



AgriBusiness

Profile of the South African AgriFood landscape





From the AgriBusiness Desk

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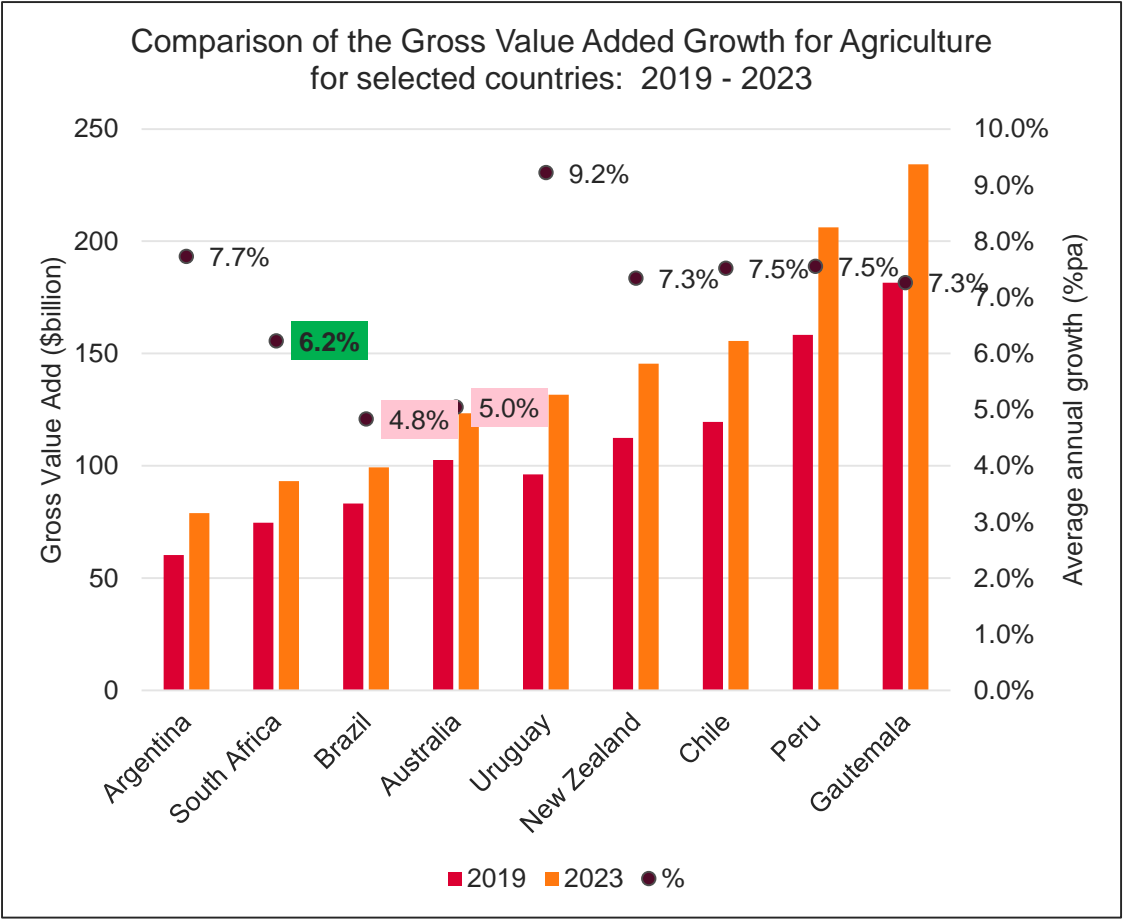
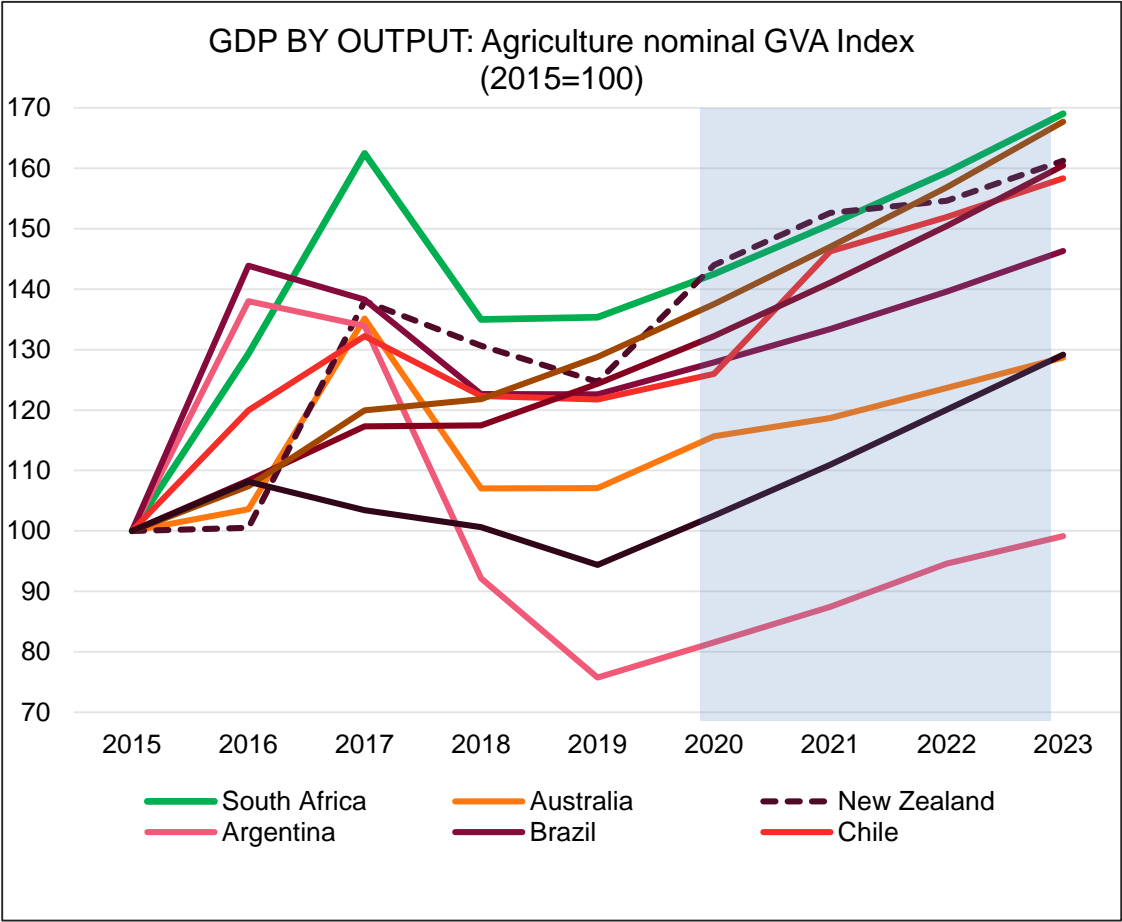
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The average yoy gross value added growth for RSA is 6,2%, more than the average annual growth of 5,9% of SH-competitors incl Brazil and Australia

South Africa's Gross Value Add (2015 = 100) performs well compared to our competitor countries

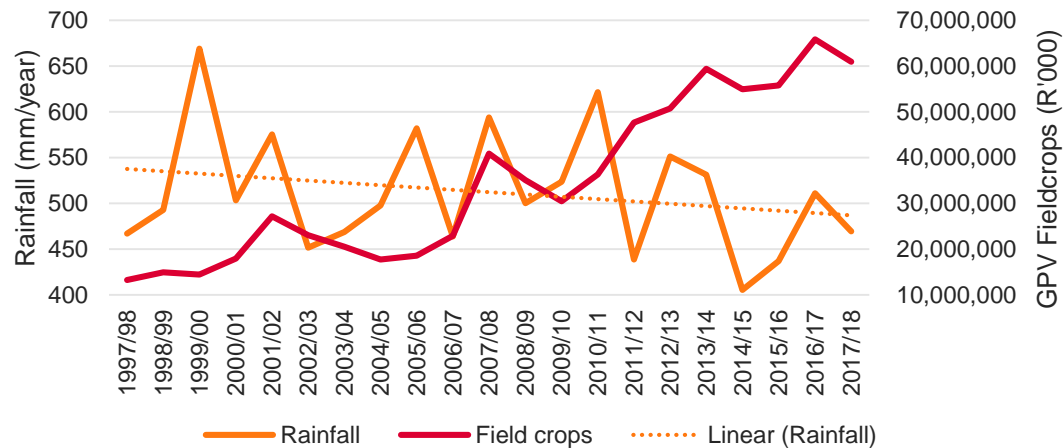


Gross value added (GVA) refers to the value of production less the value of any intermediate inputs (Source: Business Monitor International)



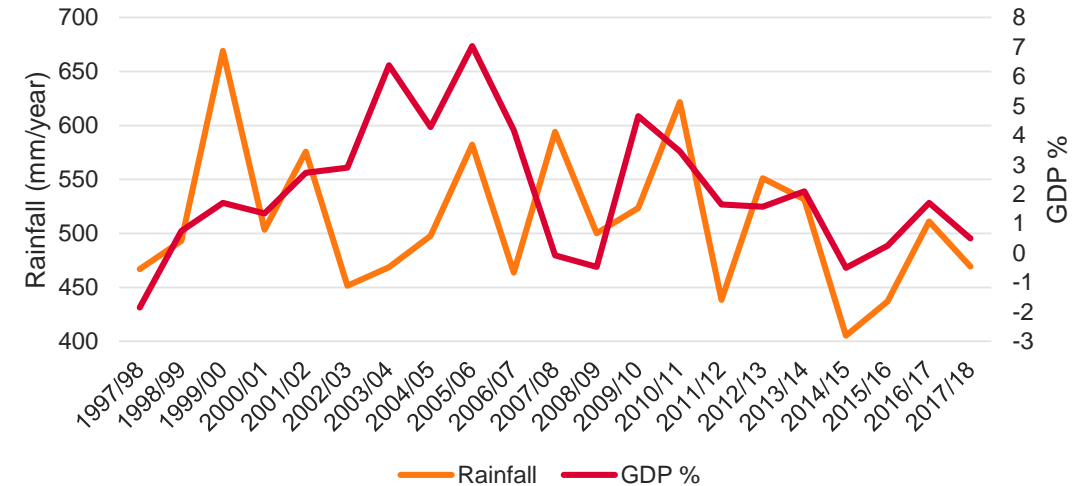
Technological investments increase the efficiency of water as natural resource

Despite the decline in the annual rainfall the Gross Producer Value for Field Crops follows an increasing trend



- The long term average rainfall since 1997/98 are trending down
- Irrespective of the lower rainfall the gross producer value of field crops (maize, wheat, soybeans, sunflowerseed, cotton etc) follows a growing trend
- Farms increase in size (Economies of scale), producers adopt latest technologies (Precision farming) and “better” best production practices to conserve water

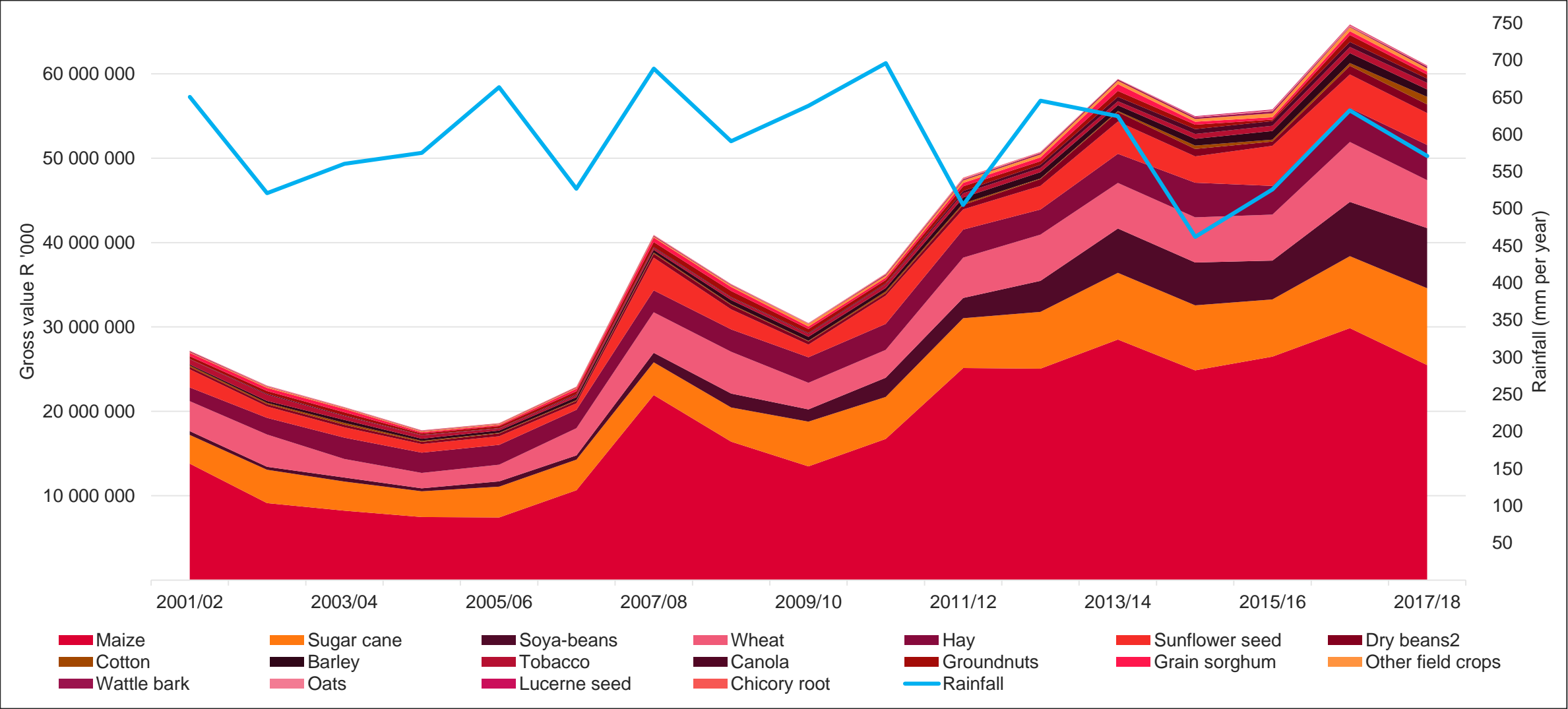
Comparison of the overall GDP (%) and the annual rainfall for South Africa



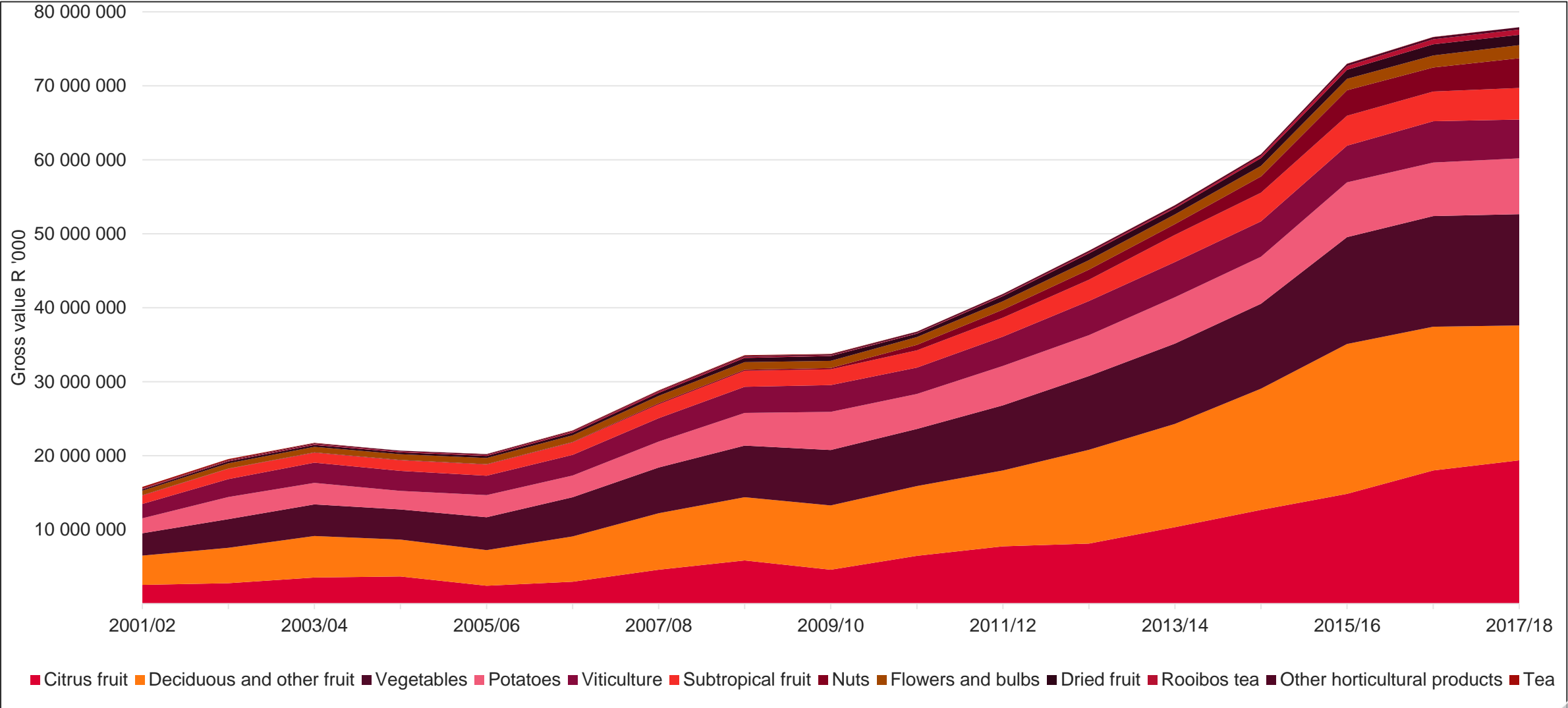
- Agriculture increasingly impact the South African economy as the outputs of mining and other sectors decline.
- Therefore the correlation of the overall GDP (Economic growth) for South Africa starts to increasingly correlate closely to the rainfall pattern.
- Rainfall and the distribution of rainfall and therefore agriculture is key for growth in the South African economy



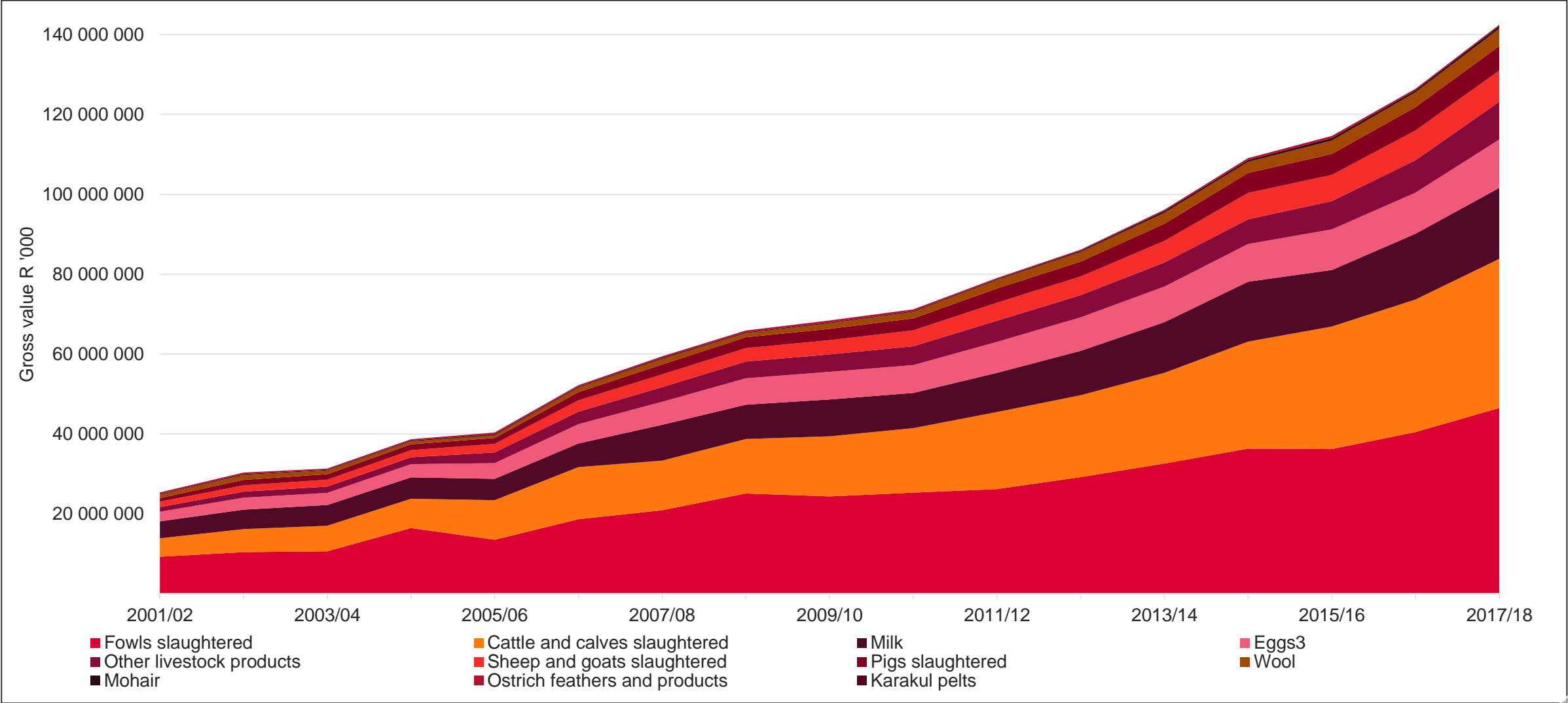
The gross value of agricultural production (R) depend on rainfall



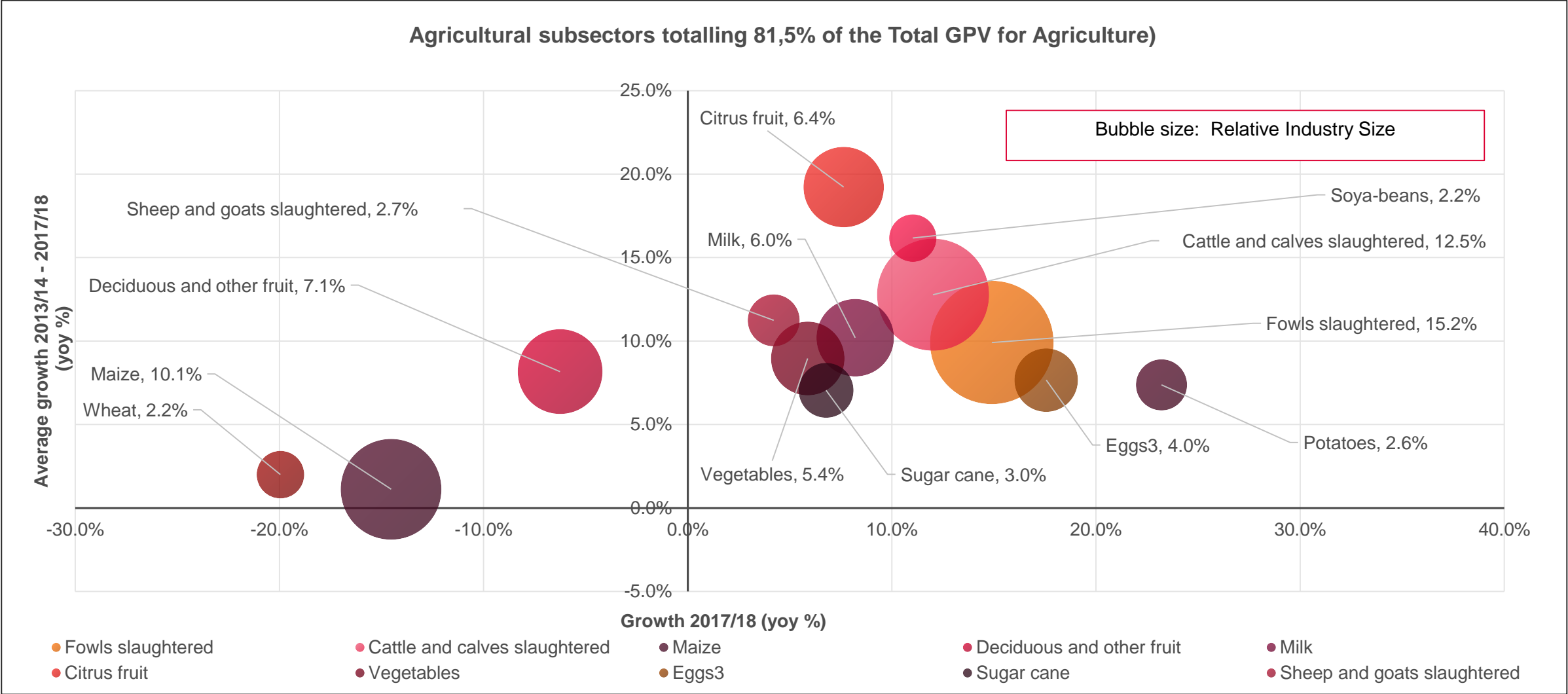
Permanent crops are impacted less directly by rainfall. South Africa's dam and irrigation systems are well developed



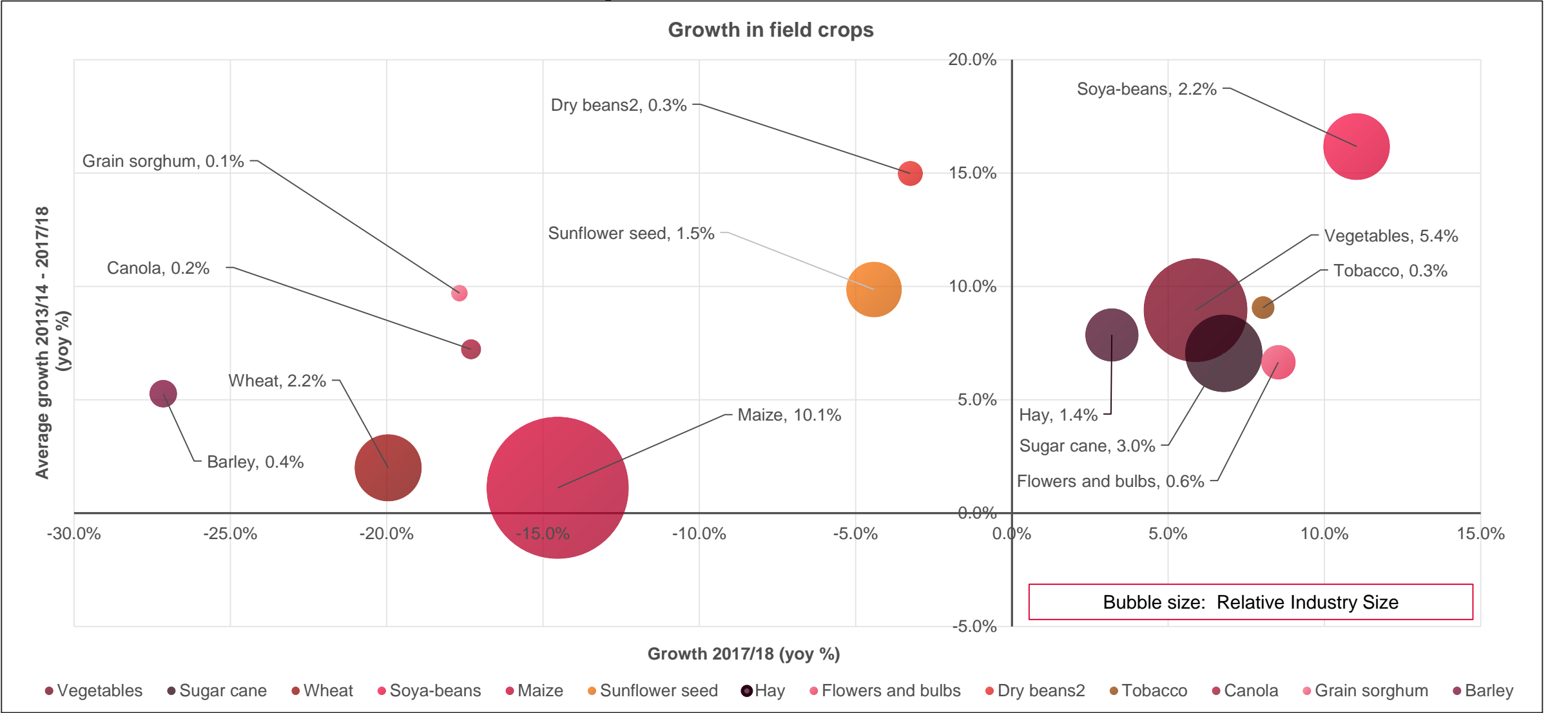
The recent growth in the livestock sector are driven by increased demand, precision farm technologies and natural grazing as limited resource



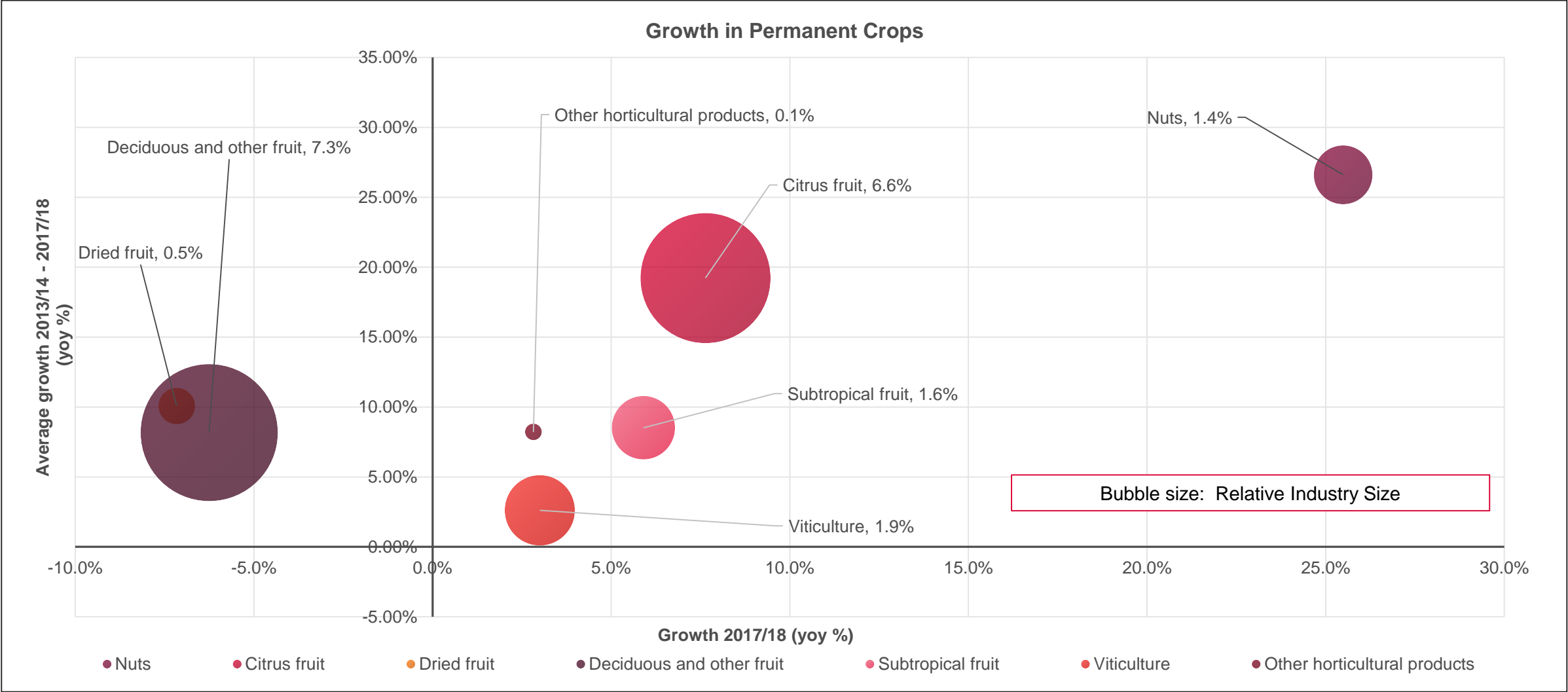
Thirteen well diversified sectors contribute 80% to the gross producer value of agriculture



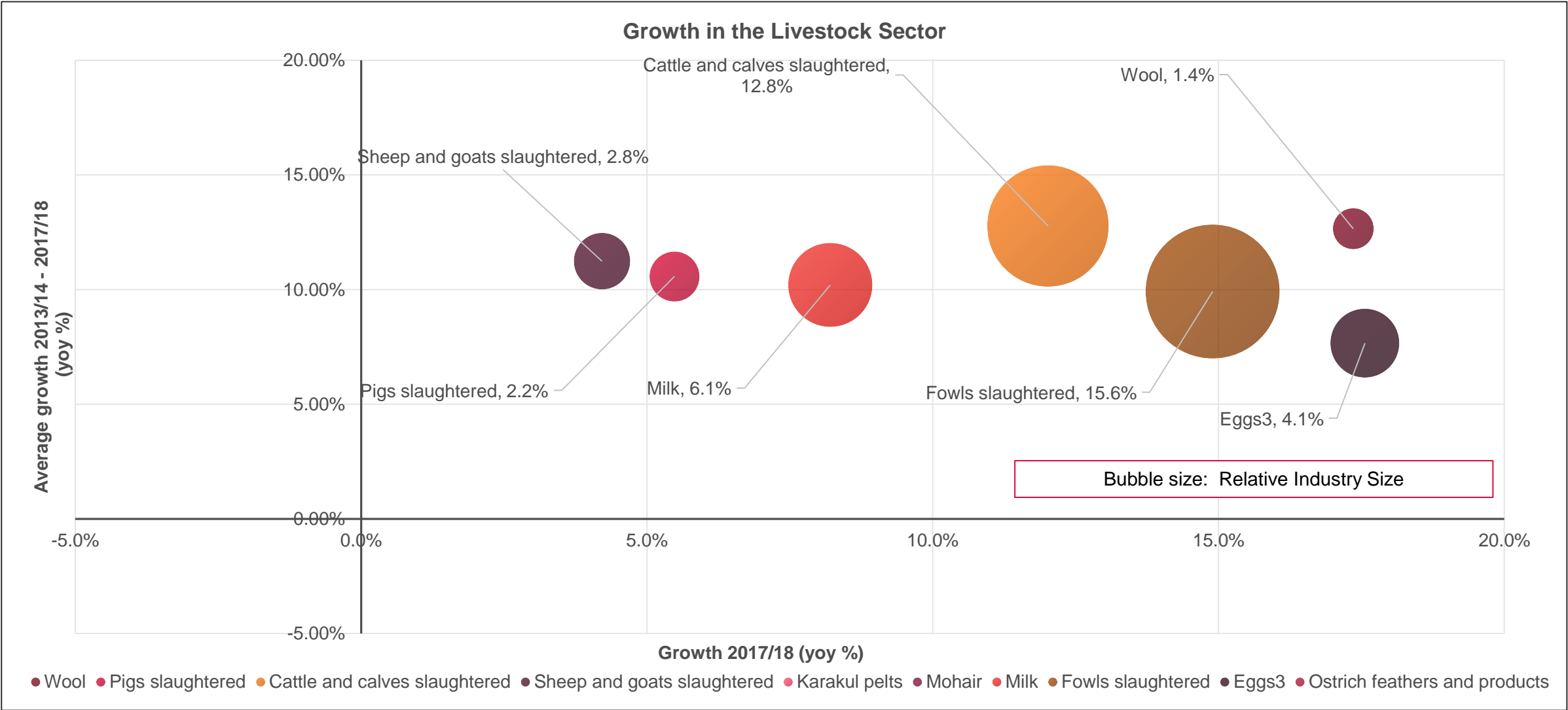
The demand for protein rich crops increased the gross production value above that of starch based crops



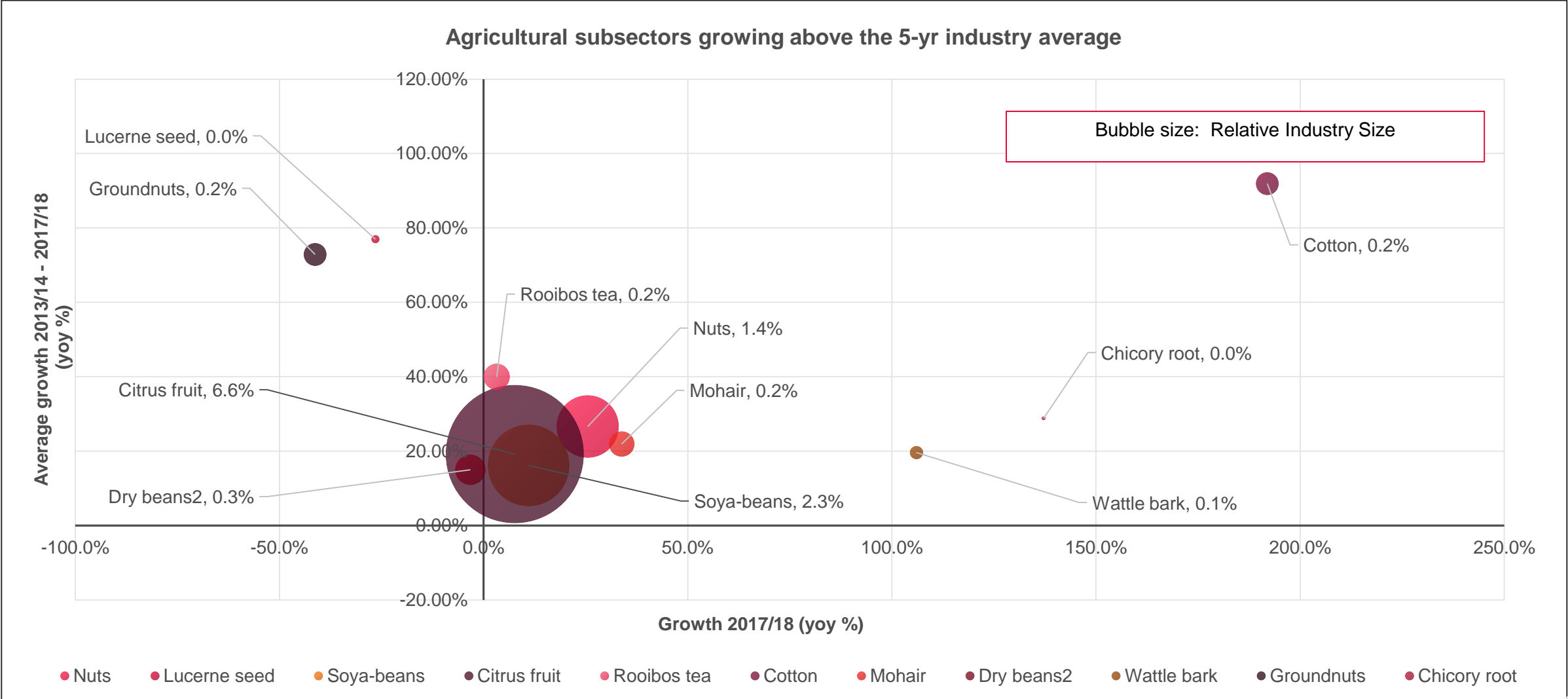
The higher income consumers in developed countries drives the export demand for permanent crop products that benefits health and convenience



Natural grazing as limited resource increase the financial viability of cultured and plant based meat and fiber



The fastest growing sectors are mainly driven by consumer trends in health and protein demand



Fruit, wine and sugar are important export sub-sectors for RSA, which risk to be impacted by the COVID-19 trade slow-down

R billion	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Total perishable exports	9,9	12,3	19,5	7,7
Africa	0,9	0,9	1,0	1,0
Apples and pears	0,5	0,5	0,7	0,6
Other	0,4	0,4	0,3	0,4
Americas	0,7	1,0	1,6	0,9
Nuts	0,3	0,3	0,6	0,5
Grapes	0,3	0,0	0,0	0,3
Other	0,1	0,7	1,0	0,1
Asia	2,5	4,7	8,3	2,0
Nuts	0,0	0,6	2,0	0,6
Grapes	1,1	0,0	0,0	0,3
Citrus	0,2	2,6	5,2	0,4
Apples and pears	0,7	1,2	0,9	0,2
Other	0,5	0,3	0,2	0,5
Europe	5,8	5,7	8,4	3,8
Grapes	3,9	0,6	0,4	1,6
Nuts	0,1	0,2	0,3	0,2
Citrus	0,0	2,7	6,3	0,2
Apples and pears	0,6	1,2	0,7	0,0
Stone fruit	0,6	0,0	0,0	0,4
Berries	0,2	0,0	0,4	1,1
Other	0,4	1,0	0,3	0,3

Total RSA exports in 2019 (Including Agriculture): R1,3 trillion

Total Agricultural Exports in 2019: R 98 billion or 7,5% of total RSA exports

• Livestock	R1,0 billion
• Meat (Africa R2b, Asia R1,3b)	R3,4 billion
• Dairy	R3,0 billion
• Live Plants	R1,4 billion
• Vegetables (Africa: R2,3b)	R3,0 billion
• Fruit	R43,4 billion
• Nuts (Asia R3,3b, US R1,7b Eu R0,9b)	R6,0 billion
• Coffee, tea & spices	R1,9billion
• Grain	R5,8 billion
• Milled grain products	R2,7 billion
• Oilseeds	R3,4 billion
• Fat and oils	R3,2 billion
• Tobacco	R3,1 billion
• Sugar	R7,1 billion
• Wine	R9,6 billion

Risk exposure to Coronavirus related disruptions in export logistics

Perishable product exports: R55,8 billion of R98 billion pa

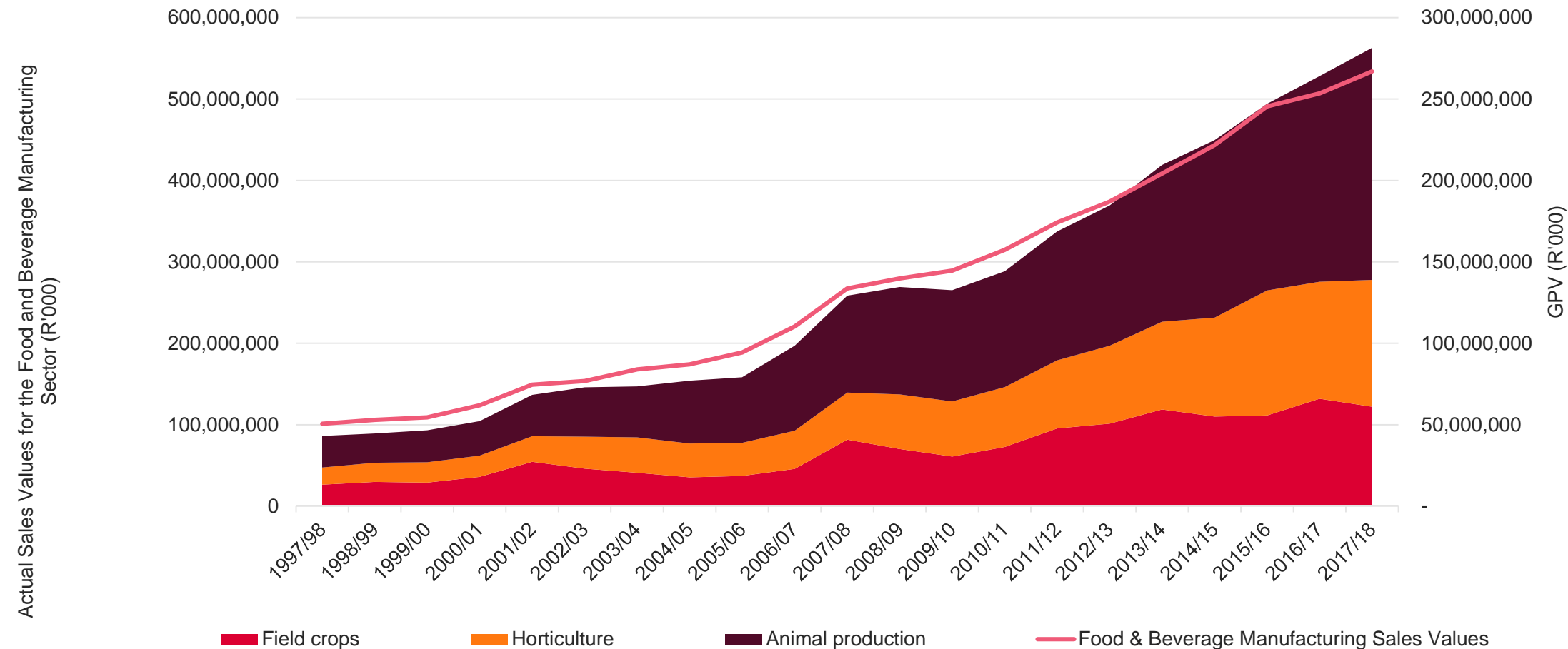
Perishable exports in Q2 and Q3 R23,3 billion of R98 billion pa

(Assumption: Import logistics fully recover in Q3 in Asia but not to the other export destinations. Weak YoY exchange rate may help to limit revenue losses (Q2 -18%, Q3 -11%))

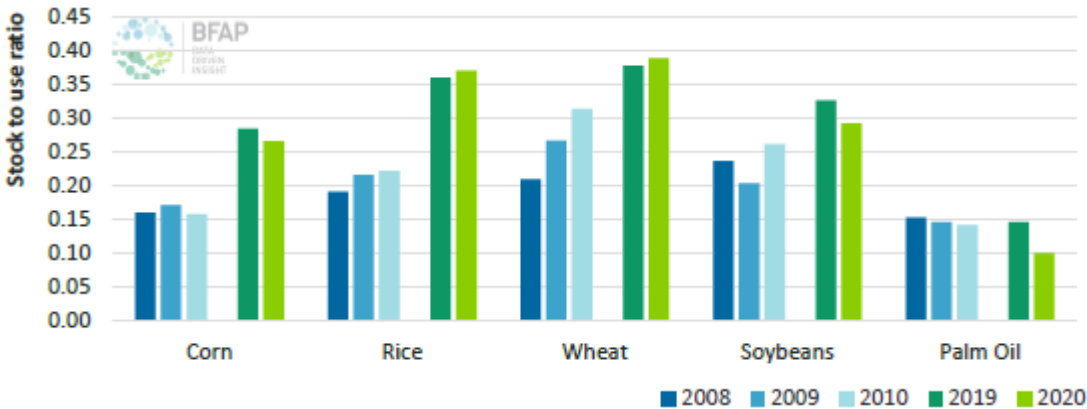


The net export value of the primary and secondary agricultural sectors boasts to have the second best net export value to ore exports at R25 billion

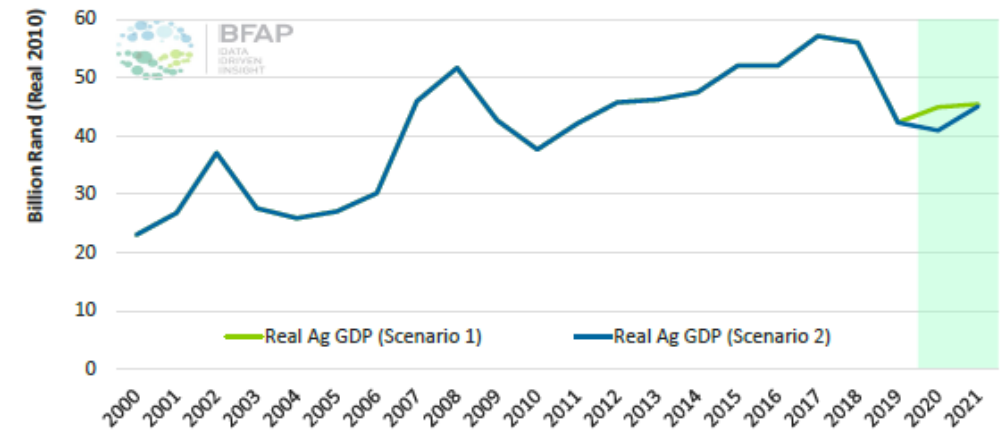
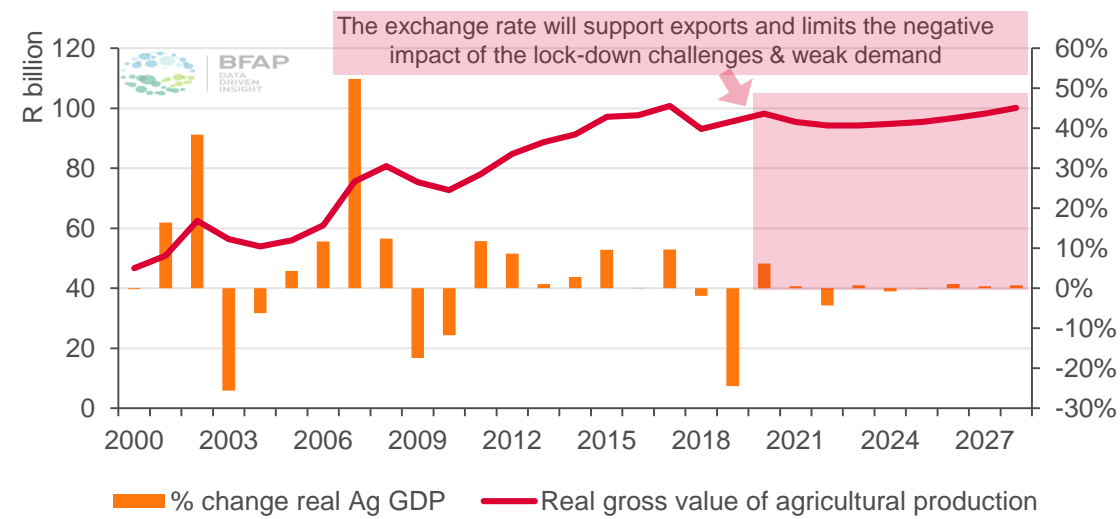
Food and beverage manufacturing has shown steady growth



The Covid-19 impact will be trumped by the counter cyclical nature of agriculture, weak exchange rate, low interest rates and excellent rainfall year



The current stock to use ratios for most commodities are well above those during the financial crisis (2008-2010) (Source: BFAP & USDA, 2020)



The successful phased exit form lockdown will support a recovery in the Real Ag GDP for 2020 (Source: BFAP, 2020)

Successful phased exit from lockdown

- Readiness of health system pays off.
- Level 4 to 3 by Q3 & 2 to 1 by end of 2020
- Employees are able to work
- Food processing facilities do not to close down
- Real GDP per capita decline by 7 - 9% in 2020
- Demand for higher valued meats, dairy products and fruits decline but this market segment recover rapidly by end of 2020 and Q1: 2021.
- Disruptions at ports lead to a 10% reduction in export volumes by Q2 and Q3

Premature opening of the economy

- Rate of the infection picks up rapidly
- Reintroduction of level 3 and 4 restrictions
- Employees are unable to work
- Food processing facilities have to be closed down frequently
- Real GDP per capita decline of 15.4%
- Demand for higher valued products like meat, dairy products and fruits drops and take longer to recover.
- Disruptions at ports lead to drop in exports of 30% by Q3:2020



Thank you

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