

## A big surprise as agriculture GDP plunges in the second half of 2023

By Paul Makube

7 Mar 2024

Despite massive challenges, South Africa's economy managed to expand by 0.6% in 2023. With a rebound of 0.1% quarter-on-quarter in the final quarter of 2023, South Africa (SA) avoided a technical recession. While six other sectors of the economy posted growth, the same cannot be said about agriculture which contracted for the second consecutive quarter by plunging by 9.7% quarter-on-quarter in Q4 of 2023 after a -11.7 quarter-on-quarter reading in Q2 according to Statistics South Africa. The overall agriculture's gross value added for 2023 plummeted by 12.2% year-on-year.



Source: Oleksandr Ryzhkov via Freepik

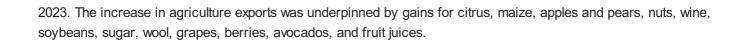
Although our expectations were still for a slowdown on the back of disease-induced production cuts in the livestock sector, particularly poultry, this magnitude of contraction surprised deeper on the downside. SA's summer crop harvest was magnificent, with maize topping 16.4 million tonnes (+6% year-on-year) and soybeans posting a record high of 2.8 million tonnes for the 2022/23 production season. We saw a similar feat in the sugar subsector, which outperformed the previous season by 3% to 18.5 million tonnes.

While average commodity prices were down across the grain and oilseed complex on a quarterly basis, they were still sharply higher relative to the same period last year. Average yellow maize fell by 5.8% quarter-on-quarter but surged by 15.9% year-on-year at R3,917/t in Q4 of 2023. Although falling by 11.6% quarter-on-quarter in Q4, average white maize prices were still up by a whopping 18.9% year-on-year at R4,145/t.

Soybeans fell by 1.2% quarter-on-quarter but are still 106% higher year-on-year at R9,261/t. Wheat and sunflower were exceptions, with quarterly gains of 10% quarter-on-quarter and 13.5% year-on-year at R5,990/t for the former and the latter advancing by 0.4% quarter-on-quarter and 19.7% year-on-year at R9,042/t.

## Agricultural export gains

Agriculture still surprised on the upside, with the total value of export earnings jumping by 3% year-on-year to \$13.2bn in



The weaker rand exchange rate enhanced export earnings in addition to better prices for some of the products. Overall, the rand depreciated by 14.2% year-on-year, and all produce benefited, although seasonality determined the flow of these products at different times of the year.

The agriculture outlook has turned negative following a relatively good start to the 2023/24 crop season with good rains, which saw farmers increase their planted area for summer crops by 1.2% year-on-year to 4.4 million hectares. Inclement weather with excessive heat caused a lot of stress and wilting of crops during the critical growth stage, thus negatively impacting potential yields. A lower summer crop harvest will lead to another contraction in agriculture performance in 2024.

## ABOUT PAUL MAKUBE

Paul Makube is Senior Agricultural Economist at FNB.

- Vigilance in containing FND critical for red meat export growth 10 May 2024
  1% upward revision for maize estimates, still down 18.5% year-on-year 26 Apr 2024

Ohocolate prices continue to rise - 8 Apr 2024

- Agribusiness confidence for Q1 2024 dimmed by bad weather and a plethora of challenges 26 Mar 2024
- Food inflation decelerates to a 25-month low 22 Mar 2024

View my profile and articles...

For more, visit: https://www.bizcommunity.com