

SA food supplies are expected to hold despite Covid-19

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The outbreak of Covid-19 will change the way we live our lives, without exception. The virus has raised serious concerns in society, ranging from health safety and economic conditions to essential food supplies.

In the UK, US and parts of SA we are starting to see empty shelves as consumers stockpile in fear of disruptions to global food chains. This has given rise to questions whether SA could experience food shortages in the near to medium term.

I doubt that this will be the case, at least on a national level for most food products. SA is an agriculturally endowed country, and is generally a net exporter of agricultural and food products. The prospects of an abundant harvest of staple grains and fruit in 2020 are good.

SA nevertheless depends on essential imported food products such as rice, wheat and palm oil. Key palm oil suppliers are Indonesia and Malaysia. The typical rice suppliers are Asia and the Far East, namely Thailand, India, Pakistan, China and Vietnam, some of which are hard hit by the pandemic. In the case of wheat, the suppliers are usually Germany, Russia, Lithuania, the US and the Czech Republic, and some have also been hit hard.

As some of the countries that have reported Covid-19 cases have not taken drastic measures to limit business activity and reduce the spread of the virus, SA's importation of some of these agricultural products could continue unabated.

Logistical bottlenecks

SA also imports poultry products and sunflower oil, but these can be replaced by local suppliers should global supply chains be disrupted.

In the unlikely event of shortages occurring they are likely to be due to logistical bottlenecks in shipping rather than a decline in global essential grain supplies. The 2019/2020 global wheat production is expected to amount to 764-million tonnes, up 5% from the previous year, according to data from the US agriculture department. The estimated 2019/2020 global rice production is 499-million tonnes, about the same as in the previous season.

The readiness of domestic food supply chains is most likely to be tested in the coming weeks and months if panic-buying caused by fear of the spread of Covid-19 surges to the levels in the UK and US.

The implications of Covid-19 on food price inflation remains unclear in the near term. We continue to monitor consumer buying behaviour for signals of rising demand. SA has ample food supplies for 2020, and we have therefore forecast a food price inflation rate for the year of about 4%, compared with 3.1% in 2019.

Potential slowdown

The uptick in food price inflation compared with the previous year is associated with a potential increase in meat prices rather than the Covid-19 pandemic, which has had a deflationary effect on some exported fruit commodities.

The negative effects of the virus are likely to be felt most by farmers and agribusinesses, through the potential slowdown of export demand and a likely subsequent decline in agricultural commodity prices. SA's agricultural sector is export-orientated and relies heavily on global markets. Nearly half of the value of the country's production is exported.

As Asia and Europe, which accounted for half of the \$10bn of SA agricultural exports in 2019, are the hardest-hit by Covid-19, people's routines and supply chains in these regions could be disrupted as governments strive to limit the spread of the virus.

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