

July 01 2024

The ANC, DA and IFP leaders are closely aligned on agriculture and thus deserve the support of all stakeholders in the sector

- As the dust settles following the outcome of the May 29 elections and the seventh administration begins its term, the next step will be realigning policy ideas under the Government of National Unity. With respect to agriculture, the major political parties in the Government of National Unity, namely the African National Congress (ANC), Democratic Alliance (DA), and the Inkatha Freedom Party (IFP), appear to be broadly aligned in our assessment.
- The ANC has been governing under the vision of the National Development Plan, which was recently distilled into the Agriculture and Agro-processing Master Plan. The aim is to grow an inclusive and competitive agricultural economy. The approach is through deep-dive value chains and commodity corridors in various regions of South Africa. The implementation of the plan so far has been scant, but the enthusiasm for it amongst major stakeholders in the sector remains. The missing element is also the proper socialization of various government officials in provincial and local government, who are key to implementing such a plan that is centered on collaboration with the private sector. The ANC's government agricultural policy included the release of nearly three million hectares of state land to beneficiaries with title deeds. Indeed, months before her term as Minister of Agriculture, Land Reform and Rural Development Plan ended, Ms Thoko Didiza began the land release process with title deeds.
- The DA's agricultural approach is no different from what the ANC has in its books. For example, in the 2024 manifesto, the DA states that the party will "empower South Africans through land ownership by protecting private ownership of land as outlined in section 25 of the Constitution." The DA adds that they will "utilize government-owned land and prioritize the use of land owned by the government, specifically focusing on the vast tracts currently held by the Department of Agriculture, Forestry and Fisheries and the Department of Public Works and Infrastructure. The DA government will focus on underutilized state-owned land for land reform projects, including housing, farming, and providing land access for South Africans."
- Furthermore, the DA will "improve post-settlement support by strengthening the institutional capacity of provincial structures responsible for post-settlement support and establishing specialized units within provincial departments which are solely mandated with providing pre- and post-settlement support." The DA concludes that they will "prioritize the land reform in the budget with feasible project plans and will commit increased funding to land reform, specifically emphasizing post-settlement support for beneficiaries." Such ideas are broadly aligned with the National Development Plan, the Agriculture and Agro-processing Master Plan, and, indeed, various government-led initiatives such as the Blended Finance instrument, amongst others.

- The IFP's position on agriculture and land reform is equally aligned with the ideas of the ANC and DA. For example, the IFP states that the government must "ensure significant State support, especially for new entrants into the agriculture industry." This work is already being implemented through the Blended Finance instrument that the Department of Agriculture, Land Reform and Rural Development is rolling out in partnership with financial institutions. The IFP further argues for partnerships, stating that the government must "promote the involvement of both private and public sectors in the country's agricultural development processes." This partnership approach is at the heart of the Agriculture and Agro-processing Master Plan.
- Admittedly, the IFP has slight ambiguity on land policy, stating in its manifesto that it will "continue to support the policy of land expropriation with reasonable compensation". Still, considering everything at hand, there is much alignment in the IFP's agricultural views with those of the ANC and the DA. Our view is that this should not be a huge area of contention as the parties in the GNU work to find a unified policy agenda for the seventh democratic administration.
- Therefore, the Ministers of Agriculture, and indeed, Land Reform and Rural Development, should satisfy the key objectives of all these political parties. The essential program, which would be the starting point, is the Agriculture and Agro-processing Master Plan, paired with the continuous release of State land to beneficiaries with title deeds and Blended Finance in collaboration with the Land Bank and other financial organizations. The Agriculture and Agro-processing Master Plan encompasses key interventions to many sector-focused matters that have slowed growth in recent times. Its rejuvenation and communication with all stakeholders across all levels of government are paramount. The cross-cutting issues that include inefficiencies in the network industries should be addressed through Operation Vulindlela, which the Minister for this sector should support.
- In essence, government officials and industry stakeholders should lend their support to the leader of this sector regardless of the political party they come from. The ideas of all these three parties are aligned and aim for the betterment of the agricultural sector and rural communities.

WEEKLY HIGHLIGHT

SA's summer grains and oilseed production estimate lifted mildly

- South Africa's summer grains and oilseed harvest is in full swing nationwide, and some crops are nearly complete. Thus, the crop size estimates we have at hand are unlikely to change much and possibly represent an actual picture of the harvest. For example, on June 27, the Crop Estimates Committee lifted the 2023/24 summer grains and oilseed harvest by 0,6% from May to 16,0 million tonnes. Still, this is down 20% year-on-year, reflecting the severe impact of the mid-summer drought. The monthly slight upward adjustment of the summer grains and oilseed harvest size is mainly because of the notable uptick in the yellow maize production estimate, while other crops remained roughly unchanged from last month. This again confirms our earlier point that the data we have, which is the fifth production estimate, may not be adjusted much from now on.

Maize

- A closer look at the data shows that white and yellow maize harvest could be 6,3 million tonnes (up 0,1% m/m) and 7,1 million tonnes (up 1,3% m/m). These revisions place the total maize production estimate at 13,4 million tonnes (up 0,7% m/m).
- When viewed annually, white maize harvest is down 26%, with yellow maize down 10% from the 2022/23 season. The disparity in the crop decline is due to regions where each crop variety is planted, with white maize predominantly in the western areas of South Africa while yellow maize is in the east. Moreover, yellow maize is typically planted a month earlier than white maize. Rainfall impacts these regions and timeframes differently, ultimately affecting the expected harvest sizes. The expected harvest of 13,4 million tonnes is down 18% from the 2022/23 season.
- We are optimistic that this harvest may materialize and meet South Africa's annual maize consumption of roughly 12,00 million tonnes, leaving the country with roughly 1,4 million tonnes for exports (there is also support from the carryover stocks from the previous season). About 840 000 tonnes will likely be white maize, with 600 000 tonnes likely to be yellow maize, according to data from the South African Grains and Oilseed Supply and Demand Estimates Committee. Still, the estimated exports of 1,4 million tonnes are down notably from 3,4 million tonnes in the previous season.
- With that said, maize prices will likely remain elevated for some time because of potentially tighter supplies later in the season and into the first quarter of 2025. Admittedly, in recent weeks, white and yellow maize prices have moderated from the levels we saw last month because of the relatively stronger domestic currency and the harvest pressure, amongst other factors. Still, white maize prices are over 30% higher than the levels we saw a year ago. The white maize spot price closed at R5 185 per tonne on June 27, 2024. Meanwhile, the yellow maize prices currently are down roughly 4% from a year ago. The yellow maize spot price was at R3 825 per tonne.
- As highlighted in our previous notes, yellow maize prices have not increased much, as the supply risk could be manageable through imports. There are ample maize supplies (yellow) in the world market. The International Grains Council (IGC) forecasts the 2023/24 global maize harvest to be 1,2 billion

tonnes, up 6% year-on-year. A majority of this expected global maize is yellow. The stocks are also robust, thus keeping the international yellow maize prices moderate. This also explains the decline in the yellow maize prices compared with the surge in white maize prices, which is scarce in the world market and primarily produced in Southern Africa and Mexico.

Oilseeds

- The 2023/24 soybean harvest was unchanged from last month to 1,7 million tonnes (down 36% y/y). This annual decline results from lower yields in various regions of South Africa. We now believe South Africa may not play a robust position in soybean exports like the previous season. If anything, soybean oilcake imports this new season are now a possibility. Moreover, the sunflower seed harvest estimate was unchanged from last month at 649 250 tonnes (down 10% y/y). The area plantings are moderately down from the previous year, which means the primary driver of the annual decline in the harvest is the expected poor yields, especially as most of the sunflower seed is planted in the western regions.

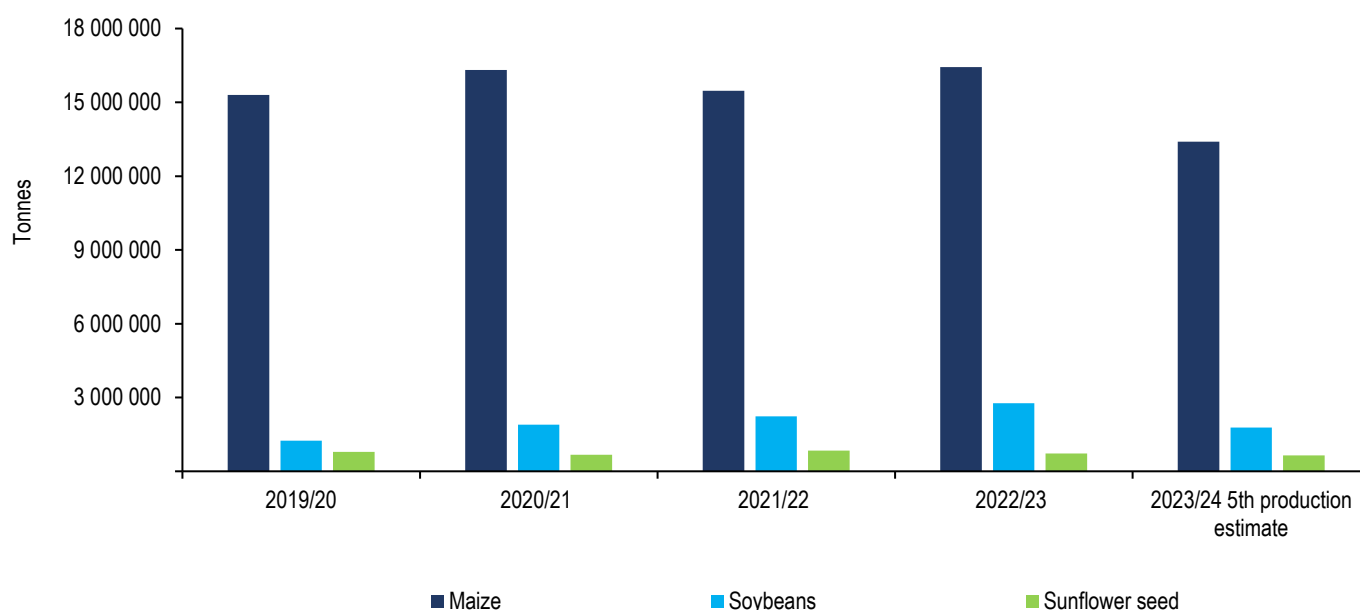
Other grains

- The 2023/24 groundnut harvest estimate is 54 440 tonnes (up 3% y/y), sorghum is at 95 830 tonnes (up 2%), and dry beans are at 52 190 tonnes (up 4%).

Concluding remarks

- This data illustrates the scale of damage caused by the mid-summer drought to the South African summer grains and oilseed harvest. Still, from a consumer perspective, South Africa is not in a crisis regarding supplies of grains and oilseed. With that said, there are upside risks to white maize prices, especially considering the potentially ample demand from the Southern Africa region later in the year and into the first quarter of 2025 when their domestic supplies are depleted.

Exhibit I: South Africa's major summer grain and oilseed production

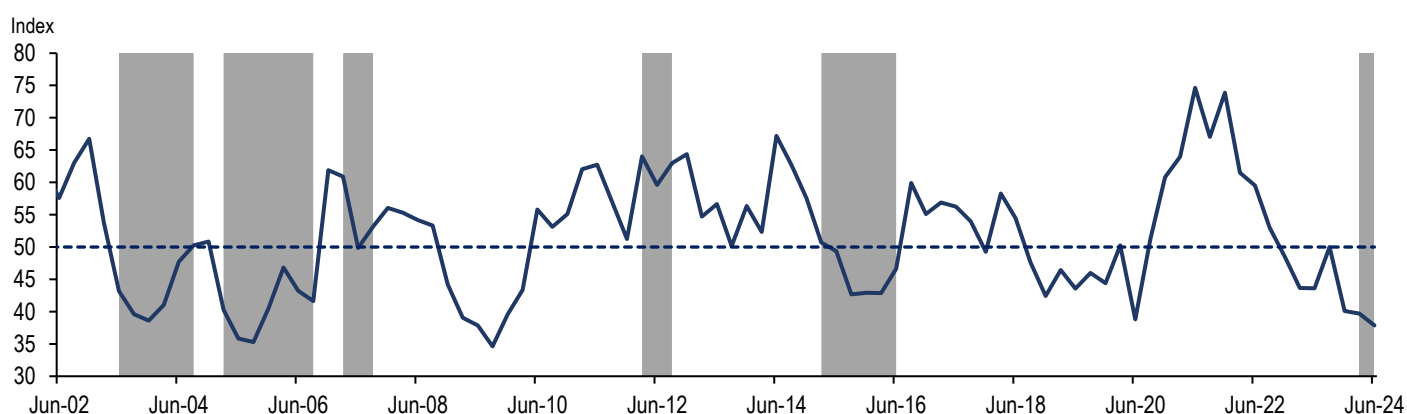


Source: Crop Estimates Committee and Agbiz Research

Agbiz/IDC Agribusiness Confidence Index at its lowest level since Q3 2009

- The Agbiz/IDC Agribusiness Confidence Index (ACI) remained depressed in Q2 2024, reaching 38 points from 40 in the previous quarter. This is the lowest level since Q3 2009, which was the global financial crisis, and implies that agribusinesses remain downbeat about business conditions in the country. The mid-summer El Niño induced drought's impact on summer grains and oilseed production is one of the major factors that weighed on the sentiment. The drought coincided with the long-standing challenges of inadequate road infrastructure and municipal service delivery.
- The lingering animal disease challenges and heightened geopolitical tensions are also the primary concerns for the sector. Moreover, while the farming community recognizes the improvements in Transnet's operations, they highlight the need for continuous work to address the inefficiencies of the ports and rail network. The uncertainty about the formation of the government at the time of the survey may have added to the downbeat mood amongst the agribusinesses. This survey was conducted between June 10 and 19, covering businesses operating in all agricultural subsectors across South Africa.
- Essentially, what we get from the ACI's second quarter results is that there remains some pessimism in the agricultural sector, although some subsectors have had an impressive start to the year. This stems from the overriding impact of the mid-summer drought, combined with the long-standing inefficiencies in the network industries. From a policy view, we think while the farming sector may have worried about the political outlook at the time of the survey, the reaction to the newly formed Government of National Unity has been widely positive, and the financial markets' reaction reflects that optimism.

Exhibit 2: Agbiz/IDC Agribusiness Confidence Index I



Source: South African Agricultural Machinery Association and Agbiz Research
(Shaded areas indicate periods indicate periods of drought in South Africa.)

¹ The Agbiz/IDC Agribusiness Confidence Index reflects the perceptions of at least 25 agribusiness decision-makers on the 10 most important aspects influencing a business in the agricultural sector (i.e. *turnover, net operating income, market share, employment, capital investment, export volumes, economic growth, general agricultural conditions, debtor provision for bad debt and financing cost*). It is used by agribusiness executives, policymakers and economists to understand the perceptions of the agribusiness sector, and also serves as a leading indicator of the value of the agricultural output while providing a basis for agribusinesses to support their business decisions.

WEEK AHEAD

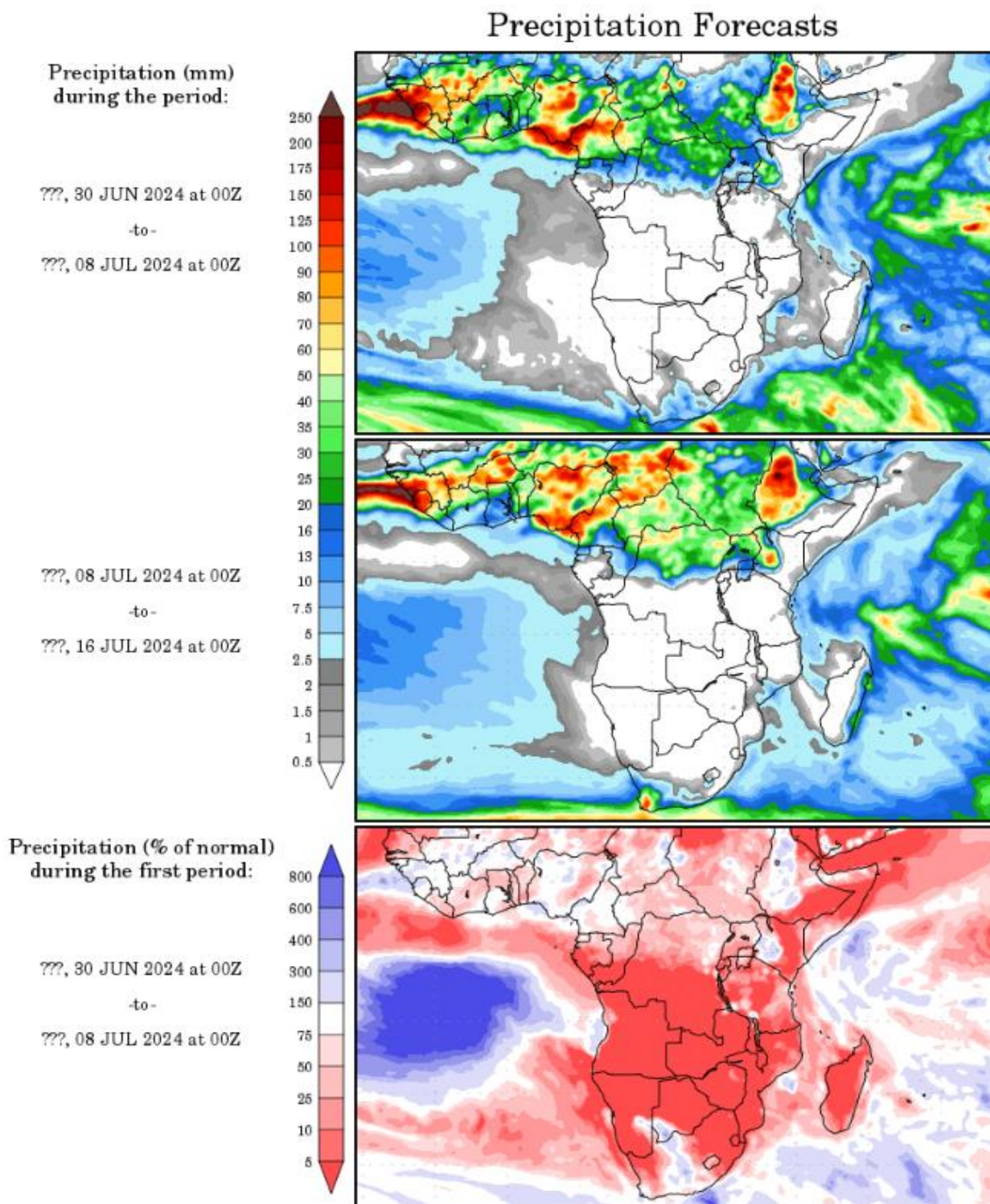
What we are watching this week

- As always, we start the week with a global focus, and today, the United States Department of Agriculture (USDA) releases its **weekly US Crop Progress** report. The maize planting across the US is complete, and now our focus is on the growing conditions of the 2024/25 crop. In the week of June 23, about 69% of the US maize crop was rated good/excellent. While down from the previous week's rating, this is well above the crop rating of the same week in 2023, which was at 60%. On the same day, the US soybean plantings were close to completion. About 99% of the intended area had been planted (compared with 97% on June 23, 2023). On the proportion of the soybean crop that has emerged, 67% of this crop was rated good/excellent (compared 51% at the same time last year).
- Moreover, the United States Department of Agriculture will release its **weekly US Grains and Oilseed Export Sales** data on Friday. The Food and Agriculture Organization of the United Nations (FAO) will release its monthly Food Price Index on the same day. This is a measure of the monthly change in international prices of a basket of food and agricultural commodities.
- Within the domestic front, on Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data. In the case of maize, this week, we will see a release of the data for the ninth week of the new marketing year, 2024/25. In the previous release on June 21, South Africa's weekly maize producer deliveries were about 721 128 tonnes. This placed the 2024/25 maize producer deliveries at 6,7 million tonnes out of the expected harvest of 13,4 million tonnes. So far, the quality of this harvest is mainly good.
- The 2024/25 soybean deliveries in the first 17 weeks of this new marketing year amounted to 1,66 million tonnes out of the expected harvest of 1,78 million tonnes. At the same time, the sunflower seed deliveries amounted to 551 014 tonnes out of the expected harvest of 649 250 tonnes. In the case of wheat, last week, 1 351 tonnes of wheat were delivered to commercial silos. This placed the 2023/24 wheat producer deliveries at 1,98 million tonnes out of the harvest of 2,10 million tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the ninth week of the 2024/25 marketing year. In the previous release on June 21, the eighth week of the 2024/25 marketing year, South Africa exported 37 404 tonnes of maize. Of this volume, 58% was exported to Zimbabwe, and the balance to the rest of the neighbouring African countries. This places South Africa's total maize exports in 2024/25 at 287 647 tonnes out of the expected exports of 1,4 million tonnes. Moreover, while South Africa will likely remain the net exporter of maize in the 2024/25 marketing year, the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina through Cape Town. South Africa's 2024/25 maize imports currently stand at 92 491 tonnes.
- South Africa is a net wheat importer, and June 23 was the 38th week of the 2023/24 marketing year; South Africa's 2023/24 wheat imports totalled 1,3 million tonnes out of the seasonal forecast of 1,6 million tonnes. The major wheat suppliers include Poland, Lithuania, Latvia, Russia, and Australia.

South Africa's Precipitation forecast

- The weather forecast for the next two shows clearer skies across the northern regions of South Africa, which is ideal for the harvest process in the summer crop regions. Meanwhile, the winter crop growing areas may receive some light showers, which will enhance the winter crop growing regions.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)