9 September 2021

PERSPECTIVE ON AGRICULTURE'S PERFORMANCE IN QUARTER 2 OF 2021

South Africa's seasonally adjusted GDP grew by 1.2% in the second quarter of 2021, with the transport, storage and communications industry the largest contributor, increasing by 6.9% and contributing 0.5% to overall growth. Conventionally, StatsSA evaluates sectors in the economy according to a seasonally adjusted change. This is shown for agriculture by the blue bars in Figure 1. While comparable with the rest of the economy, it does not reflect conditions in agriculture well because of the seasonality of production and different timing of delivery of various commodities.

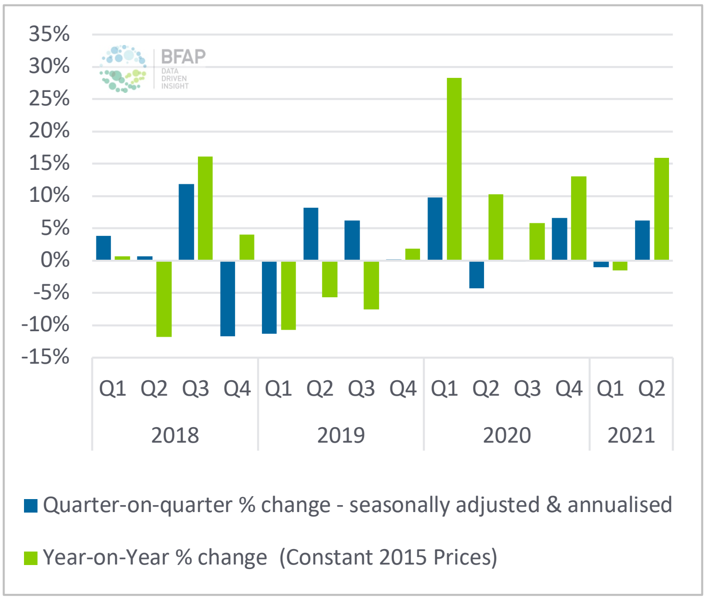

Figure 1: Year on year change in real (2015) agricultural GDP per quarter
Source: Stats SA, 2021

At first glance it looks as though agriculture, forestry and fisheries only grew by 6.2% since the previous quarter, but a relative comparison between Quarter 2 of this year and that of 2020 removes the need for seasonal adjustments and provides an alternative, simpler picture of agricultural performance in the past quarter. Using this method, the agricultural sector's performance was exceptional in the second quarter of 2021, expanding by 15.9% in real terms compared to the second quarter in 2020. Although the detailed value-added number for agriculture is not published, the disaggregated Gross Value of Production (GPV = Price X Quantity Produced) per industry, as compiled by DALRRD,[1] provides some indication of the main drivers behind the GDP performance.

The remarkable performance in the agricultural sector is supported by the impressive summer crop harvest, particularly of maize, in the second quarter of 2021. Figure 2 gives the GPV of each of the three sub-sectors in agriculture, which shows the strong growth in field crops relative to the other two sub-sectors.

Animal products had a GPV gain of 10% year-on-year. Within the sub-sector, the pork and beef industries had the largest contribution with a growth of 44% and 28%, respectively, while the sheep meat industry grew by 1% compared to a 19% growth of the wool industry. The growth in the animal sub-sector is largely supported by high meat prices. At the height of the lockdown in Q2 of 2020, meat prices had declined sharply and in Q2 of 2021, pork prices were 43% higher compared to the same period in 2020 and beef and poultry prices 17% higher. Pork and beef slaughter volumes also increased, as did chicken production volumes. Although sheep meat prices rose by 33% this did not have the same positive effect on the industry due to a 5% decline in slaughter numbers.

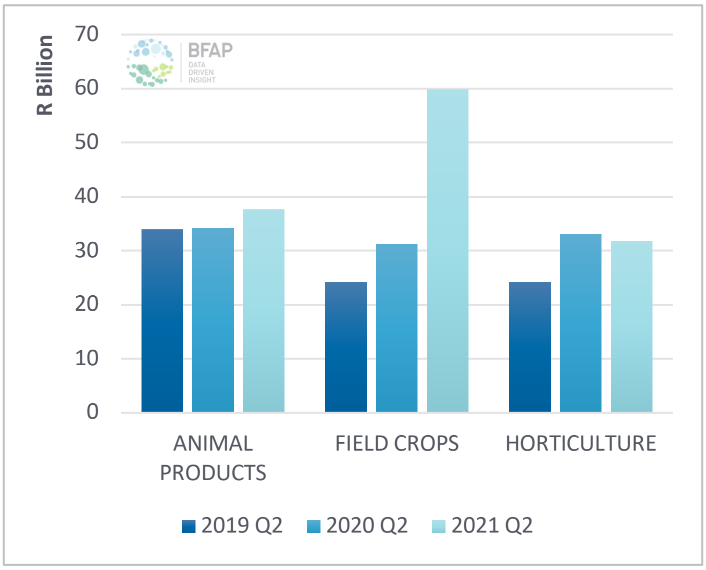

Figure 2: Nominal gross value of production per subsector
Source: DALRRD, 2021

Field crops have been the star of the sector in quarter 2, with a 96% increase in GPV compared to Q2 of 2020. Maize was the largest contributor and increased by 166% year on year. Although yellow maize prices rose by 27% and white maize prices by 16%, this growth can largely be attributed to production output and

timing of delivery. Yellow maize producer deliveries in Q2 2021 were 69% higher than in Q2 of 2020, while white maize deliveries were 115% higher. Although the total maize crop expected by the Crop Estimates Committee is only 7% higher in 2021 compared to 2020, a bigger share was delivered earlier, thus falling in quarter 2. The total sunflower crop is expected to be 14% lower year on year, due to area reduction and weaker yields – which is reflected in the decline in output in Q2 compared to the same time last year. However, high prices supported the growth of 28% y-o-y in GPV. On the other hand, a 44% increase in output coupled with high prices saw a 60% growth in soybean GPV.

Considering the hard lockdown restrictions of 2020 Q2, which, amongst others, severely affected wine sales and informal traders buying at the municipal markets, Q2 of 2021 could have been more favourable for the horticulture sector. However, horticulture's GPV declined by 2% compared to Q2 of 2020, despite record export volumes from many industries.

Although performance was influenced by challenges at the ports, as well as a much stronger Rand (R14.13/US $ in Q2 2021 compared to R17.93/US $ in Q2 2020 – a 21% appreciation), which resulted in weaker prices in export markets, this decline still comes as a surprise, considering that the total export value of edible fruit and nuts in Q2 of 2021 was almost R800 million, or 4%, higher in Q2 2021 over Q2 2020. This includes strong gains for pome fruit, stone fruit, table grapes and subtropical fruit. Conversely, the GPV numbers compiled by DALRRD show declines in deciduous fruit and subtropical fruit. This implies that export gains must have been more than offset by a decline in domestic sales, even though this market segment is much smaller than exports. The GPV of citrus reflects a modest 3% increase, with higher volumes more than offsetting weaker prices.

The reopening of borders and markets has been favourable to the flower industry, which has been hardest hit by Covid-19. The industry has shown a massive growth in GPV compared to Q2 of 2020.