

SA agriculture's long-term growth must remain the policy priority

- South Africa's agriculture has had to contend with several urgent issues in recent months, including the need to manage the spread of the foot and mouth disease and the uncertainty around U.S. and global trade. The country is making progress with animal disease, with vaccination having started in some regions. Still, the work of reviving South Africa's vaccine manufacturing, collaboratively with the private sector, needs to gain momentum. The Department of Agriculture, through the revival of the Onderstepoort Biological Products, can make a significant impact, but that will not be sufficient. The times have changed, and disease occurrences have become more prevalent, making it even more urgent to broaden risk mitigation. This can be achieved by also assigning private labs to produce the vaccine alongside the revival of the Onderstepoort Biological Products.
- On trade, South Africa's efforts to renegotiate its trade relations with the U.S. have not yielded much success thus far. The expected 30% tariffs that South African products face in the U.S. will likely limit their competitiveness relative to other suppliers. In the case of agriculture, countries like Chile and Peru are likely to gain greater market share if they face lower tariffs than South African goods. The South African government continues to engage with the U.S. to find a resolution. But there will be clarity about the success or failure of the efforts in the coming weeks, as we approach the key date of the inception of tariffs on the 1st of August.
- While South Africa continues to engage with the U.S., the process of export diversification should start with speed to reduce the risk of concentration. After all, the South African agricultural sector expects an increase in production, which means the expansion of the export markets should be part of the growth agenda. As with biosecurity, this work should not necessarily be solely in the government's hands. The private sector could provide key insights and research to support the government's efforts in selecting priority markets for potential diversification. The collaboration with the private sector on trade matters is key, as the private sector is aware of regions where they already have easier means of establishing the logistical networks that are essential for goods trade.
- While the sector grapples with these two major challenges, there remains a need for continuous focus on some fundamental work that is key for the long-term inclusive growth of the sector. In May 2022, the agricultural stakeholders, along with the government and various social partners, committed to the Agriculture and Agro-processing Master Plan (AAMP). This is by no means a perfect plan, but it highlights the key interventions that are necessary for accelerating growth in the sector. This can only be achieved through a clear focus on the various value chains and commodity corridors. While today's environment is far different from when the AAMP was launched, the fundamental challenges of the sector remain the same, and there remains value in continuing with the implementation of the plan.

- Indeed, it may well be that some aspects of the AAMP have already been achieved. Thus, there is a need for a monitoring and reporting system of such goals, which would inspire the stakeholders to progress in other outstanding areas. Notably, the biosecurity matters and the trade diversification aspirations were also part of the AAMP interventions. If the country had started implementing the plan rigorously from the start, perhaps some of today's pressures would not be as severe, and the sector might have been better placed to cushion them.
- Still, the current moment remains relevant for reform in the sector. Moreover, the release of the government-owned land remains ever more important. Disappointingly, the Department of Land Reform and Rural Development has made limited progress on this matter despite this being one of the central aspects of the sector's inclusive growth agenda. In essence, while we confront many present-day challenges, these long-term reforms of the AAMP and land release must continue for the sector to achieve its inclusive growth aspirations.

WEEKLY HIGHLIGHT

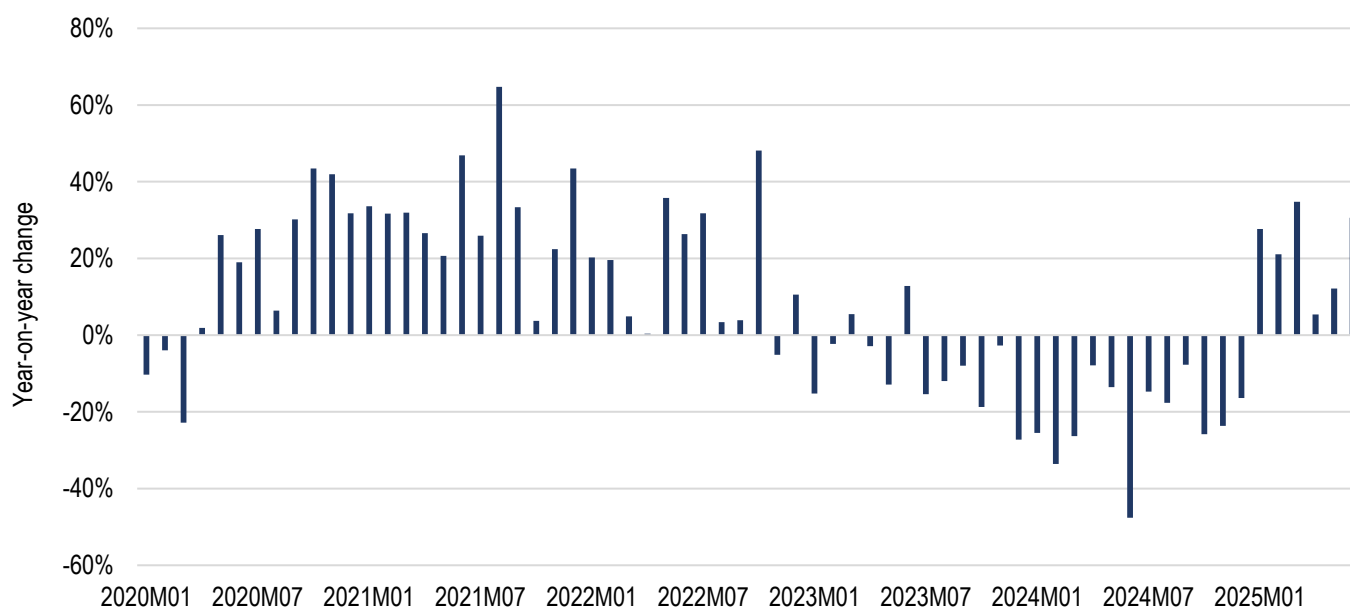
South African tractor sales remained solid in the first half of 2025

- We now have a complete picture of the first half of 2025, and tractor sales were robust throughout, reflecting the better agricultural conditions. The latest sales figures for June continued the positive trend that began at the start of the year. For example, tractor sales increased by 31% year-over-year in June 2025, with 636 units sold.¹
- As with the previous months, the increase in tractor sales primarily reflects the positive sentiment in the sector regarding the 2024-25 field crops and horticulture, driven by favourable weather conditions and base effects following weak sales in 2024. Moreover, the summer crop is recovering robustly, with the Crop Estimates Committee forecasting South Africa's 2024-25 summer grain and oilseeds production at 18.43 million tonnes, 19% higher than the 2023-24 production season, and well above the long-term average production levels.
- If we reflect briefly on the past few years' performance, it is fair to say that the poor agricultural machinery sales performance in 2024 was primarily due to three major factors. First, South Africa's agricultural sector had higher machinery sales between 2020 and 2023. Improved farmers' incomes led to higher sales, driven by an ample harvest and rising 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, which impacted farmers' fortunes and negatively affected sales performance. Lastly, the relatively higher interest rates for much of 2024 added to the economic pressures on the sector, leading to poor sales.

¹ Disappointingly, after solid performance these past few months, the sales of combine harvesters fell by 38% year-over-year in June, with 13 units sold. Still, the past few months sales were robust, which is aligned with the general point of recovery in 2025.

- This year, however, things are different, as evidenced by the sales for the first half of the year. Interest rates have eased somewhat from last year's levels, although uncertainty remains 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.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

WEEK AHEAD

What are we watching this week?

- We begin with a global focus, and today, the United States Department of Agriculture (USDA) will release its weekly U.S. **Crop Progress** report. The American farmers have completed planting, and the crop is in its early growing stages. As of 7 July, approximately 74% of the maize crop was rated good or excellent, which is significantly higher than last year's rating at this time, which was 68%. Moreover, about 66% of the soybean crop was rated good or excellent, slightly below the 68% at the same time last year. The USDA will release its weekly **U.S. Grains and Oilseed Export Sales** data on Thursday.
- On the domestic front, on Wednesday, the South African Grain Information Services (SAGIS) will release its weekly data on South Africa's Grain and Oilseed **Producer Deliveries**. In the previous release on 4 July, South African farmers delivered 1.2 tonnes of the new season maize to commercial silos. This was the tenth delivery for the new season, bringing the overall maize deliveries so far to 7.1 million

tonnes. If you compare this with the overall volume delivered during the same period in the previous season, the volumes are down 14% due to the season's slow start. We are roughly a month behind schedule. South Africa's 2024-25 maize harvest is estimated at 14.8 million tonnes, a 15% increase year-on-year, primarily due to expected annual yield improvements.

- The 2025-26 marketing year for oilseeds started at the beginning of March 2025. In the first 18 weeks, the soybean producer deliveries totalled 2.5 million tonnes, out of the expected harvest of 2.6 million tonnes. In the case of sunflower seeds, the first 18 weeks of the new 2025-26 marketing year's producer deliveries totalled 599,367 tonnes, of the expected harvest of 727,800 tonnes.
- Moreover, the wheat producer deliveries for the first 40 weeks of the 2024-25 marketing year stand at 1.86 million tonnes. The final harvest is 1.93 million tonnes, down from 2.05 million tonnes in the 2023-25 season.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data. In the week of 04 July, South Africa exported 52,985 tonnes of maize. About 78% of these exports went to Vietnam, and the rest to the Southern Africa region. This placed South Africa's 2025-26 maize exports at 331,579 tonnes, out of the expected seasonal exports of 2.0 million tonnes. The current marketing year only ends in April 2026.
- We will likely see more robust export activity later in the year once farmers have completed the harvest and there is grain in the silos for export. Given the recovery in domestic maize production, we don't anticipate imports in the new marketing year; if any are made, they will be small, mainly for the coastal regions that will take advantage of the affordable prices of some supplies.
- South Africa is a net wheat importer, and July 4 was the 40th week in the 2024-25 marketing year. The imports so far amounted to 1.2 million tonnes. The seasonal import forecast is 1.8 million tonnes, down from 1.9 million tonnes in the previous season. So far, Russia, Lithuania, Poland, Latvia, Australia, Canada and Romania are the wheat suppliers to South Africa.