

## Biosecurity breaches are a significant risk to SA's agricultural growth agenda

- One aspect that remains a major challenge for the domestic animal farming sector and has been raised by our members in various engagements for some time is the weaknesses in South Africa's biosecurity system. Admittedly, biosecurity breaches are not uniquely South African and have become a significant challenge globally. We frequently hear of Foot and Mouth Disease (FMD) in cattle, African Swine Fever in pigs and Avian Influenza in poultry worldwide. However, very few countries have had to deal with the scale of these disease outbreaks almost simultaneously as South Africa has had to do.
- In 2022, six of our nine provinces reported MFD outbreaks. The conditions haven't changed much. In fact, on November 4 this year, the Department of Agriculture, Land Reform and Rural Development (DALRRD) announced "a suspicion of an outbreak of foot-and-mouth disease (FMD) in cattle in Ramatlabama under the Ngaka Modiri Molema District Municipality in North West Province." The DALRRD added, "At this point, it is just a suspicion of an outbreak based on positive serology results. Epidemiological investigations are underway to confirm the presence or absence of virus circulation." This means that the FMD issue that was identified a year ago remains a challenge. Notably, these outbreaks weigh heavily on the cattle industry's fortunes, and the 2022 massive outbreak led to the suspension of beef and livestock product exports to a range of markets for some time.
- The impact was not limited to cattle as the sheep industry was also affected. We saw the suspension of wool exports for a couple of months in China, a significant export market. At the time, China had cited the FMD disease outbreak as a reason to suspend South Africa's wool imports. But as we have highlighted before, China may have also had capacity issues at its ports at the time because of the tail-end effects of COVID-19 and the restrictions that lasted longer than in parts of the world. We say this because there is a unique protocol to handle the wool shipments and avoid any containment during an FMD disease outbreak in South Africa. South Africa and China agreed on this protocol following the 2019 outbreak, which weighed on wool exports that year, resulting in a major financial impact on the wool industry and farmers.
- Towards the end of 2022, we learned of the outbreaks of the African Swine Fever, which put the pig industry under additional pressure. This remains an ongoing challenge in the pig industry. Most recently, the focus has been on Avian Influenza, where more than a hundred commercial poultry facilities have reported cases. There are major losses in parent stock for breeders of layers and broilers, thus leading to imports of fertilized eggs to rebuild the parent stock flock decimated by the disease. The financial impact of this outbreak is evident in the recent losses announced by the major producers and the price increases of some products from a consumer perspective.

- The outbreaks that started a year ago, and even the recent Avian Influenza, occurred at a time when the livestock and poultry industry also faced higher feed prices – maize and soybeans – thus worsening the farmers' financial fortunes. It is only from the second quarter of this year that feed prices materially declined from the levels we saw over the last two years.
- Notably, any negative impact on the livestock and poultry industry risks presenting a material impact on the fortunes of South Africa's agriculture. This subsector accounts for roughly half of agriculture's gross value added. Also worth noting is that improving the biosecurity measures could boost a sub-sector that is crucial for inclusive growth. For example, the National Agricultural Marketing Council (NAMC) estimates suggest that black farmers account for 18%, 13% and 34% of wool, mohair, and cattle production, respectively. So, these farmers and their business's growth prospects remain at risk if there are no material improvements in biosecurity. This also means the trading of their livestock faces various constraints. One could argue that, in some instances, these new entrant farmers may even have fewer protective measures such as the ability to manage livestock movement with proper fencing.
- In essence, South Africa's biosecurity breaches, as seen in the recent outbreaks, signal some serious capacity challenges in farm biosecurity measures and the country's veterinary and related support services, mainly the laboratories, control the movement of livestock and vaccine production. Therefore, the South African government and organized agriculture and industry bodies should closely work together to address the country's biosecurity challenges.
- As we previously stated, as climate change intensifies, the problem of animal diseases will likely be more prevalent. Thus, the DALRRD should consider earmarking a share of its annual budget for emergencies to deal with biosecurity risks. These funds should be utilized under strict rules and in concurrence with the National Treasury only in the case of notifiable animal disease outbreaks. This will be necessary to control animal movements, procure vaccines and permit vaccination in certain areas, employ additional staff at the provincial level, and compensate producers a certain share when animals must be culled.
- Also necessary is the repair and maintenance of international fences, which fail to keep wild animals and infected animals from neighbouring countries out of South Africa. Collaboration between Public Works and the National Treasury in this respect is critical. In essence, most interventions require better management, coordination, restructuring of the various departments, and investment in fencing, new laboratory equipment, and vaccine production.
- Beyond the technical matters, the relationship between the regulators and farmers should also be improved so that disease outbreaks can be managed collaboratively with no hostility between regulators and the farmers. We would like to emphasize that most of the interventions required to deal with these Biosecurity Breaches are listed in the Biosecurity Task Team report presented to the DALRRD about two years ago. A full implementation of the Task Team report would be positive for the sector.

## WEEKLY HIGHLIGHT

### The weather outlook continues to paint a comforting picture for agriculture in the 2023/24 season

- We continue to receive additional evidence that the 2023/24 summer crop season may not be as harsh as some may have feared when discussing the El Niño prospects. For example, on October 31, the South African Weather Service (SAWS), in its monthly Seasonal Climate Watch, noted that "multi-model rainfall forecast indicates above-normal rainfall for the north-east of the country during Nov-Dec-Jan (NDJ), Dec-Jan-Feb (DJF) and Jan-Feb-Mar (JFM) with below normal rainfall predicted for the central and south-western parts of the country." SAWS added, "Predictions still favour above-normal rainfall conditions over the northeastern parts of the country, even with an El Niño in place."
- Considering that the soil moisture is excellent across most regions of the country from the past rainy seasons, then the possibilities of favourable rainfall through to early next year mean that South Africa could have a reasonably better summer crop season in 2023/24.
- Notably, this recent update is slightly different from the message the SAWS shared in the previous month, where the prospects of dryness were from the start of 2024. This recent update speaks of good rains through to February 2024 in the northeastern regions of South Africa. This means favourable rains could also cover the pollination stages of the summer crop, where moisture is needed the most, and thus lead to better yields.
- Additionally, while the central and western regions could see below-normal rainfall from the start of 2024, the crop could still be in better condition. We base this view on the fact that soil moisture would be healthy, having benefitted from rains through to the end of the year, adding to better moisture levels from the past rainy seasons. Still, what is essential is for the South African grain and oilseed farmers to plant on time so that by the start of 2024, the crop is in its growing stages. While the country's western regions typically plant from mid-November to the end of December, we think starting the planting as soon as possible would be ideal so that the crop has a more extended growing period before the El Niño-induced lower rainfall period in these regions.
- Also encouraging to us is that the recently released data by the Crop Estimates Committee (CEC) reaffirmed our positive view about the 2023/24 summer crop season. The CEC stated that South African farmers intend to plant a total area of 4,47 million hectares of summer grain and oilseed in the 2023/24 season, up 2% year-on-year. The farmers were this upbeat, possibly basing their view on soil moisture conditions in their farms. These positive rainfall prospects further strengthen their view.
- As we stated last week, these data are "intentions", not plantings yet. It is still early in the season, and we will only have a preliminary area planting estimate for the 2023/24 season at the end of January 2024. Still, these intentions to plant data paint an encouraging picture, and the planting progress is evident when one drives across South Africa.

- From now on, we will be watching the rainfall and the temperature conditions across the country. On the temperature aspect, the SAWS notes that "minimum and maximum temperatures are expected to be mostly above-normal countrywide for the forecast period." Having observed the scorching temperatures in the northern hemisphere and the negative impact on agriculture in their recent summer season, this will require constant monitoring in South Africa as the season continues.
- Overall, the weather prospects continue to paint an encouraging picture about the 2023/24 summer crop season, and the farmers will likely respond by lifting their planting area as they have signalled already. We commented mainly on grains and oilseeds, but the improved weather conditions will benefit all agricultural sub-sectors, thus boding well for growth and food production.

## WEEK AHEAD

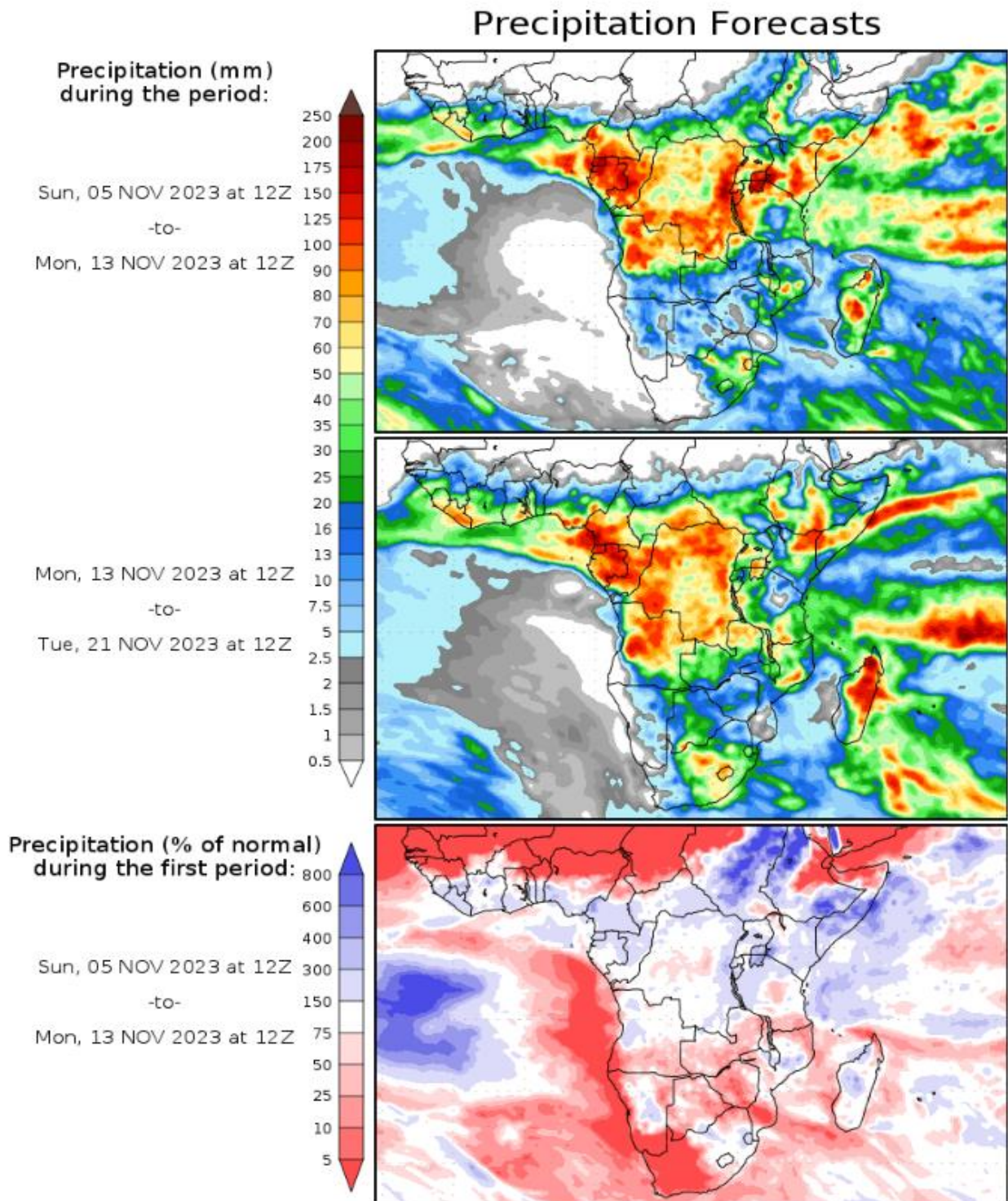
### What we are watching this week

- As always, we start a global focus, and today, the United States Department of Agriculture (USDA) will release its weekly update of the US Crop Progress Report. The harvest of maize and soybeans is approaching completion across the US. Evidently, on October 29, about 74% of the maize crop had already been harvested, which is ahead of the last season's pace of 71% and above the five-year average harvest pace of 66%. The harvest is mainly of good quality. At the same time, 87% of the soybean crop had already been harvested, which was also slightly above last season's pace of 85% and well above the five-year average of 78%. Moreover, USDA will release its weekly US grains and oilseeds export sales on Thursday.
- On the domestic front, on Wednesday, SAGIS will release its weekly South Africa's Grains and Oilseeds Producer Deliveries data for November 3. In the previous release on October 27, South Africa's 2023/24 maize producer deliveries were about 40 445 tonnes. This placed the 2023/24 marketing year's maize producer deliveries at 14,4 million tonnes out of the expected harvest of 16,4 million. On the same day, the soybean deliveries were about 2,7 million tonnes of soybeans out of the expected crop of 2,8 million tonnes. The sunflower seed producer deliveries amounted to 711 878 tonnes out of the expected harvest of 729 110 tonnes.
- On Thursday, SAGIS will publish its weekly South Africa's Grains and Oilseeds Trade data for November 3. In the previous release on October 27, the 26th week of the 2023/24 marketing year, South Africa exported 61 873 tonnes of maize. Of this volume, 49% was exported to Japan, 23% to Zimbabwe, and the balance to the neighbouring African countries. This placed South Africa's 2023/24 maize exports at 2,18 million tonnes out of the seasonal export forecast of 3,33 million.
- South Africa is a net wheat importer, and October 27 was the fourth week of the new 2023/24 marketing year. There were weekly import volumes of 48 608 tonnes from Poland and Russia. This placed South Africa's 2023/24 wheat import at 260 052 tonnes out of the seasonal forecast of 1,6 million tonnes (down from 1,7 million tonnes in the 2022/23 season).

## South Africa's Precipitation forecast

- Similarly to the previous week, the weather forecast for the week shows that the summer crop-growing regions of South Africa could receive rainfall, which supports the planting activity currently underway across the country.

### Exhibit I: South Africa's precipitation forecast



Source: George Mason University (wxmaps)