

# Quarterly Economic overview of Agriculture, Forestry and Fisheries



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agriculture,  
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## PREFACE

The core business of the Directorate: Statistics and Economic Analysis is to provide economic and statistical services to monitor the economic performance of the agricultural, forestry and fisheries (AFF) sector. To support this important task, the Economic and Statistical Research Unit conducts economic analyses of the performance of the AFF sector, as well as the external impact on the AFF sector and its industries.

This publication, the *Quarterly economic overview of the agricultural, forestry and fisheries sector*, was developed because of a need within the Department of Agriculture, Forestry and Fisheries (DAFF) to be regularly informed on developments and expected economic trends in the agricultural sector. The quarterly report has been established as a regular feature in the directorate's workplan. Since the beginning of 2004, the report has also been published for use externally to add value to a number of regular economic publications on the agricultural sector. It is our vision to maintain it as indispensable reading for everyone interested in developments in the AFF and the South African AFF sector.

This issue looks at the economic developments in the fourth quarter of 2014, as well as the expected economic trends in the South African AFF sector as the domestic and global economies continue to face economic uncertainties.

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## EXECUTIVE SUMMARY

Global growth for 2014 remained flat at 3,3% (same as in 2013) dragged down by the weak performance during the first half of 2014. The economic performances of the major economies were below expectation, notably Japan and a slight improvement was largely as the result of the recovery in the US economy, which was stronger than expected.

Economic growth in emerging market and developing economies declined from 4,7% in 2013 to 4,4% in 2014 (IMF, 2015). This was largely to the slowing growth in China, which has been the main driver behind emerging market growth in recent years. Global food prices have been declining since March 2014 but remained fairly stable in October and November before d again in December 2014. The downward trend was largely due to record harvests and stock levels for major cereals, particularly wheat and maize, while dairy and meat prices also started declining.

Economic growth in South Africa slowed from 2,2% in 2013 to 1,5% in 2014 and is forecast to pick up slightly to 2,1% and 2,5% in 2015 and 2016 (IMF, 2015). Even though the South African economy performed better than market expectations during the fourth quarter of 2014, the mining sector posted the highest growth of 15,2% q/q during the fourth quarter while the manufacturing sector grew by 9,5%, its first growth in 2014 following three consecutive contractions. The agricultural, forestry and fisheries sector increased at a slower rate during the fourth quarter of 2014, growing by 7,5% quarter to quarter .

The South african consumer inflation rate remained within the Reserve Bank's target range throughout the fourth quarter of 2014 after sliding back to below 6% in

September 2014. The headline CPI annual inflation rate averaged 5,7% during the fourth quarter of 2014, easing off from the 6,2% average in the third quarter of 2014.

South Africa's unemployment rate decreased slightly to 24,3% in the last quarter of 2014 from 25,4% in the previous quarter. In the fourth quarter of 2014, the number of employed people increased by 203 000 to 15,3 million. Quarterly gains were observed in the agricultural (56 000), construction (53 000) and trade (50 000) industries.

The real gross income from all agricultural products decreased by 12,8%, from R57,1 billion in the third quarter to R49,8 billion in the fourth quarter of 2014. This was the result of a decline in the income of field crops (41,7%) and horticulture (30,2%). The total expenditure on intermediate goods and services increased by 4,6 %, from R303,3 billion in the previous quarter to R317,2 billion in the fourth quarter. The increase is attributed to the increase in expenditure on fertiliser and fuel, which increased by 11,5% and 11,4%, respectively, compared to the previous quarter.

Grain spot prices in quarter four (2014) compared to quarter four (2013) decreased noticeably with an exception of the wheat price. White maize, yellow maize, sunflower and soya-beans prices decreased by 21%, 17%, 14% and 12%, respectively, while the wheat price increased by 5%. South Africa's agricultural trade balance grew remarkably, by 101% between the fourth quarter of 2013 and the fourth quarter of 2014. Exports increased by 20% while imports rose by 2%.



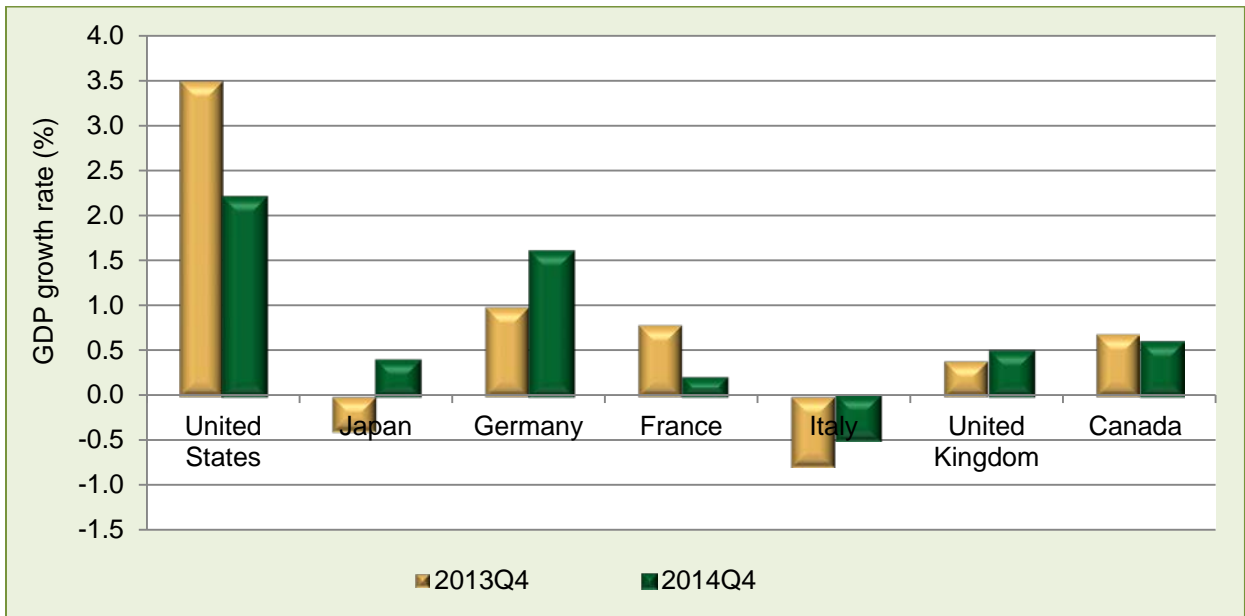
## **1. GLOBAL OVERVIEW OF THE AGRICULTURAL, FORESTRY AND FISHERIES ECONOMY**

### **1.1 Global growth**

Global economic growth increased slightly to 3,8% in the third quarter of 2014 from 3,3% in the second quarter of 2014 (IMF, 2015). The slight improvement was largely as the result of the recovery in the US economy, which was stronger than expected, while economic performance in all other major economies, notably Japan, were below expectations. Despite the slight improvement during the third quarter of 2014, global growth for 2014 remained flat at 3,3% (same as in 2013) dragged down by the weak performance during the first half of 2014.

Global growth is expected to rise slightly in 2015/16, boosted at least in the short term, by lower oil prices, which are expected to lift purchasing power and private demand in oil-importing countries over the next two years—mainly in advanced economy oil importers. However, in the medium to long-term, the gains from lower oil prices are expected to be offset by other negative factors, especially in economies facing currency depreciation. Also, weak economic activity is expected in some major oil exporting countries because of the sharp drop in oil prices. Global economic growth is

forecast at 3,5% and 3,7% in 2015 and 2016, respectively (IMF, 2015). Figure 1 depicts the advanced economies' GDP rates for the fourth quarters of 2013 and 2014.

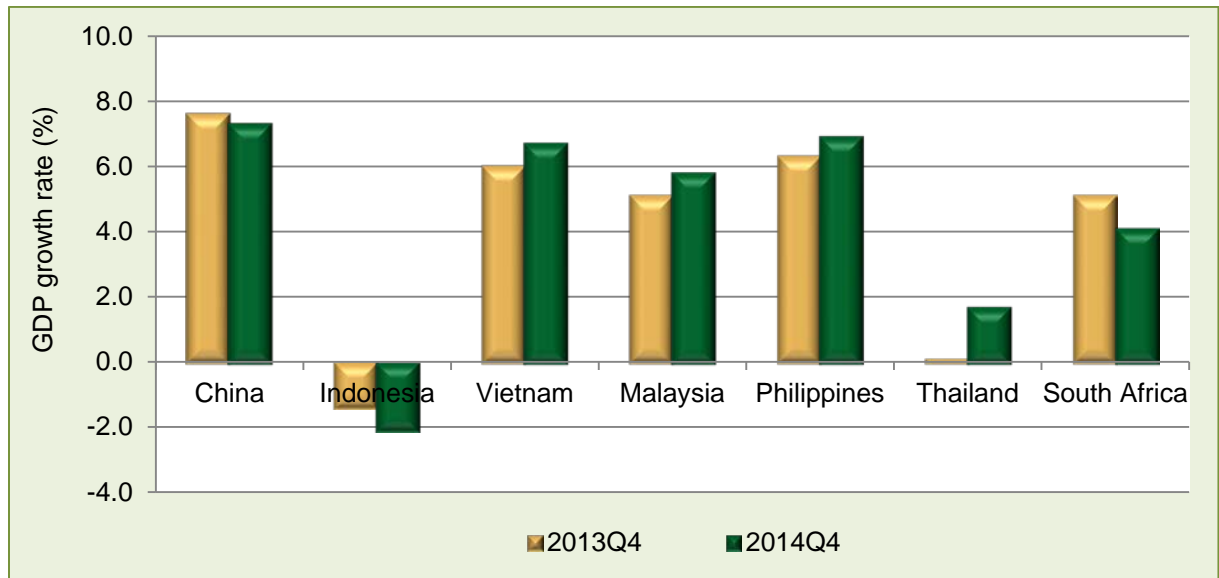


**Figure 1:** Advanced economies' quarterly GDP rates

Source: Various sources

Economic growth in emerging market and developing economies declined from 4,7% in 2013 to 4,4% in 2014 (IMF, 2015). This was largely due to the slowing growth in China, which has been the main driver behind emerging market growth in recent years. Economic growth in China declined from 7,8% in 2013 to 7,4% in 2014 and is expected to slow further to 6,8% and 6,3% in 2015 and 2016, respectively. Weaker growth is also forecast for sub-Saharan Africa, with a more subdued outlook for Africa's largest economies, Nigeria and South Africa. Economic growth in South Africa slowed down from 2,2% in 2013 to 1,5% in 2014 and is forecast to pick up slightly to 2,1% and 2,5% in 2015 and 2016 (IMF, 2015). Economic growth in Nigeria increased from 5,4% in 2013 to 6,1% in 2014, but is expected to slow down to 4,8% in 2015

before picking up again to 5,2% in 2016. Economic growth in emerging market and developing economies is projected to decline further from 4,4% in 2014 to 4,3% in 2015 before rising to 4,7% in 2016 (IMF, 2015). Figure 2 depicts the emerging market and developing economies' GDP rates for the fourth quarters of 2013 and 2014.

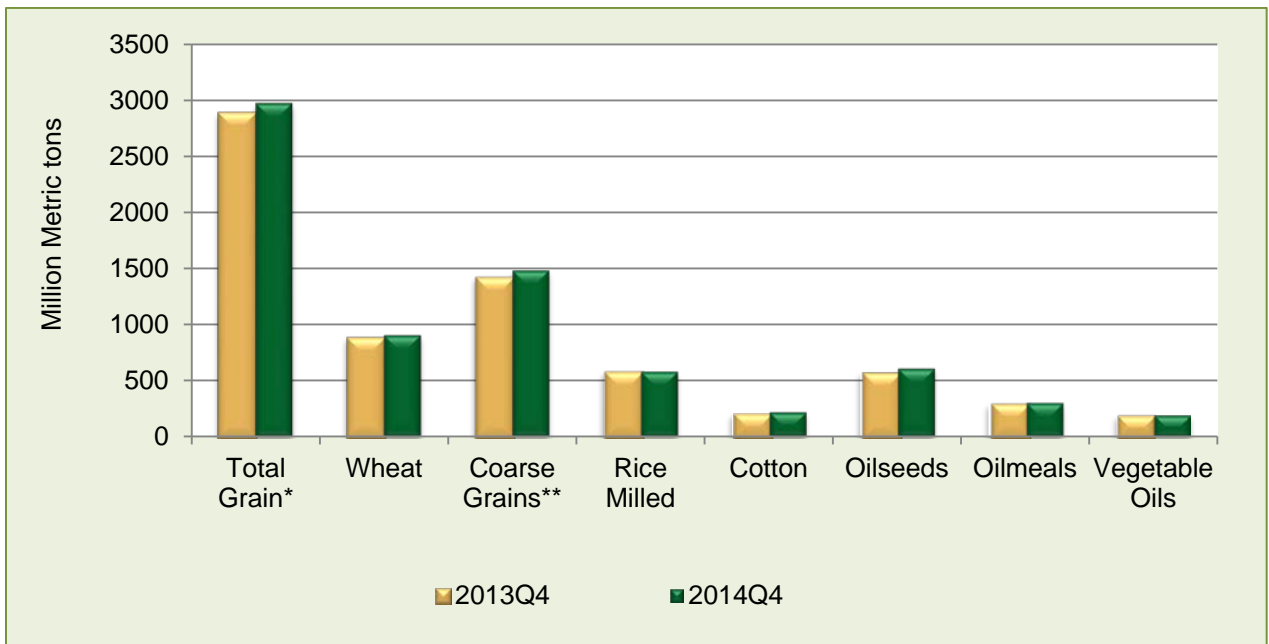


**Figure 2:** Emerging markets and developing economies quarterly GDP rates

Source: Various sources

## 1.2 Global grain forecast

The global grain supply forecast indicates a total grain increase of 3,2% from 2 881,71 million metric tons in 2013 (Q4) to 2 973,35 million metric tons in 2014 (Q4). Comparing 2014 (Q4) to 2013 (Q4) global supply projection of wheat, coarse grains, milled rice, cotton, oilseeds, oilmeals and vegetable oils increased by 2,5%, 4,6%, 0,8%, 7,4%, 7,0%, 3,5% and 3,9%, respectively, see Figure 3.



\* USDA Total grains includes: coarse grains, wheat and milled rice  
 \*\*Coarse grains: Generally refers to cereal grains other than wheat and rice  
 \*\*\*Cotton is reported in bales

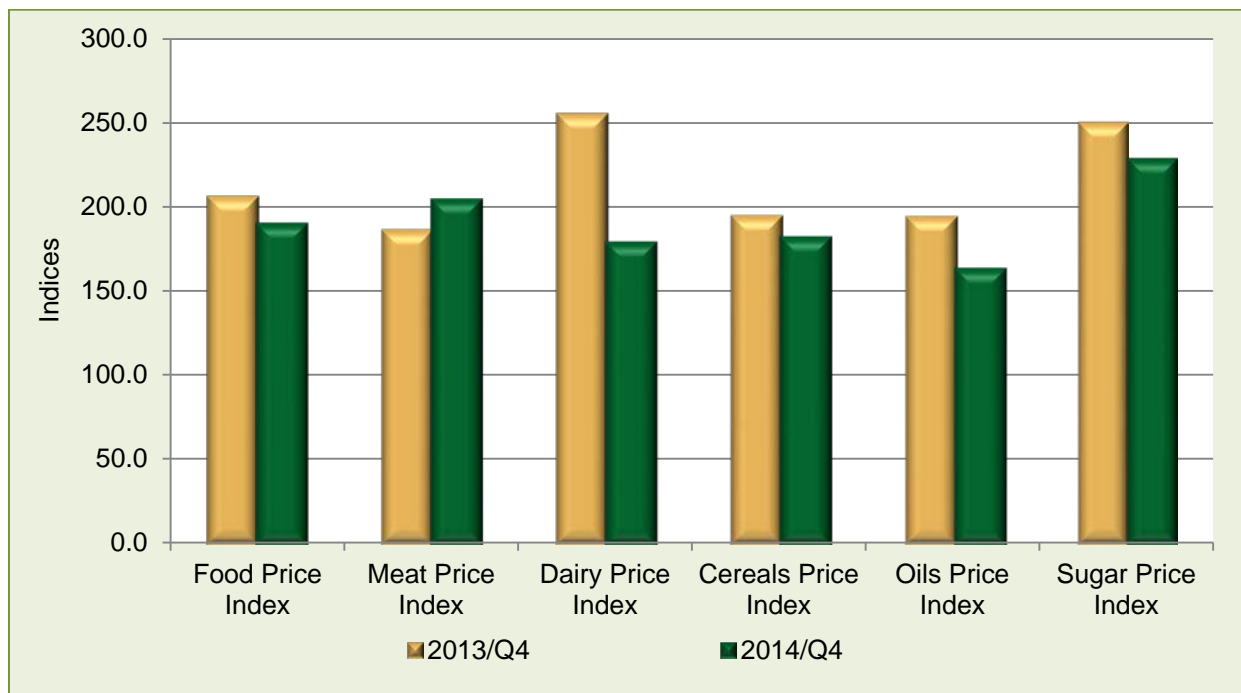
**Figure 3:** Quarterly global grain supply forecast

Source: USDA

### 1.3 Global food prices

Global food prices have been declining since March 2014 but remained fairly stable in October and November before declining again in December 2014. The downward trend was largely as the results of record harvests and high stock levels for the major cereals, particularly wheat and maize, while dairy and meat prices also started declining. Dairy prices started dropping because of a price drop in butter and milk powder resulting from increased output in Europe, where many producers were struggling under Russia's ban on cheese imports. Global meat prices also started declining as pig production recovered in several countries hit by endemic porcine diarrhoea while cattle herds increased in Australia (FAO, 2014). However, this decline

was offset by sugar and vegetable oil prices which rose in October and November 2014. The rise in sugar prices was largely because of drought in Brazil, which led to expectations of a smaller than expected sugarcane crop, however, ample supplies were recorded in December 2014, which brought the prices up again. For the full year, 2014, global prices were 3,7% lower compared to 2013, with cereals registering the sharpest year-on-year (y/y) drop (12,5%), followed by dairy products (7,7%), oils (6,2%) and sugar (3,8%) while meat recorded the only price increase of 8,1% compared to 2013 (FAO, 2014). Figure 4 depicts the price indices of six commodity groups.



**Figure 4:** Quarterly global food price indices

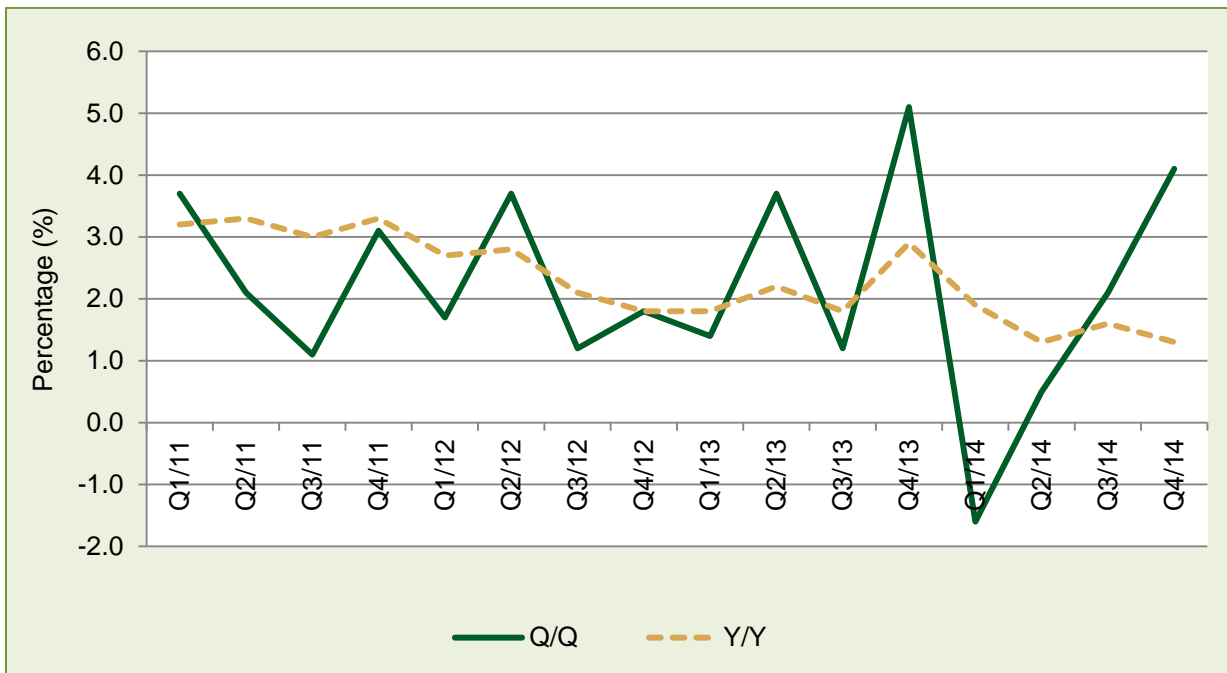
Source: FAO

## 2. THE STATE OF THE DOMESTIC ECONOMY IN AGRICULTURE, FORESTRY AND FISHERIES

### 2.1 Growth

The South African economy performed better than market expectations during the fourth quarter of 2014, growing by a seasonally adjusted and annualised 4,1% quarter-on-quarter, an improvement from the revised 2,1% in the previous quarter. The mining sector posted the highest growth of 15,2% q/q during the fourth quarter while the manufacturing sector grew by 9,5%, its first growth in 2014 following three consecutive contractions. The manufacturing sector's growth comes as a relief to the economy as the sector has been weighing down the domestic economy.

On a year/year basis, the economy expanded by 1,3% in the fourth quarter of 2014, a slowdown from the 1,6% y/y growth registered in the third quarter of 2014. Looking at the full year of 2014, the South Africa economy grew by 1,5%, a slowdown from the 2,2% growth registered in 2013 and the lowest growth rate since the economy's 1,5% contraction in 2009. The mining and quarrying sector contracted by 1,6% while the manufacturing sector registered no growth in 2014. In his 2015 budget Speech, Minister of Finance, Nhlanhla Nene, projected SA's economic growth for 2015 at only 2%, revised downwards from the previous forecast of 2,5%. The Minister cited electricity shortages as one of the downside risks with power outages expected to hold back growth in the manufacturing and mining sectors while also inhibiting investment in housing and raising costs for businesses and households. However, other economists expect the SA economy to fare better in 2015 with the negative impact of load shedding, lower international commodity prices and subdued global demand on exports expected to be outweighed by accelerating consumer spending as lower fuel prices, easing inflation and steady interest rates are expected to support disposable income. Figure 5 depicts the country's quarterly GDP growth trend since 2011.

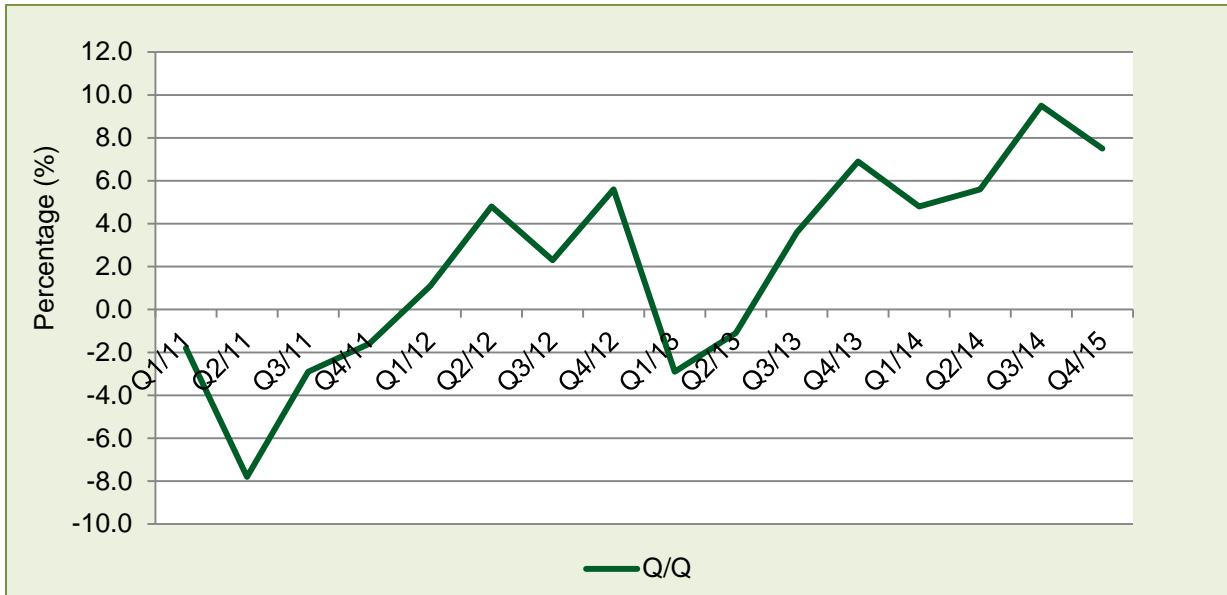


**Figure 5:** Domestic real GDP growth

Source: Stats SA

After registering the strongest quarter-on-quarter sector performance during the first three quarters of 2014, the agriculture, forestry and fisheries (AFF) sector at a slower rate during the fourth quarter of 2014, growing by 7,5% q/q. However, looking at the full year of 2014, the AFF sector registered the strongest sector growth of 5,6% in 2014, up from 1,5% in 2013. The sector growth was because of the R25,1 billion (13,2%) increase in gross income from agricultural products in 2014 compared to 2013. Gross income from field crops increased by R6,3 billion (12,9%) in 2014 compared to 2013, while income from horticultural products and animal products increased by R7,1 billion (14%) and R11,7 billion (13%) respectively, during the same period. In his 2015 Budget Speech, the Finance Minister identified the agriculture sector as one of the sectors with the best short-term prospects for faster growth as it is an energy-intensive sector that employs more people and thus contributes to more

inclusive growth. Efforts by government to support the sector are expected to boost the sector's growth. Figure 6 depicts the agriculture, forestry and fishing sector's quarterly growth trend since the first quarter of 2011.



**Figure 6:** Seasonally adjusted and annualised quarterly growth in the agriculture, forestry and fishing sector.

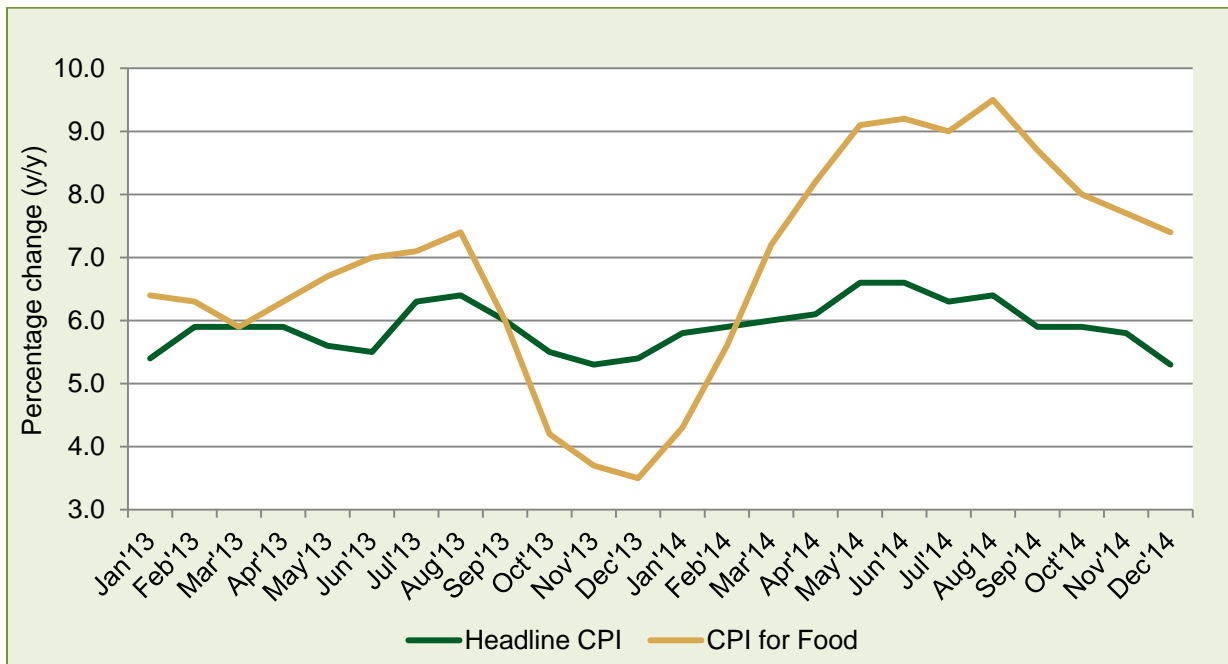
Source: Stats SA

## 2.2 Inflation

The country's consumer inflation rate remained within the Reserve Bank's target range throughout the fourth quarter of 2014 after sliding back to below 6% in September 2014. The headline CPI annual inflation rate averaged 5,7% during the fourth quarter of 2014, easing off from the 6,2% average in the third quarter of 2014. Looking at the full year, the inflation rate averaged 6,1% in 2014, which is the highest rate since the 7,1% average in 2009.



Food price inflation remained among the top three drivers behind higher annual consumer inflation during the fourth quarter of 2014. However, food prices have been easing somewhat throughout the fourth quarter of 2014. Food price inflation was registered at 8% in October, easing to 7,7% in November and down to 7,4% in December, averaging 7,7% during the fourth quarter of 2014, which is a slowdown from the 9,1% average during the third quarter of 2014. Figure 7 shows the price trends in the headline CPI as well as the CPI for food since the beginning of 2013.



**Figure 7:** South African headline CPI and CPI for food

Source: Stats SA

Although food price inflation remains high, it has been declining during the fourth quarter of 2014, with the month-on-month (m/m) food price inflation contracting by 0,4% in December 2014 compared to November 2014; following a 0,2% and 0,6% m/m increase in October and November respectively. Although vegetables have been

among the top three drivers behind rising food price inflation, vegetable prices dropped in October 2014 with fruit prices now among the top three drivers behind higher food prices. Vegetable price inflation averaged 12,9% y/y during the third quarter of 2014, easing off to 6,6% in the fourth quarter of 2014. The main drivers behind high food prices during the fourth quarter of 2014 were milk, eggs and cheese which averaged 12,5% y/y, followed by meat, which averaged 9,3% y/y and fruit which averaged 8,3% y/y. Figure 8 depicts the consumer price trends of selected food items since the beginning of 2013.

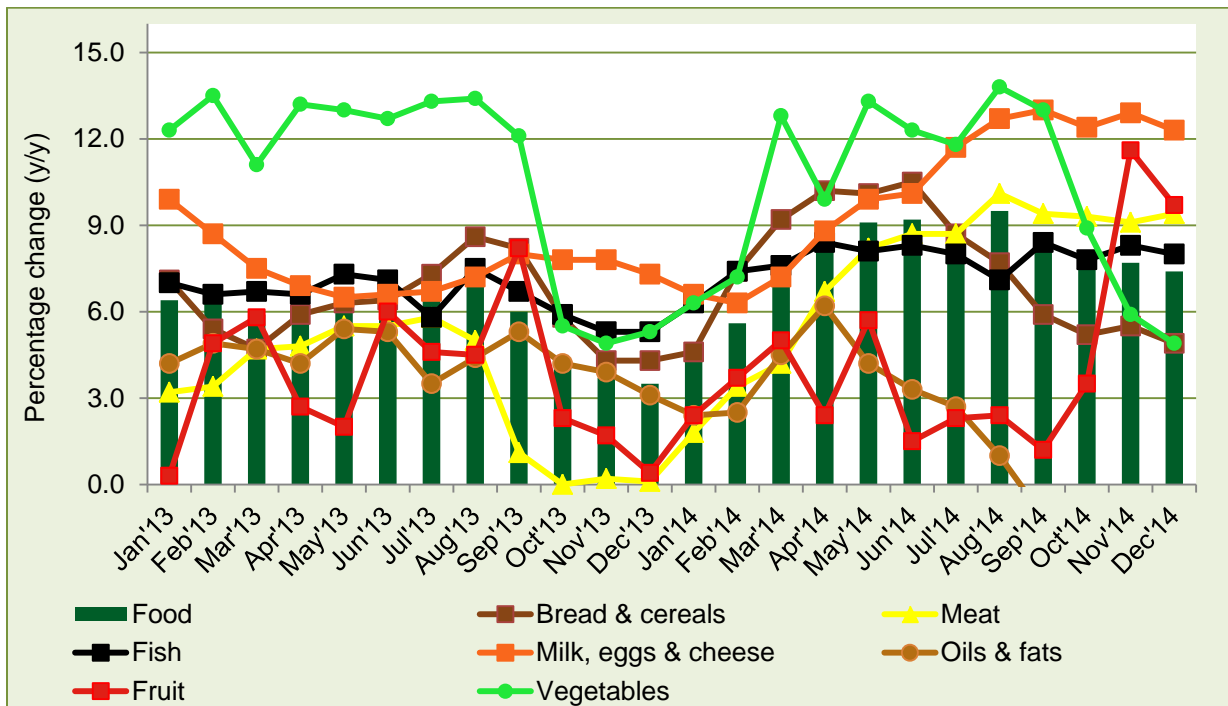


Figure 8: CPI for food and selected food items

Source: Stats SA

The Minister of Finance projects that SA’s consumer price inflation will average 4,3% in 2015, laying a foundation for economic growth (Budget Speech, 2015). The producer price inflation rate, as measured by the Producer Price Index (PPI), averaged 6,3% y/y during the fourth quarter of 2014, a slowdown from the 7,4%

average in the third quarter of 2014. This supports the projections for declining consumer inflation as consumer prices usually take their cue from producer prices. The PPI for AFF averaged 2,5% y/y in the fourth quarter of 2014, a decline from the 4,2 y/y average registered in the third quarter of 2014. The PPI for food products averaged 8,7% y/y in the fourth quarter of 2014, a slight increase from the 8,4% y/y average in the third quarter of 2014.

### **2.3 Employment**

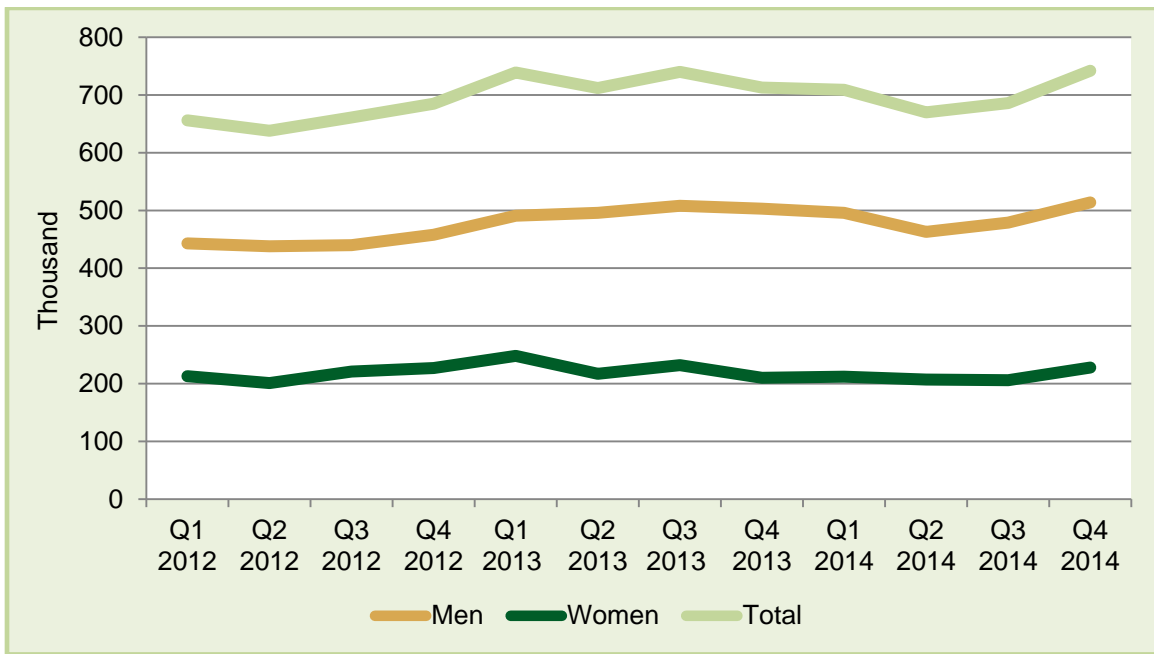
South Africa unemployment rate decreased slightly to 24,3% in the last quarter of 2014 from 25,4% in the previous quarter. It is the lowest rate in a year as employment rose for the three consecutive quarters and the labour force decreased. Between the third quarter of 2014 and the fourth quarter of 2014, the number of unemployed people decreased by 242 000 to 4.9 million. Yet, the labour force decreased by 39 000 to 20.2 million. The number of discouraged work-seekers decreased by 111 000 and the other (not economically active) group increased by 305 000, resulting in a net increase of 194 000 among the economically non active population. In the fourth quarter of 2014, the number of employed people increased by 203 000 to 15,3 million. Large quarterly gains were observed in the agriculture (56 000), construction (53 000) and trade (50 000) industries. Job losses were recorded in the utilities, mining and community and social services industries (15 000, 14 000 and 12 000 respectively). Employment gains were recorded in seven of the nine provinces. The largest quarterly employment gains were observed in KwaZulu-Natal (101 000) and Gauteng (61 000) while job losses of 42 000 and 12 000 were respectively recorded in the Eastern and Western Cape.

It is important to note that the number of employed people has been increasing for three subsequent quarters since the second quarter of 2014, with the largest gain recorded in the fourth quarter 2014. Employment gains of 39 000 and 22 000 were

recorded in second quarter of 2014 and third quarter of 2014 respectively, while in fourth quarter of 2014 a gain of 203 000 jobs was recorded.

Compared to a year ago (fourth quarter of 2013) employment increased by 143 000 in the fourth quarter of 2014, largely because of increases in the formal sector, which by 138 000 jobs. The private household industry shed 26 000 jobs during this period. The number of unemployed people increased by 79 000, resulting in an 0,2 percentage point increase in the unemployment rate. The economically non-active population increased by 400 000 - discouraged job-seekers increased by 203 000 and the (other) economically non-active group increased by 198 000.

Figure 9 shows that total employment in the agricultural sector increased in the fourth quarter of 2014 compared to the third quarter of 2014. The number of people employed in agriculture sector increased by 8,2% in the fourth quarter of 2014 from 686 000 persons (third quarter of 2014) to 742 000 persons in the fourth quarter of 2014. Compared to a year ago, 28 000 people were employed in the sector, up from 713 000 in the fourth quarter of 2013 to 742 000 in the fourth quarter of 2014. Of the 56 000 jobs created in the sector in the fourth quarter of 2014 q/q, 35 000 jobs were created for men while 21 000 jobs were created for women. In total, the agricultural sector comprised 228 000 women and 514 000 men in the fourth quarter of 2014 compared to 206 000 women and 479 000 men in the third quarter of 2014.

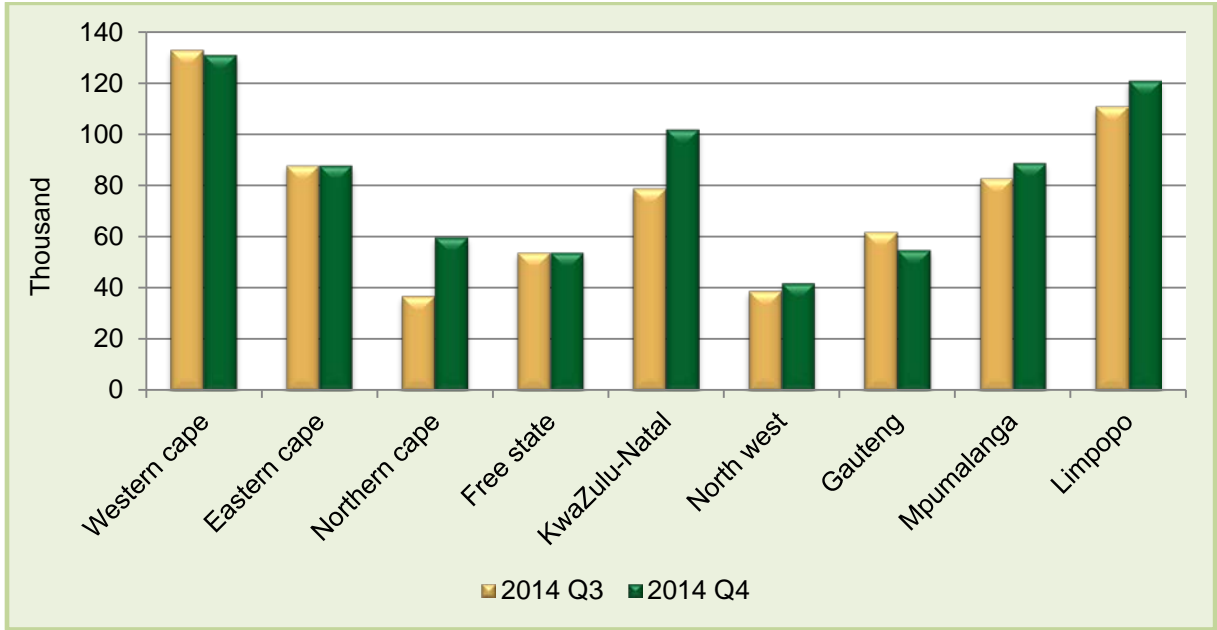


**Figure 9:** Total number of people employed in the agricultural sector between 2012 and 2014.

Source: DAFF

Figure 10 shows that employment increased in five provinces and decreased in three provinces in the fourth quarter of 2014 compared to the third quarter of 2014. In the Northern Cape and KwaZulu-Natal agricultural employment increased significantly by 64,3% and 28,9% respectively between the two quarters. During the same period the agriculture employment in Limpopo, North West and Mpumalanga also increased slightly by 9,1%, 8,6% and 7,9% respectively, while agriculture employment in Gauteng, Western Cape and Free State decreased by 11,3%, 2,0% and 1,0% respectively. The provincial agriculture employment in Eastern Cape remained low. The Western Cape remained with the highest agricultural employer compared to other provinces in the fourth quarter of 2014.

The 2014 QLFS also indicated that 1,4 million people were involved in subsistence farming in the fourth quarter of 2014 compared to 1,2 million in the third quarter of 2014, a decrease of 17,0% on a q/q basis.

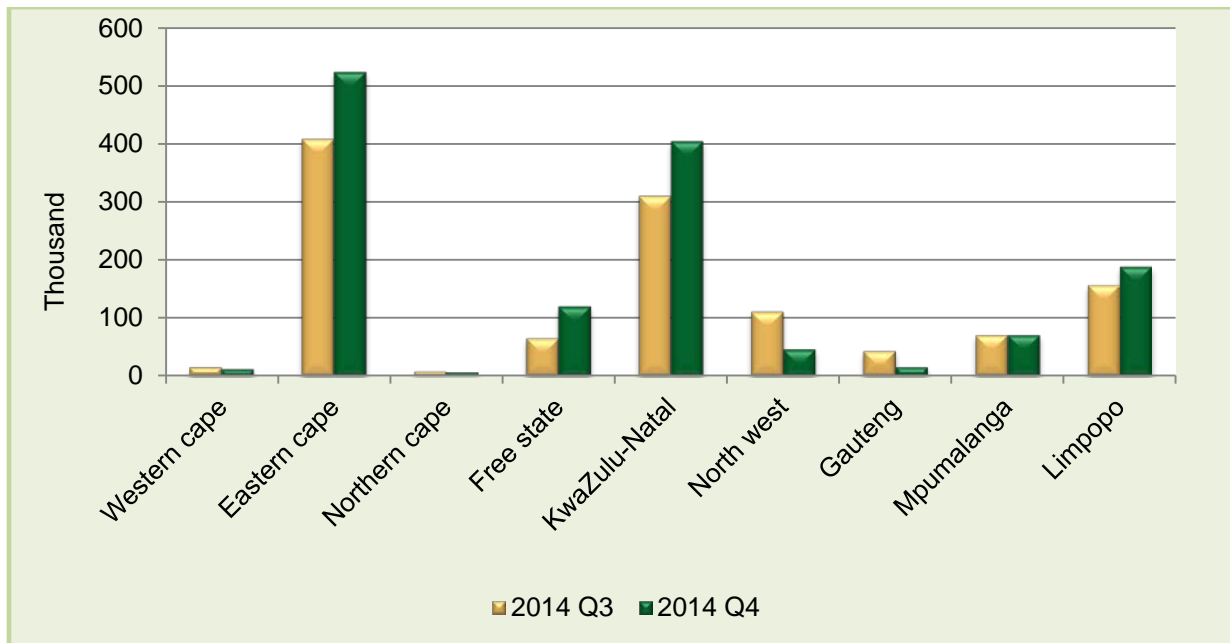


**Figure 10:** Provincial agricultural employment between 2013 and 2014.

Source: DAFF

Figure 11 shows the number of people involved in subsistence farming in all provinces in the fourth quarter of 2014 compared to the previous quarter. Eastern Cape had the highest number (524 000) of people involved in subsistence farming in the fourth quarter of 2014 compared to 408 000 in the previous quarter, an increase of 28,3%. While KwaZulu-Natal had 405 000 people involved in subsistence farming in the fourth quarter of 2014 compared to 310 000 in the third quarter of 2014, an increase of 30,7%. During the same period Limpopo had 189 000 people involved in subsistence farming compared to 157 000, an increase of 20,5%, while Mpumalanga remained low at 71 000 people involved in subsistence farming between the two quarters. The

number of people involved in subsistence farming in the Free State also increased from 65 000 in the third quarter of 2014 to 120 000 in the fourth quarter of 2014. The number of people involved in subsistence farming in Gauteng, North West, Western Cape and Northern Cape decreased by 62,9%, 58,6%, 20,6%% and 12,6% respectively.



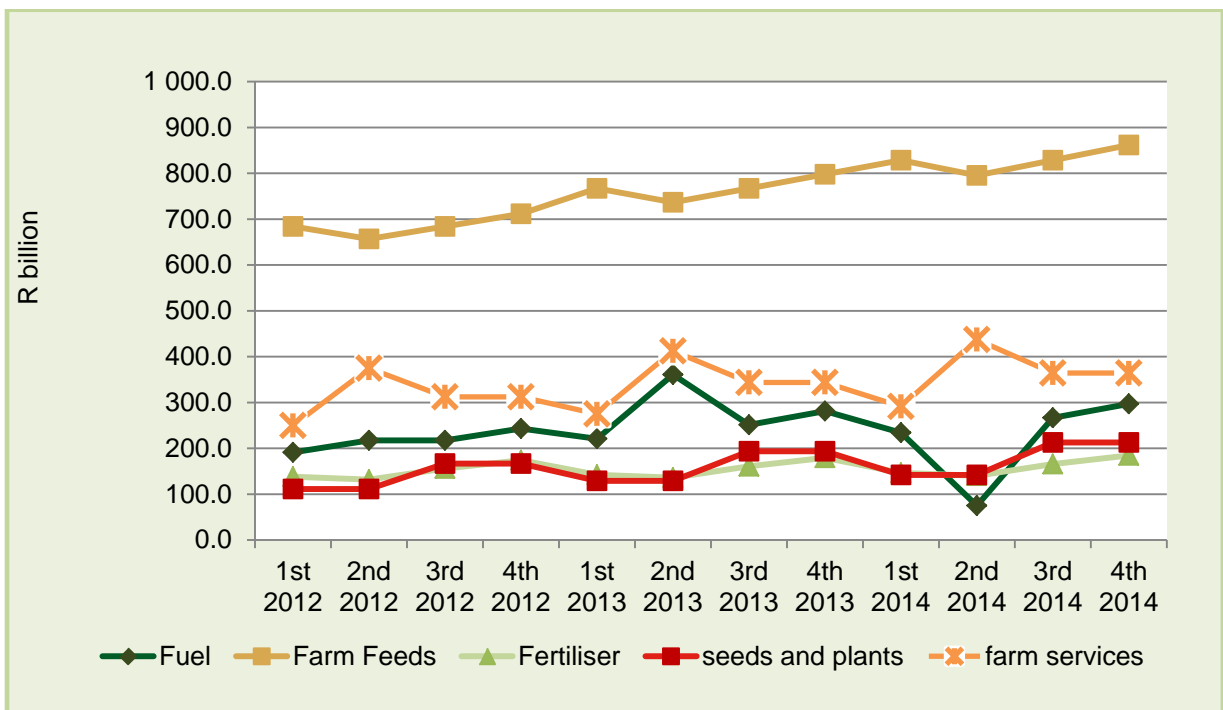
**Figure 11:** Provincial number of people involved in subsistence farming between 2013 and 2014.

Source: DAFF

## 2.4 Expenditure on intermediate goods and services by the agricultural sector

The total expenditure on intermediate goods and services was reported at R317,2 billion in the fourth quarter of 2014 compared to R303,3 billion in the previous quarter, an increase of 4,6%. Compared to a year ago the total expenditure on intermediate goods and services increased by 6,7% from R297,2 billion in the fourth quarter of

2013 to R317,2 billion in the fourth quarter of 2014. The figure above shows the total expenditure on fuel, farm feeds, fertilisers, seeds and plants as well as farm services. The increase in total expenditure in the fourth quarter of 2014 was attributed to the increase in expenditure on fertiliser and fuel, which rose by 11,5% and 11,4% respectively compared to the previous quarter. The expenditure on farm feeds also increased slightly by 4,0%. During the same period the expenditure on seeds and plants was relatively flat, as well as farm service expenditure was also low, see Figure 12.



**Figure 12:** Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2012 and 2014.

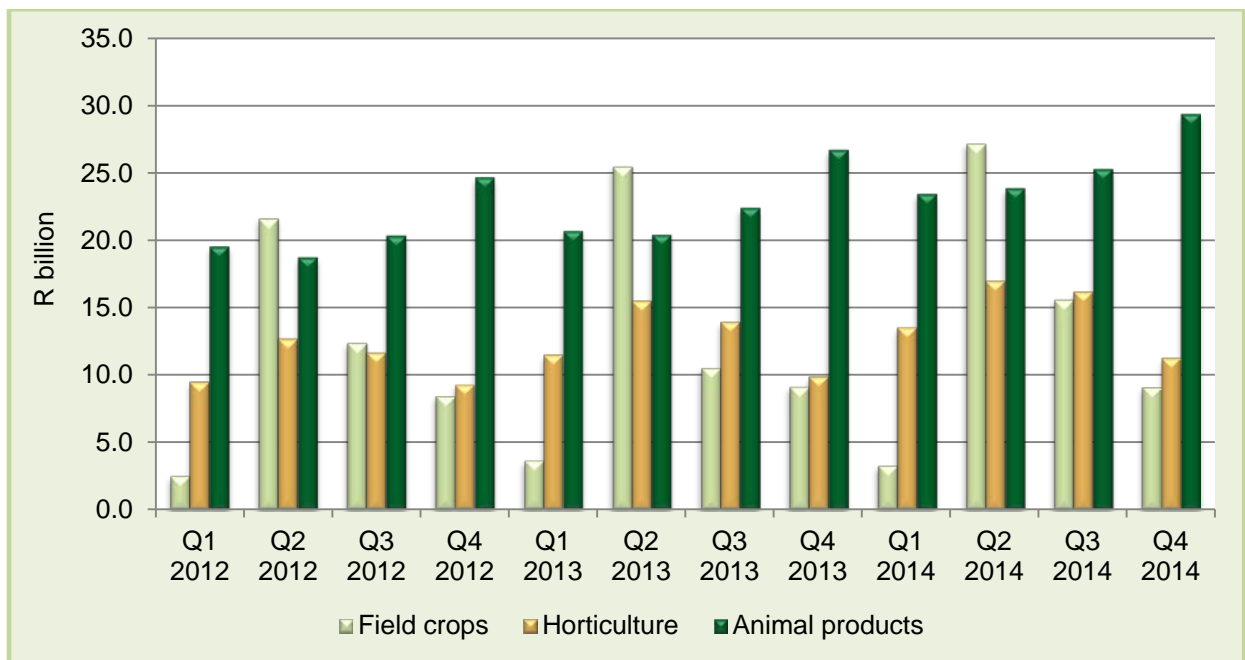
Source: DAFF



## 2.5 Nominal gross farm income and net farm income from agricultural products

Figure 13 shows the total expenditure on fuel, farm feeds, fertilisers, seeds and plants as well as farm services. The increase in total expenditure in the fourth quarter of 2014 was attributed to the increase in expenditure on fertiliser and fuel, which rose by 11,5% and 11,4% respectively compared to the previous quarter. The expenditure on farm feeds also increased slightly by 4,0%. During the same period the expenditure on seeds and plants was relatively low, as well as farm services expenditure was also low.

The figure below shows the gross income from field crops, horticulture and animal products between 2012 and 2014.

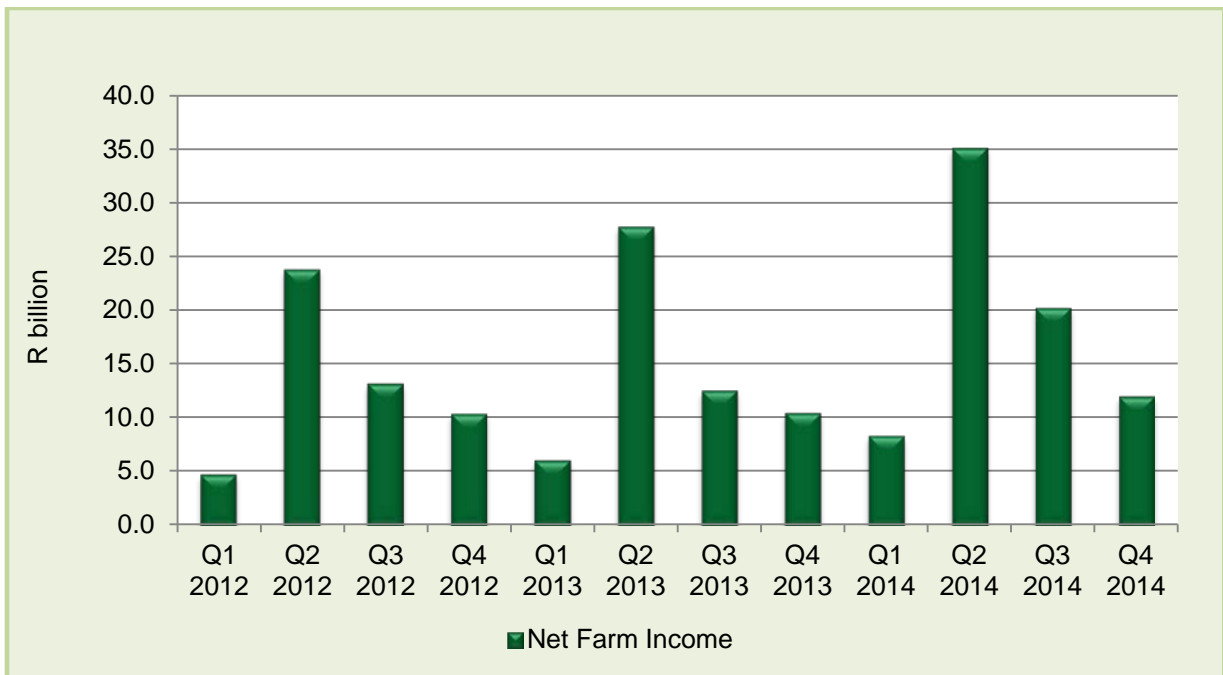


**Figure 13:** Trends in nominal gross farm income between 2012 and 2014.

Source: DAFF

The real gross income from all agricultural products decreased to R49,8 billion in the fourth quarter of 2014 from R57,1 billion in the third quarter of 2014, a decline of 12,8%. This was as result of a huge decline of 41,7% and 30,2% in income from field crops and horticulture which decreased to R9.1 billion and R11,3 billion in the fourth quarter of 2014 from R15,6 billion and R16,2 billion in the third quarter of 2014. The huge decline in income from field crops was due to the significant drop in income from crops such as cotton, maize, groundnuts, sunflower seed, tobacco, grain sorghum, hay and lucerne seed which decreased by 100,0%, 94,5%, 89,8%, 84,8%, 81,5%, 79,7%, 74,8 and 73,3% respectively. Income from other field crops, sugar cane, dry beans and soya beans also decrease by 43,3%, 41,4%, 41,1% and 33,0% respectively. During the same period gross income from horticulture also decreased significantly to R11,3 billion from R16,2 billion, a decrease of 30,2%. While income from animal product increased by 16,2% from R25,3 billion to R29,4 billion between the two quarters. Compared to a year ago real gross farm income from all agricultural products increased slightly from R45,8 billion in the fourth quarter of 2013 to R49.8 billion reported in the same quarter of 2014, an increase of 8,7%. During this period the increase was supported by a rise in income from horticulture and animal products which increase by 14,0% and 10,0% respectively. Income from field crops declined slightly by 0,4%.

Figure 14 illustrates the net farm income trends between 2012 and 2014. The net farm income is estimated at R11,9 billion in the fourth quarter of 2014 compared to R10,3 billion in the fourth quarter of 2013, a slight increase of 15,5%. The increase in net farm income during this period was supported by an increase of 16,2% from animal products.

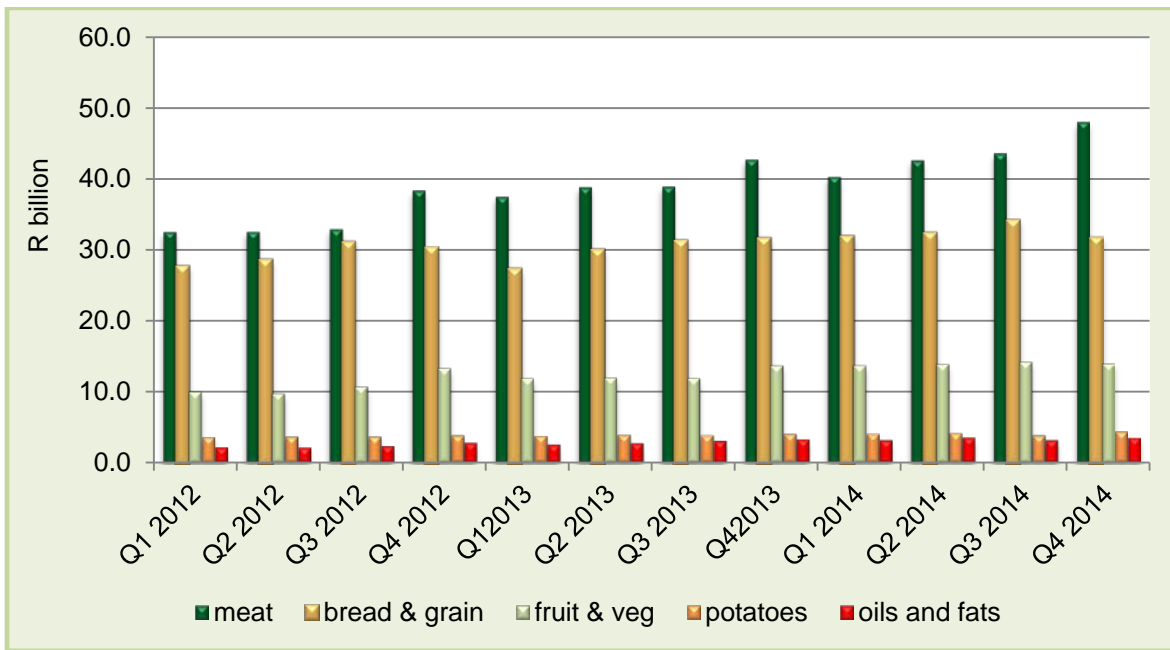


**Figure 14:** Trends in the net farm income between 2011 and 2014.

Source: DAFF

## 2.6 Private consumption expenditure on agricultural products

Private consumption expenditure on food increased in the fourth quarter of 2014 to R121,6 billion from R117,0 billion in the third quarter of 2014, an increase of 3,9%. Compared to a year ago total private consumption expenditure on food increased to R121,6 billion reported for the fourth quarter of 2014 compared to R112,5 billion in same quarter of 2013, an increase of 8,1%. During the same period the main expenditure items were meat and potatoes which increased by 12,4% and 8,9% respectively. The expenditure on fats and oils also increased by 5, 9%, while the expenditure on fruit and vegetables increased slightly by 1,7%. The expenditure on bread and grains also increased by 0,2%, see Figure 15.



**Figure 15:** Trends in private consumption expenditure between 2012 and 2014.

Source: DAFF

### 3 Review of agricultural markets

#### 3.1 Grains market review

Grain spot prices in quarter four of (2014) compared to quarter four of (2013) decreased noticeably with an exception of the wheat price. White maize, yellow maize, sunflower and soya-bean prices decreased by 21%, 17%, 14% and 12% respectively while wheat price increased by 5% in quarter 4 (2013) compared to quarter four (2013) . The spot price decrease despite the export opportunities of maize between South Africa and China that the Minister of DAFF had secured, see Figure 16.

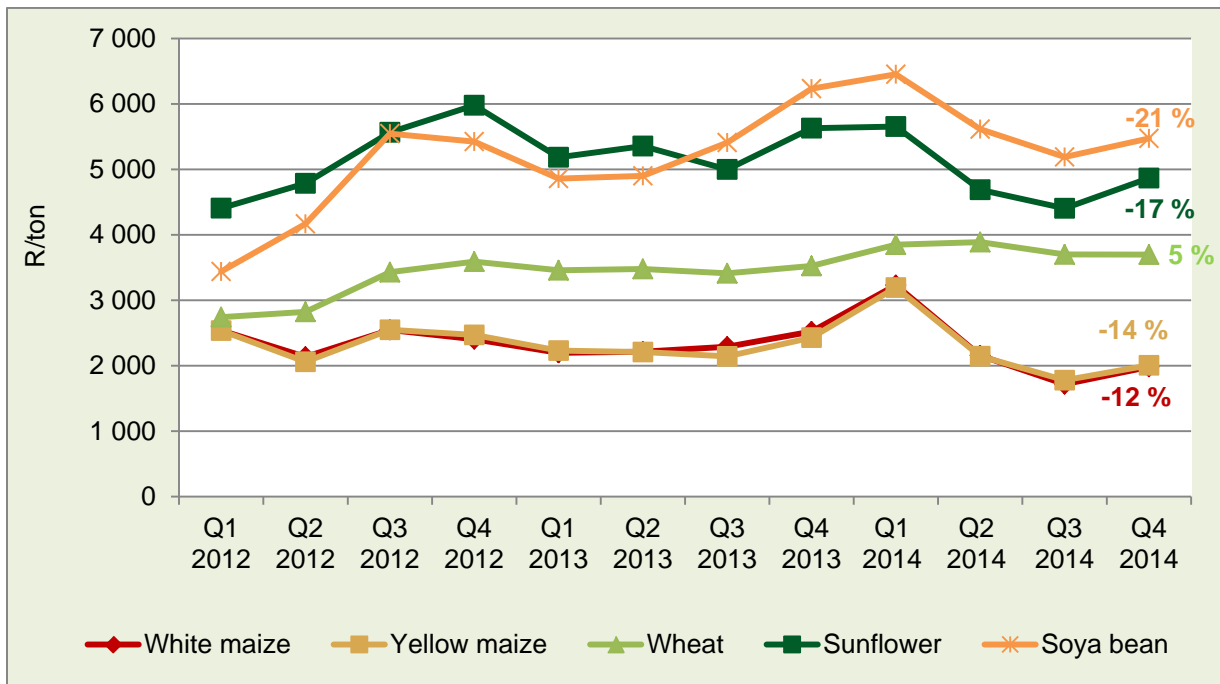
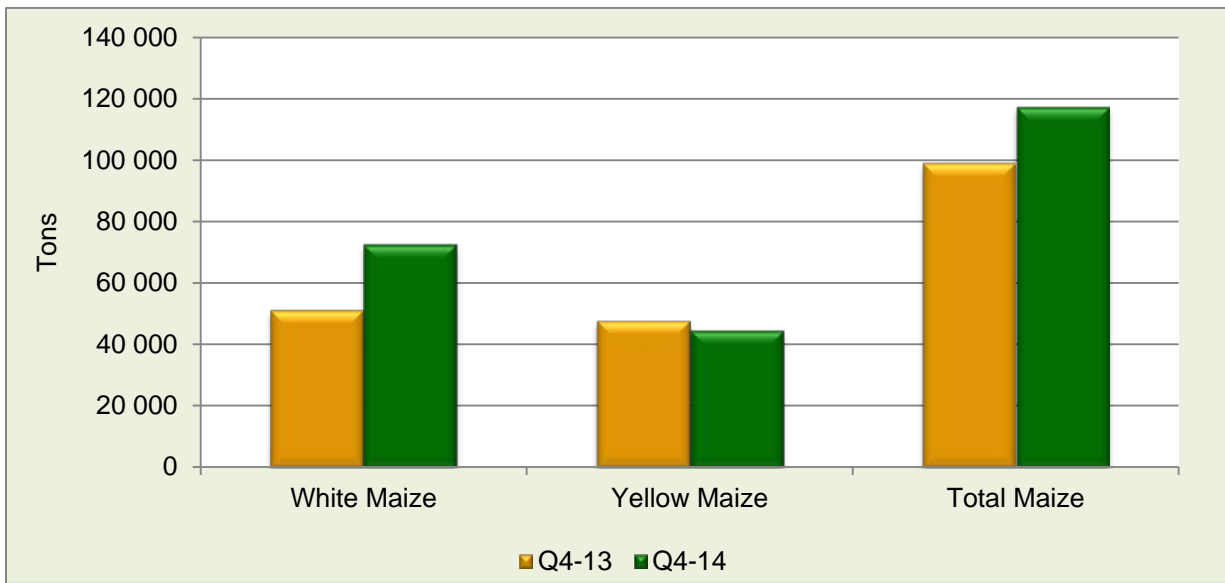


Figure 16: Quarterly grain price trends

Source: Safex

Overall maize deliveries increased from 98 958 tons in quarter four of 2013 compared to 117 371 tons in quarter four of 2014. White maize deliveries increased by 42% while yellow maize deliveries decreased by 6% and in total maize deliveries increased by 19% in quarter four of 2014 compared to quarter three of 2013. The contribution to this increase could be favouring the maize crop compared to the same planting season in 2013.

Figure 17 shows the early intended plantings for the 2015 summer crops. The area allocated to maize is expected to decline by 3,3% to average at 2 600 000 ha compared to 2 688 200 ha in 2014. The decline is because of a decline in area allocated to white maize. This area is expected to decreased by 9,7%, while the area allocated to yellow maize is expected to increase by 5,4%.



**Figure 17:** Quarterly maize deliveries

Source: SAGIS

The white maize contract price for December 2014 deliveries for the period starting 1 October to 18 December was lower in 2014 compared to the same period in 2013. For example, on the 1<sup>st</sup> of October 2014 the futures price for white maize was R1 789,00 per ton and on the 01 October 2013 the futures price was R 2 337,00 per ton. On average the white maize futures price decreased by 20% during the period under review, and yellow maize decreased by 15% during the same period (Figure 18 a & b).

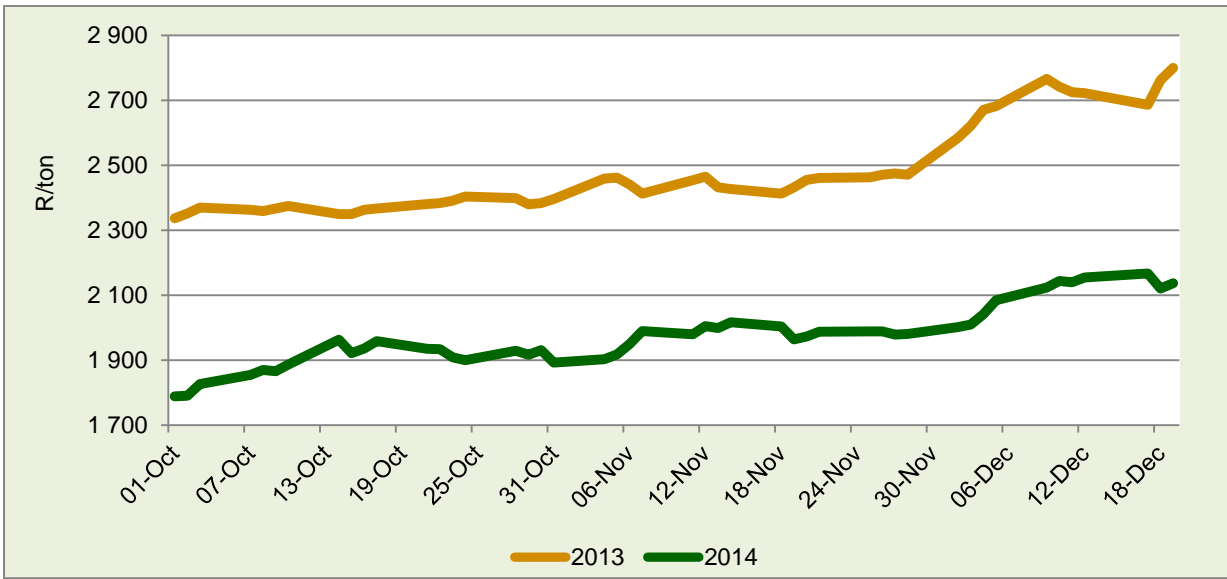


Figure 18 (a): White Maize futures prices

Source: Safex/Sagis

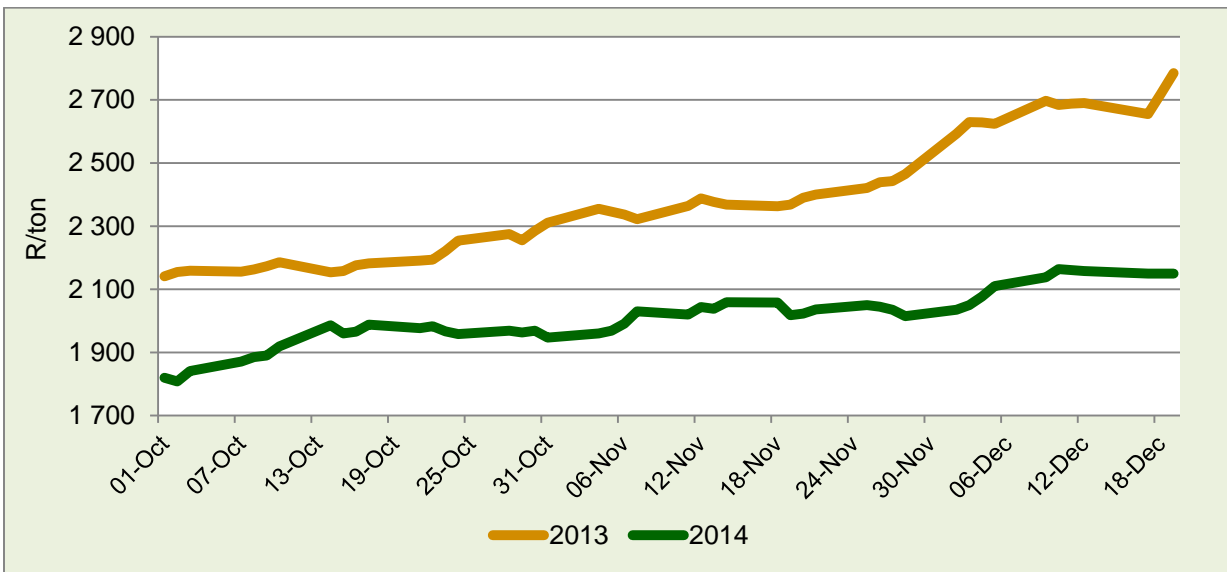
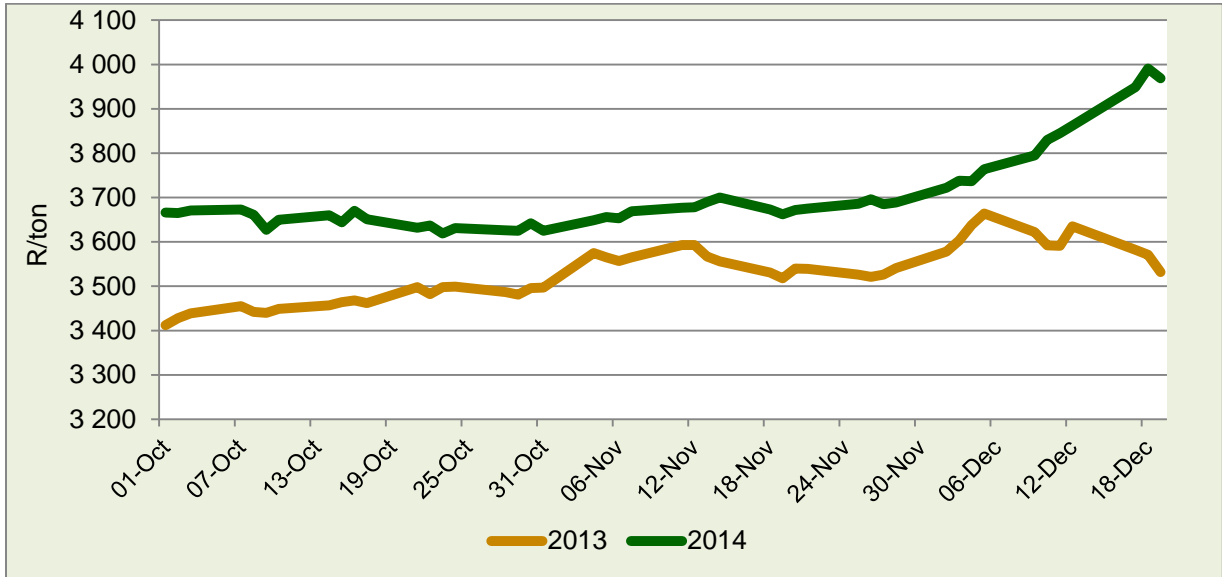


Figure 18 (b): Yellow Maize futures prices

Source: Safex/Sagis

Wheat futures prices for December 2014 deliveries for the period starting 1 October to 18 December were higher in 2014 compared to the same period in 2013. Specifically, on the 18th of December 2014 the wheat futures price was R 3 969,00 per ton while

on the same date in 2013 the futures price was R3 532,00 per ton. On average wheat futures price increased by 5% in the period from the 1 October to 18 December 2014 compared to the same period in 2013, see Figure 19.

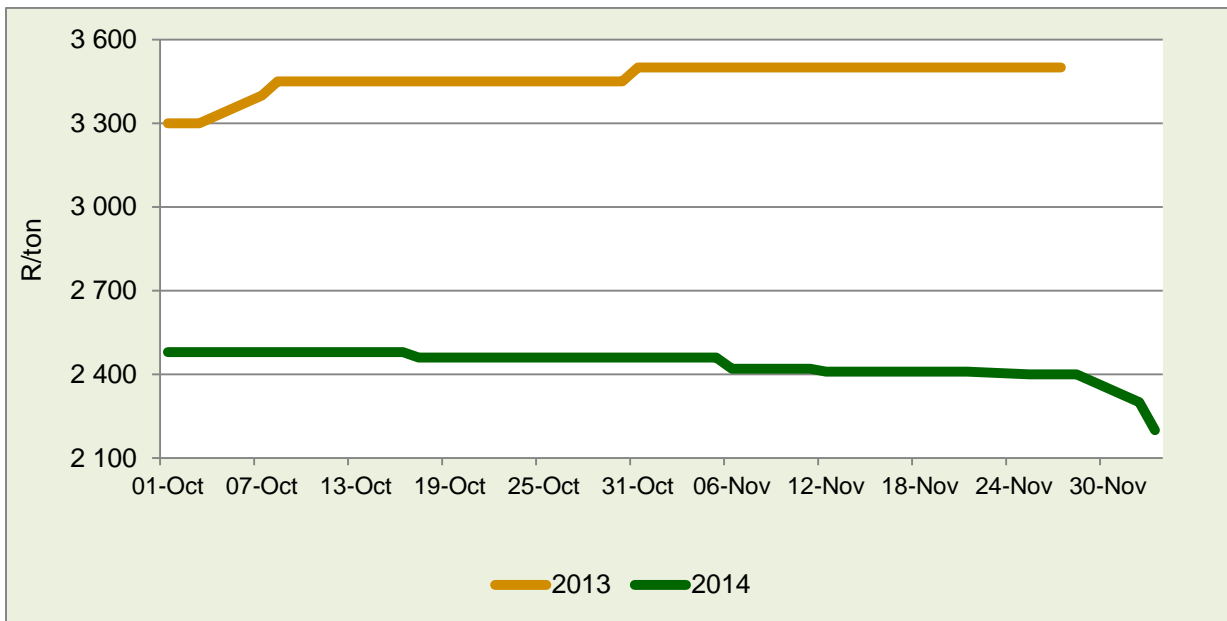


**Figure 19:** Wheat futures price

Source: Safex

Figure 20 shows that sorghum futures prices for the December delivery date decreased in 2014 compared to the 2013 period from October to November. On average sorghum prices decreased hugely by 29% for the December 2014 deliveries.





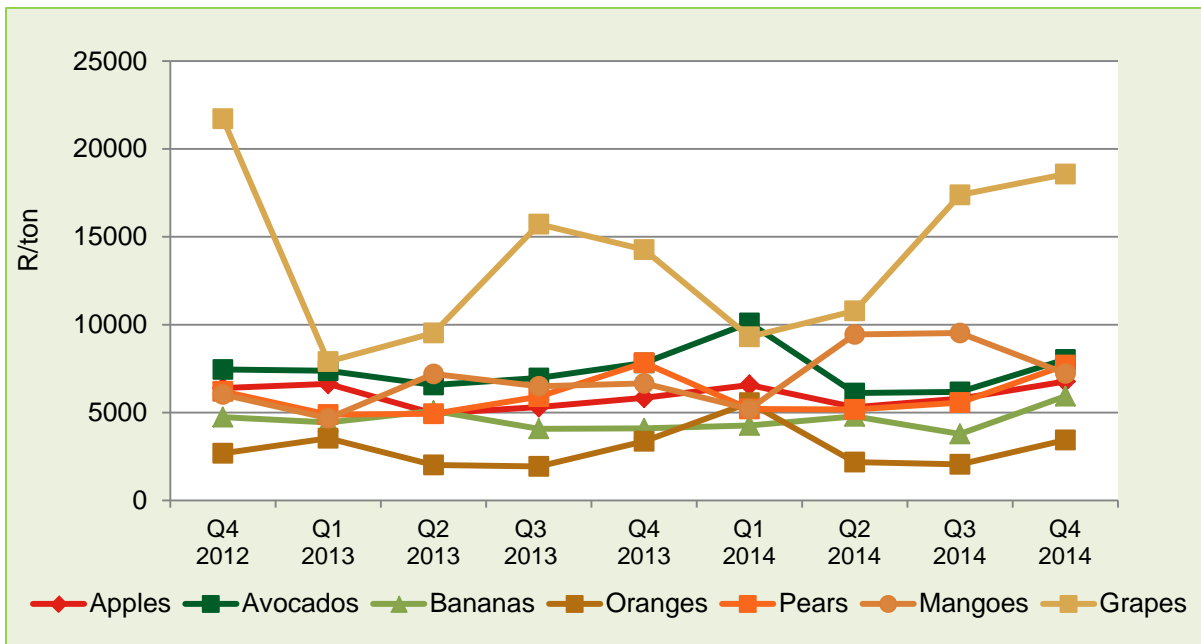
**Figure 20:** Sorghum futures

Source: Safex

### 3.2 Fruit and vegetable market review

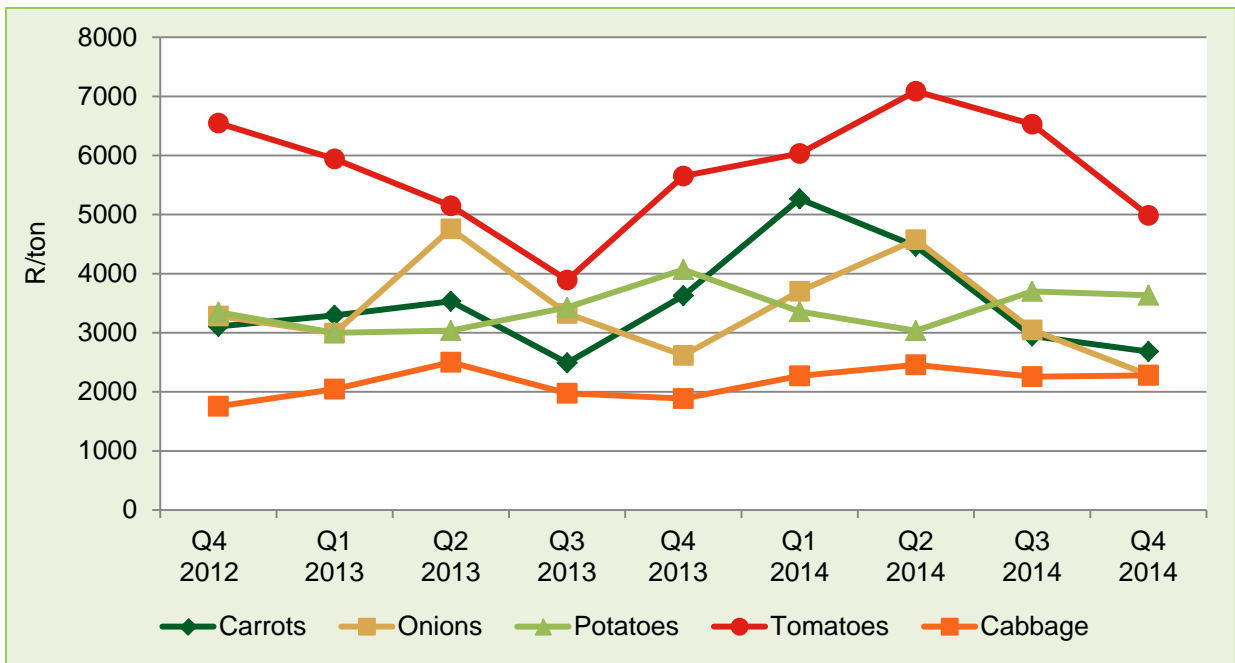
Figure 21 shows the price trends of various fruit types traded at Fresh Produce Markets (FPMs) for the fourth quarters of 2012 and 2014.

Between the fourth quarter of 2013 and the fourth quarter of 2014, the average prices of pears fluctuated significantly, decreasing by 2% in the fourth quarter of 2014 due to a slight increase in the volumes supplied to markets. During the same period, the average prices of apples, avocados, bananas, oranges, mangoes and grapes increased by 16%, 3%, 45%, 2%, 8% and 30% respectively, in the fourth quarter of 2014, driven by expanding domestic demand. The rising cost of the establishment of new trees, labour and fuel in new orchards and vine plantings constrained growth in the areas planted, with lower quantities available for sale.



**Figure 21:** Average price trends of various the fruit types traded on fresh produce markets  
Source: DAFF

Figure 22 shows the prices of a number of vegetables traded through the FPMs between the fourth quarter of 2012 and the fourth quarter of 2014. Between the fourth quarter of 2013 and the fourth quarter of 2014, the average prices of carrots, onions, potatoes and tomatoes fluctuated significantly, decreasing by 26%, 13%, 11% and 12% respectively, in the fourth quarter of 2014, because of increased volumes supplied across markets. During the same period, the average prices of cabbage increased by 21% in the fourth quarter of 2014 due to improved uptake across the markets.



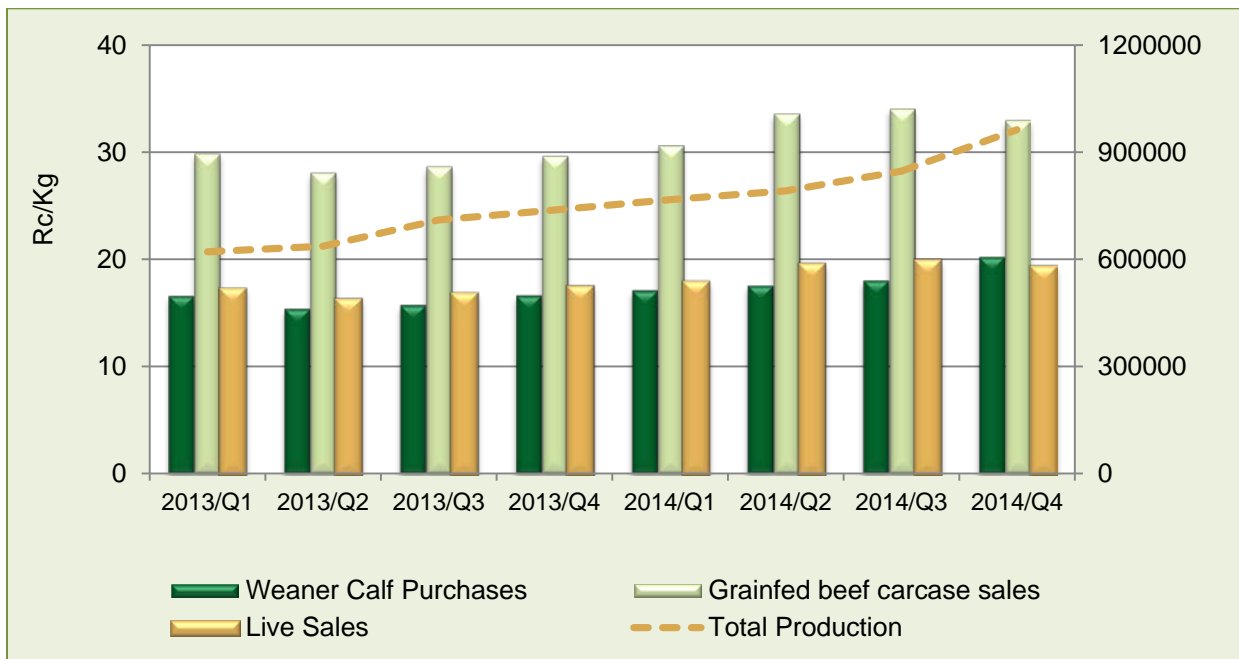
**Figure 22:** Average price trends of various vegetables traded on fresh produce markets (FPMs)

Source: DAFF

### 3.3 Meat industry review

On average total domestic cattle slaughtered increased to 962 984 tons in 2014 (Q4) to 738 186 tons in 2013 (Q4). The average price of weaner calf, grain fed carcass and live cattle improved slightly by 0,22%, 0,11% and 0,11% respectively. Given the above statistics, it is anticipated that the quantity of number of livestock to be produced will rise as government is intervening strongly in this industry. During the course of Q4 (2014) 20 bulls were given to Modimolle cattle breeders in order to improve reproductive rate. The Veterinarians shortages must be urgently addressed to accelerate the health maintenance of livestock and veldfires that occurred in some parts of the country may lead to livestock reduction as breeding concerns will rise, see

Figure 23.

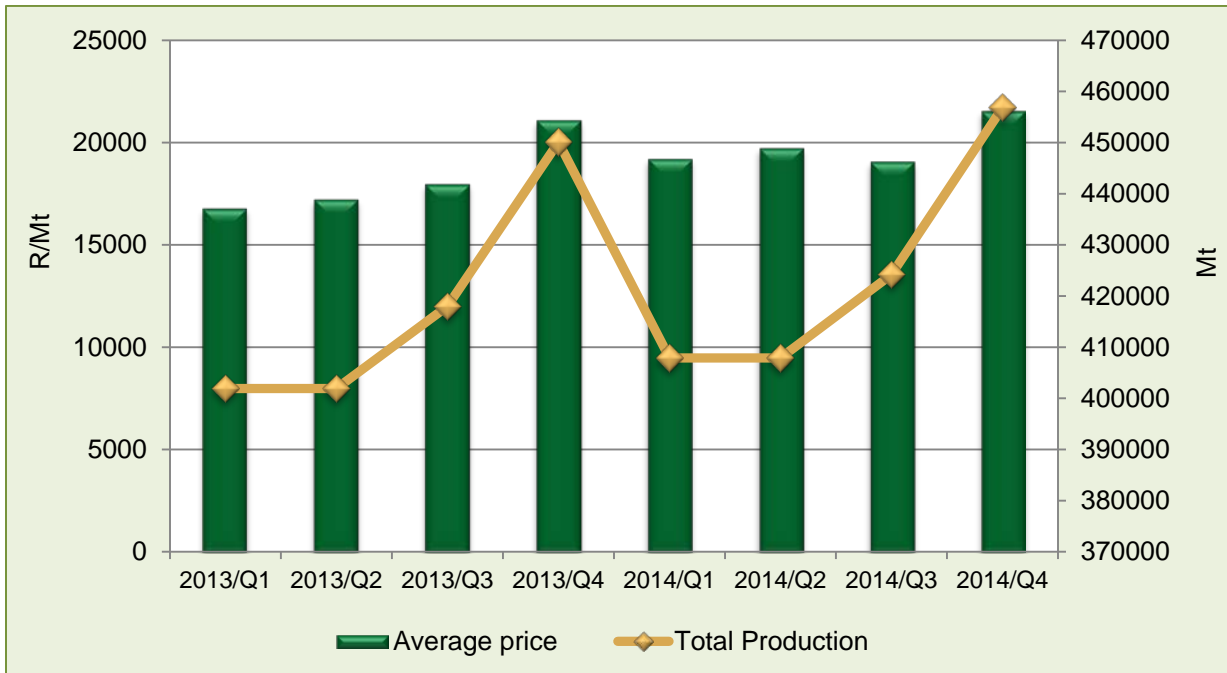


**Figure 23:** Quarterly beef production and prices

Source: DAFF/SA Feedlot Association

### 3.4 Poultry industry review

In July 2014 government imposed import duties of between 22% and 73% on frozen bone in chicken products from the Netherlands, Germany and the UK. Bone in chicken portions imported from the EU dropped 32,5% in July and 27,2% in August 2015. Poultry anti-dumping duties were imposed on the US in the last quarter of 2014 as the US shows dumping tendency into the country. And countries such as Canada and some European countries had been banned to import poultry into South Africa. On average, poultry production measured in million tons increased slightly by 0.02% in 2014(Q4) compared with 2013(Q4) see Figure 24.



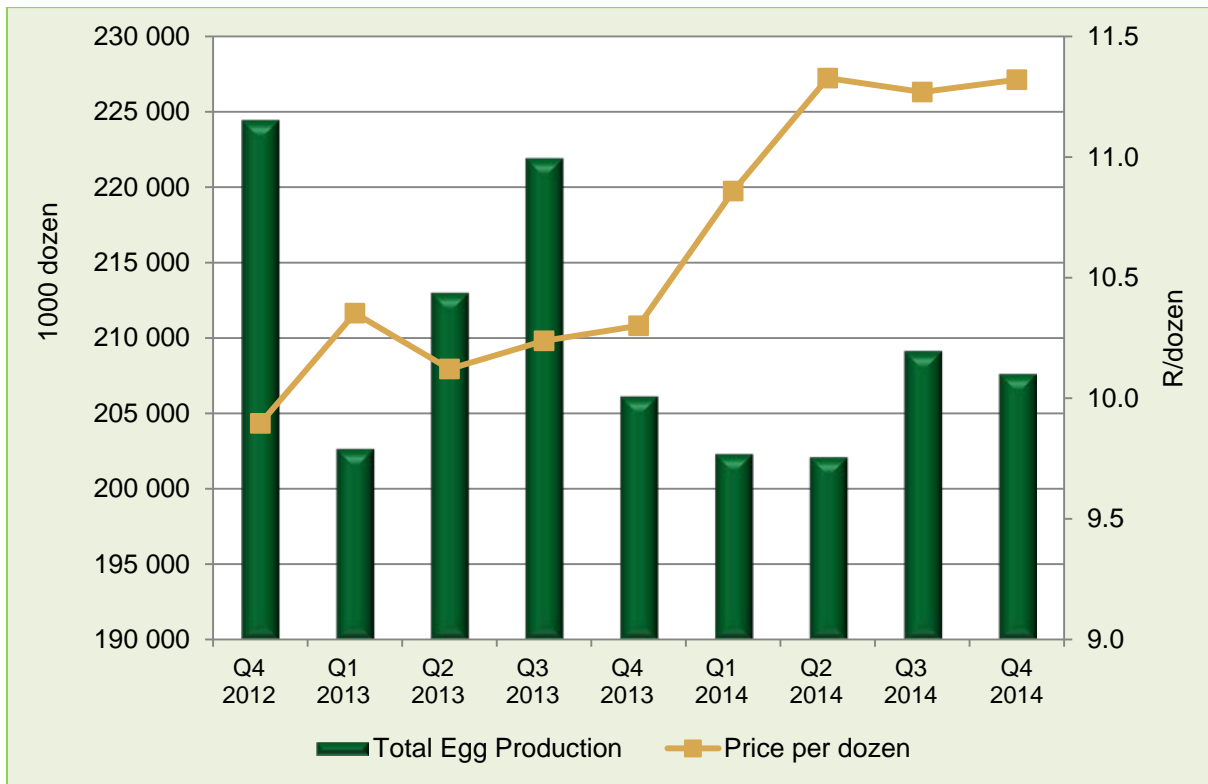
**Figure 24:** Quarterly poultry production and prices

Source: DAFF

### 3.5 Eggs and dairy industry review

Figure 25 shows the trends in total egg production and average price per dozen of eggs. While there has been some dynamics in the demand for eggs since 2010, the South African egg industry continues to face volatility and uncertainty because of the rising feed costs, increasing production costs and the need for heightened biosecurity to safeguard against avian influenza, all proving to be major challenges for South African egg producers. Moreover, the unrelenting pressure of high feed costs is reflected in the fluctuating egg production on, decreasing significantly in the first quarter of 2013 and the second quarter of 2013, supporting higher egg prices. During the fourth quarter of 2014, the total egg production reached 207,7 million dozens compared with 206,2 million dozen recorded in the fourth quarter of 2013, increasing by 0,7% between the fourth quarter of 2013 and the fourth quarter of 2014. The average price per dozen of eggs increased by 10%, from R10,30 per dozen

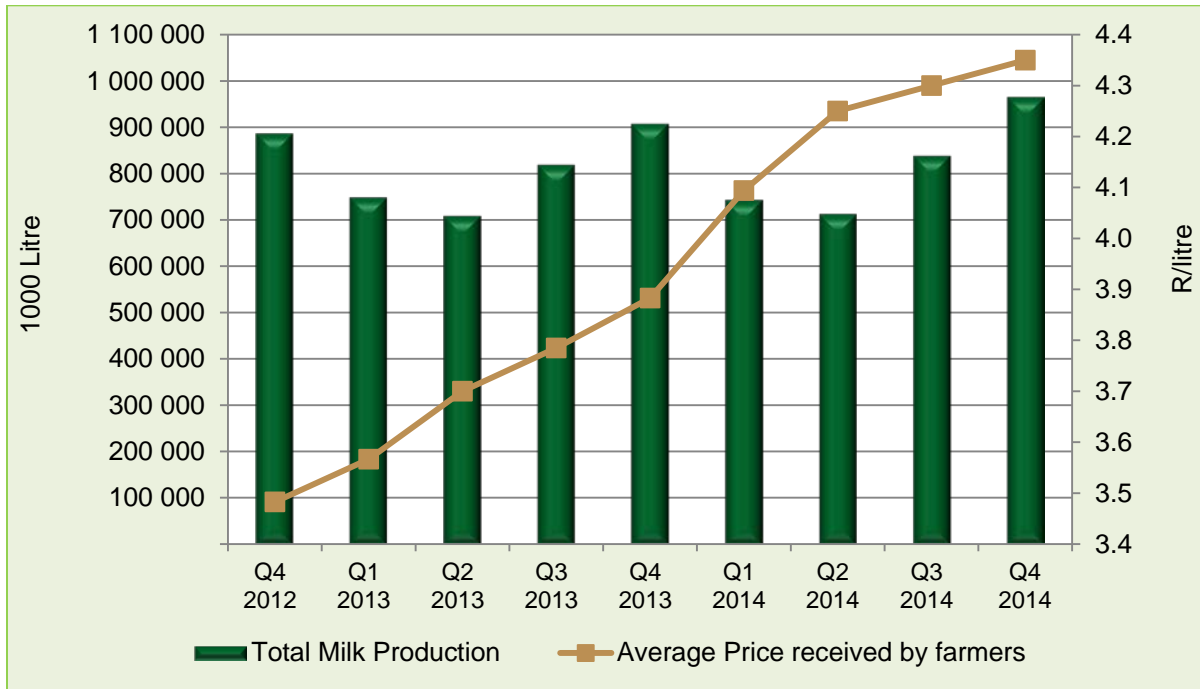
to R11.32/ dozen between the fourth quarter of 2013 and the fourth quarter of 2014.



**Figure 25:** Trends in total egg production and average price per dozen of eggs.  
Source: DAFF

Figure 26 shows the trends in total milk production and average price of milk. Despite farmers facing adverse production conditions owing to the drought and very high temperatures, the total production of milk increased by 6% in the fourth quarter of 2014 compared to the fourth quarter of 2013, which was unexpected after the slow growth experienced during the first half of 2014. According to MPO, the increase in the production of milk will probably not continue in 2015 as the severity of the drought will likely push grain prices higher. Between the fourth quarter of 2013 and the fourth quarter of 2014, production of milk fluctuated significantly reaching 908,8 million litres in the fourth quarter of 2013, decreased significantly to 713,7 million litres in the second quarter of 2014 and peaked at 966,1 million litres in the fourth quarter of 2014. The average price per litre of milk increased by 12%, from R3,88 to R4,35 between

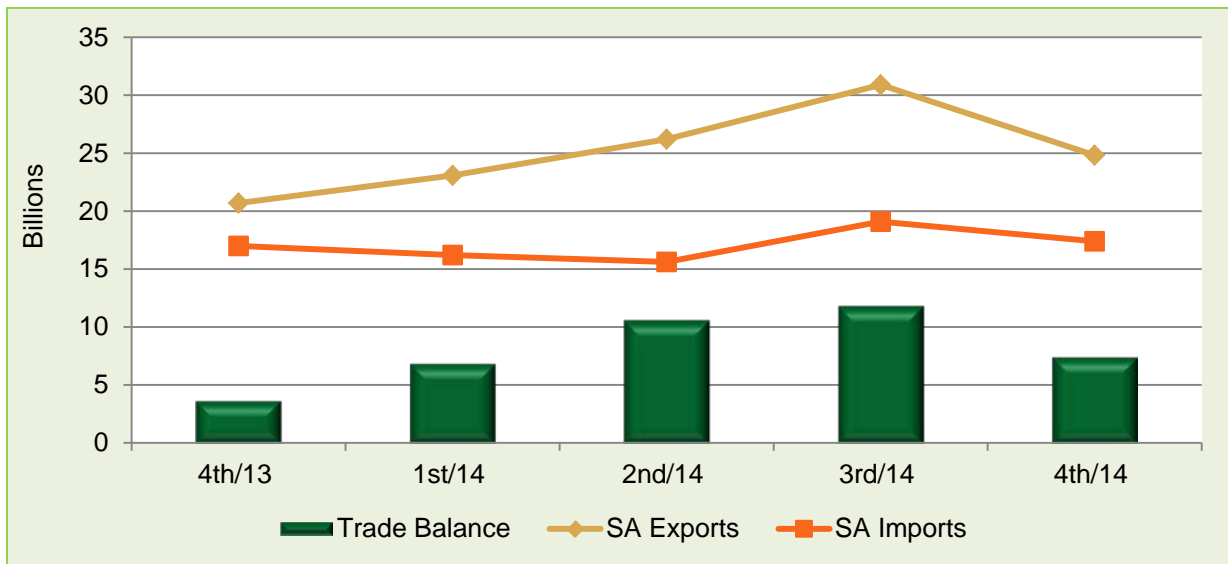
the fourth quarter of 2013 and the fourth quarter of 2014.



**Figure 26:** Trends in total production and the average price of milk  
Source: DAFF

### 3.6 Trade of agricultural, forestry and fisheries products

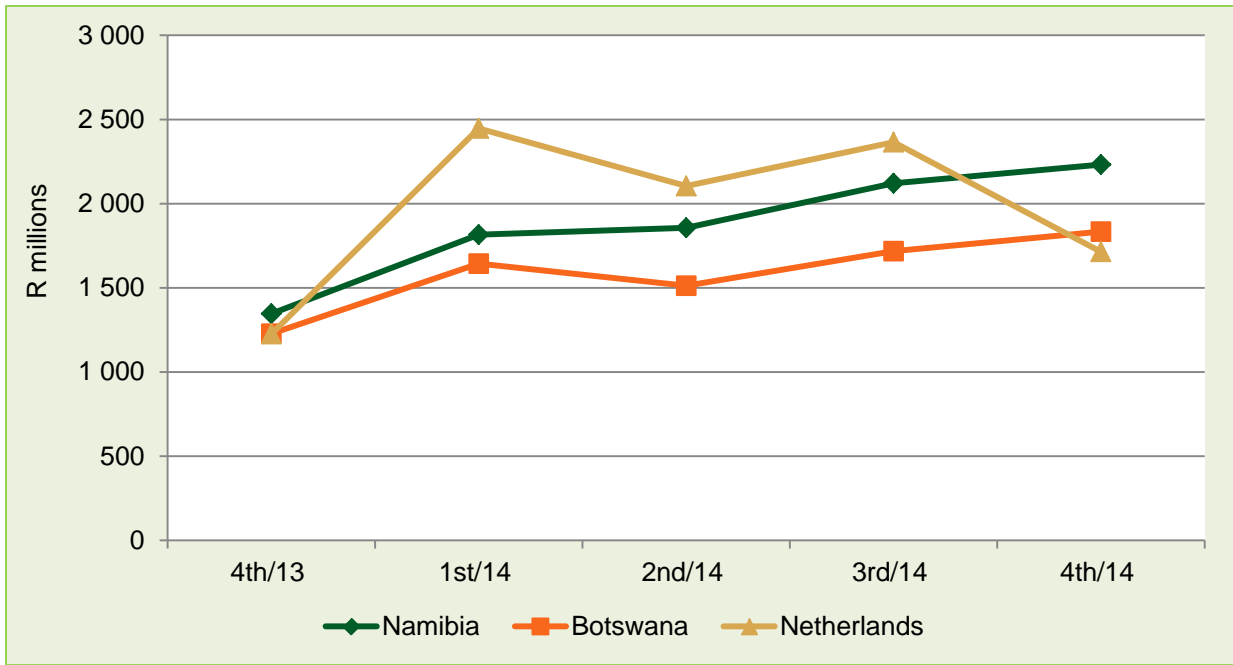
Despite the slow pace of international economic growth, South Africa's agricultural trade balance grew remarkably, by 101% between the fourth quarter of 2013 and the fourth quarter of 2014. Exports increased by 20% while imports rose by 2%, see Figure 27.



**Figure 27:** Trade balance of primary agricultural products  
 Source: GTA, 2014.

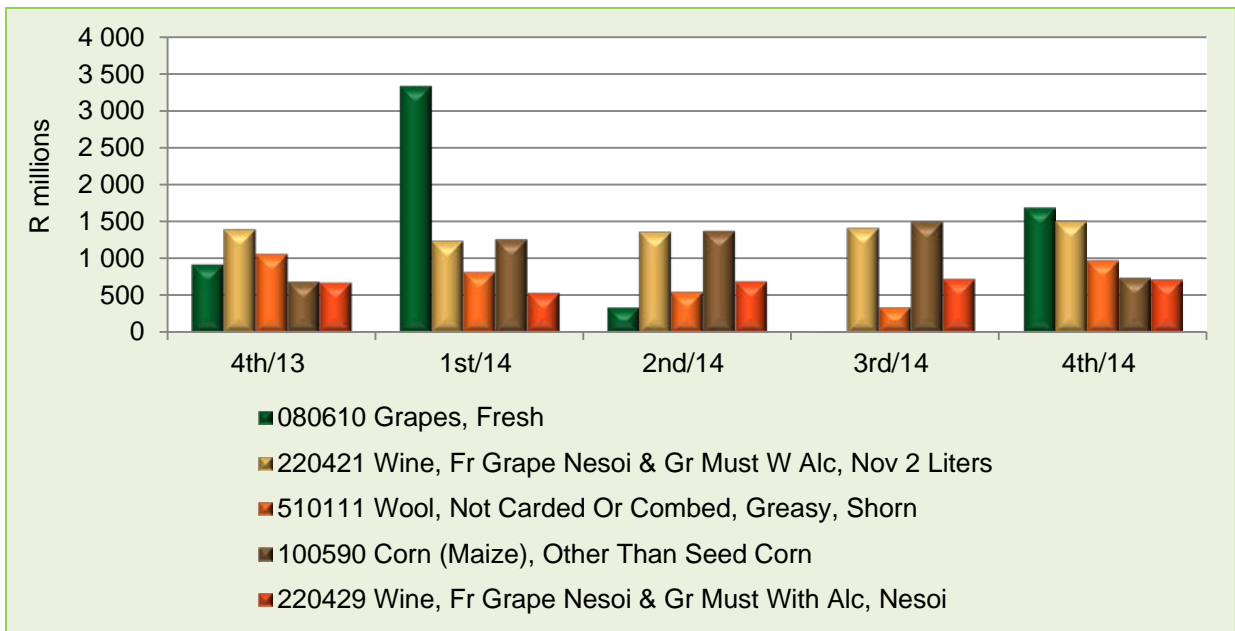
Figure 28 illustrates that the total export value of the agricultural products increased by 20% between the fourth quarter of 2013 and the fourth quarter of 2014. During the fourth quarter of 2014, South Africa gained most of its agricultural export revenue from products exported to Namibia, which was the leading export destination, followed by Botswana and the Netherlands, with a market share of 9%, 7% and 7% respectively, of the total export revenue. During the same period, the top three agricultural products which contributed a considerable amount to the total export value included fresh grapes (7%), wine (6%) and wool (4%)





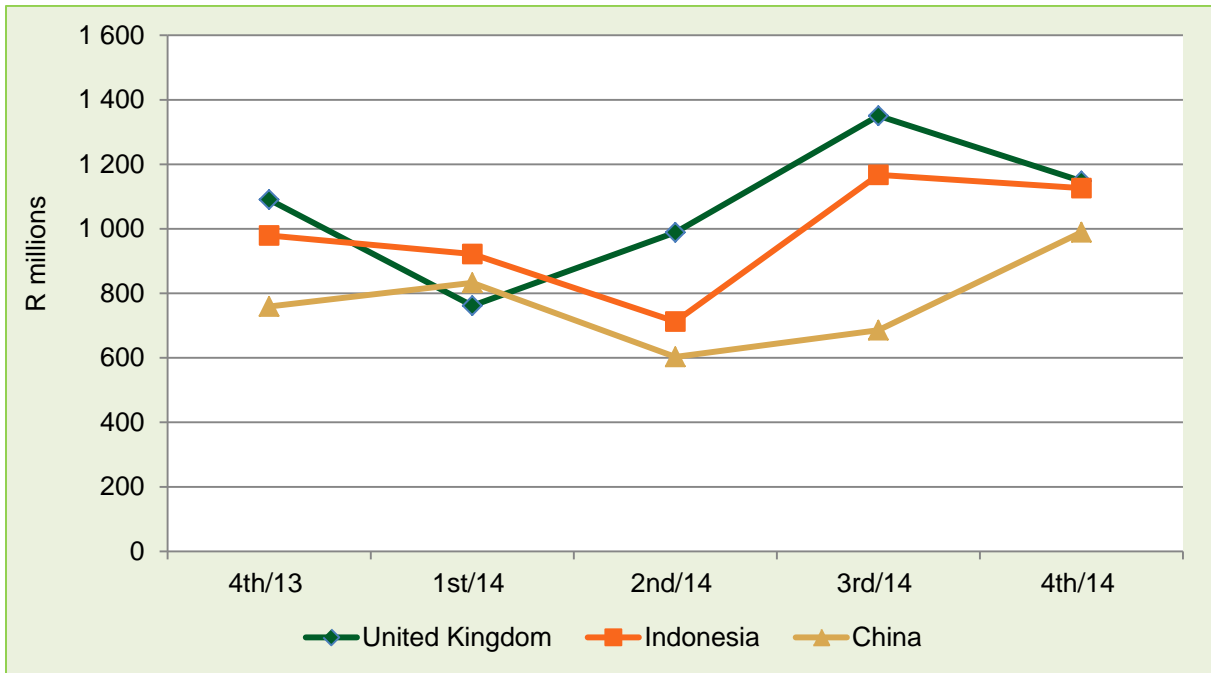
**Figure 28:** Top three markets of primary agricultural products exported by SA  
 Source: GTA, 2014

Between the fourth quarter of 2013 and the fourth quarter of 2014, wool was amongst the top three agricultural products exported by SA experienced an 8% reduction in exports was experienced. The EU and USA were the most important consumer markets for wool in 2014 and the recovery of these economies supported the demand for wool which affected countries in which wool is processed and are SA's main export destinations such as China, Czech Republic, India, Italy and Egypt (The National Wool Growers' Association, 2014).



**Figure 29:** Top five agricultural products exported by SA  
Source: GTA, 2015

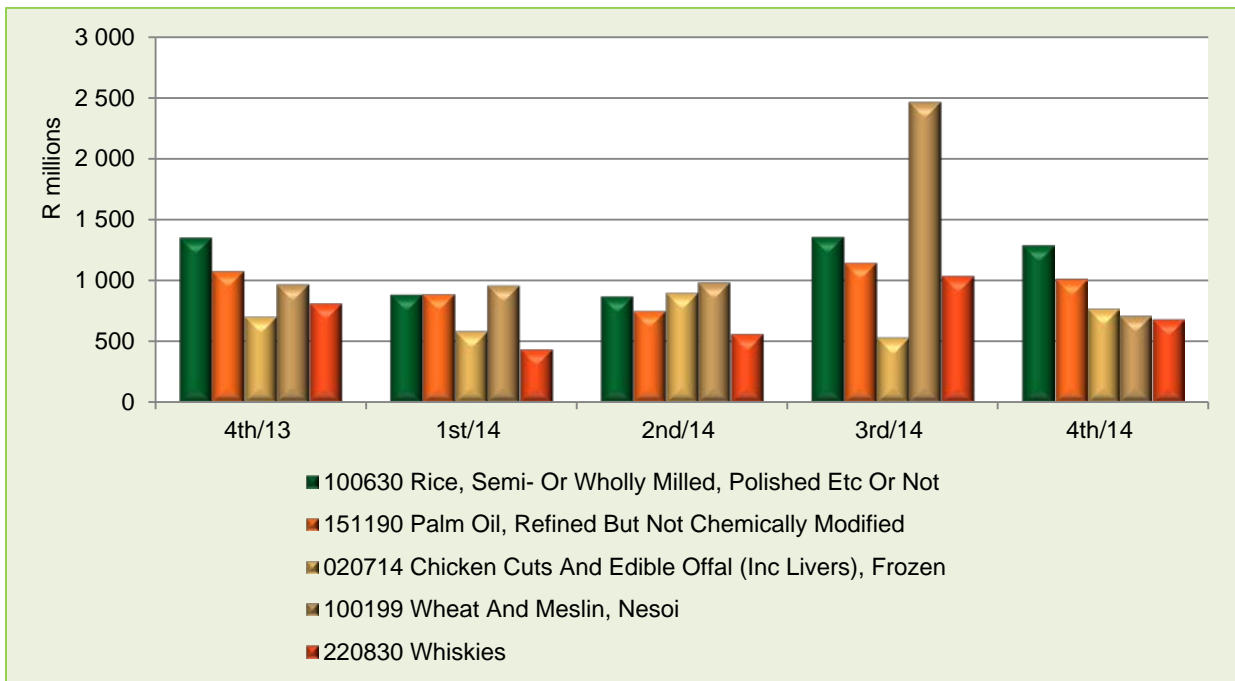
Amid tight monetary policy combined with labour strikes and deficient electricity supply, which kept growth subdued in South Africa, the total import value of agricultural products increased marginally, by 2% between the fourth quarter of 2013 and the fourth quarter of 2014. The top three suppliers of agricultural products were United Kingdom, Indonesia and China, accounting for 7%, 6% and 6% respectively to the total market share in the fourth quarter of 2014, see Figure 30.



**Figure 30:** Top three market suppliers of primary agricultural products to SA

Source: GTA, 2014.

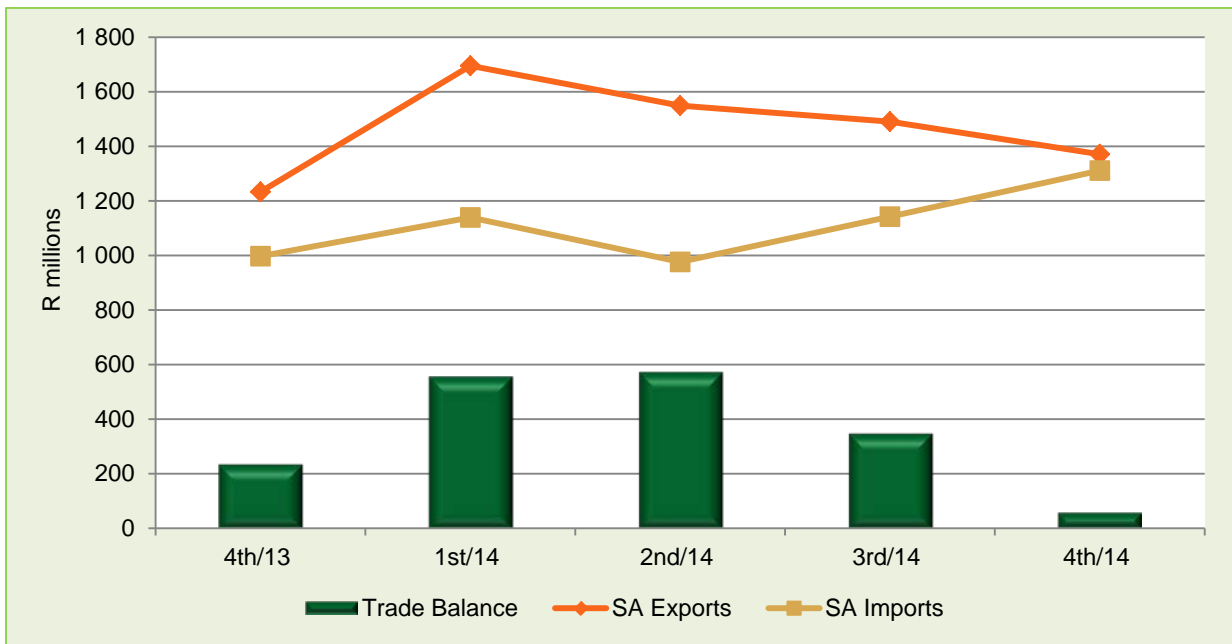
Figure 31 presents the top three agricultural products imported by South Africa. These products, which contributed a considerable amount to the total import value include rice (7%), palm oil (6%) and chicken cuts (4%), see Figure 34.



**Figure 31:** Top five agricultural products imported by SA  
Source: GTA, 2015

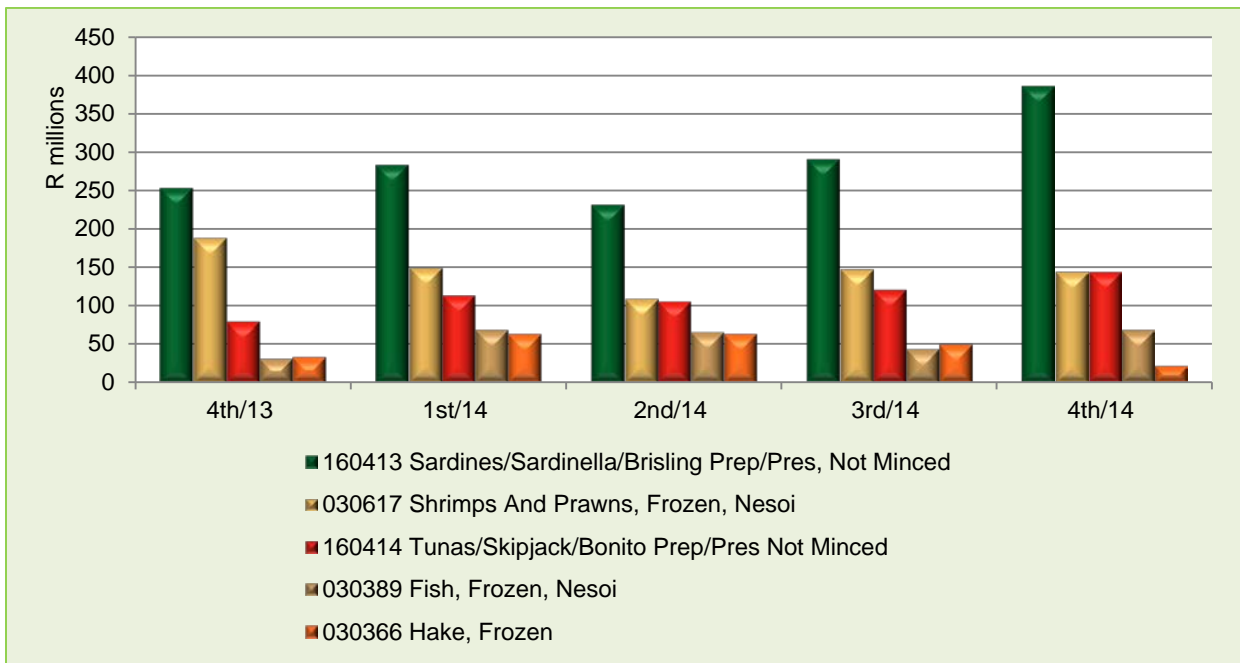
### 3.6.1 Fisheries trade

Trading of fisheries products increased notably between the fourth quarter of 2013 and the fourth quarter of 2014, boosted by a vibrant aquaculture sector and the surging demand for fisheries products on account of the global population growth. Figure 32 illustrates that in the fourth quarter of 2014, exports rose by 11% while imports increased considerably by 31% with firm import demand boosting volumes.



**Figure 32:** Trade balance of SA fisheries products  
Source: GTA, 2014.

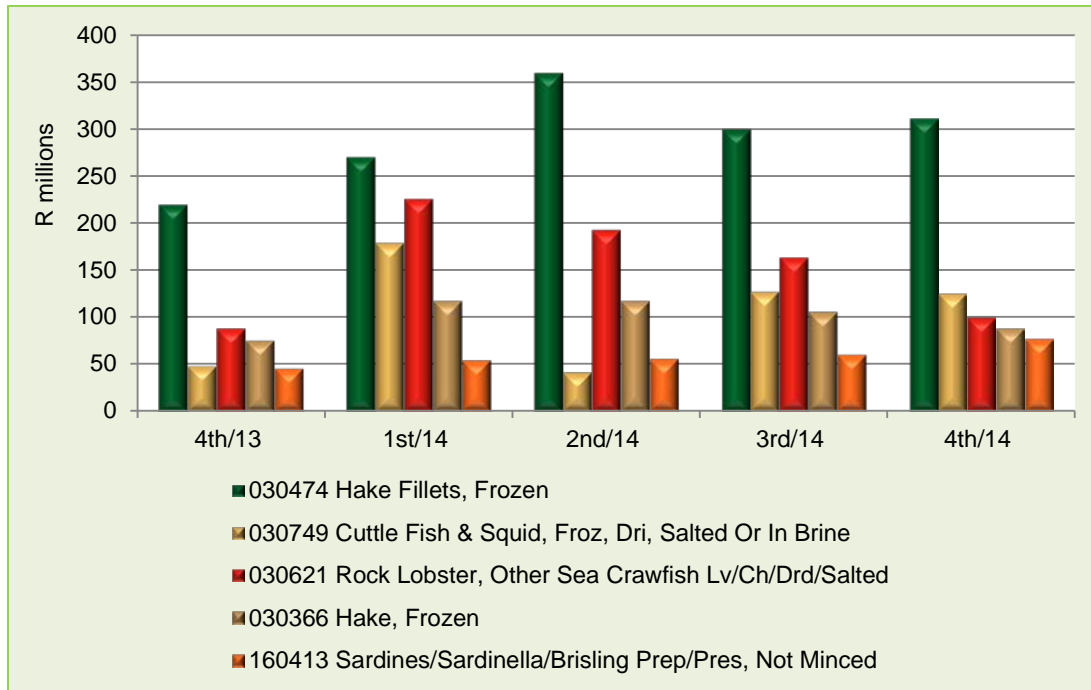
The top three imported fisheries products in the fourth quarter of 2014 were sardines, shrimps and prawns and tuna. The major suppliers of these fisheries products, were Namibia, Thailand and India. Moreover, imports of shrimps and prawns decreased by 23% between the fourth quarter of 2013 and the fourth quarter of 2014, due to tight supplies and slightly higher prices this year (FAO, 2014), see Figure 33.



**Figure 33:** SA's top five imported fisheries products

Source: GTA, 2014.

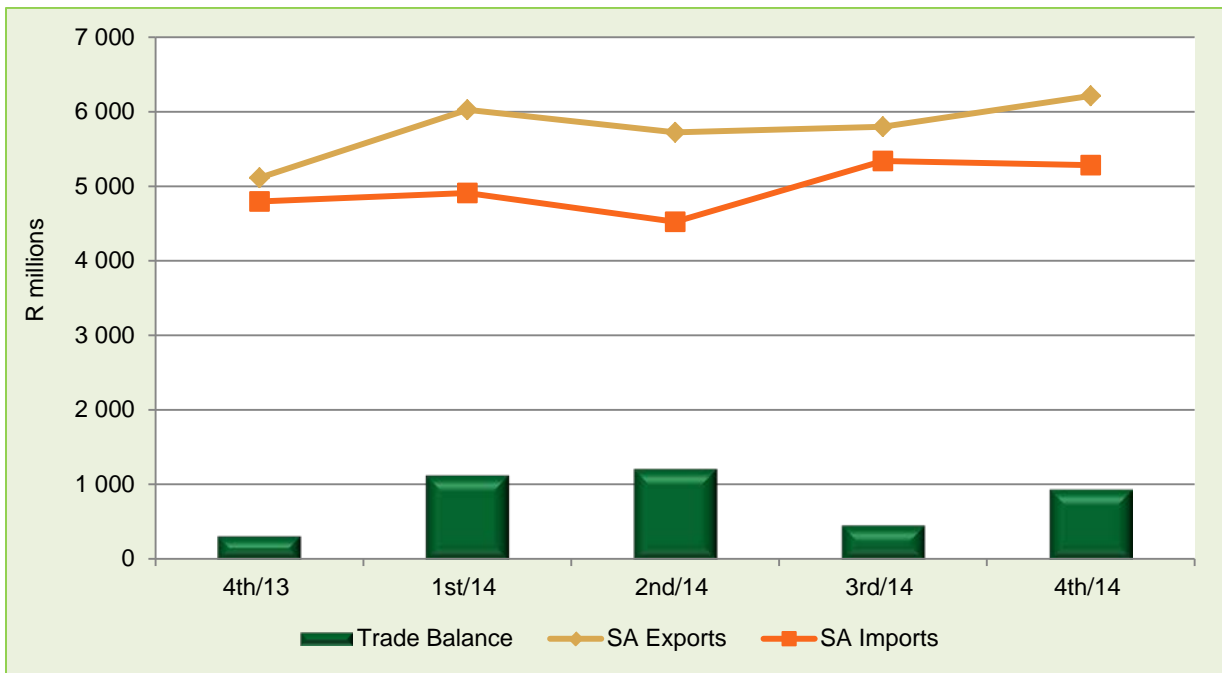
Figure 34 presents the top three fisheries products exported by SA in the fourth quarter of 2014. Hake fillets have been the main exported products, followed by cuttle fish and rock lobster. The main destination for SA's fisheries products are Spain, Italy and Hong Kong. Furthermore, exports of cuttlefish increased remarkably, by 157% between the fourth quarter of 2013 and the fourth quarter of 2014, because of a strong demand and a fall in imports in all major markets due to reduced availability (FAO, 2014).



**Figure 34:** SA top five exports of fisheries products  
Source: GTA, 2014.

### 3.6.2 Forestry trade

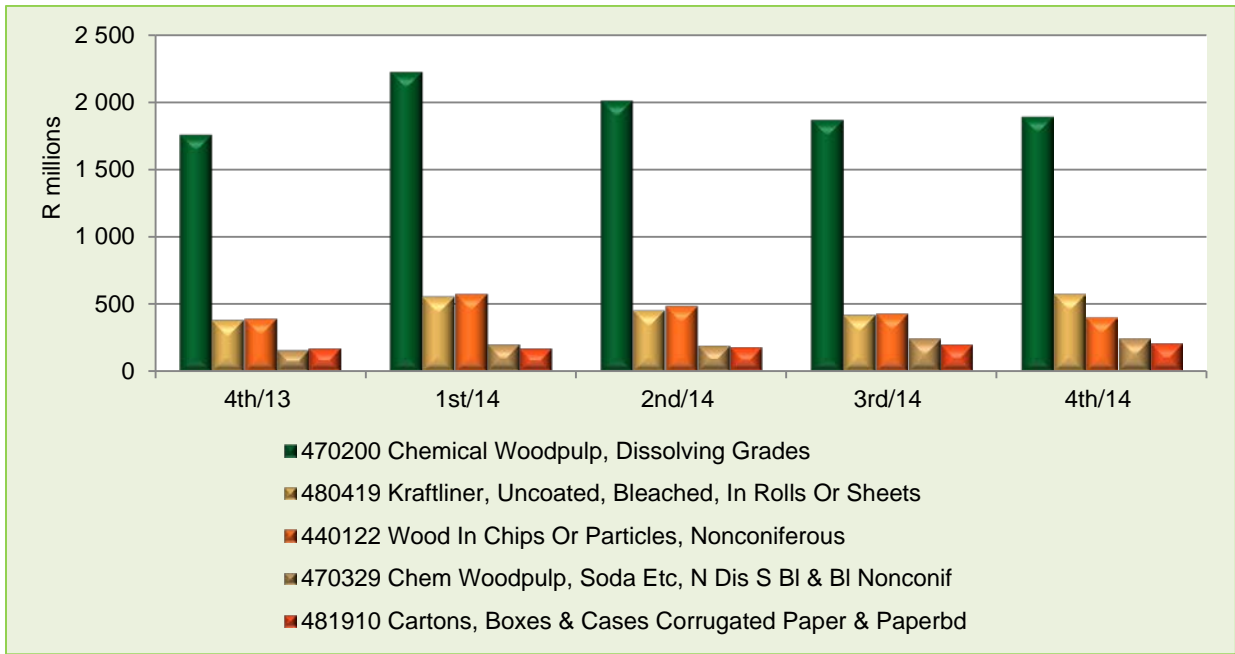
The South African forestry sector is slowly starting to witness encouraging signs of recovery since the global economic crisis in 2008, which resulted in steady growth over the past years. Trading of forestry products increased noticeably between the fourth quarter of 2013 and the fourth quarter of 2014. Figure 38 shows the trade balance of South African forestry products. Between the fourth quarter of 2013 and the fourth quarter of 2014, exports increased by 21%, while imports rose by 10%, see Figure 35.



**Figure 35:** Trade balance of SA's forestry products  
 Source: GTA, 2014.

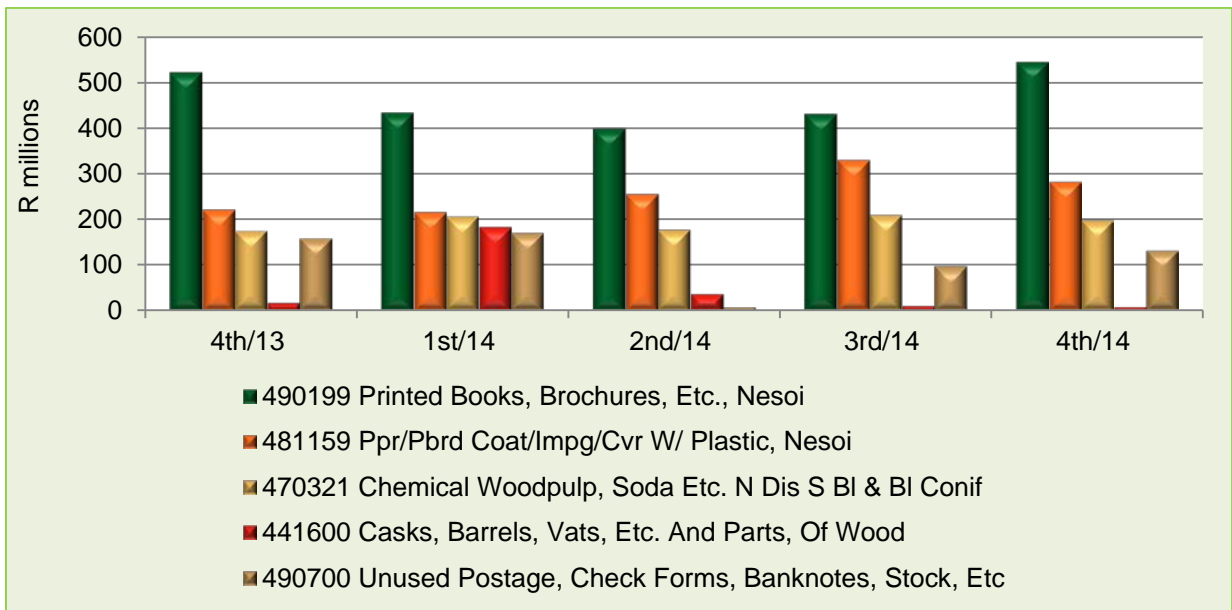
The top three exported forestry products during the fourth quarter of 2014 were chemical woodpulp (dissolving grades), kraftliner (uncoated, bleached, in rolls or sheets) and wood in chips or particles (non-coniferous), see Figure 36.





**Figure 36:** SA's top five exports of forestry products  
 Source: GTA, 2014.

The total import value of forestry products increased marginally by 10% between the fourth quarter of 2013 and the fourth quarter of 2014. SA's major forestry import suppliers include Germany, China and the United States. The most important forestry products imported in the fourth quarter of 2014 include printed books, paper or paperboard and chemical woodpulp, see Figure 37.



**Figure 37:** SA's top five imports of forestry products  
Source: GTA, 2014.

## 4. CONCLUSION

Global growth for 2014 remained low at 3,3%, dragged down by the weak performance during the first half of 2014. The major economies' performance was below expectation, notably Japan, and a slight improvement was largely the result of the recovery in the US economy which was stronger than expected. Economic growth in emerging market and developing economies declined from 4,7% in 2013 to 4,4% in 2014 (IMF, 2015). This was largely because of to the slowing growth in China, which has been the main driver behind emerging market growth in recent years. Global food prices declined in the last term of 2014. The downward trend was largely due to record harvests and stock levels for the major cereals, particularly wheat and maize, while dairy and meat prices also started declining.

Economic growth in South Africa slowed down from 2,2% in 2013 to 1,5% in 2014, even though the South African economy performed better than market expectations during the fourth quarter of 2014, The mining sector posted the highest growth of 15,2% q/q during the fourth quarter while the manufacturing sector grew by 9,5%, its first growth in 2014 following three consecutive contractions. The AFF sector increased at a slower rate during the fourth quarter of 2014, growing by 7,5% q/q. The South African GDP registered a positive growth of 4,1% q/q in the fourth quarter of 2014.

South Africa's unemployment rate decreased slightly to 24,3% in the last quarter of 2014 from 25,4% in the previous quarter. The real gross income from all agricultural products decrease by 12,8%, from R57,1 billion in the third quarter to R49.8 billion in the 4th quarter of 2014. The total expenditure on intermediate goods and services increased by 4,6 %, from R303,3 billion in the previous quarter to R317,2 billion in the

fourth quarter. South Africa's agricultural trade balance increased remarkably, by 101% between the fourth quarter of 2013 and the fourth quarter of 2014. Exports grew by 20% while imports grew by 2%.

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