

# Outlook for the agricultural sector into 2021

 By Paul Makube

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Against the backdrop of a contracting overall economy with South Africa's gross domestic product (GDP) for 2020 forecast to decline by over 8% year-on-year, there is a silver lining in the agricultural sector outcomes for the next season.



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Following two consecutive quarters of stellar performance by the agriculture sector with 28.6% and 15% quarter-on-quarter seasonally adjusted annualised growth, we expect a similar feat in the remaining quarters of 2020 due to a combination of a good crop harvest, strong agriculture exports and the unseasonably high commodity prices.

## Broad summary of the agriculture outlook

- Agriculture growth momentum will continue into 2021, contributing positively to overall SA GDP outcomes.
- Favourable production conditions on the back of a La Nina weather pattern will spur farmers to plant more area under summer crops and improve grazing for livestock.
- Supplies of grain, oilseeds and horticulture crops will be adequate for the year ahead.
- Surplus production of agriculture commodities will tame food inflation and contribute towards a benign overall consumer inflation in 2021.

- The implications are for interest rates to remain at record lows for a bit longer, benefiting consumers.
- Strong export drive to continue due to the increased availability of product and high international demand.
- Positive feed input cost outlook for the livestock sector as higher grain and oilseed output will eventually limit further upside for raw inputs.
- Consumer consumption trends are expected to continue to change with more emphasis on safety, reliability of quality and supply, and ethics in food production systems.
- Pressure on disposable incomes will lift grain consumption which forms part of basic products and staple food.

## ABOUT PAUL MAKUBE

Paul Makube is Senior Agricultural Economist at FNB.

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