

SA agriculture registers a sharp quarterly contraction

The numbers released by Statistics South Africa today show that in the first quarter of 2023, agriculture gross value added sharply contracted by -12,3% quarter-on-quarter (seasonally adjusted). There are a few elements that explain this sharp contraction. First, the field crops had a tough start to the season because of excessive rains, which disrupted and delayed plantings by over a month in some areas. Second, the cattle industry still feels the adverse effects of foot and mouth disease, leading to a decline in slaughtering activity. We see similar issues of animal disease challenges also in the pork industry. Lastly, one can not underestimate the impact of load-shedding disruptions on poultry production. However, the government has since introduced various measures to ease the load-shedding burden on farmers, such as load curtailment, expansion of the diesel rebate to the food value chain, and, most recently, the launch of the Agro-Energy Fund.

Also worth noting is that South Africa's agriculture quarterly gross value-added figures tend to be quite volatile; hence our communication always focuses on the annual performance. Importantly, we expect the coming quarters in the sector to show a robust performance and boost the annual growth figure to around 3% (from a revised 0,9% in 2022). While the summer crop season started on bad footing, and the planting of some crops was delayed by roughly a month, the weather conditions improved in January and allowed for the completion of the planting. Moreover, the load-shedding interventions we mentioned above assisted some farming entities. However, the effectiveness of these energy support measures differs across farming enterprises, and the costs are high mainly for those not fully benefiting from the above efforts and have had to rely on diesel generators to maintain production.

Consequently, South Africa's 2022/23 summer crops are in good shape. For example, the 2022/23 maize harvest is estimated at 16,1 million, 5% higher than the 2021/22 season's harvest and the third-largest harvest on record. Soybeans harvest could reach a record 2,8 million tonnes. Other field crops and fruits also show prospects for decent harvest this season. These good agricultural conditions will support the fortunes of the sector. However, the possible slow recovery in the livestock subsector, which accounts for nearly half of agriculture's gross value added, remains a critical risk to this year's performance.

From a policy position, the Agriculture and Agro-processing Master Plan launched in May 2022 remains an essential guiding pillar for the long-term growth of the sector. This plan offers the government and the private sector framework to grow the sector, build competitiveness, attract more investment, improve inclusion, and create jobs. This year should mark the start of the implementation phase. But progress so far remains limited, as the focus shifted to energy security at the beginning of the year because of the intensified load-shedding. Still, the sector should now focus on the Agriculture and Agro-processing Masterplan and explore means of implementation.

The growth constraints such as biosecurity (animal diseases), infrastructure, widening of export markets, registration of new crop protection chemicals, and various commodity-specific and regionalized plans are some of the aspects that the Agriculture and Agro-processing Master Plan reflected on. Notably, the broad sector support behind the plan could wane over time if the implementation is slow, and we may again find ourselves with

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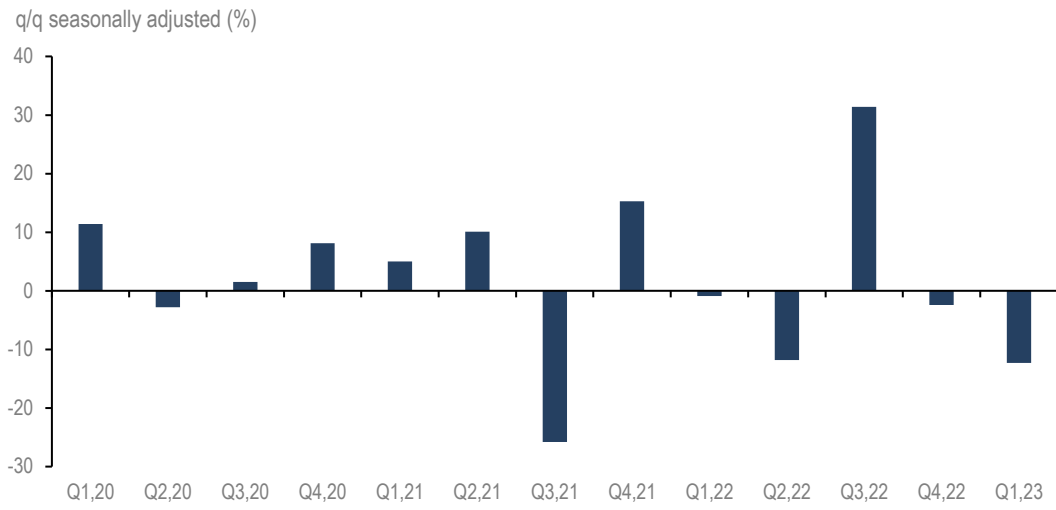
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another "good on paper but not implemented plan". Getting out of this state of inertia requires the Department of Agriculture, Land Reform and Rural Development (DALRRD) to reconvene the social partners with an implementation proposal at hand to propose.

Exhibit 1: South Africa's Agriculture GVA



Source: Stats SA and Agbiz Research