

DEPARTMENT OF AGRICULTURE

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of the
South African
Agriculture**

2008

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FOREWORD

The value of commercial agricultural production in South Africa was R126 917 million in 2008, while its contribution to the GDP was approximately R49 billion. The primary agricultural sector has grown by an average of approximately 11,8 % per annum since 1970, while the total economic growth was 14,9 % per annum over the same period, resulting in a decline in agriculture's share of the GDP from 7,1 % in 1970 to 2,7 % in 2007.

Despite its relatively small share of the total GDP, primary agriculture is an important sector in the South African economy. It remains a large 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 industry. About 70 % of agricultural output is used as intermediate products. Agriculture is therefore a crucial sector and an important engine of growth for the rest of the economy.

This publication, which appears every 6 months, offers easy-to-find information to give some idea of the macroeconomic position of agriculture. The focus areas are with respect to the calculation of agriculture's contribution to the national economy and the determination of 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 the content and format of the publication. If you have comments or questions, please contact the Director: Agricultural Statistics.

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March 2009 Miss Ellen Matsei
PRETORIA Director: Agricultural Statistics

ECONOMIC REVIEW OF THE SOUTH AFRICAN AGRICULTURE FOR THE YEAR ENDED 31 DECEMBER 2008¹

Summary

Gross farming income from all agricultural products for the year ended 31 December 2008 is estimated to be 29,5 % higher than the previous year. Income from field crops increased by 72,4 %, that from horticultural products by 19,2 % and that from animal products by 15,3 %. The increase in farming income during 2008 was mainly the result of higher prices received by farmers for their products, especially field crops which increased by 22,4 %.

Prices received by farmers for agricultural products rose on average by 14,3 %, while prices paid by farmers for farming requisites increased by 33,0 %, causing the terms of trade to weaken by 14,4 %.

The weighted average price of field crops increased by 22,4 %, mainly because of higher prices received for winter grains, tobacco, cotton, hay and oilseeds, which rose by 48,3, 33,4, 32,7, 31,9 and 30,4 %, respectively.

Prices of horticultural products increased by 5,8 %. Prices of fruit and viticultural products rose by 15,2 % and 1,6 %, respectively, and those of vegetables by 2,6 %.

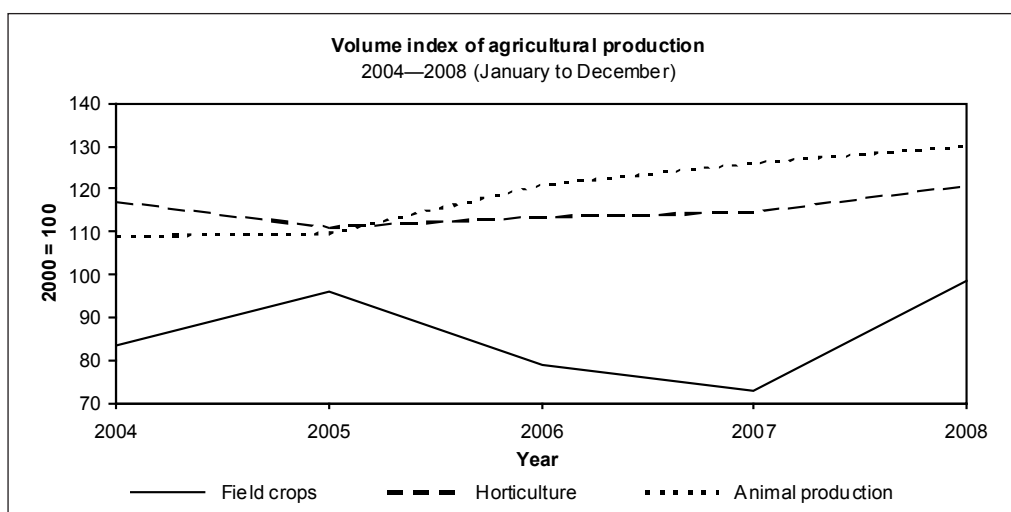
Prices of animal products increased by 11,1 %. Prices of dairy products, poultry and slaughtered stock rose by 21,3, 10,0 and 8,8 %, respectively, while prices received for pastoral products decreased by 2,0 %.

Expenditure on intermediate goods and services increased by 33,5 %, from R50 229 million in 2007 to 67 055 million in 2008. Farm feeds remained the biggest expenditure item, accounting for 21,9 % of total expenditure, followed by 19,6 % for fuel, 13,2 % for fertilisers 10,3 % for farm services. Large increases occurred in expenditure on fuel (139,6 %); fertilisers (57,3 %); dips and sprays (29,8 %); and seed and plants (24,0 %).

An increase of 29,5 % in gross farm income against a rise of 33,5 % in expenditure on intermediate production inputs resulted in a rise of 31,1 % in farming profit to R42 584 million, which improved the cash flow position of farmers. Farm sector debt decreased by 21,5 % to an estimated R32 480 million.

Volume of agricultural production

The estimated volume of agricultural production during 2008 was 11,9 % higher than in 2007. The volume of field crop production increased significantly, by 35,8 %, mainly because of the improvement in the production of summer grains and oilseeds as a result of increased plantings and favourable weather conditions. Horticultural production increased by 5,4 % and animal production rose by 3,1 %.



¹ In order to indicate trends, longer periods of time are included in the graphs. Furthermore, figures in parentheses indicate the position for the same period during the preceding year

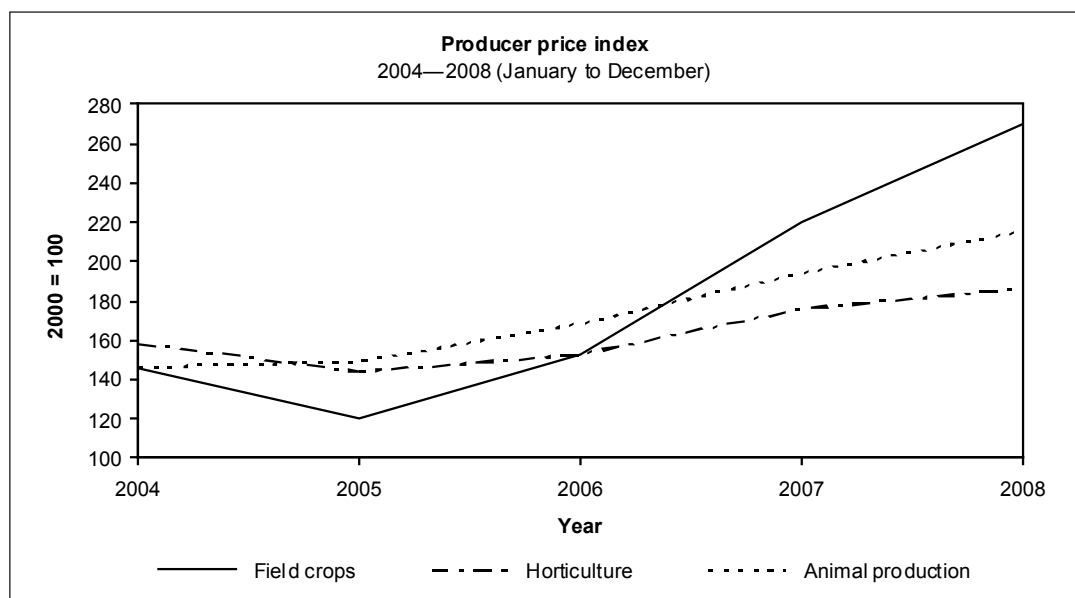
Producer prices of agricultural products

Producer prices of agricultural products increased, on average, by 14,3 % from 2007 to 2008, compared to an increase of 24,6 % the previous year.

For the period under review, the producer prices of field crops rose by 22,4 %. This was mainly the result of a 48,3 % increase in the price of winter grains and increases of 33,4, 32,7, 31,9 and 30,4 % in the prices of tobacco, cotton, hay and oilseeds, respectively. During the previous year, prices of field crops rose by 44,0 %.

Producer prices of horticultural products increased on average by 5,8 % compared with those of 2007. Prices of fruit and viticultural products rose by 15,2 and 1,6 %, respectively during 2008, while the prices of vegetables decreased by 2,6 %.

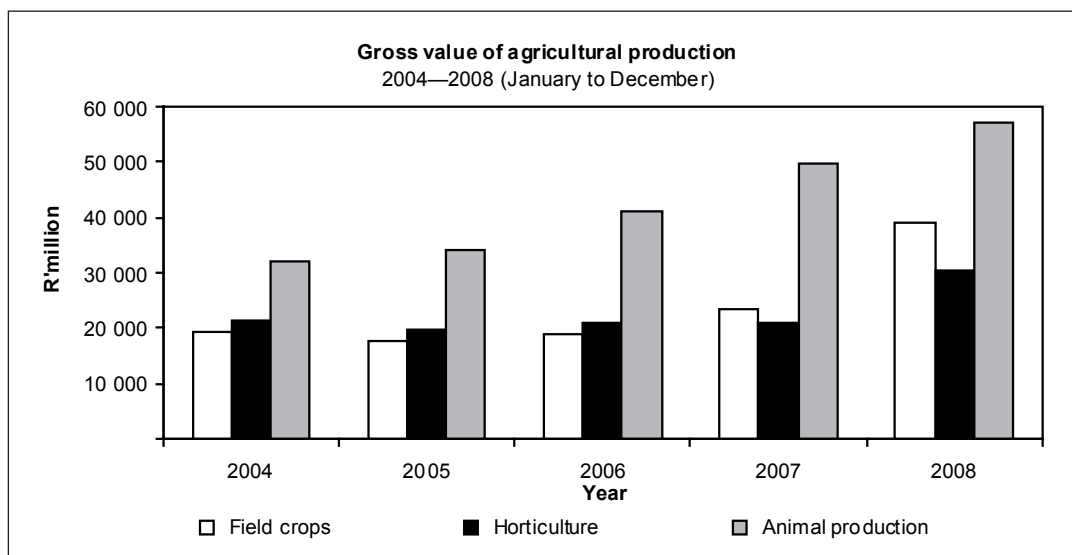
The weighted average price of animal products were 14,5 % higher in 2008 than in 2007. Prices received for dairy products, poultry and slaughtered stock increased by 21,3, 10,0 and 8,8 %, respectively, while prices received for pastoral products decreased by 2,0 %.



Gross value of agricultural production

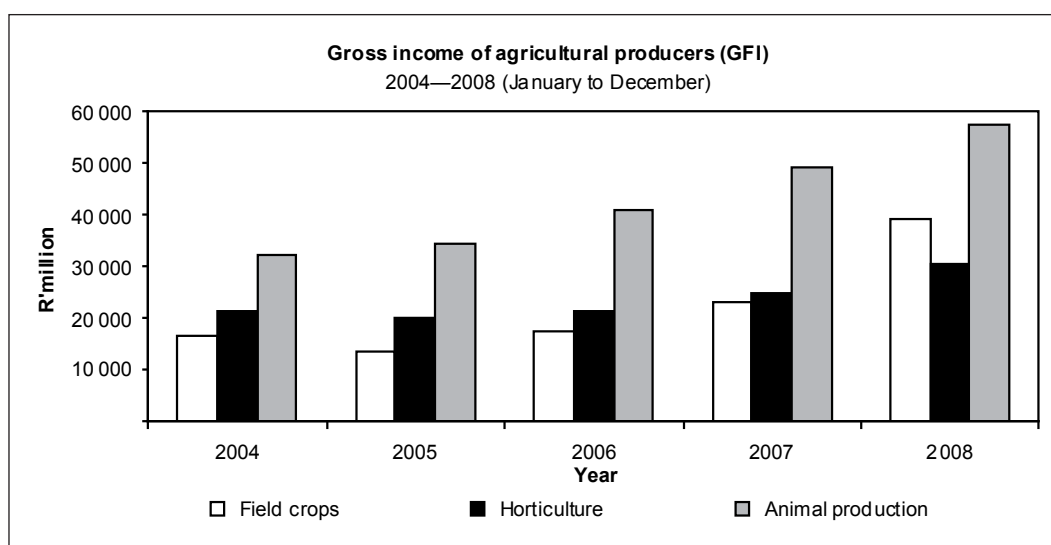
The total gross value of agricultural production (total production during a production season, valued at the average basic prices received by producers) for 2008 is estimated at R126 917 million (R93 791 million)—an increase of 35,3 %.

The gross value of animal products, field crops and horticultural products contributed 45,1, 30,8 and 24,1 %, respectively, to the total gross value of agricultural production. The poultry industry made the largest contribution to the total gross value of agricultural production with 19,4 %, followed by the maize industry with 16,4 % and the red meat industry with 14,8 %.

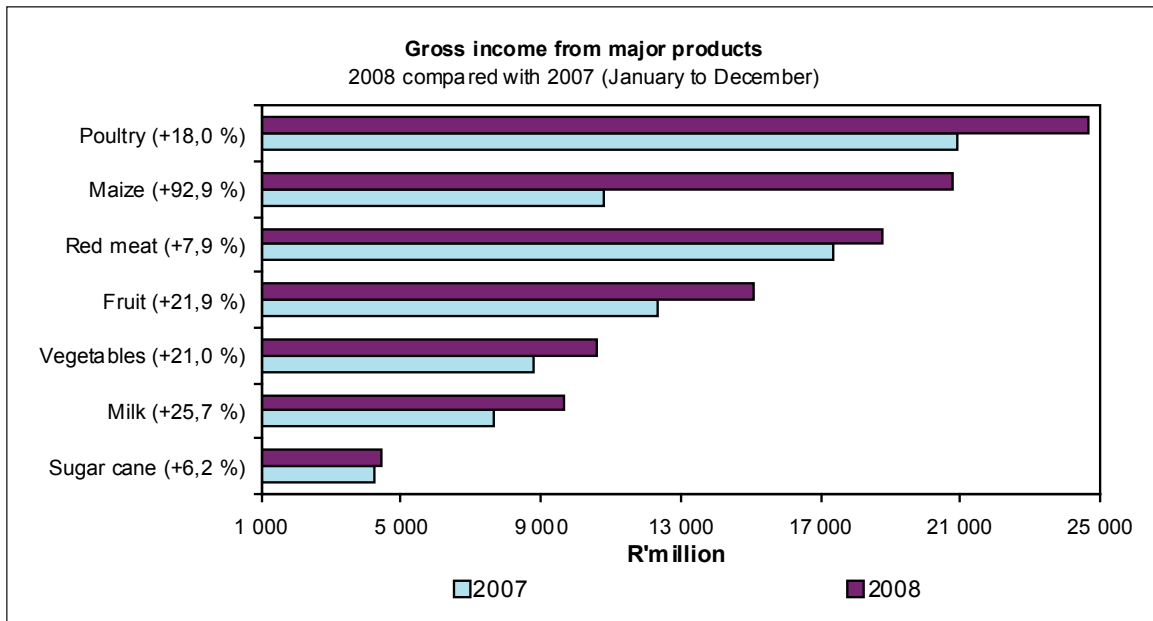


Farming income

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 2008 amounted to R126 887 million (R97 962 million)—an increase of 29,5 %.



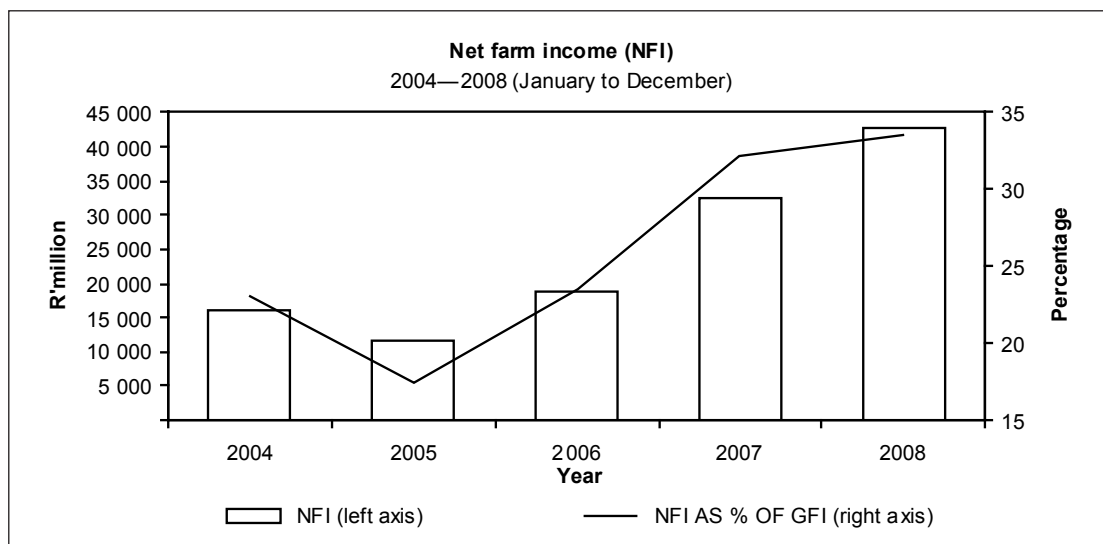
The gross income from field crops rose by 72,4 %, from R22 680 million in 2007 to R39 100 million for the year ended 31 December 2008. This was mainly the result of an increase in the income from sunflower seed, soya-beans, maize, and groundnuts by 387,2, 136,1, 92,9 and 82,0 %, respectively. These increases are the result of both higher production, of especially summer grains and oilseeds, and higher prices that farmers received.



The gross income from horticultural products increased by 19,2 % to R30 499 million (R25 597 million). The income from citrus fruit rose by 26,7 % to R5 800 million (R4 578 million). Income from deciduous and other summer fruit increased by 19,1 % to R7 271 million (R6 106 million). Income from subtropical fruit showed an increase of 19,5 % and amounted to R2 011 million (R1 683 million).

The income from vegetables amounted to R10 623 million (R8 778 million)—an increase of 21,0 %. Income from potatoes, which contributed approximately 34,1 % to the gross income from vegetables, rose by 6,3 %, from R3 405 million in 2007 to R3 621 million in 2008.

The gross income from animal products was 15,3 % higher than in the previous year and amounted to R57 288 million (R49 686 million). Producers earned R12 634 million (R12 319 million) from cattle and calf slaughterings—an increase of 2,6 %. The price that farmers received for beef rose on average by 5,8 %, while the number of cattle slaughtered showed a slight decrease. The income from slaughtered sheep rose by 12,7 % and amounted to R3 072 million (R2 726 million). Income from poultry meat amounted to R18 624 million (R16 125 million)—an increase of 15,5 %. The income from milk, showed an increase of 25,7 %, from R7 667 million in 2007 to R9 639 million in 2008. The income from wool rose by only 1,8 % to R1 336 million (R1 313 million).



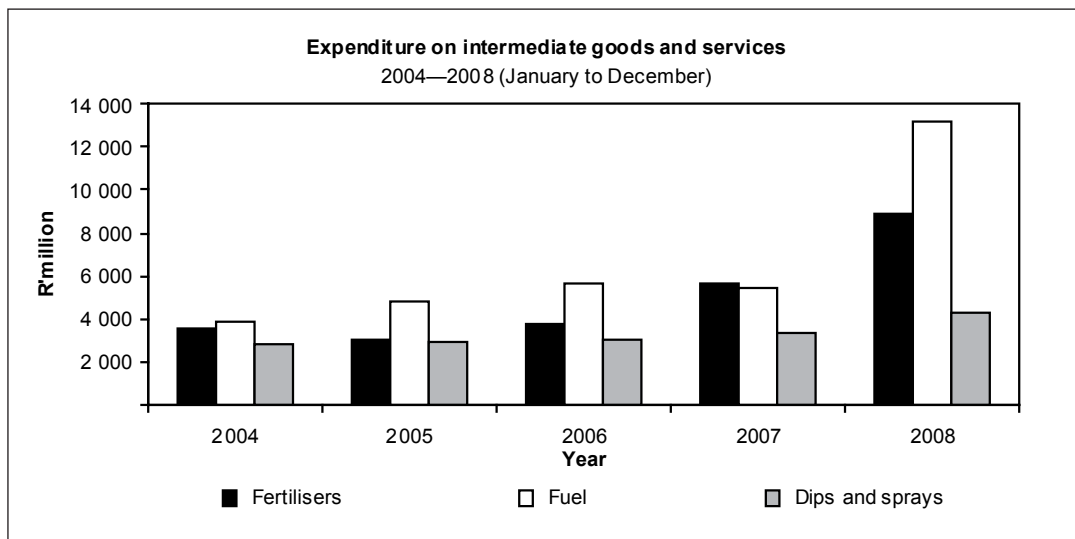
The net farm income (after the deduction of all production expenditures, excluding the expenditure on fixed assets and capital goods) increased by 31,1 % during 2008 and amounted to R42 584 million (R32 476 million). Payments for salaries and wages and for interest, which represented 13,0 and 5,4 % of the total farming cost, amounted to R11 336 million (R10 826 million) and R4 660 million (R4 073 million), respectively.

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.

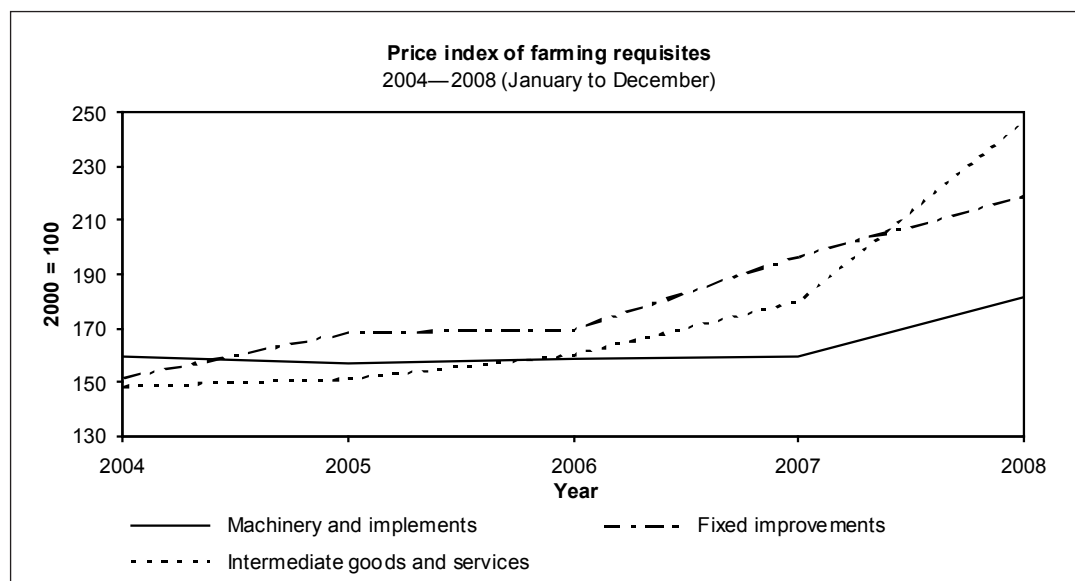
Expenditure on intermediate goods and services during 2008 is estimated at R67 055 million (R50 229 million)—an increase of 33,5 %. Expenditure on fuel showed the biggest increase at 139,6 %, followed by fertilisers at 57,3 %; dips and sprays at 29,8 %; and seeds and plants at 24,0 %.

Expenditure on farm feeds, fuel and fertilisers were the biggest expenditure items, accounting for 21,9, 19,6 and 13,2 %, respectively, of total expenditure.

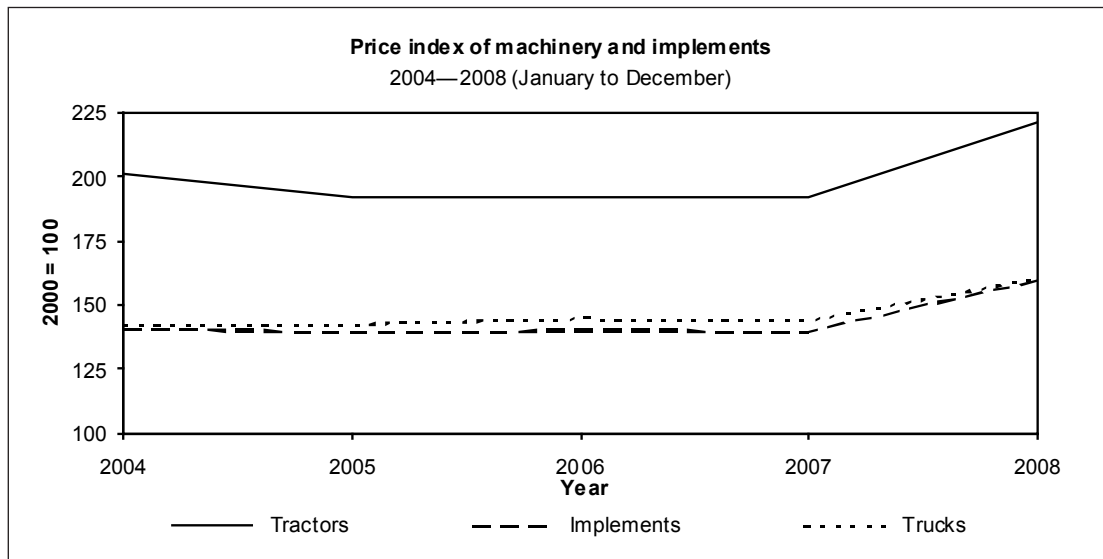


Prices of farming requisites

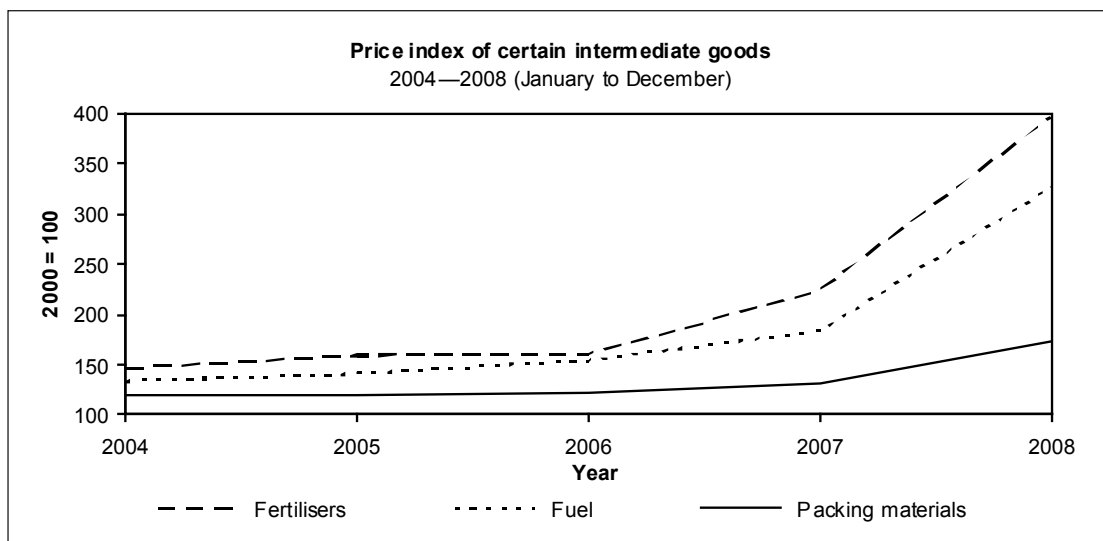
Prices of farming requisites increased by 33,0 %, compared to a rise of 11,5 % in the previous year.



The price index of machinery and implements increased by 13,9 %. The combined index of prices of intermediate production inputs and services rose by 37,4 % and that of materials for fixed improvements by 11,3 %.



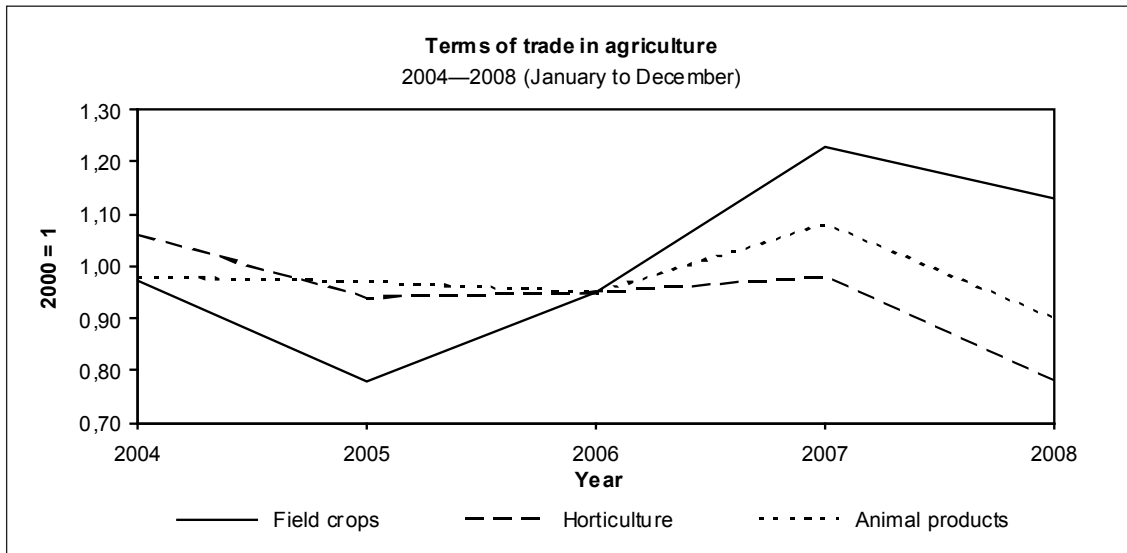
Increases of 78,0 and 76,8 % in the prices of fuel and fertilisers, respectively, made the most significant contribution to the higher price of intermediate goods and services. The price of seeds increased by 22,7 % and the prices paid by farmers for feeds rose by 23,5 %. Prices for animal health and crop protection remedies increased by 18,7 %.



Domestic terms of trade in agriculture (2000 = 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 agriculture weakened by 14,4 %, from 1,11 in 2007 to 0,95 in 2008. The terms of trade for field crops weakened by 8,1 %, from 1,23 to 1,13. The terms of trade for the horticultural industry decreased by 20,4 %, from 0,98 to 0,78 and for the animal products industry, it dropped by 16,7 %, from 1,08 to 0,90.



Contribution of agriculture to value added at basic prices

The 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 2007 is estimated at R48 066 million. This represents 2,7 % of total value added to the economy.

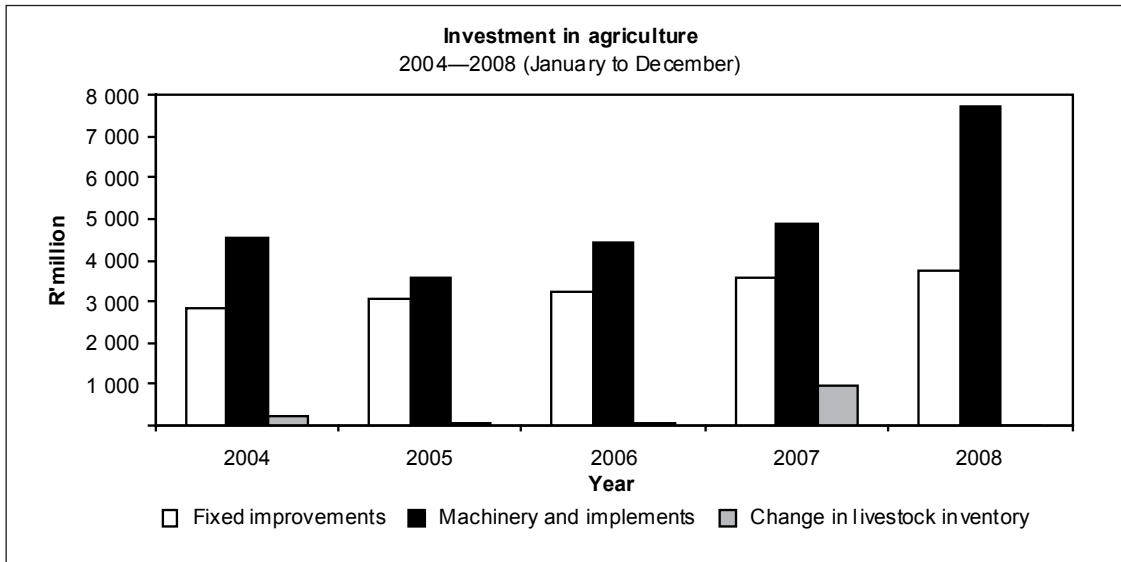
Year	Total value added	Contribution of agriculture to value added	Contribution of agriculture as % of total value added
	R'million	R'million	%
2001	928 216	27 005	2,9
2002	1 063 801	37 705	3,5
2003	1 143 679	34 353	3,0
2004	1 250 953	32 705	2,6
2005	1 374 991	29 994	2,2
2006	1 548 810	37 152	2,4
2007	1 774 972	48 066	2,7
2008*	2 053 487	68 380	3,3

* Figures are for agriculture, forestry and fisheries

Source: *Statistics South Africa*

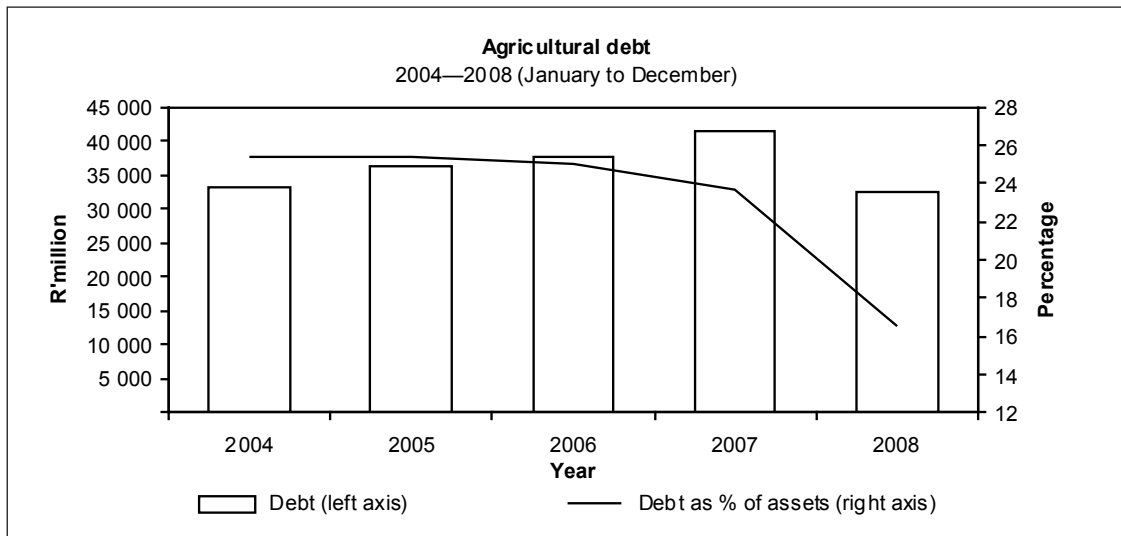
Capital assets and investment in agriculture

The value of capital assets in agriculture as at 31 December 2008 is estimated at R195 967 million (R174 410 million). Land and fixed improvements constituted R118 187 million, livestock R45 553 million and machinery and implements R32 227 million of the total value of capital assets. The gross investment in respect of fixed improvements for the year ended 31 December 2008 increased by 5,6 % to R3 756 million. In the case of machinery, implements and vehicles, investment rose by 58,8 % and amounted to R7 751 million. The livestock inventory remained fairly unchanged from 2007 to 2008.



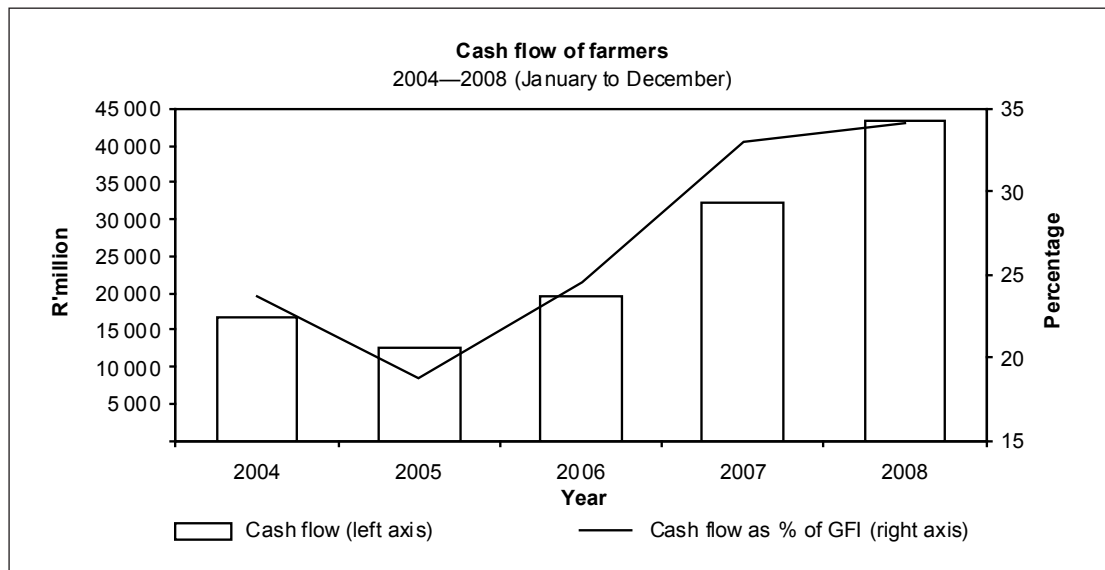
Farming debt position

The total farming debt at the end of December 2008 is estimated at R32 480 million (R41 380 million)—a decrease of 21,5 %.



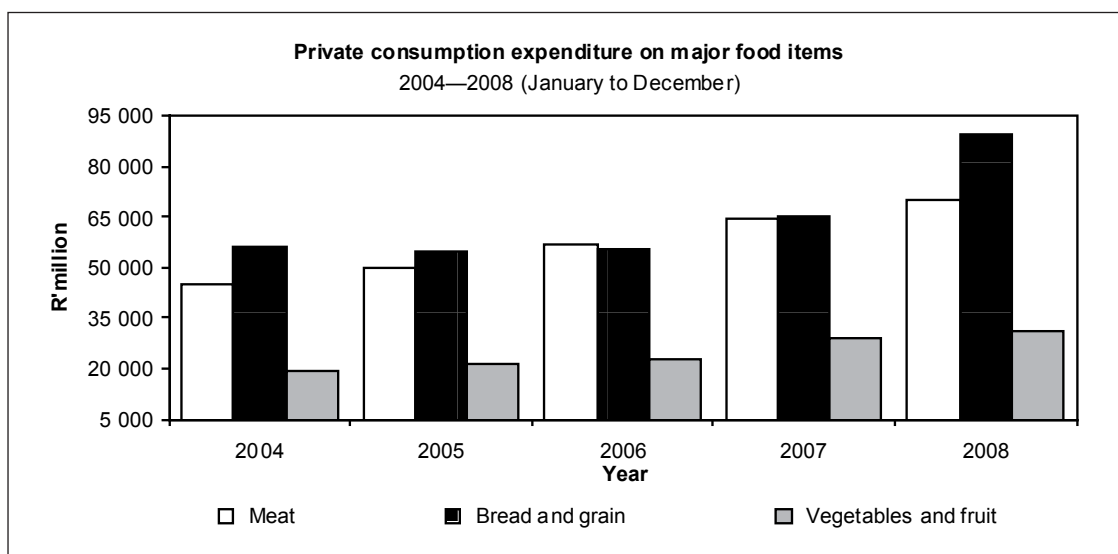
Cash flow of farmers

The cash flow of farmers amounted to R43 377 million (R32 397 million) for the year ended 31 December 2008—a rise of 33,9 %. The increase in the prices received by farmers, particularly from field crops, had the greatest influence on the strengthening of the cash flow position of farmers.



Consumption expenditure on food

The consumption expenditure on food for the year ended 31 December 2008, increased by 21,4 % and amounted to R281 140 million, as against the R231 598 million of the previous year. Expenditure on almost all food items rose during 2008—expenditure on bread and grain increased by 37,7 %, from R64 990 million to R89 506, on meat by 9,3 %, from R64 181 million to R70 132 million and on fruit and vegetables by 7,5 %, from R28 814 million to R30 980 million.



Consumer prices

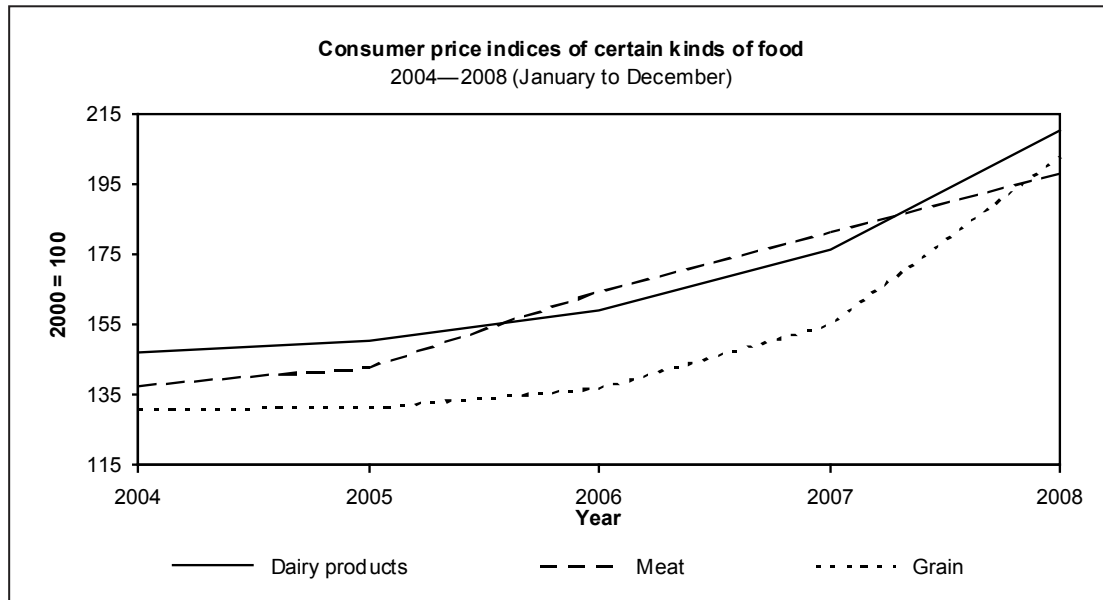
The consumer price index of all items increased by 11,5 % for the year ended 31 December 2008, that of food by 16,9 % and that of nonfood items by 9,9 %.

Meat prices increased by 9,1 %, while the prices of grain products rose by 31,0 %. The consumer price of vegetables decreased by 11,2 %, while that of fruit increased by 10,8 %. In the case of dairy products and eggs, prices rose by 19,4 %, and an increase of 8,9 % was recorded for sugar and related products.

Imports and exports of agricultural products

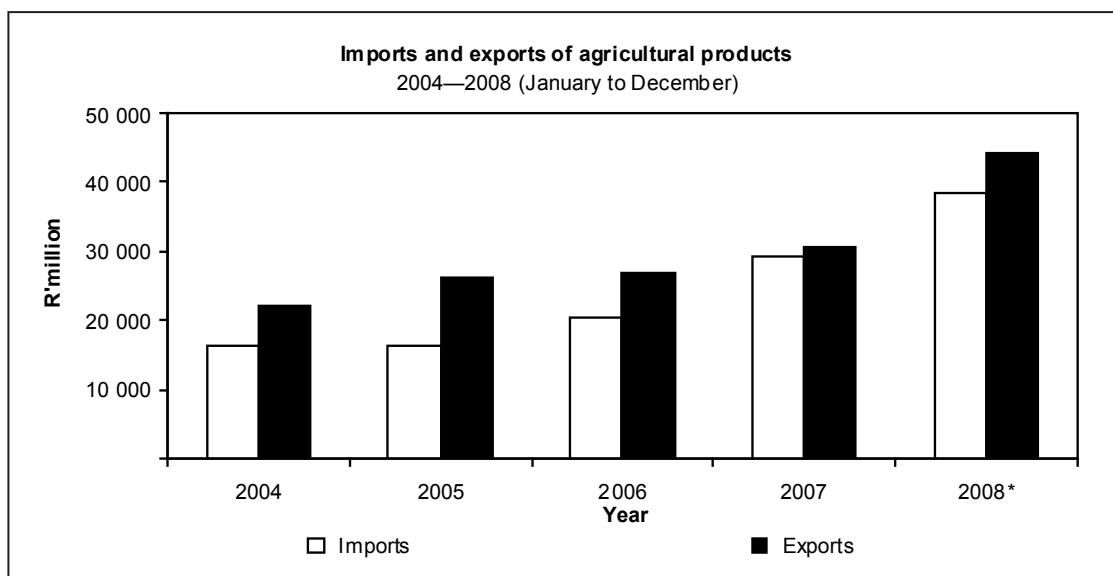
The estimated value of imports during 2008 came to approximately R38 373 million, compared to R29 304 million in 2007—an increase of 30,6 %. The estimated value of exports show an increase of 44,7 %, from R30 667 million in 2007 to about R44 368 million in 2008.

According to the 2008 values, wine, citrus fruit, maize, grapes, apples, pears and quinces were the most important export products. Rice, wheat, oilcake and solid residue, palm oil and soya-bean oil were the major import products.



During 2008, The Netherlands, the United Kingdom, Zimbabwe, Mozambique and Germany were the five largest trading partners of South Africa in terms of export destinations for agricultural products. The five largest trading partners from whom South Africa imported agricultural products during 2008 were Argentina, Brazil, Thailand, the United States and Malaysia.

In 2007, the agricultural sector contributed about 6,6 % towards total South African exports and about 6,0 % towards total South African imports.



* Preliminary