

South Africa's agricultural exports hit a new record high of US\$12,4 billion in 2021

The need to improve logistics efficiency and curb the deterioration of infrastructure remains a topical issue in South Africa's agriculture. Farming communities and agribusinesses might work to improve productivity on the farms, but the ultimate goal for some agricultural commodities producers is to reach export markets. However, achieving this is not only a function of output, but also the various trade agreements that South Africa has with other countries and the efficiency of logistical infrastructure locally. In 2021, the cyberattacks at Transnet, vandalism of rail infrastructure, poor road networks across the country, which the heavy rains have now exacerbated, and inefficiencies at the ports at various periods were the key risks to South Africa's agricultural export drive.

The agriculture and agribusiness industry has since firmed its relationship with Transnet to focus on the short-term challenges of ensuring that the perishable products already harvested are exported efficiently while also not forgetting the long-term collaboration for improving the port efficiencies. The latter aligns well with the agriculture expansion strategies, aimed at boosting production, destined for the export market as the sector is already export-oriented.

The close collaboration since the unrests and cyberattacks at the ports has also paid off if one assesses this from an export volume and value perspective. For example, in the last quarter of 2021, the value of agriculture, food, and beverages exports increased by 18% y/y to US\$2,8 billion, according to data from Trade Map. This puts South Africa's agriculture, food and beverages exports for 2021 at a record US\$12,4 billion. The top exportable products include wine, maize, citrus, nuts, berries, grapes, wool, fruit juices, and apples and pears. The significant factors underpinning this total export value are the sizeable agricultural output in the 2020/21 production season, combined with general solid global demand, and generally higher agricultural commodity prices and large export volumes, specifically in maize which reached the highest volume since 1994/95, and citrus which reached a record export volume.

From a destination point of view, the African continent and Asia were the largest markets for South Africa's agricultural exports in the fourth quarter of 2021, accounting for 45% and 23% in value terms, respectively. The European Union was the third-largest market, taking up 16% of South Africa's agricultural exports. Trailing these regions was the United Kingdom with about 6% of South Africa's agricultural exports, and the fourth largest destination if we rank the export destinations by country, not as regions. The balance of 10% value constitutes the Americas and other regions of the world.

As with the third quarter of 2021, at the core of this success lies the continued coordination that agribusiness and organised agriculture, Transnet, and various ports operating and truckers' groups have had since the July unrests. Through meetings organised by Business Unity South Africa (BUSAs), the regular interactions amongst these groups have been a pivotal platform to share information about various glitches

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Wandile Sihlobo
Chief Economist
+27 12 807 6686
wandile@agbiz.co.za

www.agbiz.co.za

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encountered in the logistics and ease the flow of information to parties that can assist. The logistical challenges have had financial implications, but the coordination has ensured a flow of products and export earnings.

Efficient logistics are also vital for imports as South Africa still relies on other countries for crucial food products such as wheat, rice, poultry, palm oil, and sunflower oil. These products dominated the food import bill in the fourth quarter of 2021, as they cannot be sustainably produced at scale in South Africa because of unfavourable climatic conditions. As such, in the fourth quarter of 2021, agricultural imports increased by 9% y/y to US\$1,8 billion. We believe rice, wheat, sunflower oil, and palm oil will continue leading the agricultural import product list in 2022. In sum, South Africa recorded a trade surplus of US\$1,0 billion in the fourth quarter of 2021, which is up by 36% from the corresponding period in 2020, primarily underpinned by robust exports.

Regarding policy perspective, the industry collaboration on logistics has yielded positive results, but the challenges that confronted the country in the ports and rail lines in 2021 persist. This means that the collaborative efforts with Transnet should continue to resolve near-term challenges while also exploring collaboration for co-investing in long-term infrastructure needs.

Additionally, the South African government and industry also need to maintain relations in existing export markets while widening access to new markets that will accommodate the expected harvest from a range of commodities in the coming years. China, Japan, India, Saudi Arabia and Bangladesh are some of the key markets that stakeholders in all subsectors of agriculture agree would benefit them.

Exhibit 1: South Africa's agricultural trade



Source: Trade Map and Agbiz Research