

Continuously building friendships should be SA's agricultural trade approach

- At a time of heightened geoeconomic tensions, it is tempting to argue that countries, industries and businesses must align with particular interests or regions. For businesses and industries, the ideal path should be to remain neutral and continue to broaden business activity with a wider range of countries. This is especially critical for South Africa's agriculture. The sector is export-oriented, with exports reaching a record US\$13,7 billion in 2024, up 3% year-on-year. The export markets and products are varied, with the African continent absorbing nearly half, while the EU, Middle and Asia, and the UK are also sizable markets. South Africa should not rest on this success, but should maintain deepen trade relations in regions where capacity remains.
- The EU-South Africa agricultural trade has had a few frictions, mainly related to citrus. There is growing sentiment amongst the EU farmers that the region must manage its imports and protect the domestic producers. We don't believe the EU policymakers would respond to farmers' needs through tariffs or stronger policies discouraging imports. Still, there remains a chance that we could see occasional non-tariff barriers raised in sensitive products. Critically, the EU market may not offer a lot of growth opportunities for South Africa in our view. Still, maintaining openness and friendship with the EU is vital and key to keeping the current access to agricultural exports that South Africa currently enjoys in this region.
- The Middle East promises more potential for expansion, as it is not as saturated as what we observe in the EU, and there are no domestic competing farmer interests in this region. While a significant share of South Africa's agricultural products are already exported to the Middle East, the presence of South African agriculture in this region is arguably still peripheral. For example, according to Trade Map data, Saudi Arabia imports roughly US\$25 billion of agricultural products a year. South Africa is one of the most minor exporters, accounting for a mere 1% of the Saudi Arabian imports, and ranks 31st in the agricultural imports list.
- Moreover, the UAE is a large agricultural market that imports roughly US\$22 billion of agricultural products annually. South Africa has a 2% share and is the 16th largest supplier. Qatar imports about US\$4 billion of agricultural products a year. But here, South Africa also plays a minor role, ranking 10th in the list of suppliers to Qatar and having a 2% market share in Qatar's agricultural imports.
- The countries that occupied a larger market share in these Middle Eastern countries were India, Brazil, Australia, the United States, Canada, New Zealand, United Kingdom, Denmark, Netherlands, Italy, Spain, Argentina, Russia, France, and Turkey. Regarding the products, the Middle East primarily imports various meat products, grains, oilseeds, and fruits, amongst other products.

- Given this peripheral participation and the possibility of increasing South Africa's agricultural production in the coming years, there remains room for greater participation in the Middle-East market. There is a need for targeted promotion and marketing of products, along with government support, to nudge the Middle Eastern countries to address any remaining phytosanitary barriers and tariffs for South African products in these countries.
- Equally, South Africa must work to retain the current access for agricultural products and other products in the US market through the African Growth and Opportunity Act (AGOA). However, a framework for a post-AGOA path must focus on a free trade agreement.
- The African continent, which remains an anchor of South Africa's agricultural exports, also requires continuous engagements to strengthen relations. This is ideal to avoid the friction we observed with the vegetable export ban in Botswana (now resolved and reopened) and Namibia (restrictions have not been lifted).
- Overall, South Africa should take a long-term vision and appreciate that industry growth relies on relationships with varied countries. The government should lead these efforts collaboratively with businesses to open the export markets continuously. The growth, inclusiveness, and job creation all hinge on the sector's ability to open as many export markets as possible.

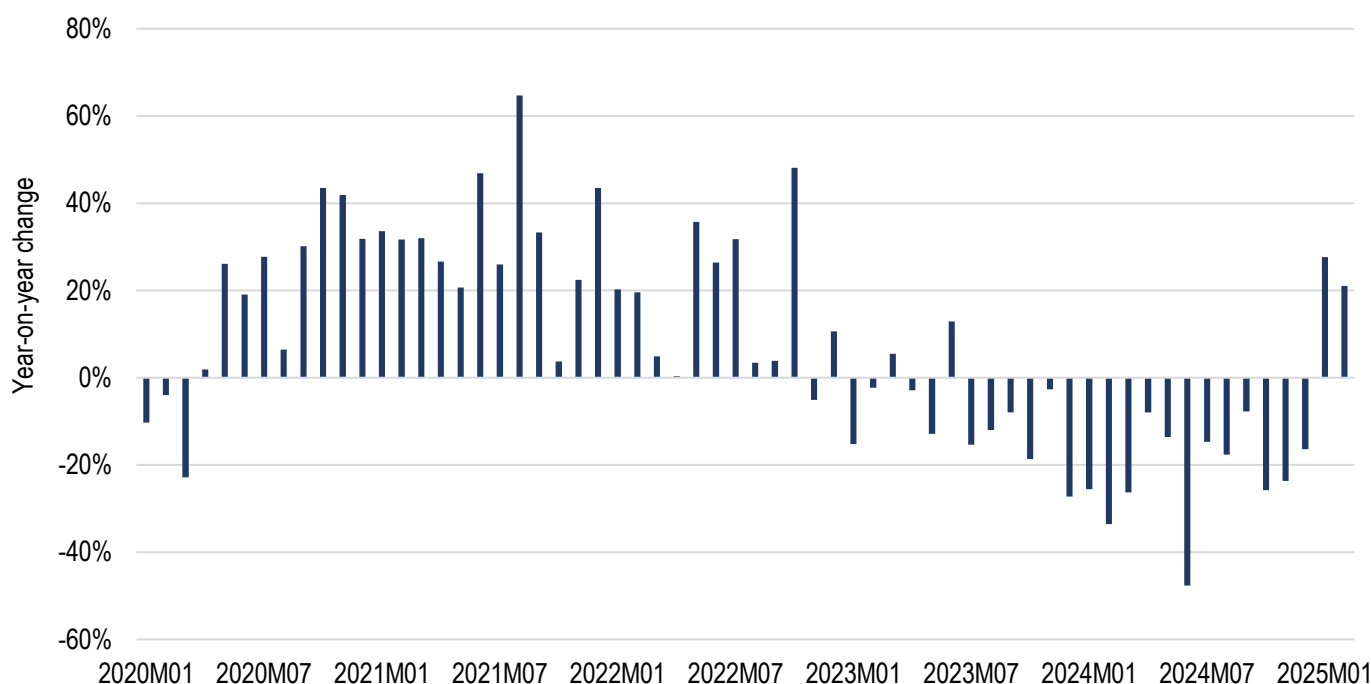
WEEKLY HIGHLIGHT

SA agricultural machinery sales show signs of recovery

- South Africa's agricultural machinery sales are showing signs of recovery. For example, tractor sales increased for the second consecutive month, up 21% year-on-year in February 2025, with 638 units sold. This follows a 28% sales jump in January 2025. The combine harvesters' sales were up 6% year-on-year in February, with 19 units sold. The increase in sales reflects the positive sentiment in the sector about the harvest based on favourable weather conditions and the base effects.
- The weak performance in agricultural machinery sales in 2024 resulted from various factors. First, South Africa's agricultural sector had higher machinery sales between 2020 and 2023. Improved farmers' incomes supported higher sales due to ample harvest and higher commodity prices. Thus, there was bound to be some correction, leading to a moderation in sales in 2024.
- Second, after a few good agricultural years, we struggled with a mid-summer drought in the 2023-24 season, weighing on farmers' fortunes and worsening sales performance. Farmers were under financial pressure because of the crop losses. For example, the 2023-24 mid-summer drought has led to a 23% decline in South Africa's summer grains and oilseed production to 15,53 million tonnes. Lastly, the relatively higher interest rates for much of 2024 added to the financial pressures in the sector.
- In 2025, the interest rates have eased somewhat from last year's levels. The agricultural production conditions are favourable, pointing to a rebound in the field crop harvest and other subsectors. These

dynamics will likely continue to support the tractors and combine harvesters' sales in 2025, especially if we consider that some farmers may again possibly start with machinery replacement.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

WEEK AHEAD

What we are watching this week

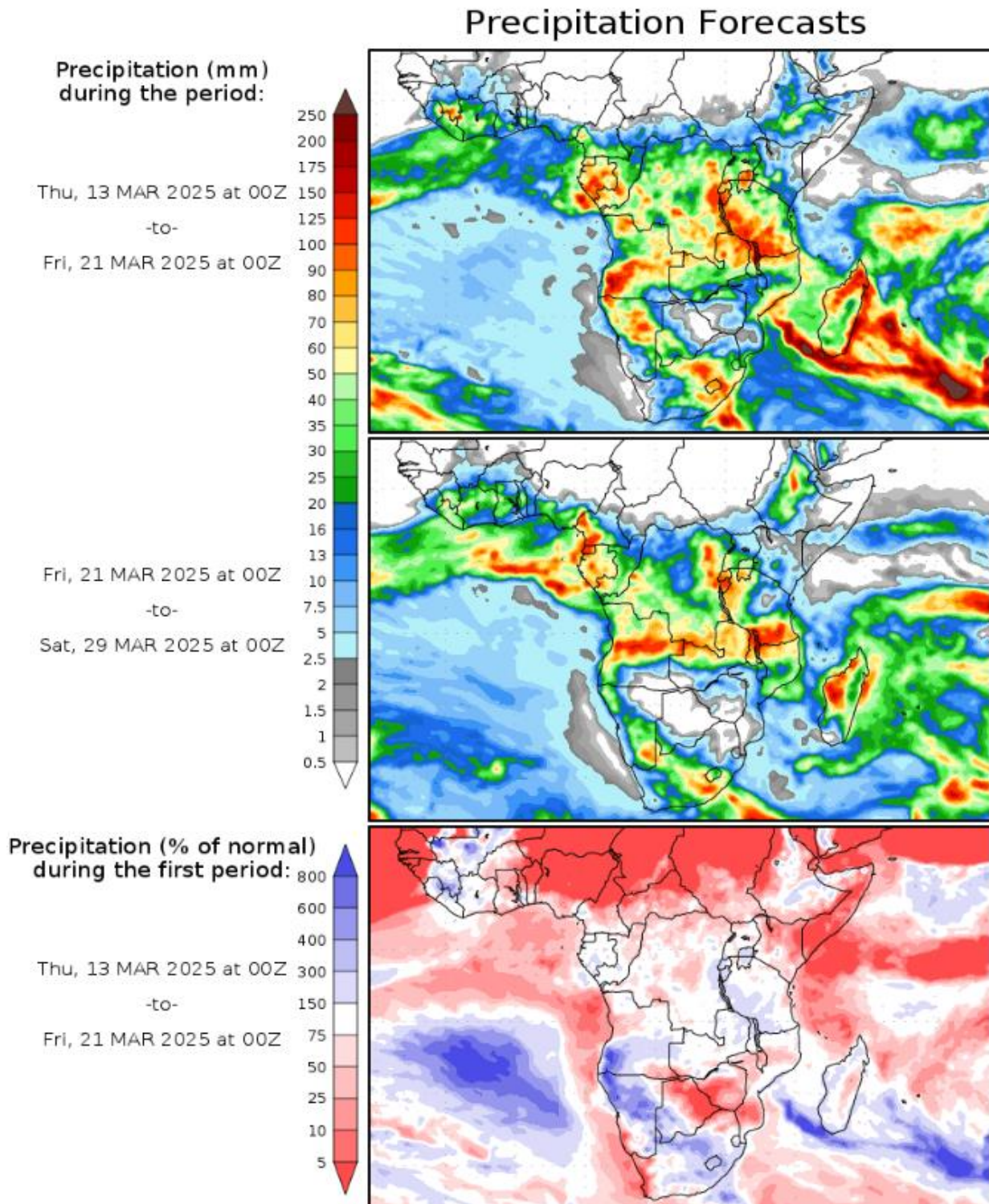
- We start the week with a focus on the global front where the United States Department of Agriculture (USDA) will release an update of its weekly **US Grains and Oilseed Export Sales** data on Thursday.
- On the domestic front, on Wednesday, Statistics South Africa will release the Consumer Price Index data for February 2025. Our focus in this data will mainly be on the food category. In January 2025, South Africa's consumer food price inflation slowed to 1.5% from 1.7% in December 2024. This deceleration was underpinned by most products in the food basket, particularly "meat," "fish and other seafood," "milk, other dairy and eggs," and "fruit and nuts."
- Also 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 46th week of the 2024-25 marketing year. In the previous release on March 7th, South Africa's weekly maize producer deliveries were about 31 227 tonnes. This puts the 2024-25 maize producer deliveries at 11,05 million tonnes out of the final harvest of 12,85 million tonnes.

- We are in the new 2025-26 marketing year for oilseeds which started at the beginning of March 2025. In the first week, the soybean producer deliveries were at 1 158 tonnes out of the expected harvest of 2,3 million tonnes. In the case of sunflower seed, the first week of the new marketing year's producer deliveries were at 2 990 tonnes out of the expected harvest of 720 050 tonnes. We expect the early deliveries to remain relatively weak and pick up next month because of the late start of the season.
- Moreover, the wheat producer deliveries for the first 23 weeks of the 2024-25 marketing year stand at 1,78 million tonnes. The final 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 regions.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 46th week of the 2024-25 marketing year. In the previous release on March 7th, the 45th week of the 2024-25 marketing year, South Africa exported 40 037 tonnes of maize. Of this volume, 53% was exported to Zimbabwe, 17% to Namibia, 16% to Botswana, 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 2,0 million tonnes on par with the expected exports for the season (but down from 3,44 million tonnes in the 2023-24 marketing year because of the mid-summer drought that led to a poor harvest).
- 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 continue to see imports of yellow maize from Argentina and Brazil through the Port of Cape Town and white maize from the United States. South Africa's 2024-25 maize imports currently stand at 781 051 tonnes.
- South Africa is a net wheat importer, and March 7th was the 23rd week in the new 2024-25 marketing year. The imports so far amounted to 758 160 tonnes. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season. Russia (49%), Lithuania (19%), Latvia (11%), Canada (7%), Poland (5%), Romania (6%), and Australia (3%) are the suppliers so far.

South Africa's Precipitation forecast

- South Africa could receive heavy rainfall over the summer crop growing regions this week, which will continue to support the crop-growing conditions, horticulture and the grazing veld.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)