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BFAP BASELINE 2025

AGRICULTURAL OUTLOOK
2025 - 2034

Navigating export led growth in a dynamic and uncertain global trade environment.

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Empowering Africa's tomorrow together
... one story at a time

As we mark 22 years of the Bureau for Food and Agricultural Policy (BFAP), we reflect on the enduring value of its work in supporting agricultural and food system planning in South Africa. Since its inception, BFAP has delivered rigorous, evidence-based insights that are vital for guiding stakeholders across the value chain; from policymakers and agribusiness leaders to producers and development partners.

In a sector marked by growing complexity and volatility, the BFAP Baseline has served as a reliable compass. Over the years, it has helped the industry navigate challenges such as recurring foot-and-mouth disease and avian influenza outbreaks, policy developments such as land reform and water rights, and the mounting effects of climate change, including erratic rainfall and extreme weather. BFAP has also provided clarity on global trade dynamics, including shifts in the United States' trade stance, which have influenced market access and competitiveness.

Beyond identifying risks, BFAP has consistently illuminated opportunities for resilience and growth. Its contributions to the Agriculture and Agro-processing Master Plan (AAMP) underscore its strategic relevance in shaping inclusive development and investment in the sector.

This year's outlook continues that legacy, reminding us that data-driven planning is not optional, but essential for strategic foresight, inclusive growth and long-term sustainability.

At Absa, we commend BFAP for its commitment to excellence, relevance and collaboration. Thank you for keeping the sector informed, focused and future-ready.

Absa AgriBusiness Management Team

Western Cape Government
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Supporting evidence-based decision making for better service delivery **For YOU.**

The Constitution of the Republic of South Africa designated agriculture as a concurrent function between the national and provincial spheres of government. Hence, since provincialisation, the Western Cape Department of Agriculture (WCDoA) has been exploring various approaches to not only gathering data, but also changing raw data into information and intelligence which can support decision-making. This journey took the department trusting its own devices, by pooling resources with other government institutions, private sector and universities towards a joint coalition, hence the establishment of the Bureau for Food and Agricultural Policy (BFAP). Since its establishment, BFAP has never looked back.

Through the intelligence gathered through its international linkages as well as its own set of models and modelling capacity, BFAP's annual baseline forms a key component of the WCDoA's decision making process and agricultural calendar. More recently, this baseline was used as reference point for a quarterly agricultural risk analysis whilst the partnership also remains a key component of our agricultural human capital development drive.

Agriculture is a key part of the Western Cape socio-economy and the WCDoA foresees that this will only become stronger over the next couple of decades. For a sector that is complex in nature, facing numerous uncertainties, agility is of utmost importance. Therefore institutions like BFAP become key in the provision of intelligence, informing decisions at firm and policy levels. As founding members of BFAP, the WCDoA look forward to continued partnership, strengthening new technologies and additional fields of interest, as we navigate these unpredictable times together.

FOREWORD

The Bureau for Food and Agricultural Policy (BFAP), established in 2004, serves the agro-food, fibre and beverage sectors in South Africa and the rest of Africa. Our purpose is to inform better decision-making by providing unique insights gained through rigorous analyses, supported by credible databases, a combination of integrated models and considerable experience. Over more than 20 years, the Bureau has developed a distinct value proposition to deliver a holistic solution to public sector and private clients active in the agricultural sector and related value chains. This offering is complemented through BFAP's investment in the Integrated Value Information System (IVIS), a geo-spatial platform which further augments BFAP's product offering by providing enhanced visual systems-solutions to the integration of data and insights to support strategic decision-making along multi-dimensional value chains.

The BFAP Group consists of a team of experienced experts with a range of multi-disciplinary skills including agricultural economics, food science, mathematics and data science, engineering, supply chain management, socio-economic impact assessment, systems technology, and geo-informatics. We fundamentally believe that a competitive and thriving agricultural sector with its related value chains is built on long-run partnerships. Hence, BFAP has developed a well-established network of local and international collaborators and partners in the public and private sector. This includes long-standing partnerships with private sector clients, research partners like the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri in the USA, the Food and Agricultural Organisation of the United Nations (FAO) in Rome, the Organisation for Economic Cooperation and Development (OECD) in Paris, and the International Food Policy Research Institute (IFPRI) in Washington, DC. BFAP is also one of the founding members and partners of the African Network of Agricultural Policy Research Institutes (ANAPRI, formerly ReNAPRI). As a team and as a network, we pool our knowledge and experience to offer the best possible insights and access to a unique high value network.

BFAP acknowledges and appreciates the shared insight of numerous industry specialists and collaborators. The financial support from the Western Cape Department of Agriculture and ABSA Agribusiness towards the development and publishing of this Baseline is also gratefully acknowledged.

Although all industry partners' comments and suggestions are taken into consideration, BFAP's own views are presented in this Baseline publication.

EXECUTIVE SUMMARY

The outlook for South African agriculture is highly dependent on the environment within which it operates, and in recent years a series of unprecedented exogenous shocks have significantly impacted the global economy and especially agricultural markets. The convergence of disruptions such as the COVID-19 pandemic, Russia's invasion of Ukraine, the escalation of regional conflicts in the Middle East and surging energy prices drove persistent global inflationary pressures that resulted in aggressive interest rate increases. While the response to inflationary pressure contributed to slower economic growth globally, policymakers largely succeeded in avoiding a deep global recession, managing instead to orchestrate a relatively soft landing along with moderating inflation rates. As a result, the global economy seemed poised for more robust growth in early 2025, with the IMF projecting 3.3% growth in 2025 and 2026. However, this optimism has since been tempered by significant uncertainty about global trade prospects, particularly following the policies initiated by President Donald Trump, with the IMF revising its growth forecast downwards to 2.8%.

The effects of these global risks inevitably extended into the South African economy, where their impact is compounded by a number of unique domestic challenges. Economic growth has been persistently slow for almost a decade now, constrained by structural challenges such as inconsistent electricity supply, deteriorating municipal infrastructure, and logistical bottlenecks. Despite initial optimism around the formation of the GNU and some successful reforms, it has not yet led to significant increases in investment. The challenges encountered in the process of passing the national budget and subsequent disagreements on the treatment of corruption-accused officials also illuminate its fragility. While optimism around South Africa's economic prospects was widespread in 2024, most forecasts have been downgraded since, as improved sentiment is yet to translate into meaningful increases in private sector investment and consumer spending, both critical drivers for accelerating economic growth. Baseline growth assumptions now reflect only moderate improvements, bolstered mainly by improvement in electricity supply and better service delivery in some parts of government.

The resilience and overall health of South Africa's macro-economic environment remains vital to the functioning of agricultural value chains as domestic demand continues to account for a substantial share of consumption, particularly for commodities such as livestock, grains, and oilseeds. In the weak economic growth environment, real disposable income has largely stagnated, resulting in limited 'demand pull' to stimulate further agricultural production through domestic channels. Much of the growth achieved in the agricultural sector since the dawn of democracy has been export led - driven by high value commodities that are also labour intensive and account for the bulk of employment in agriculture. Going forward, baseline projections suggest that export markets will remain a strategic growth avenue, though this reliance is increasingly exposed to risks and shifts in the global trade landscape.

Within this context, the pursuit of a freer, fairer, and more open global trade environment is increasingly important, and it is here that current international trade policies warrant critical attention. Continued application of broad and unilateral tariff measures by the United States risks amplifying volatility and uncertainty in global markets. Such actions are likely to dampen global demand due to elevated prices, disrupted supply chains, and weakened consumer confidence. The challenge is therefore to find alternative markets, and here China's expressed intent to accelerate market access for African countries by reducing tariffs to zero is important to South African agriculture, as it could significantly bolster exports. Yet, despite South Africa's inclusion in the BRICS+ bloc, its agricultural exports currently face prohibitively high tariffs when entering the Chinese market – barriers that have thus far constrained exports into the region.

This all translates into an intensified volatility confronting agriculture in recent years. The robust performance of 2020 and 2021, underpinned by high field crop prices and favourable weather, seems from a distant past as the livestock and horticulture sectors faced significant headwinds. These include the near collapse of the animal health system together with widespread disease outbreaks, elevated feed costs, intensifying loadshedding, persistent port congestion, spiralling freight costs and a sluggish economic recovery, all of which constrained consumer purchasing power. Consequently, growth slowed to just 2.2% in 2022 while 2023 and 2024 were particularly challenging, with real agricultural GDP contracting by 4.6% and 8.7% respectively. The latter marked a significant decline, primarily driven by the El Niño induced drought across key grain and oilseed producing regions of South Africa. In addition, the sector faced multiple outbreaks of animal diseases amid declining international livestock prices. Despite these challenges, a substantial recovery is expected in 2025, supported by more favourable weather across the summer rainfall regions and improved performance in the horticultural sector.

The medium to long term baseline projections are more muted, with growth in real (inflation-adjusted) terms projected to slow, specifically for field crops, where much lower global prices will be transmitted to local markets once stock levels have normalised. Lower feed grain prices will provide some relief for intensive livestock operations, but local demand for these higher-value products remains dampened by the constrained consumer environment amid poor economic performance. The widespread FMD outbreak, which has affected major feedlots, constrains short term meat export prospects, which need to be accelerated to bolster growth in the industry. Following a short-term decline resulting from some strengthening of the exchange rate, and an increasingly difficult international trade environment, horticultural revenue is projected to grow consistently over the outlook period, reflecting yield improvements and young orchards reaching full bearing age.

Developments in recent years highlight the sector's notable resilience and its capacity to rebound swiftly following periods of contraction. Such resilience, however, is only made possible through sound cash flow management, reliable access to credit,

and sustained investment aimed at improving overall productivity. However, without a stable and enabling policy and investment environment, these essential investments are likely to be constrained, undermining the sector's ability to take full advantage of favourable market and climatic conditions.

Beyond primary agriculture, the agro-processing sector remains challenged by a business environment in which several foundational enablers, such as reliable electricity and water supply, functioning infrastructure, and public safety, are critically deficient. Agro-processors have internalised many of these costs, such as private security services and the creation of alternative energy supplies. However, these escalating expenses have had a direct impact on firm profitability, compounded by inadequate municipal service delivery and the deterioration of public infrastructure, which add further cost pressures beyond fluctuations in raw material prices.

While baseline projections reflect the challenges of the current business environment, they also represent a business as usual outcome. Although the short- and medium-term market fundamentals will run their course with supply and demand adjusting over time, it is the decisive actions within the long-term strategic policy interventions and investments that will drive overall competitiveness and consequently shape future growth. In this regard, several initiatives have been identified that have ample potential to accelerate growth. These draw on BFAP's deep dive value chain analyses, which identify existing bottlenecks, potential productivity gaps and investments or reforms that can address them. The required interventions per sub-sector can be summarised as follows:

• **Livestock**, the largest agricultural subsector, has ample potential for accelerated, inclusive growth. Strong progress over the past decade was underpinned by substantial investments in intensive operations producing chicken meat, eggs and pork. The beef industry also shifted from a net importing to a net exporting position, and wool exports have been hailed as a success, specifically because comprehensive support efforts bolstered output from smallholder communal farmers, delivering into export markets. However, growth projections for the coming decade are balanced on a knife's edge. In an environment where exports will be core to growth, an effective national animal health system is a critical prerequisite. The current system remains unable to cope sufficiently with disease outbreaks, undermining productivity and limiting access to export markets. Addressing weaknesses in animal health and strengthening overall biosecurity will be among the most important drivers of growth for South Africa's agriculture and agro-processing sectors.

• For **field crops**, baseline projections suggest that margins will tighten over time, and production levels will fluctuate around a long-term equilibrium, unless additional demand is generated in feed markets or alternative export markets. Furthermore, tight margins will have an adverse impact on the growth trajectory of emerging black farmers who are entering the sector for the first time. Considerable areas of land, where dedicated commercial field crop production by black farmers can be expanded, have become unproductive under the current land reform programme, with minimal effective producer support and extension services. Comprehensive producer support, proven best practices, access to credit and insurance safety nets are essential to grow this segment of the market. Across the field crop sector, producers will need to compete sustainably at price levels based on export parity levels. This can be enabled by introducing new pest control products, seed technology and germplasm, along with a constant drive toward improved farming practices, better efficiency in handling and processing, and investment in logistics.

• Within **horticulture**, BFAP estimates that the area under high-value export fruits and nuts has expanded by almost 120 000 hectares over the past decade. Consequently, export volumes could rise further by roughly 25% up to 2034. While a success in itself, this will bring significant price pressure in many markets, highlighting the need for government to negotiate favourable, competitive access to new export markets, and to invest in upgrading port facilities. Considering the US policy environment, along with sharp increases in costs across the value chain, exacerbated by logistical inefficiencies and additional compliance measures in major export markets, the need for broader market access to enable trade diversification becomes even more pertinent to keep prices at sustainable levels. Furthermore, critical maintenance in irrigation scheme infrastructure has fallen behind, with water losses estimated at approximately 30% of supply. While on-farm water use efficiency has improved with the rising prevalence of drip irrigation and netting, expansion and maintenance of infrastructure in existing irrigation schemes will be critical for new entrants to enter the sector successfully. Investments that improve transport efficiency and port logistics will also support the competitive, export orientated horticultural sector.

The persistently weak domestic consumer environment and increasing complexity in the international trade environment suggests that now more than ever decisive actions are required to forge a sustainable future. While dealing with the shorter-term responses to mitigate immediate shocks, targeted interventions and investments into long term development goals must be prioritised to address the dualistic nature of the sector, the slow progress on racial transformation and the sector's overall ability to make a real contribution to rural livelihoods and food security. Ironically, many of the required short- and long-term interventions are not mutually exclusive, and clear and decisive actions on low hanging fruit in the short term can have lasting positive impacts with significant multiplier effects throughout the economy.

The world has become an increasingly unstable place, and at BFAP we anticipate that this instability will continue over the coming decade. In this sense, the Baseline remains a single plausible outcome of the future, acknowledging that many factors have been identified that can result in different paths. At BFAP, we remain steadfast in our committed to supporting the continued growth and success of South Africa's agrifood systems through rigorous, independent, data driven insight. Our experience, built over more than two decades of collaboration with stakeholders across both the private and public sectors, has shown the profound and positive impact these systems have on South Africa's economy and society. It is our ambition to see this momentum not only sustained but strengthened.

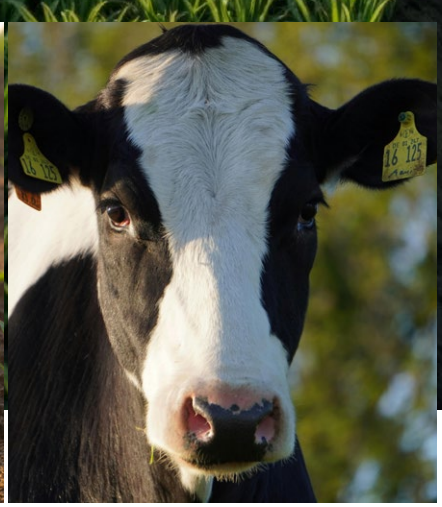
CONTEXT AND PURPOSE OF THE BASELINE

The 2025 edition of the BFAP Baseline presents an outlook of agricultural production, consumption, prices and trade in South Africa for the period 2025 to 2034. The outlook is generated using BFAP's system of models and, amid ongoing turmoil and increasing geopolitical fragmentation globally, aims to provide insights to support decision making. The information presented is based on assumptions about a range of economic, technological, environmental, political, institutional, social and international market factors.

Amongst these is the key assumption that the supply of electricity in South Africa will continue to improve in the medium term as the investments into private generation capacity come to fruition, and that the current animal health crisis and associated collaborative response will lead to improved management in future. Furthermore, the Baseline assumes that normal weather conditions will prevail in Southern Africa and around the world; therefore yields grow constantly over the outlook as technology improves. Assumptions regarding the outlook of macroeconomic conditions are based on a combination of projections developed by the International Monetary Fund (IMF), the World Bank and the Bureau for Economic Research (BER) at Stellenbosch University. Baseline projections for world commodity markets were generated by FAPRI at the University of Missouri, with further input from the global outlook published by the Organisation for Economic Cooperation and Development (OECD) and the Food and Agriculture Organisation of the United Nations (FAO). Once the critical assumptions are captured in the BFAP system of models, the Outlook for all commodities is simulated within a closed system of equations. This implies that, for example, any shocks in the grain sector are transmitted to the livestock sector and vice versa. Therefore, for each commodity, important components of supply and demand are identified, after which an equilibrium is established through balance sheet principles by equating total demand to total supply.

This year's Baseline takes the latest trends, policies and market information into consideration and is constructed to present a picture of equilibrium in agricultural markets, given the assumptions made. ***However, markets are extremely volatile and the probability that future prices will not match baseline projections is high. Given this uncertainty, the baseline projections should be interpreted as one possible scenario that could unfold, where temporary factors play out over the short run and permanent factors cause structural shifts in agricultural commodity markets over the long run***. The Baseline, therefore, serves as a benchmark against which alternative exogenous shocks can be tested and interpreted. In addition, the Baseline serves as an early-warning system to inform role-players in the agricultural industry about the potential effects of long-term structural changes on agricultural commodity markets, such as changes in global sentiment towards trade or the impact of improvements in technology on the supply response.

To summarise, the Baseline does NOT constitute a forecast, but rather represents a benchmark of what COULD happen under a particular set of assumptions. Inherent uncertainties, including policy changes, weather, and other market variations ensure that the future is highly unlikely to match baseline projections. Recognising this fact, BFAP incorporates scenario planning and risk analyses in the process of attempting to understand the underlying risks and uncertainties of agricultural markets. Some farm-level implications are included in the commodity specific sections and the scenarios and risk analyses illustrate the volatile outcome of future projections. Additional stochastic (risk) analyses are not published in the Baseline but prepared independently on request for clients to aid strategic decisions. The BFAP Baseline 2025 should thus be regarded as only one of the tools in the decision-making process of agricultural sector role players, and other sources of information, experience, and planning and decision-making techniques have to be taken into consideration.



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SETTING THE SCENE FOR THE 2025 BASELINE:
Navigating export led growth in a dynamic and uncertain global trade environment

GLOBAL CONTEXT

The world has become an increasingly unstable place, and at BFAP we see this instability increasing over the coming decade. Nonetheless, we are committed to supporting the continued growth and success of South Africa's agrifood system because we know from more than two decades of collaboration with stakeholders across both the private and public sectors that they have a profound and positive impact on South Africa's economy and society. It is our ambition to see that momentum sustained and strengthened.

Over the past twenty years, the Baseline publication has been referred to as "South Africa's agricultural and agro-processing investment compass", because it points to future growth opportunities and the key drivers necessary to shape a more prosperous future. We base this on a specific set of assumptions about external drivers such as the weather, the macro-economic environment and the available policy space. This year's Baseline seeks, first and foremost, to contextualise the current business environment in which the sector operates. It then identifies potential avenues for future growth. Experience taught us to expect that the future may diverge significantly from the projections outlined in the Baseline because the interplay between exogenous and endogenous drivers in the agricultural sector is inherently dynamic, changing rapidly at times, and at other times, more gradually over extended periods. The Baseline presents a single plausible outcome, but the strength of our approach lies in integrating these Baseline projections with alternative future scenarios developed and tailored by BFAP for clients that account more explicitly for possible changes. This combination serves to inform strategic business and policy decisions with long-term implications.

In recent years, a series of unprecedented exogenous shocks have significantly impacted both the global economy and agricultural markets. Such effects have inevitably extended into the South African economy. These disruptions have made it increasingly challenging for analysts to forecast future developments with confidence. The onset of the COVID-19 pandemic in 2020 was swiftly followed by widespread supply chain disruptions and expansive policy responses, including record levels of fiscal support to households and unprecedented quantitative easing measures implemented by leading central banks through the end of 2021.

Subsequently, the initiation of the Russian invasion of Ukraine in early 2022, along with the emergence of other regional conflicts, further disrupted agricultural markets globally affecting commodity supply chains, logistics operations, and payment systems across multiple agricultural value chains. The convergence of these shocks has left many analysts grappling with the question of what primarily triggered the surge in inflationary pressures that intensified in 2022. It prompted many countries to adopt aggressive monetary tightening by significantly increasing interest rates. Owing to the persistence of elevated inflation, a "higher-for-longer" interest rate policy framework was adopted in 2023 and 2024. While this contributed to slower global economic growth, policymakers largely succeeded in avoiding a deep global recession, managing instead to orchestrate a relatively soft landing along with moderating inflation rates.

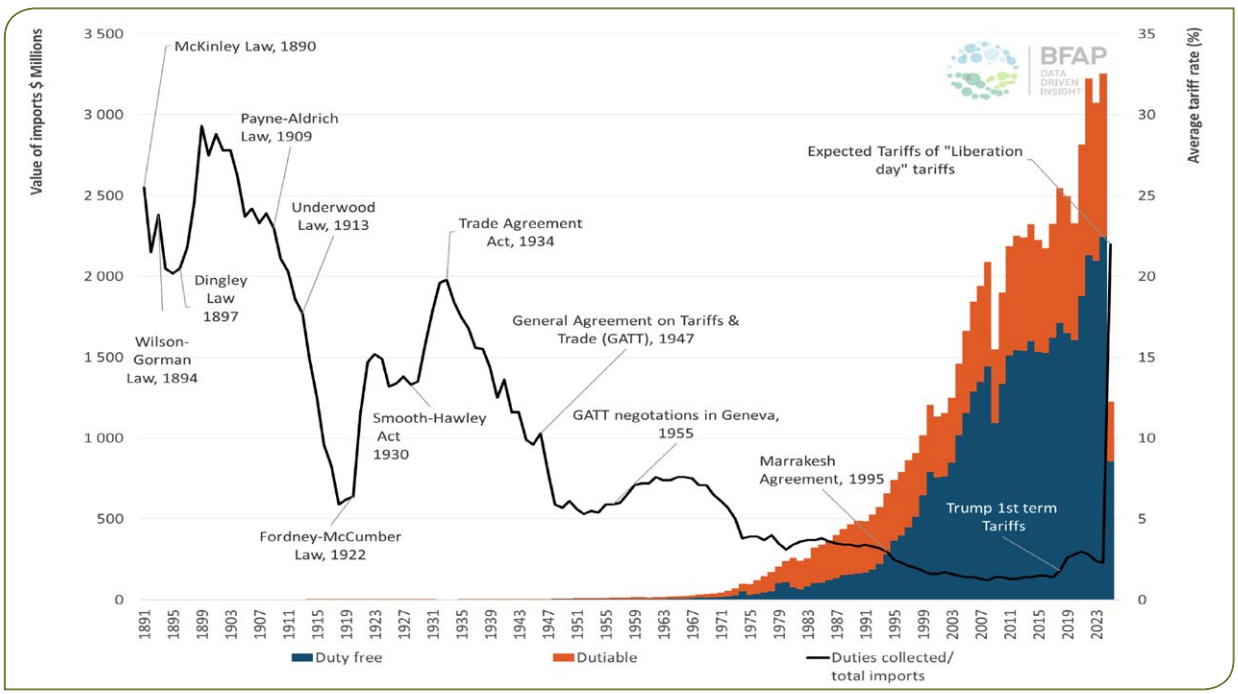


Figure 1: US import values and average tariffs from 1890 to 2025

Source: USITC, 2025

As 2025 approached, there was broad optimism that the global economy would enter a period of more robust growth, with many of the previous constraints on global expansion seemingly in the past. However, this optimism has been tempered by significant uncertainty about global trade prospects, particularly following the policies initiated by President Donald Trump. The scale and scope of these changes, even if not all implemented, are reminiscent of those transformative policies enacted in the aftermath of the World Wars, marking a pivotal moment in international economic relations. South Africa too is impacted by these changes.

This chapter begins with an evaluation of the United States' (US) trade regime, given its extensive influence on nearly all trading nations and, by extension, on global agricultural markets. Figure 1 presents a historical overview of US import values dating back to 1890, alongside the corresponding average tariff levels under which such trade was conducted. Key developments in US trade policy are highlighted along with the average tariff trajectory, reflecting moments where policy shifts resulted in either higher or lower tariffs.

Historically, US trade policy has oscillated between protectionist and free trade orientations. This is evident from a series of legislative changes, beginning with the landmark McKinley Tariff Act of 1890, which substantially increased tariffs on imported goods to shield domestic industries and labour from international competition. However, this policy was short-lived; it was replaced by the Wilson-Gorman Tariff Act in 1894, following public dissatisfaction due to rising consumer prices. The backlash had notable political consequences, contributing to Republican losses in subsequent elections.

At the beginning of the 20th century, several legislative measures were enacted to lower average tariff levels. Among these, the Underwood Tariff Act of 1913 was particularly significant - not only did it further reduce tariffs, but it also introduced permanent federal income taxes in the US. By 1919, average tariff rates had declined to approximately 6%. However, this downward trend was soon reversed by post–World War I protectionist policies aimed at safeguarding US industries, culminating in the Smoot-Hawley Tariff Act of 1930. This legislation sought to shield American farmers and manufacturers during the Great Depression by significantly raising import duties.

A notable policy shift occurred with the passage of the Reciprocal Trade Agreements Act in 1934, which granted the US President the authority to negotiate bilateral tariff reductions. This marked the beginning of a sustained era of trade liberalisation, further reinforced

by the establishment of the General Agreement on Tariffs and Trade (GATT) in 1947. The US, along with South Africa, was among the founding signatories of this landmark multilateral framework, which laid the groundwork for modern international trade governance. This framework was formalised with the establishment of the World Trade Organization (WTO) in 1995, through the Marrakesh Agreement. Today, the WTO comprises 166 member states, with decisions typically reached by consensus. The US was a founding member and played a pivotal role in shaping the institution and advancing its objectives.

President Trump's "Reciprocal Tariffs" of 2 April 2025 must be understood against the backdrop of over a century of evolving US trade policy. The announcement of these measures, and or threat thereof, as well as their temporary retraction to 1 August 2025 has introduced considerable volatility into global markets. Although inconsistently applied, the broad reach, encompassing a significant number of countries, and substantial scope of the proposed tariffs are noteworthy, as illustrated in Figure 1. Should these policies be fully enacted, average tariff levels under the new US trade regime could return to levels not seen in over a century.

The President's economic advisors argue ambiguously that the US is being treated unfairly by its trading partners because the US faces widening trade deficits. Despite the empirical weaknesses inherent in this perspective, South Africa has arguably benefited from its trade relationship with the US, having consistently exported more goods than it imported over the past three decades.

As illustrated in Figure 2, the agricultural and food trade between South Africa and the US from 1989 to 2024 reveals a marked increase in South Africa's trade surplus during the last decade. Specifically, the trade balance expanded significantly – from approximately $78 million in 2014 to $407 million in 2024. These gains in agricultural and agro-processing exports were largely facilitated by preferential market access granted under the Africa Growth and Opportunity Act (AGOA).

At the time of writing this Baseline, a high-level South African delegation, following its official visit to the White House in May 2025, is engaged in ongoing negotiations to establish a new trade agreement with the US. However, there remains little clarity regarding the potential outcomes or specifics of such an agreement. Under the framework in place at the time of compiling the baseline, South African exports to the US were subject to a unilateral tariff of 10%, except for select items on

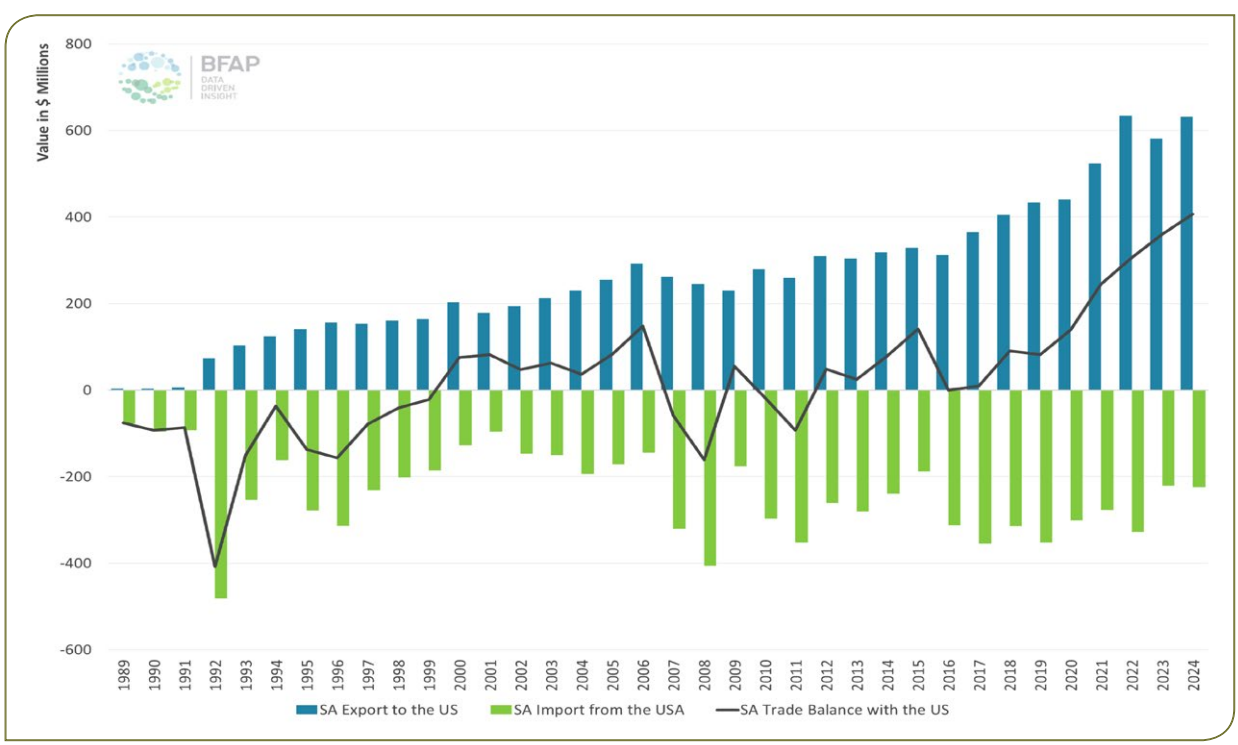


Figure 2: South African trade with the US

Source: USITC, 2025

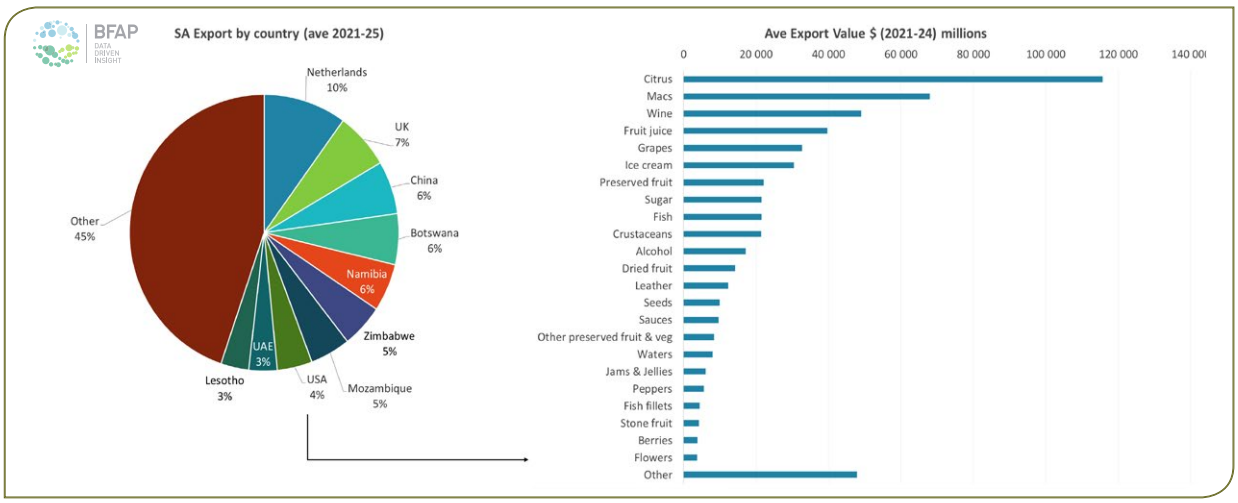


Figure 3: South African agricultural export basket and the US disaggregated by industry
Source: SARS, 2025

a designated exclusion list. Should insufficient progress be made in addressing both tariff- and non-tariff-related concerns raised by the US Administration, these tariffs are expected to rise to 30%.

To appreciate the magnitude of this change, it is worth noting that South Africa's agricultural exports to the US currently face a combined, weighted average tariff of only 0.5%. At proposed tariff levels of 10% or 30%, these exports could become increasingly uncompetitive, necessitating the exploration of alternative markets. While some commentators argue that the US market accounts for merely 4% of total South African agricultural exports and therefore poses limited exposure, this view risks underestimating the strategic importance of the market. As illustrated in Figure 3, based on the average US dollar value of exports from 2021 to 2024, the US ranks as South Africa's 8th largest export destination for agricultural goods – dominated by key commodities such as citrus, macadamia nuts, wine, and fruit juice.

Turning to the South African economic and policy landscape, several noteworthy developments have taken place in recent months. Most prominently, the outcome of the 2024 national election marked a significant turning point in governance, ushering in the country's seventh democratic administration under a coalition known as the Government of National Unity (GNU). In the absence of any single party achieving a majority in the National Assembly, the GNU was formed in accordance with a Statement of Intent, through which ten political parties voluntarily committed to collaboration within both the Executive and Legislative branches of government. This arrangement has produced a distinctive political environment, with President Cyril Ramaphosa appointing a cabinet comprising ministers and deputy ministers drawn from participating parties within the GNU.

Optimism regarding South Africa's economic prospects was widespread in 2024, as several critical structural reforms were designated for implementation. Encouragingly, certain departments achieved meaningful improvements in service delivery, and by December, the country had successfully avoided the rolling blackouts (loadshedding) that had long been seen as a major economic constraint.

Nonetheless, the release of official GDP figures for the full calendar year revealed an unexpectedly weak performance: real economic growth was recorded at just 0.5%, falling short of the already modest 0.8% recorded in 2023, a year characterised by record levels of loadshedding, elevated interest rates, and continued inefficiencies in port and rail infrastructure. As illustrated in Figure 4, historical data on real GDP growth rates in the democratic era indicate that South Africa has previously achieved growth well above 2%, a benchmark that has largely remained elusive for more than a decade, pandemic-related volatility notwithstanding.

Emerging evidence from high-frequency data suggests that the improved sentiment among consumers and businesses following the 2024 election outcome has yet to translate into meaningful increases in private sector

investment and consumer spending, both critical drivers for accelerating economic growth. The Bureau for Economic Research (BER) has, for some time, maintained a more cautious outlook on South Africa's growth trajectory, in contrast to the comparatively optimistic projections of the National Treasury and the South African Reserve Bank (SARB), both of which continue to forecast stronger medium-term growth.

The release of the first-quarter GDP figures for 2025, showing a modest 0.1% real growth rate, has further cast doubt on the likelihood of achieving the 1.5% annual growth rate previously projected by the BER. Meanwhile, the GNU has remained intact despite some hiccups, notably multiple contentious attempts to pass the national budget. These efforts were marked by strong disagreements among coalition partners, particularly regarding the proposed increase in the value-added tax (VAT) rate, which was shelved after three failed attempts. Furthermore, a combination of other strong disagreements about leadership positions and how corruption-linked officials are dealt with means that the GNU in its current form will likely remain volatile as the country heads to local elections in 2026.

The resilience and overall health of South Africa's macroeconomic environment remain vital to the strength of agricultural value chains, as domestic demand continues to account for a substantial share of consumption, particularly for commodities such as livestock, grains, and oilseeds. However, it is concerning that the expected patterns of agricultural transformation, as explained by Engel's and Bennett's laws, have not materialized. According to the 2022 Income and Expenditure Survey (IES), the relative share of household food expenditure has remained largely unchanged. This stagnation reflects limited income growth and constrained consumer purchasing power such that, over time, households are not consuming fewer staples and transitioning to higher-valued and healthier food alternatives. In this context, the South African economy has proven insufficient in generating the "demand-pull" necessary to stimulate further agricultural production through domestic channels. Consequently, export markets remain a strategic growth avenue, though this reliance is increasingly exposed to risks and shifts in the global trade landscape.

Figure 5 illustrates the 2022 value and shares of total utilisation by source for all products supplied by the agriculture and agro-processing industries in South Africa. Importantly, it includes the value of the country's production that is used within the country, given by the blue bars. This is indicative of the importance of domestic consumption, which averaged 75%, either through consumption by households or use as raw materials in other industries. Exports made up only 13% of the total for all these industries combined but these

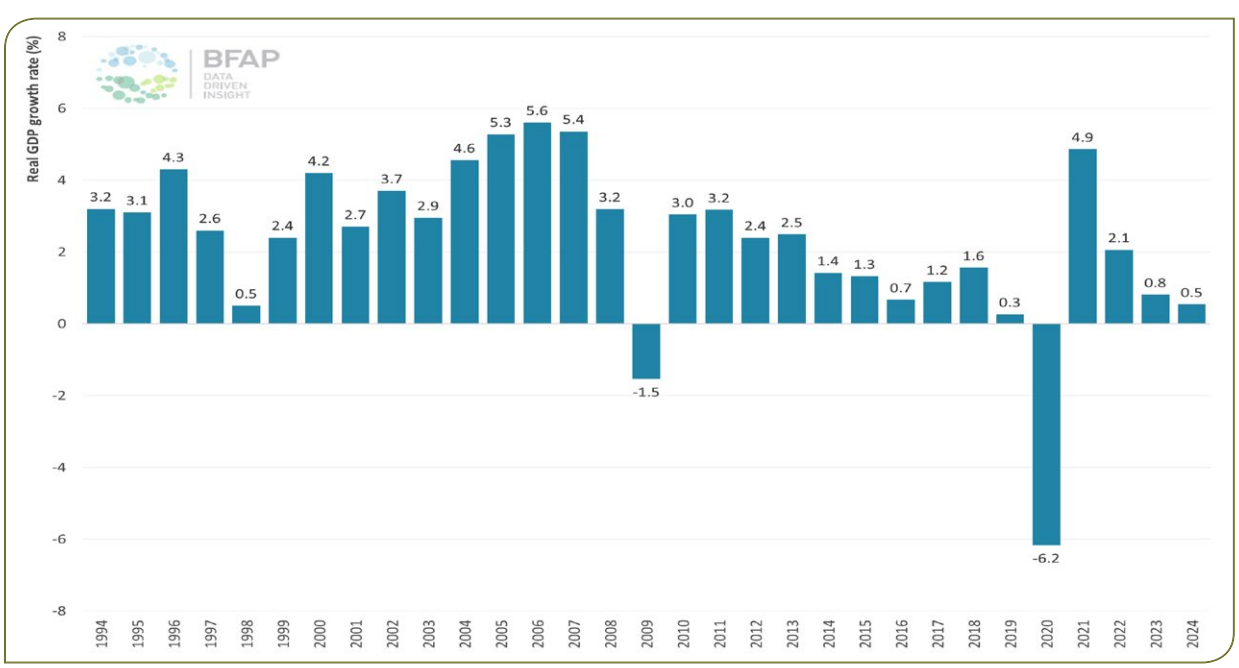


Figure 4: South African real GDP growth rate
Source: StatsSA, 2025

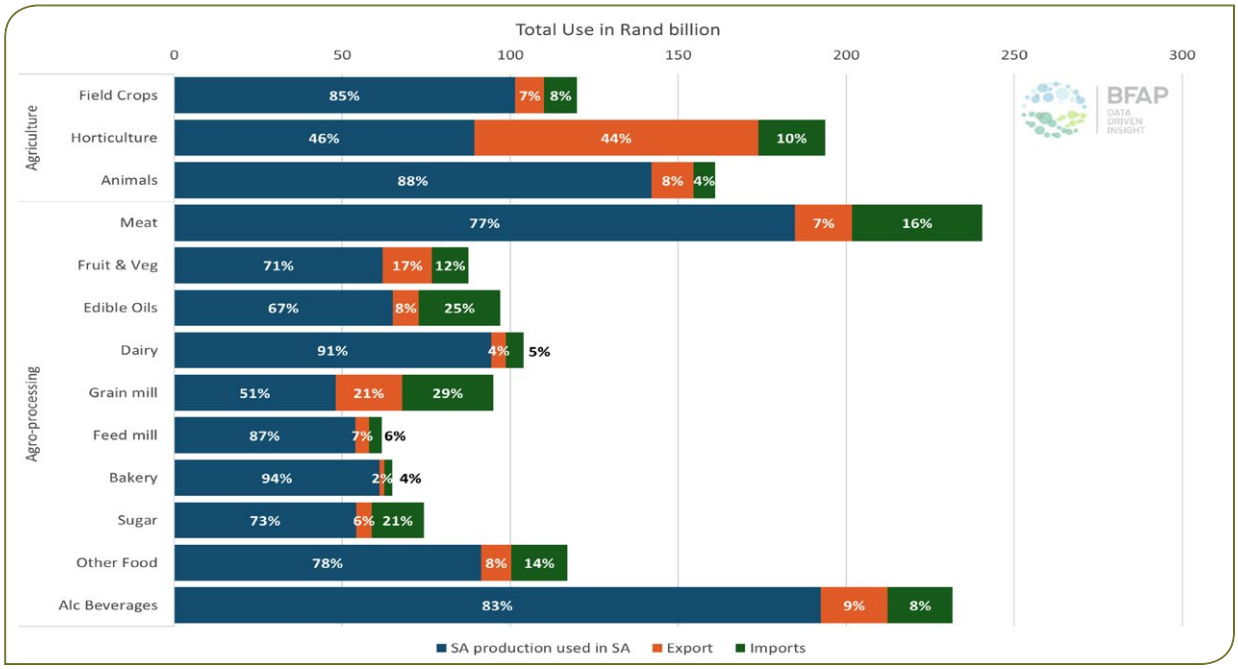


Figure 5: The utilisation of products supplied by South Africa's agriculture and agro-processing industries in 2022

Source: StatsSA, 2025

are highly concentrated in specific industries such as fruit and wine production (44%).

BFAP recently concluded a comprehensive review of the agricultural sector's performance over the 30 years of democracy since 1994, yielding several key insights. Foremost among these is that the sector's doubling in economic size was driven largely by export-led growth in high-value commodities. While productivity improvements across most sub-industries also contributed positively, their impact was comparatively smaller. Figure 6 illustrates the evolution of real gross farm income indices across various subsectors over the past three decades, with the accompanying share charts reflecting the distribution between 1993 and 2023. Notably, the marked increase in horticultural income from around 2010 is the primary driver behind its share rising from 19% to 33% of total output during the democratic era.

Another indirect driver of agricultural growth – particularly through increased demand for poultry and other protein products, has been the extensive rollout of South Africa's social assistance programme, which commenced in the early 2000s. Through various social grant mechanisms, the government steadily expanded household transfers, reaching approximately R18 billion per year and reaching around 19 million beneficiaries by 2023. However, it has become increasingly evident that, in the absence of sustained economic growth, such levels of social expenditure are fiscally unsustainable. The widening fiscal deficit poses a significant challenge. The recent impasse surrounding the National Budget exemplifies the government's ongoing difficulty in balancing developmental spending priorities with the need to secure adequate revenue streams to finance them.

Within this context, the pursuit of a freer, fairer, and more open global trade environment is increasingly important, and it is here that current international trade policies warrant critical attention. Continued application of broad and unilateral tariff measures by the US risks amplifying volatility and uncertainty in global markets. Such actions are likely to dampen global demand due to elevated prices, disrupted supply chains, and weakened consumer confidence.

Nevertheless, these disruptions may also create unexpected opportunities that would otherwise have been slow to materialise. One notable example is the recent announcement by Chinese government officials expressing intent to accelerate market access for African countries, including South Africa, by reducing import tariffs to zero. Should this commitment be realised, it could significantly bolster South Africa's export potential.

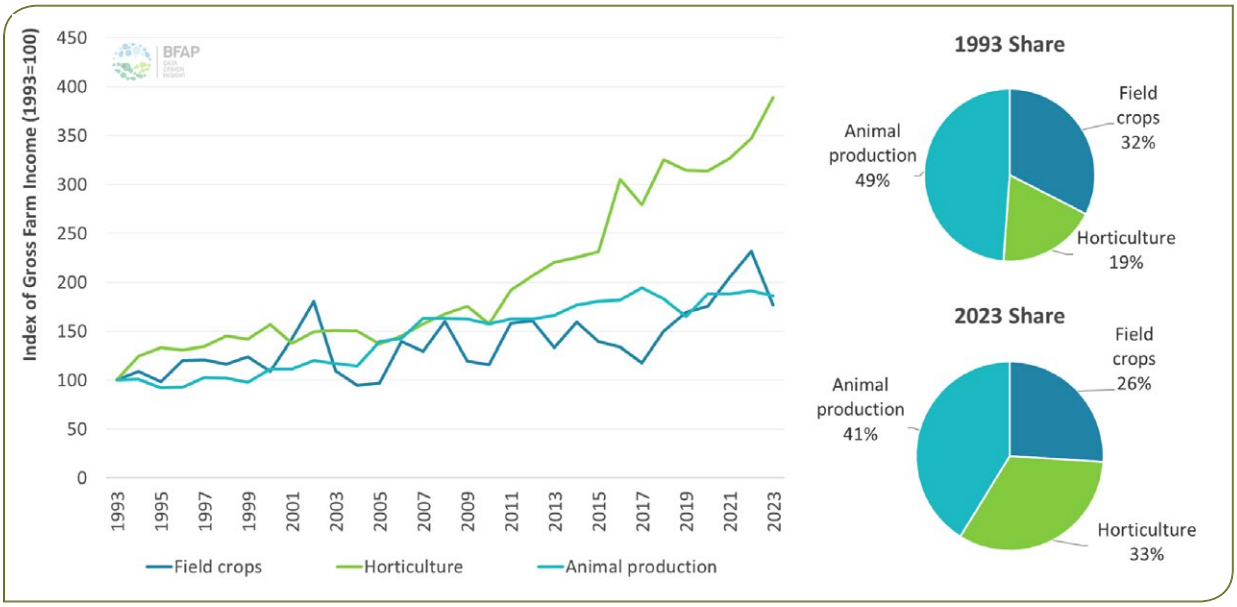


Figure 6: South African gross farm income indices and shares per subsector
Source: DALRRD, 2025

Despite South Africa's inclusion in the BRICS+ bloc, its agricultural exports still face prohibitively high tariffs when entering the Chinese market – for example 30% on blueberries, 13% on table grapes, and 11% on oranges - barriers that have thus far constrained exports.

CURRENT STATE

Figure 7 and Figure 8 illustrate agriculture and agro-processing's performance over time, by depicting value added in real terms over the past two decades. The average annual growth rate of agriculture exceeded the overall growth rate of the economy over this period by a third, averaging 3% per annum compared to 2.1% for the total economy. The extent of extreme variability of growth rates for the primary agricultural sector is also striking, highlighting the sector's exposure to external shocks like the weather, exchange rates and global prices. It is evident that volatility within the agricultural sector has intensified in recent years, highlighting the sector's notable resilience and its capacity to rebound swiftly following periods of contraction. The years 2023 and 2024 were particularly challenging, with real agricultural GDP contracting by 4.6% and 8.7%, respectively. The latter marked a significant decline, primarily driven by El Niño–induced drought across key grain and oilseed-producing regions of South Africa. In addition, the sector faced multiple outbreaks of animal diseases amid declining international livestock prices.

Despite these setbacks, a substantial recovery in agricultural GDP is projected for 2025, supported by more favourable weather conditions across the summer rainfall regions. Such resilience, however, is only made possible through sound cash flow management, reliable access to credit, and sustained investment aimed at improving overall productivity. Two critical insights emerge from this experience:

- First, without a stable and enabling policy and investment environment, these essential investments are likely to be constrained, undermining the sector's ability to take full advantage of favourable market and climatic conditions.

- Second, heightened volatility significantly hampers the establishment and support of sustainable business models for new black-owned farming enterprises and smallholder farmers seeking to scale up into commercial operations. These structural challenges are addressed in the Agriculture and Agro-processing Master Plan (AAMP), particularly under the comprehensive producer support programmes, which will be explored in greater detail later.

South Africa's agro-processing sector remains challenged by a business environment in which several foundational enablers, such as reliable electricity and water supply, functioning infrastructure, and public safety, are critically deficient. Agro-processors have internalised many of these costs, such as the cost of private security services due to deficiencies in public safety provision. These

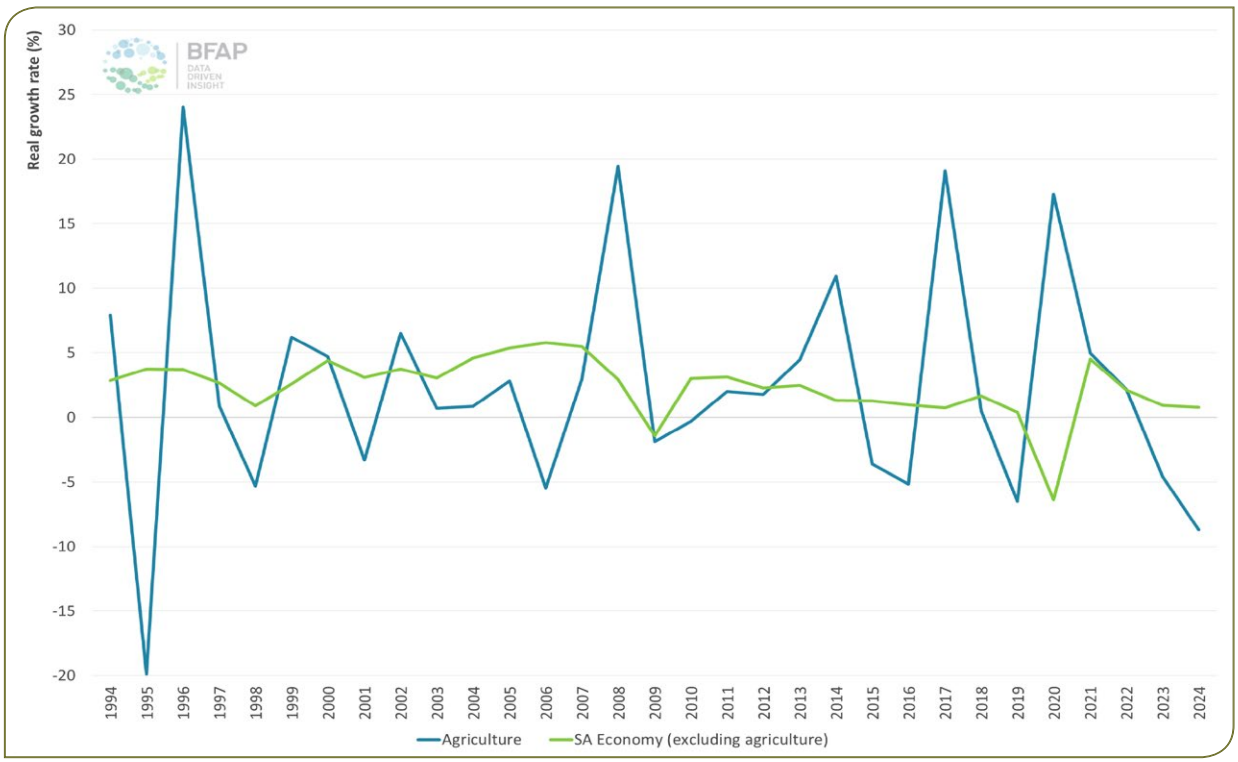


Figure 7: Real agricultural GDP and non-agricultural GDP growth in South Africa

Source: StatsSA, 2025

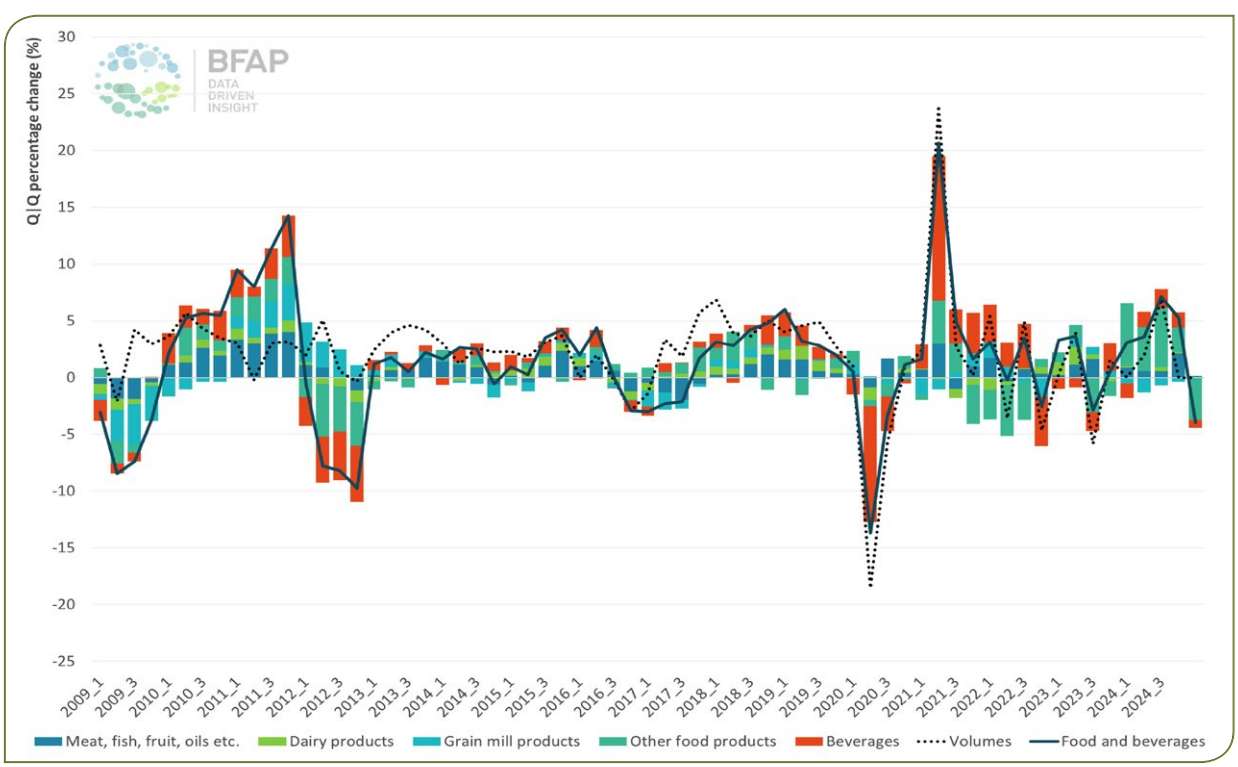


Figure 8: Real agro-processing sales performance in recent years

Source: StatsSA, 2025

escalating operational expenses have had a direct impact on firm profitability, compounded by inadequate municipal service delivery and the deterioration of public infrastructure, which add further cost pressures beyond fluctuations in raw material prices.

FUTURE STATE

Figure 9 presents the Baseline outlook for South Africa's Real Agricultural Gross Domestic Product (Real AgGDP). During the COVID-19 period, the agricultural sector experienced robust expansion, recording real growth of 13.4% in 2020 and 8.3% in 2021, largely driven by favourable climatic conditions and a sharp increase in global commodity prices. The 2022 Baseline had already projected margin compression in response to anticipated declines in global commodity prices as markets entered a recovery phase. However, the outbreak of the Russia–Ukraine war in 2022 delayed this adjustment, triggering a renewed surge in commodity prices, particularly for oilseeds and grains.

While field crops maintained a strong revenue performance in 2022, the horticulture and livestock subsectors faced significant headwinds. These included widespread disease outbreaks, elevated feed costs, intensifying loadshedding, persistent port congestion, and a sluggish economic recovery, all of which constrained consumer purchasing power. As a result, agricultural growth decelerated markedly, with real AgGDP rising by just 2.2% in 2022.

The downturn deepened in 2023, when the sector recorded its first annual contraction in four years, declining by 4.6%. This was followed by an even sharper contraction of 8.7% in 2024, reflecting the impact of drought and animal disease. Despite significant adversity, the South African agricultural sector has demonstrated remarkable resilience. Farmers planted the largest area under summer crops in more than two decades in 2025. Encouragingly, many horticultural industries are also benefiting from notably improved local and international prices, which have coincided with strong production volumes. As a result, real Agricultural GDP is projected to expand by 5.5%, offering critical relief to farmers facing

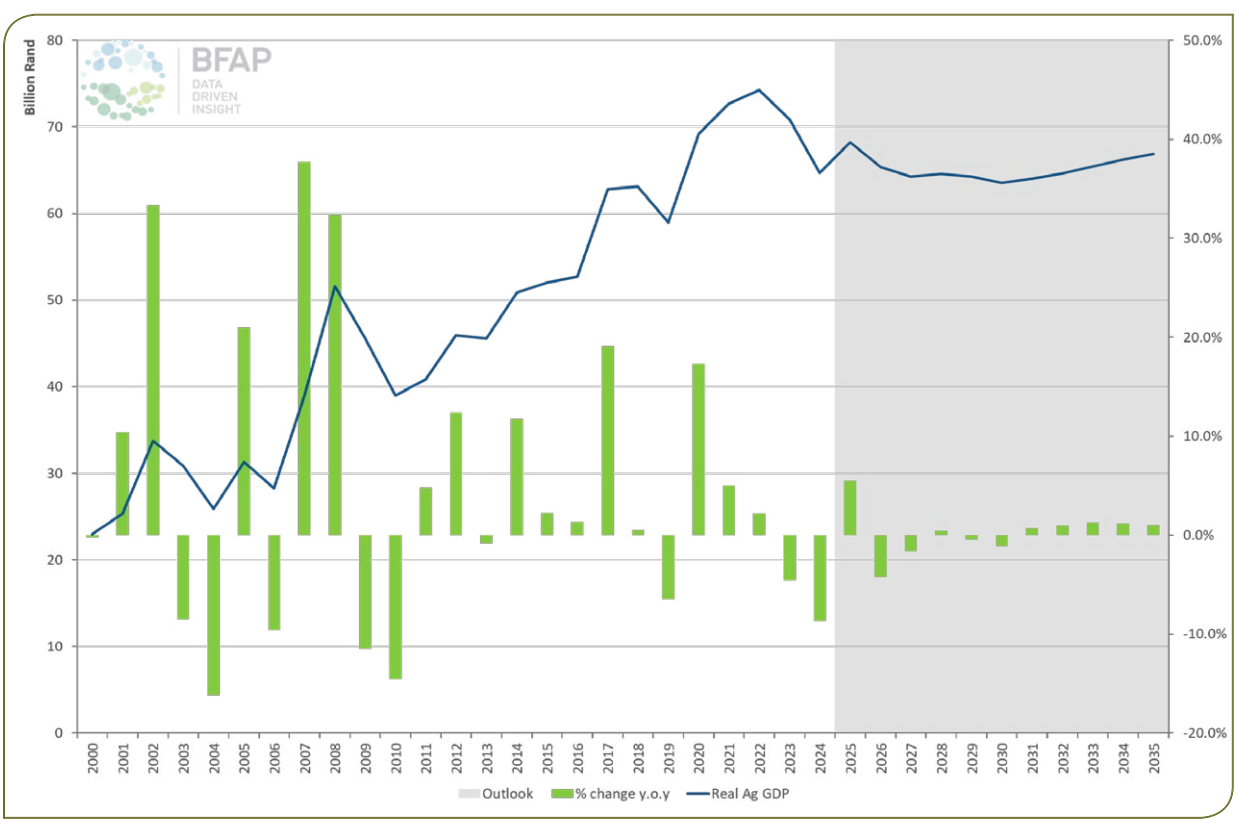


Figure 9: Real Agricultural GDP: 2000-2034

acute cash flow constraints arising from the preceding drought. This growth figure might have been even more robust were it not for the outbreak of foot-and-mouth disease (FMD), which has placed substantial pressure on the red meat industry.

However, the medium to long-term baseline projections are less upbeat, with growth in real (inflation-adjusted) terms projected to slow down, specifically for field crops, where much lower global prices will be transmitted to local markets once stock levels have normalised (Figure 10). Lower feed grain prices will provide some relief for intensive livestock operations, but local demand for these higher-value products remains dampened by the poor performance of the South African economy. Meat exports remain constrained in the short term, owing to the impact of the current FMD outbreak. In the medium term, an acceleration of meat exports is required to boost the overall performance of the industry. Following a short-term decline resulting from some strengthening of the exchange rate, and an increasingly difficult international trade environment, horticultural revenue is projected to grow consistently over the outlook period, reflecting yield improvements and young orchards reaching full bearing age.

It is important to shed more light on the declining trend in the real gross value of field crops. First, the real gross value is at a much higher level than the pre-COVID/pre-war period and remains above those levels for the outlook period. Second, this phenomenon is nothing new in the field crop sector which is most exposed to fluctuating weather conditions. A similar trend emerged during the period 2014-2020, where the real gross value of field crops also declined following a period of rapid growth from 2010 to 2013. This rapid growth was also triggered by a combination of favourable weather conditions in South Africa and high global prices and was followed by a 'cooling off' period where global prices declined. The important point to note about this projected 'cooling off' period, is that the decline is slower, mainly because the sector's productivity is at a much higher level than in the previous period (2014-2020).

The sharp increase in revenue over three years (2020-2022) in the field crops sector has triggered the biggest

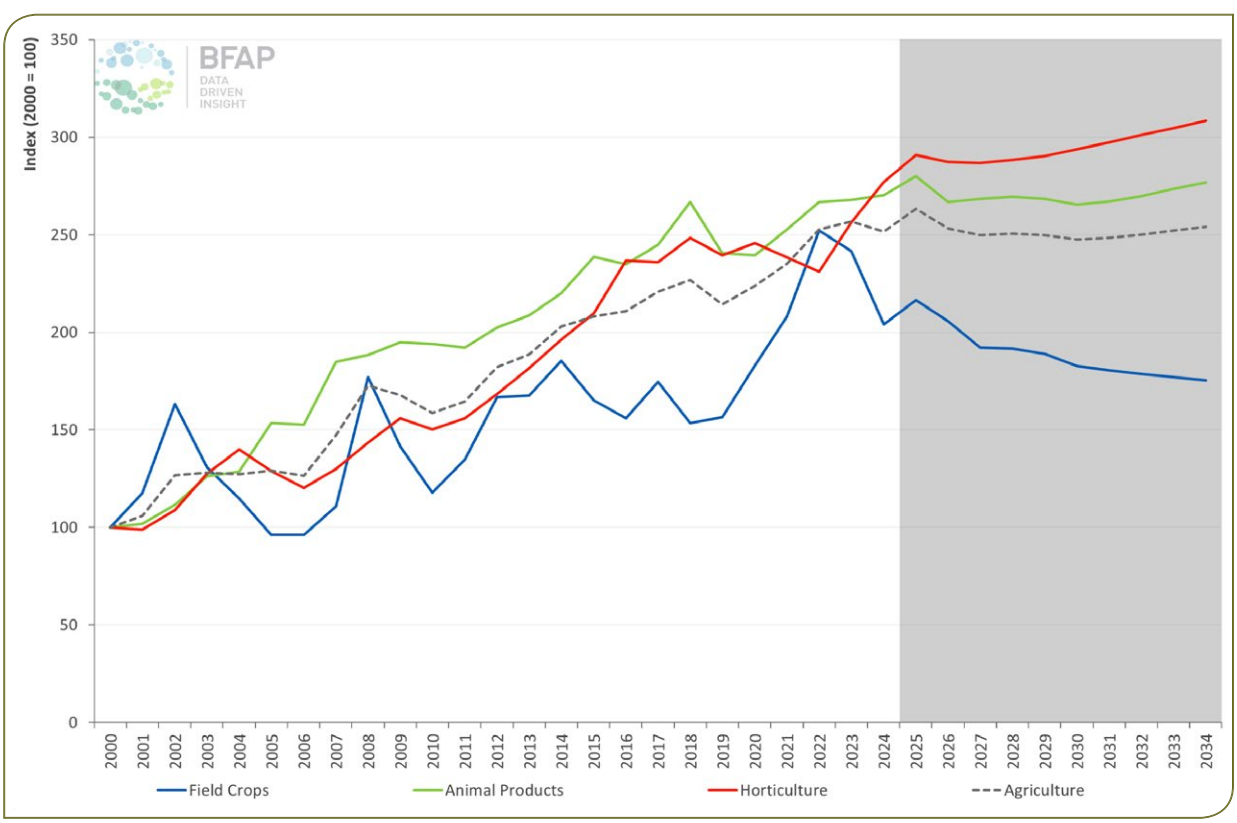


Figure 10: Index of Real Gross production value by subsector: 2000-2034

investment in high-tech farming equipment, seed technology, on-farm infrastructure and farming practices that South Africa has witnessed for several decades. There are significant spillover effects of these major investments that will carry the field crop sector through the '"cooling off' phase beyond 2025. Also, of critical importance is field crops will be able to capitalise on the next upswing triggered by exogenous factors such as above-normal weather conditions and/or sharp increases in global commodity prices. These investments also underpin the competitiveness of South Africa's livestock sectors, which rely on local field crop producers for affordable feed products.

To conclude this section, one of the most reliable indicators of productivity growth is the long-term trend in average crop yields. As illustrated in Figure 11, which ends prior to the drought affected 2024, South Africa has recorded the highest average annual yield growth rates for maize (4.8%) and soybeans (4.1%) over the past decade, when compared to other major global exporting nations. Such advancements have significantly enhanced South Africa's competitiveness in international markets and, by extension, bolstered national food security. The ability to consistently produce at export parity price levels means that local consumers benefit from prices that are roughly 30% lower than the cost of comparable imported products.

THE KEY DRIVERS OF CHANGE

Apart from consideration of the required pre-conditions for growth, which have been well articulated in the past, and the delivery model to integrate a wide spectrum of producers and markets, BFAP applies deep-dive value chain analyses to identify and prioritise specific policy reforms and investments at each value chain node. In practice, this implies that all areas of growth in demand are considered, including increased access to export markets, the potential for import replacement and the expansion in local formal and informal markets for agriculture and food products. Existing bottlenecks in the value chain are also clearly defined and potential productivity gaps identified where further investments are necessary. The required interventions per sub-sector can be summarised as follows:

- **Livestock**, the largest agricultural subsector, has

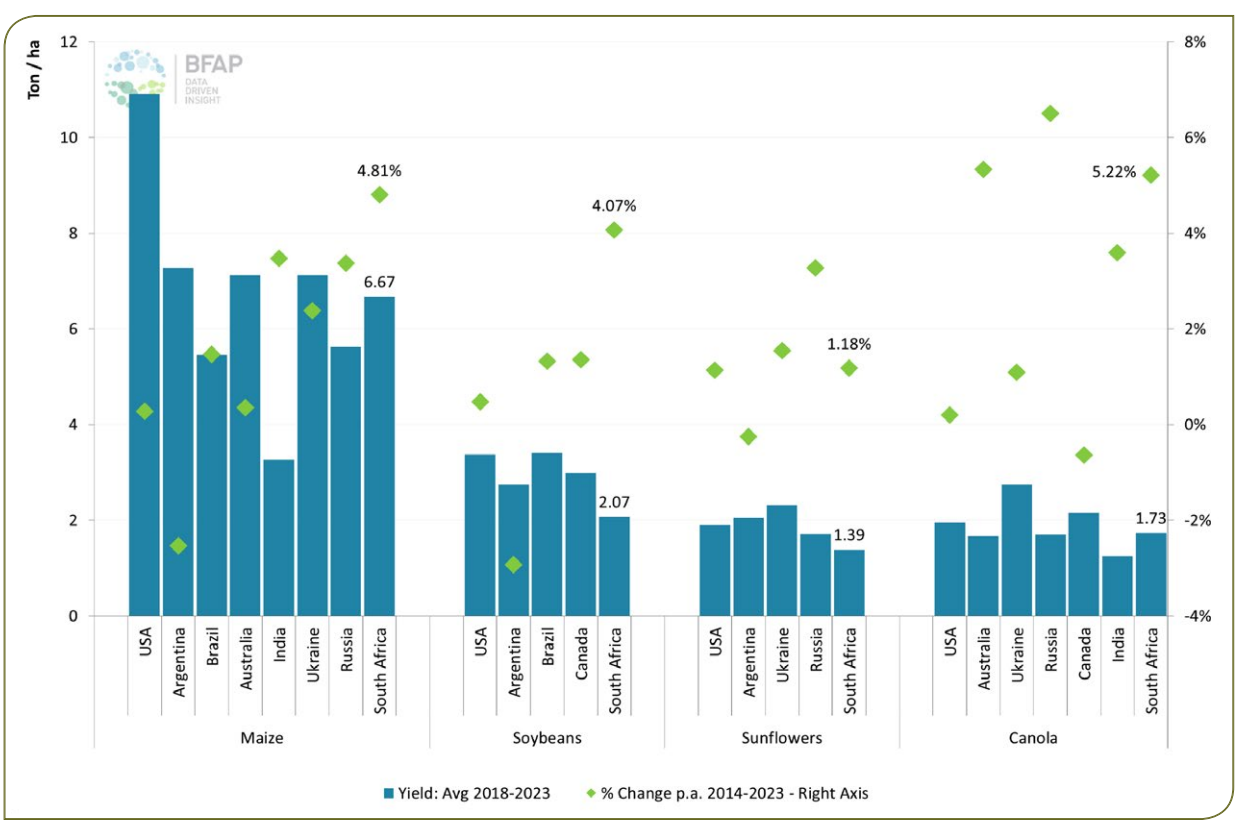


Figure 11: Benchmarking South Africa's growth in yields to main competitors
Source: SAGIS, BFAP & OECD-FAO, 2025

ample potential for accelerated, inclusive growth. Strong progress over the past decade was underpinned by substantial investments in intensive operations producing chicken meat, eggs and pork. The beef industry also shifted from a net importing to a net exporting position, and wool exports have been hailed as a success, specifically because comprehensive support efforts bolstered output from smallholder communal farmers, delivering into export markets. However, growth projections for the coming decade are balanced on a knife's edge. While the poultry industry has progressed in import replacement, the energy crisis has severely affected the intensive feed operations. Instead of investing in improved technology and expanding operations, firms have had to invest in alternative electricity generation to keep production going. Domestic consumption growth is expected to remain slow due to weak spending power. A such, production growth will rely on further import replacement, which is limited, and expanded exports. An effective national animal health system is a critical prerequisite for successful agricultural exports. However, the current system remains unable to cope sufficiently with disease outbreaks, undermining productivity and limiting access to export markets. The 2025 outbreak and spread of FMD underscores the severe impact of animal health crises. Addressing weaknesses in animal health and strengthening overall biosecurity will be among the most important drivers of growth for South Africa's agriculture and agro-processing sectors.

• For **field crops**, baseline projections suggest that margins will tighten over time, and production levels will fluctuate around a long-term equilibrium, unless additional demand is generated in feed markets or alternative export markets. Furthermore, tight margins will have an adverse impact on the growth trajectory of emerging black farmers who are entering the sector for the first time. Considerable land, where dedicated commercial field crop production by black farmers can be expanded, have become unproductive under the current land reform programme, with minimal effective producer support and extension services. Comprehensive producer support, proven best practices, access to credit and insurance safety nets are essential to grow this segment of the market. Under stable weather conditions, further real growth in the value of field crops beyond 2025 is expected to slow down. Even for soybeans, one of the most dynamic sectors in recent years, growth could slow as the industry now produces a surplus. Although a major milestone, this introduces the need to compete sustainably at export parity levels. This can be enabled by introducing new seed technology and germplasm, along with a constant drive toward improved farming practices, better efficiency in handling and processing, and investment in logistics - especially transport to coastal areas where almost one-third of soybean meal is consumed.

• Within **horticulture**, BFAP estimates that the area under high-value export fruits and nuts has expanded by almost 120 000 hectares over the past decade. Consequently, export volumes could rise further by roughly 25% by 2034. While a success in itself, this will bring significant price pressure in many markets, highlighting the need for government to negotiate favourable, competitive access to new export markets, and to invest in upgrading port facilities. Considering sharp increases in cost across the value chain, exacerbated by logistical inefficiencies and additional compliance measures, the need for broader market access becomes even more pertinent to keep prices at sustainable levels. Furthermore, critical maintenance in irrigation scheme infrastructure has fallen behind, with water losses estimated at approximately 30% of supply. While on-farm water use efficiency has improved with the rising prevalence of drip irrigation and netting, expansion and maintenance of infrastructure in existing irrigation schemes will be critical for new entrants to enter the sector successfully. Investments that improve transport efficiency and port logistics will also support the competitive, export orientated horticultural sector. Export orientation makes this sector less sensitive to domestic spending constraints, and it is currently reaping the rewards of more than a decade of investment. As the major employer within agriculture, the sustainability of these investments must be prioritised going forward.

With each Baseline, BFAP provides a summary of key policy reforms and investments that should be prioritised to drive inclusive growth in each of the sub-sectors. The baseline chapters for each sub-sector highlight the current realities and the expected path over the next ten years. Although the short- and medium-term market fundamentals will run their course with supply and demand adjusting over time, it is the decisive actions within the long-term strategic policy interventions and investments that will drive overall competitiveness and consequent future growth.

FOOD SECURITY, INCLUSIVE VALUE CHAINS AND LAND REFORM

We would like to reemphasise BFAP's portfolio approach towards inclusive agricultural and agro-processing transformation. It is based on the principle that the South African food system can be classified as a combination of highly diverse value chains with a wide spectrum of producers linking to a range of formalised and sophisticated markets on the one extreme and completely unregulated and informal markets on the other extreme. Hence, it is BFAP's conviction that inclusive agriculture and agro-processing transformation requires a multi-dimensional approach of matching farming systems with food systems. By providing support to those less favoured and ensuring access for all farmers to this system in accordance with their competitive advantage, targeted and appropriate interventions will fast-track transformation in the industry, increasing the output and participation of previously disadvantaged groups.

Although significant progress has been made in some sectors (often these are not well documented), most of the output is still produced by the traditional white farming sector. A serious effort is now required to drive development in rural areas across the entire country, allowing a diverse range of producers to flourish.

Figure 12 provides a schematic representation of BFAP's proposed framework that links different farmer categories and farming systems to diverse value chains and markets. The farmer categories are (loosely) paired against their target markets and examples of specific support services required for these farmers to thrive are identified. Successful transformation will result in an increased number of smallholder farmers able to produce for local markets, and ensure regional food security, and where possible and viable, link into formal or tailor-made value chains for domestic and global markets. Nevertheless, South Africa's largely urbanised population and economically important international trade balance will still largely depend on large scale commercial farming operations of both white and black commercial farmers and corporate agribusinesses such as the fruit, sugar, poultry and egg producers.

The sustainable existence of a strong and healthy commercial sector is vital for the burgeoning smallholder

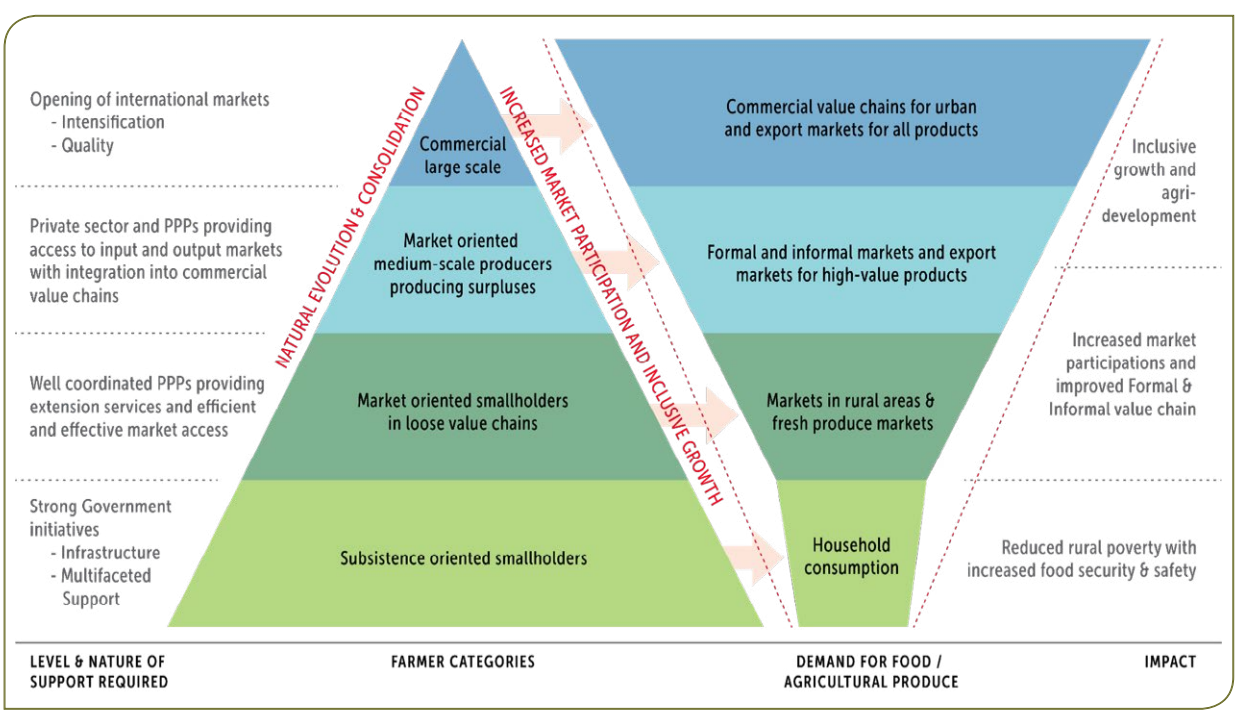


Figure 12: Potential framework linking producer support to dedicated value chains

sector, as the larger farmers create the critical mass of demand for research and the development of new technologies, input supply networks and value chains that could incorporate, expand and adjust to also serve the smallholder sector better if properly targeted and managed. Transformation of the commercial farming sector and the establishment and support of increased numbers of black commercial farmers is key for the continued existence of the sector. While dealing with the shorter-term responses to mitigate immediate shocks, targeted interventions and investments into the long-term development goals must be prioritised to address the dualistic nature of the sector, the slow progress on racial transformation and the sector's overall ability to make a real contribution to rural livelihoods and food security. Ironically, many of the required short- and long-term interventions are not mutually exclusive, and clear and decisive actions on low hanging fruit in the short-term can have lasting positive impacts with significant multiplier effects throughout the economy.

NATURAL RESOURCES

In building a more inclusive agricultural food system, it is essential to also consider South Africa's natural resource potential. This includes a stock take of idle resources that could be brought back into production and therefore contribute, not only from a socio-economic perspective, but also from an environmental sustainability perspective. Agricultural activities are directly dependent on the availability and quality of natural resources, particularly land and water. With only 15.8 million hectares (12.4%) of the total land surface area of 122.3 million hectares planted to field crops, South Africa is a semi-arid country with a weak resource base for agriculture, which is further limited by significant tracts of land that are under-utilised or unutilised, as already identified in the National Development Plan (NDP). This renders the sector inherently risky, with farmers exposed to large and regular climate volatilities that are becoming more frequent due to climate change. Figure 13 highlights the limited land use potential in South Africa, with more than half of total agricultural land area classified as low to medium potential (Class V – VIII). That is why 55% of all agricultural land is only suitable for extensive grazing systems (DALRRD, 2020).

Figure 13 also illustrates land capabilities across the country. Ironically, some areas of high potential in the former homelands in KwaZulu-Natal, Eastern Cape, Limpopo, North West and Mpumalanga have high poverty and unemployment. Almost all field crop boundaries (2

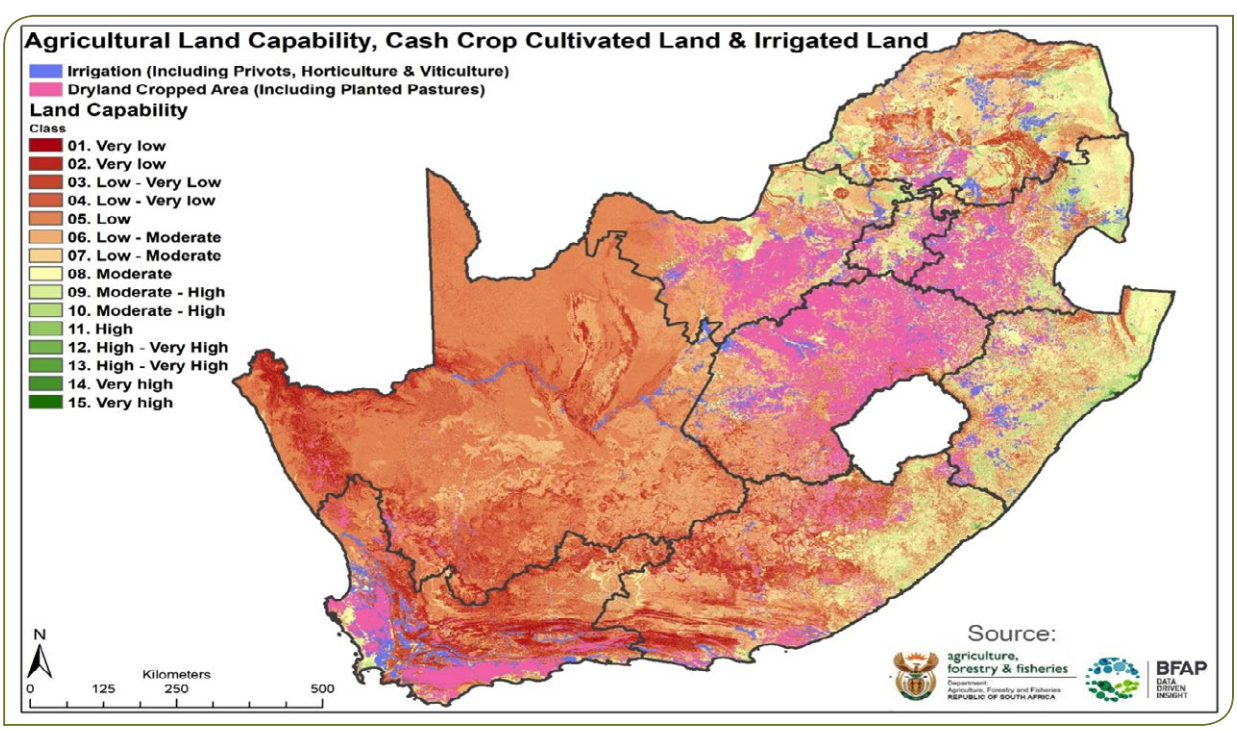


Figure 13: Agricultural land capability map of South Africa

Source: Originally published in BFAP Baseline (2018)

million hectares) of small-scale or subsistence farms are situated in former homeland areas of which a total of 650 000 hectares (31%) is on high potential agricultural land. This is the legacy of past policies. Rather than being developed for high-output commercial agriculture in line with its productive potential, much of this land was designated for communal small-scale, livelihood-oriented farming, without the functioning physical, social and institutional infrastructure required for successful commercial farming. Considering South Africa's relatively weak resource base for agriculture, these under-developed farming areas, plus the underperforming land reform farms, present a major opportunity for growth in localised production and the development of agro-food chains. Table 1 presents a summary of an analysis conducted by the Agricultural Research Council (ARC) and Entsika, commissioned by DALRRD in 2019, to sample and determine the viability of 1.8 million hectares from the land reform farms. In most cases, these were productive commercial farms that were purchased by government under the Proactive Land Acquisition Scheme (PLAS) that are now largely lying idle, with output estimated at less than 10% of potential. From the total of 1.8 million hectares that were assessed, 230 465 hectares are suitable for field crops, 83 636 hectares for horticulture, 1.5 million hectares for livestock production and more than 50 000 hectares can be irrigated.

Most cultivated fields in Mpumalanga, Gauteng and KwaZulu-Natal are on high potential soils while in the other provinces the highest proportion of cultivated fields are on marginal potential soils. In the Free State, for example, over 1.7 million hectares of cultivated fields are on soils that are officially classified as marginal to non-arable. This not only underlines the vulnerability with respect to climate but also raises the importance of careful land use management, the availability of irrigation, unique soil characteristics, and risks related to terrain and soil management (e.g. erosion).

Eroded land is of particular concern in regions where high-potential soils and climatic suitability coincide with relatively steep terrain, typically found in the Eastern Cape and KwaZulu-Natal. Without proper management practices in such areas, potentially productive agricultural land is threatened by degradation and would be very costly, if not impossible, to rehabilitate. In total, eroded land has almost doubled from 219 400 hectares in 2013 to 437 000 hectares in 2018, while barren land increased by 250 000 hectares (2%) over the same period (DEA, 2018) The majority of additional eroded land was previously classified as grassland and shrubland in the Eastern Cape, Free State and Northern Cape; this change can typically be attributed to over-grazing and bad soil management practices. The changing climate, poor water management and lack of maintenance of critical water infrastructure in the country is affecting the availability of water, subsequently impacting food production.

According to the Department of Water and Sanitation, between 1999 and 2011 the extent of main rivers in South Africa classified as having a poor ecological condition increased by 500%, with some rivers pushed beyond the point of recovery. South Africa has lost over 50% of its wetlands, and the remaining wetlands are already in a poor condition. Further, various estimates of the total South African irrigation area have been documented since 1990 and it is important to make a distinction between actual area under irrigated crops (estimates) and the registered area under irrigation (related to water licenses). According to the latest estimates by the Water Research Commission and the Department of Agriculture, Forestry and Fisheries (2018) the total

Table 1:Natural resource potential of PLAS farms

PLAS Hectares										
Province	Eastern Cape	Free State	Gauteng	Kwazulu-Natal	Limpopo	Mpumalanga	North West	Northern Cape	Western Cape	Grand Total
Total assessed	232 479	203 253	44 912	153 030	92 739	242 356	240 925	571 122	77 770	1 858 587
Field Crops	8 834	34 553	18 010	23 261	8 625	54 045	22 406	54 257	4 588	230 465
Horticulture	9 997	9 959	2 335	14 997	14 467	20 358	6 746	8 567	14 232	83 636
Livestock	197 607	150 407	23 085	109 876	65 659	167 953	211 773	502 016	55 761	1 511 031
Irrigation	8 137	8 740	1 392	5 662	7 234	5 089	2 409	6 853	4 588	50 182

Source: ARC, 2019

area under irrigation is estimated to range between 1.29 and 1.59 million hectares while the area registered for irrigation use ranges between 1.44 and 1.68 million hectares. With regards to irrigation infrastructure, the total area equipped for irrigation is estimated to range between 1.27 and 1.5 million hectares.

In its initial research for the National Planning Commission, BFAP showed that the actual water required to expand the total area under irrigation by 142 000 ha, in order to contribute to a million job opportunities by 2030, was manageable, despite the major challenges the country faces with respect to water resources. This expansion was based on the assumption of comprehensive implementation of the Water Administration System (WAS) on 600 000 ha irrigation schemes. The Water Research Commission has already proven that savings in excess of 20% are achieved at irrigation schemes where WAS has been implemented.

In line with the National Water Resource Strategy-2 (NWRS-2), the Directorate of Water Use and Irrigation Development of DAFF developed an Irrigation Strategy, as well as the Irrigation Revitalisation Business Plan which indicated that approximately 111 000ha of irrigated land requires revitalisation and further water availability was identified for a possible 34 000ha of irrigation expansion (Table 2). The basic motivation for expansion of land under irrigation remains the same, however recent reports from DALRRD point to the need to better understand the factors that influence the success of revitalised irrigation schemes and the way these programmes are structured. The Irrigation Strategy therefore seeks to practise irrigation within the confines of limited suitable natural resources to unlock the potential of people as well as land (DALRRD, 2015).

Figure 14 illustrates irrigation schemes situated in the former homeland areas of South Africa, where substantial portions of irrigation schemes targeted for revitalisation can be found.

To conclude, we would like to again quote the vision of the AAMP: "*To develop* ***globally competitive agriculture and agro-processing sectors*** *that drive* ***market-oriented and inclusive production to develop rural economies, ensure food security, and grow inclusive employment and entrepreneurial opportunities*** *for all participants in agriculture and agro-processing value chains*". Inspiring words, but, with the persistently weak domestic consumer environment and increasing complexity in the international trade environment, now more than ever, decisive actions are required to forge a sustainable future. These must be based on well-structured plans, with sufficient detail to pin-point and prioritise very specific initiatives. Although many plans like the AAMP exist for agriculture and agro-processing in South Africa, the implementation of these plans has been dismal to date and as we look to the coming decade in a world with growing uncertainty, successful implementation must be the ultimate priority.

Table 2: Strategic water allocation possibilities to support growth

Total expansion potential (new water developments - expanding storage & infrastructure) – Hectares		34 000
Project Allocated	Western Cape: Clanwilliam Dam	4 000
No Water Developments Allocated	North West: Taung Irrigation Scheme	1 300
	Northern Cape: Upper Orange River Catchment	5 000
	Mpumalanga: Dept. of Agriculture in Mpumalanga	3 000
	Makhathini Irrigation Scheme	10 000
	Free State: Upper Orange River Catchment	3 000
	Eastern Cape: Upper Orange River Catchment, Umzimvubu Dam, Foxwood Dam	7 700

Source: BFAP (2018) and DAFF (2015)

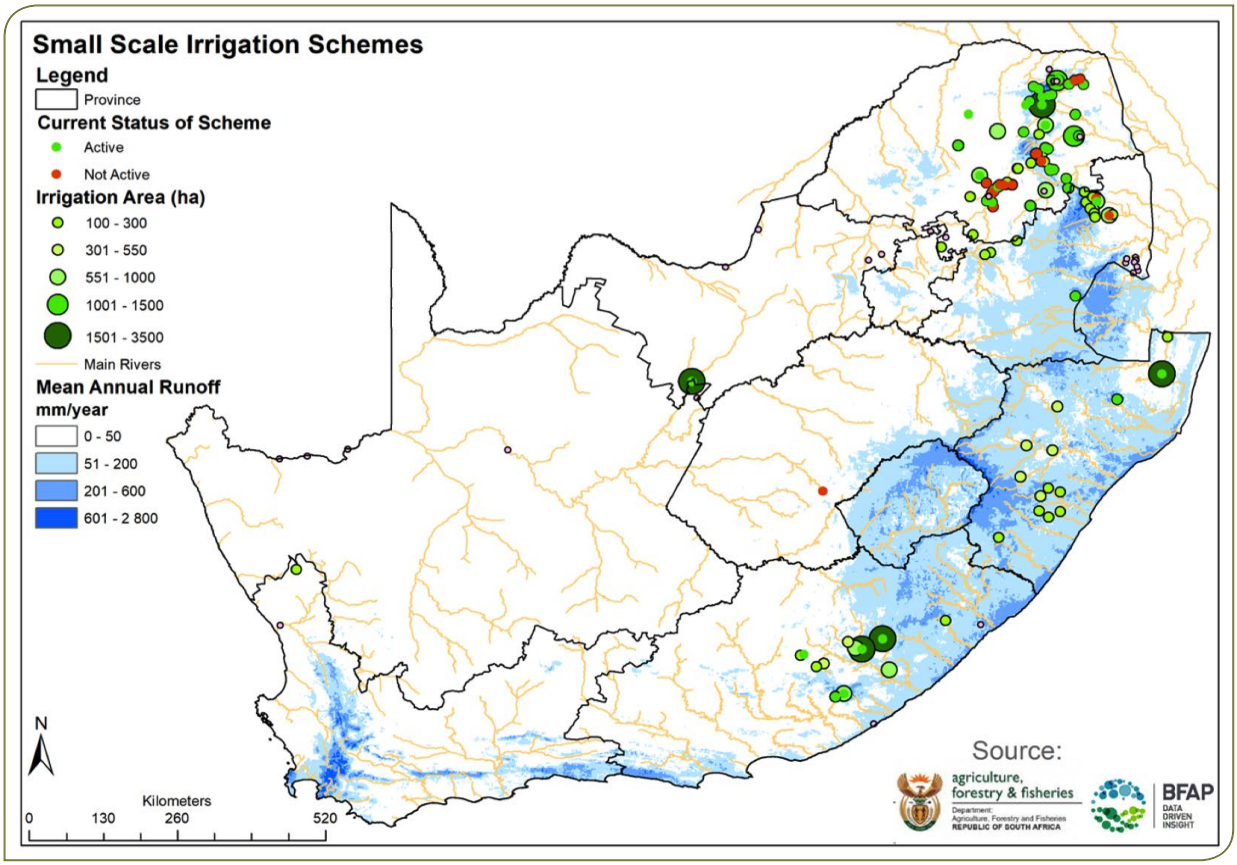


Figure 14: Small scale irrigation schemes in South Africa

Source: DAFF: Directorate Water Use and Irrigation Planning, 2015, BFAP Baseline 2020

KEY BASELINE ASSUMPTIONS

POLICIES

The Baseline assumes that current international as well as domestic agricultural policies will be maintained throughout the period under review (2025 – 2034). In a global setting, this includes the US proposed tariff changes, which remain highly uncertain given ongoing diplomatic engagement, and assumes that all other countries adhere to their bilateral and multilateral trade obligations. This remains an important consideration given the extent of short-term trade controls that have been applied intermittently through the various crises in the past 5 years. It also implies that countries adhere to stated objectives related to biofuel blending mandates. On the domestic front, current policies are assumed to be maintained.

With the deregulation of South Africa's agricultural markets in the mid-nineties, many non-tariff barriers to trade and some direct trade subsidies to agriculture were replaced by a simplified tariff schedule with generally lower tariff barriers. In the case of maize and wheat, variable import tariffs were introduced. The variable import tariff for wheat was replaced by a 2% ad valorem tariff in 2006. However, in December 2008 the original variable import levy system was re-introduced, and the reference price that triggers the variable import levy was adjusted upwards from $157/tonne to $215/tonne. Following the sharp increase in world prices in 2012, the industry submitted a request for a further increase in the reference price, which was then increased to $294/tonne. Having initiated a review of the tariff structure in April 2016, ITAC adjusted the reference price downward to $279 in 2017. In addition, the EU has had a duty free annual quota of 300 000 tonnes since 2017, and this has also been incorporated into the Baseline. As wheat prices fell well below the reference price, the import duty was already triggered in 2015. The price exceeded the reference price again in 2021, but the tariff came into play again in 2024 and is predicted to remain in place over the rest of the Outlook as the projected world price for wheat remains below $279/tonne.

Global maize prices have traded significantly higher than the reference price of $110 per tonne in recent years and international prices are not projected to fall below this level over the next decade. Consequently, no maize tariff is applied over the Outlook. Ad valorem tariffs are applied in the case of oilseeds. For meat and dairy products, a combination of fixed rate tariffs and/or ad valorem tariffs are implemented.

A variable import tariff is also applied in the sugar industry, with the tariff rate triggered when the dollar-based reference price (London Nr 5) falls below $680/tonne. This level was imposed in 2019, having been introduced initially at $330 and subsequently adjusted upwards to $358 in 2009 and $566 in 2014. While the current level of $680 is under review, the baseline still reflects this level, and will only be adapted if an official decision on a change is published.

General duties on imported chicken were increased substantially in October 2013; however a significant share of imports originate from the European Union and therefore carry no duty under the original Trade, Development and Cooperation Agreement (TDCA), which was later replaced by the new Economic Partnership Agreement (EPA). Furthermore, South Africa applies anti-dumping duties of R9.40 per kilogram on bone-in chicken pieces originating from the US, which was extended in 2024. In June 2015 it was announced that this anti-dumping duty would be rebated for a quota of bone-in portions, but this quota has not been fully utilised since 2021. Noting that current bilateral engagements may result in the renegotiation of this quota, it is maintained at current levels for this year's baseline. South Africa also applied a safeguard duty of

35.3% on bone-in portions originating from the EU from 2018. This safeguard was reduced annually and phased out completely by March 2022. In 2020 the general duty on bone-in portions was increased from 37% to 62%, while the general duty on boneless cuts was increased from 12% to 42%. In 2022, ITAC granted further anti-dumping duties on bone-in portions originating from Brazil, Denmark, Ireland, Poland and Spain.

These projected tariff levels, as derived from the projections of world commodity prices, are presented in Table 3.

South Africa's horticulture sector, as a net exporter, is influenced by policies in the global trade arena. Baseline assumptions reflect limited changes in this environment, with current tariffs imposed by key trading partners

Table 3: Policy Assumptions

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
R/tonne										
Maize tariff: (Ref. price = US$ 110)	0	0	0	0	0	0	0	0	0	0
Wheat tariff (Ref price = US$ 279)	422	553	616	678	748	806	883	910	937	965
Wheat tariff										
(300 000 tonne quota: EU Origin)	0	0	0	0	0	0	0	0	0	0
Sunflower seed tariff: 9.4 % of fob	949	779	775	796	804	807	827	852	877	903
Sunflower cake tariff: 6.6 % of fob (4.95% for MERCUSOR origin)	217	191	195	204	206	207	211	217	224	230
Sorghum tariff: 3 % of fob	134	132	132	133	136	136	139	143	147	152
Soybean tariff: 8 % of fob	585	565	577	600	622	625	643	667	694	719
Soybean cake tariff: 6.6 % of fob (4.95% for MERCUSOR origin)	437	421	424	433	449	458	478	500	524	547
Tonnes										
Cheese, TRQ quantity	1199	1199	1199	1199	1199	1199	1199	1199	1199	1199
Butter, TRQ quantity	1167	1167	1167	1167	1167	1167	1167	1167	1167	1167
SMP, TRQ quantity	4470	4470	4470	4470	4470	4470	4470	4470	4470	4470
WMP, TRQ quantity	213	213	213	213	213	213	213	213	213	213
Percentage										
Cheese, in-TRQ	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Butter, in-TRQ	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8
SMP, in-TRQ	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2
WMP, in-TRQ	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2
c/kg										
Cheese, above TRQ rate	500	500	500	500	500	500	500	500	500	500
Butter, above TRQ rate	500	500	500	500	500	500	500	500	500	500
SMP, above TRQ rate	450	450	450	450	450	450	450	450	450	450
WMP, above TRQ rate	450	450	450	450	450	450	450	450	450	450
Beef tariff: max(40 %*fob,240c/kg)	3351	3323	3369	3387	3429	3420	3530	3705	3980	4212
Lamb tariff: max(40 %* fob, 200c/kg)	5594	5649	6051	6199	6247	6150	6341	6642	7049	7434
Chicken tariff (Whole frozen): 82%	3071	2873	2931	3022	3134	3195	3329	3461	3602	3745

Table 3: Policy Assumptions (Continued)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Chicken Tariff (Carcass): 31%	128	122	122	124	125	126	128	129	130	132
Chicken Tariff (Boneless Cuts): 42%	1801	1685	1719	1772	1838	1874	1952	2030	2112	2197
Chicken Tariff (Offal): 30%	303	283	289	298	309	315	328	341	355	370
Chicken Tariff (Bone in portions): 62%	1103	1032	1053	1086	1126	1148	1196	1243	1294	1346
Chicken tariff: EU Origin	0	0	0	0	0	0	0	0	0	0
Pork tariff: max (15 %* fob, 130c/kg)	865	810	850	862	890	897	929	959	992	1025

maintained over the projection period. This implies that South Africa continues to face a more stringent tariff environment than some of its competitors in key Asian markets. While the tariff environment is more favourable in the EU thanks to the EPA, it must be noted that South African producers are facing increasingly stringent Sanitary and Phytosanitary requirements – such as the new cold chain requirements recently imposed on citrus exports due to perceived risks around False Coddling Moth. In the US, the change in stance towards South African imports is noted but given the high degree of uncertainty with respect to the ultimate level of application amid ongoing diplomatic engagement and negotiations, as well as the ad hoc nature of changes in the early parts of 2025, no tariff adjustments have been made for the baseline. This keeps the projections consistent with the US tariff assumptions adopted by international institutions, as reflected in the world price assumptions, and provides a baseline against which various US tariff scenario impacts can be measured in the form of scenario analysis.

MACRO-ECONOMIC ASSUMPTIONS

To some extent, the Baseline simulations are driven by the outlook for a number of key macroeconomic indicators. Projections for these indicators are mostly, but not exclusively, based on information provided by the OECD, the IMF and the BER. The global economy has been riddled with disruptions in recent years, including the pandemic, the war in Ukraine, surging energy prices, spiralling inflation that resulted in aggressive interest rate hikes, escalating conflict in the Middle East, increasing geopolitical fragmentation and disruptions on key maritime routes such as the Red Sea and the Black Sea. While the Middle East has invested to diversify routes, the escalation in current conflict in the region again illustrates its volatility and this has the potential to influence shipping routes, in terms of timing and cost, at short notice.

While sentiment around global growth improved in early 2025, the widespread implementation of import tariffs by the US in April has led to downgraded growth expectations across the board. In its April World Economic Outlook, the IMF reduced its global growth forecast for 2025 to 2.8%, from 3.3% prior to the announcements from the US. The risks around the projections remain stacked on the downside, relating to weaker growth prospects in China, fiscal limitations in many developing countries, the need to rebuild reserves, ongoing conflict in various parts of the world and ongoing policy uncertainty.

Further to the impact of global risks in the domestic economy, South Africa also faces a number of unique domestic challenges. Growth has in recent years been persistently slow, constrained by structural challenges such as inconsistent electricity supply, deteriorating municipal infrastructure and logistical bottlenecks. As such, South Africa's economy grew by only 0.5% in 2024 and the Rand strengthened marginally to R18.33 in 2024 from R18.45 to the US Dollar in 2023. In 2025 to date, it averaged R18.50. Despite initial optimism around the formation of the GNU, and some success on reforms, it has not yet led to significant increases in investment. The challenges to pass the budget also illustrated its fragility, with three rounds needed to pass a budget. Nevertheless, there has been some progress in specific departments and while more cautious than prior to the change in US policy stance, the baseline still assumes some

moderate improvements in economic growth over the next few years. Table 4 presents the key macroeconomic assumptions that underpin the projections provided in this Baseline.

While the global risk report from the World Economic Forum suggests that risks in the global economy remain elevated, energy markets seem to have stabilised and, despite ongoing conflict, have exhibited much less volatility relative to the reaction after Russia's invasion of Ukraine. This reflects an accelerated shift away from imported fossil fuels in many developed countries, as well as a growing acceptance globally of a new normal with respect to risk and uncertainty. Oil prices have generally traded lower, particularly following OPEC+ announcements that production will be increased, though short term spikes have been observed amid the war between Israel and Iran, reflecting concerns around transportation routes. The ongoing uncertainty in the Middle East also affects prospects for fertiliser costs, as this is a key sourcing area for South Africa and a substantial contributor to global production. This follows a decline in recent years that is stabilising. Some of the global decline has been offset by the depreciation in the Rand and going forward, which will also induce further increases in fertiliser costs (Figure 15).

A critical factor that could offset short term declines or exacerbate potential increases in costs for different inputs is depreciation in the Rand exchange rate, which is common in times of global uncertainty. This affects all imported products, including fuel, fertiliser, animal feed additives, herbicides and insecticides. While the combination of fuel, fertiliser and crop protection products contributes the greatest share of input costs for field crop producers, cost structures in high value horticultural sectors look different. Here producers are potentially more exposed, as major cost components such as labour and electricity have tended to rise faster than general inflation and this will likely remain the case.

To conclude, the baseline assumptions present a single plausible view of the future, but the macroeconomic environment remains riddled by risk and uncertainty. Going forward, it is likely that volatility in commodity and input markets will continue, with ample upside and downside price risks that include further escalation of

Table 4: Key Macro-Economic Assumptions

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Millions										
Total population of SA	62.14	62.71	63.26	63.80	64.32	64.83	65.35	65.87	66.40	66.93
SA cents per foreign currency										
Exchange rate (SA cents/US$)	18.66	18.32	18.68	19.02	19.50	19.66	20.25	20.86	21.48	22.13
Exchange rate (SA cents/Euro)	20.48	20.14	20.41	20.67	21.04	21.67	22.32	22.99	23.68	24.39
Percentage change										
Real GDP per capita	0.6%	0.9%	0.8%	0.9%	0.7%	0.8%	0.9%	0.9%	0.9%	0.9%
Consumer Price Index	3.9%	4.3%	4.6%	4.6%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Percentage										
Weighted prime interest rate	10.8	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50

tension in the Middle East, changing trade patterns, extreme weather fluctuations, subdued economic performance and policies that could impact crop and input markets, such as OPEC+ decisions on energy prices and export restrictions.

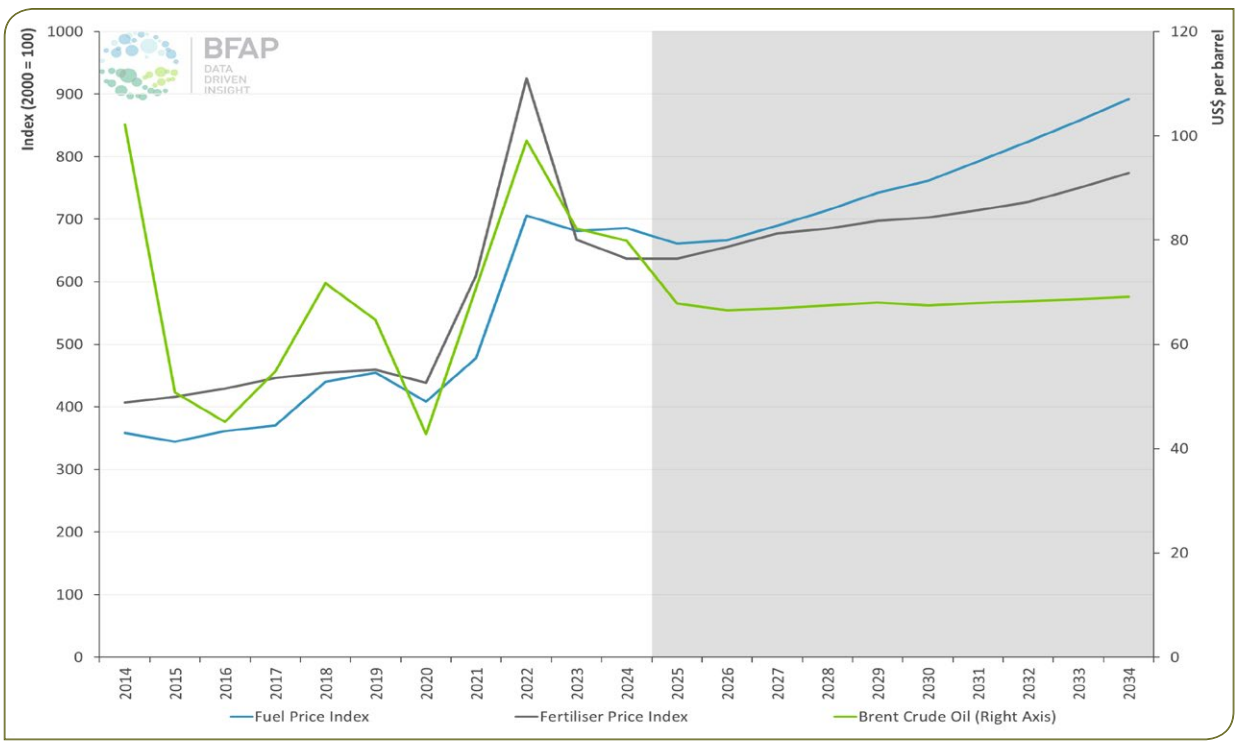


Figure 15: Oil price assumption and input cost implication

Source: OECD, IMF, BER and BFAP (2024)

SOUTH AFRICAN CONSUMER PROFILE



This chapter presents an overview of the South African consumer landscape, which underpins the modelled projections presented in the Baseline, and sheds light on dynamic changes in the socioeconomic environment.

THE SOUTH AFRICAN SOCIO-ECONOMIC CONSUMER SPECTRUM

In this chapter we work with three main lifestyle-based segments in South Africa:

- Low-income households (least affluent 40% of households, who are responsible for about 25% of total food expenditure in South Africa).
- Middle-income households (mid-spectrum 40% of households, responsible for 39% of food expenditure).
- Affluent households (most affluent 20% of households, responsible for 36% of food expenditure).

Figure 16 presents a summary of the more prominent characteristics that distinguish these three lifestyle clusters.

The dominant provincial locations of the various socio-economic sub-groups are shown in Figure 17. The low-income segment resides mainly in KwaZulu-Natal (22%), Eastern Cape and Gauteng (16% each), and Limpopo (14%). The middle-income segment resides mainly in Gauteng (31%), Western Cape and KwaZulu-Natal (17% each), the Eastern Cape (8%) and Mpumalanga (7%).

HOUSEHOLD INCOME

Per capita disposable income of households increased by 60.3% in nominal terms from 2014 to 2024 (Figure 18). Accounting for general inflation however implies that this increase represented a real change of -0.3%. Following positive real growth for 2020/21 (+5.4%), which largely reflects the post pandemic recovery, and 2021/22 (+0.4%), per capita disposable income decreased by 1.1% from 2022 to 2023, with a less severe decrease of 0.3% from 2023 to 2024. This confirms continued pressure on households' ability to keep up with inflationary pressure and is a key factor underpinning limited spending power in the short term.

An analysis of official household-income data published by Stats SA based on the 2014/15 Living Conditions Survey (LCS) and the 2022/23 Income and Expenditure Survey (IES), indicate some improvement in income inequality from 2014/15 to 2022/23. In 2022/23 the wealthiest 20% of South African households earned approximately 60% of total household income. As illustrated in Figure 19, changes in the estimated share of national income

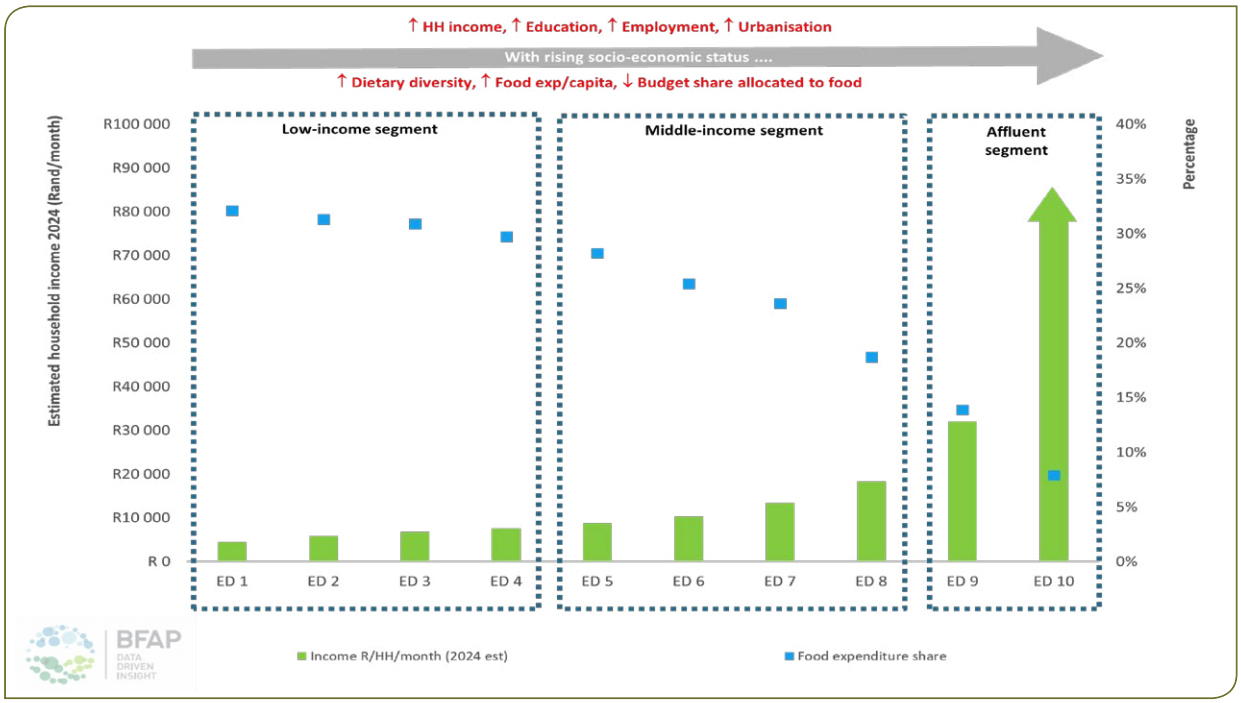


Figure 16: An overview of the South African consumer spectrum

Source: BFAP estimates from StatsSA Income and Expenditure of Households 2022/2023, inflation adjusted to 2024 levels.

* Each Expenditure Decile (ED) represents 10% of South African households

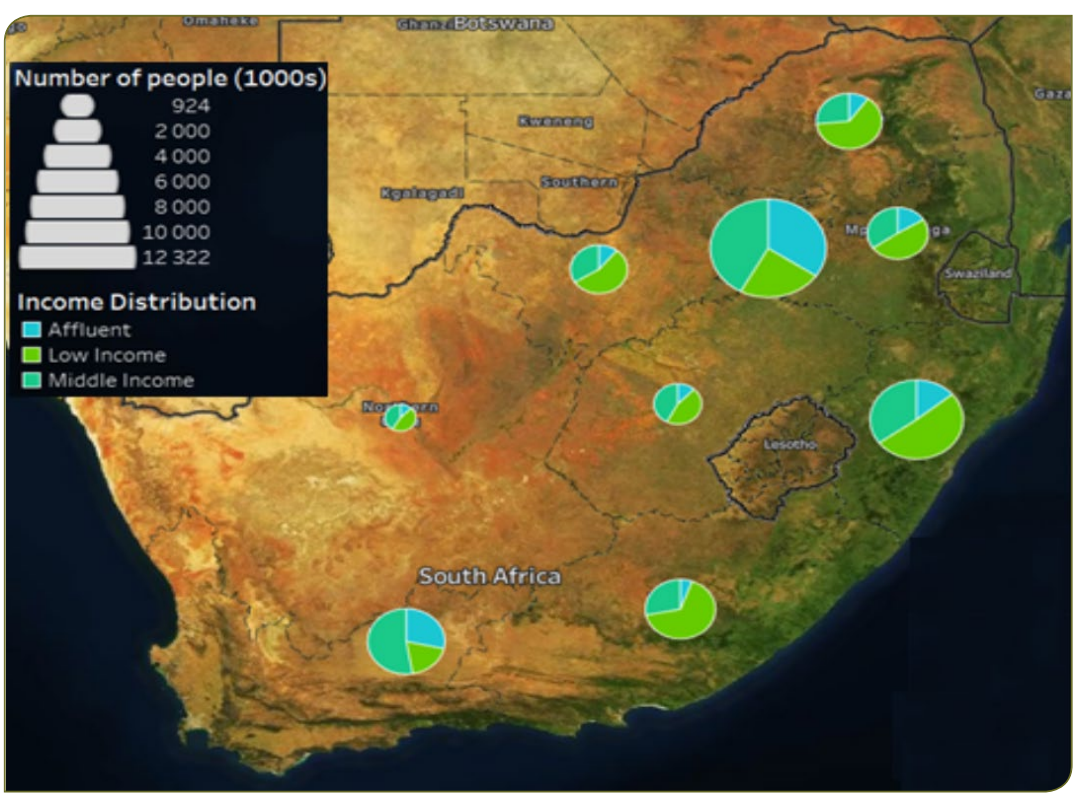


Figure 17: Provincial distribution of the main socio-economic sub-groups in South Africa

Source: BFAP calculations based on the Marketing All Product Survey (MAPS) 2024

earned by the three main socio-economic sub-groups were:

Low-income segment:
Increased from 10% to 13%
Middle-income segment:
Decreased from 28% to 27%
Middle-income segment:
Decreased from 62% to 60%

However, according to World Bank (2025), South Africa still has the highest Gini-coefficient in the world (63%), followed by Namibia (59.1%), Colombia (54.8%), Eswatini (54.6%), Botswana (53.3%), Brazil (52%), Zambia (51.5%), Angola (51.3%), Mozambique (50.3%) and Zimbabwe (50.3%).

In 2024 the dominant ***household income sources*** were salaries (an income source for 62% or main income source for 55% of households) and grants (income source for 51% or main income source for 24%), followed by income from business & other income (income source for 16% or main income source for 10%), remittances (income source for 13% or main income source for 9%) and pensions (income source for 4% or main income source for 3%) (Stats SA, 2024). Households' grant dependence increased significantly from 2018/19 to 2024, peaking in 2020/21 linked to the COVID-19 pandemic. The share of South African households receiving grants as an income source increased from 45.2% in 2018 to 51.0% in 2021, improving slightly to 50.2% in 2022 but worsening again to 50.9% in 2024. In a similar trend, reliance on grants as a main source of income increased from 19.9% in 2018 to 24.4% in 2021, recovering slightly to 23.0% in 2023 but then worsening to 23.8% in 2024.

HOUSEHOLD SIZE AND COMPOSITION

The following are core characteristics of South African households that is worth noting, from the latest Stats SA General Household Survey (2024):

- Decreasing average household size in South Africa: 4.0 (2004) → 3.2 (2024)
- Province with the smallest average household size: Gauteng (2.8).
- Provinces with the largest average household size: Eastern Cape (3.7), KwaZulu-Natal (3.6) and Limpopo (3.5) – these provinces also have the largest share of female-headed households (47% to

Figure 18: Disposable income per capita of household in South Africa from 2014 to 2024

Source: South African Reserve Bank, 2025

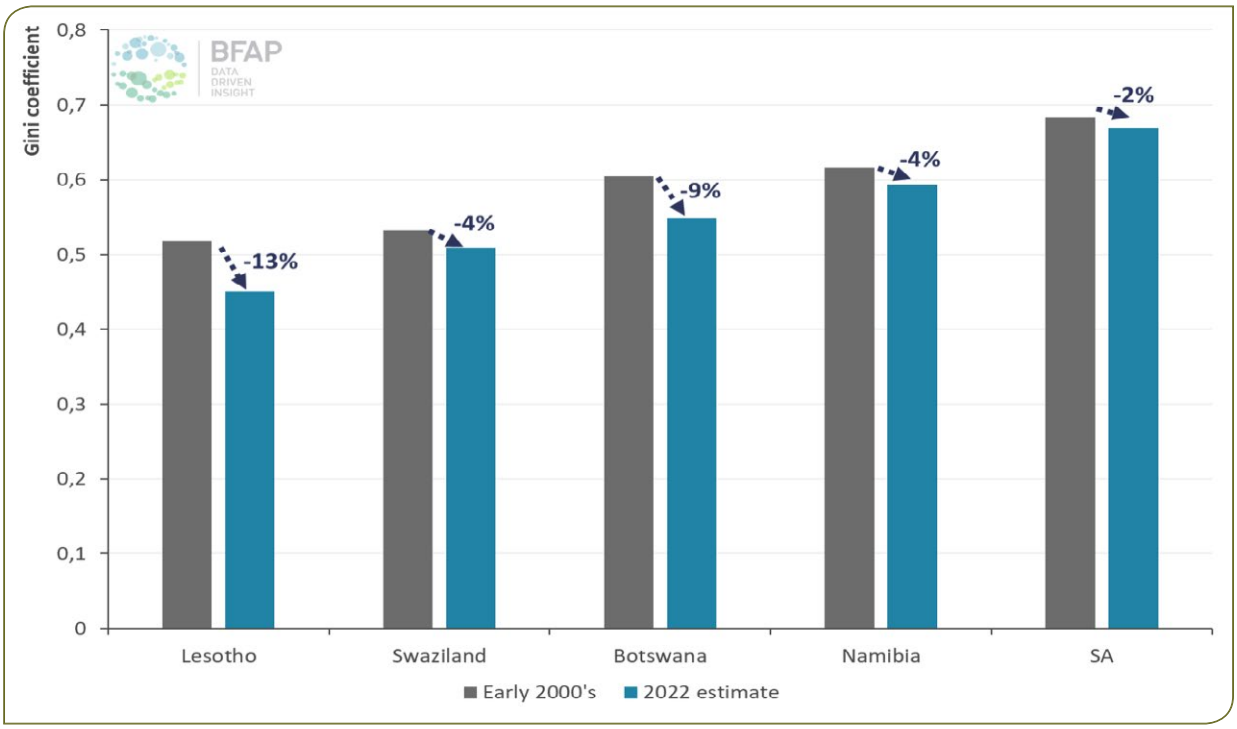


Figure 19: Income distribution shifts in South Africa from 2014/15 to 2022/23

Source: Stats SA LCS 2014/15 and IES 2022/23

49%) and the largest rural populations among the various SA provinces.

Considering inter-generational household characteristics in 2024:

- Double generation households (e.g. parent(s) and child(ren) living together in a household) dominate (39%), but with a declining trend since 2020 (45%).
- Single person households are in 2nd position (27%), with an increasing trend over the last decade.
- Triple generation households (e.g. grandparent(s), parent(s) and child(ren) living together in a household)- and single generation households (e.g. only elderly or adults living together in a household) (13% each) share the 3rd position, both with declining trends over the last decade.

An increased number of smaller households (especially in challenging economic conditions) could have numerous potential socio-economic and environmental implications, for example a) worsening food affordability, as smaller households might be less likely to benefit from bulk buying savings; b) potential household income pressure resulting from a single income stream; c) pressure on social-grant systems and funding requirements; d) an increased demand for housing units; e) negative environmental impacts could include increased per capita energy consumption, water consumption and waste generation.

AGE DISTRIBUTION OF THE POPULATION

South Africa is characterised by a gradually aging population, with the median population age increasing over time, from 21.9 in 2004 to 28.5 in 2024 and a projected 30.0 in 2034.

Figure 20 shows that the population share younger than 45 years could decline from 80% in 2014 to 70% in 2034, while the older working age and retired population could increase from 20% to 30%. The UN population prospects (2024) suggest that, in the next decade, the most significant growth in terms of population number is expected in the 45 to 64 age group (older working age group) (+3.6 million people) followed by the 65+ age group (+1.6 million people).

A gradually aging population (especially in challenging economic conditions) has many implications for food consumption patterns, for example a) increased financial vulnerability and food insecurity among older people; b) increased demand for nutrient-dense food options

containing essential micro-nutrients to address the nutritional needs of ageing adults, as well as functional foods (for the population segments able to afford such food options); and c) increased demand for online shopping and food grocery delivery linked to the mobility challenges often faced by older individuals.

URBANISATION

The UN urbanisation prospects point to continued urbanisation for the next decade, but at a slightly faster rate. The country experienced an average increase of +0.6% per annum from 2015 to 2025, versus +0.8% per annum from 2025 to 2035, resulting in an urbanisation rate that has increased from 64.8% in 2015 to 69.8% in 2025 and an expected 74.2% in 2035.

Increasing urbanisation is linked to the nutrition transition and changing eating patterns, partly due to generally higher income levels, but also improved access to services (e.g. electricity, transport) and the ability to procure products on a more frequent basis, particularly for consumers that lack access to facilities such as refrigeration. According to the recently released Stats SA Income and Expenditure Survey 2022/2023:

- A non-urban household typically spends on average more on basic food categories such as cereal-based foods (approximately 30% more) and fats/oils (approximately 14% more) than an urban household.
- An urban household typically spends on average more on higher value food categories such as meat (approximately 20% more), dairy and eggs (approximately 40% more), fruit and nuts (approximately 83% more) and non-alcoholic beverages (approximately 31% more), than a non-urban household.

UNEMPLOYMENT

The unemployment rate in South Africa is among the highest in the world, alongside other southern African countries such as Botswana, Namibia, Eswatini and Zimbabwe (World Population Review, 2024). Latest unemployment situation in SA:

- The current (narrow) unemployment rate in South Africa was 32.9% at the beginning of 2025, while the

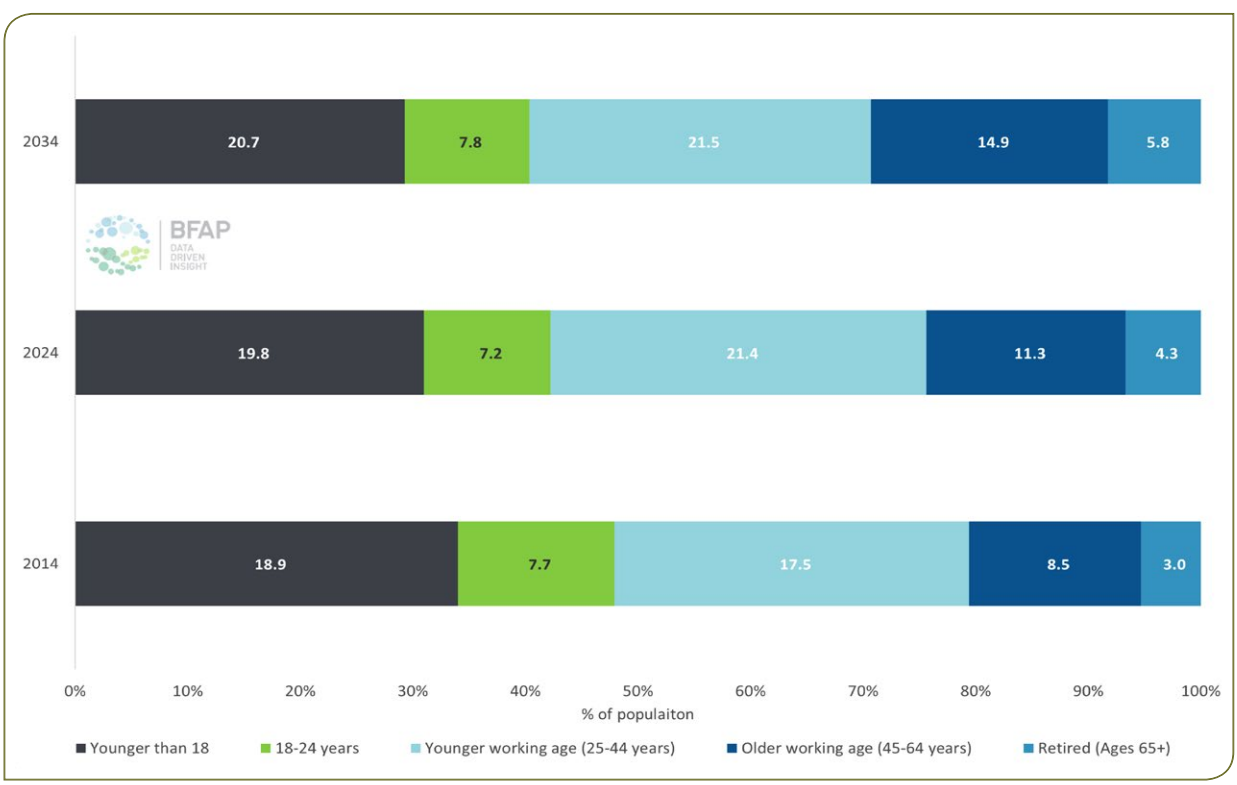


Figure 20: Historical and projected age distribution shifts in South Africa

Source: UN Population Prospects 2024

Note: Figures in bars indicate population numbers in millions of people

narrow rate increased from 24.7% (2013) to 35.3% (Q4 2021), improving slightly to 32.6% in 2024 (Stats SA, 2025).

- The unemployment rate declines with age: in Q1 2025 it was 40.6% in the 25 to 34 years age group, followed by 27.8% in the 35 to 44 years group, 20.5% for the 45 to 54 year olds and 11.6% for the 55 to 64 years age group.
- The narrow unemployment rate varies considerably across provinces. In the first three months of 2025 it was highest in the North West (40.4%) and Eastern Cape (39.3%) provinces, followed by Free State (37.9%), Mpumalanga (35.4%) and Gauteng (34.7%).
- The provinces with the largest number of unemployed people in Q1 2025 were Gauteng (2.7 million), KwaZulu-Natal (1.3 million), the Eastern Cape (0.9 million) and Limpopo (0.7 million).

DEBT

Rising debt levels remains a daunting reality in the South African consumer landscape (Figure 21). The value of the gross debtors' book increased by 49% from 2015 to 2024. The number of credit accounts increased by 8% from Q4 2021 to Q1 2024 despite a considerable push for debt consolidation. From 2015 to 2024 the number of credit applications received increased by 55% to 70.8 million per annum, while the credit application rejection rate increased from 53% in 2015 to 69% in 2023, improving slightly to 67% in 2024.

FOOD ACCESS

There was a significant improvement in the incidence of hunger and food access observed from 2002 to 2018, with the share SA individuals experiencing hunger declining from 20.3% (2002) to 11.3% (2018), and the share of individuals with limited access to food declining from 29.1% (2010) to 19.5% (2019). However, in recent years this deteriorated, with the hunger incidence increasing to 15.0% in 2023 and improving slightly to 14.7% in 2024. The share of individuals with limited access to food increased to 26.2% in 2023, also improving slightly to 25.2% in 2024 (Figure 22).

Thus, in 2024 2.5 out of 10 people in SA experienced limited food access 

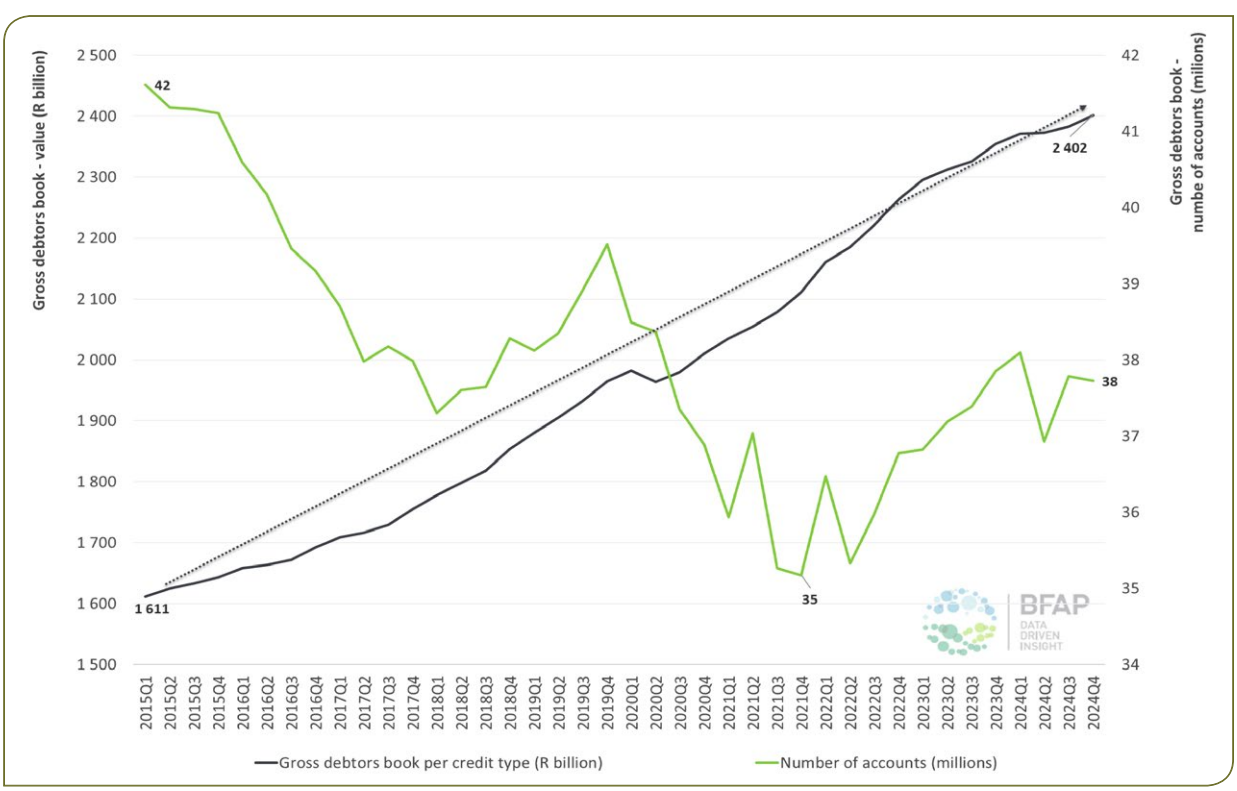


Figure 21: Consumer debt in SA from a gross debtors book perspective

Source: National Credit Regulator, 2025

From a provincial perspective, in 2024:

- The prevalence of inadequate food access was highest in the Northern Cape (34.3%), the Eastern Cape (31.2%), Mpumalanga (30.3%) and North West provinces.
- The largest number of households with inadequate food access resided in Gauteng (1.2 million), KwaZulu-Natal (0.8 million), Eastern Cape (0.6 million) and Mpumalanga (0.5 million) provinces.

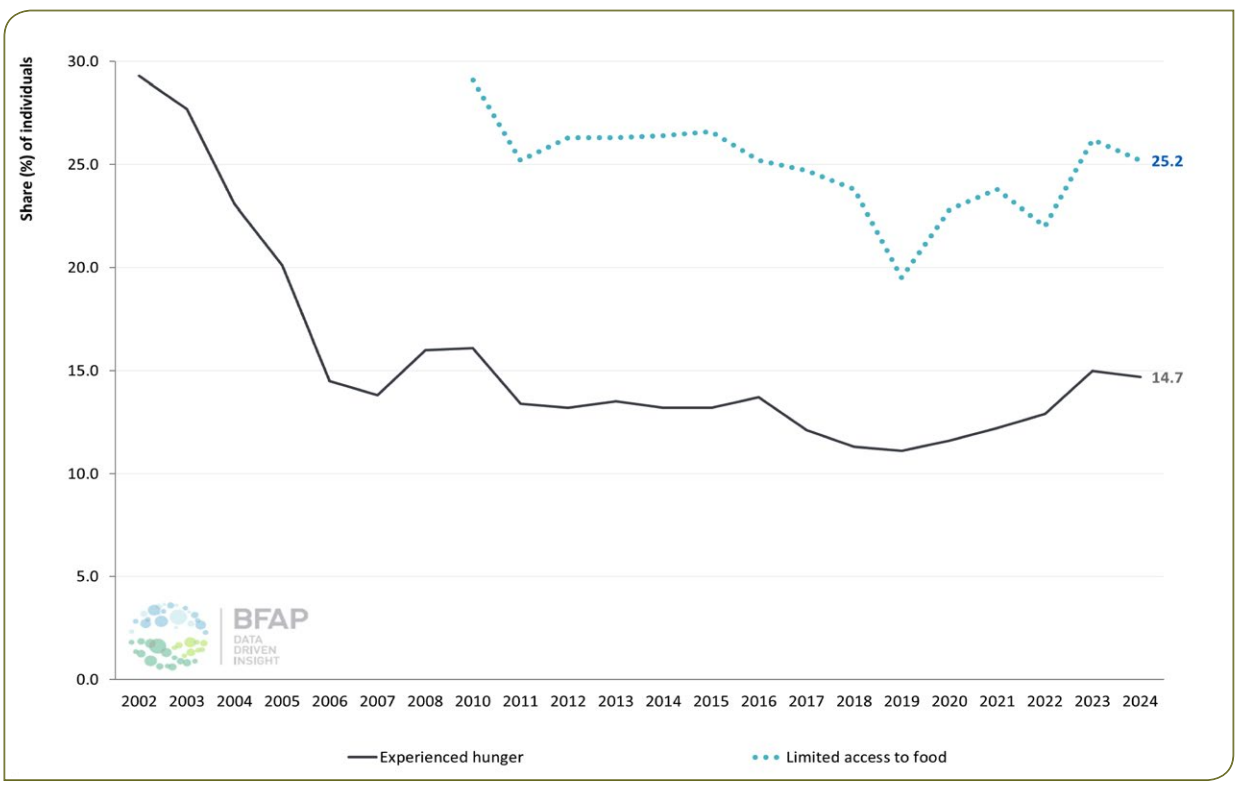


Figure 22: Food access in South Africa

Source: Stats SA General Household Survey 2022/23

OUTLOOK FOR FIELD CROPS

SUMMER GRAINS AND OILSEEDS




INTERNATIONAL MARKET SITUATION

Global grain and oilseed markets have largely stabilised, despite ongoing challenges such as war in Ukraine and the Middle East. Having peaked in mid-2022, the International Grains Council's (IGC) grain and oilseed price index declined by 15% in 2023 and a further 16% in 2024. This follows area expansion in response to previous high prices and an easing in key input costs, along with greater stability in weather conditions, that bolstered production volumes and enabled a recovery in global stock levels. After record crops in 2023, maize production declined only marginally by 0.6% in 2024 and early expectation for 2025 point to a new all-time high. Similarly, soybean production is expected to reach a new record level for the third consecutive year in 2025. While not achieving the same record, sunflower production is also foreseen to increase by 8% year on year in 2025, while sorghum output is projected to remain fairly stable following a 7% increase in 2024.

While production prospects remain strong, supported by good yields in South America, the IGC also expects global demand to rise, with industrial use a core driver, particularly in developing countries. The reasonable balance between supply and demand prospects leaves changes in stock levels limited, with a decline of 3% expected in maize inventories, contrasted by a gain of 6% for sunflower and almost 1% for soybeans. While the rise in soybean inventories is small, it still represents an all-time high. Consequently, the IGC's grain and oilseed price index has also remained fairly stable, with the average level through the first 6 months of 2025 only 4% below that of 2024. This reflects ample influence from soybeans and rice, with the maize price subindex marginally higher, in line with the lower stock expectation. To date, prices have shown little impact from the uncertainty in the global trade policy environment, remaining fairly stable in the second quarter of 2025 relative to the first, despite the announcement of widespread tariffs by the US in early April. While much uncertainty remains in the application of new tariff rates following several changes in the past few months, the escalation of the US trade war with China in particular will likely influence global trade patterns, with China likely to source increasing volumes from outside of the US. This could results in price differentials between these major export markets.

Over the coming decade, major grain and oilseed prices are expected to find an equilibrium at levels only marginally higher than those observed in the five

years preceding the pandemic (Figure 23 and Figure 24). This reflects a fundamentally higher cost structure and ongoing uncertainty associated with conflict in various parts of the world, including the Black Sea region, which is an important producer of maize and particularly sunflower. This also underpins the premium for sunflower over soybeans, where North and South America are more important suppliers. Prices are projected to trend largely sideways in nominal US dollars. This reflects productivity-based production growth, which may slow relative to the past as a result of stringent environmental regulations, particularly in the EU (OECD-FAO, 2025). More stringent plant protection product regulation in the EU may also affect trade partners going forward. At the same time, demand growth is also expected to slow. This reflects weaker growth in China, where diets are stabilising and the population is expected to contract. It also reflects slower demand growth for animal feeds, due to weaker livestock production growth and further productivity gains in livestock production, as well as slower demand growth for biofuels relative to the past. While the need for alternative, more sustainable energy sources remains a priority in most countries, the demand for oil-based fuel is expected to decline in many developed nations, with widespread uptake of electric vehicles. Growth in biofuels will to a large extent be driven by rising blending mandates in several developing nations, many of which use feedstocks such as sugar and vegetable oils for ethanol and biodiesel production respectively. Despite the slowdown, alternative energy remains an important driver of agricultural markets, as many regions strive to reduce their dependence on imported fossil fuels, while simultaneously driving progress in commitments to reduced emissions and climate sustainability.

Production of secondary products, particularly from oilseeds, reflects relative demand for vegetable oil, both as food and feedstock in biodiesel production, along with protein meal for use in animal feed. Demand for vegetable oil remains strong, with a substantial share used for frying, often in the fast-food industry, which can then also be used as biodiesel feedstock. Conversely, the demand for feed is set to slow, owing to slower demand growth and productivity gains in livestock production (OECD-FAO, 2025). This suggests that demand for vegetable oil will be stronger than for protein meal. Nevertheless, with palm oil no longer considered a sustainable alternative for use in biofuel in the EU, the crush of lower oil yielding seeds such as soybeans is increasingly influenced by the demand for oil, rather than protein meal, as was traditionally the case. This suggests that protein meal prices may also settle lower relative to oil in the outlook.

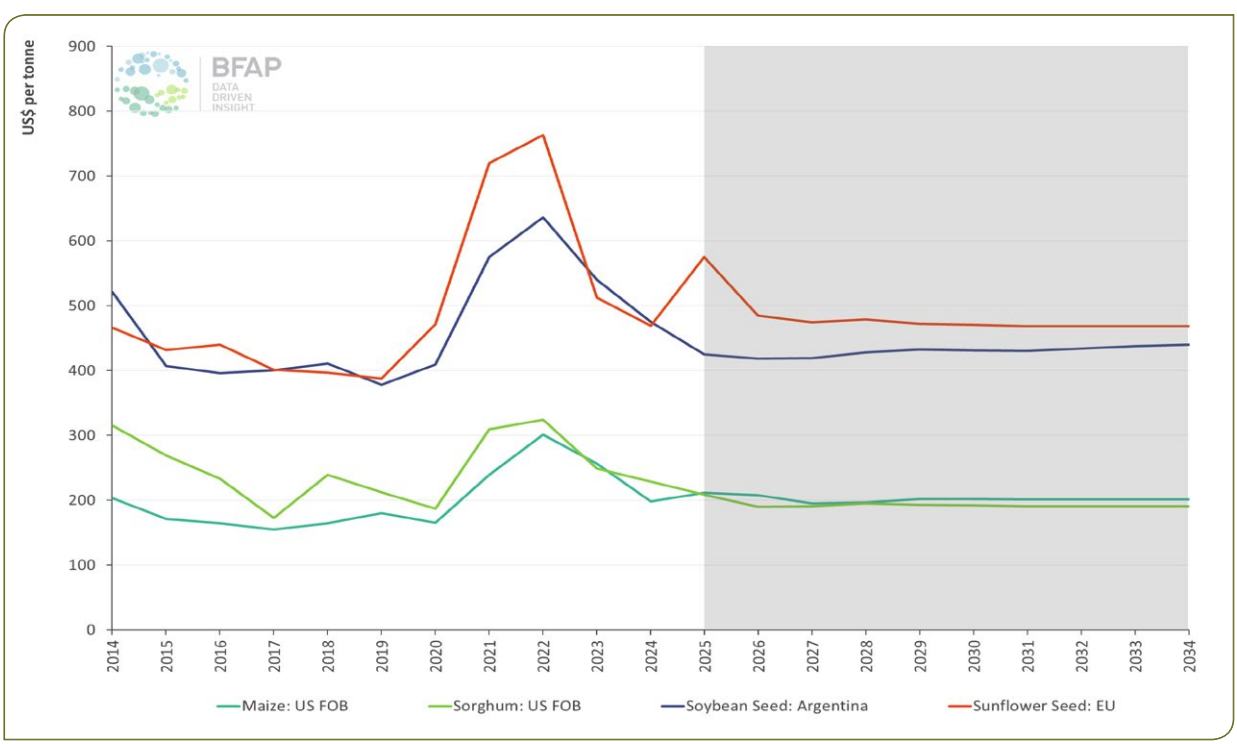


Figure 23: World prices for major summer grains and oilseeds: 2014-2034

Source: FAPRI & BFAP, 2025

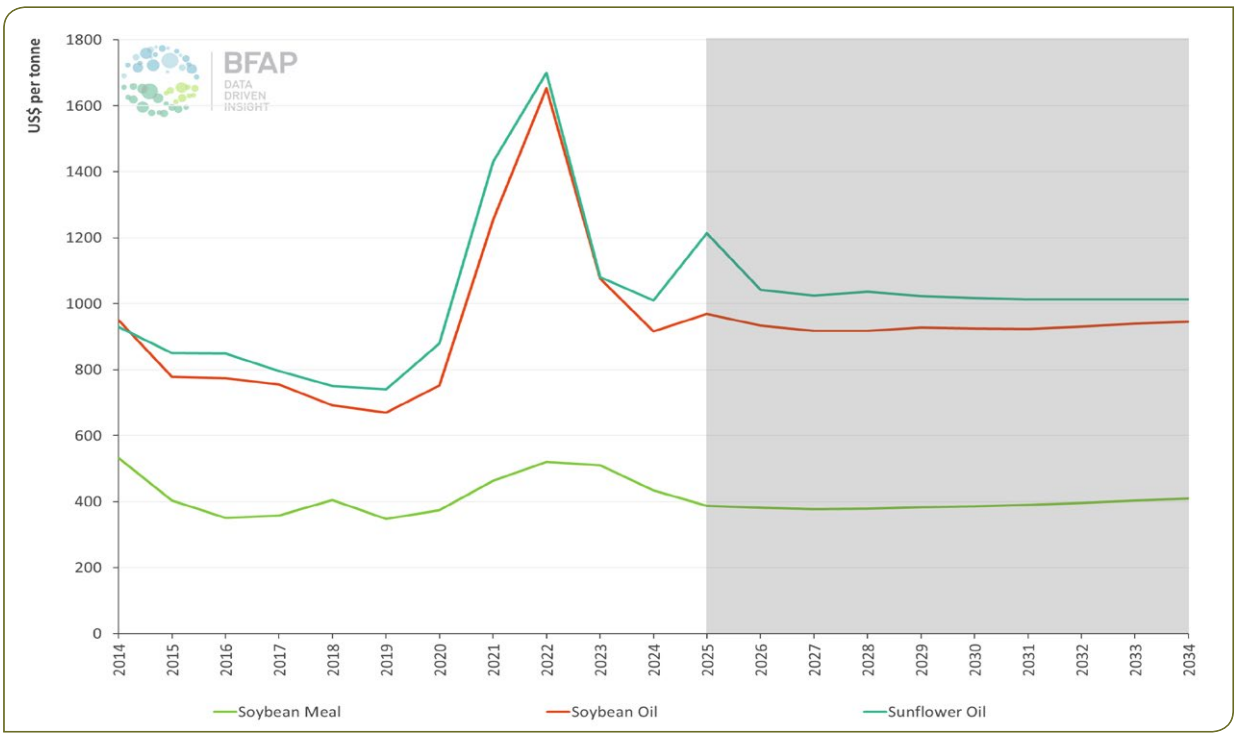


Figure 24: World prices for major secondary products: 2014-2034

Source: FAPRI & BFAP, 2025

DOMESTIC MARKET SITUATION

Between 2020 and 2023, the summer rainfall region benefited from highly favourable weather conditions, which coincided with a sharp increase in crop prices following Russia's invasion of Ukraine. This rare convergence of robust yields and elevated commodity prices significantly boosted farm profitability. After these four remarkable years, where summer crops were primary drivers of agricultural growth, 2024 brought a return to El Nino weather conditions that resulted in an extremely warm and dry February and March, affecting particularly the western production regions. This put the South African grain and oilseed producers' ability to adapt to extreme climatic conditions to the test.

Despite the challenges, South Africa still managed to produce a maize crop of 12.8 Mt, sufficient to meet local demand with the help of ample stocks from the 2023 maize harvest. However, regional export markets were also affected by the drought and in desperate need of food supplies. Consequently, white maize prices rose sharply as substantial quantities of white maize and white maize flour were exported to Southern and Eastern African markets. Throughout 2024 and the first quarter of 2025, white maize prices traded at a premium of approximately R1000 over yellow maize, implying that South Africa effectively traded white maize at a "regional export parity price" derived from the maize price in the regional export markets net of the transportation and transaction costs to get the maize there. Imports of yellow maize for feed use rose for the first time in four years, especially in the coastal areas, and just over 800 000 tonnes were imported by April 2025.

In the case of soybeans, yields declined by more than 30% in the 2024 season and only 1.8 Mt tonnes were harvested, compared to an all-time record harvest of 2.7 Mt in the preceding year. Although crushing volumes declined somewhat, the industry managed to produce more than 1.3 Mt tonnes of soybean oilcake and only the coastal regions required supplemental oilcake imports. Furthermore, 154 000 tonnes of soybeans were imported, and total exports amounted to 334 000 tonnes, of which 180 000 tonnes were in the form of soybean oilcake. Following the initial rapid expansion in crushing capacity and several years where crushers struggled to

run at full capacity, this past season provides a solid testimony to the gradual maturing of the industry, with soybean crushers able to import soybeans, process them and export the soybean oilcake into neighbouring feed markets that were in short supply, mainly due to the collapse of the soybean crop in Zambia.

In past drought events, sunflowers have proven to be most resilient and 2024 was no exception, with yields declining by only 9%. However, hectares had declined by 25 000ha from the previous season and a below average crop of 632 000 tonnes was harvested, which also affected crushing volumes. Contrary to soybean oilcake consumption, which has continued to grow by approximately 2% per annum over the past decade, sunflower oilcake consumption has been stagnant with very little growth over the same period. The use of sunflower oilcake in poultry feed rations, which is the biggest feed offtake, is limited and the lack of growth in meal availability also stems from very limited growth in sunflower production.

Despite the tough conditions in 2024, grain and oilseed producers remain resilient, and production levels are projected to bounce back in 2025 despite a very late start, some extreme heat in the first half of the season and then excessive rains in the second half. Producer confidence is exhibited by the fact that the total area planted under main grains and oilseeds has increased to 4.4 million hectares, which is the highest area planted in 25 years. Table 5 indicates that the largest percentage change is expected for soybeans and white maize production. With an expected maize crop of 14.8 Mt and total demand for maize (including exports) coming in at 14.1 Mt, there will be some relief on stock levels that are projected to rise to above 1.5 Mt by the end of the 2025/26 marketing season. Despite white maize prices trading at a significant premium above yellow maize for the past marketing season, the July 2025 futures market price for white maize already discounted a more favourable balance in supply and demand. Lower white maize prices will bring much needed relief to maize meal price inflation and consequently will bolster the overall food security of low-income households who bore the brunt of rising food prices in 2024.

Based on the variations in price responsiveness, Figure 25 illustrates that, from a revenue perspective, the decline in soybean production in 2024 was significantly more pronounced compared to that of maize or sunflower. However, in 2025, the gross production value (GPV) of soybeans is anticipated to recover, exceeding R20 billion, with baseline projections reflecting an increase to R25 billion by 2034. Similarly, the GPV of maize is expected to rise from R60 billion to R65 billion, reinforcing its position as the second-largest agricultural sector after poultry.

Although sunflower production grows from a relatively small base, baseline projections indicate that its GPV is expected to expand by approximately 10% by 2034, primarily due to improved yields rather than an expansion of the cultivated area. Over the past two decades, the land allocated for sorghum cultivation has declined to a mere 25% of its peak. The relative competitiveness of sorghum has gradually weakened compared to the rapid technological advancements observed in maize and soybeans, which have benefited from substantial investments in new cultivars and advanced seed technologies integrated with nutrition and chemical applications. Consequently, local market dynamics have shifted, and South Africa has transitioned into a net importer of sorghum. The market primarily operates closer to import parity levels, resulting in sorghum being traded at a premium above maize. This market positioning has provided some degree of stability, and over the baseline projection period producers are expected to sustain the current land

Table 5: Estimated increase in 2025 Summer Crop

	2024 (Tonnes)	2025 Estimate (Tonnes)	Year on year increase (Tonnes)
White Maize	6 055 000	7 648 450	26.32%
Yellow Maize	6 795 000	7 134 800	5.00%
Total Maize	12 850 000	14 783 250	15.04%
Soybeans	1 848 000	2 648 025	43.29%
Sunflower	632 000	727 800	15.16%

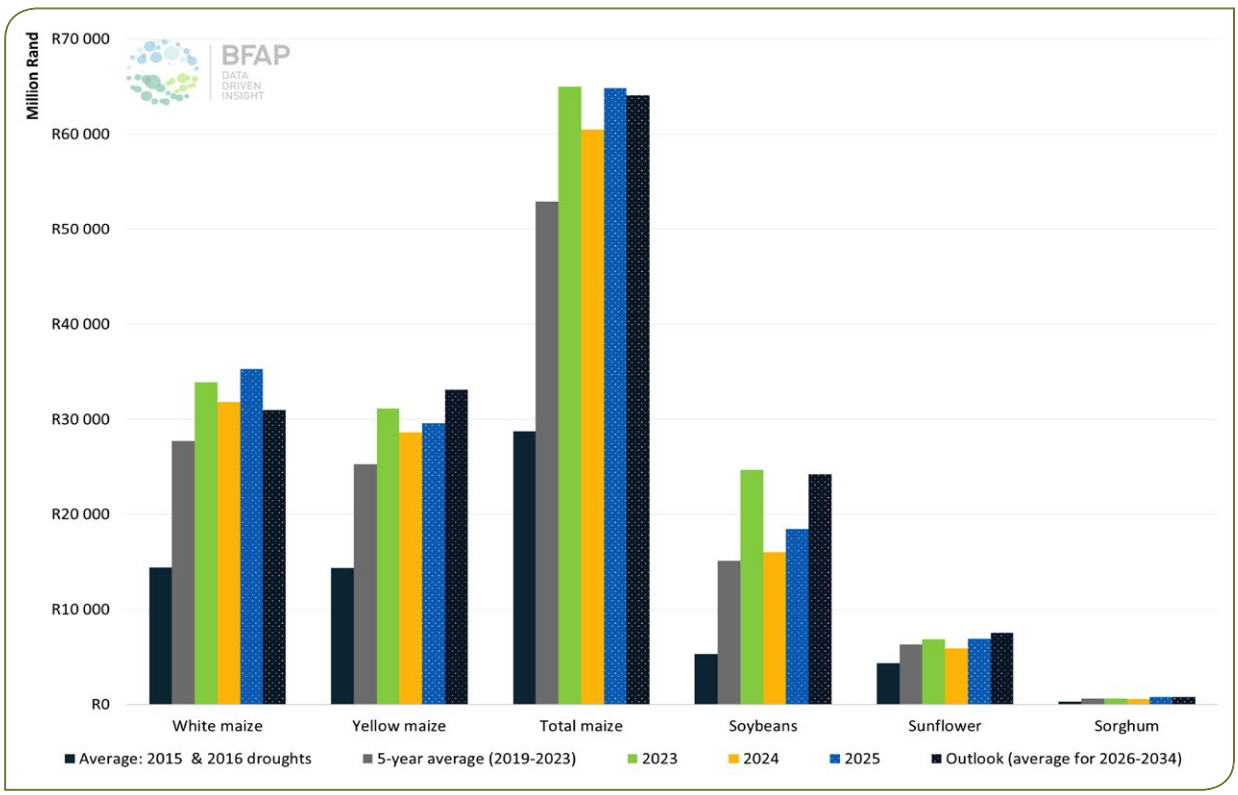


Figure 25: Gross value of production for selected summer crops in South Africa

area. Moreover, gross revenue is anticipated to increase marginally due to rising prices and slight improvements in average yields.

GPV is a measure of revenue generated and does not show the full picture of profitability, as it does not include input cost dynamics. In order to show a more complete picture of relative changes in profitability, Figure 26 presents average gross margins[1] for the main summer and winter crops. In the wake of the 2024 drought, subsequent low stock levels and the volatility of the 2025 season, domestic grain and oilseed prices remain elevated relative to global market trends. Although input costs have begun to decline, they remain significantly above pre-COVID levels. As of April 2025, fertiliser prices in South Africa have dropped by 46% from their 2022 peak but are still 49% higher than in 2019. Diesel prices are 34% higher than 2019 levels, while herbicide prices have returned to 2019 levels and insecticides are 32% lower.

While margins are expected to fluctuate at higher levels than the pre-COVID years, input costs remain above pre-pandemic levels, which results in an elevated risk environment. In the medium term, at export parity prices, successful producers will be those who were able to re-invest some of the returns from the excellent 2020-2023 period to enable productivity gains over the leaner period that lies ahead. There is evidence of such investments. Sales of agricultural equipment, including tractors and combines, reached record levels in 2023, while suppliers suggest that the average size of the equipment and the tractors has increased. There has also been a major step up in investment in precision agriculture equipment, such as planters and spreaders with variable application rate capabilities, smart spraying equipment and tractors with satellite navigation.

[1] Gross margins reflect all direct costs incurred and represent the residual funds available to support fixed overheads, including interest expenses and owner compensation.

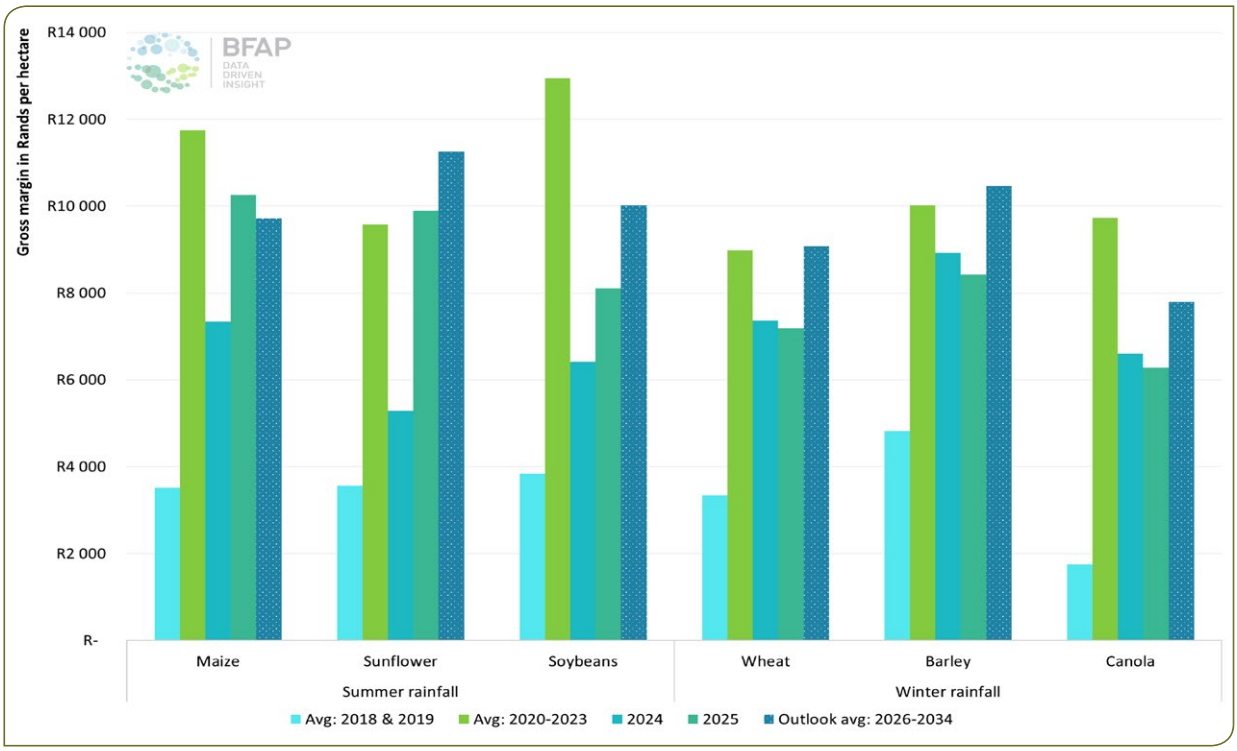


Figure 26: Gains- and oilseeds gross margin performance and outlook: 2018 - 2034

DOMESTIC MARKET OUTLOOK

The exceptional profitability experienced from 2020-2023 has been a significant driver of expansion in crop area in the summer rainfall regions. Despite the drought conditions of 2024, the total area planted under summer crops increased by an additional 12 000 hectares in 2025. This brings the cumulative expansion in area under the main summer crops to nearly 500 000 hectares over the past five years - marking the largest area recorded in more than two decades.

Although baseline projections reflect a moderate contraction in the total area under production due to declining global and domestic prices in real terms, it is expected to remain substantially above the average of the past ten years, given projected profitability. Specifically, the area under summer crops is projected to stabilise at approximately 4.3 million hectares, compared to 4.0 million hectares over the previous decade.

The composition of summer crops within the total area will reflect their relative profitability as well as the popularity of different cropping rotation systems in different parts of the country. The grain area is projected to consolidate, while the oilseed area could expand further, albeit at a much slower rate than the recent past. Most of the soybean area expansion in recent years occurred in the western parts of the country, replacing both white maize and sunflower. Within the norms of crop rotation systems, this area will likely remain under soybeans, implying some further expansion of soybean area in the medium term to around 1.2 million hectares. The total area under soybeans is expected to exceed that of yellow maize for the duration of the outlook period.

As prices continue to normalise from the peaks of 2022, sunflower area declined for the second consecutive year in 2024, but increased again in 2025. In the medium term, area is expected to stabilise at around 530 000 hectares, well in line with the past decade. The rising prevalence of *Sclerotinia sclerotiorum*[2] is expected to remain a challenge, adding costs for producers and resulting in some area shifting to soybeans in

[2] A plant pathogenic fungus that causes white mould under conducive conditions.

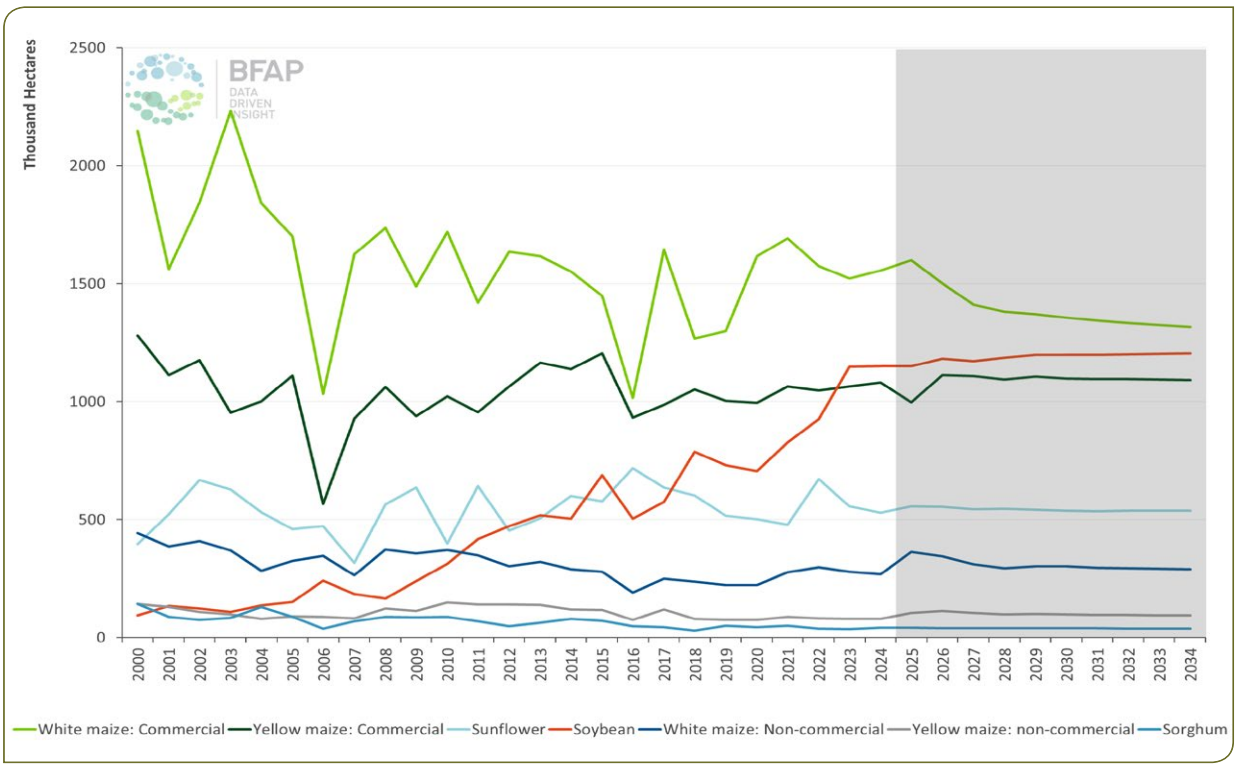


Figure 27: Area under major summer crops in South Africa: 2000 - 2034

affected regions. However, in the western regions its resilience in dry conditions continues to make it a key alternative for producers to manage weather related risks. The area allocated to sunflower is also influenced by intra-seasonal climatic variability, particularly rainfall patterns during the optimal planting periods for maize and soybeans. Given that sunflower has a later planting window compared to these crops, delayed or suboptimal rainfall during the maize and soybean planting window may prompt producers to reallocate resources toward sunflower production as a strategic alternative in affected years.

The anticipated 20% increase in sunflower yields over the next decade underpins projected growth in sunflower production. This yield improvement reflects both ongoing technological advancements and continuous enhancements in production practices, as well as a reversion to long-term trends following subpar yields during the 2022–2024 period. The national average yield is forecast to reach 1.62 tonnes per hectare by 2034 - representing only a 3% increase over the level achieved in 2020. Nonetheless, this is expected to be sufficient to maintain equilibrium between supply and demand, with market prices oscillating between export parity and values derived from oil and oilcake products.

Sunflower markets remain delicately balanced: significant production increases tend to depress prices to export parity levels, which are typically unsustainable for most producers and often result in subsequent reductions in cultivated area. A shift toward high-oil yielding cultivars is anticipated, which could support moderate growth in crushing volumes. While earlier generations of these cultivars failed to match the yields of conventional varieties, recent developments have achieved parity in yield performance while exceeding 45% in oil content. Enhancing oil content is critical to improving the competitiveness of South African crushing operations and, by extension, the broader sunflower value chain.

Figure 28 illustrates projected changes in cultivated area over the coming decade in relation to yield dynamics. It is noteworthy that the preceding decade was marked by two severe droughts, in 2016 and again in 2024, during which yields of white maize, yellow maize, and soybeans declined markedly. Looking ahead, yield levels are anticipated to return to their long-term trends, predicated on the assumption of stable weather conditions, and are projected to grow steadily towards 2034.

Yield growth for white maize is estimated at 3.2% p.a. over the outlook period, reflecting both its lower initial base relative to yellow maize, owing to disproportionate impact from the 2024 drought and a projected 1.9% p.a. reduction in planted area. The withdrawal of approximately 200,000 hectares of marginal land is expected to enhance average yield performance. In contrast, the area planted to yellow maize is anticipated to remain relatively stable, with yields forecast to increase by 1.7% p.a. by 2034.

Excluding the drought-related dip in 2024, soybean yields have shown marked improvement in recent years, averaging 2.4 tonnes per hectare between 2021 and 2023, effectively marking a structural shift in performance. These gains have been underpinned by the adoption of advanced seed technologies, including improved germplasm and genetically modified traits, whose introduction was largely made possible by the implementation of the breeding technology levy. Concurrently, producers have refined agronomic practices, including the strategic selection of cultivars tailored to specific regions, particularly enhancing yields in the drier western areas of the country.

Over the coming decade, soybean yields are projected to increase by a further 3.8% p.a. Sustained growth in yields will enhance profitability and incentivise further expansion in planted area. Additionally, the agronomic advantages of including soybeans in crop rotation systems are well established. As producers continue to optimise cultivar selection and management practices, particularly in western regions, total production is projected to increase by 40%, culminating in an estimated harvest of 3.2 million tonnes by 2034.

The relative changes in cultivated area and yield, as illustrated in Figure 28, suggest that the long-term sustainable market equilibrium for total maize production under normal weather conditions is projected to stabilise at approximately 16 million tonnes. Of this volume, an estimated 2.5 million tonnes are expected to be allocated for export, with the remainder fulfilling domestic human consumption and feed market requirements. In years characterised by typical La Niña weather patterns, particularly those associated with above-average rainfall in the western production regions, national output has the potential to significantly exceed baseline levels, which reflect

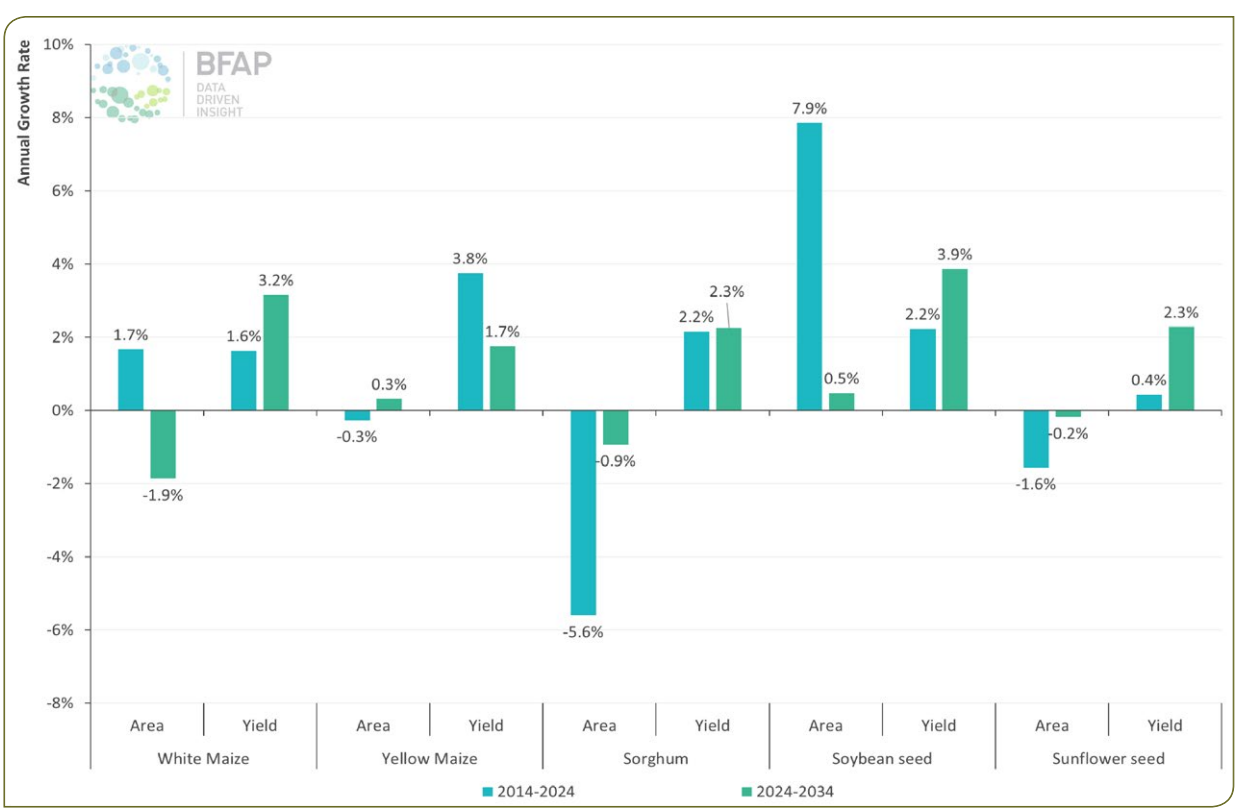


Figure 28: Average annual percentage change in area and yield for major summer crops: 2014-2024 vs. 2024-2034

average rainfall. This is largely attributable to continued advancements in seed genetics, agrochemicals, and precision farming technologies. During such favourable seasons, total maize production could comfortably exceed 18 million tonnes. These bumper harvests would require substantial increases in export volumes, placing considerable strain on transport infrastructure and export logistics, particularly at port facilities. Such strain was already observed in 2023.

The expansion in soybean production is projected to result in around 13% of the domestic crop being exported by 2034, rising from current levels of under 10%. This share could be bigger in bumper crop years, when climate conditions result in above average yields. Growth in exports result from production growth surpassing the domestic demand for animal feed, which implies that soybean prices are likely to trade near export parity levels (Figure 29).

This rapid growth has also stimulated a new wave of capital investment in processing infrastructure, with an additional 600 000 tonnes of annual crushing capacity added over the past two years. According to the latest industry estimates, South Africa's total soybean processing capacity has now reached 2.9 million tonnes. Over the projection period, the country is expected to transition into a net exporter of both soybeans and soya oilcake.

However, the realisation of this potential is highly contingent upon the availability of a stable electricity supply and the consistent delivery of essential municipal services. In addition, the Department of Agriculture's current classification of New Breeding Technologies (NBTs) products as genetically modified organisms (GMOs) may present a significant barrier to accessing the most advanced seed technologies. This stance diverges from the prevailing international approach, under which products produced using NBTs are generally not classified as GMOs, and may consequently hinder the industry's global competitiveness and technological advancement.

While average yields of the local soybean crop have shown notable progress in narrowing the gap with those of the world's leading exporting nations, this trajectory of improved relative competitiveness could stall in

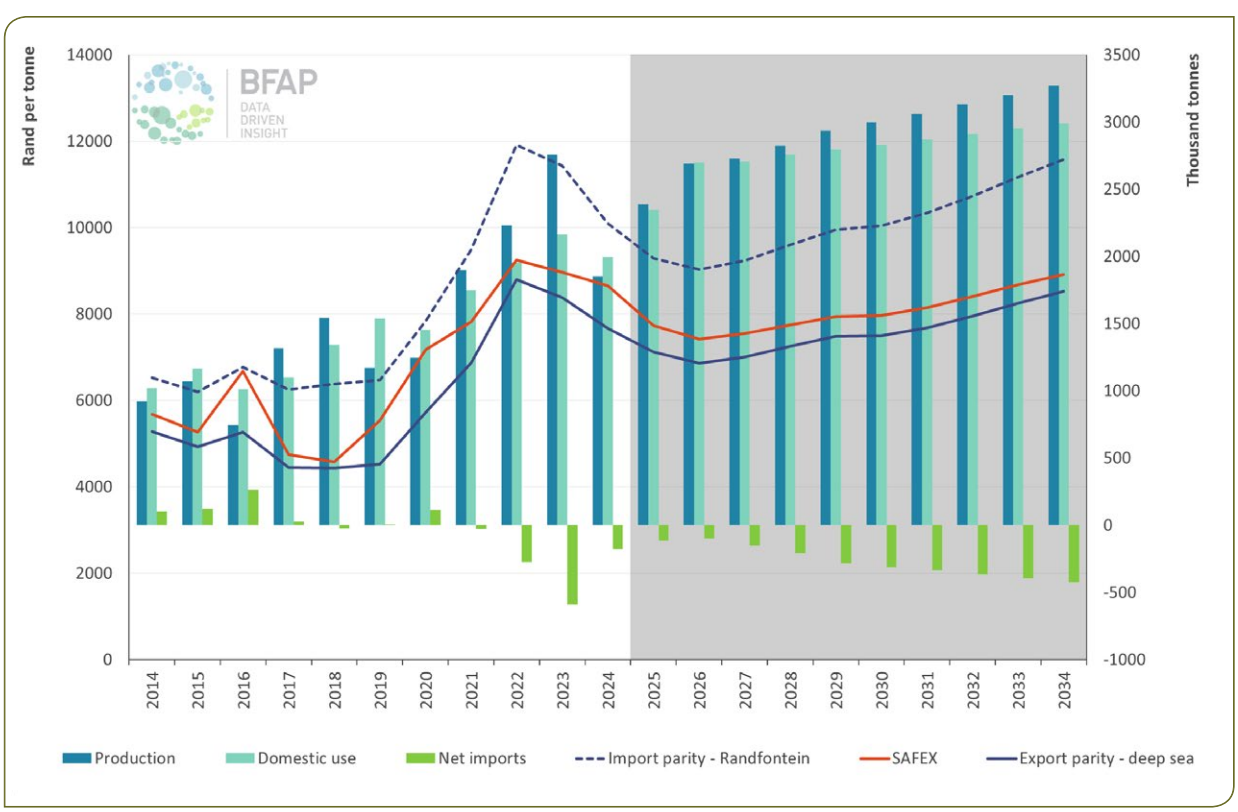


Figure 29: Soybean production, consumption, trade and prices: 2014-2034

the absence of timely and coordinated interventions. Strengthened collaboration between the public and private sectors will be essential to sustain momentum and unlock further productivity gains.

From a demand perspective, future prospects amongst the various summer crops reflect differences in use of the various products, along with expectations for consumer spending power in both the short and medium term. In the short term, the demand for food staples such as maize meal is strong, leading to higher per capita consumption as consumers with limited spending power prioritise affordability of calories over more expensive items such as meat. In the medium term however, as spending power improves on the back of some improvement in economic performance, per capita demand for white maize stagnates, but does not yet return to a historic trend of decline, while livestock product consumption per capita expands, albeit slowly.

By 2034, total white maize consumed as food is expected to expand by 10% relative to the 2022-24 base period, on the back of a growing population. Similarly, growing demand for sunflower oil is expected to drive additional sunflower crush volumes, which rise by 18% by 2034 relative to the 2022-24 base period (Figure 30). The latest seed technology is providing promising results in high oil content cultivars without compromising significantly on yields per hectare for producers. In fact, the most recent cultivar trials by the ARC suggest that the yields of one specific high oil cultivar exceeded the yields per hectare of conventional sunflower cultivars. Such high oil content cultivars will support the relative competitiveness of local sunflower crushing plants, supporting volumes growth.

Soybeans are processed primarily for protein meal, which is widely used in animal feed rations, particularly for feed intensive industries such as pork and poultry. As a result, demand for soybeans, as well as yellow maize, is driven by a growing need for animal feed as livestock sectors expand. Figure 30 shows that, by 2034, yellow maize consumption could rise by 15% relative to the 2022-24 base period. There are, however, some supply and demand dynamics at play between the white and yellow maize markets. White maize prices are typically more volatile than yellow maize, being less frequently traded in the global market. In years of shortfall, white maize prices tend to rise well above yellow maize, whereas in years of surplus the converse is true. This results in white maize being substituted into animal feed rations, as yellow maize is more easily exported into the global market. This is perfectly illustrated by comparing the period 2021-23 where on average 1.7 million tonnes of white maize was used as feed, compared to the drought year in 2024 where the tight supply and demand balance in the white maize market resulted in the consumption of white maize in the feed market plummeting to a mere 107 000 tonnes. By 2034, under stable weather conditions, this is expected to normalise and total maize used as animal feed is expected to increase by 12% relative to the 2022-24 base period, with exports constituting a smaller share of total production than in the recent past. This holds true for yellow maize exported into the global market, as well as white maize, which is typically exported into the rest of Southern Africa, mainly Namibia and Mozambique. Beyond these markets, South Africa faces stiff competition in normal years from Zambia, which is more favourably located to supply Zimbabwe with its non-GM maize. However, Zambian authorities are also prone to restricting exports in years when their own crop is reduced, which brings intermittent opportunities for South African producers to fill the gap.

Figure 30 further illustrates that soybean processing volumes are projected to be 50% higher by 2034 relative to the 2022–2024 base period. While impressive, this still represents a notable deceleration compared to the growth observed over the previous decade, reflecting both a moderation in meat product demand and increasing sectoral maturity, with the soybean industry expected to maintain a surplus position.

Crushing capacity utilisation has stabilised at more sustainable levels, and production has expanded sufficiently to warrant an additional 600 000 tonnes of annual capacity over the past two years, as previously noted. The industry has successfully displaced the bulk of historically imported soybean oilcake and, over the baseline period, is anticipated to become a net exporter of oilcake, being a more dependable and affordable supplier into the Southern and East African region than Zambia. Some imports are likely to be limited to coastal regions and primarily during severe drought years.

This outlook implies that, further to the projected growth in regional exports, future growth in the processing sector will also depend on additional demand for animal feed, particularly from the poultry and pork industries, which incorporate higher proportions of protein meal in feed formulations. While meat demand growth is expected

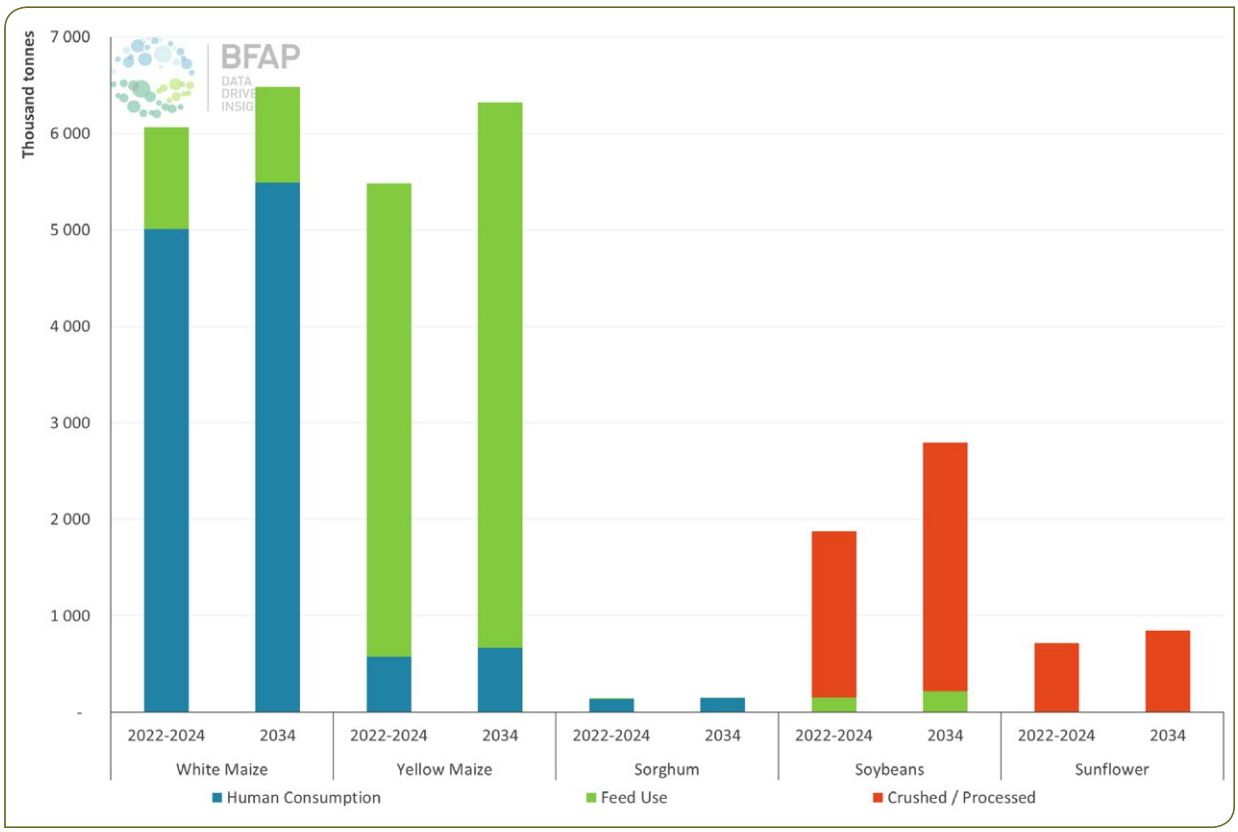


Figure 30: Demand for summer grains- and oilseeds in South Africa: 2034 vs. 2022-2024 base period

to remain slow, investments in expansion of both poultry and pork operations in the recent past, along with some opportunities to replace imported products over the coming decade do still provide some opportunity for expanded production. Additional market access for beef exports is also expected to support expansions in intensive beef production. This combination of import replacement in poultry and export led growth in beef suggests that livestock production has the potential to outpace demand growth, bolstering feed demand.

The sustained expansion in soybean production and, subsequently, oilseed processing has played a pivotal role in facilitating the replacement of imported protein meal (oilcake) used in animal feed formulations and vegetable oils. Figure 31 provides a consolidated overview of the supply and demand dynamics for oilcake, illustrating the extent of import substitution achieved over the past decade and outlining expectations for the forthcoming period. It presents total oilcake consumption for the years 2014, 2024, and a projection for 2034, along with the respective contributions from imported oilcake and domestically produced soybean, sunflower, and canola oilcake. It illustrates a substantial structural shift by 2034, reflecting net exports of oilcake. This comprises some imports into coastal regions, along with larger volumes of exports, resulting in a net surplus.

While the increase in crushing volumes is expected to meet the bulk of incremental demand for oilcake from the animal feed sector, prospects for further import replacement appear limited. This reflects the significant progress already made, with oilcake imports declining to just 158 000 tonnes in 2024 - a year marked by severe drought. Moreover, this trend highlights the competitive positioning of oilcake processed in the country's interior regions (notably the Reef), which must be priced at a considerable discount to imported alternatives in order to remain economically viable when transported to coastal markets, particularly the Western Cape.

In 2025, domestic discounts are projected to be sufficient to penetrate the coastal market, at least for the peak of the crushing season, but some imports have already occurred earlier in the year and might still be required towards the end of the marketing season. Also, some of the domestically produced oilcake will be exported

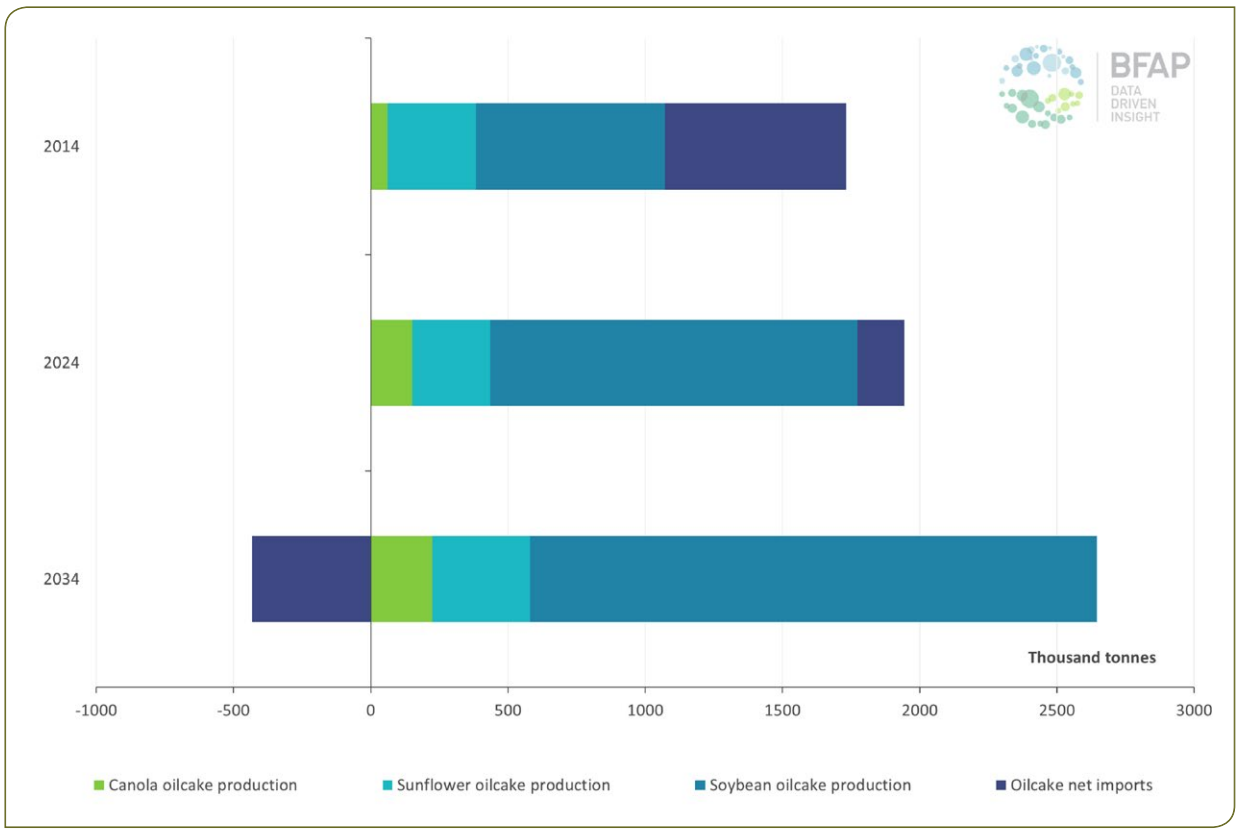


Figure 31: Oilcake supply and demand in South Africa: 2014-2034

cross border to neighbouring markets due to very tight supplies in the Zambian soybean market. Given the continued decline in global prices and the increased costs faced by processors, largely because of the need for investments in alternative energy sources because of the load shedding crisis, local crushing facilities will face persistent competitive pressure in serving coastal markets. This challenge is exacerbated by the deterioration of rail transport infrastructure to coastal regions. Consequently, it is often more cost-effective to import soybean oilcake from Argentina to Cape Town than to transport domestically produced oilcake from the interior to feed mills in the Western Cape. This then leaves surpluses from the reef entering regional export markets instead. As such, by 2034, oilcake imports are expected to be limited to coastal markets, accounting for approximately 7–10% of total oilcake consumption. Meanwhile, both soybean and oilcake export volumes are projected to rise steadily, with oilcake exports exceeding import volumes by 2034.

While sunflower and canola are crushed predominantly for the vegetable oil market, canola in particular provides an attractive alternative source of protein for animal feed, particularly in the Western Cape, where it is produced and processed. By 2034, canola oilcake production is expected to rise by 37%, reaching more than 220 000 tonnes. This will likely be taken up by dairy, pork and broiler producers in the Western Cape.

Despite being a high protein yielding oilseed, advances in soybean processing volumes have been so rapid that it has contributed meaningfully to vegetable oil import replacement as well. Figure 32 presents both historic and projected future growth in vegetable oil consumption, along with a breakdown of domestically produced oil by type, and imports of palm oil and other vegetable oils. Exceptionally high vegetable oil prices in an environment where consumer spending power was severely constrained has curbed consumption growth in recent years, but as prices continue to normalise, demand prospects are expected to improve. By 2034, total vegetable oil consumption is expected to rise by 24% relative to 2024. Imported palm oil continues to provide an extremely competitive alternative compared to locally produced sunflower, soya or canola oil. Palm oil is the most affordable of the various vegetable oils in most of the marketing years, with broad use in the food

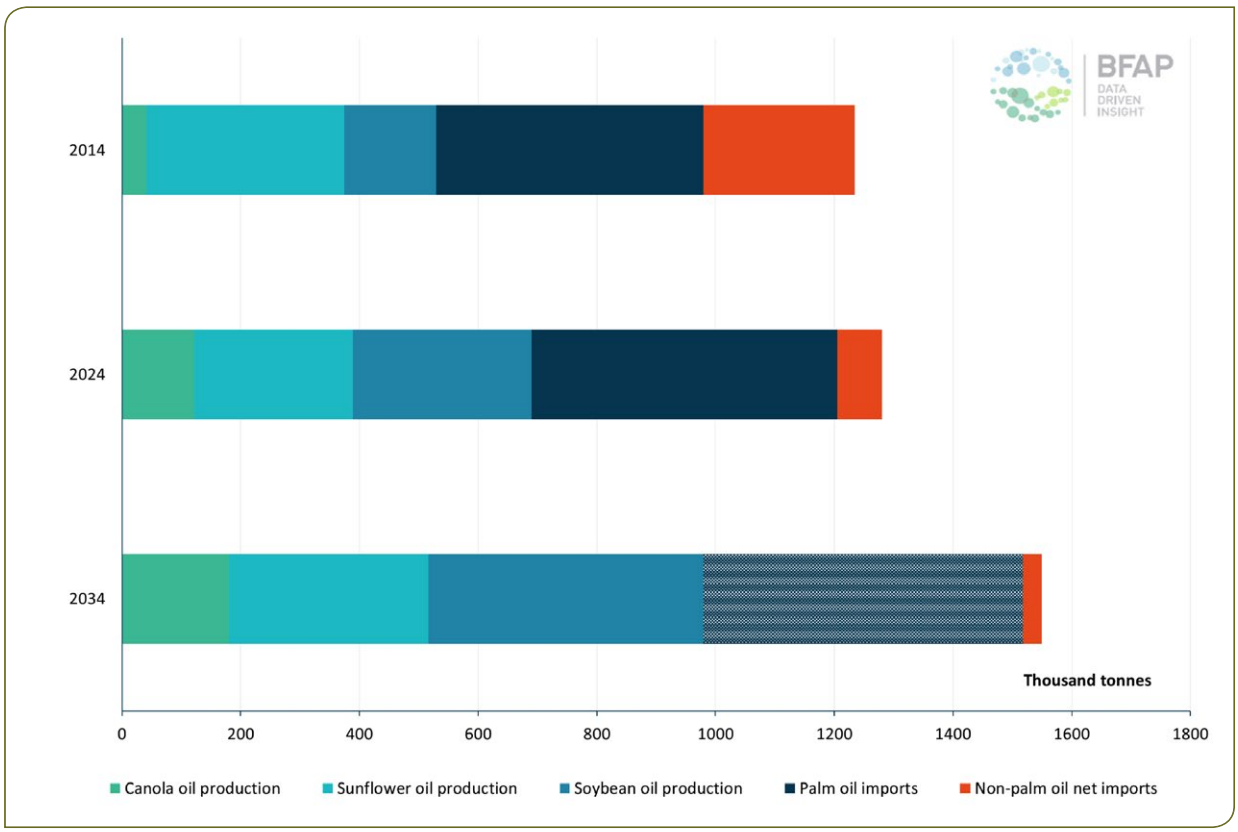


Figure 32: Vegetable oil supply and demand in South Africa: 2014-2034

service sector as a frying oil, along with manufacturing of industrial products. South Africa does not have the agro-ecological conditions to produce palm oil, hence imports are expected to rise from just over 515 000 tonnes in 2024 to almost 540 000 tonnes by 2034. Also, South Africa's production of soybean oils is expected to exceed sunflower oil production by 2034.

CONCLUDING REMARKS

South Africa's summer crop producers were key contributors to strong agricultural GDP growth from 2020 to 2023, owing to the rare combination of large domestic crops and high prices, which resulted from global disruptions. While prices started to decline in 2023, summer crop production was still highly profitable, due to a fourth successive bumper crop. While good weather was a key enabling factor, yield performance was also reflective of exemplary production practices and investment into best practice production technologies. Such investments bolstered resilience in 2024, when extreme heat and drought conditions through much of the growing cycle reduced production volumes substantially for all summer crops. While prices did respond, particularly for maize, margins were reduced year on year and the expectation of surplus crops for most of the projection period implies that South African producers will be more exposed to the reduction in world prices over the next few years. As such, margins are set to be tighter in the outlook compared to the recent past, requiring continuous innovation to remain on top of the productivity curve.

While investments into alternative energy through the loadshedding crisis in 2023 have added to capital and operational expenditure, the successes of the recent past have also enabled investment into top technologies that yield efficiency gains. This bolsters the resilience of producers, enabling sustainable production at or close to export parity levels, which is critical to a sustained reduction in food inflation, particularly on primary staples such as maize meal. It also enables competitiveness in South Africa's intensive livestock sectors, allowing further import replacement, as well as export led growth strategies.

OUTLOOK FOR FIELD CROPS

WINTER GRAINS AND OILSEEDS




INTERNATIONAL MARKET SITUATION

Following a lengthy period of disruption, global markets have reached a new equilibrium over the past two years. Winter grain prices were amongst the most affected by Russia's invasion of Ukraine in 2022, owing to the Black Sea region's prominence in exports, but the wheat and barley components of the IGC's grain and oilseed price index declined by 23% and 27% respectively in 2023 and a further 16% and 13% respectively in 2024. This follows significant expansion in cultivated area in response to the price peaks in 2022, and improved weather conditions. Early production prospects for 2025 are also favourable, prompting an expectation that wheat production will reach record levels for the second consecutive year in 2025. Barley and canola production is also expected to expand by 1,7% and 5.3% respectively. This should leave stock levels fairly stable, despite firm demand, with wheat inventories expected to decline by only 0.5%, and barley by 3.2%. This contrasts with a projected increase of 2.2% in canola stock levels. Consequently, prices have remained fairly stable through the first half of 2025, with the wheat index from the IGC declining by 2.7% relative to 2024, while the barley index increased by 6.9%. Canola prices increased by 9%, reaching a peak in April, before declining in May.

Over the coming decade, prices are expected to stabilise at levels close to those recorded in 2018 and 2019. The generally sideways trend in nominal US dollar prices over the outlook reflects slower demand compared to the past decade, particularly for wheat and barley, which are predominantly used for human consumption. In the case of canola, prices stabilise at a higher level compared to pre-pandemic norms. This reflects a more diverse consumption mix, comprising protein meal for use as animal feed and vegetable oil for direct food consumption, frying and biodiesel production. While the demand growth for biofuel is set to slow, it will remain significant as countries strive to diversify from fossil fuels while meeting sustainability targets. The OECD-FAO (2025) also note that policies related to sustainability and climate change mitigation may influence yield growth prospects, particularly in the EU. The EU's contribution to global production is larger for winter grains and oilseed than is the case for summer crops.

DOMESTIC MARKET SITUATION

Since 2018, the area planted under wheat, barley, and canola has expanded steadily, from just over 500

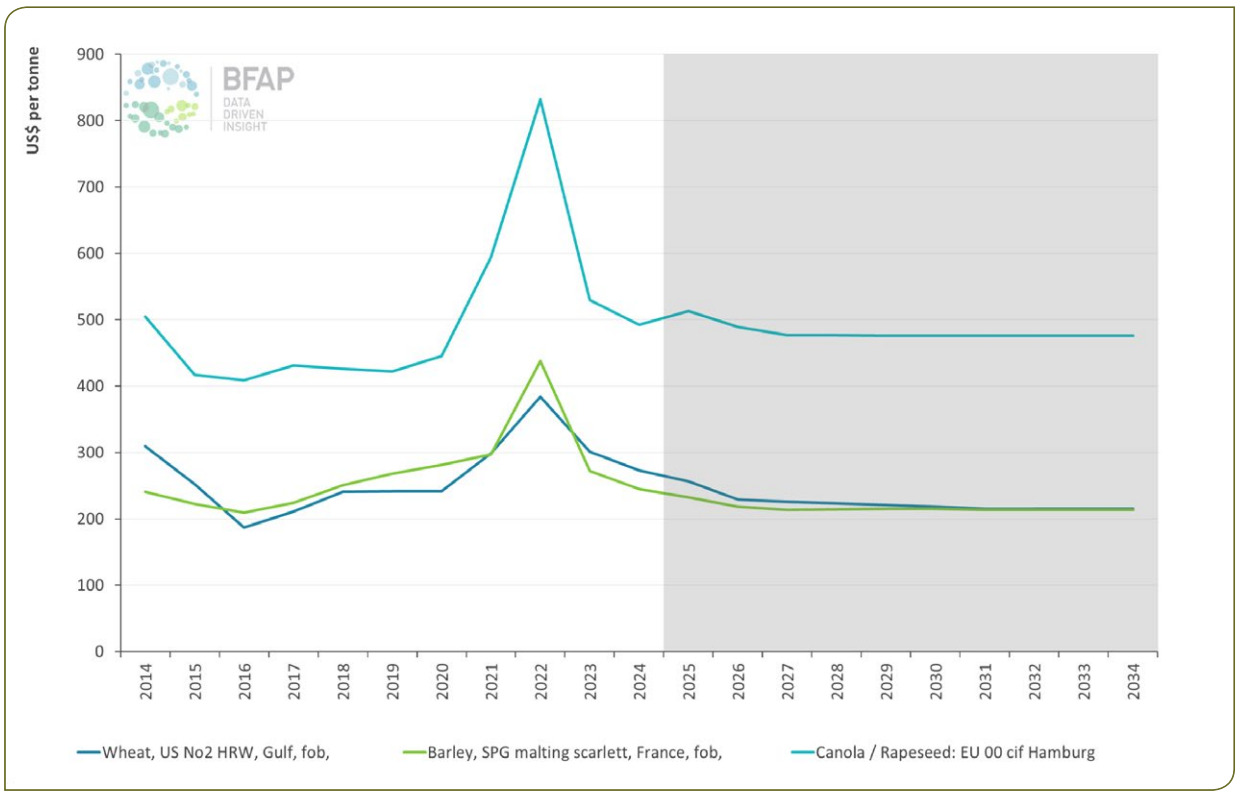


Figure 33: World prices for major winter grains and oilseeds from 2014 to 2034

Source: FAPRI & BFAP, 2025

000 hectares to more than 600 000 hectares by 2024. This expansion has been driven by a combination of elevated commodity prices, favourable climatic conditions, and the accelerated adoption of canola as a financially viable alternative to wheat and barley. Additionally, canola contributes agronomic advantages within rotational cropping systems.

Despite a 13% decline in the GPV of wheat in 2024 compared to 2023, the 2024 GPV remains approximately 70% higher than the corresponding value recorded in 2019 (Figure 34). Even more noteworthy is the remarkable expansion of the canola industry, which has increased its GPV more than fivefold over the same period, from R538 million in 2019 to R2.7 billion in 2024.

In contrast, the GPV of barley has exhibited only marginal growth. Following a sharp increase in 2020, the sector has undergone a degree of consolidation, as barley production for malting purposes has become more closely aligned with the scale of domestic market demand.

Global wheat prices have experienced a marked decline over the past year. In response, local wheat producers are expected to benefit significantly in 2025 from the import tariff mechanism. At present, an import duty of R549 per tonne has been implemented, with the subsequent threshold of R856 per tonne already triggered.

Given the linkage between local barley and wheat prices, the gross production value (GPV) of both commodities is projected to rise over the outlook period. In parallel, continued expansion in the area planted to canola, coupled with rising production levels, is expected to further bolster revenue growth within the oilseed sector.

DOMESTIC MARKET OUTLOOK

Domestic prices for winter grains and oilseeds in South Africa are closely aligned with global market trends, showing limited sensitivity to local supply and demand conditions. South Africa imports around half of its domestic wheat requirement, resulting in prices that tend to follow import parity dynamics.

Wheat prices are supported by the continuation of the variable wheat import tariff, which remains in effect through the entire outlook period owing to world

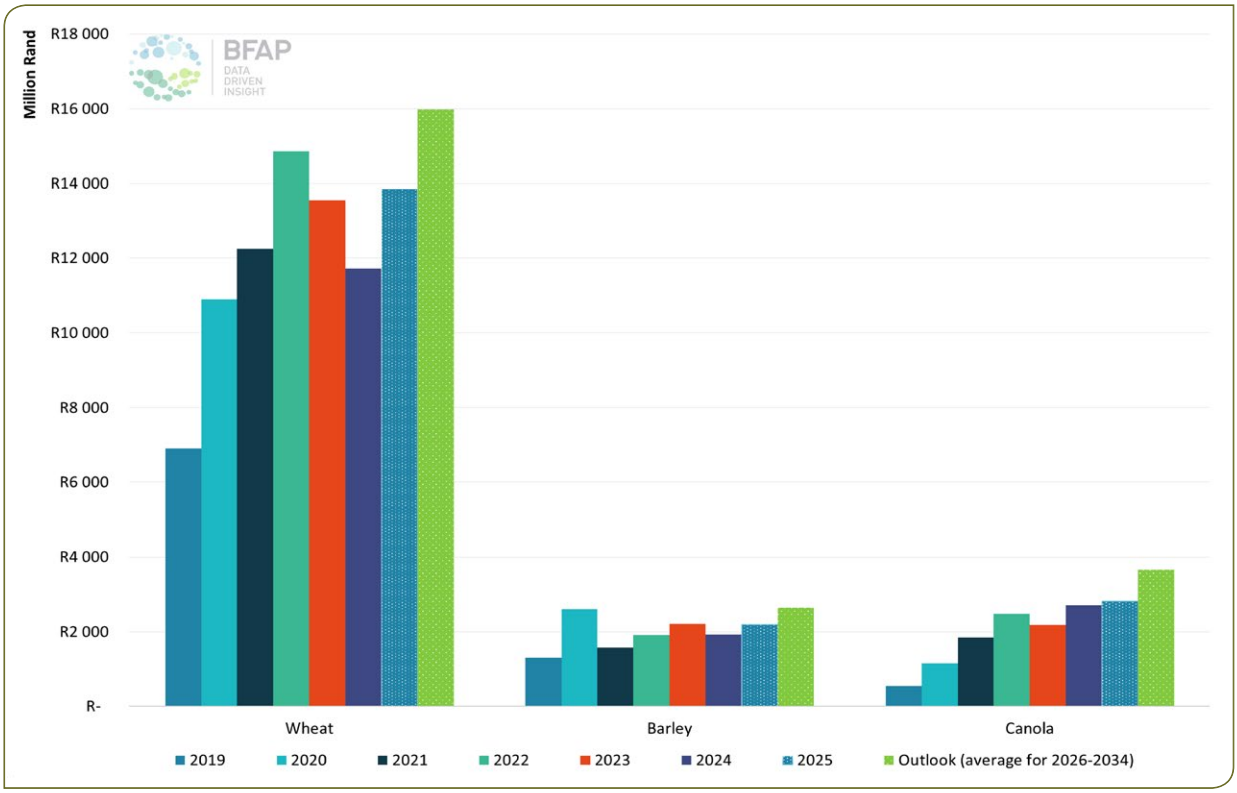


Figure 34: Gross value of production for selected winter crops in South Africa

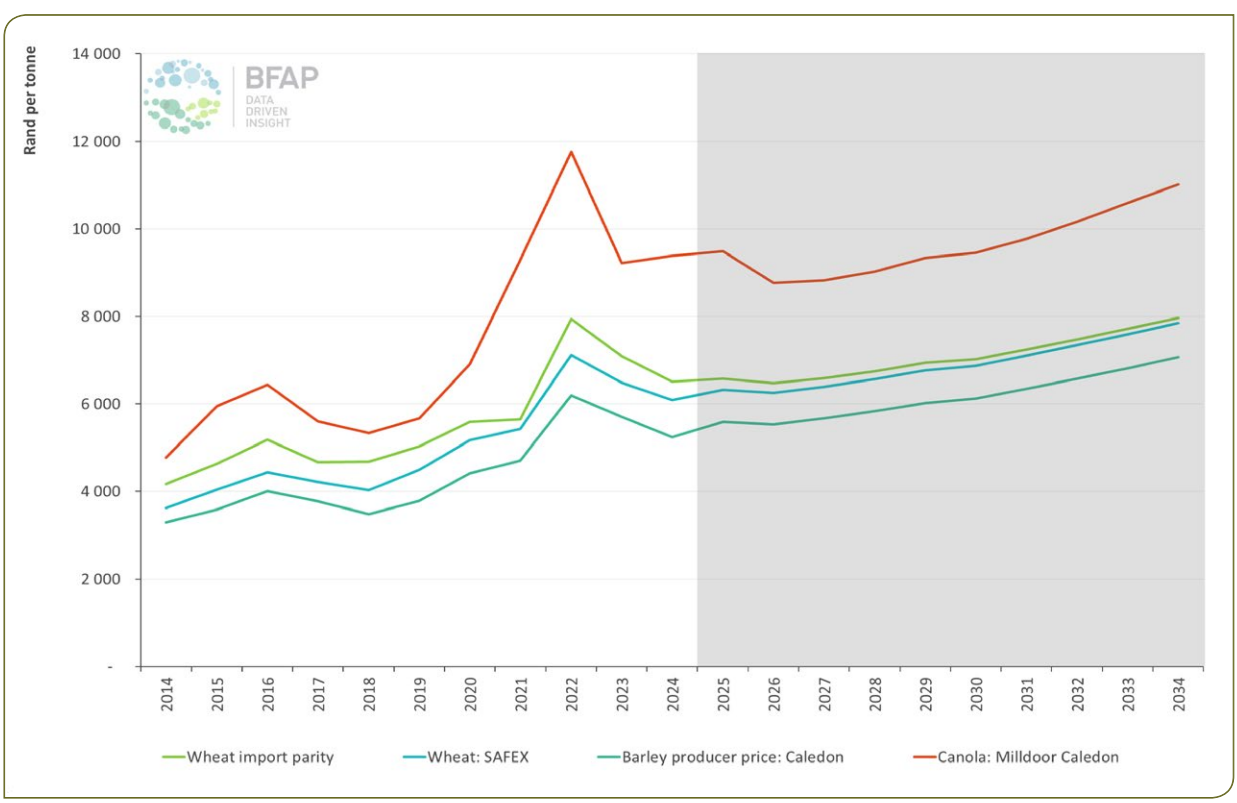


Figure 35: Winter crop prices: 2014-2034

prices remaining below the US $279 reference price. Consequently, the projected domestic price path closely mirrors exchange rate dynamics, which is set to play a central role in shaping domestic markets. Barley prices are linked to wheat markets and canola prices tend to follow broader oilseed commodity movements, which reflects ample influence from global dynamics.

In terms of specific projections, wheat and barley prices are expected to decrease by approximately 1.0% in 2026 compared to 2025, followed by a modest recovery in 2027 (Figure 35). Over the longer term, nominal prices for wheat and barley are forecast to grow annually by 2.6% and 2.8%, respectively. Canola prices are projected to experience a sharper decline of 7.6% in 2026, but will subsequently grow at a sustained rate of 2.2% per annum.

Farm-level profitability in 2024 was notably impacted by adverse weather conditions in the Swartland region, including a delayed season onset, excessive rainfall in June and July, and a subsequent dry spell (Figure 36). These factors contributed to reduced yields, with canola underperforming relative to wheat. In contrast, the Southern Cape experienced a generally favourable season despite lower crop prices. Assuming average yield trends, gross margins are expected to decline in the short term due to lower crop prices. However, wheat and barley margins are likely to be more resilient, supported by the wheat import tariff. Despite the anticipated short-term decline, gross margins are projected to remain well above the lows recorded in 2018 and 2019. Over the outlook period, growth in nominal prices and sustained productivity gains, particularly for canola, will support higher gross margins.

The winter cropping area has expanded over the past decade, with wheat cultivation in the winter rainfall region increasing by 1.9% annually, driven by high crop prices (Figure 37). Favourable margins in the outlook support a further expansion, with total winter rainfall cropping area projected to grow from approximately

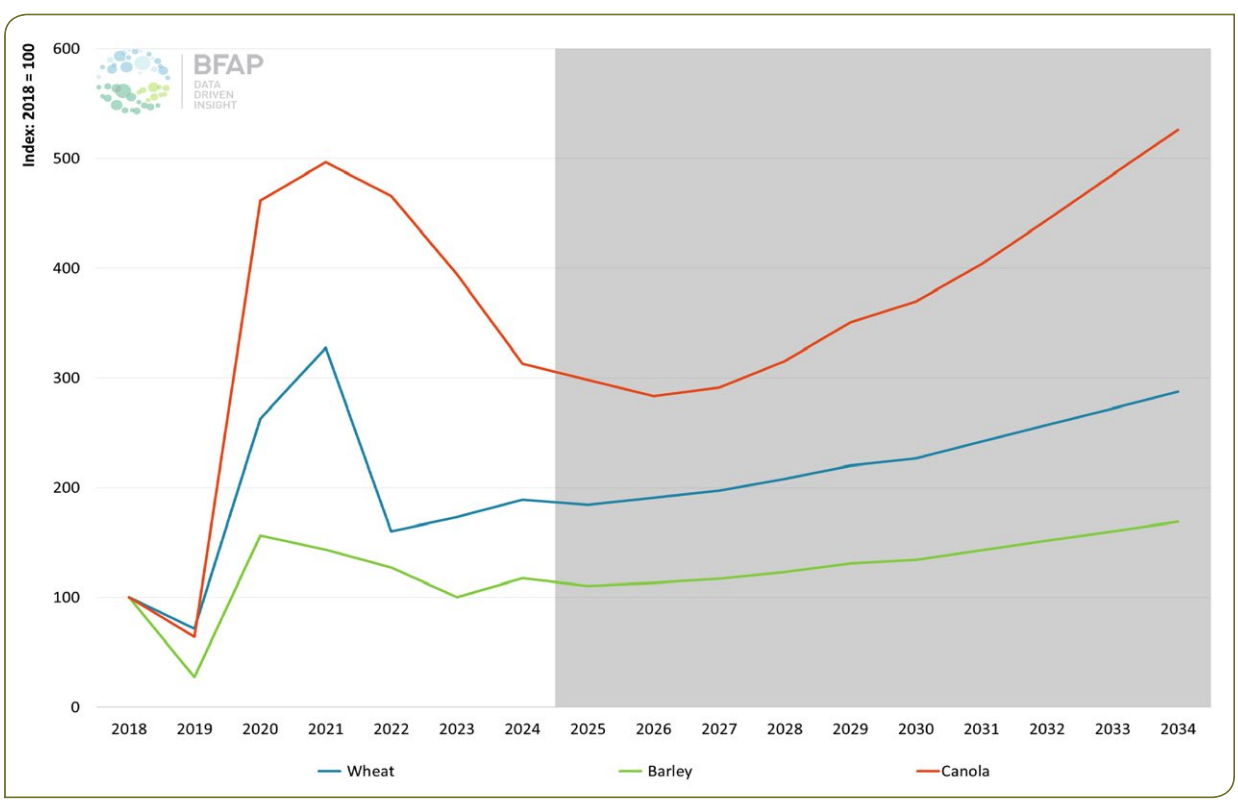


Figure 36: Gross margin performance index for dryland winter crops: 2018 - 2034[3]

[3] The gross margin performance of dryland crops from 2018 (adjusted to account for actual yields and crop prices, 2024 using preliminary results) to 2034 (2025 to 2034 are projected assuming projected trend yields and quality). It is important to note that the gross margins only consider direct costs and exclude overhead costs, and that the presented gross margins will differ based on the timing when producers have purchased agricultural inputs (fertilisers, fuel & chemicals) and when marketing takes place.

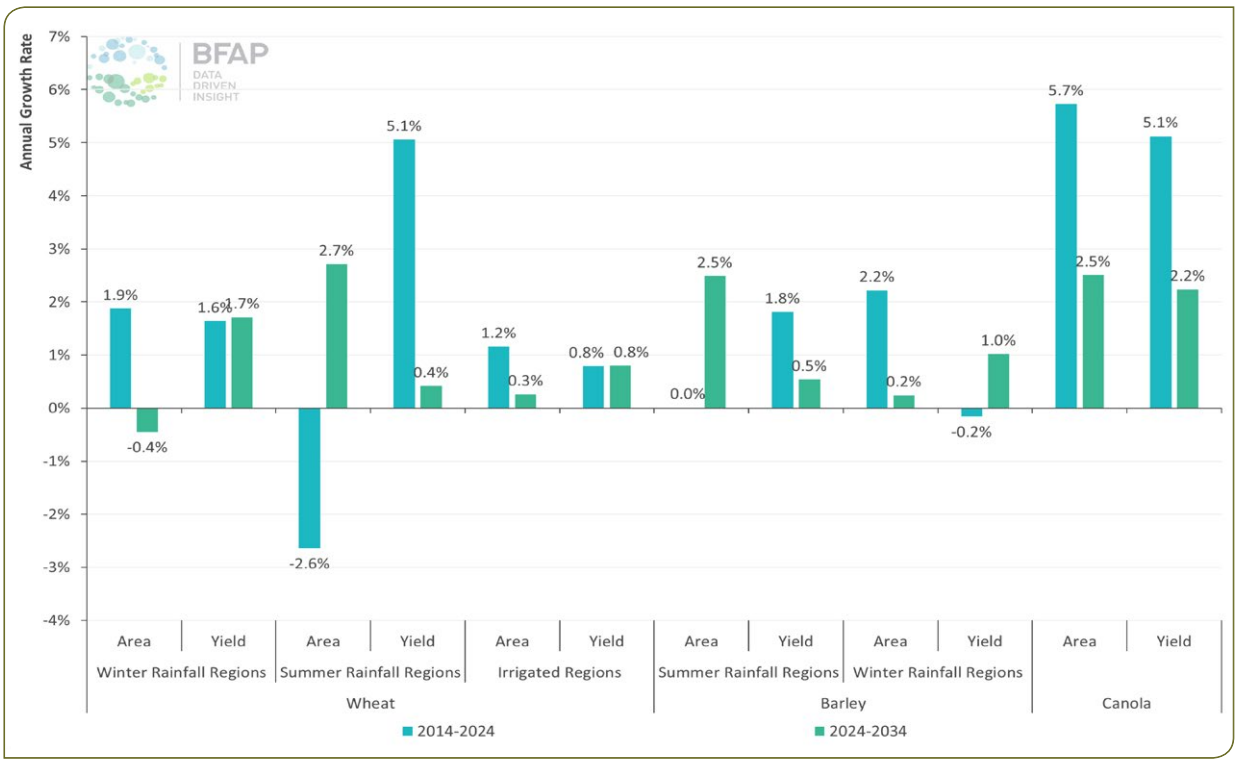


Figure 37: Average annual percentage change in area and yield for major winter crops: 2014-2024 vs 2024-2034

604 000 hectares in 2024 to 634 000 hectares by 2034. Crop rotation practices in the Western Cape are largely established, resulting in limited shifts in crop mixtures. As prices stabilise and canola performance improves, wheat area is expected to decline by 0.4% per annum, while canola area is projected to grow by 2.5% annually. Part of this expansion occurs in the Northern production regions. The pace is slower than the previous decade's 5.7% growth rate, reflecting an increasingly mature industry. Barley cultivation is expected to increase only marginally by 0.2% per annum.

WHEAT

Despite strong growth in the area planted, wheat production in South Africa reached a seven-year low in 2024, with record lows in the summer rainfall region and a modest decline in irrigated areas. A gradual recovery is expected, with total cultivated area increasing from 505 000 hectares in 2024 to 530 000 hectares by 2034, primarily due to a rebound in the summer cropping and irrigated regions. Yield growth is projected at 1.7% per annum in winter regions, 0.4% in summer regions, and 0.8% in irrigated areas (Figure 38). Between 2022 and 2024, wheat production averaged 2.03 million tonnes, with imports accounting for just over half of domestic demand. By 2034, production is expected to rise by 332 000 tonnes to 2.4 million tonnes, while imports could reach 1.9 million tonnes. This points to a modest decline in the share of total consumption that will be imported by 2034.

BARLEY

Barley cultivation expanded significantly from 2010, peaking at 142 000 hectares in 2020, driven by strong gross margins relative to wheat and canola. However, challenges such as pandemic-related alcohol sales restrictions and market maturity led to a decline in area to around 101 000 hectares by 2021, stabilising thereafter. Over the outlook, barley area is projected to remain steady at approximately 105 000 hectares. Yield trends show a 1.8% annual increase on average in the summer rainfall region over the past decade, while winter region yields declined by 0.2% annually. A recovery is expected in winter regions with a projected 1% annual increase, while irrigated yields will grow at a slower rate of 0.5% per annum. Barley production, primarily for the malting industry, averaged 355 500 tonnes from 2022 to 2024, with imports around 70 000 tonnes. By 2034, production

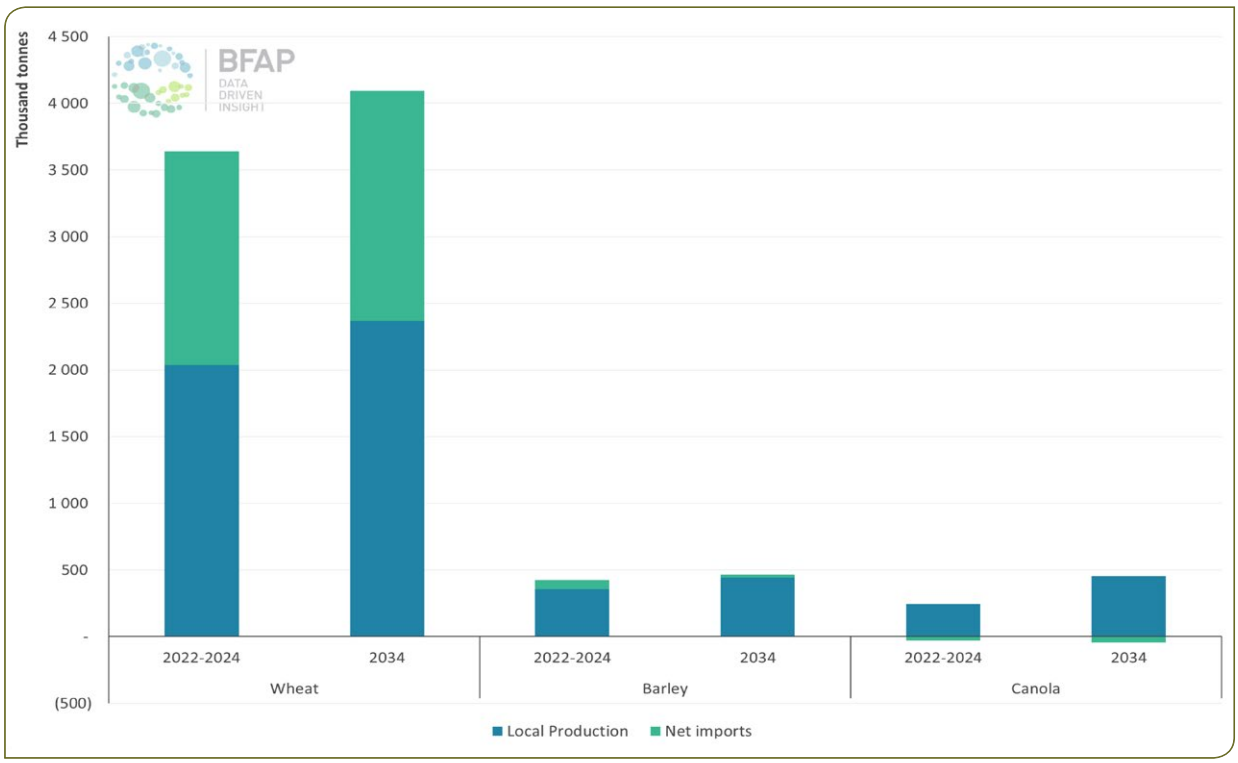


Figure 38 Demand for wheat, barley and canola: 2034 vs. 2022-2024 base period

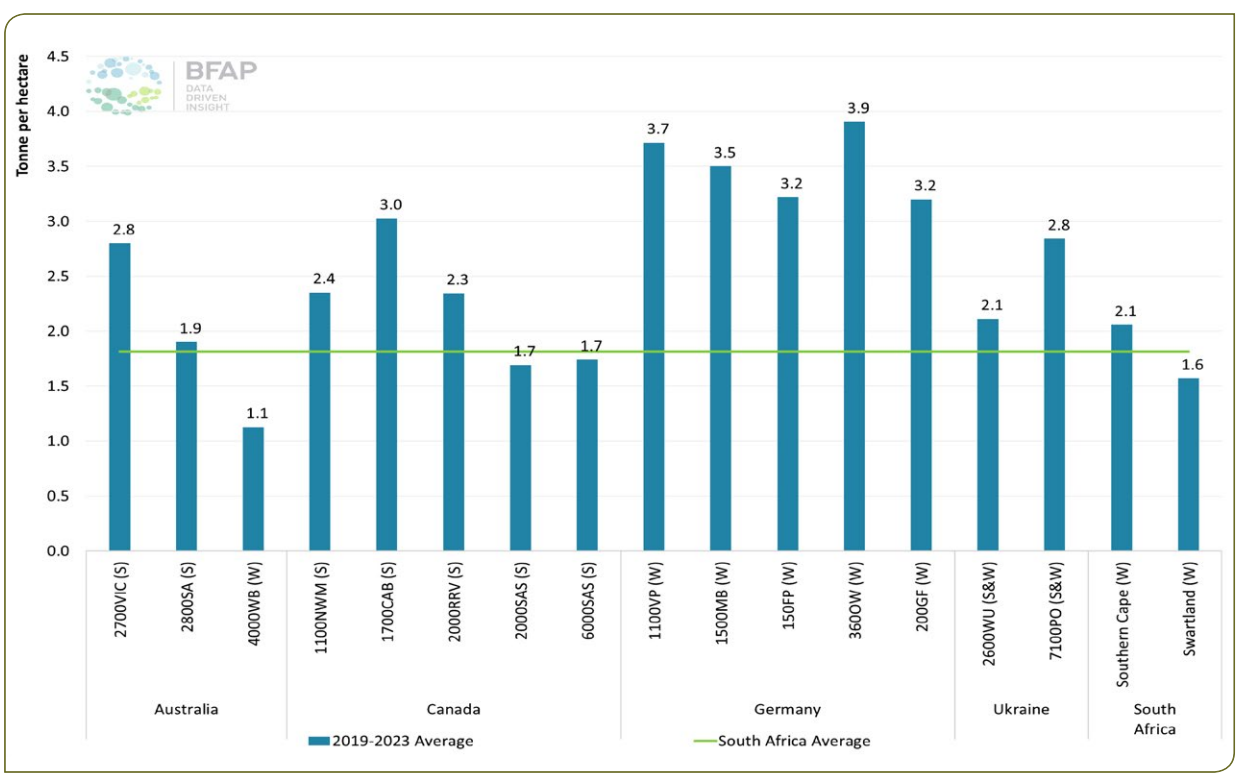


Figure 39 Domestic canola yields compared to international counterparts: 2019-2023

*International counterpart average yields are based on typical agri benchmark farms, not on national average yields

Source: agri benchmark, 2024

is expected to exceed 445 000 tonnes, with limited imports from time to time, depending on the relative strength of the domestic crop.

CANOLA

Canola production has seen robust growth, expanding from 78 050 hectares in 2015 to 145 000 hectares in 2024 at an annual rate of nearly 8.0%. Further expansion is anticipated at a slower rate of 2.5% per annum, reaching 186 000 hectares by 2034. Industry stakeholders suggest potential expansion in irrigated areas. Yield improvements have been significant, driven by advancements in seed technology, with a 5.1% annual growth rate over the past decade. Future productivity gains are expected to continue at a slower pace of 2.2% per annum. Production volumes have surged, with South Africa producing 245 000 tonnes of canola between 2022 and 2024 and exporting approximately 27 000 tonnes to non-GMO markets such as Europe and Kenya. These exports have helped alleviate pressure on local processing capacity, which has been undergoing upgrades. Notably, a new crushing facility was commissioned in Malmesbury in June 2024. By 2034, canola production is projected to reach 454 000 tonnes, with exports increasing to just over 43 000 tonnes.

Figure 39 compares South Africa's yield to typical farms in other countries (the number indicates the size of the farm, the letters the area code, and the "S" or "W" indicates whether the farm produces summer or winter canola). South Africa's canola yield performs well compared to Australia and Canada, but remains below the international average, including high-yielding EU members. The projected yield increase of 2.2% per annum (Figure 37) can improve canola's international competitiveness, outperforming current levels attained by Australia and Canada, and moving closer to the northern hemisphere producers. While such producers are also expected to attain yield gains over the outlook, South Africa's projected yield growth for canola is faster than similar projections by international institutions for the EU, Australia and Canada. Furthermore, the yield increase will continue to boost canola's profitability compared to wheat and barley (Figure 36).

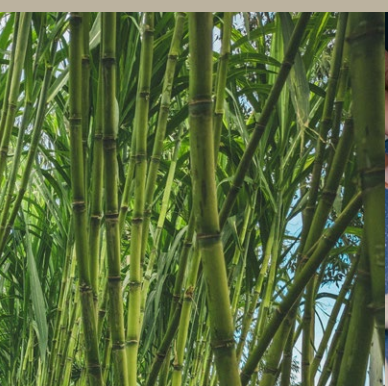
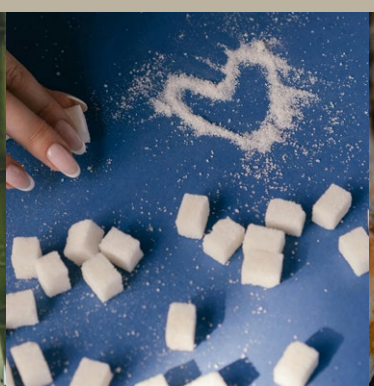
CONCLUDING REMARKS

South Africa's winter crop producers have experienced moderate profitability in recent years, benefiting from elevated global commodity prices. Domestic winter crop prices remain largely influenced by global market dynamics, with limited sensitivity to local supply and demand. Wheat prices are partially shielded by a variable import tariff, which is expected to limit future price declines, with the exchange rate becoming a more prominent factor. Barley, closely tied to wheat pricing, will follow similar trends, while canola, unprotected by the tariff, is expected to face greater price pressure in the short-term. Nonetheless, rising yields will help sustain profitability, and canola's role in crop rotation systems continues to drive its expansion.

In 2024, profitability was uneven across regions, but despite short-term margin compression, long-term prospects remain positive, supported by ongoing productivity improvements. The winter cropping area has expanded over the past decade, with wheat initially leading due to high prices. However, as prices normalise and canola performance strengthens, a shift in cultivation patterns is expected, favouring increased canola area.

Looking ahead, winter crop margins are projected to stabilise at levels above those seen in 2018, though below recent highs. Producers will need to navigate a high-risk environment characterised by elevated input costs, necessitating continued innovation and investment in advanced technologies to maintain competitiveness.

SUGARCANE AND SUGAR

The global sugar economy is undergoing a structural realignment, shaped by diverging consumption trajectories. In low- and middle-income countries across Asia and Africa, sugar consumption is expected to rise steadily, driven by population growth, urbanization, and rising disposable incomes. However, per capita intake in these regions will remain below the global average, reflecting both dietary transitions and affordability constraints. In contrast, high-income countries are entering a phase of sugar demand saturation. Health-driven consumer preferences, regulatory interventions (e.g., sugar taxes, front-of-pack labelling), and reformulation by food manufacturers away from caloric sweeteners, are expected to continue suppressing per capita sugar intake. This divergence in demand growth will increasingly shift the centre of gravity for sugar consumption toward emerging markets.

The OECD and FAO (2025) suggest that global sugar production is projected to grow by 15% over the next decade, with sugarcane maintaining its dominance, contributing over 85% of total output. Brazil is set to reinforce its leadership position, leveraging replanting cycles, varietal improvements, and flexible milling capacity that allows dynamic switching between sugar and ethanol production.

India and Thailand are also expected to post significant production gains, supported by government incentives, improved extraction rates, and productivity enhancements. However, in the European Union, sugar beet production is projected to decline due to regulatory constraints on crop protection products and environmental compliance costs.

The interplay between sugar and biofuel markets that has been developing since the 1970s and has become more pronounced in the last two decades, is now a core structural feature in the global sugar market. In Brazil, nearly half of the sugarcane crop is expected to be diverted to ethanol production, with similar trends emerging in India. This dual-use dynamic introduces a stabilising mechanism for global sugar prices, as ethanol demand can absorb supply surpluses and mitigate price volatility. However, this also introduces new risks as ethanol profitability is closely tied to oil prices and policy incentives. Any weakening in crude oil prices or biofuel mandates could redirect cane back to sugar, boosting global supply and exerting downward pressure on prices.

In the 2024/25 season, global sugar output declined by 3% from the previous year, primarily due to reduced yields in India and Brazil. India faced prolonged dry weather in key producing states, while Brazil contended

with earlier droughts, wildfires, and low rainfall in early 2025. Thailand saw a significant production rebound due to favourable weather and expanded planting incentivised by high farm-gate prices. Brazil is projected to consolidate its position as the world's leading sugar producer, with investments in replanting and varietal improvements expected to support a recovery in yields. By 2034, Brazil is forecast to contribute 24% of global sugar production, but sugar output will remain sensitive to the relative profitability of sugar versus ethanol, especially under Brazil's RenovaBio policy, which aligns to the country's commitment under the Paris Agreement.

India, the second-largest producer, is expected to see slower growth in sugar output compared to the past decade. Government support for ethanol production is diverting more sugarcane away from sugar, with ethanol expected to consume up to 22% of sugar production by 2034. Nonetheless, yield improvements and policy support will sustain moderate production growth.

Thailand is projected to continue its recovery, with sugar production increasing due to higher yields and stable cultivation areas. Unlike Brazil and India, Thailand uses a smaller share of sugarcane for ethanol, focusing more on sugar exports. By 2034, Thailand is expected to account for 14% of global sugar exports. Other notable contributors include China, where sugar production is expected to rise modestly due to improved crop management, and African countries, particularly Egypt and Sub-Saharan nations, where production is expanding due to government support and foreign investment.

Since 2020, the South African sugar industry has adhered to the Sugarcane Value Chain Masterplan by limiting notional price increases to the general inflation rate despite significant above inflation input cost increases. To correct the 'imbalance' the notional price was increased significantly in 2023 and to a lesser extent also in 2024. At this higher price level, and with some subsequent easing in input costs, a modest recovery is anticipated in area under sugarcane cultivation. Cane area is projected to increase slightly through 2027, before returning to 2024 levels by 2028. Thereafter, a gradual decline is expected, with total cane area decreasing by approximately 4.3%, equivalent to 14 870 hectares, by 2034.

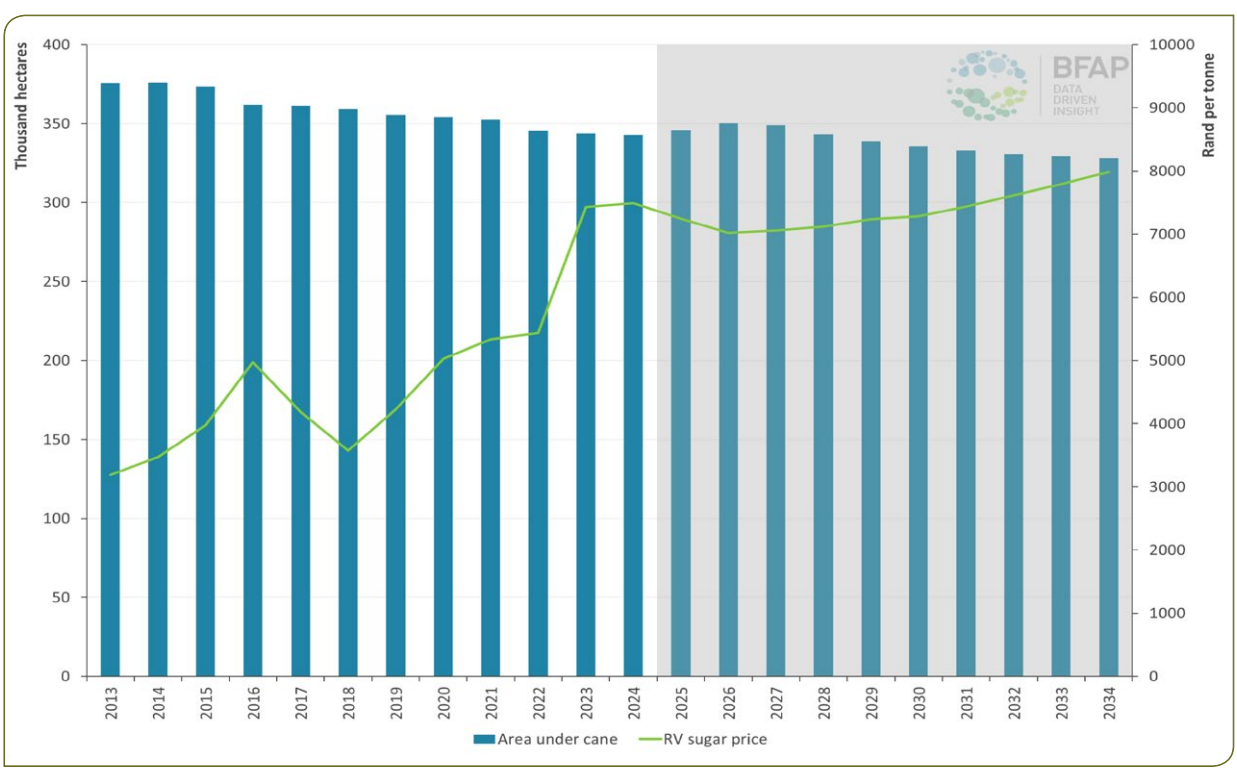


Figure 40: Sugarcane area and price: 2013-2034

Since its introduction in 2018, Government has not increased the level of the Health Promotion Levy (HPL), and despite severe pressure on the fiscus, again did not increase the level in 2025, citing the need for more time for the industry to restructure. Another policy change that will likely impact the sugar industry is legislation around front-of-pack labelling. Regulation R3337 is still in the consultation phase, and it is still unclear when the regulations will be finalised or when implementation will become mandatory.

Under phase II of the Sugarcane Value Chain Master Plan 2030, industry has set the objective to diversify to move from a sugar-based to a sugarcane-based industry. The general aim is to transform and future-proof the industry by expanding beyond traditional sugar production into value-added and bio-based products and energy. In support of the Master Plan objectives, the Department of Trade, Industry and Competition (DTIC) has proposed exemptions from Competition Commission regulations. Normally, cooperation and negotiation between independent entities would be in contravention of Competition Commission regulations. These exemptions would allow for collaborative planning and procurement agreements between sugarcane growers, millers, and commercial sugar users, to facilitate both the prioritisation of locally produced sugar and the coordination necessary to launch diversification projects. Increased procurement of locally produced sugar at negotiated prices will reduce deep-sea imports and loss-making exports and sustain a larger sugarcane industry.

The Baseline projection does not incorporate this prospect, as it is yet to be finalised and approved. Under the outlook, the slight increase in the cane area and associated increase in cane and sugar production will necessitate increased exports and result in a lower average cane price until the area starts decreasing again from 2027. The Baseline also assumes a 'business-as-usual' takeover of Tongaat Hulett's sugar concerns by the Vision Consortium.

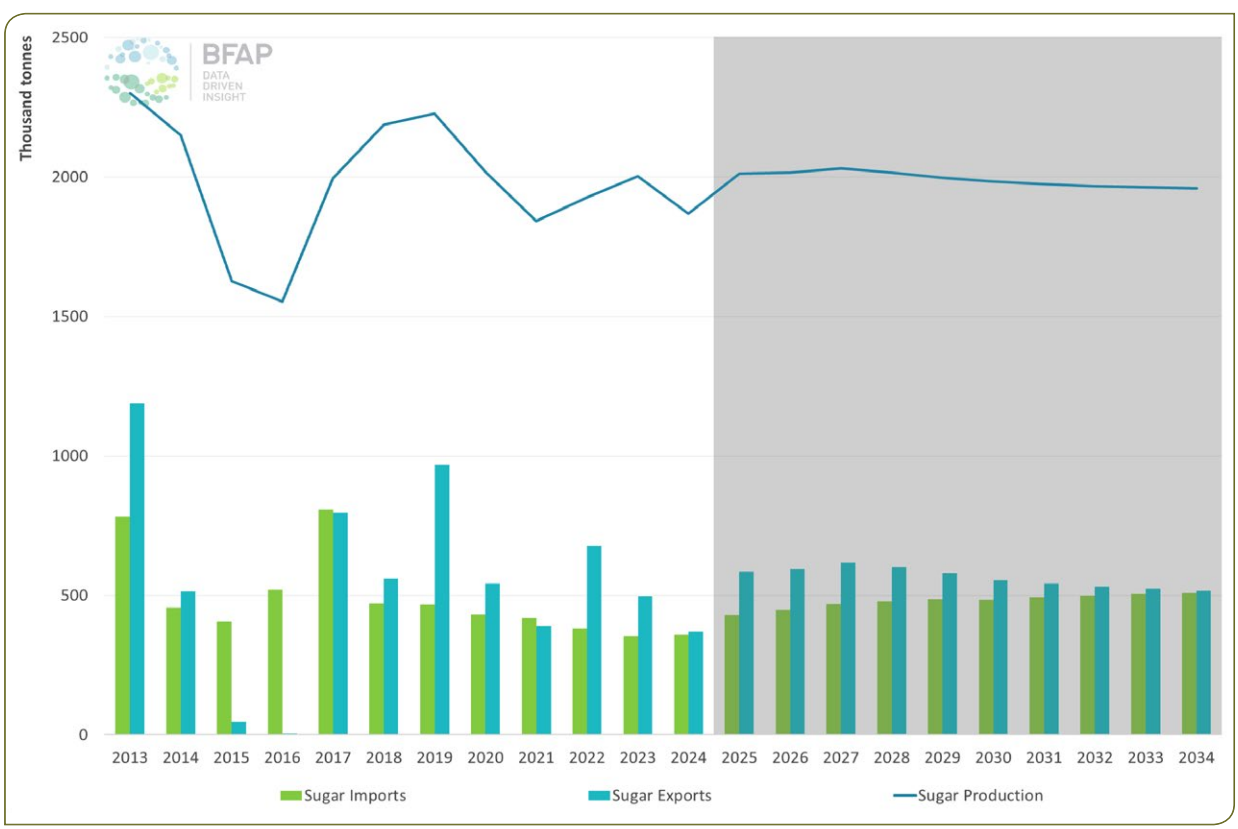


Figure 41: Sugar production and trade: 2013-2034

OUTLOOK FOR ANIMAL PRODUCTS

MEAT AND EGGS




MEAT: GLOBAL MARKET SITUATION

Multiple disruptions over the past five years impacted severely on global meat markets. The pandemic, Russia's invasion of Ukraine, ongoing war in the Middle East, the energy crisis, spiralling inflation, challenging climate conditions, widespread animal disease outbreaks and the cycle of exceptionally high feed costs all contributed to large swings in prices and associated supply and demand responses. Initial price gains in 2021 and 2022 were insufficient to cover the sharp increases in feed costs, and the combination of uncertainty in global markets, strained profitability and recurring droughts in key production regions has resulted in US beef inventories reaching the lowest level since the early 1950's. Producers in Australia and South America also reduced herds, pushing additional supply into the market, but have since entered a period of rebuilding. Poultry production did increase, benefiting from a short production cycle, but not to full potential, being hampered continuously by widespread influence from Highly Pathogenic Avian Influenza (HPAI). Prospects for pork production growth in Europe remain constrained by stringent environmental regulations. Meat prices fell sharply and bottomed out in 2023, just as the feed price cycle started to improve, but have increased consistently since, due to sustained demand and a slow supply response. In 2024, meat production globally increased by just 1.3%, led by Brazil. By 2025, the FAO meat price index was 9% higher than the average level in 2023 with the bovine and ovine meat subindices 19% and 32% higher respectively.

In the medium term, the OECD-FAO (2025) projects modest demand growth of 13% by 2034 relative to the 2022-24 base period. This global trend masks significant divergence among meat types and regions. Poultry consumption is expected to grow fastest, at 21%, with sheep, beef and pork consumption expected to rise by 16%, 13% and 5% respectively. This reflects relative prices of the various products, favourable perceptions of their nutrition profiles and demand preferences in the regions where growth occurs. Rapid population and income growth suggests that almost half of the projected consumption growth will be attributed to upper-middle income countries such as Brazil, Indonesia, the Philippines, Vietnam, China and India. In China, which was a major driver of historic consumption growth, income growth is slower, the population is expected to decline and nutrition is stabilising, with per capita consumption of many meat types close to those of developed nations. In India, where population and

income growth is expected to be faster, a large share of the population is vegetarian, which results in slow meat consumption growth compared to other countries with a similar income and population growth profile. In most of these countries, affordability is a key consideration, which underpins the dominance of poultry in the consumption mix.

In many higher income countries, where population growth is also slower, growth in per capita consumption continues to slow. Consumer preferences are also shifting, with factors such as health and nutritional characteristics, convenience and perceptions towards sustainability and animal welfare all contributing to a shift away from meats such as beef and pork, towards poultry. At the global level, poultry is expected to account for 62% of additional meat consumed by 2034 relative to the 2022-2024 base period.

Despite slower demand growth, meat prices are expected to remain firm. This reflects the strength of the supply response, which remains influenced by stringent environmental and animal welfare regulations, particularly in the EU. This may constrain expansion and potentially slow the rate of productivity gains in the EU. Consequently, the bulk of projected production growth is concentrated in South America and Asia. While faster growth in these regions will offset some of the slowdown in the EU, particularly as feed prices continue to decline and technological advances continue, trade regulations may also enforce more stringent conditions on exporters. Furthermore, the widespread impact of HPAI, ongoing African Swine Fever (ASF) outbreaks and the resurgence of Foot and Mouth Disease (FMD) all contribute to a heightened risk environment and hamper the strength of the potential supply response that improvements in profitability would induce.

DOMESTIC MARKET OVERVIEW

South Africa's meat sectors have not been spared from the volatility in global markets and have endured a particularly challenging few years. Amid spiralling feed costs, the strain on consumer spending power has limited the extent to which rising costs can be recovered through higher prices. Figure 43 illustrates that, from 2019 to 2024, the average annual increase in feed prices exceeded the increase in all meat prices by a significant

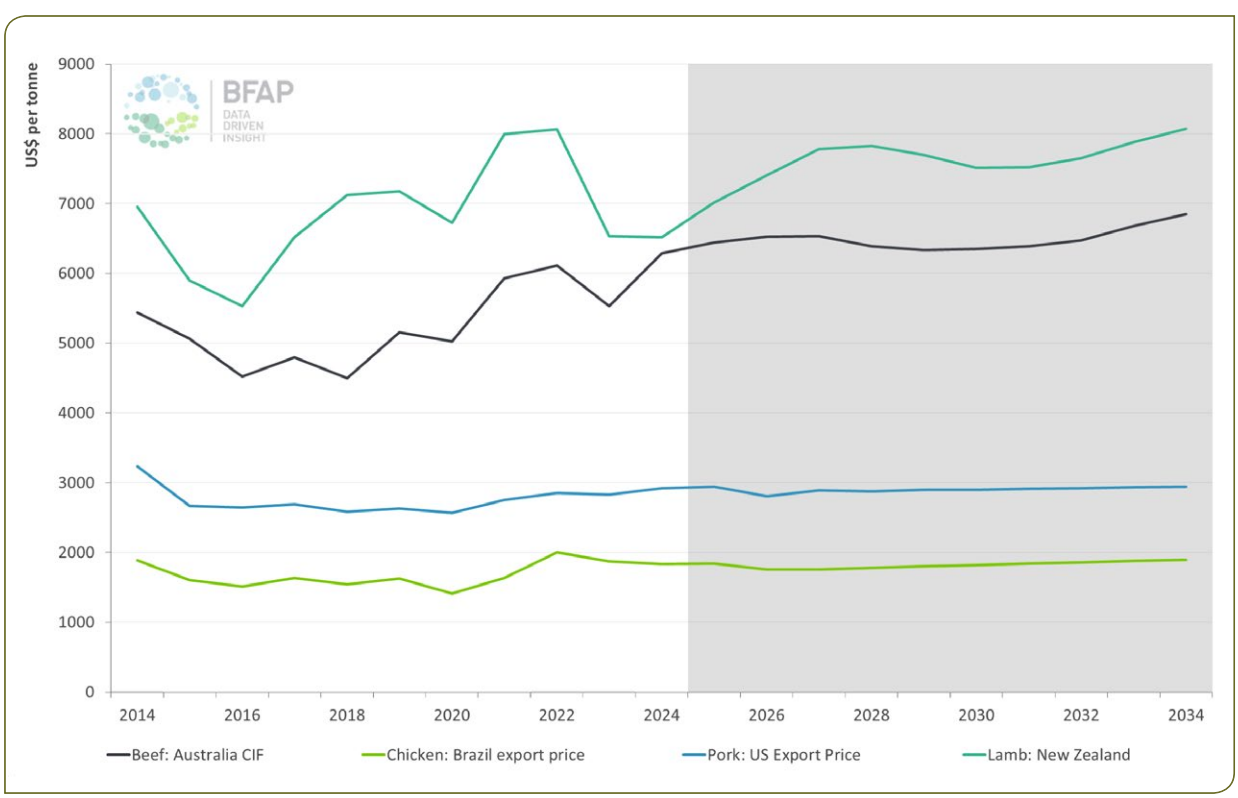


Figure 42: International meat prices: 2014 – 2034

Source: OECD-FAO & BFAP, 2025

margin, despite the depreciation in the exchange rate and the relative strength of global meat markets. The only instance where output prices rose more than feed was eggs, where prices reflect substantial influence from supply constraints related to the outbreak of HPAI in 2023. The impact of the HPAI outbreak was less pronounced on chicken prices, as fertile egg imports for commercial day-old chick production enabled supply to continue, despite an estimated 40% of the broiler breeder flock being culled in an effort to curb the disease. While supply continued, the cost of day-old chicks increased sharply as a result. In the case of eggs, the production recovery was slower, resulting in a 17% increase in prices in 2024, after the 30% rise already observed in 2023.

The average price movement in meats relative to feed points to distinct pressure on margins over a sustained period, but masks some improvement in profitability in 2023, when lower feed prices did yield improved margins, leading to production increases across all meat types in 2024. The advent of drought conditions across South Africa's summer crop production regions however brought renewed margin pressure in 2024. In early 2025, the relative strength of international markets, combined with prospects for lower feed costs given the stronger summer crop, bolstered prospects for local livestock producers and through the first four months of the year, beef and sheep meat exports increased by 16% and 2% respectively relative to the same period in 2024. Similarly, poultry and pork imports declined by 17% and 34% respectively. These dynamics suggests that the cycle is turning more positive for livestock production, but the ever-present risk of animal disease remains a major challenge.

In recent years, the frequency and intensity of such outbreaks has increased, with significant impacts from the 2023 HPAI outbreak, when almost 10 million birds were culled, persistent threats from ASF, and the presence of FMD in a number of provinces. In June, this risk came to fruition, as FMD spread to Gauteng, being detected also in South Africa's largest feedlot, and later to North West province. The spread of FMD into this feedlot environment, despite stringent biosecurity protocols, highlights the extent of risk associated.

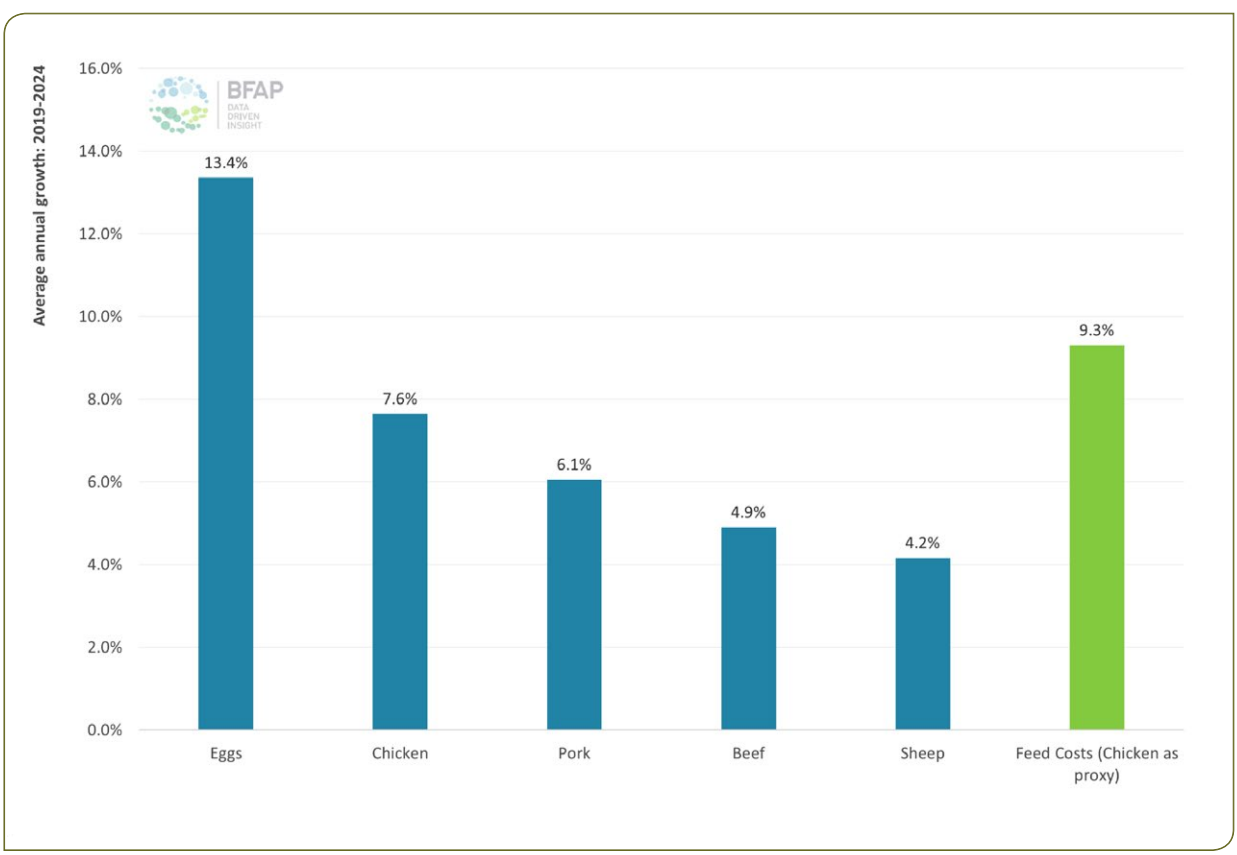


Figure 43: Average annual price increase from 2019 to 2024 for different types of protein, compared to feed costs

Disease management protocols have resulted in substantial spikes in beef prices, which should ease when vaccination on these sites is completed to enable products to enter the market. It will also have implications for export prospects for the rest of 2025 and potentially into 2026, depending on the success of containment measures. Nevertheless, it has also brought a watershed moment in terms of managing the disease, highlighting the need for strong collaboration between industry and government during the crisis. This cooperation, along with a longer-term disease management strategy, has the potential to bolster medium term prospects for all meat sectors. In the longer term, it is critical that disease management improves, as the current environment adds to production costs, influences production prospects and intermittently constrains the ability to export, which heightens risks around export led growth strategies that are critical to unlock industry potential.

DOMESTIC MARKET OUTLOOK

The importance of exports to facilitate growth is compounded by ongoing strain in consumer spending power, which influences domestic demand prospects. Meat is amongst the higher cost items in a typical food basket, making consumption sensitive to fluctuations in consumer spending power. The strained consumer environment in recent years, which emanates from sustained low growth and was exacerbated by the multitude of disruptions globally, was a core factor underpinning the decline in per capita meat consumption since 2019 (Figure 44). From 2019 to 2024, per capita consumption declined for all meat types except for pork, reflecting the improvements in relative affordability of pork compared to other meat types and increased acceptance in the market. The biggest decline in consumption was observed in sheep meat, which is the most expensive. While consumer spending power is expected to improve over the outlook relative to the recent past, the recovery is slow, suggesting that affordability and value for money will remain core considerations.

Over the outlook, per capita consumption is expected to rise for all meat types except for sheep meat. This reflects the modest improvements in income growth, along with

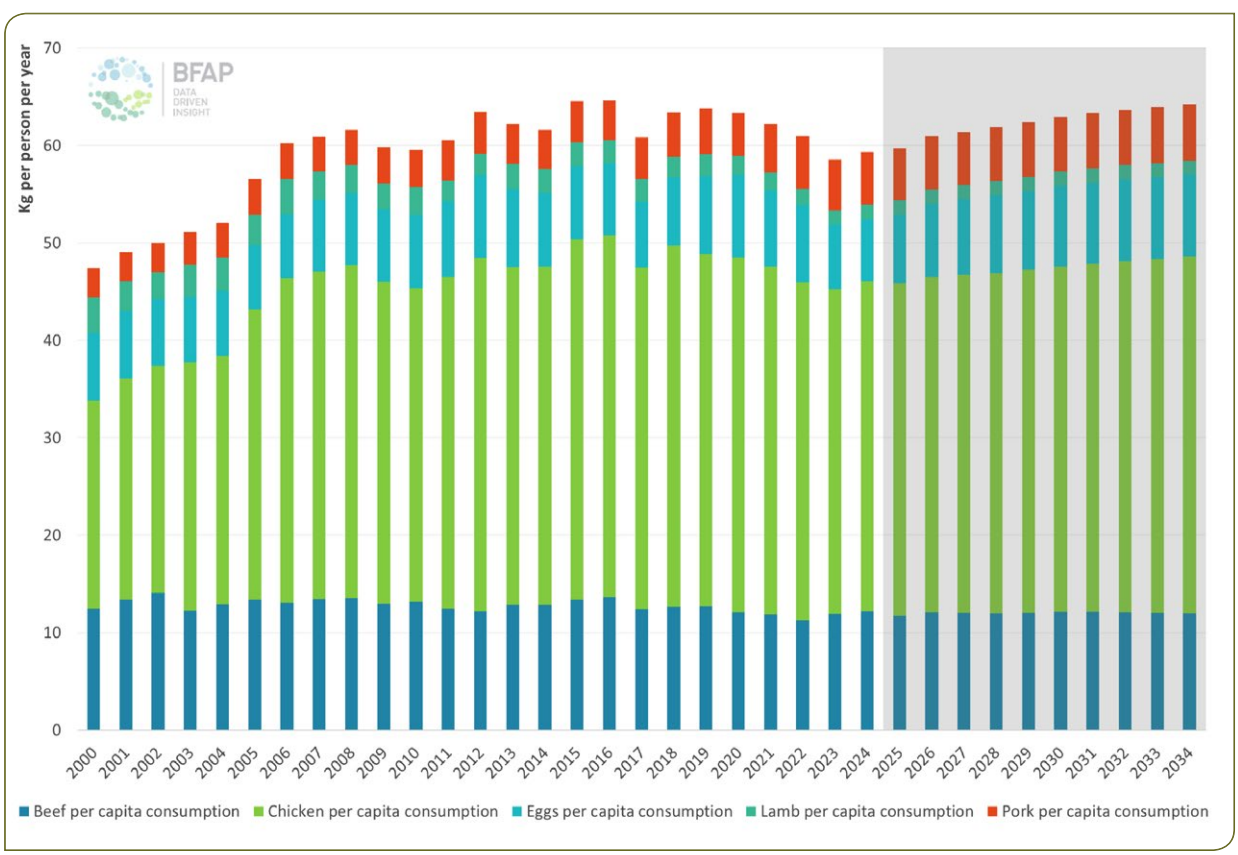


Figure 44: Per capita consumption of various meat types in South Africa

price gains that fail to outpace inflation in the medium term. As the most affordable among meat types and the typical entry point for lower income consumers that start to diversify diets to include more meat, per capita consumption of poultry is expected to rise 8% by 2034 relative to the 2022-2024 base period. This is much slower than the early 2000's but represents a turnaround from the decline of the recent past. Pork consumption is expected to expand by 9% in per capita terms, benefitting from further improvement in its relative affordability, whereas beef consumption is set to expand by only 2% in per capita terms. While vast differences exist between price levels of various beef cuts, with several more affordable entry points such as mince and stewing beef, it is more expensive on average than pork and poultry. Beef prices also rise faster in the outlook than is the case for pork and poultry, where the shorter production cycle enables faster productivity gains.

Further to income and affordability dynamics, expansion of the population and persistent urbanisation, with the associated access to more frequent purchases and refrigeration facilities, also contribute to meat consumption growth. Thus, accounting for population dynamics, Figure 45 presents the projected total consumption of the various meat types in 2034 relative to the average levels in the 2022-24 base period. Egg consumption growth is projected to outpace meat, mainly due to the reduction in prices as supply recovers from the impact of the 2023 HPAI outbreak. Amongst the various meat products, poultry is most widely consumed and with growth of 18% is also set to account for more than half of the additional meat consumed by 2034 relative to current levels. Pork consumption growth is marginally faster at 19%, but from a smaller base. While beef consumption is projected to expand by merely 12%, it will account for 13% of additional consumption by 2034, compared to 10% for pork. Sheep meat consumption is set to decline by 0.4%.

Apart from consumption dynamics, Figure 45 also provides information on the composition of supply. This paints a positive picture, with production growth generally faster than that of consumption. In the net importing pork and poultry industries, this results in a reduction in the share of imports in domestic consumption, whereas the beef and sheep industries are expected to direct a rising share of production into the export market.

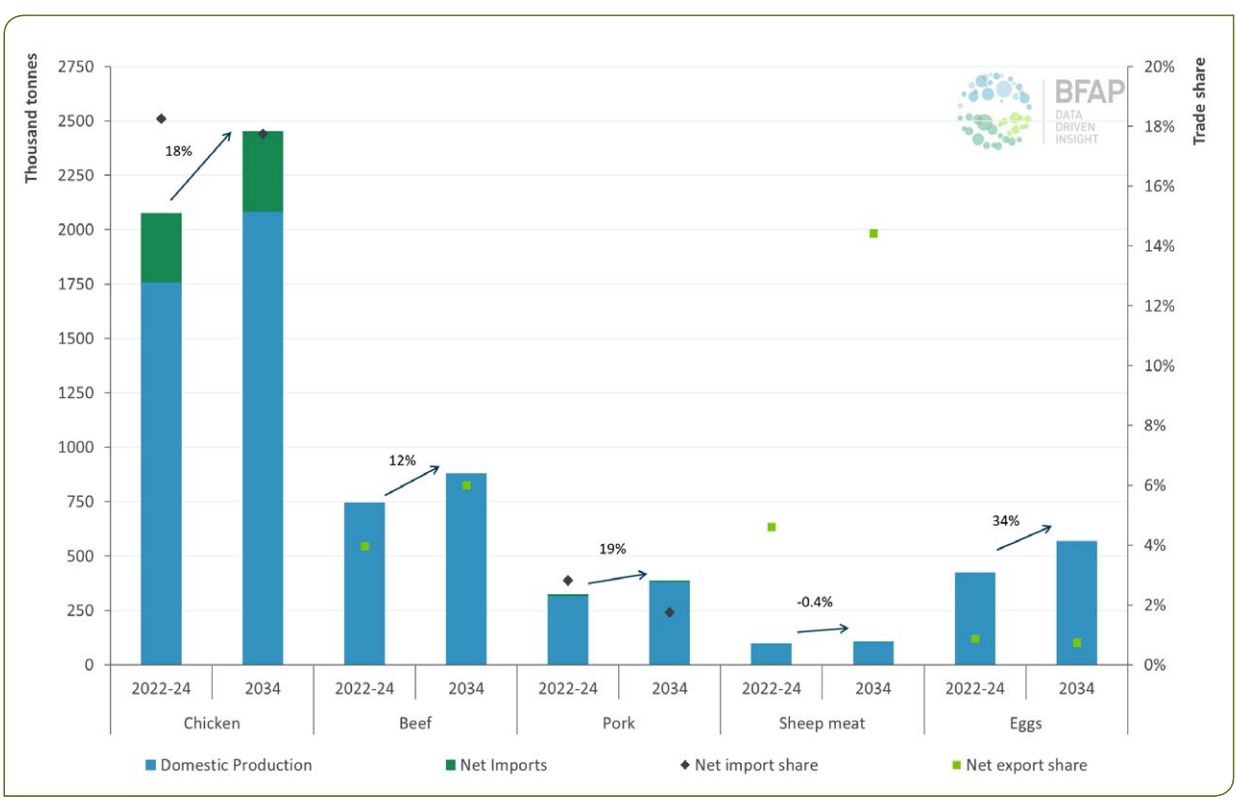


Figure 45 Meat consumption growth: 2034 vs. 2022 - 2024

Production prospects are dependent on the relative competitiveness of the various sectors in global markets, as well as profitability of producers, which in most cases is substantially influenced by feed costs. This influence is greatest in sectors where feed intensive production systems dominate output, as is the case with poultry, pork and to a lesser extent beef, where feedlot operations account for an estimated 70%-80% of total output.

The pork industry has been amongst the most dynamic of the livestock sectors in recent years. Despite intermittent challenges such as Listeria, various ASF outbreaks and spiralling feed costs, production has expanded by an annual average of 5% over the past decade, and almost 30% since 2020. This reflects substantial investment into top class production facilities that improved the sector's competitiveness and enabled improvements in the relative affordability of pork compared to alternative meat choices. Coming at a time when consumers faced severe spending constraints, the expansion resulted in price pressure and a small contraction in supply in 2023, but markets reached a new equilibrium and production expended by 5% in 2024.

While slower than in the recent past, growth prospects over the outlook remain favourable. Normalisation of summer crop production is expected to induce a reduction in feed costs in the near term and pork prices are expected to rise faster than that of major grains and oilseeds over the medium term. This is reflected in the pork to maize price ratio, a basic indicator of profitability (Figure 46), which improves consistently over the outlook, but does not reach the peaks of 2017 and 2018, which initiated the rapid investment in expansion that came online in 2021 and 2022. Feed typically accounts for more than 60% of total production costs and while other costs may rise faster, the improvements in feed costs will bolster profitability, supporting an average annual expansion of 1.6% in pork production towards 2034.

Sustained production growth should enable a further decline in the share of total consumption being imported from just under 6% on average between 2022-2024, to 4.5% by 2034. Around 60% of current pork imports are ribs, mainly procured by the food service sector. Such imbalances in demand for different parts of the carcass is a core factor underpinning the need for some imports over the outlook.

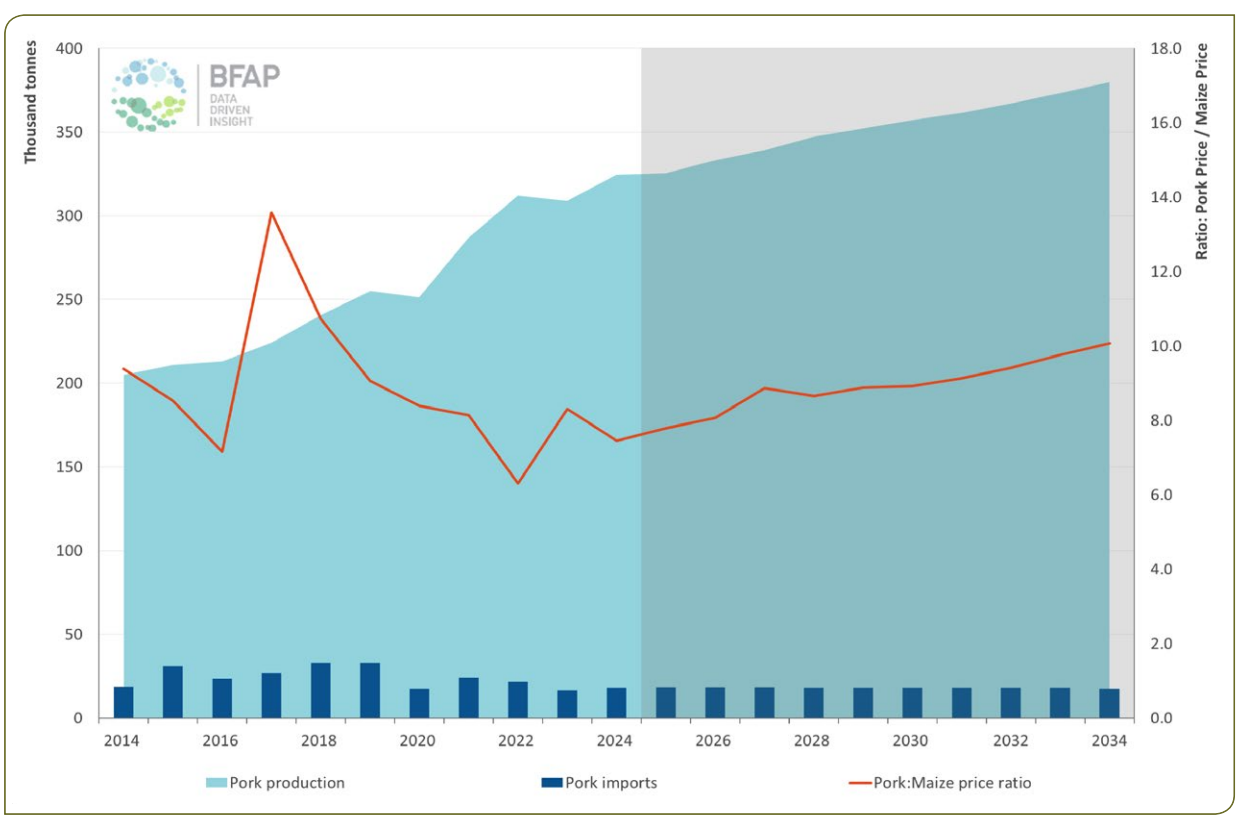


Figure 46 Pork production, consumption, imports, and profitability: 2014 - 2034

Despite its success, the industry still faces several challenges, with animal disease core among them. ASF has been endemic in South Africa for many years, and the industry has proven adept at managing it, particularly amongst larger producers with strong on-farm biosecurity measures. Despite the stringent measures imposed by commercial enterprises, and the proven success of its traceability and compartmentalisation strategies, selected cases have been detected in commercial operations. The disease also remains a major challenge and persistent risk to smaller and more informal producers, who provide a substantial share of total pork consumed in rural areas.

The poultry sector is also characterised by modern, controlled environment production systems that use feed very intensively. Feed typically accounts for around 70% of production costs and further contributes to the cost of day-old chicks, which is the second largest cost item. The chicken to maize price ratio (Figure 47) declined consistently from 2017 to 2022, before improvements in poultry prices provided some relief in 2023 and 2024. Through this period however, the HPAI outbreak of 2023 presented further challenges to the industry. The challenges were however not unique to South Africa and while navigating them, the industry managed to make consistent progress in replacing imports, which peaked in 2018 at more than 500 000 tonnes. Of this, 287 000 tonnes was bone-in portions, that compete directly with the IQF portions that comprise the bulk of South African production. By 2022, total imports had declined to 310 000 tonnes, of which 91 000 was bone-in portions. Despite small increases in total imports in 2023 and 2024, aided by the introduction of temporary rebates on import tariffs to mitigate potential shortages following the HPAI outbreak, bone-in portion imports declined further, reaching a mere 40 000 tonnes in 2024. The success of import replacement strategies was partly enabled by increased duties on imports, along with higher world prices and depreciation in the Rand, which further scaled the cost of imported products. The industry also made significant investments (in excess of R1,5 billion) to expand production capacity following the signing of the poultry Masterplan. While this capacity was not fully utilised, particularly in 2023 when the confluence of high feed costs, the peak of the energy crisis and the devastating impact of HPAI resulted in lower production volumes, some recovery was already evident in 2024 and this is expected to accelerate as feed prices continue to decline. In the medium term, consistent improvements in the chicken to maize price ratio are expected to support production gains of 1.5% p.a. over the coming decade, a modest acceleration relative to the past. This is based on the assumption that actions proposed in the poultry Masterplan continue to be implemented. Notwithstanding the impact of the drought in 2024, continued expansion in soybean processing volumes has resulted in domestically produced soybean meal often being provided at a discount relative to imported soybean meal, which has improved South African producers' relative competitiveness to leading global producers in recent years (BFAP, 2023). With further gains expected in soybean production and processing, these gains are expected to be sustained over the outlook, which is set to be a key enabler of the projected growth in poultry production. Another is the recent approval of vaccination protocols to curb the risk of further HPAI outbreaks, particularly amongst breeder flocks.

Projected growth is such that the share of imports in domestic consumption could decline further over the outlook, but the improvement is small, given the extent of bone-in portion imports that have already occurred. In 2024, 60% of imports comprised mechanically deboned meat, which is not produced at large scale in South Africa due to alternative marketing channels for eviscerated carcasses. This suggests that the scope for further import replacement is declining, and in future sustained growth will also be dependent on the successful development of exports, which remains a core pillar of the poultry masterplan. This will increasingly expose the industry to the growing fragmentation and increasingly complex international trade environment but can also unlock opportunities for carcass value optimisation strategies that have been successful in other meat sectors. This could further improve the competitiveness of South African producers against imported bone-in portions. The importance of such gains may be magnified in the event that South Africa's pursuance of a trade deal with the US leads to a re-evaluation of the current quota on imports free of the anti-dumping duty.

Egg production is less exposed to international trade, owing to the nature of the products involved, but dynamics within the sector in recent years bear substantial influence from the 2023 outbreak of HPAI. The small role of international trade makes prices particularly sensitive to supply disruptions and the longer production cycle compared to broilers prolonged the market impact of the outbreak. With

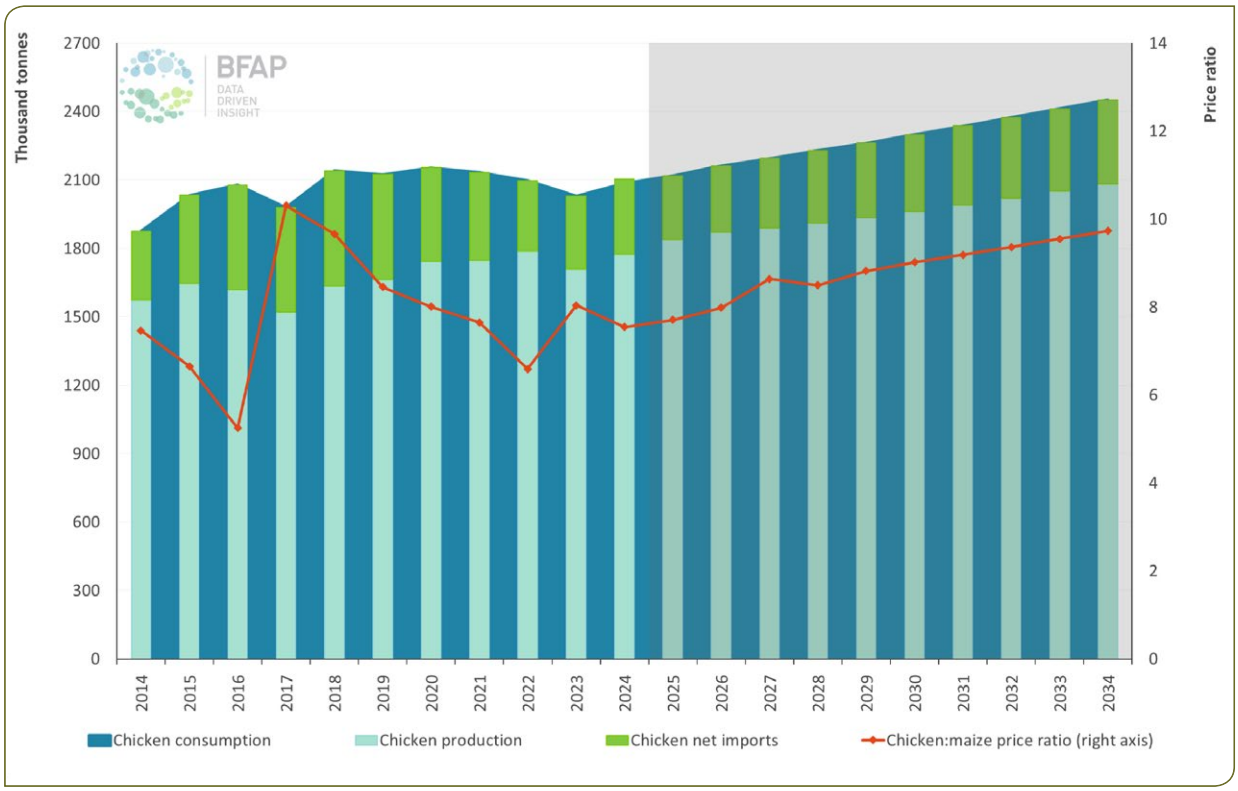


Figure 47: Chicken production, net imports, and profitability: 2014 - 2034

supply volumes still not fully recovered, egg prices in 2024 were on average 52% higher than in 2022. These sharp price increases offset high feed costs, but the industry faced widespread losses as a result of culling and for producers that needed to restock before income could be generated, the benefit of higher prices was limited. Typical production cycles suggest that a full production recovery takes 18 to 24 months, and despite improvements in profitability, particularly as feed prices decline, the high risk environment underpins projections that production will only reach pre-HPAI levels by 2026. Revisions to vaccination protocols that make it more feasible to vaccinate commercial layers against HPAI may aid in accelerating the recovery. In the medium term, egg production is expected to expand by 3% p.a., with substantial reductions in egg prices over the early years of the outlook as supply volumes ramp up.

South Africa's red meat sector has operated in a heightened risk environment for several years, challenged by multiple animal disease outbreaks that add to production costs, reduce productivity and has intermittently affected international trade flow. In an environment of high input costs and weak consumer spending power, exports are critical to ensure sustainable returns. Despite having transitioned successfully from a deficit to a surplus producer over the past decade, and strong promotion of an export led growth strategy, the bulk of production is still targeted at domestic markets, with producers hesitant to ramp up export dependence amid persistent and intensifying animal disease challenges. Consequently, production expanded by merely 0.3% p.a. over the past decade.

The risks associated with diseases such as FMD have long been noted, but the current outbreak illustrates the full quantum of the potential impact. Following a strong start to exports in 2025, FMD spread into some of the biggest feedlots, despite stringent and extensive biosecurity measures on site. This has brought the industry to a crossroads, with the required crisis response yielding unprecedented cooperation efforts across the value chain, as well as in government. The impact of the current outbreak will be felt at various nodes of the value chain, leading to sharp price spikes while affected facilities are quarantined, and export potential is constrained in the short term. If the current urgency is able to initiate a period of improved disease management, medium term export prospects may improve. Conversely, if momentum is lost and current

efforts do not yield the required successes, the industry could fall back to simply supplying for domestic consumption, with limited alternatives when domestic spending power remains strained.

Baseline projections are based on the assumption that current efforts will yield positive results over the next few years (Figure 49). Given the quantum of the current crisis, it suggests that exports may remain constrained in the latter half of 2025 and 2026, despite the strength of the international market. This leads to price pressure in 2026 in particular, as supply normalises but exports remain slow. From 2027 onwards the situation could improve, but then international prices stabilise as supply starts to increase following current herd rebuilding efforts. As such, the rate of export growth only accelerates markedly in the latter half of the outlook, but by 2034 exports could approach 80 000 tonnes, or 9% of production. This is still below the targets set in the red meat industry strategy, which would require broader efforts still to enable faster growth, but it is substantially higher than the 5% achieved in 2024, prior to the current disease pressures. Such growth in exports could enable more sustainable price levels and, combined with the projected improvements in feed costs, would enable production growth to accelerate to average 1.3% p.a. over the coming decade. This growth is contingent on price incentives being passed on to primary producers in the form of improved weaner calf prices.

The industry had achieved success in recent years, enabling access to new markets such as Saudi Arabia, and growing exports to China, resulting in a 4.2% expansion in production in 2024. While Chinese exports have again been halted as a result of the current FMD outbreak, the second time in the recent past, the successes attained from a market access perspective remain an enabler of export growth in a scenario where disease management improves. It does however also illustrate the fragility of bilateral agreements when animal disease management is lacking. Consequently, it must be emphasised that the industry is at a crossroads and if current efforts do not yield the envisaged improvements, the outlook for both exports and production growth would be much slower. Public private partnerships will be critical to ensure that the industry does indeed reach its potential to enable inclusive growth. This will require a derisked environment with adequate biosecurity standards fit for international trade, which have been shown the world over as an enabler of success and growing market share.

While beef production has grown below potential,

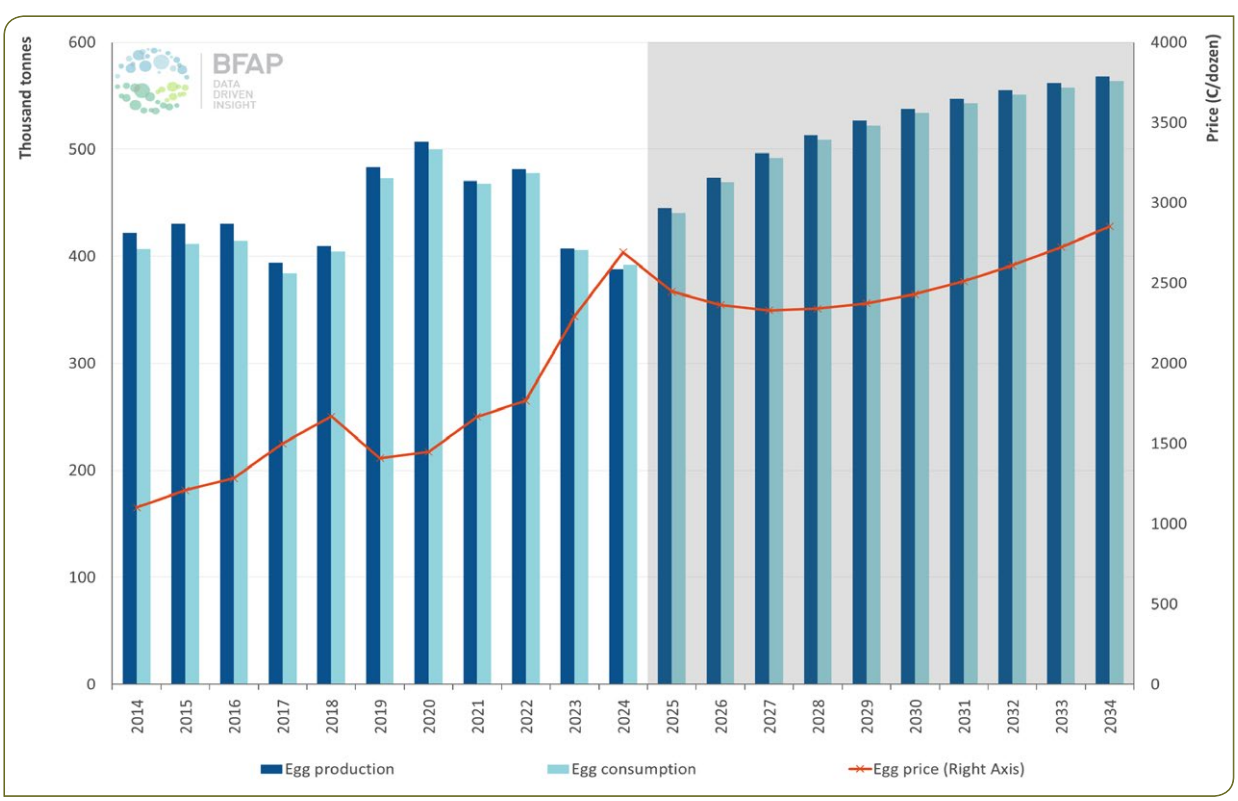


Figure 48: Egg production, consumption, and price: 2014 - 2034

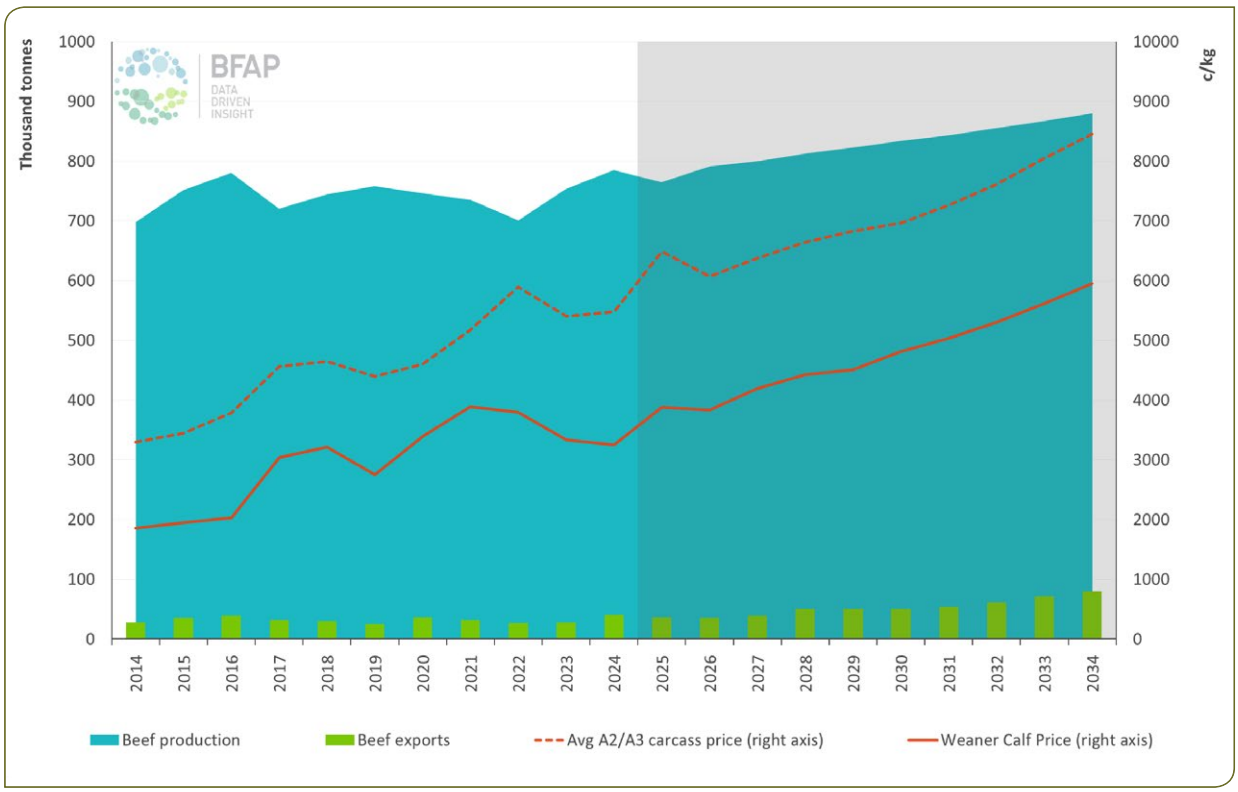


Figure 49 Beef production, exports, carcass, and weaner prices: 2014 - 2034

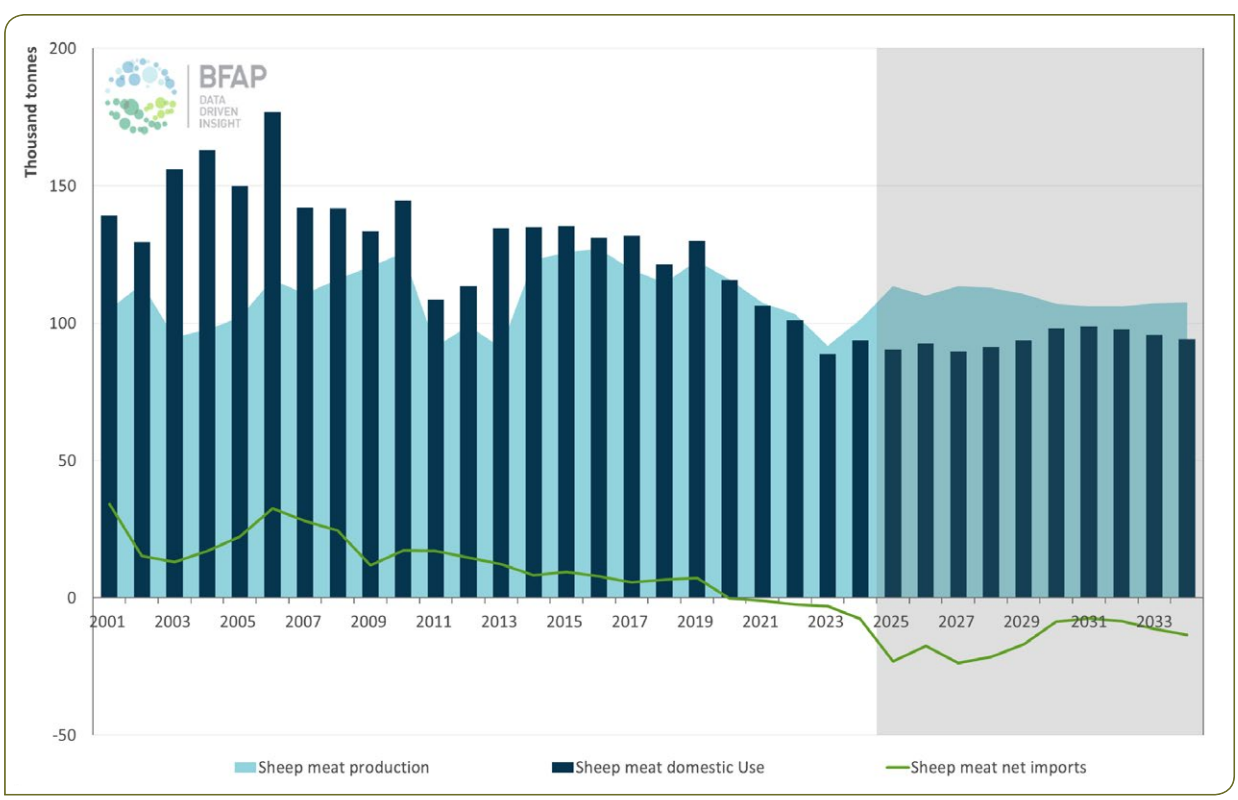


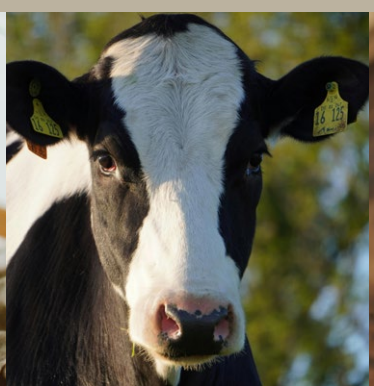
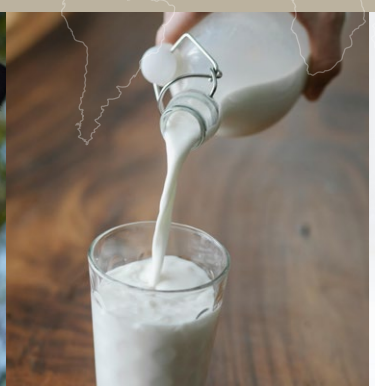
Figure 50 Sheep meat production, domestic use, and net imports: 2014-2034

sheep production has declined by almost 3% p.a. on average over the past decade. While production systems are more flexible in terms of feed use and less reliant on feed costs, the sector has been most challenged by consumer spending constraints given that its product is the most expensive in the meat consumption basket. Furthermore, challenging climatic conditions in core production regions has led to flock reductions, while ongoing challenges with theft and predation bring further constraints. A shift in focus to target export led strategies enabled the sector to shift from a small deficit traditionally to a surplus producer by 2020. This surplus has grown rapidly from just 2400 tonnes in 2022 to almost 8000 by 2024. The turnaround has started to bear fruit and in 2024 production increased for the first time since 2019. The Middle East, which consumes substantial volumes of sheep meat, has become a core market, one which typically prefers smaller carcasses, enabling improved feed efficiency and reduced feed costs for producers. Despite ongoing risks from escalating conflict in parts of the region, the Middle East is expected to remain the largest market in the coming decade, with almost 13% of total production expected to be destined for export markets by 2034, from 7.6% in 2024 and 2.3% in 2023. This would stabilise sheep production from its historic decline (Figure 50), but again is contingent on efficient animal disease management. Accelerated growth would also require solutions to additional challenges associated with theft and predation. Weather conditions will remain a risk, with a substantial share of production occurring in extensive, semi-arid areas, where intermittent drought challenges will remain.

CONCLUDING REMARKS

The past few years have been exceptionally tough for livestock production owing to the confluence of weak consumer spending power domestically, the cycle of high feed and other input costs, and escalating challenges with animal disease management that not only led to direct losses but intermittently affected the ability to trade. Over the outlook, several of these factors are expected to improve, in varying degrees. Consumer spending power is expected to improve, albeit slowly, but affordability will also benefit from price movements that remain below general inflation. This is enabled by the projected reduction in feed costs, which is a core enabler of improved growth prospects in feed intensive sectors. The greatest uncertainty remains with respect to animal disease management. While there is progress with protocols to enable vaccination against HPAI, the current FMD outbreak illustrates the extent of challenges that remain. If the current crisis provides a platform for improved, proactive disease management practices going forward, the industry will be on an improved path for sustained export led growth, contributing greatly not only to inclusive growth and income generation, but also domestic food security through affordable delivery of alternative cuts that are not targeted for exports.

MILK AND DAIRY PRODUCTS


INTERNATIONAL MARKET OVERVIEW

International dairy prices are notoriously volatile, reflecting the small share of total production that is traded globally, as well as the concentration of exports in a few regions. Prices are typically represented by processed products from Oceania and Europe, the main dairy exporters. The main reference prices are butter, the reference for milk fat, and skim milk powder (SMP), the reference for other milk solids. In 2024, dairy product prices increased by 5% as indicated by the composite FAO Dairy Price Index, after declining considerably in 2023. The price gains were primarily premised on higher butter prices. This further increased the spread between butter and SMP, which has been widening since 2015. The gap between butter and SMP is underpinned by strong demand for milk fat compared to non-fat milk solids internationally. Overall, dairy product prices were backed by robust demand while export supplies were tight, exacerbated by transport and logistical disruptions amid geopolitical tensions and irregular weather conditions (Figure 51). Dairy prices continued to increase between January and April 2025.

Over the outlook (2025 – 2034), prices are projected to increase in 2025 and trend persistently upward in nominal terms (Figure 51). The price spread between butter and SMP is expected to persist due to consumer preference for milk fat. The projections reflect the assumption of stable weather conditions, but in reality, prices will remain volatile around the fundamental trends, due to weather conditions in core production regions.

Global unprocessed milk production, consisting of 81% cow milk, 15% buffalo milk and 4% goat, sheep and camel milk, jointly, grew marginally by 1.1% in 2024. Production gains mainly came from India and Pakistan, the largest producers globally, although they have little impact on international prices, given that they produce mostly for their domestic markets.

The OECD-FAO (2025) suggests that milk production could increase by an average annual rate of 1.6% towards 2034. Higher yields per animal will drive production growth in most regions, facilitated by optimised production systems and improved genetics, animal health and feed efficiencies. Production in India and Pakistan is expected to continue growing, with these two countries contributing over 50% of global output. In contrast, the European Union, the world's second-largest producer, will see a slight decline in production. This decline is attributed to a reduction in

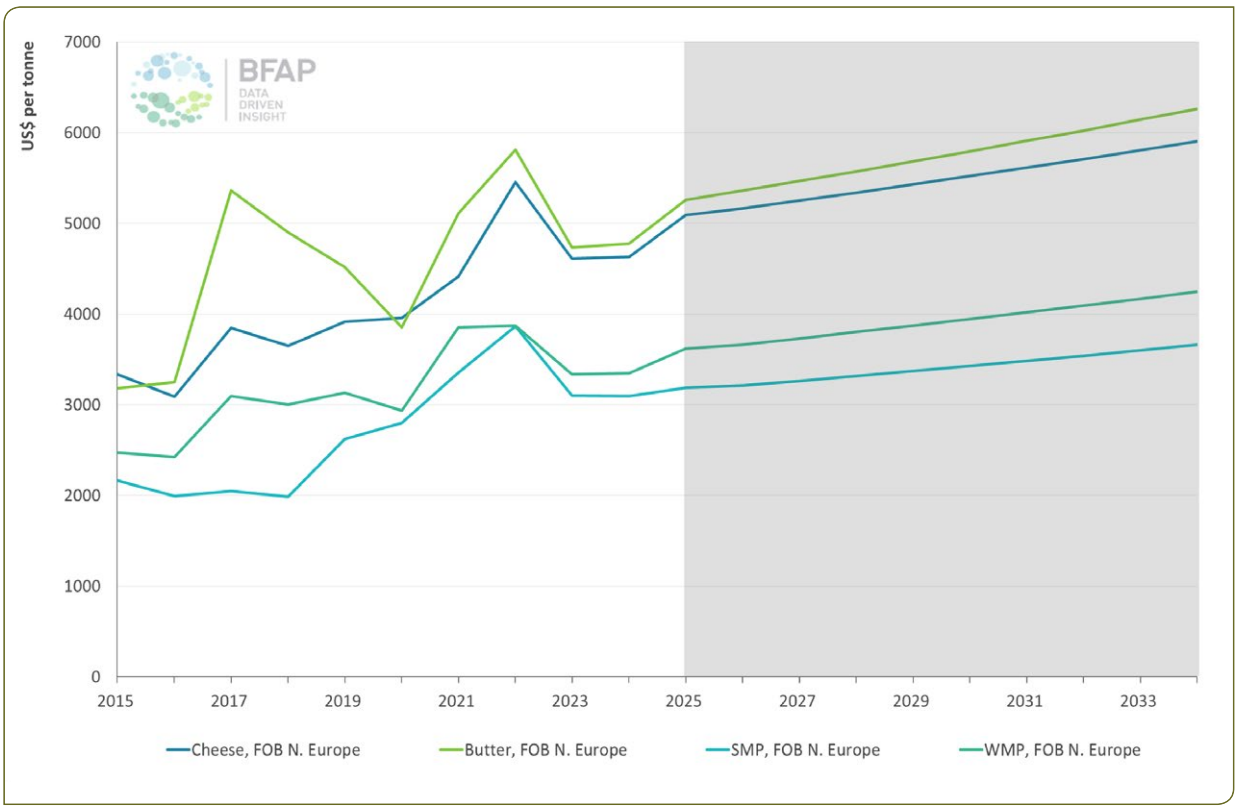


Figure 51: Dairy product prices 2015 - 2034

dairy cow numbers and slower yield improvements. The EU's production trends are influenced by sustainable production policies and a shift towards organic and pasture-based systems.

Global production is utilised in the production of fresh (pasteurised and fermented milks) and processed dairy products (butter, cheese, SMP, WMP, or whey powder). The international demand for milk and dairy products is strong, given the nutritional benefits to consumers. Dairy products are mostly consumed fresh, but consumption patterns vary greatly, underpinned by income growth and regional preferences. For instance, the consumption of fresh products dominates in low- and lower middle-income countries, while butter and cheese have a larger consumption share in Europe and North America. While the demand for fresh dairy products has been declining there, consumption has been shifting more towards dairy fat products such as full cream milk and cream.

In the coming decade, the consumption share of fresh dairy products will increase, driven by a growing population, income, and urbanisation, mainly in India and Pakistan. Cheese and butter consumption is anticipated to rise in established traditional markets, with growing consumption of fast food products contributing to growth in cheese demand in emerging markets. SMP and WMP will continue to be an important input in the manufacturing sector, particularly in confectionery, bakery and infant formula.

Global trade in dairy products is projected to expand over the outlook period, driven by increased exports of cheese, whole milk powder (WMP), butter, and skim milk powder (SMP) from major producers such as the US, the European Union, New Zealand, and Argentina. China is expected to remain the leading importer of dairy products over the next decade. However, its imports of WMP are projected to decline by 7% by 2034 compared to the 2022-24 base period.

Looking ahead, economic and environmental challenges faced by the main exporting countries are expected to continue to impact supply over the next decade. The risk of animal disease outbreaks such as the transfer of Avian Influenza to dairy cattle in the USA and FMD in the EU also threatens production and trade, constraining the potential development and growth of the dairy sector. Additionally, changes to existing trade

agreements or the formation of new ones may alter trade flows and impact pricing dynamics.

DOMESTIC MARKET OVERVIEW AND OUTLOOK

South Africa's dairy market remains highly volatile, influenced by significant uncertainty stemming from erratic weather patterns, inconsistent service delivery, and a complex political and macroeconomic landscape. Domestic supply and demand dynamics exert a far greater influence on the market than global trends, due to the nature of the products and associated small share of dairy products traded internationally. After several years of sharp increases, particularly between 2020 and 2023, milk producer prices stabilised in 2024, reflecting easing costs of crucial inputs such as electricity, transport, packaging materials, and capital equipment. In this period (2020-2023), the market was affected by weak demand during the COVID-19 pandemic, the damage of infrastructure due to the riots in July 2021, weather fluctuations in main producing regions, higher feed costs and the impact of loadshedding on production processes and storage.

Although maize prices surged in 2024 due to the severe drought in the western production regions, the increase in yellow maize prices was more moderate, thanks to its availability on the global market and the comparatively smaller drought impact in the eastern parts of the country. However, the rise in yellow maize prices exceeded the modest gains in milk producer prices, compressing the milk-to-maize price ratio. This basic profitability indicator declined by 5.3% in 2024. Producer prices have increased marginally in early 2025, largely due to seasonal production trends. The milk-to-maize price ratio is expected to continue downward in 2025 due to persistently high yellow maize prices in the early part of the year, until the summer crop harvest comes in, while milk supply is increasing on account of improving weather conditions, exerting downward pressure on milk producer prices (Figure 52). However, profitability is projected to recover from 2026, growing at an annual rate of 3%. By 2030, profitability is expected to return to levels comparable to the pre-pandemic years of 2018 and then stabilise through to 2034, remaining below the peaks of 2017.

The price of dairy products reflected similar trends, with prices easing in 2024, largely due to an improved economic sentiment supporting consumer demand

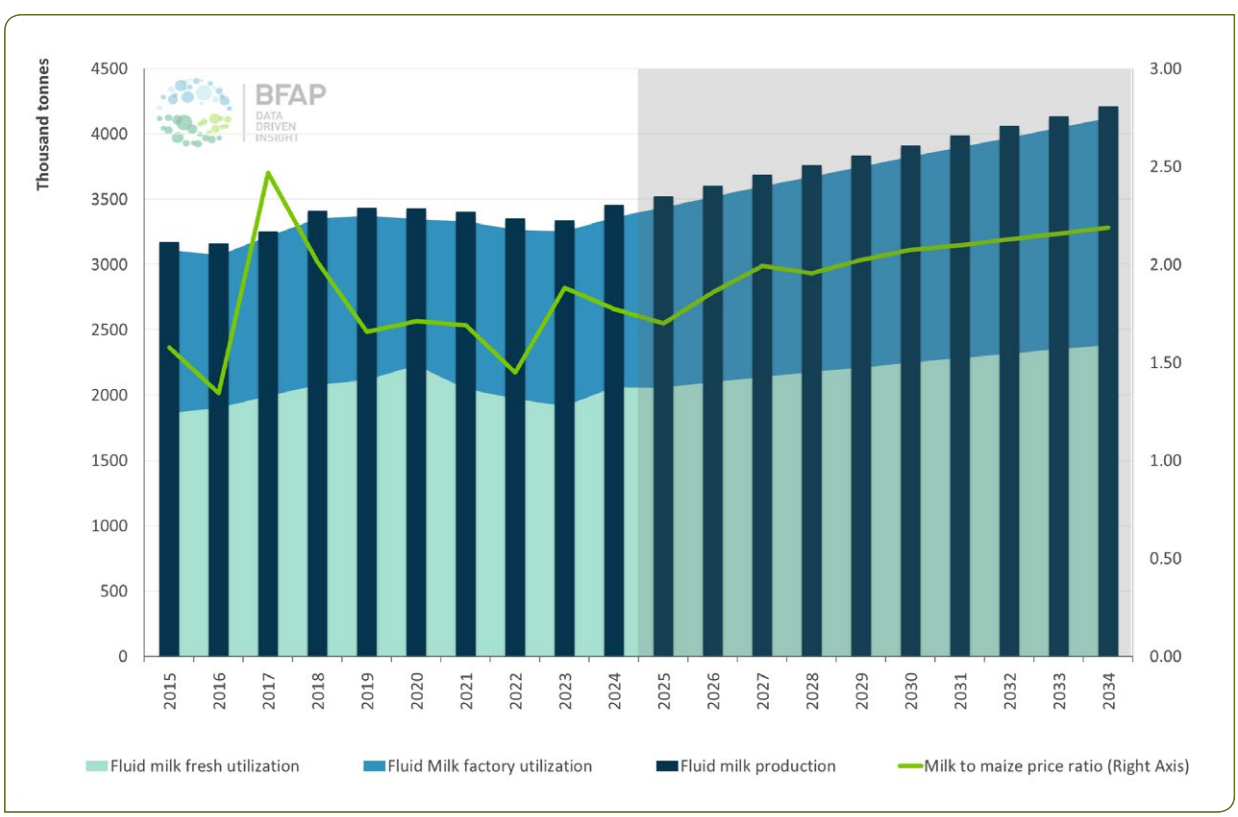


Figure 52: Milk production, use and profitability: 2015 - 2034

and the improvements in power supply. Consumer preferences and increasing awareness of the health benefits of dairy products do influence demand and, in turn, prices. For instance, the retail price for butter has been rising since 2016, backed by increased demand and preference for the product. In addition, retail price trends suggest changing preferences among dairy products depending on factors like storage (refrigeration), for example, the price of fresh milk has been trending higher than that of UHT milk, mass and pre-packaged cheese (SAMPRO, 2024).

South Africa produces only 0.4% of global milk (MPO, 2024). Despite the challenges with FMD in Eastern Cape and KwaZulu-Natal, production recovered somewhat in 2024, following improvements in profitability when feed costs dipped in 2023. As a result, the utilisation of raw milk in the manufacturing of dairy products also increased by 3.5% in 2024. Raw milk production is anticipated to grow by 2% annually over the outlook, reaching 4.2 billion litres in 2034 (Figure 52).

Domestic raw milk production is utilised in the local market as liquid (60%) and concentrated products (40%) (MilkSA, 2025). Liquid products include sterilised milk (58.0%); fermented products (24.3%); fresh milk (25.0%); sweetened, flavoured and coloured milk (2.3%) and other liquid products (0.4%). The concentrated product mix includes cheese- excluding cottage and cream cheese (65.8%); full-cream milk powder (13.4%); other concentrated products (10.7%); skim milk powder (6.6%); whey powder (1.8%) and butter (1.8%). The utilisation of raw milk for the manufacturing of liquid and concentrated products is depicted in Figure 53.

In 2024, demand for dairy products increased compared to 2023, as highlighted by the year-on-year comparison of retail sales volumes (Table 6). In 2023, sales volumes declined across all reported dairy categories, reflecting subdued consumer demand amid economic hardship. During this period, many consumers shifted their spending priorities toward other essential goods and services.

In contrast, 2024 saw a recovery in retail sales volumes, supported by better economic conditions and a slight easing in the cost of essential consumer goods. Notably, maas, UHT milk, and butter recorded the most significant increases in sales volumes, indicating renewed demand across both low- and high-income consumer segments.

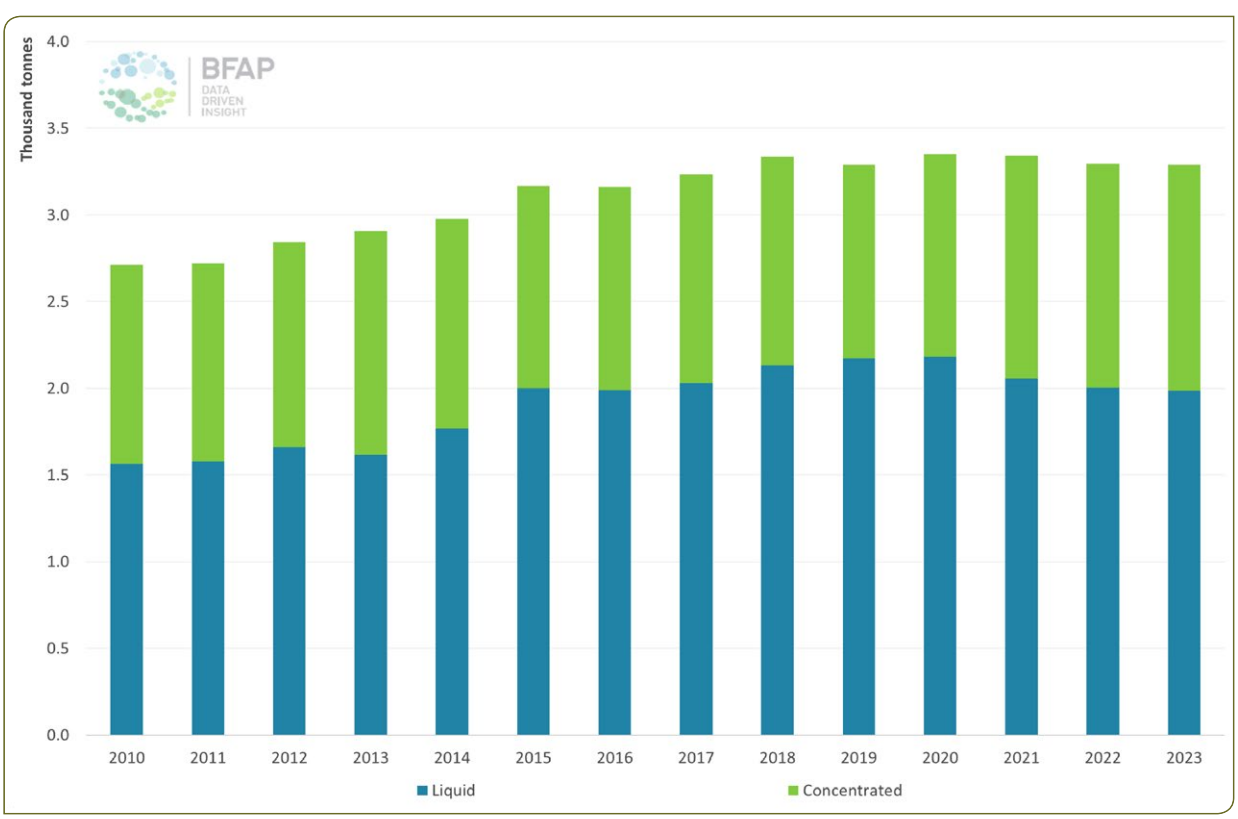


Figure 53: Utilisation of milk for the production of dairy products

Table 6: Dairy product retail sales quantities and prices - 2024 vs 2023 & 2023 vs 2022

Dairy Product	Retail sales volumes		Retail Price	
	2024 vs 2023	2023 vs 2022	2024 vs 2022	2023 vs 2022
Maas	6.8%	-5.1%	-0.4%	13.6%
UHT Milk	5.8%	-4.3%	-3.7%	12.0%
Butter	5.1%	-4.3%	-1.2%	1.3%
Cream Cheese	4.1%	N/A	2.2%	N/A
Pre-packed cheese	4.0%	-0.6%	-1.2%	11.3%
Yoghurt	2.8%	-7.1%	3.9%	7.9%
Cream	2.6%	-1.9%	0.8%	9.6%
Flavoured Milk	0.5%	-8.7%	6.0%	5.8%
Fresh Milk	-2.0%	-5.9%	0.1%	11.5%

Source: MilkSA Quarterly Reports

By 2034, projected demand growth for dairy products remains strong, though slower than in the past decade. The relative growth rates (Figure 54), reflect differences in consumer preferences, along with relative price movements. Consumption growth is expected to be strongest for cheese, consumed broadly among more affluent consumers, and SMP, the more affordable option for powdered milk. Consumption growth for butter and WMP, both of which also have more affordable alternatives in SMP and margarine, will be slower at a rate of around 30%.

South Africa's total dairy imports declined by 30.0% year-on-year, falling from 48 400 tonnes in 2023 to

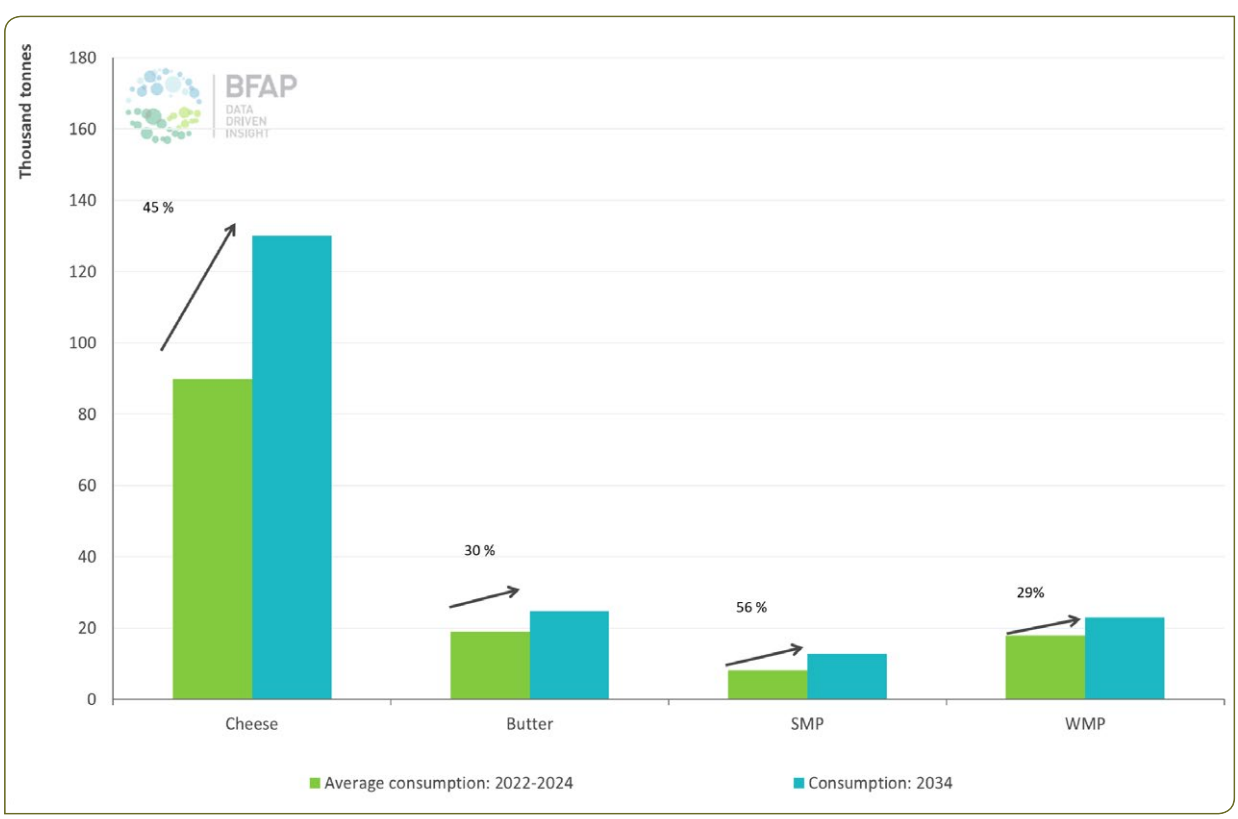


Figure 54: Consumption of concentrated dairy products: 2034 vs 2022 – 2024

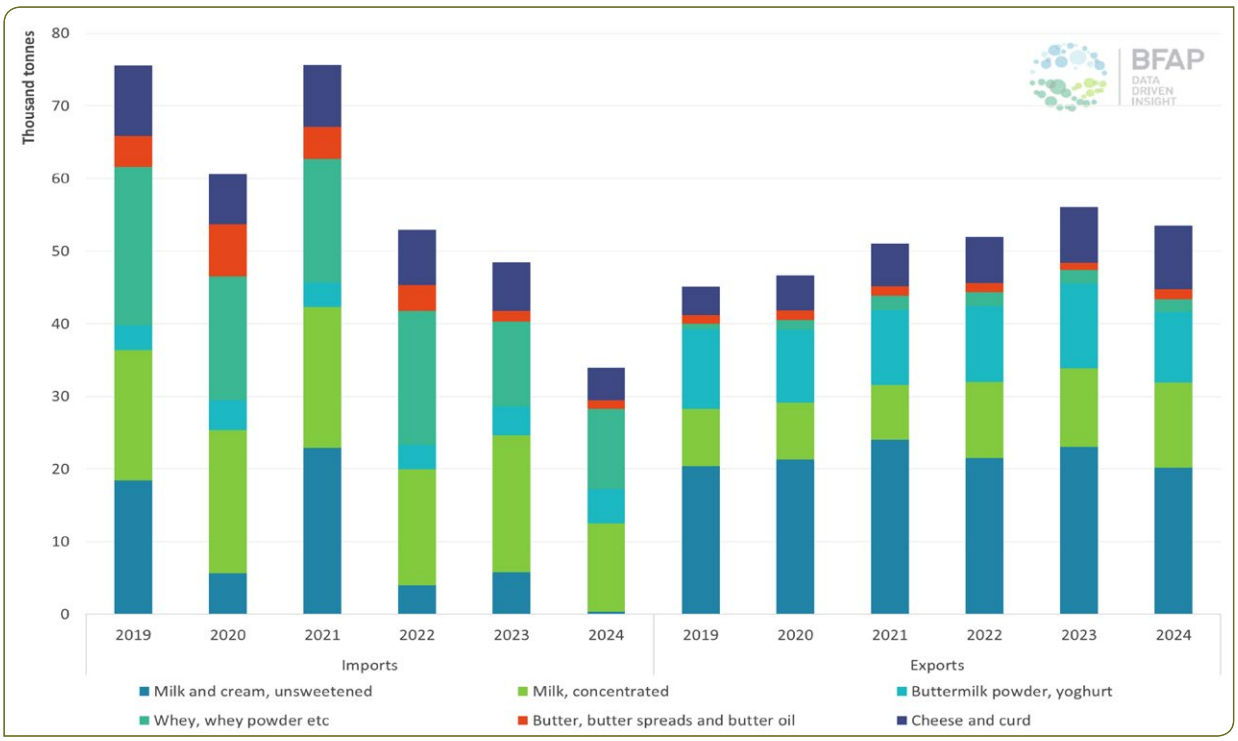


Figure 55: South Africa's imports and exports of dairy products, 2019 - 2024

34 000 tonnes in 2024 (Figure 55) These imports consisted primarily of concentrated milk and whey products, sourced mainly from the European Union and Oceania. Although imports represent a relatively small share of the domestic market, the significant drop points to increased reliance on locally produced dairy, supported by improved milk supply and the absence of major supply chain disruptions in 2023 and prior years.

On the export front, South Africa exported 53 500 tonnes of dairy products in 2024, a 4.5% decline from 56 000 tonnes in 2023. This decline likely reflects a focus on meeting domestic demand, particularly as production was constrained by the outbreak of FMD. Most of these exports are directed to the Southern African Customs Union (SACU) region, with Botswana accounting for 56% of the total. Key export products included milk and cream, buttermilk, and cheese. Overall, South Africa maintained a net export position in 2024.

While the share of products traded internationally remains small, South Africa is expected to remain a net exporter of all dairy products by 2034. Such volumes will likely remain destined for neighbouring countries within the Southern African region.

Despite the challenges if the past few years, the outlook for the dairy sector remains optimistic, particularly regarding raw milk production and profitability, as input costs continue to ease. This positive trend extends to the processing and consumption of dairy products. However, the industry operates within a highly uncertain environment influenced by factors such as weather conditions, infrastructure challenges, political dynamics and the trajectory of future economic growth.

OUTLOOK FOR HORTICULTURAL PRODUCTS

CITRUS AND DECIDUOUS FRUIT




INTRODUCTION

The South African fruit industry stands at a strategic inflection point, marked by a blend of promising growth, persistent challenges, and systemic inefficiencies – aptly described as "the good, the bad, and the ugly". On the bright side, the horticulture subsector reached a record gross production value of R144.6 billion in 2024, accounting for 31.5% of the total value of primary agriculture. This growth has been driven by a recovery in fresh produce prices and stabilisation in freight costs, which helped restore export profitability despite recent cost pressures. Operational improvements, such as fewer disruptions from loadshedding, have also contributed to a more stable domestic environment.

However, this progress is tempered by growing concerns. Trade restrictions – particularly tariff and non-tariff barriers – are increasingly threatening the industry's global competitiveness. Measures by key trade partners like the EU, US, and BRIC nations that complicate value chain efficiency, ultimately squeeze both producers and consumers. More troubling are the deep-rooted inefficiencies in state-owned infrastructure, which continue to cause significant losses through increased costs, income disruptions, and waste from unsold produce.

MARKET OVERVIEW

Over the past decade, the South African fruit industry has undergone a dynamic transformation, marked by significant shifts in the performance of key fruit categories. The evolution of gross production value (GPV) across five major industries (citrus, pome fruit, table grapes, stone fruit, and blueberries) illuminates the industry's resilience and adaptability to global market dynamics, along with its vital role in driving employment and stimulating demand across agriculture's upstream and downstream value chains. Combined, these five industries are responsible for half of the horticulture subsector's GPV.

Citrus has consistently led the pack, growing from R14.23 billion in 2015 to R34.53 billion in 2024, with a remarkable surge between 2019 and 2020 driven by strong export demand and favourable pricing. Pome fruit followed a steady upward path, more than doubling its GPV over the 10-year period to reach R17.98 billion in 2024. Table grapes also showed impressive growth, peaking in 2021 before a brief dip and recovery, ending at R13.29 billion by 2034. Stone fruit, while more volatile, demonstrated a modest recovery post-2020, reaching R4.12 billion in 2024. Meanwhile, blueberries emerged as the breakout star, expanding more than eightfold from R424 million in 2015 to R3.9 billion in 2024, driven by health-conscious consumer trends and successful export strategies.

This growth has been largely underpinned by export income, with 2024 exports totalling R102.45 billion. Fresh fruit dominated the export mix, accounting for 75.2%, followed by nuts (8.4%), juice (7.4%), processed fruit and nuts (4.7%), and dried fruit (4.3%). These figures underscore the importance of diversified marketing channels – ranging from fresh produce to value-added processing – in sustaining industry momentum and enhancing profitability across the value chain.

Beyond its economic output, agriculture plays a vital role in employment and broader socio-economic development. In 2024, the sector employed 924 055 workers, with the majority attributed to horticulture. The fruit industry's influence extends into upstream and downstream sectors, including packaging material, on-farm input supplies, and processing, logistics, and cold storage services. These linkages reinforce the sector's position as a cornerstone of rural livelihoods and a driver of inclusive growth.

MARKETING

The South African fruit industry continues to evolve across its three primary marketing channels: fresh exports, local fresh market, and processing (juice, canning, drying and other forms of preservation). Comparing the 2022–2024 average to the 2015–2017 baseline, exports have grown significantly, particularly for citrus and pome fruit (Figure 56). Oranges remain the largest export commodity, averaging over 1.1 million tonnes in 2022–2024, while soft citrus and lemons have more than doubled their export volumes. Blueberries also stand out, with exports increasing more than fivefold over the same period. However, it's important to note that adverse weather conditions (drought, untimely rain, frost and hail) during this base period had a dampening effect on production volumes for several key commodities – orange production was notably impacted in 2023, table grapes experienced setbacks in the same year, plum production declined in 2024, and apple yields were affected in 2023. These disruptions underscore the vulnerability of the industry to climatic variability, even amid broader growth trends.

Looking ahead, short-term growth (2025–2027) is expected to be strongest in soft citrus (up 24.2%) and blueberries (up 18.6%), reflecting continued global demand, recovery after adverse weather conditions affected yields in some regions over the past three seasons, expanding production volumes from young orchards starting to contribute, as well as production practices and cultivar choices that contribute to higher yields per hectare. Longer-term projections show even

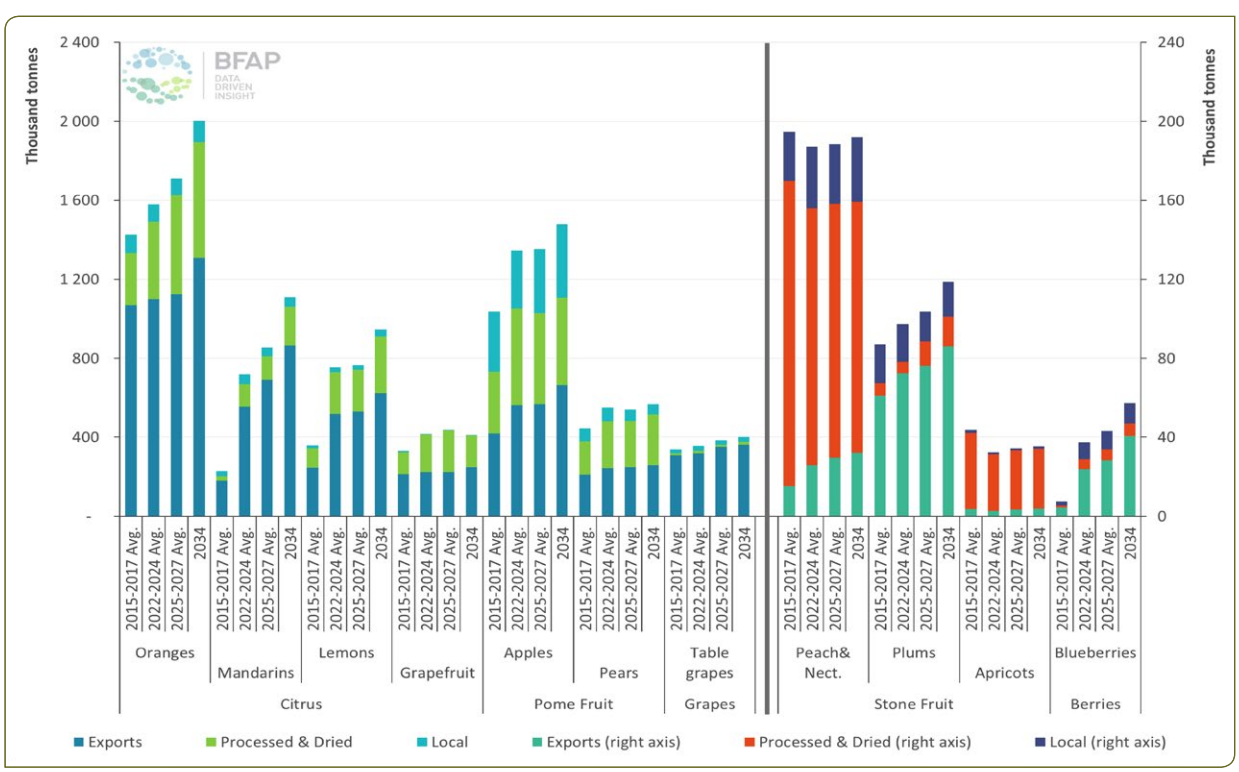


Figure 56: Production volume per commodity per marketing channel: 2015-2034

more pronounced growth: by 2034 soft citrus exports are expected to rise by over 55%, and blueberries by nearly 70% compared to 2022–2024 levels. These trends highlight the increasing importance of high-value, export-oriented crops in the sector's future. While other industries show more modest expansion rates, this is largely due to their maturity and established market presence. Their continued contribution to overall value and stability remains essential to the resilience and sustainability of South Africa's fruit sector.

In the processing and drying segment, volumes are also increasing, particularly for oranges and mandarins, which show strong upward trends. Pome fruit and stone fruit remain the largest contributors to processing volumes as a share of production. However, the canning industry, particularly for stone fruit like peaches and apricots, continues to face structural challenges. Long-term sentiment is subdued due to declining planted areas, which may prevent the industry from reaching critical mass even if market conditions were to improve. The dried fruit sector remains small and concentrated, with limited on-farm drying facilities still operational and even fewer processors. Adding to the challenge in the industry is the sector's reliance on a few export markets – particularly the US – posing a risk for the new season in terms of returns to growers if tariffs are implemented. Without investment in product development and market diversification, the dried fruit industry may struggle to scale or remain competitive in the long term.

Over the past three years (2022–2024), the South African fruit industry experienced varying degrees of price recovery, with some commodities showing substantial improvement (Figure 57). This recovery was supported by a combination of factors: a rebound in consumer demand globally, reduced freight rates, a weaker Rand in 2023 and 2024 compared to 2022, and supply shortages from key competitors such as Brazil (oranges for juice), Peru (blueberries and table grapes), and Northern Hemisphere pome fruit producers – often due to adverse weather (La Niña) or disease outbreaks (HLB - the devastating Asian citrus greening disease).

Despite these favourable conditions, not all commodities kept pace with inflation. Lemons were the only fruit whose average annual price growth (4.20%) fell below the average CPI of 5.35% for the period 2022–2024, indicating negative real price movement. The labour cost index, which rose by 8.67% over the same period, highlights the pressure on production costs. Notably, the export price growth for soft citrus, lemons, and peaches did not keep pace with this increase – labour being one of the largest expenses in fruit production. This suggests

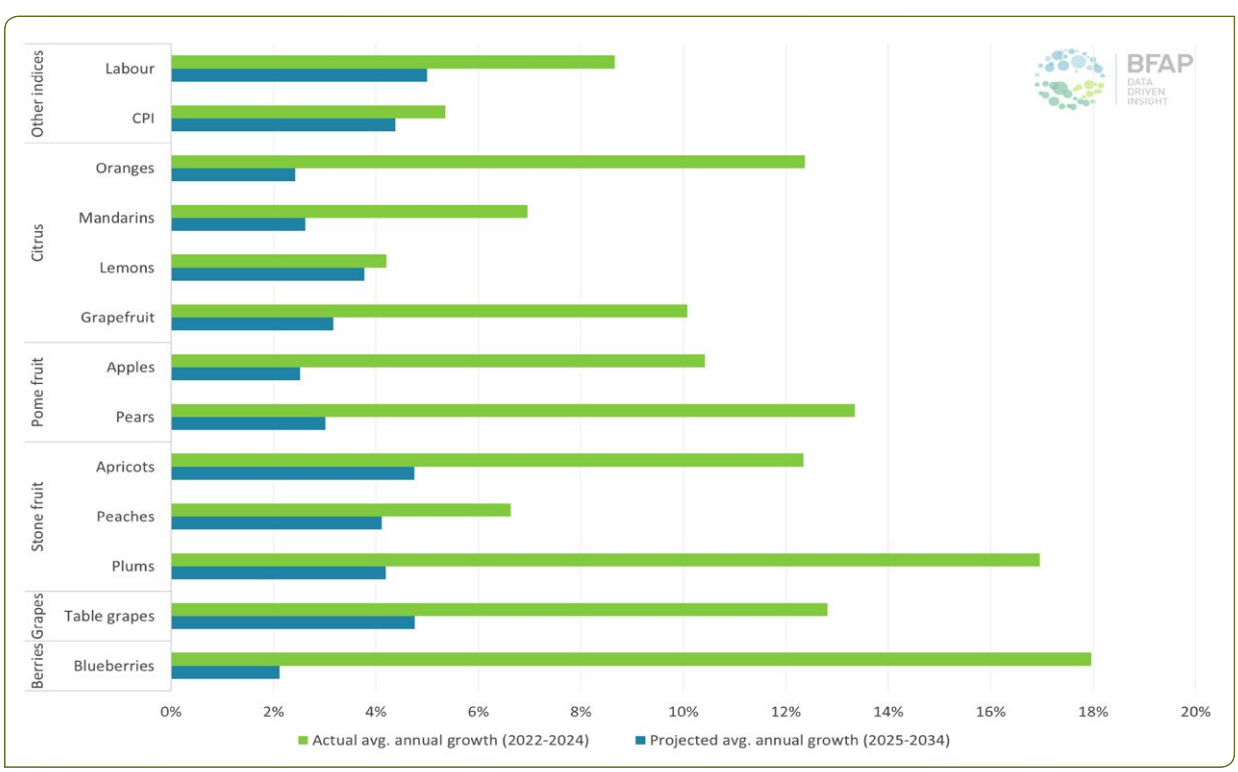


Figure 57: Export prices growth per commodity in comparison to key metrics: 2022-2034

that while most commodities managed to maintain cost competitiveness, a few are already under strain.

Looking ahead to 2025–2034, the outlook is more restrained. Several commodities are projected to grow at rates below CPI (4.38%), including blueberries, all pome fruit, and citrus – implying that real export prices decline, which must be offset by productivity gains to remain profitable unless the exchange rate weakens more than projected. In comparison, stone fruit and table grape export prices are projected to keep up with inflation, but only barely. When compared to projected labour cost growth (5.00%), most commodities fall short. This signals a need for greater efficiency, automation, and cost-effective production strategies to sustain profitability and remain competitive in the global market.

These findings highlight a key distinction in the industry: while emerging crops like blueberries and soft citrus have seen rapid price growth recently, their future expansion may be constrained by cost pressures. Meanwhile, more mature commodities such as oranges, apples, pears and table grapes show slower growth due to their established market positions, but their continued contribution to overall value remains critical for the sector's stability and resilience. Although stone fruit does not have the biggest growth prospects nor the biggest contribution to value, the industry plays a vital role in the rural economies where climate conditions restrict the competitive production of other commodities.

Over the past decade, substantial gains in GPV from South Africa's fruit industry was underpinned by a combination of volume growth (on the back of area expansion and productivity gains), and a weaker Rand, which bolstered export earnings (Figure 58). On a per-hectare basis, revenue has been shaped by improvements in yield and shifts in marketing channels, particularly toward higher-value exports.

In real terms, GPV has grown steadily, although the pace has varied. After a strong run in 2022 and 2023, the market is expected to rebalance, leading to a short- to medium-term slowdown in real GPV growth. However, a modest recovery is projected toward the end of the outlook period, supported by continued investment, market development, and productivity gains, as well as a greater share of total area reaching full bearing age.

In nominal terms, the industry is projected to reach a total GPV of approximately R118.0 billion by 2034, from a base of R73.2 billion in 2024. Citrus is expected to

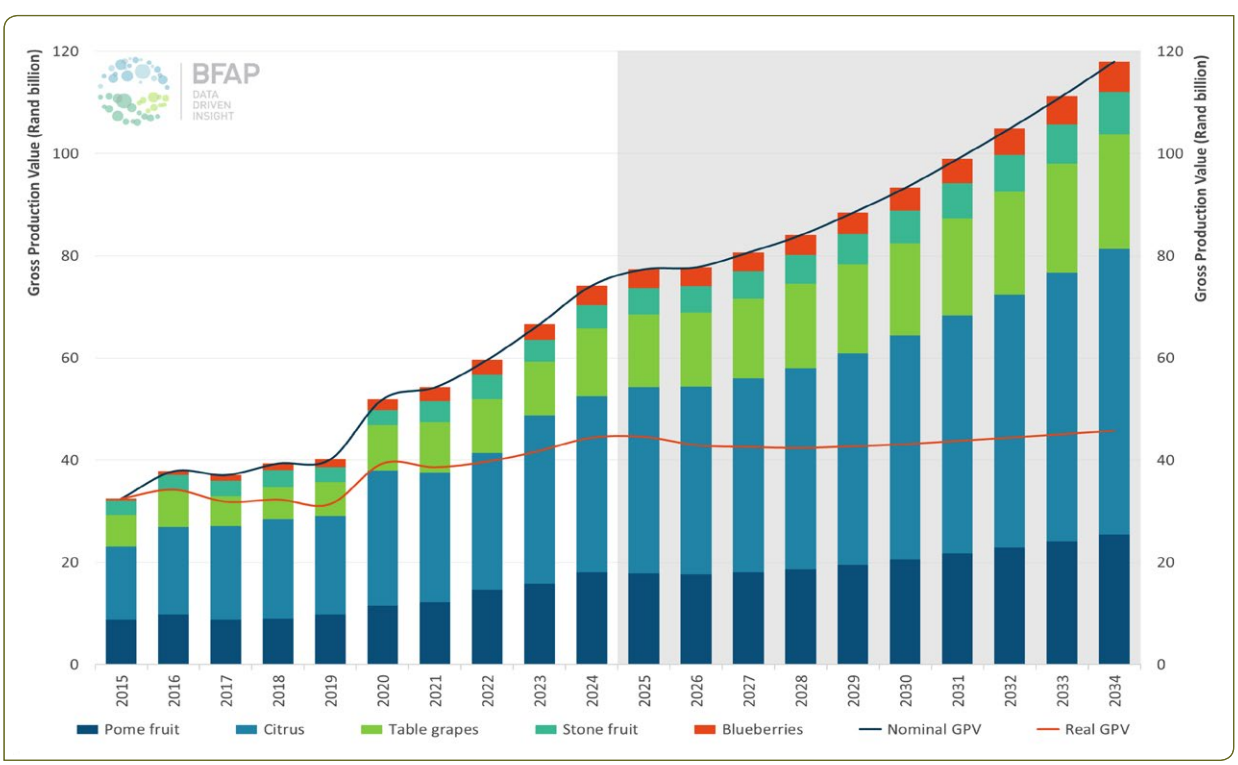


Figure 58: Gross production value growth per commodity: 2015-2034

remain the dominant force, contributing R55.8 billion or 47.3% of the total. This is followed by pome fruit, R25.5 billion or 21.6%, table grapes, R22.5 billion or 19.0%, stone fruit, R8.3 billion of 7.0%, and blueberries, R6.0 billion or 5.0%. These figures underscore the continued importance of citrus and pome fruit as the backbone of the industry, while also highlighting the growing role of high-value crops like blueberries.

It's important to note that these projections are based on the current trade environment. As demonstrated by recent events such as the Trump-era tariff announcements, which remain highly uncertain, trade policy shifts can significantly alter market dynamics. Therefore, further growth of the fruit industry, along with its upstream and downstream benefits and employment contributions, is not guaranteed. It must be actively supported and safeguarded by all stakeholders through strategic engagement, policy advocacy, and investment in market access.

TRADE PROSPECTS

South Africa's fruit and nut exports remain highly concentrated, with the top 15 trade partners accounting for over 80% of total export value in 2024. The EU leads with R34.5 billion (39.8%), followed by the UK, China, UAE, and the US, collectively pushing the cumulative share past 60% (Figure 59). By product, the EU dominates most categories: fresh fruit, juice, processed fruit and nuts, and dried fruit. China is the largest market for nuts (macadamias and pecans), with R5.43 billion in exports in 2024. The US and Vietnam are also notable destinations. Regionally, Botswana and Namibia are key juice markets, while the UK, US and Canada are also important for processed and dried fruit.

Between 2020 and 2024, export growth was strongest in Bangladesh, Russia, and the EU, with the latter increasing by 61%. Direct exports to mainland China surged due to improved market access, reducing reliance on Hong Kong intermediaries. These shifts highlight the importance of trade diplomacy and market access negotiations. Due to the high level of market concentration, the industry is susceptible to abrupt changes in tariffs, non-tariff barriers, and sanitary and phytosanitary (SPS) requirements. Proactive risk management and investment in trade resilience are essential.

Figure 60 highlights the relative importance of the top 10 markets for each of the major fresh export fruit commodities, with all other markets aggregated into the 'other' category. The right axis shows the annual

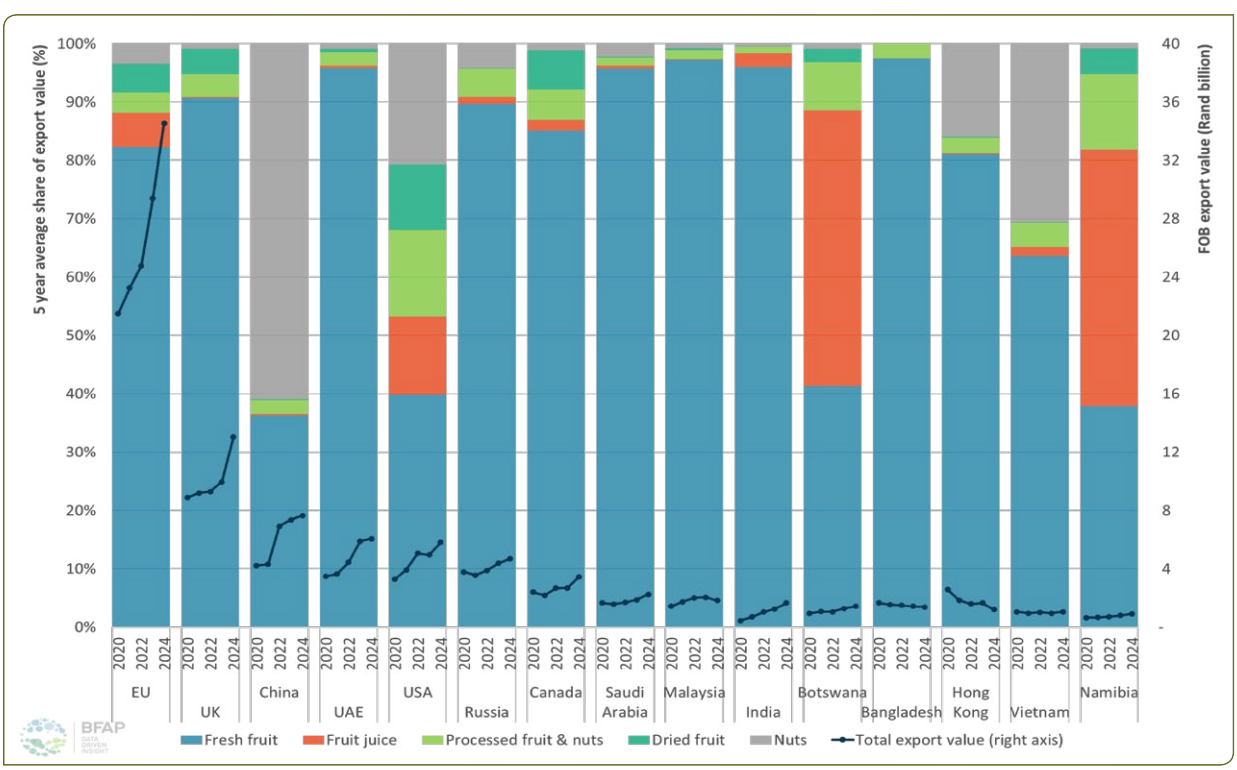


Figure 59: Value of exports and share of export value per category of exports for top 15 markets: 2020-2024

export volumes for the past three seasons, as well as projected volumes for 2034. These volumes align with the export component shown in Figure 56. With the exception of pears, double digit growth in volumes is expected over the outlook period: 2034 vs an average of the past three seasons, noting that weather conditions did affect production and exports. Depending on the role South Africa plays in the global market during the Southern Hemisphere export season, the growth in volumes is a contributing factor to the suppressed price growth projected in Figure 57. In terms of winter exports, an additional 27% of citrus and 14% of pome fruit is projected, requiring export services for close to 4 million tonnes in 2034. During the more perishable summer export season, 12% growth in table grapes, 23% in stone fruit and 70% in blueberries are projected, increasing the demand for export services by 18% to 525 000 tonnes.

Despite progress – such as finalising avocado exports to China and advancing stone fruit negotiations, with blueberries next – trade risks persist. High tariffs, lack of preferential agreements, and regulatory uncertainty continue to constrain growth. Noting the relative market importance and volume expansion projected for the different commodities in Figure 60, changes (or the lack of change) in the trade regimes with different countries or regions play a bigger (or smaller) role at commodity level.

BRIC countries illustrate these challenges. Although exports to China, Russia, and India are growing, they remain limited due to steep tariffs and non-tariff barriers. For example, nut tariffs are 14.02% in China, 3.02% in Russia, and 35.72% in India. Citrus faces tariffs of 11.52%, 5%, and 29.60%, respectively. Pome fruit is taxed at 11.16%, 5.44%, and 19.73%, while table grapes and raisins face 12.51%, 5%, and 42.28%. These rates, combined with the absence of trade agreements, make BRIC markets difficult to penetrate. In contrast, the EU, UK, and US generally imposed lower or zero tariffs, reinforcing the need for targeted trade negotiations.

However, even in traditionally favourable markets, new barriers are emerging, particularly in the EU. The EU's evolving regulatory framework – previously under the Green Deal and now rebranded as the Agri-Food Vision – is increasingly restrictive, especially regarding the use of plant protection products. As active ingredients in critical chemicals are phased out or no longer registered, South African producers face a range of risks, from profitability impacts and market selection limitations to potential market closures and increased vulnerability to transboundary pest movement.

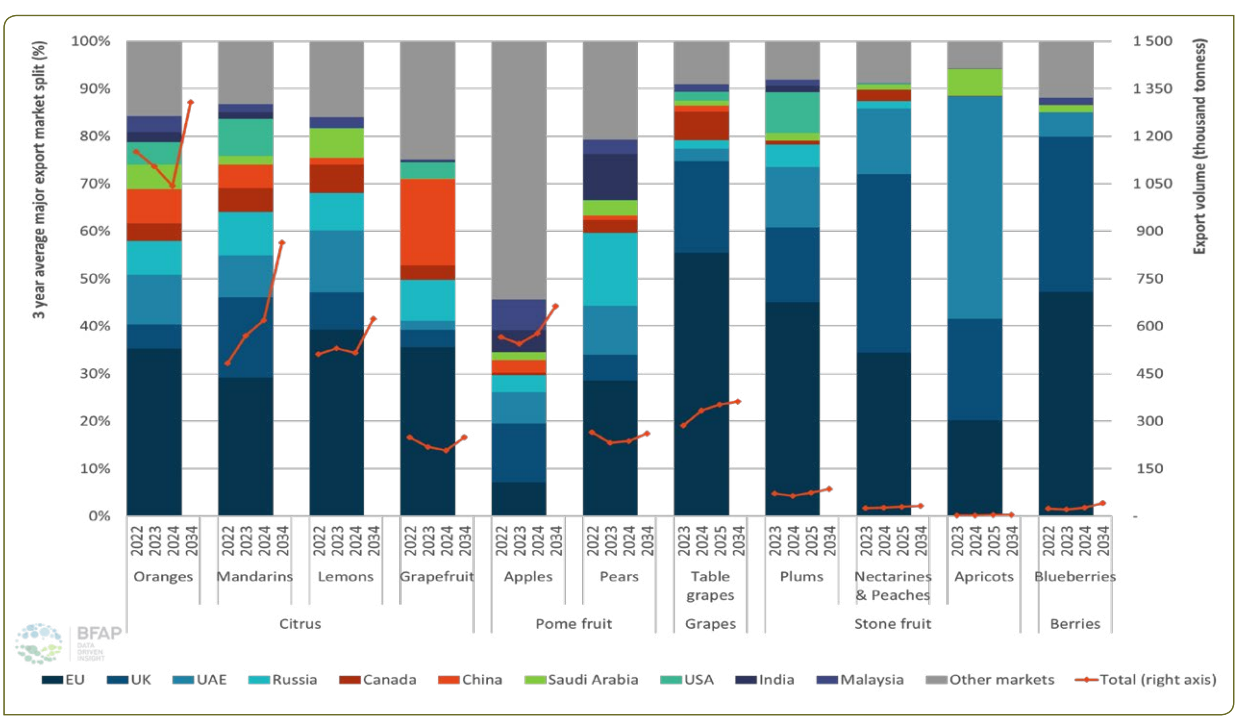


Figure 60: Volume of exports and share of export volume per commodity to major export destination: 2022-2034

BOX 1: IMPACT OF REMOVAL OF ACTIVE INGREDIENTS NO LONGER REGISTERED IN THE EU

The Chemicals Strategy for Sustainability, adopted in October 2020, is a crucial component of the EU Green Deal (recently replaced by the Vision for Agriculture and Food), aiming for a toxic-free environment. In 2023, the European Commission began an evaluation and impact assessment to understand the potential effects of various options on human health, the environment, and economic costs in both EU and non-EU countries. In a study finalised at the end of 2024, BFAP quantified the implications of losing access to certain chemicals in these industries.

To test the cost and/or quality impact of the loss of mancozeb (effective in the control of scab in pome fruit and Citrus Black Spot (CBS) in citrus), imidacloprid (effective in the control of African Citrus Greening (CG), and dimethomorph (effective in the control of downy mildew in table grapes) alternative scenarios were constructed. To account for the loss of use of other plant protection products, an additional 5% increase in production cost and a 5% decrease in export share was modelled.

Figure 61 shows the deviation from the baseline by 2033 at farm and industry level. With profitability hinging on exports, even the smallest change in packout rates multiplies in magnitude in terms of the impact on profit. Each industry would be affected differently based on which active ingredients are no longer registered in the EU, the new minimum residue level (MRL), and the availability, efficacy and cost of alternatives. While some producers – such as those growing apples with limited EU exposure – can opt to continue using the products and avoid the EU market, this is not viable for commodities like pears and table grapes, where the EU is the primary export destination. In these cases, producers must absorb the impact through higher costs, reduced yields, or compromised quality, with the table grape industry expected to bear the brunt of these changes.

Figure 61: Deviation from baseline for loss of critical active ingredients in the EU market: 2033

In the citrus sector, the situation is equally concerning from a production volume perspective. Chemicals effective in controlling CG and CBS are under scrutiny, and their potential loss could have region-specific consequences. The severity of impact depends on pest prevalence, the effect on yield and fruit quality, and the overall supply dynamics within the industry. With extensive retraction of volume in the citrus industry, market demand against short supply is

BOX 1: IMPACT OF REMOVAL OF ACTIVE INGREDIENTS NO LONGER REGISTERED IN THE EU (CONTINUED)

expected to result in price increases that offset the supply decline, generating more value in the process. However, at farm level, producers in some regions – where both CG and CBS poses a risk – would still be worse off. While not modelled, the loss of trees (biological assets destroyed by the greening virus) is an additional concern.

Limited access to essential pest and disease control tools can be highly detrimental unless timely alternatives are available and registered, posing risks for both producers and importers. At industry level, this could lead to reduced production, exports, and employment, affecting the entire value chain. Key challenges include managing transboundary pest threats and complying with additional import measures, especially if implementation fails or becomes too costly.

The US, once a premium market for South African fruit, nuts, and wine, has become increasingly difficult to access due to tariffs introduced under the Trump administration. Although only 5% of South Africa's fruit, nut, and wine exports were destined for the US in 2024, the impact is concentrated in specific commodities and regions. South African exports may now face tariffs of up to 30%, compared to just 10% for competitors like Chile, Peru, and Kenya, reducing price competitiveness and farm-level profitability.

Key commodities affected include stone fruit from the Western Cape, table grapes and dried fruit (including raisins and pome fruit) from the Western and Northern Cape, and citrus – 20% of which is exported to the US. Wine, especially the packaged segment, is also impacted, as are macadamias, where Kenya's lower tariff gives it a competitive edge.

In response to President Trump's measures, China has extended duty-free access to products from African countries that maintain diplomatic ties with Beijing – conditional upon signing a trade agreement with China. While this presents a promising opportunity, it remains uncertain whether South African fruit exports can fully capitalise on it, given the country's complex trade dynamics with China and other involved industries. There is renewed momentum in trade discussions between South Africa and India, which also encompass the broader SACU region. Notably, 95% of trade between SACU and India is concentrated between South Africa and India. In 2025, the focus has shifted to SACU as a whole, with formal negotiations resuming and prioritising expanding product coverage under the Preferential Trade Agreement (PTA), addressing non-tariff barriers, and enhancing cooperation in customs procedures and digital trade. However, the prospect of a signed trade deal remains uncertain, given that previous negotiation rounds between 2000–2010 and in 2016 failed to yield concrete outcomes.

Beyond direct effects, South African exporters face indirect risks from market displacement. US tariffs on major producers like Mexico, Chile, and Peru may redirect their produce into South Africa's key markets (EU, UK, and China), intensifying competition. For example, avocados from Mexico and Peru may shift to the EU and UK, while blueberries and grapes from Chile and Peru could lead to oversupply of these markets. Mexico, whose pecan exports are 4.6 times larger than South Africa's, may redirect supply to China, where South Africa currently sends 95% of its pecans.

These dynamics show how tariff policy in one market can ripple across global trade flows, eroding South Africa's competitiveness. The uncertainty created by such measures – especially when implemented abruptly – undermines long-term planning and investment.

Neighbouring countries like Namibia and Botswana have also imposed import bans on South African vegetables and citrus, citing the need to protect domestic production in order to build up self-sufficiency. These sudden restrictions disrupt regional trade flows and highlight the vulnerability of South African exports to policy shifts without warning. They also have substantial price implications in the countries imposing them.

Beyond tariff and non-tariff barriers, domestic infrastructure challenges, especially in road, rail, and port logistics – pose serious trade constraints for South

Africa's fruit industry. These inefficiencies are particularly harmful to perishable exports. The Port of Cape Town (PoCT) saw container vessel arrivals drop from 690 (July 2018–June 2019) to under 460 (July 2022–June 2023), causing delays with far-reaching consequences. In the table grape industry, prolonged port dwell times contributed to R4.7 billion in claims due to unsound arrivals between 2018/19 and 2022/23, averaging R45 400 per hectare annually. The Western Cape apple and pear industry faces annual losses of R1bn, or R26 000 per hectare, due to port-related delays. These figures exclude opportunity costs and reputational damage from unreliable delivery. A 2024 citrus industry assessment revealed R1.56 billion in direct costs, R2.60 billion in lost revenue, and R1.1 billion in waste – totalling R5.27 billion (R33 per carton or R52 700 per hectare). These three examples of the impact on the perishable industries highlight the urgent need for infrastructure reform to protect the competitiveness of South Africa's fruit exports and ensure timely delivery in global markets.

Timing of supply is another critical factor influencing trade outcomes. Seasonality and perishability play a central role in determining market access and pricing. South Africa's competitive position varies across fruit categories. In citrus, the country is the largest exporter of fresh produce from the Southern Hemisphere, making timing essential to maintain demand and supply balance. For pome fruit, South Africa competes not only with other Southern Hemisphere producers but also with stored inventory in Europe and the US. In the case of table grapes, blueberries, and avocados, Peru dominates the export window, benefiting from growing area and volumes competitively. For stone fruit, Chile is a major competitor, particularly in growing a Chinese consumer market, as 87% of Chile's stone fruit export value in 2024 was generated from that market.

This growing uncertainty in trade policy, whether through tariffs, SPS requirements, or regulatory shifts, inhibits growth by undermining confidence in competitive temporal market access in key markets. For South Africa to remain competitive and resilient, trade relationships must be actively managed, and barriers must be addressed through diplomacy, negotiation, and strategic alignment with global standards.

PRODUCTION

Figure 62 below illustrates the cyclical nature of price movements in South Africa's fruit industry. While the fruit price index – represented as a weighted average across major commodities and marketing channels – has generally trended upward, it experienced a notable dip in 2021–2022, coinciding with global disruptions

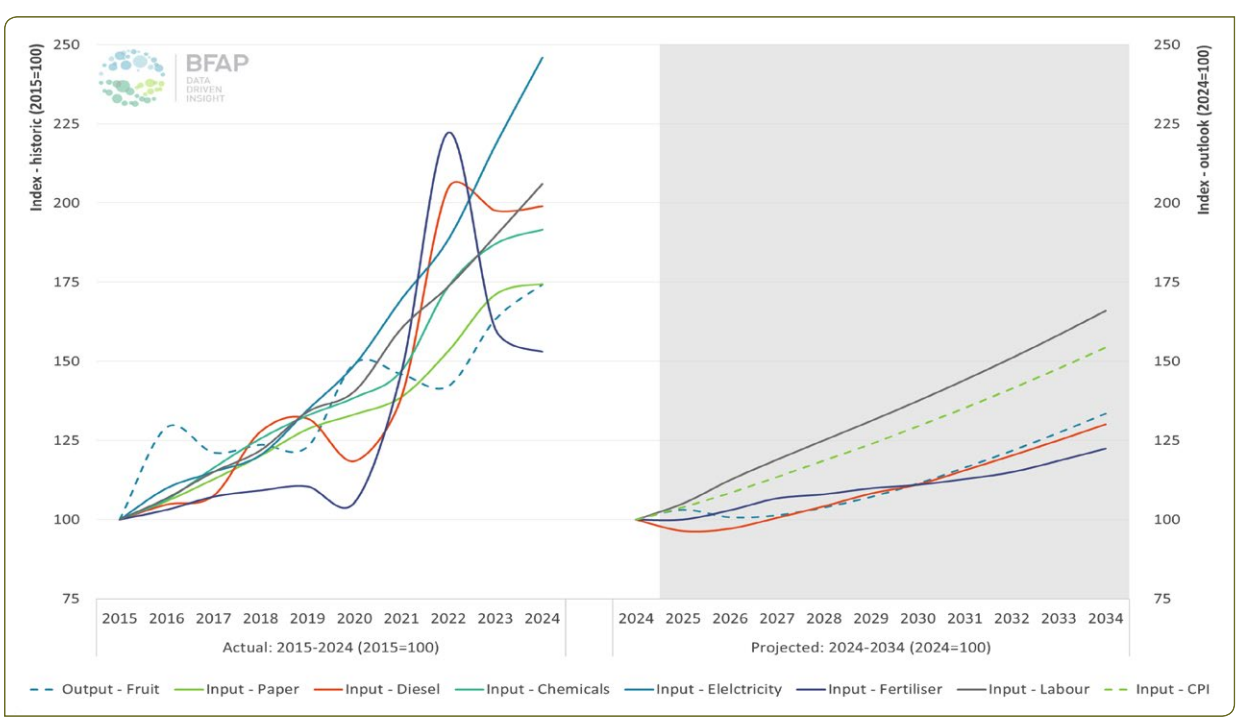


Figure 62: Indices for major input cost and a weighted average fruit price: 2015-2034

caused by the logistical crisis that followed the Covid-19 pandemic and exacerbated by the war in Ukraine. This conflict led to sharp increases in input costs – particularly fertiliser and diesel, due to supply chain constraints and energy market volatility. Simultaneously, consumer demand in key export markets softened, squeezing margins and exposing growers to heightened financial stress.

Fruit prices were 74.2% higher in 2024 compared to 2015. On the cost side, electricity rose by 145.9%, diesel by 98.8%, and chemicals by 91.5% over the same period. Labour costs, a significant component in fruit production, increased by 106.1%, while fertiliser costs were particularly volatile – peaking at 122.3% above 2015 levels in 2022, before settling at 52.0% above the base year in 2024. These cost escalations have compressed margins and elevated the financial risk associated with expanding production.

The data underscores the cyclical nature of the industry. In 2022, the sector faced a convergence of global challenges, most notably the war in Ukraine, which disrupted energy and fertiliser markets. Diesel prices jumped from an index value of 138.7 in 2021 to 204.8 in 2022, and fertiliser from 146.5 to an index value of 222.3, while fruit prices stagnated. Despite these pressures, the fruit price index rebounded from 146.0 in 2021 to 163.3 in 2023, and further to 174.2 in 2024, suggesting a return to equilibrium. However, this new balance is at structurally higher levels, implying greater exposure to risk. With inputs now significantly more expensive, growers are increasingly reliant on strong income to remain profitable. Sudden disruptions – whether from trade barriers, phytosanitary issues, or adverse weather – can quickly turn a viable season into a loss-making one, underscoring the need for robust risk management and strategic planning.

Looking ahead and rebasing the indices to a 2024 base, prices are projected to be under pressure, especially in the short to medium, while cost pressure mounts. Electricity - an essential component of on-farm irrigation and off-farm packing, processing and cooling - has been the fastest growing cost over the past 10 years, and is an element to keep an eye on for the future. Labour is projected to grow at a pace slightly faster than CPI, whereas lower than output price growth is projected for inputs such as fertiliser and fuel.

The planted area data from 2015 to 2024 reflects how periods of relative profitability – particularly before 2020 – supported expansion in several fruit categories. Citrus saw the most significant growth, with planted area increasing by 41%, from 68 256 hectares in 2015 to 96 230 hectares in 2020, driven by strong export demand

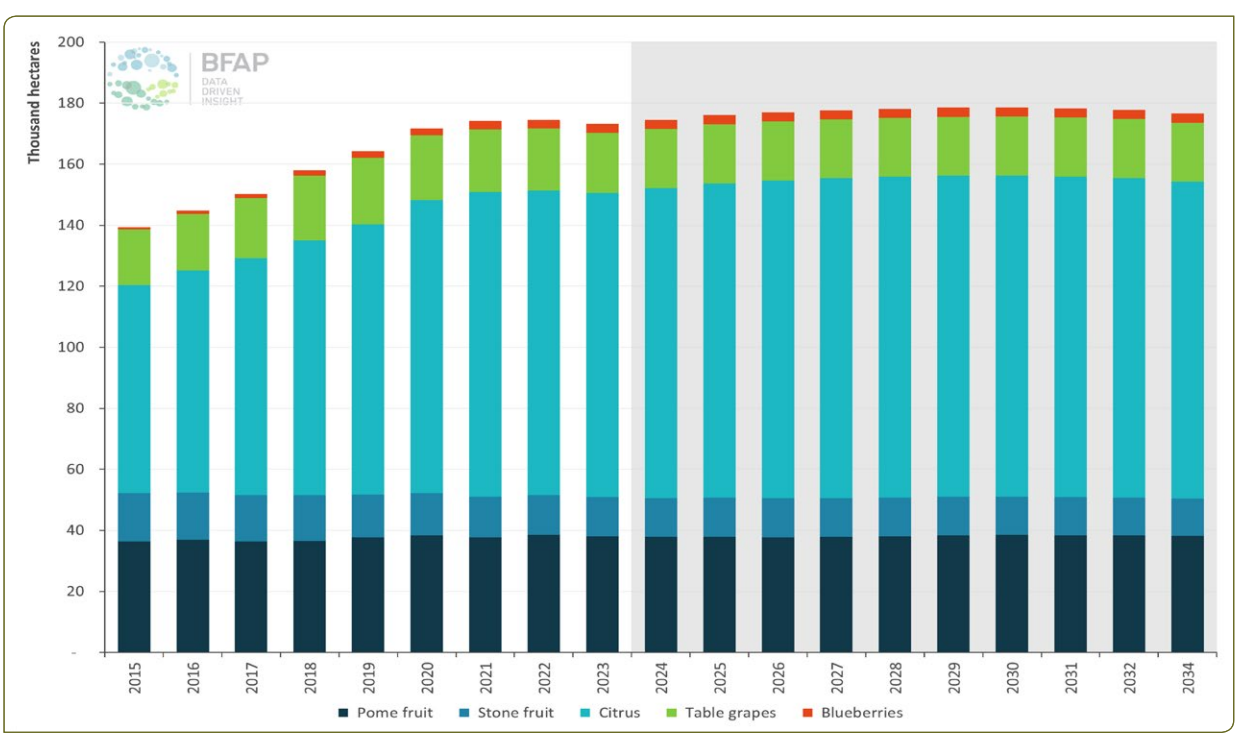


Figure 63: Planted area for major commodity groups: 2015-2034

and favourable returns (Figure 63). Table grapes also expanded by 15.9% over the same period, while pome fruit grew modestly by 5.3%. Blueberries experienced a remarkable 184% increase, albeit from a small base, reflecting their emergence as a high-value niche crop. In contrast, stone fruit contracted by 12.1%, as drought in the Klein Karoo and quotas and low prices in the processing sector suppressed farm gate returns and the financial ability to replant.

However, the landscape shifted post-2020. Despite a recovery in fruit prices, the volatility and elevated input costs dampened enthusiasm for further area expansion. From 2020 to 2024, the pome fruit area declined slightly by 1.3%, table grapes by 7.6%, and stone fruit by 8.5%. Even citrus, which had previously led expansion, grew by only 5.6%, indicating a plateau. Blueberries continued to expand in 2020 before also reaching a plateau, suggesting a maturing phase.

Looking ahead, while the prospects for area expansion are subdued, timeous replacement still remains paramount in maintaining this cultivated area and realising the projected volumes. The contrast between area stagnation and volume growth means that growth would largely have to be achieved through intensification rather than expansion. Growers have focused on improving yields and packout rates on existing land rather than expanding cultivated area – a strategy that reflects the heightened risk environment. With input costs significantly higher and profitability more sensitive to external shocks such as trade disruptions or adverse weather, the outlook for area expansion remains conservative. Other factors, such as availability of natural resources (water and suitable land) as well as access to affordable capital are likely to play into the constrained area outlook. Future growth is likely to depend more on innovation and efficiency than on land use.

Compounding this cautious outlook are the logistical inefficiencies that continue to affect farm gate prices and increase business risk. Producers of perishable perennial crops face mounting challenges, with delays and disruptions in the value chain undermining returns. In table grapes, for example, the area declined from 21 837 hectares in 2019 to 19 488 hectares in 2024, is a clear indication of how these inefficiencies constrain vineyard replacement. In the pome and stone fruit industries, many orchards are considered beyond their optimal lifespan. Without the ability to reinvest, producers risk falling behind the industry's export growth potential as outlined in the Agriculture and Agro-processing Master Plan (AAMP).

Another example of subdued growth prospects is in the citrus industry: when the industry launched Vision 260, it aimed to reach 260 million export cartons by 2032, with the potential to create one job for every additional 1 150 cartons exported. However, in the current climate, growth prospects are more conservative. While increased volumes would typically pressure market prices, producers could absorb such declines if logistical inefficiencies were resolved. In that case, farm gate prices would remain stable, as lower post-farm costs offset market price reductions. As it stands, BFAP's market model outlook projects 201 million citrus cartons by 2034, whereas the biological potential of current plantings according to industry calculations equates to 236 million cartons. Thus,

BOX 2: OPPORTUNITIES TO ACCELERATE GROWTH IN HIGH VALUE EXPORT INDUSTRIES

Addressing the risks and inefficiencies in South Africa's fruit export value chain requires a coordinated effort between industry stakeholders. While producers must take ownership of on-farm improvements, industry representative bodies have a critical role to play in negotiating and advocating for systemic changes beyond the farm gate. The cost of logistical inefficiencies – already amounting to several billion Rand annually – presents a compelling case for targeted interventions that can unlock significant value chain efficiencies.

One of the most immediate opportunities lies in accelerating the shift from road to rail transport. This transition would alleviate pressure on road infrastructure, reduce transit times, and improve reliability. Simultaneously, addressing inefficiencies at ports, particularly those that lead to prolonged cold storage, shipping surcharges, and market price volatility due to irregular vessel scheduling, can yield substantial savings. These improvements would not only reduce direct costs but also mitigate the reputational damage caused by inconsistent delivery timelines.

BOX 2: OPPORTUNITIES TO ACCELERATE GROWTH IN HIGH VALUE EXPORT INDUSTRIES (CONTINUED)

On the production side, adopting cost-effective and output-maximising practices is essential. The number of profitable export cartons produced per hectare directly influences farm gate revenue and the per-carton cost of production. Strategic spending on fertilisation, crop protection, and labour – when applied judiciously – can significantly enhance yields and packout rates. This creates a multiplier effect, increasing the number of cartons per hectare and improving overall profitability.

The potential gains from these interventions have been tested in the citrus value chain. Efficiency improvements across the chain can enhance farm gate returns by R10 per carton. Concurrently, adopting more productive and cost-effective on-farm practices can reduce the cost of production by R12 per carton, even when per-hectare spending increases. Together, these two levers, value chain efficiency and improved production practices – can effectively double net farm income.

In addition to boosting profitability, these measures contribute to broader risk reduction. They enhance the resilience of the value chain, improve competitiveness, and reduce exposure to external shocks. Importantly, they also enable producers to reduce their reliance on foreign capital. By expanding operations sustainably, within the means generated by the business, producers can avoid overleveraging, which is particularly risky in a volatile environment. Overextending through debt can quickly turn a viable operation into a loss-making one, underscoring the importance of robust risk management and strategic financial planning.

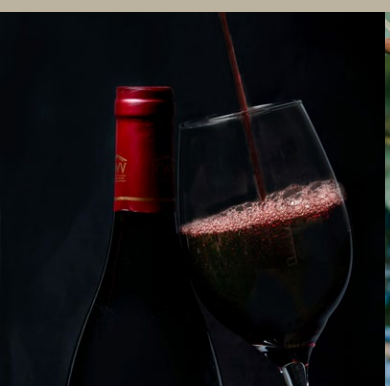
by taking the macro-economic environment, global supply and demand, and farm level profitability into consideration, the partial equilibrium model projects 15% less export volumes than the biological potential. Consequently, resolving inefficiencies would enable a 10–20% expansion in volumes without compromising profitability, while simultaneously contributing to job creation and foreign exchange earnings. The biological potential is there, but the enabling environment not.

CONCLUDING REMARKS

The South African citrus and deciduous fruit sectors continue to play a pivotal role in the horticultural sub-sector of the agricultural economy, contributing to GPV and supporting jobs. Despite facing rising input costs, trade barriers, and logistical inefficiencies, the industry has shown resilience through strategic market development and strong export performance. High-value crops like soft citrus and blueberries are leading the charge, with export volumes projected to continue to grow in most industries, and in these in particular over the outlook period. These trends underscore the sector's potential to expand its global footprint and enhance profitability, provided that systemic challenges are addressed.

Looking ahead, these five industries are expected to reach a GPV of R118.0 billion by 2034, with citrus alone contributing nearly half of this value. This growth will be driven not only by volume expansion but also by intensification and improved productivity on existing land. To realise this potential, stakeholders must prioritise infrastructure reform, trade diplomacy, and on-farm innovation. By improving value chain efficiency and aligning production with global market windows, South Africa can safeguard its competitiveness and unlock inclusive growth. The fruit sector's future hinges on proactive investment and coordinated action – ensuring it remains a cornerstone of rural development and a key driver of foreign exchange earnings.

WINE GRAPES AND WINE




The South African wine industry has evolved substantially over the past 30 years. In 1994, 4 599 wine grape producers cultivated 84 030 ha of vineyards and produced 1.02 million tonnes of wine grapes. At the time, 245 cellars produced 804 million litres of wine, with 48 million litres exported and 448 million litres consumed domestically. Thirty years later, the industry comprises 2 350 producers who cultivated 86 544 ha, down from 110 000 hectares in 2003 and 2004 and produced 1.05 million tonnes of wine grapes. In turn, 508 cellars produced 744 million litres of wine, with 306 million litres sold internationally and 456 million litres sold domestically. Technical efficiency gains at farm level – producing higher volumes from more or less the same cultivated area, and defragmentation post farm gate shows how the different nodes in the wine value chain adapted to the changing domestic and global landscape, both in terms of production and consumption.

The outlook for the industry considers many factors – global macro-economic and trade dynamics, domestic macro-economic and political factors, international and domestic wine market dynamics and also the biological and economic considerations driving wine grape and wine production domestically.

INTERNATIONAL MARKET OVERVIEW

In 2024, global grape production continued its downward trend, with vineyard surface area (wine grapes, table grapes and raisins) contracting by 0.6% to 7.1 million ha – the sixth consecutive year of decline. This contraction was driven by uprooting of vineyards across major vine-growing countries in both hemispheres, particularly affecting wine grapes. South Africa's wine grapes mirrored this global trend, marking the seventeenth consecutive year of decline. This ongoing reduction is partly attributed to the lingering effects of severe droughts between 2015 and 2017. While some countries like Italy and Brazil saw modest expansions, the overall global picture was one of contraction, reflecting structural adjustments in response to climatic and economic pressures (OIV, 2025).

Global wine production in 2024 fell to 22.6 billion litres, a 4.8% drop from 2023 and the lowest level in over 60 years. This decline was largely due to extreme weather events – frosts, droughts, and heavy rains – affecting vineyards in both hemispheres. In the Northern Hemisphere, France and Germany saw significant declines, while Italy managed a partial recovery. In the Southern Hemisphere, production was also historically low. South Africa produced 883 million litres – of which 743 million litres is drinking wine, down 5.4% from 2023 and 14.3% below its five-year average, making it the lowest output in more

than 20 years. This decline was driven by a combination of frost, floods, and fungal disease pressure, aligning South Africa with the broader global downturn (OIV, 2025).

Wine consumption in 2024 continued its decline, estimated at 21.4 billion litres – a 3.3% drop from 2023 and the lowest since 1961. This trend reflects both short-term economic pressures, such as inflation and high prices, and long-term structural shifts in consumer behaviour. Most major markets, including the USA, France, and China, saw declines, though some like Spain and Portugal showed resilience. South Africa was also fairly resilient, while consumption declined by 2.8% to 456 million litres, this level is similar to the five-year period prior to the pandemic, reflecting relative strength in the African context. Globally, demand for bulk wine grew in volume and value, while bottled wine saw mixed results – a decline in volume of 1.8% while value (in Euros) grew by 0.1%. Both bag in box and sparkling wine trade declined in value and volume terms (ITC, 2025; OIV, 2025).

TRADE

In 2024, global trade in wine remained constrained by low production volumes, but bulk wine emerged as a growth segment. Bulk wine exports rose by 3.3% in volume and 9.8% in value, with average prices increasing to €0.80/litre (+6.3%). In contrast, bottled wine volumes declined by 1.8%, though value remained stable due to a 1.9% price increase. South Africa's bulk exports declined marginally, but prices increased by 8.2% on average, while packaged exports increased by 5.4% although the average price decreased by 2.7%. Among Southern Hemisphere exporters, South Africa ranks behind Chile and Australia in total volume but remains a key bulk wine supplier, with bulk accounting for 60% of its export volume and 23.5% of value. In the list of top 10 global exporters, the share that bulk wine contributes to total export value varies between 2% and 31%, with New Zealand generating 31% of their total wine forex from bulk wine exports, and South Africa's 23.5% the second largest (OIV, 2025; SAWIS, 2025).

Germany, the UK and the US remains the biggest importers of wine. To compensate for domestic shortfalls, some major wine-producing countries increased imports. Italy, despite being a top producer, imported 290 million litres in 2024 – a 65.6% surge from 2023 – primarily bulk wine (86% of volume), likely to support blending and meet internal demand. Similarly, China reversed a six-year decline, importing 280 million litres (+13.7%), with bottled wine making up 90% of value. These shifts suggest that even traditional producers are relying more on imports, particularly bulk, to stabilise supply chains amid production volatility. This dynamic presents an opportunity for South African producers to expand bulk wine exports, especially to markets facing structural or climate-induced deficits (OIV, 2025).

South Africa's wine exports decreased year-on-year by 0.26 million litres to remain at 306 million litres in 2024 (-0.1%), while value increased slightly to R10.27 billion. Within these totals, bulk wine comprised 183 million litres (60%) in volume and R2.41 billion in value (23.5%), compared to the 123 million litres (40%) in volume for packaged wine exports at a value of R7.86 billion (76.5%) (SAWIS, 2025).

Table 7 highlights the absolute shift in total bulk and packaged exports by volume and value to major importers from 2023 to 2024. The United Kingdom remained the top destination for bulk wine exports by value, increasing from R835.6 million in 2023 to R880.0 million in 2024, despite a slight decline in volume. Germany and France also saw moderate increases in both value and volume, with Germany maintaining a strong position. Notably, Sweden and Nigeria experienced significant growth in both value and volume, with Nigeria more than doubling its volume and value, suggesting a rapidly growing market for bulk (replacing packaged imports). Conversely, Denmark and Canada saw declines in both volume and value, although their unit values remained relatively high, indicating a shift toward higher-priced exports – year on year increase in bulk red wine imports from South Africa, and a reduction in bulk white wine imports. Overall, unit values increased across most markets, confirming that South Africa benefited from the global bulk price increase.

The UK again led in packaged wine exports by value, although both value and volume declined slightly, suggesting a contraction in demand from South Africa, with alternative suppliers increasing supply as total UK packaged wine imports declined by 0.8% but 10.5% from South Africa (ITC, 2025). The Netherlands showed strong growth at stable price levels year on year. Latvia and Russia recorded the most dramatic increases in both value and volume, with Latvia's volume surging more than sixfold, albeit from a low base. The UAE also showed notable growth, while the USA and Germany experienced slight declines in both value and volume. Unit values remained relatively stable across most

markets, with minor fluctuations, suggesting consistent pricing strategies.

Export volumes are projected to remain constrained, with an average annual decline of 1.5% from 2024 to 2034. Compared to the 3.9% average annual decline over the past 10 years, the projection hints that the tempo of decline is slowing down, but it is also from a lower base. Over the course of the projected period, trade with Europe – the UK, the EU and non-EU countries in Europe – is likely to decline in the wake of subdued production volumes and associated higher prices. Given this context, exports could reach 273.8 million litres by 2034. Selective marketing opportunities in North America, Asia and Africa could attract volume expansion in these regions, with the relative importance shifting away from other markets, although European markets would still remain the most important destination for South African wine. An enabling trade environment which is complicated in the short term by current political realities is critical to unlocking these opportunities. With smaller volumes available for export, the focus will be on extracting higher returns per unit of sales. Opportunities to explore alternatives to reduce cost in the value chain could further contribute to higher net returns from exports.

DOMESTIC CONSUMPTION

Post-pandemic recovery saw a strong rebound in still wine consumption up to 2024, although early indications of sales in 2025 suggest that the market is slowing down. For instance, low and basic wine recovered from 237.7 million litres in 2020 to 361.4 million litres in 2022, before stabilising at 336 million litres in 2024. This reflects the reopening of hospitality and entertainment venues and a return to social drinking. Despite the decline from 2022 to 2024, the 2024 sales remain higher than any other year from 2015 to 2021. Premium and super premium wine recovered from 18.8 and 17.6 million litres in 2020 to 24.3 and 23.7 million litres, respectively, while ultra

Table 7: Bulk and packaged wine exports from South Africa to selected destinations in 2023-2024

Bulk wine								Packaged wine							
Top 10	Value (R m)		Volume (m litre)		Unit value (R/litre)			Top 10	Value (R m)		Volume (m litre)		Unit value (R/litre)	
	2023	2024	2023	2024	2023	2024			2023	2024	2023	2024	2023	2024
GBR	836	880	64,5	61,7	12,96	14,26		GBR	1 976	1 763	28,6	25,6	69,15	68,92
DEU	439	488	42,6	42,8	10,30	11,40		NLD	720	860	11,6	14,0	61,89	61,38
FRA	176	207	16,5	18,3	10,65	11,29		SWE	392	395	7,9	7,7	49,44	50,94
BEL	159	148	13,8	11,7	11,47	12,72		USA	655	600	7,5	7,1	87,16	84,80
DNK	266	220	13,3	11,5	19,98	19,07		DEU	510	483	6,8	6,4	74,98	75,18
CAN	109	95	11,2	8,7	9,70	10,93		CAN	400	431	5,5	6,0	73,15	71,82
SWE	49	90	4,8	7,3	10,16	12,34		UAE	234	322	4,3	5,6	54,41	57,06
USA	52	59	4,6	4,5	11,25	13,31		LVA	39	177	0,8	5,1	46,72	34,88
NGA	21	50	1,5	3,0	14,41	16,62		RUS	107	216	2,6	4,7	41,66	46,44
THA	25	22	1,9	1,8	13,25	12,54		BEL	315	313	4,3	4,2	73,91	74,38

Source: SAWIS, 2025

wine recovered from 16.7 million litres to 25.3 million litres in the same period. These increases suggest a shift toward quality consumption, supported by recovery in post-pandemic employment rates, and aspirational spending. Consumers, having endured austerity during the pandemic, began indulging in higher-tier products, reflecting broader economic optimism.

From a longer-term perspective, the market shows a trend of premiumisation, albeit from a low base and at a slow pace. Low and basic wine consumption, while dominant, is expected to stabilise around current levels, with projected sales of 336.1 million litres in 2034. In contrast, non-standard (premium, ultra-premium and super premium) wine sales are expected to grow, from 73.2 million litres in 2024 to just short of 93 million litres in 2034 – growth of 26.8% over 10 years. These trends are driven by urbanisation, rising middle-class incomes, and increased wine education. The steady rise in the super and ultra categories reflects a maturing market, both from a supply and demand perspective – better quality wine at higher prices are available to increasingly discerning consumers.

Among other wine products, sparkling wine saw a dramatic rise from the pre-pandemic 10.1 million litres to 17.1 million litres in 2024. This surge aligns with lifestyle shifts favouring celebratory and lighter beverages, especially among younger and female consumers. While fortified wine recovered from 15.7 million litres in 2020 to 29.4 million litres in 2024, it is yet to reach pre-pandemic levels. Despite recovering from the ravages of the pandemic, brandy sales remain 2.6 million litres short of the pre-pandemic average of 30.3 million litres per annum, reflecting changing preferences and economic pressures such as rising excise duties and health-conscious consumption trends. These shifts highlight how economic recovery and evolving consumer values are reshaping the beverage landscape.

Looking ahead, sparkling wine is projected to grow at a slower pace, but still doubling up on pre-pandemic volumes – from the current 17.5 million to just short of 20 million litres in 2034. Global trends, increased availability, and marketing plays a major role. Fortified wine, despite its recent recovery, is expected to decline from 30.6 million litres in 2015 to 24.0 million litres in 2034, indicating a generational shift away from high-alcohol, high-sugar beverages. Brandy shows a sharper decline, from 28.5 million litres in 2015 to 20.4 million litres in

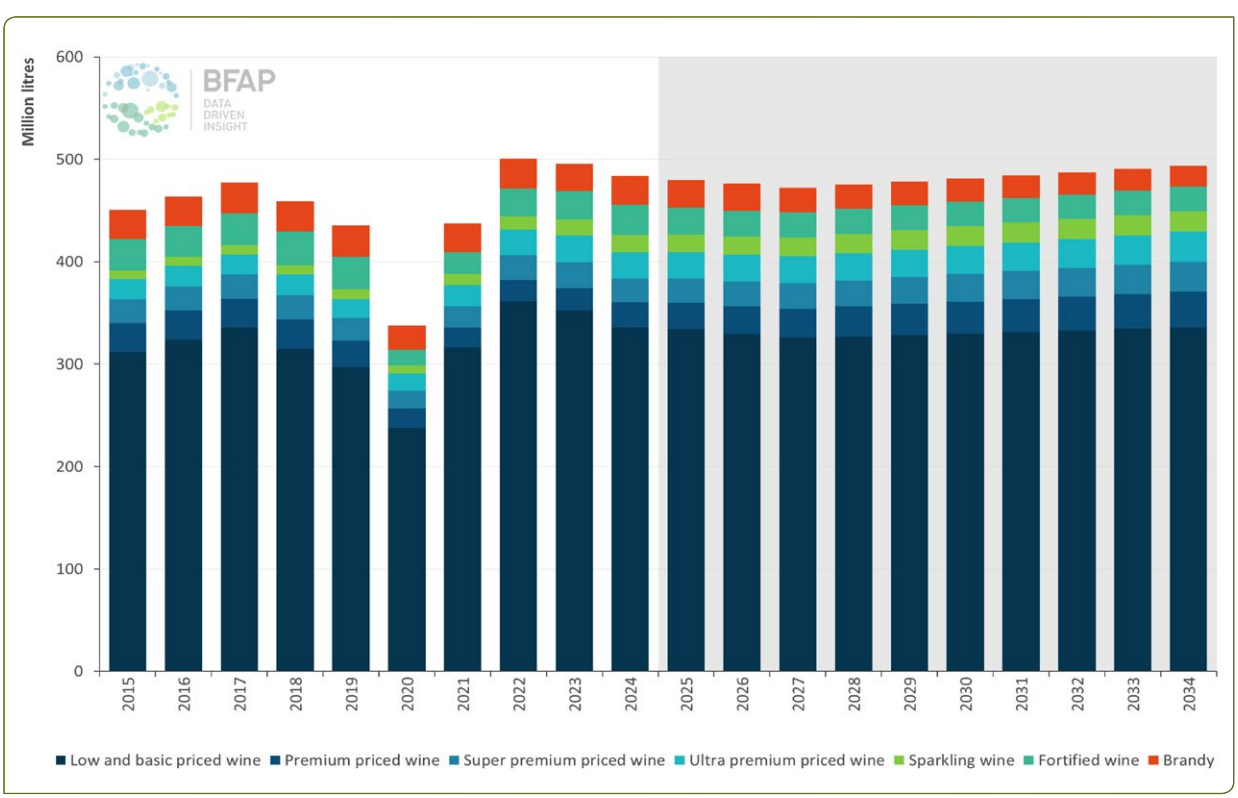


Figure 64: Wine and Brandy consumption in South Africa: 2015-2034

Source: SAWIS, 2025 & BFAP Projections

2034, likely due to competition from alternative spirits. These trends reflect broader economic and cultural changes: younger consumers favouring innovation and wellness, and producers adapting to climate and market pressures.

PRODUCTION AND PRICES

South Africa's wine industry has been shaped by the aging of its vineyards, which has had a tangible impact on production volumes. Between 2015 and 2024, the area of vines older than 20 years increased significantly. For white cultivars, this category grew marginally, from 14 484 ha in 2015 to 14 709 ha, and for red cultivars dramatically, from 3 834 ha to 17 940 ha over the same period. The reduction in cultivated area, especially of white wine grapes, from 61 275 ha in 2015 to 50 658 ha in 2024 exacerbate the relative share of older vines. This aging trend has led to a decline in physical overall vineyard productivity, as older vines typically yield less fruit, but to an increase in the yield by value as measured by the higher prices received for higher quality wines. Despite this, 2025 saw a notable rebound in total grape production, reaching 1.24 million tonnes, up from 1.17 million tonnes in 2024, largely due to favourable weather conditions that temporarily boosted yields across regions.

Regionally, production trends from 2015 to 2024 show variability especially in regions devoted to white wine grapes. Robertson, one of the largest producing regions, peaked at 251 000 tonnes in 2021, but declined to 185 000 tonnes by 2024, with area and productivity decline playing a role. Similarly, Olifants River dropped from 230 000 tonnes in 2015 to 155 000 tonnes in 2024, reflecting the broader challenges of climate and vine age. In contrast, Breedekloof remained a relatively stable area – a decline of only 4% over the last 10 years, suggesting better resilience and/or investment in vineyard management. Cultivar-specific data reveals that Chenin Blanc, the most widely planted white grape, declined from 17 965 ha in 2015 to 15 912 ha in 2024, while Cabernet Sauvignon, a key red cultivar, fell from 11 170 ha to 8 749 ha in the same period.

Farmgate returns – calculated as tonnage multiplied by price – remain the cornerstone of economic viability for most producers. Only about 28% of producers operate across the value chain, allowing them to prioritise returns at the cellar door, where margins can be higher

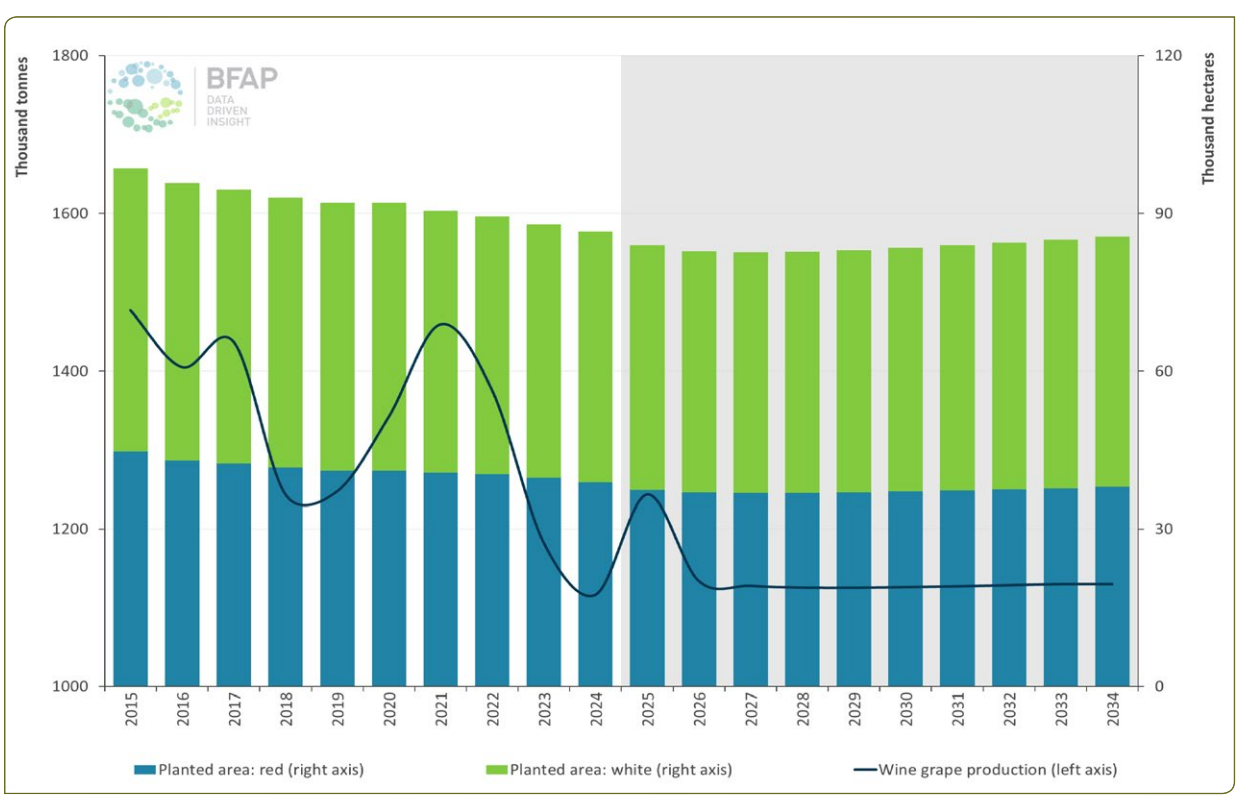


Figure 65: South African wine grape production: 2015-2034

Source: SAWIS, 2025 & BFAP Projections

and production practices that favour quality can realise sufficient premiums. For the rest, fluctuations in tonnage and price directly affect their financial sustainability.

Looking ahead to 2034, projections point to continued growth in the area of vines older than 20 years, reaching 23 330 ha for white and 18 522 ha for red cultivars, which could further suppress yields. However, with grape prices expected to rise, there is potential for improved farmgate returns. This underscores the importance of strategic vineyard renewal, as the area decline is expected to bottom out by 2027, before recovering to levels close to 2024 by the end of the outlook period.

Amidst a challenging period of logistical crises and limited access to markets under Covid-19 protocols, the increase in stock levels had a distinct impact on price levels. In Figures 66 and 67, the nominal and real domestic bulk wine price (average cellar door price) and the year-on-year change in bulk wine prices (right axis) clearly show the decline after 2019 as well as the subsequent recovery. Consecutively small wine grape harvests, combined with a sharp decline in stock levels, drove wholesale wine prices up further in 2024, with a slowdown to an inflation plus 2.2% increase projected for 2025, maintaining real price growth over the outlook period. While this will put prices on an upward longer-term trajectory, selective uprooting without replacement of unproductive vineyards – where producers depend on farm gate revenue – is expected to continue over the next 2-3 years. With these increases in real terms, white wine prices are expected to recover to the 2019-level by 2026, with red wine prices only recovering over the second half of the outlook period.

Figure 68 shows the production of wine together with domestic consumption and exports, with exports split into bulk and packaged. As stock levels and export volumes stabilised year-on-year, packaged exports as a share of total exports recovered somewhat in 2024. Going forward, and barring more crises, the projected stabilisation of wine production volume at a new norm below the historic average aligns with a decline in wine grape production on the back of continued uprooting (Figure 65). Higher prices (Figure 67) and some, albeit slow improvement in domestic purchasing power results in a smaller export share over time.

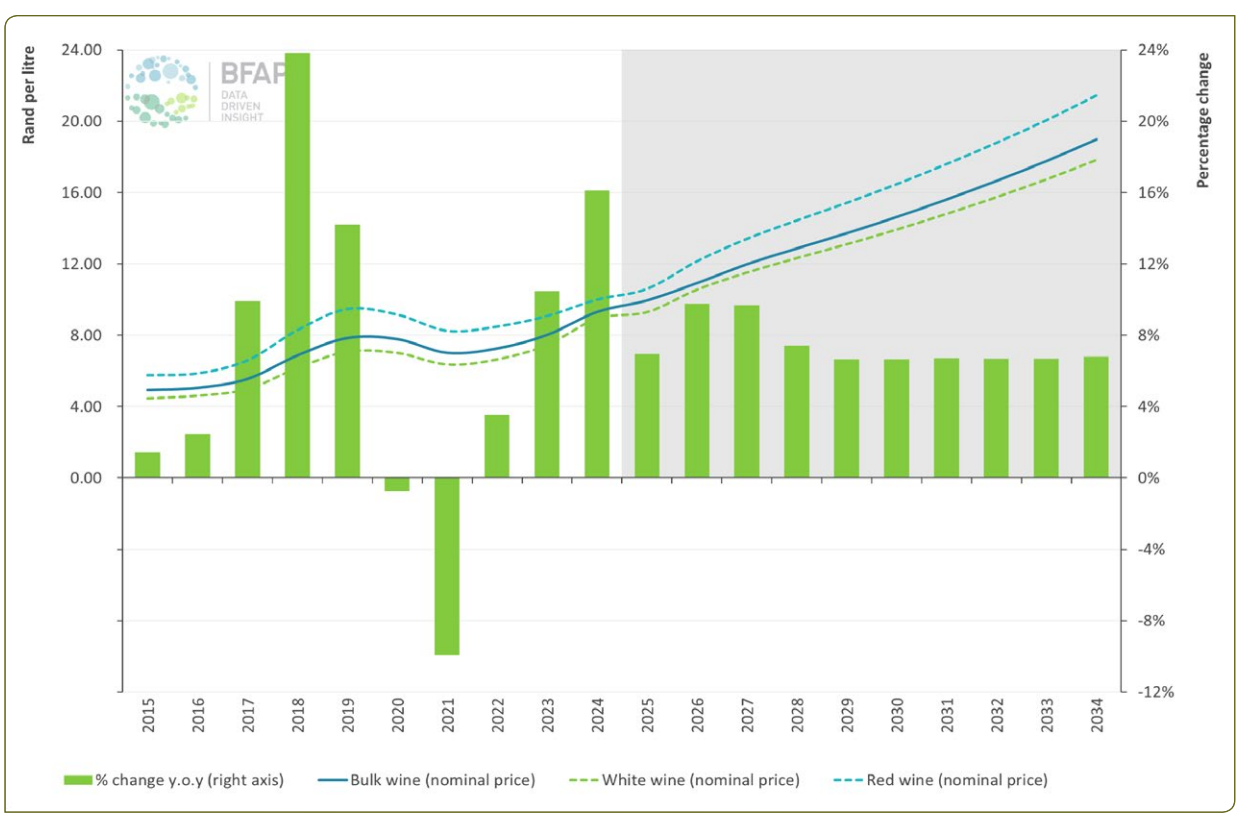


Figure 66: Historic and projected South African wine prices in nominal terms: 2015-2034

Source: SAWIS, 2025 & BFAP Projections

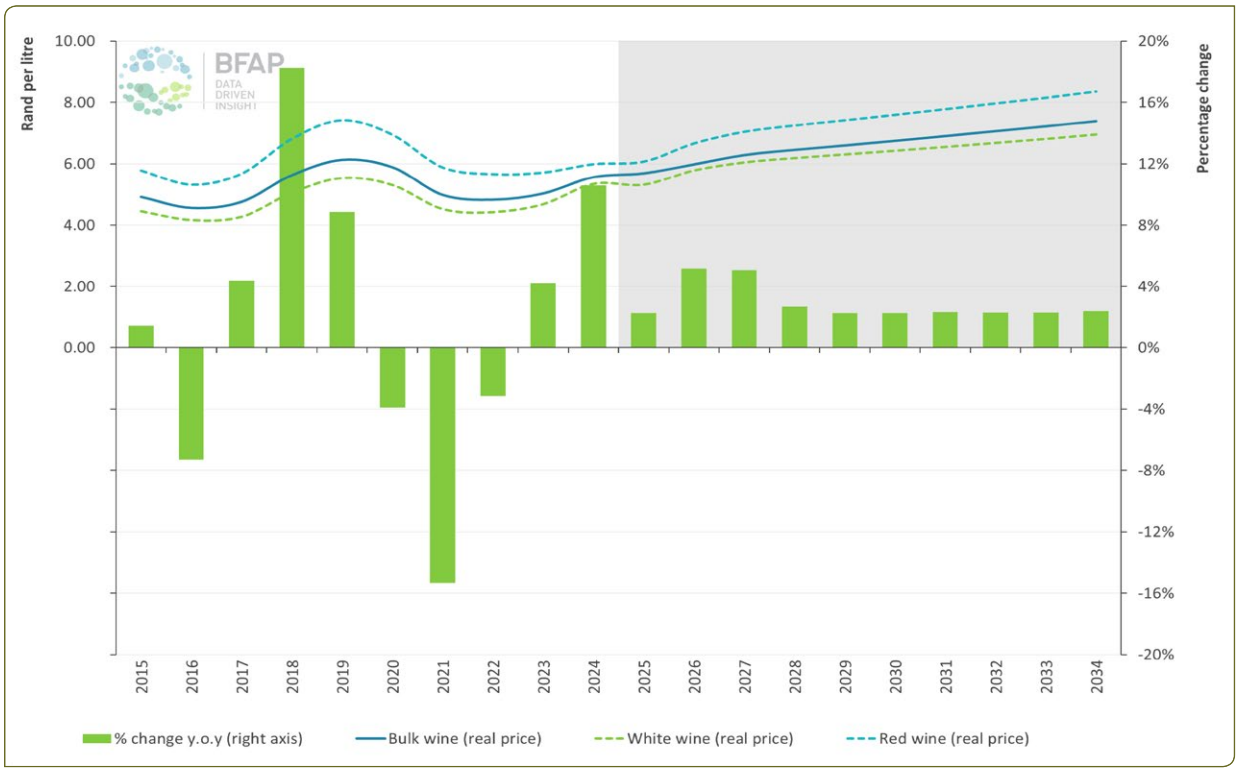


Figure 67: Historic and projected South African wine prices in real (inflation adjusted) terms: 2015-2034

Source: SAWIS, 2025 & BFAP Projections

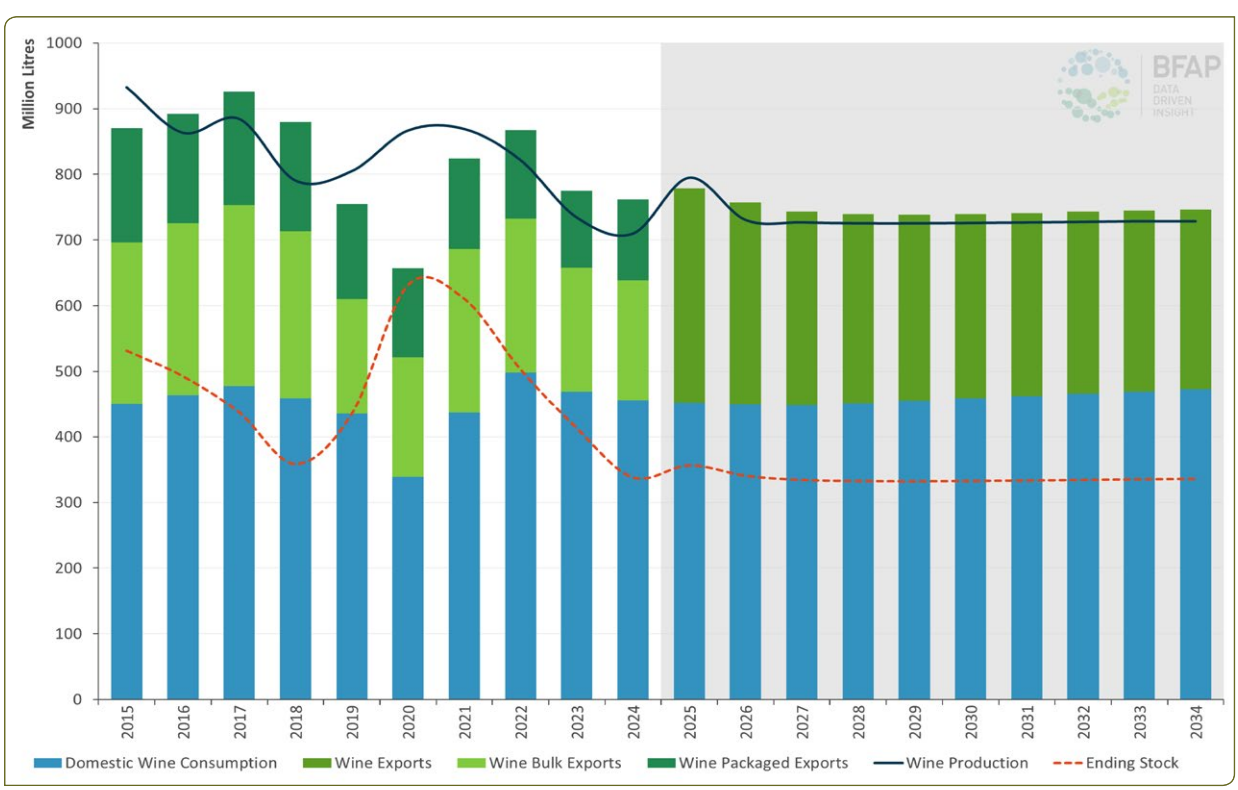


Figure 68: Production, consumption, trade and stock levels: 2015-2034

Source: SAWIS, 2025 & BFAP Projections

CONCLUDING REMARKS

The South African wine industry stands at a pivotal juncture, shaped by a confluence of global and domestic pressures, yet buoyed by emerging opportunities. Despite a long-term decline in vineyard area and production volumes, the sector has demonstrated resilience through technical efficiency gains and selective prioritisation of quality over quantity, but more work in that sphere is required to ensure sufficient price transmission across the value chain to elevate the industry as a whole. Globally, climate volatility and structural changes in consumption patterns are reshaping trade dynamics, with bulk wine emerging as a key growth segment, which is in contrast to the current views of the industry on premiumisation, although alternatives could be explored to reduce cost in the chain to improve net returns with higher quality bulk exports for packaging at destination. Domestically, the trend toward premiumisation and the recovery of higher-tier wine categories signal a maturing consumer base and evolving preferences.

Looking ahead, the industry must navigate the challenges of climate-related risks, and constrained export volumes. However, rising grape prices, improved farmgate returns, and targeted market diversification – particularly in Africa, Asia and North America – offer pathways to growth, but this is subject to an enabling trade environment which is challenging in the US in the short to medium term. Strategic investment in vineyard renewal, value chain optimisation, and brand positioning will be critical to unlocking long-term value. As the global wine landscape continues to evolve, South Africa's ability to adapt, innovate, and differentiate will determine its success in securing a competitive and resilient future.

FOOD INFLATION IN 2025 AND BEYOND



INTERNATIONAL FOOD INFLATION

Looking back to the period from 2021 to 2023, it is evident that rapid year-on-year (YoY) food inflation occurred in many countries, caused by factors such as supply disruptions (e.g. adverse weather, animal diseases, global supply chain bottle necks and the war in Ukraine), and demand issues (e.g. post-pandemic consumption recovery) (Figure 69). Food inflation generally eased through the latter half of 2023 for countries/regions such as China, USA, EU, UK, Brazil, South Africa, Kenya and Ghana (Figure 69). In African countries such as Zambia and Malawi food inflation continued to increase, fuelled by drought and persistent currency devaluation. Food inflation in Zambia kept rising for 2023, 2024 and the first few months of 2025, while food inflation in Malawi peaked in Q3 2024 followed by some recovery.

In the first four months of 2025, food inflation in South Africa, at 3.0% was:

***Lower than* food inflation in:**
Malawi (37.0%), Ghana (27.0%), Zambia (19.4%), Brazil (7.4%), Kenya (6.6%), India (3.6%), UK (3.3%)

***Higher than* food inflation in:**
China (-1.1%), USA (2.7%)

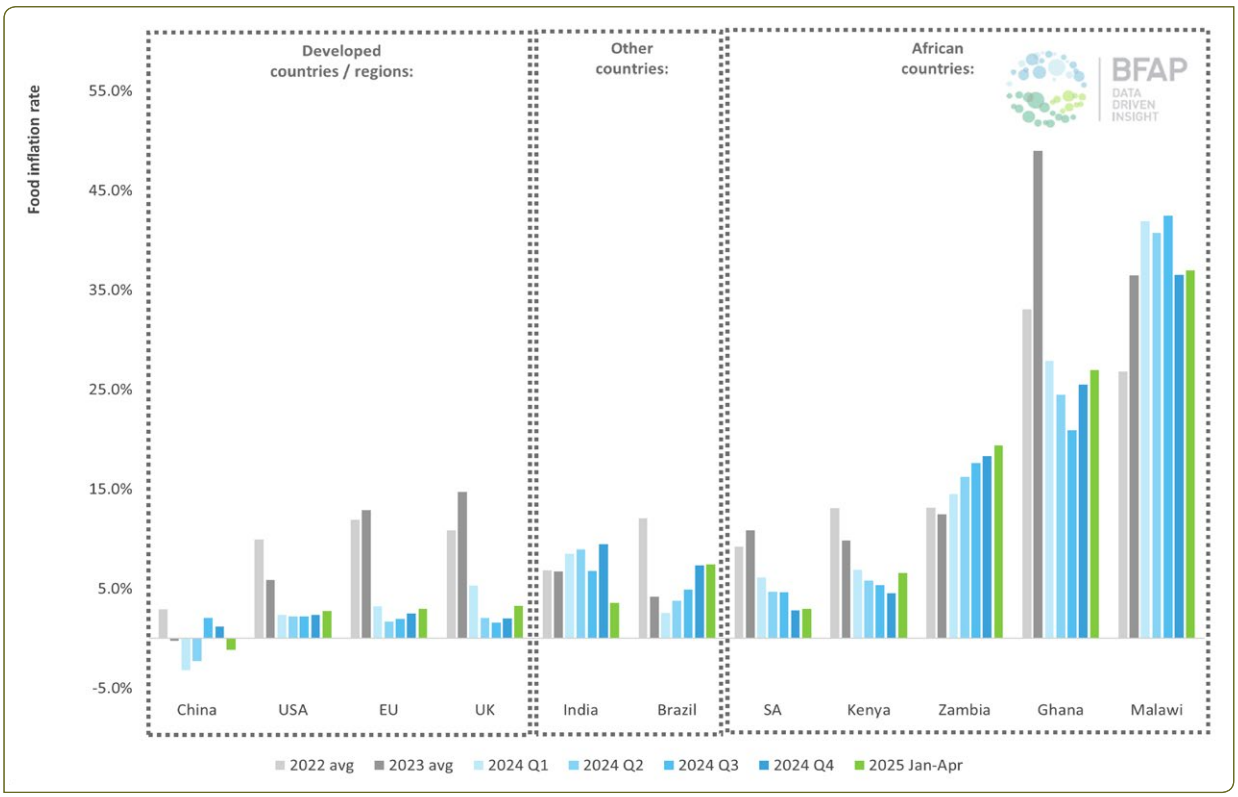


Figure 69: An international perspective on food inflation for selected countries

Sources: BFAP calculations; based on official food inflation data for the various countries[4]

OVERVIEW OF FOOD INFLATION IN SOUTH AFRICA (2023 TO APRIL 2025):

In South Africa, CPI headline inflation had a generally decreasing trend towards October 2024 (2.8% YoY) from a peak of 7.8% in July 2022, followed by an increase to 3.2% in January/February 2025 and some recovery to 2.8% in April 2025 (Figure 70). In 2024 categories with the most significant contribution to CPI headline inflation were 'Housing and utilities', followed by 'Food and non-alcoholic beverages', 'Transport' and 'Alcoholic beverages and tobacco'. In the first four months of 2025 the dominant contribution was from 'Housing and utilities' (35% average contribution), with 'Food and NAB' in the second position (18% contribution) and 'Restaurants and accommodation services' in the third position (9% contribution).

Food inflation improved from a high of 14.0% in March 2023 to 2.3% in November 2024, then increasing to 4.0% in April 2025. Since March 2024, for 14 continuous months, food inflation was within the 3 – 6 percent inflation target bracket for the first time since January 2022. For the 16-month period January 2024 to April 2025, food inflation fell below the CPI headline inflation for 9 months.

SELECTED FACTORS IMPACTING FOOD INFLATION IN SOUTH AFRICA:

A wide range of factors impact on food prices in the South African economy, such as global food commodity

[4] EUROSTAT (https://ec.europa.eu/eurostat/cache/website/economy/food-price-monitoring/); Ghana Statistical Service (https://statsghana.gov.gh/nationalaccount_macros.php?Stats=MTE2MTIyMjQ5Ni41NjY=/webstats/7163p83s71); India Ministry of Statistics and Programme Implementation (https://mospi.gov.in/); Instituto Brasileiro de Geografia e Estatística (IBGE) (https://www.ibge.gov.br/); Kenya National Bureau of Statistics (https://www.knbs.or.ke/); Malawi National Statistical Office (http://www.nsomalawi.mw/); National Bureau of Statistics of China (https://www.stats.gov.cn/english/); UK Office for National Statistics (https://www.ons.gov.uk/); US Bureau of Labor Statistics (https://www.bls.gov/); Zambia Statistics Agency (https://www.zamstats.gov.zm/)

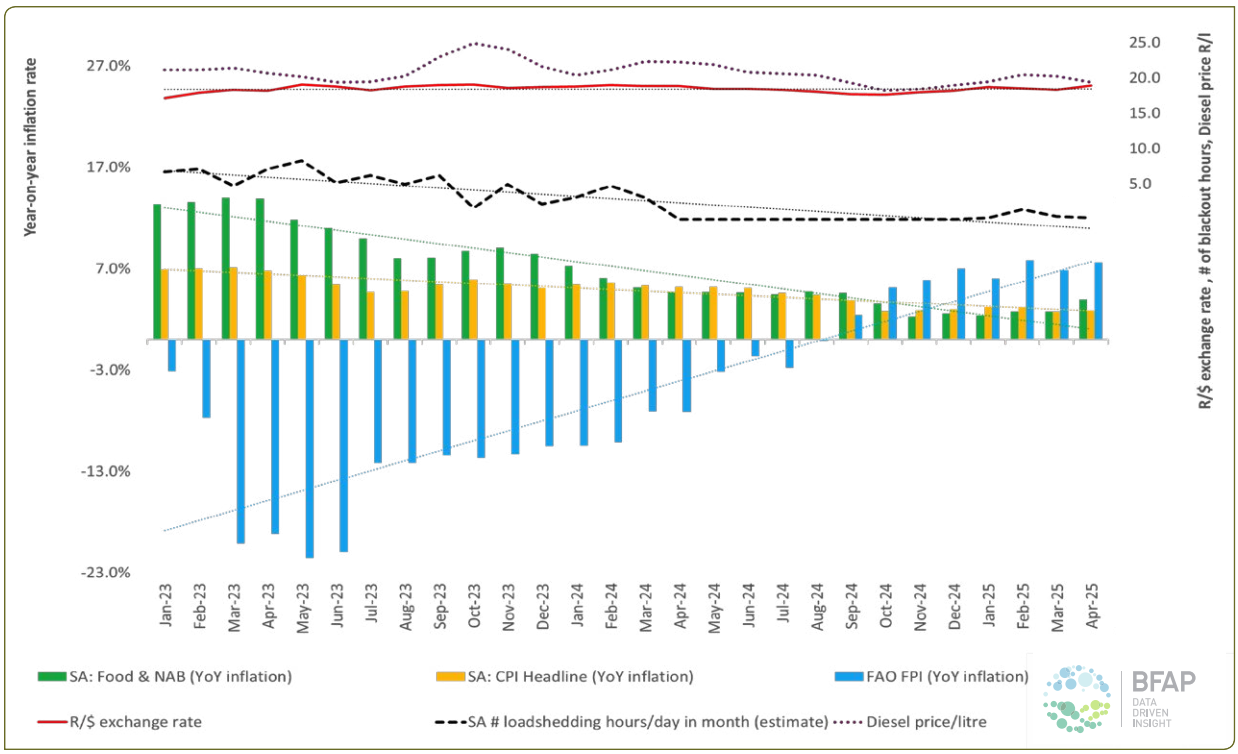


Figure 70: A historical perspective on the South African CPI for food and NAB, the FAO Food Price Index (FPI), the Rand / US $ exchange rate and the severity of loadshedding from January 2023 to April 2025

Sources: BFAP calculations based on Stats SA CPI data, FAO FPI, ESKOM loadshedding data.

prices, exchange rates, adverse weather conditions (e.g. droughts, floods), animal diseases and cost drivers in the value chain such as fuel prices, energy prices and the prevalence of loadshedding.

The FAO Food Price Index (FPI) measures the monthly change in international prices of a basket of food commodities (cereals, dairy, meat, oils and sugar) providing an indication of international food commodity prices. From January 2024 to April 2025 the FAO FPI reflected an increasing trend from an index value of 117.6 to 128.3 (+9.1% for the 16-month period). Year-on-year changes in the FAO FPI involved two stages:

- Deflation from December 2022 up to August 2024 (with a decreasing deflation rate over time).
- Inflation from September 2024 to April 2025 (with an increasing inflation rate over time).

In 2024 and 2025 up to April, the most significant YoY deflation and inflation within the FAO FPI was observed for:

Deflation:
Sugar (-14.4% 2025; -11.9% 2024)
(stronger deflation over time)
Cereals (-2.4% 2025; -13.0% 2024)
(weaker deflation over time)

Inflation:
Oils (+24.7% YoY 2025 vs +10.0% YoY 2024)
(increasing inflation over time)
Dairy (+21.5% YoY 2025 vs +6.0% 2024)
(increasing inflation over time)
Meat (+4.5% YoY 2025 vs +2.8% 2024)
(increasing inflation over time)

In recent years the Rand / US Dollar (R/US$) exchange rate had three prominent stages (Figure 70):

June 2021	Depreciation →	May 2023	Appreciation →	October 2024	Depreciation →	April 2025
R13.92/US$		R19.07/US$		R17.56/US$		R18.92/US$

A weakening exchange rate has been shown to be connected to rising food inflation and is viewed as a major driver of food inflation in South Africa.

High and rising ***fuel prices*** also contribute to food price pressure, being a core aspect of distribution costs as well as the fuelling of generators during loadshedding (as was the case in 2023 and early 2024). The diesel price in South Africa has increased significantly over the past few years, from an average cost of R13.78/litre in 2020/21 to R24.87 in October 2023, followed by a declining trend. The diesel price has remained above R20/litre from April 2022 to August 2024. From January to April 2024, to January to April 2025 the diesel price decreased by 7.6% to R19.86/litre.

While there has been almost no ***loadshedding*** since March 2024, it continues to influence food inflation as several value chain role-players invested heavily in alternative energy systems and these investments need to be repaid, adding to cost structures.

From a ***climate*** perspective factors such as abnormal temperature and rainfall patterns have a significant impact on food production, food availability and thus on food prices and inflation. For example, heat and drought stress contributed to reduced grain and oilseed harvests in 2024. An example of abnormally cold conditions occurred in the Limpopo province in mid-2024, when extreme low temperatures caused damage to vegetables, citrus, avocados, and subtropical trees and crops. In the Western Cape below-average autumn rainfall in 2025 caused delayed planting of winter wheat and barley, also potentially affecting germination and early growth of crops.

In 2024, South Africa experienced ongoing fluctuations in meat supply as a result of containment measures for ***animal disease outbreaks***, including ASF and FMD, as well as trade restrictions. Box 3 provides more detail on the impact of animal and plant diseases.

BOX 3: THE IMPACT OF ANIMAL AND PLANT DISEASES IN SOUTH AFRICA FOR 2024/2025

In 2024, South Africa experienced ongoing animal disease issues, including African Swine Fever (ASF) and Foot and Mouth Disease (FMD). In the pork sector, the industry faced a recurrence of ASF. Although the first outbreak outside the legislated ASF control area was reported in 2019, new cases emerged in 2024, with the first confirmed in George in February. As of November 2024, a total of 62 cases remained active outside the ASF control zone. The most notable case occurred in Ipeleng township, located in the North West Province, where 162 pigs died between December 2024 and January 2025 (DARDNWPG, 2025).

In the case of FMD, new outbreaks were reported in 2024, affecting the beef and dairy sectors. The Eastern Cape and KwaZulu-Natal provinces were the most impacted. In both provinces, animal movement restrictions were implemented, along with the declaration of FMD Disease Management Areas (DMAs) to contain the spread. A total of 39 and 149 outbreaks remained open in the Eastern Cape and KwaZulu-Natal respectively, in March of 2025 (DALRRD, 2025). The prevalence of FMD in the local livestock industry poses significant risks to trade dynamics, particularly for meat and animal product exports. For example, Zimbabwe imposed a ban on the importation of cloven-hoofed animals and related products due to FMD concerns, but restrictions for supply from the North West, Northern Cape, and Western Cape provinces were lifted earlier this year (AMIE, 2025). More recently, in May 2025, China, one of South Africa's key trade partners and a vital market for export growth, suspended imports of South African red meat, further highlighting the disease's impact on international trade relations. The virus has since spread into Gauteng, the North West and the Free State, affecting major feedlots and leading to substantial short term price increases as a result of quarantine and related outbreak control measures – also threatening the closure of additional export markets.

In the grains sector, the maize industry confirmed the first appearance of Goss's wilt and leaf blight in South Africa. The disease was detected in the Free State, North West, Gauteng, and Eastern Cape provinces (GrainSA, 2024). While the disease was found in maize plants, its host range includes cereals such as sorghum and grasses of the foxtail species.

BOX 3: THE IMPACT OF ANIMAL AND PLANT DISEASES IN SOUTH AFRICA FOR 2024/2025 (CONTINUED)

In the fresh produce sector, Bud rot of palms was detected in Limpopo's Mopani District and Mpumalanga's Ehlanzeni District Municipality. Host crops for Bud rot include papaya, pineapple, citrus, black pepper, cocoa, and coconut (DALRRD, 2024). Subsequently, Botswana and Namibia imposed bans on the import of certain grains and horticultural products from South Africa – despite the fact that Goss's wilt and Bud rot poses no health risk to humans. Affected products included, but are not limited to, maize, sorghum, wheat, sugarcane, palms, papaya, kiwi, coconut, durian, and cocoa. These import bans were lifted in January 2025.

THE CONTRIBUTION OF FOOD CATEGORIES TO FOOD INFLATION IN SOUTH AFRICA:

The contribution of the various food categories to food inflation is determined by the official CPI weights and the monthly inflation rates observed for the various food categories. Food categories with the dominant contribution to food inflation for the period January 2024 to April 2025:

Q1 2024:
Dairy, eggs 28%
Cereal foods 28%
NAB 14%
Vegetables 11%
Sugar 10%

Q2 2024:
Dairy, eggs 25%
NAB 19%
Cereal foods 18%
Vegetables 11%
Sugar 10%

Q3 2024:
Cereal foods 23%
NAB 23%
Dairy, eggs 22%
Meat 8%
Vegetables 8%

Q4 2024:
NAB 36%
Cereal foods 27%
Dairy, eggs 14%
Sugar 8%
Fish, seafood 4%

2025 Jan-Apr:
Cereal foods 33%
NAB 22%
Sugar 9%
Vegetables 8%
Fruit, nuts 7%

Which dominant foods in South Africa had the most significant inflation in 2024 and the first four months of 2025?

	2024*:	2025 Jan-Apr*:
YoY inflation ≥ 20%	Oranges (26%), Ceylon/black tea (25%), instant coffee (24%), white rice (23%)	None
YoY inflation 10% to < 20%	Eggs (19%), whiteners (17%), sweet potatoes (15%), potatoes (15%), peanut butter (15%), apples (14%), dried beans (14%), white sugar (13%), Rooibos tea (11%), avocados (11%)	Instant coffee (19%), cabbage (14%), Ceylon/ black tea (14%), apples (13%), maize meal (12%), dried beans (11%), carrots (11%), bananas (10%)
YoY inflation 5 to < 10%	Powdered milk (9%), hake (fresh or frozen) (9%), fish fingers (frozen) (9%), tomatoes (8%), fruit juice (8%), canned baked beans (7%), cabbages (7%), sugar-rich foods (7%), yoghurt, frozen non IQF chicken portions, pears, canned tuna, polony, ham (5% each)	Rooibos tea (8%), various baked goods (7%), peanut butter (7%), hake (fresh or frozen) (6%), selected mutton/lamb cuts (chops, stew 6%), ham, sugar-rich foods, spinach, white sugar, canned pilchards, peppers, whiteners (5% each)

Significant inflation on major staple foods such as maize meal and rice could have a negative impact on adequate energy intake if intake quantities are reduced, as well as on micro-nutrient intake e.g. related to fortified nutrients in maize meal (e.g. vitamin A, iron, zinc, B-vitamins) and micro-nutrients such as magnesium occurring naturally in rice.

Significant inflation on prominent fresh produce in South Africa (such as apples, bananas, oranges, cabbages and carrots) could also affect energy intake in cases of reduced intake, but more so reduced dietary diversity and micro-nutrient intake, for example: apples – vitamin C, potassium, calcium, iron, manganese; bananas – potassium, vitamin C, manganese, vitamin B6, folate; oranges – vitamin C, folate, potassium; cabbage – vitamin C, vitamin K, fibre; carrots – vitamin A, vitamin K, potassium.

Eggs could be viewed as a relatively affordable and convenient protein source for South African households, with a short cooking time. Higher inflation on eggs could have a negative impact on households' ability to achieve adequate protein intake. Much of the increase over the past two years is associated with the impact of the 2023 HPAI outbreak and prices are expected to moderate in the short term.

In challenging economic times high inflation on food containing plant proteins (for example peanut butter and dried beans) could also limit households' protein intake, causing price pressure on popular plant-based protein foods.

Even though tea and coffee have very little nutritional value, higher prices on these beverages could leave households with relatively less budget available for food items within their monthly household budget.

BOX 4: CHANGING COSTS OF DOMINANT FOODS IN SOUTH AFRICA

The top 15 dominant foods in South Africa, from a food expenditure perspective* (presented in order of importance) are: chicken, beef, maize meal, brown bread, milk, white bread, rice, sugar, fish, plant oil, eggs, pork, potatoes, mutton/lamb and wheat flour. The Table below presents an analysis of the cost per single serving unit (SSU) for these foods comparing the first four month of 2024 with the first four months of 2025.

	Food item:	% more expensive than maize meal:
Level 1: Most affordable options	Maize meal	-
	Wheat flour	7%
	Rice	19%
Level 2: More expensive options	Brown bread	140%
	White bread	160%
	Potatoes	398%

** Food-specific household-level food expenditure data from Stats SA Living Conditions Survey 2014/2015*

The affordability of starch-rich foods:

Figure 71 indicates that the cost of a SSU for starch-rich foods ranged from R0.42 (maize meal – most affordable) to R2.07 (potatoes – least affordable) in the first four months of 2025. Thus, the most affordable food is maize meal, followed by wheat flour, rice, brown bread and white bread. We observed the following cost levels for starch-rich foods:

From the first four months of 2024 to the comparable period in 2025 the affordability gap between most of these staple foods (wheat flour, rice, brown bread and potatoes) versus maize meal decreased (i.e. closer to the price of maize meal), with the most significant decrease observed for wheat flour followed by rice.

BOX 4: CHANGING COSTS OF DOMINANT FOODS IN SOUTH AFRICA (CONTINUED)

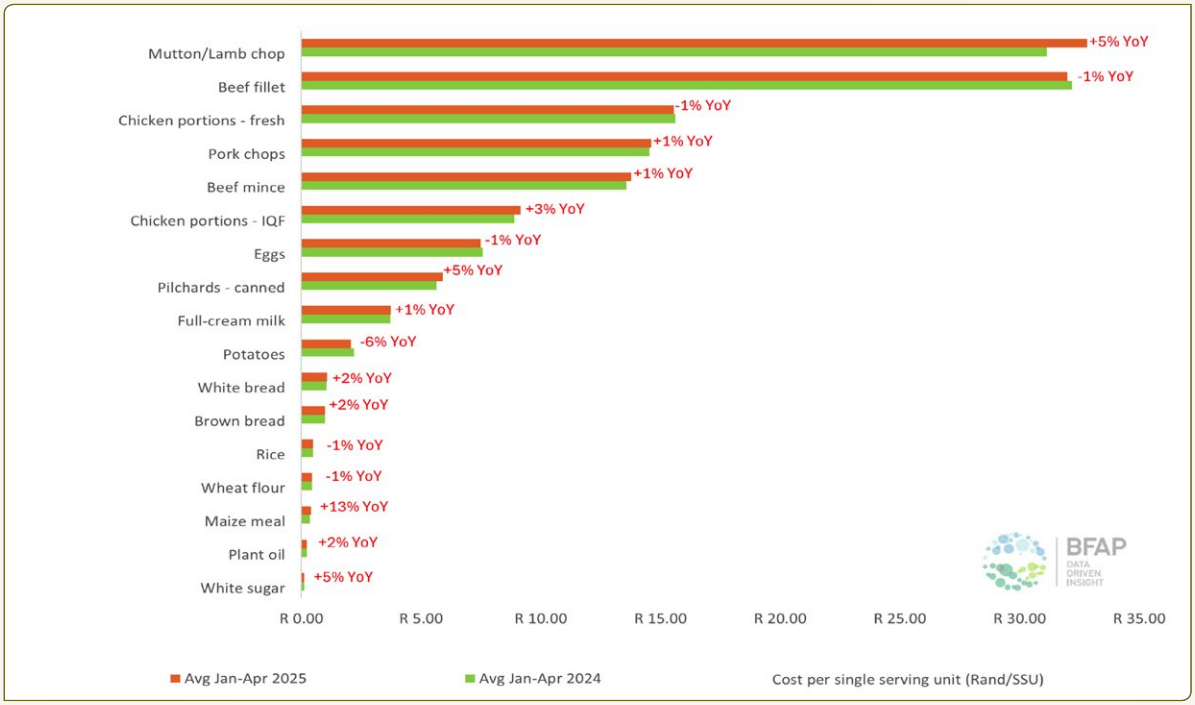


Figure 71: Affordability of dominant foods in South Africa – comparing Jan-Apr 2024 with Jan-Apr 2025

Source: BFAP calculations based on Stats SA urban food price observations

The affordability of meat, fish and eggs:

As per Figure 71, the cost of a SSU for protein-rich foods ranged from R5.92 (canned pilchards) to R32.82 (lamb chops) in QM1 2025 – significantly more expensive per SSU compared to starch-rich food options. For example, a SSU of pilchards is more than 14 times more expensive than a SSU of maize meal. The most affordable animal-source protein foods are canned pilchards, followed by eggs and IQF chicken. We observed the following cost levels for protein-rich foods:

	Food item:	% more expensive than pilchards:
Level 1: Most affordable options	Canned pilchards	-
	Eggs	27%
	IQF chicken	55%
Level 2: Mid-level affordability	Beef mince	133%
	Fresh chicken pieces	147%
	Pork chops	163%
Level 3: Least affordable options	Beef fillet	441%
	Lamb chops	455%

From the first four months of 2024 to the first four months of 2025 the affordability gap between certain protein-rich foods (eggs, IQF chicken portions, beef mince, fresh chicken portions, pork chops and beef fillet) and pilchards decreased, with the most significant affordability gap decrease observed for eggs.

A PROVINCIAL VIEW OF FOOD INFLATION IN SOUTH AFRICA:

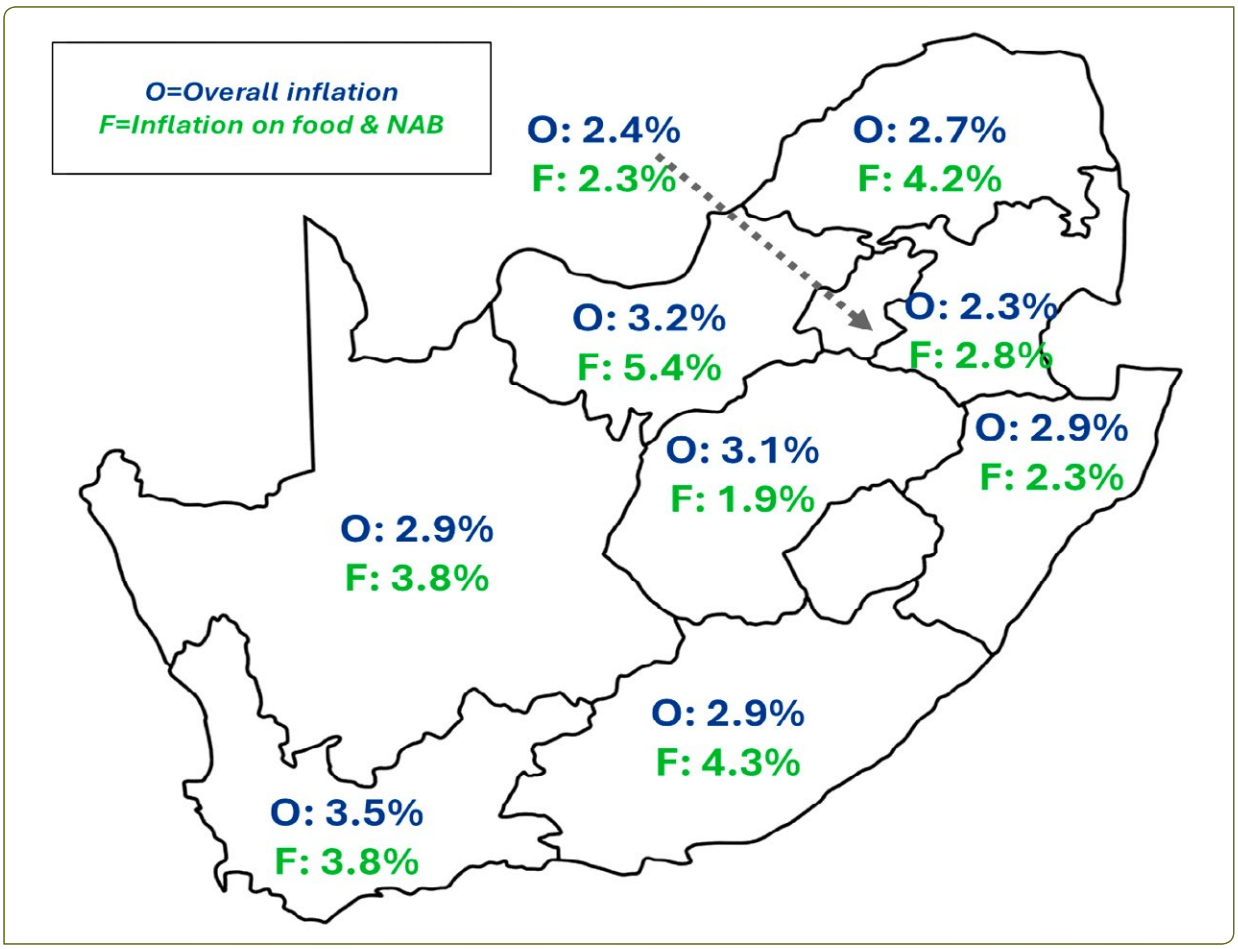


Figure 72: A provincial view on inflation in South Africa (Jan-Apr 2025)

Source: Stats SA CPI data, 2025

Provinces such as NW, EC and NC with some of the highest food inflation rates in the first four months of 2025 also revealed high vulnerability to inadequate food access (according to the 2024 Stats SA GHS) with the share of households in the provinces with inadequate food access estimated as 30% in NW, 31% in EC and 34% in NC. As less affluent households spend a larger budget share on food and often have a high incidence of poor nutritional intake, these households are generally considered as being more vulnerable to rising food prices.

FOOD INFLATION EXPECTATIONS

Table 8 presents the current BFAP YoY inflation expectations for 2025 and 2026, as well as the major anticipated influencing factors. YoY inflation on food and NAB is expected to average 4.5% in 2025, easing somewhat in 2026.

We expect several key factors to contribute to food inflation in 2025/26:

- Exchange rate fluctuations, affecting input costs for all agricultural produce and export opportunities (especially in fruit).
- Fuel costs expected to rise due to the higher fuel levy.
- The state of infrastructure in South Africa, for example affecting the flow and quality of fresh produce.
- Climate: Erratic temperatures, erratic rainfall and the distribution of rainfall affecting product supply and quality for many agricultural crops, e.g. the 2025/26 summer crop harvest, vegetables and fruit.
- Electricity supply and costs: Pressure on the entire agricultural and food sector if loadshedding

Table 8: BFAP food inflation expectations for selected dominant food categories – 2025 and 2026

	2025 Jan-Apr actual:	2025 projection:	2026 expectations:
	YoY inflation rate		
Cereals	4.2%	3%	Lower than 2025, potentially low deflation
Meat	0.7%	5%	Somewhat lower than in 2025
Dairy & eggs	1.1%	-3%	Lower than 2025, potentially low deflation
Oils & fats	3.0%	5%	Somewhat lower than in 2025
Fruit	6.0%	6%	Somewhat lower than in 2025
Vegetables	2.6%	3%	Somewhat higher than in 2025

Source: BFAP expectations & Stats SA inflation data for 2025

returns, combined with continued pressure to repay investments in alternative energy sources; rising electricity costs.

- Tariffs and trade: Global uncertainty about tariffs and the impact on world food markets; Uncertainty regarding the outcomes of the trade negotiations with the US with potential impacts on fruit and nuts especially.
- Uncertainty regarding the VAT policy in South Africa in 2026, in terms of the VAT rate and potential additional zero rate foods.
- Grains and oilseeds: A larger summer grain and oilseed crop in 2025 compared to 2024
- Red meat: Downward pressure in 2026 on red meat prices following good rainfall in 2025 in Namibia and Botswana, as well as persistent export constraints due to the current disease outbreaks, such as FMD.

THE COST AND AFFORDABILITY OF BASIC HEALTHY EATING IN SOUTH AFRICA:

The BFAP Thrifty Healthy Food Basket (THFB)[5] measures the monthly cost of basic healthy eating for a South African reference household consisting of 2 adults and 2 children. Thus, this basket gives an indication of the typical cost of obtaining a basic healthy food selection with enough daily energy and adequate nutritional diversity.

The 'maize meal only' food basket for the reference family of four estimates the monthly cost of obtaining the total monthly energy requirements of the household from only one food source – the most affordable starch-rich staple food in South Africa. Thus, this basket gives an indication of the absolute minimum cost of obtaining enough daily energy, even though nutritional diversity is severely lacking for such a hypothetical diet.

In the first four months of 2025 (QM1 2025) the four-member reference family had to spend R3 906/month to afford the BFAP THFB, while the cost of the 'maize meal only' food basket amounted to R1 247/month. Thus, in QM1 of 2025 the BFAP THFB was on average 213% or R2 659 more expensive than the 'maize meal only' food basket per month, stressing the significant cost difference between minimum adequate energy intake and a basic balanced food basket in the South African context.

Figure 73 shows historical and projected average monthly annualised costs of the BFAP 'maize meal only' basket and THFB (2023 to 2026). Expectations are that the cost of the BFAP THFB could reach R3 896 in 2025 (2.9% YoY increase) and R3 975 in 2026 (2.0% YoY increase) – thus showing a slower rate of increase for 2025/26 than for 2024/25.

[5] In 2015 BFAP identified the need to develop an approach to measure the cost of healthy (nutritionally balanced) eating in the South African context – thus enabling the comparison of consumers' actual and 'more ideal' food expenditure patterns and associated inflation. The methodology takes into consideration national nutrition guidelines, typical food intake patterns of lower-income households, official Stats SA food retail prices and typical household demographics. Consisting of a nutritionally balanced combination of 26 food items from all the food groups, the BFAP THFB is designed to feed a references family of four (consisting of an adult male, an adult female, an older child and a younger child) for a month. For more detail on the THFB methodology please refer to the 2015 edition of the BFAP Outlook.

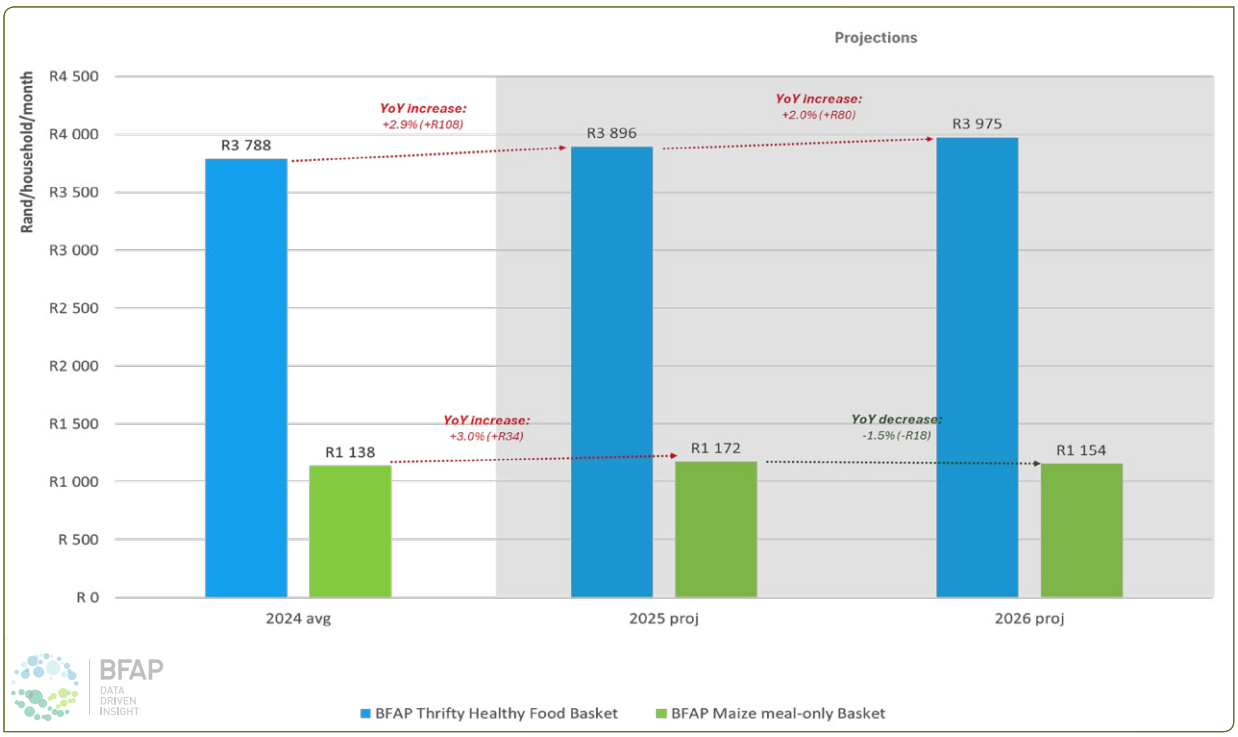


Figure 73: Historical and projected costs of the BFAP 'maize meal only' basket and the THFB from 2023 to 2026

Source: BFAP calculations

THE AFFORDABILITY OF BASIC HEALTHY EATING

The affordability of the THFB is evaluated by considering a household earning one or two full-time minimum wages, receiving two child support grants and children benefitting from a school meals programme.

In March/April 2025 the 'maize meal only' basket could absorb up to 18% (single wage income) and up to 10% (dual wage income) of the income of the typical household (also benefiting from school feeding and child support grants) and is thus affordable within the context of typical food expenditure shares of low- and middle-income households of up to 33%. However, keep in mind that such a hypothetical diet will not be nutritionally adequate, despite providing the energy needs of the reference household.

A four-member household with only one wage earner (benefitting from child support grants and school feeding for children) would however not be able to afford the BFAP THFB in March/April 2025, as the basket could absorb up to 56% of household income, significantly higher than the typical 33% food expenditure share of the least affluent households in South Africa. With income from two wages and child support grants the reference household had to spend 31% of their budget on food to afford basic healthy eating, thus close to the 33% typical food expenditure share value. Lower-income household in South Africa remain significantly vulnerable to inadequate food access, with an estimated 50% to 60% of households in South Africa not able to afford basic healthy eating.

Figure 74 visualises the affordability of the THFB over time in South Africa for the period January 2022 to April 2025. On average, a slight improvement in the affordability of basic healthy eating in South Africa can be observed, as reflected in the downward sloping expenditure share trend line.

IN SUMMARY:

- In South Africa food inflation improved significantly over the last 2 years from 14.0% in March 2023 to 2.3% in January 2024, followed by an increase to 4.0% in April 2025. Food inflation has been within the 3 – 6

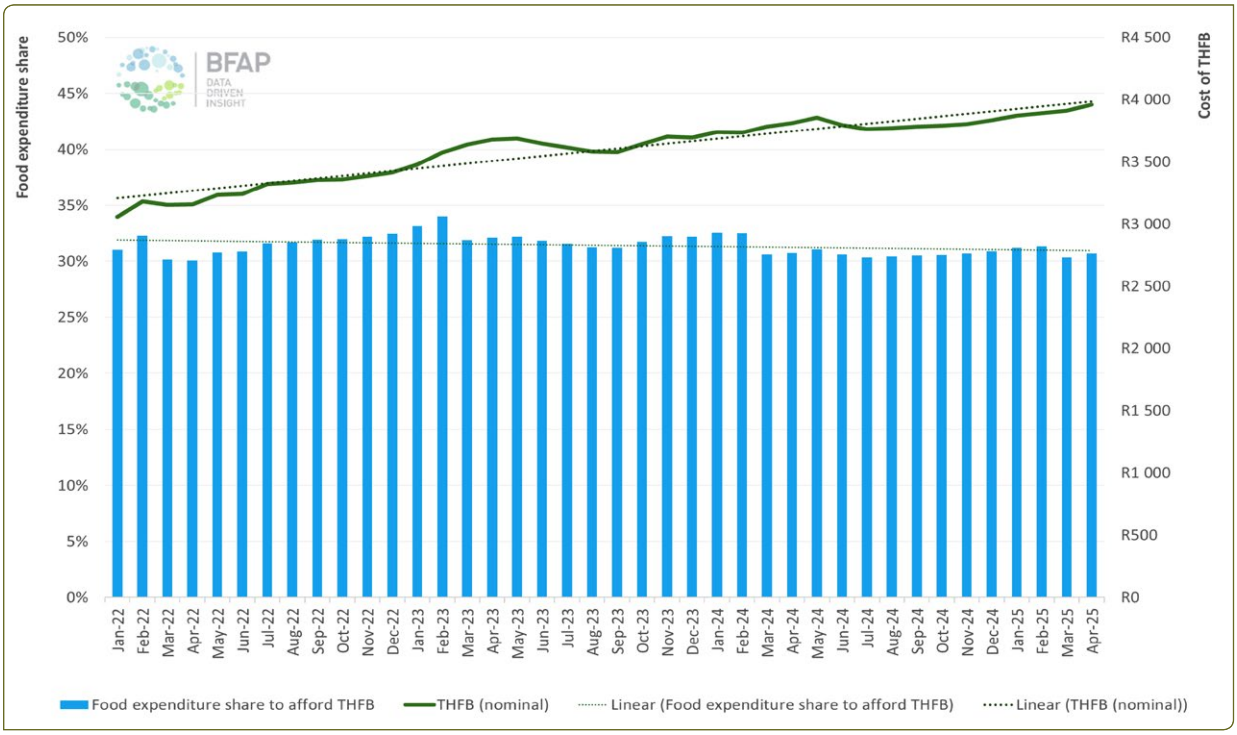


Figure 74: Affordability of the THFB over time for the period January 2022 to April 2025

Source: BFAP calculations

percent inflation target bracket for 14 months (March 2024 to April 2025).

- In recent months the most significant food inflation contributions came from cereals (showing an increasing contribution trend over time, with high inflation on maize meal) and non-alcoholic beverages (especially inflation on instant coffee, Ceylon and Rooibos tea), followed by sugar & sugar-rich foods, vegetables (cabbages, carrots and spinach) and fruit (apples, bananas).
- On a provincial level the highest inflation on food & NAB for the first four months of 2025 was observed in NW followed by EC & LP, followed by WC & NC.
- Many factors affected food prices in South Africa during 2024 and 2025, including especially exchange rate fluctuations, fuel prices, loadshedding, adverse weather conditions and animal diseases and international food commodity prices. From January 2025 to April 2025 international food commodity prices (as measured by the FAO FPI) increased continuously, driven by commodity price increases on oils, dairy and meat.
- In the first four months of 2025, food inflation in South Africa (3.0% YoY) was lower than in many countries such as Malawi, Ghana, Zambia, Brazil, Kenya, India and the UK, but higher than in the USA and China.
- For 2025 we expect an average YoY inflation rate of 4.5%, with somewhat lower inflation expected for 2026.
- In the first four months of 2025 a four-member reference family had to spend R3 906/month to afford the BFAP THFB, expected to increase to R3 975 in 2026.

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