

# Economic review of the

# South African agriculture

2014/15

DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES



agriculture,  
forestry & fisheries

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REPUBLIC OF SOUTH AFRICA

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**2014/15**

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## FOREWORD

The value of agricultural production in South Africa was R218 045 million in 2014, while its contribution to the GDP was approximately R69 423 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 decline in agriculture's share of the GDP, from 7,1% in 1970 to 2,0% in 2013.

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 supplying 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 calculating agriculture's contribution to the national economy and determining 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 2015

Ms Ellen Matsei

Director: Statistics and Economic Analysis

# ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 30 JUNE 2015

## Summary

Gross farming income from all agricultural products for the year ended 30 June 2015 is estimated at R221 890 million, which is an increase of 9,5% from the previous corresponding period.

Gross farming income from field crops increased by 5,6% and amounted to R54 108 million. The income from horticultural products rose by 8,4%, from R54 745 million to R59 354 million. Income from animal products increased by 12,2%, from R96 598 million to R108 429 million.

Prices received by farmers for agricultural products and prices paid by farmers for farming requisites increased on average by 4,0% and 4,8% respectively, which resulted in the terms of trade to decrease from 1,02 to 1,01 during the period under review.

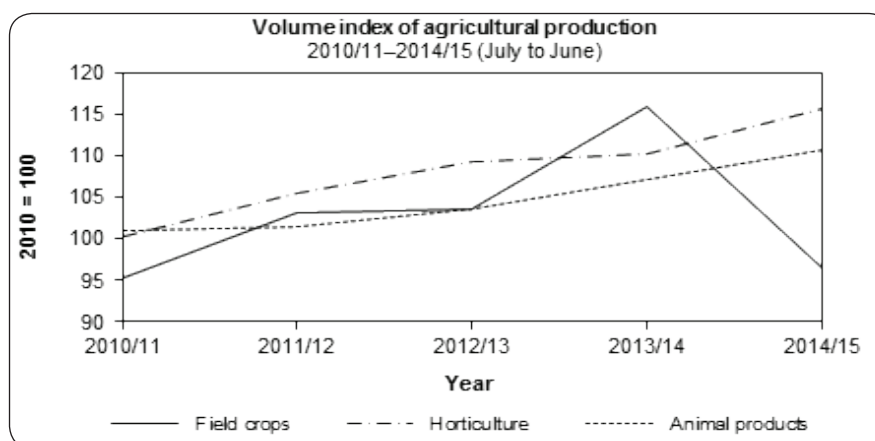
The weighted average price of animal products increased by 10,0%, field crops by 5,6% and horticultural products by 3,5%.

The prices paid for farming requisites, including machinery and implements; material for fixed improvements as well as intermediate goods and services, increased by 4,8%, compared to the previous year's 5,9%.

Net farming income increased by 15,3% and amounted to R77 063 million for the 12 months up to 30 June 2015.

## Volume of agricultural production

The estimated volume of agricultural production in 2014/15 was 1,2% less than in 2013/14.



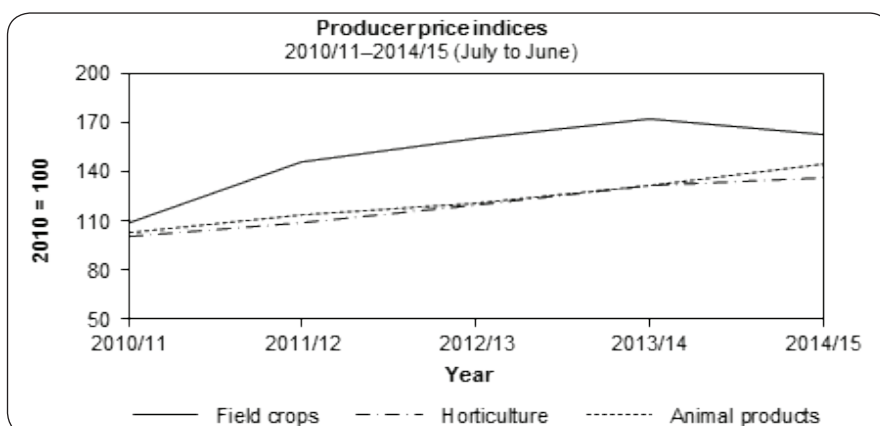
The field crop production volume decreased by 16,9%, mainly as a result of decreases in the production of summer crops (maize, sorghum and dry beans), winter crops (wheat and oats) as well as oilseed crops (sunflower seed and groundnuts) and sugar cane. Maize production decreased by 4,5 million tons (30,1%), sorghum by 172 845 tons (56,7%) and dry beans by 9 614 tons (10,6%) from the previous season. Wheat production decreased by 120 533 tons (6,4%) and oats by 4 600 tons (16,3%) from 2013/14. Sunflower seed production decreased by 182 157 tons (21,1%) and groundnut production by 20 170 tons (23,9%) from 2013/14. The production of sugar cane decreased by 2,7 million tons (15,2%) from 2013/14.

Horticultural production for 2014/15 showed an increase of 5,0% from the previous season, which can mainly be attributed to increases in the production of deciduous fruit, vegetables and citrus fruit. The increase in the production of plums by 83 000 tons (119,2%), apples by 58 107 tons (7,3%) and table grapes by 41 528 tons (17,0%) led to an increase in deciduous fruit production. In the case of vegetables, the production of potatoes increased by 92 213 tons (4,2%) and onions by 55 253 tons (8,9%). Regarding citrus fruit, lemon production increased by 75 421 tons (29,3%) and that of soft citrus by 21 561 tons (13,3%) from 2013/14.

Animal production increased by 3,3% as a result of increases in the number of stock slaughtered (by 464 954 carcasses or 4,4%), followed by poultry meat (by 33 086 tons or 2,0%), fresh milk (by 225 993 litres or 7,1%) and eggs (by 5 934 tons or 1,0%) from 2013/14.

## Producer prices of agricultural products

Producer prices of agricultural products increased on average by 4,0% from 2013/14 to 2014/15.



The weighted average price of field crops decreased by 5,6%. The prices of hay increased by 14,7%, tobacco by 13,8%, sugar cane by 11,9%, cotton by 7,4% and winter grains slightly by 0,7%. The prices of summer grains decreased by 13,2%, oilseeds by 8,6% and dry beans by 1,2%.

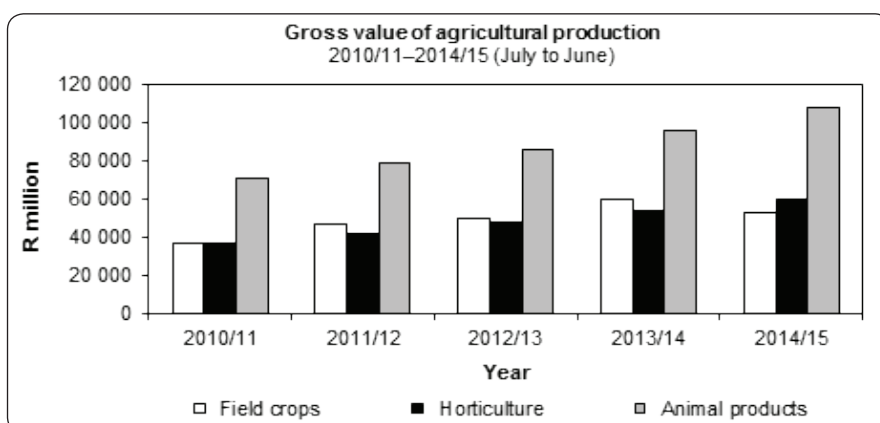
Horticultural products' prices increased on average by 3,5%. The prices of fruit increased by 7,8% and viticulture by 1,3%, while vegetables' prices decreased by 2,4%.

Animal products' prices increased by 10,0%. The average prices of dairy increased by 12,7%, slaughtered stock by 12,1%, poultry by 8,2% and pastoral products by 4,6%.

## 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 2014/15 is estimated at R221 302 million, compared to R210 093 million the previous year—an increase of 5,3%. This increase can be attributed mainly to an increase in the value of animal products.

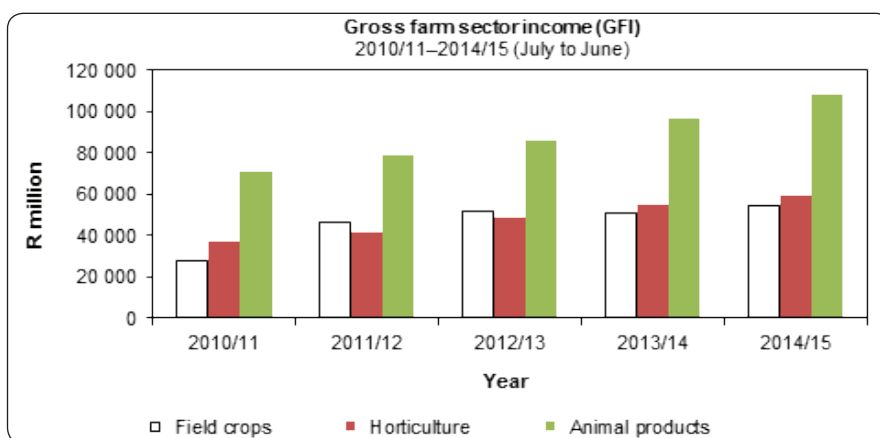
The gross value of animal products, horticultural products and field crops contributed 49,0%, 26,9% and 24,1% respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 16,5%, followed by cattle and calves slaughtered with 11,9% and maize with 10,5%.



## Farming income

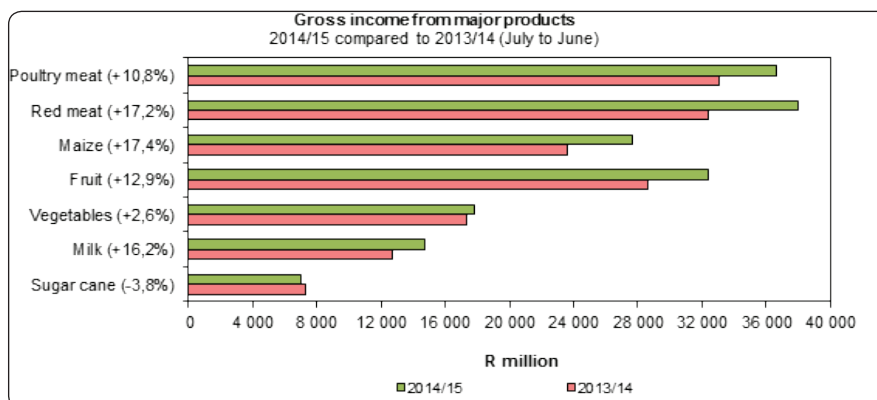
The *gross income of producers* (the value of sales and production for other uses, plus the value of changes in inventories) for the year ended 30 June 2015 amounted to R221 890 million, compared to R202 565 million the previous year—an increase of 9,5%. The increase can be ascribed mainly to increases in income from

horticultural and animal products. Smaller maize, sunflower seed, groundnut, grain sorghum and sugar cane crops are expected for the current production season. Prices received for field crops, with the exception of maize, on the other hand, did not show significant improvement during the first half of the marketing period. This contributed to the lower than expected income generated by the field crop industries.



The *gross income from field crops* increased by 5,6% to R54 108 million for the year ended 30 June 2015. Maize income amounted to R27 701 million, 17,4% more than the R23 590 million of the previous 12 months. Cotton income increased by 124,9% to R296 million. Income from sunflower seed decreased by 12% to R3 260 million and that from groundnuts by 25% to R490 million and grain sorghum by 54,3% to R339 million. Soya bean income decreased by 6,5% to R4 860 million. Income from sugar cane at R7 039 million, was 3,8% lower than that of the previous 12 months.

The *gross income from horticultural products* increased by 8,4%, from R54 745 million in 2013/14 to R59 354 million in 2014/15. Income from deciduous fruit increased by 17,2% and amounted to R16 402 million and that of citrus fruit increased by 9,9% and amounted to R12 327 million. Income from subtropical fruit increased by 5,4% to R3 641 million. Income from vegetable production increased only moderately by 2,6% to R17 801 million.

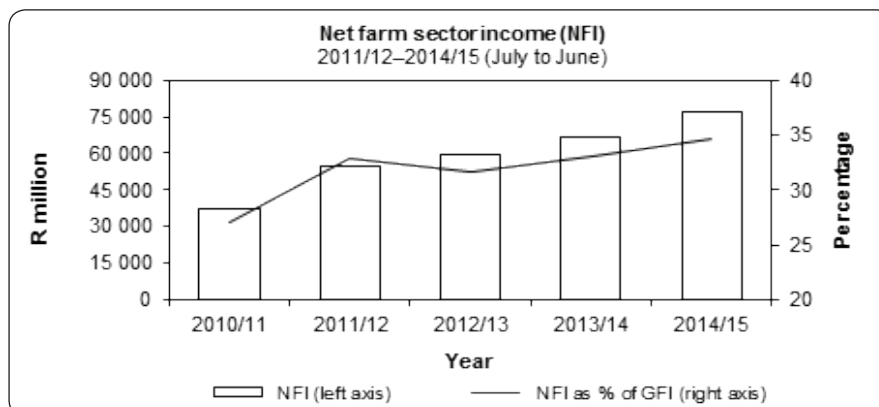


The *gross income from animal products* was 12,2% higher in 2014/15 and amounted to R108 429 million, compared to R96 598 million in 2013/14. Producers earned R26 335 million from slaughtered cattle, compared to the previous R22 718 million—an increase of 15,9%. Income from slaughtered sheep increased by 23,3% to R6 238 million. Income from poultry meat production rose by 10,8% to R36 589 million and income from egg production, at R9 439 million, was 6,3% higher than in the previous year. Producers earned R14 775 million from milk production, which is 16,3% more than in the previous year. Income from ostrich products increased by 26,7% to R433 million. Income from wool, however, decreased by 4% to R2 631 million and that of mohair by 8,9% to R372 million.

The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R77 063 million for the 12 months that ended on 30 June 2015, which is 15,3%



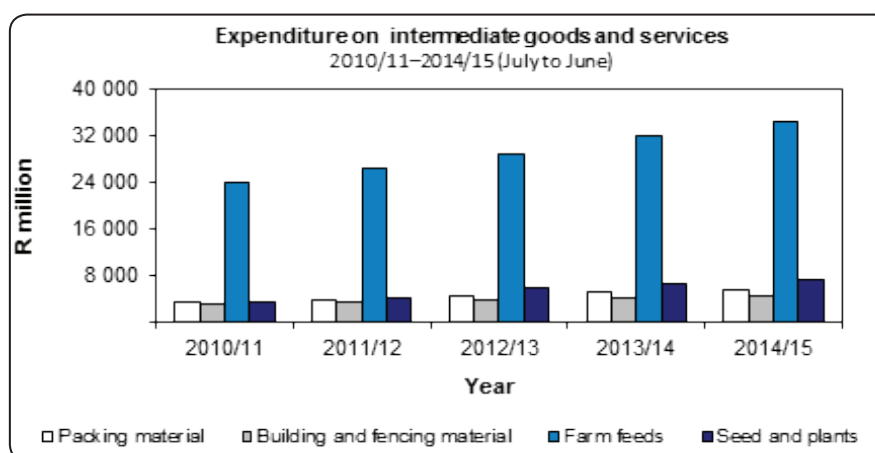
more than in the previous 12 months. Payments for salaries and wages, which represented 10,6% of the total farming costs, amounted to R15 940 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2015 is estimated at R7 299 million, or 4,9% of the total farming 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 2014/15 is estimated at R118 212 million, which represents a rise of 6,4% from R111 059 million in 2013/14. Large increases occurred in expenditures on building and fencing material (10,5%), seed and plants (10,0%), packing material (9,0%), farm feeds (8,0%), farm services (6,0%) and animal health and crop protection (6,0%).*

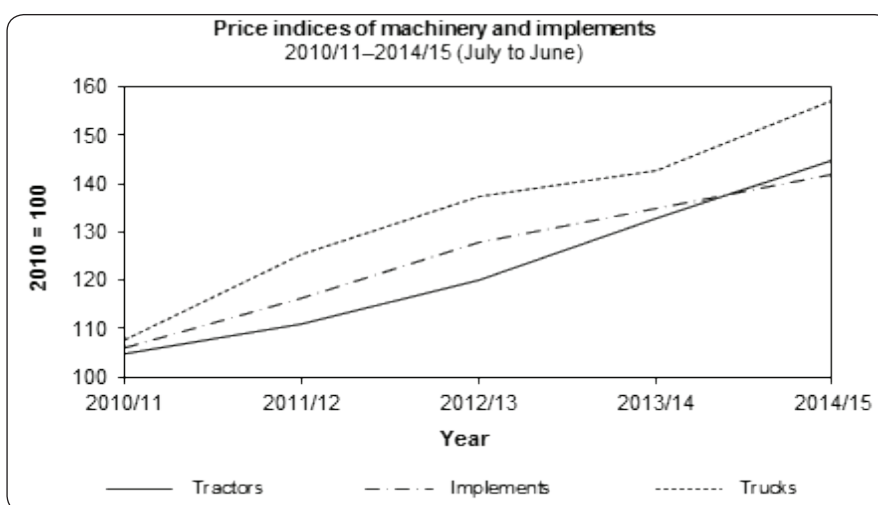
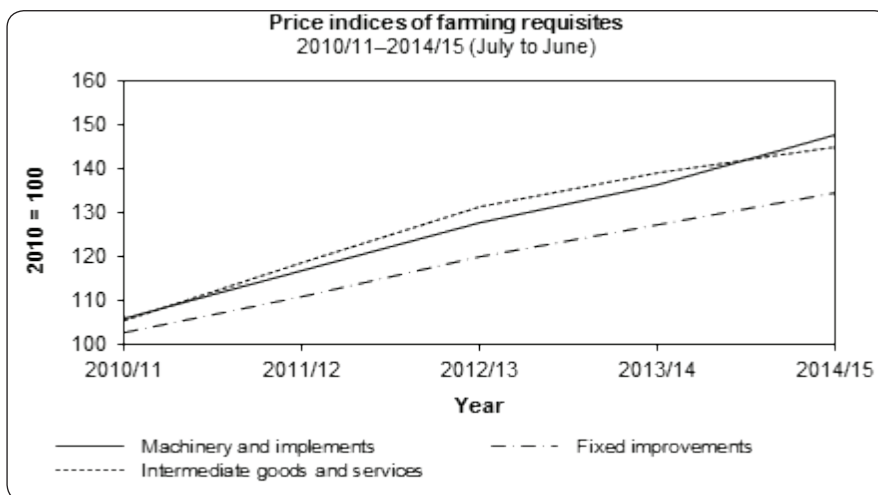


Expenditure on farm feeds remained the biggest expenditure item, accounting for 29,1% of the total overheads, followed by maintenance and repairs of machinery and implements (14,3%), farm services (12,7%) and fuel (7,5%).

### Prices of farming requisites

*Prices of farming requisites rose by 4,8% in 2014/15, compared to an increase of 5,9% the previous year. Prices of trucks increased on average by 10,0%, tractors by 8,9%, fencing material by 6,0%, building material by 5,8%, feeds and animal health and crop protection by 5,4% each, packing material by 5,2%, maintenance and repairs by 4,8% and fertilisers by 2,5%. Fuel prices remained unchanged.*

The combined index of machinery and implements' prices showed an increase of 8,0% for 2014/15. The price index of materials for fixed improvements increased by 5,9% and the index of intermediate goods and services increased by 4,3%.

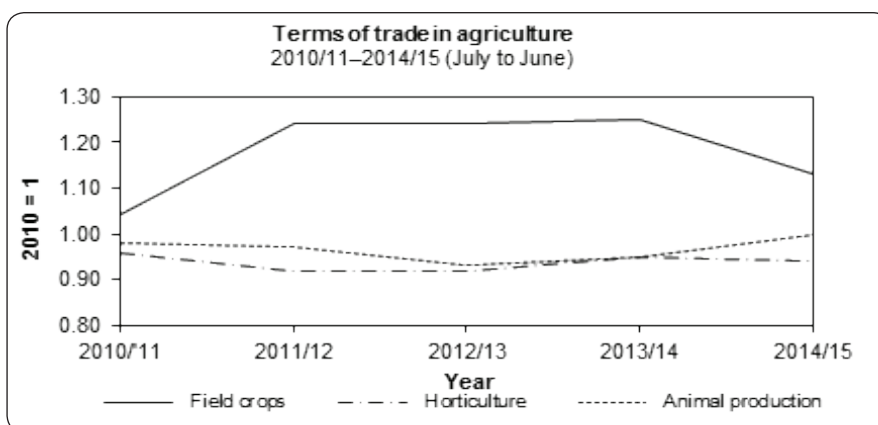


### Domestic terms of trade in agriculture (2010 = 1)

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 decreased slightly by 1,0%, from 1,02 in 2013/14 to 1,01 in 2014/15.

The terms of trade for field crops decreased by 9,6%, from 1,25 to 1,13, and horticultural products by 1,1%, from 0,95 to 0,94, while that of the animal production industry increased by 5,3%, from 0,95 to 1,00.



## 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.

Agriculture, forestry and fisheries' contribution to value added for the year ended 31 December 2015 is estimated at R84 662 million. This represents 2,5% 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	2 725 022	55 066	2,0
2012	2 939 640	59 713	2,0
2013	3 172 961	62 826	2,0
2014	3 404 495	84 662*	2,5

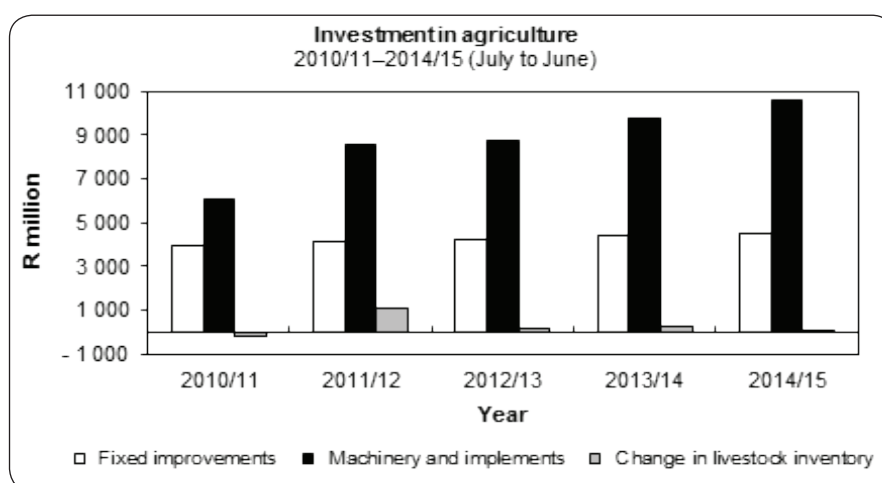
\*Note: Figure is for agriculture, forestry and fisheries

## Capital assets and investment in agriculture

The value of capital assets in agriculture as at 30 June 2015 is estimated at R383 542 million, compared to R348 819 million at the end of June 2014—an increase of 10,0%.

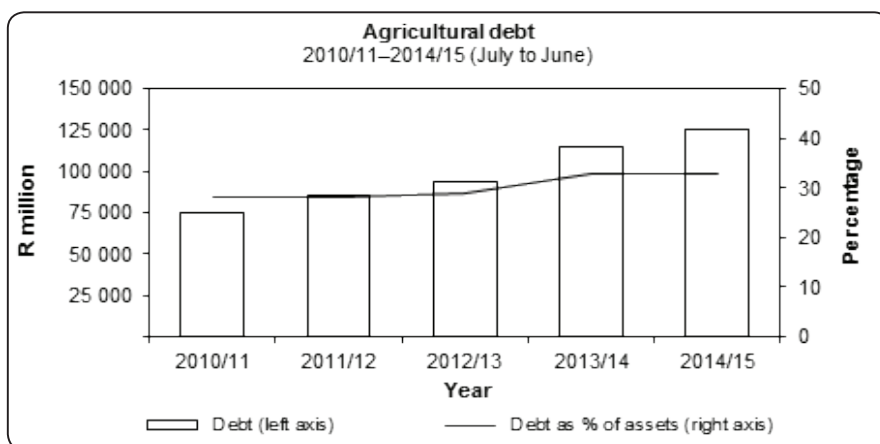
Land and fixed improvements constituted R201 257 million (52,5%), livestock R121 211 million (31,6%) and machinery and implements R61 074 million (15,9%) of the total value of capital assets.

The gross investment in respect of fixed improvements for the year ended 30 June 2015 increased by 1,4% to R4 495 million. Investment in machinery, implements and vehicles increased by 8,3% and amounted to R10 574 million. The livestock inventory was R49,9 million more than in the previous year.



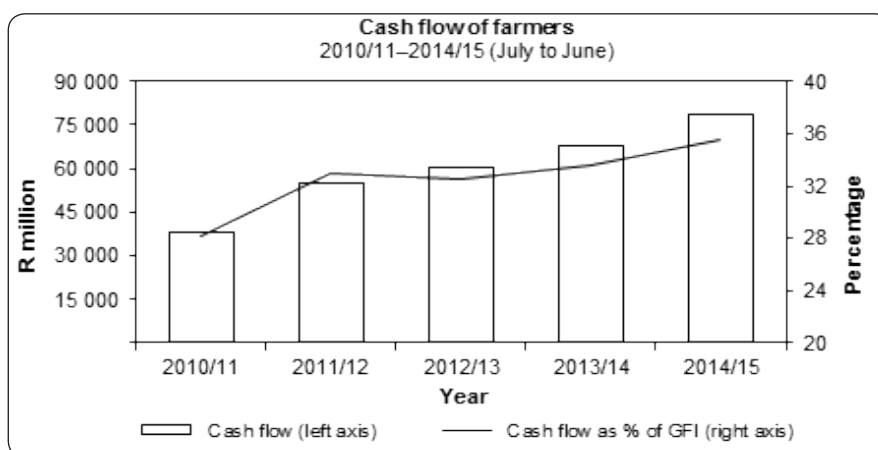
## Farming debt

The total farming debt as at the end of June 2015 is estimated at R125 712 million, compared to R115 117 million at the end of June 2014—an increase of 9,2%.



## Cash flow of farmers

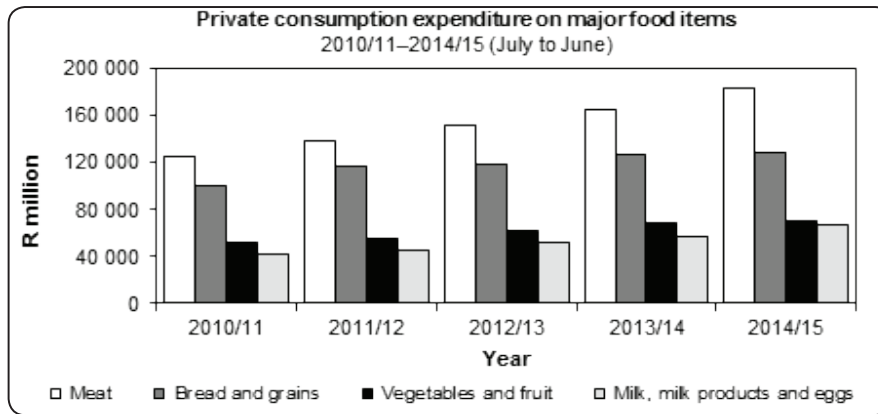
The cash flow of farmers amounted to R78 835 million for the year ended 30 June 2015, compared to the previous R68 106 million, an increase of 15,8%. This was the result of an increase in the gross income of producers.



## Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2015 increased by 7,2% and amounted to R531 273 million, compared to the R495 368 million of the previous year. Expenditure on meat increased by 11,5% to R183 382 million, on bread and grain products by 1,0% to R128 703 million, and on fruit and vegetables (including potatoes) by 3,0% to R71 141 million. Expenditure on milk, milk products and eggs indicates an increase of 17,4% to R66 985 million, and on sugar an increase of 1,3% to R6 359 million. Expenditure on oils and fats shows a decrease of 4,5% to R12 012 million.

Meat represented 36% of the expenditure on the food component; bread and grains 24%; fruit and vegetables (including potatoes) 13%; milk, milk products and eggs 12%; oils and fats 2%; sugar 1%; and other products (jam, chocolates, ice cream, table salt, herbs, coffee, tea, etc.) 12%.



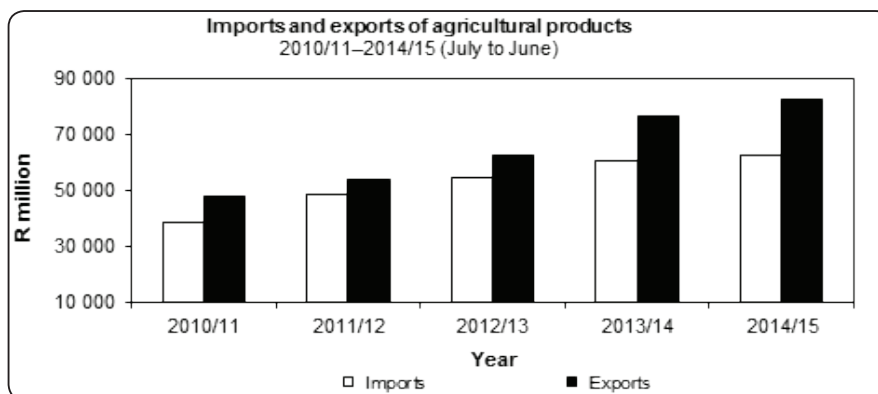
## Consumer prices

The consumer price index (with base year 2010 = 100) of all items increased by 5,2%, from 120,9 to 127,1 during the year ended 30 June 2015. The CPI of food increased by 6,8%, from 126,2 to 134,8, and that of non-food items increased by 5,0%, from 118,1 to 124,0.

Meat prices increased by 8,2%, from an index figure of 126,0 to 136,4, grain products by 5,2%, from 127,4 to 133,9, vegetables by 4,8%, from 126,1 to 132,1, and fruit by 4,6%, from 116,7 to 122,1. In the case of dairy products and eggs, prices rose by 10,9%, from an index of 122,1 to 135,4. The prices of sugar and related products increased by 8,5%, from 132,3 to 143,5.

## Imports and exports of agricultural products

The estimated value of imports for 2014/15 came to R62 648 million, an increase of 3,5% from R60 546 million for 2013/14. The value of exports increased by 7,7%, from R76 900 million in 2013/14 to R82 839 million in 2014/15.



According to the 2014/15 export values, citrus fruit (R12 462 million), wine (R8 028 million), chemical wood pulp (R7 730 million), grapes (R6 598 million) and apples, pears and quinces (R6 255 million), were the most important agricultural export products.

Wheat and meslin (R6 157 million), rice (R5 126 million), poultry (R4 306 million), undenatured ethyl alcohol (R3 667 million) and palm oil (R3 632 million) accounted for the highest imports in terms of value.

During 2014/15, the Netherlands, with exports to the value of R8 606 million, the UK (R7 717 million), Mozambique (R5 989 million), Zimbabwe (R5 123 million) and China (R3 943 million) were the five largest trading partners of South Africa in terms of export destinations for agricultural products. About 19,7% of the total value of agricultural exports from South Africa for the period July 2014 to June 2015 went to the Netherlands and the UK combined.

The five largest trading partners for South Africa's imported agricultural products during 2014/15 were Argentina (R4 536 million), the UK (R4 118 million), Indonesia (R3 751 million), Germany (R3 478 million) and Thailand (R3 371 million). About 13,8% of the total value of agricultural imports by South Africa during the period July 2014 to June 2015 was from Argentina and the UK combined.

