

Covid-19 could put pressure on agri inputs

Covid-19 has caused widespread turmoil and volatility since the start of 2020 and the measures implemented to contain it has sent shockwaves throughout the global economy.

Food security remains paramount and even though South Africa is a net exporter of agricultural products, it imports a substantial share of the inputs required to produce this surplus. Furthermore, while most agricultural value chains have been exempted from the lockdown restrictions, many of the support services required for the agriculture and food system to function efficiently (e.g. financial services) are not operating at full capacity.



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Amid concerns related to continued efficiency of the logistics associated with international trade, it is important to take a closer look at the agricultural input supply – particularly the extent of import dependence, the rising cost structure, and the commodities most likely to be impacted in the short- and medium-term. It reiterates the importance of fully functional supply chains and clarity on all the extended essential services associated with food production.

Dependence on imported inputs

South Africa is highly dependent on imports of agricultural inputs. For instance, it is estimated that more than 80% of domestic fertiliser demand and more than 95% of plant protection chemicals are imported. This implies that local prices are subjected to the same supply and demand forces that drive international markets. For example, the farm gate price of domestic fertilisers is strongly influenced by international price fluctuations, currency exchange rates and shipping and distribution costs.

In addition to fertilisers and chemicals, South Africa sources multiple agricultural inputs in the global market. Significant uncertainties exist around how Covid-19 will affect input supply chains in the coming months and how value chains will cope with these volatile conditions. The seasonal nature of agriculture implies that the impact of the previously highlighted risks associated with input procurement can be very different across different subsectors.

Production systems differ. The relevant period through which inputs are procured over the year and the intensity in the use of different input types will all play a role. With the degree of persistence of the pandemic and the ultimate time required to contain it still uncertain, the relevant operations that could be affected should be considered independently across subsectors. Below is a summary of some of the major impacts that Covid-19 restrictions could have on the input supply

chain of selected agricultural industries.

Field crops

Timely procurement of inputs, and commencement of required processes, is critical to optimise both the quantity harvested and quality of the product. South Africa's summer crop is at the end of the growing season and harvesting has already started. This will require sufficient labour availability for harvesting, transport and storage related activities, as well as machinery and parts for repairs.

For winter crops, which include wheat, barley and canola, the planting period will commence soon. Producers need to start with land preparations and planting, which requires farmworkers to operate machinery. It is also dependent on the timely availability of inputs such as seed, chemicals, fuel, fertiliser, machinery/implement parts and repair services and/or technical support.

Horticulture

For horticultural industries, the harvesting activities of table grapes, stone and pome fruit, and wine grapes have just been concluded. For industries such as avocados, nuts and citrus, producers are just starting the new harvesting season. For orchards that are entering the harvesting period, reliable and healthy workers will play a critical role in picking the fruit and transporting it from farms to packing/processing facilities.

With high input cost per hectare and hence producers' dependence on good yields of high-quality fruit delivered at packing/processing facilities, strong control measures at orchard level are important to remain profitable and to contribute to rural job creation.

Animal production

Animal products are less seasonal, but the continuous availability of high-quality feed products is critical. This is particularly true for feed intensive operations, such as pork, poultry and beef and sheep feedlots, where there is very little flexibility in the feeding and production system. In this regard, delays in the procurement and delivery of key vitamins and minerals from the international market can have devastating effects.

Operations are typically capital intensive and any delay has extended effects through the production cycle, which is often long, with a substantial lead time on planning and ordering of animals. Consequently, delays anywhere in the process of production or delivery can affect the entire value chain.