

Economic Review

of the

South African Agriculture

2018/19



agriculture,
forestry & fisheries

Department:
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FOREWORD

The value of agricultural production in South Africa decreased by 2,7% to R277 078 million in 2018/19, compared to R284 623 million in 2017/18, mainly because of the decrease in the value of field crops and animal products by 4,8% and 4,5%, respectively.

The contribution of agriculture to the GDP is estimated to be R91 209 million at *current prices* in 2018, which is 4,1% less than the one in 2017. The primary agricultural sector has shown a growth of 7,6% annually since 1994, while the country's economy grew by 10,5% per annum over the same period.

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 2019

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Director: Statistics and Economic Analysis

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 30 JUNE 2019

Summary

Gross farming income made from all agricultural products decreased marginally by 0,4% to R277 801 million for the year ended 30 June 2019, from R278 915 million the previous period. This was largely because of the decrease in gross income from animal and horticultural products by 4,5% and 0,3%, respectively.

The weighted average price received by farmers for their agricultural products decreased slightly by 0,5%, mainly because of the decrease in prices of animal products by 6,0.

The weighted average price of field crops increased by 9,9%, due to the increase in the prices of summer grains by 19,7%, winter grains (7,8%), hay (5,3%), oilseeds (3,7%) and tobacco slightly by 0,6%.

The weighted average price of horticultural products increased by 3,0%, due to the increase in the prices of viticulture by 16,6% and vegetables by 8,6%.

The weighted average price of animal products decreased by 6,0% and was driven by the decrease in prices of milk by 11,4%, poultry meat by 6,4% and slaughtered stock by 5,4%.

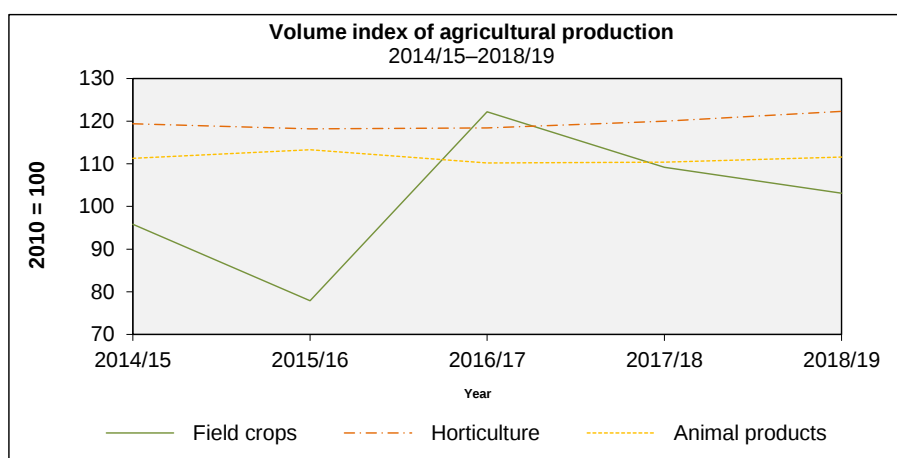
The prices paid for farming requisites, including machinery and implements, material for fixed improvements as well as intermediate goods and services increased by 4,3%, compared to 3,9% the previous period. The prices of building material increased by 6,3%, fuel (6,0%), fencing material (5,8%), packaging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

The domestic terms of trade showed a decrease of 4,6%, largely because of the increase of 4,3% in production costs compared to a decrease of 0,5% in prices received by the farmers

The Net farming income decreased by 12,3% mainly as the result of the increase of 4,3% in the expenditure on intermediate goods and services.

Volume of agricultural production

The estimated volume of agricultural production in 2018/19 was 0,2% less than in 2017/18.



The field crop production volume for 2018/19 decreased by 5,6%, mainly as a result of decreases in the production of maize and oilseed crops (soybean, sunflower seed and groundnuts). Maize production decreased by 1,6 million tons (12,0%) from 2017/18. Soybean production decreased by 369 660 tons (24,0%), sunflower seed by 214 360 tons (23,9%) and groundnuts by 42 860 tons (66,5%) from 2017/18.

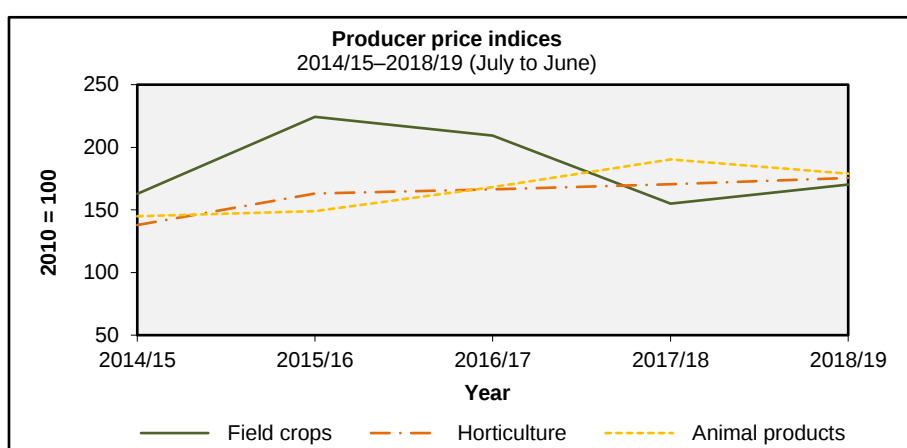
Horticultural production for 2018/19 increased by 1,9% from the previous season, which can mainly be attributed to increases in the production of citrus and subtropical fruits. The production of oranges increased by 313 027 tons (21,4%), grapefruit by 119 881 tons (36,8%), soft citrus by 35 508 tons (14,2%), as well as lemons by

25 554 tons (5,71%) and naartjies by 12 263 tons (29,9%), which all contributed to an increase in the production of citrus fruits from 2017/18. Furthermore, with reference to subtropical fruit, the production of avocados increased by 39 656 tons (46,0%), mangoes by 21 698 tons (24,4%), bananas by 13 478 tons (3,3%), as well as pineapples by 7 416 tons (7,1%) and guavas by 1 998 tons (7,2%), which all led to an increase in the production of subtropical fruits from the previous season.

Animal production increased by 1,0%, mainly as a result of increases in the production of poultry (poultry meat and eggs) and milk for 2018/19. The production of poultry meat increased by 71 848 tons (4,2%) and eggs by 57 611 tons (11,2%), as compared to 2017/18. The production of milk increased by 79 653 litres or 2,2%, as compared to the previous season.

Producer prices of agricultural products

The weighted average price received by farmers for their agricultural products decreased slightly by 0,5%, mainly because of the decrease in prices of animal products by 6,0%.



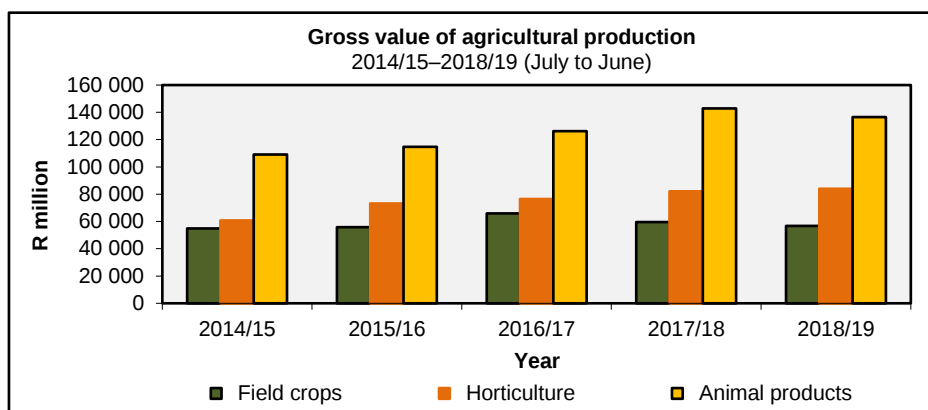
The weighted average price of field crops increased by 9,9%, due to the increase in the prices of summer grains by 19,7%, winter grains (7,8%), hay (5,3%), oilseeds (3,7%) and tobacco slightly by 0,6%.

The weighted average price of horticultural products increased by 3,0%, due to the increase in the prices of viticulture by 16,6% and vegetables by 8,6%.

The weighted average price of animal products decreased by 6,0% and was driven by the decrease in prices of milk by 11,4%, poultry meat by 6,4% and slaughtered stock by 5,4%.

Gross value of agricultural production

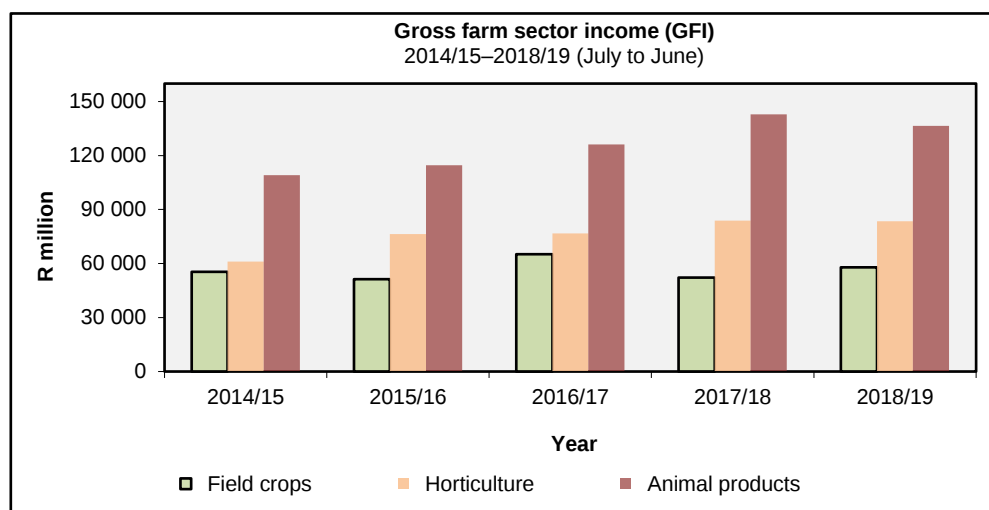
The *total gross value of agricultural production* (total production during the production season valued at the average basic prices received by producers) for 2018/19 is estimated at R277 078 million, compared to R284 622 million the previous year—a decrease of 2,7%. This decrease can be attributed to a decrease in the value of field crops and animal products.



The gross value of animal products, horticultural products and field crops contributed 49,2%, 30,3% and 20,5%, respectively to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 16,8%, followed by cattle and calves slaughtered with 12,5% and maize with 7,4%.

Farming income

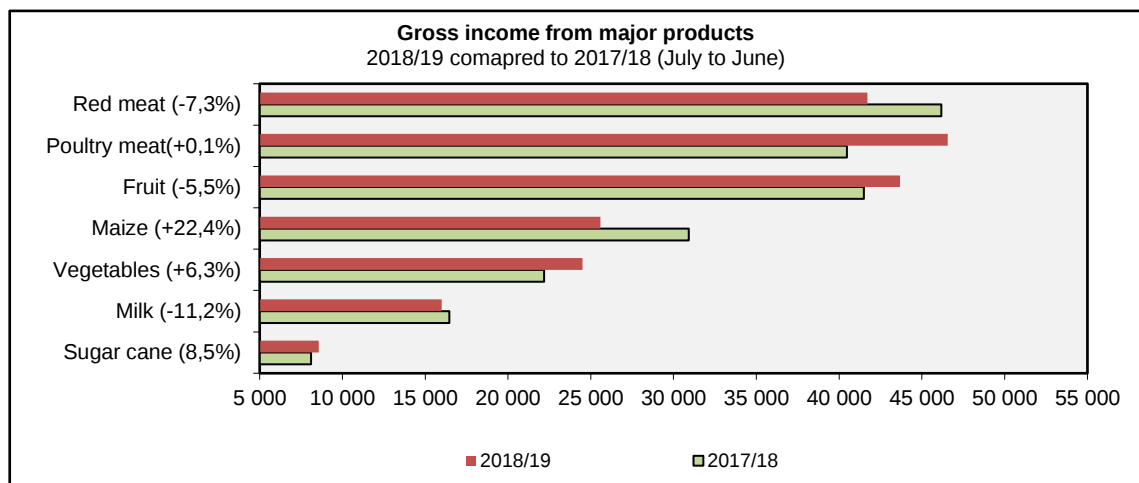
The *gross income of producers* (the value of sales and production for other uses, plus the value of changes in inventories) decreased slightly by 0,4% to R277 801 million for the year ended 30 June 2019 (2018/19), compared to R278 915 million the previous year. This was mainly the result of the decrease in prices of animal products, as well as the decrease in production levels or volumes of horticultural products, in particular, deciduous and other fruit by 12,6%.



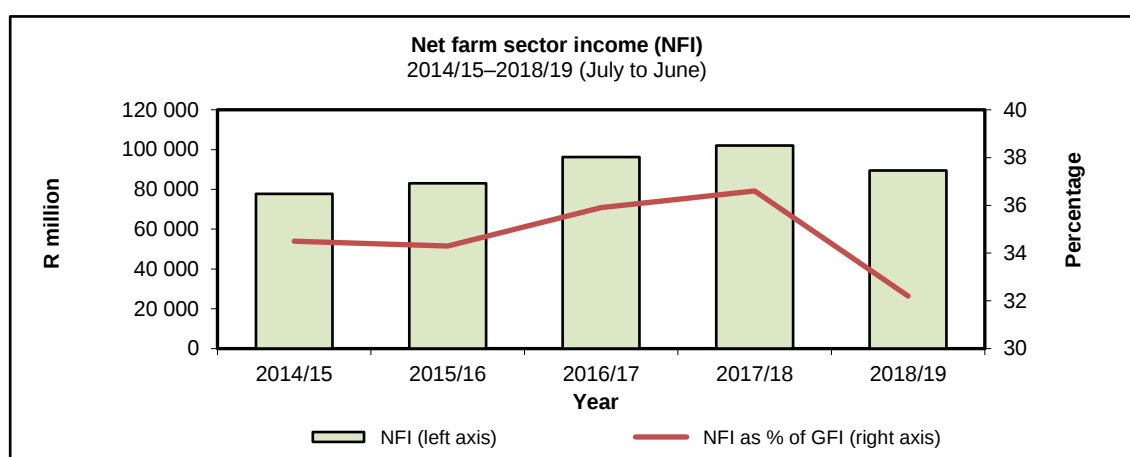
The *gross income from field crops* increased by 10, 9% to R57 835 million for the year ended 30 June 2019. This can be attributed to the increase in income from grain sorghum by 29,0% (from R336 million to R434 million), cotton by 28,1% (from R878 million to R1 124 million), wheat by 23,2% (from R5 681 million to R6 999 million), maize by 22,4% (from R20 895 million to R25 575 million), sugar cane by 8,5% (from R7 890 to R8 564 million) and sunflower seed by 8,3% (from R3 172 million to R3 436 million).

The *gross income from horticultural products* decreased slightly by 0,3% to R83 535 million in 2018/19 season, from R83 825 million in 2017/18. This can be attributed largely to the decrease in income from deciduous and other fruit by 19,4% (from R22 648 million to R18 252 million).

The *gross income from animal products* decreased by 4,5% and amounted to R136 431 million in 2018/19, compared to R142 922 million in 2017/18. This was driven by the decrease in income from sheep slaughtered by 13,4% (from R7 262 million to R6 290 million), milk by 11,2% (from R18 010 million to R15 989 million), eggs by 7,9% (from R12 076 million to R11 125 million) and cattle and calves slaughtered by 7,2% (from R37 318 million to R34 631 million).



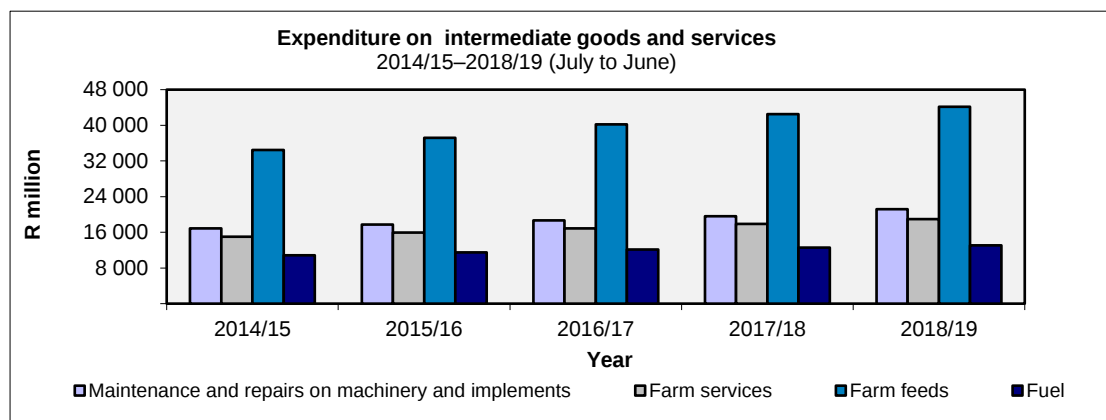
The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) decreased by 12,3% and amounted to R89 415 million for the period ended on 30 June 2019. Payments for salaries and wages, which represented 10,2% of the total farming costs, amounted to R19 745 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2019 is estimated at R10 574 million, or 5,4% 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 6,0%, as the result of the increase in expenditure on seeds 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, fuel (4,4%), farm feed (3,9%) and fertilisers (3,0%).



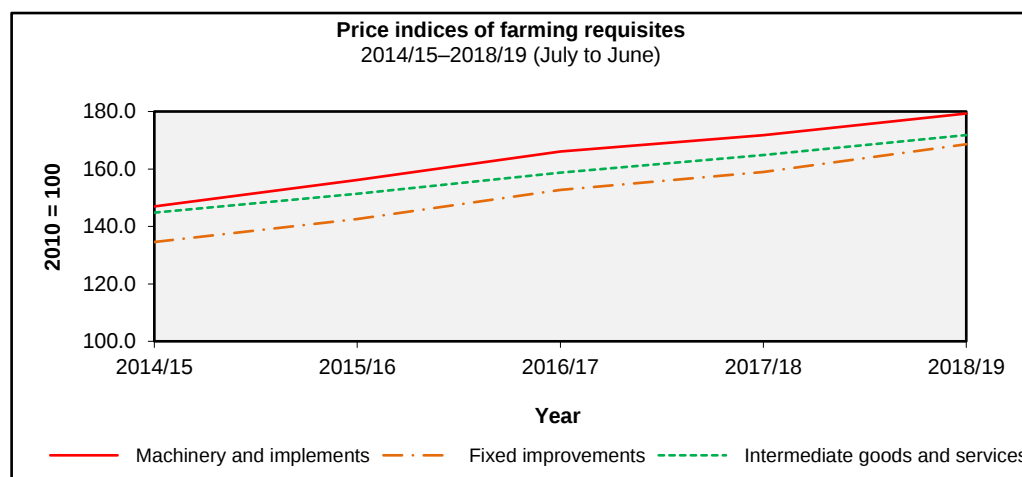
Farm feed had the largest share as an expenditure item, accounting for 28,5%, maintenance and repairs of machinery and implements (13,7%), farm services (12,2%), fuel (8,5%), seed and plants (7,0%), animal health and crop protection (6,2%), packing material (5,0%), fertilisers (4,7%) and building and fencing material (4,3%).

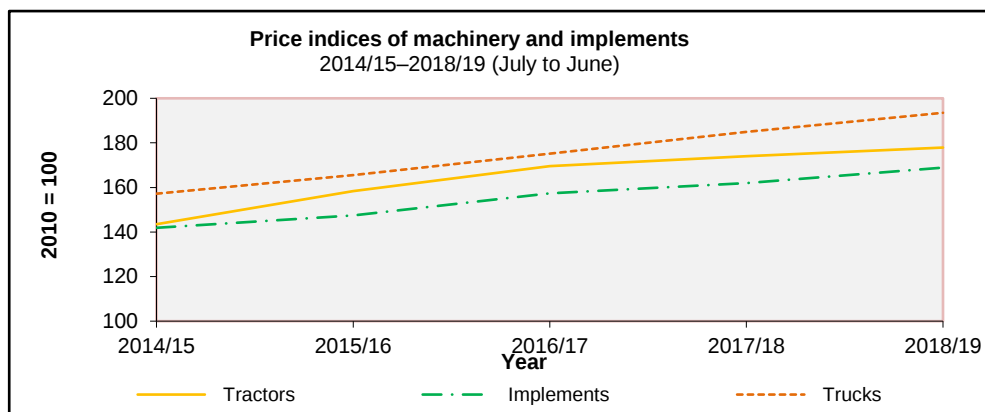
Prices of farming requisites

The prices paid for farming requisites, including machinery and implements, material for fixed improvements as well as intermediate goods and services increased by 4,3%, compared to 3,9% in the previous period.

The prices of building material increased by 6,3%, fuel (6,0%), fencing material (5,8%), packaging material and animal health and crop protection (4,8%) each, trucks and maintenance and repairs of machinery and implements (4,6%) each, seed (4,0%), feeds (3,3%) and tractors and fertilisers (2,3%) each.

The combined price index of materials for fixed improvements increased by 6,1%, machinery and implements by 4,4% and intermediate goods and services by 4,1%.



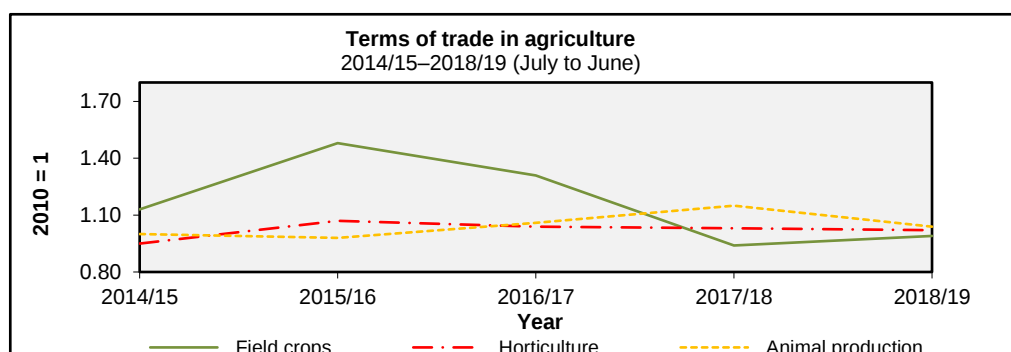


Domestic terms of trade in agriculture (2010 = 1)

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 showed a decrease of 4,7%, largely because of the increase of 4,3% in production costs compared to a decrease of 0,5% in prices received by the farmers.

The terms of trade for field crops increased by 5,3% (from 0,94 to 0,99), while that of horticultural products decreased by 1,0% (from 1,03 to 1,02) and animal products by 9,6% (from 1,15 to 1,04).



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 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	%
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

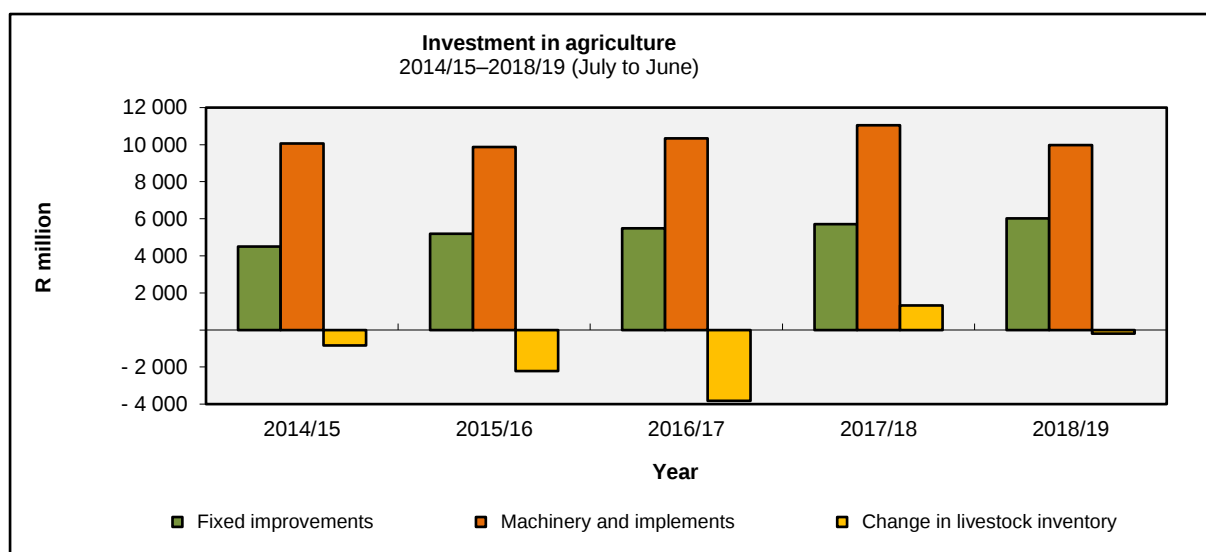
*Note: Figures are for agriculture, forestry and fisheries

Capital assets and investment in agriculture

The value of capital assets in agriculture as at 30 June 2019 is estimated at R512 563 million, compared to R488 235 million at the end of June 2018, an increase of 5,0%.

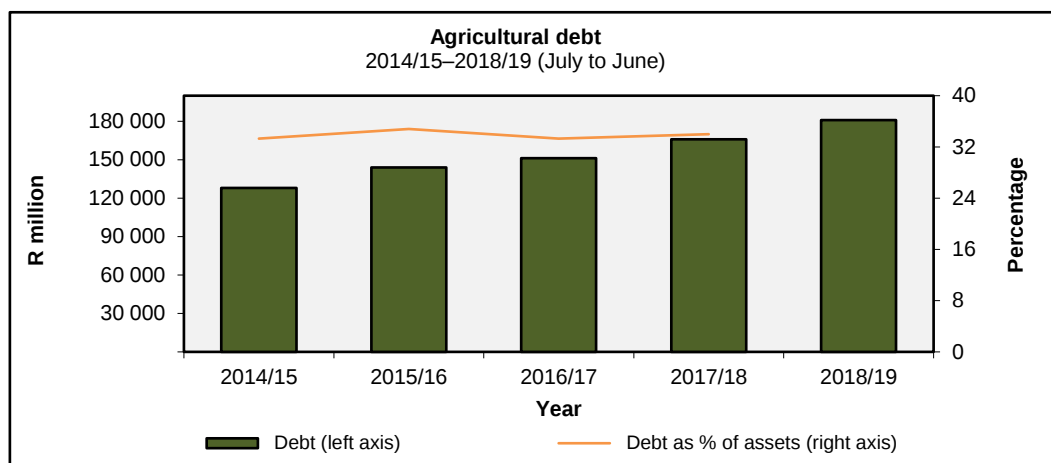
Land and fixed improvements constituted R276 625 million (54,0%), livestock R158 673 million (31,0%) and machinery and implements R76 959 million (15,0%) of the total value of capital assets.

The gross investment in respect to fixed improvements for the year ended 30 June 2019 increased by 5,5% to R6 028 million. Investment in machinery, implements and vehicles decreased by 9,7% and amounted to R9 979 million. The livestock inventory was R202 million less than in the previous year.



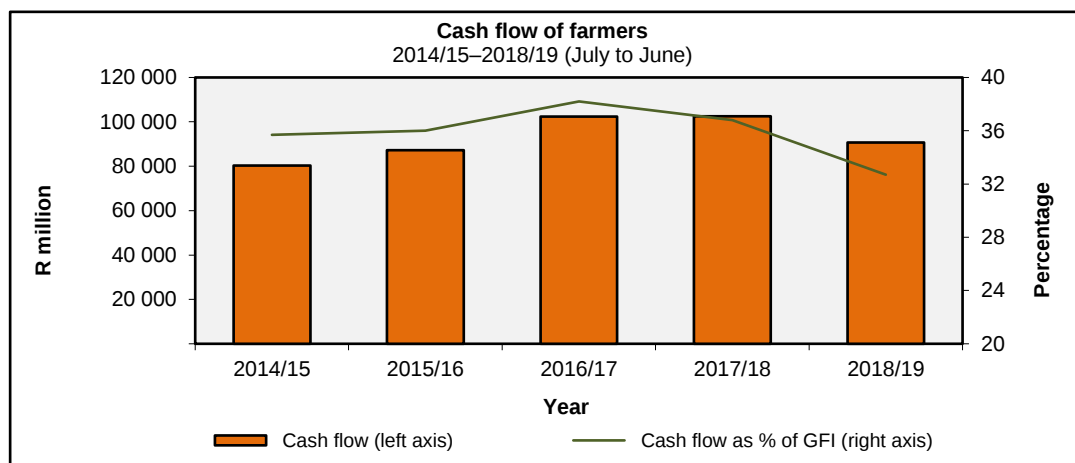
Farming debt

The total farming debt as increased by 9,0% and estimated at R180 890 million for the year ended June 2019, compared to R166 007 million at the end of June 2018.



Cash flow of farmers

The farmers' cash flow decreased by 11,5% to R90 749 million, as the result of the increase in prices of production inputs.



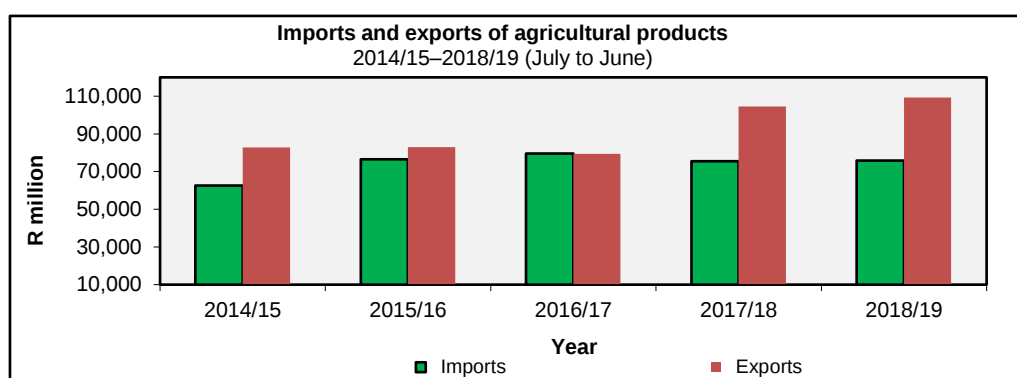
Consumer prices

The consumer prices of all agricultural products increased by 4,4% for the year ended June 2019, compared to 4,5% the previous period. The consumer prices of non-food and food increased by 4,7% and 2,8%, respectively.

The consumer prices of vegetables increased by 8,6%, fish by 5,6%, coffee and tea by 3,5%, grain products by 2,5%, sugar by 2,2%, milk, eggs and cheese by 2,1%%, meat by 1,8%, fats and oil by 1,4% and fruit by 0,9%. The consumer prices of other products increased by 3,5%.

Imports and exports of agricultural products

The estimated value of imports for 2018/19 came to R75 789 million, an increase of 0,5% from R75 412 million for 2017/18. The value of exports increased by 4,6%, from R104 577 million in 2017/18 to R109 379 million in 2018/19.



According to the 2018/19 export values, citrus fruit (R19 969 million), wine (R9 263 million), apples, pears and quinces (R7 451 million), Nuts (R5 685 million) and cane or beet sugar (R4 353 million), were the most important agricultural export products.

Meat (R6 616 million), rice (R6 436 million), wheat (R4 978 million), undenatured ethyl alcohol (R4 284 million) and palm oil (R3 948 million) accounted for the highest imports in terms of value.

During 2018/19, the Netherlands, with exports to the value of R11 927 million, the UK (R10 784 million), Mozambique (R7 448 million), China (R6 931 million) and United States (R5 233 million) were the five largest trading partners of South Africa in terms of export destinations for agricultural products. About 20,8% of the total value of agricultural exports from South Africa for the period July 2018 to June 2019 went to the Netherlands and the UK combined.

The five largest trading partners for South Africa's imported agricultural products during 2018/19 were Thailand (R5 328 million), Brazil (R5 251 million), the Argentina (R4 705 million), United States (R4 560 million) and Germany (R4 083 million). About 14, 0% of the total value of agricultural imports by South Africa during the period July 2018 to June 2019 was from Thailand and Brazil combined.