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August 26 2024

What message should SA agriculture take to Kazan for the BRICS+ summit?

- South Africa's agricultural growth in the first thirty years of the democratic era has been supported, among other things, by two pivotal interventions. The first was a deliberate and concerted strategy to invest in genetics for crops, horticulture, and livestock. The second intervention was a strong push to expand export markets. As production continues to increase, and there remains capacity for expanding production, these two levers must be accelerated.

- The Department of Agriculture must support new ethical breeding techniques that the private sector presents occasionally, as they may be vital for continuous productivity improvement. More importantly, with climate change and the increasing frequency of extreme adverse weather conditions, improved seed cultivars that cope with such environments will become critical in supporting our agricultural system. Therefore, crop and livestock breeding should remain a priority policy area for South Africa as an anchor for food security and agricultural production progress.

- Equally important is boosting exports to new frontiers while miniating access to the existing markets in the EU, Africa, and elsewhere. Admittedly, South Africa is the only African country in the top 40 global agricultural exporters, with an export value of US$13,2 billion in 2023 and ranked the 32nd largest agricultural exporter in the world. But accessibility to these markets is not cast in stone. In an increasingly fragmented world and various recent incidents of non-tariff import barriers, paying particular attention to nurturing the existing markets and opening new ones will be vital. South Africa already has experience of protectionism in the EU, with barriers in citrus, and in the Southern African Customs Union, where Botswana and Namibia have targeted the South African vegetables and citrus.

- The trade issues are not purely economic but political, which means that the South African political leadership must take a clear stand and focus on retaining the existing markets through dialogue with the political leadership of the countries where we continue to experience challenges. The Department of Trade Industry and Competition and the Department of International Relations and Cooperation must be at the forefront of these efforts, supported by scientific insights from the Department of Agriculture. Positively, Minister Ronald Lamola of the Department of International Relations and Cooperation has made it clear that diplomacy must be aligned with economic interests.

- While in the past, the Department of International Relations and Cooperation may not have played a leading role in economic discussions, in today's world, where geopolitical tensions have spilled over into trade, this particular department should even be more prominent in promoting South African economic interests. The Southern African Customs Union issues should be the first test case. At the same time, the EU challenges are currently part of the World Trade Organisation processes after South Africa formally lodged a case against the EU.

- Also very important in the near term is the upcoming BRICS+ summit in October, which will take place in the city of Kazan in Russia. While this grouping is not a trade bloc, utilizing the structure to push more ambitious trade matters is vital. The agricultural sector is one of the South African economic sectors that would benefit from deeper trade relations with the BRICS+ countries. As things stand, South African agriculture has not benefited much from trade with this grouping. Before adding other members to the 15th Summit in Johannesburg in 2023, the original BRICS countries accounted, on average, for just 8% of South Africa's agricultural exports. For comparison, the UK accounts for roughly 7% of South Africa's agricultural exports.

- Yet, between 2019 and 2022, the original BRICS countries' agricultural imports averaged US$255 billion annually, according to Trade Map data. China accounted for 71% of all the agricultural imports into the group, followed by India at 11%, Russia at 11%, Brazil at 4% and South Africa at 3%. Despite these sizeable agricultural import figures, the intra-BRICS agricultural trade remained relatively low. Remarkably, the products these countries imported include soybeans, beef, maize, berries, wheat, palm oil, poultry meat, cotton, barley, dairy products, pork, apricots and peaches, sugar, wool, sunflower seed, nuts, sorghum, goat meat, wine, grapes, bananas, avocados, mangos, guavas, and fruit juices, among other products. South Africa produces some of these products in abundance and has surplus export volumes. Thus, South Africa championed a need to deepen trade in the 2023 BRICS Summit.

- This year, the message going to Kazan should focus on building on the spirit of the 2023 Johannesburg Summit, which promoted the dialogue about deeper agricultural trade. This year, the message is even more urgent as the newly added BRICS+ members also present an opportunity for widening agricultural exports. The South African authorities should lobby for a more pragmatic approach beyond the high-level talk so that businesses can see the full benefit of BRICS+ engagements.

WEEKLY HIGHLIGHT

The effects of the recent drought are starting to bite consumers in Southern Africa.

- We had a tough summer season in Southern Africa, with El Niño-induced drought that led to significant crop failures in the region. Zambia and Zimbabwe, among others, lost roughly half of the staple maize harvest. These countries must now rely on imports of maize to stabilize the domestic supplies for the year. We will likely remain in these challenging conditions until May 2025, when the new season harvest gets into the market.

- The impact of the poor harvest is starting to show at household levels. For example, an article in Business Day Africa on August 20 indicates that "*Elisa Magosi, the SADC Executive Secretary, has called for urgent humanitarian assistance, reporting that 68 million people across the region are now at risk of hunger. The crisis is particularly acute in Malawi, Zambia, and Zimbabwe, which have traditionally supplied food, especially maize, to East Africa. Zambia, previously a key maize exporter, is now dealing with a significant deficit exacerbated by the drought. The country seeks to import at least 500,000 tonnes of maize from Uganda to mitigate the shortfall.*"

- Zambia is not the only country seeking large maize imports. Consider Zimbabwe, the country's maize harvest is down roughly [60% from the 2022-23 production season to an estimated 635,000 tonnes](). This is the lowest harvest since the 2015-16 production season, another drought year.

- This significant decline in Zimbabwe's maize production means that the import needs will increase sharply. Zimbabwe's domestic maize consumption is typically at about two million tonnes. Thus, the United States Department of Agriculture's Pretoria-based analysts estimate that Zimbabwe may need to import at least a million tonnes in the new marketing year of 2024-25 is convincing (the 2024-25 marketing year corresponds with the 2023-24 production season). Such an import figure is a significant increase from Zimbabwe's maize imports of 637,327 tonnes in the 2023-24 marketing year, all from South Africa.

- Unlike the 2023-24 marketing year, where South Africa's overall maize exports were 3,4 million tonnes, in the new 2024-25 marketing year, South Africa's maize exports will likely fall to 1,85 million tonnes, according to estimates from the South African Supply and Demand Estimates Committee. This is on the back of a poor domestic harvest.

- South Africa's maize harvest is estimated at 13,34 million tonnes, down 19% from the previous season because of the mid-summer drought. This volume comprises both white and yellow maize. White maize is about 6,35 million tonnes (down 26% year-on-year), and yellow maize is at 6,99 million tonnes (down 12% year-on-year). The forecast exports of 1,85 million tonnes will primarily be for the Southern Africa region. In fact, between May and the first week of August 2024, South Africa had already exported 567k tonnes out of the expected 1,85 million tonnes. The principal beneficiary is Zimbabwe and a range of neighbouring African countries.

- Admittedly, South Africa did not experience a sharp fall in production, unlike Zimbabwe or Zambia, where the domestic maize harvests are down by over 50%. Part of the reason is differences in farming practices and the improved seed cultivars in South Africa, among other factors. The significant difference is using improved seed cultivars, fertilizer, and agrochemicals. Irrigation is not a major factor, as only 10% of South African maize is under irrigation, and the rest is rainfed. This is similar to Zimbabwe's maize proportion under irrigation.

- In essence, we have spent the past few months highlighting the impact of the drought on farms, but now we are seeing it on the consumers. The next couple of months will likely be challenging in the region, with the hope for relief from the next season's agricultural harvest. The preliminary estimates from various weather services suggest we may be moving to a La Niña period that would bring rain.[1] Until then, the conditions are worrying outside South Africa.[2]

[1] Read more on La Nina prospects: http://www.bom.gov.au/climate/enso/outlook/
[2] Read the full article here: https://allafrica.com/stories/202408200007.html

SA consumer food price inflation has reached its lowest level since January 2020

- South Africa's consumer food price inflation slowed to 3,9% in July 2024, from 4,1% in the previous month. This is the lowest level since January 2020 and was underpinned by the continued moderation in price inflation across most products in the food baskets, except for "bread and cereal" and "meat".

- We initially thought the increase in the "bread and cereals" and "meat" products would soon change the direction of food inflation to a slight uptick. Positively, they have been fairly outweighed by the continued moderation of other products. The slowing price inflation in products such as "oils and fats", "milk, eggs and cheese", "fruit", and "vegetables" is due to increased supplies; to an extent, the stronger rand to the dollar helps in the case of imported vegetable oils.

- With that said, we continue to monitor the prices of "bread and cereals", and we believe the prices may increase in the coming months. The challenge arises from the mid-summer drought that led to a 19% y/y decline in maize production to an expected 13,34 million tonnes. White maize production is forecast at 6,35 million tonnes (down 26% y/y), and yellow maize at 6,99 million tonnes (down 12% y/y). Given the scale of the decline in the white maize harvest and the expected strong demand from Southern Africa, we expect white maize prices to remain reasonably elevated for some time and thus sustain the increases in bread and cereal products in the food basket.

- That said, we don't expect the potential price increase to be substantial as the forecasts from the International Grains Council signal the possible higher global wheat and rice production in the 2024/25 season, estimated at 799 million tonnes (up 0,6% y/y) and 528 million tonnes (up 1,2% y/y), respectively. Given that South Africa imports nearly half of its annual wheat consumption, about 1,5 million tonnes yearly.

- Furthermore, South Africa imports about a million tonnes of rice each year. Therefore, favourable global production conditions of these grains in the 2024/25 season and the possible subsequent price softening would be welcome developments. Moreover, the relatively firmer domestic currency will also help ease the costs of imported foods.

- As per our recent observations on this issue, we believe the meat price increases could remain mild in the coming months. Weak consumer demand also remains a challenge, particularly for red meat.

- In sum, we continue to believe that the possible upside price risks on "bread and cereals" and "meat", because of their more significant weightings in the food basket, may change the direction of the headline food price inflation from moderation to a mild uptick in the coming months.

Exhibit 1: South Africa's consumer food inflation

Source: Stats SA and Agbiz Research

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 focus is on the growing conditions of the 2024/25 crop. In the week of August 18, about 67% of the US maize crop was rated good/excellent (compared with 58% rating at the same time last year). On the same day, the US soybean crop was also rated at 68%, which was rated good/excellent (compared with the 59% rating at the same time last year). Moreover, the USDA will release its **weekly US Grains and Oilseed Export Sales** data on Thursday.

- Within the domestic front, 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 17th week of the new marketing year, 2024/25. In the previous release on August 16th, South Africa's weekly maize producer deliveries were about 95k tonnes. This placed the 2024/25 maize producer deliveries at 9,58 million tonnes out of the expected harvest of 13,34 million tonnes. The 2024/25 soybean deliveries in the first 25 weeks of this new marketing year amounted to 1,70 million tonnes out of the expected harvest of 1,78 million tonnes. At the same time, the sunflower seed deliveries amounted to 616k tonnes out of the expected harvest of 649k tonnes.

- Also, on Wednesday, the Crop Estimates Committee will publish the **seventh production forecast for summer field crops 2024**. To recap, on July 27, the Crop Estimates Committee placed South Africa's 2023/24 summer grains and oilseed harvest at 15,9 million tonnes. This is 0,5% less than the previous month. Moreover, the Crop Estimates Committee will publish the **revised area planted estimate and first production forecast for winter cereals for 2024**.

- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 17th week of the 2024/25 marketing year. In the previous release on August 16, the 16th week of the 2024/25 marketing year, South Africa exported 52k tonnes of maize. Of this volume, 59% was exported to Zimbabwe, 13% to Namibia, 12% to Botswana, and the balance to the rest of the neighbouring African countries. This places South Africa's total maize exports in the 2024/25 marketing year at 655k tonnes out of the expected 1,85 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 134k tonnes.

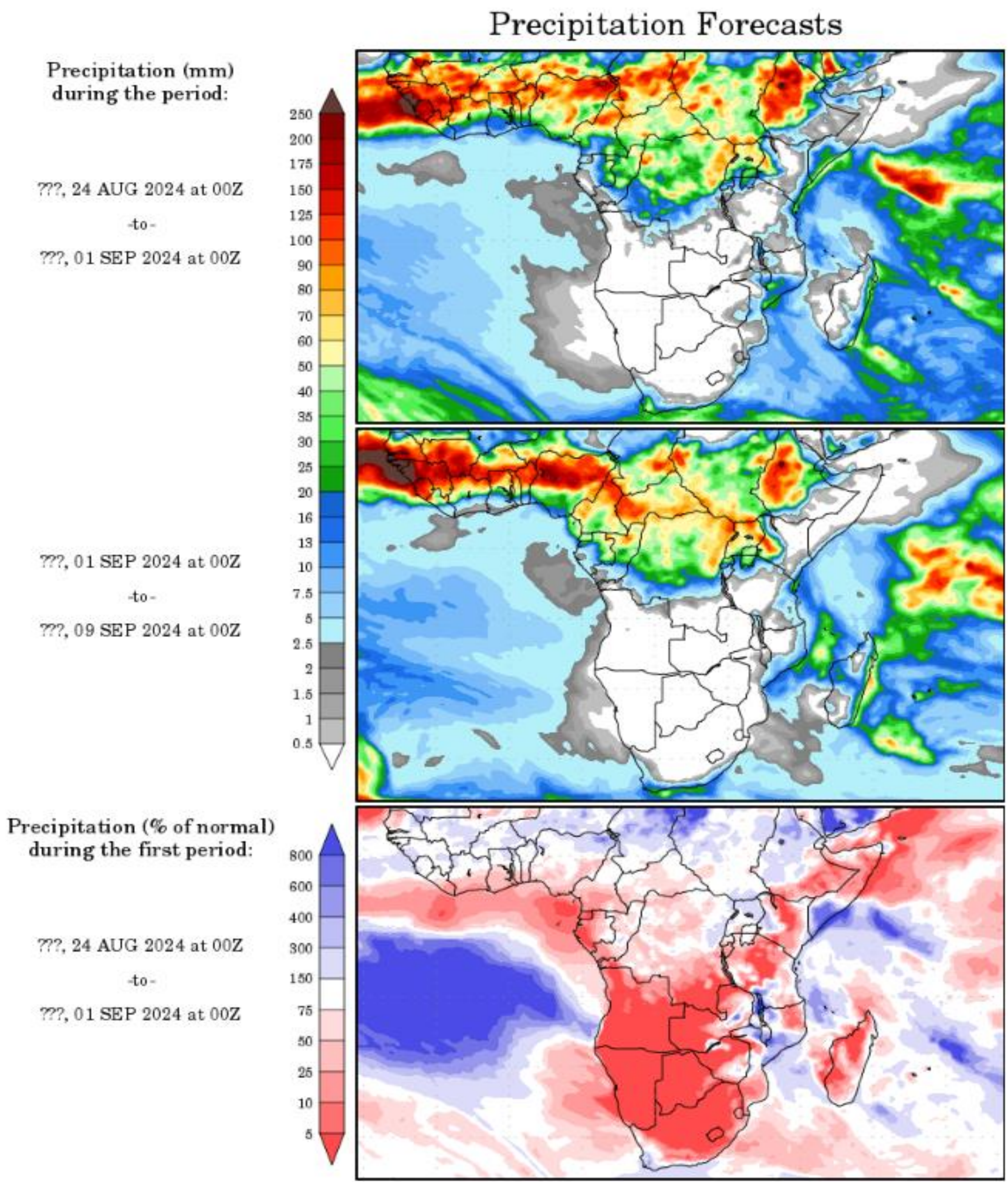
- South Africa is a net wheat importer, and August 16 was the 46th week of the 2023/24 marketing year, with wheat imports totalling1,65 million tonnes out of the seasonal forecast of 1,80 million tonnes.

- Also, on Thursday, Statistics South Africa will release the **Producer Price Index (PPI)** data for July 2024.

South Africa's Precipitation forecast

- The weather forecast for the week shows clear skies over much of South Africa, which is typical for the winter season. There is little agricultural activity in the summer crop-growing regions, and the planting will only start in October. However, the Western Cape, which is a winter crop region, could receive light showers this week, which may be favourable for the winter crop.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)