Agriculture exports hit record on large harvest and efforts to keep sector open

By Wandile Sihlobo

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The combination of a large harvest, joint efforts between the government and the private sector 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 SA's agricultural sector. In the third quarter, the country recorded record exports of $3.2bn, a 5% increase year on year. The growth was primarily underpinned by citrus, wine, maize, nuts, deciduous fruit and sugar cane.

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These products will continue to support SA's agricultural exports in the final quarter of 2020. Citrus has featured prominently and exports for 2020 are expected to reach a record 2.5million tonnes, a 17% increase. Similarly, after the restriction of sales in domestic markets and disruption of exports during the lockdown period, wine exports could continue to improve in the last quarter.

This has all happened in a season in which SA's wine production was in recovery mode from a volume perspective, with the 2020 wine grape harvest estimated to be 8.2% higher than the previous year at 1.3-million tonnes. For maize too, the 2020/2021 exports are estimated at 2.5-million tonnes, a 35% annual rise due to the second-largest harvest on record. The same applies to other products that had already featured prominently in the exports list during the first three-quarters of the year due to large production volumes.

Earlier in the year there was concern about logistical challenges at the ports and general uncertainty over global trade due to disruptions caused by the pandemic to supply chains and the debilitating effect of lockdowns on demand, but agricultural trade data show the sector has largely been insulated. On the domestic side this is mainly due to joint efforts by the government and the private sector to ensure constant communication about challenges the industry faced, and action thereafter to resolve glitches.

Africa, Asia and the EU were the largest markets for SA's agricultural exports in the third quarter, accounting for 30%, 29%, and 29% respectively in value terms. The balance of 12% by value was spread across the rest of the world, with the Americas dominating.

These robust exports enabled SA to achieve an agricultural trade surplus of $1.7bn in the third quarter, a 35% increase on the corresponding period last year. Agricultural imports also boosted this robust trade balance with an annual decline of 16% to $1.5bn. The main imports were wheat, rice, palm oil, poultry meat and sunflower oil, products that are likely to continue to dominate the import bill in the fourth quarter, since SA's climatic conditions do not favour production of some of these products, specifically wheat, rice and palm oil.

This should be considered in the localisation strategy being drafted by the government. The country can substitute a few products, but will be unable to reduce imports of some for the foreseeable future. The policy focus, therefore, needs to become even more export-orientated as SA expects yet another season of large agricultural output in 2021. Still, the focus on localisation requires a careful study of agriculture and the food import list, and a focus on the niche value chains in which SA can realistically improve its efficiencies.

At an aggregate level, SA's agricultural exports are still on track to increase from 2019's $9.9bn to more than $10bn this year. The catalyst will be the increase in grains and horticultural output and to a certain extent the relatively weak domestic currency, which increases the price competitiveness of SA's agriculture exports in overseas markets.

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ABOUT THE AUTHOR

Wandile Sihlobo is Chief Economist of the Agricultural Business Chamber of South Africa (Agbiz) and the author of Finding Common Ground: Land, Equity, and Agriculture.