

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

 By Paul Makube

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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

2023. The increase in agriculture exports was underpinned by gains for citrus, maize, apples and pears, nuts, wine, soybeans, sugar, wool, grapes, berries, avocados, and fruit juices.

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.

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