

Expect Western Cape drought to knock farm exports

 By [Wandile Sihlobo](#)

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Agriculture has its fair share of challenges, but I try to find uplifting domestic and regional developments to discuss. This week, agricultural trade was in my crosshairs.



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For context, I recently reflected on the positive trade performance in calendar 2017, when South Africa's agricultural exports surpassed \$10bn (about R134bn) for the first time, boosted by growth in exports of edible fruits, beverages, spirits, vegetables, grains and other farm products. The \$10.0bn figure represented a 15% year-on-year increase from \$8.7bn.

Africa and Europe were the largest destinations for agricultural exports, collectively absorbing 67% of total exports last year in value terms. Asia was also an important market, taking 24%. The Americas and the rest of the world accounted for 5% and 4%, respectively.

In the same period, imports increased by 5% year on year, reaching \$6.7bn, particularly driven by wheat and rice.

Good start to the year

The first quarter of this year started on a positive footing, with agricultural exports amounting to \$2.3bn, up 8% from the corresponding period last year, according to data from Trade Map. This was boosted by increased sales of edible fruits, beverages and spirits, vegetables, wool, sugar and cereals.

The trade impact of the severe drought in the Western Cape was muted in the first quarter. It will, however, be felt in the coming quarters, as 2017-2018 table grape and major fruit production declined by double digits year on year. Research from the University of Cape Town shows Western Cape rainfall last year was the lowest in more than 80 years.

Agricultural imports in the first quarter of this year were worth \$1.8bn, up 2% from the corresponding period last year. This was driven by a notable uptick in grain imports, particularly wheat and rice.

South Africa is traditionally a net importer of wheat, but the Western Cape drought, which led to a decline in domestic production, resulted in an increase in wheat imports to 1.9 million tonnes – the second-highest level on record. A notable share of this was facilitated in the first quarter. At the time of writing, about 84% of our estimated wheat imports had already landed. The rest will be delivered by the end of September, which is the end of the 2017-2018 marketing year.

In the case of rice, South Africa is traditionally a net importer, and we saw imports growing by 10% year on year to 1.1 million tonnes last year due to higher demand. This year's imports could soften to one million tonnes, according to data from the International Grains Council.

From a destination point of view, the rest of Africa was, as in previous periods, the biggest market for our farm exports in the first quarter, accounting for 43% in value terms. Products at the top of the list for export to the rest of Africa included beverages, vegetables, fruit, grains, sugar and dairy.

Exports to Europe – the second biggest market, taking 32% in value terms in the first quarter – were led by fruit, beverages, vegetables, wool and animal fats. Asia remained a key market, accounting for 20% of farm exports in the first quarter, with grains and wool leading the product pack.

The domination of beverages and fruits is notable, because it means the decline in production of fruit and wine grapes in 2017-2018 owing to the Western Cape's drought could have a substantial impact on export figures in the coming quarters. However, at this stage, it is too early to say precisely how big this impact is likely to be.

Perhaps good production in other fruit-producing provinces such as Limpopo could slightly offset the losses and keep the South African agricultural trade balance in positive territory in the coming quarters.

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