

## South Africa's agricultural gross value added contracted sharply in 2023

- South Africa's agricultural sector faced several challenges in 2023, but we didn't think the overall annual performance would drop sharply. Along with the Bureau for Food and Agricultural Policy (BFAP), we expected a mild contraction in 2023 because of the animal disease challenges in the livestock and poultry sub-sector. But the figures released today by Statistics South Africa show that the gross value added fell notably by 12,2% year-on-year.
- The headwinds in the livestock and poultry industry weighed on the sector more intensely than we anticipated. The livestock and poultry industry, which accounts for nearly half the sector's value, was hit by animal diseases such as foot-and-mouth, avian influenza and African swine fever.
- Regarding the field crops, the harvest was robust but insufficient to boost the overall sector performance. For example, the 2022/23 maize harvest reached a solid 16,4 million, 6% higher than the 2021/22 season's harvest and the second-largest harvest on record. Soybean harvest was at a record 2,8 million tonnes.
- Another major field crop, 2023/24's sugar cane, was at 18,5 million tonnes, up 3% y/y. Other field crops and fruit harvests were also decent in 2023. Also worth noting is that some agricultural commodity prices were generally down in 2023, which would have also slightly added to the downward performance of the sector.
- Furthermore, the Agbiz/IDC Agribusiness Confidence Index (ACI), which we view as a lead indicator of the sector's performance, deteriorated by 10 points to 40 in the last quarter of 2023. This is its lowest level since the second quarter of 2020, at the height of the Covid-19 pandemic hard lockdown restrictions. Critically, the last quarter of 2023 reading of the ACI is below the neutral 50-point mark, implying that South African agribusinesses were downbeat about business conditions in the country. This pessimism emanates from the sector's numerous challenges, such as intensified delays and inefficiencies at the ports, deteriorating rail and road infrastructure, worsening municipal service delivery, increased geopolitical uncertainty and persistent episodes of load-shedding.
- The path ahead for the sector is even more challenging because of the intensified El-Nino-induced dryness that continues to strain the 2023/24 summer crop production prospects. Still, the more reliable production figures for the 2023/24 summer grain will be released by the Crop Estimates Committee at the end of March, and that will provide us with a better guide into the 2024 outlook for the sector. Moreover, the sector still feels the tail-end effects of animal diseases, which may further weigh on growth this year, although possibly milder than in 2023.