

Economic Review of the South African Agriculture 2017



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Economic Review

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South African

Agriculture

2017

DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

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FOREWORD

The value of primary agricultural production in South Africa was estimated at R277,2 billion in 2017, while its contribution to the GDP was estimated at R81,6 billion (at basic prices) in 2016.

South African primary agricultural sector grew by an average of 7,5% per year since 1994, while the country's economic growth was 10,6% on average per year during the same period. The contribution of agriculture's value added to GDP declined from 3,5% in 1994 to 2,1% in 2016.

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 2018

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 31 DECEMBER 2017

Summary

Gross farming income from all agricultural products for the year ended 31 December 2017 increased by 7,3% and was estimated at R274 948 million, compared to R256 276 million of the previous year. This was boosted by the increase in income derived from animal products by 15,4% and field crops by 6,0%. The income from horticultural products decreased by 4,1%.

The terms of trade weakened by 7,8% (from 1,16 to 1,07), mainly as the result of the increase in production costs by 6,5% and a decrease of 2,9% in prices received by farmers for their agricultural products.

The weighted average price of field crops decreased by 30,3% because of the decrease in prices of summer grains by 45,4%, oilseeds (22,6%), hay (6,8%), winter grains (6,7%) and cotton (4,1%). The prices of tobacco, dry beans and sugar cane increased by 12,9%, 3,4% and 1,6%, respectively.

The weighted average price of horticultural products also decreased by 5,5%. This was the result of the decrease in prices of vegetables by 14,9% and fruit by 1,0%. The prices of viticulture increased by 4,0%.

The weighted average price of animal products increased by 18,2% due to the increase in prices of slaughtered stock by 20,7%, poultry meat by 19,8%, pastoral products by 10,2% and milk by 8,8%.

The prices paid for farming requisites, including machinery and implements, material for fixed improvements as well as intermediate goods, increased by 4,3%, compared to 6,0% the previous year. The prices paid for animal health and crop protection increased by 8,9%, packing material by 7,8%, trucks by 6,0%, seeds by 5,3%, fencing material by 5,1%, maintenance and repairs of machinery and implements by 4,6%, building material and fertilisers by 4,0% each, tractors by 3,4%, feeds by 3,1% and fuel by 2,7%.

Net farming income increased substantially by 12,3% and was estimated at R101 015 million for the period up to 31 December 2017, compared to R89 938 million in the previous period.

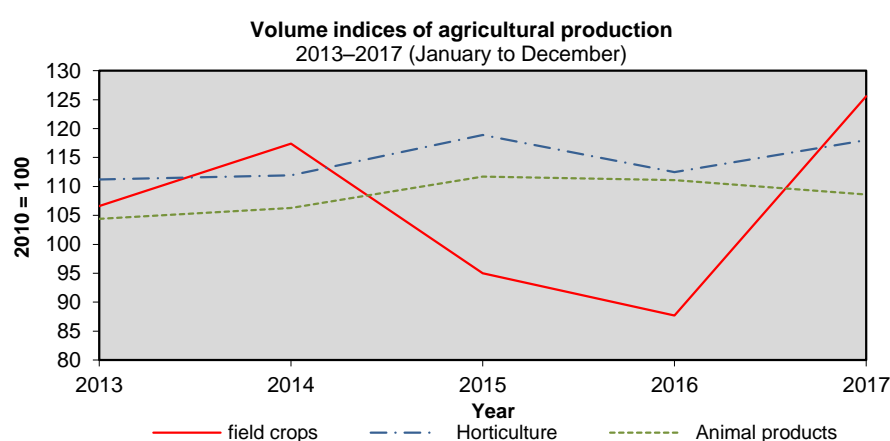
Volume of agricultural production

The estimated volume of agricultural production during 2017 was 8,6% higher than in 2016.

The volume of field crop production increased by 43,2%, mainly as a result of an increase in the production (record crops) of summer grains (maize and sorghum), oilseeds (especially sunflower seed, soya beans and groundnuts), as well as sugar cane.

Horticultural production increased by 4,8%, which can mainly be attributed to increases in the production of vegetables and citrus fruit.

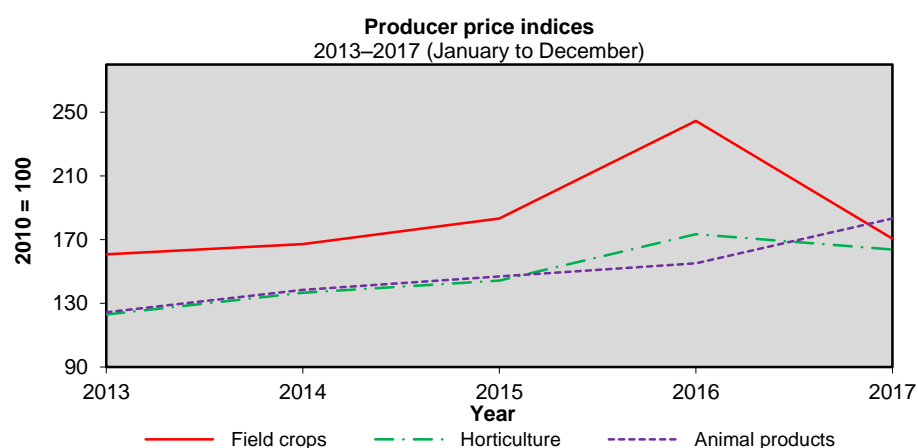
The production of animal products decreased by 2,2%, mainly because of a decrease in the number of cattle, sheep and pigs slaughtered during 2017.



Producer prices of agricultural products

Producer prices of agricultural products decreased on average by 2,9% for the period ended 31 December 2017, compared to the increase of 16,8% the previous period.

The weighted average price of field crops decreased substantially by 30,3%. This was largely driven by the decrease in prices of summer grains (45,4%), oilseeds (22,6%), hay (6,8%), winter grain (6,7%) and cotton (4,1%). The prices of tobacco, dry beans and sugar cane increased by 12,9%, 3,4% and 1,6%, respectively.



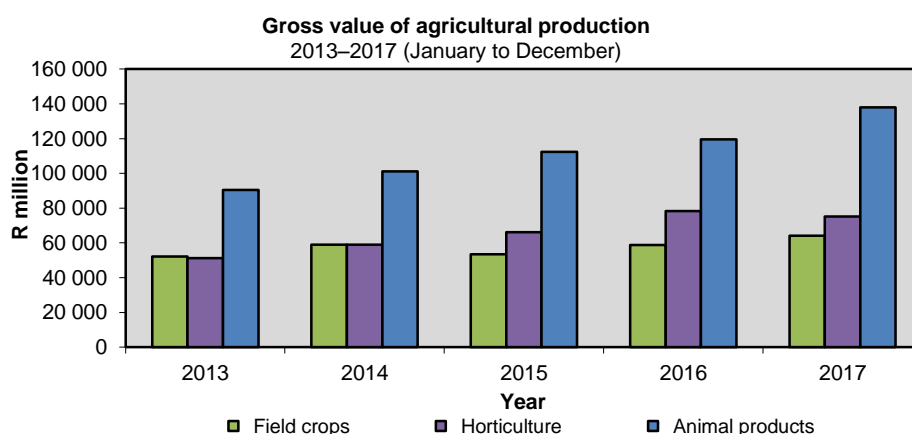
The weighted average price of horticultural products decreased by 5,5%, mainly because of the decrease in prices of vegetables by 14,9% and fruit by 1,0%. Prices of viticulture increased by 4,0%.

The weighted average prices of animal products increased substantially by 18,2% as the result of the increase in prices of slaughtered stock by 20,7%, poultry meat by 19,8%, pastoral products by 10,2% and milk by 8,8%.

Gross value of agricultural production

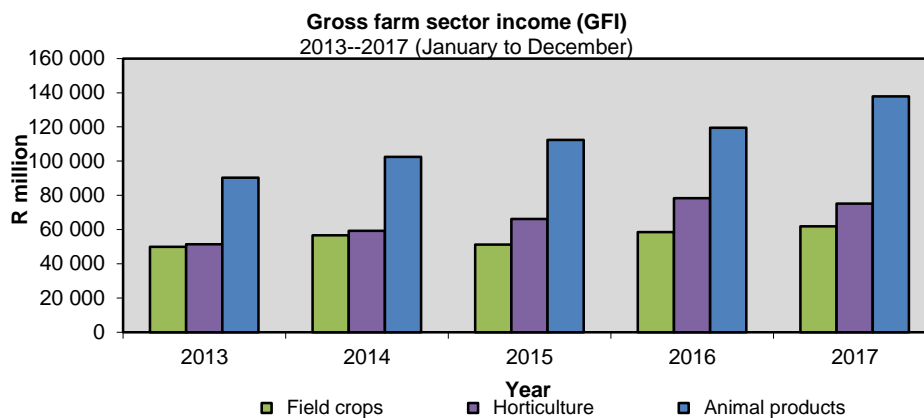
The *total gross value of agricultural production* (total production during the production season valued at the average basic prices received by producers) for 2017 is estimated at R277 188 million, compared to R256 641 million the previous year—an increase of 8,0%. This increase can mainly be attributed to an increase in the value of animal products.

The gross value of animal products contributed 49,8% to the total gross value of agricultural production, while horticultural products and field crops contributed 27,1% and 23,1%, respectively. The poultry meat industry made the largest contribution with 16,2%, followed by cattle and calves slaughtered with 13,2% and maize with 10,7%.

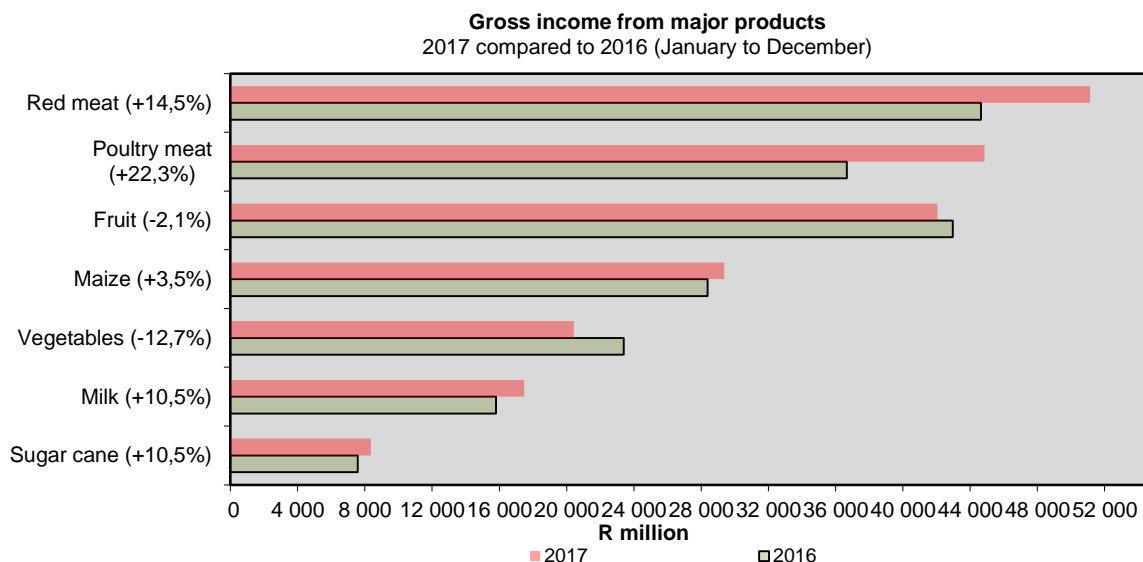


Farming income

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 2017 amounted to R274 948 million, compared to R256 276 million the previous year—an increase of 7,3%. The increase in income can mainly be ascribed to higher production levels in grain and oil seed crops and better prices received in the case of animal products, in particular, that of slaughtered animals.



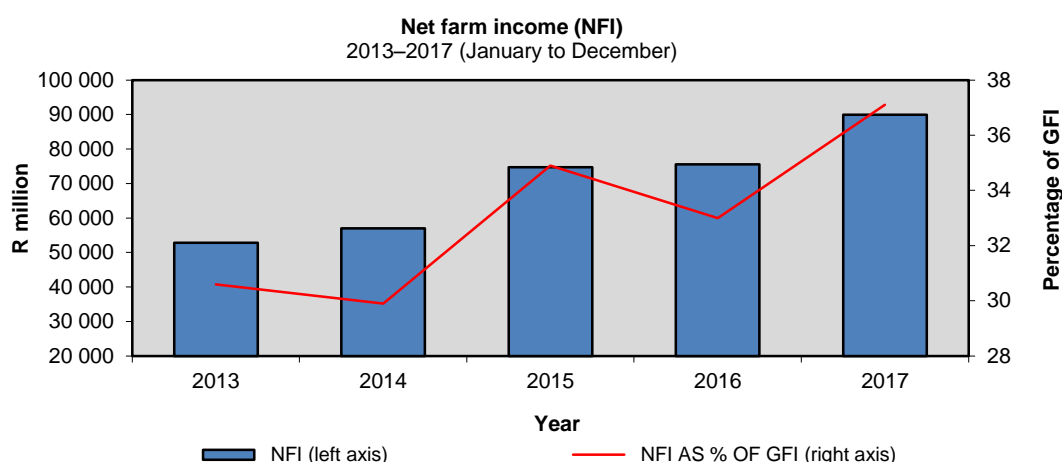
The *gross income from field crops* increased by 6,0% to R61 897 million for the year ended 31 December 2017. Income from maize at R29 378 million was 3,5% more than in the previous 12 months, while the average seasonal price for white and yellow maize has decreased by 52,7% and 36,9%, respectively compared to the previous season. Income from sunflower seed has declined by 16,3% to R3 979 million and income from wheat at R5 832 million was 12,4% down on 2016. Income from sugar cane at R8 364 million was 10,5% higher than in the previous 12 months. Income from groundnuts has drastically increased by 411,5% to R810 million from the previous season, the reason for the increase was due to increased production to 92 050 million tons in 2017 from 17 680 million tons in 2016. Income dry beans increased by 101,5% to R1 035 million, mainly as a result of an increase of 93,3% or 36 388 tons in production during 2017. Income from soya beans has increased by 36,1% to R6 302 million.



The *gross income from horticultural products* decreased by 4,1%, from R78 391 million in 2016 to R75 162 million in 2017. Income from citrus fruit increased by 6,7% and amounted to R19 223 million. Income from deciduous fruit was at R19 047 million, which was 8,3% lower than in 2016. Income from vegetables decreased by 12,7% to R20 431 million. Income from subtropical fruit decreased by 9,5% to R3 778 million.

The *gross income from animal products* was 15,4% higher in 2017 and amounted to R137 889 million, compared to R119 472 million for the previous year. Producers earned R36 617 million from slaughtered cattle, compared to the previous R31 981 million—an increase of 14,5%. Income from poultry meat showed an increase of 22,3% to R44 847 million. Income from egg production, at R10 766 million, was 5,6% higher than in the previous year. Producers earned R17 471 million from milk production, which is 10,5% more than in the previous year. Income from wool decreased by 2,1% to R3 642 million.

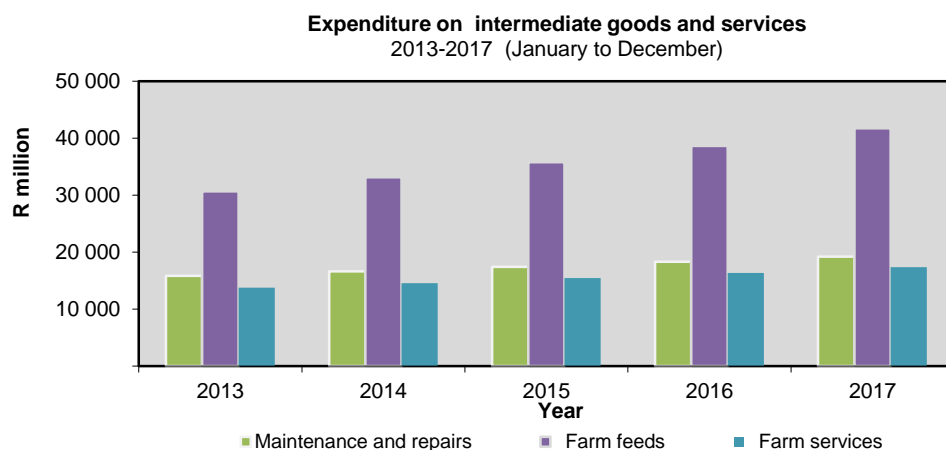
The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R101 015 million for the 12 months that ended on 31 December 2017, which is 12,3% more than during the previous 12 months. Payments for salaries and wages, which represented 10,2% of the total farming costs, amounted to R18 248 million. Interest paid by farmers to banks and other financiers during the 12 months up to 31 December 2017 is estimated at R9 265 million, or 5,2% 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.

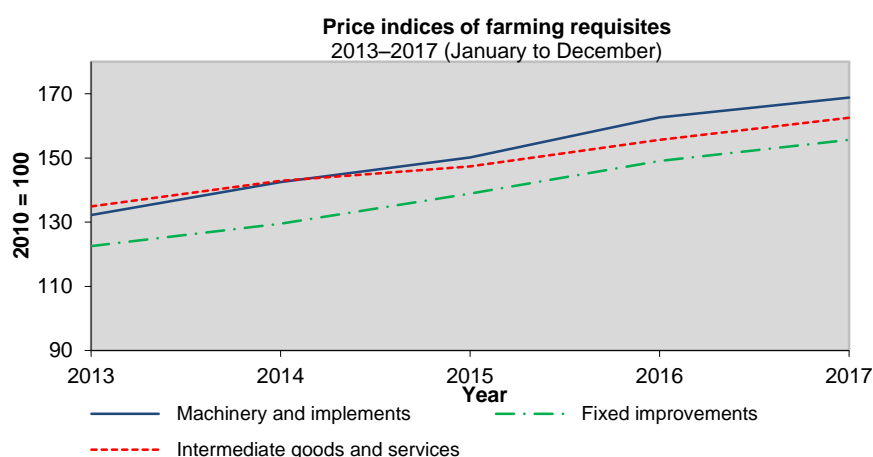
Expenditure on intermediate goods and services increased by 6,5% and was estimated at R141 959 million, compared to R133 243 million the previous period. This was mainly caused by the increase in expenditure on seed and plants by 10,0%, building and fencing material by 8,9%, packing material by 8,8%, farm feeds by 8,0%, animal health and crop protection and farm services by 6,0% each, fuel by 5,2%, maintenance and repairs of machinery and implements by 4,9% and fertilisers by 3,0%.



Farm feeds remained the largest expenditure item, accounting about 29,4% to overall expenditure, followed by maintenance and repairs of machinery and implements (13,6%), farm services (12,2%), fuel (8,8%), seed and plants (6,7%), animal health and crop protection (6,2%), fertilisers (4,9%), packing material (4,8%) and building and fencing material (4,0%).

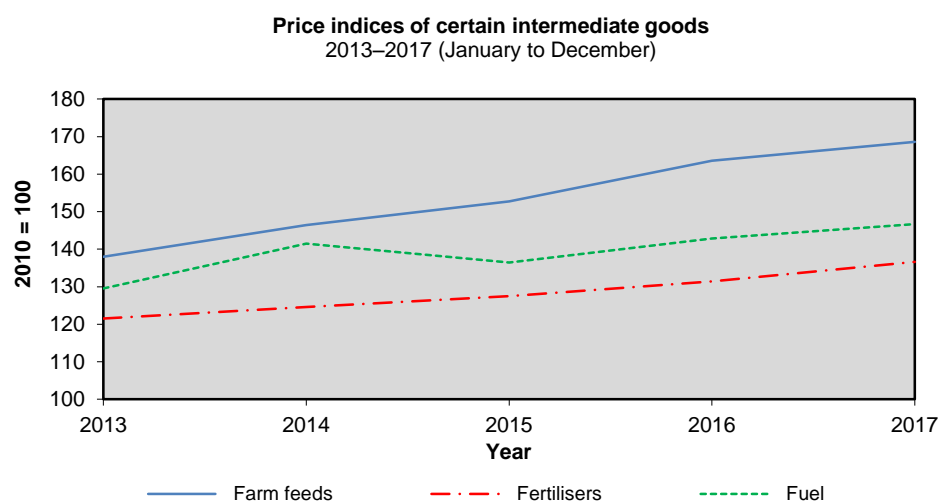
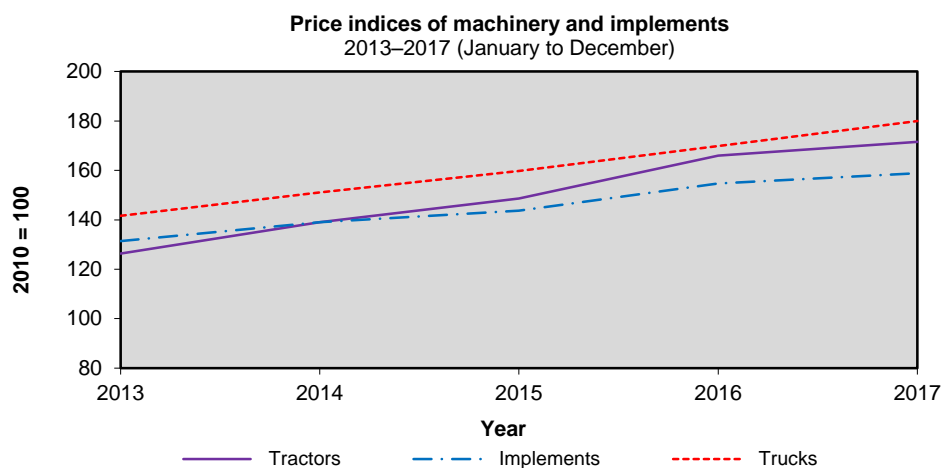
Prices of farming requisites

Prices of farming requisites, including machinery and implements, material for fixed improvements and intermediate goods and services, showed an increase of 4,3% in 2017, compared to 6,0% of the previous year.



The price index of machinery and implements increased by 3,8% during 2017. The price index of materials for fixed improvements and that of intermediate production inputs and services increased by 4,4% each.

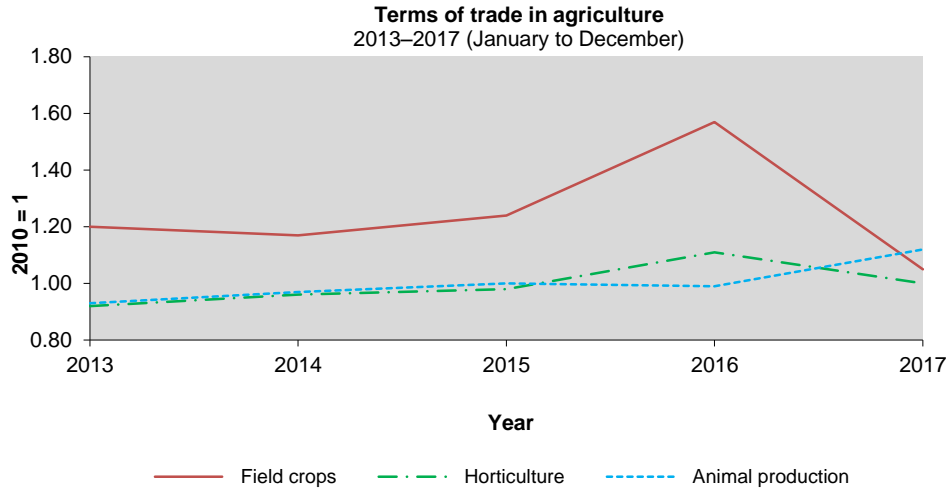
The prices paid for animal health and crop protection increased by 8,9%, packing material by 7,8%, trucks by 6,0%, seeds by 5,3%, fencing material by 5,1%, maintenance and repairs of machinery and implements by 4,6%, building material and fertilisers by 4,0% each, tractors by 3,4%, feeds by 3,1% and fuel by 2,7%.



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 weakened by 7,8% (from 1,16 to 1,07), due to the increase of 6,5% in production costs and a decrease of 2,9% in prices received by the farmers for their products. The terms of trade for field crops declined substantially by 33,1% (from 1,57 in 2016 to 1,05 in 2017) and horticultural products by 9,9% (from 1,11 in 2016 to 1,00 in 2017), while that of animal products improved by 13,1% (from 0,99 in 2016 to 1,12 in 2017). The main reason that led to a decline in terms of trade for field crops and horticultural products was lower prices received by the farmers for these products, while the terms of trade for animal products strengthened due to better prices.



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.

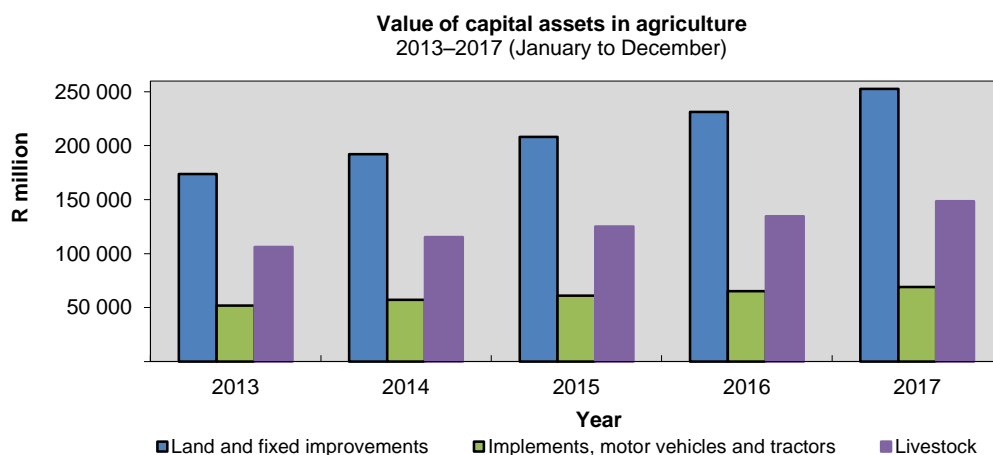
The contribution of agriculture, forestry and fisheries to value added for the year ended 31 December 2017 is estimated at R106 421 million. This represents 2,6% of the total value added to the economy.

Year	Total value added	Contribution of agriculture to value added	Contribution of agriculture as percentage of total value added
	R million	R million	%
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	3 183 618	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

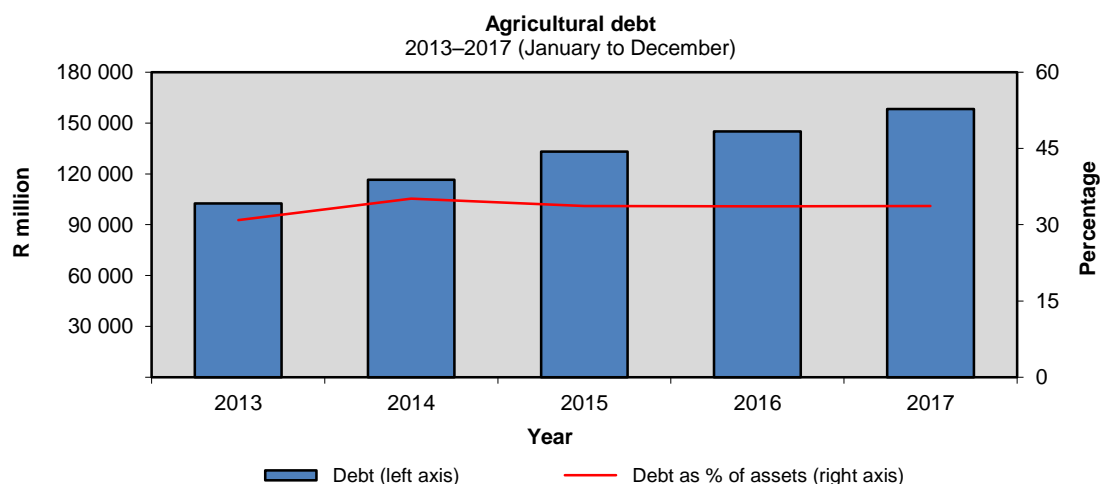
The value of capital assets in agriculture as at 31 December 2017 showed an increase of 9,1% and is estimated at R470 113 million, compared to R430 853 million at the end of December 2016. Land and fixed improvements constituted 53,7%, livestock (31,6%) and implements, motor vehicles and tractors (14,7%) of the total value of capital assets.



The gross investment in respect of fixed improvements for the year ended 31 December 2017 was 2,2% higher than in 2016 and amounted to R5 593 million. In the case of machinery, implements and vehicles, investment increased by 4,9% and amounted to R10 576 million. The livestock inventory decreased with R320 million from the previous year.

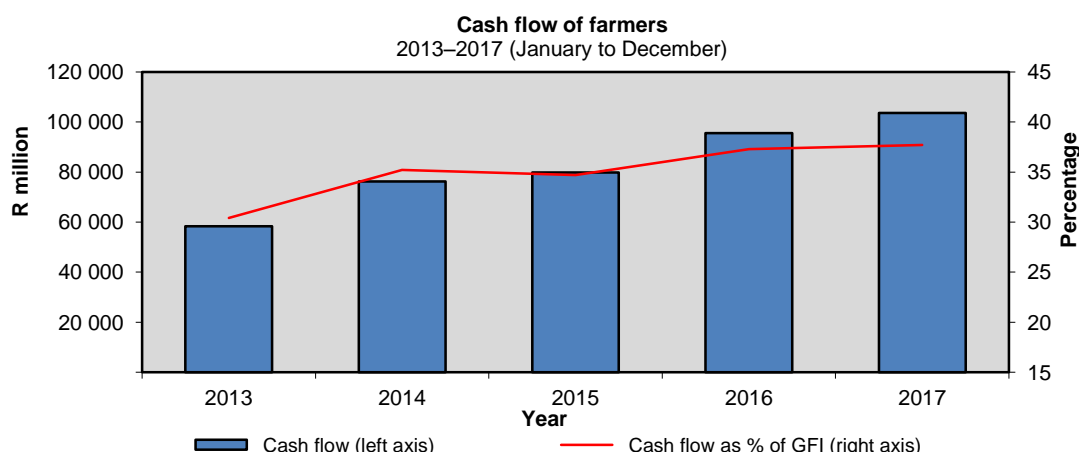
Farming debt

The total farming debt as at the end of December 2017 increased by 9,2% and was estimated at R158 343 million, from R144 981 million in 2016.



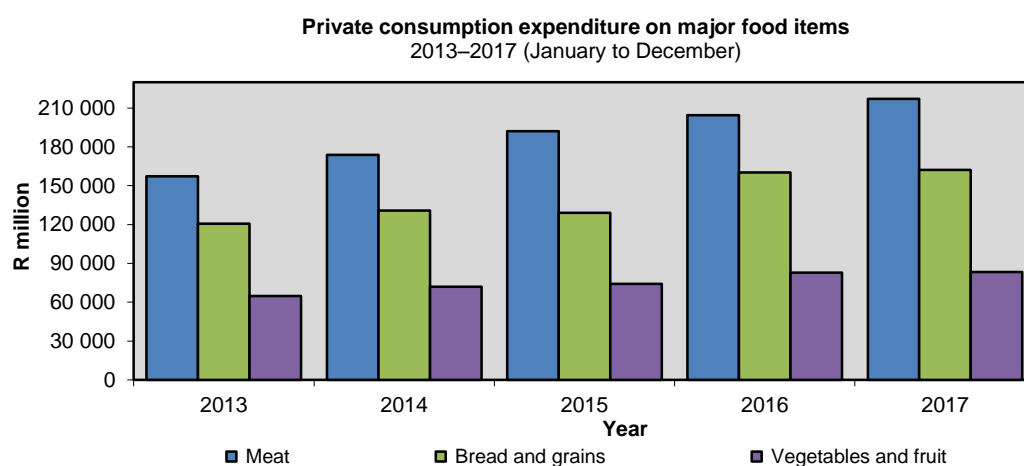
Cash flow of farmers

The cash flow of farmers increased by 8,5% for the year ended 31 December 2017 and amounted to R103 639 million, from R95 563 million in the previous year. This was mainly a result of the increase in the gross income of farmers due to the higher grain and oilseed crops.



Consumption expenditure on food

The consumption expenditure on food for the year ended 31 December 2017 amounted to R637 929 million, which is an increase of 3,8% from the R614 380 million of the previous year. Expenditure on all food items increased during 2017. Expenditure on meat increased by 6,1%, from R204 552 million to R217 076 million, bread and grains increased by 1,2%, from R160 188 million to R162 161 million, oils and fats increased by 5,8%, from R11 852 million to R12 540 million, milk, milk products and eggs increased by 6,2%, from R74 228 million to R78 846 million and sugar by 5,4%, from R8 230 million in 2016 to R8 670 million in 2017. Expenditure on fruit and vegetables also increased by 0,6%, from R82 832 million in 2016 to R83 359 million in 2017.



Meat represented 35% of the expenditure on the food component, while bread and grains represented 25%, 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

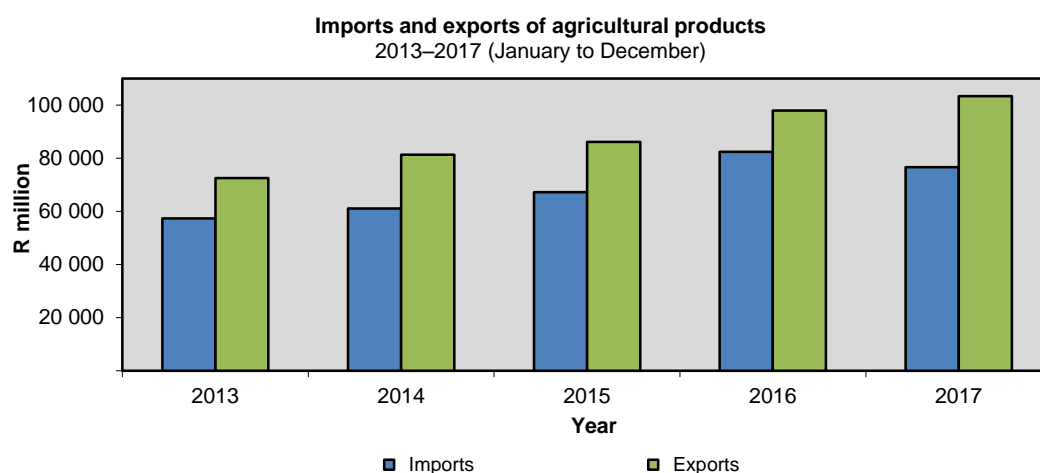
The consumer prices of all agricultural items increased by 5,3% for the year ended 31 December 2017, compared to an increase of 6,3% of the previous year.

The consumer prices of food increased by 6,9% and that of non-food items by 4,9%. The prices of meat rose by 12,9%, dairy products and eggs by 5,5%, and grain products by 2,6%. The consumer prices of sugar increased by 12,3%, coffee and tea by 9,6%, fish by 6,4% and fruit by 1,4% while prices of vegetables and fats and oils decreased slightly by 0,4% and 0,3%, respectively.

Imports and exports of agricultural products

The estimated value of imports during 2017 came to approximately R76 596 million, from R82 362 million in 2016—a decrease of 7,0%.

The estimated value of exports showed an increase of 5,6%, from R97 901 million in 2016 to about R103 396 million in 2017.



According to the 2017 agricultural export figures, citrus fruit (R18 585 million), wine (R8 833 million), grapes (R8 489 million), apples, pears and quinces (R7 364 million) and maize (R4 956 million) were the five most important export products in terms of value.

With regard to agricultural imports during 2017, rice (R6 914 million), meat (R6 410 million), palm oil (R4 372 million), wheat and meslin (R4 370 million) and undenatured ethyl alcohol (R3 699 million) were the five major products in terms of value.

In terms of exports of agricultural products by South Africa during 2017, the five largest trading partners were the Netherlands, with exports to the value of R11 570 million, the United Kingdom (R9 708 million), Mozambique (R6 511 million), China (R6 465 million) and Zimbabwe (R4 458 million).

The five largest trading partners from whom South Africa imported agricultural products during 2017 were Brazil, with imports valued at R6 294 million, Thailand (R5 286 million), Argentina (R4 976 million), the United States (R4 498 million) and China (R3 724 million).