



Perspectives on **AGRICULTURE'S PERFORMANCE** in Q3 of 2021

This publication contextualises the latest statistical release by StatsSA on GDP and provides insights on the major factors driving agriculture's contribution

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SOUTH AFRICA'S SEASONALLY ADJUSTED GDP CONTRACTED BY 1.5% IN THE THIRD QUARTER OF 2021. A YEAR-ON-YEAR COMPARISON OF AGRICULTURE, FORESTRY, AND FISHERIES REFLECTS A CONTRACTION OF 7.2%, LARGELY DUE TO THE TIMING OF DELIVERY OF THE 2021 SUMMER CROP.



South Africa's seasonally adjusted GDP declined by 1.5% in the third quarter of 2021, a larger than expected contraction. The largest reductions in GDP were in the manufacturing, trade and agricultural sectors - those most impacted by the looting and subsequent violence in Gauteng and KwaZulu- Natal in July.

StatsSA evaluates all sectors according to a seasonally adjusted, annualised movement (Figure 1 – blue). While conducive to comparisons between the different sectors of the economy, it is not applicable to agriculture, which is subject to seasonal differences, and comprises different products contributing to value addition throughout various times of the year. Year-on-year changes are thus more appropriate (Figure 1 – green).

At first glance (based on seasonally adjusted and annualised numbers) it seems that agriculture, forestry and fisheries contracted by 13.6% since the previous quarter, but a relative comparison between quarter 3 of this year and that of 2020 removes the need for seasonal adjustments and provides a more accurate picture of agricultural performance in the past quarter. Using this method, the agricultural sector's performance does show a decline, but much lower at 7.2% in real terms compared to the third quarter in 2020. The disaggregated Gross Value of Production (where GPV = Price x Quantity Produced) per industry, as compiled by the Department of Agriculture, Land Reform and Rural Development (DALRRD) provides some indication of the main drivers behind the sector's performance in the third quarter.

The decline in agricultural GDP was driven mostly by a drop of 35% in the gross production value of field crops as a whole (see Figure 2).

First, the GPV of maize contracted by 43%. This is despite yellow maize prices rising by 12% and white maize prices by 8%. Even though this year's maize crop is 1.1 million tonnes bigger than the 2020 crop, total deliveries in Q3 of 2021 came in at 4.09 mil tonnes in Q3 of 2021, compared to Q3 2020 deliveries of 8.2 million tons. This is merely a timing issue - early maize deliveries in the second quarter of the year resulted in lower deliveries in the third quarter. Second, the sunflower crop is expected to be lower this season due to area reduction and weaker yields. Third, soybean deliveries increased by 39% and, coupled with a slight increase in prices saw the gross production value increase by 42%. Fourth, the sugar industry, which contributed a 19% share in the gross production value of field crops in the last quarter, saw output decline by 15%, mainly the result of the burning of sugar cane during the July unrest coupled with some producers failing to crush their sugar cane.

Animal products was the sub-sector that showed the largest growth in the third quarter of 2021,

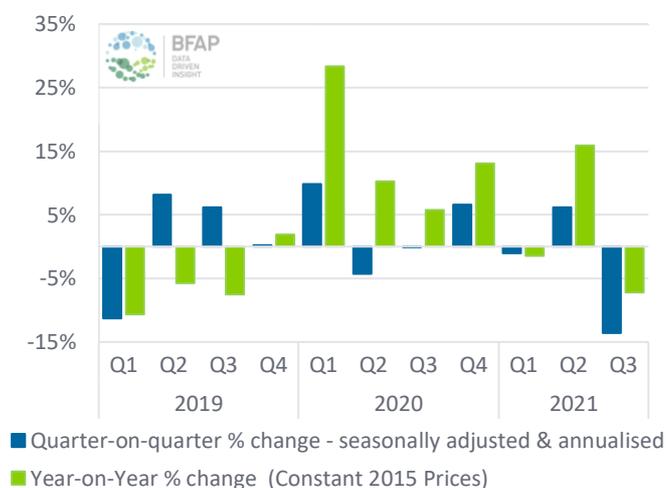


Figure 1: Year on year change in real (2015) agricultural GDP per quarter

Source: Stats SA, 2021

with a GVP growth of 4% year-on-year. Within this sub-sector, the pork and beef industries were the largest contributors with growth of 44% and 12%, respectively, while the sheep meat industry contracted by 6%. The growth in the animal sub-sector is largely supported by high meat prices. Red meat prices continued to rise in Q3 of 2021, with beef prices increasing by 12% and sheep meat prices increasing by 8%. On the other hand, slaughter numbers continue to drop with cattle and sheep slaughters dropping by 3% and 2%, respectively, in the past quarter. Pork slaughters were the only category that showed an increase, of 10%, while prices rose by 6%, contributing to the 44% increase in GPV. The poultry industry declined by 2% in the third quarter of the year, with a slight decline in production and prices staying stable.

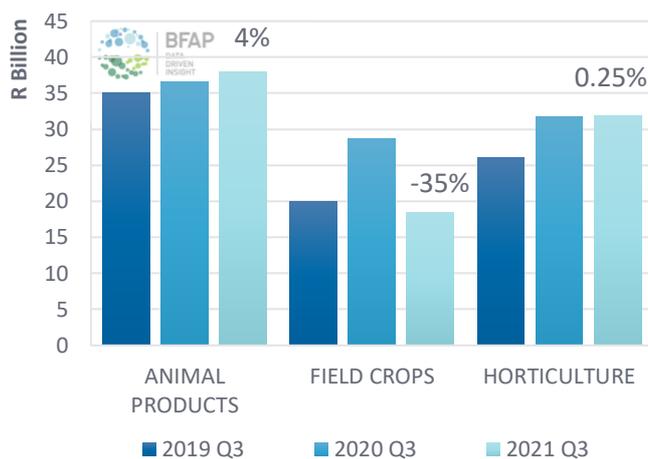


Figure 2: Nominal gross value of production per subsector
 Source: DALRRD, 2021

Global supply chain issues, the cyberattack on Transnet in July as well as a strong Rand all combined to impact negatively on the export orientated horticultural sub-sector. Although production volumes were higher for the citrus, nuts and deciduous fruit industries, the strong Rand had a negative impact on the unit prices obtained. In deciduous fruits, the Witzenberg (Ceres, Tulbagh, Wolseley, Op-die-Berg) and Elgin Grabouw Vyeboom Villiersdorp (EGVV) areas experienced large pome fruit harvests, resulting in a 11% rise in volumes going out year-on-year, however, in value terms the increase was only 2%. Avocados are doing well in both the local and

export markets, however, volumes were down year-on-year with a lighter and smaller crop harvested, even though first estimates for 2021 were higher than 2020 given the growth in the industry.

As a result of the high stock volumes, the wine industry is selling more bulk wine in the international market in 2021 than in 2020 and 2019. We are seeing a price premium on the bottled exports, with value growing stronger than volume despite the stronger Rand. Thus, additional value generated is driven by volume on the bulk side and unit value on the packaged exports. All these factors contributed to the horticulture sub-sector growing by just 0.25% in the third quarter.

IN SUMMARY...

...the field crop subsector was the largest contributor to the Agricultural sector's GDP contraction. The underlying reason is largely a timing effect where the largest portion of maize was delivered in Q2 2021, as opposed to the previous seasons' crop which was largely delivered in Q3 2020.

The animal products subsector growth was largely price-driven and the horticultural subsector's GPV remained close to unchanged while battling global and local supply chain issues as well as a strong Rand.