

Agriculture In South Africa - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 70 pages | Mordor Intelligence

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Report description:

The South African agriculture market is projected to register a CAGR of 4.2% during the forecast period (2022-2027).

The lockdown restrictions, changing consumer choices, and limited buying power of consumers during COVID-19 have resulted in piling up of stocks of commodities such as potatoes which led to a decline in prices of these commodities.

South African agriculture is highly diversified and market-oriented. The country's major important crops are grains and cereals such as rice, wheat, barley, and soybeans. According to FAOSTAT, the area under grains and cereals production was 2,660.4 thousand hectares in 2016, which increased by 13.1% and reached 3,062.8 thousand hectares in 2019. In 2019, the farm income of South African farmers increased by 4.3%, and the prices that farmers pay for agricultural inputs increased by 5%. This decline in farm income may refrain farmers from using various modern agricultural technologies, which in turn affects agriculture production. The increase in the population level of the country has fueled the demand for cereals. Maize is the staple food in the country, consumed in its direct form, and is used for products such as sweeteners, bread, and cornmeal. Wheat is also another major staple food in the country, which is mostly imported, as it is economical to import rather than produce it domestically. The major fruits consumed in the country are apples, pears, litchis, mangoes, plums, peaches, apricots, grapefruit, pineapples, avocados, and lemons. There is also an increasing demand for products derived from fruits, such as fruit juices and jams, in the country that drives the market. Also, more than 1.5 million metric tons of grapes are used every year domestically in South Africa's renowned wine industry. The most demanded vegetables in the country are lettuce, chicory, pumpkins, tomatoes, and carrots. Apart from these, leafy vegetables, like cleome, amaranth, blackjack, and Jew's mallow, which are locally produced, are also consumed in the country. Most of the country's oilseed demand is met by domestic production. However, palm oil, a well-in-demand oilseed in the country, is currently imported from Indonesia and Malaysia. In the forecast period, the country is expected to reduce imports to a great extent and become self-sufficient in the production of oilseeds.

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South Africa Agriculture Market Trends

High Demand for Food Crops with the rising population

In South Africa, rapid population growth, coupled with increasing economic prosperity, continues to create rapid demand for the agricultural sector. It was estimated that the population of South Africa will reach 82 million by 2035. With the increasing population, the demand for food is projected to double in the coming years. The demand for fruits and vegetables in the country is further driven by increasing income, rapid urbanization, and a shift in consumers' diet preferences toward nutritional food. The food consumption rates in the country are rising almost 5-6 times faster than the local production. In 2018, fruits and vegetables accounted for 16% of the total food products consumed in the country, and the demand for off-season fruits in the country is usually met through rising imports. People in the country are discovering the link between healthy food and their well-being. For vegetables, like potatoes, there is a recent trend of growing consumption, especially among the middle-income group of South Africa, which is mainly addressed in the agriculture sector. Crops, such as potatoes, tomatoes, onions, sweet corns, beetroots, apples, citrus, grapes, bananas, litchis, peaches, pineapples, and avocados, are some of the major fruits and vegetable crops identified as the key crops driving the agriculture sector in the country, during the forecast period. The increasing need for food security within a booming population and greater demand from a rising middle-class population for food is driving the growth of the agriculture sector in the country. Improved awareness across various social media platforms related to health and well-being has boosted the demand for various food products and, in particular, fresh fruits and vegetables. With the rising health consciousness, there is also an increasing consumption trend toward varieties of off-season fruits, which are usually met by rising imports. For vegetables, like potatoes, there is a recent trend of growing consumption, especially among the middle-income group in South Africa. An increase in demand for fruits and vegetables was reflected by the rise in the imports of fruits and vegetables. Therefore, the increasing demand for food crops due to the rising population in the country, especially for fruits and vegetables, is anticipated to drive the market during the forecast period.

Food Crops Dominate the Market

South African food crops dominate the agricultural market in the region. Maize is the most important food crop, followed by wheat and barley. South Africa reported a total of 10.51 million metric tons of maize production in 2018/2019, with a free state province accounting for 38.7% of the total maize production in South Africa. In January 2017, the area of cultivation for maize increased by 33%, owing to good rainfall. Climatic conditions, coupled with a lack of knowledge about transfer activities, are the major limitation to the agriculture sector in South Africa. Government initiatives like the creation of Agri-parks and the introduction of projects like project Khulisa are expected to promote the cultivation of food crops in the country. Favorable climatic conditions and supportive government policies are expected to drive the South African agriculture market. Maize accounts for more than 80% of the local food crop production in South Africa. The South African food crop market has matured considerably since the deregulation of marketing. Producers, traders, and other intermediaries interact freely in the marketing of their produce. The government of South Africa also gives the freedom to the farmers to choose the market where they want to trade their products, and hence, if the farmers do not get desirable prices for their production, then they can trade their commodities in the international market. Despite the substantial fluctuations in cereal production over the study period, cereal production is expected to grow at a nominal growth rate, especially owing to government policies favoring sustainable cereal production in the country.

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