

Economic Review

of the

South African

Agriculture

2019/20

DEPARTMENT OF AGRICULTURE, LAND REFORM & RURAL DEVELOPMENT

2020

Compiled by

Directorate: Statistics and Economic Analysis
Private Bag X246
PRETORIA 0001

Published in the Republic of South Africa by

Department of Agriculture, Land Reform & Rural Development

Obtainable from

Resource Centre
Directorate: Knowledge and Information Management
Private Bag X144
PRETORIA 0001

Tel. 012 319 7141

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FOREWORD

The value of agricultural production in South Africa increased by 11,9% and amounted to R319 732 million in 2019/20, compared to R285 604 million in 2018/19. This was mainly driven by the increase in the value of field crops by 21,7%, horticultural products by 17,9% and animal products by 3,7%.

The contribution of agriculture to the GDP decreased by 9,8% and was estimated at R81 337 million in 2019. 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 2020

Ms Ellen Matsei

Director: Statistics and Economic Analysis

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 30 JUNE 2020

Summary

Gross farming income from all agricultural products increased by 10,2% to R307 851 million for the year ended 30 June 2019, from R279 478 million the previous period. This was mainly driven by the increase in gross income from horticultural products by 18,%, field crops by 11,6% and animal products by 4,3%.

The weighted average price received by farmers for their agricultural products increased by 2,4% due to the increase in prices of field crops by 9,5% and horticultural products by 2,1%.

The weighted average price of field crops increased by 9,5% as the result of the increase in the prices of oilseeds by 13,2%, summer grains by 10,0%, hay by 8,8%, sugar cane by 8,6% and winter grains by 8,4%.

The weighted average price of horticultural products increased by 2,1% due to the increase in the prices of viticulture by 7,5%, fruit by 1,8% and vegetables slightly by 0,8%.

The weighted average price of animal products decreased slightly by 0,7% due to the decrease in prices of pastoral products and poultry meat by 15,8% and 1,7%, respectively.

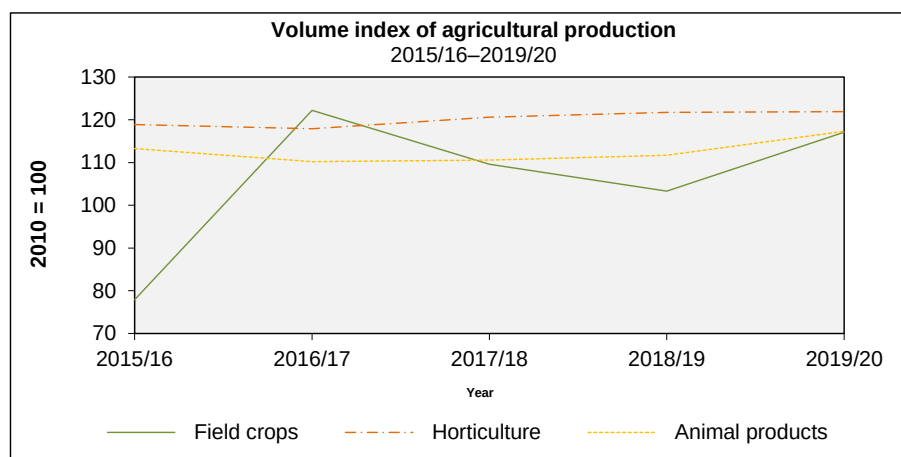
The prices paid for farming requisites, including machinery and implements, material for fixed improvements, together with intermediate goods and services, increased by 2,8%, compared to 4,3% the previous period. The prices of animal health and crop protection, seed and feed increased by 4,5% each, fencing material by 2,3%, building material by 2,1%, fertilisers by 1,9%, tractors by 1,7%, packing material by 1,6% and trucks by 1,2%.

The domestic terms of trade showed a decrease of 1,0% due to the increase in production costs by 2,8%, as opposed to the increase of 2,4% in prices earned by the farmers.

The net farming income increased drastically by 27,5% and amounted to R164 667 million for the period ended June 2020, compared to R154 948 million the previous period.

Volume of agricultural production

The estimated volume of agricultural production in 2019/20 was 5,4% more than in 2018/19.



The field crop production volume for 2019/20 increased by 13,4%, mainly as a result of increases in the production of summer crops (maize and sorghum) and the oilseed crops (soya bean, sunflower seed and groundnuts). Maize production increased by 4,3 million tons (36,0%) and sorghum by 13 670 tons (9,4%) from 2018/19. Soya bean production increased by 120 410 tons (10,3%), sunflower seed by 91 450 tons (13,0%) and groundnuts by 37 050 tons (168,8%) as compared to 2018/19.

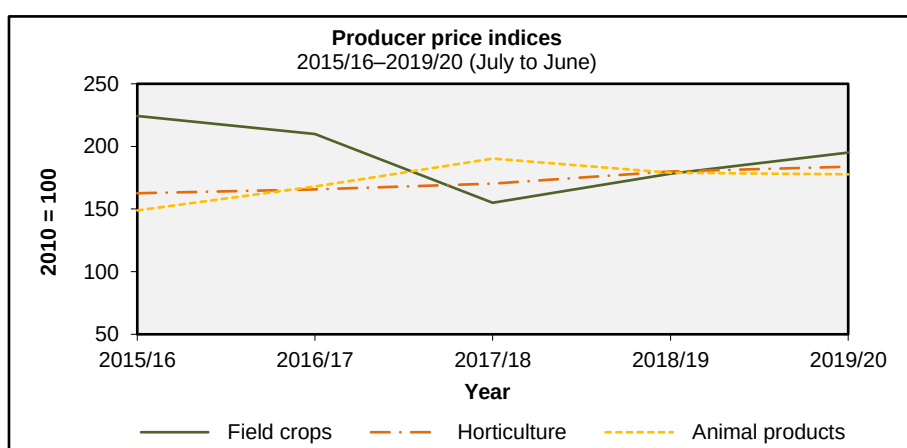
Horticultural production for 2019/20 increased by 0,2% from the previous season, which can mainly be attributed to increases in the production of vegetables and deciduous fruits. The production of tomatoes increased by 32 250 tons (5,8%), pumpkins by 10 354 tons (3,9%), sweet-potatoes by 6 164 tons (7,5%), cabbage by

2 738 tons (1,7%), lettuce by 1 127 tons (3,6%) and cucumbers by 425 tons (1,5%), which all contributed to an increase in the production of vegetables as compared to 2018/19. Furthermore the production of apples increased by 49 056 tons (5,5%), wine and table grapes by 35 884 tons (1,9%) and 13 109 tons (4,2%), respectively, peaches by 12 987 tons (9,3%) and plums by 1 635 tons (2,8%), which all led to an increase in the production of deciduous fruit from the previous season.

Animal production increased by 5,0%, mainly as a result of increases in the production of stock slaughtered (cattle and calves, sheep and lamb, pork and goats), poultry (poultry meat and eggs) and also fresh milk for 2019/20, as compared to 2018/19. The production of stock slaughtered for cattle and calves increased by 26 332 tons (3,2%), sheep and lamb by 18 476 tons (18,9%), pork by 15 829 tons (6,2%) and goats by 26 tons (1,8%) as compared to 2018/19. Furthermore, the production of poultry meat increased by 90 451 tons (5,1%), eggs by 57 532 tons (9,8%) and the production of fresh milk increased by 31 504 litres or 0,8% as compared to the previous season.

Producer prices of agricultural products

The weighted average price received by farmers for their agricultural products increased by 2,4% due to the increase in prices of field crops and horticultural products by 9,5% and 2,1%, respectively.



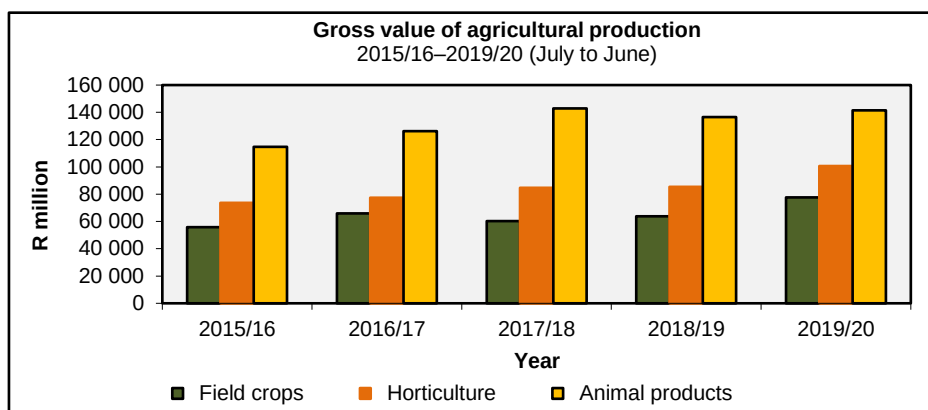
The weighted average price of field crops increased by 9,5% as the result of the increase in the prices of oilseeds by 13,2%, summer grains by 10,0%, hay by 8,8%, sugar cane by 8,6% and winter grains by 8,4%.

The weighted average price of horticultural products increased by 2,1% due to the increase in the prices of viticulture by 7,5%, fruit by 1,8% and vegetables slightly by 0,8%.

The weighted average price of animal products decreased slightly by 0,7% due to the decrease in prices of pastoral products and poultry meat by 15,8% and 1,7%, respectively.

Gross value of agricultural production

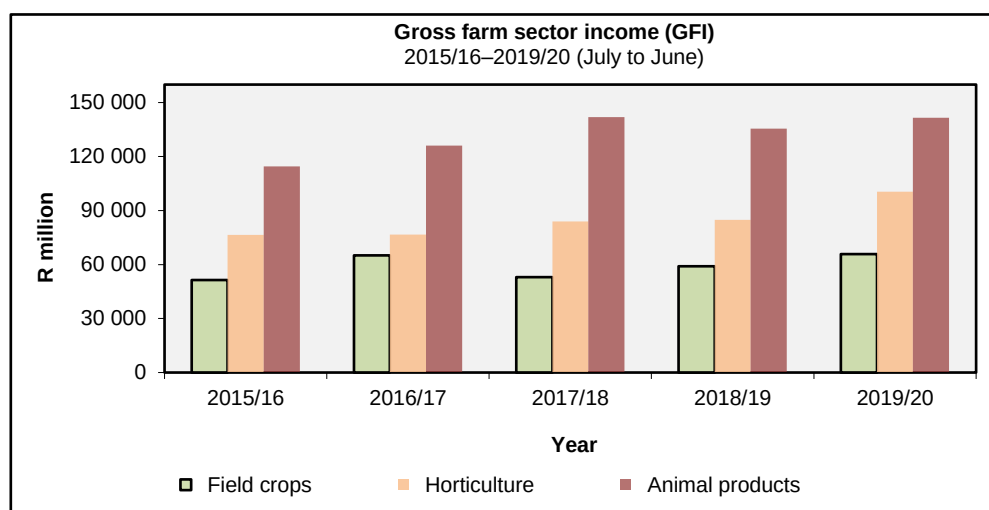
The *total gross value of agricultural production* (total production during the production season valued at the average basic prices received by producers) for 2019/20 is estimated at R319 732 million, compared to R285 604 million the previous year—an increase of 11,9%. This increase can be attributed to an increase in the value of field crops and horticulture.



The gross value of animal products, horticultural products and field crops contributed 44,2%, 31,5% and 24,3%, respectively, to the total gross value of agricultural production. The poultry meat industry made the largest contribution with 15,3%, followed by maize with 12,0% and cattle and calves slaughtered with 11,2%.

Farming income

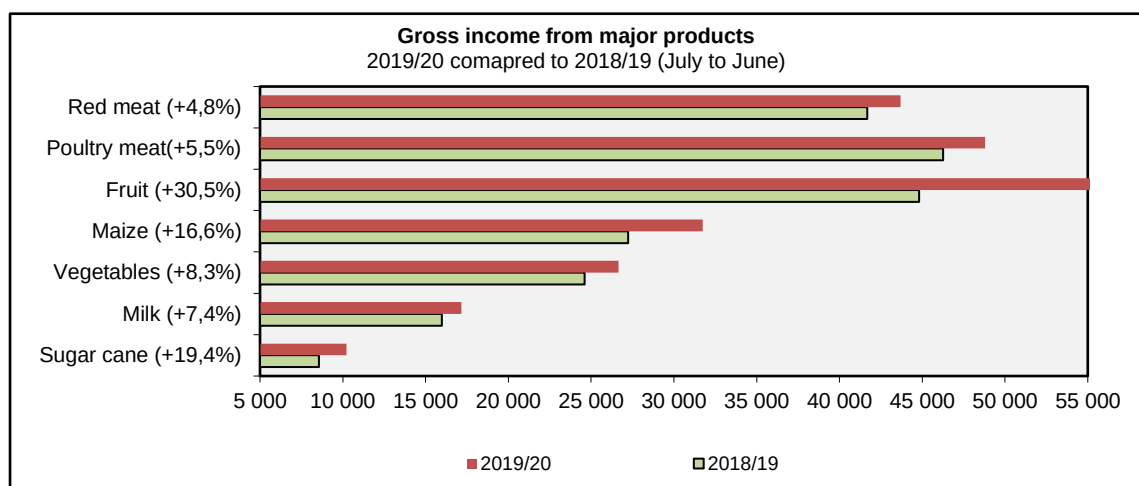
The *gross income of producers* (the value of sales and production for other uses, plus the value of changes in inventories) increased by 10,2% to R307 851 million for the year ended 30 June 2020 (2019/20), compared to R279 478 million the previous year. This was largely influenced by the increase in income from horticultural products by 18,4%, field crops by 11,6% and animal products by 4,3%.



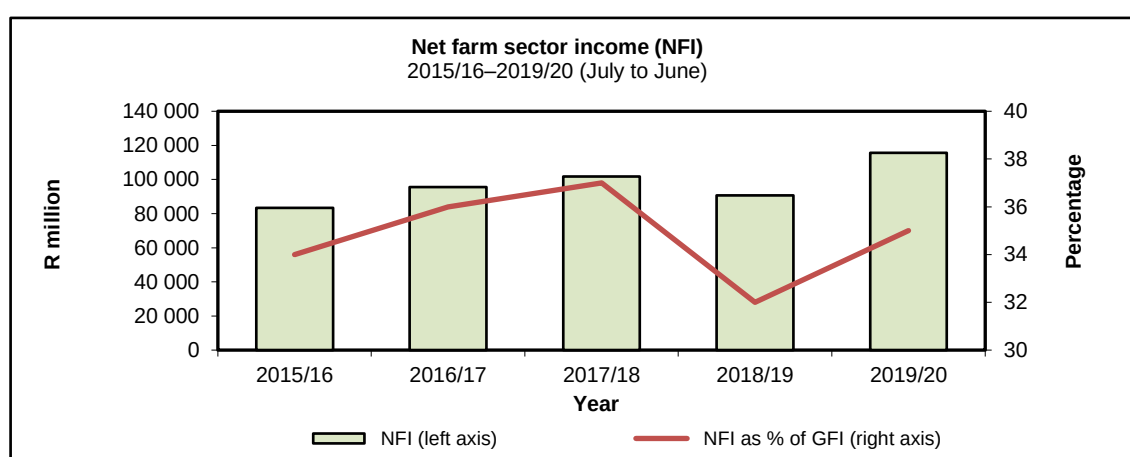
The *gross income from horticultural products* increased by 18,4% to R100 562 million in the 2019/20 season, from R84 917 million in 2018/19, mainly due to the increase in income from deciduous and other fruit by 56,6% (from R19 194 million to R30 054 million), citrus fruit by 14,8% (from R20 662 million to R23 724 million) and viticulture by 4,3% (from R6 205 million to R6 473 million).

The *gross income from field crops* increased by 11,6% to R65 817 million for the year ended 30 June 2020. This was driven by the increase in income from groundnuts by 58,0%, soya beans (50,3%), sunflower seed (42,3%), grain sorghum (36,7%), sugar cane (19,4%) and maize (16,6%).

The *gross income from animal products* increased by 4,3% and amounted to R141 472 million in 2019/20, compared to R135 582 million in 2018/19 because of the increase in income from sheep slaughtered by 14,4%, milk by 7,4%, poultry meat by 5,5% and cattle and calves slaughtered by 3,3%.



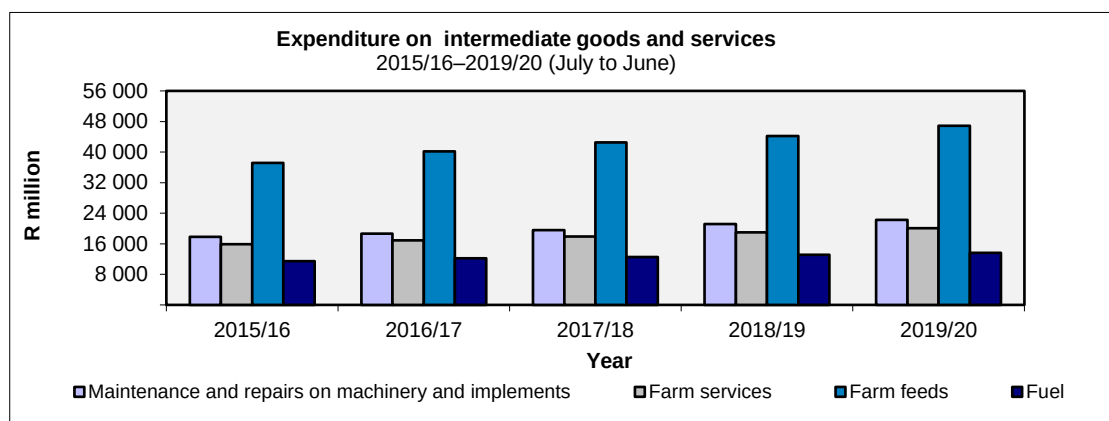
The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) increased by 27,5% and amounted to R115 673 million for the period ended on 30 June 2020. Payments for salaries and wages, which represented 5,6% of the total farming costs, amounted to R20 462 million. Interest paid by farmers to banks and other financiers during the 12 months up to 30 June 2020 is estimated at R2 031 million, or 5,6% 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 6,3% due to the increase in expenditure on seeds and plants and building and fencing material by 10,0% each, packing material (9,0%), farm feed (6,1%), farm services and animal health and crop protection (6,0%), each, maintenance and repairs of machinery and implements (5,0%), fuel (3,6%) and fertilisers (3,0%).



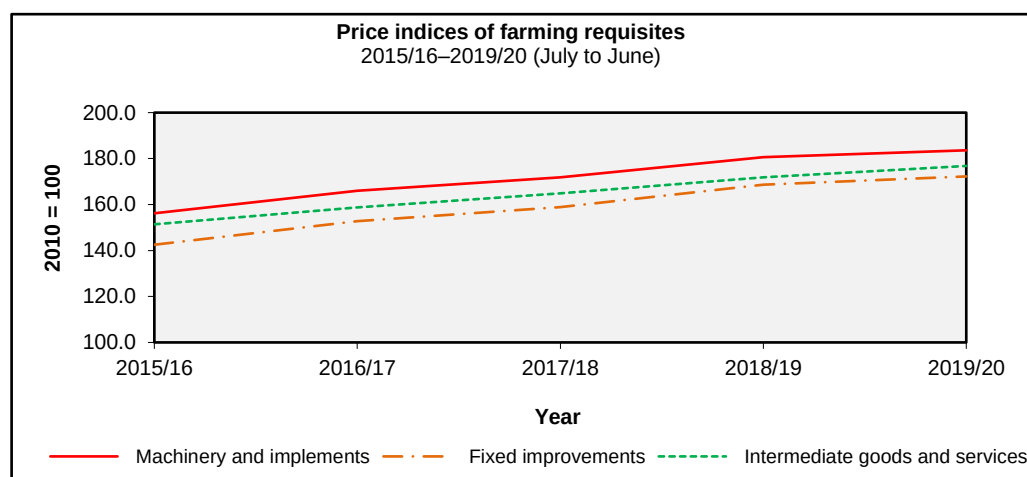
Farm feed had the largest share as an expenditure item, accounting for 28,5%, maintenance and repairs of machinery and implements (13,5%), farm services (12,2%), fuel (8,2%), seed and plants (7,2%), animal health and crop protection (6,2%), packing material (5,1%), fertilisers (4,5%) and building and fencing material (4,4%).

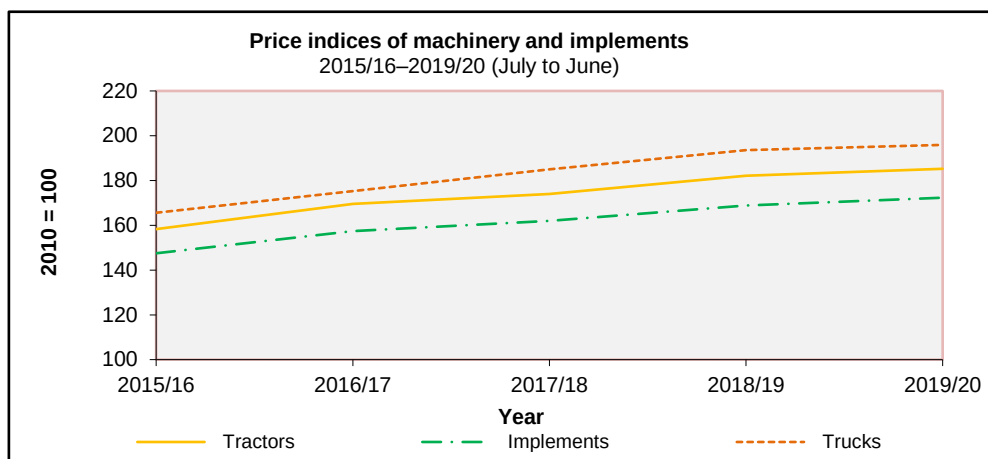
Prices of farming requisites

The prices paid for farming requisites, including machinery and implements, material for fixed improvements, as well as intermediate goods and services, increased by 2,8% compared to 4,3% the previous period.

The prices of animal health and crop protection, seed and feed increased by 4,5% each, fencing material by 2,3%, building material by 2,1%, fertilisers by 1,9%, tractors by 1,7%, packing material by 1,6% and trucks by 1,2%.

The combined price index of intermediate goods and services increased by 2,9%, materials for fixed improvements increased by 2,2% and machinery and implements by 2,0%.



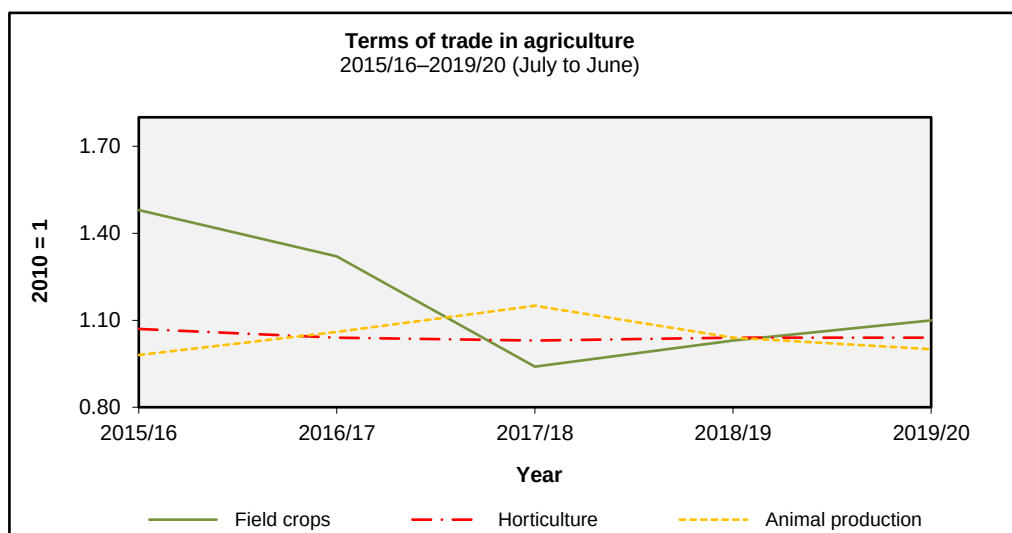


Domestic terms of trade in agriculture (2010 = 1)

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 1,0% due to the increase in production costs by 2,8%, as opposed to the increase of 2,4% in prices earned by the farmers.

The terms of trade for field crops increased by 6,8% (from 1,03 to 1,10) due to the increased prices earned by the farmers, while that of horticultural products remained unchanged at 1,04, despite the increase of 2,1% in prices. The terms of trade for animal products decreased by 3,8% (from 1,04 to 1,00) due to a slight decrease of 0,7% in prices.



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 2019 is estimated at R95 690 million. This represents 2,1% 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	93 400	2,2
2018	4 341 292	90 148	2,1
2019*	4 523 580	95 690	2,1

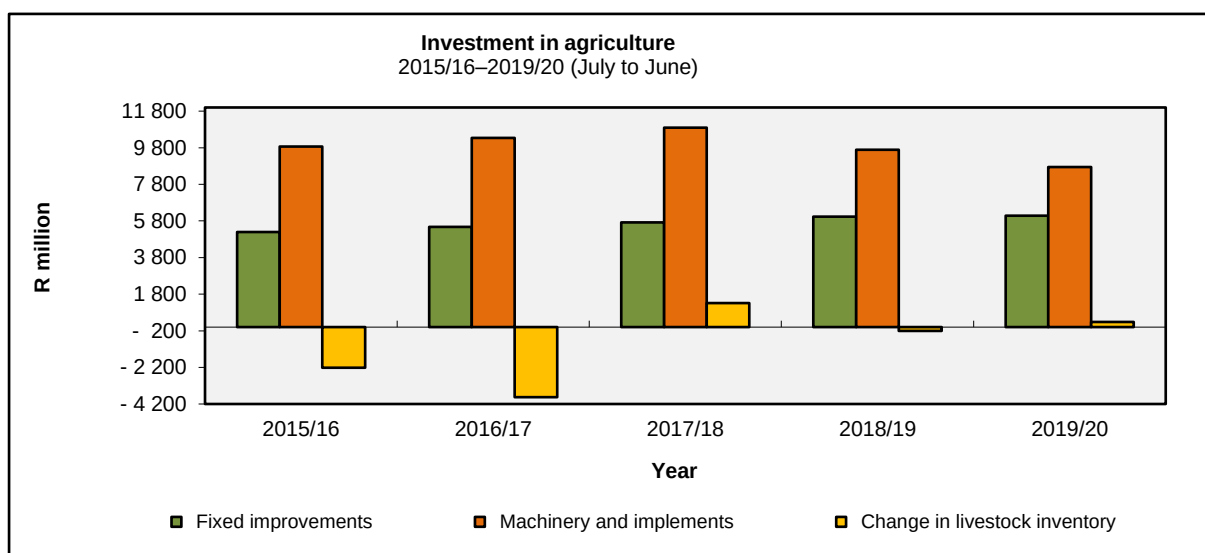
*Note: Figures are for agriculture, forestry and fisheries

Capital assets and investment in agriculture

The value of capital assets in agriculture as at 30 June 2020 is estimated at R530 024 million, compared to R512 256 million at the end of June 2019, an increase of 3,5%.

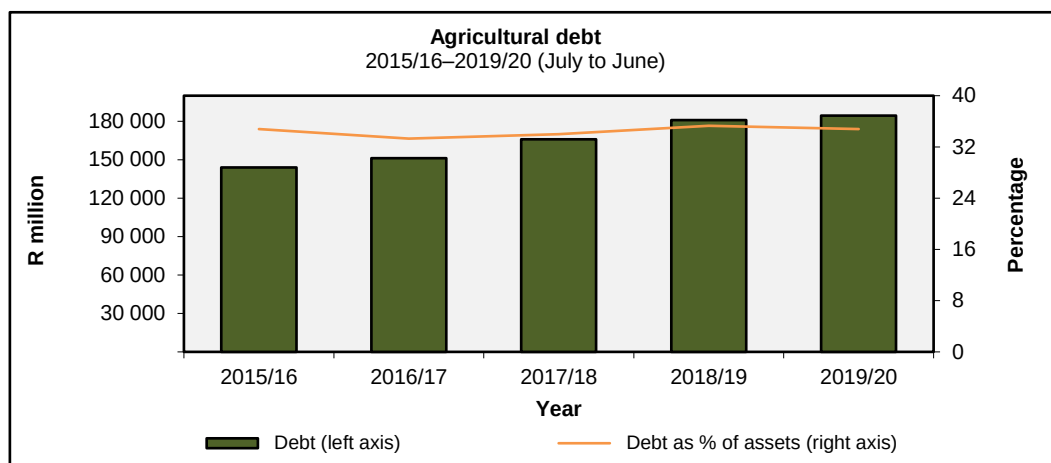
Land and fixed improvements constituted R297 332 million (56,1%), livestock R153 126 million (28,9%) and machinery and implements R79 566 million (15,0%) of the total value of capital assets.

The gross investment in respect to fixed improvements for the year ended 30 June 2020 increased by 1,0% to R6 088 million. Investment in machinery, implements and vehicles decreased by 9,6% and amounted to R8 750 million. The livestock inventory was R286 million more than in the previous year.



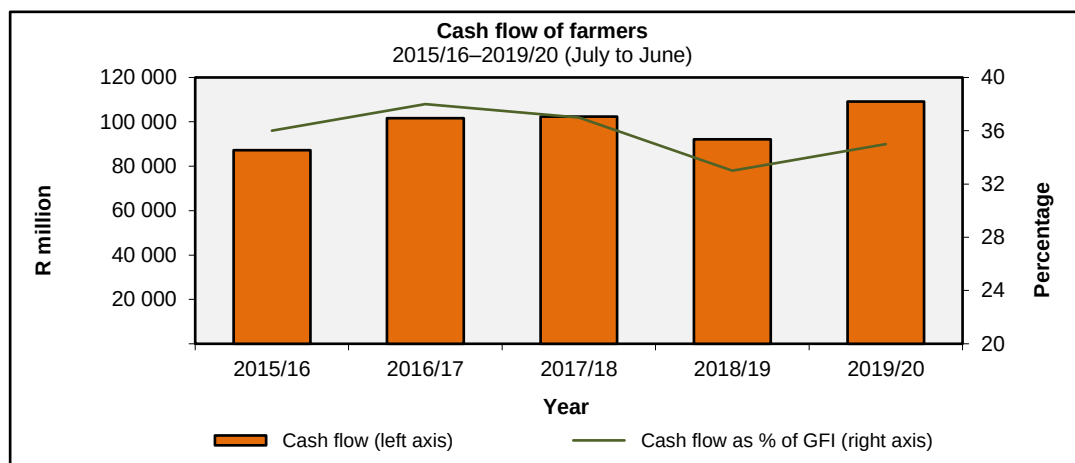
Farming debt

The total farming debt has increased by 1,9% and estimated at R180 336 million for the year ended June 2020, compared to R180 890 million at the end of June 2019.



Cash flow of farmers

The farmers' cash flow increased by 18,6% to R109 224 million for the period ended June 2020, compared to R92 093 million the previous period.



Consumer prices

The consumer prices of all agricultural products increased by 3,7% for the year ended June 2020, compared to 4,4% the previous period. The consumer prices of food and non-food items increased by 3,9% and 3,6%, respectively. The consumer prices of grain products increased by 6,1%, milk, eggs and cheese increased by 4,1% and meat by 2,9%.

The consumer prices of fruit increased by 7,1%, sugar (6,1%), fish (5,8%), fats and oils (4,6%), other food (4,3%), vegetables (2,2%) and coffee and tea (1,6%).