

06 June 2017

SA agricultural economy now showing signs of recovery

The agricultural GDP has landed in positive territory for the first time since 2014, driven by a robust recovery in agricultural production. The recovery in production is largely supported by a record maize and soybean harvest. Data released this morning showed that agricultural GDP grew of 22.2% quarter-on-quarter for the first time in over two years¹. We expect this positive growth to continue for the rest of the year, sustained by growing optimism in the sector.

- These results mirror the increased activity in the agricultural sector, particularly summer grains, oilseeds and horticulture. All of this is largely attributed to good summer rainfall. The 2017 summer grain and oilseeds production are set to reach 18.03 million tonnes, which is a 92% annual increase². The key contributors are maize and soybean, which are set to reach record levels of 15.63 million tonnes and 1.23 million tonnes, respectively.
- Worth noting is that the aforementioned improvement will largely be reflected in the second quarter agricultural GDP numbers, which will most probably be a peak due to increased activity in the fields. Summer crops are typically harvested between April and August of each year.
- More concerning is the ongoing dryness in the Western Cape province and the effects thereafter on crops. Farmers have managed to plant approximately 90% of the winter wheat crop and could reach the intended area of 325 000 hectares within the next few weeks. The near-term weather forecasts show a possibility of rainfall, which could ease concerns and improve soil moisture.
- **Looking ahead** - We expect this positive growth to continue for the rest of the year, sustained by growing optimism in the industry. The [Agbiz/IDC Agribusiness Confidence Index](#), which signals how South Africa's agricultural GDP could perform in the succeeding quarters, has been on an expansionary territory, above 50-index points, for three consecutive quarters (see **Chart 1**).

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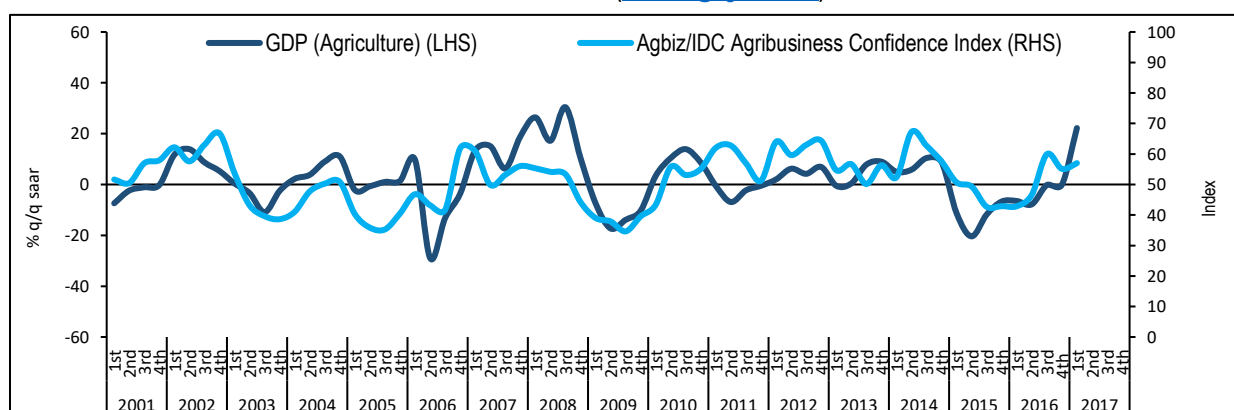


Chart 1: Agbiz/IDC Agribusiness Confidence Index and RSA GDP (Agriculture)

Source: Statistics South Africa and Agbiz Research

¹ Seasonally adjusted annualised

² Summer crops represents maize, sunflowerseed, soybean, groundnuts, sorghum and dry beans



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