

Agricultural exports hit record on solid global demand despite Transnet woes

Wandile Sihlobo

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The need to improve logistics efficiency and curb the deterioration of infrastructure remains a topical issue in SA's agriculture. Farming communities and agribusinesses might work to improve productivity at 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 SA has with other countries and the efficiency of logistical infrastructure locally. In 2021 the cyberattacks at Transnet, vandalism of rail infrastructure, poor road networks countrywide — which the heavy rains have now worsened — and port inefficiencies at various periods, were the key risks to SA'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 port efficiencies. The latter point aligns well with agriculture expansion strategies, aiming to boost production, which will be for the export market as the sector is already export-orientated.

The close collaboration since the unrest and cyberattacks at the ports has also paid off from an export volume and value perspective. In the last quarter of 2021 the value of agriculture, food and beverages exports increased 18% year on year to \$2.8bn according to Trade Map data. This puts SA's agriculture, food and beverages exports for 2021 at a record \$12.4bn.

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 2020/2021 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 1994/1995, and citrus, which reached a record export volume.

From a destination point of view the African continent and Asia were the largest markets for SA's agricultural exports in the fourth quarter of 2021, accounting for 45% and 23% in value terms respectively. The EU was the third-largest market, taking up 16% of SA's agricultural exports. Trailing these regions was the UK with about 6% of SA's agricultural exports, and the fourth-largest destination if export destinations are ranked by country, not regions. The balance of 10% 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 co-ordination between organised agribusiness and agriculture, Transnet, the various ports and truckers' groups since the July unrest. Through meetings organised by Business Unity SA the regular interactions among these groups have been a pivotal platform to share information about

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

Efficient logistics are also vital for imports as SA 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 SA due to unfavourable climatic conditions.

As such, in the fourth quarter of 2021 agricultural imports increased 9% year on year to \$1.8bn. Rice, wheat, sunflower and palm oil should continue leading the agricultural import product list in 2022.

SA recorded a trade surplus of \$1bn in the fourth quarter of 2021, which is up 36% on the corresponding period in 2020, primarily underpinned by robust exports.

From a 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. The collaborative efforts with Transnet should thus continue to resolve near-term challenges while exploring collaboration for co-investing in long-term infrastructure needs.

The SA government and industry should also 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.

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