

## SOUTH AFRICA: ESTIMATES OF SUPPORT TO AGRICULTURE

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### DEFINITIONS AND SOURCES

**Table 1. Agricultural Support Estimates / Total Transfers** contains country Total Support Estimate (TSE) and derived indicators, which cover all agricultural production, i.e. all agricultural commodities produced in the country. Definitions of basic data sets refer to the specific programmes applied in the country. For the Producer Support Estimate (PSE) and Consumer Support Estimate (CSE), each policy measure is classified according to implementation criteria, which include: the *transfer basis* of support (output, input, area/animal numbers/receipts/income, and non-commodity criteria); whether support is based on *current or non-current basis*; whether *production is required or not* to receive payment. Each policy measure is also assigned several “labels” indicating additional implementation criteria. “MPS commodities”, which vary across countries, are those for which the market price support is explicitly calculated in Tables 4.1 – 4.14.

**Table 2. Breakdown of PSE by Commodity and Other Transfers** provides a breakdown of the total PSE into four categories reflecting the flexibility in production choices given to producer receiving support. These categories are: Single Commodity Transfers (SCT); Group Commodity Transfers (GCT); All Commodity Transfers (ACT); and Other Transfers to Producers (OTP). All data sets in Table 2 come from Tables 1 and 3.1 – 3.14 where definitions are included.

**Tables 3.1-3.15 Producer Single Commodity Transfers** contain producer SCT by commodity, which are calculated for South Africa for the following commodities: wheat, maize, other grains, oilseeds (sunflower, groundnuts), sugar, table grapes, oranges, apples, milk, beef and veal, pig meat, sheep meat, poultry meat, and eggs (Tables 3.1-3.14), provided that the value of production of that commodity exceeds 1% of the total value of production. In addition, SCT for “other commodities” is also calculated (Table 3.15), which covers transfers to *single commodities other than MPS commodities*. All data sets in the calculation of producer SCT by commodity come from Tables 1 and 4.1-4.14 where definitions are included.

**Tables 4.1-4.14** contain **Market Price Support (MPS)** and **Consumer Single Commodity Transfers** (consumer SCT) by commodity, calculated for the same set of commodities as **Tables 3.1 to 3.14**: Definitions are provided only for basic data sets from which all the other data sets in this table are derived.

Definitions of the indicators, criteria for classification of policy transfers included in support estimation, and methods of calculation are contained in the PSE Manual (*OECD’s Producer Support*

*Estimate and Related indicators of Agricultural Support: Concepts, Calculations, Interpretation and Use)*  
[<http://www.oecd.org/tad/support/psecse>].

**TABLE 1. SOUTH AFRICA: Total Support Estimate**

**Definitions:**

**I. Total value of production (at farm gate):** Total agricultural production valued at farm gate prices, i.e. value (at farm gate) of all agricultural commodities produced in the country [1].

*I.1. Of which share of MPS commodities (%):* Share of commodities for which MPS is explicitly calculated (Tables 4.1 – 4.14) in the total value of agricultural production.

**II. Total value of consumption (at farm gate):** Consumption of all commodities domestically produced valued at farm gate prices, and estimated by increasing the value of consumption (at farm gate) of the MPS commodities according to their share in the total value of agricultural production [(II.1) / (I.1) x100].

*II.1. Of which MPS commodities:* Sum of the value of consumption (at farm gate prices) of the MPS commodities as indicated in Tables 4.1 – 4.14.

**III.1 Producer Support Estimate (PSE):** Associated with total agricultural production, i.e. for all commodities domestically produced [Sum of A to G; when negative, the amounts represent an implicit or explicit tax on producers].

**A. Support based on commodity output**

*A.1. Market Price Support:* On quantities domestically produced (excluding for on-farm feed use -- *Excess Feed Cost*) of all agricultural commodities, estimated by increasing the MPS for the MPS commodities according to their share in the total value of agricultural production [( $\Sigma$ MPS for MPS commodities listed in the rows bellow) / (I.1) x 100].

*A.2. Payments based on output:*

**B. Payments based on input use**

*B.1. Based on variable input use*

*Interest Subsidy to Producers (1994 – 2000):* Interest concessions managed through the Land Bank of South African and farmers' cooperatives (estimated as a differential between the applied rate and the average interest rate). Use of labels: Production limits: NO; Variable payment rates: YES; Input constraints: NO.

- An interest rate subsidy scheme was initiated in the 80's during the Bush war to establish and keep farmers on farms in "Designated Areas". These areas include mainly farms on the border to Botswana. This was done for the sake of National security and to establish a stable community in these areas. Subsidised loans were granted to farmers who do not own the land they farm on, to buy it, and to farmers who do not farm on an economical unit, to increase the farm size. The repayment period of these loans were set on 33 years. Subsidised loans were also extended to farmers in these areas who experienced financial problems due to circumstances beyond their control and could not obtain assistance elsewhere. In the 80's these farmers also acquired financial support and soft loans to purchase or convert their own vehicles into land-mine protected vehicles. The final payments to institutions that supplied these soft loans were made in 1997.

- Interest subsidies were granted to sugar cane farmers to re-establish sugarcane fields, repair, reconstruction and replacement of roads, tramlines, crossings and bridges after floods in 1986 caused by cyclone Demoina in KwaZulu Natal. Final payment to financial institutions that extended soft loans was made in 2000.
- Scheme for farmers in the summer and winter rainfall cropping areas – a special drought assistance scheme under which State guaranteed Land Bank loans were made available to cooperatives to make it possible for them to postpone payment of production dept by members who had suffered crop losses and grant them production credit for the next production season. Final payment was made in 1997.

Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Subsidy for prevention of sequestration (bankruptcy) (1994-95):* Payments (loans) to indebted farms, to prevent their confiscation, granted to farms that were supposed to recover, thereby retaining them in agricultural production. Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Fuel tax subsidy (from 2001):* A repayment of the fuel tax is granted to 80% of the fuel consumption in agriculture. The amount of repayment per litre is specified every year. Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Water quota subsidy (1994-98, 2001):* A water quota subsidy was paid out in areas where droughts caused the water quota level to fall under 50%. The amount of payment was determined according to the production potential of specific areas and according to the level of water available. Only bona fide irrigation farmers who obtain 60% or more of their income from irrigation farming qualified for assistance under the scheme. Moreover, permanent workers had to be employed, the plot had to be maintained and the farmer had to reside in the area. The water quota subsidy paid out in 2001 was paid to previously disadvantaged farmers being resettled on land previously owned by the government. Support was paid to assist the emerging farmers in affording irrigation water. Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Stock feed Purchase loans and Transport of Livestock and fodder (1994-96):* To enable producers to maintain a nucleus herd during an extended drought. Available assistance include: A rebate on the transport costs of registered stock-feeds and approved licks, Incentives for stock reduction actions, State contribution to feed costs for the maintenance of nucleus herds in the form of loans and subsidies, State contributing to the finishing of stock and feedlot facilities. Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Boreholes (1994-95, 2003):* Payments financing (partly) sinking of boreholes in times of drought for livestock. (This programme is different from the borehole programme under Infrastructure as this is linked to drought, a larger share of the cost is covered and can be applied for as an emergency measure.) Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Water transport (1994-95):* Financing transport of water to cattle and humans in areas affected by severe drought (50% allocated to E1, rest not in PSE). Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

## *B.2 Based on fixed capital formation*

*Special assistance scheme for bee keepers (1994-95):* Payments to compensate beekeepers who suffered losses as a result of the infiltration of Cape intruder bees, for expenses incurred in the re-establishment of bee colonies. Payments are included in the other commodity SCT sheet: Tables 3.15. Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Fire damage Subsidy (1994-95, 2002-03):* Compensation for losses with disaster fire damages. Direct payments provided to farmers to re-build fences and to compensate for loss of natural grazing and livestock (20% allocated to E3, 80% allocated to G1). Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Land grants (from 1996):* Payments provided within the land redistribution programmes to finance land acquisitions. Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Investment on farms (from 1996):* Payments provided within the land redistribution programmes to finance on farm investment or the acquisition of on farm fixed assets. Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Interim Natural Grazing Recovery Scheme (1994-95):* Assistance granted for a limited period to livestock farmers who, in specific areas are compelled to allow their veld that has been damaged by prolonged drought, the necessary time to recover. This programme is strongly linked to the disaster aid programmes. To prevent over-grazing after a severe drought farmers were assisted in buying additional fodder for their livestock or game. Support was granted in the form of direct payments to producers or through the purchase and supply of fodder at a central point in the region by the provincial departments. Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: YES.

### *B.3. Based on use of on-farm services*

*Project services (from 1996):* Payments financing farm project development provided to the beneficiaries of the Land reform. Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

## ***C. Payments based on current area planted/animal numbers/receipts/incomes – production required***

### *C.1. Single commodities*

### *C.2. Specific groups of commodities*

*Conversion of marginal lands (1987-98):* Payment per hectare to producers to convert marginal arable land into permanent pastures in the dry land areas (these payments were also linked with the abolition of the programmes compensating crop damages in the dry land areas). An initial amount was paid to farmers, according to area converted, to assist them with initial establishment costs. For a limited number of years (less than 5) farmers were receiving payments to help them with the transition and adaptation of their farming system. Use of labels: Production limits: NO; Variable payment rates: NO; Input constraints: NO.

*Fire damage Subsidy (1994-95, 2002-03):* Compensation for losses with disaster fire damages. Direct payments to farmers provided to rebuild fences and to compensate for loss of natural grazing and livestock (20% allocated to B.2, 80% allocated to C.2). Use of labels: Production limits: NO; Variable payment rates: YES; Input constraints: NO

### *C.3. All commodities*

*Subsidies for Flood disaster:* Payments to farmers compensating damages from floods. Direct payments to farmers are based on loss individually assessed. Use of labels: Production limits: NO; Variable payment rates: YES; Input constraints: NO

*Disaster Drought Aid:* Aid to farmers and farmer cooperatives compensating damages from disaster drought. Direct payments to farmers are based on loss individually assessed. Use of labels: Production limits: NO; Variable payment rates: YES; Input constraints: NO

***D. Payments based on non-current area planted/animal numbers/receipts/income – production required***

***E. Payments based on non-current area planted/animal numbers/receipts/income – production not required***

***F. Payments based on non-commodity criteria***

*F.1. Long-term resource retirement*

*F.2. Specific non-commodity output*

*F.3. Other non-commodity criteria*

***G. Miscellaneous payments***

**III.2 Percentage PSE**  $[100 \times (\text{III.1}) / ((\text{I}) + (\text{Sum of A2 to G}))]$

**III.3 Producer NPC:** For all agricultural commodities the producer NPC is estimated as a weighted average of the producer NPC calculated for the individual MPS commodities and shown in Table 4. For each commodity Producer NPC = [domestic price received by producers (at the farm gate) + unit payments based on output] / border price (also at the farm gate). **[The total PNP is not in the Table 1 of the country template, but we will include it in the version for the public website]**

**III.4 Producer NAC**  $[1 / (100 - (\text{III.2})) \times 100]$

**IV. General Services Support Estimate (GSSE):** total budgetary expenditure to support general services provided to agriculture [Sum of H to N].

***H. Research and development***

*Agro-economic services:* Financing of services targeted to promote the optimal utilisation of production factors; information on the marketing and marketing policy of agricultural products; to provide information and advice on agricultural economic trends.

*Research:* Financial contribution to the Agricultural Research Council. Research grants financing research promoting the sustainable use of natural resources in agriculture and to promote animal and crop production.

*Extension & Training:* Financing activities of the National and Provincial Departments of Agriculture to develop, adapt and disseminate appropriate agricultural technology for farmers and other users of natural agricultural resources. Develop and implement support programmes as well as establish opportunities for developing of farmers and communities.

### ***I. Agricultural schools***

Information on budget financing of agricultural schools is not available. In the budgetary data it is not possible to separate a specific figure for agricultural education from the total budgetary figures.

### ***J. Inspection services***

Payments financing the National Regulatory Services (Veterinary Services, Phytosanitary Services, and Quality Control Services).

### ***K. Infrastructure***

*Building of water works:* Payments financing construction and maintenance of approved water works to enable production to utilise land more effectively.

*Resource conservation and environmental management:* Payments financing conservation and environmental services rendered by provincial agricultural departments and a limited level of input subsidy to farmers to control non-indigenous intruder vegetation and preserve crucial water bodies and sources [The Secretariat needs more detail on this programme, probably part of these payments should be classified in PSE category F.].

*Engineering services:* Payments financing services contributing to a sustainable use of natural resources in agriculture, including planning and developing of agricultural agro-industries.

*Boreholes:* Payments financing construction and maintenance of water holes for livestock and domestic purposes (50% of these payments are allocated to PSE under category E1).

*Soil conservation works:* Payments financing essential soil conservation works to improve and protect the soil. Payments went towards financing of soil conservation works performed by the provincial departments or input subsidies to farmers for mainly prevention and management of soil erosion through construction of contours and drainage systems. [Part of these payments should be allocated to PSE under category E3].

*Farm labour housing (1994-96):* Financial assistance to construction of housing facilities for on farm workers to improve the living conditions of farm workers and their families as well as improving the relationship between farmer and worker (Aid include infrastructural services as well as water provision and electricity for households).

*Development aid:* To enhance development of previously disadvantaged communities and poverty alleviation through the provision of basic infrastructure and establishment of community based small and medium agro-industries. Development aid included no direct payments to farmers, only support in the establishment of agricultural and community infrastructure.

### ***L. Marketing and promotion***

*Aid to Farmer Marketing Cooperatives:* Financial aid to marketing cooperatives in financial difficulty (due to drought or economical down turns) to conserve the marketing infrastructure in the rural economy in designated areas. Subsidised credits were supplied to cooperatives to remain in business in times when their members (the producers) are struggling. Payments in 2000 and 2001 were made to assist in the establishment of small-scale farmer cooperatives in previously disadvantaged areas.

### ***M. Public stockholding***

## ***N. Miscellaneous***

*Auxiliary and associated services:* Payments financing auxiliary services associated with distribution of information, liaison between agricultural industries, library services and contract research by institutions; in-service training, maintenance of assets, international liaison, government transport and contribution to soil conservation activities.

*Administration of Land reform:* Payments financing the costs of administration of the land restitution and land redistribution process.

**V.1 Consumer Support Estimate (CSE):** Associated with agricultural production, i.e. for the quantities of commodities domestically produced, excluding the quantities used on-farm as feed -- excess feed cost. [Sum of O to R; when negative, the amounts represent an implicit tax on consumers].

***O. Transfers to producers from consumers:*** Associated with market price support on all domestically produced commodities, estimated by increasing the transfers calculated for the MPS commodities according to their share in the total value of production [(O.1) / (I.1) x 100].

*O.1. Of which MPS commodities:* Sum of the values of transfers from consumers to producers associated with market price support for the MPS commodities as calculated in Tables 4.1 – 4.14.

***P. Other transfers from consumers:*** Transfers to the budget associated with market price support on the quantities imported of domestically produced commodities, estimated by increasing the transfers calculated for the MPS commodities according to their share in the total value of production [(P.1) / (I.1) x 100].

*P.1. Of which MPS commodities:* Sum of the transfers to the budget associated with market price support on the quantities imported of the MPS commodities as calculated in Tables 4.1 – 4.14.

### ***Q. Transfers to consumers from taxpayers***

*Q.1. Commodity specific transfers to consumers:* Sum of commodity specific transfers from taxpayers to consumers (farm gate level) from commodity MPS tables.

*Q.2. Non-commodity specific transfers to consumers:* Sum of non-commodity specific transfers from taxpayers to consumers including:

*Food price subsidies for consumers:* budgetary expenditure launched in 1992 to offset the price increases of staple food products for urban consumers. Paid directly as part of wages and salaries. Currently of marginal importance.

***R. Excess Feed Cost:*** Associated with market price support on quantities domestically produced crops and used on-farm as feed as calculated [Sum of excess feed costs in the MPS tables 4.1, 4.2, and 4.3].

### **V.2 Percentage CSE** [100 x (V.1) / ((II) + (Q))]

**V.3 Consumer NPC:** For all agricultural commodities the Consumer NPC is estimated as a weighted average of the consumer NPC calculated for the individual MPS commodities and shown in Table 2. For each commodity consumer NPC = domestic price paid by consumers (at the farm gate)/ border price (also at the farm gate).

### **V.4 Consumer NAC** [(1 / (100 -(V.2)) x 100]

**VI. Total Support Estimate** [(III.1) + (IV) + (Q)] and [(S) + (T) - (U)]

*S. Transfers from consumers* [(O)+(P)]

*T. Transfers from taxpayers* [(III.1)-(O)+(IV)+(Q)]

*U. Budget revenues* [(P)]

**Sources:**

National Department of Agriculture, South Africa

National Department of Land Affairs, South Africa

**TABLE 2. SOUTH AFRICA: Breakdown of PSE by commodity specificity and other transfers**

All data sets in Table 2 come from Tables 1 and 3 where definitions are included.

**Definitions:**

**I. Producer Single Commodity Transfers (producer SCT):** the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm level, arising from policy measures directly linked to the production of a single commodity such that the producer must produce the designated commodity in order to receive the payment. This includes policies where payments are specified on a per-commodity basis [Sum of SCTs for individual commodities from Tables 3.1-3.15].

**Percentage producer SCT:** is the commodity SCT expressed as a share of gross farm receipts for the specific commodities (including support in the denominator). This indicator can be expressed for the total SCT (Table 2), or for a specific commodity (Table 3.1 to 3.15).

$$\%SCT = 100 * SCT / (\text{value of production}_{COM} + A2_{COM} + B_{COM} + C1_{COM} + D_{COM})$$

$$\text{Share in Total PSE (\%): } SCT_{SHARE} = 100 * SCT / PSE$$

**II. Group commodity transfers (GCT):** the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures whose payments are made on the basis that one or more of a designated list of commodities is produced. That is, a producer may produce from a set of allowable commodities and receive a transfer that does not vary with respect to this decision [GCT = B<sub>GROUP</sub> + C<sub>GROUP</sub> + D<sub>GROUP</sub>].

$$\text{Share in Total PSE (\%): } GCT_{SHARE} = 100 * GCT / PSE$$

**Transfers to specific groups of commodities:** The GCT involve to the following groups of commodities: beef and veal and sheep; horticulture.

**III. All commodity transfers (ACT):** the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that place no restrictions on the commodity produced but require the recipient to produce some commodity of their choice [ACT = C<sub>ALL</sub> + B<sub>ALL</sub> + D<sub>ALL</sub>].

$$\text{Share in Total PSE (\%): } ACT_{SHARE} = 100 * ACT / PSE$$

**IV. Other Transfers to Producers (OTP):** the annual monetary value of gross transfers made under policies that do not fall in the above three cases (SCT, GCT, ACT). That is, payments that do not require any commodity production at all. [OTP = E + F + G]

$$\text{Share in Total PSE (\%): } OTP_{SHARE} = 100 * OTP / PSE$$

$$\text{V. Total PSE: } PSE = A+B+C+D+E+F+G = SCT + GCT +ACT + OTP$$

$$\text{Percentage PSE: } \%PSE = 100 * PSE / (\text{Total / Value of Production at farm gate} + A.2 + B + C + D + E + F + G)$$

**TABLE 3. SOUTH AFRICA: Producer Single Commodity Transfers (by commodity)**

Tables 3.1 to 3.15, provide information on Producer Single Commodity Transfers (PSCT) for the following commodities: wheat, maize, sunflower, peanuts, sugar cane, grapes, oranges, apples, milk, beef and veal, pigmeat, sheep meat, poultry, eggs, and “other commodities”. All data sets in the calculation SCT by commodity come from Tables 1 and 4.1 – 4.14 where definitions are included.

**Definitions:**

**I. Level of production:** Data from Tables 4.1 – 4.14 (Market Price Support tables).

**II. Value of production (at farm gate):** Data from Tables 4.1 – 4.14 (Market Price Support tables).

**III. Producer Single Commodity Transfers:** Sum of transfers to specific commodity in categories A, B, C and D.

**A. Support based on commodity output**

*A1. Market Price Support* [Data from Tables 4.1 – 4.14]

*A2. Payments based on output*

Payments based on output (A.2) provided to respective single commodity [Data from Table 1]

**B. Payments based on input use, single commodity** [ $B1_{COM} + B2_{COM} + B3_{COM}$ ]

*B1. Based on variable input use*

Payments based on variable input use ( $B.1_{COM}$ ) provided to respective single commodity [Data from Table 1].

*B2. Based on Fixed capital formation*

Payments based on fixed capital formation ( $B.2_{COM}$ ) provided to respective single commodity [Data from Table 1].

*B3. Based on on-farm services*

Payments based on on-farm services ( $B.3_{COM}$ ) provided to respective single commodity [Data from Table 1].

**C. Payments based on current A/An/R/I, production required, single commodity**

Payments based on current A/An/R/I ( $C_{COM}$ ) provided to respective single commodity [Data from Table 1].

**D. Payments based on non-current A/An/R/I, production required, single commodity**

Payments based on non-current A/An/R/I ( $D_{COM}$ ) provided to respective single commodity [Data from Table 1].

**IV. Percentage producer SCT :**  $\%SCT = 100 * (III) / ((II) + (A.2) + (B_{COM}) + (C_{COM}) + (D_{COM}))$

**TABLE 4. SOUTH AFRICA: Market Price Support and Consumer Single Commodity Transfers**

Tables 4.1 to 4.15, contain calculation of the Market Price Support (MPS) and Consumer Single Commodity Transfers (consumer SCT) for the following commodities: wheat, maize, sunflower, groundnuts, sugar, table grapes, oranges, apples, milk, beef and veal, pigmeat, sheepmeat, poultry, eggs, and “other commodities”. The data sets used in calculation of the MPS and consumer SCT by commodity are described below.

*Note: for all below mentioned commodities relevant data have been collected and price gaps calculated. . However, in line with the OECD methodology in case when there are no policy measures creating a price gap (absence of tariff other non-tariff barriers) the price gap is estimated to be 0. This assumption was applied for eggs, and more recently for maize (2007).*

*In case of negative price gaps when no export barriers (export bans, export tariffs) and no other market price policy taxing producers (i.e. justifying a negative price gap due to policies implemented) have been identified, the negative price gaps for these products have been set at zero. This assumption was applied (in specific years) for the following commodities: wheat, maize, oilseeds, beef, pigmeat, and poultry. Also for commodities with important shares of exported production and no export subsidies applied the price gap is set at 0. This assumption was applied to apples, oranges and table grapes.*

**Definitions:**

**I. Level of production**

**Wheat:** Total production at farm gate. Source: *Abstract of Agricultural Statistics 2008*, National Department of Agriculture (NDA). (Table 10)

**Yellow Maize:** Total production at farm gate. Source: SAGIS (South African Grain Information Service)

**White Maize:** Total production at farm gate. Source: SAGIS (South African Grain Information Service)

**Sunflower:** Total production at farm gate. Sunflower seed. Former TBVC states and self governing territories are included. Source: *Abstract of Agricultural Statistics 2008*, NDA. (Table 17)

**Peanuts:** Total production at farm gate. Peanuts in shell (*Arachis hypogaea*). Source: FAO database, 2006.

**Sugar-cane:** Total production at farm gate. Source: SASA (South African Sugar Association).

**Grapes:** Total production of table grapes. Source: *Abstract of Agricultural Statistics 2008*, NDA.

**Oranges:** Total production at farm gate. Oranges common, sweet orange (*Citrus sinensis*); bitter orange, used primarily in the preparation of marmalade, (*C. aurantium*). Source: FAO database, 2008.

**Apples:** Total production at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA

**Milk:** Total production at farm gate. Source: SA Milk Producer Organization.

**Beef:** Production RSA origin of beef and veal at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA (Table 60).

**Pig meat:** Total production in carcass weight equivalent at farm gate. Source: FAO database, 2008.

**Sheep meat:** Total production of mutton and lamb in carcass weight equivalent at farm gate. Source: FAO database, 2008.

**Poultry meat:** Total production in carcass weight equivalent at farm gate. Production of chicken meat, duck meat, goose meat, turkey meat, meat of pigeon and other birds, fresh, chilled or frozen. Source: FAO database, 2008.

**Eggs:** Hen eggs production at farm gate. Source: FAO database, 2008.

## **II. Producer prices (at farm gate)**

**Wheat:** Average producer price at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA. (Table 10)

**Yellow Maize:** Producer prices paid at the SAFEX (South African Exchange) at Randfontein. Source: SAFEX

**White Maize:** Producer prices paid at the SAFEX (South African Exchange) at Randfontein. Source: SAFEX

**Sunflower:** Average producer price at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA. (Table 17)

**Peanuts:** Average producer price at farm gate. Source: Peanut South Africa.

**Sugar-cane:** Average producer price at farm gate. Source: SASA (South African Sugar Association).

**Grapes, Oranges, Apples:** Weighted average price between the export price and the local price. Over the period 1994 to 2003, the percentages of production exported are respectively 85%, 67% and 48%. Source: *Abstract of Agricultural Statistics 2008*, NDA. (Tables 36, 51, 34)

**Milk:** Average producer price at farm gate. Source: SA Milk Producer Organization.

**Beef:** Average producer price at farm gate. Class A, B & AB. Source: Agriculture Market and Trade (AMT).

**Pig meat:** Average producer price at farm gate. Source: Agriculture Market and Trade (AMT).

**Sheep meat:** Average producer price at farm gate. Source: Agriculture Market and Trade (AMT).

**Poultry meat:** Wholesale price calculated as a weighted price between frozen and fresh chicken on a 70/30 percent basis with frozen chicken contributing the larger part. Source: Calculation based on data from National Department of Agriculture (NDA).

**Eggs:** Hen eggs. Source: FAO database, 2008.

## **III. Value of production (at farm gate): [(I)\*(II)]**

## **IV. Level of consumption (at farm gate)**

**Wheat:** Total consumption at farm gate. Source: *Abstract of Agricultural Statistics 2008*, National Department of Agriculture (NDA) (Table 11).

**Yellow Maize:** Total consumption at farm gate. Source: South African Grain Information Service (SAGIS)

**White Maize:** Total consumption at farm gate. Source: SAGIS.

**Sunflower:** Total consumption at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA (Table 18).

**Peanuts:** Total consumption at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA (Table 16).

**Sugar-cane:** Consumption of sugar provided by SASA. Consumption of sugar cane has been calculated using the coefficient established by SASA. The effectiveness of the milling process at extracting sugar from sugar cane is measured as the ratio of sugar extracted from RV (reusable value) delivered to the mill (sugar % RV). Source: South African Sugar Association (SASA).

**Grapes:** Figures refer to sales on domestic markets. Source: *Abstract of Agricultural Statistics 2008*, NDA (Table 36).

**Oranges:** Total consumption at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA (Table 51).

**Apples:** Total consumption at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA. (Table 34)

**Milk:** Total consumption at farm gate. Source: Milk Producer Organization (MPO).

**Beef:** Total consumption at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA. (Table 60)

**Pig meat:** Total consumption at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA. (Table 62)

**Sheep meat:** Total consumption at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA. (Table 64)

**Poultry meat:** Total consumption at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA (Table 69, consumption of white meat).

**Eggs:** Total consumption at farm gate. Source: *Abstract of Agricultural Statistics 2008*, NDA (Table 69).

**V. Consumption prices (at farm gate):**  $(II)-((IX.1)+(X.1))/(I)*1000+((IX.1)+(IX.2))/(IV)*1000$

Implicit prices corresponding to reference prices plus the unit value of market transfers.

**VI. Value of consumption (at farm gate)**  $[(IV)*(V)]$

**VII. Reference prices**

**Wheat:** Import parity price of Wheat US Nr 2 Hard Red Winter (HRW). Source: SAGIS (South African Grain Information Service).

**Yellow Maize:** Import and Export parity price of Yellow maize. Source: SAGIS (South African Grain Information Service). Trade weighted price. Note: tariffs are deducted from the Export parity price.

**White Maize:** Import and Export parity price of Yellow maize. Source: SAGIS (South African Grain Information Service). Trade weighted price. Note: tariffs are deducted from the Export parity price.

**Sunflower:** Price in Durban Harbour derived from import prices of sunflower oil and sunflower oilcakes. Source: Expert estimation (André Jooste)

**Peanuts:** Export parity price. Source: AMT.

**Sugar-cane:** New York Exchange Commodity - Sugar #11. Source: NYSE. (For 2006 and 2005, sugar no 5 (refined) with corresponding margin adjustment.)

**Grapes:** Marketing year (October to September). Export price. Source: *Abstract of Agricultural Statistics 2008*, NDA (table 36).

**Oranges:** Marketing year (February to January). Export price. Source: *Abstract of Agricultural Statistics 2008*, NDA (table 51).

**Apples:** Marketing year (October to September). Export price. Source: *Abstract of Agricultural Statistics 2008*, NDA (table 34).

**Milk:** border price of milk is a calculated implicit value. The calculation method is based on two assumptions. First, world markets for tradable dairy commodities are competitive, which allows the formation of a single price for each of the solid components of raw milk, milk fat and protein, used to make dairy products. Secondly, each type of dairy product contains a unique and fixed amount of each of those solid components of milk. Under this method, the implicit price of milk at the border ( $P_b$ ) is calculated from the prices of those components:

$$P_b = \left(\frac{a}{b}\right)P_{wb} + \left(\frac{c}{d}\right)P_{ws} \text{ where:}$$

$a$  and  $b$  are milk fat contained in one ton of raw milk and butter respectively,  $c$  and  $d$  are non-fat-solids contained in one ton of milk and skimmed milk powder respectively,  $P_{wb}$  and  $P_{ws}$  are South African unit import values of butter and skimmed milk powder respectively.

The reference price of milk at farm gate ( $P_r$ ) is the implicit milk border price net of processing costs ( $C$ ):

$$P_r = P_b - C$$

Source of entry data: Comtrade database; OECD PSE/CSE database.

**Beef:** Price based on the Australian export price landed USA and adjusted with shipping costs to South Africa (Durban). Source: ABARE Commodity Statistical Bulletin, 2008.

**Pig meat:** Price based on the Brazilian export price and the shipping costs to South Africa (Durban). Source: OECD PSE/CSE database, 2008 (see Brazilian documentation for the source).

**Sheep meat:** Price based on the Australian lamb export price (Australian lamb PP + 20%) and the shipping costs to South Africa (Durban). Source: OECD PSE/CSE database, 2008.

**Poultry meat:** C.i.f. price. For years 1994 and 1995, figures have been estimated using the growth rate of the USA reference price. Source: USDA.

**Eggs:** Export parity price calculated using trade figures. Source: FAO database, 2008.

## **VIII. Margins**

**Wheat:** Transport costs to harbour.

**Maize:** No domestic transport costs adjustment as both domestic producer prices and reference price are set at Randfontein (SAFEX) level.

**Sunflower:** Transport costs to harbour.

**Peanuts:** Transport costs to harbour.

**Sugar-cane:** Calculated as the ratio between the raw (refined) sugar price ex factory and the sugar price farm value. Source: Calculations based on data from South African Sugar Association (SASA).

**Grapes, Orange, Apples:** Reference prices are given at farm gate. No transport costs but use of a quality adjustment factor based on the export price and the weighted average price.

**Milk:** average dairy processing margin (processing margin of butter & SMP from one tonne of raw milk) in major dairy exporters: Australia, European Union, United States and New Zealand (see above in the definition of the estimation of milk reference price using the common OECD methodology).

**Beef:** No processing margin applied. Based on the assumption that the processing cost are equal to the value of the by products.

**Pig meat:** Estimation of the margin is based on the Brazilian margin estimated as being 20% of the border price.

**Sheep meat:** No processing margin applied. Based on the assumption that the processing cost are equal to the value of the by products.

**Poultry meat:** No processing margin applied, as the producer's price is defined at the wholesale level and the reference price also corresponds to a wholesale level.

**Eggs:** No margins applied. The MPS estimate is set to 0 the reference price at farm gate implicitly equals the domestic price at farm gate. Sources:

### **Sources:**

*Abstract of Agricultural Statistics 2008*, National Department of Agriculture, South Africa;

South African Grain Information Service (SAGIS);

South African Sugar Association (SASA);

FAO database;

SA Milk Producer Organization;

South African Exchange (SAFEX);

Agriculture Market and Trade (AMT);

New York Exchange Commodity.