

Economic Review

of the

South African Agriculture 2018



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA



Economic Review

of the

South African

Agriculture

2018

DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

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FOREWORD

The value of primary agricultural production in South Africa showed an increase of 3,2% and was estimated at R288,6 billion in 2018, while its contribution to the GDP was estimated at R95,1 billion at current prices in 2017.

South African primary agricultural sector grew by an average of 7,6% per year since 1994, while the country's economic growth was 10,5% on average per year during the same period. The contribution of agriculture's value added to GDP declined from 3,5% in 1994 to 2,3% 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 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 2019

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 31 DECEMBER 2018

Summary

Gross farming income earned from all agricultural products for the year ended 31 December 2018 increased by 1,2% to R281 835 million, as opposed to R278 531 million of the previous year. This was driven by the increase in income made from horticultural and animal products by 6,7% and 3,1%, respectively.

The terms of trade decreased by 3,7% (from 1,08 to 1,04), due to the increase in production costs by 4,0%, compared to a slight increase of 0,9% in prices earned by farmers.

The weighted average price of field crops decreased by 8,6%, as the result of the decrease in prices of sugar cane by 12,1%, summer grains by 11,4%, oilseeds by 5,7%, winter grains and tobacco by 3,7% each, dry beans by 3,6% and hay slightly by 0,2%.

The weighted average price of horticultural products increased by 5,9% and was influenced by the increase in prices of viticulture by 19,5%, vegetables by 12,0% and fruit slightly by 0,6%.

The weighted average price of animal products increased by 2,6% as the result of the increase in prices of pastoral products by 23,5%, poultry meat by 4,5% and slaughtered stock by 1,4%.

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

Net farming income decreased by 5,6% to R98 758 million for the period up to 31 December 2018, compared to R104 565 million in the previous period.

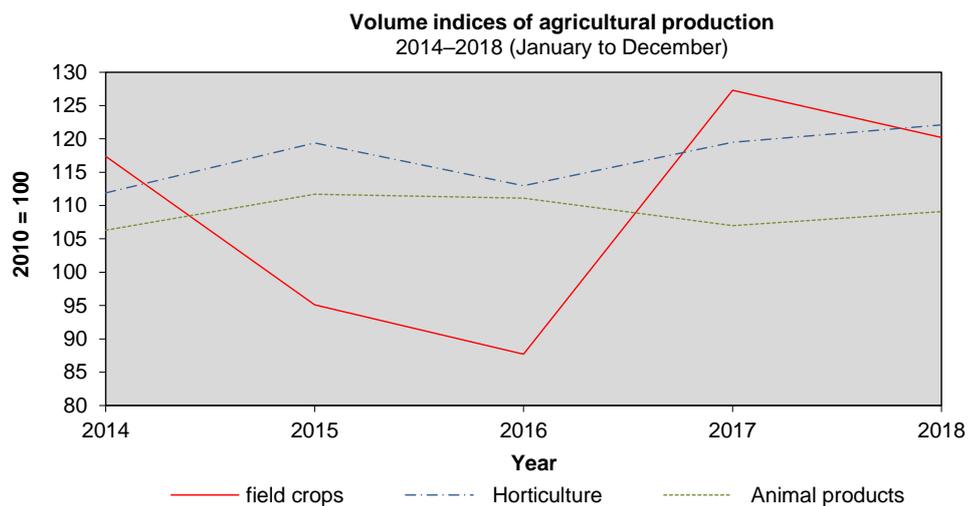
Volume of agricultural production

The estimated volume of agricultural production during 2018 was 0,02% higher than in 2017.

The volume of field crop production decreased by 5,63% during 2018, mainly as a result of a decrease in the production of summer grains (maize and sorghum) and oilseeds (especially sunflower seed and groundnuts).

Horticultural production increased by 2,15% for the mentioned period, which can mainly be attributed to increases in the production of subtropical and citrus fruit.

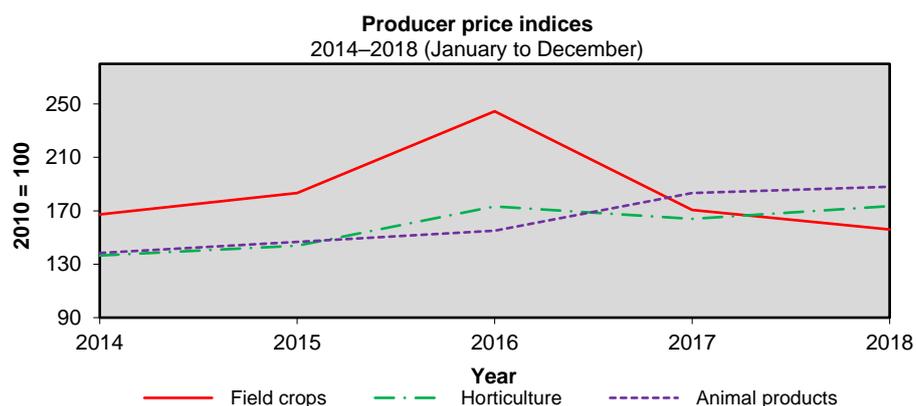
The production of animal products increased by 1,92%, mainly because of an increase in the production of poultry meat and fresh milk, as well as the number of pigs slaughtered during 2018.



Producer prices of agricultural products

Producer prices of agricultural products increased marginally on average by 0,9% for the period ended 31 December 2019, compared to the increase of 2,8% the previous period.

The prices of field crops decreased by 8,6%, mainly because of the decrease in prices of sugar cane by 12,1%, summer grains by 11,4%, oilseeds by 5,7%, winter grains and tobacco by 3,7% each, dry beans by 3,6% and hay slightly by 0,2%



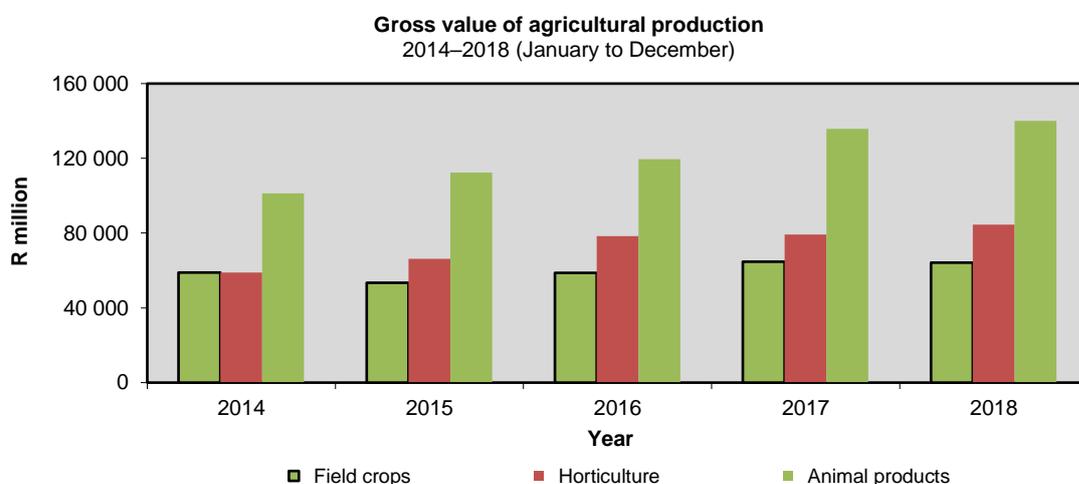
The increase in prices of horticultural products by 5,9% was boosted by the increase in prices of viticulture by 19,5%, vegetables by 12,0% and fruit slightly by 0,6%.

The prices of animal products increased by 2,6% and was caused by the increase in prices of pastoral products by 23,5%, poultry meat by 4,5% and slaughtered stock by 1,4%.

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 2018 is estimated at R288 643 million, compared to R279 587 million the previous year—an increase of 3,2%. This increase can mainly be attributed to an increase in the value of horticulture.

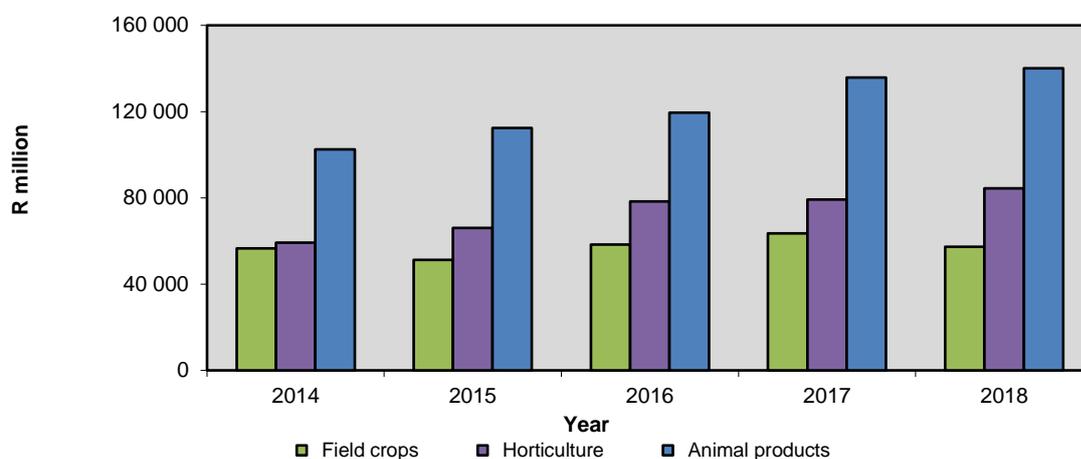
The gross value of animal products contributed 48,5% to the total gross value of agricultural production, while horticultural products and field crops contributed 29,3% and 22,2%, respectively. The poultry meat industry made the largest contribution with 16,6%, followed by cattle and calves slaughtered with 12,5% and maize with 8,7%.



Farming income

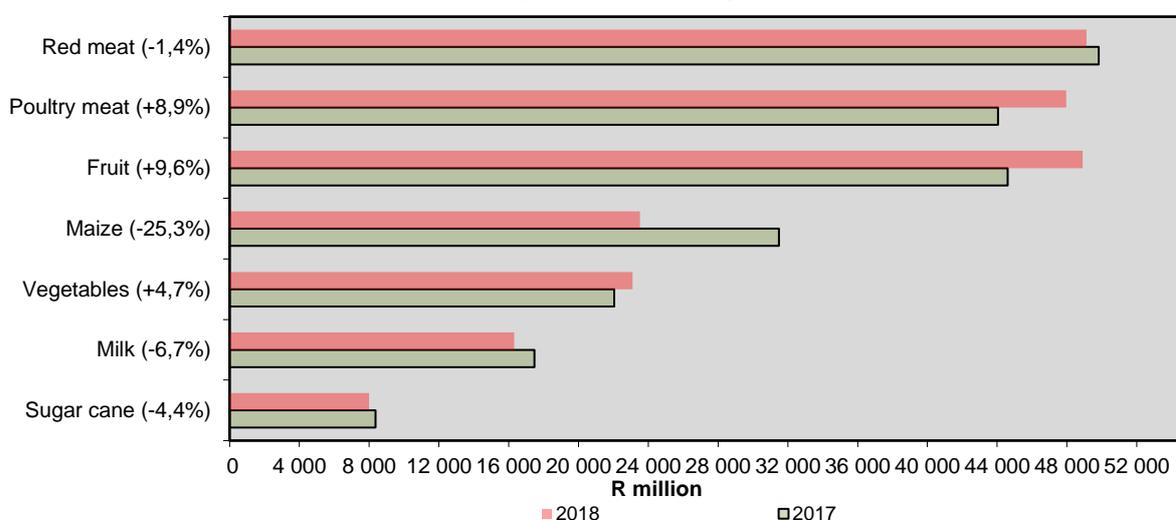
The *gross income of producers* (the value of sales and production for other uses, plus the value of changes in inventories) for the year ended 31 December 2018 amounted to R281 835 million, compared to R278 531 million the previous year—an increase of 1,2%. This can be attributed to the increase in prices and production levels of horticultural and animal products, particularly of subtropical fruit, citrus fruit, pigs slaughtered, poultry meat, milk and eggs.

Gross farm sector income (GFI)
2014--2018 (January to December)



The gross income from field crops decreased by 9,8% to R57 329 million for the year ended 31 December 2018. Income from maize at R23 517 million was 25,3% less than in the previous 12 months, while the average seasonal price for white and yellow maize has decreased by 55,3% and 37,7%, respectively, compared to the previous season. Income from sunflower seed has declined by 4,4% to R3 826 million and income from wheat at R6 823 million was 16,4% more than the income earned in 2018. Income from sugar cane at R7 993 million was 4,4% lower than in the previous 12 months. Income from groundnuts has decreased by 38,0% to R505 million from the previous season. Income from dry beans decreased by 3,1% to R1 002 million. Income from soya beans increased by 7,3% to R6 900 million in the current year.

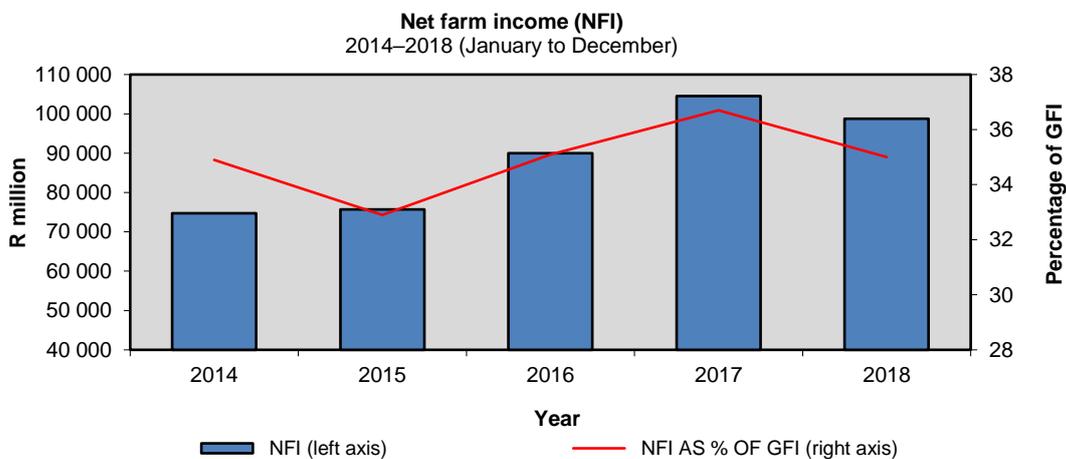
Gross income from major products
2018 compared to 2017 (January to December)



The gross income from horticultural products increased by 6,7% to R84 478 million in 2018 from R79 184 million in 2017. Income from citrus fruit increased by 7,0%, which amounted to R20 686 million. Income from deciduous fruit was at R21 865 million, which was 10,8% higher than in 2017. Income from vegetables increased by 4,7% to R23 099 million. Income from subtropical fruit increased by 20,2% to R4 791 million.

The *gross income from animal products* was 3,1% higher in 2018 and amounted to R140 028 million, compared to R135 789 million of the previous year. Producers earned R35 967 million from slaughtered cattle, compared to the previous R35 858 million—a slight increase of 0,3%. Income from poultry meat showed an increase of 8,9% to R47 964 million. Income from egg production, at R12 268 million, was 14,0% higher than in the previous year. Producers earned R16 302 million from milk production, which is 6,7% less than in the previous year. Income from wool increased by 16,2% to R4 234 million.

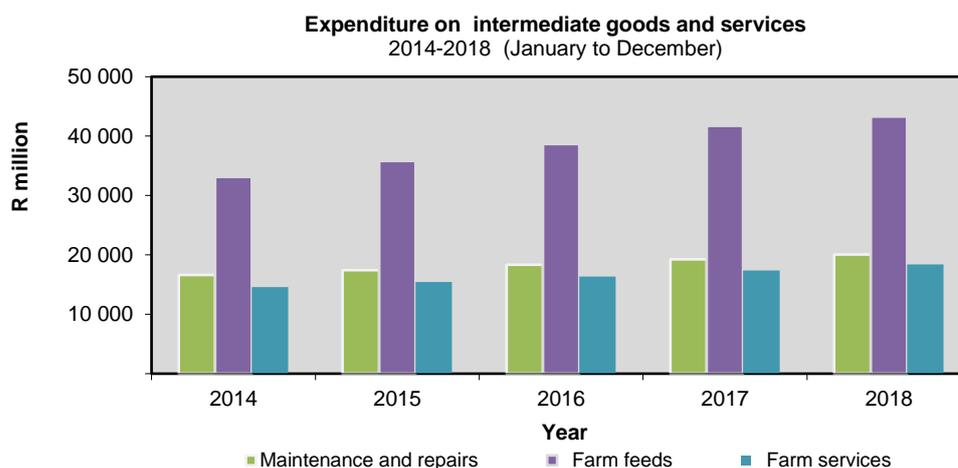
The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R98 758 million for the 12 months that ended on 31 December 2018, which is 5,6% less than during the previous 12 months. Payments for salaries and wages, which represented 10,2% of the total farming costs, amounted to R19 322 million. Interest paid by farmers to banks and other financiers during the 12 months up to 31 December 2018 is estimated at R10 068 million, or 5,3% 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.

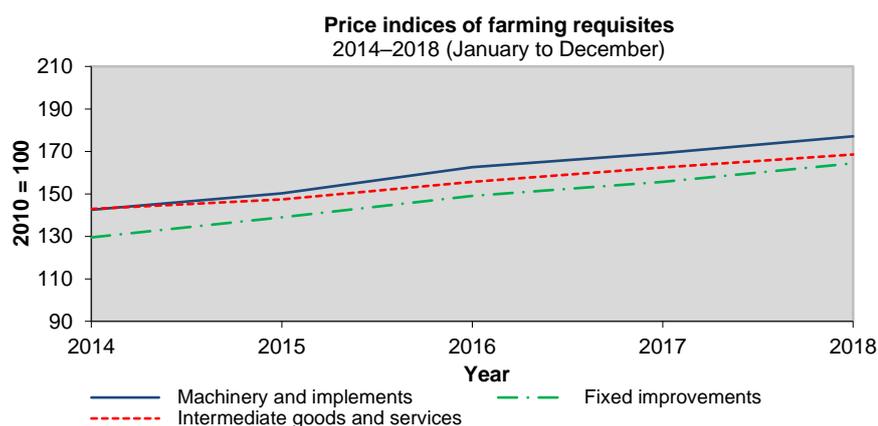
The expenditure on intermediate goods and services increased by 6,2% to R150 859 million, from R141 992 million the previous period. This was mainly the result of the increase in expenditure on seed and plants and building and fencing material by 10,0% each, packing material (9,0%), maintenance and repairs of machinery and implements (8,1%), farm services and animal health and crop protection (6,0%) each, farm feed (3,7%), fuel (3,1%) and fertilisers (3,0%).



Farm feeds had the largest share of 28,7% as an expenditure item, followed by maintenance and repairs of machinery and implements (13,8%), farm services (12,2%), fuel (8,5%), seed and plants (6,9%), animal health and crop protection (6,2%), packing material (4,9%), fertilisers (4,8%) and building and fencing material (4,2%).

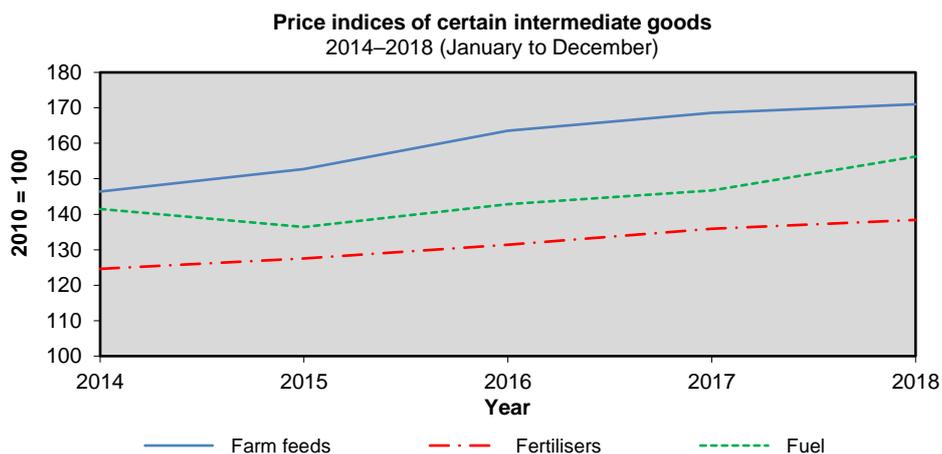
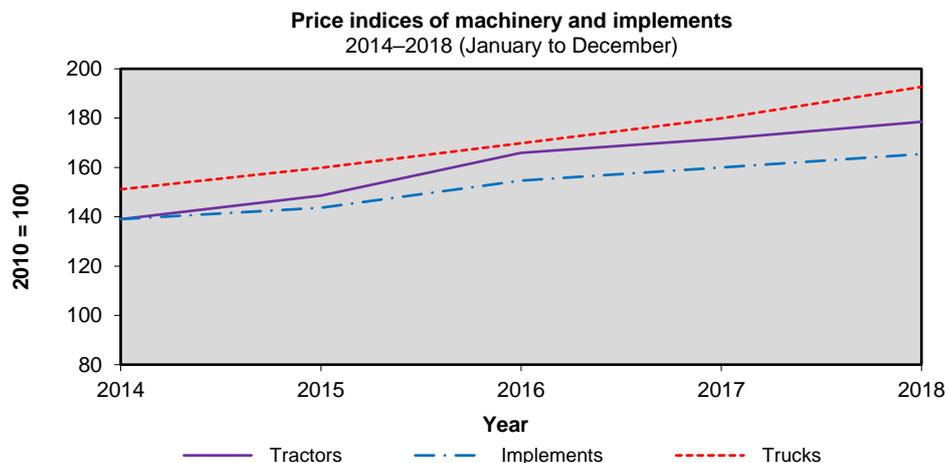
Prices of farming requisites

Prices of farming requisites, including machinery and implements, material for fixed improvements and intermediate goods and services, increased by 4,0% in 2018, compared to 4,3% of the previous year.



The price index of materials for fixed improvements increased by 5,6% in 2018, machinery and implements by 4,7% and that of intermediate production inputs and services by 3,8%.

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

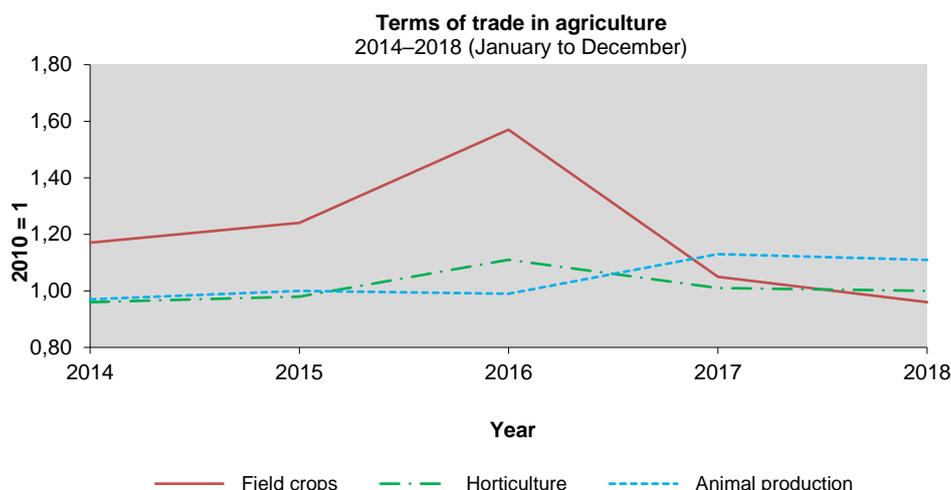


Domestic terms of trade in agriculture (2010 = 1)

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 the agricultural sector weakened by 3,7% (from 1,08 to 1,04). This was a result of the increase in production costs by 4,0%, as opposed to a slight increase of only 0,9% in prices received by the farmers.

The terms of trade for field crops decreased by 8,6% (from 1,05 in 2017 to 0,96 in 2018) and horticultural products by 1,0% (from 1,01 in 2017 to 1,02 in 2018), while that of animal products decreased by 1,8% (from 1,13 in 2017 to 1,11 in 2018).



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.

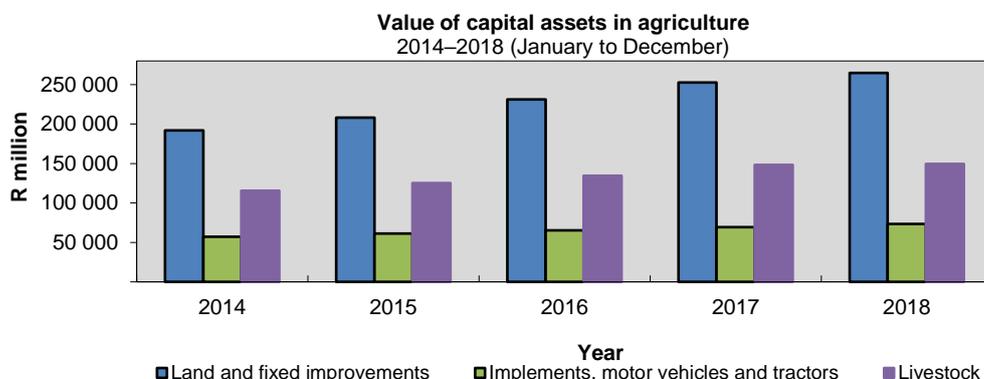
The contribution of agriculture, forestry and fisheries to value added for the year ended 31 December 2018 is estimated at R106 057 million. This represents 2,4% of the total value added to the economy.

Year	Total value added	Contribution of agriculture to value added	Contribution of agriculture as percentage of total value added
	R million	R million	%
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	3 624 908	72 479	2,0
2016	3 891 559	83 655	2,1
2017	4 173 328	95 094	2,3
2018*	4 341 292	106 057	2,4

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

Capital assets and investment in agriculture

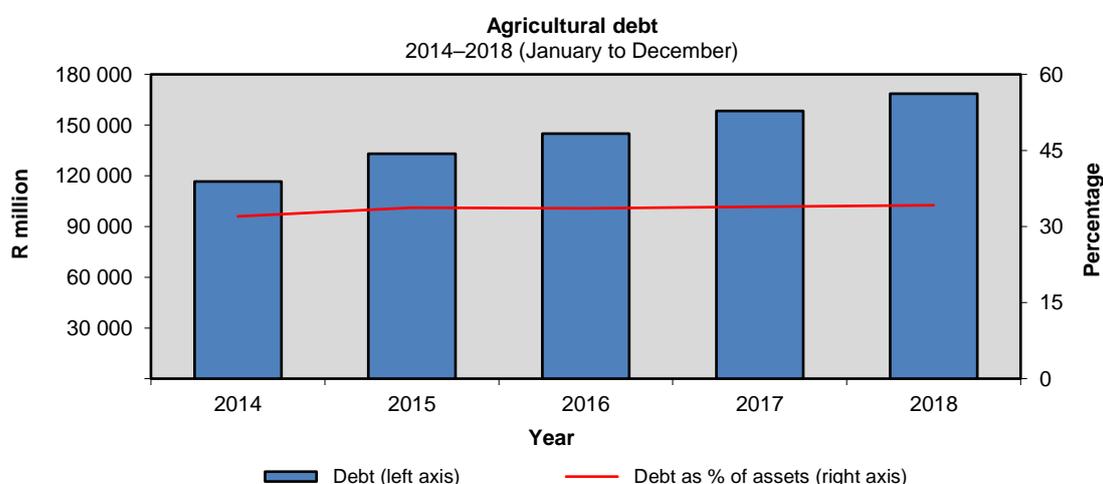
The value of capital assets in agriculture increased by 3,7% for the period ended 31 December 2018 and was estimated to be R488 097 million, compared to R470 472 million at the end of December 2017. Land and fixed improvements constituted the largest share of 54,3% of the total value of capital assets, followed by livestock (30,7%) and implements, motor vehicles and tractors (15,0%).



The gross investment in respect of fixed improvements for the year ended 31 December 2018 was 5,1% higher than in 2017 and was estimated at R5 876 million. In the case of machinery, implements and vehicles, investment increased marginally by 0,4% and was estimated at R10 886 million. The livestock inventory increased with R593 million from the previous year.

Farming debt

The total farming debt increased by 6,4% for the year ended 31 December 2018 and was estimated at R168 481 million, compared to R158 343 million at the end of 2017.

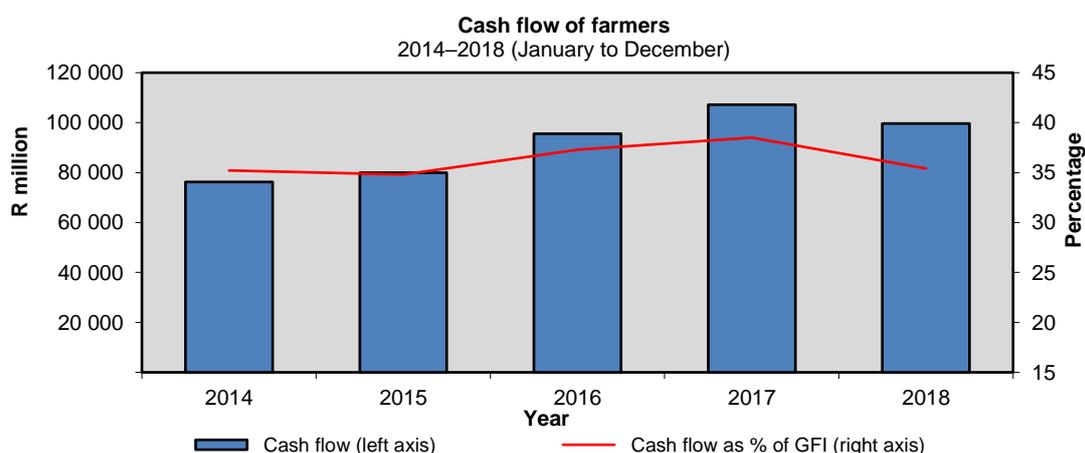


Cash flow of farmers

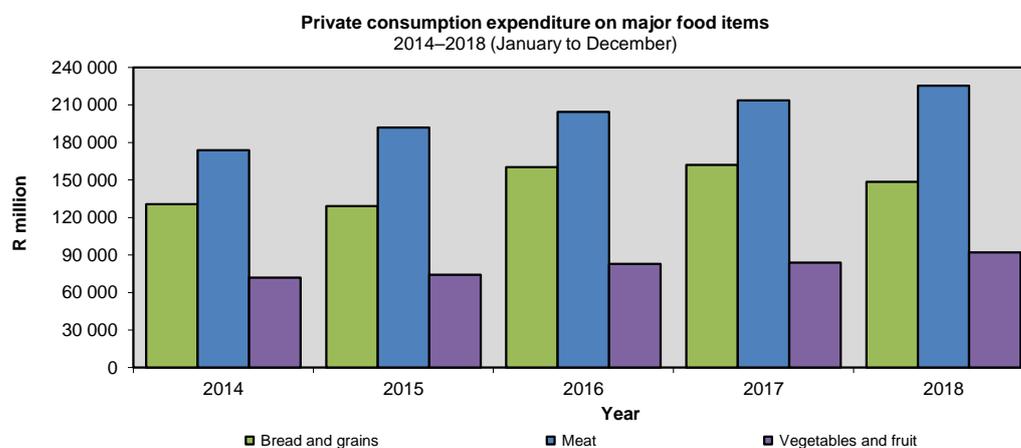
The farmers' cash flow decreased by 7,0% to R99 669 million for the year ended 31 December 2018, compared to R107 189 million in the previous year. This was largely driven by the decrease in both prices and production levels of field crops.

Consumption expenditure on food

The consumption expenditure on food for the year ended 31 December 2018 amounted to R650 160 million, which is an increase of 2,2% from the R636 010 million of the previous year.



Expenditure on most of the food items increased during 2018, except for bread and grains, as well as oils and fats. Expenditure on meat increased by 5,5%, from R213 629 million to R225 403 million, milk, milk products and eggs increased by 7,2%, from R79 983 million to R85 760 million, fruit and vegetables by 9,9%, from R83 828 million to R92 131 million and sugar by 4,6%, from R8 556 million in 2017 to R8 948 million in 2018. However, expenditure on bread and grains, as well as oils and fats show decreases for the mentioned period. Expenditure on bread and grains decreased by 8,4% from R162 048 million in 2017 to R148 402 million in 2018. With reference to oils and fats, it represents a 0,9% decrease in expenditure from R12 916 million in 2017 to R12 797 million in 2018.



Meat represented 35% of the expenditure on the food component, while bread and grains represented 23%, fruit and vegetables (including potatoes) 14%, milk, milk products and eggs 13%, oils and fats 2% and sugar 1%. The other components of food make up the remaining 12%.

Consumer prices

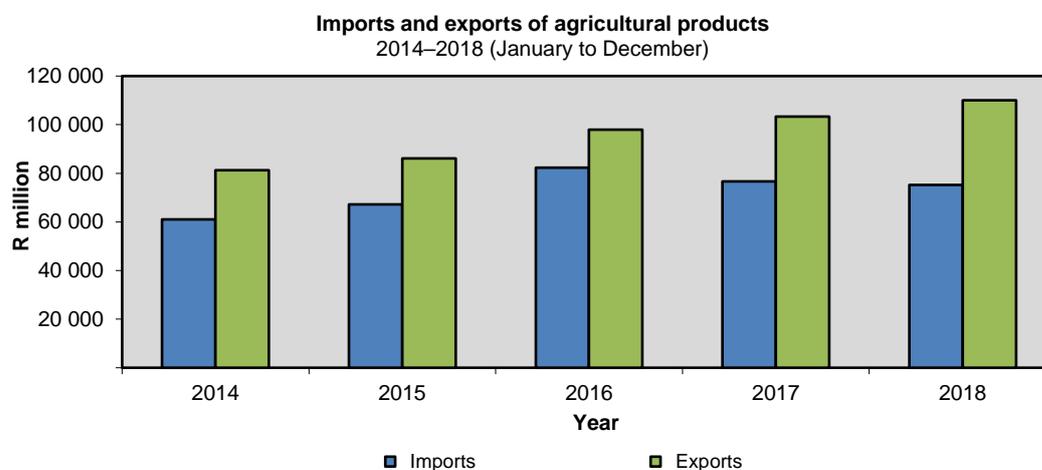
The consumer prices of all agricultural items increased by 4,4% for the year ended 31 December 2018, compared to an increase of 5,3% in the previous year.

The consumer price index of food increased by 3,3% and that of non-food items by 4,6%. The prices of meat increased by 6,8%, and dairy products and eggs by 3,8%, while that of grain products decreased by 2,6%. The consumer price index of vegetables and fish increased by 5,5% each, coffee and tea by 4,0% and other food by 3,0%. The consumer price index of fruit, fats and oil and sugar decreased by 4,0%, 0,7% and 0,6%, respectively.

Imports and exports of agricultural products

The estimated value of imports during 2018 came to approximately R75 225 million, from R76 596 million in 2017—a decrease of 1,8%.

The estimated value of exports showed an increase of 6,4%, from R103 396 million in 2017 to about R110 035 million in 2018.



According to the 2018 agricultural export figures, citrus fruit (R20 173 million), wine (R9 614 million), grapes (R9 062 million), apples, pears and quinces (R7 364 million) and wool (R5 265 million) were the five most important export products in terms of value.

With regard to agricultural imports during 2018, rice (R6 860 million), wheat (R6 467 million), undenatured ethyl alcohol (R5 303 million), palm oil (R4 050 million) and food preparations (R3 931 million) were the five major products in terms of value.

In terms of exports of agricultural products by South Africa during 2018, the five largest trading partners were the Netherlands, with exports to the value of R12 496 million, the United Kingdom (R10 986 million), China (R8 752 million), Mozambique (R6 801 million) and the United States (R4 777 million).

The five largest trading partners from whom South Africa imported agricultural products during 2018 were Thailand, with imports valued at R5 448 million, Brazil (R5 430 million), Argentina (R4 388 million), the United States (R3 856 million) and Germany (R3 729 million).