

Perspective on agriculture's performance in Quarter 3 of 2020

South Africa's seasonally adjusted and annualised GDP increased by 66.1% in the third quarter of 2020, owing to the easing of Covid-19 restrictions. Although this represents a major recovery, following a 51.7% decline in quarter 2, overall growth for the first 3 quarters of 2020 remains subdued with a -7.9% contraction compared to the first 3 quarters of 2019. The easing of Covid-19 restrictions allowed most sectors to resume economic activities at close to full capacity which led to the large growth rates in Q3. The biggest contributor to GDP in Q3 2020 was the mining sector, contributing 11.8 percentage points to the total GDP. StatsSA evaluates all sectors according to a seasonally adjusted, annualised movement from Quarter 2 to Quarter 3 (Figure 1 - blue). This is comparable to the rest of the economy, but the applicability to agriculture is complicated given the timing of delivery by various subsectors. A comparison of Quarter 3 2020 to Quarter 3 2019 performance requires no seasonal adjustments and provides an alternative, simpler picture of agricultural performance in the past quarter, compared to the same period last year. By this metric, agriculture grew by 9.5%.



Source: StatsSA, 2020

Agricultural GDP is only reported at a national aggregate level, since cost of intermediate goods and services are not always attributable to specific commodities. Therefore, to understand the drivers of the agricultural sector's performance, we consider the disaggregated gross value of production (GPV = Price X Quantity Produced) per industry, as compiled by DALRRD¹ (Figure 2)

The agricultural sector performed well in the third quarter of 2020, with all three sectors showing growth. GPV from animal products increased by 7% year on year. The beef industry reflected an increase of 9% in the GPV. Lower slaughter numbers due to rebuilding of the national herd following the drought were more than offset by higher carcass weights. While carcass prices decreased marginally, beef export volumes, as well as export prices increased significantly. Calf prices have also risen sharply. Given the sharp increase in recent beef prices, a stronger growth is expected for the next quarter. GPV from sheep increased by 17% driven by a 30% average price increase, despite a 17% decline in slaughter numbers. This increase was supported by high world prices, a weaker exchange rate and constrained supply. Pork GPV shows a decline of 23% owing to weaker prices,

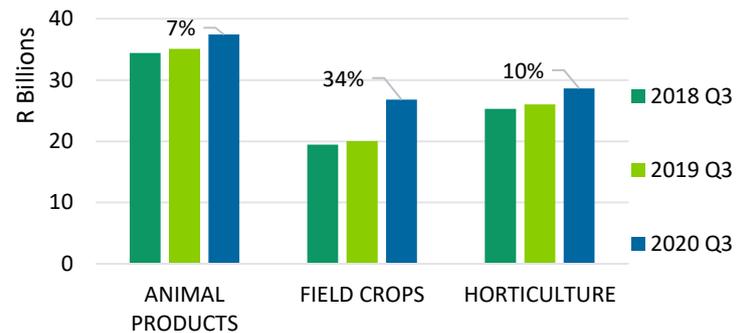


Figure 2: Nominal gross value of production per subsector
Source: DAFF, 2020

but remains a small contributor to total GPV from animal production. The GPV for poultry increased by 5% year on year. Chicken prices remained fairly stable from quarter 3 of 2019 to the same period in 2020, with the weak Rand offsetting the lower international price, however production volumes increased by 4% between July and August 2020, compared to same period in 2019.

Field crops made the biggest positive contribution to the total agricultural GPV, with a 34% increase compared to Q3 of 2019. Maize is the largest contributor to the GPV of field crops and increased by 44% year on year. This improvement was largely attributed to increased output. Producer deliveries of white maize were 51% higher in Q3 2020 compared to Q3 2019 and yellow maize deliveries were also high with a 42% increase compared to the same period. Yellow maize prices showed the biggest change in Q3 of 2020 with a 7% increase compared to a 3% increase of white maize prices. This provided significant support in a year when output also increased – a shift that would ordinarily be accompanied by a price decline to export parity levels. However, export parity levels also increased due to higher world prices and a weaker exchange rate. In contrast, the GPV of oilseeds, sunflower and soya beans, declined by 44% and 15%, respectively, year-on-year, simply due to an earlier production season. While the total crop estimates for sunflower (15%; 785 910 tonnes) and soybeans (6%; 1.245 million tonnes) have increased in 2020, a larger portion of the crop was delivered in the second quarter, leading to a decline in monthly deliveries in Q3: -58% for sunflower and -24% for soya beans. There's evidence of a strong winter crop with wheat GPV increasing by 30% in Q3 2020 owing to favourable prices (20% rise), and strong output, with producer deliveries in Q3 increasing by 11% compared to Q3 2019. The bulk of the crop will only be delivered in Q4.

The GPV from horticulture also improved by 10% year-on-year for Q3, with almost all industries showing an increase, except for the black tea industry. The dried fruit industry showed the biggest growth of 62% year-on-year; however, this is from a small base and with assistance from the weaker Rand. Not only did the extraordinary measures to safeguard human life in packhouses limit throughput per day, congestion in harbours also played a role in shifting exports later. Citrus had a GPV increase of 7% on the back of a bigger crop and weaker Rand, as well as a strong demand for Vitamin C due to Covid-19. Deciduous fruit had a GPV growth of only 5% supported by a 5% increase in apple production and a favourable exchange rate on exports and therefore competitive pricing. The increase in apple GPV offset the drop in pear production of around 3% combined with low prices in the local market. The subtropical fruit GPV was largely a result of high prices for most exports. Avocado volumes were slightly lower, but prices were substantially higher, resulting in the 42% growth of the subtropical industry.