

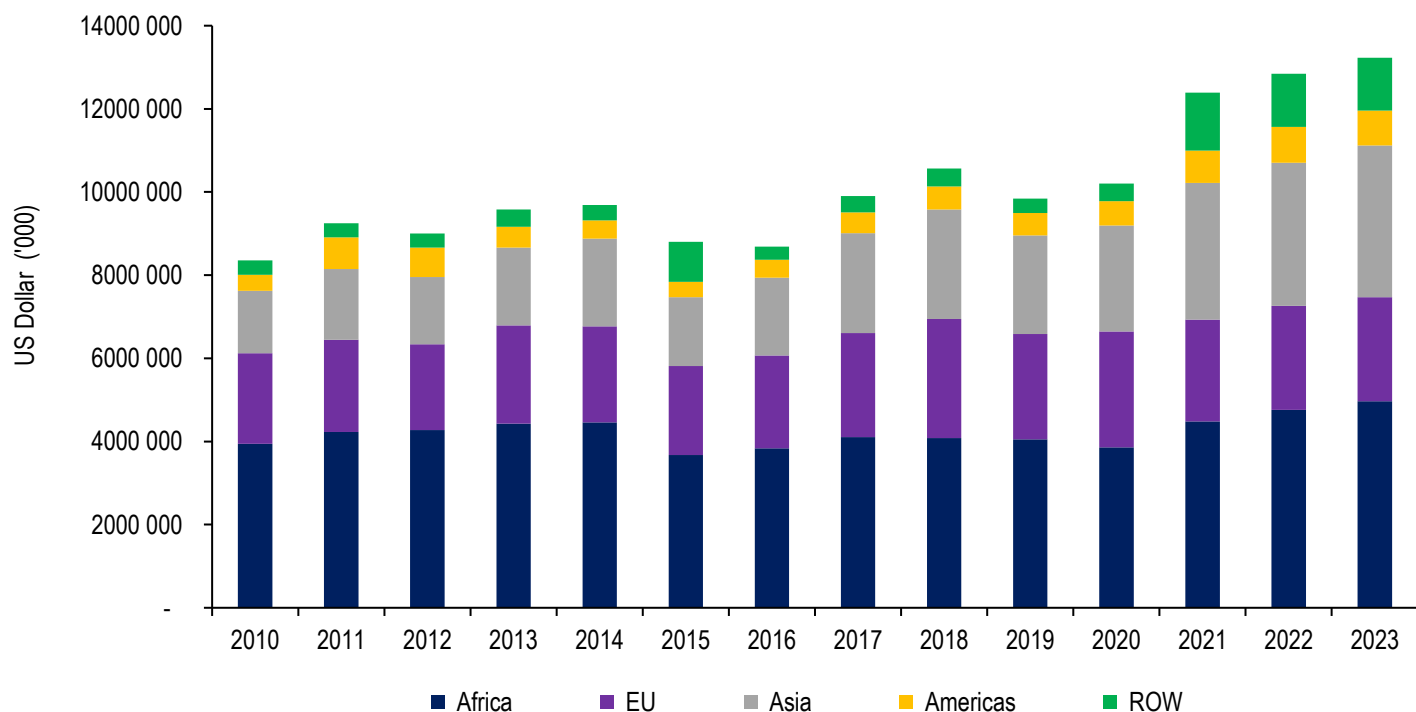
SA's immense responsibility of stabilizing regional food security

- South Africa's agriculture and agribusiness sectors have a broader responsibility for food security beyond our borders. The Southern Africa region leans heavily on South Africa for food supplies. This is clear from the observation of South Africa's agricultural exports. The country exported about US\$13,2 billion of agricultural and processed food products in 2023, according to data from Trade Map. Nearly 40% of these exports were for the African continent. Notably, roughly 90 cents in every dollar of South Africa's agricultural exports to the African continent is from the Southern Africa region. Grains, fruits, vegetables, and selected beverages are typically high on South Africa's list of agriculture and food exports to the Southern Africa region.
- Not all countries rely equally on South Africa's agriculture and food industry. There are just seven dominant countries, namely, Botswana, Namibia, Mozambique, Zimbabwe, Lesotho, Eswatini, and Zambia, which accounted for 81% of South Africa's agricultural exports to the African continent in 2023. In fact, over the past five years, these countries have accounted, on average, for 80% of South Africa's agricultural exports to the African continent a year.
- In the case of the staple grain of the Southern Africa region, maize, South Africa has remained a reliable supplier of it to the region even in times of drought crisis. Thus, it is vital that even in the challenging 2023-24, where South Africa's maize harvest is down 22% from the previous year to 12,80 million tonnes, the exports continue. South Africa must remain a reliable supplier of food products to the region. This provides stability and ensures South Africa's regional food security anchor position.
- Between May and mid-October 2024, South Africa exported about 1,03 million tonnes of maize. Except for those that went to Saudi Arabia, all these exports were for the Southern Africa region. There will likely be more exports in the coming week, as the South African Grain and Oilseeds' Supply and Demand Estimates Committee places the season maize export forecast at 1,90 million tonnes. This is down notably from the 3,44 million tonnes of exports in the last season because of the poor harvest. The large maize carryover stock from the previous season has helped to boost South Africa's maize supplies as an addition to the harvest.
- In some countries, in seasons like the one we are leaving behind, where the El-Nino-induced drought led to a poor harvest, there would be a temptation for an export curb. However, South Africa maintains an open market policy, where export activity continues, and the market adjusts prices guided by available information. The vital matter in South Africa is for the market players to regularly publish their export volumes through the Southern African Grain Information Services so that there is a general understanding of the available supplies and prices to adjust for potential risks. This open market approach has been practiced since the deregulation of agricultural markets in 1997. Since then, South Africa's grain

and broader agricultural markets have operated quite efficiently. Our sound history shows no need for intervention or grain reserves going forward.

- South Africa’s open market policy stance of allowing food trade to always take place even in years of production stress is important for food stability in region. Various other important exports include prepared or processed foods, wheat, apples and pears, maize meal, sugar, fruit juices, wine, and soybean oil, rice, soups, and sunflower oil, amongst other products. In this list are products that South Africa is a net importer of in the world market, such as wheat and rice. The South African agribusiness processes, packages, and reexports some products to the region to serve consumer needs.
- This strong linkage between South Africa’s agricultural exports to the Southern Africa region and the vast responsibility of regional food security led us to argue for caution whenever there is trade friction in various products between South Africa and the regional countries. Millions of people could be victims of high prices when countries restrict trade, as could be the case with the decisions by Botswana and Namibia to temporarily ban imports of high-quality South African vegetables.
- Equally, South Africa’s reaction could have a significant impact on the region’s food security stability. Thus, the ideal path is always to address trade discomforts diplomatically, prioritize regional agriculture, and avoid friction. South Africa has proven to be a reliable food producer for the region and must continue with that task. Where possible, the various countries in the area can improve their production. Still, such efforts must not be lead to trade confrontation, which puts regional consumers at a losing end. Given high levels of unemployment and poverty, the region can ill afford trade frictions, especially when it relates to food.

Exhibit I: South Africa's agricultural exports to various regions of the world



Source: Trade Map and Agbiz Research
ROW represents the Rest of the World

WEEKLY HIGHLIGHT

BRICS remains a vital area for agricultural export expansion

- This past week, the leaders of the BRICS Business Council from all member countries met in Moscow, Russia, for the annual meeting. The BRICS Business Council's workflow is based on different working groups covering vital economic sectors. One such working group is agribusiness, which comprises all matters related to agriculture, food, fibre, and beverages. This year's discussions were built on themes discussed in 2023 at the Johannesburg BRICS Summit. One of these was the need to deepen agricultural trade amongst BRICS countries. This is an important and relevant theme for South Africa, which has an export-led agricultural sector.
- South Africa's agricultural exports to BRICS remain marginal, about 8% of the country's overall exports to the world. The significant challenges are the higher import tariffs and the phytosanitary barriers. This is to be expected as BRICS is not a formal trade bloc. Thus, in this year's conference, South Africa pushed for lowering the import tariffs and for the BRICS member countries to address the non-tariff barriers so that intra-BRICS agricultural trade can improve.
- The expanded BRICS is a vital agricultural market, accounting for nearly half of global agricultural trade. Thus, the export-led agricultural sectors such as South Africa, must push to expand exports to the region. Notably, the export-driven agenda aligns with South Africa's domestic policy of expanding production. There must be a market for the product that South Africa will produce, and BRICS is a suitable place.
- Later this month, the political leaders of BRICS countries will meet in Kazan, Russia. South Africa's political leaders' message should build on the themes of the Business Council; for agriculture, exports are the primary concern. Notably, the drive for BRICS agricultural exports is not at the expense of the existing agricultural export markets such as the African continent, EU, Middle, Americas and Asia. South Africa must maintain warm relations with these countries while pushing for broader agricultural access in various BRICS countries.

WEEK AHEAD

What we are watching this week

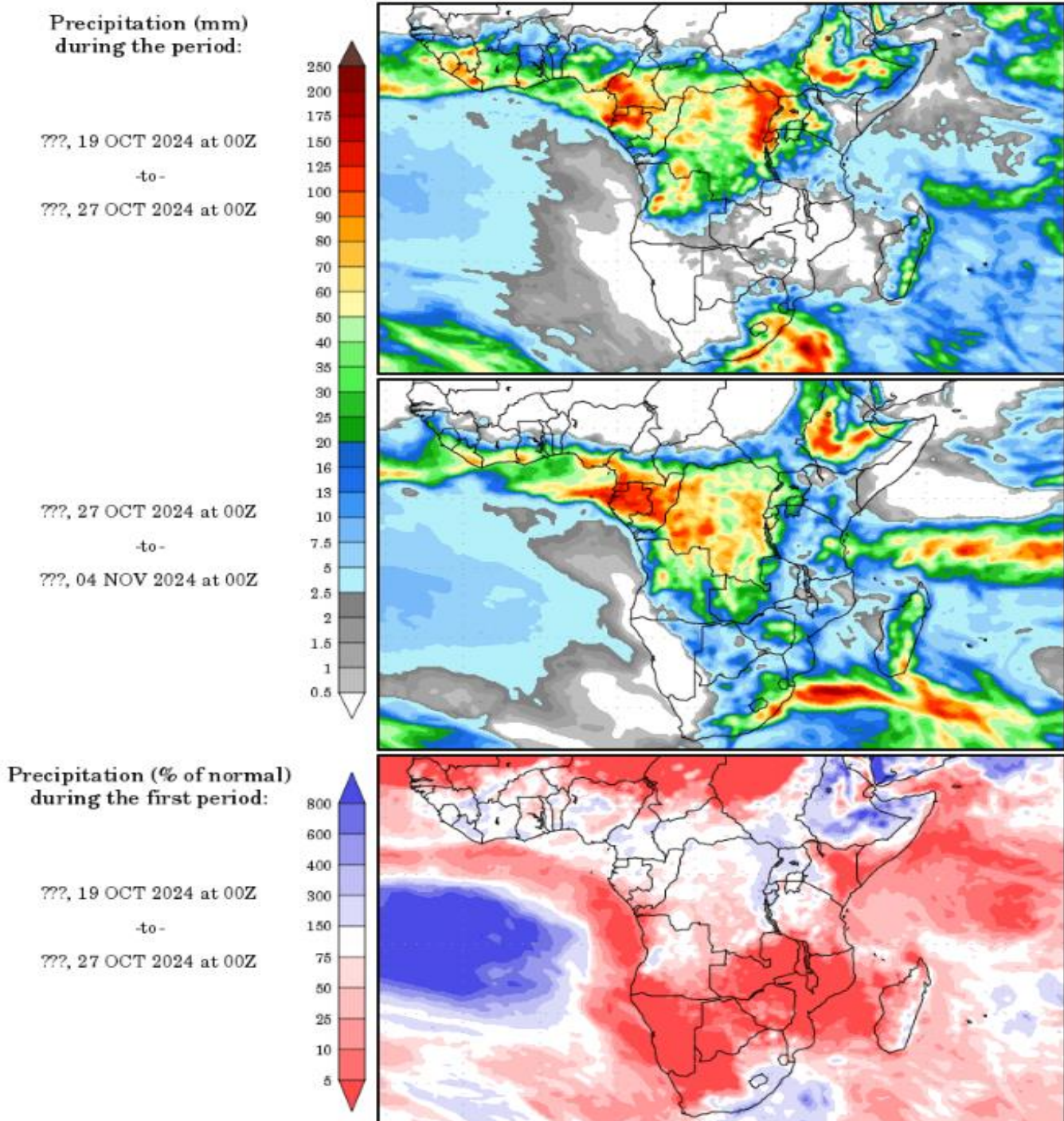
- As always, we start the week with a global focus, and today, the United States Department of Agriculture (USDA) releases its weekly **US Crop Progress** report. The US's 2024-25 maize harvest process is underway, with 47% of the crop harvested as of October 13, 2024. This is slightly ahead of last season's pace, where 42% of the crop had been harvested by this time. We also continue monitoring crop conditions in the US, which will inform the yield prospects. In the week of October 13, about 64% of the US maize crop was rated good/excellent (compared with 53% rating at the same time last year). Also worth noting is that 67% of the US soybeans had been harvested on October 13, 2024, compared with 57% at the same time last year. Moreover, the USDA will release its **weekly US Grains and Oilseed Export Sales** data on Friday.
- On the domestic front, on Wednesday, Statistics South Africa releases the Consumer Price Index (CPI) data for September 2024. Looking back briefly, after slowing to 3,9% in July 2024, South Africa's consumer food price inflation slightly edged up 4,1% in August. The products underpinning this mild increase were "bread and cereal", "meat", "vegetables", "fish", and "milk, eggs and cheese".
- Also on Wednesday, 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 25th week of the new marketing year, 2024-25. In the previous release on October 11, South Africa's weekly maize producer deliveries were about 65k tonnes. This placed the 2024-25 maize producer deliveries at 10,15 million tonnes out of the expected harvest of 12,80 million tonnes. The 2024-25 soybean deliveries in the first 33 weeks of this new marketing year amounted to 1,74 million tonnes out of the expected harvest of 1,81 million tonnes. At the same time, the sunflower seed deliveries amounted to 623k tonnes out of the expected harvest of 636k tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 25th week of the 2024-25 marketing year. In the previous release on October 11, the 24th week of the 2024-25 marketing year, South Africa exported 57k tonnes of maize. Of this volume, 47% was exported to Zimbabwe and the balance to the neighbouring African countries. This places South Africa's total maize exports in the 2024-25 marketing year at 1,03 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. We have recently seen the imports of yellow maize from Argentina through Cape Town. South Africa's 2024-25 maize imports currently stand at 230k tonnes.
- South Africa is a net wheat importer, and the week of October 11 was the second week in the new 2024-25 marketing year. The imports so far amounted to 60k tonnes. The seasonal import forecast is 1,9 million tonnes, which is in line with the previous year.

South Africa's Precipitation forecast

- The weather forecast for the next two weeks is promising. There are prospects of rain across the summer crop growing regions of South Africa. This will help improve soil moisture and subsequently support the planting season for the 2024-25 summer crops.

Exhibit 2: South Africa's precipitation forecast

Precipitation Forecasts



Source: George Mason University (wxmaps)