



Sector Overview

Agriculture

South Africa is one of the most developed countries in the continent, second only to Nigeria in terms of GDP, and the richest in the sub-Saharan region. Despite the advanced production and export of minerals, steel and raw material, the developed financial sector, and the solid infrastructure of the country, the South African economy has experienced very slow growth over the last 10 years. South African exports largely consist of primary or secondary products such as ore, mineral fuels, edible fruits and nuts, citrus fruit, grapes, avocados, and different kind of berries.

In 2018 the gross value of agricultural production was equal to €18-billion. Almost half of the value corresponds to animal by-products, 30% of the gross value comes from sales of vegetables and intensive cultivations and cereals and extensive crops represent the remaining part (circa 20%). Grapes and wine production together with citrus fruit represent the major exports, whilst cereals and livestock are mostly produced for internal trade. Grapes and fruits are exported worldwide: the Netherlands, the United Kingdom, China, Hong Kong, and the U.S.A being amongst the major buyers. In fact, South Africa is the second biggest global exporter of citrus fruit and the eighth largest exporter of table grapes. South African vegetables, roots, and cereals are popular within the African Union – especially in Mozambique, Botswana, Namibia, Lesotho, Eswatini.

While national GDP is comprised 70% by the service sector and 20% by the industrial sector, just 10% of the country's GDP is made up by the primary sector. This sector includes the mining industry and agriculture, and it represents the most important export category. However, future growth in the agricultural sector is affected by challenges like water scarcity, energy supply and imbalanced land distribution.

Regarding the South African agriculture sector, 100-million hectares South African land is arable. This includes pasturelands, forests, and arable lands. In spite of the considerable extension of arable land, only 1.5 million hectares are irrigated and only a few million hectares are extremely fertile.

South African commercial agricultural production is almost entirely (95% circa) generated by 40 000 large commercial farms that each cultivate 2 000 hectares on average. These companies are highly mechanized and are willing to invest in order to increase yield and market competitiveness, but also to reduce their dependence on labor. The remaining part of agricultural production is produced by 200 000 small companies with a low level of mechanization and often in possession of less good land. Although relatively small, this segment of South African agriculture is fast-growing and resembles a potentially new market that is buoyed by a growing black middle class and the political imperative behind land redistribution. Lastly, the agricultural sector includes also 3 million family holdings that produce for self-consumption.

Across South Africa, cultivations vary based on morphological and climate characteristics. The Cape and Eastern Cape areas mostly grow wheat, grapevine, citrus and other intensive crops, while corn is mostly harvested in Free State and Mpumalanga. Orchards, tropical and subtropical fruit are typical of the KwaZulu Natal region.

Water availability represents the biggest challenge for South African farmers since the country is affected by water scarcity and frequent droughts. Moreover, population growth and the needs of the industrial sector have increased demand for clean water, setting a ceiling for the development of the agri-food sector. Agriculture exploits around 65% of the available water in South Africa for irrigation and animal breeding. Efficient usage of water and innovations for the sector are two major points in farmers' agenda.

The South African Government plays a guiding role in national agricultural sector development, defining the broad strategy that the country should follow within the Department of Trade and Industries and the Department of Agriculture, Forestry and Fisheries to ensure both food safety and adequate energy supply. The Department of Agriculture, Forestry and Fisheries aims to renovate the sector through technological innovation, inclusion, and sustainable policies.

Besides agricultural policies, renewable energy is another central sector for investments, in fact, because of the importance given to solar, wind, agri-solar, and biomass as energy sources, South Africa has become one of the most appealing countries for investments into renewable energy. The potential of agri-solar and biomass energy will strongly influence the agricultural sector, since the agri-food processes can be combined with energy development.

If you are interested in more in-depth research into a particular sector please contact dsg@italcham.co.za

