

Ukraine crisis highlights importance of food security

By [Nico Groenewald](#)

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Regardless of your business, South Africa sits at the very end of very long global supply lines. Even before Covid-19 and the July 2021 civil unrest brought home the importance of shortening and diversifying supply chains, South Africa's balance of trade and ZAR volatility and weakness were already prompting a re-think as businesses pivoted to local - or increased inventories.



Nico Groenewald, Head of Agriculture at Standard Bank's Business & Commercial Clients division.

During the Covid-19 crisis South Africa's agricultural sector moved quickly, successfully lobbying government to exempt farms, agribusinesses, and agricultural supply networks from many of the more restrictive Covid-19 management protocols. As a result, South Africa never ran out of food, even during the most restricted periods of global movement and supply.

Russia's invasion of Ukraine reminds us that in terms of global supply chain risk, South Africa is still vulnerable where it matters most – our food.



How Russia-Ukraine conflict could influence Africa's food supplies

Wandile Sihlobo 25 Feb 2022



Both Russia and Ukraine play a significant role in global agricultural markets and world food supply, especially in Africa.

- Russia accounts for 10% of global wheat production. Ukraine 4%.
- In 2020, African countries imported roughly US\$4 billion in agricultural products from Russia. Wheat made up nearly 90% of these imports.
- Over the same period, Africa imported agricultural products worth US\$2.9 billion from Ukraine. 48% of this was wheat and 31% was maize.
- South Africa relies on Russia and Ukraine for roughly 30% of its wheat imports.

Russia's invasion of the Ukraine also shows how suddenly export chains can be disrupted. Local fruit exporters, for example, will also be affected by the conflict. Russia accounted for 7% of South Africa's citrus exports in 2020 and 12% of its apple and pear exports.

This crisis highlights the importance of adopting strategies to grow and diversify agricultural output so that South Africa reduces its exposure to global imports.

The crisis in the Ukraine and Russia's international isolation highlights the strategic significance of South Africa's recent allocation of R6,5 billion to government blended finance programmes for agricultural development. To date, leveraging grant funding alongside appropriate debt funding has proved effective in supporting emerging and black farmers increase production and access agricultural value chains.

Standard Bank has also found that local production can expand rapidly when industry bodies and large corporates with specific interests – as suppliers or off-takers – in small or new farmers assist with production finance, insurance and a secured off-take at market price.

But farmers don't just expand the area they cultivate, increase production, pivot to new crops or products or find new suppliers or off-takers because government gives them money, or because they have access to capital.

Instead, it is markets, sales and income that ultimately increases food production and ensures sustainable food security.

To this end technology is opening up new opportunities for farmers to reach new markets. For example, Standard Bank recently joined forces with Hello Choice, an AgTech company, to create a web-based market platform where farmers can sell produce. Linking small, new, previously disadvantaged or even just very remote farmers to buyers, off-takers, suppliers and services has led to increased agricultural production and improved food security the world over.



Russia's war with Ukraine risks putting fresh pressure on rising fertiliser prices

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On the marketing front, organised agriculture in South Africa is well-established with functioning professional industry bodies. Most South African exports are supported by sophisticated marketing channels and companies, often directly linked to producers. These don't only represent the interests of established farmers but also work to transform the industry.

Standard Bank, for example, also collaborates with a range of industry bodies to enhance products and production, improve measurement systems and facilitate international liaison. In addition, specific solutions like Trade Club support and broaden access to global agri-ecosystems by assisting farmers and agri-businesses source price-compared, quality-controlled products, goods and services around the world.

By providing the networks, insight and systems to link all South African farmers – big and small - to local and global agricultural value chains we can create the market conditions for sustained production increases and long-term food

security.

Standard Bank's partnership with the Industrial and Commercial Bank of China (ICBC) as well as the various trade corridors that the bank supports across Africa and the world are also relevant to increasing food production and promoting food security.

The ICBC partnership, for example, positions Standard Bank to take African nut, wine, seed, chili, edible oil and other agri-producers to the annual Chinese International Import Expo (CIIE) and bi-annual China Africa Economic Trade Expo (CAETE). Attendance pretty much guarantees supply contracts as the full range of Chinese off-takers are present.

Standard Bank also hosts, for example, quarterly virtual trade match-making events focusing on specific sectors. At these events African producers or exporters get introduced to dozens of potential off-takers virtually, often concluding deals on the spot.

Encouragingly – from a food production and security perspective - the 2022 national budget also included allocations for water resource management and water infrastructure development. As one of the 30 driest countries in the world the effective management of water at national level is critical to improved production and food security. At individual farmer level, on the other hand, Standard Bank supports and funds water-efficient irrigation systems and farm-scale green energy solutions.

As Russia's invasion of Ukraine dominates headlines, South Africans need to think long and hard about the fundamentals of safety. Military hardware and personnel are scant guarantors of security if people don't have affordable access to healthy food. If South Africans are to learn any lessons from the current crisis in Eastern Europe it is that sustained access to capital and markets are fundamentally necessary to sustained food production – and food security is the only foundation on which long-term prosperity and social security can be built.

ABOUT THE AUTHOR

Nico Groenewald, Head of Agriculture at Standard Bank's Business & Commercial Clients division

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