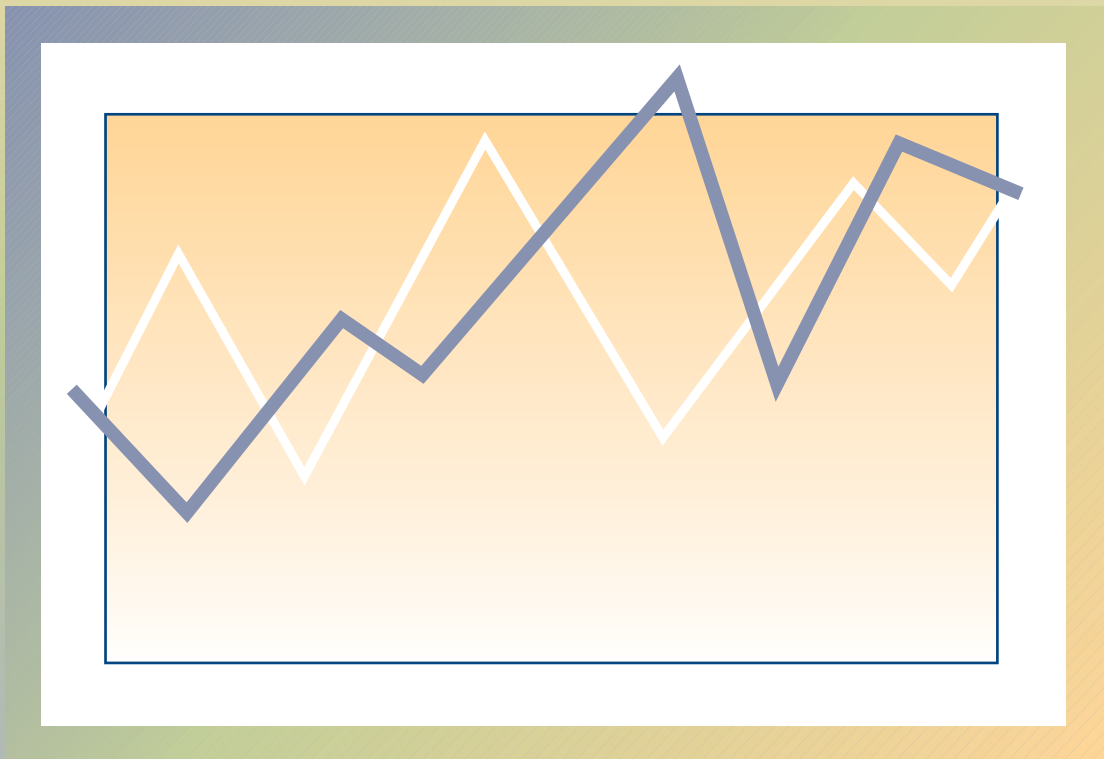


Trends in the Agricultural Sector



2008



agriculture

Department:
Agriculture
REPUBLIC OF SOUTH AFRICA

Trends

in the

Agricultural Sector

2008

Contents

ECONOMIC REVIEW FOR THE 12 MONTHS THAT ENDED 30 JUNE

2008	1
Volume of agricultural production	1
Producer prices of agricultural products	1
Gross value of agricultural production	2
Farming income.....	2
Expenditure on intermediate goods and services.....	4
Prices of farming requisites	4
Domestic terms of trade in agriculture (2000 = 1)	5
Contribution of agriculture to value added at basic prices.....	6
Capital assets and investment in agriculture	6
Farming debt	7
Cash flow of farmers.....	7
Consumption expenditure on food.....	7
Consumer prices	8
Imports and exports of agricultural products	8
 BRANCHES OF THE INDUSTRY	 9
Field crop husbandry	9
Maize	9
Sorghum	13
Wheat	16
Malting barley	19
Sunflower seed.....	21
Soya-beans	23
Groundnuts.....	26
Canola	28
Cotton	29
Dry beans	32
Sugar	34
Horticulture	36
Deciduous fruit.....	36
Dried fruit	39
Viticulture	40
Subtropical fruit.....	42
Citrus fruit	44
Vegetables (excluding potatoes)	46
Tomatoes	48
Onions	50
Potatoes	51
Animal production	53
Livestock numbers.....	53
Red meat	56
Poultry	58
Ostriches	61
Milk	62
Wool	63
Mohair.....	65

2009

All rights reserved

Printed and published by the
Department of Agriculture
Pretoria

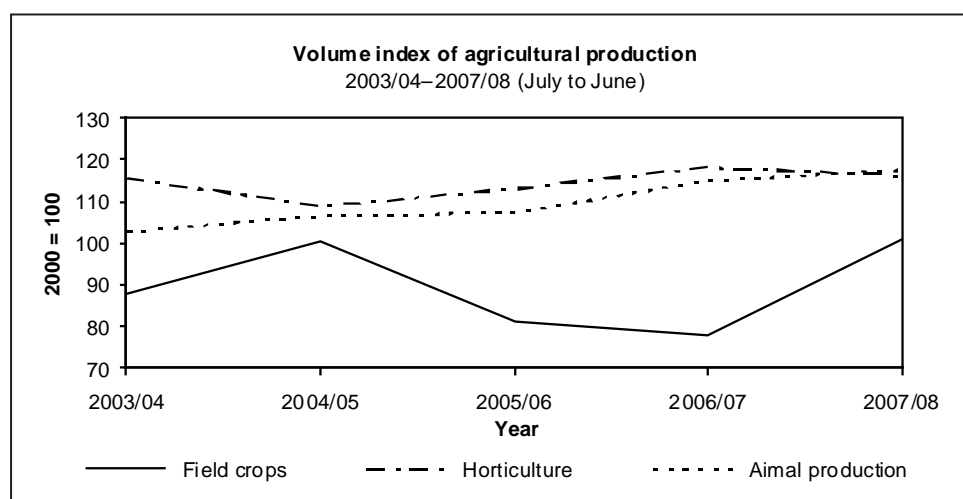
Obtainable from the
Department of Agriculture
Directorate Agricultural Information
Services
Private Bag X144
Pretoria 0001

ISSN 1025-5028

Economic review for the 12 months that ended 30 June 2008

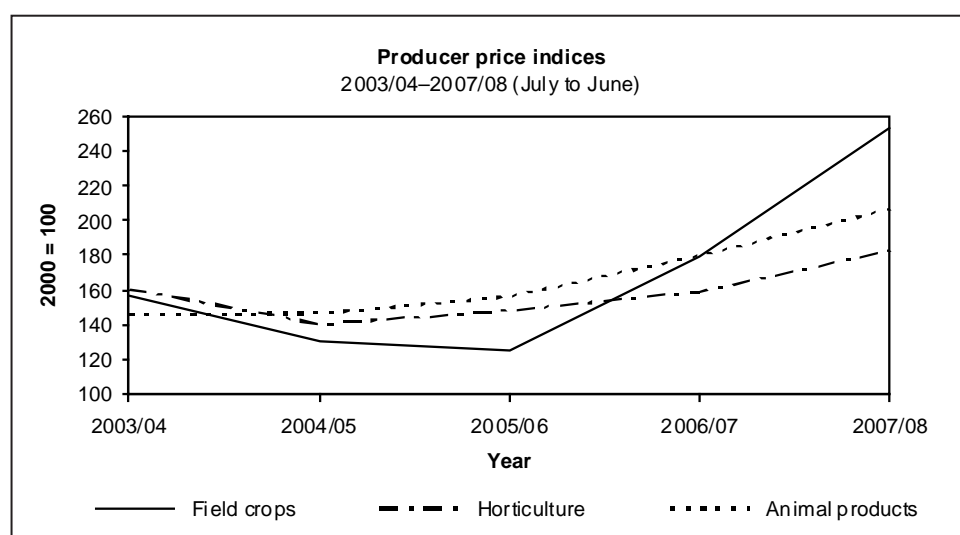
Volume of agricultural production

The estimated volume of agricultural production in 2007/08 was 8,2 % higher than in 2006/07. The volume of field-crop production reflected a 29,3 % increase as a result of improvement in the production of summer grains and oilseeds. Horticultural production decreased by 1,6 %, mainly because of a decrease in production of bananas, while animal production increased slightly by 2,3 % as a result of an increase in poultry products.



Producer prices of agricultural products

Producer prices of agricultural products increased on average by 24,1 % from 2006/07 to 2007/08. The weighted average price of field crops rose by 41,2 %—winter grain prices increased by 100,6 %, oilseed prices by 79,9 %, hay prices by 53,1 %, cotton prices by 31,3 %, dry bean prices by 25,9 %, summer grain prices by 24,9 %, tobacco prices by 10,7 % and sugar-cane prices by 7,0 %.



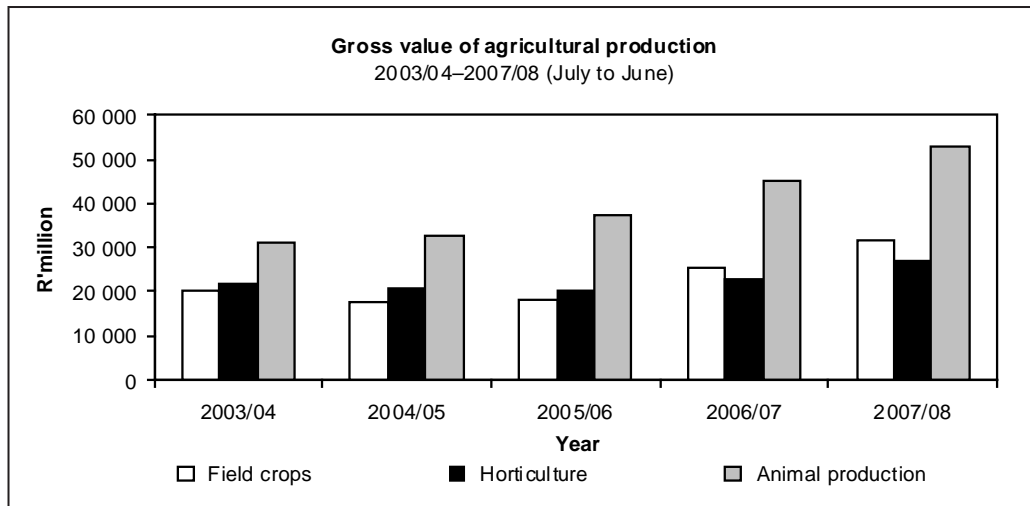
Producer prices of horticultural products rose by 14,9 % from 2006/07. Prices of vegetables and fruit increased by 25,7 and 10,5 %, respectively.

Prices of animal products rose by 14,8 %. The average price of milk, pastoral products, poultry and slaughtered stock increased by 41,3, 15,1, 10,5 and 8,2 %, respectively.

Gross value of agricultural production

The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2007/08 is estimated at R111 760 million, compared to R93 390 million the previous year—an increase of 19,7 %. This increase can be attributed mainly to a significant increase in the value of field crops.

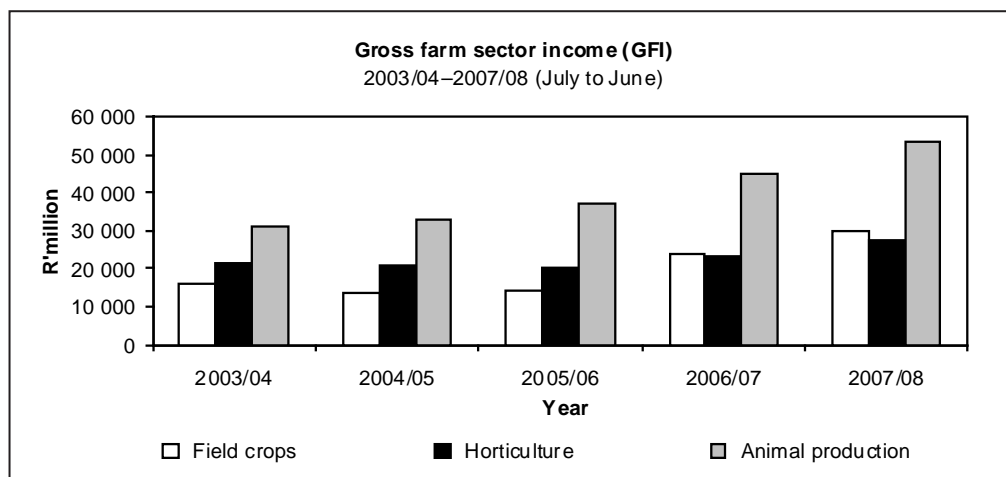
The gross value of animal products, field crops and horticultural products contributed 47,5, 28,2 and 24,2 %, respectively, to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 14,9 %, followed by maize with 11,9 % and cattle and calves slaughtered with 11,6 %.



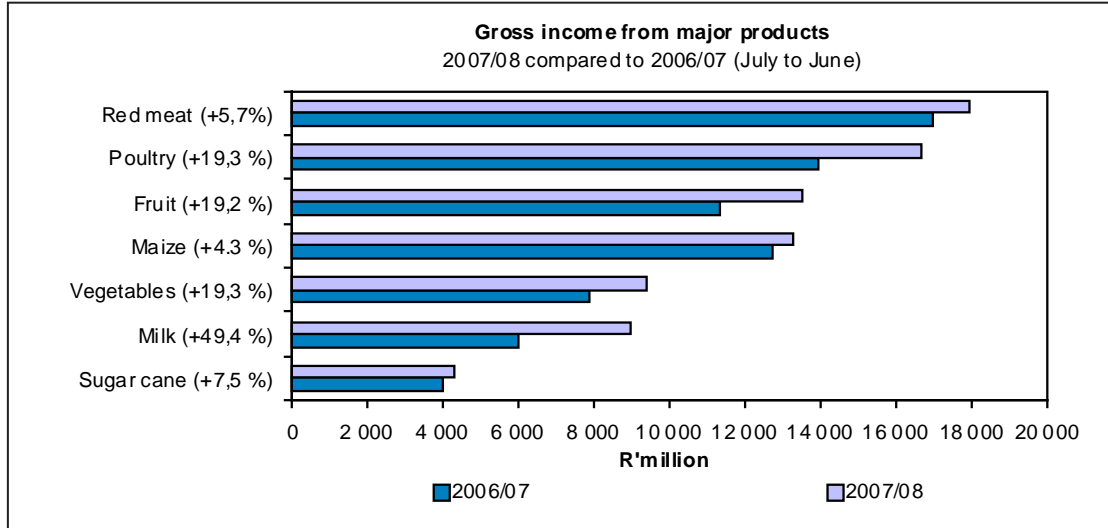
Farming income

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 2008 amounted to R110 362 million, compared to R91 962 million the previous year—an increase of 20 %. 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 26,7 % to R29 872 million for the year ended 30 June 2008. Income from sunflower seed and soya-beans showed substantial increases of 317,7 % to R3 639 million and 208,3 % to R1 089 million, respectively. Income from maize at R13 276 million was R550 million or 4,3 % more than the previous 12 months. Income from sugar cane at R4 312 million was R302 million or 7,5 % higher than that of the previous 12 months. Income from groundnuts increased by 34,5 % to R467 million. Income from tobacco continued to decline and came to R161 million, which is 27,1 % less than during the previous year.

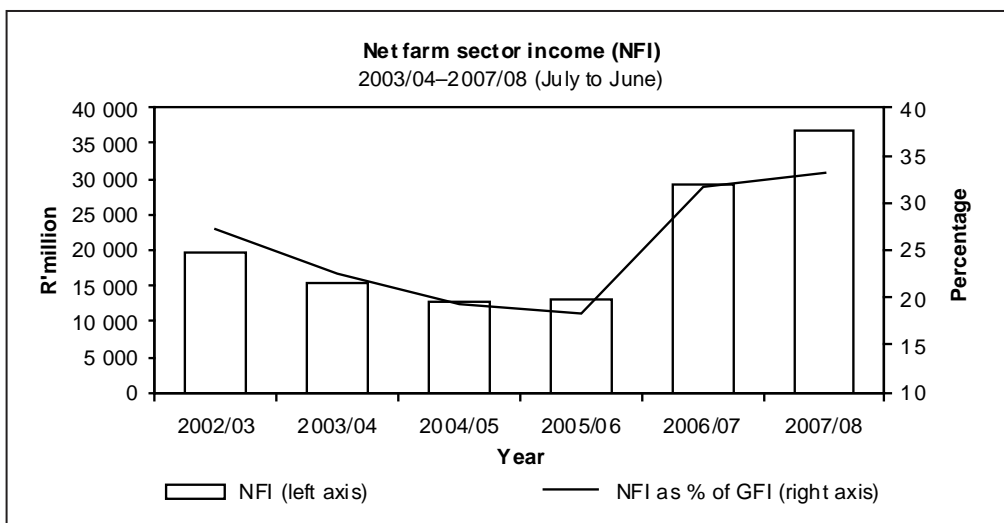


The gross income from horticultural products increased by 16,8 % to R27 408 million, compared to R23 471 million for 2006/07. Income from citrus fruit showed the biggest increase of 35 % and amounted to R5 318 million, which is R1 380 million more than that of the previous 12 months. Income from deciduous fruit and subtropical fruit rose by 10,6 and 11,3 % to R6 425 million and R1 818 million, respectively, while income from viticulture increased by 5,4 % to R2 974 million. Income from vegetable production rose by 19,3 % to R9 403 million.



The gross income from animal products was 18,3 % higher than in 2006/07 and amounted to R53 136 million, compared to R44 926 million. Producers earned R12 983 million from slaughtered cattle and calves, as against the previous R12 514 million—an increase of 3,8 %. Income from poultry meat production increased by 19,3 % to R16 666 million. Income from egg production was 15,1 % higher compared to the previous year. Producers earned R9 007 million from milk production, which is R2 979 million more than during the previous 12 months. Income from wool increased by 32,5 % to R1 499 million.

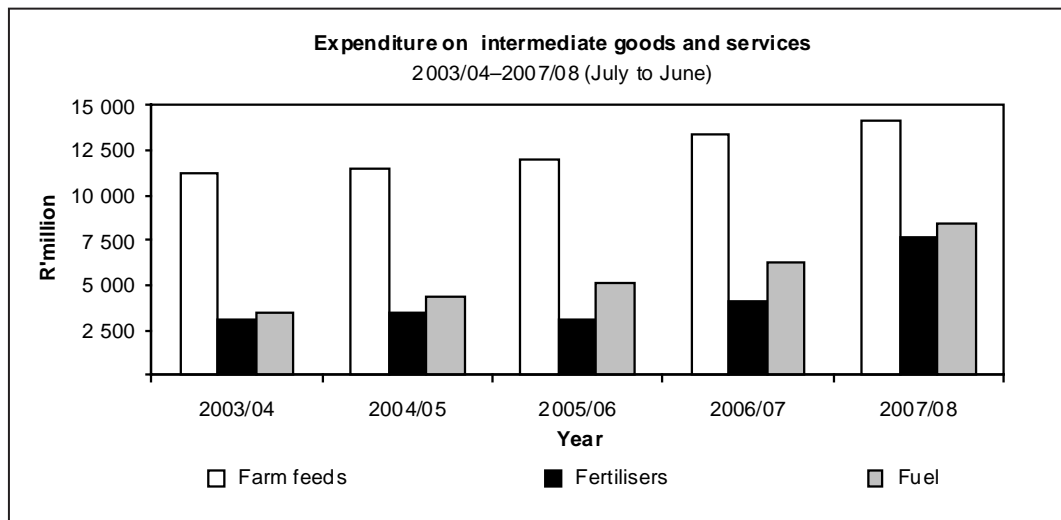
The net farming income (after the deduction of all production expenditures, excluding expenditure on fixed assets and capital goods) amounted to R36 673 million for the 12 months that ended on 30 June 2008, which is R7 509 million or 25,8 % more than during the previous 12 months. Payments for salaries and wages, which represented 14,0 % of the total farming costs, amounted to R11 120 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2008, is estimated at R4 364 million or 5,7 % 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.

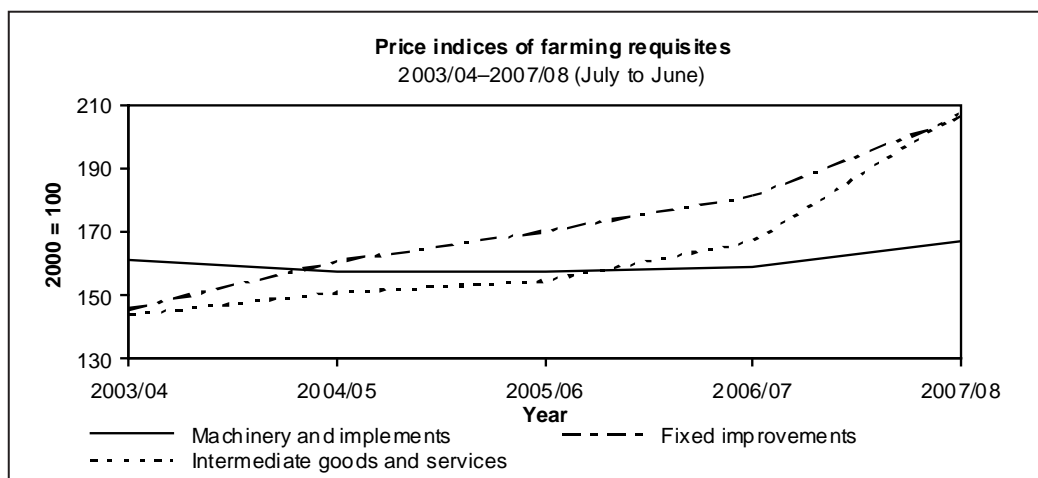
Expenditure on intermediate goods and services during 2007/08 is estimated at R57 472 million, which represents an increase of 20,2 % from R47 796 million in 2006/07. Expenditure on fertilisers and fuel showed the biggest increases of 84,0 and 34,8 %, respectively.



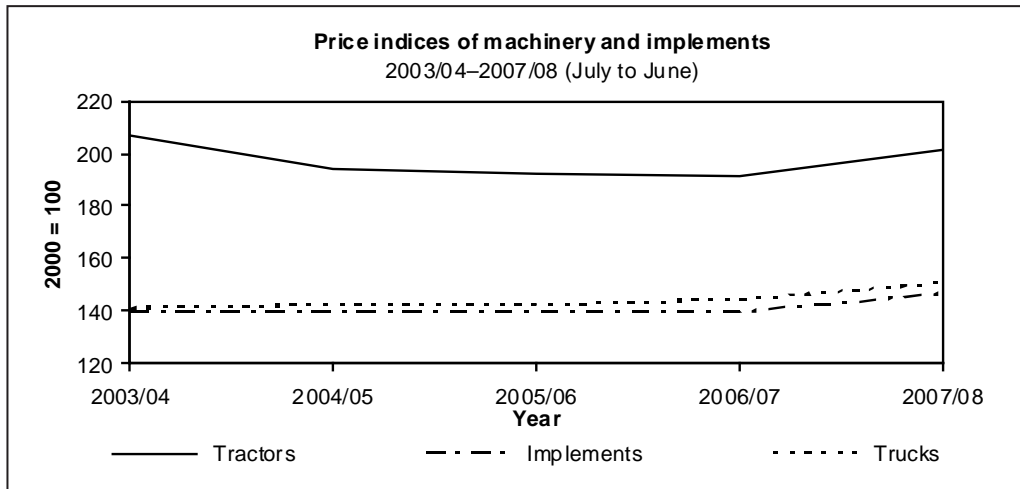
Expenditure on farm feeds remained the biggest expenditure item, accounting for 24,6 % of total expenditure on intermediate goods and services, even though it showed a relatively small increase of 5,0 % from the previous 12 months compared to other expenditure items. Fuel; fertilisers; farming services; maintenance and repairs of machinery and implements; seeds and plants; dips and sprays; and packaging material contributed 14,6, 13,4, 11,0, 9,1, 6,7, 6,2 and 5,6 %, respectively, to total expenditure on intermediate goods and services. Generally, there was an increase in the prices of goods and services purchased for use during the production process.

Prices of farming requisites

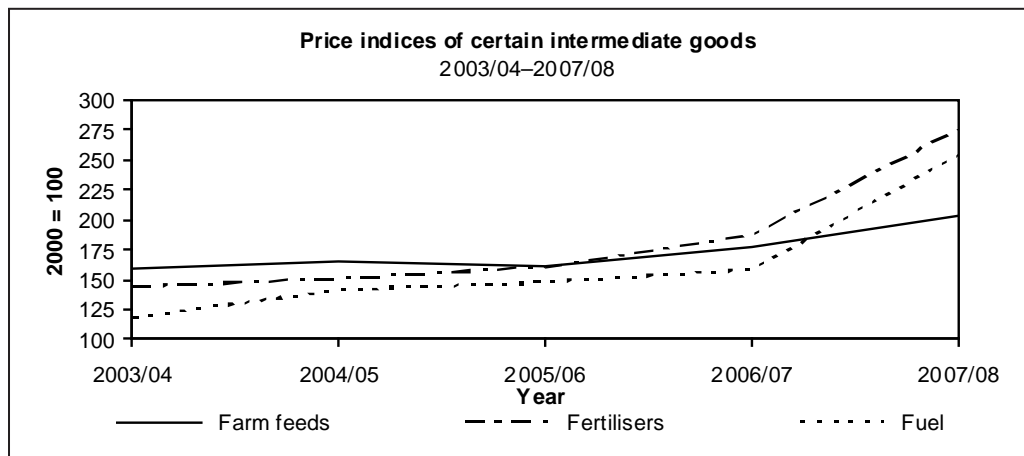
Prices of farming requisites rose by 21,6 % in 2007/08, compared to an increase of 7,1 % the previous year.



The price index of machinery and implements showed a slight increase of 5,3 % for 2007/08. The price index of materials for fixed improvements increased by 13,7 % and the combined index of prices of intermediate production inputs and services rose by 24,3 %.



An increase of 60,7 % in the price of fuel made the most significant contribution to the increase in the prices of intermediate goods and services. The price of animal fertilisers rose by 46,8 %. Prices paid for seeds increased by 19,7 % and the price paid for building materials rose by 17,4 %.

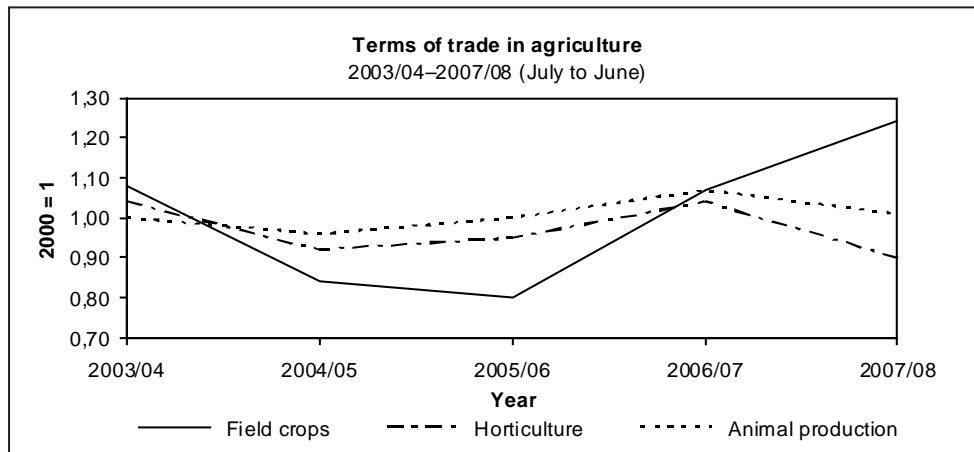


Domestic terms of trade in agriculture (2000 = 1)

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 1,9 %, from 1,04 in 2006/07 to 1,06 in 2007/08.

The terms of trade for field crops increased by 15,9 % from 1,07 in 2006/07 to 1,24 in 2007/08. In the case of the horticultural industry, the terms of trade weakened by 5,3 %, from 0,94 to 0,89. The terms of trade for the animal production industry decreased by 5,6 %, from 1,07 to 1,01.



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.

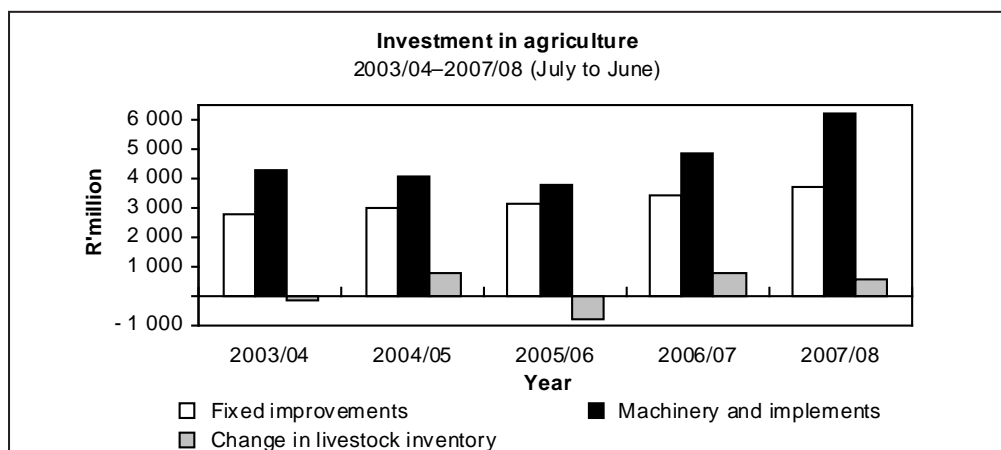
The contribution of agriculture, fishing and forestry to value added for the year ended 31 December 2007 is estimated at R56 685 million. This represents 3,2 % of total value added to the economy.

Year	Total value added	Contribution of agriculture to value added	Contribution of agriculture as % of total value added
	R'million	R'million	%
2002	1 063 801	37 705	3,5
2003	1 143 679	34 353	3,0
2004	1 250 953	32 705	2,6
2005	1 372 374	29 994	2,2
2006	1 543 937	35 580	2,3
2007*	1 768 221	56 685	3,2

Note: Figures are for agriculture, forestry and fisheries

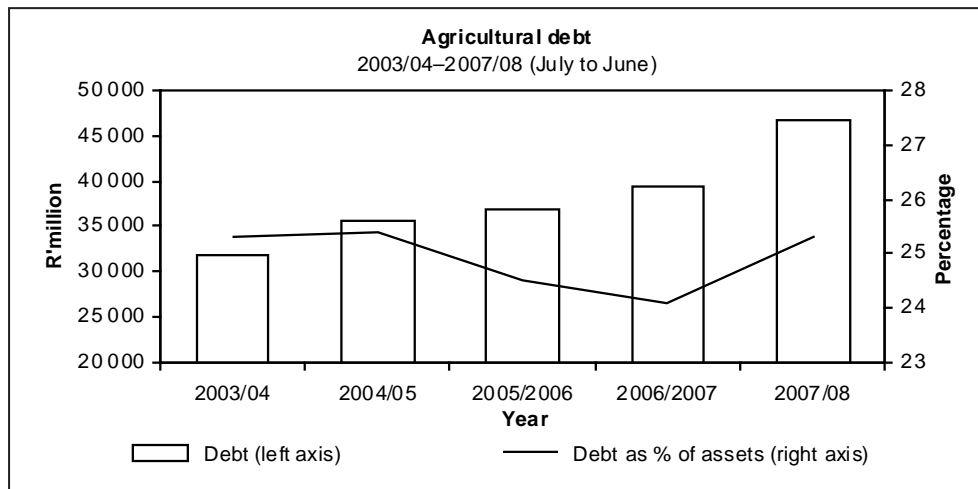
Capital assets and investment in agriculture

The value of capital assets in agriculture as at 30 June 2008 is estimated at R184 874 million, as against R164 141 million as at the end of June 2007—an increase of 12,6 %. Land and fixed improvements constituted R111 497 million, machinery and implements R30 403 million and livestock R42 974 million of the total value of capital assets. The gross investment in respect of fixed improvements for the year ended 30 June 2008 increased by 7,9 % to R3 695 million. In the case of machinery, implements and vehicles, investment rose by 29,2 % and amounted to R6 242 million. The livestock inventory increased by R578 million compared to the previous year.



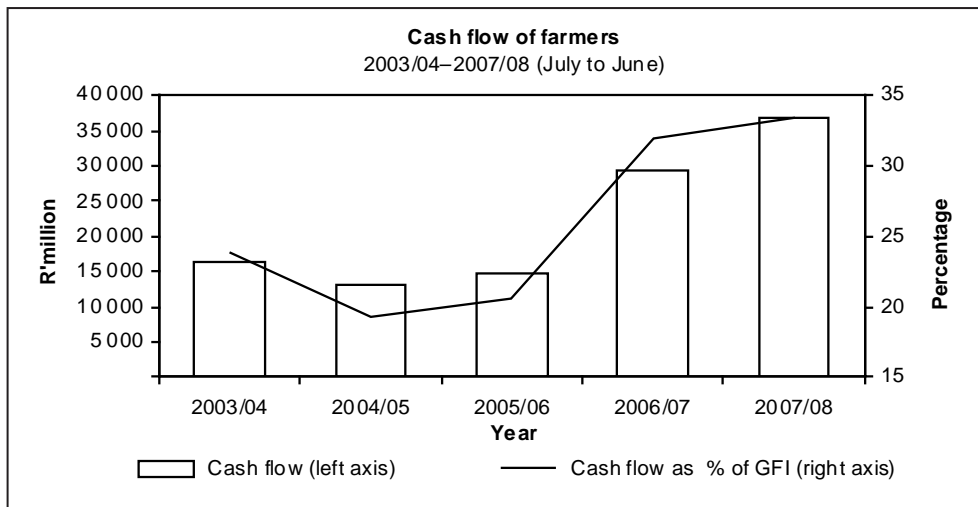
Farming debt

The total farming debt as at the end of June 2008 is estimated at R46 788 million, as against R39 481 million the previous year—an increase of 18,5 %.



Cash flow of farmers

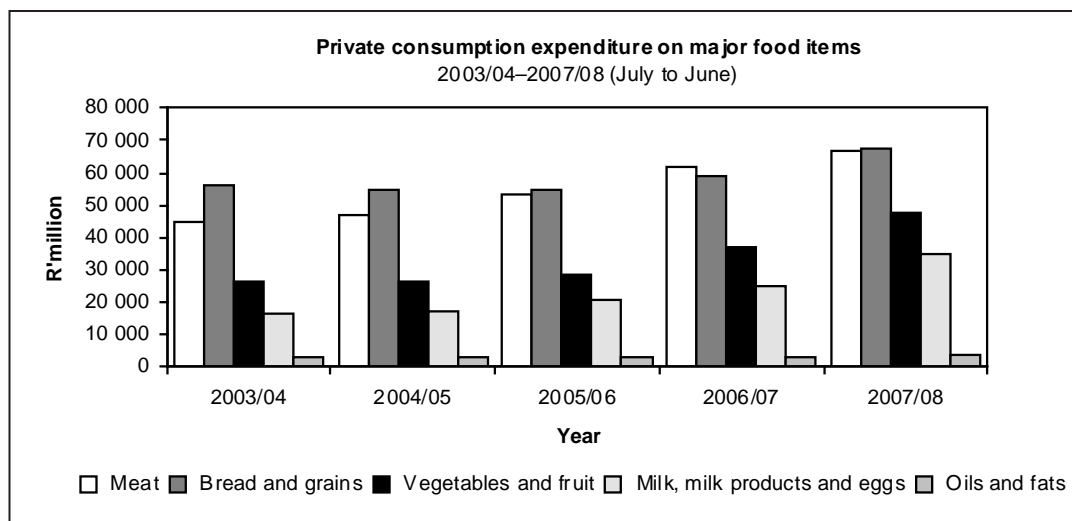
The cash flow of farmers amounted to R36 961 million for the year ended 30 June 2008, compared to the previous R29 389 million—an increase of 25,8 %. This was the result of an increase in the gross income of producers.



Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2008 increased by 17,9 % and amounted to R253 711 million, as against the R215 131 million of the previous year. Expenditure on bread and grain products increased by 14,0 % to R67 316 million, on meat by 8,0 % to R66 459 million, on fruit and vegetables (including potatoes) by 27,8 % to R47 536 million, on milk, milk products and eggs by 39,9 % to R34 576 million, and on oils and fats by 19,4 % to R3 892 million. Expenditure on sugar increased by 1,1 %, from R3 950 million to R3 994 million.

Meat represented 26 % of the expenditure on the food component, bread and grains 27 %, fruit and vegetables 19 % and milk, milk products and eggs 14 %.



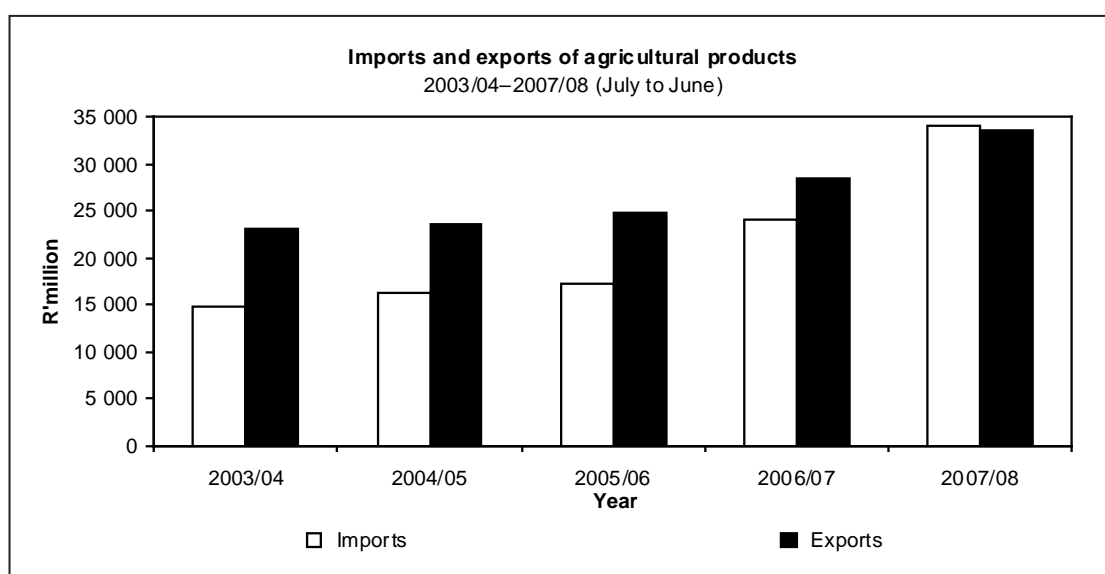
Consumer prices

The consumer price index (with base year 2000 = 100) of all items increased by 9,3 %, from 138,2 to 151,0, during the year ended 30 June 2008, that of food by 13,9 %, from 154,0 to 175,4, and that of nonfood items by 7,8 %, from 134,4 to 145,0.

Meat prices rose by 8,0 %, from an index figure of 174,4 to 188,4, while those of grain products reflected an increase of 21,3 %, from 143,4 to 173,9. The consumer price index of vegetables increased by 13,5 %, from 145,5 to 165,2, and that of fruit by 22,1 %, from 139,5 to 170,2. In the case of dairy products and eggs, prices rose by 18,7 % from an index of 164,2 to 194,8, and an increase of 22,0 % was recorded for sugar and related products, from 143,6 to 175,1.

Imports and exports of agricultural products

The estimated value of imports for 2007/08 was R34 009 million—an increase of 41,1 % compared to R24 110 million for 2006/07. The value of exports rose by 18,8 %, from R28 330 million to R33 656 million.



According to the 2007/08 export values, wine (R5 197 million), citrus fruit (R4 765 million), grapes (R2 876 million), apples, pears and quinces (R2 535 million) and sugar (R1 855 million) were the most important agricultural export products.

Rice (R2 987 million), wheat (R2 635 million), soya-bean oil (R2 049 million), palm oil (R1 990 million) and undenatured ethyl alcohol (R1 870 million) accounted for the highest imports.

During 2007/08, the United Kingdom, The Netherlands, Germany, Mozambique and United States were the five largest trading partners of South Africa in terms of export destinations for agricultural products, with export values of R4 328 million, R4 096 million, R1 760 million, R1 550 million and R1 325 million, respectively. About 22,3 % of total agricultural exports for the period July 2007 to June 2008 went to the United Kingdom and The Netherlands.

The five largest trading partners for South Africa's imported agricultural products during 2007/08 were Argentina, Brazil, Thailand, United States and the United Kingdom, with import values of R6 354 million, R3 146 million, R2 565 million, R2 374 million and R1 838 million, respectively.

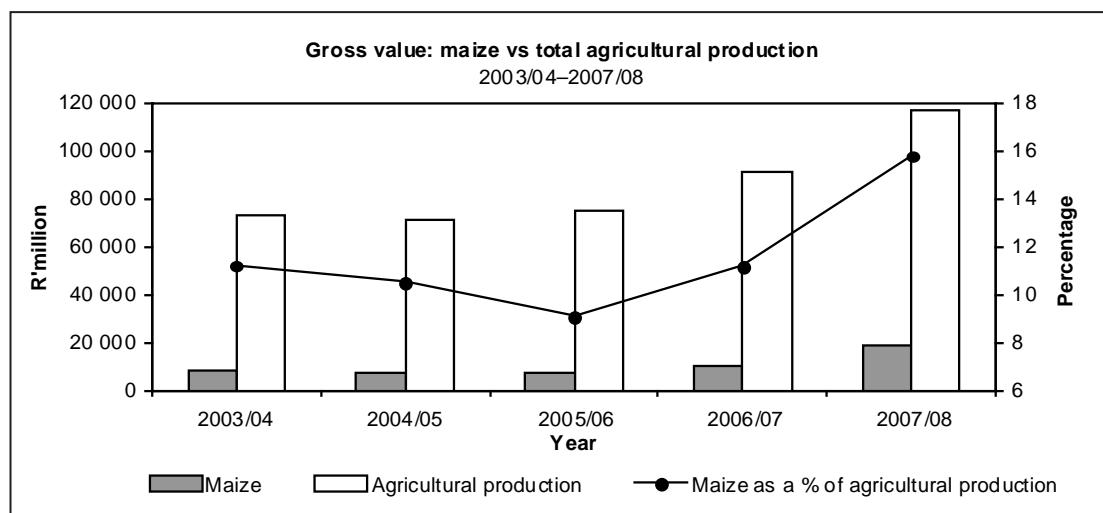
Branches of the industry

FIELD CROP HUSBANDRY

Maize

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

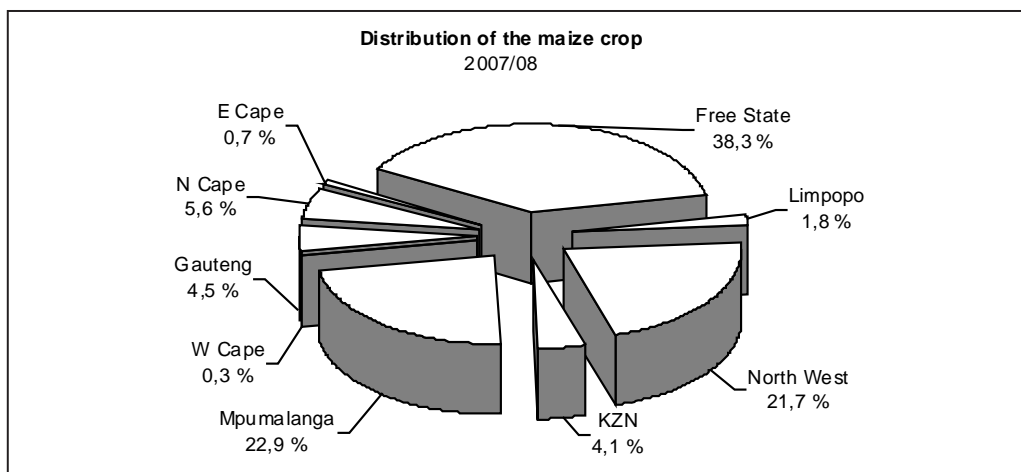
The gross value of agricultural production is determined by the quantity produced and prices received by producers. The contribution of the maize industry to the gross value of agricultural production declined during the four years up to the 2005/06 production season, mainly as a result of relatively low maize prices. Since then, however, limited carry-over stocks and high international prices, among other factors, contributed to an increase in the gross value of maize relative to that of total 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 (44,0 %), followed by sugar cane (15,7 %), wheat (12,0 %), hay (10,2 %) and sunflower seed (6,5 %). The average annual gross value of maize for the 5 years up to 2007/08 amounts to R10 275 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 2007/08 production season is depicted in the figure on page 10.



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 62 % white maize and 38 % yellow maize. An estimated 5,5 % of the area planted to white maize is under irrigation and 94,5 % is on dryland, while the estimated contribution of yellow maize under irrigation is approximately 8,5 % and dryland 91,5 %.

In South Africa genetically modified (GM) maize comprised 57,2 % or 1,6 million ha of the total area planted to maize in the 2007/08 production season. The GM plantings of white maize compared to the previous season increased by 48 % to 1,040 million ha, while yellow maize plantings increased by 7 % to 570 000 ha in 2007/08.

The international development of the various GM maize cultivars has mainly targeted the improvement 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 production costs. The introduction of the stacked gene maize cultivar, with greater tolerance to herbicides and resistance to insects, will undoubtedly encourage the further adoption of the technology.

Area planted and production

As a result of the good, consistent rainfall during the 2007 planting period over most of the major maize-production areas in South Africa, soil moisture levels increased considerably. This led to an increase of 9,7 % in the area planted to commercial maize, from 2 551 800 ha to 2 799 000 ha. This is also 7,7 % or 200 950 ha higher than the past 5-year average of 2 598 000 ha planted.

Commercial white and yellow maize plantings were 1 737 000 and 1 062 000 ha, respectively. This represents increases of 6,9 and 14,6 %.

The commercial maize crop for the 2007/08 production season is estimated to be 12,021 million tons, with an estimated yield of 4,29 t/ha. The production represents an increase of 68,7 % compared to the 2006/07 crop, which was estimated at 7,125 million tons. The current commercial maize crop is the largest crop since the 1980/81 season when 14,432 million tons were produced.

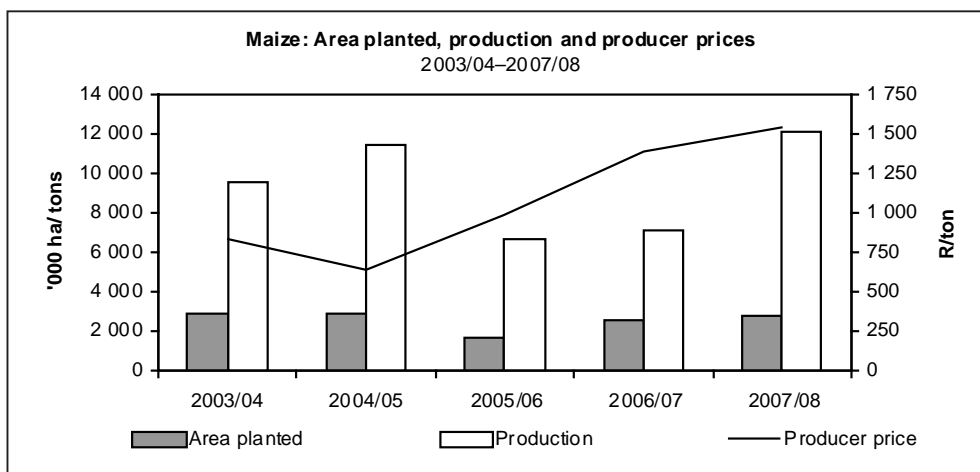
Limited quality problems have been reported during the 2007/08 season. On request from the industry, the South African Grain Information Service (SAGIS) started reporting in 2006 on the percentage of the different grades of maize being delivered during the season. For the 2007/08 season, approximately 97,0 % of the deliveries of white maize was grade WM1 and approximately 98,0 % of the yellow maize deliveries was grade YM1.

Plantings, production and yields of commercial maize from 2003/04 to 2007/08 are shown in the following table:

Season	2003/04	2004/05	2005/06	2006/07	2007/08
Plantings (ha)	2 843 300	2 810 000	1 600 200	2 551 800	2 799 000
Production (t)	9 482 000	11 450 000	6 618 000	7 125 000	12 021 150
Yield (t/ha)	3,33	4,07	4,14	2,79	4,29

The improved yields can, amongst other factors, be attributed to the implementation of 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 lower yields obtained in 2006/07 can mainly be ascribed to prolonged drought conditions.

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 2007/08 is estimated at 497 980 ha, comprising 373 821 ha white maize and 124 159 ha yellow maize. Production by the subsistence sector is estimated at 464 069 tons—334 324 tons of white and 129 745 tons of yellow maize. Maize grown by this sector is mainly for own use and contributes only approximately 4 % to national production.

According to a report by the Bureau for Food and Agricultural Policy (BFAP) of the University of Pretoria, a decrease in maize plantings can be expected for the 2008/09 production season, as larger areas will be utilised for wheat and oilseed production. Prices for these commodities have outpaced maize prices.

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); and
- stock levels (both domestic and international).

Based on domestic stock levels, the domestic prices of maize fluctuate within a band that is determined by world prices, 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 of maize 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 10,9 %, from R1 390,26/ton in 2006/07 to R1 541,37/ton in 2007/08. The increase was caused by a combination of factors, such as higher world prices as a result of

increased bioethanol production, higher consumption, increased demand for grain by China and India, and low world stocks.

The average producer prices of maize from 2003/04 to 2007/08 are as follows:

Season	2003/04	2004/05	2005/06	2006/07	2007/08
	R/ton				
Producer price	836,19	630,47	981,97	1 390,26	1 541,37

The past year, a new word, agri-inflation, surfaced as a result of unprecedented increases in the prices of grains and oilseeds, which led to huge increases in food prices—the worldwide food price crisis, as it became known. Today, humans, animals and vehicles compete for the same agricultural products such as small grains, maize and oilseeds. The increased demand for grain and oilseeds for human consumption, animal feed and the production of biofuel has sent food prices skyrocketing despite higher production being expected.

Consumption

The South African maize market has matured considerably since the deregulation of marketing. Producers, traders and other intermediaries interact freely in the marketing of maize. Most of the maize produced in South Africa is consumed locally; as a result, the domestic market is very important to the industry.

Considering the 2007/08 commercial maize crop of 12,021 million tons (7,098 million tons white and 4,923 million tons yellow), together with carry-over stocks of about 1,070 million tons (631 000 tons white and 439 000 tons yellow) from the previous season and projected imports of 200 000 tons of yellow maize, the domestic supply of maize for the 2008/09 marketing season (May to April) is estimated at 13,291 million tons (7,730 million tons white and 5,561 million tons yellow).

The domestic demand for commercial maize is estimated at 8,974 million tons—5,030 million tons of white and 3,944 million tons of yellow maize. Projected exports amount to 1,355 million tons (1,000 million tons of white and 355 000 tons of yellow maize). South Africa therefore has sufficient maize stocks of 2,962 million tons—1,700 million tons of white and 1,262 million tons of yellow—available to meet the local demand. Should pipeline requirements be subtracted, the surplus above pipeline amounts to 1,915 million tons of maize, consisting of 1,094 million tons of white and 821 000 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.

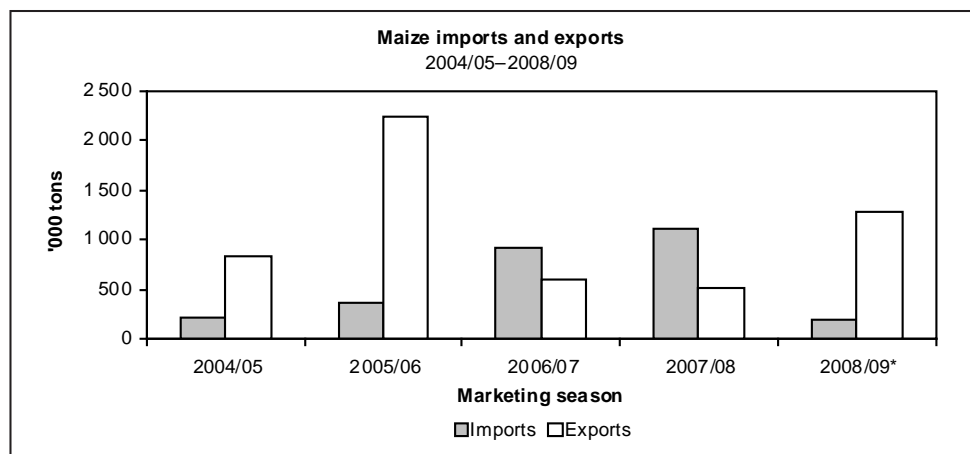
Trade balance

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, among other factors, price, quality and transport costs. 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.

South African producers, on the other hand, will consider the export market if local processors are unwilling to pay the prevailing local 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 South Africa.

The graph on page 13 shows the imports of maize to and exports from South Africa during the past 5 marketing seasons (May to April).



Important export destinations are the BLNS countries (Botswana, Lesotho, Namibia and Swaziland), Zimbabwe and Mozambique. The 2008/09 season also shows exports to Kenya, Ethiopia, Iran, Malaysia and Yemen.

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.

In a report released by the Famine Early Warning Systems Network (FEWS NET), it was indicated that, while the majority of households in southern Africa will have adequate food over this consumption season, widespread acute and chronic food insecurity remains a real concern in parts of most countries where vulnerability assessments have been conducted. Currently, more than 8 million people in seven countries (Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe) are at risk of food insecurity between August 2008 and March 2009 and require some kind of assistance. Numbers are expected to peak over the November to February “hunger season”.

Maize tariff

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

The import tariff for maize, as published in the *Government Gazette* on 8 December 2006, is zero. If the 21-day moving average free on board 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.

Marketing, information and research

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

The information function is performed by the national Department of Agriculture, through the Directorate Agricultural Statistics; Grain South Africa (GSA), who promotes the interests of maize producers; and by the South African Grain Information Service (SAGIS), a Section 21 company funded by, among others, the maize industry.

Research is financed with income from the Maize Trust and performed by the Agricultural Research Council (ARC), the Council for Scientific and Industrial Research (CSIR) and other organisations.

Sorghum

Plantings and production

Sorghum is indigenous to Africa. It is mainly cultivated on low-potential, shallow soils with a high clay content and 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 areas 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 2007/08 production season (April to March), sorghum for commercial purposes was mainly produced in the Free State (57,6 %), Mpumalanga (21,9 %), Limpopo (13,8 %) and North West (5,3 %) provinces. An estimated 86 800 ha were planted to sorghum for commercial use. This represents an increase of 25,8 % compared to the 69 000 ha planted during 2006/07. The increase in the area planted can mainly be ascribed to an effort to balance sorghum supply and demand again, as well as prevailing high producer prices.

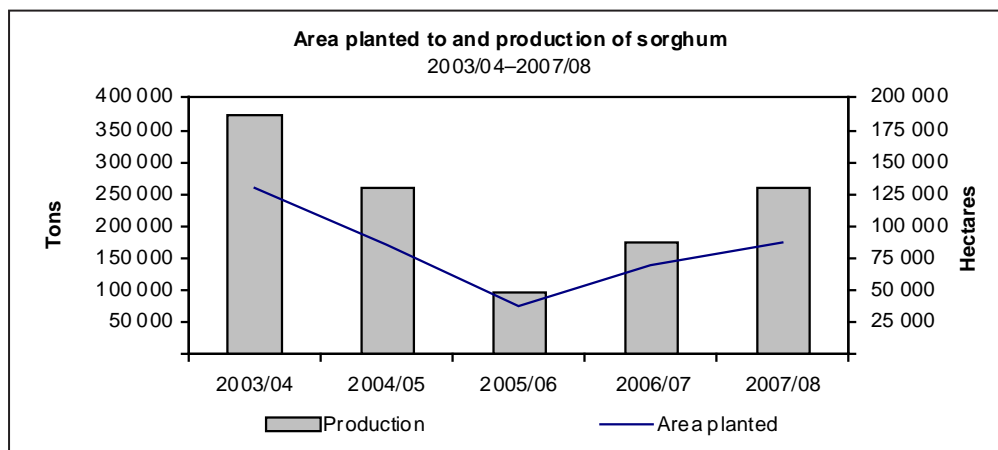
Although sorghum is, after maize and wheat, the most important grain crop produced in South Africa, it contributes only a small percentage to the total domestic grain crops. For the past five seasons, South Africa produced on average 224 903 tons of sorghum per annum, which is approximately 2,6 and 12,3 % of the average domestic maize and wheat production, respectively.

The commercial sorghum crop for the 2007/08 production season is estimated at 260 425 tons, which is 48,0 % higher than that of the previous season and 15,8 % higher than the 5-year average production of 224 903 tons up to 2006/07. The average yield for 2007/08 is 3,00 t/ha, which is 11,5 % higher than the 5-year average yield of 2,69 t/ha. It is interesting to note that yields have been showing a rising trend since the early eighties.

Plantings, production and the yields of sorghum from 2003/04 to 2007/08 were as follows:

Season	2003/04	2004/05	2005/06	2006/07	2007/08
Plantings (ha)	130 000	86 500	37 150	69 000	86 800
Production (t)	373 000	260 000	96 000	176 000	260 425
Yield (t/ha)	2,87	3,01	2,58	2,55	3,00

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



The past 5-year average, up to 2006/07, of sorghum produced by the developing agricultural sector for own use is assumed to be approximately 42 813 tons and represents about 19 % of the average commercial sorghum crop of 224 903 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, malting barley and rice.

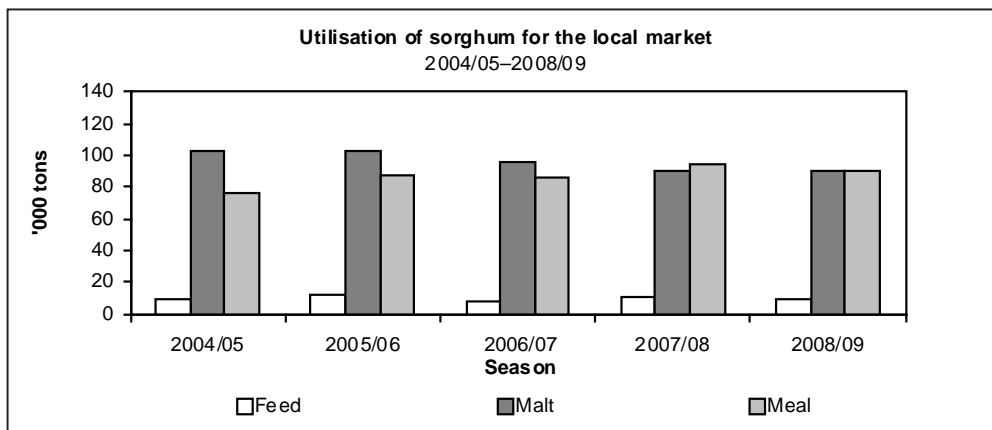
Sorghum is mainly used for human consumption, for example malt, sorghum meal and sorghum rice. Malt is used in beer production and overall remains the biggest section of the market for sorghum, which is approximately 38 % for the past 5-year period. Sorghum meal, also known as "Mabele", competes directly with maize meal and is used as a breakfast cereal. Sorghum rice is served instead of rice. For the past 5 years, the average share of sorghum for the food market was 94 % of total consumption. According to an

analysis by the Bureau for Food and Agricultural Policy (BFAP), a body comprising some of South Africa's top agricultural academics, human consumption of sorghum is projected to decline as consumer preferences change from traditional beers towards premium and other types of beer.

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 because producers are switching to cheaper alternatives.

The average annual commercial consumption (human and animal) of sorghum during the past 5 years is approximately 190 000 tons, of which 180 000 tons are for human consumption (malt, meal and other consumption) and 10 000 tons for animal feed.

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



Producer prices

Local producer prices of sorghum decreased by 1,81 %, from R1 455/t in 2006/07 to R1 429/t for the 2007/08 production season.

Season	2003/04	2004/05	2005/06	2006/07	2007/08
	R/ton				
Producer price	900,00	450,00	1 191,41	1 455,35	1 429,06

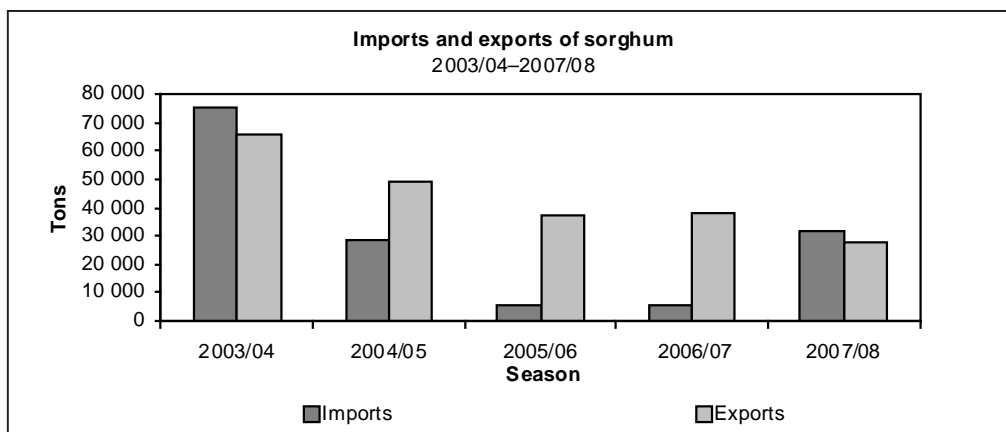
Prices of sorghum remain relatively high compared to the previous season, owing to strong international and regional demand. Sorghum prices are highly variable. In a year when local sorghum production exceeds utilisation for food and beverages, the sorghum price is determined by the lowest price of competing grains. When local demand exceeds local production, the price for sorghum approaches import parity and a premium is paid on malting quality.

Imports and exports

As a result of the production variability, imports are not as stable as exports are. Exports are relatively stable around 40 000 tons. However, it is obvious that, over the longer term, exports are declining.

Imports and exports of sorghum from 2003/04 to 2007/08 were as follows:

Season	2003/04	2004/05	2005/06	2006/07	2007/08
	Tons				
Imports	75 100	28 800	5 400	5 000	31 700
Exports	66 200	48 800	37 600	38 200	27 300



Outlook

According to the BFAP of the University of Pretoria, the area to be planted with sorghum is not expected to expand much further. This can mainly be ascribed to the fact that the returns from oilseeds, i.e. sunflower seed and soya-beans, are more favourable.

For the 2008/09 production season, producers were expected to focus on price developments in deciding on the kind of crop to be planted, as well as the quantity. Therefore, domestic sorghum production will depend entirely on the profitability of sorghum production as against that of substitute crops.

A survey conducted at the middle of October 2008, 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, a production of 216 000 tons of sorghum could be expected during the 2007/08 production season.

World sorghum situation

World production increased by 10,8 %, from 58,30 million tons in 2006 to 64,59 million tons in 2007. The United States contributed 20 % (12,8 million tons), Nigeria 16 % (10,5 million tons), India 11 % (7,4 million tons) and Mexico 9 % (5,5 million tons) to world production. The balance of 44 % is made up by, *inter alia*, Sudan, Argentina, China, Ethiopia and South Africa.

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 Southern African Grain Laboratory, 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 second most important field crop produced in South Africa. In the 2007/08 season, this crop contributed approximately 13 % to the gross value of field crops. The average annual gross value of wheat for the past 5 years amounts to R2 802 million, compared to R10 475 million for maize, which is the most important field crop.

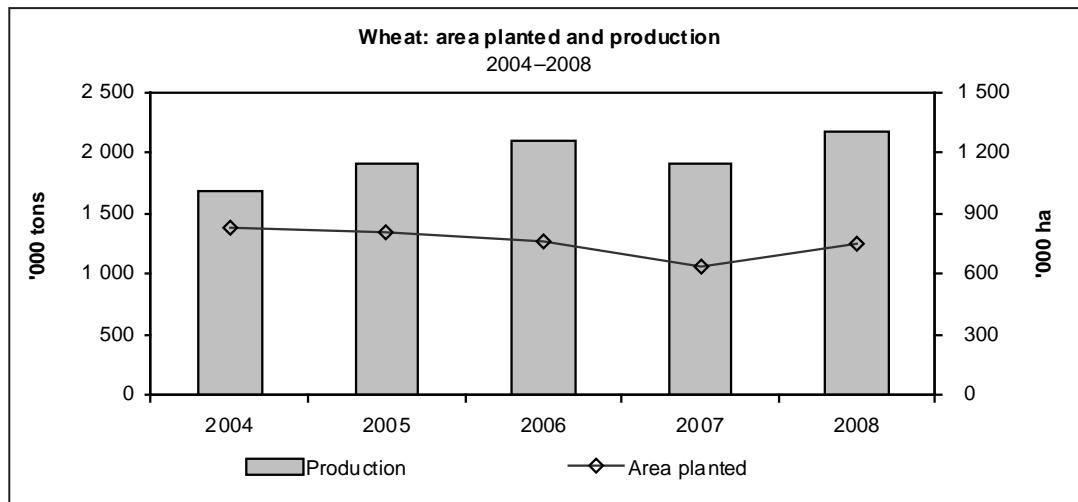
Wheat is planted mainly between mid-April and mid-June in the winter rainfall area and between mid-May and the end of July in the summer rainfall area. Most of the wheat produced in South Africa is bread wheat, with small quantities of durum wheat being produced in certain areas.

Areas planted and production

The estimated area planted to wheat for the 2008 season is 748 000 ha, which is 18,4 % more than the 632 000 ha of the previous season. Of the former, 350 000 ha (47 %) are in the Western Cape and 280 000 ha (37 %) in the Free State.

The start to the 2008 production season was marked by favourable weather and market conditions, with sufficient soil moisture in most of the production areas and promising prices.

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



The expected commercial wheat crop for 2008 is 2,186 million tons, at an average yield of 2,92 t/ha, of which 805 000 tons (37 %) will be from the Western Cape, 714 000 tons (33 %) from the Free State, and 315 000 tons (14 %) from the Northern Cape provinces.

Plantings, production and yields from 2004 to 2008 are as follows:

Season	2004	2005	2006	2007	2008
Plantings (ha)	830 000	805 000	764 800	632 000	748 000
Production (t)	1 680 000	1 905 000	2 105 000	1 905 000	2 186 500
Yield (t/ha)	2,02	2,37	2,75	3,01	2,92

Consumption

Despite the fact that wheat prices soared over the last 2 years, there is no indication that consumption will decrease significantly. A total of 3,489 million tons of wheat were available for local consumption during the 2007/08 marketing season (October to September). This comprised carry-over stocks as at 1 October 2007 amounting to 376 000 tons, domestic production, including the developing sector, of 1,913 million tons, and imports of approximately 1,2 million tons.

The total demand for wheat for the 2007/08 marketing season is estimated at approximately 3,143 million tons, of which 230 000 tons were exported. Carry-out stocks at 30 September 2008 are estimated to be 346 000 tons.

For the 2008/09 marketing season, the total supply of wheat is estimated at 3,691 million tons (the estimated wheat crop of 2,196 million tons, including the developing sector, together with the carry-over stocks of about 346 000 tons and expected imports of 1,150 million tons). The demand for wheat (exports included) is estimated at 3,164 million tons. Carry-out stocks at the end of September 2009 are expected to amount to 527 000 tons.

Imports

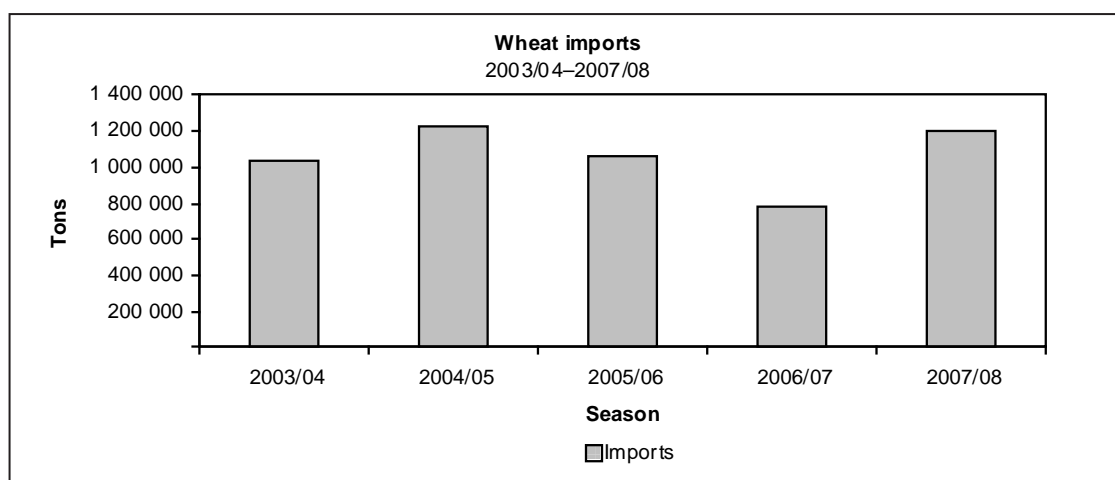
South Africa is a net importer of wheat, meaning that its consumption exceeds the production. During the 2007/08 season, approximately 66 % of the wheat that is needed for domestic consumption was produced locally, while an estimated 1,2 million tons were imported.

Wheat imports from 2003/04 to 2007/08 were as follows:

Season	2003/04	2004/05	2005/06	2006/07	2007/08*
	Tons				
Imports	1 042 000	1 227 000	1 055 000	777 000	1 200 000

* Estimated

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



Prices

The average producer price of wheat rose by 63,2 %, from R1 524,19/ton in 2006/07 to R2 487,12/ton in 2007/08. The increase was mainly the result of the following factors: trade restrictions that were imposed by major grain exporting countries, such as Argentina; the increased demand for animal proteins that, in turn, require grains as inputs for the production of more meat; and increasing energy and fuel costs, making transport of grains more expensive and increasing other input costs, especially those of fertilisers.

The average producer prices of wheat (grade 1) from 2003/04 to 2007/08 were as follows:

Season	2003/04	2004/05	2005/06	2006/07	2007/08
	R/ton				
Producer price	1 428,14	1 091,43	1 033,99	1 524,19	2 487,12

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 grains industry. Since 1998, statutory levies on sales of winter cereals have been used to finance the Winter Grains Trust.

World wheat situation

According to the September 2008 report of the United States Foreign Agricultural Services, world wheat production in 2008/09 (July to June) is forecast at 676,3 million tons, which is 10,7 % or 65,4 million tons more than the 610,9 million tons produced during 2007/08. China contributed 17 % (114,0 million tons), India 12 % (78,4 million tons) and the United States 10 % (67,0 million tons) to world production. The balance of 61 % is made up by *inter alia* the Russian Federation, France, Pakistan, Germany and Canada.

Global consumption is expected to be 654,9 million tons—35,4 million tons more than the previous year. Global ending stocks at the end of June 2009 are also expected to increase—to 139,9 million tons, which is 21,4 million tons or 5,4 % higher than the previous year.

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.

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.

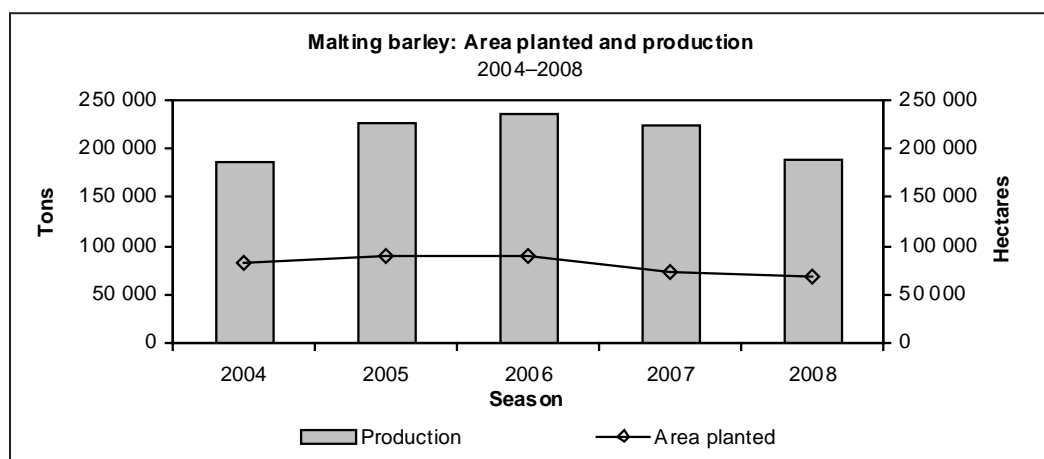
Malting barley

Plantings and production

During the 2008 production season, malting barley was mainly produced in the Western Cape Province (58 % of total production on 81 % of total area planted to barley) and in the Vaalharts and Taung areas of the Northern Cape Province (36 % of total production on 16 % 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 plantings for the 2008 season are estimated at 68 245 ha, which is 7,0 % lower than the plantings of 73 360 ha during 2007. A total estimated crop of 188 799 tons of malting barley is expected for the 2008 season, which is 15,2 % lower than the estimated production of 222 500 tons the previous season.

Plantings, production and yield of malting barley from 2004 to 2008 were as follows:



Season	2004	2005	2006	2007	2008
Plantings (ha)	83 200	90 000	89 780	73 360	68 245
Production (t)	185 000	225 00	236 000	222 500	188 799
Yield (t/ha)	2,22	2,50	2,63	3,03	2,77

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 2007/08 marketing season (October to September) was estimated at 379 527 tons (imports included). Carry-over stocks as at 1 October 2007 amounted to 81 800 tons. Production for the 2007/08 season was 222 500 tons, while 75 227 tons were imported.

For the 2007/08 marketing season, the total demand for malting barley is estimated at 289 300 tons and carry-out stocks at 30 September 2008 were 90 227 tons. This is substantially higher than the required 3-month pipeline stock of 35 000 tons.

For the 2008/09 marketing season, the total supply of malting barley is expected to be 395 400 tons, comprising the expected crop of about 188 800 tons, carry-over stocks of 111 600 tons and expected imports of 95 000 tons. The domestic demand is estimated at 289 100 tons, including 3 700 tons of exports. Carry-out stocks at the end of September 2009 are expected to amount to 84 926 tons, which is more than double the required 3-month pipeline stock of 35 200 tons.

Producer prices and value of crop

The average producer prices of malting barley from 2003 to 2007 were estimated to be as follows:

Season	2003	2004	2005	2006	2007
	R/ton				
Producer price	1 433,00	1 342,30	1 162,85	1 576,42	1 936,05

The average annual gross value of malting barley for the past 5 years amounts to R328 million, compared to the R2 646 million of wheat and R8 633 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 Argentina.

Barley and malt imports from 2003/04 to 2007/08 were as follows:

Season	2003/04	2004/05	2005/06	2006/07	2007/08*
	Tons				
Imports – Barley	69 400	101 287	79 319	50 588	75 227
– Malt	59 454	59 825	83 316	80 953	58 618

Source: *Global Insight*

World barley situation

According to the October 2008 report of the United States Foreign Agricultural Services, world barley trade in 2008/09 (October/September) is forecast at 19,0 million tons, which is 5,0 % higher than the 18,1 million tons of the previous year. Global production of barley is estimated at 153,4 million tons for 2008/09, while global consumption is estimated at 145,0 million tons. Therefore global ending stocks at the end of October 2009 are expected to increase by 8,4 million tons, to 26,0 million tons. The increase in production of barley, and therefore also ending stocks, can mainly be attributed to Russian Federation and European farmers planting 40,6 and 11,4 % more barley, respectively, as against the previous season.

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.

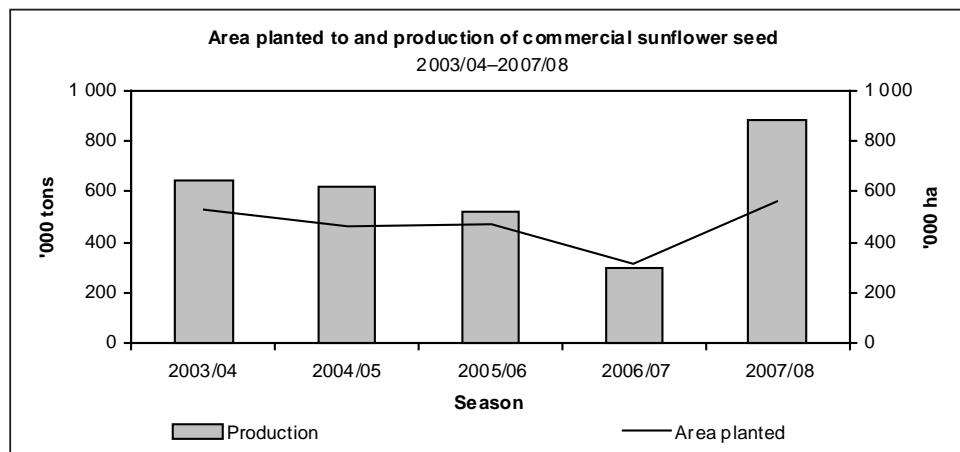
Sunflower seed

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 2007/08 production season, the bulk of the crop was produced in the Free State (53 %) and North West (34 %) provinces. The contribution of sunflower seed to the gross value of field crops during the season is approximately 8,9 %, compared to the 49,8 % of maize, the largest contributor. The average annual estimated gross value of sunflower seed for the past 5 years amounts to R1 508 million, compared to the R10 275 million of maize.

Plantings and production

The yearly plantings of sunflower show remarkable variation, between as low as 316 000 ha to as high as 828 000 ha during the past 2 decades. During the 2007/08 production season, an estimated 564 300 ha were planted to sunflower seed for commercial use, as against an estimated 316 350 ha the previous season. This represents an increase of 78,4 % and is 18,3 % higher than the 5-year average of 477 056 ha up to 2006/07.

Commercial seed production during 2007/08 was approximately 885 560 tons. This is 195,2 % higher than the previous season and 62,2 % higher than the average of 546 122 tons for the previous 5 years. Yields obtained during the season have been described as excellent and were mainly the result of improved production conditions experienced in the summer production areas as compared to the drought conditions of the previous season. Limited cases of sclerotinia fungus contamination were reported as indicated by a survey done by the Department of Agriculture during June/July 2008. The current commercial sunflower seed crop is the largest crop since the 2001/02 production season when 928 790 tons were produced. The average yield for 2007/08 is approximately 1,57 t/ha, which is 65,3 % higher than the 0,95 t/ha during the previous season (and also much higher than the 5-year average of 1,14 t/ha up to 2006/07). Considering the data of the past 20 years, this seasons' yield is the highest reported.



Subsistence agriculture contributed an estimated 35 160 tons (3,8 %) to the total sunflower seed production in South Africa during 2007/08.

According to a report by the Bureau for Food and Agricultural Policy (BFAP) of the University of Pretoria, an increase in plantings of sunflower seed can be expected for the 2008/09 production season, as prevailing record prices provide an incentive to produce more oilseeds. Prices for these commodities have outpaced maize prices.

Commercial plantings, production and yields of sunflower seed from 2003/04 to 2007/08 were as follows:

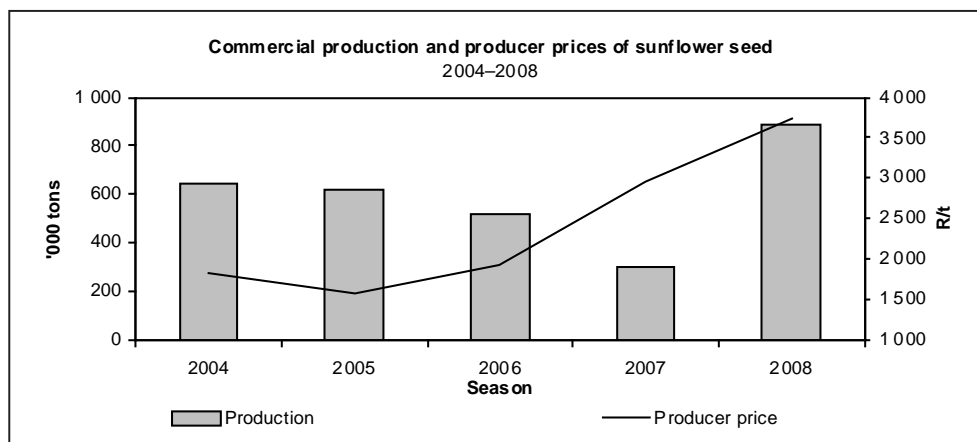
Season	2003/04	2004/05	2005/06	2006/07	2007/08
Plantings (ha)	530 000	460 000	472 480	316 350	564 300
Production (t)	648 000	620 000	520 000	300 000	885 560
Yield (t/ha)	1,22	1,35	1,10	0,95	1,57

Producer prices

The average producer prices of sunflower seed from 2004 to 2008 are as follows:

Season	2003	2004	2005	2006	2007
	R/ton				
Producer price	1 827	1 580	1 935	2 956	3 749

The average producer price increased by 26,8 %, from R2 956/ton during 2007 to R3 749/ton during 2008, reaching an all-time high. The main reason for this is the limited international stock levels at the beginning of the season, which resulted in higher international and local prices.



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 885 560 tons for the 2008 marketing season, together with carry-over stocks of about 95 000 tons on 1 January 2008 and estimated imports of 2 000 tons, leaves the domestic supply of commercial seed at an estimated 982 560 tons for the 2008 season.

In South Africa, sunflower seed is used almost exclusively (an estimated 99 % or 741 000 tons in 2008) for oil and oilcake production. The estimated commercial consumption of seed for the 2008 marketing year is approximately 750 000 tons. Projected exports for the 2008 season are 90 000 tons. South Africa's stock situation has improved since the previous season and it has enough seed available to meet local demand for 2008. Carry-out stocks on 31 December 2008 are expected to be approximately 137 560, which is about 74 % of the required 3-month-pipeline stock of approximately 185 000 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	2004	2005	2006	2007	2008*
	Tons				
Imports	17 500	6 000	2 800	9 200	2 000
Exports	100	100	100	0	90 000

*Projection

International overview

Based on preliminary indications of an increase of 1,3 million ha in the global harvested area, to a record 24,7 million ha, and an improvement of 4 % in the worldwide average yield, to 1,3 t/ha, world production of sunflower seed and products is expected to increase in the 2008/09 season, if weather conditions remain favourable.

After two consecutive years of declining production, world output of sunflower seed is expected to increase by around 3,3 million tons or 11,5%, to 31,5 million tons.

Most of the expansion (1,2 million ha) is expected to occur in the northern hemisphere, primarily in Russia, the Ukraine and the EU-27, while the increase in the average yield is expected to be mainly the result of an increase of 12 % in the EU27 and almost 9 % in the Ukraine.

Marketing, information and research

No statutory 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 (GSA), who promotes the interests of oilseed producers; 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 Oilseeds Trust and performed by the Agricultural Research Council (ARC), the Council for Scientific and Industrial Research (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 hot, dry weather occurs. It is a relatively difficult crop to grow and not all areas are suitable for soya-bean cultivation. The plant thrives in warm, fertile, clayish soil. Soya-beans are mainly cultivated under dryland conditions and grown primarily in Mpumalanga (50 %), the Free State (29 %), and KwaZulu-Natal (11 %). Small plantings are found in the Limpopo, Gauteng and North West provinces.

Soya-beans contribute approximately 3,6 % to the gross value of field crops and the estimated average annual gross value of soya-beans for the past five seasons amounts to R660 million.

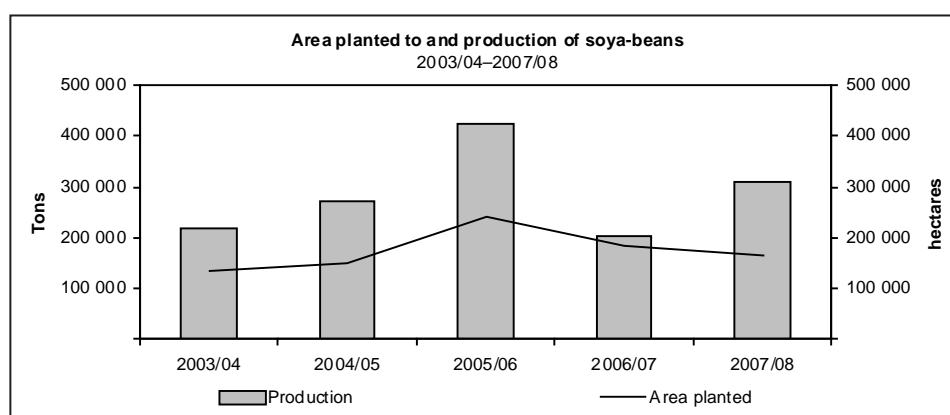
Plantings and production

The plantings of soya-beans varied between 94 000 and 241 000 ha over the past 10 years. During the 2007/08 production season, an estimated 165 400 ha were planted for commercial use, as against an estimated 183 000 ha during the previous season. This represents a decrease of 9,6 %; however, it is slightly higher (2,3 %) than the 5-year average of 161 740 ha up to 2006/07.

The estimated crop of 308 295 tons for 2007/08 represents an increase of 50,4 % compared to the 2006/07 crop of 205 000 tons. It is also 22,5 % higher than the average of 251 604 tons for the five years up to 2006/07. The average yield is 1,86 t/ha, which is 66,1 % higher than the 1,12 t/ha of the previous season. The lower yield for 2006/07 was mainly to the result of a total lack of rainfall, coupled with extremely high temperatures. Growth, pollination and pod fill were affected negatively, which again resulted in significantly lower than normal yields for most of the production areas.

Plantings, production and yields of soya-beans from 2003/04 to 2007/08 were as follows:

Season	2003/04	2004/05	2005/06	2006/07	2007/08
Plantings (ha)	135 000	150 000	240 570	183 000	516 500
Production (t)	220 000	272 500	424 000	205 000	308 295
Yield (t/ha)	1,63	1,82	1,76	1,12	1,86



Producer prices

The average local producer price of soya-beans for 2008 is approximately R4 159/ton, which is 60,9 % higher than the price for 2007. The main influences on soya-bean prices include the level of soya production in South America, the demand for imported soya in China, marine freight rates and the rand/dollar exchange rate. An increase in GM cultivars could also increase yields and assist in stabilising prices.

The average producer prices of soya-beans from 2004 to 2008 are as follows:

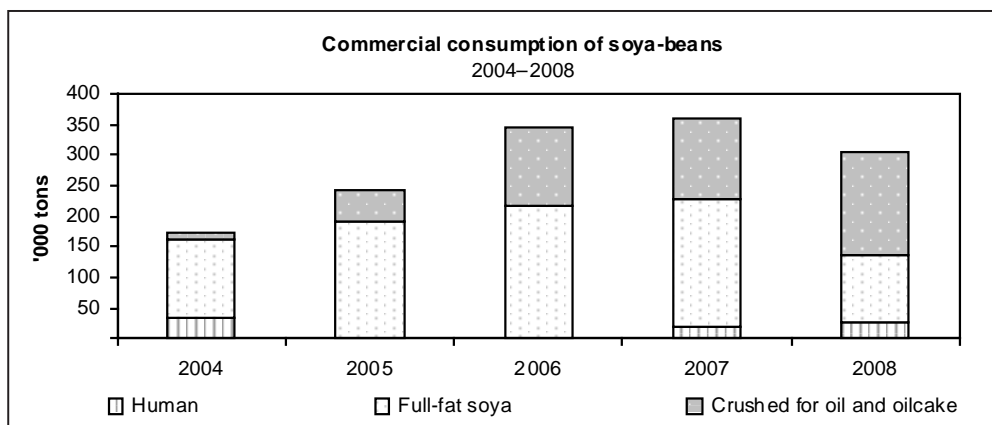
Year	2003	2004	2005	2006	2007
	R/ton				
Producer price	2 135	1 274	1 443	2 585	4 159

Consumption

An estimated total of 434 795 tons of soya-beans are available for utilisation during the 2008 marketing season (January to December). Carry-over stocks on 1 January 2008 amounted to 96 500 tons, and the estimated production is 308 295 tons. The expected imports amount to approximately 30 000 tons.

In South Africa, soya-beans are mainly used for animal feed. The local commercial consumption of soya-beans for 2008 is estimated at 322 000 tons—120 000 tons for feed, 176 000 tons for oil and oilcake and 26 000 tons for human consumption. Onfarm consumption is estimated at 10 000 tons. Small quantities are exported annually. The projected exports during 2008 are 760 tons. Carry-over stocks on 31 December 2008 are expected to be approximately 102 000 tons.

The graph on page 25 illustrates the commercial consumption of soya-beans.



Trade

During 2007, South African imports were mainly from Argentina (88,0 %) and Malawi (7,9 %), whereas the exports were mainly to Mozambique (45,0 %), followed by Zimbabwe (22,1 %) and Zambia (21,7 %).

The imports and exports of soya-beans from 2004 to 2008 are as follows:

Year	2004	2005	2006	2007	2008*
	Tons				
Imports	18 146	14 659	10 434	117 844	33 860
Exports	1 327	119 435	365	147	760

*Projected

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. Towards the end of the 20th century and into the present, soya-beans play an important role in assisting to alleviate world hunger.

According to the World Agricultural Supply and Demand Estimate (WASDE) Report, released in October 2008, world production of soya-beans decreased by 6,7 %, from 236,6 million tons for the 2006/07 marketing season to 220,7 million tons for 2007/08. The United States contributed 33 % (72,8 million tons), Brazil 28 % (61,0 million tons), Argentina 21 % (46,5 million tons) and China 6 % (13,5 million tons) to world production. The balance of 12 % is made up by, *inter alia*, India, Canada, Paraguay and South Africa.

Outlook

A survey conducted at the middle of October 2008, showed that local producers intended to increase soya-bean plantings by 37,5 %, from 165 400 ha planted in the 2007/08 production season to 227 500 ha in 2008/09. Using a 5-year average yield of 1,56 t/ha and the intended planting of 227 500 ha, expected production would be 353 900 tons of soya-beans during the 2008/09 production season.

The WASDE projected the global production of soya-beans for the 2008/09 marketing season at 239,4 million tons—an increase of 7,8 %.

Research and information

Research is performed by the ARC, CSIR and other organisations and financed by income from the Oil and Protein Seeds 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 Province (47,0 %), the North West Province (35,1 %) and the Northern Cape Province (12,9 %). 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.

The contribution of groundnuts to the value of field crops is approximately 1,8 % and the average annual gross value of groundnuts for the 5 years up to 2006/07 amounts to approximately R301 million.

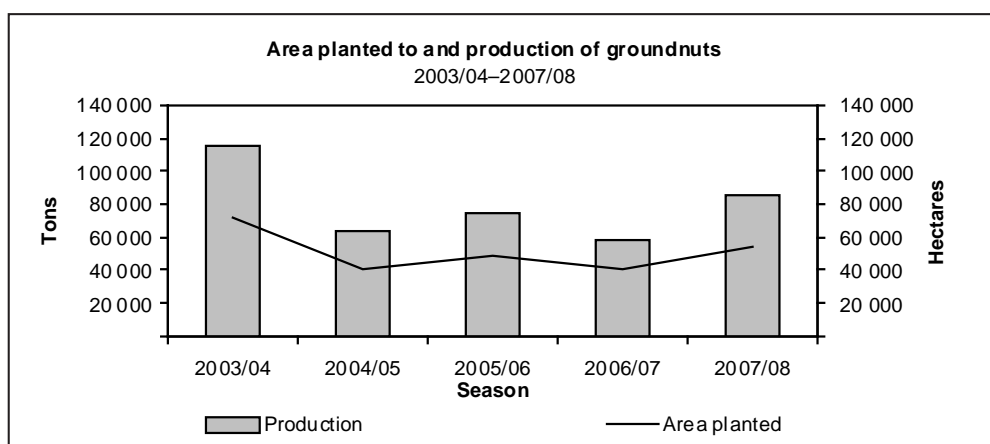
During the 2007/08 production season, an estimated 54 200 ha were planted to groundnuts for commercial use, as against 40 770 ha planted during 2006/07. This represents an increase of 32,9 % and is 8,1 % higher than the average of 50 134 ha planted during the 5 years up to 2006/07.

A combination of increased plantings and favourable production conditions resulted in an estimated commercial crop of 85 360 tons of groundnuts for 2007/08, which represents an increase of 47,2 % compared to the 2006/07 crop of 58 000 tons. It is also 15,0 % higher than the 5-year average of 74 201 tons up to 2006/07. The average yield was 1,57 t/ha, which is 10,6 % more than the 1,42 t/ha of the previous season and 6,1 % more than the 5-year average of 1,48 t/ha.

Plantings, production and the yield of groundnuts from 2003/04 to 2007/08 were as follows:

Season	2003/04	2004/05	2005/06	2006/07	2007/08
Plantings (ha)	71 500	40 000	48 550	40 770	54 200
Production (t)	115 000	64 000	74 000	58 000	85 360
Yield (t/ha)	1,61	1,60	1,52	1,42	1,57

According to a report by Grain South Africa, an estimated 55 435 ha of groundnuts could be planted for the 2008/09 production season, which is 1 235 ha or 2,3 % more than the 2007/08 season's plantings of 54 200 ha.



Producer prices

Groundnuts are traditionally an export commodity and local prices are mainly determined by export parity. The average producer prices of groundnuts from 2003/04 to 2007/08 are indicated in the table on page 27.

Season	2003/04	2004/05	2005/06	2006/07	2007/08
	R/ton				
Producer price	2 870	2 464	2 849	5 868	6 990

The average producer price for groundnuts shows an increase of 19,1 %, from R5 868/ton for 2006/07 to R6 990 in 2007/08, as a result of higher international prices.

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 2008/09 are as follows:

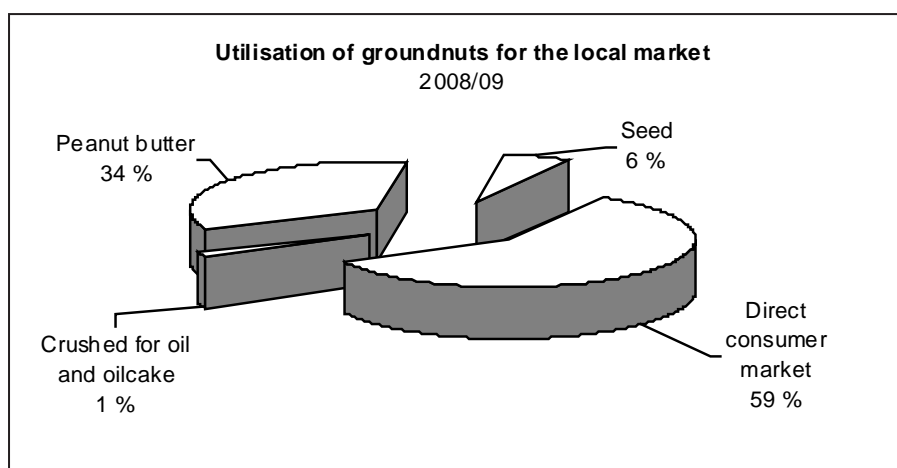
Season	2004/05	2005/06	2006/07	2007/08	2008/09*
	Tons				
Imports	12 300	2 200	21 400	21 400	9 200
Exports	21 100	22 200	17 800	11 300	16 200

*Projections

Consumption

A total of 72 000 tons of groundnuts are available for utilisation during the 2008/09 marketing year. Carry-over stocks on 1 March 2008 amounted to 18 600 tons, while the carry-over stocks at the end of February 2009 are expected to be 36 900 tons. The estimated production is 85 360 tons, which is the highest since the 2004/05 marketing season. Imports are projected at 9 200 tons and an expected exports amount to 16 200 tons.

In South Africa, groundnuts are mainly used for human consumption. It is expected that approximately 800 tons of groundnuts will be used for oil and oilcake during the 2008/09 marketing season, 20 200 tons for peanut butter and 34 700 tons for the edible market.



The *per capita* consumption for the 2008/09 marketing year is estimated at 0,95 kg, which is the same as the previous season.

International overview

The world production of groundnuts increased by 6,1 %, from 23,0 million tons in 2006/07 to 24,4 million tons in 2007/08. The increase can mainly be attributed to an upward revision in India's groundnuts production from 3,7 million tons to 5,0 million tons.

Although the production of groundnuts increased in general, Argentina's production remained the same at 620 000 tons and China's production decreased by 2,3 % compared to the 2006/07 season.

The projected production of groundnuts is expected to be 24,7 million tons in 2008/09, which is 1,3 % higher than 24,4 million tons in 2007/08. The groundnut crop in the USA and China is expected to increase by 27,6 and 1,3 %, respectively. It is expected that 45 % of the groundnuts produced in 2008/09 will be crushed due to the expansion in the demand for food. This will therefore, result in a slight decline in the production and supply of groundnut oil.

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 Seeds Development Trust, and performed by the ARC, CSIR and other organisations.

Canola

Canola is an oilseed crop that was almost exclusively 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.

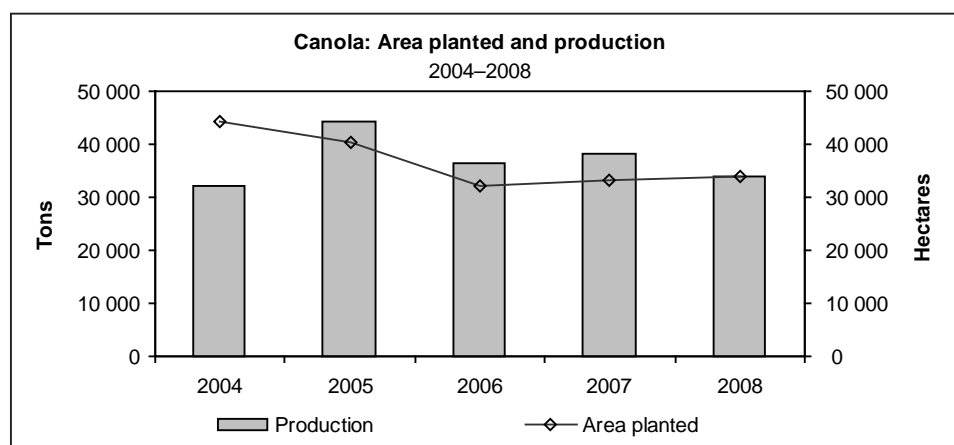
Plantings and production

While the estimated area planted to canola increased by approximately 2,4 %, from 33 200 ha in 2007 to 34 000 ha in 2008, production is expected to decrease by 10,9 %, from 38 150 tons to 34 000 tons.

Estimated plantings, production and yield of canola from 2004 to 2008 were as follows:

Season	2004	2005	2006	2007	2008
Plantings (ha)	44 250	40 200	32 000	33 200	34 000
Production (t)	32 000	44 200	36 500	38 150	34 000
Yield (t/ha)	0,72	1,10	1,14	1,15	1,00

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 the deep taproot system of canola, which acts as a “biologi-

cal 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 returns a considerable quantity of nutrients and organic material to 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 49 050 tons of canola were available for local consumption during the 2007/08 marketing season (October to September). This comprised carry-over stocks as at 1 October 2007 amounting to 10 900 tons and domestic production of 38 150 tons. No canola was imported or exported. The total demand for canola for the 2007/08 marketing season was approximately 39 300 tons.

For the 2008/09 marketing season, the total supply of canola is estimated at 43 750 tons (the estimated canola crop of 34 000 tons, together with carry-over stocks of 9 750 tons). The domestic demand for canola is estimated at 40 800 tons and therefore carry-out stocks at the end of September 2009 are expected to come to 2 950 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.

The average producer prices of canola from 2003/04 to 2007/08 were as follows:

Season	2003/04	2004/05	2005/06	2006/07	2007/08
	R/ton				
Producer price	1 754,50	1 745,38	2 250,00	3 500,00	3 900,00

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

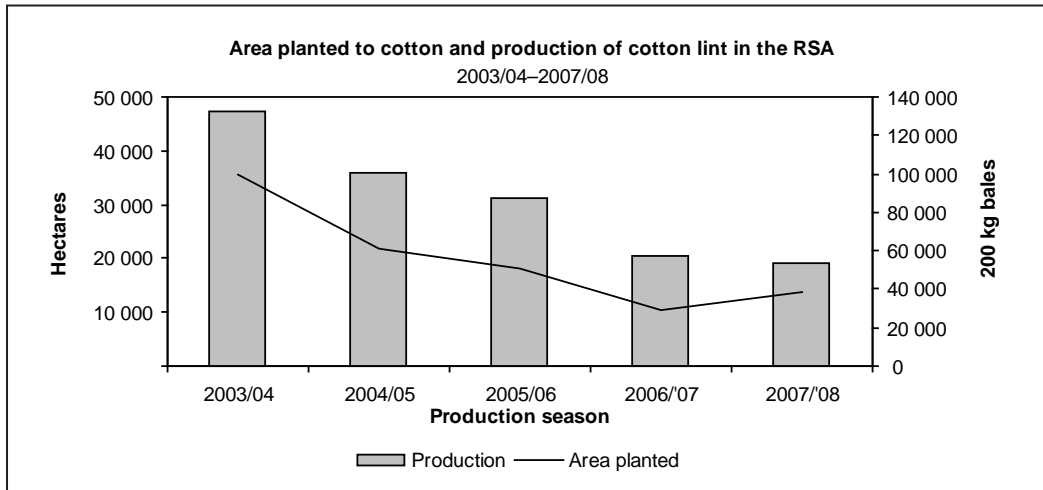
In South Africa, cotton is grown in the warm regions of the Limpopo, Mpumalanga, Northern Cape, North West and KwaZulu-Natal provinces where minimum night temperatures are at least 15 °C.

Cotton is planted mainly 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.

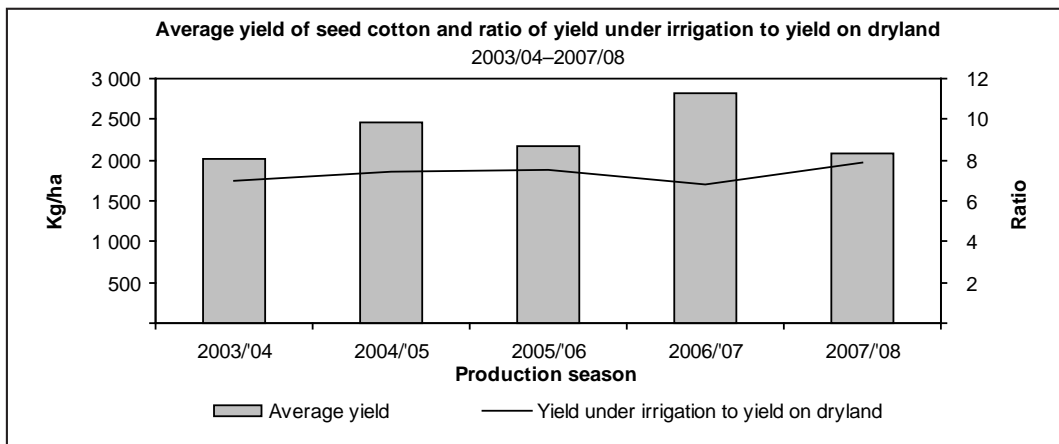
Area planted and production

The total area planted to cotton in South Africa for the 2007/08 production season is estimated at 13 646 ha, which is an increase of 29,3 % compared to the 10 563 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, 10 563 ha, were estimated for the 2006/07 production season.



Source: Cotton SA

An estimated 72,9 % of the total area planted to cotton during the 2007/08 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 498 kg/ha (seed cotton on dryland) during the 2007/08 season was 7,9 % lower than the yield of 541 kg realised during 2006/07.



The domestic production for the 2007/08 season is estimated at 52 230 bales of 200 kg cotton lint, which is a drop of 4 % compared to 54 149 (200 kg) bales produced in 2006/07. 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, 18 % of production came from these farmers.

Areas planted to cotton and the production of cotton lint for the 2003/04 to 2007/08 production seasons by the RSA and Swaziland are compared in the following tables.

RSA					
Production season	2003/04	2004/05	2005/06	2006/07	2007/08*
Total RSA plantings (ha)	35 719	21 763	18 763	10 563	13 011
Dryland (ha)	17 450	8 866	8 394	2 863	6 692
Irrigation (ha)	18 269	12 897	9 720	7 700	6 319
Production of cotton lint (200 kg bales) from RSA-grown cotton	128 990	101 570	86 328	54 149	52 230

Swaziland					
Production season	2003/04	2004/05	2005/06	2006/07	2007/08*
Total Swaziland plantings (ha)	6 500	5 000	888	4 000	1 500
Dryland (ha)	6 500	5 000	888	4 000	4 000
Irrigation (ha)	0	0	0	0	0
Production of cotton lint (200 kg bales) from RSA-grown cotton	5 565	5 460	945	1 435	1 050

* Estimates (August 2008)

Source: *Cotton SA*

Prices

The average producer price for seed cotton (lint and seed derived from the ball of the cotton plant before it is ginned) for the 2006/07 marketing season (April to March) was 227 c/kg, while the price for 2007/08 is estimated at 347 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 32,3 % to about \$0,82/kg during the 2008/09 season, from an average of \$0, 62/kg in 2007/08. World production is forecast to decline by 6 %, for the 2008/09 season, despite the significant increase in cotton prices in 2007/08. The production is expected to decline significantly in China, Brazil, Turkey and Egypt, while Australia, India and Pakistan are expected to experience an increase in production.

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

Marketing year	2003/04	2004/05	2005/06	2006/07	2007/08*
	c/kg				
Seed cotton	369	318	227	227	347
Cotton lint	1 102	1 109	737	623	924

*Estimates

Consumption

Consumption of cotton lint by RSA spinners (including Swaziland) for the 2008/09 marketing year is estimated at 230 000 bales of 200 kg, compared to the 233 985 bales of the 2007/08 year.

During the 2007/08 marketing year, about 90 % 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 2007/08 season were 6 583 tons, with an expected 6 000 tons for 2008/09.

Consumption of cotton lint by South African and Swaziland spinners is indicated in the table on page 32.

Marketing year	2003/04	2004/05	2005/06	2006/07	2007/08
	200 kg bales				
Consumption	309 645	296 120	240 930	232 575	233 985

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

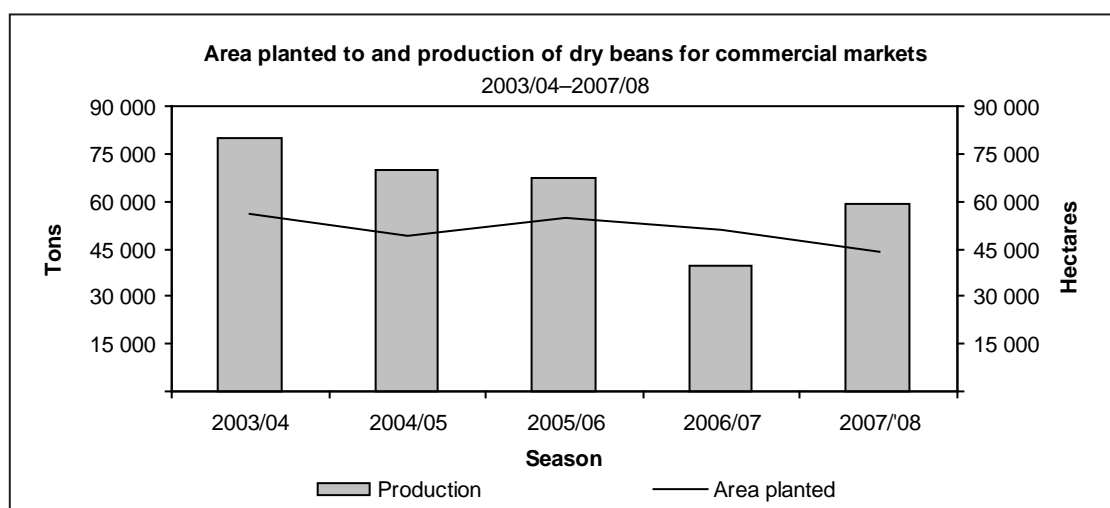
After the Cotton Board was dissolved in 1998, a Section 21 company, namely Cotton SA, was formed by stakeholders in the cotton industry. A statutory levy, which was introduced from April 2004 in terms of the Marketing of Agricultural Products Act, 1996, is applicable (currently 20 c/kg cotton lint produced) 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 2007/08 season, an estimated 43 800 ha were planted to dry beans for commercial markets—a decrease of 13,7 % compared to the 50 725 ha planted in 2006/07. However, the expected commercial crop of 58 975 tons for 2007/08 will be 49 % higher than the previous crop of 39 545 tons. The average yield for the 2007/08 crop is approximately 1,3 t/ha—an increase of 63 % from the previous season. This is mainly the result of the good rains that occurred just before planting and favourable temperatures during the growing period.



The Mpumalanga and Free State provinces are estimated to have produced 61,8 % of the 2007/08 commercial crop. The remaining 38,2 % was produced in the other provinces, excluding the Eastern Cape.

Production per province and their share in the 2007/08 crop are indicated in the first table on page 34.

Province	Production (t)	Share in crop (%)
Mpumalanga	15 000	25,4
Free State	21 450	36,4
Gauteng	5 075	8,6
North West	3 850	6,5
KwaZulu-Natal	5 950	10,2
Limpopo	6 800	11,5
Western Cape	250	0,4
Eastern Cape	0	0
Northern Cape	600	1,0
Total	58 975	100,0

The estimated gross value of dry beans for the 2007/08 season amounts to R429 million and is 64,3 % more than the previous season.

Production per type during 2007/08 is estimated to be as follows: 31 201 tons (78,9 %) Red Speckled, 6 683 tons (16,9 %) Small White Canning, 1 107 tons (2,8 %) Large White Kidney and 554 tons (1,4 %) other dry beans, mainly Cariocas.

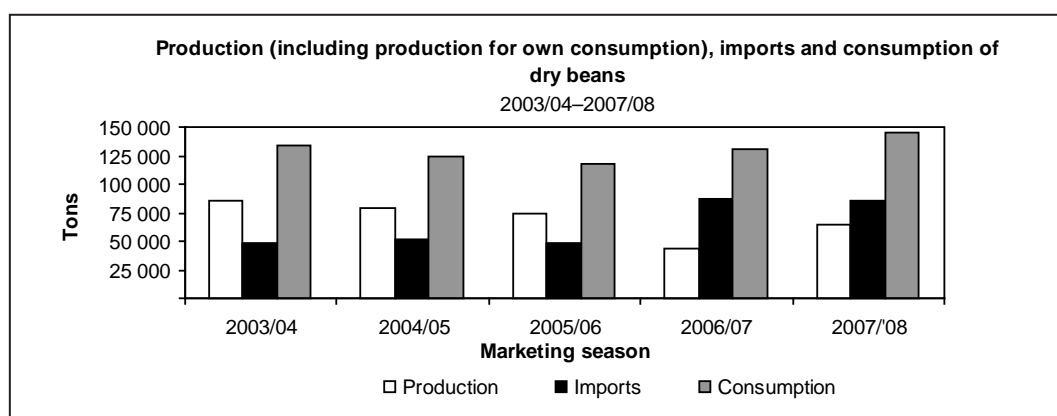
The most extensive seed production takes place in the Lowveld area of the Mpumalanga Province, followed by the Limpopo and Northern Cape provinces. In an attempt to improve profitability for producers and to meet the increase in protein demand, cultivars have been developed, by the Dry Bean Producers' 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, have greater resistance to diseases and can be grown successfully in different areas. Excluding the 2007/08 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 145 000 tons of dry beans were consumed locally during the 2007/08 marketing season (March to February), which represents an increase of 11,5 % compared to 2006/07. The estimated per capita consumption for 2007/08 is 2,8 kg, which is 7,8 % higher than the 2006/07 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 2003/04 to 2007/08 are as follows:



Marketing season	2003/04	2004/05	2005/06	2006/07	2007/08
	Tons				
Production (including developing agriculture)	85 925	75 643	74 052	43 500	64 873
Imports	50 312	53 073	48 000	87 000	85 000
Consumption	134 000	124 000	117 676	130 000	145 000

Producer prices

The average prices received by producers for dry beans from 2003/04 to 2007/08 are as follows:

Production season	2003/04	2004/05	2005/06	2006/07	2007/08
	R/ton				
Producer price	3 500	3 100	4 400	6 008	6 611

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 lesser 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 useful for the certification of dry bean seed.

Sugar

Sugar cane is a ratoon crop, which means that, after cropping, new shoots emerge 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

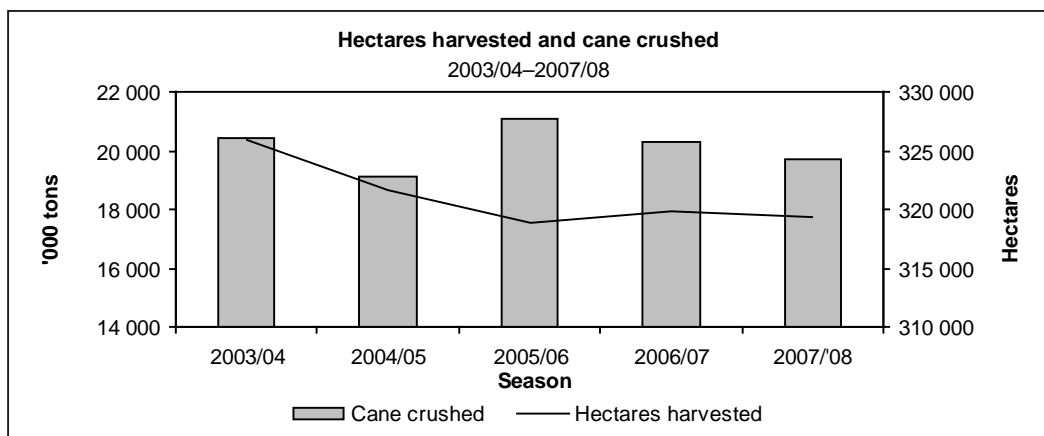
The sugar-cane-growing industry in South Africa is administered by the South African Cane Growers' Association, established in 1927. The industry is regulated in terms of the Sugar Act and the Sugar Industry Agreement, which are binding on all sugar-cane growers and producers of sugar products.

There are currently approximately 42 300 registered cane growers who, on average, produce 22 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 82,6 % of the total sugar-cane production, while 8,1 and 9,3 % 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 2,3 million tons of sugar per season.

Production and price of sugar cane

The production of sugar cane decreased by 2,9 % to 19,7 million tons between the 2006/07 and 2007/08 seasons, while production for the 2008/09 season is expected to be 4,5 % higher than in 2007/08.



The average for cane production over the past decade (1998/99–2007/08) is 21,3 million tons per annum, with the yield of harvested cane averaging 61,9 t/ha over the same period. The yield stands at 64,8 t/ha for the 2007/08 season. The area harvested rose by 4,5 %, from 305 600 ha in 2006/07 to 319 359 ha in 2007/08.

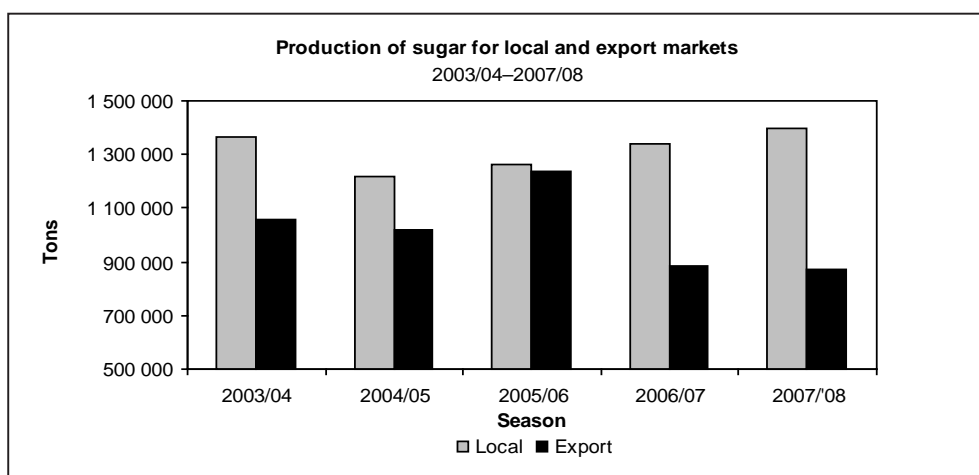
The producer price of sugar cane increased by 5,0 % between 2006/07 and 2007/08. The average price over the 5-year period indicated below is R181,96 per ton.

The average producer prices of sugar cane from 2003/04 to 2007/08 were as follows:

Year	2003/04	2004/05	2005/06	2006/07	2007/08
	R/ton				
Producer price	169,08	159,55	173,59	198,78	208,81

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 2007/08, production is estimated at 2,27 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 8,64 tons for the 2007/08 season. A total of 873 842 tons of sugar were produced for the international market during the 2007/08 season, which is a 1,4 % decline from 2006/07, while 1,4 million tons were produced for the national market—an increase of 4,4 %.



The total supply of 1,363 million tons of sugar to the Southern African Customs Union (SACU) during 2007/08 represents an increase of 1,2 % compared to the supply of 1,346 million tons in 2006/07.

The local production and sales of sugar to SACU from 2003/04 to 2007/08 are depicted in the table on page 36.

Year	2003/04	2004/05	2005/06	2006/07	2007/08
	'000 tons				
Production	2 419	2 234	2 501	2 227	2 273
SACU sales	1 102	1 267	1 328	1 346	1 363

Marketing

Approximately 40 % 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 during 2007/08 is estimated at approximately R7,5 billion, including foreign income estimated at R2,3 billion.

Land reform

Inkezo, a 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 aligned closely 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 2007 season is estimated at 73 138 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 2007/08 is estimated at 1 643 081 tons, which is approximately 3,3 % higher than in 2006/07.

The production per fruit type over the past five seasons is indicated in the first table on page 37.

Fruit type	2003/04	2004/05	2005/06	2006/07	2007/08
	Tons				
Apples	821 187	699 350	623 573	708 952	746 979
Pears	324 194	310 702	316 519	337 139	333 455
Table grapes	291 550	256 933	290 861	284 835	269 843
Peaches and nectarines	172 875	177 748	168 193	168 852	174 622
Apricots	88 328	37 208	76 166	36 443	55 608
Plums	59 866	55 221	39 337	54 445	62 574
Total	1 758 000	1 537 162	1 514 649	1 590 666	1 643 081

The production of deciduous fruit increased by 3,3 %, from 1,591 million tons in 2006/07 to 1,643 million tons in 2007/08. Apricots showed the biggest percentage increase, i.e. 52,6 %, followed by plums with 14,9 %, apples with 5,4 % and peaches and nectarines with 3,4 %. The production of table grapes dropped by 5,3 % and that of pears by 2,4 %.

Marketing

During 2007/08, deciduous fruit contributed approximately 23,2 % to the gross value of horticultural products. Approximately 328 371 tons of deciduous fruit were sold locally on the major fresh produce markets, other markets and directly to retailers, which represents a decrease of 12,4 % compared to the 374 784 tons sold during the 2006/07 season.

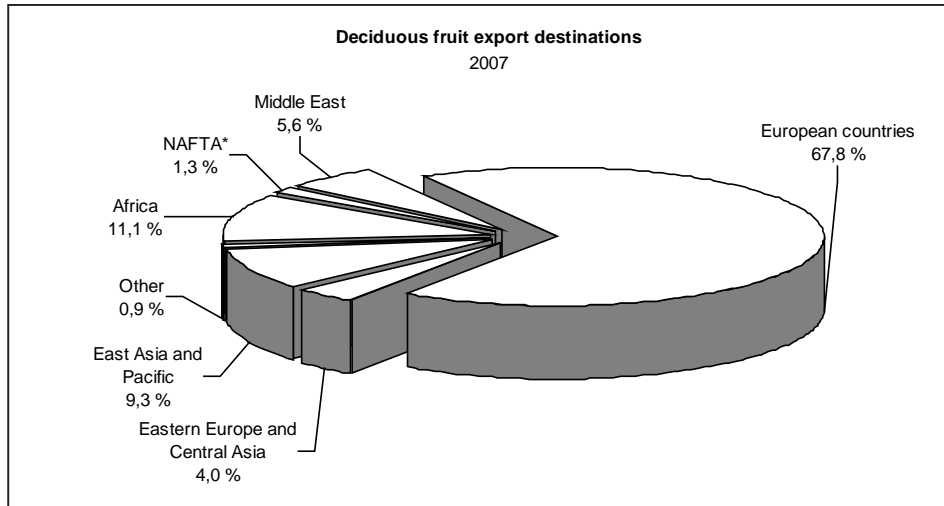
The average prices realised for deciduous fruit on the major fresh produce markets during the period 2003/04 to 2007/08 are as follows:

Fruit type	2003/04	2004/05	2005/06	2006/07	2007/08
	R/ton				
Apples	2 481	2 721	3 035	3 293	4 243
Pears	2 302	2 457	2 656	3 078	3 716
Table grapes	3 982	4 146	4 605	5 117	5 747
Peaches and nectarines	4 774	4 467	5 939	5 491	6 154
Apricots	3 230	3 662	3 609	4 496	4 668
Plums	2 622	2 655	3 723	3 548	3 642

The price of apples showed the biggest percentage increase of 28,8 %, followed by pears with 20,7 %, table grapes with 12,3 % and peaches and nectarines with 12,1 %. The prices of apricots and plums rose by 3,8 and 2,6 %, respectively.

The exporting of deciduous fruit is a major earner of foreign exchange for South Africa. During the 2007/08 season (October to September), about 47,4 % of deciduous fruit was exported and approximately 77,8 % of the gross value from deciduous fruit came from foreign exchange export earnings. Total exports amounted to 778 343 tons. This represents an increase of 4,4 % compared to 745 543 tons exported during 2006/07.

The first graph on page 38 indicates deciduous fruit export destinations during 2007.

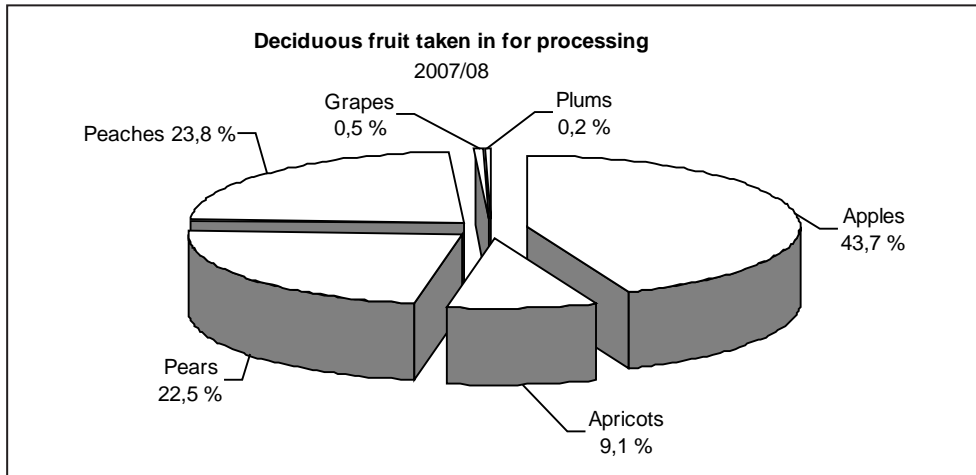


* Northern American Free Trade Agreement (United States, Canada and Mexico)

Intake of deciduous fruit for processing

During 2007/08, about 32,6 % of deciduous fruit produced was taken in for processing—an increase of 14,0 % compared to 2006/07.

The following graph indicates deciduous fruit taken in for processing during 2007/08:



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 2007/08, approximately 97,3 % of apples taken in for processing was used for juice and 2,7 % for canning, while 55,8 % of pears was used for juice and 44,2 % was canned. Producers received an average of R1 354 and R1 048 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 217 and R681 per ton, respectively.

Domestic consumption

The following table indicates local *per capita* consumption and total consumption of deciduous fruit over the past 5 years:

Season	2003/04	2004/05	2005/06	2006/07	2007/08
<i>Per capita</i> consumption (kg/year)	20,42	17,82	15,50	14,49	16,28
Total consumption ('000 tons)	951	836	734	693	793

Prospects

The 2007/08 season can therefore be considered as a successful one. There were, however, losses encountered as a result of logistical problems with exports to the UK and Europe just before Christmas 2007. This caused congestion during arrival of fruit, which resulted in a short-term oversupply and price decreases. The marketing season October 2007 to September 2008 was characterised by a relatively stable rand.

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

Production

In 2008, production of dried vine fruit decreased by 3,6 %, from 44 032 tons in 2007 to 42 440 tons, and that of dried tree fruit by 2,0 %, from 5 099 tons in 2007 to 4 997 tons.

Because of more favourable weather conditions experienced during the 2008 production season, a shift occurred in production from Thompson seedless raisins to unbleached sultanas. The production of Thompson's seedless raisins dropped by 21,2 %, from 24 270 tons in 2007 to 19 121 tons in 2008, while the production of unbleached sultanas almost doubled, from 4 435 tons to 8 790 tons. Furthermore, the substantially better prices received for early seedless table grapes on the export market also caused growers to market potential raisin grapes as table grapes.

The production of dried tree fruit decreased mainly because of frost and hail damage to the 2008 apricot crop in the relevant production area, resulting in a decrease in production of dried apricots of 15,4 %, from 1 356 tons in 2007 to 1 143 tons in 2008.

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

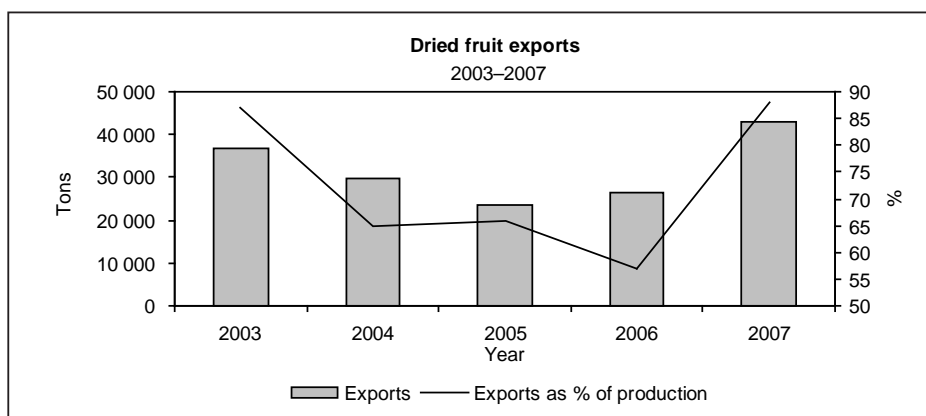
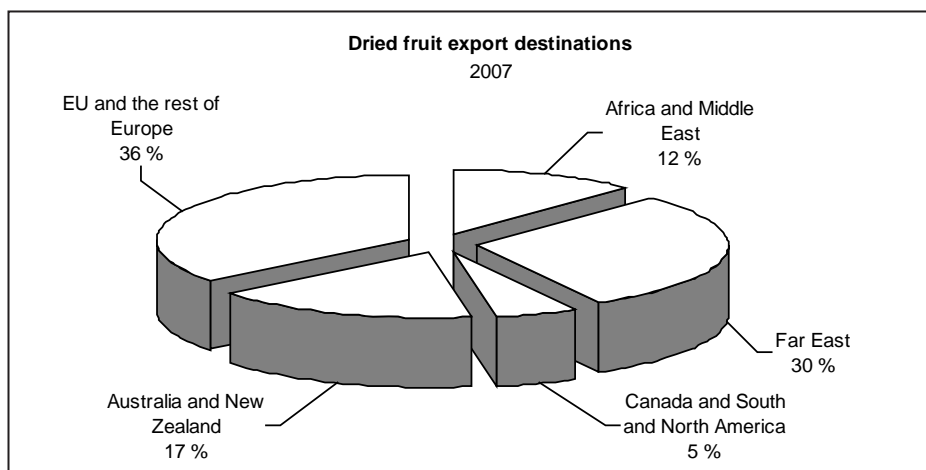
Fruit type	2004	2005	2006	2007	2008*
	Tons				
Sultana type					
Unbleached	5 716	1 980	3 128	4 435	8 790
Golden	7 557	8 285	8 800	13 054	12 210
Thompson seedless raisins	24 814	18 219	27 161	24 270	19 121
Currants	1 300	1 851	2 080	2 200	2 239
Raisins	129	81	60	73	80
Total vine fruit	39 516	30 416	41 229	44 032	42 440
Prunes	2 484	2 600	1 100	1 000	1 089
Apricots	1 728	1 296	1 520	1 351	1 143
Apples	86	91	25	122	172
Peaches	959	1 208	1 307	1 490	1 442
Pears	543	680	938	1 074	1 086
Nectarines	0	0	0	62	65
Total tree fruit	5 800	5 875	4 890	5 099	4 997
Grand total	45 316	36 291	46 119	49 131	47 437

* 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 2007 and exports from 2003 to 2007, respectively:



Viticulture

South Africa is the ninth-largest wine producer, contributing 3 % to the world's wine production. The area under vines is estimated at 101 957 ha. The wine industry is labour intensive and employs approximately 257 000 people directly and indirectly. The number of primary wine producers in South Africa is estimated at 3 999. Wine is produced mainly in the Western Cape Province and along parts of the Orange River in the Northern Cape Province.

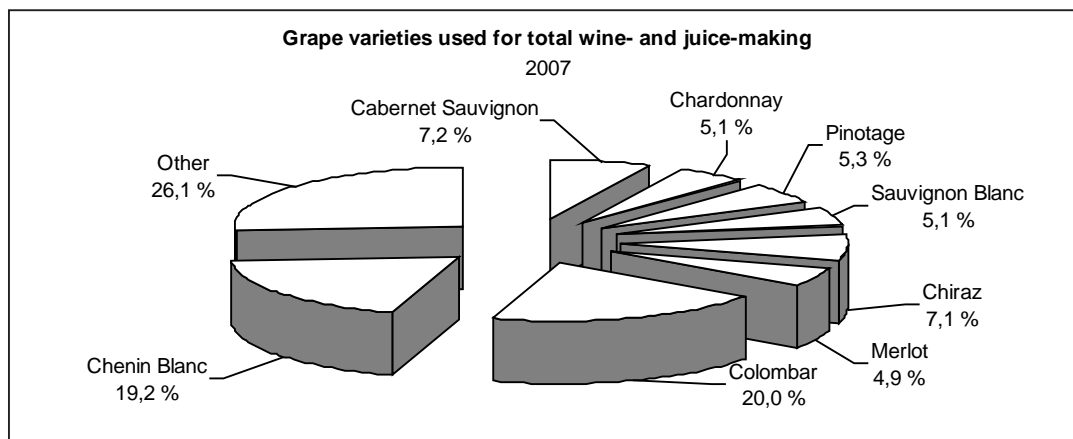
Production

Wine production, including rebate and distilling wine, juice and concentrate for non-alcoholic beverages, from 2003 to 2007 was as follows:

Year	2003	2004	2005	2006	2007
	Gross million litres				
Wine production	956	1 015	905	1 012	1 043

During 2007, the production of wine increased by 3,1 %. Approximately 34 % of the wine grape production was used for the production of red and 66 % for the production of white wine, juice and concentrate.

The use of different varieties of grapes during 2007 is depicted in the following graph:



Prices

Producer prices of wine from 2003 to 2007 were as follows:

Year	2003	2004	2005	2006	2007
	c/I @ 10 % A/V				
Average price of:					
Good wine	378,1	354,2	338,4	338,4	345,5
Rebate wine	186,6	198,2	206,8	210,1	216,4
Distilling wine	103,1	94,6	97,4	92,7	95,0

Income of producers

The production of wine grapes and income of producers from 2003 to 2007 were as follows:

Year	2003	2004	2005	2006	2007
Wine grape production ('000 tons)	1 234	1 312	1 171	1 302	1 351
Income of producers (R million)	2 576	2 811	2 625	2 636	2 907

The producers' income increased by 10,3 % during 2007.

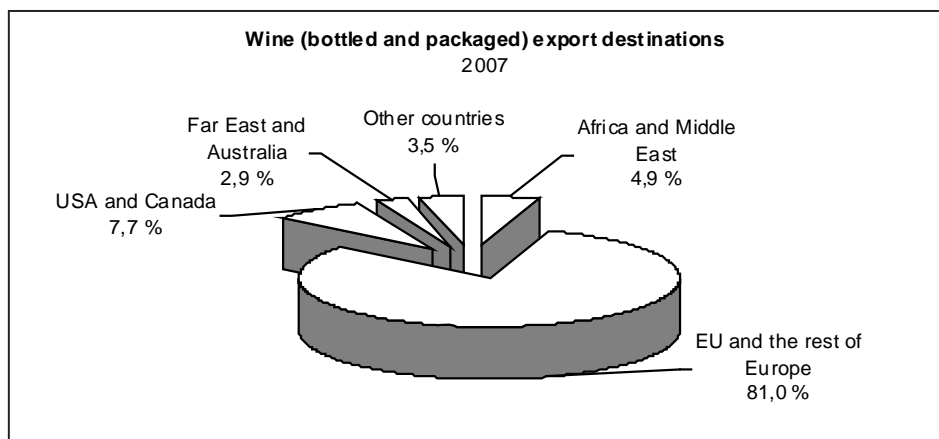
Exports

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

Year	2003	2004	2005	2006	2007
	'000 litres				
Natural wine	237 212	265 762	279 871	269 123	309 451
Fortified wine	531	413	407	487	406
Sparkling wine	1 630	1 553	1 537	2 018	2 779
Total	238 465	267 728	281 061	271 628	312 636

During 2007, 42,8 % of the total wine produced, was exported, compared to 38,3 % during 2006.

The graph on page 42 depicts wine export destinations during 2007.



Consumption

The *per capita* consumption of wine on the domestic market from 2003 to 2007 was as follows:

Year	2003	2004	2005	2006	2007
	<i>l per capita</i>				
Natural wine	7,00	6,73	6,43	6,36	6,52
Fortified wine	0,75	0,75	0,76	0,73	0,71
Sparkling wine	0,17	0,17	0,18	0,20	0,20
Total	7,92	7,65	7,37	7,29	7,43

Prospects

It is expected that the 2008 wine production, including rebate and distilling wine, juice and concentrate for non-alcoholic beverages, will be around 1 093 million litres. This represents a 4,8 % increase on the 2007 production. Domestic demand for natural wine is expected to increase at an average of approximately 1 % per annum until 2010.

Subtropical fruit

In terms of the value of production, the subtropical fruit industry earned R1 853 million in 2007/08—an increase of 13,1 % on the 2006/07 figure of R1 638 million.

Production and production areas

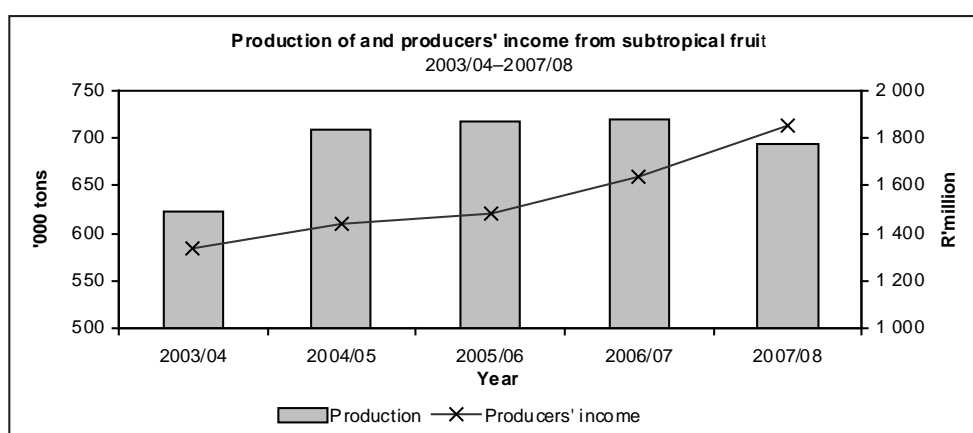
The cultivation of some types of subtropical fruit is only possible in certain specific areas of the country because of particular climatic requirements. In general, subtropical fruit types need warmer conditions and are sensitive to large temperature fluctuations and to frost. The main production areas 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 pineapples, avocados, bananas, mangoes and litchis during 2007/08 are estimated at approximately 13 581, 12 000, 11 568, 7 500 and 3 350 ha, respectively.

Production of subtropical fruit from 2003/04 to 2007/08 is indicated in the table on page 43.

Fruit type	2003/04	2004/05	2005/06	2006/07	2007/08
	'000 tons				
Avocados	57,1	82,1	75,5	72,3	71,6
Bananas	277,0	316,3	365,1	357,2	337,6
Pineapples	160,8	166,5	166,1	160,1	145,1
Mangoes	80,0	93,4	63,9	88,1	88,0
Papayas	12,6	16,9	14,5	14,2	17,3
Granadillas	1,8	1,5	1,2	0,7	0,6
Litchis	9,9	4,2	4,5	5,8	5,7
Guavas	24,1	28,3	28,5	27,0	27,6

The total production of subtropical fruit decreased by 3,6 %, from 719 330 tons in 2006/07 to 693 487 tons in 2007/08. The production of granadillas, pineapples, bananas, litchis and avocados dropped by 14,3, 9,4, 5,5, 1,7 and 0,9 %, respectively, while the production of papayas mangoes and guavas rose by 21,8, 7,2 and 2,2 %, respectively. Bananas, pineapples and mangoes contributed 48,6, 20,9 and 12,7 %, respectively, to the total production of subtropical fruit during 2007/08.



Domestic sales

During 2007/08, the largest contributors to sales of subtropical fruit on the major fresh produce markets were bananas (71,9 %), pineapples (8,4 %), mangoes (6,7 %), avocados (6,5 %) and papayas (4,6 %). The quantities of all subtropical fruit types sold on the major fresh produce markets decreased during 2007/08, except for papayas and litchis.

Total quantities of subtropical fruit sold on the major fresh produce markets (year ending 30 June) are indicated in the following table:

Fruit type	2003/04	2004/05	2005/06	2006/07	2007/08
	Tons				
Avocados	17 014	21 428	20 318	21 545	18 264
Bananas	165 411	188 904	218 452	213 904	202 255
Pineapples	20 582	26 212	25 733	24 046	23 749
Mangoes	16 988	18 276	16 169	21 822	18 826
Papayas	8 745	11 904	10 785	10 064	12 936
Granadillas	1 257	1 263	967	528	444
Litchis	2 761	1 433	1 706	2 382	2 537
Guavas	2 607	3 006	2 242	2 804	2 467
Total	235 365	272 426	296 372	297 095	281 478

Intake for processing

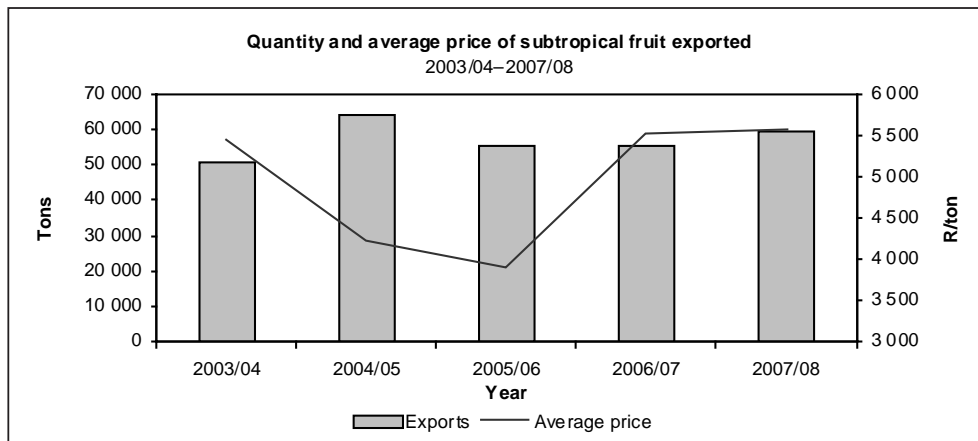
During 2007/08 (July to June), pineapples accounted for approximately 56,6 % of the total intake of subtropical fruit for processing. The other two main contributors to the processing industry were mangoes and

guavas. While the quantities of all the other subtropical fruit types taken in for processing decreased (some significantly) during 2007/08, the intake of mangoes and guavas increased.

Fruit type	2003/04	2004/05	2005/06	2006/07	2007/08
	Tons				
Avocados	4 793	7 651	6 491	4 786	4 054
Bananas	1 349	1 417	1 032	684	531
Pineapples	133 973	133 373	133 574	128 727	115 327
Mangoes	51 460	64 001	40 236	51 086	58 791
Papayas	1 128	1 228	233	928	238
Granadillas	173	189	187	175	120
Litchis	839	571	571	350	240
Guavas	21 043	24 718	25 883	23 681	24 565
Total	214 758	233 148	208 207	210 417	203 866

Exports

From 2006/07 to 2007/08, total exports of subtropical fruit increased by 8,1 % to 59 516 tons and the average export price increased by 1,1 %.



The main subtropical fruit type exported is avocados. During 2007/08, exports of avocados contributed 77,9 % to the total value of exports of subtropical fruit. Other types that were exported are 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 decrease slightly during the 2008/09 production season.

Citrus fruit

Production areas

Citrus fruit is grown in the Limpopo, Western Cape, Mpumalanga, Eastern Cape and KwaZulu-Natal provinces in areas where subtropical conditions (warm to hot summers and mild winters) prevail. The area under citrus for 2008 is estimated at 56 600 ha.

Production

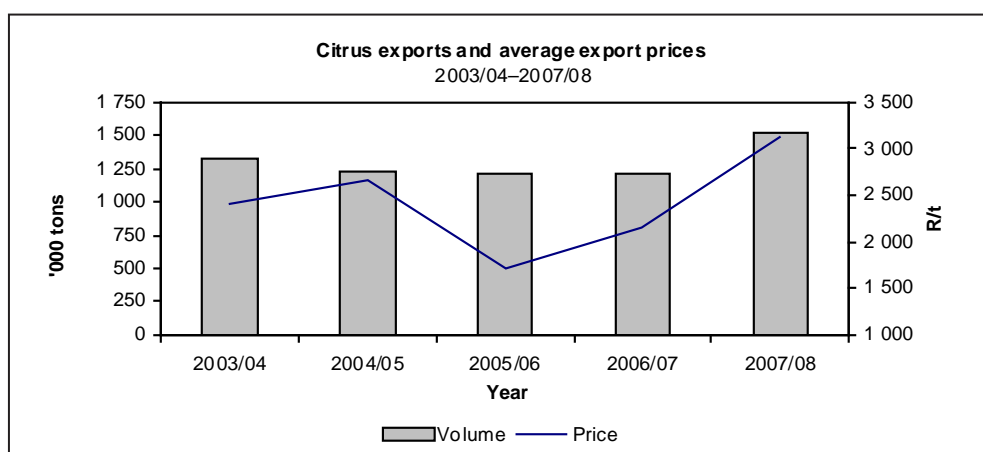
Oranges contribute about 62 % to the total production of citrus fruit in South Africa. Citrus fruit production increased by 7,5 %, or an average of 1,8 % per annum, from 2003/04 to 2007/08.

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

Fruit type	2003/04	2004/05	2005/06	2006/07	2007/08
	Tons				
Oranges	1 325 217	1 126 492	1 244 793	1 349 440	1 412 009
Grapefruit	323 346	300 060	363 068	354 119	389 016
Lemons	191 226	213 120	183 898	214 060	195 038
Naartjes	115 048	113 701	137 121	133 620	141 164
Soft citrus	166 189	205 292	138 716	126 746	143 288
Total	2 121 026	1 958 665	2 067 596	2 177 985	2 280 515

Exports

The citrus industry in South Africa is primarily export orientated, with very small quantities being imported. South Africa is one of the major citrus fruit exporting countries in the world. The Netherlands is its largest trading partner, particularly of soft citrus. Exports increased from 1 332 000 tons during 2003/04 to 1 521 000 tons during 2007/08—an increase of 14,2 %, or an average of 3,4 % per annum. During 2007/08, about 933 913 tons of oranges, almost 41,0 % of the citrus crop, were exported.



Domestic sales

Citrus fruit sales on the major fresh produce markets in South Africa decreased by 14,2 %, from 188 738 tons during 2006/07 to 161 883 tons during 2007/08, and comprised about 7,1 % of total citrus fruit production. Approximately 9,7 % of the naartje production, 8,7 % of the production of oranges and 6,5 % of the production of soft peelers were sold on these markets.

The average prices realised on the major fresh produce markets during the period 2003/04 to 2007/08, are as follows:

Fruit type	2003/04	2004/05	2005/06	2006/07	2007/08
	R/ton				
Oranges	1 056	1 084	1 112	1 026	1 286
Grapefruit	1 518	1 444	1 489	1 499	1 512
Lemons	1 776	1 453	1 723	1 864	2 528
Naartjes	2 096	2 166	1 510	2 571	3 172
Soft citrus	1 705	1 811	1 288	2 133	2 539

Processing

Approximately 21,5 % of the total citrus fruit production was taken in for processing during 2007/08. Citrus fruit taken in for processing showed a decrease of 16,9 %, from 589 660 tons in 2006/07 to 489 904 tons in 2007/08.

Consumption

Per capita consumption of citrus fruit from 2003 to 2007 is as follows:

Year	2003	2004	2005	2006	2007
	kg/year				
Per capita consumption	17,95	21,20	10,63	8,90	14,04

Research

Citrus Research International (CRI) has been commissioned by the Citrus Growers' Association of Southern Africa for 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

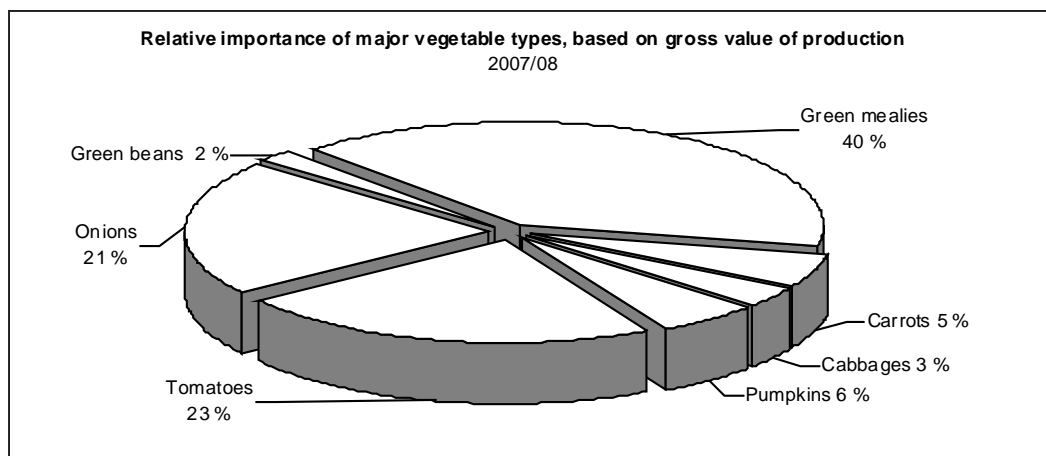
From 2006/07 to 2007/08 (July–June), the total production of vegetables (excluding potatoes) decreased by 2,1 %, from 2 152 563 to 2 107 813 tons. Concerning the major vegetable types in terms of volumes produced, increases occurred in the case of cabbages and green mealies, which rose by 3,1 and 0,9 %, respectively. The largest decrease was in the production of tomatoes (7,7 %), followed by onions and carrots with 6,9 and 3,2 %, respectively.

The production of vegetables (excluding potatoes) in South Africa for the period 2003/04 to 2007/08 compares as follows:

Year	2003/04	2004/05	2005/06	2006/07	2007/08
	'000 tons				
Tomatoes	383	464	451	456	421
Onions	377	393	397	408	380
Green mealies	322	317	316	318	321
Cabbages	174	165	154	134	138
Pumpkins	224	225	231	228	226
Carrots	128	130	134	126	122
Other	481	512	502	482	500
Total	2 089	2 206	2 185	2 152	2 108

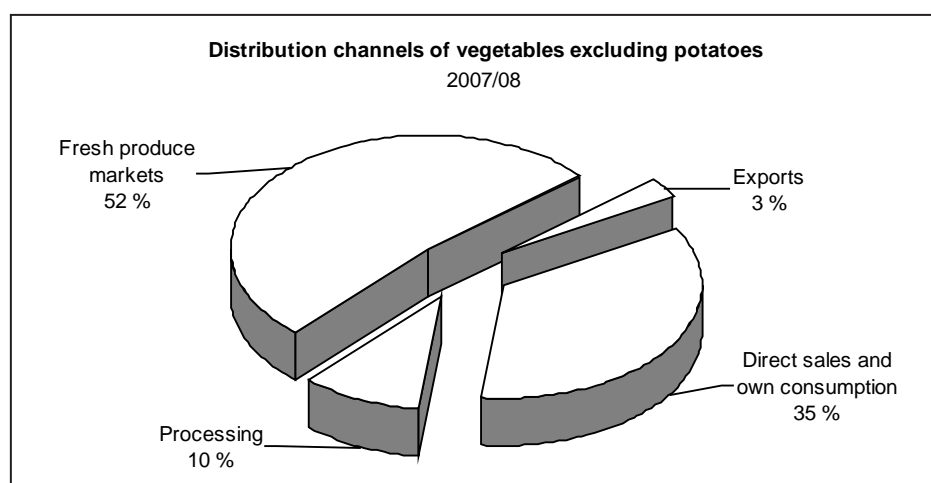
Relative importance of major vegetable types

The relative importance of the major vegetable types, according to gross value of production, during the 12 months up to 30 June 2008, is depicted by the graph on page 47.



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 2007/08 amounted to 1 101 603 tons, while 1 120 706 tons were sold during 2006/07, which represents a decrease of 1,7 %.



The values of sales of vegetables (excluding potatoes) on the major South African fresh produce markets for the period 2003/04 to 2007/08 are as follows:

Year	2003/04	2004/05	2005/06	2006/07	2007/08
	R'000				
Tomatoes	632 921	582 761	718 599	738 837	888 668
Onions	412 818	353 143	389 257	546 277	788 624
Green mealies	17 200	18 441	20 809	21 748	26 158
Cabbages	98 821	88 636	92 266	107 624	137 733
Pumpkins	52 364	56 506	57 783	66 520	70 409
Carrots	107 844	124 736	136 590	165 497	195 858
Other	672 345	680 122	765 898	890 938	1 013 263
Total	1 994 313	1 904 345	2 181 202	2 537 441	3 120 713

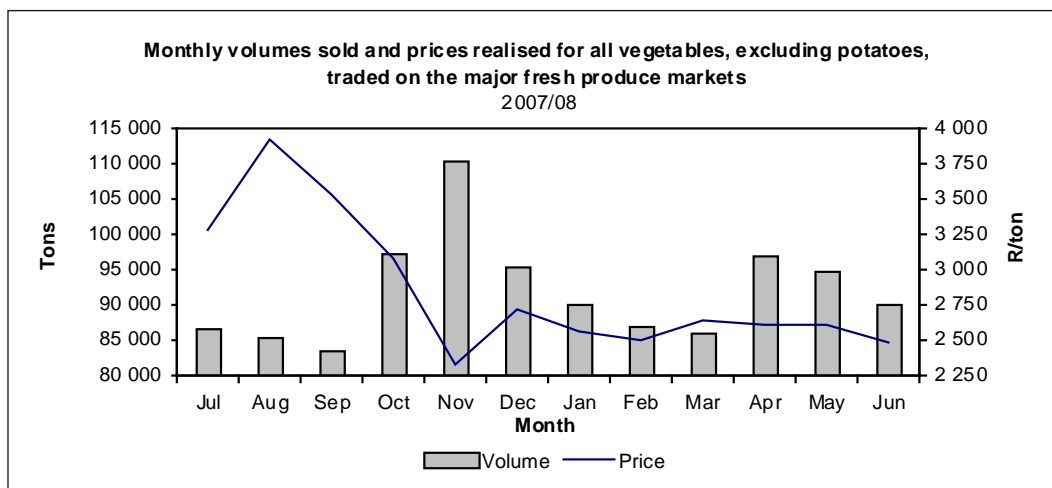
The value of onions showed the largest increase of 44,4 % from 2006/07 to 2007/08, followed by cabbage with 28,0 and lastly tomatoes and green mealies with 20,3 %.

Prices

The average prices of vegetables realised on the fresh produce markets for the period 2003/04 to 2007/08 were as follows:

Year	2003/04	2004/05	2005/06	2006/07	2007/08
	R/ton				
Tomatoes	2 852,08	2 267,02	2 848,71	2 828,45	3 904,45
Onions	1 558,47	1 221,39	1 346,58	1 927,37	2 941,88
Green mealies	6 082,33	5 195,00	5 926,97	6 740,47	7 621,49
Cabbages	681,27	642,61	716,64	959,72	1 205,15
Pumpkins	775,71	876,17	864,71	1 098,11	1 269,15
Carrots	1 214,57	1 404,02	1 461,07	1 945,23	2 262,68
Other	2 194,80	2 046,90	2 347,52	2 827,31	3 096,47

Of the major vegetable types, the price of onions showed the largest increase of 52,6 % from 2006/07 to 2007/08, followed by tomatoes with 38,0 % and cabbages, carrots, pumpkins with 25,6, 16,3 and 15,3 %, respectively. The price of other vegetables increased by 9,5 %.



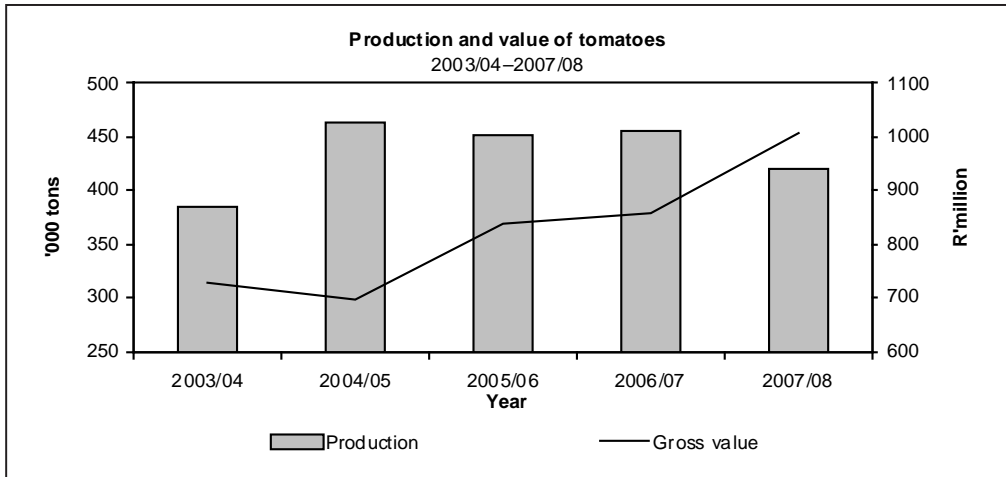
Consumption

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 40,02 kg during 2007/08, approximately 0,8 % higher than the 39,70 kg of 2006/07.

Tomatoes

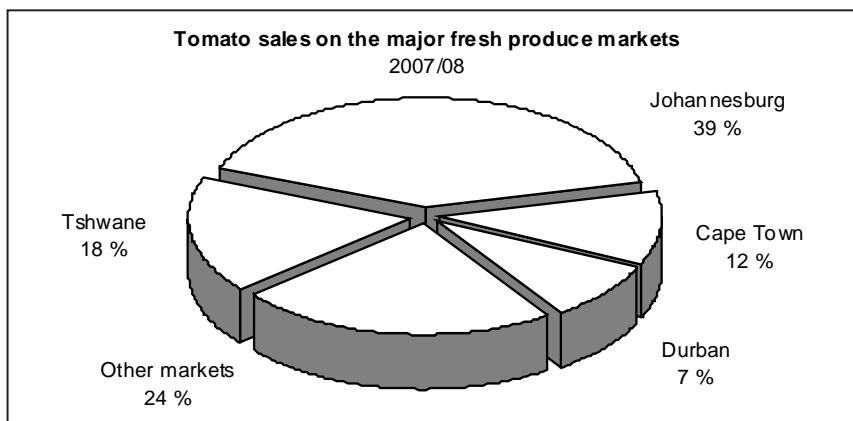
Production

Approximately 420 702 tons of tomatoes were produced during 2007/08, which is a decrease of 7,7 % compared to previous season. The industry experienced an average annual increase of 2,3 % in production from 2003/04 to 2007/08.



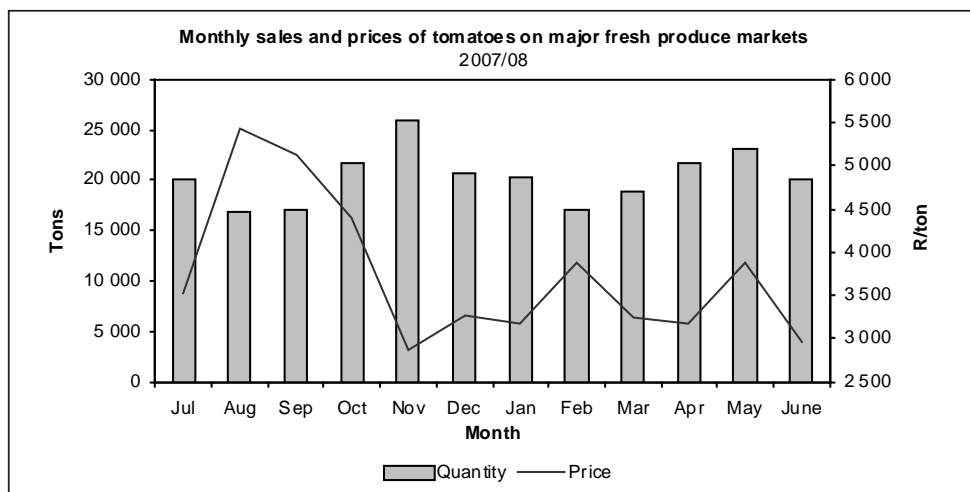
Sales

Sales on fresh produce markets and direct sales constitute approximately 50 % of the total volume of tomato sales. Owing to the geographic distribution and production of tomatoes, a sufficient volume of good-quality tomatoes is normally being produced almost throughout the year to meet the daily demand. The quantity of tomatoes sold on the major fresh produce markets decreased by 5,6 %, from 261 217 tons during 2006/07 to 246 548 tons during 2007/08.



Prices

The average price of tomatoes sold on the major fresh produce markets increased by 27,9 %, from R2 806 per ton during 2006/07 to R3 590 per ton in 2007/08. The increase was mainly the result of lower volumes, especially of good-quality tomatoes, supplied for sale on the markets.



Exports

The quantity of tomatoes exported decreased from 12 562 tons in 2006/07 to 11 672 tons in 2007/08, representing a decrease of 7,1 %. Approximately 97,2 % of total tomato exports during 2007/08 were to Angola, the DRC, Mozambique, Seychelles and Zambia.

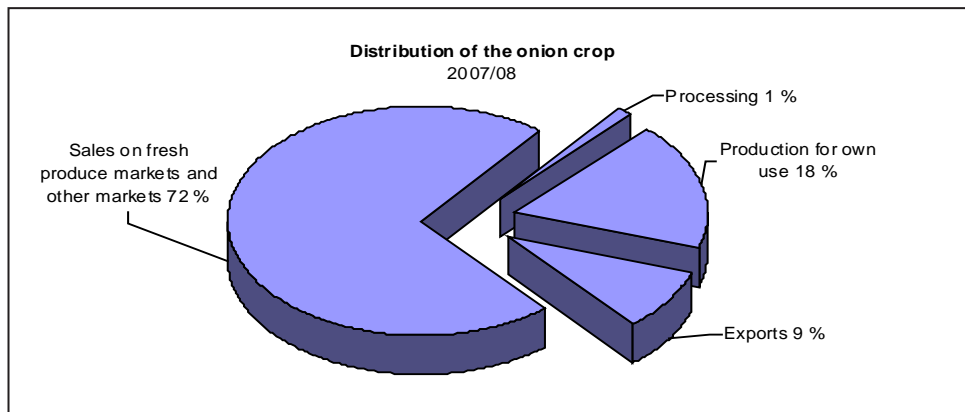
Onions

Production

Onions are produced in almost all the provinces of South Africa. Approximately 380 386 tons of onions were produced during the 2007/08 season (July to June). This is 6,7 % lower than the production of 407 802 tons during the previous season. The industry experienced an average annual increase of 0,3 % in production from 2003/04 to 2007/08.

Sales

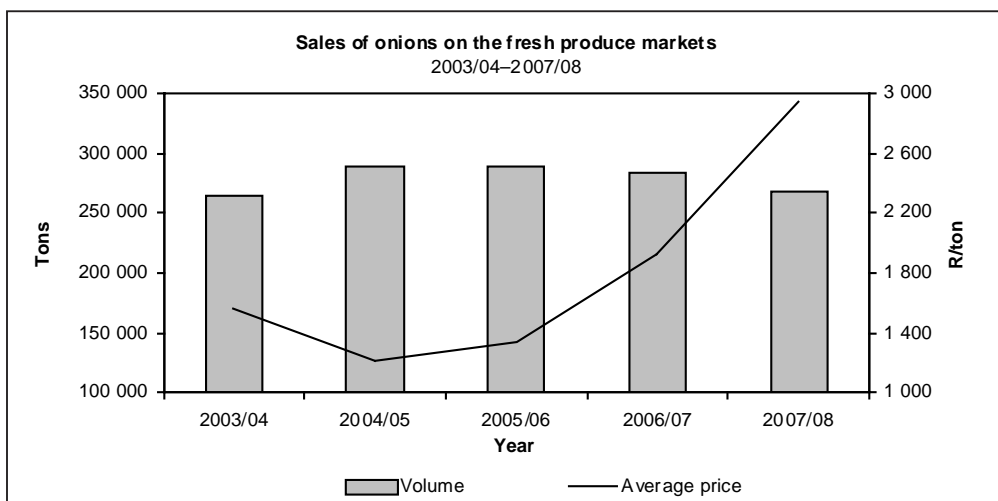
The fresh produce markets remain an important marketing channel for onions. Approximately 72 % of the total production during the 2007/08 season was sold on the major fresh produce markets, compared to 71 % the previous season, while 8,8 % was exported. The remainder comprises own consumption and direct sales to supermarkets and chain stores, as well as sales to processing factories.



During the period 2003/04 to 2007/08, the sales of onions on the fresh produce markets increased by an annual average rate of 0,3 %, from 264 886 to 268 312 tons. The quantities sold at fresh produce markets decreased by 10,1 % from 2006/07 to 2007/08, from 284 562 to 255 793 tons.

Prices

The average price of onions sold on the fresh produce markets increased by 52,5 %, from R1 927 per ton in 2006/07 to R2 939 in 2007/08. This was mainly the result of lower volumes offered for sale on the markets.



Processing

Only 1,4 % of the total production of onions was taken in for processing during the 2007/08 season. There has been a steady increase in the total processing of onions since the 2003/04 season, when 3 853 tons were taken in for processing, to 5 393 tons in the 2007/08 season. During 2007/08, about 41 % of processed onions was dehydrated, 47 % was canned, and the remaining 12 % was frozen.

Exports

During the 2007/08 season, the volume of onions exported represented approximately 9 % of the total onion crop. The volume of exports decreased by 22,4 %, from 42 368 tons in 2006/07 to 32 896 tons during 2007/08.

Potatoes

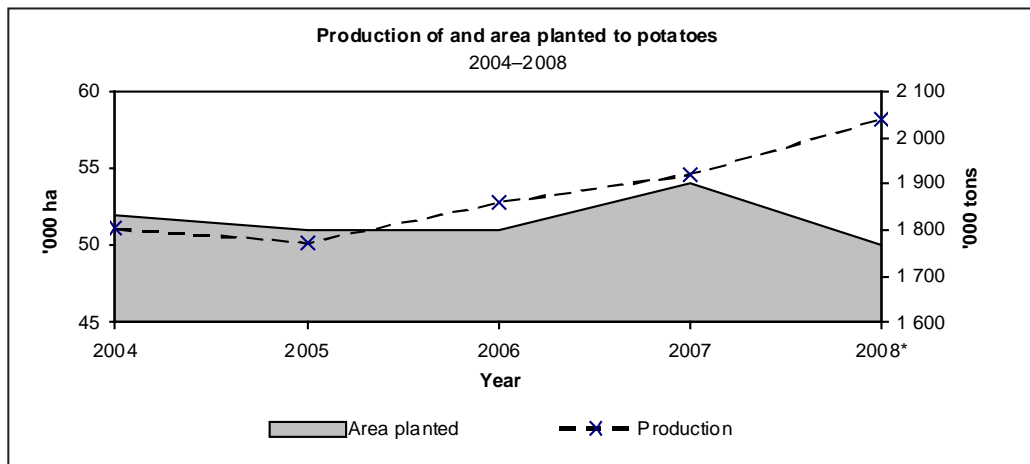
There are 16 distinct potato production regions in South Africa, which are spread throughout the country. The main regions are situated in the Free State, Western Cape, Limpopo and Mpumalanga provinces. Potatoes are planted at different times, because of climate differences in the production areas, resulting in fresh potatoes being available throughout the year. In the early 1990s, there was a major shift in production from dryland to irrigation and currently almost 80 % of plantings are under irrigation.

Area planted

Plantings for 2008 are estimated at around 50 374 ha, which is 6,8 % lower than the previous year.

Production

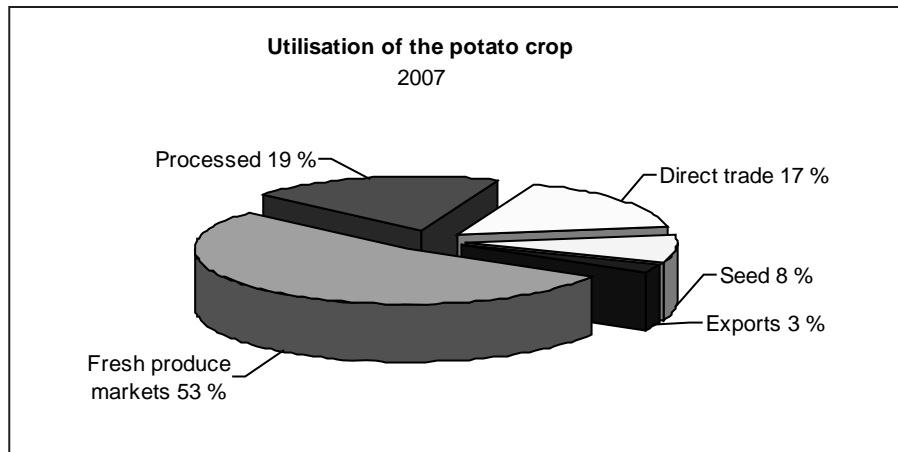
Potatoes constituted approximately 38 % of the total gross value of vegetables produced during 2007. In 2007, the average yield was approximately 3 553 x 10-kg pockets per ha, compared to 3 633 x 10-kg pockets per ha in 2006, which is a decrease of 2,2 %. A total crop of about 203 million x 10-kg bags is expected for 2008.



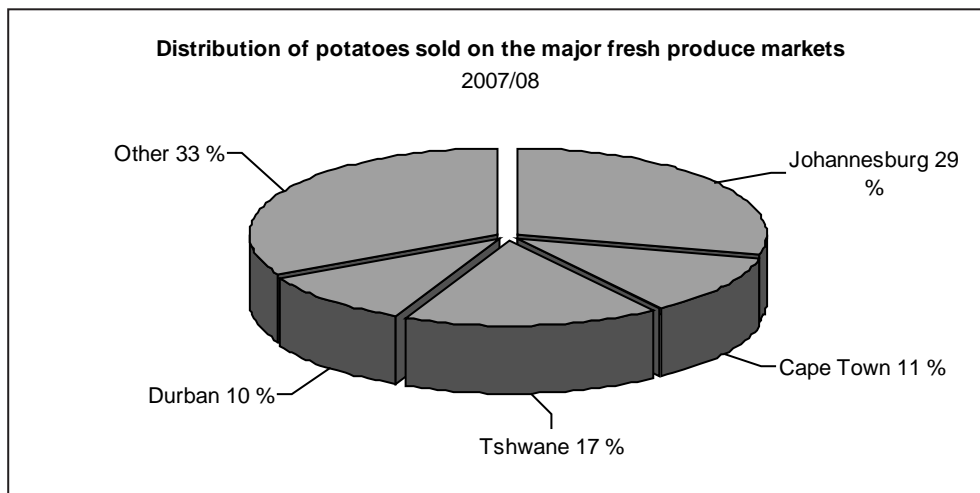
* Forecast

Sales

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



During 2007, approximately 94 million x 10-kg pockets of potatoes were sold on the major fresh produce markets, as against 95 million in 2006—a decrease of 1,1 %. The Johannesburg fresh produce market remains the biggest outlet, followed by the Tshwane, Cape Town and Durban markets. During the past 5 years, potato sales on the major fresh produce markets on average showed an increase of approximately 4,0 % per annum.



Prices

Between 2003 and 2007, potato prices realised on the major fresh produce markets increased by an average of 3,0 % per annum, from R1 920 per ton in 2003 to R2 165 per ton in 2007.

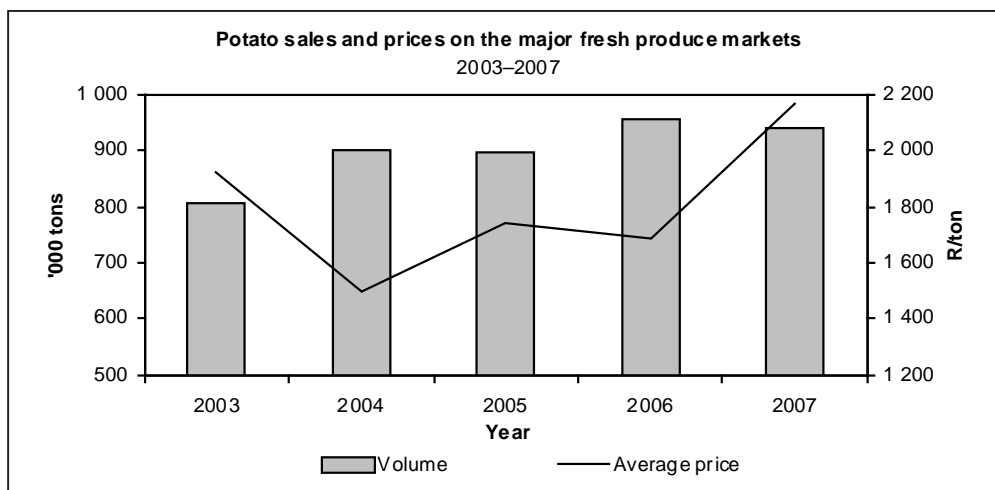
There was a substantial increase of 28,3 % in the average price, from R1 688 per ton in 2006 to R2 165 per ton in 2007. This increase was mainly the result of lower volumes being supplied at the fresh produce markets.

Processing

During 2007, approximately 19 % 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 2,0 % was used for canning, mixed vegetables and others. The processing of potatoes showed an increase of 2,3 % between 2006 and 2007.

Exports

Approximately 2,0 % of the total potato production was exported during 2007. The quantities of potatoes exported increased by 41,7 % compared to 2006, while the value of the rand increased by approximately 11,0 % against the US dollar.



There has been an improvement in trade between South Africa and the other SADC countries. During 2007, 93 % of total potato exports went to Angola, Mozambique and Zambia. Exports showed an annual increase of 11,1 % from 2003 to 2007. More than 44 000 tons were exported in 2007.

Consumption

The total gross human consumption of potatoes increased by 2,3 % to 1,61 million tons during 2007 and the *per capita* consumption also increased, by 1,0 % to about 34 kg per annum.

Year	2003	2004	2005	2006	2007
Total production ('000 tons)	1 620	1 800	1 768	1 857	1 917
Gross human consumption ('000 tons)	1 354	1 521	1 499	1 574	1 610
<i>Per capita</i> consumption (kg p.a.)	29,17	32,66	31,98	33,32	33,64

Prospects

Currently, the import of potatoes (mostly fresh fries) is higher because of increased demand in South Africa. The intake of potatoes by processing factories will increase by an average of 10 to 12 % next year. To meet the consumer demand in 2009, Potatoes South Africa is in the process of expanding its local processing factories. This will also lower the quantities of processed potatoes imported.

ANIMAL PRODUCTION

Livestock numbers

Approximately 80 % of the agricultural land in South Africa is suitable mainly for extensive livestock farming. However, livestock are also found in 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.

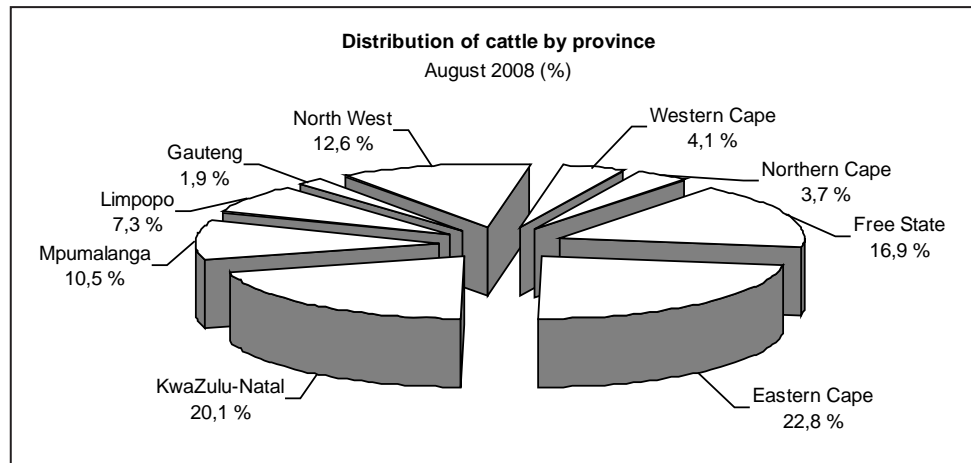
Cattle

Cattle are found throughout the country, however, mainly 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 20 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 2008 is estimated at 14,15 million, comprising various international dairy and beef cattle breeds, as well as indigenous breeds such as the Afrikaner and the Nguni. The number is approximately 1,7 % higher than the estimate of 13,91 million as at the end of August 2007. 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 2004 were estimated to be as follows:

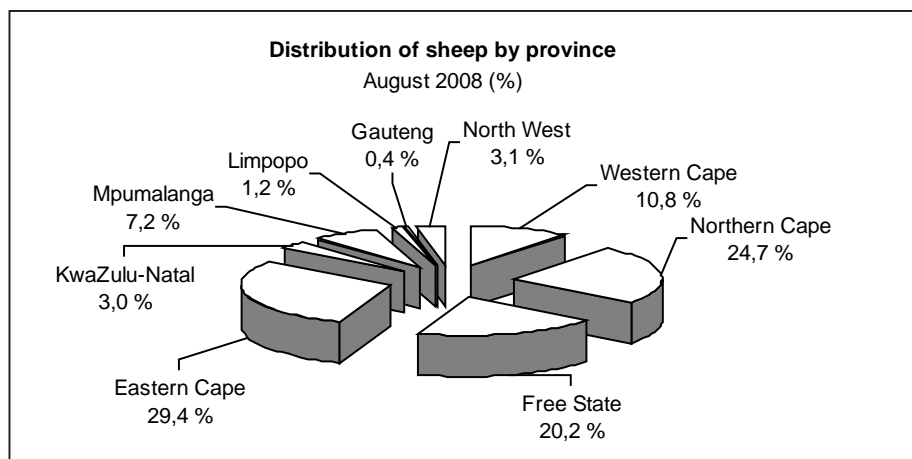
Province	2004	2005	2006	2007	2008
	'000 head (August)				
Western Cape	496	492	529	566	577
Northern Cape	468	473	485	492	519
Free State	2 253	2 297	2 237	2 306	2 389
Eastern Cape	3 042	3 082	3 045	3 136	3 228
KwaZulu-Natal	2 749	2 813	2 766	2 901	2 858
Mpumalanga	1 347	1 359	1 402	1 497	1 481
Limpopo	1 138	1 192	1 031	1 025	1 037
Gauteng	273	281	274	257	271
North West	1 747	1 800	1 763	1 731	1 789
Total	13 513	13 789	13 532	13 911	14 150



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 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. For August 2008, the largest number of sheep was estimated to be in the Eastern Cape (29,4 %), Northern Cape (24,7 %), Free State (20,2 %) and Western Cape (10,8 %) provinces. Flock sizes vary between less than 50 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 represented by organisations from the mutton as well as the wool industry. The sheep industry has various breeders' associations, with the Dorper Sheep Breeders' Society of South Africa and Merino SA being the most prominent.

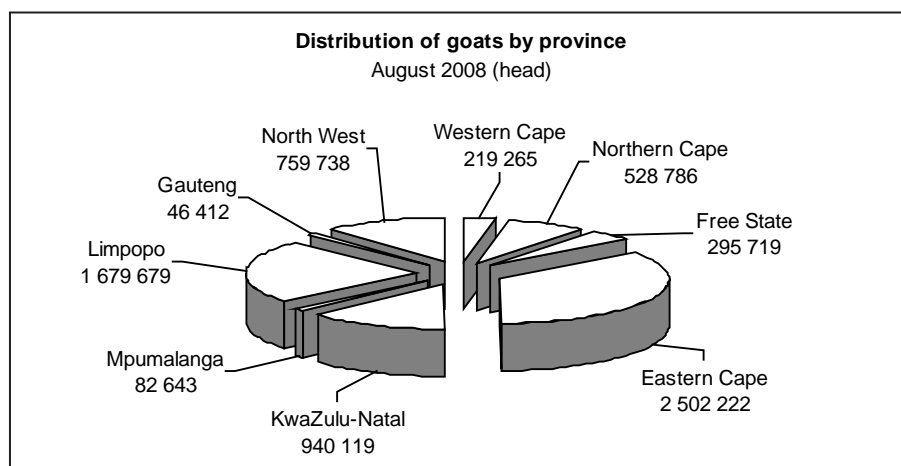
The total number of sheep in South Africa at the end of August 2008 is estimated at 25,09 million—marginally higher than the estimated 25,08 million as at the end of August 2007.

The number of sheep in the various provinces since 2004 was estimated to be as follows:

Province	2004	2005	2006	2007	2008
	'000 head (August)				
Western Cape	2 798	2 736	2 760	2 817	2 831
Northern Cape	6 517	6 403	6 422	6 244	6 279
Free State	5 093	5 176	4 998	4 900	4 895
Eastern Cape	7 536	7 616	7 331	7 488	7 422
KwaZulu-Natal	782	780	805	787	785
Mpumalanga	1 706	1 724	1 672	1 793	1 787
Limpopo	223	212	243	244	271
Gauteng	95	92	94	94	103
North West	609	595	658	715	720
Total	25 359	25 334	24 983	25 082	25 094

Goats

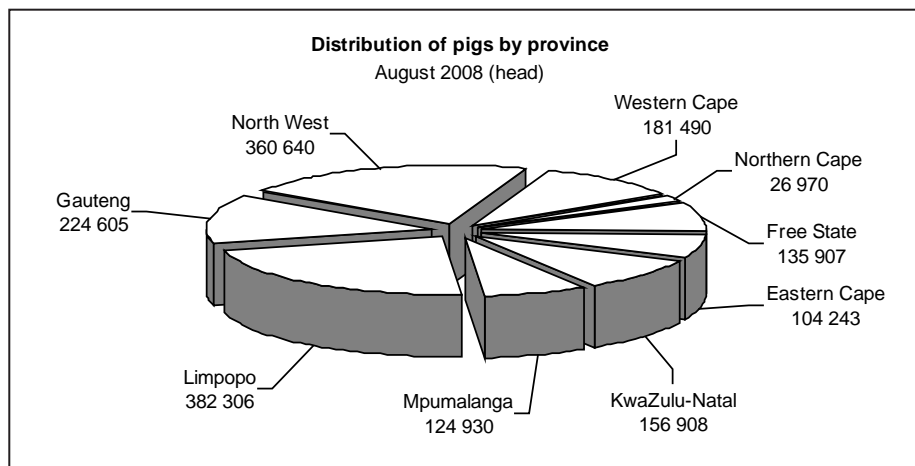
Goats are found mainly in the Eastern Cape, Limpopo, KwaZulu-Natal and North West provinces. Estimates indicate that there was an increase of 13,8 % in the number of goats, from 6,266 million in August 2007 to 7,130 million in August 2008.



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 2,9 %, from 1,650 million in August 2007 to 1,698 million in August 2008.



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, comprising about 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 decreased by 3,9 % from 2006/07 to 2007/08 and that the number of sheep (including lambs) and pigs slaughtered decreased by 13,8 and 3,5 %, respectively.

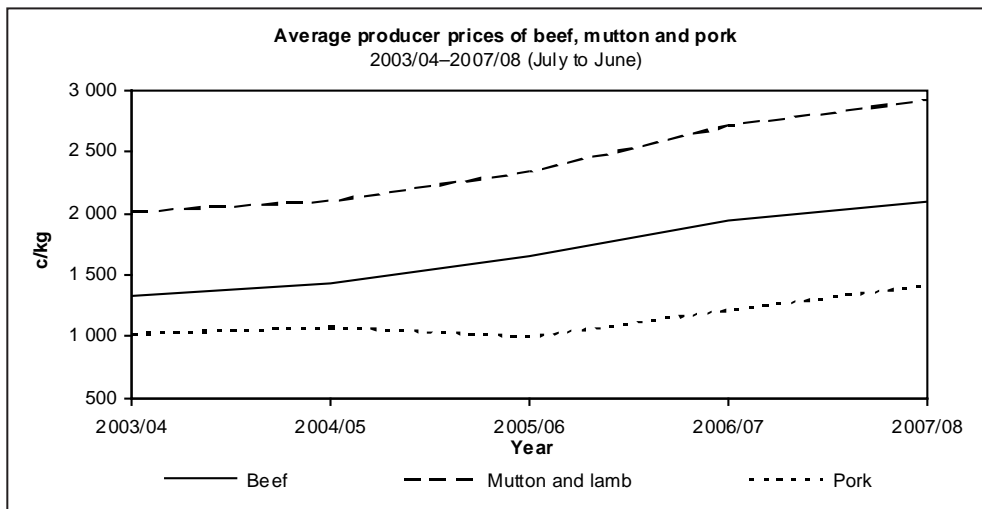
Commercial slaughterings of red meat-producing livestock types over the past 5 years were as follows:

Year	2003/04	2004/05	2005/06	2006/07	2007/08
Cattle	2 020 757	2 088 365	2 353 963	2 441 212	2 345 721
Sheep and lambs	4 973 532	5 025 338	5 103 760	5 170 277	4 456 284
Pigs	1 963 607	1 981 097	2 115 234	2 321 114	2 239 051

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 2007/08 was R20,88/kg (average for all classes on all auction markets), which represented a 7,3 % increase compared to the average price of R19,46/kg for 2006/07.



In view of the ever-strong influence of international trade on the local mutton industry, both the cyclical and seasonal price patterns for mutton were influenced by imports. The average producer price for mutton and lamb decreased by 7,7 % to R29,17/kg during 2007/08, compared to R27,08/kg for 2006/07.

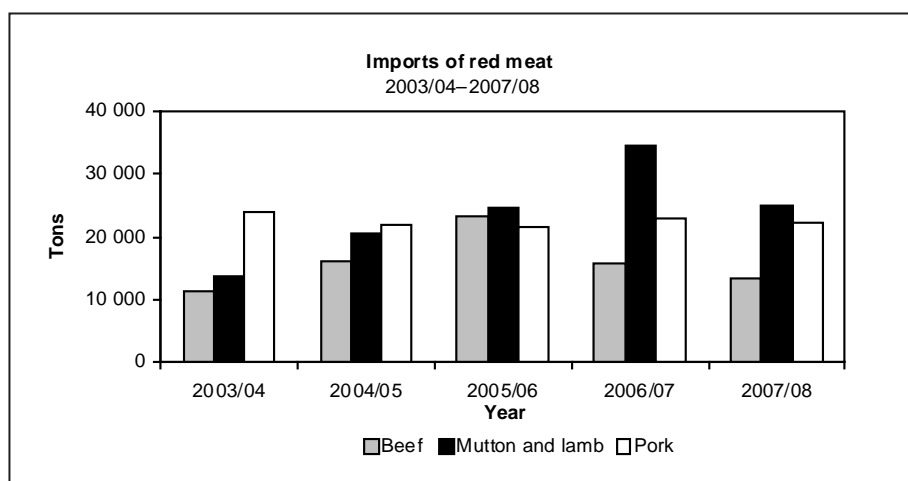
The average producer price for pork increased by 16,5 %, from R12,14/kg in 2006/07 to R14,15/kg in 2007/08.

Imports

Imports of red meat decreased by 17,3 %, from 73 291 tons in 2006/07 to 60 585 tons in 2007/08 (2,5 % lower than the average of approximately 62 115 tons for the 5 years up to 2007/08).

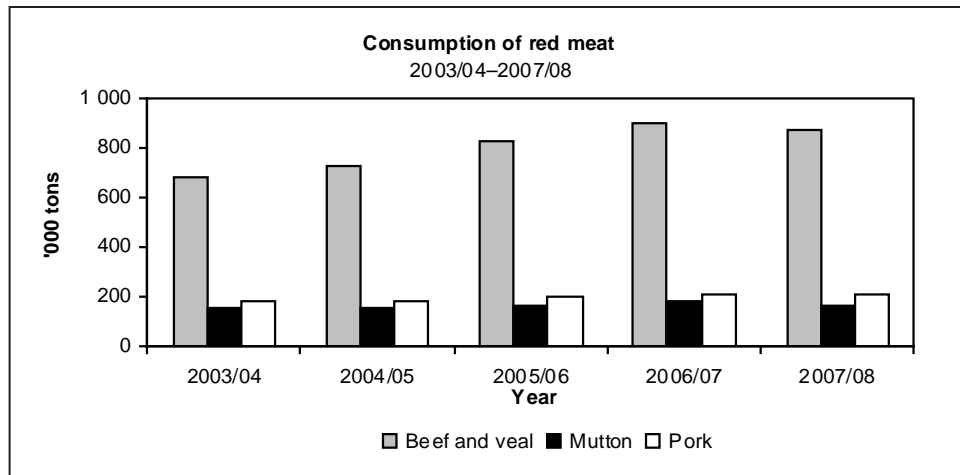
Beef imports amounted to 13 446 tons, a decrease of 15,2 % from the 15 853 tons imported during 2006/07 and 0,5 % lower than the 5-year average of 15 927 tons.

Imports of pork were 22 325 tons, which was 1,9 % less than the 22 760 tons imported during 2006/07 and 0,5 % less than the 5-year average of 22 426 tons, and imports of mutton amounted to 24 814 tons—a decrease of 28,4 % from the 34 678 tons imported the previous season and 4,8 % higher than the average of 23 677 tons for the 5 years up to 2007/08.



Consumption

Consumption of beef and veal decreased by 3,2 %, from 895 990 tons in 2006/07 to 867 480 tons in 2007/08, that of mutton decreased by 8,0 %, from 179 700 tons to 165 400 tons, and that of pork increased slightly by 0,3 %, from 209 510 tons to 210 110 tons.



Prospects

The 2008/09 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 be of assistance to extensive red meat producers in the reconstruction of 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. The Southern African Poultry Association (SAPA) represents both commercial and developing poultry farmers, within these branches.

This article focuses on the latter two, as the chick supply industry delivers an input to them.

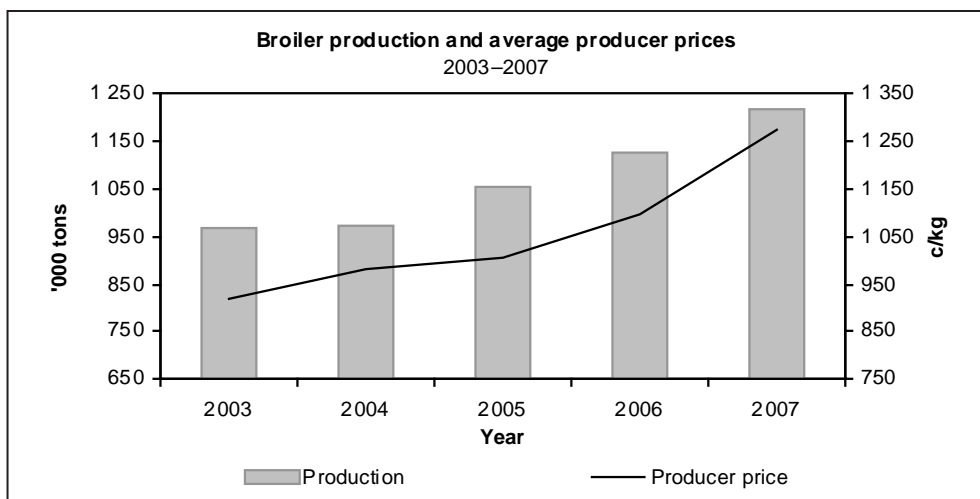
BROILER INDUSTRY

The broiler industry continues to dominate the agricultural sector in South Africa as the main supplier of animal protein. About 13 large producers supply more than 79 % of the total broiler production in South Africa, while many small production units and the informal sector are responsible for the remaining 21 %.

According to SAPA, approximately 25,0 % of poultry farms are situated in the North West Province, 21,4 % in the Western Cape Province, followed by Mpumalanga with 21,1 %, KwaZulu-Natal with 14,7 %, Gauteng with 5,9 %, the Free-State with 5,4 % and the Eastern Cape with 4,2 %. The remaining 2,3 % are situated in the Limpopo and Northern Cape provinces.

Production

The number of broilers slaughtered for commercial markets during 2007 is an estimated 761 million units. This is 6,2 % more than the estimated 717 million units slaughtered during 2006. It is expected that approximately 920 million units will be slaughtered during 2008. The producer value of broilers slaughtered, including offal, during 2008 is expected to be around R17 800 million.



Prices received by producers

The average weighted price received by producers of broilers increased by 16,4 %, from R10,96/kg in 2006 to R12,76/kg in 2007.

Producer prices of broilers from 2003 to 2007 were as follows:

Year	2003	2004	2005	2006	2007
	c/kg				
Price of broilers	919,01	982,31	1 007,26	1 095,83	1 275,83

Consumption

During 2007, an estimated 18 % of local consumption of poultry consisted of broiler imports.

The consumption of poultry meat from 2003 to 2007 accounted for approximately 51 % of total consumption of meat (beef, mutton, goat, pork and poultry meat) in South Africa.

Per capita consumption of commercially produced chicken meat from 2003 to 2007 was as follows:

Year	2003	2004	2005	2006	2007
	kg/year				
Per capita consumption	20,53	21,46	23,99	26,78	27,45

Imports

In 2007, poultry meat imports decreased to 242 858 tons/ha decrease of 7 % from the 261 751 tons imported in 2006. The imports of broiler meat from January to June 2008 was 99 976 tons—a decrease of 15 % compared to the same period in 2007. During 2007, about 72 % of South African poultry imports originated from Brazil.

Prospects

Feed costs have always been a significant issue in the poultry industry, especially during the past year. Dramatic feed price increases were the result of rising prices of maize and soya, the main raw materials in broiler feed. The impact of producing ethanol from maize and biodiesel from soya-beans is to be fully fathomed yet; however, it has the potential to maintain upward pressure on the price of animal feeds.

Profit margins are getting smaller as feed costs continue to increase. The average reported broiler feed price for 2007 was R2 618,02 per ton, an increase of 31 % as against the average price for 2006.

There is great concern in the industry that further increases in input costs will not be recovered easily and price realisation will be under tremendous pressure.

The broiler industry is also experiencing pressure because of the slowdown in economic growth. Although the market was vibrant enough to absorb the 18 % of domestic consumption that was imported in 2007, the constantly high imports pose a threat in the event of a weakening in the market. The spate of interest rate increases during 2008 is also expected to affect consumer spending negatively.

EGG INDUSTRY

Based on a census of members of SAPA during 2008, 31,7 % layer farms are located in Gauteng, 14,9 % in the Western Cape, 13,9 % in the Free State, 15,1 % in KwaZulu-Natal, 7,3 % in the North West and 5,6 % in Mpumalanga Province.

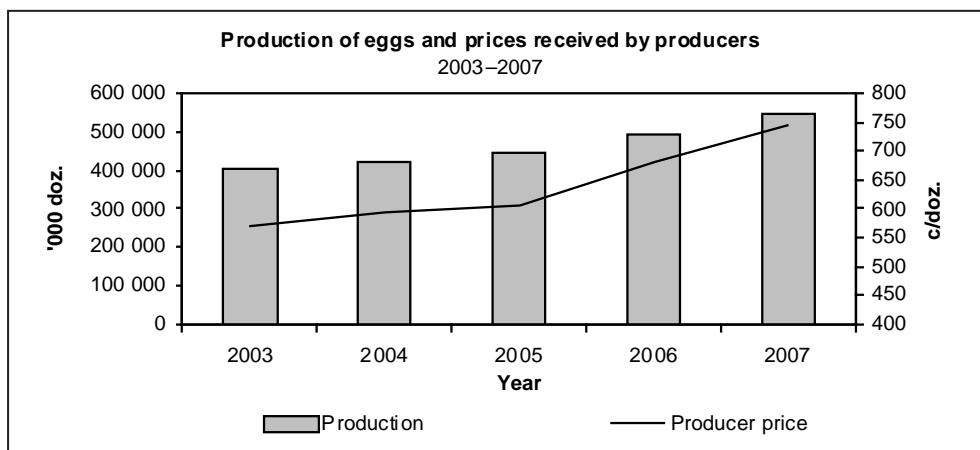
The number of layers increased from an average of 20,5 million in 2006 to 22,8 million in 2007. This represents an increase of 11,2 %. The average flock size for 2008 is predicted to be around 23,3 million layers.

The average producer price of eggs increased by 8,9 % from 2006 to 2007. The average price for the first half of 2008 is 811,2 c/kg—a rise of 10,8 % on the price for the first half of 2007.

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

Year	2003	2004	2005	2006	2007
	c/doz.				
Price of eggs	569,13	594,91	606,87	683,93	744,44

The production of eggs increased by 11,2 % in 2007 to 546 million dozen eggs. It is expected that 558 million dozen eggs will be produce in 2008.



Consumption

The *per capita* consumption for 2007 was 137 eggs per person per annum, an increase of 10,2 % compared to 2006. Considerable scope exists for the per capita consumption to increase, particularly in view of the competitive price of eggs as a protein source compared to other animal proteins.

Prospects

The biggest challenge for the industry will be to continue to produce a complete product in an environment of increasing costs. The responsible application of biosecurity measures will be important in preventing the occurrence of avian influenza or containing the spread thereof, should it appear.

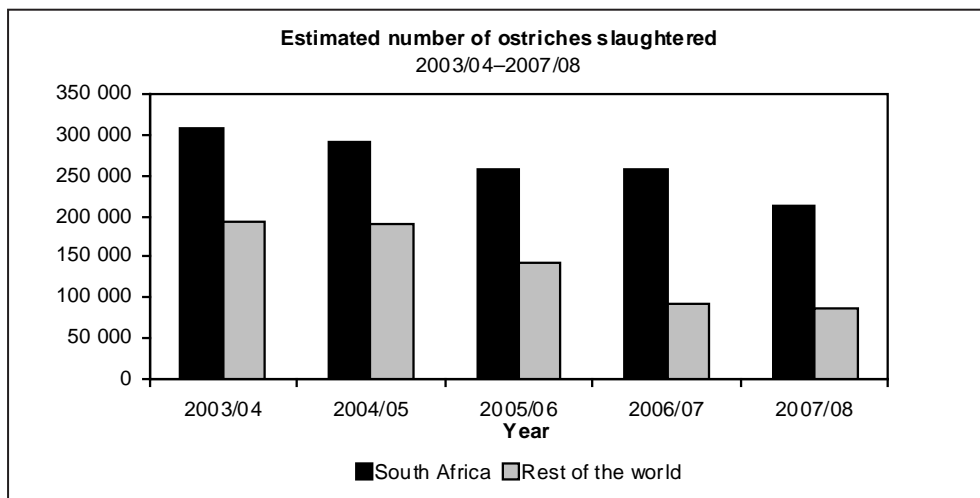
Ostriches

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 the meat being rich in protein and iron. This greater focus on a healthy lifestyle results in a growing demand for ostrich meat worldwide.

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 and, to a limited extent, in the Western Cape Province in 2006. The State Veterinary Services, together with farmers in the industry, embarked on an eradication and control campaign according to international guidelines. Today, the industry is recovering, regaining market share, identifying new markets and opportunities and initiating 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 300 000 for 2007/08, 214 000 of which were slaughtered in South Africa, as against approximately 350 000 slaughtered during the previous year, of which 257 000 in South Africa.

In Europe, the demand for ostrich meat remained good, while local consumers showed increased interest in the product.

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 various research programmes regarding quality improvement and genetics are therefore being launched. A producer earns approximately R1 500 for a raw first-grade skin and around R800 for a third-grade skin.

The average prices that producers received during 2007/08 were R32/kg for ostrich meat and R150 for feathers per bird (depending on the quality).

Prospects

During the 2008/09 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 2009, with even a further drop in slaughtering, because producers are still rebuilding their flocks. High input costs (mainly feed, transport and labour) and interest rates may also limit expansion.

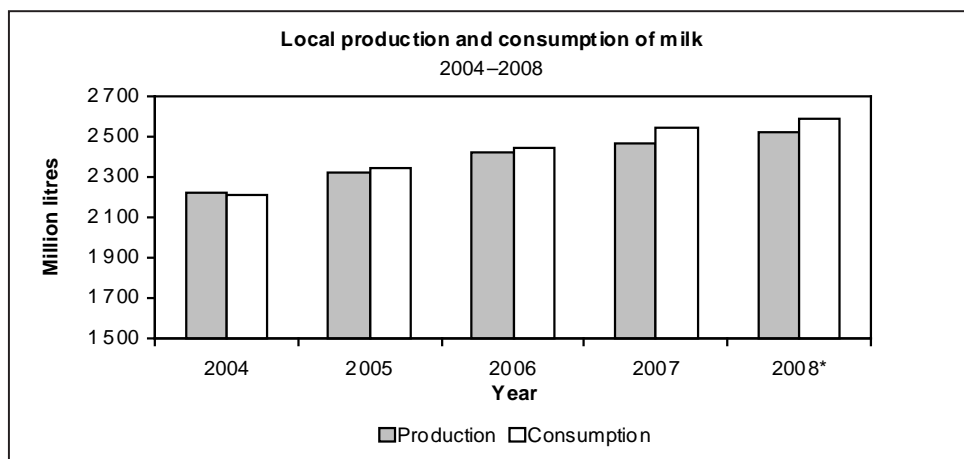
The SAOBC, being the representative body of the South Africa ostrich industry, accepted its role as partner with the Department of Agriculture in ensuring compliance with international export requirements. Generic marketing activities take place in collaboration with the Department of Trade and Industry to try and increase the ostrich industry's contribution of R1,75 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 2007, 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 2008 was 3 637, as against 3 727 in July 2007.

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, it is the fourth largest agricultural industry in the country. The gross value of milk produced during 2007, including milk for own consumption and on-farm usage, is approximately at R7 565 million. Traditionally, milk production in South Africa was fairly in line with demand and severe shortages were seldom reported. Production during 2008 is expected to be approximately 2 526 million litres, which is 2,3 % more than the 2 470 million litres produced in 2007 and 2,4 % lower than the expected consumption of 2 586 million litres in 2008.

The local commercial production and consumption figures of milk from 2004 to 2008 are depicted in the following graph:



*Projected

Imports

In 2007, the imports of milk and milk products amounted to 45 810 tons, which is an increase of 46,1 % on the 31 356 tons imported during the previous year.

Prices

The average producer price of milk for the first half of 2008 is R3,05/l, 36,8 % higher than the 223,0 c/l for the corresponding period the previous year. The main reasons for the increase are the decrease in production and the increase in consumption, which resulted in a national milk shortage.

Production season	2004	2005	2006	2007	2008*
	c/l				
Average producer price	183,0	179,0	189,0	253,0	305,0

* Preliminary: January–June 2008

Prospects

Milk production during the first half of 2008 was 4 % higher than during the corresponding period in 2007. This was caused by a more favourable production season as well as a substantial price increase compared to 2007. High interest rates and increases in food and fuel prices resulted in a decrease in consumer spending. This impacted negatively on the dairy market. Producer prices are under pressure.

Higher world dairy product prices and a weaker rand have increased the parity price of imported products. It is therefore expected that imports for 2008 will be lower than in 2007. Producers remain under pressure from higher input costs. Milk production during the rest of 2008 will probably decrease slightly.

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 (14 469 456 kg), followed by the Free State (10 368 230 kg), Western Cape (8 924 590 kg), Northern Cape (5 683 039 kg) and Mpumalanga (2 588 339 kg).

Production

Australia remains the largest supplier of apparel wool to the world textile market, with an estimated production of 395 million kg (greasy wool) in 2007/08. 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 poly-ester, nylon and acrylic.

There will be little respite from the current tight global supply situation in 2008/09, especially for apparel wool. The situation is exacerbated by the rundown of grower stocks over the past two seasons. Wool supplied to the market was maintained in 2006/07, as stocks held by Australian woolgrowers and growers in Argentina, Uruguay and the UK, were run down, offsetting lower production. Wool stocks at the end of 2006/07 were probably in the vicinity of 75 million kg clean wool. Good sales at auction in 2007/08 imply a further significant decline in stock levels in 2007/08 to about 50 million kg clean. Opening stocks as a share of production have decreased dramatically from 39 % in 1990/92 after the collapse of the Reserve Price Scheme in Australia, to 4 % in 2007/08.

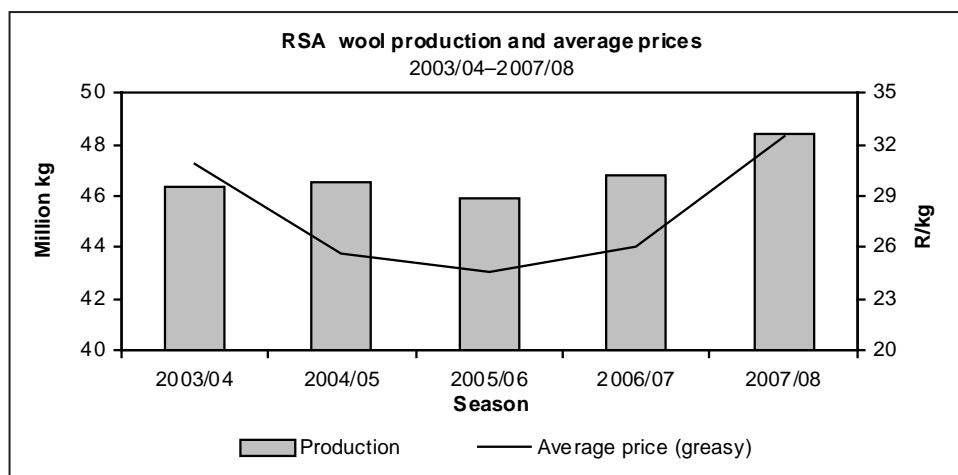
Australian wool production is forecast by the Australian Wool Innovation Production Forecasting Committee to fall to 375 million kg greasy wool (shorn and nonshorn).

In South Africa, production increased by 3,4 % to 48,4 million kg in 2007/08, from 46,8 million kg in 2006/07, 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 to buying limits in rand and the buyer carries the risk.

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

The Minister has granted approval for the introduction of statutory measures for the collection of information, including statistics for the wool industry, enabling Cape Wools to create a wool statistics databank from which a national market indicator and other information regarding the industry can be made available locally as well as internationally.

Cape Wools' 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, India, Bulgaria, UK and Mauritius.

The first table on page 65 shows the export destinations for South African wool during 2007/08.

Country	Volume		Value	
	'000 kg (clean)	% of total	R'000	% of total
China	9 733	35,3	505 997	31,7
Italy	4 246	15,4	266 860	16,7
Czech Republic	4 538	16,4	259 286	16,2
Germany	3 079	11,2	181 477	11,4
India	2 665	9,6	175 648	10,9
United Kingdom	873	3,2	48 808	3,1
Bulgaria	839	3,0	54 548	3,4
Mauritius	523	1,9	35 313	2,2
Korea	408	1,5	26 660	1,7
Others	705	2,5	43 649	2,7
Total	27 609	100,0	1 598 246	100,0

Market movement

The 2007/08 wool season has been one of the best in years, both in terms of price and production. Prices were at healthy levels throughout the season, with Cape Wools' Merino indicator reaching almost R70/kg (clean) in March, before levelling off towards the end of the season. The market closed at R62,42/kg clean, which was 10 % up on the opening sale. At a seasonal average of R61,51/kg (clean), the 2007/08 market was 28 % higher than the average for 2006/07.

Although the improvement in prices was, as expected, exchange rate driven, an analysis of market movement in user currency terms (US\$ and the euro) indicates that early-stage pipeline demand also contributed significantly to the overall improvement in prices.

The recorded gross value of sales for the season came to R1 536,3 million, which was 26,2% higher than the previous season.

Total receipts for 2007/08 rose to 48,4 million kg, an increase of 3,6 % on 2006/07. This was also the first time since 2000 that receipts broke through the 48 million kg level, and the first consecutive increase in production in recent years. In 2006/07, production rose by 2,2 %. This can be attributed to an exceptional year in terms of rainfall, with all wool-growing areas experiencing above-average conditions.

Prospects

Global economic conditions and exchange rates will, to a large extent, determine demand in the new season. Analysts expect a downturn in prices for 2008/09, following the global economic crisis, the slow-down in economic growth and the resultant recession in most major wool-consuming countries such as the USA, the Euro zone and Japan.

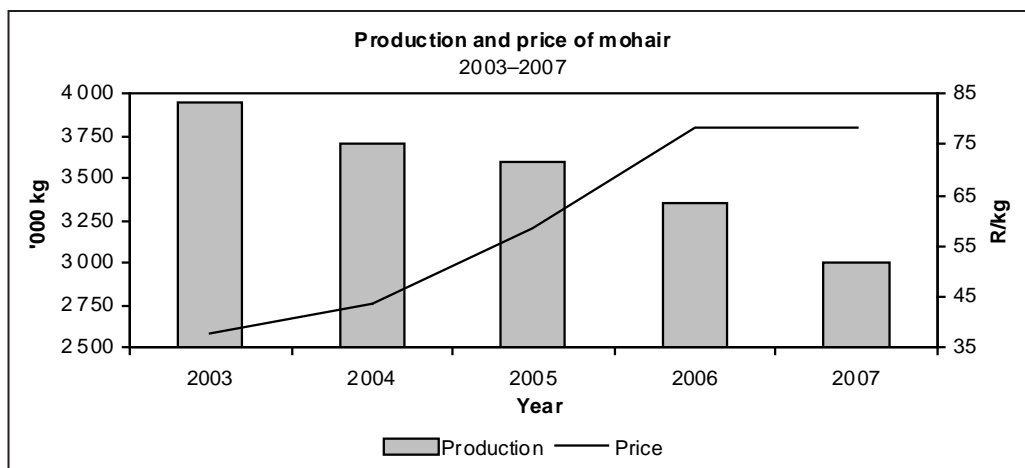
Mohair

Production

South Africa produces approximately 54 % of the world mohair clip. 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 show a downward trend, from 3,9 million kg in 2003 to 3,0 million kg in 2007—a decrease of 24 %. This decline in production is not unique to South Africa.

Production of mohair by South Africa during the period 2003 to 2007 was as follows:

Year	2003	2004	2005	2006	2007
	Million kg				
Production	3,95	3,70	3,60	3,35	3,00



Prices

Mohair prices increased only slightly during 2007. The average price for 2007 was R78,38/kg, compared with R78,08/kg in 2006. A fairly good demand existed for mohair during 2007, with the severe drought experienced in a large part of the local production area adversely affecting the quantity and length of the hair offered.

Average auction prices of mohair for the period 2003 to 2007 were as follows:

Year	2003	2004	2005	2006	2007
	R/kg				
Price	37,91	43,75	58,47	78,08	78,38

Imports and exports

Most of the world mohair production is imported to South Africa for further processing, after which it is exported together with locally (including Lesotho) produced mohair.

Mohair exports decreased by approximately 10 %, from an estimated 3,8 million kg in 2006 to 3,4 million kg in 2007, reflecting the decline in world production.

Year	2003	2004	2005	2006	2007
	Million kg				
Imports	2,4	1,7	1,6	1,3	0,8
Exports	4,9	5,1	5,0	3,8	3,4

Prospects

The prospects for mohair for the remainder of 2008 are not certain. The demand for kid mohair is expected to be good, but young goats' hair remains under pressure. The price for adult hair of good length is expected to remain stable. Length remains a challenge, owing to the effect of the drought on the growth of the hair.