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South Africa's agricultural trade approach

- Amid escalating trade tensions worldwide, the appropriate posture for South Africa's agriculture on trade is not to prefer one country over another, but to seek ways to multiply friendships and trade relations. China's recent public statements about its interest in deepening agricultural trade with South Africa should not be seen as an avenue to replace the US exports or other existing trading partners. Instead, this offers an opportunity to continue with export diversification.

- According to Trade Map data, China is amongst the world's leading agricultural importers, accounting for 9% of global agricultural imports in 2024 (before 2024, China was a leading importer for many years). The US was the world's leading agricultural importer in the same year, accounting for 10% of global imports. Germany accounted for 7%, followed by the UK (4%), the Netherlands (4%), France (4%), Italy (3%), Japan (3%), Belgium (3%) and Canada (2%). In such an environment, South Africa's agricultural trade interests cannot be with one country, but should spread across all major agricultural importers.

- This is a policy approach South Africa has practised since the dawn of democracy, and the current export activity illustrates it. For example, in 2024, South Africa exported a record US$13,7 billion of agricultural exports, up 3% from the previous year. These exports were spread across the diverse regions. The African continent maintained the lion's share of South Africa's agricultural exports, accounting for 44% of the total value. As a collective, Asia and the Middle East were the second-largest agricultural markets, accounting for 21% of the share of overall farm exports. The EU was South Africa's third-largest agricultural market, with a share of 19%. The Americas region accounted for 6% of South Africa's agricultural exports 2024. The rest of the world, including the United Kingdom, accounted for 10% of the exports.

- The export products slightly differed across the regions. Exports to the African continent primarily consist of grains, sugar, apples and pears, fruit juices, wine, soybean oil, sunflower oil, oilcake, and rice, amongst other products. The Asian and Middle-Eastern regions have similar products, with the addition of beef, mutton, and wool. Meanwhile, exports to the EU and UK are mainly citrus, grapes, wines, dates, avocados, pineapples, fruit juices, apples and pears, berries, apricots and cherries, nuts, and wool. This again confirms that products perform differently across markets, further supporting a view of maintaining wide access to a range of export regions.

- China remains an attractive area for South Africa, but signalling the willingness to absorb more South African agricultural products is only the first step. The following steps should be a realistic reduction of the import tariffs and removing the phytosanitary barriers that certain agricultural products continue to encounter in the Chinese market. Indeed, the work must be led by South Africa's Department of Trade, Industry, and Competition, Department of Agriculture, and at some points also the Department of International Relations and Cooperation. However, China must also demonstrate an effort to

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collaborate beyond the statements. While China is the second largest agricultural market, South Africa remains a small share in the Chinese list of agricultural suppliers, at about 0,4%. However, this current access in China -- in the same view as citrus, wine grapes, nuts, and wines in the US market -- is vital for the wool and red meat industry. China accounts for roughly 70% of South Africa's wool exports. There is a progressive increase in red meat exports, even though animal diseases currently cause glitches. Focus should be on expanding this access by lowering duties and other non-tariff barriers.

- In essence, South Africa's agriculture should continue to insist on strengthening relations with all existing trading partners and expand into new markets. All this effort should be in a spirit of building and multiplying friendships rather than replacing other countries.

WEEKLY HIGHLIGHT

South Africa's agricultural machinery sales were robust in April

- We continue to see encouraging agricultural machinery sales in South Africa. For example, tractor sales increased for the fourth consecutive month, up 5% year-on-year in April 2025, with 527 units sold. The combine harvesters' sales were even more encouraging, up 77% year-on-year in April, with 46 units sold.

- As we stated in the previous notes, the substantial increase in sales primarily reflects the positive sentiment in the sector about the 2024-25 crop and horticulture harvest due to favourable weather conditions and the base effects, given the weak sales in 2024. Indeed, the heavy rains in April have caused concerns about the crop quality. Still, there remains optimism about the yields, which supports the robust sales. For example, the Crop Estimates Committee forecasts South Africa's 2024-25 summer grain and oilseeds production at 18.01 million tonnes, 16% higher than the 2023-24 production season, representing a decent recovery from drought.

- If we reflect briefly on the past few years' performance, it is fair to say that the poor agricultural machinery sales performance in 2024 resulted from three major factors. First, South Africa's agricultural sector had higher machinery sales between 2020 and 2023. Improved farmers' incomes supported higher sales due to an ample harvest and higher commodity prices. Thus, there was bound to be some correction, leading to a moderation in sales in 2024.

- Second, we struggled with a mid-summer drought in the 2023-24 season, weighing on farmers' fortunes and worsening sales performance. Lastly, the relatively higher interest rates for much of 2024 added to the economic pressures on the sector, leading to poor sales.

- This year, however, things are different, as the sales for the first quarter have already shown. The interest rates have eased somewhat from last year's levels, although there remains uncertainty about the path ahead given the renewed risks to the global economy. Also, agricultural production conditions are favourable across most commodities. Also worth noting is that some farmers may start with machinery replacement in the coming months. All this will support the sales of tractors and combine harvesters.

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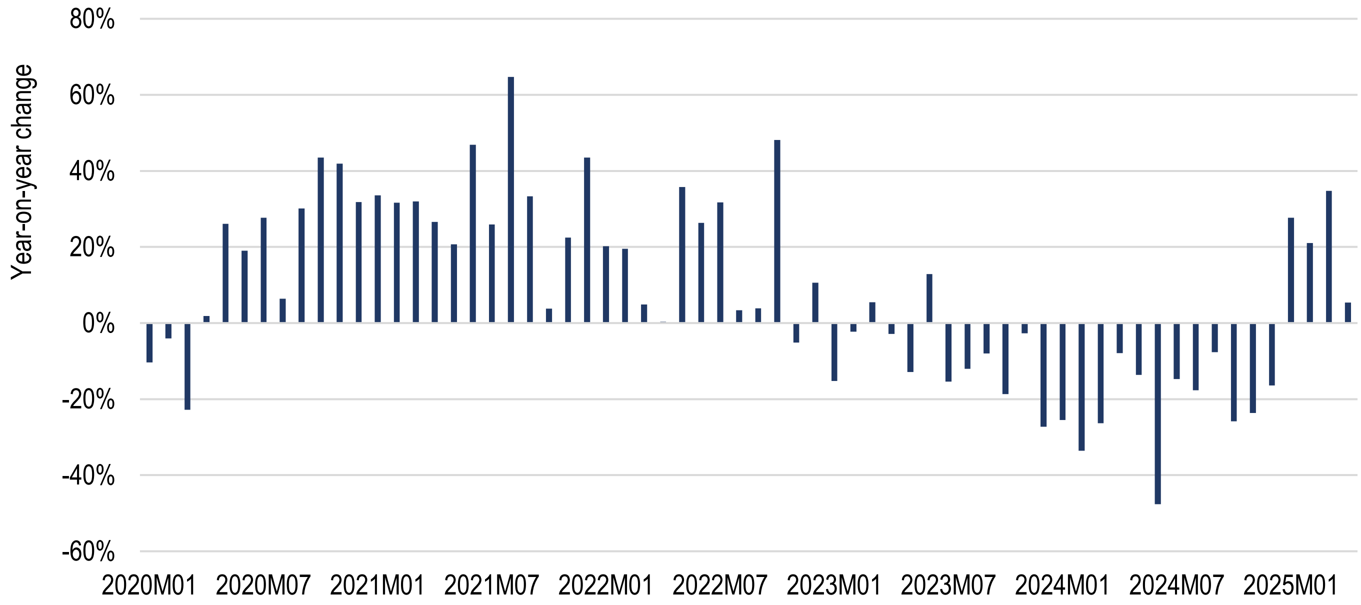
Exhibit 1: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

WEEK AHEAD

What are we watching this week?

- This is a busy week on the global front. The United States Department of Agriculture (USDA) will release its weekly **US Crop Progress** report today. Also, the USDA will release its monthly flagship report today, the **World Agricultural Supply and Demand Estimates Report (WASDE)**. This report provides insights into global grain and oilseeds production prospects and trade activity globally.

- Moreover, the USDA will release its weekly **US Grains and Oilseed Export Sales** data on Thursday.

- On the domestic front, Statistics South Africa will release the **Quarterly Labour Force Survey (QLFS)** data for the first quarter of 2025 on Tuesday. Our focus on this data will be on agriculture. Looking back to the end of 2024, South Africa's primary agriculture employment fell by 1% from the third quarter to 924k jobs. The field crops, game and hunting, and forestry are the subsectors that registered notable losses. We will now see the employment conditions for the first quarter of this year.

- On Wednesday, we will receive the **weekly South Africa's Grains and Oilseeds Producer Deliveries** data from SAGIS. In the previous release on May 2, the South African farmers delivered 66 633 tonnes of the new season maize to the commercial silos. This was the first delivery for the new season. If you compare this with the overall volume delivered in the first week of the previous season, the volumes are down 79% because of the season's slow start. We are roughly a month behind the typical season. South Africa's 2024-25 maize harvest is estimated at 14.66 million tonnes, up 14% year-on-year, primarily benefiting from expected annual yield improvements.

- The 2025-26 marketing year for oilseeds started at the beginning of March 2025. In the first nine weeks, the soybean producer deliveries totalled 532,613 tonnes out of the expected harvest of 2,4 million tonnes. In the case of sunflower seed, the first nine weeks of the new 2025-26 marketing year's producer deliveries were 209,288 tonnes out of the expected 770,500 tonnes.

- Moreover, the wheat producer deliveries for the first 31 weeks of the 2024-25 marketing year stand at 1,84 million tonnes. The final harvest is 1,92 million tonnes, down from the 2,05 million tonnes in the 2023-25 season.

- Also on Wednesday, Stats SA will release the **Consumer Price Index (CPI)** data for April 2025. Our focus on this data will be on the food category. If we reflect on the previous data, South Africa's consumer food price inflation nudged to 2,2% in March 2025 from 1,9% in the last month. Increases in cereal products, meat, fish, other seafood, fruit, nuts, and vegetables primarily underpinned this mild uptick.

- On Thursdays, SAGIS generally publishes its **weekly South Africa's Grains and Oilseeds Trade** data. In the first week of the 2025-26 marketing year, which started in May, the total maize exports amounted to 14,145 tonnes, out of the seasonal export forecast of 2,0 million tonnes. About 45% of the exports went to Zimbabwe, with the rest spread across the neighbouring countries.

- We will likely see more robust exports activity later in the year when farmers have completed the harvest and there is grain in the silos for exports. Given the recovery in domestic maize production, we don't anticipate imports in the new marketing year; if any, they will be small, mainly for the coastal regions that will be taking advantage of the affordable prices of some supplies.

- South Africa is a net wheat importer, and May 2 was the 31st week in the new 2024-25 marketing year. The imports so far amounted to 1,03 million tonnes. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season. So far, Russia, Lithuania, Poland, Latvia, Australia, Canada and Romania are the wheat suppliers to South Africa.