

**AGRICULTURE
MARKET ANALYSIS:
COST
OF
PRODUCTION VS
MARKET PRICE:
2020/2021
FINANCIAL YEAR
DECEMBER 2021**



correctional services

Department:
Correctional Services
REPUBLIC OF SOUTH AFRICA



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PURPOSE

- To provide a report on internal agricultural market analysis, i.e. cost of production versus price of alternative product.

INTRODUCTION

- Self-sufficiency is the extent to which DCS is providing in its own needs with regard to production workshops and agricultural production versus the total needs for the specific item.
- Self-sufficiency is one of the key strategic deliverables in the Strategic Plan of the Department of Correctional Services. Self-sufficiency and Strategic Framework has been approved in March 2021, which is aimed at enabling the Department to implement strategies and interventions that are well informed to enhance self-sufficiency.
- One of the deliverables of the Directorate Production Workshops and Agriculture is to enhance agriculture production for inmate ration.

SUMMARY

- As requested, regions have submitted the quantities of each agriculture commodities that were purchased externally during the 2020/2021 financial year. The quantities for self-produced and externally purchased agricultural products were used to determine the self-sufficiency level.
- The Agriculture Internal Market Analysis is critical for planning of agricultural production. Taking into consideration the quantities of products that are purchased externally and the amount that was spent to purchase these products externally, it is pivotal to enhance self-produced agriculture products

SUMMARY

- Self-sufficiency levels are being influenced by the following:
 - ✓ The (un)availability of production funds (i.e. need funds for fertilisers, pesticides, seeds, feed, meds & vaccines to increase production)-(factors impacting on the supply of the product.)
 - ✓ Climatic conditions (impacting on supply)
 - ✓ The actual production /output of production workshops and agriculture (supply of the product)
 - ✓ The variation in offender totals (Change in demand)
 - ✓ The variation in needs (i.e. offender ration scales demanding more or less of a certain product) (Change in demand)

SUMMARY

- ❑ Self-sufficiency levels are being influenced by the following:
- ❑ Variation in any one of the above mentioned elements will impact on the self-sufficiency percentage of the department, i.e. an increase in offender population with a constant production will cause a decrease in self-sufficiency, a change in the ration scale (increase need) will also decrease self-sufficiency etc.
- ❑ The self-sufficiency per product produced nationally is calculated as follow:

Quantity of self-produced agriculture products that were supplied for offender ration.

Total consumption (self-produced agriculture products supplied for offender ration and externally purchased agriculture products).

X 100

BACKGROUND

Extent: Twenty-one (21) farms and one hundred and fifteen (115) small gardens.

- ❑ Orchards: Thirteen (13);
- ❑ Vegetables: Twenty-one (21 big farms) and one hundred and fifteen (115 small gardens);
- ❑ Milk: Seventeen (17) dairies;
- ❑ Red Meat: Eighteen (18) beefers and five (5) small stock;
- ❑ Pork: Fifteen (15) piggeries;
- ❑ Eggs: Seven (7) layers;
- ❑ Chicken Meat: Three (3) broilers; and
- ❑ Abattoirs: Three (3) for White Meat and Seventeen (17) Red Meat.

AVERAGE PRODUCTION COSTS V/S AVERAGE PRICE
OF THE ALTERNATIVE PRODUCT:2020/2021
FINANCIAL YEAR

AGRICULTURE PRODUCTS PRODUCED, PURCHASED AND TOTAL CONSUMPTION
FOR THE FINANCIAL YEAR 2020/2021.

Products	Quantity Produced for offender ration	Quantity Purchased externally	Total Consumption	Self-Sufficiency %
Vegetables	7 725 961 kg	8 828 566 kg	16 554 527 kg	46.67%
Fruits	400 572 kg	2 510 642 kg	2 911 214 kg	13.76%
Red meat	430 820 kg	2 500 037 kg	2 930 857 kg	14.70%
Milk	6 093 935 kg	13 613 181 L	19 707 116 L	30.92%
Pork	1 915 745 kg	272 960 kg	2 188 705 kg	87.53%
Chicken	1 081 415 kg	2 796 651 kg	3 878 066 kg	27.89%
Eggs	1 337 298 kg	130 840 doz	1 468 138 doz	91.09%

**AVERAGE PRODUCTION COSTS V/S AVERAGE PRICE
OF THE ALTERNATIVE PRODUCT:2020/2021
FINANCIAL YEAR**

**AVERAGE PRODUCTION COSTS V/S AVERAGE PRICE OF THE ALTERNATIVE
PRODUCT: 2020/2021 FINANCIAL YEAR**

Product	Average production costs (Internally produced)	Average price of alternative product (external market)	Cost savings
Vegetables	R 2.13	R 9.92	R 7.79
Fruits	R 2.75	R 10.74	R 7.99
Red meat	R 56.02	R 59.68	R 3.66
Milk	R 5.03	R 3.51	-R1.52
Pork	R 24.49	R 46.85	R 22.36
Chicken	R 25.56	R 38.83	R 13.27
Eggs	R 5.90	R 17.54	R 11.64

**AVERAGE COST OF EXTERNALLY PURCHASED
AGRICULTURAL PRODUCTS: 2020/2021 FINANCIAL
YEAR**

**AVERAGE COST OF EXTERNALLY PURCHASED AGRICULTURAL PRODUCTS:
2020/2021 FINANCIAL YEAR**

Products	Externally purchased	Cost/kg, Cost /litre & Cost /doz	Total price
Vegetables	8 828 566 kg	R 9.92	R 87 579 374,72
Fruits	2 510 642 kg	R 10.74	R 26 964 295,08
Red meat	2 500 037 kg	R 59.68	R 149 202 208,16
Milk	3 613 181 L	R 3.51	R 47 782 265,31
Pork	272 960 kg	R 46.85	R 12 788 176,00
Chicken	2 796 651 kg	R 38.83	R 108 593 958,33
Eggs	130 840 doz	R 17.54	R 2 294 933,60
Total			R435 205 211,20

**AVERAGE PRODUCTION COSTS OF SELF PRODUCED
AGRICULTURAL PRODUCTS: 2020/2021 FINANCIAL
YEAR**

**AVERAGE PRODUCTION COSTS OF SELF PRODUCED AGRICULTURAL
PRODUCTS: 2020/2021 FINANCIAL YEAR**

Products	Internally Produced for offender ration	Cost/kg, Cost /litre & Cost /doz	Total Price
Vegetables	7 725 961 kg	R 2.13	R 16 456 296,93
Fruits	400 572 kg	R 2.75	R 1 101 573,00
Red meat	430 820 kg	R 56.02	R 24 134 536,40
Milk	6 093 935 kg	R 5.03	R 30 652 493,05
Pork	1 915 745 kg	R 24.49	R 46 916 595,05
Chicken	1 081 415 kg	R 25.56	R 27 640 967,40
Eggs	1 337 298 kg	R 5.90	R 7 890 058,20
Total			R154 792 520,03

**SELF-PRODUCED AGRICULTURE PRODUCTS AT A
PRICE OF EXTERNAL PRODUCTS/ALTERNATIVE
PRICE: 2020/2021 FINANCIAL YEAR**

**SELF-PRODUCED AGRICULTURE PRODUCTS AT A PRICE OF EXTERNAL
PRODUCTS/ALTERNATIVE PRICE: 2020/2021 FINANCIAL YEAR**

Products	Internally Produced for offender ration	Price/kg, Price /litre & Price /doz	Total Price
Vegetables	7 725 961	R 9,92	R76 641 533,12
Fruits	400 572	R 10,74	R4 302 143,28
Red meat	430 820	R 59,68	R25 711 337,60
Milk	6 093 935	R 3,51	R21 389 711,85
Pork	1 915 745	R 46,85	R89 752 653,25
Chicken	1 081 415	R 38,83	R41 991 344,45
Eggs	1 337 298	R 17,54	R23 456 206,92
Total			R283 244 930,47

SUMMARY

- Slide no 13 shows that had the Department not produced the agriculture products internally, it could have cost the Department approximately **R283 244 930,47** to procure the said products externally for inmates' ration.
- In order to display the saving that was created through the self-produced agriculture products, the following analysis has been done:
- An amount of **R154 792 520,03** (cost implication of self-produced agriculture products as shown under slide 12), when it is subtracted from **R283 244 930,47** (estimated financial implications, had the Department not produced the agriculture products as shown under slide 12), it provides an estimated saving of approximately **R 128 452 410.44**.

SUMMARY Cont...

- The latter, shows that through an internal production of agriculture products, the Department managed to create a saving of approximately **R 128 452 410.44** in 2020/2021 financial year.
- During 2020/2021 financial year an amount of **R 435 205 211,20** was spent on externally purchased agricultural products (slide 11).
- The amount spent on externally purchased agricultural products in 2020/2021 decreased with **R27 619 721.60** as compared to an amount that was spent in the 2019/2020 financial year (**i.e. R 462 824 932.80**)
- Unavailability of national fertilizer contract has impacted negatively on the production performance of vegetables, fodder production, fruits, and milk (due to unavailability of silage)
- National Treasury decentralized this tender to end user departments
- Regions were given approval to buy within delegated power/authority
- Fertiliser must be procured in bulk- the cost of the quantity required is above the delegated power
- A decision was taken to arrange a National tender for 3 years – **this is still in process**

SUMMARY Cont...

- The importance of enhancing agriculture production and reducing cost of production cannot be over emphasized.
- However, the challenge of high input costs, i.e. for fuel, seeds, fertilizers, animal feed, stock remedies and agro-chemicals remains a concern, because these inputs are procured on open market/through tender process, which result in high input prices as compared to when they are procured from manufacturers.

SUMMARY Cont.....

- The internal production cost of milk is high as compared with the cost of powder milk when it is converted into litres to make it comparable with fresh milk, i.e. converting kilograms to litres.
- The Department is in most cases procuring powder milk for inmate ration as compared to fresh milk, especially where there are no dairies.

CONCLUSION

- The self-produced agriculture products remains the best option for the Department because labour is provided by offenders (offender skills utilization), and the overhead costs are not high as compared to commercial/private farming.

END.

Thank you.