

## SA's agriculture in good shape despite a quarterly blip

The GDP data for the first quarter which shows that SA's agricultural output unexpectedly contracted by 3.2% quarter on quarter on a seasonally adjusted and annualised basis should not be of lasting concern. Stats SA attributes the underperformance to "lower production of field crops and animal products". But this is a temporary blip and shouldn't be regarded as a worse season than the robust 2020. Also, important to highlight is that on a year-on-year basis, the agricultural gross value added expanded strongly by 7,5%. The sector is set for one of the best years on record, and such improvements should be reflected in the data in the coming quarters.

For example, the South African Wine Industry Information and Systems forecasts the 2021 wine grape crop at 1.5 million tonnes, which is 9% more than the 2020 harvest. The Citrus Growers' Association projects record exports of 159 million cartons in 2021, up from 146 million cartons in 2020, thanks to a good harvest. The Crop Estimates Committee forecasts the 2020-21 maize and soybean production at 16.2 million tonnes and 1.9 million tonnes, respectively. That's an increase of 6% year on year — and the second-largest harvest on record — for maize, and a 54% rise to a record harvest for soybeans. Bumper harvests of other field crops are also expected. The healthy production forecast for summer crops is based on increased area plantings and favourable rainfall since the start of the season.

While we expect better harvests than in 2020, the expansion of the sector's gross value-added could be just 5,0% year on year because last year's base, at 13.1%, is already quite strong. Our colleagues at BFAP are slightly more optimistic than us, projecting a 7,6% y/y expansion in South Africa's agricultural gross value added. The only place where the robust performance of the sector will likely not show is for jobs. In the first quarter of 2021, South Africa's agricultural jobs fell 8% from a year ago, with 792 000 people employed, according to Stats SA's Quarterly Labour Force Survey. That is the lowest since 2014, which was a drought year and we are not in a drought season at the moment. Moreover, the decline in jobs seems to be concentrated within industries most affected by various regulations during the lockdown, such as the horticulture (wine grapes) and game industries.

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



Source: Stats SA and Agbiz Research

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