

July 3 2024

Brief reflections on South African agricultural economic conditions

- On 03 July, we were in East London in the Eastern Cape province for the [South African Society for Animal Science 2024 Congress](#). The livestock and poultry industries account for nearly half of South Africa's agricultural economy. Therefore, we must hear from animal scientists who work and research a broad range of livestock industry issues that affect our agricultural economy's resilience. Some of the themes on the agenda today include animal diseases, reproduction, nutrition, climate change and animal welfare. A range of papers from academics and practitioners cover these themes.

Farming economic conditions

- Our task was to kickstart the day with reflections on the South African agricultural economic conditions and policy options to boost growth in the sector. We view the first half of 2024 as mixed regarding agricultural economic performance. One can broadly categorize our farming economy into three subsectors – horticulture, livestock and field crops.
- The horticulture – fruits and vegetables – had a reasonably positive start to the year, benefiting from improved dam levels for irrigation and a stable electricity supply. All of South Africa's fruit and vegetables are under irrigation.
- The livestock industry is recovering after an intense period of animal diseases (although there remain cases of foot-and-mouth disease in some regions of the country). The better grazing veld due to early rains in the season and late rains in April have helped somewhat. The poultry industry is also recovering following an intense avian influenza spread at the end of 2023.
- Meanwhile, the field crops have suffered from the mid-summer drought. For example, South Africa's 2023/24 summer grains and oilseed harvest is estimated at 16,0 million tonnes, down 20% year-on-year.
- Considering the developments in these subsectors, it is unsurprising that South Africa's agricultural gross value added grew by 13,5% quarter-on-quarter (seasonally adjusted) in the first quarter of 2024. Indeed, the base effects also contributed to the robust performance as South Africa's farming economy contracted in 2023. The trade figures were also strong in the first quarter, a signal for a better harvest of fruits and improvements in port performance.
- Still, we worry that the poor harvest of summer grains and oilseed may suppress the figures for the third quarter performance in the sector. Perhaps the slowdown may even show in the second quarter figures when they become available.

Farming Jobs

- Also worth noting is that employment in primary agriculture remained robust, increasing by 6% year-on-year to 941 000 in the first quarter of 2024. This is also up 2% from the last quarter of 2023. Admittedly, the significant drought damage has been concentrated on the summer grains and oilseed regions, not across all agricultural subsectors, which somewhat explains the resilience in job data. Moreover, there could also be a lag in fully accounting for agriculture's financial pressures and the impact on employment after that.

Sentiment amongst agribusinesses

- Quite remarkably, the sentiment in the sector paints a contrasting picture of these economic realities. For example, the Agbiz/IDC Agribusiness Confidence Index (ACI) remained depressed in the second quarter of 2024, reaching 38 points from 40 in the previous quarter. This is the lowest level since Q3 2009, which was the global financial crisis, and implies that agribusinesses remain downbeat about business conditions in the country.
- Reviewing the survey respondents' comments, we found that the mid-summer El Niño induced drought's impact on summer grains and oilseed production is one of the major factors that weighed on the sentiment. The drought coincided with the long-standing challenges of inadequate road infrastructure and municipal service delivery.
- The lingering animal disease challenges and heightened geopolitical tensions are also the primary concerns for the sector. Moreover, while the farming community recognizes the improvements in Transnet's operations, they highlight the need for continuous work to address the inefficiencies of the ports and rail network.
- The uncertainty about the formation of the government at the time of the survey may have added to the downbeat mood amongst the agribusinesses. This survey was conducted between June 10 and 19, covering businesses operating in all agricultural subsectors across South Africa.

A path ahead

- Looking ahead, we remain optimistic about South Africa's agricultural conditions. The weather forecasters already tell us that we have exited the El Nino drought period and are transitioning into a La Nina event, which typically brings rain. Such a weather outlook would boost agricultural production and performance in the sector.
- Admittedly, some farmers will face financial pressures because of the 2023/24 mid-summer drought. Still, the overall picture looks promising.
- In terms of sentiments, while the farming sector may have worried about the political outlook during the Agribusiness Confidence Index survey, the reaction to the newly formed Government of National Unity has been widely positive, and the financial markets reaction reflects that optimism. I won't delve into our agricultural policy ideas as we recently wrote about them on [various platforms](#).