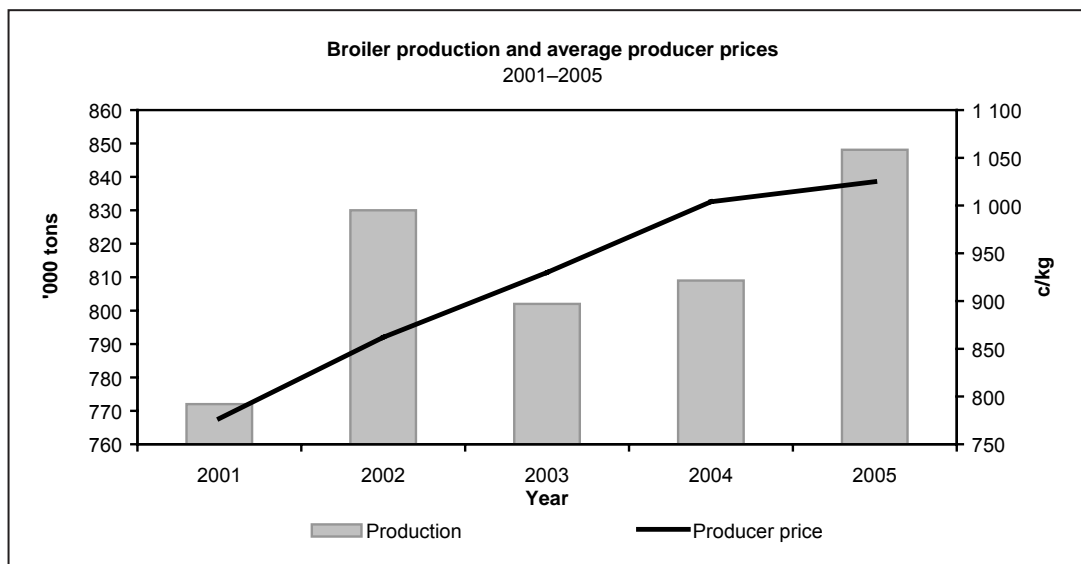
A small number (9) of large producers handle more than 80 % of the total broiler production in South Africa, while many small production units and the informal sector are responsible for the remaining 20 %. According to the South African Poultry Association (SAPA), the Western Cape produces approximately 27,0 % of the total, followed by North West Province with 15,8 %, Gauteng with 15,7 %, KwaZulu-Natal with 15,0 % and Mpumalanga with 14,1 %.

The number of broilers slaughtered by commercial producers during 2005 was an estimated 628 million units. This is almost 5 % more than the estimated 599 million slaughtered during 2004. It is expected that approximately 645 million units will be slaughtered during 2006, which is 2,7 % higher than the estimated figure for 2005. The producer value of broilers slaughtered, including offal, increased by 7 %, from R10 819 million in 2004 to R11 591 million in 2005. The producer value for 2006 is expected to be R12 000 million, which is 4,5 % more than in 2005.

#### Production

Commercial broiler production during 2005 is estimated at 848 106 tons. This is 4,9 % more than the estimated 808 159 tons that were produced during 2004. The gross value of broilers slaughtered by commercial producers during 2005 is estimated at R11 753 million, which is an increase of 8,8 % on the estimated R10 804 million for 2004. Production during 2006 is expected to be 876 745 tons—3,4 % more than in 2005.





### *Prices received by producers*

The average weighted price received by producers of broilers increased by 2,1 %, from R10,04 in 2004 to R10,25 in 2005. During the first half of 2006, an average price of R10,55/kg was received, which is an increase of 2,9 % on the average for 2005.

Producer prices of broilers from 2002 to 2006 are as follows:

Year	2001	2002	2003	2004	2005
	c/kg				
Price of broilers	777	862	930	1 004	1 025

### *Consumption*

During 2005, an estimated 20 % of local consumption was made up out of imports.

The consumption of poultry meat from 2002 to 2006 accounted for approximately 52 % of total consumption of meat (beef, mutton, pork and poultry) in South Africa.

*Per capita* consumption of commercially produced chicken meat from 2002 to 2006 is as follows:

Year	2001	2002	2003	2004	2005
	kg/year				
<i>Per capita</i> consumption	20,10	20,51	21,13	22,04	23,67

### *Imports*

In 2005, poultry imports increased to 211 068 tons—a 16 % increase from the 182 030 tons imported in 2004. The imports of poultry meat from January to June 2006 annualised for the entire year is 294 193 tons—an increase of 39,4 % from 2005. During 2005/06, about 75 % of South African poultry imports originated from Brazil.

### *Prospects*

The broiler industry was expecting a positive 12 months up to the middle of 2007, mainly because of an increase in consumer demand. However, although the market was vibrant enough to absorb the 20 % of

domestic consumption that was imported in 2005, the constantly rising imports pose a threat in the event of a weakening in the market.

#### EGG INDUSTRY

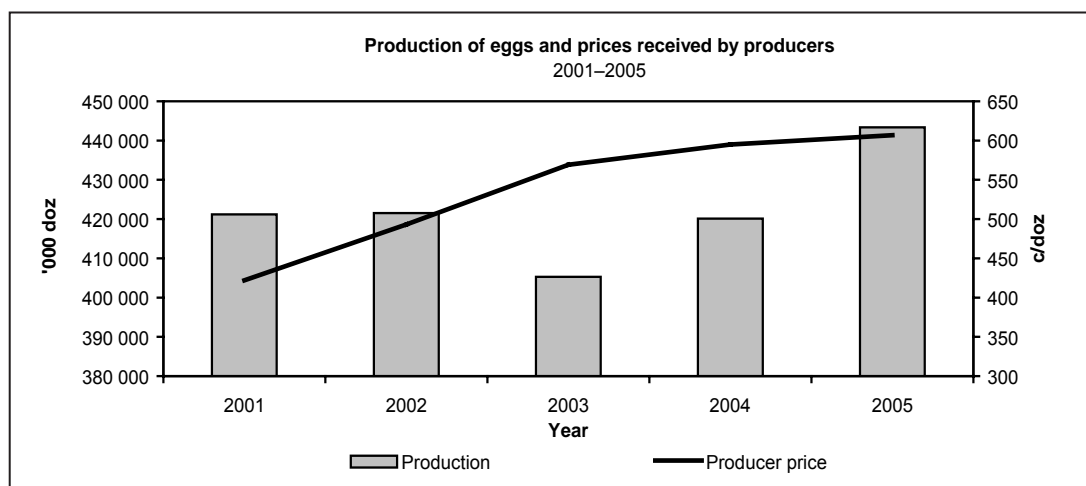
During 2005, Gauteng and the Western Cape provinces produced 28,6 and 18,8 %, respectively, of the total egg production in South Africa, followed by KwaZulu-Natal with 14,1 % and the North West Province with 8,9 % and Mpumalanga with 8,8 %, according to SAPA.

The number of layers increased from an average of 17,6 million in 2004 to 18,5 million in 2005. This represents an increase of 5,1 %. In 2006 from January to June, the number of layers was estimated to be 20,3 million, which is quite a dramatic increase of approximately 9,7 %.

The average producer price of eggs increased by 2 % from 2004 to 2005. The price is expected to increase again during 2006, by 9,6 % to R677,3 c/kg.

The prices from 2001 to 2005 are as follows:

Year	2001	2002	2003	2004	2005
	c/doz				
Price of eggs	421,9	493,2	569,1	594,9	606,9



#### Consumption

It is estimated that the total consumption of eggs increased by 6,3 %, from 274 849 tons in 2004 to 292 230 tons in 2005. This represents an increase of 5,6 % in the *per capita* consumption of eggs, from 107 to 113 eggs. It was expected that total consumption would increase further, by 10,8 % to 232 658 for 2006, which is an increase of 9,7 % to 124 eggs *per capita*.

#### Prospects

The egg industry is carefully optimistic about the near future, mainly because of an increase in consumer demand. However, the industry, like the broiler industry, is experiencing a steady increase in feed prices because of a rise in the maize price.

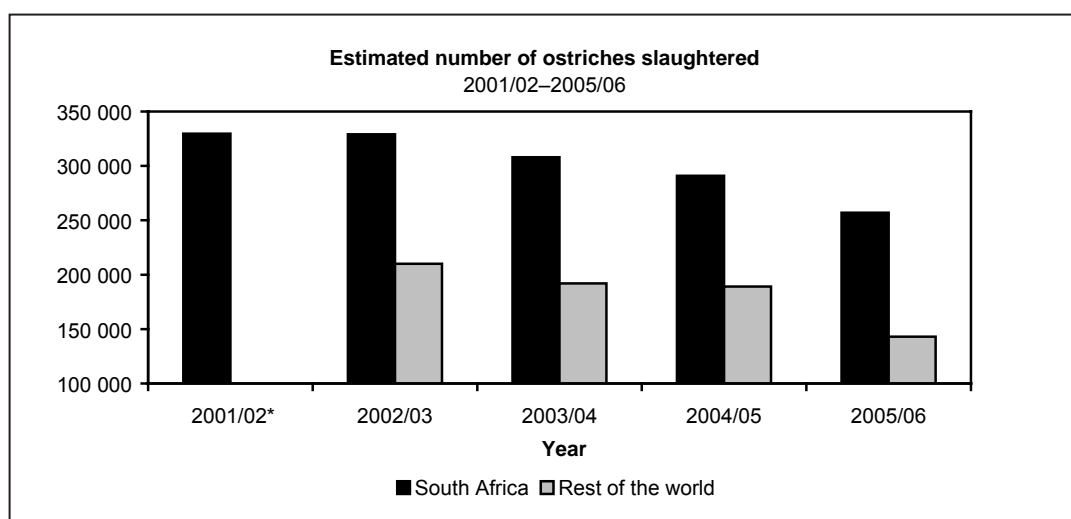
#### Ostriches

The South African ostrich industry became established in 1838 with large-scale exports of feathers to Europe. The industry flourished during what was referred to as the second ostrich feather boom between 1900 and 1914. 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 health characteristics (almost no fat and cholesterol, and rich in protein and iron).

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.

However, South Africa remains the major supplier of ostrich products to the world. Approximately 70 % of all ostrich meat, leather and feathers is produced in South Africa. Today, all major stakeholders in the industry are affiliated to either the National Ostrich Processors of SA (NOPSA) or the South African Ostrich Producers' Organisation (SAOPO). Both these organisations are core members of the South African Ostrich Business Chamber (SAOBC). The objective of the SAOBC is to cooperate in the advancement of the ostrich industry in South Africa. The implementation of various strategic initiatives in the industry was severely hampered by the outbreak of avian influenza on two farms in the Eastern Cape Province in August 2004.



\* Figure for rest of the world not available

The number of birds slaughtered worldwide is estimated at approximately 400 000 for 2005/06, 257 000 of which were slaughtered in South Africa. In Europe the demand for ostrich meat remained high; however, the ban on the export of ostrich meat from South Africa as a result of avian influenza (AI) led to the fact that the demand could not be met. However, the local consumption of ostrich meat increased by 70 % owing to an awareness and marketing campaign. Exports were resumed in October 2005; however, yet another occurrence of AI (H5N2) in June 2006 led to a reinstatement of the export ban. This second ban was lifted on 1 November 2006 and exports resumed—just in time for the peak ostrich meat consuming period in Europe.

Income from leather varies significantly because of large price differences between raw skin grades. The SAOBC's aim is that only higher-grade leather be placed on the market and therefore various research programmes regarding quality improvement and genetics are being undertaken. A producer earns approximately R1 000 for a raw first-grade skin and around R800 for a third-grade skin.

The average price that producers of ostrich meat received during 2005/06 was approximately R16/kg, and R50 for feathers per bird (depending on the quality).

### Prospects

During the 2006/07 season, the number of ostriches slaughtered in South Africa is expected to drop further, to around 200 000, mainly as a result of the effects of avian influenza, and the severe drought followed by floods in the main production areas during 2006. The situation could continue well into 2007, with an even bigger drop in slaughter numbers.

Innovative ways have to be found to ensure the sustainability of the South African ostrich industry. One such intervention was the acquisition of a plant to precook, pasteurise and vacuum-pack ostrich meat. This,

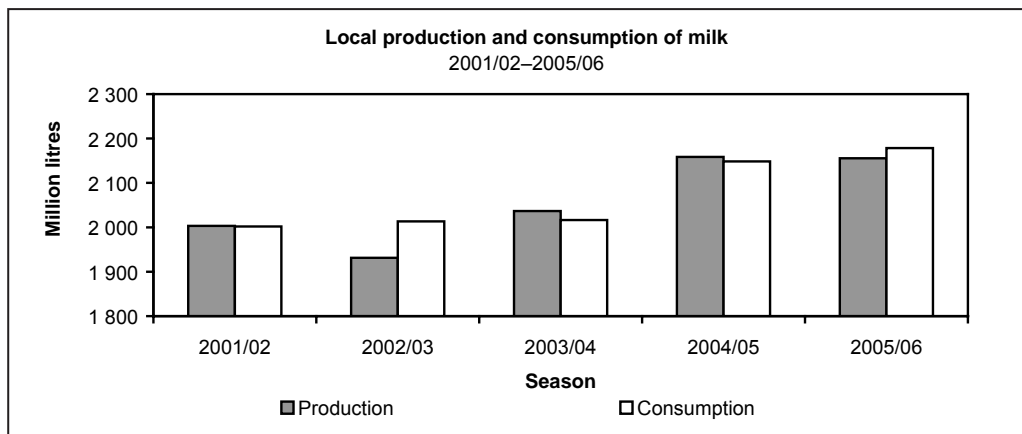
in turn, gave rise to value-adding in the sense that ready-meals were prepared as part of this process and a new market segment was therefore created, locally and internationally.

## 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 2004, the Western Cape Province contributed 24,5 % to total production, Eastern Cape 20,5 %, KwaZulu-Natal 19 %, North West 10,3 %, Free State 13,4 %, Mpumalanga 7,1 % and the remaining three provinces 5,2 %. According to the Milk Producers' Organisation, the estimated number of commercial milk producers in the country in July 2006 was 4 039, as against 4 290 in July 2005.

Milk production in South Africa makes a very small contribution to world milk production (approximately 0,5 %); however, 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 2005/06 season (March to February), including milk for own consumption and processing on farms, is estimated at R4 920 million.

In South Africa traditionally milk surpluses are produced and severe shortages are seldom reported. The local commercial production and consumption figures of milk for the 2001/02 to the 2005/06 season are depicted in the following graph.



## Imports

In 2005, the imports of milk and milk products amounted to 31 676 tons, which is an increase of 65 % on the 19 180 tons imported during the previous year. It is expected that imports for 2006 will amount to approximately 30 000 tons.

## Prices

The average producer price for the 2005/06 season was R1,78, almost 2 % lower than the previous year. The main reason for the decrease was the large volume of imports.

Production season	2001/02	2002/03	2003/04	2004/05	2005/06
	c/l				
Average producer price	142,0	194,0	205,0	181,0	178,0

## Prospects

It is expected that milk production for the 2006/07 season will be the same as for the 2005/06 season. Higher maize prices during 2006 are having a negative impact on feed prices and the weaker rand will lead to increases in other input costs. On the consumption side, an increase of approximately 1,5 % is expected for 2006. This is mainly because of higher disposable income of consumers, which leads to higher consumption of protein-based food rather than starches.

## Wool

### Areas of production

Wool is produced throughout South Africa, however, 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 (12,5 million kg) followed by the Free State (9,1 million kg), Western Cape (7,8 million kg), Northern Cape (5,2 million kg) and Mpumalanga (2,6 million kg).

### Production

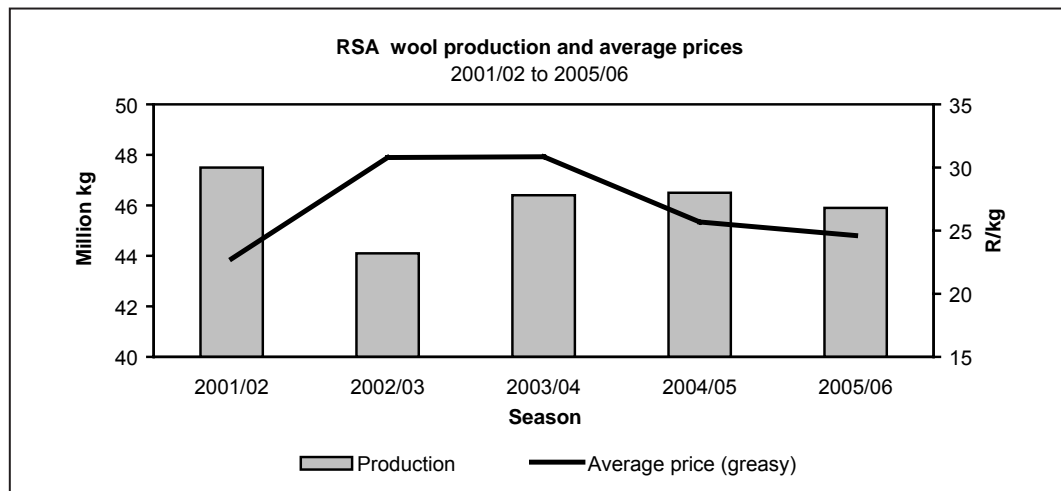
Australia remains the largest supplier of apparel wool to the world textile market, with an estimated production of 457 million kg (greasy wool) in 2005/06. South Africa, like Australia, produces mainly apparel wool, while the bulk of the production of the other major producers, such as New Zealand, 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.

In 2005/06, global wool production was slightly up from its low levels the previous year to 2,159 million kg. Wool-growing generally remains under pressure from competing farm enterprises in the large wool-producing countries.

In South Africa, production decreased by 1,3 % to 45,9 million kg in 2005/06, from 46,4 million kg in 2004/05. The past season was disappointing for all sectors of the industry, with prices slumping to three-year lows, mainly as a result of poor demand.

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

Class	2001/02	2002/03	2003/04	2004/05	2005/06
	Million kg				
Merino	32,9	31,1	32,4	32,2	29,6
Other	14,6	13,0	14,0	14,3	16,3
Total	47,5	44,1	46,4	46,5	45,9



### 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 specific day; exchange rate fluctuations; quantities offered for sale at auctions; the specific demand for different types of wool at various 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 been established in the South African wool industry yet.

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 the industry. The Board of Directors proportionately represents these groups and is selected from the Forum. Cape Wools acts as the executive arm of the Forum and started operating on 1 September 1997.

The Minister has granted approval for the introduction of statutory measures for the collection of information, including 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 approximately 98 % of total production exported in either greasy or semi-processed form (scoureds and wool top). Main export destinations for the year under review were Italy, China, the Czech Republic, Germany, Bulgaria, Spain and the UK, collectively absorbing 84,8 % of total shipment volume (clean basis) (see Table below).

During 2005/06, the export destinations for South African wool were as follows:

Country	Volume		Value	
	Million kg (clean)	% of total	R'million	% of total
Italy	5,317	20,8	172,997	20,6
China/Hong Kong	5,287	20,7	166,417	19,9
Czech Republic	4,578	17,9	142,097	16,9
Germany	2,815	11,0	95,195	11,3
Bulgaria	1,420	5,5	54,972	6,5
Spain	1,227	4,8	37,004	4,4
United Kingdom	1,062	4,1	36,868	4,4
India	1,018	4,0	28,810	3,4
Others	2,865	11,2	105,854	12,6
<b>Total</b>	<b>25,589</b>	<b>100,0</b>	<b>840,214</b>	<b>100,0</b>

### Market movement

The first half of the 2005/06 wool season was disappointing, with the weekly indicator opening 6,2 % lower than the closing sale of the previous season. The market started improving in early 2006 as demand picked up following improving retail, competitive-fibre and economic market conditions and a rundown of stocks in the pipeline. At the final sale of the season, the indicator was up 13 % on the opening level, at R28,17/kg (clean wool).

### Prospects

Global economic conditions will determine demand in the new season. At the end of the 2005/06 season, the leading economic indicators for the major developed markets pointed to stronger demand conditions. In addition, stocks in all sections of the textile pipeline were running low, while concerns were surfacing about wool availability owing to the drought in Australia. All these factors could lead to a higher demand and better prices.

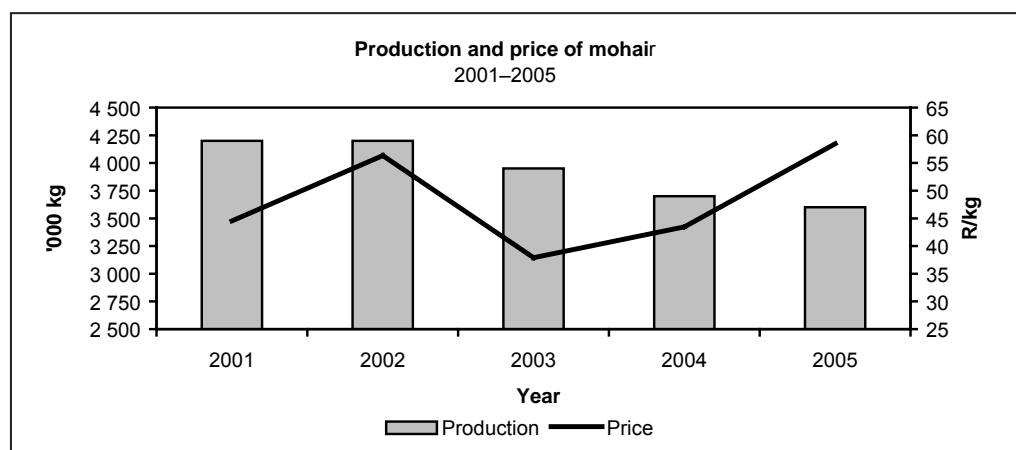
## Mohair

### Production

South Africa accounts for approximately 60 % of the world mohair production. In realising the responsibility attached to being the most reliable source of mohair, Mohair South Africa was established to perform functions aimed at the advancement of the entire mohair industry. Through selective breeding and farming techniques, the Angora goat farmer plays a crucial role in enhancing the constant availability of quality natural fibres. South Africa's mohair production figures showed a downward trend, from 4,2 million kg in 2001 to 3,6 million kg in 2005—a decrease of 14,3 %. This decline in production occurred in most mohair-producing countries, including the USA, Argentina and Australia.

Production of mohair by South Africa during the period 2001 to 2005 was as follows:

Year	2001	2002	2003	2004	2005
	Million kg				
Production	4,2	4,2	4,0	3,7	3,6



### Prices

The average price of mohair improved significantly, by 34,5 %, from R43,47/kg in 2004 to R58,47/kg in 2005. This was mainly the result of an increase in the international prices of semiprocessed mohair together with greater interest in the fibre during the latter part of 2004 and during 2005.

Average auction prices of mohair for the period 2001 to 2005 were as follows:

Year	2001	2002	2003	2004	2005
	R/kg				
Price	44,55	56,34	37,91	43,47	58,47

### *Imports and exports*

Raw mohair is imported from Australia and the USA for processing, after which it is exported together with locally (including Lesotho) produced mohair.

Mohair exports decreased by approximately 2 %, from an estimated 5,1 million kg in 2004 to 5,0 million kg in 2005, which reflects the lower demand during 2005.

Year	2001	2002	2003	2004	2005
	Million kg				
Imports	0,7	1,8	2,4	1,7	1,6
Exports	4,4	5,2	4,9	5,1	5,0

### *Prospects*

Market investigations during 2005 showed that the favourable circumstances for mohair could continue and that producer prices could improve further during 2006. However, it appears that price resistance is already developing, which could have a negative influence on the demand for mohair in the near future.