
Agricultural sector contribution to South Africa's Gross Domestic Product (GDP)

South Africa's economy bounced back in the third quarter (July to September) of 2020, coinciding with the easing of corona virus (COVID-19) lockdown restrictions. Gross Domestic Product (GDP) grew by an estimated 13,5% in the third quarter, giving an annualised growth rate of 66,1%. This follows the significant slump of 16,6% (annualised: -51,7%) in the second quarter (April to June) of 2020 during the most restrictive months of the lockdown (April, May and June). Since the first quarter of 2020, agricultural sector has been a positive contributor to the country's GDP growth with an increase of 28.6%, becoming the strongest performer (15.1%) in the second quarter of 2020 despite the unpleasant conditions of COVID-19 pandemic. Agriculture continued to increase at a rate of 18,5% in the quarter of 2020.

During the third quarter, South Africa reported a record exports of (US\$3.2billion), i.e. 5% increase on year on year. The growth was primarily underpinned by citrus, wine, maize, nuts, deciduous fruit and sugar cane. The observed favourable weather conditions and volatile exchange rate had positive impact on agricultural exports thus sustaining positive growth in the economy. Furthermore, successful collaboration between the government and the private sector (agricultural industries) to keep agriculture operational since the outset of the Covid-19 pandemic and the lockdown, and long-term export market development efforts continue to pay off for the South Africa's agricultural sector.

It is also expected that agricultural sector could still witness a positive growth in the last quarter (October to December) of 2020. Commodities such as citrus performed favourably with the exports expected to reach a record high of 2.5 million tons, with a record level of above 70 thousand tons of citrus fruits exported to the United States during 2020. Furthermore, South Africa's wine production experienced recovery in their production volumes after the restriction of sales in domestic markets and disruption of exports during the lockdown period. The wine grape harvest for 2020 is estimated at 1.3 million tons when compared to 1.2 million tons for 2019, this represents 8.2 % increase year on year. Similarly, exports of maize are estimated at 2.5 million tons for 2020/21 period. The projections indicate that the country is likely to reach yet another season of large agricultural output in 2021. The main drivers will be the increase in grains and horticultural output and to a certain extent the relatively weak domestic currency and favourable weather conditions. For instance, the NAMC Crop Estimates Committee lifted its production estimates for wheat, barley and canola by 1%, 5%, 8%, respectively from October 2020 to 2.15 million tons, 552 766 tons, and 148 456 tons in 2021

Transport, alcoholic beverages, food, and non-alcoholic beverages were also the main contributors in the agricultural sector. When some of the lockdown restrictions were lifted, a sharp increase (about 7 043%) was observed in the expenditure for all the above commodities as well restaurants and hotels supporting the agricultural sector. With economic activities starting to return to their pre-lockdown levels, consumers might pay a little more than the current averages prices for meat and animal products due to higher cost in producer inputs as well as the increase in demand expected during the festive season.

Furthermore, the current Agro-processing, Agriculture Master Plan that is coordinated by the NAMC seek to draw the attention of policymakers and other relevant stakeholders to focus on small and niche value chains to develop the capabilities needed to improve domestic production. Several intervention measures including the reduction on import dependency may be a contributing factor, especially in the niche and labour-intensive value chains.

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