



AGRICULTURAL ECONOMIC SUMMARY: 2020 QUARTER 4

INTRODUCTION

This quarterly report provides an update on the performance of the agricultural economy in the fourth quarter of 2020, highlighting key considerations for both South Africa and the Western Cape Province. The agricultural sector performed considerably well in 2020, offsetting some of the economic shocks experienced due to the decline in economic outputs from other sectors as results of the impact of the Covid-19 pandemic and restrictions.

The recently released fourth-quarter Gross Domestic Product (GDP) statistics show an overall economic growth of 1.5% and an annualised growth rate is 6.3% (StatsSA, 2021). The third and fourth quarter of 2020 showed positive growth of 67.3% and 6.3% respectively, but this was still not enough to offset the decline experienced in the second quarter of the same year (Figure 1). Agriculture's share contribution to the national GDP was positive through the year 2020, even though their share contribution to national GDP seems to dwindle as other sectors start performing. However, this is not a reflection on the performance of agriculture but the increasing participation and contribution from other economic sectors.

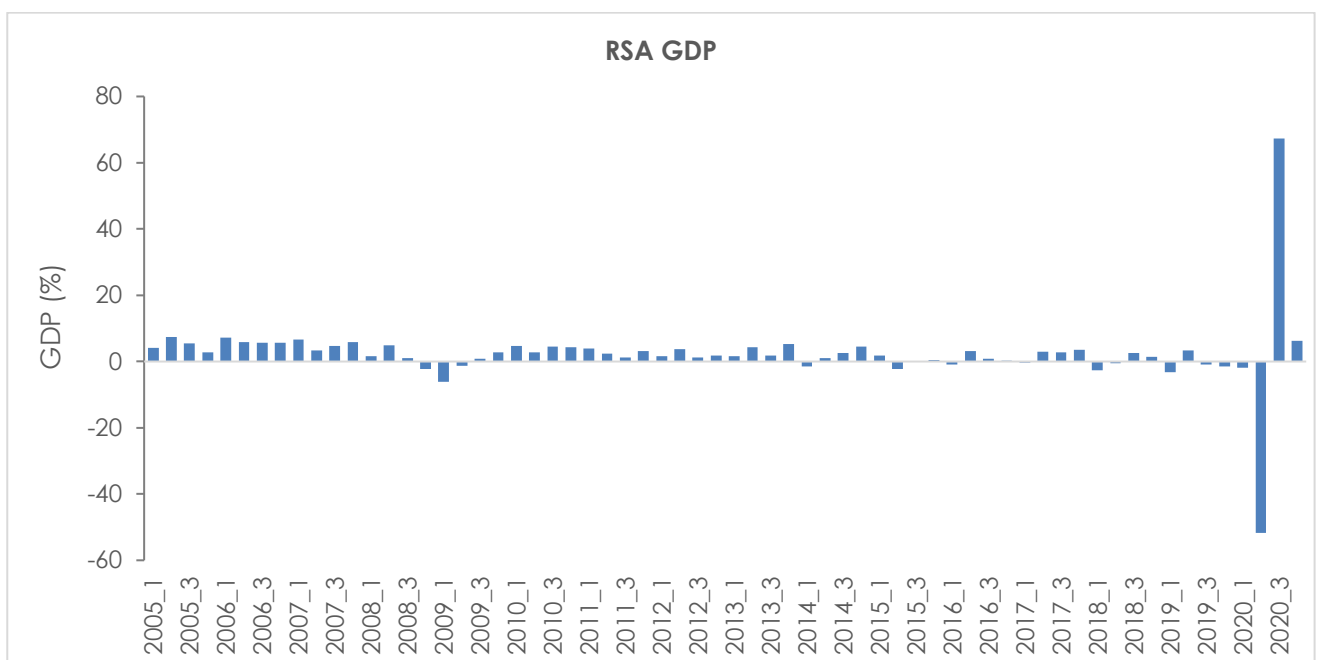


Figure 1: Figure 1: South African GDP, quarter-on-quarter, seasonally adjusted and annualised

Source: (StatsSA, 2021)

Figure 2 highlights the 4th quarter performance in each sector in the fourth quarter of 2019. The agricultural sector realised real economic growth of 5.9%, which was a decline since it was 20.1% in quarter 3 and 22% in quarter 2. The overall bounce-back of national GDP was mainly driven by significant recoveries in other leading sectors such as manufacturing (21.1%), construction (11.2%) followed by wholesale and retail (9.8%). All the sectors performed well except for the Mining and Financial and business services which declined by -1.4% and -0.2% respectively.

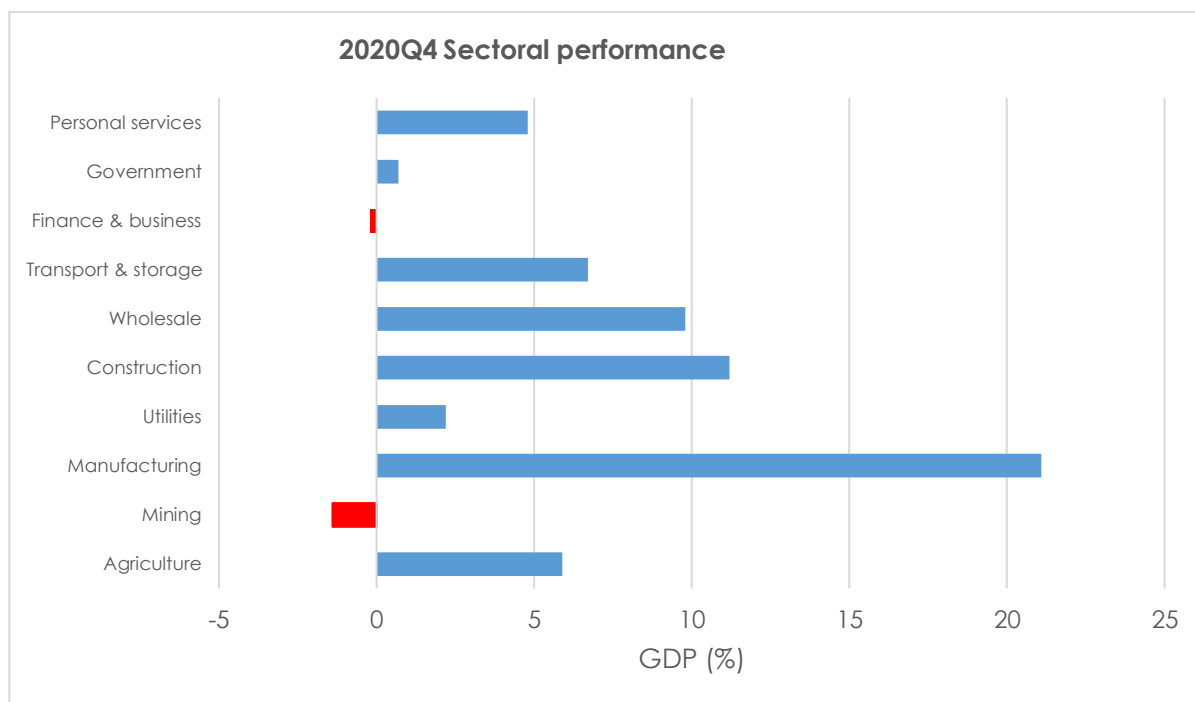


Figure 2: South African GDP performance by sector, 2020Q4 vs 2019Q4

Source: (StatsSA, 2021)

The agricultural sector has positively contributed to the economy in 2020 and remained a backbone of the economy in the first and second quarter of 2020 when other sectors have negatively affected the pandemic and restrictions. The following sections are a discussion of production performance, labour market, export performance and price change before concluding.

3. PRODUCTION PERFORMANCE

The performance of the agricultural sector in 2020 can also be a reflection of the minimum restrictions imposed on the sector since it is an essential sector. In the fourth quarter, the agricultural sector grew by 5.9% quarter to quarter and contributed 0.2% to economic growth in the country. They are also signs of 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 in all four quarters in 2020.

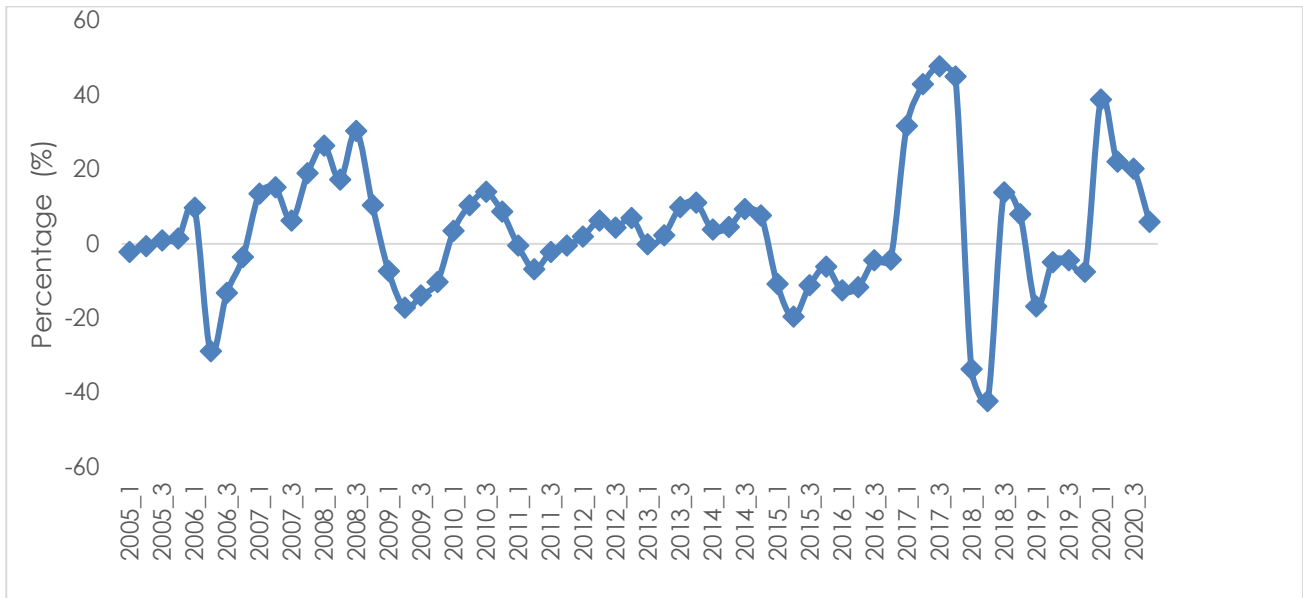


Figure 3: South Africa's agriculture, forestry and fisheries GDP performance

Source: StatsSA (202ba)

The strong performance of the agriculture, forestry and fisheries sector across 2020 is large as a result of improved weather conditions and resulted in the sector recording a real annual growth rate of more than 13% between 2019 and 2020.

The performance of the horticultural industry when comparing the fourth quarter of 2019 and 2020 industry gross income shows a positive growth of 53% in the Citrus industry, 15% dried fruits, 7% viticulture, 6% for nuts, 1% flowers & bulbs and other (Table 1). However, there has been a significant decline of 56% for tea, 3% for subtropical fruit and 1% for vegetables.

Table 1: Gross income from South African Horticultural industries

Industry	R'000		% change
	YTD 2019	YTD 2020	
Viticulture	616119	661348	7%
Rooibos tea	0	0	-
Citrus fruit	349452	534179	53%
Subtropical fruit	1114148	1083659	-3%
Deciduous and other fruit	5320295	5489020	3%
Tea	790	350	-56%
Dried fruit	21588	24721	15%
Nuts	766568	815567	6%
Vegetables	8063005	7987765	-1%
Flowers and bulbs	469908	475165	1%
Other horticultural products	82834	83954	1%

Source: DALRRD, 2021

4. EXPORT PERFORMANCE

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: Year-End		Change (%)
	2017-2019 Average Exports ('000 Tons)	2020 Exports ('000 Tons)	
Table Grapes	328	325	-0.80%
Apples	489	508	4.04%
Oranges	1 212	1 260	3.93%
Lemons	322	458	42.38%
Pears	529	227	-57.17%
Naartjies	237	381	60.48%
Bulk Wine	238	167	-29.56%
Bottled Wine	186	150	-19.49%
Plums & Prunes	57	48	-15.56%
Peaches & Nectarines	19	23	21.67%

Source: ITC, 2021

The standout performance of lemons (+42%) and naartjies (+61%) exports were largely driven by a great harvest and a significant demand increase due to COVID-19. Although both bulk and bottled wine trail significantly behind the previous two-year average, there has been a steady improvement since the second quarter when volumes were 44% and 34% lower.

5. LABOUR MARKET

The Western Cape 4th quarter 2020 employment statistics show an overall decline of 7% when compared to the same period in 2019 (Figure 1), and the unemployment rate is currently at 22.3%. The provincial-level sector-specific numbers show major employment losses in utilities (85%), transport (26%), agriculture (24%), Private households (11%) and others. However, mining, trade and manufacturing show a positive increase of 136%, 4% and 2% respectively in comparison to the same quarter in 2019 (Figure 4). In the last quarter of 2020, a total of 137 804 persons were employed in the Agri-processing sector and 142 018 in primary agriculture as a farmworker. However, compared to the same period in 2019 the agri-processing employment numbers show an increase of 9% (10 998) whereas Farm-workers numbers have decreased by 27% which is the loss of 52 793 jobs. This loss is significant and also higher than the losses experienced during the drought period.

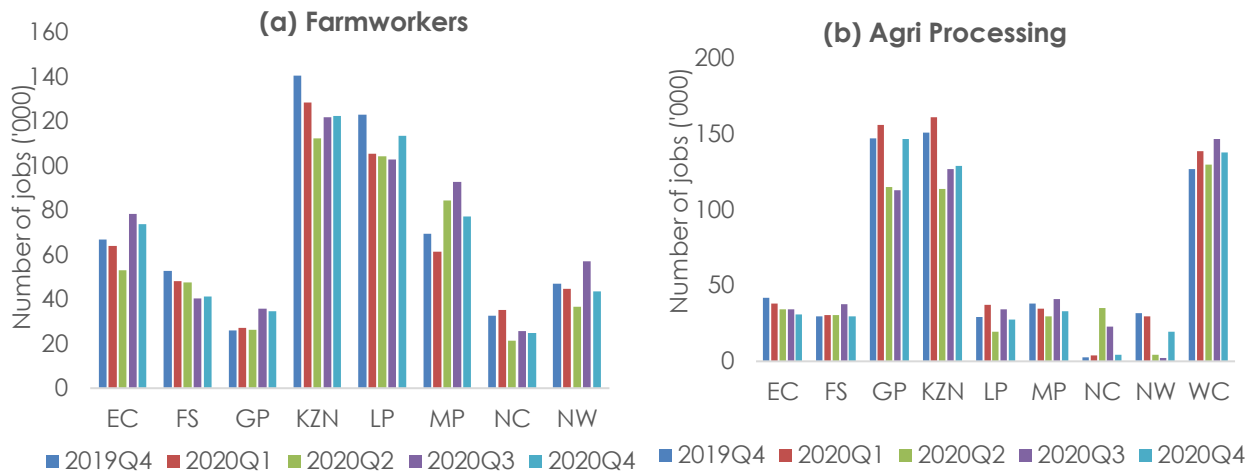


Figure 4: Direct farm and agri-processing workers

Source: (StatsSA, 2021a)

6. FOOD PRICES

Prices at the end of the fourth quarter of 2020 were on average 3.1% higher than in 2019 for South Africa, and 3.7% higher for the Western Cape Province. This is very similar to the year-on-year change observed in quarter 3 of 2.9% and 3.7% respectively, signifying a quarter economically more normal in terms of being in line with the previous year. The increase in South Africa's prices over the quarter, 0.5% was slightly lower than the average price increase of 0.7% observed for the third quarter since 2010. Monthly price increases were slightly lower for all three months of the year in the third quarter of 2020, compared to the average for the same months since 2010. Prices of food and non-alcoholic beverages at the end of the fourth quarter of 2020 were 5.8% higher than the previous year for South Africa and 7.2% higher for the Western Cape. Over the quarter prices for food, beverages and tobacco increased by 2.6% at the national level, significantly lower than the 1.6% average increase for the fourth quarter for all years since 2010 (StatsSA, 2020).

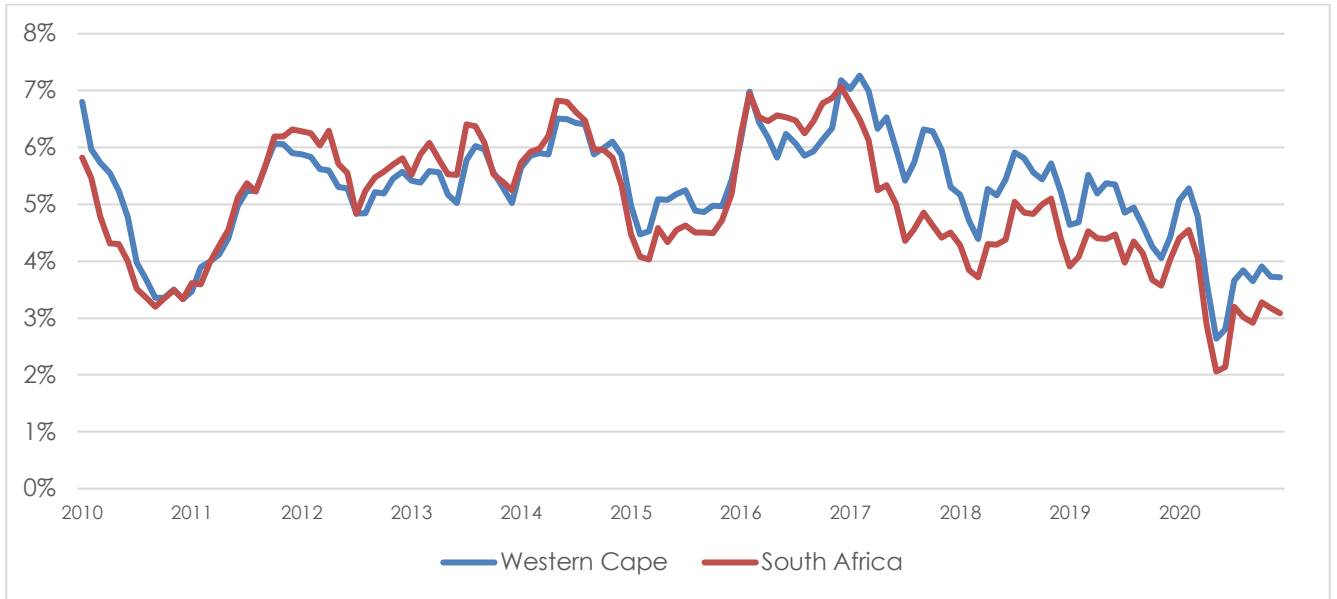


Figure 5: Year-on-Year Headline Inflation | South Africa and Western Cape

Source: (StatsSA, 2021)

The highest year-on-year price increase at the commodity group level was observed for fruit, 11.2%. At the end of the third quarter annual fruit inflation stood at 12.8%. Fruit prices increased on average over the third quarter of 2020 by 5.5%, slightly lower than the 9.0% average growth rate for the quarter since 2010. There were significantly higher than average price increases for bread and cereals, fish, oils and fats, sugar and sweets, and non-alcoholic beverages. The price of tobacco products declined over the quarter (StatsSA, 2020).

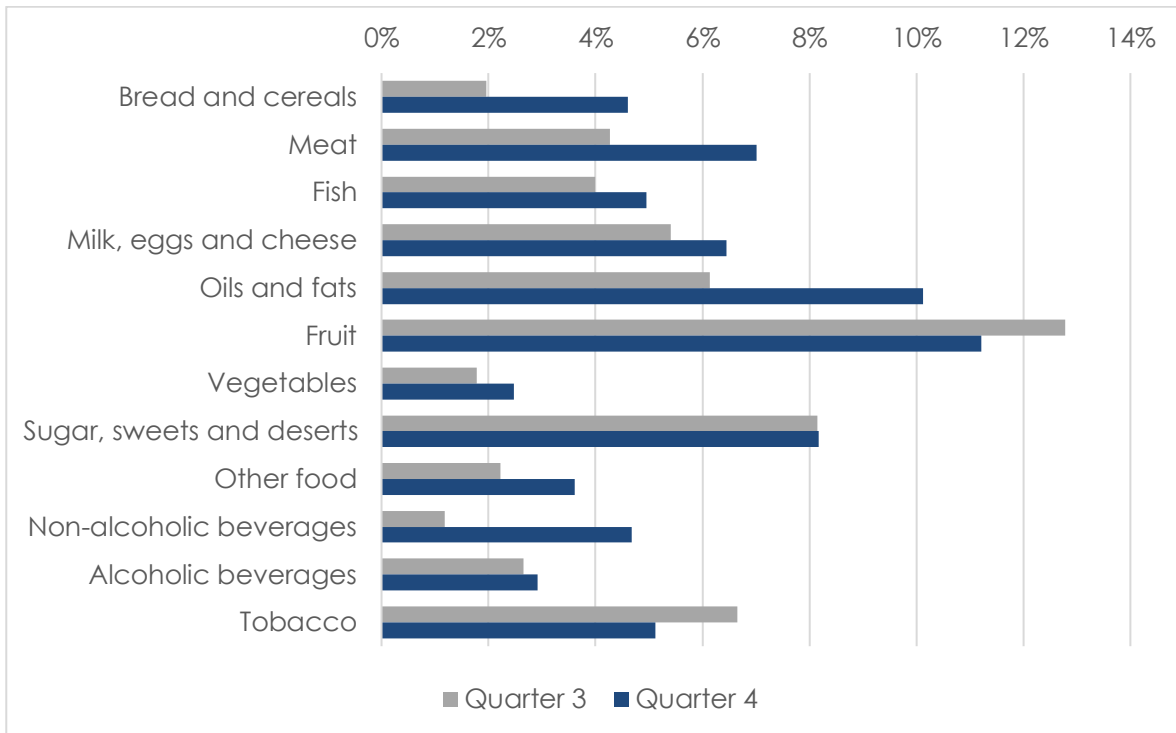


Figure 6: Year-on-Year Inflation for Food and Beverage Products, Quarter 3 vs Quarter 4

Data Source: (StatsSA, 2021)

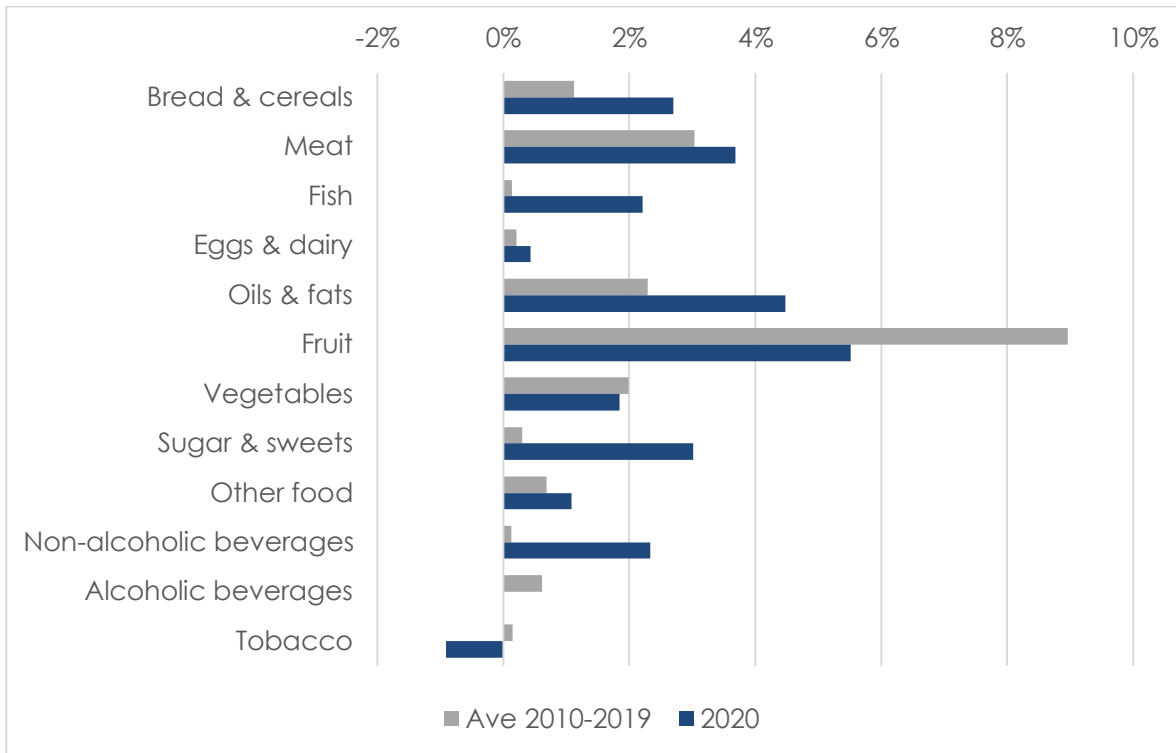


Figure 7: Inflation for Food and Beverage Products in the Third Quarter, 2020 vs Average Since 2010

Data Source: (StatsSA, 2021; StatsSA, 2021)

7. CONCLUSION

The year 2020 has highlighted the importance of the agricultural sector to the economy. In the 4th quarter of 2019, the share contribution of agriculture to the economy was negative at 0.2% but in 2020 it was positive at 0.2%. This growth is attributed to the improved climatic conditions after experiencing the droughts, minimum restrictions of the sector during the pandemic and resilience of the industry operate under uncertain times. The horticultural industry experienced significant growth 53% Citrus industry, 15% dried fruits and 7% Viticulture and other which are major sectors in the Western Cape Province. Employment number has increased by 9% in the agri-processing sector during the same quarter.

8. REFERENCES

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