



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

**2012**



**agriculture,  
forestry & fisheries**

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Agriculture, Forestry and Fisheries  
**REPUBLIC OF SOUTH AFRICA**

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

**2012**

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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 R171 258 million in 2012, while its contribution to the GDP was approximately R73 billion. The primary agricultural sector has grown by an average of approximately 9,9% per annum since 1970, while the total economy has grown by 12,9% per annum over the same period, resulting in a drop in agriculture's share of the GDP from 7,1% in 1970 to 2,6% in 2012.

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 Director: Statistics and Economic Analysis.

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PRETORIA

February 2013

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# ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 31 DECEMBER 2012

## Summary

Gross farming income from all agricultural products for the year ended 31 December 2012 is estimated at R167 394 million, which is 13,9% higher than the previous corresponding period.

Gross farming income from field crops increased by 24,9% and amounted to R44 804 million. The income from horticultural products rose by 7,9%, from R38 694 million to R41 749 million. Income from animal products showed an increase of 11,9% and amounted to R80 841 million.

Prices received by farmers for agricultural products increased on average by 11,9%, while prices paid by farmers for farming requisites rose by 14,5%, resulting in the terms of trade weakening from 0,88 to 0,86 during the period under review.

The weighted average price of field crops increased by 20,9%, mainly as a result of an increase in prices of summer grains by 28,1%, oilseeds by 30,2% and sugar cane by 10,3%.

Prices of horticultural products increased by 6,6%. Prices of vegetables, viticultural products and fruit increased by 9,7%, 5,2% and 4,6% respectively.

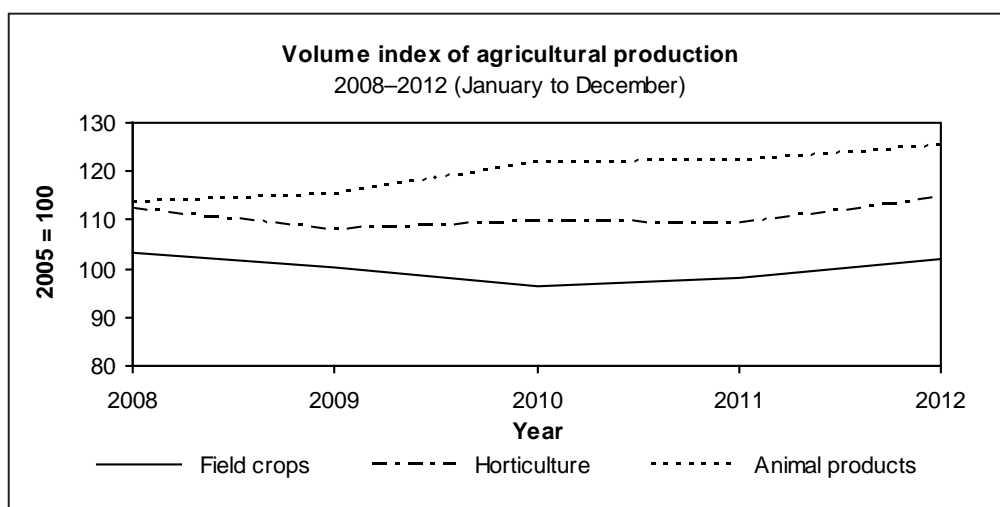
Prices of animal products increased by 8,7%. Prices of dairy products, poultry, slaughtered stock and pastoral products increased by 17,2%, 12,1%, 2,0% and 1,9% respectively.

The prices paid for farming requisites rose by 14,5%, compared to 12,2% in the previous year. Prices paid for seeds increased by 19,3%, packing material by 18,9%, fuel by 16,1%, trucks by 15,4%, feeds by 15,3%, fertilisers by 14,2%, farm services by 12,4%, maintenance and repairs by 10,3%, building material by 9,4%, fencing material by 8,5% and tractors by 6,1%.

Net farming income increased by 20,5% and amounted to R51 423 million for the 12 months up to 31 December 2012.

## Volume of agricultural production

The estimated volume of agricultural production during 2012 was 3,5% higher than in 2011. The volume of field crop production increased by 4,2%, mainly as a result of an increase in the production of maize and sugar cane. Horticultural production increased by 4,7%, which can mainly be attributed to increases in the production of vegetables and deciduous and subtropical fruit. Animal production also showed an increase (2,5%), which is mainly because of an increase in production of poultry meat and eggs, as well as in sheep, goats, pigs, cattle and calves slaughtered.





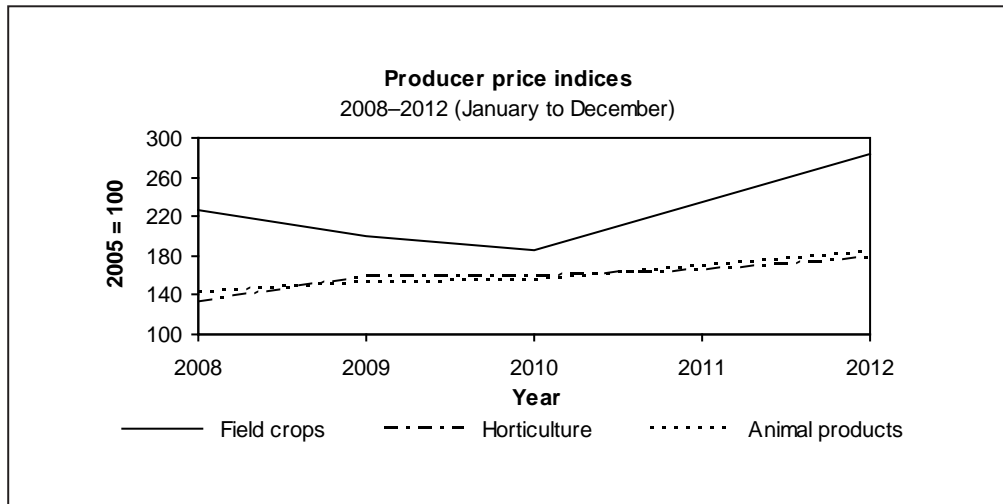
## Producer prices of agricultural products

Producer prices of agricultural products increased on average by 11,9% from 2011 to 2012.

The weighted average price of field crops increased by 20,9%. The prices of dry beans increased by 52,5%, cotton by 34,5%, oilseeds by 30,2%, summer grains by 28,1%, hay by 17,7% sugar cane by 10,3% and winter grains by 1,6%, while the price of tobacco dropped by 2,7%.

Producer prices of horticultural products rose by 6,6%. Prices of vegetables, viticultural products and fruit increased by 9,7%, 5,2% and 4,6% respectively.

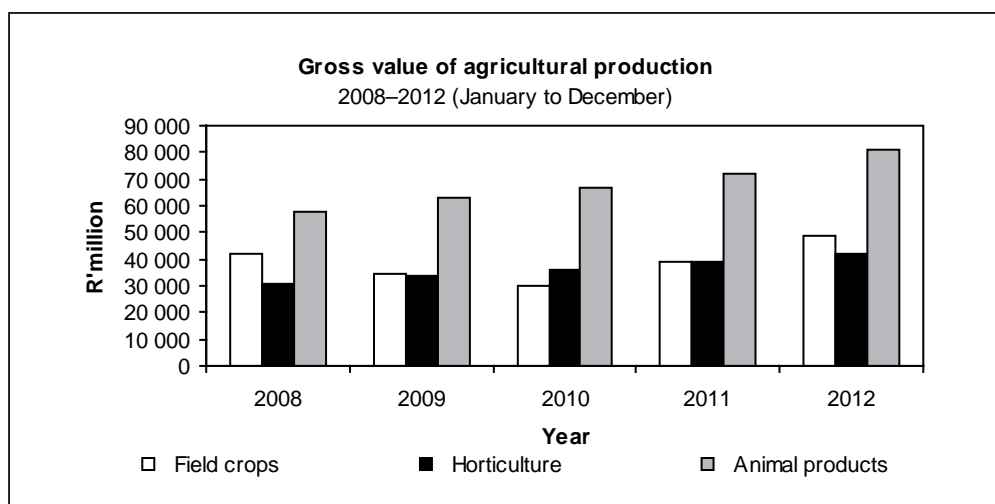
The weighted average price of animal products increased by 8,7%. Prices of dairy products, poultry meat, slaughtered stock and pastoral products increased by 17,2%, 12,1%, 2,0% and 1,9% respectively.



## Gross value of agricultural production

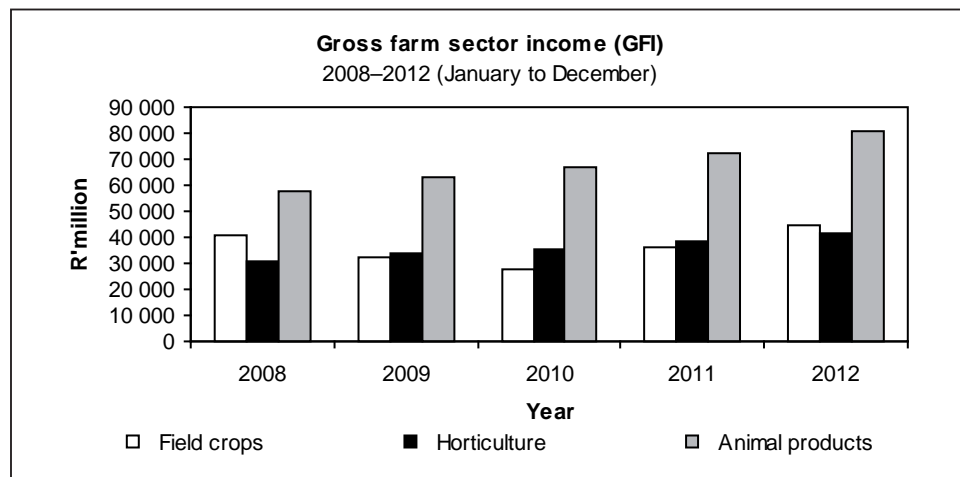
The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2012 is estimated at R171 258 million, compared to R149 774 million the previous year, an increase of 11,5%. This increase can be attributed mainly to an increase in the value of field crops.

The gross value of animal products, field crops and horticultural products contributed 47,2%, 28,3% and 24,5% respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 17,4%, followed by maize with 14,3% and cattle and calves slaughtered with 10,3%.



## Farming income

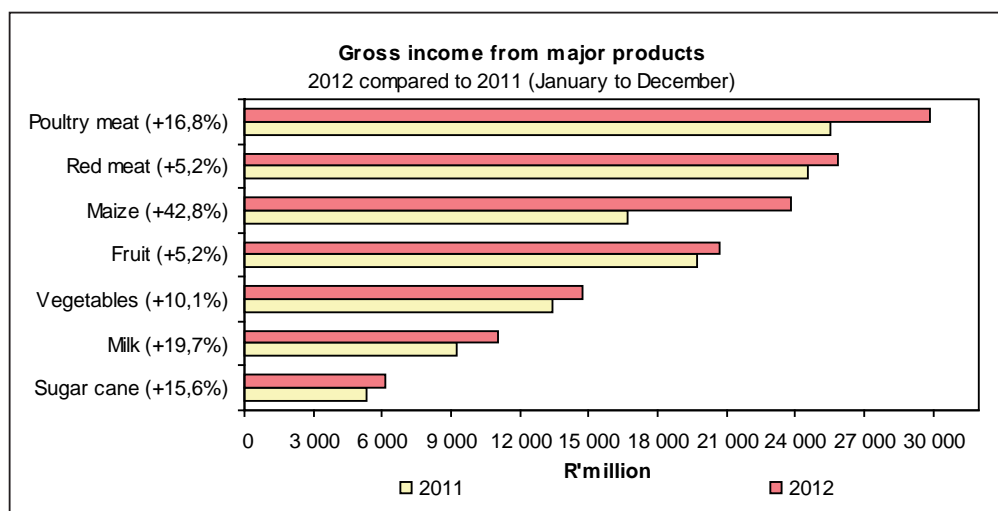
The gross income of producers (the value of sales and production for other uses, plus the value of changes in inventories) for the year ended 31 December 2012 amounted to R167 394 million, compared to R146 993 million the previous year, an increase of 13,9%. The increase can be ascribed mainly to better prices that farmers received for products in general, but in particular prices of field crops, which increased by 23,0%, and those of animal products, which were 8,7% higher.



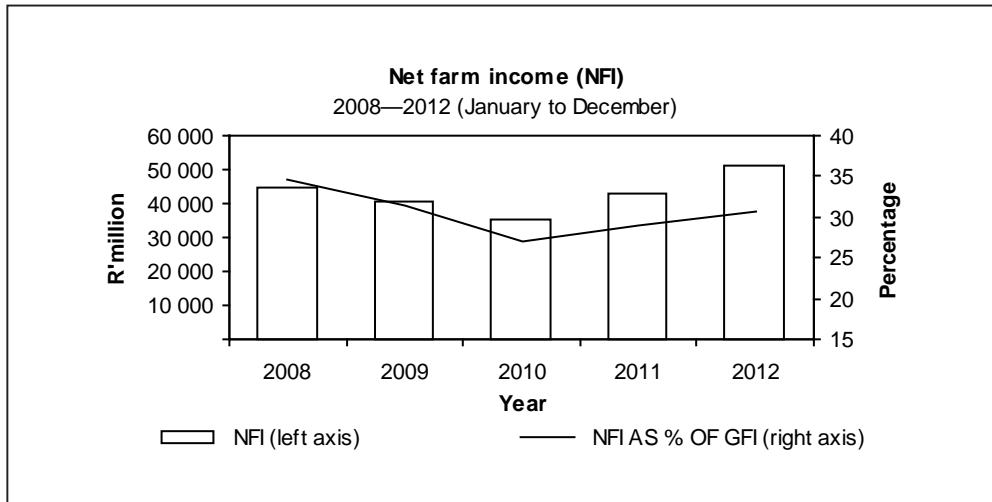
The gross income from field crops increased by 24,4% to R44 804 million for the year ended 31 December 2012. Income from maize at R23 813 million was R7 143 million or 42,9% higher than in the previous 12 months. Income from groundnuts and grain sorghum showed increases of 42,6% and 34,8% respectively. Income from wheat increased by 13,2% to R5 254 million. Income from sugar cane at R6 117 million was 15,6% higher than in the previous 12 months. Income from tobacco increased by 6,9% to R422 million. Income from dry beans showed a marked improvement of 71,5%.

The gross income from horticultural products increased by 7,9%, from R38 694 million in 2011 to R41 749 million in 2012. Income from deciduous fruit at R10 231 million was 7,0% up on 2011. Income from sub-tropical fruit increased by 8,9% to R2 608 million. Income from vegetables increased by 10,1% to R14 757 million, and that from viticulture by 10,9% to R3 987 million. Income from citrus increased by only 1,8% and amounted to R7 872 million.

The gross income from animal products was 11,9% higher in 2012 and amounted to R80 841 million, compared to R72 271 million for the previous year. Producers earned R18 171 million from slaughtered cattle and calves, as against the previous R17 436 million—an increase of 4,2%. Income from poultry meat showed an increase of 16,8% to R29 845 million. Income from egg production, at R7 961 million, was 7,6% higher than in the previous year. Producers earned R11 036 million from milk production, which is 19,7% more than in the previous year. Income from wool increased by 11,6% to R2 167 million.



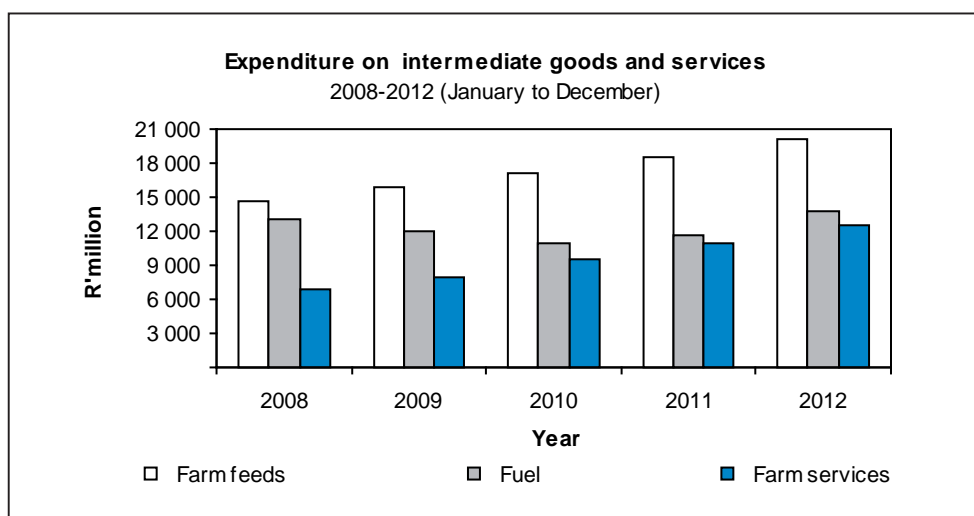
The net farm income (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R51 423 million for the 12 months that ended on 31 December 2012, which is 20,5% higher than in the previous 12 months. Payments for salaries and wages, which represented 10,9% of the total farming costs, amounted to R13 241 million. Interest paid by farmers to banks and other financiers during the 12 months up to 31 December 2012 is estimated at R5 674 million or 4,8% 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.**

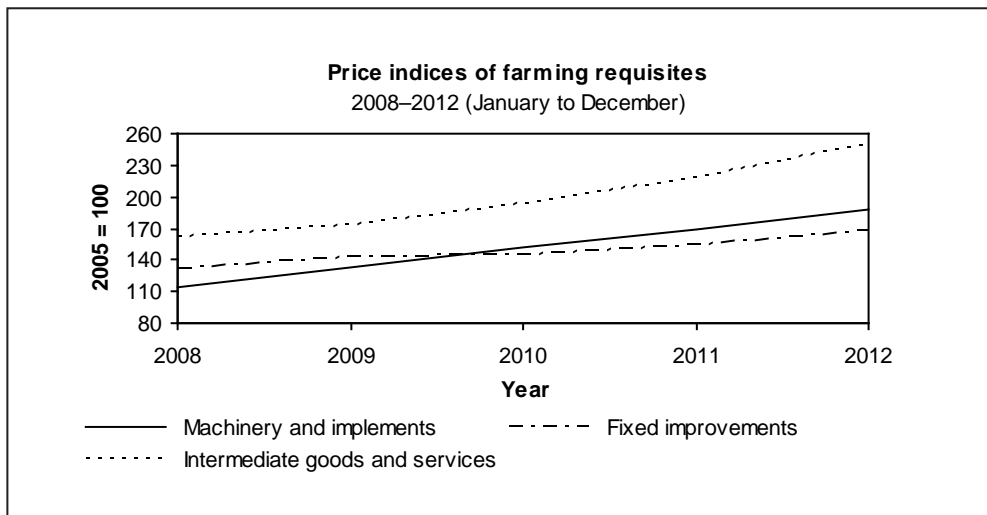
Expenditure on intermediate goods and services during 2012 is estimated at R95 765 million, which represents an increase of 13,2% from the R84 631 million of 2011. Expenditure on packing material rose by 22,0%, seeds and plants by 18,0%, fuel by 17,5%, dips and sprays by 17,0%, farm services by 15,6%, building and fencing material by 14,0%, maintenance and repairs of machinery by 13,4%, farm feeds by 8,2% and fertilisers by 5,1%.



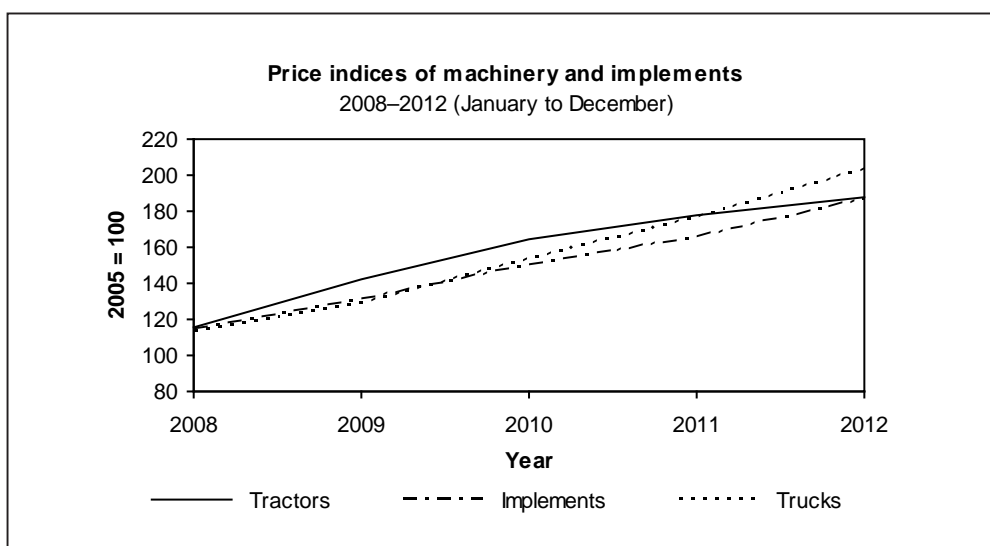
Expenditure on farm feeds remained the biggest expenditure item, accounting for 21,0% of total expenditure, followed by fuel (14,3%), farm services (13,1%), maintenance and repairs (11,0%), seeds and plants (9,3%), dips and sprays (8,6%), packing material (7,5%) and fertilisers (6,4%).

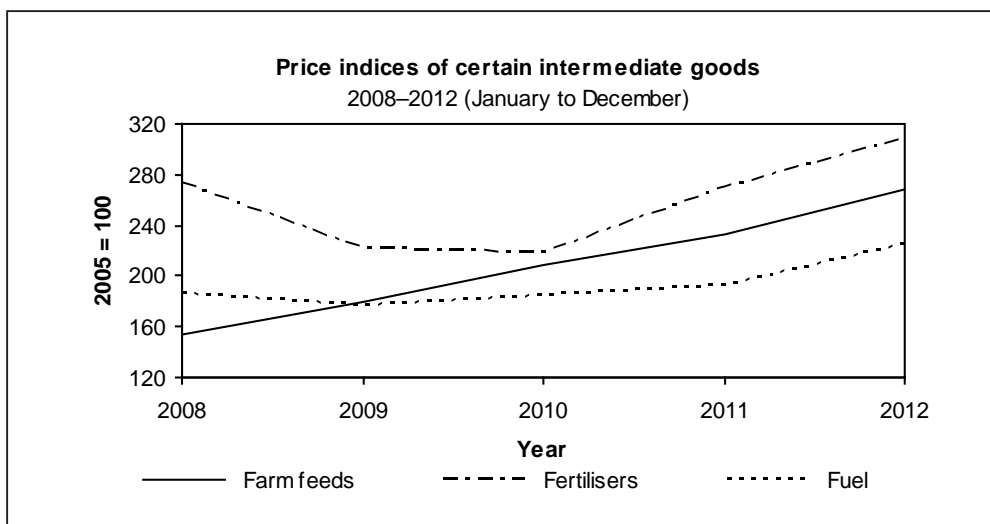
### Prices of farming requisites

Prices of farming requisites, including machinery and implements, material for fixed improvements and intermediate goods and services, rose by 14,5% in 2012, compared to an increase of 12,2% the previous year.



The price index of machinery and implements showed an increase of 11,1% for 2012. The price index of materials for fixed improvements increased by 9,1% and the combined index of prices of intermediate production inputs and services increased by 15,1%. Prices paid for seeds showed an increase of 19,3%, packing material 18,9%, fuel 16,1%, trucks 15,4% and farm feeds 15,2%.



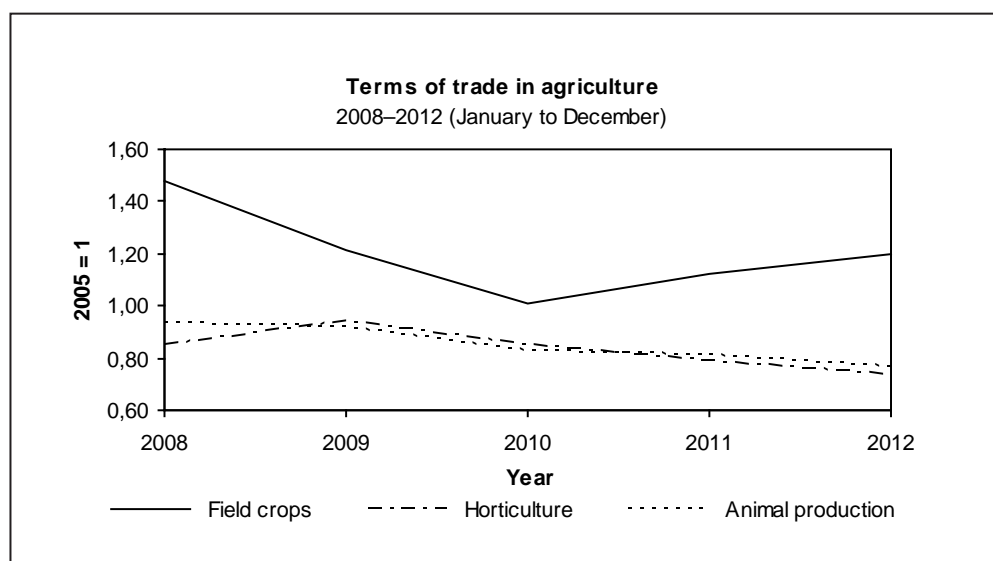


### Domestic terms of trade in agriculture (2005 = 1)

*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 2011 to 0,87 in 2012.

The terms of trade for field crops increased by 7,1%, from 1,12 in 2011 to 1,20 in 2012. In the case of the horticultural industry, the terms of trade decreased by 7,5%, from 0,80 to 0,74. The terms of trade for the animal production industry dropped by 4,9%, from 0,81 to 0,77.



### 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.*

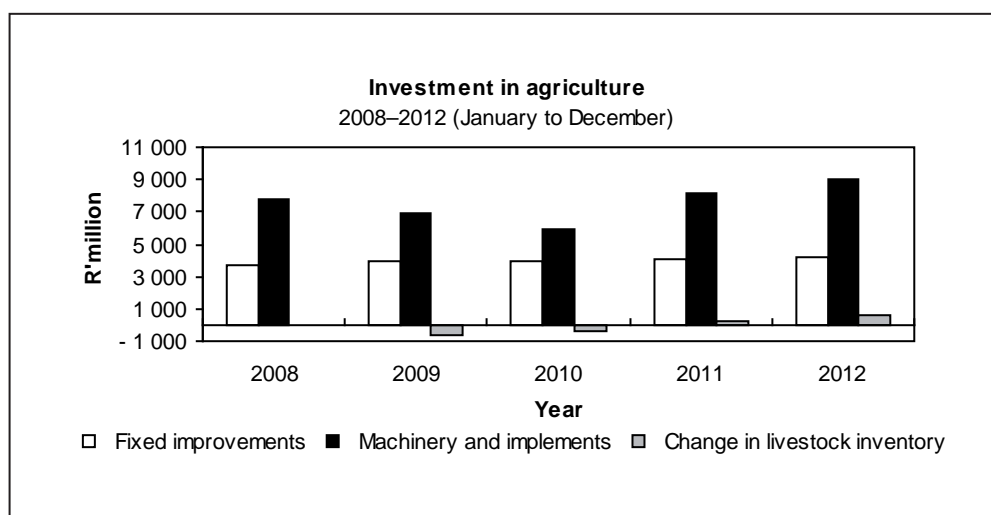
The contribution of agriculture to value added for the year ended 31 December 2011 is estimated at R63 984 million. This represents 2,4% of the total value added to the economy.

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	2 027 751	50 263	2,5
2009	2 178 321	52 903	2,4
2010	2 407 264	48 909	2,0
2011	2 621 379	49 799	1,9
2012*	2 835 087	72 731	2,6

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

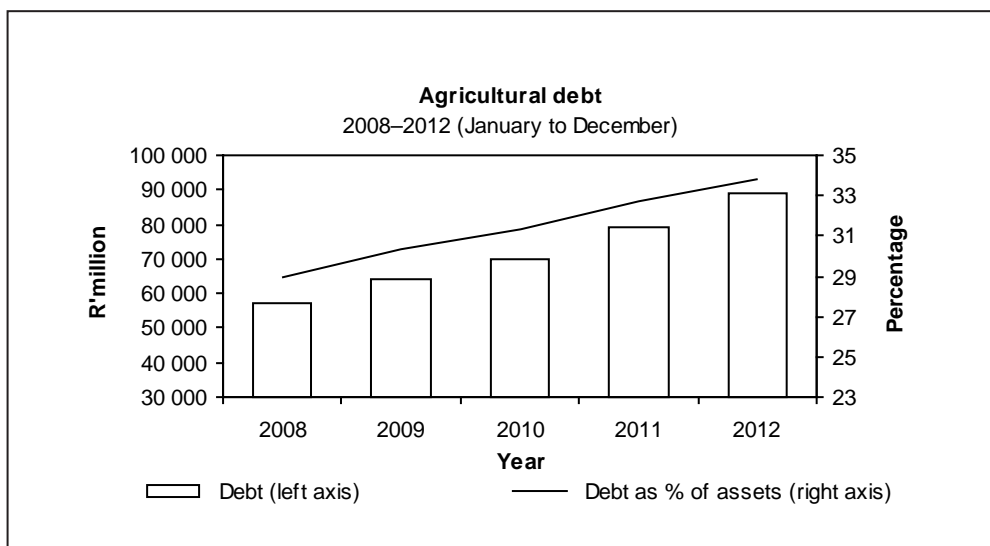
### Capital assets and investment in agriculture

The value of capital assets in agriculture as at 31 December 2012 is estimated at R262 828 million, as against R242 529 million at the end of December 2011—an increase of 8,4%. Land and fixed improvements constituted R155 934 million, machinery and implements R48 610 million and livestock R58 284 million of the total value of capital assets. The gross investment in respect of fixed improvements for the year ended 31 December 2012 increased by 3,7% to R4 206 million. In the case of machinery, implements and vehicles, investment increased by 12,1% and amounted to R9 079 million. The livestock inventory increased by R625 million from the previous year.



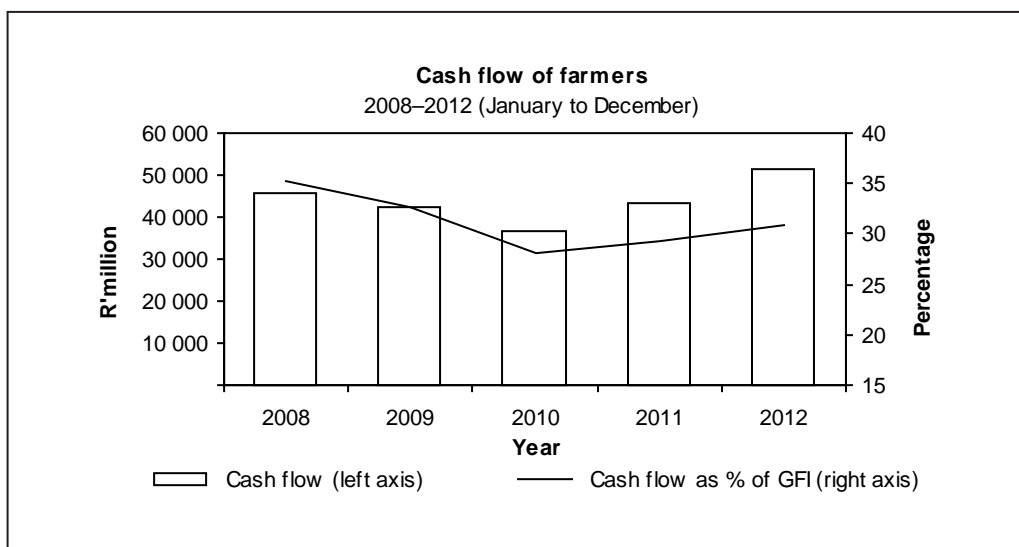
### Farming debt

The total farming debt as at the end of December 2011 is estimated at R88 779 million (R79 364 million), an increase of 11,9%.



### Cash flow of farmers

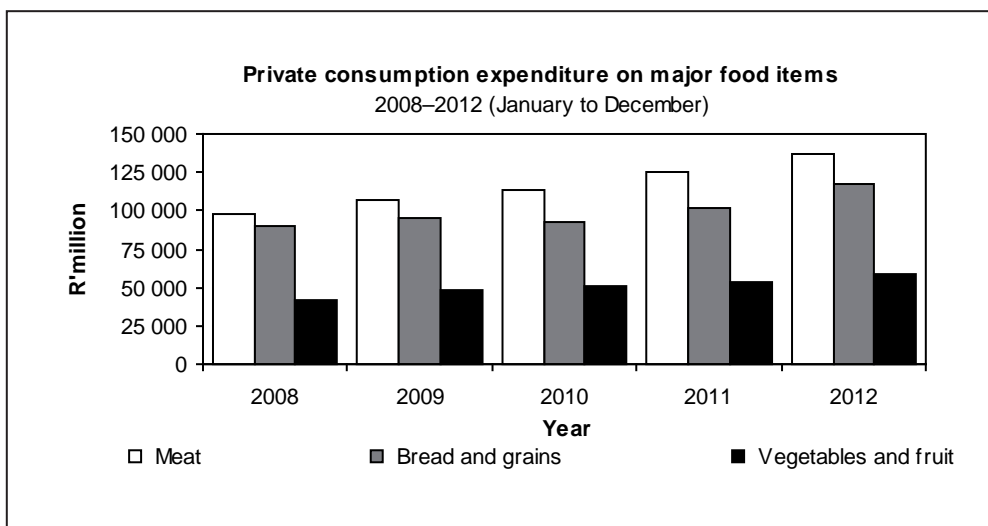
The cash flow of farmers amounted to R51 488 million for the year ended 31 December 2012, compared to the previous R43 135 million, an increase of 19,4%. This was mainly the result of an increase in the gross income of producers.



### Consumption expenditure on food

The consumption expenditure on food for the year ended 31 December 2012 increased by 11,4% and amounted to R428 486 million, as against the R384 527 million of the previous year. Expenditure on all food items rose during 2012—expenditure on meat increased by 9,4%, from R125 092 million to R136 828 million, bread and grain by 14,6%, from R102 270 million to R117 217 million and on fruit and vegetables by 9,9%, from R53 110 million to R58 353 million.

Meat represented 32% of the expenditure on the food component, while bread and grains represented 27%, fruit and vegetables (including potatoes) 14%, milk, milk products and eggs 12%, and sugar and oils and fats 2% each.

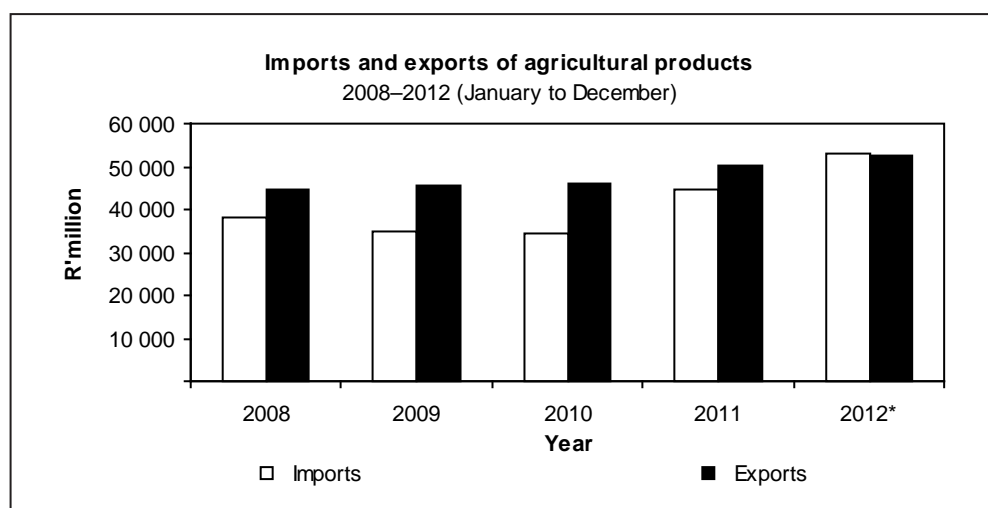


### Consumer prices

The consumer price index (with base year 2005 = 100) of all items increased by 5,7%, from 146,9 to 155,2, during the year ended 31 December 2012, as the CPI of food increased by 7,3%, from 163,3 to 175,3, and that of non-food items increased by 5,2%, from 132,5 to 139,4. Meat prices increased by 7,5%, from an index figure of 164,7 to 177,1, while the prices of grain products increased by 8,1%, from an index of 173,7 to 187,7. The consumer price index of vegetables increased by 4,2%, from 164,0 to 170,9, and that of fruit by 4,7%, from 151,3 to 158,4. In the case of dairy products and eggs, prices increased by 8,0%, from an index of 159,6 to 172,4, while an increase of 9,7% was recorded for sugar and related products, from 161,0 to 176,6.

### Imports and exports of agricultural products

The estimated value of imports during 2012 came to approximately R53 071million, from R44 882 million in 2011—a increase of 18,2%. The estimated value of exports showed an increase of 4,3%, from R50 431 million in 2011 to about R52 579 million in 2012.



\* Preliminary

According to the 2012 agricultural export figures, citrus fruit (R7 389 million); wine (R5 984 million); grapes (R4 079 million); apples, pears and quinces (R3 905 million); and maize (R3 259 million) were the five most important export products in terms of value.



With regard to agricultural imports during 2012, rice (R5 624 million), wheat and meslin (R3 952 million), poultry meat (R3 521 million), palm oil (R3 343 million) and undenatured ethyl alcohol (R2 851 million) were the five major products in terms of value.

In terms of exports of agricultural products by South Africa during 2012, the five largest trading partners were the Netherlands, with exports to the value of R5 647 million, the United Kingdom (R4 834 million), Zimbabwe (R4 794 million), Mozambique (R2 818 million) and Mexico (R2 614 million).

The five largest trading partners from whom South Africa imported agricultural products during 2012 were Argentina, with imports to the value of R6 772 million, China (R4 511 million), Brazil (R4 337 million), the United Kingdom (R3 108 million) and the Netherlands (R2 844 million).