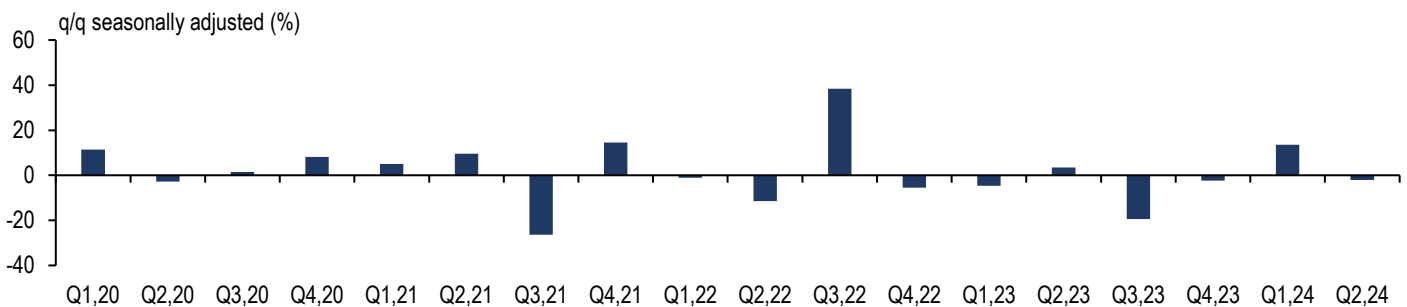


South Africa's agricultural fortunes contracted in Q2, 2024

- After a robust expansion of 13,5% quarter-on-quarter (seasonally adjusted) in the first quarter of 2024, South Africa's agricultural gross value added contracted by 2,1% in the second quarter. This is unsurprising. South Africa's agriculture has gone through the severe impact of the El Niño-induced drought in February and March, which weighed on crop yield. For example, South Africa's 2024-25 summer crop harvest is down 22% from the previous season, estimated at 15,69 million tonnes. Moreover, the livestock industry, which accounts for nearly half the sector's value, faces relatively higher feed costs and lingering animal diseases (particularly foot-and-mouth disease), which all explain the underperformance this quarter.
- The drought impact has already weighed on sentiment in the sector. For example, the Agbiz/IDC Agribusiness Confidence Index (ACI) remained depressed in the second quarter of 2024, reaching 38 points from 40 points in the previous quarter. This is the lowest level since 2009, which was the global financial crisis, and implies that agribusinesses were downbeat about business conditions in the country at the time. The mid-summer El Niño induced drought's impact on summer grains and oilseed production is one of the major factors that weighed on the sentiment. The drought coincided with the long-standing challenges of inadequate road and rail infrastructure and inept municipal service delivery. The lingering animal disease challenges and heightened geopolitical tensions were also the major concerns.
- The mid-summer drought did not severely affect the horticultural industry because the production is under irrigation. Also, the dam levels across South Africa had benefitted from heavy rains at the end of 2023 and into the start of 2024 before we experienced a mid-summer drought. These better dam levels and more reliable energy supply catalysed the excellent production in the horticulture subsector.
- Overall, these driving factors of the sector's fortunes second quarter will likely shape the broader performance for the year, with a likely strong recovery in 2025.

Exhibit I: South Africa's agricultural gross value added



Source: Stats SA and Agbiz Research