

## SA agriculture's recovery in 2025 may be varied across regions and sub-sectors

- Over the past few weeks, we have driven across various regions of the country, visiting some of our members. What we continued to observe from these drives reaffirms our view that South Africa's agricultural performance will likely improve in 2025 after the harsh mid-summer drought of 2024. However, the recovery may not be uniform across all regions. Some farmers will continue to face a financially challenging environment for some time, and crop production could only recover mildly in some regions.

### Field crops

- Broadly, the farmers have managed to plant well in most regions, although the timing of the planting seems to differ vastly in some areas, partly because of the erratic rains at the start of the season. The grazing veld also has improved from its worrying state at the end of last year. However, regional dynamics present some nuances worth highlighting. While the crop fields are visibly green and mainly in good condition, some regions were evidently strained by the heat of November to the beginning of December 2024. In such regions, while the crop has recovered from the recent rains, it is not in its usual health state for this stage of the season. We saw this mainly around various small towns of the eastern Free State. We suspect that the North West Province, the western regions of Mpumalanga and the northern parts of Limpopo may have similar experiences. These areas saw erratic and late rains.
- The forecasting of the 2024-25 summer grains and oilseeds production will again likely be tricky, especially the first few estimates, as the Crop Estimates Committee deepens its understanding of the extent of the late planted crop and the early plantings that may have lower yield potential as a result of the heat in November. This, however, is mainly a challenge for summer grains and oilseeds.
- Unlike the northern and central regions of South Africa, which had these challenging weather conditions, the far eastern areas of the country had better rains. This has benefited the sugarcane and general production prospects of the sugar industry. The one aspect this industry struggles with is the costs associated with the Health Promotion Levy and, at various times, imports. The National Treasury should also consider the challenging seasons the industry is emerging from and the financial strain that additional increases in the Health Promotion Levy would likely present. We believe that a moderate approach is necessary to support the industry's recovery.

### Fruits and vegetables

- Improvement in dam levels will further support the production of fruits and vegetables under irrigation and even the irrigated veld for the dairy industry. Market prices for fruit farmers look promising, and with eased delays at the South African ports so far, the sector will likely also benefit from the exports. In citrus, we remain optimistic that juice prices may be high for a while, which could support the farmers

in the new season. For the vegetable farmers, removing the export ban in Botswana will also help this year from a demand perspective. The focus during the year will also be on Namibia, which has maintained restrictions on the imports of vegetables from South Africa.

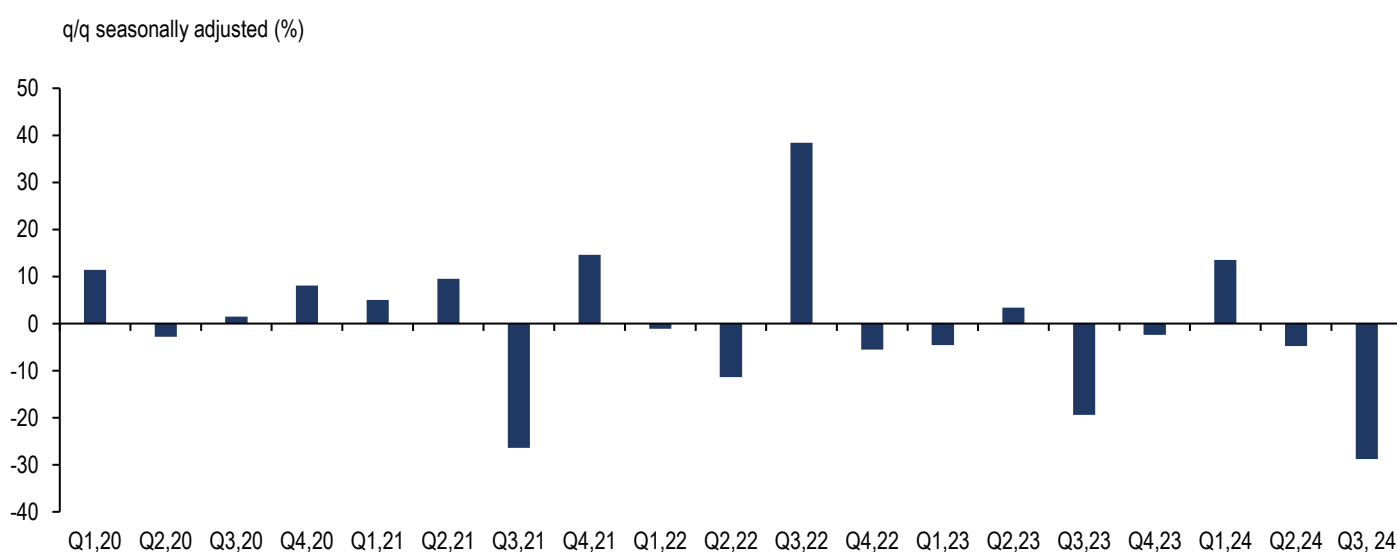
## Livestock

- Regarding the livestock industry, meat producers and dairy farmers have endured higher input costs, moderate milk prices, and animal diseases. Therefore, improving the grazing veld due to better rains may help. Unfortunately, international dairy prices remain under pressure, suggesting that South African farmers must contend with a challenging market environment for some time. Positively, the resumption of the export markets for South African red meat exports following the success the country is making in controlling the spread of animal diseases is a positive factor for this year's outlook. The potential recovery in domestic household income and spending may also help to support the local demand, which has been under pressure for much of last year.

## Wine

- The wine industry also faces better production prospects after a few years of a decline in output and the lingering aftereffects of the ban on sales of wine during the COVID-19 pandemic. As the sector recovers, it would be ideal for the National Treasury to spare it from increasing excise duties. The wine industry is one of the major job creators in rural South Africa, and easing financial strain from it during this crucial recovery period would be valuable for its sustainability.
- Overall, South Africa's agriculture will likely see a mixed and slow recovery in 2025. The erratic rains and the season's late start are some challenges. Fortunately, the rainfall outlook through March is optimistic and will support crops, fruits, and grazing veld. Still, the policymakers' actions can also help, especially in the wine and sugar industries, by taking a more moderate approach to increasing the excise duties of the Health Promotion Levy. The continued work of opening more export markets and addressing port challenges will also help the industry broadly.

## Exhibit I: South Africa's agricultural gross value added



Source: Stats SA and Agbiz Research

## WEEKLY HIGHLIGHT

### What can Farmers and Agribusinesses harvest from the SONA?

- Although South Africa's agriculture has grown tremendously over the past three decades (more than doubled), it faces some challenges. Some of the sector's challenges include port inefficiencies, deteriorating roads, rural crime and stock theft, rising global protectionism, and inept municipalities.
- President Ramaphosa outlined the government's plans to address many of these challenges in his State of the Nation Address (SONA). The need for professionalization of civil servants, planned improvement of water infrastructure and simplification of regulations, ongoing reforms of Operation Vulindlela in the broader network industries, interventions on logistics, and improving safety and reducing crime are some areas the SONA highlighted.
- The President captured the core of agricultural matters by stating, *"By supporting our farmers, improving our logistics network and rural supply chains, and opening new export markets for products, we can significantly expand our agricultural sector."*
- We believe South Africa's agriculture will see its gross value added (fortunes) expand by 30% in the coming years, creating more jobs. Still, we think the one fundamental area that the President should have highlighted is the urgent release of the 2,5 million hectares of state land for agriculture to appropriately selected beneficiaries with title deeds.
- The release of this land, combined with the reforms outlined in the SONA and the opening of the export markets, would help us grow the sector and end the dualism that has made South Africa a *"Country of Two Agricultures."*
- This disparity limits the sector's growth potential and must be addressed urgently. The Agriculture and Agro-processing Master Plan outlines the appropriate approach for inclusive growth. A more inclusive sector would have a much stronger shared vision and possibly grow faster. The land currently in the government books is one area where the inclusive approach could be kicked off, including more young people and women and closing racial disparities.
- Another point that is silent in the SONA but broadly discussed in agriculture is sustainability. South Africa has already made inroads in improving the farming methods. We must continue caring for our farming environment to ensure the land sustainably serves the next generation.
- South Africa's efforts to improve farming will also provide continuous access to key markets such as the EU, where environmental issues in agriculture are becoming a big debate.
- Overall, while the agricultural statement was brief in the SONA, the President addressed the fundamental matters and highlighted the need to open more export markets.

## WEEK AHEAD

### What we are watching this week

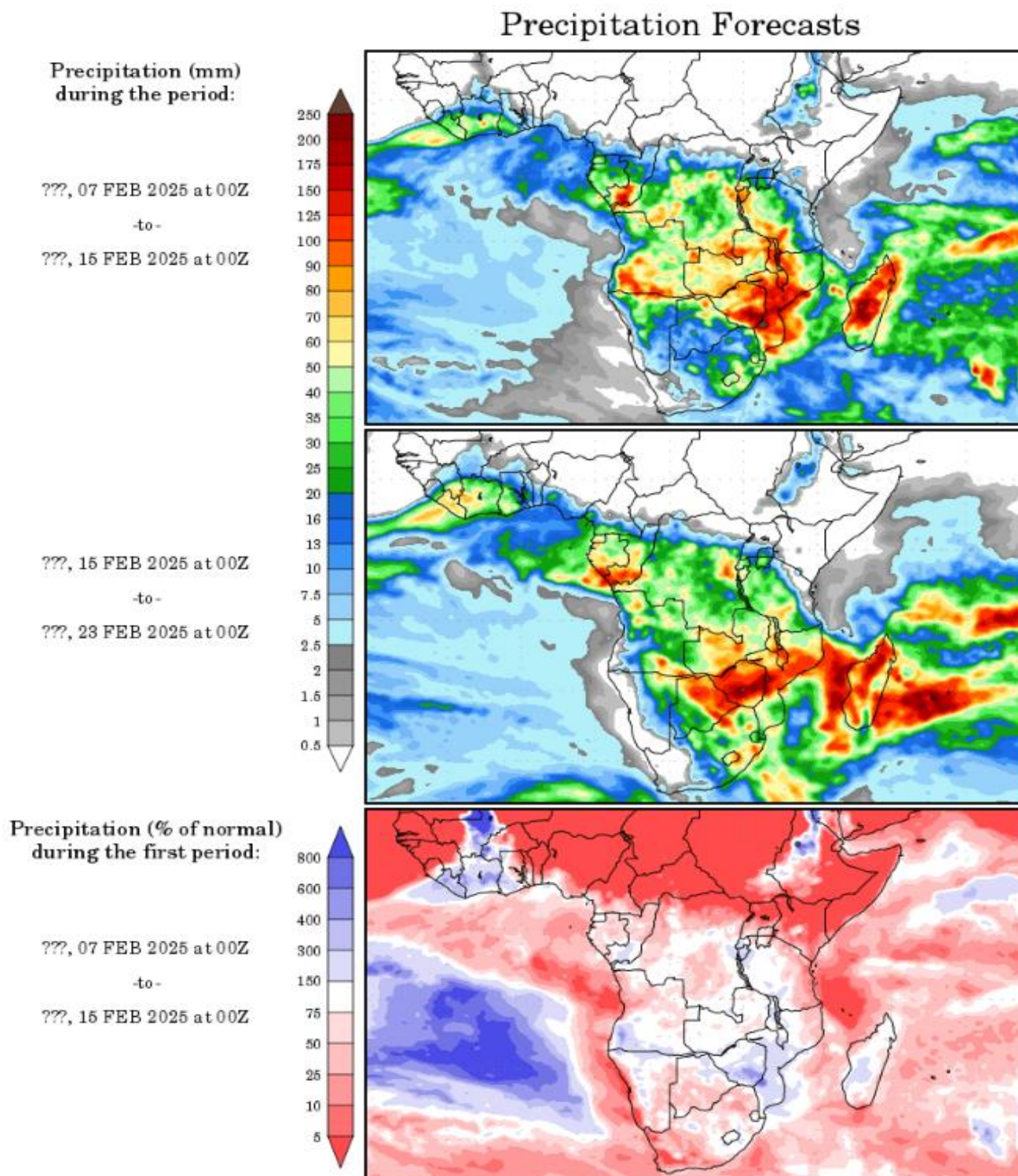
- We start the week with a global focus, and the United States Department of Agriculture (USDA) will release its monthly flagship report, the **World Agricultural Supply and Demand Estimates Reports (WASDE)** report, on Tuesday. This report helps provide a view of global agricultural production conditions for the 2024-25 season and the trading conditions. Moreover, the USDA will release its weekly **US Grains and Oilseed Export Sales** data on Thursday.
- On the domestic front, on Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data. In the case of maize, we will receive a data release for the 41st week of the 2024-25 marketing year. In the previous release on January 31, South Africa's weekly maize producer deliveries were about 35 464 tonnes. This puts the 2024-25 maize producer deliveries at 10,86 million tonnes out of the final harvest of 12,70 million tonnes.
- The 2024-25 soybean deliveries in the first 49 weeks of this new marketing year amounted to 1,80 million tonnes out of the final harvest of 1,84 million tonnes. At the same time, the sunflower seed deliveries amounted to 631k tonnes out of the harvest of 636k tonnes.
- Moreover, the wheat producer deliveries for the first 18 weeks of the 2024-25 marketing year stand at 1,73 million tonnes. The anticipated harvest for the season is 1,92 million tonnes, down from the 2,05 million tonnes of the past season because of the reduced area planted and the poor yields in some parts of the Free State and Limpopo regions.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 41st week of the 2024-25 marketing year. In the previous release on January 31, the 40th week of the 2024-25 marketing year, South Africa exported 42 615 tonnes of maize. Of this volume, 59% was exported to Zimbabwe, 15% to Botswana, 13% to Namibia, and the balance was distributed to the neighbouring African countries. This puts South Africa's total maize exports in the 2024-25 marketing year at 1,80 million tonnes out of the expected 1,90 million tonnes (down from 3,44 million tonnes in the 2023-24 marketing year because of the mid-summer drought).
- 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 and tight domestic supplies. We have recently seen the imports of yellow maize from Argentina and Brazil through the Port of Cape Town and a consignment of white maize from the United States. South Africa's 2024-25 maize imports currently stand at 515 482 tonnes.
- South Africa is a net wheat importer, and January 31 was the 18th week in the new 2024-25 marketing year. The imports so far amounted to 527 439 tonnes. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season.



## South Africa's Precipitation forecast

- The weather forecast for this week shows prospects of moderate rains across the summer crop-growing areas of South Africa. This will help improve the crop-growing conditions and the grazing veld.

**Exhibit 2: South Africa's precipitation forecast**



Source: George Mason University (wxmaps)