

# Quarterly Economic review of Agriculture, Forestry and Fisheries



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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 workplace. 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 first quarter of 2015, 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 is forecast at 3,5% in 2015 and 3,8% in 2016 (IMF, 2015). Economic growth is expected to be stronger in 2015 compared to 2014 in advanced economies, which are generally benefitting from lower oil prices; while weaker growth is forecast for emerging market and developing economies reflecting subdued prospects for some large emerging market economies and oil exporters. The US economy contracted by 0,7% during the first quarter of 2015, largely due to a dismal trade performance. Growth in the Euro area is also showing signs of picking up, supported by lower oil prices, low interest rates and a weaker euro, while growth in Japan is also projected to pick up in 2015 after a disappointing performance in 2014.

Growth in emerging market and developing economies is expected to be slower in 2015. These economies account for more than 70% of projected global growth in 2015, but is expected to pick up in 2016, driving an increase in global growth to 3,8%. The Chinese economy grew by 7% during the first quarter of 2015, which is lower than the 7,4% growth registered during the first quarter of 2014. India's economic growth is expected to overtake China's growth this year, with the IMF forecasting a 7,5% growth in India *versus* the 6,8% growth in China in 2015.

Concerning economic growth in the sub-Saharan Africa region, in the first quarter of 2015 Nigeria's GDP growth was at 3,4%, a decline compared to the 6,2% growth in the first quarter of 2014. The South african economy grew by 1,3% compared to a 1,6% contraction in the first quarter of 2014, the country's economic growth remains relatively low, held back by problems in the electricity sector. The South African economy grew by a seasonally adjusted and annualised 1,3% quarter-on-quarter (q/q) during the first quarter of 2015, with the mining sector being the best performer for the

second consecutive quarter, registering a 10,2% q/q growth rate during the first quarter of 2015. The agriculture, forestry and fishing sector contracted by a substantial 16,6% q/q in the first quarter of 2015, recording its first q/q decline since the second quarter of 2013.

South Africa consumer price inflation averaged 4,1% during the first quarter of 2015, benefitting from the sharp drop in oil prices, which pushed it to its lowest level (3,9%) in four years during February 2015. The PPI for agriculture, forestry and fishing averaged -1,0% in the first quarter of 2015, indicating a deflation in agriculture, forestry and fishing producer prices.

South Africa's unemployment rate in the first quarter of 2015 was at its highest level of 26,4% since 2003, from 25,2% in the last quarter of 2014. Compared to 2014 (Q1), employment increased by 405 000. Large annual increases were observed in the Agriculture (183 000), Finance (149 000) and Construction (122 000) industries.

The real gross income from all agricultural products decreased to R44,8 billion in the first quarter of 2015 from R50,1 billion in the fourth quarter of 2014, a decline of 10,6%. The total expenditure on intermediate goods and services was reported at R275,9 billion in the first quarter of 2015 compared to R317,2 billion in the last quarter of 2014, a decrease of 13,0%.

Grain spot prices in quarter one (2015) compared to quarter one (2014) decreased noticeably with the exception of the wheat price. White maize, yellow maize, sunflower and soya-bean prices decreased by 26%, 29%, 11% and 18% respectively while the wheat price increased by 1%. South Africa's agricultural trade balance remains positive, weakening by 9% between the first quarter of 2014 and the first quarter of 2015. Exports grew by 2% while imports grew by 7%.

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

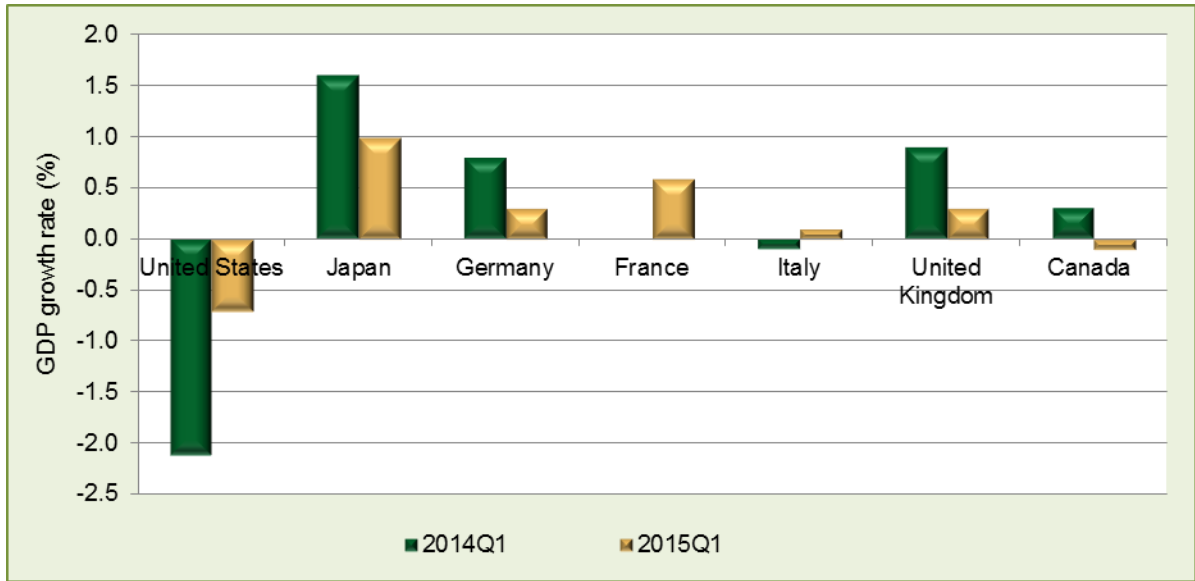
### **1.1 Global growth**

The global economy reflected uneven economic growth in 2014, with growth in advanced economies picking up compared to the previous year, while growth in emerging market and developing economies slowed down. This is a shift from the global economic situation in 2013 and early 2014 when emerging market and developing economies were the main drivers of global economic growth. As a result, global economic growth remained flat at 3,4% in 2014, same as in 2013 (IMF, 2015). Economic growth is expected to be stronger in 2015 compared to 2014 in advanced economies, which are generally benefitting from lower oil prices; while weaker growth is forecast for emerging market and developing economies reflecting subdued prospects for some large emerging market economies and oil exporters. Global growth is forecast at 3,5% in 2015 and 3,8% in 2016 (IMF, 2015).

The sharp decline in the oil price has resulted in a large reallocation of real income from oil exporting countries to oil importing countries, with oil importers such as the United States (US), euro area, China and India now increasing their spending. The US economy contracted by 0,7% during the first quarter of 2015, largely to a dismal trade performance, however, GDP growth is expected to rebound in the second quarter supported by lower oil prices and improved domestic demand. The IMF projects economic growth in the US to exceed 3% in 2015 and 2016. Growth in the euro area is also showing signs of picking up, supported by lower oil prices, low interest rates and a weaker euro, while growth in Japan is also projected to pick up in 2015 after a



disappointing performance in 2014. Figure 1 depicts selected advanced economies GDP rates for the first quarters of 2014 and 2015.



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

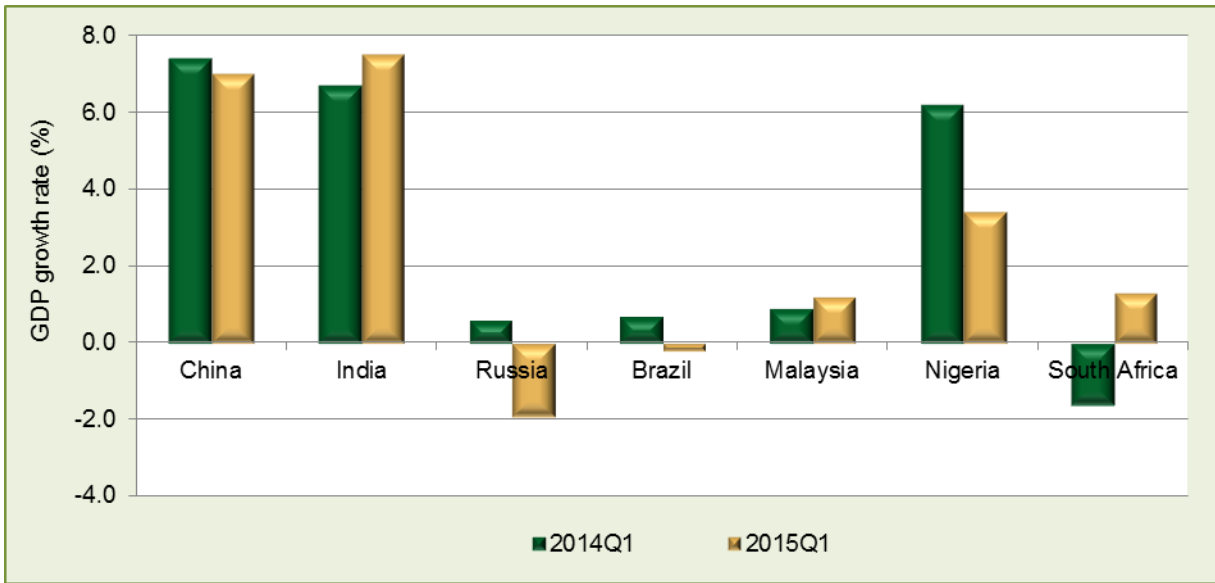
Source: Various sources

High levels of debt - public, corporate or household - are still weighing on spending and growth, especially in emerging market and developing economies. The slower growth outlook for emerging markets mainly reflects subdued prospects for some large emerging market economies such as China and Brazil, which are facing the impact of drought, as well as Russia which is facing the impact of sharply lower oil prices and increased geopolitical tensions. While growth in emerging market and developing economies is expected to be slower in 2015, these economies still account for more than 70% of projected global growth in 2015. Growth in emerging markets is expected to pick up in 2016, driving an increase in global growth to 3,8%.

The Chinese economy grew by 7% during the first quarter of 2015, which is lower than the 7,4% growth registered during the first quarter of 2014 and the country's lowest

quarterly number since the global financial crisis. The IMF projects the GDP growth in China to slow to 6,8% in 2015, from 7,4% in 2014, slowing further to 6,3% in 2016. India's economic growth is expected to overtake China's growth this year, with the IMF forecasting a 7,5% growth in India *versus* the 6,8% growth in China in 2015.

Economic growth in the sub-Saharan Africa region is also forecast to slow from 5% in 2014 to 4,5% in 2015 with the region's eight oil exporters expected to be hit hard by sharply lower prices (IMF, 2015). Nigeria's GDP growth was at 3,4% in the first quarter of 2015, a decline compared to the 6,2% growth in the first quarter of 2014; and the country's GDP growth is forecast to decline to 4,8% in 2015, from 5% in 2014, before picking up to 5,1% in 2016. Although the South African economy fared better in the first quarter of 2015, growing by 1,3% compared to a 1,6% contraction in the first quarter of 2014, the country's economic growth remains relatively low, held back by problems in the electricity sector. SA's GDP growth is forecast to rise to only 2% in 2015 from 1,5% in 2014, slightly rising further to 2,1% in 2016 (IMF, 2015). Figure 2 depicts selected emerging market and developing economies' GDP rates for the first quarters of 2014 and 2015

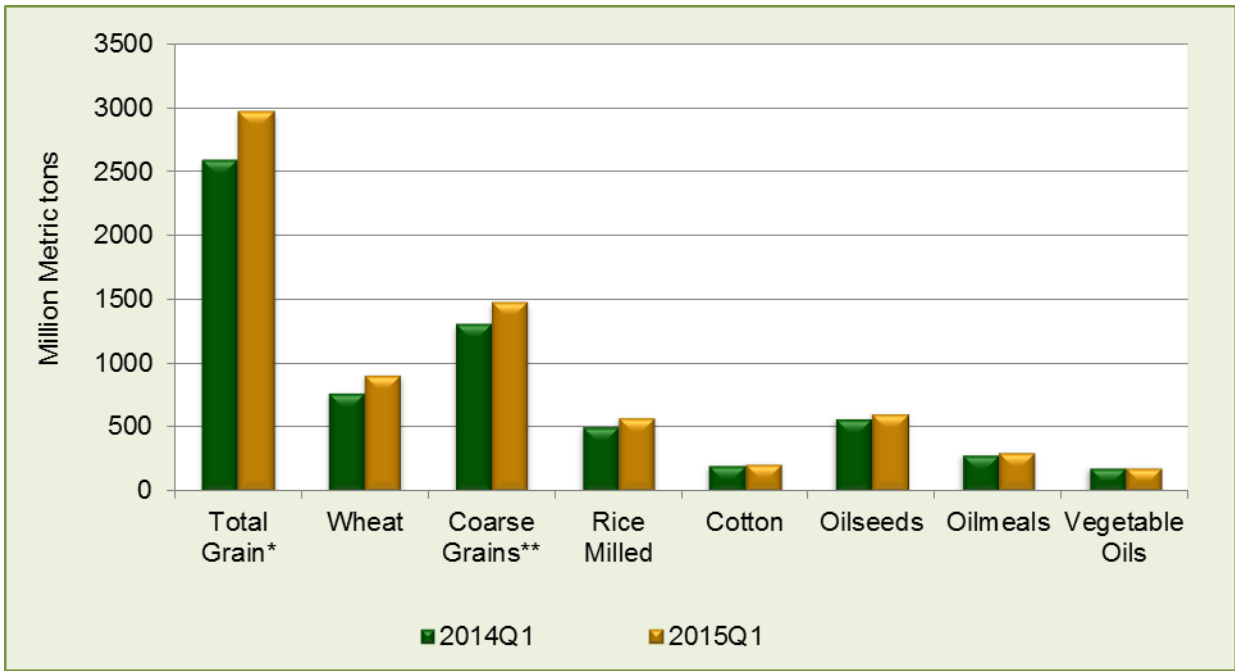


**Figure 2:** Emerging markets and developing economies quarterly GDP rates

Source: Various sources

## 1.2 Global grain forecast

The global grain supply forecast indicates a total grain increase of 14,8% from 2593,46 million metric tons in 2014(Q1) to 2976.63 million metric tons in 2015(Q1). Comparing 2015 (Q1) to 2014 (Q1) global supply projection of wheat, coarse grains, rice milled, cotton, oilseeds, oilmeals and vegetable oils increased by 18,2%, 12,9%, 14,5%, 7,1%, 6,8%, 4,5% and 3,7% 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

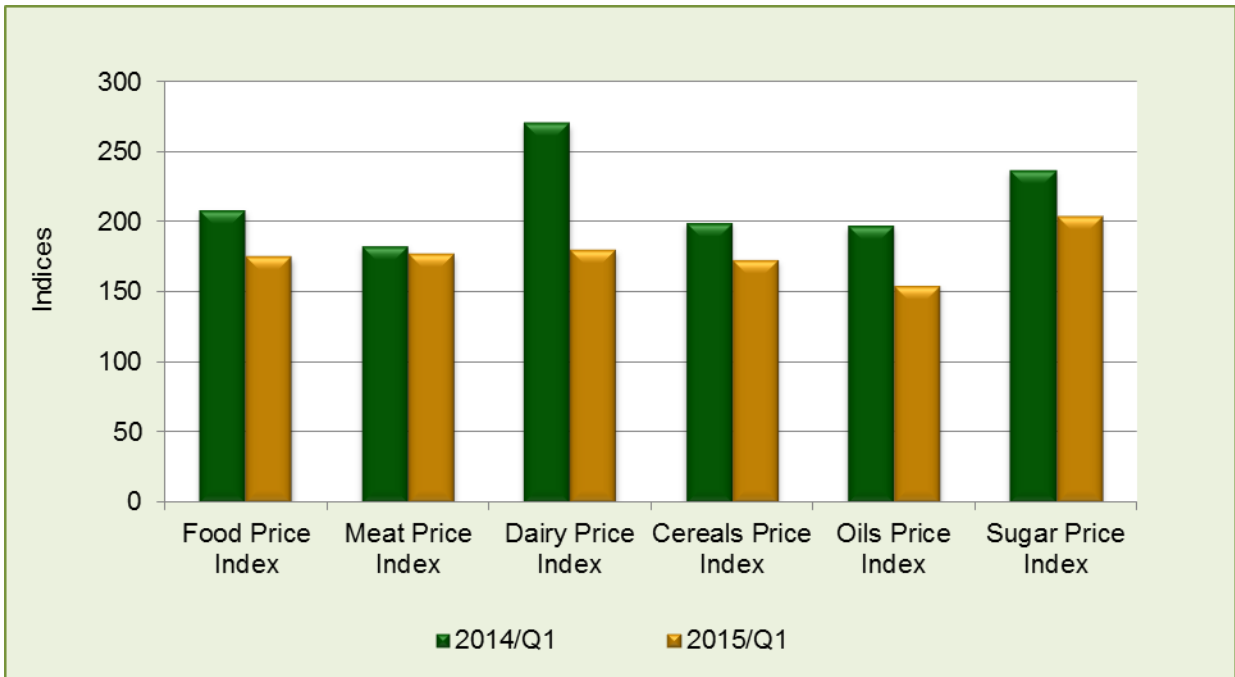
### 1.3 Global food prices

High global food production, cheaper crude oil and limited demand from major importers, including China, have pressurised global food prices over the past year, with the FAO Food Price Index (FFPI) steadily falling since April 2014 to reach its lowest level in over four years. The FFPI averaged 175,4 points during the first quarter of 2015, which is 15,9% below its level in the first quarter of 2014.

Higher global cereal production is forecast mainly to larger-than-expected harvests in

Africa and North America. International prices of maize and wheat remained under downward pressure during the first quarter of 2015 as a result of large global supplies and generally favourable prospects for the 2015 crops. However, looking at South Africa, the sub-Saharan Africa regional exporter, maize prices continued to increase in the first quarter of 2015, although at a slower rate, supported by an anticipated sharply reduced 2015 maize crop. SA government's Crop Estimates Committee's latest production forecast for 2015 summer crops released in May 2015 projected a 30,9% drop in the South African maize crop in 2015 compared to 2014. Global sugar prices, which rose during the fourth quarter of 2014, started declining in February 2015, reflecting improved crop prospects in Brazil - the world's largest producer and exporter of sugar. On the contrary, the dairy price index rebounded sharply in February 2015, registering its first gain in 12 months, supported by a drought-induced drop in milk output in New Zealand as well as limited export supplies in Australia. Global meat prices have also been declining since reaching the historic peak in August 2014, largely due to reduced import demand in the Russian Federation, which continues to impose restrictions on imports and reduced demand in Asia.

Looking at the global prices of the five commodity groups during the first quarter of 2015 compared to the first quarter of 2014, dairy products registered the sharpest price decline (33,4%), followed by oils (21,5%), sugar (13,8%), cereals (13,4%) and meat (3,4%). Figure 4 depicts the price indices of five commodity groups.



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

Source: FAO

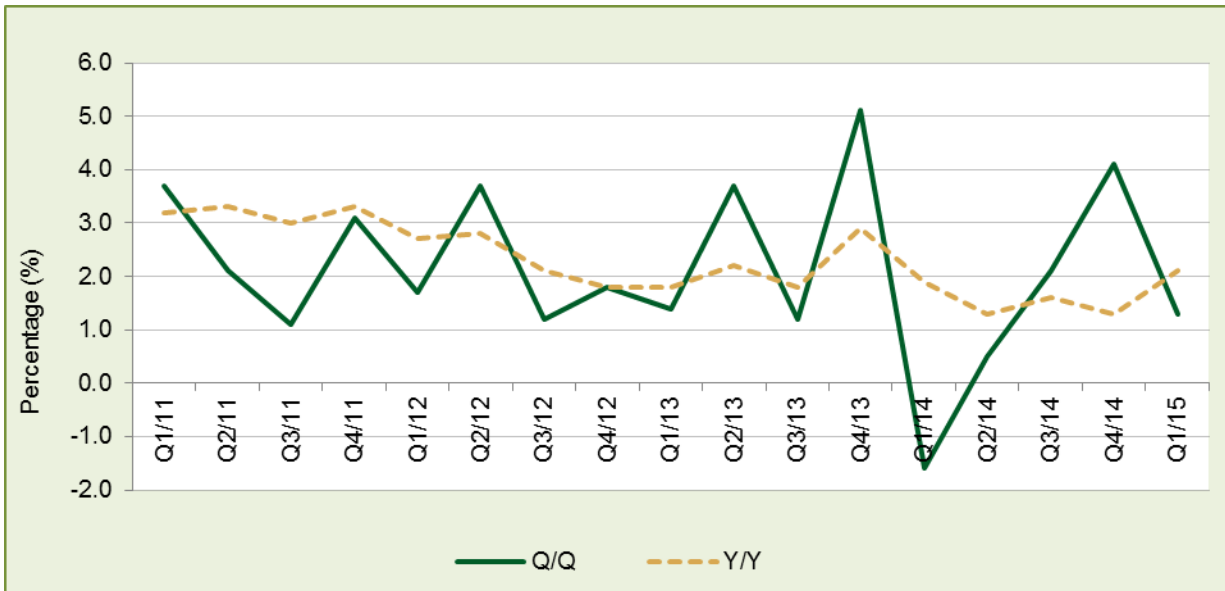
## 2. THE STATE OF THE DOMESTIC ECONOMY IN AGRICULTURE, FORESTRY AND FISHERIES

### 2.1 Growth

The South African GDP growth prospects remain subdued, with the economy's underperformance largely attributed to strikes in the mining and manufacturing sectors, the weak global economy and electricity shortages which are reported to be hampering growth by interrupting production and deterring future investments. The South African economy grew by a seasonally adjusted and annualised 1,3% quarter-on-quarter (q/q) during the first quarter of 2015. Although this is an improvement compared to a 1,6% contraction during the same quarter of last year, it remains a moderate growth and it was below market expectations.

The mining sector was the best performer for the second consecutive quarter, registering a 10,2% q/q growth rate during the first quarter of 2015. The manufacturing sector contracted by 2,4% q/q during the same quarter, following a 9,5% q/q growth in the fourth quarter of 2014.

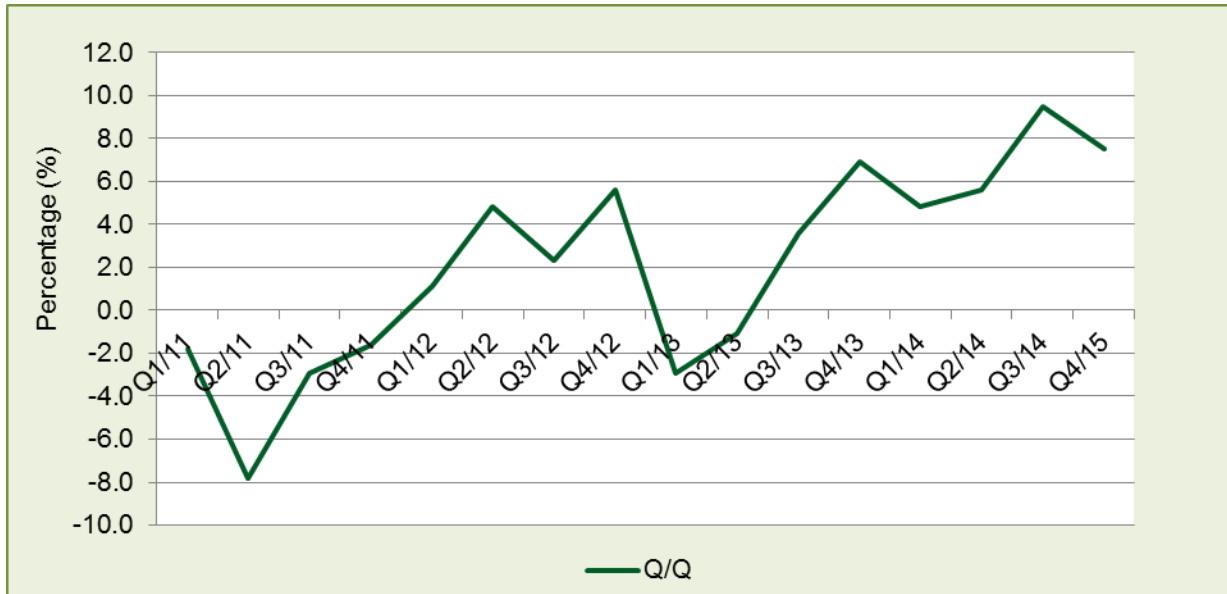
On a year-on-year (y/y) basis, the South African economy grew by 2,1% in the first quarter of 2015, a slight improvement from the 1,9% growth recorded in the first quarter of 2014. The mining sector recorded the highest y/y growth of 6,3% in the first quarter of 2015, followed by the agriculture, forestry and fishing sector with a 6,2% y/y growth. The SA Reserve Bank forecasts SA's GDP to remain just over 2% in 2015 and 2016, projected to rebound to 2,7% in 2017 as electricity constraints relax in medium-term owing to more efficient electricity usage and improved supply. Figure 5 depicts the SA's quarterly GDP growth trend since 2011.



**Figure 5:** Domestic real GDP growth

Source: Stats SA

The agriculture, forestry and fishing sector contracted by a substantial 16,6% q/q in the first quarter of 2015, recording its first q/q decline since the second quarter of 2013. The first quarter contraction follows a 7,5% q/q growth in the fourth quarter of 2014. On a y/y basis the agriculture, forestry and fishing sector was the second best performer, growing by 6,2% y/y in the first quarter of 2015, following a 4,4% y/y growth in the fourth quarter of 2014. The poor q/q sector performance during the first quarter of 2015 was aggravated by poor rainfall in the key maize growing parts of the country. Gross income from field crops declined by R24,6 million (0,7%) in the first quarter of 2015 compared to the first quarter of 2014, largely due to a R376,5 million (29,0%) drop in gross income from maize and a R129,9 million (19,8%) drop in gross income from wheat. Figure 6 depicts the agriculture, forestry and fishing sector's quarterly growth trend since the first quarter of 2011.



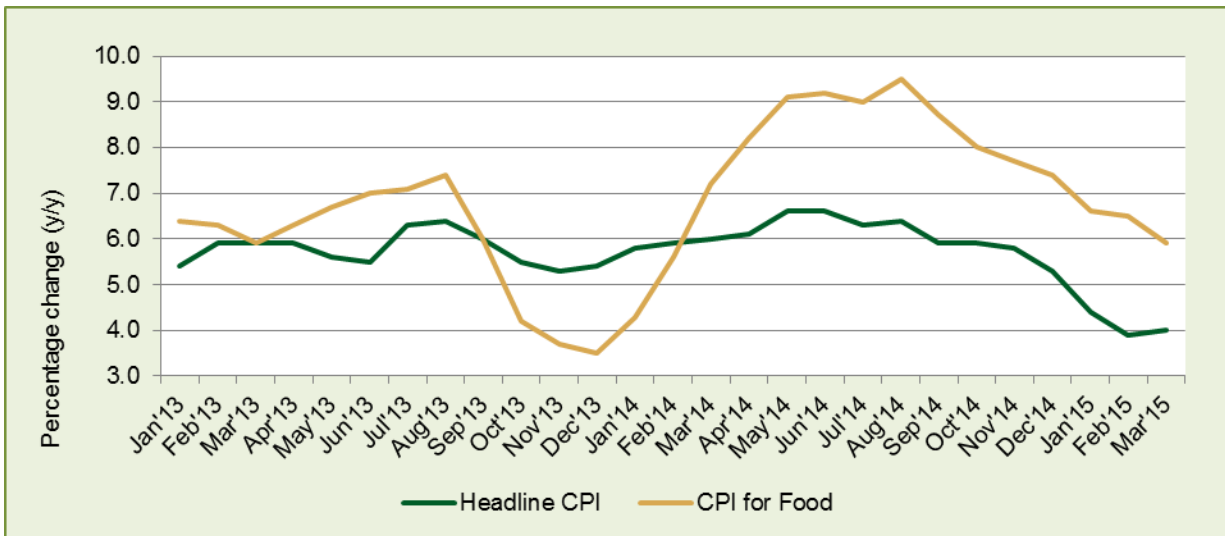
**Figure 6:** Seasonally adjusted and annualised quarterly growth in the agriculture, forestry and fishing sector.

Source: Stats SA



## 2.2 Inflation

South African consumer price inflation averaged 4,1% during the first quarter of 2015, benefitting from the sharp drop in oil prices, which pushed it to its lowest level (3,9%) in four years during February 2015. Food price inflation has remained above the headline consumer inflation since February 2014 although the CPI for food has shown the same trend as the headline CPI. However, food price inflation continued to ease during the first quarter of 2015, slowing from 6,6% y/y in January, to 6,5% y/y in February and to 5,9% y/y in March. The CPI for food averaged 6,3% y/y during the first quarter of 2015, a drop from the 7,7% y/y average in the fourth 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.

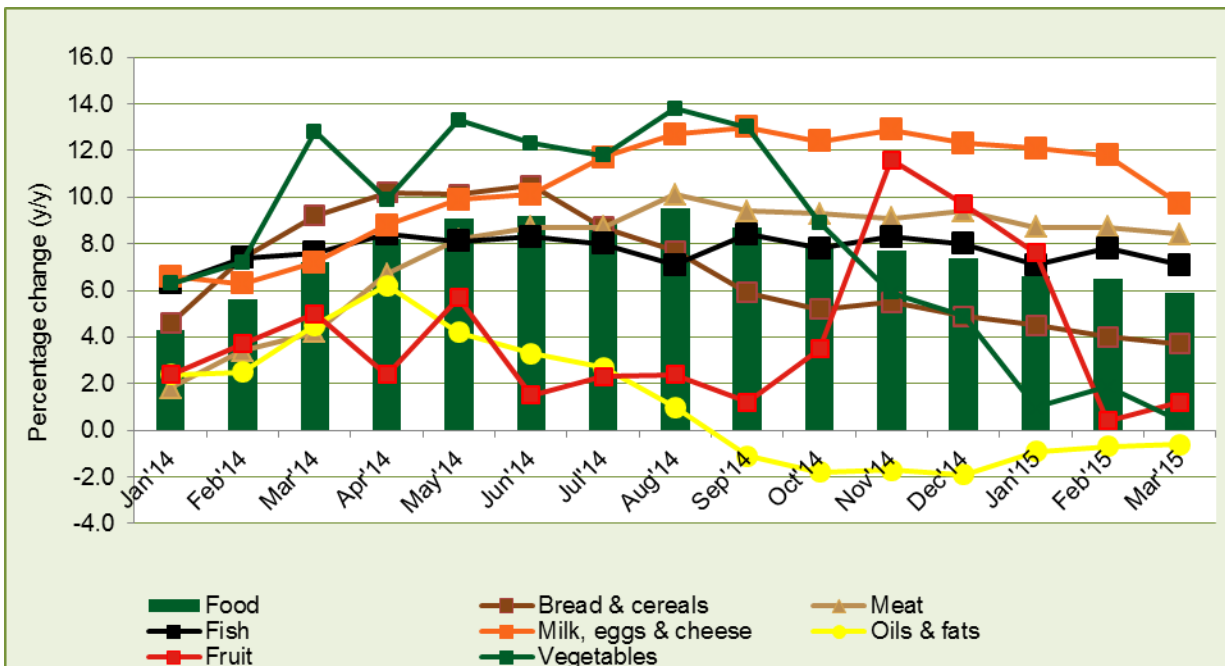


**Figure 7:** South African headline CPI and CPI for food

Source: Stats SA

On average, food prices increased by 0,8% between March and February, following a

0,5% increase between February and January 2015. The prices of milk, eggs and cheese remained the main contributor to food price inflation, averaging 11,2% during the first quarter of 2015. Meat price inflation was the second largest contributor to food price inflation during the first quarter of 2015, rising by 8,7% y/y in January and February, respectively, and by 8,4% y/y in March, to average 8,6% during the quarter. Prices of sugar, sweets and desserts have also been rising markedly during the first quarter of 2015 while vegetables and fruit price inflation has eased significantly. Figure 8 depicts consumer price trends of selected food items since the beginning of 2014.



**Figure 8:** CPI for food and selected food items

Source: Stats SA

The producer price inflation has eased from 6,3% y/y in the fourth quarter of 2014 to 3,1% y/y in the first quarter of 2015; an indication of a future drop in consumer inflation as consumer prices usually lag producer prices. The PPI for agriculture, forestry and fishing averaged -1,0% in the first quarter of 2015, indicating a deflation in agriculture,

forestry and fishing producer prices. The PPI for food products averaged 7,0% y/y in the first quarter of 2015, a decrease from the 8,7% y/y average in the fourth quarter of 2014. The SA Reserve Bank projects the consumer price inflation to start accelerating, breaching the upper band of the Bank's target temporarily during the first half of 2016 (SARB, 2015). Food prices are also expected to pick up in response to drought conditions in the country's maize triangle. The SA Reserve Bank forecasts average inflation at 4,9% in 2015, rising to 6,1% in 2016 before easing slightly to 5,7% in 2017.

### **2.3 Employment**

The Quarterly Labour Force Survey (QLFS) indicates that South Africa's unemployment rate in the first quarter of 2015 was at its highest level of 26,4% since 2003 from 25,2% in the last quarter of 2014. Unemployment figures always drop in the first quarter of the year because of the impact of the festive season, however the result is below the usual drop. Despite the new sample, the data still showed the severe extent to which the economy was still battling to create jobs with an estimated 5,5 million people looking for jobs, but unable to find work. Unemployment remains a problem and it has not changed for the better but continues to increase. The expanded unemployment rate, which takes into account people who are actively and not actively looking for work, increased by 1,5 percentage points to 36,1% implying that 8,7 million people who are able to work were not in employment. The results of the first quarter shows that the working age population was 35,8 million, which included 15,5 million employed, 5,5 million unemployed and 14.8 million not economically active. Therefore resulting in an unemployment rate of 26,4%, absorption rate of 43,2% and labour force participation rate of 58,6%.

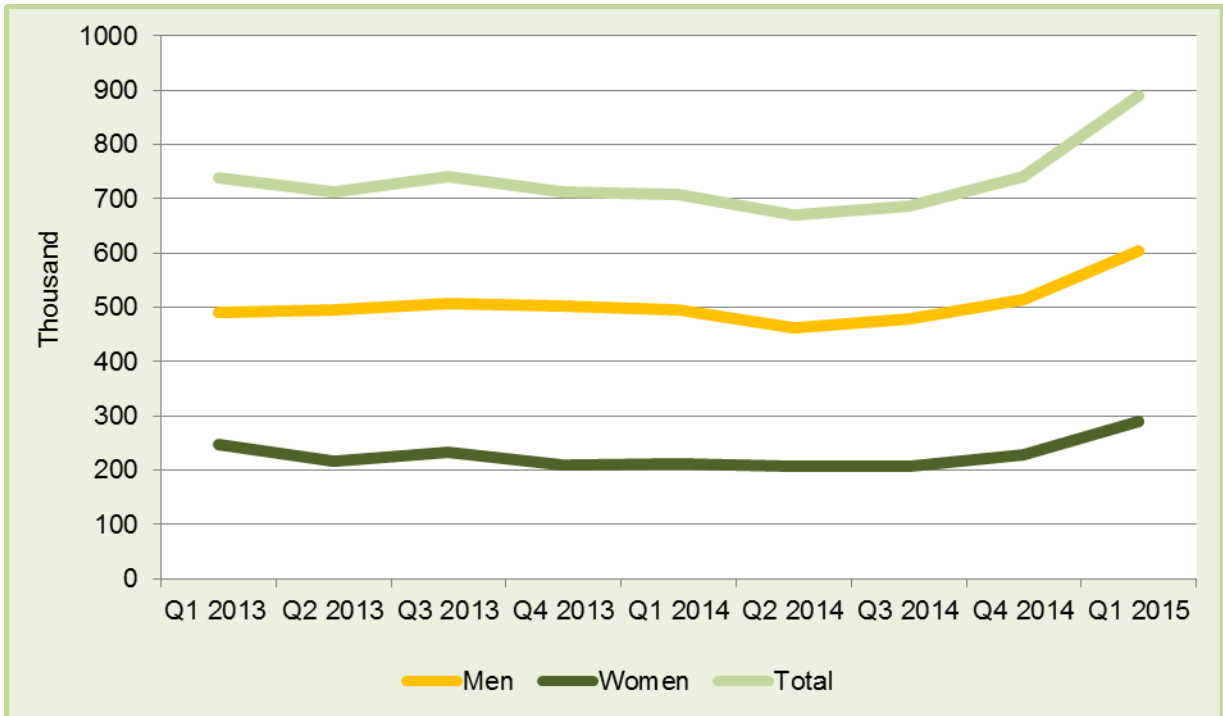
Compared to the same period last year, employment increased by 405 000. Large

annual increases were observed in the Agriculture 183 000, Finance 149 000 and Construction 122 000 industries. During the same period private household and mining also increased by 58 000 and 19 000. While employment in utilities and transport industry increase slightly by 13 000 and 4 000 respectively. The employment in community and social services increased by 22 000 between the first quarter of 2015 and 2014. The largest decrease in employment was observed in the Trade industry which decreased by 140 000, while manufacturing industry decreased by 26 000 during the same period. For the year ended March 2015, employment increased in all provinces, except Northern Cape, where it remained virtually unchanged. The largest gains in employment were recorded in Gauteng 117 000, Free State 79 000 and Limpopo 72 000.

Analysts believe that labour market conditions are unlikely to improve significantly in the months ahead, because local growth prospects remain subdued and fragile. The global recovery also remains stagnant which together with softer commodity prices will prevent local export-orientated sectors from benefitting fully from the weaker rand. Locally, while consumer spending is expected to be supported by lower inflation and stable interest rates, the benefit will partly be outweighed by higher taxes and other administered prices as well as tight access to credit. The weak growth picture together with other factors such as high input costs and unstable electricity supply will hurt business sentiment and make firms wary of expanding capacity significantly. Job creation by the public sector will be muted by the government's pledge to reduce the budget deficit and contain the nation's debt burden by, among other things, controlling growth in public sector employment and wage increases.

Figure 9 shows that employment in the agricultural sector increased in the first quarter of 2015 compared to the first quarter of 2014. The number of people employed in agriculture sector increased by 25,8% in the first quarter of 2015 from 709 000 persons in the first quarter of 2014 to 891 000 persons in the first quarter of 2015. Of

the 183 000 jobs created in the agricultural sector in the first quarter of 2015 compared to the same quarter of 2014, 106 000 jobs were created for men while 76 000 jobs were created for women. In total, the agricultural sector comprised 289 000 women and 603 000 men in the first quarter of 2015 compared to 212 000 women and 496 000 men in the first quarter of 2014.



**Figure 9:** Total number of people employed in the agricultural sector between 2013 and 2015.

Source: DAFF

Figure 10 shows that employment increased in the six provinces and noticeably decreased in the three provinces in the first quarter of 2015 compared to the first quarter of 2014. Agricultural employment in KwaZulu-Natal, Western Cape, Free State, Limpopo and North West increased significantly by 60,9%, 58,0%, 43,6%,

30,5% and 26,7% respectively between the two quarters. However, during the same period the agriculture employment in Eastern Cape also increased slightly by 8,7%. While agriculture employment in Gauteng decreased significantly by 42,5%, in Northern Cape and in Mpumalanga employment also decreased by 17,2% and 5,5% respectively.

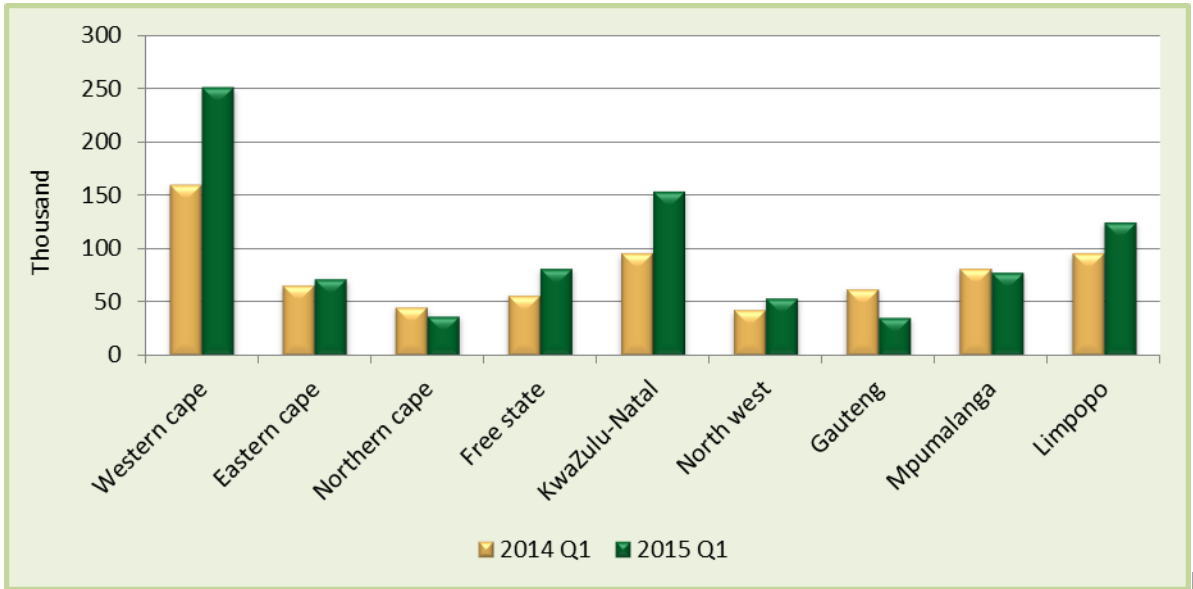
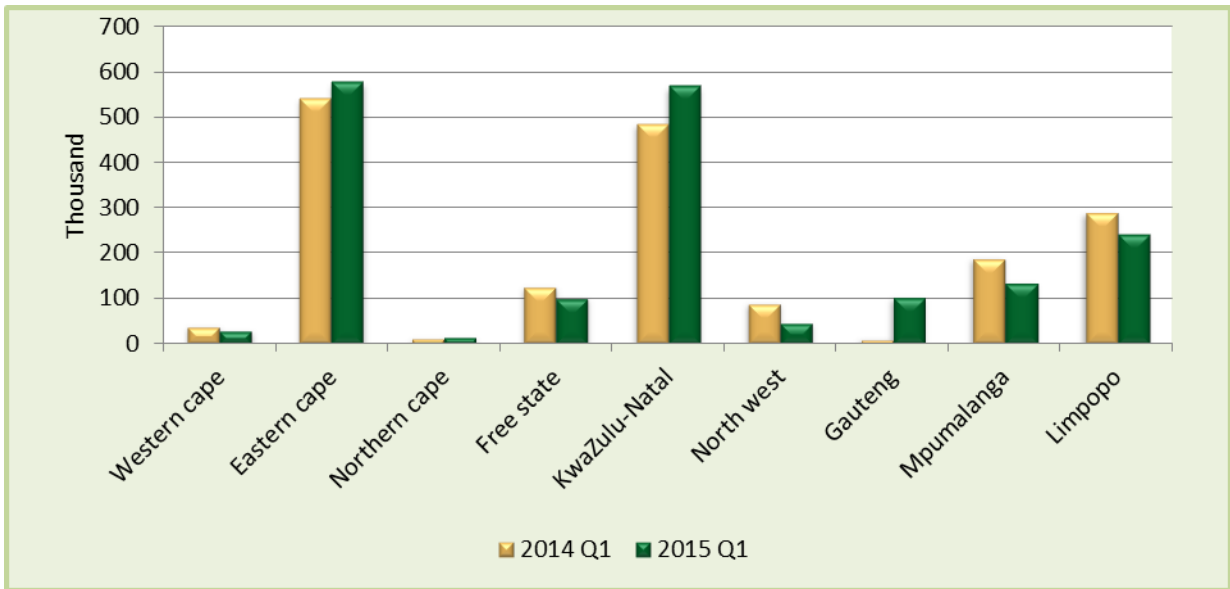


Figure 10: Comparison of the provincial agricultural employment between Q1 of 2014 and Q2 of 2015

Source: DAFF

The 2015 QLFS also indicated that 1,82 million people were involved in subsistence farming in the first quarter of 2015 compared to 1,79 million in the fourth quarter of 2014, a slight increase of 1,7%, see Figure 11



**Figure 11:** Comparison of provincial number of people involved in subsistence farming between 2014 and 2015.

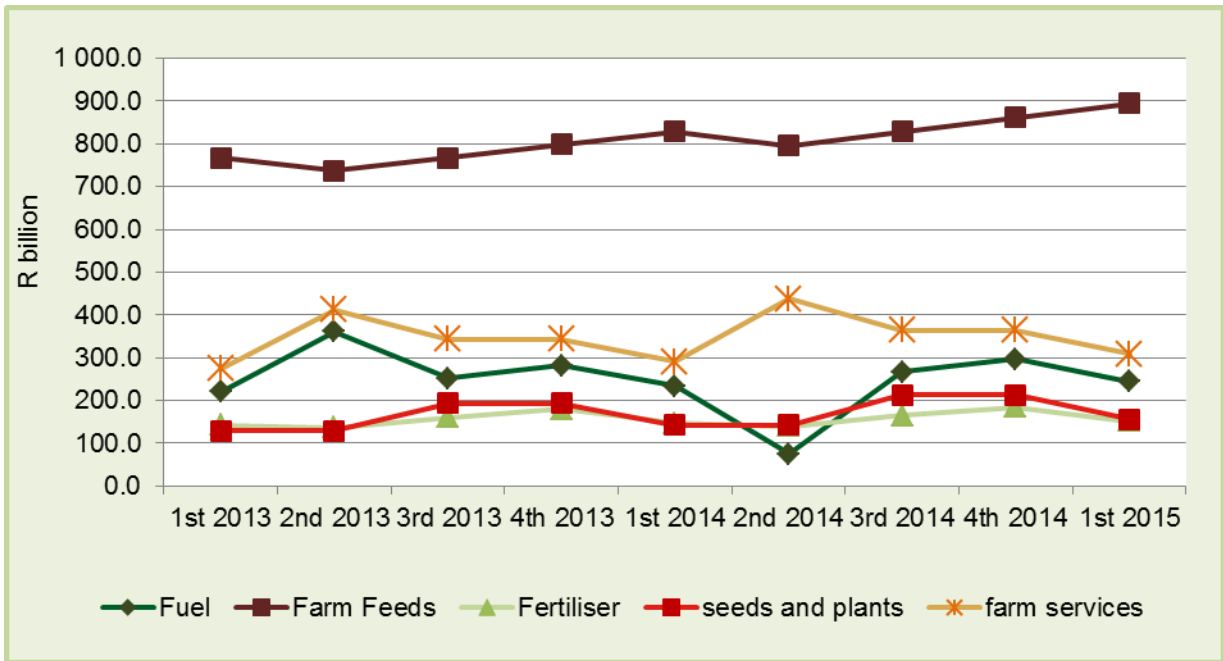
Source: DAFF

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

The total expenditure on intermediate goods and services was reported at R275.9 billion in the first quarter of 2015 compared to R317,2 billion in the last quarter of 2014, a decrease of 13,0%. Compared to a year ago the total expenditure on intermediate goods and services increased by 7,1% from R257,6 billion in the first quarter of 2014 to R275,9 billion in the first quarter of 2015., see Figure 12.

The figure above shows the total expenditure on fuel, farm feeds, fertilisers, seeds and plants as well as farm services. The decrease in total expenditure in the first quarter of 2015 was attributed to the decrease in expenditure on seeds and plants which decreased significantly by 26,7%. During the same period the expenditure on

fertiliser and fuel also decreased by (18.3%) and (18.0%) respectively. While the expenditure on farm feeds increased slightly by (3.8%).



**Figure 12:** Trends in the expenditure on fuel, farm feeds, fertilisers, seeds and plants and farm services between 2013 and 2015.

Source: DAFF

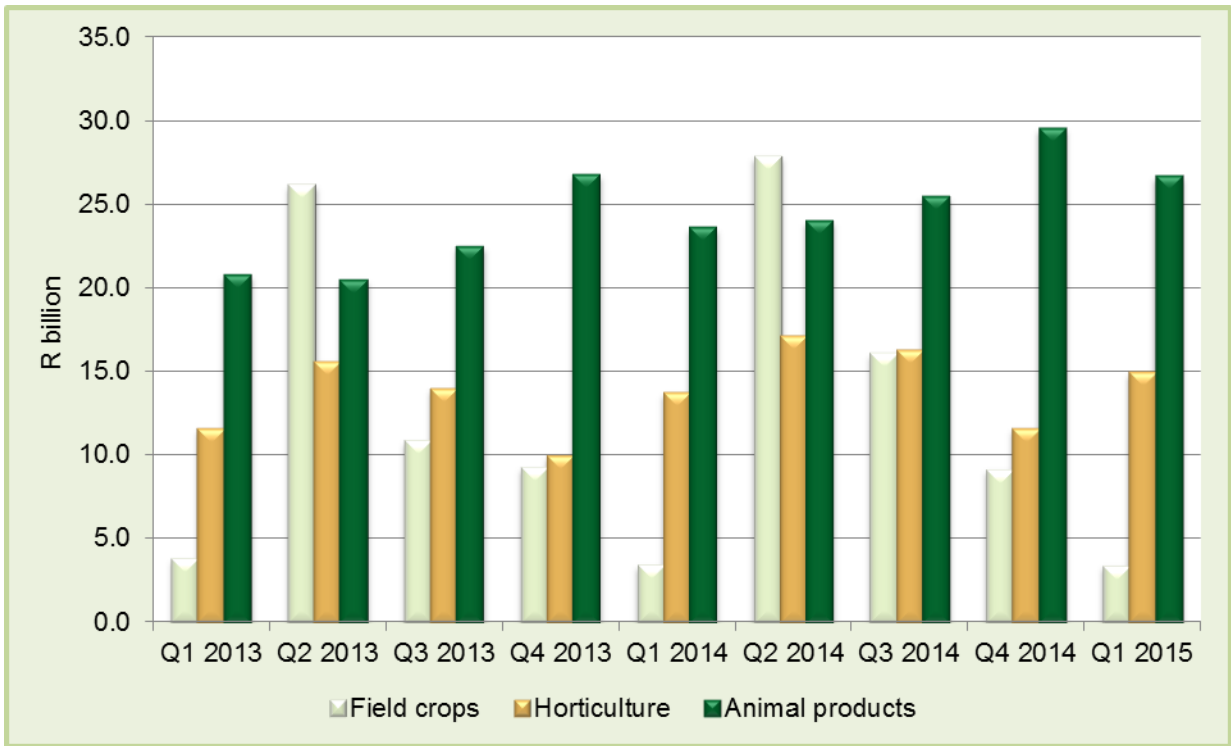
## 2.5 Nominal gross farm income and net farm income from agricultural products

Figure 13 shows the gross income from field crops, horticulture and animal products between 2013 and 2015. The real gross income from all agricultural products decreased to R44,8 billion in the first quarter of 2015 from R50,1 billion in the fourth quarter of 2014, a decline of 10,6%. This was due to a huge decline of 63,4% in income from field crops which decreased to R3,3 billion in the first quarter of 2015 from R9,1 billion in the fourth quarter of 2014. The income from animal products also decreased slightly by 9,7% between the two quarters. The huge decline in income



from field crops was due to the significant fall in income from crops such as canola, barley, oats, wheat, chicory root, sugar cane and groundnuts which decreased by 99,9%, 99,7%, 91,5%, 88,6%, 85,5%, 65,7% and 54,8% respectively. While gross income from horticulture increased by 29,0% to R14.9 billion from R11,5 billion during the same period. Compared to a year ago real gross farm income from all agricultural products increased slightly from R40,5 billion in the first quarter of 2014 to R44.8 billion reported in the same quarter of 2015, an increase of 10,6%. During this period the increase was mainly supported by increase in income from animal products and horticulture which increase by 13,1% and 8,9% respectively. While income from field crops decline slightly by 0,7%.

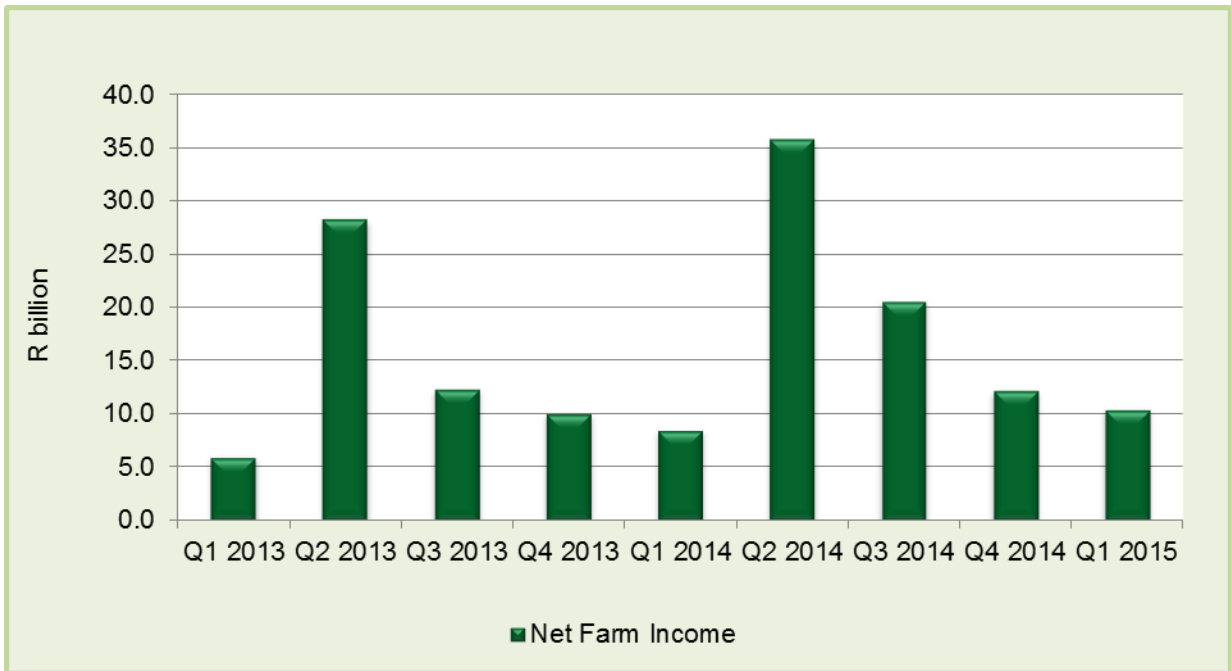
The real gross income from all agricultural products decrease to R44,8 billion in the first quarter of 2015 from R50.1 billion in the fourth quarter of 2014, a decline of 10,6%. This was due to a huge decline of 63,4% in income from field crops which decreased to R3,3 billion in the first quarter of 2015 from R9,1 billion in the fourth quarter of 2014. The income from animal products also decreased slightly by 9,7% between the two quarters. The huge decline in income from field crops was due to the significant drop in income from crops such as canola, barley, oats, wheat, chicory root, sugar cane and groundnuts which decreased by 99,9%, 99,7%, 91,5%, 88,6%, 85,5%, 65,7% and 54,8% respectively. Gross income from horticulture increased by 29,0% to R14,9 billion from R11,5 billion during the same period. Compared to a year ago real gross farm income from all agricultural products increased slightly from R40,5 billion in the first quarter of 2014 to R44,8 billion reported in the same quarter of 2015, an increase of 10,6%. During this period the increase was mainly supported by an increase in income from animal products and horticulture which increased by 13,1% and 8,9% respectively. Income from field crops decline slightly by 0,7%.



**Figure 13:** Trends in nominal gross farm income between 2013 and 2015.

Source: DAFF

Figure 14 illustrates the net farm income trends between 2013 and 2015. The net farm income is estimated at R10,4 billion in the first quarter of 2015 compared to R8,5 billion in the first quarter of 2014, an increase of 22,4%. The increase in net farm income during this period was supported by an increase in animal products and horticulture, which rose by 13,1% and 8,9% respectively.

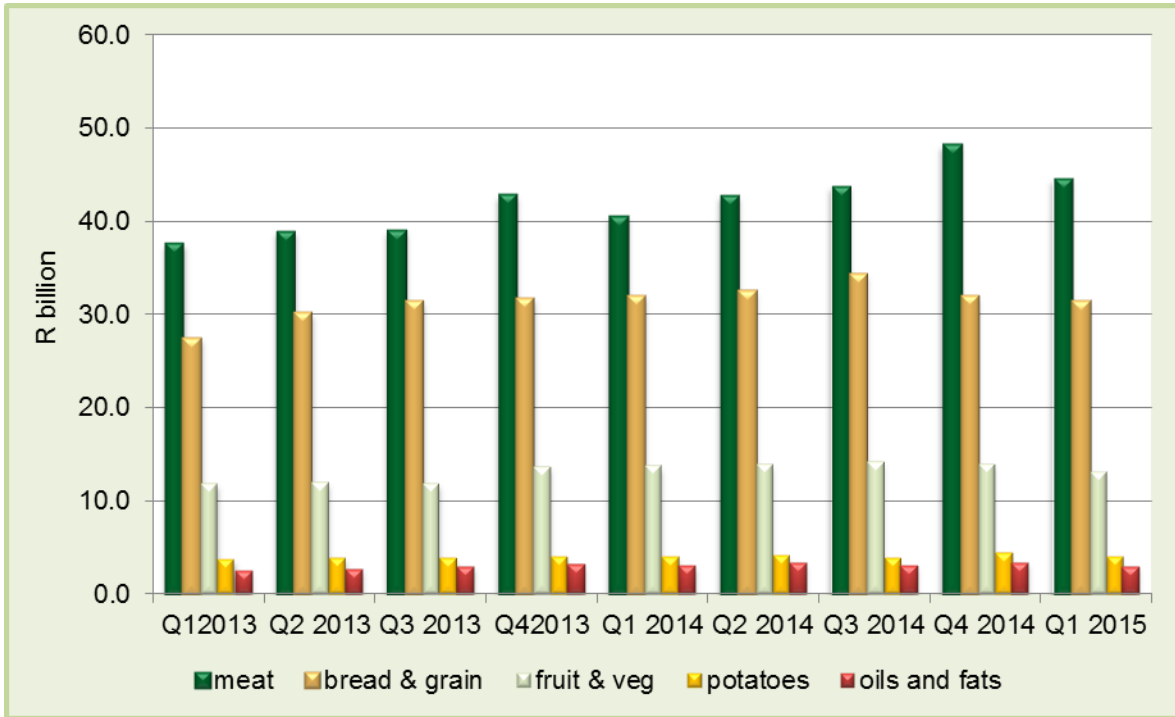


**Figure 14:** Trends in the net farm income between 2013 and 2015.

Source: DAFF

## 2.6 Private consumption expenditure on agricultural products

Private consumption expenditure on food decreased in the first quarter of 2015 to R128,7 billion from R138,0 billion in the fourth quarter of 2014, a decrease of 6,7%. Compared to a year ago total private consumption expenditure on food increased to R128,7 billion reported for the first quarter of 2015 compared to R122,2 billion in same quarter of 2014, an increase of 5,3%. During the same period, meat was the main expenditure item which increased by 10.1%. The expenditure on fruit and vegetables decreased by 4,3,%, the expenditure on oils and seeds decreased by 3,2%. The expenditure on bread and grain also decreased by 1,8%, while the expenditure on potatoes decreased slightly by 0,8%.



Fig

Figure 15: Trends in private consumption expenditure between 2013 and 2015.

Source: DAFF

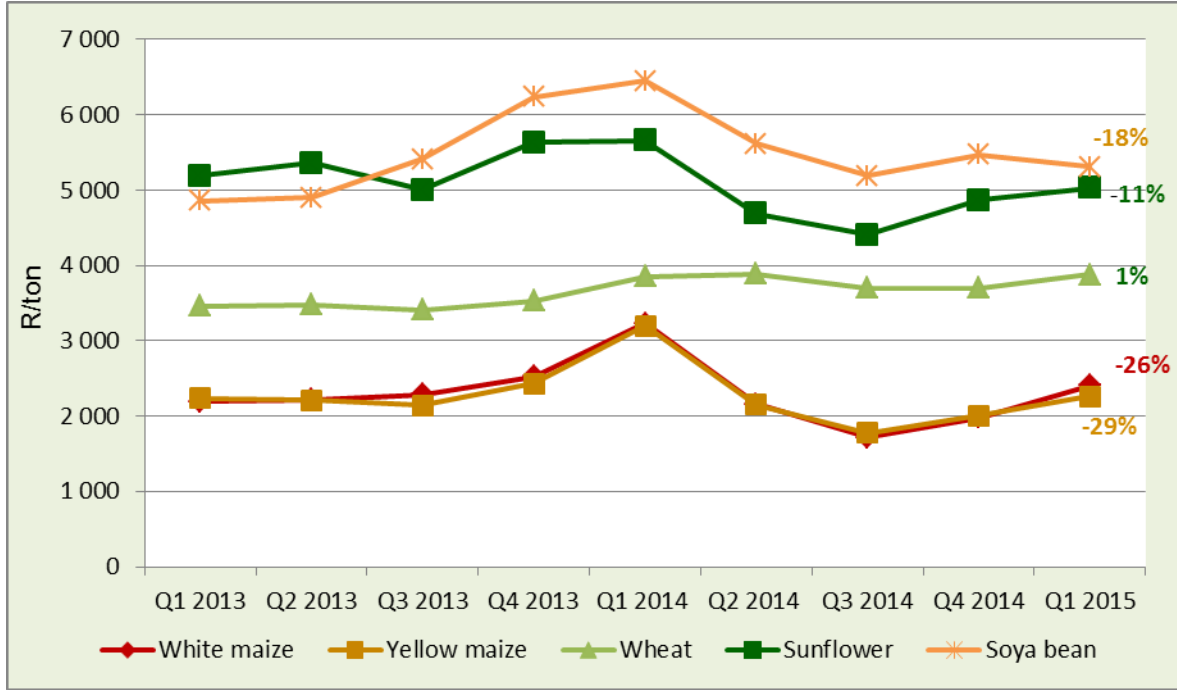
### 3 Review of agricultural markets

#### 3.1 Grains market review

Grain spot prices in quarter 1 (2015) compared to quarter 1 (2014) decreased noticeably, with the exception of the wheat price. White maize, yellow maize, sunflower and soya beans prices decreased by 26%, 29%, 11% and 18% respectively, while the wheat price increased by 1% in quarter 1 (2015) comparing to quarter 1 (2014) .

Overall maize deliveries increased from 136 394 tons in quarter 1 of 2014 compared to 167 180 tons in quarter 1 of 2015. White maize deliveries increased by 26% while

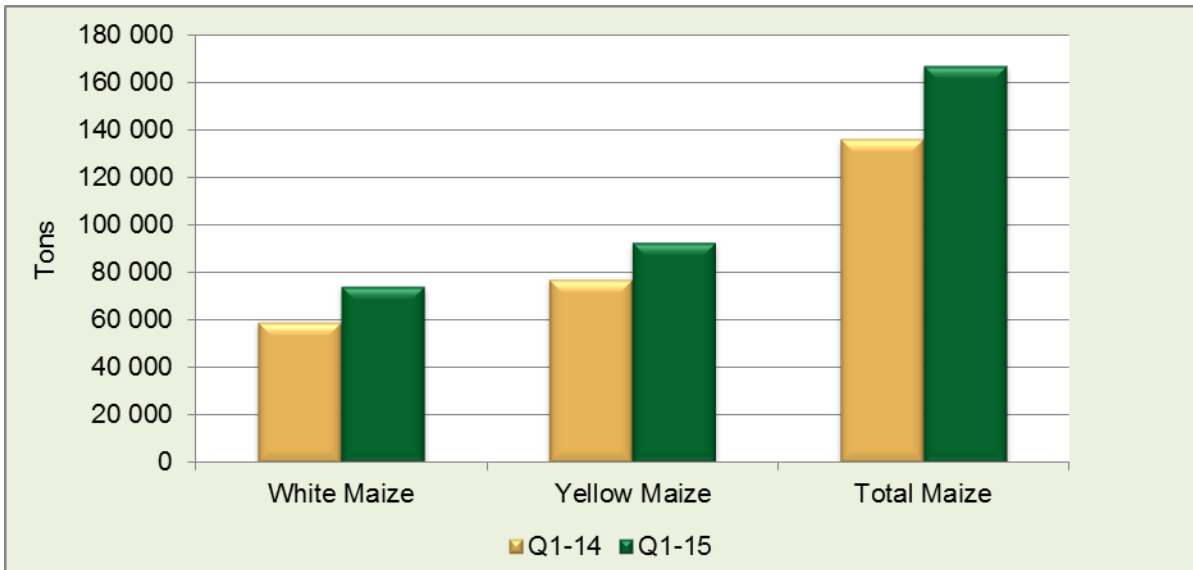
yellow maize deliveries increased by 20% and in total maize deliveries increased by 23% in Q1 of 2015 compared to Q1 of 2014. The contribution to this increase could be the favourable weather, compared, to the same planting season in 2014.



**Figure 16:** Quarterly grain price trends

Source: Safex

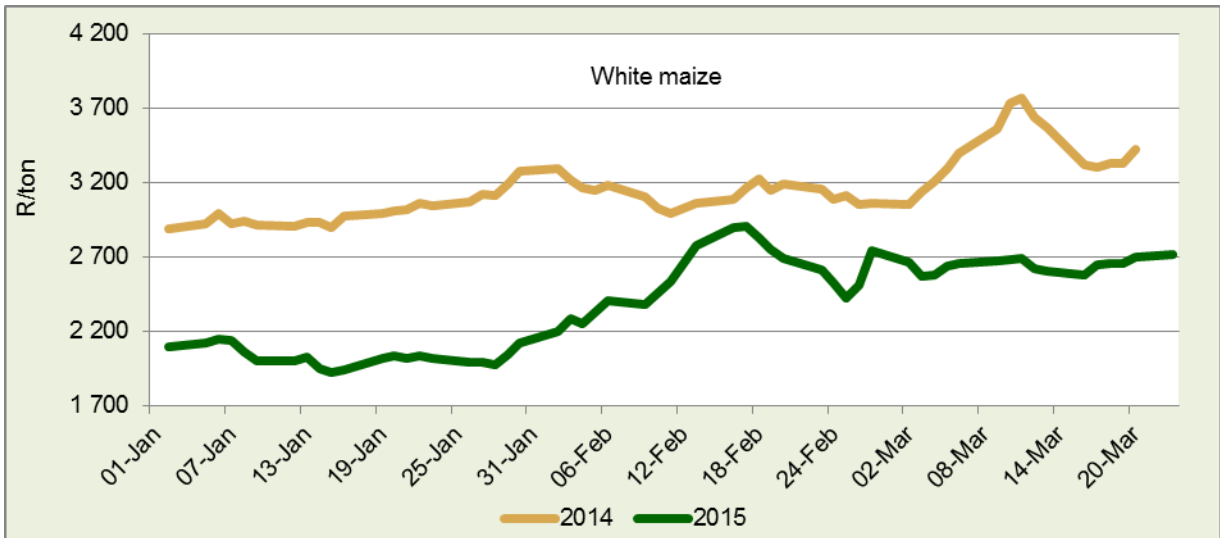
Figure 17 shows the early intended plantings for the 2015 summer crops. The area allocated to maize is expected to decline by 3,3% to average at 2 600 000 ha compared to 2 688 200 ha in 2014. The decline is because of a decline in area allocated to white maize. This area is expected to decrease by 9,7%,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



**Figure 17:** Quarterly maize deliveries

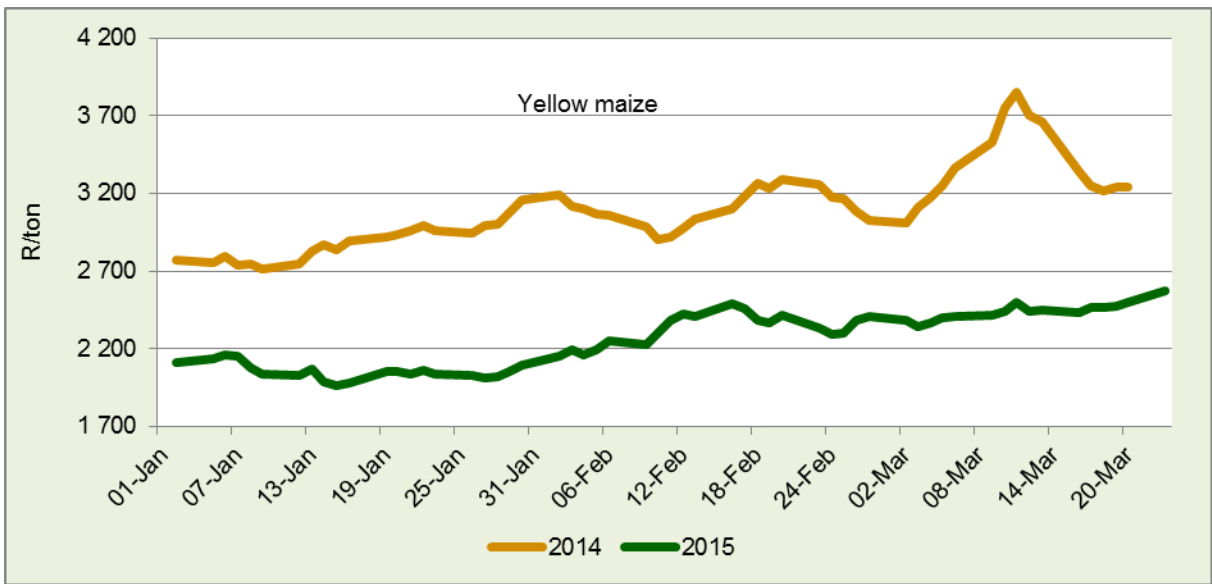
Source: SAGIS

The white maize contract price for March 2015 deliveries for the period starting 1 January to 20 March were lower in 2015 compared to the same period in 2014. On the 02 January 2015 the futures price for white maize was R2 096,00 per ton and on 02 January 2014 the futures price was R 2 893 00 per ton. On average the white maize future price decreased by 24% during the reporting period under review, and yellow maize decreased by 27% during the same period, Figure 18 a and b.



**Figure 18 (a):** White maize futures prices

Source: Safex/Sagis

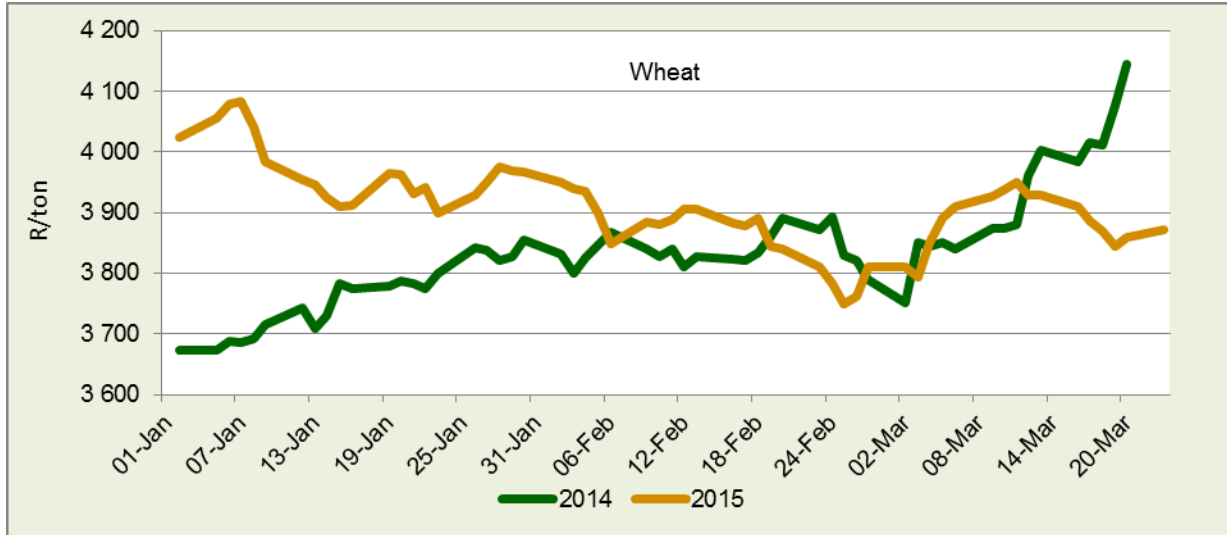


**Figure 18 (b):** Yellow maize futures prices

Source: Safex/Sagis

Wheat futures prices for March 2015 deliveries for the period starting 1 January to 20

March were higher between 02 January to 05 February; 09 February to 18 February; 27 February to 02 March; and 05 March to 12 March 2015 compared to the same period in 2014. Specifically, on the 19 of February wheat futures price were equal and the value was R3840,00 per ton. On average wheat futures price increased by 2% in the period from the 2nd January to 20th March 2015 compared to the same period in 2014. (See Figure 19.)

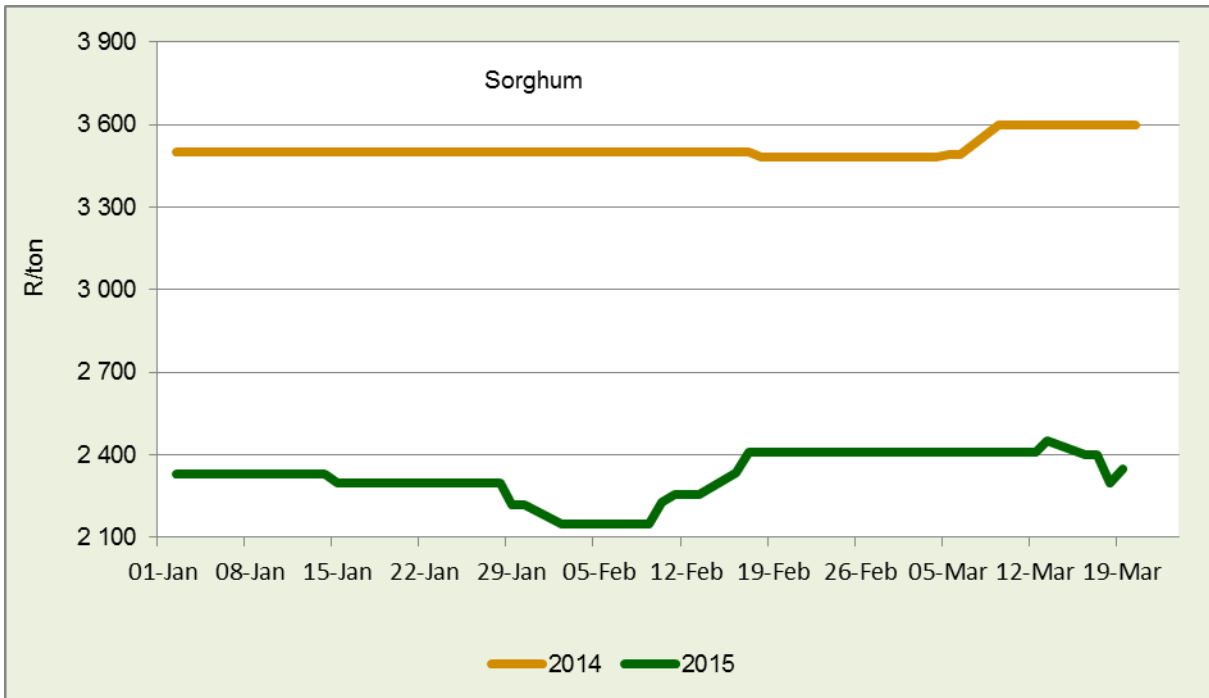


**Figure 19:** Wheat futures price

Source: Safex

Figure 20 shows that sorghum futures prices for the March delivery date decreased in 2015 compared to 2014 period from January to March 2015. On average sorghum prices decreased hugely by 35% for the March 2015 deliveries.





**Figure 20:** Sorghum futures

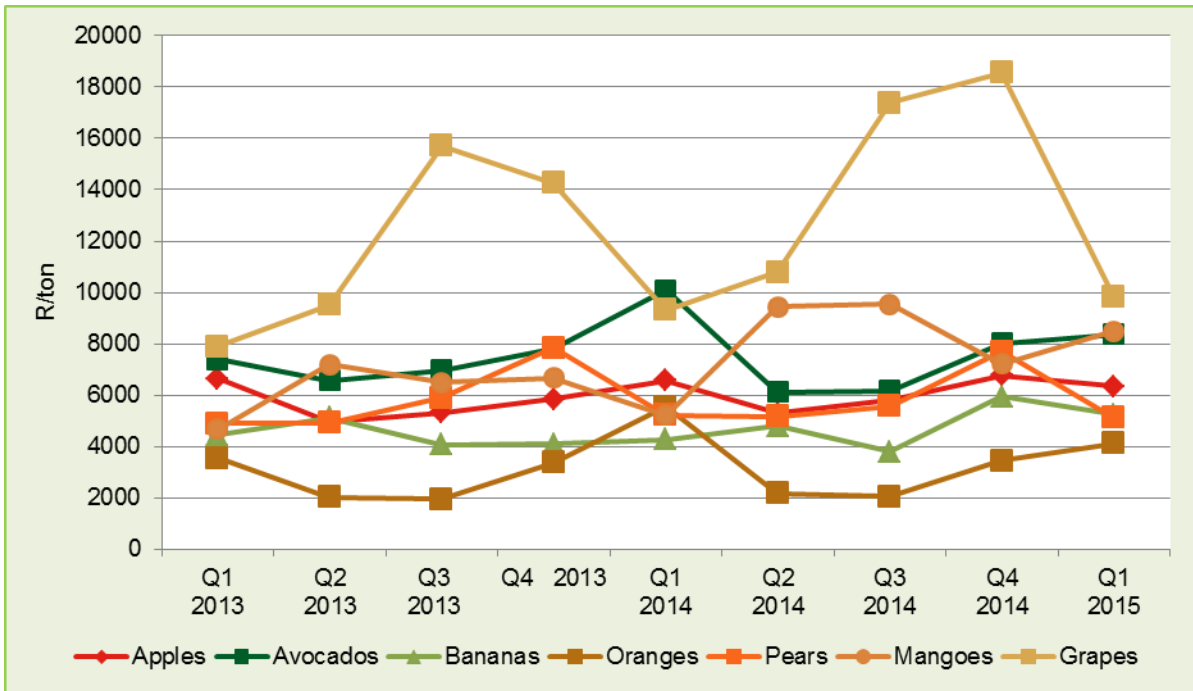
Source: Safex

### 3.2 Fruit and vegetable market review

Figure 21 shows price trends of various fruits traded at Fresh Produce Markets (FPMs) for the period first quarters of 2013 and 2015.

Between the first quarter of 2014 and the first quarter of 2015, the average prices of apples, avocados, oranges and pears fluctuated significantly, decreasing by 4%, 17% 26% and 2% respectively. Although South Africa is not a major apple, avocado and pear producer, the country still produces large quantities. The lower prices were directed by larger quantities available for sale domestically. Furthermore, the 2015 citrus stats book revealed that the area under valencia type oranges declined in 2015 while navel type oranges remained steady, however, soft citrus increased by 21%, with larger quantities available for sale domestically. During the same period, the

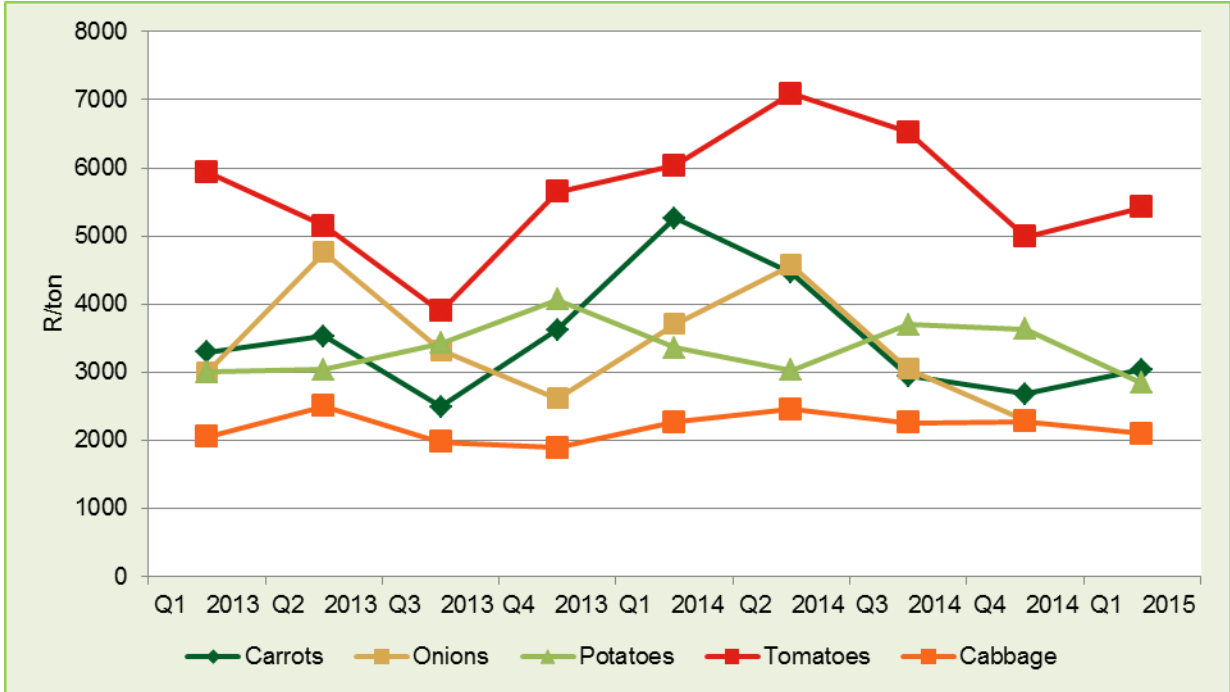
average prices of bananas, mangoes and grapes increased by 23%, 63% and 5% respectively, in the first quarter of 2015. Banana Growers' Association (Kobus Lourens) highlighted that though current prices have ticked up because of recent weather conditions, should long-term trends prevail as it expects, there is a likelihood that banana prices will decrease. The mango price increase may be explained by declining volumes available at the FPMs. While there was growth in the production of table grapes this current season compared to the previous two seasons, the bulk of the produce was exported to the European Union and the United Kingdom (NAMC, 2015).



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

Figure 22 shows prices of a number of vegetables traded through the FPMs between the first quarter of 2013 and the first quarter of 2015. Between the first quarter of 2014

and the first quarter of 2015, the average prices of carrots, onions, potatoes, tomatoes and cabbages fluctuated significantly, decreasing by 42%, 23%, 16%, 10 and 8% respectively, due to increased supplies volumes across markets (FNB Agri-weekly, 2015).

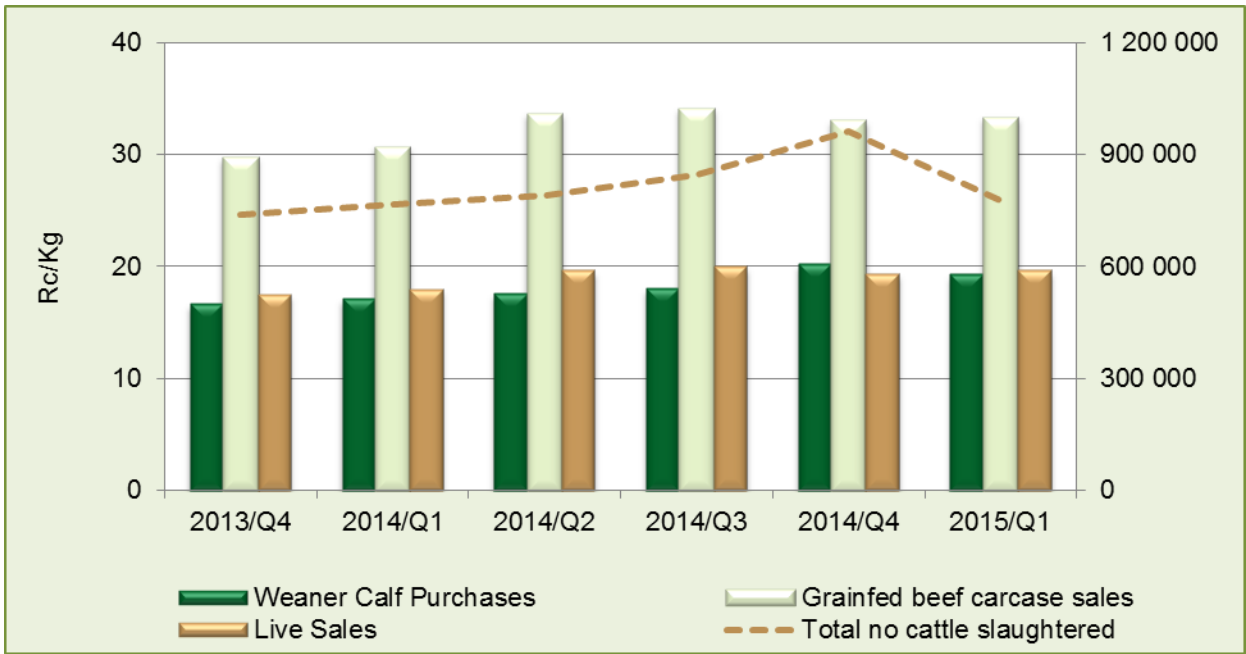


**Figure 22:** Average price trends of various vegetables traded on fresh produce markets (FPMs)

Source: DAFF

### 3.3 Meat industry review

In the first quarter of 2015, South Africa was recognised by the World Organization for Animal Health (OIE) as a country with a Foot-and-Mouth-Disease free zone (FMD). On average domestic total cattle slaughtered increased to 776 698 tons in 2015(Q1) to 767 310 tons in 2014 (Q1). The average price of weaner calves, grain fed carcasses and live cattle improved slightly by 12,6%, 8,6% and 9,2% respectively, see Figure 23.

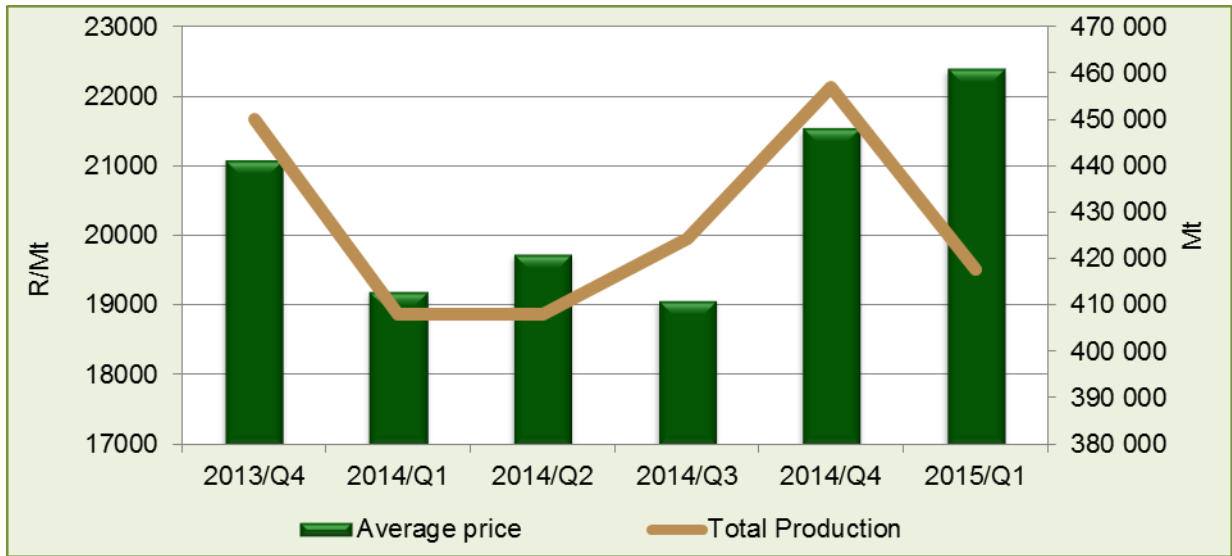


**Figure 23:** Quarterly beef production and prices

Source: DAFF/SA Feedlot Association

### 3.4 Poultry industry review

On average poultry production measured in million tons increased slightly by 2,0% in 2015 (Q1) compared with 2014 (Q1). The average price of poultry increased by 17% from 2014 (Q1) to 2015 (Q1). During 2015 (Q1) the poultry industry had been in the huge battle with the US due to the tariff it imposed on bone-in chicken cuts that it is exporting to SA, see Figure 24.

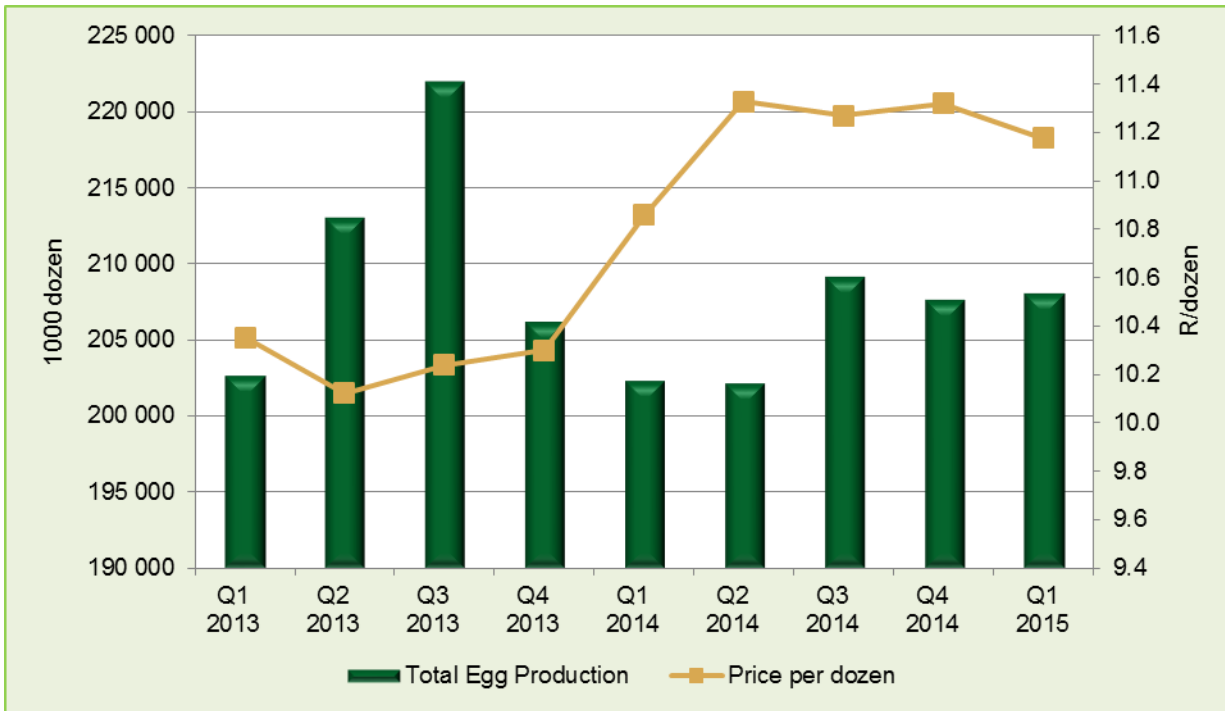


**Figure 24:** Quarterly poultry production and prices

Source: DAFF

### 3.5 Eggs and dairy industry review

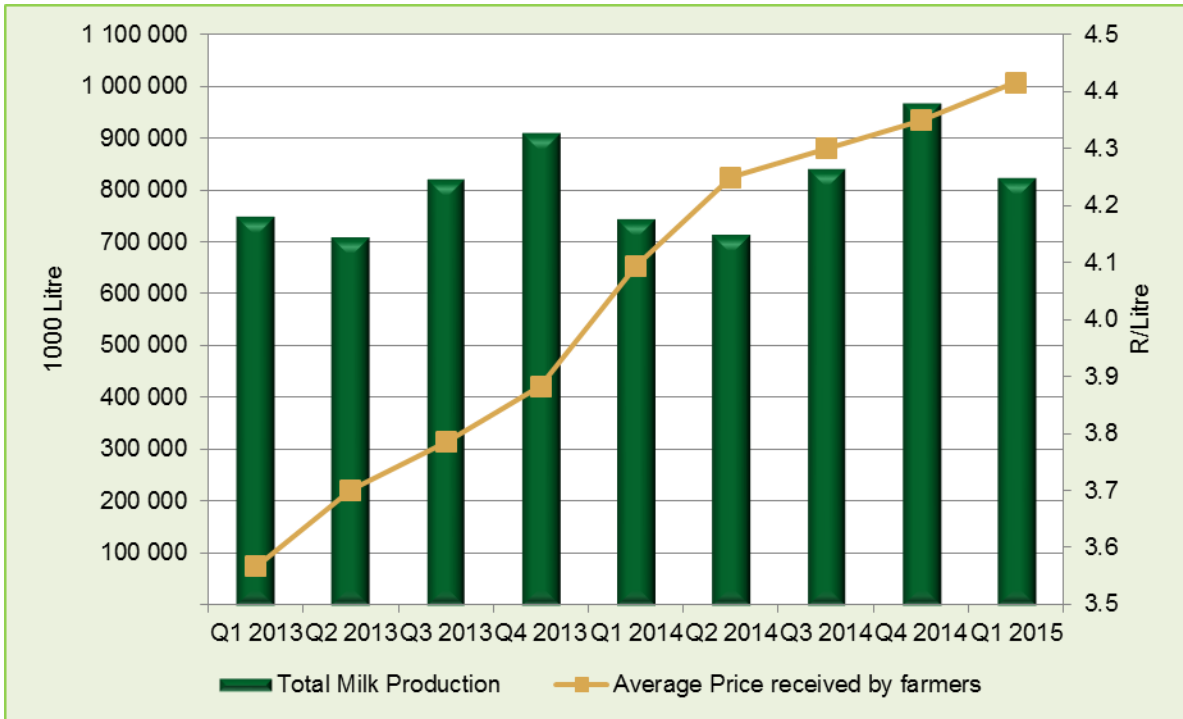
Figure 25 shows trends in total egg production and average price per dozen of eggs. The South African egg industry continues to face volatility and uncertainty due to the rising feed cost and higher production costs. According to SAPA, the average number of egg-laying hens in South Africa has been on a downward trend subsequent the rise in production in 2012, boding well for the remaining players. In the first quarter of 2015, the total production of eggs totalled 208,1 million dozens, a 3% increase in production compared to 202,3 million dozens recorded in the first quarter of 2014. The average price per dozen of eggs increased by 3%, from R10.86 per dozen to R11.18 per dozen between the first quarter of 2014 and the first quarter of 2015.



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

Figure 26 shows trends in total milk production and the average price of milk. During the first quarter of 2015, milk production 11% higher than in the first quarter of 2014, due to favourable pasture conditions ever since mid-2014. Furthermore, a favourable milk feed price ratio which enabled farmers to increase production also contributed to higher production. However, this positive trend will soon be short-lived by a few factors that will influence production in the next few months. Higher grain prices, increased electricity costs and lower quality silage may contribute to slower growth in production in the coming months. Between the first quarter of 2014 and the first quarter of 2015, milk production has not been consistent, fluctuating between 743,7 million litres in the first quarter of 2014 to 713,7 million litres in the second quarter of 2014 and increasing to 966,1 million litres in the fourth quarter to a total of 822,8 million litres in the first quarter of 2015. The average price per litre of milk increased

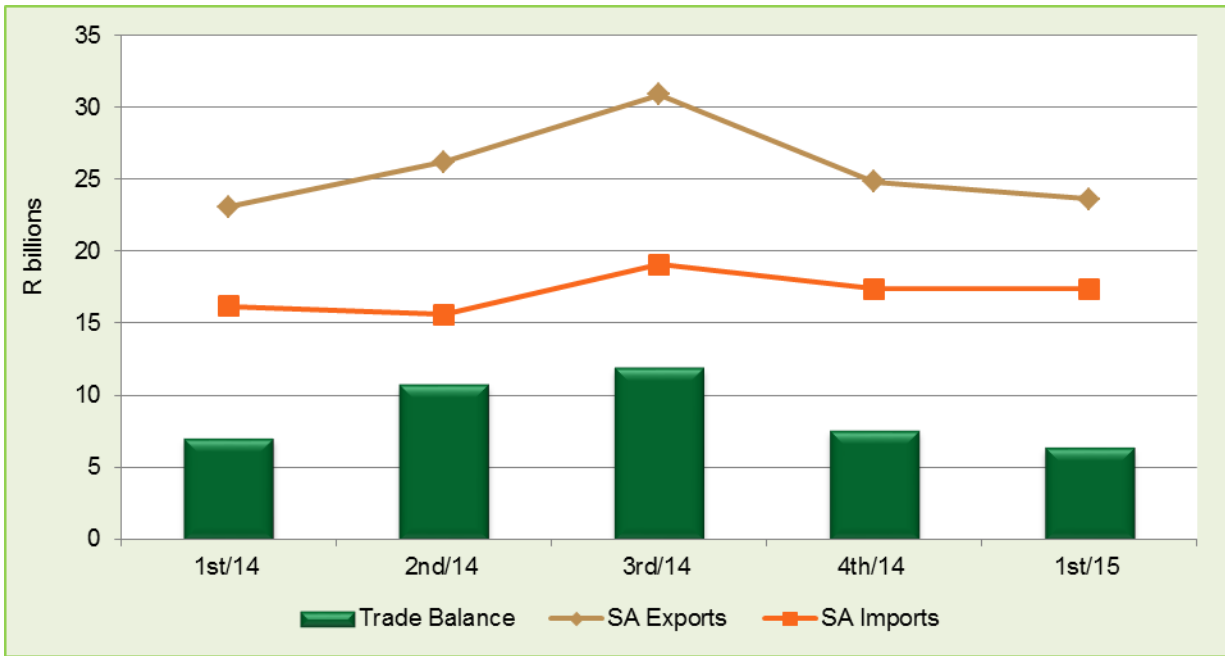
by 8%, from R4,09/ℓ to R4,42/ℓ between the first quarter of 2014 and the first quarter of 2015, indicating that production and consumption were nearly balanced.



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

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

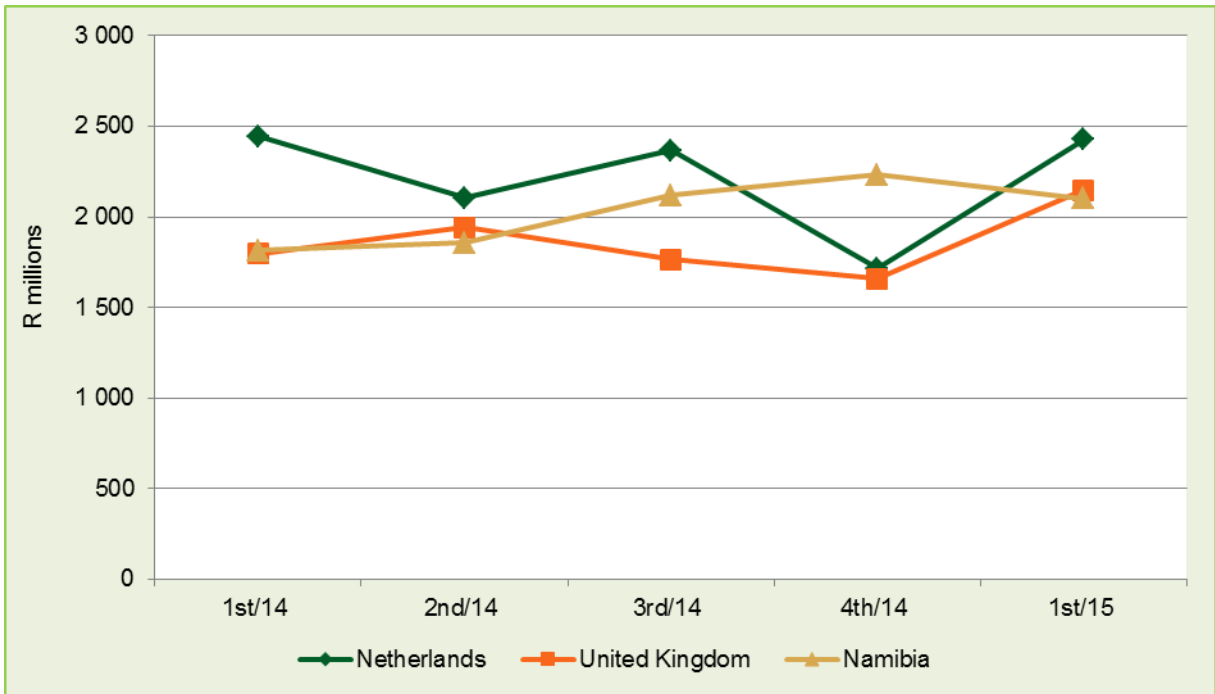
With the slow pace of domestic economic growth in the first quarter of 2015, South Africa's agricultural trade balance remained positive, weakening by 9% between the first quarter of 2014 and the first quarter of 2015. Exports grew by 2% while imports increased by 7%, see Figure 27. Moreover, the value added in the agricultural sector plummeted in the first quarter of 2015 largely due to drought and to some extent load shedding.



**Figure 27:** Trade balance of primary agricultural products  
Source: GTA, 2015.

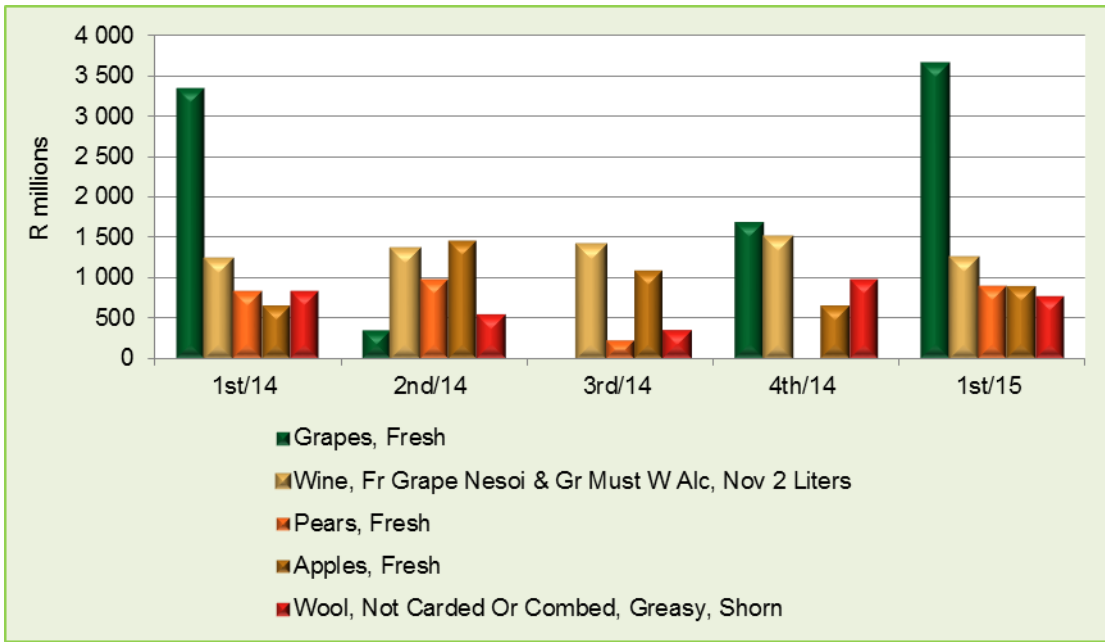
Figure 28 illustrates that the total export value of agricultural products grew by 2% between the first quarter of 2014 and the first quarter of 2015. During the first quarter of 2015, South Africa gained most of its agricultural export revenue from products exported to the Netherlands, which was the leading export destination, followed by United Kingdom and Namibia, each accounting for a percentage share of 10%, 9%, and 9% respectively of the total export revenue.





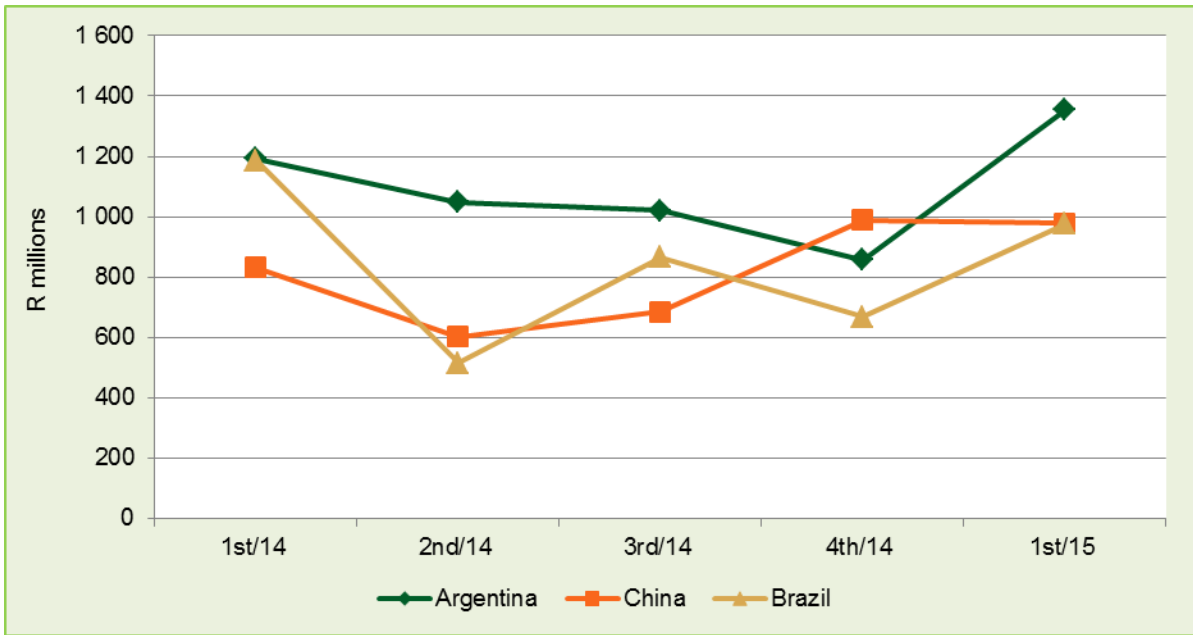
**Figure 28:** Top three markets of primary agricultural products exported by SA  
Source: GTA, 2015

During the same period, the top three agricultural products which contributed a considerable amount to the total export value included fresh grapes (16%), wine (5%) and fresh pears (4%), see Figure 29.



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

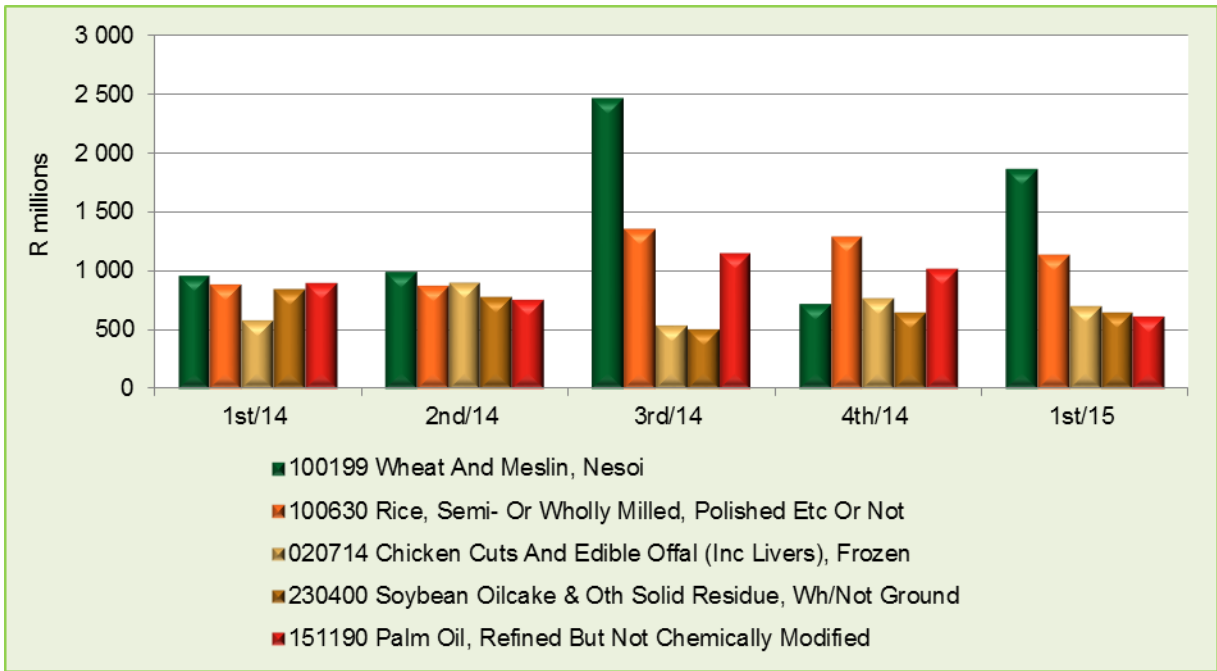
With all the broader uncertainty over emerging markets that took its toll on the South African economy during the first quarter of 2015 and a volatile currency, which led to a full-year growth forecasts being cut and credit ratings revised downwards, the total import value of agricultural products increased by 7% between the first quarter of 2014 and the first quarter of 2015. The top three suppliers of agricultural products were Argentina, China and Brazil, each accounting for a percentage share of 8%, 6% and 6% respectively, of the total import value during the first quarter of 2015, see Figure 30.



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

Source: GTA, 2014.

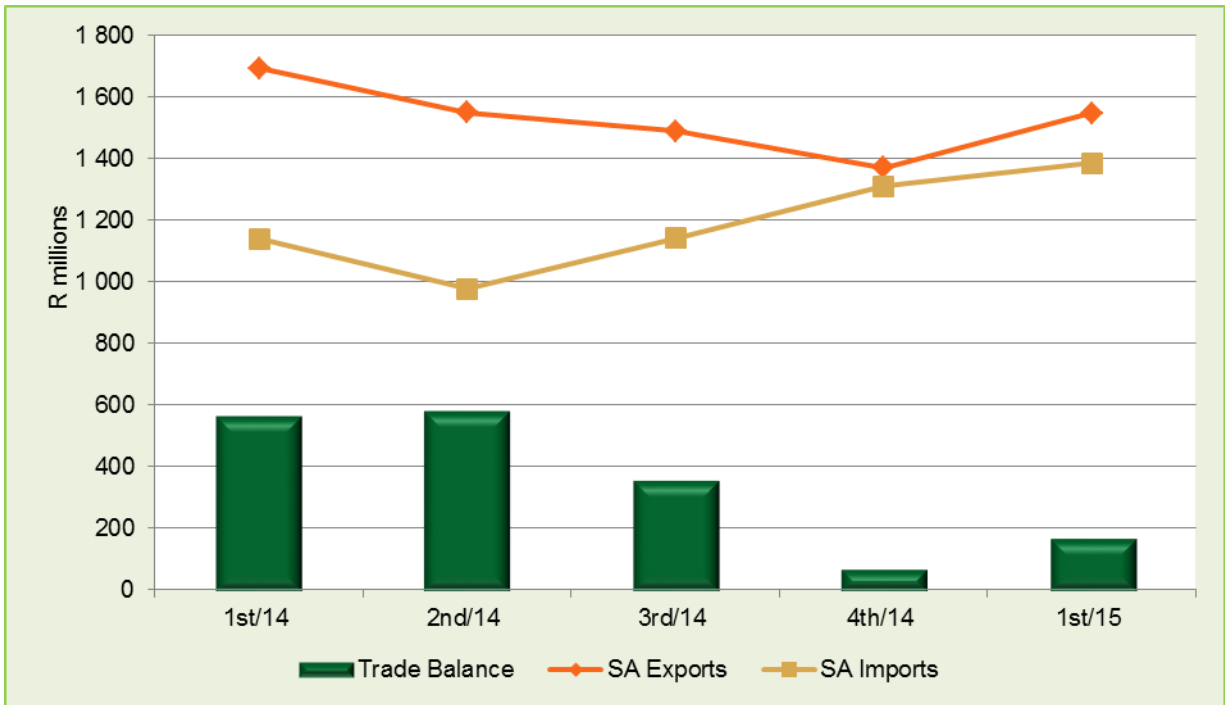
Figure 31 presents the top three agricultural products imported by South Africa. The top three agricultural products which contributed a considerable amount to the total import value include wheat (11%), rice (7%) and chicken cuts (4%), see Figure 31.



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

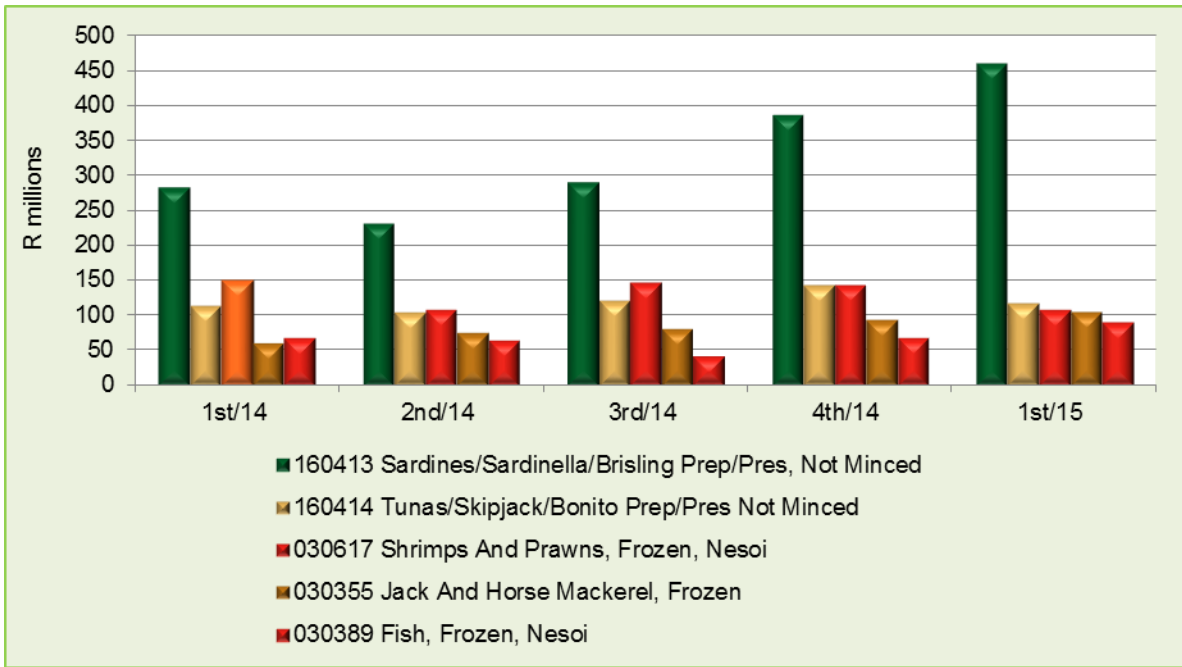
### 3.6.1 Fisheries trade

Trading of fisheries products weakened between the first quarter of 2014 and the first quarter of 2015 due to difficult market conditions and tight supply. International prices remained relatively high in the course of 2014 although subject to fluctuations, depending on individual species. Figure 32 illustrates that in the first quarter of 2015, exports decreased by 9% while imports increased by 22% and firm import demand boosted volumes.



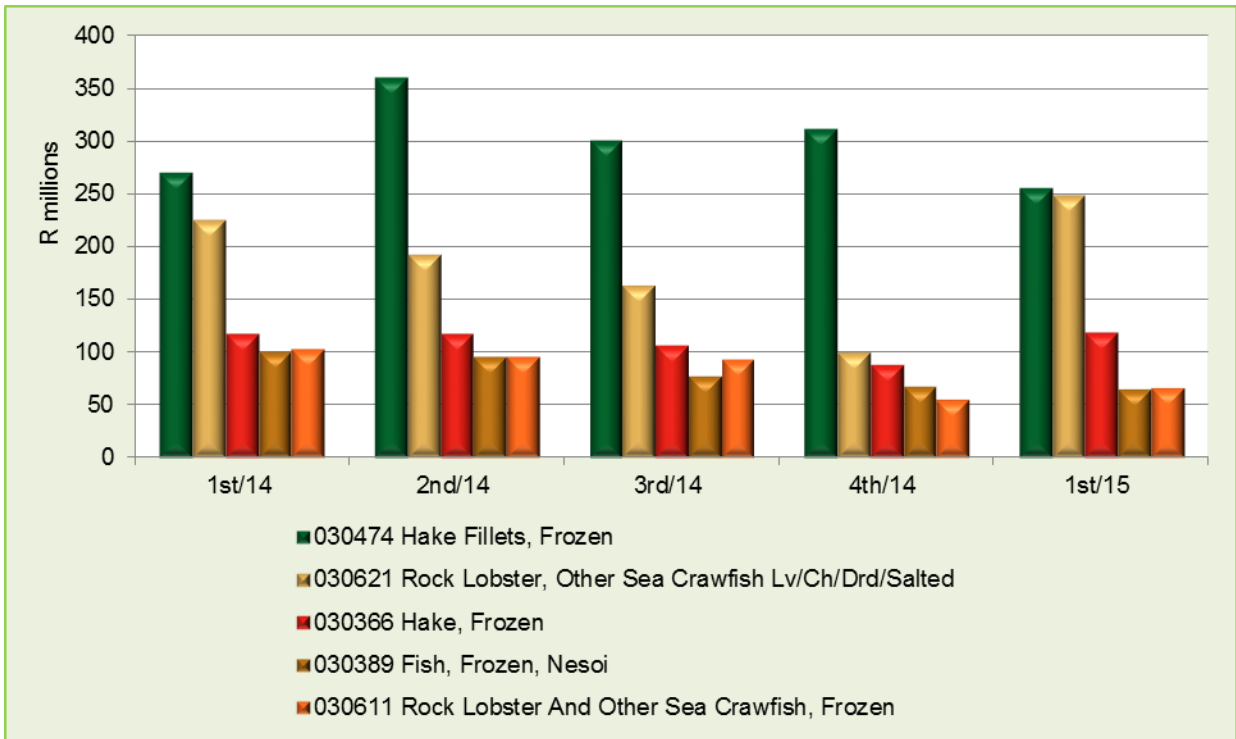
**Figure 32:** Trade balance of South African fisheries products  
Source: GTA, 2014.

The top three imported fisheries products in the first quarter of 2015 were sardines, tunas, shrimps and prawns. Major suppliers of the fisheries products, were Thailand, Namibia, and China. Moreover, imports of shrimps and prawns have been weak since January 2015 due to the large unsold stocks imported in 2014 (FAO, 2015), therefore decreasing by 27% between the first quarter of 2014 and the first quarter of 2015, see Figure 33.



**Figure 33:** SA's top five imported fisheries products  
 Source: GTA, 2014.

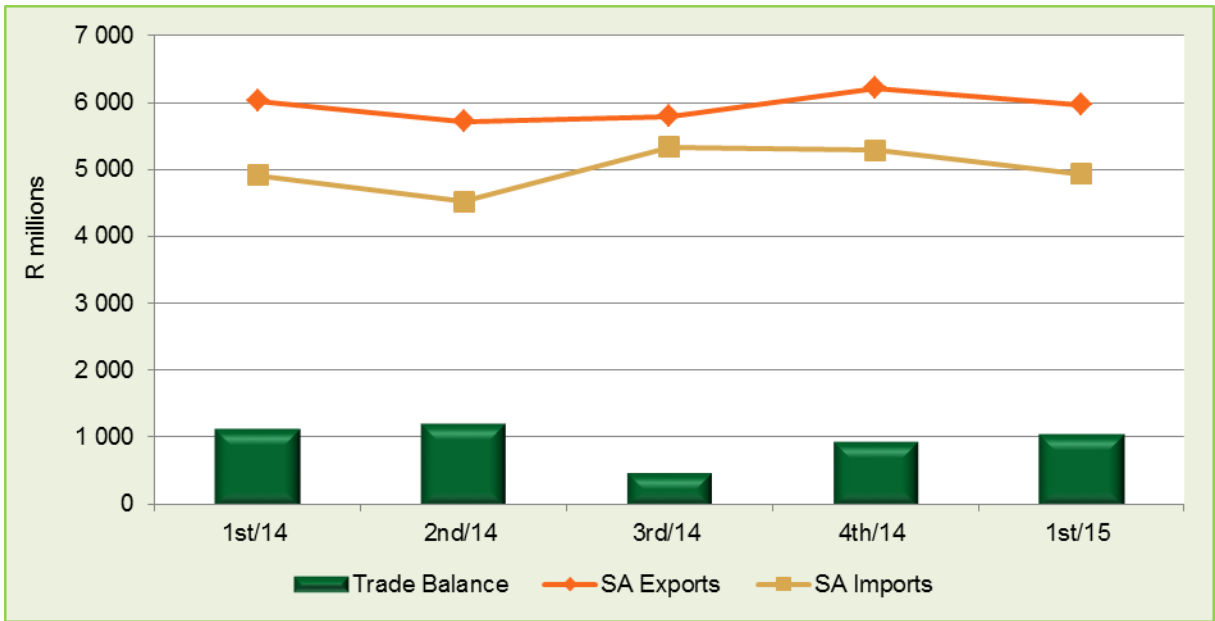
Figure 34 present the top three fisheries products exported by SA in the first quarter of 2015. Hake fillets has been the main exported product, followed by rock lobster and frozen hake. The main destination for SA's fisheries products are Spain, Italy and Hong Kong. Furthermore, exports of hake fillets decreased by 5% between the first quarter of 2014 and the first quarter of 2015, due to a drop in imports in major markets while foreign exchange fluctuations will affect trade in the remaining part of 2015 (FAO, 2015).



**Figure 34:** SA's top five exports of fisheries products  
Source: GTA, 2015.

### 3.6.2 Forestry trade

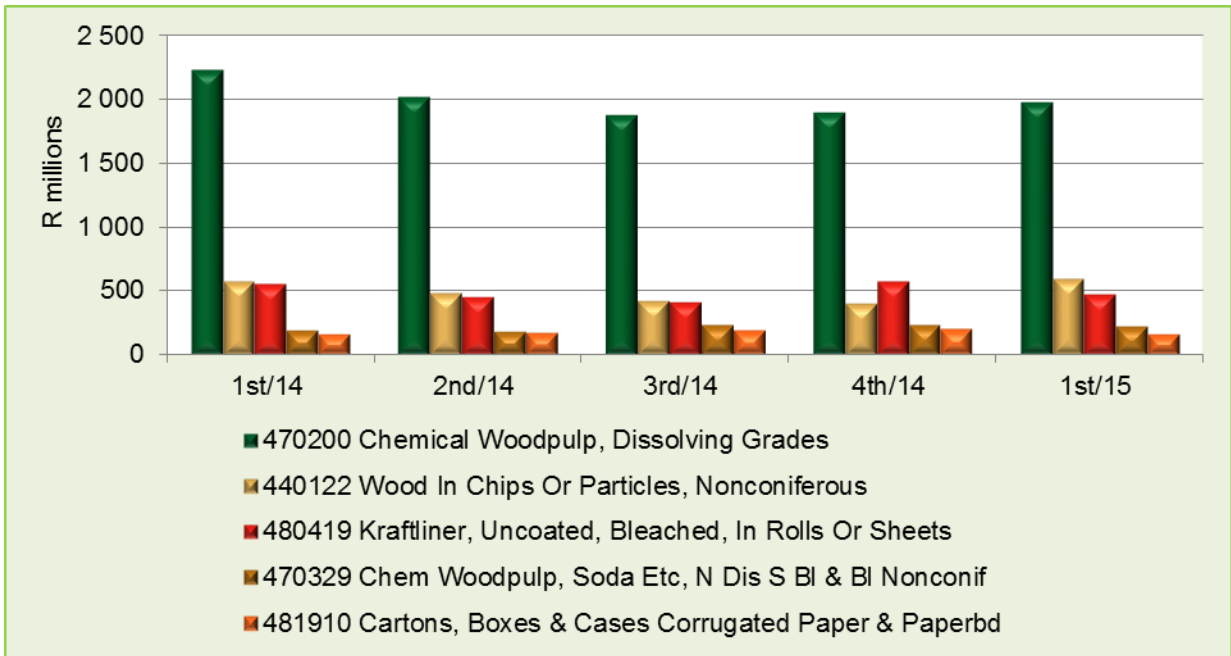
Though the South African Forestry Sector is slowly starting to witness encouraging signs of recovery since the global economic crisis in 2008, trading of forestry products plummeted between the first quarter of 2014 and the first quarter of 2015 despite the weakening rand which brought about the much needed foreign exchange into the country. Figure 35 shows the trade balance of the South African forestry products. Between the first quarter of 2014 and the first quarter of 2015, exports decreased by 1%, while imports increased by less than 1%.



**Figure 35:** Trade balance of SA's forestry products  
Source: GTA, 2015.

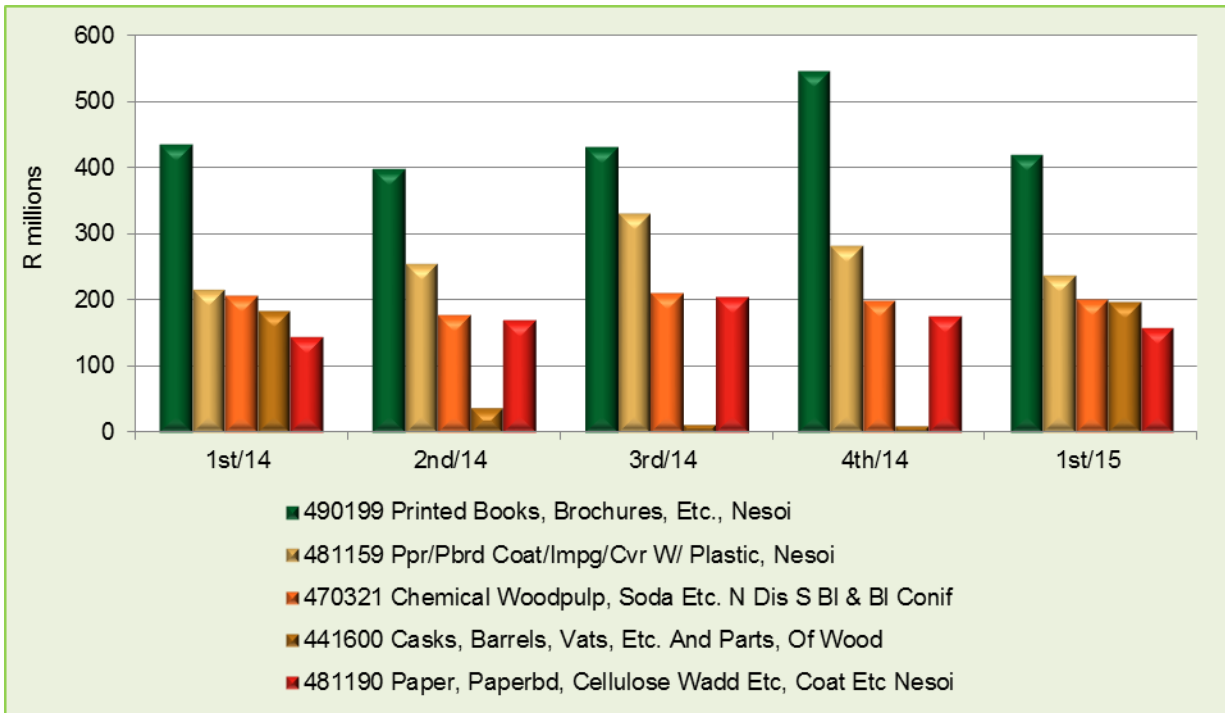
The top three exported forestry products during the first quarter of 2015 were chemical woodpulp (dissolving grades), wood chips or particles (non-coniferous) and kraftliner (uncoated, bleached, in rolls or sheets), see Figure 36.





**Figure 36:** SA's top five exports of forestry products  
Source: GTA, 2015.

The total import value of forestry products increased by less than 1% between the first quarter of 2014 and the first quarter of 2015. SA's major forestry import suppliers include Germany, China and United States. The most important forestry products imported in the first quarter of 2015 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 economic growth is expected to be stronger in 2015 compared to 2014 in advanced economies, which are generally benefitting from lower oil prices; while weaker growth is forecast for emerging market and developing economies reflecting subdued prospects for some large emerging market economies and oil exporters. Global growth is forecast at 3,5% in 2015 and 3,8% in 2016 (IMF, 2015). The sharp decline in the oil price has resulted in a large reallocation of real income from oil exporting countries to oil importing countries, with oil importers such as the United States (US), euro area, China and India now increasing their spending

Growth in emerging market and developing economies is expected to be slower in 2015. The slower growth outlook mainly reflects subdued prospects for some large emerging market economies such as China and Brazil, the latter is facing the impact of drought, as well as Russia, which is facing the impact of sharply lower oil prices and increased geopolitical tensions.

Economic growth in South Africa grew by 1,3% quarter-on-quarter (q/q) during the first quarter of 2015, with the mining sector being the best performer for the second consecutive quarter, registering a 10,2% q/q growth rate during the first quarter of 2015. The Agriculture, Forestry and Fishing sector contracted by a substantial 16,6% q/q in the first quarter of 2015, recording its first q/q decline since the second quarter of 2013.

South Africa's unemployment rate in the first quarter of 2015 was at its highest level of 26,4% since 2003, from 25,2% in the last quarter of 2014. Large annual increases were observed in the Agriculture (183 000), Finance (149 000) and Construction (122

000) industries. The real gross income from all agricultural products declined by 10,6%, from R50,1 billion in the fourth quarter of 2014 to R44,8 billion in the first quarter of 2015. The total expenditure on intermediate goods and services decreased by 13,0% from R317,2 billion in the last quarter of 2014 to R275,9 billion in the first quarter of 2015. South Africa's agricultural trade balance remains positive, but weakened by 9% between the first quarter of 2014 and the first quarter of 2015. Exports grew by 2% while imports increased by 7%.

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