

Perspective on agriculture's performance in Quarter 4 of 2019

StatsSA reports that South Africa's GDP declined by 1.4% in the fourth quarter of 2019 bringing the total GDP growth for 2019 to only 0.2%. The Agriculture, Forestry and Fisheries sector contributed -0.2% to the national number, owing to a contraction of 7.6% since the third quarter of 2019. StatsSA evaluates all sectors, focussing on a seasonally adjusted, annualised movement from Quarter 3 to Quarter 4 (Figure 1 - blue). This is comparable to the rest of the economy, but the applicability to agriculture is complicated given timing of delivery by various subsectors. Relative comparison of Quarter 4 2019 numbers to Quarter 4 2018 performance removes the need for seasonal adjustments and provides a simpler picture of agricultural performance in the past quarter. By this metric, agricultural GDP increased by 2.1% in Q4 2019 (Figure 1 - green).

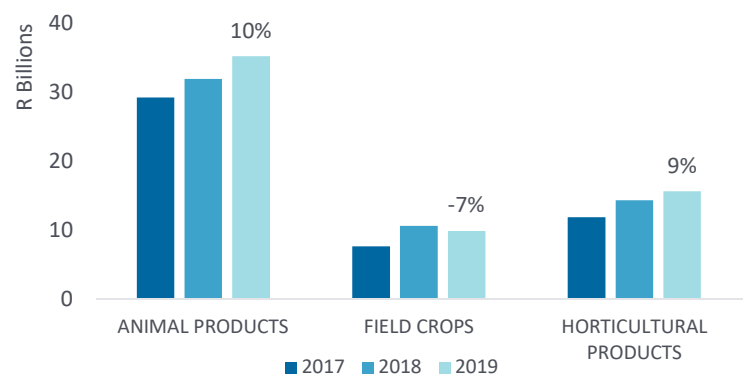


Figure 2: Nominal gross value of production per subsector
Source: DAFF, 2019

in producer prices that was evident in all red meat industries, resulting in a higher production value in Q4 2019 relative to Q4 2018. In contrast, chicken prices in Q4 2019 increased by 5% since Q4 2018. Demand for red meat typically increases over the festive season, however consumer spending power has been under pressure and given that prices were already high due to ASF in China and consequent strong world prices, higher supply volumes curbed some of the typical seasonal increase. The Foot and Mouth Disease outbreak placed additional pressure on beef prices. For the full year 2019, cattle slaughters increased by 60 316 (2.3%) relative to 2018. Similarly, sheep slaughters increased by 468 964 (10.7%), and pig slaughters by 240 331 (8%). In the case of cattle, this reflects the first year on year increase in slaughter volumes since the herd reductions that resulted from the 2016 drought.

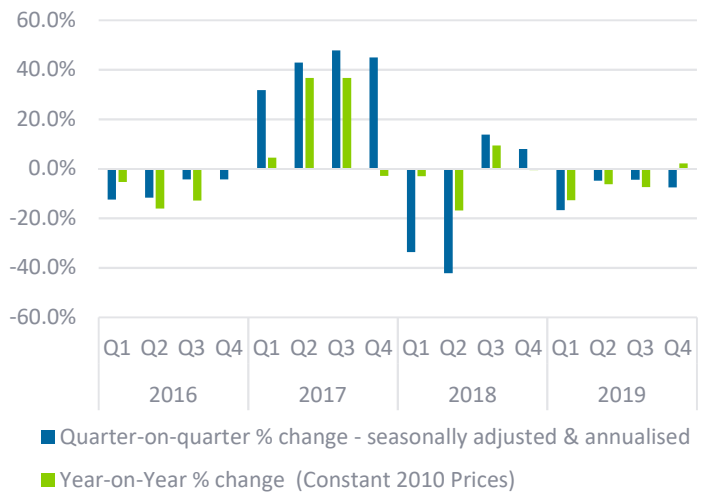


Figure 1: Year on year change in real (2010) agricultural GDP per quarter
Source: StatsSA, 2019

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 agriculture's performance, we consider the disaggregated gross value of production (GPV = Price X Quantity Produced) per industry, as compiled by DALRRD¹. Figure 2 compares, the gross value of production for each subsector in Quarter 4 2019 is compared to the Quarter 4 results of previous seasons.

The Q4 GPV from animal products increased by 10% from 2018 to 2019. Cattle (or beef) was the largest contributor increasing by 12%. The number of cattle slaughtered in Q4 2019 increased relative to the same quarter in 2018. This increase in production volumes more than offset the decline

In Q4 2019, the GPV from field crops declined by 7% relative to Q4 2018 (Figure 2). Wheat and Barley were the biggest contributors towards the decline with a 13% and 29% decrease respectively. According to the latest crop estimate, 88% of the total wheat crop (1.32 million tonnes) was delivered in Q4 2019. While the proportion delivered was the same in Q4 2018, the total crop is estimated to be 367 000 tonnes smaller in 2019 than in 2018. Therefore, despite a 2% increase in the wheat price on the back of a weaker exchange rate, a decline in volumes produced drove the decline in production value. Following the large Barley crop in 2018, the volumes delivered in Q4 2019 declined by 26% relative to the same period of 2018 also contributed to the decline in production value for field crops.

The GPV from horticulture increased by 9% since Q4 2018 (Figure 2) with deciduous fruit (+9%) and vegetables (+6%) contributing the largest share of the increase. For the export orientated deciduous fruit industry, exchange rate depreciation supported prices, but grape export volumes also increased relative to the 4th quarter of 2019 on the back of an improved harvest. Stone fruit export volumes also increased.

BFAP projects a significant recovery in the agricultural GDP in 2020. It is likely that favourable climatic conditions, especially in the West, will push the maize crop above 15 million tons and despite of lower prices the GPV of the maize crop is expected to be more than 10% higher than in 2019. Similarly, the GPV for soya and sunflower is projected to increase by 35% and 15% respectively.

¹Department of Agriculture, Land Reform and Rural Development

