

SA heads for another bumper year as yields rise and demand picks up

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With 2021 set to present even larger yields than 2020 for SA's major field crops, horticulture and wine, it is plausible that exports could also surpass last year's second-largest export earnings record of \$10.2bn. In the first quarter of 2021, SA's agricultural exports amounted to \$2.9bn, a 28% year-on-year increase. The size of the increase is partly because of base effects, as the first quarter of 2020 was hit by Covid-related disruptions to global supply chains, but the growth also reflects a rising export performance for various products.

In the first quarter of 2021, the top exportable products were fresh grapes, groundnut oil, maize, wine, greasy wool, fresh plums, pears and apples, and maize meal. These products are likely to dominate the export list throughout the year, as production promises to exceed 2020's levels. For example, SA Wine Industry Information and Systems forecasts the 2021 wine grape crop at 1.5-million tonnes, 9% larger than the 2020 harvest. This is likely to contribute to increased wine exports in 2021. The Citrus Growers Association also recently projected that the SA citrus industry could break previous export records with an estimated 159-million cartons in 2021 from 146-million in 2020.

Moreover, SA could have a 2.8-million-tonne maize surplus available for export in the 2021/2022 marketing year. This would be the largest volume since 1994/1995, when SA exported 4.7-million tonnes, according to data from SA Grain Information Services. These available volumes arise from a large expected harvest, which Agbiz forecasts will be 16.7-million tonnes (compared to the 2019/2020 harvest of 15.3-million tonnes). This would be the second-largest maize harvest on record.

Africa and Asia were the largest markets for SA's agricultural exports in the first quarter of 2021, respectively accounting for 33% and 25% in value terms. The EU was the third-largest market, taking up 20% of SA's agricultural exports in the first quarter of 2021. The balance of 22% value was spread across other regions.

Notably, SA's agricultural imports also increased in the first quarter of 2021, though marginally, by 4% to \$1.6bn. The top imported products were the ones where domestic consumption usually outstrips production. These include wheat, rice, palm oil, soya bean oilcake/meal, beer from malt, poultry products, live cattle and whiskies. Wheat and palm oil will dominate the agricultural import product list for the year, and the International Grains Council forecasts rice imports in 2021 at 1.1-million tonnes, a 5% increase from the previous year. Meanwhile, SA's 2020/2021 wheat imports are forecast to be 1.58-million tonnes, down 16%. I also expect a notable decline in soya bean meal imports as SA has had a record harvest in the 2020/2021 production season, which should substitute for a large share of the usual imports.

Overall, SA recorded an agricultural trade surplus of \$1.4bn in the first quarter of 2021, a 75% annual increase. With major economies in Europe, Asia and the Americas recovering from the 2020 economic shock of the pandemic, I expect the demand for food products from

SA's major agricultural exports markets to remain robust and support the current account, despite the relatively stronger rand against major currencies.

To close off with a policy view, SA has an export-orientated agricultural sector, which means there needs to be continuous improvements in logistics to expand export markets to new destinations. Ongoing engagements are taking place between the industry and Transnet to address bottlenecks and efficiency challenges in the ports and rails infrastructure. In terms of export markets, SA's agricultural exports are well diversified already, but the additional markets policymakers should prioritise are China, India, Saudi Arabia and Japan. Increased market access for a wide range of agricultural products in these markets would benefit the farming sector.

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