

PERSPECTIVES ON AGRICULTURE'S PERFORMANCE IN QUARTER 1 OF 2021

South Africa's seasonally adjusted and annualised GDP increased by 4.6% in the first quarter of 2021. This is, however, coming from a small base following the record-breaking contraction caused by the global Covid-19 pandemic. The biggest sectoral contributor to GDP in the first quarter of 2021 was the finance, real estate, and business sector with a growth rate of 7.4% and a contribution of 1.5% to the country's GDP growth. Stats SA evaluates all sectors according to a seasonally adjusted, annualised movement from Quarter 1 to Quarter 4 (Figure 1 - blue). This is comparable to the rest of the economy, **but the applicability to agriculture is limited given the timing of delivery by various subsectors.** At first glance it looks as though agriculture, forestry and fisheries declined by 3.2% since the previous quarter, but a relative comparison between Quarter 1 of this year and that of 2020 removes the need for seasonal adjustments and provides an alternative, simpler picture of agriculture's real performance in the past quarter. By this metric, the agricultural sector performed relatively well in the first quarter of 2021, expanding by 7.5% in real terms compared to the first quarter in 2020. BFAP projects growth of 7,6% for the full year 2021.

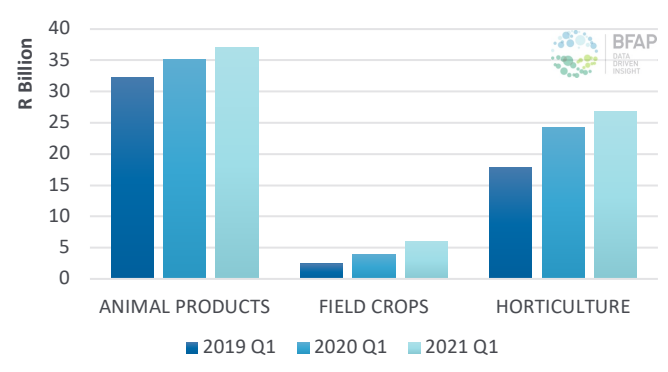


Figure 2: Nominal gross value of production per subsector
Source: DALRRD, 2021

Field crop activity is limited in quarter 1, but even so, the 52% increase in GPV compared to Q1 of 2020 was strong. Maize was the largest contributor to the GPV of field crops and increased by 32% year on year. This growth was largely attributed to an increase in both output as well as prices. Producer deliveries of white maize were 33% higher in Q1 of 2021 compared to Q1 2020. These largely comprise increased early deliveries, due to a much earlier start of planting of the 2021 cropping season. The early start and favourable weather conditions for the remaining season are also driving the expectation of a bumper summer crop in Q2. In the first quarter of 2021, yellow maize prices show the biggest rise, with a 26% increase compared to a 12% increase of white maize prices. Early deliveries of oilseeds, soya beans and sunflowers, coupled with high prices saw massive growth in the GPV of both industries. Soybean deliveries more than doubled in the first quarter of 2021 compared to the same quarter of 2020, with prices growing by 47%. This oilseed performance was consistent for sunflowers as well, with sunflowers performing better than soybeans, with deliveries being more than three times those in the first quarter of 2020 and prices showing a 68% increase. While volumes are reflective of early deliveries, prices are likely to be sustained, due to support from global factors, resulting in strong performance in Q2 when the bulk of the crop is delivered.

The horticulture sector's GPV increased by 11% year on year. Deciduous fruit sales increased by 16%, which is a result of strong harvests for pome, stone, and other deciduous fruit in 2021. To date and compared to 2020, which was a good season for fruit growers, apple and pear exports are 25% and 5% higher in volume terms, whilst stone fruit increased by 54%. However, some of these numbers would only be reflected in quarter 2. Table grape exports have also grown significantly, currently 13% higher than the previous seasons' volumes.

The flower industry also performed well, growing by 23% relative to the same quarter in 2020. This industry has been hit hard by Covid-19 and it is good to see gross sales improve to levels higher than before the start of lockdown measures in South Africa.

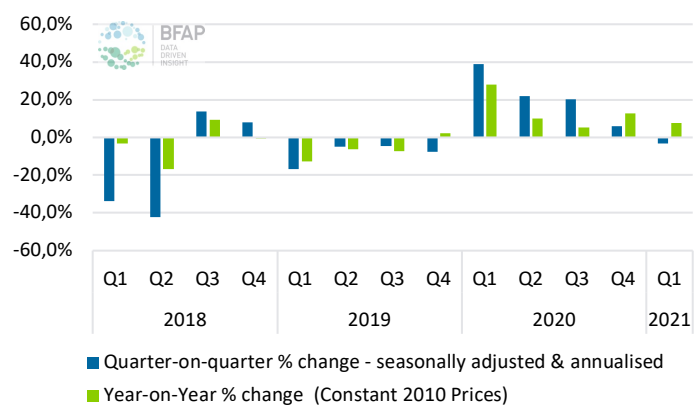


Figure 1: Year on year change in real (2010) agricultural GDP per quarter
Source: Stats SA, 2021

Although the detailed value-added number for agriculture is not published, the disaggregated Gross Value of Production (GPV = Price X Quantity Produced) per industry provides some indication of the main drivers behind the GDP performance, as compiled by DALRRD¹.

Agriculture's good performance is due to strong output growth in two of the three sub sectors. Figure 2 gives the GPV of each of these, showing the strong growth in both field crops and horticulture. Animal products had a decent growth of 6%. Within the latter, the largest contributors to growth were an increase of 26% for pork and a 9% and 4% increase beef and sheep, respectively. This growth is largely supported by high meat prices, partly due to constrained supply. Both the price of pork and sheep reflected a 30% rise in this period, while that of beef rose by 11%. Comparing Q1 2020 and Q1 2021 slaughter numbers suggest a decline of cattle and sheep slaughtered by 2% and 6%, respectively, whilst pork numbers increased marginally by 1%.