

Four reasons why WC agriculture is important to SA's economy

The Western Cape (WC), which has seen the worst of the drought with dam levels remaining low, houses an important part of the agri-economy in South Africa. Head of Information and Marketing at FNB Agribusiness, Dawie Maree takes us through four reasons why the WC agricultural sector is important to the South African economy:



Dawie Maree, Head of Information and Marketing at FNB Agri Business

1. Why do we need it to rain in the WC?

The WC is probably SA's most important export province in terms of agricultural products. The deciduous fruit industry, wine industry, and increasingly the citrus industry, is also setting base in the WC. These are all key export produce that contribute significantly to the overall agri-economy in South Africa. Should any of these industries suffer, it becomes detrimental to the agricultural industry as a whole in South Africa and by extension, the local economy.

2. What is the percentage impact on GDP contribution?

The WC contributes 24% to total GDP in South Africa. Agriculture has a total contribution to the GDP of the WC of roughly 4%. But what is significant to note is that agriculture and agro-processing is responsible for 18% of employment opportunities in the province.

3. How has the drought impacted employment numbers in the sector?

The drought will have the biggest impact on seasonal employment in the fruit industry. Due to possible lower production, less seasonal workers might be employed, with the obvious socio-economic consequences related to a decreased number of those employed. For Q1 there were 215,000 employees in the agri sector in the WC. That is 14.2% less than in Q4 of 2016. A large percentage of these are due to seasonality. It is, however, 5.9% less than the same period in 2016 (228,000) – clearly a consequence of the drought. The WC has the biggest agricultural workforce in South Africa at 24.5%.

4. What is the long term impact of the drought on both WC and the country?

The WC is a central agricultural exports province and the drought, if not broken soon, will definitely impact negatively on the long term economic growth for both the province and the country's economy.

The WC has recently had some rains, however, the drought has not been broken. A major contributing factor of the drought has had a negative impact on the wheat industry, seriously hampering supply, with the knock-on effect on wheat prices and possibly the bread price. Although SA is a net importer of wheat, this might mean that we will have to import even more wheat than we normally do. Some of the losses in wheat production might be offset by increasing production in the Free State and Northern Cape.

"We must keep in mind that although agriculture only makes up around 4% of the sector when compared to other industries, the majority of agriculture's production, in excess of 70%, gets used by the manufacturing industry and the

Western Cape is an key contributor to this. Should agriculture suffer, the whole value chain will suffer,” concludes Maree.

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