

SA farming exports could take a R39bn hit from the coronavirus

Prices are falling in Asia, which accounts for 25% of South Africa's agricultural exports. Demand for farming products could deteriorate soon too.

South Africa's agricultural sector could take a R39 billion export hit as a result of the coronavirus dampening demand from Asian countries, the Agricultural Business Chamber (Agbiz) has warned.

South Africa products sold into Asian countries include wool, fruit, grains, beverages, vegetables and red meat. In all, Asia – which is at the epicentre of the outbreak – accounts for 25% of South African agricultural exports.

Global commodity prices are dropping, so SA farmers will receive less

While product demand remains steady for now, Agbiz notes that global commodity prices are dropping in line with the world's stock markets. This means that agricultural products being sold by South African farmers into Asia, in particular, will realise lower prices.

“The underpinning reason for this [is] that Asia is an important agriculture market, not only to South Africa, but the world,” Agbiz said.

China is the world's second-biggest importer of agricultural products

“To be specific, China, with 8% of global agricultural imports, is the second biggest importer in the world. Moreover, Japan, with 4% of global agriculture imports, is the sixth biggest importer in the world. South Korea and Hong Kong collectively account for 4% of global agriculture imports.”

The chamber also warns that the longer the coronavirus outbreak continues, the more likely that demand for agricultural products will decline.



“With China having temporarily closed some of the manufacturing hubs and placed restrictions on human movements as a method to contain the spread of the virus, this could negatively affect demand from firms,” Agbiz said.

“What’s more, the longer firms remain closed, the more likely that some might stop paying workers, which could also have implication on consumer demand.”

Ironically, this is a good year for agricultural production in SA

Ironically, the decline comes at a time when the South African agricultural sector is in good shape and farmers were hoping for an increase in Asian demand.

“This promises to be a good year for South Africa’s agricultural sector, at least from a production front,” Agbiz stated.

“The data released last week by the Crop Estimates Committee show that South Africa’s 2019-20 summer crops production could increase by 26% year-on-year to 16.8 million-tonnes.”

Agbiz noted that, while this is still the first estimate for this season, it could be the second-largest summer crops harvest on record after the 2016/2017 crop. The major gains are on maize, soybeans and sunflower seed.

Chinese demand for most foods has fallen in the wake of the coronavirus

According to Reuters, demand for a range of food-related products has fallen in China as a result of the coronavirus. These include eggs, soybean oil, palm oil and fats used in cooking.

“School starts are postponed, restaurants remain closed, food consumption (in China) is greatly reduced, which led to the decline in domestic demand for oils and fats,” Reuters quoted Kong Lingqi, agriculture analyst at Haitong Futures, as saying.

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