



# BFAP BASELINE

AGRICULTURAL OUTLOOK

2019 - 2028



# Outlook for South African Agriculture: 2019-2028

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Subtrop Marketing Symposium

6 November 2019

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Bureau for Food and Agricultural Policy



# BFAP Background



- Non-profit company founded in 2004
- Purpose: Inform decisions by providing unique insights gained through rigorous analyses: Policy- & Commercial Value Propositions
- Agro-food, fibre and beverage sectors of Africa
- Network consisting of 45 employees and associates spanning the African continent
- Supporting decision makers in government, industry bodies, NGO's, and private sector

# BFAP group's analytical approach



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**Integration & presentation**



**Consumer Economics**



**Rural Development**

**Data Science**

**Value Chain Analytics**

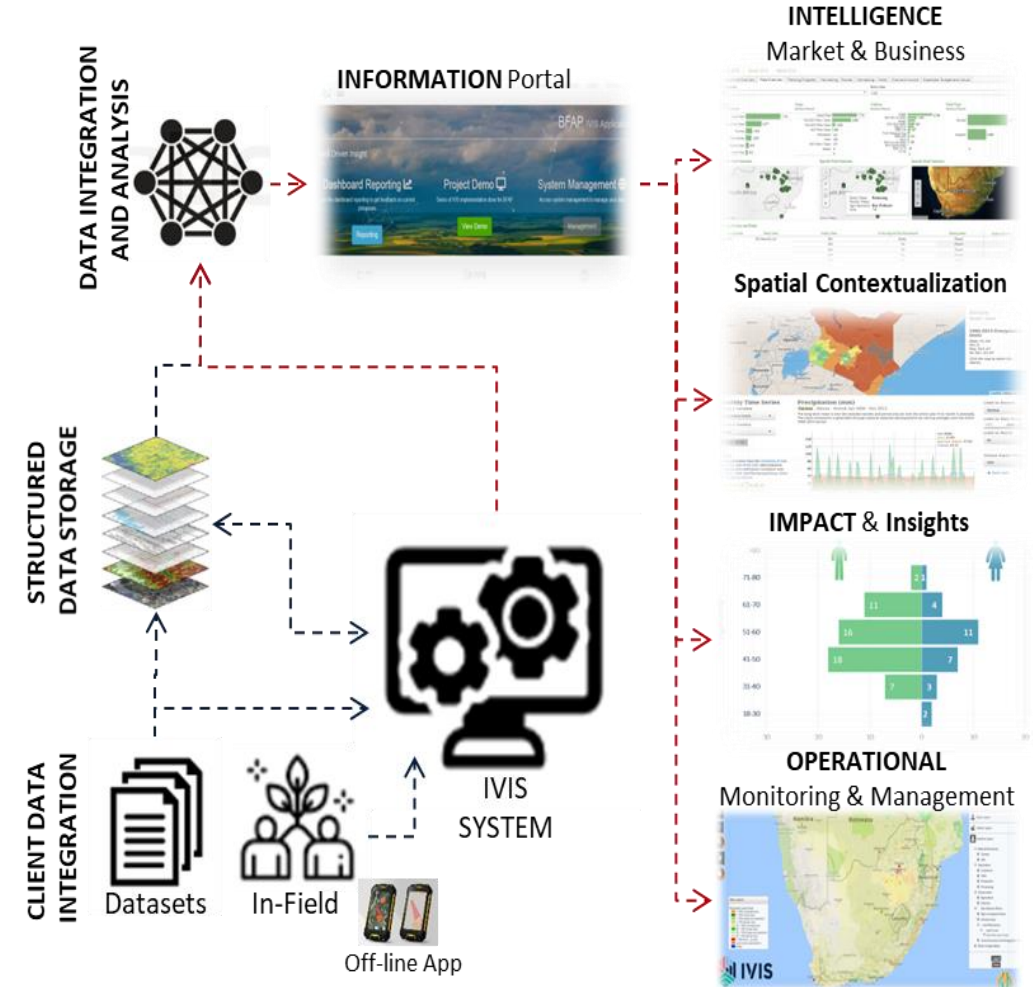


**Commodity Markets and Foresight**

**Farm Level Economics**



**Land Use and Natural Resources**





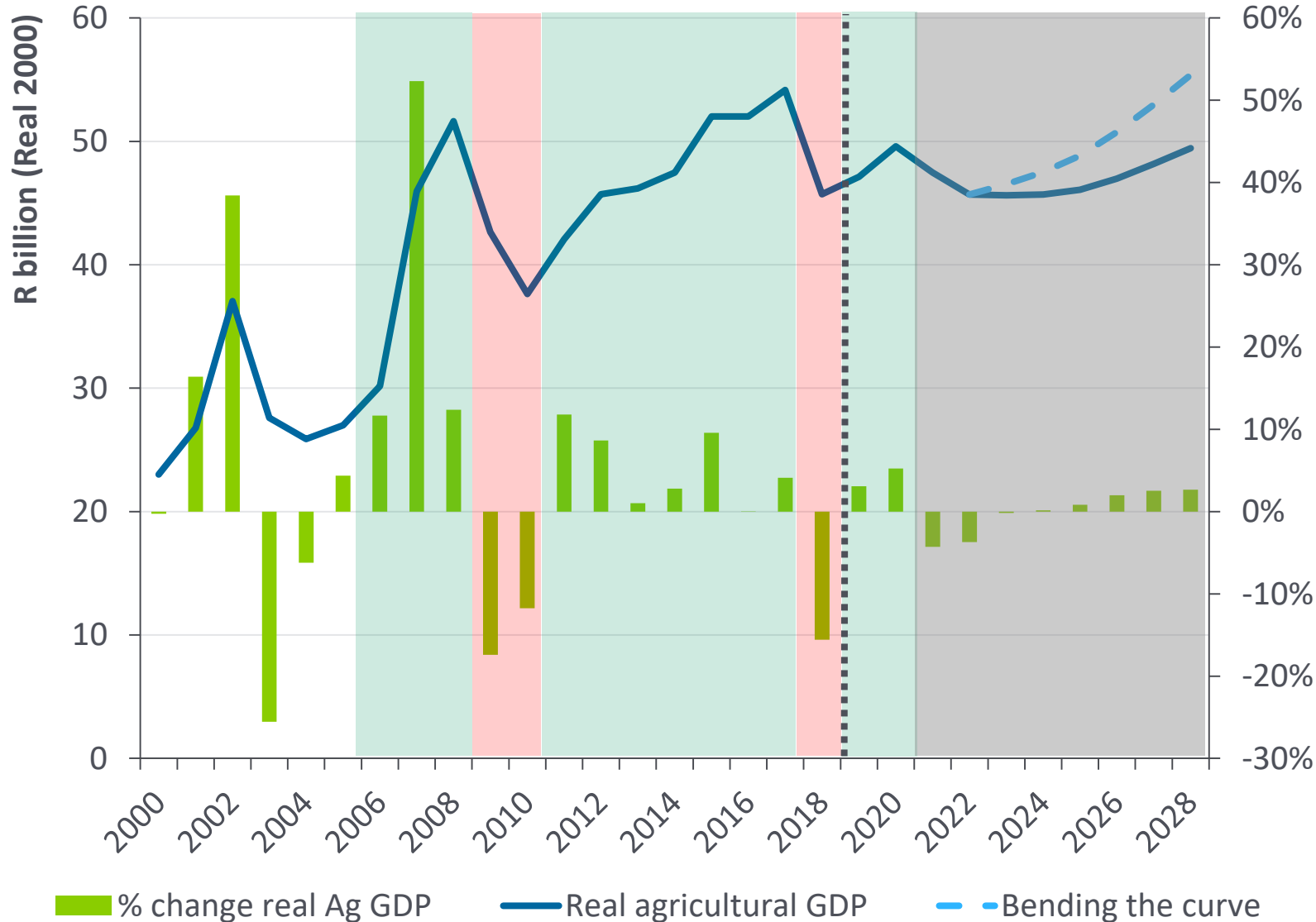
# Agriculture in South Africa

## Overview and Context



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# Performance: Agricultural GDP



## Growth Periods:

- International factors:
  - New level for international prices – Biofuel & China Economy
  - Consecutive droughts in USA & low stocks
- Domestically:
  - Sustained investment & export driven expansion

## Weak periods:

- Global recession
- Domestic weather & animal disease impacts

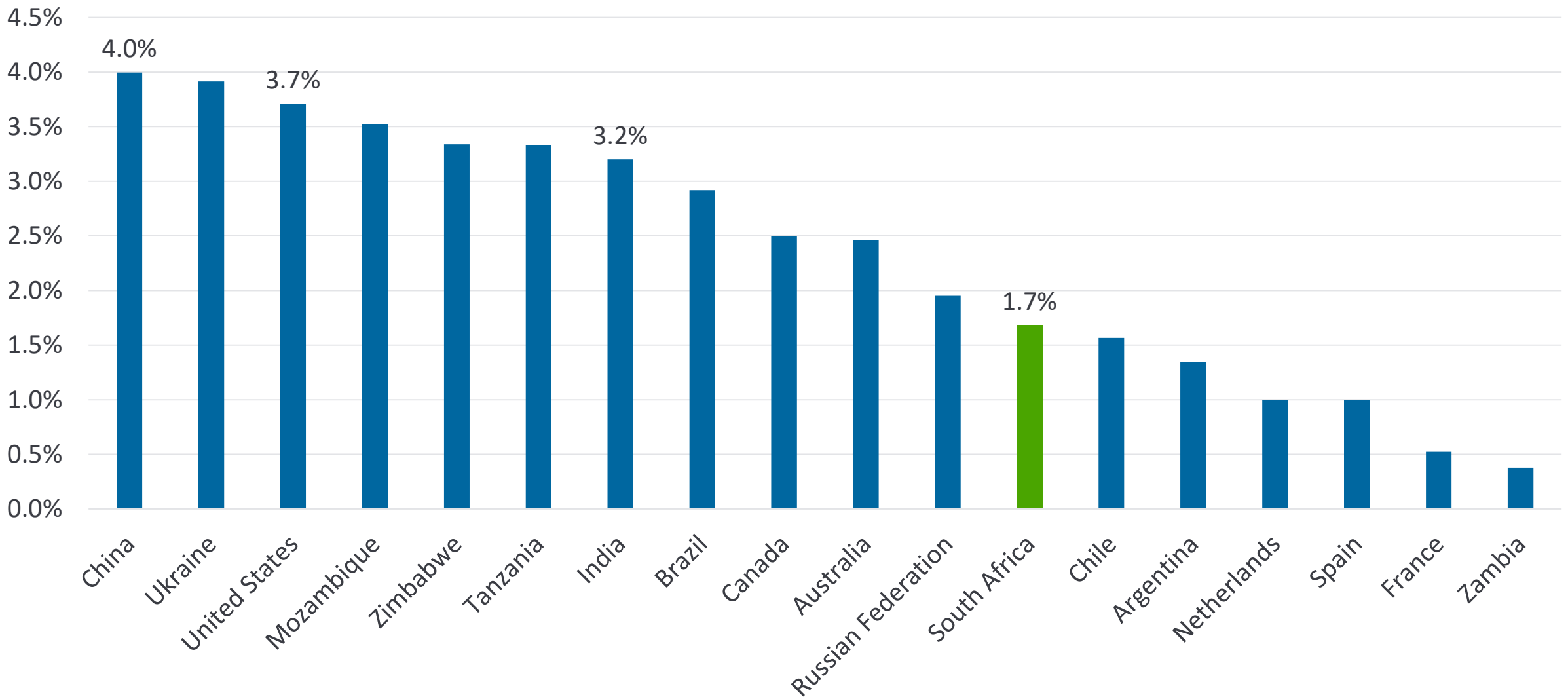
## Going forward:

- Short term global support?
- Business as usual vs. accelerated growth

# Growth in agricultural GDP – SA Performance



Real USD: 2007 – 2017 average annual growth

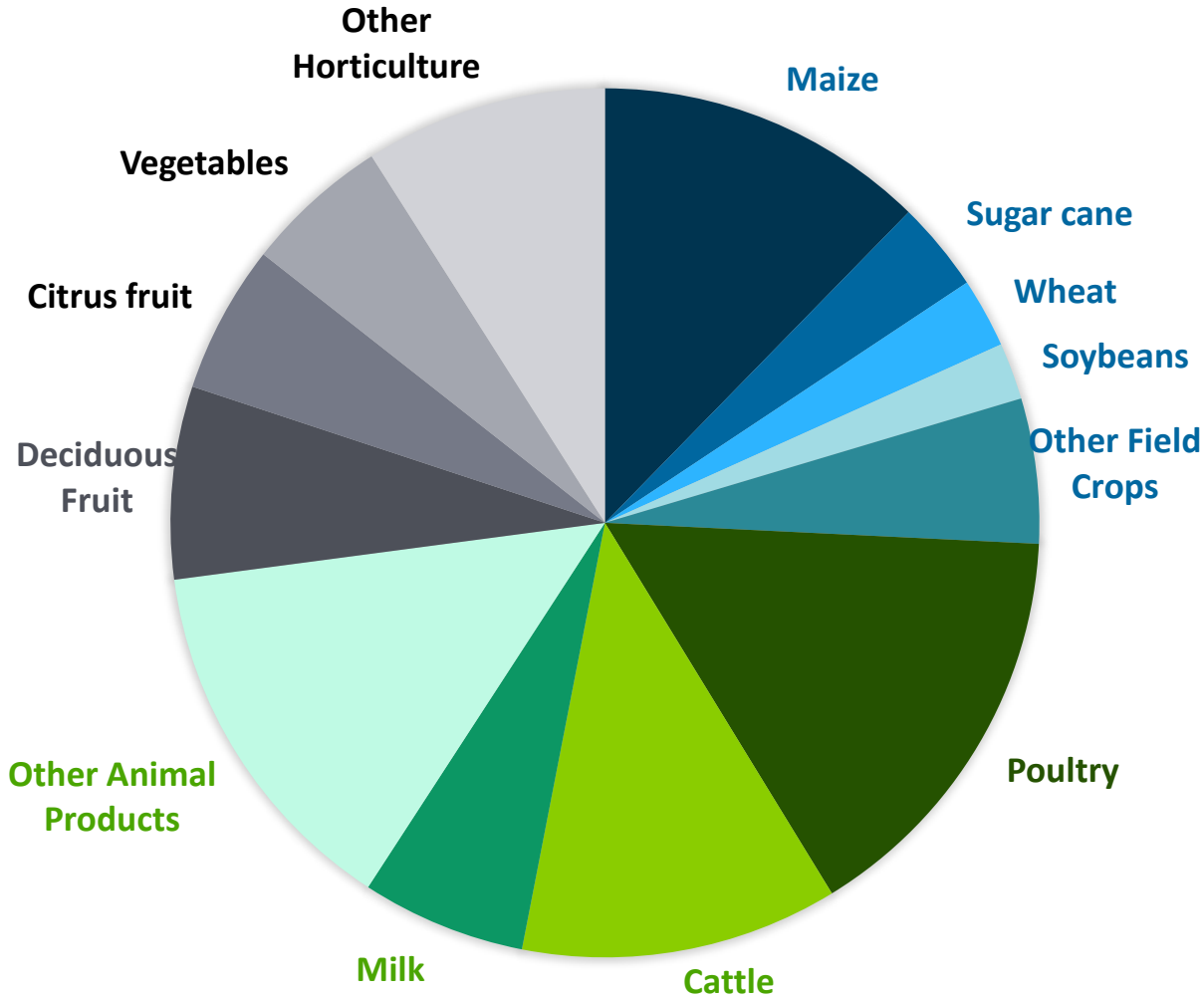


Source: World Bank, 2019

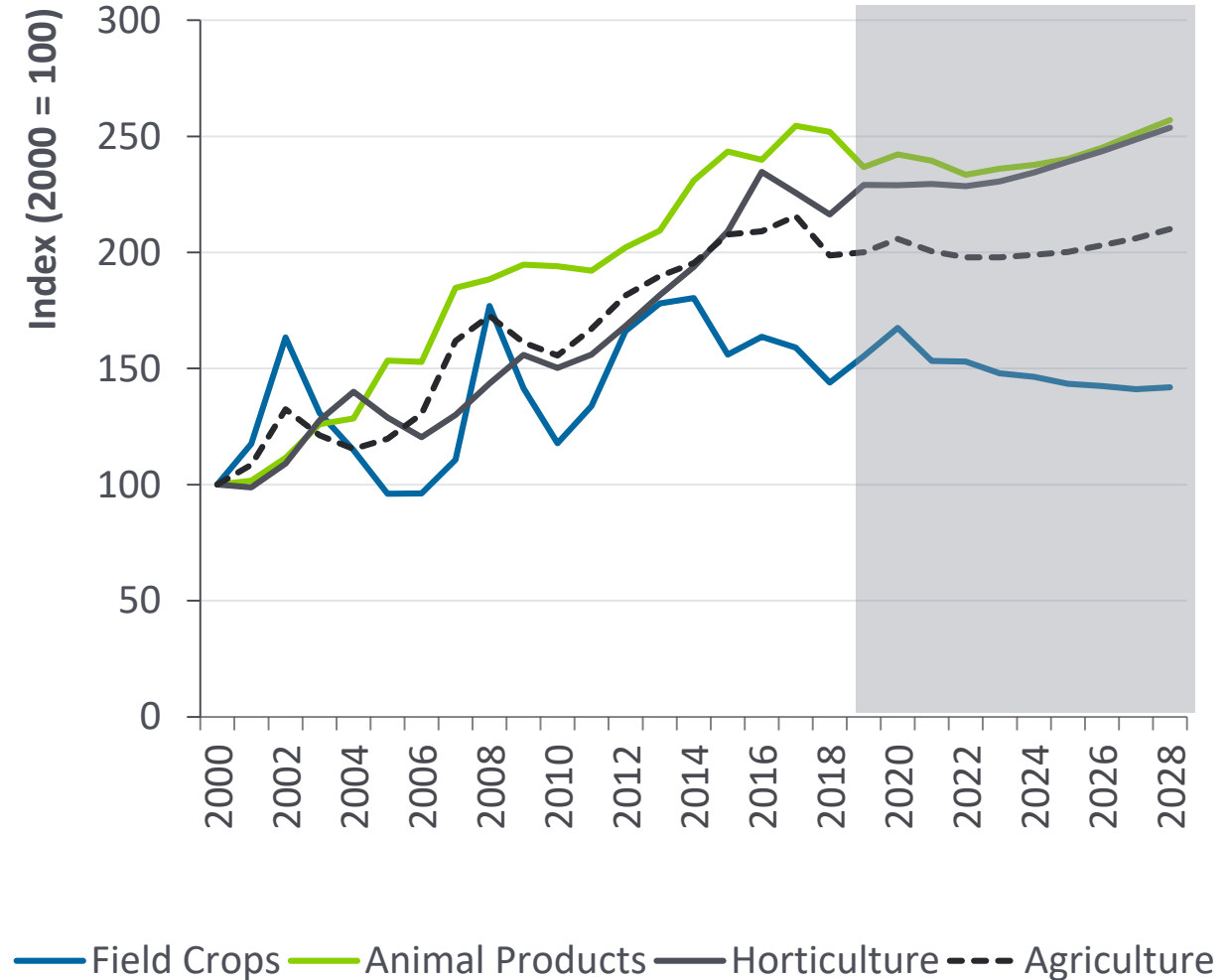
# Subsector Performance



5 year average share



Subsector Performance: Gross Production Value

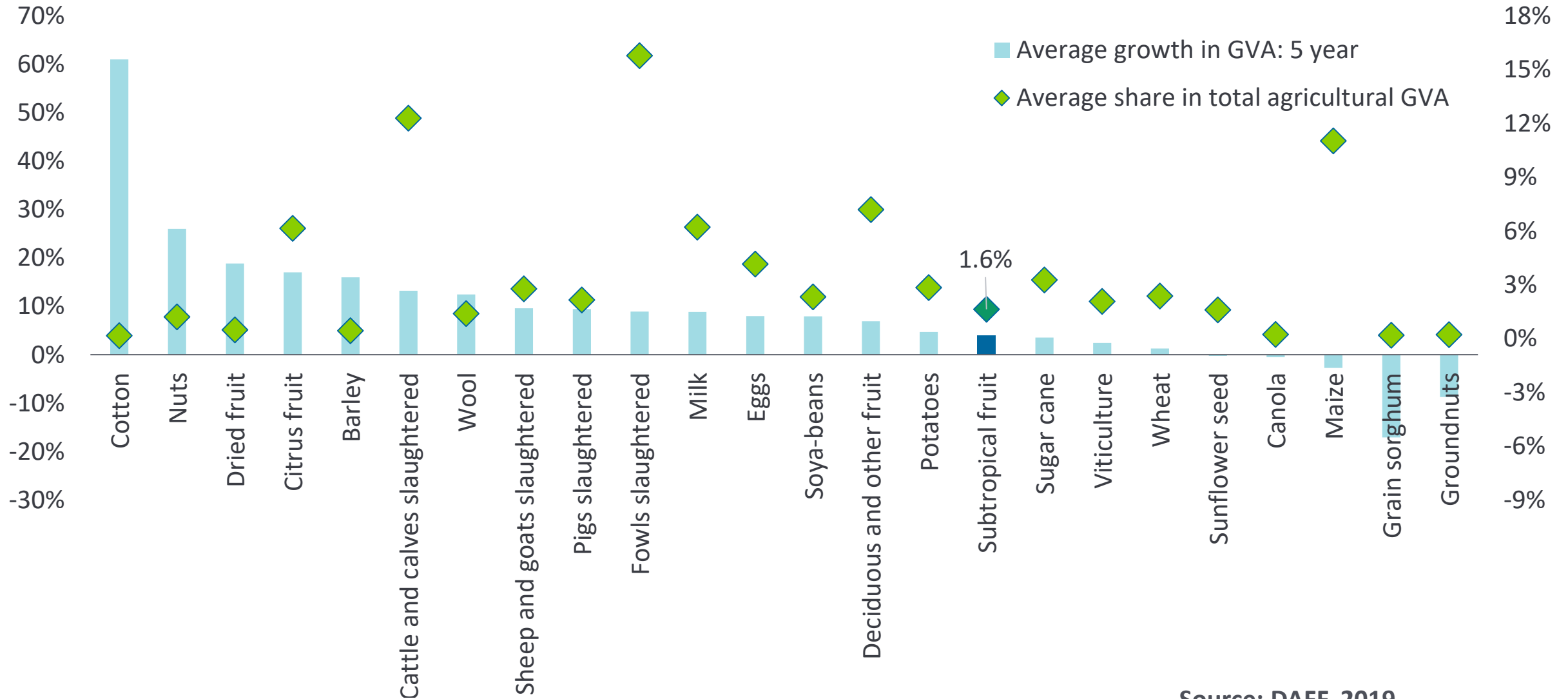


# High-growth industries are on track

Gross Value of Agricultural Production



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Source: DAFF, 2019

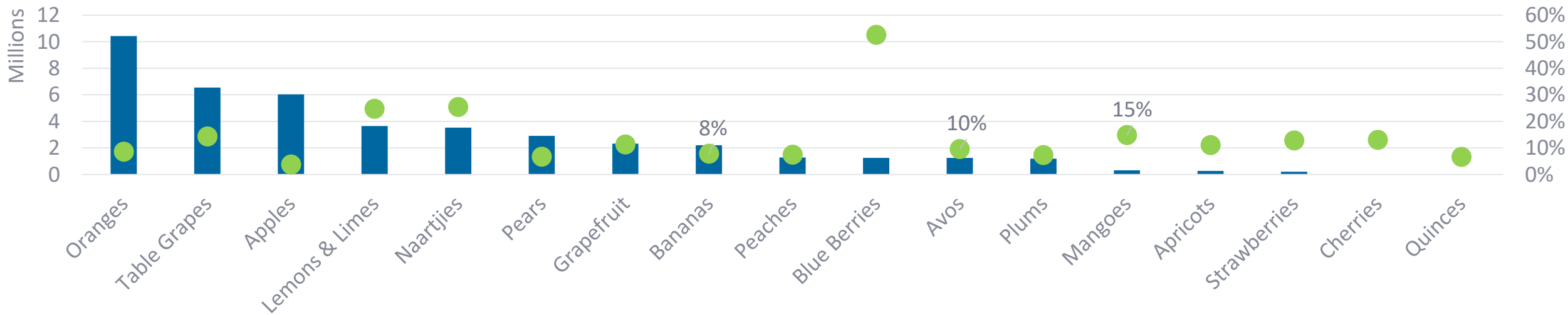
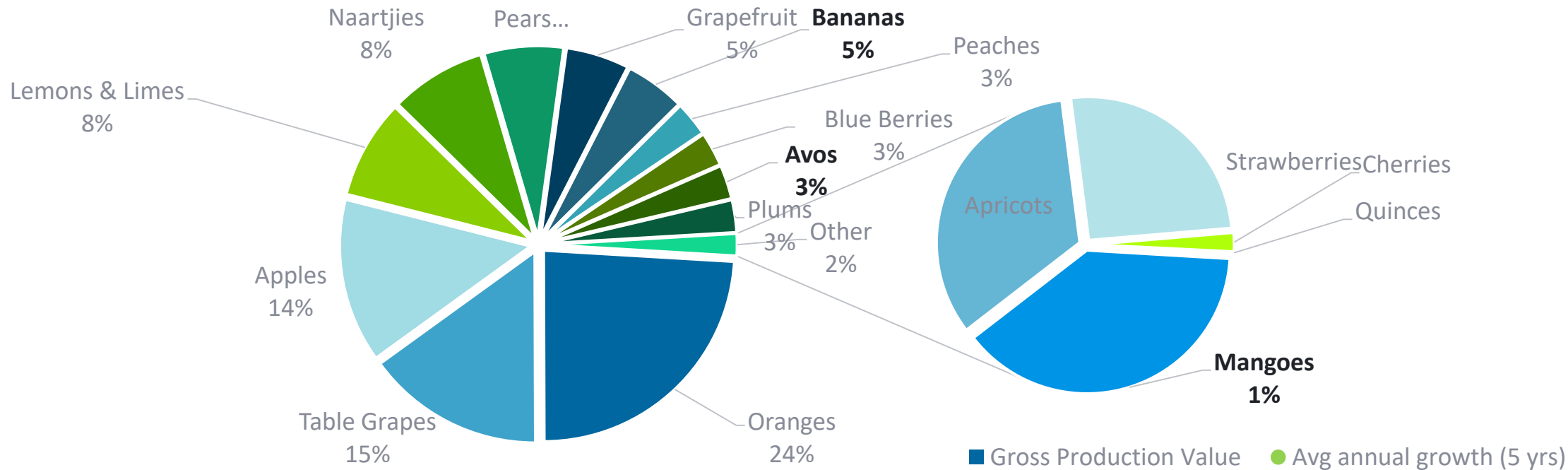


# Fruit: Performance across industries

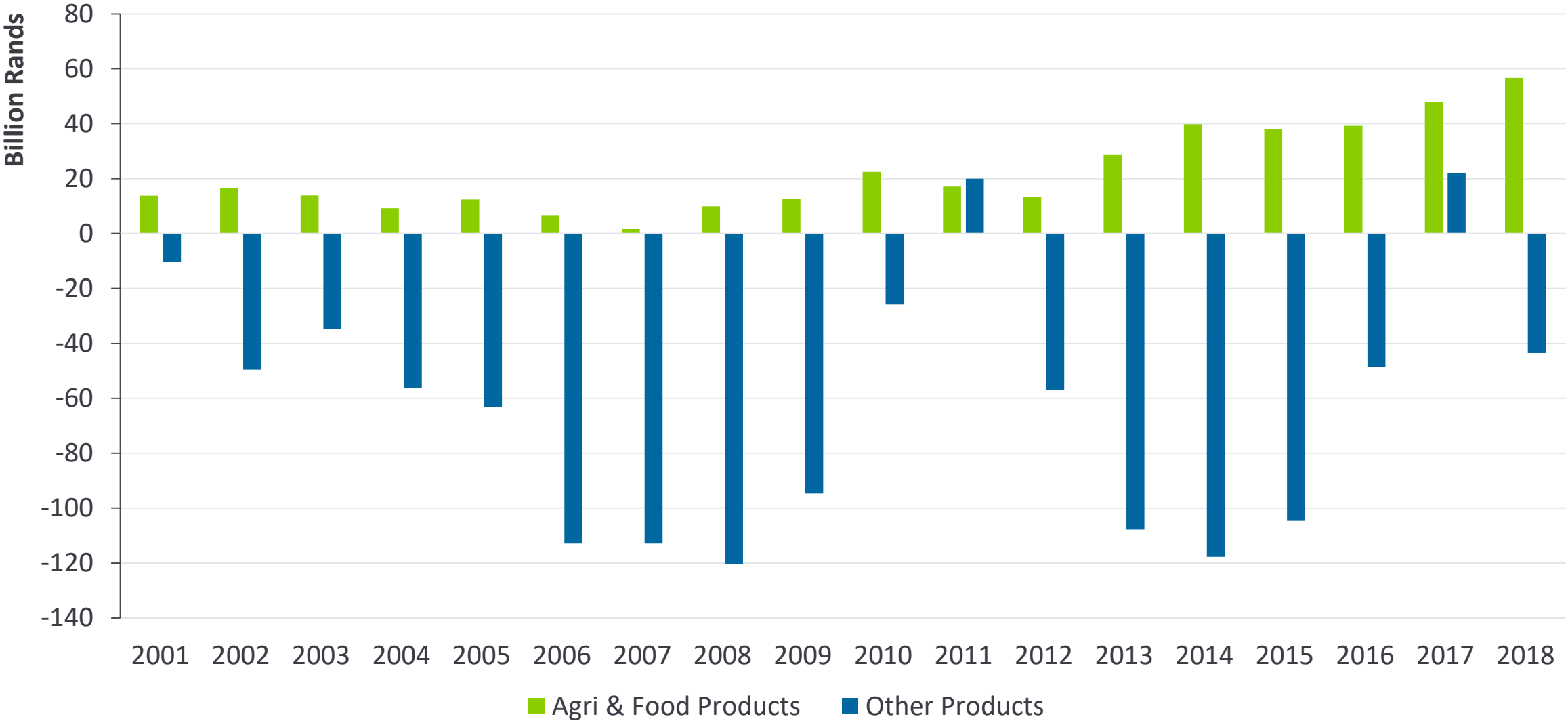
Gross Value of Agricultural Production



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# Agriculture's contribution to trade balance

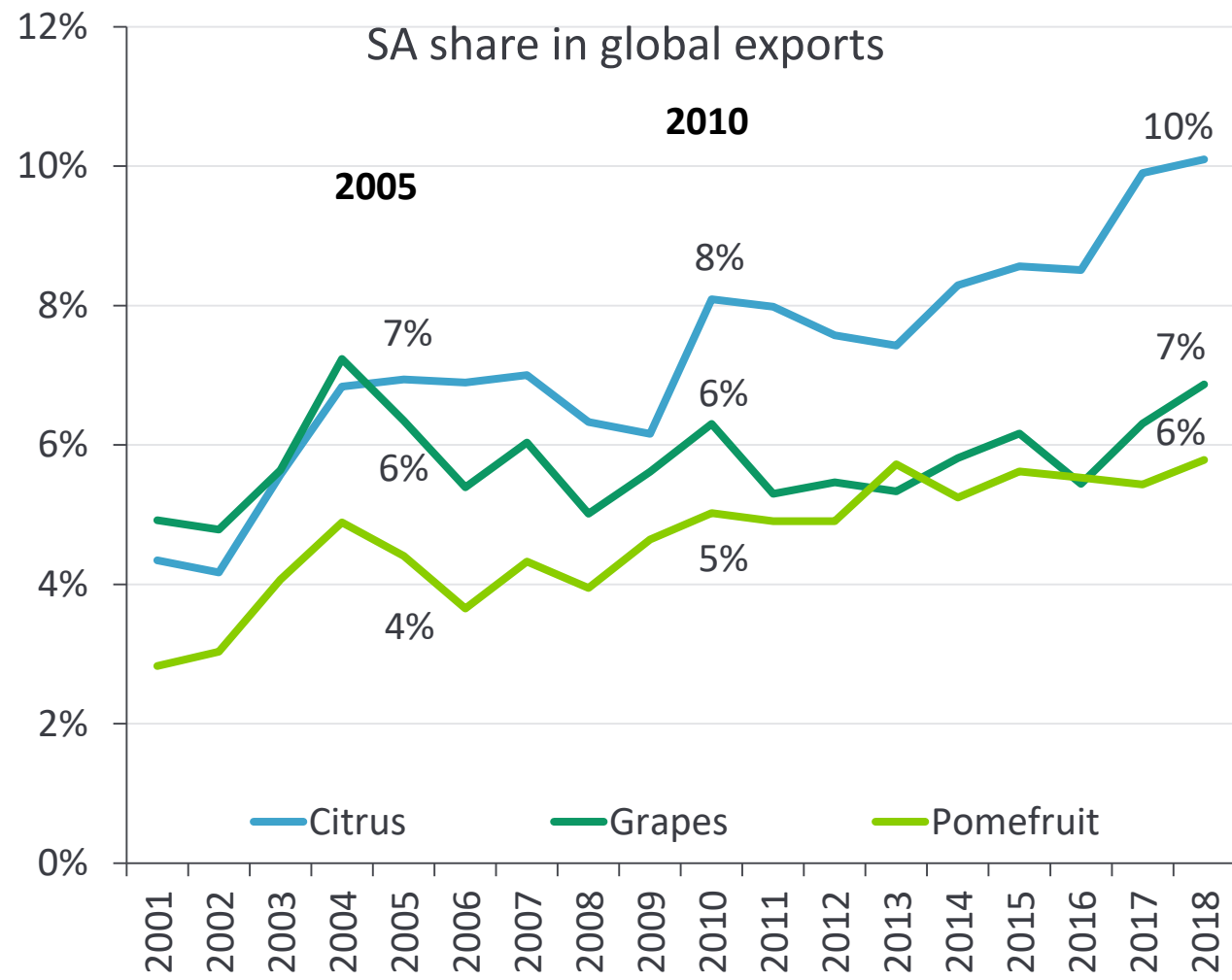
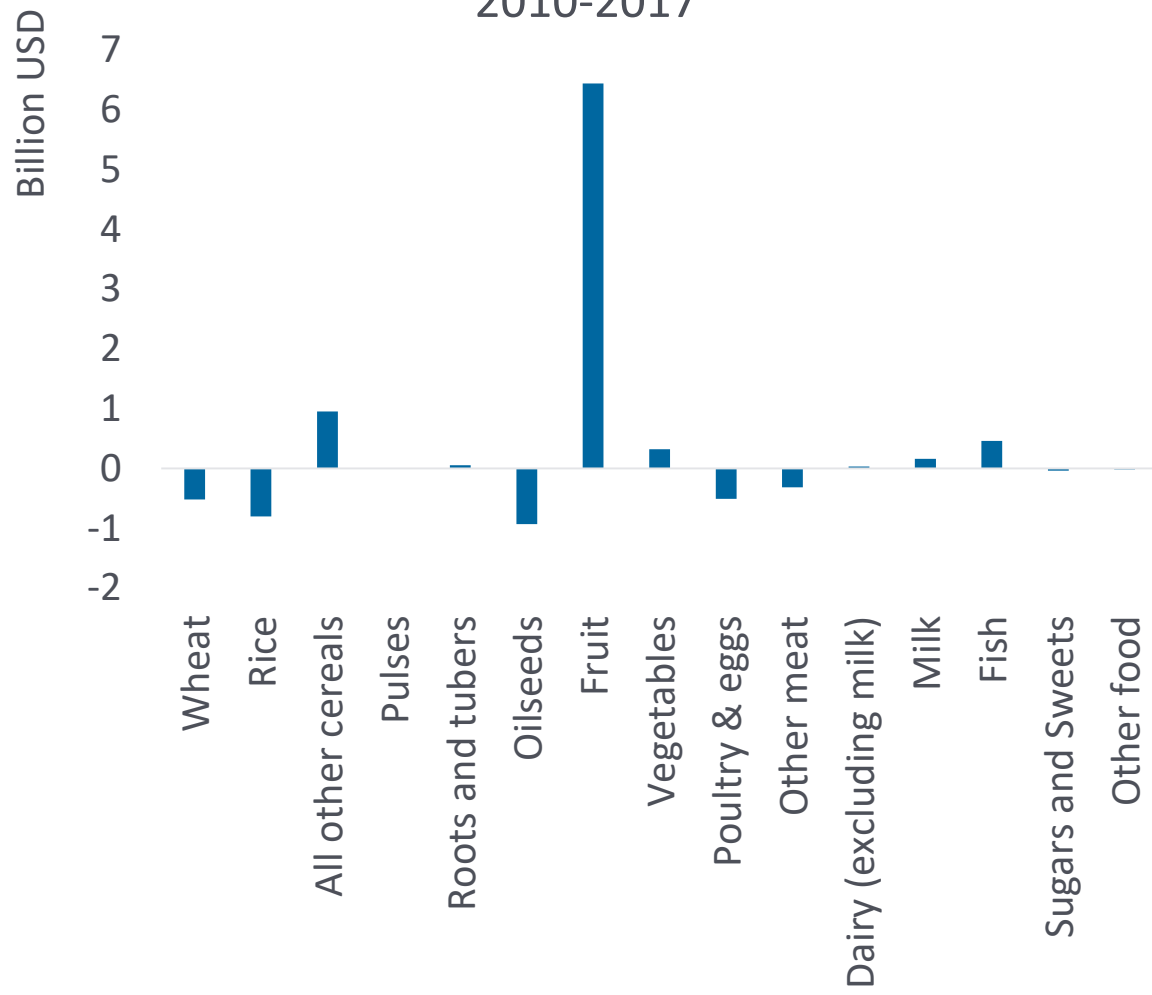


Source: World Bank, 2019

# Perspectives on agricultural trade



Agricultural trade: avg. per annum  
2010-2017



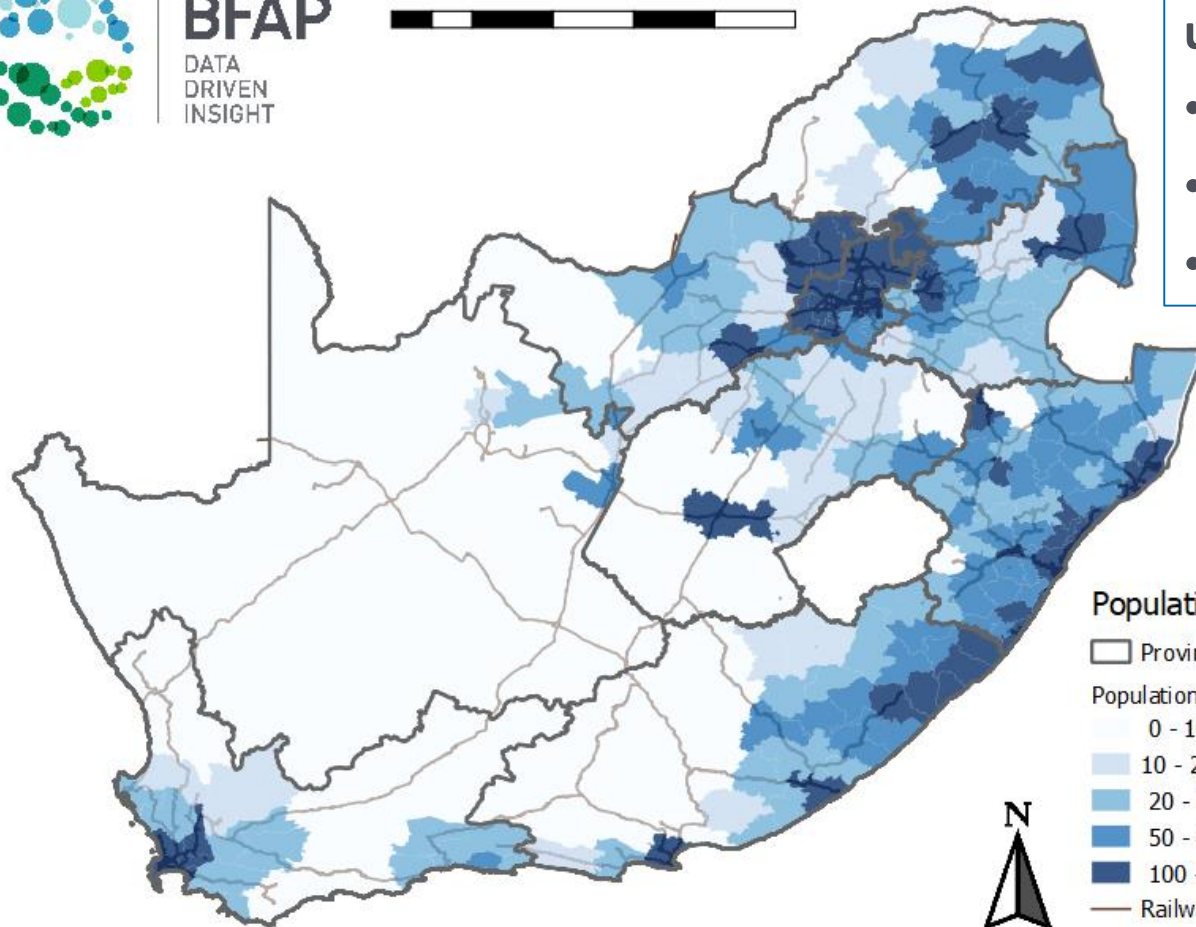
# Consumer Environment: Population growth & urbanisation



## Population density & urbanisation



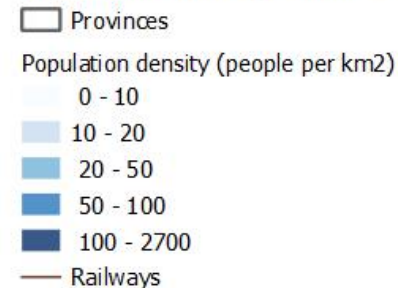
100 0 100 200 300 400 km



### Share of SA Population in urban areas:

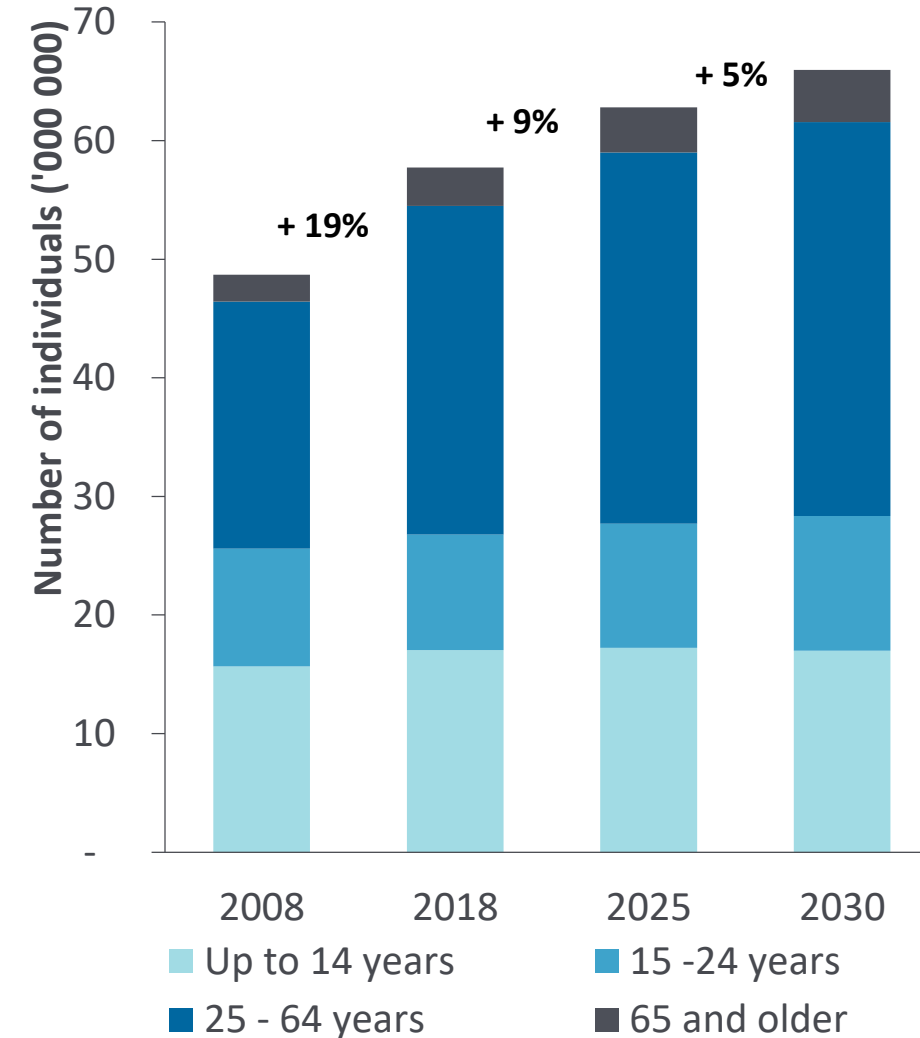
- 2008 -> 61%
- 2018 -> 66%
- 2028 -> 71%

### Population density Census 2011



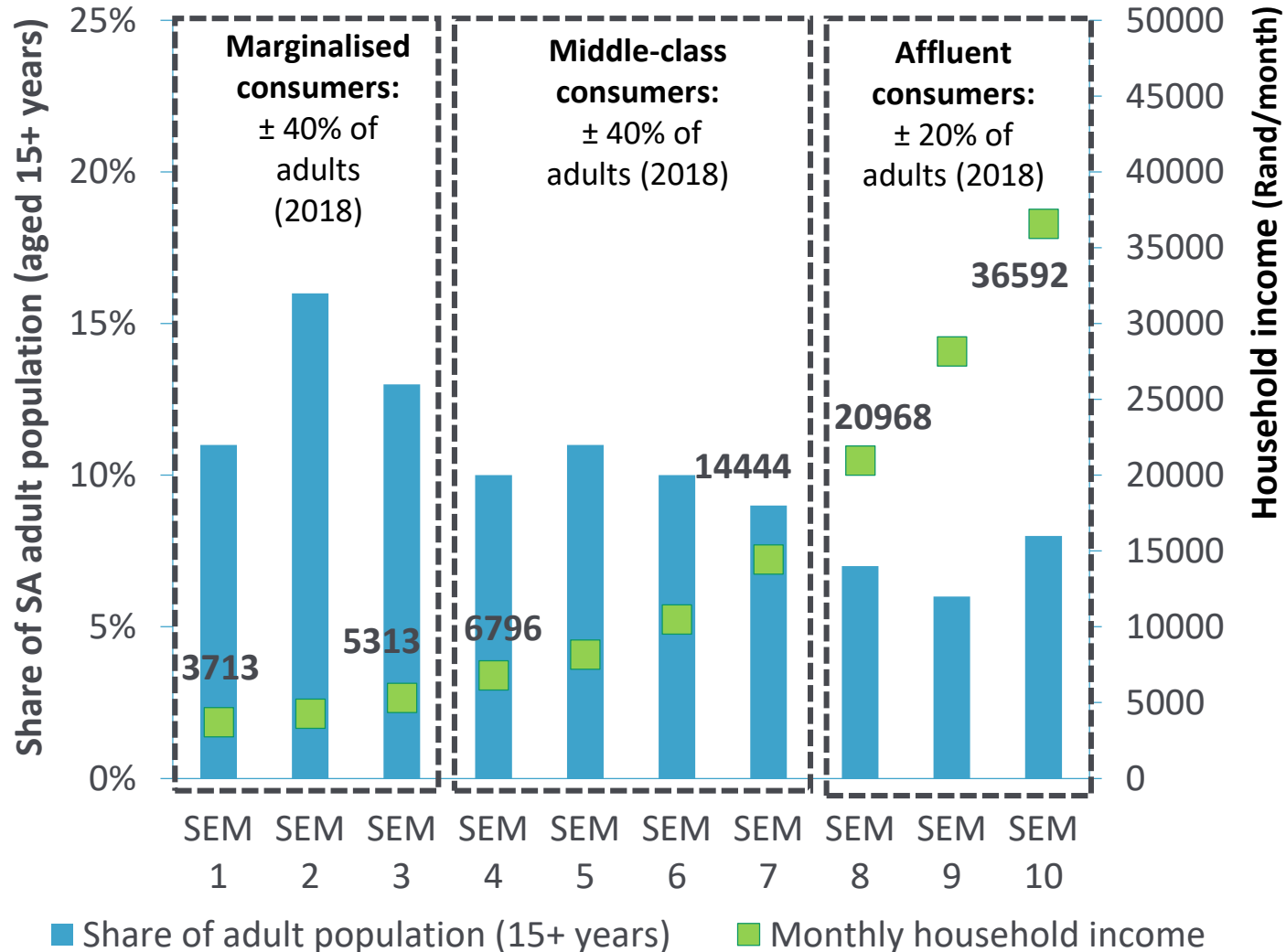
Source: StatsSA Census 2011

## SA Population by age group



Source: StatsSA & UN Population Prospects

# Consumer environment: SEM Segmentation

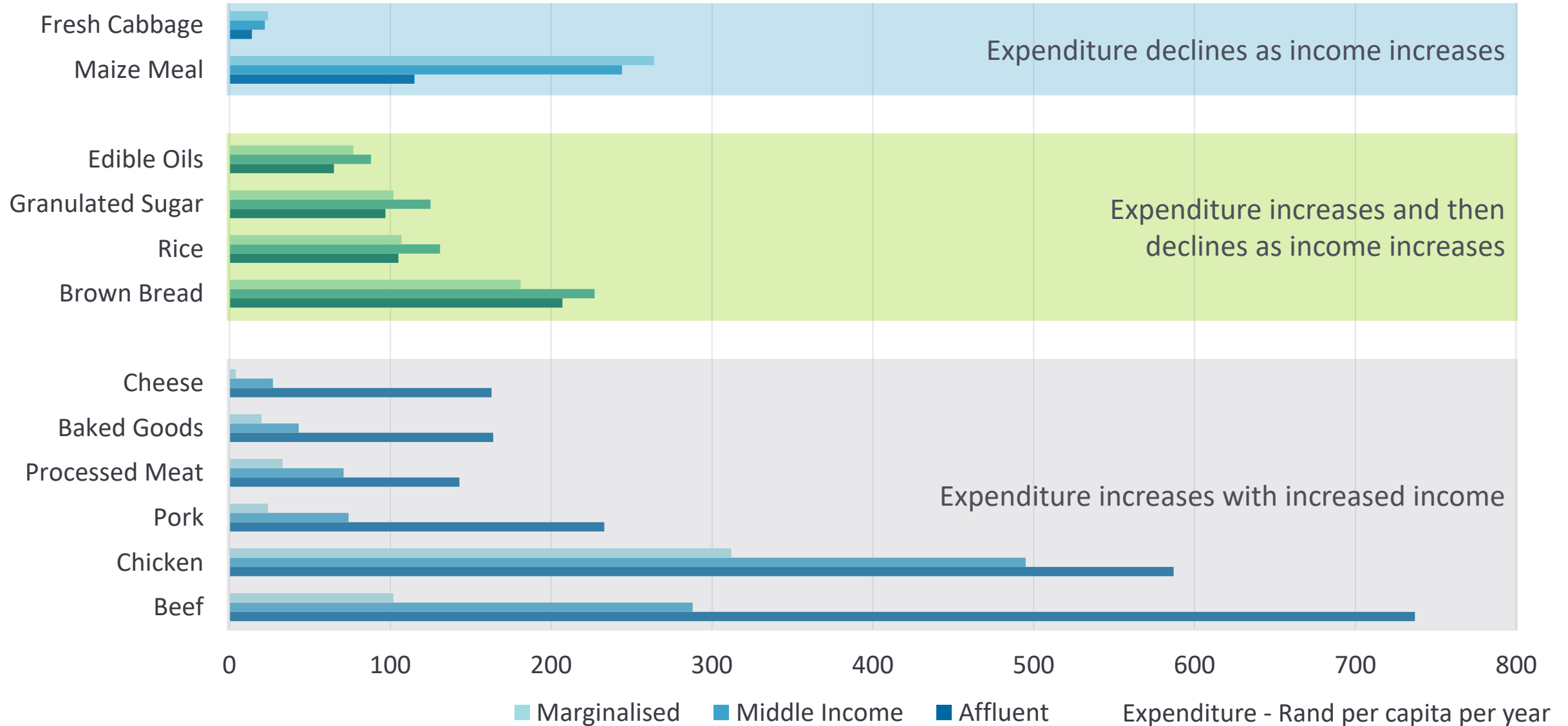


# Dietary diversification with rising income

Selected food items show distinct trends



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# Outlook for Animal products

- **Constrained supply of beef and sheep – rebuilding after multiple dry years**
- **Disease impact – FMD & ASF**
- **Consumer demand weak in short term**
- **Low prices & rising feed costs squeezing margins in short term**

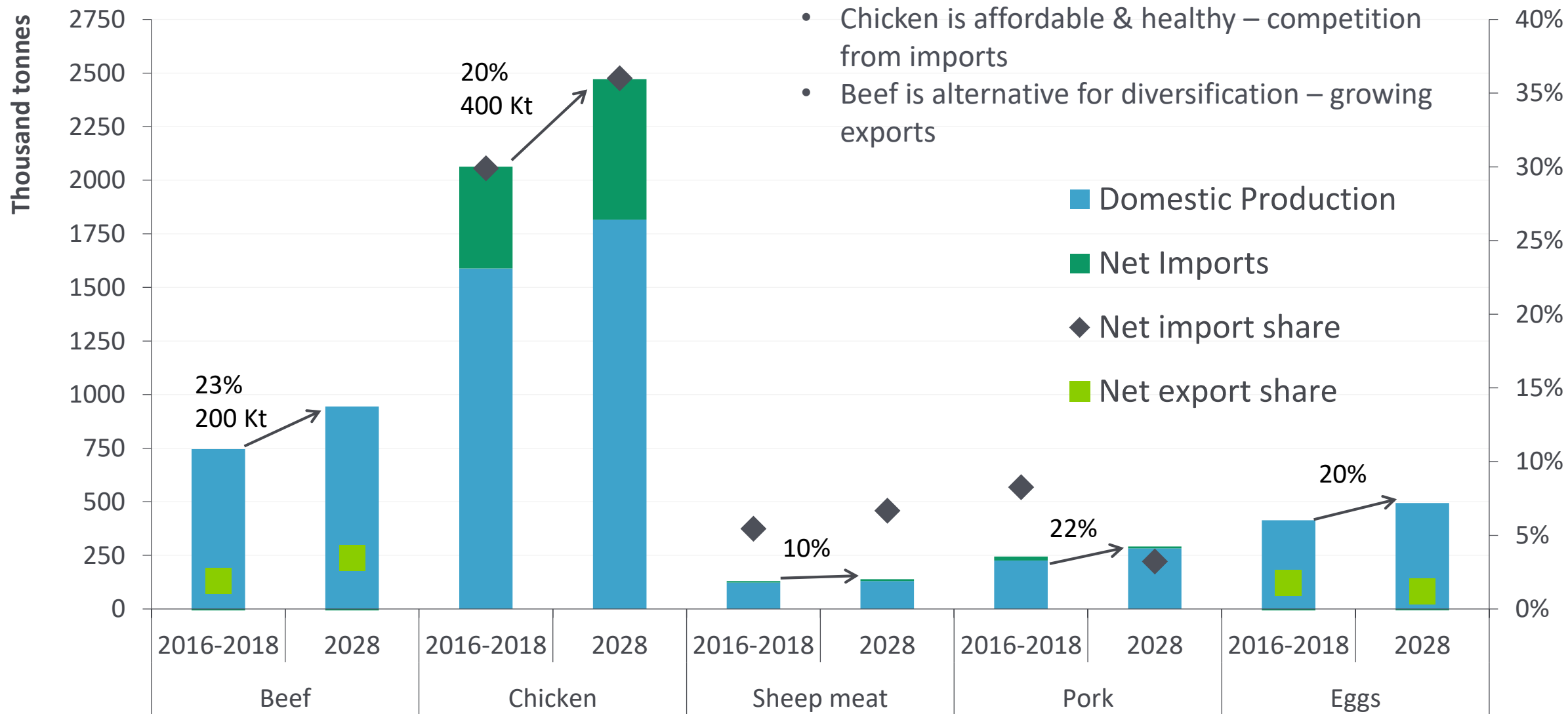


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# Meat consumption growth



Chicken still largest share of additional meat consumption over next 10 years



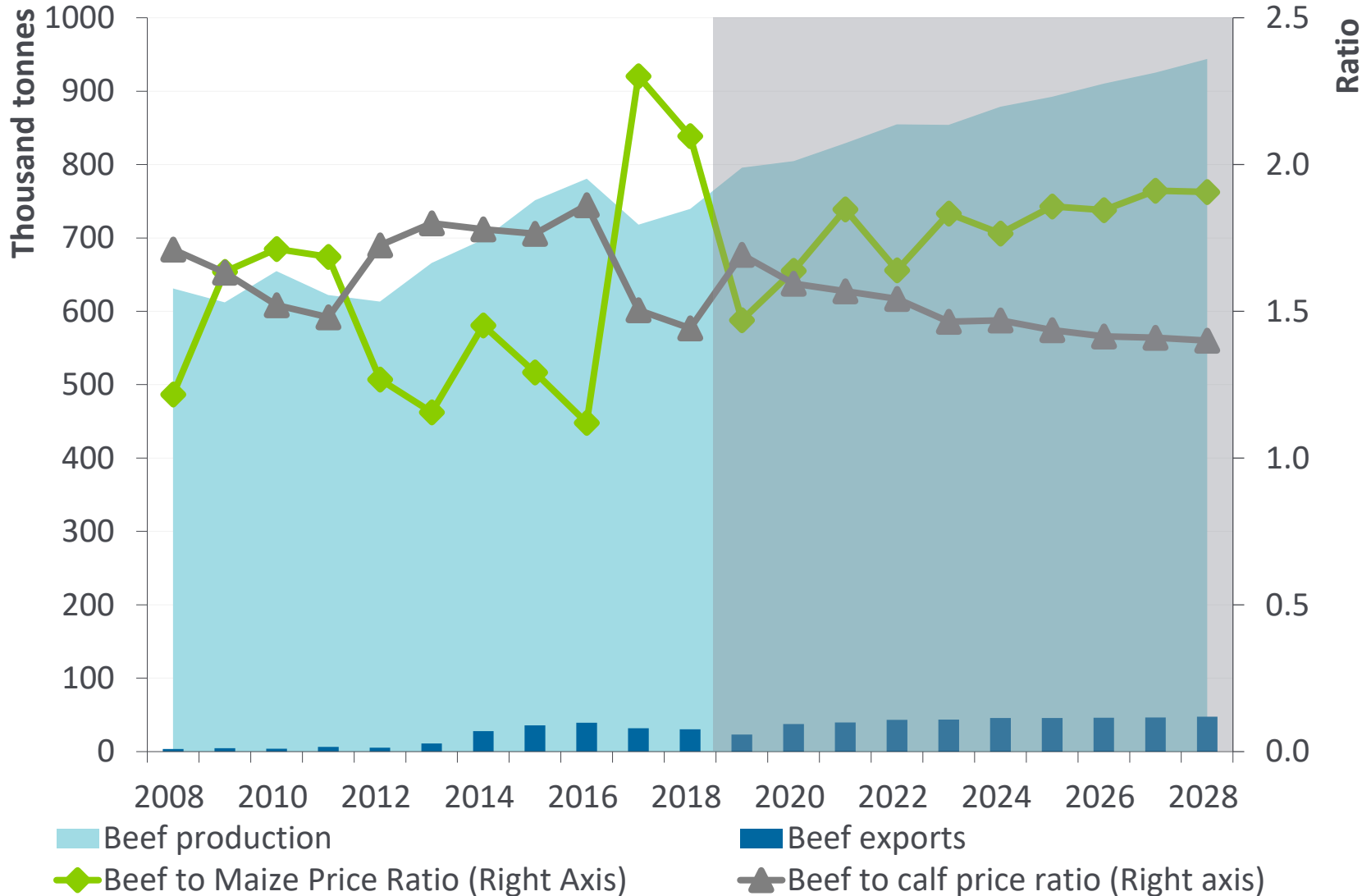


# Beef market outlook

Rebuilding cycle - increased supply entering market over next 2 years

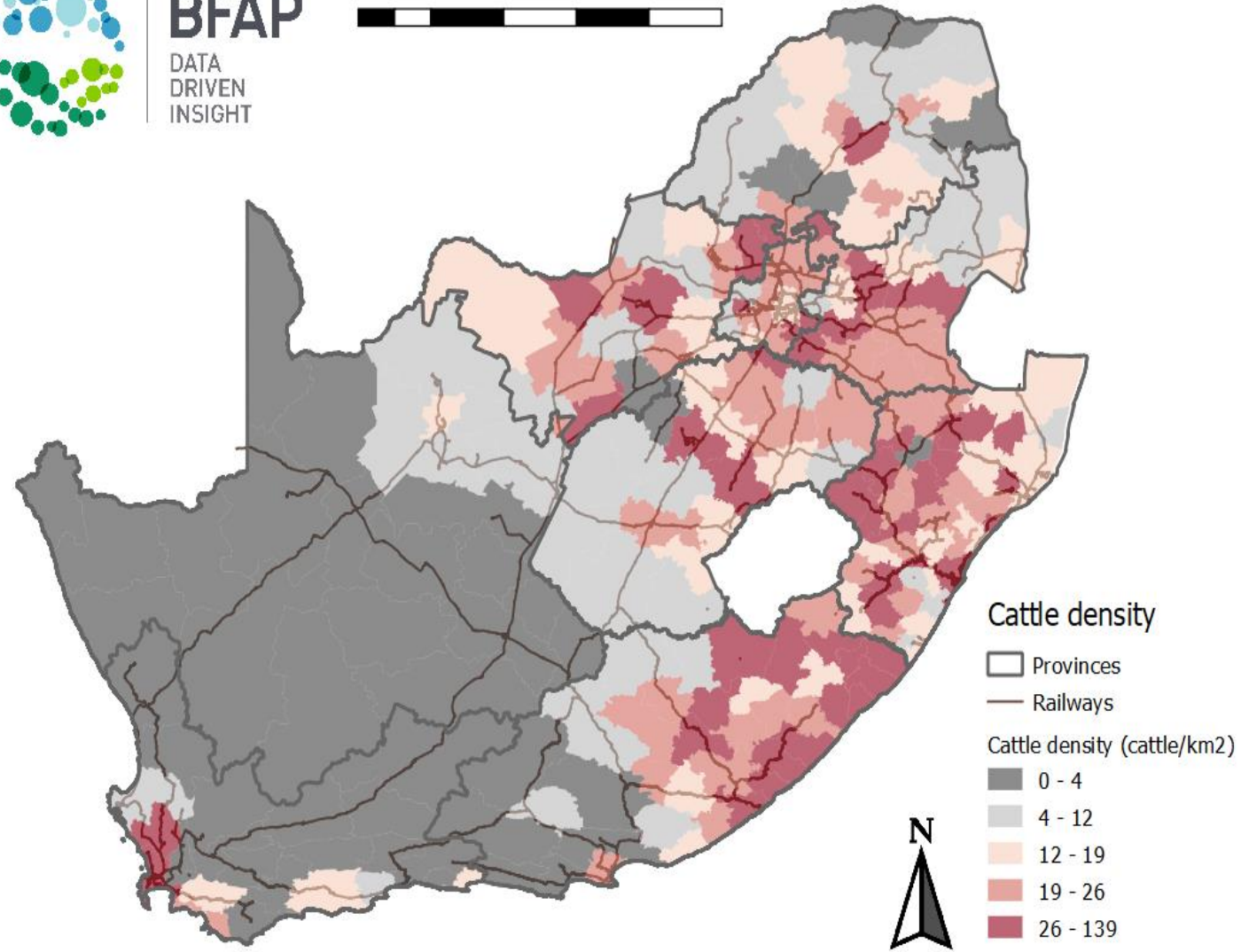


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- Rebuilding cycle - increased supply entering market over next 2-3 years
- Profitability: 2019 decline due to beef and maize – FMD impact significant, not alone
- Exports recovering from 2020 onwards

# Number of Cattle per Local Municipality



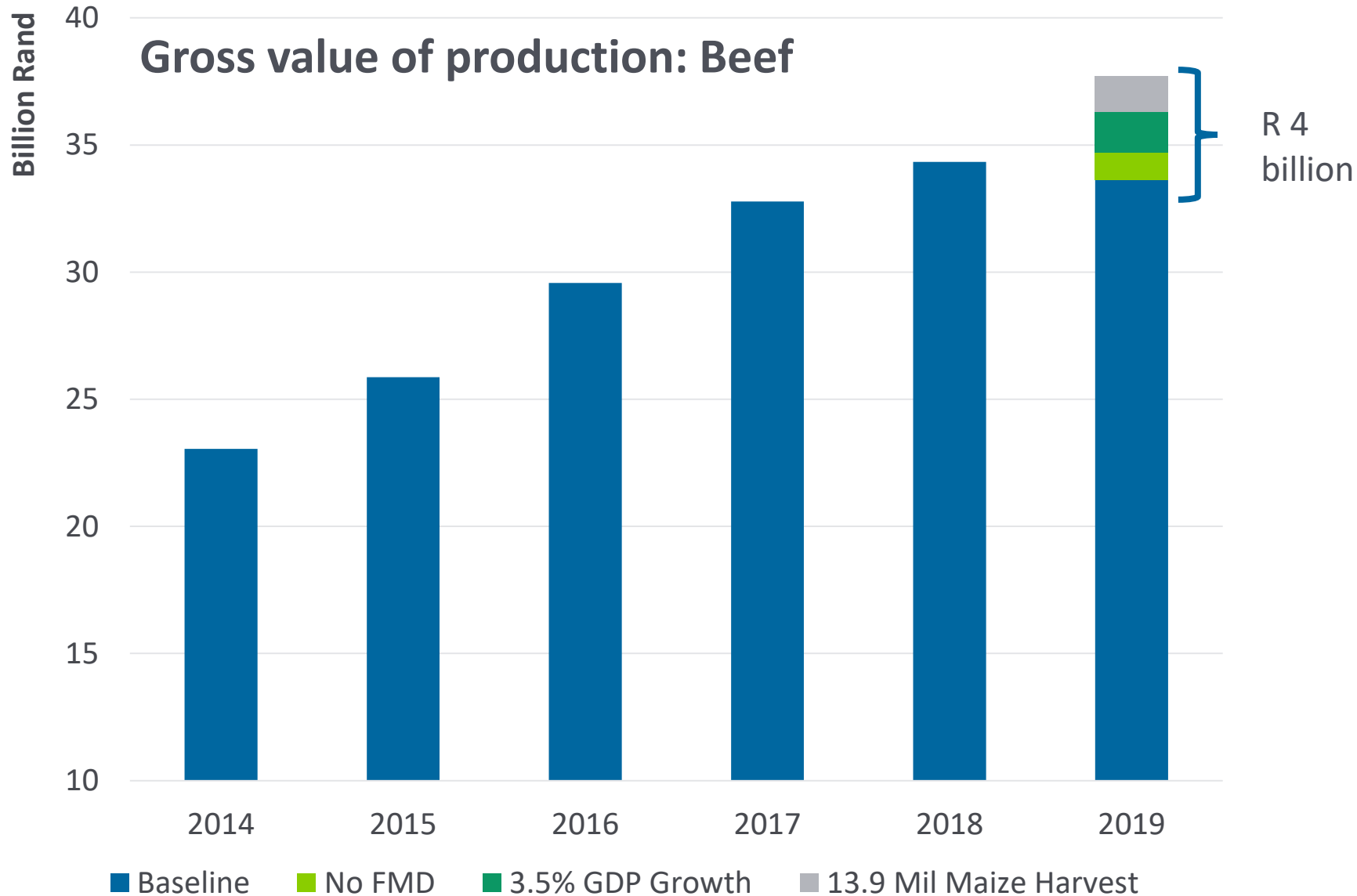
- Informal beef sector => single largest unaccounted for asset in SA agriculture?
- Huge scope for inclusive growth if potential can be unlocked
  - Livestock estimates
  - Traceability system
  - Productivity growth
- Need to understand markets, including informal markets

# Impact of exogenous factors on beef sector

Potential gross value of production reduced by combination of factors in 2019



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## Alternative outcomes for beef industry in 2019

- 1) Exports at 2018 levels – no adjustment for FMD
- 2) Local economic growth increased to 3.5% per annum
- 3) 13.9 million maize crop – export parity pricing

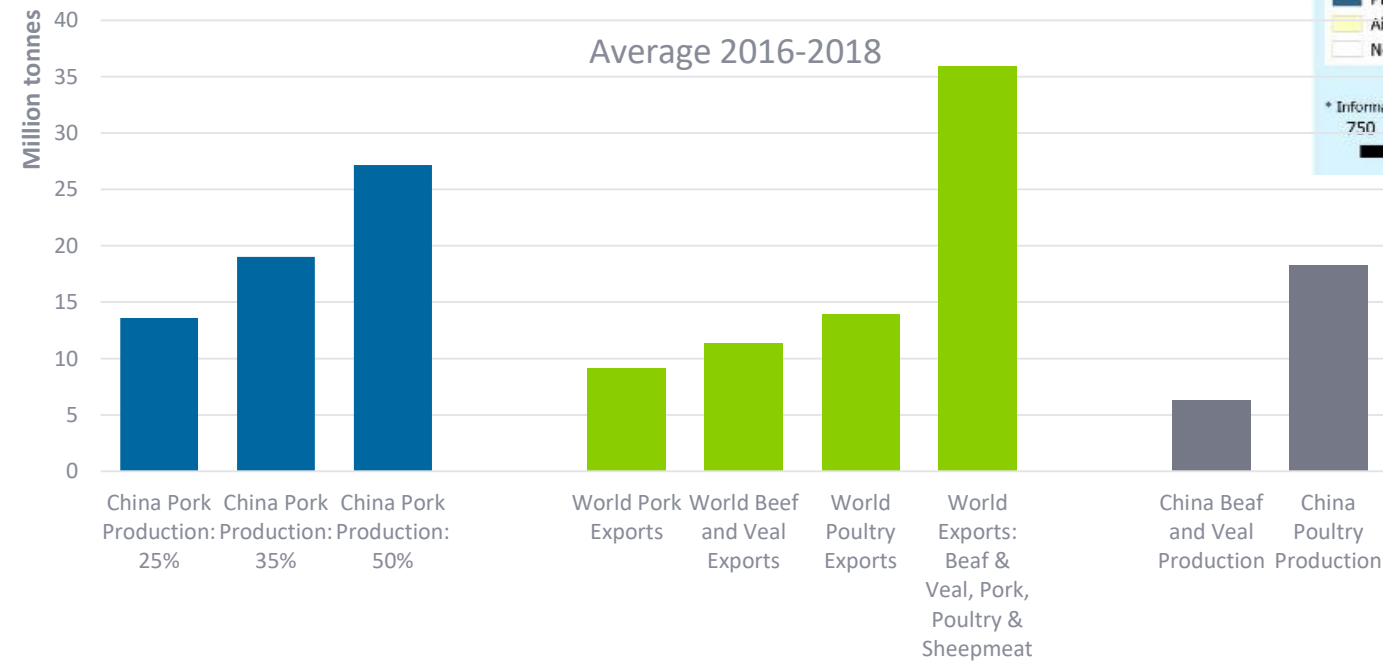
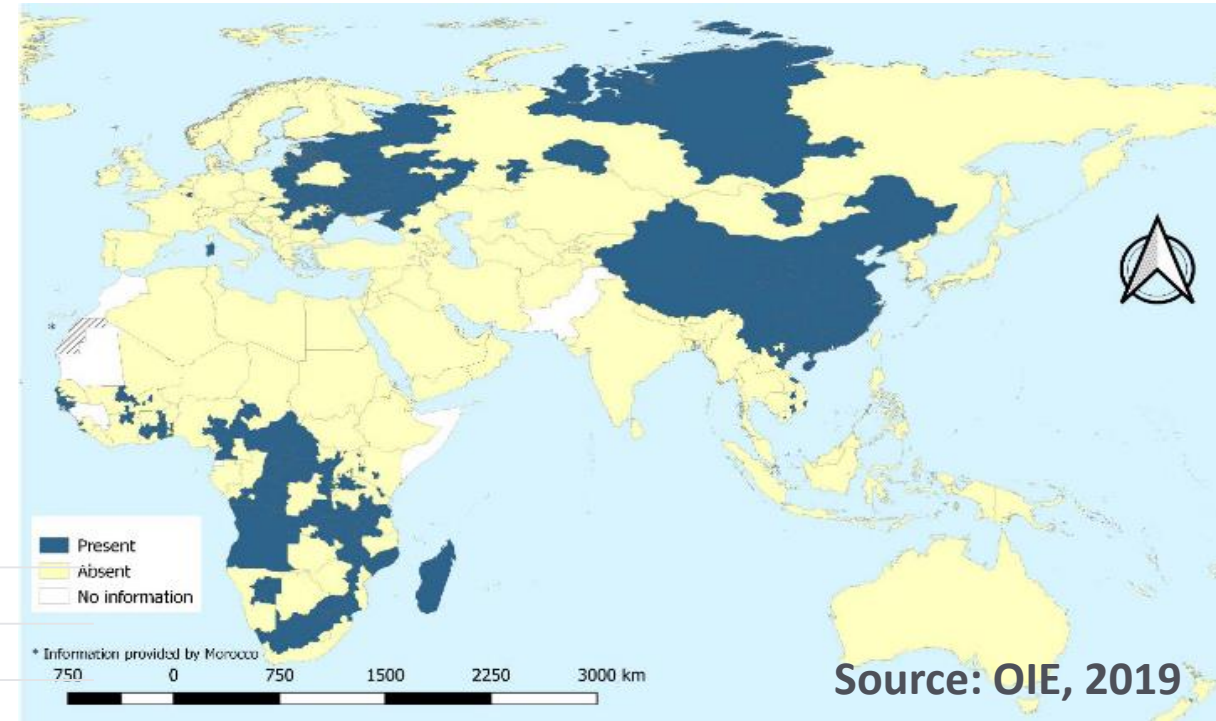
# African Swine Fever in China

Biggest uncertainty affecting global meat markets



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- End August 2019 – China’s pig inventory estimated -40%, expected to reach 50% by end of year
- Rest of Asia also affected – VietNam etc.
- Diverse industry – 26 million producers
  - Small backyard producer to large corporate farms with modern technology
  - 85% of reduction occurred on small farms (<3000 pigs sold per year)
- Implications for global markets
  - 1% production decline in China = +/- 500 thousand tonnes pork
  - Magnitude of additional imports uncertain – prices will increase



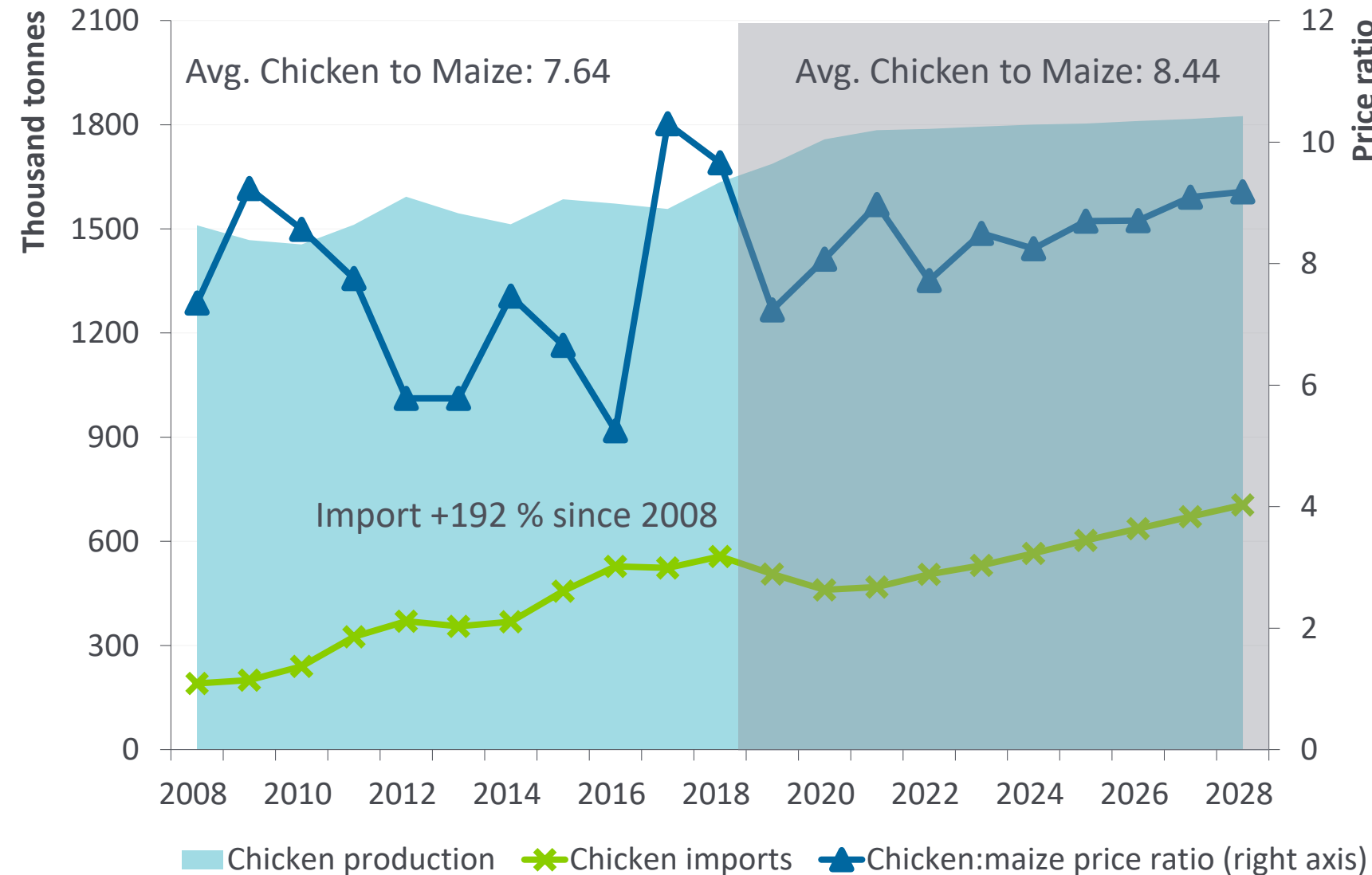
- Accelerating structural shift toward more modern structure, larger producers providing a growing share of market
- For South Africa
  - Opportunity?
  - Risk?

# Chicken market outlook

More profitable cycle, but imports remain a challenge



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- Profitable 2017 & 2018 support expansion short term
- Short term pressure from higher feed costs
- Imports remain challenge
  - Temporary reprieve from HPAI in Europe
  - Safeguard duties on EU portions - phased out over next 3 years

# Livestock – Summary of key points

Critical factors to enable accelerated, inclusive growth



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- Price: Reduction in 2019, decline in short term (real) as supply enters
- Livestock Traceability System – Public & Private Investment
  - Understanding & quantification of small producers & informal market
  - Disease management & control
  - Improved market access and export driven growth
- Major productivity gains possible, BUT efficient & transparent markets to deliver into
- Chicken – level playing field for imports & certification to enable exports to EU for breast meat



# Field Crops

- **Weather conditions increasingly influential**
- **Western Regions still under pressure:**
  - Producers looking for alternatives
  - Structural shift in production imminent
- **Overall growth still driven by feed related crops – significantly slower than past**





- Increasingly divergent views on trade
  - Reduced barriers to trade vs. US-China trade war & BREXIT
  - Growing shift to “Protectionism”?... Is the world drifting apart again?
- Regionally – high cost of trade, high incidence of NTM’s
- Environmental policies in Europe, SPS regulations increasingly stringent
  - Sustainability is key – carbon emissions etc.
  - Evolving consumer preferences vs. regions such as Asia
  - Influence on producers increasingly apparent



# SSA Net trade in agricultural and food products

Trend of continuously increasing imports has started to reverse in region as whole



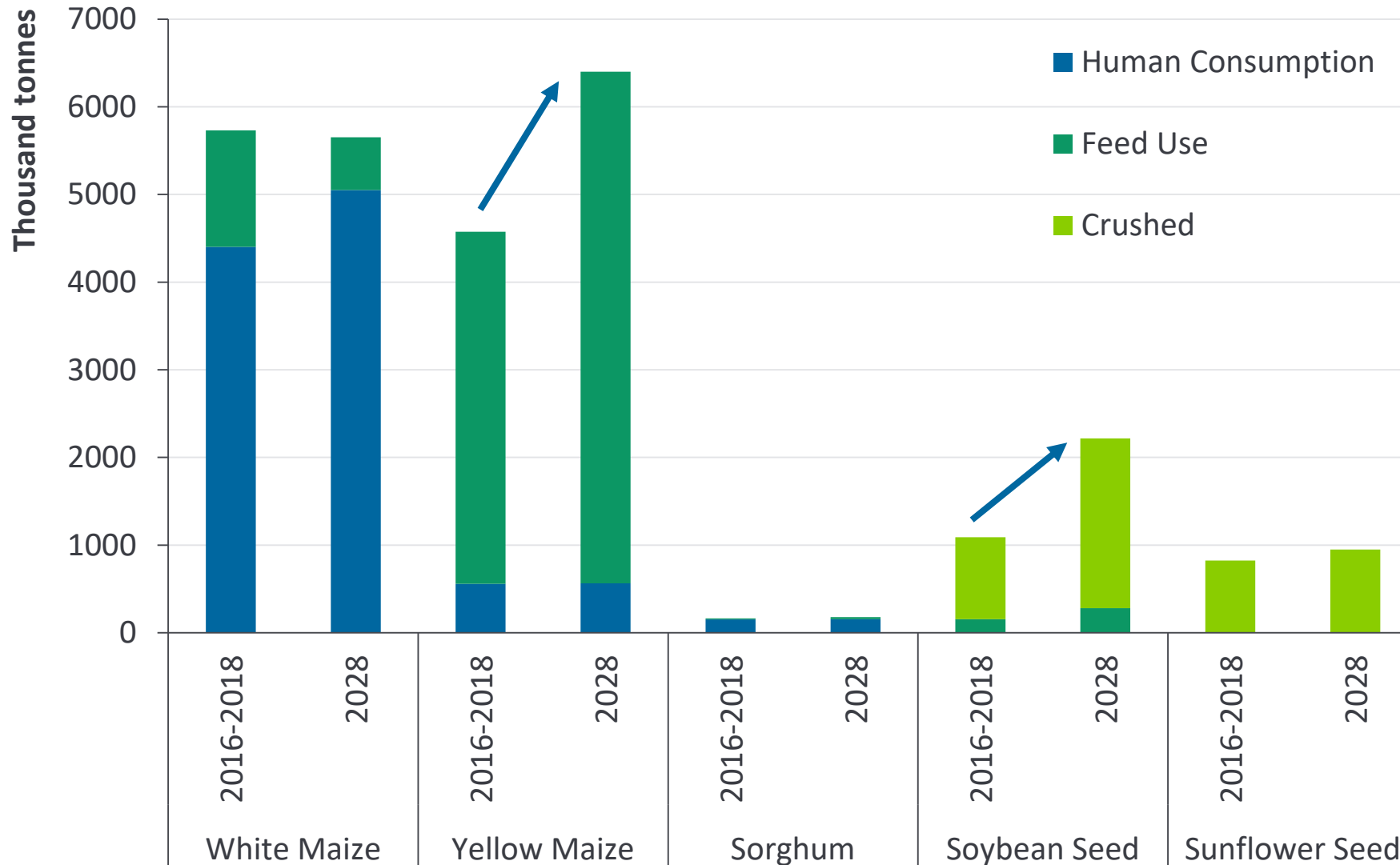
Billion USD (Real 2011)



# Domestic Demand – Summer Grains & Oilseeds



Animal feeds still stronger growth driver in long term



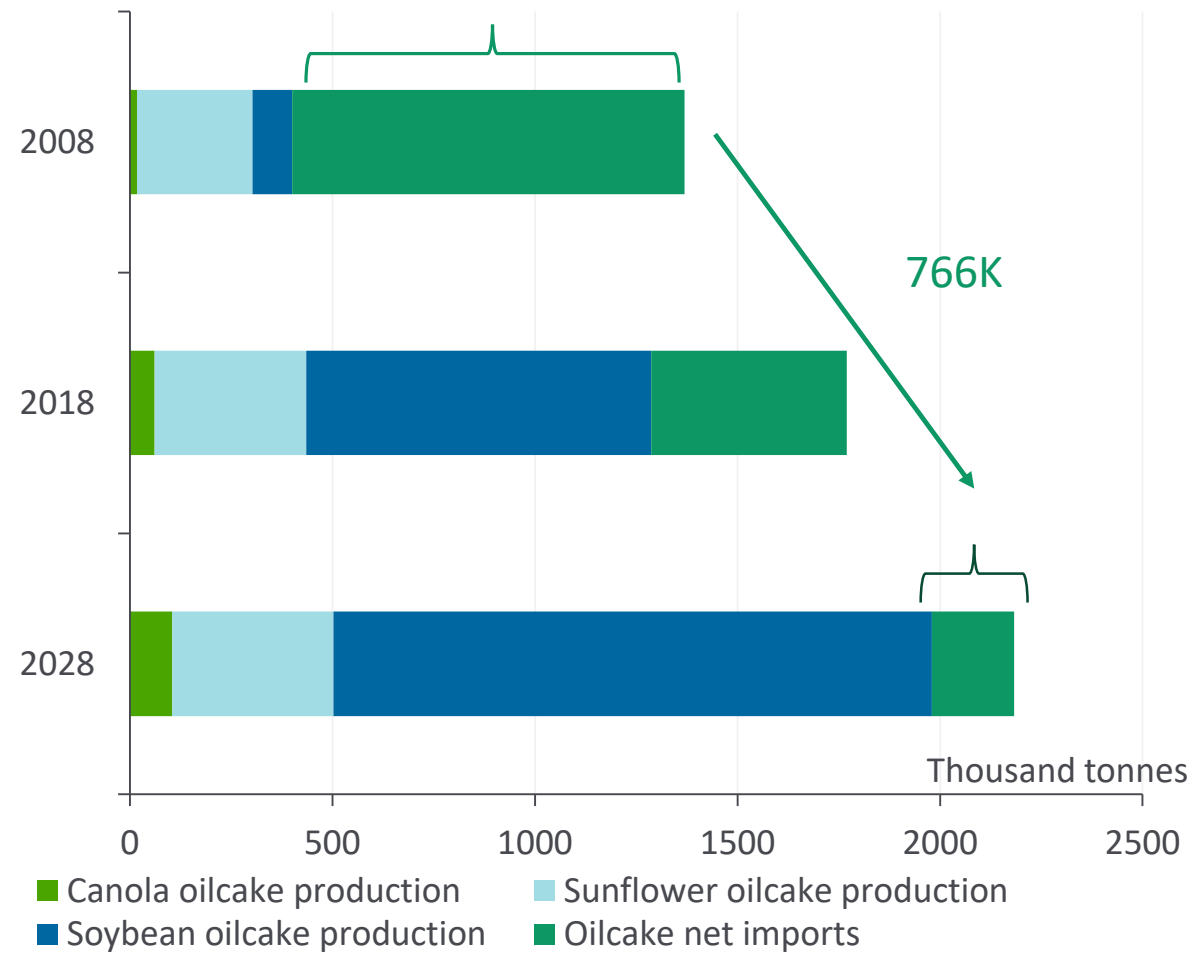
- White maize – decline in PC Cons halted in weak consumer environment
- Reduced white maize in feed – price differences
- Feed demand supporting growth for yellow maize & soybeans

# Oilseed Products

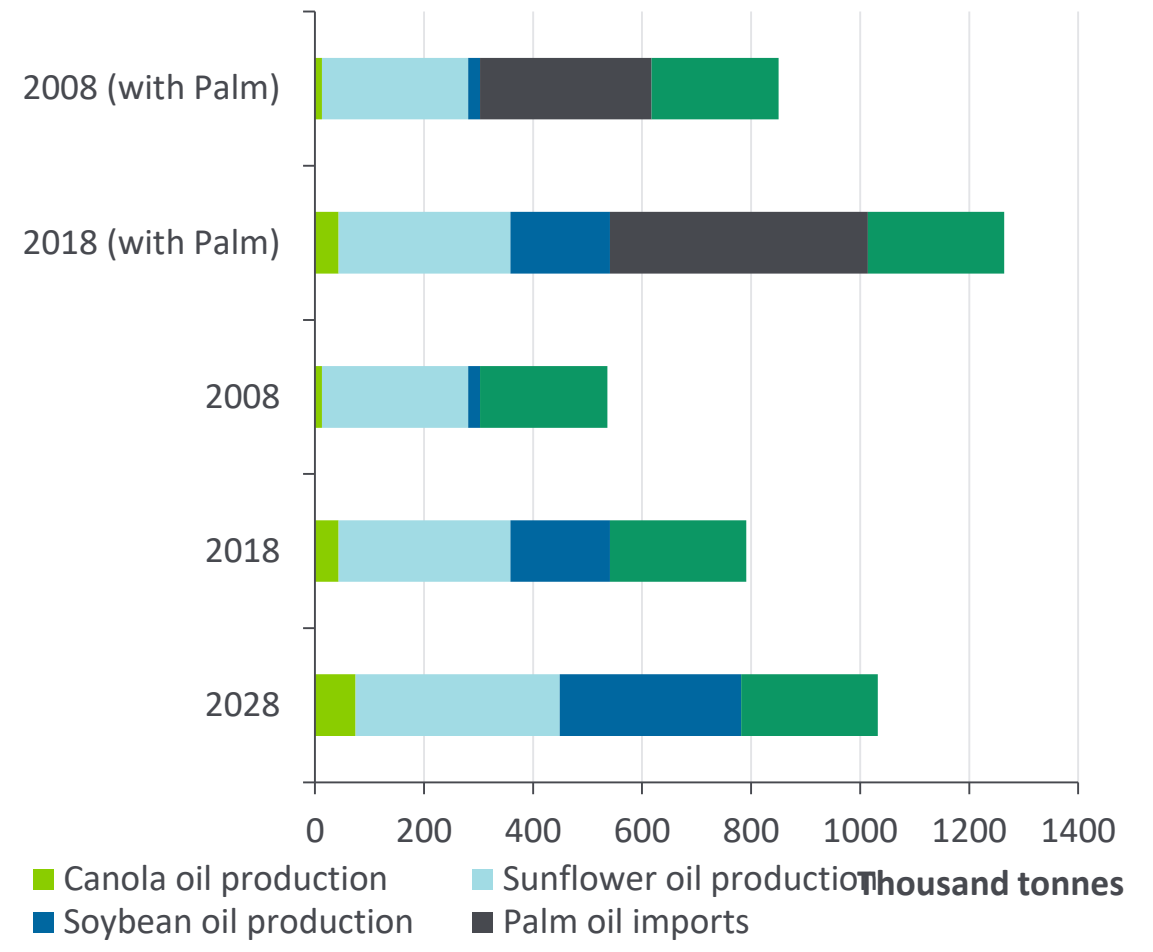
Growing demand and substantial import replacement



## Protein meal demand



## Vegetable Oil Demand



❖ Import replacement of protein meal: 766 000 tons reduction from 2008 - 2028

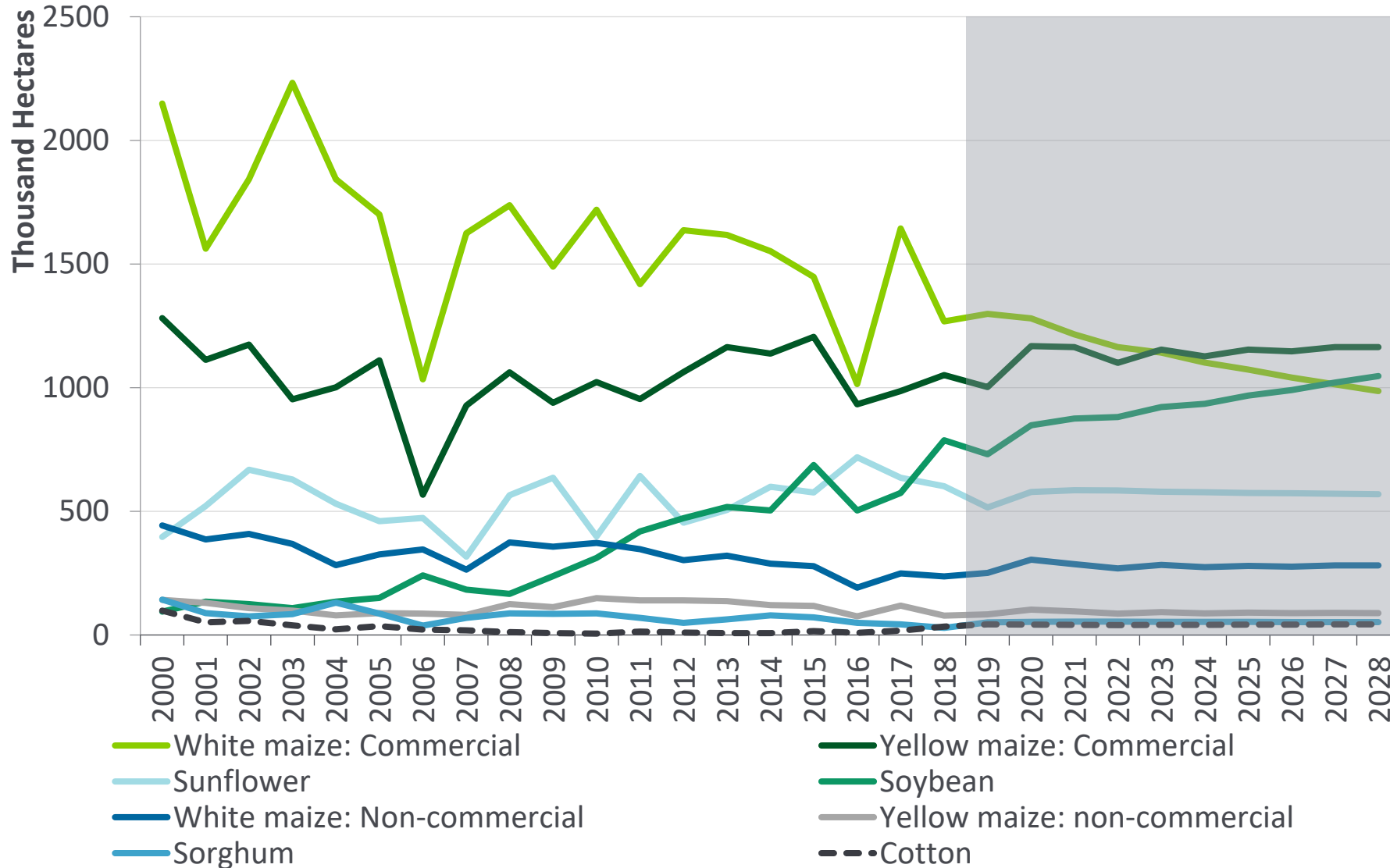
❖ Vegetable oil demand = exceeding 1m tons by 2028 where soy = 34% and sunflower = 36%. Import = 23%

# Area shifts for summer crops not new

White maize continues to decline, soybean and cotton expanding



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Drivers behind area shifts:

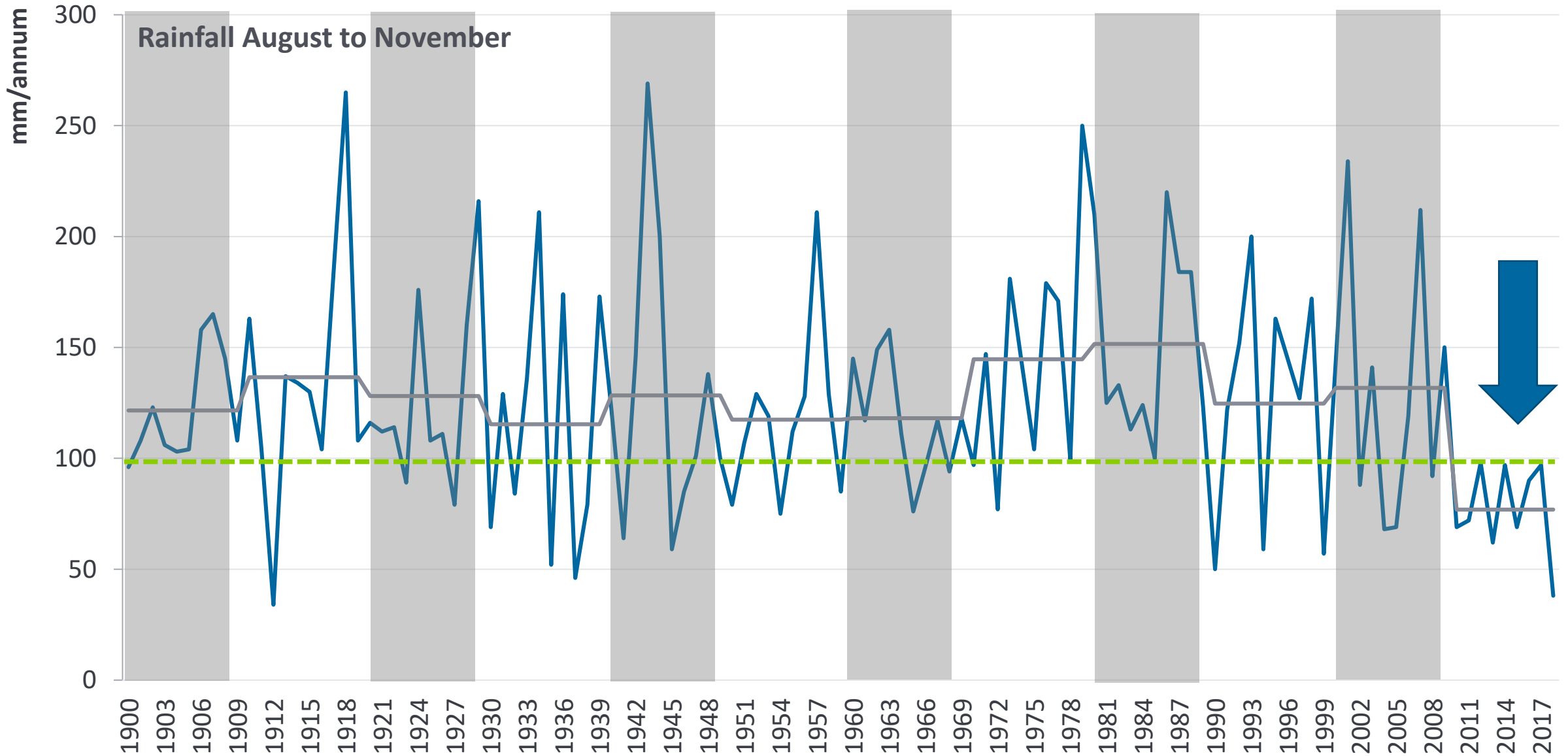
- Domestic demand structure
- Export market dynamics
- Relative Profitability

# North West Rainfall – Early summer

Climate increasingly challenging rainfall seemingly starting later



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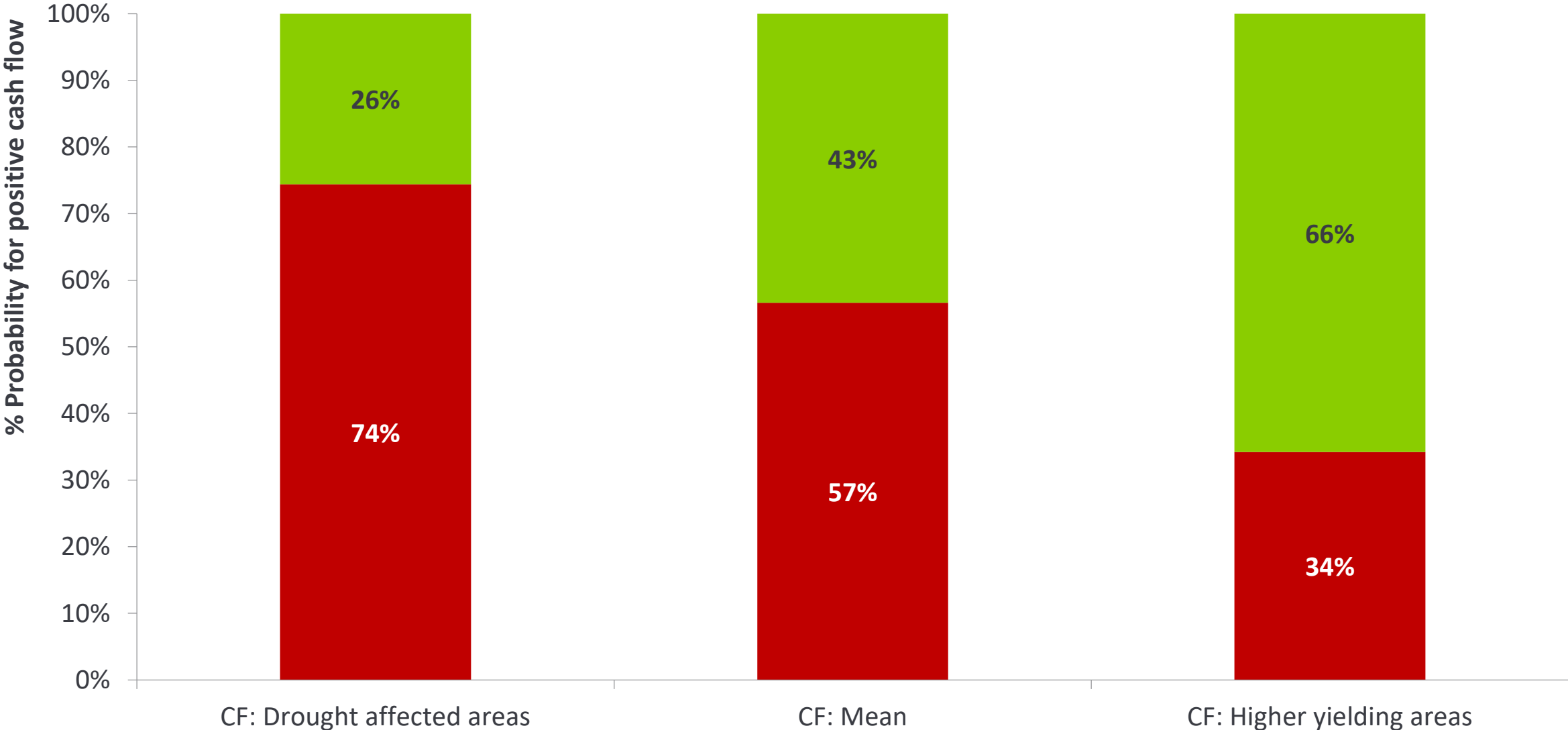


# Profitability in Western Regions: 2020 Probability

Probability of attaining a positive cash flow



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# Field Crops – summary of key points

Critical factors to enable accelerated, inclusive growth



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- **Weather conditions in Western Regions** becoming increasingly difficult
  - Structural shift in cropping patterns
  - Diversification with increased livestock component
  - Crop insurance critical to remain in production – must be supported to be viable
- **Infrastructure & cost of trade**
  - Regionally, many countries have increased production, hits wall once surplus is produced – poor infrastructure makes cost of trade too high.
  - Must insure that SA infrastructure is maintained and efficient
  - Influences cost of imported inputs & exported products
- Globally, factors associated with **quality, SPS factors** and **consumer preferences** related to sustainability are becoming increasingly important - compliance to maintain market space



## Outlook for Horticulture

- **Weather still influencing short term – quantity & quality**
- **Competitive market access for exports is critical**
- **Future gains from improved water efficiency**



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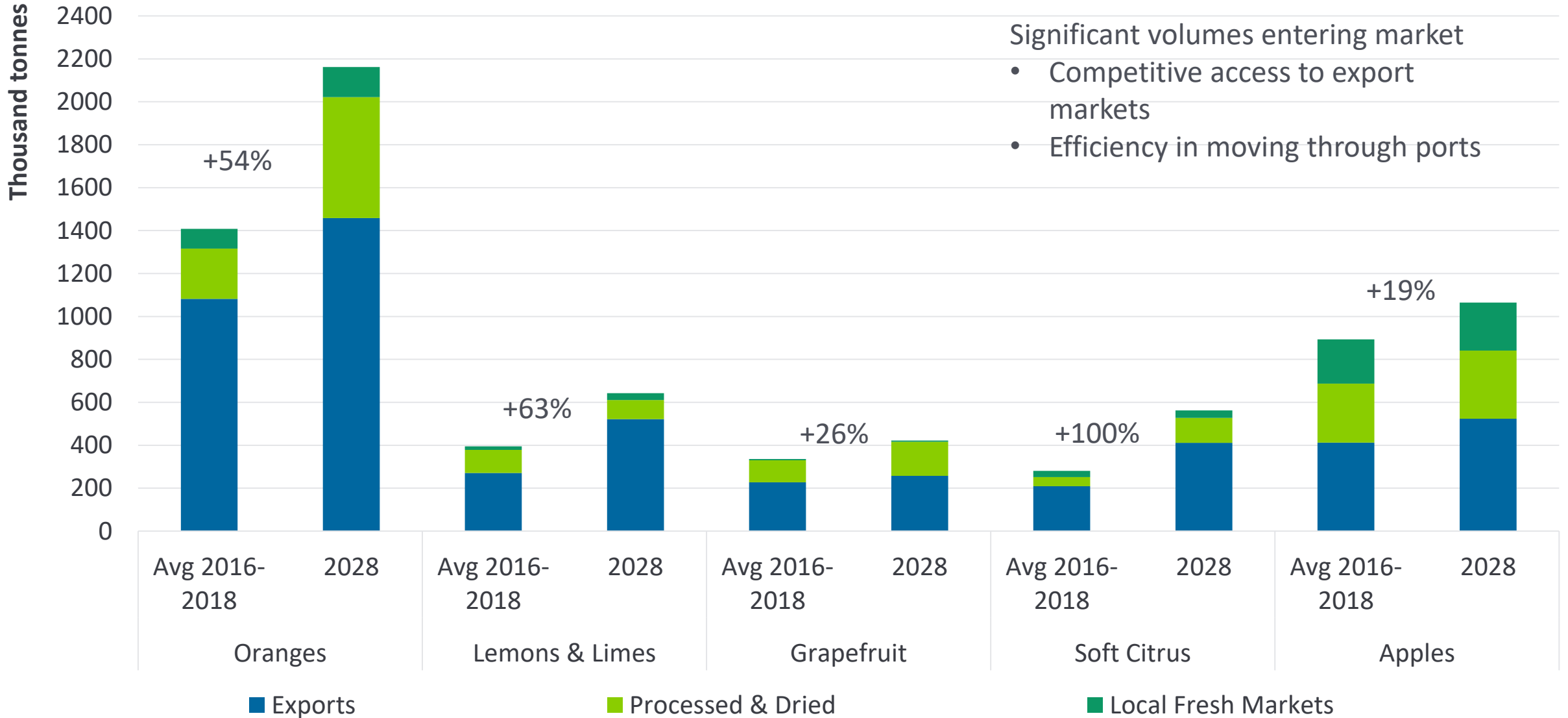


# Fruit demand overview

Exports still primary driver of expansion

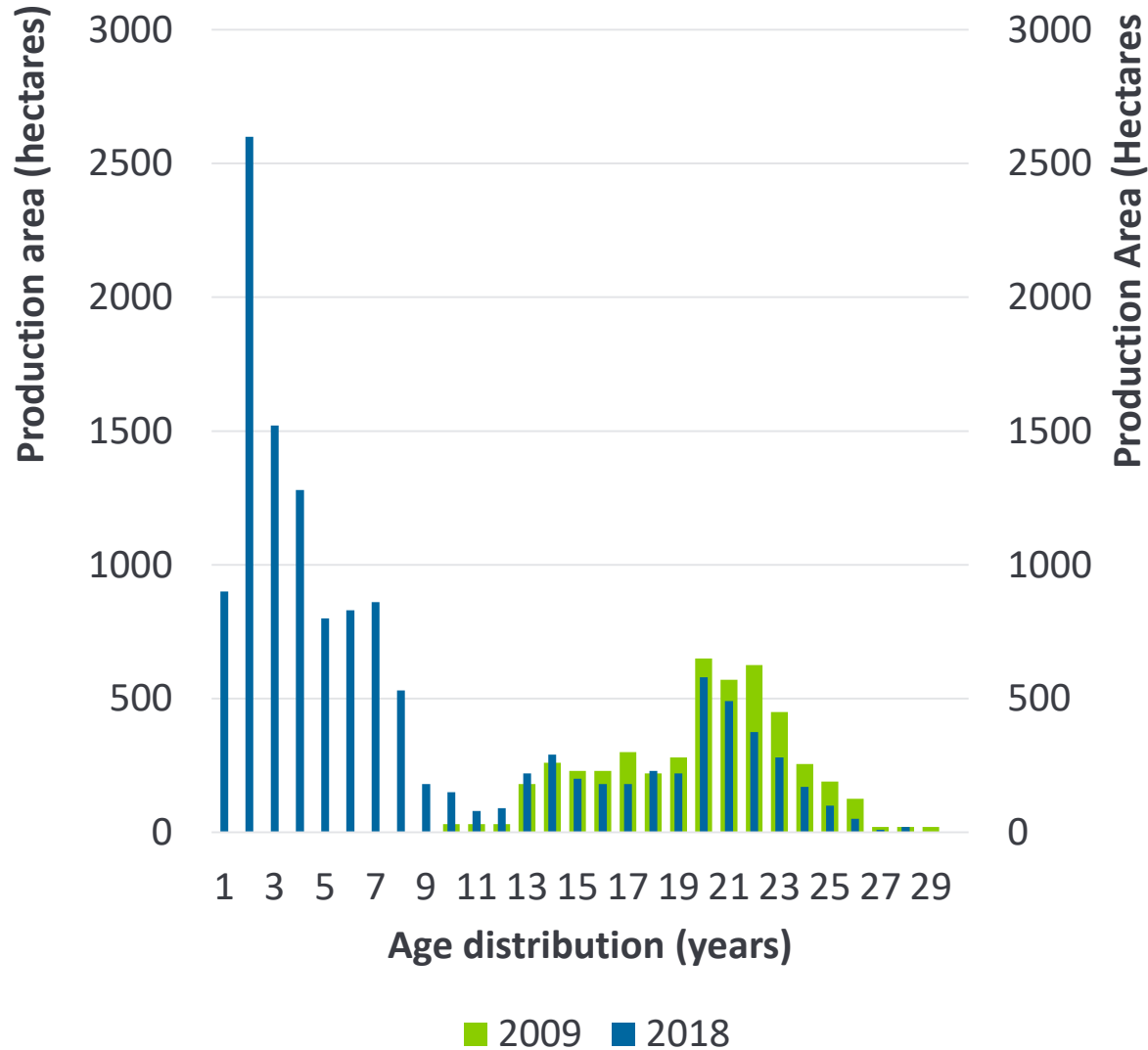


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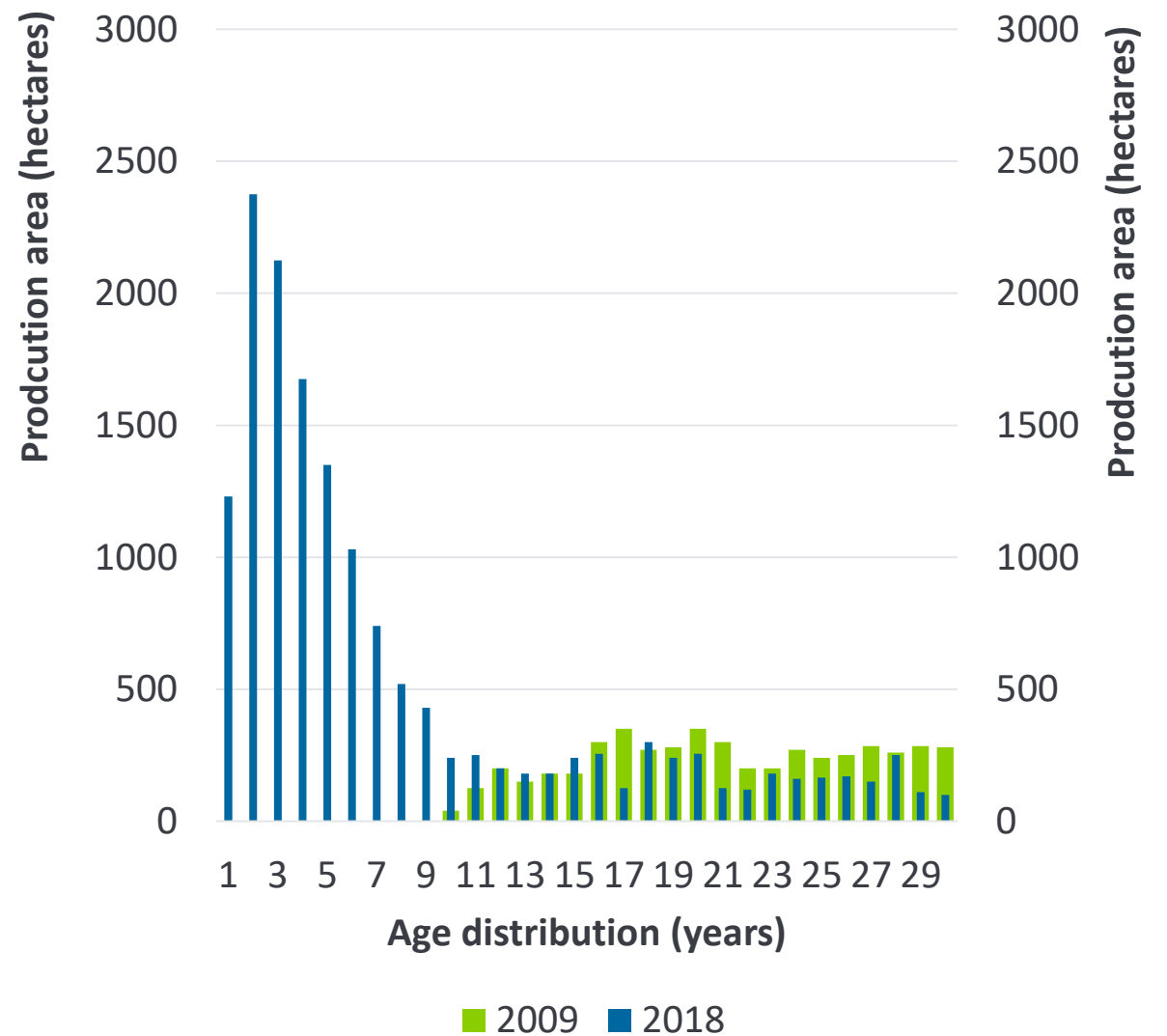


# Citrus volumes expanding very rapidly!

## Lemon & Lime



## Soft Citrus

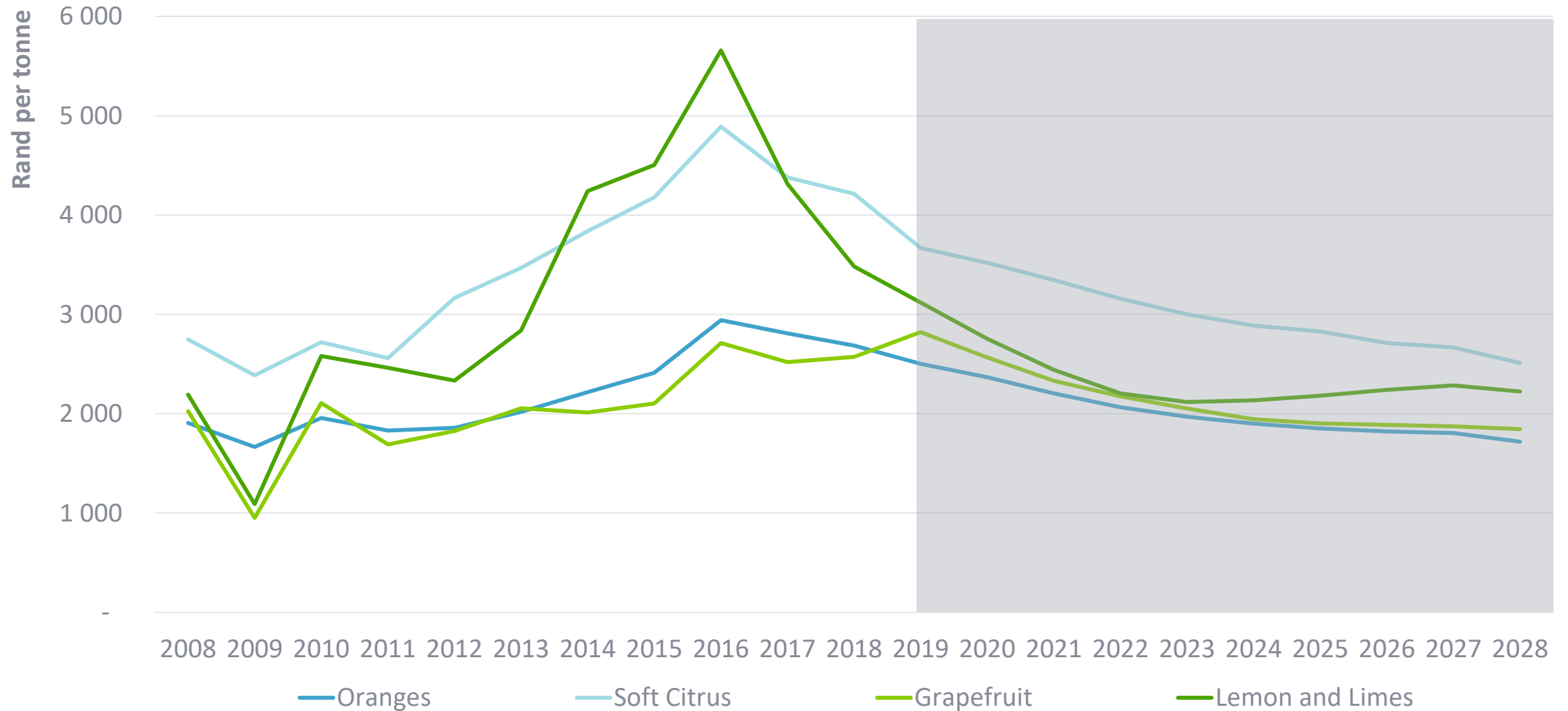


# Citrus Prices: Real terms

When life gives you lemons...



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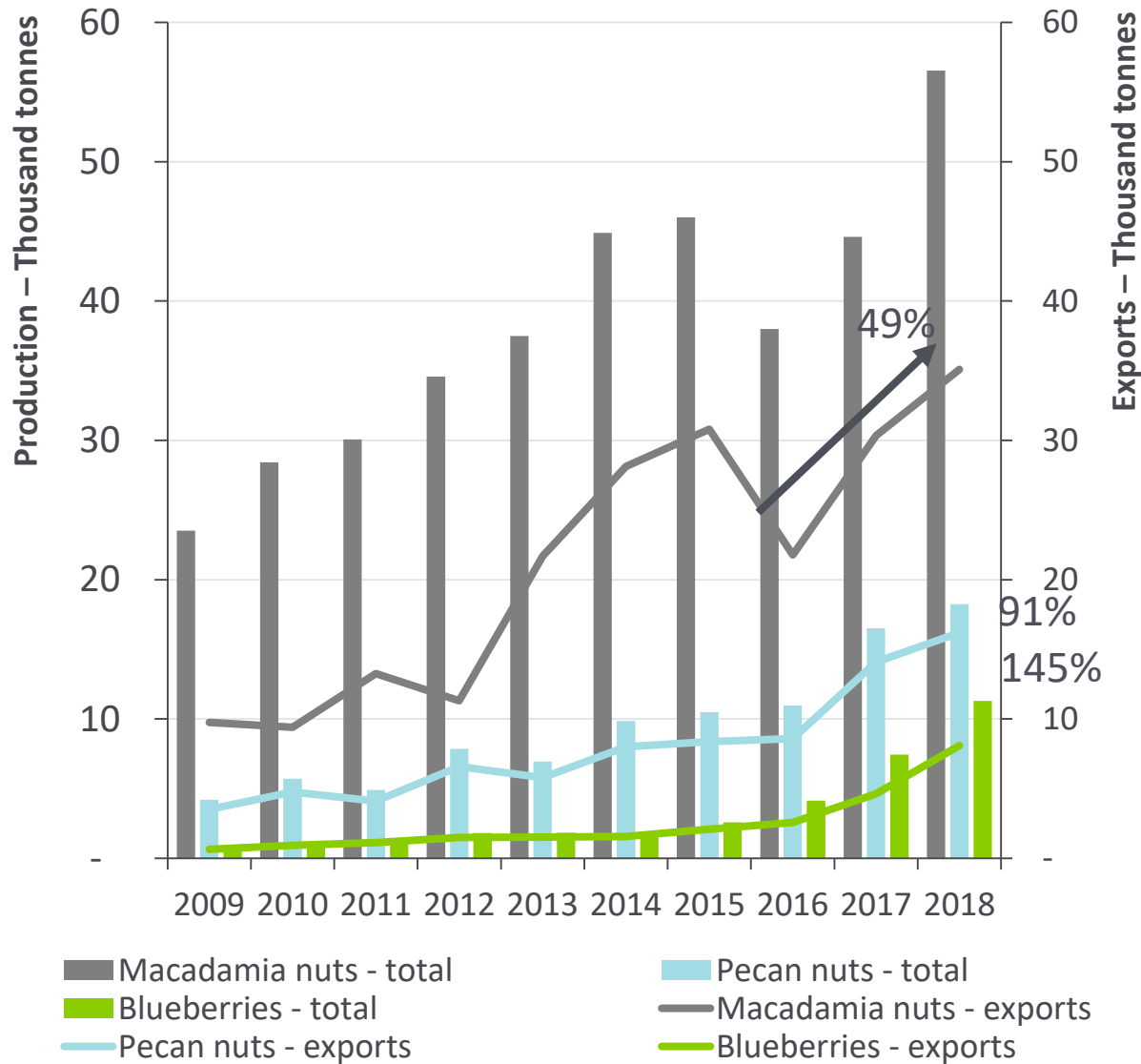


# Smaller industries expanding quickly

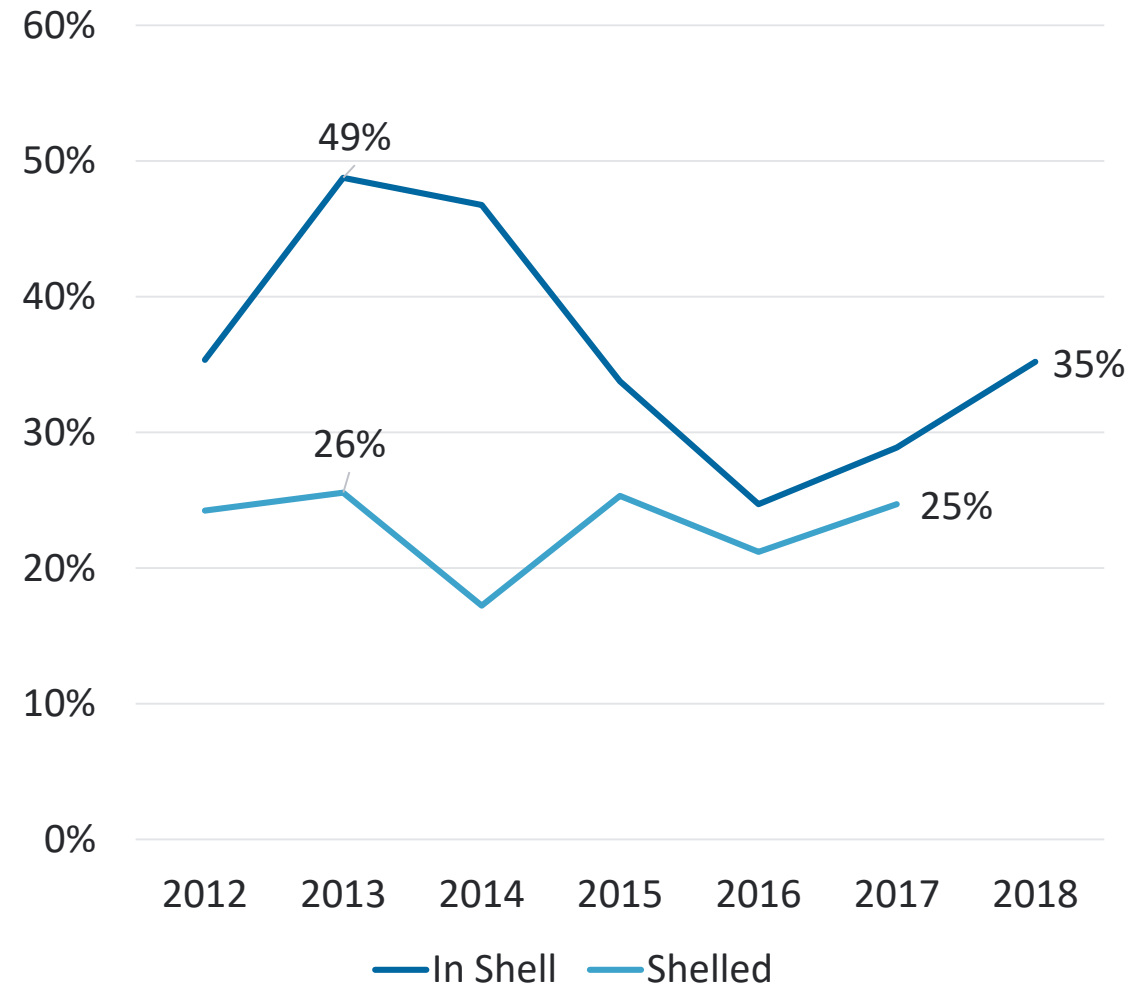
Rapid growth in production and exports of nuts and berries



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SA share in global exports: Macadamia

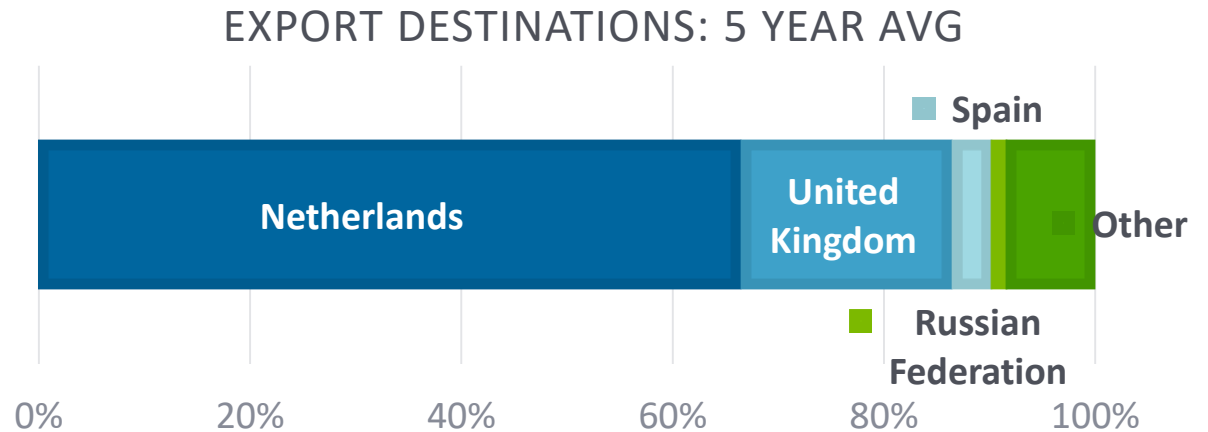
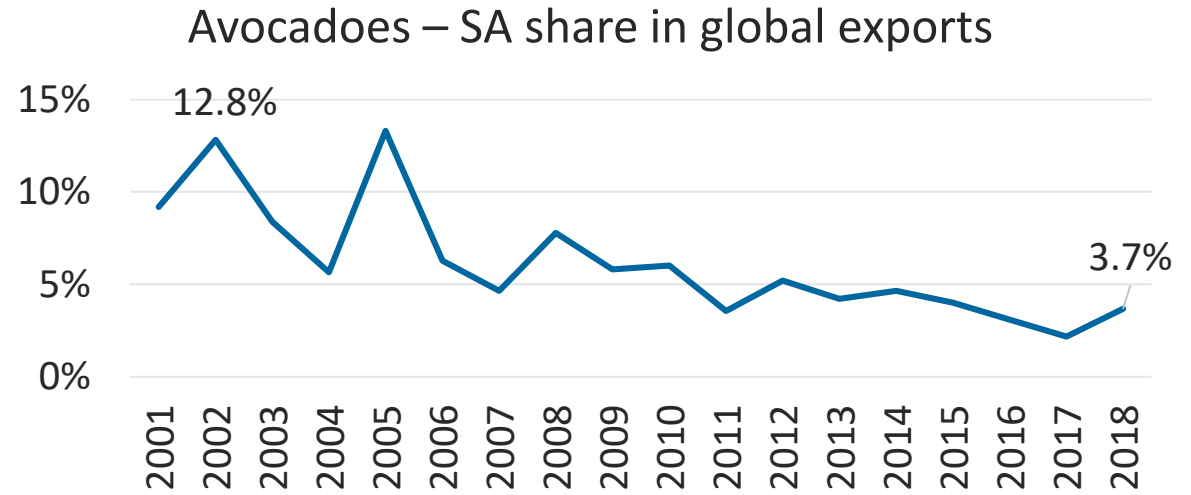
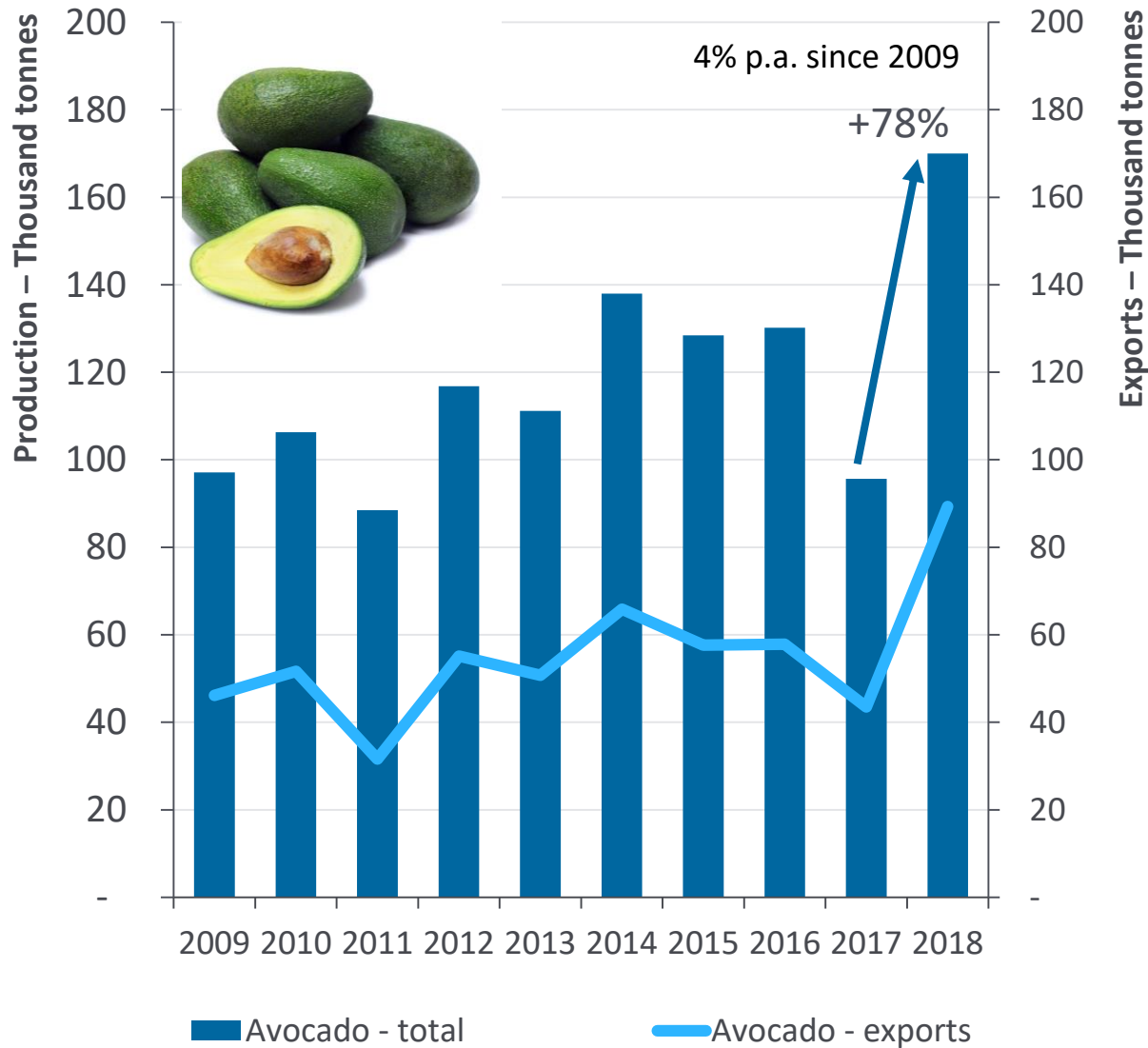


# Avocados expanding rapidly

SA 6<sup>th</sup> largest exporter in the world



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Source: ITC Trademap, 2019

# High reliance on EU & UK, fast growth in Asia



Fruit type	Share of production exported (%)	EU & UK Combined Share of exports (%)
Oranges	74%	40%
Soft Citrus	68%	54%
Grapefruit	67%	43%
Lemons & Limes	67%	38%
<b>Table grapes</b>	<b>88%</b>	<b>76%</b>
<b>Plums</b>	<b>77%</b>	<b>74%</b>
<b>Blueberries</b>	<b>71%</b>	<b>95%</b>
<b>Avocado</b>	<b>53%</b>	<b>95%</b>
<b>Nectarines</b>	<b>34%</b>	<b>80%</b>

# Asia Market access for South African products



**SACU:** Southern African Customs Union

**GSTP:** Global System of Trade Preferences among developing countries

**PTN:** Protocol on Trade Negotiation

		RSA's Competitors						
		RSA	Australia	New Zealand	Peru	Chile	Argentina	Uruguay
Strategic Markets	China		Bilateral	Bilateral	Bilateral	Bilateral		
	Hong Kong					Bilateral		
	India	SACU (Plurilateral)			GSTP	Bilateral GSTP	GSTP Mercosur-India Bilateral	GSTP Mercosur-India Bilateral
	Indonesia		ASEAN-Australia-New Zealand	ASEAN-Australia-New Zealand	GSTP	GSTP	GSTP	
	Japan		Bilateral		Bilateral	Bilateral		
	South Korea		Bilateral		Bilateral GSTP PTN	Bilateral GSTP PTN	GSTP	PTN
	Malaysia		Bilateral ASEAN-Australia-New Zealand	Bilateral ASEAN-Australia-New Zealand	GSTP	Bilateral GSTP	GSTP	
	Philippines		ASEAN-Australia-New Zealand	ASEAN-Australia-New Zealand	GSTP PTN	GSTP PTN	GSTP	PTN
	Thailand		Bilateral ASEAN-Australia-New Zealand	Bilateral ASEAN-Australia-New Zealand	GSTP	GSTP	GSTP	
	Vietnam		ASEAN-Australia-New Zealand	Bilateral ASEAN-Australia-New Zealand	GSTP	Bilateral	GSTP	

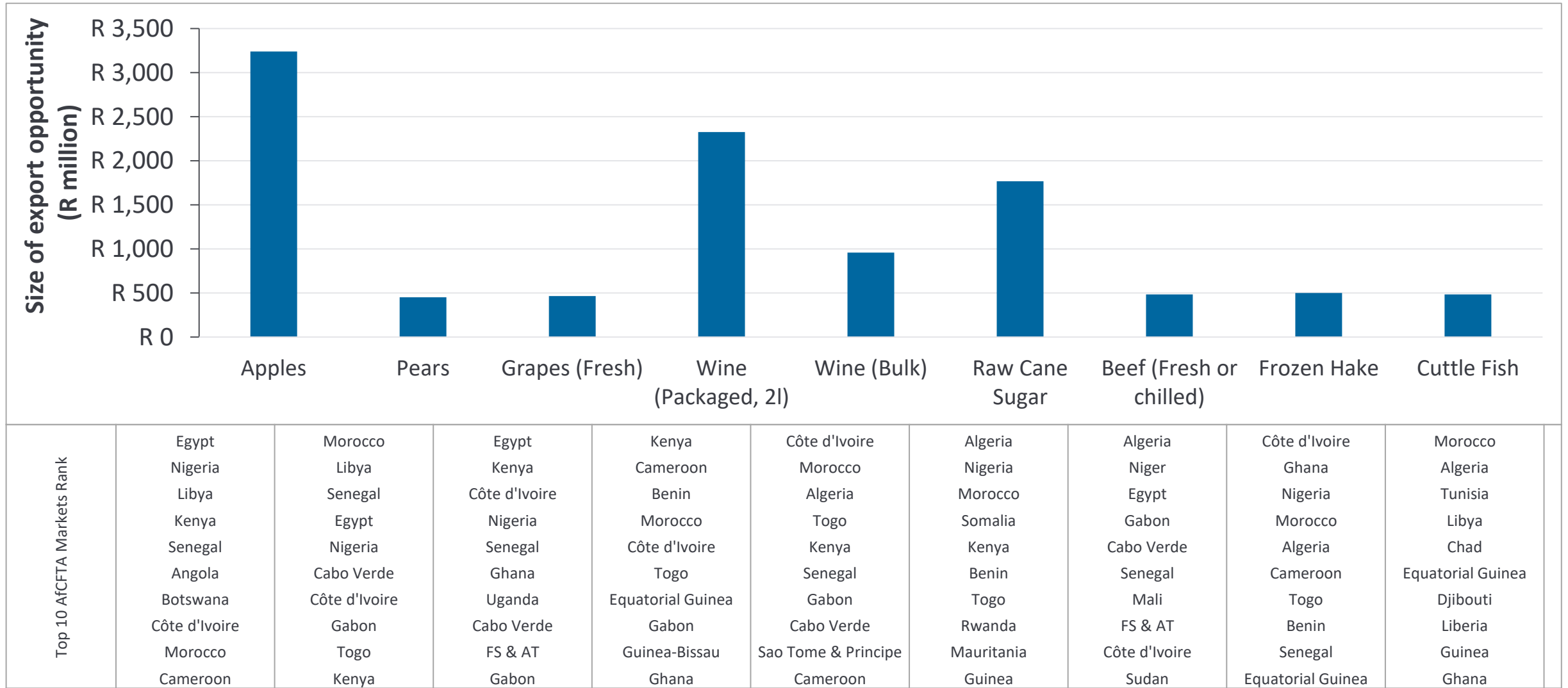
# The AfCFTA and its potential benefits



- The AfCFTA consolidates 55 territories into a single market - combined size of:
  - 1.2 billion people
  - GDP \$2.26 trillion
- The agreement came into force on the 30<sup>th</sup> May 2019, but actual trade will only commence mid-2020
- **90% of products in Africa will be traded duty free by July 2020.**
- An additional 7% of the products will have duties phased down over the next decade.
- This implies a substantial opening up of and growth in (new) markets in the continent
- However, concerns remain over constraints to growth imposed by infrastructure and NTBs



# Top Ranked AfCFTA Markets for South Africa

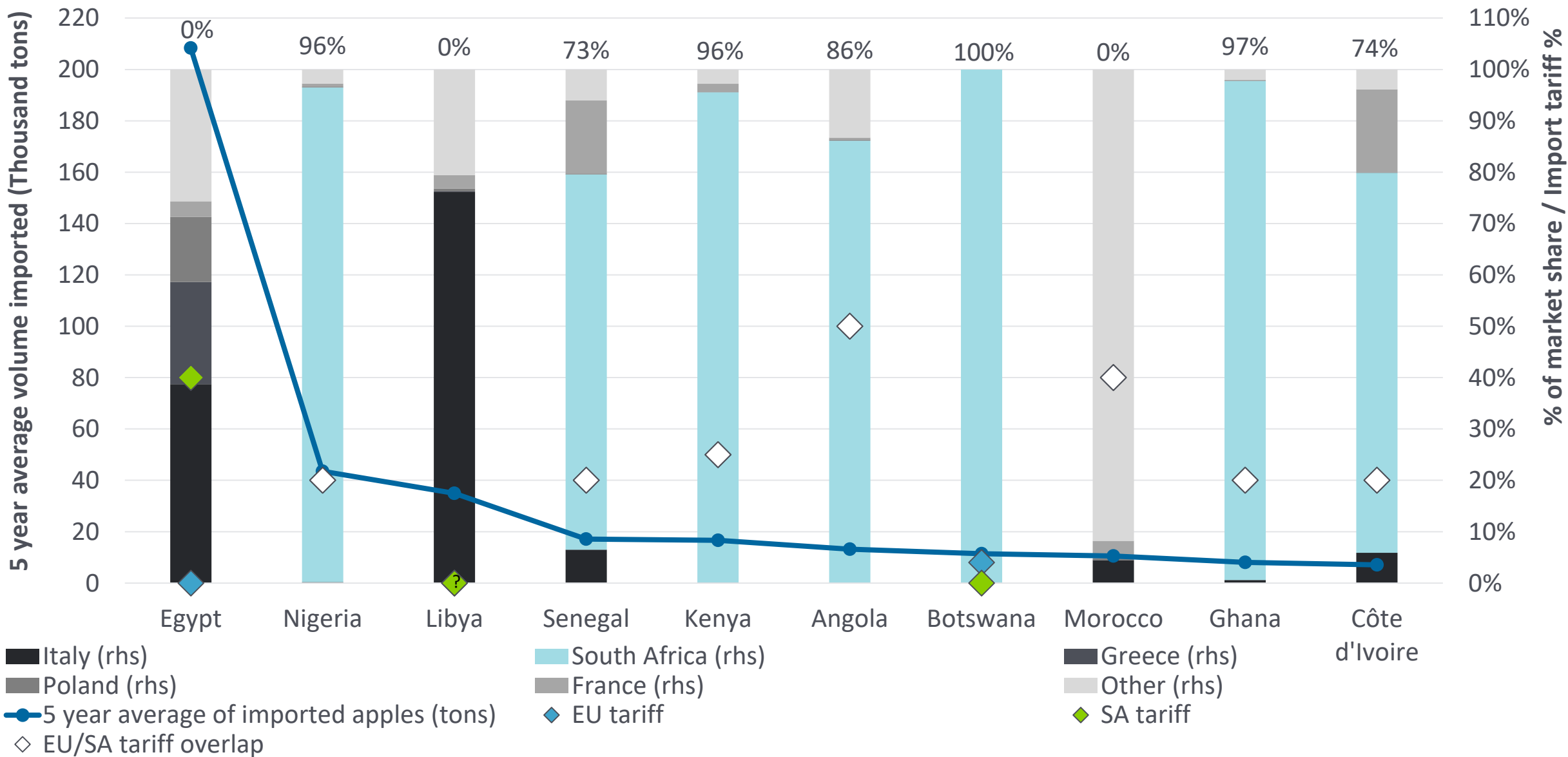


Source: Calculated from Trade Map (2019)

\*NB: FS&AT - French Southern and Antarctic Territories

Maize excluded due to SPS restrictions associated with GM policies

# Opportunities for apple exports under AfCFTA



# Horticulture – summary of key points

Critical factors to enable accelerated, inclusive growth



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- Substantial volumes entering the market
  - Competitive market access for exports
  - Port efficiency
- Increasing competition – particularly from South America
  - Quality vs. Quantity
- Consider evolution in consumer preference, particularly Europe
  - Quality & Consistency
  - Sustainability





# Key messages & critical factors to accelerate growth



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# Conclusion: Policy and investment priorities



## 1. Land reform & farmer support

- Structured executable plan combining market-led fast track options with long-run solutions that boost tenure security in complex systems.
- Focus on success stories and replicate
- Unlock potential of vast track of under-utilised land
- Policy certainty on strengthening of property rights critical to drive investments, incentives and innovation.

## 2. Infrastructure & technology

- Do or die for water infrastructure over next 5 years.
- Infrastructure development in former homeland areas a priority
- R&D and big data to drive climate smart sustainable food production

## 3. Statistical baseline information

- E.g. Comprehensive census, land audit, livestock traceability, farmer registry etc.
- Accurate planning impossible without accurate statistics

## 4. Focused drive on increasing market access in major export markets

- Clear list and guidelines, choices and required actions already developed

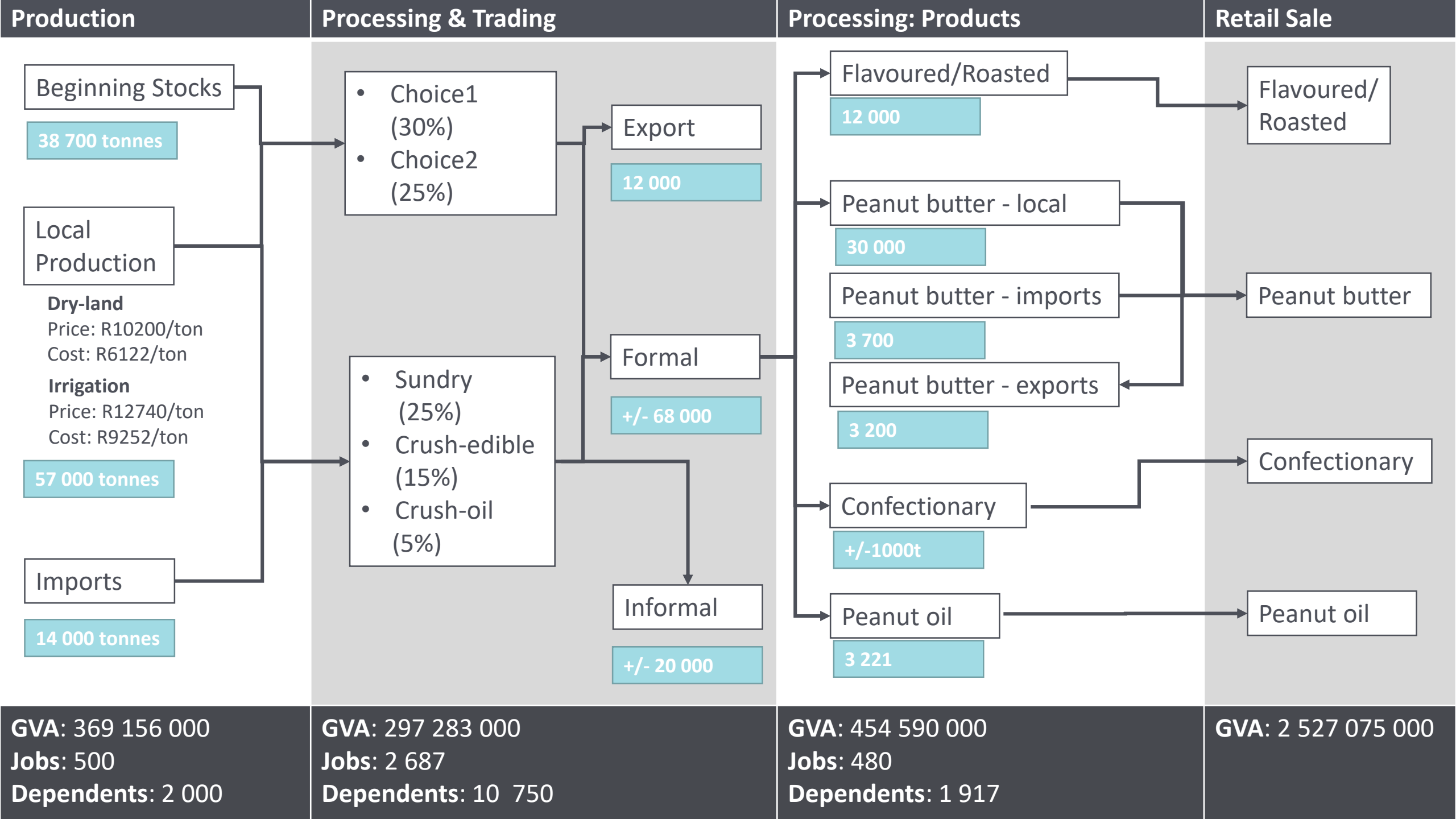


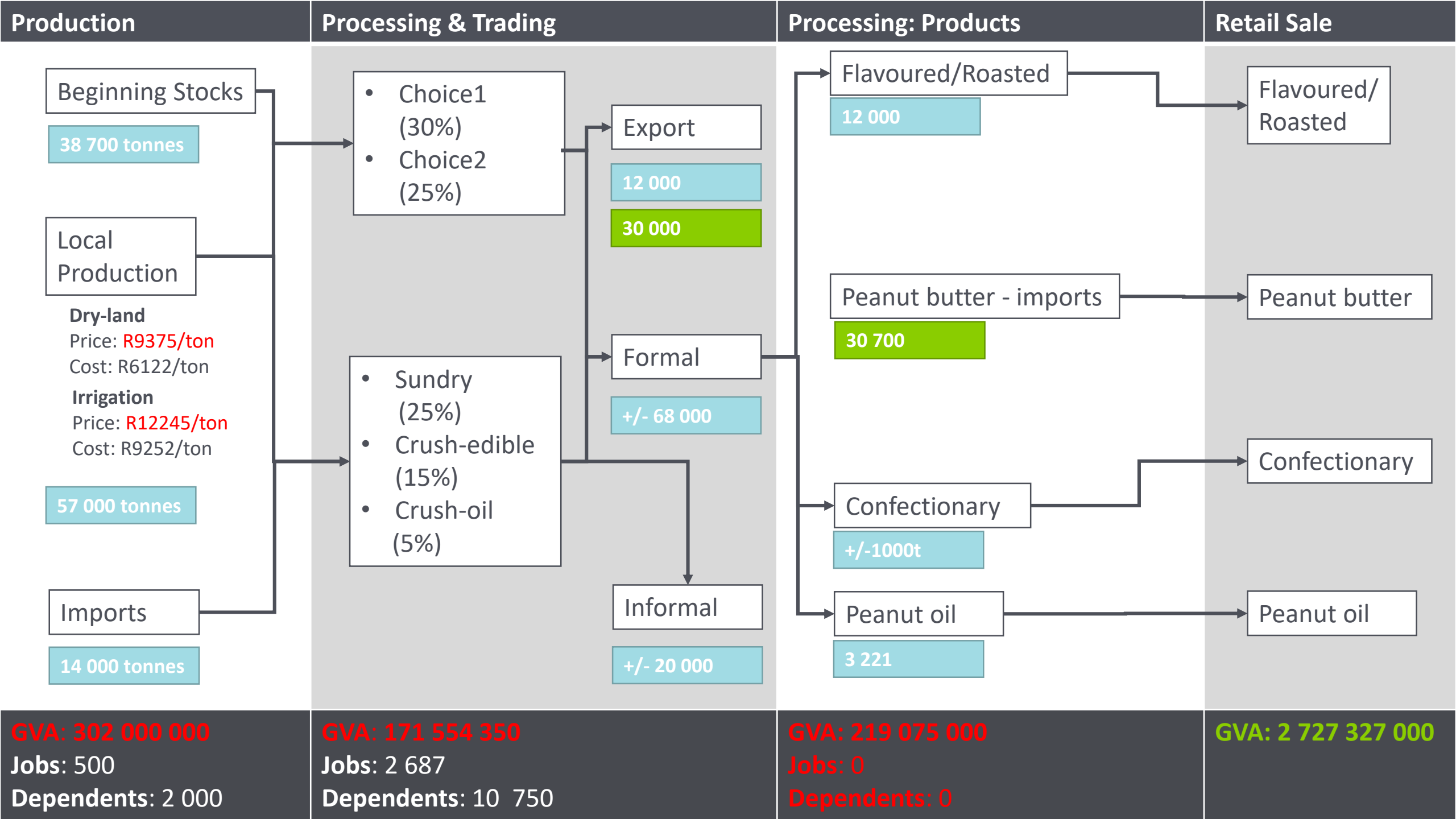
**Illustration – Value  
chain deep dive to  
accelerate growth in  
specific industries**

**Example: Groundnuts**



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**THANK YOU**

For further enquires:

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