Perspective on agriculture's performance in Quarter 2 of 2019

StatsSA reports that South Africa's GDP grew by 3.1% in the second quarter of 2019 and that Agriculture, Forestry and Fisheries contributed -0.1% to the national number having reportedly contracted by -4.2% since the first quarter of 2019. The StatsSA report includes all sectors and is focussed on a seasonally adjusted, annualised movement from Quarter 1 to Quarter 2 (**Figure 1 - blue**). This is comparable to the rest of the economy, but complicated for agriculture given timing of delivery by various subsectors. Relative comparison Quarter 2 2019 numbers to Quarter 2 2018 performance removes the need for seasonal adjustments and provides a simpler picture of agricultural performance in the past quarter. By this metric, agriculture declined by 6.7% (**Figure 1 - green**).

Figure 1: Year on year change in real (2010) agricultural GDP per quarter
Source: StatsSA, 2019

Agricultural GDP is only reported at a national aggregate level, since cost of intermediate goods and services are not always attributable to specific commodities. Therefore, to understand the drivers of agriculture's performance, we consider the disaggregated gross value of production (GPV = Price X Quantity Produced) per industry, as compiled by DAFF. In **Figure 2**, the gross value of production for each subsector in Quarter 2 2019 is compared to the Quarter 2 results of the previous two seasons.

The Q2 GPV from animal products declined by 3% from 2018 to 2019. Eggs, beef and poultry meat were the largest contributors with declines of 17%, 3% and 5% respectively.

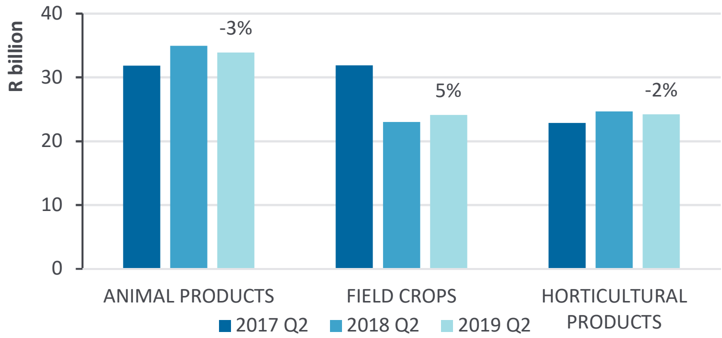

Figure 2: Nominal gross value of production per subsector
Source: DAFF, 2019

Despite an increase in beef production, the GPV from beef declined due to lower prices (**Table 1**). A number of factors are responsible for the decline in beef prices: 1) the foot and mouth disease outbreak – which resulted in lower than normal export volumes (19.5% lower than in quarter 2 2018), as trade has not resumed to all destinations for all products. 2) Weak demand in the domestic market, which has had to absorb additional volumes given reduced exports. 3) High feed grain prices following a dry early summer in SA and uncertainty related to the US maize crop.

The GPV from field crops increased by 5% relative to Q2 2018 (**Figure 2**). Key changes recorded for field crops are shown in **Table 1**. Similar to 2018, a significant portion of summer crops had been planted late in the 2019 season. Delivery data from SAGIS indicates that only 48% of the maize crop was harvested by the end of June 2019, implying that a smaller than normal share of the total crop was delivered in Q2. With a larger than normal share of the maize crop recorded in Q3, better-than-usual performance can be expected from the field crops subsector, particularly in light of higher maize prices compared to 2018 (**Table 1).** The smaller soybean crop (-14%) expected by the CEC drove a significant decline in GPV from soybeans.

The GPV from horticulture declined by 2% since Q2 2018 (**Figure 2**) with citrus contributing the largest share of the decline (-5%). Citrus exports declined by 6%. Wine exports also underperformed in Q2 2019, with 21% less wine was exported relative to Q2 2018.

Table 1: Q2 2019 vs. Q2 2018 percentage changes (BFAP calculations)

Commodity	Gross Value (GPV) Shift %	Price Shift %	Production Shift %
Beef	-3%	-6%	2%
Maize	38%	41%	-17%
Soybeans	-27%	9%	-14%