BFAP AGRICULTURAL OUTLOOK

BASELINE

EXECUTIVE SUMMARY

The 2026 BFAP Baseline highlights a South African agricultural sector that remains resilient, globally competitive, and well positioned for future growth if the many available opportunities are exploited. Despite operating in an increasingly complex domestic and global environment, agriculture continues to outperform most sectors of the economy, expanding by an average of 3% per year since the launch of the National Development Plan (NDP) in 2012 while the broader economy grew by less than 1% annually. The sector has achieved substantial productivity gains, become a cornerstone of international trade with a growing trade surplus and foreign exchange earnings, and consistently supplied affordable food to domestic consumers despite the many shocks to the farm economy that have emerged in rapid succession. Several NDP objectives for 2030 have already been exceeded, such as the significant investment in expansion of high-value irrigated commodities. Others are making good progress, such as increasing scale and commercial orientation amongst black farmers, who are also increasingly contributing to employment targets.

Several objectives, however, are unlikely to be achieved by the 2030 target date. A key underlying constraint has been the failure to realise the broader macroeconomic assumptions of the NDP, particularly related to economic growth and employment. Weak governance, deteriorating infrastructure, and corruption and crime, coupled with global vulnerabilities exposed by the pandemic, regional armed conflicts, trade tensions, and weather-induced disruptions have affected participants across the agricultural value chains from the farm to the final consumer.

BFAP's foresight work has been widely used as a strategic reference point for the agricultural and agro-processing sectors, often serving as an "investment compass" that highlights future growth opportunities and the key drivers required to foster a more prosperous sector. Traditionally, the Baseline has addressed possible medium-term futures, but in this edition, in light of the significant socio-economic and political disruptions of recent years, the Baseline reflects on multiple time horizons. These include identification of short-term priorities, a fundamental 10-year baseline outlook, and an initial effort to extend the planning horizon toward 2050. Long-term considerations are more qualitative in nature, based on a range of megatrends that are expected to influence the structure, dynamics, competitiveness and sustainability of the agricultural sector going forward. It also highlights several subsector-specific priorities that can unlock Vision 2050 for a thriving and prosperous agricultural sector.

BFAP AGRICULTURAL OUTLOOK BASELINE

EXECUTIVE SUMMARY

In the shorter term the sector remains challenged by weak domestic consumer spending power as well as the many domestic and global systemic shocks already mentioned. Immediate priorities in the livestock sector remain centred on addressing animal disease challenges and enabling the resumption of exports, with good progress made in early 2026. In the field crop and horticulture subsectors, the combination of a declining price cycle and sharp increases in input costs continues to erode margins. Perishable products, in particular, remain hamstrung by operational and weather delays in the Port of Cape Town. Business risks remain high, with the emerging El Nino conditions in 2026/27 raising concerns related to yield impacts in the field crop sector and feed cost impacts in livestock.

Medium-term prospects are more encouraging, with real growth in agricultural GDP a distinct possibility, but only if there is an improvement in the current animal health crises through improved disease management; a normalisation in global input markets as the conflict in the Middle East settles; a further advancement in technology that brings efficiency gains; as well as some expected progress in port operations in the medium-term. Slow improvement in the domestic consumer environment further elevates the role of exports in unlocking value for producers and suggests that growth will continue to be export-led.

Across most industries, revenue growth is expected to moderate as prices continue to normalise. In livestock, a key factor underpinning the short-term declines and slower medium-term price gains is recovery in supply. Several livestock industries have transitioned successfully to net export status, with only pork and poultry still net importers. Export revenue has enabled producers to optimise carcass value through premiums on high-value cuts in relevant export markets, supporting profitability despite price pressure on domestic sales. By 2035, real gross production value of livestock is expected to exceed the average level from 2023-2025 base period by 4.4%. Most additional revenue will come from poultry, beef, milk and processed dairy. With feed prices also expected to be lower, the cycle is turning to a more profitable phase for livestock.

During the past seven years of elevated global commodity prices the area planted to major grains and oilseeds expanded by approximately 700 000 hectares. With prices now declining, some consolidation is expected, thus most production growth is expected to come from yield improvements. Nevertheless, the equilibrium for summer crop area has shifted upwards. While some of the area brought into production through the high price cycle is marginal and unlikely to remain in production, more than half is expected to remain cultivated because of advances in production practices and access to improved seed cultivars. Accordingly, most major grains and oilseeds are expected to remain in surplus position over the outlook, with wheat the major exception.

Projections reflect the assumption of stable weather conditions, implying that the average surplus could be smaller than the volumes exported in the recent past following successive bumper harvests. In reality, weather variability will continue to cause fluctuations around the projected trend and, based on historic deviations, export volumes in favourable weather years could exceed the volumes observed in the recent past. The value of producing a consistent surplus for major field crops should not be underestimated. It keeps prices at or close to export parity levels, and forces producers to be efficient enough to compete in global markets. In turn, this enables the sector to provide affordable basic food staples for South African consumers, while also supporting the competitiveness of the livestock sector through affordable feed products. This benefit is now extended beyond staple grains to include major oilseeds and protein meal for animal feed, where South Africa has transitioned successfully to a position of competitive surplus production.

The horticultural sector has reached a crossroads. It possesses the biological capacity and technical expertise to cement its position as a global fresh fruit powerhouse, yet it faces mounting challenges that threaten its long-term competitiveness. Chief among these is the rising cost of doing business beyond the farm gate where inefficiencies in logistics, infrastructure, energy provision, and market access are increasingly eroding the margins needed to sustain growth and investment. After a sustained period of expansion, planted area has largely stabilised, with producers continuing to invest in orchard and vineyard replacement, but few signs of a net expansion in area planted. Instead, growth is expected to come from intensification, with significant yield improvements coming from a combination of maturing young orchards, improved cultivars and evolving production practices. Combined with investment into climate mitigation technologies and precision irrigation, this is also expected to unlock additional value through increased pack-out percentages that bolster total income per hectare. This improvement is critical given

that major administered costs such as energy and labour are expected to continue increasing faster than output prices and general inflation.

In line with long-term trends in agricultural commodity markets, Baseline projections suggest that, notwithstanding typical weather-induced volatility, producer prices for most agricultural commodities will rise more slowly than general inflation over the coming decade. This is positive for food price inflation and ultimately underpins the sector's contribution to food security. However, rising costs of processing, packaging, logistics, and retail increasingly separate consumers from the efficiency gains achieved at farm level. As a result, weakening food security indicators confirm that national agricultural abundance no longer guarantees household nutritional security. Despite the productive agricultural sector that consistently supplies sufficient food to meet national demand, delivers affordable food, and maintains export competitiveness, a growing share of households remain unable to afford a healthy and diversified diet because of low and uncertain incomes and unemployment, rather than food scarcity. Beyond the most affluent consumer groups, who remain guided by factors such as convenience, health, indulgence and attributes like sustainability and ethics, consumption choices are dictated by the realities of constrained spending power - a household budget stretched by rising transport costs, debt obligations, utility tariffs, housing expenses, and other non-discretionary expenditures.

As focus shifts to the next policy cycle, the 2026 Baseline extends the planning horizon to 2050. Several megatrends have been identified that will continue to influence the trajectory of the food system. While some are largely determined by exogenous factors, most notably climate, others such as infrastructure development and biosecurity, can be influenced by public policy, targeted investment, and the strength of public–private partnerships. The South African context provides several pertinent examples where suboptimal outcomes ('own goals') have emerged due to institutional decline, governance failures, corruption and weakened implementation capacity. Looking ahead, these systemic governance and institutional constraints may themselves constitute a cross-cutting megatrend that shapes the trajectory of all others. Addressing these challenges is therefore an urgent priority. Strong leadership, improved institutional capacity, and decisive policy implementation will be required to navigate the next phase of development, particularly as many of the more accessible growth opportunities have already been realised.

BFAP DATA DRIVEN INSIGHT

Western Cape Government FOR YOU

absa

BFAP AGRICULTURAL OUTLOOK

BASELINE

EXECUTIVE SUMMARY

A key factor shaping future strategies and investment decisions will be the evolution of the consumer environment and the extent to which consumer spending power is able to recover. Accelerated improvements will enable a greater focus on unlocking domestic value. Conversely, prolonged strain on domestic spending power elevates the importance of export strategies and increases exposure to an increasingly complex international trade environment. In this regard, South Africa’s fresh produce export sector faces a critical juncture due to its heavy reliance on the EU market and escalating ESG-related non-tariff barriers. A primary challenge relates to the carbon footprint of the value chain. While producers are evaluated on the entire product lifecycle, most electricity and fuel use occurs beyond the farm gate, leaving it largely outside their direct control.

The increasingly assertive use of tariffs as an instrument of economic and strategic policy has expedited progress in bilateral and multilateral market access negotiations in newer destinations. Several trading partners have actively engaged with South Africa to initiate or conclude new agreements, while major economies such as China and India have signalled a willingness to reduce historically high tariff barriers. Optimistically, this points to a future in which South African agricultural products compete on a more equal footing with key global competitors, including Peru, Chile, Argentina and Australia. Pessimistically rising protectionism, escalating trade disputes and the growing intersection of trade policy, geopolitics, and national security considerations could pose material risks to South Africa's export-oriented agricultural sectors.

The Baseline clearly illustrates the importance of export-driven growth, including its potential to promote affordability for domestic consumers. Nevertheless, achieving and maintaining a leading position on the global competitiveness frontier will neither be automatic nor easily attained. Rather, it will require sustained, coordinated, industry-wide effort, supported by enabling policy reforms and continued investment, to ensure that the sector remains adaptive, competitive, and capable of realising its long-term potential. Many of these required actions and coordination are highlighted in the Agricultural and Agro-processing Master Plan (AAMP). The decisions taken over the next decade will play a critical role in shaping opportunities and constraints. As we look towards this future, the central question remains: what actions must be taken today to ensure that South African agriculture remains resilient, competitive, inclusive, and well-positioned to thrive in the decades ahead?