

OPINION PIECE:

Another grim year ahead for despondent SA agricultural sector

By Wandile Sihlobo, [Business Day](#), 11 December 2019

In years to come when we read the agricultural economic history of SA, 2019 will be one of the toughest the sector has experienced in the past decade.

On a macro level we've witnessed sustained despondency among farming businesses for some time. The Agbiz/IDC agribusiness confidence index has remained below the neutral 50-point mark for six consecutive quarters, which implies that agribusinesses are downbeat about business conditions in SA. This has been the longest period of despondency in the farming sector since the financial crisis.

Moreover, it is almost a foregone conclusion that agricultural GDP will contract this year, with the first three quarters of the year having remained in negative territory. This will be a second consecutive year of contraction — in 2018 the sector contracted by 4.8% year on year.

On the trade front, while the outlook is not bleak, SA's agricultural trade surplus is likely to have fallen 13% to \$10.2bn (R150bn) year on year. This is a result of the decline in export activity, specifically of grains, edible fruits, wine and wool.

The year has not been great for downstream industries such as agricultural equipment either. Tractor sales have experienced a sustained decline since the start of the year.

The common theme in these developments is erratic weather conditions and biosecurity challenges, specifically foot-and-mouth disease. The drought that started in October 2018 and continued into early 2019 in some parts of SA led to a poor summer crop and horticulture harvest. As I have stated in my previous columns, the major summer crops performed poorly during the 2018/2019 production season — maize, soya beans and sunflower seed production are all down year on year, by 10%, 24% and 21%, to 11.3-million tons, 1.2-million tons and 680,940 tons respectively. Moreover, the wine grape harvest was down 2% from 2018.

All of this led to relatively lower export volumes and weighed on farmers' income, which influenced their ability to acquire new machinery.

In terms of biosecurity, the primary challenge in 2019 has been foot-and-mouth disease, which remains a threat after the recent outbreak in Limpopo. The first three quarters of the year were affected by the outbreak that occurred in Limpopo, which resulted in a temporary ban on livestock product exports, including wool. China, which imports on average 71% of SA's wool, placed a temporary ban on SA imports, which weighed on the industry's export activity and subdued wool and beef export values in the first three quarters of the year.

Most importantly, this also negatively affected livestock farmers' income and the general performance of the agricultural economy. I should note though that the export ban on wool has since been lifted, and SA's export figures could firm in 2020. For the

beef industry, however, the new outbreak has reintroduced the uncertainty that constrained economic activity in the first three quarters of this year.

The aforementioned factors combined, along with an unfavourable agricultural policy environment, specifically water and land reform policies, have been the key drivers of the downbeat mood of business conditions in the agricultural sector. This is what has made 2019 such a difficult year for the agricultural sector, though it is not as bad as the 2015-2016 drought.

As we start the new decade in a few weeks, we are likely to get off on a negative footing, with the aforementioned factors likely to prevail. There is still a high probability of drought in midsummer, and the fresh outbreak of foot-and-mouth disease in Limpopo has reintroduced all the risks we thought we had left behind. This makes one wonder whether there will be a meaningful recovery from the current slump in 2020.

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