

Communication is a crucial part of policymaking

South Africa's agricultural sector is currently in the process of finalising the sector Master Plan. The final consultations with constituencies of various social partners, comprising industry, government, labour and civil society, will soon begin, after which the Master Plan will be signed off. This document will serve as a guide for inclusive growth in the sector.

An essential pillar of the Master Plan should be an effective communication strategy and a transparent monitoring and evaluation framework. This is important for ensuring that there is a shared understanding of its ultimate objectives and that the achievement of these is monitored on an ongoing basis. While the Master Plan has a wide range of fundamental policy issues, I'd like to focus more on the significance of a communication strategy for this week's Viewpoint.

Every partner to the Master Plan should take responsibility for communicating with farmers and industry groups. Government has a more significant commitment to share information and create awareness, especially in former homelands areas (communal land areas), where organised agriculture and formal farmers forums are not a dominant feature. In these areas, farming is predominantly at a small scale, and these farmers are often on the margins of policy processes. They do not have influential organisations to represent their voice. Most of these farmers are found in the Eastern Cape, KwaZulu-Natal and Limpopo. These are likely to be future pivots of growth for the sector, precisely because they possess land in abundance that is underutilised and holds promise as the country's food basket.

An effective communication strategy that reaches out to these underserved areas could create the needed confidence and encourage production. It is also crucial that farming communities in the former homelands are fully aware of the government's future plans. For this purpose, the government can tap into various platforms such as radio, imbizo – with Covid-19 regulations observed, and flyers in local languages, amongst other media.

The Master Plan communication strategy should aim at bridging the information gap between government and farming communities. We are aware of the human resource constraints within the government to achieve such a feat. Thus, this communication strategy would need to be calibrated across different provinces, with priority given to those areas that have a high potential for expansion. It is of little help to plan in Pretoria while stakeholders on the ground are not well apprised of their area's developments. Such lack of clear communication risks creating a scenario where local farmers and stakeholders would view the growth interventions of the Master Plan as something that is imposed on them rather than a collaborative effort to help their areas to develop.

In areas with formally organised agriculture groups, the provincial government might also need to amplify Pretoria's message and ensure that farming communities understand the government's policy goals and how these will be carried out. The support of the government's efforts by various constituencies hinges on clarity in articulating policy goals. It is difficult for farmers and industry groups to support something they don't understand.

The lack of communication is, in part, what usually leads to resistance and pessimism about government's programmes in various sections of the country. It is also worth noting that the

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organised structures do not represent all farmers or agribusinesses that government interacts with in Pretoria. For such categories of farmers or agribusinesses, it is the government's responsibility to communicate its policies clearly and seek buy-in for public-private-partnership (PPP) approaches to development. PPPs' vehicle is the main delivery instrument for supporting the growth and inclusion of previously marginalised farmers in the agriculture sector. This is an opportunity for the government to share the Master Plan effectively and convince the farming community that this is a plan for all farmers and stakeholders in the sector, not for a particular grouping.

Importantly, policymakers and senior government officials should also remember that effective communication is not "a nice to do" but an integral part of policymaking. Therefore, the Master Plan at its final stages will have to be communicated widely to make sure that all those involved in agriculture understand the sector's focus for the near-to-medium term. Only when there is such a common understanding and vision between government and social partners will the sector progress in implementing its policies effectively and delivering on the objective of sustainable and inclusive growth.

Weekly highlights

Global grain and oilseeds market still well supplied

The global grains market is well supplied in the 2020/21 season, albeit commodities prices have risen substantially in the recent past. The primary driver of grain and oilseeds prices has primarily been the rising demand in China and unfavourable weather conditions at various stages of the production season in Europe and parts of South America, which on aggregate caused minimal damage to the global harvest. This message came out sharply at the end of last week when the United States Department of Agriculture (USDA) released an update of its World Agricultural Supply and Demand Estimates report for April 2021.

As a summary, the latest USDA estimates placed the 2020/21 global wheat production at 776 million tonnes, marginally down from the previous month but still up by 2% of the prior season. Nevertheless, the ending stocks were down by 1% year-on-year (y/y), estimated at 295 million tonnes. The decline in inventory is, in part, due to the rise in consumption and will most likely provide upward pressure on global wheat prices in the near term. In maize, 2020/21 global production is 1,14 billion tonnes, which is marginally up from March 2021, and 2% higher than the previous season. Like wheat, the maize ending stocks are down 6% y/y, as the annual maize usage in countries such as China increased substantially this season. Such a decline in stocks provides conditions for global maize prices to remain elevated, at least in the near term.

Moreover, the USDA forecasts the 2020/21 global soybean production at 363 million tonnes, up slightly from March 2021 estimates and 7% higher than the previous season. The expected large crop in Brazil and the US is behind the global crop increase. Nevertheless, the 2020/21 global soybeans stocks could fall by 10% y/y, primarily on the back of an increase in China's consumption. In rice, the 2020/21 production could amount to 504 million tonnes, roughly unchanged from the previous month and up by 1% of the prior season. Meanwhile, the stocks are at the same levels as in the 2019/20 season, estimated at 178 million tonnes.

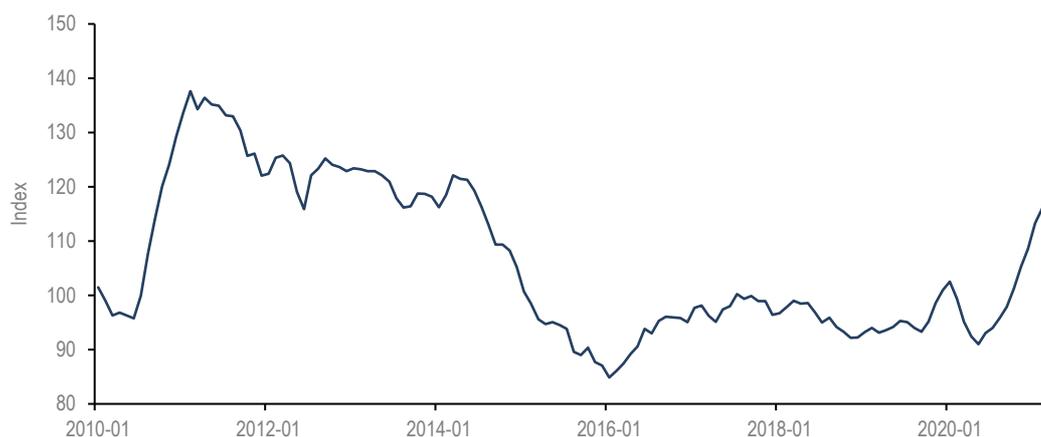
In sum, the global grains and oilseeds supply is still in reasonably good shape, but the commodity prices could remain elevated because of growing demand, particularly from China. These global grain and oilseeds production dynamics have an indirect (and direct) impact on South Africa. The country is both an importer of some products such as wheat, soybean oilcake and rice, and maize exporter. The transmission to the domestic market is mainly through commodity prices, especially for wheat and soybeans. For maize, South Africa

is a net exporter and is currently expecting its second-largest harvest on record, which means prices will most likely be influenced mainly by domestic matters rather than international ones.

Global food prices remain elevated

Last week the Food and Agriculture Organization of the United Nations reminded us that global food prices remained elevated in March 2021. The FAO Global Food Price Index reached 119 points in March 2021, which is the highest level since June 2014, and illustrates higher global agricultural commodity prices. This increase was primarily driven by more elevated vegetable oils, meat and dairy subindices, while grains and sugar subsided somewhat. In vegetable oils, the higher prices of palm, soybean, canola, and sunflower were the underpinning drivers of the increase in this particular subindex due to both an increase in demand and supply constraints in key producing countries. The expected lower palm oil production in Malaysia and Indonesia, coupled with dryness reports in parts of Argentina, is the major contributor to the more inadequate global palm and sunflower oil supplies. Meanwhile, the increase in meat and dairy products prices were supported by the rising import demand, mainly from China. As indicated in our previous notes, South Africa is exposed to these shocks through palm oil, sunflower oil and soybean oilcake imports. Hence the global commodity price developments mirror what we have observed in the domestic market over the past couple of months and will most likely appear in the consumer food price inflation category of oils and fats in the coming months.

Exhibit 1: FAO's Global Food Price Index



Source: The Food and Agriculture Organization of the United Nations and Agbiz Research

SA's agricultural machinery sales remained on a solid footing in March 2021

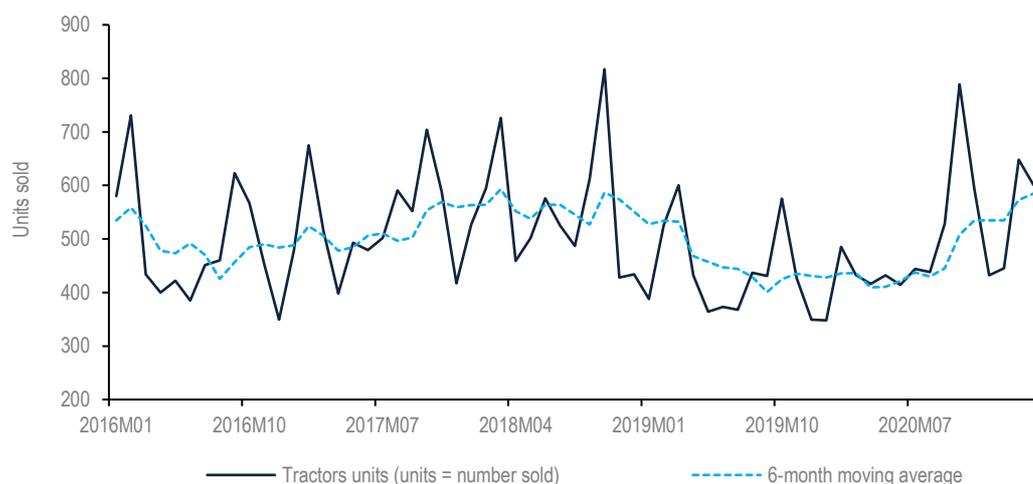
The growth in South Africa's agricultural fortunes has benefited the allied industries. This is true in the agricultural machinery sales, which have been on a positive footing for a while. The sale has been supported by improved farmers' finances on the back of the large harvest in 2019/20 and prospects for yet another good agricultural season in 2020/21. The figures released by the South African Agricultural Machinery Association last week show that tractors and combine harvesters' sales were up by 30% y/y and 4% y/y in March 2021, with 601 and 27 units sold respectively.

To recap on the year's agricultural prospects, the South African Crop Estimates Committee forecasts 2020/21 summer grain and oilseeds production at 18,7 million tonnes, up 6% y/y. The upward adjustments were on maize, soybeans, sorghum and groundnuts, whereas sunflower seed and dry bean production are lower than the 2019/20 production season. Viewed from these data, South Africa is looking at its second-largest harvest on record. If

weather conditions remain reasonably dry in the next few months, the crop quality could also be good, which will potentially bode well for farmers' incomes.

Nevertheless, we are not as optimistic about the agricultural machinery sales outlook in the coming months. The expected large harvest in the 2020/21 production season might not lead to sustained sales and another year of higher agricultural machinery sales. Typically, a relatively good sales year, such as 2020, is likely to be followed by a somewhat lower sales period. The replacement rate of machinery with new ones would usually be down from the previous years. Moreover, there will likely be pressure from weak exogenous macroeconomic fundamentals such as the weaker domestic currency, which will likely lead to higher prices for imported agricultural machinery and discourage sales.

Exhibit 2: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

Data releases this week

The agricultural data calendar for this week is relatively light. On Wednesday, the South African Grain Information Service (SAGIS) will release the **weekly grain producer deliveries data** for 09 April 2021. This data cover summer and winter crops, although the focus will shift to mainly summer crops in the coming weeks as the harvest process gains momentum. For now, however, we still monitor developments in all grains. In 02 April, 2 157 tonnes of winter wheat were delivered by farmers to commercial silos. This placed the 2020/21 wheat producer deliveries at 2,00 million tonnes, which equates to 95% of the expected harvest of 2,11 million tonnes. In terms of summer crops, the harvesting process is still at the preliminary stages.

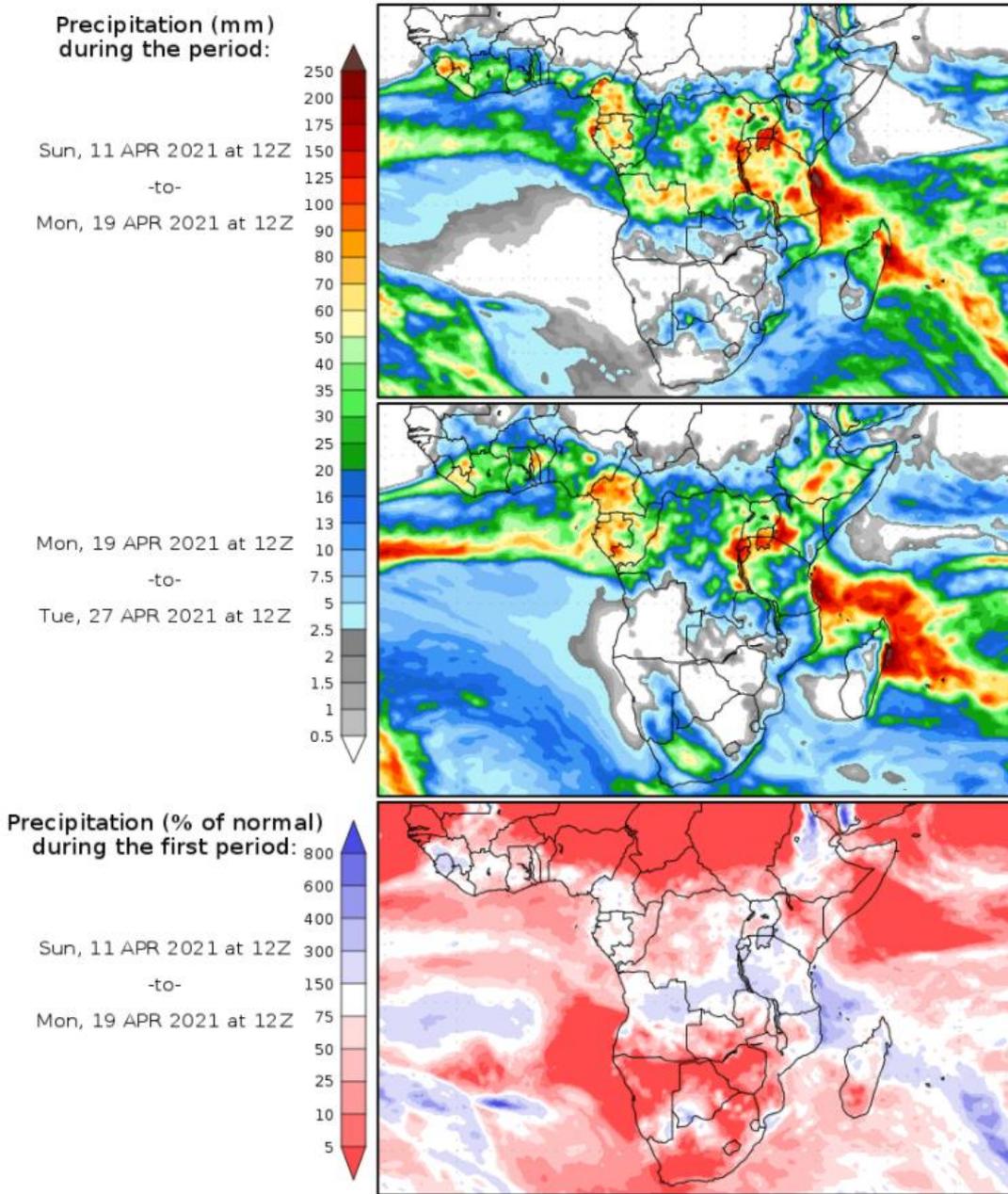
Nevertheless, we already see momentum in 2021/22 soybean and sunflower seed producer deliveries from the early planted areas. On 02 April, about 27 594 tonnes of soybeans were delivered to commercial silos. This placed the soybean producer deliveries for the first five weeks of the 2021/22 marketing year at 139 717 tonnes out of the expected harvest of 1,73 million tonnes. Similarly, 32 155 tonnes of sunflower seed have already been delivered in the 2021/22 season, out of the anticipated crop of 696 290 tonnes.

On Thursday, SAGIS will release the **weekly grain trade data** for the week of 09 April 2021. In the previous week of 02 April, South Africa's 2020/21 total maize exports were at 2,36 million tonnes, which equates to 88% of the seasonal export forecast of 2,69 million tonnes. In terms of wheat, South Africa is a net importer. On 02 April, imports amounted to 737 197 tonnes, which equates to 47% of the seasonal import forecast of 1,58 million tonnes.

Globally, the USDA will release the **US Crop Progress report** today. On Thursday, the notable data release will be the **US weekly export sales data**. Here, we will continue to monitor China's buying activity of US maize and soybeans.

Exhibit 3: South Africa's precipitation forecast

Precipitation Forecasts



The weather forecast for the week shows clear skies in most regions of South Africa, with prospects of light showers over the eastern regions.

The drier weather conditions are conducive to the harvesting and maturing process of crops, while rains could cause harvesting delays. There will most likely not be damage on crops as the current forecast point to very light showers.

The week thereafter shows prospects of heavy showers in the southwestern parts of the country, which is ideal ahead of the winter crop planting seasons.

Source: George Mason University (wxmaps)