

Trends in the Agricultural Sector



2007



agriculture

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Trends in the Agricultural Sector 2007

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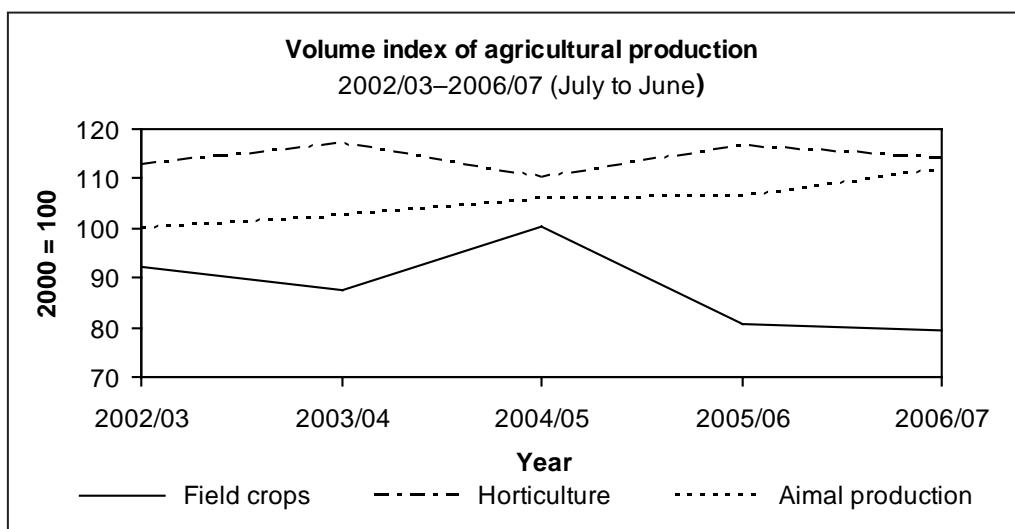
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Economic review for the 12 months that ended 30 June 2007

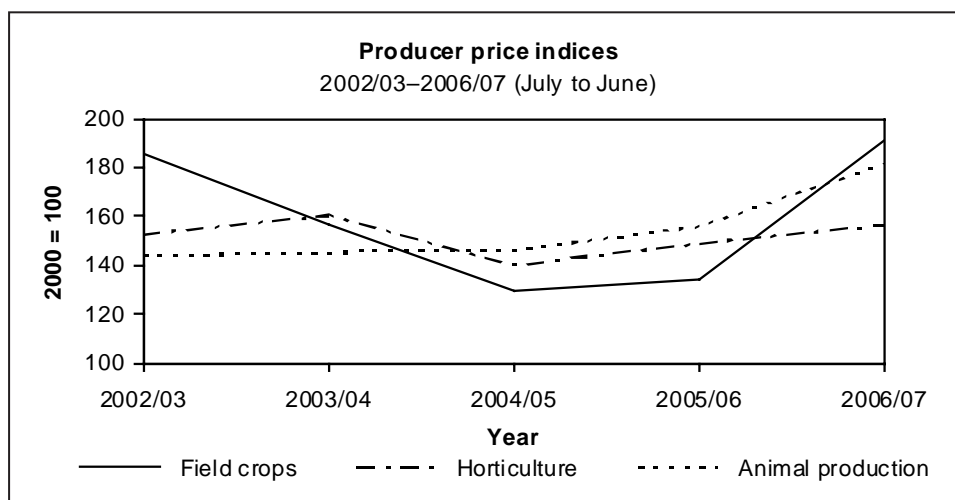
Volume of agricultural production

The estimated volume of agricultural production in 2006/07 was 1,1 % higher than in 2005/06. The volume of field-crop production decreased slightly by 1,6 % as a result of a decline in oilseeds and hay products. Horticultural production decreased by 2,1 % because of a decline in apricots, granadillas and cabbages; however, animal production increased by 5,0 % as a result of a rise in poultry products and in cattle and calves slaughtered.



Producer prices of agricultural products

Producer prices of agricultural products increased on average by 21,8 % from 2005/06 to 2006/07.



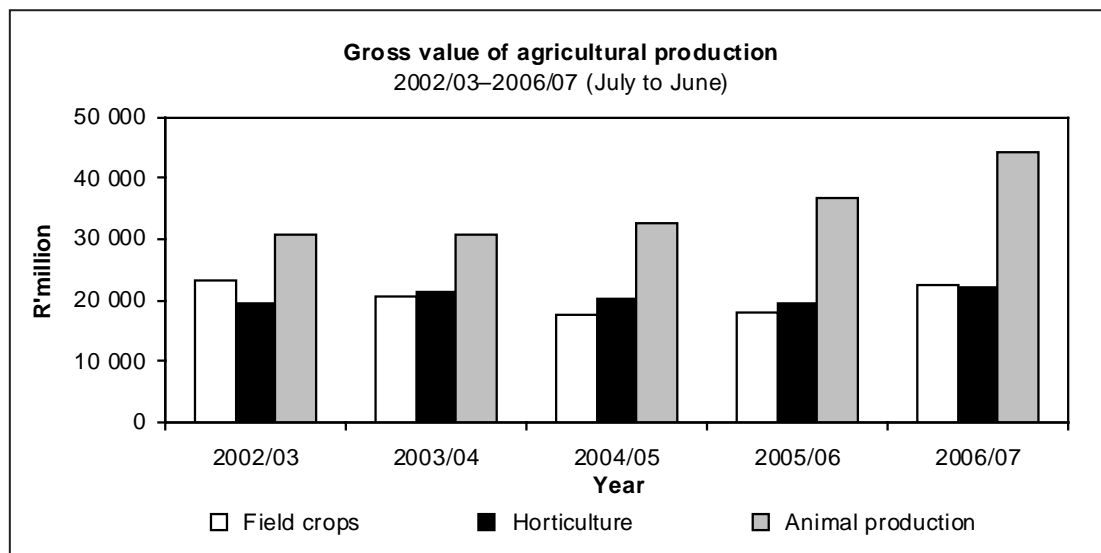
The combined producer price index of field crops rose by 42,6 %, with prices for summer grains, oilseeds and sugar cane increasing by 99,4, 78,3 and 12,1 %, respectively. The combined producer price of dry beans and of tobacco decreased by 35,0 and 12,4 %, respectively.

Producer prices of horticultural products rose by 5,1 % from 2005/06. Prices of fruit, vegetables and viticultural products increased by 7,5, 3,7 and 2,1 %, respectively.

Producer prices of animal products were 16,3 % higher than in 2005/06. Prices received for pastoral products, slaughtered stock and poultry increased by 28,6, 18,0 and 14,4 %, respectively. The price that farmers received for dairy products was on average 14,8 % higher.

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 2006/07 is estimated at R88 781 million, compared to R74 245 million the previous year—a rise of 19,6%. This increase can be attributed mainly to a significant increase in the value of field crops.

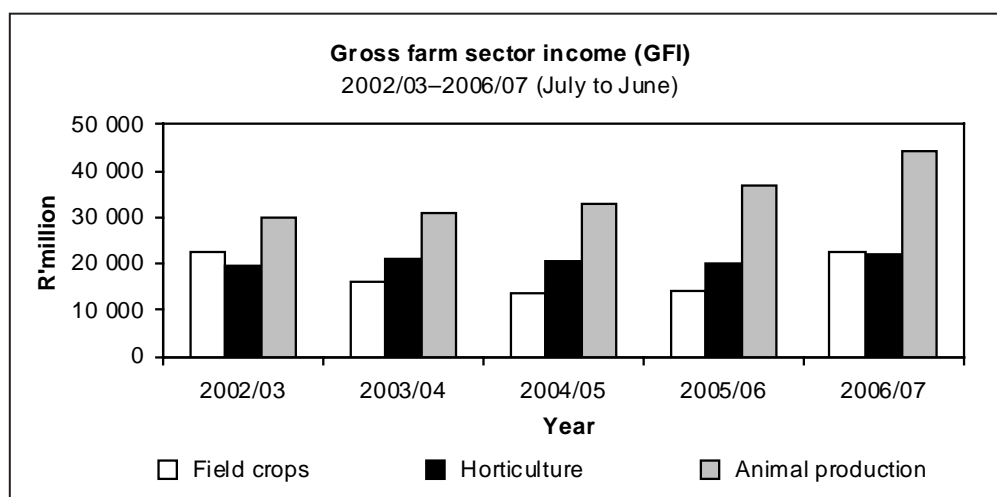


The gross value of animal products, field crops and horticultural products contributed 49,8, 25,5 and 24,7%, respectively, to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 15,4%, followed by cattle and calves slaughtered with 14,1% and maize with 11,4%.

Farm income

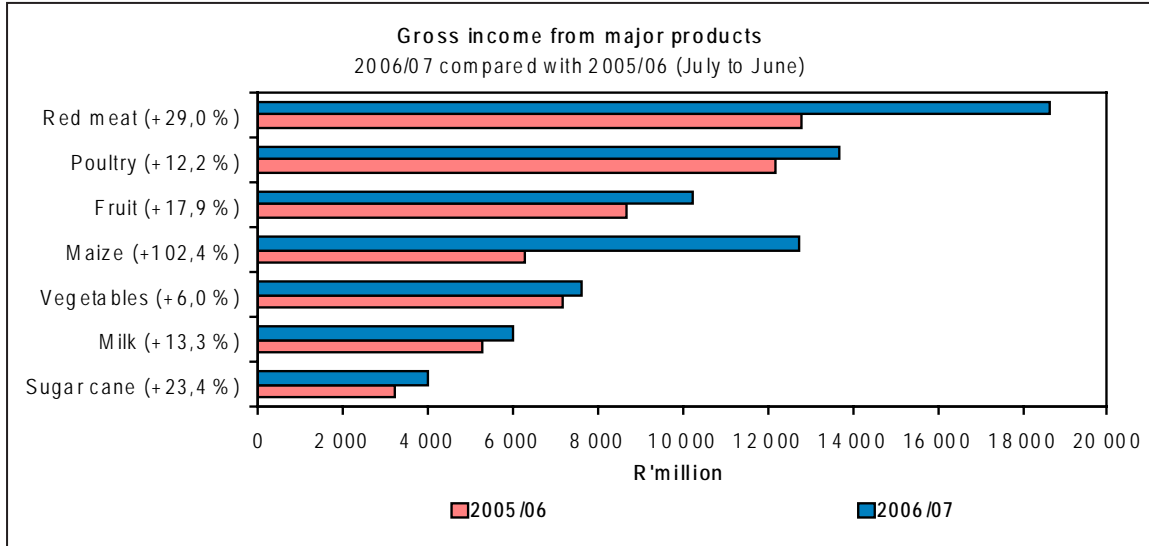
The gross income of producers (the value of sales and production for other uses, plus the value of changes in inventories) for the year ended 30 June 2007 amounted to R89 005 million, compared to R71 255 million the previous year—an increase of 24,9%. The increase in income can mainly be ascribed to a marked improvement in the prices that farmers received for their products.

The gross income from field crops increased by 54,4% to R22 695 million for the year ended 30 June 2007. Income from maize showed a substantial increase of 102,4% to R12 726 million. On average, the prices that farmers received for maize were almost twice as high compared to the previous season. Farmers also delivered their maize earlier. At the end of June 2007, approximately 80% of the estimated crop was already delivered to buyers. Normally, about 50% of the maize crop is delivered before the end of June.



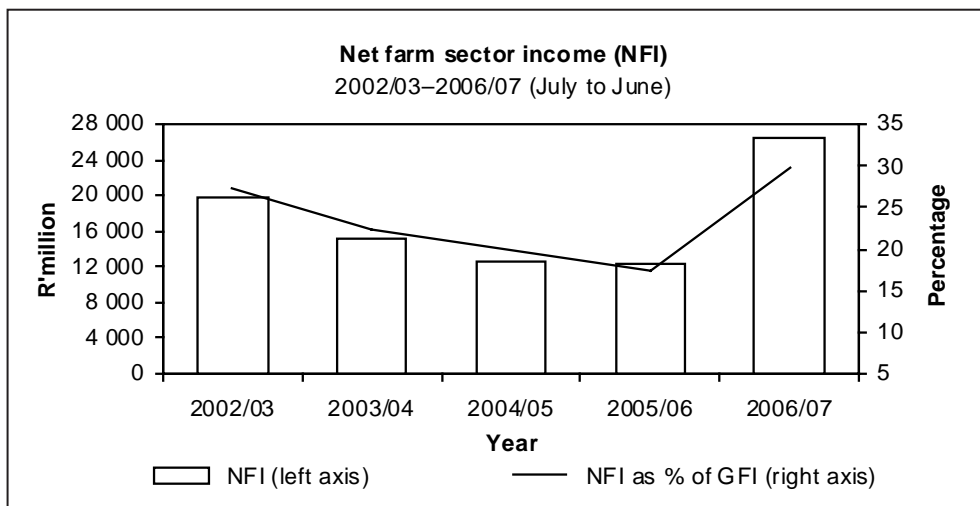
Income from soya-beans and sunflower seed, however, decreased by 47,0 and 30,6 %, respectively, because of smaller crops. Income from tobacco and cotton showed decreases for the third consecutive season.

The gross income from horticultural products increased by 10,5 % to R21 893 million, compared to R19 809 million for 2005/06. Income from deciduous fruit and citrus fruit rose by 24,0 and 15,7 % to R5 515 million and R3 178 million, respectively, while income from subtropical fruit and viticulture increased by 3,9 and 1,2 % to R1 555 million and R2 647 million, respectively. Income from vegetable production rose by 6,0 % to R7 645 million.



The gross income from animal products was 20,9 % higher, and amounted to R44 416 million, compared to R36 743 million during 2005/06. Producers earned R12 514 million from slaughtered cattle and calves, as against the previous R9 530 million—an increase of 31,3 %. The income from slaughtered sheep rose by 19,9 % and amounted to R2 301 million. The carcass prices of cattle and sheep rose by 18,0 and 15,9 %, respectively. Income from poultry meat production increased by 12,2 % to R13 689 million. Income from egg production was 40,9 % higher compared to the previous year. Income from wool increased by 67,6 % and came to R1 158 million.

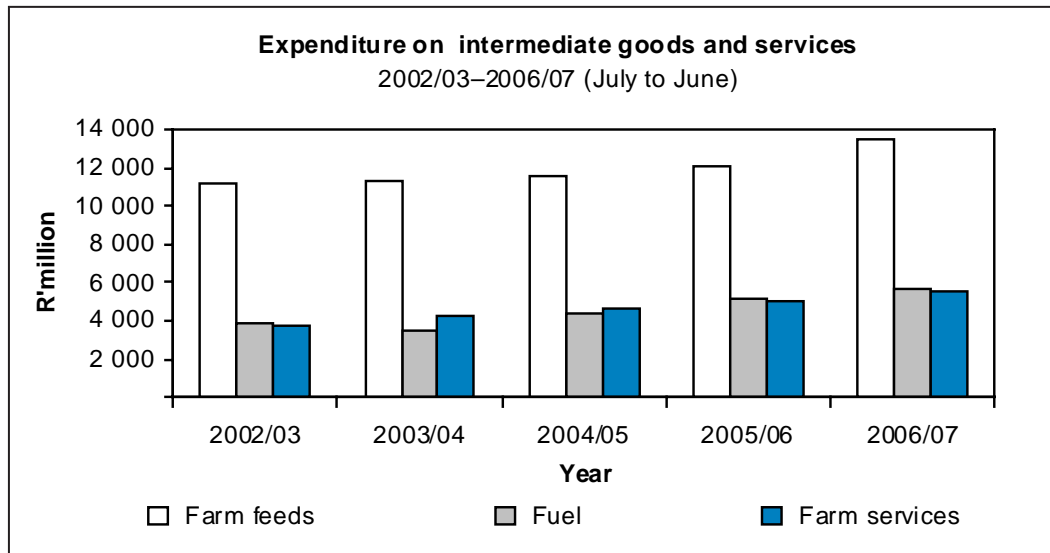
The net farm income (after the deduction of all production expenditures, excluding expenditure on fixed assets and capital goods) increased by 107,3 % during 2006/07 and amounted to R26 488 million. Payments for salaries and wages, which represent 16,9 % of the total farming costs, amounted to R10 320 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2007, is estimated at R3 936 million or 6,1 % of total farming 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.

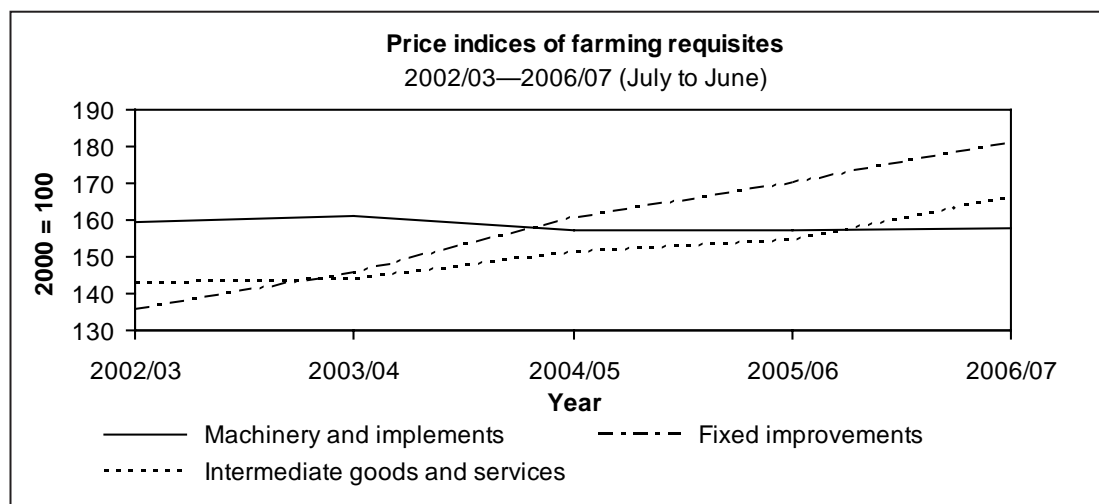
Expenditure on intermediate goods and services during 2006/07 is estimated at R46 737 million, which represents an increase of 9,6%, from R42 637 million in 2005/06. Expenditure on fertilisers and farm services showed the biggest increases of 24,4 and 12%, respectively.



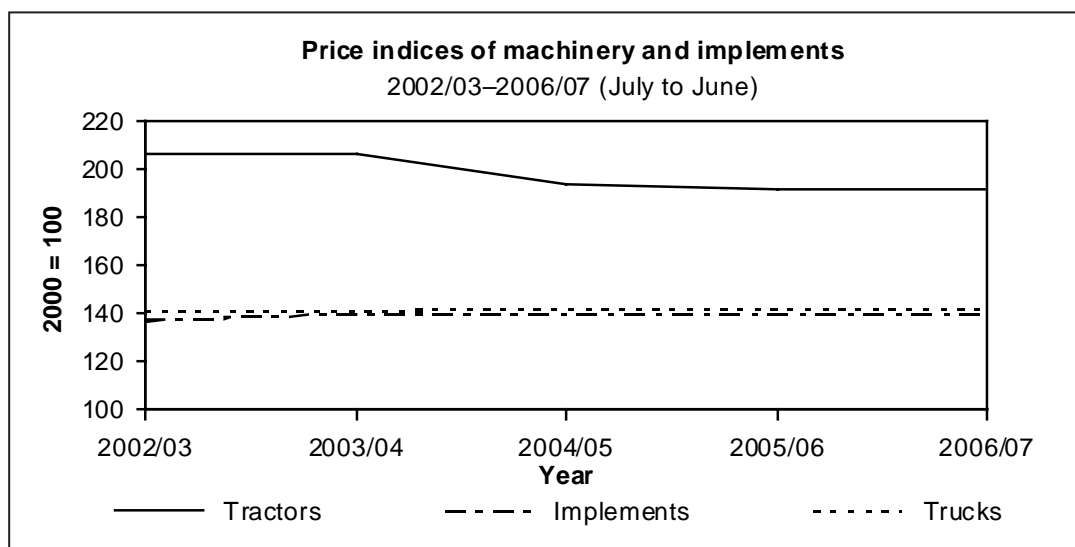
Expenditure on farm feeds remained the biggest intermediate expenditure item, accounting for 28,8% of total expenditure, even though it showed a relatively small increase of 4% from the previous 12 months compared to other expenditure items. Fuel; farming services; maintenance and repairs of machinery and implements; fertilisers; seeds and plants; dips and sprays; and packaging material contributed 12,2, 11,9, 10,1, 8,6, 6,8, 6,6 and 5,8%, respectively, to total intermediate expenditure. Expenditure on electricity rose by 3,5% to R8 335 million and building and fencing material increased by 3%, from R1 805 million to R1 849 million. Generally, there was an increase in the prices of goods and services purchased for use during the production process.

Prices of farming requisites

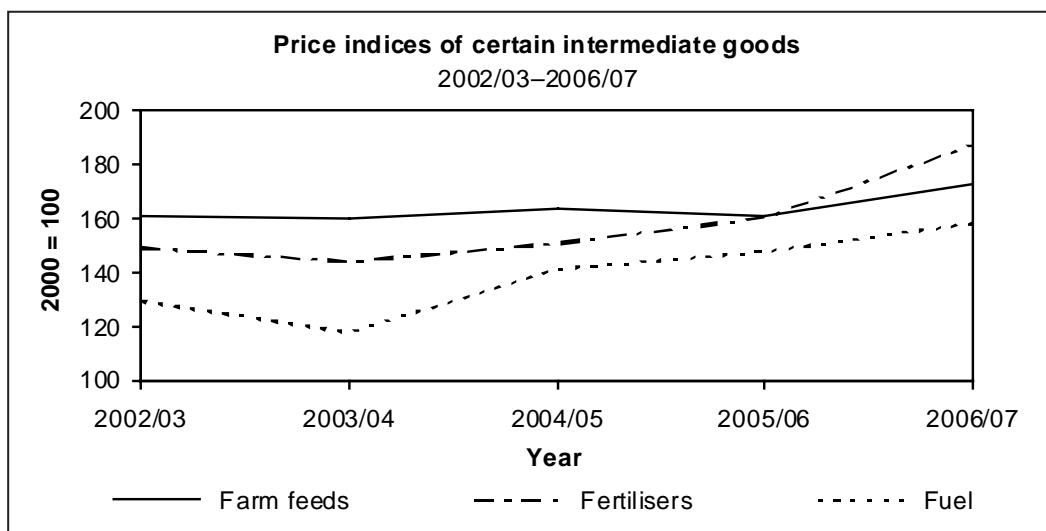
Prices of farming requisites rose by 6,5% in 2006/07, compared to an increase of 2,5% in the previous year.



The price index of machinery and implements showed a slight increase of 0,3 % for 2006/07. The price index of materials for fixed improvements increased by 6,6% and the combined index of prices of intermediate production inputs and services rose by 7,3%.



An increase in the price of fertilisers of 16,8 % made the most significant contribution to the increase in the prices of intermediate goods and services. The price of animal feeds increased by 7,5%. Prices paid for animal health and crop protection remedies increased by 7,5% and the price paid for fuel rose by 7,1 %.

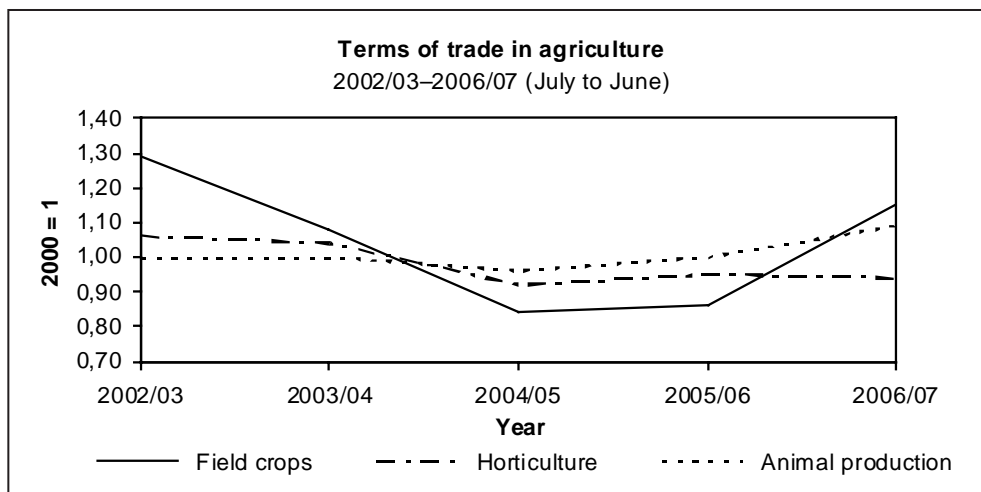


Domestic terms of trade in agriculture (2000 = 1)

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 by 14,9%, from 0,94 in 2005/06 to 1,08 in 2006/07.

The terms of trade for field crops increased by 33,7 %, from 0,86 in 2005/06 to 1,15 in 2006/07. In the case of the horticultural industry, the terms of trade weakened by 1,1 %, from 0,95 to 0,94. The terms of trade for the animal production industry rose by 9,0%, from 1,00 to 1,09.



Contribution of agriculture to value added at basic prices

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

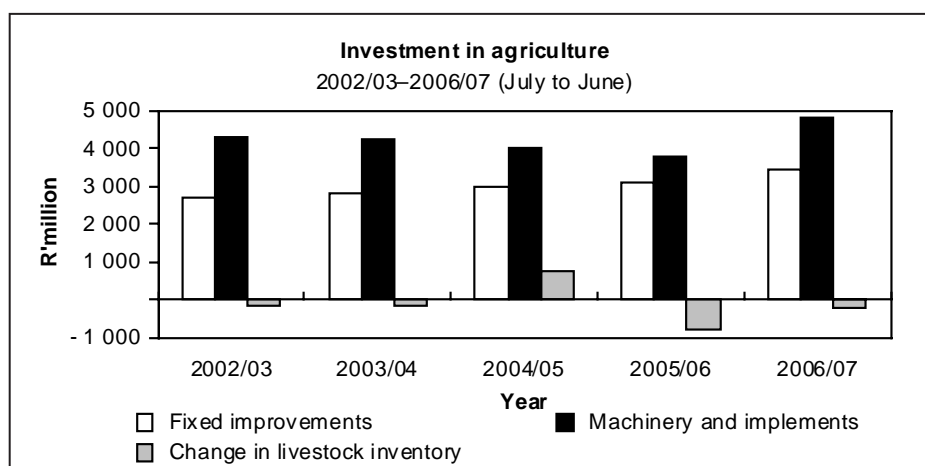
The contribution of agriculture, fishing and forestry to value added for the year ended 31 December 2006 is estimated at R41 632 million. This represents 2,7% of total value added to the economy.

Year	Total value added by all sectors (R'million)	Contribution of agriculture to 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	1 253 862	32 705	2,6
2005	1 368 522	30 577	2,2
2006*	1 529 413	41 632	2,7

* Figures are for agriculture, including forestry and fisheries

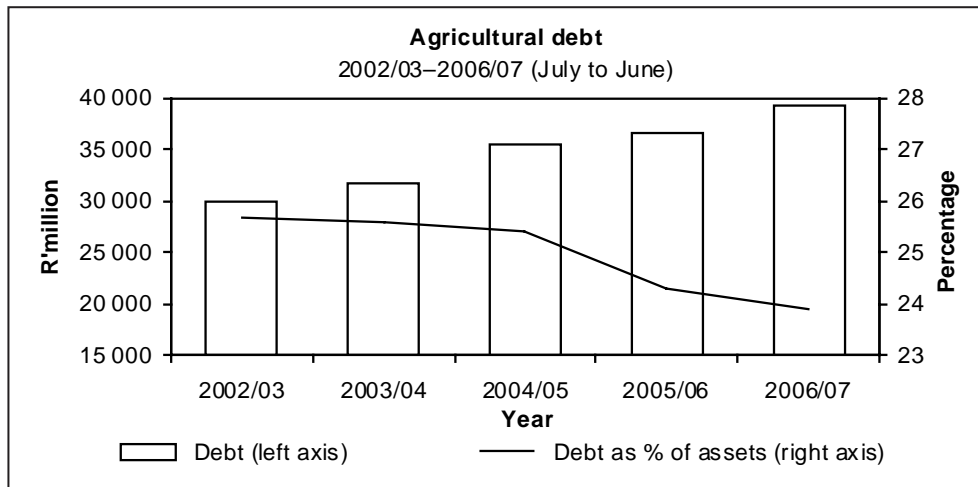
Capital assets and investment in agriculture

The value of capital assets in agriculture as at 30 June 2007 is estimated at R164 141 million, as against R150 996 million as at the end of June 2006—an increase of 8,7%. Land and fixed improvements constituted R100 980 million, machinery and implements R28 732 million and livestock R34 429 million of the total value of capital assets. The gross investment in fixed improvements for the year ended 30 June 2007 rose by 9,9% to R3 425 million. Investment in machinery, implements and vehicles, increased by 26,7% and amounted to R4 832 million. The livestock inventory decreased by R242 million compared to the previous year.



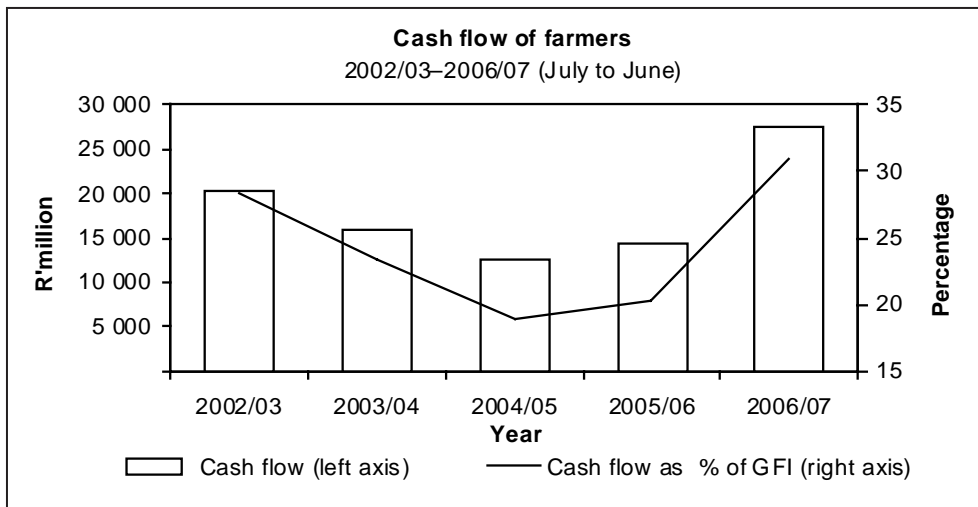
Farming debt

The total farming debt as at the end of June 2007 is estimated at R39 189 million (R36 686 million)—an increase of 6,8%.



Cash flow of farmers

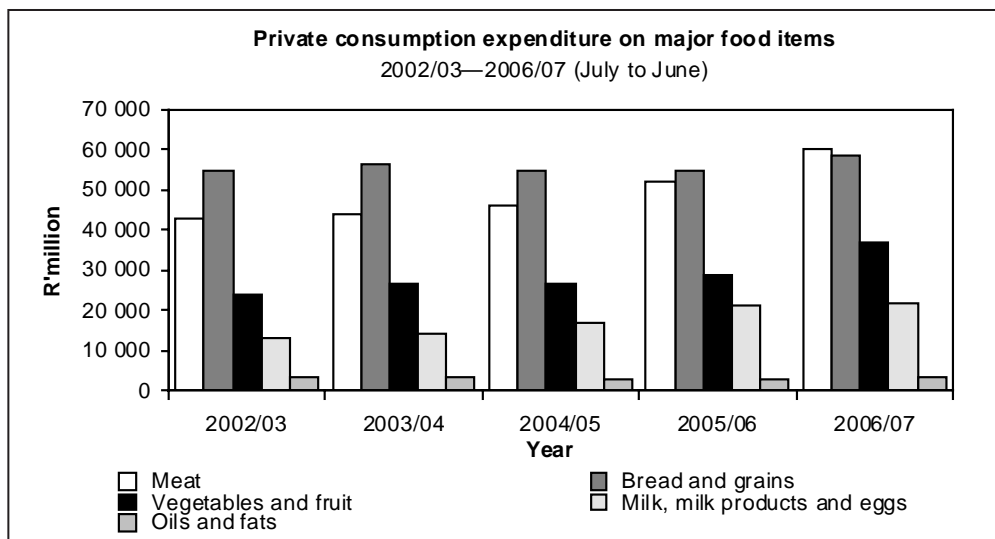
The cash flow of farmers amounted to R27 588 million for the year ended 30 June 2007, compared to the previous R14 447 million—an increase of 91,0%. This was the result of an increase in the gross income of producers.



Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2007 increased by 13,1% and amounted to R209 661 million, as against the R185 355 million of the previous year. Expenditure on meat increased by 15,8% to R60 142 million, on fruit and vegetables (including potatoes) by 28,7% to R37 196 million, on milk, milk products and eggs by 4,4% to R21 939 million, on oils and fats by 8,5% to R3 259 million and on bread and grains by 6,9% to R58 578 million. Expenditure on sugar dropped by 0,4%, from R3 822 million to R3 805 million.

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



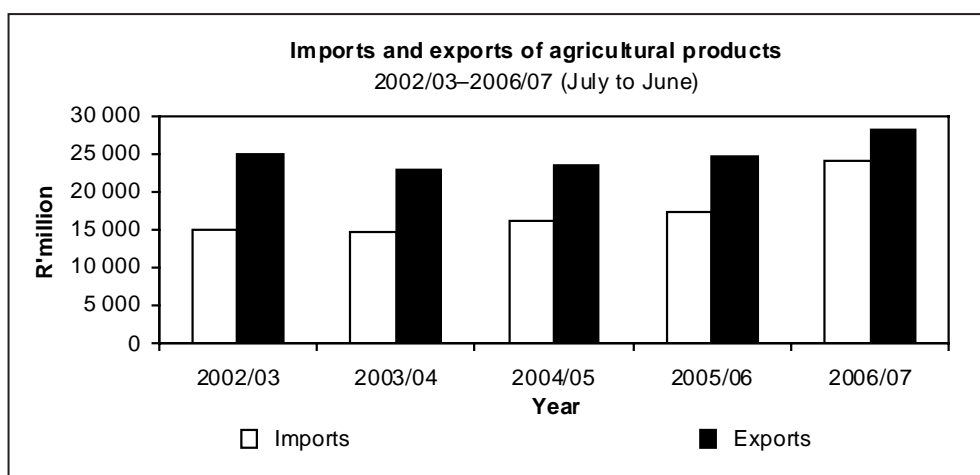
Consumer prices

The consumer price index of all items increased by 5,9 % during the year ended 30 June 2007, that of food by 8,5% and that of nonfood items by 5,2%.

Meat prices rose by 15,5%, while the prices of grain products reflected an increase of 8,1%. The consumer price of vegetables increased by 5,9% and fruit prices by 2,4%. In the case of dairy products and eggs, prices rose by 6,9%, and an increase of 6,3% was recorded for sugar and related products.

Imports and exports of agricultural products

The value of imports for 2006/07 came to R24 110 million—an increase of 40,2 % compared to R17 193 million for 2005/06. The value of exports rose by 14,4%, from R24 754 million to R28 330 million.



According to the 2006/07 export values, wine (R4 282 million), citrus fruit (R3 804 million), grapes (R2 470 million), apples, pears and quinces (R2 284 million) and sugar (R2 066 million) were the most important agricultural export products.

Rice (R1 892 million), undenatured ethyl alcohol (R1 623 million), oilcake (R1 235 million), palm oil (R1 072 million) and wheat (R1 047 million) accounted for the highest imports.

During 2006/07, the United Kingdom, The Netherlands, United States, Germany and Mozambique were the five largest trading partners of South Africa in terms of export destinations for agricultural products, with export values of R3 874 million, R3 287 million, R1 431 million, R1 428 million and R1 312 million, respectively. About 25,3% of total agricultural exports for the period July 2006 to June 2007 went to the United Kingdom and The Netherlands.

The five largest trading partners for South Africa's imported agricultural products during 2006/07 were Argentina, Brazil, the United Kingdom, United States and Thailand, with import values of R4 932 million, R2 127 million, R1 613 million, R1 392 million and R1 274 million, respectively.

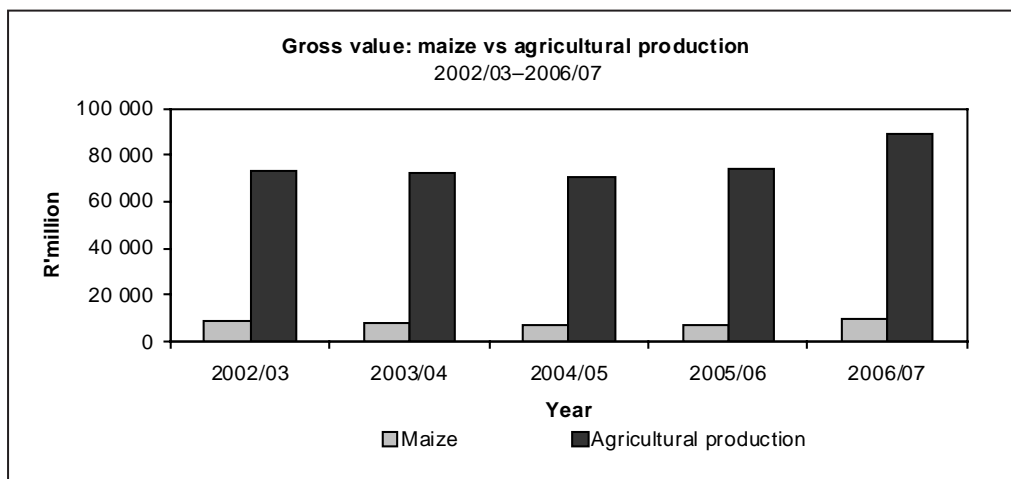
Branches of the industry

FIELD HUSBANDRY

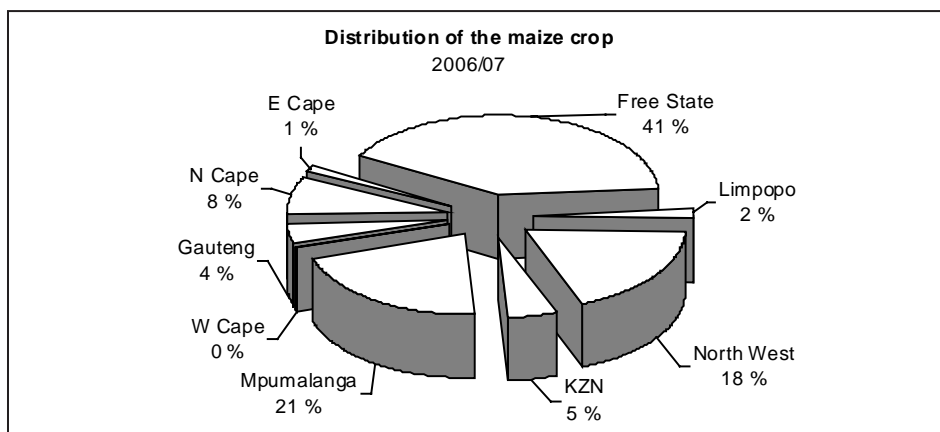
Maize

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 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 2002/03 production season, mainly as a result of low world commodity prices, however, since 2005/06, local commodity prices have increased as a result of, among other factors, limited carry-over stocks as well as higher international prices, which contributed to an increase in the gross value of agricultural production. 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 (41,0%), followed by sugar cane (17,8%), wheat (12,8%), hay (11,1%) and sunflower seed (5,4%). The average annual gross value of maize for the 5 years up to 2006/07 amounts to R8 368 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 2006/07 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 64 % white maize and 36 % yellow maize. The estimated area of white maize under irrigation is approximately 5 % and dryland 95 %, while the estimated area of yellow maize under irrigation is approximately 14 % and dryland 86 %.

In South Africa genetically modified (GM) maize comprised 48,3 % of the total area planted to maize in the 2006/07 production season. The adoption of GM maize in South Africa was a rapid process. For white maize adoption increased from around 3 % in 2002/03 to just over 40 % of total area planted, while yellow maize adoption increased from just under 20 % in 2002/03 to slightly below 60 % in 2006/07. The advent of the stacked events will undoubtedly encourage the further adoption of the technology, and when the drought tolerant events become available, the adoption could become virtually 100 %.

To date, the international development of the various GM maize events has mainly targeted the achievement of herbicide tolerance (notably Roundup) and insect resistance (notably stalkborer) in maize cultivars in order to reduce the use of herbicides and pesticides and to decrease the cost of production.

The large-scale use of maize for biofuel production in South Africa is still a point of contention, as it is regarded by important role players as a threat to food security. The erection of biofuel plants has come to a complete halt as role players are awaiting Government's stance in this regard.

Area planted and production

The 2006/07 production season was characterised by delayed rain at the start of the season, followed by normal rainfall occurrences during November and December. In spite of late plantings, initial crop prospects were favourable, as much of the crop was planted on fallow land from the previous season, and therefore soil moisture conditions were good initially. Since January 2007, however, weather conditions in the summer crop production areas deteriorated significantly because of a total lack of rainfall, coupled with high temperatures. Growth, pollination and cob fill were affected negatively, which resulted in significantly lower than normal yields for most of the production areas.

In an effort to balance maize supply and demand, an estimated 2 551 800 ha were planted to commercial maize during 2006/07—an increase of 59,5 % compared to the 1 600 200 ha planted in 2005/06. Commercial white and yellow maize plantings were 1 624 800 and 927 000 ha, respectively. This represents increases of 57,3 and 63,4 % for white and yellow maize, respectively.

The commercial maize crop for the 2006/07 production season is estimated to be 6,902 million tons, with an estimated yield of 2,70 t/ha. The production represents an increase of 4,3 % compared to the 2005/06 crop, which was estimated at 6,618 million tons.

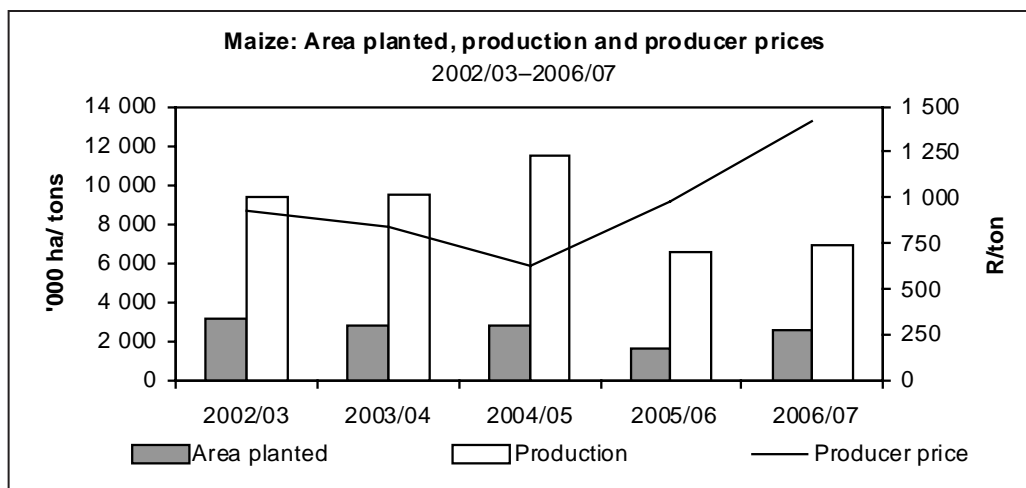
Limited quality problems have been reported during the 2006/07 season. On request from the industry, the South African Grain Information Service (SAGIS) started reporting in 2006 on the percentage of the different grades of maize being delivered during the season. For the 2006/07 season, approximately 96,0 % of the deliveries of white maize was grade WM1 and approximately 93,0 % of the yellow maize deliveries was grade YM1.

Plantings, production and yields of maize from 2002/03 to 2006/07 were as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
Plantings (ha)	3 184 950	2 843 300	2 810 000	1 600 200	2 551 800
Production (t)	9 391 450	9 482 000	11 450 000	6 618 000	6 901 900
Yield (t/ha)	2,95	3,33	4,07	4,14	2,70

While the area planted to maize decreased over the past few years up to 2005/06, 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 considerably poorer yields per hectare obtained during the 2006/07 season (compared to the previous season) can, among other factors, be attributed to prolonged dry conditions and the presence of extremely high temperatures that reduced pollination.

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



The area planted to maize by the subsistence sector during 2006/07 is estimated at 345 266 ha, comprising 263 780 ha white maize and 81 486 ha yellow maize. Production by the developing sector is estimated at 213 738 tons—149 057 tons of white and 64 681 tons of yellow maize. Maize grown by this sector is mainly for own use and contributes only approximately 3 % to national production.

A producer survey conducted at the end of August 2007, showed that producers intended to increase maize plantings for the 2007/08 production season by approximately 4,6 %, from 2,6 million ha to 2,7 million ha, compared to the previous season. Applying a 3-year average yield (2006/07 production season excluded because of exceptionally hot and dry weather conditions that impacted negatively on the yields) of 3,85 tons/ha to the area of 2,7 million ha, gives an anticipated production of 10,3 million tons of maize for 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 rates
- 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)
- 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, the exchange rate and local maize production. Because of the erratic South African climate, substantial variations in local production occur.

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

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 conditions.

The average producer price of maize rose by 44,9 %, from R981,97/ton in 2005/06 to R1 422,97/ton in 2006/07. The increase was caused by a combination of factors, such as drought conditions, higher world prices, as well as a small domestic maize surplus.

The average producer prices of maize from 2002/03 to 2006/07 are as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
	R/ton				
Producer price	933,79	836,19	630,47	981,97	1 422,97

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. The domestic market is very important to the industry as most of the maize produced in South Africa is consumed locally.

Considering the 2006/07 commercial maize crop of 6,902 million tons (4,127 million tons white and 2,775 million tons yellow), together with carry-over stocks of about 2,070 million tons (1,630 million tons white and 440 000 tons yellow) from the previous season and imports of 1,627 million tons (15 000 tons white and 1,612 million tons yellow), the domestic supply of maize for the 2007/08 marketing season (May to April) is estimated at 10,599 million tons (5,772 million tons white and 4,827 million tons yellow).

The domestic demand for commercial maize is estimated at 8,600 million tons—4,600 million tons of white and 4,000 million tons of yellow maize. Projected exports amount to 400 000 tons (300 000 tons of white and 100 000 tons of yellow maize). South Africa therefore has sufficient maize stocks of 1,599 million tons—872 000 tons of white and 727 000 tons of yellow—available to meet the local demand. Should pipeline requirements be subtracted, the surplus above pipeline amounts to 539 000 tons of maize, consisting of 305 000 tons of white and 234 000 tons of yellow maize.

In the long term, an important factor to keep in mind is the growing utilisation of grain, sugar and vegetable oils in the production of biofuels, which will be used as a substitute for fossil fuels.

Trade balance

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 locally produced 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 against relevant foreign currencies makes import products such as maize, wheat and oilseeds more expensive in rand terms, thereby providing some protection to South African farmers and an incentive to increase 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 be considered again. South African suppliers, on the other hand, will consider the export market if local 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.

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. In a report released by the Famine Early Warning Systems Network (FEWS NET), it was indicated that an expected 4,1 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 8 December 2006, is zero.

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.

During the 2006/07 production season (April to March), sorghum for commercial purposes was mainly produced in the Free State (55,1 %), Mpumalanga (29,0 %), Limpopo (6,5 %) and North West (5,8 %) provinces. An estimated 69 000 ha were planted to sorghum for commercial use. This represents an increase of

85,7% compared to the 37 150 ha planted during 2005/06. The increase in the area planted can mainly be ascribed to an effort to balance sorghum supply and demand again, as well as higher producer prices.

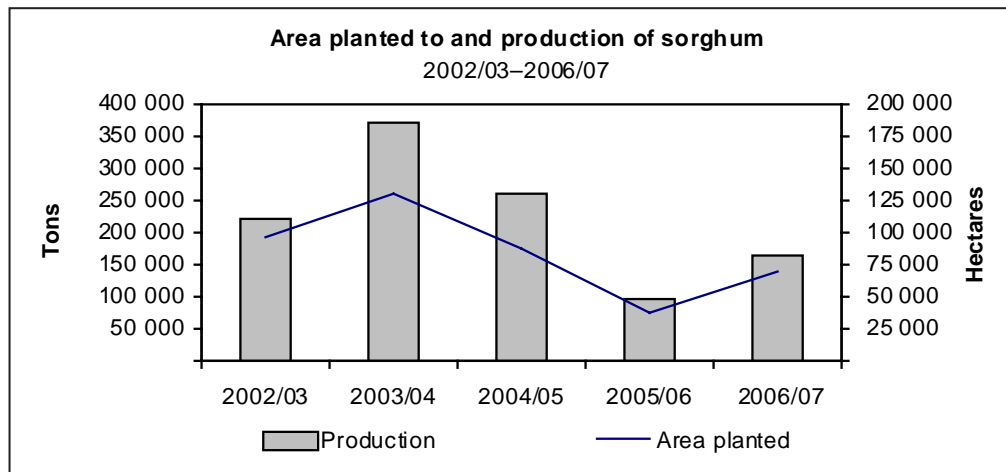
Although sorghum is, after maize and wheat, the most important grain crop produced in South Africa, it contributes only a small percentage to the total domestic grain crops. For the past five seasons, South Africa produced on average 229 158 tons of sorghum per annum, which is approximately 2,6 and 12,9 % of the average domestic maize and wheat production, respectively.

The commercial sorghum crop for the 2006/07 production season is estimated at 165 875 tons, which is 72,8 % higher than that of the previous season and about 27,6 % lower than the 5-year average production of 229 158 tons up to 2005/06. The average yield for 2006/07 is 2,40 t/ha, which is 11,1 % lower than the 5-year average yield of 2,70 t/ha.

Plantings, production and the yields of sorghum from 2002/03 to 2006/07 were as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
Plantings (ha)	95 497	130 000	86 500	37 150	69 000
Production (t)	219 514	373 000	260 000	96 000	165 875
Yield (t/ha)	2,30	2,87	3,01	2,58	2,40

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 probably approximately 42 323 tons and represents about 18 % of the average commercial sorghum crop of 229 158 tons.

Consumption

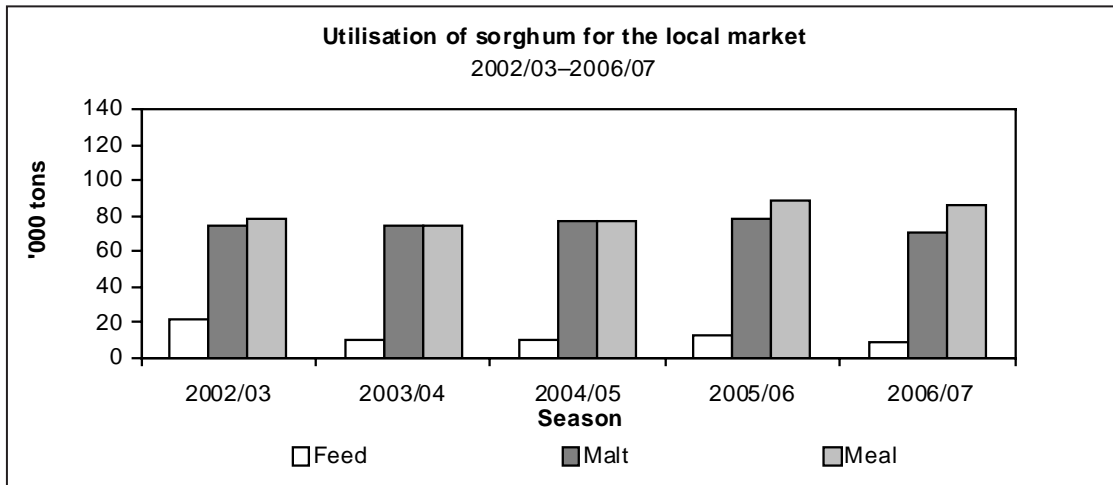
Processors of sorghum products for the consumer market find themselves in an extremely competitive environment in which consumers can easily switch to substitutes such as maize meal, “clear beer” and rice.

Sorghum is mainly used for human consumption, for example malt, sorghum meal and sorghum rice. Malt is used in beer production and overall remains the biggest section of the market for sorghum, which is approximately 39 % 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.

The average annual commercial consumption (human and animal) of sorghum during the past 5 years is approximately 191 360 tons, of which 178 960 tons are for human consumption (malt, meal and other consumption) and 12 400 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 22,9%, from R1 192/t in 2005/06 to R1 465/t for the 2006/07 production season.

Season	2002/03	2003/04	2004/05	2005/06	2006/07
	R/ton				
Producer price	1 450,00	900,00	450,00	1 192,00	1 465,00

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. When local demand exceeds local production, the price for sorghum approaches import parity and a premium is paid on malting quality.

Outlook

A survey conducted at the end of August 2007, showed that producers intended to increase sorghum plantings by approximately 16%, from 69 000 ha planted in the 2006/07 production season to 80 000 ha in 2007/08. Using a 3-year average yield of 2,70 t/ha and the intended planting of 80 000 ha, one would be looking at a production of 216 000 t of sorghum during the 2007/08 production season.

The extent to which sorghum will be produced domestically in future will depend entirely on the profitability of sorghum production.

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 storing and updating 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.

On a national basis, the ARC is 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 2006/07 season, this crop contributed approximately 14 % to the gross value of field crops. The average annual gross value of wheat for the past 5 years amounts to R2 608 million, compared to R8 368 million for maize, which is the most important field crop.

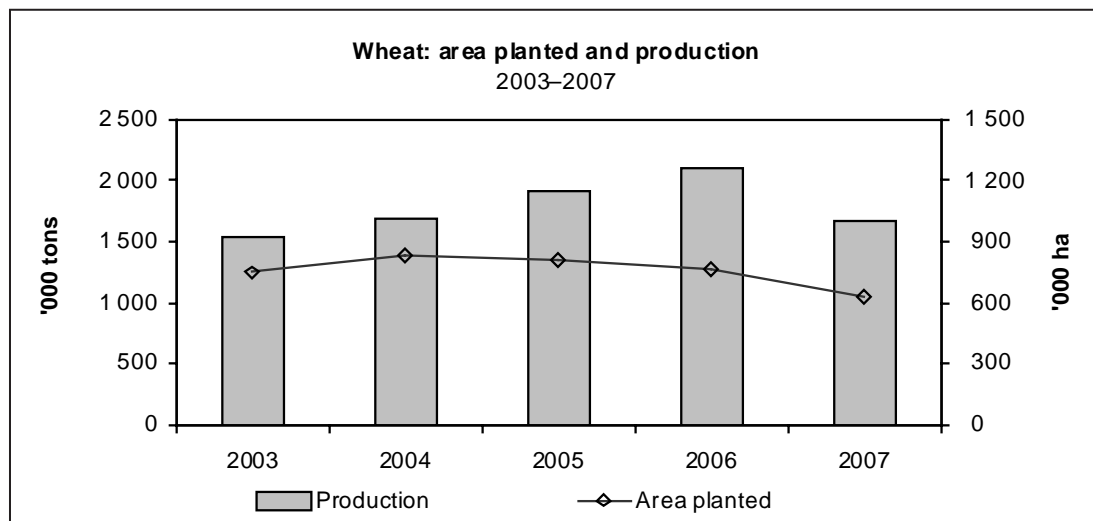
Wheat is planted mainly between mid-April and mid-June in the winter rainfall area and between mid-May and the end of July in the summer rainfall area. Most of the wheat produced in South Africa is bread wheat, with small quantities of durum wheat being produced in certain areas.

Producers are currently facing problems with the grading system for wheat, the calculation of the transport differential, as well as the impact of unfavourable weather conditions in some areas.

Areas planted and production

The estimated area planted to wheat for the 2007 season is 629 500 ha (a decrease of 17,7 % from the 2006 season), which is the smallest area planted since 1934. Of this area planted, 325 000 ha (52 %) are in the Western Cape and 220 000 ha (35 %) in the Free State. The start to the 2007 production season was marked by favourable weather conditions in the Western Cape and dry conditions in the central wheat production areas. The expected average yield for commercial wheat is 2,64 t/ha.

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



The expected commercial wheat crop for 2007 is 1,664 million tons, of which 780 000 tons (47 %) will be from the Western Cape, 418 000 tons (25 %) from the Free State, and 222 000 tons (13 %) from the Northern Cape provinces.

Plantings, production and yields from 2003 to 2007 are as follows:

Season	2003	2004	2005	2006	2007
Plantings (ha)	748 000	830 000	805 000	764 800	629 500
Production (t)	1 540 000	1 680 000	1 905 000	2 105 000	1 664 050
Yield (t/ha)	2,06	2,02	2,37	2,75	2,64

Consumption

A total of 3,546 million tons of wheat were available for local consumption during the 2006/07 marketing season (October to September). This comprised carry-over stocks as at 1 October 2006 amounting to 582 000 tons, domestic production, including the developing sector, of 2,114 million tons and imports of approximately 850 000 tons.

The total demand for wheat for the 2006/07 marketing season is estimated at approximately 3,093 million tons, of which 235 000 tons were exported. Carry-out stocks at 30 September 2007 are estimated to be 453 000 tons.

For the 2007/08 marketing season, the total supply of wheat is estimated at 3,574 million tons (the estimated wheat crop of 1,671 million tons, including the developing sector, together with the carry-over stocks of about 453 000 tons and expected imports of 1,450 million tons). The demand for wheat (exports included) is estimated at 2,974 million tons. Carry-out stocks at the end of September 2008 are expected to amount to 600 000 tons.

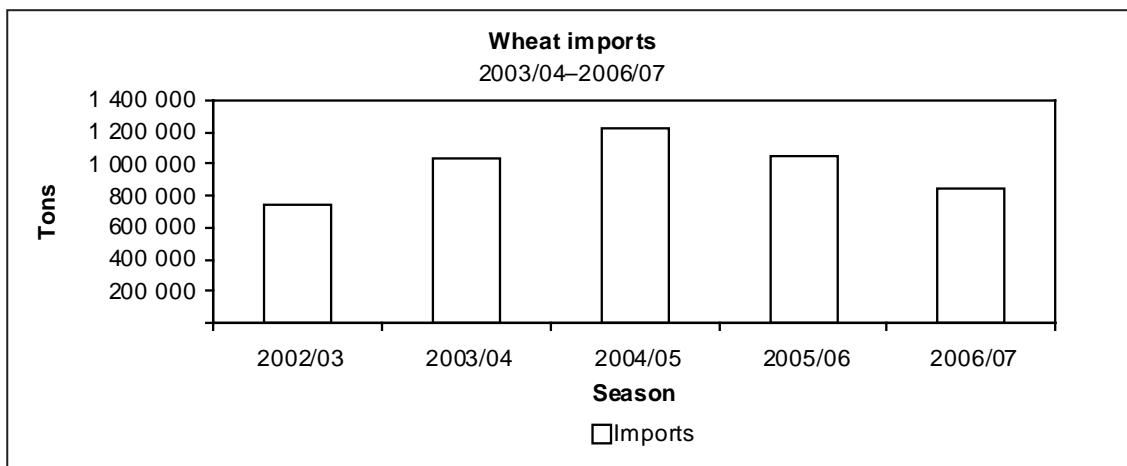
Imports

South Africa is a net importer of wheat, mostly for human consumption. During the 2006/07 season, approximately 74 % of the wheat that is needed for domestic consumption was produced locally, while an estimated 850 000 tons were imported.

Wheat imports from 2002/03 to 2006/07 were as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
	Tons				
Imports	747 000	1 042 000	1 227 000	1 055 000	850 000

The following graph shows the imports of wheat during the past five seasons (October to September):



Since July 2005, a 2% *ad valorem* duty is payable on wheat imports.

Prices

The average producer price of wheat rose by 45,4%, from R1 033,99/ton in 2005/06 to R1 503,58/ton in 2006/07. The increase was mainly the result of the impact of unfavourable weather conditions in some major wheat-producing countries, with a resultant drop in international wheat supply and a rise in world prices.

The average producer prices of wheat (grade 1) from 2002/03 to 2006/07 were as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
	R/ton				
Producer price	1 572,05	1 428,14	1 091,43	1 033,99	1 503,58

Marketing

The South African wheat market was deregulated on 01 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 grains.

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

World wheat situation

According to the August 2007 report of the United States Foreign Agricultural Services, world wheat trade in 2007/08 (July to June) is forecast at 108 million tons, which is the lowest since 2003/04. Global production of wheat is expected to increase by 17 million tons, to 610 million tons in 2007/08. Global consumption is expected to be 621 million tons—3 million tons more than the previous year. Therefore global ending stocks at the end of June 2008 are expected to decrease to 115 million tons—10 million tons lower than the previous year and the lowest level since 1981/82.

Malting barley

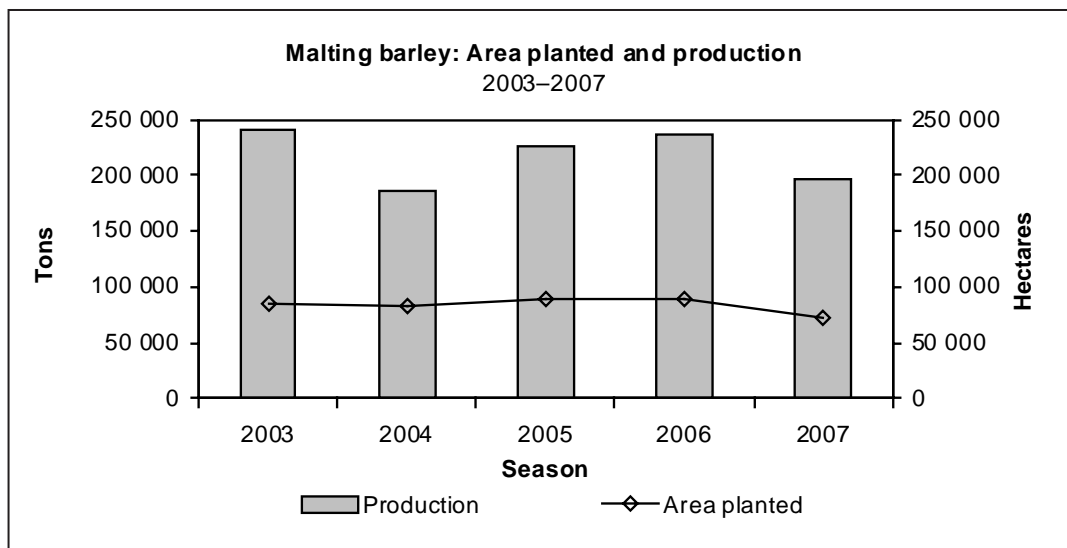
Plantings and production

Malting barley is mainly produced in the Western Cape Province (66 % of total production, on 85 % of total area planted to barley) and in the Vaalharts and Taung areas of the Northern Cape Province (29 % of total production on 13 % of the 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 2007 season are estimated at 73 200 ha, which is 18,5 % lower than the plantings during 2006. A total estimated crop of 195 900 tons of malting barley is expected for the 2007 season, which is 17,0 % lower than the estimated production of 236 000 tons the previous season.

Plantings, production and yield of malting barley from 2003 to 2007 are as follows:

Season	2003	2004	2005	2006	2007
Plantings (ha)	84 220	83 200	90 000	89 780	73 200
Production (t)	240 000	185 000	225 000	236 000	195 900
Yield (t/ha)	2,85	2,22	2,50	2,63	2,68



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 malting barley for the 2006/07 marketing season (October to September) was estimated at 392 100 tons (imports included). Carry-over stocks as at 1 October 2006 amounted to 105 000 tons. Production for the 2006/07 season was 236 000 tons, while about 51 100 tons were imported.

For the 2006/07 marketing season, the total demand for malting barley was estimated at 310 200 tons and carry-out stocks at 30 September 2007 were 81 900 tons. This is substantially higher than the required 3-month-pipeline stock of 37 000 tons.

For the 2007/08 marketing season, the total supply of malting barley is expected to be 397 800 tons, comprising the expected crop of about 195 900 tons, carry-over stocks of 81 900 tons and expected imports of 120 000 tons. The domestic demand is estimated at 319 000 tons, including 8 000 tons of exports. Carry-out stocks at the end of September 2008 are expected to amount to 78 800 tons, which is more than double the required 3-month-pipeline stock of 37 000 tons.

Producer prices and value of crop

The average producer prices of malting barley from 2002 to 2006 are estimated to be as follows:

Season	2002	2003	2004	2005	2006
	R/ton				
Producer price	1 200,00	1 433,00	1 342,30	1 162,85	1 576,42

In the light of prevailing high and rising malting barley and wheat prices worldwide, producers were dissatisfied with the price of R1 625 per ton offered by SAB for the 2007 malting barley crop. At that stage, the SAFEX December 2007 wheat contract price was R2 279 per ton.

The average annual gross value of malting barley for the past 5 years amounts to R288 million, compared to the R2 608 million of wheat and R8 368 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, the South African Breweries Limited (SAB), with malted barley. Barley producers have a guaranteed market (written commitment to source locally) and fixed price forward contracts.

Imports

Variability in rainfall can cause 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 2002/03 to 2006/07 are as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
	Tons				
Imports – Barley	132 700	69 500	101 600	79 500	51 100
– Malt	59 700	70 800	56 900	81 000	66 900

World barley situation

According to the September 2007 report of the United States Foreign Agricultural Services, world barley trade in 2007/08 (October/September) is forecast at 15,8 million tons, which is 9,0% higher than the 14,5 million tons of the previous year. Global production of barley is estimated at 136,8 million tons for 2007/08, while global consumption is estimated at 140,3 million tons. Therefore global ending stocks at the end of September 2008 are expected to decrease by 3,5 million tons, to 17,2 million tons. The decrease in production of barley, and therefore also ending stocks, can mainly be attributed to European and other farmers abandoning barley and planting other, subsidised, crops that are used in the production of biofuels.

Research and information

The South African Barley Breeders' Institute (SABBI) near Caledon and the ARC-Small Grain Institute in Bethlehem conduct the research on and breeding of barley in South Africa, which are financed by statutory levies on barley sales.

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.

Sunflower seed

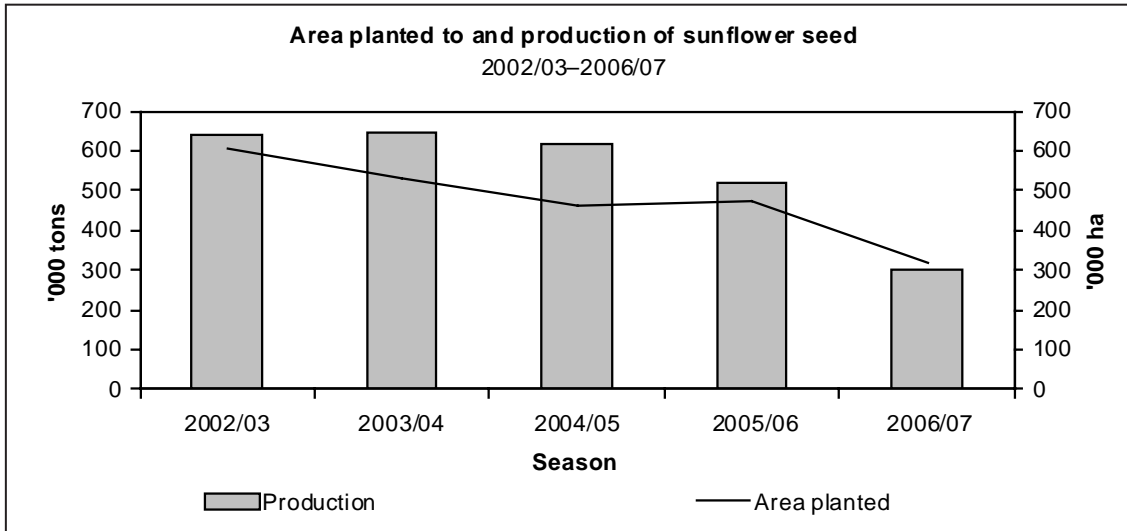
Sunflower seed can be planted from the beginning of November to the end of December in the eastern parts of the country, and up to the middle of January in the western parts. Compared to other crops, sunflower performs well under dry conditions. This is probably the main reason for the crop's popularity in the marginal production areas of South Africa. During the 2006/07 production season, the bulk of the crop was produced in the Free State (43%) and North West (41%) provinces. The contribution of sunflower seed to the gross value of field crops during the season is approximately 4,2% and its average annual estimated gross value for the past 5 years amounts to R1 096 million, compared to the 41,0% and R8 368 million of maize, the largest contributor.

Plantings and production

The yearly plantings of sunflower show remarkable variation, but basically remained within a range of between 380 000 and 830 000 ha. A downward trend has been evident since the 2001/02 season. During the 2006/07 production season, an estimated 316 350 ha were planted to sunflower seed for commercial use, as against an estimated 472 480 ha the previous season. This represents a decrease of 33,0% and is much lower than the 5-year average of 547 288 ha up to 2005/06.

Commercial seed production during 2006/07 was approximately 300 000 tons. This is 42,3 % lower than the previous season and 55,3% lower than the average of 671 880 tons for the previous 5 years. Yields obtained during the season have been described as disappointing, and were mainly the result of the drought conditions experienced in the summer production areas. The average yield for 2006/07 is approximately 0,95 t/ha, which is almost 14 % lower than the 1,10 t/ha during the previous season (also much lower than the 5-year average of 1,22 t/ha up to 2005/06).

Subsistence agriculture contributed an estimated 12 252 tons (3,9%) to the total sunflower seed production in South Africa during 2006/07.



Indications of producers' intentions for the 2007/08 season are that sunflower plantings will be raised by approximately 64,4 %, and the increase can mostly be attributed to better price expectations. Applying the average of 1,22 t/ha for the previous five seasons to an expected area of 520 000 ha, a production figure of 634 400 tons could be projected.

Commercial plantings, production and yield of sunflower seed from 2002/03 to 2006/07 were as follows:

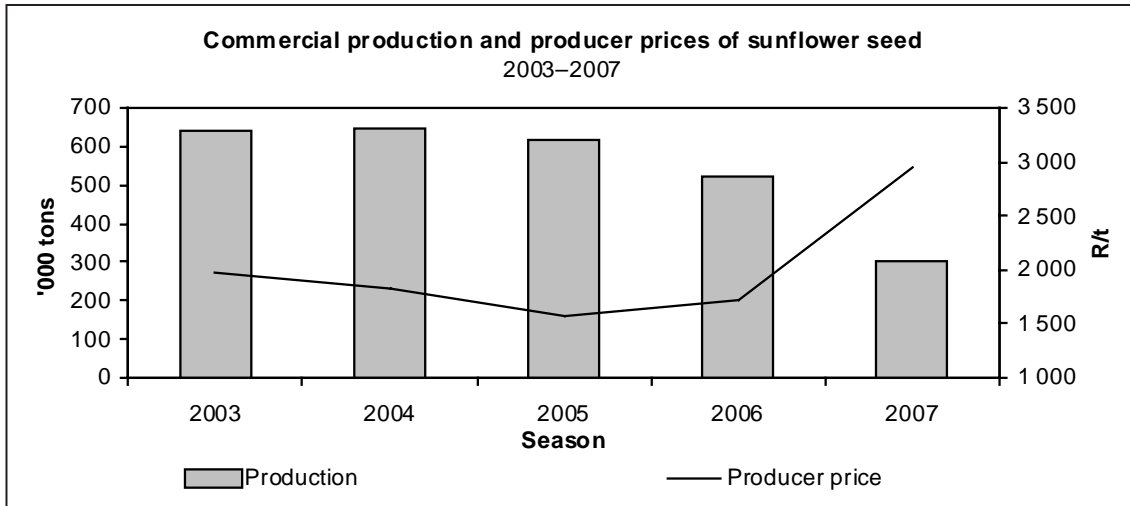
Season	2002/03	2003/04	2004/05	2005/06	2006/07
Plantings (ha)	606 450	530 000	460 000	472 480	316 350
Production (t)	642 610	648 000	620 000	520 000	300 000
Yield (t/ha)	1,06	1,22	1,35	1,10	0,95

Producer prices

The average producer prices of sunflower seed from 2003 to 2007 are as follows:

Season	2003	2004	2005	2006	2007
	R/ton				
Producer price	1 978	1 827	1 580	1 722	2 954

The average producer price increased by 71,5 %, from R1 722/ton during 2006 to R2 954/ton during 2007, reaching an all-time high. The main reason for this is the limited stock levels, both internationally and locally, of sunflower seed as a result of decreased production and increased consumption.



Consumption

The sunflower seed marketing season in South Africa commences on 1 January and ends on 31 December. The seed is used primarily for the manufacturing of sunflower oil and oilcake. The 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 estimated sunflower seed crop of 300 000 tons for the 2007 marketing season, together with carry-over stocks of about 161 000 tons on 1 January 2007 and estimated imports of 9 200 tons leaves the domestic supply of commercial seed at an estimated 470 200 tons for the 2007 season.

In South Africa, sunflower seed is used almost exclusively (an estimated 99% or 417 400 tons in 2007) for oil and oilcake production. The estimated commercial consumption of seed for the 2007 marketing year is approximately 430 600 tons. No seed exports are expected during 2007. Although South Africa's stock situation is becoming tighter than the previous season, it has enough seed available to meet local demand for 2007. Carry-out stocks on 31 December 2007 are expected to be approximately 39 600 tons. This is only about 37% of the required 3-month-pipeline stock of approximately 106 000 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 seed. The balance is made up of imports and locally produced 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 the 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	2003	2004	2005	2006	2007*
	Tons				
Imports	1 500	17 500	6 000	2 800	9 200
Exports	200	100	100	100	0

*Projection

International overview

World production of sunflower seed decreased by 0,6%, from 30,24 million tons for 2005/06 to 30,06 million tons for 2006/07. The Russian Federation contributed 20,5% (6,2 million tons) to world production, followed by the Ukraine with 17,8% (5,4 million tons) and Argentina with 11,7% (3,5 million tons).

World supply and demand balances of sunflower seed will be tight in the 2007/08 season, as plantings have been reduced in favour of rapeseed and grains. Following almost 2 years of abundance and comparatively low prices, prospects point to tightening supplies and the strengthening of sunflower seed and oil prices relative to its major competitors.

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 (49%), the Free State (25%), and KwaZulu-Natal (11%). Small quantities are cultivated in the Limpopo, Gauteng and North West provinces. Soya-beans contribute approximately 1,8% to the gross value of field crops and the estimated average annual gross value of soya-beans for the past five seasons amounts to R434 million.

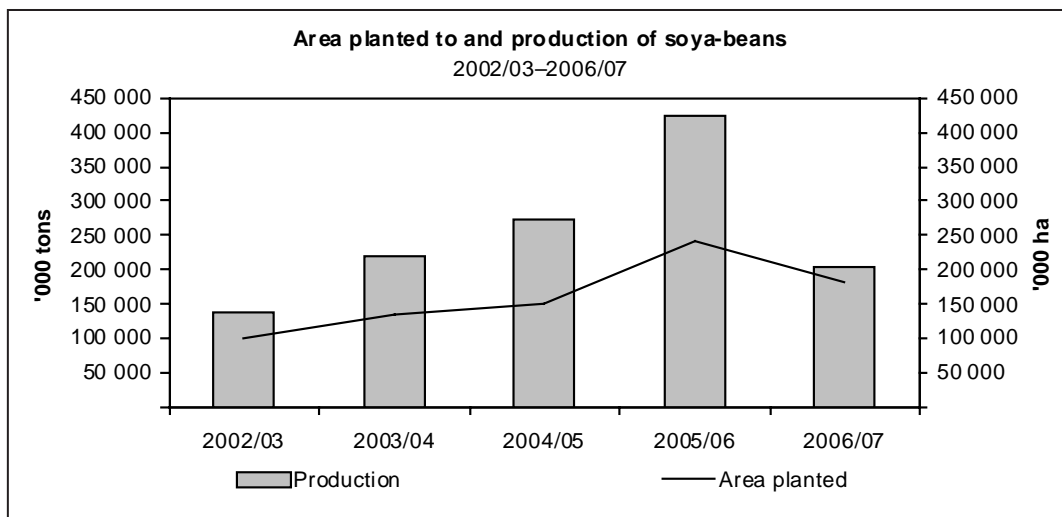
Plantings and production

The plantings of soya-beans varied between 94 000 and 241 000 ha over the past 10 years. During the 2006/07 production season, an estimated 183 000 ha were planted for commercial use, as against an estimated 240 570 ha during the previous season. This represents a decrease of 24%, but is still approximately 22% more than the 5-year average of 149 970 ha up to 2005/06.

The estimated crop of 205 000 tons for 2006/07 represents a decrease of 51,6% compared to the 2005/06 crop of 424 000 tons. It is also 19,7% less than the average of 255 204 tons for the 5 years up to 2005/06. The average yield is 1,12 t/ha, which is much lower than the 1,76 t/ha of the previous season.

Plantings, production and yields of soya-beans from 2002/03 to 2006/07 were as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
Plantings (ha)	100 130	135 000	150 000	240 570	183 000
Production (t)	136 520	220 000	272 500	424 000	205 000
Yield (t/ha)	1,36	1,63	1,82	1,76	1,12



Producer prices

The average local producer price of soya-beans for 2007 is approximately R1 868/ton, which is 29,4 % higher than the price for 2006. The main influences on soya-bean prices include the rate of increase in South American soya production, the growing demand for imported soya in China, marine freight rates, the continued strengthening of the rand/dollar exchange rate and the spread of genetically modified (GM) cultivars in the main production areas. An increase in GM cultivars could increase yields and assist in stabilising prices.

The average producer prices of soya-beans from 2003 to 2007 are as follows:

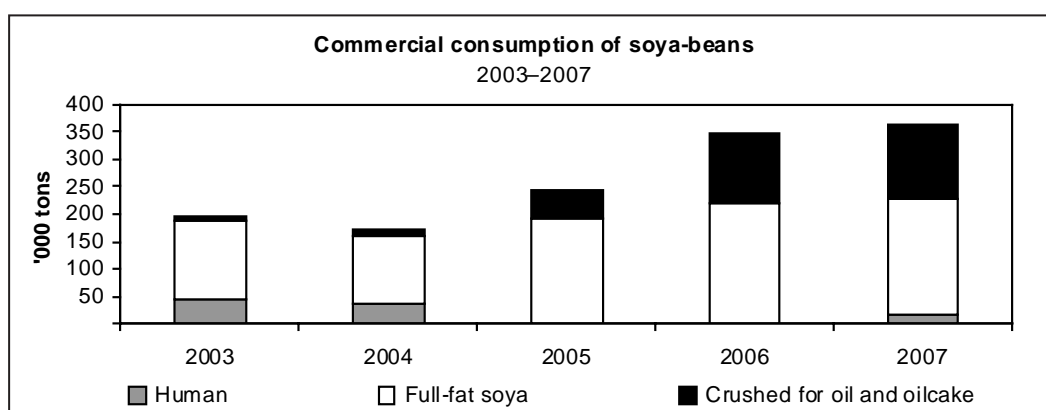
Year	2003	2004	2005	2006	2007
	R/ton				
Producer price	2 487	2 135	1 274	1 443	1 868

Consumption

An estimated total of 366 000 tons of soya-beans are available for utilisation during the 2007 marketing season (January to December). Carry-over stocks on 1 January 2007 amounted to 131 600 tons, and the estimated production is 205 000 tons. Imports of approximately 130 000 tons are expected. Small quantities are exported annually. The expected exports are 1 200 tons.

In South Africa, soya-beans are mainly used for animal feed. The local commercial consumption of soya-beans for 2007 is estimated at 361 000 tons—210 000 tons for feed, 133 000 tons for oil and oilcake and 18 000 tons for human consumption. Carry-over stocks on 31 December 2007 are expected to be approximately 105 250 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 2003 to 2007 are as follows:

Year	2003	2004	2005	2006	2007*
	Tons				
Imports	23 400	18 000	14 300	10 400	130 000
Exports	5 100	2 200	8 400	1 200	1 200

*Expected

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 assisting to alleviate world hunger.

World production increased by 3,1 %, from 214,91 million tons in 2005 to 221,49 million tons in 2006. The United States contributed 40 % (87,7 million tons), Brazil 24 % (52,4 million tons), Argentina 18 % (47,2 million tons) and China 7 % (15,5 million tons) to world production. The balance of 11 % is made up by, *inter alia*, Paraguay, Canada, Europe, India and South Africa. United States soya prices were firmer because of dry, hot weather experienced in the southern areas and concerns about flooding in the upper Midwest.

Outlook

A survey conducted at the end of August 2007, showed that local producers intended to decrease soya-bean plantings by approximately 18 %, from 183 000 planted in 2006/07 to 150 000 in 2007/08. Applying a 3-year average yield of 1,75 t/ha from 2003/04 to 2005/06 to the intended plantings, one would be looking at a production of 262 500 tons.

Globally, soya-bean supply and demand took a sharp drop, resulting in tight stock levels caused by a strong demand from the expanding biofuel industries.

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 (49,1 %), the North West Province (31,9 %) and the Northern Cape (14,7 %). 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 1,3% to the gross value of field crops, and the average annual gross value of groundnuts for the 5 years up to 2005/06 amounts to approximately R289 million.

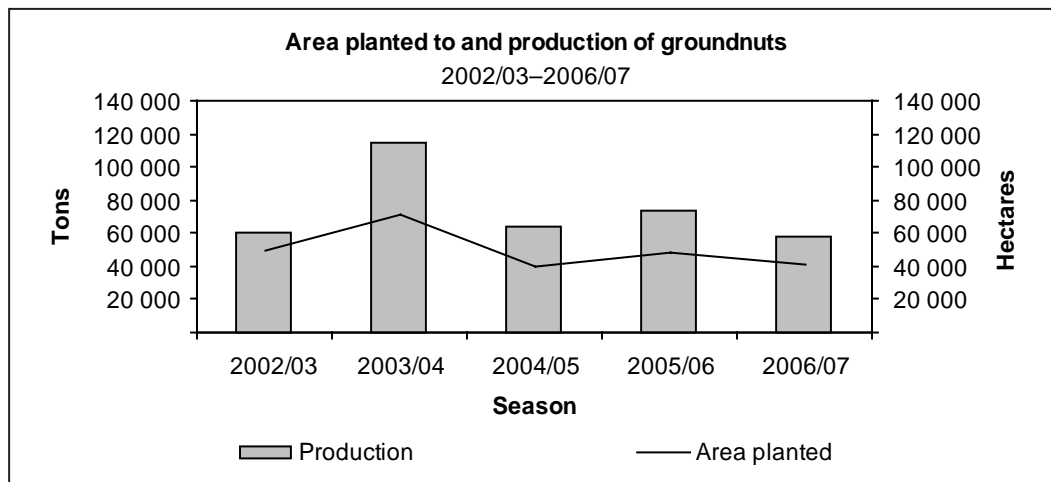
During the 2006/07 production season, an estimated 40 770 ha were planted to groundnuts for commercial use, as against 48 550 ha planted during 2005/06. This represents a decrease of 16,0% and is 33,0% lower than the average of 60 812 ha planted during the 5 years up to 2005/06.

The estimated commercial crop of 58 000 tons of groundnuts for 2006/07 represents a decrease of 21,6% compared to the 2005/06 crop of 74 000 tons. It is 33,1% less than the 5-year average of 86 638 tons up to 2005/06. The average yield was 1,42 t/ha, which was 6,6% less than the 1,52 t/ha of the previous season and 1,4% lower than the 5-year average of 1,44 t/ha. The relatively low yield achieved during the 2006/07 season can probably be attributed to prolonged dry spells in the main production areas.

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 2002/03 to 2006/07 were as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
Plantings (ha)	49 850	71 500	40 000	48 550	40 770
Production (t)	60 005	115 000	64 000	74 000	58 000
Yield (t/ha)	1,20	1,61	1,60	1,52	1,42



Indications for the 2007/08 production season point to an increase of 32,5% in the area planted to groundnuts. Applying the average yield of about 1,47 t/ha for the previous five seasons to an expected area of 54 000 ha, a production of 79 380 tons of groundnuts for 2007/08 is projected.

Producer prices

The average producer prices of groundnuts from 2002/03 to 2006/07 were as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
	R/ton				
Producer price	5 050	2 870	2 464	2 849	5 491

The average producer price for groundnuts shows a huge increase of 92,7%, from R2 849/ton for 2005/06 to R5 491 in 2006/07 and can mainly be attributed to limited world stocks.

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 five marketing seasons (March to February) up to 2007/08 are as follows:

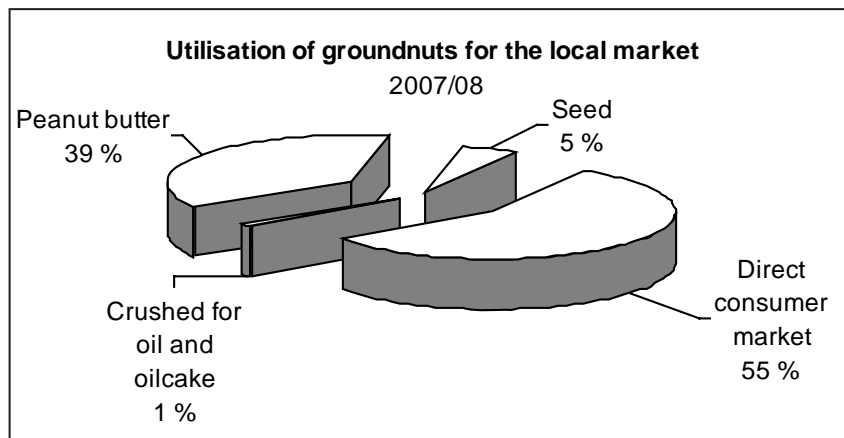
Season	2003/04	2004/05	2005/06	2006/07	2007/08*
	Tons				
Imports	18 500	12 300	2 200	21 400	23 700
Exports	20 400	21 100	22 200	17 800	11 900

* Projections

Consumption

A total of 54 240 tons of groundnuts are available for utilisation during the 2007/08 marketing year. Carry-over stocks on 1 March 2007 amounted to 15 600 tons, while the carry-over stocks at the end of February 2008 are expected to be 23 900 tons. The estimated production is 58 000 tons, which is the lowest since 1984. Imports are projected at 23 700 tons and expected exports amount to 11 900 tons.

In South Africa, groundnuts are used mainly for human consumption. It is expected that approximately 800 tons of groundnuts will be used for oil and oilcake during the 2007/08 marketing season, 22 700 tons for peanut butter and 35 000 tons for the edible market.



The *per capita* consumption for the 2007/08 marketing year is estimated at 0,46 kg, as against 1,07 kg for the previous season.

International overview

The forecast for world production of groundnuts increased by 4,2%, from 22,85 million tons in 2006/07 to 23,8 million tons in 2007/08. The expected increase is mainly based on a possible recovery of Indian groundnut production by approximately 1 million tons, from 3,45 million tons to 4,45 million tons.

Although the expected production of groundnuts increased in general, the USA, Argentina and China showed decreases of 2,5, 3,4 and 2,0%, respectively, compared with the 2006/07 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.

Canola

Canola is an oilseed crop that had almost exclusively been grown in the Western Cape Province; however, since the 2001 production season, small quantities have also been planted in the northern areas, such as the North West and Limpopo provinces.

Plantings and production

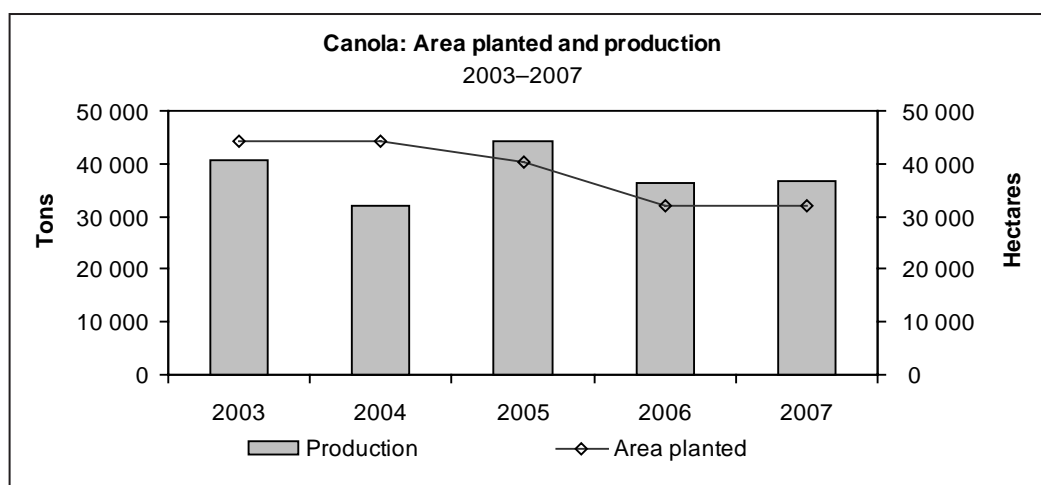
The estimated area planted to canola remained virtually unchanged from the 2006 to the 2007 season at approximately 32 000 ha. Production is expected to increase marginally by 0,8 %, from 36 500 tons in 2006 to 36 800 tons in 2007.

The Western Cape is experiencing favourable crop growing conditions for canola for the 2007 season and therefore the average expected yield of 1,15 t/ha is the highest since the 1998 production season.

Estimated plantings, production and yield of canola from 2003 to 2007 are as follows:

Season	2003	2004	2005	2006	2007
Plantings (ha)	44 200	44 250	40 200	32 000	32 000
Production (t)	40 770	32 000	44 200	36 500	36 800
Yield (t/ha)	0,92	0,72	1,10	1,14	1,15

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



The planting of canola —as alternative crop to small grains—has become an important part of crop rotation practices in the Western Cape. If wheat is planted after canola, increases of up to 25 % in yields have been observed. One of the reasons for this is that canola has a relatively deep taproot system, which acts as a “biological plough” to facilitate root penetration for the crop planted after canola. This then improves infiltration of rainwater and reduces water runoff and surface erosion. In addition, canola has a biofumigation effect on the soil, which reduces the manifestation of pests and diseases in the soil. Just prior to harvesting time, the canola plants drop a large quantity of plant material that assists with the biofumigation effect, but also puts a considerable quantity of nutrients and organic material back into the soil.

Consumption

On the local market, canola competes with other oilseeds such as sunflower seed and soya-beans. 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 51 800 tons of canola were available for local consumption during the 2006/07 marketing season (October to September). This comprised carry-over stocks as at 1 October 2006 amounting to 15 300 tons and domestic production of 36 500 tons, while no canola was imported or exported. The total demand for canola for the 2006/07 marketing season was approximately 42 200 tons.

For the 2007/08 marketing season, the total supply of canola is estimated at 46 400 tons (the estimated canola crop of 36 800 tons, together with carry-over stocks of about 9 600 tons). The domestic demand for canola is estimated at 37 000 tons and therefore carry-out stocks at the end of September 2008 are expected to come to 9 400 tons. No exports or imports are expected during the season.

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 protein content and whether it is delivered for the feed market or crushed for oil. Canola contract prices of approximately R2 940 have been offered to producers for the 2007/08 season.

The average producer prices of canola from 2002/03 to 2006/07 were as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
	R/ton				
Producer price	2 385,00	1 754,50	1 745,38	1 673,09	2 660,00

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

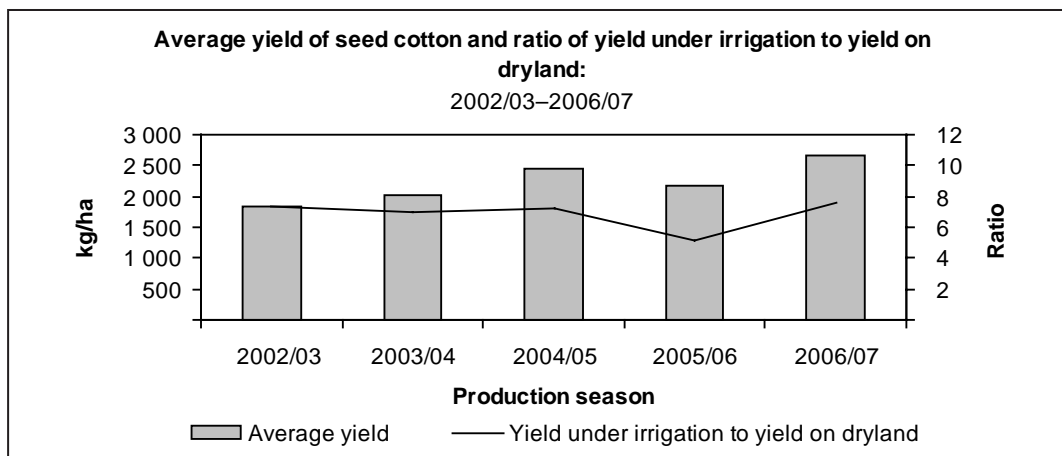
In South Africa, cotton is grown in the warm regions of the Limpopo, Mpumalanga, Northern Cape, North West and KwaZulu-Natal provinces where minimum night temperatures are at least 15 °C.

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

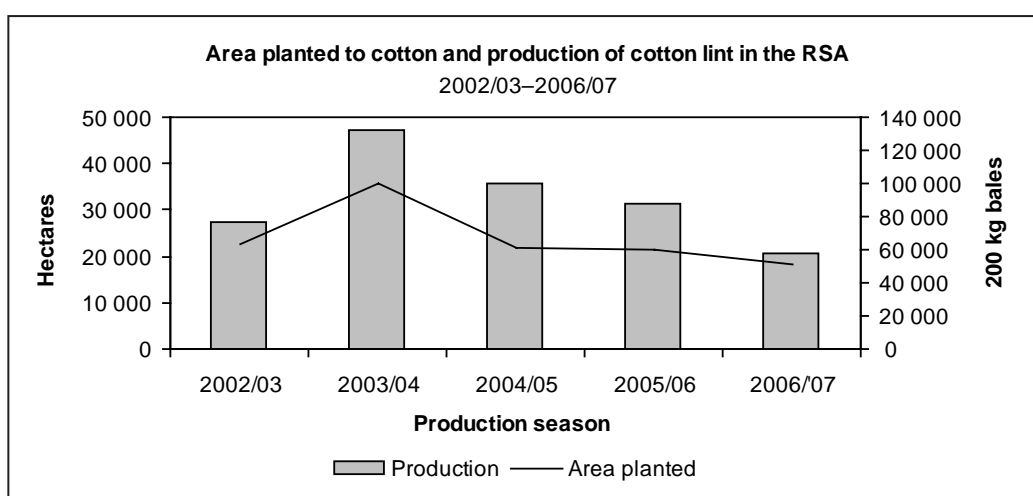
The cotton industry is labour intensive and provides work to roughly one labourer per hectare of cotton planted. Oil extracted from cotton seed can be used for cooking and salad dressing. Extracted seed can also be used as a fertiliser or as feed for livestock, poultry and fish.

Area planted and production

The total area planted to cotton in South Africa for the 2006/07 production season is estimated at 11 363 ha, which is a decrease of 91,5 % compared to the 21 763 ha of the previous season. The area planted to cotton reached its peak during the 1987/88 production season, when an estimated 181 676 ha were planted. Since then, plantings decreased substantially. The lowest plantings in more than 30 years, 11 363 ha, are estimated for the 2006/07 production season.



Source: Cotton SA



An estimated 69,7% of the total area planted to cotton during the 2006/07 production season, was under irrigation. Yields per hectare under irrigation are normally up to 7 times higher than on dryland. An estimated average yield of 602 kg/ha (seed cotton on dryland) during the 2006/07 season was 11,7% lower than the yield of 682 kg realised during 2005/06.

The domestic production for the 2006/07 season is estimated at 55 509 bales of 200 kg cotton lint, which is a drop of 35,7% compared to 86 328 (200 kg) bales produced in 2005/06. Lower cotton production means that more cotton lint will have to be imported.

As part of the cotton industry's objective to broaden participation by emerging farmers, through a training programme established by Cotton SA and other stakeholders (including the private sector and Government), a goal was set that 25% of the total local production should be from small-scale farmers by 2007 and 35% by 2014. During the 2006/07 production season, a level of 18% was achieved.

Areas planted to cotton and the production of cotton lint for the 2002/03 to 2006/07 production seasons by the RSA and Swaziland compare as follows:

RSA					
Production season	2002/03	2003/04	2004/05	2005/06	2006/07*
Total RSA plantings (ha)	22 574	35 719	21 763	21 581	11 363
Dryland (ha)	12 252	17 450	8 866	9 999	3 443
Irrigation (ha)	9 791	18 269	12 897	11 582	7 920
Cotton lint (200 kg bales) from RSA-grown cotton	76 425	128 990	101 570	86 328	55 509

Swaziland					
Production season	2002/03	2003/04	2004/05	2005/06	2006/07*
Total Swaziland plantings (ha)	4 500	6 500	5 000	888	4 000
Dryland (ha)	4 500	6 500	5 000	888	4 000
Irrigation (ha)	0	0	0	0	0
Cotton lint (200 kg bales) from Swaziland-grown cotton	2 175	5 565	5 460	945	1 435

* Estimates (August 2007)

Source: *Cotton SA*

Prices

The average producer price for seed cotton (lint and seed derived from the boll of the cotton plant before it is ginned) for the 2005/06 marketing season (April to March) was 227 c/kg, while the price for 2006/07 is estimated at 300 c/kg. In South Africa, the price of cotton normally emulates global price trends.

According to the International Cotton Advisory Committee (ICAC), the international prices are expected to rise by 6,9% to about \$0,62/kg during the 2007/08 season, from an average of \$0,58/kg in 2006/07. World production is forecast to decline marginally, by 0,36%, for the 2007/08 season, compared to an increase of 2,6% in 2006/07. Both China and the United States will experience a decrease in production, as opposed to production in India, which is expected to increase slightly.

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

Marketing year	2002/03	2003/04	2004/05	2005/06	2006/07*
	c/kg				
Seed cotton	351	369	318	227	300
Cotton lint	1 179	1 102	1 109	737	850

*Estimates

Consumption

Consumption of cotton lint by RSA spinners (including Swaziland) for the 2007/08 marketing year is estimated at 235 000 bales of 200 kg, compared to the 230 000 bales of the 2006/07 year.

During the 2006/07 marketing year, about 64% of the consumed cotton lint was imported from the Southern African Development Community (SADC) countries. The two major suppliers were Zambia and Zimbabwe. Cotton lint exports for the 2006/07 season were 7 733 tons, with an estimated 5 000 tons for 2007/08.

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

Marketing year	2002/03	2003/04	2004/05	2005/06	2006/07
	200 kg bales				
Consumption	387 135	309 645	296 120	240 930	230 000

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 2006/07 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 sold either 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.

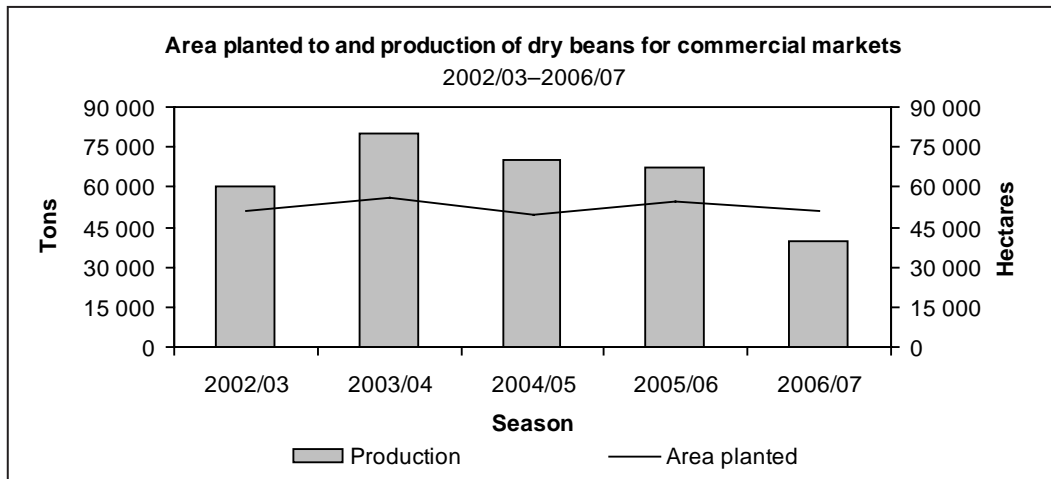
After the Cotton Board was dissolved in 1998, a section 21 company, namely Cotton SA, was formed by stakeholders in the cotton industry. A statutory levy, which was introduced for the period April 2004 to March 2008 in terms of the Marketing of Agricultural Products Act, 1996, is applicable (currently 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.

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

Dry beans

Areas planted and production

During the 2006/07 season, an estimated 50 725 ha were planted to dry beans for commercial markets—a decrease of 7,6% compared to the 54 880 ha planted in 2005/06. However, the expected commercial crop of 39 545 tons for 2006/07 will be 70% lower than the previous crop of 67 250 tons. The average yield for the 2006/07 crop is approximately 0,8 t/ha, which is a decrease of 33,3% from the previous season and is mainly the result of the drought that occurred just before planting and high temperatures during the growing period.



The Mpumalanga and Free State provinces are estimated to have produced 64,8% of the 2006/07 commercial crop. The remaining 35,2% was produced in the other provinces, excluding the Eastern Cape.

Production per province and their share in the 2006/07 crop are as follows:

Province	Production (t)	Share in crop (%)
Mpumalanga	13 300	33,6
Free State	19 800	31,2
Gauteng	3 400	8,6
North West	2 000	5,1
KwaZulu-Natal	3 000	7,6
Limpopo	4 900	12,4
Western Cape	450	0,9
Eastern Cape	0	0
Northern Cape	225	0,6
Total	39 545	100,0

The estimated gross value of dry beans for the 2006/07 season amounts to R261 million and is 19,8% less than the previous season.

Production per type during 2006/07 is estimated to be as follows: 31 192 tons (78,9%) Red Speckled, 6 684 tons (16,9%) Small White Canning, 1 113 tons (2,8%) Large White Kidney and 556 tons (1,4%) other dry beans, mainly Cariocas.

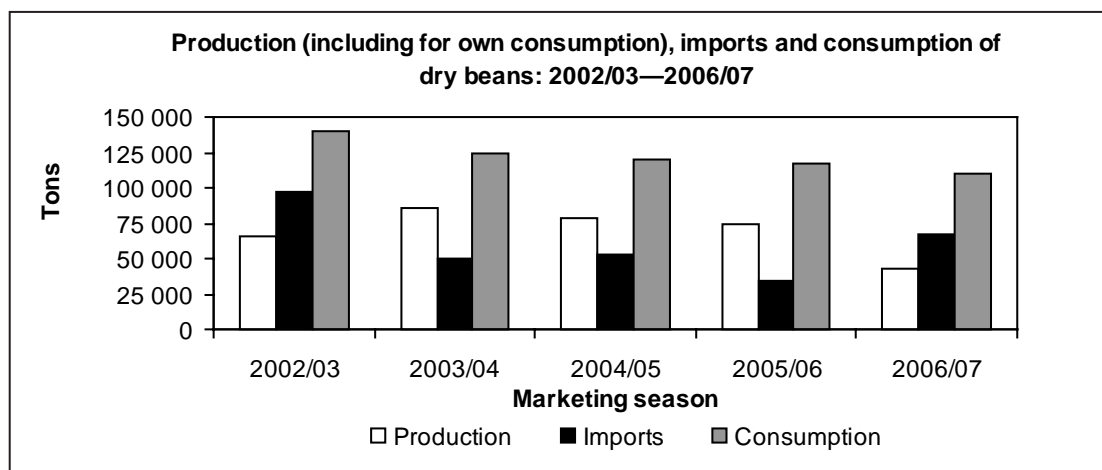
The most extensive seed production takes place in the Lowveld area of Mpumalanga Province, followed by the Limpopo and Northern Cape provinces. In an attempt to improve profitability for producers and to meet the rise in protein demand, cultivars have been developed by the Dry Bean Producers' Organisation in partnership with the Agricultural Research Council that can yield up to 1,4 t/ha, as against 0,6 t/ha some 20 years ago. These cultivars are suited to most soil types, with greater resistance to diseases and can be grown successfully in different areas. Excluding the 2006/07 season the average yield for dryland production during the previous 5 years was 1,2 t/ha. It is, however possible to obtain a much higher yield under favourable conditions.

Consumption

An estimated 110 000 tons of dry beans were consumed locally during the 2006/07 marketing season (March to February), which represents a decrease of 6,9% compared to 2005/06. The estimated *per capita* consumption for 2006/07 is 2,17 kg, which is 4,6% less than the 2005/06 figure.

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

The quantities of dry beans produced, imported and consumed from 2002/2003 to 2006/07 are as follows:



Marketing season	2002/03	2003/04	2004/05	2005/06	2006/07
	Tons				
Production (including developing agriculture)	66 022	85 925	75 643	74 052	43 500
Imports	96 581	50 312	53 073	34 233	66 804
Exports	140 396	124 864	119 975	117 676	110 000

Producer prices

The average prices received by producers for dry beans from 2002/03 to 2006/07 are as follows:

Production season	2002/03	2003/04	2004/05	2005/06	2006/07
	R/ton				
Producer price	4 200	3 500	3 100	4 400	6 730

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, sugar cane is harvested 18 to 24 months after resprouting. 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.

Industry overview

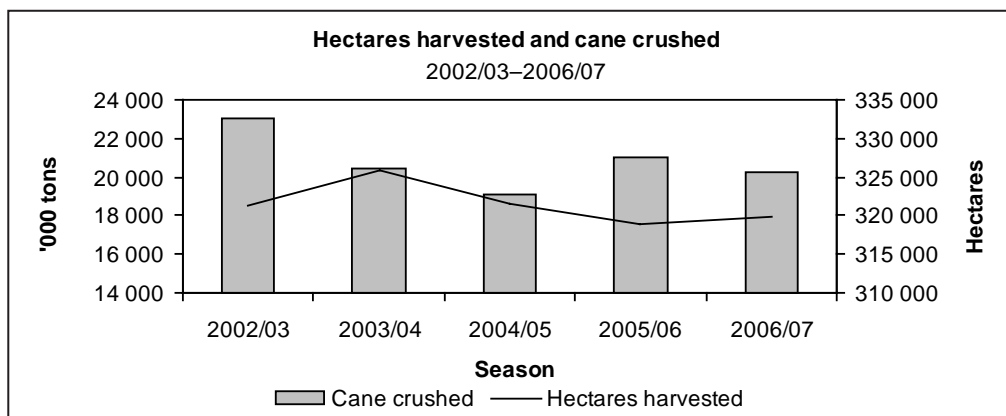
The sugar cane growing industry in South Africa is administered by the South African Cane Growers' Association, established in 1927. There are currently approximately 45 300 registered cane growers who, on average, produce 21 million tons of sugar cane per year in areas extending from the Eastern Cape through KwaZulu-Natal to the Mpumalanga provinces. Large-scale growers are responsible for approximately 79% of the total sugar-cane production, while 11 and 10% of the total crop is produced by small-scale farmers and milling companies, respectively.

The South African sugar industry is among the most cost competitive producers of high-quality sugar. The industry combines sugar-cane production and production of sugar (raw or refined), syrup and some by-products. 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 and price of sugar cane

The production of sugar cane decreased by 3,7% to 20,3 million tons between the 2005/06 and 2006/07 seasons, while production for the 2007/08 season is expected to be 7,0% higher than in 2006/07.

The average for cane production during 1997/98 to 2006/07 is 21,5 million tons, with the yield of harvested cane averaging 67,9 tons/ha over the same period. The yield stands at 64,7 tons/ha for the 2006/07 season. The area harvested rose marginally, by 0,3%, from 318 856 ha in 2005/06 to 319 909 ha in 2006/07.



The producer price of sugar cane increased by 14,5% between 2005/06 and 2006/07. The average price over the 5-year period indicated below is R174,56 per ton.

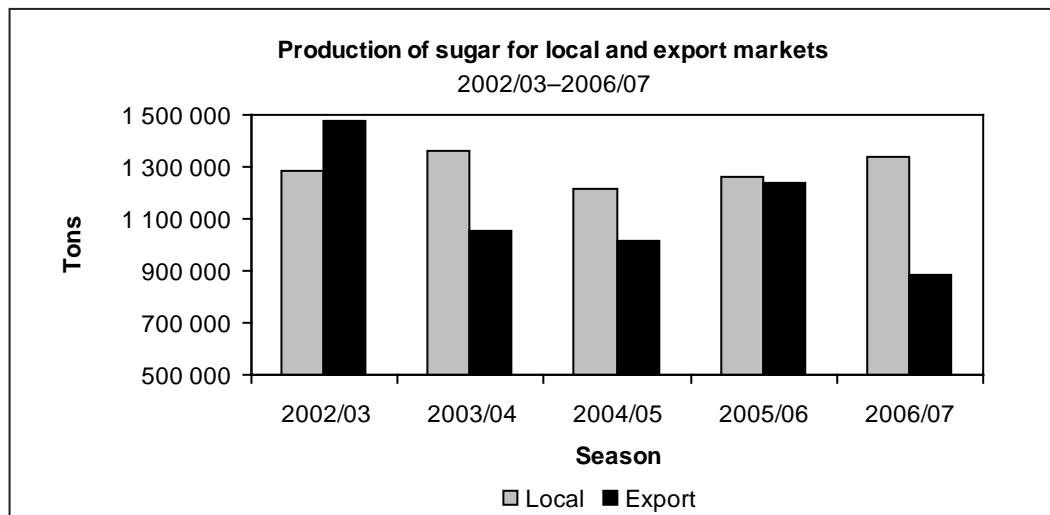
The average producer prices of sugar cane from 2002/03 to 2006/07 were as follows:

Year	2002/03	2003/04	2004/05	2005/06	2006/07
	R/ton				
Producer price	171,78	169,08	159,55	173,59	198,78

Production and consumption of sugar

The local production of sugar reached a record level of 2,76 million tons during the 2002/03 season. For 2006/07, production is estimated at 2,24 million tons. The quantity of cane crushed to produce a ton of sugar reached a record high of 10,02 tons in 1995/96 before declining over the years, and stands at 9,1 for the 2006/07 season.

A total of 886 329 tons of sugar were produced for the international market during the 2006/07 season, which is a 28,4% decline from 2005/06, while 1,3 million tons were produced for the national market—an increase of 6,2%.



The total supply of 1,346 million tons of sugar to the Southern African Customs Union (SACU) during 2006/07 represents an increase of 1,4% compared to the supply of 1,328 million tons in 2005/06.

The local production and sales of sugar to SACU from 2002/03 to 2006/07 were as follows:

Year	2002/03	2003/04	2004/05	2005/06	2006/07
	'000 tons				
Production	2 763	2 412	2 227	2 501	2 227
SACU sales	1 413	1 102	1 267	1 328	1 346

Marketing

Approximately 50% of the locally produced sugar is for the world market, which is sold at prices below the domestic sugar price because of subsidy-induced production in some major sugar-producing countries. However, government supports the industry through interventions such as tariff protection and the Sugar Cooperation Agreement among SADC members. 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.

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 entity. The primary objective of the company is to promote sustainable agricultural land reform in support of national transformation goals by effecting 30 % black ownership of sugar-cane land by 2014. This objective excludes the 31 000 ha of freehold land under sugar cane already established under black ownership. The initiative will be closely aligned with the government objectives and initiatives relating to land reform, also adding to numerous projects and initiatives being undertaken by individual milling companies as well as the Cane Growers' Association.

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 the occurrence of pests and diseases; and research on optimal choice in the use of fertilisers, water, ripening and weed control agents.

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

HORTICULTURE

Deciduous fruit

Production areas

The main deciduous-fruit-producing areas of South Africa are situated in the Western and Eastern Cape provinces, mainly in areas where warm, dry summers and cold winters prevail. The area under production during the 2006 season is estimated at 74 138 ha.

Production

Although some producers grow fruit both for canning and fresh consumption, it is estimated that in South Africa there are about 2 254 producers of fruit for fresh consumption, 1 174 producers for stone fruit, 954 producers for dry and table grapes and 700 producers for pome fruit. The production of deciduous fruit during 2006/07 is estimated at 1 528 678 tons, which is approximately 0,9 % higher than in 2005/06.

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

Fruit type	2002/03	2003/04	2004/05	2005/06	2006/07
	Tons				
Apples	791 788	821 187	699 350	623 573	645 716
Pears	319 578	324 194	310 702	316 519	337 241
Table grapes	261 950	291 550	256 933	291 642	284 715
Peaches and nectarines	243 068	172 375	177 748	168 193	169 773
Apricots	240 189	88 328	37 208	76 166	36 494
Plums	58 336	59 866	55 221	39 337	54 739
Total	1 716 847	1 758 001	1 537 162	1 515 430	1 528 678

Marketing

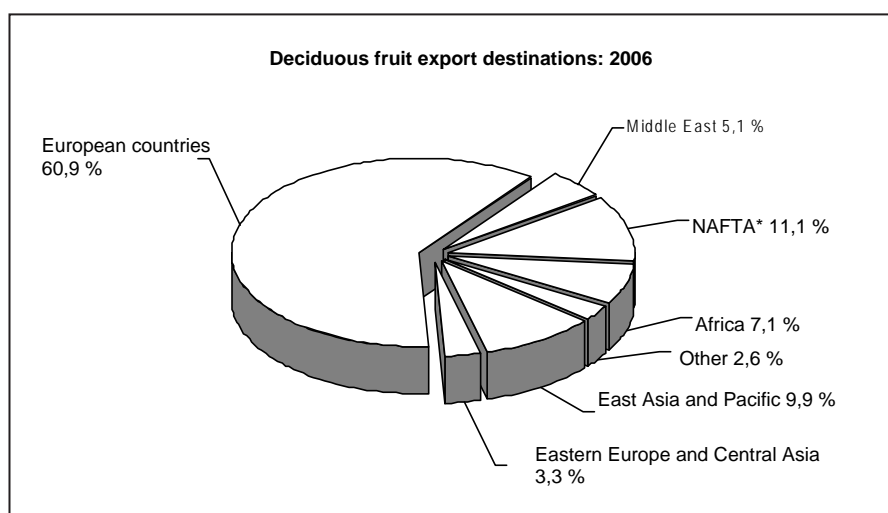
During 2006/07, deciduous fruit contributed approximately 25,0 % to the gross value of horticultural products. Approximately 389 818 tons of deciduous fruit were sold locally on the major fresh produce markets, other markets and directly to retailers, which represents an increase of 9,1 % compared to the 357 196 tons sold during the 2005/06 season.

The average prices realised for deciduous fruit on the major fresh produce markets during the period 2002/03 to 2006/07 are as follows:

Fruit type	2002/03	2003/04	2004/05	2005/06	2006/07
	R/ton				
Apples	2 408	2 481	2 721	3 035	3 293
Pears	1 996	2 302	2 457	2 656	2 767
Table grapes	3 623	3 982	4 146	4 606	5 115
Peaches and nectarines	3 455	4 774	4 467	3 723	3 433
Apricots	2 723	3 230	3 662	3 608	4 487
Plums	2 315	2 622	2 655	3 723	3 433

The exporting of deciduous fruit is a major earner of foreign exchange for South Africa. During the 2006/07 season (October to September), about 44,9% of deciduous fruit produced was exported and approximately 71,8% of the gross value from deciduous fruit came from foreign exchange export earnings. Total exports amounted to 685 808 tons. This represents an increase of 2,3% compared to 670 535 tons exported during 2005/06.

The following graph indicates deciduous fruit export destinations during 2006:

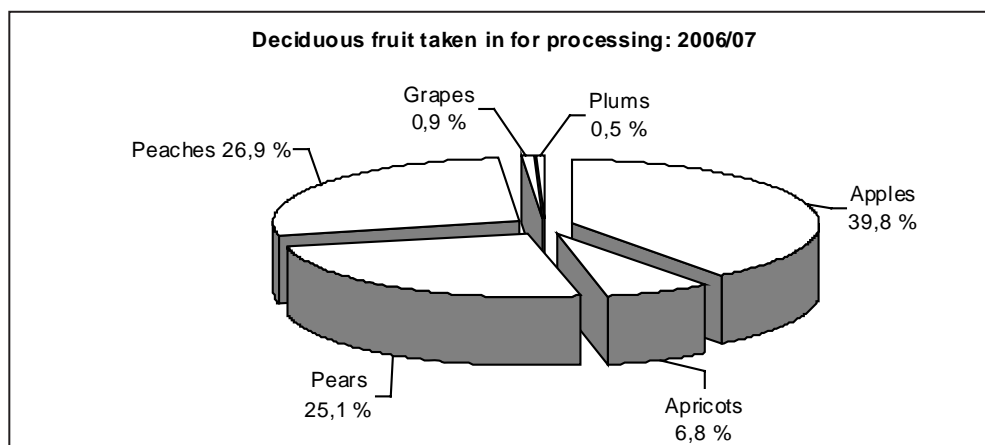


* Northern American Free Trade Agreement (United States, Canada and Mexico)

Intake of deciduous fruit for processing

During 2006/07, about 30,5% of deciduous fruit produced was taken in for processing—a decrease of 5,3% compared to 2005/06.

The following graph indicates deciduous fruit taken in for processing during 2006/07:



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.

During 2006/07, approximately 97,2% of apples taken in for processing was used for juice and 2,8% for canning, while 51,8% of pears was used for juice and 48,2% was canned. Producers received an average of R831 and R432 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 R1 152 and R318 per ton, respectively.

Domestic consumption

Local *per capita* consumption and total consumption of deciduous fruit over the past 5 years were as follows:

Season	2002/03	2003/04	2004/05	2005/06	2006/07
<i>Per capita</i> onsumption (kg/year)	21,44	20,42	17,82	15,72	19,36
Total consumption ('000 tons)	995	951	835	745	926

Prospects

The deciduous fruit producers experienced a wonderful winter in 2006. Good rains and cold units created exciting production potential for deciduous trees. Cold and hail damages in certain areas were limited to small production spots, however, on the national production level, the damage was not significant.

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 grown mainly 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 come mainly from the Vredendal district.

Production

In 2007, production of dried vine fruit increased by 6,8%, from 41 229 tons in 2006 to 44 032 tons, while that of dried tree fruit decreased by 4,7%, from 4 890 tons in 2006 to 4 662 tons in 2007. The increase of dried vine fruit occurred mainly in the production of golden sultanas (48,3%), from 8 800 tons in 2006 to 13 054 tons in 2007.

The increase in the production of vine fruit was caused by the relative strength of the rand, which had a depressing effect on export prices received for fresh vine fruit—some growers decided to rather dry grapes that had been prepared to be exported as table grapes, especially those grapes which ripen later when the prices are even lower than in the early part of the season.

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

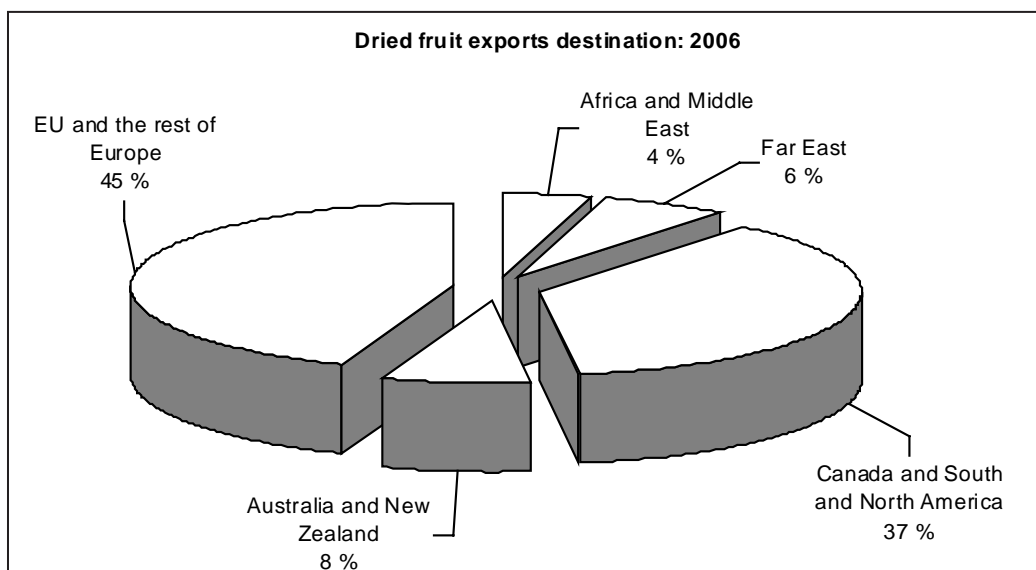
Fruit type	2003	2004	2005	2006	2007*
	Tons				
Sultana type					
Unbleached	6 507	5 716	1 980	3 128	4 435
Golden	7 473	7 557	8 285	8 800	13 054
Thompson seedless raisins	20 858	24 814	18 219	27 161	24 270
Currants	1 774	1 300	1 851	2 080	2 200
Raisins	115	129	81	60	73
Total vine fruit	36 727	39 516	30 416	41 229	44 032
Total tree fruit	5 697	5 800	5 875	4 890	4 662
Grand total	42 424	45 316	36 291	46 119	48 694

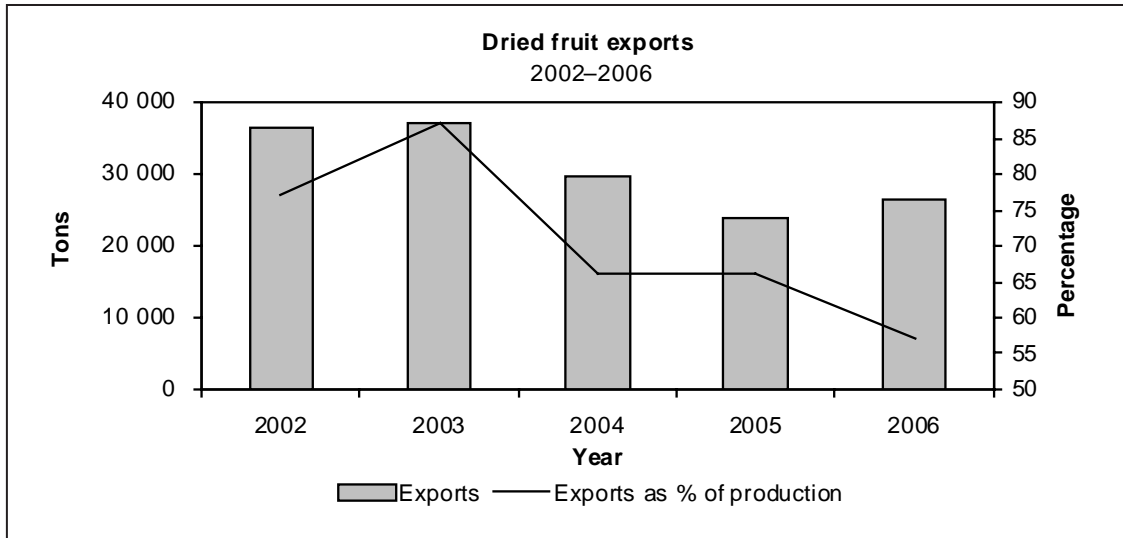
* Preliminary

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 2006 and exports from 2002 to 2006, respectively:





Viticulture

South Africa is the ninth-largest wine producer, namely 3,1% of the world's wine. The area under vines is estimated at 102 146 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 4 185. Wine is mainly produced in the Western Cape Province and along parts of the Orange River in the Northern Cape Province.

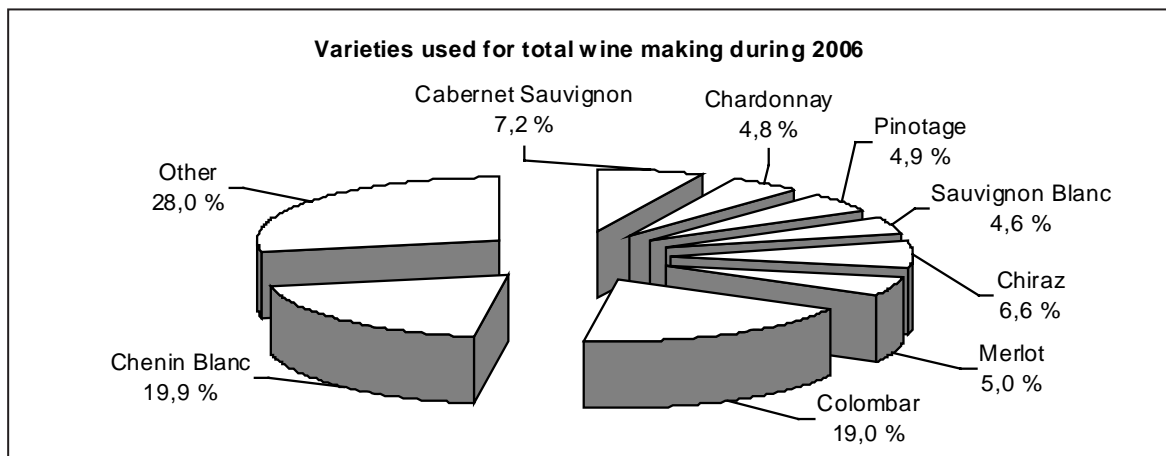
Production

Wine production from 2002 to 2006 is as follows:

Year	2002	2003	2004	2005	2006
	Gross million litres				
Wine production	834	956	1 015	905	1 012

During 2006, the production of wine increased by 11,8%. The shift from white to red wines continued, although at a much slower pace.

The variety distribution for 2006 is depicted in the following graph:



Prices

Producer prices of wine products from 2002 to 2006 were as follows:

Year	2002	2003	2004	2005	2006
	c/l @ 10 % A/V				
Average price of:					
Good wine	299,4	378,1	354,2	338,4	338,4
Rebate wine	130,2	186,6	198,2	206,8	210,1
Distilling wine	73,5	103,1	94,6	97,4	92,7

Income of producers

The production of wine grapes and income of producers from 2002 to 2006 were as follows:

Year	2002	2003	2004	2005	2006
Wine grape production ('000 tons)	1 079	1 234	1 312	1 171	1 301
Income of producers (R million)	2 076	2 576	2 790	2 625	2 611

The producers' income decreased by 0,5 % during 2006.

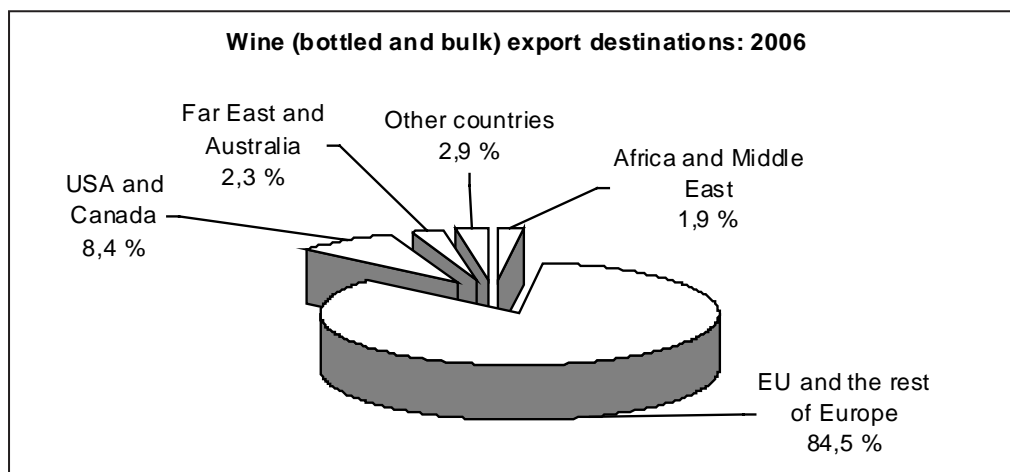
Exports

Total quantities of wine exported during the past 5 years were as follows:

Year	2002	2003	2004	2005	2006
	'000 litres				
Natural wine	215 512	237 212	265 762	279 871	269 123
Fortified wine	521	531	413	407	487
Sparkling wine	1 361	1 630	1 553	1 537	2 018
Total	217 394	238 465	267 728	281 061	271 628

During 2006, 38,3% of the total wine produced, was exported, compared to 44,7% during 2005.

The following graph depicts wine export destinations during 2006:



Consumption

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

Year	2002	2003	2004	2005	2006
	l per capita				
Natural wine	8,04	7,00	6,73	6,43	6,36
Fortified wine	0,70	0,75	0,75	0,76	0,73
Sparkling wine	0,17	0,17	0,17	0,18	0,20
Total	8,91	7,92	7,65	7,37	7,29

Prospects

It is expected that the 2007 wine harvest, including rebate and distilling wine, juice and concentrate for non-alcoholic beverages, will be around 1 049 million litres. This represents a 3,7 % increase on the 2006 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 about 11 % during 2007.

Subtropical fruit

In terms of the value of production, the subtropical fruit industry earned R1 555 million in 2006/07—an increase of 3,9 % on the 2005/06 figure of R1 497 million.

Production and production areas

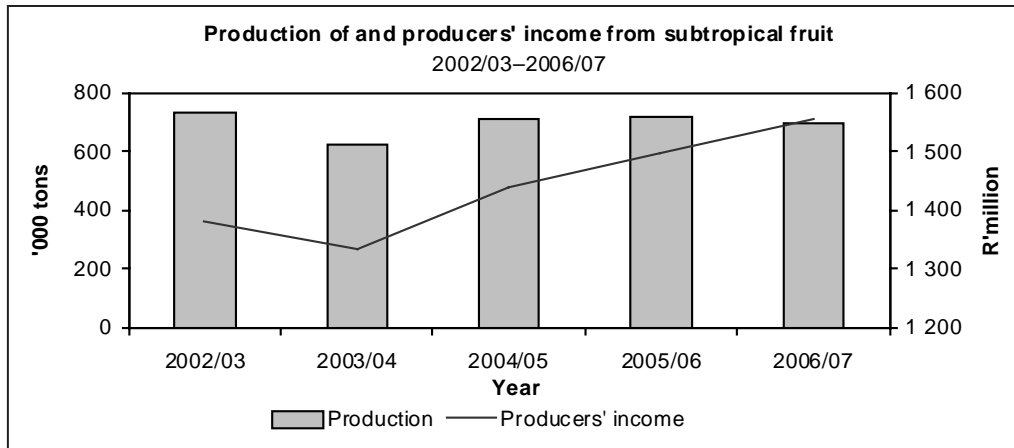
The cultivation of some types of subtropical fruit is only possible in certain specific areas of the country because of particular climatic requirements. In general, subtropical fruit types require warmer conditions and are sensitive to large temperature fluctuations and to frost. The main production 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 2006/07 are estimated at approximately 12 000, 11 568, 7 500, 3 350 and 13 581 ha, respectively.

Production of subtropical fruit from 2002/03 to 2006/07 is as follows:

Fruit type	2002/03	2003/04	2004/05	2005/06	2006/07
	'000 tons				
Avocados	77,2	57,1	82,1	74,6	64,3
Bananas	352,0	277,0	316,3	366,2	357,3
Pineapples	176,5	160,8	166,5	166,7	160,1
Mangoes	74,0	80,0	93,4	63,9	66,9
Papayas	15,4	12,6	16,9	14,5	14,4
Granadillas	1,5	1,8	1,5	1,2	0,6
Litchis	12,1	9,9	4,2	4,5	5,8
Guavas	26,4	24,1	28,3	28,5	27,0

The total production of subtropical fruit decreased by 3,2 %, from 720 187 tons in 2005/06 to 696 935 tons in 2006/07. The production of avocados, bananas, pineapples, papayas, granadillas and guavas dropped 13,8, 2,4, 3,9, 0,7, 50,0 and 5,3 %, respectively, while the production of mangoes and litchis rose by 4,7 % and 28,9 %, respectively. Bananas, pineapples and avocados contributed 51,3, 22,9 and 9,2 %, respectively, to the total production of subtropical fruit during 2005/06.



Domestic sales

During 2006/07, the largest contributors to sales of subtropical fruit on the major fresh produce markets were bananas (71,6%), pineapples (8,6%), avocados (7,2%), mangoes (7,3%) and papayas (3,4%).

The quantities of all subtropical fruit types sold on the major fresh produce markets decreased during 2006/07, except for avocados, mangoes, litchis and guavas. Total quantities of subtropical fruit sold on the major fresh produce markets (year ending 30 June) were as follows:

Fruit type	2002/03	2003/04	2004/05	2005/06	2006/07
	Tons				
Avocados	21 316	17 014	21 428	20 359	21 540
Bananas	210 099	165 411	188 904	219 126	213 903
Pineapples	21 530	20 582	26 212	25 795	25 540
Mangoes	16 562	16 988	18 276	16 171	21 811
Papayas	11 248	8 745	11 904	10 816	10 064
Granadillas	1 093	1 257	1 263	966	522
Litchis	2 659	2 761	1 433	1 707	2 379
Guavas	2 854	2 607	3 006	2 242	2 800
Total	340 818	235 365	272 462	297 182	298 559

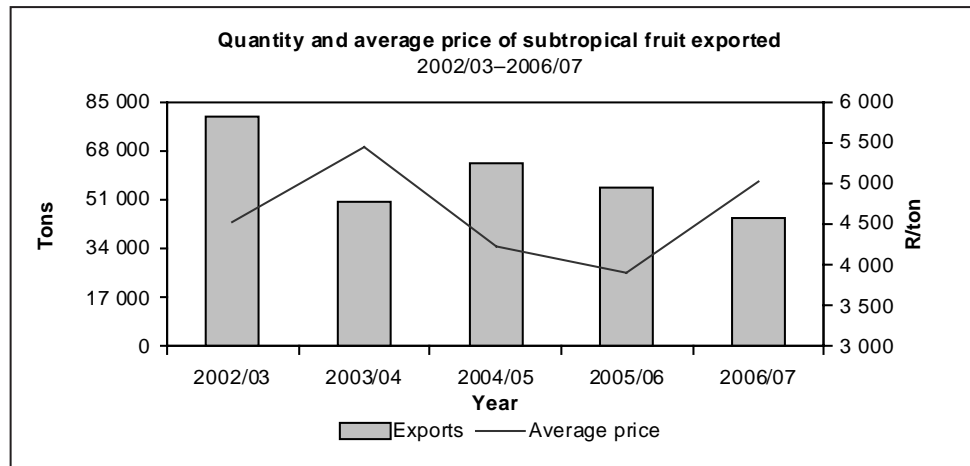
Intake for processing

During 2006/07 (July to June), pineapples accounted for approximately 65 % of the total intake of subtropical fruit for processing. The other two main contributors to the processing industry were mangoes and guavas. While the quantities of most subtropical fruit for processing decreased, some significantly, during 2006/07, the intake of avocados and papayas increased—the latter dramatically.

Fruit type	2002/03	2003/04	2004/05	2005/06	2006/07
	Tons				
Avocados	4 753	4 793	7 651	6 491	6 744
Bananas	1 859	1 349	1 417	977	746
Pineapples	148 476	133 973	133 373	134 074	127 654
Mangoes	33 896	51 460	64 001	40 236	36 116
Papayas	606	1 128	1 228	233	1 093
Granadillas	172	173	189	187	175
Litchis	1 652	839	571	571	350
Guavas	23 060	21 043	24 718	25 883	23 666
Total	214 474	214 758	233 148	208 707	196 544

Exports

From 2005/06 to 2006/07, total exports of subtropical fruit decreased by 19,1 % to 44 909 tons and the average export price for all subtropical fruit increased by 28,4 %.



The main subtropical fruit type exported is avocados. During 2006/07, exports of avocados contributed 72,5% to the total value of exports of subtropical fruit. Other types that were exported include mangoes, pineapples and litchis.

Marketing and research

The ARC-Institute for Tropical and Subtropical Crops (ITSC) 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 in the 2007/08 season.

Citrus fruit

Production areas

Citrus fruit is grown in the Limpopo, Mpumalanga, KwaZulu-Natal, Eastern Cape and Western Cape provinces in areas where subtropical conditions (warm to hot summers and mild winters) prevail. The area under citrus for 2006 is estimated at 56 623 ha.

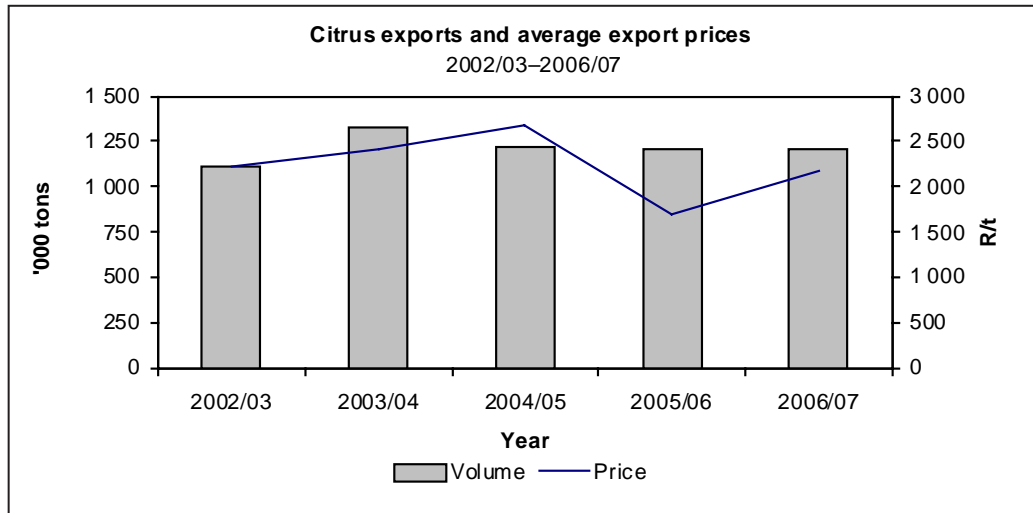
Production

Oranges constitute about 61 % of the total production of citrus fruit in South Africa. Citrus fruit production increased by 11 %, or an average of 1,6 % per annum, from 2002/03 to 2006/07. Citrus fruit production for the past five production seasons (1 February to 31 January) is as follows:

Fruit type	2002/03	2003/04	2004/05	2005/06	2006/07
	Tons				
Oranges	1 306 787	1 410 455	1 198 626	1 244 807	1 335 763
Grapefruit	286 495	312 004	288 462	363 134	414 964
Lemons	190 118	205 655	230 227	184 214	216 905
Naartjes	109 783	115 048	113 701	137 118	134 041
Soft citrus	63 441	71 256	91 951	86 359	71 302
Total	1 956 624	2 114 418	1 922 967	2 015 632	2 172 975

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. The UK is its largest trading partner, particularly of soft citrus. Exports increased from 1 111 324 tons during 2002/03 to 1 212 726 tons during 2006/07—an increase of 9,1 %, or an average of 0,8 % per annum. During 2006/07, about 748 548 tons of oranges, almost 56,0 % of the crop, were exported.



Domestic sales

Citrus fruit sales on the major fresh produce markets in South Africa increased by 9,1 %, from 174 759 tons during 2005/06 to 190 693 tons during 2006/07, and comprised about 8,7 % of total citrus fruit production. Approximately 10 % of the naartje production, 11 % of the production of oranges and 14 % of the production of soft peelers were sold on these markets.

The average prices realised on the major fresh produce markets during the period 2002/03 to 2006/07 are as follows:

Fruit type	2002/03	2003/04	2004/05	2005/06	2006/07
	R/ton				
Oranges	925	1 056	1 084	1 112	1 026
Grapefruit	1 206	1 518	1 444	1 489	1 497
Lemons	1 543	1 776	1 453	1 723	1 839
Naartjes	2 148	2 096	2 166	1 510	2 543
Soft citrus	1 480	1 705	1 811	1 288	2 129

Processing

Approximately 26,7 % of the total citrus fruit production was taken in for processing during 2006/07. During the past 4 years, citrus fruit taken in for processing showed an average annual increase of 0,8 %, from 545 214 tons in 2002/03 to 579 660 tons in 2006/07.

Consumption

Per capita consumption of citrus fruit from 2002 to 2006 is as follows:

Season	2002	2003	2004	2005	2006
	kg/year				
<i>Per capita</i> consumption	21,42	17,95	20,79	17,81	19,23

Research

Citrus Research International (CRI) has been commissioned by the Citrus Growers' Association of Southern Africa for the research on and development of the technical issues involved in enhancing 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

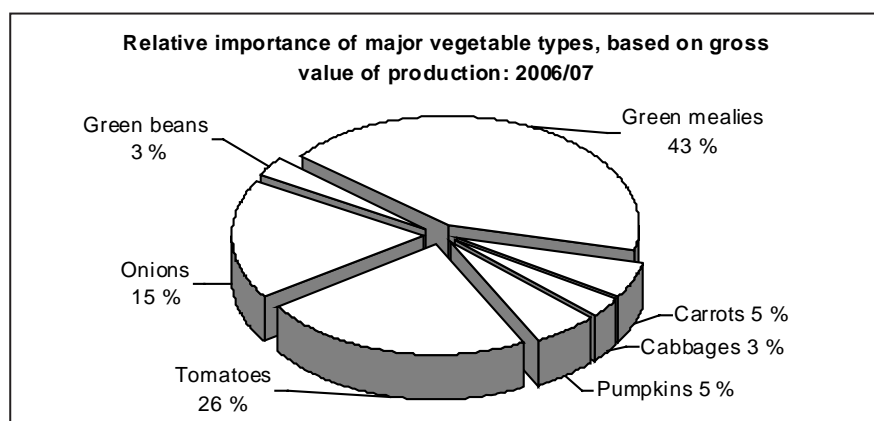
From 2005/06 to 2006/07 (July–June), the total production of vegetables (excluding potatoes) decreased by 1,3%, from 2 184 726 to 2 156 579 tons. Concerning the major vegetable types in terms of volumes produced, increases occurred in the case of tomatoes and onions, which rose by 0,4 and 2,1 %, respectively. The largest decrease was in the production of cabbages (12,3%), followed by carrots with 7,5%. The production of green mealies remained fairly unchanged.

The production of vegetables (excluding potatoes) in South Africa for the period 2002/03 to 2006/07 compares as follows:

Year	2002/03	2003/04	2004/05	2005/06	2006/07
	'000 tons				
Tomatoes	442	383	464	451	453
Onions	335	377	393	397	405
Green mealies	296	322	317	316	318
Cabbages	176	174	165	154	135
Pumpkins	215	224	225	231	228
Carrots	116	128	130	134	124
Other	501	481	512	502	494
Total	2 081	2 089	2 206	2 185	2 157

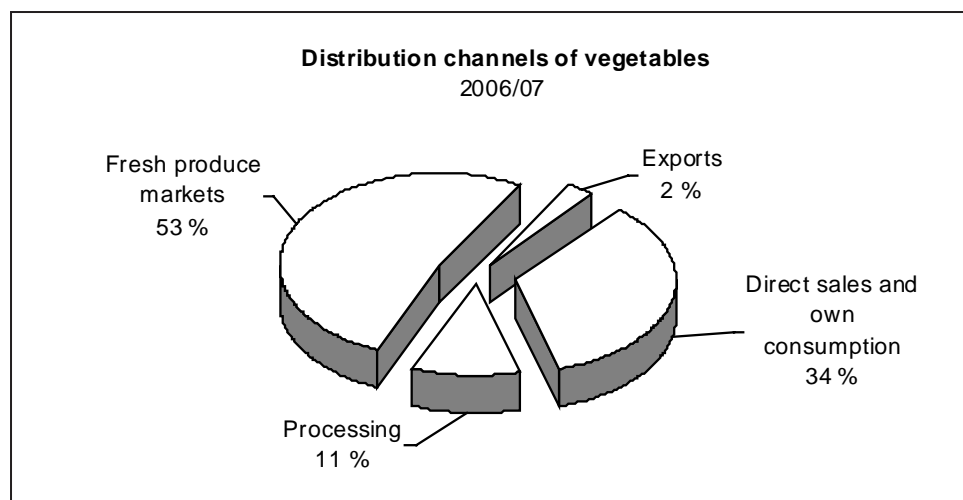
Relative importance of major vegetable types

The relative importance of the major vegetable types, according to gross value of production during the 12 months up to 30 June 2007, 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 fresh produce markets. The total volume of vegetables (excluding potatoes) sold on these markets during 2006/07 amounted to 1 119 646 tons, while 1 160 151 tons were sold during 2005/06, which represents a decrease of 3,5 %.



The values of sales of vegetables (excluding potatoes) on the major South African fresh produce markets for the period 2002/03 to 2006/07, were as follows:

Year	2002/03	2003/04	2004/05	2005/06	2006/07
	R'000				
Tomatoes	584 993	632 921	582 761	718 599	738 837
Onions	419 878	412 818	353 143	389 257	545 749
Green mealies	15 027	17 200	18 441	20 809	21 752
Cabbages	101 027	98 821	88 636	92 266	107 624
Pumpkins	53 122	52 364	56 506	57 783	66 520
Carrots	106 005	107 844	124 736	136 590	165 497
Other	596 763	672 345	680 122	765 898	888 826
Total	1 876 815	1 994 313	1 904 345	2 181 202	2 534 805

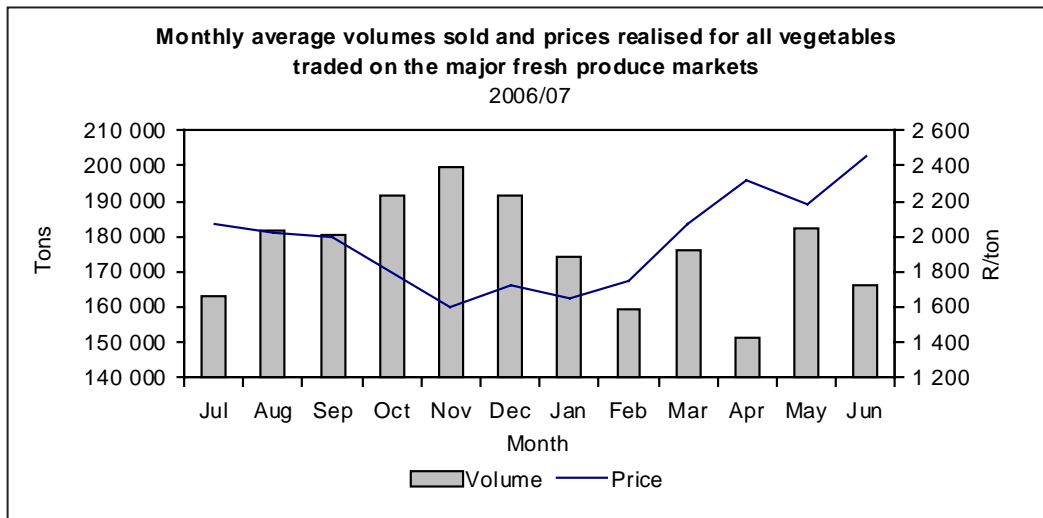
The value of onions showed the largest increase of 40,2 % from 2005/06 to 2006/07, followed by carrots and cabbages with 21,2 and 16,6 %, respectively.

Prices

The average prices of vegetables realised on the fresh produce markets for the period 2002/03 to 2006/07 were as follows:

Year	2002/03	2003/04	2004/05	2005/06	2006/07
	R/ton				
Tomatoes	2 471,79	2 852,08	2 267,02	2 848,71	2 828,72
Onions	1 672,73	1 558,47	1 221,39	1 346,58	1 926,87
Green mealies	5 996,33	6 082,33	5 195,00	5 926,97	7 095,37
Cabbages	685,15	681,27	642,61	716,64	959,78
Pumpkins	874,74	775,71	876,17	864,71	085,73
Carrots	1 325,92	1 214,57	1 404,02	1 461,07	1 950,13
Other	1 998,25	2 194,80	2 046,90	2 347,52	2 831,65

Of the major vegetable types, the price of onions showed the largest increase of 43,1 % from 2005/06 to 2006/07, followed by cabbages with 33,9% and carrots, pumpkins and green mealies with 33,5, 25,6 and 19,7%, respectively. The price of tomatoes decreased by 0,7%.



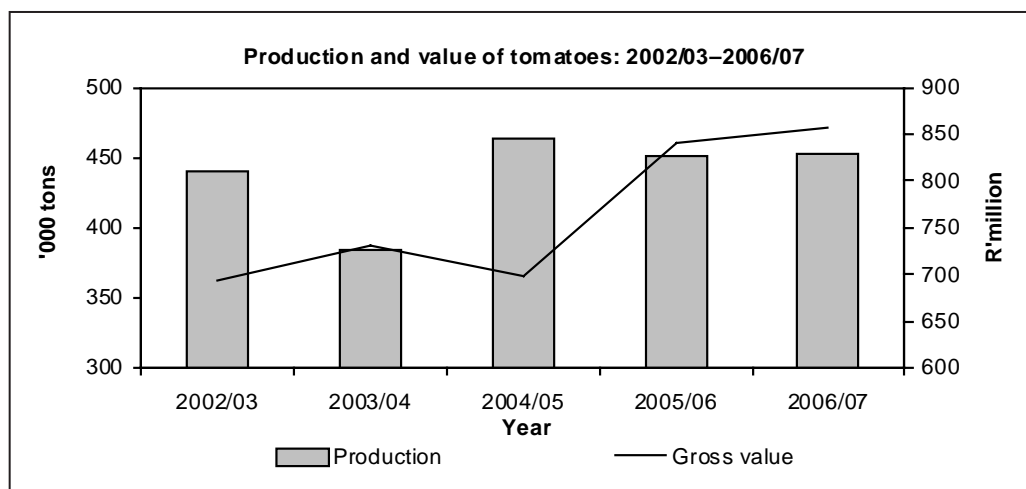
Consumption

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 38,74 kg during 2006/07, approximately 4,7% lower than the 40,64 kg of 2005/06.

Tomatoes

Production

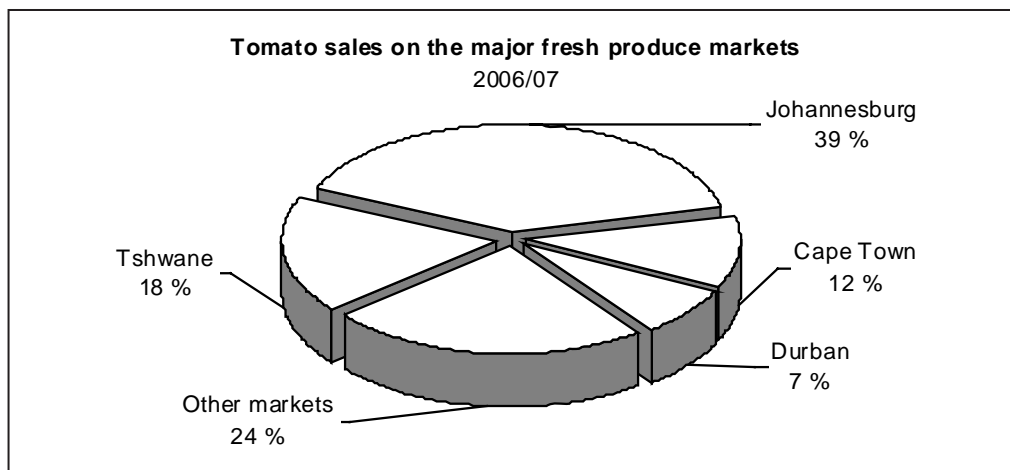
Approximately 452 611 tons of tomatoes were produced during 2006/07, which is a marginal increase of 0,4% compared with the previous season. The industry experienced a slight average annual increase of 0,6% in production from 2002/03 to 2006/07.



Sales

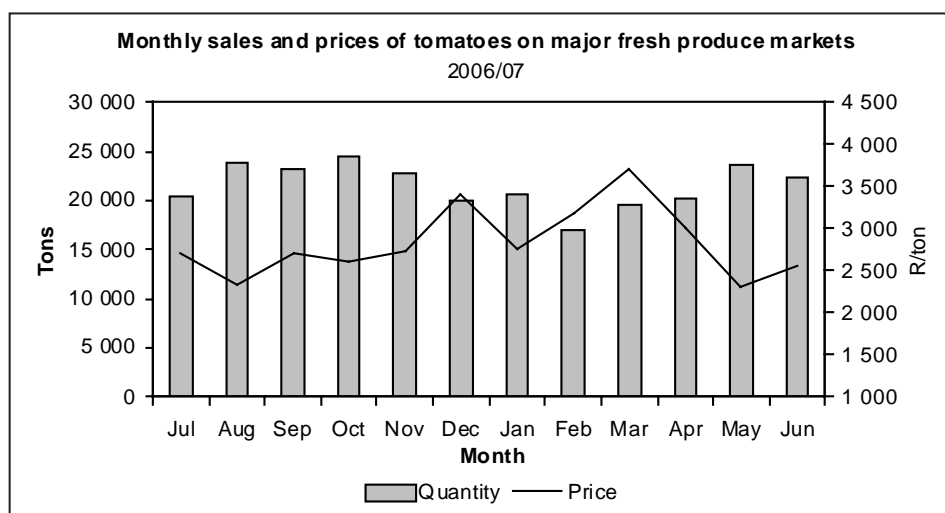
Sales on fresh produce markets and direct sales constitute approximately 50% of the total volume of tomato sales.

The quantity of tomatoes sold on the major fresh produce markets increased by 3,5%, from 252 251 tons during 2005/06 to 261 192 tons during 2006/07.



Prices

The average price of tomatoes sold on the major fresh produce markets decreased by 0,7%, from R2 827 per ton in 2005/06 to R2 806 per ton in 2006/07. The decrease was mainly the result of greater volumes supplied for sale on the markets.



Exports

From 2005/06 to 2006/07, quantities of tomatoes exported increased from 4 925 to 12 562 tons, representing a huge rise of 155%. Approximately 97% of total tomato exports were to Angola, the DRC, Mozambique and Zambia.

International perspective

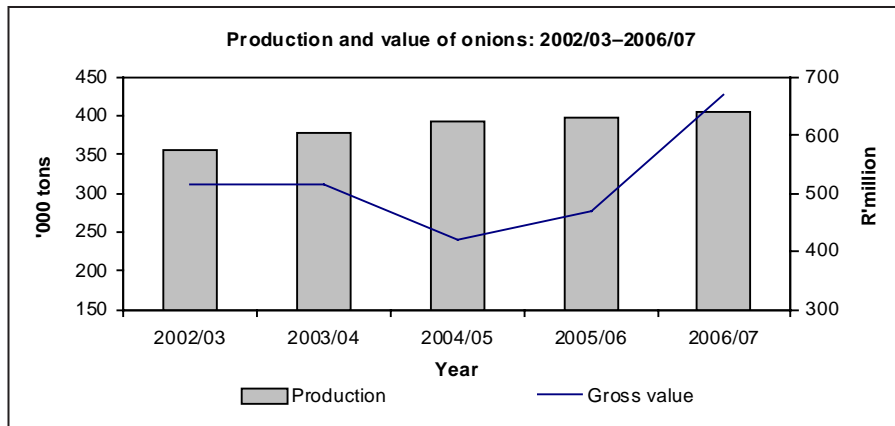
The worldwide area planted to and production of tomatoes increased at annual rates of 2,9 and 2,3%, respectively, from 2002 to 2006. China is the largest producer of tomatoes, followed by the USA, Turkey and India. These four countries represent 50% of world production. The tomato-producing countries with the highest yields per hectare are the United Kingdom, The Netherlands, Belgium and Iceland.

Onions

Production

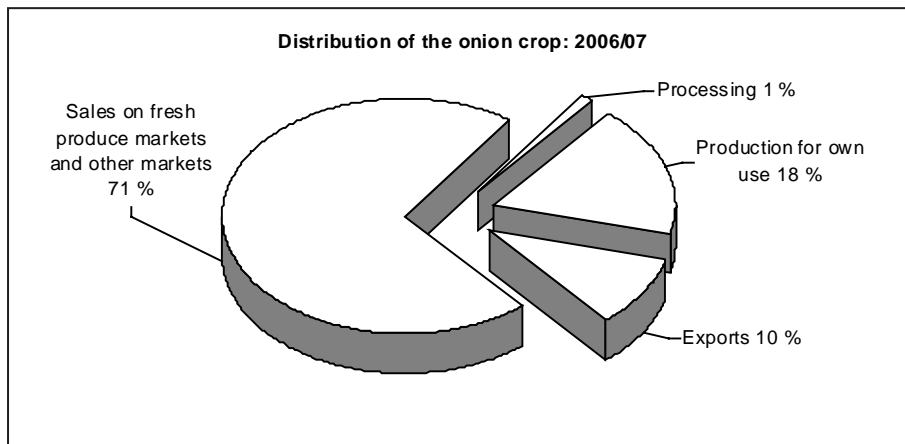
Onions are produced in almost all the provinces of South Africa.

Approximately 405 322 tons of onions were produced during the 2006/07 season (July to June). This is 2% higher than the production of 396 890 tons during the previous season. The industry experienced an average annual increase of 3,3% in production from 2002/03 to 2006/07.



Sales

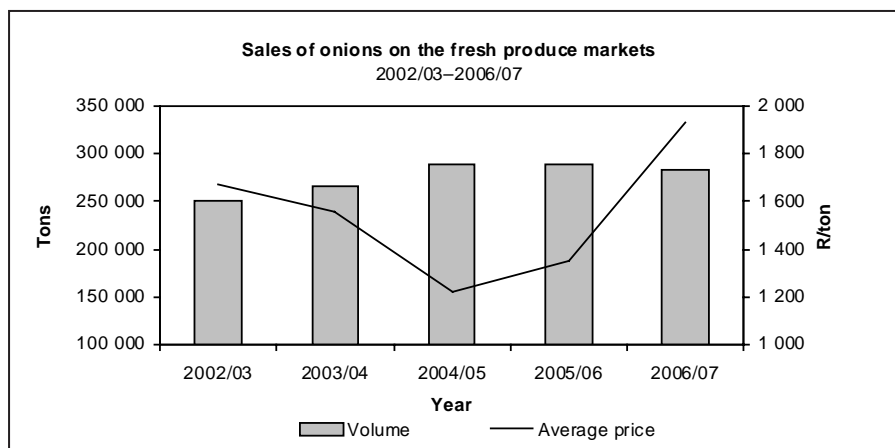
The fresh produce markets remain an important marketing channel for onions. Approximately 71 % of the total production during the 2006/07 season was sold on the major fresh produce markets, compared to 75 % the previous season, while 10 % was exported. The remainder comprises own consumption and direct sales to supermarkets and chain stores, as well as sales to processing factories.



During the period 2002/03 to 2006/07, the sales of onions on the fresh produce markets increased by an annual average rate of 3,1 %, from 251 014 to 283 231 tons.

Prices

The average price of onions sold on the fresh produce markets increased by 43 %, from R1 347 per ton in 2002/03 to R1 927 per ton in 2006/07. 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 2006/07 season. There has been a steady increase in the total processing of onions since the 2002/03 season, when 3 679 tons were taken in for processing, to 4 173 tons in the 2006/07 season. During 2006/07, about 24 % of processed onions was dehydrated, 65 % was canned, and the remaining 11 % was frozen.

Exports

During the 2006/07 season, the volume of onions exported represented approximately 10 % of the total volume of the onion crop. The volume of exports increased by 68 %, from 23 816 tons in 2005/06 to 40 029 tons during 2006/07.

Potatoes

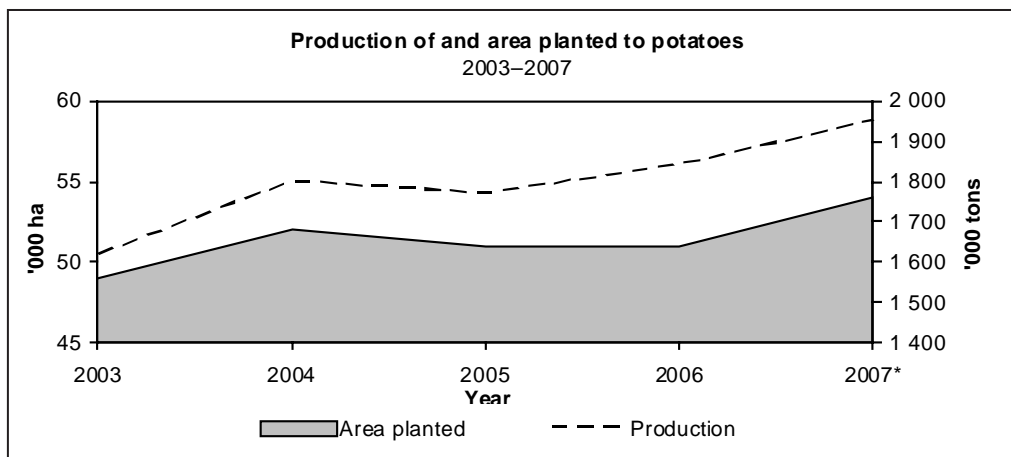
There are 16 distinct potato production regions in South Africa, which are spread throughout the country. The main regions are situated in the Limpopo, North West, Mpumalanga, Free State and Western Cape provinces. Potatoes are planted at different times, because of climate differences in these production 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.

Area planted

Plantings for 2007 are estimated at around 53 567 ha, which is 6,0 % higher than the previous year.

Production

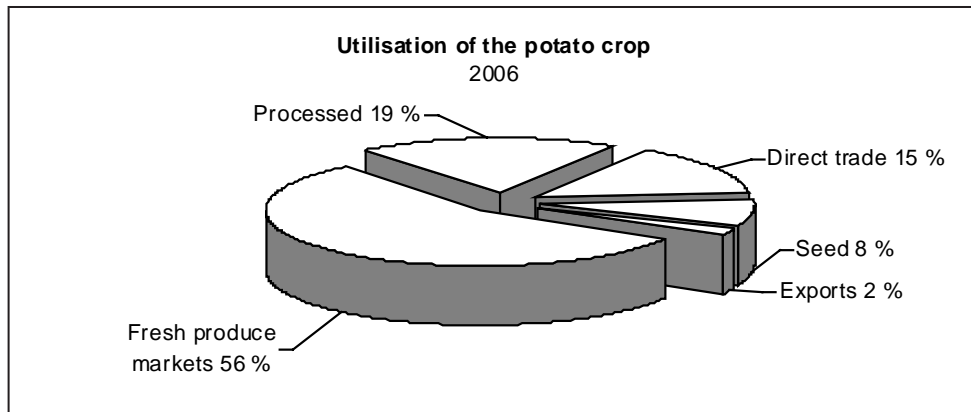
Potatoes constituted approximately 39 % of the total gross value of vegetables produced during 2006. In 2006, the average yield was approximately 3 651 x 10-kg pockets per ha, compared to 3 480 x 10-kg pockets per ha in 2005, which is an increase of 4,9 %. A total crop of about 195 million x 10-kg bags is expected for 2007.



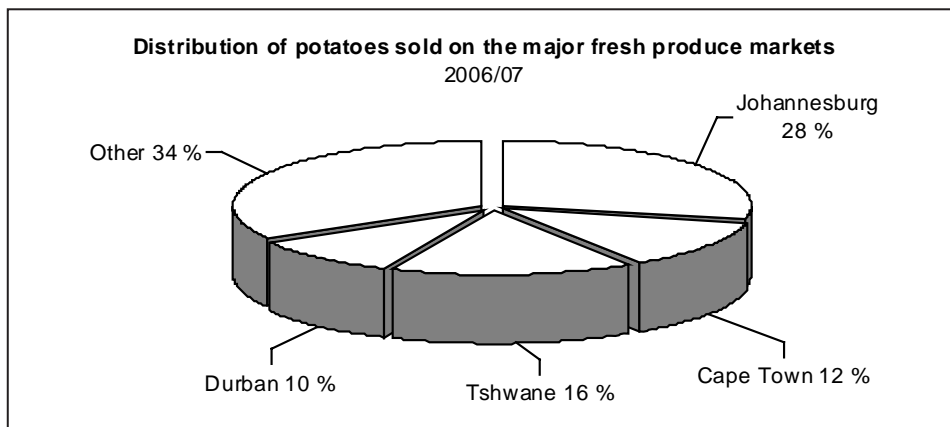
* Forecast

Sales

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

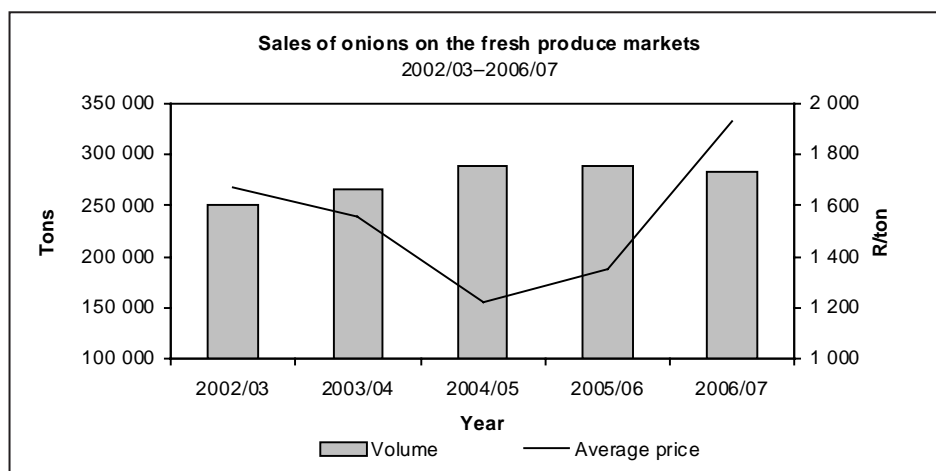


During 2006, approximately 95 million x 10-kg pockets of potatoes were sold on the major fresh produce markets, as against 88 million in 2005—an increase of 8,0%. The Johannesburg fresh produce market remains the biggest outlet, followed by the Tshwane, Cape Town and Durban markets. During the last 5 years, potato sales on the major fresh produce markets on average showed an increase of approximately 5,5% per annum.



Prices

Between 2002 and 2006, potato prices realised on the major fresh produce markets decreased by an average of 2,8% per annum, from R1 889 per ton in 2002 to R1 688 per ton in 2006.



There was a decrease of 3,2% in the average price, from R1 744 per ton in 2005 to R1 688 per ton in 2006. This decrease was mainly caused by higher volumes being supplied at the fresh produce markets.

Processing

During 2006, approximately 22 % of the total production of potatoes was taken in for processing. About 55 % of these potatoes was processed into potato chips, both fresh and frozen, while 43 % was used for crisps. The remaining 2 % was used for canning, mixed vegetables and others. The processing of potatoes showed an increase of 4,2 % between 2005 and 2006.

Exports

Approximately 1,8 % of the total potato production was exported during 2006. The quantities of potatoes exported decreased by 6 % compared to 2005, while the rand value dropped by approximately 11,3 %. There has been an improvement in trade between South Africa and the other SADC countries. During 2006, approximately 95 % of total potato exports were destined for Angola, Malawi, Mozambique, Mauritius, Zambia, Namibia, Ghana and Zimbabwe. Exports showed an annual increase of 8,9 % from 2002 to 2006. More than 31 000 tons were exported in 2006.

Consumption

The total gross human consumption of potatoes increased by 5,4 % to 1,58 million tons during 2006 and the *per capita* consumption also increased, by 4,2 % to about 33 kg per annum.

Year	2002	2003	2004	2005	2006
Total production ('000 tons)	1 556	1 620	1 800	1 768	1 863
Gross human consumption ('000 tons)	1 295	1 354	1 521	1 499	1 580
<i>Per capita</i> consumption (kg p.a.)	28,49	29,17	32,66	31,98	33,33

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.

ANIMAL PRODUCTION

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, the area involved in cattle, sheep and goat farming is approximately 590 000 km². 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

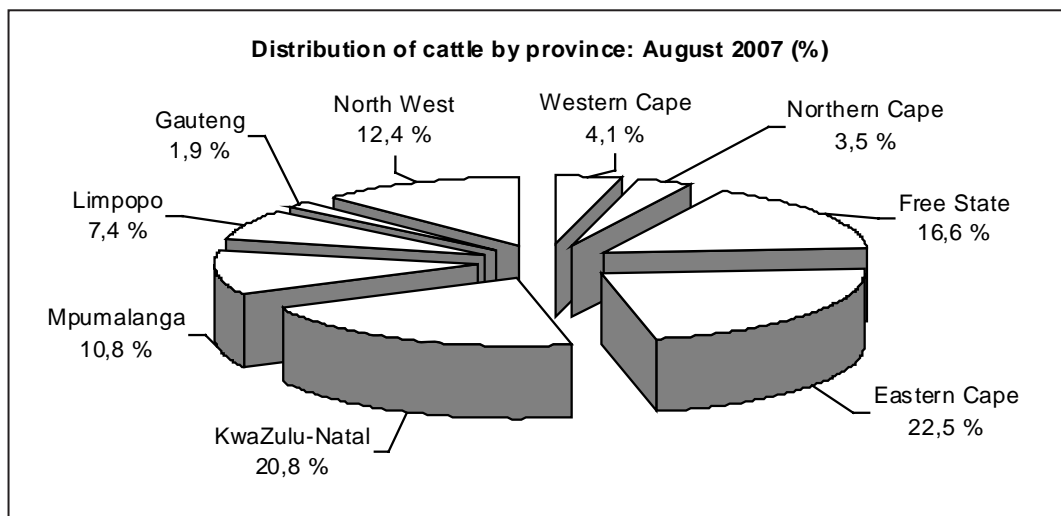
Cattle are found throughout the country, but especially in the Eastern Cape, KwaZulu-Natal, the Free State and the North West provinces. Herd sizes vary according to type of farming. In the case of dairy cattle, it varies between less than 50 and 300 (average approximately 110). Beef cattle farms range 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 2007 is estimated at 13,91 million, comprising various international dairy and beef cattle breeds, as well as indigenous breeds such as the Afrikaner and Nguni. The number is approximately 2,8% higher than the estimate of 13,53 million as at the end of August 2006. 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 2003 were estimated to be as follows:

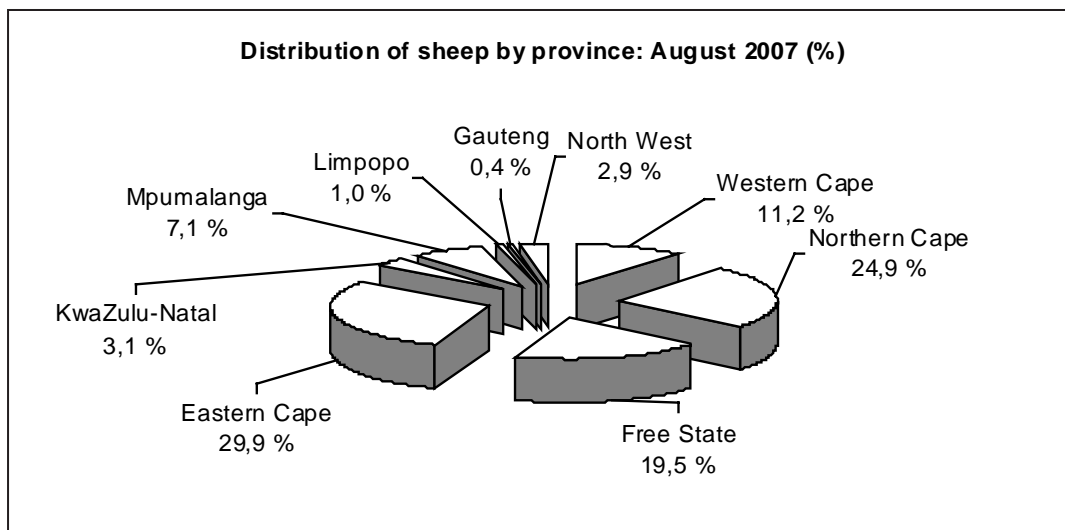
Province	2003	2004	2005	2006	2007
	'000 head (August)				
Western Cape	501	496	492	529	566
Northern Cape	471	468	473	485	492
Free State	2 256	2 253	2 297	2 237	2 306
Eastern Cape	3 083	3 042	3 082	3 045	3 136
KwaZulu-Natal	2 744	2 749	2 813	2 766	2 901
Mpumalanga	1 332	1 347	1 359	1 402	1 497
Limpopo	1 144	1 138	1 192	1 031	1 025
Gauteng	264	273	281	274	257
North West	1 743	1 747	1 800	1 763	1 731
Total	13 538	13 513	13 789	13 532	13 911



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

Sheep

Although sheep farms are found in all provinces, these are concentrated in the more arid parts of the country. The largest number of sheep is found in the Eastern Cape (29,9%), followed by the Northern Cape (24,9%), Free State (19,5%) and Western Cape (11,2%) 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 industries.

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

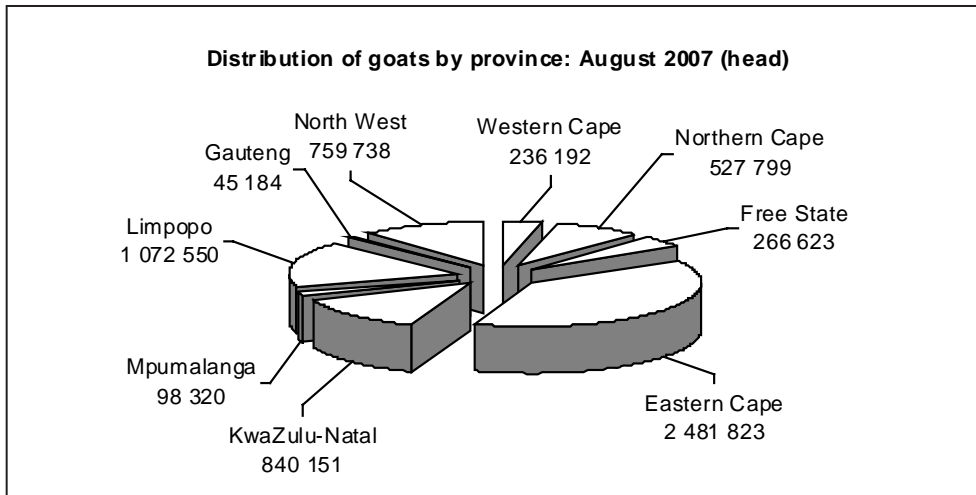
The total number of sheep in South Africa at the end of August 2007 is estimated at 25,1 million—approximately 0,4% higher than the estimated 25,0 million as at the end of August 2006.

The number of sheep in the various provinces since 2003 was estimated to be as follows:

Province	2003	2004	2005	2006	2007
	'000 head (August)				
Western Cape	2 867	2 798	2 736	2 760	2 760
Northern Cape	6 841	6 517	6 403	6 422	6 244
Free State	5 090	5 093	5 176	4 998	4 900
Eastern Cape	7 628	7 536	7 616	7 331	7 489
KwaZulu-Natal	783	782	780	805	787
Mpumalanga	1 703	1 706	1 724	1 672	1 793
Limpopo	212	223	212	243	244
Gauteng	94	95	92	94	94
North West	602	609	595	659	715
Total	25 820	25 359	25 334	24 984	25 083

Goats

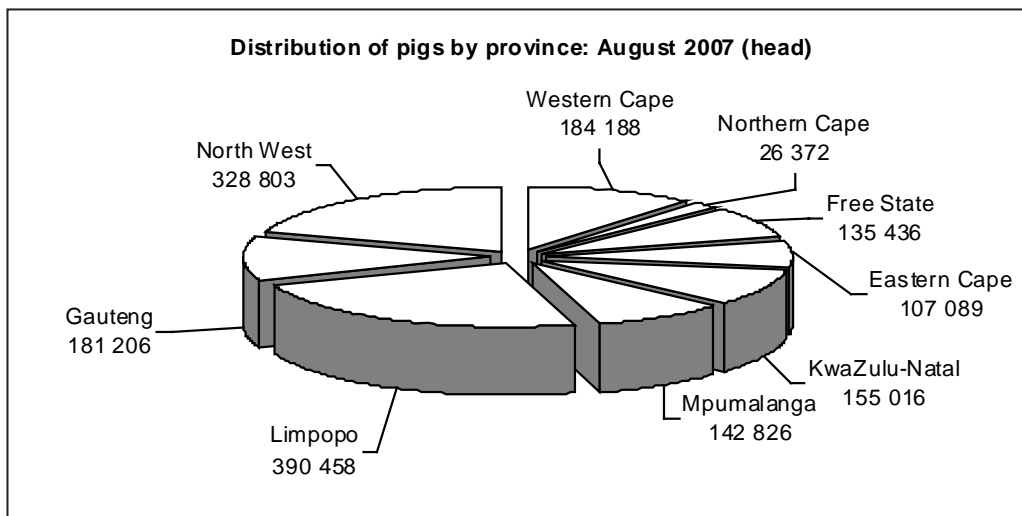
Goats are found mainly in the Eastern Cape, Limpopo, KwaZulu-Natal and North West provinces. Estimates indicate that there was a decrease of 2,11% in the number of goats, from 6,401 million in August 2006 to 6,266 million in August 2007.



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 19 stud breeders in South Africa. It is estimated that pig numbers increased by 1,8%, from 1,622 million in August 2006 to 1,651 million in August 2007.



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, which includes 4 000 farmworkers and 6 000 workers in the processing and abattoir sectors.

Red meat

The red meat industry is one of the most important and growing industries in the agricultural sector and contributes approximately 19% 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 3,7 % from 2005/06 to 2006/07 and that the number of sheep (including lambs) and pigs slaughtered decreased by 18,6 and 25,4 %, respectively.

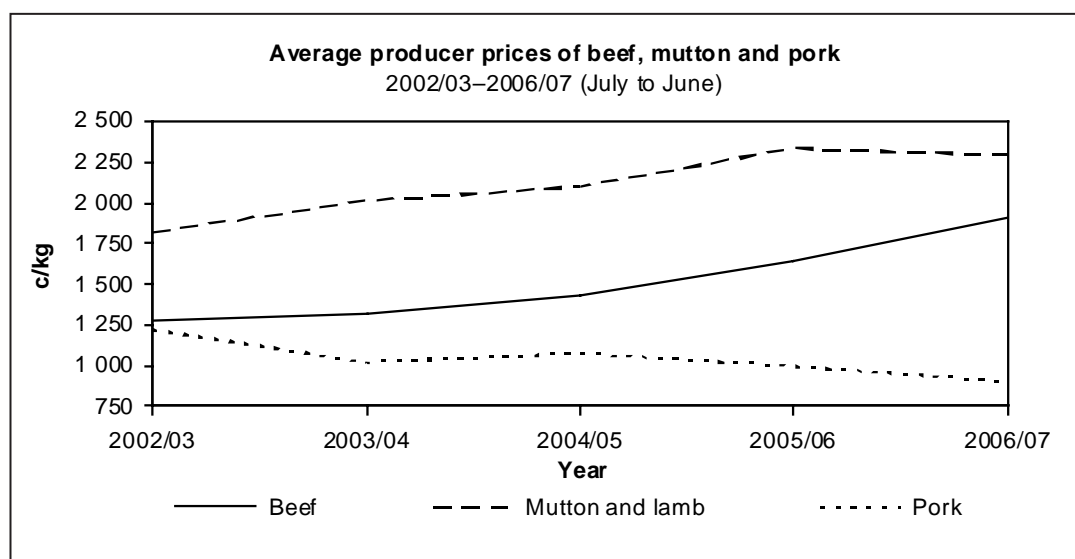
Commercial slaughtering of red-meat-producing livestock types over the past 5 years are as follows:

Year	2002/03	2003/04	2004/05	2005/06	2006/07
Cattle	1 958 447	2 020 757	2 088 365	2 353 963	2 441 212
Sheep and lambs	4 891 866	4 973 532	5 025 338	5 103 760	4 153 113
Pigs	1 765 122	1 782 612	1 806 561	1 824 989	1 362 228

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 2006/07 amounted to R19,08/kg (average for all classes on all auction markets), which represents a 15,8 % increase compared to the average price of R16,47/kg for 2005/06.

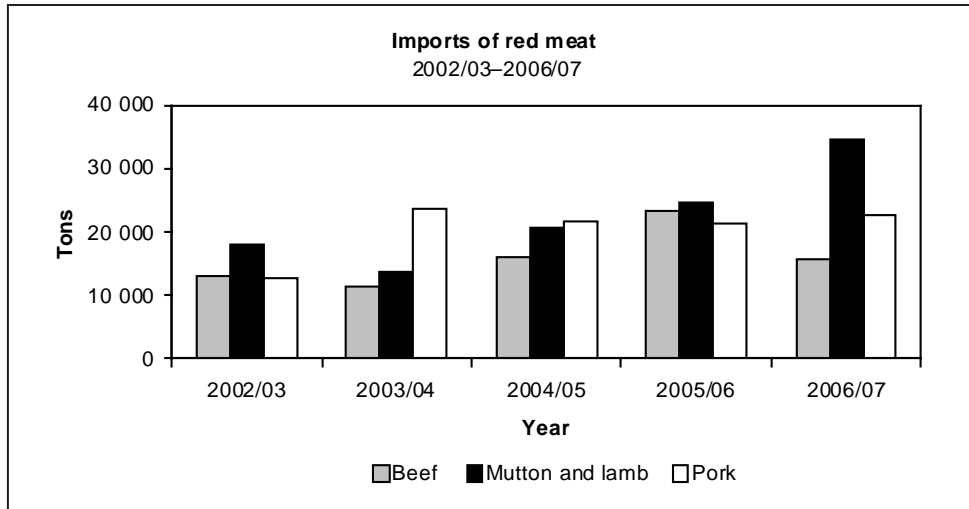


In view of the ever-strong influence of international trade on the local mutton industry, both the cyclical and seasonal price patterns for mutton are influenced by imports. The average producer price for mutton and lamb decreased by 1,9 % to R22,93/kg during 2006/07, compared to R23,37/kg for 2005/06.

The average producer price for pork decreased by 9,5 %, from R9,95/kg in 2005/06 to R9,01/kg in 2006/07.

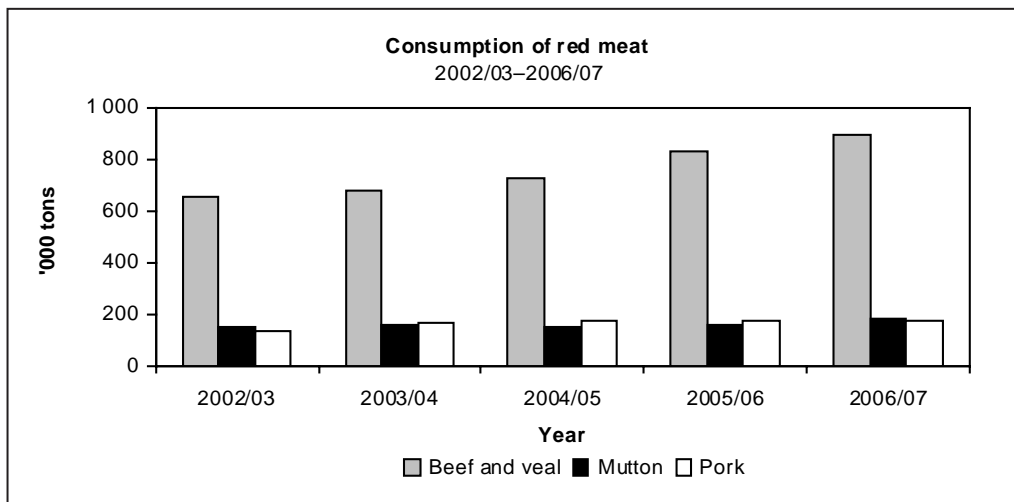
Imports

Imports of red meat increased by 5,9 %, from 69 232 tons in 2005/06 to 73 291 tons in 2006/07 (24,7 % higher than the average of approximately 58 786 tons for the 5 years up to 2006/07). Imports of beef amounted to 15 853 tons, which is a decrease of 31,8 % from the 23 241 tons imported during 2005/06 and 0,5 % lower than the 5-year average of 15 927 tons. Imports of pork were 22 760 tons, which is 10,9 % more than the 5-year average of 20 520 tons, and imports of mutton amounted to 34 678 tons— a decrease of 41,4 % from the previous season and 55,2 % higher than the average of 22 340 tons for the 5 years up to 2006/07.



Consumption

Consumption of beef and veal increased by 8,0%, from 830 150 tons in 2005/06 to 896 550 tons in 2006/07, that of mutton by 14,4 %, from 159 900 tons to 183 000 tons and that of pork decreased by 1,6 %, from 173 210 tons to 170 440 tons.



Prospects

The 2007/08 summer rainfall season started early with good rainfall in all red meat producing areas of South Africa. Sufficient grazing in the summer rainfall season will allow extensive red meat producers to rebuild their herds and flocks. The resulting decrease in the supply of slaughtered animals, together with a strong demand for red meat, may lead to a rise in producer prices.

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, to which the chick supply industry delivers an input.

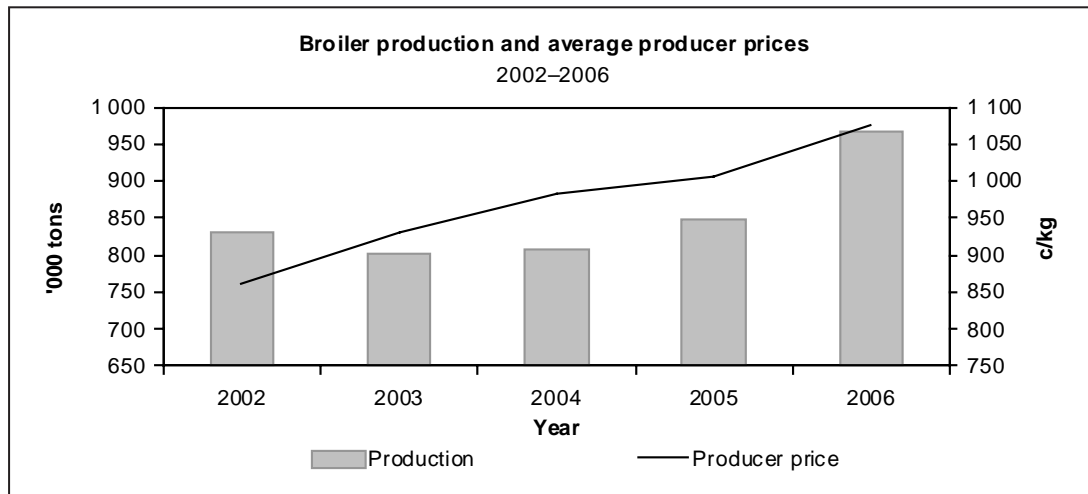
BROILER INDUSTRY

A small number (8) of large producers handle more than 90 % of the total broiler production in South Africa, while many small production units and the informal sector are responsible for the remaining 10%. 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 2006 was an estimated 717 million units. This is 7% more than the estimated 669 million units slaughtered during 2005. It is expected that approximately 738 million units will be slaughtered during 2007, which is 3% higher than the estimated figure for 2006. The producer value of broilers slaughtered, including offal and excluding depleted broiler breeders and culls, increased by 7%, from R9 102 million in 2005 to R10 404 million in 2006.

Production

Commercial broiler production during 2006 is estimated at 967 500 tons. This is 7% more than the estimated 903 600 tons that were produced during 2005. The gross value of broilers slaughtered by commercial producers during 2006 is estimated at R10 404 million, which is an increase of 14,3% on the estimated R9 102 million for 2005. Production during 2007 is expected to be 996 840 tons—3% more than in 2006.



Prices received by producers

The average weighted price received by producers of broilers increased by 6,8%, from R10,07/kg in 2005 to R10,75/kg in 2006.

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

Year	2002	2003	2004	2005	2006
	c/kg				
Price of broilers	862,41	919,01	982,31	1007,26	1075,31

Consumption

During 2006, an estimated 21% of local consumption of poultry consisted of imports.

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

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

Year	2002	2003	2004	2005	2006
	kg/year				
Per capita consumption	20,10	21,07	21,69	23,09	25,84

Imports

In 2006, poultry imports increased to 294 379 tons—a 39,5 % increase from the 211 068 tons imported in 2005. The imports of poultry meat from January to June 2007 are 167 210 tons—a decrease of 6 % in comparison with the same period in 2006. During 2006/07, about 68 % of South African poultry imports originated from Brazil.

Prospects

The broiler industry is expecting a positive 12 months up to the middle of 2008, mainly because of an increase in consumer demand. However, although the market was vibrant enough to absorb the 21 % of domestic consumption that was imported in 2006, the constantly high imports pose a threat in the event of a weakening in the market. The industry is experiencing a steady increase in feed prices because of a rise in the maize price. The recent spate of interest rate increases as well as the constant rise in feed prices will have an effect on input costs.

EGG INDUSTRY

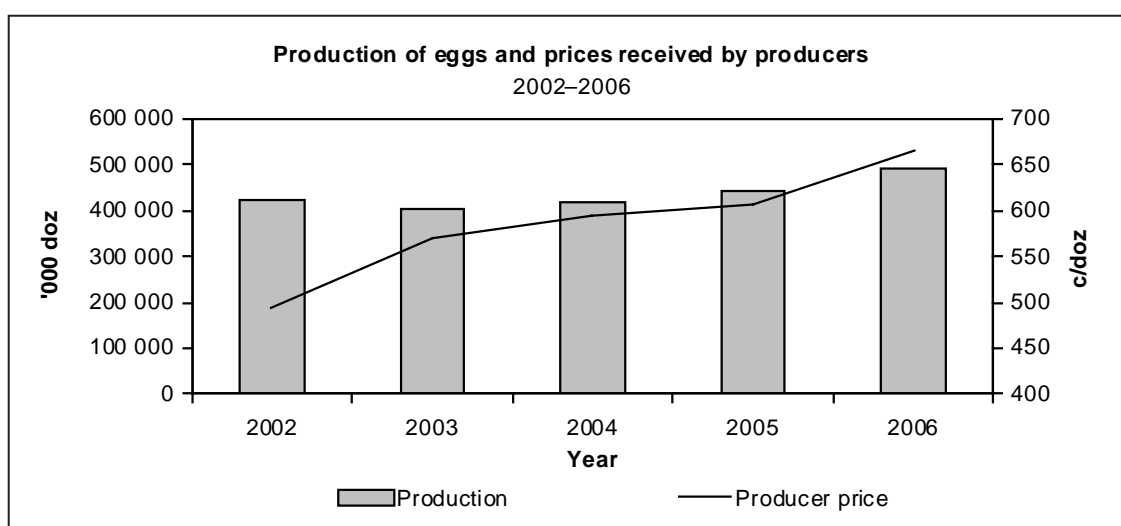
During 2005, Gauteng and the Western Cape provinces produced 28,6 and 18,8%, respectively, of the total egg production in South Africa, followed by KwaZulu-Natal with 14,1%, the North West Province with 8,9% and Mpumalanga with 8,8%, according to SAPA.

The number of layers increased from an average of R18,5 million in 2005 to R20,5 million in 2006. This represents an increase of 10,8 %. For 2007 from January to August, the average number of layers is estimated to be R22,5 million, which is an increase of approximately 9,8%.

The average producer price of eggs increased by 12,7% from 2005 to 2006. The price for the first semester in 2007 is 734,95 c/kg—an increase of 10,4 % on the 665,81 c/kg for the first semester of 2006.

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

Year	2002	2003	2004	2005	2006
	c/doz				
Price of eggs	493,16	569,13	594,91	606,87	683,93



Consumption

It is estimated that the total consumption of eggs increased by 10,8%, from 292 612 tons in 2005 to 324 221 tons in 2006. This represents an increase of 9,7 % in the *per capita* consumption of eggs, from 113 to 124 eggs. It is expected that total consumption would increase further by 9,8 % to 335 830 for 2007.

Prospects

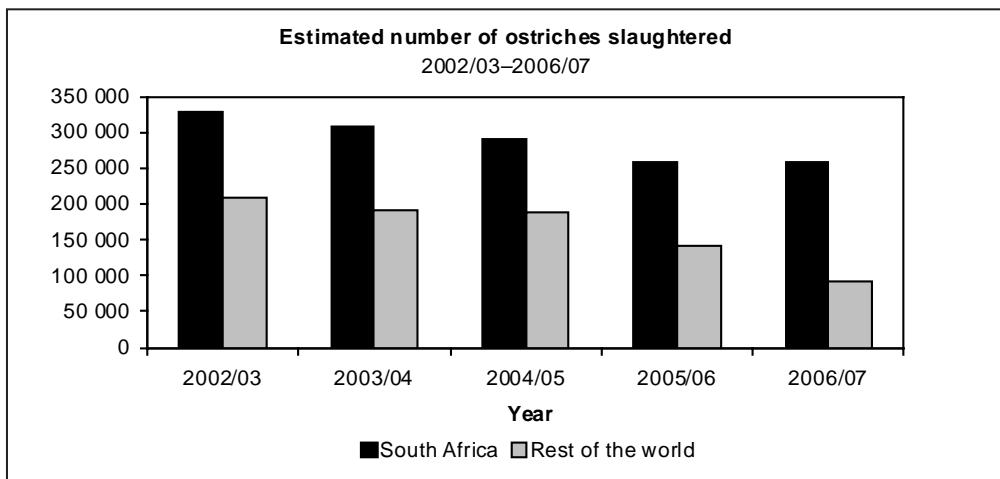
The egg industry is cautiously optimistic about the near future, mainly because of an expected further increase in consumer demand. However, the industry, like the broiler industry, is experiencing a steady increase in feed prices because of a rise in the maize price. The recent spate of interest rate hikes as well as the steady increase in feed prices will have an effect on input costs.

Ostriches

The South African ostrich industry became established in 1864 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 and the First World War. 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 health aspects such as almost no fat and cholesterol, and richness in protein and iron. This increasing focus on a healthy lifestyle leads to a growing demand for ostrich meat worldwide and South Africa is the main supplier.

Since the deregulation of the marketing of agricultural products in South Africa during the 1990s, farming with ostriches has spread from the Little Karoo region to other parts of the country as well as to several other countries.

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 key members of the South African Ostrich Business Chamber (SAOBC). The objective of the SAOBC is to facilitate the sustainability and profitability of the ostrich industry in South Africa. The implementation of various strategic initiatives in the industry was hampered by the outbreak of avian influenza (H5N2, nonlethal strain) on two farms in the Eastern Cape Province in August 2004, but because of concerted efforts of all parties, the industry recovered, regained market share, identified new markets and opportunities and initiated research regarding animal diseases such as avian influenza. The objective with these efforts is to provide assurances to trading partners regarding food safety.



The number of birds slaughtered worldwide is estimated at approximately 350 000 for 2006/07, 257 000 of which were slaughtered in South Africa. In Europe the demand for ostrich meat remained high and the local consumption of ostrich meat showed a continued increase.

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 launched. 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 2006/07 was R25/kg, and R50 for feathers per bird (depending on the quality).

Prospects

During the 2007/08 season, the number of ostriches slaughtered in South Africa is expected to remain at about 200 000, mainly as a result of the after-effects of avian influenza and the severe drought followed by floods in the main production areas during 2006. The situation could continue well into 2008, with even a further drop in slaughter numbers because of the fact that an ostrich can only be slaughtered after 14 months as well as increasing input costs (mainly feed, transport and labour) and interest rates, linked to the factors mentioned.

The SAOBC, being the representative body of the South Africa ostrich industry, accepted its role as partner with the Department of Agriculture in ensuring compliance with international export requirements. Generic marketing activities take place in collaboration with the Department of Trade and Industry to try and increase the ostrich industry's contribution of R1,2 billion per annum to the South African economy, as well as to safeguard more than 20 000 jobs.

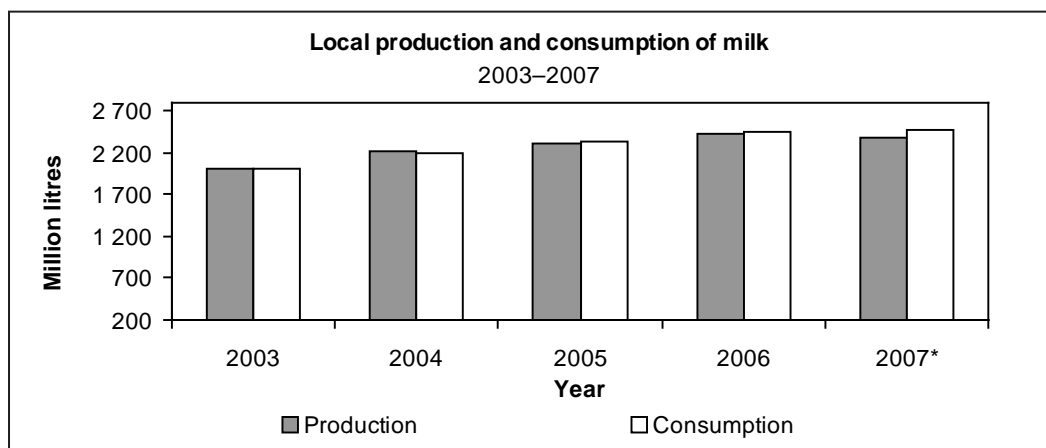
Milk

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 ensures good-quality natural and artificial pastures. In 2006, the Western Cape Province contributed 25,3 % to total production, Eastern Cape 21,8 %, KwaZulu-Natal 21,1 %, Free State 12,8 %, Mpumalanga 7,6 %, North West 7,1 % and the remaining three provinces 4,3 %. According to the Milk Producers' Organisation, the estimated number of commercial milk producers in the country in July 2007 was 3 727, as against 4 039 in July 2006.

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 fourth largest agricultural industry in the country. The gross value of milk produced during 2006, including milk for own consumption and on-farm usage, is approximately at R5 629 million.

In South Africa, traditionally, milk surpluses are produced and severe shortages are seldom reported. Production during 2007 is expected to be approximately 2 373 million litres, which is 2,1 % lower than the 2 425 million litres produced in 2006 and 4,5 % lower than the expected consumption of 2 480 million litres in 2007.

The local commercial production and consumption figures of milk from 2003 to 2007 are depicted in the following graph:



*Expected

Imports

In 2006, 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. As a result of higher international prices, caused by drought and resultant lower production in Australia, it is expected that imports during 2007 will amount to approximately 30 000 tons—a decrease of 5,3 %.

Prices

The average producer price of milk for 2007 is expected to be R2,23/litre, almost 18% higher than the previous year. The main reasons for the expected increase in the producer prices are the decrease in production and the increase in consumption, which resulted in a national milk shortage.

Production season	2003	2004	2005	2006	2007*
	c/l				
Average producer price	196,0	183,0	179,0	189,0	223,0

* Preliminary: January–June 2007

Prospects

It is expected that milk production during 2007 will be 2 373 million litres, which is 2,1% lower than the production of 2 425 million litres during 2006.

While high maize and fuel prices and a shortage of silage and other roughage are having a negative impact on the local dairy industry in the short run, the longer-term expectations remain favourable. This is mainly because of the expected higher disposable income of consumers, which could lead to higher consumption of protein-based food rather than starches. An increase of approximately 1,5% in consumption of dairy products is expected for 2007.

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 (14 145 639 million kg), followed by the Free State (10 271 581 million kg), Western Cape (8 292 745 million kg), Northern Cape (5 531 019 million kg) and Mpumalanga (2 568 693 million kg).

Production

Australia remains the largest supplier of apparel wool to the world textile market, with an estimated production of 425 million kg (greasy wool) in 2006/07. South Africa, like Australia, produces mainly apparel wool, while the bulk of the production of the other major producers, such as New Zealand, China, Uruguay and Argentina, is coarse wool used in the manufacturing of carpets and interior textiles. The main competitors of wool are cotton and manmade fibres such as polyester, nylon and acrylic.

Global wool production for 2006/07 is expected to finish 2% lower at 2,113 million kg greasy wool (1,198 million kg clean), based upon mainly unseasonable conditions in Australia, with wool production in New Zealand also lower as a result of higher returns from lamb production. In-store Australian wool grower stocks dropped significantly during the 2006/07 season, which have maintained Australian auction offerings and buffered the drop in production.

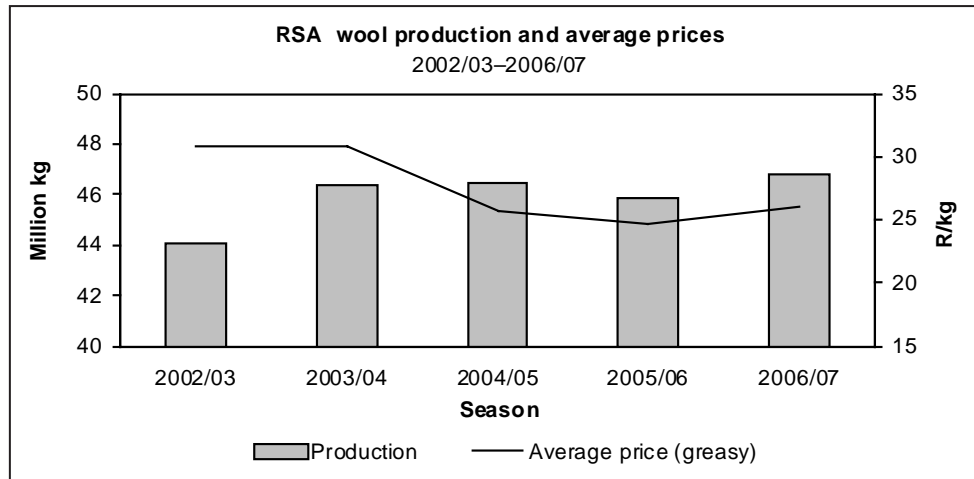
The outlook for 2007/08 global wool production is also negative, with Australian wool production forecast to fall to 395 million kg greasy wool (shorn and nonshorn) by the Australian Wool Innovation Production Forecasting Committee. A 1% decline to 216 million kg greasy is also expected for New Zealand wool production should sheep profitability and domestic wool prices remain low.

Wool's volume share of world fibre production in all uses (apparel, interior textiles and industrial) in 2006 was 1,9%, compared with 2% in 2005. Manmade fibre production increased by 14% and cotton production declined by 8% between 2005 and 2006.

In South Africa, production increased by 2,1% to 46,8 million kg in 2006/07, from 45,9 million kg in 2005/06, because of excellent production conditions, which resulted in much higher yields than the previous season.

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 into buying limits in rand and the buyer carries the risk.

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

The Minister has granted approval for the introduction of statutory measures for the collection of 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 going to other countries in either greasy or semiprocessed form (scoureds and wool top). Main export destinations for the year under review

were China, Italy, the Czech Republic, Germany, Bulgaria, Spain and the UK, collectively absorbing 89 % of total shipment volume (clean basis) (see Table below).

During 2006/07, the export destinations for South African wool were as follows:

Country	Volume		Value	
	Million kg (clean)	% of total	R'million	% of total
Italy	7,875	28,8	340,795	26,7
China/Hong Kong	5,223	19,1	248,031	19,7
Czech Republic	4,320	15,8	204,163	16,2
Germany	3,432	12,6	158,766	12,6
Bulgaria	1,353	5,0	64,294	5,1
Spain	1,113	4,1	49,760	4,0
United Kingdom	0,942	3,5	49,173	3,9
India	0,703	2,6	29,661	2,4
Others	2,349	8,5	1 131,140	9,4
Total	27,312	100,0	1 257,802	100,0

Market movement

The 2006/07 season turned out to be the best in 4 years. The market opened with prices at considerably higher levels than the previous season and continued to improve throughout the season. The overall indicator reached its highest level since 2003 at the penultimate sale, when it closed at R43,73/kg (clean).

At the close of the season, the market was up 42 % from the opening sale. The season's average price at R36,11/kg (clean) was about 47 % higher than the average for 2005/06—the best level achieved since the abnormal exchange rate directed the peaks of 2001/02 and 2002/03.

The most encouraging aspect is that these price improvements were directed by demand and were not merely a result of exchange rate fluctuations. For example, in US\$ terms, the market closed more than 40 % higher than at the opening of the season.

Although all micron ranges benefited from the stronger demand, there was a substantial firming in medium-wool prices, in response to supply concerns for these types, compared to the prices of the other types of wool.

Total production for 2006/07 came to an estimated 46,8 million kg, an increase of 2,1 % on 2005/06 figures.

Prospects

Global economic conditions and exchange rates will, to a large extent, determine demand in the new season. Although analysts expect a slight downturn in prices for 2007/08 following the sharp increase in prices in 2006/07, supply concerns may well result in further price hikes. Australia's production is forecast to drop to its lowest level since the 1940s, while grower and in-store stocks are at an all-time low.

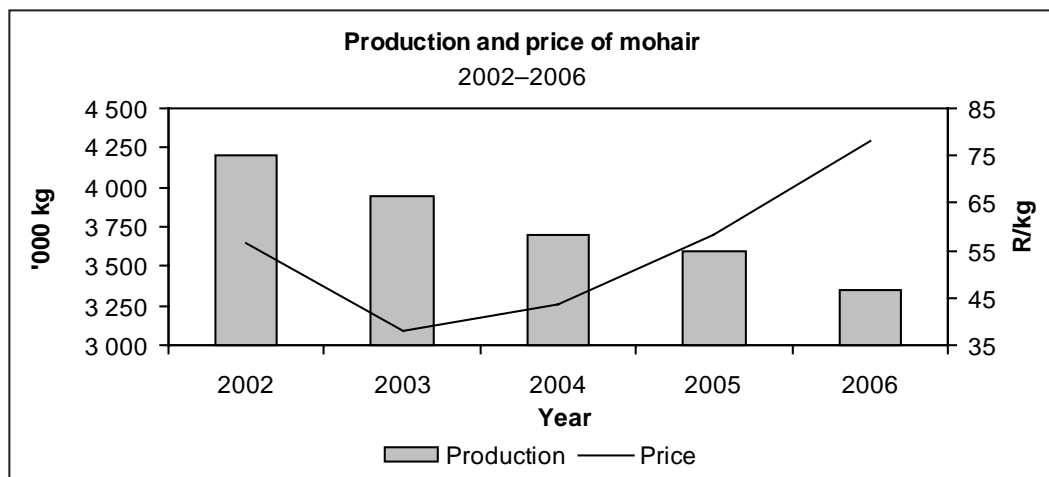
Mohair

Production

South Africa accounts for approximately 55 % 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 2002 to 3,4 million kg in 2006—a decrease of 20 %. 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 2002 to 2006 was as follows:

Year	2002	2003	2004	2005	2006
	Million kg				
Production	4,20	3,95	3,70	3,60	3,35



Prices

Once again there was a significant increase in the average price of mohair, i.e. 33,5%, from R58,47/kg in 2005 to R78,08/kg in 2006. The increase was mainly the result of the good demand for this unique natural fibre, with a limited supply on offer.

Average auction prices of mohair for the period 2002 to 2006 were as follows:

Year	2002	2003	2004	2005	2006
	R/kg				
Price	56,34	37,91	43,47	58,47	78,08

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 23%, from an estimated 5,0 million kg in 2005 to 3,8 million kg in 2006, which reflects the depletion of the stockpile in Texas.

Year	2002	2003	2004	2005	2006
	Million kg				
Imports	1,8	2,4	1,7	1,6	1,3
Exports	5,2	4,9	5,1	5,0	3,8

Prospects

The prospects for mohair 2007 season remain positive, although a slight correction in the price of adult hair could be expected. The severe drought in the western region of the production area will have an effect on the length and the overall weight of the clip.