

Economic Review of the South African Agriculture 2016



agriculture,
forestry & fisheries

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FOREWORD

The value of primary agricultural production in South Africa was R263,2 billion in 2016, while its contribution to the GDP was estimated at R72,2 billion in 2015.

Over the years, the other sectors of the South African economy have grown faster than the agriculture, forestry, hunting and fishing sector, resulting in a drop in agriculture's share of the GDP from more than 6% in the 1970s to 2,0% in 2015.

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.

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 agriculture's contribution to the national economy and 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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March 2017

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 31 DECEMBER 2016

Summary

Gross farming income from all agricultural products for the year ended 31 December 2016 increased by 12,7% and was estimated at R259 620 million, compared to R230 306 million of the previous year. This was a result of the increase in gross income from horticultural products by 20,9% (from R65 374 million to R79 043 million), field crops by 11,3% (from R51 227 million to R57 018 million) and animal products by 8,7% (from R113 705 million to R123 559 million).

Prices received by farmers for their agricultural products increased on average by 16,8%, while prices paid by farmers for farming requisites increased by 6,0% and this resulted in the domestic terms of trade strengthening by 9,5%, from 1,05 to 1,15.

The weighted average price of field crops increased by 33,9% as a result of the increase in prices of summer grains by 49,0%, dry beans by 21,9%, cotton by 21,0%, oilseeds by 18,0%, sugar cane by 17,3%, winter grains by 16,2%, hay by 10,6% and tobacco by 6,2%.

Prices of horticultural products increased by 19,6%, mainly because of the increase in prices of vegetables by 35,6%, fruit by 13,4% and viticulture by 5,0%.

Prices of animal products increased by 5,7% due to the increase in prices of pastoral products by 24,9%, slaughtered stock by 9,1%, milk by 7,9% and poultry meat by 1,3%.

The prices paid for farming requisites rose by 6,0%, compared to 3,6% in the previous year. Prices paid for tractors increased by 11,7%, building material by 8,2%, feeds by 7,1%, trucks by 6,3%, seeds by 6,1%, fencing material by 5,7%, packaging material and animal health and crop protection by 5,4% each, fuel by 4,7%, maintenance and repairs by 4,0% and fertilisers by 3,0%.

Net farming income increased substantially by 26,6% and was estimated to be R96 337 million for the period up to 31 December 2016, compared to R76 084 million in the previous period.

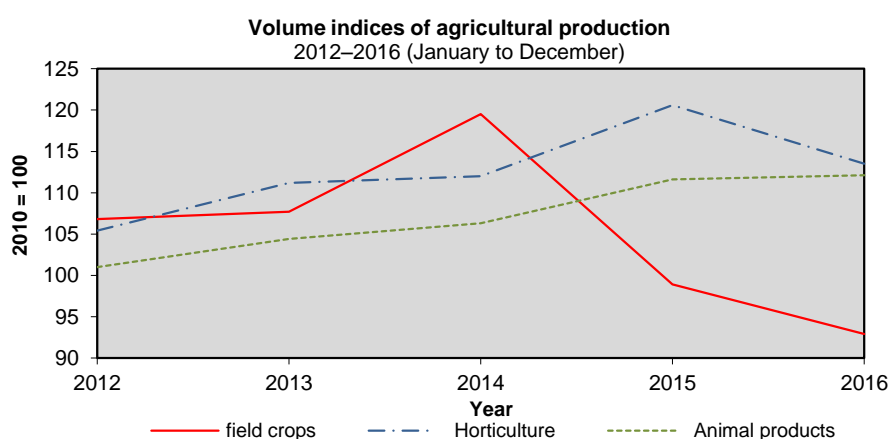
Volume of agricultural production

The estimated volume of agricultural production during 2016 was 2,8% lower than in 2015.

The volume of field crop production decreased by 6,0%, mainly as a result of a decrease in the production of summer grains (maize and sorghum), oilseeds (especially soya beans and groundnuts), as well as sugar cane due to the devastating drought experienced in 2016.

Horticultural production decreased by 5,9%, which can mainly be attributed to decreases in the production of subtropical and citrus fruit, as well as vegetables.

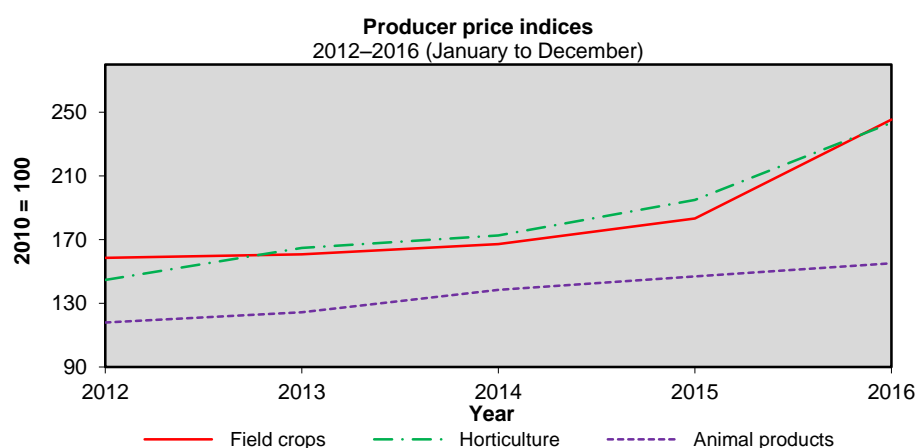
The production of animal products increased slightly by 0,4%, mainly because of an increase in the number of cattle, goats and pigs slaughtered during 2016.



Producer prices of agricultural products

Producer prices of agricultural products increased on average by 16,8% during the period under review.

The weighted average price of field crops increased drastically by 33,9% as a result of the increase in prices of summer grains by 49,0%, dry beans by 21,9%, cotton 21,0%, oilseeds by 18,0%, sugar cane by 17,3%, winter grains by 16,2%, hay by 10,6% and tobacco by 6,2%.



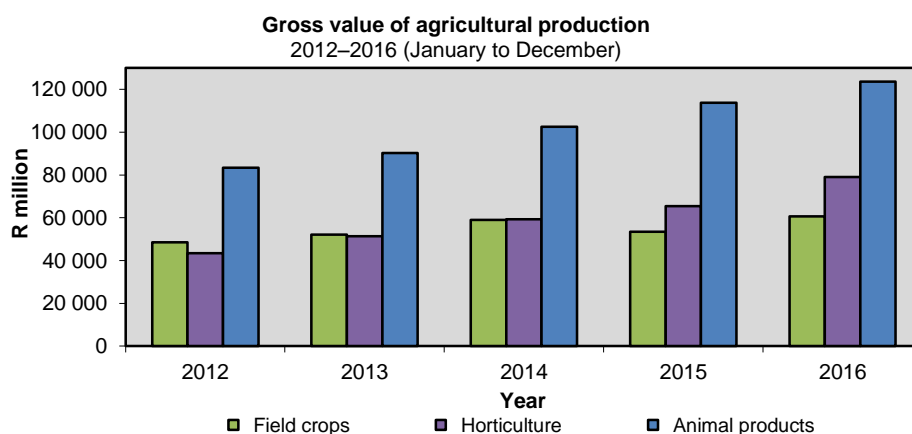
Prices of horticultural products increased by 19,6%, mainly because of the increase in prices of vegetables by 35,6%, fruit by 13,4% and viticulture by 5,0%.

Prices of animal products increased by 5,7% as a result of the increase in prices of pastoral products by 24,9%, slaughtered stock by 9,1%, milk by 7,9% and poultry meat by 1,5%.

Gross value of agricultural production

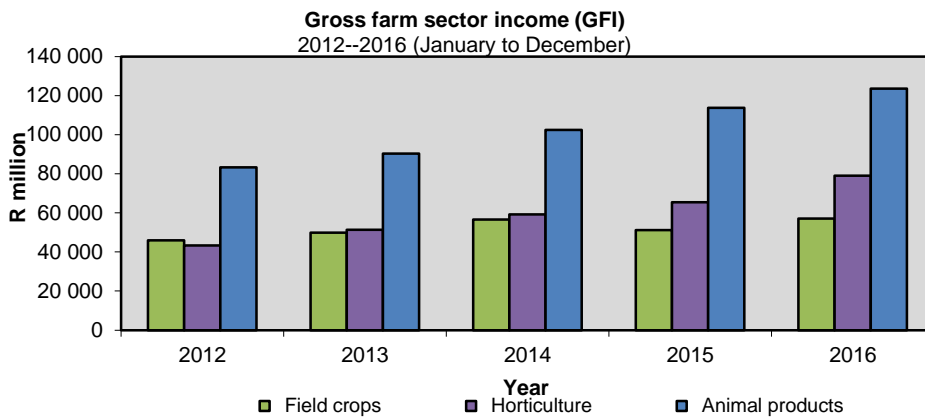
The *total gross value of agricultural production* (total production during the production season valued at the average basic prices received by producers) for 2016 is estimated at R263 201 million, compared to R232 490 million the previous year—an increase of 13,2%. This increase can mainly be attributed to an increase in the value of horticultural products.

The gross value of animal products contributed 46,9% to the total gross value of agricultural production, while horticultural products and field crops contributed 30,0% and 23,1%, respectively. The poultry meat industry made the largest contribution with 15,2%, followed by cattle and calves slaughtered with 12,5% and maize with 10,7%.

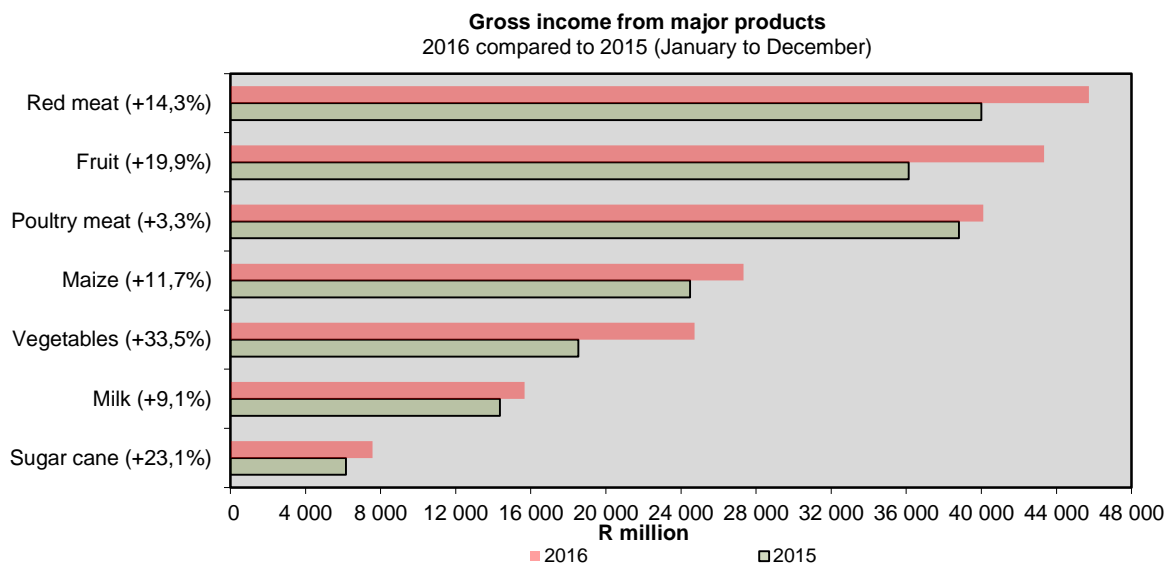


Farming income

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 2016 amounted to R259 620 million, compared to R230 306 million the previous year—an increase of 12,7%. The increase in income can be ascribed mainly to better prices received by farmers for their products. Lower production levels in the case of grain crops, oilseeds, fruit and vegetables as a result of dry weather conditions during 2015 and most of 2016 contributed to substantial increases in prices received by farmers for these commodities.



The *gross income from field crops* increased by 11,3% to R57 018 million for the year ended 31 December 2016. Income from maize at R27 336 million was 11,7% more than in the previous 12 months. This was notwithstanding a maize crop of 7,8 million tons, which was the lowest crop in the country since 2007. The increase can be attributed to seasonal price increases by an average of 57,1% in the case of white maize and 36,2% in the case of yellow maize. Income from sunflower seed showed an increase of 52,2% to R4 776 million and income from wheat at R6 520 million was 17,0% up on 2015. Income from sugar cane at R7 570 million was 23,1% higher than in the previous 12 months. Income from groundnuts and dry beans, however, showed substantial decreases of 68,5% and 42,1% to R169 million and R514 million, respectively. Income from soya beans also decreased by 9,2% to R4 599 million.

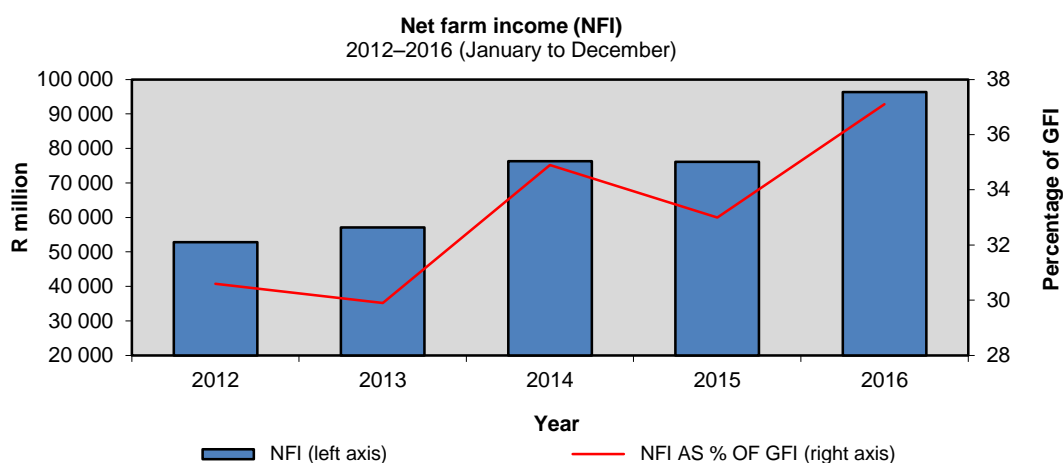


The *gross income from horticultural products* increased by 20,9%, from R65 374 million in 2015 to R79 043 million in 2016. Income from citrus fruit increased by 19,8% and amounted to R17 749 million. Income from deciduous fruit, at R21 159 million, was 21,6% higher than in 2015. Income from vegetables increased by 33,5% to R24 726 million. Income from subtropical fruit increased by 13,3% to R4 434 million.

The *gross income from animal products* was 8,7% higher in 2016 and amounted to R123 559 million, compared to R113 705 million for the previous year. Producers earned R33 004 million from slaughtered cattle, compared to the previous R28 442 million—an increase of 16,0%. Income from poultry meat showed an increase of only 3,3% to R40 100 million. Income from egg production, at R10 192 million, was 3,4% higher than in the previous year. Producers earned R15 660 million from

milk production, which is 9,1% more than in the previous year. Income from wool increased by 24,7% to R3 629 million.

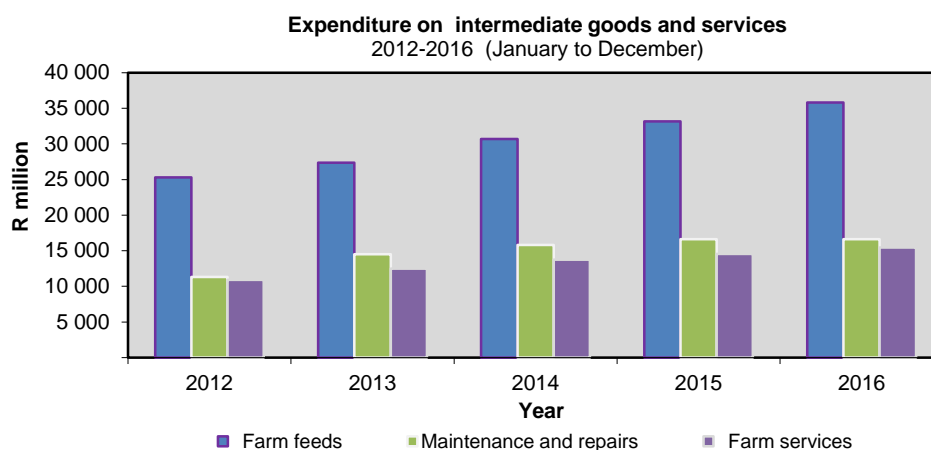
The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R96 337 million for the 12 months that ended on 31 December 2016, which is 26,6% more than during the previous 12 months. The increase in net farming income, however, should be viewed against the poor financial position of the farming sector during 2015, when net farming income declined compared to 2014. Payments for salaries and wages, which represented 10,3% of the total farming costs, amounted to R17 335 million. Interest paid by farmers to banks and other financiers during the 12 months up to 31 December 2016 is estimated at R8 390 million, or 5,0% of total farming costs.



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 for 2016 increased by 7,1% and amounted to R133 243 million, from R124 430 million in 2015. Expenditure on building and fencing material and seed and plants increased by 10,0% each, packing material by 9,0%, farm feeds by 8,0%, fuel by

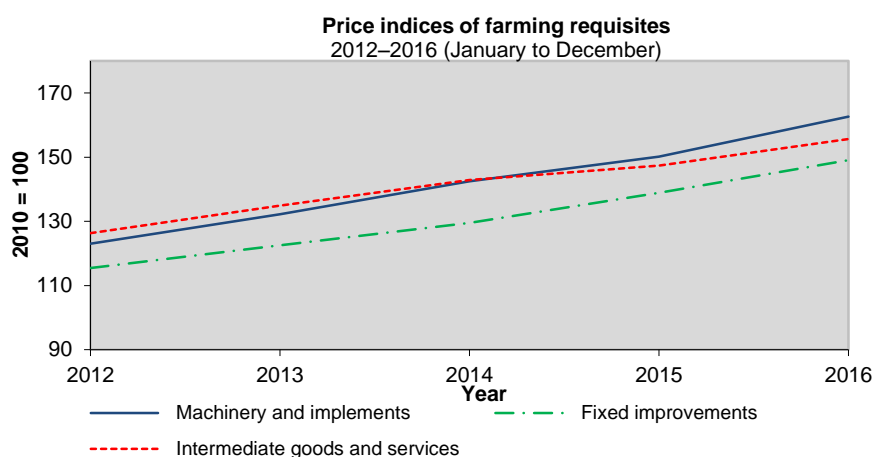


6,3%, farm services and animal health and crop protection by 6,0% each, maintenance and repairs of machinery and implements by 5,1% and fertilisers by 3,0%.

Expenditure on farm feeds remained the biggest expenditure item, contributing 29,0% to total expenditure, followed by maintenance and repairs (13,8%), farm services (12,3%), fuel (8,9%), seeds and plants (6,4%), animal health and crop protection (6,2%), fertilisers (5,1%), packing material (4,7%) and building and fencing material (4,0%).

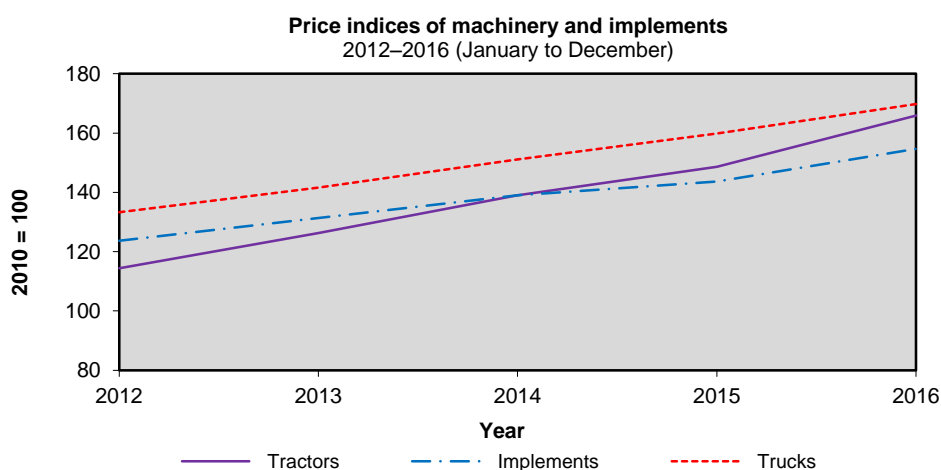
Prices of farming requisites

Prices of farming requisites, including machinery and implements, material for fixed improvements and intermediate goods and services, increased by 6,0% in 2016, compared to 3,6% of the previous year.

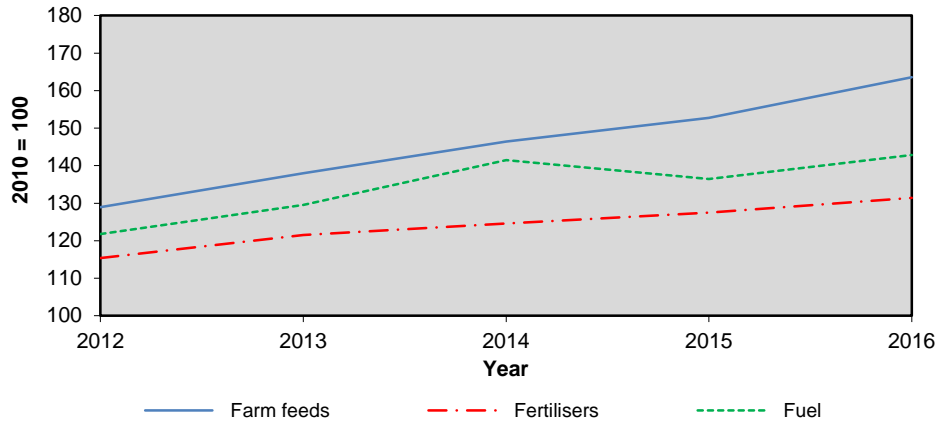


The price index of machinery and implements increased by 8,3% during 2016. The price index of materials for fixed improvements increased by 7,4% and the combined index of prices of intermediate production inputs and services increased by 5,6%.

Prices paid for tractors increased by 11,7%, building material by 8,2%, feeds by 7,1%, trucks by 6,3%, seeds by 6,1%, fencing material by 5,7%, packaging material and animal health and crop protection by 5,4% each, fuel by 4,7%, maintenance and repairs by 4,0% and fertilisers by 3,0%.



Price indices of certain intermediate goods
2012–2016 (January to December)

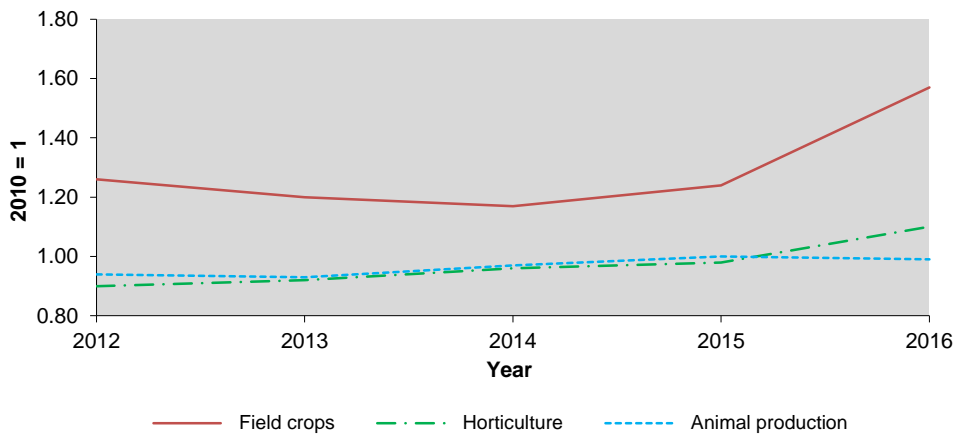


Domestic terms of trade in agriculture (2010 = 1)

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 strengthened by 9,5% from 1,05 in 2015 to 1,15 in 2016. The terms of trade for field crops improved by 26,6% (from 1,24 in 2015 to 1,57 in 2016) and for horticultural products by 12,2% (from 0,98 in 2015 to 1,10 in 2016), while that of animal products weakened slightly by 1,0% (from 1,00 in 2015 to 0,99 in 2016).

Terms of trade in agriculture
2012–2016 (January to December)



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.

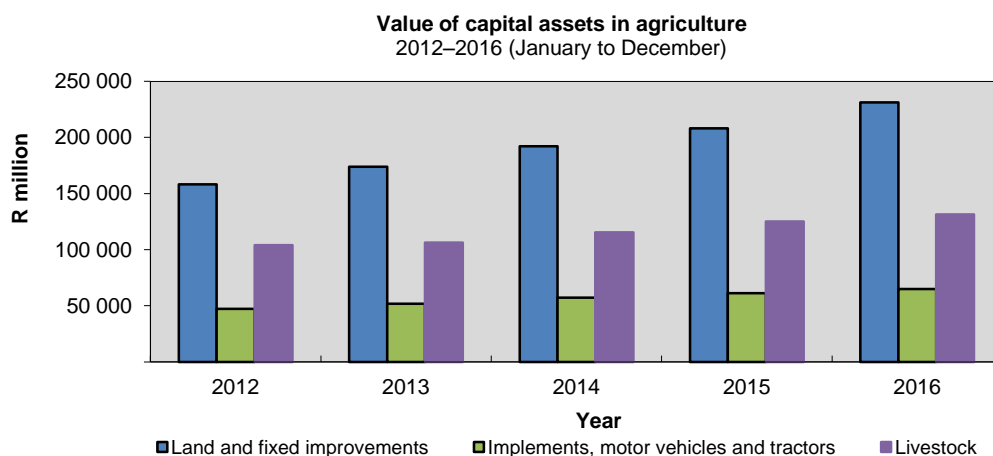
The contribution of agriculture, forestry and fisheries to value added for the year ended 31 December 2016 is estimated at R94 408 million. This represents 2,4% of the total value added to the economy.

Year	Total value added	Contribution of agriculture to value added	Contribution of agriculture as percentage of total value added
	R million	R million	%
2005	1 469 239	31 273	2,1
2006	1 642 222	34 478	2,1
2007	1 884 722	46 671	2,5
2008	2 137 190	57 656	2,7
2009	2 277 146	56 055	2,5
2010	2 494 860	52 001	2,1
2011	2 724 400	55 478	2,0
2012	2 932 879	59 934	2,0
2013	3 183 433	63 321	2,0
2014	3 418 061	70 755	2,1
2015	3 625 467	72 235	2,0
2016*	3 869 460	94 408	2,4

*Note: Figures are for agriculture, forestry and fisheries.

Capital assets and investment in agriculture

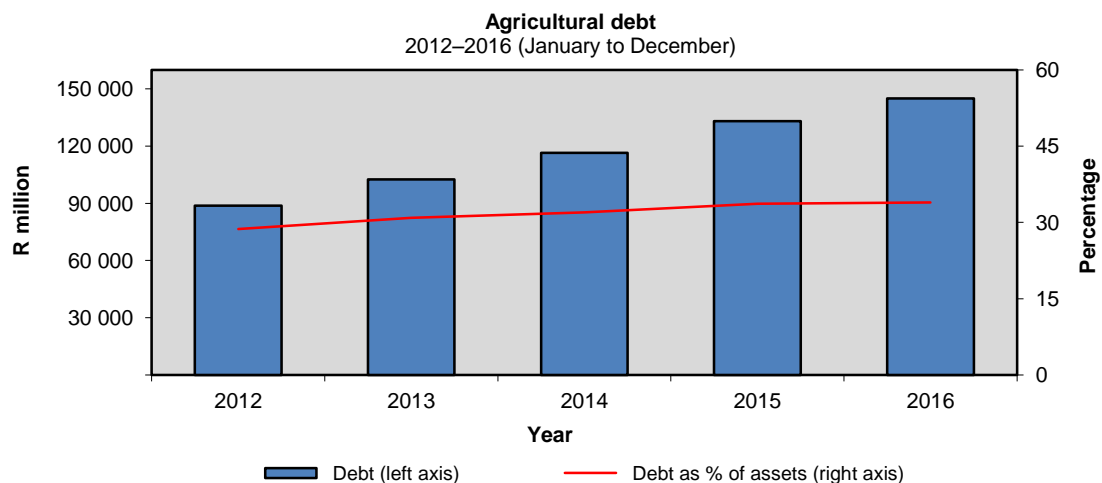
The value of capital assets in agriculture as at 31 December 2016 showed an increase of 8,5% and is estimated at R427 790 million, compared to R394 385 million at the end of December 2015. Land and fixed improvements constituted 54,1%, livestock (30,7%) and implements, motor vehicles and tractors (15,2%) of the total value of capital assets.



The gross investment in respect of fixed improvements for the year ended 31 December 2016 was 17,4% higher than in 2015 and amounted to R5 472 million. In the case of machinery, implements and vehicles, investment increased by 7,3% and amounted to R10 079 million. The livestock inventory decreased with R464 million from the previous year.

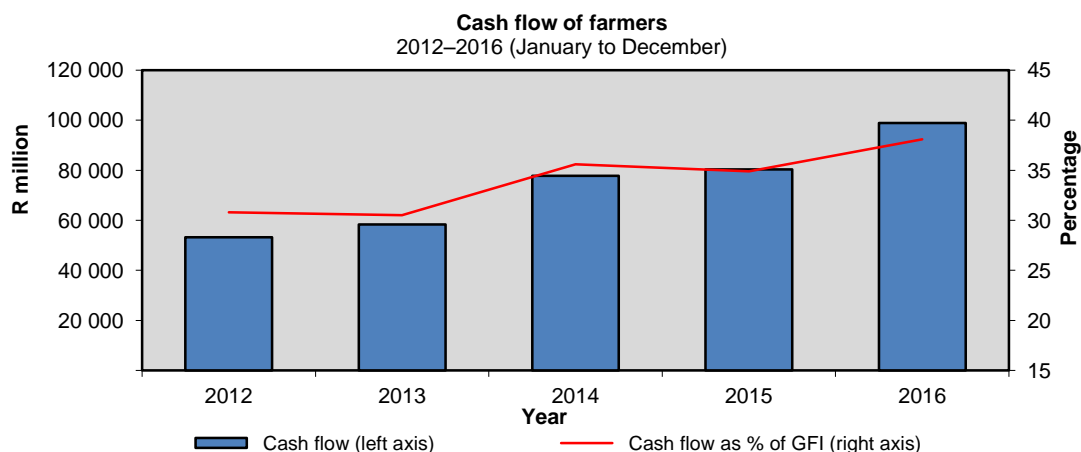
Farming debt

The total farming debt as at the end of December 2016 increased by 8,9% and was estimated at R144 981 million, from R133 089 million in 2015.



Cash flow of farmers

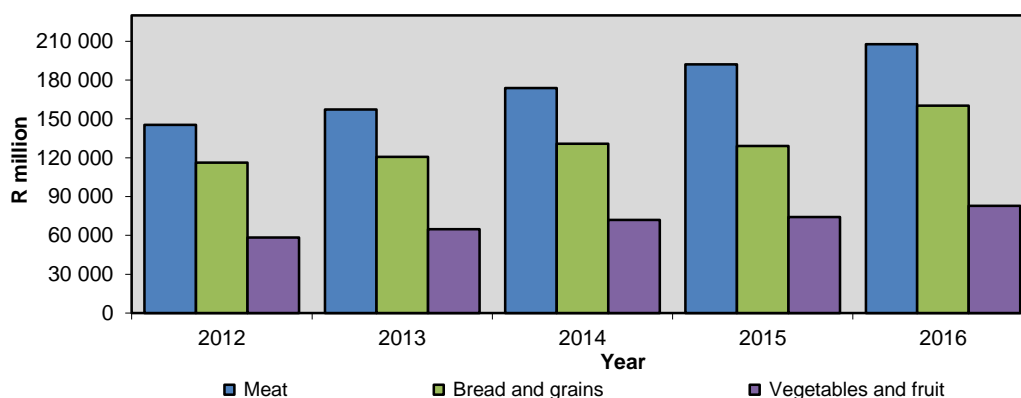
The cash flow of farmers increased by 23,2% for the year ended 31 December 2016 and amounted to R98 907 million, from R80 294 million in the previous year. This was mainly a result of the higher increase in prices of all agricultural products.



Consumption expenditure on food

The consumption expenditure on food for the year ended 31 December 2016 amounted to R617 837 million, which is an increase of 11,9% from the R552 001 million of the previous year. Expenditure on most food items increased during 2016, except for oils and fats. Expenditure on meat increased by 8,2%, from R192 003 million to R207 733 million, bread and grains increased by 24,1%, from R129 082 million to R160 131 million, fruit and vegetables by 11,8%, from R74 115 million to R82 832 million, milk, milk products and eggs increased by 1,4%, from R73 033 million to R74 052 million and sugar by 24,5%, from R6 624 million in 2015 to R8 245 million in 2016. Expenditure on oils and fats decreased by 0,6%, from R12 006 million in 2015 to R11 938 million in 2016.

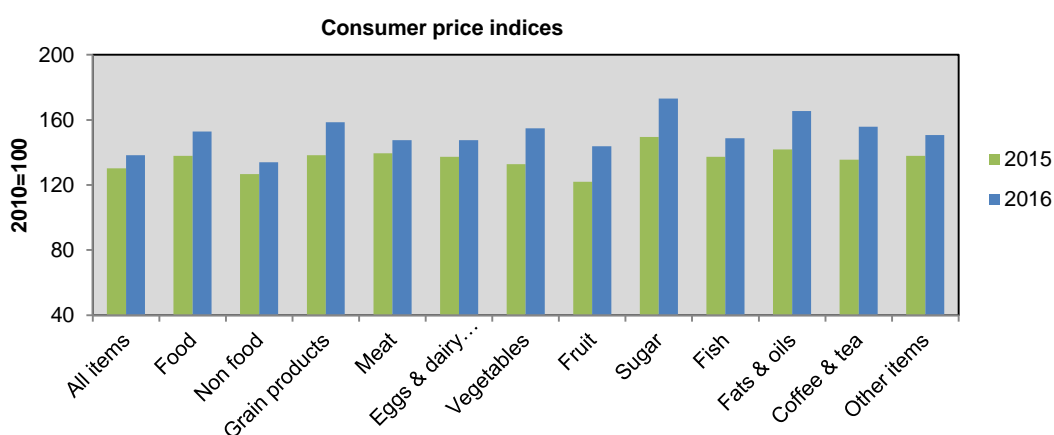
Private consumption expenditure on major food items
2012–2016 (January to December)



Meat represented 34% of the expenditure on the food component, while bread and grains represented 26%, fruit and vegetables (including potatoes) 13%, milk, milk products and eggs 12%, oils and fats 2% and sugar 1%. The other components of food make up the remaining 12%.

Consumer prices

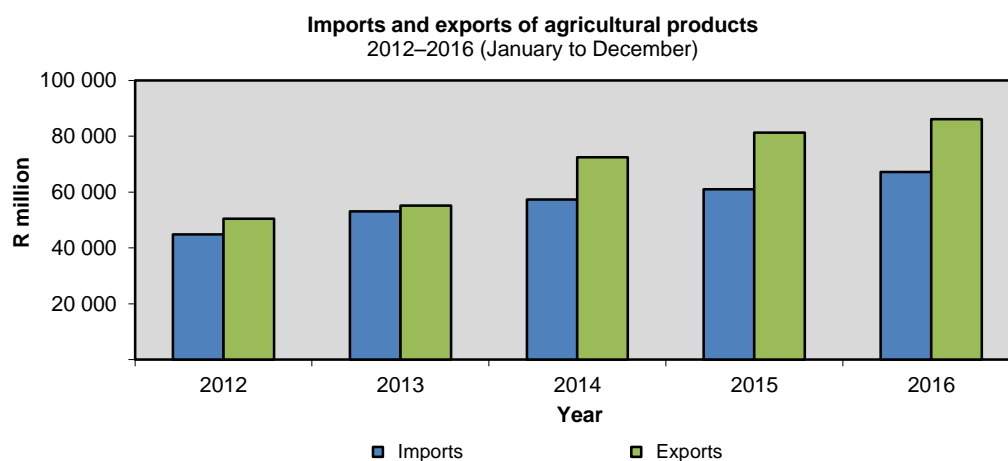
The consumer prices of all agricultural items increased by 6,3% for the year ended 31 December 2016. The consumer prices of food increased by 10,8% and that of non-food items by 5,6%. The prices of fruit rose by 18,0%, fats and oils by 16,7%, vegetables by 16,5%, sugar and related products by 15,9%, coffee and tea by 14,9%, grain products by 14,7%, fish by 8,3% and dairy products and eggs by 7,4%.



Imports and exports of agricultural products

The estimated value of imports during 2016 came to approximately R82 362 million, from R67 244 million in 2015—an increase of 22,5%.

The estimated value of exports showed an increase of 13,7%, from R86 090 million in 2015 to about R97 901 million in 2016.



According to the 2016 agricultural export figures, citrus fruit (R17 067 million), wine (R9 090 million), grapes (R7 822 million), apples, pears and quinces (R7 790 million) and wool (R3 996 million) were the five most important export products in terms of value.

With regard to agricultural imports during 2016, maize (R9 257 million), rice (R5 926 million), meat (R5 465 million), wheat and meslin (R4 488 million) and palm oil (R4 212 million) were the five major products in terms of value.

In terms of exports of agricultural products by South Africa during 2016, the five largest trading partners were the Netherlands, with exports to the value of R11 013 million, the United Kingdom (R9 465 million), Zimbabwe (R6 671 million), Mozambique (R6 352 million) and China (R5 299 million).

The five largest trading partners from whom South Africa imported agricultural products during 2016 were Argentina, with imports valued at R10 502 million, Brazil (R4 748 million), the Netherlands (R4 381 million), the United Kingdom (R4 177 million) and the United States (R4 093 million).