

OPINION PIECE:

Drought and animal disease have taken a toll on SA agriculture sector

By Wandile Sihlobo, Daily Maverick, 13 September 2019

This is not a good year for South Africa's agricultural sector. The production data has generally been negative since the start of the year because of dryness experienced between October 2018 and early 2019 in most summer crop growing areas of the country. Just last week, Statistics South Africa released second quarter figures - seasonally adjusted gross value added in the agricultural sector fell by 4.2% q/q, on an annualised basis, after a 16.8% q/q decline in the first quarter.

It is then unsurprising that the trade data continue to paint a similar picture of a decline in performance from levels we saw in 2018. South Africa's agricultural trade surplus narrowed by 30% in the second quarter of this year compared to the corresponding period in 2018, recorded at US\$789 million, according to data from [Trade Map](#). The driver was not an increase in imports, but rather a decline in export volumes of wool, edible fruits, wine and grains. This can be explained by two factors, which are animal health and the changing climate which induced the aforementioned dryness in some parts of the country.

First, the foot-and-mouth disease [outbreak that occurred in Limpopo earlier this year](#) resulted in a temporary ban of South Africa's beef and other livestock products exports. This continued for months while the authorities were still doing inspections and applying control measures, and thus, its impact is reflected in the trade data for the first half of this year. The beef industry is [now back in export markets](#), but the wool industry continues to [struggle to access](#) the Chinese market as negotiations to resume exports are still underway ([the ban on wool imports arose from the foot-and-mouth disease outbreak](#)).

This is particularly important because over the past five years, China accounted for an average of 71% of South Africa's wool exports in value terms. This means a ban on exports to this particular market has much wider implication to the wool industry, and thus impacts on South Africa's agricultural trade balance.

Second, the drought that started in October 2018 and continued into early 2019 in some parts of South Africa led to a poor summer crop and horticulture harvest. For example, the major summer crops, which performed poorly during the 2018/19 production season – maize, soybeans and sunflower seed production are down by 12% y/y, 21% y/y and 24% y/y, to 11.02 million tonnes, 1.17 million tonnes and 680 940 tonnes, respectively. Moreover, the wine grapes harvest was down by 2% from 2018. All this subsequently led to lower export volumes in the second quarter of this year compared to a corresponding period in 2018.

From a destination point of view, the African continent and Europe continued to be the largest markets for South Africa's agricultural exports, respectively accounting for 40% and 26% in value terms. Asia was the third-largest market, taking up 24% of South Africa's agricultural exports in the second quarter of 2019. The balance of 10% value was spread across other regions of the world.

But the most important point is that the subdued performance has largely been underpinned by temporary glitches. This means South Africa's agricultural economy could bounce back in 2020. The South African Weather Service has already indicated a possibility of above-normal rainfall in parts of the summer crop growing areas in 2019/20 season. If this materialises, it should lead to a recovery in production. Government and private sector now prioritise animal health so that its impact could be minimised in the near future. All this gives comfort that the underperformance of this sector in the second half of this year (and likely the whole of 2019) might be a temporary blip.

- *Sihlobo is chief economist of the Agricultural Business Chamber of SA (Agbiz).*