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AGRICULTURE, AQUACULTURE & FISHING SECTOR **ALERT**

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The agricultural sector in 2021, a positive outlook?

2020 and 2021 have been exceptionally challenging years around the globe. The COVID-19 pandemic has, along with climate change, changing consumer preferences, and political turmoil, put the South African agricultural sector under much strain. Despite this, the sector is expected to be a key driver of economic growth and post COVID-19 economic recovery, both locally and internationally.

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The agricultural sector in 2021, a positive outlook?

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2020 and 2021 have been exceptionally challenging years around the globe. The COVID-19 pandemic has, along with climate change, changing consumer preferences, and political turmoil, put the South African agricultural sector under much strain. Despite this, the sector is expected to be a key driver of economic growth and post COVID-19 economic recovery, both locally and internationally. While the South African economy has seen a decline since the arrival of COVID-19, according to Statistics South Africa, the agricultural sector is one of the sectors that has shown the highest growth in the second quarter of 2021.

According to South African Wine Industry Information and Systems, the 2021 wine grape harvest is expected to be larger than in 2020. There is also optimism about the 2021 harvest in the horticultural subsector. One of the few positives from the COVID-19 pandemic is that it created growing consumer demand for healthy foods, which has driven investment in a number of agri-business sectors, including fresh fruit and vegetables. The Citrus Growers' Association indicated that the South African citrus industry is likely to break all previous export season records with an export of 163 million

cartons expected in the 2021 season, up from a record-breaking 146 million cartons in 2020. Another potential indicator of the upward trajectory in the agricultural sector is the 26% increase in tractor sales in the first seven months of 2021, as compared to 2020. Demand from neighbouring African countries has also seen steady growth, with RCL Foods reporting that exports to other African countries generated double-digit growth by the end of 2020 despite challenges relating to COVID-19 restrictions on cross-border activity.

Although there has been a decrease in large agricultural sector mergers and acquisitions since the beginning of the pandemic, the sector has still seen some transaction movement, including:

- In 2020, Senwes acquiring the grain silo storage operator Suidwes Landbou.
- In March 2021, South Africa's Villa Crop Protection and the InteliChem Group merged under the American brand WinField United to form WinField United South Africa Group.
- In June 2021, the Competition Tribunal approved the establishment of a new holding company with shared ownership between BKB and VKB, which will hold a trade retail and fuel business and AgriFin, a new financial services company.



CDH's Agriculture, Aquaculture & Fishing Sector Specialists

provide practical and commercial advice to help our clients in this sector achieve their business objectives, protect existing interests and maximise opportunities.

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The agricultural sector in 2021, a positive outlook?...*continued*

These funds are released in the form of vouchers, mainly for inputs.

Despite South Africa's ever-changing political climate, international interest in its agricultural sector is still evident. For example, in July 2020 a private equity group based in Luxembourg, Aristotle Africa Sàrl, acquired 32% of the shareholding in Quantum Foods, making it Quantum Foods' largest shareholder.

Smaller-scale and black farming have also had wins in 2021 with the South African Government recognising agriculture and agro-processing as critical drivers of GDP growth, employment and increased exports through various strategic governmental plans. In order to stimulate the growth of black and small-scale farmers, the Government, together with the Industrial Development Corporation, set up a R5 billion fund in March 2021 to help black farmers gain access to capital and to boost their role in commercial agriculture.

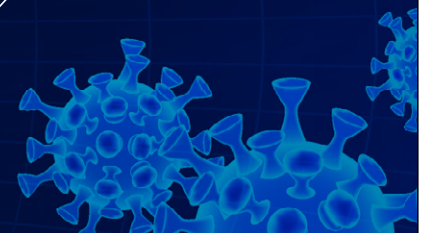
Through the Department of Agriculture, Land Reform and Rural Development, they have set aside R1,2 billion to assist small-scale farmers who have a turnover of between R20,000 and R1 million per annum. These funds are released in the form of vouchers, mainly for inputs. Priority is currently being given to critical industries such as horticulture and poultry.

Within a troubled worldwide economy and a global pandemic, the outlook of the agricultural sector appears to remain optimistic, which is good news we can all welcome.

*Xhanti Mtulu overseen by
André de Lange*

CDH'S COVID-19 RESOURCE HUB

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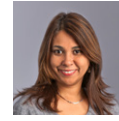
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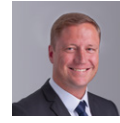
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Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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