

Economic Review

of the

South African

Agriculture

2020

DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT

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FOREWORD

The value of primary agricultural production in South Africa increased by 15,9% to R332 953 million in 2020, while its contribution to the GDP was estimated at R81 337 million in 2019.

The South African primary agricultural sector grew by an average of 5,9% per year since 2010, while the country's economic growth was 7,2% on average per year during the same period. The contribution of agriculture's value added to GDP increased from 2,2% in 2010 to 2,3% in 2020.

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 2021

ECONOMIC REVIEW OF SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 31 DECEMBER 2020

Summary

Gross farming income earned from all agricultural products increased by 15,8% to R327 138 million in 2020, compared to R282 419 million in 2019 due to the increase in income from field crops by 37,2%, horticulture (17,8%) and animal products (5,8%).

The prices earned from all agricultural products increased by 4,3% due to the increase in prices of field crops by 8,4%, horticulture by 6,1% and animal products by 1,3%.

The increase of 8,4% in weighted average price of field crops was mainly due to the increase in prices of tobacco by 31,1%, oilseeds by 18,5%, dry beans by 14,6%, sugar cane by 13,8%, hay by 13,6%, winter grains by 12,8% and summer grains by 2,5%.

The weighted average price of horticultural products increased by 6,1% due to the increase in prices of vegetables by 13,2%, fruit by 2,6% and viticulture by 2,5%.

The weighted average price of animal products increased by 1,3% due to the increase in prices of milk by 13,9% and poultry meat by 1,0%, while prices of pastoral products decreased by 19,1%.

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

The terms of trade increased by 1,0% (from 1,03% to 1,04%) due to an increase of 4,3% in prices earned from agricultural products, as opposed to an increase of 3,5% in production costs.

Net farming income increased significantly by 40,3% to R124 388 million in 2020, compared to R88 675 million in 2019.

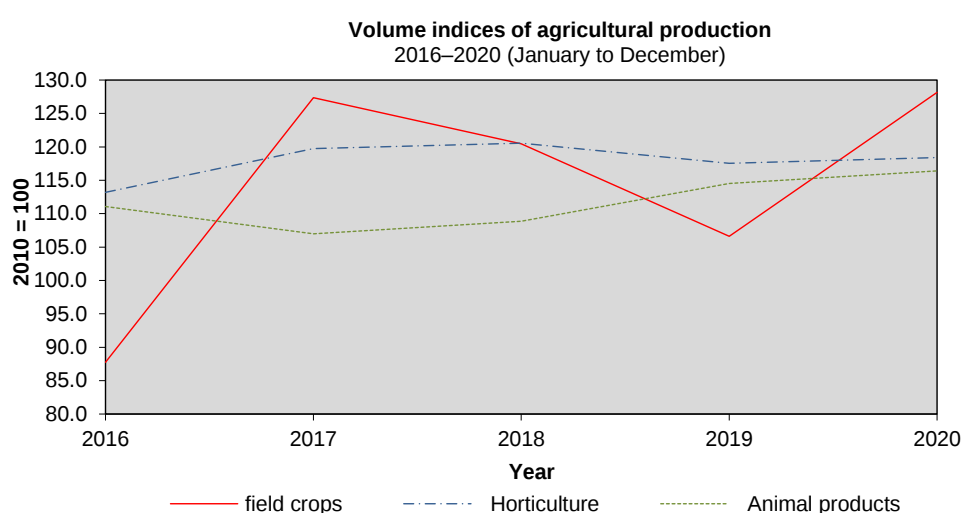
Volume of agricultural production

The estimated volume of agricultural production during 2020 was 5,48% more than in 2019.

The volume of field crop production increased by 20,21% during 2020, mainly as a result of an increase in the production of summer grains (maize and sorghum), winter grains (wheat, barley, oats and canola) and oilseeds (sunflower seed, soya beans and groundnuts).

Horticultural production increased by 0,74% for the mentioned period, which can mainly be attributed to an increase in the production of deciduous fruit.

The production of animal products increased by 1,63%, mainly because of an increase in the production of poultry meat and eggs, as well as stock slaughtered (pigs and goats) during 2020.

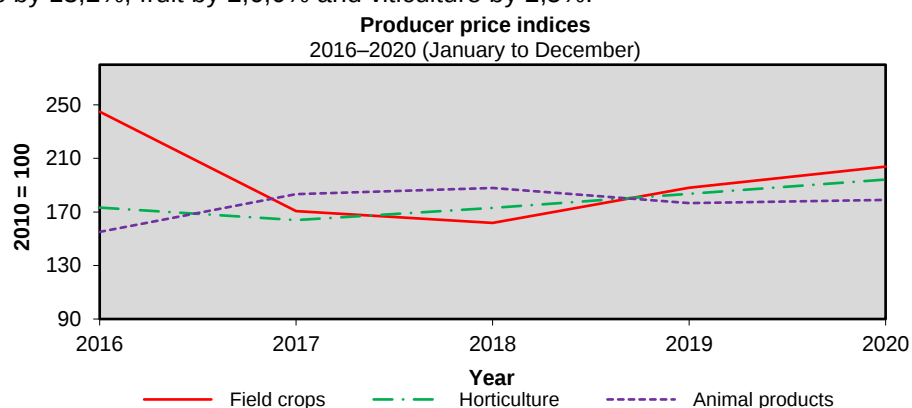


Producer prices of agricultural products

The prices earned by farmers for their products increased by 4,3%, mainly as the result of the increase in prices of field crops by 8,4%, horticulture by 6,1% and animal products by 1,3%.

The weighted average price of field crops showed an increase of 8,4% because of the increase in prices of dry beans (14,6%), tobacco (31,1%), oilseeds (18,5%), sugar cane (13,8%), hay (13,6%), winter grains (12,8%) and summer grains (2,5).

The weighted average price of horticultural products increased by 6,1% due to the increase in prices of vegetables by 13,2%, fruit by 2,6,0% and viticulture by 2,5%.

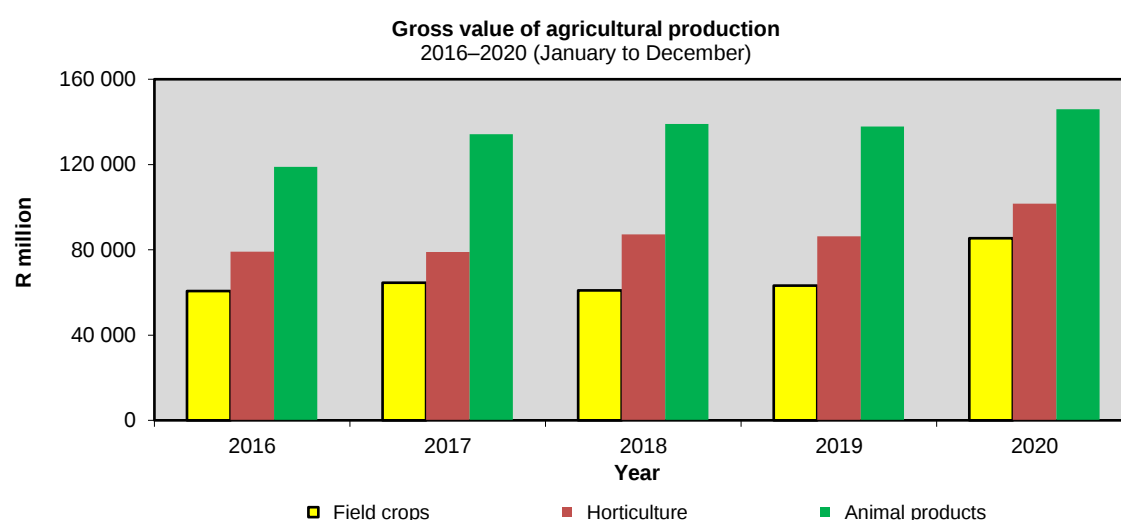


An increase of 1,3% in the weighted average price of animal products was driven by the increase in prices of milk by 13,9% and poultry meat by 1,0%, while prices of slaughtered stock remained unchanged and prices of pastoral products decreased by 19,1%.

Gross value of agricultural production

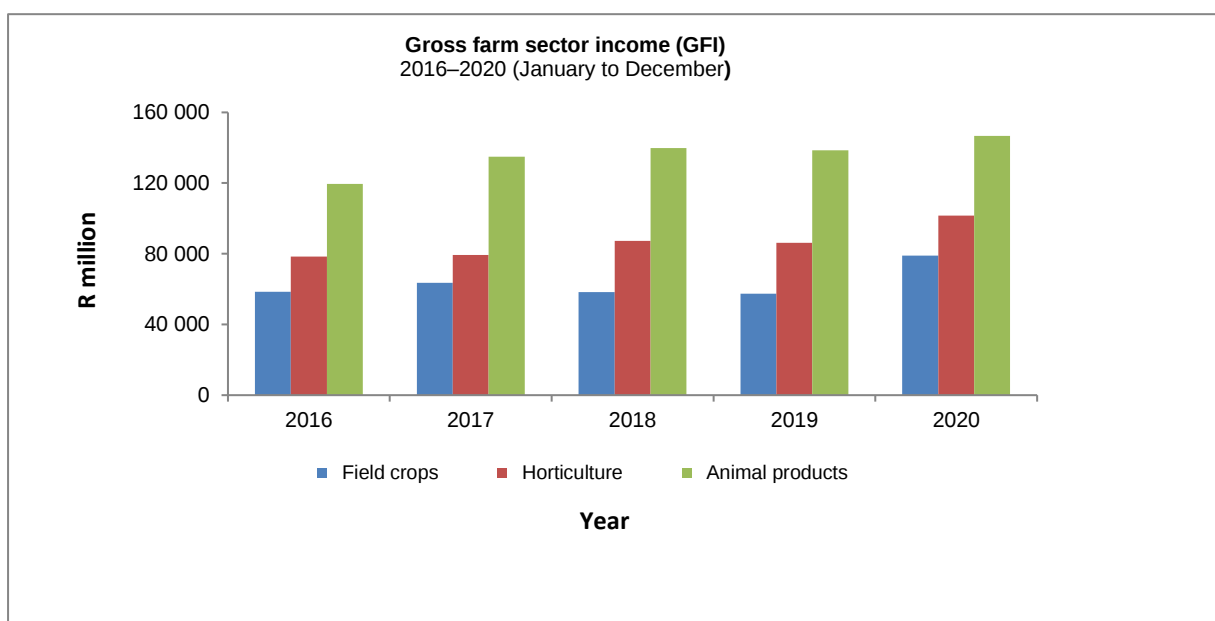
The *total gross value of agricultural production* (total production during the production season valued at the average basic prices received by producers) for 2020 is estimated at R332 953 million, compared to R287 395 million the previous year—an increase of 15,9%. This increase can mainly be attributed to a significant increase in the value of field crops.

The gross value of animal products contributed 43,8% to the total gross value of agricultural production, while horticultural products and field crops contributed 30,5% and 25,7%, respectively. The poultry meat industry made the largest contribution with 14,8%, followed by maize with 12,0% and cattle and calves slaughtered with 11,3%.

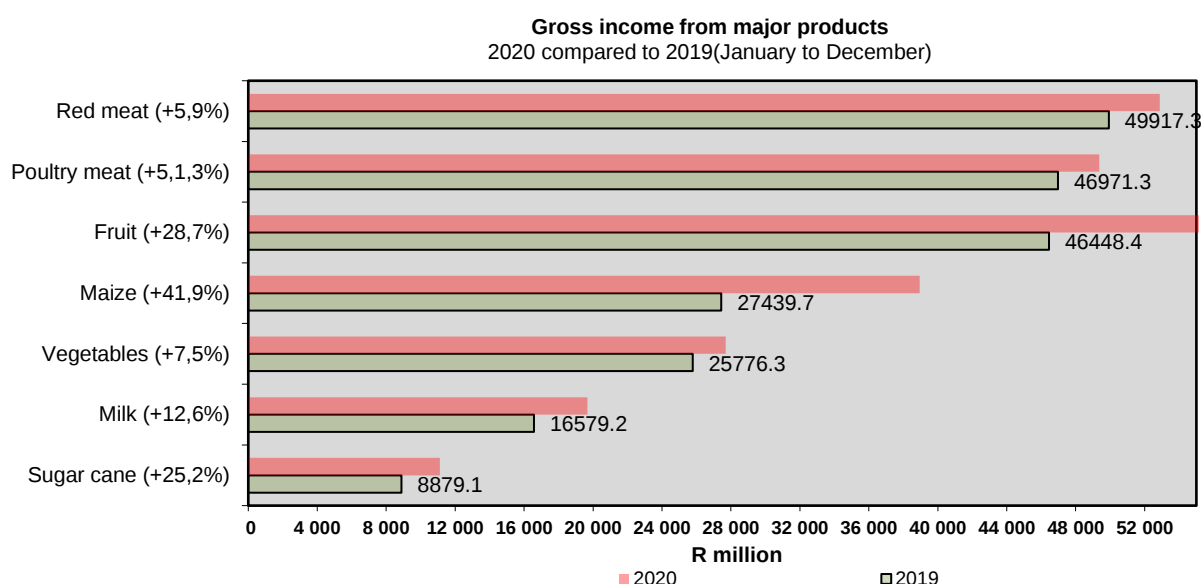


Farming income

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 2020 amounted to R327 138 million, compared to R282 419 million the previous year—an increase of 15,8%. This can be attributed to the increase in production levels by 7,3% and prices by 4,3%.



The *gross income from field crops* increased by 37,2% to R78 883 million for the year ended 31 December 2020. Income from maize at R38 945 million was 41,9% more than in the previous 12 months, while the average seasonal price for yellow and white maize increased by 9,9% and 5,1%, respectively, compared to the previous season. Income from wheat increased by 57,2% to R9 926 million and sunflower seed by 26,8% to R4 411 million. Income from sugar cane at R11 118 million was 25,2% more than in the previous 12 months. Income from groundnuts has increased significantly by 161,5% to R447 million from the previous season. Income from dry beans increased by 8,6% to R919 million. Income from grain sorghum increased by 66,0% and amounted to R632 million and soya beans by 45,9% to R8 006 million.



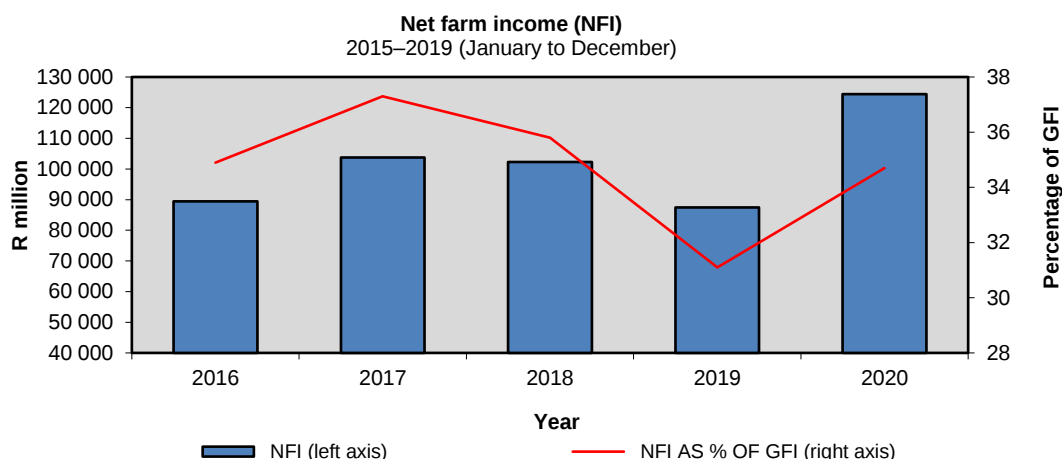
The *gross income from horticultural products* increased by 17,8% to R101 628 million in 2020 from R86 276 million in 2019. Income from citrus fruit increased by 53,4%, which amounted to R30

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668 million. Income from deciduous fruit was at R22 482 million, which was 11,2% higher than in 2019. Income from vegetables increased by 7,5% to R27 702 million. Income from subtropical fruit increased by 2,9% to R4 822 million.

The *gross income from animal products* was 5,8% higher in 2020 and amounted to R146 627 million, compared to R138 645 million of the previous year. Producers earned R37 601 million from slaughtered cattle, compared to the previous R35 509 million—an increase of 5,9%. Income from poultry meat showed an increase of 5,1% to R49 365 million. Income from egg production, at R10 575 million, was 2,7% higher than in the previous year. Producers earned R18 672 million from milk production, which is 12,6% more than in the previous year. Income from wool decreased by 6,6% to R4 591 million.

The *net farm income* (after the deduction of all production expenditure, excluding expenditure on fixed assets and capital goods) amounted to R124 388 million for the 12 months that ended on 31 December 2020, which is 40,3% more than during the previous 12 months. Payments for salaries and wages, which represented 9,9% of the total farming costs, amounted to R20 773 million. Interest paid by farmers to banks and other financiers during the 12 months up to 31 December 2020 is estimated at R11 696 million, or 5,6% of total farming costs.

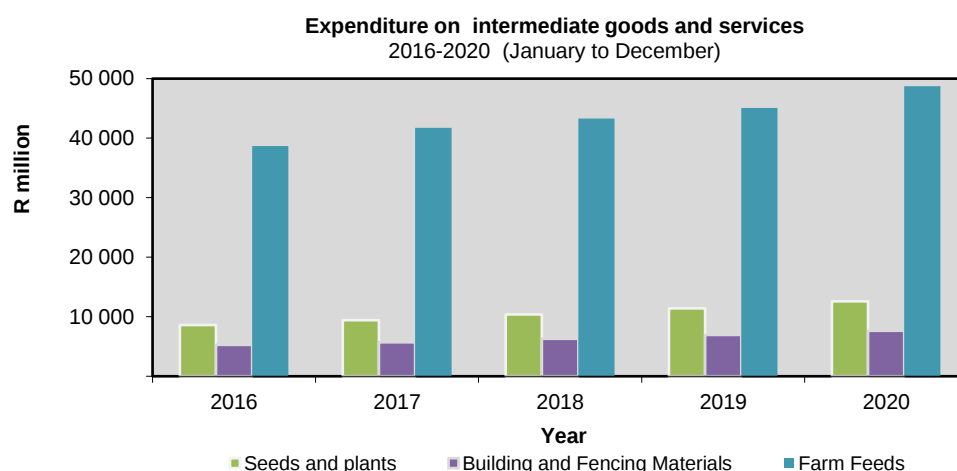


Expenditure on intermediate goods and services

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 6,4% to R169 708 million, from R159 543 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, fuel by 3,2%, fertilisers by 3,0% and maintenance and repairs of machinery and implements by 1,9%.

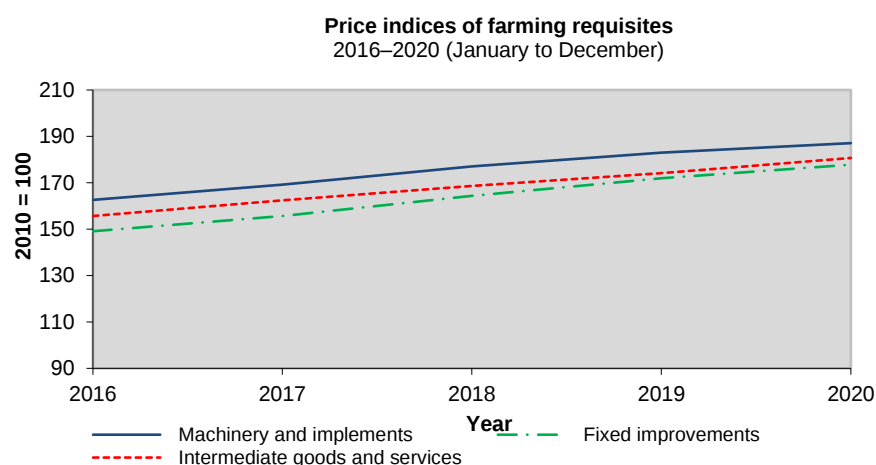
Farm feeds had the largest share of 28,7% as an expenditure item, followed by maintenance and repairs of machinery and implements (13,1%), farm services (12,2%), fuel (8,1%), seed and plants (7,4%), animal health and crop protection (6,2%), packing material (5,2%), fertilisers and building and fencing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



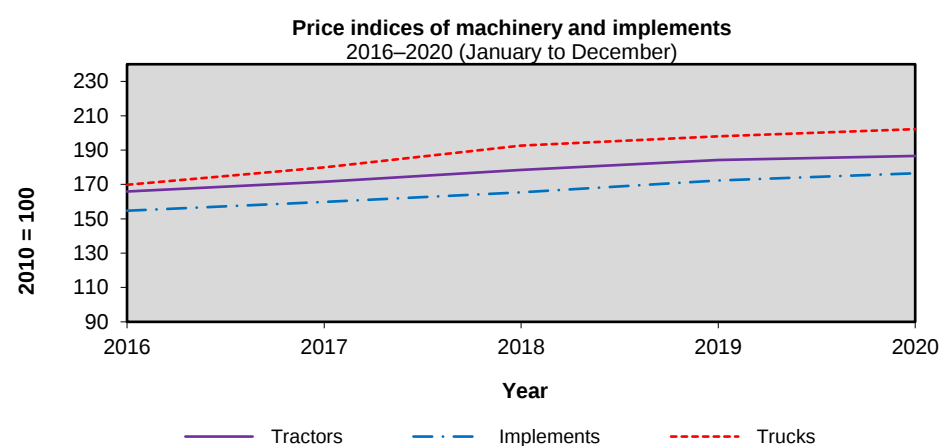
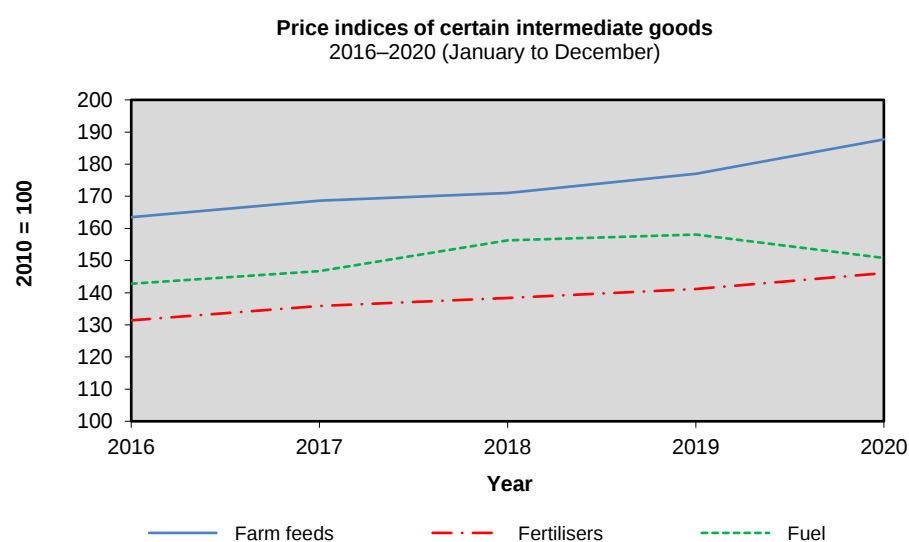
Prices of farming requisites

Prices of farming requisites, including machinery and implements, material for fixed improvements and intermediate goods and services, increased by 3,5% in 2020, compared to 3,4% in 2019.

The prices paid for intermediate production inputs increased by 3,7%, materials for fixed improvements by 3,4% % and those for machinery and implements by 2,2%.



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

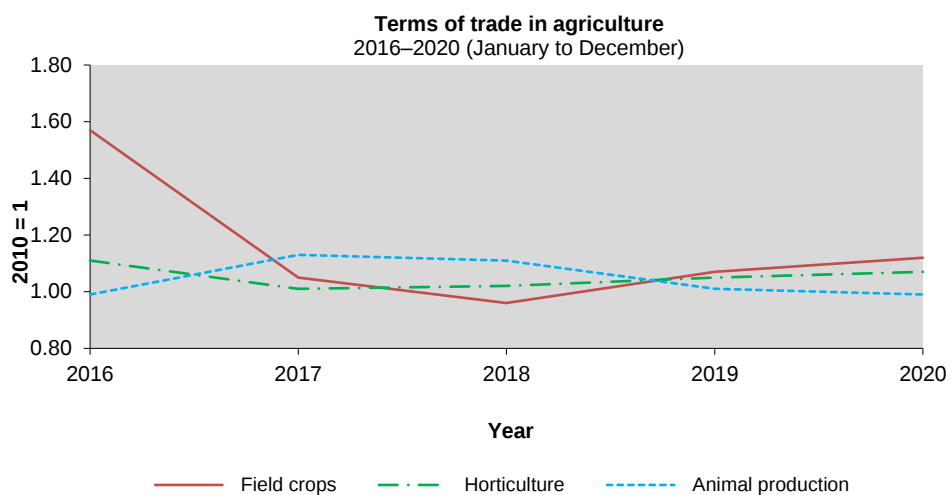


Domestic terms of trade in agriculture (2010 = 1)

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 increased by 1,0% (from 1,03% to 1,04%) due to an increase of 4,3% in prices earned from agricultural products, as opposed to an increase of 3,5% in production costs.

The terms of trade for field products increased by 4,7% (from 1,07 to 1,12) and horticultural crops by 2,5% (from 1,05 to 1,07), while that of animal products decreased by 2,2% (from 1,01 to 0,99).



Contribution of agriculture to value added at basic prices

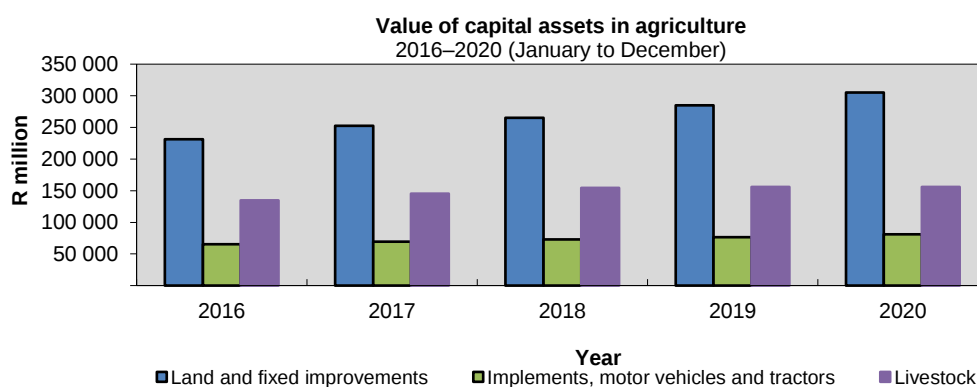
Value added is the value of total output less the value of intermediate consumption during the production period.

The contribution of agriculture to value added for the year ended 31 December 2020 is estimated at R101 650 million, which represents 2,3% 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	%
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	55 764	2,2
2011	2 724 400	58 739	2,2
2012	2 932 879	60 003	2,0
2013	3 183 618	63 121	2,0
2014	3 414 943	70 342	2,1
2015	3 624 908	71 904	2,0
2016	3 891 559	82 406	2,1
2017	4 173 328	93 400	2,2
2018	4 341 292	90 148	2,1
2019	4 523 580	81 337	1,8
2020	4 429 711	101 650	2,3

Capital assets and investment in agriculture

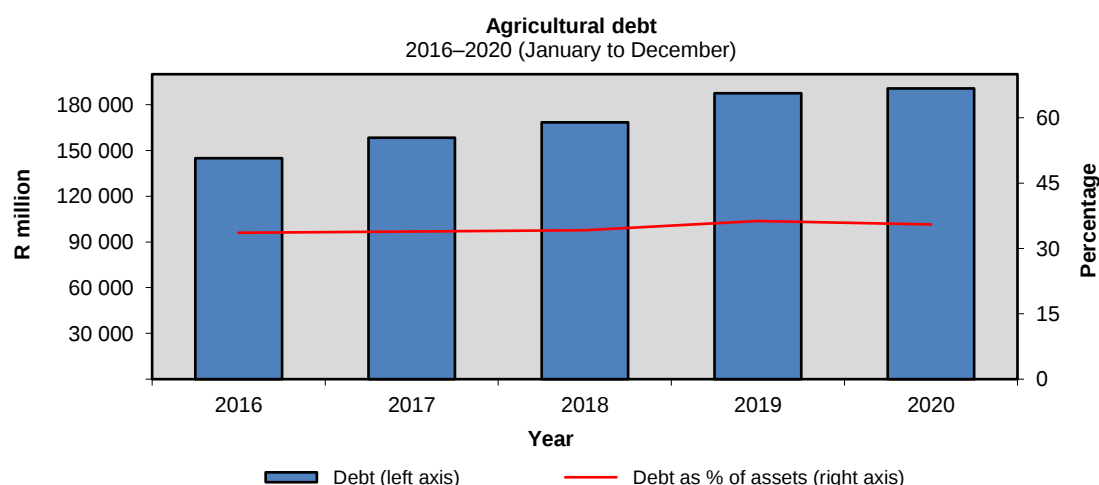
The value of capital assets in agriculture increased by 3,7% for the period ended 31 December 2020 and was estimated to be R536 659 million, compared to R517 232 million at the end of December 2019. Land and fixed improvements constituted the largest share of 56,9% of the total value of capital assets, followed by livestock (28,0%) and implements, motor vehicles and tractors (15,1%).



The gross investment in respect of fixed improvements for the year ended 31 December 2020 was 0,4% lower than in 2019 and was estimated at R6 112 million. In the case of machinery, implements and vehicles, investment increased by 13,7% and was estimated at R10 168 million. The livestock inventory increased with R132 million from the previous year.

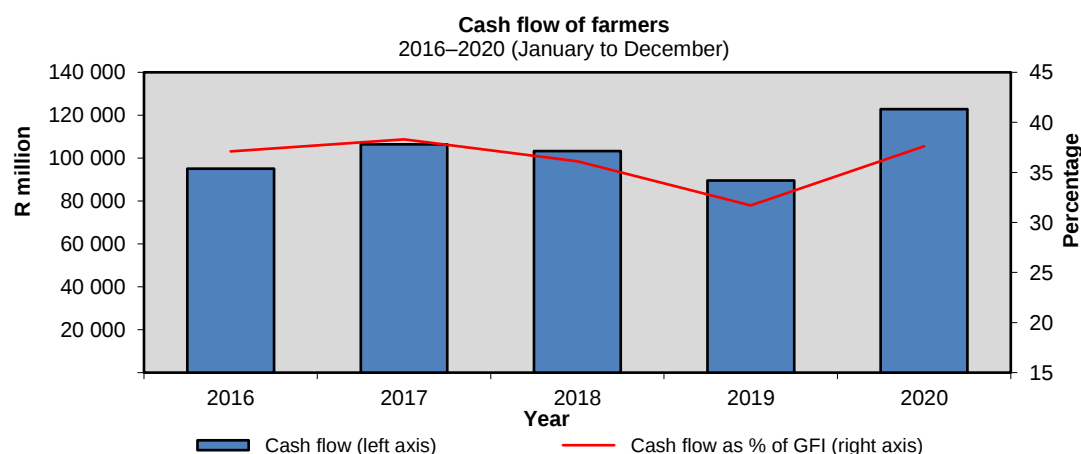
Farming debt

The total farming debt increased by 1,6% for the year ended 31 December 2020 and was estimated at R190 586 million, compared to R187 506 million at the end of 2019.



Cash flow of farmers

The farmers' cash flow increased significantly by 37,3% to R122 899 million for the year ended 31 December 2020, from R89 504 million in 2019, mainly due to higher gross income of farmers.



Consumer prices

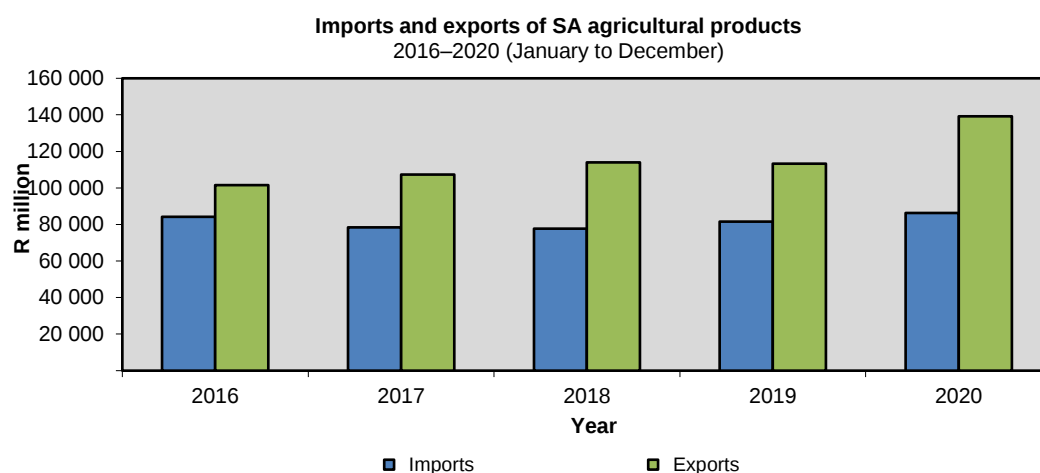
The consumer prices of all agricultural items increased by 3,3% in 2020, compared to an increase of 4,1% in 2019.

The prices of food increased by 4,7% and those of non-food items by 3,0%. The prices of dairy products and eggs increased by 5,9%, meat by 5,2% and prices of grain products by 3,7%. The prices of fruit increased by 11,4%, fats and oils and sugar by 7,3% each, fish by 4,4%, coffee and tea by 3,8%, other foods by 3,7% and vegetables by 2,0%.

Imports and exports of SA agricultural products

The estimated value of imports during 2020 came to approximately R86 329 million, from R81 517 million in 2019—an increase of 5,9%.

The estimated value of exports showed a significant increase of 22,9%, from R113 286 million in 2019 to about R139 268 million in 2020.



According to the 2020 agricultural export figures, citrus fruit (R27 808 million), grapes (R10 471 million), apples, pears and quinces (R9 493 million), wine (R9 314 million) and maize (R6 952 million) were the five most important export products in terms of value.

With regard to agricultural imports during 2020, rice (R8 939 million), wheat (R8 037 million), palm oil (R5 323 million), meat and offal of fowls (R5 110 million) and food preparations (R3 188 million) were the five major products in terms of value.

In terms of exports of agricultural products by South Africa during 2020, the five largest trading partners were Netherlands, with exports to the value of R16 991 million, United Kingdom (R13 077 million), China (R10 595 million), Mozambique (R8 091 million) and Zimbabwe (R7 232 million).