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Breaking the inertia in SA agriculture and land policy implementation in 2025

- The South African agriculture and land policy discourse risks entering a space of inertia like much of the country's developmental agenda. More than three years ago, we knew that the South African government over the years acquired about 2,5 million hectares of land through its Proactive Land Acquisition Strategy. Much of this land was previously utilized for various farming activities. Currently, some of the land is underutilized, and some is under short-term leases to farmers who struggle to access the necessary capital to unlock the land potential.

- Whenever we consider the long-term growth prospects for agriculture, we assume that this land would be fully utilized productively to boost agricultural output and add jobs. On various occasions over the past three years, President Cyril Ramaphosa and the then Minister of Agriculture, Land Reform and Rural Development, Ms Thoko Didiza, pushed for the establishment of the Land Reform and Agricultural Development Agency, which would be at the centre of driving the release of the land to appropriately selected beneficiaries with title deeds, address finance challenges, and lean on organized agriculture and private sector skills.

- The process has taken has taken long. Still, some progress of setting up the Agency is underway, with conceptual work completed, driven primarily by the leadership of the Department of Land Reform and Rural Development. The release of this land with title deeds to appropriately selected beneficiaries has the support of the Presidency. In his Opening of Parliament Address in July 2024, President Ramaphosa again stressed the importance of this process when he stated: "We will increase funding to land reform, prioritize the transfer of state land and improve post-settlement support by strengthening the institutional capacity of responsible structures." Thus, we believe that the Department of Land Reform and Rural Development should accelerate the process of establishing the Land Reform and Rural Development Agency and ensure that it begins its work this year.

- There is always the temptation to have elaborate consultations and dialogues about land matters. In fact, over the past three decades, South Africa has spent more time on such dialogues than on policy implementation. In 2025, Minister Mzwanele Nyhontso and the Director General of the Department of Land Reform and Rural Development should avoid the allure of these elaborate and unproductive meetings and consultations, move ahead with the current programmes established in the previous administration, tweak and improve as they implement. Failure to begin will result in another year of discussions while farmers on the ground and the sector continue to suffer.

- If the government cannot move ahead with releasing more land and supporting farmers, such inaction would risk the long-term growth prospects of South Africa's agriculture and rural economy. The success of other government programmes, such as the Agriculture and Agro-processing Master Plan, hinges on the progress of the land release. When the work begins, the approach should not follow the practice of the past few years, where a land parcel is allocated to numerous beneficiaries. The policy focus should be a deliberate attempt to support and nurture a new cohort of individual commercial farmers, not groups. The "*Better Few, But Better*" concept should be the running theme as we build the agricultural sector and the rural economy. This entails selecting a few and a better new cohort of commercial farmers to support.

- Indeed, focusing on creating and nurturing a new cohort of farmers does not mean the South African government must ignore the smallholder farmers. They should continue receiving the necessary support as they play a vital role in household food security. The deliberate support of commercial farming will also ensure that there are anchors of farmers in each region that could also be aggregators for the surrounding smallholder farmers that wish to access noncommercial value chains.

- 2025 should be a period of implementation and progress in land reform and agriculture. This will ensure that the goodwill that also exists in organized agriculture to collaborate does not wane while also ensuring progress of the farming economy.

WEEKLY HIGHLIGHT

SA's agricultural machinery sales disappointed in 2024

- We now have the 2024 full year of South Africa's agricultural machinery sales data, and they paint a downbeat picture in line with expectations. The tractors and combine harvesters sales were down by 23% and 60% from 2023, with 6 465 units and 201 units sold, respectively. There are several reasons behind the weak sales this past year.

- First, South Africa's agricultural sector has had higher machinery sales in the past three years (2020-2023), supported by improved farmers' incomes due to ample harvest and higher commodity prices. Thus, there was bound to be some correction period, leading to moderation in sales.

- 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 are 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 15,40 million tonnes. Lastly, the relatively higher interest rates for much of 2024 added to the financial pressures in the sector, where farm debt is hovering over R200 billion.

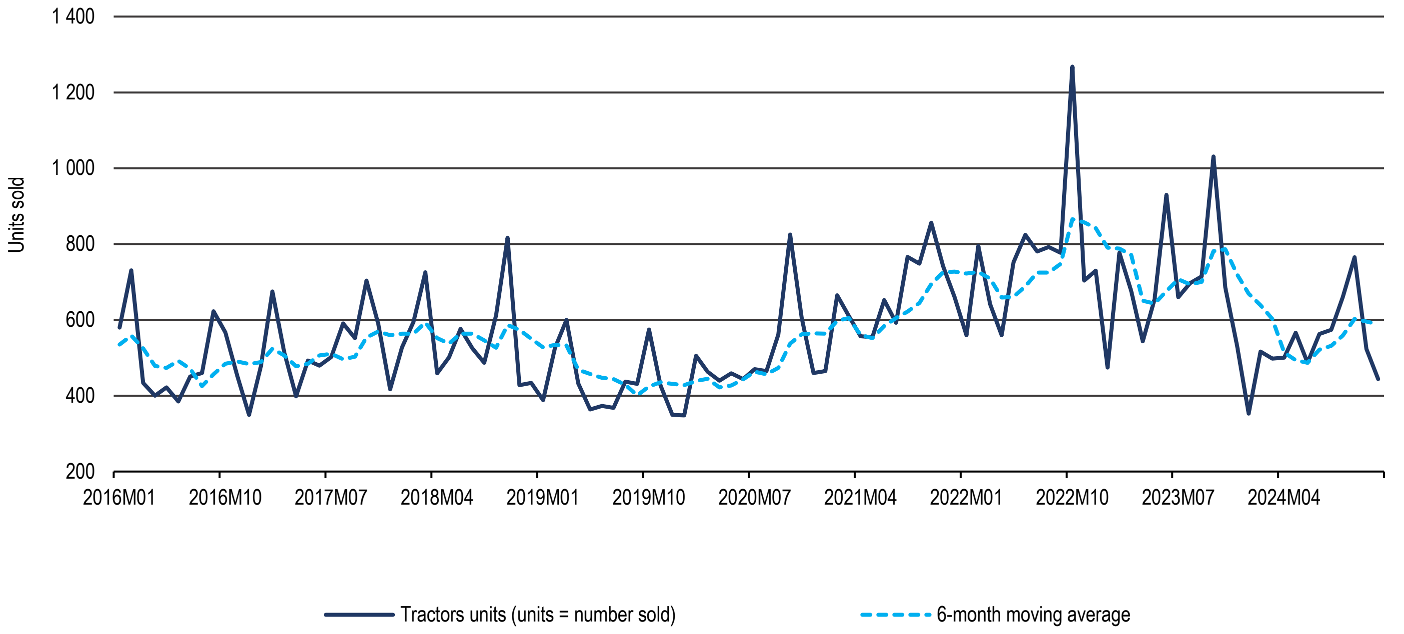
- However, looking into 2025, at least from an agricultural production perspective, we remain optimistic. Indeed, the rain has been late in some regions and scant in some. But from mid-December 2024 to January 2025, it has continued to rain. We are in a La Niña period, and it could continue to rain favourably over the next two months in much of South Africa.

- There remains a worry now that the areas that have not yet completed the planting are struggling to get into the field because of the wet weather conditions. It is already late for planting, as the country's traditional optimal planting window closes at the end of December. Still, there have been many seasons where farmers planted crops at the start of January and went on to have a robust harvest. This year's challenge is that we are at mid-January with still a minimal breather from the heavy showers in some regions. Thus, we fear there could be late planting if farmers proceed through to the end of January.

- The main risk with planting late is the possibility of frost damage later in the season. If the country is fortunate to be spared of frost, as we have seen in recent seasons, the prospects for a better grain harvest remain even for late plantings. South African farmers intend to plant 4,47 million hectares of summer grains and oilseeds in the 2024-25 season, up by 1% year-on-year. We will know next month if they managed to plant this area but with more comfort at the end of February 2025.

- The performance of the 2024-25 grains and oilseed production season will be a key determinant of whether we see a recovery in machinery sales or remain at the current levels this year and for 2026.

Exhibit 1: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

SA's fresh produce markets and competition issues

- This past week, the Competition Commission of South Africa released its final Report on the Fresh Produce Market Inquiry (FPMI). The authors came to the same views we held for years, clearly highlighted in the NAMC's Report on the National Fresh Produce Markets some years ago. So, in essence, the Commission's Report is a valuable resource about the industry's structure and price developments and primarily provides sensible and correct findings. The Report reaffirmed the importance of fresh produce markets in price discovery and food security.

- Another vital point the Report raises is the deteriorating infrastructure of various municipalities and others that should maintain or reinvest resources in the fresh produce markets. It again confirms the point we have been making for some time: that local government is the biggest culprit in all of this. In various ways, the service and governance of municipalities prohibit the participation of black farmers in economic and commercial activity. That is the single biggest reason these markets have few black farmers and black Agents. A case in point is Pretoria, where the operating conditions and infrastructure remain in bad shape, and the municipality -- custodians of the market—needs to improve and pay closer attention to it. The lack of maintenance presents problems such as cleanliness, hygiene, food safety, and cold and ripening rooms.

- However, the recommendations and some findings of the inquiry push the limits a bit by trying to be unrealistic. Some of the points raised move the inquiry outside the Competition Commission of South Africa's mandate and the initial scope of the FPMI. The most important recommendations are in itself uncompetitive by forcing quotas in terms of volumes and numbers.

- The Report correctly identifies the challenge of low participation of black farmers or small and medium-scale market producers. However, this issue is not unique to the markets; it resembles a broader challenge in South Africa's agriculture. The government-owned agricultural land – about 2,5 million hectares – is some of the land that could help boost black farmers' production. Indeed, not all this land is for fresh produce, but it would help.

- The Report correctly recognizes that the established stakeholders in agriculture would have to help with skills transfer for new entrants; these are activities that even the Agriculture and Agro-processing Master Plan already supports and has identified.

- Regarding concentration and price transparency at the retail level, we see where the Competition Commission comes from, but there is no clear evidence of any wrongdoing amongst industry stakeholders. The FPMI could not find evidence that large retailers have excessive buying power over farmers when directly contracting with them. They make an interesting finding: "*….most growers appear not to be in a vulnerable bargaining position when dealing directly with large retail chains*". One reason is the way the contracts are specified, as well as the fact that fresh produce markets provide an alternative market outlet for farmers. Retailers also do not demand exclusivity. It also confirms the vital role of fresh produce markets and why local governments must play their part.

- Regarding retail prices, the extra labelling burdens retailers, but the value to consumers is unclear. We would not support this suggestion. We already see that fresh produce prices in South Africa are relatively affordable, and there is transparency in price discovery. Therefore, in our view, all the other interventions won't add that much value except for "comparison".

- Overall, the Report is a valuable addition to deepening the understanding of the fresh produce market structure in South Africa. Notably, the findings and recommendations are not binding and the relevant line departments within government will need to assess these recommendations.

WEEK AHEAD

What we are watching this week

- Again, we have another quiet week on the global front, with only two major releases. The United States Department of Agriculture (USDA) will release its **weekly US Grains and Oilseed Export Sales** data and the **US Food Price Outlook** report on Friday. Both reports are valuable for a global perspective on agricultural matters.

- On the domestic front, Statistics South Africa will release the **Consumer Price Index (CPI)** data for December 2024 on Wednesday. Our focus on the data will mainly be on the food category. We expect food price inflation to slightly nudge up but remain at relatively lower levels. The grain-related food products would drive the possible nudge. In November 2024, South Africa's consumer food price inflation was at 1,6%, down from 2,8% in the previous month.

- 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 38th week of the 2024-25 marketing year. In the previous release on January 10, South Africa's weekly maize producer deliveries were about 24 066 tonnes. This puts the 2024-25 maize producer deliveries at 10,74 million tonnes out of the final harvest of 12,70 million tonnes. The 2024-25 soybean deliveries in the first 45 weeks of this new marketing year amounted to 1,79 million tonnes out of the final harvest of 1,84 million tonnes. At the same time, the sunflower seed deliveries amounted to 631k tonnes out of the harvest of 636k tonnes. Moreover, the wheat producer deliveries for the first 15 weeks of the 2024-25 marketing year stand at 1,65 million tonnes. The anticipated harvest for the season is 1,93 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 parts of the Free State and Limpopo regions.

- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 38th week of the 2024-25 marketing year. In the previous release on January 10, the 37th week of the 2024-25 marketing year, South Africa exported 51 144 tonnes of maize. Of this volume, 65% was exported to Zimbabwe, 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 1,65 million tonnes out of the expected 1,90 million tonnes (down from 3,44 million tonnes in the 2023-24 marketing year because of the mid-summer drought).

- 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 have recently seen the imports of yellow maize from Argentina and Brazil through the Port of Cape Town and a consignment of white maize from the United States. South Africa's 2024-25 maize imports currently stand at 489 047 tonnes.

- South Africa is a net wheat importer, and January 10 was the 15th week in the new 2024-25 marketing year. The imports so far amounted to 449 884 tonnes. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season.