

Economic Review of the South African Agriculture

2016/17



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Economic Review

of the

South African

Agriculture

2016/17

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FOREWORD

The value of agricultural production in South Africa was R273 344 million in 2016/17, while its contribution to the GDP was approximately R80 247 million in 2016. 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 2,1% in 2016.

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 2017

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Director: Statistics and Economic Analysis

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 30 JUNE 2017

Summary

Gross farming income obtained from all agricultural products increased by 10,2% and is estimated at R267 009 million for the year ended 30 June 2017. This was mainly influenced by the increase in gross farming income derived from the field crops and animal products by 24,2% and 11,3%, respectively. The gross farming income from horticultural products decreased slightly by 0,7%.

Prices received by farmers for their agricultural products increased on average by 4,3% and those paid by farmers for production inputs increased by 5,1%, which caused the terms of trade to weaken slightly by 0,9%.

The weighted average prices of animal and horticultural products increased by 12,8% and 2,8%, respectively, while the prices of field crops decreased by 6,8%.

The increase in prices of animal products was influenced by the increase in the prices of slaughtered stock by 14,2%, milk by 13,1%, poultry meat by 12,3% and pastoral products by 6,2%. The increase in prices of horticultural products was the results of the increase in the prices of fruit by 7,8% and viticulture by 3,2%.

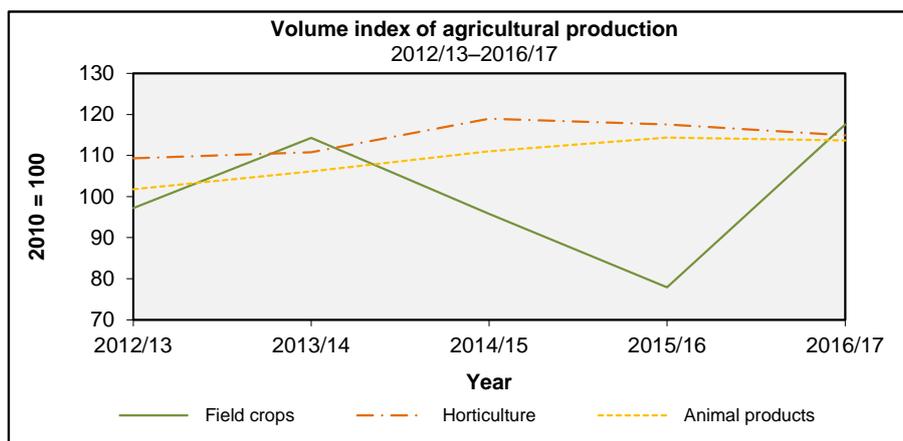
The decrease in prices of field crops was mainly driven by a decline in the prices of summer grains, oilseeds and winter grains by 12,7%, 9,7% and 6,4%, respectively.

The 5,1% increase in the prices paid for production inputs was the result of the increase in prices of packing material by 7,5%, tractors by 7,3%, building and fencing materials by 7,2% each, trucks by 5,8%, feeds by 5,7%, animal health and crop protection by 5,4%, seed and plants by 5,1%, maintenance and repairs of machinery and implements by 3,6%, fuel by 3,3% and fertilisers by 2,1%.

Net farming income increased substantially by 21,9% and amounted to R100 956 million for the period July 2016 to June 2017, compared to R82 846 million in the previous corresponding period.

Volume of agricultural production

The estimated volume of agricultural production in 2016/17 was 7,7% more than in 2015/16.



The field crop production volume increased by 50,8%, mainly as a result of increases in the production of summer crops (maize and sorghum), winter crops (wheat, barley and canola), as well as oilseed crops (soya beans, sunflower seed and groundnuts), hay, sugar cane and dry beans. Maize production increased by 8,2 million tons (99,7%) and sorghum by 92 960 tons (114,7%) from the previous season and can mainly be attributed to the favourable production conditions that prevailed at the beginning of 2017. Wheat production increased by 472 087 tons (32,6%), barley by 23 000 tons (6,93%) and canola by 12 000 tons (12,9%) from 2015/16. Soya beans production increased by 598 370 tons (80,6%), sunflower seed by 69 630 tons (8,9%)

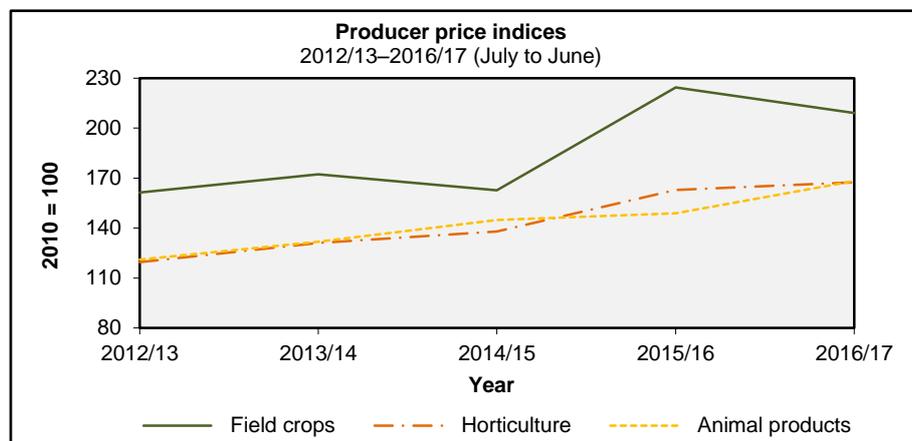
and groundnut production by 82 460 tons (412,2%) from 2015/16. The production of hay increased by 396 000 tons (8,8%), sugar cane by 213 209 tons (1,4%) and dry beans by 36 390 tons (93,3%) from 2015/16.

Horticultural production for 2016/17 decreased by 2,3% from the previous season, which can mainly be attributed to decreases in the production of citrus fruit and subtropical fruit. The decrease in the production of oranges by 395 061 tons (22,4%), grape fruit by 72 586 tons (18,6%), lemons by 30 068 tons (8,5%) and naartjes by 5 793 tons (13,8%) led to a decrease in citrus fruit production from 2015/16. The decrease in the production of bananas by 113 813 tons (28,3%), pineapples by 12 877 tons (12,3%) and avocados by 4 268 tons (4,9%) attributed to a decrease in the production of subtropical fruit from the previous season.

Animal production decreased by 0,6%, mainly as a result of decreases in number of stock slaughtered (sheep, pigs, cattle and calves), as well as decreases in the production of wool, ostrich feathers and eggs. The number of sheep slaughtered decreased by 224 668 units (4,4%), pigs by 65 603 units (2,3%) and cattle and calves by 58 940 units (2,0%), from 2015/16. The production of wool decreased by 8 779 tons or 20,2%, ostrich feathers by 40 tons or 22,6% and eggs by 11 242 tons or 1,8%, as compared to the previous season.

Producer prices of agricultural products

Producer prices of agricultural products increased on average by 4,3% for the period July 2016 to June 2017, compared to 15,5% of the previous corresponding period.



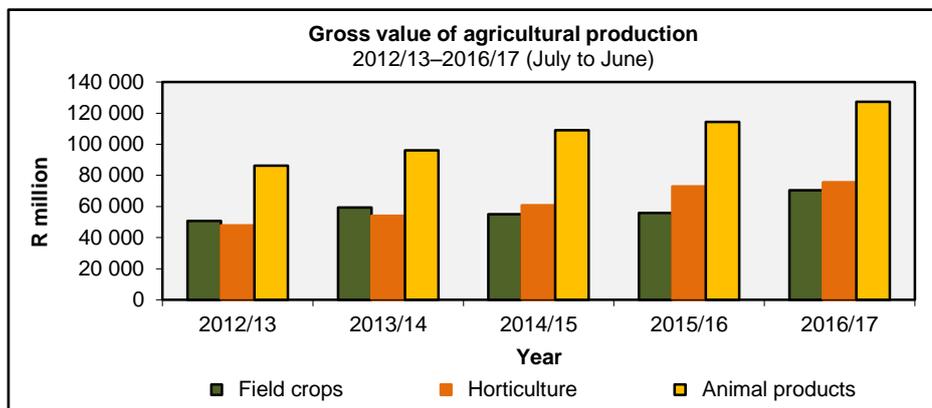
The prices of field crops decreased on average by 6,8%, due to the decrease in prices of summer grains by 12,7%, oilseeds by 9,7% and winter grains by 6,4%. The prices of sugar cane increased by 17,0%, dry beans by 11,8%, cotton by 10,7%, tobacco by 10,5% and hay by 4,1%.

The prices of horticultural products increased on average by 2,8% as a result of the increase in prices of fruit and viticulture by 7,8% and 3,2%, respectively. The prices of vegetables decreased by 5,4%.

The prices of animal products increased on average by 12,8%, due to the increase in prices of slaughtered stock by 14,2%, milk by 13,1%, poultry meat by 12,3% and pastoral products by 6,2%.

Gross value of agricultural production

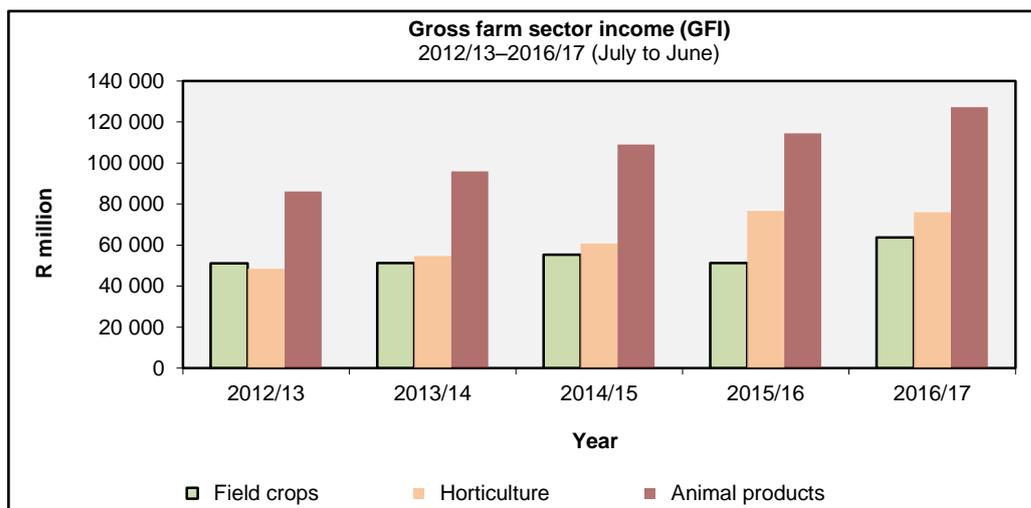
The *total gross value of agricultural production* (total production during the production season valued at the average basic prices received by producers) for 2016/17 is estimated at R273 344 million, compared to R243 057 million the previous year—an increase of 12,5%. This increase can be attributed mainly to an increase in the value of field crops and animal products.



The gross value of animal products, horticultural products and field crops contributed 46,5%, 27,7% and 25,8%, respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 14,9%, 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 30 June 2017 (2016/17) amounted to R267 009 million, compared to R242 216 million the previous year—an increase of 10,2%. The increase can be ascribed mainly to significant higher volumes of maize, grain sorghum, groundnuts, soya beans and dry beans produced in comparison to the poor harvest during 2016 as a result of the severe drought.

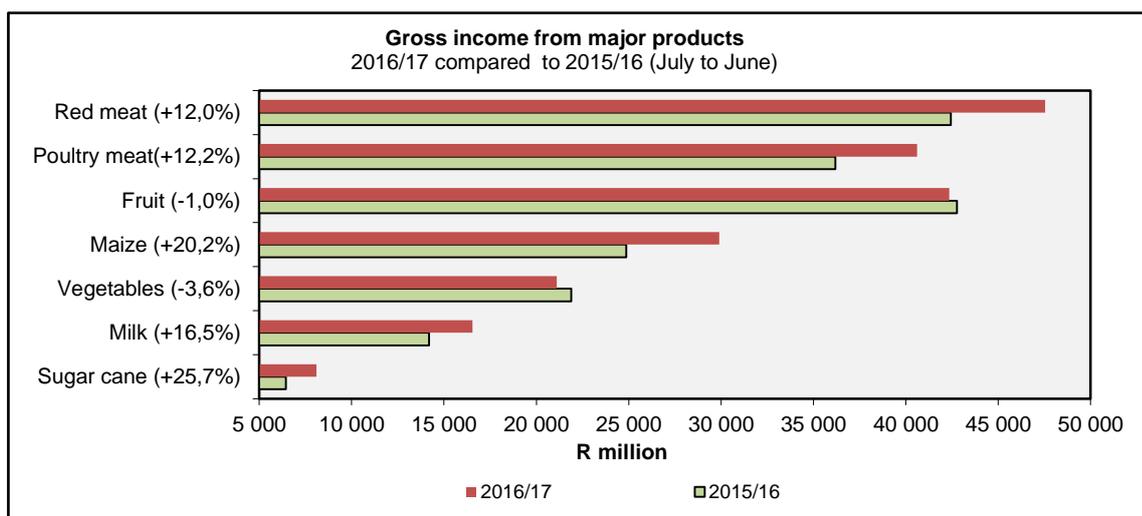


The *gross income from field crops* increased by 24,2% to R63 718 million for the year ended 30 June 2017. Income from all major grain and oilseed crops showed marked improvements, notwithstanding lower prices paid to farmers. Income from maize amounted to R29 905 million, an increase of 20,2% on the R24 874 million of the previous 12 months. At the end of June 2017, 54,0% of the expected record maize crop of 16 400 million tons were delivered. Soya beans income increased by 32,3% to R6 272 million. Income from sunflower seed amounted to R4 843 million, 33,9% more than the R3 617 million of the previous 12 months. Income from groundnuts increased by 304,7% to R746 million and that of grain sorghum by 83,8% to

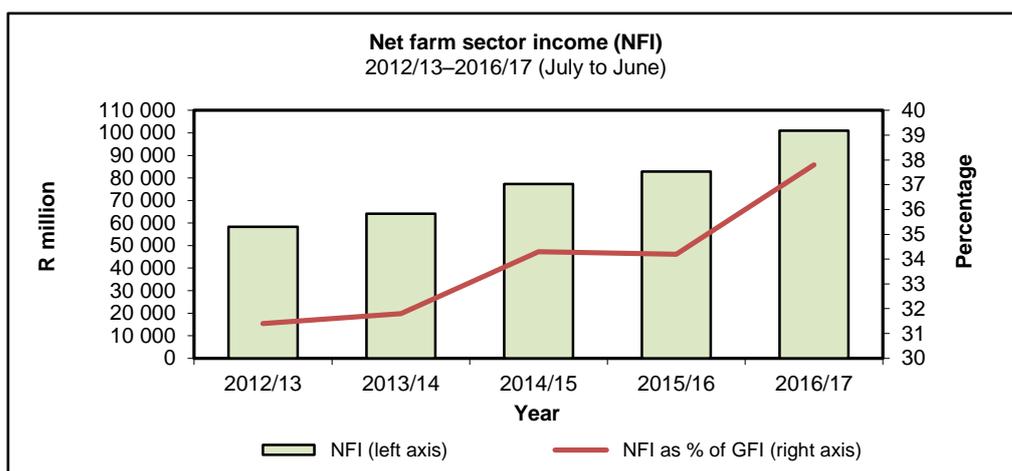
R470 million. Income from sugar cane at R8 094 million was 25,7% higher than that of the previous 12 months. Income from cotton production also increased by 29,3% to R298 million.

The *gross income from horticultural products* decreased by 0,7%, from R76 542 million in 2015/16 to R76 002 million in 2016/17. Income from deciduous fruit decreased by 3,7% and amounted to R19 788 million and that of vegetable production decreased by 3,6% to R21 111 million. Income from citrus fruit increased only marginally by 1,2% and amounted to R18 377 million and income from subtropical fruit increased by 2,8% to R4 180 million.

The *gross income from animal products* was 11,3% higher in 2016/17, mainly as a result of better prices received by farmers and amounted to R127 288 million, compared to R114 379 million in 2015/16. Producers earned R34 041 million from slaughtered cattle, compared to the previous R30 630 million—an increase of 11,1%. Income from slaughtered sheep showed an increase of 16,2% to R7 008 million. Income from poultry meat production rose by 12,2% to R40 612 million and income from egg production, at R10 244 million, was 1,0% higher than in the previous year. Producers earned R16 544 million from milk production, which is 16,5% up from the previous year. Income from wool increased by 5,9% to R3 559 million. Income from ostrich products decreased by 24,5% to R400 million.



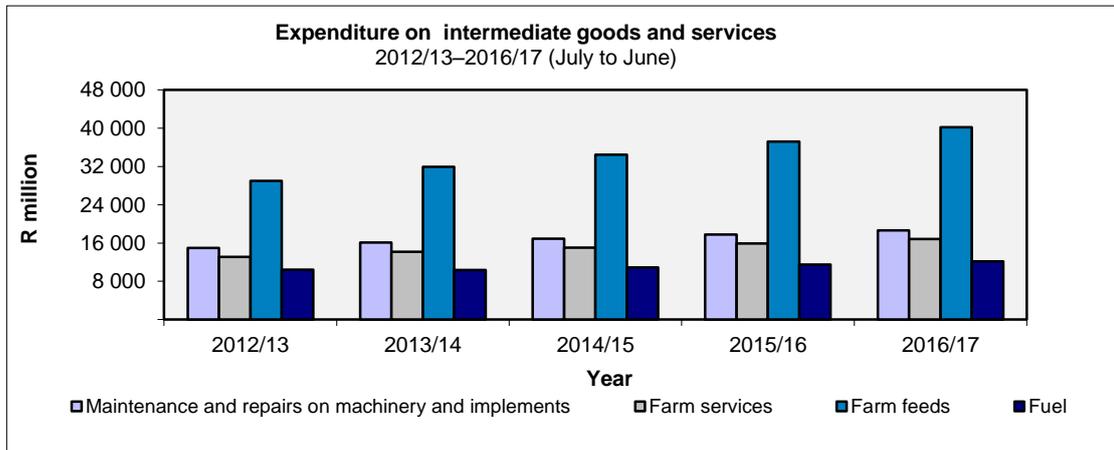
The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R100 956 million for the 12 months that ended on 30 June 2017, which is 21,9% more than in the previous 12 months. Payments for salaries and wages, which represented 10,3% of the total farming costs, amounted to R17 835 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2017 is estimated at R8 828 million, or 5,1% 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.

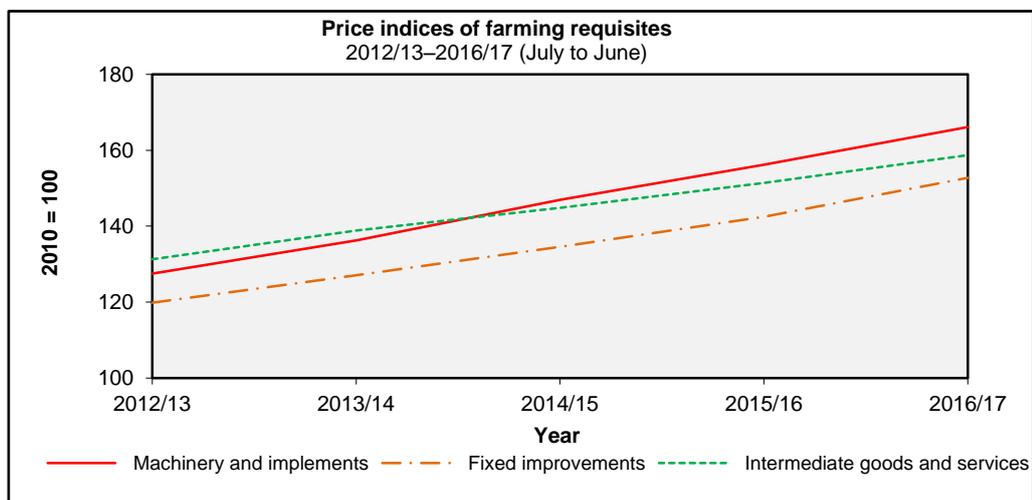
Expenditure on intermediate goods and services increased by 6,6% and is estimated at R137 143 million for the year ended June 2017, from R128 611 million the previous year. Farm feeds had the largest proportion as an expenditure item, accounting for 29,3%, followed by maintenance and repairs on machinery and implements by 13,6%, farm services by 12,3%, fuel by 8,9%, seed and plants by 6,5%, animal health and crop protection by 6,2%, fertilisers by 5,0%, packing material by 4,8% and building and fencing material by 4,0%.

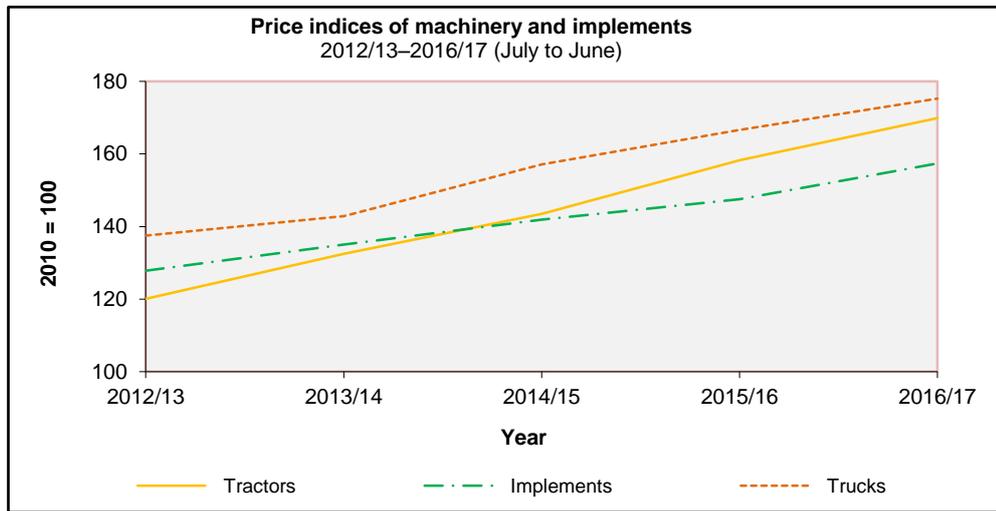


Prices of farming requisites

Prices of farming requisites increased on average by 5,1% for the year ended June 2017, compared to 4,8% in the previous year. This was mainly driven by the increase in prices of packaging material by 7,5%, tractors by 7,3%, building and fencing materials by 7,2% each, trucks by 5,8%, feeds by 5,7%, animal health and crop protection by 5,4%, seeds by 5,1%, maintenance and repairs of machinery and implements by 3,6%, fuel by 3,3% and fertilisers by 2,1%.

The combined price index of machinery and implements prices increased by 6,4% for 2016/17. The price index of materials for fixed improvements increased by 7,2% and the index of intermediate goods and services increased by 4,8%.



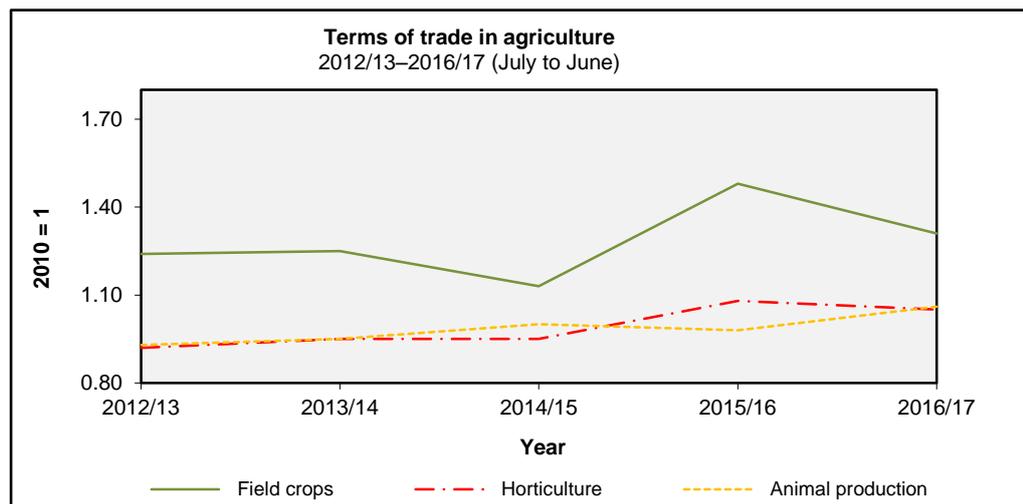


Domestic terms of trade in agriculture (2010 = 1)

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 declined slightly by 0,9%, from 1,12 in 2015/16 to 1,11 in 2016/17. This was the result of the prices of the production inputs, which increased by (5,1%), more than the prices received by the farmers for their products (4,3%).

The terms of trade for animal products increased by 8,2% (from 0,98 to 1,06), while that of the field crops and horticultural products decreased by 11,5% (from 1,48 to 1,31) and 2,8% (from 1,08 to 1,05), respectively.



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 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 | % |
| 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* | 3 878 164 | 94 408 | 2,4 |

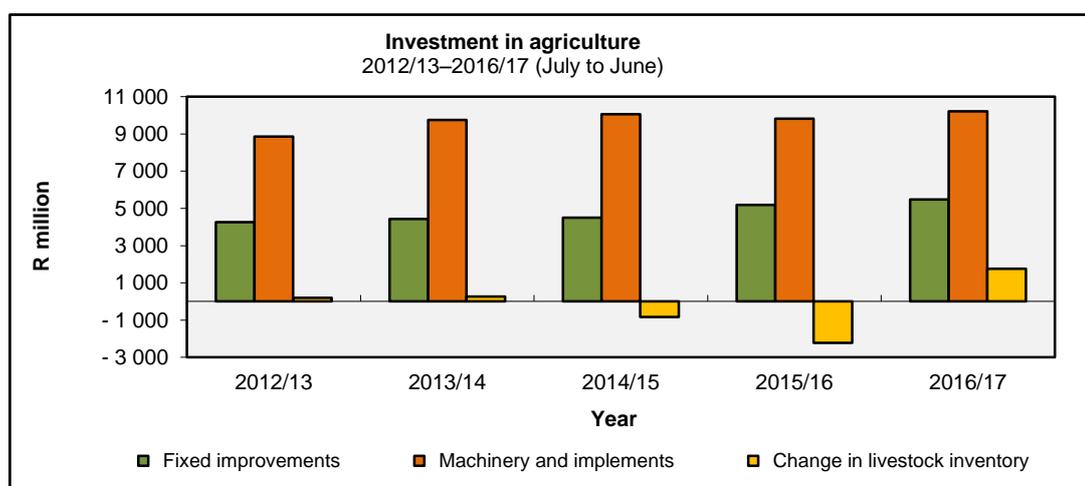
*Note: Figures are for agriculture, forestry and fisheries

Capital assets and investment in agriculture

The value of capital assets in agriculture as at 30 June 2017 is estimated at R459 947 million, compared to R413 748 million at the end of June 2016, an increase of 11,2%.

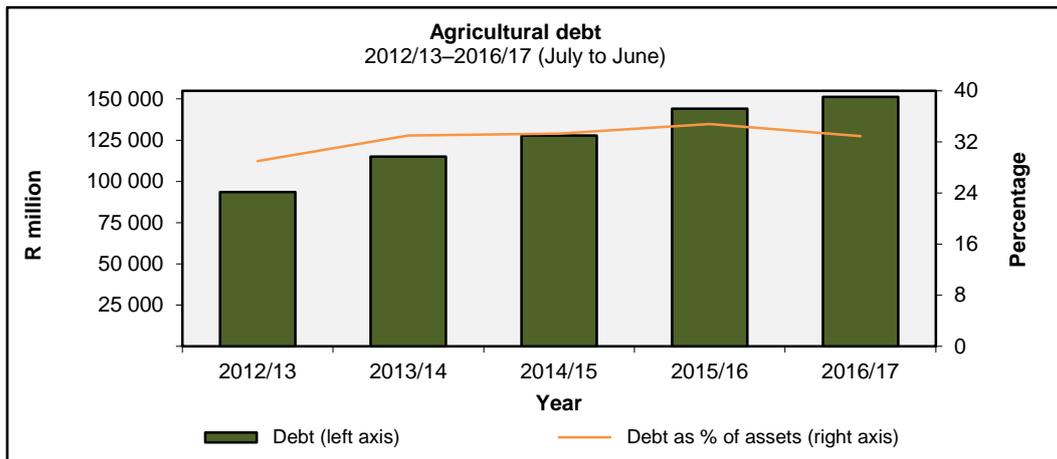
Land and fixed improvements constituted R243 529 million (52,9%), livestock R146 917 million (31,9%) and machinery and implements R69 502 million (15,1%) of the total value of capital assets.

The gross investment in respect to fixed improvements for the year ended 30 June 2017 increased by 5,6% to R5 483 million. Investment in machinery, implements and vehicles increased by 4,0% and amounted to R10 209 million. The livestock inventory was R1 761 million more than in the previous year.



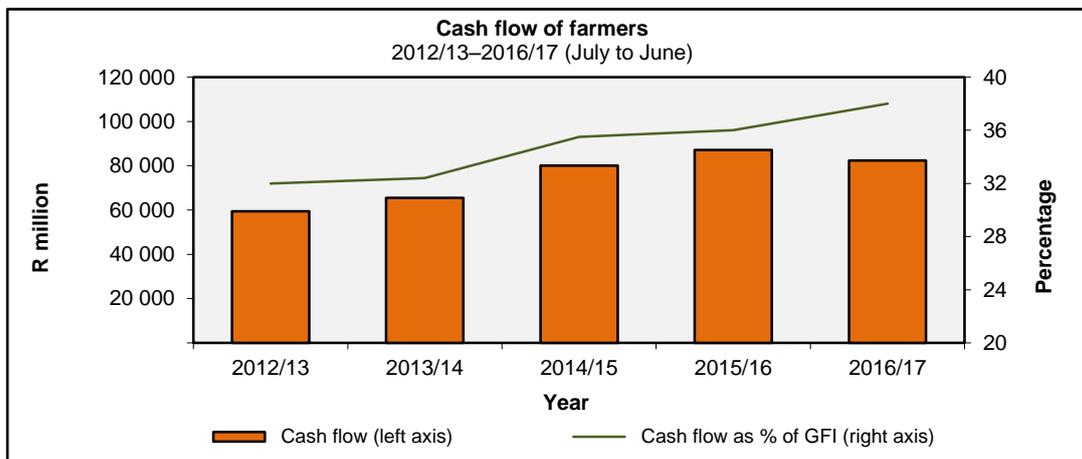
Farming debt

The total farming debt as at the end of June 2017 increased by 5,0% and is estimated at R151 265 million, compared to R144 074 million at the end of June 2016.



Cash flow of farmers

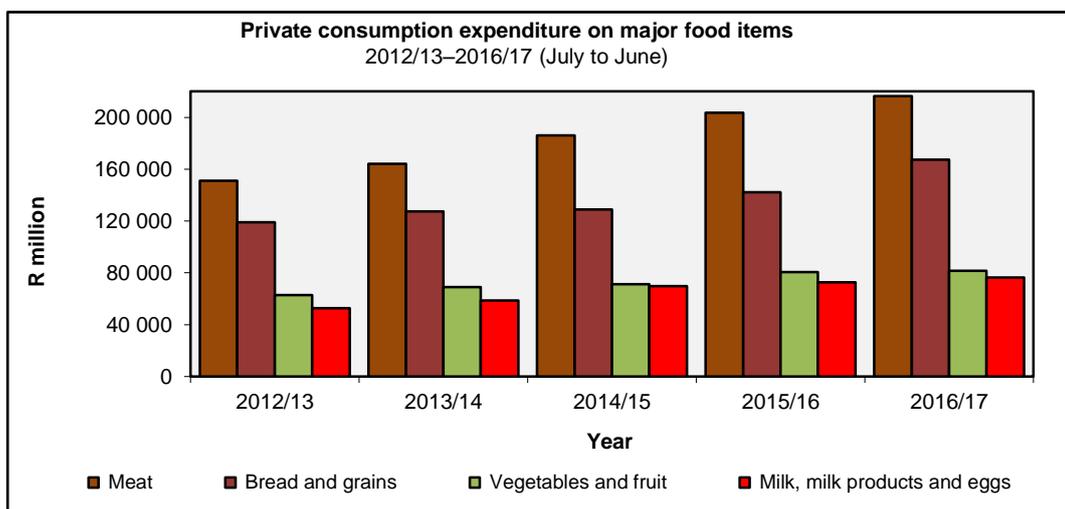
The farmers' cash flow showed an increase of 16,4% and is estimated at R101 406 million for the year ended 30 June 2017, compared to R87 100 million in the previous corresponding period. This was the result of the increase in the gross farming income by 10,2%.



Consumption expenditure on food

The consumption expenditure on food for the year ended 30 June 2017 increased by 8,7% and amounted to R638 401 million, compared to the R587 505 million of the previous year. Expenditure on meat increased by 6,3% to R216 413 million, on bread and grain products by 17,6% to R167 267 million and on fruit and vegetables (including potatoes) by 1,4% to R81 635 million. Expenditure on milk, milk products and eggs indicates an increase of 5,0% to R76 470 million and on sugar an increase of 17,6% to R8 743 million. Expenditure on oils and fats also shows an increase of 8,3% to R12 540 million.

Meat represented 34% of the expenditure on the food component; bread and grains 26%; 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%.



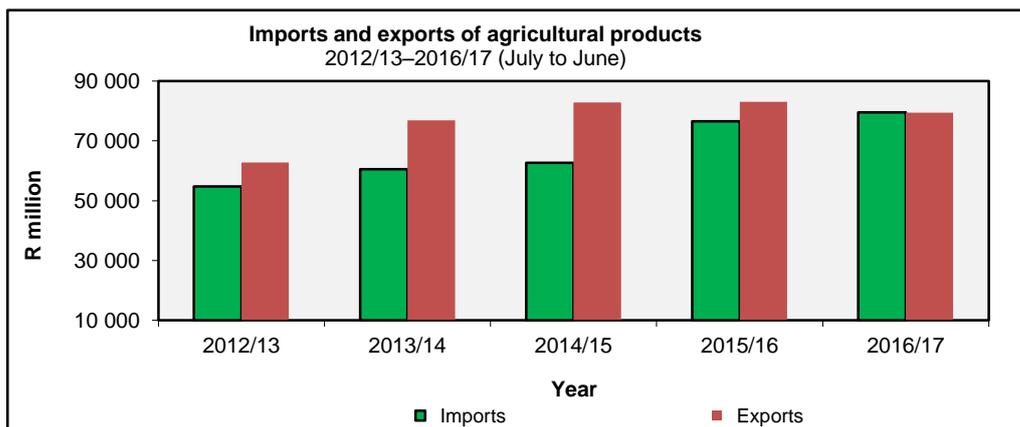
Consumer prices

The consumer prices of all agricultural products increased by an average of 6,0% for the year ended June 2017. The consumer price index of food increased by 10,1% and that of non-food items by 5,3%.

The price index of sugar and related products rose by 19,2%, coffee and tea by 14,7%, fruit by 14,1%, grain products by 12,2%, fish by 9,5%, dairy products and eggs by 8,8%, meat by 8,4%, fats and oils by 8,1% and vegetables by 5,6%.

Imports and exports of agricultural products

The estimated value of imports for 2016/17 came to R79 515 million, an increase of 3,9% from R76 511 million for 2015/16. The value of exports increased by 17,4%, from R83 022 million in 2015/16 to R97 429 million in 2016/17.



According to the 2016/17 export values, citrus fruit (R16 989 million), wine (R8 731 million), apples, pears and quinces (R7 161 million), wool (R4 158 million) and nuts (R3 568 million), were the most important agricultural export products.

Rice (R6 438 million), maize (R6 364 million), meat (R5 717 million), cane or beet sugar (R3 788 million) and undenatured ethyl alcohol (R3 445 million) accounted for the highest imports in terms of value.

During 2016/17, the Netherlands, with exports to the value of R10 827 million, the UK (R8 908 million), Zimbabwe (R6 125 million), Mozambique (R5 938 million) and China (R5 389 million) were the five largest trading partners of South Africa in terms of export destinations for agricultural products. About 20,2% of the total value of agricultural exports from South Africa for the period July 2016 to June 2017 went to the Netherlands and the UK combined.

The five largest trading partners for South Africa's imported agricultural products during 2015/17 were Argentina (R7 306 million), Brazil (R5 375 million), the United States (R4 305 million), Thailand (R4 173 million) and Indonesia (R3 858 million). About 16,0% of the total value of agricultural imports by South Africa during the period July 2016 to June 2017 was from Argentina and the Brazil combined.