Grow more wheat to cut reliance on imports

Wandile Sihlobo

This essay first appeared on Business Day, 19 April 2022

Despite being mostly semi arid, SA has ample agricultural output. As a country we export about half of what we produce in value terms a year. These exported products were worth a record $12.4bn in 2021.

The exportable products are diverse, including wine, maize, citrus, nuts, berries, grapes, wool, fruit juices, beef, apples and pears. Our export markets are also diverse, spreading across the African continent, Europe, Asia, the Middle East and Americas.

We have achieved this progress partly because of the openness of SA policymakers, agribusinesses and farmers to technological advancement, mechanical and biological, which have been instrumental in driving productivity higher. But the reality of our environment means we cannot produce all the products we need in SA. For instance, our agricultural import bill in 2021 was $6.9bn. The top five imported products that year were palm oil, rice, wheat, poultry meat as well as whiskies and other spirits. These accounted for 30% of this import value.

Notably, SA does not have the climatic conditions to increase its production of some of the top three products — palm oil, rice and wheat. The first two — palm oil and rice — are not even in our planning because SA is semi arid. We import 100% of our annual consumption of these products. In the case of wheat, we import about half our annual consumption of about 3.4-million tonnes.

There are discussions in the agricultural sector about the prospect of increasing domestic wheat production and reducing import dependence, specifically around the Free State, where wheat hectares fell significantly in the recent past due to lack of profitability and frequent dryness in winter. We would be able to increase wheat production in such areas if seed-breeding efforts advance to levels where seed varieties can withstand slightly drier weather conditions and provide better yields. Such a development would incentivise farmers not to switch to more profitable crops.

When it comes to rice and palm oil we are at the mercy of global dynamics. For example, the drier weather conditions in the past few months have reduced palm oil production in some Asian countries, leading to a notable increase in prices, which as an importer SA has to accept.

One positive aspect of the 2021/2022 season is that SA had its second-largest sunflower seed harvest at about 959,450 tonnes, an increase from 678,000 in 2020/2021. This means we could see vegetable oil import requirements, including palm oil, falling this year. Typically, SA imports about half-a-million tonnes of palm oil a year.

SA also imports about 1.1-million tonnes of rice. The latest estimates of the International Grains Council suggest this import volume will remain unchanged in 2022. About 70% is usually imported from Thailand, with other notable suppliers being India, Pakistan, China and Vietnam. Most of these countries expect a reasonably good harvest in the 2021/2022 season, which should boost the availability of supplies for export.

It is worth noting that the Russia-Ukraine war disrupted the global grains market and raised concern about an increase in rice demand in coming months as some countries could start substituting rice for maize and other grains where supplies will be relatively scarcer and prices higher.

SA is an agriculturally resilient country despite facing a range of challenges. According to The Economist's Global Food Security index, this reality makes SA the most food-secure country in the Sub-Saharan Africa region. Still, there are certain products on which we cannot reduce our import dependency quickly because of environmental constraints. Fortunately, this year at least one of those products, rice, is abundant on the world market, and prices are favourable for the SA consumer.

Wandile Sihlobo*, the chief economist of the Agricultural Business Chamber of SA (Agbiz), is the author of "Finding Common Ground: Land, Equity, and Agriculture".*