



Economic Review of the South African Agriculture

2014



**agriculture,
forestry & fisheries**

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Economic Review

of the

South African

Agriculture

2014

DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

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FOREWORD

The value of primary agricultural production in South Africa was R218,0 billion in 2014, while its contribution to the GDP was R62,8 billion in 2013.

Over the years, the other sectors of the South African economy have grown faster than the agriculture, forestry, hunting and fishing sector, resulting in a drop in agriculture's share of the GDP from more than 6% in the 1970s to 1,9% in 2013.

Despite its relatively small share of the total GDP, primary agriculture is an important sector in the South African economy. Agriculture remains a significant provider of employment, especially in the rural areas, and a major earner of foreign exchange.

Agriculture's prominent, indirect role in the economy is a function of backward and forward linkages to other sectors. Purchases of goods such as fertilisers, chemicals and implements form backward linkages with the manufacturing sector, while forward linkages are established through the supply of raw materials to the manufacturing industry. About 70% of agricultural output is used as intermediate products in the sector. Agriculture is therefore a crucial sector and an important engine of growth for the rest of the economy.

This publication, which appears every 6 months, offers easy-to-find information to give some idea of the macroeconomic position of agriculture. The focus areas are agriculture's contribution to the national economy, and trends with regard to the most important agricultural economic indicators.

Whether you are involved directly or only have an interest in agriculture, you will find this publication useful and informative. We welcome your observations on its content and format. If you have comments or questions, please contact the Director: Statistics and Economic Analysis.

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PRETORIA

September 2014

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Director: Statistics and Economic Analysis

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 31 DECEMBER 2014

Summary

Gross farming income from all agricultural products for the year ended 31 December 2014 is estimated at R215 135 million, which is 13,2% higher than the previous year.

Gross farming income from field crops increased by 12,9% and amounted to R55 239 million. The income from horticultural products rose by 14,0%, from R50 822 million to R57 926 million. Income from animal products increased by 12,9% and amounted to R101 970 million.

Prices received by farmers for agricultural products increased on average by 7,7%, while prices paid by farmers for farming requisites rose by 6,2%, resulting in the strengthening of the terms of trade from 1,00 to 1,02 during the period under review.

The weighted average price of field crops increased by 4,1% because of increases in the prices of dry beans by 12,6%, sugar cane and hay by 9,0% each, tobacco by 8,7%, winter grains by 5,2%, summer grains by 2,5% and oilseeds by 1,2%, while the prices of cotton dropped by 3,3%.

Prices of horticultural products increased by 10,5% because of increases in the prices of vegetables by 15,6%, fruit by 8,9% and viticulture by 1,5%.

Prices of animal products increased by 8,3% as a result of the increases in the prices of milk by 13,8%, slaughtered stock by 12,9%, pastoral products by 4,7% and poultry products by 3,8%.

The prices paid for farming requisites rose by 6,2%, compared to 6,9% in the previous year. Prices paid for tractors increased by 11,6%, fuel by 9,3%, trucks by 6,7%, animal health and crop protection, feeds and fencing material by 6,1% each, packing material by 6,0%, building material by 5,5%, seeds by 4,8%, maintenance and repairs by 4,7% and fertilisers by 3,0%.

Net farming income increased by 33,5% and amounted to R75 188 million for the 12 months up to 31 December 2014.

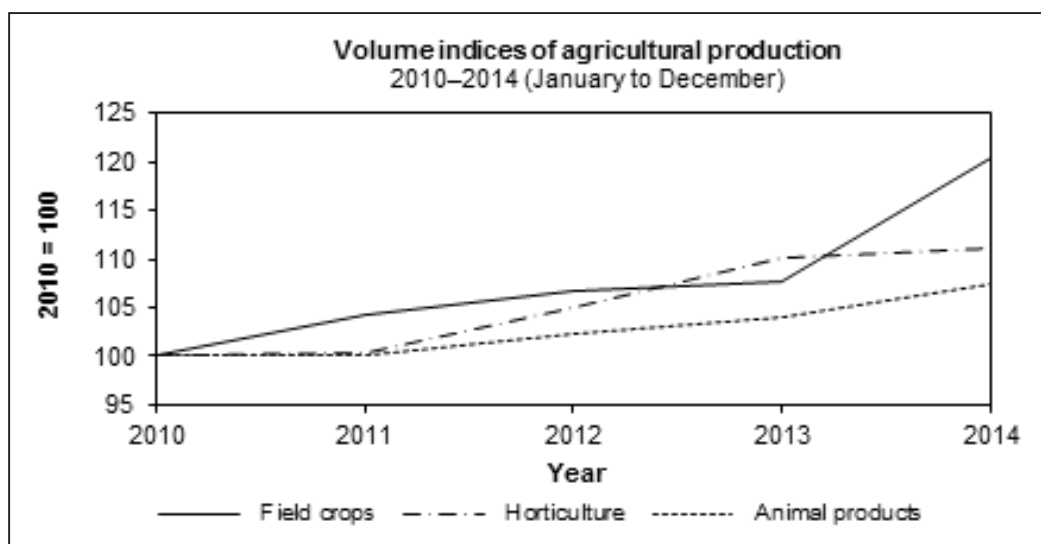
Volume of agricultural production

The estimated volume of agricultural production during 2014 was 4,5% higher than in 2013.

The volume of field crop production increased by 11,7%, mainly as a result of an increase in the production of summer grains (maize and sorghum), oilseeds (especially soya beans, sunflower seed and groundnuts), as well as dry beans.

Horticultural production increased slightly by 0,8%, which can mainly be attributed to increases in the production of citrus and subtropical fruit.

The production of animal products rose by 3,3%, mainly because of an increase in the production of fresh milk, as well as an increase in the number of sheep, goats, pigs and cattle slaughtered during 2014.



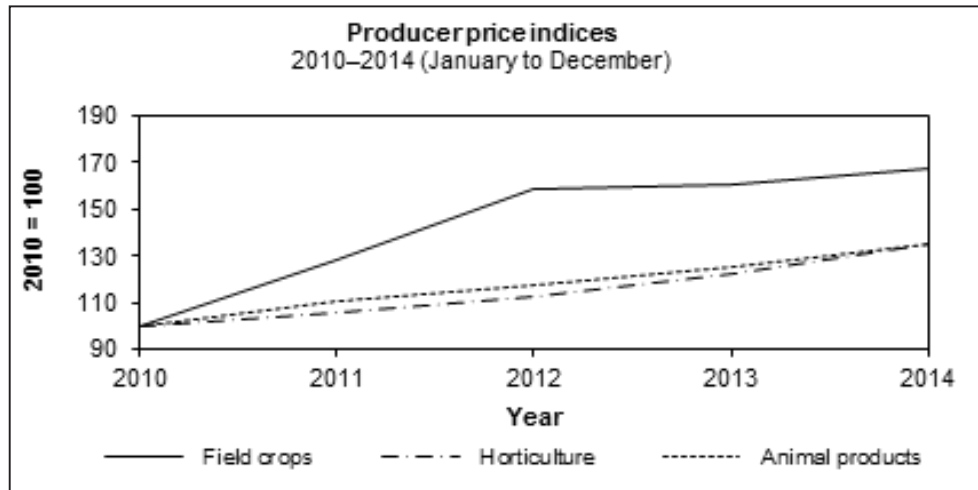
Producer prices of agricultural products

Producer prices of agricultural products increased on average by 7,7% from 2013 to 2014.

The weighted average price of field crops increased by 4,1% due to the increases in the prices of dry beans by 12,6%, tobacco by 8,7%, sugar cane and hay by 9,0% each, winter grains 5,2%, summer grains by 2,5% and oilseeds slightly by 1,2%. The price of cotton decreased by 3,3%.

Producer prices of horticultural products rose by 10,5% because of the increase in the price of vegetables by 15,6%, fruit by 8,9% and viticulture by 1,5%.

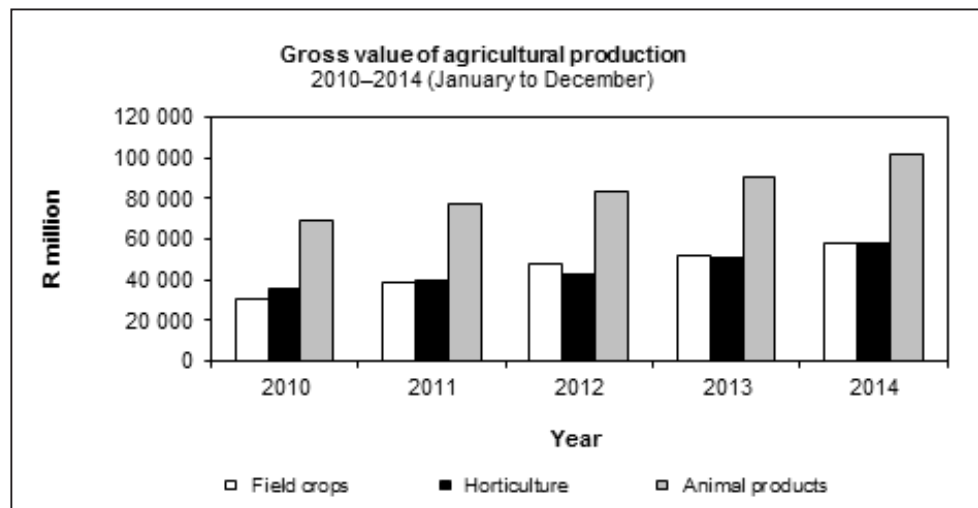
The weighted average price of animal products increased by 8,3%. Prices of milk increased by 13,8%, slaughtered stock by 12,9%, pastoral products by 4,7% and poultry meat by 3,8%.



Gross value of agricultural production

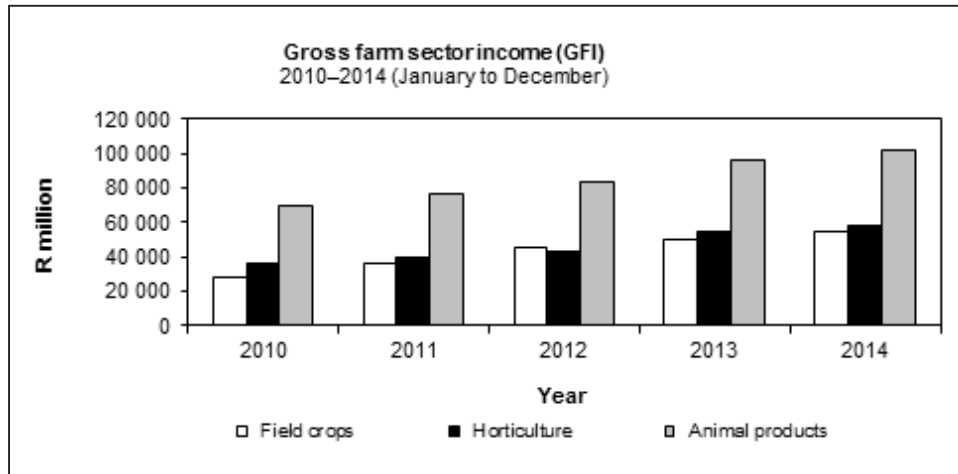
The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2014 is estimated at R218 045 million, compared to R192 748 million the previous year—an increase of 13,1%. This increase can be attributed mainly to increases in the value of maize, groundnut, citrus and deciduous fruit, and mutton and beef production.

The gross value of animal products contributed 46,8% to the total gross value of agricultural production, while field crops and horticultural products contributed 26,6% each. The poultry meat industry made the largest contribution with 15,5%, followed by maize with 12,5% and cattle and calves slaughtered with 11,4%.

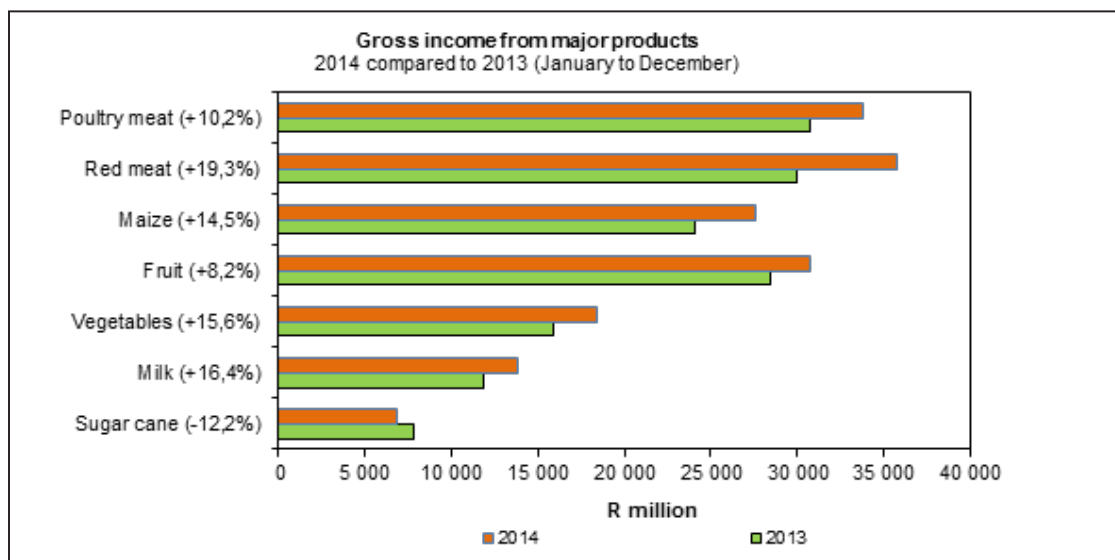


Farming income

The gross income of producers (the value of sales and production for other uses, plus the value of changes in inventories) for the year ended 31 December 2014 amounted to R215 135 million, compared to R190 040 million the previous year—an increase of 13,2%. The increase can be ascribed mainly to increases in the production of maize, oilseeds, citrus fruit, beef and mutton. Prices received by farmers for horticultural and animal products showed moderate increases.



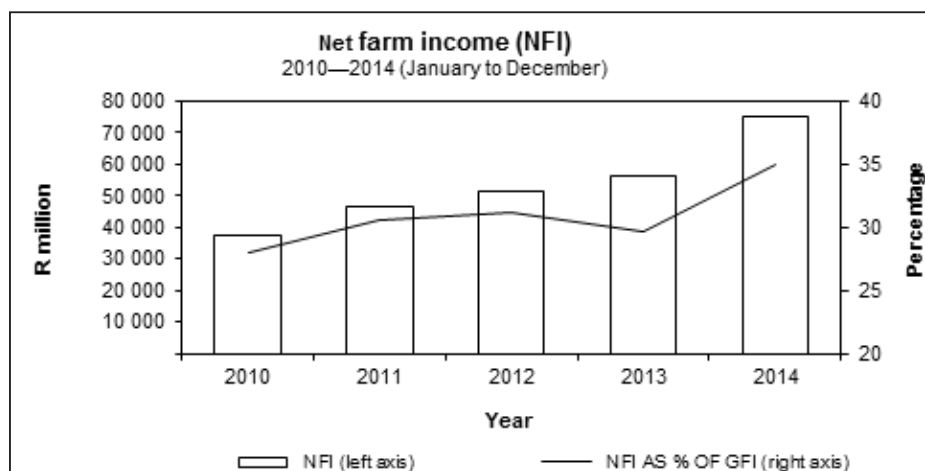
The gross income from field crops increased by 12,9% to R55 239 million for the year ended 31 December 2014. Income from maize was R27 525 million, or 14,5% more than in the previous 12 months. Income from soya beans showed an increase of 42,4% to R5 241 million and that of sunflower seed showed an increase of 36,4% to R3 825 million. Income from groundnuts and dry beans showed increases of 58,2% and 41,6% to R662 million and R1 110 million respectively. Income from sugar cane at R6 905 million was 12,2% lower than in the previous 12 months. Income from wheat, however, decreased by 1,3% to R5 374 million.



The gross income from horticultural products increased by 14,0%, from R50 822 million in 2013 to R57 926 million in 2014. Income from citrus fruit increased by 29,6% and amounted to R12 564 million. Income from deciduous fruit, at R14 689 million, was 11,7% higher than in 2013. Income from vegetables increased by 15,6% to R18 365 million, and that from subtropical fruit by 8,4% to R3 474 million.

The gross income from animal products was 12,9% higher in 2014 and amounted to R101 970 million, compared to R90 279 million for the previous year. Producers earned R24 938 million from slaughtered cattle and calves, compared to the previous R21 052 million—an increase of 18,5%. Income from poultry

meat showed an increase of 10,2% to R33 810 million. Income from egg production, at R9 195 million, was 6,3% higher than in the previous year. Producers earned R13 889 million from milk production, which is 16,4% more than in the previous year. Income from wool, however, decreased by 2,7% to R2 684 million.



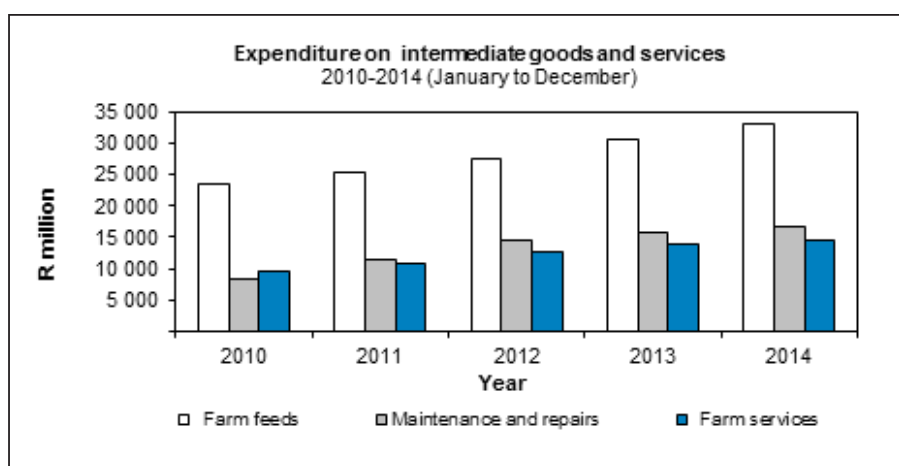
The net farm income (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R75 188 million for the 12 months that ended on 31 December 2014, which is 33,5% higher than in the previous 12 months. Payments for salaries and wages, which represented 10,8% of the total farming costs, amounted to R15 599 million. Interest paid by farmers to banks and other financiers during the 12 months up to 31 December 2014 is estimated at R6 996 million, or 4,8% of total farming costs.

Expenditure on intermediate goods and services

Intermediate expenditure refers to the value of goods and services that were purchased for consumption as inputs during the production process.

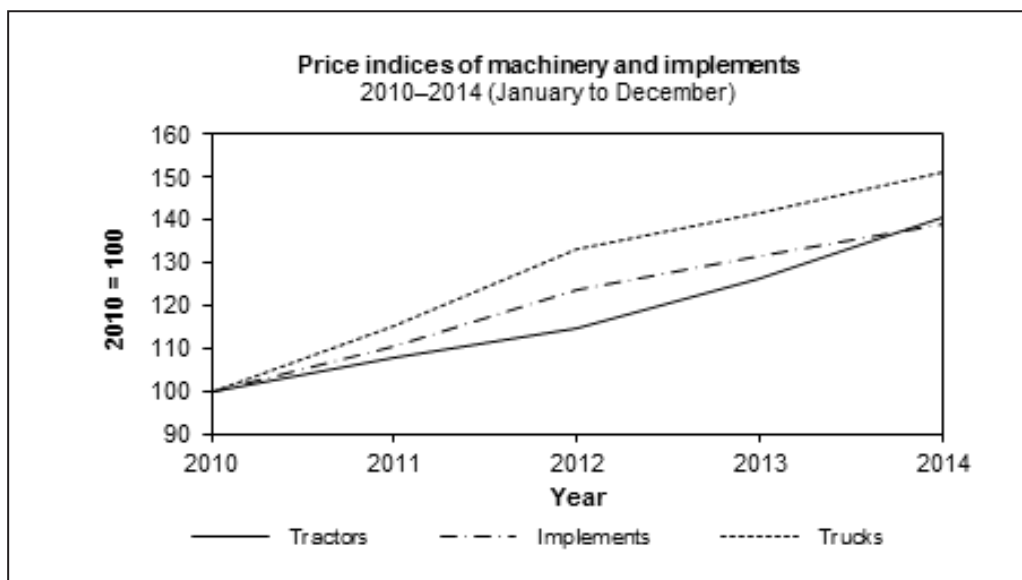
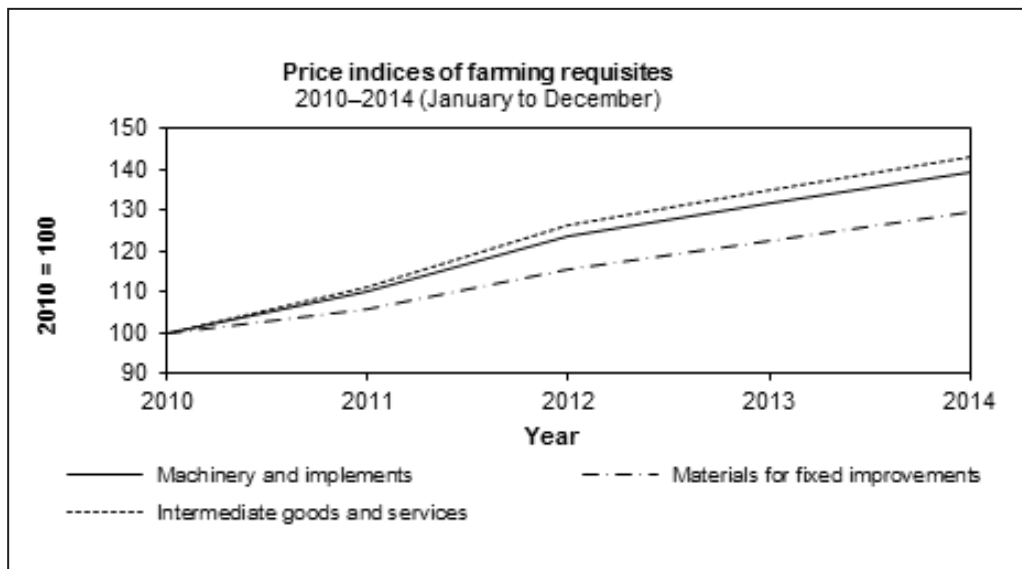
Expenditure on intermediate goods and services for 2014 is estimated at R114 399 million, which is an increase of 4,1% from the R109 861 million of 2013. Expenditure on building and fencing material increased by 10,9%, seed and plants by 10,0%, packing material by 9,0%, farm feeds by 8,0%, farm services and animal health and crop protection by 6,0% each, maintenance and repairs by 5,0% and fertilisers by 3,0%. The expenditure on fuel decreased by 13,1%.

Expenditure on farm feeds remained the biggest expenditure item, accounting for 29,0% of total expenditure, followed by fuel (7,6%), farm services (12,7%), maintenance and repairs of machinery and implements (14,5%), seeds and plants 6,2%), animal health and crop protection (6,5%), packing material (4,6%) and fertilisers (5,6%).



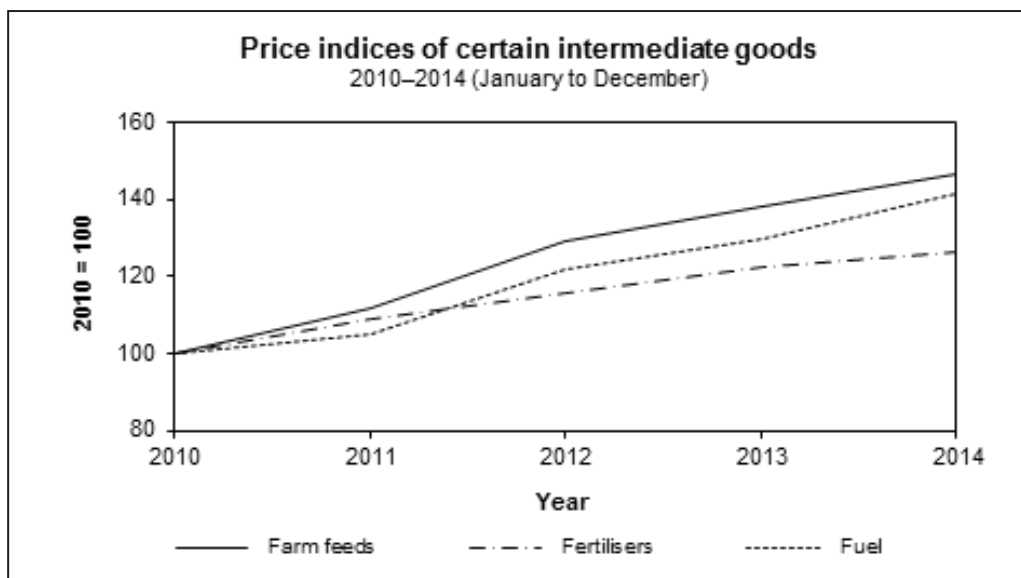
Prices of farming requisites

Prices of farming requisites, including machinery and implements, material for fixed improvements and intermediate goods and services, rose by 6,2% in 2014, compared to an increase of 6,9% the previous year.



The price index of machinery and implements increased by 8,3% during 2014. The price index of materials for fixed improvements increased by 5,7% and the combined index of prices of intermediate production inputs and services increased by 6,0%.

Prices paid for tractors increased by 11,6%, fuel by 9,3%, trucks by 6,7%, animal health and crop protection and feeds and fencing material by 6,1% each, packing material by 6,0%, building material by 5,5%, seeds by 4,8%, maintenance and repairs by 4,6% and fertilisers by 3,0%.

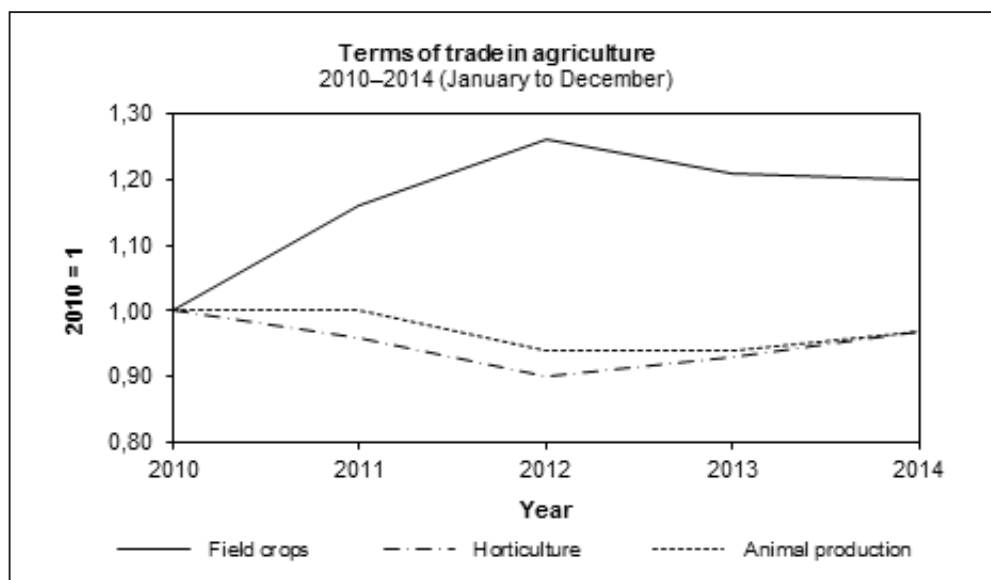


Domestic terms of trade in agriculture (2010 = 1)

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

The terms of trade in agriculture strengthened by 2,0%, from 1,00 in 2013 to 1,02 in 2014.

The terms of trade for field crops weakened by 2,5%, from 1,20 in 2013 to 1,17 in 2014. The terms of trade for the horticultural industry improved by 3,3%, from 9,2 in 2013 to 9,5 in 2014 and for the animal industry by 2,2%, from 0,93 in 2013 to 0,95 in 2014.



Contribution of agriculture to value added at basic prices

Value added is the value of total output less the value of intermediate consumption during the production period.

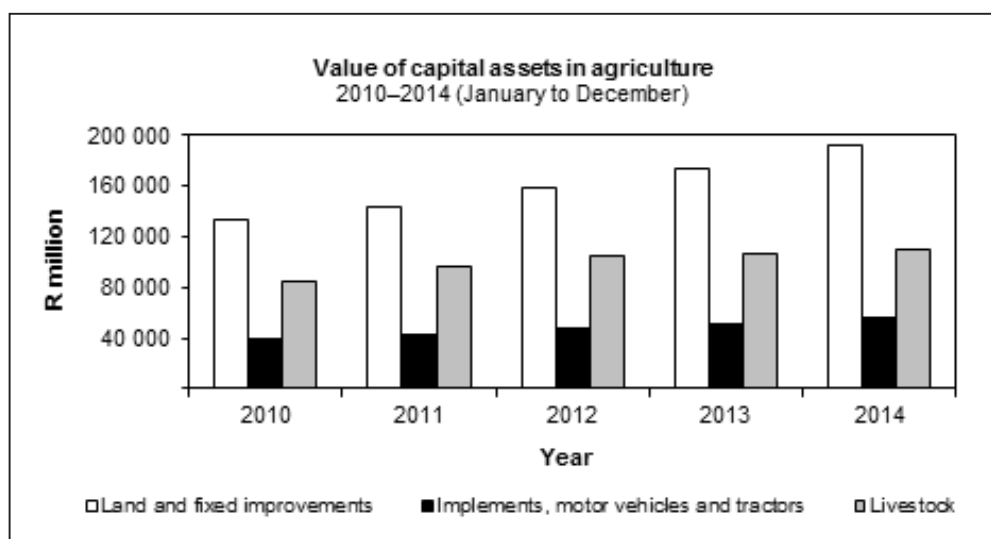
The contribution of agriculture, forestry and fisheries to value added for the year ended 31 December 2014 is estimated at R84 662 million. This represents 2,5% of the total value added to the economy.

Year	Total value added	Contribution of agriculture to value added	Contribution of agriculture as % of total value added
	R million	R million	%
2005	1 469 239	31 273	2,1
2006	1 642 222	34 478	2,1
2007	1 884 722	46 671	2,5
2008	2 137 190	57 656	2,7
2009	2 277 146	56 055	2,5
2010	2 494 860	52 001	2,1
2011	2 725 022	55 066	2,0
2012	2 939 640	59 713	2,0
2013	3 172 961	62 826	1,9
2014*	3 404 495	84 662	2,5

*Note: Figures are for agriculture, forestry and fisheries

Capital assets and investment in agriculture

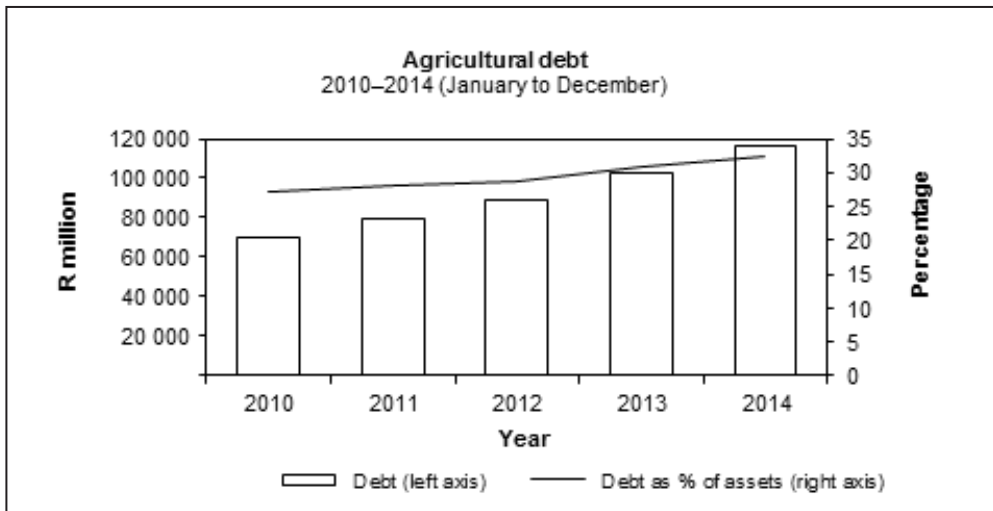
The value of capital assets in agriculture as at 31 December 2014 is estimated at R359 059 million, compared to R331 620 million at the end of December 2013—an increase of 8,3%. Land and fixed improvements constituted R192 105 million, implements, motor vehicles and tractors R56 726 million and livestock R110 229 million of the total value of capital assets.



The gross investment in respect of fixed improvements for the year ended 31 December 2014 increased by 3,3% to R4 423 million. In the case of machinery, implements and vehicles, investment increased by 9,5% and amounted to R10 262 million. The livestock inventory increased by R272 million from the previous year.

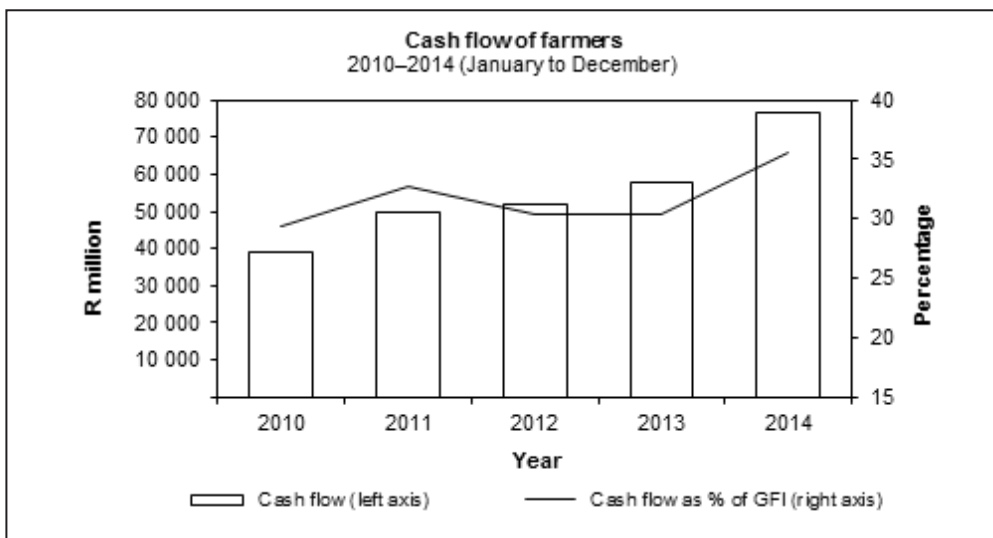
Farming debt

The total farming debt as at the end of December 2014 is estimated at R116 576 million, from R102 508 million in 2013, which is an increase of 13,7%.



Cash flow of farmers

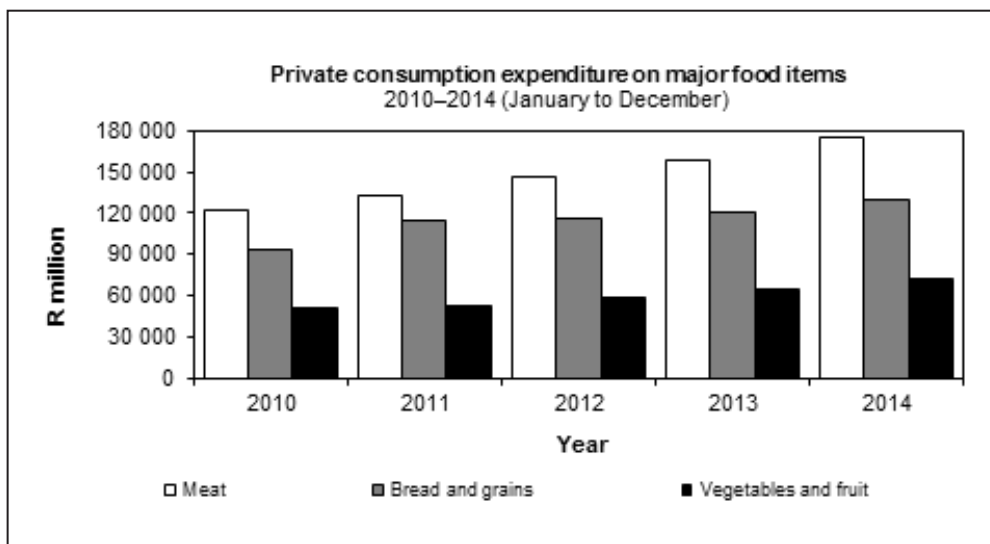
The cash flow of farmers amounted to R76 571 million for the year ended 31 December 2014, compared to the previous R57 554 million—an increase of 33,0%. This was mainly the result of an increase in the gross income of producers.



Consumption expenditure on food

The consumption expenditure on food for the year ended 31 December 2014 increased by 10,2% and amounted to R519 280 million, compared to the R471 260 million of the previous year. Expenditure on all food items rose during 2014. Expenditure on meat increased by 10,5%, from R158 003 million to R174 594 million, bread and grain by 8,2%, from R120 515 million to R130 422 million, on fruit and vegetables by 10,9%, from R64 850 million to R71 925 million and sugar by 1,1%, from R6 326 million in 2013 to R6 397 million in 2014.

Meat represented 34% of the expenditure on the food component, while bread and grains represented 25%, fruit and vegetables (including potatoes) 14%, milk, milk products and eggs 12%, oils and fats 2% and sugar 1%. The other components of food make up the remaining 12%.



Consumer prices

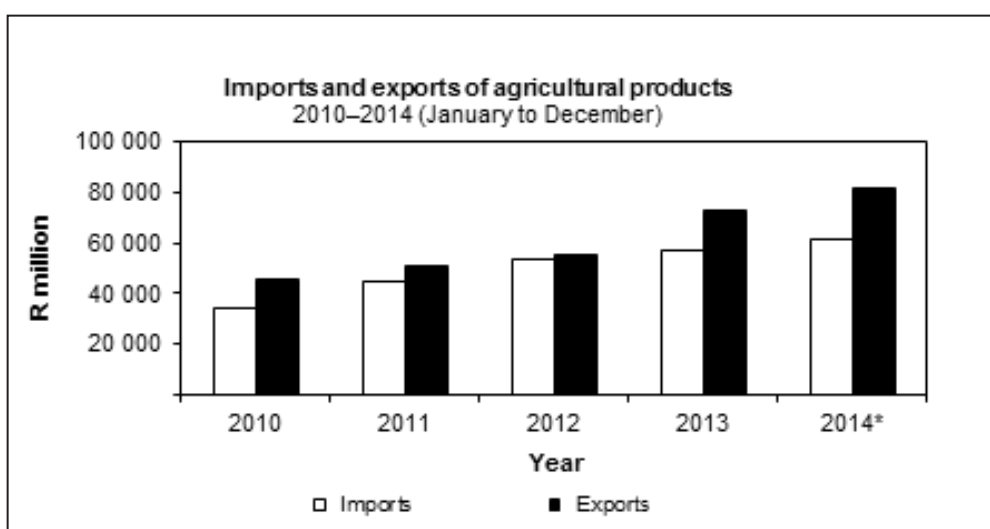
The consumer price index (with base year 2010 = 100) of all items increased by 6,1%, from 117,3 to 124,5, during the year ended 31 December 2014.

The CPI of food increased by 7,8%, from 121,8 to 131,4; and that of non-food items increased by 5,8%, from 114,7 to 121,3.

Meat prices increased by 7,4%, from an index figure of 122,7 to 131,8, while the prices of grain products increased by 7,7%, from an index of 122,2 to 131,6. The consumer price index of vegetables increased by 10,0%, from 119,9 to 131,9, and that of fruit by 4,3%, from 114,7 to 119,7. In the case of dairy products and eggs, prices increased by 10,4%, from an index of 117,3 to 129,5, while an increase of 7,2% was recorded for sugar and related products, from 128,5 to 137,7.

Imports and exports of agricultural products

The estimated value of imports during 2014 came to approximately R61 038 million, from R57 307 million in 2013—an increase of 6,5%. The estimated value of exports showed an increase of 12,1%, from R72 943 million in 2013 to about R81 300 million in 2014.



* Preliminary

According to the 2014 agricultural export figures, citrus fruit (R11 582 million), wine (R8 105 million), grapes (R6 274 million), apples, pears and quinces (R5 677 million), and maize (R5 116 million) were the five most important export products in terms of value.

With regard to agricultural imports during 2014, wheat and meslin (R5 515 million), rice (R4 560 million), poultry meat (R4 068 million), palm oil (R3 834 million) and undenatured ethyl alcohol (R3 745 million) were the five major products in terms of value.

In terms of exports of agricultural products by South Africa during 2014, the five largest trading partners were the Netherlands, with exports to the value of R7 821 million, Zimbabwe (R5 509 million), the United Kingdom (R5 424 million), Mozambique (R4 676 million) and Hong Kong (R2 764 million).

The five largest trading partners from whom South Africa imported agricultural products during 2014 were the United Kingdom, with imports valued at R4 229 million, Argentina (R4 109 million), Indonesia (R3 967 million), Brazil (R3 185 million) and the Netherlands (R3 172 million).