ECONOMIC OUTLOOK REPORT XIV

ARC • LNR

Excellence in Research and Development

Prepared by the Economic Services Unit:

Technology Transfer Division

March 2013

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1. EXECUTIVE SUMMARY

Global macroeconomics

Economic growth is projected to strengthen to 3.5% this year, from 3.2% in 2012. Growth in the United States is projected at 2% in 2013, down from an estimated 2.3% in 2012. The euro monetary area is expected to contract by 0.2% in 2013. Emerging market economies continue to grow more rapidly than developed economies, but its market output growth weakened in 2012 as external demand softened. China's economy is expected to grow by 8.2% in 2013 as a result of lower interest rates, reduced reserve requirements for banks and public infrastructure spending. Real GDP growth in India is projected to rise to 5.9% in 2013 from 4.5% in 2012. Real GDP growth in Brazil is projected to increase to 3.5% in 2013. In Sub-Saharan Africa, relatively high commodity prices continue to support growth, particularly in resource-rich countries. Regional growth is expected to rise from 4.8% in 2012 to 5.8% in 2013.

Global agricultural perspective

Overall world net production of commodities is forecast to grow by 22% by 2019. Production among the 30 members of the OECD is estimated at 10% over the outlook period of 2010-2019. Production in Western Europe will however stagnate while Brazil is forecast to see the fastest growth in agriculture, with an expansion of more than 40% through to 2019. China and India are expected to see growth of 26% and 21% respectively up to 2019. Projections for Russia and Ukraine are 26% and 29% respectively, up to2019. The U.S's 2013 agricultural exports are forecast at a record value of $142 billion, $6.2 billion above the 2012 figure, while agricultural imports are forecast at a record $112.5 billion, $9.1 billion higher than in 2012.

South African macroeconomics

South Africa's economy continues to grow, but at a slower pace than expected. GDP growth is projected at 2.7% in 2013, 3.5% in 2014 and 3.8% in 2015. Inflation is projected to average 5.9% in 2013 and 5.3% in 2014. The current account deficit is forecast to average 6.2% over the medium term. Consumer inflation is projected to remain within the 3-6% target band over the next three years.

South African Agricultural sector perspective

This season's maize market is expected to be down as the maize crop in many parts of the summer rain area is failing due to drought. Despite higher feed costs in the second half of 2012, feedlot margins improved significantly, with an increase in beef prices of more than 15% towards the end of 2012. An expected output of 1.7 million tons of wheat is projected for 2012/13 resulting in a production deficit of 1.6million tons compared to a deficit of 1.1 million tons last year. The anticipated output for soya beans is 851 000 tons. The expected yield of sunflower seed is 1.10t/ha whilst the revised area estimate for sunflower seed is 504 700ha.The area estimate for groundnuts is 46 900 ha and the expected yield is 1.23/ha. About 30 778 lint bales are estimated to be produced from RSA grown seed cotton, down 49% from the previous season. Swaziland will continue to contribute gin and the balance of 3 500 lint bales.

The world production of peaches and nectarines is forecast to continue its decade-long climb for the 2012/13 season, rising by 3% from the previous season to reach a record 19.4 million tons. Locally, apricots and nectarines are forecast to decline by 10% and 7% respectively. Peaches and plums are forecast to grow by 6% and 4% respectively compared to the previous season. The 2012/2013 table grapes crop is estimated to be in the range of 53 to 55 million equivalent cartons. Tomato prices are expected to move sideways to firmer on improved demand in the short term. Potato prices decreased sharply despite reduced volumes due to weak demand on markets. Onion prices posted sharp gains on the back of reduced supplies on markets. Cabbage and carrot prices are expected to come under pressure in the short term on improved volumes.

Record maize prices and competition from cheap imports are proving challenging to South African livestock producers, resulting in a subdued outlook for meat production in 2013. A forecast for poultry production envisages strong growth of 22% in the five years to 2016/17. Pork consumption is seen growing by 1.0% in 2013 and by 23.9% in the five years to 2017. The informal market through traders or speculators drives the South African goat industry. The market demand for dairy products continues to grow at more than 4% per year. Volumes of wool, as well as the prices are forecast to increase during the 2013-14 production year. The overall demand for mohair is healthy and the market is price sensitive for fineness.

2. FOREWORD AND ACKNOWLEDGEMENTS

The Economic Services Unit presents this 14th Economic Outlook to the ARC as a planning resource. The document analyses global and domestic trends in economic and agricultural markets and policy, and its potential impacts on sector performance. Apart from a macroeconomic perspective, it deals with commodity production, consumption, and price trends. A range of projections are provided, based on assumptions about a set of economic, technological, environmental, political, institutional and social factors. International and local publications form the basis of the Outlook. Projections developed by the OECD, IMF, Global Insight, FAPRI and the World Agricultural Outlook are used. Projections should be interpreted as possible scenarios. The following sources are acknowledged:

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Business Monitor International Report, Q2, 2013
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DAFF: A profile of the South African Beef Market value Chain, 2011
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http://www.woolnews.net/news/forecast-supply-and-demand-2012-13-and-beyond/
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USDA Foreign Agricultural Services, Stone Fruit: World Market and Trade September 2012

3. MACRO-ECONOMIC INDICATORS

Global macroeconomic status

According to the IMF March report global growth will strengthen gradually in 2013, as the constraints on economic activity start to ease. Growth is projected to strengthen to 3.5% in 2013 year, from 3.2% in 2012. Growth in the United States is projected at 2% in 2013, down from an estimated 2.3% in 2012. Capital spending has improved, with signs of an incipient revival in the housing sector. However, unemployment remains high. The euro area entered a deepening recession during the second half of 2012 and is expected to contract by 0.2% in 2013. Emerging market economies continue to grow more rapidly than developed economies. Still, emerging market output growth weakened in 2012 as external demand softened. Fluctuations in investor risk appetite contributed to continued volatility in currencies and commodity prices.

China's economy is expected to grow by 8.2% in 2013 as a result of lower interest rates, reduced reserve requirements for banks and public infrastructure spending. In the period ahead, a rebalancing of growth away from net exports and investment towards household consumption could affect international production, trade and commodity price trends. The IMF forecasts average growth in China of 8.5% over the next five years, compared with 10.5% over the previous two decades. The Indian economy is opening up to global investors, which should bolster productivity and investment over the medium term. As a result, real GDP growth in India is projected to rise to 5.9% in 2013 from 4.5% in 2012. After nearly stalling in 2012 following weak investment spending, real GDP growth in Brazil is projected to increase to 3.5% in 2013, supported by earlier decisions to ease monetary policy and provide fiscal stimulus. In Sub-Saharan Africa relatively high commodity prices continue to support growth, particularly in resource-rich countries. The IMF expects regional growth to rise from 4.8% in 2012 to 5.8% in 2013. Greater macroeconomic and political stability are attracting increased capital investment.

South African macroeconomic status

South Africa's economy continues to grow, but at a slower rate than previously expected. GDP growth is projected at 2.7% in 2013, 3.5% in 2014 and 3.8% in 2015. Strong public-sector capital investment, additional electricity-generating capacity, relatively stable inflation, low interest rates and robust economic activity in southern Africa will contribute to a supportive environment for improved growth over the medium term. The repo rate remains unchanged at 5%, and the prime lending rate at 8.5% through 2012/13. Stats SA reported that Consumer Price Inflation had risen to 5.9% in February 2013. The exchange rate of the rand continues to pose the main upside risk to the inflation outlook. Since the beginning of 2013 the rand had depreciated by 8.4% against the US dollar, and fluctuated within a range of R8.45 and R9.26. The Reserve Bank projects inflation to average at 5.9% in 2013 and 5.3% in 2014. While the mining sector had recorded a 7.3% year-on-year growth in January, the industry was expected to remain under pressure given the unsettled labour relations environment. The current account deficit is forecast to average 6.2% over the medium term. Consumer inflation is projected to remain within the 3-6% target band over the next three years. Macroeconomic stability provides the foundation for sustainable growth and job creation envisioned in the National Development Plan (NDP) by supporting investment and confidence, and ensuring that future liabilities can be met.

Global Agricultural outlook

Global food production is projected to expand by 70% by 2050 while overall world net production of commodities is forecast to grow 22%. Production growth among the 30 members of the OECD is estimated at 10% between 2010 and 2019. Production in Western Europe alone will stagnate. Brazil is forecast to see by far the fastest growth in agriculture, with an expansion of more than 40% through to 2019. China and India are expected to see growth of 26% and 21% respectively to 2019. Projections for Russia and Ukraine were 26% and 29% for this period. The U.S. 2013 agricultural exports are forecast at a record $142 billion, $6.2 billion above final fiscal 2012 exports. Grain and feed exports are forecast down $4.3 billion mostly on reduced corn prospects. Oilseed exports are up $1.0 billion due to strong soybean meal and oil shipments. Cotton exports are forecast up $400 million, primarily due to greater import demand from China. The forecast for livestock, poultry, and dairy is up $300 million with greater beef and poultry exports outweighing lower pork shipments. Horticultural exports are unchanged at a record $32 billion. Sugar and tropical products are forecast down $300 million on lower expected exports to Canada and Mexico. U.S. agricultural imports are forecast at a record $112.5 billion, $9.1 billion higher than in fiscal 2012. The reduced forecast is largely due to lower expected imports of sweeteners, coffee, and rubber.

SA Agribusiness

The February issue of the NAMC's Food Price Monitor posits that the local maize market is currently in trouble with the maize crop in the North West and large parts of the Free State in critical need of rain. Since a carry-over stock of only around 1 million tons and speculation of approximately 1.5 million tons have already been booked for exports, it is predicted that the maize market can become unstable in the near future. It is also anticipated that the SAFEX price could increase by more than 20%, which will lead to increases in maize meal prices of more than 10% in the second half of the year. Coming out of a period of sharp increases in feed prices, it is expected that the livestock industries will be highly dependent on grain and oilseed markets. Local chicken meat prices are supported by higher world prices for chicken and the weaker exchange rate boosting the price of imported chicken. Despite higher feed costs in the second half of 2012, feedlot margins had improved significantly, with an increase in beef prices of more than 15% towards the end of 2012. South Africa's sugar producers continue to face a number of challenges, including unpredictable weather patterns. BMI estimates that, over the long term, macroeconomic fundamentals, together with the increasing use of sugar for biofuel, will have a positive impact on sugar production levels.

SADC Region

The Southern Africa Food Security Outlook update by FEWS NET Report (February 2013) indicates that with the exception of parts of Malawi and Mozambique, most rural households across the region will maintain minimal food insecurity outcomes until March. This was made possible by increasing reliance on market purchases through improved purchasing power and labour prospects, and supplementing these with food from green harvests which became available from February. From April to June, food insecurity for the majority of poor households across the region will continue to be minimal as most will start accessing food from the main season harvest and will rely less on market purchases. This will result in stabilization and decline in food prices; improving access for poorer households. An increase in food insecurity is expected in flood impacted parts of Mozambique (Chókwe district) due to the displacement of thousands of people, along with the loss of crops and assets. Despite isolated negative impacts of extreme weather, crop conditions are reported to be good in many parts of Malawi, northern Mozambique, South Africa, parts of Tanzania, most parts of Zambia, and in north-eastern Zimbabwe.

4. FIELD CROP PRODUCTS

Wheat

Wheat production will remain positive with moderate growth until 2016/17. The BMI forecasts wheat production to grow by 10.2% to reach 2.1million tons in 2016/17, as shown in Table 4.1. According to BMI forecasts, the long-term growth is expected to derive from the introduction of new seed varieties together with the implementation of new import levies for wheat. These new levies are expected to discourage importers. Elevated local wheat prices are expected to cause an increase in the area set aside for wheat production.

Table 4.1. South Africa Wheat Production and Consumption

	2012	2013	2014	2015	2016	2017
Wheat Production, '000 tonnes [1]	1,905.0	1,700.0 f	1,948.3 f	1,971.0 f	2,035.6 f	2,100.2 f
Wheat Consumption, '000 tonnes [1]	3,252.4 e	3,268.6 f	3,350.4 f	3,383.9 f	3,468.6 f	3,555.6 f

Notes: [e] BMI estimates. [f] BMI forecasts. Sources: [1] DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

Source: BMI (2013)

A decrease of 9.0% in wheat plantings in South Africa is expected for the 2012/13 season which runs from September 2012 to October 2013. The BMI envisages the total area estimate for wheat at 550 000ha. An expected output of 1.7 million tons of wheat in 2012/13 is projected which will see a production deficit of 1.6million tons against a production deficit of 1.1 million tons in the same period last year.

Maize

The high price of maize is expected to continue to entice farmers around the world to produce more maize. Prices will be driven by demand side factors such as demand for animal feed purposes. As a result, BMI maintained its forecast for local maize production at 12.4 million tonnes. A long term production forecast of 29.9% is expected which should spur maize yield by 2 million tons to 14.4 million tons by 2016/17. New seed varieties will continue to play a significant role in driving yields up. This will see an increase of 15.1% in maize demand over 2012 -2017.

Dry weather conditions in the Free State and North West provinces are expected to have an adverse effect on anticipated yields. The CEC forecasts reveal that the area estimate for maize is 2.781 million ha, while the expected yield is 4.23t/ha. The production of white maize is forecasted at 6.307 million tons which is 6.56% less than the 6.75 million tons in the previous forecast. The yield for white maize is expected to decline from 4, 17 t/ha to 3, 90 t/ha. The yield for yellow maize is forecasted at 4, 68t/ha which will be 0.78t/ha less than the previous forecast whereas the production forecast is 5. 445 million tons, which will be 165 tons less than the previous forecast. As at 26th March 2013, the area planted for maize was forecasted at 2 781 200 ha of which 1 617 200 ha is for white maize whereas 1 164 000 ha is forecasted to comprise yellow maize, as shown in Table 4.2.

Table 4.2 Commercial Maize

CROP/GEWAS	Area planted/ Opp beplant 2013 Ha (A)	2nd forecast/ 2de skatting 2013 Tons (B)	1st forecast/ 1ste skatting 2013 Tons (C)	Area planted/ Opp beplant 2012 Ha (D)	Finale oes/ Final crop 2012 Tons (E)	Change/ Verandering/ % (B) ÷ (C)
Commercial/Kommersieel:						
White maize/Witmielies	**1 617 200**	6 306 700	6 749 600	1 636 200	6 740 000	-6,56
Yellow maize/Geelmielies	**1 164 000**	5 444 900	5 604 750	1 063 000	5 090 000	-2,85
Maize/Mielies	**2 781 200**	11 751 600	12 354 350	2 699 200	11 830 000	-4,88
Sunflower seed/Sonneblomsaad	**504 700**	554 500	624 210	453 350	522 000	-11,17
Soya-beans/Sojabone	**516 500**	851 000	914 350	472 000	650 000	-6,93
Groundnuts/Grondbone	**46 900**	57 900	64 600	45 450	59 000	-10,37
Sorghum	**62 620**	168 114	181 544	48 550	135 500	-7,40
Dry beans/Droëbone	**43 550**	56 100	55 500	39 750	47 695	+1,08
TOTAL/TOTAAL	**3 955 470**	13 439 214	14 194 554	3 758 300	13 244 195	-5,32

Source: CEC (2013).

Sorghum

Sorghum output will drop further this quarter to 168 114 tons, compared with the 181 544 tons of the previous forecast. An expected yield of 2.68t/ha is forecasted and the area estimate for sorghum is 62 620 ha, as shown in Table 4.2.

Barley

The CEC production forecast for barley is 300 638 tons, 11 362 tons less than last year's crop. Estimates from the CEC further reveal that the area planted with barley is 44 100 ha, with an expected yield of 3.54t/ha. The BMI reasons that the decline in output for barley will be due mainly to lower availability of land for the grain because of increased plantings of maize. As a result, BMI predicts that output will fall to 9.1% year-on-year in 2012/13 (see Table 4.3). Record output in 2011/12 is likely to see a decline in import demand for the crop given increased stocks of barley grain locally. Over the long term, barley output will grow moderately as farmers may react to higher prices by increasing land for barley plantings. On the demand side, flat growth in demand for barley is predicted by the BMI which reflects a relatively limited use of the barley grain as a source of pearl barley and as a core ingredient in the production of beer malt.

Table 4.3: South Africa Barley Production and Consumption

	2012	2013	2014	2015	2016	2017
Barley Production, '000 tonnes [1]	309.0	280.8 f	286.4 f	290.7 f	296.2 f	301.7 f
Barley Consumption, '000 tonnes [1]	285.0 e	293.5 f	299.4 f	302.4 f	305.4 f	308.5 f

Notes: [e] BMI estimates. [f] BMI forecasts. Sources: [1] USDA

Source: BMI (2013)

Soya beans

The area in 2012/12 planted with soya is forecasted at 516 500 ha and an expected yield of 1.65t/ha is projected (see Table 4.2). The anticipated output is 851 000 tons.

Sunflower seed

Table 4.1 shows that the CEC's expected sunflower seed crop is 544 500tons, roughly 11% less than previously forecasted. The expected yield of sunflower seed is 1.10t/ha on 504 700ha.

Groundnuts

The CEC predicts an output for groundnuts of 57 900 tons (see Table 4.2). The area estimate is 46 900 ha and the expected yield is 1.23/ha.

Dry beans

The production forecast for dry beans is 56 100 tonnes. The area planted is estimated at 43 550 ha, while the expected yield is 1.29 t/ha.

Cotton

The Int. Cotton Advisory Committee (ICAC) expects cotton production to decline for the third consecutive season. Production will decrease by 14%, putting global supply at 22.6 million tonnes, due to increased attractiveness of competing crops. The USA and China will experience the highest decrease due to strong competition with grains and soya. China, the world's biggest consumer of cotton, will see a decline in consumption of 5% in 2013/14, whereas India and Pakistan will see an increase in the same period. China's cotton policies will benefit global cotton prices: the Chinese government's decision to increase cotton reserves saw importation of over 3 million tons at higher prices than prevailing world prices last season. The gap between domestic and world prices triggered record imports to build-up domestic stocks. The ICAC forecast Chinese cotton reserves to expand to 6 million tons by January 2013. The local cotton outlook for 2012/13 indicates a total crop of 34 278 lint bales, 46% down from the previous season, as shown in Figure 4.1. More favourable prospects for other competing summer crops at planting time are mainly responsible for the decrease. About 30 778 lint bales are estimated to be produced from RSA grown seed cotton, down 49% from the previous season. Swaziland will continue to contribute and gin the balance of 3 500 lint bales.

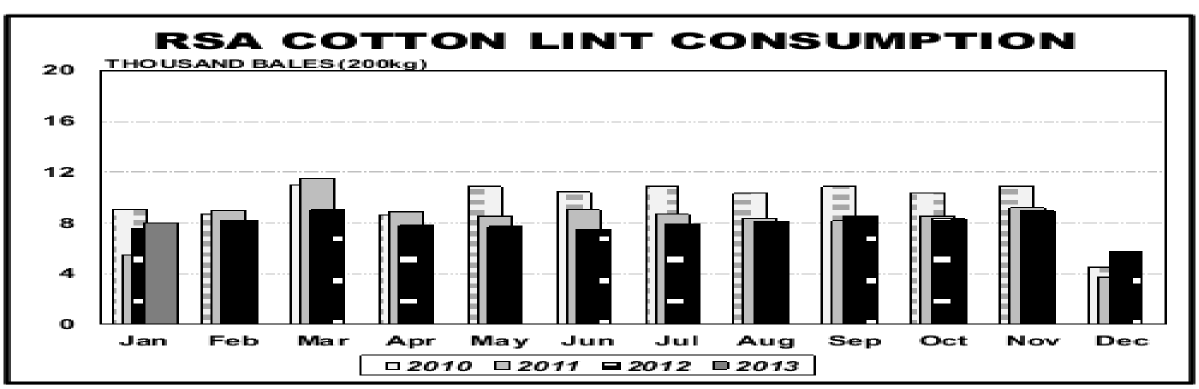

Figure 4.1: RSA Cotton Lint Consumption (Cotton SA, 2013).

5. HORTICULTURE OUTLOOK

Peaches and Nectarines

In the previous outlook report, the horticulture section covered trends for deciduous fruits in particular pear, apple and citrus crops. In that report China was seen as highly competitive in some crops (e.g. pear) in terms of production. It was reported that China was responsible for 75% of world's pear production. In the current report the focus is on stone fruit (peach and nectarines) and again it appears that China occupies a strong strategic position. The USDA report released on September 2012, reports that China with a record high of 12 million tons of peaches and nectarines in 2013, remains the world's leading producer of these crops with a market share of 62%. In terms of this criterion South Africa is ranked number 8, but it only accounts for 2% in terms of exports.

According to the NAMC, the world production of peaches and nectarines is forecast to continue its decade-long climb in the 2012/13 season, rising by 3% from the previous season to reach a record 19.4 million tons. The recent expansion of global peach and nectarine production is almost exclusively from China. In the 2012/2013 season, China's production is forecast to reach 12 million tons, which is equivalent to 62% of global production. Rising demand from Vietnam and Russia is projected to drive exports up nearly 30% to 50 000 tons, although storage and transportation challenges continue to limit export potential. South Africa is the 8th largest producer of peaches and nectarines, accounting for just 1% of global production and is responsible for only 2% of the global export share. Global production is concentrated, with the top five largest producers (China, the EU, USA, Turkey and Argentina) accounting for 94% of world production of peaches and nectarines (see figure 1). Between 2008 and 2013, EU exports recorded a growth rate of 68%, growing from 194 000 tons to 325 000 tons in the 2012/2013 season.

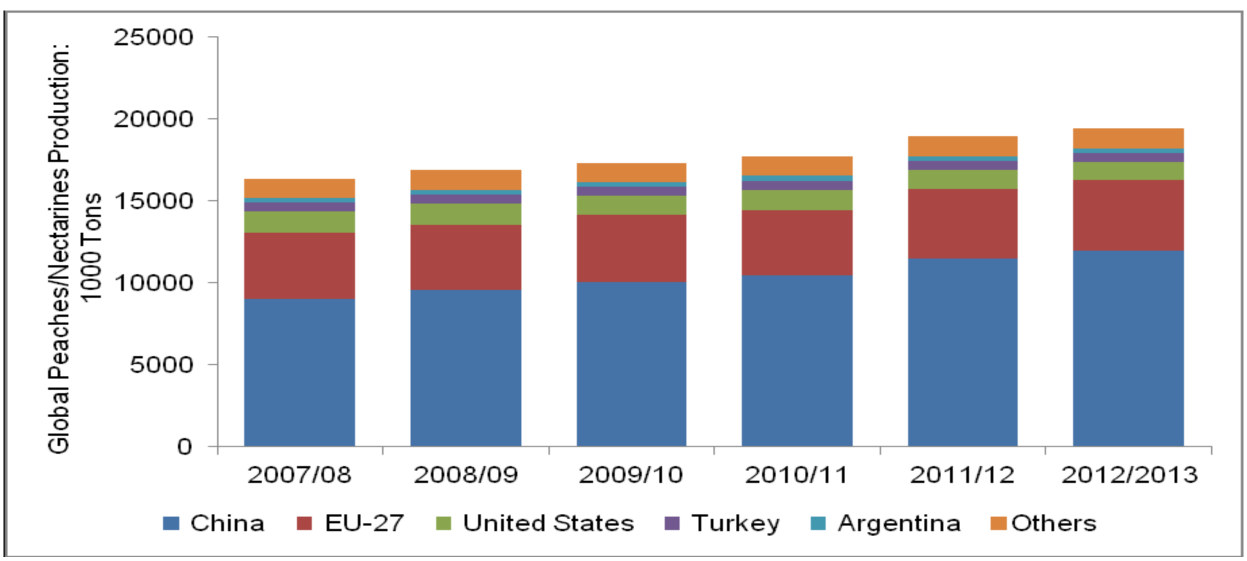

Figure 5.1: Global Peach/Nectarines trends, 2007-2013 (NAMC, SA fruit trade flow 2013)

Crop estimates of all South Africa stone fruits in 2012/2013 are shown in table 5.1. Apricots and nectarines are forecast to decline by 10% and 7% respectively. Peaches and plums are forecast to grow by 6% and 4% respectively, compared to the previous season.

Table 5.1: South African stone fruit crop estimates for 2012/2013 (NAMC, SA fruit trade flow 2013)

Product	Carton Size	2009/2010	2010/2011	2011/2012	2012/2013	Estimates vs. last season
Apricots	4.75	976 187	882 100	1 283 657	1 151 932	-10 %
Nectarines	2.5	2 605 845	2 528 509	3 535 866	3 278 782	-7 %
Peaches	2.5	1 134 343	997 526	1 197 427	1 269 829	6 %
Plums	5.25	7 876 810	9 396 300	9 526 529	9 910 643	4 %

Table Grapes

The USDA (2012) estimates a global crop of 17.1 million tons in the 2012/2013 table grape season, which is a 3% growth compared to the previous season. Both production and consumption have grown by 20% in the last 5 years, driven by growth in China. Figure 2 shows the world's top ten table grape producing countries. China is by far the largest and fastest growing producer of table grapes in the world. In the current season, China is estimated to produce 7.3 million tons of table grapes, which is equivalent to a 40% global production share. Strong global demand and high profitability over the last five seasons have sparked expansions in vineyard plantations in China and other leading grape producing countries.

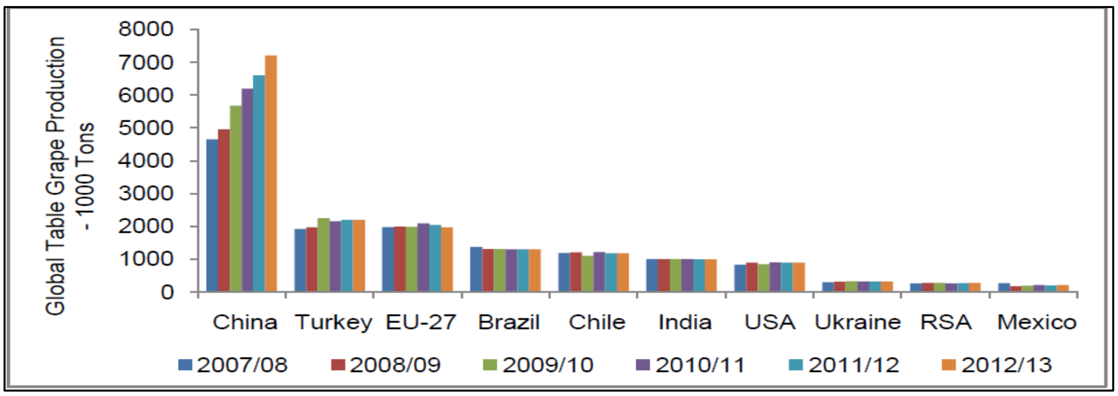

Figure 5.2: Global table grape production trends (USDA, 2012)

Global table grape exports are forecast to increase by 4% in the 2012/2013 season compared to the previous season. The increase will be fuelled by large volumes expected from Chile, the largest and the USA, the second biggest exporter in the world. Figure 3 shows the leading exporters of table grapes in the world.

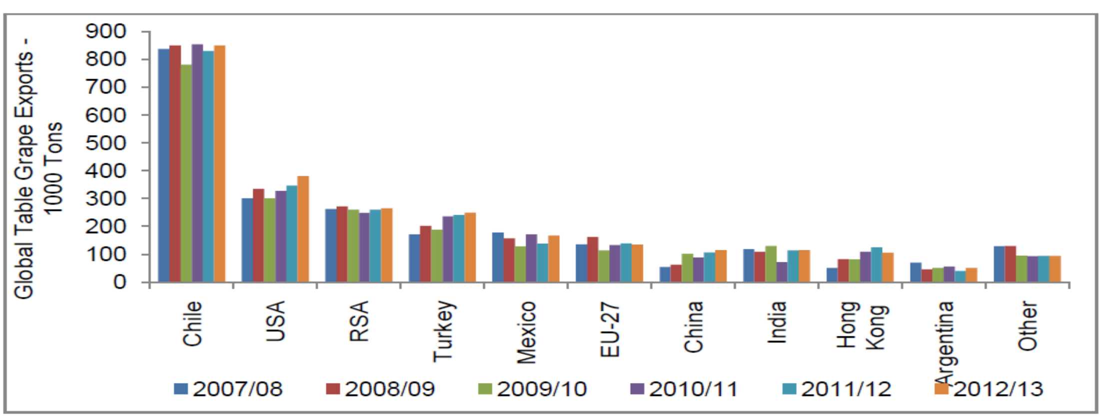

Figure 3: Global table grape export trends (USDA, 2012)

South Africa's table grape production and export in 2012/2013

The South African table grape industry released an initial crop estimate in October 2012. The 2012/2013 season's crop is estimated to be in the range of 53 to 55 million equivalent cartons (1 carton = 4.5 kg). In the previous season, a total of 54.65 million cartons were harvested from five production regions (see Table 5.2). The November 2012 farm workers' strike that started in De Doorns (the main producing area) will likely have negative impacts on the estimated volumes. As a result of the labour unrest, about 50 hectares of table grapes were destroyed and certain vineyard activities (e.g. bunch thinning) were interrupted. The consequences of interrupted vineyard activities will lead to quality issues such as small berry sizes and uneven bunch shape and sizes.

Table 5.2: Initial table grape crop estimates for 2012/2013 season (NAMC, SA fruit trade flow 2013):

Region	Actual: Million	Estimate: Million
Northern Province	4.25	4.2-4.4
Orange River	16.83	16.6-16.9
Olifants River	2.27	2.3-2.5
Berg River	12.87	12.5-12.8
Hex River	18.43	18.2-18.5
Total	54.65	53.8-55.1

Northern Europe and the United Kingdom remained key markets for table grape exports. By the end of week 1, these two markets had absorbed 87% of the total of South African table grape exports. Domestic consumption of table grapes in South Africa increased by 6% between 2011 and 2012. Prices in the first semester of 2012 were much lower than the price per ton in the second semester. Prices grew by 246% while consumption of table grapes declined by 87% between the 1st and 2nd semesters of 2012.

Vegetable Market Trends

Tomatoes

Tomato prices decreased sharply due to weak uptake on markets. Prices fell by 4.8% w/w but were 44.7% higher y/y, closing the week at R5 005 per ton. Weekly volumes of tomatoes traded decreased by 5.1% w/w and 15.3% y/y, coming in at 3 266 tons. It is expected that prices will move sideways to firmer on improved demand in the short term.

Potatoes

Potato prices decreased sharply despite reduced volumes due to weak demand on markets. Weekly potato prices decreased by 8.4% w/w but were 15.2% higher y/y at R2 616 per ton. Volumes traded fell by 14.0% w/w but were 5.8% higher y/y at 12 820 tons. Prices are expected to trend sideways with further upward potential on improved uptake.

Onions

Onion prices posted sharp gains on the back of reduced supplies on markets. Prices reached R3 402 per ton, up by 12.4% w/w and 39.5% y/y. Volumes traded were substantially lower, coming in at 4 428 tons which is down by 18.3% w/w and 0.2% y/y.

Carrots

Carrot prices closed the week higher due to limited supplies on markets. Carrot prices increased by 4.2% w/w and 48.7% y/y, closing at R4 218 per ton. Volumes traded were pegged at 1 352 tons, down by 7.0% w/w and 2.9% y/y. It is however expected that prices will come under pressure in the short to term on improved volumes.

Cabbages

Cabbage prices posted marginal gains due to limited supplies on markets. Prices increased by 1.7% w/w and 0.1% y/y to close the week at R2 844 per ton. Volumes traded reached 1 072 tons, down by 7.8% w/w but still 11.0% higher y/y. Prices are expected to come under pressure in the short term due to higher volumes.

Table: 5.3: Trends in Vegetable Prices at SA's major fresh produce markets in March 2013 (Average for Pretoria, Bloemfontein, Johannesburg, Cape Town & Durban (FNB, Agri-Weekly)

Week ending 15-03- 2013	Average Price (R/ton)	Week-on-Week	Year-on-year	Total Volume (t)	Week-on-Week	Year-on-year
Tomato	5 005	-4.8%	44.7%	3266	-5.1%	-15.3%
Potato	2 616	-8.4%	15.2%	12820	- 14.0%	5.8%
Onion	3 402	12.4%	39.5%	4428	-18.3%	-0.2%
Carrot	4 218	4.2%	48.7%	1352	- 7.0%	-2.9%
Cabbage	2 844	1.7%	0.1%	1072	- 7.8%	11.0%

6. ANIMAL PRODUCTION

Record maize prices and competition from cheap imports are proving challenging to South African livestock producers, resulting in a subdued outlook for meat production in 2013. While the operating environment remains difficult for South African poultry producers such as Astral Foods and Rainbow, in 2012/13 poultry production is seen recovering to 1.4 million tons. Specific challenges include weak economic growth, persistently high unemployment and a strong rand, which has encouraged an influx of cheap poultry imports into the market.

Poultry

An extended forecast for poultry production envisages strong growth of 22% in the five years to 2016/17, driven by strong GDP per capita growth and a steady fall in unemployment. Even though the SA government has stepped back on its decision to implement a tariff surcharge on Brazilian poultry imports, it is assumed that cheap imports will only force local producers to increased efficiency and productivity in the near term. BMI forecasts poultry consumption to grow by 3.6% in 2013 following slight growth of 0.5% in 2012. However, the outlook for long-term poultry demand remains positive. As more South African consumers move towards diets containing higher levels of protein, poultry, mostly chicken, is increasingly being viewed as a convenient, healthy and affordable source of nutrition. In addition to rising levels of poultry consumption among South African households, the meat has become increasingly popular as a convenience food, with leading retailers targeting health conscious shoppers with a wider range of poultry products. In the next five years to 2017 BMI envisages poultry consumption expanding by 23.8%.

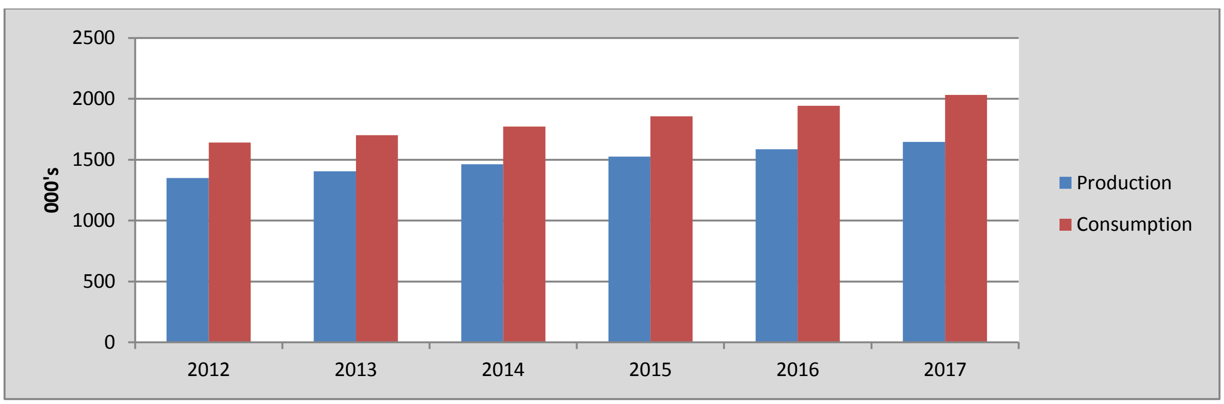

Figure 6.1: South Africa poultry production and consumption: (BMI,2013)

Egg production

The egg industry is fragmented with a few major players and a number of small and medium-sized producers. Although egg production is practiced throughout the country, the KwaZulu–Natal midlands seem to be the pullet rearing capital of South Africa due to its favorable cold temperatures. Gauteng is the largest producer of eggs in South Africa with a market share of 24% followed by Western Cape, Free State and KwaZulu-Natal provinces with shares of 19%, 17% and 13% respectively. These four provinces account for 73% of the production while the remaining 5 provinces have a combined market share of 27%. This is because production follows consumption areas as eggs are perishable and cannot be transported over long distances. Commercial egg production is dominated by three producers, Eggbert, Nulaid and Highveld Cooperative. These three commands around 51% of the market share while the remaining 49% is produced by smaller enterprises and the developing sector. The number of egg producers are estimated at about 1 821 (of which 267 are commercial and 1554 constitute emerging farmers) and they own nearly 22.2 million laying hens and employ about 17 000 farm workers of which around 10 000 workers are in the egg industry and around 7 000 workers are employed in the chick industry. South Africa's egg production is sufficient for local consumption and has export capacity. Demand is influenced by many factors such as improving standards of living amongst consumers, towards more protein filled diets. Other reasons include increased marketing by producers, price competitiveness relative to other proteins on the market and a still-low per capita consumption of eggs compared with other economies in the world. Egg exports amounted to 2 286 tons during 2011.

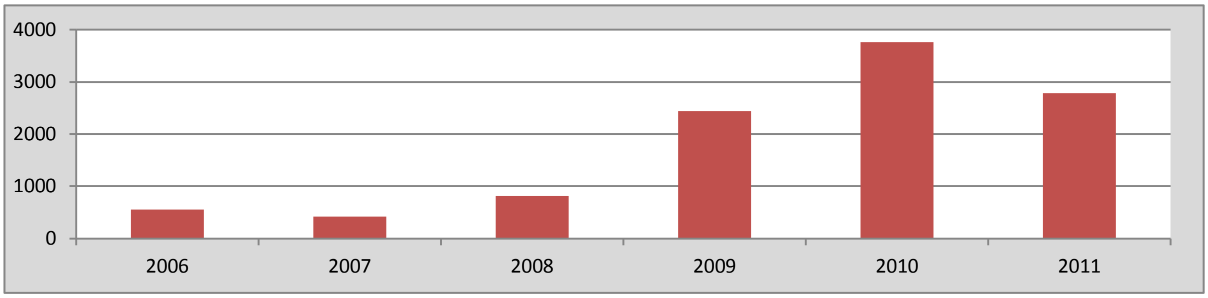

Figure 6.2: Total for egg exports including shell eggs and egg production (SAPA,2012)

Beef

Beef cattle producers vary from highly sophisticated commercial farmers who rely on technology to communal subsistence producers, who rely mostly on indigenous knowledge. About 60% of the 14.1 million cattle available in South Africa are owned by commercial farmers and 40% by emerging and communal farmers. About 77% of the beef market share is in the hands of 8 suppliers. The remaining 23% is owned by smaller enterprises. Karan Beef is the largest supplier commanding 25% of the total market share and Bull Brand is second with 12%. Due to tight margins for beef producers and the fact that its meat is the least preferred because of its high price, BMI forecast beef production to fall by 1.9% in 2012/13. Beef tends to be eaten by more affluent consumers who are less affected by rising unemployment in 2010 and 2011. This, combined with higher beef prices in a context of tight grain markets, has led BMI to revise consumption figures to fall 1.0% in 2013 following a decline of 2.0% in 2012. In the five years to 2017, a 16.2% increase in beef and veal consumption is projected.

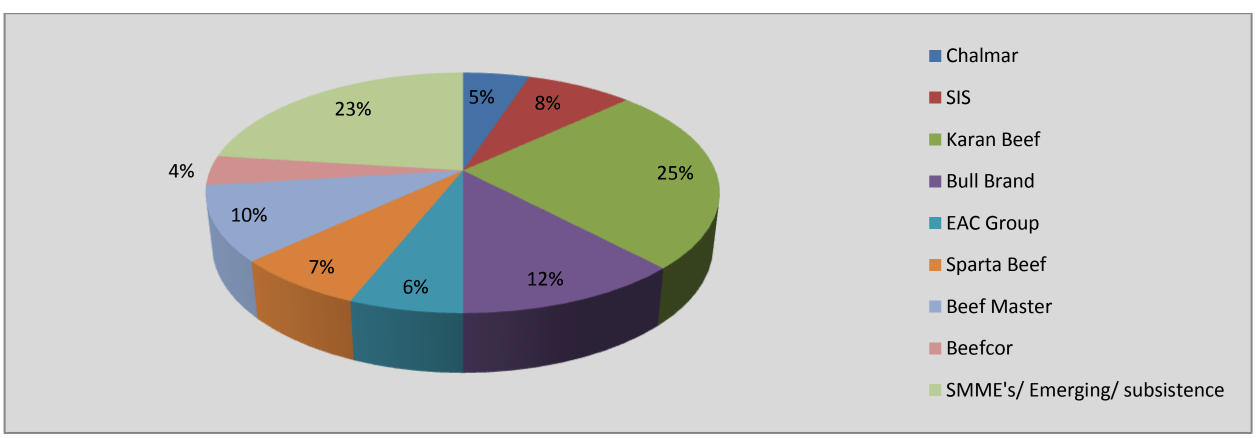

Figure 6.3: Market share in the beef industry (SAMIC in DAFF, 2011)

Pork

The South African pork industry is relatively big in terms of the overall South African agricultural sector. It constitutes ±2.15% of the primary agricultural sector. Pork is produced throughout South Africa with Limpopo and North West provinces being the largest producers accounting for 44% of total production. Commercial pig farmers are estimated at 4000, complimented by 19 stud farmers and 100 new smallholder farmers. All these farmers own ± 125 000 sows (100 000 commercial sows and 25 000 smallholder sows); employing roughly 10 000 workers, comprising of about 4 000 farm workers and 6 000 workers in the processing and abattoir sectors. Like other meats, pork production is also affected by tight margins, and BMI have revised down the forecast for 2012/13, now expecting 0.6% growth to 210 000 tons. Over the forecast period to 2016/17, production is forecast to grow by 19.3% on the 2011/12 level to 249 100 tons. Pork consumption is seen growing by 1.0% in 2013 and by 23.9% in the five years to 2017.

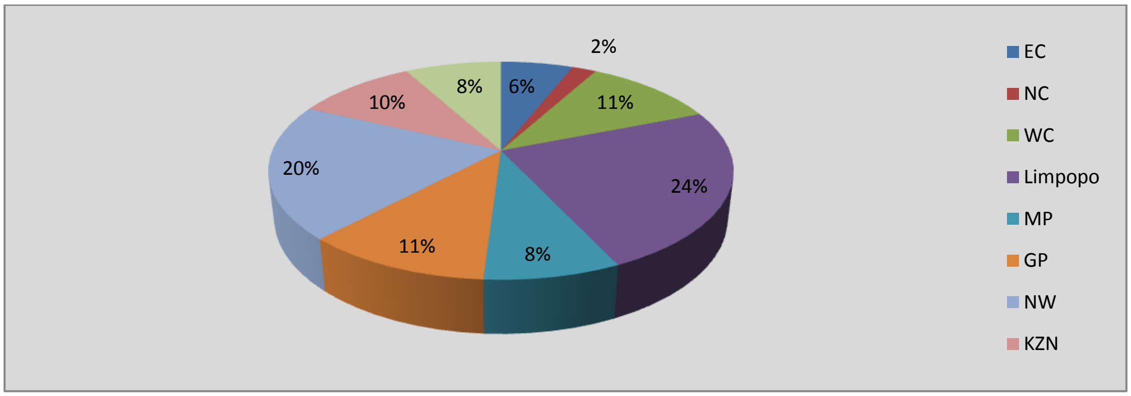

Figure 6.4*: *Distribution of pigs per province in 2010 (DAFF, 2011)

Goat Meat

Due to demand for goats in the informal market and a shortage of goats, farmers are getting good prices. The majority of goats marketed in South Africa are sold in private transactions in the informal market, slaughtered for religious or traditional purposes. The result is that a very small percentage of goats are marketed through registered abattoirs. The informal market through traders or speculators therefore drives the industry. However, South Africa also exported 4 539 kilograms of chevon in 2010 yielding an export value of R361 265. Exports increased from 2008 and reached a peak of 14 689 kilograms with a value of R902 625 in 2009. This might have been led by an increased production and low demand in South Africa. However, in 2010 both export quantity and value experienced a drastic decrease of 69% and 60% respectively compared to 2009. Nigeria commanded the greatest share of South Africa's chevon accounting for 70% of the exports in 2010 followed by Congo taking up 6% and Mozambique by 1%. Roughly 23% of chevon exports destinations were unidentified.

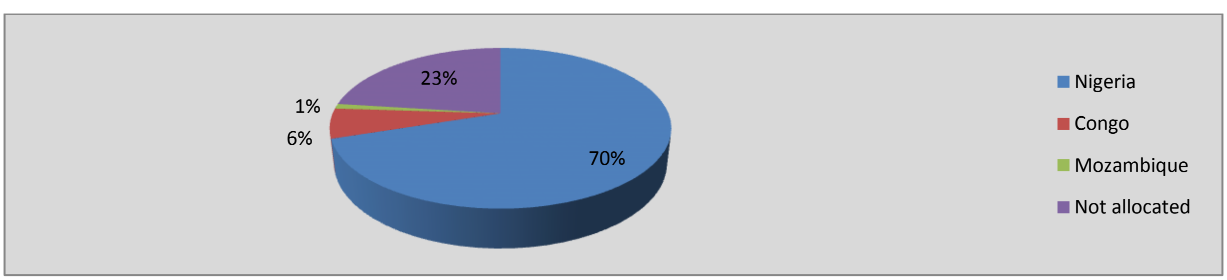

Figure 6.5*: *South African chevon destinations for 2010 (Quantec Easy Data in DAFF, 2011)

Dairy Products

Milk

Milk production in SA constitutes approximately 0.5% of global milk production. The industry comprises of different economic activities and significant differences exist between farming and processing methods of dairy. These include production and marketing of raw milk, pasteurized milk and cream, fermented milk, long-life milk and cream, yoghurt, cheese and its by-product whey, milk powder, sweetened and unsweetened concentrated milk, butter and butter oil (ghee).The demand for dairy products continues to grow at more than 4% per year. During the first ten months of 2012 dairy products equivalent to 242-million litres of milk were imported and dairy products equivalent to 330-million litres of milk were exported. The gross value of fresh milk has been moving at an increasing rate and achieved a peak of R 9.5 million during 2009/10. The average gross value of milk produced amounted to R 6.3 million for the past ten years.

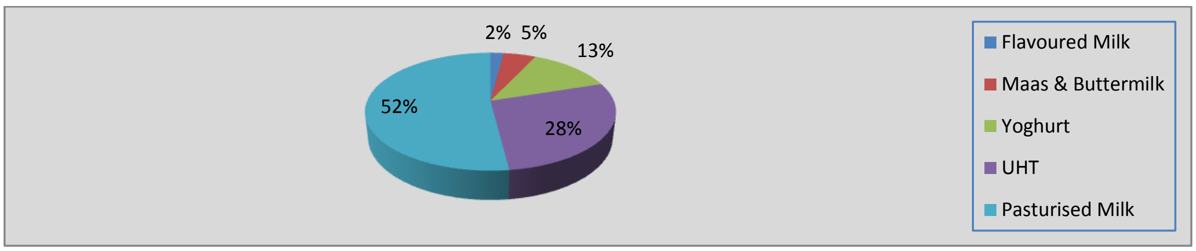

Figure 6.6: Liquid milk products, (MPO in DAFF, 2011)

Cheese

During 2010 South Africa exported 10 491 tons of cheese and curd at an average value of US$ 5 039/unit. The greatest share of these exports were destined to Mozambique which commanded 38.6% share during the year 2010 followed by Zimbabwe with 17.5% then Zambia by 15.9%. South Africa's cheese and curd exports increased by 28% in value and 13% in quantity between 2006 and 2010. During the same period, exports of cheese and curd to Mozambique increased by 22% in value and declined by 3% in quantity; and for Zimbabwe increased in value and quantity by 158% and 133% respectively. Between the periods 2009 and 2010, South Africa's exports of cheese and curd increased by 41% in value.

During 2010 South Africa imported a total of 7 633 tons of milk and cream (not concentrated nor sweetened), at an average value of US$ 686/unit. The greatest share of milk and cream (not concentrated or sweetened) imports originated from Argentina which commanded 70.5% share during the year 2010 followed by Uruguay with 25.2% and then Brazil by 2.2%.

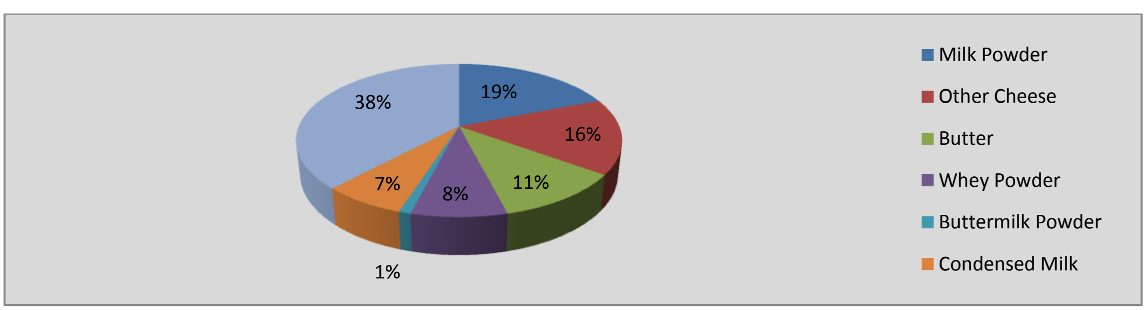

Figure 6.7: Condensed milk products (MPO in DAFF, 2011)

Wool

The volumes and prices of wool are forecast to increase during the 2013-14 production year. The average wool price for this period should increase by 12%. The weaker Rand/Dollar exchange rate greatly supported prices during the last sale of March. Prices of 18 and 19 micron improved by 2%, 19 and 20 micron by 1%, while wool of 20.5 micron and stronger improved by 3%. Competition was high and 99% of the offering was sold.The lower global production (the lowest in 70 years), together with improving economic conditions has caught processors low in stock. As a result demand is forecast to be strong in the short term as sale clearance percentages are high.

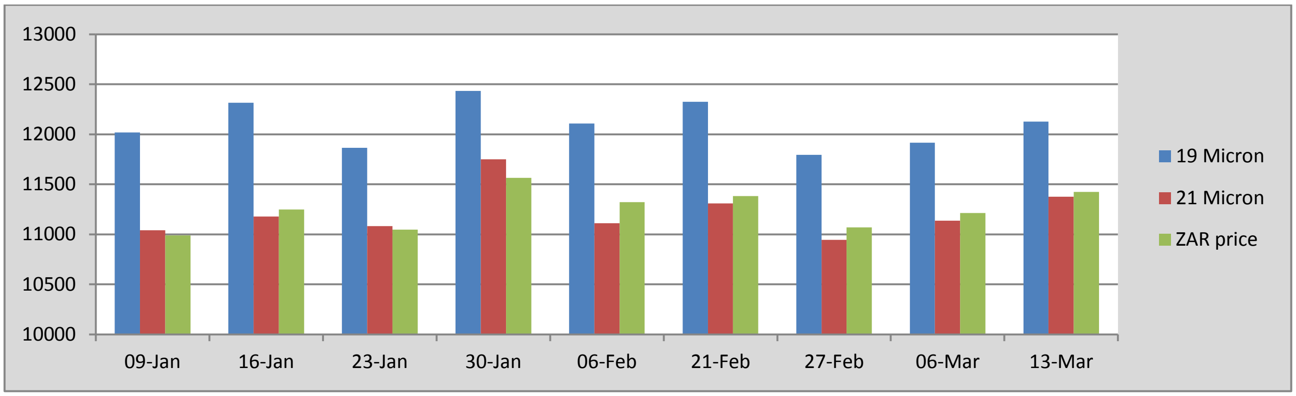

Figure* 6.8: *Price Movement for good quality wool per micron: (CMW, 2013)

Mohair

The third mohair sale of the 2013 summer selling season again established new record levels in a market with strong demand for all types. The overall demand for mohair is healthy and the market is price sensitive for fineness. This positive trend is anticipated to continue for the rest of the season at good price levels. During the last sale in the last week of March the price of kids hair increased by 4.6% with a market indicator of R223.41/kg and a 100% sale clearance; young goat hair increased by 5.1% with a market indicator of R145.70/kg and a sale clearance of 100%. Adult mohair increased by 2.3% with a market indicator of R82.12/kg and a sale clearance of 100%. This brought the overall sale clearance to 100% and the overall market indicator to R122.65 /kg, which increased by 3.8%.

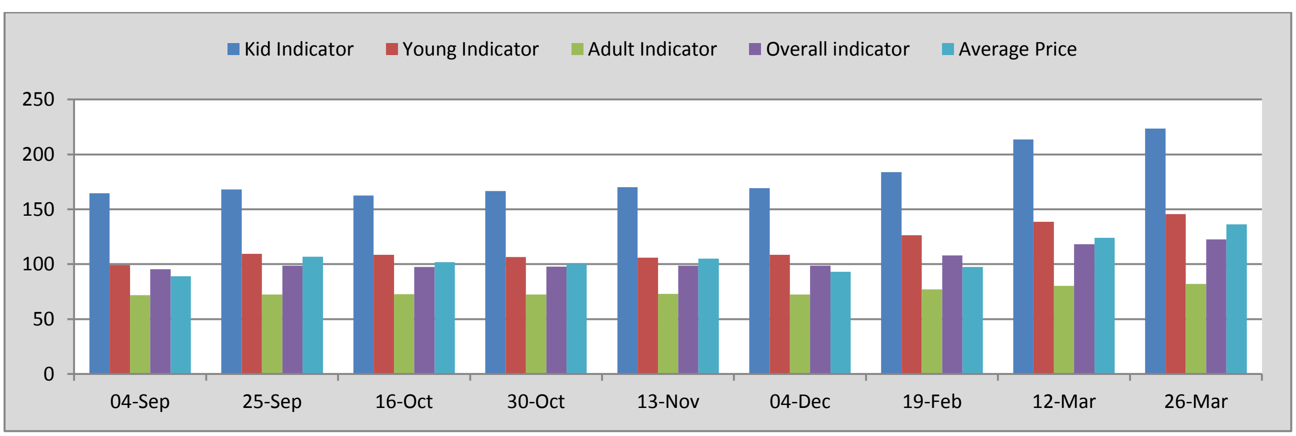

Figure 6.9: Cape Mohair market indicator movement for different age group categories (CWM, 2013)

7 CONCLUSIONS

African countries have an opportunity to collaborate in crafting an era of economic, social and political development for a continent that will play a dynamic role in global growth. The ultimate goal must be sustainable growth, job creation, and alleviating poverty and inequality. The prospects for agribusiness are improving globally and locally. Whilst South Africa is continuously faced with the dual nature of its agricultural sector, this should also give us an edge, in contributing to continental agricultural growth. With the new focus of the ARC on smallholder agriculture, the organisation, in partnership with relevant stakeholders should spearhead strategies re focussed on closing the gap between commercial and smallholder agriculture. The ARC can play a deciding role in enhancing productivity, growth and competitiveness across a spectrum of value chains, both in South Africa and on the continent.

China actually has less per capita agricultural land area in comparison to South Africa. However, when it comes to production of fruit crops such as pears, nectarines and peaches, China maintains a distinct competitive edge. This competitive advantage to a large extent derives from macro-economic fundamentals which include low labour cost, a competitive technology sector, a fixed weaker currency and skilled farm labour. These competitive attributes are lacking in South Africa as the agricultural sector is faced with rigid labour policies, high labour costs, a fluctuating currency regime, poor manufacturing capacity for machinery and technology and high input cost. Still, South Africa is a leading producer of certain products such as citrus, table grapes and wines. Whilst certain factors favour China, South Africa is competitive in specific crops, which indicate that there is scope for competitiveness with other crops as well – especially fruit. Dedicated research that includes social as well as breeding research should play a strong role in such a focus and the ARC could play a leading role in this regard.

Despite a constant increase in South African meat production, quantities produced remain below local demand and some beef, pork and poultry meat is imported, indicating local growth potential. With nearly 80% of South Africa's agricultural land almost solely suitable for extensive livestock production, and significant untapped communal reserves, there is extensive scope for improved meat production intensively, but also in terms of extensive, more 'organic' or 'field grown' meat production. If the ARC can expand its R&D focus towards quality livestock products, improved feed efficiency and growth, it could address poverty, rural development, food security and commercial output. South Africa is also a net importer of pork with significant opportunities for new prospective producers to enter this market. The ARC could play a leading role in capacitating these producers.