



# AGRICULTURAL ECONOMIC SUMMARY: 2020 QUARTER 1

## 1. INTRODUCTION

This quarterly report provides a summary of the agricultural economy's performance from the first quarter of 2020, highlighting key considerations for both South Africa and the Western Cape. The impact of COVID-19 pandemic on the world economy is unprecedented. Although it is still too early to quantify the full magnitude of its impact on South Africa and the agricultural sector, this report provides an update on changes in agricultural production, employment trends, export performance and food inflation for the first quarter of 2020.

## 2. PRODUCTION PERFORMANCE

Gross Domestic Product (GDP) numbers published by StatsSA shows further declines in South Africa's economic performance by contracting 2% (StatsSA, 2020a). This comes after the country already entered a technical recession in the final quarter of 2019 and reflects mostly on the economy before major lockdown declines have been realised.

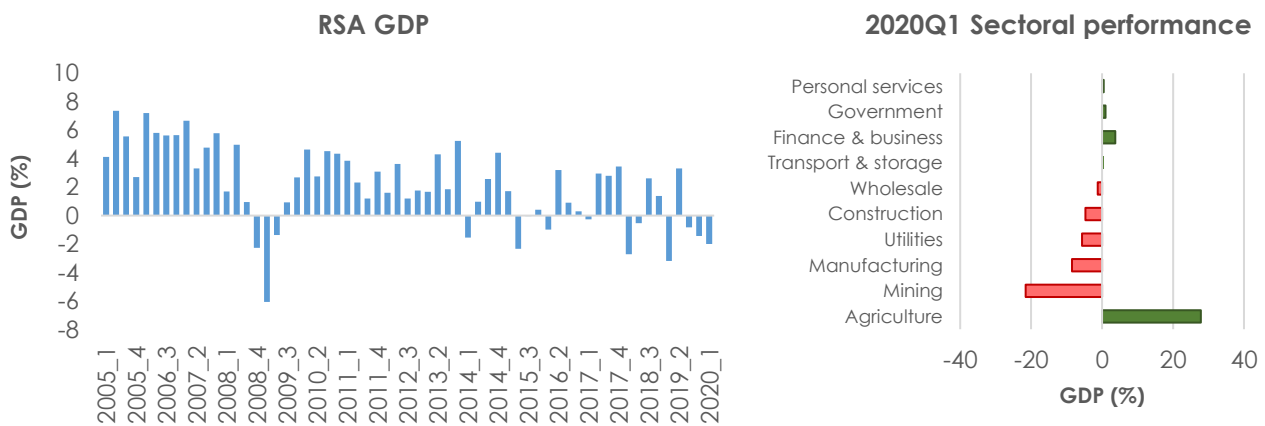


Figure 1: South Africa's GDP by sector

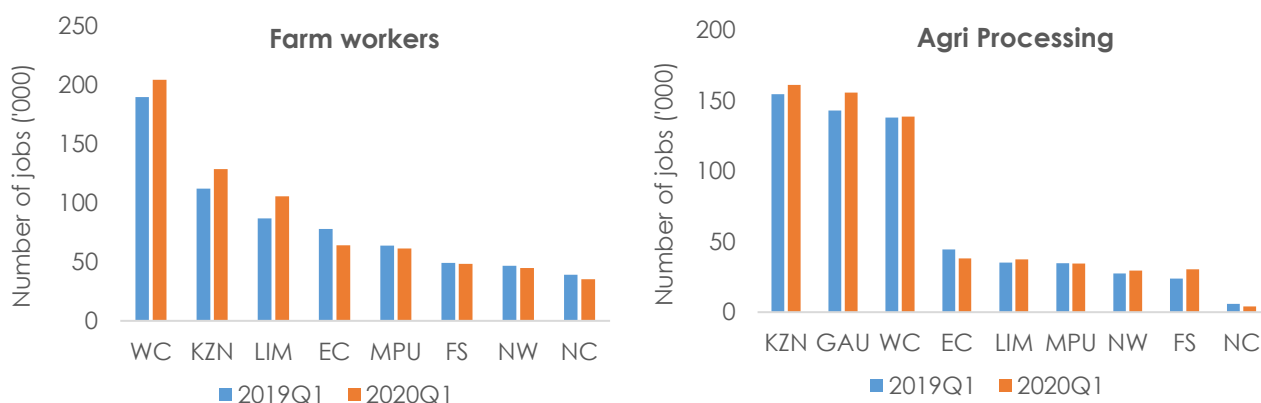
Source: StatsSA (2020a)

The sectoral performance indicates that of the ten industries considered, only five contributed positively to GDP, namely agriculture (0.5%), finance (0.8%), government (0.1%), transport & communication and personal services. However, a drop in economic output was seen in wholesale trade, construction, utilities, manufacturing and mining (StatsSA, 2020a). The latter two had the biggest declines with mining contracting by 22% and manufacturing by 8%.

Agriculture's growth in particular increased by 27.8% when compared to the fourth quarter of 2019. This growth comes from improved performance in many of the major farming industries, but also comes from a relatively low base because of a challenging year for the sector in 2019. Unfortunately, provincial breakdowns are not published quarterly throughout the year, but there is some evidence that the Western Cape agricultural sector is set to finally recover from the major impact of the drought. The main drivers of this recovery is improved total production for table grapes, stone fruit and pome fruit, although COVID-19 has had devastating impacts on industries such as wine and flowers. Since regulations to combat the spread of the virus will remain in force for the immediate future, the implications for agri-tourism remains a major concern. Lastly, agricultural exports by air transport are already down 20% on volume for the year to date (Jan-May), with limited flights pushing transport prices significantly higher. This is a serious concern for the alternative crops grown in the Western Cape (flowers, berries, grapes and sub-tropical fruit).

### 3. LABOUR MARKET

The quarterly employment performance broadly reflects the poor overall economic performance. Whereas national GDP contracted by 2%, the number of unemployed individuals has increased by 5% and those employed remained relatively constant. This resulted in the narrow unemployment rate increasing to 30.1% (StatsSA, 2020b). The Western Cape has done slightly better than the national numbers during quarter 1 with a slight decline in the unemployment rate since the previous quarter to its current level of 20.9%. In keeping the focus on agricultural employment, Figure 2 gives the employment changes for direct farm and agri processing jobs for every province. Compared to 2019Q1, the number of farmworkers in South Africa has increased by 4% in the first quarter of 2020. The WC has contributed to this by adding around 14 000 jobs, whilst agri processing jobs have increased by 612 (StatsSA, 2020b).



**Figure 2: Direct farm and agri processing workers**

Source: StatsSA (2020a)

### 4. EXPORT PERFORMANCE

The export performance of the Western Cape is measured using national export numbers of the agricultural industries concentrated in the Western Cape. In terms of the volumes exported, Table 1

summarises the export performance compared to the average between 2017 and 2019. Some of these industries such as table grapes, plums, prunes, peaches and nectarines have already completed their export season, whilst pome fruit and citrus is still in progress. Table grapes had a successful season marked by good yields and export volumes, which was 7% higher than the previous average. The performance for stone fruits has been mixed, with declines for plums & prunes (-13%) and an increase for peaches & nectarines (13%). Although the citrus harvest is only mid-way, oranges, lemons and naartjies have all significantly exceeded the export volumes at the same time last year, mainly due to the increased global demand for vitamin-C.

Apple and pear exports are also still ongoing with the latter 13% lower than the average between 2017 and 2019. It should be noted that the impact of COVID-19, as well as port inefficiencies more broadly, have hampered export volumes so far this season. Furthermore, wine exports have had the additional impact of not being able to export products for the most of the past three months. As indicated in Table 1, bulk wine exports as of May 2020 was down 51% and bottled wine 37% in terms of volumes exported.

**Figure 1: South Africa's export performance for major WC products**

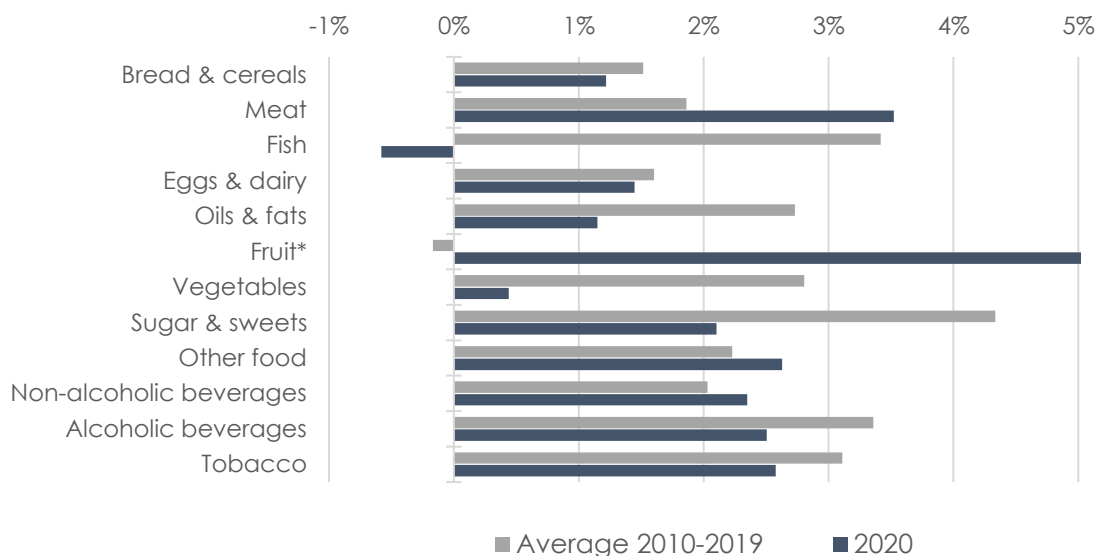
| Industry             | Year to Date: Week 26                 |                          | Change (%) |
|----------------------|---------------------------------------|--------------------------|------------|
|                      | 2017-2019 Average Exports ('000 Tons) | 2020 Exports ('000 Tons) |            |
| Table Grapes         | 269                                   | 288                      | 6.95       |
| Apples               | 220                                   | 227                      | 3.46       |
| Oranges              | 181                                   | 178                      | -1.69      |
| Lemons               | 168                                   | 232                      | 38.14      |
| Pears                | 164                                   | 143                      | -13.00     |
| Naartjies            | 106                                   | 143                      | 35.01      |
| Bulk Wine (May)      | 96                                    | 47                       | -50.82     |
| Bottled Wine (May)   | 70                                    | 45                       | -36.59     |
| Plums & Prunes       | 50                                    | 44                       | -12.95     |
| Peaches & Nectarines | 15                                    | 17                       | 13.22      |

Source: PPECB, (2020); SARS (2020)

Naturally, export performance is significantly dependent on price movements, in combination with the volume of goods exported. As data becomes available on export prices, as well as average farm-gate prices, then these will also be analysed.

## 5. FOOD PRICES

South Africa's headline inflation for the first quarter of 2020 was 1.59%, lower than the 2.18% average inflation rate for the first quarter between 2010 and 2019. Headline inflation for the Western Cape for the first quarter was 2.2%, significantly higher than South Africa's and slightly higher than the 2.18% provincial average for the first quarter of the previous nine years (StatsSA, 2020c). Figure 3 shows the movements in average prices for the major agricultural food groups for the first quarter of 2020. Some highlights worth noting were the 33% increase in fruit prices during the 1<sup>st</sup> quarter, which is uncharacteristic for this time of the year. Meat prices in the Western Cape also increased by significantly more than in prior years. Fish, vegetables, oils and fats, and sugar and sweets experienced price changes much lower than the average experience for the first quarter of prior years.



**Figure 3: Western Cape quarterly inflation of food products**

Source: StatsSA (2020c)

## 6. CONCLUSION

A review of South Africa's economic performance in the first quarter showed a decline of 2% in GDP. The agricultural sector was one those that made a positive impact on GDP, growing by of 28% compared its performance in the fourth quarter of 2019. In the Western Cape, the agricultural sector was recovering from the impact of the drought due to improved production in table grapes, stone fruits and pome fruits. The outbreak of the COVID19 pandemic is having negative impacts on certain industries such as wine and flowers subsectors. Inline with the good performance of the agricultural sector, there was also growth in farm worker employment, whilst agri processing jobs were stable. This comes as a result of good harvests and export performance. Finally, food price changes worth noting in the Western Cape was significant price increases for fruits.

## 7. REFERENCES

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