



AGRICULTURAL ECONOMIC SUMMARY: 2020 QUARTER 2

1. INTRODUCTION

This quarterly report provides a summary of the agricultural economy's performance in the second quarter of 2020, highlighting key considerations for both South Africa and the Western Cape Province. Before delving deeper into the positive performance of the agricultural sector and the drivers behind it, it is perhaps important to contextualise the dramatic and historic decline in the 2nd quarter GDP for the South African economy. The latest release from StatsSA indicates that the economy plummeted by 51% in the second quarter of 2020, compared to the same quarter in 2019 on a seasonally adjusted and annualised basis (StatsSA, 2020a). Figure 1 below shows this GDP trend for the longest available quarterly time series data since 1960 (SARB, 2020). The lockdown instituted to combat the spread of COVID-19 has meant that most economic activities stalled, resulting in severe economic contraction. This decline also comes off the back of three successive quarters of negative growth, the most recent being a 2% decline in quarter 1 of 2020.

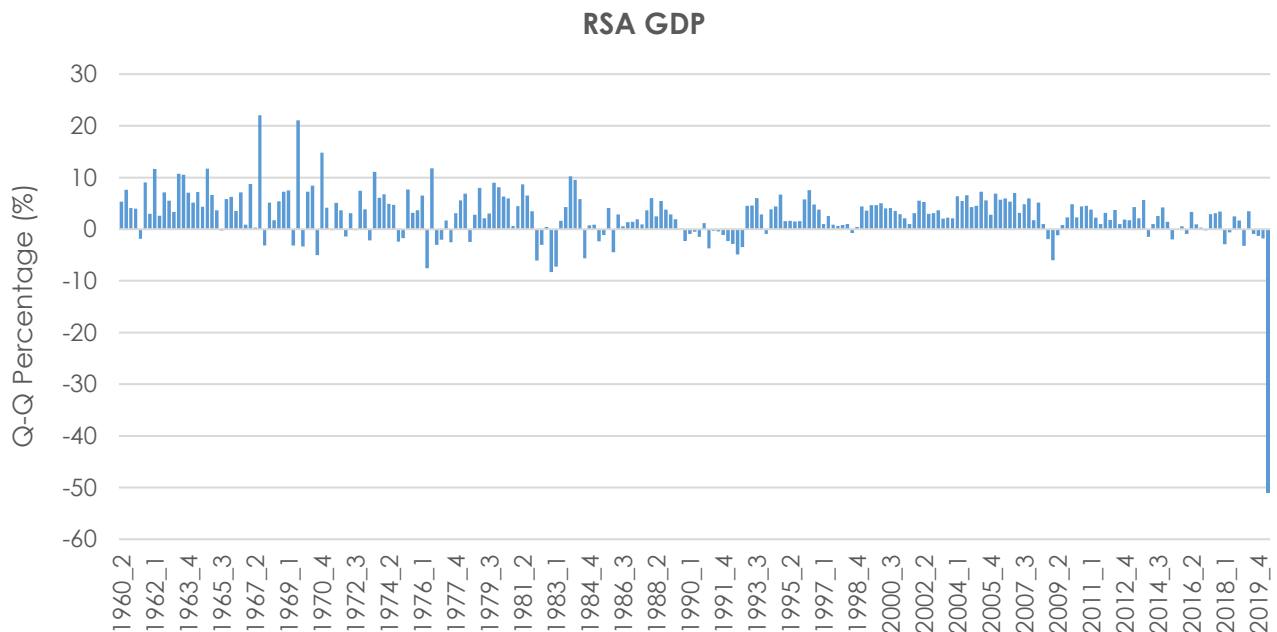


Figure 1: South African GDP, quarter-on-quarter, seasonally adjusted and annualised

Source: SARB (2020)

Out of all of the ten sectors measured, only the agriculture, forestry and fisheries sector realised a positive growth in quarter 2. The agricultural economy has performed remarkably well,

growing by 29% in quarter 1 and another 15% in quarter 2 of 2020. As pointed out in Figure 2 in the red bars, some sectors such as mining, manufacturing, construction, transport and trade, catering and accommodation each declined by more than 65%. Finance, personal services and electricity had relatively smaller declines, but still significant.

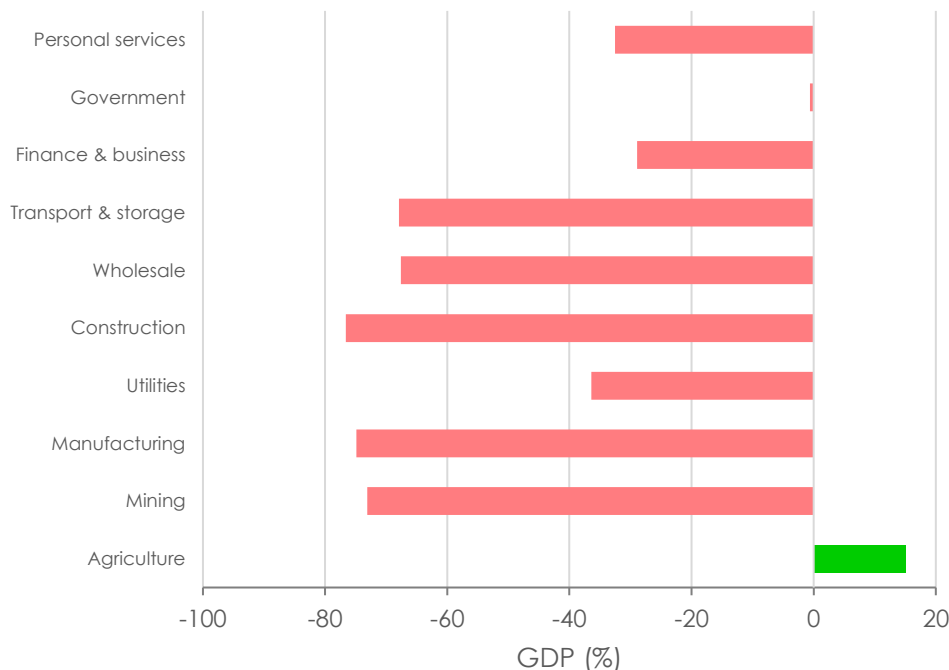


Figure 2: South African GDP performance by sector, 2020Q2 vs 2019

Source: StatsSA (2020a)

The rest of this report will shed some more light on the performance of the agriculture sector during the past quarter, by assessing agricultural production and export performance, as well as movements in food inflation. Unfortunately, job numbers are not yet released due to StatsSA changing the survey methodology to telephonic interviewing, delaying the results from Q2's labour market performance, but some remarks on agricultural employment are nonetheless made.

2. PRODUCTION PERFORMANCE

The performance of the agricultural sector during the second quarter reflects an agricultural economy making a strong recovery from several difficult seasons owing to droughts and limited market access for livestock exports. Figure 3 shows the Gross Value Added for the sector, which has grown 28.6% during quarter 1 and 15.1% in quarter 2 in 2020. This growth has translated into the agricultural economy adding 0.3% percentage points to the overall GDP.

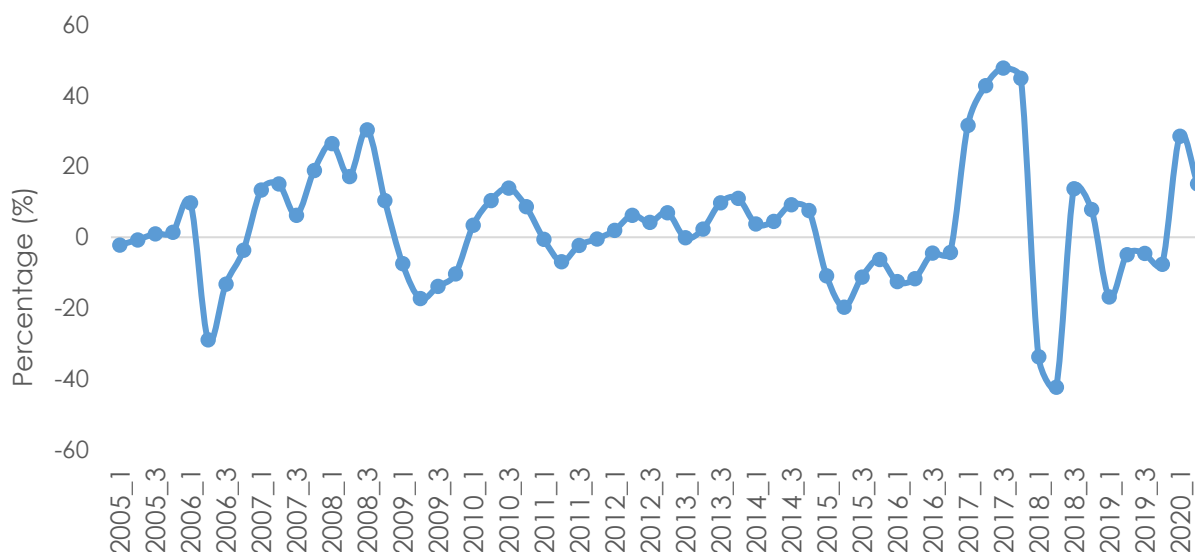


Figure 3: South Africa's agricultural GDP performance

Source: StatsSA (2020a)

The production accounts published for quarter 2 suggest that there has been strong growth in field crops and horticultural output in 2020, whilst that of animal and animal products were milder (DALRRD, 2020). In terms of field crop production, South Africa harvested its second-largest grain crop on record, underpinned by maize production increases of 38%, sunflower seed 16% and soybeans with 8% compared the previous year. In terms of agricultural industries concentrated in the Western Cape, the past two quarters performance reflect improved harvests and sales of citrus, dried and deciduous fruit, compared to 2019. Unfortunately, the impact of the restrictions on wine sales and international tourists participating in agri tourism activities has stifled growth somewhat. On aggregate, the South African horticulture output has in value terms grown by 30%, boosted by the weaker Rand and good export volumes.

Recent estimates by Bureau for Food and Agricultural Policy (BFAP) suggest that the agricultural sector's value added for the year 2020 will grow by 13%, whilst the Agribusiness Chamber (Agbiz) has a more moderate estimate of 10%. These estimates, although high in the context of COVID-19 and an economy in recession is coming from a relatively low base due to challenging trading environment in 2019.

3. EXPORT PERFORMANCE

In line with the much-improved production of agricultural products, the export performance of the sector has also been positive in the past year. In terms of the volumes exported, Table 1 summarises the South African export volumes of a few selected agricultural products important to the Western Cape economy, compared to the average between 2017 and 2019. As noted in Quarter 1, table grape exports were up by 7%, peaches and nectarines by 13%, whilst plums and prunes had another difficult exporting year (-13%). These industries mainly concluded their harvest before the national lockdown was implemented. Citrus exports are performing particularly well with the year-to-date export volumes already 13% than the 2017-2019 average, with apple export 7% higher. The sharp decline in wine exports for both bottled and bulk wine is a concern, but hopefully, some lost opportunity for exports can be regained in the coming months as local wine sales can now proceed without lockdown restrictions on trade.

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

| Industry | Year to Date: Week 36 | | Change (%) |
|----------------------|---------------------------------------|--------------------------|------------|
| | 2017-2019 Average Exports ('000 Tons) | 2020 Exports ('000 Tons) | |
| Table Grapes | 269 | 288 | 6.95 |
| Apples | 306 | 327 | 6.95 |
| Oranges | 806 | 823 | 2.05 |
| Lemons | 273 | 355 | 30.00 |
| Pears | 188 | 169 | -9.88 |
| Naartjies | 217 | 317 | 46.29 |
| Bulk Wine (May) | 135 | 74 | -44.92 |
| Bottled Wine (May) | 107 | 71 | -33.86 |
| Plums & Prunes | 50 | 44 | -12.95 |
| Peaches & Nectarines | 15 | 17 | 13.22 |

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

4. LABOUR MARKET

Statistics South Africa has delayed the release of the 2nd quarter labour force survey. However, given the poor performance of the economy, there is some speculation about increased levels of unemployment. In the first quarterly, employment statistics showed that the Western Cape has done slightly better relative to national numbers with a slight decline in the unemployment rate since the previous quarter to its current level of 20.9%. Focusing on agricultural employment, Figure 3 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).

However, in all likelihood, the expectation is that, due to the crippling impact of the COVID-19 on the economy, many jobs have already been lost. Although the farming sector in the Western Cape was somewhat shielded from lockdown disruption, the fact that many seasonal farm workers had difficulties in traveling between provinces, coupled with the restrictions limiting the number of workers allowed to be transported per vehicle from place of residence to the farms, will certainly have a negative impact on Q2 job numbers. An update of this report will be made as soon as the employment statistics are made available.

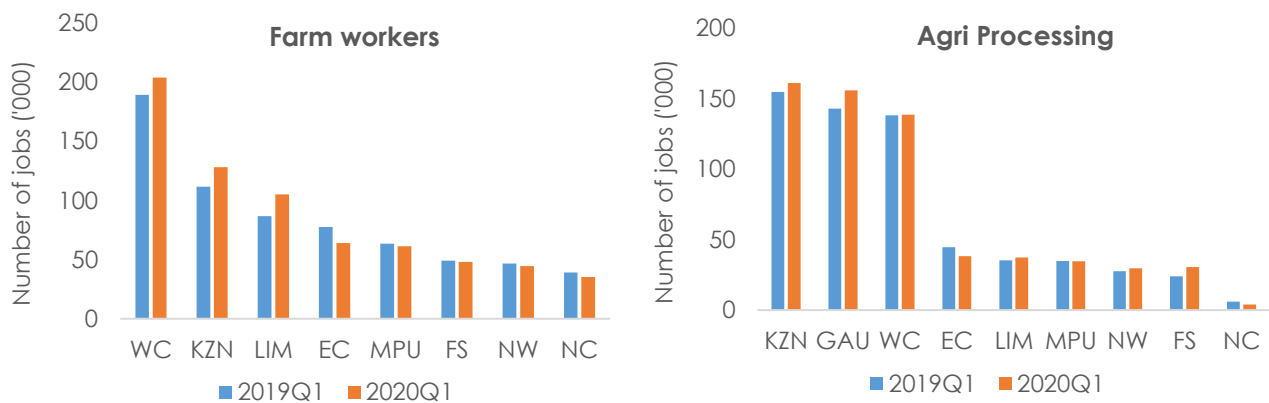


Figure 3: Direct farm and agri processing workers

Source: StatsSA (2020a)

5. FOOD PRICES

South Africa's headline average annualised monthly inflation for the second quarter of 2020 was 2.36%, significantly lower than the 5.19% average inflation rate for the second quarter between 2010 and 2019. Headline inflation for the Western Cape for the first quarter was 3.02%, slightly higher than South Africa's and again significantly lower than the 5.47% provincial average for the second quarter of the previous nine years (StatsSA, 2020c). Figure 4 shows the movements in average prices for the major agricultural food groups for the second quarter of 2020. Fruit prices were on average 31% higher than last year, with oils and fats also exhibiting an unusually large 9.53% increase. On the other hand the prices of bread and cereals, fish, vegetables, beverage and tobacco were all significantly lower than the average price increases for this quarter in past years.

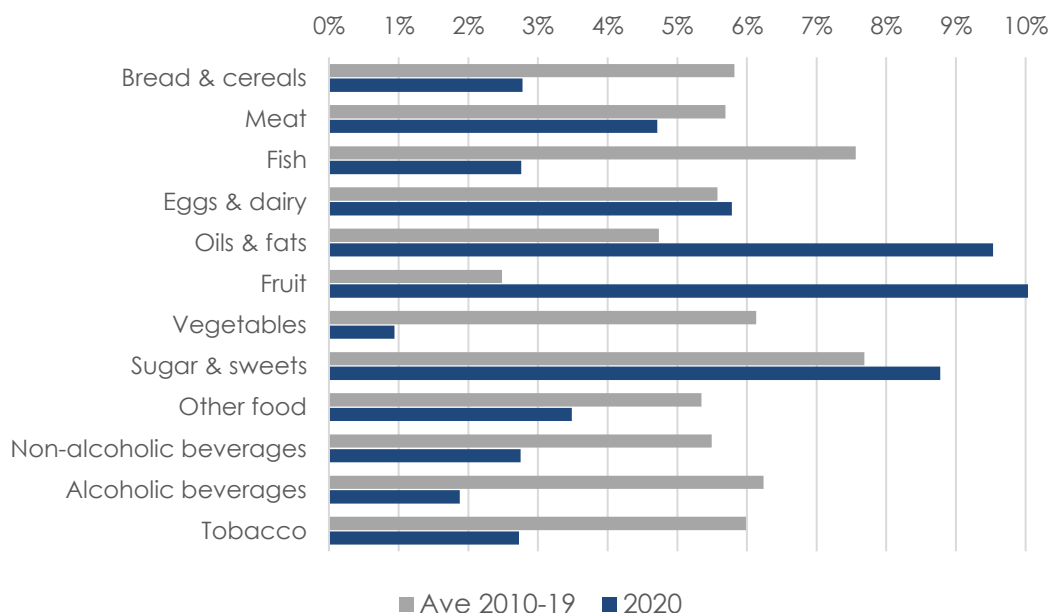


Figure 4: Western Cape quarterly inflation of food products

Source: StatsSA (2020c)

6. CONCLUSION

A review of South Africa's economic performance in the second quarter showed a decline of 51% in GDP. The agricultural sector is the only industry that continues to grow and contribute positively to GDP even during this COVID-19 pandemic. All indications points to a good year for agriculture, with good production volumes for grains, oilseeds and horticulture. The latter due to the Western Cape recovering from the impact of the drought and good export performance. The outbreak of the COVID19 pandemic is having negative impacts on certain industries such as wine and flowers subsectors. It is expected that once the data becomes available, some agricultural jobs would have been lost, but this will be confirmed in the Quarterly Report.

7. REFERENCES

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