

03 June 2025

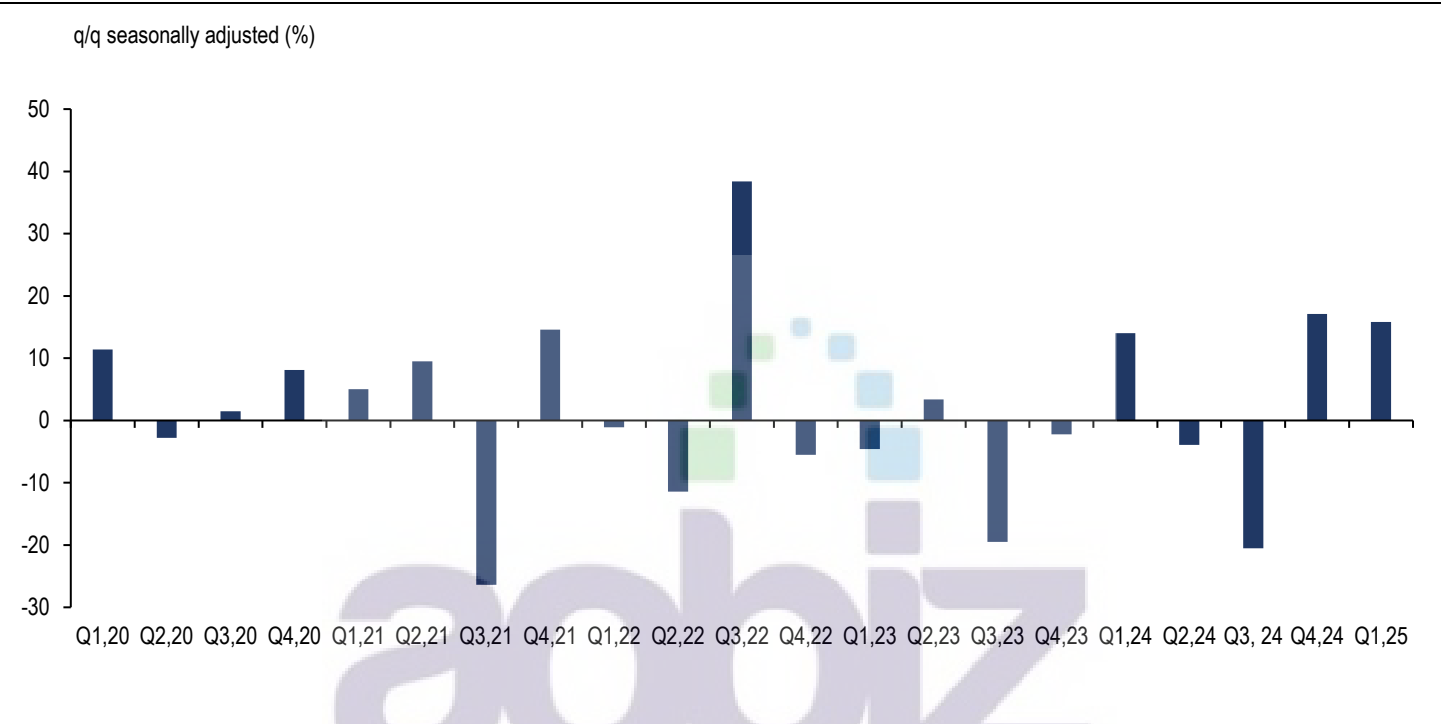
South African agriculture recovers, but the overall economy remains stuck in a low-growth trap

- South Africa's agriculture sector is in recovery mode, although the recovery is uneven, as some subsectors, mainly livestock, are facing challenges that will become apparent later in the year. The data released this morning by Statistics South Africa shows that South Africa's agricultural gross value added expanded by 15,8% quarter-on-quarter (seasonally adjusted) in the first quarter of 2025. This expansion is primarily due to the improved performance of certain field crops and the horticulture subsectors.
- The better performance of these particular subsectors is expected to continue dominating the year. The production data at the farm level remain encouraging. For example, (1) we have an excellent summer grains and oilseeds season, with the latest production forecasts by the Crop Estimates Committee suggesting a harvest of 17.98 million tonnes, up by 16% from the 2023-24 drought season. Favourable rains and decent area plantings support this. (2) South African sugar production for the 2024-25 production season is forecast to recover by 7% year-on-year to 2.09 million tonnes. This is also due to favourable weather conditions and the availability of sufficient water for irrigation. (3) We have also received encouraging production data from SA Wine and Vinpro, forecasting South Africa's wine grape harvest at 1.244 million tonnes, an 11% recovery from the exceptionally poor harvest of 2024. (4) The South African Table Grape Industry has also posted some upbeat production figures, indicating that the 2024-25 total harvest inspected is 78.9 million cartons, 4% higher year-on-year. (5) We also see encouraging production data from citrus, various fruits, and vegetables. (6) In poultry production, the moderating prices of maize and soybeans should help the industry in its ongoing recovery.
- On the downside, the one area that remains a concern is the livestock industry, primarily due to the recent outbreak of foot-and-mouth disease. We have already seen various trading partners temporarily banning South Africa's beef exports due to the foot-and-mouth disease outbreak. Given the sizable share contribution of the livestock industry to South Africa's agricultural gross value added, its challenges are something worth reflecting on when considering South African agricultural performance. It is due to the challenges in the livestock industry that we have consistently discussed the potential "uneven" recovery of agriculture in 2025.
- Now, the quarterly agricultural gross value-added figures tend to be quite noisy. However, if one considers the annual performance, it will be reasonable to believe that agriculture will recover robustly from the 2024 contraction (-8,7% y/y in 2024 and -4.6% in 2023). The base effects, combined with encouraging production in field crops, horticulture, and poultry, are enough to support the annual

recovery of the sector. Still, from a subsector perspective, we will likely see an uneven performance, with challenges more in the livestock industry.

- Overall, the South African economy grew by 0,1% quarter-on-quarter (seasonally adjusted) in the first quarter of 2025. The country remains in a low-growth trap.

Exhibit I: South Africa's agricultural gross value added



Source: Stats SA and Agbiz Research