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Report Name: Impact of the Ongoing Civil Unrest in South Africa on Food and the Agricultural Sector

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Report Highlights:

Areas within two South African provinces have been plunged into violent civil unrest following protests on the imprisonment of former President Jacob Zuma on July 8, 2021. This has resulted in the blocking of major roads, widespread looting of shops, and burning of vehicles, shopping malls and businesses. While the specific costs and implications of the civil unrest to the food and agricultural sector are still to be accurately ascertained, the detrimental effects are becoming evident and continue unfolding with some analysts estimating the damage to be more than USD\$1 Billion. Of major concern, is the closure of the Durban Port and major roads, which may affect U.S. food and agricultural exports if it continues.

Background:

Certain areas within two South African provinces have been plunged into civil unrest following protests on the imprisonment of former President Jacob Zuma on July 8, 2021. The civil unrest began in the Kwa-Zulu Natal Province with the blocking of major roads, and abruptly turned violent with widespread looting of shops, and burning of trucks, shopping malls and businesses. Thereafter, this unrest spread quickly to some areas in the Gauteng Province. The local police force and enforcement authorities were overwhelmed and struggled to timely contain the widespread looting and destruction of infrastructure. While the situation seems to be stabilizing since the deployment of the army and involvement of some community members, the existing damage seems to be devastating already. In addition, there are still sporadic incidences in some areas concentrated in the Kwa-Zulu Natal Province, and there is uncertainty as to when the unrest will completely end.

The specific costs and implications of the civil unrest to the food and agricultural sector are still to be accurately ascertained. Various contacts have publicly announced that the ongoing civil unrest is already affecting the sector and implications continue unfolding. Some analysts estimate the widespread financial impact to be more than USD\$1 Billion. Notably, there are growing calls for stability to be restored given the concerns of much severe consequences if the civil unrest continues.

Food Security Could Become a Concern

South Africa is generally a food secure country and a net exporter of agricultural and food products at a national level. However, the disruption of some supply chains (closure of ports, businesses, and roads) and destruction of infrastructure (particularly retail stores, warehouses, distribution centers and trucks) poses a risk to food accessibility, availability and affordability in affected areas at this stage. In some areas, long queues in nearby shopping centers or retail stores that were not affected by the looting are starting to be evident. In addition, the closure of businesses is expected to result in job losses, further worsening the already high unemployment rate of 33 percent, and dampening the economic recovery outlook from the COVID-19 pandemic. As a result, food security and price inflation are becoming a major concern, especially if the civil unrests spreads to other areas.

On Thursday, July 15, the South African Minister of Agriculture, Land Reform, and Rural Development met with stakeholders in the food and agricultural sector to discuss the effects of the civil unrest on the country's food supply. Minister Angela Thokozile Didiza told media outlets that South Africa has sufficient food supplies and pleaded with consumers to stop panic buying, which had caused localized shortages in some areas. She said that her ministry's focus was on addressing gaps in supply chain in KwaZulu Natal Province, where halted transportation networks and looted and burned shops left some residents with few options. The CEO of the KwaZulu-Natal Agricultural Union, Sandy La Marque told media outlets that the situation could pose a long-term crisis if farmers are unable to get their products to market, saying that disruptions in the transportation and retail networks had the potential to derail the value chain. "Feed for livestock, chickens, pigs and other animals is being depleted on farms. Milk producers are dumping their milk. Egg, fruit, and vegetable producers are unable to get their produce to the end users. And sugarcane and timber producers are not able to deliver to mills," Le Marque told news outlet *Fin24*. "The transportation of all produce has been brought to a standstill - it is a desperate situation," she said.

Closure of Durban Port and Road Closures to Disrupt Agricultural Trade and Input Supply

The Durban Port in Kwa-Zulu Natal has closed its operations due to the blockages in main roads linking the production areas to the port; to burning of trucks; and to staff shortages as people cannot travel to work. Durban is the largest and busiest port in South Africa, and also services some surrounding landlocked Southern African countries. This is expected to severely impact food and agricultural trade, and the supply of inputs into South Africa.

Agricultural and food commodities that are expected to be impacted by the closure of the Durban Port include wheat, vegetable oils, rice, poultry, protein feeds, citrus, sugar, maize and maize products, soya meal, woodchips, beverages, and beer. Wheat, in the form of bread, is the second most consumed grain in South Africa after corn. South Africa consumes about 2.4 billion breads per annum or 3.5 million Metric Tons (MT) of wheat and is dependent on imports to meet local demand. More than 80 percent of wheat imports into South Africa enter through the Durban port annually. Therefore, the continued closure of the Durban port may result in wheat/bread shortages and a decline in wheat imports into South Africa. Notably, U.S. wheat exports to South Africa range from US\$ 9 – 37 million annually, and some of these exports may be at risk if the Durban Port closures continue.

The closure of the Durban Port has also resulted in the temporary halting of South African exports, including citrus, sugar, and corn. The Citrus Growers Association has indicated that some citrus exports had been halted due to the closure of the Durban port, where more than half of the citrus is exported from South Africa. South African citrus exports to the United States will not be impacted as they are exported from the Western Cape Province which has not been affected by the civil unrest. Sugar exports have also been halted. South Africa benefits from the United States Tariff Rate Quota (TRQ) annually and had already fully utilized and exported its TRQ of 24,220 MT in 2021. The only outstanding raw sugar shipment to the United States is the additional TRQ reallocation of 2,119 MT, which was recently announced and South Africa has up to the end of September 2021 to ship. Despite a temporary halt, corn exports are not expected to be severely impacted by the closure of the Durban port, and South Africa is on track to increase corn exports by almost 40 percent to 3.5 million MT this year. This is based on Kwazulu-Natal not being a major producer of corn, and most corn stocks are stored in other provinces not currently impacted by the unrest or port closures.

A growing concern on the closure of the Durban port and major roads is the risk to the supply of inputs and fuels to the agricultural sector. Fuel and petroleum products are imported through the Durban Port, and the continued closure of the port and refinery may impact its availability country wide. More than 80 percent of the grain industry's inputs, such as fertilizer, fuel and equipment, enter the country via the Durban port. These concerns are further worsened by the fact that a large share of South Africa's food, and agricultural inputs are transported by road. The continued closure of the Durban Port, the oil refinery, as well as blockages of roads, and threats to the safety of trucks or workers poses a serious concern for the agricultural sector.

Sustainability and Viability of Some Farmers and Agribusinesses Affected

Sugar

According to the South African Cane Growers Association, an estimated 353,000 MT of sugar cane has been burned to date in Kwazulu-Natal (the main sugar-growing area and one of the provinces hardest hit by the civil unrest), and growers may lose about R211 million (US\$15 million) in revenue in 2021. In addition, all sugar mills in Kwazulu-Natal were closed, which is expected to result in further losses. The sugar industry is already in distress due to low global sugar prices, competition from imports and decline in demand because of the tax on sugar sweetened beverages (sugar tax).

Citrus

The Citrus Growers Association (CGA) indicated that some citrus exports had been halted, due to the trucks being unable to use the main roads and the closure of the Durban port, where more than half of the citrus is exported from South Africa. CGA reported that even if the civil unrest ends, growers would continue to feel the effects for some time. The sudden flow of produce will cause bottlenecks at the ports, and the sudden glut of citrus on the market would negatively affect prices and profits for growers.

Vegetables

AgriSA, the largest agricultural body that represents most commodity associations in South Africa, has highlighted that farmers especially of perishable products have already had major losses because their products cannot be delivered to some local markets and shops. Fresh produce farmers, such as tomatoes, green peppers and lettuce, cannot get their fresh produce to market for fear that trucks might be burned and their produce destroyed, impacting supplies to consumers.

Summer Crops

Currently, the agricultural sector (particularly the grains sector) is preparing for the summer rainfall planting season in three months, and agrochemical companies are in the process of producing or importing significant volumes of plant protection products. In KwaZulu-Natal, many agrochemical companies have reported significant losses of infrastructure, and their inventories of plant protection products have been looted. Being this close to the start of the summer rainfall cropping season, shortages of plant protection products could be a reality as there is not enough time to import replacement stocks of either active ingredients or formulated products. This might impact the ability of farmers all over South Africa to plant and successfully produce staple food crops in the coming summer season.

Dairy

According to the South African Milk Producers' Organization (MPO), producers are dumping up to two million liters of milk a day in KwaZulu-Natal as milk cold storage trucks cannot access farms to collect, and they were unable to distribute. Some dairy processing plants in Kwazulu-Natal were also damaged by the protests and need repairs before they can accept any milk again. In addition, some farmers could

not receive feed deliveries and supplements which are crucial for animal conditioning, and once lost, it may take months to rebuild commercial conditioning in dairy herds.

As highlighted above, several agricultural commodity groups have been impacted by the unrest. While the exact figures are still to be accurately determined, the losses continue adding up daily as the civil unrests continues. This is expected to have immediate, detrimental effects to the sustainability and viability of these sectors.

Impact on United States Agricultural Exports Still Uncertain

The impact of the civil unrest to United States agricultural exports to South Africa are still uncertain at this stage. From January 2021 to May 2021, South Africa’s imports from the United States are 6 percent lower compared with the same period in 2020, as shown in **Table 1**. There are concerns that the closure of the Durban port may impact or delay some shipments into South Africa, and create a backlog when normal port operations resume. In addition, the Durban port services other landlocked countries in the region, which may possibly affect such exports if the civil unrest continues. The impact of the destruction of infrastructure and some businesses on the demand for U.S. imports is still uncertain at this stage. Post will continue monitoring the fluid situation as it unfolds.

Table 1: South Africa’s Imports of Agricultural & Related Products from the United States

	Calendar Year					January-May		
	2016	2017	2018	2019	2020	2020	2021	%Δ 2021 vs 2020
U.S. Exports to South Africa (US\$ million)	\$345	\$386	\$352	\$386	\$339	\$144	\$135	-6%

Source: Trade Data Monitor

Attachments:

No Attachments.