

Economic Review of the South African Agriculture

2013/14



**agriculture,
forestry & fisheries**

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CONTENTS

Foreword	v
Economic review of South African agriculture for the year ended 30 June 2014	1
Summary	1
Volume of agricultural production	1
Producer prices of agricultural products	2
Gross value of agricultural production	2
Farming income	3
Expenditure on intermediate goods and services	4
Prices of farming requisites	5
Domestic terms of trade in agriculture (2005 = 1)	5
Contribution of agriculture to value added at basic prices	6
Capital assets and investment in agriculture	6
Farming debt	7
Cash flow of farmers	7
Consumption expenditure on food	8
Consumer prices	8
Imports and exports of agricultural products	9

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 R206 460 million in 2013, while its contribution to the GDP was approximately R57 945 million. The primary agricultural sector has grown by an average of approximately 11,8% per annum since 1970, while the total economy grew 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 2,0% 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

September 2014

Ms Ellen Matsei

Director: Statistics and Economic Analysis

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 30 JUNE 2014

Summary

Gross farming income from all agricultural products for the year ended 30 June 2014 is estimated at R193 791 million, which is an increase of 6,7% from the previous corresponding period.

Gross farming income from field crops decreased by 3,6% and amounted to R48 272 million. The income from horticultural products rose by 10,5%, from R46 796 million to R51 707 million. Income from animal products increased by 10,6%, from R84 807 million to R93 812 million.

Prices received by farmers for agricultural products and prices paid by farmers for farming requisites increased on average by 7,3% and 4,5% respectively, resulting in the terms of trade increasing from 0,88 to 0,91 during the period under review.

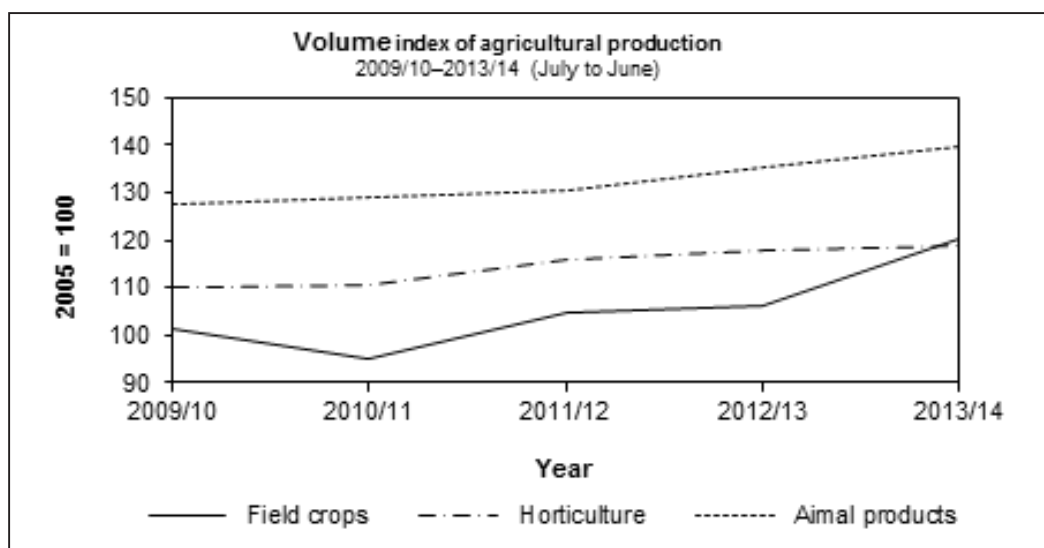
The weighted average price of horticultural products increased by 7,9%, that of animal products by 7,5% and that of field crops by 6,4%.

The prices paid for farming requisites, including machinery and implements, material for fixed improvements as well as intermediate goods and services, increased by 5,5%, compared to 10,6% the previous year.

Net farming income increased by 3,3% and amounted to R61 729 million for the 12 months up to 30 June 2014.

Volume of agricultural production

The estimated volume of agricultural production in 2013/14 was 4,8% higher than in 2012/13.



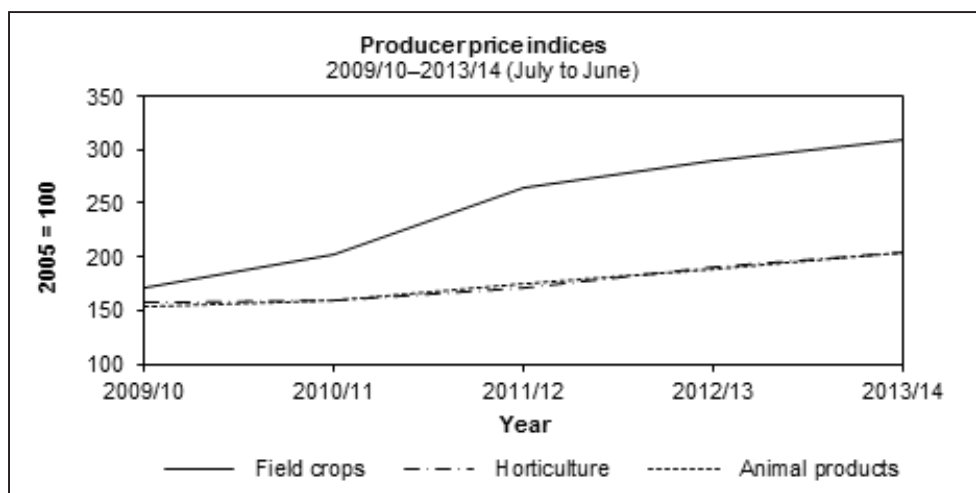
The volume of field crop production increased by 12,8%, mainly as a result of increases in the production of summer crops (maize and sorghum), as well as oilseed crops (sunflower seed, soya-beans and groundnuts). Maize and sorghum production increased by 2,2 million tons (17,7%) and 124 775 tons (73,7%) respectively from the previous season. Sunflower seed and soya-bean production increased by 308 090 tons (53,2%) and 159 840 tons (20,4%) respectively from 2012/13. The production of groundnuts increased by 46 609 tons (99,3%).

Horticultural production showed an increase of 1,0% from the previous season, which can mainly be attributed to increases in the production of subtropical fruit, citrus fruit and vegetables. The production of bananas showed the largest increase of the subtropical fruit types with 70 768 tons (18,0%). Concerning citrus fruit, the production of oranges and grapefruit showed the largest increases, with 116 981 tons (7,2%) and 101 023 tons (33,2%) respectively. With reference to vegetables, onions and tomatoes showed the largest increases, with 18 115 tons (3,0%) and 11 673 tons (2,3%) respectively, from 2012/13.

Animal production increased by 3,2% as a result of increases in the number of stock slaughtered (385 436 carcasses or 4,0%) and poultry meat (52 574 tons or 3,4%), as well as fresh milk (55 411 litres or 1,7%), from 2012/13.

Producer prices of agricultural products

Producer prices of agricultural products increased on average by 7,3% from 2012/13 to 2013/14.



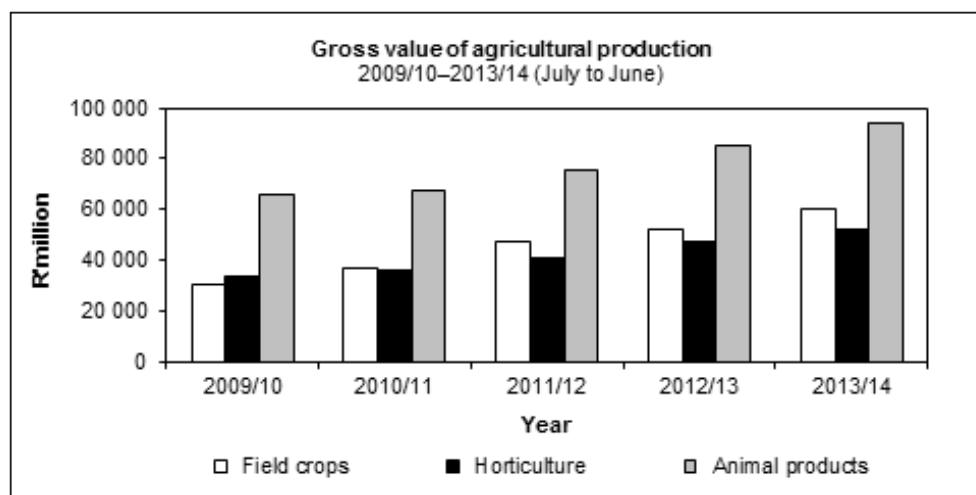
The weighted average price of field crops increased by 6,4%. The prices of dry beans increased by 14,8%, hay by 9,7%, summer grain by 8,0%, tobacco by 7,2%, winter grain by 7,1%, sugar cane by 2,4% and cotton by 1,7%. The price of oilseeds decreased slightly by 1,7%.

Prices of horticultural products increased by 7,9%. The prices of fruit, viticulture and vegetables increased by 10,2%, 7,1% and 5,2% respectively. Prices of animal products increased by 7,5%. The average prices of dairy and pastoral products increased by 13,1% each, poultry meat by 8,0% and slaughtered stock by 3,4%.

Gross value of agricultural production

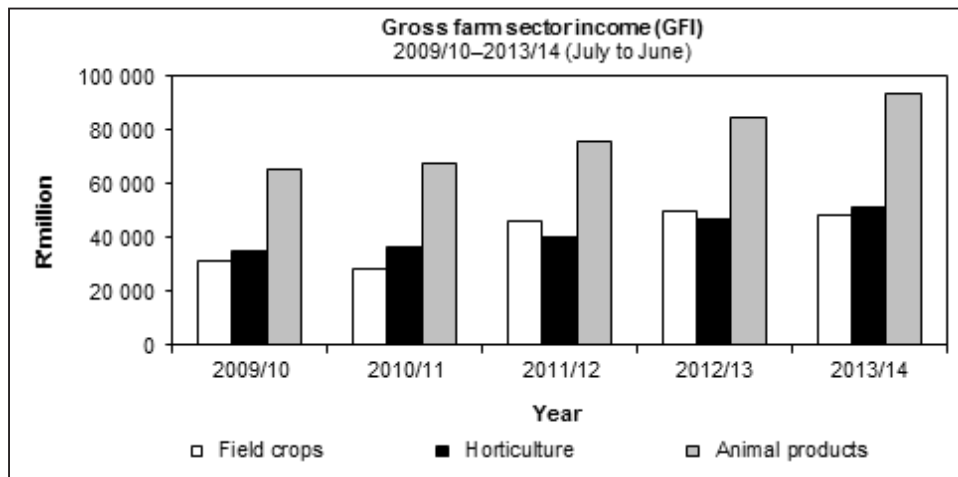
The total gross value of agricultural production (total production during the production season valued at the average basic prices received by producers) for 2013/14 is estimated at R206 460 million, compared to R183 971 million the previous year—an increase of 12,2%. This increase can be attributed mainly to an increase in the value of animal products.

The gross value of animal products, field crops and horticultural products contributed 45,4%, 29,3% and 25,3% respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 17,1%, followed by maize with 13,6% and cattle and calves slaughtered with 9,6%.



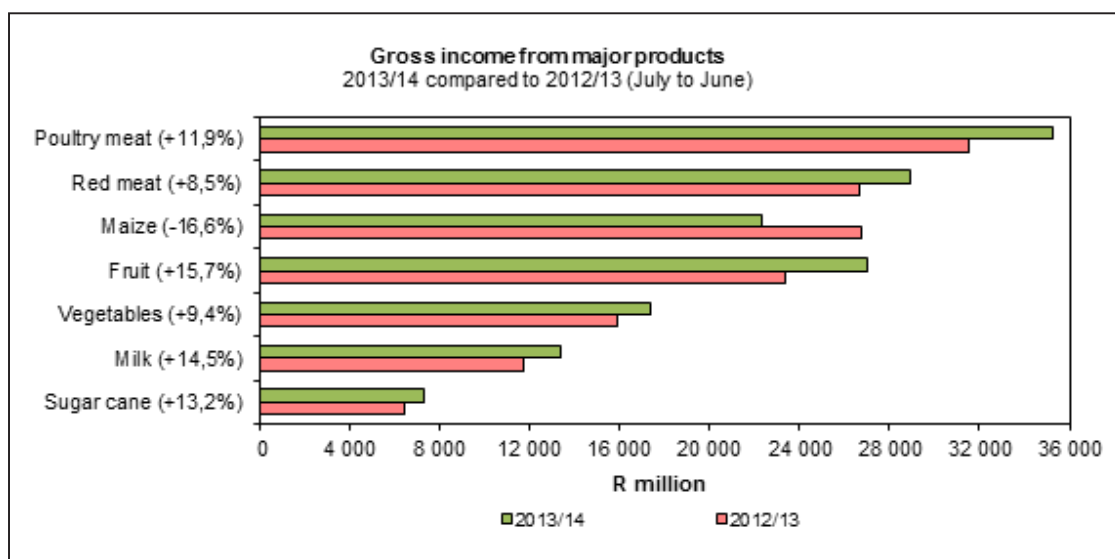
Farming income

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 30 June 2014 amounted to R193 791 million, compared to R181 653 million the previous year—an increase of 6,7%. The increase can be ascribed mainly to increases in income from horticultural and animal products. Even though bumper crops are expected for maize, sunflower seed, soya beans and groundnuts, deliveries of maize up to June 2014 were down on the same period of the previous season. Prices received for field crops, that of maize and sunflower seed in particular, decreased substantially since April 2014. This contributed to the lower than expected income generated by the field crop industries.



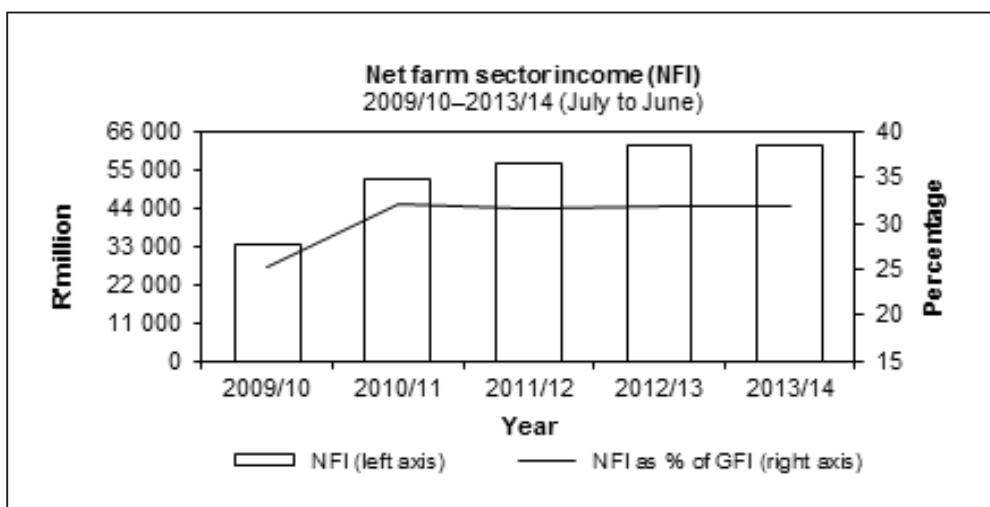
The gross income from field crops decreased by 3,6% to R48 272 million for the year ended 30 June 2014. Income from maize amounted to R22 331 million, 16,6% less than the R26 771 million of the previous 12 months. Income from sunflower seed decreased by 17,4% to R2 353 million. Income from soya beans increased by 38,8% to R5 066 million and that from groundnuts showed an increase of 42,4% to R628 million. Income from sugar cane at R7 293 million was 13,2% higher than that of the previous 12 months. Income from dry beans and cotton increased by 57,6% and by 42,6% to R1 059 million and R115 million respectively.

The gross income from horticultural products increased by 10,5%, from R46 796 million in 2012/13 to R51 707 million in 2013/14. Income from deciduous and citrus fruit increased by 16,4% and 16,0% and amounted to R13 862 million and R10 008 million respectively. Income from subtropical fruit increased by 12,0% to R3 175 million. Income from vegetable production increased by 9,4% to R17 409 million.



The gross income from animal products was 10,6% higher in 2013/14 and amounted to R93 812 million, compared to R84 807 million in 2012/13. Producers earned R19 918 million from slaughtered cattle, as against the previous R18 659 million—an increase of 6,7%. Income from slaughtered sheep increased by 13,1% to R4 651 million. Income from poultry meat production rose by 11,9% to R35 292 million and income from egg production, at R8 874 million, was 5,7% higher than in the previous year. Producers earned R13 392 million from milk production, which is 14,5% more than in the previous year. Income from wool and ostrich products increased by 11,7% to R2 723 million and by 23,7% to R341 million respectively.

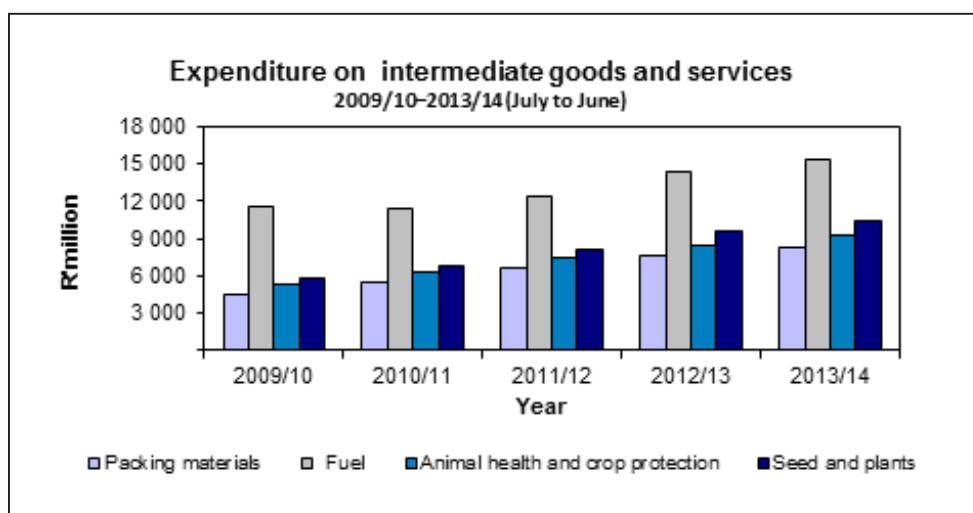
The net farm income (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R61 729 million for the 12 months that ended on 30 June 2014, which is only 3,3% more than in the previous 12 months. Payments for salaries and wages, which represented 10,5% of the total farming costs, amounted to R14 508 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2014 is estimated at R6 449 million, or 4,7% 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 2013/14 is estimated at R109 176 million, which represents a rise of 8,6% from R100 515 million in 2012/13. Large increases occurred in expenditure on maintenance and repairs of machinery and implements (10,3%), seed and plants (10,2%), building and fencing material (9,7%) and packing material (9,5%).

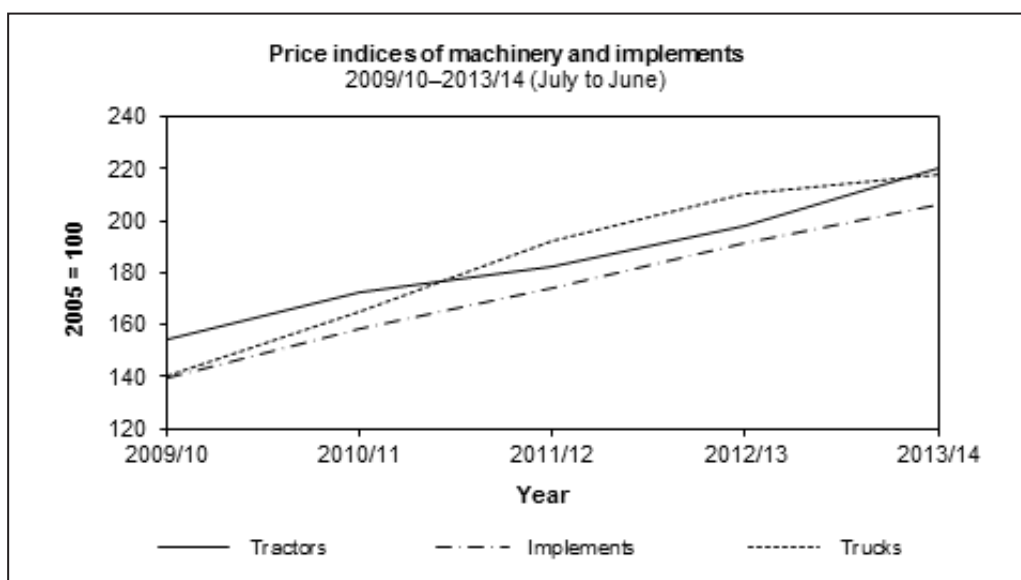
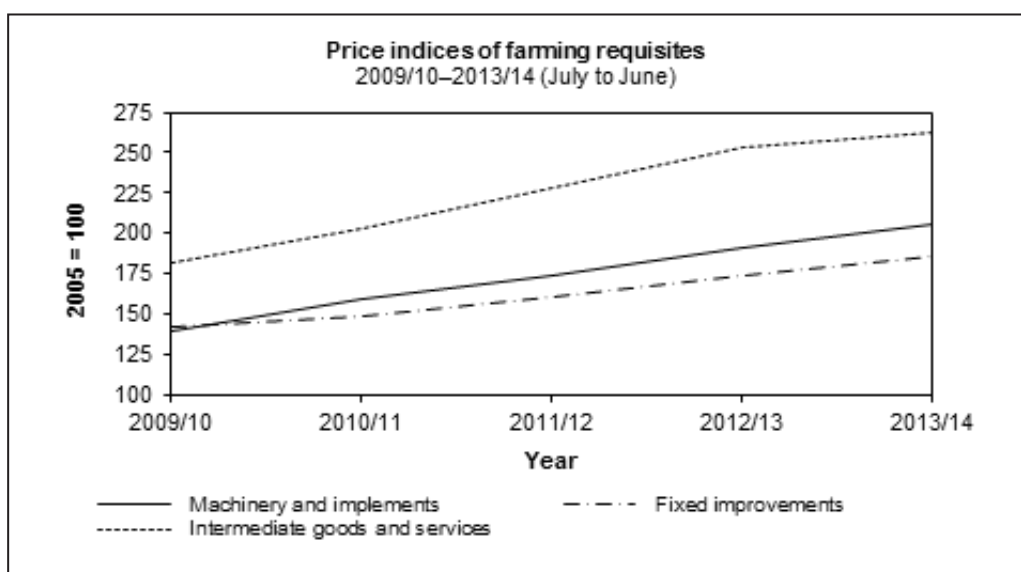


Expenditure on farm feeds remained the biggest expenditure item, accounting for 20,7% of total expenditure, followed by fuel (14,1%), farm services (13,5%) and maintenance and repairs of machinery and implements (11,2%).

Prices of farming requisites

Prices of farming requisites rose by 5,5% in 2013/14, compared to an increase of 10,6% the previous year. Prices of tractors increased on average by 11,1%, fuel by 8,0%, building material by 7,3%, animal health and crop protection by 6,2%, packing material by 6,0%, maintenance and repairs by 5,7%, fencing material by 5,7%, seeds by 5,3%, feeds by 4,2%, trucks by 3,7% and fertilisers by 3,5%.

The combined index of prices of machinery and implements showed an increase of 7,3% for 2013/14. The price index of materials for fixed improvements increased by 6,7% and the index of intermediate goods and services increased by 4,1%.

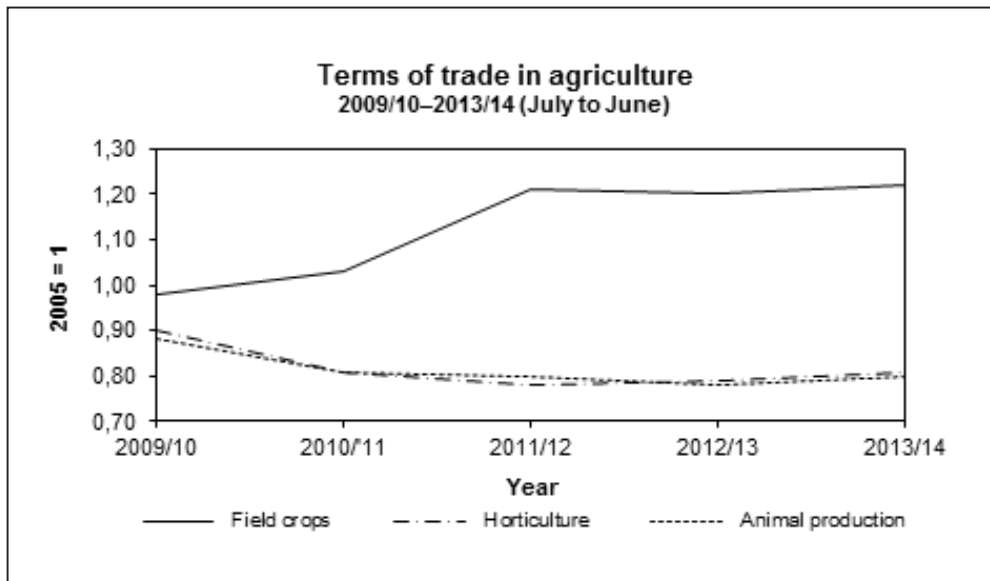


Domestic terms of trade in agriculture (2005 = 1)

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 increased by 2,3%, from 0,88 in 2012/13 to 0,90 in 2013/14.

The terms of trade for field crops increased by 1,0%, from 1,20 to 1,21, horticultural industry by 1,3%, from 0,79 to 0,80 and animal production industry by 2,6%, from 0,78 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 2013 is estimated at R72 431 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	%
2004	1 270 600	32 763	2,6
2005	1 401 066	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	2 179 995	52 903	2,4
2010	2 423 359	48 759	2,1
2011	2 635 032	51 497	2,0
2012	2 820 261	56 795	2,0
2013*	3 030 263	72 431	2,4

*Note: Figure is for agriculture, forestry and fisheries

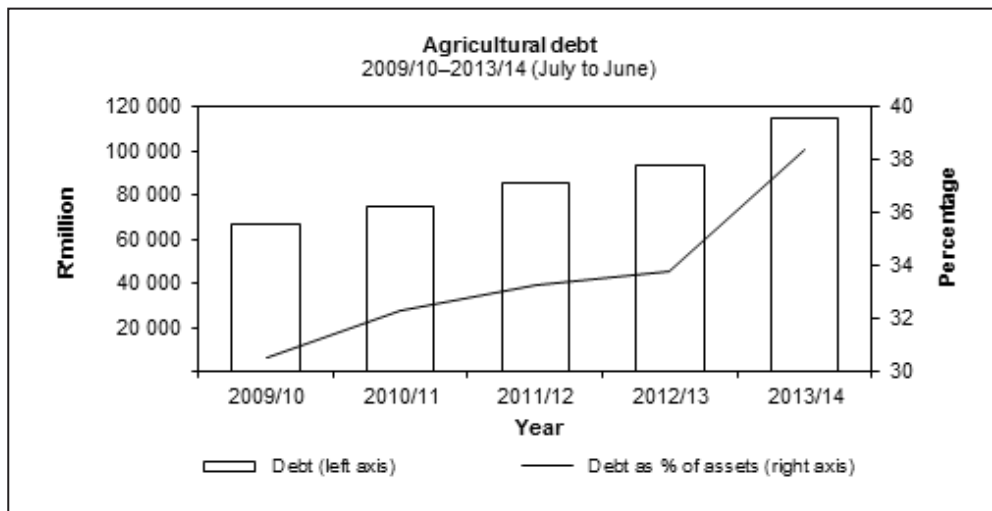
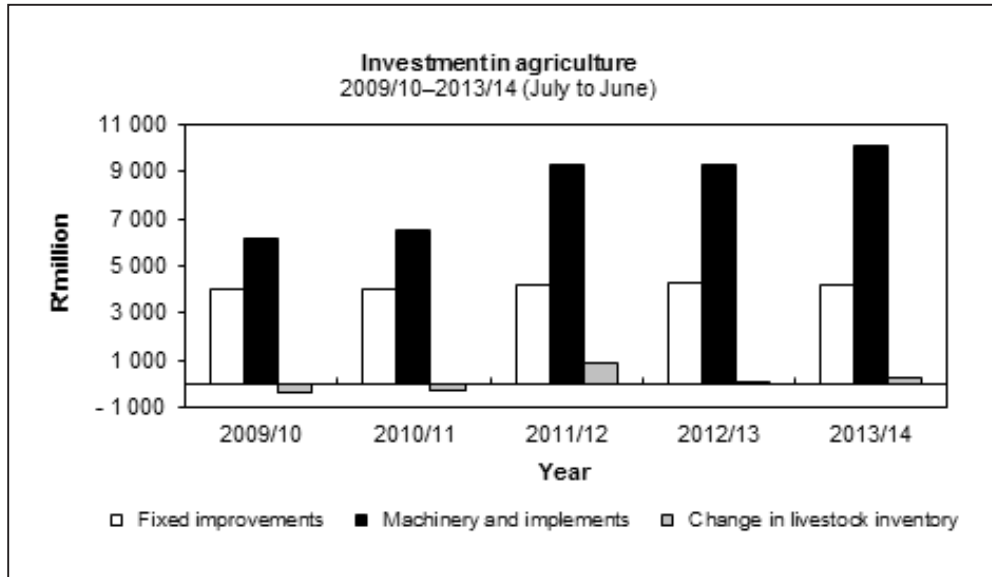
Capital assets and investment in agriculture

The value of capital assets in agriculture as at 30 June 2014 is estimated at R299 846 million, as against R276 507 million at the end of June 2013—an increase of 8,4%. Land and fixed improvements constituted R184 302 million (61,5%), livestock R58 950 million (19,7%) and machinery and implements R56 594 million (18,9%) of the total value of capital assets. The gross investment in respect of fixed improvements for the year ended 30 June 2014 decreased by 2,8% to R4 165 million. In the case of machinery, implements

and vehicles, investment decreased by 9,1% and amounted to R10 086 million. The change in livestock inventory was R224,9 million lower than in the previous year.

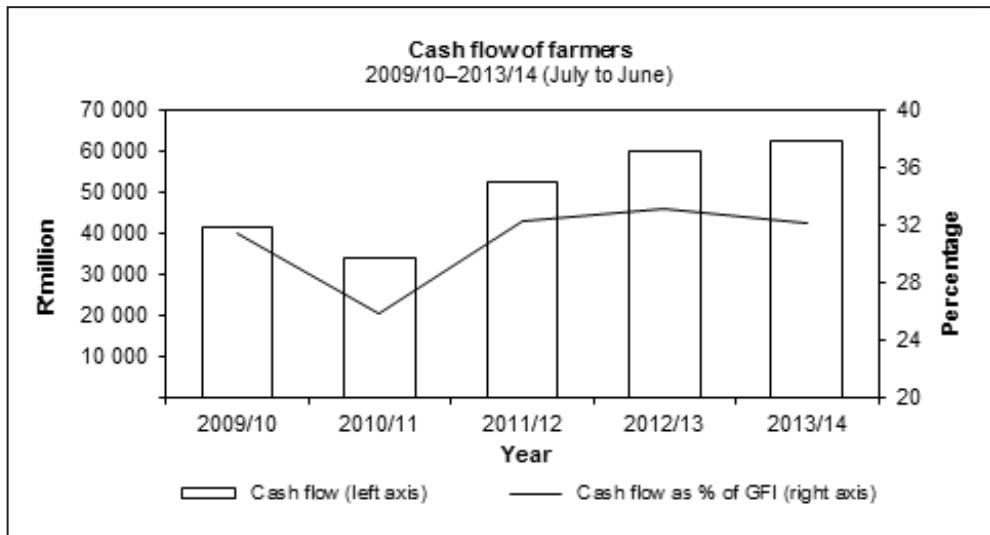
Farming debt

The total farming debt as at the end of June 2014 is estimated at R115 117 million (R93 474 million), an increase of 23,2%.



Cash flow of farmers

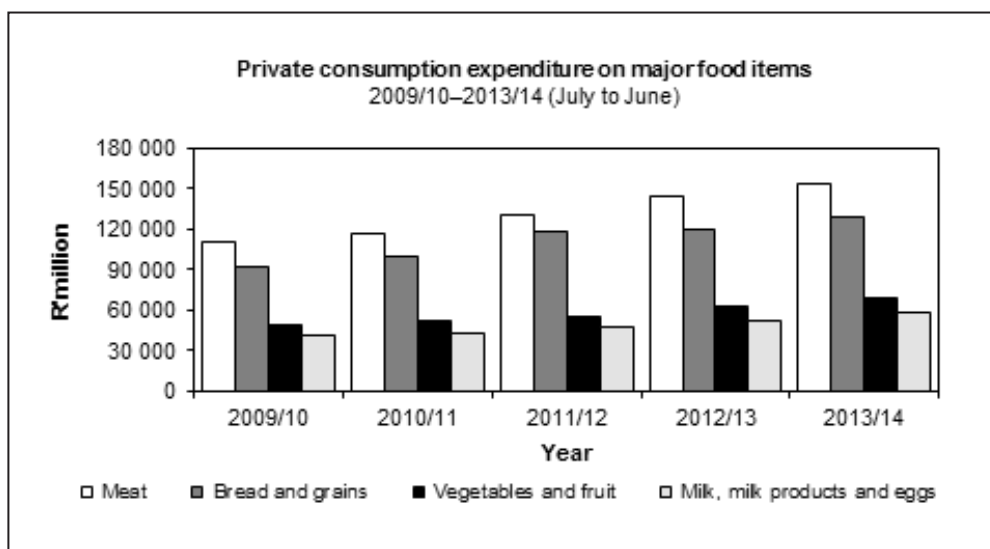
The cash flow of farmers amounted to R62 128 million for the year ended 30 June 2014, compared to the previous R60 256 million, an increase of 3,1%. This was the result of an increase in the gross income of producers.



Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2014 increased by 8,3% and amounted to R485 547 million, compared to the R448 173 million of the previous year. Expenditure on meat increased by 6,9% to R154 037 million, on bread and grain products by 7,9% to R128 420 million, and on fruit and vegetables (including potatoes) by 10,1% to R69 259 million. Expenditure on oils and fats shows an increase of 22,9% to R12 621 million and on milk, milk products and eggs an increase of 9,5% to R57 690 million. Expenditure on sugar shows a decrease of 2,2% to R6 225 million.

Meat represented 32% of the expenditure on the food component; bread and grains 26%; fruit and vegetables (including potatoes) 14%; milk, milk products and eggs 12%; oils and fats 3%; sugar 1%; and other products (jam, chocolates, ice cream, table salt, herbs, coffee, tea, etc.) 12%.



Consumer prices

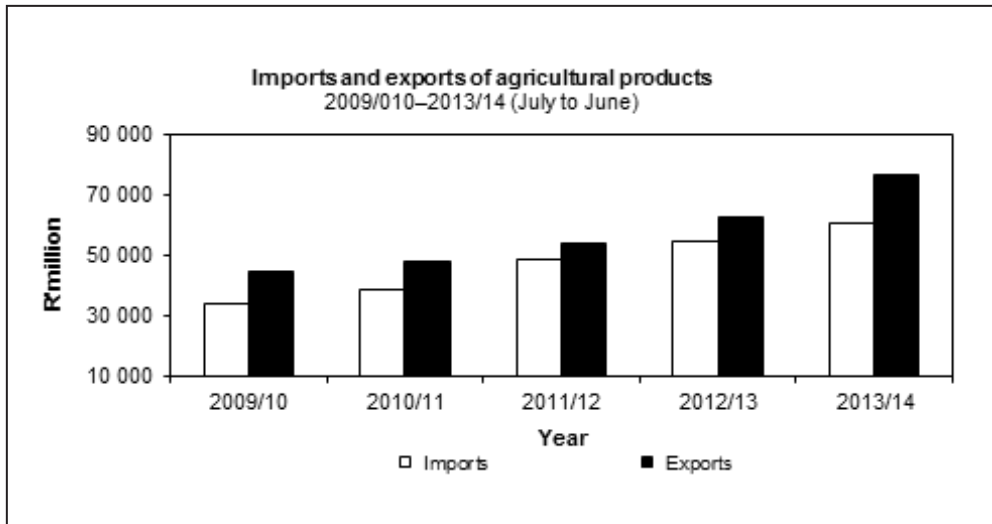
The consumer price index (with base year 2005 = 100) of all items increased by 6,0%, from 159,6 to 169,2 during the year ended 30 June 2014. The CPI of food increased by 6,3%, from 180,8 to 192,2, and that of non-food items increased by 5,5%, from 143,0 to 150,9.

Meat prices rose by 3,7%, from an index figure of 181,0 to 187,7, while the prices of grain products increased by 7,5%, from 193,1 to 207,6. The consumer price index of vegetables increased by 9,6%, from 181,5 to 198,9, and that of fruit by 3,5%, from 161,2 to 166,8. In the case of dairy products and eggs, prices

rose by 7,8%, from an index of 189,9 to 192,9, while an increase of 6,2% was recorded for sugar and related products, from 182,8 to 194,1.

Imports and exports of agricultural products

The estimated value of imports for 2013/14 came to R60 546 million, an increase of 10,5% from R54 778 million for 2012/13. The value of exports increased by 22,5%, from R62 750 million in 2012/13 to R76 900 million in 2013/14.



According to the 2013/14 export values, citrus fruit (R10 100 million), wine (R7 965 million), apples, pears and quinces (R5 869 million), grapes (R5 547 million) and maize (R4 934 million), were the most important agricultural export products.

Rice (R5 439 million), wheat and meslin (R4 465 million), poultry (R3 955 million), undenatured ethyl alcohol (R3 840 million) and oil cake (R3 471 million) accounted for the highest imports in terms of value.

During 2013/14, the Netherlands, with exports to the value of R7 742 million, the United Kingdom (R6 681 million), Zimbabwe (R6 669 million), Mozambique (R4 946 million) and China (R3 307 million) were the five largest trading partners of South Africa in terms of export destinations for agricultural products. About 18,8% of the total value of agricultural exports from South Africa for the period July 2013 to June 2014 went to the Netherlands and the United Kingdom combined.

The five largest trading partners for South Africa's imported agricultural products during 2013/14 were Argentina (R5 055 million), Brazil (R4 059 million), the United Kingdom (R4 039 million), the Netherlands (R3 679 million) and China (R5 105 million). About 15,1% of the total value of agricultural imports by South Africa during the period July 2013 to June 2014 were from Argentina and Brazil combined.

