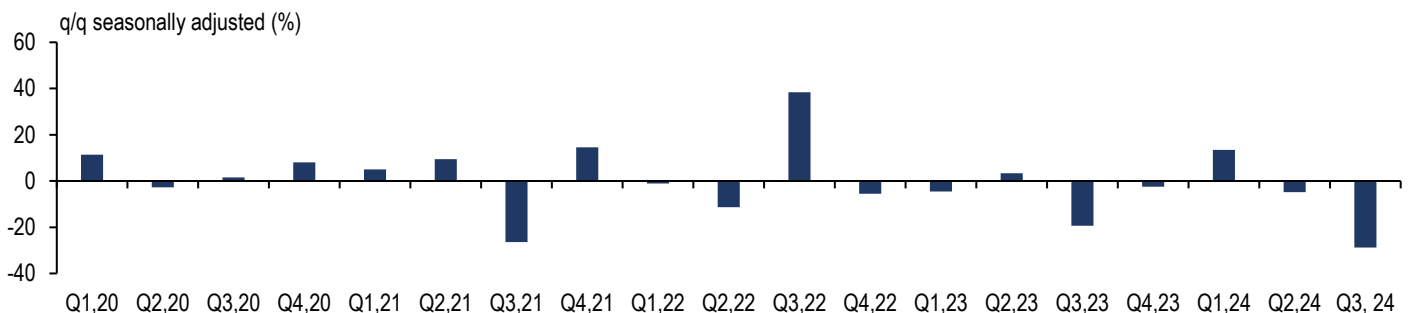


## South Africa's agricultural gross value added declined sharply in Q3 2024

- South Africa's agriculture has had a challenging year, with the El Niño-induced mid-summer drought weighing on the 2023-24 summer crop production and animal diseases still lingering in the livestock industry. Ordinarily, in seasons like this, one would expect the sector to underperform. Still, the extent of the decline in the country's agricultural fortunes in the third quarter is surprising. The data released by Statistics South Africa shows that the country's agricultural gross value added contracted by -28,8% quarter-on-quarter (seasonally adjusted) in the third quarter, following -4,8% quarter-on-quarter in the second quarter. Later, we will have more to say about the data, which requires a closer look. However, the general trend of the sector can partly be explained by these factors.
- The field crops' underperformance is mainly in the production of summer grains and oilseeds. For example, South Africa's 2023-24 summer crop harvest is down 23% from the previous season, at 15,40 million tonnes. We believe the livestock subsector, which accounts for nearly half the sector's value, has also not fully recovered. This subsector faces relatively higher feed costs and lingering animal diseases (particularly foot-and-mouth disease in the Eastern Cape), contributing to the underperformance this quarter.
- Still, it is not all doom and gloom in the sector; the horticulture subsector performed reasonably well this year, albeit its impact was not fully pronounced in the third quarter figures. 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, the underperformance of the sector requires a closer look at the data, along with an appreciation that we are closing a challenging year of drought and lingering animal diseases.

### Exhibit I: South Africa's agricultural gross value added



Source: Stats SA and Agbiz Research