



# Agricultural Products in South Africa

Industry Profile

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## EXECUTIVE SUMMARY

### **Market Value**

The South African agricultural products market grew by 5.9% in 2007 to reach a value of \$9.4 billion.

### **Market Value Forecast**

In 2012, the South African agricultural products market is forecast to have a value of \$12.6 billion, an increase of 34.5% since 2007.

### **Market Volume**

The South African agricultural products market grew by 0.8% in 2007 to reach a volume of 28.6 million tons.

### **Market Volume Forecast**

In 2012, the South African agricultural products market is forecast to have a volume of 28.7 million tons, an increase of 0.4% since 2007.

### **Market Segmentation**

Fruit, vegetables and roots form the largest segment in the South African agricultural products market, generating 54.5% of the total value.

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## **CHAPTER 1 MARKET OVERVIEW**

### **1.1 Market Definition**

The agricultural products market consists of cereals, roots and tubers, sugarcrops, sugars and sweeteners, oilseeds, fruit, vegetables, vegetable oil, treenuts, beans and pulses, spices, coffee, tea and cocoa. It does not include forage products. In addition, products consumed at a subsistence level are not given a market value, although they are included in market volumes.

Also, any part of production that is wasted has been disregarded. Market values are calculated at retail selling price (RSP) for those products that are sold to consumers in their original form. However, where products have been processed into other forms of foodstuff, values have been calculated at producers selling price. Any currency conversions included in this report have been calculated using constant 2007 annual average exchange rates.

Market volumes reflect domestic supply of agricultural products. The players shown in the leading companies section of this report are all agricultural products retailers.

### **1.2 Research Highlights**

The South African agricultural products market generated total revenues of \$9.4 billion in 2007, representing a compound annual growth rate (CAGR) of 5.3% for the period spanning 2003-2007.

Fruit, Vegetable and Roots sales proved the most lucrative for the South African agricultural products market in 2007, generating total revenues of \$5.1 billion, equivalent to 54.5% of the market's overall value.

The performance of the market is forecast to accelerate, with an anticipated CAGR of 6.1% for the five-year period 2007-2012, which is expected to drive the market to a value of \$12.6 billion by the end of 2012.

### 1.3 Market Analysis

Following fluctuating rates of growth since 2004, the agricultural products market in South Africa is expected to accelerate for the forecast period through to 2012.

The South African agricultural products market generated total revenues of \$9.4 billion in 2007, representing a compound annual growth rate (CAGR) of 5.3% for the period spanning 2003-2007.

Market production volumes increased with a CAGR of 1.1% between 2003-2007, to reach a total of 28.6 million tons in 2007. The market's volume is expected to rise to 28.7 million tons by the end of 2012, representing a CAGR of 0.1% for the 2007-2012 period.

Fruit, Vegetable and Roots sales proved the most lucrative for the South African agricultural products market in 2007, generating total revenues of \$5.1 billion, equivalent to 54.5% of the market's overall value. In comparison, sales of Cereals generated revenues of \$2 billion in 2007, equating to 21.5% of the market's aggregate revenues.

The performance of the market is forecast to accelerate, with an anticipated CAGR of 6.1% for the five-year period 2007-2012, which is expected to drive the market to a value of \$12.6 billion by the end of 2012.

## CHAPTER 2 MARKET VALUE

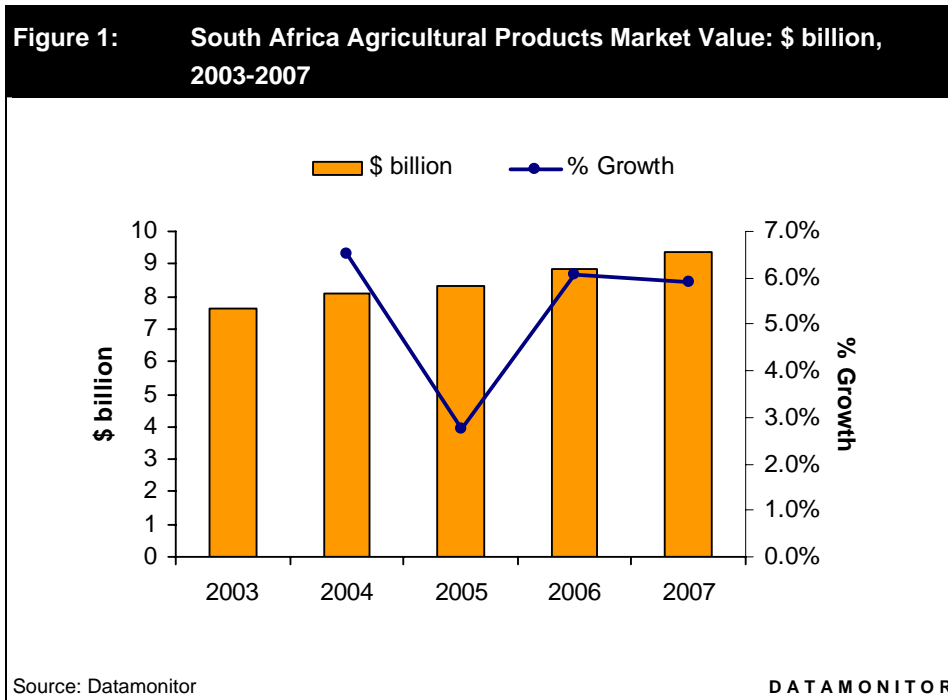
The South African agricultural products market grew by 5.9% in 2007 to reach a value of \$9.4 billion.

The compound annual growth rate of the market in the period 2003-2007 was 5.3%.

**Table 1: South Africa Agricultural Products Market Value: \$ billion, 2003-2007**

Year	\$ billion	ZAR billion	% Growth
2003	7.6	53.9	
2004	8.1	57.4	6.50%
2005	8.3	59.0	2.70%
2006	8.8	62.5	6.10%
2007	9.4	66.2	5.90%
<b>CAGR, 2003-2007:</b>			<b>5.3%</b>

Source: Datamonitor DATAMONITOR



### CHAPTER 3 MARKET VOLUME

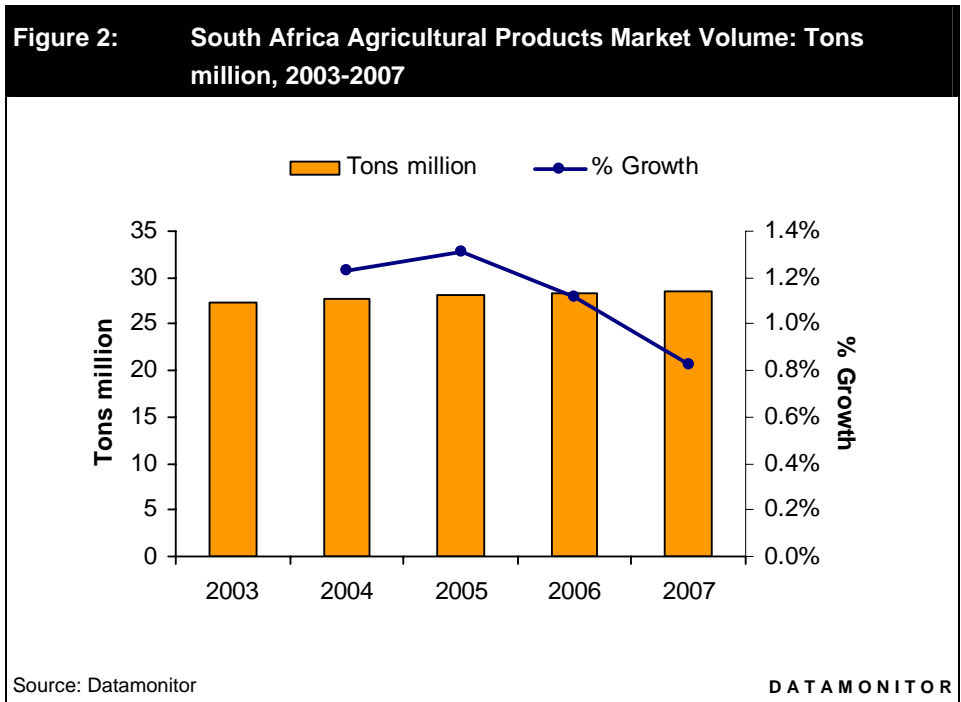
The South African agricultural products market grew by 0.8% in 2007 to reach a volume of 28.6 million tons.

The compound annual growth rate of the market volume in the period 2003-2007 was 1.1%.

**Table 2: South Africa Agricultural Products Market Volume: Tons million, 2003-2007**

Year	Tons million	% Growth
2003	27.4	
2004	27.7	1.20%
2005	28.1	1.30%
2006	28.4	1.10%
2007	28.6	0.80%
<b>CAGR, 2003-2007:</b>		<b>1.1%</b>

Source: Datamonitor DATAMONITOR



## CHAPTER 4 MARKET SEGMENTATION

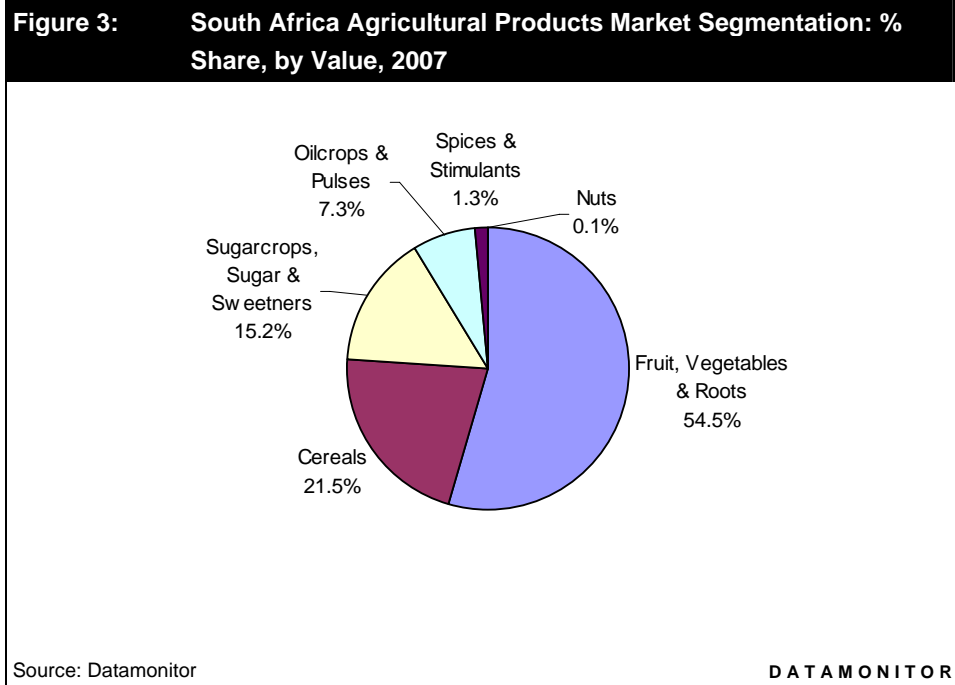
Fruit, vegetables and roots form the largest segment in the South African agricultural products market, generating 54.5% of the total value.

Cereals account for a further 21.5% of the regional market's value.

**Table 3: South Africa Agricultural Products Market Segmentation: % Share, by Value, 2007**

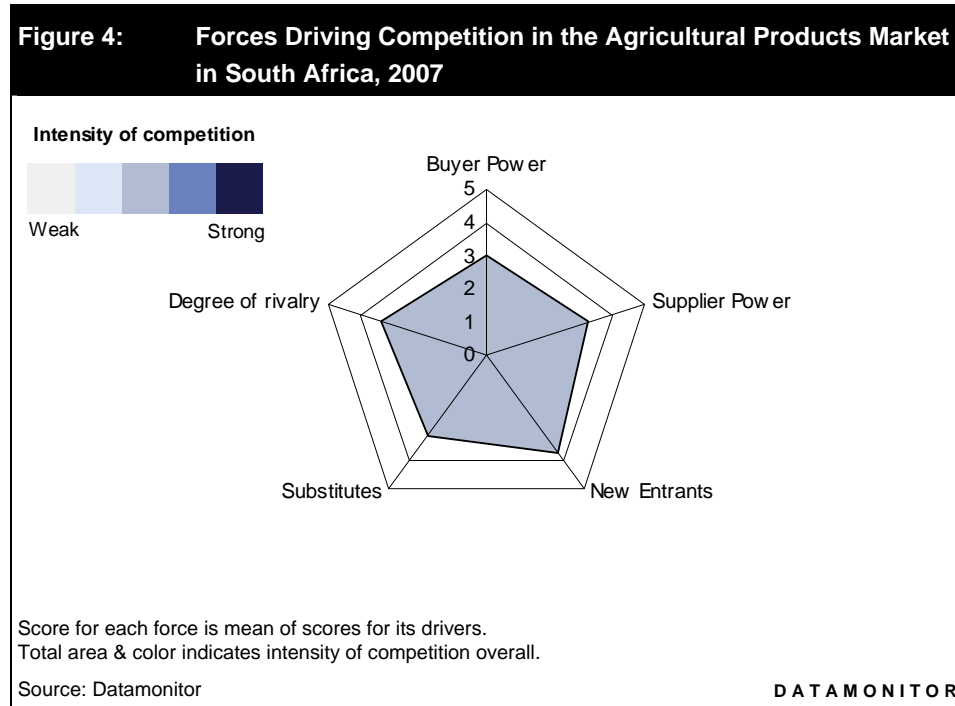
Category	% Share
Fruit, Vegetables & Roots	54.50%
Cereals	21.50%
Sugarcrops, Sugar & Sweeteners	15.20%
Oilcrops & Pulses	7.30%
Spices & Stimulants	1.30%
Nuts	0.10%
<b>Total</b>	<b>100.0%</b>

Source: Datamonitor DATAMONITOR



## CHAPTER 5 FIVE FORCES ANALYSIS

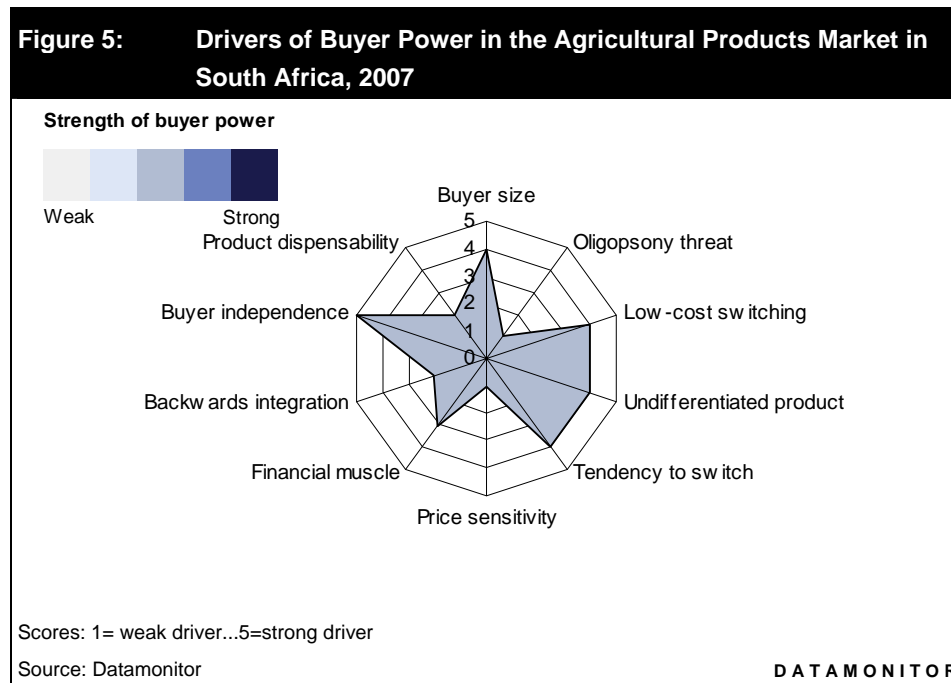
### 5.1 Summary



Farming practices within South-Africa range from small scale family owned holdings to large commercial farming operations. The major buyers of market-ready products, such as fruit and vegetables, are large grocery retailers, whereas the major buyers of products requiring processing, such as cereal grain, are wholesale dealers and food processing companies.

The costs of machinery and land required to work a large-scale farm are high and provide a significant barrier to entrance. Furthermore, farmers worldwide are facing increasing operational costs due to the spiraling cost of oil and shortages of phosphate fertilizer.

**5.2 Buyer Power**



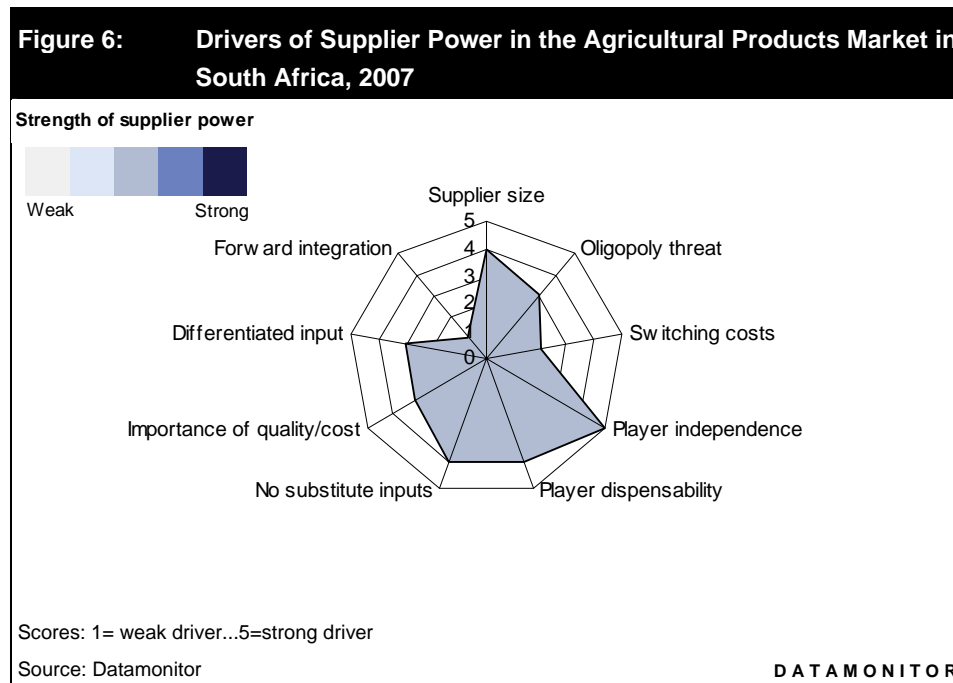
The agricultural products market will be analyzed considering producers, i.e. farmers, as market players, and wholesale importers and exporters, food processing companies and grocery retailers as buyers. Buyers differ with the nature of the agricultural produce.

The major buyers of market-ready products, such as fruit and vegetables, are large grocery retailers, whereas the major buyers of products requiring processing, such as cereal grain, are wholesale dealers and food processing companies. Large supermarket chains wield their large purchasing power to negotiate minimal prices through bulk purchasing.

Contractual arrangements between suppliers and the large supermarkets they supply typically favor the interests of the latter. The resultant low switching costs combined with a relatively low level of product differentiation enhance buyer power considerably.

The price of agricultural commodities such as cereal grain are set on the world stock exchanges, which increases the power of arable farmers against relatively large buyers including wholesale grain dealers and food processing companies. Arable farmers often sell such produce through hedging, which protects farmers from dramatic reductions in grain prices. However, such hedging may positively affect buyer power in the context of dramatically increasing grain prices. Overall, buyer power with respect to agricultural products is moderate.

### 5.3 Supplier Power



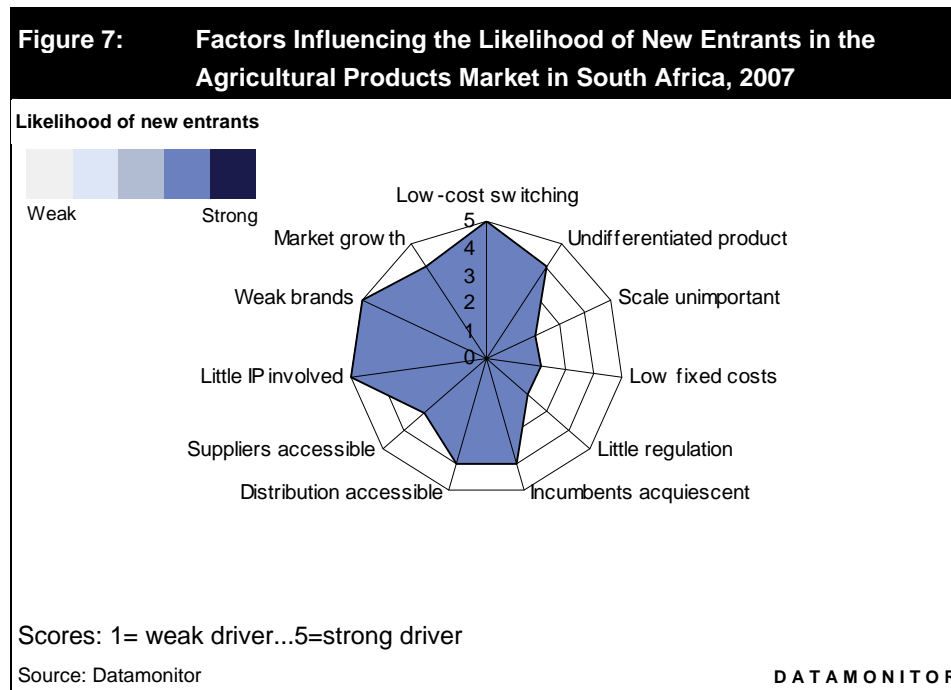
Key inputs to agricultural producers include fertilizers and agricultural machinery. Fertilizer products are typically produced and supplied by large chemical companies. High demand for such products allows chemical companies to control prices, which are highly dependent upon the price of inputs into their manufacturing processes.

For example, the price of nitrogen-based fertilizers, such as ammonia and ammonium nitrate, has increased dramatically recently in line with the spiraling cost of natural gas. Similarly, a shortage of phosphate worldwide has led to its price to increase dramatically.

However, fertilizer products are typically relatively simple chemicals and as such lack differentiation and are available in fairly consistent quality from a larger number of suppliers. Alternatives include the use of animal and human waste as fertilizer, or organic farming practices, which eliminate the use of artificial fertilizer products.

Strong growth in farming worldwide has led to burgeoning demand for agricultural machinery, which enhances the supplier power of agricultural machinery manufacturers. Overall, supplier power with respect to agricultural products market players is moderate.

**5.4 New Entrants**

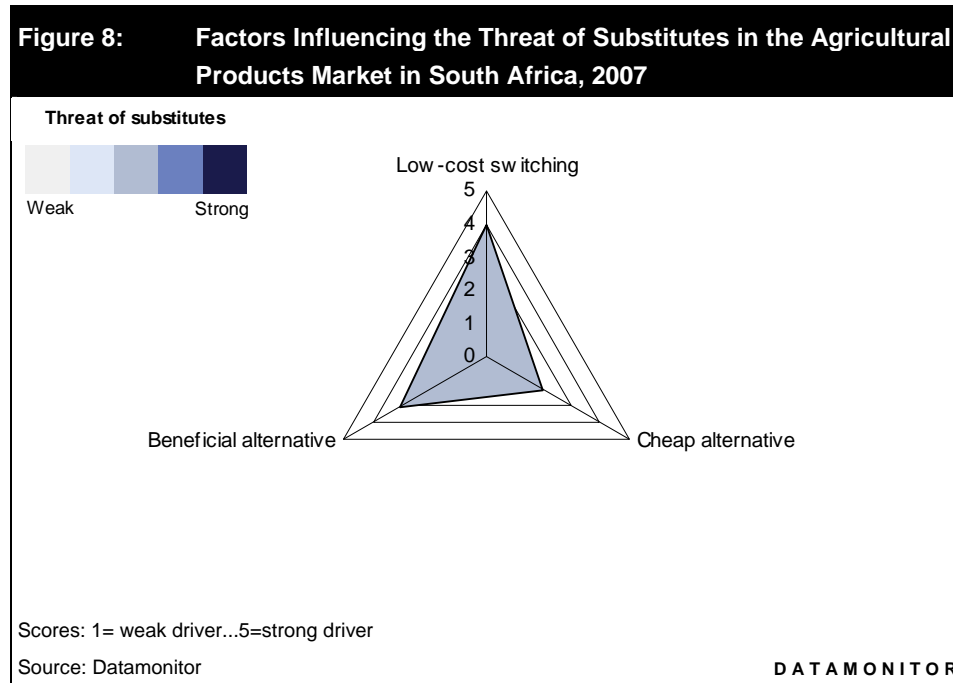


The cost of entrance into the agricultural products market typically involves the purchase of arable land, machinery and the provision of working capital to sustain initial operations. The high economies of scale provided by large scale farming practices provide a significant barrier to entrance, as it is largely unviable for agribusinesses to build up from small scale holdings.

Furthermore, the cost of machinery required to work a large-scale farm can be in excess of \$2 million. However, due to the lucrative nature of the agricultural products market, loans for agribusiness are available, which eases the entrance of players deemed suitably qualified.

Furthermore, most agricultural products are not highly differentiated and therefore it is relatively easy for new producers to get their produce to market. Entrance into the market may be easiest for those targeting a niche product areas, such a novel fruit or vegetable variant. Overall, the threat of new entrants is strong.

5.5 Substitutes

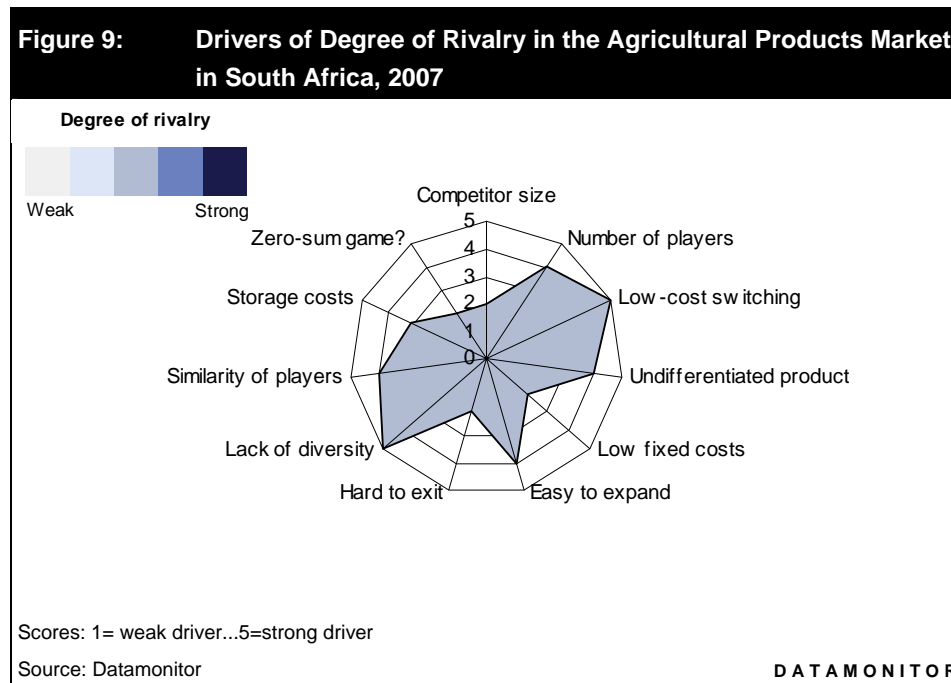


The agricultural products market encompasses a wide variety of products, for which the threat of substitution varies considerably. For example, many fruit and vegetables and cereal products form staple dietary components for which the threat of substitution is low.

However, other produce is more reliant upon consumer tastes, for example the shift in the consumption of iceberg lettuces to continental varieties in recent years. The method of production compared to traditional methods, is also of relevance to substitution within this market.

Organically certified produce is increasingly being favored in recent years due to the supposed health benefits of avoiding the use of chemical fertilizers and the more environmentally friendly image of organic production. On the negative side, such produce is considerably more expensive for consumers. However, the cost of organic farming in comparison to intensive methods is declining as dramatic increases in fuel and fertilizer prices negatively impact upon non-organic methods. Therefore, despite the negative effects of organic production on crop yields, the relative cost of organic produce may be expected to fall. Hydroponically grown produce and genetically engineered produce are further examples of substitutes which are expected to affect the market moving forward. Overall, the threat of substitutes is defined as moderate, but the inability of this model to reflect the differences of the large range of agricultural products should be appreciated.

5.6 Rivalry



Players within the South African agricultural products market range from individually owned farms to large consolidated farming corporations. It should be appreciated that the latter has a distinct advantage through their scale economies of mass production.

Rivalry between individual operators is primarily for supply contracts, especially competition between fruit and vegetable producers for lucrative supermarket contracts. With the exception of produce quality, there is typically a lack of differentiation between produce from different producers and producers are typically highly similar, which enhances rivalry. Overall, rivalry within the agricultural products market is moderate.

## CHAPTER 6 LEADING COMPANIES

### 6.1 Woolworths Holdings Ltd

Table 4: Key Facts: Woolworths Holdings Ltd	
Address:	Woolworths House,93 Longmarket Street,Cape Town,8001,ZAF
Telephone:	27 21 407 9111
Fax:	N/A
Website:	<a href="http://www.woolworthsholdings.co.za">www.woolworthsholdings.co.za</a>
Financial Year-End:	June
Ticker:	WHL
Stock Exchange:	Johannesburg
Source: Company Website	
<b>DATAMONITOR</b>	

Woolworths Holdings Ltd (WHL) is an investment holding company. It provides retail and financial services to upper and middle income groups mainly in South Africa but also in Africa, Australia, New Zealand and the Middle East. The company operates through following subsidiaries; Woolworths (Proprietary) Limited (Woolworths) and Woolworths Financial Services (Proprietary) Limited (Woolworths Financial Services), and Country Road Limited (Country Road) in Australia.

Woolworths (Proprietary) is a retail chain of stores offering clothing, food, homeware and beauty under its own brand name in over 330 stores throughout South Africa, Africa and the Middle East. In addition, the company offers its customers financial services, ranging from personal loans, car and home insurance; store charge cards and a Visa credit card.

The majority of stores remain in Southern Africa, but the company has established a presence in various Middle Eastern locations including Bahrain, Muscat and Dubai.

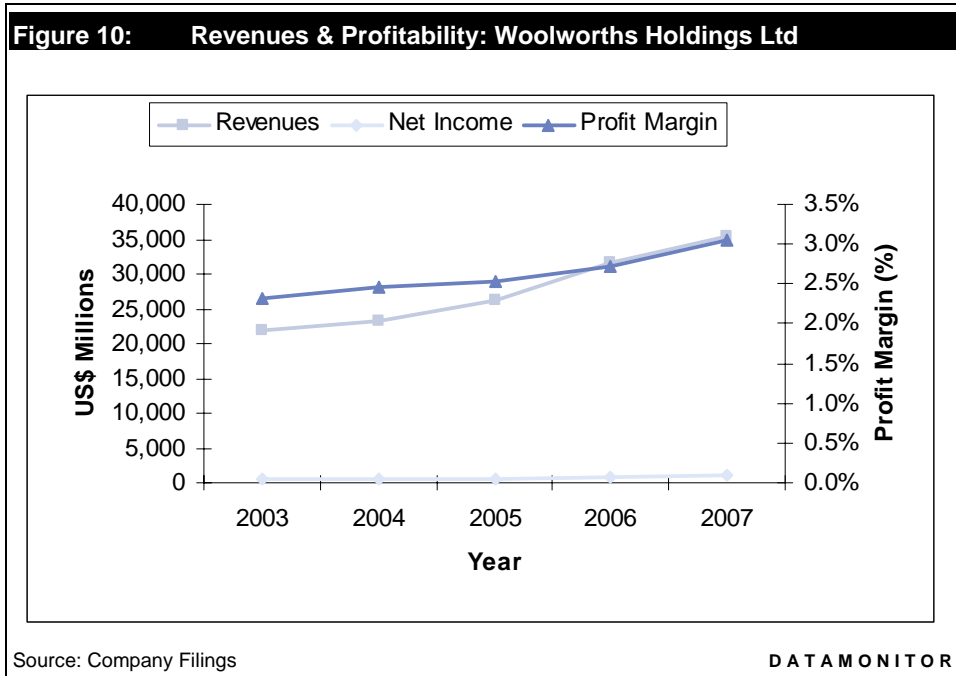
Woolworths Financial Services offers Woolworths customers a range of interest-bearing products including the Woolworths store card, personal loans and the Woolworths Visa card, and non-interest-bearing financial services products including short-term insurance and credit-life products.

Woolworths Holdings also owns Country Road, a clothing and homeware retailer. The retail chain operates in Australia, New Zealand and Singapore. The company operates 57 stores (owned) and 8 stores (franchised) in Australia, New Zealand and Singapore.

Key Metrics

Table 5: Key Financials: Woolworths Holdings Ltd					
Metric	2003	2004	2005	2006	2007
Revenues	22,018.6	23,367.9	26,228.0	31,566.0	35,533.7
Net Income	510.3	575.5	662.5	859.1	1,082.5
Profit Margin	2.3%	2.5%	2.5%	2.7%	3.0%
Total Assets	4,923.9	5,140.5	7,493.7	11,164.5	12,059.6
Total Liabilities	3,398.9	3,424.0	5,655.8	7,603.3	7,446.4

Source: Company Filings DATAMONITOR



## 6.2 Massmart Holdings Ltd

Table 6: Key Facts: Massmart Holdings Ltd	
Address:	Massmart House,16 Peltier Drive,Sunninghill Extension 6,Sandton 2157,ZAF
Telephone:	27 11 517 0000
Fax:	27 11 517 0020
Website:	www.massmart.co.za
Financial Year-End:	June
Ticker:	MSM
Stock Exchange:	Johannesburg Stock Exchange
Source: Company Website	
DATAMONITOR	

Massmart Holdings, a South African based international management group, has nine wholesale and retail chains, which distribute mainly branded consumer goods. It has 243 outlets and two buying associations serving 1,596 independent retailers and wholesalers in 14 countries in Africa. The company is primarily involved in the retailing of general merchandise, liquor, home improvement equipment and supplies, and food products.

The company's operations are divided into four business segments: massdiscounters, masswarehouse, massbuild and masscash.

The massdiscounters division operates 90 retail discount stores, trading as Game stores in South Africa, Namibia, Botswana, Zambia, Uganda, Mozambique, Nigeria and Mauritius, and as Dion stores, which trades only in the Gauteng province of South Africa. It has 82 Game stores, eight Dion stores and two Dion Wired stores. These stores offer a range of general merchandise and non-perishable groceries to its customer.

The Masswarehouse division operates 13 Makro Warehouse Club stores situated in the major metropolitan areas of South Africa, and two stores in Zimbabwe. The stores offer food, general merchandise and liquor.

The Massbuild division operates 67 outlets under the Builders Warehouse, Builders Express and Builders Trade Depot brand names. These outlets focus on providing home improvement equipment and products such as decorative hardware, tools, sanitary ware, builder's hardware, tiles and garden equipment throughout South Africa.

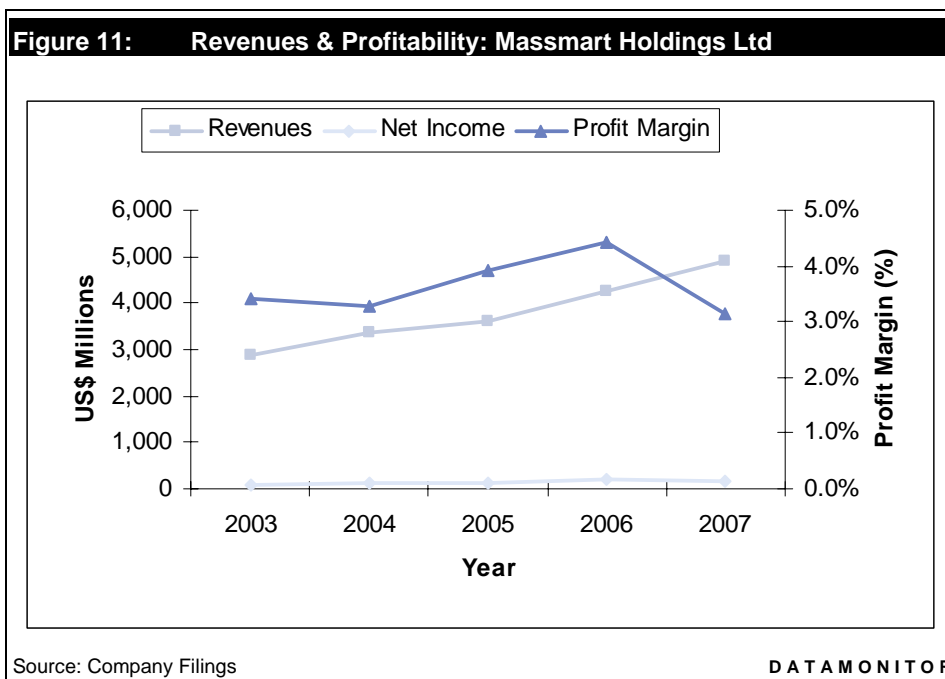
This Masscash division operates 65 CBW and seven Jumbo wholesale cash and carry stores in South Africa, Lesotho, Namibia and Botswana. It also operates a voluntary buying association named as Shield, which serves 658 independent food outlets.

Key Metrics

**Table 7: Key Financials: Massmart Holdings Ltd**

Metric	2003	2004	2005	2006	2007
Revenues	2,881.5	3,365.0	3,590.5	4,238.6	4,923.8
Net Income	98.7	109.8	140.3	187.9	154.5
Profit Margin	3.4%	3.3%	3.9%	4.4%	3.1%
Total Assets	854.8	1,005.6	1,150.5	1,360.5	1,534.7
Total Liabilities	668.2	798.8	929.9	1,084.4	1,214.4
Employees	16,763	17,565	20,277	22,412	26,744

Source: Company Filings DATAMONITOR



### 6.3 Shoprite Holdings Ltd.

Table 8: Key Facts: Shoprite Holdings Ltd.	
Address:	Cnr William Dabs and Old Paarl Roads,Brackenfell 7560,Western Cape,ZAF
Telephone:	27 21 980 4000
Fax:	27 21 980 4050
Website:	www.shoprite.co.za
Financial Year-End:	June
Ticker:	SRH
Stock Exchange:	Namibian Stock Exchange
Source: Company Website	
D A T A M O N I T O R	

Shoprite Holdings (Shoprite) is an African food retailer that operates 1,220 corporate outlets in 17 countries across Africa, the Indian Ocean Islands and southern Asia.

The company operates through two business segments: supermarkets including fresh produce and franchise; and furniture including insurance. The primary business of Shoprite is food retailing to consumers of all income levels.

Shoprite comprises the following entities: the Shoprite Checkers supermarket group, which consists of 373 Shoprite supermarkets; 119 Checkers supermarkets; 24 Checkers Hypers; 106 Usave stores; 20 distribution centres supplying group stores with groceries, non-foods and perishable lines; 180 OK Furniture outlets; 14 OK Power Express stores; 35 House & Home stores; and 113 Hungry Lion fast food outlets.

Through its OK Franchise Division, the group procures and distributes stock to 30 OK MiniMark convenience stores; 24 OK Foods supermarkets; 61 OK Grocer stores; 48 Megasave wholesale stores; 19 OK Value stores and 74 Sentra stores and buying partners.

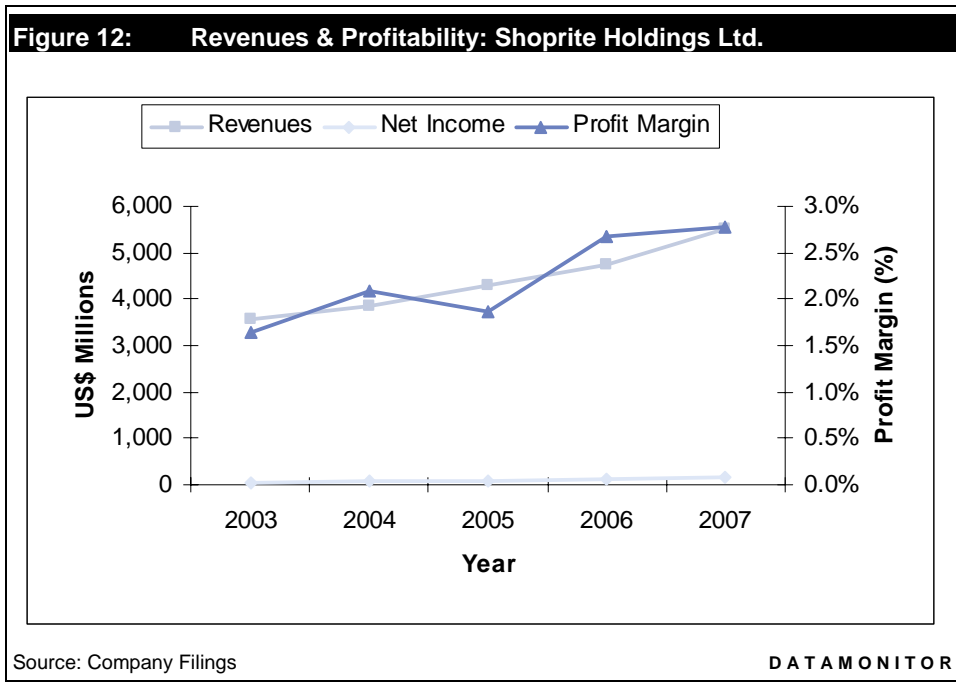
The company's meat market division manages the group's butcheries. Freshmark is the procurement and distribution arm of Shoprite for fresh fruit and vegetables. MediRite is a dispensary within the health and beauty section inside the group's stores. Apart from this the company also provides various money market and ticketing services. The group's other services include information technology, supply chain management (SCM) and property. The property division focuses on the sourcing of new trading opportunities for the group's retail operations. SCM division supports the group's business across a spectrum of attributes including value, quality and price. The Shoprite group has a customer base consisting of about 10 million people. The company's Checkers, Checkers Hyper and House & Home stores focus on the higher income groups where as the Shoprite and OK Furniture focus on the broad middle to lower market. Its Usave stores focus on the lower-end of the market.

Key Metrics

**Table 9: Key Financials: Shoprite Holdings Ltd.**

Metric	2003	2004	2005	2006	2007
Revenues	3,575.5	3,843.1	4,290.1	4,740.4	5,509.7
Net Income	58.4	80.1	80.3	126.7	153.6
Profit Margin	1.6%	2.1%	1.9%	2.7%	2.8%
Total Assets	992.6	1,145.7	1,210.0	1,406.4	1,680.5
Total Liabilities	795.3	892.5	905.3	970.3	1,158.7

Source: Company Filings DATAMONITOR



## CHAPTER 7 MARKET FORECASTS

### 7.1 Market Value Forecast

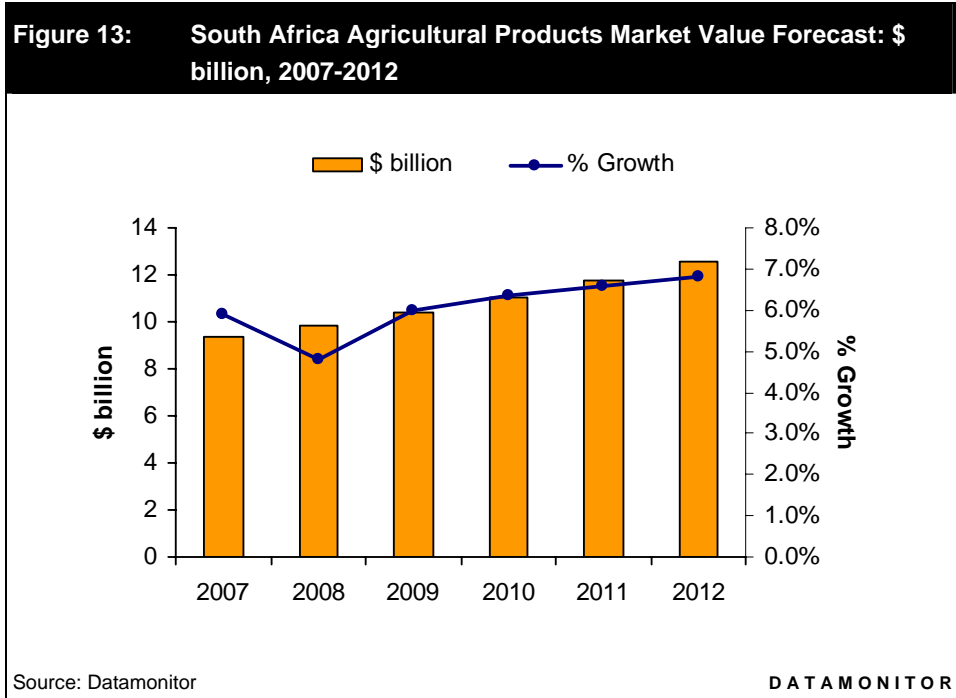
In 2012, the South African agricultural products market is forecast to have a value of \$12.6 billion, an increase of 34.5% since 2007.

The compound annual growth rate of the market in the period 2007-2012 is predicted to be 6.1%.

**Table 10: South Africa Agricultural Products Market Value Forecast: \$ billion, 2007-2012**

Year	\$ billion	ZAR billion	% Growth
2007	9.4	66.2	5.90%
2008	9.8	69.4	4.80%
2009	10.4	73.6	6.00%
2010	11.1	78.2	6.30%
2011	11.8	83.4	6.60%
2012	12.6	89.1	6.80%
<b>CAGR, 2007-2012:</b>			<b>6.1%</b>

Source: Datamonitor DATAMONITOR



## 7.2 Market Volume Forecast

In 2012, the South African agricultural products market is forecast to have a volume of 28.7 million tons, an increase of 0.4% since 2007.

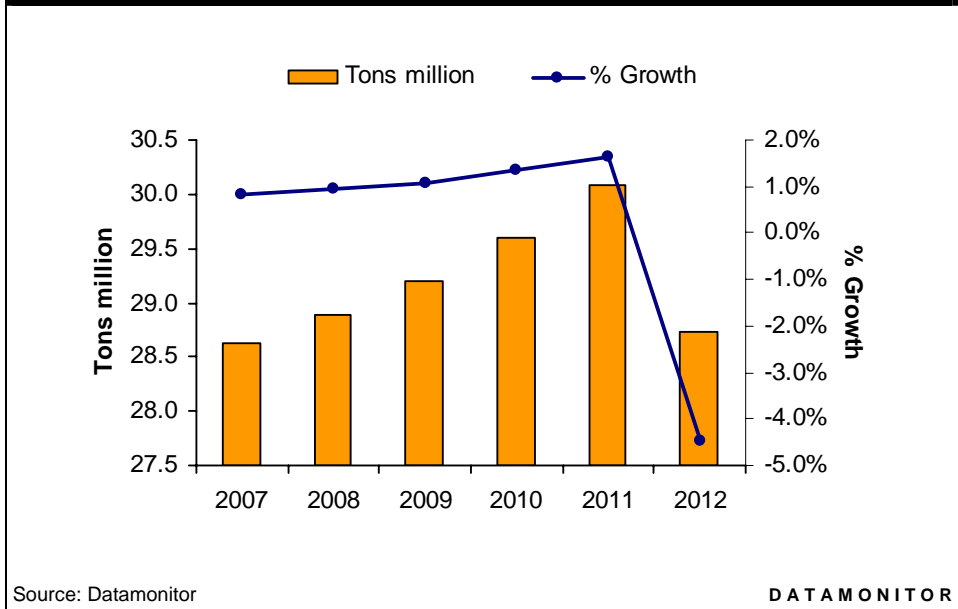
The compound annual growth rate of the market volume in the period 2007-2012 is predicted to be 0.1%.

**Table 11: South Africa Agricultural Products Market Volume Forecast: Tons million, 2007-2012**

Year	Tons million	% Growth
2007	28.6	0.80%
2008	28.9	1.00%
2009	29.2	1.10%
2010	29.6	1.40%
2011	30.1	1.60%
2012	28.7	-4.50%
<b>CAGR, 2007-2012:</b>		<b>0.1%</b>

Source: Datamonitor DATAMONITOR

**Figure 14: South Africa Agricultural Products Market Volume Forecast: Tons million, 2007-2012**



## CHAPTER 8 MACROECONOMIC INDICATORS

**Table 12: South Africa Size of Population (million) , 2003-2007**

Year	Population (million)	% Growth
2003	44.5	
2004	44.4	-0.10%
2005	44.3	-0.20%
2006	44.2	-0.40%
2007	44.0	-0.40%

Source: Datamonitor

DATAMONITOR

**Table 13: South Africa GDP (Constant 2000 Prices, \$ billion), 2003-2007**

Year	Constant 2000 Prices, \$ billion	% Growth
2003	145.8	
2004	152.3	4.50%
2005	158.8	4.30%
2006	166.2	4.70%
2007	174.6	5.00%

Source: Datamonitor

DATAMONITOR

**Table 14: South Africa Inflation, 2003-2007**

Year	Inflation Rate (%)	% Growth
2003	5.8	
2004	1.4	-76.00%
2005	3.4	143.70%
2006	5.4	58.90%
2007	3.9	-27.50%

Source: Datamonitor

DATAMONITOR

**Table 15: South Africa Exchange Rate, 2003**

<b>Year</b>	<b>Exchange Rate (\$/ZAR)</b>
2003	0.13209
2004	0.15483
2005	0.15671
2006	0.14732
2007	0.14146

Source: Datamonitor

**DATAMONITOR**

## CHAPTER 9 APPENDIX

### 9.1 Methodology

Datamonitor Industry Profiles draw on extensive primary and secondary research, all aggregated, analyzed, cross-checked and presented in a consistent and accessible style.

**Review of in-house databases** – Created using 250,000+ industry interviews and consumer surveys and supported by analysis from industry experts using highly complex modeling & forecasting tools, Datamonitor's in-house databases provide the foundation for all related industry profiles

**Preparatory research** – We also maintain extensive in-house databases of news, analyst commentary, company profiles and macroeconomic & demographic information, which enable our researchers to build an accurate market overview

**Definitions** – Market definitions are standardized to allow comparison from country to country. The parameters of each definition are carefully reviewed at the start of the research process to ensure they match the requirements of both the market and our clients

**Extensive secondary research** activities ensure we are always fully up-to-date with the latest industry events and trends

Datamonitor aggregates and analyzes a number of secondary information sources, including:

- National/Governmental statistics
- International data (official international sources)
- National and International trade associations
- Broker and analyst reports
- Company Annual Reports
- Business information libraries and databases

**Modeling & forecasting tools** – Datamonitor has developed powerful tools that allow quantitative and qualitative data to be combined with related macroeconomic and demographic drivers to create market models and forecasts, which can then be refined according to specific competitive, regulatory and demand-related factors

**Continuous quality control** ensures that our processes and profiles remain focused, accurate and up-to-date

## **9.2 Industry Associations**

### **Global Food Marketing Institute**

655 15th Street, NW, Washington DC, 20005

Tel: 202 452 8444

Fax: 202 429 4519

<http://www.fmi.org/>

### **Agricultural Business Chamber**

1508 Pretoria 0001, South Africa

Tel: 27 12 322 6980

Fax: 27 12 320 0557

<http://www.agriinfo.co.za>

## **9.3 Related Datamonitor Research**

### **Datamonitor Industry Profiles**

Agricultural Products in Australia

Agricultural Products in Brazil

Agricultural Products in Russia

Agricultural Products in Singapore

Agricultural Products in Sweden

Agricultural Products in Taiwan

Agricultural Products in Denmark

Agricultural Products in Norway

Agricultural Products in Hungary

Agricultural Products in Canada

Agricultural Products in the Czech Republic