



Perspectives on **AGRICULTURE'S PERFORMANCE** in Q3 of 2023

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



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South Africa's gross domestic product (GDP) decreased by 0.2% in the third quarter of 2023. The agricultural sector's GDP decreased by 9.6%.

South Africa's quarter-on-quarter seasonally adjusted real gross domestic product (GDP) decreased by 0.2% in the third quarter of 2023, while the year-on-year real GDP declined by 0.7%. Among the contributing sectors for this decline were agriculture, forestry, and fisheries (-9.6%), construction (-2.8%) and manufacturing (-1.3%). Among the sectors that grew in the third quarter were transport, storage & communication (0.9%), personal services (0.6%) and finance, real estate & business services (0.5%).

A year-on-year view of the agricultural sector performance in the third quarter of the year shows a much weaker growth of -20% (Figure 1). This can mostly be attributed to the seasonality of the agricultural sector as well as the strong growth in quarter 3 of 2022 as a result of late producer deliveries of summer crops.

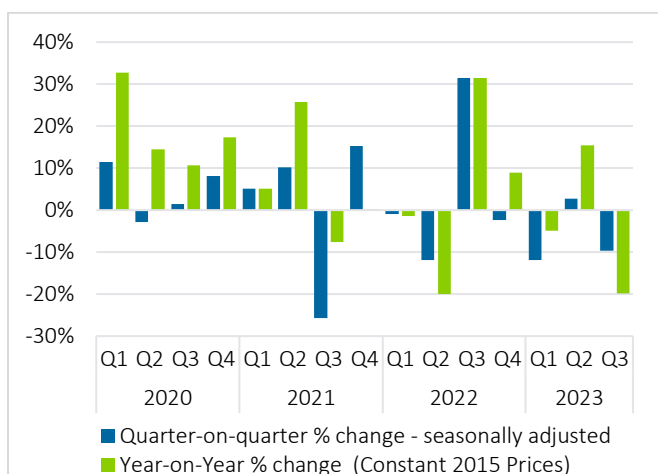


Figure 1: Change in real agricultural GDP per quarter

Source: Stats SA, 2023

While the detailed value-added number per agricultural sub-sector is not published, the disaggregated Gross Value of Production (GVP = Price X Quantity Produced) per industry, as compiled by DALRRD, provides some insights into the main drivers behind the agricultural sector's performance in the third quarter of 2023.

The decline can largely be attributed to a 36% decline in the gross value of production (GVP) of the field crops sub-sector (Figure 2) while the other two sub-sectors (animal products and horticulture) showed moderate growth of 4% each.

The maize industry, which contributed 70% to the GVP of field crops and 19% to that of the agricultural sector

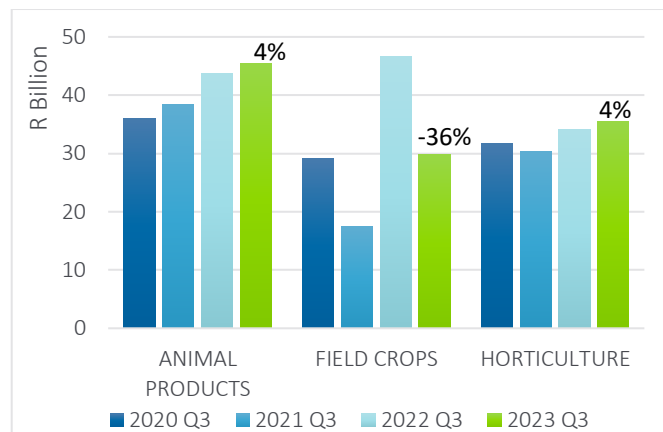


Figure 2: Nominal gross value of production per subsector

Source: DALRRD, 2023

as a whole, recorded a decline in GVP of 46% year on year in Q3. This is purely due to the seasonal effect of late deliveries compared to 2022. While maize GVP was coming from a very high base because of late producer deliveries in quarter three of 2022, both prices (16%) and output (31%) dropped in quarter three of 2023 – contributing further to the decline in Q3. However, it is important to note that for the total maize crop, production rose by 6% in 2023, compared to 2022. The annual average maize price declined by 12% from 2022 to 2023, following international price trends. It is also important to note that large volumes of summer grains and oilseeds are delivered in the second quarter of the year, hence the dismal performance in Q3.

The sugar cane industry, on the other hand, also made a significant contribution (19%) to the GVP of field crops in Q3 of 2023, but in contrast to maize its GVP grew by 32%.

While the gross value of production (GVP) provides indications of the relative performance of the subsectors, costs must also be considered in order to have a full view of the sector's performance in the quarter. Figure 3 shows the producer price indices (PPI) for different field crop inputs as well as output. Fertiliser costs in Q3 of 2023 show the biggest drop (41%) compared to Q3 2022, while chemicals together with electricity costs showed an upward trend comparing these two quarters.

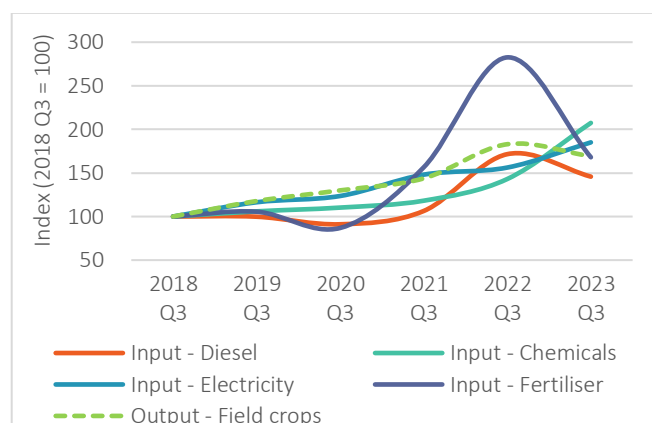


Figure 3: PPI of field crop inputs and output

Source: StatsSA, 2023 & ITC, 2023

The animals sub-sector remains the largest contributor (41%) to the GVP of the South African agricultural sector. Despite a 10% decline in the GVP of the beef industry, the industry still made the second biggest contribution (24%) to the sub-sector after poultry (38%). While cattle slaughters increased in quarter 3 of the year after many months of decline, the price of beef dropped by 11% from R59.81 in Q3 2022 to R51.98 in the same quarter of 2023. The biggest contributor to the growth experienced by the poultry industry was a 13% price increase with the price of IQF cuts increasing from R30.01 in Q3 of 2022 to R34.03 in 2023, amid supply concerns as a result of the Avian Influenza outbreak. The egg industry, which is the most affected by the outbreak, recorded a 6% decline over the same period. Despite volatile prices in the pork industry, prices were up by 19% in Q3 2023 compared to Q3 2022, which contributed to an 18% increase in GVP during this period.

The animals subsector has been under pressure in the last few years, with the cost of major inputs rising faster than the price of outputs (Figure 4). Animal feed, which is a significant cost factor in animal production, rose quite sharply between 2020 and 2022 but has been constant between 2022 and 2023.

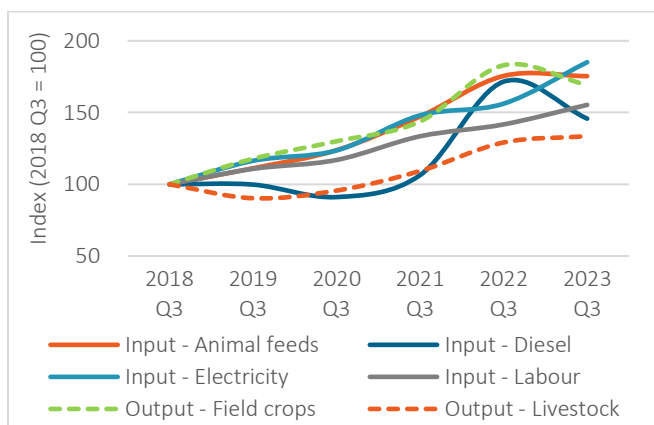


Figure 4: PPI of livestock inputs and output

Source: StatsSA, 2023 & DEL, 2023

The horticulture sub-sector grew by 4% in the third quarter of the year, with the biggest contributors to the subsector's GPV of R34.5bn being the citrus industry (42%), vegetables (23%), and the nuts industry (13%). With both citrus and nuts showing limited movement year-on-year, the star performer in quarter three was the vegetables industry, with a growth in revenue of 18%. The growth in vegetable revenue was equal to the total growth of the subsector for the quarter, with upward and downward movement on the other commodity categories cancelling each other out. The biggest contributors to revenue in this category were potatoes, onions, carrots, cabbage, and tomatoes, with the growth largely supported by a cyclical rise in vegetable prices over the most part of the year. At the Johannesburg fresh produce market – the biggest market for fresh produce in South Africa, potato prices

rose by 107% in Q3 of 2023 compared to 2022, while onion prices are still 18% higher, despite declining from its peak. Overall, vegetable prices rose by 32% compared to 2022 Q3, and 39% higher for 2023 year to date. When excluding potatoes from the calculation, the average revenue growth was 20%, with price growth of 22% amidst a volume decline of 2%.

Figure 5 shows how input costs have been consistently rising above that of output prices in the horticulture subsector. Thus, despite the year-on-year uptick in horticultural output prices, producers in the sector remain under immense pressure. Year-on-year, the cost of most major inputs has increased, with predominantly chemicals (45%), electricity (19%), paper (12%) and labour (10%) driving cost up in the third quarter of the year. Diesel (-15%) together with fertiliser (-41%) are the only major inputs that show a decline in cost.

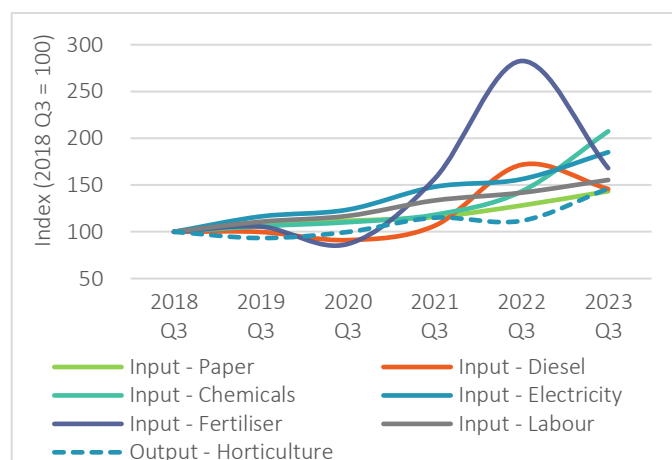


Figure 5: PPI of horticulture inputs and output

Source: StatsSA, 2023, DEL, 2023 & ITC, 2023

IN SUMMARY...

South Africa's gross domestic product (GDP) decreased by 0.2% in the third quarter of 2023. The contribution of agriculture decreased by 9.6%. The biggest contributor to the agricultural sector performance in Q3 of 2023 was a 36% decline in the revenue of field crops.

It appears that despite the weakening of the Rand against the dollar and other major currencies, the export orientated component of the horticulture subsector failed to capitalise. The predominantly local trade of vegetable produce drove growth in the subsector, with potatoes a major driver of growth in Q3 of 2023.

With the figures for three quarters of 2023 locked in, the year-to-date performance of the agricultural sector is at -0.57%. Considering the potential of the final quarter and the impact of Avian Influenza, BFAP maintains its position that agriculture is likely to return negative growth for the full year.

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