

Perspective on agriculture's performance in Quarter 3 of 2019

StatsSA reports that South Africa's GDP declined by 0.6% in the third quarter of 2019 and that Agriculture, Forestry and Fisheries contributed -0.1% to the national number having reportedly contracted by 3.6% since the second quarter of 2019. The StatsSA report includes all sectors and focusses on 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 timing of delivery by various subsectors. Relative comparison of Quarter 3 2019 numbers to Quarter 3 2018 performance removes the need for seasonal adjustments and provides a simpler picture of agricultural performance in the past quarter. By this metric, agriculture declined by 8.9% (Figure 1 - green).

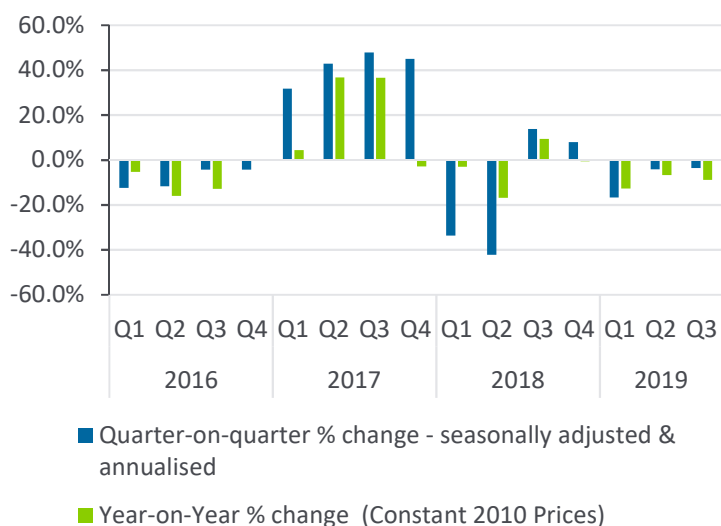


Figure 1: Year on year change in real (2010) agricultural GDP per quarter
Source: StatsSA, 2019

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. In Figure 2, the gross value of production for each subsector in Quarter 3 2019 is compared to the Quarter 3 results of the previous season.

The Q3 GPV from animal products increased by 3% from 2018 to 2019. Pork meat and poultry were the largest contributors with increases of 49% and 3% respectively; simultaneously, Beef GPV declined by 2%.

¹Department of Agriculture, Land Reform and Rural Development

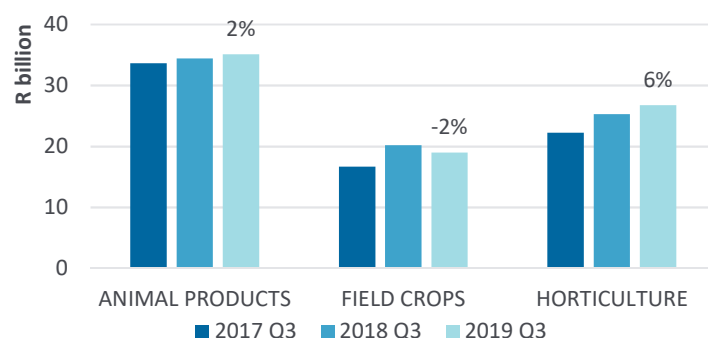


Figure 2: Nominal gross value of production per subsector

Source: DAFF, 2019

Pork slaughters increased by 12% from Q3 2018 to 810 007 pigs in Q3 2019 and average pork prices were uncharacteristically high in Q3 2019 (12% higher than in Q3 2018). High prices are supported by strong world prices resulting from African Swine Fever related production shortages in China. This resulted in a significant production value increase. Poultry production for Q3 has not been published yet however, average chicken prices increased by 5% from Q3 2018 to Q3 2019. A 2% year on year decline in beef prices drove a decline in gross production value, despite slaughter numbers increasing slightly.

The GPV from field crops declined by 2% relative to Q3 2018 (Figure 2). Maize was the biggest contributor towards the decline with a 19% decrease. Despite maize price increasing by 28% from Q3 2018 to Q3 2019, the decline in volumes delivered (21%) in Q3 2019 was enough to offset the price increase. Note, that the sum of Q2 and Q3 deliveries in 2019 is 11% less than in 2018 however in 2018, a larger proportion of the crop was delivered in Q3 (61% compared to the 55% in 2019). Sugar cane is the second biggest contributor to the decline with a 5% decrease in gross production value.

The GPV from horticulture increased by 6% since Q3 2018 (Figure 2) with subtropical fruit (+35%) and vegetables (+12%) contributing the largest share of the increase. For the export-led demand of subtropical fruit, the depreciating exchange rate could've had an advantageous impact on gross value of production (R14.09/USD in Q3 2018 to R14.68/USD in Q3 2019). Despite total agricultural gross production value (GPV) increasing by 2% in Q3 2019 (compared to Q3 2018); after taking costs into consideration (to calculate GDP) this positive growth becomes negative 8.9% (y-o-y growth). The horticultural sub sector was the largest contributor towards growth in GPV and production costs. This is specifically true for vegetables – where major cost components include electricity, labour and transport (fuel costs increased by 4.1% since Q3 2018).