Perspective on agriculture's performance in Quarter 2 of 2020

South Africa's seasonally adjusted and annualised GDP fell by 51% in the second quarter of 2020, owing to the impact of Covid-19 restrictions. The agricultural sector was the lone shining light - the only positive contributor to GDP with an increase of 15.1% from quarter 1 to quarter 2 of 2020 and a contribution of 0.3 percentage points to the overall GDP. StatsSA evaluates all sectors according to a seasonally adjusted, annualised movement from Quarter 1 to Quarter 2 (**Figure 1 - blue**). This is comparable to the rest of the economy, but the applicability to agriculture is complicated given timing of delivery by various subsectors. Relative comparison of Quarter 2 2020 numbers to Quarter 2 2019 performance removes the need for seasonal adjustments and provides an alternative, simpler picture of agricultural performance in the past quarter, compared to the same period last year. By this metric, agriculture grew by 8.9% in real terms.

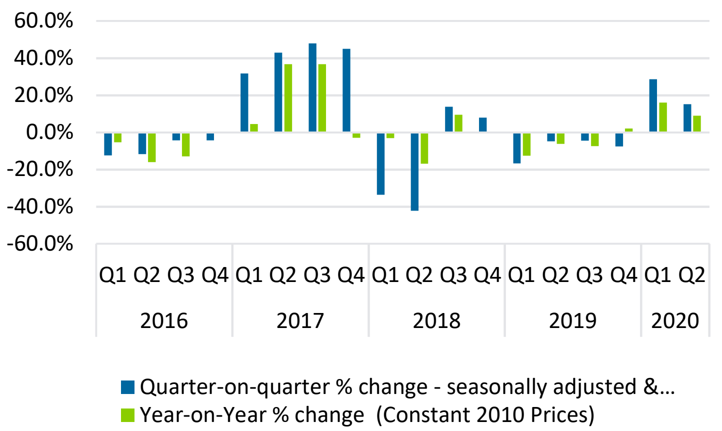

Figure 1: Year on year change in real (2010) agricultural GDP per quarter
Source: StatsSA, 2020

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 DALRRD[1]. **Figure 2** compares the gross value of production for each subsector in Quarter 2 2020 to the Quarter 2 results of 2018 and 2019.

GPV from animal products declined by 1% year on year, reflecting a decline of 13% in the GPV of beef and a 10% decline in the GPV of pork. In the case of beef, the decline was primarily a result of 13% lower production in quarter 2 of 2020 compared to 2019. Beef prices declined only marginally, by 1%. In the case of pork, the decline is more price driven, as pork slaughters decreased

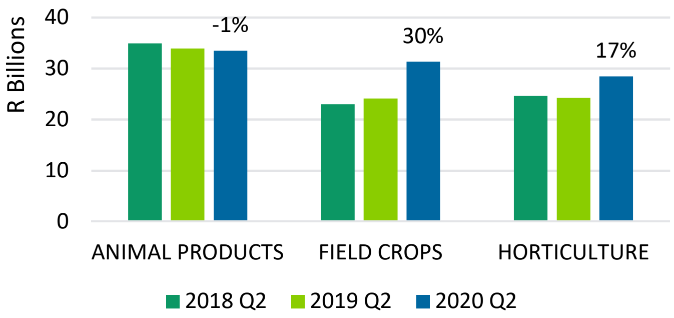

Figure 2: Nominal gross value of production per subsector
Source: DAFF, 2020

by 2% relative to the same time last year, but prices were 7% lower. By contrast, the GPV for poultry increased by 7% year on year – despite the closure of the food service sector during level 5 and 4 of lockdown. Chicken prices remained fairly stable from quarter 2 of 2019 to the same period in 2020, with the weak Rand offsetting the lower international price, however production volumes increased by 6% increase in April 2020, compared to same period in 2019.

Field crops made the biggest positive contribution to agriculture, with a 30% increase in GPV compared to Q2 of 2019. Maize is the largest contributor to the GPV of field crops and increased by 31% year on year. This improvement was largely attributed to increased output, with the 15.5 million ton harvest expected by the Crop Estimates Committee being the second largest in history. Producer deliveries of white maize were 69% higher in Q2 2020 compared to Q2 2019, while yellow maize deliveries were only 4% higher. At the same time, prices remained fairly stable, with export parity levels supported by a weaker exchange rate. Similarly, the GPV of soya beans increased by 55% year on year. In quarter 2 of 2019, the average price was R4925. This price increased by 35% to R6630 in the same period of 2020. Production of soybeans also increased by 9% in quarter 2 of 2020 compared to 2019. Although cotton is a small crop compared to most grains and oilseeds, the gross value of cotton decreased by 97% year on year, reflecting a substantial reduction in plantings compared to 2019 (due to seed availability, restructuring of ginning capacity and unfavourable conditions in the early planting season), as well as the effect of the lockdown.

The GPV from horticulture also improved by 17% year on year, supported by a 38% year on year gain in the GPV of citrus products. Around 93% of citrus production value is generated from the 70% of production that gets exported. Export volumes for Q2 increased by 33% for oranges, 43% for soft citrus and 44% for lemons and limes. Prices were also higher due to both local and international demand for Vitamin C in light of Covid-19. The gross value of dried fruit production also increased by 62% year on year, due to an 8% increase in production, combined with higher prices due to the weaker Rand. Consumer preferences for products with a longer shelf life through lockdown also supported the demand for raisins.

Agricultural performance is expected to remain strong in Quarters 3 and 4, with strong Citrus exports continuing through Q3 and early expectations pointing to a good winter crop.

[1] *Department of Agriculture, Land Reform and Rural Development*