

June 18 2024

Agritourism exemplified in the South African wool industry

- We are emerging from a week of celebrating the South African wool and sheep industry. On June 13, South Africa's National Wool Growers Association held its annual Congress in Gqeberha in the Eastern Cape. The discussions at the Congress were about inclusive growth and transformation, taking stock of the gains we have made since the dawn of democracy. We have not fared badly. I was encouraged by the spirit of the discussions and the sense of optimism in the sector.
- A consensus emerged on five areas that should be a primary focus in transformation. First, the South African government and wool industry must work collectively to improve genetics for the new entrant farmers and to assist the existing commercial farmers where there is a need. Second, the government and the wool industry must work together to develop infrastructure for the new farming areas and the former homelands regions of South Africa; this is key for success and depends mainly on the resources the government makes available. Third, skills and training remain vital for new entrant farmers; the National Wool Growers Association and other regional farmers could assist in this path. Fourth, animal disease remains a significant concern. The Department of Agriculture, Land Reform and Rural Development should lead the efforts in addressing this challenge collaboratively with the agricultural sector. Work is already underway in this regard. Lastly, the theme of land reform and blended finance also emerged from the discussions. The central point was that the government should continue releasing over two million hectares of the state land to beneficiaries with title deeds and pair that with blended finance. Such a policy step will go far in broadening ownership in the sector.
- Once again, it became clear that achieving inclusive growth and transformation is possible when government works with the sector and when state capabilities are geared for delivery. This is particularly more so with respect to fixing municipal infrastructure. The incoming administration must urgently address the costs of failing municipalities and poorly maintained roads, particularly within the Eastern Cape and the Free State.
- The subtle theme, which is vital but perhaps did not dominate the discussion, is a need to search for export markets while ensuring continuous access to China. This essential Chinese market accounts for roughly 70% of South Africa's wool exports. While this is good for the sector, this level of concentration has risks.
- A day after the National Wool Growers Association 2024 Congress, the wool growers went to another exciting event, the Karoo Winter Wool Festival in Middelburg, which is the Karoo region of the Eastern Cape. The festival is one of the few areas where one can appreciate the sheep industry's entire value chain.

- The hive of activities in this festival was marked by exhibitions of sheep shearing, spinning, weaving, dyeing, felting, and all other fibre crafts of the clothing industry. Fashion shows were galore, showcasing a range of clothing made of wool, yet another testament to South Africa's economic vibrancy. There were also leather material products on display in various stands, with craftsmen readily explaining the origins of the material and the design of clothes. At lunch, one could find nourishing mutton and lamb products from the Karoo and various regions of the country.
- Those in the "knowledge economy" also had time and eager audiences to share views about pressing issues in the country. Our input in these discussions focused on South Africa's agricultural sector 30 years into democracy and also leaned on our new book "[A Country of Two Agricultures](#)". We also shared views about the new administration's possible agricultural policy path.
- The Karoo Winter Wool Festival exemplify the strength of the agritourism industry in South Africa. Many other value chains and commodities should follow a path where there is a weekend to celebrate a particular commodity and showcase all the value chain activities. This is necessary to promote the industry's image and help consumers understand the value chains of the agriculture, food, fibre, and beverages industries.
- Such effort is necessary because, in the cities, people are often divorced from the value chain. Some often think their exquisite leather handbag, shoes, jackets, or jerseys comes from their favourite clothing shops. They rarely picture sheep, goats, cattle, or ostrich being slaughtered for the leather to use in their bags. Similarly, those who wear their nice cotton clothes or woollen jerseys rarely think of sheep or cotton fields when they shop for their favourite items. We don't usually draw connections between the finished product and the supply chains — the real story of how supply chains work is not well told.
- With small and rural towns in South Africa deteriorating while the farming sector and agribusiness are still active, it may be well worth promoting agritourism. This would be a way to support declining towns and help South Africans fully appreciate the agricultural value chains and the interconnectedness of the sector to our lives.
- The schools and universities also have a major role to play here to ensure students are well-versed in the sector and its various value chains. This also allows students to see multiple career opportunities within agriculture and its value chains. The young people's exposure can also help attract their creative minds to agriculture and bring about innovative paths that the incumbents may lack.
- The past week of the show showcasing the South African wool industry is an approach many commodities and their value chains should emulate. The benefits of promoting the commodity to the regions that farm in those commodities could be immense over time. This will also be the sector's additional contribution to the rural communities of South Africa.

WEEKLY HIGHLIGHT

Zambia's insistence on GMO-free maize imports will hurt consumers

- Zambia's maize production in the 2023/24 season is down by over 50% to an estimated harvest of 1,6 million tonnes because of the intense heat wave and mid-summer drought.¹ The country must now import about a million tonnes of maize to meet its domestic annual needs. The government has encouraged the private sector in the country to ramp up its effort to import maize. However, the challenge is that they want only non-genetically modified maize. Zambia still prohibits cultivating and importing genetically modified maize (GMO maize).
- It is already a challenge to find white maize in the world market regardless of whether it is GMO or GMO-free, as the major producers are the Southern African region (South Africa specifically) and Mexico. Most of the world's maize is yellow maize for animal feed. The drought has hit the entire Southern Africa region. The Southern Africa region's primary maize producer, South Africa, saw its harvest fall by 19% year-on-year to 13,3 million tonnes in the 2023/24 season. Still, South Africa could have about 1,5 million tonnes for the export markets. This is both white and yellow maize.
- South Africa is out of the equation when considering GMO-free maize, as the country's maize is roughly 85% GMO. Then Zambia will have to put its faith in Mexico and Tanzania for GMO-free maize supplies. Whether they will succeed in securing such supplies remains an open question.

Path forward

- Zambia should consider adjusting its policies and permitting the importation of GMO maize, which can be transported directly to millers if they don't want the grain to reach farmers. This is an approach Zimbabwe uses²; thus, they are amongst the significant maize importers from South Africa. In the medium term, however, Zambia, Zimbabwe, and many other countries in the region should consider reviewing their GMO policies. The Southern Africa region, and indeed, the African continent, must embrace technology and the newly improved seed cultivars to boost domestic production.
- Admittedly, there are legitimate debates about the ownership of seeds and how smallholder farmers could struggle to obtain seeds in some developing countries. These are realities that policymakers in African countries should manage regarding reaching agreements with seed breeders and technology developers but not closing off innovation. Technology developers also need to be mindful of these concerns when engaging with various governments in African countries.
- South Africa is the only exception that has embraced genetically modified crops since the 2001/02 season. The country has also enjoyed improvements in yields and is now a leading producer of grains

¹ Read more in this USDA report:

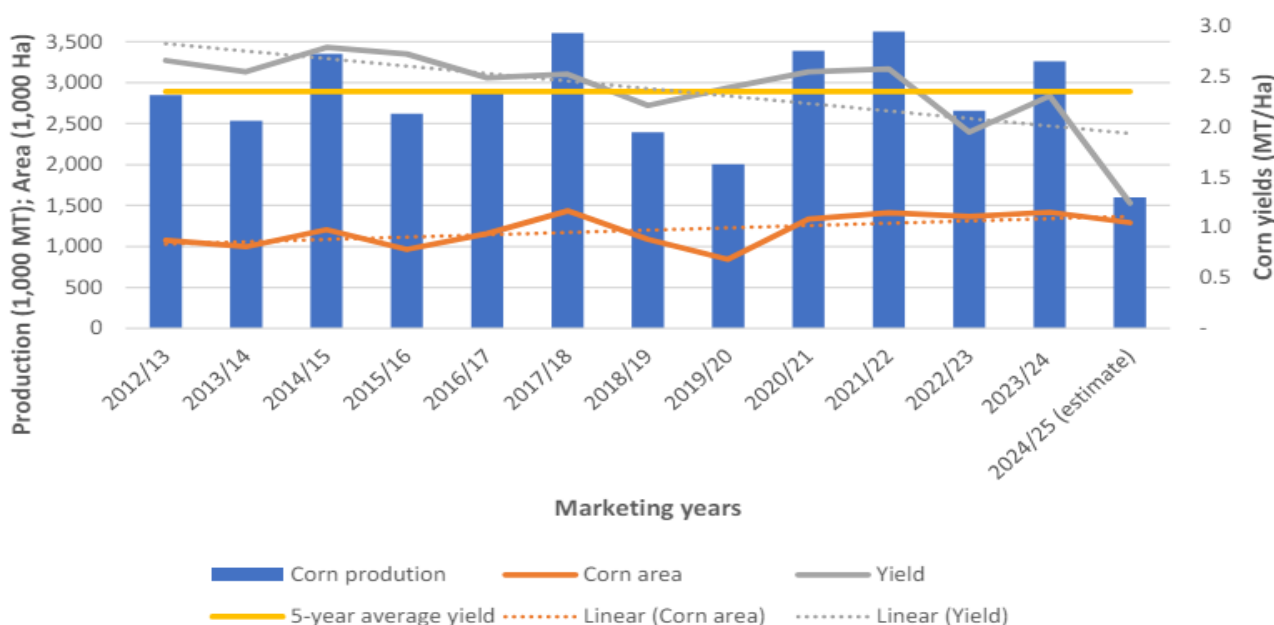
https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Zambia%20Depends%20on%20Corn%20Imports%20to%20Maintain%20Food%20Security_Pretoria_Zambia_ZA2024-0001.pdf

² More information on Zimbabwe's approach is here: <https://www.newsday.co.zw/theindependent/opinion/article/200024947/zim-embraces-gmo-maize-imports#:~:text=El%20Ni%C3%B1o%2Dinduced%20drought%20...and%20sale%20of%20GM%20crops.>

in the region. For example, according to the data from the International Grains Council, South Africa produces about 16% of sub-Saharan maize, utilizing a relatively small area of an average of 2.5 million hectares since 2010. In contrast, countries such as Nigeria planted 6.5 million hectares in the same production season but only harvested 11.0 million tonnes of maize, equating to 15% of the sub-Saharan's maize output. Irrigation has been an added factor in South Africa, but not to a large extent, as only 10% of the country's maize is irrigated, with 90% being rainfed.

- Notably, although the yields are also influenced by improved germplasm (enabled by non-genetically modified biotechnology) and improved low and no-till production methods (facilitated through herbicide-tolerant genetically modified technology), other benefits of genetically modified seeds include labour savings and reduced insecticide use as well as enhanced weed and pest control.³ Hence, with the African continent currently struggling to meet its annual food needs, using technology, genetically modified seeds, and other means should be an avenue to explore to boost production.
- In essence, many African governments should reevaluate their regulatory standards and embrace technology. In the case of Zambia, we are now at an appropriate time for such reform, and the government must embrace change for the good of farmers and consumers. Zambia should take advantage of the available maize surplus in South Africa by adjusting its policies and permitting imports. Failure to do so will not necessarily hurt the South African farmers, as they will still have robust demand from Zimbabwe and continue to export there and other world regions such as the Far East. The people who will be at a loss are the Zambian consumers who have to be content with reduced maize supplies at higher prices. A rethink of the seed policies is long overdue in the long term. The improved seed cultivars are part of the technologies that will help Africa's agriculture adapt to climate change. Therefore, governments should think of it that way.

Exhibit I: Zambia's maize production



Source: USDA and Zambia's Ministry of Agriculture

³ Read more in this piece: <https://extension.okstate.edu/fact-sheets/eleven-things-to-know-about-gmos.html>

WEEK AHEAD

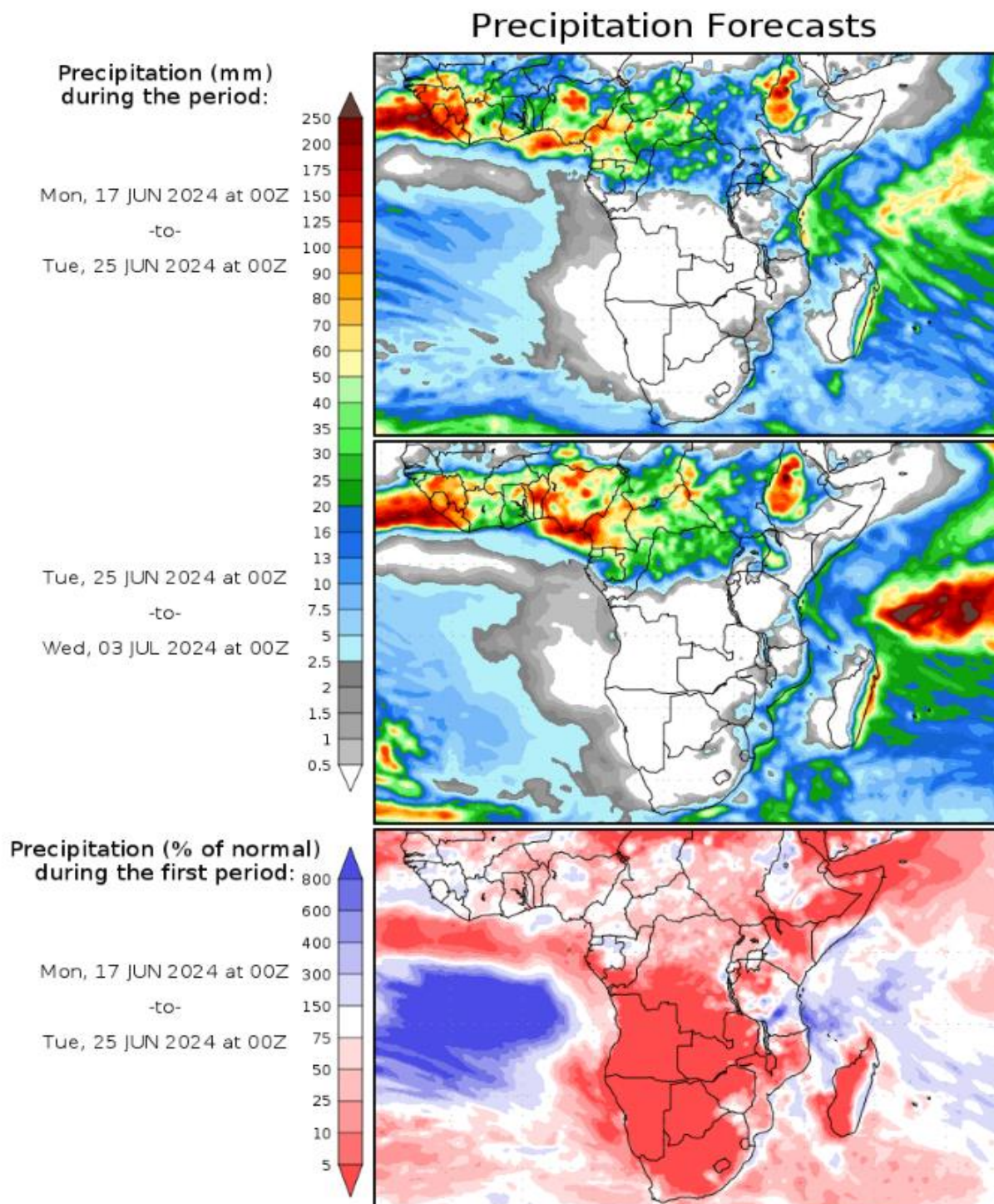
What we are watching this week

- We start the week with a global focus, and the calendar is relatively light. The United States Department of Agriculture (USDA) will release its **weekly US Grains and Oilseed Export Sales** data on Friday.
- Within the domestic front, on Wednesday, Statistics South Africa releases the **Consumer Price Index (CPI)** data for May 2024. If we consider the previous release, the food inflation path was moderating. South Africa's consumer food inflation slowed to 4,4% in April 2024 (from 4,9% in the previous month). This was underpinned by the deceleration across most food products, except for "fruit and vegetables", which lifted mildly from the last month. The uptick in fruit and vegetables is mainly due to base effects, but these increases should remain mild as supplies of most products are abundant.
- On Thursday, 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 seventh week of the new marketing year, 2024/25. In the previous release on June 01, South Africa's weekly maize producer deliveries were about 878 511 tonnes. This placed the 2024/25 maize producer deliveries at 5,0 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 15 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 471 502 tonnes out of the expected harvest of 649 250 tonnes.
- In the case of wheat, last week, 1 536 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 Friday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the seventh week of the 2024/25 marketing year. In the previous release on June 01, the sixth week of the 2024/25 marketing year, South Africa exported 40 760 tonnes of maize. Of this volume, 52% 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 217 319 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 June 01 was the 36th 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

- The weather forecast for the next two shows clearer skies across South Africa. This is a much-needed breather for winter crop-growing regions to continue with fieldwork. The regions received good rains that improved soil moisture in the past few weeks. Equally, the summer crop-growing and citrus regions will benefit from drier weather conditions as the harvest activity is in full swing.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)