

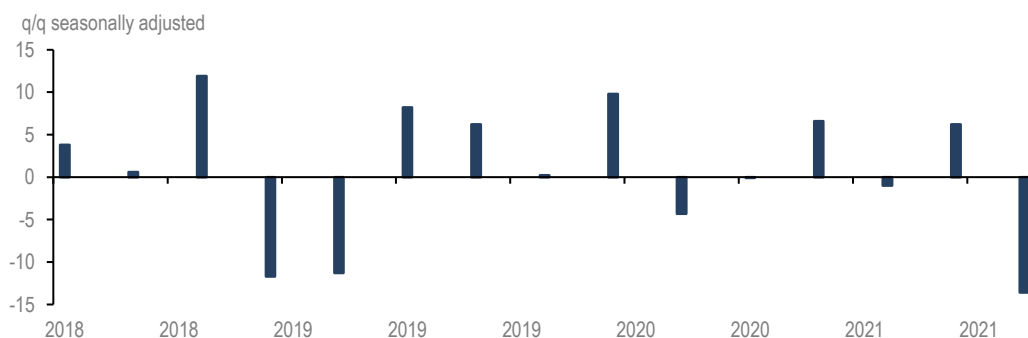
## Agricultural sector's poor performance in the third quarter likely to be a temporary blip

Most high-frequency data of the past couple of months have painted a positive picture of South Africa's agricultural economy. However, the figures released by Statistics South Africa this morning surprised on the downside, with a 13,6% quarter-on-quarter (seasonally adjusted) contraction in the third quarter of this year. This is understandable as the year's third quarter is a relatively quiet period in agriculture, with much of the harvest activity distributed in other quarters of the year. This downswing was also reflected in the recent agricultural jobs data, which fell by 4% quarter-on-quarter in the year's third quarter (employment increased on a year-on-year basis by 3%).

What is worth noting is that the quarterly agriculture gross value-added data tend to be volatile, but we are still confident of full-year growth in this sector. We expect the final quarter of the year figures to show a strong rebound, which will potentially lead to positive performance for 2021. The Bureau for Food and Agricultural Policy (BFAP) forecasts South Africa's agricultural growth for the year at 7,6% y/y (following strong growth of 13,4% y/y in 2020). This far surpasses our initial projection of 6,0% for the year and all the harvest numbers we observed in the past few months convince us that the BFAP forecast might be correct for the sector's annual performance.

At the core of this, the notable agricultural performance we expect is on the back of favourable weather conditions, which boosted crop yields and improved grazing veld, coupled with an increase in area plantings for crops. For example, the primary grains such as maize and soybeans saw production reaching 16,2 and 1,9 million tonnes. This is the second-largest harvest in maize and a record harvest in soybeans. Other field crops also generated large yields in 2020/21 compared with the previous year. Within the horticulture subsector, the South African Wine Industry Information and Systems forecast the 2021 wine grape crop at 1,5 million tonnes, 9,0% more than the 2020 harvest. Thanks to a good harvest, the Citrus Growers' Association reported a record export of 162 million cartons in 2021, up by 19 million from 2020. There was also a notable 9% annual increase in apple and pear exports due to a large domestic harvest. Negatively, the livestock sector was disadvantaged by various challenges this year, including biosecurity challenges such as foot-and-mouth disease outbreaks and high feed costs. Still, the subsector is holding relatively well.

### Exhibit 1: South Africa's agriculture GVA



Source: Stats SA and Agbiz Research

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