

Economic Review

of the

South African

Agriculture

2019

DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

Compiled by the Directorate: Statistics and Economic Analysis, Private Bag X246, PRETORIA 0001

Published in the Republic of South Africa by the Department of Agriculture, Forestry and Fisheries

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

2020

ISBN

This publication or any part thereof may be reproduced without prior permission, provided that the Directorate: Statistics and Economic Analysis, Department of Agriculture, Forestry and Fisheries, is acknowledged as the source.

CONTENTS

Foreword.....	iii
Economic review of South African agriculture for the year ended 31 December 2019.....	1
Summary	1
Volume of agricultural production	2
Producer prices of agricultural products	2
Gross value of agricultural production	3
Farming income	3
Expenditure on intermediate goods and services	6
Prices of farming requisites	6
Domestic terms of trade in agriculture (2010 = 1).....	7
Contribution of agriculture to value added at basic prices	8
Capital assets and investment in agriculture	9
Farming debt.....	9
Cash flow of farmers	10
Consumer prices.....	10
Imports and exports of agricultural products.....	10

FOREWORD

The value of primary agricultural production in South Africa showed a decrease of 0,5% and was estimated at R286,4 billion in 2018, while its contribution to the GDP was estimated at R95,1 billion at current prices in 2017.

The 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.

Tel.: 012 319 8454

Fax: 012 319 8031

E-mail: DAS@daff.gov.za.

Ms Ellen Matsei

Director: Statistics and Economic Analysis

Pretoria

March 2020

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 31 DECEMBER 2019

Summary

Gross farming income that was earned from all agricultural products decreased by 1,5% and amounted to R281 191 million in 2019, compared to R285 457 million in 2018. This was mainly driven by the decrease in income from horticultural products, field crops and animal products by 2,5%, 1,5% and 0,9%, respectively.

The prices earned by farmers for their products decreased marginally by 0,9%, mainly as the result of the decrease in prices of animal products by 6,0%.

The weighted average price of field crops showed an increase of 3,6% due to the increases in prices of winter grains by 12,9%, oilseeds (10,5%), sugar cane (4,7%) and hay (2,6%).

The weighted average price of horticultural products increased by 5,9% due to the increases in prices of viticulture by 11,3%, vegetables by 5,6% and fruit by 5,0%.

The weighted average price of animal products decreased by 6,0% due to the decreases in prices of poultry meat by 8,2%, pastoral products (6,8%), slaughtered stock (3,8%) and milk (3,2%).

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

The terms of trade decreased by 3,8% (from 1,05 to 1,01) due to the increase in production costs by 3,3%, compared to a slight increase of 0,9% in prices earned by farmers.

Net farming income decreased significantly by 14,5% to R87 447 million in 2019, from R102 269 million in 2018.

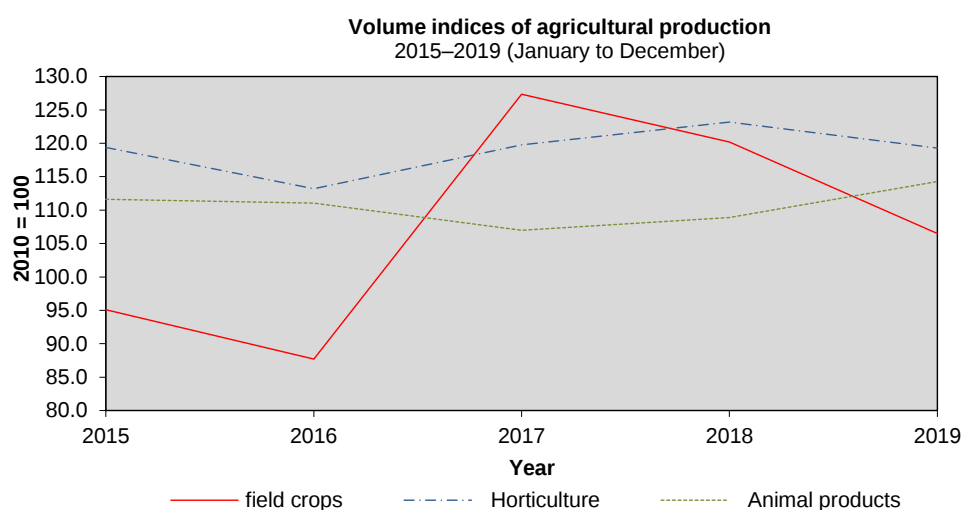
Volume of agricultural production

The estimated volume of agricultural production during 2019 was 1,37% lower than in 2018.

The volume of field crop production decreased by 11,38% during 2019, mainly as a result of a decrease in the production of summer grains (especially maize), winter grains (wheat, barley, oats and canola) and oilseeds (sunflower seed, soya beans and groundnuts).

Horticultural production decreased by 3,16% for the mentioned period, which can mainly be attributed to decreases in the production of subtropical, deciduous and citrus fruit.

The production of animal products increased by 4,95%, mainly because of an increase in the production of fresh milk, poultry meat and eggs, as well as stock slaughtered during 2019.

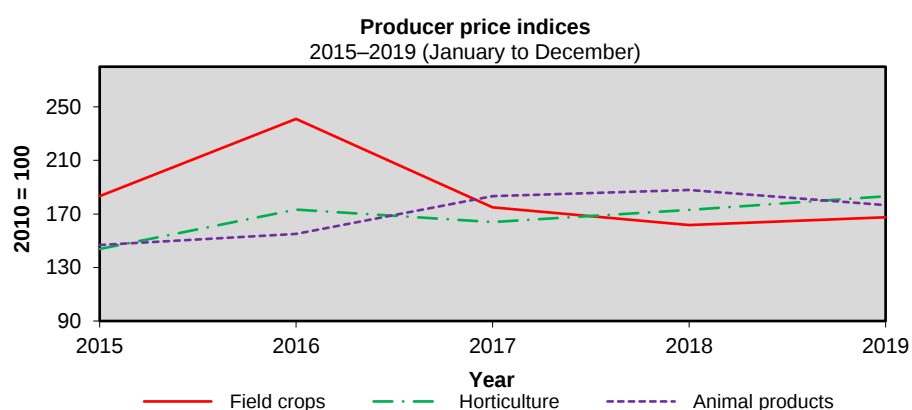


Producer prices of agricultural products

The prices earned by farmers for their products decreased marginally by 0,9%, mainly as the result of the decrease in prices of animal products by 6,0%.

The weighted average price of field crops showed an increase of 3,6% because of the increases in prices of winter grains by 12,9%, oilseeds (10,5%), sugar cane (4,7%) and hay (2,6%).

The weighted average price of horticultural products increased by 5,9% due to the increases in prices of viticulture by 11,3%, vegetables by 5,6% and fruit by 5,0%.

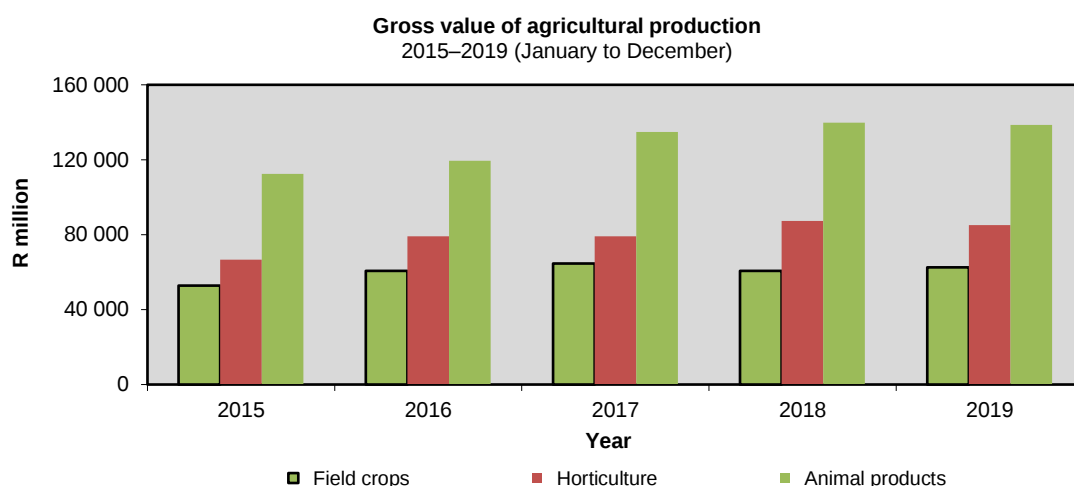


A decrease of 6,0% in the weighted average price of animal products was driven by the decreases in prices of poultry meat by 8,2%, pastoral products (6,8%), slaughtered stock (3,8%) and milk (3,2%).

Gross value of agricultural production

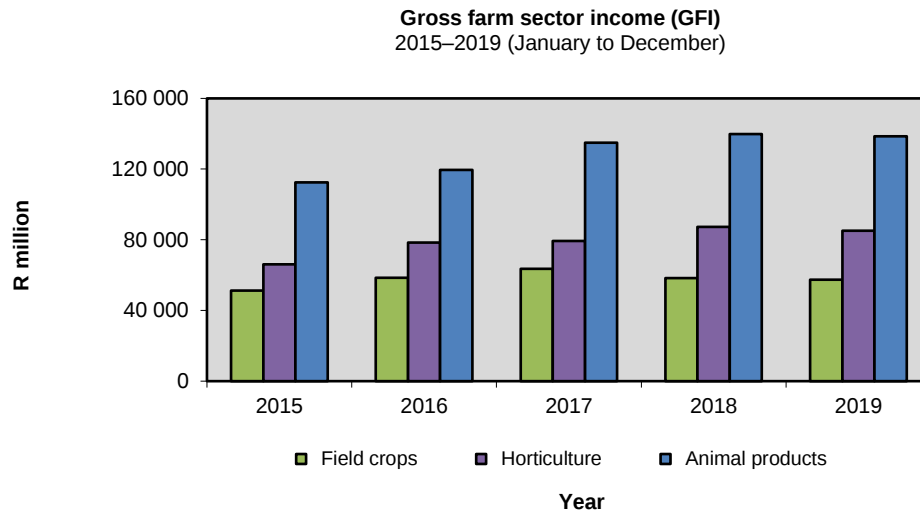
The *total gross value of agricultural production* (total production during the production season valued at the average basic prices received by producers) for 2019 is estimated at R286 405 million, compared to R287 847 million the previous year—a decrease of 0,5%. This decrease can mainly be attributed to a decrease in the value of horticulture.

The gross value of animal products contributed 48,4% to the total gross value of agricultural production, while horticultural products and field crops contributed 29,7% and 21,9%, respectively. The poultry meat industry made the largest contribution with 16,4%, followed by cattle and calves slaughtered with 12,4% and maize with 9,8%.

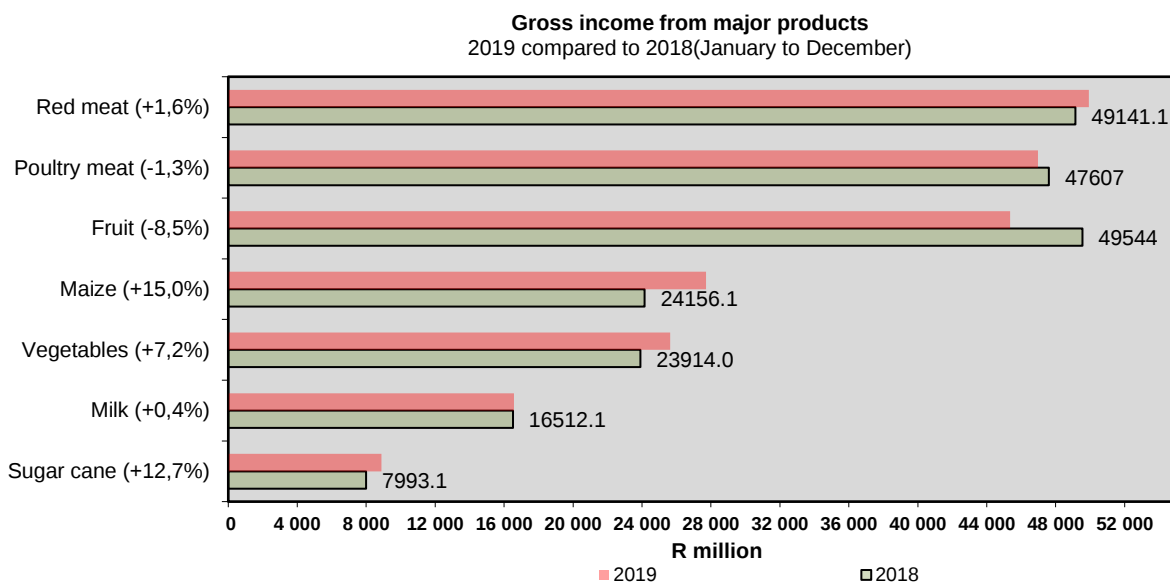


Farming income

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 2019 amounted to R281 191 million, compared to R285 457 million the previous year—a decrease of 1,5%. This can be attributed to the decrease in prices of animal products.



The *gross income from field crops* decreased by 1,5% to R57 373 million for the year ended 31 December 2019. Income from maize at R27 710 million was 14,7% more than in the previous 12 months, while the average seasonal price for white and yellow maize has increased by 10,5% and 8,2%, respectively, compared to the previous season. Income from sunflower seed and wheat has both declined by 10,2% to R3 429 million and 11,2% to R6 252 million, respectively, in 2019. Income from sugar cane at R8 879 million was 11,1% more than in the previous 12 months. Income from groundnuts has decreased significantly by 66,3% to R171 million from the previous season. Income from dry beans decreased by 15,6% to R846 million. Income from soya beans decreased by 24,7% to R5 324 million in the current year.

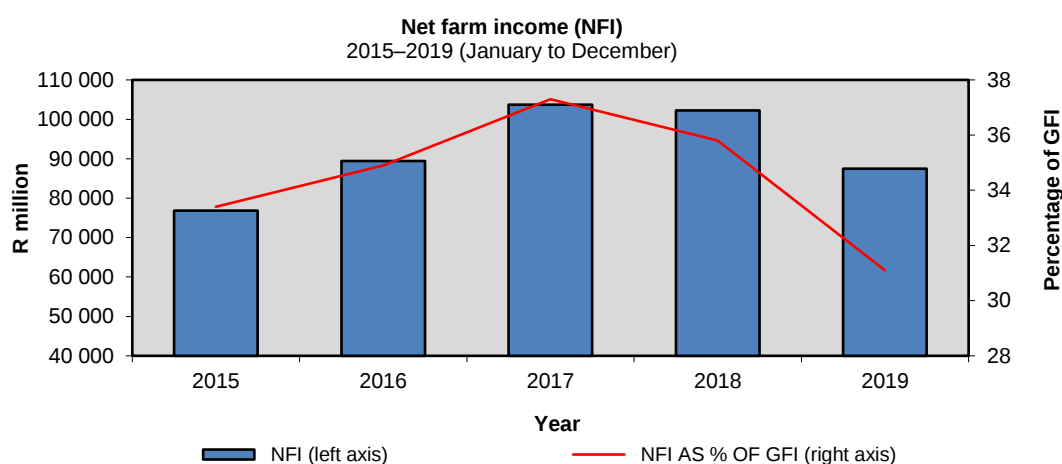


The *gross income from horticultural products* decreased by 2,5% to R85 174 million in 2019 from R87 362 million in 2018. Income from citrus fruit decreased by 4,1%, which amounted to R19 917 million. Income from deciduous fruit was at R19 107 million, which was 13,7% lower than in *Economic Review of the South African Agriculture 2019*

2018. Income from vegetables increased by 7,2% to R25 638 million. Income from subtropical fruit decreased by 3,5% to R4 766 million.

The *gross income from animal products* was 0,9% lower in 2019 and amounted to R138 645 million, compared to R139 845 million of the previous year. Producers earned R35 509 million from slaughtered cattle, compared to the previous R35 974 million—a decrease of 1,3%. Income from poultry meat showed a decrease of 1,3% to R46 971 million. Income from egg production, at R10 301 million, was 9,9% lower than in the previous year. Producers earned R16 579 million from milk production, which is 0,4% more than in the previous year. Income from wool decreased by 2,0% to R4 917 million.

The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R87 447 million for the 12 months that ended on 31 December 2019, which is 14,5% less than during the previous 12 months. Payments for salaries and wages, which represented 10,1% of the total farming costs, amounted to R20 116 million. Interest paid by farmers to banks and other financiers during the 12 months up to 31 December 2019 is estimated at R11 259 million, or 5,6% of total farming costs.

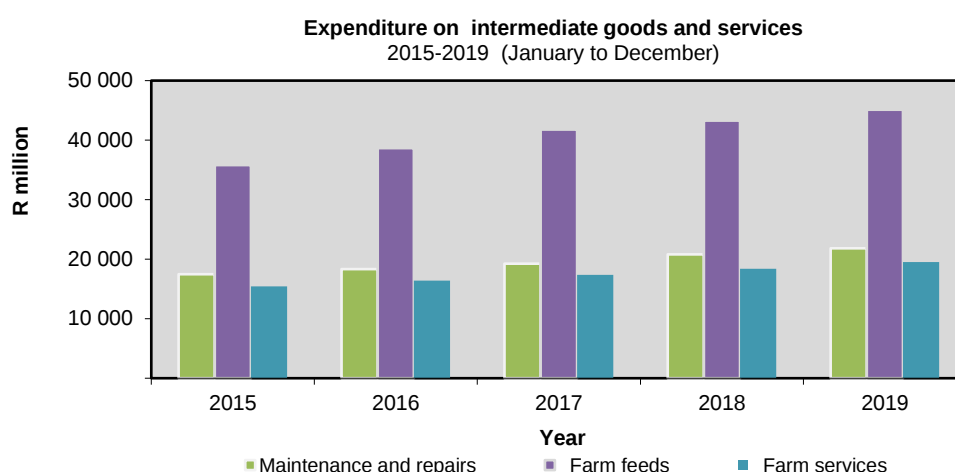


Expenditure on intermediate goods and services

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 5,8% to R159 543 million, from R150 859 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 by 9,0%, animal health and crop protection and farm services by 6,0% each, maintenance and repairs of machinery and implements by 5,0%, farm feeds and fuel by 4,1% each and fertilisers by 3,0%.

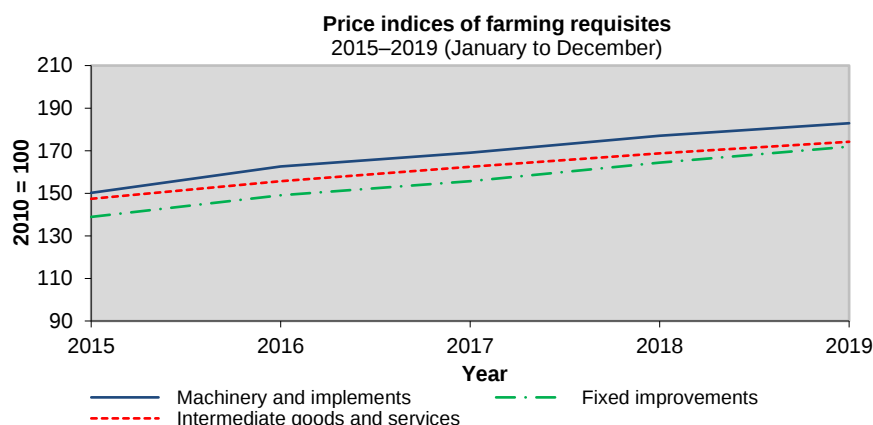
Farm feeds had the largest share of 28,3% as an expenditure item, followed by maintenance and repairs of machinery and implements (13,7%), farm services (12,2%), fuel (8,4%), seed and plants (7,2%),



animal health and crop protection (6,2%), packing material (5,1%), fertilisers (4,6%) and building and fencing material (4,3%).

Prices of farming requisites

Prices of farming requisites, including machinery and implements, material for fixed improvements and

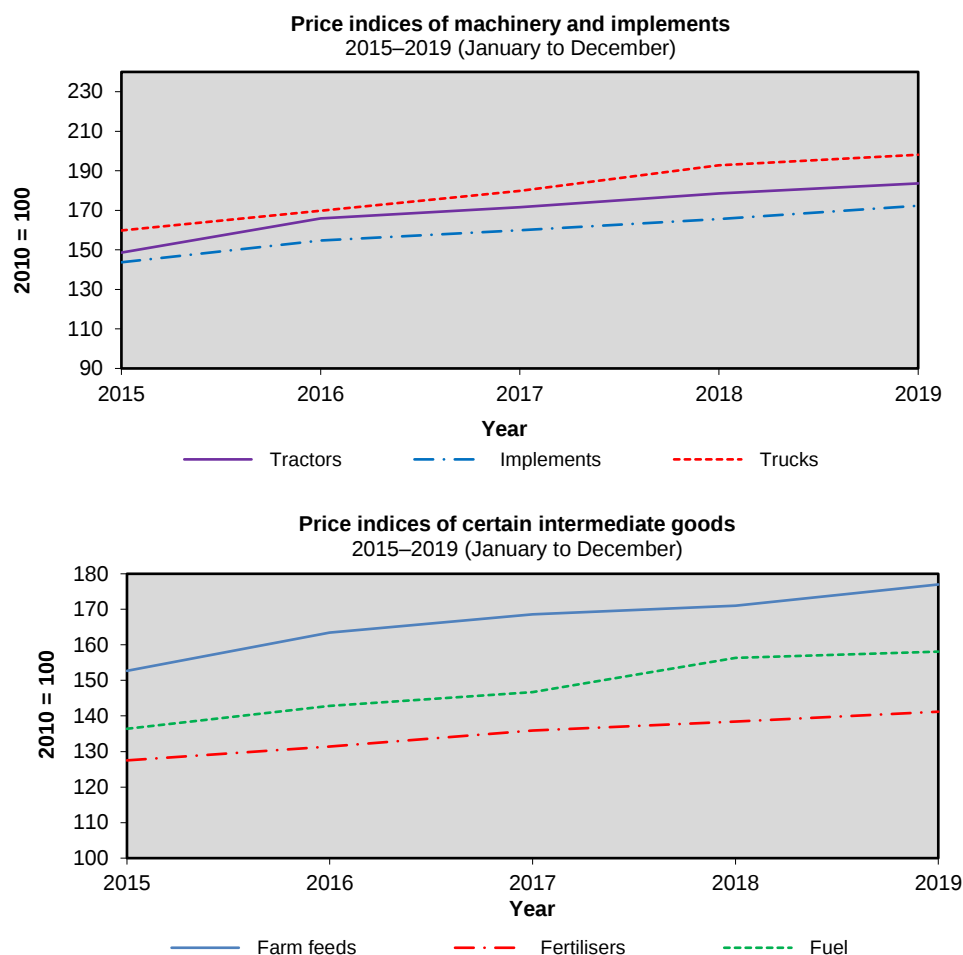


intermediate goods and services, increased by 3,3% in 2019, compared to 4,0% in 2018.

The prices paid for materials for fixed improvements increased by 4,6%, machinery and implements by 3,2% and those of intermediate production inputs and services by 3,3%.

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

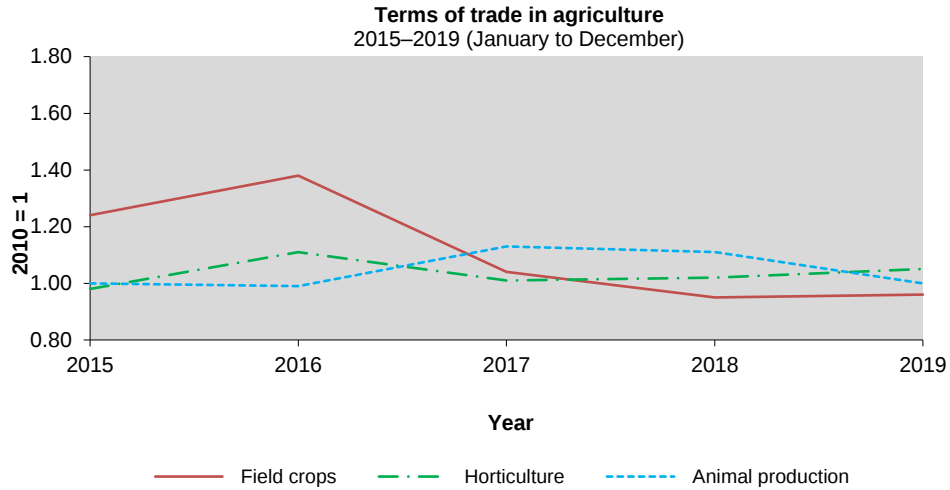
Domestic terms of trade in agriculture (2010 = 1)



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 decreased by 3,8% (from 1,05 to 1,01) due to higher production costs, as opposed to lower prices earned by farmers for their agricultural products.

The terms of trade for horticultural products increased by 2,9% (from 1,02 to 1,05) and field crops by 1,1% (from 0,95 to 0,96), while that of animal products decreased by 9,9% (from 1,11 to 1,00).



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 2019 is estimated at R106 057 million. This represents 2,4% of the total value added to the economy.

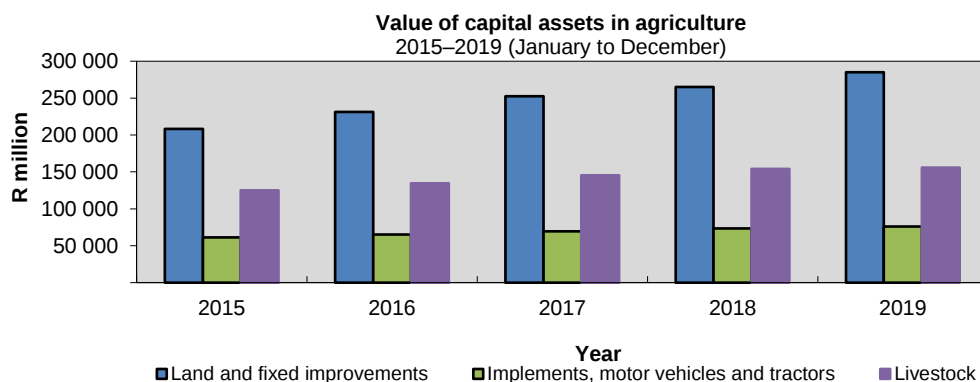
Year	Total value added	Contribution of agriculture to value added	Contribution of agriculture as percentage of total value added
	R million	R million	%
2005	1 469 239	31 273	2,1
2006	1 642 222	34 478	2,1
2007	1 884 722	46 671	2,5
2008	2 137 190	57 656	2,7
2009	2 277 146	56 055	2,5
2010	2 494 860	52 001	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 5,0% for the period ended 31 December 2019 and was estimated to be R517 129 million, compared to R492 608 million at the end of December 2018. Land and fixed improvements constituted the largest share of 55,1% of the total value of capital assets, followed by livestock (30,1%) and implements, motor vehicles and tractors (14,7%).

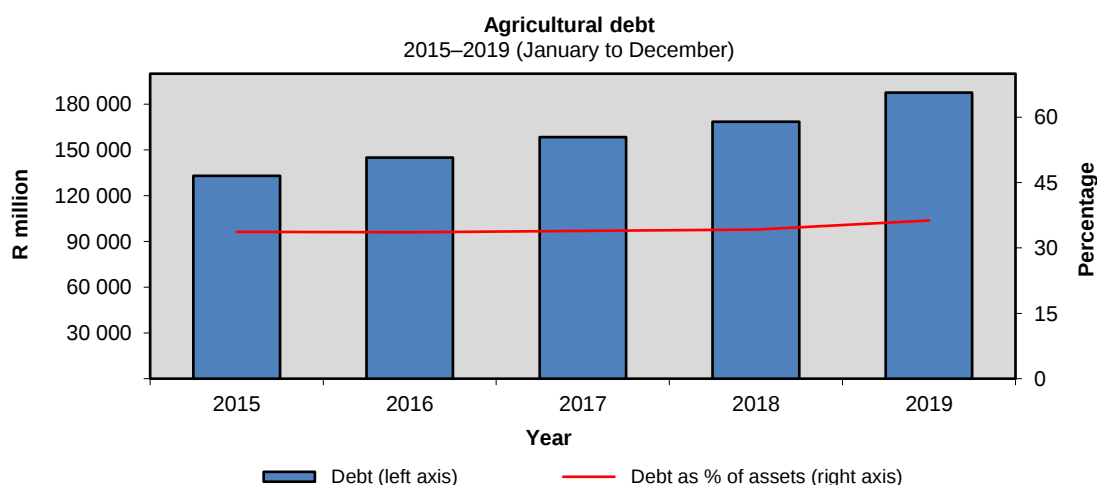
The gross investment in respect of fixed improvements for the year ended 31 December 2019 was 4,4%



higher than in 2018 and was estimated at R6 136 million. In the case of machinery, implements and vehicles, investment decreased by 16,2% and was estimated at R8 842 million. The livestock inventory decreased with R38 million from the previous year.

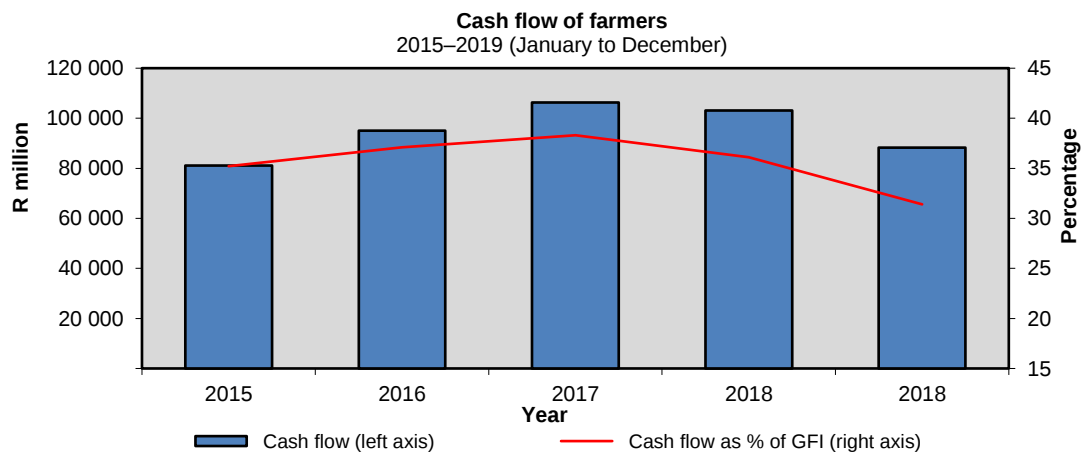
Farming debt

The total farming debt increased by 11,3% for the year ended 31 December 2019 and was estimated at R187 506 million, compared to R168 481 million at the end of 2018.



Cash flow of farmers

The farmers' cash flow decreased significantly by 14,4% to R88 277 million for the year ended 31 December 2019, from R103 140 million in 2018, mainly due to lower prices of animal products.



Consumer prices

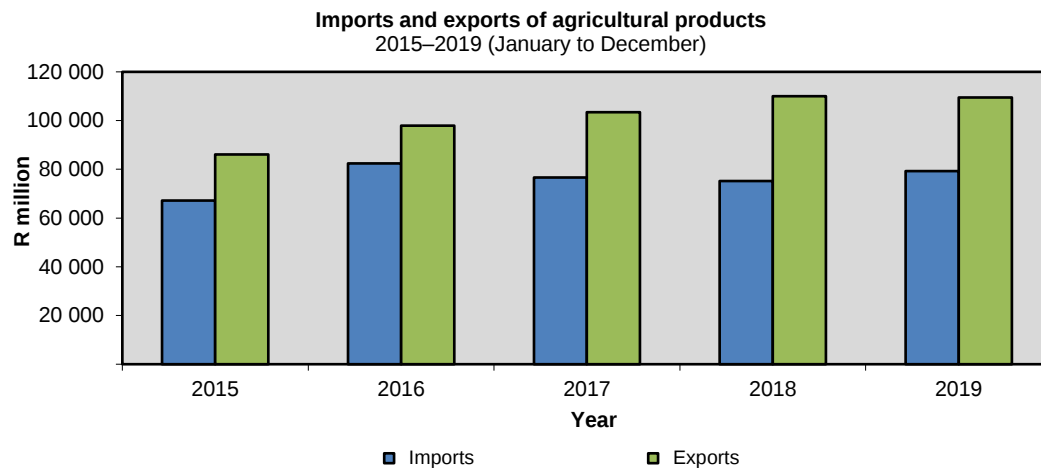
The consumer prices of all agricultural items increased by 4,1% in 2019, compared to an increase of 4,4% in 2018.

The prices of food increased by 3,1% and those of non-food items by 4,3%. The prices of grain products increased by 7,1% and dairy products and eggs by 1,7% and meat slightly by 0,3%. The prices of fish increased by 6,4%, vegetables by 6,2%, sugar by 5,5%, fruit by 4,5%, other food by 3,9%, fats and oil by 2,6% and coffee and tea by 2,1%.

Imports and exports of agricultural products

The estimated value of imports during 2019 came to approximately R79 217 million, from R75 225 million in 2018—an increase of 5,3%.

The estimated value of exports showed a decrease of 0,5%, from R110 035 million in 2018 to about R109 514 million in 2019.



According to the 2019 agricultural export figures, citrus fruit (R19 627 million), grapes (R9 154 million), wine (R8 741 million), apples, pears and quinces (R7 711 million) and nuts (R5 945 million) were the five most important export products in terms of value.

With regard to agricultural imports during 2019, rice (R6 485 million), meat (R6 093 million), wheat (R5 650 million), undenatured ethyl alcohol (R3 904 million) and food preparations (R2 789 million) were the five major products in terms of value.

In terms of exports of agricultural products by South Africa during 2019, the five largest trading partners were Argentina, with exports to the value of R5 960 million, Thailand (R5 423 million), the United States (R4 890 million), Brazil (R4 656 million) and Germany (R4 376 million).