

Economic review of the

South African agriculture

2015

DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES



agriculture,
forestry & fisheries

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REPUBLIC OF SOUTH AFRICA

Economic Review
of the
South African Agriculture

2015

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FOREWORD

The value of primary agricultural production in South Africa was R233,2 billion in 2015, while its contribution to the GDP was estimated at R66,7 billion.

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 2015.

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 six 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
March 2016

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 31 DECEMBER 2015

Summary

Gross farming income from all agricultural products for the year ended 31 December 2015 is estimated at R226 727 million, which is 4,1% higher than the previous year.

The gross farming income from field crops decreased by 9,9% and amounted to R51 091 million because of the decrease in income from grain sorghum by 58,9%, groundnuts by 28,6%, dry beans by 20,8%, sunflower seed by 17,9%, maize by 13,9%, soya beans by 4,7% and wheat slightly by 0,3%. The income derived from tobacco increased by 21,0%.

Prices received by farmers for agricultural products increased on average by 6,0%, while prices paid by farmers for farming requisites rose by 3,5%, resulting in the strengthening of the terms of trade from 1,01 to 1,04 during the period under review.

The weighted average price of field crops increased by 9,8% as a result of the increase in prices of hay by 13,2%, summer grains by 12,5%, tobacco by 10,6%, sugar cane by 10,1%, winter grains by 6,7%, cotton by 5,3% and oilseeds by 0,6%. The price of dry beans decreased by 12,7%.

Prices of horticultural products increased by 2,1%, mainly because of the increase in prices of fruit by 8,4%. The prices of vegetables and viticulture decreased by 6,1% and 2,6% respectively.

Prices of animal products increased by 6,0% as a result of the increase in prices of pastoral products by 12,9%, poultry meat by 7,7% and slaughtered stock by 6,4%. The price of milk decreased by 1,8%.

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

Net farming income decreased by 3,1% and amounted to R73 414 million for the 12 months up to 31 December 2015.

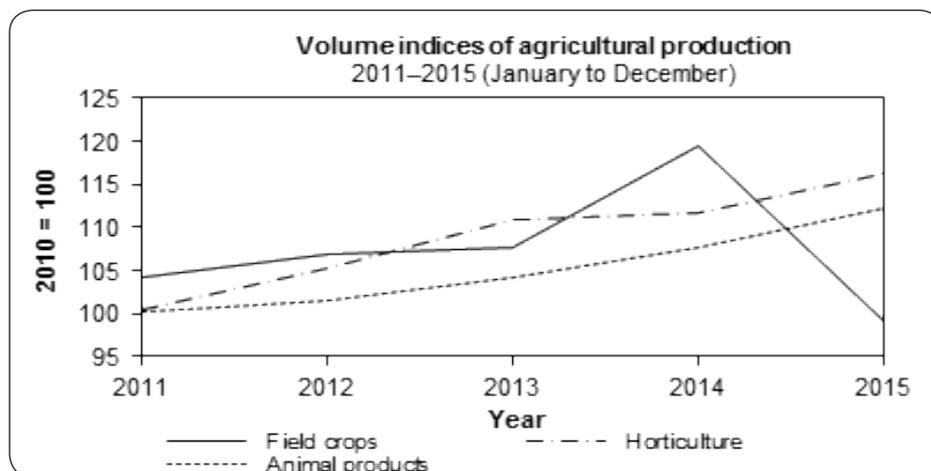
Volume of agricultural production

The estimated volume of agricultural production during 2015 was 1,0% lower than in 2014.

The volume of field crop production decreased by 17,0%, mainly as a result of a decrease in the production of summer grains (maize and sorghum), oilseeds (especially sunflower seed and groundnuts), as well as winter grains (especially wheat and canola) and sugar cane.

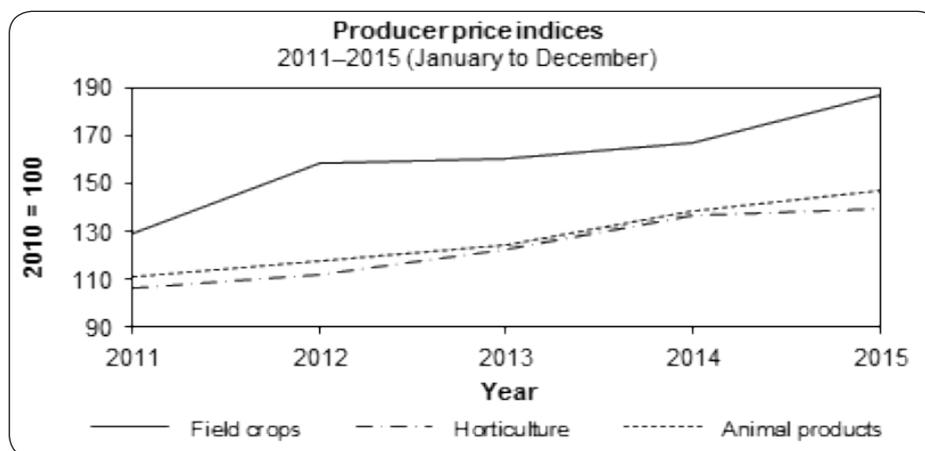
Horticultural production increased by 4,2%, which can mainly be attributed to increases in the production of vegetables and deciduous fruit.

The production of animal products rose by 4,2%, mainly because of an increase in the production of fresh milk, poultry meat and eggs, as well as an increase in the number of sheep, goats, pigs and cattle slaughtered during 2015.



Producer prices of agricultural products

Producer prices of agricultural products increased on average by 6,0% during the period under review. The weighted average price of field crops increased by 9,8% as a result of the increase in prices of hay by 13,2%, summer grains by 12,5%, tobacco by 10,7%, sugar cane by 10,1%, winter grains by 6,7%, cotton by 5,3% and oilseeds by 0,6%. The price of dry beans decreased by 12,7%.



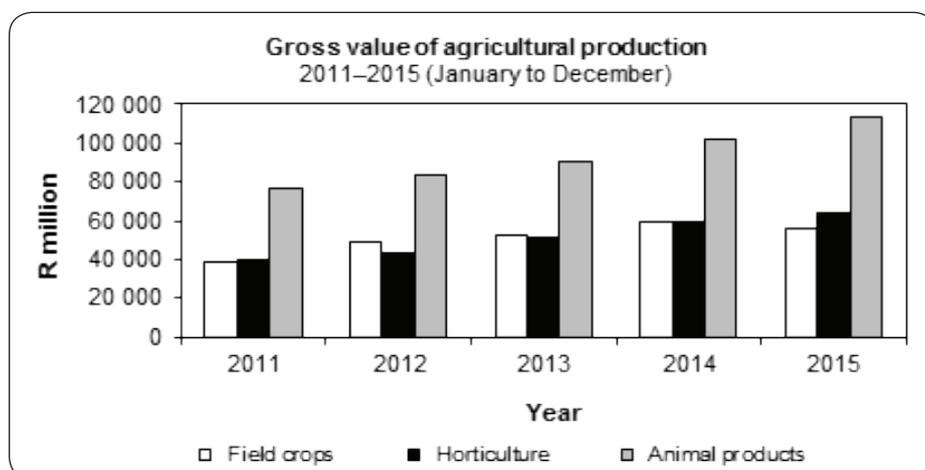
Prices of horticultural products increased by 2,1%, mainly because of the increase in prices of fruit by 8,4%. The prices of vegetables and viticulture decreased by 6,1% and 2,6% respectively.

Prices of animal products increased by 6,0% as a result of the increase in prices of pastoral products by 12,9%, poultry meat by 7,7% and slaughtered stock by 6,4%. The prices of milk decreased by 1,8%.

Gross value of agricultural production

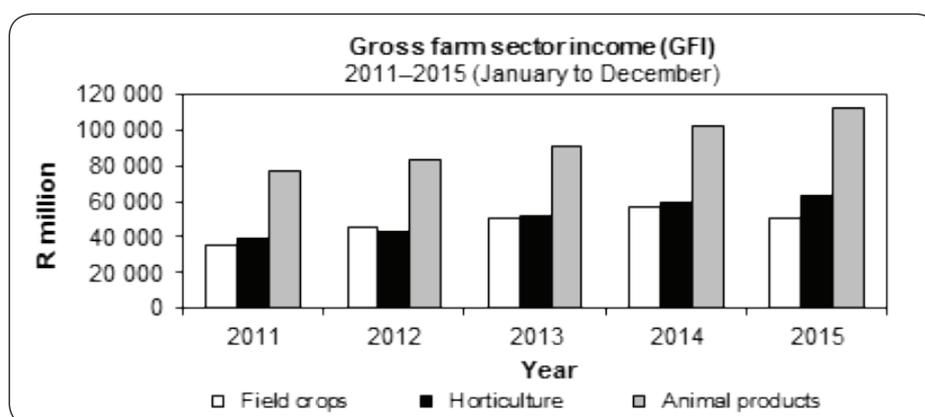
The *total gross value of agricultural production* (total production during the production season valued at the average basic prices received by producers) for 2015 is estimated at R233 237 million, compared to R220 983 million the previous year—an increase of 5,5%. This increase can mainly be attributed to an increase in the value of animal products.

The gross value of animal products contributed 48,8% to the total gross value of agricultural production, while horticultural products and field crops contributed 27,4% and 23,8% respectively. The poultry meat industry made the largest contribution with 16,6%, followed by cattle and calves slaughtered with 12,1% and maize with 10,5%.

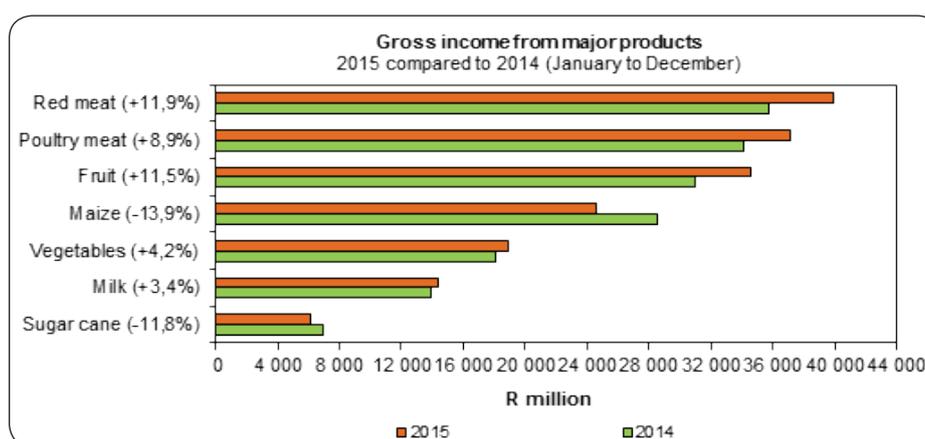


Farming income

The *gross income of producers* (the value of sales and production for other uses, plus the value of changes in inventories) for the year ended 31 December 2015 amounted to R226 727 million, compared to R217 786 million the previous year—an increase of only 4,1%. The relatively small increase, compared to increases of 11,0% to 14,0% per year in the previous four years, can be ascribed mainly to dry weather conditions which adversely affected field crop production. The lower production in major field crops was in part offset by increases in the production of beef, mutton, eggs, milk and horticultural products, in particular deciduous fruit and vegetables.



The *gross income from field crops* decreased by 9,9% to R51 019 million for the year ended 31 December 2015. Income from maize at R24 597 million, was 13,9% less than in the previous 12 months. The 2015 maize crop at 9,95 million tons is the lowest crop in the country since 2007. Income from soya beans showed a decrease of 4,7% to R5 015 million and that of sunflower seed showed a decrease of 17,9% to R3 150 million. Income from groundnuts and dry beans showed decreases of 28,6% and 20,8% to R495 million and R879 million respectively. Income from sugar cane at R6 151 million was 11,8% lower than in the previous 12 months. Income from wheat at R5 488 million remained at more or less the same level as during 2014.

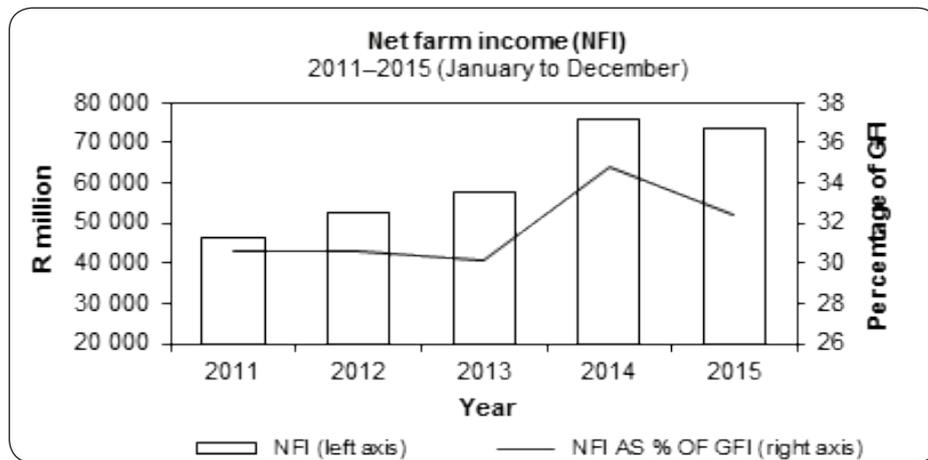


The *gross income from horticultural products* increased by 8,2%, from R58 830 million in 2014 to R63 675 million in 2015. Income from citrus fruit increased by 13,3% and amounted to R14 200 million. Income from deciduous fruit, at R16 975 million, was 14,0% higher than in 2014. Income from vegetables increased by 4,3% to R18 859 million. Income from subtropical fruit, however, decreased by 5,1% to R3 376 million.

The *gross income from animal products* was 9,5% higher in 2015 and amounted to R112 033 million, compared to R102 351 million for the previous year. Producers earned R28 257 million from slaughtered cattle and calves, compared to the previous R24 938 million—an increase of 13,3%. Income from poultry meat showed

an increase of 8,9% to R37 155 million. Income from egg production, at R9 833 million, was 6,9% higher than in the previous year. Producers earned R14 357 million from milk production, which is 3,4% more than in the previous year. Income from wool increased by 6,5% to R2 938 million.

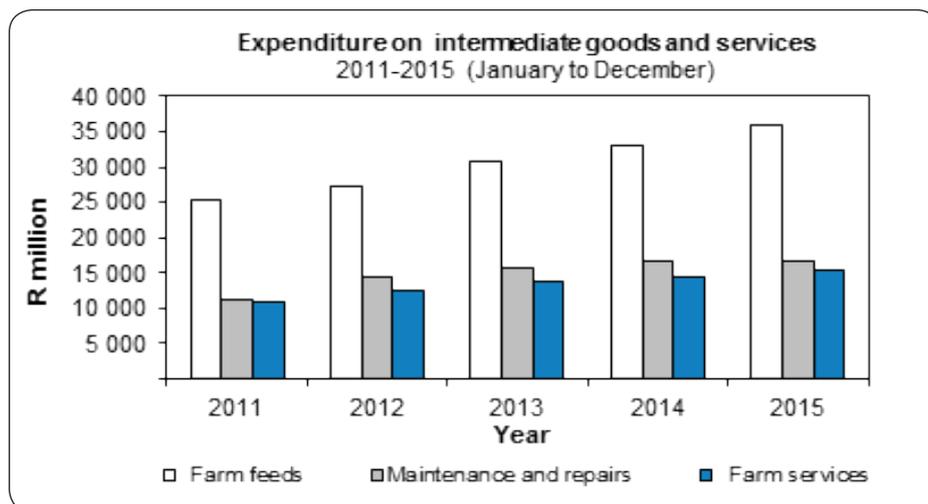
The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R73 414 million for the 12 months that ended on 31 December 2015, which is 3,1% less than the previous 12 months. Payments for salaries and wages, which represented 10,4% of the total farming costs, amounted to R16 318 million. Interest paid by farmers to banks and other financiers during the 12 months up to 31 December 2015 is estimated at R7 624 million, or 4,9% 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.

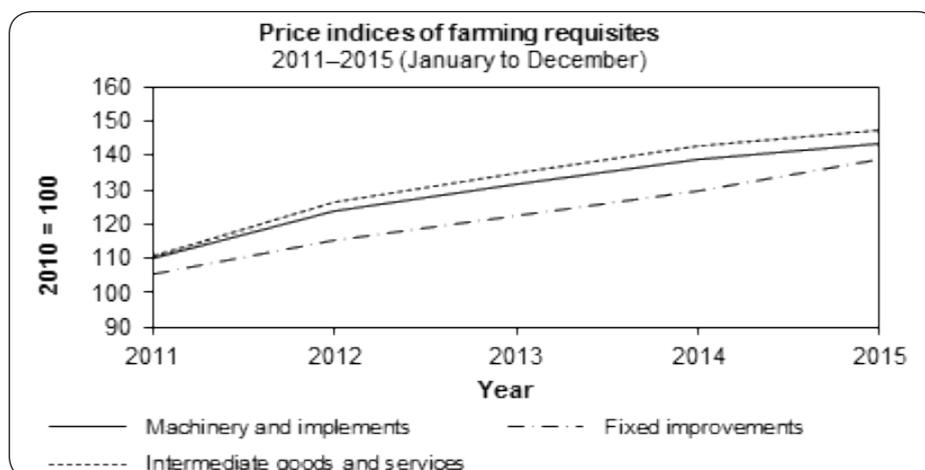
Expenditure on intermediate goods and services for 2015 increased by 7,0% and amounted to R124 430 million, from R116 328 million in 2014. Expenditure on building and fencing material increased by 11,1%, seed and plants by 10,0%, packing material by 9,0%, farm feeds by 8,0%, farm services and animal health and crop protection by 6,0% each, maintenance and repairs by 5,0%, fuel by 4,6% and fertilisers by 3,0%.



Expenditure on farm feeds remained the biggest expenditure item, contributing 28,8% to total expenditure, followed by maintenance and repairs (14,0%), farm services (12,4%), fuel (9,0%), animal health and crop protection and seeds and plants (6,3%) each, fertilisers (5,3%), packing material (4,6%) and building and fencing material (3,8%).

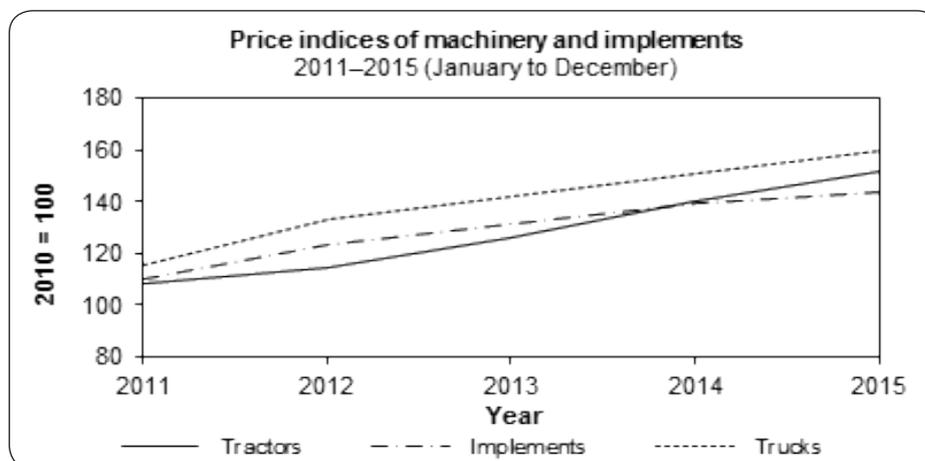
Prices of farming requisites

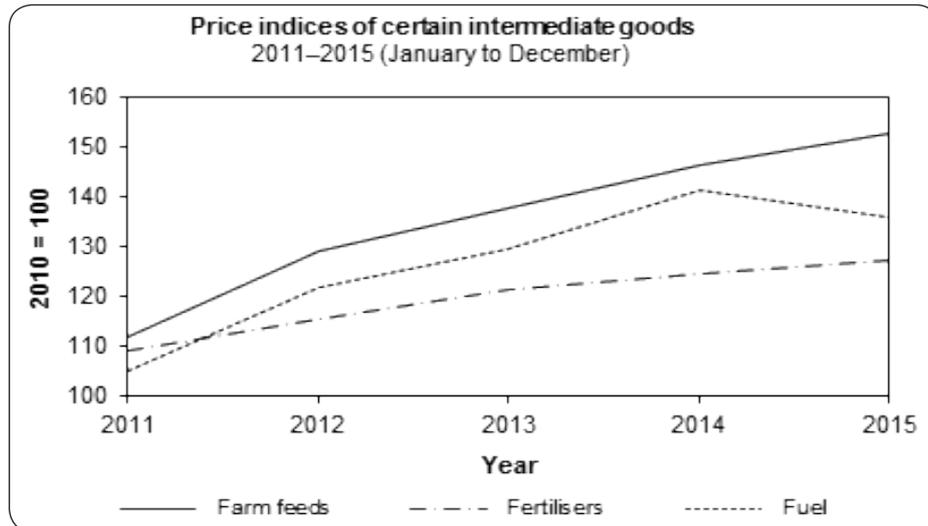
Prices of farming requisites, including machinery and implements, material for fixed improvements and intermediate goods and services, rose by 3,5% in 2015, compared to an increase of 6,2% the previous year.



The price index of machinery and implements increased by 5,8% during 2015. The price index of materials for fixed improvements increased by 7,3% and the combined index of prices of intermediate production inputs and services increased by 3,0%.

Prices paid for tractors increased by 8,4%, building material by 8,4%, trucks by 5,7%, irrigation equipment by 5,5%, fencing material by 5,2%, maintenance and repairs by 4,8%, feeds by 4,3%, seeds by 4,3%, animal health and crop protection by 4,0%, packing material by 3,8%, combines and implements by 3,4% and fertilisers by 2,3%, while the fuel price decreased by 3,8%.

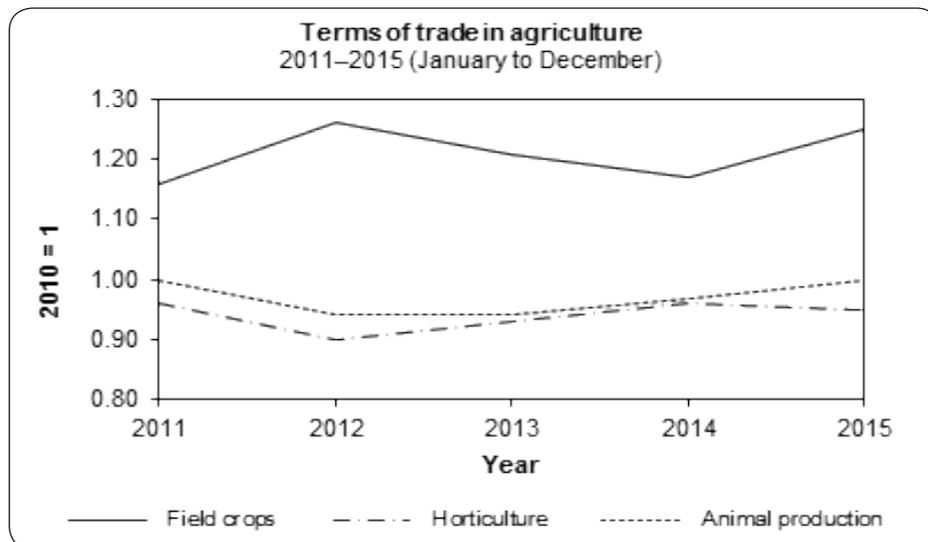




Domestic terms of trade in agriculture (2010 = 1)

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 3,0% from 1,01 in 2014 to 1,04 in 2015. The terms of trade for field crops improved by 6,8% (from 1,17 in 2014 to 1,25 in 2015) and for animal products by 3,1% (from 0,97 in 2014 to 1,00 in 2015), while that of horticultural products weakened slightly by 1,0% (from 0,96 in 2014 to 0,95 in 2015).



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.

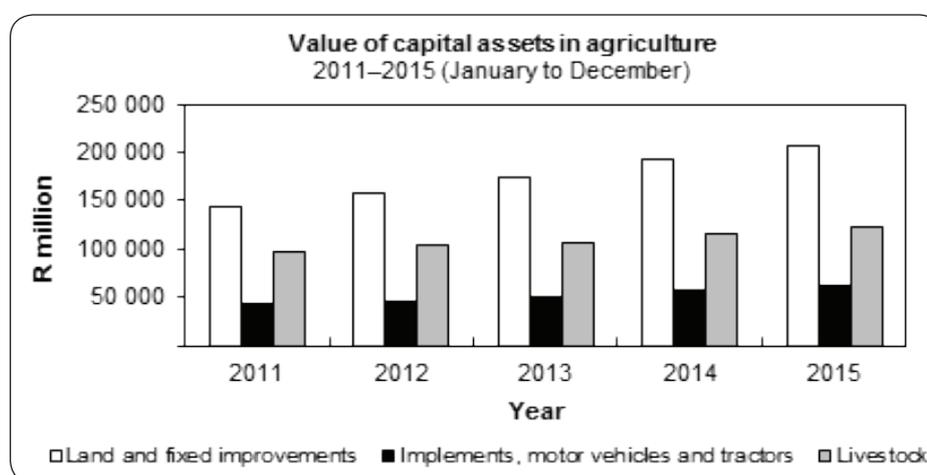
The contribution of agriculture, forestry and fisheries to value added for the year ended 31 December 2015 is estimated at R83 497 million. This represents 2,3% of the total value added to the economy.

Year	Total value added R million	Contribution of agriculture to value added R million	Contribution of agriculture as percentage of total value added %
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	3 405 101	84 662*	2,5*
2015	3 560 558	83 497*	2,3*

*Note: Figures are for agriculture, forestry and fisheries.

Capital assets and investment in agriculture

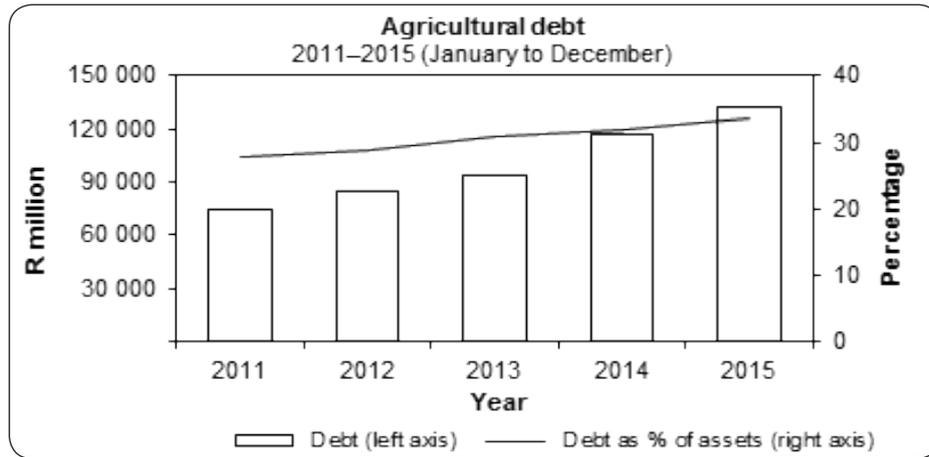
The value of capital assets in agriculture as at 31 December 2015 showed an increase of 8,0% and is estimated at R393 168 million, compared to R364 181 million at the end of December 2014. Land and fixed improvements constituted R208 196 million, implements, motor vehicles and tractors R61 049 million and live-stock R123 922 million of the total value of capital assets.



The gross investment in respect of fixed improvements for the year ended 31 December 2015 was 4,2% higher than in 2014 and amounted to R4 662 million. In the case of machinery, implements and vehicles, investment decreased by 4,8% and amounted to R9 774 million. The livestock inventory decreased with R1 306 million from the previous year.

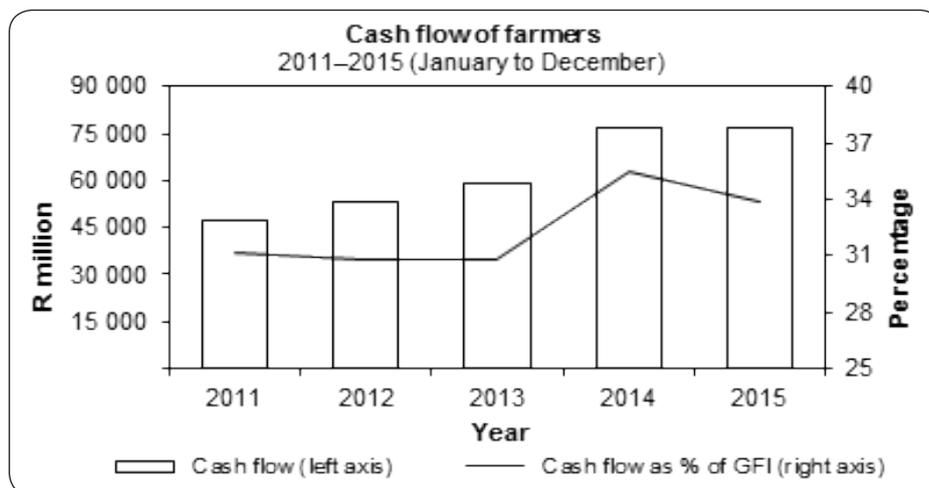
Farming debt

The total farming debt as at the end of December 2015 is estimated at R133 089 million, as against R116 576 million in 2014, which is an increase of 14,2%.



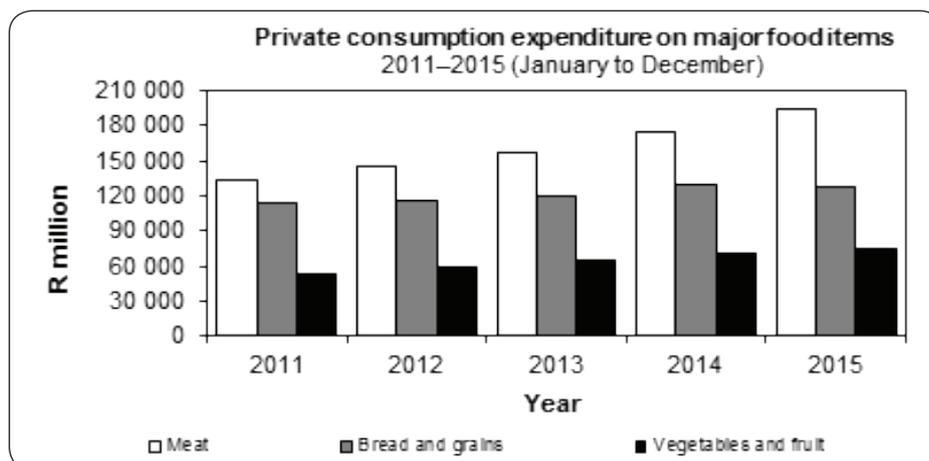
Cash flow of farmers

The cash flow of farmers amounted to R76 714 million for the year ended 31 December 2015, compared to R77 293 million of the previous year—a slight decrease of 0,7%. This was mainly a result of the increase in the expenditure of farmers.



Consumption expenditure on food

The consumption expenditure on food for the year ended 31 December 2015 amounted to R551 870 million, which is an increase of 5,9% from the R521 133 million of the previous year. Expenditure on most food items rose during 2015, except for bread and grains, as well as oils and fats. Expenditure on meat increased by 11,4%, from R175 046 million to R195 025 million, milk, milk products and eggs increased by 12,4%, from R62 824 million to R70 611 million, fruit and vegetables by 1,8%, from R55 611 million to R56 589 million, and sugar by 3,3%, from R6 323 million in 2014 to R6 529 million in 2015. Expenditure on bread and grains and on oils and fats decreased by 1,4% and 9,9% respectively. Expenditure on bread and grains decreased from R130 661 million in 2014 to R128 852 million in 2015, and oils and fats from R12 859 million to R11 587 million.



Meat represented 35% of the expenditure on the food component, while bread and grains represented 23%, fruit and vegetables (including potatoes) 13%, milk, milk products and eggs 13%, oils and fats 2% and sugar 1%. The other components of food make up the remaining 13%.

Consumer prices

The consumer price index (with base year 2010 = 100) of all items increased by 4,6%, from 124,5 to 130,2, during the year ended 31 December 2015.

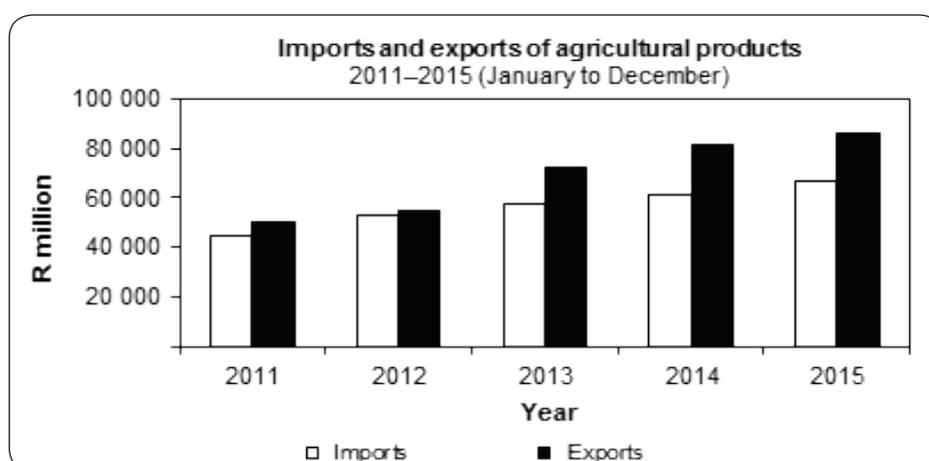
The CPI of food increased by 5,0%, from 131,4 to 138,0, and that of non-food items increased by 4,5%, from 121,3 to 126,8.

Meat prices increased by 5,8%, from an index figure of 131,8 to 139,5, while the prices of grain products increased by 5,1%, from an index of 131,6 to 138,3. The consumer price index of vegetables increased slightly by 0,8%, from 131,9 to 132,9, and that of fruit by 1,9%, from 119,7 to 121,9. In the case of dairy products and eggs, prices increased by 6,1%, from an index of 129,5 to 137,4, while sugar and related products recorded an increase of 8,5%, from 137,7 to 149,5.

Imports and exports of agricultural products

The estimated value of imports during 2015 came to approximately R67 244 million, from R61 038 million in 2014—an increase of 10,2%.

The estimated value of exports showed an increase of 6,0%, from R81 300 million in 2014 to about R86 090 million in 2015.



According to the 2015 agricultural export figures, citrus fruit (R13 804 million), wine (R8 366 million), grapes (R7 499 million), apples, pears and quinces (R6 678 million), and nuts (R3 983 million) were the five most important export products in terms of value.

With regard to agricultural imports during 2015, wheat and meslin (R6 044 million), rice (R5 529 million), poultry meat (R4 651 million), undenatured ethyl alcohol (R3 782 million) and palm oil (R3 181 million) were the five major products in terms of value.

In terms of exports of agricultural products by South Africa during 2015, the five largest trading partners were the Netherlands, with exports to the value of R9 256 million, the United Kingdom (R8 533 million), Mozambique (R6 016 million), Zimbabwe (R5 125 million) and China (R4 649 million).

The five largest trading partners from whom South Africa imported agricultural products during 2015 were Argentina, with imports valued at R5 956 million, Brazil (R4 611 million), the United Kingdom (R3 895 million), Thailand (R3 534 million) and the Netherlands (R3 343 million).

