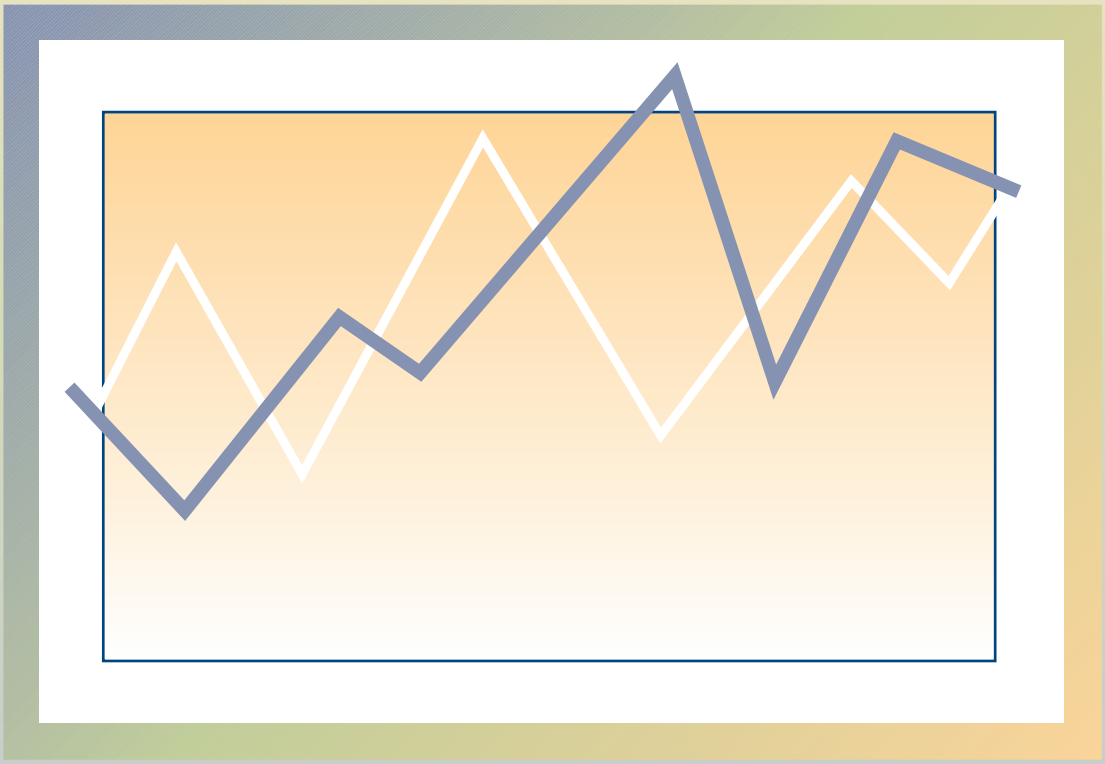
Trends in the Agricultural Sector



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in the
Agricultural Sector
2012

Contents

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Economic review for the 12 months that ended 30 June 2012

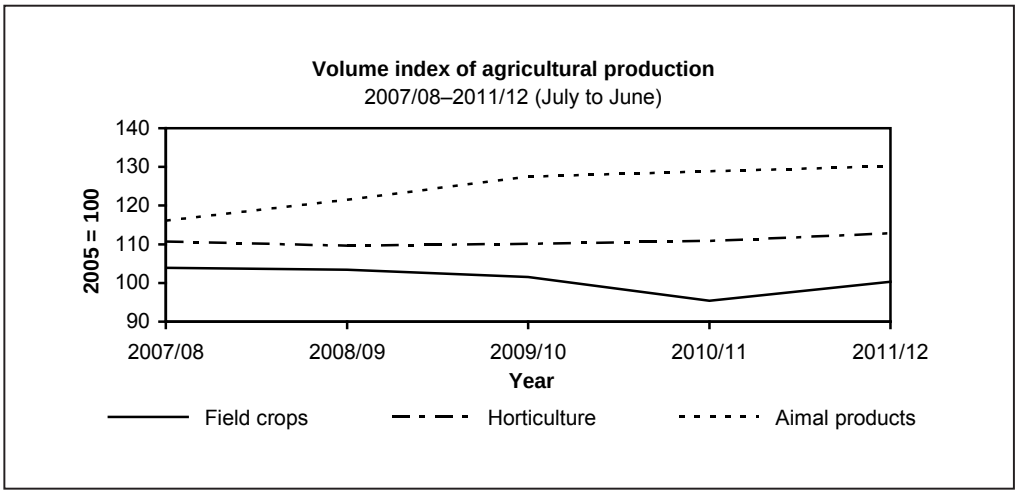
Volume of agricultural production

The estimated volume of agricultural production in 2011/12 was 2,1% higher than in 2010/11.

The volume of field-crop production reflected a 5,2% increase, mainly as a result of an improvement in the production of winter grains, maize and sugar cane. Wheat production increased by 577 554 tons or 40,2% and maize production increased by 551 000 tons or 5,0% from the previous season. Sugar cane showed an increase of 2,1 million tons or 12,5% from 2010/11.

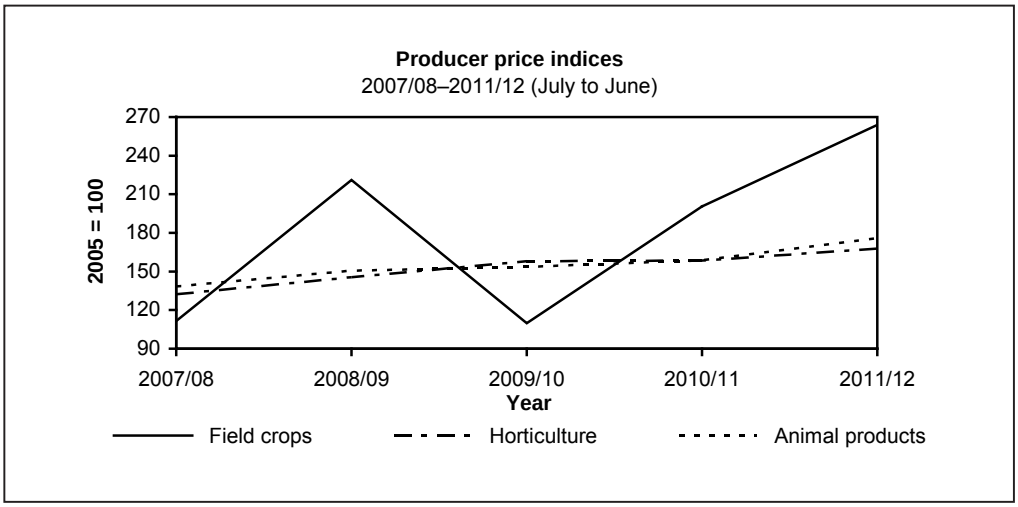
Horticultural production showed a rise of 1,7%, which can mainly be attributed to an increase in the production of citrus and deciduous fruit. The production of oranges increased by 80 724 tons or 5,7% and that of grapefruit by 72 544 tons or 21,2% from the previous season. Wine grapes and table grapes increased by 41 549 tons (2,5%) and 11 342 tons (4,3%) respectively.

Animal production increased by 1,0% as a result of increases in poultry meat (by 19 093 tons or 1,3%) and eggs (by 40 504 tons or 5,2%) from 2010/11.



Producer prices of agricultural products

Producer prices of agricultural products increased on average by 15,5% from 2010/11 to 2011/12.



The weighted average price of field crops increased by 31,7%. The prices of summer grain increased by 65,2%, dry beans by 27,9%, hay by 16,6%, cotton by 14,0%, sugar cane by 8,1%, winter grain by 3,7%, oilseeds by 2,1% and tobacco by 1,1%.

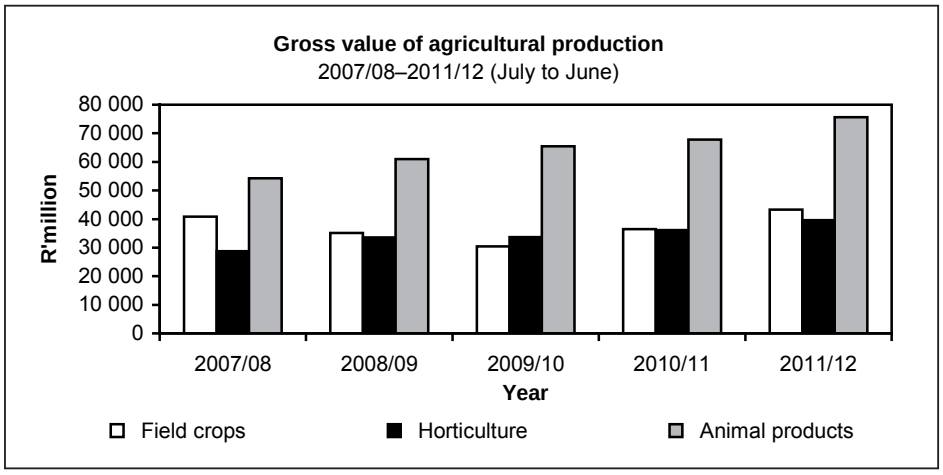
Producer prices of horticultural products rose by 5,9% from 2010/11 to 2011/12. Prices of vegetables and fruit increased by 9,1% and 4,6% respectively, while the average price of viticultural products remained virtually unchanged.

Prices of animal products increased by 10,8%. The average prices of pastoral products, slaughtered stock, dairy products and poultry meat increased by 21,4%, 16,5%, 10,4% and 5,7% respectively.

Gross value of agricultural production

The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2011/12 is estimated at R158 557 million, compared to R140 433 million the previous year—an increase of 12,9%. This increase can be attributed mainly to an increase in the value of field crops.

The gross value of animal products, field crops and horticultural products contributed 47,7%, 27,3% and 25,0% respectively, to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 16,9%, followed by cattle and calves slaughtered with 15,9% and maize with 13,5%.

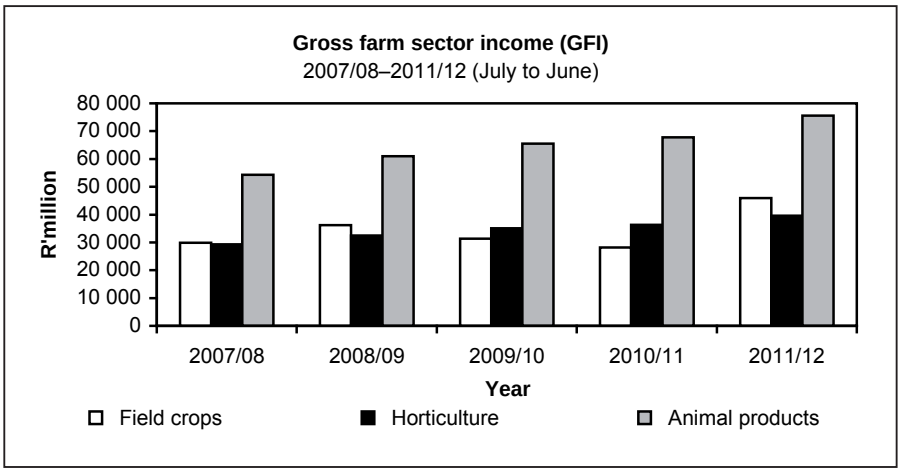


Farming income

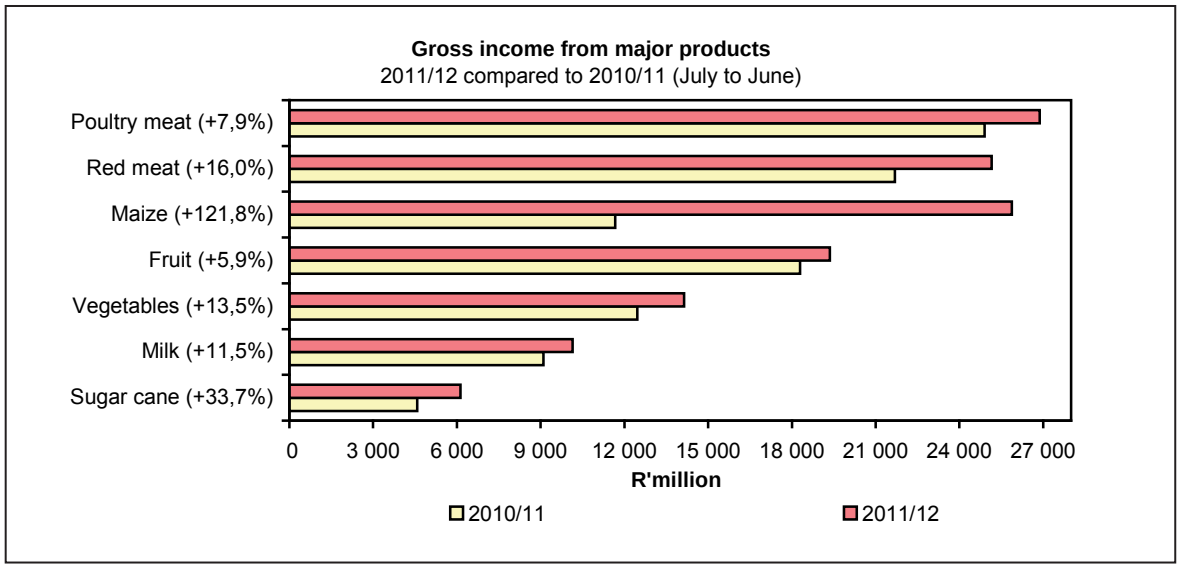
The gross income of producers (the value of sales and production for other uses, plus the value of changes in inventories) for the year ended 30 June 2012 amounted to R161 131 million, compared to R132 189 million the previous year, an increase of 21,9%. The increase in income can be ascribed mainly to a combination of increases in prices that farmers received for their products, better than expected production and earlier deliveries of maize in particular.

The gross income from field crops increased by 63,1% to R45 893 million for the year ended 30 June 2012. Income from maize at R25 872 million was R14 206 million or 121,8% higher than in the previous 12 months. Income from sugar cane at R6 122 million was R1 545 million or 33,7% higher than that of the previous 12 months. Income from groundnuts increased by 50,9% to R568 million. However, income from sunflower seed showed a decrease of 18,2% to R2 529 million.

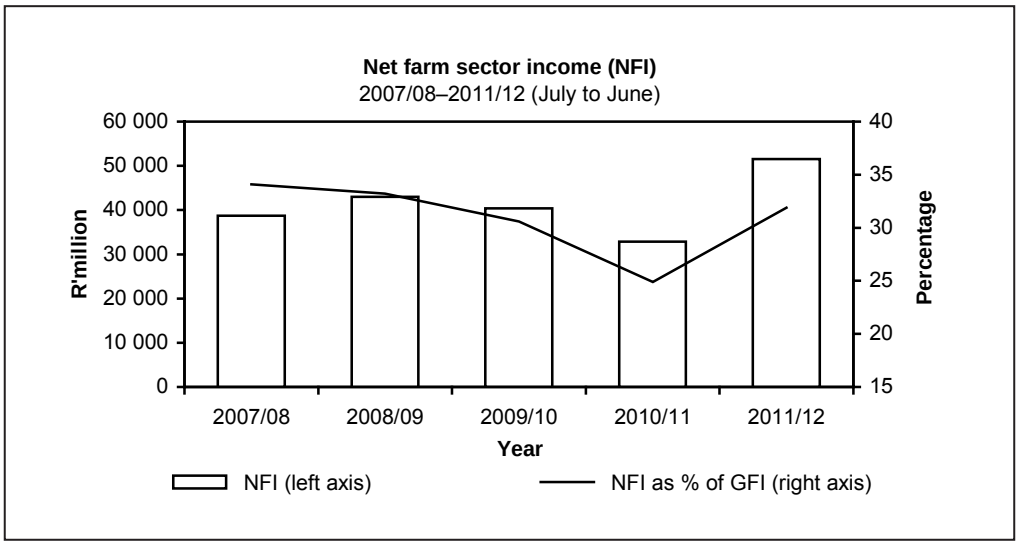
The gross income from horticultural products increased by 9,2% to R39 623 million, from R36 278 million in 2010/11. Income from vegetable production rose by 13,5% to R14 138 million. Income from citrus and deciduous fruit rose by 5,2% and 7,6% and amounted to R6 934 million and R10 060 million respectively. Income from subtropical fruit and viticulture increased slightly by 0,8% each to R2 367 million and R3 630 million respectively.



The gross income from animal products was 11,6% higher than in 2010/11 and amounted to R75 615 million, compared to R67 768 million for the previous year. Producers earned R17 643 million from slaughtered cattle and calves, as against the previous R15 089 million—an increase of 16,9%. Income from slaughtered sheep increased by 13,0% to R3 909 million. Income from poultry meat production rose by 7,9% to R26 874 million and income from egg production, at R7 447 million, was 8,3% higher than in the previous year. Producers earned R10 148 million from milk production, which is 11,5% more than in the previous year. Income from ostrich products, however, decreased by 26,0% to R295 million.



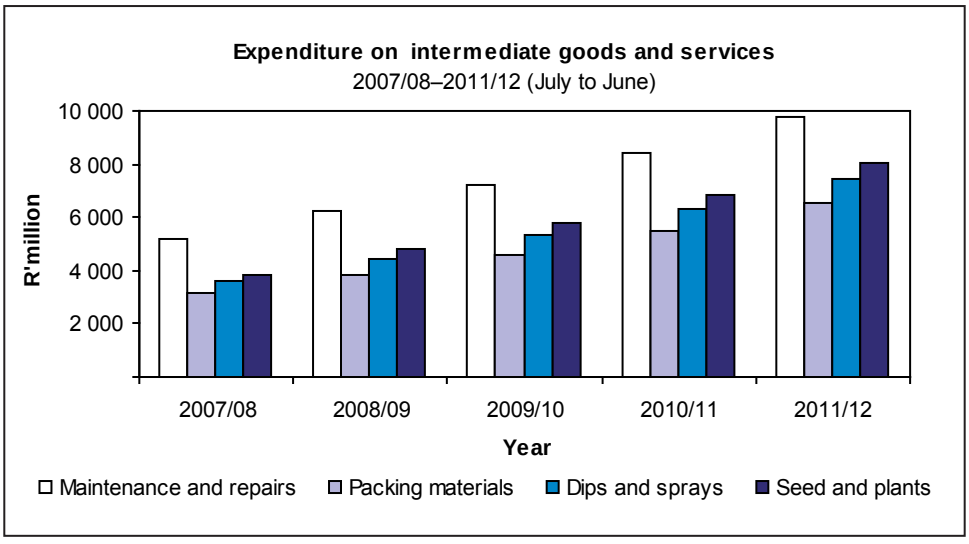
The net farm income (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R51 547 million for the 12 months that ended on 30 June 2012, which is 56,9% more than in the previous 12 months. The increase in net farming income is the result of the increase of 21,9% in gross farming income as against an increase of 12,4% in expenditure on intermediate production inputs and services. Payments for salaries and wages, which represented 11,3% of the total farming costs, amounted to R12 941 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2012, is estimated at R5 451 million or 4,8% 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 2011/12 is estimated at R89 353 million, which represents a rise of 12,4% from R79 465 million in 2010/11. Large increases occurred in expenditure on packing materials (18,4%), dips and sprays (18,2%), seed and plants (18,0%) and maintenance and repairs of machinery and implements (16,3%).

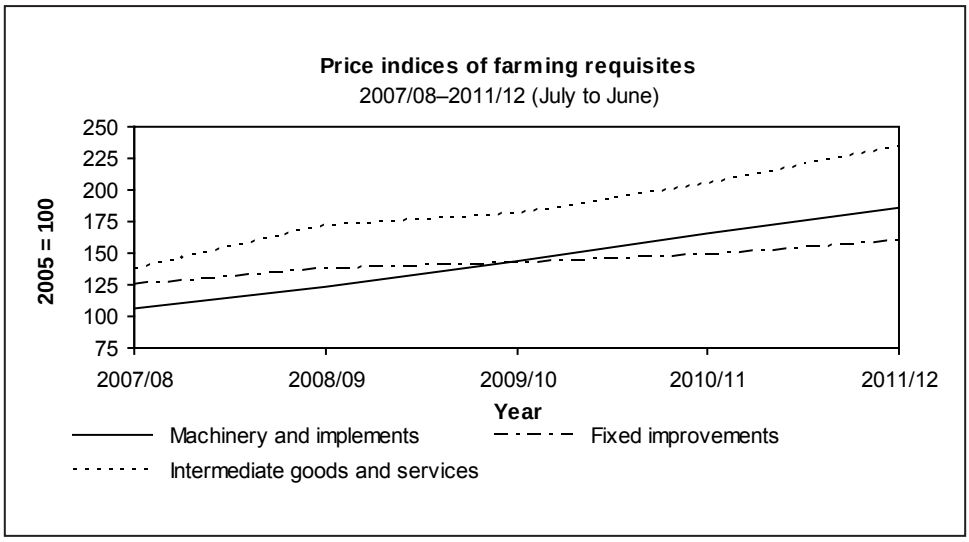


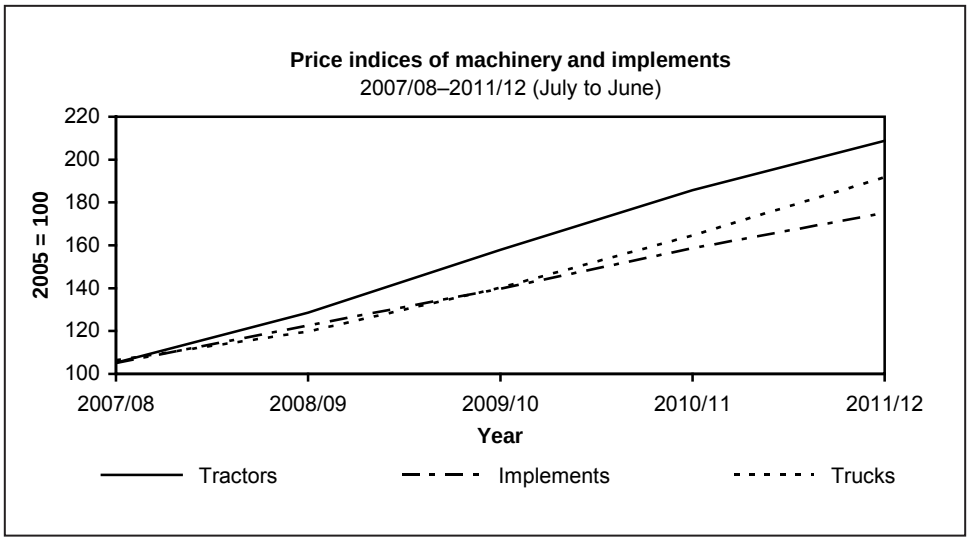
Expenditure on farm feeds remained the biggest expenditure item, accounting for 21,6% of total expenditure, followed by 13,9% for fuel, 13,1% for farm services and 10,9% for maintenance and repairs of machinery and implements.

Prices of farming requisites

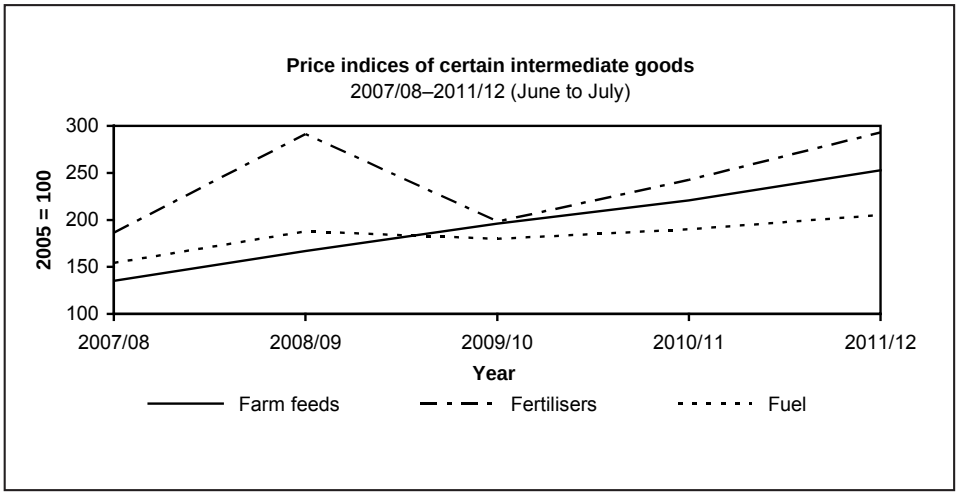
Prices of farming requisites rose by 13,8% in 2011/12, compared to an increase of 13,0% the previous year.

The price index of machinery and implements showed an increase of 12,8% for 2011/12. The price index of materials for fixed improvements increased by 7,0% and the combined index of prices of intermediate production inputs and services by 14,2%.





The increase of 20,8% in the price of fertilisers made the most significant contribution to the increase in the prices of intermediate goods and services. The prices of packing materials, seeds and farm feeds rose by 17,8%, 16,0% and 14,6% respectively.

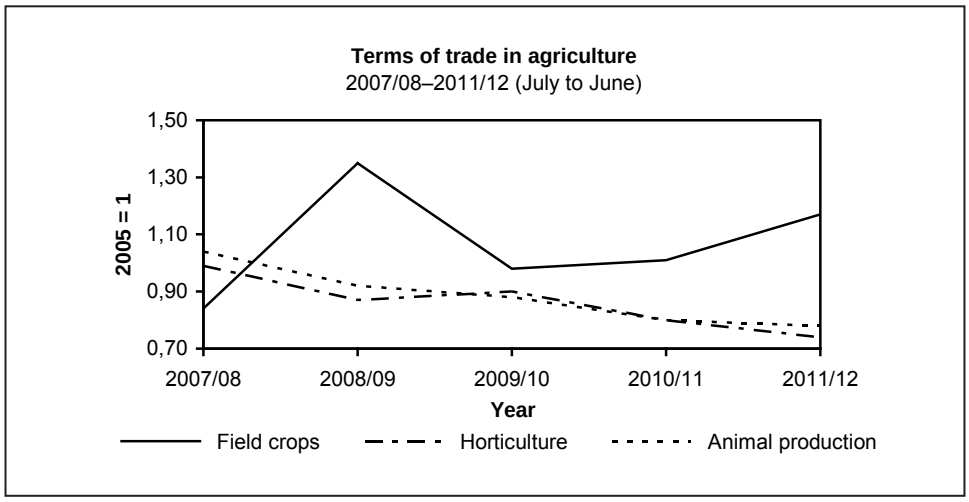


Domestic terms of trade in agriculture (2005 = 1)

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 strengthened by 1,2%, from 0,85 in 2010/11 to 0,86 in 2011/12.

The terms of trade for field crops increased by 16,0%, from 1,01 in 2010/11 to 1,17 in 2011/12. In the case of the horticultural industry, the terms of trade decreased by 7,0%, from 0,80 to 0,74. The terms of trade for the animal production industry dropped by 2,5%, from 0,80 to 0,78.



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.

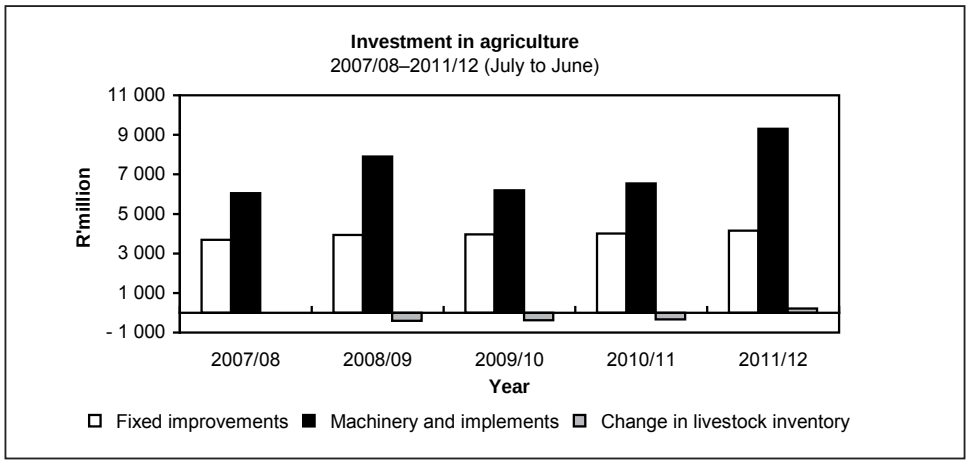
The contribution of agriculture to value added for the year ended 31 December 2011 is estimated at R63 984 million. This represents 2,4% of the total value added to the economy.

Year	Total value added R'million	**Contribution of agriculture to value added** R'million	**Contribution of agriculture as percentage of total value added** %
2006	1 572 319	37 475	2,4
2007	1 792 075	45 152	2,5
2008	2 033 207	50 263	2,5
2009	2 174 513	52 903	2,4
2010	2 412 491	46 024	1,9
2011*	2 670 504	63 984	2,4

*Note: Figures are for agriculture, forestry and fisheries

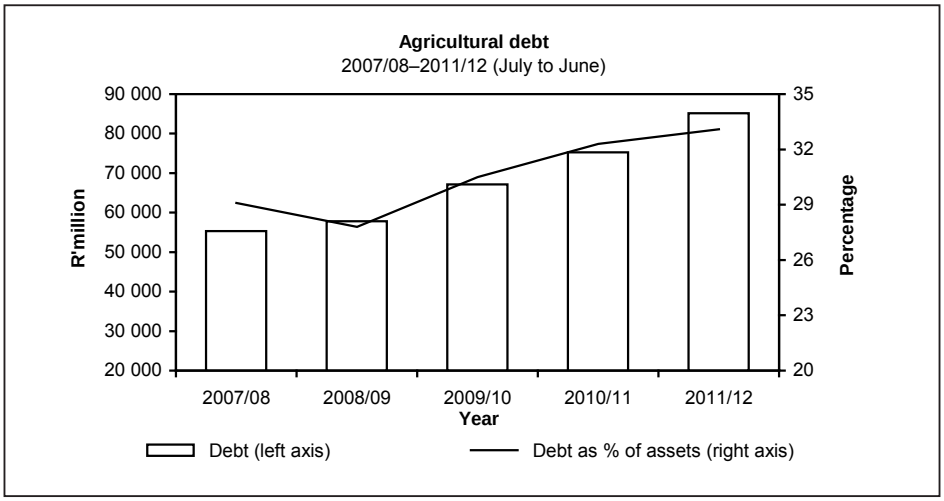
Capital assets and investment in agriculture

The value of capital assets in agriculture as at 30 June 2012 is estimated at R257 417 million, as against R232 708 million at the end of June 2011—an increase of 10,6%. Land and fixed improvements constituted R152 247 million, machinery and implements R49 049 million and livestock R56 121 million of the total value of capital assets. The gross investment in respect of fixed improvements for the year ended 30 June 2012 increased by 3,7% to R4 158 million. In the case of machinery, implements and vehicles, investment increased by 42,0% and amounted to R9 300 million. The livestock inventory rose by R214,0 million from the previous year.



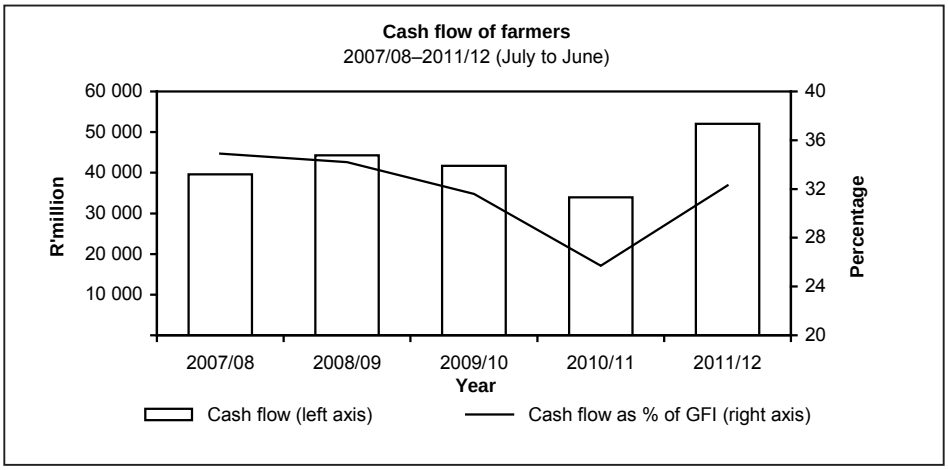
Farming debt

The total farming debt as at the end of June 2012 is estimated at R85 130 million (R75 250 million), an increase of 13,1%.



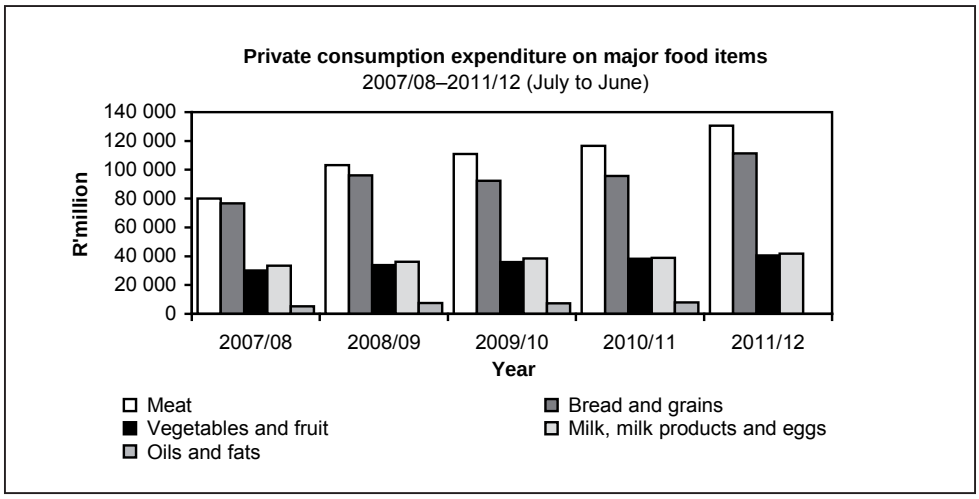
Cash flow of farmers

The cash flow of farmers amounted to R52 017 million for the year ended 30 June 2012, compared to the previous R33 976 million, an increase of 53,1%. This was the result of a significant increase in the gross income of producers.



Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2012 increased by 12,4% and amounted to R401 300 million, as against the R356 970 million of the previous year. Expenditure on meat increased by 12,0% to R130 519 million, on bread and grain products by 16,4% to R111 379 million, on sugar by 16,5% to R6 578 million, and on milk, milk products and eggs by 7,7% to R41 800 million. Fruit and vegetables (including potatoes) and oils and fats showed increases of 6,3% to R54 966 million and 34,8% to R8 702 million respectively.



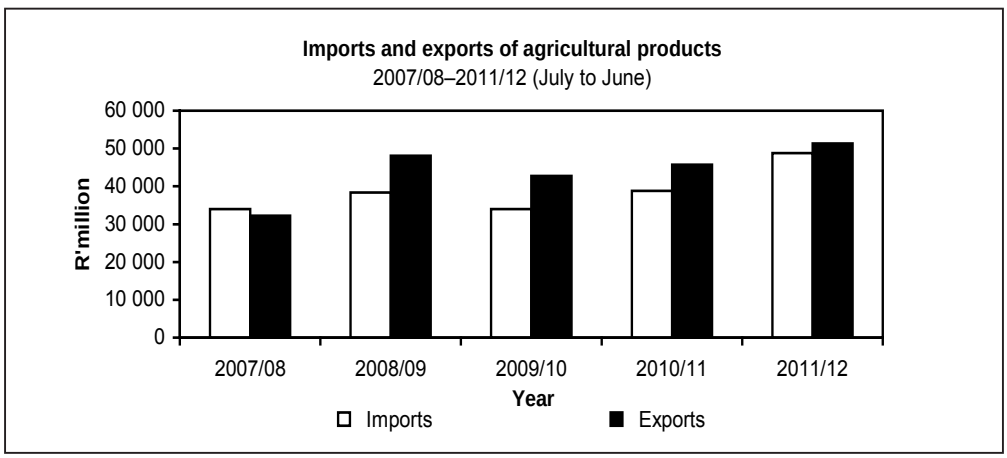
Meat represented 33% of the expenditure on the food component; bread and grains 28%; fruit and vegetables (including potatoes) 14%; milk, milk products and eggs 10%; and sugar and oils and fats 2% each.

Consumer prices

The consumer price index (with base year 2005 = 100) of all items increased by 5,8%, from 142,9 to 151,2 during the year ended 30 June 2012. The CPI of food increased by 9,1%, from 156,0 to 170,1, and that of non-food items increased by 5,0%, from 129,4 to 135,9. Meat prices rose by 11,6%, from an index figure of 154,4 to 172,3, while the prices of grain products increased by 9,3%, from 166,3 to 181,8. The consumer price index of vegetables increased by 5,7%, from 159,4 to 168,5, and that of fruit by 5,9%, from 146,1 to 154,6. In the case of dairy products and eggs, prices rose by 5,0 %, from an index of 157,7 to 165,6, while an increase of 11,9% was recorded for sugar and related products, from 151,9 to 169,9.

Imports and exports of agricultural products

The estimated value of imports for 2011/12 amounted to R48 790 million, an increase of 25,7% from R38 815 million for 2010/11. The value of exports increased by 12,3%, from R45 721 million in 2010/11 to R51 357 million in 2011/12.



According to the 2011/12 export values, citrus fruit (R7 032 million), wine (R5 743 million), maize (R4 778 million) and grapes (R4 107 million) and apples, pears and quinces (R3 618 million) were the most important agricultural export products. Rice (R4 520 million), wheat and meslin (R3 650 million), poultry (R3 280 million), palm oil (R3 203 million) and undenatured ethyl alcohol (R2 637 million) accounted for the highest imports in terms of value.

During 2011/12, the Netherlands, with exports to the value of R5 464 million, the United Kingdom (R4 628 million), Zimbabwe (R4 400 million), Mexico (R2 919 million) and Mozambique (R2 601 million) were the five largest trading partners of South Africa in terms of export destinations for agricultural products. About 19,7% of the total value of agricultural exports for the period July 2011 to June 2012 went to the Netherlands and the United Kingdom.

The five largest trading partners for South Africa's imported agricultural products during 2011/12 were Argentina (R5 250 million), Brazil (R4 436 million), China (R3 058 million), Thailand (R2 720 million) and the United Kingdom (R2 690 million).

Branches of the industry

FIELD CROP HUSBANDRY

Maize

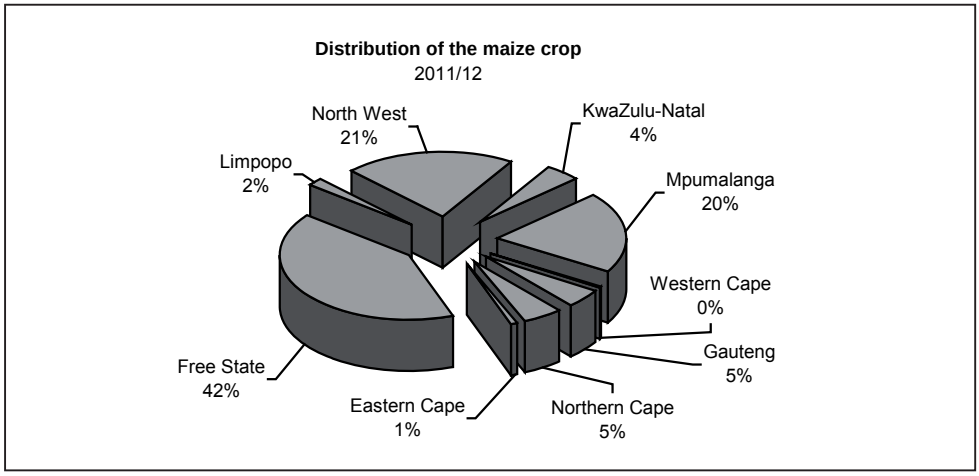
Maize is the most important grain crop in South Africa, being both the major feed grain and staple food of the majority of the South African population. About 57% of maize produced in South Africa is white and the remaining 43% is yellow maize. White maize is primarily used for human consumption, while 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 (48,3%), followed by sugar cane (13,1%), wheat (11,2%), hay (7,8%) and sunflower seed (7,2%). The gross value of maize for 2011/12 amounts to R21 390 million.

The 2011/12 summer rainfall season was characterised by below-average rainfall over many of the important grain-producing areas, specifically over the north-eastern to central Free State, into large parts of the North West Province. December stood out as a relatively wet month over much of the summer rainfall area. However, from early January, conditions over most of the central to north-eastern interior became relatively unfavourable for rainfall. In spite of the low rainfall in the grain-producing areas, crop yields turned out to be better than initially anticipated, resulting in a higher harvest.

The contribution by provinces to maize production during the 2011/12 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 during 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 61% white maize to 39% yellow maize. An estimated 4,7% of the area planted to white maize is under irrigation and 95,3% is dryland, while the estimate for yellow maize is 15,4% under irrigation and 84,6% dryland.

Area planted and production

The estimated area that South African commercial producers planted to maize during the 2011/12 season is 2,699 million ha. This is 13,8% or 326 900 ha more than the 2,372 million ha planted the previous season and 4,7% or 120 600 ha more than the five-year average of 2,579 million ha planted up to 2010/11.

Commercial white and yellow maize plantings for 2011/12 were 1 636 300 ha and 1 063 000 ha respectively. This represents increases of 15,4% and 11,4%,respectively. The increase in area planted is mainly in response to the favourable prices at planting time compared to the same period a year ago.

The commercial maize crop for the 2011/12 production season is estimated to be 11,495 million tons, with an estimated yield of 4,26 t/ha. The production represents an increase of 11,0% from the 2010/11 crop, which was estimated at 10,360 million tons.

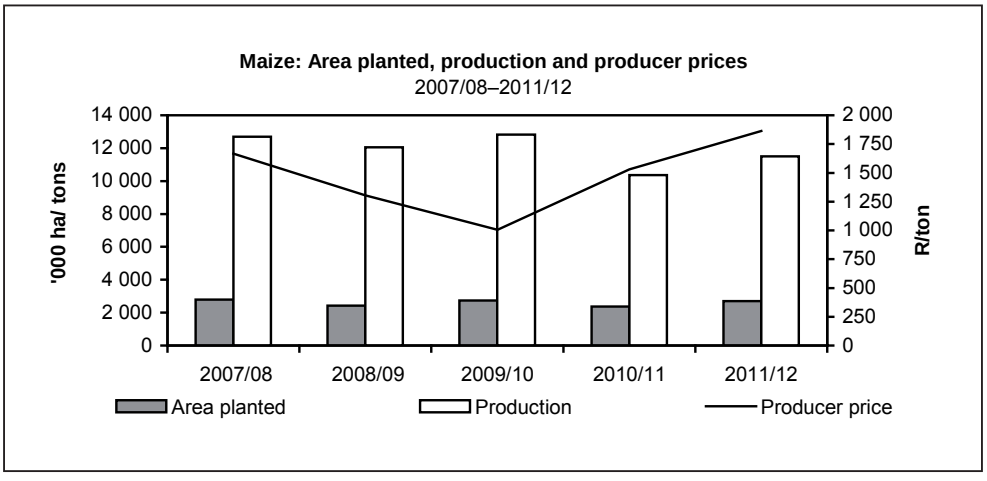
For the 2011/12 season, 98% of the deliveries of white maize were grade WM1, compared to 91% of the 2010/11 crop, and approximately 96% of the yellow maize deliveries was grade YM1, compared to 93% of the 2010/11 crop.

Plantings, production and yields of commercial maize from 2007/08 to 2011/12 were as follows:

Season	2007/08	2008/09	2009/10	2010/11	2011/12
Plantings (ha)	2 799 000	2 427 500	2 742 400	2 372 300	2 699 200
Production (t)	12 700 000	12 050 000	12 815 000	10 360 000	11 494 650
Yield (t/ha)	4,54	4,96	4,67	4,37	4,26

The estimated yield of 4,26 t/ha for 2011/12 is 14,1% below the record yield of 4,96 t/ha realised in 2008/09. It is also 2,5% lower than the yield of 4,37 t/ha estimated for 2010/11, mainly because of the drought conditions that occurred during the growing season, which impacted negatively on the yields.

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 2011/12 is estimated at 442 114 ha, which comprises 302 316 ha of white maize and 139 798 ha of yellow maize. Production by the non-commercial sector is estimated at 638 463 tons—429 329 tons of white and 209 134 tons of yellow maize. Maize grown by this sector is mainly for own use and contributes only approximately 5% 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 2011/12 production season, GM maize contributed 79% or 2,1 million ha of the total commercial area planted to maize. White GM maize contributed about 78% or 1,3 million ha of the total white maize plantings, while yellow GM maize plantings contributed 81% or 863 277 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 tends 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. Producers can manage their price risk by negotiating spot, contract or futures prices, based on market conditions, on SAFEX.

The average producer price of maize increased by 21,7%, from R1 531,06/ton in 2010/11 to R1 864,06/ton in 2011/12. The increase was mainly directed by events in the United States of America, where the worst drought in more than 50 years impacted negatively on the maize crop. Following this, concerns about tighter global maize supplies caused significant price increases on the international as well as the local market.

The average producer prices of maize from 2007/08 to 2011/12 are as follows:

Season	2007/08	2008/09	2009/10	2010/11	2011/12
	R/ton				
Producer price	1 665,61	1 304,94	1 004,84	1 531,06	1 864,06

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 2011/12 commercial maize crop of 11,495 million tons (6,506 million tons white and 4,989 million tons yellow), together with carry-over stocks of 994 000 tons (518 000 tons white and 476 000 tons yellow) from the previous season, the domestic supply of maize for the 2012/13 marketing season (May to April) is estimated at 12,659 million tons (7,094 million tons white and 5,565 million tons yellow).

The domestic demand for commercial maize is estimated at 9,681 million tons—5,006 million tons of white and 4,675 million tons of yellow maize. Projected exports amount to 1,400 million tons (1,2 million tons of white and 200 000 tons of yellow maize). Carry-out stocks on 30 April 2013 are expected to be approximately 1 578 000 tons—888 000 tons white and 690 000 tons yellow. Considering pipeline requirements (45 days of commercial consumption) of 1,082 million tons of maize, it is likely that SA will be importing maize by the beginning of 2013 to meet local demand.

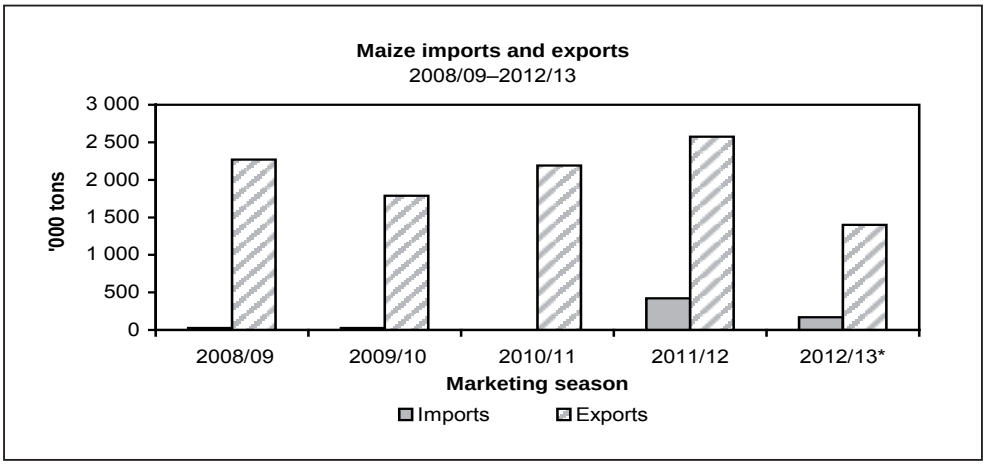
Trade balance

In the case of a product such as white maize, millers (who are the main buyers of the maize crop) have the option of importing maize rather than buying locally produced maize. In a deregulated market, the decision whether to buy from domestic or foreign sources is influenced by, among other factors, 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 can 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 crops 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 2012/13 season also shows exports to, *inter alia,* Mexico, Korea and Madagascar.

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 there are pockets of acute food insecurity in parts of Angola, Lesotho, Malawi, Mozambique and Zimbabwe because of reduced harvests in some areas affected by drought or floods and above-average cereal prices. Many of these poor households will face food consumption gaps and will require assistance.

Food insecurity was expected to worsen in these areas as the lean season is expected to begin much earlier than the normal October/November start. 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, a factor that is likely to have a negative effect on food access for poor households. Donor assistance is required in some of the countries.

The vulnerability assessments for 2012, as released in July 2012, point to higher levels of food insecurity across the SADC region compared to the past three years. A total of 5,48 million people have been assessed as food insecure; an increase of 39% from the previous season (2011/12). Lesotho has the highest level with 39% of the population assessed as requiring food assistance.

South Africa normally has the capacity to meet the maize import needs of neighbouring countries experiencing shortages.

Prospects

In October 2012, the intended maize plantings of South African farmers were 2,74 million ha for the 2012/13 production season, which is 1% more than the 2,70 million ha planted during 2011/12.

Producers indicated that the main reason for the intended increase in maize plantings was favourable maize prices compared to the same period a year ago. Crop rotation practices were also given as a reason for the increase in intended maize plantings.

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.

World maize situation

According to the September 2012 report of the United States Foreign Agricultural Services, world maize production in 2012/13 (September to August) is forecast at 841,1 million tons, which is 4,1% or 35,6 million tons less than the 876,7 million tons produced during 2011/12. The US contributed 32% (272,5 million tons), China 24% (200,0 million tons), Brazil 8% (70,0 million tons) and the EU-27 7% (57,1 million tons) to world production. The remaining 29% is made up by, *inter alia*, Mexico, India, Argentina and South Africa.

Global consumption in 2012/13 is expected to be 856,7 million tons—8,0 million tons less than in the previous year. Global ending stocks at the end of September 2013 are expected to decrease to 124,0 million tons, which is 15,6 million tons or 11,2% 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 Statistics and Economic Analysis; Grain South Africa, which promotes the interests of maize producers and the South African Grain Information Service, 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, the Council for Scientific and Industrial Research and other organisations.

Sorghum

Plantings and production

Sorghum is indigenous to Africa. There are two types of sorghum, namely bitter and sweet sorghum cultivars. Preference is given to the sweet cultivars. Bitter sorghum is planted in areas where birds are a problem, because it contains tannin, which gives a bitter taste and consequently birds tend to avoid feeding on it.

Sorghum 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.

The 2011/12 summer rainfall season was characterised by below-average rainfall over much of the central parts of the country, while large parts in the west and south and some areas in the east received above-normal rainfall.

The season started with above-normal rainfall over the eastern parts of the country and dry conditions over the central to the western parts. December 2011 stood out as a relatively wet month over much of the summer rainfall area. However, from early January 2012, conditions over most of the central to north-eastern interior became relatively unfavourable for rainfall. In contrast to dry conditions over the central parts, widespread flooding occurred over the eastern parts of Limpopo and Mpumalanga because of the influence of tropical depression 'Dando' in mid-January.

During the 2011/12 production season (April to March), sorghum for commercial purposes was produced mainly in the Free State (44,1%), followed by Mpumalanga (36,1%), Limpopo (10,9%) and the North West (7,5%). An estimated 48 550 ha were planted to sorghum for commercial use, representing a decrease of 29,8% from the 69 200 ha planted during 2010/11. The decrease in 2011/12 is mainly a result of the increase in maize planting during the previous season.

During the past five seasons, South Africa produced on average 211 800 tons of sorghum per annum, which is relatively small compared to the average domestic maize and wheat production.

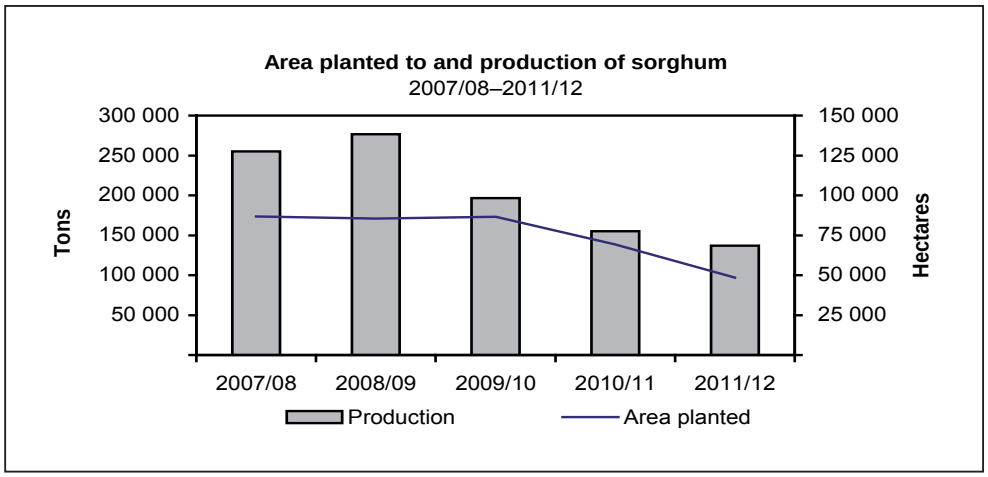
During the 2011/12 production season, sorghum contributed only approximately 0,7% to the gross value of field crops. The estimated average annual gross value of sorghum for the five seasons up to 2010/11 amounts to R384 million.

The commercial sorghum crop for the 2011/12 production season is estimated at 137 150 tons, which is 11,5% lower than that of the previous season and 35,3% lower than the five-year average production of 211 800 tons up to 2010/11. The yield for 2011/12 is 2,82 t/ha, which is 6,0% higher than the five-year average yield of 2,67 t/ha up to 2010/11.

Plantings, production and the yields of sorghum from 2007/08 to 2011/12 were as follows:

Season	2007/08	2008/09	2009/10	2010/11	2011/12
Plantings (ha)	86 800	85 500	86 675	69 200	48 550
Production (t)	255 000	276 500	196 500	155 000	137 150
Yield (t/ha)	2,94	3,23	2,27	2,24	2,82

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



The five-year average, up to 2011/12, of sorghum produced by the non-commercial agricultural sector for its own use is assumed to be approximately 31 800 tons, which is about 15,0% of the average commercial sorghum crop of 211 800 tons.

Consumption

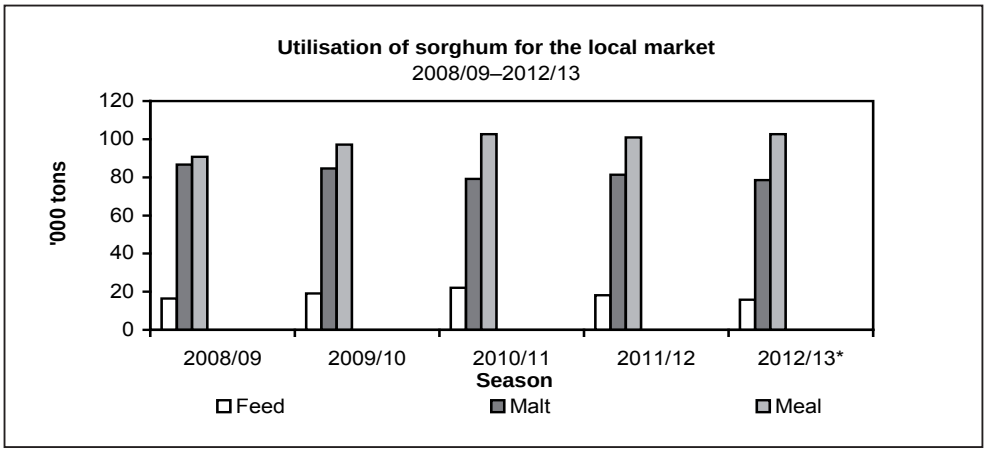
Sorghum, like other grains, has two basic markets that it serves, namely the human component and the animal feed component. Sorghum is consumed mainly in the human food market and, as in the case of maize, consumers tend to replace sorghum-based products with preferred products as the household income increases.

Expectations are that a total of 274 250 tons of sorghum will be available for local consumption during the 2012/13 marketing season (April to March), compared with 279 600 tons the previous season. This comprises carry-over stocks as at 1 April 2012 amounting to 52 100 tons, domestic production of 137 150 tons and imports of 85 000 tons.

The commercial utilisation (for human and animal consumption) of sorghum for the 2012/13 marketing season is approximately 219 700 tons, of which 181 300 tons are for human consumption (malt, meal and other uses) and 15 800 tons are for animal feed (poultry, pet, pigeon and ostrich feeds). Projected exports during the 2012/13 marketing season are 22 600 tons.

Considering the above, carry-out stocks at 31 March 2013 are expected to be about 54 550 tons.

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



* Projection

Producer prices

The local producer price of sorghum increased by 19,6%, from R1 671,57/t in 2010/11 to R1 998,89/t for the 2011/12 production season.

Season	2007/08	2008/09	2009/10	2010/11	2011/12
	R/t				
Producer price	1 774,43	1 494,65	1 383,50	1 671,57	1 998,89

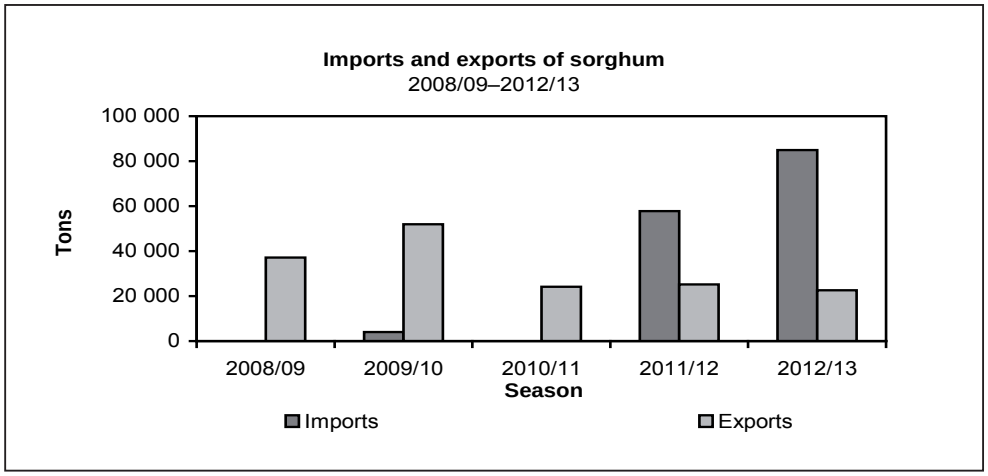
Imports and exports

Imports and exports of sorghum from 2008/09 to 2012/13 (marketing seasons) were as follows:

Season	2008/09	2009/10	2010/11	2011/12	2012/13*
	Tons				
Imports	0	4 000	0	57 800	85 000
Exports	37 100	52 000	24 200	25 200	22 600

* Projection

The exports of 22 600 tons for the 2012/13 marketing season are 10,3% less than the 25 200 tons of the previous season.



Outlook

After a 20% decrease in sorghum plantings during 2011, sorghum producers planted a further 30 % less in 2012 despite higher prices. According to a report by the Bureau for Food and Agricultural Policy (BFAP) of the University of Pretoria, the lower plantings eventually resulted in South Africa being a net importer of sorghum since 2011. Owing to the local short supply, the producer price of sorghum is forecast to be 47% higher in 2012 compared to 2011. The higher projected price will most likely provide a stimulus for higher sorghum plantings in 2013 and if normal weather prevails, local supply will be sufficient to meet the demand.

In recent months there have been renewed debates regarding the possible implementation of a mandatory blending level (possibly 2%) for bioethanol. Given the fact that maize has been excluded from the list of possible feed types to be used for bioethanol production, the focus seems to be on sorghum and possibly sugar beet. If a mandatory blending rate is actually announced, it could, depending on the terms of implementation, have far-reaching implications for the outlook of the sorghum industry.

World sorghum situation

World production decreased by 12,6%, from 62,4 million tons in 2010/11 (marketing year) to 54,6 million tons in 2011/12. Nigeria contributed 12,6% (6,9 million tons), Mexico 11,5% (6,3 million tons), India 11,1% (6,0 million tons) and the United States 10,0% (5,5 million tons) to world production. The balance of 54,8% was made up by, *inter alia*, Argentina, Ethiopia, Australia, China and Sudan.

The world total production in 2012/13 is forecast at 58,7 million tons, which is 4,1 million tons or 7,5% more than the 54,6 million tons produced in 2011/12.

Nigeria, one of the largest producer of sorghum in the world, expects to produce 6,9 million tons in 2012/13, Mexico 6,8 million tons, the United States 6,3 million tons and India 6,0 million tons.

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 up-to-date 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 2011/12 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 2011/12 amounts to R4 185 million, compared to R17 985 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.

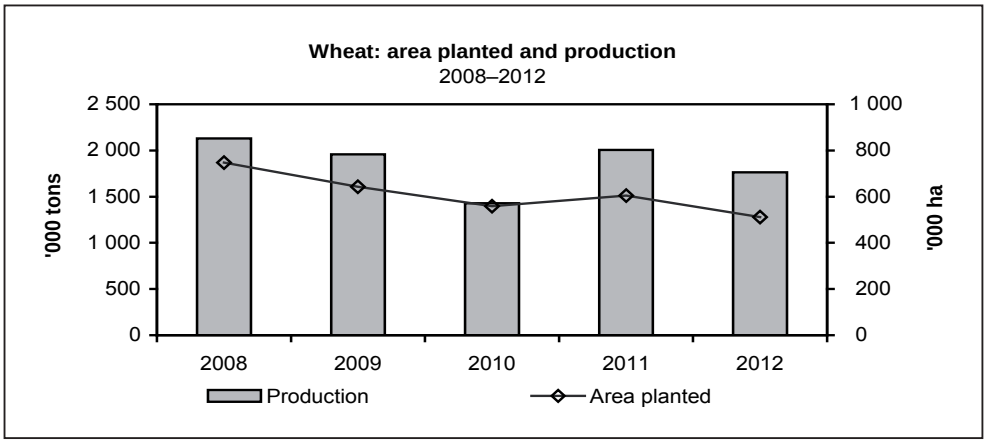
Wheat is generally classed as “hard” or “soft”. Hard wheat tends to have a higher protein content than softer wheat and is used mainly for bread. Soft wheat, on the other hand, is more suitable for confectionery.

Areas planted and production

The estimated area planted to wheat for the 2012 season is 511 200 ha, which is 15,5% less than the 604 700 ha of the previous season. This is the smallest area planted to wheat since the early 1900s. Of this area, 272 000 ha (53%) are in the Western Cape and 130 000 ha (25%) are in the Free State. According to producers, the decrease in wheat plantings can mainly be attributed to low prices (no longer profitable), grading regulations, as well as the more favourable prices farmers can get for maize compared to wheat.

In the Western Cape winter rainfall region, the start to the 2012 production season for wheat was marked by average to above-average rainfall over the Swartland and Overberg regions. Much less rain has occurred over the winter rainfall areas since the beginning of September and there was somewhat more rain in the western area than in the eastern area.

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



The expected commercial wheat crop for 2012 is 1,762 million tons, of which 734 400 tons (42%) are from the Western Cape, 383 500 tons (22%) from the Free State and 277 200 tons (16%) from the Northern Cape provinces. The expected average yield is 3,45 t/ha. This is the highest yield ever recorded.

Plantings, production and yields from 2008 to 2012 are as follows:

Season	2008	2009	2010	2011	2012
Plantings (ha)	748 000	642 500	558 100	604 700	511 200
Production (t)	2 130 000	1 958 000	1 430 000	2 005 000	1 761 860
Yield (t/ha)	2,85	3,05	2,56	3,32	3,45

Consumption

A total of 4,192 million tons of wheat were available for local consumption during the 2011/12 marketing season (October to September). This comprised carry-over stocks as at 1 October 2011 of 478 000 tons, domestic production, including the non-commercial sector, of 2,014 million tons, and imports of approximately 1,700 million tons.

The total demand for wheat for the 2011/12 marketing season is estimated at approximately 3,543 million tons, of which 290 000 tons were exported. Carry-out stocks as at 30 September 2012 are estimated to be 649 000 tons.

For the 2012/13 marketing season, the total supply of wheat is forecast at 3,940 million tons (the estimated wheat crop of 1,771 million tons, including the non-commercial sector, together with the carry-over stocks of about 649 000 tons and expected imports of 1,520 million tons). The demand for wheat (exports included) is estimated at 3,300 million tons. Carry-out stocks at the end of September 2013 are expected to amount to 640 000 tons.

Imports

South Africa, a net importer of wheat, relies on imports from, *inter alia*, Argentina, Brazil and Australia to meet its domestic demand. During the 2011/12 season, approximately 50% of the wheat that was needed for domestic consumption was produced locally, while an estimated 1,7 million tons were imported.

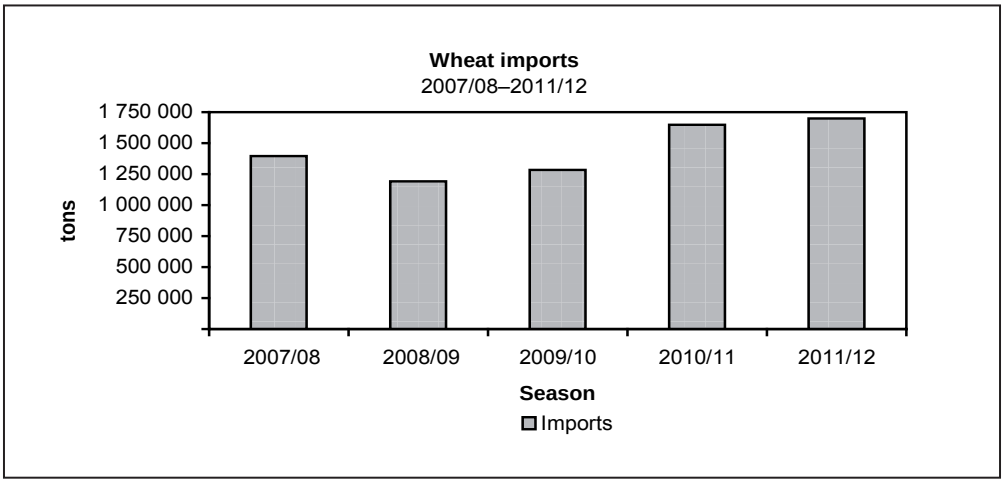
Wheat imports from 2007/08 to 2011/12 were as follows:

Season	2007/08	2008/09	2009/10	2010/11	2011/12*
	Tons				
Imports	1 396 000	1 192 000	1 285 000	1 649 000	1 700 000

*Projection for the 2011/12 marketing season

Source: SAGIS

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



Prices

Wheat prices in South Africa remain largely at the mercy of international markets and are vital in determining global trends in commodity prices.

The average producer price of wheat increased slightly by 1,4%, from R2 303,68/ton in 2010/11 to R2 335,58/ton in 2011/12.

The average producer prices of wheat (grade 1) from 2007/08 to 2011/12 were as shown on the next page.

Season	2007/08	2008/09	2009/10	2010/11	2011/12
	R/ton				
Producer price	2 505,58	2 307,46	1 607,67	2 303,68	2 335,58

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 Grains 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

Severe droughts this year in the US and across a large part of Europe and into central Asia have been the main cause of the reduced wheat crops. However, the very early indications for wheat crops in 2013 are encouraging, with winter wheat planting in the northern hemisphere already well advanced under generally favourable weather conditions.

According to the October 2012 report of the United States Foreign Agricultural Services, world wheat production in 2012/13 (July to June) is forecast at 653,0 million tons, which is 6,1% or 42,6 million tons less than the 695,7 million tons produced during 2011/12, with the EU-27 contributing 20% (131,6 million tons), China 18% (118,0 million tons), India 14% (93,9 million tons) and the United States 9% (61,8 million tons) to world production during 2012/13. The balance of 39% is made up by, *inter alia*, the Russian Federation, Canada, Pakistan and Australia.

Global consumption is expected to be 678,2 million tons—17 million tons less than the previous year, mostly because of a reduced feed use after the previous seasons' exceptionally elevated use of wheat for animal feed.

Global ending stocks are expected to decrease to 173,0 million tons by the end of June 2013, which is 25,2 million tons or 12,7% 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 is, 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 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 at least 350 mm of well-distributed rainfall during the growing season (March to October). At present four varieties are recommended for malting barley production in the Southern Cape, *viz*. SSG 564, SabbiErica, SabbiNemesia and S5.

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.

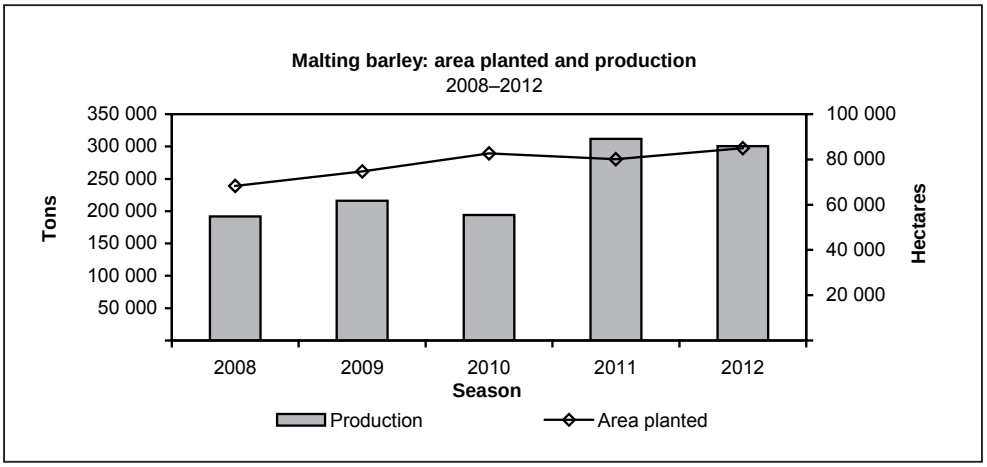
However, because of the risk of unpredictable weather conditions in the Southern Cape, barley production has also been introduced to the cooler central irrigation areas of the Northern Cape Province. There are also farmers in other areas of South Africa, such as the North West and Limpopo provinces, who also plant small quantities of malting barley under irrigation.

Malting barley under irrigation has a higher yield and is more stable than in the Southern Cape, where the crop is dependent on rainfall.

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 2012 season are estimated at 84 940 ha. This is an increase of 6,0% or 4 790 ha from the plantings of 80 150 ha during 2011. It is also 12,0% or 9 103 ha more than the five-year average of 75 837 ha planted up to 2012. Of this 84 940 ha, 76 000 ha (89%) are in the Western Cape, 7 500 ha (9%) in the Northern Cape, 1 200 ha (1%) in North West and only 240 ha (0,3%) in Limpopo.



A total crop of 300 662 tons of malting barley is expected for the 2012 season. This is 3,6% lower than the estimated production of 312 000 tons in the previous season. However, it is 32,3% or 73 362 tons more than the average production of 227 300 tons per annum over the five years up to 2011. The expected average yield is 3,54 t/ha.

Plantings, production and yield of malting barley from 2008 to 2012 were as follows:

Season	2008	2009	2010	2011	2012
Plantings (ha)	68 245	74 760	82 670	80 150	84 940
Production (t)	192 000	216 000	194 000	312 000	300 662
Yield (t/ha)	2,81	2,89	2,35	3,89	3,54

Consumption

The processing of barley into malt is done mainly in Caledon in the Southern Cape, but also in Alrode near Johannesburg. Malting barley is all about taste, which is important in mainly flavouring beer. It is also used around the world in many foods.

The total supply of malting barley for the 2011/12 marketing season (October to September) was estimated at 466 200 tons (imports included). Carry-over stocks as at 1 October 2011 amounted to 88 900 tons. Production for the 2011/12 season was 312 000 tons, while 65 300 tons were imported.

For the 2011/12 marketing season, the total demand for malting barley is estimated at 321 300 tons. Carry-out stocks at 30 September 2012 were 145 000 tons. This is more than three times the required three-month-pipeline stock of 38 100 tons.

For the 2012/13 marketing season, the total supply of malting barley is expected to be 499 600 tons, comprising the expected crop of 300 662 tons, carry-over stocks of 145 000 tons and expected imports of 54 000 tons. The domestic demand is estimated at 316 000 tons, including 2 200 tons of exports. Carry-out stocks at the end of September 2013 are expected to amount to 183 600 tons.

Producer prices and value of crop

The average producer prices of malting barley from 2007 to 2011 were estimated to be as follows:

Season	2007	2008	2009	2010	2011*
	R/ton				
Producer price	1 381,40	2 300,31	1 903,25	926,14	2 267,50

* Preliminary

The average annual gross value of malting barley for the past five years up to 2011/12 amounts to R424 million, compared to the R4 185 million of wheat and R17 985 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 2007/08 to 2011/12 were as follows:

Season		2007/08	2008/09	2009/10	2010/11	2011/12
		Tons				
Imports	– Barley	96 600	98 700	53 500	70 300	65 300
	– Malt	40 400	61 900	82 400	80 900	58 473

Source: SAGIS

World barley situation

According to the September 2012 report of the United States Foreign Agricultural Services, world barley production is estimated at 132,5 million tons for the 2012/13 marketing year, while global consumption is expected to be 135,1 million tons. Global ending stocks at the end of September 2013 are expected to be 19,4 million tons.

Research and information

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

The ARC-SGI is one of the crop institutes of the ARC which has, under the Agricultural Research Act of 1990 (Act No. 86 of 1990), the mandate to perform research, development and transfer of technology within the RSA, to the advantage of all agricultural and agriculture-related industries, and therefore to improve the quality of life of all South Africans.

On the other hand, Sabbi's Research and Development mission is to ensure sustainable barley production for the benefit of the SAB (South African Breweries), SABM (South African Breweries Maltings) and the producer through innovative research and development. Producers need better quality, higher yielding and more resistant varieties, as well as increased knowledge of enhanced agricultural production practices in order to be more competitive globally.

The SAGIS, a section 21 company funded globally by the barley industry, administers the information function for the barley industry.

Sunflower seed

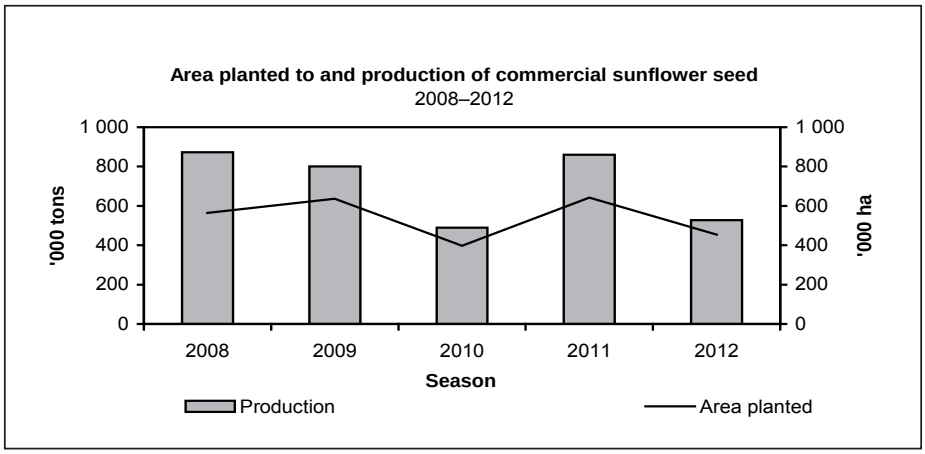
Sunflower seed can be planted from the beginning of November to the end of December in the eastern part of the production areas and up to the middle of January in the western part. Sunflowers grow best when planted in midsummer to ensure that less moisture is lost from the soil during the crucial growing 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 farmers can easily switch to sunflower if the optimum date for maize planting has passed.

During the 2012 production season, the bulk of the crop was produced in the Free State (42%) and North West (33%) provinces. The contribution of sunflower seed to the gross value of field crops during the season is approximately 5,5%, compared to the 49,4% of maize, the largest contributor. The average annual estimated gross value of sunflower seed for the five years up to 2011/12 amounts to R2 695 million, compared to the R17 985 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. The area planted to sunflower seed for commercial use during the 2012 season decreased by 29,5% to 453 350 ha, from an estimated 642 700 ha the previous season. This is also 11,3% lower than the five-year average of 511 370 ha up to 2011. The decrease in plantings can be attributed mainly to an increase in the plantings of maize and soya beans.

Commercial seed production during 2012 was approximately 527 110 tons, which is 38,7% lower than the previous season and 20,7% lower than the average of 664 600 tons for the previous five years. The decrease in production can be attributed mainly to the decrease in the area planted to and the lower realised yield of sunflower seed. The average yield for 2012 is approximately 1,16 t/ha, which is 13,4% lower than the 1,34 t/ha during the previous season, and 10,8% less than the five-year average of 1,30 t/ha up to 2011. The decreased yield can mainly be attributed to the mid-summer dry spell that prevailed.

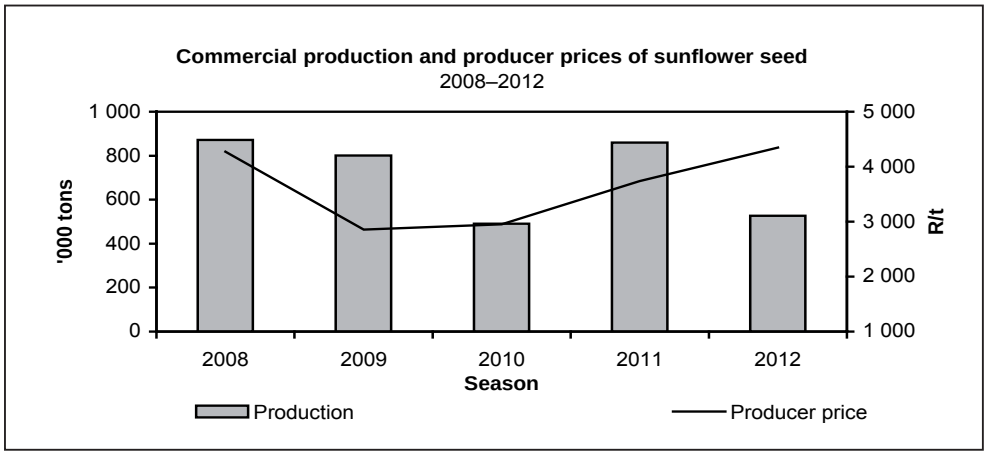


Subsistence agriculture contributed an estimated 20 928 tons (3,8%) to the total sunflower seed production in South Africa during 2012.

According to a report by the Bureau for Food and Agricultural Policy (BFAP) of the University of Pretoria, after a decrease in sunflower seed plantings in 2012, plantings are forecasted to increase again to above 600 000 ha for the 2013 season. Local oilseed prices will not be left unaffected by the sharp rise in world oilseed prices and sunflower seed, soya-bean and canola prices are expected to remain at record levels for the remainder of the 2012 season as well as to 2013. This will provide a major incentive for producers to expand the area under oilseed production.

Commercial plantings, production and yields of sunflower seed from 2008 to 2012 were as follows:

Season	2008	2009	2010	2011	2012
Plantings (ha)	564 300	635 800	397 700	642 700	453 350
Production (t)	872 000	801 000	490 000	860 000	527 110
Yield (t/ha)	1,55	1,26	1,23	1,34	1,16



Producer prices

The average producer prices of sunflower seed from 2008 to 2012 are as follows:

Season	2008	2009	2010	2011	2012
	R/ton				
Producer price	4 272	2 855	2 953	3 736	4 345

The average producer price increased by 16,3%, from R3 736/ton in 2011 to R4 345/ton in 2012. The upward trend in world sunflower seed prices continued into 2012, with prices rising above the 2008 peaks. The renewed surge in international prices mainly reflects a progressive tightening in global supplies, and combined with the reduced availability of sunflower seed and sunflower oilcake from Russia and the Ukraine, provided support to international prices during 2012. These international factors also impacted positively on the local sunflower seed price for 2012.

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 processed into margarine and other consumer products. Oilcake is an important protein ingredient of balanced animal feed.

The estimated sunflower seed crop of 527 110 tons for the 2012 marketing season, together with carry-over stocks of about 232 700 tons on 1 January 2012 and estimated imports of 11 600 tons, leaves the domestic supply of commercial seed at an estimated 771 410 tons for the season.

In South Africa, sunflower seed is used almost exclusively (an estimated 97,7% or 625 500 tons in 2012) for oil and oilcake production. The estimated commercial consumption of seed for the 2012 marketing year is approximately 640 200 tons. No exports were projected for the 2012 season. Carry-out stocks on 31 December 2011 are expected to be approximately 131 210, which is 16,3% less than the 3-month-pipeline stock of approximately 156 800 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. During the first seven months of 2012, South African imports were mainly from Malawi, Bulgaria and the Netherlands.

Year	2008	2009	2010	2011	2012*
	Tons				
Imports	1 500	69 400	62 200	10 900	11 600
Exports	79 400	0	100	0	0

* Projection

International overview

According to the September 2012 report of the United States Foreign Agricultural Services, preliminary indications pointed to an increase of 11,0% or 2,6 million ha in the global harvested area, to a record of 25,8 million ha for 2011/12.

World output of sunflower seed is also expected to increase by around 5,8 million tons or 17,5%, to 39,2 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 a crop of 9,6 million tons, which represents an increase of 79,9% or 4,3 million tons.

Marketing, information and research

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

The information function is performed by the Department of Agriculture, Forestry and Fisheries, through the Directorate: Agricultural Statistics; Grain South Africa (GSA), which promotes the interests of oilseed producers; and the 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 ARC, the 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 prevails.

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, and are mainly cultivated under dryland conditions.

Soya beans contributed approximately 5,5% to the gross value of field crops during 2011/12. The estimated average annual gross value of soya beans for the past five seasons up to 2011/12 amounts to R1 768 million.

Plantings and production

The plantings of soya beans ranged between 46 000 and 472 000 ha over the past 20 years. For the last four consecutive seasons, the area dedicated to soya-bean production has increased rapidly.

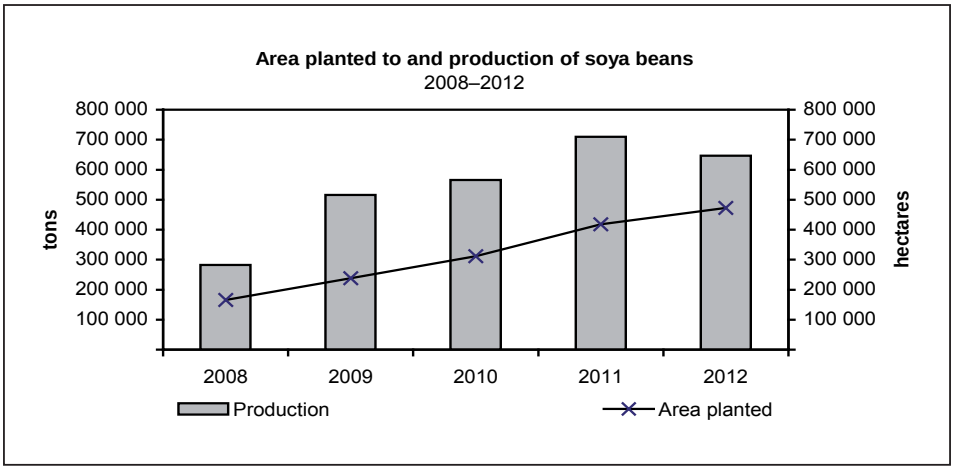
During the 2012 season, soya beans were grown primarily in Mpumalanga (42%), the Free State (37%), and KwaZulu-Natal (7%). Small plantings were found in Limpopo, Gauteng and the North West.

During the 2012 season, an estimated 472 000 ha, the largest planting in two decades, were planted for commercial use, as against an estimated 418 000 ha the previous season. This represents an increase of 12,9% and is 79,4% higher than the five-year average of 263 120 ha up to 2011. The increase in plantings was mainly caused by the favourable price prospects of soya beans during the 2011 planting season. More producers are also recognising the value of soya beans in a crop rotation system with maize. In addition, the production of soya beans is made relatively easier with the GM cultivars that are available in South Africa. The decline in sunflower seed plantings and the further increase in the soya-bean plantings resulted in soya beans overtaking sunflower seed as the most important oilseed crop produced in South Africa in 2012.

The crop of an estimated 646 950 tons in 2012 (the second highest ever represents a decrease of 8,9% from the 2011 crop of 710 000 tons, the highest ever. It is also 41,9% higher than the average of 455 800 tons for the five years up to 2011. The average yield of 1,37 t/ha is 19,4% lower than the 1,70 t/ha of the previous season. Seasonal rainfall from October 2011 to March 2012 was below average despite expectations of above-average rainfall during a La Niña year. Furthermore, the seasonal rains arrived several weeks late, delaying the launch of the planting season. In addition, the mid-season dry spell that occurred during the growing season, impacted negatively on expected yields and therefore a lower production figure has realised for soya beans for 2012.

Plantings, production and yields of soya beans from 2008 to 2012 were as follows:

Season	2008	2009	2010	2011	2012
Plantings (ha)	165 400	237 750	311 450	418 000	472 000
Production (t)	282 000	516 000	566 000	710 000	646 950
Yield (t/ha)	1,70	2,17	1,82	1,70	1,37



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 2012 is approximately R3 621/ton, which is 14,0% higher than the price for 2011. The increase can be attributed to an increase in international prices, directed mainly by the progressive tightening in global supplies as a result of the drought conditions in the United States that impacted negatively on soya-bean yields, combined with a steady demand for growth and robust buying interest by the major importing countries.

The average producer prices of soya beans from 2008 to 2012 are as follows:

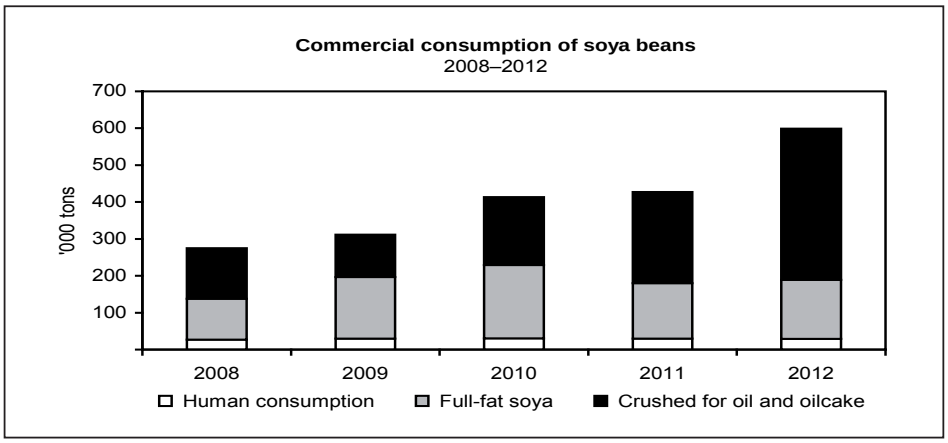
Year	2008	2009	2010	2011	2012
	R/ton				
Producer price	4 026	3 187	2 528	3 177	3 621

Consumption

An estimated total of 953 050 tons of soya beans are available for utilisation during the 2012 marketing season (January to December). It comprises carry-over stocks on 1 January 2012 amounting to 306 100 tons, the estimated production of 646 950 tons. No imports are expected.

In South Africa, soya beans are mainly used for animal feed. The local commercial consumption of soya beans for 2012 is estimated at 607 000 tons—160 000 tons for feed (full-fat soya), 410 000 tons for oil and oilcake and 29 000 tons for human consumption. Onfarm consumption is estimated at 8 000 tons. The projected exports during 2012 are 205 000 tons. Carry-over stocks on 31 December 2012 are expected to be approximately 141 050 tons.

The following graph illustrates the commercial consumption of soya beans:



Trade

During the first seven months of 2012, South African exports of soya beans were mainly to Malaysia, followed by Indonesia, Mozambique and China.

The imports and exports of soya beans from 2008 to 2012 are as follows:

Year	2008	2009	2010	2011	2012*
	Tons				
Imports	16 300	1 400	2 300	300	0
Exports	5 400	155 600	121 300	42 800	205 000

* 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 September 2012, world production of soya beans decreased by 10,4%, from 264,7 million tons for the 2010/11 marketing season to 237,1 million tons for 2011/12. The decrease in world production can mainly be attributed to lower yields in the United States as well as in Brazil and Argentina because of extreme drought conditions that prevailed during the critical period in the growth stage of soya beans. The United States contributed 35,1% (83,2 million tons), Brazil 28,0% (66,5 million tons), Argentina 17,3% (41,0 million tons) and China 5,7% (13,5 million tons) to world production. The balance of 13,9% (32,9 million tons) is made up by, *inter alia*, the EU-27, Japan, Mexico and Southeast Asia.

Outlook

According to a report by the BFAP of the University of Pretoria, an increase in the local plantings of soya beans can be expected for the 2013 season, regardless of the generally disappointing yields in 2012. The expansion in the area planted to soya beans is mainly directed by the record high prices that can already be contracted for the 2013 season. The increase in local demand for soya beans owing to the building of new crushing plants is also a contributing factor for the increase in the expected plantings of soya beans. A new soya-bean crushing plant, at Villiers in the Free State, with a crushing capacity of 132 000 tons per annum, is expected to be operational by the start of the 2013 season. In addition, another three plants, with a combined crushing capacity of about 435 000 tons is expected to start operating within the next year or two.

The World Agricultural Outlook Board projected the global production of soya beans for the 2012/13 marketing season at 258,1 million tons—an increase of 8,9%. The increase in production can be ascribed mainly to an increase in the expected yield of Argentina and Brazil from the previous season.

Research and information

Locally, research on soya beans 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: Statistics and Economic Analysis, by Grain South Africa, and by the SAGIS, a section 21 company funded by the four grain trusts. The 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.

Groundnuts

Plantings and production

The normal planting time for groundnuts is mid-October to mid-November. Groundnuts are mainly produced in the north-western regions of South Africa, namely the western and north-western Free State, the North West Province, and the Northern Cape Province.

During the 2011/12 production season, 44,0% of the plantings were in the Free State Province, 35,2% in the North West Province and 14,3% in the Northern Cape Province.

Groundnuts contributed approximately 1,2% to the value of field crops in 2011/12, while the average annual gross value of groundnuts for the five years up to 2011/12 amounts to approximately R545 million.

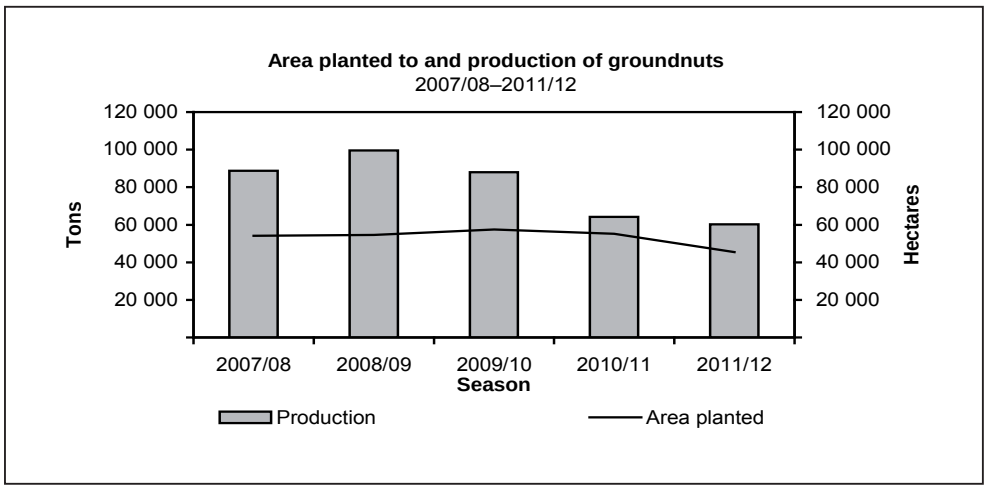
An estimated 45 450 ha were planted to groundnuts for commercial use, as against 55 150 ha planted during 2010/11. This represents a decrease of 17,6% and 13,3% less than the average of 52 424 ha planted during the five years up to 2010/11.

Groundnut production in South Africa is in a constant decline, because the industry is regarded as very labour intensive and the high labour costs, as well as the scarcity of labour, have forced many producers to change to the production of other crops. The decline in hectares planted to groundnuts during the 2010/11 production season was also exacerbated by the late rains, especially in the eastern Free State and North West.

An estimated commercial crop of 60 290 tons of groundnuts was produced during 2011/12. This represents a decrease of 6,2% from the 2010/11 crop of 64 250 tons. The 2011/12 crop is 24,4% lower than the five-year average of 79 710 tons up to 2010/11. The average yield for 2011/12 was 1,33 t/ha, which is 13,7% more than the 1,17 t/ha of the previous season and 12,5% less than the five-year average of 1,52 t/ha up to 2010/11.

Plantings, production and the yield of groundnuts from 2007/08 to 2011/12 were as shown in the table on the next page.

Season	2007/08	2008/09	2009/10	2010/11	2011/12
Plantings (ha)	54 200	54 550	57 450	55 150	45 450
Production (t)	88 800	99 500	88 000	64 250	60 290
Yield (t/ha)	1,64	1,82	1,53	1,17	1,33



Producer prices

Local prices are determined mainly by export parity. Major export destinations for South African groundnuts are Germany, the Netherlands, Japan and Mexico. On average, from 2006/07 to 2010/11, approximately 25% of the annual groundnut harvest is exported.

The average producer prices of groundnuts from 2007/08 to 2011/12 were as follows:

Season	2007/08	2008/09	2009/10	2010/11	2011/12*
	R/ton				
Producer price	6 122	6 361	4 660	5 201	8 134

* Preliminary

The average producer price for groundnuts shows an increase of 56,4%, from R5 201/ton in 2010/11 to R8 134/ton in 2011/12. The increase can be attributed to an increase in international prices, directed mainly by the progressive tightening in global supplies.

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 2012/13 are as follows:

Season	2008/09	2009/10	2010/11	2011/12	2012/13*
	Tons				
Imports	10 900	6 000	1 200	14 100	18 000
Exports	22 600	15 600	28 700	20 100	14 500

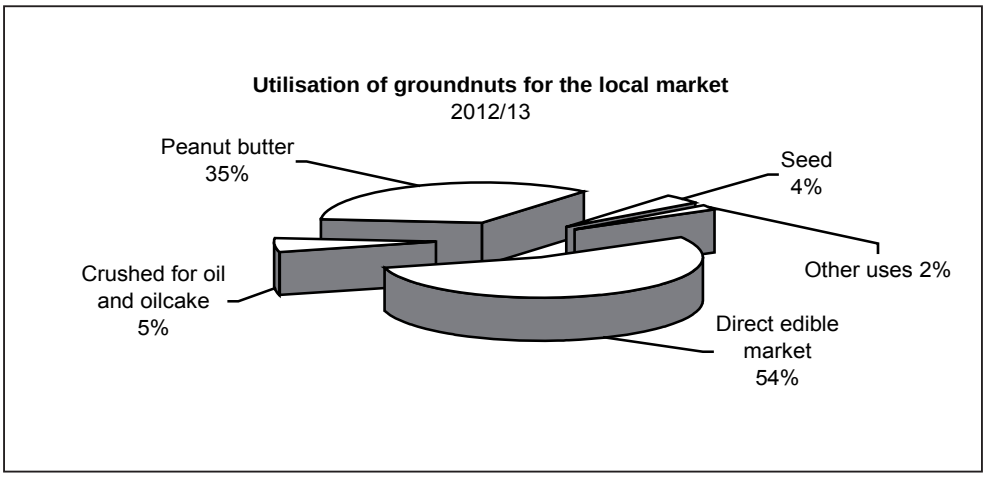
* Projections

Consumption

An estimated total of 92 490 tons of groundnuts are available for utilisation during the 2012/13 marketing season. Carry-over stocks on 1 March 2012 amounted to 13 400 tons, and the estimated production is 60 290 tons. Projected imports amount to approximately 18 800 tons.

In South Africa, groundnuts are used mainly for human consumption. The local commercial consumption of groundnuts for 2012/13 is estimated at 57 700 tons—2 400 tons for oil and oilcake, 22 400 tons for peanut butter, 29 800 tons for the direct edible market, 1 800 tons for seed and 1 300 tons for other uses. The projected exports during 2012 are 14 500 tons. Carry-over stocks on 28 February 2013 are expected to be approximately 20 290 tons.

The *per capita* consumption for the 2012/13 marketing year is projected at 0,8 kg, which is 22,3% less than the 1,03 kg in the previous season.



International overview

The world production of groundnuts decreased slightly (1,8%), from 36,0 million tons in 2010/11 to 35,3 million tons in 2011/12. The decrease can mainly be attributed to the 6% decrease in India's groundnut production from 5,9 million tons to 5,5 million tons.

The world production of groundnuts is expected to be 36,4 million tons in 2012/13, which is 3,1% more than the 35,3 million tons in 2011/12. India's total production is forecasted at 4,95 million tons, which is 10,0% lower than the previous season, as a result of the poor southwest monsoon rainfall during the 2012 kharif season. An estimated 75% of India's groundnut crop is grown during kharif season (monsoon- summer) and 25% is produced during the rebi (winter) season. The major groundnut production areas in India are Gujarat, Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra and Madhya Pradesh.

Research and information

The information function is performed by the 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, which is an oilseed crop, is a relatively new crop in South Africa. During 1992, thirty producers started growing canola on a commercial scale and a total of approximately 500 tons of canola were produced on 400 ha.

Hereafter, the canola industry has grown rapidly, particularly in the Southern Cape. Over time, there were also farmers in other areas of South Africa, such as the Northern Cape, Free State, Eastern Cape, KwaZulu-Natal, Limpopo and North West provinces, who started to plant small quantities of canola.

Plantings and production

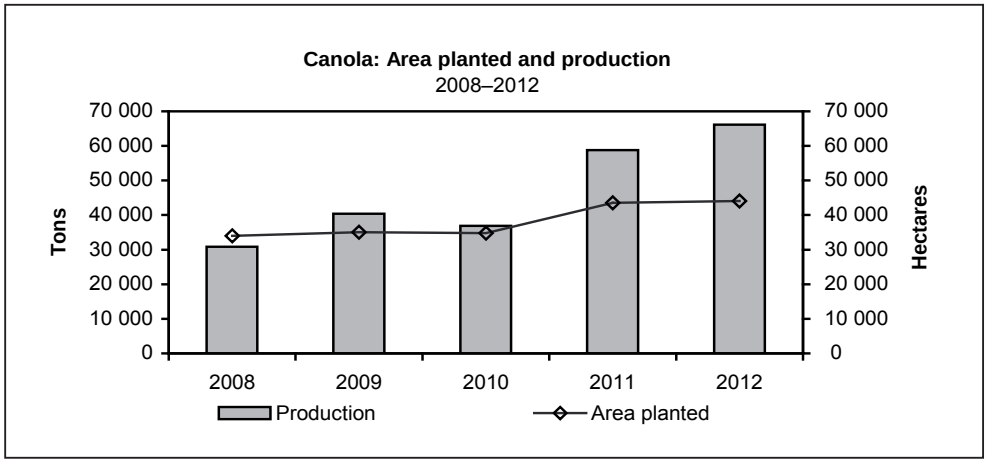
While the estimated area planted to canola increased by 1,4%, from 43 510 ha in 2011 to 44 100 ha in 2012, production is expected to increase by 12,5%, from 58 800 tons to 66 135 tons.

The Western Cape, where approximately 93% of the canola is planted, is experiencing favourable crop growing conditions for the 2012 season. The expected average yield of 1,45 t/ha is the highest ever recorded for the Western Cape compared to the 2011 season's figure of 1,34 t/ha .

Estimated plantings, production and yields of canola from 2008 to 2012 were as follows:

Season	2008	2009	2010	2011	2012
Plantings (ha)	34 000	35 060	34 820	43 510	44 100
Production (t)	30 800	40 350	36 900	58 800	66 135
Yield (t/ha)	0,91	1,15	1,06	1,35	1,50

The areas planted to and production 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 taproot 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 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 63 200 tons of canola were available for local consumption during the 2011/12 marketing season (October to September). This comprised carry-over stocks as at 1 October 2011 amounting to 4 400 tons and domestic production of 58 800 tons. There were no canola imports or exports. The total demand for canola for the 2011/12 marketing season was approximately 56 070 tons.

For the 2012/13 marketing season, the total supply of canola is estimated at 73 265 tons (the estimated canola crop of 66 135 tons, together with carry-over stocks of 7 130 tons). The domestic demand for canola is expected to be 61 000 tons, therefore carry-out stocks at the end of September 2013 are expected to come to 12 265 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 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 2007/08 to 2011/12 were as follows:

Season	2007/08	2008/09	2009/10	2010/11	2011/12
	R/ton				
Producer price	2 700,00	3 100,00	2 800,00	3 182,04	3 449,94

The average producer price of canola increased by 8,4%, from R3 182,04/ton in 2010/11 to R3 449,94/ton in 2011/12. It is evident that the canola industry has been experiencing some fluctuations in producer prices for the past couple of years.

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

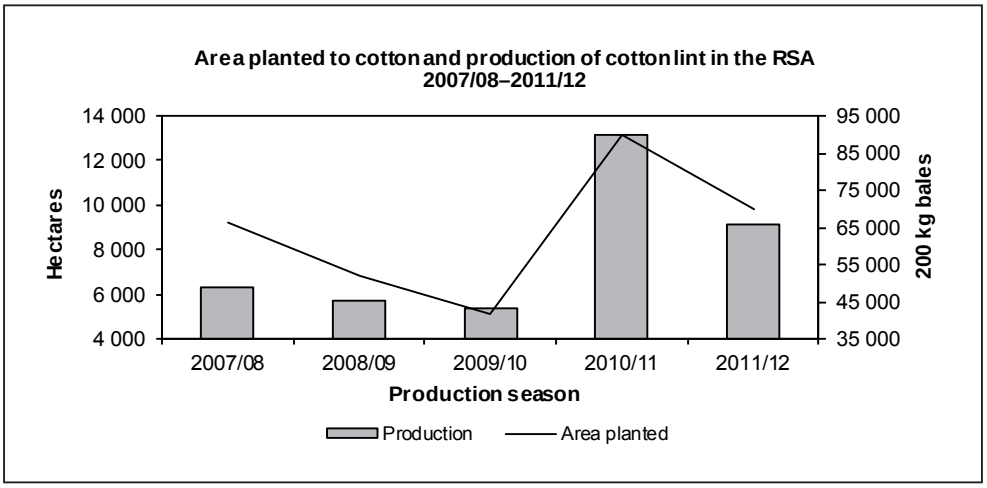
Cotton

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 during the growing season. 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 2011/12 production season is estimated at 9 845 ha, which is a decrease of 25% from the 13 145 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 72,9% of the total area planted to cotton during the 2011/12 production season was under irrigation. Yields per hectare under irrigation are up to seven times higher than on dryland. An estimated average yield of 3 931 kg/ha seed cotton was realised on irrigated land during the 2011/12 season, compared to 715 kg realised on dryland.

The domestic production of cotton lint for the 2012/13 marketing season (April to March) is forecasted at 58 518 bales of 200 kg each, which is a decrease of 31,8% from the 85 746 bales produced for 2011/12.

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 (both 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.

Areas planted to cotton and the production of cotton lint for the 2007/08 to 2011/12 production seasons by the RSA and Swaziland compare as follows:

RSA

Production season	2007/08	2008/09	2009/10	2010/11	2011/12*
Total RSA plantings (ha)	9 221	6 814	5 111	13 145	9 854
Dryland (ha)	3 242	1 965	960	1 505	2 666
Irrigation (ha)	5 979	4 849	4 151	11 640	7 188
Production of cotton lint (200 kg bales) from RSA-grown cotton	49 100	45 385	38 470	85 746	58 518

SWAZILAND

Production season	2007/08	2008/09	2009/10	2010/11	2011/12*
Total Swaziland plantings (ha)	1 500	3 000	3 900	4 000	3 600
Dryland (ha)	1 500	3 000	3 900	4 000	3 600
Irrigation (ha)	0	0	0	0	0
Production of cotton lint (200 kg bales) from Swaziland-grown cotton	1 050	2 850	3 150	4 000	4 000

* Forecasts (August 2012)

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 2011/12 marketing season (April to March) was 450 c/kg, while the price for 2012/13 is

expected to be approximately 650 c/kg—an increase of 44,4%. In South Africa, the price of cotton normally emulates global price trends.

According to the International Cotton Advisory Committee (ICAC), the world cotton price remained relatively stable during the past two months, with the Cotlook A index (an indicator of world cotton prices) fluctuating between 3% and more than 4% below an average of 84 US c/lb. In China, cotton prices show an upward trend because of the fact that Chinese cotton prices in 2012/13 will be supported by a minimum support price policy. In the rest of the world, however, the pressure of accumulating stocks, combined with a weak demand for cotton and the expected sharp drop in Chinese imports in 2012/13 could drive prices down. China is expected to only import about 2,5 million tons during the 2012/13 season, which is less than half the quantity purchased during the 2011/12 season.

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

Marketing year	2008/09	2009/10	2010/11	2011/12	2012/13*
	c/kg				
Seed cotton	471	350	435	450	650
Cotton lint	1 235	1 120	1 204	1 364	1 200

* Estimates

Consumption

Consumption of cotton lint by RSA and Swaziland spinners for the 2012/13 marketing year is estimated at 90 000 bales of 200 kg, compared to the 98 095 bales for 2011/12—a decrease of 8,3%.

During the 2011/12 marketing year, about 14,2% of the consumed cotton lint was imported from the SADC countries, which represented 76,1% of all the cotton imported. The two major suppliers were Zambia and Zimbabwe. Cotton lint exports for the 2011/12 season amounted to 14 377 tons.

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

Marketing year	2008/09	2009/10	2010/11	2011/12	2012/13*
	200 kg bales				
Consumption	213 205	129 210	113 870	98 095	90 000

* Estimate

Marketing arrangements, information and research

In terms of the free trade agreement between countries within the SADC region, which has been in force since 2000, there has been no duty on cotton imports since 1 January 2004.

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.

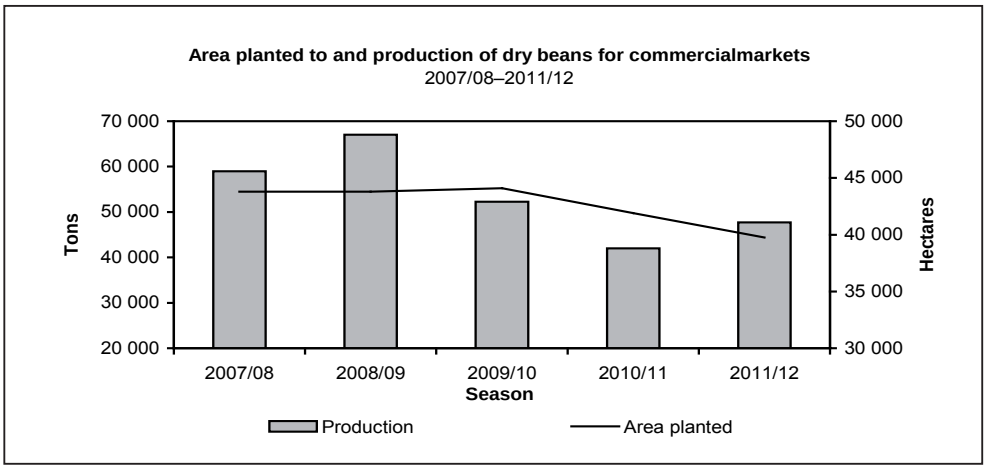
Research is coordinated by Cotton SA and performed by the ARC.

Dry beans

Areas planted and production

During the 2011/12 season, according to the Crop Estimates Committee, an estimated 39 750 ha were planted to dry beans for commercial markets. This is 5,1% lower than the area planted in 2010/11.

The estimated commercial crop of 47 695 tons for 2011/12 is 13,6% higher than the previous crop of 41 980 tons. The average yield for the 2011/12 crop is approximately 1,12t/ha—an increase of 20% from the previous season. The increase in production can be ascribed largely to favourable weather conditions.



The Mpumalanga and Free State provinces are estimated to have produced 54,7% of the 2011/12 commercial crop. The remaining 45,3% was produced in the other provinces.

Production in the provinces and their share in the 2010/11 dry bean crop are as follows:

Province	Production (t)	Share in crop (%)
Mpumalanga	8 505	17,8
Free State	17 600	36,9
Gauteng	2 400	5,0
North West	5 000	10,5
KwaZulu-Natal	5 200	10,9
Limpopo	6 250	13,1
Western Cape	1 000	2,1
Eastern Cape	240	0,5
Northern Cape	1 500	3,2
Total	47 695	100,0

The estimated gross value of dry beans for the 2011/12 season amounts to R408 million and is 49,5% higher than in the previous season.

Production per type during 2011/12 is estimated to be as follows: 35 780 tons (75,0%) red speckled, 10 468 tons (21,9%) small white canning, 1 200 tons (2,5%) large white kidney and the remaining 247 tons (0,6%) 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.

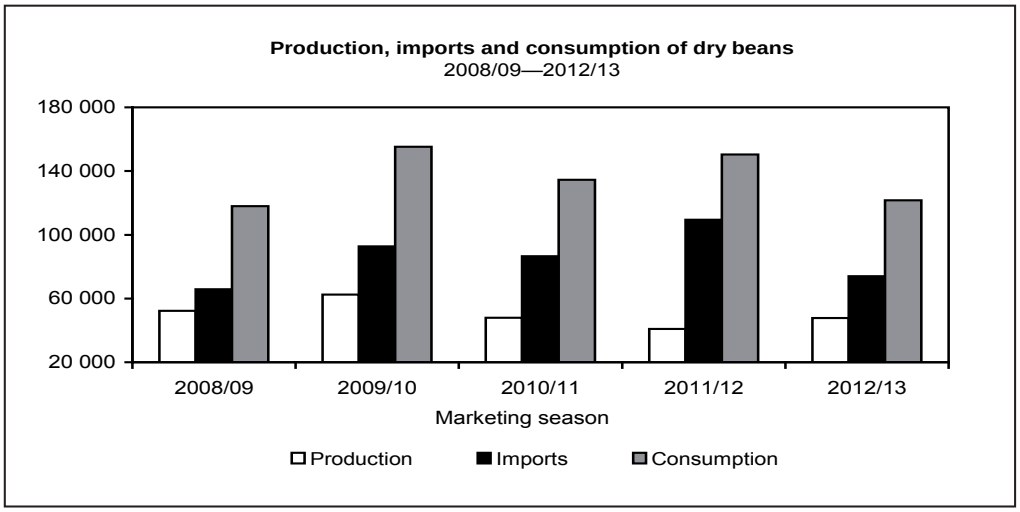
In an attempt to improve profitability for producers and to meet the increase in protein demand, cultivars that can yield up to 1,4 t/ha, as against 0,6 t/ha some 20 years ago, have been developed by the Dry Bean Producers' Organisation in partnership with the ARC. These cultivars are suited to most 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 2011/12 is 1,2 t/ha.

Consumption

An estimated 121 698 tons of dry beans were consumed locally during the 2012/13 marketing season (April to March). This represents a decrease of 19,1% from 2011/12. The expected *per capita* consumption for 2012/13 is 2,4 kg, which is 19,8% less than in 2011/12.

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 2008/09 to 2012/13, based on information provided by the Dry Bean Producers' Organisation, were as follows:



Marketing season	2008/09	2009/10	2010/11	2011/12	2012/13
	Tons				
Production	52 223	62 520	47 899	40 922	47 698
Imports	65 820	92 789	86 588	109 527	74 000
Consumption	118 043	155 309	134 457	150 449	121 698

Producer prices

The average prices received by producers for dry beans from 2007/08 to 2011/12 were as follows:

Production season	2007/08	2008/09	2009/10	2010/11	2011/12
	R/t				
Producer price	7 305	6 958	6 392	6 505	8 569

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 on dry beans. The functions of the OPSC mainly comprise the breeding of dry-bean cultivars and the evaluation of local cultivars. The PPRI is 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 uprooted 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

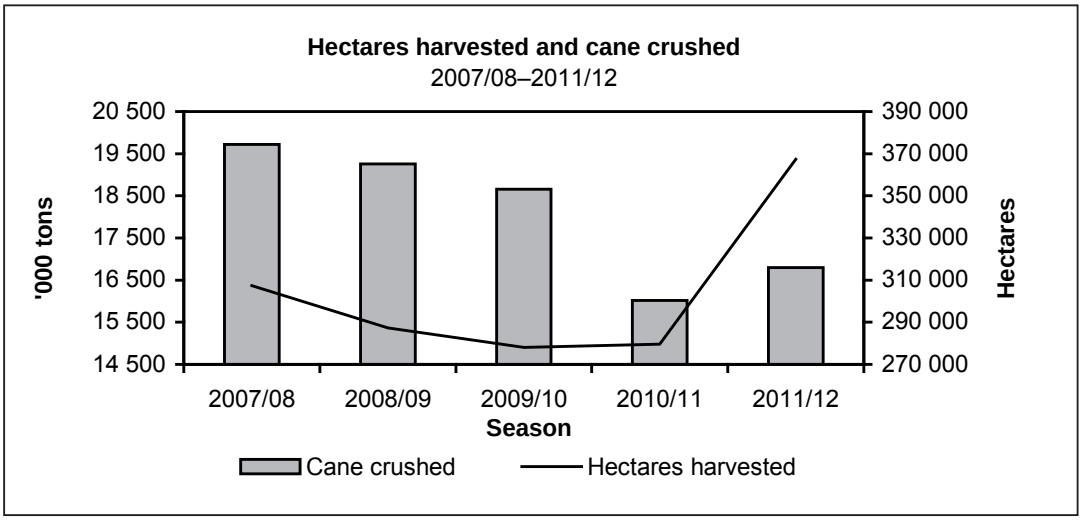
The sugar-cane-growing industry in South Africa is administered by the South African Cane Growers' Association, established in 1927. The industry is regulated in terms of the Sugar Act and the Sugar Industry Agreement, which are binding on all sugar-cane growers and producers of sugar products.

There are currently approximately 26 596 registered cane growers who produce on average approximately 19,9 million tons of sugar cane a year in areas extending from the Eastern Cape Province, through KwaZulu-Natal to Mpumalanga. Large-scale growers are responsible for approximately 82,9% of the total sugar-cane production, while 9,3% of the total crop is produced by small-scale farmers and 7,8% 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 429 000 people (direct and indirect) and the industry has produced an average of approximately 2,1 million tons of sugar per season during the past five seasons.

Production and price of sugar cane

The production of sugar cane increased by 4,9% to 17 million tons between the 2010/11 and 2011/12 seasons, while production for the 2012/13 season is expected to be 8,1% higher than in 2011/12.



The average cane production over the past decade (from the 2002/03 to the 2011/12 season) is 19,4 million tons per annum, with the yield of harvested cane averaging 62,5 t/ha over the same period. The yield stands at 45,7t/ha for the 2011/12 season. The area harvested increased by 31,4%, from 279 535 ha in 2010/11 to 367 301 ha in 2011/12.

The producer price of sugar cane increased by 7,1% from 2010/11 to 2011/12. The weighted average price over the five-year period indicated below is R311,17 per ton.

The average producer prices of sugar cane from 2007/08 to 2011/12 were as follows:

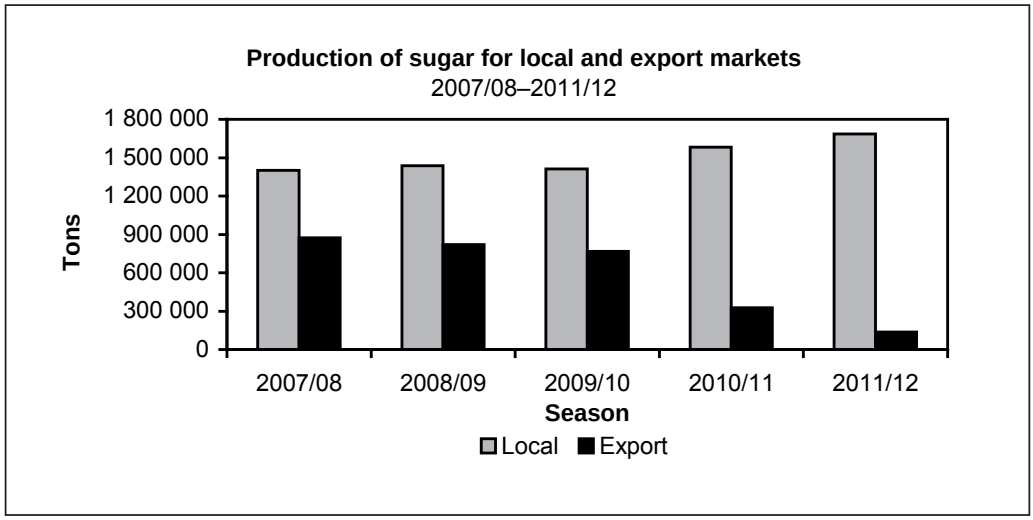
Year	2007/08	2008/09	2009/10	2010/11	2011/12
	R/ton				
Producer price	196,77	210,61	284,26	329,21	352,44

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 2011/12, production is estimated at 1,82 million tons. The quantity of cane crushed to produce a ton of sugar was 10,02 tons in 1995/96, before declining over the years. It stands at 9,22 tons for the 2011/12 season.

A total of 137 136 tons of sugar were produced for the international market during the 2011/12 season, which is a 57,9% decrease from 2010/11. The decrease in exports resulted from an increase in local market demand—production for the national market increased by 6,4% to 1,7 million tons.

The total supply of 1,685 million tons of sugar to the Southern African Customs Union (SACU) during 2011/12 represents an increase of 8,7% from the 1,550 million tons supplied in 2010/11.



The local production and sales of sugar to the SACU from 2007/08 to 2011/12 were as follows:

Year	2007/08	2008/09	2009/10	2010/11	2011/12
	'000 tons				
Production	2 273	2 260	2 178	1 909	1 822
Sales to SACU	1 363	1 427	1 498	1 550	1 685

Marketing

Approximately 17% of the locally produced sugar is normally 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 2011/12 is estimated at approximately R8,6 billion, including foreign income estimated at R599,2 million.

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 the 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 Hortgro Services Tree Census of 2011, the area under deciduous fruit production during the 2011 season is estimated at 76 425 ha.

Production

Although some producers grow fruit both for canning and fresh consumption, it is estimated that in South Africa there are about 2 114 producers of fruit for fresh consumption—1 053 producers of stone fruit, 916 producers of dried and table grapes and 683 producers of pome fruit.

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

Fruit type	2007/08	2008/09	2009/10	2010/11	2011/12
	Tons				
Apples	755 960	799 683	752 177	766 535	789 770
Pears	336 588	340 287	365 650	351 747	336 867
Table grapes	269 910	270 094	279 675	263 083	273 869
Peaches and nectarines	174 413	152 519	155 474	160 354	181 537
Apricots	55 507	43 455	46 742	44 126	58 079
Plums	62 720	59 961	56 009	67 087	60 925
Total	1 655 098	1 665 999	1 655 727	1 652 932	1 701 047

The production of deciduous fruit increased by 2,9%, from 1,653 million tons in 2010/11 to 1,701 million tons in 2011/12. Apricots showed the biggest increase at 31,6%, followed by peaches and nectarines with 13,2%, while table grapes and apples show an increase of 4,1% and 3,0% respectively. The production of plums and pears show a decrease of 9,2% and 4,2% respectively.

Marketing

During 2011/12, deciduous fruit contributed approximately 23,9% to the gross value of horticultural products.

Approximately 364 018 tons of deciduous fruit were sold locally on the major fresh produce markets and other markets and directly to retailers, representing a decrease of 8,3% from the 397 074 tons sold during the 2010/11 season.

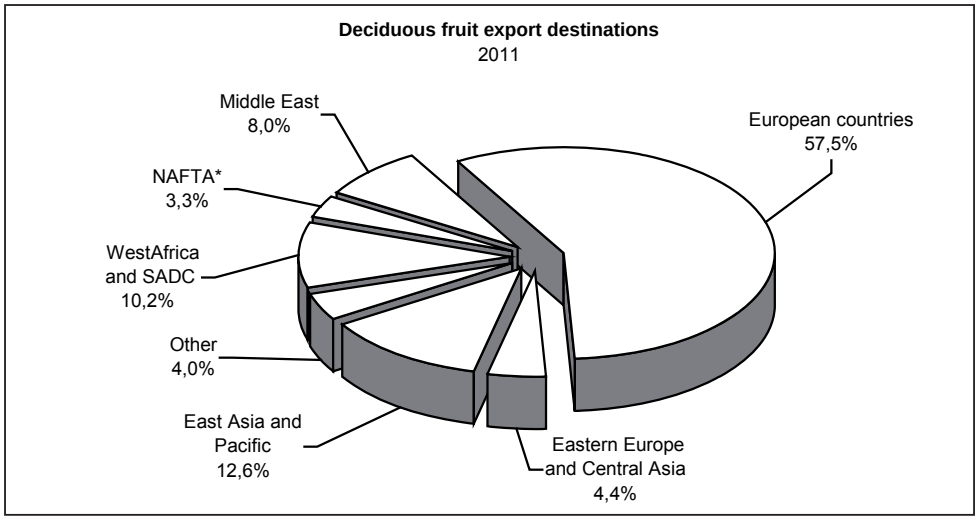
The average prices realised for deciduous fruit on the 19 major fresh produce markets during the period 2007/08 to 2011/12 were as shown in the table on the next page.

Fruit type	2007/08	2008/09	2009/10	2010/11	2011/12
	R/ton				
Apples	4 257	4 197	4 301	5 091	5 258
Pears	3 727	3 988	4 008	4 472	4 841
Table grapes	5 719	6 680	6 962	7 601	8 207
Peaches and nectarines	6 158	7 485	7 065	7 873	8 304
Apricots	4 653	6 138	6 052	6 605	6 445
Plums	3 614	4 622	4 531	4 747	5 278

The price of plums showed the biggest increase at 11,2%, followed by pears with 8,3%, table grapes with 8,0%, peaches and nectarines with 5,5% and apples with 3,3%, while apricots showed a decrease of 2,4%.

The exporting of deciduous fruit is a major earner of foreign exchange for South Africa. During the 2011/12 season (October to September), about 46,6% of deciduous fruit produced was exported and approximately 73,0% of the gross value from deciduous fruit came from foreign exchange export earnings. Total exports amounted to 793 507 tons—an increase of 1,6% from the 780 690 tons exported during 2010/11.

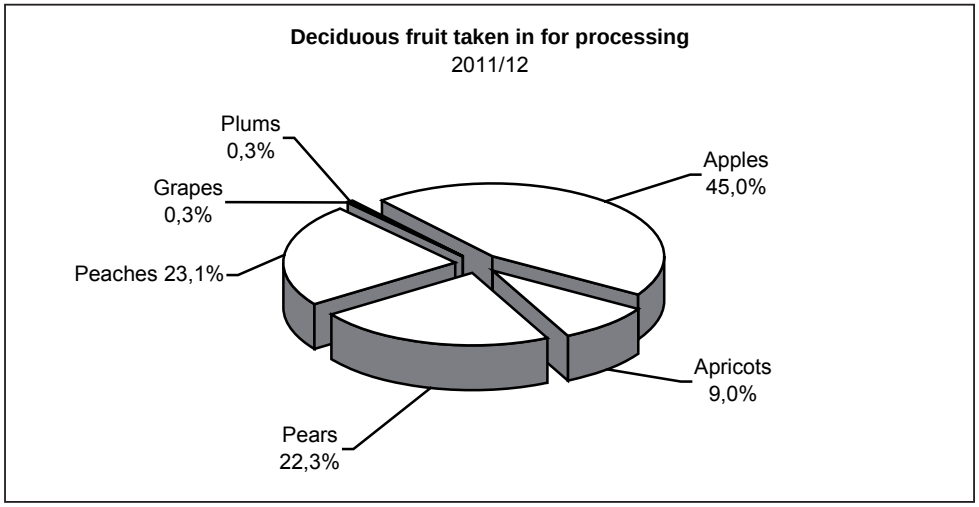
The following graph indicates deciduous fruit export destinations during 2011:



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

Intake of deciduous fruit for processing

During 2011/12, about 543 523 tons of deciduous fruit produced were taken in for processing—an increase of 14,4% from the 475 168 tons taken in during 2010/11. The following graph indicates the contribution of deciduous fruit types to total deciduous fruit taken in for processing during 2011/12:



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

During 2011/12, approximately 97,3% of apples taken in for processing was used for juice and 2,7% was used for canning, while 72,0% of pears was used for juice and 28,0% was canned. Producers received an average of R1 393 and R1 122 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 526 and R948 per ton respectively.

Domestic consumption

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

Season	2007/08	2008/09	2009/10	2010/11	2011/12
Per capita consumption (kg/year)	12,19	12,78	11,96	12,35	11,80
Total consumption ('000 tons)	593	630	598	640	617

Prospects

The rate of plantings was expected to stabilise during 2012 as a result of profitability being under pressure because of the strength of the rand during the 2010/11 production season and the increase in input costs, and increases in administered prices. The rand weakened considerably at the start of the 2011/12 export season and will hopefully result in better returns to growers. The industry is anticipating a very good pome and stone-fruit season with yet another record export stone-fruit crop expected with even better volumes anticipated than the 2011/12 season. The industry is also expecting an improvement in pome-fruit export volumes. The 2012/13 stone-fruit season was 10 to 14 days later compared to the previous season. Northern Hemisphere pome-fruit production volumes are down considerably, which will have a positive impact on especially South African pear exports to the EU, as the EU accounts for 50% of total pear exports.

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

The total production of dried vine fruit and dried tree fruit increased by 27,6%, from 33 986 tons in 2011 to 43 351 tons in 2012, owing to favourable weather conditions experienced along the Orange River production area.

Production of dried vine fruit increased by 31,8%, from 28 700 tons in 2011 to 37 826 tons in 2012, and that of dried tree fruit increased by 4,5%, from 5 286 tons in 2011 to 5 525 tons in 2012.

Under the dried vine fruit, only raisin-muscat showed a decrease from 35 tons in 2011 to 13 tons in 2012, and under the dried tree fruit, apples and peaches showed a decrease of 30,2% and 20,0% respectively, while no other dried tree fruit was produced during the 2012 production season, as against 36 tons produced in 2011.

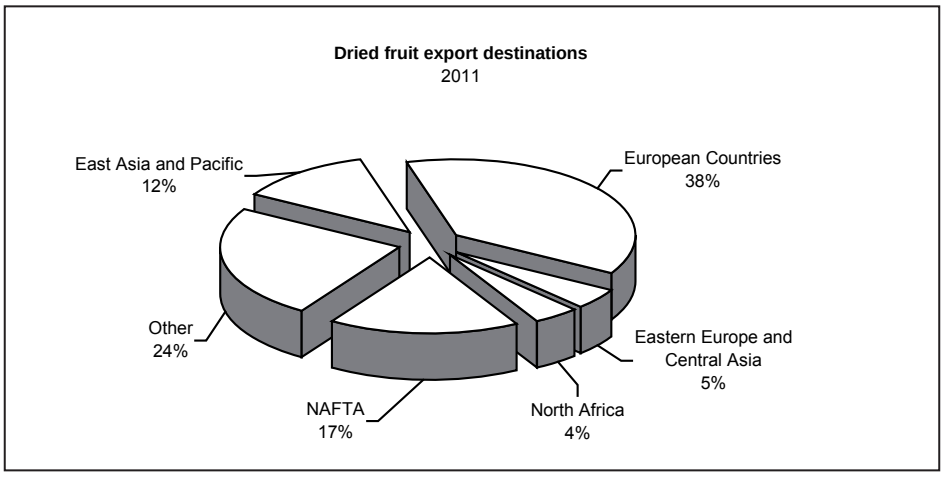
During the past five years, the production trends of dried fruit types were as shown on the next page.

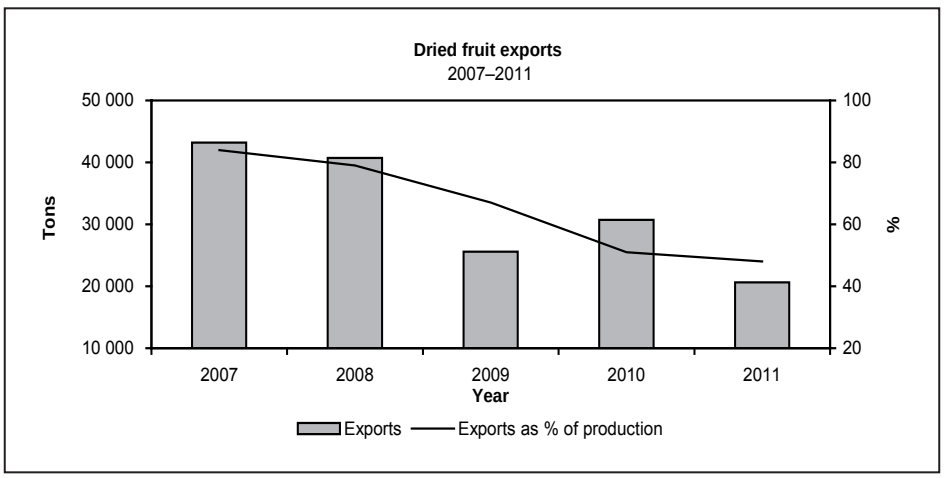
Fruit type	2008	2009	2010	2011	2012*
	Tons				
Sultana type					
Unbleached	8 790	1 800	7 269	3 637	4 479
Golden	12 210	12 800	17 734	7 021	15 774
Thompson seedless raisins	19 121	15 315	23 273	15 507	14 758
Currants	2 239	2 740	2 300	2 500	2 802
Raisins	80	64	52	35	13
Total vine fruit	42 440	32 719	50 628	28 700	37 826
Prunes	1 089	1 127	990	878	893
Apricots	1 143	1 329	1 912	1 265	1 725
Apples	172	112	99	159	111
Peaches	1 442	2 001	2 063	1 823	1 458
Pears	1 086	1 012	1 009	1 013	1 214
Nectarines	65	117	75	112	124
Other	0	14	66	36	0
Total tree fruit	4 997	5 712	6 214	5 286	5 525
Grand total	47 437	38 431	56 842	33 986	43 351

* Preliminary

Marketing

The PPECB inspects the exported dried fruit to ensure adherence to quality standards. Exporters must obtain a PPECB export certificate. More than 50% of dried-fruit production is exported. The following two charts depict export destinations during 2011 and exports from 2007 to 2011 respectively:





Viticulture

South Africa is the 12th-largest wine producer in the world, with a contribution of 3,6% to the world's wine production in 2011. The area under wine grape vineyards is estimated at 100 568 ha, which is 0,4% less than the 101 016 ha of the previous year.

The wine industry is labour intensive and provides employment to approximately 275 606 people directly and indirectly. The number of primary wine grape producers in South Africa is estimated at 3 527.

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

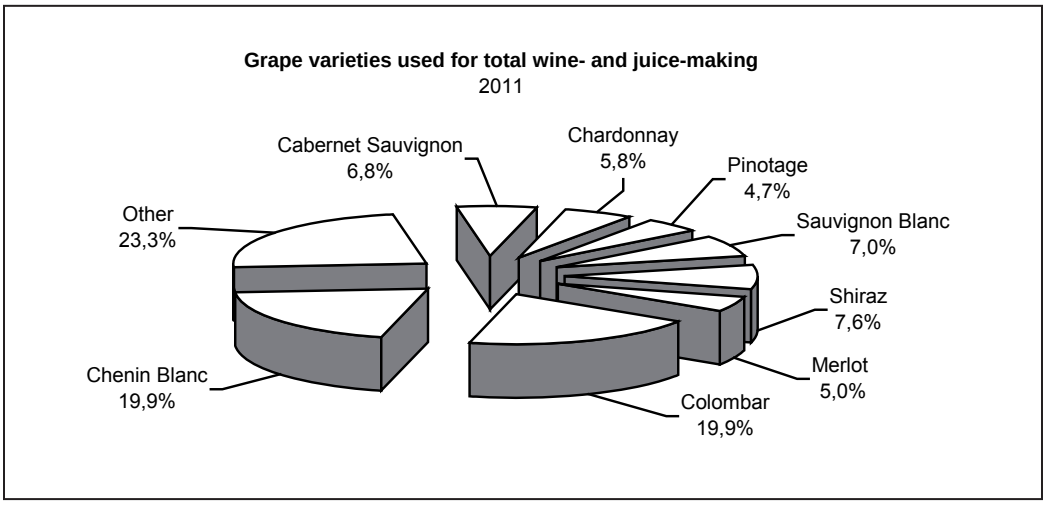
Production

Wine production, including rebate and distilling wine, juice and concentrate for non-alcoholic beverages, from 2007 to 2011 was as follows:

Year	2007	2008	2009	2010	2011
	Gross million litres				
Wine production	1 043	1 089	1 033	985	1 013

During 2011, the production of wine rose by 2,8%. Approximately 34,1% of the wine grapes utilised for wine-making purposes was red and 65,9% was white.

The use of different varieties of grapes during 2011 is depicted in the following graph:



Prices

Producer prices of wine from 2007 to 2011 were as follows:

Year	2007	2008	2009	2010	2011
	c/ℓ @ 10% A/V				
Average price of:					
Good wine	262,1	293,4	362,2	365,6	366,6
Rebate wine	222,4	225,5	236,3	247,6	249,7
Distilling wine	93,4	95,5	97,8	109,7	111,4

Income of producers

The production of wine grapes and income of producers from 2007 to 2011 were as shown on the next page.

Year	2007	2008	2009	2010	2011
Wine grape production ('000 tons)	1 351	1 426	1 348	1 261	1 306
Income of producers (R million)	2 853	3 320	3 649	3 619	3 594

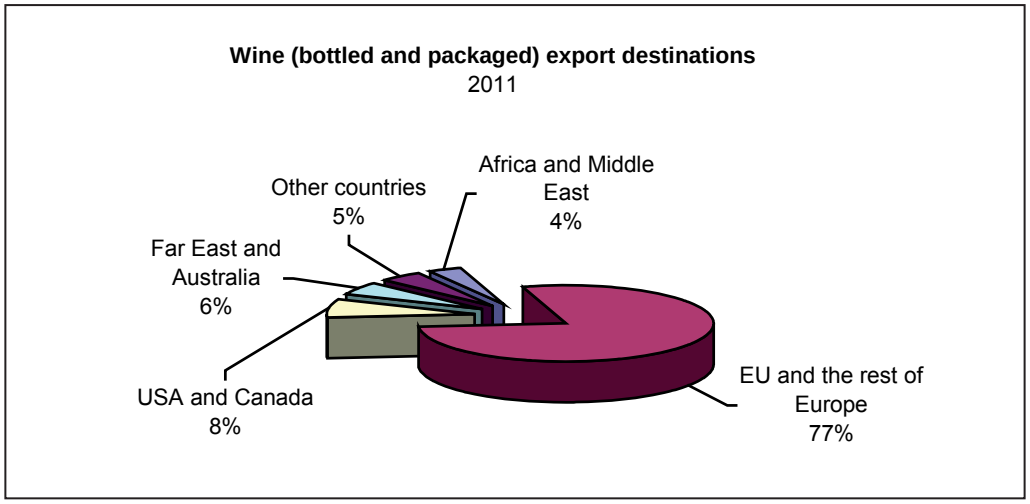
The producers' income decreased slightly by 0,7% during 2011. The decrease can mainly be attributed to a decrease in export of wine to other countries, which declined by 5,6%.

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

Year	2007	2008	2009	2010	2011
	'000 litres				
Natural wine	309 356	407 320	389 102	370 947	350 419
Fortified wine	406	423	283	402	349
Sparkling wine	2 779	3 952	6 207	7 175	6 650
Total	312 541	411 695	395 592	378 524	357 418

During 2011, 43,0% of the total wine produced was exported, compared with 48,5% during 2010.

The following graph depicts wine export destinations during 2011:



Consumption

The *per capita* consumption of wine on the domestic market from 2007 to 2011 was as follows:

Year	2007	2008	2009	2010	2011
	ℓ per capita				
Natural wine	6,52	6,42	6,01	6,09	6,14
Fortified wine	0,71	0,69	0,68	0,66	0,65
Sparkling wine	0,19	0,20	0,17	0,18	0,17
Total	7,42	7,31	6,86	6,93	6,96

Prospects

It is expected that the 2012 wine production, including rebate and distilling wine, juice and concentrate for non-alcoholic beverages, will be around 1 084 million litres. This represents a 7,0% increase from 2011.

Subtropical fruit

Measured in terms of value of production, the subtropical fruit industry earned R2 361 million in 2011/12—an increase of 0,6% on the 2010/11 figure of R2 348 million.

Production and production areas

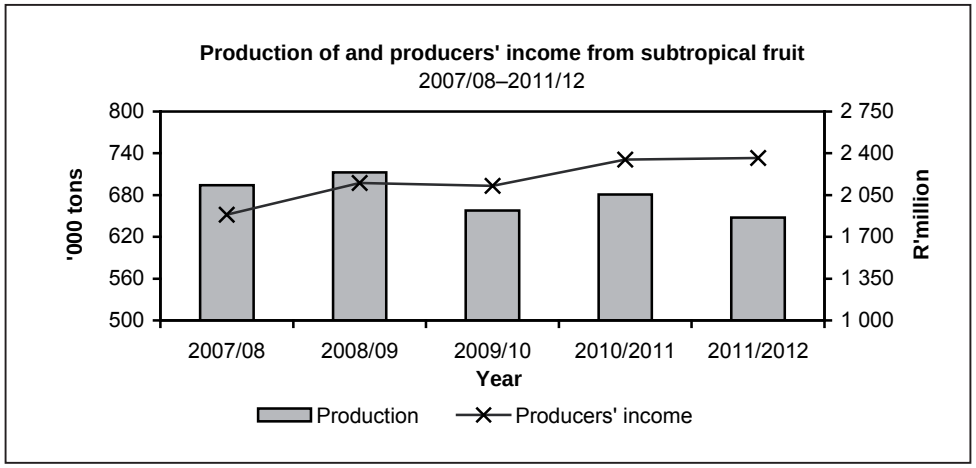
The cultivation of some types of subtropical fruit is only possible in certain specific areas of the country because of particular climatic requirements. In general, subtropical fruit types need warmer conditions and are sensitive to large temperature fluctuations and frost. The best areas for the production 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 2011/12 are estimated at approximately 15 388 ha, 12 195 ha, 5 800 ha, 7 003 ha and 1 731 ha respectively.

The production of subtropical fruit from 2007/08 to 2011/12 was as follows:

Fruit type	2007/08	2008/09	2009/10	2010/11	2011/12
	’000 tons				
Avocados	72,1	95,9	64,0	81,8	79,1
Bananas	334,2	405,0	382,3	396,1	372,9
Pineapples	144,8	117,4	110,2	98,5	87,4
Mangoes	90,6	48,4	55,2	52,7	64,8
Papayas	17,4	13,7	13,5	12,7	12,6
Granadillas	0,7	0,6	0,6	1,1	0,5
Litchis	6,5	5,6	6,1	6,2	7,8
Guavas	27,5	26,3	25,9	31,4	22,5

The total production of subtropical fruit decreased by 4,9%, from 680 618 tons in 2010/11 to 647 505 tons in 2011/12. Production dropped by 54,5% for granadillas, by 28,3% for guavas, by 11,3% for pineapples, by 5,9 for bananas and by 3,3% for avocados. However, production of litchis and mangoes rose by 25,8% and 23,0% respectively.



Bananas, pineapples and avocados contributed 57,6%, 13,5% and 12,2% respectively to the total production of subtropical fruit during 2011/12.

Domestic sales

During 2011/12, the largest contributors in terms of volume to subtropical fruit sales on the major fresh produce markets, were bananas (76,1%), pineapples (7,5%), avocados (6,9%), mangoes (5,2%) and papayas (2,7%). Except for mangoes, the quantities of all subtropical fruit types sold on the major fresh produce markets decreased during 2011/12.

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

Fruit type	2007/08	2008/09	2009/10	2010/11	2011/12
	Tons				
Avocados	18 679	23 809	20 447	22 718	20 210
Bananas	200 204	242 271	229 096	241 224	222 294
Pineapples	23 529	22 861	20 910	22 053	21 976
Mangoes	18 984	14 367	15 279	13 102	15 158
Papayas	13 005	10 144	8 948	8 540	7 755
Granadillas	582	474	452	942	400
Litchis	2 612	1 701	1 929	2 169	1 951
Guavas	2 466	2 553	2 517	2 678	2 341
Total	280 061	318 180	299 578	313 462	292 085

Intake for processing

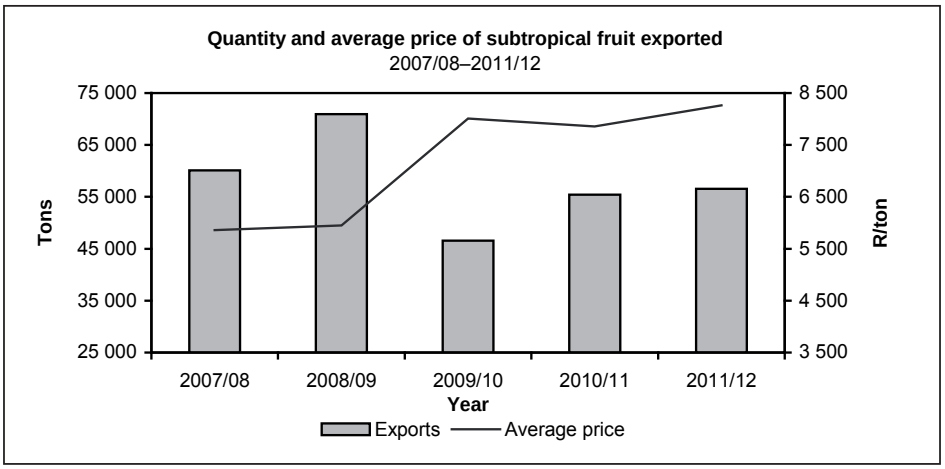
During 2011/12 (July to June), pineapples accounted for 44,3% of the total intake of subtropical fruit types for processing. The other two main contributors to the processing industry were mangoes (33,9%) and guavas (14,3%).

The quantities of avocados, bananas, mangoes, papayas and litchis taken in for processing increased during 2011/12, while the intake of pineapples and guavas decreased.

Fruit type	2007/08	2008/09	2009/10	2010/11	2011/12
	Tons				
Avocados	4 054	6 431	4 539	5 740	5 917
Bananas	531	1 131	510	673	895
Pineapples	115 247	89 218	81 516	71 825	60 846
Mangoes	61 248	28 610	34 987	36 823	46 533
Papayas	238	297	1 437	1 083	1 922
Granadillas	13	2	2	0	0
Litchis	80	25	974	753	1 555
Guavas	24 565	23 270	22 884	28 247	19 696
Total	205 976	148 984	146 849	145 144	137 364

Exports

From 2010/11 to 2011/12, total exports of subtropical fruit increased by 2,0%, from 55 411 tons to 56 531 tons, and the average export price increased by 5,2%, from R7 854/t to R8 264/t.



The main subtropical fruit type exported is avocados. During 2011/12, exports of avocados contributed 87,9% 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

Expectations are that the production of most subtropical fruit types will decrease slightly during the 2012/13 production season.

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 60 355 ha.

Production

Oranges contributed about 63,9% to the total production of citrus fruit in South Africa during 2011/12. Citrus fruit production increased by 8,8%, from 2 151 342 tons in 2010/11 to 2 340 406 tons in 2011/12. There has been an annual average increase of 1,4% over the past five years in citrus production.

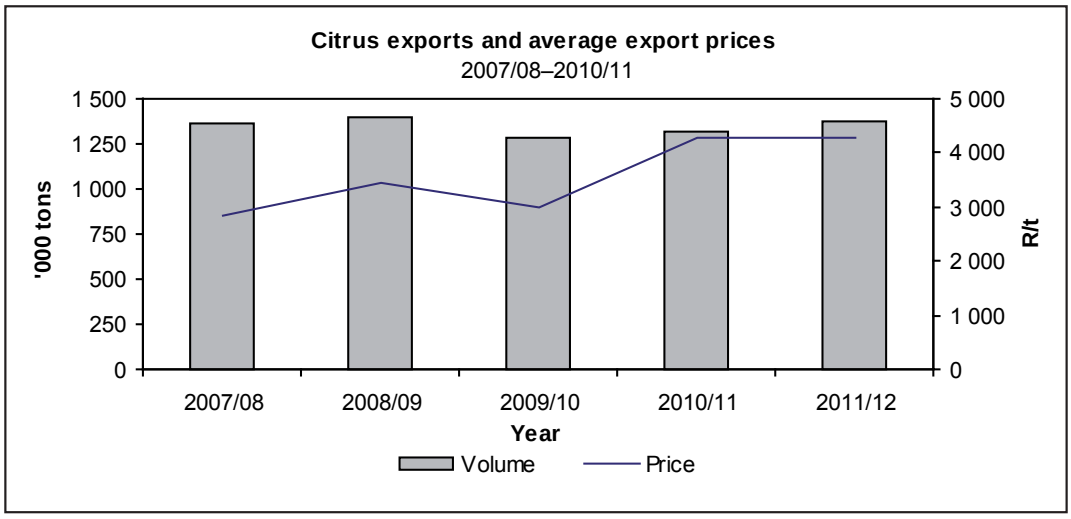
Citrus fruit production for the past five production seasons (1 February to 31 January) is as follows:

Fruit type	2007/08	2008/09	2009/10	2010/11	2011/12
	Tons				
Oranges	1 407 830	1 523 203	1 367 706	1 415 447	1 496 171
Grapefruit	388 785	340 787	406 694	343 028	415 572
Lemons	195 176	230 757	203 080	216 202	260 385
Naartjes	35 380	30 289	32 625	30 909	28 855
Soft citrus	143 331	158 726	141 297	145 755	139 425
Total	2 170 502	2 283 762	2 151 402	2 151 341	2 340 408

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 2011/12, the Netherlands was South Africa's largest trading partner in terms of citrus fruit exports.

Exports increased from 1 321 369 tons during 2010/11 to 1 379 383 tons during 2011/12—an increase of 4,4%. During 2011/12, about 914 711 tons of oranges (approximately 39,0% of the citrus crop) were exported.



Domestic sales

Citrus fruit sales on the major fresh produce markets in South Africa increased by 1,6%, from 173 274 tons during 2010/11 to 176 110 tons during 2011/12, and comprised about 7,5% of total citrus fruit production. Approximately 37,5% of the naartje production, 9,2% of oranges and 7,3% of soft citrus was sold on the fresh produce markets.

The average prices realised on the major fresh produce markets during the period 2007/08 to 2011/12 were as follows:

Fruit type	2007/08	2008/09	2009/10	2010/11	2011/12
	R/ton				
Oranges	1 283	1 435	1 479	1 608	1 763
Grapefruit	1 791	2 269	1 855	1 472	2 082
Lemons	2 495	3 143	3 432	4 055	3 244
Naartjes	3 151	4 053	4 183	4 719	4 681
Soft citrus	2 531	3 043	3 044	3 811	4 099

Processing

Approximately 26,1% of the total citrus fruit production was taken in for processing during 2011/12. Citrus fruit taken in for processing showed an increase of 25,9%, from 485 347 tons in 2010/11 to 610 905 tons in 2011/12.

Consumption

Per capita consumption of citrus fruit from 2008 to 2012 was as follows:

Year	2008	2009	2010	2011	2012
	kg/year				
Per capita consumption	12,73	12,51	11,73	12,88	11,83

Research

Citrus Research International (CRI) is mandated by the Citrus Growers' Association of Southern Africa (CGA) to maximise the long-term global competitiveness of the Southern African citrus growers through the development, support, coordination and provision of research and technical services. The CRI is owned by the CGA and research funding is primarily derived from levies on citrus exports.

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

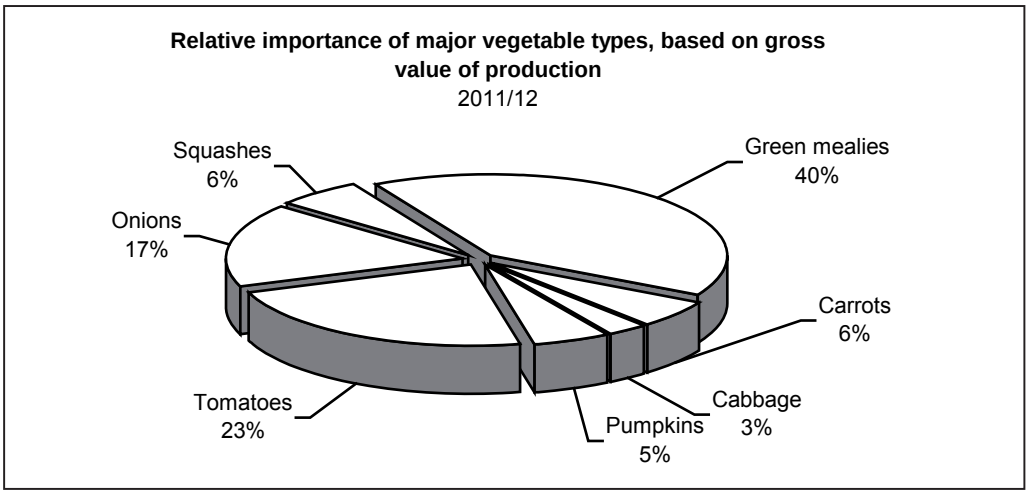
From 2010/11 to 2011/12 (July–June), the total production of vegetables (excluding potatoes) increased by 4,4%, from 2 551 580 tons to 2 664 329 tons. Concerning the major vegetable types, the production of carrots rose by 24 703 tons or 16,4% and that of onions by 61 884 tons or 11,0%. The production of cabbage decreased by 10 825 tons or 7,2%.

The production of vegetables (excluding potatoes) in South Africa for the period 2007/08 to 2011/12 compares as follows:

Year	2007/08	2008/09	2009/10	2010/11	2011/12
	’000 tons				
Tomatoes	500	515	575	523	540
Onions	445	472	489	563	625
Green mealies and sweet corn	324	337	339	340	347
Cabbages	150	141	141	153	142
Pumpkins	230	229	234	237	244
Carrots	144	164	151	152	177
Other	563	570	592	584	589
Total	2 356	2 428	2 521	2 552	2 664

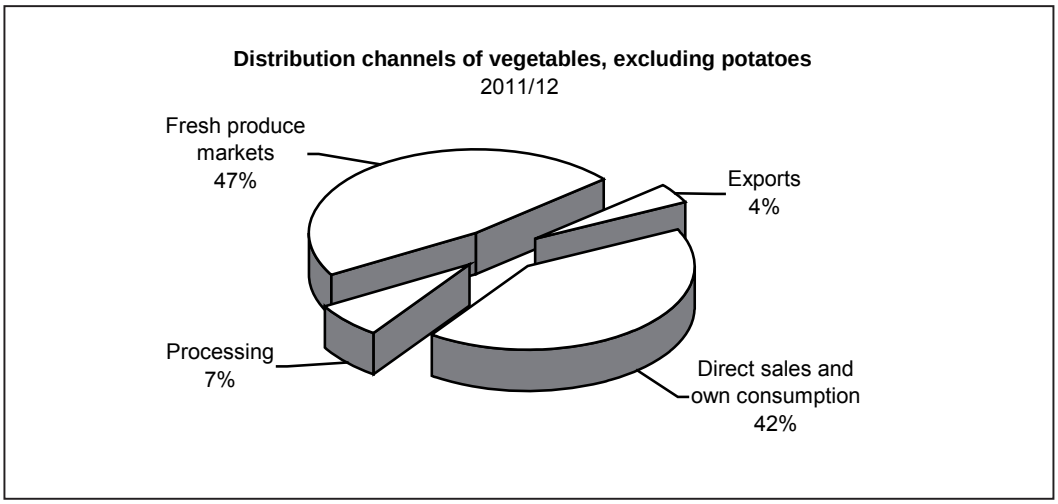
Relative importance of major vegetable types

The relative importance of the major vegetable types, according to gross value of production, during the 12 months up to 30 June 2012, is depicted in the following graph:



Distribution channels

As depicted in the following graph, approximately 47% 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 2011/12 amounted to 1 255 218 tons, as against 1 207 225 tons sold during 2010/11, which represents an increase of 4,0%.



The values of sales of vegetables (excluding potatoes) on the major South African fresh produce markets for the period 2007/08 to 2011/12 are as follows:

Year	2007/08	2008/09	2009/10	2010/11	2011/12
	R'000				
Tomatoes	880 038	1 057 462	1 070 134	1 121 961	1 154 435
Onions	778 592	733 117	887 961	799 294	792 024
Green mealies and sweet corn	26 016	29 414	32 353	34 356	34 345
Cabbages	136 880	162 417	144 465	165 655	183 033
Pumpkins	70 168	75 519	74 404	83 266	99 908
Carrots	194 075	234 253	250 849	273 889	279 865
Other	1 008 185	1 175 045	1 217 991	1 355 028	1 470 974
Total	3 093 954	3 467 227	3 678 157	3 833 449	4 014 584

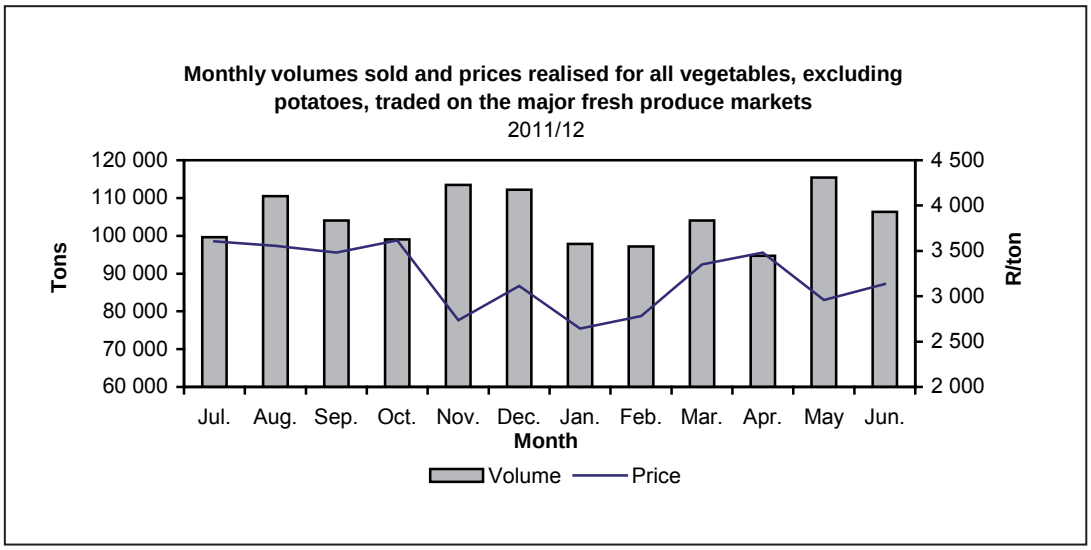
The value of pumpkins showed an increase of 20,0% from 2010/11 to 2011/12, followed by cabbage with 10,5%. The value of onions decreased slightly by 0,9%.

Prices

The average prices of vegetables realised on the fresh produce markets for the period 2007/08 to 2011/12 were as follows:

Year	2007/08	2008/09	2009/10	2010/11	2011/12
	R/ton				
Tomatoes	3 603,06	4 267,31	4 075,45	4 245,92	4 192,89
Onions	2 941,64	2 495,80	2 984,43	2 394,31	2 190,87
Green mealies and sweet corn	7 193,85	7 142,14	8 137,27	8 532,74	11 199,45
Cabbages	1 217,78	1 534,60	1 366,10	1 439,66	1 713,62
Pumpkins	1 265,54	1 454,57	1 406,04	1 577,60	1 789,08
Carrots	2 263,97	2 497,89	2 689,22	2 969,13	2 634,35
Other	3 087,96	3 620,23	3 581,35	3 927,25	4 241,91

Of the major vegetable types, the price of green mealies and sweet corn showed the largest increase, namely 31,3%, from 2010/11 to 2011/12, followed by cabbage with 19,0% and pumpkins with 13,4%. The prices of carrots dropped significantly by 11,3%, while the production increased by 16,4%.



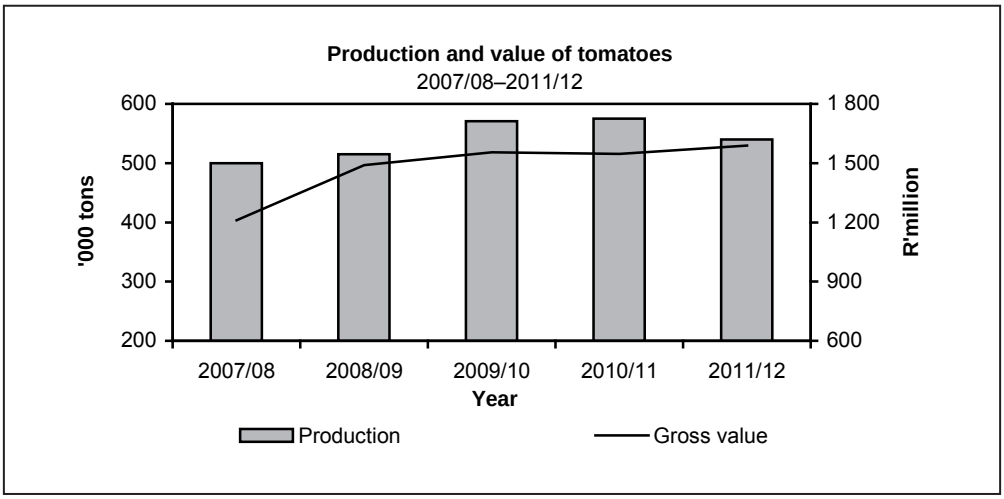
Consumption

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 44,79 kg during 2011/12, approximately 2,5% higher than the 43,70 kg of 2010/11.

Tomatoes

Production

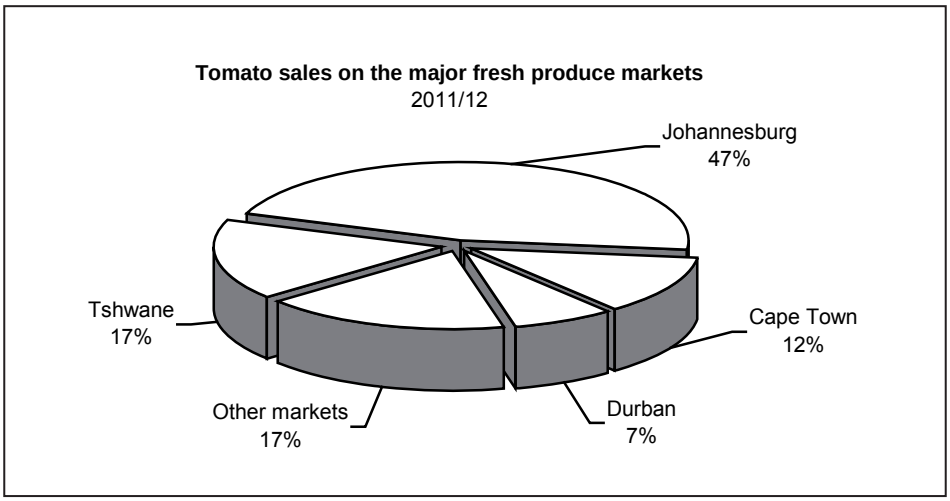
Approximately 540 166 tons of tomatoes were produced during 2011/12, which is an increase of 3,2% from the 523 275 tons of the previous season. The gross value of production increased by 2,6% to R1 589 million.



Sales

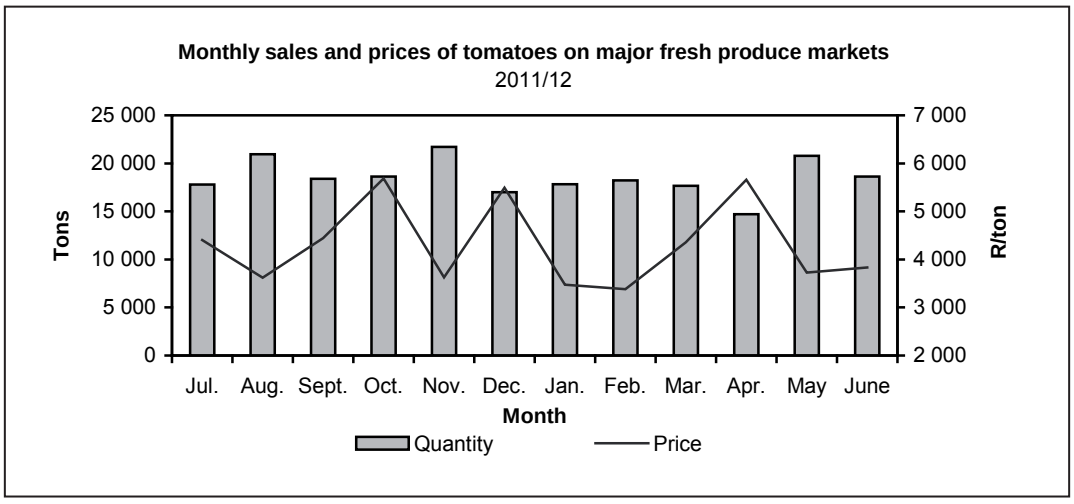
Sales on fresh produce markets and direct sales constitute approximately 69,2% of the total volume of tomato sales. Tomatoes are mainly produced for the local market, with limited exports to the Seychelles, Zimbabwe, Zambia and Mozambique. Owing to the geographic distribution and production of tomatoes, 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 19 major fresh produce markets increased by 4,2%, from 264 244 tons in 2010/11 to 275 332 tons in 2011/12.



Prices

The average price of tomatoes sold on the major fresh produce markets decreased by 2,0%, from R4 355,26 per ton during 2010/11 to R4 251,92 per ton in 2011/12. The decrease was mainly the result of higher volumes. Tomatoes are subject to large seasonal price fluctuations, and consequently there is a high price risk involved.



*Exports**

The quantity of tomatoes exported increased by 23,2%, from 42 172 tons in 2010/11 to 51 969 tons in 2011/12. Approximately 99% of total tomato exports during 2011/12 were to Mozambique, Zimbabwe, Angola, Seychelles and the Democratic Republic of the Congo.

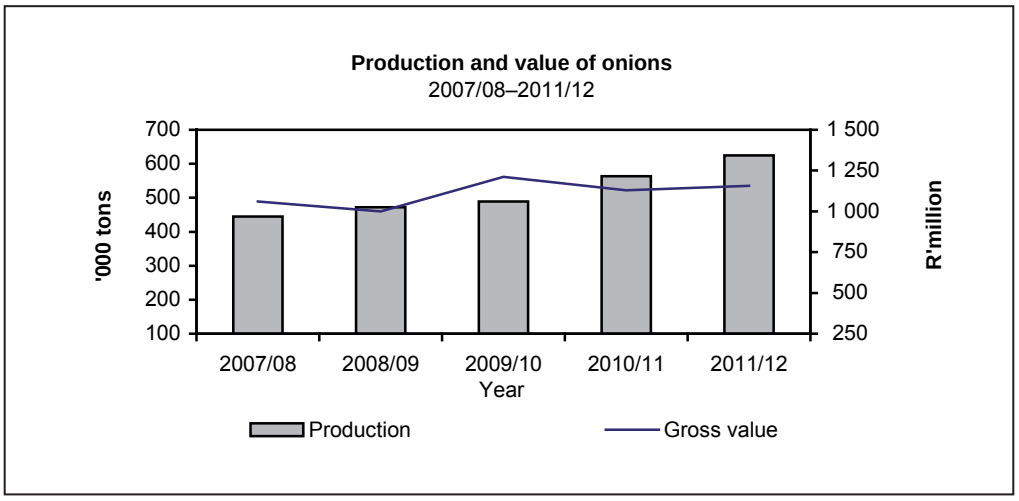
*Source: Customs and Excise

Onions

Production

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

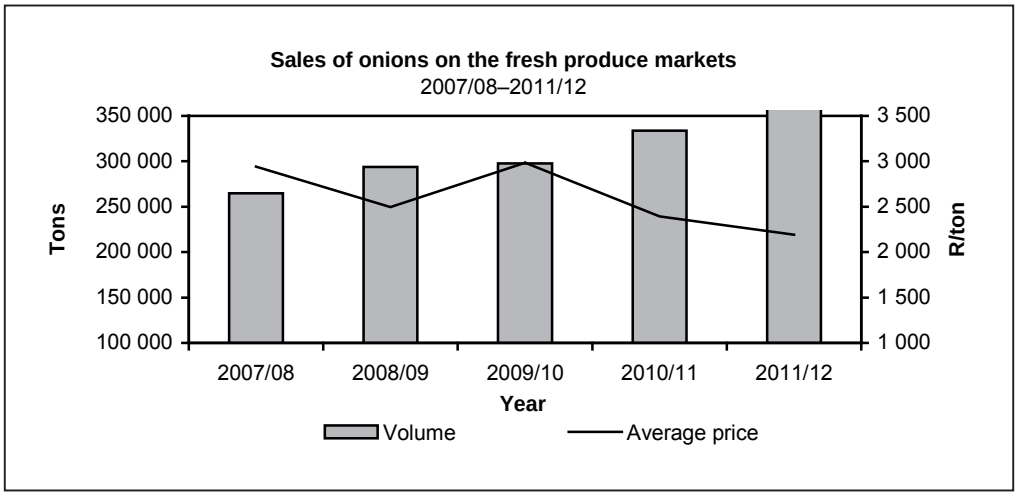
Approximately 624 535 tons of onions were produced during the 2011/12 season (July to June). This is 11,0% higher than the production of 562 651 tons during the previous season. The industry experienced an average annual increase of 6,2% in production from 2007/08 to 2011/12.



Sales

The fresh produce markets remain an important marketing channel for onions. Approximately 58% of the total production during the 2011/12 season was sold on the major fresh produce markets, while 10% was exported. The remainder comprises producers' own consumption and direct sales to supermarkets and chain stores (31%), and a small quantity (1%) sold to processors.

During the period 2007/08 to 2011/12, the sales of onions on the fresh produce markets increased by an average annual rate of 5,7% from 264 679 tons to 361 511 tons, with an increase of 8,3%, from 333 724 tons to 361 511 tons, between 2010/11 and 2011/12.

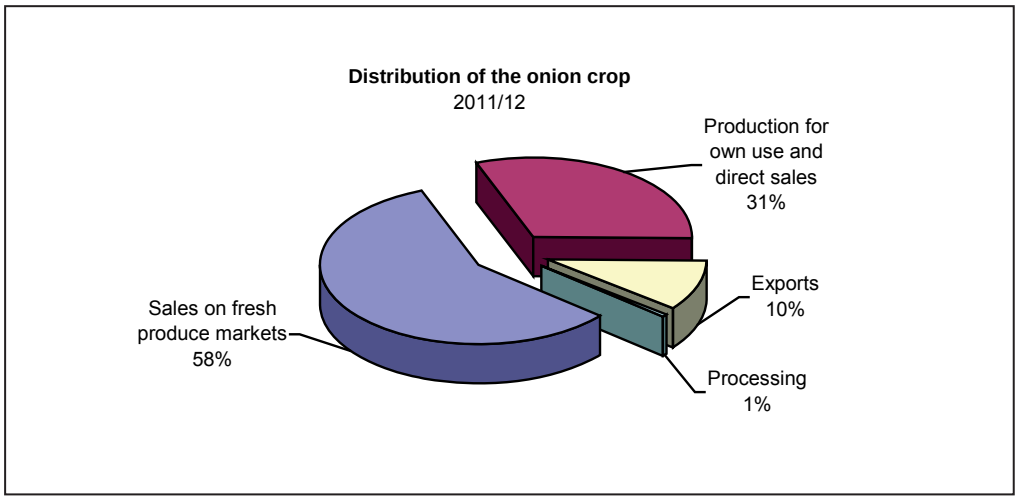


Prices

The average price of onions sold on the fresh produce markets decreased by 8,5%, from R2 394 per ton in 2010/11 to R2 191 per ton in 2011/12. This was mainly the result of an increase in the volumes of onions supplied on the markets.

Processing

Only 1,0% of the total production of onions was taken in for processing during the 2011/12 season. There has been a decrease in the total processing of onions since the 2007/08 season, when 5 336 tons were taken in for processing, to 3 122 tons in the 2011/12 season. During 2011/12, about 69,8% of these onions was canned and the remaining 30,2% was frozen.



Exports

During the 2011/12 season, the volume of onions exported represented approximately 10,0% of the total onion crop. The volume of exports increased by 43,6%, from 45 046 tons in 2010/11 to 64 685 tons during 2011/12.

Potatoes

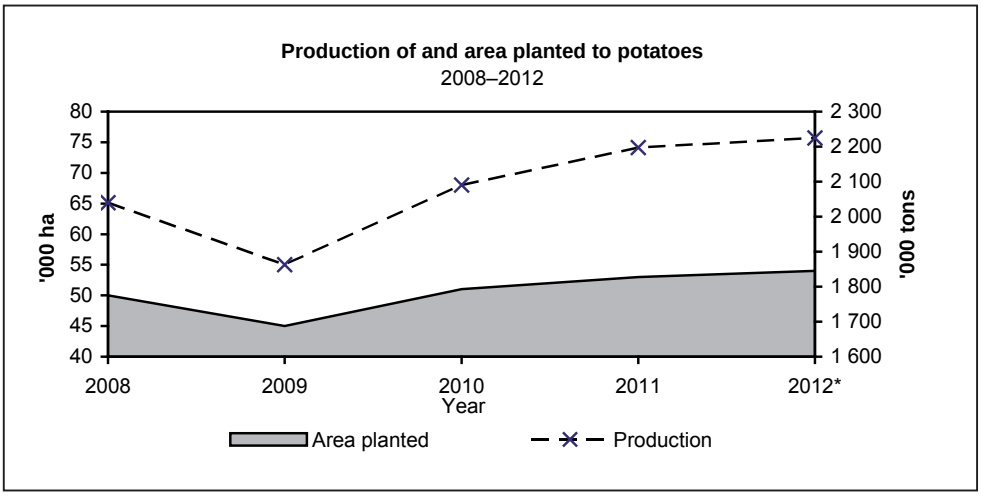
There are 16 distinct potato-production regions in South Africa, which are spread throughout the country. The main regions are situated in the Free State, Western Cape, Limpopo and Mpumalanga provinces. Potatoes are planted at different times because of climate differences in the production areas, resulting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

Area planted

Plantings for 2011 are estimated at around 52 563 ha, which is 3,5% higher than the previous year.

Production

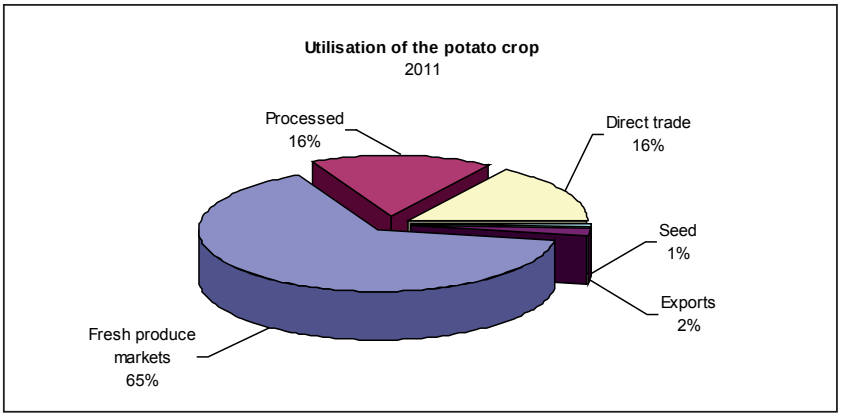
Potatoes constituted approximately 38% of the total gross value of vegetables produced during 2011. In 2010, the average yield was approximately 4 117 x 10-kg pockets per hectare, compared to 4 179 x 10-kg pockets per hectare in 2011, which is an increase of 1,5%. A total crop of about 223 million x 10-kg bags is expected for 2011.



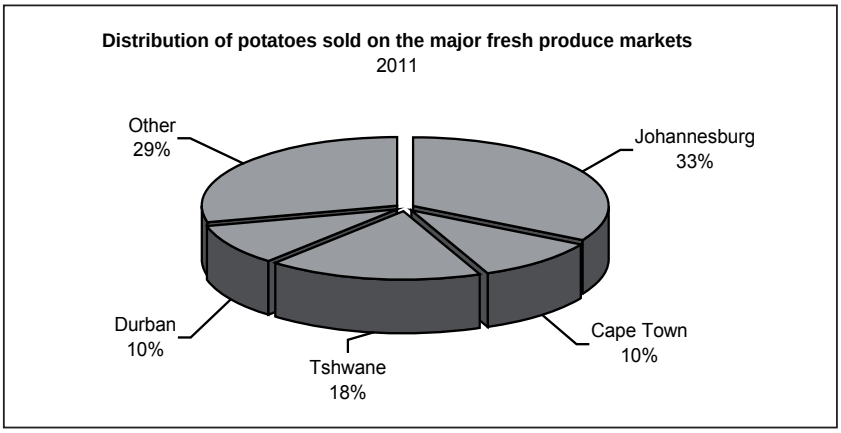
* Forecast

Sales

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



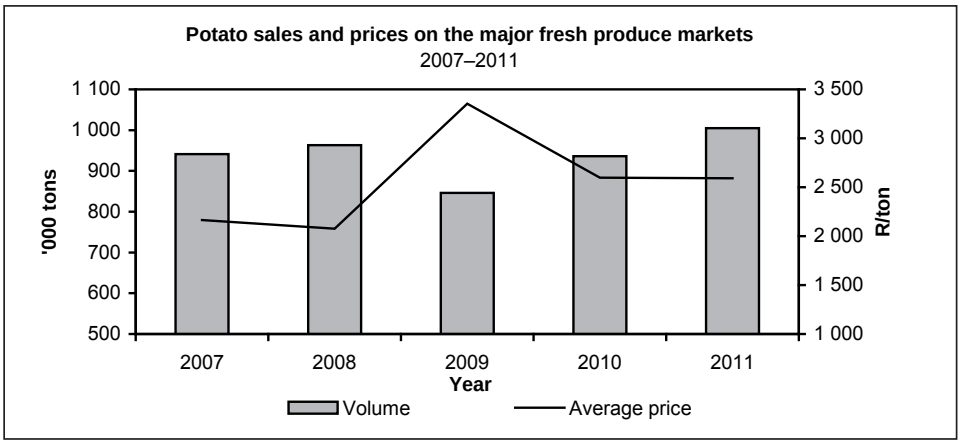
During 2011, approximately 101 million x 10-kg pockets of potatoes were sold on the major fresh produce markets, as against 94 million in 2010—an increase of 7,4%. The Johannesburg fresh produce market remains the biggest outlet, followed by the Tshwane, Cape Town and Durban markets. During the 5 years from 2007 to 2011, potato sales on the major fresh produce markets on average showed an increase of approximately 2,9% per annum.



Prices

Between 2007 and 2011, potato prices realised on the major fresh produce markets increased significantly by an average of 6,0% per annum, from R2 164 per ton in 2007 to R2 591 per ton in 2011.

The average price dropped by 0,3%, from R2 598 per ton in 2010 to R2 591 per ton in 2011. This decrease was mainly caused by moderately higher volumes being supplied at the fresh produce markets.



Processing

During 2011, approximately 18% of the total potato production was taken in for processing. About 91% of these potatoes were processed into potato chips, both fresh and frozen. The remaining 9% was used for canning, mixed vegetables and other purposes. The processing of potatoes showed a decrease of 9,9%, from 355 336 tons in 2010 to 390 653 tons in 2011.

*Exports**

More than 94 178 tons, approximately 4,3% of the total local potato crop, was exported during 2011. The quantities of potatoes exported decreased by 12,6% from to 2010. During 2011, 98,0% of total potato exports went to Eastern, Southern and Western Africa. Exports showed an average annual increase of 23,5% from 2007 to 2011.

Consumption

The total gross human consumption of potatoes increased by 2,6% to 1 874 million tons during 2011, and the *per capita* consumption increased slightly by 1,5% to about 36,20 kg.

Year	2007	2008	2009	2010	2011
Total production ('000 tons)	1 917	2 040	1 867	2 090	2 197
Gross human consumption ('000 tons)	1 608	1 628	1 585	1 783	1 874
Per capita consumption (kg p.a.)	33,59	33,45	32,14	35,67	36,20

Prospects

It is expected that there will be a 5% increase in the production of potatoes in 2012, to a total crop of approximately 230 million x 10-kg pockets.

ANIMAL PRODUCTION

Livestock numbers

Approximately 80% of the agricultural land in South Africa is suitable mainly for extensive livestock farming. However, livestock are also found in areas where 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 km^2. This represents 53% of all agricultural land in the country and includes the vast Karoo areas of the Northern and Western Cape provinces as well as the mixed veld types of the Eastern Cape 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). Vryburg, which is in North West, has been found to have some of the largest cattle herds in South Africa. 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.

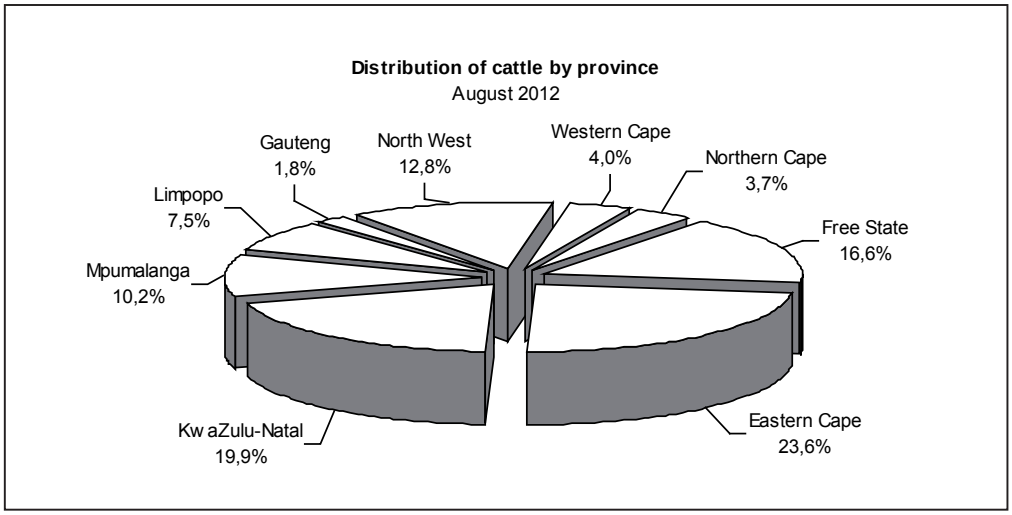
The total number of cattle in South Africa at the end of August 2012 is estimated at 13,84 million, comprising various international dairy and beef cattle breeds as well as indigenous breeds such as the Afrikaner and the Nguni. The number is approximately 1,1% higher than the estimate of 13,69 million as at the end of August 2011. Beef cattle contribute approximately 80% of the total number of cattle in the country, while

dairy cattle make up the remaining 20%. Holstein, Jersey, Guernsey and Ayrshire are the four major dairy breeds found in South Africa.

Cattle numbers per province since 2008 were estimated to be as follows:

Province	2008	2009	2010	2011	2012*
	'000 (August)				
Western Cape	576	576	572	560	5549
Northern Cape	511	509	509	509	507
Free State	2 312	2 306	2 292	2 294	2 293
Eastern Cape	3 140	3 078	3 056	3 152	3 269
KwaZulu-Natal	2 763	2 773	2 726	2 736	2 748
Mpumalanga	1 491	1 457	1 473	1 405	1 414
Limpopo	1 071	1 064	1 056	1 086	1 039
Gauteng	258	266	259	261	252
North West	1 744	1 731	1 788	1 784	1 767
Total	13 866	13 760	13 731	13 787	13 838

* Projection

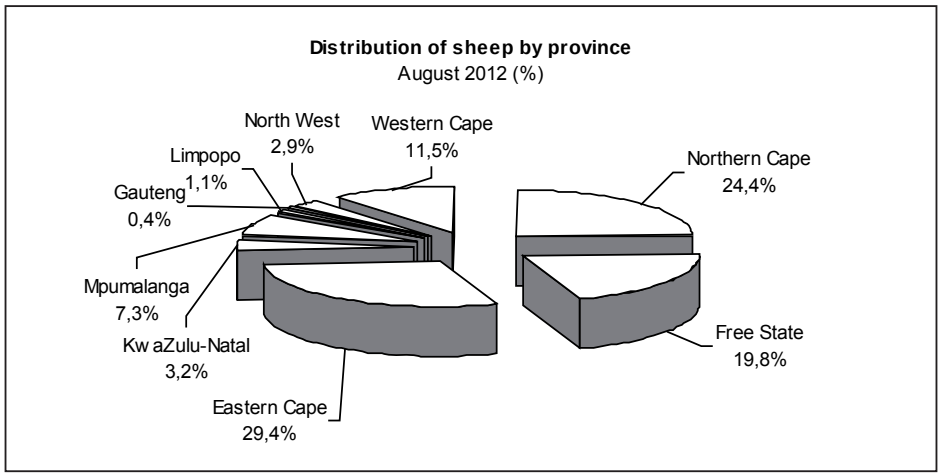


There are various breeders' organisations representing most international and indigenous cattle breeds. Most of the organisations are affiliated to the South African Studbook and Animal Improvement Association. The Milk Producers' Organisation (MPO) is the most prominent producer organisation in the 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 2012 is estimated at 24,17 million, 0,5% lower than the estimated 24,30 million as at the end of August 2011. For August 2012, the largest numbers of sheep were estimated to be in the Eastern Cape (29,1%), Northern Cape (24,6%), Free State (20,0%) and Western Cape (11,6%) provinces.

Flock sizes vary between less than 50 and 1 800 animals. 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. In the Western Cape, the Inland Karoo and the Overberg District produce wool and mutton as well as the pedigree Merino breeding stock.



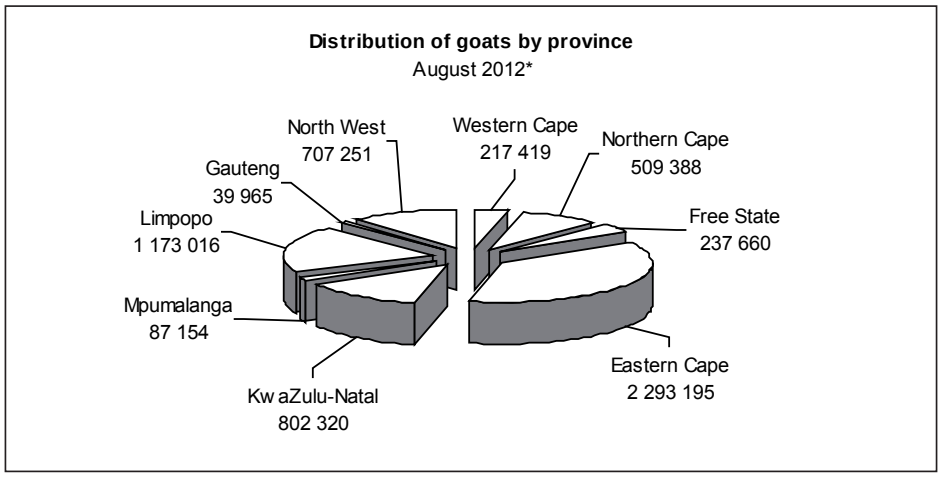
The number of sheep in the various provinces since 2008 was estimated to be as follows:

Province	2008	2009	2010	2011	2012*
	'000 (August)				
Western Cape	2 831	2 814	2 790	2 806	2 779
Northern Cape	6 279	6 295	6 210	6 045	5 899
Free State	4 895	4 876	4 860	4 753	4 784
Eastern Cape	7 422	7 354	7 281	7 084	7 093
KwaZulu-Natal	785	781	772	772	772
Mpumalanga	1 787	1 778	1 760	1 748	1 781
Limpopo	272	266	262	263	266
Gauteng	103	105	102	104	100
North West	720	720	713	728	692
Total	25 094	24 989	24 750	24 303	24 166

* Projection

Goats

Goats are found mainly in the Eastern Cape, Limpopo, KwaZulu-Natal and North West provinces. Estimates indicate that there was a decrease of 1,6% in the number of goats from 6,165 million in August 2011 to 6,067 million in August 2012.

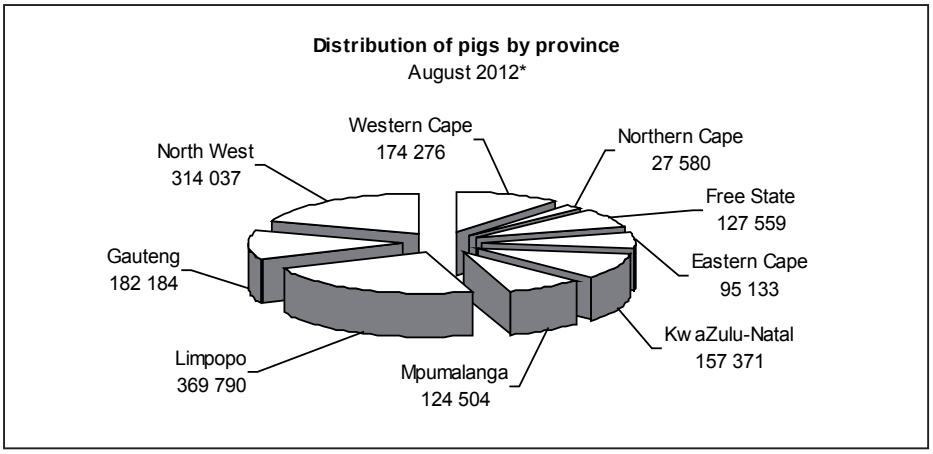


* Projection

Flocks of goats intended for meat production are usually smaller than sheep flocks, averaging approximately 300 goats 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, Gauteng 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 0,8%, from 1,584 million in August 2011 to 1,572 million in August 2012.



* Projection

The South African Pork Producers' Organisation (SAPPO) 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 industries.

Red meat

The red meat industry is one of the fastest growing industries in the South African agricultural sector. It contributed approximately 15,9% to the gross value of agricultural production in the RSA during 2011/12. While sheep farming is mainly extensive, a large percentage of beef animals are supplied by feedlots.

Slaughterings

It is estimated that the total number of cattle slaughtered increased by 0,4% and the number of pigs slaughtered increased by 2,2%, while the number of sheep (including lambs) slaughtered decreased by 6,2% from 2010/11 to 2011/12.

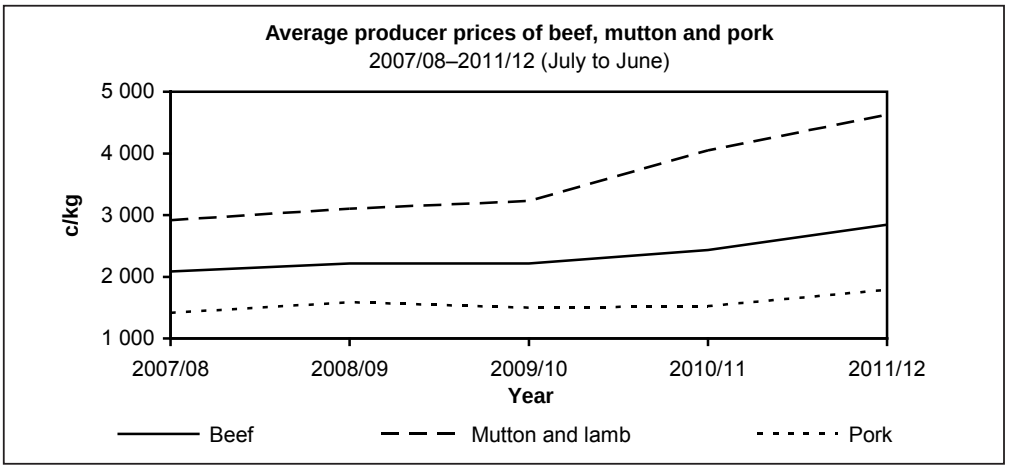
Commercial slaughterings of red-meat-producing livestock types over the past five years were as follows:

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Cattle	2 010 609	2 142 608	2 195 316	2 185 078	2 194 872
Sheep and lambs	4 637 755	4 804 711	4 946 202	4 281 870	4 015 716
Pigs	2 264 341	2 204 113	2 296 934	2 422 701	2 476 754

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 2011/12 amounted to R28,43/kg (average for all classes on all auction markets), which represents an increase of 16,9% from the average price of R24,32/kg for 2010/11.



In view of the ever-strong influence of international trade on the local mutton industry, both the cyclical and seasonal price patterns for mutton were influenced by imports. The average producer price for mutton and lamb increased by 14,2%, from R40,48/kg in 2010/11 to R46,24/kg in 2011/12.

The average producer price for pork increased by 17,2%, from R15,26/kg in 2010/11 to R17,89/kg in 2011/12.

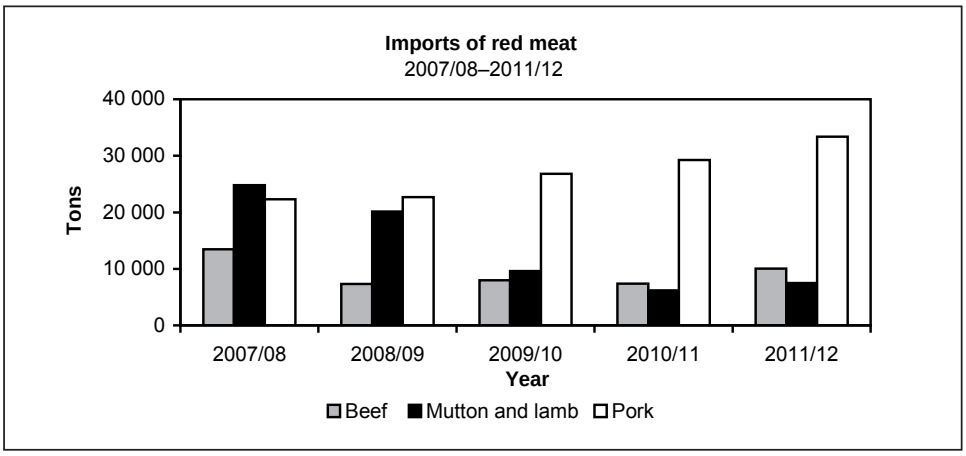
Imports

Imports of red meat increased by 18,8%, from 42 818 tons in 2010/11 to 50 883 tons in 2011/12 (2,3% higher than the average of approximately 49 758 tons for the five years up to 2011/12).

Beef imports amounted to 10 014 tons, which is an increase of 35,7% from the 7 381 tons imported during 2010/11, and 8,5% higher than the five-year average of 9 228 tons up to 2011/12.

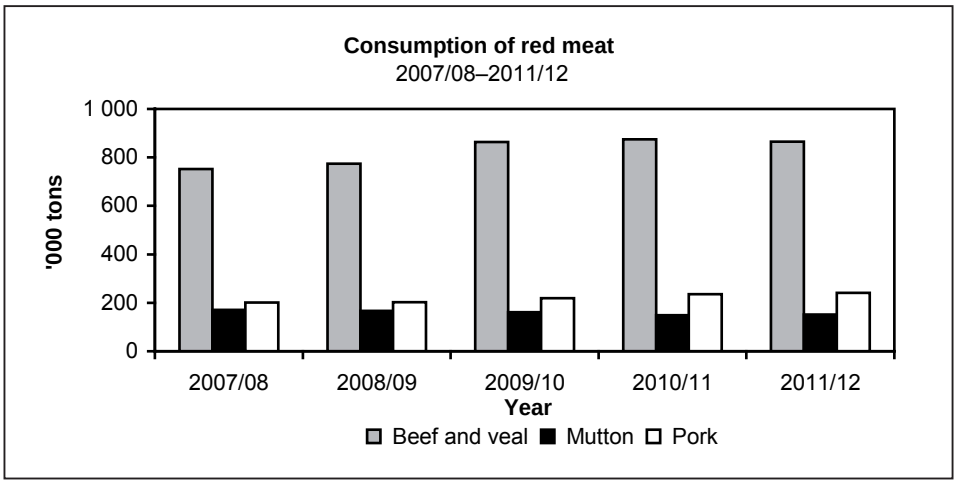
Imports of pork amounted to 33 395 tons, an increase of 14,1% on the 29 263 tons imported during 2010/11 and 24,2% more than the five-year average of 26 891 tons up to 2011/12.

Imports of mutton during 2010/11 amounted to 6 473 tons—an increase of 21,1% from the 6 174 tons imported the previous season and 45,2% lower than the average of 16 638 tons for the five years up to 2011/12.



Consumption

Consumption of beef and veal showed a decrease of 1,1%, from 874 270 tons in 2010/11 to 864 670 tons in 2011/12, that of mutton increased by 1,6%, from 148 500 tons to 150 900 tons, and that of pork increased by 2,6%, from 235 390 tons to 241 600 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 non-commercial 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.

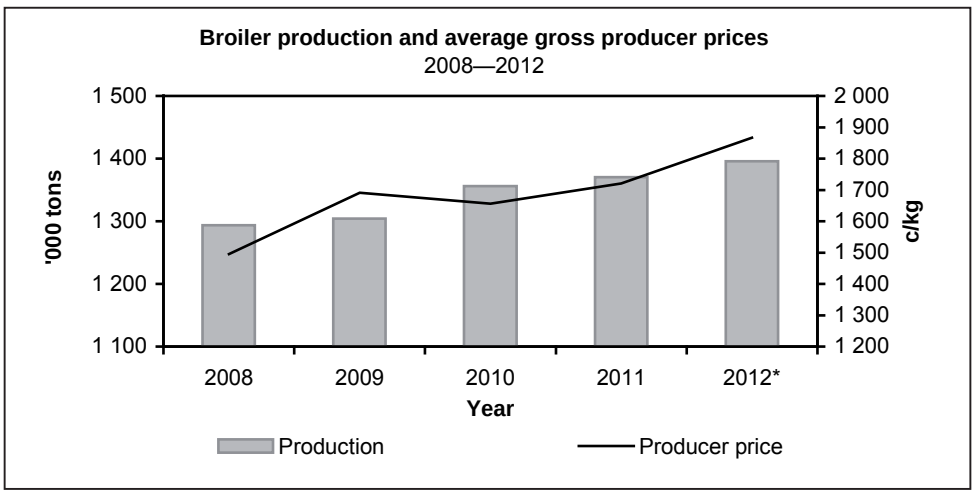
Broiler industry

The broiler industry continues to dominate the agricultural sector in South Africa as the main supplier of animal protein. About 13 large producers supply approximately 69% of the total broiler production in South Africa, while many small production units and the informal sector are responsible for the remaining 31%.

According to SAPA, 25,6% of broiler production takes place in the North West Province, 22,4% in the combined Western and Northern Cape provinces, 21,2% in Mpumalanga, 15,9% in KwaZulu-Natal, 6,8% in both the Eastern Cape and Gauteng and 5,6% in the Free State. The Limpopo Province accounts for the remaining 2,5%.

Production

The number of broilers slaughtered for commercial markets during 2011 is an estimated 979 million units. This is 1,1% more than the estimated 968 million units slaughtered during 2010. It is expected that approximately 997 million units, or 1,8% more, will be slaughtered during 2012. The producer value of broilers slaughtered for commercial markets during 2012 is expected to be around R22 billion.



* Expected production for 2012 and average producer price for the first nine months of 2012

Prices received by producers

The average weighted gross price received by producers of broilers increased by 8,5%, from R17,21/kg in 2011 to R18,67/kg in the first nine months of 2012.

Producer prices of broilers from 2008 to 2012 were as follows:

Year	2008	2009	2010	2011	2012*
	c/kg				
Price of broilers	1 495	1 691	1 1656	1 721	1 867

* Preliminary: January to September 2012

Consumption

During 2011, an estimated 19,2% of local consumption of poultry meat consisted of poultry meat imports.

The consumption of poultry meat in 2011 accounted for approximately 59% of total consumption of meat (beef, mutton, goat, pork and poultry) in South Africa.

Per capita consumption of commercially produced poultry meat from 2007 to 2011 was as follows:

Year	2007	2008	2009	2010	2011
	kg/year				
Per capita consumption	31,2	31,6	31,5	33,8	35,0

Imports

In 2011, poultry meat imports increased to 350 174 tons—an increase of 31,7% from the 265 769 tons imported in 2010. The imports of broiler meat during the first six months, from January to June 2012, were 238 962 tons—an increase of 48,8% from the same period in 2011. During 2011, more than 50% of poultry imports into South African originated from Brazil.

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.

Prices of maize and soya, being the main raw materials used in broiler feed, are expected to remain high. The profit margins of the broiler producers are therefore expected to remain tight.

The broiler industry is also experiencing pressure because of increases in retail food prices in general and expected resistance in consumer spending.

Egg industry

Based on information provided by SAPA, the distribution of layers per province is as follows: 23,9% in Gauteng, 19,0% in the combined Western Cape and Northern Cape, 16,3% in KwaZulu-Natal, 18,6% in the Free State, 9,0% in North West, 6,0% in Mpumalanga and 3,6% each in the Eastern Cape and Limpopo provinces.

The number of layers increased from an average of 23,1 million in 2010 to 24,2 million in 2011. This represents an increase of 4,8%. The average size of the national flock is expected to increase further by 3,3% during 2012 to reach around 25 million layers.

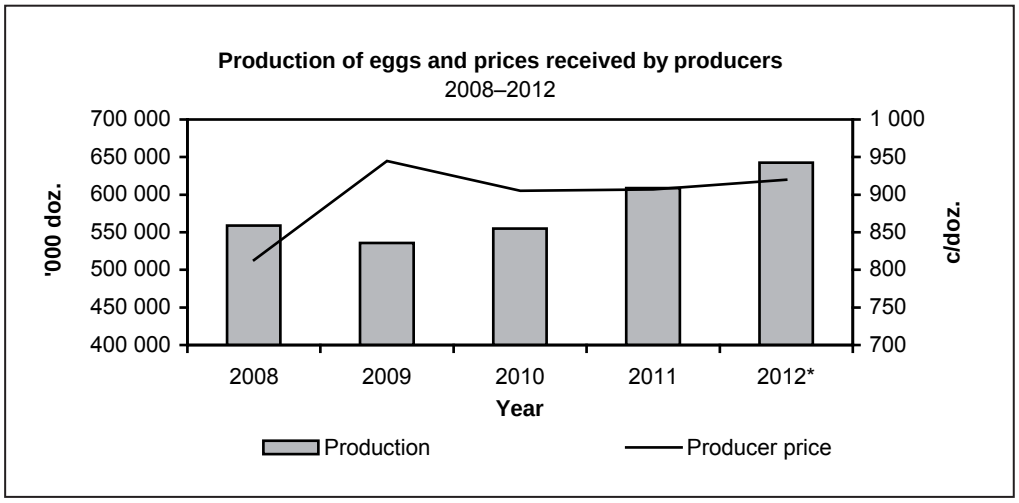
The average price received by egg producers during the first nine months of 2012 was 1,5% higher than the average price received during 2011.

The average producer prices of eggs from 2008 to 2012 are as follows:

Year	2008	2009	2010	2011	2012*
	c/doz.				
Price of eggs	813	945	905	907	921

* Preliminary: January to September 2012

The production of eggs is expected to increase by 5,5% in 2012 to 642,8 million dozen eggs, from 608,8 million dozen in 2011.



* Expected production for 2011 and average producer price for the first nine months of 2012

Consumption

The *per capita* consumption for 2011 was 150 eggs, an increase of 8,6% from 2010. 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 is to continue producing a competitive product in an environment of increasing costs. Limited disposable income of especially poorer communities is expected to have a negative effect on consumption growth. The egg industry may also experience resistance in consumer spending in reaction to increases in food prices in general.

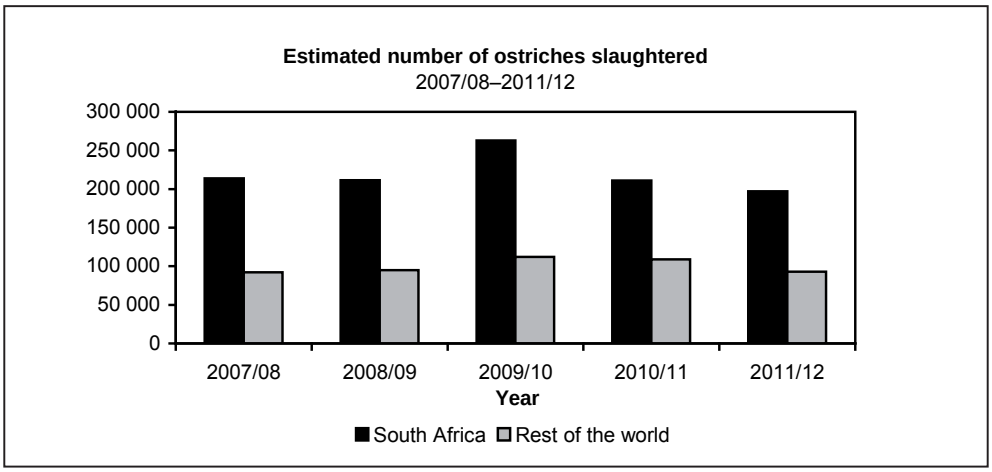
Ostriches

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 were 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 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 normally 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 290 000 for 2011/12, of which only 197 000 were slaughtered in South Africa. This dramatic drop in slaughter figures in South Africa (from 263 000 in 2009/10 to 211 000 in 2010/11) was caused by the detection of the H5N2 avian influenza virus among ostriches in South Africa in April 2011, which has led to a ban on meat exports.

Worldwide, the demand for ostrich meat increased to such an extent that the demand and supply were almost in balance during 2010/11. 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 2010/11 the demand was bigger than the supply.

During 2011/12, the contribution of ostrich meat dropped significantly because of the ban on exports, as well as a ban on the movement of ostriches between farms in South Africa and on slaughterings for a couple of months. Prior to the meat export ban, meat contributed approximately 65% of the income per ostrich. Income from leather increased, but because of the after-effects of the international economic recession, the income from the leather and the feathers was not sufficient to make up for the loss on income from meat. The result was that producers farmed with ostriches at a loss.

The SAOBC's aim is that only higher-grade leather be placed on the market. Various research programmes regarding quality improvement and genetics are therefore being launched. A producer earns on average approximately R850 for a raw skin. The average prices that producers received during 2010/11 were R17.50/kg for ostrich meat and R250 for feathers per bird (depending on the quality). The South African currency started to weaken, which had a positive impact on export earnings, as more than 90% of ostrich leather and 85% of ostrich feathers are being exported.

Prospects

During the 2012/13 season, the number of ostriches slaughtered in South Africa is expected to be about 120 000 as a result of the culling of more than 50 000 ostriches (including 4 000 breeder birds) during the avian influenza disease control activities.

While the protracted drought in the main ostrich-production areas was broken in 2011, ostrich feed still accounted 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, therefore the SAOBC partners with the Department of Trade and Industry 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 industry had to employ various strategies during the year to prevent job losses as the export and movement bans have left the majority of producers in a negative cash flow situation.

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 broadening of Black Economic Empowerment and participation in the industry; however, the avian influenza crisis has put a hold on almost all BEE projects. One abattoir in the Eastern Cape that was directly linked to a BEE project had to close its doors. In the Western Cape, the SAOBC joined the provincial commodity project approach to access government funding for BEE projects.

The industry's responsibility towards 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.

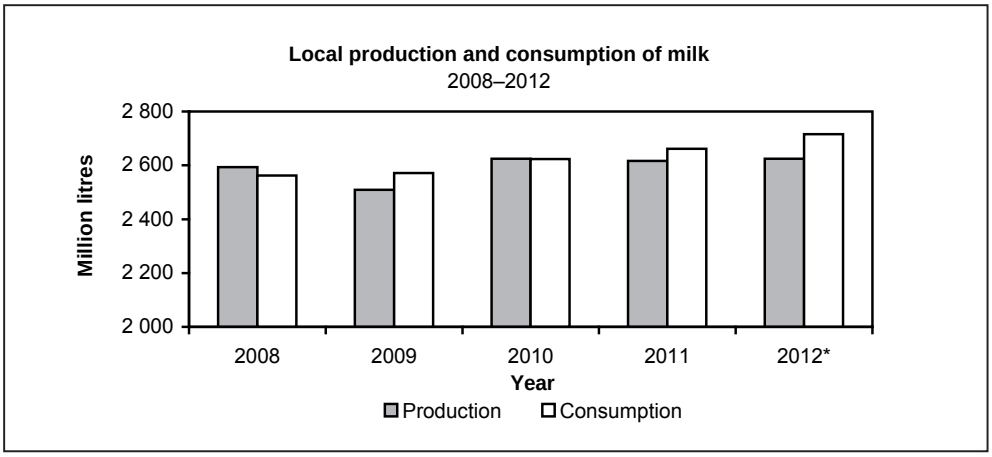
Milk

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 2011, the Western Cape Province contributed 25,4% to total production, followed by Free State (22,4%), North West (14,4%), Kwazulu-Natal (12,0%), Eastern Cape (11,7%), Mpumalanga (7,5%) and Gauteng (4,7%), with the remaining two provinces contributing 1,9%. According to the Milk Producers' Organisation (MPO), the estimated number of commercial milk producers in the country in January 2012 was 2 474, compared to 2 686 in January 2011.

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 sixth largest agricultural industry in the country. The gross value of milk produced during 2011, including milk for the producer's own consumption and on-farm usage, is estimated at R9 224 million.

Traditionally, milk production in South Africa was fairly in line with demand and severe shortages were seldom reported. Production during 2012 is expected to be approximately 2 625 million litres, which is 0,3% higher than the 2 617 million litres produced in 2011 and 3,4% lower than the expected consumption of 2 716 million litres in 2012.

The local commercial production and consumption figures of milk from 2008 to 2012 are depicted in the following graph:



*Projected

Imports

The imports of milk and milk products increased by 17,2%, from 35 859 tons in 2010 to 42 010 tons during 2011. In 2012, the imports of dairy products are expected to increase by 0,5% to 42 210 tons, because of an increase in local demand for milk.

Prices

The average producer price of milk for the first half of 2012 is R3,48/ℓ, which is 19,9% higher than the R2,91/ℓ for the corresponding period the previous year. Prices were up because of a slight increase in demand.

Production season	2008	2009	2010	2011	2012*
	c/ℓ				
Average producer price	310	302	298	291	348

* Preliminary: January to June 2012

Prospects

Total milk production in 2012 is estimated at 2 697 million litres, which is 3,1% higher ithan n 2011. Demand for milk is expected to increase by approximately 2,0% in 2012. The producer price of milk is expected to drop to around R3,35/ℓ during the second half of 2012.

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 2011/12 with 13,9 million kg, followed by the Free State with 9,0 million kg, the Western Cape with 8,0 million kg, the Northern Cape with 5,3 million kg, and Mpumalanga with 2,3 million kg, while 1,5 million kg were produced in the remaining five provinces.

South Africa's neighbour, Lesotho, which markets its wool in South Africa, produced 4,2 million kg.

Production

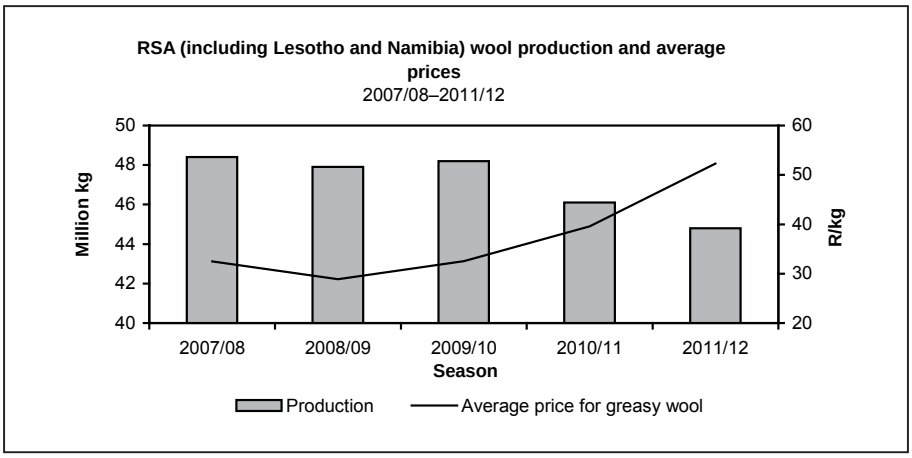
South Africa, like Australia, produces mainly apparel wool, while the bulk of the wool of the other major producers, such as New Zealand, China, Uruguay and Argentina, is the coarse type used in the manufacturing of carpets and interior textiles. The main fibres competing with wool are cotton and man-made 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 48%. Trends in Australian production therefore have a direct effect on global apparel wool production.

World production of apparel wool has declined significantly since 2000. The Australian Wool Production Forecast Committee has revised down slightly its final 2011/12 estimate from 345 million kg to 342 million kg and its 2012/13 production forecast from 350 million kg to 345 million kg. The downward revision in Australian wool production was largely based on lower final sheep numbers as reported by the Australian Bureau of Statistics (ABS) in June 2012.

A report released by the Economist Intelligence Unit (EIU) predicts a decrease in global wool production for 2012/13, mainly directed by alternative land use. In New Zealand, the long-term decline in sheep numbers has to be reversed yet, despite relatively good returns to farmers. The number of sheep slaughtered also increased to meet the growing demand for mutton. There has been an increase in the number of farmers moving into the dairy branch. In Argentina, farmers are switching to food crop production, increasing the area of land for arable farming.

In South Africa, wool production declined by 2,8%, from 46,1 million kg in 2009/10 to 44,8 million kg in 2011/12, mainly because of the aftermath of Rift Valley fever. Predation and stock theft are other problems small-stock farmers face. Production, however, is expected to increase in 2012/13. Indications are that the Rift Valley fever outbreak has passed. This assumption is based on the fact that no cases were reported during 2011/12. This should result in an increase in flock numbers to normal levels, as the disease has not affected lambing in the past 12 months.



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 wool types 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 produces 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. During the 2011/12 season, however, fine wool prices were under pressure, following weaker demand from the main fine-wool consumers owing to the debt crisis in Europe and a downturn in the US economy.

Marketing arrangements

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

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

Typical of wool auctions are numerous sellers and few buyers. Buyers normally have to compete for wool over a number of auctions to make up processing batches to meet their clients' contract specifications in terms of price, quantity and delivery date. Contracts in foreign currencies, such as the euro or the US dollar, have to be converted into buying limits in rand and the buyer carries the risk.

Cape Wools of South Africa promotes the interests of the South African wool industry. It is a 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. Cape Wools started operating on 1 September 1997.

The Minister of Agriculture, Forestry and Fisheries 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 being shipped overseas in either greasy or semiprocessed form (scoureds and wool top). Main export destinations for the year under review were China, the Czech Republic, India, Italy and Germany.

During 2010/11, the major export destinations for South African wool were as follows:

Country	Volume		Value	
	'000 kg (clean)	% of total	R'000	% of total
China	12 632	49,6	1 106 454	47,9
Czech Republic	4 014	15,8	380 390	16,5
India	3 884	15,2	353 559	15,3
Italy	2 519	9,9	227 253	9,8
Germany	990	3,9	76 799	3,3
UK	377	1,5	38 944	1,7
Egypt	313	1,2	33 539	1,5
France	191	0,7	33 596	1,5
Mauritius	207	0,8	22 639	1,0
Others	351	1,4	34 364	1,5
Total	25 478	100,0	2 307 537	100,0

Market movement

The 2011/12 season has been an exceptionally good one for wool producers despite the global economic woes, and the Cape Wools market indicator reached an all-time high of R105,15/kg (clean) in January 2012, after which it remained around the R100/kg level for weeks.

Low global wool supply helped support prices even though demand conditions had been weaker than during the previous season as a result of the eurozone crisis and a downturn in global economic growth. A further tapering off of raw wool demand towards the latter part of the season exerted downward pressure on prices and the season closed with the indicator at R94,11/kg, which was slightly down on its best levels.

The average indicator was R98,68/kg (clean), which was up 36,9% on the previous season.

The recorded gross value of wool sold at first point of sale for the season amounted to R2 282,1 million for the season, an increase of 30% compared with 2010/11.

Prospects

Global economic conditions, the availability of apparel wool and exchange rates will, to a large extent, determine prices in the new season. After strong activity in 2010, the pace of global economic growth moderated during 2011 and further declined in 2012. Emerging economies, particularly in Asia, continued to underpin world economic growth, while weak private demand and renewed concerns over public debt levels weakened activity in major Organisation for Economic Cooperation and Development (OECD) economies and caused a subsequent decrease in demand for clothing and other consumer products in the major markets for wool.

The general expectation is that price levels will remain under pressure for some time. However, limited supplies and the expected improvement in demand from China, the world's largest wool consumer, should help to support current price levels and eventually lead to an improvement in the market.

Mohair

Production

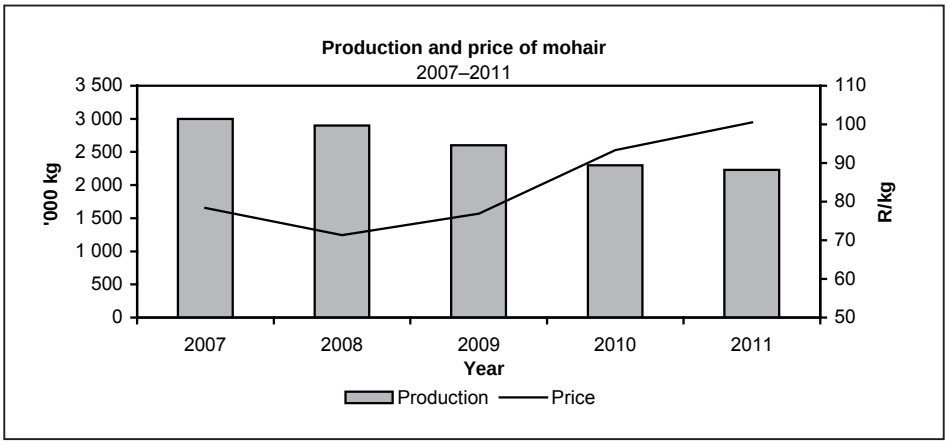
Mohair production in South Africa mainly occurs in the Eastern Cape Province as well as the adjacent part of the Western Cape Province.

South Africa produces approximately 50% of the world mohair clip. In realising the responsibility involved in 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 promoting the constant availability of quality natural fibres.

South Africa's mohair production figures showed a downward trend, from 3,0 million kg in 2007 to 2,2 million kg in 2011. This decline in production is, however, not unique to South Africa. In addition to common

factors that affect world production, the size of the South African clip is also affected by factors such as predators, the expansion of game farms and labour shortages. During the first half of this year, however, the mohair produced has been of exceptional quality, mainly because of the improved grazing conditions, and there was fierce competition among buyers for the mohair on offer.

Production of mohair by South Africa during the period 2007 to 2011 was as follows:



Year	2007	2008	2009	2010	2011
	Million kg				
Production	3,0	2,9	2,6	2,3	2,2

Prices

The average auction price of mohair increased by 7,7%, from R93,35/kg in 2010 to R100,55/kg in 2011. The increase in prices was mainly directed by the renewed demand for young goat as well as adult mohair. Average auction prices of mohair for the period 2007 to 2011 were as follows:

Year	2007	2008	2009	2010	2011
	R/kg				
Price	78,38	71,33	76,91	93,35	100,50

Imports and exports

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

Mohair exports decreased by 13,9%, from an estimated 4,3 million kg in 2010 to 3,7 million kg in 2011.

Year	2007	2008	2009	2010	2011
	Million kg				
Imports	0,8	1,1	1,3	1,5	1,4
Exports	3,4	4,4	4,5	4,3	3,7

Prospects

The demand for kid mohair is expected to remain under pressure in the short term, as end-consumer markets, such as Japan, are expected to remain weak. The continuing European crisis might also have some negative effect on the kid market, but the young goat sector is expected to continue its strong demand.

The economic slowdown in China is also expected to have a negative impact on the adult mohair market.

Notes