



AGRICULTURAL ECONOMIC SUMMARY: 2020 QUARTER 3

INTRODUCTION

This quarterly report provides a summary of the agricultural economy's performance in the third quarter of 2020, highlighting key considerations for both South Africa and the Western Cape Province. The step-wise easing of COVID-19 restrictions to level 1 has resulted in the performance of the economy improving in the third quarter of 2020. The recently released third quarters' Gross Domestic Product (GDP) statistics show a seasonally adjusted and annualised increase of 66.1% (StatsSA, 2020). This significant improvement was somewhat expected considering that quarter 2 experienced the largest decline in economic activity, a decline of 51% (Figure 1). Agriculture's share contribution to the national GDP was significant in the previous two quarters because it was minimally affected by restrictions in comparison to other economic sectors.

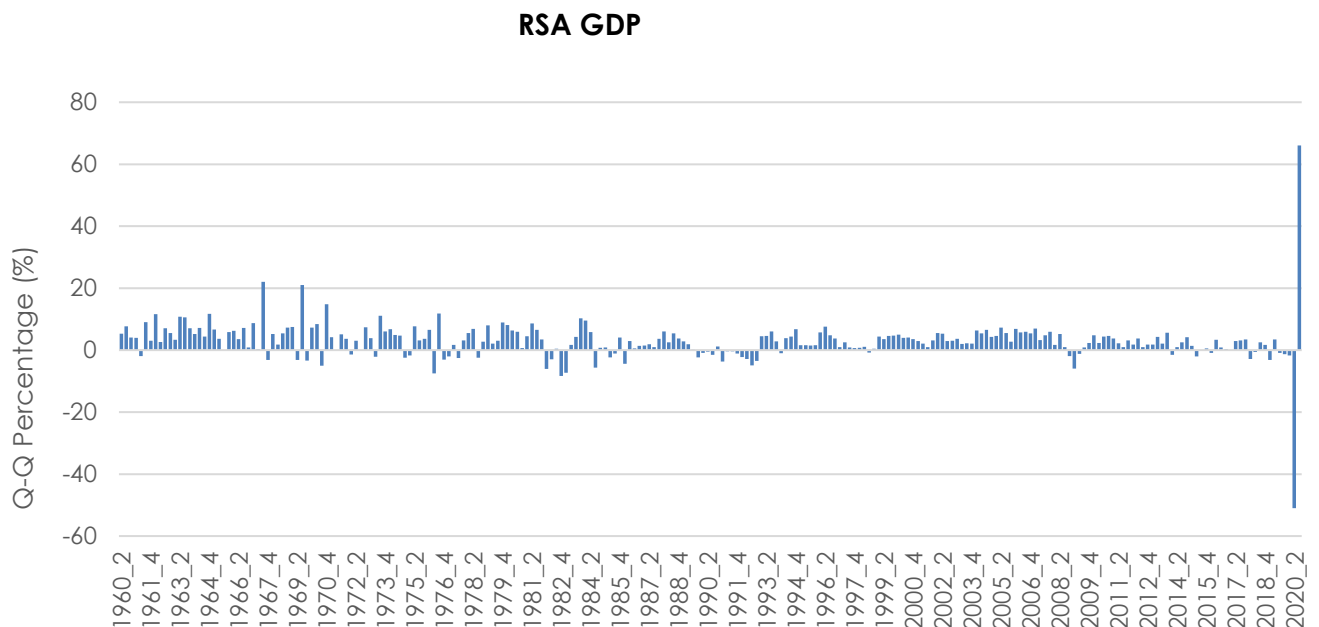


Figure 1: South African GDP, quarter-on-quarter, seasonally adjusted and annualised

Source: (StatsSA, 2020)

Figure 2 highlights the third quarter's performance in each sector compared to the same quarter in 2019. The agricultural sector realised real economic growth of 18.5%, which was

another good performance after the sector grew by 36% in quarter 1 and 20% in quarter 2. These numbers have been revised upwards since the last publication. The overall bounce-back of national GDP was mainly driven by significant recoveries in other leading sectors such as mining (288%), manufacturing (210%), followed by the trade sector at (137%).

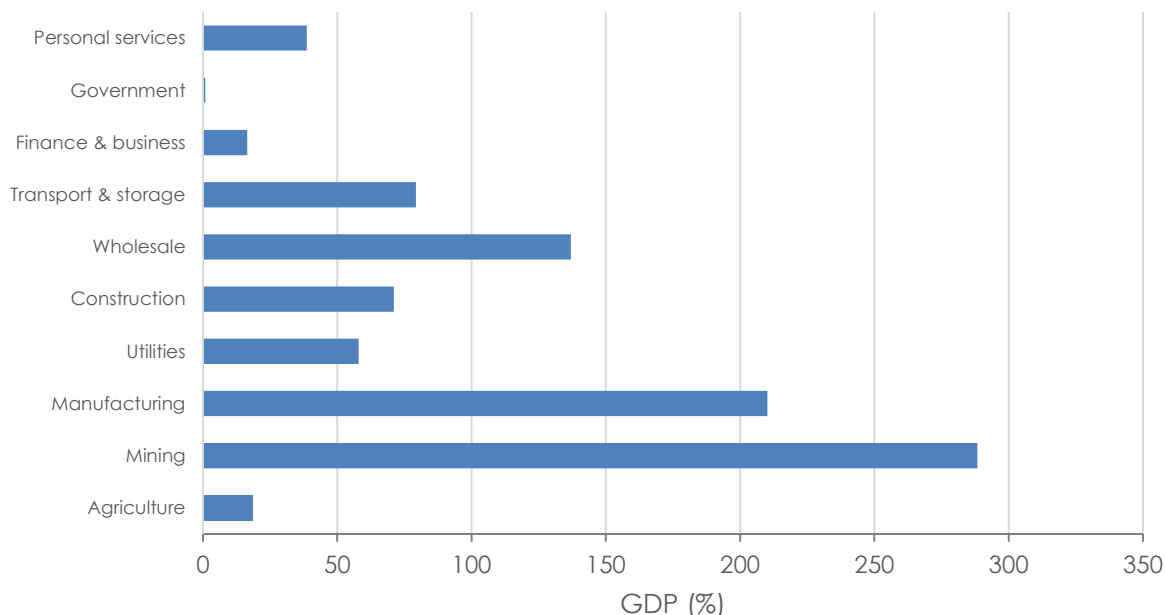


Figure 2: South African GDP performance by sector, 2020Q3 vs 2019Q3

Source: (StatsSA, 2020)

However, it was expected that with the lowering of restrictions, other economic sectors of the economy would start to recover more rapidly relative to agriculture (Figure 2). In the following sections is a discussion of production performance, export performance, labour market, followed by food prices before concluding.

3. PRODUCTION PERFORMANCE

The performance of the agricultural sector during the third 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 managed to grow for all three quarters in 2020, as already explained.

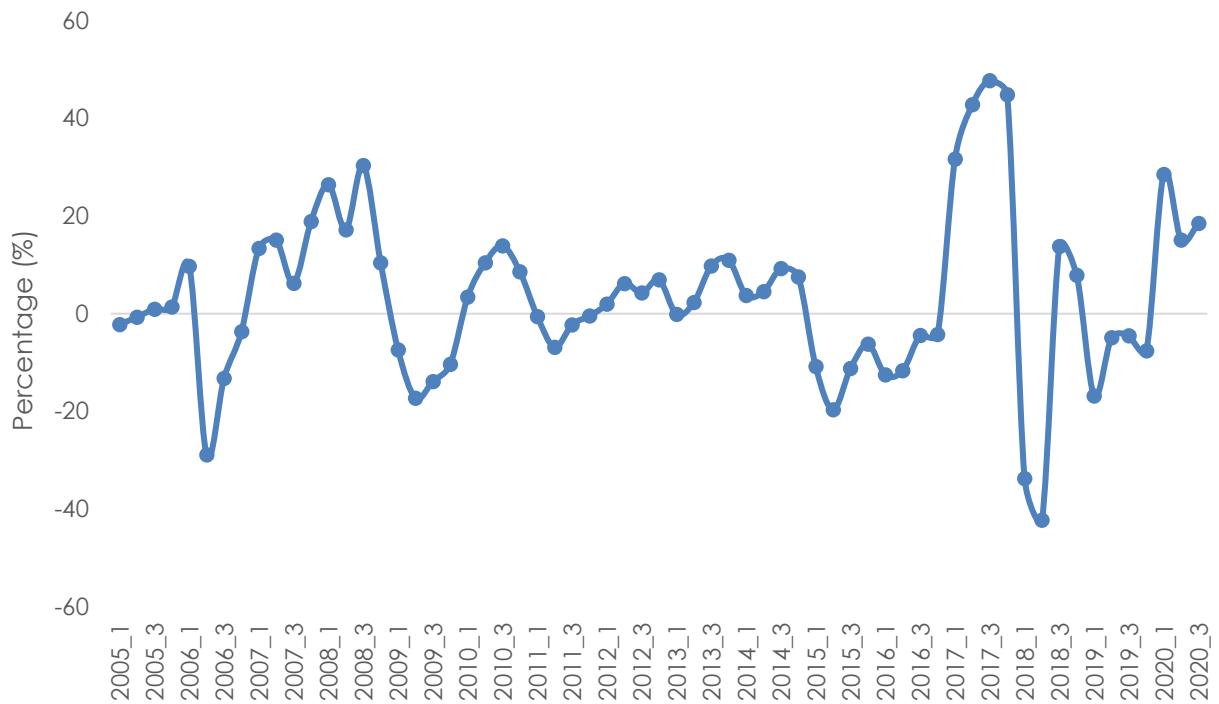


Figure 3: South Africa's agriculture, forestry and fisheries GDP performance

Source: StatsSA (2020a)

The major reasons for the strong economic performance of the agricultural sector can be deduced from the production accounts as published by the National Department of Agriculture, Land Reform and Rural Development (DALRRD), which is used as the basis for the GDP statistics for the sector. If one compares the first three quarter of 2020 to those of 2019, the horticultural sub-sectors' gross income (in nominal values) increased by 23%, field crops by 33% and animal and animal products by 4%. To get a sense of the production performance in the Western Cape, Table 1 provides a summary of the changes Year-to-Date changes in gross income for industries particularly important to the Western Cape.

Horticultural industries have had a good year in 2020 thus far, with deciduous fruit income growing by 60%, followed by viticulture (5%), citrus (23%) and vegetable sales (10%). There were however some industries that have been affected by the various lockdown regulation of which the 15% and 12% declines for flowers and wool are examples. The ostrich industry has bounced back strongly in 2020, boosted greater market access for heat-treated meat exports after animal diseases. In terms of the trends observed in the livestock industries, the beef, egg and poultry sales have been negatively affected by the impact of restaurant and food service outlets being closed earlier in the year and as consumer spending is under pressure.

Table 1: Gross income for South African agricultural industries

Industry	Rand millions		Change (%)
	YTD2019	YTD2020	
Viticulture	5 675	5 957	4.97
Rooibos tea	882	998	13.10
Citrus fruit	19 540	24 056	23.11
Deciduous and other fruit	13 954	22 404	60.55
Vegetables	17 672	19 565	10.71
Flowers and bulbs	1 404	1 196	-14.76
Wool	3 517	3 086	-12.25
Ostrich feathers and products	227	593	161.67
Cattle and calves slaughtered	25 400	25 916	2.03
Sheep slaughtered	4 625	5 209	12.61
Milk	11 978	13 271	10.79
Eggs	7 714	7 777	0.82
Poultry Meat	34 572	36 942	6.85

Source: (DALRRD, 2020)

EXPORT PERFORMANCE

As reported in the previous agricultural economic quarterly report, the strong export performance of the agriculture has been consolidated as the 2019/20 season is coming to an end. Table 2 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.

Table 2: South Africa's export performance for major WC products

Industry	Year to Date: Week 47		Change (%)
	2017-2019 Average Exports ('000 Tons)	2020 Exports ('000 Tons)	
Table Grapes	269	288	6.95
Apples	356	382	7.32
Oranges	1 064	1 069	0.50
Lemons	289	379	31.19
Pears	199	188	-5.38
Naartjies	232	353	52.33
Bulk Wine (May)	193	134	-30.37
Bottled Wine (May)	152	121	-20.55
Plums & Prunes	50	44	-12.95
Peaches & Nectarines	15	17	13.22

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

The bulk volumes for almost all of the industries are now complete. The standout performance of lemons (+31%) and naartjies (+53%) exports were largely driven a great harvest and a significant demand increase due to COVID-19. Table grapes and apples had a decent volume growth of 6.9% and 7.3% respectively. Although both bulk and bottled wine trail significantly behind the previous two-year average, there has been a steady improvement since the last quarter when volumes were 44% and 34% lower. Using the Year-to-date for November 2020, these declines have been reduced to -30% and 21% respectively. It is the hope that this steady progress in international sales will open up sufficient storage space for the 2021 grape harvest coming in the 1st quarter of 2021.

LABOUR MARKET

The 3rd quarters' labour market performance highlights the impact of the pandemic and subsequent economic contraction on jobs. The latest release of the Quarterly Labour Force Survey (2020) suggests that the number of unemployed in the 3rd quarter increased to 11.15 million, essentially moving a large proportion of workers from the "not economically active" bracket to being unemployed, which is now 885 000 higher than the previous quarter. As a result, the official unemployment rate is now 30.8%, the highest rate since the start of the QLFS in 2008. However, on the positive side, some 543 000 more people were employed compared to quarter 2. The big test that lies ahead is whether the battered economy will be able to re-employ around 2.5 million workers that are still without a job, but were employed before the onset of COVID-19.

Unfortunately, the agricultural sector in the Western Cape would not escape dramatic farmworker job losses of around 44 000 jobs in the 3rd quarter. However, it is important to note that since COVID-19, StatsSA has altered their usual survey enumeration methods to telephonic interviews. The seasonal nature of agricultural production can explain part of this decline, whilst the impact of the stringent measures imposed on the sale of wine could also be a cause, but this large shedding of jobs is unprecedented and deserve some further inspection of the results. Furthermore, downstream agri processing industries performed well in the same period, adding around 17 000 jobs compared to quarter 2.

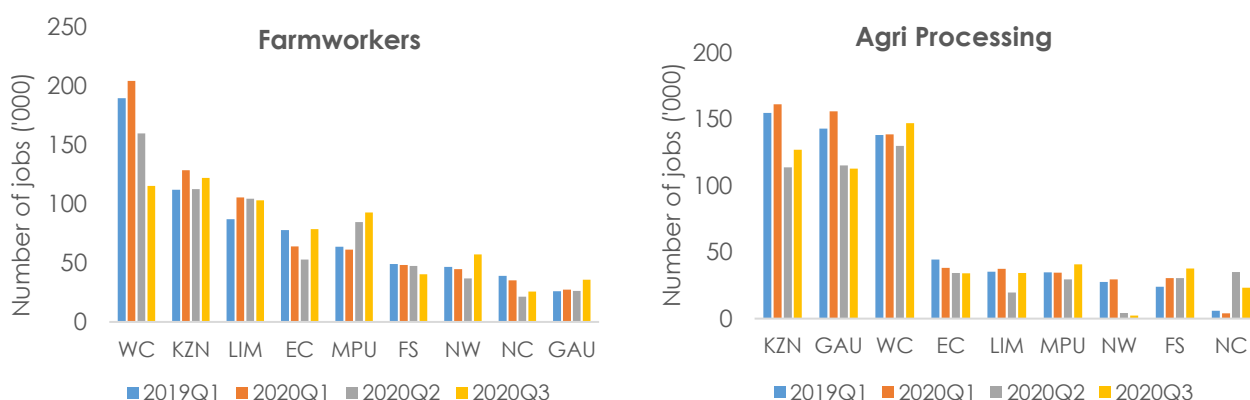


Figure 4: Direct farm and agri processing workers

Source: StatsSA (2020a)

FOOD PRICES

Prices at the end of the third quarter of 2020 were on average 2.9% higher than in 2019 for South Africa, and 3.7% higher for the Western Cape Province. This is a significant increase from the year-on-year change observed after the second quarter of 2.1% and 2.8% respectively. The increase in South Africa's prices over the quarter, 1.7% was higher than the average price increase of 1.1% observed for the third quarter since 2010. The largest month-on-month price increase of 1.4% came in July, significantly higher than the 0.6% average observed for the month since 2010. Less than average monthly price increases of 0.1% and 0.2% were observed for August and September respectively. Prices of food and non-alcoholic beverages at the end of the third quarter of 2020 were 3.6% higher than the previous year for South Africa and 5.1% higher for the Western Cape. Over the quarter prices for food, beverages and tobacco increased by 0.4% at the national level, lower than the 1.0% average increase for the third quarter for all years since 2010 (StatsSA, 2020).

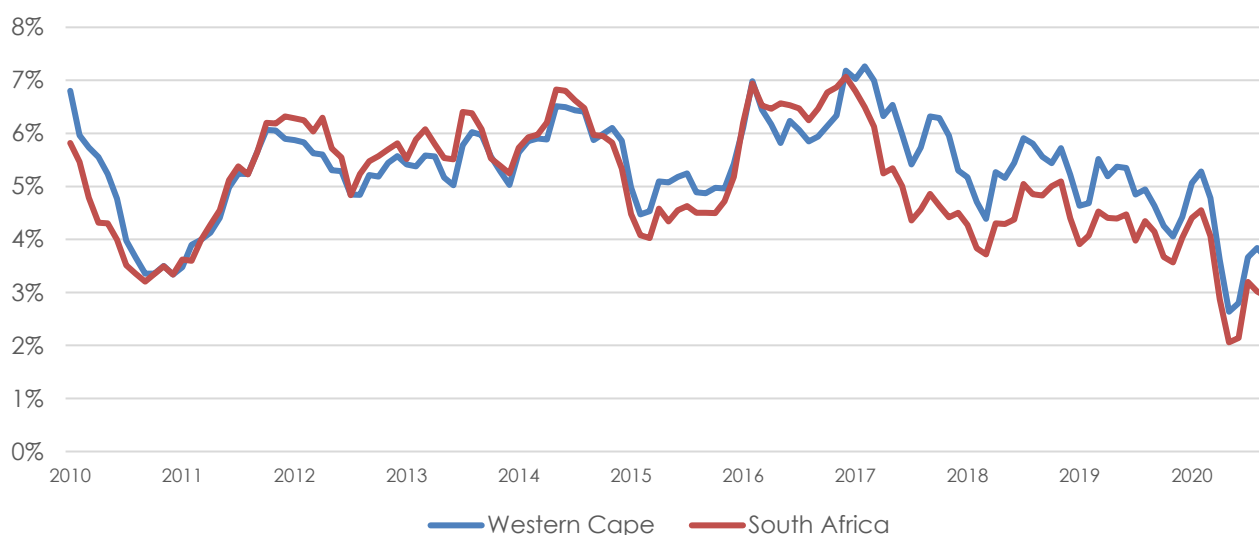


Figure 5: Year-on-Year Headline Inflation: South Africa & Western Cape

Data Source: (StatsSA, 2020)

The highest year-on-year price increase at the commodity group level was observed for fruit, 12.8%. At the end of the second quarter annual fruit inflation stood at 9.9%. Fruit prices declined on average over the third quarter of 2020 by -1.3%, however, there has historically been a significant price decline over this quarter in response to seasonality. The annual inflation rate for sugar and sweets also increased over the third quarter, whilst there were declines in the annual inflation rates of oils and fats and for milk and dairy products. There was a significant increase in the price of vegetables over the third quarter of 2020, 2.6%, which resulted in the year-on-year inflation rate increased from a negative value at the end of the second quarter to a positive 1.8%. Particularly large price increases were observed for alcoholic beverages (2.2%) and tobacco products (4.1%), resulting in a sharp increase in the annual inflation of these products, to 2.7% and 6.7% respectively (StatsSA, 2020).

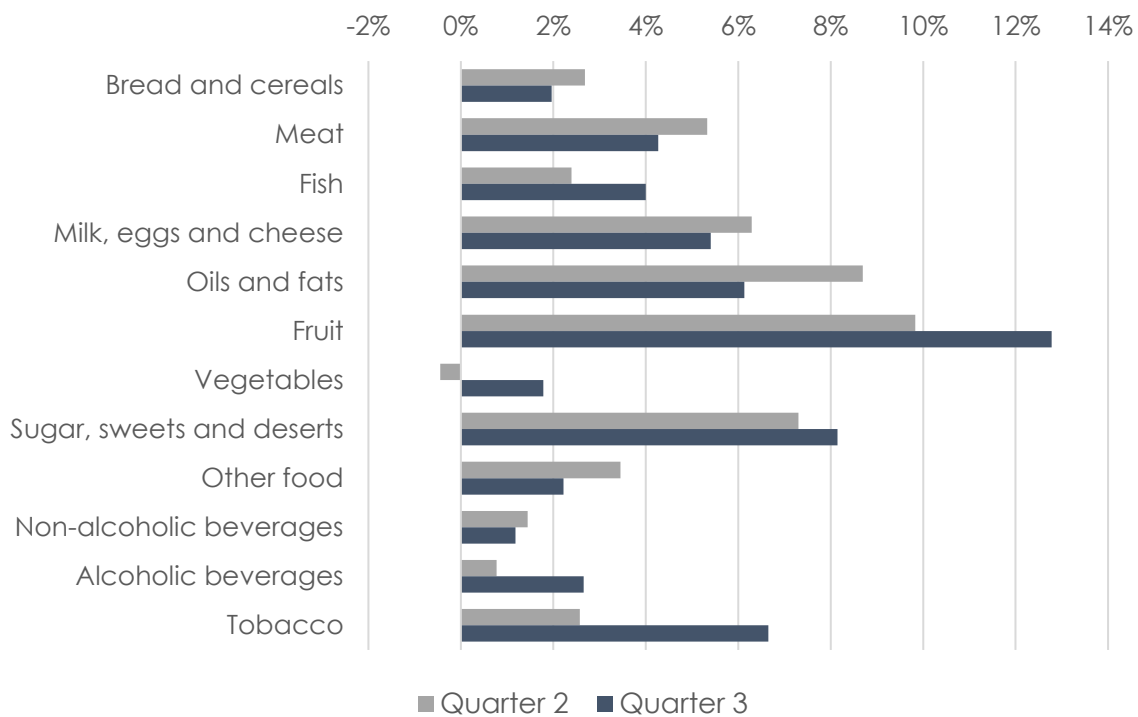


Figure 6: Year-on-Year Inflation for Food and Beverage Products, Quarter 2 vs Quarter 3

Data Source: (StatsSA, 2020)

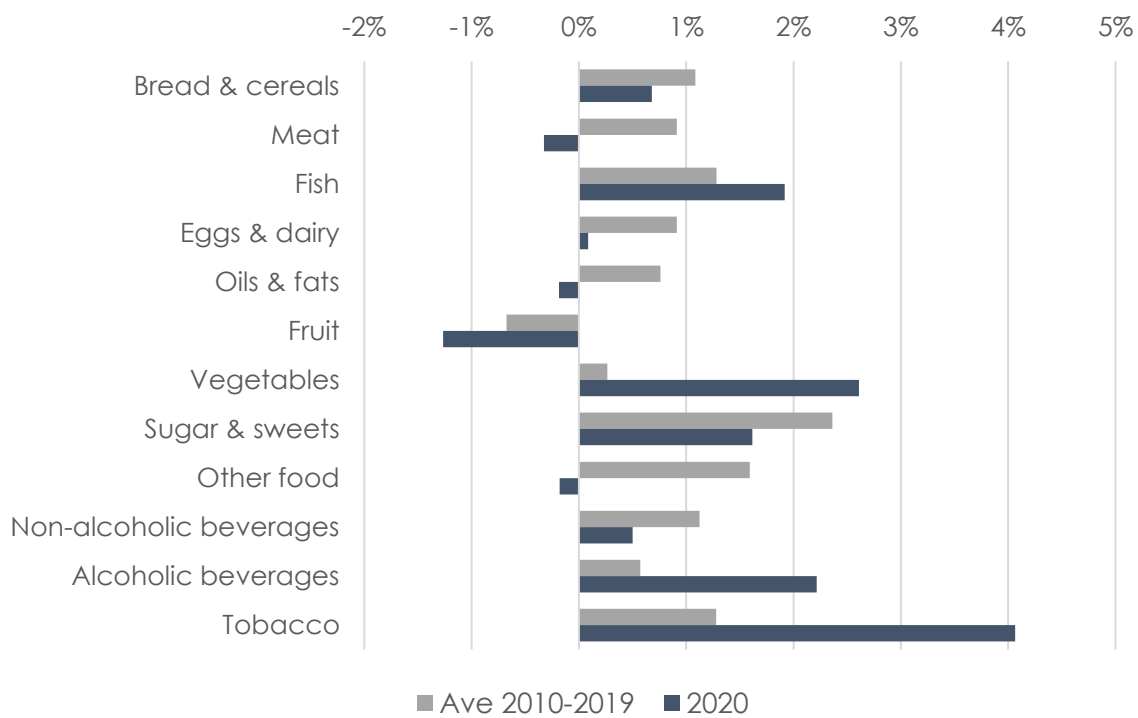


Figure 7: Inflation for Food and Beverage Products in the Third Quarter, 2020 vs Average Since 2010

Data Source: (StatsSA, 2020)

CONCLUSION

The third-quarter GDP results show a significant performance of the national economy due to the relaxing of various lockdown restrictions. This significant improvement should however be seen in the proper context. Overall GDP for the third quarter in 2020 was still 6% lower than in 2019. Agriculture has continued its good performance in the third quarter, growing by 19%. This growth is underpinned by decent growth in the horticulture and field crops sub-sectors, whilst animal and animal products showed little growth. Exports performance is aligned with these trends, whilst food inflation in the Western Cape increased to its current level of 3.7%

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