

SA agricultural employment down 8% y/y in Q1, 2021

South Africa's agricultural sector is in its second consecutive year of good performance supported by favourable rainfall and expansion in plantings. In 2020, the sector's gross value added expanded by 13,1% y/y, and this year will likely also be another year of good performance. While we expect better crop harvests than 2020, the expansion could be 5% y/y because last year's base is already quite strong. Yet, the agricultural jobs data continue to disappoint. In the first quarter of 2021, South Africa's agricultural jobs were down by 8% y/y, with 792 000 people employed. This is the lowest level since 2014, which was a drought year. But we are not in a drought season at the moment. The decline in jobs seems to be concentrated within industries affected by various regulations in the lockdown period, such as the horticulture (wine grapes) and game industries.

From a provincial perspective, the job losses were reported in the Western Cape, Northern Cape, Free State, KwaZulu-Natal and North West, with the rest of the provinces registering an uptick from the first quarter of 2020. To underscore our point about the provinces hard hit by the lockdown regulations being the ones that experienced a notable decline in employment, consider the Western Cape, where agricultural jobs fell by 47% in the first quarter of 2021 compared to the corresponding period the previous year. The Western Cape's agricultural employment is now at its lowest since 2014, at 136 000. We suspect that the tail-end effects of the ban on wine and alcohol sales continue to constrain farmers' finances. The same is true for the Northern Cape, which experienced job losses, albeit at a relatively lower scale than the Western Cape.

For other provinces that are not in wine production, it is also plausible that social distancing measures that are in place to limit the spread of the pandemic might have contributed to the decline in employment, especially for seasonal workers. We say this because the Free State, North West and KwaZulu-Natal are among provinces with good activity in field crop, horticulture, and livestock subsectors in a year of favourable rains that allowed for expansion in area farmed areas. That said, it is important to mention that the different sub-sectors of agriculture have varying levels of labour intensity. The horticulture industries tend to be more labour-intensive while field crops and livestock are relatively more mechanised.

The employment data will be of interest in the coming months following the 16,1% increase in the farm minimum wage to R21,69 per hour with effect on 1 March. Various commodity groups, especially those heavily affected by the lockdown regulations, have indicated that the recent increase in the minimum wage could cause a further squeeze on cash flow and negatively influence hiring decisions. Nevertheless, the actual effects of the current minimum wage increase on jobs will only be apparent with a lag.

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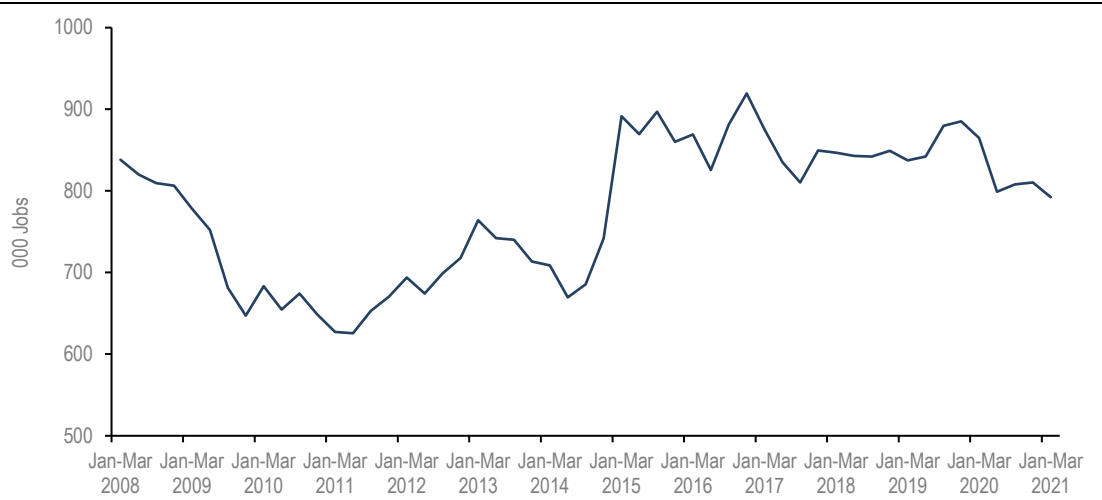
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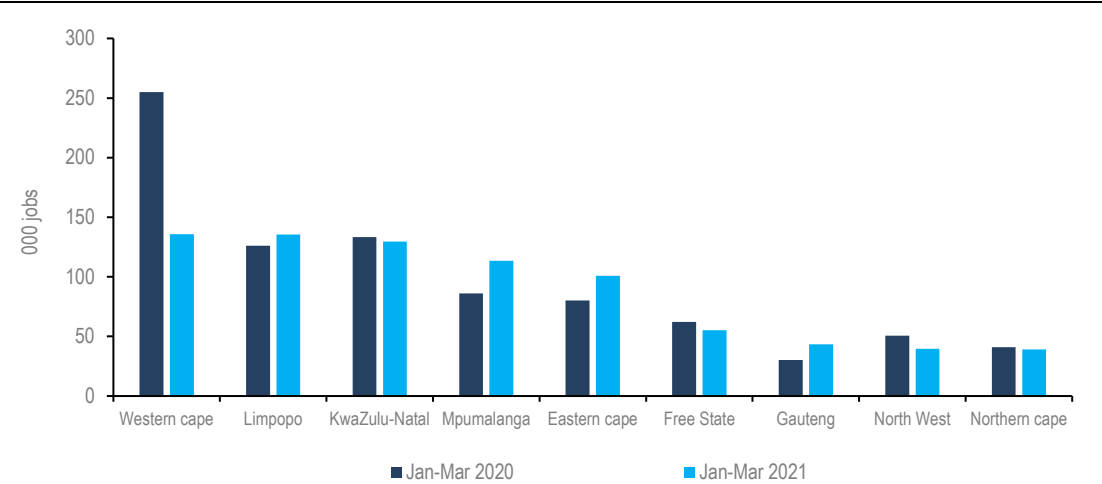
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Exhibit 1: South Africa's agriculture employment



Source: Stats SA and Agbiz Research

Exhibit 2: South Africa's agriculture employment by province



Source: Stats SA and Agbiz Research