

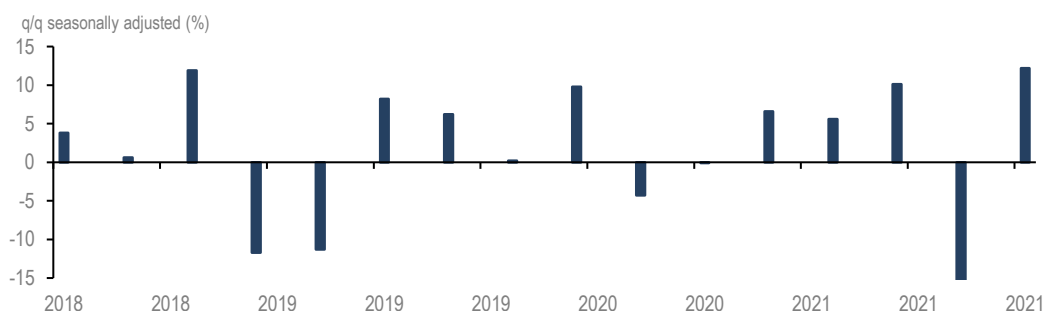
SA agriculture registers an 8% y/y expansion in 2021

After a solid performance of 13,4% y/y in 2020, South Africa's agricultural sector remained on the positive growth path in 2021, registering an 8,3% y/y expansion, according to data released this morning by Statistics South Africa. This is unsurprising as the 2020/21 agricultural season was one of the best in South Africa's agriculture, with near-record harvests in some crops. For instance, the primary grains such as maize and soybeans saw production reaching 16,3 and 1,9 million tonnes, respectively. For maize, this is the second-largest harvest in the history of South Africa and a record soybean harvest. 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 reported the 2021 wine grape crop at 1,5 million tonnes, 9,0% more than the 2020 harvest. Citrus, deciduous fruits and various horticulture products also recorded large harvests and a record export volume in the case of citrus. The livestock industry was hit by biosecurity challenges, such as foot-and-mouth disease outbreaks and high feed costs, towards the end of the year. Still, the livestock subsector held relatively well and benefited from the improvement in the grazing veld.

At the core of the favourable agricultural performance was the conducive weather conditions, with relatively frequent higher rainfall, which boosted yields and had encouraged farmers to increase area plantings. The year 2021 was also an unusual period of generally higher commodity prices, in a year of a large harvest, which was beneficial to farmers, specifically for grains and oilseeds. The higher commodity prices were a global phenomenon and not unique to South Africa. The primary drive of the grains and oilseeds prices was the relatively poor harvest in South America and the strong demand in China and India.

Overall, while the agriculture quarterly gross value-added figures were volatile, with a contraction in the third quarter of 2021, the year ended positively (see Exhibit 1). The gains of agricultural growth also reflect on employment figures as there were 829 000 people in primary agriculture in the third quarter of 2021, up by 3% y/y. Looking ahead, 2022 might be a break from the two consecutive years of high performance. The heavy rains experienced at the start of the season will likely lead to a somewhat lower harvest than the 2020/21 production season, although still above the long-term growth harvest size. The slight annual decline in yield, combined with a higher base of 2021, will likely contract agriculture gross value-added in 2022.

Exhibit 1: South Africa's agriculture GVA



Source: Stats SA and Agbiz Research

08 March 2022

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