

Third quarter 2021 slump in agriculture GDP a surprise but not a concern

 By [Paul Makube](#)

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Statistic South Africa's latest update on the country's overall real GDP for 3Q2021 shows a decline of 1.5% quarter-on-quarter seasonally adjusted (but not annualised). This follows a further downward revision of the 2Q2021 GDP to 1.1% quarter-on-quarter from 1.2% in the previous update. The biggest surprise was the agriculture GDP outcomes which show an unexpected sharp contraction of 13.6% quarter-on-quarter and a contribution of -0.4 of a percentage point to GDP growth.



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An indeed surprise outcome given the already positive indications of good performance with 3Q21 exports rising by 8% year-on-year led by gains in amongst others citrus, maize, wine, sugar, other fruits, and nuts.

Although activity harvesting of summer grains and oilseeds is normally subdued in the 3Q, exports have been relatively robust with maize shipments increasing by 32% quarter-on-quarter amidst relatively high commodity prices and a weaker exchange rate. In the horticulture sector, citrus exports ramped up by 13% year-on-year to 161.6 million cartons to various destinations across the globe.

For the livestock sector, the situation was mixed with total slaughter numbers marginally up by 0.5% q/q led by cattle with a 3.8% quarter-on-quarter increase which increased availability amidst the relatively strong meat prices. Poultry, which accounts for 42% of the total livestock gross producer value was reported on the downside largely due to the July disruptions that affected production and trade in parts of Gauteng and KZN.



Sentiment cruises to a record high in the latest agribusiness confidence update

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On overall sector confidence, the latest Agbiz-IDC Agribusiness Confidence cruised to a second record high since 2001 at 74 points which to some extent downplays the recent challenges of high input costs and the July unrest.

Thus, we maintain the view that the agriculture sector will rebound in the last quarter and post a strong overall 2021 performance above 7% on the back of the relatively higher agriculture commodity prices and another excellent seasonal outlook following the 2020/21 bumper harvests.

The latest production estimates point to another bumper crop for the 2021/22 production season with total maize and soybean expected planted area projected at 2.76m ha and 827,100 ha respectively. Assuming average yields of 6.22/t and 2.68/t respectively for maize and soybeans achieved during 2020/21 given the bullish weather outlook, SA is likely to produce more than 17m tons of maize and 2.22 million tons of soybeans.

We look forward to another year of solid performance from the agriculture sector.

ABOUT PAUL MAKUBE

Paul Makube is Senior Agricultural Economist at FNB.

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