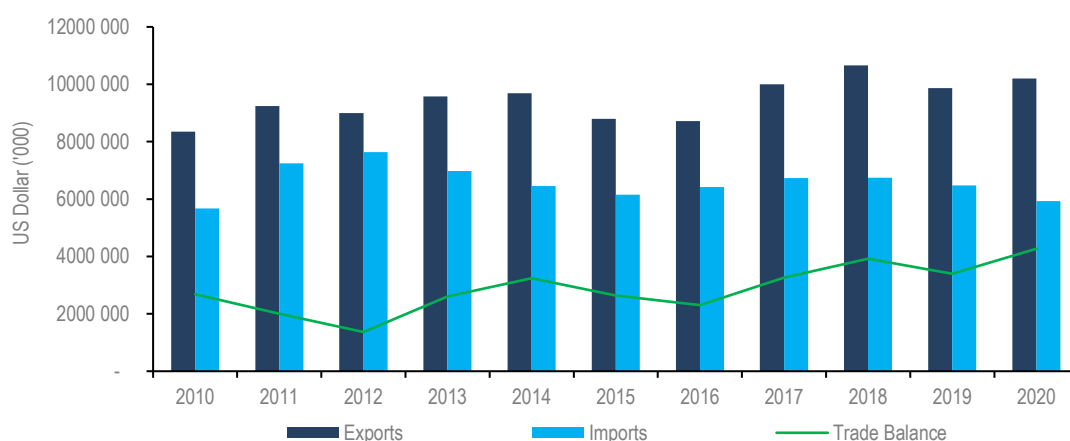


South Africa's agricultural exports registered the second-largest level on record in 2020

We have been writing for a while about South Africa's agricultural performance in 2020, but with full-year trade data now available, we felt compelled to revisit the subject. South Africa's agricultural exports amounted to US\$10,2 billion in 2020, which is a 3% increase from the previous year. This is the second-largest level after the record exports of US\$10,7 billion in 2018. The exports were primarily underpinned by large domestic agricultural output, which was supported by favourable weather conditions. The relatively weaker domestic currency also made South Africa's agricultural products more competitive in the global market. The top ten exportable products by value were citrus, grapes, wine, apples and pears, maize, nuts, sugar, wool and fruit juices.

Over the same period, South Africa's agricultural imports fell by 8% year on year to US\$5,9 billion. The decline in imports of poultry meat, sugar, spirits, sunflower oil, prepared animal feed, beer made from malt, fish, and coffee were the underlying drivers of the softer imports in 2020. This was enough to overshadow the increase in imports of the top-three products South Africa typically imports, namely, rice, wheat and palm oil. The fall in imports, which corresponded with an increase in exports, subsequently led to a 26% year-on-year increase in South Africa's agricultural trade surplus to US\$4,3 billion. This is illustrated in Exhibit 1.

Exhibit 1: South Africa's agricultural trade



Source: Trade Map and Agbiz Research

From a destination point of view, the African continent and Europe continued to be the largest markets for South Africa's agricultural exports, absorbing 38% and 27% of total exports in 2020, in value terms, respectively. The top products to these markets were beverages, fruit, grains, sugar and vegetables. Asia has also remained an important market for South Africa's agricultural exports, accounting for a 25% export share in 2020. Fruit, wool, grains, sugar and meat were the leading products exported to this region. The Americas and the rest of the world (ROW) accounted for 6% and 4% shares, as shown in Exhibit 2. Exports to these regions were also dominated by fruit, beverages, vegetables, grains, sugar, and wool.

15 February 2021

Wandile Sihlobo

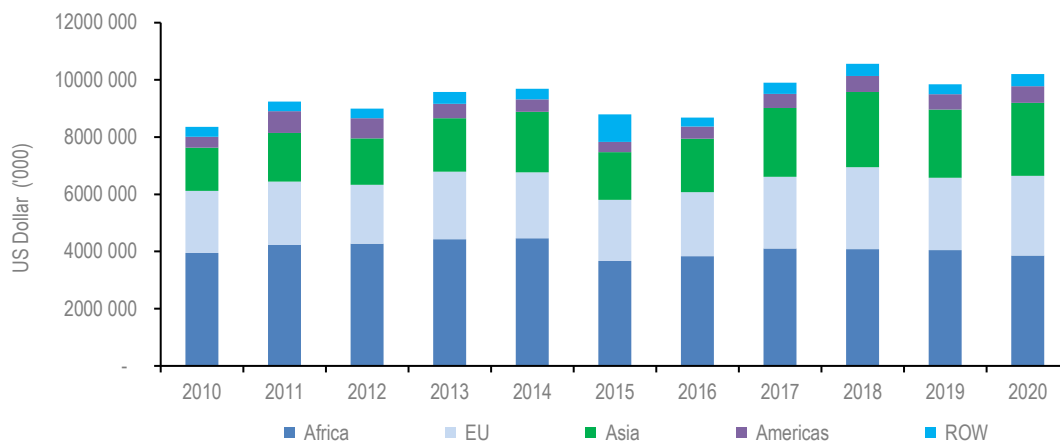
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Exhibit 2: South Africa's agricultural exports by region



Source: Trade Map and Agbiz Research

Joint efforts

Aside from the favourable weather conditions that enabled a large harvest, credit for exports also goes to unhindered food value chain operations because of joint efforts of the government, private sector, and various research institutions. Notably, the government's decision to leave the agricultural and broader food sector fully operational from the lockdown's onset provided conducive business conditions.¹ Meanwhile, the continuous interaction between private sector organizations and logistics companies ensured a constant flow of products to the export markets.

Looking ahead

South Africa's agricultural exports could increase further in 2021. The improved favourable conditions have led to an increase in summer crop area plantings and prospects of a larger maize harvest than in 2019/20, which will enable more exports particularly given the context of strong demand and somewhat low stock levels. The South African wine grapes production is also set to be somewhat larger than in 2020, thus contributing to a larger wine volume for exports.² There is also general optimism about the 2021 harvest in the horticulture subsector and other field crops like sugar, which supports our view of a possible increase in agriculture exports this year.

Policy considerations

The South African government and private sector players have embraced a vision of expanding labour-intensive agricultural subsectors as part of a broader development strategy. This message is clear from the National Development Plan, and various speeches by policymakers over the past couple of years. This is to be an export-driven initiative. Such subsectors are mainly horticulture and to a certain extent field crops. Fortunately, the top valuable agricultural exports were also within these subsectors over the past six years, which means that South Africa is on the right path in its agricultural development strategy.

With that said, while 25% share of South Africa's agricultural exports goes to Asia, as previously noted, there is still potential to expand participation in that market. With India and China headlining the growth potential in Asia and the Far East, this region is significant enough to warrant more attention, especially given that there is currently no preferential market access for South Africa's agricultural sector in this region. This is a message we

¹ Sihlobo, W., 2020. *South African farming's resilience feeds through to 2021*, Pretoria: Agricultural Economics Today. Available: <https://wandilesihlobo.com/2020/12/13/south-african-farmings-resilience-feeds-through-to-2021/>

² Vinpro Media Release, 2020. *SA wine harvest underway, amidst growing concerns*. Paarl: Vinpro. Available: <https://vinpro.co.za/sa-wine-harvest-underway-amidst-growing-concerns/>

expressed around this time in 2020, and we feel it is important to highlight it again. South Africa has to compete with the likes of Australia and Chile. They have secured trade agreements that have afforded them a significant competitive advantage that could end up threatening South Africa's market share and future growth. Therefore, South Africa should continue to engage these countries for greater market access to agricultural products. The Middle East is also an important market to continue developing trade relationships with, especially Saudi Arabia. The activation of the African Free Continental Trade Area at the start of this year also provides an important foundation for the realisation of this potential within the African continent.

Weekly highlights

SONA a mixed bag on agriculture

Similarly, to 2020, in this year's State of the Nation Address (SONA), President Ramaphosa reaffirmed the government's commitment to ensuring that agriculture continues to be amongst the key sectors that will drive growth and job creation in South Africa. The President's message centered around the Agricultural and Agro-processing Master Plan's potential role in driving expansion and development in the sector, with success already evident in the sugar and poultry master plans. The broader Agriculture and Agro-processing Master Plan is nearing completion, and we expect its launch within the first quarter. The strength of the master plan is the joint-venture approach amongst social partners that underpins it. The President pointed to a similar emphasis, stating that "this provides an opportunity for further public-private partnership in agriculture to promote transformation and ensure sustainable growth."

Trade is another important aspect highlighted, focusing on the African Continental Free Trade Area (AfCFTA), which came into operation on 1 January 2021. South Africa's agricultural sector is export-orientated, and the African continent is its largest market – accounting for 38% of the US\$10,2 billion exported in 2020. The AfCFTA offers an opportunity to expand agricultural exports beyond the SADC region, where South Africa's agricultural exports are currently concentrated.

Nevertheless, we were disappointed to hear the continuous emphasis on the expropriation of land as one of the levers that government is committed to utilizing for land reform purposes, mostly if this still leans on the potential amendment of Section 25 of the Constitution and not just the updated Expropriation Bill. There was also limited information about the planned land and agrarian reform agency, which will be utilized to fast-track land reform. We look forward to getting more details about how such an agency will be structured and what will ensure a greater level of efficiency than how the government has been managing land reform.

We were also disappointed that the government did not commit to releasing more state land to potential beneficiaries. We understand the State has over two million hectares of land supply. Such land could be utilized for true commercialization of black farmers, especially if it is accompanied by a transfer of land rights to potential beneficiaries opposed to a non-tradable lease as is the case with the recent 700 000 hectares currently being released to beneficiaries.

Overall, the agricultural message within the SONA was a mixed bag; an acknowledgement of the farming potential to create jobs and foster growth, yet a hazy view on land policy and support programmes for land reform beneficiaries. There may also be an over-reliance on the master plans; time will tell if it will genuinely deliver on its promise.

Recent developments in the global grain and oilseed market

This past week the United States Department of Agriculture (USDA) released its monthly update of the World Agricultural Supply and Demand Estimates report. The report carried minimal adjustments from January 2021 figures, and the underlying theme is that the global grains supplies are still in reasonably good shape on aggregate. Admittedly, though, there are various regional production declines, which along with China's rising demand for maize and soybeans, have underpinned global grains prices.

As a summary, the latest USDA estimates placed the 2020/21 global wheat production at 773 million tonnes, marginally up from the previous month, and up by 1% of the prior season. The ending stocks are estimated at 304 million tonnes, also up 1% from the 2019/20 season in the same season. The 2020/21 global maize production estimate was also lifted marginally from the previous month to 1,13 billion tonnes, a 2% annual increase. However, the ending stocks could decline by 5% year on year to 286 million tonnes in 2020/21, in part, because of growing consumption, specifically in China where the pig industry has recovered from the devastation caused by the African swine fever outbreak in 2019. The relatively lower ending stocks mean that global maize prices could remain slightly elevated in the near term.

The USDA forecasts the 2020/21 global soybean production at 361 million tonnes, roughly unchanged from the January 2021 estimates and 7% higher than the previous season. The expected large crop in Brazil and the US is behind the global crop increase. Nevertheless, the 2020/21 global soybeans stocks could fall by 12% year on year, primarily on the back of an increase in consumption by China. In rice, the 2020/21 production could amount to 504 million tonnes, up by 1% from the previous season. Meanwhile, the stocks are at the same levels as in the 2019/20 season, estimated at 178 million tonnes. These developments are essential for South Africa, both as an importer of some products such as wheat, soybean oilcake and rice and also maize exporter. The global market dynamics influence domestic price trends. In sum, the global grains and oilseeds supply is still in reasonably good shape, but the commodity prices could remain elevated because of growing demand from China.

Data releases this week

This is a relatively quiet week on the agricultural calendar. Globally, the notable data release will be the **US weekly export sales data** released by the United States Department of Agriculture on Thursday. Here, we will continue to monitor China's buying activity of US maize and soybeans. Over the past few months, China bought large volumes of these commodities to supply its pig industry and also build stocks.³

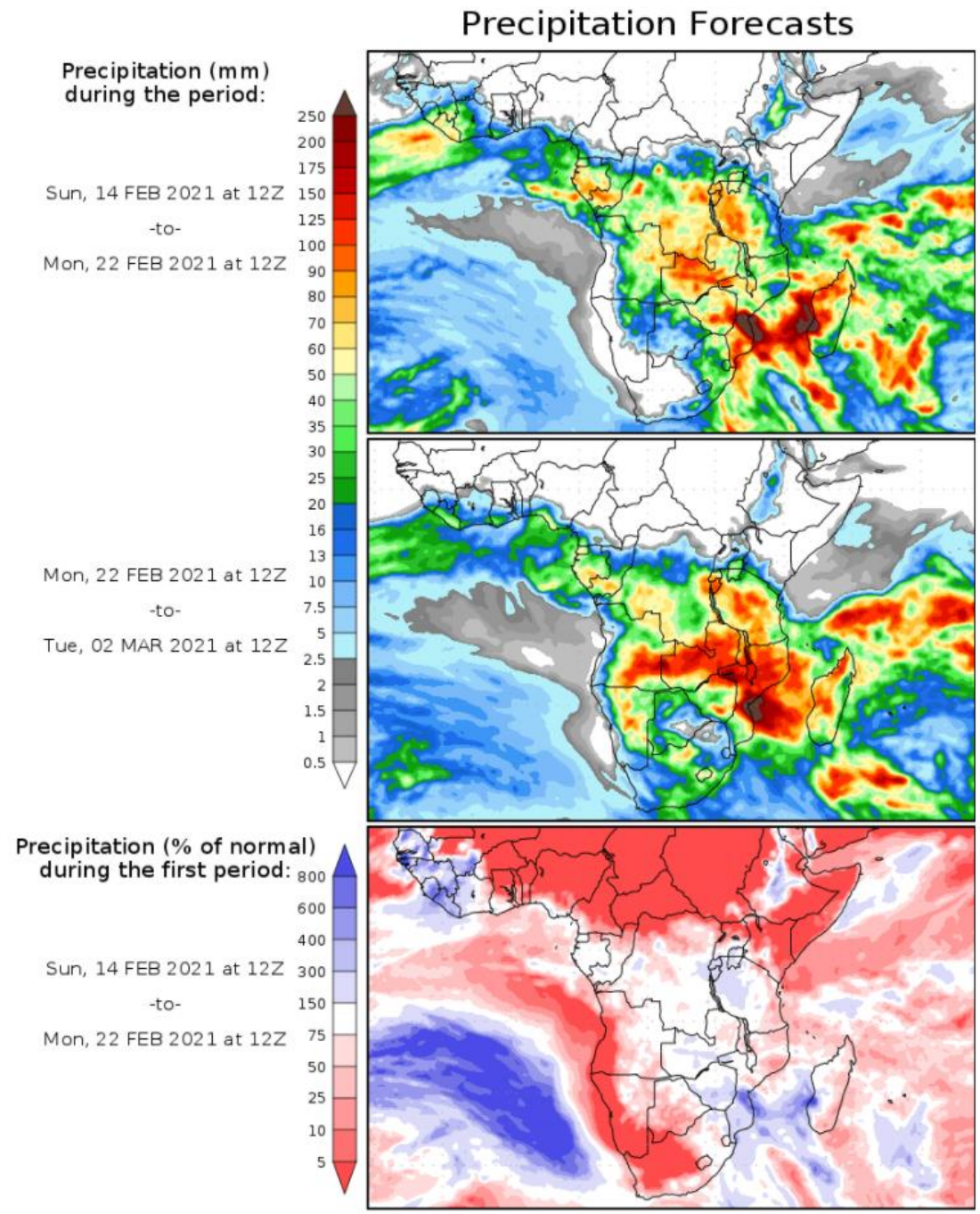
On the domestic front, on Wednesday, the South African Grain Information Service (SAGIS) will release the **weekly grain producer deliveries data** for the week of 12 February 2021. This data covers summer and winter crops, although the focus has shifted towards winter crops whose harvest has recently been completed. On 05 February 2021, about 9 347 tonnes of winter wheat were delivered to commercial silos. This placed the 2020/21 wheat producer deliveries at 1,91 million tonnes, which equates to 91% of the expected harvest of 2,11 million tonnes.

On Thursday, SAGIS will release the **weekly grain trade data** for the week of 12 February 2021. In the previous week of 05 February 2021, South Africa's 2020/21 total maize exports were at 2,06 million tonnes, which equates to 78% of the revised seasonal export forecast (2,64 million tonnes). In terms of wheat, South Africa is a net importer. In the week of 05

³ For more information on China's pig herd rebuilding progress: <https://mecardo.com.au/chinese-pig-herd-rebuild-to-impact-global-red-meat-demand/>

February 2021, imports amounted to 452 853 tonnes, which equates to 29% of the revised seasonal import forecast of 1,58 million tonnes.

Exhibit 3: South Africa's precipitation forecast



This week could bring light rainfall over the central, eastern and northern regions of South Africa, which is not conducive for crops in areas that are somewhat experiencing water logging following the higher rainfall of the past few weeks.

The week thereafter shows prospects of continuous rains over most regions of South Africa.

Source: George Mason University (wxmaps)