

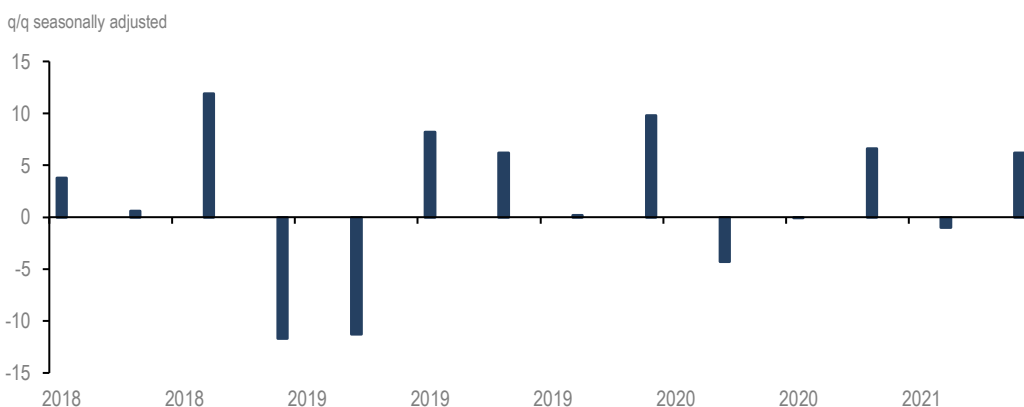
SA's agriculture economy is in good shape

The second-quarter GDP data released by Statistics South Africa this week confirmed the reality we have been observing on the ground, i.e. South Africa's agricultural economy is in good shape. After contracting by 1,0% quarter-on-quarter (seasonally adjusted) in the first quarter of this year, the agricultural gross value-added expanded by 6,2% in the second quarter. This improvement is supported by increased production of field crops, horticulture, and relatively better production conditions within the livestock subsector.

In the 2020/21 production season, the robust agricultural production was underpinned by favourable rainfall and expansion in area plantings of various field crops. Major grains such as maize and soybeans saw production reaching 16,3 and 1,9 million tonnes, respectively. This is the second-largest harvest yet in maize and a record harvest in soybeans. Bumper harvests of other field crops were also expected in 2020/21. Within the horticulture subsector, the South African Wine Industry Information and Systems forecast the 2021 wine grape crop at 1,5 million tonnes, which is 9,0% more than the 2020 harvest. Thanks to a good harvest, the Citrus Growers' Association projects record exports of 163 million cartons in 2021, up from 146 million cartons in 2020.

In a nutshell, while we expect better harvests than in 2020, the sector's gross value-added could expand by 6,0% year on year (y/y) because last year's base, at 13,4%, is already quite strong. Our colleagues at BFAP are slightly more optimistic than us, projecting a 7,0% y/y expansion in South Africa's agricultural gross value added. Positively, the agricultural jobs have also rebounded in the second quarter of this year to 862 000 (up 8% year on year). This year and into 2022, we expect employment to remain at relatively firm levels of around the medium average of 852 000, as agricultural production conditions promise to remain favourable with prospects of a La Niña in the 2021/22 summer season.¹

Exhibit 1: South Africa's agriculture GVA



Source: Stats SA and Agbiz Research

¹ The International Research Institute for Climate and Society echoes a similar sentiment as the South African Weather Service, expecting a weak La Niña for the coming season (see [here](#)). Importantly, from September 2021 to January 2022, the La Niña probabilities are over 50%.

08 September 2021

Wandile Sihlobo

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

www.agbiz.co.za

Disclaimer:

Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any loss or damage incurred due to the usage of this information.