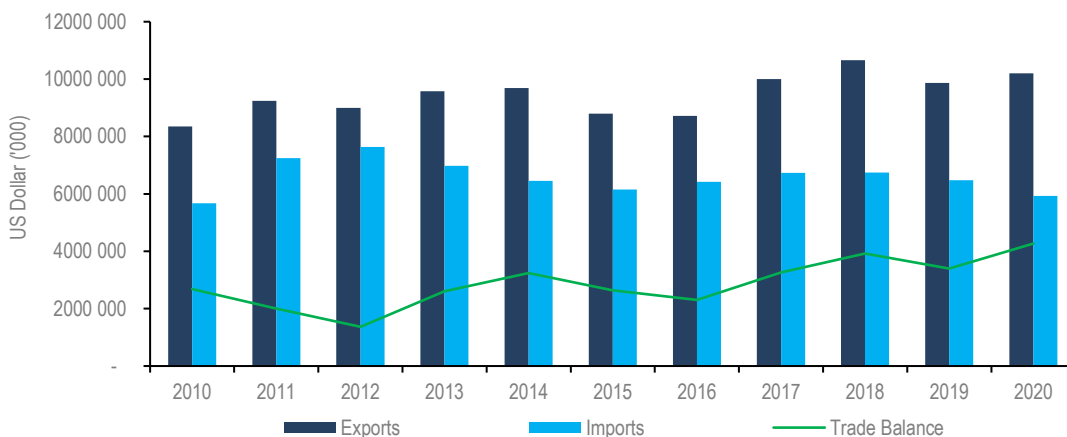


South Africa's agricultural exports registered the second-largest level on record in 2020

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.

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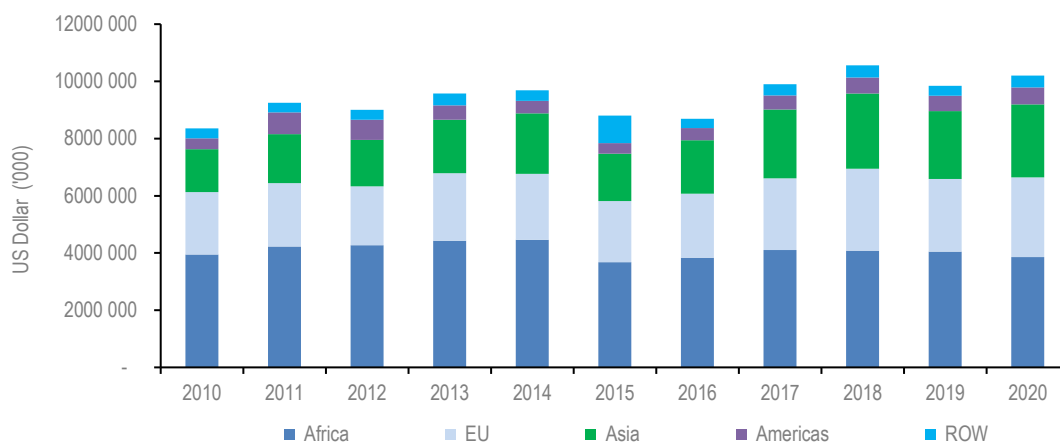
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Exhibit 2: South Africa's agricultural exports by region



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.