THE SOUTH AFRICAN AGRICULTURAL BASELINE

2009

BFAP

bureau for food and agricultural policy

www.bfap.co.za

BFAP TEAM

University of Pretoria
Degert Botha
Thomas Funke
Yemane Gebrehiwet
Tinashe Kapuya
Johann Kirsten
Marlene Labuschagne
Jeanne Malan
Mariam Mapila
Ferdinand Meyer
Lulama Ndibongo Traub
Hettie Schönfeldt
Hester Vermeulen
Stefan van Zyl
Johan van Rooyen

University of Stellenbosch
Willem Hoffmann
Ben Janse van Vuuren
Jan Lombard
Nick Vink

Department of Agriculture, Western Cape
Bongiswa Matoti
Cecilia Punt
Sanri Reynolds
Dirk Troskie

Others
Jeanette de Beer	ABSA
Patrick Westhoff	FAPRI
Julian Binfield	FAPRI
Holger Matthey	FAO
Michela Cutts	SASA
Sakkie van Zyl	Syngenta
Walter Moldenhauer	Telkom
Peter Prussat	

Foreword

The Bureau for Food and Agricultural Policy (BFAP) was established in 2004 with the purpose of facilitating decision making in the South African agricultural sector as well as training of individuals in order to increase analytical and research skills available to the sector. BFAP is housed as an independent program within the Department of Agricultural Economics, Extension and Rural Development at the University of Pretoria, the Department of Agricultural Economics at the University of Stellenbosch, and the Department of Agricultural Economics at the Provincial Department of Agriculture, Western Cape. BFAP is the first of its kind in South Africa and has become a valuable resource to government, agribusiness and farmers by providing analyses of future policy and market scenarios and measuring their impact on farm and firm profitability. BFAP acknowledges and appreciates the tremendous help and insight of numerous industry specialists over the past years. Although their comments and suggestions are taken into consideration, BFAP's own views are presented in the baseline publication. Finally, BFAP expresses its sincere appreciation to the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri and its staff who have trained BFAP staff members and have provided outlooks on world commodity markets over the past six years.

Context and Purpose of the Baseline

The BFAP baseline 2009 presents an outlook of South African agricultural production, consumption, prices and trade for the period 2009 to 2014. This outlook is based on assumptions about a range of economic, technological, environmental, political, institutional and social factors. It is published at a time where a great amount of uncertainty exists around price movements over the next few weeks, not to mention the uncertainty that is involved in the projection of market conditions over the next five to ten years. Given this uncertainty, the baseline projections should be interpreted as one possible scenario that could unfold where temporary factors (e.g. weather issues) play out over the short run and permanent factors (e.g. biofuel policies) cause structural shifts in agricultural commodity markets over the long run. This baseline therefore, serves as a benchmark against which alternative exogenous shocks can be measured and understood. Additional to the benchmarking function, the baseline serves as an early-warning system to inform role players in the agricultural industry about the potential effect of long term structural changes on agricultural commodity markets should they occur.

The BFAP Baseline 2008 was published when crude oil, grain and oilseed prices surged to new record highs. Although a general slowdown in global economic growth was anticipated and most agricultural commodity prices were projected to decrease in 2009 and 2010, the speed and the severity with which world economic conditions have deteriorated and commodity prices have decreased, especially over the period August 2008 to January 2009, was unanticipated and was also underestimated in the 2008 Baseline. Yet, in last year's baseline a strong case was already made that agricultural commodity markets have shifted to a new equilibrium and that a new era of agricultural price volatility has arrived, with both higher average prices and a wider variation in prices. Early indications are that despite the global economic turmoil and the plunge in commodity markets, most agricultural commodity prices are trading at higher levels than seen prior to the surge in global and domestic prices that started in 2006. The volatility on futures markets has also increased rapidly.

This year's baseline takes the latest trends, policies and market information into consideration and is constructed in such a way that the decision maker can form a picture of the new equilibrium in agricultural markets. The picture (or outlook) that is presented in this baseline will change as the markets unfold and new exogenous shocks enter the market. The outlook is generated by the BFAP sector model, which is an econometric, recursive, partial equilibrium model. For each commodity, the important components of supply and demand are identified and equilibrium established in each market by means of balance sheet principles where demand equals supply. A number of critical assumptions have to be made for baseline projections. One of the most important assumptions is that average weather conditions will prevail in South Africa and around the world and therefore, yields grow constantly over the baseline as technology improves. Assumptions with respect to the outlook of macro economic conditions are based on a combination of projections developed by the OECD, IMF and Global Insight. Baseline projections for world commodity markets are taken from an updated version of the FAPRI 2009 US and World Agricultural Outlook. Once the critical assumptions are introduced in the model, the outlook for all commodities is simulated within a closed system of equations. This implies that, for example, any shocks in the grain sector are transmitted to the livestock sector and the biofuels sector, and vice versa. The impact of the sharp increase in input costs on supply response has been widely debated and this year, for the first time, BFAP will be presenting an outlook of urea, phosphate and potassium prices.

Context and Purpose of the Baseline

To summarize, the baseline does NOT constitute a forecast, but rather a benchmark of what COULD happen under a particular set of assumptions. Inherent uncertainties including policy changes, weather, and other market variations ensure that the future is highly unlikely to match baseline projections. Recognizing this fact, BFAP incorporates scenario planning and risk analyses in the process of attempting to understand the underlying risks and uncertainties of agricultural markets. Scenarios and risk analyses are, however, not published in the baseline, but only prepared as confidential reports for individual clients. The BFAP Baseline 2009 should be regarded as only one of the tools in the decision-making process of the agricultural sector, and other sources of information, experience, and planning and decision making techniques have to be taken into consideration.

Executive Summary and Implications

The world economy has entered one of the deepest downturns since World War II, with global growth projected to turn negative in 2009. In the baseline it is assumed that the world economy will move out of a recession in 2010, yet only a slight positive growth rate will be recorded. A gradual recovery of world economic growth is anticipated for the remaining period of the baseline. Despite the global economic recession the economies in China and India are expected to maintain a growth rate above 6% and after recovery post solid growth, averaging 8.6% and 7.5% per year, respectively. Crude oil prices are projected to recover at a relatively fast rate to reach a peak of $86 per barrel in 2013.

The decline in South African economic growth is projected to bottom out during 2009 and is expected to recover gradually from 2010 onwards. The general inflation rate is projected to remain below 7% over the baseline, however it needs to be noted that significant upside risk exists on this number since a new era of far stricter regulation could actually lead to higher inflation in the markets. The Rand appreciated significantly during the first months of 2009, but this appreciation was largely because of the weakening of the major currencies. The Rand is expected to remain strong in 2010 and then gradually depreciate against the major currencies due to differences in levels of productivity and inflation. The relative shift in the Rand/Dollar exchange rate has significantly dampened the large swings in world prices over the past year. It is important to remember that weakness in the Rand due to the appreciation in the Dollar does not necessarily lead to higher parity prices in South Africa because world prices that are measured in Dollars decrease as the Dollar appreciates.

The world prices of grains and oilseeds have decreased sharply from the spike in 2007 and 2008. Along with the economic crisis, grain markets have been awash with surplus in the 2008/09 season thanks to substantial crops due to large area and excellent yields. As a result world wheat stocks at the end of the 2009 season are projected at an eight-year high of 171 million tons. The 2008 world maize crop is expected to be the second largest harvest in history - second to the preceding season's record crop of 785.7 million tons. The world wheat price is projected to decrease further in 2010 mainly due to high carry over stocks. The world price of maize trades relatively constant in 2009 and 2010 as fewer acres will be dedicated to maize production in the U.S. in the 2009/10 season, and more soybeans will be planted. The shift to soybeans is caused by the maize-soybean price ratio that favours the expansion of acres under soybean production. This ratio has shifted drastically in favour of soybean production in recent months because of much improved soybean prices driven by the crop failure in South America and significant soybean imports by China. World meat prices are still supported by increased per capita meat consumption over the long run due to sustained income and population growth, especially in India and China. In the case of dairy products, the impact of the financial crisis is deepened by the sharp increase in production levels of raw milk in 2008, triggered by the spike in prices in 2007. As a consequence, stock levels are projected to peak in 2009 and 2010, which paints a dismal price scenario for dairy producers and processors over the next two years. Over the long run, however, dairy prices are expected to recover as the collapse in dairy product prices has already triggered government purchases under price support programs in a number of major dairy producing countries in order to draw down stocks.

In the South African market the general shift in 2009 away from maize to sunflower and soybeans that was projected in the 2008 baseline has occurred. This shift is expected to be consolidated in the outlook period with the increase in oilseed prices outpacing the increase in maize and wheat prices. White and yellow maize prices are expected to trade between R1500 and R1700 for 2009 and 2010 and are then projected to increase on the back of higher parity prices.

Executive Summary and Implications

Although the average prices of maize are projected to remain relatively low at export parity levels, the underlying fundamentals paint a rather bullish outlook over the long run, because the area under production is expected to decline to an average of 2.4 million hectares which will leave little leeway for weather issues. In other words, the maize prices that are presented in the baseline remain at export parity because of high average yields that are realised every year. Clearly, adverse weather conditions will reduce yields somewhere in the future and, because the area under maize production remains relatively low, maize prices will rapidly move to an import parity situation. Wheat prices are projected to remain relatively constant, following the import parity price trends over the baseline.

The demand for meat has grown rapidly over the past three years due to changing consumer preferences in terms of substituting grain products for meat and increasing real disposable income levels. The expected sharp downturn in the demand for fresh meat due to the economic crisis has not materialized. In fact, the demand for meat remained strong and meat prices increased between 8% and 15% in 2008. Whereas lamb prices will grow constantly over the baseline, beef, pork and chicken prices will follow the typical cyclical trend that is largely influenced by feed prices. Prices of milk and most dairy products are projected to decrease in 2009 on the back of surplus production of raw milk in 2008 and a slump in international dairy prices. Over the long-run, utilisation of milk is still projected to remain above production of milk, which implies that South Africa will remain a net importer of dairy products.

BFAP recently compiled a report that presents four possible scenarios for the meat industry during the 2010 Soccer World Cup. Under the most favourable scenario total meat consumption is projected to increase by only 2 636 tons in 2010. Total meat consumption in South Africa amounts to approximately 2.4 million tons. Consequently, although a short increase in prices might be experienced over the period of the world cup, annual average meat prices are not projected to increase significantly.

In Rand terms the average export price of table grapes increased in 2008, resulting from the higher foreign currency price and the favourable exchange rate. From 2009 onwards real Rand prices of table grapes are projected to decline marginally as the projected depreciation in the exchange rate is not sufficient to offset the declining Euro price. Local apple prices are expected to come under pressure in 2009 and 2010, due to higher volumes and lower consumer spending.

Primary agriculture has experienced significant growth over the past two years. A positive jump in real net farming income of 63% was recorded in 2007 and 21% in 2008. However, profit margins have closed for most of the industries. On an aggregate level real net farming income in South Africa is expected to decline by 12% in 2009 and 10% in 2010. Real net farming income is projected to recover at an annual average growth rate of 2.2% from 2011 over the remaining baseline period.

It is difficult to gauge the long term impact of the economic crisis on the agricultural sector. The impact of the crisis on production and processing capacity will be one of the decisive factors for the movement of prices over the next few years. Apart from much lower commodity prices, production capacity could be harmed by the availability of credit, much stricter regulation, a breakdown in trust and extreme market volatility. In addition, the fundamental demand for agricultural commodities has not decreased significantly.

Executive Summary and Implications

A large part of the world population lives in countries such as India and China where the economic growth rate still remains above 5%. Although this economic growth rate has not been strong enough to maintain the surge in demand for hard commodities, it seems as if the demand for soft commodities has been maintained. Consequently, fundamental demand and supply factors could eventually lead to much higher commodity prices than are currently presented in this baseline as the world economy recovers. Most of these fundamental drivers of supply and demand can be captured by partial equilibrium models that are typically used to generate baseline projections. However, it has already been stated earlier that there has been an unprecedented increase in the volatility on agricultural futures markets over the past few years. Large hedge funds have used agricultural futures markets to hedge themselves against a depreciating dollar. As the world economy recovers and the dollar is expected to depreciate over time, it is likely that the activity of hedge funds will increase on agricultural futures markets, which could also lead to much higher commodity prices. Therefore, at this point in time, apart from supply and demand, the activity of large hedge funds should be regarded as a fundamental driver in agricultural markets in coming years.

Table of Contents

Overview

Real Gross Value of Field Crops
The real gross value of field crops reached a peak in 2008 as a result of the sharp rise in prices and excellent yields for most of the main field crops. The value is expected to decline by more than 20% in 2009 mainly due to the fall in prices. A slight annual average rate of increase of 1.2% is projected over the baseline period.


Real Gross Value of Field Crops
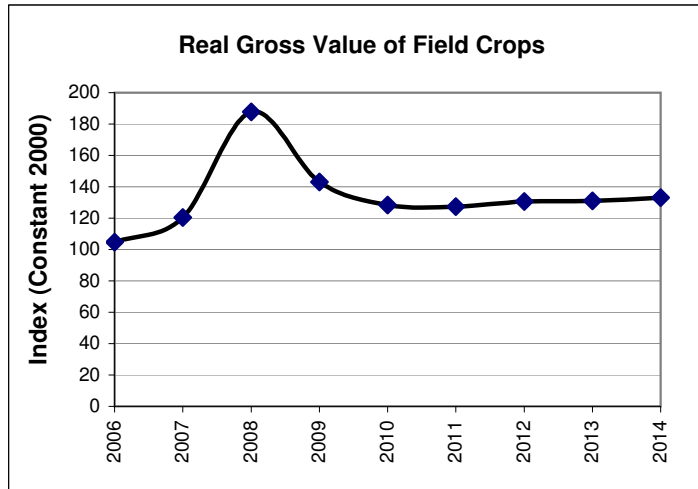
Real Gross Value of Animal Products
Animal production accounts for more than 40% of the gross value of the total agricultural sector. After a slight decline in 2008 its real value will grow by 2.7% in 2009. Over the baseline an annual average growth rate of 1.72% can be expected.

Real Gross value of Animal Products
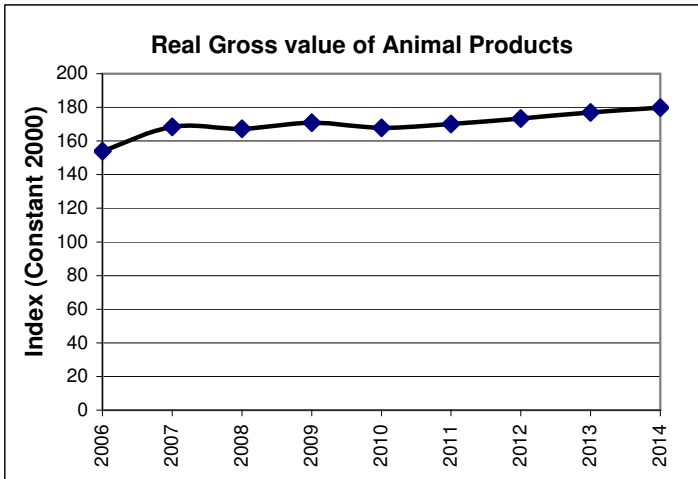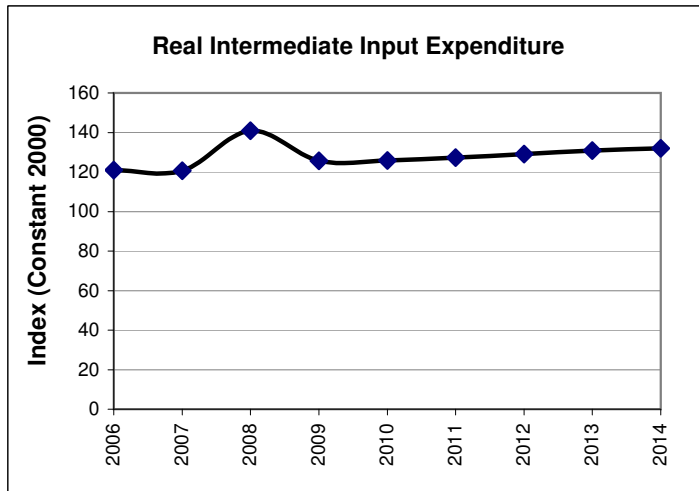
Real Gross Income of Agricultural Sector
Real gross income of the agricultural sector is derived from field crops, animal production and horticulture activities. Real gross income has jumped by more than 40% since 2006. Much improved weather conditions led to higher yields with farm income further boosted by the spike in commodity prices in 2008.Gross farm income is, however, projected to decline by 8.5% in 2009 and a further 3.5% in 2010. Thereafter, an annual average real growth rate of 3% is projected for the remaining baseline period.

Real Gross Income of Agricultural Sector

1
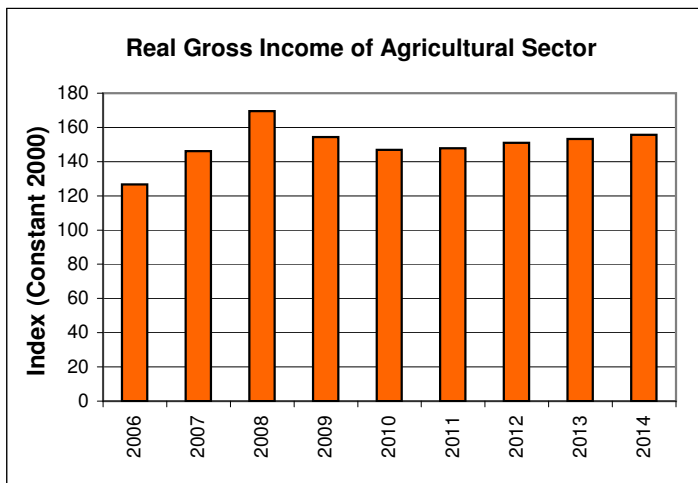
Overview

Real Intermediate Input Expenditure

Real intermediate input expenditure peaked in 2008, mainly due to record high fertilizer and fuel prices. Producers will spend 9% less on inputs in 2009 on the back of lower input costs. However, under the baseline projections the exchange rate depreciates and oil prices rise. Thus, real input expenditure is projected to increase by an annual average growth rate of 1% from 2009-2014.


Real Gross Value Added

Real gross value added of the agricultural sector is the contribution of the sector to the total GDP of the economy. It increased by an impressive 13% in 2008. Lower commodity prices will cause the real gross value added to decline in 2009 and 2010 by 7% and 8% respectively. From 2011 onwards an annual average growth rate of 2% is expected.
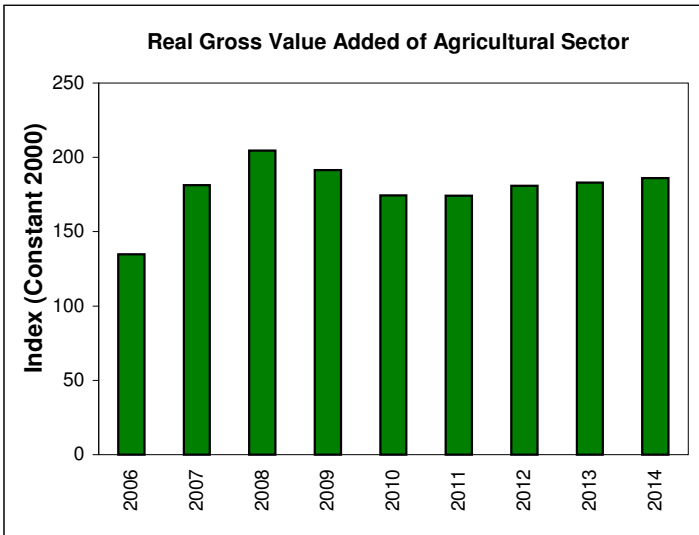
Real Net Farming Income

Real net farming income is the income after taking depreciation, labour remuneration, interest and rent payment into account. An increase of 21% was recorded in 2008. The growth is expected to slow down in 2009 by 12% and in 2010 by 10% due to the decline in gross income. Real net farming income is projected to recover by an annual average growth rate of 2.2% from 2011 over the remaining baseline period.


2
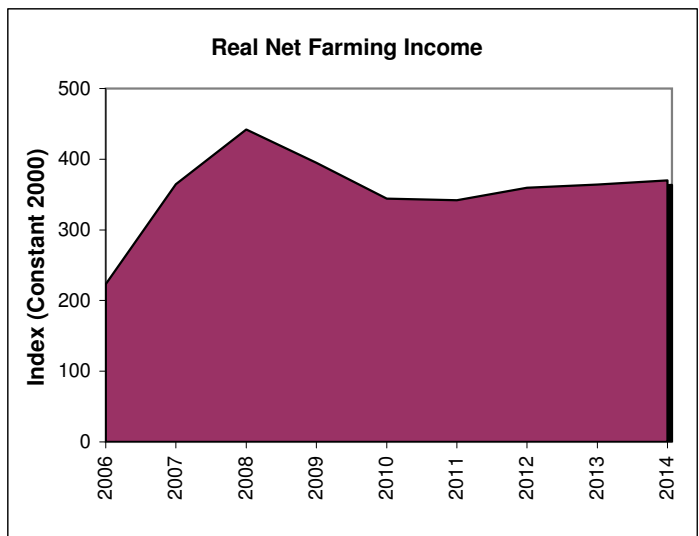
Overview

Land Use

The area planted to the main field crops declined sharply from 2004 to 2006 on the back of low grain and oilseed prices. However, the commodity price boom over the period 2006 - 2008 caused the area planted to recover rapidly and in 2008 more than 4.4 million hectares were planted. In 2009 the area planted decreased as profit margins closed down with the rapid increase in input costs. Farmers will continue to take more hectares out of production in 2010 with lower commodity prices. From 2011 onwards the area is projected to remain relatively constant at a level of approximately 4.1 million hectares.

Main SA Field Crop Area
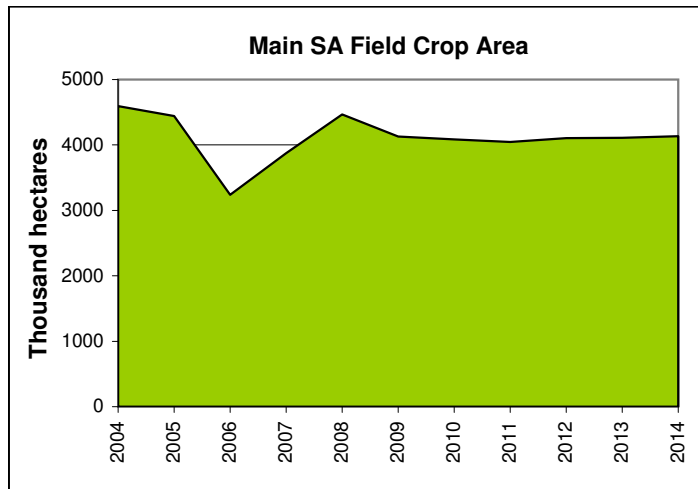
Human and Feed Cereal Consumption

Human cereal consumption jumped in 2008 by more than 500 000 tons. This jump was mainly caused by the sharp increase in maize meal consumption in South Africa and its neighbouring countries. Lower income households switched back to the consumption of maize meal due to the sharp increase in food prices and other general living expenses. It is projected that maize meal consumption will decrease again but remain above historical levels because food prices still remain relatively high. Feed consumption is expected to increase by approximately 500 000 tons over the baseline as the increase in meat and dairy prices outpaces the increase in feed prices.

Human and Feed Cereal Consumption

■ Human   ■ Feed
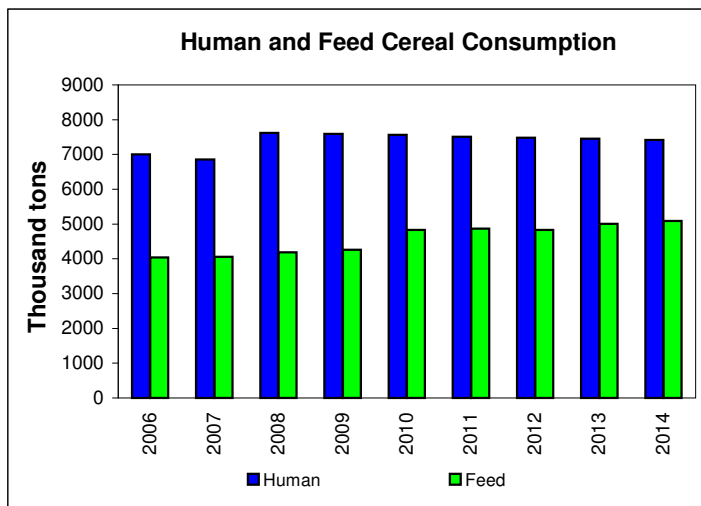
Oilseeds Feed Consumption

Oilseeds feed consumption (sunflower, soybeans, canola) has been growing over the past decade and is projected to grow over the baseline. A slight slowdown in growth occurred in 2008 due to record high prices of oilseeds. With much lower oilseed prices and a projected recovery of vegetable oil prices, crushing margins are expected to improve. In addition to this, consumption of oilseeds will increase. Beyond 2009, the demand for sunflower, soybeans and canola dedicated for the livestock industries is projected to grow rapidly to reach 1.8 million tons in 2014. Importantly this consumption does not include imported cake, but only the oilseeds produced in South Africa and dedicated for the feed industry.

Oilseeds Feed Consumption

3
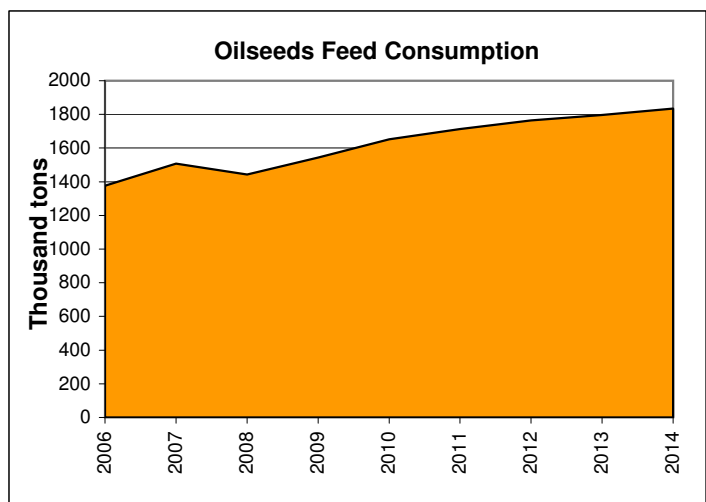
Overview

Prices of field Crops

The general shift in 2009 away from maize to sunflower and soybeans that was projected in the 2008 baseline has occurred. This shift is expected to be consolidated in the outlook period with the increase in oilseed prices outpacing the increase in maize and wheat prices. White and yellow maize prices are expected to trade between R1500 and R1600 for 2009 and 2010 and are then projected to increase on the back of higher parity prices. Wheat prices will trade sideways for the next two seasons, following the import parity price trends. In general, grain and oilseed prices are projected to remain above the historic levels that prevailed before the spike in prices in 2007 and 2008.
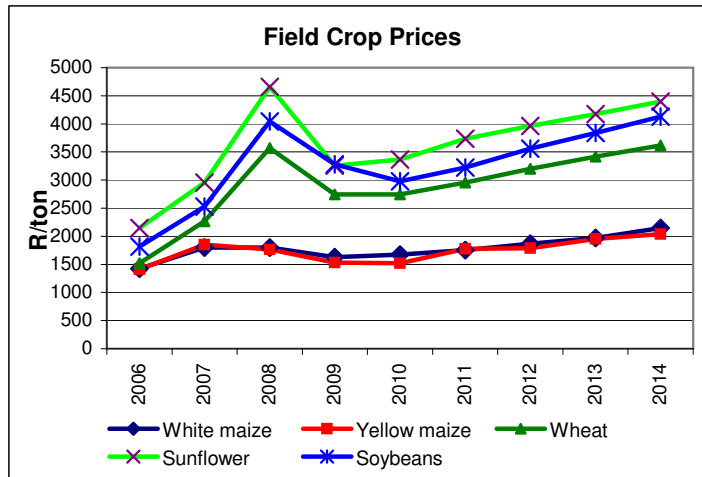
Meat prices

The demand for meat has grown rapidly over the past three years due to changing consumer preferences in terms of substituting grain products for meat and increasing real disposable income levels. The expected sharp downturn in the demand for fresh meat due to the economic crisis has not materialized. In fact, the demand for meat remained strong and meat prices increased between 8% and 15% in 2008. Whereas lamb prices will grow constantly over the baseline, beef, pork and chicken prices will follow the typical cyclical trend that is largely influenced by feed prices. Total meat production grows by 8% and total domestic consumption grows by 11% over the baseline. South Africa, therefore, remains a net importer of meat.
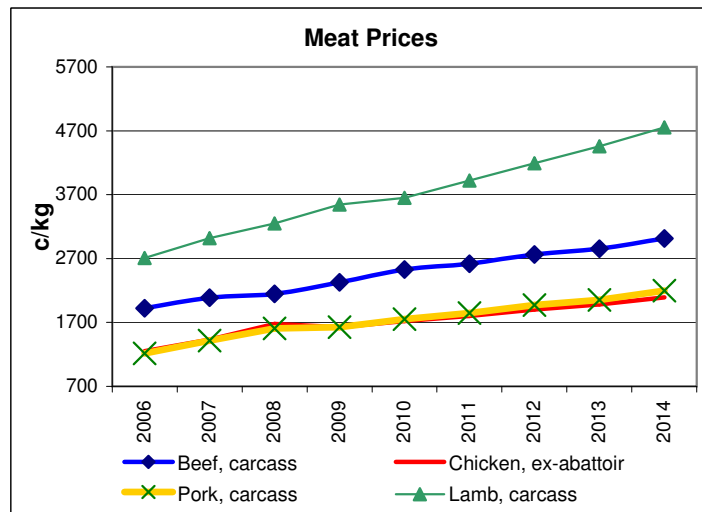
Dairy prices

Prices of milk and most dairy products are projected to decrease in 2009 on the back of surplus production of raw milk in 2008 and a slump in international dairy prices. The projected increasing trend in all dairy prices over the long run can be ascribed to an increase in per capita consumption of dairy products, and more expensive imports caused by a depreciating exchange rate. Over the long-run, utilisation of milk is still projected to remain above production of milk, which implies that South Africa will remain a net importer of dairy products.

Field Crop Prices

Meat Prices

Dairy Prices (Producer and Consumer)

4
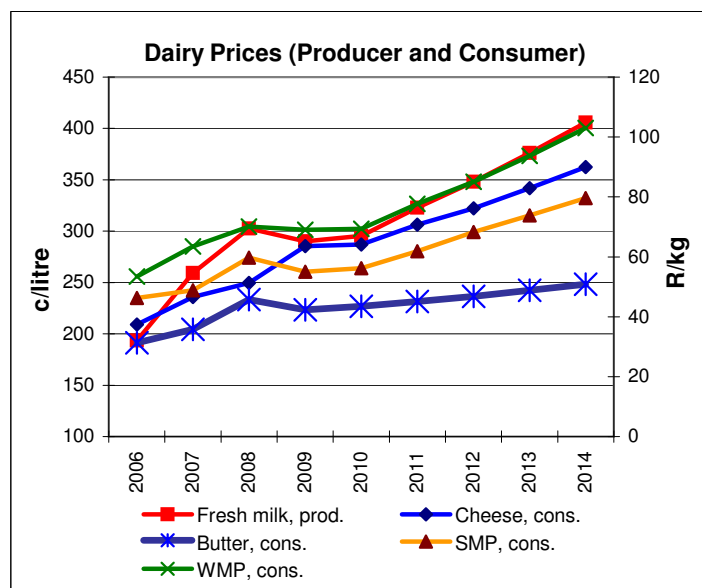
Overview

Per Capita Grain Consumption

The historic declining trend of maize per capita consumption was drastically turned around in 2008 when the consumption increased from 75kg per capita to approximately 88kg per capita. Concurrently wheat per capita consumption decreased by 1kg per capita from 60kg to 59kg per capita. It is expected that per capita consumption of maize will decrease again to approximately 80kg per capita as economic conditions improve. Wheat per capita consumption will recover and continue with an upward trend to reach 66kg per capita in 2014.

Per Capita Grain Consumption

(chart: White maize, Wheat; kg/capita; 2006–2014)
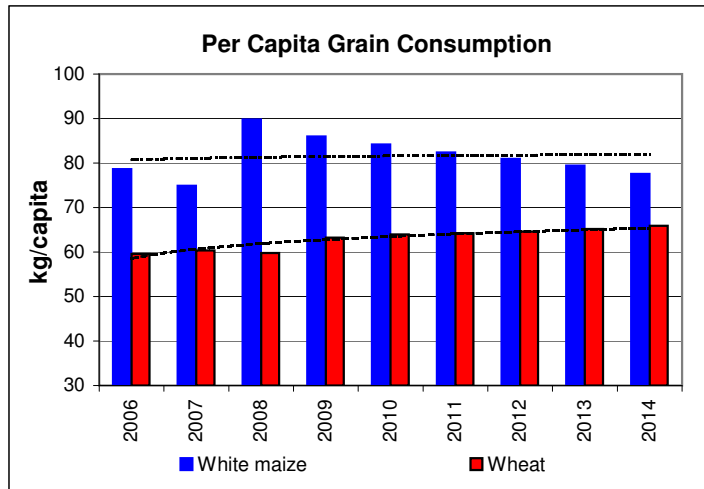
Per Capita Milk and Meat Consumption

The per capita consumption of beef is projected to remain relatively constant with a marginal increase from 2010 onwards. Consumers are expected to increase per capita consumption of milk and especially chicken at an increasing rate beyond 2010 because of economic development and urbanization. This follows after a short period of constant (marginal decline) milk and chicken consumption levels in 2009. Consumers increase fresh milk consumption at an average additional 315ml of milk per person per year.

Per Capita Milk and Meat Consumption

(chart: Milk, Beef, Chicken; kg/capita; 2006–2014)

5
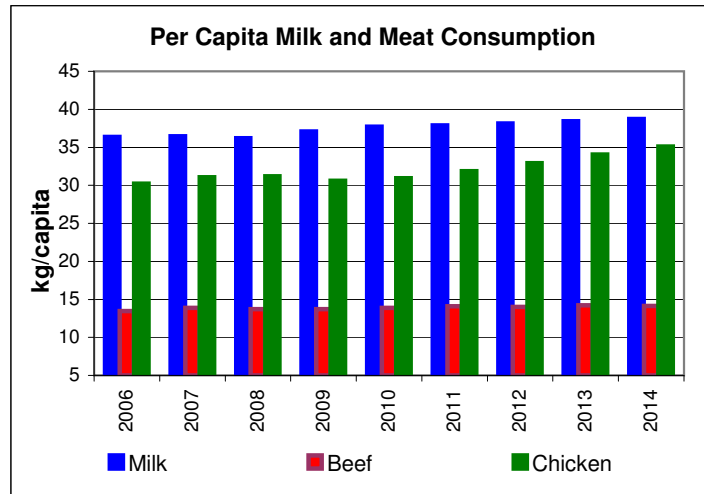
Baseline Policy Assumptions

The baseline contains all current policies on an international as well as domestic level. In this case it implies that all FAPRI baseline projections of international commodity prices were simulated under the assumption that all countries will adhere to their bilateral and multilateral trade agreements and their WTO commitments. The latest biofuel policies have also been taken into consideration. In the case of South Africa, current policy is maintained. With the deregulation of agricultural markets in the mid-nineties all the non-tariff trade barriers and most direct subsidies were replaced by tariff barriers. In the case of maize and wheat, variable import tariffs were introduced. The variable import tariff for wheat was replaced by a 2% ad valorem tariff in 2006. However, in December 2008 the original variable import levy system was re-introduced. Simple ad valorem tariffs are applied in the case of oilseeds. In the case of meat and dairy products, a combination of fixed rate tariffs and/or ad valorem tariffs was implemented. The projected tariff levels, as derived from the FAPRI projections of world commodity prices, are presented in the table below.

In the case of biofuels, the South African government published its industrial strategy on biofuels in December 2007. This strategy has been incorporated into the model. A number of issues were not clearly addressed or explained in the industrial strategy and much uncertainty exists in the market regarding the production of biofuel. For a complete analysis and scussion of the possible impact of the industrial strategy on a potential South African biofuel industry and its impacts on agricultural markets, please refer to our website at www.bfap.co.za for the third BFAP report on biofuels.

	2006	2007	2008	**2009**	2010	2011	2012	2013
				R/ton				
Maize import tariff: ref.price = US$ 110	28	0	0	**0**	0	0	0	0
Wheat import tariff: ref price = US$ 157	23	29	58	**0**	0	0	0	0
Sunflower seed import tariff: 9.4% of fob	162	226	523	**299**	322	393	403	417
Sunflower cake import tariff: 6.6% of fob	39	54	125	**73**	65	59	54	52
Sorghum import tariff: 3% of fob	23	35	54	**44**	43	45	49	52
Soybean import tariff: 8% of fob	122	155	317	**293**	249	259	281	298
Soybean cake import tariff: 6.6% of fob	80	100	218	**214**	184	177	178	184
				tons				
Cheese, TRQ quantity	1199	1199	1199	**1199**	1199	1199	1199	1199
Butter, TRQ quantity	1167	1167	1167	**1167**	1167	1167	1167	1167
SMP, TRQ quantity	4470	4470	4470	**4470**	4470	4470	4470	4470
WMP, TRQ quantity	213	213	213	**213**	213	213	213	213
				percentage				
Cheese, in-TRQ	19.0%	19.0%	19.0%	**19.0%**	19.0%	19.0%	19.0%	19.0%
Butter, in-TRQ	15.8%	15.8%	15.8%	**15.8%**	15.8%	15.8%	15.8%	15.8%
SMP, in-TRQ	19.2%	19.2%	19.2%	**19.2%**	19.2%	19.2%	19.2%	19.2%
WMP, in-TRQ	19.2%	19.2%	19.2%	**19.2%**	19.2%	19.2%	19.2%	19.2%
				c/kg				
Cheese, above TRQ rate: 500c/kg	500	500	500	**500**	500	500	500	500
Butter, above TRQ rate: 500c/kg	500	500	500	**500**	500	500	500	500
SMP, above TRQ rate: 450c/kg	450	450	450	**450**	450	450	450	450
WMP, above TRQ rate: 450c/kg	450	450	450	**450**	450	450	450	450
Beef import tariff: max(40%*fob, 240c/kg)	510	575	671	**739**	763	830	886	931
Lamb Import Tariff: Max(40%* fob, 200c/kg)	392	483	763	**860**	821	880	930	969
Chicken import tariff: 220c/kg	221	220	220	**220**	220	220	220	220
Pork import tariff: max (15%* fob, 130c/kg)	130	130	131	**148**	160	174	185	188

Macroeconomic Indicators

The baseline simulations are largely driven by the outlook for a number of key macroeconomic indicators. Projections for these key indicators are to a large extent based on information provided by the OECD, the IMF and Global Insight. In some cases further own adjustments and inputs by industry specialists have been used.

Population
Population growth is a key driver in the demand for food products. The population projection underlying the 2009 baseline is that of a population increasing to a level of 48.7 million in 2014. This projection has not changed since the previous baseline.
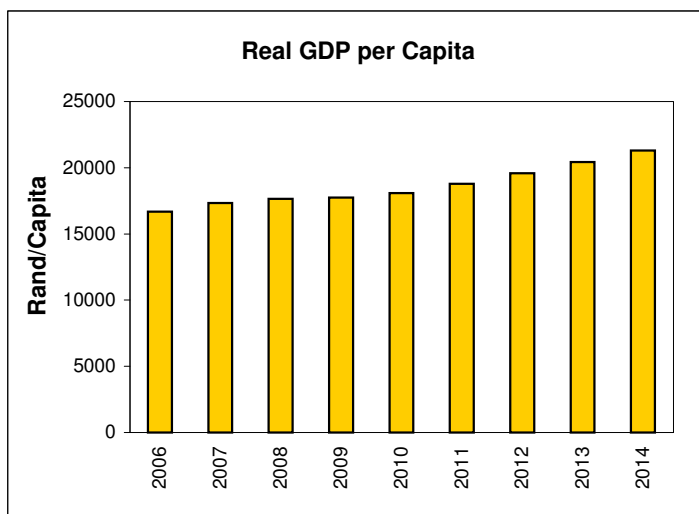
Total Population of SA
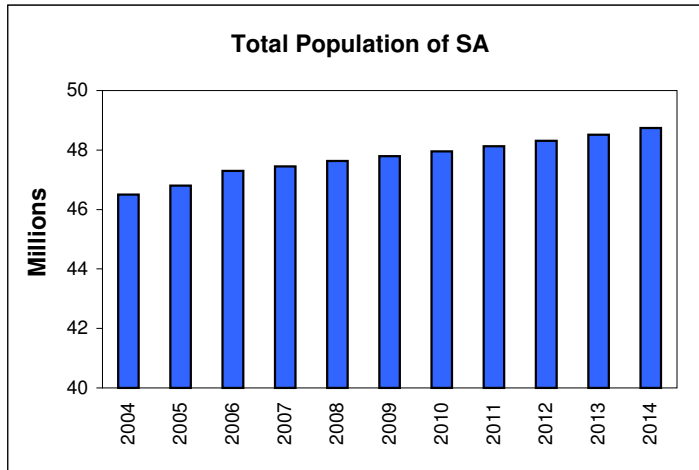
Exchange Rates
The Rand/Dollar exchange rate remains a strong driving force of price levels and trade volumes of food products in the South African agricultural sector. During the past decade, significant exchange rate variability has been experienced. After an initial strengthening of the Rand in 2010, the baseline projects a gradually depreciating Rand to levels of R10.78 against the US Dollar in 2014. Fundamentally the Rand depreciates due to differences in levels of productivity and inflation.

Exchange Rate
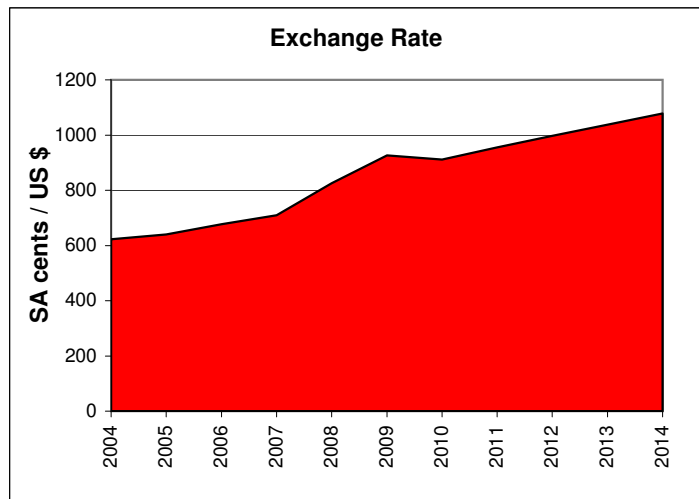
Real GDP Per Capita
GDP per capita is a key variable driving the demand for food. The strong positive growth of the South African economy over the past couple of years contributed to the increase in real GDP per capita. However, the financial crises curbed growth in 2008. Marginal (0.5%) growth is expected in 2009 and 2010 shows some recovery with a growth rate of 1.9%. From 2010 onwards it is projected to grow at an increasing rate to reach R21 303 (constant 2000 value) in 2014.

Real GDP per Capita

Macroeconomic Indicators

	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
millions									
Total population of SA	47.3	47.4	47.6	**47.8**	48.0	48.1	48.3	48.5	48.7
SA cent/Foreign currency									
Exchange rate (SAcent/US$)	677	710	825	**926**	911	955	997	1038	1078
Exchange rate (SAcent/Euro)	852	974	1207	**1229**	1333	1398	1438	1497	1555
percentage change									
Real GDP per capita	4.0%	3.8%	1.9%	**0.5%**	1.9%	3.9%	4.2%	4.3%	4.3%
GDP deflator	7.3%	9.0%	10.8%	**6.5%**	6.8%	6.6%	6.3%	6.3%	5.7%
percentage									
Weighted interest rate	11.16	13.16	15.12	**13.00**	11.10	12.00	12.50	13.00	13.00

Input Costs

The outlook of input costs is driven by the macroeconomic assumptions in the preceding sections.

Domestic Urea Price

The price of urea showed an 83% increase in 2008. It is expected to decline with the oil price and global demand in 2009. The price is, however, expected to increase at an annual average growth rate of 5.5% from 2010 to 2014 as a result of the projected depreciation of the Rand and the rise in oil prices.

Domestic Urea Price
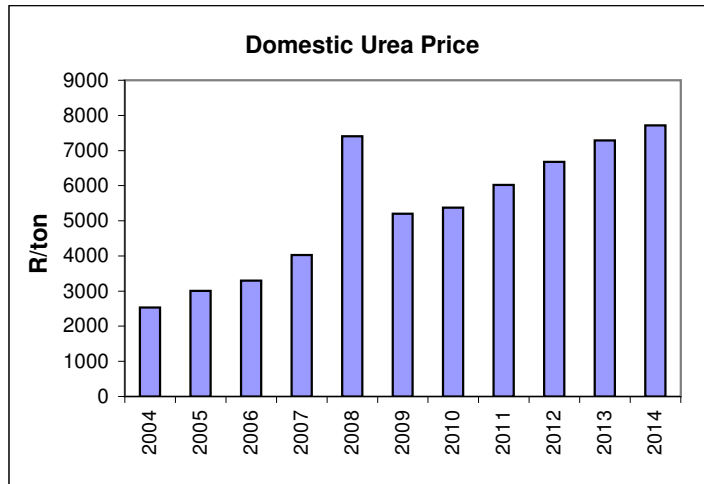
Domestic MAP price

The price of phosphate increased by 148% in 2008. On the back of lower oil prices and stagnant demand, phosphate prices are expected to decrease sharply in 2009. However, prices are expected to remain above the levels before the spike in prices materialised in 2008. An annual average growth rate of 3.2% is projected for the period 2010-2014.

Domestic MAP Price
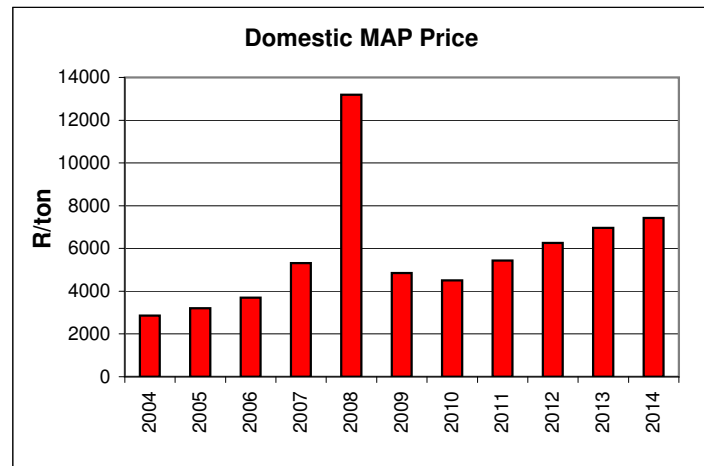
Domestic Potassium Price

In 2008 the domestic price of potassium increased by an unprecendented 183%. The sharp increase was caused by the surge in oil prices and strong demand driven by the expansion in acres. Unlike the price of phosphate and urea, the price of potassium is projected to remain high in 2009. Prices are expected to decrease in 2010 and 2011 to move more in line with phosphate and urea prices.

Domestic Potassium Price
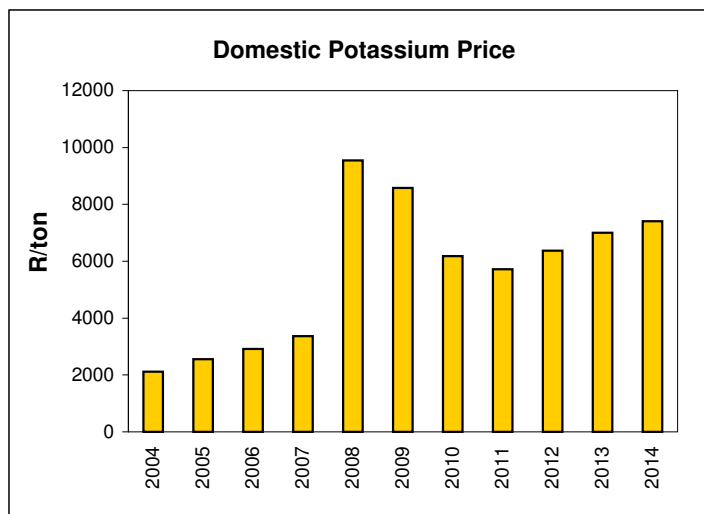
Input Costs

Input Cost Index

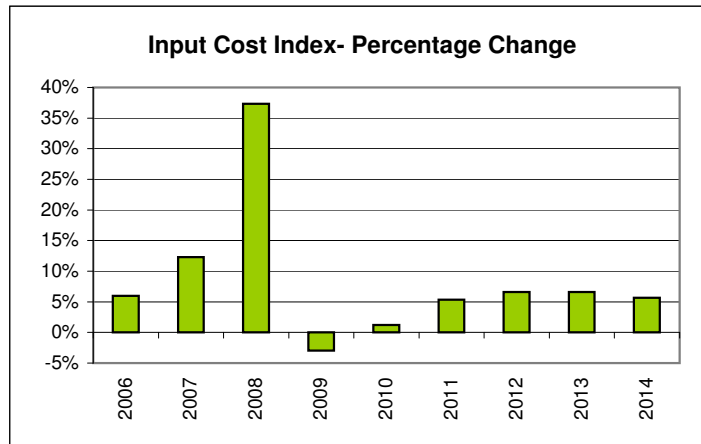Intermediate input costs represent a weighted basket of all direct and indirect input costs. These costs increased by more than 35% in 2008. In 2009 total input costs for producers will decrease by 3%. From 2010 onwards, input costs are projected to rise by an annual average of more than 5%.

Input Cost Index- Percentage Change

	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
				R/Ton					
Urea	3295.0	4030.4	7408.0	**5204.4**	5376.7	6020.6	6673.3	7290.1	7715.9
Phosphate	3700.0	5321.9	13188.0	**4847.8**	4507.7	5436.4	6256.6	6966.2	7431.8
Potassium	2912.3	3370.3	9544.0	**8581.9**	6176.8	5719.5	6370.4	6997.4	7408.5
				percentage change					
Input cost index	6.0%	12.3%	37.3%	**-3.0%**	1.2%	5.3%	6.6%	6.6%	5.6%

World Prices

In addition to the outlook for macroeconomic indicators, the outlook on world agricultural commodity prices determines the path of the baseline projections. The baseline presents an outlook of world prices that follow the trends set by **FAPRI's 2009 U.S. and World Agricultural Outlook** but with updated values.

Cereals

Farmers have responded to high prices in the last two seasons with increased planted acres. As a result world wheat stocks at the end of the 2009 season are projected at an eight-year high of 171 million tons. The 2008 world maize crop is expected to be the second largest harvest in history - second to the preceding seasons record crop of 785.7 million tons. Yet, as ethanol drives a new demand structure and the demand for feed is projected to grow at an increasing rate as the consumption of animal proteins increases, baseline projections suggest that cereal prices have broken away from the typical 10-year average levels seen before the spike in prices over the last two years. This increase in prices will prove necessary to compensate for increasing input costs.
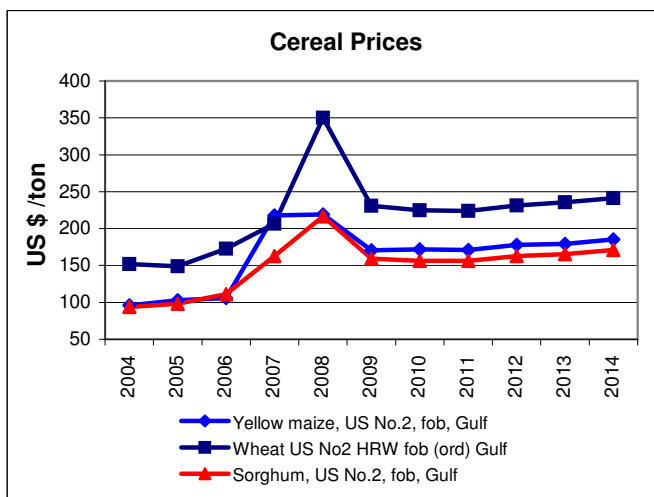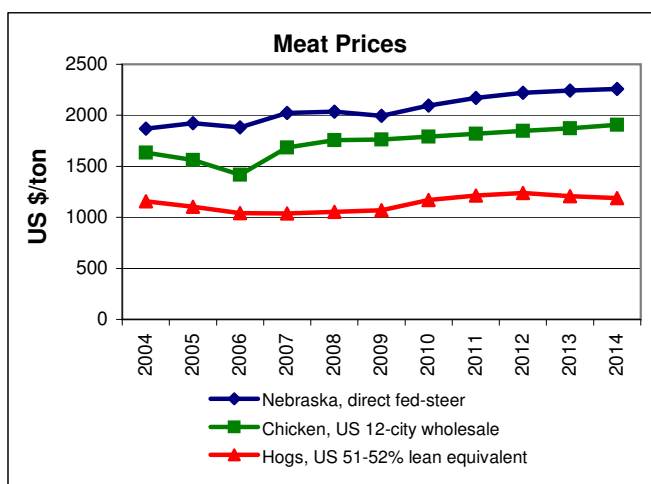
Oilseeds

Sunflower seed has recorded the largest increase and consequently the largest drop in prices over the past year. However, it seems as if new support levels have been established in the industry, especially with world supplies that have declined noticeably in the 2008/09 season, despite record crops of canola and sunflower seed. The tightness has been caused by the large decline in South American soybean production. The price relationship between maize and soybeans will be a major driver in determining how fast tight stock levels can be replenished. The impact of tight soybean stock levels will spill over to other oilseed markets. Over the baseline oilseed prices will be supported by strong buying interest from processors in China and biodiesel production plants in Europe.
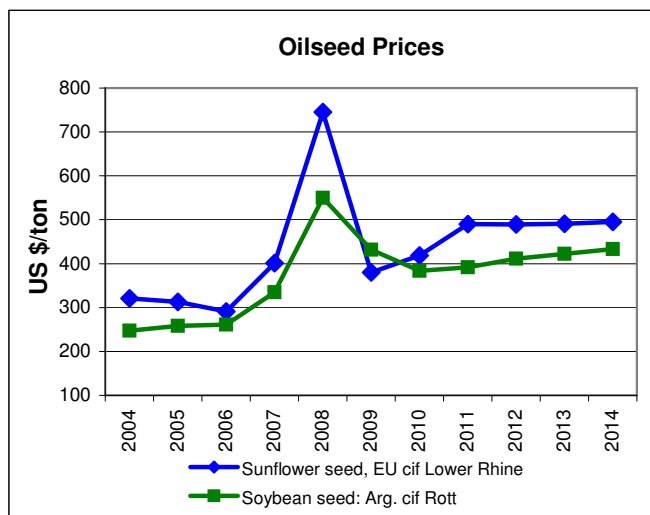
Meat

Driven by high feed costs, beef prices reached a peak in 2008. The global financial crisis is projected to dampen trade in 2009, yet from 2010 world trade is expected to recover. China becomes a net importer of beef. The pork price cycle is projected to reach a low in 2009 and the next peak is in 2012. It is projected that chicken prices will be least affected by the economic downturn and the price strengthens over the rest of the decade, growing by 1.6% annually.

Cereal Prices

US $ /ton

- Yellow maize, US No.2, fob, Gulf
- Wheat US No2 HRW fob (ord) Gulf
- Sorghum, US No.2, fob, Gulf

Oilseed Prices

US $/ton

- Sunflower seed, EU cif Lower Rhine
- Soybean seed: Arg. cif Rott

Meat Prices

US $/ton

- Nebraska, direct fed-steer
- Chicken, US 12-city wholesale
- Hogs, US 51-52% lean equivalent

World Prices

Dairy

The global financial crisis has a major impact on prices of dairy products. The demand for dairy products is expected to decrease in 2009. The impact of the financial crisis is deepened by the sharp increase in production levels of raw milk in 2008, triggered by the spike in prices in 2007. As a consequence, stock levels are projected to peak in 2009 and 2010, which paints a dismal price scenario for producers over the 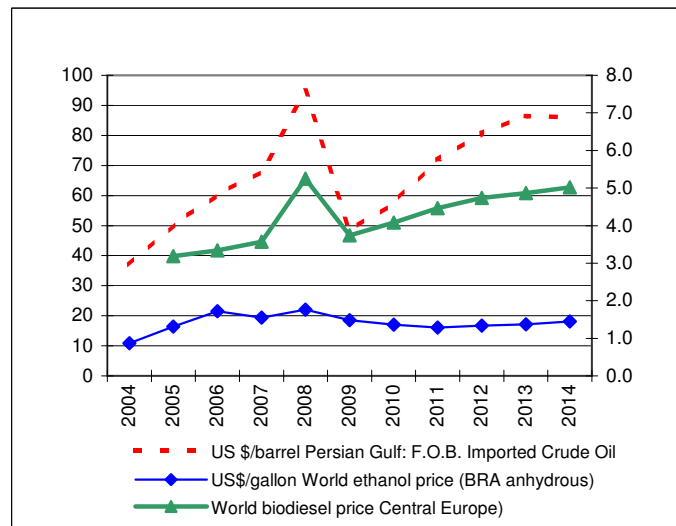next two years. The collapse in dairy product prices has already triggered government purchases under price support programs in a number of major dairy producing countries. Low milk prices will also result in a decline in cow numbers, and projected milk prices eventually recover.

Dairy Prices - FOB Northern Europe

US $/ton — Cheese, Butter, Skimmed Milk Powder, Whole Milk Powder (2004–2014)
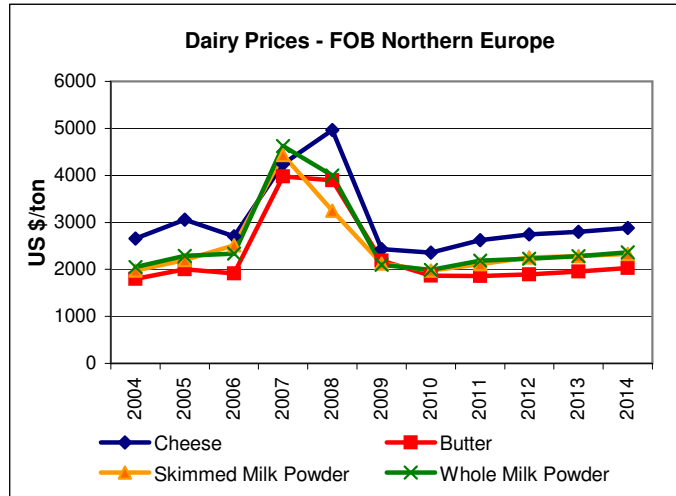
Ethanol and Oil

Despite declining crude oil prices, there is still a sustained interest in biofuels as an alternative fuel source. Many countries are continuing to promote ethanol use through supportive policies such as mandatory blending rates. On the back of much lower fossil fuel prices, ethanol and biodiesel prices are projected to decrease in 2009. However, increased mandatory blending rates and a recovery of oil prices lead to price increases through the remainder of the period. Although the Brazilian ethanol plants are currently experiencing a period of economic hardship and a number of mergers can be anticipated, Brazil will remain the dominant exporter of ethanol in the world over the baseline period.

- - - US $/barrel Persian Gulf: F.O.B. Imported Crude Oil
— US$/gallon World ethanol price (BRA anhydrous)
— World biodiesel price Central Europe)

Sugar

The economic slowdown has not had a significant effect on world sugar consumption due to the relatively inelastic supply response. From 2010 onwards a steady increase in prices is expected due to a recovery in real GDP growth and an increase in population, particularly in developing countries. Prices will also be supported by the dwindling production in the European Union and increased demand for sugarcane in the production of ethanol.

World Sugar Price

$/ton — Sugar price Carribean fob (2004–2014)
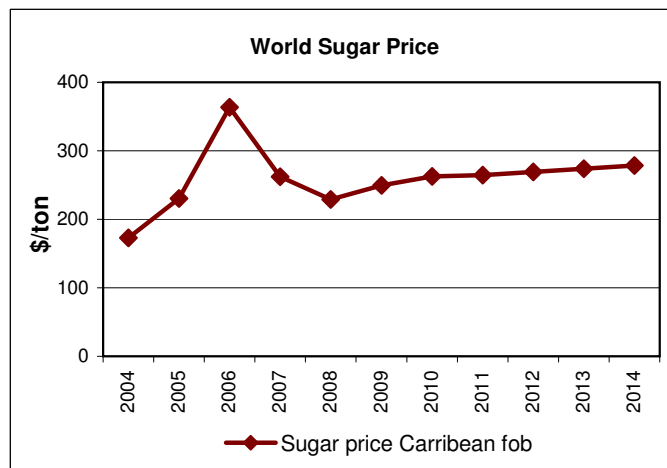
White and Yellow Maize

NOTE: The split years are reported in the year where production takes place. E.g. The 2008/09 maize production season is reported in 2009. The average prices reported for a specific year correspond with the production season.

Area and Price

The total area under maize in South Africa declined by 13% in 2008/09 as some land was taken out of maize production and planted under wheat and oilseeds. The remaining area lay fallow because of high production costs. During the remaining baseline period, the total maize area is projected to remain relatively stable (2.3 million ha on average), with some shift in hectares from white to yellow maize production. Although the average prices of maize are projected to remain relatively low at export parity levels, the underlying fundamentals (less plantings) paint a rather bullish outlook over the long run, especially under the assumption of normal weather conditions.
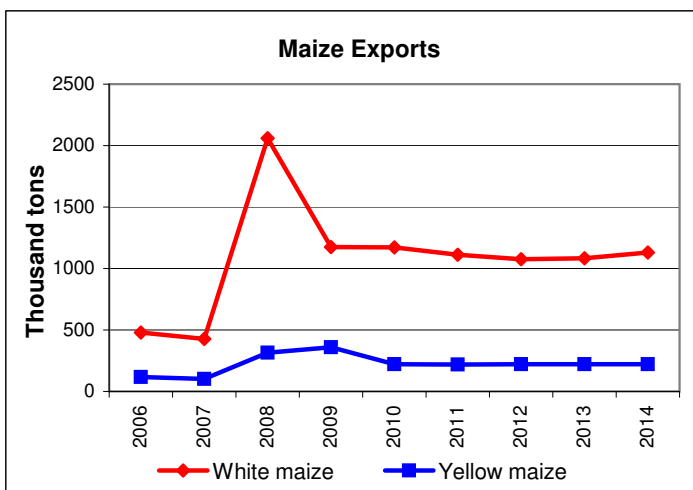
White and Yellow Maize Area and Price
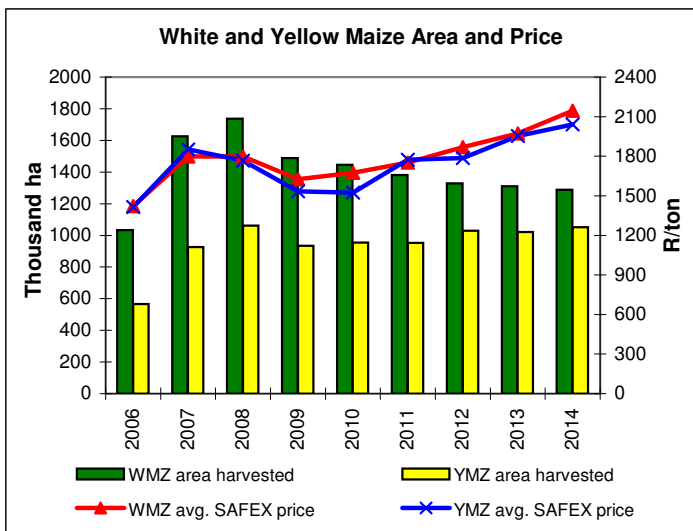
Production and Utilisation

Maize production for 2009 is projected at 11.2 million tons, which implies an all-time record average yield of 4.6t/ha. Despite lower plantings it is expected that a surplus of maize will be produced due to higher yields. In 2008/09, per capita consumption of maize jumped by 723 000 tons. However, it declines by 12% over the baseline as general economic conditions improve and consumers substitute grain products for meat and other foodstuffs. 20% more maize will be used in the feed industry in 2014. The consumption of maize for ethanol production is projected at only 144 000 tons at the end of the baseline. This represents approximately 2% of the total domestic maize utilization.

Maize Production and Utilisation
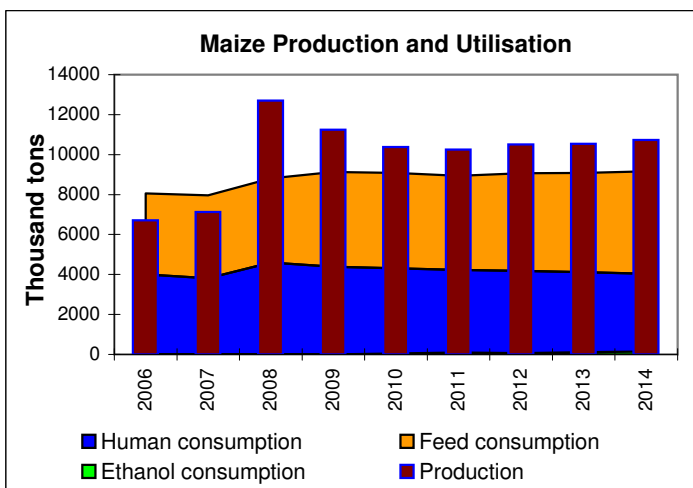
Trade

Maize exports are key in driving prices in the domestic maize market. Maize exports increased significantly in 2008 in response to higher maize production. White and yellow maize exports are projected to remain relatively high at approximately 1.3 million tons over the baseline period. White maize exports are influenced mainly by levels of maize production in other SADC countries as well as the cost of exporting, including poor infrastructure and high administration costs. In the past season more than 60 000 tons of maize were exported to neighbouring countries per week.

Maize Exports

13

White and Yellow Maize

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Area harvested				thousand hectares					
White maize	1,033	1,625	1,737	**1,489**	1,447	1,382	1,328	1,310	1,289
Yellow maize	567	927	1,062	**934**	955	953	1,029	1,021	1,052
Total	1,600	2,552	2,799	**2,423**	2,402	2,335	2,357	2,330	2,341
Yield				t/ha					
White maize	4.25	2.66	4.31	**4.39**	4.25	4.33	4.41	4.49	4.57
Yellow maize	4.08	3.03	4.92	**5.03**	4.43	4.48	4.52	4.56	4.60
Production				thousand tons					
White maize	4,392	4,315	7,480	**6,542**	6,155	5,988	5,860	5,880	5,886
Yellow maize	2,315	2,810	5,220	**4,695**	4,233	4,266	4,648	4,655	4,840
Total	6,707	7,125	12,700	**11,238**	10,387	10,254	10,508	10,536	10,727
Feed consumption									
White maize	787	1,142	870	**862**	755	775	759	793	829
Yellow maize	3,260	3,016	3,347	**3,880**	4,009	3,938	4,137	4,185	4,301
Human consumption									
White maize	3,718	3,552	4,275	**4,110**	4,036	3,966	3,912	3,855	3,779
Yellow maize	290	257	315	**275**	277	265	265	257	254
Ethanol consumption									
Yellow maize	0	0	0	**0**	42	96	69	116	144
Total domestic use (including on-farm use & other)									
White maize	4,583	4,946	5,303	**5,130**	4,949	4,900	4,829	4,806	4,765
Yellow maize	3,556	3,783	4,091	**4,338**	4,511	4,481	4,654	4,741	4,880
Ending stock									
White maize	1,630	618	734	**971**	1,006	983	938	930	920
Yellow maize	440	439	1,276	**1,274**	1,094	991	1,084	1,102	1,163
Exports									
White maize	480	427	2,061	**1,174**	1,171	1,111	1,076	1,083	1,130
Yellow maize	117	102	315	**359**	222	220	222	221	222
Imports									
White maize	0	46	0	**0**	0	0	0	0	0
Yellow maize	930	1,074	23	**0**	320	331	320	325	322
Average SAFEX prices				R/ton					
White maize	1,422	1,799	1,799	**1,626**	1,674	1,753	1,868	1,973	2,145
Yellow maize	1,415	1,852	1,766	**1,533**	1,523	1,774	1,785	1,953	2,041

Wheat

Area and Price

After peaking in the first quarter of 2008, domestic wheat prices plummeted on the back of sharp decreases in the world wheat price. Wheat prices are not expected to recover in 2010 as import parity prices remain low with a further appreciation in the exchange rate and no recovery in world prices. Wheat prices are likely to improve towards the end of the baseline period, driven by the gradual depreciation of the exchange rate and higher world prices. The total wheat area is expected to decrease significantly (12%) in 2009. Approximately 40 000 ha less wheat will be planted in the winter rainfall region (Western Cape) because of much reduced profit margins.

Wheat Area and Prices

Wheat summer area harvested
Wheat winter area harvested
Average SAFEX price
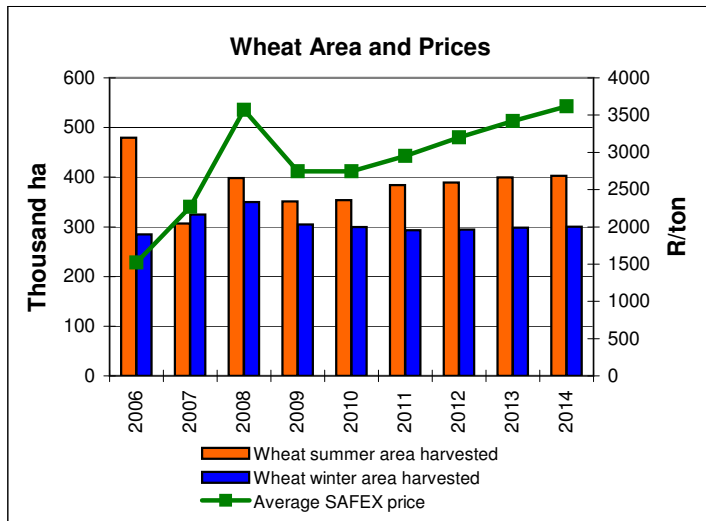
Production and Utilisation

Wheat production is expected to fall to approximately 1.7 million tons in 2009. Local production levels will recover marginally over time as technology and yields improve. It is expected that approximately 20 000 tons less wheat will be consumed in 2008/09 because lower income households shift back to the consumption of maize meal. However, as the disposable income of households improves with improved general economic growth, wheat consumption will continue with an upward trend over the baseline.

Wheat Production and Utilisation

Production
Domestic use
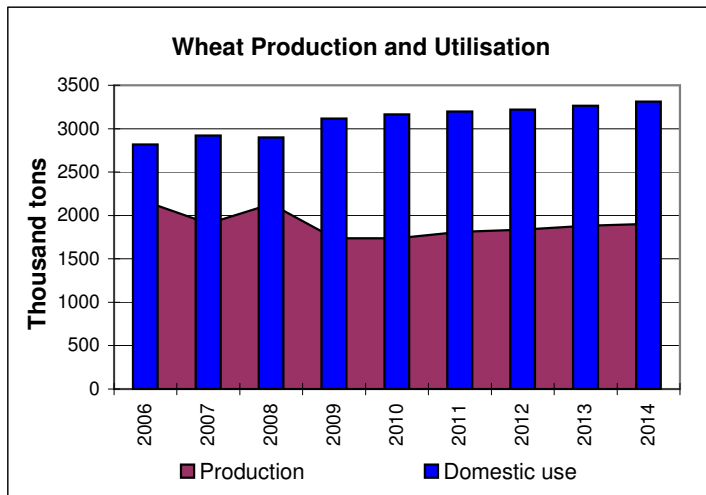
Trade

South Africa will remain a net importer of wheat. Wheat imports will increase rapidly over the next two years as the area under production decreases. It is expected that approximately 1.45 million tons will be imported annually over the baseline period. Exports into neighbouring countries are expected to remain relatively low.

Wheat Trade

Exports
Imports

15
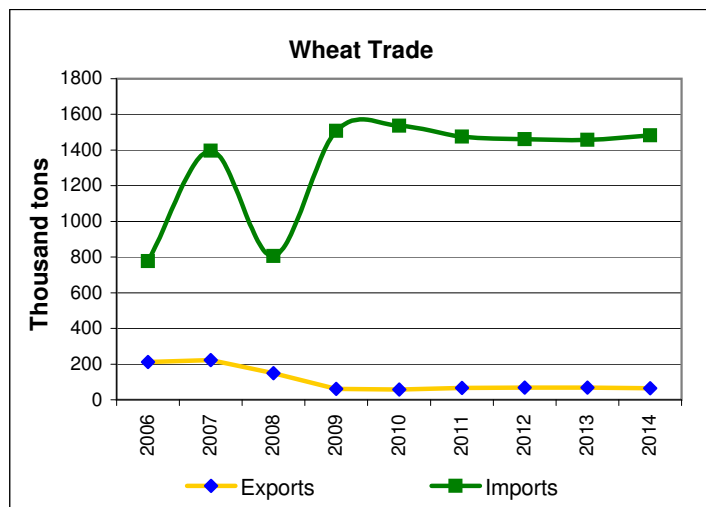
Wheat

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Area harvested				**thousand hectares**					
Summer area	480	307	398	**351**	354	384	389	399	403
Winter area	285	325	350	**305**	300	293	295	298	300
Average yield				**t/ha**					
Summer area	3.02	3.36	3.24	**2.77**	2.78	2.80	2.82	2.83	2.85
Winter area	2.50	2.69	2.40	**2.51**	2.51	2.51	2.51	2.52	2.52
Total wheat				**thousand tons**					
Production	2,162	1,905	2,130	**1,737**	1,738	1,813	1,837	1,882	1,903
Feed consumption	2	10	28	**72**	76	83	77	80	81
Human consumption	2,818	2,865	2,848	**3,021**	3,066	3,092	3,122	3,160	3,210
Domestic use	2,817	2,920	2,898	**3,116**	3,164	3,197	3,221	3,263	3,313
Ending stocks	380	509	399	**467**	519	544	553	561	569
Exports	211	223	148	**62**	58	66	67	68	65
Imports	777	1,396	806	**1,508**	1,536	1,475	1,460	1,456	1,483
				R/ton					
Average SAFEX price	1,523	2,267	3,571	**2,746**	2,743	2,954	3,203	3,419	3,619

Sorghum

Area and Price

Over the past five years significant variation was noted in the sorghum area harvested and in sorghum prices. The dominance of maize clearly influences the area planted to sorghum. A gradual decline in the area planted to sorghum is expected over the course of the baseline. Yield improvements have not kept up with those of maize and consequently maize returns are becoming more favourable.

Sorghum Area and Price
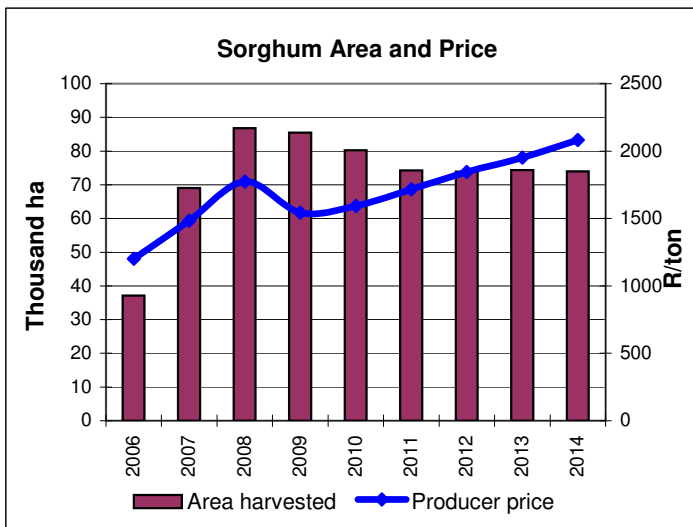
Production and Utilisation

With the rapid increase in sorghum area in 2008 and 2009, an improved balance is established between demand and supply, with domestic production exceeding domestic use by approximately 60 000 tons every year. Consumption is projected to increase marginally. This increase is, however, caused by increased feed consumption while human consumption is projected to decline as consumer preferences change towards premium and other beers, away from traditional beers. The majority of sorghum that is used in the human market is grown under fixed price contracts.

Sorghum Production and Utilisation
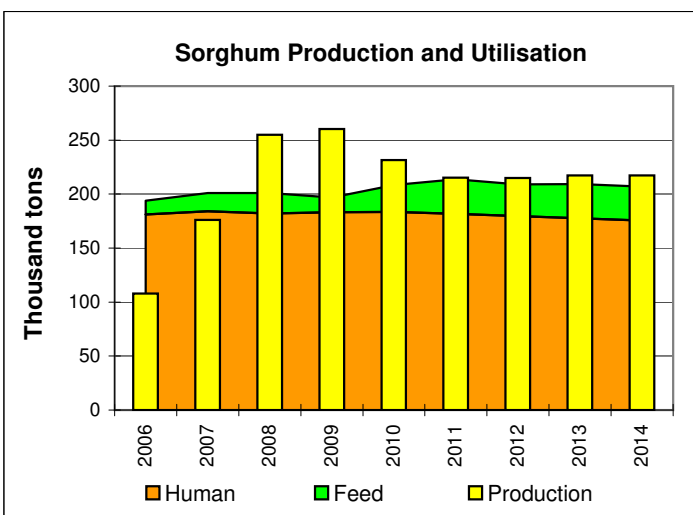
Stocks and Trade

Stocks will gradually be drawn down to just more than 40 000 tons as consumption exceeds production every year. Exports (mainly to neighbouring countries) will also be affected by lower production levels and will decrease close to zero towards the end of the baseline period.

Sorghum Stocks and Net Exports

17
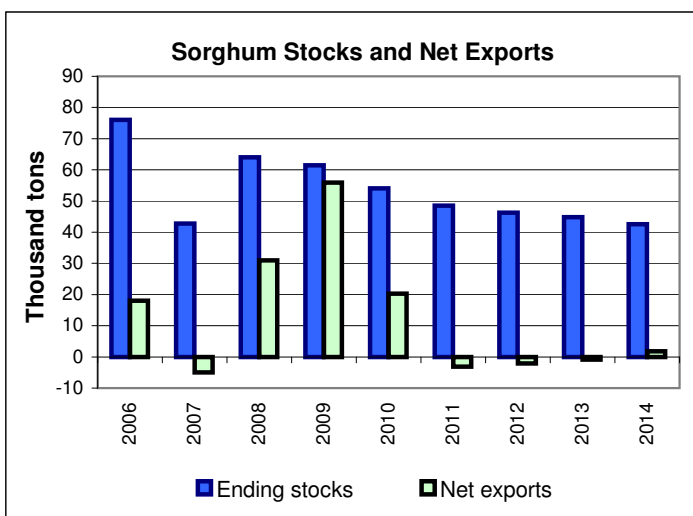
Sorghum

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
thousand hectares									
Area harvested	37	69	87	**86**	80	74	74	74	74
t/ha									
Average yield	2.91	2.55	2.94	**3.04**	2.88	2.90	2.91	2.92	2.94
thousand tons									
Production	108	176	255	**260**	231	215	215	217	217
Feed consumption	13	17	19	**14**	25	32	29	32	31
Human consumption	181	184	182	**183**	183	182	180	178	175
Domestic use	199	214	203	**207**	219	224	219	220	218
Ending stocks	76	43	64	**61**	54	49	46	45	43
Net exports	18	-5	31	**56**	20	-3	-2	-1	2
R/ton									
Average producer price	1,202	1,483	1,774	**1,543**	1,593	1,717	1,846	1,952	2,082

Barley

Area and Price

Barley is mainly produced for beer production in South Africa, and therefore has to compete against high quality imported barley from Canada and Australia. Barley competes with wheat in the Southern Cape and the area planted to barley is projected to remain relatively constant over the long run due to fixed rotations in the plantings of winter crops. However, in 2009 some wheat land will be substituted for barley as net returns for barley improve relative to wheat. Barley plantings in the irrigation areas are projected to increase steadily over the baseline to reach 20 000 ha in 2014. After a decrease of 19% in 2009, the barley prices are projected to increase due to a depreciating exchange rate and a gradual recovery of world prices, making imports more expensive.
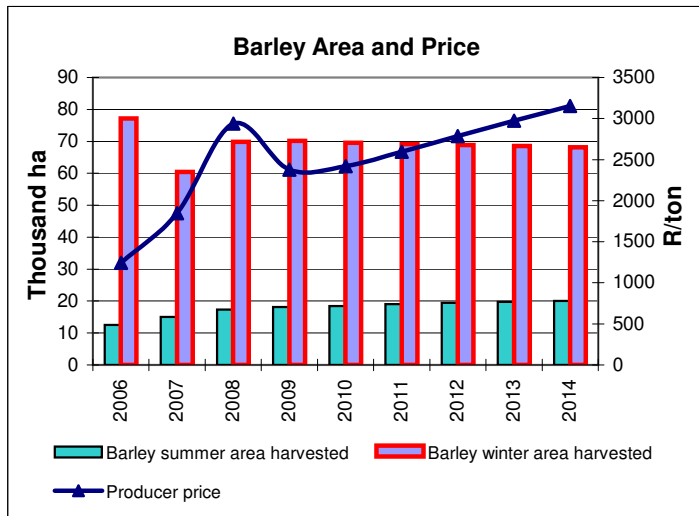
Production and Utilisation

Domestic use of localy produced barley is projected to recover from the slight decrease in consumption in 2008 due to a slowdown in economic growth and high interest rates. But from 2009 onwards, it grows steadily. The production of barley also increases towards the end of the baseline period as barley plantings increase in the irrigation areas. The use of imported barley, whose characteristics differ from South African barley, is expected to increase at a faster rate than the demand for local barley. Imported barley is mainly used in the production of premium beers.
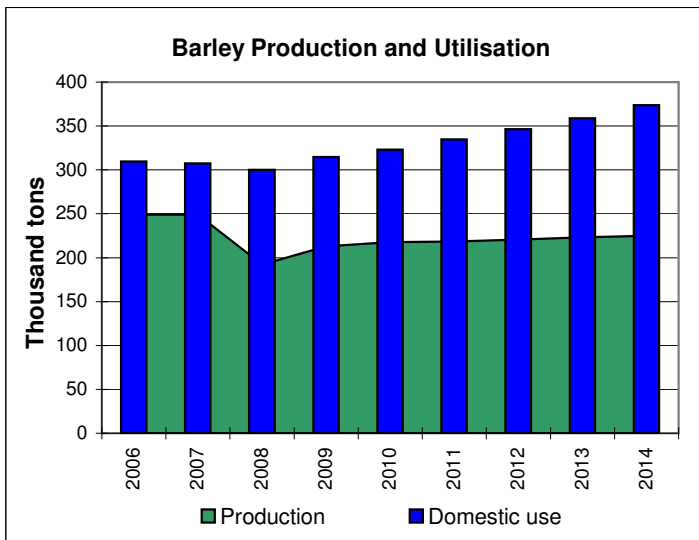
Trade

Demand for premium beers is expected to increase during the baseline period due to economic growth and urbanization. This impacts on the demand for imported barley mainly from Canada and Australia. Net imports are, therefore, projected to increase over the baseline period.

Barley Area and Price

Barley Production and Utilisation

Barley Net Imports
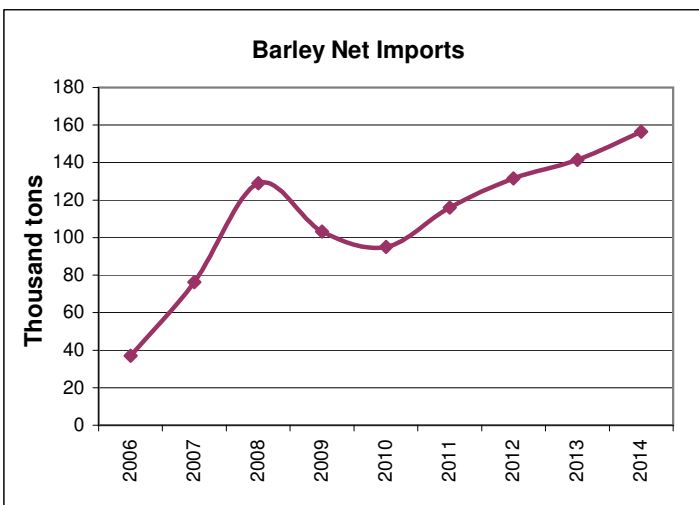
Barley

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Area harvested				**thousand hectares**					
Summer area	12.5	15.0	17.4	**18.2**	18.4	19.0	19.4	19.7	20.1
Winter area	77.2	60.4	69.8	**70.1**	69.6	69.2	68.9	68.5	68.1
Average yield				**t/ha**					
Summer yield	5.50	5.23	5.26	**5.29**	5.32	5.35	5.37	5.40	5.42
Winter yield	2.34	2.36	2.38	**2.40**	2.42	2.44	2.46	2.48	2.49
Total Barley				**thousand tons**					
Production	249	249	192	**213**	218	218	221	223	225
Domestic use	310	307	300	**315**	323	335	346	359	374
Human consumption	284	282	276	**290**	298	309	321	334	349
Ending stock	81	99	120	**121**	111	111	117	122	130
Net imports	37	76	129	**103**	95	116	132	142	156
				R/ton					
Average producer price	1,244	1,848	2,940	**2,378**	2,421	2,594	2,788	2,976	3,153

Sunflower

Area and Price

For two consecutive seasons the area dedicated to sunflower production has increased rapidly. In 2008/09 a harvest of 875 000 tons is expected, which will be the third largest harvest in the history of sunflower production in South Africa. Sunflower prices have declined significantly from the all-time high record prices in 2008. However, a meaningful price recovery is expected towards the second half of 2009 due to much tighter world oilseed stocks. Prices are expected to increase due to a depreciating exchange rate as well as rising world prices of sunflower oil and cake as world economic growth picks up gradually.

Sunflower Area and Price
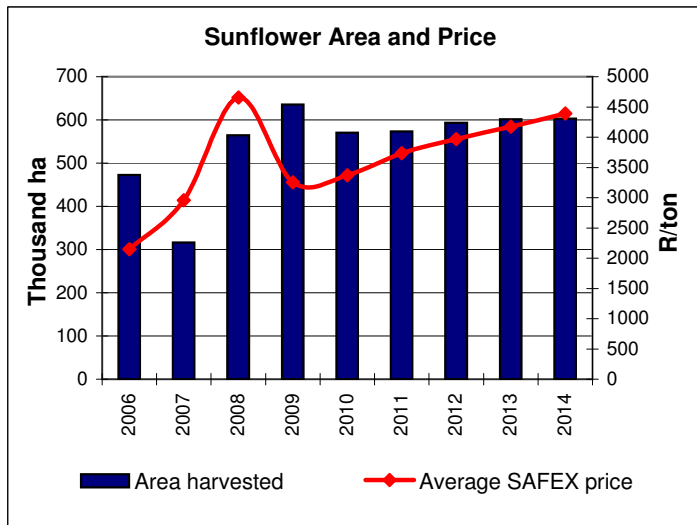
Seed Production and Utilisation

Despite the fact that South Africa has excess crushing capacity, local crushers have to compete against imports of sunflower crude oil, which are influenced by the volatile exchange rate. There also exists a fine balance between the consumption of sunflower and soya oil in the market. Local crushing is projected at 849 000 tons by 2014 with all of the seed for crushing produced locally. South Africa last crushed more than 800 000 tons in the late nineties.

Sunflower Production and Crush
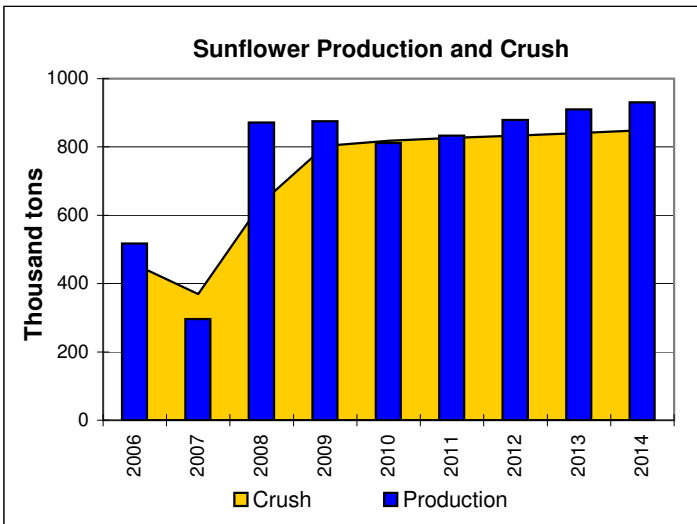
Cake Utilisation and Price

Currently, sunflower cake trades at approximately R2480/ton, which is lower than the projected average price for 2009. It is expected that local cake prices will be supported by a constant increase in the consumption of cake in the feed market and the projected increase in the soybean cake price. These products compete in the protein feed market. Although sunflower cake can be used in feed rations as a less expensive source of protein, the high fibre content limits the amount used. For example broiler rations do not include more than 7% sunflower cake. Despite this, cake consumption is projected to increase steadily to reach 391 000 tons in 2014.

Sunflower Cake Utilisation and Price

21
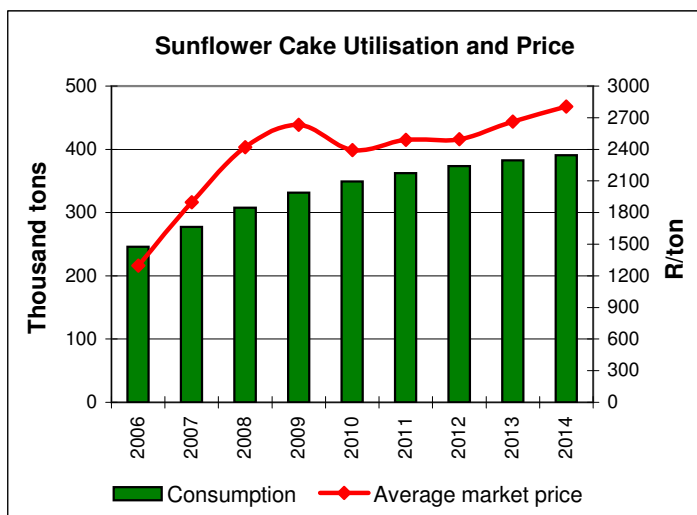
Sunflower

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Sunflower seed				thousand hectares					
Area harvested	472	316	564	**636**	571	573	593	601	603
				t/ha					
Average yield	1.09	0.94	1.55	**1.38**	1.42	1.45	1.48	1.51	1.54
				thousand tons					
Production	517	297	872	**875**	811	833	879	910	930
Crush	457	369	637	**803**	818	827	833	841	849
Domestic use	459	372	653	**821**	835	843	851	859	868
Ending stock	161	95	236	**222**	132	132	139	143	145
Net Imports	3	9	-78	**-69**	-67	10	-21	-46	-60
				R/ton					
Average SAFEX price	2,150	2,956	4,657	**3,256**	3,368	3,738	3,966	4,173	4,394
Sunflower cake				thousand tons					
Production	192	155	268	**337**	344	347	350	353	357
Domestic use	246	277	307	**331**	349	362	373	383	391
Net imports	54	122	40	**-6**	6	15	23	29	34
				R/ton					
Average market price	1,296	1,897	2,420	**2,634**	2,394	2,489	2,497	2,662	2,807

Soybeans

Area and Price

After lower plantings in 2007 and 2008, the area planted to soybean has expanded in 2009. High world prices relative to sunflower have caused local soybean prices to trade above sunflower prices for the first time in eight years. This will lead to a 20% increase in the soybean area planted in 2010, increasing to more than 300 000 ha in 2014. The sharp increase that is projected in the baseline can easily be overshadowed by a more rapid increase in output as seed varieties improve, and improved production practices such as more rotational cropping and no-till are adopted by SA farmers. However, it has to be noted that production of soybeans will to some extent still be limited to certain production regions in South Africa, mainly due to climate.
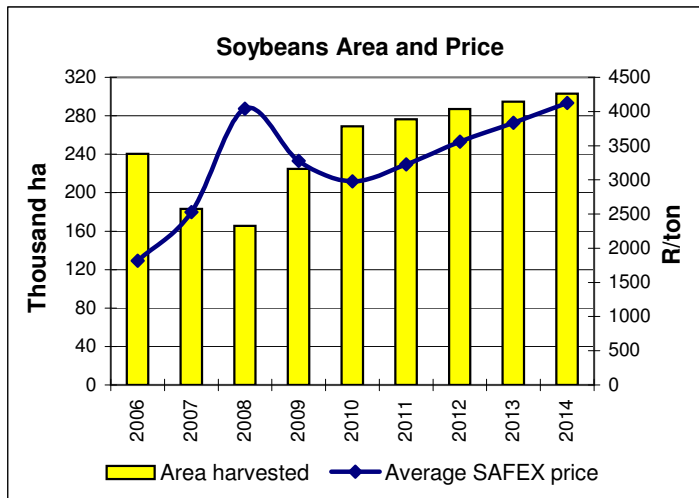
Seed Production and Utilisation

Soybean production for 2009 is projected at 405 000 tons, which implies an increase from 2008 levels of almost 53%. Production is projected to jump to 469 000 tons in 2010 as the relative profitability of soybean production compared to sunflower and maize has improved in 2009. With the recent switch of crushing facilities to crush soybeans instead of sunflower, SA's soybean crush capacity has nearly doubled.
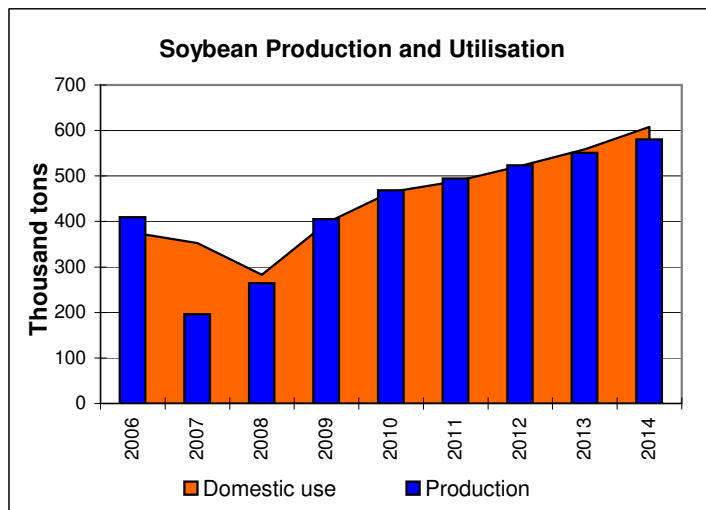
Cake Utilisation and Price

Soybean cake consumption is projected to increase to 1.29 million tons in 2014. Although cake production is projected to increase by 143% over the baseline, it will only amount to approximately 28% of local consumption by 2014. Therefore, the domestic cake price will remain a function of the world price and the exchange rate. Although the world price has declined significantly from 2008 levels, it is projected to remain relatively high but volatile and therefore the local price is projected to fluctuate between approximately R3400/ton and R4000/ton towards 2014.

Soybeans Area and Price

Soybean Production and Utilisation

Soybean Cake Utilisation, Imports and Price
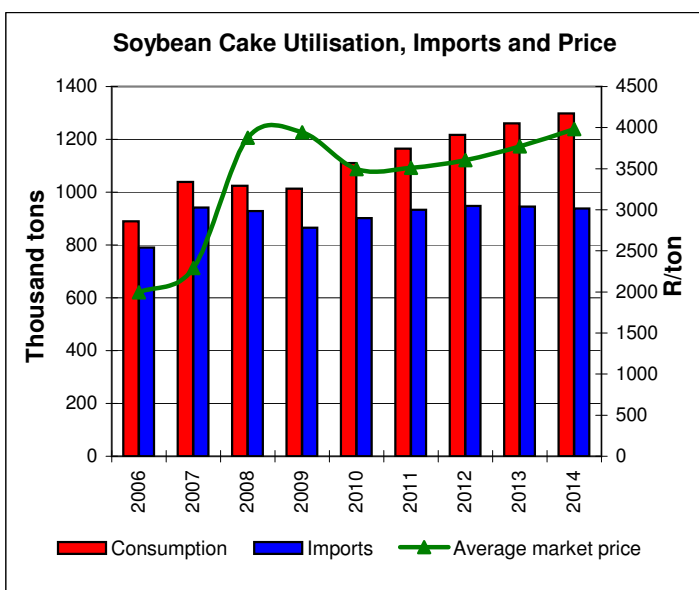
Soybeans

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Soybeans				**thousand ha**					
Area harvested	241	183	165	**225**	269	276	287	295	303
				t/ha					
Average yield	1.70	1.07	1.60	**1.80**	1.74	1.79	1.82	1.87	1.92
				thousand tons					
Production	409	196	264	**405**	469	495	524	551	581
Feed consump.full fat	241	192	110	**200**	191	186	175	153	147
Crush	128	134	137	**184**	262	290	335	394	449
Domestic use	376	353	283	**397**	465	488	522	559	608
Ending stock	132	97	90	**122**	149	165	172	176	178
Net imports	9	119	11	**24**	24	8	6	12	29
				R/ton					
Average SAFEX price	1,815	2,526	4,043	**3,279**	2,978	3,226	3,559	3,837	4,127
Soybean cake				**thousand tons**					
Production	102	107	110	**147**	209	232	268	315	359
Domestic use	889	1,038	1,025	**1,013**	1,111	1,165	1,216	1,260	1,298
Net imports	790	942	928	**866**	901	933	948	946	939
				R/ton					
Average market price	1,993	2,292	3,876	**3,942**	3,493	3,509	3,605	3,772	3,983

Potatoes

Production

For the past decade the area planted under potatoes has fluctuated around 50 000 ha. The recent sharp increase in input costs will cause the area planted to reduce to approximately 42 000 ha in 2009. In 2010 the potato area is projected to increase again to approximately 47 000 ha. The detailed breakdown of the area planted in each of the production regions shows that the Sandveld, Limpopo and Western Free State regions lose most of the hectares.
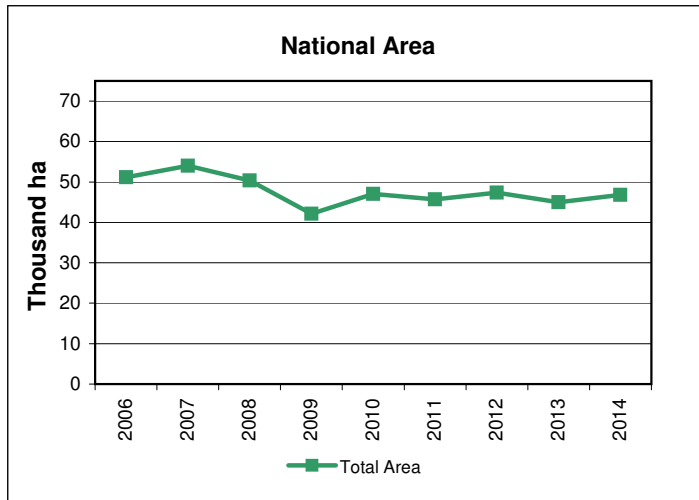
National Area

National Production and Utilisation

An all time record harvest of 2.04 million tons was recorded in 2008. Production is expected at 1.67 million tons in 2009 due to a sharp decrease in the area planted. Over the short run consumption is projected to soften slightly on the back of higher prices and the weak economy. However, over the long run potato consumption is projected to recover from lower levels in 2009 and increase to reach 1.93 million tons in 2014.

Potato Production and Utilisation
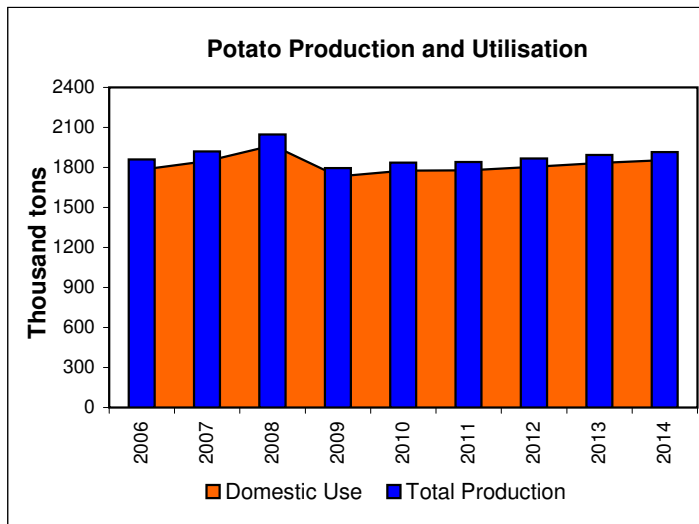
Consumption

With the gradual recovery in economic growth, fresh consumption in the formal market is projected to decrease, whereas informal fresh consumption and the consumption of processed potatoes is projected to increase over the baseline period. Informal consumption in the fresh markey is projected to overtake fresh formal consumption in 2014. There exists a lot of uncertainty in the industry over the dynamics in the informal market and a lot of research by the industry is currently dedicated to understand this market better.

Potato Consumption

25
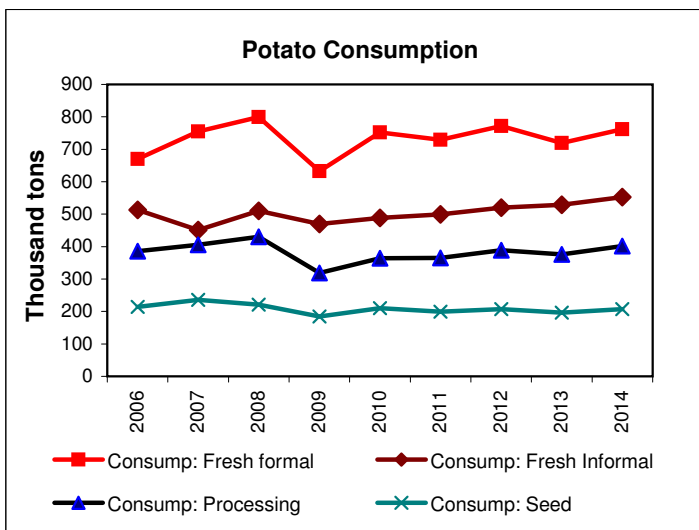
Potatoes

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Production Regions				**thousand hectares**					
Sandveld	6.57	6.89	6.72	**5.59**	6.27	6.01	6.26	5.83	6.17
Northern Cape	1.99	2.02	1.77	**1.62**	1.73	1.72	1.91	1.74	1.91
Eastern Cape	1.84	1.76	1.63	**0.40**	1.29	1.37	1.52	1.45	1.52
North-Eastern Cape	1.43	1.49	1.25	**1.27**	1.23	1.08	1.20	1.02	1.16
Western Free State	6.22	7.06	6.49	**6.00**	6.28	6.21	6.36	6.14	6.29
South-western Free State	1.94	1.72	1.40	**1.04**	1.37	1.48	1.53	1.53	1.54
Eastern Free State	9.26	10.31	9.11	**7.05**	7.63	7.11	7.18	6.75	7.00
Kwazulu-Natal	4.13	4.19	3.95	**2.52**	3.72	3.86	3.89	3.85	3.91
Mpumalanga	3.63	3.50	3.38	**2.63**	2.99	2.99	3.09	2.99	3.08
Limpopo	8.67	9.78	8.82	**8.61**	8.67	8.49	8.62	8.39	8.56
Marble Hall	1.63	1.91	2.01	**1.52**	1.88	1.77	1.87	1.69	1.82
Northwest	0.90	1.79	1.77	**1.85**	1.66	1.51	1.66	1.47	1.64
Other	2.96	1.61	2.09	**2.01**	2.30	2.13	2.27	2.13	2.25
Total Area	51.17	54.03	50.39	**42.11**	47.01	45.73	47.35	44.97	46.84
				thousand tons					
Production	1,859.0	1,919.6	2,046.4	**1,679.4**	1,893.6	1,877.2	1,974.3	1,904.7	2,008.9
Imports	55.9	61.8	47.3	**51.0**	54.9	49.9	50.6	48.7	50.7
Consump: Fresh formal	669.9	754.6	799.5	**632.4**	751.7	729.5	771.5	719.1	762.3
Consump: Fresh Informal	513.3	451.4	510.7	**470.2**	488.5	499.8	520.1	529.3	552.4
Consump: Processing	386.2	406.0	430.3	**319.2**	364.4	365.4	389.3	375.7	401.8
Consump: Seed	214.6	235.7	221.4	**184.9**	209.9	199.6	207.4	196.8	207.1
Domestic Use	1,784.0	1,847.7	1,961.9	**1,606.7**	1,814.5	1,794.4	1,888.3	1,820.9	1,923.7
Exports	130.9	133.7	131.7	**123.7**	134.0	132.8	136.6	132.5	136.0
				c/10kg					
National avg. market price (fresh)	1,650.0	2,228.0	2,061.0	**2,807.4**	2,246.1	2,617.0	2,579.6	3,238.2	3,191.7

Sugarcane and Sugar

Sugarcane Area and Price

The negative growth in the area planted and harvested under sugarcane is expected to continue over the baseline period. The real prices of sugarcane are still expected to decline during the baseline period. Higher fertiliser prices did have an impact on overall sugarcane production, but negative impacts have, to some extent, been offset by good rains. Overall the area harvested under sugarcane is expected to decline by an estimated 25 000 ha over the baseline.
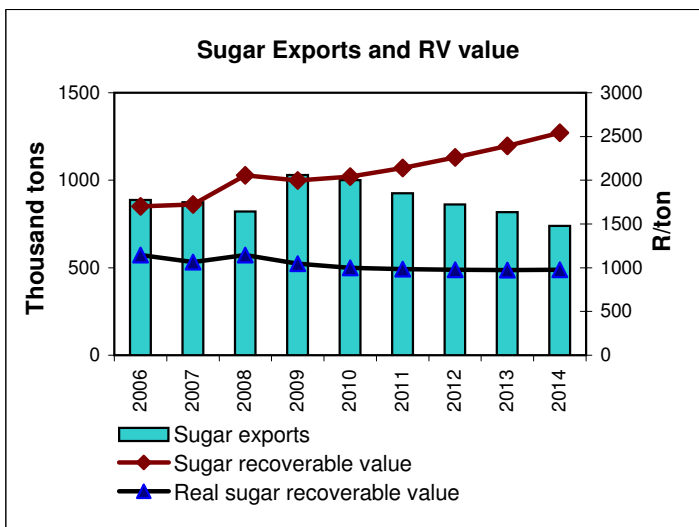

Area Harvested and Sugarcane Price

Legend: Area harvested; Sugarcane price; Real sugarcane price
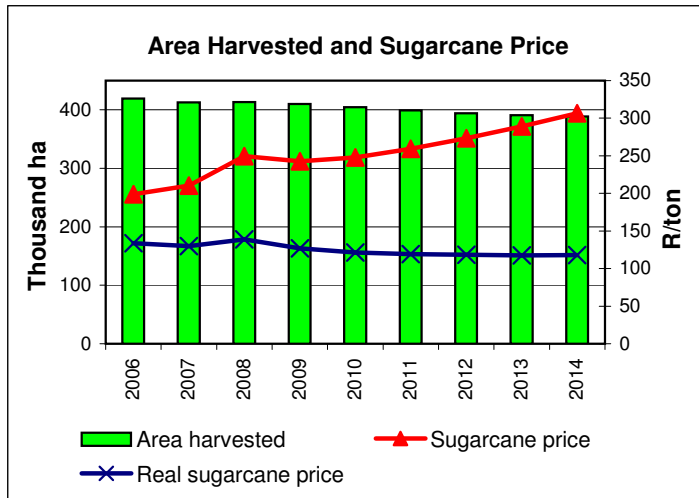
Sugarcane Utilisation

Production of sugar is expected to decline by 10% by 2014. This is mainly due to a declining trend in sugarcane production and the diversion of 1.1 million of sugarcane to the production of ethanol. The production of ethanol is driven by the projected profits that can be realised under the macro-economic assumptions and the world price trends of the baseline. South Africa will consume approximately 50 000 tons more sugar over the next five years as a result of a higher projected population growth, per capita income and consumption trends.

Sugarcane Utilisation

Legend: Sugarcane for ethanol; Sugarcane for sugar
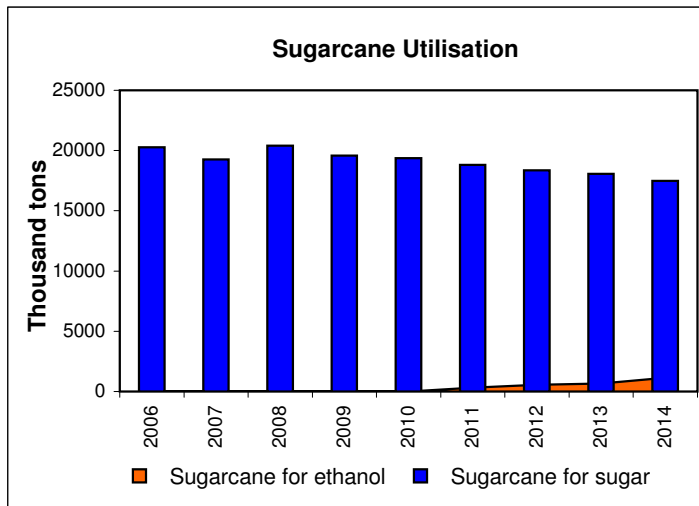
Sugar Exports and Recoverable Value (RV)

The decline in the production of sugarcane, the increasing domestic consumption of sugar and a slight increase in ethanol production from 2012 onwards will lead to lower sugar exports during the baseline period. With the ethanol industry having to compete with sugar for sugarcane as a feedstock, it is expected to have an increasing impact on the overall RV price, which in turn is expected to increase at an average of 5% from 2009 to 2014.


Sugar Exports and RV value

Legend: Sugar exports; Sugar recoverable value; Real sugar recoverable value

Sugarcane and Sugar

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Sugar				**thousand hectares**					
Sugarcane area harvested	419.5	412.8	413.6	**410.1**	404.4	398.8	394.4	391.0	388.4
				thousand tons					
Sugarcane production	20,279	19,255	20,411	**19,589**	19,373	19,120	18,902	18,739	18,623
Sugarcane for sugar	20,279	19,255	20,411	**19,589**	19,373	18,812	18,349	18,063	17,492
Sugarcane for ethanol	0	0	0	**0**	0	307	553	676	1,131
Sugar production	2,235	2,273	2,260	**2,303**	2,278	2,212	2,158	2,124	2,057
Sugar domestic use	1,341	1,400	1,439	**1,405**	1,410	1,418	1,427	1,438	1,449
Sugar exports	886	874	822	**1,030**	1,000	926	862	818	740
				R/ton					
Ave. sugarcane price	198.8	210.5	249.5	**242.8**	247.7	259.2	273.5	289.1	306.7
Recoverable value	1,702	1,724	2,056	**1,999**	2,041	2,139	2,261	2,393	2,543

Biofuels

Ethanol

Lower oil prices have had a negative impact on projects aiming to produce bioethanol in South Africa. In addition, the proposed voluntary blending rates have not made the investments by companies worthwhile and if blending rates do not become legislated, it seems that bioethanol production will in all likelihood not continue. Apart from industrial ethanol production, approximately 15 million litres of bioethanol from bagasse, and one ethanol gel plant, there is currently very limited commercial activity in this sector. Higher oil price levels in future might well change the picture and profitability of biofuels is expected to improve again from 2011 onwards.

Ethanol Production and Price
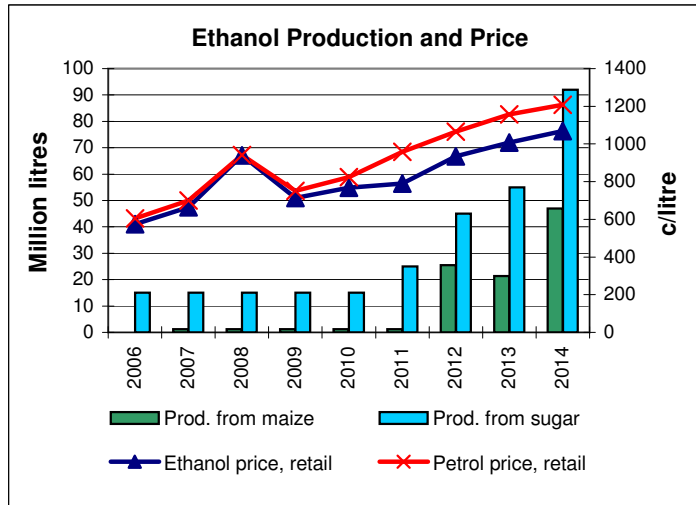
Biodiesel

Biodiesel production in South Africa has similar concerns to ethanol production, in that government policies are not strict enough to force an uptake in the market. There are however a few projects that are showing some increasing potential, especially if South Africa is to supply the international market with biodiesel. At present there are a few on farm projects as well as a few projects utilising used cooking oil as a feedstock. Total production is low due to unfavourable crude oil prices but this is also expected to change when the price of oil increases in 2011. Overall biodiesel production is expected to increase to around 90 million litres in 2014, driven largely by an increase in the price of oil and fossil diesel.

Biodiesel Production and Price
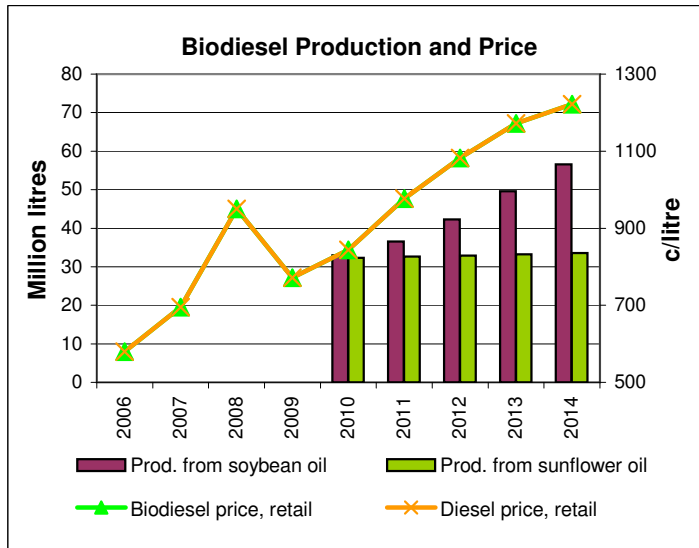
Dried Distillers Grain (DDG)

The production of distillers grain will also depend on the production of ethanol from maize. Higher production of biofuels following with higher oil prices is expected to improve viability in future and can lead to an increased supply of ddgs to the market. A total production of around 44000 tons can be expected in 2014.

DDG Production and Price
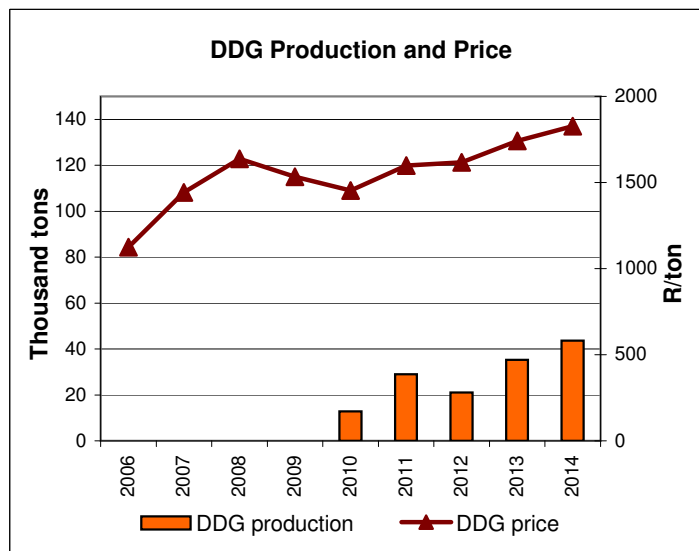
Biofuels

	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Ethanol				**million litres**					
Production from maize	0	1	1	**1**	1	1	25	21	47
Production from sugar	15	15	15	**15**	15	25	45	55	92
Total ethanol production	15	16	16	**16**	16	26	71	77	139
Ethanol domestic use	0	16	16	**16**	18	32	85	93	169
Ethanol imports	0	0	0	**0**	2	5	14	15	28
Ethanol exports	0	0	0	**0**	0	0	0	0	0
				c/litre					
Ethanol Price, plant**	n.a.	n.a.	n.a.	**515**	556	565	695	753	799
Ethanol price, retail**	n.a.	n.a.	n.a.	**713**	768	791	935	1,008	1,068
Petrol price, plant	341	413	615	**403**	453	563	644	709	735
Petrol, retail price	605	700	942	**751**	825	959	1,065	1,157	1,208
DDG				**thousand tons**					
DDG production	n.a.	n.a.	n.a.	**n.a.**	13	29	21	35	44
DDG imports	n.a.	n.a.	n.a.	**n.a.**	0	0	0	0	0
DDG exports	n.a.	n.a.	n.a.	**n.a.**	0	0	0	0	0
DDG domestic use	n.a.	n.a.	n.a.	**n.a.**	13	29	21	35	44
				Rands/ton					
DDG price	n.a.	n.a.	n.a.	**1,533**	1,453	1,598	1,618	1,742	1,827
Biodiesel				**million litres**					
Production from soybean oil	n.a.	n.a.	n.a.	**0**	33	37	42	50	57
Production from sunflower oil	n.a.	n.a.	n.a.	**0**	32	33	33	33	34
Total biodiesel production	n.a.	n.a.	n.a.	**0**	65	69	75	83	90
Biodiesel domestic use	n.a.	n.a.	n.a.	**0**	0	0	0	0	0
Biodiesel imports	n.a.	n.a.	n.a.	**0**	0	0	0	0	0
Biodiesel exports	n.a.	n.a.	n.a.	**0**	65	69	75	83	90
				c/litre					
Biodiesel price, plant**	n.a.	n.a.	n.a.	**509**	563	677	764	833	864
Biodiesel price, retail**	n.a.	n.a.	n.a.	**772**	844	977	1,082	1,172	1,222
Diesel price, plant	336	420	602	**403**	453	563	644	709	735
Diesel, retail price	580	696	951	**772**	844	977	1,082	1,172	1,222

** Note: No mandatory blending requirements are imposed in the model. The levy exemptions are included and the biofuel prices are simulated in a floating market evironment.
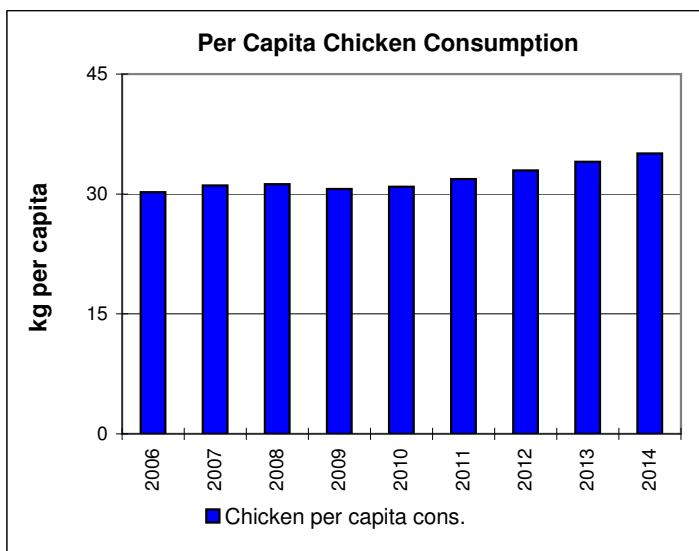
Chicken Meat

Production and Returns

The chicken-maize price ratio will continue to improve until 2010 as maize prices trade sideways and chicken prices increase. Production is projected to expand at an increasing rate as the investment in expensive infrastructure lags the favourable price ratio by approximately three years. Production is expected to increase to more than 1.4 million tons by 2014. The producer price is affected by the cyclical behaviour in the beef industry and an average net realisation price for chicken of over R20/kg is projected by 2014.

Chicken Production and Returns
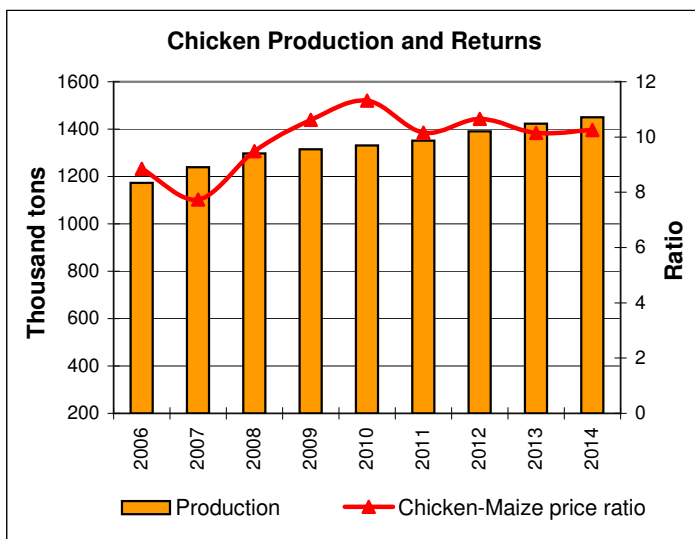
Consumption

The projected increase in per capita poultry consumption is positively correlated with South Africa's GDP per capita growth. Due to the expected decline in GDP per capita growth, high food prices and interest rates over the next two years, per capita consumption is expected to remain constant until 2010. However, in the long-term consumers are expected to increase the amount of chicken eaten at an average additional 864g of chicken per person per year. Potential growth in poultry expenditure by the "new black middle income class" remains one of the major drivers for this increase in per capita consumption. This brings the domestic consumption of chicken to approximately 1.71 million tons in 2014.

Per Capita Chicken Consumption

Trade

Imports have declined by approximately 70 000 tons as production expanded since 2006. However over the baseline, a rise in imports is anticipated as the growth in consumption outpaces the growth in local production of chicken meat. Imports are projected to supply approximately 15% of local consumption towards the end of the baseline. Brazilian exports to South Africa will continue to make up a substantial portion of the domestic market.

Chicken Imports and Exports

31
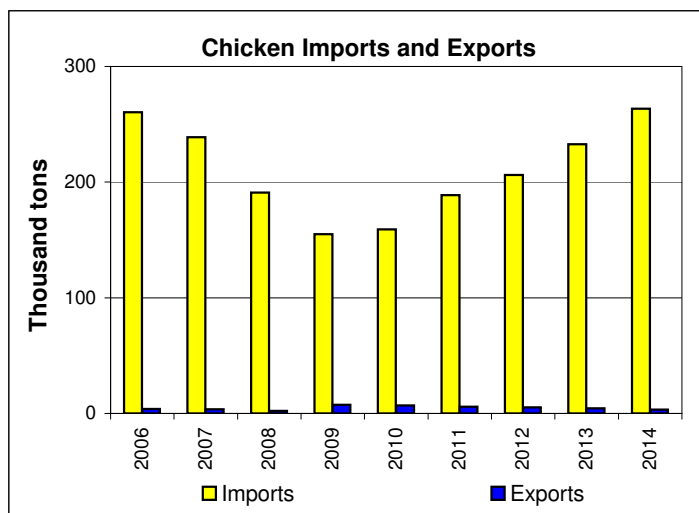
Chicken Meat

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Chicken				**thousand tons**					
Production	1,173	1,239	1,298	**1,315**	1,331	1,351	1,390	1,423	1,450
Domestic use	1,430	1,474	1,486	**1,463**	1,483	1,534	1,591	1,651	1,710
Imports	260	239	191	**155**	159	189	206	233	263
Exports	3.8	3.6	2.3	**7.4**	6.9	5.9	5.3	4.5	3.4
				c/kg					
Chicken total realisation price (fresh)	1,252	1,433	1,675	**1,628**	1,724	1,802	1,903	1,982	2,091
				ratio					
Chicken-maize price ratio	8.85	7.74	9.48	**10.62**	11.32	10.16	10.66	10.15	10.25

Red Meat

Beef

Beef production remained fairly constant over the period 2008-2009 on the back of high feed costs. Lower feed prices in 2009 and 2010 will boost production from 2010 onwards. The expected softening of beef demand due to the economic downturn has not materialized. However, the restaurant and take-away industries have been negatively affected by the tendency of consumers to buy fresh meat for home entertainment. As the economy recovers and interest rates decline, beef consumption is projected to grow at a moderate rate due to projected growth in personal disposable income of the South African population. Prices will consolidate on the early gains in 2009 and are projected to increase from 2010 onwards. The gap between beef and calf prices is expected to widen.
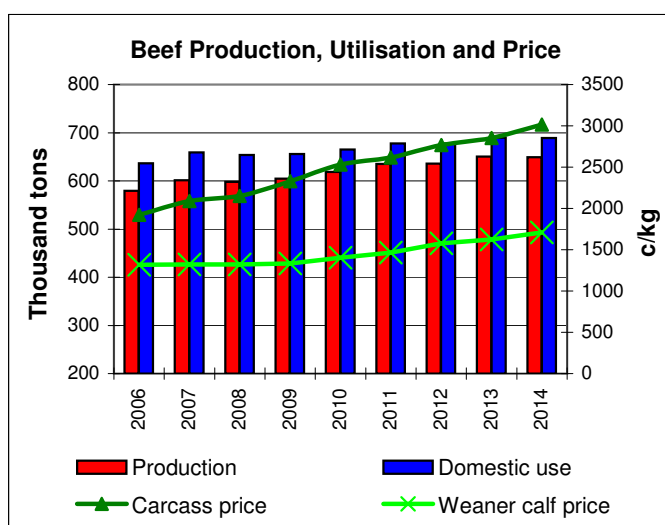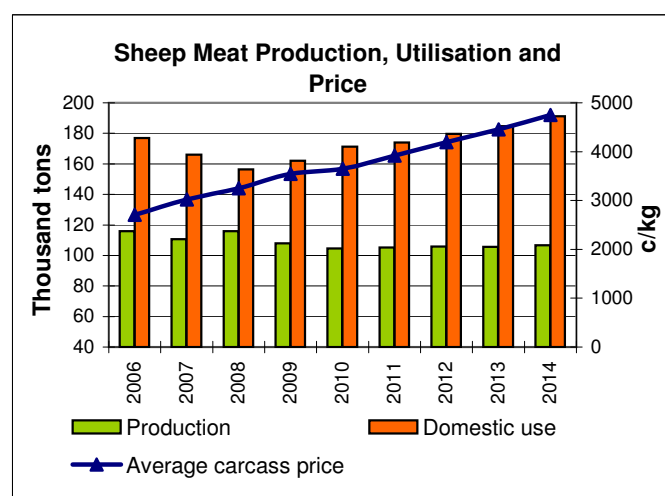
Pork

Pork production is projected to increase over the next two years on the back of a more favourable pork-maize price ratio. This ratio will deteriorate again in 2011 as the increase in maize prices outpaces the increase in pork prices. The price ratio will reach its next peak in 2014. After a marginal decrease in 2009, consumption is projected to remain relatively constant over the baseline.
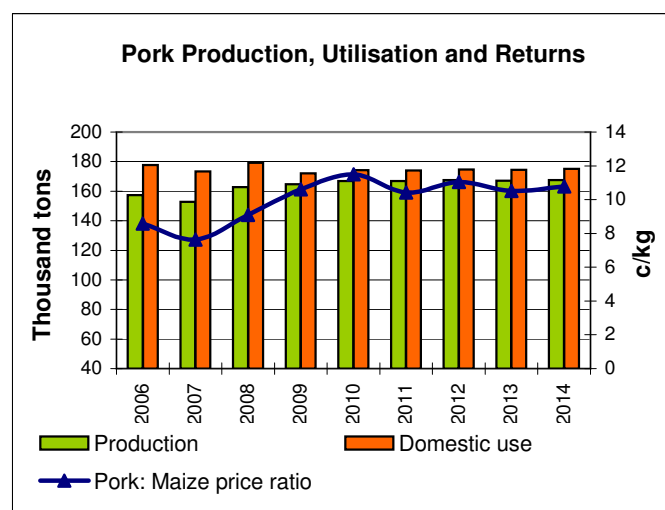
Sheep meat

Available statistics suggest that sheep meat consumption has decreased over the past three years. This trend could be motivated by the relative high prices compared to beef and chicken as well as the impact of the economic crisis. However, under the assumption of a general recovery of economic growth and higher beef and chicken prices, the domestic consumption of sheep meat is projected to increase at an increasing rate beyond 2010. Prices are supported by the increasing trend in world prices and a gradual depreciation in the exchange rate. Commercial production of sheep meat is expected to remain constant over the baseline.

Beef Production, Utilisation and Price

Pork Production, Utilisation and Returns

Sheep Meat Production, Utilisation and Price

Red Meat

NOTE: Historic statistics for the red meat industry are in the process of being reviewed and adjusted in consultation with the industry and government. For example, livestock numbers do not correspond to the calf and lamb crop as well as slaughtering numbers. Further adjustments can be expected as industry statistics are improved and consolidated.

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Beef				**thousand tons**					
Production	579.7	601.7	597.8	**604.5**	618.4	635.3	636.0	650.5	649.0
Domestic use	636.3	658.9	654.1	**655.7**	664.9	677.4	677.6	689.9	689.0
Imports	66.6	66.2	59.9	**55.2**	52.6	48.6	48.1	46.1	46.6
Exports	10.0	9.0	3.6	**3.9**	6.1	6.4	6.5	6.6	6.6
				c/kg					
Average carcass price	1,923	2,090	2,150	**2,329**	2,531	2,617	2,766	2,854	3,016
Weaner calf avg price (auction)	1,319	1,320	1,321	**1,333**	1,402	1,463	1,579	1,626	1,710
				ratio					
Beef-maize price ratio	13.6	11.3	12.2	**15.2**	16.6	14.8	15.5	14.6	14.8
Weaner calf-maize price ratio	9.3	7.1	7.5	**8.7**	9.2	8.2	8.8	8.3	8.4
Pork				**thousand tons**					
Production	157.2	152.8	162.8	**164.7**	166.8	166.9	167.5	167.1	167.4
Domestic use	177.8	173.3	179.2	**172.1**	174.2	174.0	174.6	174.5	175.2
Imports	20.5	23.2	18.9	**11.3**	11.2	11.0	11.0	11.2	11.5
Exports	0.0	2.7	2.6	**3.8**	3.8	3.9	3.9	3.8	3.7
				c/kg					
Average carcass price	1,214	1,415	1,605	**1,626**	1,751	1,849	1,972	2,054	2,200
				ratio					
Pork-maize price ratio	8.6	7.6	9.1	10.6	11.5	10.4	11.0	10.5	10.8
Sheep meat (commercial market only)				**thousand tons**					
Production	115.8	110.6	116.0	**108.0**	104.6	105.1	105.8	105.7	106.7
Domestic use	177.0	166.0	156.4	**161.9**	171.2	174.0	179.6	184.6	191.2
Net Imports	54.8	52.0	37.2	**53.9**	66.6	68.9	73.8	78.9	84.6
				c/kg					
Average carcass price	2,709	3,020	3,250	**3,547**	3,650	3,922	4,192	4,456	4,754

Milk

Milk Production

A sharp increase in the producer price of milk led to an increase in raw milk production of 110 million litres in 2008. However, producer prices have declined towards the end of 2008, and in response 2009 production is expected to decrease to approximately 2.4 billion litres. On average production is expected to remain fairly constant over the period of the baseline at approximately 2.5 billion litres. Although milk production is still increasing in the coastal regions due to lower production costs, coastal grazing areas are limited. High production costs in the interior regions cause a reduction in production, which supports domestic milk prices to some extent.
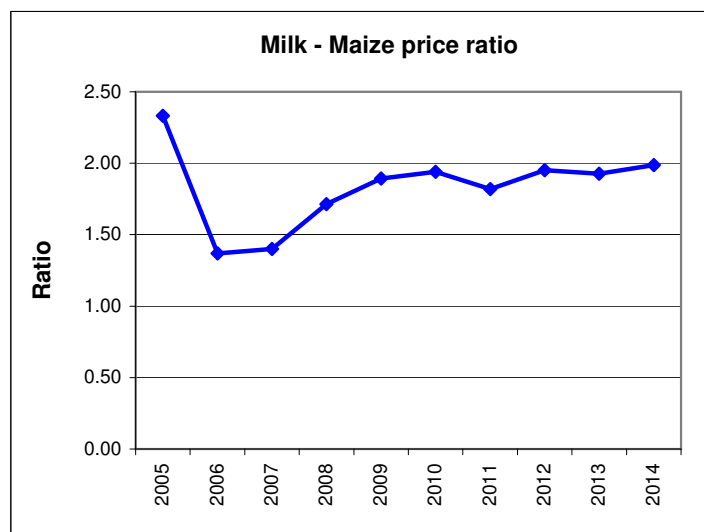
Milk Production
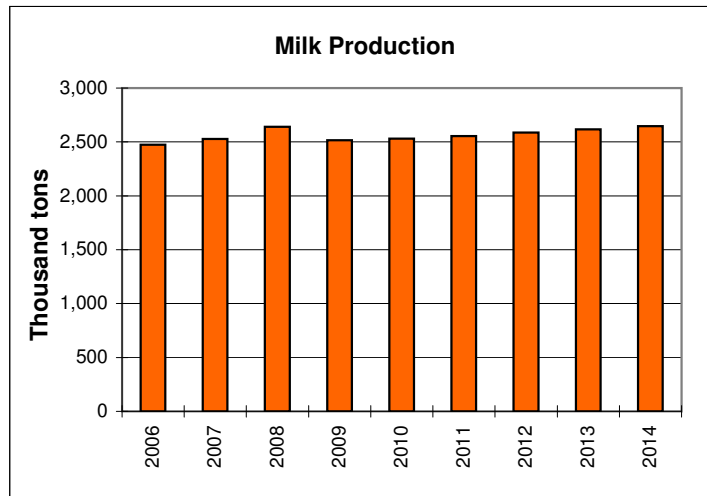
Utilisation

Whereas fresh milk consumption is expected to increase in 2009, factory milk consumption is expected to decline by 1.2%. The decline in factory milk consumption in response to a slowdown in economic growth could have come in at a much higher percentage, but prices of some dairy products are expected to trade softer in 2009. It is expected that consumers will increase fresh milk consumption at an average additional 315ml of milk per person per year.

Milk Utilisation
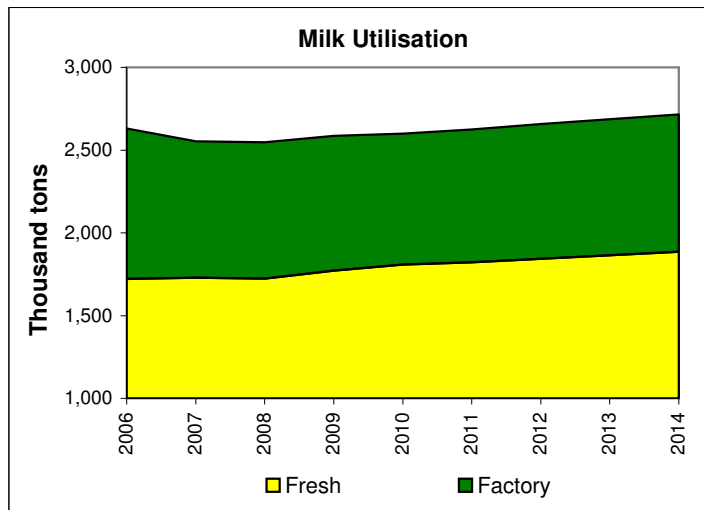
Milk production profitability

The milk-maize price ratio decreased sharply in 2006 as maize prices increased from a very low level and the milk price traded at relatively constant levels. This affected on-farm profitability negatively. In 2007 and 2008 the ratio improved significantly and it is expected to improve further in 2009 as feed costs decrease from their peak in 2008. However, due to feed prices remaining relatively high, the milk-maize ratio is not expected to reach the favourable levels experienced in 2005 over the baseline period.

Milk - Maize price ratio

Milk

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Fluid milk				**million litres**					
Production	2,420	2,470	2,580	**2,460**	2,474	2,498	2,530	2,558	2,588
				thousand tons					
Fresh consumption	1,720.6	1,729.0	1,723.7	1,772.6	1,808.0	1,822.7	1,843.4	1,865.1	1,886.5
Factory consumption	909.6	824.9	823.7	813.6	791.9	801.8	813.5	820.9	829.8
				c/litre					
Weighted average producer price	193.6	259.2	302.7	**290.0**	295.4	322.9	348.2	376.2	405.7

Dairy Products

Cheese Production, Utilisation and Price
Domestic cheese consumption has decreased in 2008 and a further reduction is expected in 2009 as there is very little growth in per capita income to boost consumption. However, from 2010 onwards, cheese consumption is expected to increase by an annual average of 2.4%. As world prices of cheese have plummeted in 2009, local cheese prices will come under significant pressure from cheap imports. South Africa has mainly been a net importer of cheese. This is expected to remain unchanged over the baseline period as consumption grows faster than production. Domestic market shortages will support the projected increase in cheese prices. The projected price increase is also aided by the gradual depreciation in the exchange rate.

Cheese Production, Utilisation and Price

Production — Domestic use — Consumer price
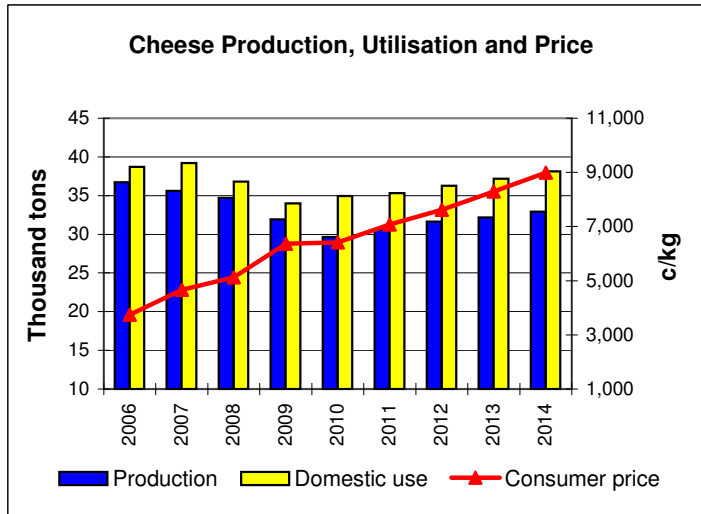
Butter Production, Utilisation and Price
Annual butter consumption and production is projected to remain relatively constant over the baseline period. After declining in 2009, butter prices are expected to rise by an annual average of 4%.

Butter Production, Utilisation and Price

Production — Domestic use — Consumer price
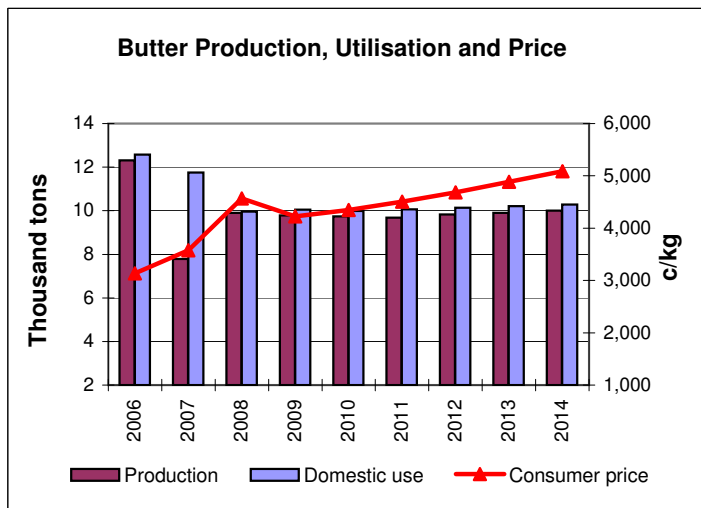
Cheese and Butter Trade
The gap between cheese imports and exports is expected to widen as domestic consumption outgrows production towards the end of the baseline period. Current projections suggest that butter will shift from being a net imported commodity to one where exports and imports are in balance from 2009 forward.

Cheese and Butter Trade

Cheese imports — Cheese exports — Butter imports — Butter exports
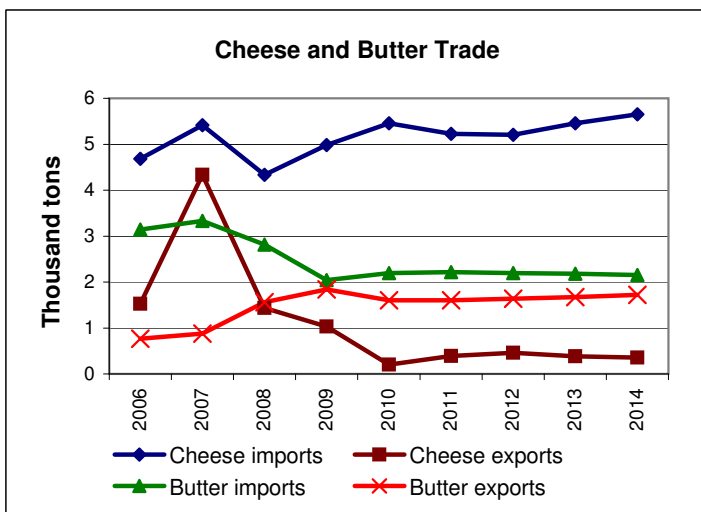
Dairy Products

|	2006	2007	2008	**2009**	2010	2011	2012	2013	2014
Cheese				**thousand tons**					
Production	36.7	35.6	34.7	**31.9**	29.6	30.6	31.6	32.2	32.9
Domestic use	38.7	39.2	36.8	**34.0**	34.9	35.3	36.3	37.2	38.1
Ending stock	3.2	0.6	1.4	**3.3**	3.3	3.4	3.5	3.6	3.6
Imports	4.7	5.4	4.3	**5.0**	5.5	5.2	5.2	5.5	5.6
Exports	1.5	4.3	1.4	**1.0**	0.2	0.4	0.5	0.4	0.4
				c/kg					
Average consumer price	3,741	4,659	5,125	**6,361**	6,413	7,076	7,622	8,289	8,996
Butter				**thousand tons**					
Production	12.3	7.8	9.9	**9.8**	9.7	9.7	9.8	9.9	10.0
Domestic use	12.6	11.8	10.0	**10.0**	10.0	10.1	10.1	10.2	10.3
Ending stock	5.3	3.8	5.0	**4.9**	5.3	5.5	5.7	5.9	6.1
Imports	3.1	3.3	2.8	**2.0**	2.2	2.2	2.2	2.2	2.2
Exports	0.8	0.9	1.6	**1.8**	1.6	1.6	1.6	1.7	1.7
				c/kg					
Average consumer price	3,136	3,579	4,569	**4,228**	4,345	4,505	4,685	4,885	5,088
Skimmed milk powder (SMP)				**thousand tons**					
Production	6.1	7.1	11.0	**10.0**	9.8	9.8	10.0	10.0	10.0
Domestic use	12.2	14.2	10.1	**11.5**	12.5	12.6	12.7	13.2	13.7
Ending stocks	3.3	6.3	1.6	**2.3**	2.5	2.3	2.1	2.0	1.9
Imports	9.0	14.4	5.9	**7.9**	7.0	7.0	7.0	7.1	7.2
Exports	4.4	4.2	11.4	**5.7**	4.1	4.3	4.5	4.0	3.6
				c/kg					
Average consumer price	4,625	4,880	5,970	**5,503**	5,623	6,188	6,832	7,382	7,964
Whole milk powder (WMP)				**thousand tons**					
Production	15.9	17.2	16.8	**13.4**	12.5	13.3	14.0	14.6	15.4
Domestic use	13.7	14.5	13.2	**12.4**	12.9	13.4	14.1	14.9	15.6
Ending stocks	1.9	2.3	0.8	**1.9**	1.8	1.9	2.0	2.1	2.2
Imports	1.6	1.6	0.7	**1.3**	1.4	1.3	1.4	1.4	1.5
Exports	5.0	3.9	5.7	**1.1**	1.1	1.1	1.1	1.1	1.1
				c/kg					
Average consumer price	5,340	6,349	7,011	**6,902**	6,937	7,764	8,504	9,370	10,299

Wine Grapes

Good Wine Production and Utilisation

The production of good wine is expected to reach 778 million litres in 2009, up 2% from 2008. Total demand is projected to reach 804 million litres in 2009, 2% down from the previous year. Total exports account for roughly 54% of total demand. The share of exports is projected to increase to 59% towards 2015, mainly due to lower domestic demand.

**Good Wine Production and Utilisation**
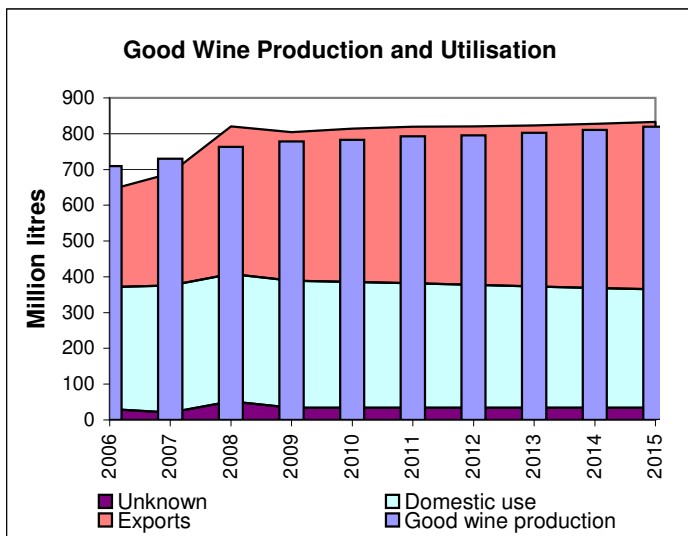
Good Wine Prices and Ending Stock Ratio

Total demand is projected to exceed total supply over the baseline period, resulting in declining stock levels of both red and white wine. Following five years of declining white wine prices in real terms, the average price for white wine sold in bulk is projected to increase marginally in 2009. This price is projected to continue on this increasing trend over the baseline period. The downward trend of the average price for red wine sold in bulk is also projected to be reversed in 2009. In real values, the 2009 price is projected to return to the 2007 price level of R2.30/litre while the average red wine price is projected to reach almost R3.50/litre by 2015.

Ending Stock:Good Wine Production ratio and Wine Prices
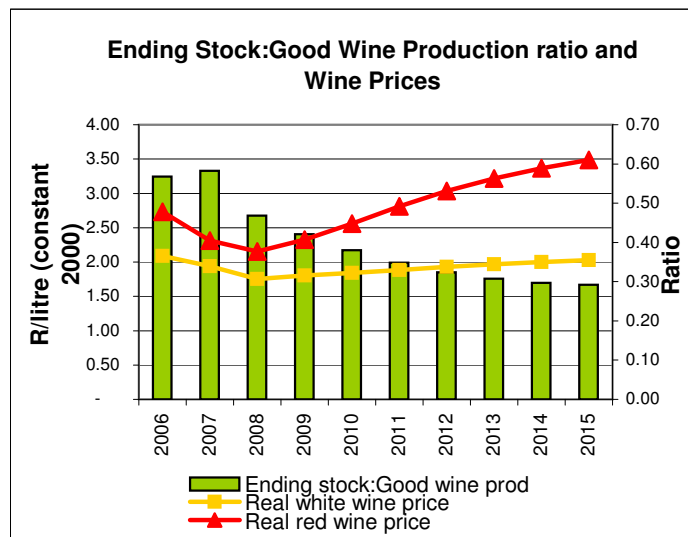
Non-good Wine Market

The price of rebate wine is projected to follow a similar trend as the average price of white wine sold in bulk. The average price for distilling wine and grape juice is projected to decline in 2009 and 2010, whereafter it will slowly return to an upward trend.

Non-good Wine Market
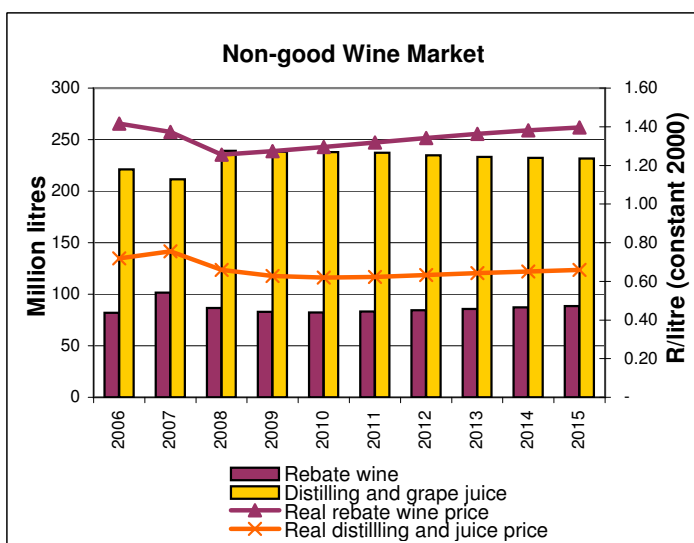
Wine Grapes

|	2007	2008	**2009**	2010	2011	2012	2013	2014	2015
Wine production			**million litres**						
Good wine production	730.4	763.3	**777.9**	782.9	792.5	794.9	802.5	810.8	819.5
Rebate wine production	101.5	86.6	**83.0**	82.3	83.1	84.4	85.9	87.2	88.5
Distilling and grape juice prod.	211.6	239.1	**238.1**	238.0	237.3	234.7	233.2	232.2	231.6
Consumption			**million litres**						
Domestic	355.7	356.2	**354.6**	351.6	347.6	343.0	338.5	334.3	330.8
Exports	312.5	411.8	**415.6**	427.9	437.4	443.2	450.2	458.8	467.5
			million litres						
Ending stock	425.2	357.2	**327.8**	297.8	275.9	257.4	246.7	240.7	239.3
Wine prices			**Rands/litre (current prices)**						
Good white wine price	3.14	3.15	**3.45**	3.76	4.10	4.46	4.84	5.20	5.59
Good red wine price	3.74	3.87	**4.45**	5.23	6.12	7.02	7.92	8.76	9.63
Rebate wine price	2.22	2.25	**2.44**	2.64	2.87	3.11	3.35	3.59	3.85
Distilling wine and grape juice price	1.22	1.18	**1.20**	1.27	1.36	1.46	1.58	1.70	1.82
Real wine prices			**Rands/litre (constant 2000 prices)**						
Good white wine price	1.94	1.75	**1.80**	1.84	1.88	1.93	1.97	2.00	2.03
Good red wine price	2.31	2.15	**2.33**	2.56	2.81	3.03	3.22	3.37	3.49
Rebate wine price	1.37	1.26	**1.27**	1.29	1.32	1.34	1.36	1.38	1.40
Distilling wine and grape juice price	0.75	0.66	**0.63**	0.62	0.62	0.63	0.64	0.65	0.66

Wine Grapes

Chenin Blanc and Colombar vines and prices

The number of Chenin Blanc vines in full production is projected to increase over the baseline period. The price of Chenin Blanc grapes is projected to decline sharply in 2008, after which it is projected to follow a similar trend as the rebate wine price. The number of Colombar vines in full production is projected to peak in 2011. The price of Colombar grapes is projected to come under pressure over the next three years as supply of grapes increases, but will recover to some extent over the latter part of the baseline period.
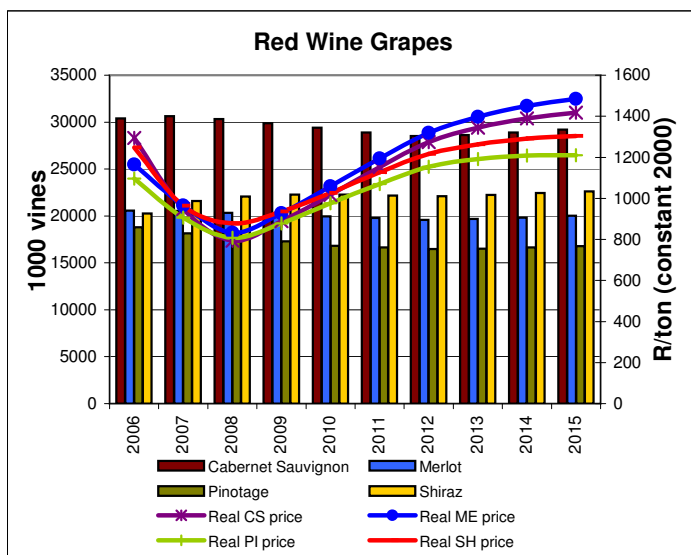
Chenin Blanc and Colombar
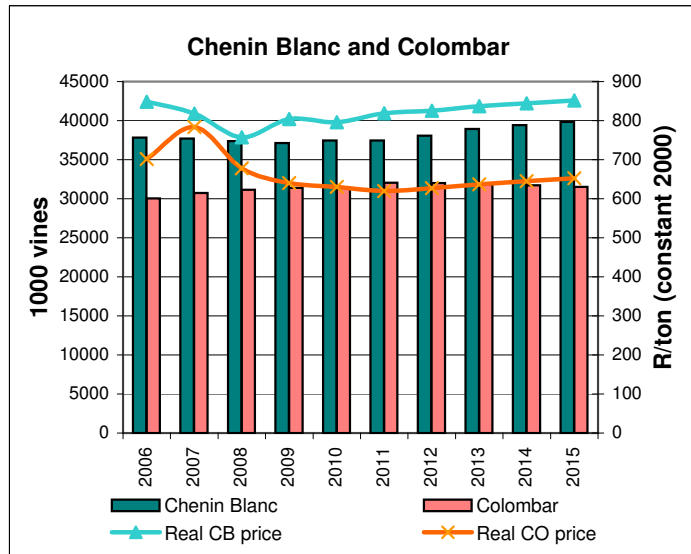
Chardonnay and Sauvignon Blanc vines and prices

The number of Chardonnay vines is projected to increase up to 2012, and then to stabilise, whereas the number of Sauvignon Blanc vines is projected to peak in 2012. Prices are projected to remain under pressure during 2009 and 2010, but are projected to return to an increasing trend as declining stock levels support wine prices.

Chardonnay and Sauvignon Blanc
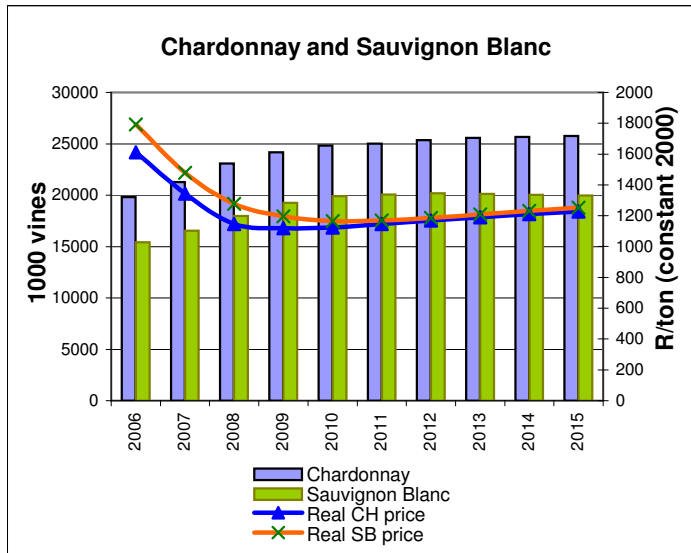
Red wine grapes vines and prices

Although the total number of red vines has declined since 2007, the number of red vines in full production declined for the first time in 2008. The decline in red vines in full production is projected to continue up to 2012, whereafter it is projected to increase marginally up to 2015. The prices of red grapes are projected to increase in 2009 and it will continue on this increasing trend as stock levels of red wine remain under pressure over the baseline period.

Red Wine Grapes

41

Wine Grapes

	2007	2008	**2009**	2010	2011	2012	2013	2014	2015
Number of vines			thousand vines						
Chenin Blanc	37,707	37,384	**37,114**	37,449	37,452	38,067	38,950	39,435	39,836
Colombar	30,719	31,143	**31,413**	31,380	32,031	32,016	31,850	31,712	31,537
Chardonnay	21,277	23,084	**24,162**	24,837	25,007	25,345	25,563	25,685	25,760
Sauvignon Blanc	16,535	17,960	**19,256**	19,900	20,063	20,189	20,114	20,023	19,977
Cabernet Sauvignon	30,645	30,340	**29,867**	29,393	28,882	28,511	28,636	28,884	29,203
Cinsaut	6,168	5,891	**5,498**	5,338	5,282	5,144	5,037	4,972	4,926
Merlot	20,533	20,325	**20,149**	19,952	19,769	19,589	19,666	19,825	20,015
Pinotage	18,138	17,828	**17,289**	16,815	16,648	16,483	16,519	16,640	16,771
Shiraz	21,593	22,071	**22,261**	22,278	22,175	22,121	22,251	22,430	22,633
Grape prices**			Rands/ton (current prices)						
Chenin Blanc	818	757	**804**	796	819	825	837	844	852
Colombar	784	678	**640**	630	620	627	637	645	653
Chardonnay	1,343	1,146	**1,118**	1,124	1,146	1,169	1,191	1,210	1,227
Sauvignon Blanc	1,478	1,277	**1,196**	1,165	1,170	1,186	1,209	1,232	1,252
Cabernet Sauvignon	948	794	**889**	1,017	1,152	1,274	1,344	1,390	1,418
Cinsaut	796	741	**750**	764	777	785	784	780	772
Merlot	966	833	**929**	1,059	1,195	1,319	1,397	1,450	1,485
Pinotage	906	808	**879**	976	1,070	1,154	1,192	1,208	1,211
Shiraz	964	878	**936**	1,027	1,127	1,216	1,264	1,290	1,303
Real grape prices			Rands/ton (constant 2000 prices)						
Chenin Blanc	818	757	**804**	796	819	825	837	844	852
Colombar	784	678	**640**	630	620	627	637	645	653
Chardonnay	1,343	1,146	**1,118**	1,124	1,146	1,169	1,191	1,210	1,227
Sauvignon Blanc	1,478	1,277	**1,196**	1,165	1,170	1,186	1,209	1,232	1,252
Cabernet Sauvignon	948	794	**889**	1,017	1,152	1,274	1,344	1,390	1,418
Cinsaut	796	741	**750**	764	777	785	784	780	772
Merlot	966	833	**929**	1,059	1,195	1,319	1,397	1,450	1,485
Pinotage	906	808	**879**	976	1,070	1,154	1,192	1,208	1,211
Shiraz	964	878	**936**	1,027	1,127	1,216	1,264	1,290	1,303

**Projections are from 2008 onwards.

Table Grapes

Production and Area

Total area under dried and table grapes continued to increase in 2008 and this increasing trend is projected to persist over the baseline period, though at a declining rate from 2012 onwards. Total production of table and dried grapes declined for the second consecutive year in 2007/2008 season and is projected to decline even further in the 2008/2009 season. Thereafter, assuming average yield over the remainder of the baseline, production is projected to increase as the number of hectares increases.
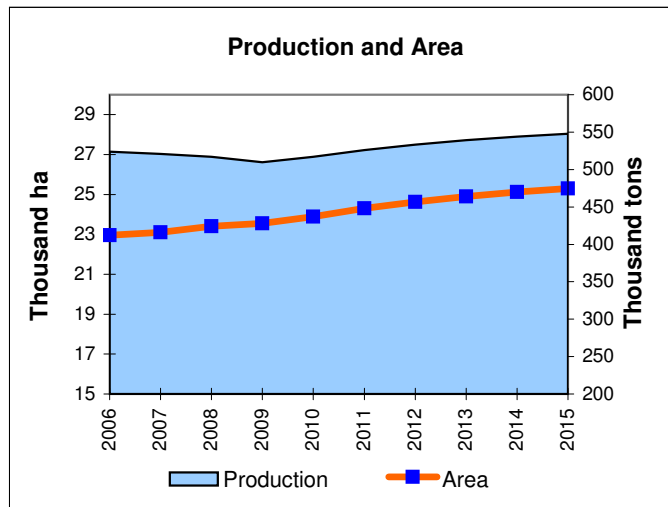

Production and Area

Table Grape Exports

The average Euro price for SA grapes recovered to some extent in 2006/07 (referred to as 2007 in the figure) after it reached a low point during the 2005/06 season. The price recovered to some extent during the 2007/08 season mainly due to lower supply from South Africa. The projected impact of the world economic crisis on the 2008/2009 price is not that severe as the price is cushioned by lower supply from South Africa. However, over the remainder of the baseline period the average Euro price for South African grapes is projected to decline with relatively low economic growth levels in the export markets and increasing supply from the Southern Hemisphere. This declining trend might turn around by 2015.

Fresh Grape Exports
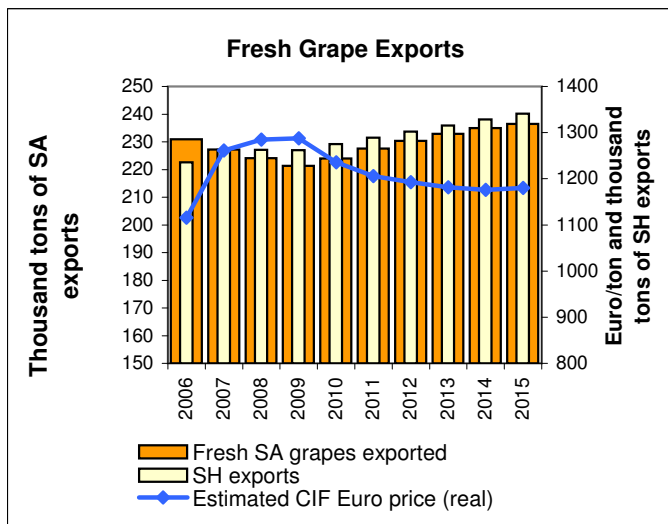
Rand Prices for Fresh Grapes

In Rand terms the average export price increased in 2008 resulting from the higher foreign currency price and the favourable exchange rate. From 2009 onwards real Rand prices are projected to decline marginally as the projected depreciation in the exchange rate is not sufficient to offset the declining Euro price.The price of fresh grapes sold in the local market is projected to remain stable in real terms.
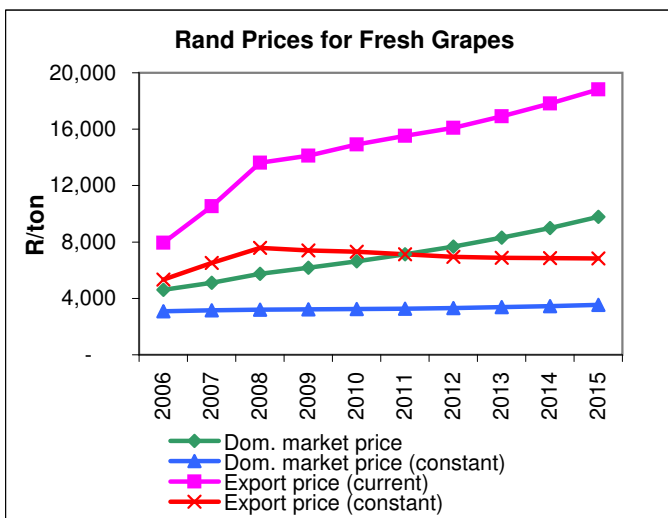

Rand Prices for Fresh Grapes

43

Table Grapes

	2007	2008	**2009**	2010	2011	2012	2013	2014	2015
			thousand hectares						
Area	23.1	23.4	**23.5**	23.9	24.3	24.6	24.9	25.1	25.3
			thousand tons						
Production	520.7	517.0	**509.8**	517.2	526.1	533.2	539.3	544.0	547.8
Dom. cons. of fresh grapes*	33.4	34.7	**34.1**	34.4	34.7	35.1	35.4	35.7	36.0
Fresh grapes exported	227.3	224.1	**221.3**	224.0	227.6	230.4	232.8	234.9	236.5
			Rands/ton						
Dom. price (current)	5,117	5,747	**6,180**	6,628	7,131	7,680	8,313	8,979	9,778
Dom. price (constant 2000 prices)	3,158	3,200	**3,232**	3,245	3,276	3,318	3,378	3,452	3,544
Export price (current)*	10,540	13,628	**14,131**	14,923	15,536	16,097	16,917	17,826	18,824
Export price (constant 2000 prices)	6,506	7,589	**7,390**	7,307	7,136	6,955	6,874	6,854	6,822
Inspections			**thousand 4.5 kg cartons**						
Barlinka	2,109	2,163	**1,915**	1,833	1,679	1,620	1,532	1,470	1,408
Crimson Seedless	3,989	4,623	**5,217**	5,863	6,263	6,713	7,007	7,256	7,418
Dauphine	5,100	4,955	**4,604**	4,324	3,961	3,584	3,477	3,336	3,282
Flame Seedless	3,170	3,634	**3,904**	4,247	4,601	4,852	5,056	5,206	5,313
La Rochelle	2,019	1,739	**1,645**	1,565	1,490	1,423	1,361	1,305	1,255
Prime	4,960	5,291	**4,962**	4,860	4,757	4,674	4,730	4,778	4,815
Red Globe	6,492	6,093	**5,858**	5,814	5,802	5,771	5,754	5,733	5,716
Regal Seedless	2,735	3,145	**3,299**	3,369	3,417	3,407	3,359	3,293	3,221
SugraThirteen	252	462	**621**	817	1,007	1,203	1,397	1,592	1,783
SugraOne	5,295	4,612	**4,652**	4,569	4,727	4,743	4,758	4,766	4,785
Thompson	6,505	5,818	**6,526**	6,429	6,568	6,616	6,642	6,678	6,716
Victoria	1,643	1,774	**1,701**	1,838	1,933	1,984	2,037	2,073	2,103
Table grape export prices - nominal			**index (2005 = 100)**						
Barlinka	142.5	154.2	**164.6**	173.4	180.8	187.7	197.3	209.3	220.3
Crimson Seedless	122.4	138.9	**139.7**	142.6	144.5	145.7	150.0	156.7	163.1
Dauphine	104.5	101.1	**114.0**	120.5	126.9	133.2	140.4	149.3	157.3
Flame Seedless	114.4	140.3	**134.7**	138.0	140.8	143.0	147.7	154.6	161.2
La Rochelle	120.6	163.1	**157.5**	165.9	173.2	179.9	189.1	200.6	211.2
Prime	117.8	134.6	**141.5**	149.5	156.3	162.4	169.8	179.5	188.2
Red Globe	136.5	178.8	**175.6**	185.4	194.1	202.5	213.3	226.3	238.3
Regal Seedless	109.7	149.7	**142.3**	150.5	156.9	163.6	172.1	182.4	192.0
SugraThirteen	148.8	155.2	**161.7**	170.1	177.5	184.5	193.7	205.0	215.3
SugraOne	114.9	153.7	**148.3**	156.7	163.4	170.2	178.9	189.7	199.6
Thompson	121.3	175.0	**162.5**	171.5	178.3	185.1	194.4	206.0	216.6
Victoria	100.2	169.2	**146.2**	151.5	155.8	160.2	166.9	176.2	184.5

*The historical data have been adjusted.

Apples

Production and Area

Total area under apple trees increased in 2008 for the first time since 2000. The graph shows that bearing hectares is projected to set on this increasing trend up to 2015. Production is projected to continue its increasing trend with the rise in hectares, but also due to older orchards being replaced by higher density plantings.
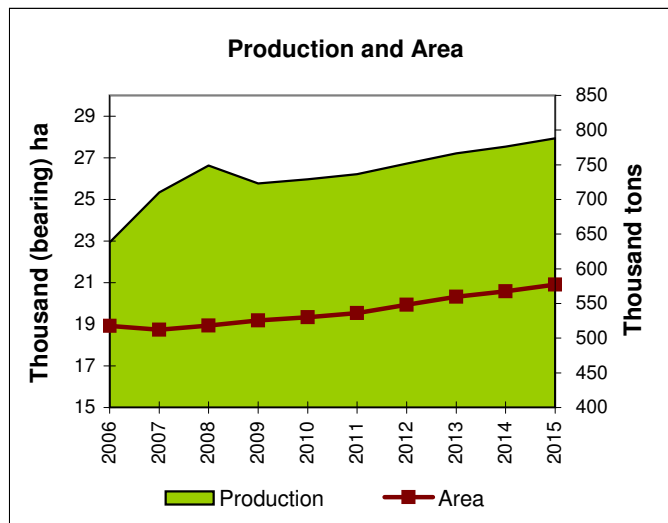

Apple Exports

In 2008 lower world production and consequently lower stocks in the Northern Hemisphere, together with a weaker exchange rate compared to 2007,created an excellent market for South African apples. The average price of fresh apples exported increased by almost 7% in real terms in 2008. However, for the 2008/2009 season world production is estimated approximately 8% higher compared to the previous year and with the current economic conditions, total US stock in cold storage are up 14% from last year. Stocks in Europe are also significantly higher compared to last season. The projected impact on the average export apple price is a 7% decline in real terms. The price is projected to recover to some extent in 2010 as stocks are assumed to return to average historical levels and the world economy recovers. The increase in the nominal price of apples is mainly driven by the gradual depreciation in the exchange rate and postive growth for the the world economy, specifically developing economies.
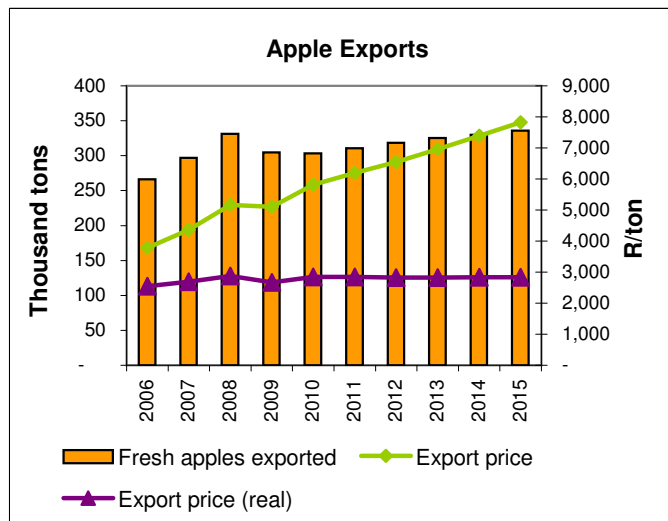
Domestic Market for Fresh Apples

The high returns in the export market and also good prices for processing apples resulted in a relative shortage of apples in the local market. The lower volumes resulted in a 16% hike in the real fresh market price in South Africa. The price is projected to come under pressure in 2009 and 2010, due to higher volumes and lower consumer spending. Real prices are projected to increase marginally over the remainder of the baseline period.
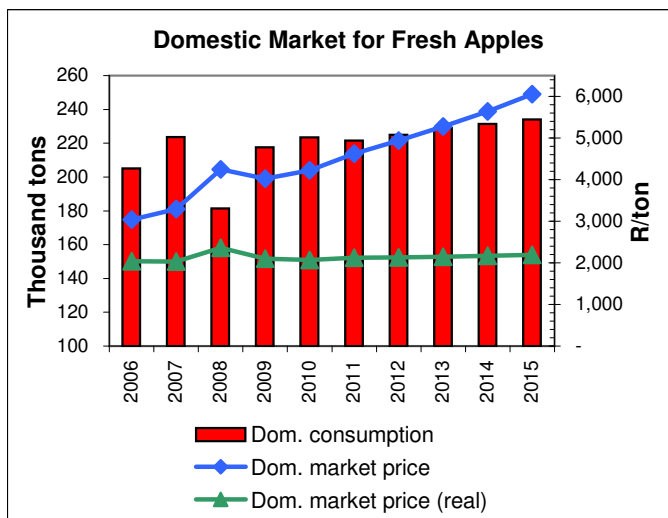
Apples

	2007	2008	**2009**	2010	2011	2012	2013	2014	2015
			thousand hectares						
Area	18.73	18.94	**19.18**	19.34	19.54	19.94	20.33	20.59	20.90
			thousand tons						
Production	710.1	748.7	**723.0**	729.2	736.7	751.7	766.5	776.3	788.0
Dom. cons. of fresh apples	223.6	181.4	**217.5**	223.5	221.6	225.0	228.9	231.5	234.1
Fresh apples exported	296.8	331.1	**304.8**	303.5	310.8	318.4	325.4	330.1	336.0
			Rands/ton						
Dom. price (current)	3,293	4,243	**4,021**	4,221	4,626	4,940	5,276	5,639	6,055
Dom. price (constant 2000 prices)	2,032	2,363	**2,103**	2,067	2,125	2,134	2,144	2,168	2,195
Export price (current)	4,363	5,167	**5,108**	5,819	6,194	6,541	6,955	7,387	7,821
Export price (constant 2000 prices)	2,693	2,877	**2,671**	2,849	2,845	2,826	2,826	2,840	2,835