



# **Economic Review of the South African Agriculture**

**2011**



**agriculture,  
forestry & fisheries**

Department:  
Agriculture, Forestry and Fisheries  
REPUBLIC OF SOUTH AFRICA

**Economic Review**  
of the  
**South African**  
**Agriculture**

**2011**

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## FOREWORD

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

The value of agricultural production in South Africa was R147 283 million in 2011, while its contribution to the GDP was approximately R64 billion. The primary agricultural sector has grown by an average of approximately 11,8% per annum since 1970, while the total economy has grown by 14,9% per annum over the same period, resulting in a drop in agriculture's share of the GDP from 7,1% in 1970 to 3,0% in 2009.

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

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

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

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PRETORIA

February 2012

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Director: Statistics and Economic Analysis



## ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 31 DECEMBER 2011

### Summary

Gross farming income from all agricultural products for the year ended 31 December 2011 is estimated at R144 603 million, which is 11,5% higher than the previous corresponding period.

Gross farming income from field crops increased by 29,8% and amounted to R35 798 million. The income from horticultural products rose by 3,4%, from R35 787 million to R37 020 million. Income from animal products showed an increase of 8,1% and amounted to R71 785 million.

Prices received by farmers for agricultural products increased on average by 12,4%, while prices paid by farmers for farming requisites rose by 12,7%, resulting in the terms of trade weakening from 0,88 to 0,87 during the period under review.

The weighted average price of field crops increased by 25,5%, as the prices of summer grains increased by 48,5%, winter grains by 33,5%, oilseeds by 11,2%, sugar cane by 10,1%, dry beans by 8,0%, cotton by 7,9% and tobacco by 1,8%, while prices of hay dropped by 8,7%.

Prices of horticultural products increased by 4,2%. Prices of fruit, vegetables and viticultural products increased by 4,9%, 3,7% and 2,7% respectively.

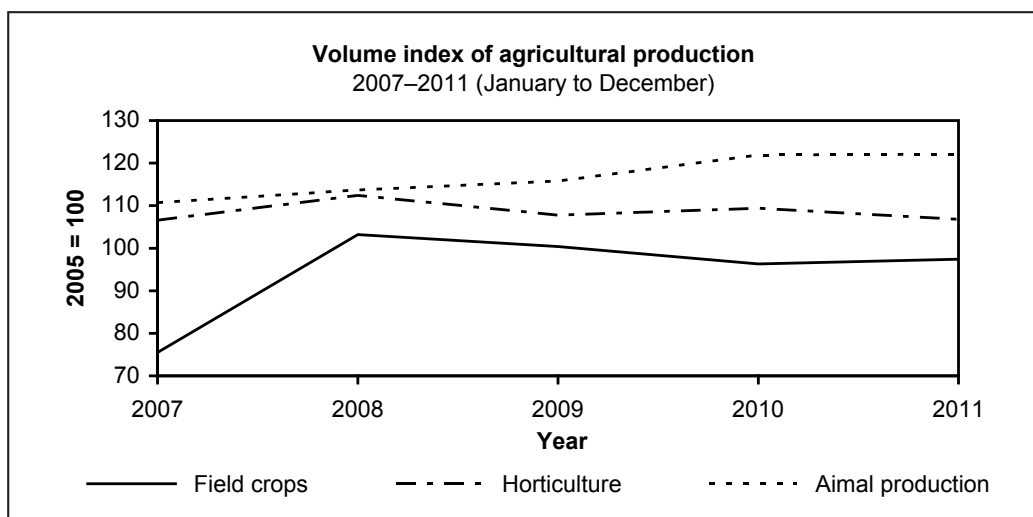
Prices of animal products increased by 9,2%. Prices of pastoral products, slaughtered stock and poultry increased by 37,9%, 21,3% and 2,3% respectively, while prices of dairy products dropped by 2,0%.

The prices paid for farming requisites, including machinery and implements, material for fixed improvements and intermediate goods and services, rose by 12,7%, compared to 12,1% in the previous year. Prices paid for fertilisers increased by 23,5%, trucks by 15,5%, seeds by 14,5%, maintenance and repairs by 14,2%, tractors and packing material by 14,0% each, and feeds by 12,5%.

Net farming income increased by 14,6% and amounted to R39 881 million for the 12 months up to 31 December 2011.

### Volume of agricultural production

The estimated volume of agricultural production during 2011 was 0,1% higher than in 2010. The volume of field crop production increased by 1,2%, mainly as a result of an increase in the production of winter cereals (wheat, barley and canola) and oilseeds (sunflower seed and soya beans), as well as cotton. Horticultural production decreased by 0,9%, which can mainly be attributed to decreases in the production of deciduous fruit (pears and grapes) and subtropical fruit (avocados and mangoes). Animal production increased slightly by 0,2%.





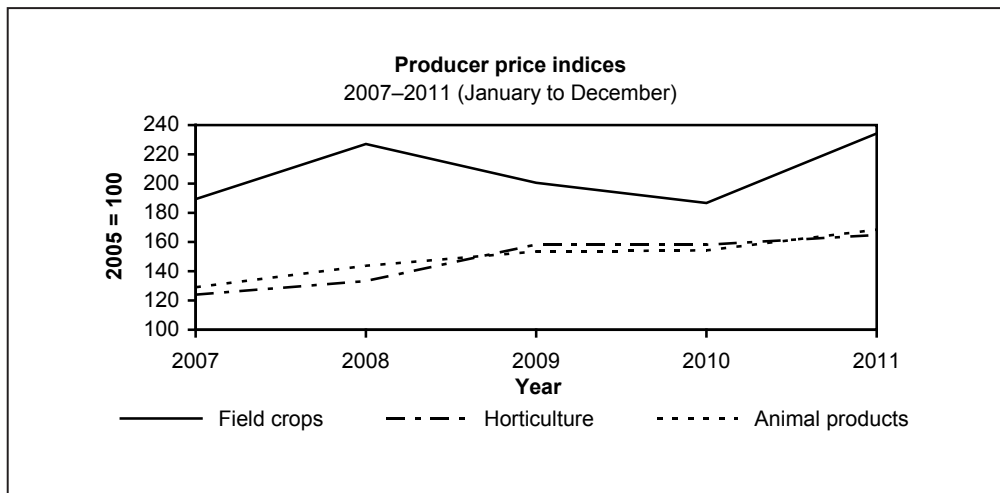
## Producer prices of agricultural products

Producer prices of agricultural products increased on average by 12,4% from 2010 to 2011.

The weighted average price of field crops increased by 25,5%. The prices of summer grains increased by 48,5%, winter grains by 33,5%, oil seeds by 11,2%, sugar cane by 10,1%, dry beans by 8,0%, cotton by 7,9% and tobacco by 1,8%, while prices of hay declined by 8,7 %.

Producer prices of horticultural products rose by 4,2%. Prices of fruit, vegetables and viticultural products increased by 4,9%, 3,7% and 2,7 % respectively.

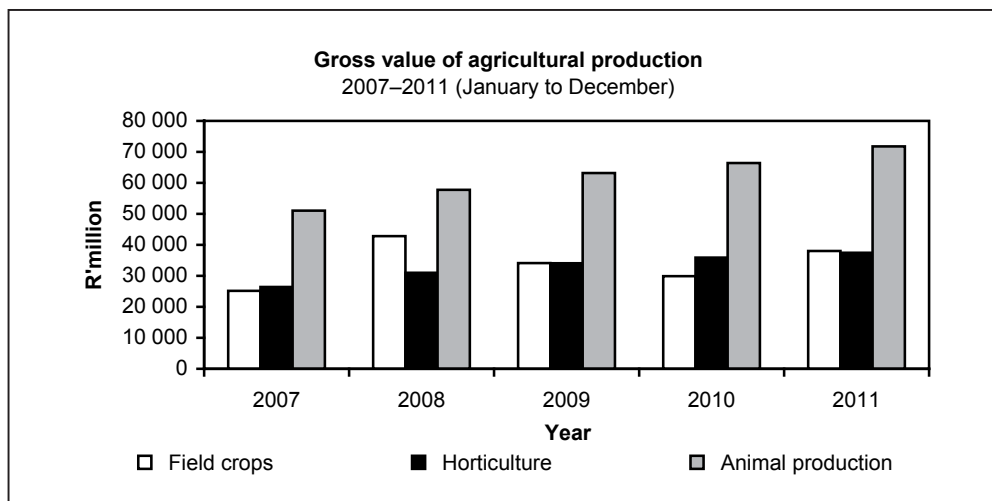
The weighted average price of animal products increased by 9,2%. Prices of pastoral products, slaughtered stock and poultry meat increased by 37,9%, 21,3% and 2,3% respectively. Prices of dairy products, on the other hand, decreased by 2,0%.



## Gross value of agricultural production

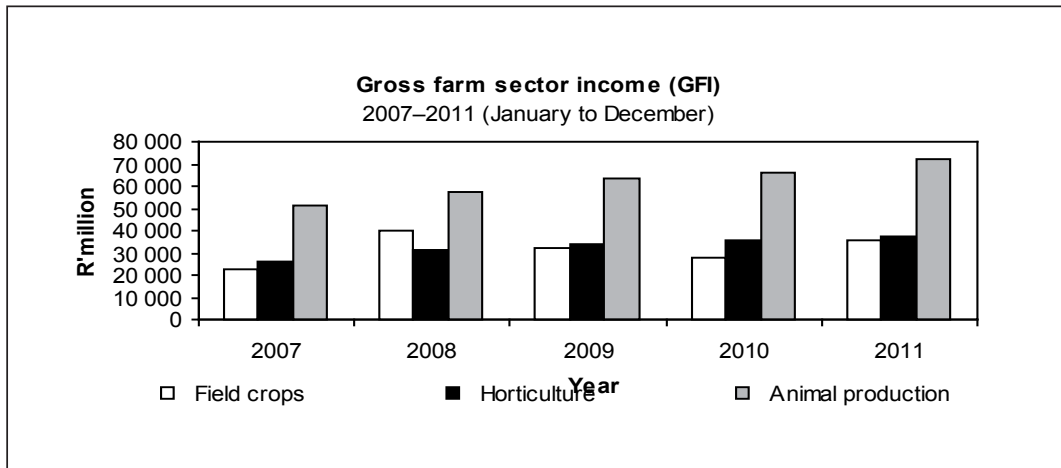
The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2011 is estimated at R147 283 million, compared to R132 136 million the previous year, an increase of 11,5%. This increase can be attributed mainly to an increase in the value of field crops.

The gross value of animal products, field crops and horticultural products contributed 48,8%, 25,8% and 25,4% respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 17,5%, followed by cattle and calves slaughtered with 11,7% and maize with 11,3%.



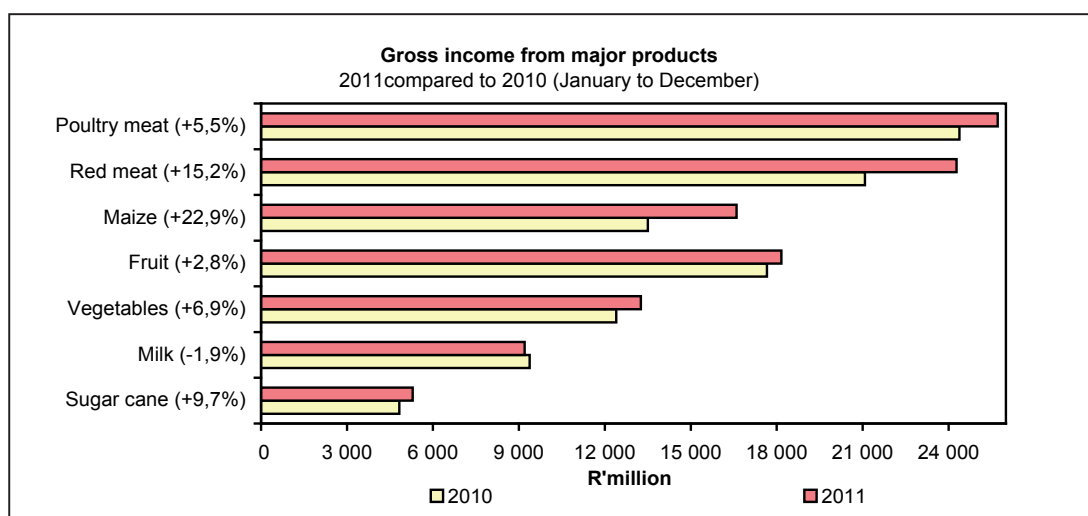
## Farming income

The gross income of producers (the value of sales and production for other uses, plus the value of changes in inventories) for the year ended 31 December 2011 amounted to R144 603 million, compared to R129 741 million the previous year, an increase of 11,5%. The increase can be ascribed mainly to better prices that farmers received for products in general, but in particular prices of field crops, which improved by 25,5%, and those of animal products, which were 9,2% higher.



The gross income from field crops increased by 29,8% to R35 798 million for the year ended 31 December 2011. Income from maize at R16 599 million was R3 096 million or 22,9% more than the previous 12 months. Income from sunflower seed and soya beans also showed substantial increases of 121,9% and 57,6% respectively. Income from wheat increased by 53,4% to R4 541 million. Income from sugar cane at R5 292 million was 9,7% higher than in of the previous 12 months. Income from tobacco increased by 20,9% to R394 million and income from cotton also showed a marked improvement of 128,5%.

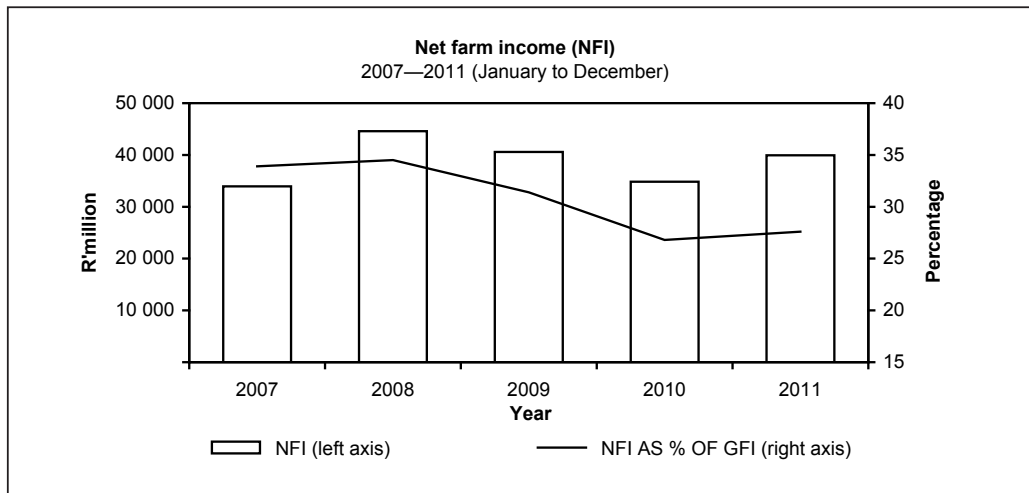
The gross income from horticultural products increased by 3,4%, from R35 787 million in 2010 to R37 020 million in 2011. Income from citrus increased by 6,7% and amounted to R6 888 million. This was mainly the result of improved sales and better prices realised on export markets. Income from deciduous fruit at R8 958 million was only 0,8% up on 2010. Income from vegetables increased by 6,9% to R13 257 million, and that from viticulture by 3,1% to R3 733 million.



The gross income from animal products was 8,1% higher than in 2011 and amounted to R71 785 million, compared to R66 384 million for the previous year. Producers earned R17 259 million from slaughtered cattle and calves, as against the previous R14 726 million—an increase of 17,2%. Income from poultry meat

showed an increase of 5,5% to R25 713 million. Income from egg production, at R6 951 million, was 4,4% higher than in the previous year. Producers earned R9 200 million from milk production, which is 1,9% less than in the previous year. Income from wool increased by 45,7% to R2 074 million.

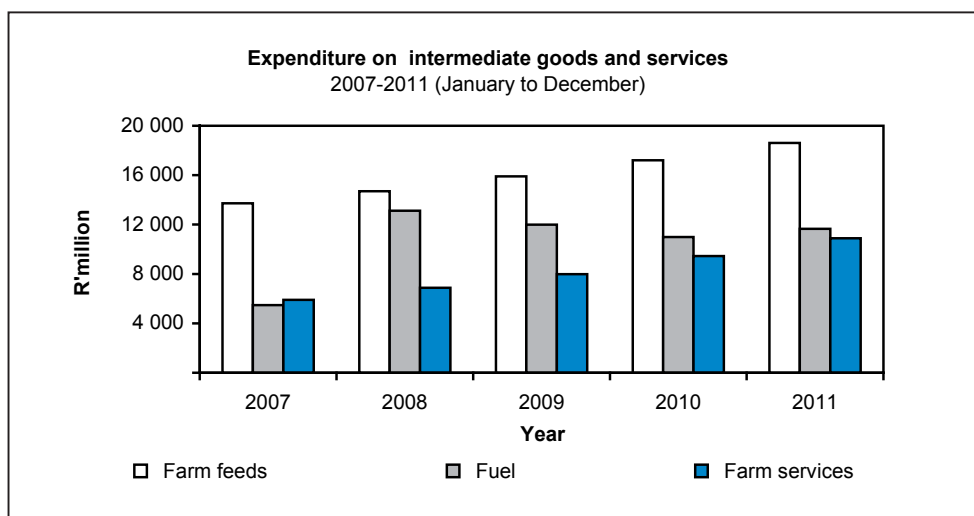
The net farm income (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R39 930 million for the 12 months that ended on 31 December 2011, which is 14,6% higher than in the previous 12 months. Payments for salaries and wages, which represented 12,2% of the total farming costs, amounted to R12 686 million. Interest paid by farmers to banks and other financiers during the 12 months up to 31 December 2011 is estimated at R5 211 million or 5,0% of the total farming cost.



### Expenditure on intermediate goods and services

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

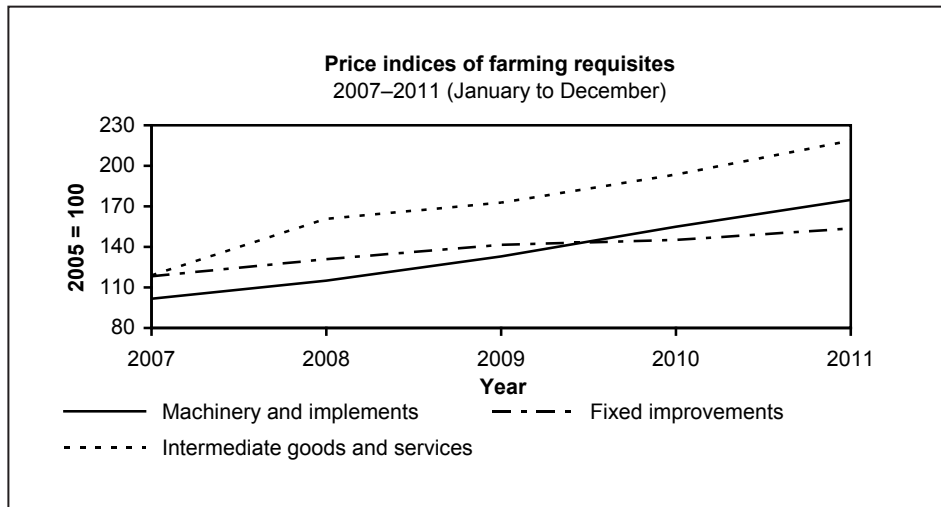
Expenditure on intermediate goods and services during 2011 is estimated at R84 793 million, which represents an increase of 13,0% from the R75 017 million of 2010. Expenditure on dips and sprays rose by 19,0%, seeds and plants by 18,0%, packing material by 17,2%, maintenance and repairs by 16,8%, farm services by 15,2%, building and fencing material by 9,4%, fertilisers by 9,0%, farm feeds by 8,2% and fuel by 6,1%.



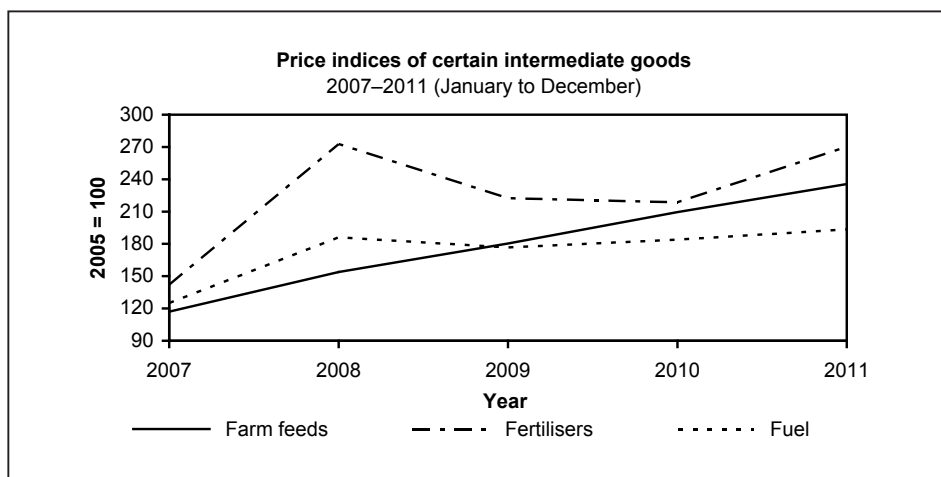
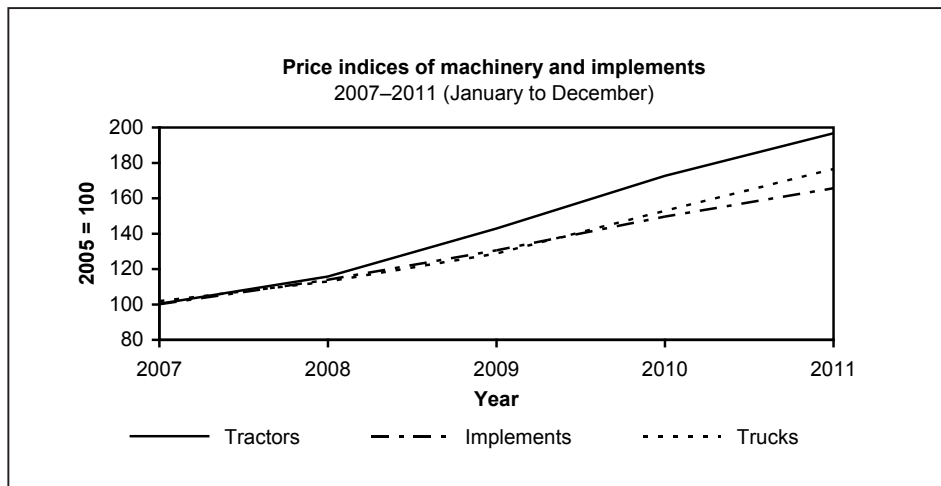
Expenditure on farm feeds remained the biggest expenditure item, accounting for 22,0% of total expenditure, followed by fuel (13,8%), farm services (12,9%), maintenance and repairs (11,0%), seeds and plants (8,9%), dips and sprays (8,3%), packing material (7,0%) and fertilisers (6,9%).

## Prices of farming requisites

Prices of farming requisites rose by 12,7% in 2011, compared to an increase of 12,1% the previous year.



The price index of machinery and implements showed an increase of 12,8% for 2011. The price index of materials for fixed improvements increased by 5,9% and the combined index of prices of intermediate production inputs and services increased by 12,9%. Prices paid for fertilisers showed an increase of 23,5%, trucks 15,5%, seeds 14,5%, maintenance and repairs of machinery 14,2%, packing materials 14,0% and feeds 12,5%.

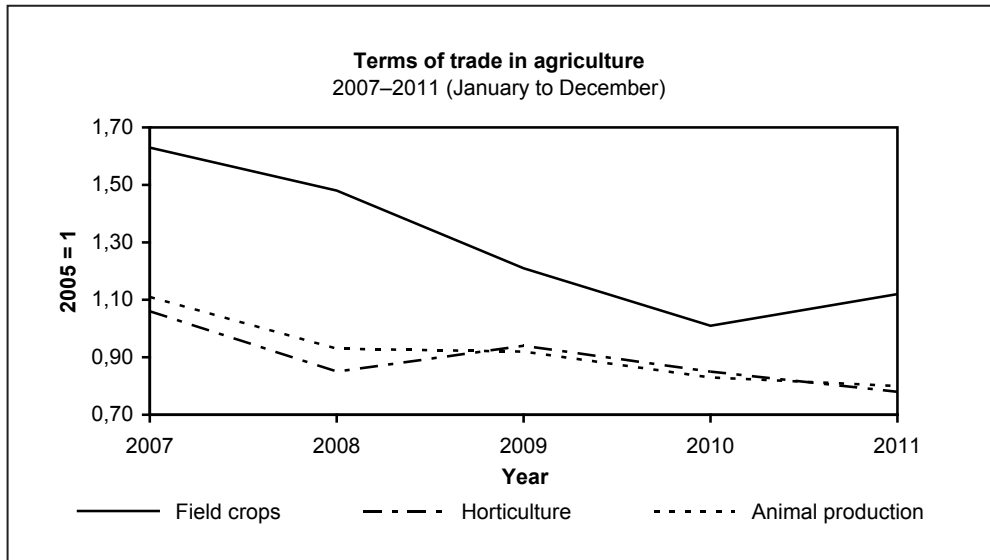


## Domestic terms of trade in agriculture (2005 = 1)

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

The terms of trade in agriculture weakened by 1,1%, from 0,88 in 2010 to 0,87 in 2011.

The terms of trade for field crops increased by 12,1%, from 0,99 in 2010 to 1,11 in 2011. In the case of the horticultural industry, the terms of trade decreased by 8,2%, from 0,85 to 0,78. The terms of trade for the animal production industry dropped by 3,6%, from 0,83 to 0,80.



## Contribution of agriculture to value added at basic prices

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

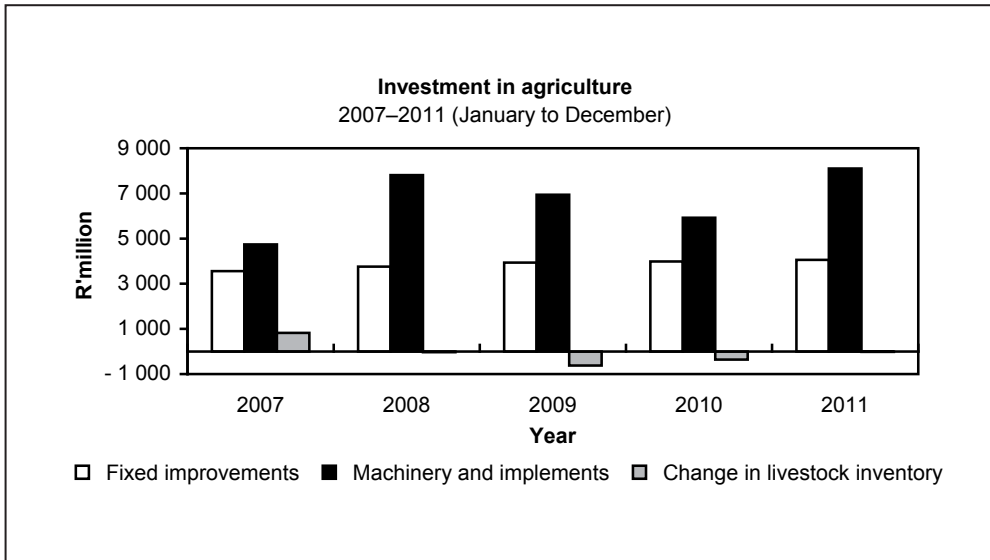
The contribution of agriculture, forestry and fisheries to value added for the year ended 31 December 2011 is estimated at R63 984 million. This represents 2,4% of the total value added to the economy.

Year	Total value added	Contribution of agriculture to value added	Contribution of agriculture as % of total value added
	R'million	R'million	%
2002	1 065 696	37 758	3,5
2003	1 155 150	33 108	2,9
2004	1 270 600	32 763	2,6
2005	1 401 067	30 213	2,2
2006	1 572 319	37 475	2,4
2007	1 792 075	45 152	2,5
2008	2 033 207	50 263	2,5
2009	2 174 513	52 903	2,4
2010	2 412 491	46 024	1,9
2011*	2 670 504	63 984*	2,4

\*Note: Figure is for agriculture, forestry and fisheries.

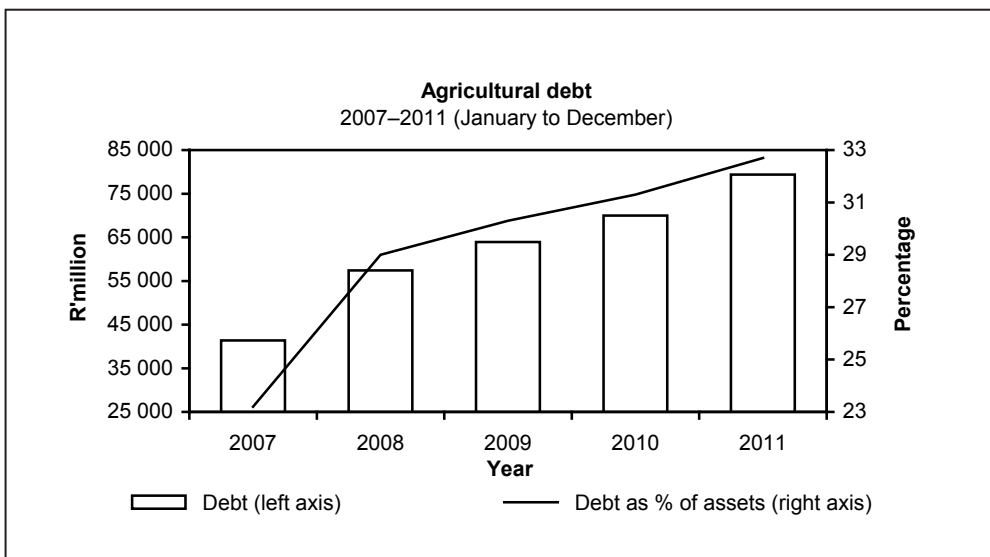
### Capital assets and investment in agriculture

The value of capital assets in agriculture as at 31 December 2011 is estimated at R242 520 million, as against R223 416 million at the end of December 2010—an increase of 8,6%. Land and fixed improvements constituted R143 869 million, machinery and implements R43 924 million and livestock R54 728 million of the total value of capital assets. The gross investment in respect of fixed improvements for the year ended 31 December 2011 increased by 1,7% to R4 057 million. In the case of machinery, implements and vehicles, investment decreased by 36,7% and amounted to R8 099 million. The livestock inventory decreased by R17 463 million from the previous year.



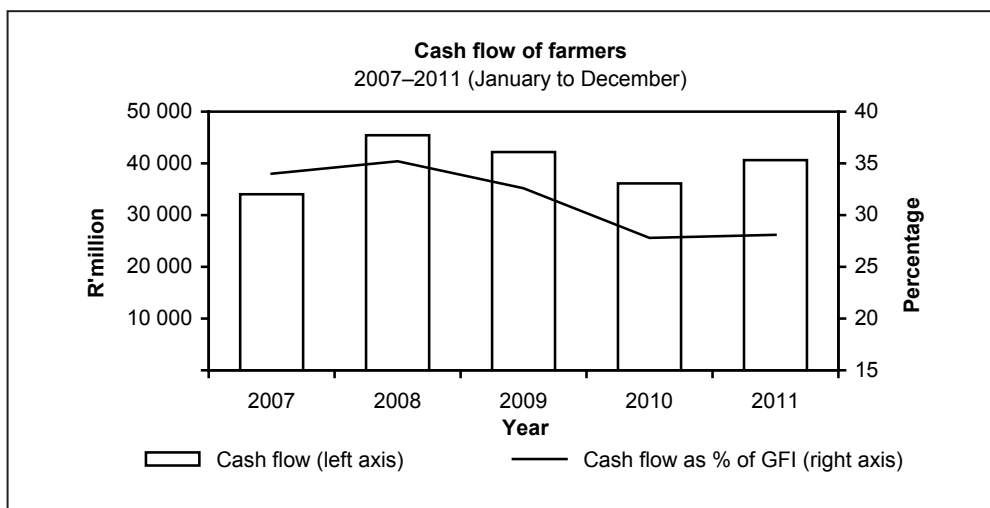
### Farming debt

The total farming debt as at the end of December 2011 is estimated at R79 364 million (R69 972 million), an increase of 13,4%.



### Cash flow of farmers

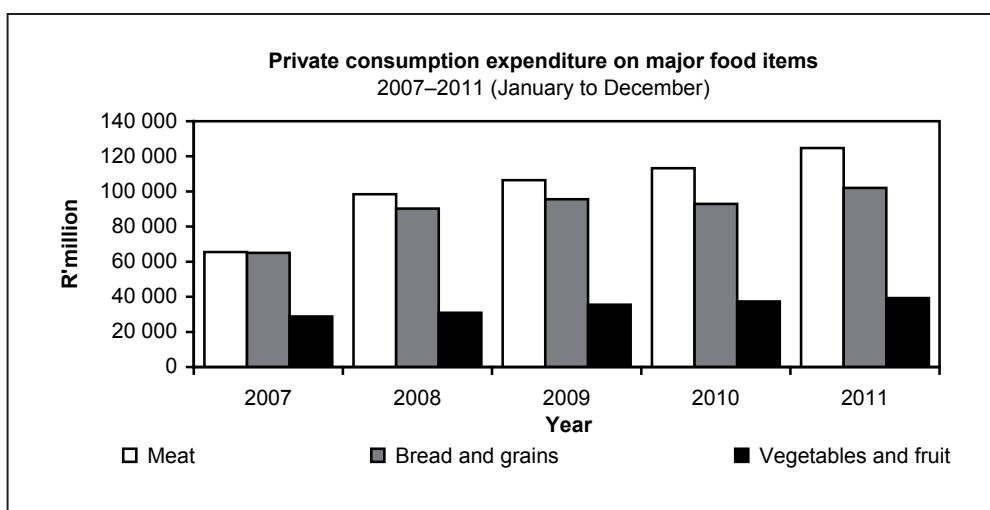
The cash flow of farmers amounted to R40 637 million for the year ended 31 December 2011, compared to the previous R36 111 million, an increase of 12,5%. This was mainly the result of an increase in the gross income of producers.



### Consumption expenditure on food

The consumption expenditure on food for the year ended 31 December 2011 increased by 8,6% and amounted to R379 677 million, as against the R349 619 million of the previous year. Expenditure on all food items rose during 2011—expenditure on meat increased by 10,2%, from R113 201 million to R124 708 million, bread and grain by 9,9%, from R92 870 million to R102 034 million and on fruit and vegetables by 5,3%, from R37 332 million to R39 316 million.

Meat represented 33% of the expenditure on the food component, while bread and grains represented 26%, fruit and vegetables (including potatoes) 14%, milk, milk products and eggs 10%, and sugar and oils and fats 2% each.

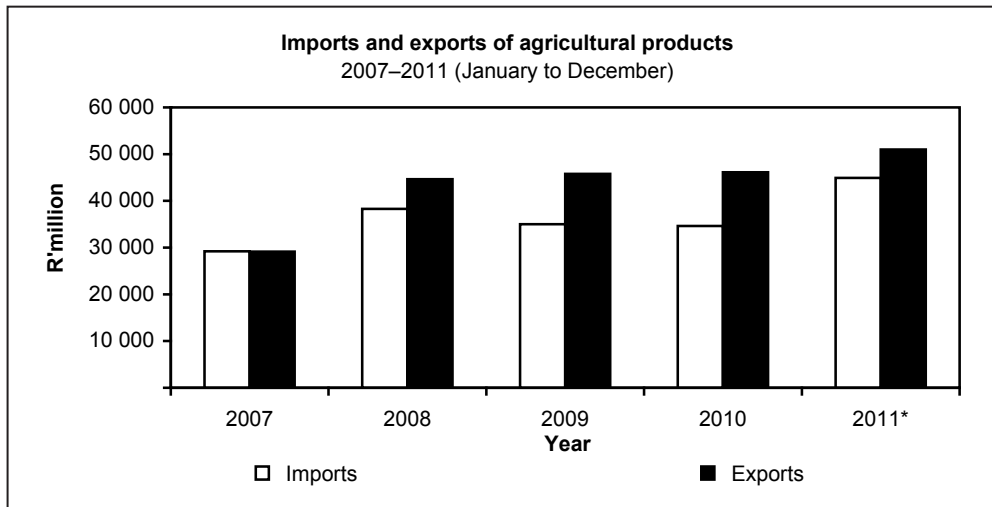


### Consumer prices

The consumer price index (with base year 2005 = 100) of all items increased by 5,0%, from 139,9 to 146,9, during the year ended 31 December 2011, as the CPI of food increased by 7,2%, from 152,3 to 163,3; and that of non-food items increased by 3,4%, from 128,1 to 132,5. Meat prices increased by 10,5%, from an index figure of 149,0 to 164,7, while the prices of grain products increased by 6,6%, from 163,0 to 173,7. The consumer price index of vegetables increased by 3,9%, from 157,8 to 164,0, and that of fruit by 5,9%, from 142,9 to 151,3. In the case of dairy products and eggs, prices increased by 1,0% from an index of 158,0 to 159,6, while an increase of 9,7% was recorded for sugar and related products, from 146,8 to 161,0.

## Imports and exports of agricultural products

The estimated value of imports during 2011 came to approximately R44 920 million, compared to R34 618 million in 2010—a increase of 29,8%. The estimated value of exports showed an increase of 10,5%, from R46 130 million in 2010 to about R50 994 million in 2011.



\* Preliminary

According to the 2011 agricultural export figures, citrus fruit (R7 067 million); maize (R6 038 million); wine (R5 492 million); grapes (R3 398 million); and apples, pears and quinces (R3 337 million) were the five most important export products in terms of value.

With regard to agricultural imports during 2011, wheat and meslin (R4 346 million), rice (R3 687 million), palm oil (R2 992 million), poultry meat (R2 734 million) and soya-bean oil (R2 712 million) were the five major products in terms of value.

During 2011, the Netherlands, the United Kingdom, Zimbabwe, Mexico and Mozambique were the five largest trading partners of South Africa in terms of exports of agricultural products, with export values of R5 348 million, R4 296 million, R3 986 million, R2 828 million and R2 457 million respectively.

The five largest trading partners from whom South Africa imported agricultural products during 2011 were Argentina, Brazil, the United States, Thailand and Germany, with import values of R5 596 million, R3 596 million, R3 013 million, R2 899 million and R2 638 million respectively.



