

Economic Review

of the

South African

Agriculture

2015/16

DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

2016

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FOREWORD

The value of agricultural production in South Africa was R247 098 million in 2015/2016, while its contribution to the GDP was approximately R72 608 million. The primary agricultural sector has grown by an average of approximately 2,2% per annum since 1994, while the total economy grew by 3,3% per annum over the same period, resulting in a decline in agriculture's share of the GDP, from 2,8% in 1994 to 2,2% in 2014.

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 calculate agriculture's contribution to the national economy and determine 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 2016

Ms Ellen Matsei

Director: Statistics and Economic Analysis

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 30 JUNE 2016

Summary

Gross farming income obtained from all agricultural products increased by 4,9% and is estimated at R237 317 million for the year ended 30 June 2016, from R226 162 million in the previous corresponding period.

Gross farming income derived from horticultural and animal products increased by 15,2% (from R61 067 million to R70 340 million) and 6,2% (from R109 842 million to R116 658 million), respectively, while the gross farming income from field crops decreased by 8,9% (from R55 253 million to R50 318 million).

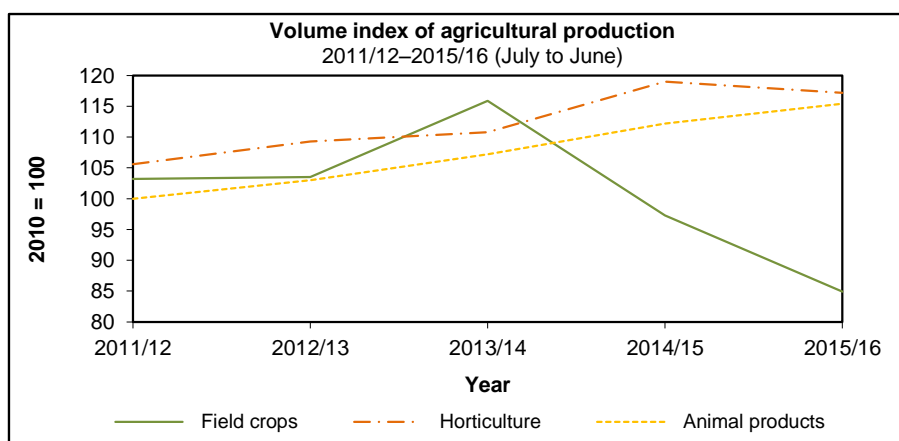
Prices received by farmers for agricultural products increased on average by 14,3% while the prices paid by farmers for farming requisites remained unchanged at 4,8%. This resulted in the increase of 8,8% in the terms of trade.

The weighted average prices of field crops, horticultural and animal products increased by 38,2%, 13,2% and 2,8%, respectively.

Net farming income increased slightly by 1,8% and amounted to R79 819 million for the period July 2015 to June 2016, compared to R78 443 million in the previous corresponding period.

Volume of agricultural production

The estimated volume of agricultural production in 2015/16 was 1,6% less than in 2014/15.



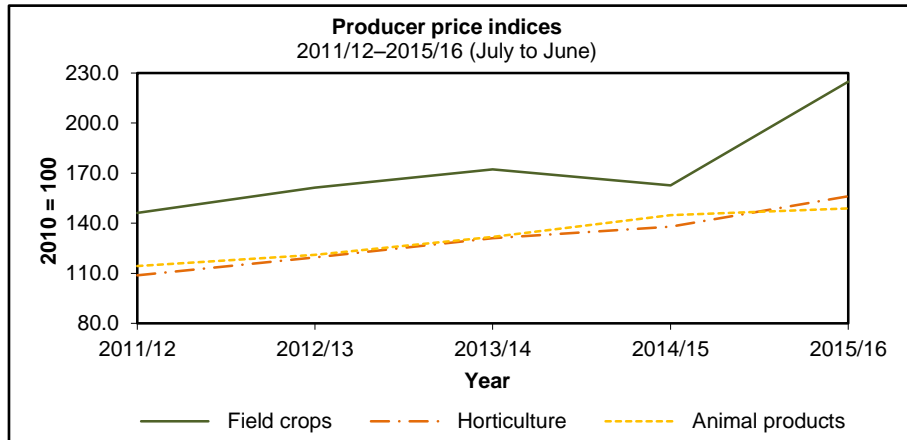
The field crop production volume decreased by 12,7%, mainly as a result of decreases in the production of summer crops (maize and sorghum), winter crops (wheat and canola), as well as oilseed crops (soya beans and groundnuts) and sugar cane. Maize production decreased by 2,9 million tons (27,6%) and sorghum by 36 800 tons (26,6%) from the previous season. Wheat production decreased by 311 377 tons (17,7%) and canola by 27 270 tons (22,5%) from 2014/15. Soya beans production decreased by 319 750 tons (29,9%) and groundnut production by 37 358 tons (53,0%) from 2014/15. The production of sugar cane decreased by 283 559 tons (1,9%) from 2014/15.

Horticultural production for 2015/16 decreased by 1,5% from the previous season, which can mainly be attributed to decreases in the production of subtropical fruit, vegetables, citrus fruit and deciduous fruit. The decrease in the production of mangoes by 34 687 tons (45,8%), bananas by 22 963 tons (5,4%) and avocados by 15 411 tons (15,7%) led to a decrease in subtropical fruit production from 2014/15. The decrease in the production of tomatoes by 96 248 tons (17,8%) mainly led to a decrease in the production of vegetables compared to the previous season. In the case of citrus fruit, the production of oranges decreased by 44 751 tons (2,5%) and grapefruit by 26 840 tons (6,4%) from 2014/15. Regarding deciduous fruit, wine grapes production decreased by 49 399 tons (2,4%), apricots by 15 282 tons (31,1%) and peaches by 7 563 tons (3,9%) from 2014/15.

Animal production increased by 2,9%, mainly as a result of increases in the production of poultry meat (by 54 170 tons or 3,1%), as well as eggs (by 12 183 tons or 2,2%) from 2014/15.

Producer prices of agricultural products

Producer prices of agricultural products increased on average by 14,3%, for the 12 months period that ended June 2016, compared to 4,4% the previous period.



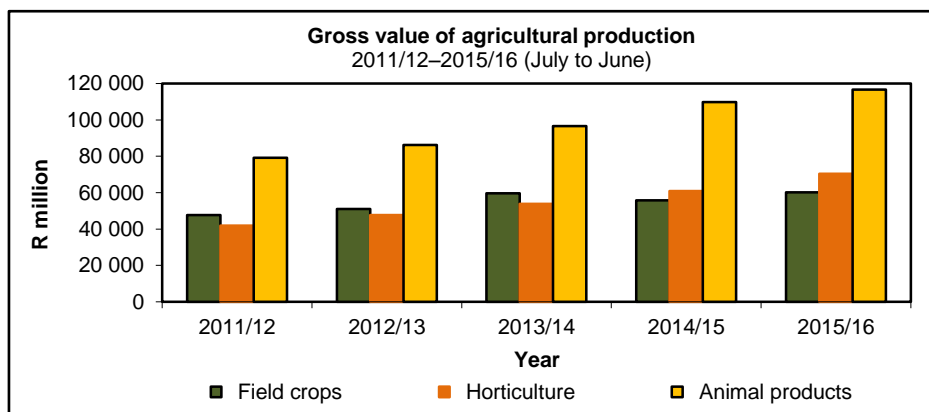
The prices of field crops increased by 38,2% and were mainly influenced by the increase in the prices of summer grains by 61,1%, oilseeds by 24,6%, winter grains by 22,2%, cotton by 14,1%, sugar cane by 8,8%, tobacco by 4,9%, hay 3,4% and dry beans by 2,3%.

The prices of horticultural products increased by 13,2%. The prices of vegetables increased by 25,1%, fruit by 8,1% and viticulture by 2,3%.

The prices of animal products increased by 2,8%. The average price of pastoral products increased by 29,1%, slaughtered stock by 6,2% and poultry meat by 1,1%, while the price of milk decreased by 5,0%.

Gross value of agricultural production

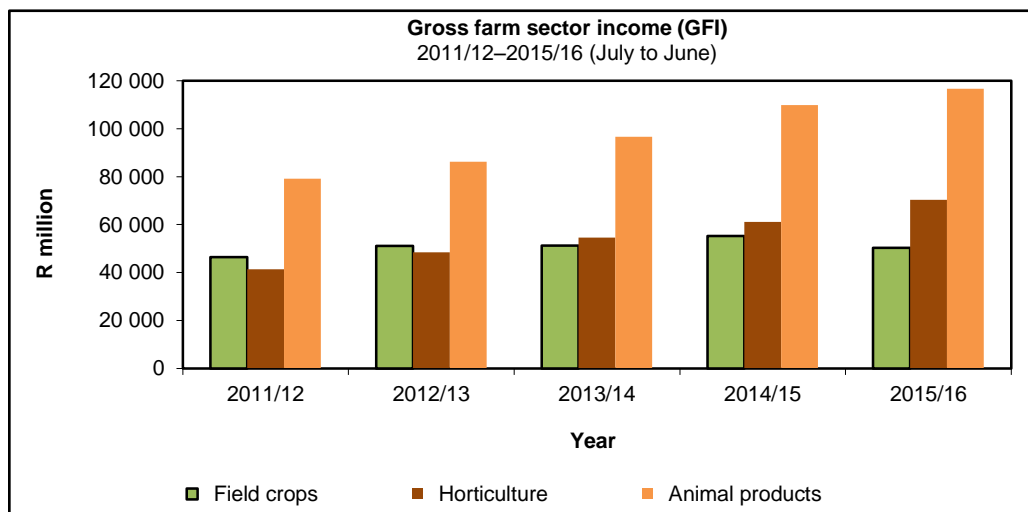
The *total gross value of agricultural production* (total production during the production season valued at the average basic prices received by producers) for 2015/16 is estimated at R247 098 million, compared to R226 531 million the previous year—an increase of 9,1%. This increase can be attributed mainly to an increase in the value of horticultural products.



The gross value of animal products, horticultural products and field crops contributed 47,2%, 28,5% and 24,3%, respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 15,6%, followed by cattle and calves slaughtered with 12,3% and maize with 10,9%.

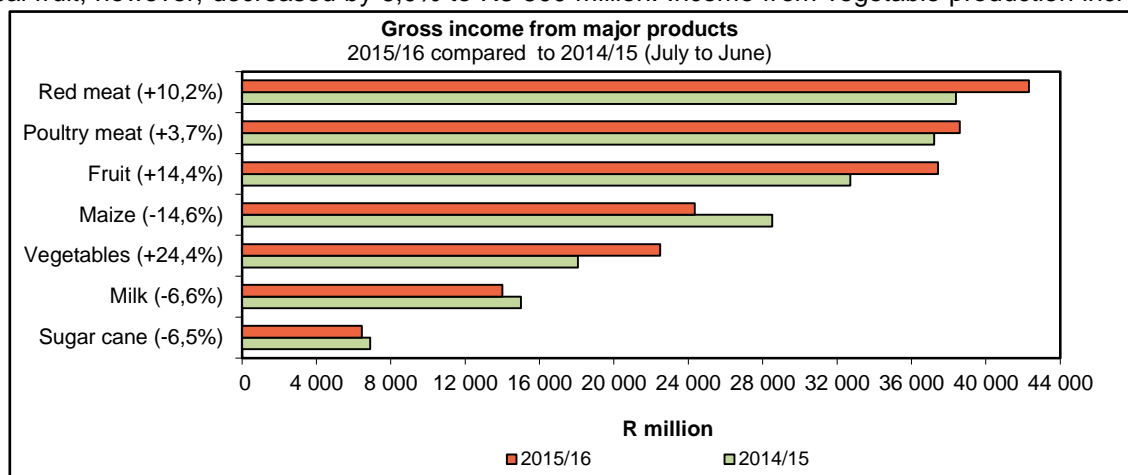
Farming income

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 2016 (2015/16) amounted to R237 317 million, compared to R226 162 million the previous year—an increase of 4,9%. The increase can be ascribed mainly to increases in income from horticultural and animal products. Smaller maize, groundnut, grain sorghum, soya beans and sugar cane crops were the main reason for the lower income from field crops, even though prices received for summer grains and oilseeds recorded marked increases.



The *gross income from field crops* decreased by 8,9% to R50 318 million for the year ended 30 June 2016. With the exception of income from sunflower production which increased by 12,2% to R3 640 million, income from all other major field crops showed substantial decreases during the 12 months up to 30 June 2016. Income from maize amounted to R24 346 million, 14,6% less than the R28 512 million of the previous 12 months. Income from groundnuts decreased by 64,4% to R206 million and that from grain sorghum by 20,1% to R281 million. Soya bean income decreased by 8,8% to R4 567 million. Income from sugar cane at R6 437 million, was 6,5% lower than that of the previous 12 months. Income from cotton production, also decreased by 27,2% to R213 million.

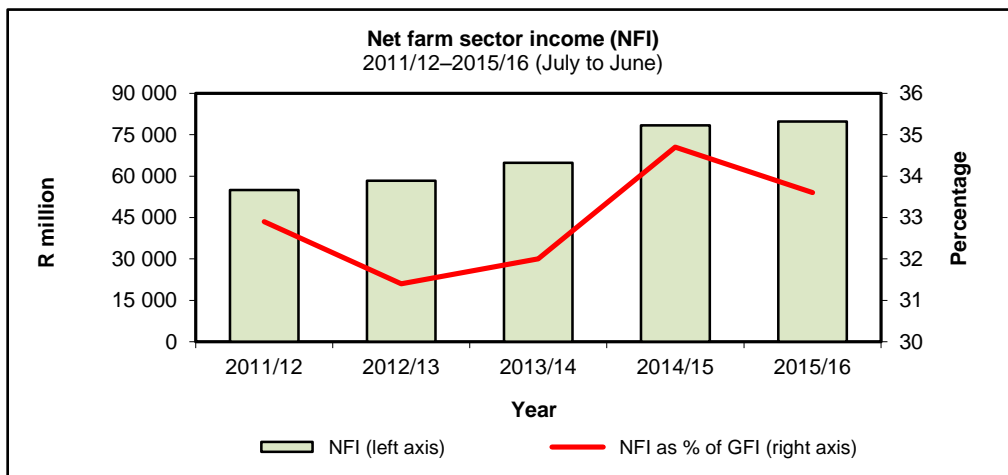
The *gross income from horticultural products* increased by 15,2%, from R61 067 million in 2014/15 to R70 340 million in 2015/16. Income from deciduous fruit increased by 20,8% and amounted to R19 107 million and that of citrus fruit increased by 12,4 % and amounted to R14 817 million. Income from subtropical fruit, however, decreased by 6,0% to R3 500 million. Income from vegetable production increased



substantially by 24,4% to R22 480 million.

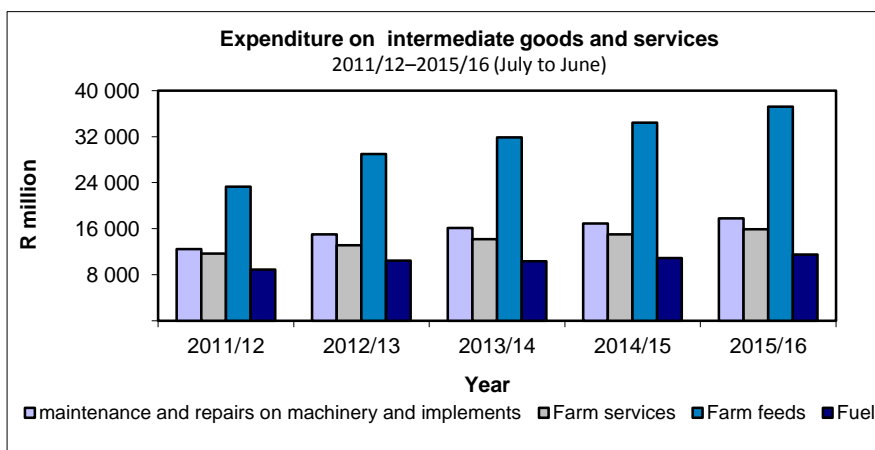
The *gross income from animal products* was 6,2% higher in 2015/16 and amounted to R116 658 million, compared to R109 842 million in 2014/15. Producers earned R30 389 million from slaughtered cattle, compared to the previous R26 792 million—an increase of 13,4%. Income from slaughtered sheep showed a slight decrease by 0,5% to R6 126 million. Income from poultry meat production rose by 3,7% to R38 596 million and income from egg production, at R10 158 million, was 7,6% higher than in the previous year. Producers earned R14 002 million from milk production, which is 6,6% less than in the previous year. Income from wool increased by 27,8% to R3 547 million and that of mohair by 11,2% to R414 million. Income from ostrich products increased by 22,4% to R530 million.

The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R79 819 million for the 12 months that ended on 30 June 2016, which is only 1,8% more than in the previous 12 months. Payments for salaries and wages, which represented 10,4% of the total farming costs, amounted to R16 822 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2016 is estimated at R7 989 million, or 4,9% of the total farming.



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

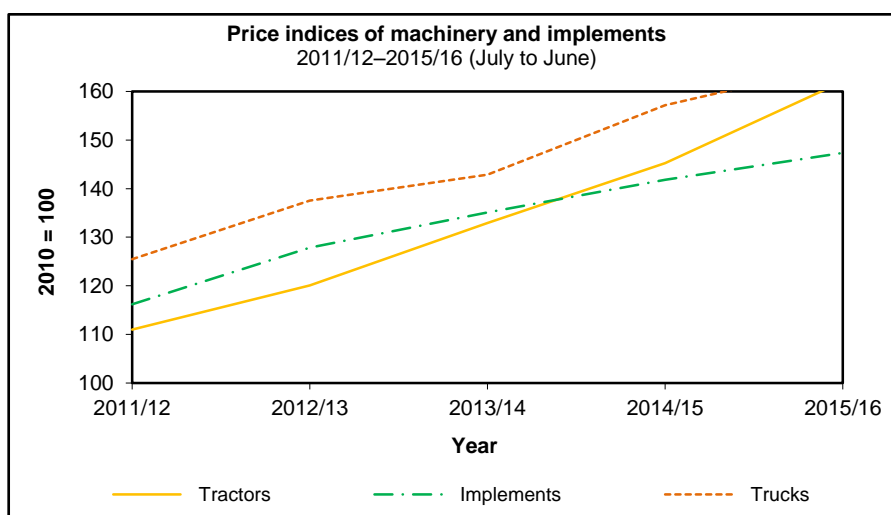
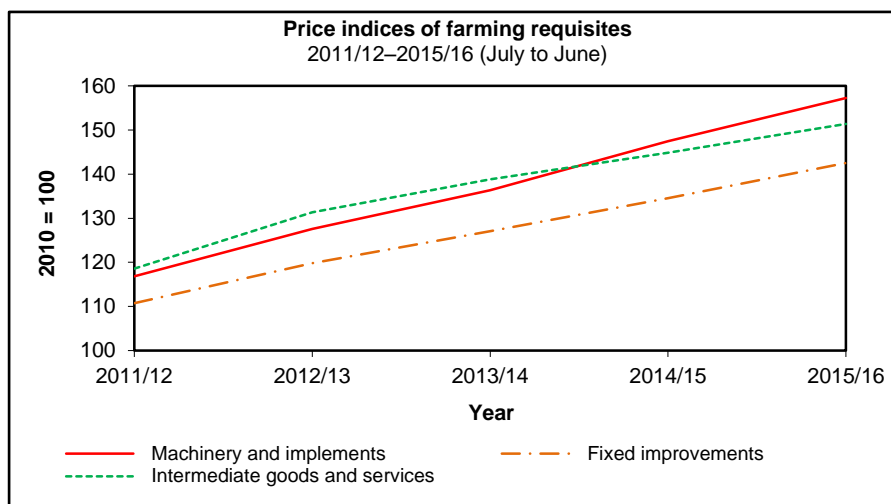
Expenditure on intermediate goods and services increased by 6,8% to R128 458 million in 2015/16, from R120 227 million in 2014/15. Farm feeds was the largest expenditure item, accounting for 29,0%, followed by maintenance and repairs on machinery and implements by 13,8%, farm services by 12,4%, fuel by 8,9%, animal health and crop protection and seed and plants by 6,3% each, fertilisers by 5,2%, packing material by 4,7% and building and fencing material by 3,9%.



Prices of farming requisites

Prices of farming requisites remained unchanged at 4,8% in 2015/16. The prices of tractors increased on average by 11,6%, building material by 7,2%, animal health and plant protection by 5,5%, trucks by 5,4%, feeds by 5,3%, maintenance and repairs by 5,1%, seeds by 5,0%, packaging material by 4,3%, fencing material by 3,6% and fuel by 1,9%.

The combined index of machinery and implements' prices increased by 6,7% for 2015/16. The price index of materials for fixed improvements increased by 5,9% and the index of intermediate goods and services increased by 4,5%.

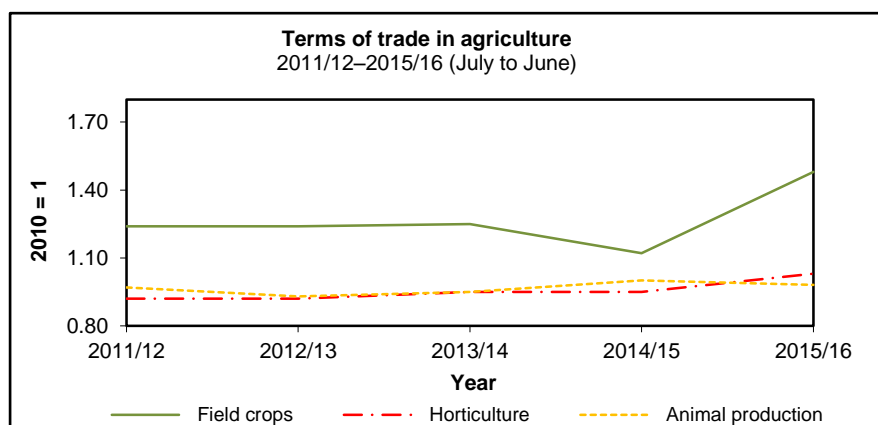


Domestic terms of trade in agriculture (2010 = 1)

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 showed an increase of 8,8%, from 1,02 in 2014/15 to 1,11 in 2015/16.

The terms of trade for field crops improved by 32,1% (from 1,12 to 1,48) and for horticultural products by 8,4% (from 0,95 to 1,03). The terms of trade for animal products weakened by 2,0%, from 1,00 to 0,98.



Contribution of agriculture, forestry and fisheries 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 R85 070 million. This represents 2,4% of the total value added to the economy.

Year	Total value added R' million	Contribution of agriculture to value added	Contribution of agriculture as percentage of total value added %
		R' million	
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	3 190 960	63 332	2,0
2014	3 420 316	70 854	2,1
2015*	3 589 812	85 070	2,4

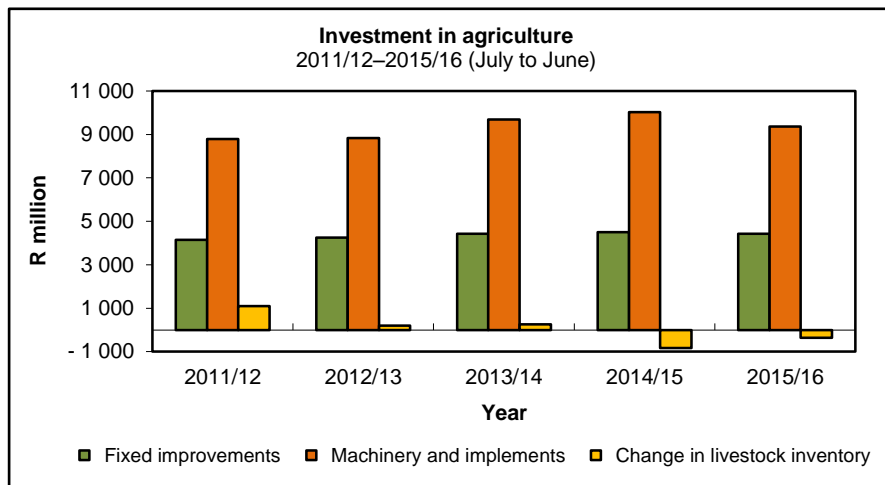
*Note: Figures are for agriculture, forestry and fisheries

Capital assets and investment in agriculture

The value of capital assets in agriculture as at 30 June 2016 is estimated at R421 259 million, compared to R384 287 million at the end of June 2015—an increase of 9,6%.

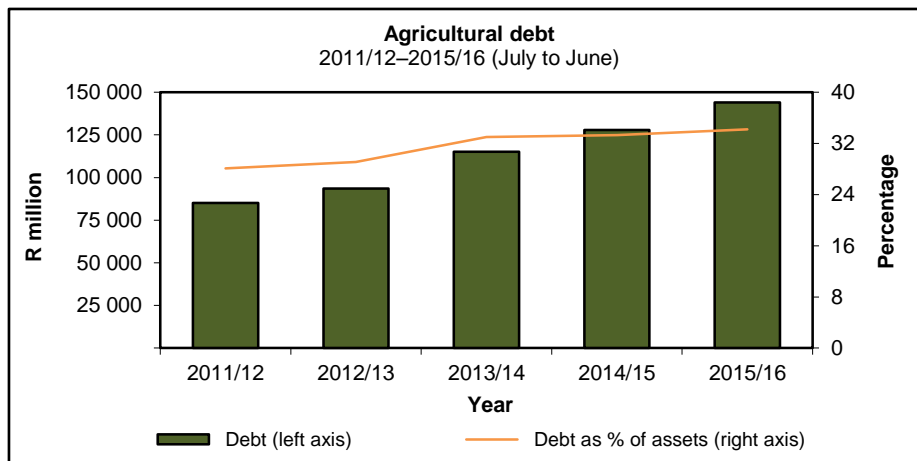
Land and fixed improvements constituted R219 363 million (52,1%), livestock R137 720 million (32,7%) and machinery and implements R64 177 million (15,2%) of the total value of capital assets.

The gross investment in respect of fixed improvements for the year ended 30 June 2016 decreased by 5,9% to R4 228 million. Investment in machinery, implements and vehicles decreased by 6,7% and amounted to R9 357 million. The livestock inventory was R353,6 million less than in the previous year.



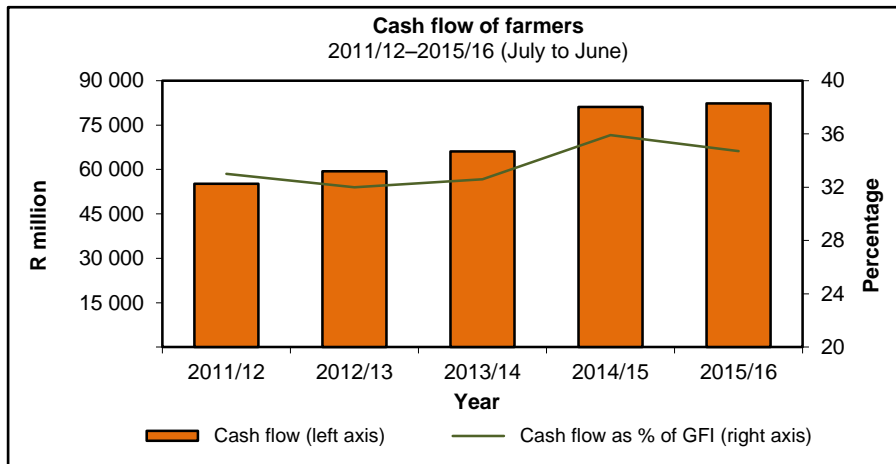
Farming debt

The total farming debt as at the end of June 2016 increased by 12,7% and is estimated at R144 074 million, compared to R127 901 million at the end of June 2015.



Cash flow of farmers

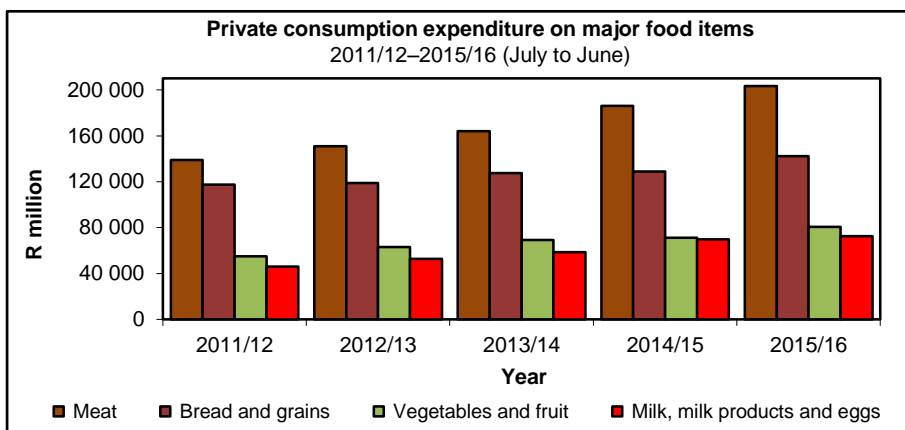
The farmers' cash flow increased slightly by 1,6% and is estimated at R82 354 million for the year ended 30 June 2016, compared to R81 091 million in the previous corresponding period. This was the result of the increase in the gross farming income.



Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2016 increased by 9,1% and amounted to R587 220 million, compared to the R538 229 million of the previous year. Expenditure on meat increased by 9,4% to R203 481 million, on bread and grain products by 10,4% to R142 329 million and on fruit and vegetables (including potatoes) by 13,3% to R80 667 million. Expenditure on milk, milk products and eggs indicates an increase of 3,7% to R72 413 million and on sugar an increase of 16,7% to R7 421 million. Expenditure on oils and fats shows a decrease of 6,2% to R11 617 million.

Meat represented 34% of the expenditure on the food component; bread and grains 26%; fruit and vegetables (including potatoes) 14%; milk, milk products and eggs 11%; oils and fats 2%; sugar 1% and other products (jam, chocolates, ice cream, table salt, herbs, coffee, tea, etc.) 12%.



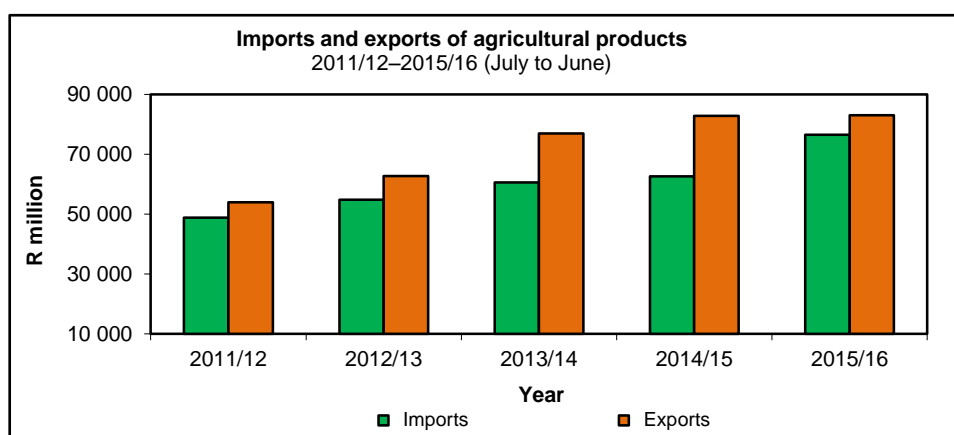
Consumer prices

The consumer price index (with base year 2010 = 100) of all items increased by 5,5%, from 127,1 to 134,2, during the year ended 30 June 2016. The CPI of food increased by 7,3%, from 134,8 to 144,6 and that of non-food items increased by 5,2%, from 124,0 to 130,5.

Meat prices increased by 5,1%, from an index figure of 136,4 to 143,3, grain products by 9,7%, from 133,9 to 146,9, vegetables by 10,3%, from 132,1 to 145,8 and fruit by 6,8%, from 122,1 to 130,4. In the case of dairy products and eggs, prices rose by 3,9%, from an index of 135,4 to 140,7. The prices of sugar and related products increased by 9,8%, from 143,5 to 157,6.

Imports and exports of agricultural products

The estimated value of imports for 2015/16 came to R76 511 million, an increase of 22,1% from R62 648 million for 2014/15. The value of exports increased by 0,2%, from R82 839 million in 2014/15 to R83 022 million in 2015/16.



According to the 2015/16 export values, citrus fruit (R12 565 million), wine (R8 036 million), grapes (R6 584 million), apples, pears and quinces (R6 255 million) and maize (R3 467 million), were the most important agricultural export products.

Wheat and meslin (R6 373 million), maize (R5 997 million), rice (R5 607 million), meat (R5 227 million) and undenatured ethyl alcohol (R3 903 million) accounted for the highest imports in terms of value.

During 2015/16, the Netherlands, with exports to the value of R8 615 million, the UK (R7 714 million), Mozambique (R6 021 million), Zimbabwe (R5 116 million) and China (R3 946 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 2015 to June 2016 went to the Netherlands and the UK combined.

The five largest trading partners for South Africa's imported agricultural products during 2015/16 were Argentina (R8 841 million), Brazil (R5 008 million), the UK (R4 340 million), the Netherlands (R3 990 million) and the United States (R3 653 million). About 18,1% of the total value of agricultural imports by South Africa during the period July 2015 to June 2016 was from Argentina and the UK combined.