

June 10 2024

Achieving inclusive growth in South Africa's agriculture under the Government of National Unity

- The South African agriculture sector is not immune to politics. Agriculture is a vital sector of the economy. This explains why it earned special attention in the National Development Plan (NDP), with an entire chapter, Chapter Six, dedicated to it. Recently, there have also been pragmatic plans such as the Agriculture and Agro-processing Master Plan (AAMP) that set out practical steps to realize a vision to grow the sector and bolster its global competitiveness while achieving inclusion and transformation.
- The sector must not be a casualty of politics. It is a force for good in growing the South African economy and advancing the country's place on the global map. As various political parties deliberate on the future Government of National Unity, they must keep the agricultural sector uppermost in their mind. This is a sector that should offer an avenue of convergence across the political spectrum: it is crucial for rural development, food security, and employment creation.
- What should priority areas be in achieving a consensus across the different political persuasions? Some of the critical areas that deserve emphasis include protecting property rights. Moreover, the government should continue to release the state's over two million hectares of land acquired over the past few decades to appropriately selected beneficiaries. Title deeds should be a priority as they lend these beneficiaries much-needed dignity and a source of financing. Still, releasing the government's land should not be the end-all for the land reform programme. Land reform should continue through all its existing levers: redistribution, restitution, and land tenure.
- To successfully achieve transformative outcomes in agriculture, state capacity should be reinforced. The various directorates in the government that run programmes associated with land reform must be bolstered, and corruption must be dealt with decisively so that the resources for land reform reach the intended beneficiaries.
- Another important programme for driving change in the sector is Blended Finance. DALRRD has been driving this programme in collaboration with the Land Bank and other financial institutions. It must be expanded to reach more beneficiaries, primarily to expand black commercial farmers. As a country, we must do all we can to move beyond [A Country of Two Agricultures](#). We must introduce more efficiencies in programmes aimed at supporting new-entrant black farmers, unleash the transformative possibilities of the land reform programme, provide financial assistance, and give new-entrant farmers greater technical support while enabling them to connect to markets and root out corruption in government programmes. This process should happen concurrently with a vigorous effort to support the existing commercial farmers who are the backbone of the country's food security and job creation.

- More directly, the priority should be on (1) addressing animal health issues, (2) dealing with the complexities and excessive costs that assignees add to businesses under the Agricultural Products Standard Act; (3) modernization of Act 36 that regulates the registration of agrochemicals, seeds and other agricultural products; (4) continue to expand market access for agricultural products in various export markets; and (5) deal with rural crime incidences.
- Beyond agriculture-specific matters, structural reforms of the network industries are vital in supporting the growth of the agricultural sector. Here, the Government of National Unity should support the work of Operation Vulindlela, which the Presidency and National Treasury are currently leading. The urgent reforms that would benefit the agricultural sector include (1) improvements in the water infrastructure and policy, (2) a need to improve the efficiency of logistics, particularly the ports, rail, and road conditions, (3) the energy reform at Eskom should continue, and (4) the digital communication work is vital for rural development.
- In essence, what is required to boost agriculture in the country is well articulated in various government plans. What is necessary at the moment is the dedication and relentless focus on implementing the existing government plans to drive inclusive growth in agriculture and job creation. As they form the Government of National Unity, the political parties should not make this sector a casualty of populist politics. Instead, they should see it as a source of economic growth and job creation in rural South Africa. The DALRRD has all the necessary programmes to achieve this goal, but a focus is required on the implementation and professionalization of civil servants, particularly at provincial and municipal levels.

WEEKLY HIGHLIGHT

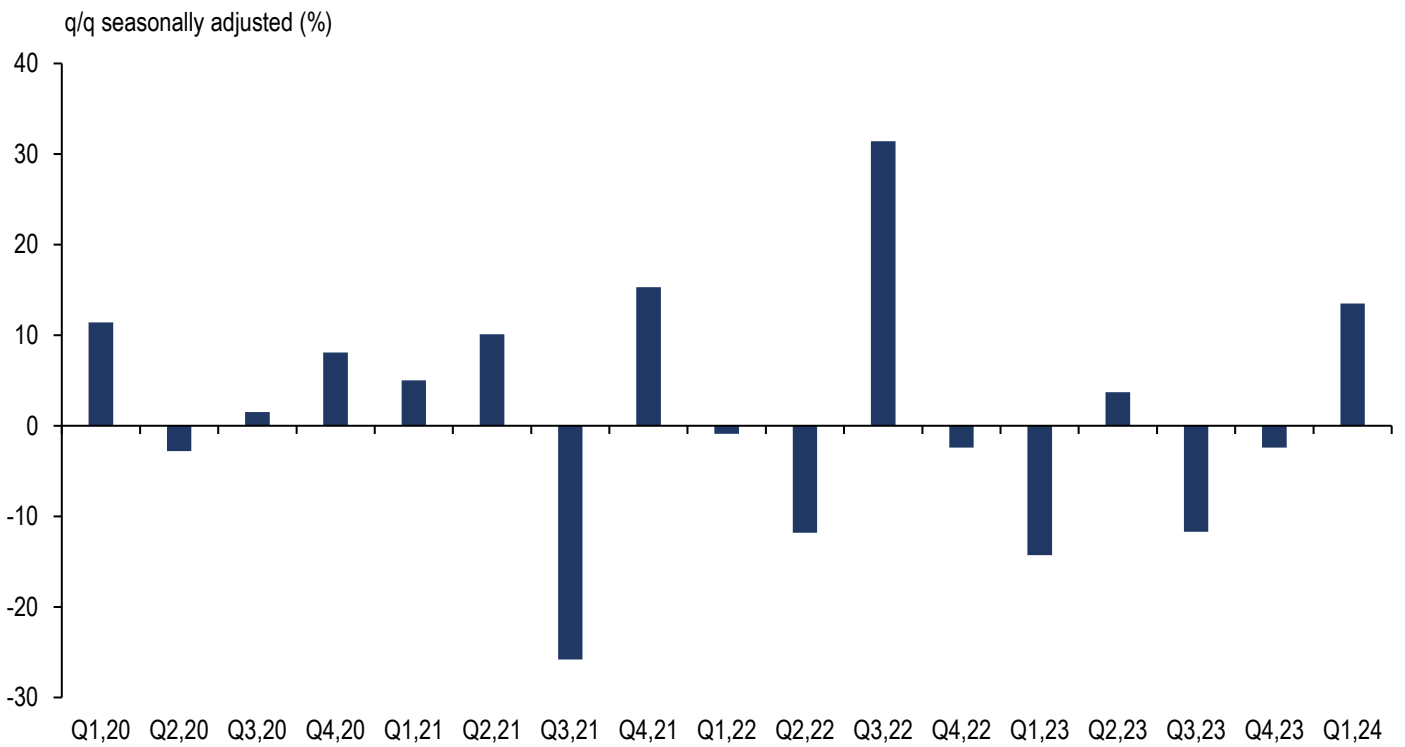
South Africa's agricultural fortunes improved in Q1, 2024

- After publishing a sharp contraction of -12,2% year-on-year in 2023 of the agricultural gross value-added performance, Statistics South Africa revised the figures to a mild contraction of -4,8% year-on-year. This revised figure is roughly in line with the expectations of various researchers, most notably the Bureau for Food and Agricultural Policy (BFAP).
- Importantly, South Africa's agricultural gross value added grew by 13,5% quarter-on-quarter (seasonally adjusted) in the first quarter of 2024. This improvement is based on the robust production conditions of various horticulture products, the livestock and poultry industry recovery after a few challenging months of animal diseases that weighed on production, and the base effects. Admittedly, the production conditions in some livestock and poultry businesses may not be fully back to their normal levels, but the general subsector performance is on a recovery path.
- The mid-summer drought, which has led to a 21% year-on-year decline in South Africa's summer grains and oilseed production to an expected harvest of 15,9 million tonnes in the 2023/24 season, will likely reflect on the second and third quarter figures of the sector performance.
- The horticultural industry was not severely affected by the mid-summer drought because the production was all under irrigation. Also, the dam levels across South Africa had benefitted from heavy

rains at the end of 2023 and into the start of 2024 before we experienced a mid-summer drought. These better dam levels, mild load-shedding, and better energy supply from various sources all catalyzed excellent production in the horticulture subsector.

- Overall, the first quarter recovery of the South African farming economy is a welcome development and aligned with our general observations in various travels across the country. Still, we worry that the poor harvest of summer grains and oilseed may suppress the figures for the next two quarters.

Exhibit I: South Africa's agricultural gross value added



Source: Stats SA and Agbiz Research

WEEK AHEAD

What we are watching this week

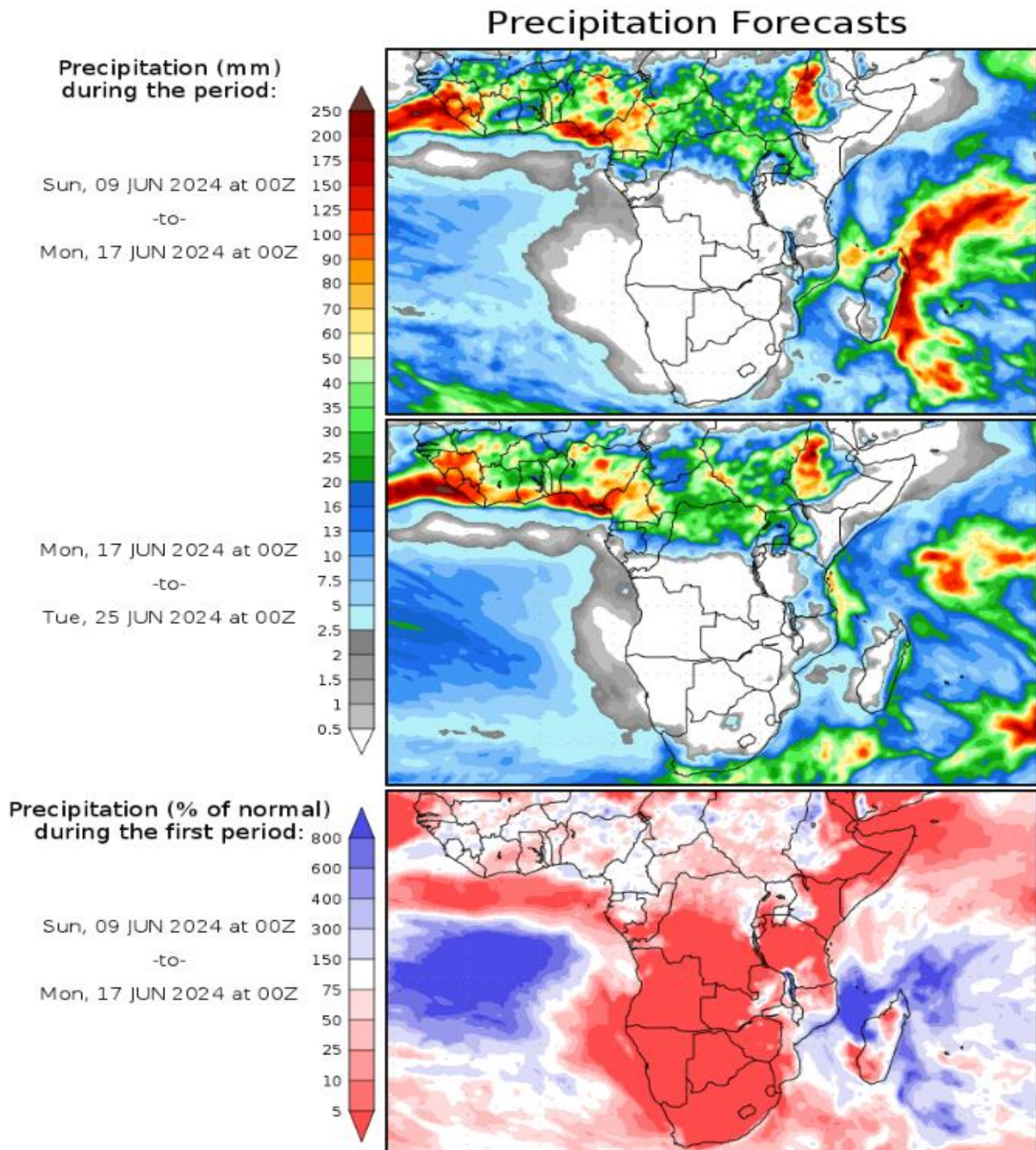
- As always, we start the week with a global focus, and today, the United States Department of Agriculture (USDA) releases its **weekly US Crop Progress** report. This report provides insight into the US planting progress and crop conditions for the 2024/25 season. The planting activity has been slightly lagging behind last year's pace because of unfavourable weather conditions in some regions at the start of the season. For example, on June 2, US maize plantings were at 91% of the intended area (slightly behind last season's pace of 95% in the same week). Moreover, 74% of the crop had emerged, compared with 81% in the same week in 2023.

- On the same day, soybean plantings were 78% of the intended area (behind last year's pace of 89%). About 55% of the soybean crop had emerged, compared with 69% on June 2, 2023.
- Moreover, the USDA releases its monthly flagship report, the **World's Agricultural Production Report**, on Wednesday. This report provides insights into crop conditions and harvest expectations on various grains and oilseeds worldwide.
- The USDA will also release its **weekly US Grains and Oilseed Export Sales** data on Thursday.
- 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 sixth week of the new marketing year, 2024/25. In the previous release on May 31, South Africa's 2023/24 maize producer deliveries were about 862 552 tonnes of maize to the commercial silos. This placed the overall deliveries at 4,1 million tonnes out of the expected harvest of 13,3 million tonnes. So far, the quality of this harvest is mainly good.
- The 2024/25 soybean deliveries in the first 14 weeks of this new marketing year amounted to 1,6 million tonnes out of the expected harvest of 1,7 million tonnes. At the same time, the sunflower seed deliveries amounted to 440 647 tonnes out of the expected harvest of 649 250 tonnes.
- In the case of wheat, last week, 1 386 tonnes of wheat were delivered to commercial silos. This placed the 2023/24 wheat producer deliveries at 1,9 million tonnes out of the harvest of 2,1 million tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the sixth week of the 2024/25 marketing year. In the previous release on May 31, the fifth week of the 2024/25 marketing year, South Africa exported 37 740 tonnes of maize. Of this volume, 51% 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 176 559 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 49 644 tonnes.
- South Africa is a net wheat importer, and May 31 was the 35th 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

- After widespread rains in the coastal regions of South Africa this past week, the weather forecast for the next seven days shows clearer skies across the country. This is a much-needed breather for winter crop-growing regions to continue with fieldwork. Equally, the summer crop-growing regions will smoothly continue with the harvest process.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)