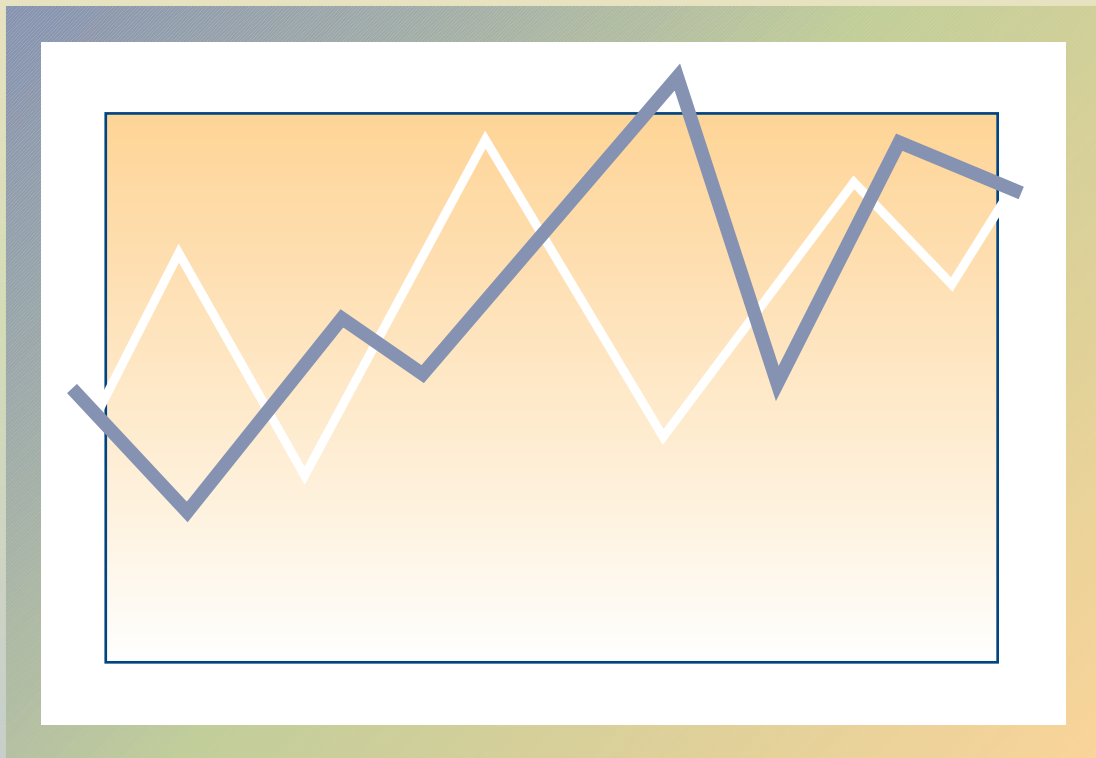
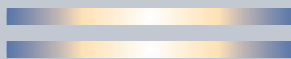


Trends in the Agricultural Sector



2010



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Trends

in the

Agricultural Sector

2010

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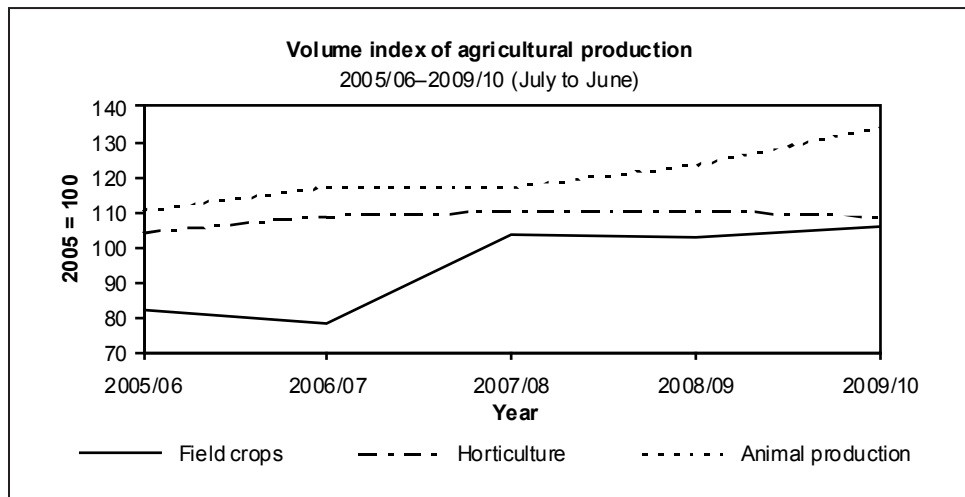
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Economic review for the 12 months that ended 30 June 2010

Volume of agricultural production

The estimated volume of agricultural production in 2009/10 was 4,8% higher than in 2008/09. The volume of field-crop production reflected a 3,1% increase as a result of an improvement in the production of summer grains. Horticultural production decreased by 1,6% mainly because of a drop in the production of citrus and subtropical fruit, while animal production rose by 8,8% as a result of an increase in fresh milk production and the numbers of stock slaughtered.



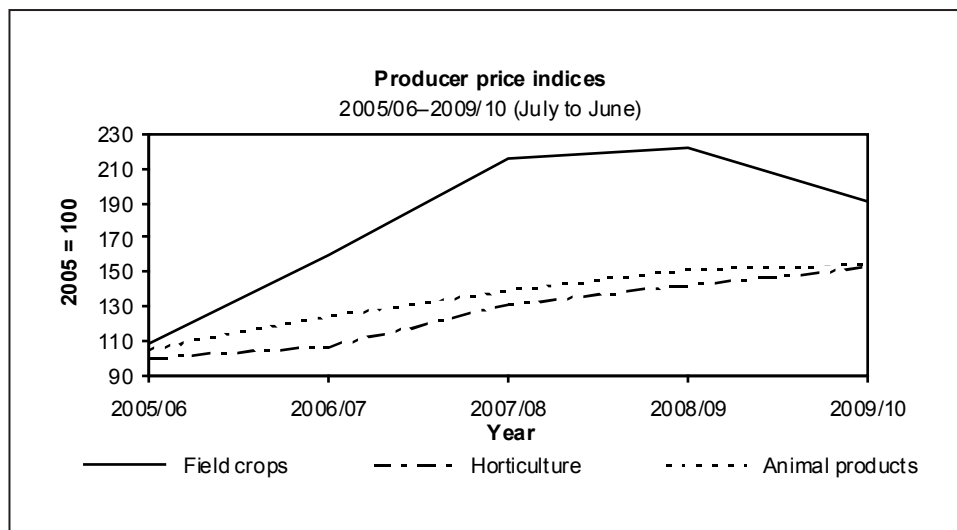
Producer prices of agricultural products

Producer prices of agricultural products decreased on average by 2,2% from 2008/09 to 2009/10.

The weighted average price of field crops decreased by 14,4%. Prices decreased by 26,4% for winter grain, by 23,1% for summer grain, by 17,8% for cotton, by 17,7% for oilseeds and by 7,0% for dry beans, while prices for tobacco, sugar cane and hay increased by 16,9%, 15,8% and 0,6% respectively.

Producer prices of horticultural products rose by 7,0% from 2008/09. Prices of vegetables and fruit increased by 12,9% and 3,5% respectively, while prices of viticultural products decreased by 0,8%.

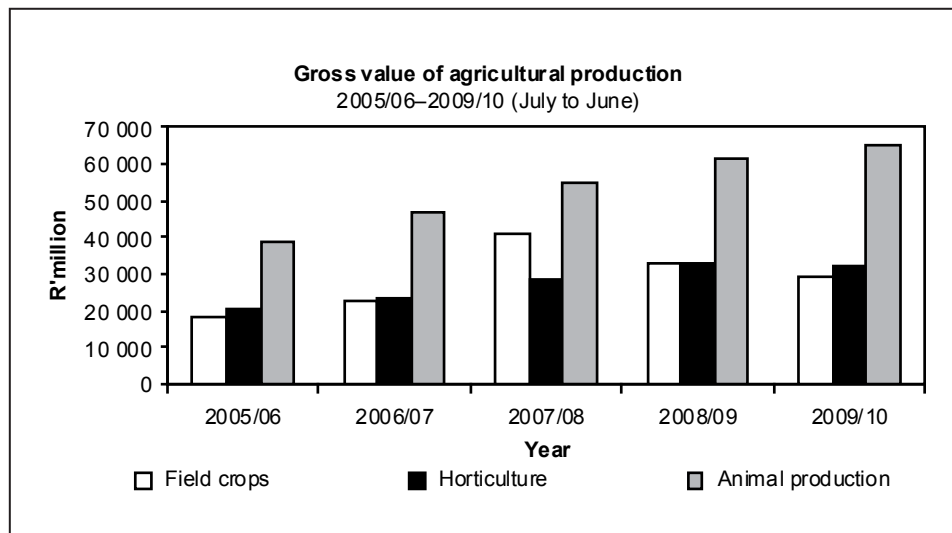
Prices of animal products rose by 1,9%. The average price of pastoral products, dairy products and poultry increased by 22,1%, 4,1% and 1,2% respectively, while the average price of slaughtered stock decreased slightly by 0,1%.



Gross value of agricultural production

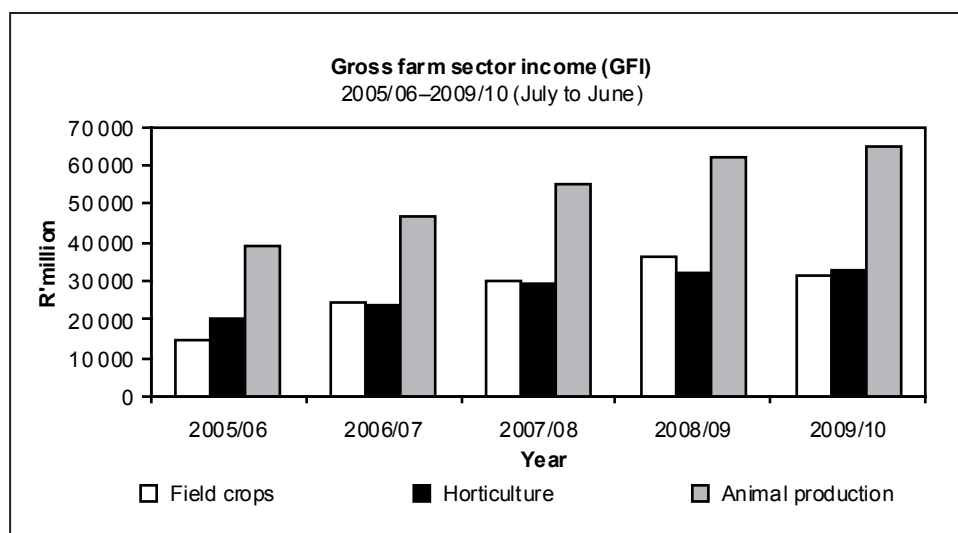
The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2009/10 is estimated at R126 433 million, compared to R127 568 million the previous year – a decrease of 0,9%. This drop can be attributed mainly to a decrease in the value of field crops.

The gross value of animal products, horticultural products and field crops contributed 51,3%, 25,7% and 23,0% respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 18,2%, followed by cattle and calves slaughtered with 11,2% and maize with 10,9%.



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 2010 amounted to R128 848 million, compared to R129 621 million the previous year – a decrease of 0,6%. The drop in income can be ascribed mainly to lower prices that farmers received for grains and oilseeds.

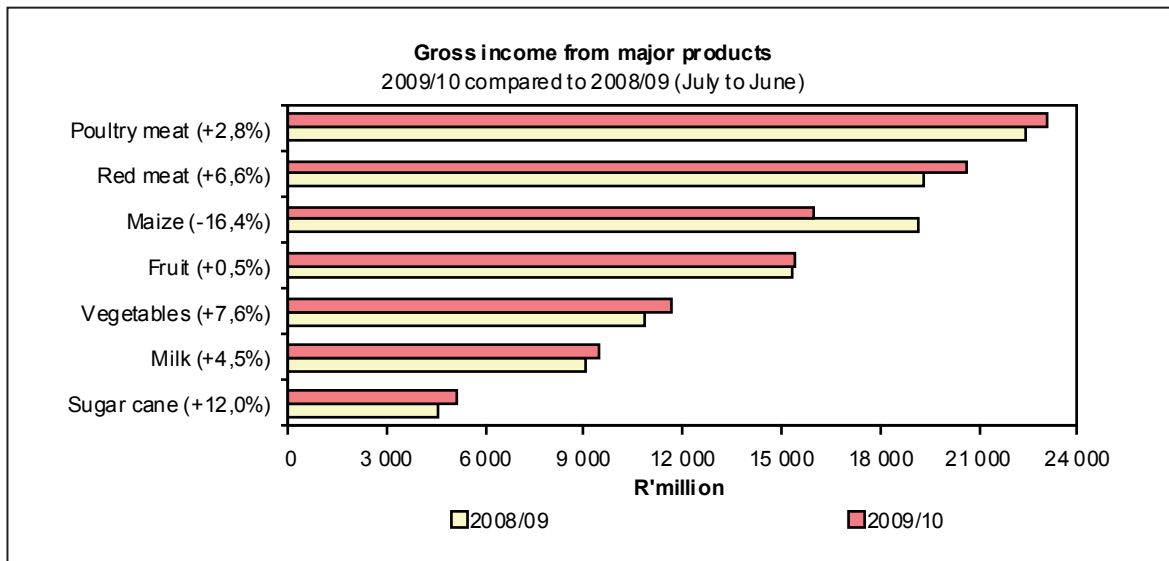


The gross income from field crops decreased by 13,8% to R31 214 million for the year ended 30 June 2010. Income from maize at R15 998 million was R3 135 million or 16,4% less than in the previous 12 months. Income from sunflower seed and soya beans also showed substantial decreases of 27,2% to R1 705 million and 17,0% to R1 380 million respectively. Income from sugar cane at R5 108 million was R549 million

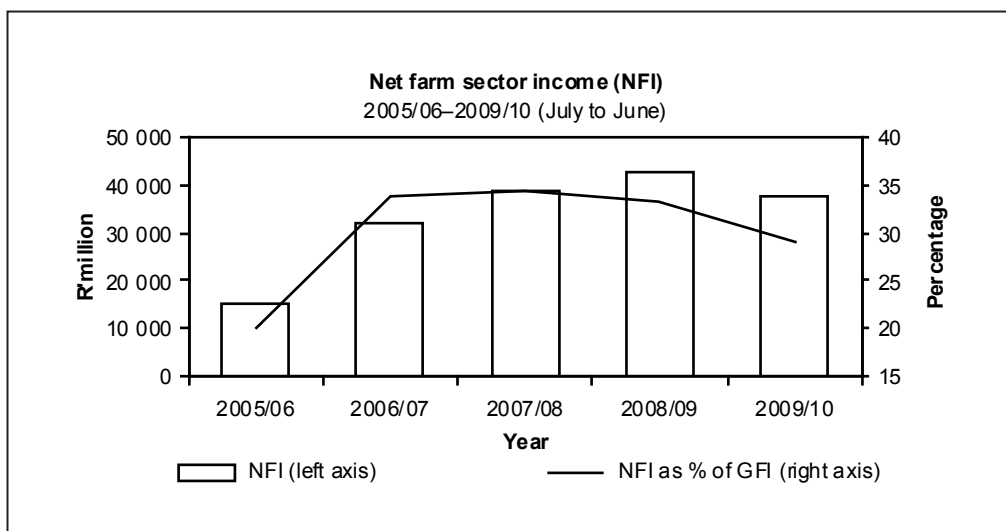
or 12,0% higher than that of the previous 12 months. Income from groundnuts increased by 5,3% to R790 million.

The gross income from horticultural products increased by 3,3% from R31 739 million in 2008/09 to R32 778 million in 2009/10. Income from deciduous fruit rose by 2,1% to R8 659 million and income from vegetable production increased by 7,6% to R11 690 million. Income from viticulture dropped by 0,4% to R3 530 and income from citrus and subtropical fruit decreased by 1,3% and 1,8% and amounted to R4 719 million and R2 063 million respectively.

The gross income from animal products was 5,1% higher than in 2008/09 and amounted to R64 855 million, compared to R61 680 million. Producers earned R14 099 million from slaughtered cattle and calves, as against the previous year's R13 200 million – an increase of 6,8%. Income from poultry meat production rose by 2,8% to R23 073 million. Income from egg production, at R6 827 million, was 3,5% higher than in the previous year. Producers earned R9 491 million from milk production, which is 4,5% higher than in the previous year. Income from wool increased by 27,2% to R1 378 million.



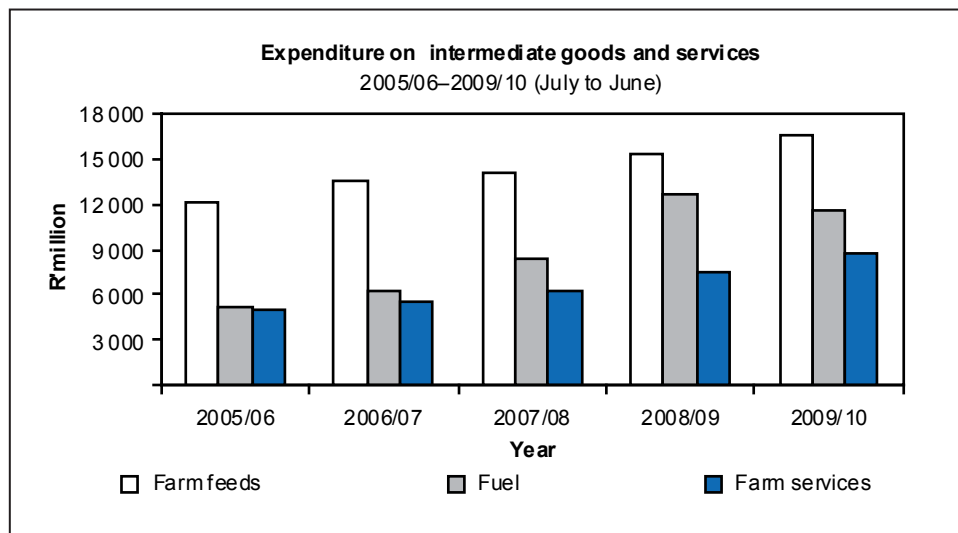
The net farm income (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R37 593 million for the 12 months that ended on 30 June 2010, which is 12,6% lower than in the previous 12 months. Payments for salaries and wages, which represented 12,7% of the total farming costs, amounted to R12 027 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2010 is estimated at R5 094 million or 5,4% of the 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.

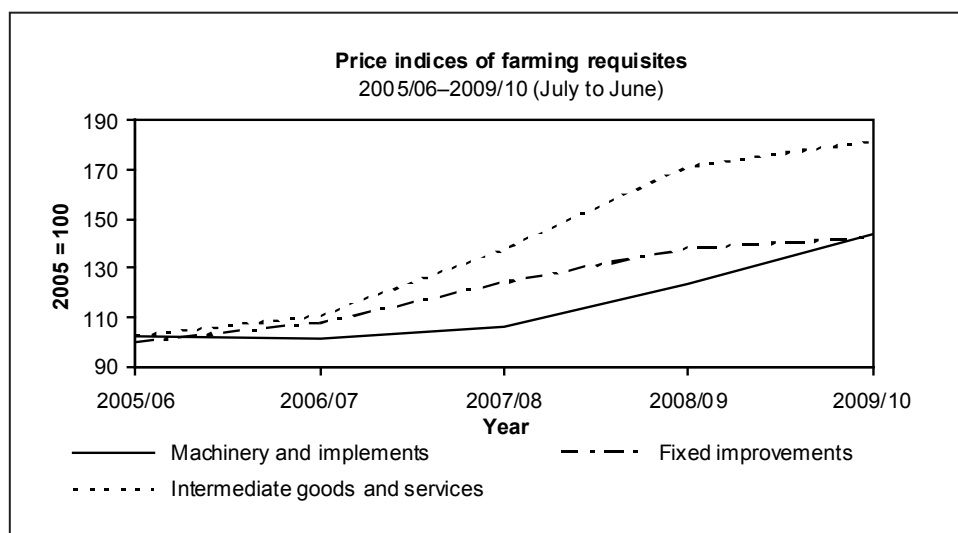
Expenditure on intermediate goods and services during 2009/10 is estimated at R71 955 million, which represents a rise of 6,4% from R67 647 million in 2008/09. Large increases occurred in expenditure on seed and plants (21,3%), dips and sprays (20,1%), packing material (19,0%) and maintenance and repairs of machinery and implements (16,2%).



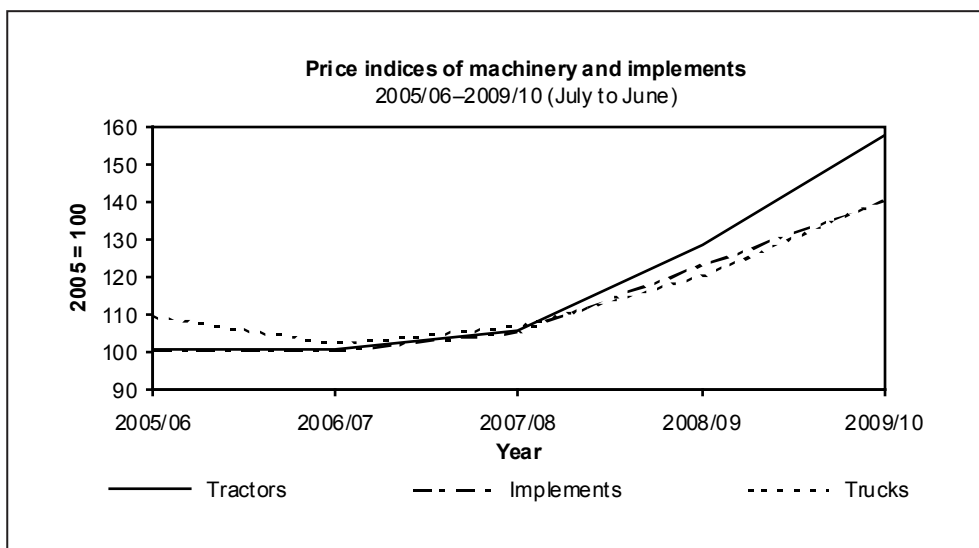
Expenditure on farm feeds remained the biggest expenditure item, accounting for 22,9% of total expenditure, followed by 16,1% for fuel, 12,0% for farm services and 10,0% for maintenance and repairs of machinery and implements.

Prices of farming requisites

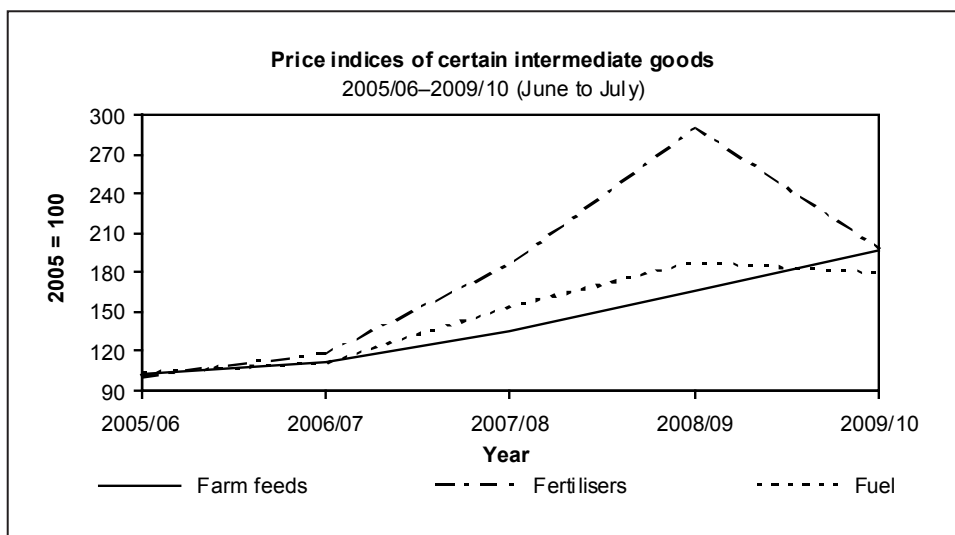
Prices of farming requisites rose by 6,8% in 2009/10, compared to an increase of 23,2% the previous year.



The price index of machinery and implements showed an increase of 16,0% for 2009/10.



The price index of materials for fixed improvements increased by 3,0% and the combined index of prices of intermediate production inputs and services by 6,0%.



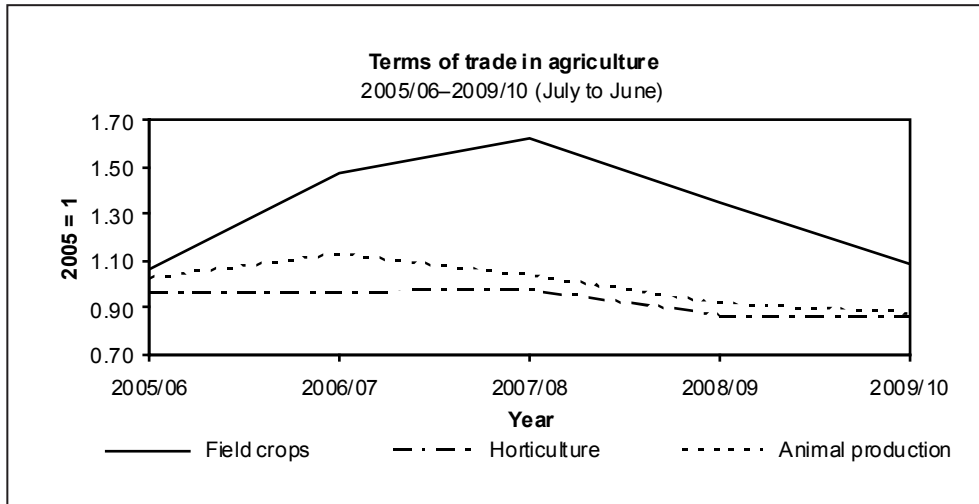
An increase of 20,6% in the price of seed made the most significant contribution to the increase in the prices of intermediate goods and services. The prices of farm feeds, packing materials, dips and sprays, and maintenance and repairs rose by 17,8%, 16,2%, 14,4% and 14,3% respectively.

Domestic terms of trade in agriculture (2005 = 1)

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

The terms of trade in agriculture weakened by 7,9%, from 1,01 in 2008/09 to 0,93 in 2009/10.

The terms of trade for field crops decreased by 19,3% from 1,35 in 2008/09 to 1,09 in 2009/10. In the case of the horticultural industry, the terms of trade remained unchanged at 0,87. The terms of trade for the animal production industry dropped by 4,4% from 0,92 to 0,88.



Contribution of agriculture to value added at basic prices

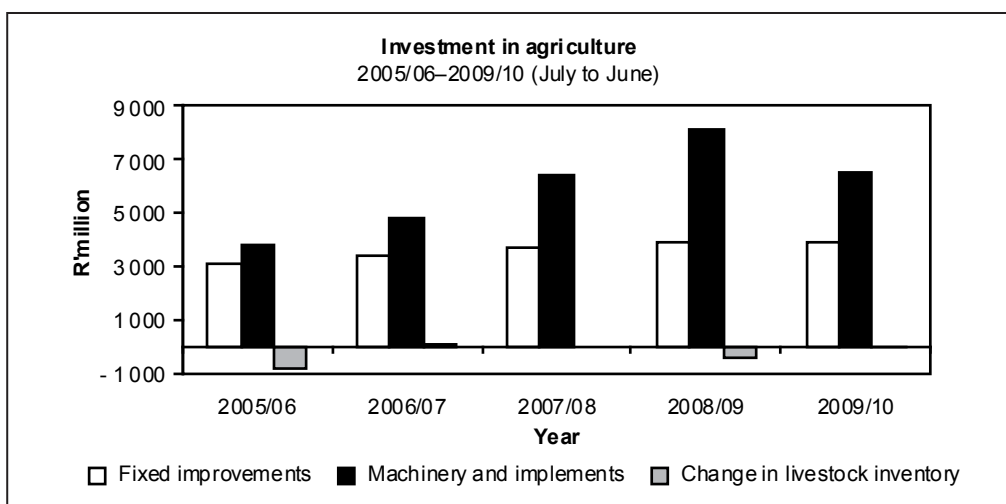
Value added is the value of total output less the value of intermediate consumption during the production period. The contribution of agriculture to value added for the year ended 31 December 2009 is estimated at R66 049 million. This represents 3,0% of the total value added to the economy.

Year	Total value added	Contribution of agriculture to value added	Contribution of agriculture as % of total value added
	R' million	R' million	%
2005	1 401 067	30 213	2,2
2006	1 572 319	37 475	2,4
2007	1 793 147	51 609	2,9
2008	2 058 028	55 668	2,7
2009*	2 181 238	66 049	3,0

*Note: Figures are for agriculture, forestry and fisheries.

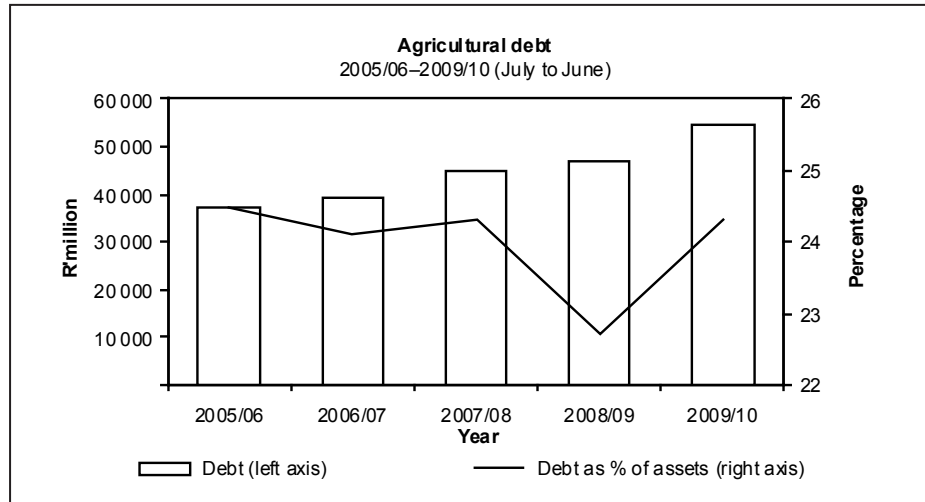
Capital assets and investment in agriculture

The total value of capital assets in agriculture as at 30 June 2010 is estimated at R223 434 million, as against R206 582 million at the end of June 2009 – an increase of 8,2%. Of this value, land and fixed improvements constituted R129 849 million, machinery and implements R41 361 million and livestock R52 225 million. The gross investment in respect of fixed improvements for the year ended 30 June 2010 increased by 1,0% to R3 972 million. In the case of machinery, implements and vehicles, investment decreased by 20,1% and amounted to R6 501 million. The livestock inventory rose by R38,6 million from the previous year.



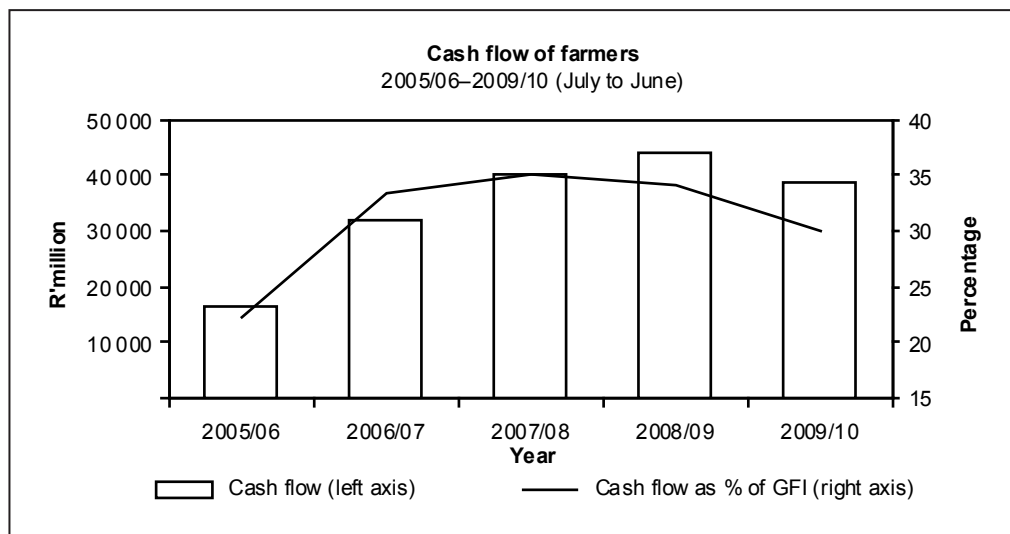
Farming debt

The total farming debt as at the end of June 2010 is estimated at R54 346 million, as against R46 792 million a year ago – an increase of 16,1%.



Cash flow of farmers

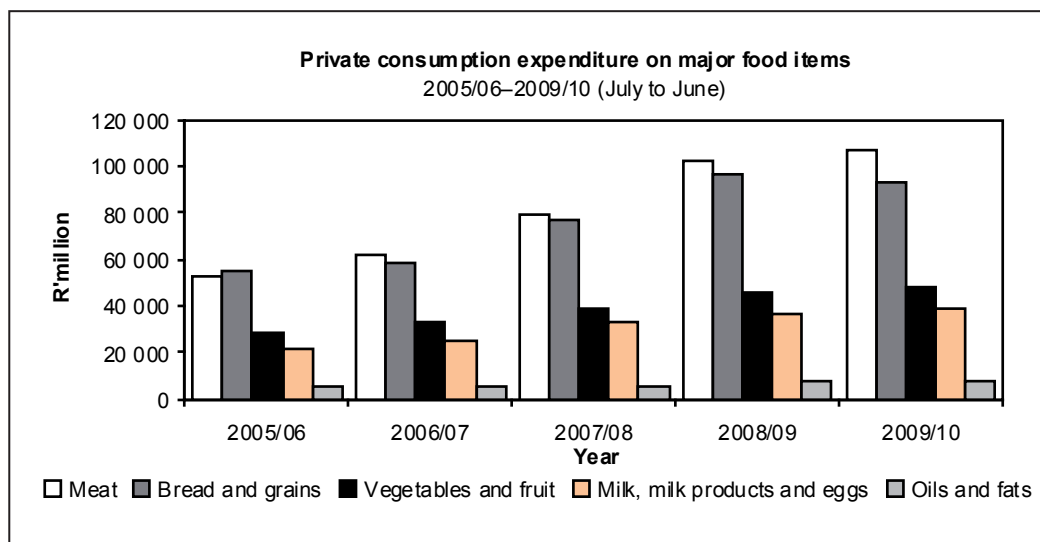
The cash flow of farmers amounted to R38 487 million for the year ended 30 June 2010, compared to the previous year's R44 258 million – a decrease of 13,0%. This was the result of a drop in the gross income of producers.



Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2010 increased slightly by 2,29% and amounted to R338 875 million, as against the R331 300 million of the previous year. Expenditure increased by 4,7% to R106 887 million for meat, by 15,6% to R5 062 million for sugar, by 6,5% to R48 414 million for fruit and vegetables (including potatoes), and by 5,2% to R38 698 million for milk, milk products and eggs. Expenditure decreased by 3,6% to R92 615 million for bread and grain products and by 3,2% to R7 210 million for oils and fats.

Meat represented 32% of the expenditure on the food component, while bread and grains represented 27%, milk, milk products and eggs 11%, fruit and vegetables (including potatoes) 14% and oils and fats only 2%.

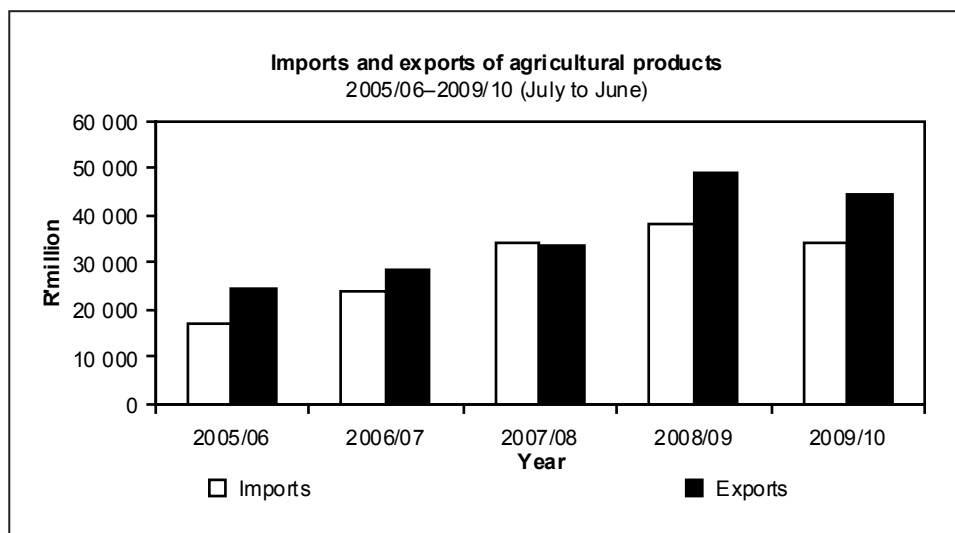


Consumer prices

The consumer price index (with base year 2005 = 100) of all items increased by 5,7% from 130,1 to 137,5 during the year ended 30 June 2010. The CPI of food increased by 2,8% from 147,3 to 151,4 and that of non-food items increased by 2,1% from 124,6 to 127,3. Meat prices rose by 1,9% from an index figure of 145,2 to 147,9 while the prices of grain products decreased by 2,1% from 166,9 to 163,4. The consumer price index of vegetables increased by 6,2% from 145,8 to 154,9 and that of fruit by 8,8% from 130,0 to 141,4. In the case of dairy products and eggs, prices rose by 6,5 % from an index of 148,6 to 158,2 while an increase of 8,4% was recorded for sugar and related products from 132,4 to 143,5.

Imports and exports of agricultural products

The estimated value of imports for 2009/10 came to R33 946 million, a decrease of 11,6% compared to R38 401 million for 2008/09. The value of exports dropped by 9,8% from R49 278 million to R44 469 million.



According to the 2009/10 export values, wine (R5 927 million), citrus fruit (R5 580 million), grapes (R3 464 million), apples, pears and quinces (R3 047 million) and cane sugar (R2 639 million) were the most important agricultural export products. Rice (R3 410 million), oilcake (R2 358 million), wheat and meslin (R2 284 million), undenatured ethyl alcohol (R2 139 million) and palm oil (R1 776 million) accounted for the highest imports.

During 2009/10, the Netherlands, the United Kingdom, Zimbabwe, Mozambique and Germany were the five largest trading partners of South Africa in terms of export destinations for agricultural products, with ex-

port values of R4 714 million, R4 493 million, R3 240 million, R2 658 million and R1 941 million respectively. About 20,7% of total agricultural exports for the period July 2009 to June 2010 went to the Netherlands and the United Kingdom.

The five largest trading partners for South Africa's imported agricultural products during 2009/10 were Argentina, Brazil, Thailand, Germany and the United Kingdom, with import values of R4 726 million, R3 073 million, R2 776 million, R2 487 million and R1 961 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.

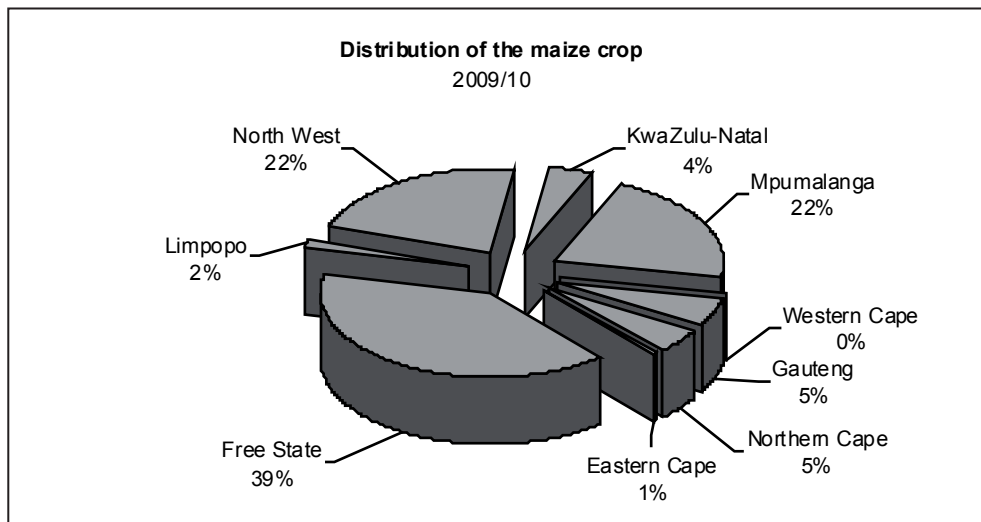
The gross value of agricultural production is determined by the quantity produced and prices received by producers.

The largest contributor towards the gross value of field crops for the past five seasons is maize (48,6%), followed by sugar cane (14,2%), wheat (12,5%), sunflower seed (6,7%) and hay (6,0%). The average annual gross value of maize for the five years up to 2009/10 amounts to R14 041 million.

South Africa has recorded its largest commercial maize crop in 29 years, around 13,0 million tons, for the 2009/10 production season.

Weather forecasters predicted an El Niño-related dry spell for the country (chances of normal to below-normal rainfall) for December 2009 and the first part of January 2010. However, this did not happen. Excessive rainfall was received in most of the summer crop production areas during January and February 2010. Unfortunately, the higher than expected rainfall impacted negatively on the quality of the maize.

The contribution by provinces to maize production during the 2009/10 production season is depicted in the following figure:



White maize is generally produced in the western parts of the maize belt, while yellow maize is planted towards the eastern parts.

Maize is planted during late spring/early summer, with optimal planting times between November and December. However, planting can start as early as October and extend to January. In a particular season,

the rainfall pattern and other weather conditions determine the planting period as well as the length of the growing season. Most of the maize is harvested from late May up to the end of August.

The present ratio of areas planted is 63% white maize to 37% yellow maize. An estimated 5,8% of the area planted to white maize is under irrigation and 94,2% is on dryland, while the estimated contribution of yellow maize under irrigation is approximately 13,3% and maize on dryland is 86,7%.

Area planted and production

The estimated area that South African commercial producers planted to maize during the 2009/10 season is 2,742 million ha. This is 13,0% or 314 900 ha more than the 2,426 million ha planted the previous season and 12,5% or 304 700 ha more than the five-year average of 2 437 700 ha planted up to 2008/09.

Commercial white and yellow maize plantings for 2009/10 were 1 719 700 ha and 1 022 700 ha respectively. This represents increases of 15,5% and 9,0%.

The commercial maize crop for the 2009/10 production season is estimated to be 13,043 million tons, with an estimated yield of 4,76 t/ha. The production represents an increase of 8,2% compared to the 2008/09 crop, which was estimated at 12,050 million tons.

Spring rains arrived on time and were near average during the planting season from October to December 2009. Rainfall during January was well above average, which was beneficial for crop development during the vegetative to early-grain-filling stages. Rainfall continued to be favourable during February and March 2010, with the western parts of the maize-producing areas receiving above-average rains during March. The moderate El Niño forecast did not bring drought conditions in South Africa's grain basket region as generally expected during El Niño years. In contrast, seasonal rains were above average, which left many fields waterlogged during this period.

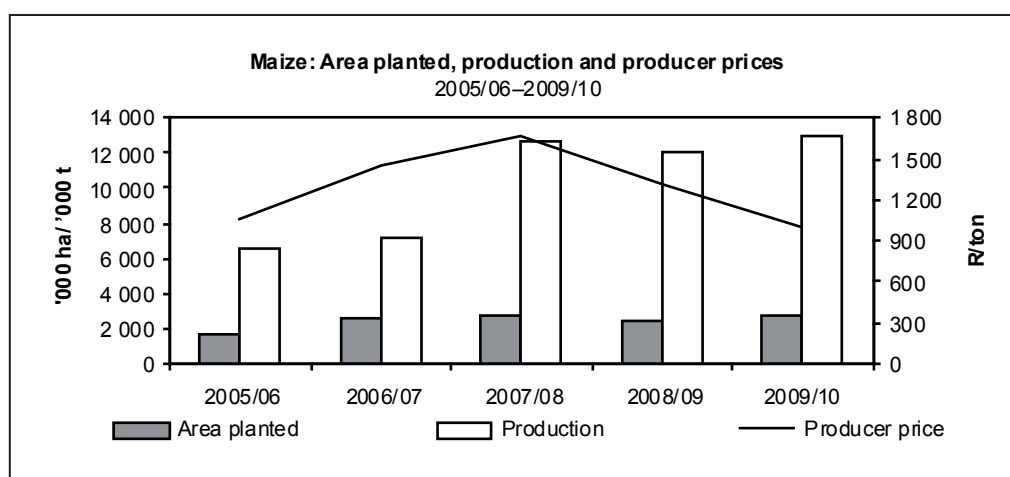
Owing to the excessive rainfall that occurred, some quality problems were reported. At the request of the industry, the South African Grain Information Services (SAGIS) started reporting in 2006 on the percentage of the different grades of maize being delivered during the season. For the 2009/10 season, approximately 90% of the deliveries of white maize was grade WM1, compared to 97% of the 2008/09 crop, and approximately 83% of the yellow maize deliveries was grade YM1, compared to 98% of the 2008/09 crop.

Plantings, production and yields of commercial maize from 2005/06 to 2009/10 were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10
Plantings (ha)	1 600 200	2 551 800	2 799 000	2 427 500	2 742 400
Production (t)	6 618 000	7 125 000	12 700 000	12 050 000	13 043 000
Yield (t/ha)	4,14	2,79	4,54	4,96	4,76

The estimated yield of 4,76 t/ha is slightly below the record yield of 4,96 t/ha realised in 2008/09, mainly because of the above-average rainfall conditions that occurred during the growing season, which also adversely affected the quality of the crop in some areas.

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



In South Africa, the breadbasket of the southern African region, the maize sector comprises both commercial and non-commercial farmers, the latter mostly in the Eastern Cape, Limpopo, Mpumalanga and northern KwaZulu-Natal provinces.

The area planted to maize by the non-commercial sector during 2009/10 is estimated at 520 940 ha, which comprises 371 861 ha of white maize and 149 079 ha of yellow maize. Production by the non-commercial sector is estimated at 605 864 tons – 421 969 tons of white and 183 895 tons of yellow maize. Maize grown by this sector is mainly for its own use and contributes only approximately 4% to total production.

Genetically modified (GM) maize

Plantings of GM maize in South Africa have increased dramatically after more than 10 years of production. During the 2009/10 production season, GM maize contributed 78% or 2,1 million ha of the total commercial area planted to maize. White GM maize contributed about 79% or 1,4 million ha of the total white maize plantings, while yellow GM maize plantings contributed 77% or 787 500 ha of the total yellow maize plantings.

Prices

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

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

Based on domestic stock levels, the domestic prices of maize fluctuate within a band that is determined by world prices, the exchange rate and local maize production. Because of the erratic weather conditions in the country, 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, the 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 decreased by 24,0%, from R1 305,10/ton in 2008/09 to R992,58/ton in 2009/10. The decrease was caused by a combination of factors, such as lower world prices as a result of high world stocks, a surplus supply of local maize, the impact of the international recession and exchange rates.

The average producer prices of maize from 2005/06 to 2009/10 are as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10
	R/ton				
Producer price	1 060,98	1 450,20	1 665,61	1 305,10	992,58

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 2009/10 commercial maize crop of 13,043 million tons (7,822 million tons white and 5,221 million tons yellow), together with carry-over stocks of about 2,131 million tons (1,362 million tons white and 769 000 tons yellow) from the previous season, the domestic supply of maize for the 2010/11 marketing season (May to April) is estimated at 15,780 million tons (9,606 million tons white and 6,174 million tons yellow).

The domestic demand for commercial maize is estimated at 10,577 million tons – 6,273 million tons of white and 4,304 million tons of yellow maize. Projected exports amount to 1,710 million tons (1,060 million tons of white and 650 000 tons of yellow maize). South Africa therefore has sufficient maize stocks of 3,493 million tons – 2,273 million tons white and 1,220 million tons yellow – available to meet the local demand. The surplus above pipeline requirements (45 days of commercial consumption) amounts to 2,402 million tons of maize, consisting of 1,597 million tons of white and 805 000 tons of yellow maize.

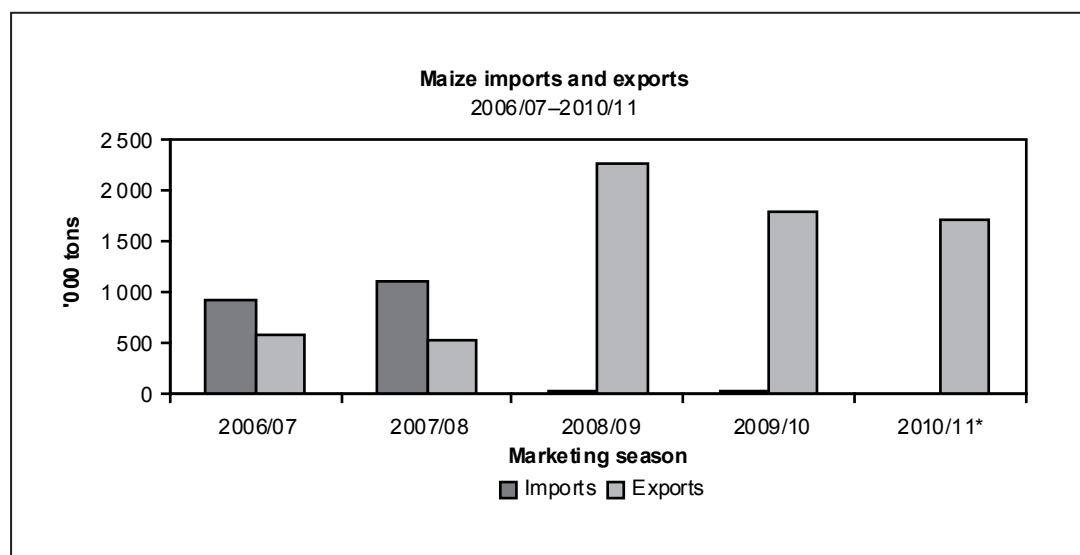
Trade balance

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 about whether to buy from domestic or foreign sources is influenced by, among other factors, transport costs, price and quality. When the product is imported, the exchange rate plays an important role in the actual rand price.

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 for 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 “natural” floor and ceiling prices, 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 following graph shows the imports of maize to and exports from South Africa during the past five marketing seasons (May to April):



* Projection

Important export destinations are the BLNS countries (Botswana, Lesotho, Namibia and Swaziland), Zimbabwe and Mozambique. The first half of the 2010/11 season also shows exports to, *inter alia*, Kenya, Korea, Kuwait, Somalia and Spain.

Normally, the window of opportunity for exports of domestic maize lasts only until the end of October, when the harvesting of the US crop and US exports start.

The Famine Early Warning Systems Network (FEWS NET) of USAID reported that vulnerability assessments carried out from April to May 2010 show that the total number of people in need of humanitarian assistance in eight SADC member states – Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe – had increased from 3,26 million in the 2009/10 marketing year to 4,04 million in 2010/11. Food insecurity was also expected to worsen in these countries as the lean season approaches by October/November 2010. Many poor households in the affected areas are dependent on markets to meet their food needs and as a result, price increases have started to emerge, which is likely to have a negative effect on food access for poor households. Donor assistance is required in some of the countries. South Africa normally has the capacity to cover the maize import needs of neighbouring countries experiencing shortages.

Prospects

The area to be planted to maize for the 2010/11 production season will be influenced by a combination of factors such as relatively low producer price levels, the above-average crop harvested during the past three seasons, high stock levels and relatively high production costs.

Farmers will plant 30% less maize next year owing to the huge surplus of maize experienced in the country this year, according to the South African Agricultural Baseline projections published by the Bureau for Food and Agricultural Policy (BFAP). Because of the surplus, maize prices dropped, leaving farmers with excess maize that they could not sell at a reasonable price.

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* of 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/t from the reference price of US\$117,65/t for 21 consecutive US trading days, a new tariff is triggered. However, this has not happened since.

World maize situation

According to the October 2010 report of the United States Foreign Agricultural Services, world maize production in 2010/11 (July to June) is forecasted at 819,6 million tons, which is 1,2% or 9,4 million tons more than the 810,3 million tons produced during 2009/10. The United States contributed 39% (321,7 million tons), China 20% (166,6 million tons), the EU-27 7% (55,0 million tons) and Brazil almost 6% (51,0 million tons) to world production. The balance of 28% is made up by, *inter alia*, Mexico, India, Argentina and South Africa.

Global consumption is expected to be 833,3 million tons – 26,8 million tons more than in the previous year. Global ending stocks at the end of August 2011 are expected to decrease to 132,4 million tons, which is 15,7 million tons or 10,6% less than in the previous year.

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 Department of Agriculture, Forestry and Fisheries, through the Directorate Agricultural Statistics; Grain South Africa (GSA), which promotes the interests of maize producers, and the South African Grain Information Services (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 cultivated mainly on low-potential, shallow soils with a high clay content that are not suitable for maize cultivation. 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 2009/10 production season (April to March), sorghum for commercial purposes was produced mainly in the Free State (57,7%), followed by Mpumalanga and Limpopo (17,3% each) and the North West (6,3%). An estimated 86 675 ha were planted to sorghum for commercial use, representing an increase of 1,4% compared with the 85 500 ha planted during 2008/09.

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 212 700 tons of sorghum per annum, which is relatively small compared to the average domestic maize and wheat production. During the 2009/10 production season, sorghum contributed approximately 1,3% to the gross value of field crops.

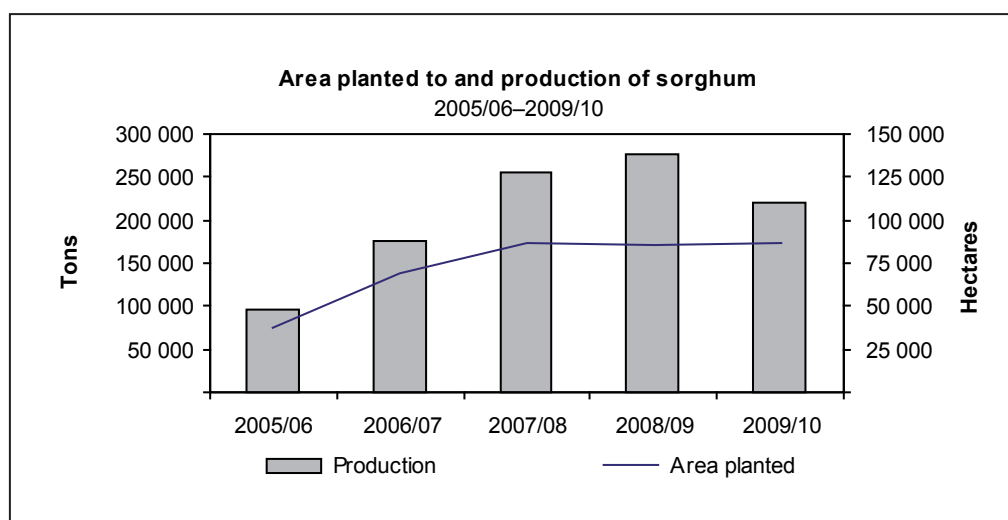
The estimated average annual gross value of sorghum for the five seasons up to 2009/10 amounts to R363 million.

The commercial sorghum crop for the 2009/10 production season is estimated at 220 093 tons, which is 20,4% lower than that of the previous season and 3,5% higher than the five-year average production of 212 700 tons up to 2008/09. The yield for 2009/10 is 2,54 t/ha, which is 12,7% lower than the five-year average yield of 2,91 t/ha up to 2008/09.

Plantings, production and the yields of sorghum from 2005/06 to 2009/10 were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10
Plantings (ha)	37 150	69 000	86 800	85 500	86 675
Production (t)	96 000	176 000	255 000	276 500	220 093
Yield (t/ha)	2,58	2,55	2,94	3,23	2,54

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



The five-year average, up to 2008/09, of sorghum produced by the non-commercial agricultural sector for its own use is assumed to be approximately 9 273 tons and represents about 4,4% of the average commercial sorghum crop of 212 700 tons.

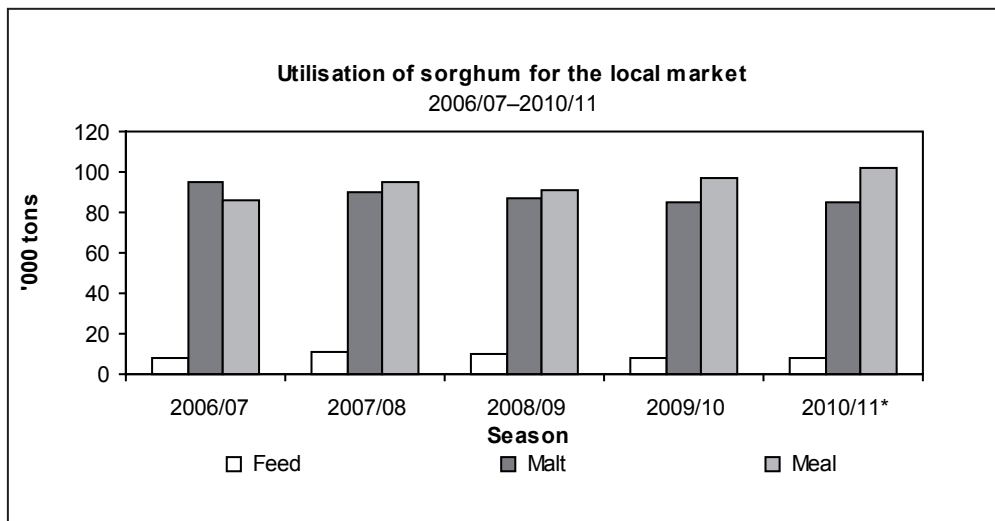
Consumption

Sorghum is consumed mainly in the human food market and, as in the case of maize, consumers tend to replace sorghum-based products with preferred products as the household income increases.

The five-year average commercial utilisation (for human and animal consumption) of sorghum up to the 2010/11 marketing season is approximately 191 400 tons, of which 182 500 tons are for human consumption (malt, meal and other uses) and 8 900 tons for animal feed.

The carry-over stocks on 1 April 2010 amounts to 93 200 tons, while no sorghum is expected to be imported. Projected exports during the 2010/11 marketing season are 31 600 tons and carry-over stocks at the end of March 2011 are expected to be approximately 60 800 tons.

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



* Projection

Producer prices

Local producer prices of sorghum decreased by 7,2%, from R1 494,65/t in 2008/09 to R1 386,62/t for the 2009/10 production season.

Season	2005/06	2006/07	2007/08	2008/09	2009/10
	R/ton				
Producer price	1 191,41	1 483,43	1 774,43	1 494,65	1 386,62

The JSE introduced a sorghum contract from Wednesday, 19 May 2010, with the following expiries: July 2010, September 2010, December 2010 and July 2011. This will provide a better view of what is happening in the sorghum market, as it is traded with the relevant fundamental factors discounted in the price.

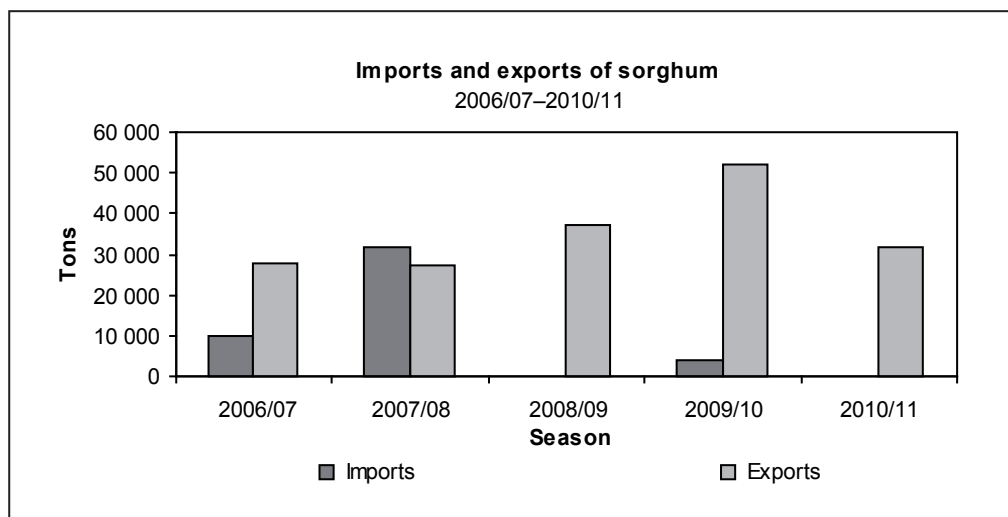
Imports and exports

Imports and exports of sorghum from 2006/07 to 2010/11 (marketing season) were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10
	Tons				
Imports	9 900	31 700	0	4 000	0
Exports	27 800	27 300	37 100	52 000	31 600

* Projection

The exports of 31 600 tons for the 2010/11 marketing season are 39,2% less than the 52 000 tons of the previous season.



Outlook

A survey conducted in mid-October 2010 showed that producers intended to decrease sorghum plantings slightly by approximately 0,1%, from 86 675 ha planted in the 2009/10 production season to 86 600 ha in 2010/11. Using a five-year average yield of 2,91 t/ha and the intended plantings of 86 600 ha, a production of 252 006 tons of sorghum could be expected during the 2010/11 production season.

World sorghum situation

World production decreased by 8,4%, from 64,78 million tons in 2008/09 to 59,36 million tons in 2009/10. Nigeria contributed 19,4% (11,5 million tons), the United States 16,4% (9,7 million tons), India 11,8% (7,0 million tons) and Mexico 9,9% (5,9 million tons) to world production. The balance of 42,5% was made up by, *inter alia*, Sudan, Argentina, China, Ethiopia and Australia.

The world total production in 2010/11 is forecast at 63,29 million tons, which is 3,93 million tons or 6,6% more than the 59,36 million tons produced in 2009/10.

Nigeria, the largest producer of sorghum in Africa, expects an increase of 200 000 tons or 1,7%, from 11,5 million tons in 2009/10 to 11,7 million tons in 2010/11.

India and Mexico are expected to produce 7,5 million tons and 7,1 million tons respectively. Concerning India, the increase is mainly due to increased plantings and in the case of Mexico, it can be contributed to increases in both the area planted and the expected yields.

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, and 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 (association not for gain), 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 2009/10 season, this crop contributed approximately 11% to the gross value of field crops. The average annual gross value of wheat for the past five years up to 2009/10 amounts to R3 619 million, compared to R14 041 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. The crop is harvested from November to January. Most of the wheat produced in South Africa is bread wheat, with small quantities of durum wheat being produced in certain areas.

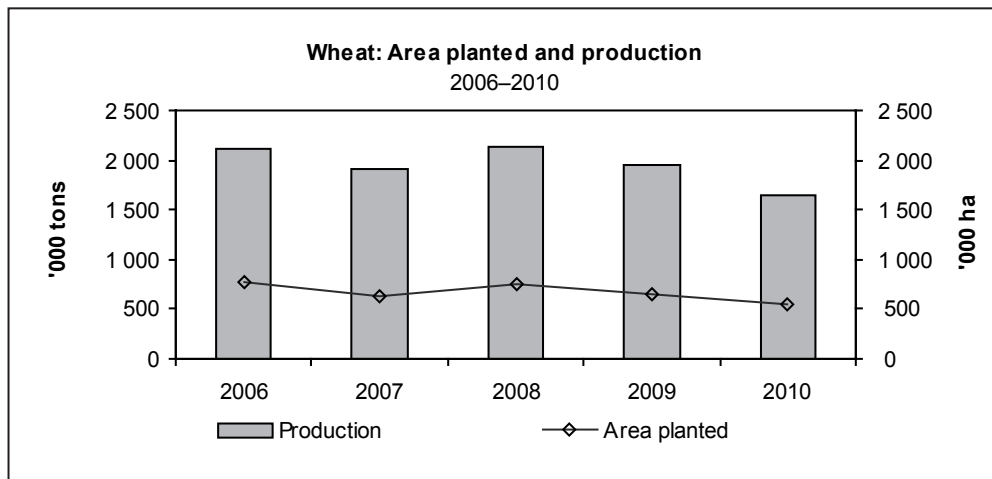
Wheat is generally classed as “hard” or “soft”. Hard wheat tends to have a higher protein content than softer wheat and is used mainly for bread. Soft wheat, on the other hand, is more suitable for confectionery.

Areas planted and production

The estimated area planted to wheat for the 2010 season is 558 100 ha, which is 13,1% less than the 642 500 ha of the previous season. This is the lowest area planted to wheat since the early 1900s. Of this area, 265 000 ha (47%) are in the Western Cape and 204 000 ha (37%) are in the Free State. According to producers, the decrease in plantings can be attributed mainly to the relatively low producer prices of wheat.

The start to the 2010 production season for wheat was marked by favourable conditions in both the Western Cape winter rainfall region and the northern dryland production areas of the country. Since August/September, however, conditions have deteriorated in some parts of the winter production areas.

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



The expected commercial wheat crop for 2010 is 1,637 million tons, of which 622 750 tons (38%) are from the Western Cape, 469 200 tons (29%) from the Free State and 256 500 tons (16%) from the Northern Cape provinces. The expected average yield was 2,93 t/ha.

Plantings, production and yields from 2006 to 2010 are as follows:

Season	2006	2007	2008	2009	2010
Plantings (ha)	764 800	632 000	748 000	642 500	558 100
Production (t)	2 105 000	1 905 000	2 130 000	1 958 000	1 637 220
Yield (t/ha)	2,75	3,01	2,85	3,05	2,93

Consumption

A total of 3,976 million tons of wheat were available for local consumption during the 2009/10 marketing season (October to September). This comprised carry-over stocks as at 1 October 2009 of 694 000 tons, domestic production, including the developing sector, of 1,967 million tons, and imports of approximately 1,315 million tons.

The total demand for wheat for the 2009/10 marketing season is estimated at approximately 3,275 million tons, of which 246 000 tons were exported. Carry-out stocks as at 30 September 2010 are estimated to be 701 000 tons.

For the 2010/11 marketing season, the total supply of wheat is forecast at 3,847 million tons (the estimated wheat crop of 1,646 million tons, including the non-commercial sector, together with the carry-over stocks of about 701 000 tons and expected imports of 1,5 million tons). The demand for wheat (exports included) is estimated at 3,276 million tons. Carry-out stocks at the end of September 2011 are expected to amount to 571 000 tons.

Imports

South Africa, a net importer of wheat, relies on imports from, *inter alia*, Argentina, Canada and the USA to meet its domestic demand. During the 2009/10 season, approximately 65% of the wheat that was needed for domestic consumption was produced locally, while an estimated 1,3 million tons were imported.

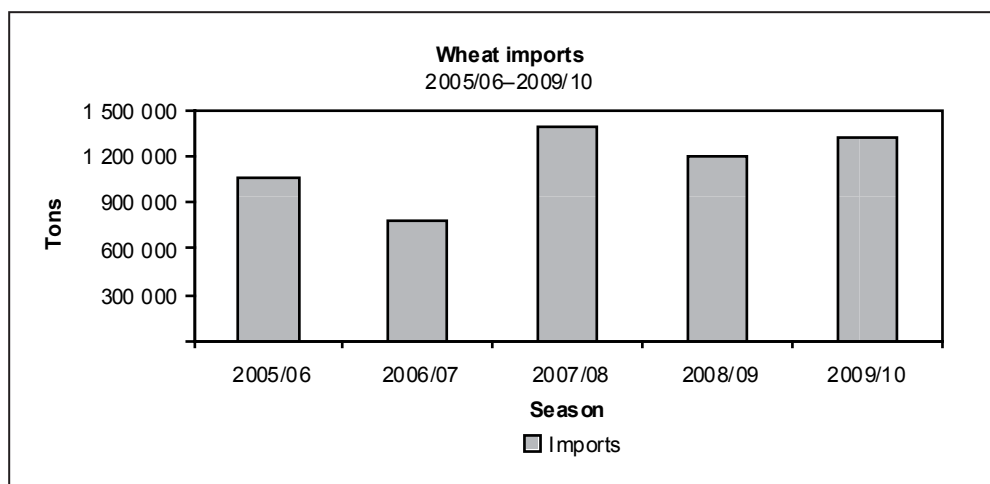
Wheat imports from 2005/06 to 2009/10 were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10*
	Tons				
Imports	1 055 000	777 000	1 396 000	1 192 000	1 315 000

* Projection for the 2009/10 marketing season

Source: SAGIS

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



Prices

The average producer price of wheat decreased by 30,8%, from R2 307,46/ton in 2008/09 to R1 597,97/ton in 2009/10. The drop was mainly due to a sharp decrease in the world wheat price.

Russia's decision to stop exporting grain owing to recent fires and drought conditions has caused a slight increase in the global wheat price since August 2010, which also reflected on the local market.

The average producer prices of wheat (grade 1) from 2005/06 to 2009/10 were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10
	R/ton				
Producer price	1 033,99	1 524,19	2 505,58	2 307,46	1 597,97

Marketing

The South African wheat market was deregulated on 1 November 1997 and wheat can therefore be traded freely. The only government intervention in the market is the tariff on wheat imports.

The Winter Grain Trust is responsible for the allocation of funding and appraisal of relevant research projects in the winter grains industry. Since 1998, statutory levies on sales of winter cereals have been used to finance the Winter Grains Trust.

World wheat situation

Russia, a major wheat exporting country, banned grain exports in August 2010 after the worst drought on record and fires wiped out approximately one-third of its crop. The ban, which, *inter alia*, covers barley, maize, flour, rye and wheat, would stretch from 15 August to 31 December 2010. The restrictions have, besides bringing wild swings in wheat prices, stoked concerns worldwide over food inflation, and sent shockwaves into many other markets.

According to the October 2010 report of the United States Foreign Agricultural Services, world wheat production in 2010/11 (July to June) is forecast at 641,44 million tons, which is 6,0% or 40,7 million tons less than the 643,0 million tons produced during 2009/10. China contributed 18% (114,5 million tons), India 13% (80,7 million tons) and the United States 9% (60,5 million tons) to world production during 2009/10. The balance of 60% is made up by, *inter alia*, the EU-27, the Russian Federation, Pakistan and Canada.

Global consumption is expected to be 660,1 million tons – 10,9 million tons more than the previous year. Global ending stocks at the end of June 2011 are expected to decrease to 174,7 million tons, which is 21,8 million tons or 11,1% less 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, among others, the wheat industry, administers the information function for the wheat industry.

Accurate crop forecasts and estimates also play an important role by providing up-to-date 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

Barley is one of the most important grain crops in South Africa, surpassed only by wheat and maize, and also, after wheat, the most important small grain type.

The cultivation area for malting barley under dryland conditions is at present restricted to a very specific region, namely the Southern Cape, which stretches from the Bot River in the west to Heidelberg in the east. It would not be economically viable to cultivate malting barley on dryland in an area that does not receive 350 mm of well-distributed rainfall during the growing season (March to October).

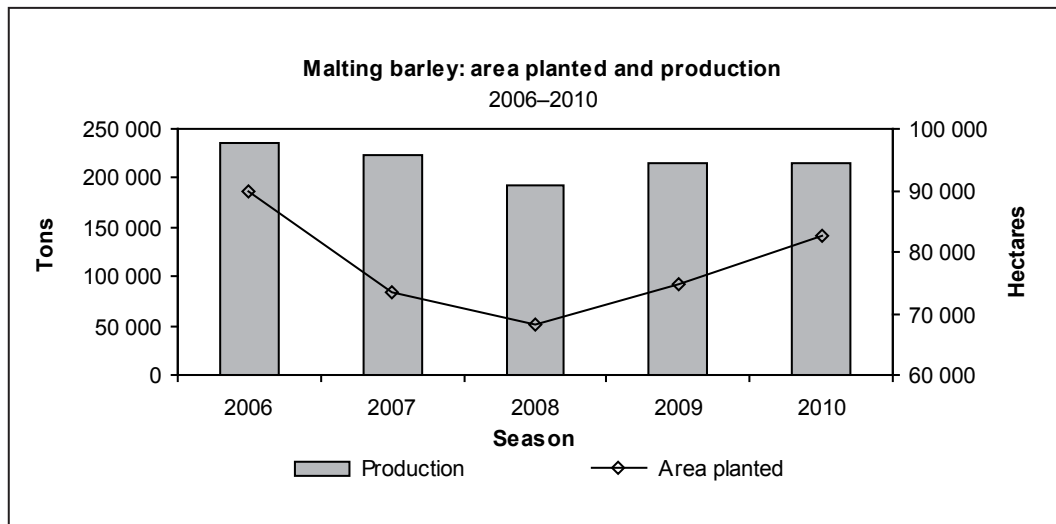
The concentration of the production of a relatively minor commodity, such as malting barley, in a specific area has various advantages, e.g. it facilitates transport, storage, control, extension and research, which also implies cost advantages.

However, because of the risk of unpredictable weather conditions in the Southern Cape, barley production has also been introduced to the cooler central irrigation areas of the Northern Cape Province. Malting barley under irrigation has a higher yield and is more stable than in the Southern Cape, where the crop is dependent on rainfall.

Despite the fact that barley is planted over a relatively short period (from three weeks in certain areas to five weeks in others), the earlier plantings generally have a higher yield potential. This results in greater yield increases with disease and pest control programmes in earlier plantings. Barley planted later than the optimum planting date is therefore at greater risk in terms of both yield and quality.

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.

The plantings of malting barley for the 2010 season are estimated at 82 670 ha. This is 10,6% or 7 910 ha higher than the plantings of 74 760 ha during 2009, and also 4,3% or 3 441 ha more than the five-year average of 79 229 ha planted up to 2009. Of this 82 670 ha, 73 000 ha (88%) are in the Western Cape, 8 500 ha (10%) in the Northern Cape and 1 020 ha (1%) in the North West Province.



A total crop of 214 766 tons of malting barley is expected for the 2010 season. This is 0,6% lower than the estimated production of 216 000 tons in the previous season. It is also 1,6% or 3 534 tons less than the average production of 218 300 tons per annum over the five years up to 2009.

Plantings, production and yield of malting barley from 2006 to 2010 were as follows:

Season	2006	2007	2008	2009	2010
Plantings (ha)	89 780	73 360	68 245	74 760	82 670
Production (t)	236 000	222 500	192 000	216 000	214 766
Yield (t/ha)	2,63	3,03	2,81	2,89	2,60

Consumption

The processing of barley into malt is done mainly in Caledon in the Southern Cape, but also in Alrode near Johannesburg. Malt barley is all about taste, and that taste is mainly used to flavour beer. It is also used around the world in many foods.

The total supply of malting barley for the 2009/10 marketing season (October to September) was estimated at 369 100 tons (imports included). Carry-over stocks as at 1 October 2009 amounted to 99 600 tons. Production for the 2009/10 season was 216 000 tons, while 53 500 tons were imported.

For the 2009/10 marketing season, the total demand for malting barley is estimated at 260 600 tons and carry-out stocks at 30 September 2010 were 108 500 tons. This is almost three times the required three-month-pipeline stock of 31 800 tons.

For the 2010/11 marketing season, the total supply of malting barley is expected to be 388 300 tons, comprising the expected crop of 214 800 tons, carry-over stocks of 108 500 tons and expected imports of 65 000 tons. The domestic demand is estimated at 298 800 tons, including 4 000 tons of exports. Carry-out stocks at the end of September 2011 are expected to amount to 89 500 tons.

Producer prices and value of crop

The average producer prices of malting barley from 2005 to 2009 were estimated to be as follows:

Season	2005	2006	2007	2008	2009*
	R/ton				
Producer price	1 142,80	1 576,42	1 381,40	2 300,31	2 189,09

* Preliminary

The average annual gross value of malting barley for the past five years up to 2009/10 amounts to R369 million, compared to the R3 619 million of wheat and R14 041 million 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, South African Breweries Limited (SAB), with malted barley. Barley producers have a guaranteed market (there is a written commitment to source locally) and fixed-price forward contracts. The barley-malting industry is significant in South Africa's national economy, with barley playing a crucial role in the crop rotation systems used by farmers.

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 imported barley (mainly from Canada, the United States, Australia and Argentina) and malt (mainly from Canada, the US, Sweden and France).

Barley and malt imports from 2005/06 to 2009/10 were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10
	Tons				
Imports — barley	79 500	51 100	96 600	98 700	44 900
— malt	81 000	75 900	40 400	61 900	24 900

Source: SAGIS

World barley situation

According to the September 2010 report of the United States Foreign Agricultural Services, world barley production is estimated at 125,9 million tons for the 2010/11 marketing year, while global consumption is expected to be 141,5 million tons. Global ending stocks at the end of October 2011 are expected to be 21,0 million tons. Barley production in the European Union decreased from last year owing to dryness in Western Europe and wetness in Eastern Europe, while Russian production is estimated to decrease by 53% from last year.

Research and information

The South African Barley Breeders' Institute (SABBI) near Caledon and the ARC-Small Grain Institute in Bethlehem conduct 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, among 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 part of the production areas, and up to the middle of January in the western part. Sunflowers grow best when

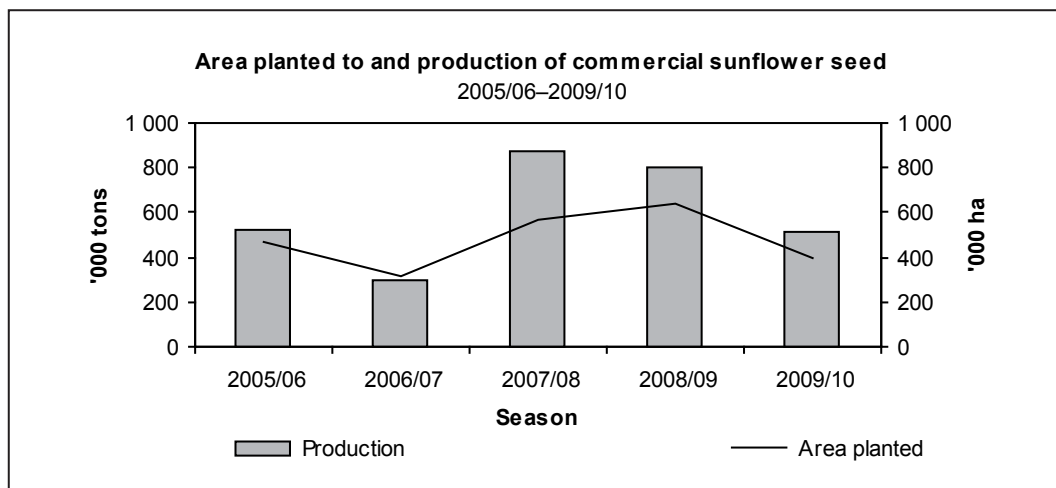
planted in mid-summer to ensure that less moisture is lost from the soil during the crucial growing phases. Compared to other crops, sunflower performs well under dry conditions. This is probably the main reason for the crop's popularity in the marginal production areas of South Africa. A close link exists between the area planted to maize and the area planted to sunflower seed, because the farmer can easily switch to sunflower if the optimum date for maize planting has passed.

During the 2009/10 production season, the bulk of the crop was produced in the Free State (46%) and North West (37%) provinces. The contribution of sunflower seed to the gross value of field crops during the season is approximately 5,6%, compared to the 47,6% of maize – the largest contributor. The average annual estimated gross value of sunflower seed for the 5 years up to 2009/10 amounts to R1 934 million, compared to the R14 041 million of maize.

Plantings and production

The yearly plantings of sunflower show remarkable variation, between as low as 316 000 ha and as high as 828 000 ha during the past two decades. Following two consecutive seasons of increases in plantings, the area planted to sunflower seed for commercial use during the 2009/10 season decreased by 37,4% to 397 700 ha as against an estimated 635 800 ha the previous season. This is also 18,8% lower than the 5-year average of 489 786 ha up to 2008/09. The decrease in plantings can be attributed mainly to lower prices during planting time, as well as unfavourable planting conditions in the main sunflower seed production area.

Commercial seed production during 2009/10 was approximately 516 265 tons, which is 35,6% lower than the previous season and 17,1% lower than the average of 622 600 tons for the previous 5 years. The decrease in production can be attributed mainly to the decrease in the area planted to sunflower seed. Limited cases of sclerotinia fungus contamination were reported in a survey done by the Department of Agriculture, Forestry and Fisheries during May/June 2010. The average yield for 2009/10 is approximately 1,30 t/ha, which is 3,2% higher than the 1,26 t/ha during the previous season, and also 2,4% higher than the 5-year average of 1,27 t/ha up to 2008/09. The increased yield can, amongst other factors, be attributed to improved cultivars that are self-pollinating and not that dependent on insects like in the past. The rains received during January and February 2010 also impacted positively on the seed having been planted during November and December 2009.



Subsistence agriculture contributed an estimated 20 994 tons (3,9%) to the total sunflower seed production in South Africa during 2009/10.

According to a report by the Bureau for Food and Agricultural Policy (BFAP) of the University of Pretoria, an increase of approximately 58% in plantings of sunflower seed could be expected for the 2010/11 production season.

According to this report, the increase is expected as a result of the relatively higher profitability of sunflower seed production compared to maize production, especially in the western part of the North West province, where the potential for maize production is significantly lower than in the eastern part of the country.

Commercial plantings, production and yields of sunflower seed from 2005/06 to 2009/10 were as follows:

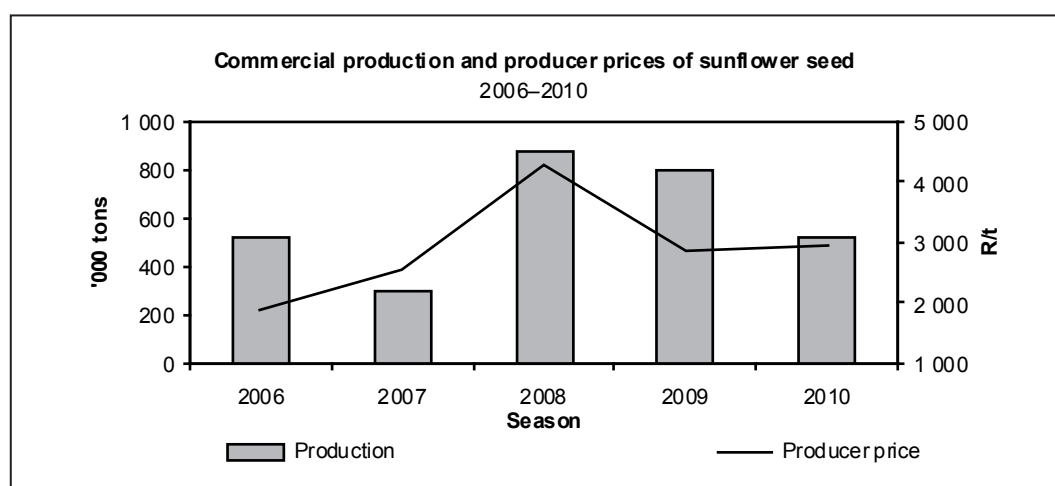
Season	2005/06	2006/07	2007/08	2008/09	2009/10
Plantings (ha)	472 480	316 350	564 300	635 800	397 700
Production (t)	520 000	300 000	872 000	801 000	516 265
Yield (t/ha)	1,10	0,95	1,55	1,26	1,30

Producer prices

The average producer prices of sunflower seed from 2006 to 2010 are as follows:

Season	2006	2007	2008	2009	2010
	R/ton				
Producer price	1 867	2 547	4 272	2 855	2 940

The average producer price increased by 3,0%, from R2 855/ton in 2009 to R2 940/ton in 2010. The main reason for this is the higher international prices as a result of severe drought conditions in the Russian Federation and lower plantings in most countries, including South Africa, which led to higher derived local prices. The effect of the high international prices on local prices was, however, counteracted by the stronger rand towards the end of the season. Indications are that the strong demand for soya beans by China is also impacting positively on local sunflower seed prices, as this is used as an important barometer to determine these prices. Traditionally, sunflower prices tend to increase after the second half of the year and reach a peak during the period November to February.



Consumption

The sunflower seed marketing season in South Africa commences on 1 January and ends on 31 December. The seed is used 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 also processed into margarine and other consumer products. Oilcake is an important protein ingredient of balanced animal feed.

The estimated sunflower seed crop of 516 265 tons for the 2010 marketing season, together with carry-over stocks of about 266 300 tons on 1 January 2010 and estimated imports of 11 000 tons, leaves the domestic supply of commercial seed at an estimated 793 565 tons for the season.

In South Africa, sunflower seed is used almost exclusively (an estimated 99% or 711 200 tons in 2010) for oil and oilcake production. The estimated commercial consumption of seed for the 2009 marketing year is approximately 720 600 tons. No exports were projected for the 2010 season. South Africa's stock situation has deteriorated since the previous season, and the country has just enough seed available to meet local demand for 2010. Carry-out stocks on 31 December 2010 are expected to be approximately 72 965 tons, which is 59% less than the required 3-month-pipeline stock of approximately 177 700 tons.

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 limited, for the first six months of 2010, South African imports were mainly from China and Malawi.

Year	2006	2007	2008	2009	2010*
	Tons				
Imports	2 800	9 200	1 500	69 400	11 000
Exports	100	0	79 400	0	0

* Projection

International overview

According to the October 2010 report of the United States Foreign Agricultural Services, preliminary indications pointed to an increase of 7,0% or 1,6 million ha in the global harvested area, to a record of 23,8 million ha for 2010/11. The expansion was expected to occur in Russia, Kazakhstan and India in the northern hemisphere and Argentina in the southern hemisphere.

World output of sunflower seed is also expected to increase by around 730 000 tons or 2,4% to 31,1 million tons. The increase in production can mainly be ascribed to the higher global plantings. It is also important to note that Russia, as one of the main sunflower seed exporting countries, is expecting the lowest yield per ha in almost ten years as a result of severe drought conditions experienced throughout the growing season.

Marketing, information and research

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

The information function is performed by the Department of Agriculture, Forestry and Fisheries, through the Directorate: Agricultural Statistics, Grain South Africa (GSA), which promotes the interests of oilseed producers, and the South African Grain Information Service (SAGIS), a section 21 company funded by, among 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 quite 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 plants thrive in warm, fertile, clayish soil. Soya beans are mainly cultivated under dryland conditions and were grown primarily in Mpumalanga (47%), the Free State (31%), and KwaZulu-Natal (10%) during the 2009/10 season. Small plantings are found in Limpopo, Gauteng and the North West.

Soya beans contribute approximately 4,9% to the gross value of field crops, and the estimated average annual gross value of soya beans for the past five seasons up to 2009/10 amounts to R106 million.

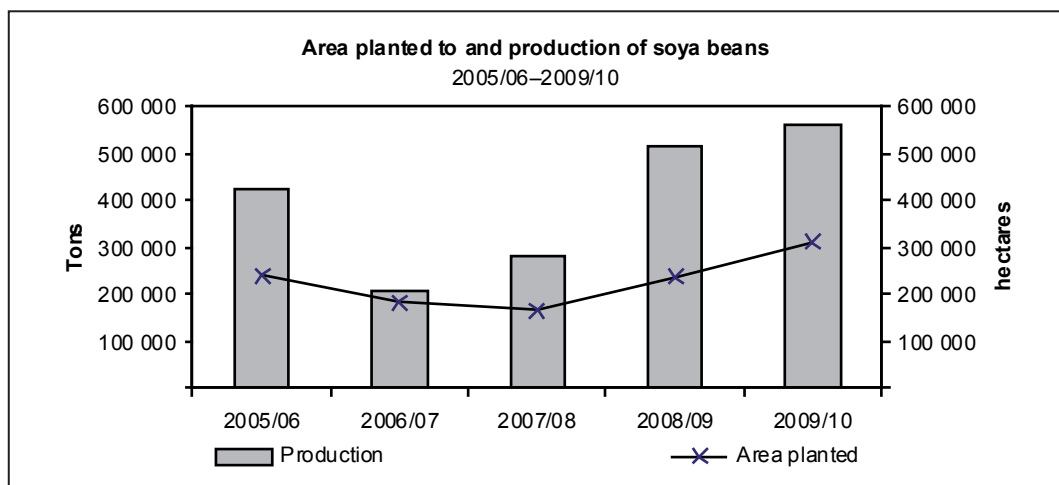
Plantings and production

The plantings of soya beans ranged between 46 000 and 311 450 ha over the past 20 years. For two consecutive seasons, the area dedicated to soya-bean production has increased rapidly. During the 2009/10 production season, an estimated 311 450 ha, the largest planting in two decades, were planted for commercial use, as against an estimated 237 750 ha the previous season. This represents an increase of 31,0% and is also 59,4% higher than the five-year average of 195 344 ha up to 2008/09. The increase in plantings was mainly caused by the unfavourable price ratio of sunflower seed compared to maize and soya beans during the 2009 planting season and early rains in October motivated producers to plant more maize and soya beans and less sunflower seed.

The record crop of an estimated 560 950 tons in 2009/10 (the highest during the past two decades) represents an increase of 8,7% over the 2008/09 crop of 516 000 tons. It is also 65,0% higher than the average of 339 900 tons for the five years up to 2008/09. The record crop is also a first in the history of South African soya-bean production, as it has exceeded sunflower seed production. The average yield of 1,80 t/ha is 17,1% lower than the 2,17 t/ha of the previous season. The lower yield for 2009/10 can be attributed mainly to excessive rainfall in certain production areas, as well as a lack of heat units as a result of the prolonged cloudy conditions that prevailed during the growing season.

Plantings, production and yields of soya beans from 2005/06 to 2009/10 were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10
Plantings (ha)	240 570	183 000	165 400	237 750	311 450
Production (t)	424 000	205 000	282 000	516 000	560 950
Yield (t/ha)	1,76	1,12	1,70	2,17	1,80



Producer prices

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.

The average local producer price of soya beans for 2010 is approximately R2 513/ton, which is 21,1% lower than the price for 2009. The decrease can be attributed mainly to the larger international and local crop, which led to increased stock levels, as well as the strengthening of the rand against the American dollar.

The average producer prices of soya beans from 2006 to 2010 are as follows:

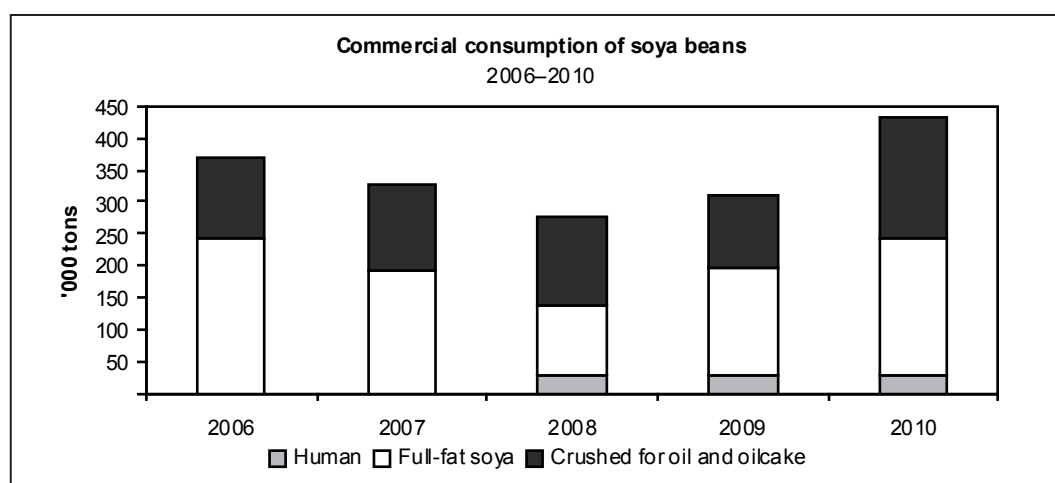
Season	2006	2007	2008	2009	2010
	R/ton				
Producer price	1 467	2 343	4 026	3 187	2 513

Consumption

An estimated total of 677 050 tons of soya beans are available for utilisation during the 2010 marketing season (January to December). Carry-over stocks on 1 January 2010 amounted to 112 600 tons, and the estimated production is 560 950 tons. The projected imports amount to approximately 3 500 tons.

In South Africa, soya beans are mainly used for animal feed. The local commercial consumption of soya beans for 2010 is estimated at 447 800 tons – 215 900 tons for feed (full-fat soya), 188 000 tons for oil and oilcake and 29 300 tons for human consumption. Onfarm consumption is estimated at 14 600 tons. The projected exports during 2010 are 146 500 tons. Carry-over stocks on 31 December 2010 are expected to be approximately 82 750 tons.

The following graph illustrates the commercial consumption of soya beans:



Trade

During the first six months of 2010, South African imports of soya beans were mainly from Zambia, while the exports were mainly to Malaysia, followed by Indonesia and China.

The imports and exports of soya beans from 2006 to 2010 are as follows:

Season	2006	2007	2008	2009	2010*
	Tons				
Imports	10 400	120 100	16 300	1 400	3 500
Exports	1 200	1 200	5 400	155 600	146 500

* Projected

International overview

Economically, the soya bean is the most important legume in the world, providing good-quality vegetable protein for 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 played an important role in helping to alleviate world hunger.

According to the World Agricultural Supply and Demand Estimate (WASDE) Report, released in October 2010, world production of soya beans increased by 22,6%, from 212,0 million tons for the 2008/09 marketing season to 259,9 million tons for 2009/10. The United States contributed 35,2% (91,4 million tons), Brazil 26,5% (69,0 million tons), Argentina 21,0% (54,5 million tons) and China 5,7% (14,7 million tons) to world production. The balance of 11,6% is made up by, *inter alia*, the EU-27, Japan and Mexico.

Outlook

A survey conducted in mid-October 2010 showed that producers intended to increase soya-bean plantings by approximately 25%, from 311 450 ha planted for the 2009/10 production season to 390 000 ha for the 2010/11 season. Should these intentions realise, it will be the largest area planted to soya beans on record.

Using a three-year average yield of 1,90 t/ha and the intended plantings of 390 000 ha, one would be looking at another record crop of 741 000 tons of soya beans for the 2010/11 production season.

According to a report by the Bureau for Food and Agricultural Policy (BFAP) of the University of Pretoria, a 14,1% increase in the intended local plantings of soya beans can be expected for the 2010/11 production season. The expansion in the soya-bean acreage is mainly driven by the relatively lower profitability of

maize production as well as lower input costs in the case of soya beans that can ease the pressure on the cash-flow position of farmers.

The WASDE projected the global production of soya beans for the 2010/11 marketing season at 255,3 million tons – a decrease of 1,8%. The decrease in production can be ascribed mainly to a decrease in the expected yields of Brazil and Argentina from the previous season.

Research and information

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

The information function is performed by the Department of Agriculture, Forestry and Fisheries 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, producer deliveries and consumption) once a month.

Accurate crop forecasts and estimates also play an important role by providing up-to-date 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.

The Protein Research Foundation has signed a memorandum of understanding with Embrapa in Brazil. Embrapa is a government-owned research institute that has a specific research division for soya beans, namely Embrapa-Soya. This centre operates 24 laboratories, 25 hothouses and 350 ha of fields for experimental field trials. In future, local soya-bean producers therefore could have access to new drought-, disease- and nematode-tolerant, high-yielding soya-bean cultivars from Brazil.

Groundnuts

Plantings and production

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 damage by fungi and herbicides.

The contribution of groundnuts to the value of field crops is approximately 2,6% and the average annual gross value of groundnuts for the five years up to 2009/10 amounts to approximately R536 million.

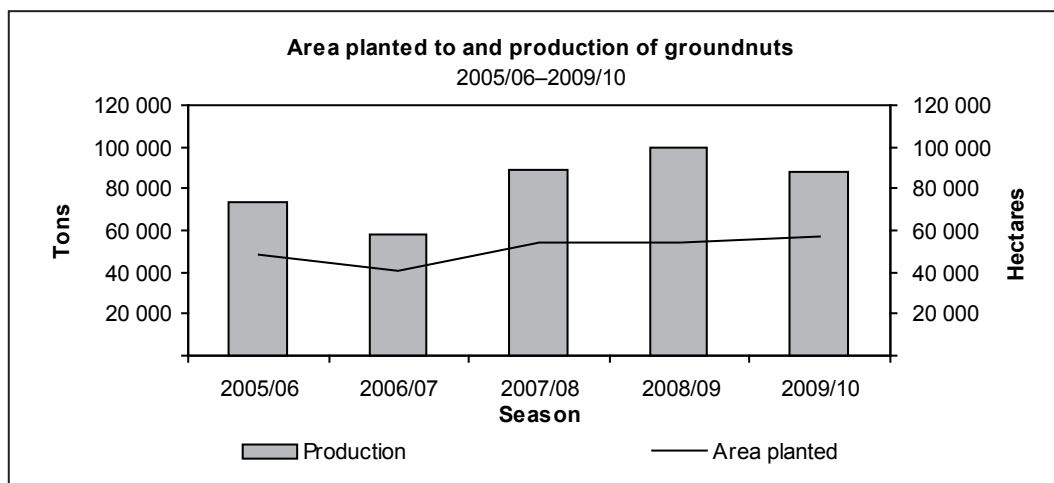
During the 2009/10 production season, groundnuts were planted mainly in the north-western regions of South Africa, namely the western and north-western Free State Province (43,5%), the North West Province (34,8%) and the Northern Cape Province (17,4%). An estimated 57 450 ha were planted for commercial use, as against 54 550 ha planted during 2008/09. This represents an increase of 5,3% and is also 20,7% higher than the average of 47 614 ha planted during the five years up to 2008/09.

An estimated commercial crop of 87 880 tons of groundnuts was produced during 2009/10. This represents a decrease of 11,7% compared to the 2008/09 crop of 99 500 tons, which is 14,3% higher than the five-year average of 76 860 tons up to 2008/09. The average yield was 1,53 t/ha, which is 15,9% less than the 1,82 t/ha of the previous season and 5,0% less than the five-year average of 1,61 t/ha.

Concerning the current crop, quality problems have been reported in certain regions, specifically with mechanical harvesting and late rains.

Plantings, production and the yield of groundnuts from 2005/06 to 2009/10 were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10
Plantings (ha)	48 550	40 770	54 200	54 550	57 450
Production (t)	74 000	58 000	88 800	99 500	87 880
Yield (t/ha)	1,52	1,42	1,64	1,82	1,53



Indications of producers' intentions for the 2010/11 season are that groundnut plantings will be increased by approximately 4,1%, which can be attributed mainly to better price expectations. Producers are encouraged to enter into contracts with buyers before planting.

Producer prices

Groundnuts are traditionally an export commodity and local prices are determined mainly by export parity. The average producer prices of groundnuts from 2005/06 to 2009/10 were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10*
	R/ton				
Producer price	2 849	5 514	6 122	6 361	7 549

* Preliminary

The average producer price for groundnuts shows an increase of 18,7%, from R6 361/ton in 2008/09 to R7 549/ton in 2009/10, as a result of a decline in international stock levels and in the world production in 2009/10.

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 2010/11 are as follows:

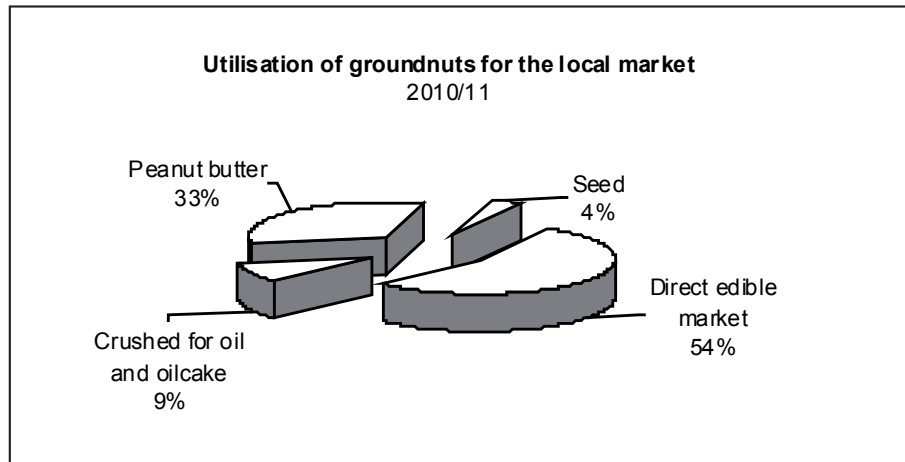
Season	2006/07	2007/08	2008/09	2009/10	2010/11*
	Tons				
Imports	21 400	21 400	10 900	6 000	3 000
Exports	17 800	11 300	22 600	15 600	32 200

* Projections

Consumption

An estimated total of 134 700 tons of groundnuts are available for utilisation during the 2010/11 marketing season. Carry-over stocks on 1 March 2010 amounted to 43 800 tons, and the estimated production is 87 900 tons. Projected imports amount to approximately 3 000 tons.

In South Africa, groundnuts are used mainly for human consumption. The local commercial consumption of groundnuts for 2010/11 is estimated at 74 600 tons – 6 900 tons for oil and oilcake, 24 300 tons for peanut butter, 40 500 tons for the direct edible market, and 2 900 tons for seed. On-farm consumption is estimated at 4 000 tons. The projected exports during 2010 are 32 200 tons. Carry-over stocks on 28 February 2011 are expected to be approximately 23 900 tons.



The *per capita* consumption for the 2010/11 marketing year is estimated at 1,12 kg, which is 5,08% less than the 1,18 kg the previous season.

International overview

The world production of groundnuts decreased by 4,4%, from 34,5 million tons in 2008/09 to 33,0 million tons in 2009/10. Preliminary figures published in October 2010 by the USDA show that the drop can be attributed mainly to a 22,2% decrease in the production of India from 6,3 million tons to 4,9 million tons.

The production of groundnuts is expected to be 34,4 million tons in 2010/11, which is 4,2% higher than the 33,0 million tons in 2009/10. India's total groundnut production is forecast at 6,4 million tons, which is 1,5 million tons or 30,6% higher than in the previous year.

Research and information

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

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

Canola

Canola is an oilseed crop that is grown mainly in the Western Cape Province, although there are farmers in other areas of South Africa, such as the Northern Cape, Free State and KwaZulu-Natal provinces, that also plant small quantities of canola from time to time.

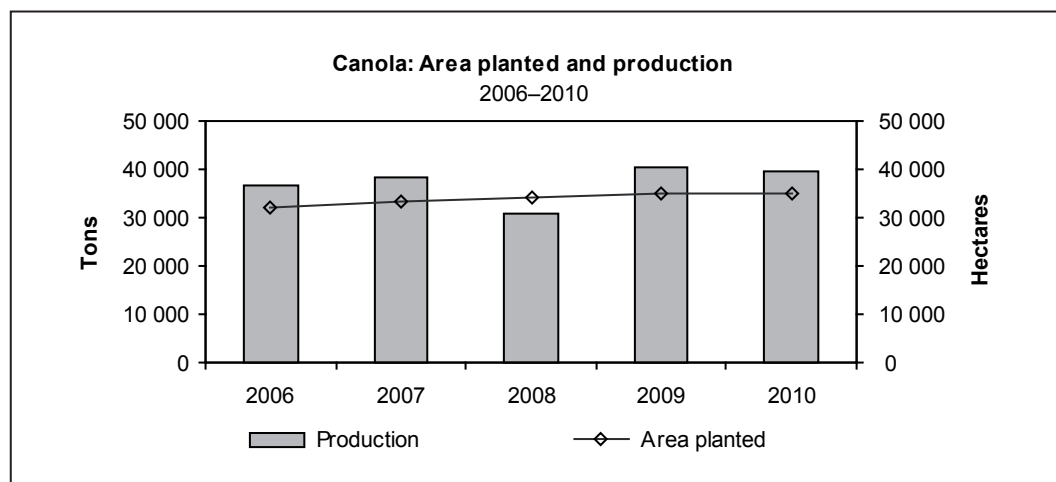
Plantings and production

While the estimated area planted to canola decreased by 0,7% from 35 060 ha in 2009 to 34 820 ha in 2010, production is expected to decrease by 1,7% from 40 350 tons to 39 650 tons. The decrease in production can most likely be ascribed to a number of factors, with the main one probably being low and fluctuating yields. During this period, some canola producers in the Western Cape experienced extensive damage by slugs and isopods.

Estimated plantings, production and yields of canola from 2006 to 2010 were as follows:

Season	2006	2007	2008	2009	2010
Plantings (ha)	32 000	33 200	34 000	35 060	34 820
Production (t)	36 500	38 150	30 800	40 350	39 650
Yield (t/ha)	1,14	1,15	0,91	1,15	1,14

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



The planting of canola as an alternative to small grain crops has become an important part of crop rotation practices in the Western Cape Province. It is particularly the herbicide-resistant cultivars that make it possible for canola to be included in crop rotation systems with wheat in many regions. In such crop rotation systems, canola usually causes an increase in the yields of the subsequent crops. Where wheat was planted after canola, increases of up to 25% in yields have been observed. One of the reasons for this is the deep tap-root system of canola, which acts as a “biological plough” to facilitate root penetration for the crop planted after canola. This then improves infiltration of rain water and reduces water runoff and surface erosion. In addition, canola has a bio-fumigation effect on the soil, which reduces the manifestation of pests and diseases in the soil. Just prior to harvest time, the canola plants drop a large quantity of plant material that assists with the bio-fumigation but also returns a considerable quantity of nutrients and organic material to the soil.

Consumption

Canola is primarily used for the manufacturing of canola oil and oilcake. 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 oil, 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 do the other oils. Omega-3 fatty acids are important for general health and have been proven to contain the development of cancer. It is, therefore, expected that the household consumption of canola will continue to increase. Canola, especially the oilcake part, is also a good source of protein in animal feed.

Altogether 51 050 tons of canola were available for local consumption during the 2009/10 marketing season (October to September). This comprised carry-over stocks as at 1 October 2009 amounting to 10 700 tons and domestic production of 40 350 tons. There were no canola imports or exports. The total demand for canola for the 2009/10 marketing season was approximately 41 550 tons.

For the 2010/11 marketing season, the total supply of canola is estimated at 49 150 tons (the estimated canola crop of 39 650 tons, together with carry-over stocks of 9 500 tons). The domestic demand for canola is expected to be 36 310 tons, and therefore carry-out stocks at the end of September 2011 are expected to come to 12 840 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 2005/06 to 2009/10 were as follows:

Season	2005/06	2006/07	2007/08	2008/09	2009/10
	R/ton				
Producer price	1 686,54	2 660,00	2 700,00	3 100,00	2 800,00

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 Services (SAGIS), a section 21 company funded by, among others, the oilseeds industry.

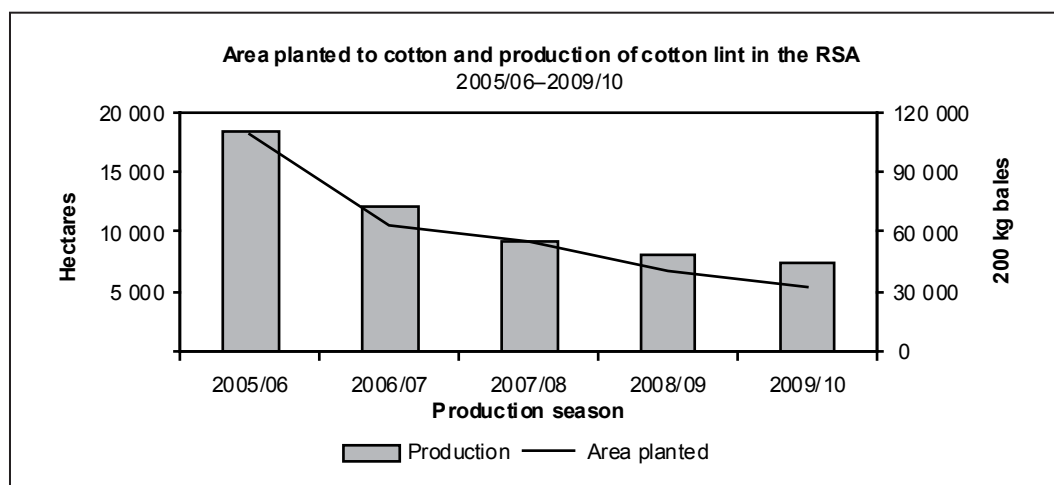
Cotton

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, although planting can be done until the second half of November.

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

Area planted and production

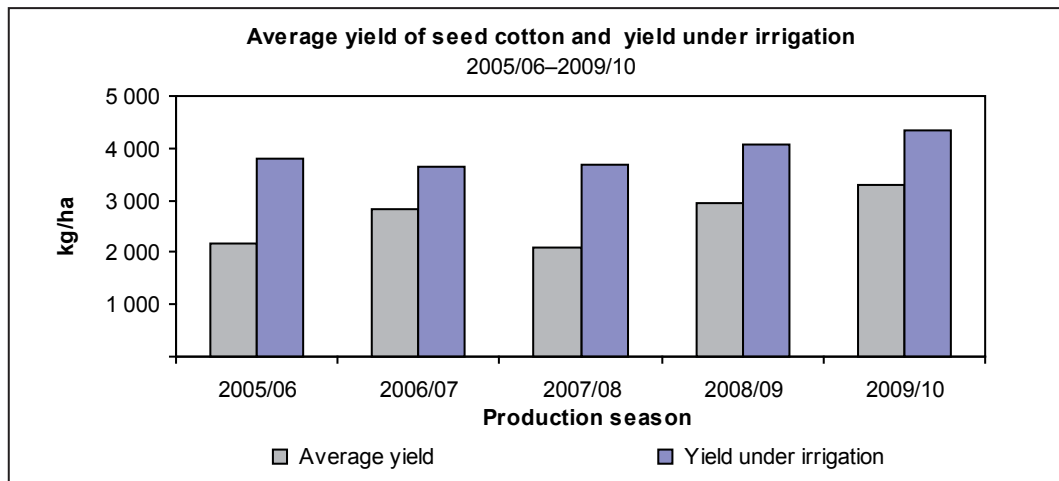
The total area planted to cotton in South Africa for the 2009/10 production season is estimated at 5 420 ha, which is a decrease of 20,4% from the 6 814 ha of the previous season. The area planted to cotton reached its peak during the 1987/88 production season, when an estimated 181 676 ha were planted. Since then, plantings have decreased substantially.



Source: Cotton SA

An estimated 71,2% of the total area planted to cotton during the 2009/10 production season was under irrigation. Yields per hectare under irrigation are normally up to seven times higher than on dryland. An

estimated average yield of 757 kg/ha (seed cotton on dryland) during the 2009/10 season was 8,2% lower than the yield of 825 kg realised during 2008/09.



The domestic production of cotton lint for the 2009/10 marketing season is estimated at 44 920 bales of 200 kg each, which is a drop of 8,5% from the 49 100 bales produced for 2008/09. Lower cotton production means that more cotton lint will probably 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, with a goal of 35% by 2014. During the 2009/10 production season these farmers contributed 8,3% of production.

Areas planted to cotton and the production of cotton lint for the 2005/06 to 2009/10 production seasons by the RSA and Swaziland compare as follows:

RSA					
Production season	2005/06	2006/07	2007/08	2008/09	2009/10*
Total RSA plantings (ha)	18 114	10 563	9 221	6 814	5 420
Dryland (ha)	8 394	2 863	3 242	1 965	1 360
Irrigation (ha)	9 720	7 700	5 979	4 849	4 060
Production of cotton lint (200 kg bales) from RSA-grown cotton	86 328	54 149	48 982	42 024	36 712
Swaziland					
Production season	2005/06	2006/07	2007/08	2008/09	2009/10*
Total Swaziland plantings (ha)	888	4 000	1 500	3 000	3 900
Dryland (ha)	888	4 000	1 500	3 000	3 900
Irrigation (ha)	0	0	0	0	0
Production of cotton lint (200 kg bales) from Swaziland-grown cotton	945	1 435	1 050	2 850	3 510

* Estimates (August 2010)

Source: Cotton SA

Prices

The average producer price for seed cotton (lint and seed derived from the boll of the cotton plant before it is ginned) for the 2008/09 marketing season (April to March) was 471 c/kg, while the price for 2009/10 is estimated at 350 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 22,2% to about \$0,77/kg during the 2010/11 season, from an average of \$0,63/kg in 2009/10. World cotton production is forecast to increase to 25,1 million tons for the 2010/11 season, a rise of 15% from 2009/10. The production is expected to decline significantly in Pakistan, mainly as a result of the severe floods. Apart from Pakistan, production increases are expected in all the other major cotton-producing countries.

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

Marketing year	2005/06	2006/07	2007/08	2008/09	2009/10*
	c/kg				
Seed cotton	220	230	300	471	350
Cotton lint	737	723	924	1 235	1 100

* Estimates

Consumption

Consumption of cotton lint by RSA spinners (including Swaziland) for the 2010/11 marketing year is estimated at 135 000 bales of 200 kg, compared to the 213 205 bales of the 2009/10 year – a decrease of 36,7%.

During the 2009/10 marketing year, about 16% of the consumed cotton lint was imported from the Southern African Development Community (SADC) countries, which represented 99,9% of all the cotton imported. The two major suppliers were Zambia and Zimbabwe. Cotton lint exports for the 2009/10 season amounted to 6 400 tons.

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

Marketing year	2005/06	2006/07	2007/08	2008/09	2009/10
	200 kg bales				
Consumption	240 930	232 575	233 985	213 205	135 000

Marketing arrangements, information and research

In terms of the free trade agreement between countries within the SADC region that has been operational since 2000, there has been no duty on cotton imports since 1 January 2004, supporting the fact that about 99,9% of imports in the 2009/10 marketing season came from the SADC region.

Locally, the seed cotton is either sold to a ginner who gins and sells lint to spinners and seed to processors, or a producer may contract a ginner to gin at a fee, in which case the lint will be sold either 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 named 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 it is 20 c/kg of 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.

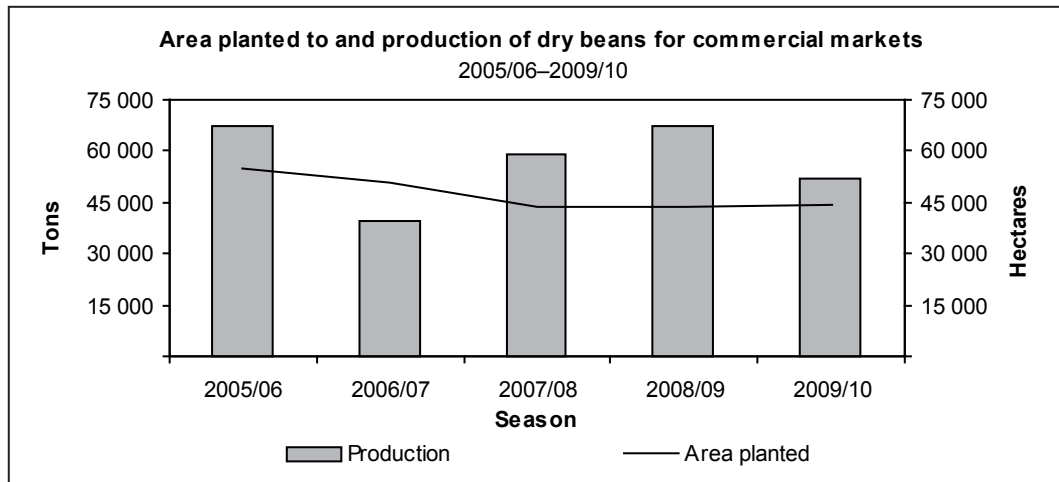
Research is coordinated by Cotton SA and performed by the Agricultural Research Council.

Dry beans

Areas planted and production

During the 2009/10 season, an estimated 44 100 ha were planted to dry beans for commercial markets. This is 0,7% more than the area planted in 2008/09. However, the estimated commercial crop of 52 255 tons for 2009/10 is 22,0% lower than the previous crop of 67 030 tons. The average yield for the 2009/10

crop is approximately 1,2 t/ha – a decrease of 20% from the previous season. The decrease in production can be ascribed largely to unfavourable weather conditions, especially the heavy rains during harvesting time.



The Mpumalanga and Free State provinces are estimated to have produced 50,6% of the 2009/10 commercial crop. The remaining 49,4% was produced in the other provinces.

Production in the provinces and their share in the 2009/10 dry bean crop are as follows:

Province	Production (t)	Share in crop (%)
Mpumalanga	12 075	23,1
Free State	14 400	27,6
Gauteng	4 550	8,7
North West	5 400	10,3
KwaZulu-Natal	4 500	8,6
Limpopo	9 350	17,9
Western Cape	300	0,6
Eastern Cape	480	0,9
Northern Cape	1 200	2,3
Total	52 255	100,0

The estimated gross value of dry beans for the 2009/10 season amounts to R380 million and is 25,8% less than in the previous season.

Production per type during 2009/10 is estimated to be as follows: 41 804 tons (80,0%) red speckled, 7 316 tons (14,0%) small white canning, 2 612 tons (5,0%) large white kidney and 523 tons (1,0%) other dry beans, mainly cariocas.

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

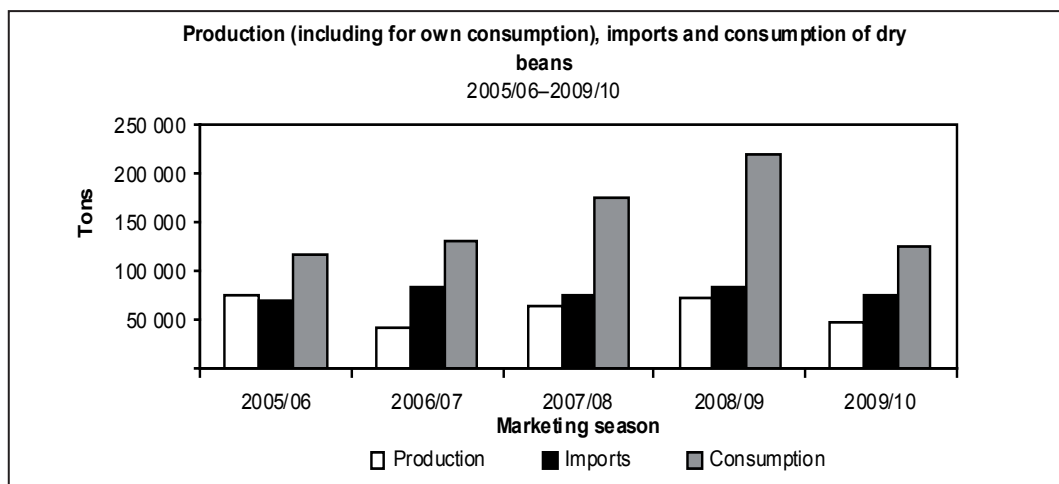
In an attempt to improve profitability for producers and to meet the increase in protein demand, cultivars that can yield up to 1,4 t/ha, as against 0,6 t/ha some 20 years ago, have been developed by the Dry Bean Producers' Organisation in partnership with the Agricultural Research Council. These cultivars are suited to most soil types, have greater resistance to diseases and can be grown successfully in different areas. The average yield for dryland production during the five years up to 2009/10 is 1,1 t/ha.

Consumption

An estimated 124 910 tons of dry beans were consumed locally during the 2009/10 marketing season (March to February). This represents a decrease of 2,5% from 2008/09. The estimated *per capita* consumption for 2009/10 is 2,4 kg, which is 23,8% less than in 2008/09.

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 2005/06 to 2009/10 were as follows:



Marketing season	2005/06	2006/07	2007/08	2008/09	2009/10
	Tons				
Production (including developing agriculture)	74 052	43 500	64 873	73 733	48 910
Imports	68 453	84 113	73 993	83 000	76 000
Consumption	122 226	129 953	119 403	128 090	124 910

Producer prices

The average prices received by producers for dry beans from 2005/06 to 2009/10 were as follows:

Production season	2005/06	2006/07	2007/08	2008/09	2009/10
	R/ton				
Producer price	4 400	6 165	7 375	6 981	6 383

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, the Oil and Protein Seed Centre (OPSC) in Potchefstroom and, to a lesser extent, the Plant Protection Research Institute (PPRI) in Pretoria, undertake most of the research into dry beans. The functions of the OPSC mainly comprise the breeding of dry bean cultivars and the evaluation of local cultivars. The PPRI is 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 from the original rootstock, after which it is eradicated and the field is 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

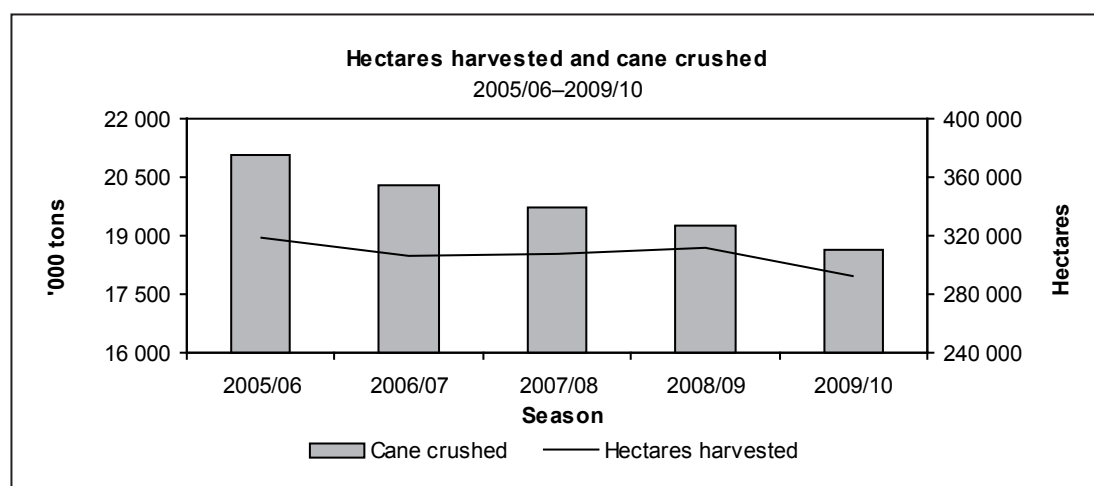
The sugar-cane-growing industry in South Africa is administered by the South African Cane Growers' Association, established in 1927. The industry is regulated in terms of the Sugar Act and the Sugar Industry Agreement, which are binding on all sugar-cane growers and producers of sugar products.

There are currently approximately 35 300 registered cane growers who produce on average approximately 20 million tons of sugar cane a year in areas extending from the Eastern Cape Province, with some operations, through KwaZulu-Natal, to Mpumalanga, with a substantial investment in sugar-cane farming. Large-scale growers are responsible for approximately 85% of the total sugar-cane production, while 8,4% of the total crop is produced by small-scale farmers and 6,5% by milling companies.

The South African sugar industry is one of 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 427 000 people (direct and indirect) and the industry produces an average of approximately 2,2 million tons of sugar per season.

Production and price of sugar cane

The production of sugar cane decreased by 3,1% to 18,7 million tons between the 2008/09 and 2009/10 seasons, while production for the 2010/11 season is expected to be 6,4% higher than in 2009/10.



The average cane production over the past decade (from the 2000/01 to the 2009/10 season) is 20,7 million tons per annum, with the yield of harvested cane averaging 66,5 t/ha over the same period. The yield stands at 67,7 t/ha for the 2009/10 season. The area harvested declined by 6,3%, from 311 425 ha in 2008/09 to 291 770 ha in 2009/10.

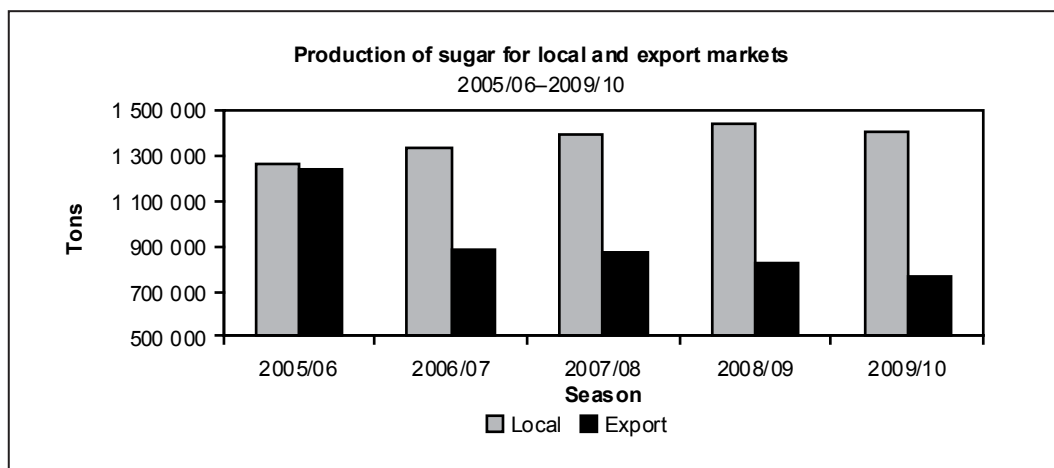
The producer price of sugar cane increased by 19,7% between 2008/09 and 2009/10. The average price over the five-year period indicated below is R209,09 per ton.

The average producer prices of sugar cane from 2005/06 to 2009/10 were as follows:

Year	2005/06	2006/07	2007/08	2008/09	2009/10
	R/ton				
Producer price	173,59	179,89	196,77	210,61	252,10

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 2009/10, production is estimated at 2,18 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. It stands at 8,53 tons for the 2009/10 season.



A total of 766 177 tons of sugar were produced for the international market during the 2009/10 season, which is a 6,8% decrease from 2008/09, while 1,4 million tons were produced for the national market – a decrease of 1,8%.

The total supply of 1,490 million tons of sugar to the Southern African Customs Union (SACU) during 2009/10 represents an increase of 4,4% from the 1,427 million tons supplied in 2008/09.

The local production and sales of sugar to the SACU from 2005/06 to 2009/10 were as follows:

Year	2005/06	2006/07	2007/08	2008/09	2009/10
	'000 tons				
Production	2 501	2 227	2 273	2 260	2 178
SACU sales	1 328	1 346	1 363	1 427	1 490

Marketing

Approximately 40% of the locally produced sugar is for the world market, and it 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 2009/10 is estimated at approximately R5,1 billion, including foreign income estimated at R2,2 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 the national transformation goals of effecting 30% black ownership of sugar-cane land by 2014. 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 made available to cane farmers to 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 and 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 for small-scale cane farmers with regard to 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. According to the Deciduous Fruit Producers' Trust Tree Census of 2009, the area under production during the 2009 season is estimated at 74 757 ha.

Production

Although some producers grow fruit both for canning and fresh consumption, it is estimated that in South Africa there are about 2 250 producers of fruit for fresh consumption – 1 180 producers of stone fruit, 1 200 producers of dry and table grapes and 700 producers of pome fruit.

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

Fruit type	2005/06	2006/07	2007/08	2008/09	2009/10
	Tons				
Apples	623 539	708 952	748 418	796 866	775 041
Pears	316 273	337 145	336 399	340 306	354 904
Table grapes	290 953	284 835	269 910	270 094	278 810
Peaches and nectarines	168 169	168 852	174 391	152 374	145 616
Apricots	76 165	36 442	55 616	43 428	48 402
Plums	38 741	54 444	62 632	59 870	54 306
Total	1 513 840	1 590 670	1 647 366	1 662 938	1 657 079

The production of deciduous fruit decreased by 0,4% from 1,663 million tons in 2008/09 to 1,657 million tons in 2009/10. Apricots showed the biggest increase at 11,5%, followed by pears with 4,3% and table grapes with 3,4%. The production of plums, peaches and nectarines, and apples show decreases of 9,3%, 4,4% and 2,7% respectively.

Marketing

During 2009/10, deciduous fruit contributed approximately 23,7% to the gross value of horticultural products. Approximately 358 099 tons of deciduous fruit were sold locally on the major fresh produce markets and other markets and directly to retailers, representing an increase of 6,5% on the 336 161 tons sold during the 2008/09 season.

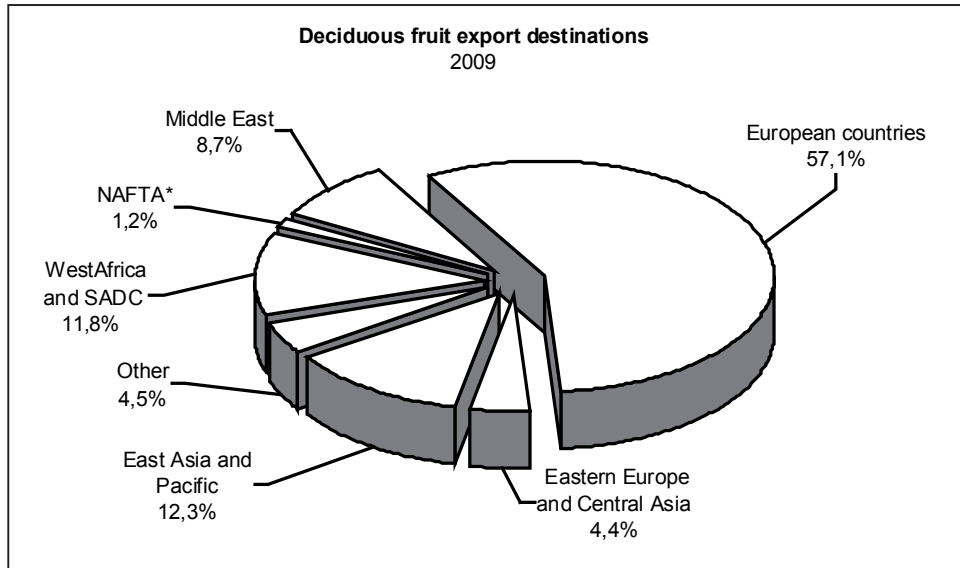
The average prices realised for deciduous fruit on the major fresh produce markets during the period 2005/06 to 2009/10 were as follows:

Fruit type	2005/06	2006/07	2007/08	2008/09	2009/10
	R/ton				
Apples	3 035	3 293	4 257	4 197	4 301
Pears	2 657	3 078	3 727	3 988	4 008
Table grapes	4 587	5 117	5 719	6 680	7 110
Peaches and nectarines	5 943	5 491	6 158	7 485	7 114
Apricots	3 609	4 499	4 653	6 138	6 094
Plums	3 973	3 548	3 614	4 622	4 614

The price of table grapes showed the biggest percentage increase at 6,4%, followed by apples with 2,5% and pears with 0,5%. The price of peaches and nectarines decreased by 5,0%, followed by apricots with 0,7% and plums with 0,2%.

The exporting of deciduous fruit is a major earner of foreign exchange for South Africa. During the 2009/10 season (October to September), about 48,7% of deciduous fruit produced was exported and approximately 76,9% of the gross value from deciduous fruit came from foreign exchange export earnings. Total exports amounted to 806 979 tons. This represents an increase of 1,2% compared to the 797 259 tons exported during 2008/09.

The following graph indicates deciduous fruit export destinations during 2009:

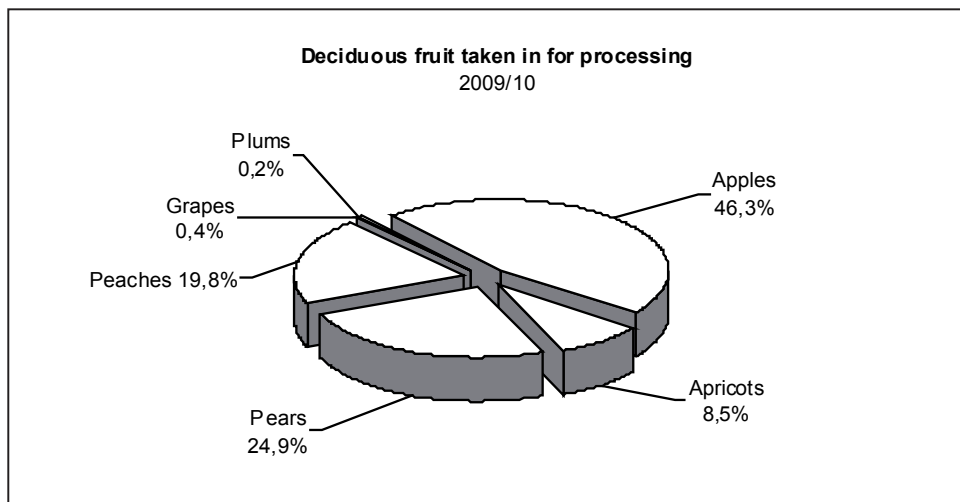


* Northern American Free Trade Agreement (United States, Canada and Mexico)

Intake of deciduous fruit for processing

During 2009/10, about 29,7% of deciduous fruit produced was taken in for processing – a decrease of 7,1% from 2008/09.

The following graph indicates deciduous fruit taken in for processing during 2009/10:



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 2009/10, approximately 99,0% of apples taken in for processing was used for juice and 1,0% was used for canning, while 64,1% of pears was used for juice and 35,9% was canned. Producers received an average of R734 and R526 per ton for apples used for canning and for juice respectively. In the case of pears used for canning and for juice, producers received an average of R1 353 and R477 per ton respectively.

Domestic consumption

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

Season	2005/06	2006/07	2007/08	2008/09	2009/10
Per capita consumption (kg/year)	15,50	14,49	16,09	16,32	18,20
Total consumption ('000 tons)	734	693	783	805	900

Prospects

It is expected that the upward trend in plantings of deciduous fruit during the last two years (except for apricots) will flatten out in 2011 owing to relatively low profitability levels as well as the current crisis in the canning industry. Profitability levels will remain under pressure as a result of the strong rand against the currencies of the major export destinations. The cold weather experienced in these areas is also affecting the demand, which will put downward pressure on prices. The local market volumes are expected to increase, which could cause local market prices to drop.

The 2010/11 production season started on a high note, despite some concerns regarding the drought in the Eastern Cape, southern Cape and Little Karoo production areas. The remaining fruit-producing areas of the Western Cape also experienced a warmer and drier winter, which could negatively affect fruit set, especially of pome fruit or fruit types with a high chilling requirement. Except for apricots, total crop volumes are expected to increase from the 2009/10 season to the 2010/11 season. The volumes of crops intended for export are estimated to change as follows: apricots -3%, nectarines +12%, peaches -1%, plums +11%, apples +8% and pears +2%.

Dried fruit

Production areas

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

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

Production

In 2010, production of dried vine fruit increased by 54,7% from 32 719 tons in 2009 to 50 628 tons in 2010, and that of dried tree fruit increased by 8,8% from 5 712 tons in 2009 to 6 214 tons in 2010.

The production of Thompson seedless raisins shows a huge increase of 51,9% from 15 315 tons in 2009 to 23 273 tons in 2010, while the production of unbleached sultanas shows a remarkable increase from 1 800 tons in 2009 to 7 269 tons in 2010. Because of the favourable weather conditions experienced during the 2010 production season, the total production of dried vine fruit and dried tree fruit increased by 47,9% from 38 431 tons in 2009 to 56 842 tons in 2010.

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

Fruit type	2006	2007	2008	2009	2010*
	Tons				
Sultana type					
Unbleached	1 696	4 435	8 790	1 800	7 269
Golden	9 209	13 054	12 210	12 800	17 734
Thompson seedless raisins	29 815	24 270	19 121	15 315	23 273
Currants	2 080	2 200	2 239	2 740	2 300
Raisins	60	73	80	64	52
Total vine fruit	42 860	44 032	42 440	32 719	50 628

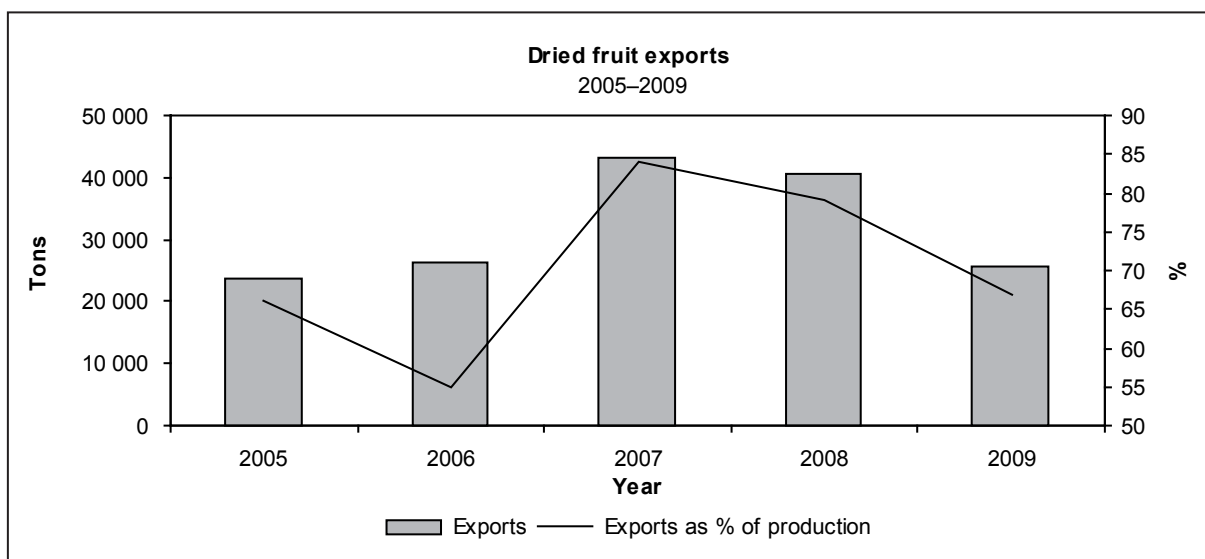
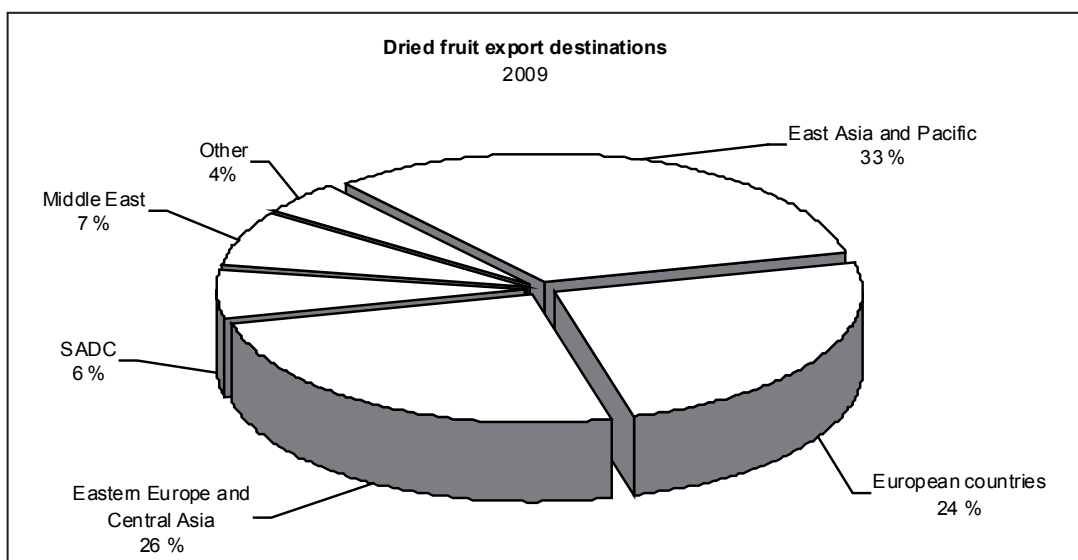
Fruit type	2006	2007	2008	2009	2010*
	Tons				
Prunes	1 100	1 000	1 089	1 127	990
Apricots	1 520	1 351	1 143	1 329	1 912
Apples	25	122	172	112	99
Peaches	1 307	1 490	1 442	2 001	2 063
Pears	938	1 074	1 086	1 012	1 009
Nectarines	0	62	65	117	75
Other	0	0	0	14	66
Total tree fruit	4 890	5 099	4 997	5 712	6 214
Grand total	47 750	49 131	47 437	38 431	56 842

* Preliminary

Marketing

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

The following two charts depict dried fruit export destinations during 2009 and exports from 2005 to 2009 respectively:



Viticulture

South Africa is the eighth-largest wine producer in the world, with a contribution of 4,0% to the world's wine production in 2009. The area under wine grape vineyards is estimated at 101 259 ha, which is 0,1% less than the 101 325 ha of the previous year.

The wine industry is labour-intensive and provides employment for approximately 257 000 people directly and indirectly. The number of primary wine grape producers in South Africa is estimated at 3 667.

Wine is produced mainly in the Western Cape Province and along parts of the Orange River in the Northern Cape Province.

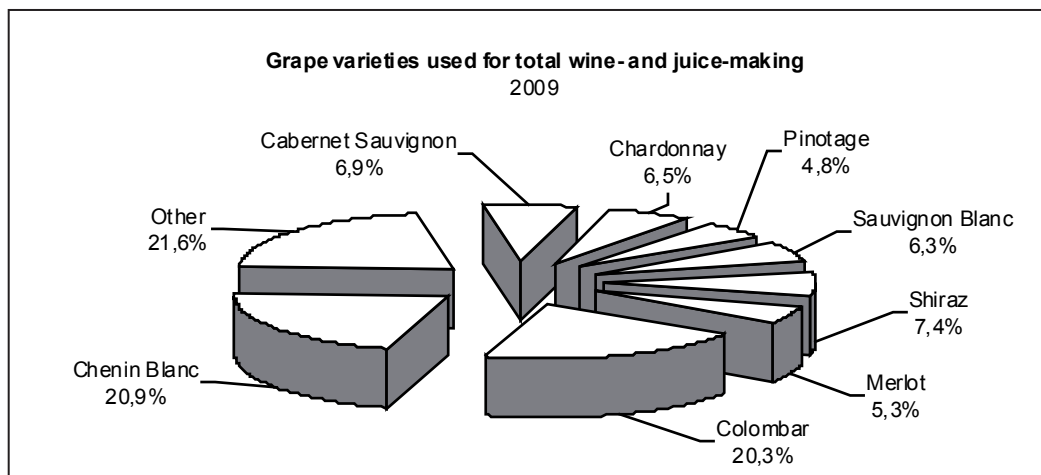
Production

Wine production, including rebate and distilling wine, juice and concentrate for non-alcoholic beverages, from 2005 to 2009 was as follows:

Year	2005	2006	2007	2008	2009
	Gross million litres				
Wine production	905	1 012	1 043	1 089	1 033

During 2009, the production of wine decreased by 5,1%. Approximately 33,1% of the wine grapes utilised for wine-making purposes was red and 66,9% was white.

The use of different varieties of grapes during 2009 is depicted in the following graph:



Prices

Producer prices of wine from 2005 to 2009 were as follows:

Year	2005	2006	2007	2008	2009
	c/l @ 10% A/V				
Average price of:					
Good wine	338,4	338,4	334,9	340,7	384,2
Rebate wine	207,3	210,6	222,4	225,5	236,3
Distilling wine	97,4	94,1	93,4	95,5	97,8

Income of producers

The production of wine grapes and income of producers from 2005 to 2009 were as shown in the following table on top of p. 43.

Year	2005	2006	2007	2008	2009
Wine grape production ('000 tons)	1 171	1 302	1 351	1 426	1 348
Income of producers (R million)	2 644	2 642	2 853	3 320	3 649

The producers' income increased by 9,9% during 2009. The increase in demand for wine by other countries has led to an increase in prices received by producers.

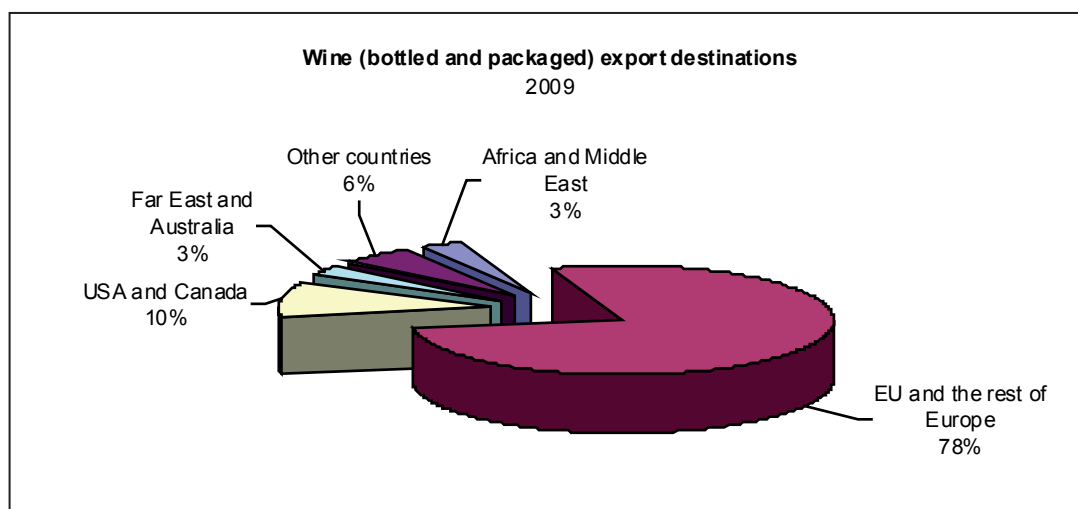
Exports

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

Year	2005	2006	2007	2008	2009
	'000 litres				
Natural wine	279 128	269 167	309 356	407 320	389 141
Fortified wine	407	487	406	423	283
Sparkling wine	1 538	2 018	2 779	3 952	6 207
Total	281 073	271 672	312 541	411 695	395 631

During 2009, 38,2% of the total wine produced was exported, compared to 37,7% during 2008.

The following graph depicts wine export destinations during 2009:



Consumption

The *per capita* consumption of wine on the domestic market from 2005 to 2009 was as follows:

Year	2005	2006	2007	2008	2009
	l per capita				
Natural wine	6,43	6,24	6,52	6,43	6,05
Fortified wine	0,76	0,71	0,71	0,69	0,68
Sparkling wine	0,18	0,19	0,20	0,21	0,17
Total	7,37	7,14	7,43	7,33	6,90

Prospects

It is expected that the 2010 wine production, including rebate and distilling wine, juice and concentrate for non-alcoholic beverages, will be around 980 million litres. This represents a 5,1% decrease on the 2009 production.

Subtropical fruit

Measured in terms of value of production, the subtropical fruit industry earned R2 096 million in 2009/10 – a decrease of 0,3% on the 2008/09 figure of R2 102 million.

Production and production areas

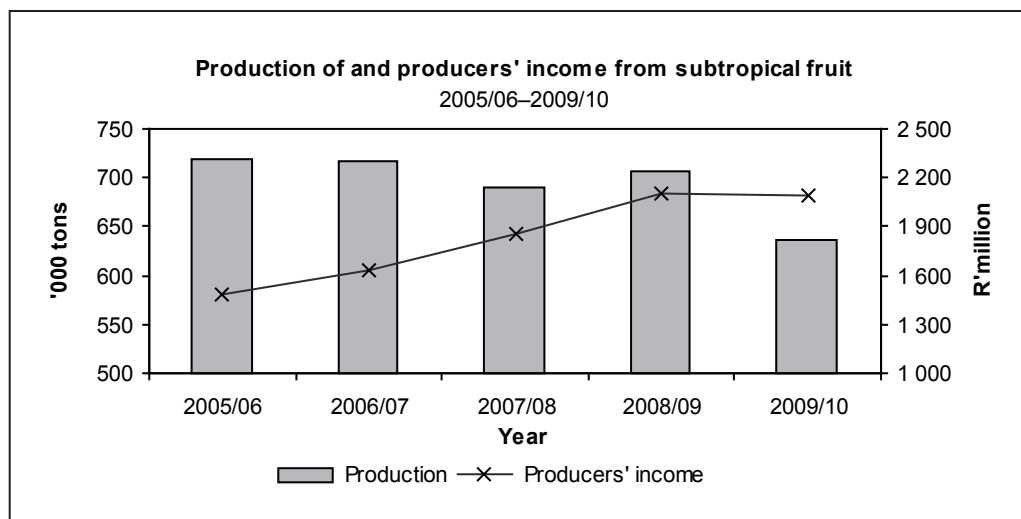
The cultivation of some types of subtropical fruit is only possible in certain specific areas of the country because of particular climatic requirements. In general, subtropical fruit types need warmer conditions and are sensitive to large temperature fluctuations and frost. The best areas for the production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

The total production areas of avocados, pineapples, bananas, mangoes and litchis during 2009/10 are estimated at approximately 12 400 ha, 12 195 ha, 11 600 ha, 7 600 ha and 1 160 ha respectively.

The production of subtropical fruit from 2005/06 to 2009/10 was as follows:

Fruit type	2005/06	2006/07	2007/08	2008/09	2009/10
	'000 tons				
Avocados	74,5	72,3	72,1	95,9	64,0
Bananas	365,1	357,2	334,2	405,0	382,3
Pineapples	166,1	160,1	144,8	117,4	110,2
Mangoes	63,9	80,1	88,2	42,4	46,9
Papayas	14,5	14,4	17,4	13,7	13,5
Granadillas	1,2	0,7	0,7	0,6	0,5
Litchis	4,5	5,8	5,8	4,6	4,9
Guavas	28,5	27,0	27,5	26,3	23,9

The total production of subtropical fruit decreased by 9,8% from 705 750 tons in 2008/09 to 636 304 tons in 2009/10. Production dropped by 33,3% for avocados, by 16,7% for granadillas, by 9,1% for guavas, by 6,1% for pineapples, by 5,6% for bananas and by 1,5% for papayas. Production of mangoes and litchis rose by 10,6% and 6,5% respectively. Bananas, pineapples and avocados contributed 60,1%, 17,3% and 10,1% respectively to the total production of subtropical fruit during 2009/10.



Domestic sales

During 2009/10, the largest contributors to the sales of subtropical fruit on the major fresh produce markets were bananas (76,6%), pineapples (7,0%), avocados (6,8%), mangoes (5,1%) and papayas (3,0%).

The quantities of all subtropical fruit types sold on the major fresh produce markets decreased during 2009/10, except for mangoes and litchis.

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

Fruit type	2005/06	2006/07	2007/08	2008/09	2009/10
	Tons				
Avocados	20 318	21 537	18 679	23 809	20 408
Bananas	218 452	213 904	200 204	242 271	229 096
Pineapples	25 733	24 046	23 529	22 861	20 895
Mangoes	16 169	20 098	18 984	14 367	15 141
Papayas	10 785	10 182	13 005	10 144	8 948
Granadillas	967	611	582	474	405
Litchis	1 706	2 368	2 612	1 702	1 772
Guavas	2 242	2 804	2 466	2 553	2 516
Total	296 372	295 550	280 061	318 181	299 181

Intake for processing

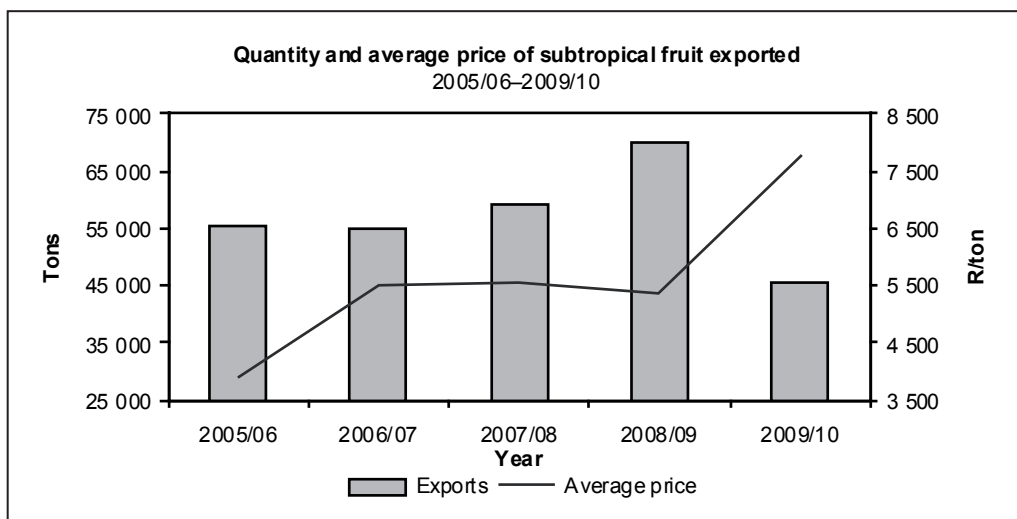
During 2009/10 (July to June), pineapples accounted for 59,6% of the total intake of subtropical fruit for processing. The other two main contributors to the processing industry were mangoes (19,6%) and guavas (15,3%).

The quantities of mangoes, papayas and litchis taken in for processing increased during 2009/10, that of granadillas remained virtually unchanged, and the intake of the other subtropical fruit types decreased.

Fruit type	2005/06	2006/07	2007/08	2008/09	2009/10
	Tons				
Avocados	6 491	4 786	4 054	6 431	4 539
Bananas	1 032	684	531	1 131	510
Pineapples	133 574	128 727	115 247	89 218	81 516
Mangoes	40 236	51 086	58 791	22 627	26 797
Papayas	233	928	238	297	1 437
Granadillas	16	9	13	2	2
Litchis	0	350	80	25	974
Guavas	25 883	23 681	24 565	23 270	20 928
Total	207 465	210 251	203 519	143 001	136 703

Exports

From 2008/09 to 2009/10, total exports of subtropical fruit decreased by 34,8% from 69 911 tons to 45 595 tons and the average export price increased by 45,0% from R5 366/t to R7 779/t.



The main subtropical fruit type exported is avocados. During 2009/10, exports of avocados contributed 78,5% to the total value of exports of subtropical fruit. Other types that were exported are pineapples, mangoes and litchis.

Marketing and research

Research is largely funded through the relevant growers' associations. Organisations that carry out industry-funded research include the ARC-Institute for Tropical and Subtropical Crops (ITSC), universities and private research organisations.

Prospects

The 2010/11 litchi and mango crops are expected to be average in terms of total production. However, the 2011 avocado crop is expected to be down approximately 40% from the 2010 figure.

Citrus fruit

Production areas

Citrus fruit is grown in the Limpopo, Eastern Cape, Mpumalanga, Western Cape and KwaZulu-Natal provinces in areas where subtropical conditions (warm to hot summers and mild winters) prevail. The area under citrus production is estimated at 58 101 ha.

Production

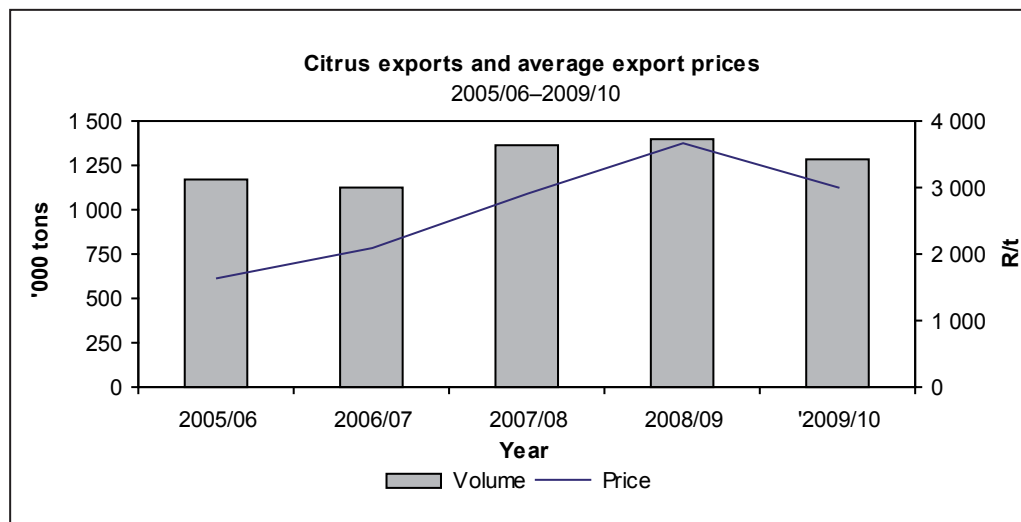
Oranges contributed about 63,6% to the total production of citrus fruit in South Africa during 2009/10. Citrus fruit production decreased by 5,8% from 2 285 895 tons in 2008/09 to 2 153 520 in 2009/10. However, there is an annual average increase of 2,6% from 2005/06 to 2009/10.

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

Fruit type	2005/06	2006/07	2007/08	2008/09	2009/10
	Tons				
Oranges	1 244 775	1 349 440	1 410 036	1 525 409	1 369 912
Grapefruit	363 046	354 119	388 784	340 786	406 693
Lemons	183 461	214 068	195 184	230 765	203 082
Naartjes	49 779	45 736	35 291	30 200	32 528
Soft citrus	138 720	126 746	143 340	158 735	141 305
Total	1 979 781	2 090 109	2 172 635	2 285 895	2 153 520

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 exporters in the world. During 2009/10, the Netherlands was South Africa's largest trading partner. Exports decreased from 1 392 534 tons during 2005/06 to 1 287 240 tons during 2009/10 – a decrease of 7,6%. During 2009/10, about 848 950 tons of oranges, approximately 39,4% of the citrus crop, were exported.



Domestic sales

Citrus fruit sales on the major fresh produce markets in South Africa increased by 1,1% from 168 226 tons during 2008/09 to 170 044 tons during 2009/10, and comprised about 7,9% of total citrus fruit production. Approximately 36,2% of the naartje production, 8,7% of oranges and 5,5% of lemons were sold on these markets.

The average prices realised on the major fresh produce markets during the period 2005/06 to 2009/10 were as follows:

Fruit type	2005/06	2006/07	2007/08	2008/09	2009/10
	R/ton				
Oranges	1 113	1 026	1 283	1 435	1 479
Grapefruit	1 494	1 499	1 791	2 269	1 855
Lemons	1 732	1 863	2 495	3 143	3 432
Naartjes	1 573	2 571	3 151	4 053	4 186
Soft citrus	1 287	2 133	2 531	3 043	3 044

Processing

Approximately 24,4% of the total citrus fruit production was taken in for processing during 2009/10. Citrus fruit taken in for processing showed a decrease of 5,5% from 556 435 tons in 2008/09 to 525 788 tons in 2009/10.

Consumption

Per capita consumption of citrus fruit from 2005 to 2009 was as follows:

Year	2005	2006	2007	2008	2009
	kg/year				
Per capita consumption	9,74	7,11	12,22	15,70	21,05

Research

The Citrus Research International Group Alliance (CRI) commissioned by the Citrus Growers' Association of Southern Africa continues to provide the industry with research and technical support services and is involved in improving the quality and access of South African citrus fruit to the world markets.

Vegetables (excluding potatoes)

General

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

Production

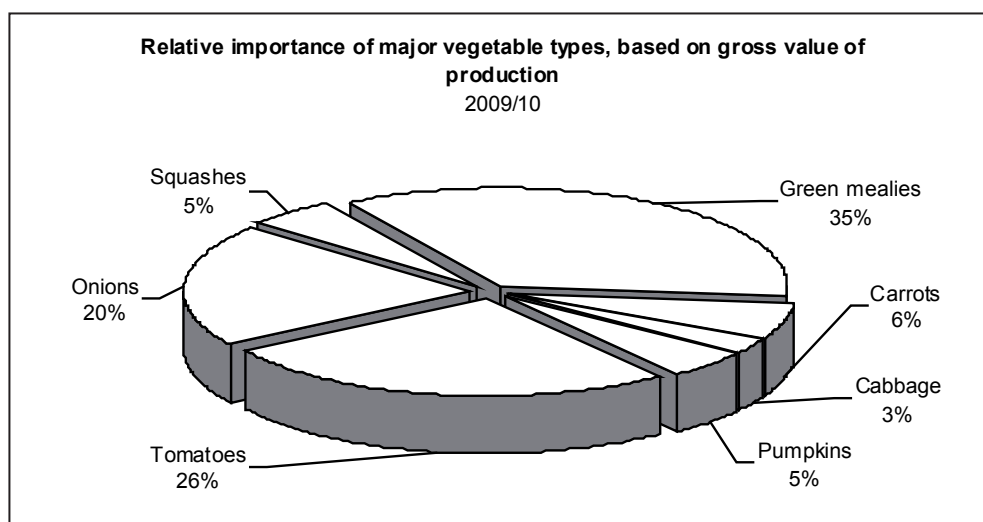
From 2008/09 to 2009/10 (July–June), the total production of vegetables (excluding potatoes) increased by 3,4% from 2 427 677 tons to 2 510 626 tons. Concerning the major vegetable types in terms of volumes produced, the production of tomatoes rose by 56 163 tons or 10,9%, that of onions by 17 090 tons or 3,6%, that of pumpkins by 4 747 tons or 2,2% and that of green mealies by 2 178 tons or 0,6%. The production of carrots and cabbages decreased by 13 859 tons or 8,5% and 1 591 tons or 0,7% respectively.

The production of vegetables (excluding potatoes) in South Africa for the period 2005/06 to 2009/10 compares as follows:

Year	2005/06	2006/07	2007/08	2008/09	2009/10
	'000 tons				
Tomatoes	506	528	500	515	571
Onions	448	475	445	472	489
Green mealies	317	319	324	337	339
Cabbages	160	146	150	141	140
Pumpkins	236	232	230	229	234
Carrots	150	146	144	164	150
Other	552	543	563	570	588
Total	2 369	2 389	2 356	2 428	2 511

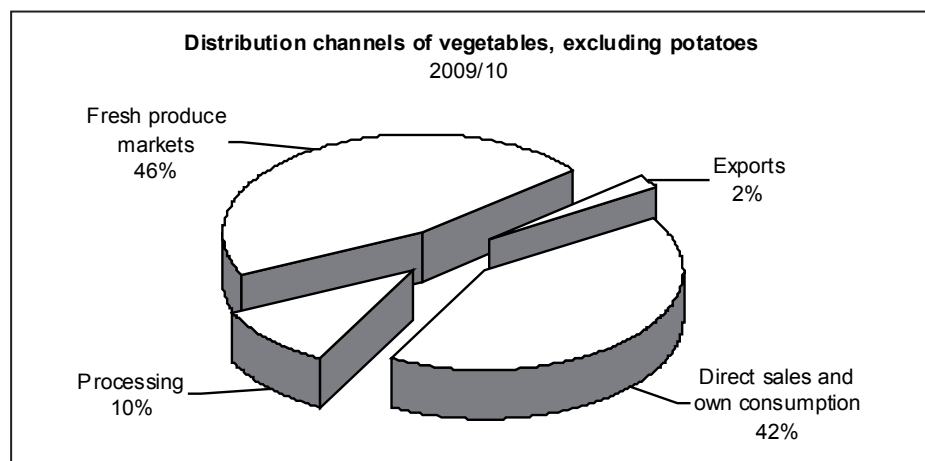
Relative importance of major vegetable types

The relative importance of the major vegetable types, according to gross value of production, during the 12 months up to 30 June 2010, is depicted in the following graph:



Distribution channels

As depicted in the following graph, approximately 46% 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 2009/10 amounted to 1 149 380 tons, while 1 121 884 tons were sold during 2008/09, which represents an increase of 2,5%.



The values of sales of vegetables (excluding potatoes) on the major South African fresh produce markets for the period 2005/06 to 2009/10 are as follows:

Year	2005/06	2006/07	2007/08	2008/09	2009/10
	R'000				
Tomatoes	716 559	738 837	880 038	1 057 462	1 070 134
Onions	388 410	546 277	778 592	733 117	887 961
Green mealies	20 789	21 748	26 016	29 414	32 353
Cabbages	91 924	107 624	136 880	162 417	144 465
Pumpkins	57 580	66 520	70 168	75 519	74 404
Carrots	136 189	165 497	194 075	234 253	250 849
Other	765 463	890 938	1 008 185	1 175 351	1 217 991
Total	2 176 914	2 537 441	3 093 954	3 467 533	3 678 157

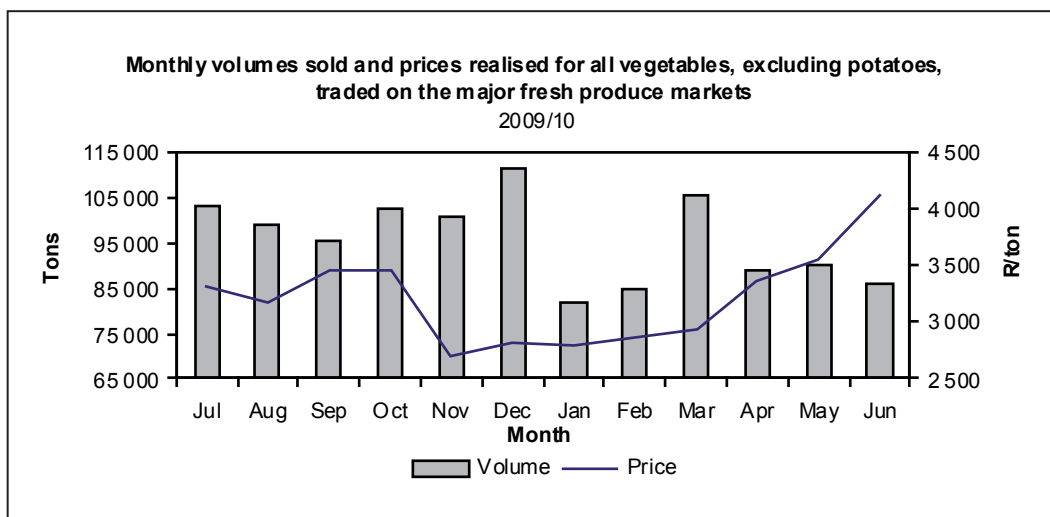
The value of onions showed the largest increase, namely 21,1% from 2008/09 to 2009/10, followed by green mealies with 10,0% and carrots with 7,1%. The value of cabbages decreased by 11,1%.

Prices

The average prices of vegetables realised on the fresh produce markets for the period 2005/06 to 2009/10 were as follows:

Year	2005/06	2006/07	2007/08	2008/09	2009/10
	R/ton				
Tomatoes	2 844,88	2 828,45	3 603,06	4 267,31	4 111,97
Onions	1 345,50	1 927,41	2 941,64	2 495,80	2 985,15
Green mealies	5 678,27	6 772,37	7 193,85	7 142,15	8 464,98
Cabbages	716,33	960,96	1 217,78	1 534,60	1 377,53
Pumpkins	865,79	1 099,52	1 265,54	1 454,57	1 406,43
Carrots	1 460,35	1 945,23	2 263,97	2 497,89	2 713,03
Other	2 344,00	2 821,91	3 087,03	3 619,98	3 607,64

Of the major vegetable types, the price of onions showed the largest increase, namely 19,6% from 2008/09 to 2009/10, followed by green mealies with 18,5% and carrots with 8,6%. The prices of cabbages and pumpkins dropped by 10,2% and 3,3% respectively .



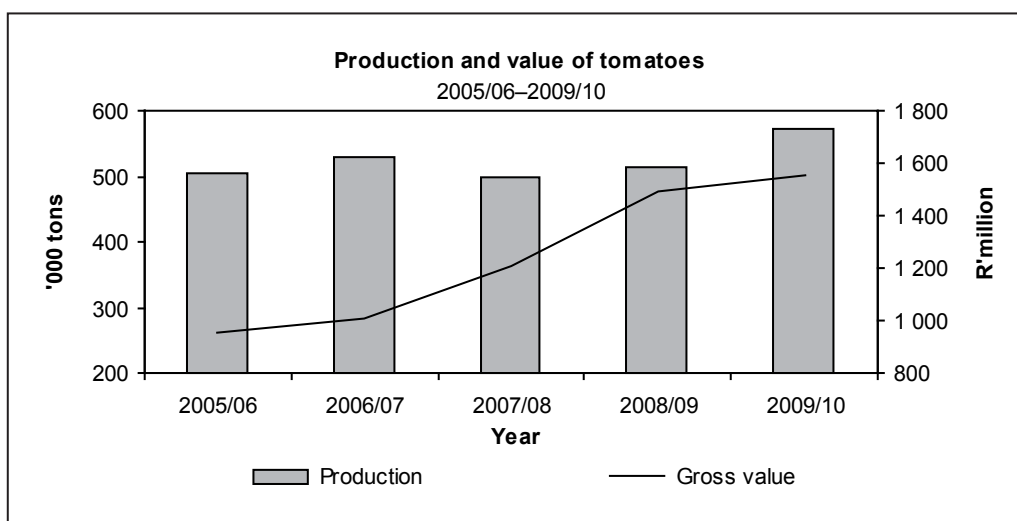
Consumption

The importance of vegetables in a healthy diet is being strongly promoted by all the stakeholders in the fresh produce marketing chain. The *per capita* consumption of fresh vegetables was 44,73 kg during 2009/10, approximately 2,0% higher than the 43,86 kg of 2008/09.

Tomatoes

Production

Approximately 571 270 tons of tomatoes were produced during 2009/10, which is an increase of 10,9% from the previous season. The gross value of production increased by 4,4% to R1 555 million.

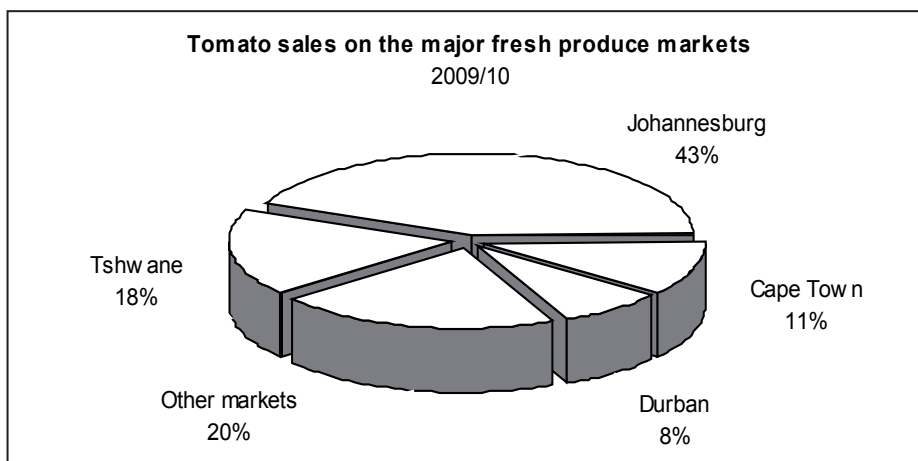


Sales

Sales on fresh produce markets and direct sales constitute approximately 64% of the total volume of tomato sales. Tomatoes are mainly produced for the local market, with limited exports to the Seychelles, Zimbabwe, Zambia and Mozambique.

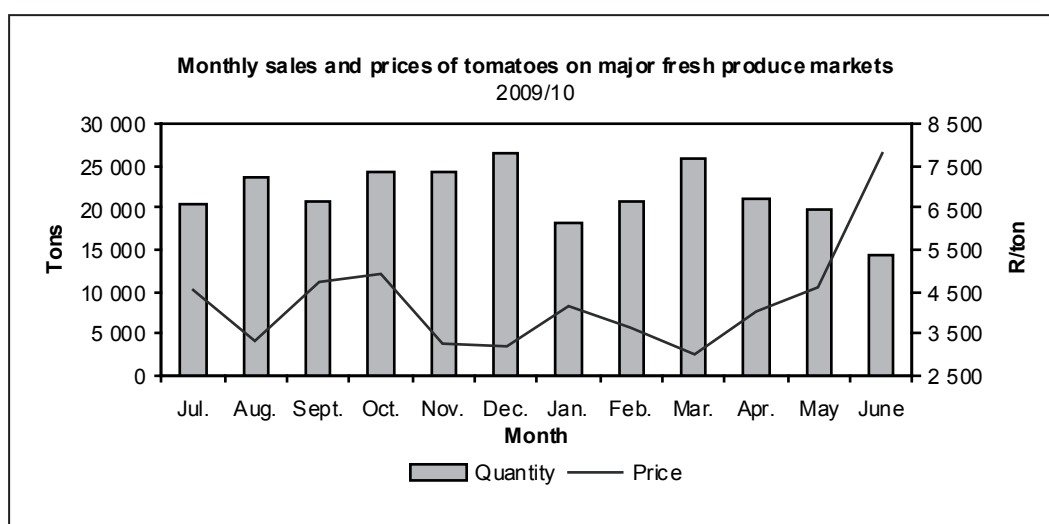
Owing to the geographic distribution and production of tomatoes, a sufficient volume of good-quality tomatoes is normally being produced almost throughout the year to meet the daily demand.

The quantity of tomatoes sold on the major fresh produce markets increased by 5,0% from 247 805 tons during 2008/09 to 260 249 tons during 2009/10.



Prices

The average price of tomatoes sold on the major fresh produce markets decreased by 3,6% from R4 267 per ton during 2008/09 to R4 112 per ton in 2009/10. The decrease was mainly due to higher volumes supplied. Tomatoes are subject to large seasonal price fluctuations, which means that there is a high price risk involved.



Processing

For the year ended 30 June 2010, 27% of the total production of tomatoes was taken in for processing. This was 23% more than during 2008/09. Tomatoes are mainly canned.

Exports

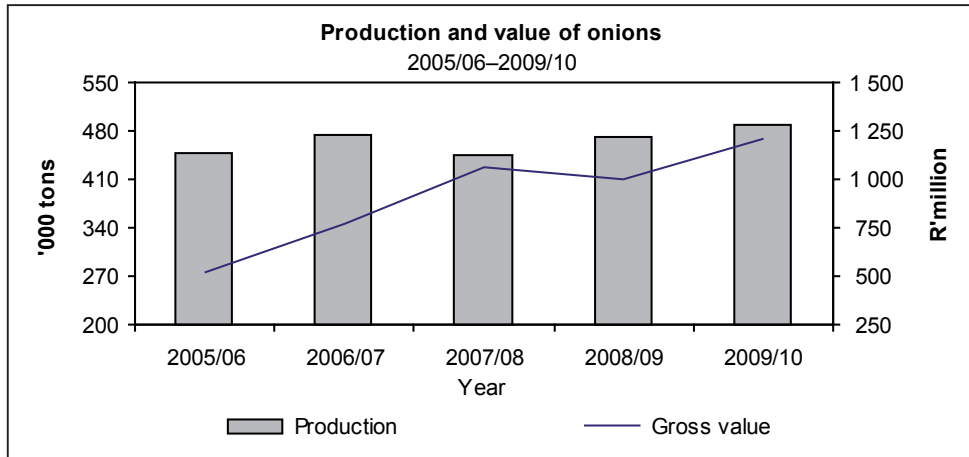
The quantity of tomatoes exported increased by 101,0% from 8 165 tons in 2008/09 to 16 411 tons in 2009/10. Approximately 93,7% of total tomato exports during 2008/09 were to Mozambique, Angola, Zambia and Zimbabwe.

Onions

Production

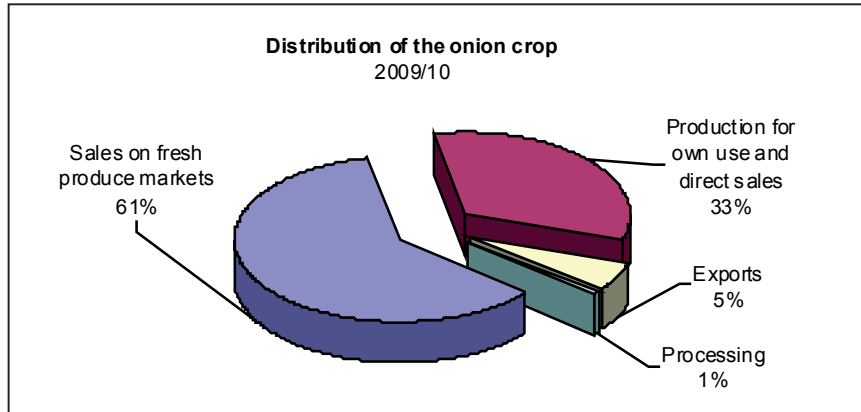
Onions are produced in almost all the provinces of South Africa.

Approximately 488 797 tons of onions were produced during the 2009/10 season (July to June). This is 3,6% higher than the production of 471 708 tons during the previous season. The industry experienced an average annual increase of 1,8% in production from 2005/06 to 2009/10.



Sales

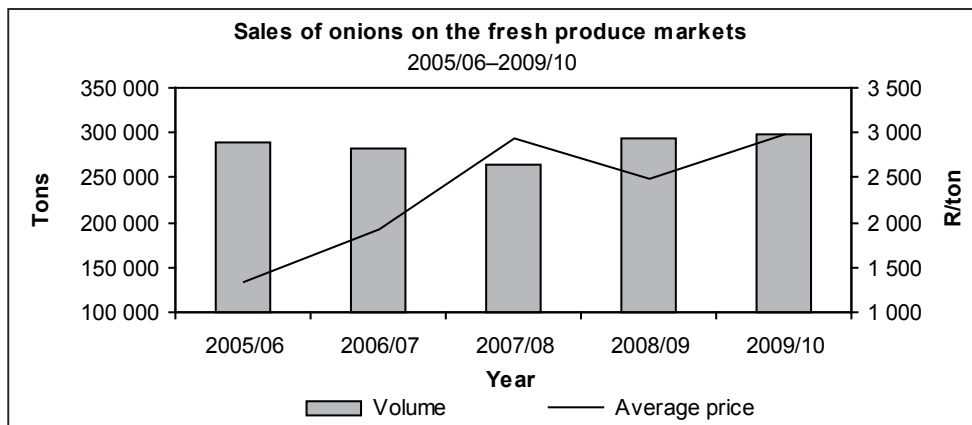
The fresh produce markets remain an important marketing channel for onions. Approximately 61% of the total production during the 2009/10 season was sold on the major fresh produce markets, compared to 62% the previous season, while 5% was exported. The remainder comprises producers' own consumption and direct sales to supermarkets and chain stores as well as sales to processing factories.



During the period 2005/06 to 2009/10, the sales of onions on the fresh produce markets increased by an average annual rate of 0,4% from 288 673 to 297 459 tons. The quantities sold on fresh produce markets increased by 1,3% from 293 740 tons in 2008/09 to 297 459 tons in 2009/10.

Prices

The average price of onions sold on the fresh produce markets increased by 19,6% from R2 496 per ton in 2008/09 to R2 985 per ton in 2009/10. This was mainly due to the fact that a larger portion of the onions supplied for sale on the markets was of good quality.



Processing

Only 1,0% of the total production of onions was taken in for processing during the 2009/10 season. There has been a decrease in the total processing of onions since the 2005/06 season, when 4 509 tons were taken in for processing, to 3 978 tons in the 2009/10 season. During 2009/10, about 26,2% of processed onions was dehydrated, 55,3% was canned, and the remaining 18,5% was frozen.

Exports

During the 2009/10 season, the volume of onions exported represented approximately 5,0% of the total onion crop. The volume of exports increased by 73,5% from 15 410 tons in 2008/09 to 26 732 tons during 2009/10.

Potatoes

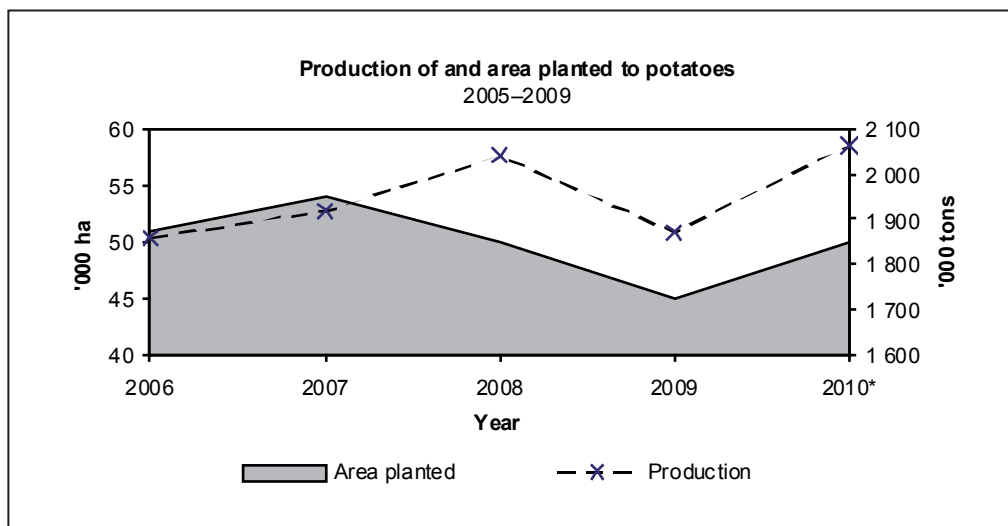
There are 16 distinct potato production regions in South Africa, which are spread throughout the country. The main regions are situated in the Free State, Western Cape, Limpopo and Mpumalanga provinces. Potatoes are planted at different times because of climatic differences in the production areas, resulting 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 2010 are estimated at around 50 637 ha, which is 12,6% higher than in the previous year.

Production

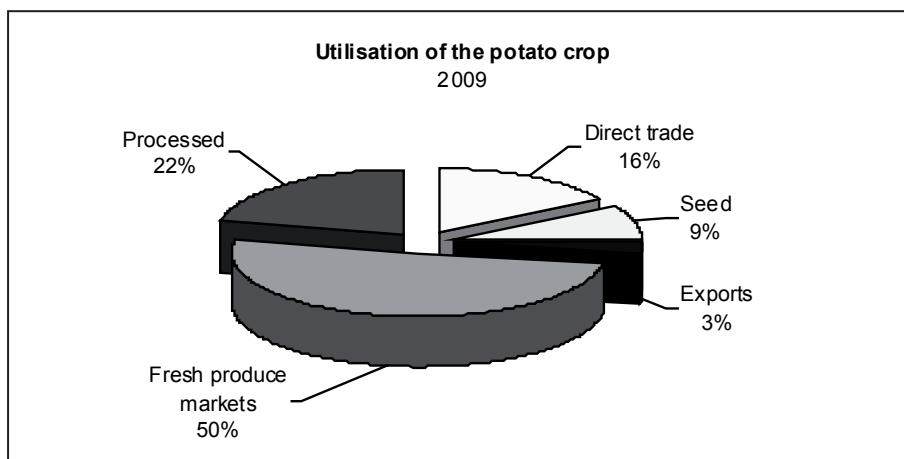
Potatoes constituted approximately 40,6% of the total gross value of vegetables produced during 2009. In 2009, the average yield was approximately 4 142 x 10-kg pockets per hectare, compared with 4 047 x 10-kg pockets per hectare in 2008, which is an increase of 2,4%. A total crop of about 206 million x 10-kg bags is expected for 2010.



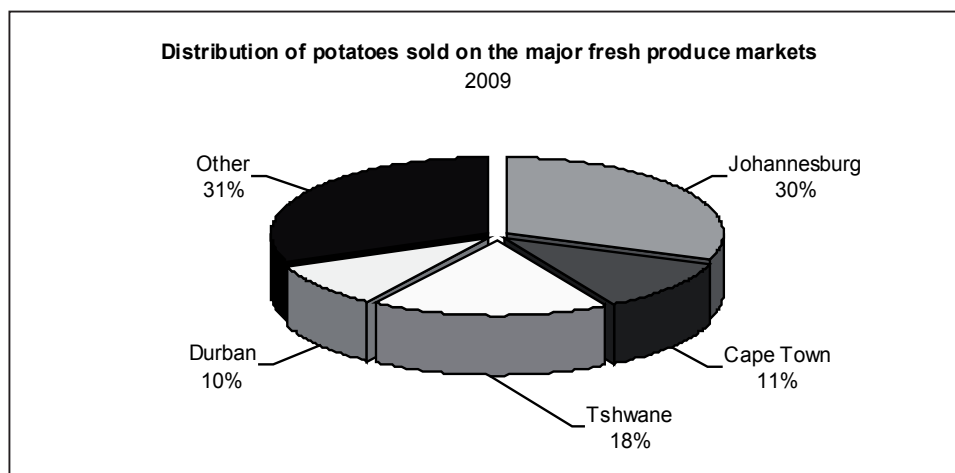
* Forecast

Sales

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

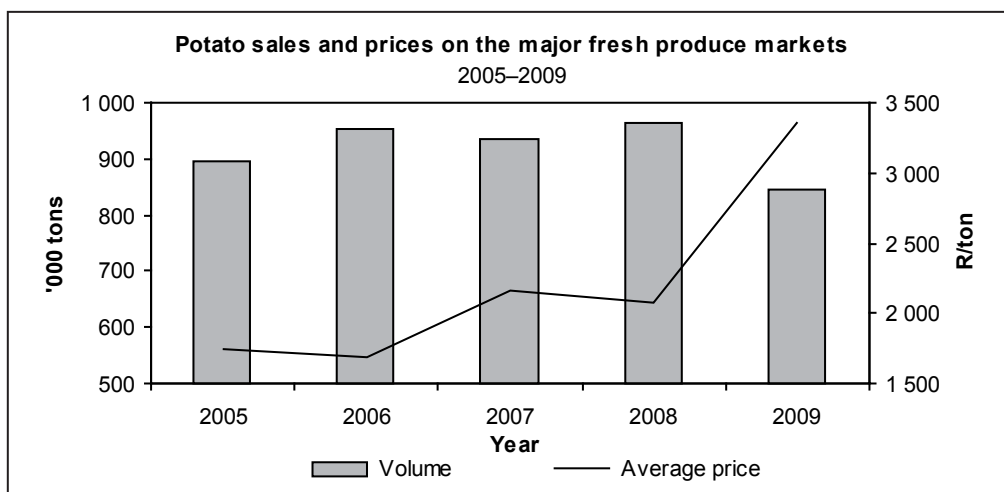


During 2009, approximately 85 million x 10-kg pockets of potatoes were sold on the major fresh produce markets, as against 96 million in 2008 – a decrease of 11,5%. The Johannesburg Fresh Produce Market remains the biggest outlet, followed by the Tshwane, Cape Town and Durban markets. During the five years from 2005 to 2009, potato sales on the major fresh produce markets on average showed an increase of approximately 0,3% per annum.



Prices

Between 2005 and 2009, potato prices realised on the major fresh produce markets increased significantly by an average of 14,7% per annum, from R1 744 per ton in 2005 to R3 354 per ton in 2009.



The average price rose sharply by 61,6% from R2 076 per ton in 2008 to R3 354 per ton in 2009. This increase was mainly caused by lower volumes being supplied at the fresh produce markets.

Processing

During 2009, approximately 22% of the total potato production was taken in for processing. About 98,7% of these potatoes were processed into potato chips, both fresh and frozen. The remaining 1,3% was used for canning, mixed vegetables and other purposes. The processing of potatoes showed an increase of 3,6% between 2008 and 2009.

Exports*

Approximately 2,6% of the total local potato production was exported during 2009. The quantity of potatoes exported decreased by 6,0% to less than 30 000 tons in 2009. During 2009, 94,0% of total potato exports went to Mozambique, Angola, Zimbabwe and Zambia.

* Source: *Customs and Excise*

Consumption

The total gross human consumption of potatoes decreased by 2,6% to 1 585 million tons during 2009, and the *per capita* consumption decreased by 3,9% to 32,14 kg.

Year	2005	2006	2007	2008	2009
Total production ('000 tons)	1 768	1 857	1 917	2 040	1 867
Gross human consumption ('000 tons)	1 499	1 574	1 608	1 628	1 585
<i>Per capita</i> consumption (kg p.a.)	31,97	33,22	33,59	33,45	32,14

Prospects

During 2010, potato imports (mostly French fries) rose because of an increase in demand in South Africa. Unfavourable weather conditions, particularly heavy rains in the early part of 2010 and black frost in June and July 2010, caused countrywide shortages in supply and adversely affected the quality of potatoes.

The intake of potatoes by processing factories is expected to increase by an average of 10% to 12% in 2011. To meet the consumer demand in 2011, an increase in imports from other regions is expected.

Given the adverse weather conditions in the countries supplying potatoes to the international market, an increase in the price is expected.

ANIMAL PRODUCTION

Livestock numbers

Approximately 80% of the agricultural land in South Africa is suitable mainly for extensive livestock farming. However, livestock is also found in areas where the animals 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, the 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, particularly cattle.

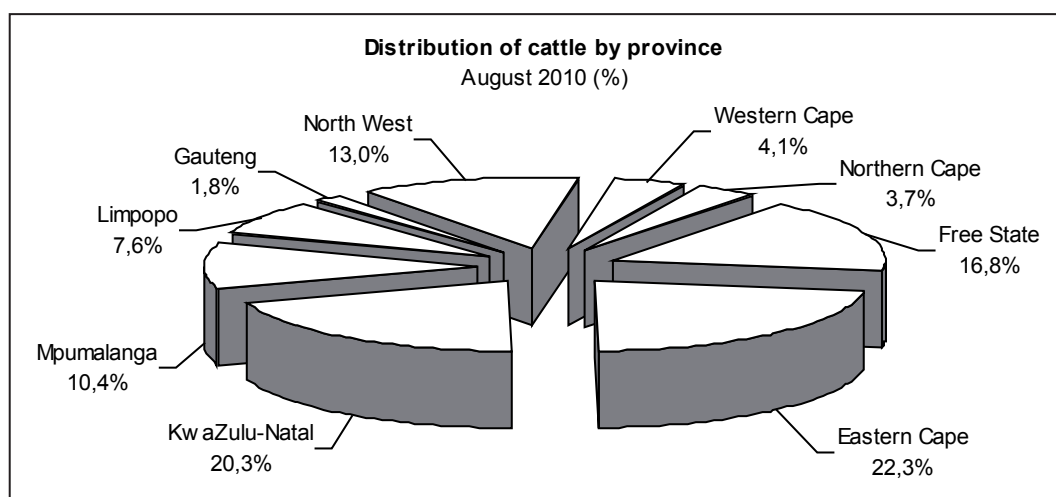
Cattle

Cattle are found throughout the country, but mainly in the Eastern Cape, KwaZulu-Natal, Free State and 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 2010 is estimated at 13,78 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 0,1% higher than the estimate of 13,76 million as at the end of August 2009. Beef cattle contribute approximately 80% of the total number of cattle in the country, while dairy cattle make up the remaining 20%.

Cattle numbers per province since 2006 were estimated to be as follows:

Province	2006	2007	2008	2009	2010
	'000 head (August)				
Western Cape	529	566	576	576	568
Northern Cape	485	492	511	509	509
Free State	2 237	2 306	2 312	2 306	2 309
Eastern Cape	3 045	3 136	3 140	3 078	3 070
KwaZulu-Natal	2 766	2 901	2 763	2 773	2 797
Mpumalanga	1 402	1 497	1 491	1 457	1 438
Limpopo	1 031	1 025	1 071	1 064	1 050
Gauteng	274	257	258	266	249
North West	1 763	1 731	1 744	1 731	1 791
Total	13 532	13 911	13 866	13 761	13 781

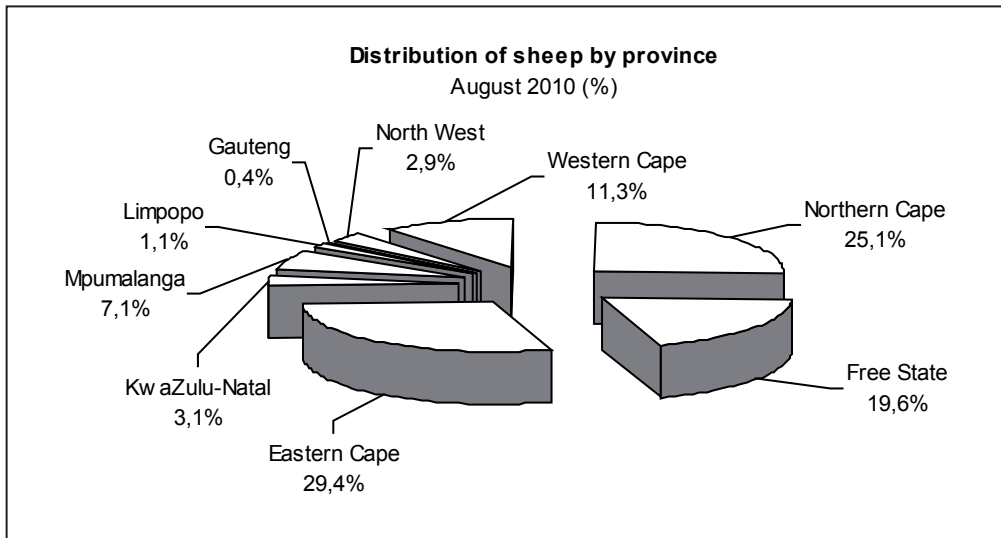


There are various breeders' organisations representing most international and indigenous cattle breeds. Most of the organisations are affiliated to the South African Studbook and Animal Improvement Association. The Milk Producers' Organisation (MPO) is the most prominent producer organisation in the 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. The total number of sheep in South Africa at the end of August 2010 is estimated at 24,75 million – 1,0%

lower than the estimated 24,99 million as at the end of August 2009. For August 2010, the largest numbers of sheep were estimated to be in the Eastern Cape (29,4%), Northern Cape (25,1%), Free State (19,6%) and Western Cape (11,3%) provinces.



Flock sizes vary between less than 50 and 1 800 heads. Sheep flocks in the Eastern, Western and Northern Cape provinces tend to be much larger than those in the other provinces.

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

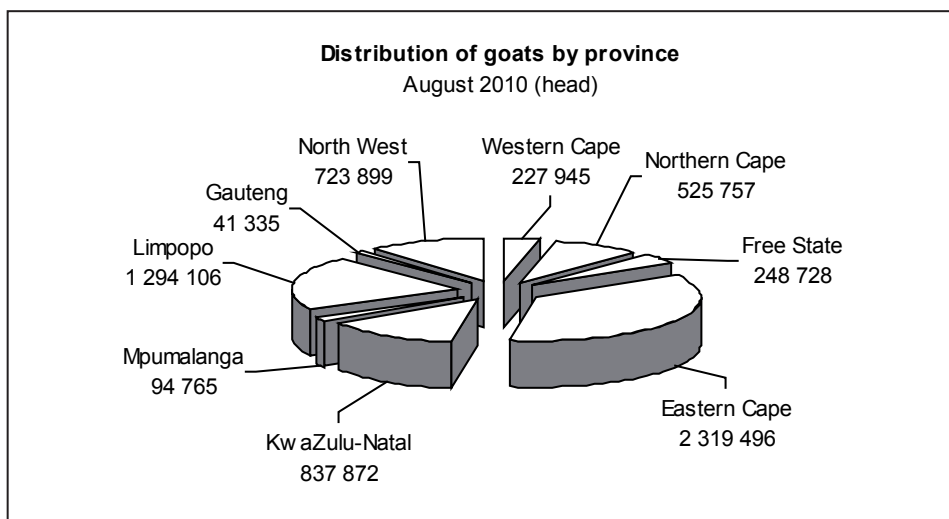
The sheep industry also has various breeders' associations, with the Dorper Sheep Breeders' Society of South Africa and Merino SA being the most prominent.

The number of sheep in the various provinces since 2006 was estimated to be as follows:

Province	2006	2007	2008	2009	2010
	'000 head (August)				
Western Cape	2 760	2 817	2 831	2 814	2 790
Northern Cape	6 422	6 244	6 279	6 295	6 210
Free State	4 998	4 900	4 895	4 876	4 860
Eastern Cape	7 330	7 488	7 422	7 354	7 281
KwaZulu-Natal	805	787	785	781	772
Mpumalanga	1 672	1 793	1 787	1 778	1 760
Limpopo	243	244	272	266	262
Gauteng	94	94	103	105	102
North West	659	715	720	720	713
Total	24 983	25 082	25 094	24 989	24 750

Goats

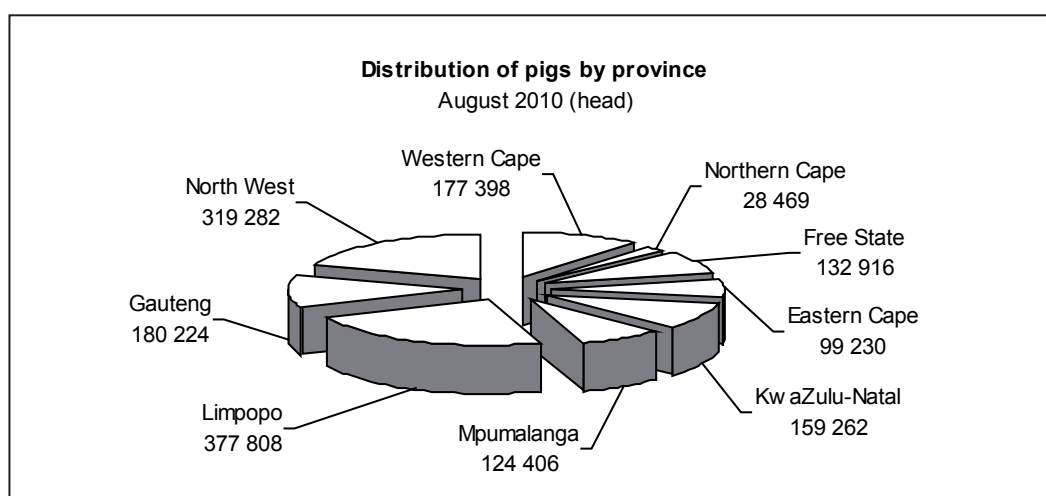
Goats are found mainly in the Eastern Cape, Limpopo, KwaZulu-Natal and North West provinces. Estimates indicate that there was a decrease of 0,7% in the number of goats from 6,358 million in August 2009 to 6,313 million in August 2010.



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 decreased by 0,2% from 1,613 million in August 2009 to 1,599 million in August 2010.



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 farm workers and 6 000 workers in the processing and abattoir sectors.

Red meat

The red meat industry is one of the most important growing industries in the South African agricultural sector. It contributed approximately 16,1% to the gross value of agricultural production in the RSA during 2009/10. While sheep farming is mainly extensive, a large percentage of beef animals is supplied by feedlots.

Slaughtering

It is estimated that the total number of cattle slaughtered decreased by 1,5%, while the number of sheep (including lambs) and pigs slaughtered increased by 7,6% and 2,6% respectively from 2008/09 to 2009/10.

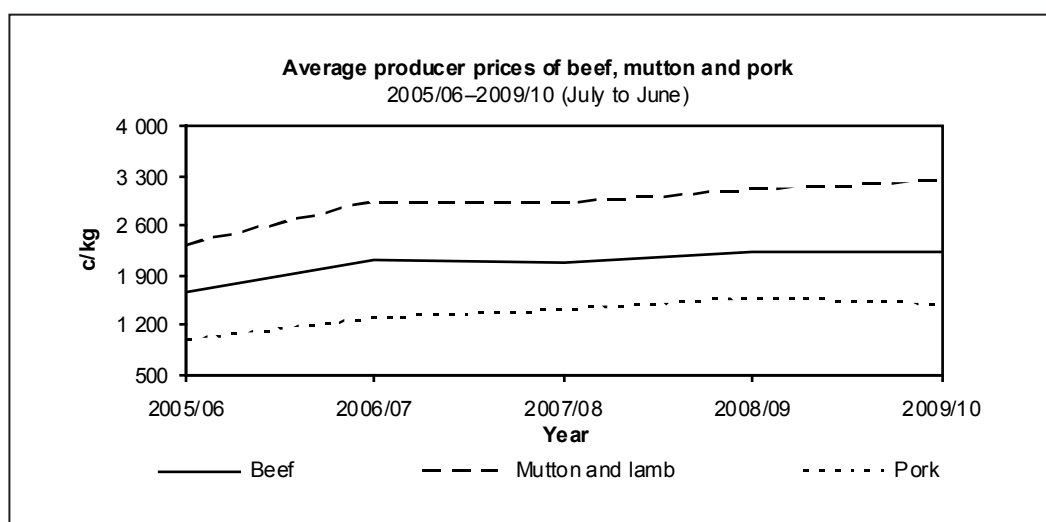
Commercial slaughtering of red-meat-producing livestock types over the past five years were as follows:

Year	2005/06	2006/07	2007/08	2008/09	2009/10
Cattle	2 266 932	2 368 084	2 086 733	2 222 803	2 189 315
Sheep and lambs	4 195 070	4 608 815	4 404 843	4 795 704	5 157 761
Pigs	2 115 234	2 321 114	2 249 841	2 266 841	2 326 454

Auction prices

The prices for red meat are mainly determined by the interaction between demand and supply, which are affected by the level of the consumers' disposable income, the prices 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 2009/10 amounted to R22,17/kg (average for all classes on all auction markets), which represents a slight increase of 0,1% from the average price of R22,15/kg for 2008/09.



In view of the ever-strong influence of international trade on the local mutton industry, both the cyclical and the seasonal price patterns for mutton were influenced by imports. The average producer price for mutton and lamb increased by 3,9% to R32,28/kg during 2009/10, compared to R31,06/kg for 2008/09. The average producer price for pork decreased by 5,6% from R15,85/kg in 2008/09 to R14,97/kg in 2009/10.

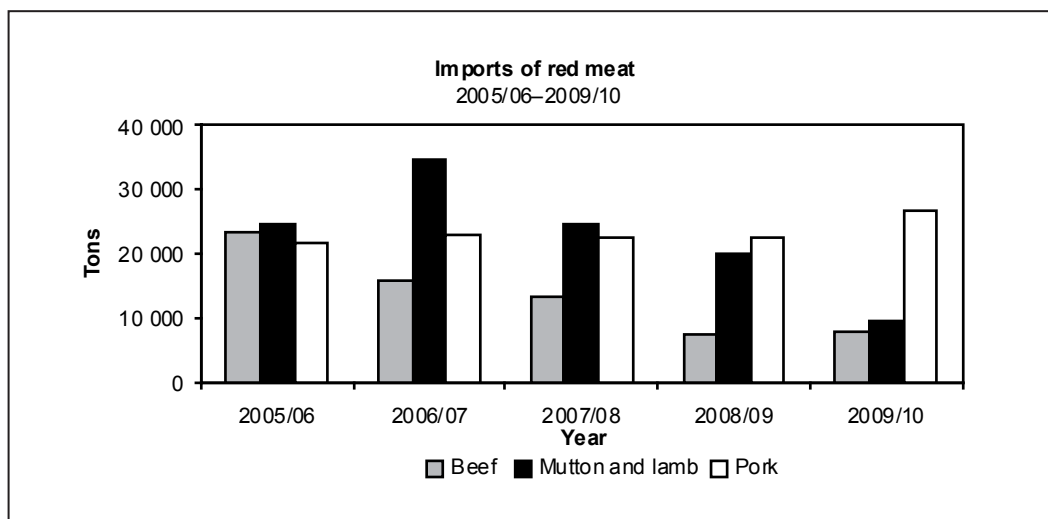
Imports

Imports of red meat decreased by 11,5% from 50 123 tons in 2008/09 to 44 378 tons in 2009/10 (25,4% lower than the average of approximately 59 522 tons for the five years up to 2009/10).

Beef imports amounted to 7 961 tons, an increase of 8,5% from the 7 338 tons imported during 2008/09, but 41,3% lower than the five-year average of 13 568 tons up to 2009/10.

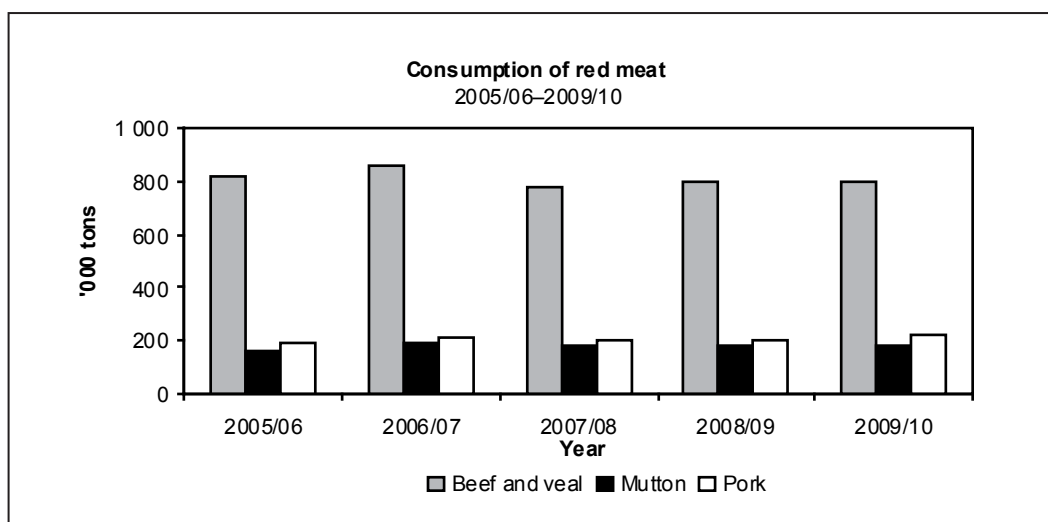
Imports of pork amounted to 26 811 tons, an increase of 18,5% on the 22 622 tons imported during 2008/09 and 15,5% more than the five-year average of 23 204 tons up to 2009/10.

Imports of mutton amounted to 9 606 tons – a decrease of 52,3% from the 20 125 tons imported the previous season and 57,8% lower than the average of 22 751 tons for the five years up to 2009/10.



Consumption

Consumption of beef and veal showed a slight decrease from 799 490 tons in 2008/09 to 799 370 tons in 2009/10, that of mutton increased slightly by 0,2% from 182 800 tons to 183 200 tons, and that of pork increased by 6,9% from 206 280 tons to 220 420 tons.



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 three branches.

This article focuses on the broiler industry and the egg industry, as the chick supply industry makes an input into both.

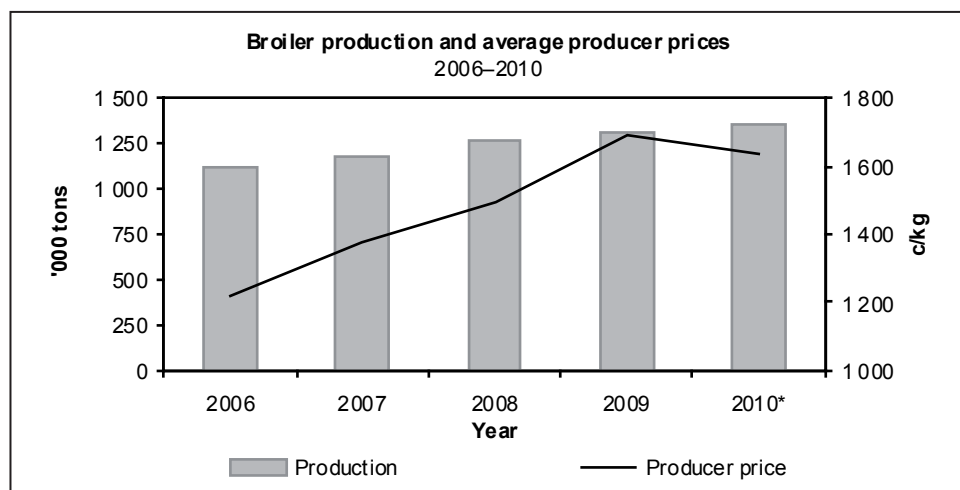
BROILER INDUSTRY

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 70% of the total broiler production in South Africa, while many small production units and the informal sector are responsible for the remaining 30%.

According to SAPA, the provincial distribution of broilers in South Africa was as follows in 2009: 25% in the North West Province, 22% in the Western Cape Province, 18% in Mpumalanga, 16% in KwaZulu-Natal, 7% in the Eastern Cape and 5% each in Gauteng and the Free State. The Limpopo and Northern Cape provinces account for the remaining 2%.

Production

The number of broilers slaughtered for commercial markets during 2009 is an estimated 931 million units. This is only 0,8% more than the estimated 924 million units slaughtered during 2008. It is expected that approximately 969 million units, or 4,1% more, will be slaughtered during 2010. The producer value of broilers slaughtered during 2010 is expected to be around R22 095 million.



* Expected production, and average producer price for the first nine months of 2010

Prices received by producers

The average weighted price received by producers of broilers decreased by 3,4% from R16,91/kg in 2009 to R16,33/kg in the first nine months of 2010.

Producer prices of broilers from 2006 to 2010 were as follows:

Year	2006	2007	2008	2009	2010*
	c/kg				
Price of broilers	1 218	1 379	1 495	1 691	1 633

* Preliminary: January to September 2010

Consumption

During 2009, an estimated 15% of local consumption of poultry meat consisted of broiler imports.

The consumption of poultry meat in 2009 accounted for approximately 56% of total consumption of meat (beef, mutton, goat, pork and poultry) in South Africa.

Per capita consumption of commercially produced chicken meat from 2005 to 2009 was as follows:

Year	2005	2006	2007	2008	2009
	kg/year				
<i>Per capita</i> consumption	28,5	29,6	30,5	31,8	32,5

Imports

In 2009, poultry meat imports increased to 231 303 tons – an increase of 4,3% from the 221 661 tons imported in 2008. The imports of broiler meat from January to June 2010 was 127 902 tons – an increase of 10,3% from the same period in 2009. During 2009, about 72% of South African poultry imports originated from Brazil and 14% came from Argentina.

Prospects

The opportunity for growth in the industry still exists, not only because of expected growth in demand for poultry meat, but also as imports make up a sizeable percentage of consumption.

Feed costs have always been a significant issue in the poultry industry and remain so, even though prices of maize and soya as well as the main raw materials in broiler feed have showed marked decreases since 2009. Feed prices, however, did not show similar decreases. The profit margins of the broiler industry are expected to remain tight.

The broiler industry is also experiencing pressure because of the downturn in consumer spending. High imports remain a threat in the event of a weakening in local demand.

EGG INDUSTRY

Based on a census of members of SAPA during 2009, the distribution of layers per province was as follows: 24% in Gauteng, 19% in the Western Cape, 13% in KwaZulu-Natal, 17% in the Free State, 9% in North West, 6% in Mpumalanga, 5% each in the Eastern Cape and Limpopo provinces, and 2% in the Northern Cape Province.

The number of layers decreased from an average of 23,1 million in 2008 to 22,2 million in 2009. This represents a decrease of 3,9%. The average size of the national flock is expected to increase by 4,1% during 2010 to reach around 23,1 million layers.

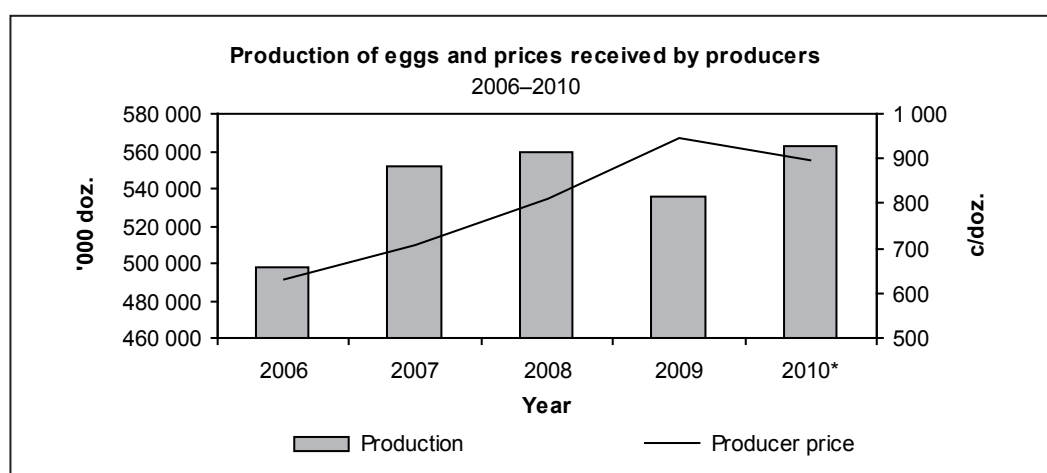
The average price received by egg producers during the first nine months of 2010 was 5,1% less than the average price received during 2009.

The average producer prices of eggs from 2006 to 2010 are as follows:

Year	2006	2007	2008	2009	2010*
	c/doz.				
Price of eggs	632	708	813	945	897

* Preliminary: January to September 2010

The production of eggs is expected to increase by 5% in 2010 to 563 million dozen eggs compared to 525 million dozen in 2009.



* Expected production, and average producer price for the first nine months of 2010

Consumption

The *per capita* consumption for 2009 was 133 eggs per person *per annum*, a decrease of 4,1% from 2008. However, 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 egg industry will be to continue to produce a competitive product in an environment of increasing costs. Based on pullet placements, it is evident that egg production will increase further during the second half of 2010.

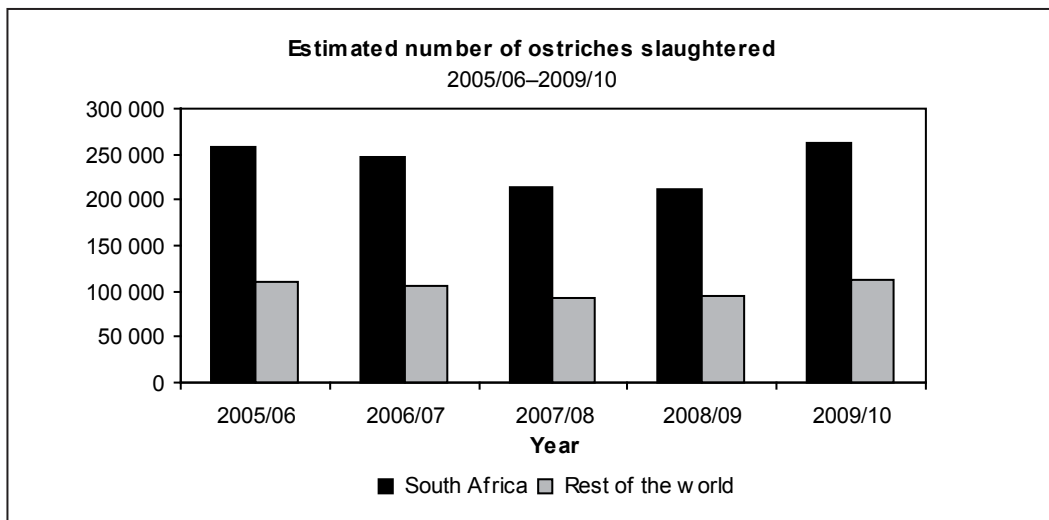
Ostriches

Commercial ostrich farming in the country started 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. At this stage, ostriches were only farmed for their feathers and a handful of feathers was enough to buy a farm. Soon afterwards, the industry virtually collapsed as a result of changes in world fashion trends, the introduction of the motor car as a means of transport (ladies struggled to get into the cars while wearing their hats with long ostrich feathers), 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 benefits – it has almost no fat or cholesterol, and it is rich in protein and iron. The greater focus on a healthy lifestyle is causing a growing demand for ostrich meat worldwide and South Africa is the main supplier.

Since the deregulation of the marketing of agricultural products in South Africa during the 1990s, farming with ostriches has spread from the Little Karoo region to other parts of the country, as well as to several other countries. However, the industries in most other countries did not last longer than 10 years and South Africa has regained its position as world market leader with a share of more than 70% of the world market.

Today, all major stakeholders in the industry are affiliated to either the National Ostrich Processors of South Africa (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 ostrich production season in South Africa runs from 1 July to 30 June and therefore the statistics provided cover this period annually.



The number of birds slaughtered worldwide is estimated at approximately 340 000 for 2009/2010, of which 260 000 (75%) were slaughtered in South Africa.

Worldwide, the demand for ostrich meat increased to such an extent that the demand and supply were almost in balance during 2009/10. The primary reason for this increase is a rise in the healthy lifestyle trend – ostrich meat is a tasty red meat, and, as said before, it contains almost no fat or cholesterol and is high in protein.

During 2009/10, ostrich meat contributed about 65% of the income derived from an ostrich. Three years ago it was 42%. Income from leather amounted to about 32% and prices paid to producers vary 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 R2 000 for a raw first-grade skin and around R600 for a third-grade skin. The average prices that producers received during 2009/10 were R32/kg for ostrich meat and R100 for feathers per bird (depending on the quality). The continued strong South African currency (ZAR) had a severe negative impact on the income realised per ostrich, as approximately 90% of ostrich meat and 70% of ostrich leather are being exported.

Prospects

During the 2010/11 season, the number of ostriches slaughtered in South Africa is expected to be about 240 000.

The continued drought in the main ostrich production areas is causing dramatic increases in input costs, as ostrich feed accounts for 70% of input cost.

The worldwide economic crisis since 2008 has also affected the ostrich leather industry, as these are luxury goods – the luxury goods segment was negatively affected in the established markets for ostrich leather products. New markets need to be developed and the SAOBC partners with the Department of Trade and Industry in this regard to try and grow the industry's R2,1 billion earnings in foreign revenue for South Africa, as well as safeguarding 20 000 direct jobs in the rural areas of the country.

The biggest risk for the sustainability of the industry lies in the potential of animal diseases such as avian influenza, and therefore the industry collaborates with the government to ensure compliance with international requirements in this regard. This is being done via the SAOBC, which is the representative body for the entire South African ostrich industry.

A big challenge for the industry remains the increase of Black Economic Empowerment and participation in the industry. Although various projects have been launched, the two realities of the ostrich industry, namely its capital-intensive nature and high-risk profile, continue to hamper progress. Successful projects include the supply of ostriches to EU-approved abattoirs via mentorships by producers in rural areas, training and financial assistance, the sorting of ostrich features by previously unemployed people, the manufacture of ostrich leather goods, the production of curios from ostrich eggshells, and programmes to allow employees to be shareholders in some processing plants.

The industry's responsibility toward the natural environment is important and therefore a biodiversity management unit was established at the SAOBC, which has developed a long-term biodiversity management strategy for the industry. The unit also helps producers to ensure a balance between conservation and utilisation of the natural environment.

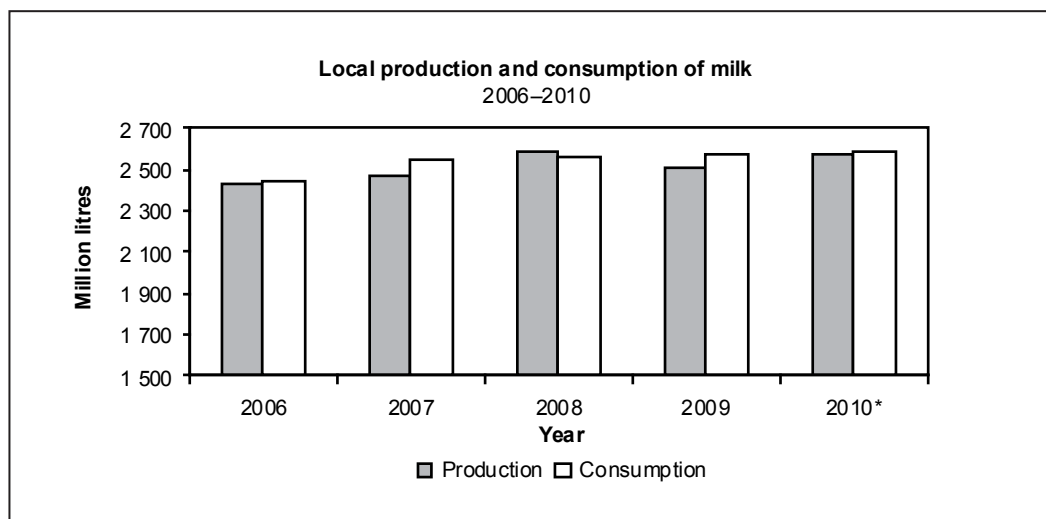
Milk

Milk is produced in nearly all regions of South Africa. However, the coastal areas are more suitable because of mild temperatures and good rainfall, ensuring good-quality natural and artificial pastures. In 2009, the Western Cape Province contributed 25,2% to total production, followed by the Free State (22,1%), North West (14,4%), KwaZulu-Natal (12,2%), Eastern Cape (11,7%) and Mpumalanga (7,4%), with the remaining three provinces contributing 7,0%. According to the Milk Producers' Organisation, the estimated number of commercial milk producers in the country in September 2010 was 2 713, compared to 3 665 in January 2008.

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 2009, including milk for the producer's own consumption and on-farm usage, is estimated at R9 204 million.

Traditionally, milk production in South Africa was fairly in line with demand and severe shortages were seldom reported. Production during 2010 is expected to be approximately 2 569 million litres, which is 2,4% higher than the 2 509 million litres produced in 2009 and 0,6% lower than the expected consumption of 2 585 million litres in 2010.

The local commercial production and consumption figures of milk from 2006 to 2010 are depicted in the graph on p. 65.



* Projected

Imports

The imports of milk and milk products decreased by 3,4%, from 37 664 tons in 2008 to 36 389 tons during 2009. In 2010, the imports of dairy products are expected to decrease by 66,8% to 12 077 tons, owing to improvement in local milk production.

Prices

The average producer price of milk for the first half of 2010 is R3,06/l, which is 4,4% lower than the R2,93/l for the corresponding period the previous year. Prices were up because of higher demand during 2010.

Production season	2006	2007	2008	2009	2010*
	c/l				
Average producer price	190	256	308	302	306

* Preliminary: January to June 2010

Prospects

Milk production is expected to increase by 2,4% during 2010. Demand for milk has also improved slightly since 2009.

Producer prices are expected to decline during the summer of 2010.

Wool

Areas of production

Wool is produced throughout South Africa; however, the main production areas are in the drier regions of the country. On a provincial basis, the Eastern Cape was the largest wool-producing region during 2009/10 with 13 805227 kg, followed by the Free State with 10 355 592 kg, the Western Cape with 8 493 860 kg, the Northern Cape with 5 617 319 kg and Mpumalanga with 2 470 875 kg.

Production

South Africa, like Australia, produces mainly apparel wool, while the bulk of the wool of the other major producers, such as New Zealand, China, Uruguay and Argentina, is the coarse type used in the manufacturing of carpets and interior textiles. The main competitors of wool are cotton and manmade fibres such as polyester, nylon and acrylic.

Australia remains the largest supplier of apparel wool to the world textile market, with a share of approximately 46%. Trends in Australian production therefore direct global apparel wool production. Australian wool production is forecast by the Australian Wool Innovation Production Forecasting Committee to remain stable at 340 million kg greasy wool during the 2010/11 season.

World production of apparel wool has declined significantly since 2000. Production in 2009 is estimated to have fallen by 5% to 428 million kg clean, from 735 million kg clean in 2000.

World sheep numbers in 2009 were at the same level as in 1995. Within this global total, there were some significant changes among the major wool-producing countries. Sheep numbers in Australia were down 10% to 76,9 million head (the lowest since the 1920s), while in China total sheep numbers were down 7% to 136 million head. Numbers were also down in New Zealand (-11%), Argentina (-13%) and the UK (-2%). In contrast, sheep numbers remained more or less unchanged in South Africa and Uruguay.

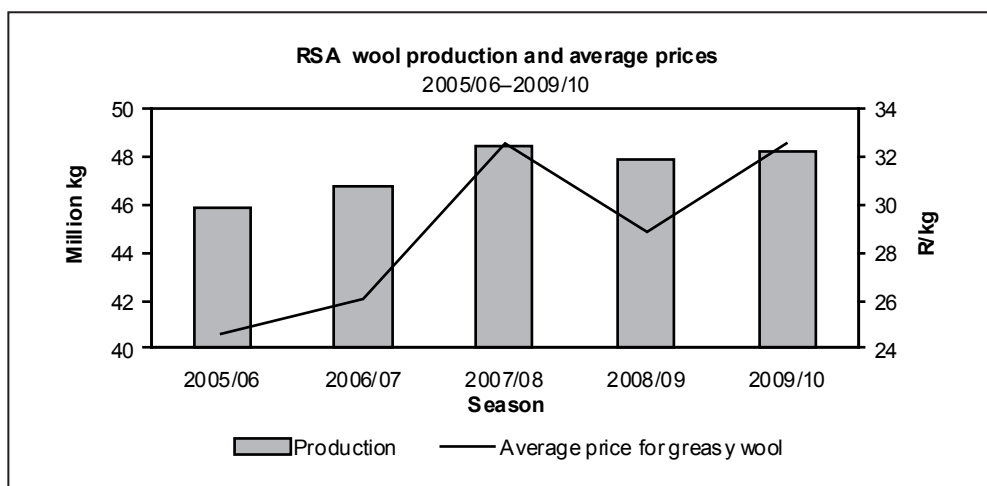
Competition from other farming enterprises, such as cropping and sheep for meat in Australia, cropping in Argentina and dairying in New Zealand, was a major reason for the continued decline in sheep numbers in 2009, together with continuing drought in Australia and drought in South America.

In South Africa, wool production increased by 0,8% from 47,9 million kg in 2008/09 to 48,3 million kg in 2009/10, mainly because of improved production conditions in most areas.

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



Marketing arrangements

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

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

Typical of wool auctions are numerous sellers and few buyers. Buyers normally have to compete for wool over a number of auctions to make up processing batches to meet their clients' contract specifications in

terms of price, quantity and delivery date. Contracts in foreign currencies, such as the euro or the US dollar, have to be converted to buying limits in rand and the buyer carries the risk.

Cape Wools of South Africa promotes the interests of the South African wool industry. It is a non-profit 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 semi-processed form (scoureds and wool top). Main export destinations for the year under review were China, the Czech Republic, Italy, Germany, India, the United Kingdom and Mauritius.

During 2009/10, the export destinations for South African wool were as follows:

Country	Volume		Value	
	'000 kg (clean)	% of total	R'000	% of total
China	18 044	60,0	975 542	57,9
Czech Republic	3 539	11,8	205 809	12,2
Italy	2 717	9,0	166 305	9,9
India	2 973	9,9	164 037	9,7
Germany	862	2,9	56 424	3,4
United Kingdom	570	1,9	29 413	1,8
France	376	1,2	24 185	1,4
South Korea	274	0,9	16 079	1,0
Taiwan	188	0,6	9 690	0,6
Others	555	1,8	35 948	2,1
Total	30 098	100,0	1 683 432	100,0

Market movement

The 2009/10 wool season saw the market recovering from its low levels of the previous season as a result of the global financial crisis. The average indicator for the season came to R59,52/kg (clean), which was up 23,9% on the previous season. The market peaked at R66,64/kg and remained above the key R60,00/kg for a significant part of the season. China remained a strong force throughout the season and increased its raw wool imports by 60% from the previous year.

The recorded gross value of wool sold at first point of sale for the season came to R1 505 million, compared to R1 154 million in 2008/09 – an increase of 30,5%.

Prospects

Global economic conditions, the availability of apparel wool and exchange rates will, to a large extent, determine demand in the new season. There are signs that the European textile industry is recovering from the global financial downturn, which resulted in a significant fall in exports to that region in the 2008/09 season. The situation started improving towards the end of the previous season, with a slow increase in orders. This trend is expected to gain momentum in 2010/11 as mills start replenishing stocks.

India is also emerging as an important importer of South African wool and is expected to gain a larger share of the market in 2010/11.

The outbreak of Rift Valley fever (RVf) will have an impact on the South African market following China's decision not to allow any raw wool from South Africa into the country unless it has been certified by a state veterinarian to have originated from an RVf-free area. China also requires a waiting period of 12 months before wool from such areas will be allowed into the country.

Mohair

Production

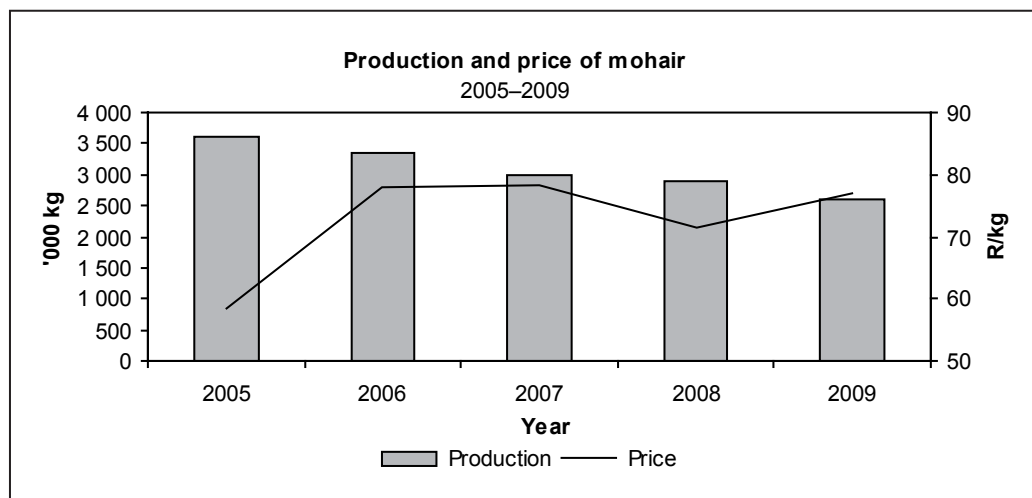
South Africa produces approximately 50% of the world mohair clip. In realising the responsibility attached to being the most reliable source of mohair, Mohair South Africa was established to perform functions aimed at the advancement of the entire mohair industry. Through selective breeding and farming techniques, the Angora goat farmer plays a crucial role in enhancing the constant availability of high-quality natural fibres.

South Africa's mohair production figures show a downward trend, from 3,6 million kg in 2005 to 2,6 million kg in 2009. This decline in production is not unique to South Africa and is due to factors such as vermin, the expansion of game farms and labour shortages.

The continuing drought experienced in a large part of the local production area adversely affected the quantity and length of the hair offered and also negatively affected the number of newborn angora goat kids.

Production of mohair by South Africa during the period 2005 to 2009 was as follows:

Year	2005	2006	2007	2008	2009
	Million kg				
Production	3,6	3,4	3,0	2,9	2,6



Prices

The average auction price of mohair increased by 8,0% from R71,33/kg in 2008 to R76,91/kg in 2009. The increase in prices was driven by the demand for adult mohair, with young goats also benefiting from the upward demand trend.

Average auction prices of mohair for the period 2005 to 2009 were as follows:

Year	2005	2006	2007	2008	2009
	R/kg				
Price	58,47	78,08	78,38	71,33	76,91

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 produced mohair as well as mohair from Lesotho.

Mohair exports increased slightly by 2% from an estimated 4,4 million kg in 2008 to 4,5 million kg in 2009.

Year	2005	2006	2007	2008	2009
	Million kg				
Imports	1,6	1,3	0,8	1,1	1,3
Exports	5,0	3,8	3,4	4,4	4,5

Prospects

The demand for kid mohair is expected to remain depressed in the short term because of a struggling textile sector globally, but prospects look better towards the end of 2010.

The demand for adult mohair is still good owing to a strong fashion demand, but prices will in all likelihood stabilise at slightly lower levels than in the earlier part of 2010. Length remains a challenge, owing to the effect of drought on hair growth.

Notes

A series of horizontal dotted lines for taking notes.