

# Economic Review of the South African Agriculture

## 2017/18



agriculture,  
forestry & fisheries

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## FOREWORD

The value of agricultural production in South Africa increased by 4,7% and was estimated at R281 370 million in 2017/18, while its contribution to the GDP was estimated to be R90 458 million at *nominal prices* in 2017.

The primary agricultural sector has shown a growth of 7,5% annually since 1994, while the total economy grew by 10,7% per annum over the same period. The contribution of agriculture's value added to GDP declined from 3,9% in 1994 to 2,2% in 2017.

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 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 2018

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Director: Statistics and Economic Analysis

# ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 30 JUNE 2018

## Summary

Gross farming income made from all agricultural products increased by 2,1% and was estimated at R273 544 million for the year ended 30 June 2018. This was largely influenced by the increase in income derived from animal and horticultural products by 13,3% and 1,8%, respectively. Income made from field crops decreased drastically by 19,3%.

The prices received by the farmers for their products decreased slightly on average by 0,3%, compared to an increase of 4,2% the previous period. This was the result of the substantial decrease in prices of field crops by 25,7%. The prices of animal and horticultural products increased by 12,9% and 1,8%, respectively.

The increase of 12,9% in animal products was mainly the result of the substantial increase in prices of pastoral products by 23,5%, poultry meat (14,7%), slaughtered stock (12,8%) and milk (3,7%).

The increase in of 1,8% in prices of horticultural products was influenced by the increase in prices of viticulture by 10,9%, vegetables (1,6%) and fruit slightly by 0,4%.

A significant decrease of 25,7% in prices of field crops can be attributed to the decrease in prices of summer grains by 39,7%, oilseeds (16,8%), sugar cane (9,0%), dry beans (8,6%), hay (6,1%) and winter grains (3,2%). The prices of cotton increased by 6,9% and tobacco by 0,7%.

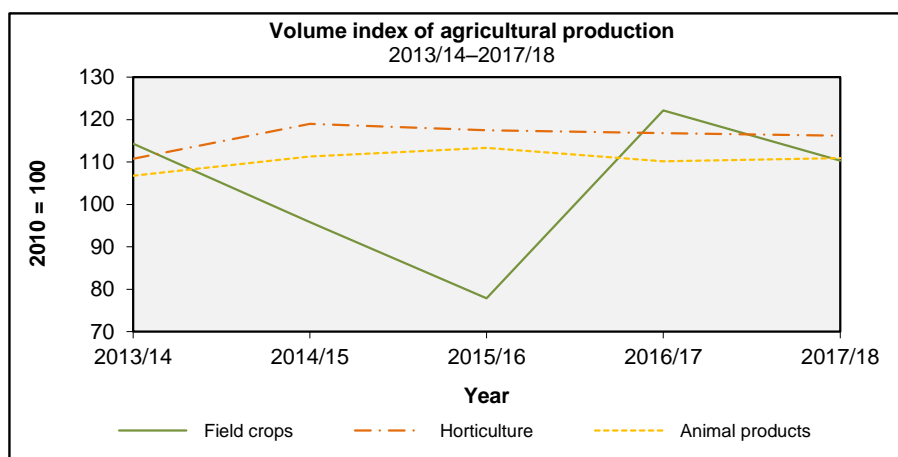
The prices paid for production inputs increased on average by 3,8%, because of the increase in prices of animal health and crop protection by 9,8%, seeds (6,2%), packing material (5,8%), trucks (5,6%), maintenance and repairs of machinery and implements (4,3%), fencing material (4,1%), building material (4,0%), fuel (3,3%), fertilisers (3,2%), tractors (2,6%) and feeds (1,5%).

A slight decrease of 0,3% in prices received by farmers for their products and an increase of 3,8% in prices paid for production inputs led to the terms of trade to decrease by 3,6%.

Net farming income increased slightly by 0,4%, compared to 16,0% the previous period, as the result of the increase in intermediate expenditure, which was caused by the increased production costs.

## Volume of agricultural production

The estimated volume of agricultural production in 2017/18 was 2,3% less than in 2016/17.



The field crop production volume for 2017/18 decreased by 9,8%, mainly as a result of decreases in the production of summer crops (maize and sorghum), winter crops (wheat, barley, oats and canola), as well as oilseed crops (sunflower seed and groundnuts) and wattle bark. Maize production decreased by 3,8 million tons (21,4%) and sorghum by 79 270 tons (45,4%) from 2016/17 and can mainly be attributed to the delayed rainfall in some parts of the production areas at the start of the planting season that resulted in a

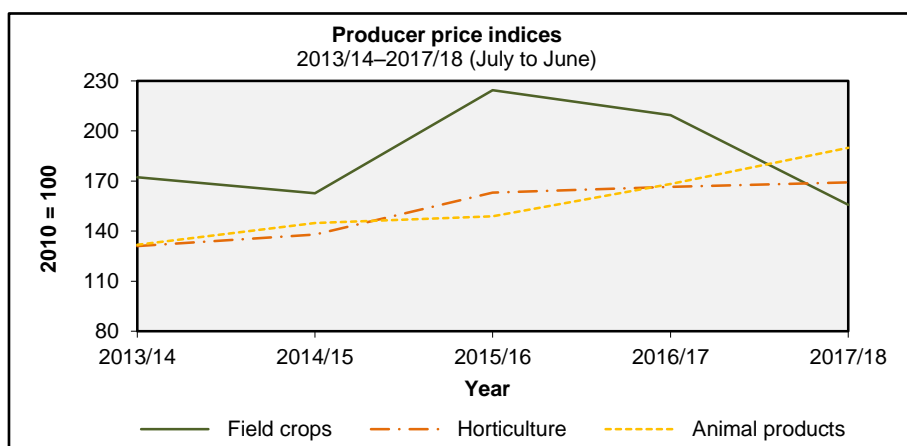
decline in the area planted to maize and sorghum, as farmers were unable to complete the planting process due to lower soil moisture levels. Wheat production decreased by 376 665 tons (19,6%), barley by 48 000 tons (13,5%), oats by 32 507 tons (58,5%) and canola by 11 500 tons (11,0%) from 2016/17 and can mainly be attributed to the severe drought conditions that prevailed in the Western Cape Province for a prolonged period. Sunflower seed production decreased by 84 990 tons (9,4%) and groundnut production by 45 320 tons (43,5%) from 2016/17. The production of wattle bark decreased by 26 911 tons (17,9%) from 2016/17.

Horticultural production for 2017/18 decreased slightly by 0,5% from the previous season, which can mainly be attributed to a decrease in the production of deciduous fruit. The decrease in the production of apples by 75 442 tons (7,9%), table grapes by 73 602 tons (20,2%), pears by 37 846 tons (9,1%), peaches by 34 420 tons (18,4%), wine grapes by 33 145 tons (1,6%) and plums by 19 203 tons (23,2%) led to a decrease in deciduous fruit production from the previous season.

Animal production increased slightly by 0,7%, mainly as a result of increases in number of stock slaughtered (pigs and goats), as well as increases in the production of milk and poultry meat. The number of pigs slaughtered increased by 238 881 units (8,8%) and goats by 1 394 units (1,8%). The production of milk increased by 169 828 litres or 4,9% and poultry meat by 38 179 tons or 2,3%, as compared to the previous season.

### Producer prices of agricultural products

Producer prices of agricultural products decreased slightly on average by 0,3%, compared to an increase of 4,2% the previous period.



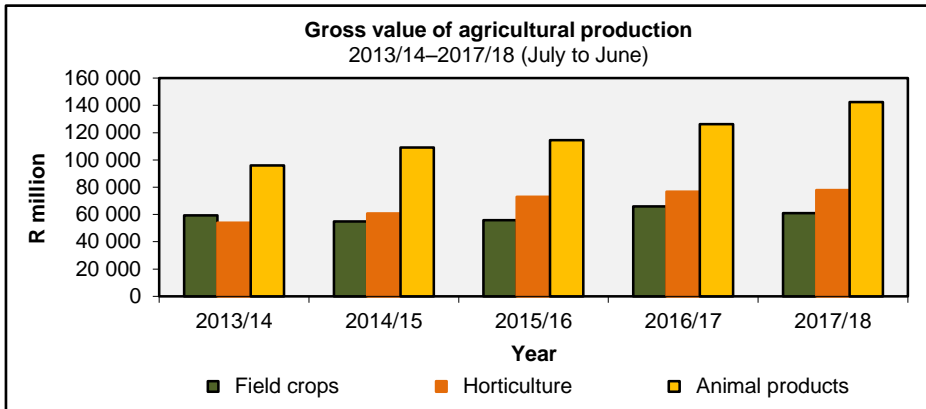
The prices of field crops decreased drastically on average by 25,7%, due to the decrease in prices of summer grains by 39,7%, oilseeds by 16,8%, sugar cane 9,0%, dry beans by 8,6%, hay by 6,1% and winter grains by 3,2%. The prices of cotton increased by 6,9% and tobacco slightly by 0,7%.

The prices of horticultural products increased by 1,8%, due to the increase in the prices of viticulture by 10,9%, vegetables by 1,6% and fruit slightly by 0,4%.

The prices of animal products increased by 12,9%, due to the substantial increase in the prices of pastoral products by 23,5%, poultry meat by 14,7%, slaughtered stock by 12,8% and milk by 3,7%.

## Gross value of agricultural production

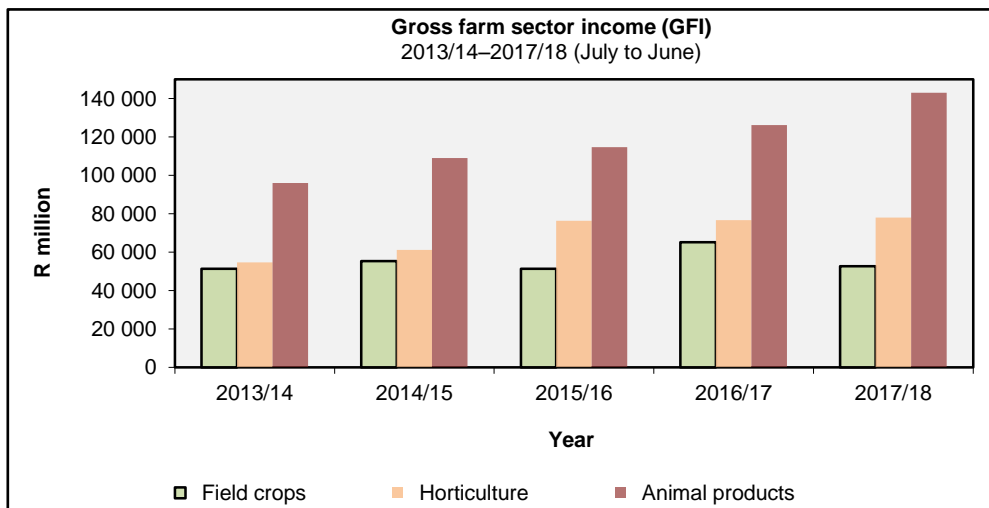
The *total gross value of agricultural production* (total production during the production season valued at the average basic prices received by producers) for 2017/18 is estimated at R281 370 million, compared to R268 671 million the previous year—an increase of 4,7%. This increase can be attributed mainly to an increase in the value of animal products.



The gross value of animal products, horticultural products and field crops contributed 50,6%, 27,7% and 21,7%, 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 13,5% and maize with 9,2%.

## 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 2018 (2017/18) amounted to R273 544 million, compared to R267 920 million the previous year—an increase of 2,1%. This increase can be ascribed mainly to significant decrease of 21,4% in volumes of maize and a decrease of 19,6% in volumes of wheat for the 2017/18 season.



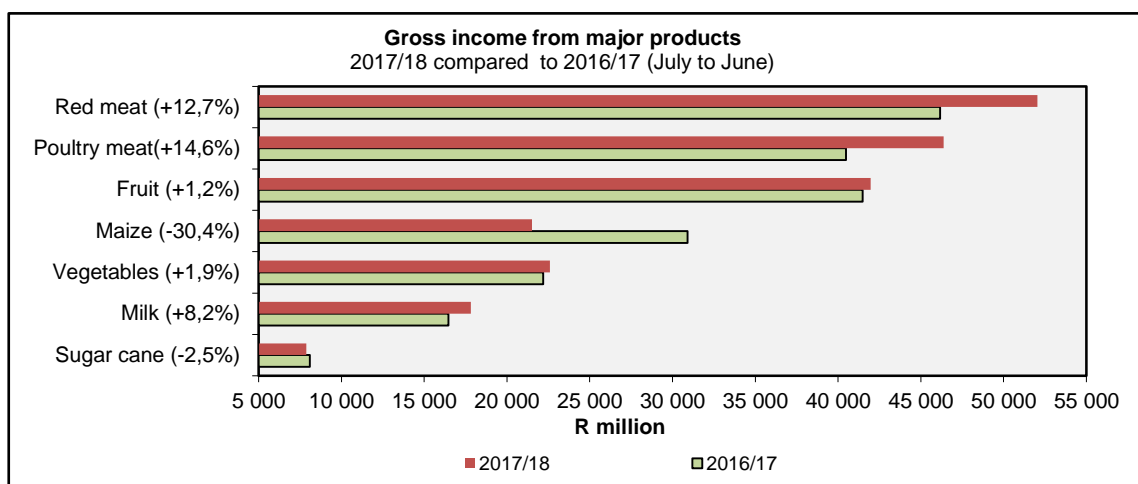
The *gross income from field crops* decreased by 19,3% to R52 572 million for the year ended 30 June 2018. Income from maize decreased by 30,4% to R21 518 million, sugar cane by 2,5% to R7 890 million, wheat by 20,2% to R5 677 million, sunflower seed by 34,5% to R3 175 million, hay by 0,5% to R2 002 million, groundnuts by 35,3% to R487 million and grain sorghum by 28,6% to R335 million. Income from soya beans increased by 7,7% to R6 886 million, cotton by 137,1% to R859 million, dry beans by 11,3% to R974 million

and tobacco by 6,1% to R638 million. Income from soya beans increased by 7,7% to R6 886 million, mainly due to the increase in quantities.

The *gross income from horticultural products* increased by 1,8%, from R76 613 million in 2016/17 to R78 008 million in 2017/18. This can be attributed to the increase in income from citrus fruit by 7,8% (*from R18 061 million to R19 461 million*), subtropical fruit by 5,9% (*from R4 039 million to*

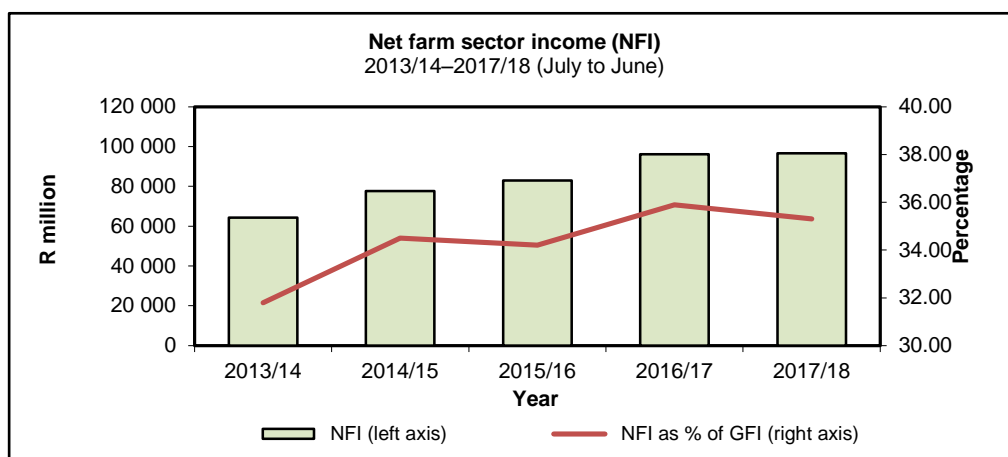
*R4 278 million*) and vegetables by 1,9% (*from R22 186 million to R22 605 million*). Income from viticulture decreased by 6,1% (*from R5 572 million to R5 231 million*) and deciduous and other fruit and by 6,0% (*from R19 390 million to R18 233 million*).

The *gross income from animal products* was 13,3% higher in 2017/18 and amounted to R142 964 million, compared to R126 159 million in 2016/17, mainly as a result of better prices received by the farmers. Income earned from poultry meat increased by 14,6%, to R46 382 million, cattle and calves slaughtered by 14,3% to R37 913, milk by 8,2% to R17 815 million, eggs by 15,3% to R11 846 million, sheep slaughtered by 5,6% to R7 227 million, pigs slaughtered by 10,5% to R6 111 million and wool by 17,4% to R4 380 million. Income earned from ostrich products decreased by 19,7% to R321 million.



The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R96 579 million for the 12 months that ended on 30 June 2018, which is 0,4% more than in the previous 12 months. Payments for salaries and wages, which represented 10,3% of the total farming costs, amounted to R18 908 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2018 is estimated at R9 591 million, or 5,2% of the total farming costs.

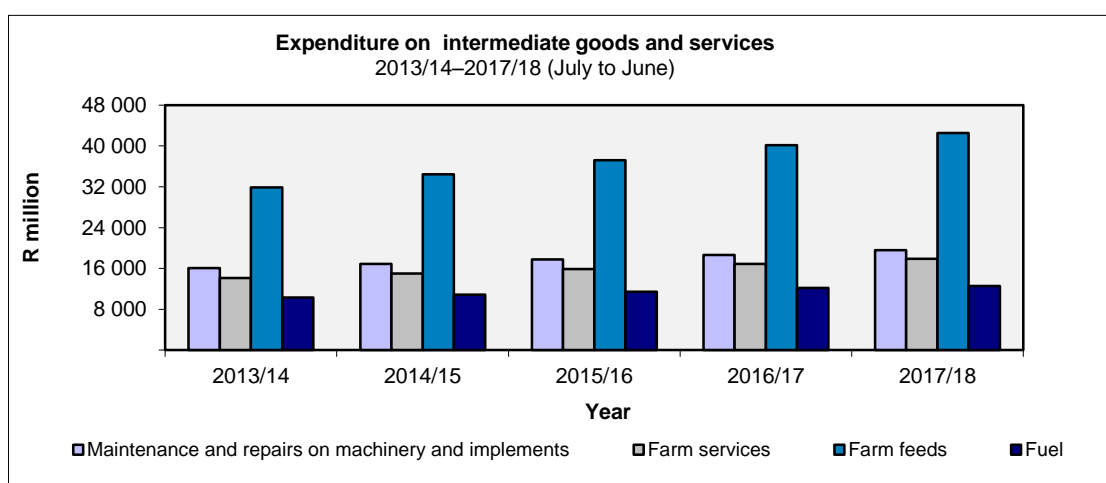




## Expenditure on intermediate goods and services

*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 increased by 6,4%, as the result of the increase in expenditure on seeds and plants by 10,0%, packing material and building and fencing material by 9,0% each, animal health and crop protection, and farm services (6,0%), farm feeds (5,8%), maintenance and repairs (5,0%), fuel (3,2%) and fertilisers (3,0%).

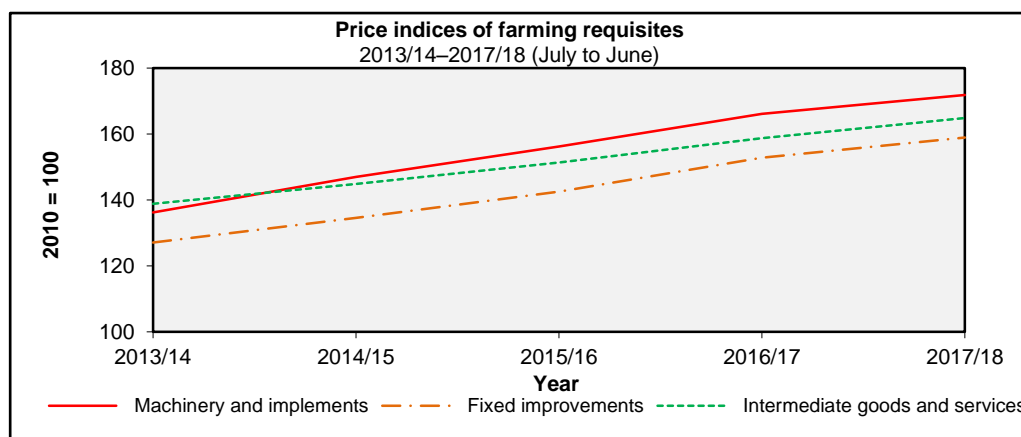
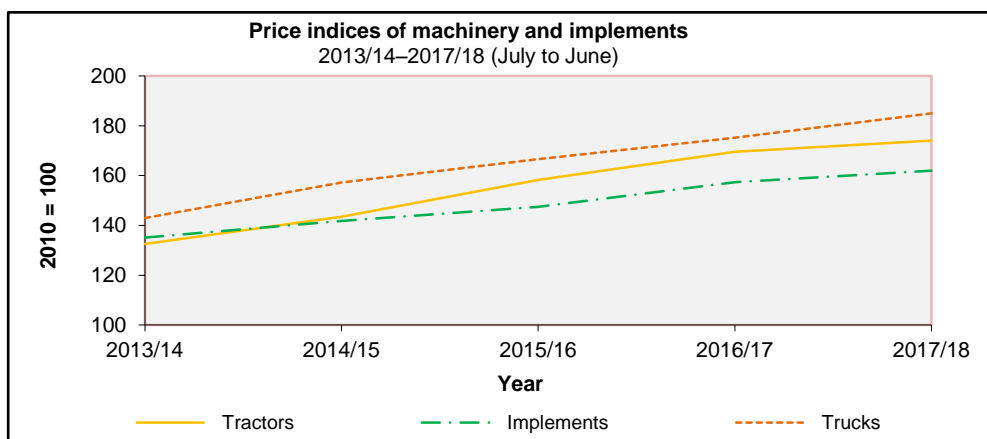


Proportionally, farm feeds had the largest share as an expenditure item, accounting for 29,1%, maintenance and repairs on machinery and implements (13,4%), farm services (12,2%), fuel (8,6%), seed and plants (6,7%), animal health and crop protection (6,2%), packing material (4,9%), fertilisers (4,8%) and building and fencing material (4,1%).

## Prices of farming requisites

*Prices of farming requisites* increased on average by 3,8% for the year ended June 2018, compared to 5,1% in the previous year. This was driven by the increase in prices of animal health and crop protection by 9,8%, seeds (6,2%), packing material (5,8%), trucks (5,6%), maintenance and repairs of machinery and implements by 4,3%, fencing material (4,1%), building material (4,0%), fuel (3,3%), fertilisers (3,2%), tractors (2,6%) and feeds (1,5%).

The combined price index of materials for fixed improvements increased by 4,0%, intermediate goods and services by 3,8% and machinery and implements by 3,5%.

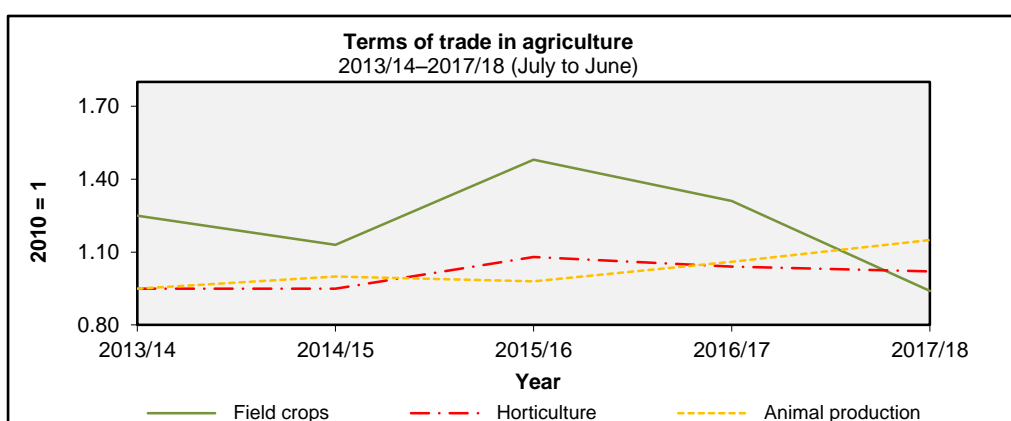


### Domestic terms of trade in agriculture (2010 = 1)

The terms of trade indicate the extent to which producer prices received by farmers kept pace with the prices paid for farming requisites.

The domestic terms of trade in agriculture decreased by 3,6%, as the result of the increase of 3,8% in production costs and a slight decrease of 0,3% in prices received by the farmers for their products.

The terms of trade for animal products increased by 8,5% (from 1,06 to 1,15), while that of the field crops decreased substantially by 28,2% (from 1,31 to 0,94) and horticultural products by 1,9% (from 1,04 to 1,02).



**Contribution of agriculture, forestry and fisheries to value added at basic current 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 2017 is estimated at R106 421 million. This represents 2,6% 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	%
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	3 183 618	63 321	2,0
2014	3 414 943	70 605	2,1
2015	3 625 714	72 240	2,0
2016	3 880 824	81 554	2,1
2017*	4 171 729	106 421	2,6

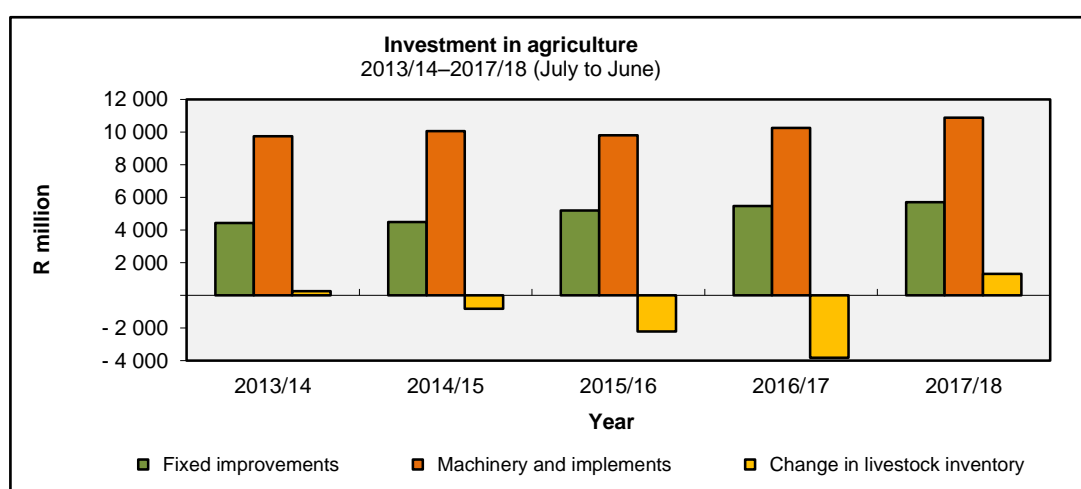
\*Note: Figures are for agriculture, forestry and fisheries

**Capital assets and investment in agriculture**

The value of capital assets in agriculture as at 30 June 2018 is estimated at R487 953 million, compared to R454 186 million at the end of June 2017, an increase of 7,4%.

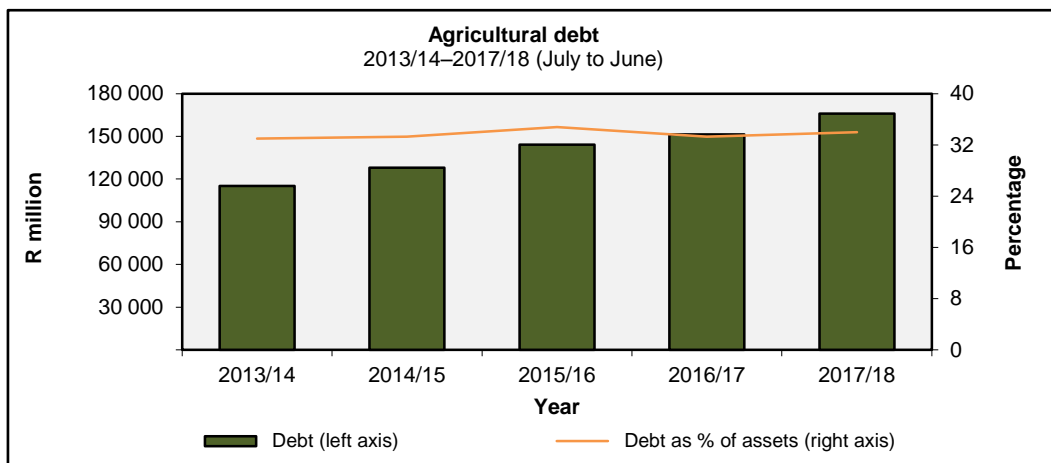
Land and fixed improvements constituted R264 183 million (54,1%), livestock R149 639 million (30,7%) and machinery and implements R74 131 million (15,2%) of the total value of capital assets.

The gross investment in respect to fixed improvements for the year ended 30 June 2018 increased by 4,2% to R5 714 million. Investment in machinery, implements and vehicles increased by 6,1% and amounted to R10 890 million. The livestock inventory was R1 320 million more than in the previous year.



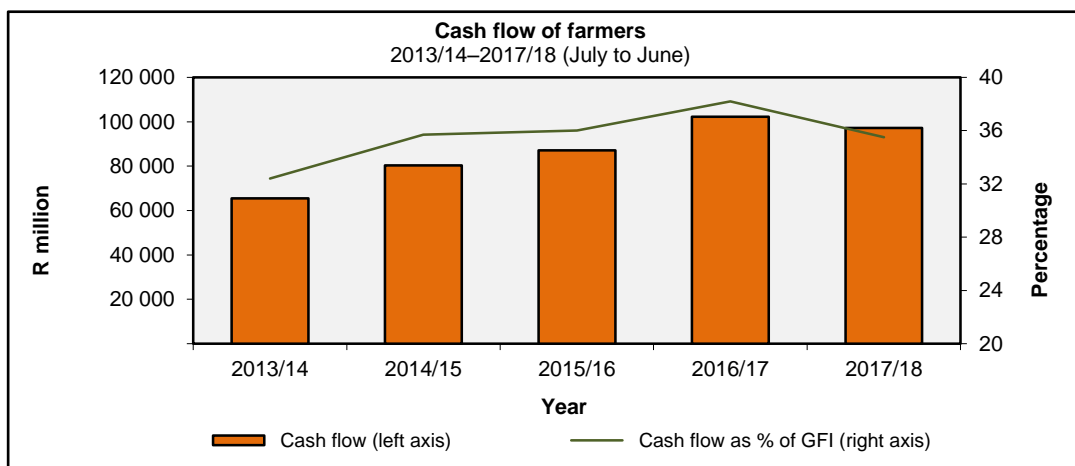
### Farming debt

The total farming debt as at the end of June 2018 increased by 9,7% and is estimated at R166 007 million, compared to R151264 million at the end of June 2017.



### Cash flow of farmers

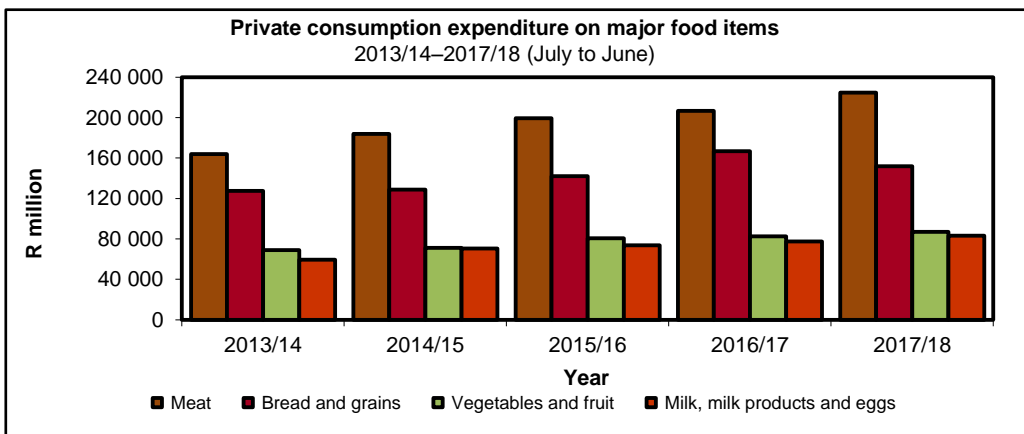
The farmers' cash flow decreased by 5,0% to R97 169 million, compared to an increase of 17,3% the previous period, mainly due to the increase in intermediate expenditure, which was caused by the increase in production costs.



### Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2018 increased by 2,3% and amounted to R643 789 million, compared to the R629 598 million of the previous year. Expenditure on meat increased by 8,7% to R224 873 million, on fruit and vegetables (including potatoes) by 5,5% to R87 132 million and on milk, milk products and eggs by 7,2% to R83 091 million. However, expenditure on bread and grain products, as well as sugar decreased by 8,9%, respectively to R152 046 million and R7 920 million. Expenditure on oils and fats also decreased slightly by 0,8% to R12 758 million.

Meat represented 35% of the expenditure on the food component; bread and grains 24%; fruit and vegetables (including potatoes) 13%; milk, milk products and eggs 13%; oils and fats 2%; sugar 1% and other products (jam, chocolates, ice cream, table salt, herbs, coffee, tea, etc.) 12%.



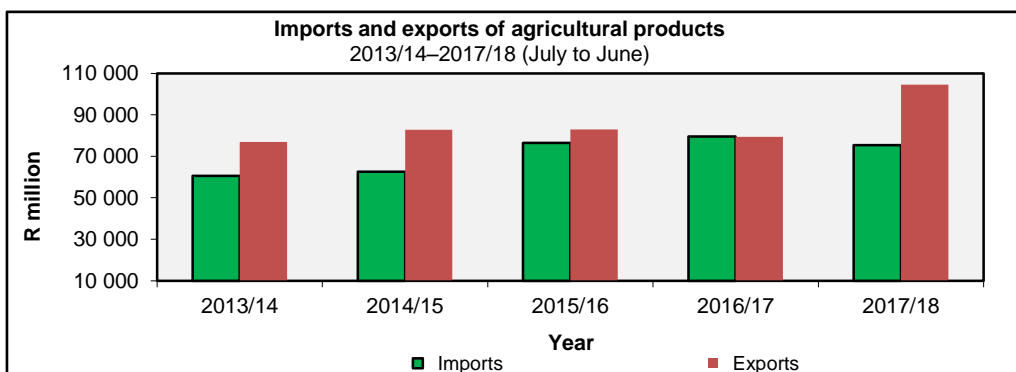
### Consumer prices

The consumer prices of all agricultural products increased by an average of 4,5% for the year ended June 2018, compared to 6,0% the previous period. The consumer prices of food and non-food increased by 4,6% and 4,4%, respectively.

The consumer prices of meat increased by 12,3%, coffee and tea (6,0%), fish (4,6%), milk, eggs and cheese (4,0%), sugar (3,3% and vegetables (1,5%). The consumer prices of fruit, grain products and fats and oil showed the decrease of 4,3%, 3,5% and 2,4%, respectively.

### Imports and exports of agricultural products

The estimated value of imports for 2017/18 came to R75 412 million, a decrease of 5,2% from R79 515 million for 2016/17. The value of exports increased by 7,3%, from R97 429 million in 2016/17 to R104 577 million in 2017/18.



According to the 2017/18 export values, citrus fruit (R18 166 million), wine (R9 276 million), apples, pears and quinces (R7 244 million), wool (R5 102 million) and maize (R5 073 million), were the most important agricultural export products.

Rice (R6 821 million), meat (R6 322 million), wheat (R5 568 million), undenatured ethyl alcohol (R4 053 million) and palm oil (R4 023 million) accounted for the highest imports in terms of value.

During 2017/18, the Netherlands, with exports to the value of R12 074 million, the UK (R10 401 million), China (R7 681 million), Mozambique (R6 600 million) and United States (R4 063 million) were the five largest trading partners of South Africa in terms of export destinations for agricultural products. About 21,4% of the total value of agricultural exports from South Africa for the period July 2017 to June 2018 went to the Netherlands and the UK combined.

The five largest trading partners for South Africa's imported agricultural products during 2017/18 were Brazil (R6 050 million), Thailand (R5 480 million), the Argentina (R4 726 million), United States (R3 981 million) and the UK (R3 809 million). About 15, 3% of the total value of agricultural imports by South Africa during the period July 2017 to June 2018 was from Brazil and the Thailand combined.