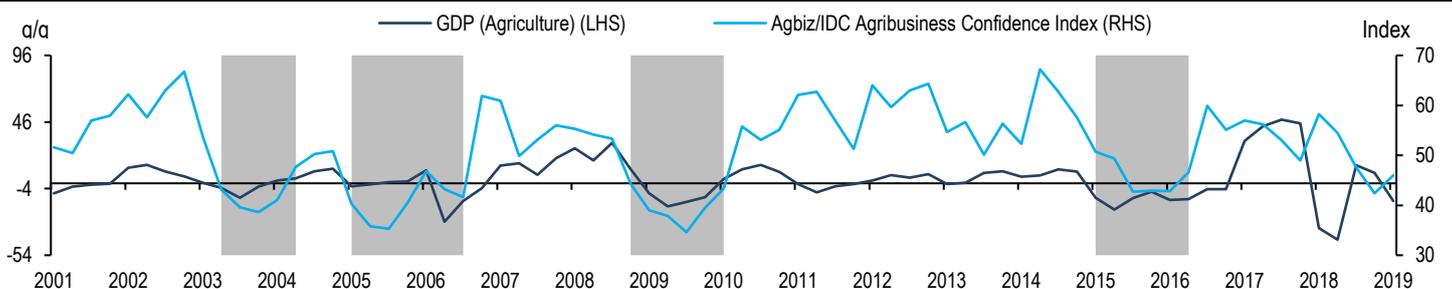


## South African agricultural fortunes shrink in Q1, 2019

- South Africa's agricultural economy started the year on a bad footing, contracting by 13.2% on a quarter-on-quarter seasonally-adjusted annualised rate (q/q saar). This came as a surprise as we expected a positive reading on the back of improvement in some horticultural subsectors, and the winter crops harvest. At the heart of it though, the contraction is in line with the numbers that are coming out of key horticultural industries that harvested during the first quarter of the year. Case in point being wine grapes, whose harvest is down by 2% from 2018, which was already down by 14% from a long-term average harvest. The citrus industry, which has been a source of positive news in the horticultural sector, with exports set to reach a record level of 137 million boxes of citrus fruit in 2019 due to large output, only started with its harvest activities in the second quarter, and we expect its fortunes to be reflected when the data become available.**
- With that said, the optimism from the citrus industry will likely be short-lived as agricultural conditions were tough in large parts of the country due to drier weather conditions over the past few months. This was specifically the case in the central and western parts of the country, which predominantly produce summer grains and oilseed, and had plantings reduced by 3% year on year in the 2018/19 production year to 3.7 million hectares. The yields of major summer crops such as maize, soybeans and sunflower seeds were also negatively affected, and thus production is set to be down by 13% y/y, 16% y/y and 29% y/y to 10.9 million tonnes, 1.3 million tonnes, and 611 140 tonnes, respectively. This could be mirrored in the agricultural economy data of the upcoming quarters.
- Moreover, the Agbiz/IDC Agribusiness Confidence Index, which in the past proved to be a good indicator of the growth path of the South African agricultural economy has been rather wobbly in the most recent quarters, but remains in the contractionary territory, having eased at 46 points in the first quarter of 2019. This is below the neutral 50-point mark, and implied that agribusinesses are downbeat about business conditions in South Africa. Overall, we think the expected contraction in the summer crops harvest could overshadow positive news that might emanate from other agricultural subsectors this year, and that South Africa's agricultural economy could contract in 2019.

**Figure 1: South African agricultural economy<sup>1</sup>**



Source: Stats SA, Agbiz Research

<sup>1</sup> Shaded areas indicate periods when rainfall across South Africa was below the average level of 500 millimetres

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