

South African agricultural sector remains in recession – 06 December 2016

- **Recent Gross Domestic Product (GDP) data shows that South Africa's agricultural sector remains in recession. This is based on a negative growth of a seasonally adjusted annualised rate of -0.3% quarter-on-quarter in the third quarter of 2016 (see Chart 1).**
- These results come as no surprise as the sector continues to suffer the effects of the 2015/16 El Niño induced drought. Overall, the significant shock came from summer crops, particularly grains and oilseeds¹. South Africa's summer crops production fell by 23% year-on-year in 2016 - recorded a total output of 9.16 million tons. This was a further decline after 2015 total output fell by 27% year-on-year, reaching 11.94 million tons from 16.45 million tons in 2014 – a normal season.
- Although other sub-sectors such as horticulture, dairy and livestock, amongst others, felt the impact of the 2015/16 drought, overall output and export activity did not decline as sharply as in grains and oilseeds.
- **Encouragingly**, there are signs of recovery across the sector and summer crop farmers intend to increase the area plantings by 15% year-on-year to 3.75 million hectares – slightly below the normal area of 4.1 million hectares. This is partly driven by improvement in weather conditions and fairly attractive commodity market prices. Moreover, the Agbiz/IDC Agribusiness Confidence Index, which signals how South Africa's agricultural GDP could perform in the succeeding quarters, has trended above 50-index points in the third and fourth quarter of 2016. This suggests that there is growing optimism in the agricultural sector and perhaps the sector could soon escape the current mediocre growth path. Overall, weather will be the key determinant of the performance of South Africa's agricultural sector over the next couple of quarters.

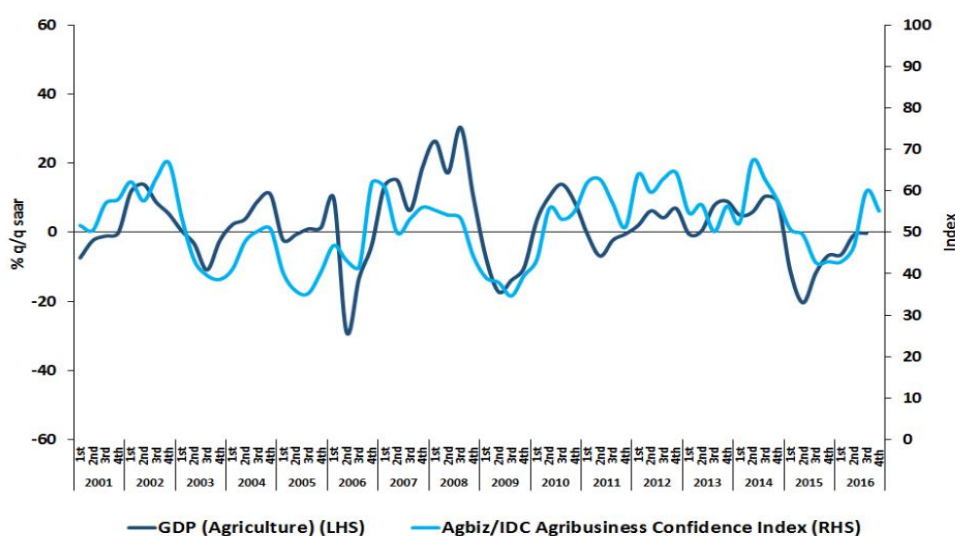


Chart 1: Agbiz/IDC Agribusiness Confidence Index and RSA GDP (Agriculture)

Source: Statistics South Africa and Agbiz Research

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¹ Summer crops represents maize, sunflowerseed, soybean, groundnuts, sorghum and dry beans.