



Impact of COVID-19: South Africa has sufficient food supplies

Over the past few days, the outbreak of COVID-19 and measures announced by the President to contain its spread has impacted all of us in almost every way imaginable. The outbreak of COVID-19 is a prime example of what has been called a “black swan” phenomenon: entirely unexpected, and completely unpredictable. To make things more complicated, the ultimate outcome of this wild card in terms of its impacts and implications is very uncertain. What we do know is that the impact on all kinds of markets and on health systems is severe, and that there is increasing concern whether there will be sufficient food supplies at affordable prices for South Africa’s citizens. In this regard, BFAP is tracking the impact of COVID-19 on South Africa’s food system, and will provide continuous updates and briefs on our homepage at www.bfap.co.za.

Global food supply chains and food consumption patterns are already affected, but our view is that there is no reason for immediate concern. Empty food shelves in parts of the country reflect panicky consumer stockpiling and not disrupted food supply chains. Overall, South Africa is a surplus producer of food and the value of South Africa’s food exports exceeds imports by a significant margin. Figure 1 provides a breakdown of the top ten imported and exported food and feed products. In terms of imports, the world market is well stocked in all of the food items and any potential periodic shortfalls will mainly arise due to logistical disruptions caused by lock downs and restrictions on the movement of goods. This would only be the case for the specific food items that are typically imported from affected regions in the world market. On the export side, potential disruptions because of logistical problems or restrictions on the movement of goods will have a negative economic impact on South African producers, agribusinesses and exporters. Agribusinesses will possibly face lower prices when products destined for export are diverted into the local market. This could cause temporary seasonal local surpluses and lower prices in the domestic market, with the magnitude of the potential impact differing per commodity. For example, while the season for table grape exports is currently coming to an end, the next three months are critical for citrus, apple and pear exports.

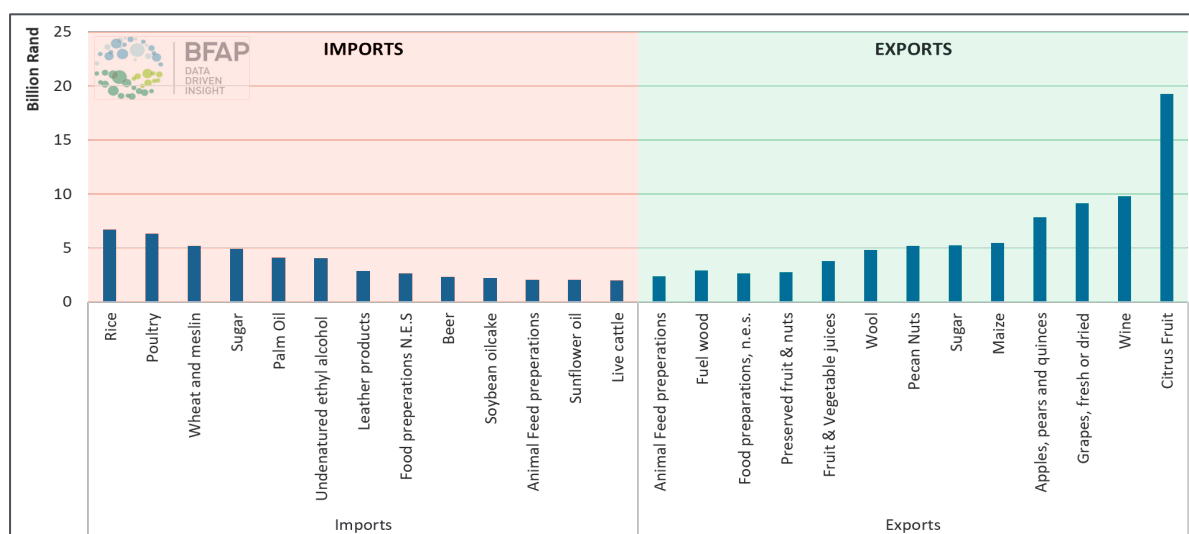


Figure 1: South Africa’s major agriculture and food products imports and exports, 2019

Source: Compiled from ITC Trademap, 2020

Figure 2 presents the total agriculture and food product imports into South Africa, grouped firstly (on the left) into six categories defined by level of processing and perishability, and secondly (on the right) by primary commodity group with which the product is associated. It indicates that the most significant contributor to South Africa's food import bill is highly processed, non-perishable products, which would typically include, amongst others, vegetable oils, sugar, coffee, tea and alcohol. The second largest contributing category is also highly processed, but perishable and includes products such as meat and dairy products, fruit and vegetable juices and other fruit preparations. The third largest contributing category is unprocessed, non-perishable goods, such as wheat, rice, oilseeds and dried fruit. From a commodity grouping perspective, the spread is wide, with oilseed and cereal related products accounting for the greatest share of import value, followed by other foods, poultry products and sugars.

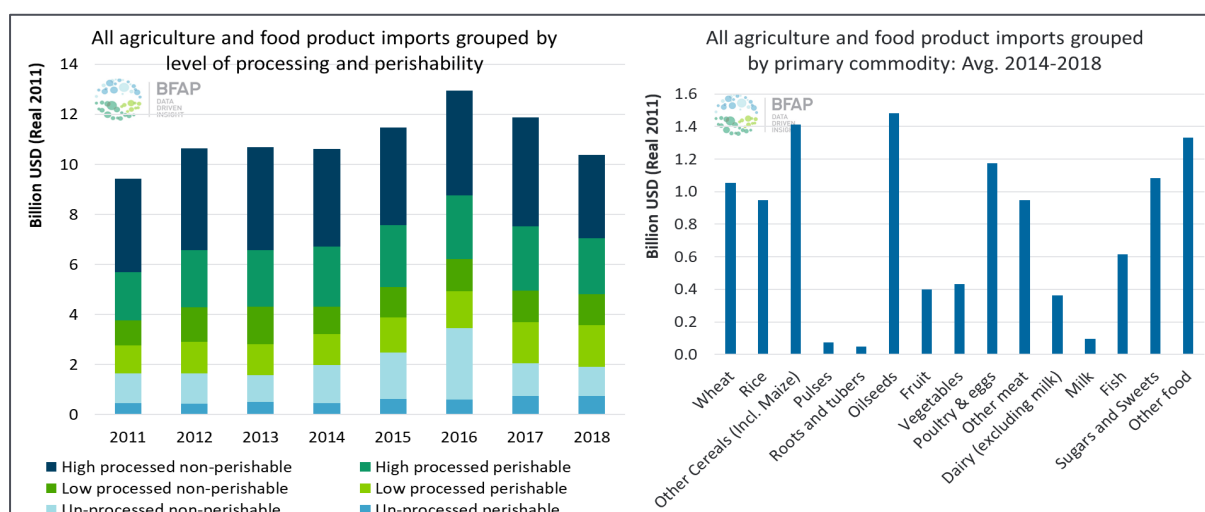


Figure 2 a & b: South Africa's agriculture and food product imports a) disaggregated by level of processing and perishability and b) grouped by primary commodity type
 Source: Compiled from ITC & World Bank, 2020

When considering possible availability concerns with respect to the impact of COVID-19 containment measures globally, the country of origin is as important as the product mix. Figure 3 details the magnitude of agriculture and food product imports into South Africa from various parts of the world. Considering total agriculture and food products, South Africa imports the most from China, Thailand, Brazil, Eswatini and Argentina. China, where the first cases of COVID-19 were reported, has still to date reported the most cases of the virus, but the infection curve has reportedly turned and the country is currently able to anticipate a phase of stabilisation and recovery. From a pure food security perspective, imports originating from China are of limited concern, given that the major contributing products are leather products, animal by-products and textiles. More concerning is Europe, which is now considered the epicentre of the global outbreak and, when considered as a Union, supplies more agriculture and food products to South Africa than China. Wheat is the largest contributor to the value of imports, followed by undenatured ethyl alcohol, sunflower oil, food preparations and poultry meat. In the case of wheat imports, South Africa can turn to alternative markets like the Black Sea countries and the USA. This will most probably push up import parity prices, but it will ensure consistent supplies if European exports are restricted. Thailand is also an important



consideration as the primary supplier of rice into South Africa. To date, the extent of COVID-19 in Thailand has been far less severe than in Europe and China. The major products from Brazil, Eswatini and Argentina are, respectively, poultry meat, sugar and soybean oilcake for animal feed.

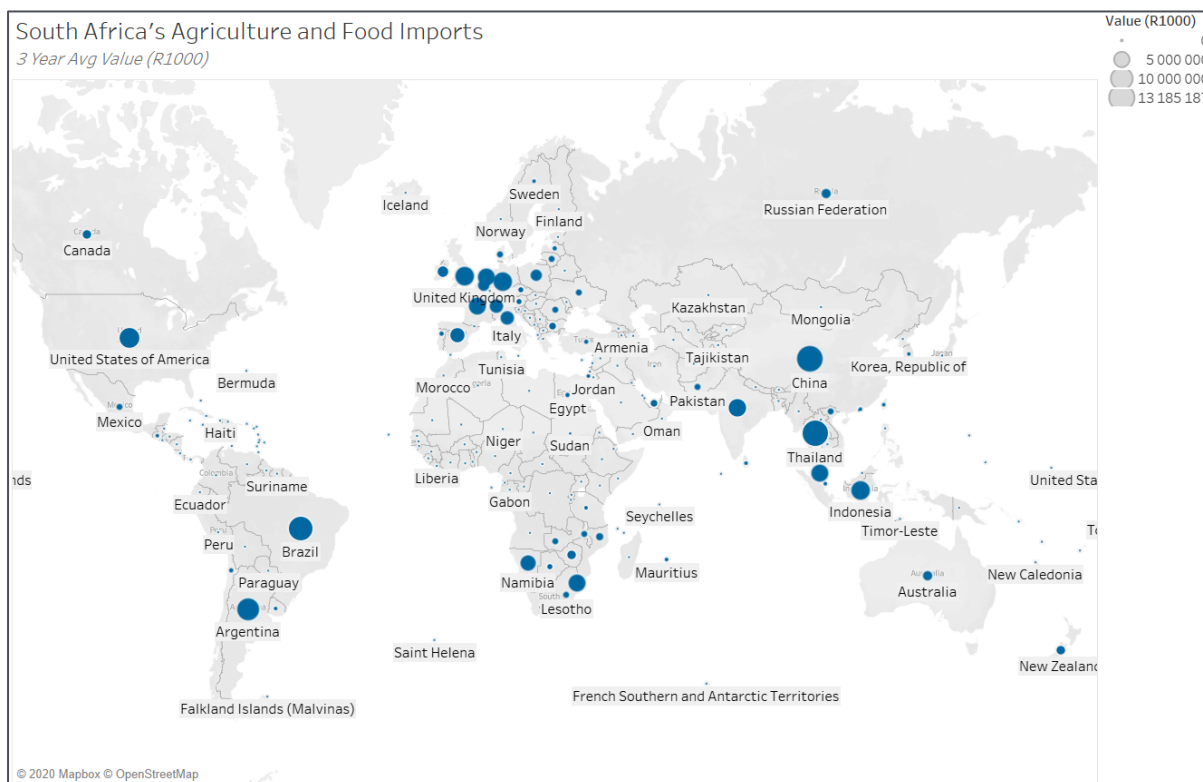


Figure 3: Origin of South Africa's agriculture and food product imports
Source: Compiled from ITC Trademap, 2020

While supply chain logistics may, in the event of a prolonged outbreak, start to influence the consistency of availability of these products to South Africa, global supply is not a concern. There is ample production and stock levels due to several years where production levels exceeded long term averages. This has also resulted in a cycle of lower agricultural commodity prices. If availability does become a challenge, it should be noted that for products such as poultry meat and vegetable oil, imports are only supplementary to South Africa's own production, which has the capacity to expand and replace imported products. In the case of fresh fruit and vegetables, South Africa is a competitive surplus producer, with ample supplies for domestic consumption.

South Africa is also expecting a substantial surplus in maize production in 2020, with farmers set to produce the second-largest maize crop in history. BFAP estimates a total maize crop of 15.5 million tons, of which 9.1 million tons is white maize. South Africa's total human consumption of maize as basic staple food is estimated at 5.4 million tons per annum and total feed consumption amounts to 5.8 million tons per annum. This implies that we will have ample maize to meet demand in the human and feed markets, and will be able to export into neighbouring countries. Even in a scenario where global supply chains disrupt the consistency

March 19, 2020



of rice and wheat imports over the medium term, SA will have sufficient staple white maize to accommodate a relative shift out of rice and wheat to maize.

BFAP will provide continuous updates on the impact of COVID-19 on SA's food system at www.bfap.co.za.