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South Africa's agricultural trade surplus up 20% y/y in Q1, 2024

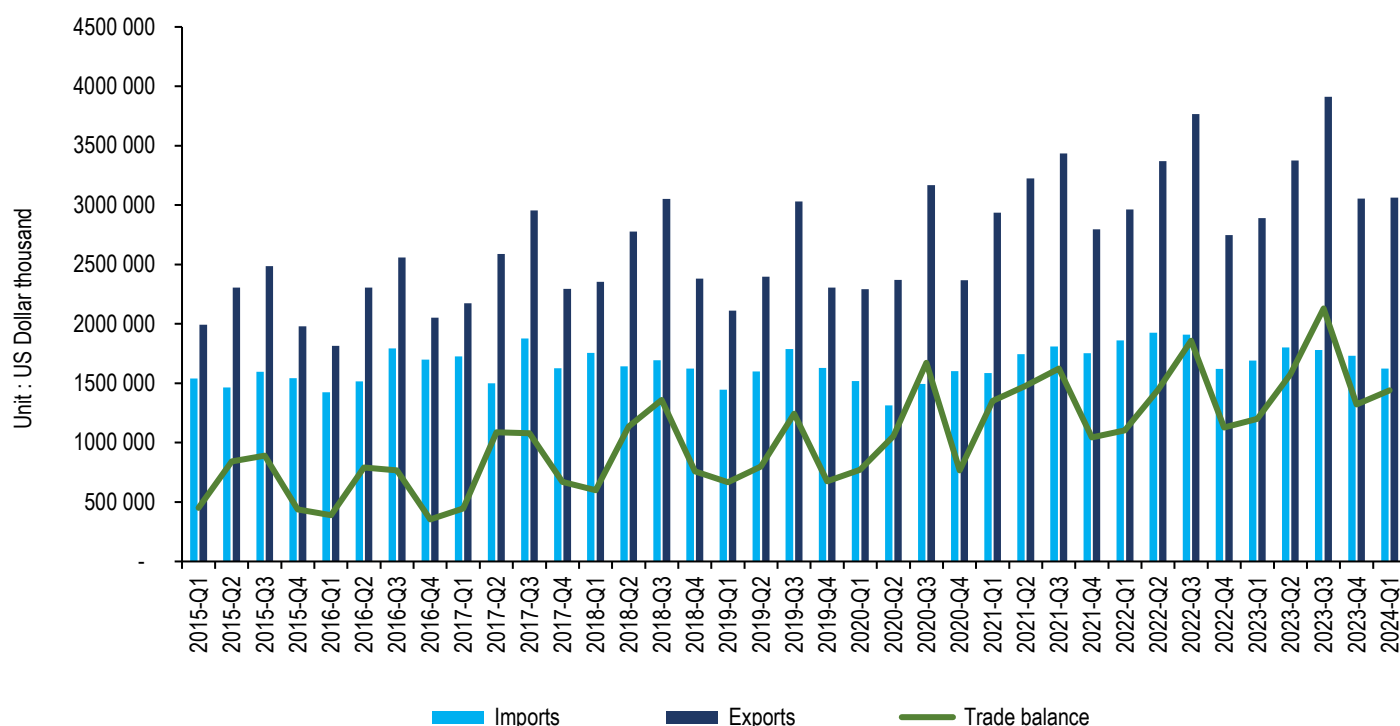
- The collaboration between Transnet, organized business and agriculture sector stakeholders to improve efficiency at South African ports must continue. Efficient logistics are the lifeblood of South African agriculture and other exporting sectors of the economy. Admittedly, the deciduous fruit industry faced numerous challenges at the port of Cape Town at the start of this year related to delays that proved costly to farming businesses.
- Still, continuous collaboration to ensure improvements is the only viable path forward. We are already seeing the benefits of the improvements in the agricultural sector through the rise in the value of exports. For example, in the first quarter of 2024, South Africa's agricultural exports increased by 6% year-on-year, reaching US\$3,1 billion, according to data from Trade Map. This increase results from a relatively higher volume and price of exported products. The products leading the export list were grapes, apples and pears, maize, wine, apricots, sugar, wool, fruit juices, peaches and apricots, amongst other products.
- From a regional perspective, the African continent maintained the lion's share of South Africa's agricultural exports, accounting for 42%. The products leading the exports list in the African continent were maize, cereal meals and pellets, sugar, prepared foods, apples and pears, fruit juices, wheat, ciders and other fermented beverages, and soybean oil, amongst other products. The EU regained its position as South Africa's second-largest agricultural market, overtaking Asia with a share of 22%. Grapes, apricots, peaches, cherries, plums, wine, apples and pears, dates, figs, avocados, guavas, mangos, wool and fruit juices were the primary products that South Africa exported to the EU in the first quarter of this year.
- As a collective, Asia and the Middle East were the third largest agricultural markets in South Africa, accounting for 19% of the share. The exports to this region were mainly apples and pears, grapes, wool, sugar, beef, citrus, apricots, cherries and peaches, mutton and lamb, and soybeans. The Americas region accounted for 6% of South Africa's agricultural exports in the year's first quarter. The main exported products include grapes, wine, fruit juices, apples and pears, nuts, apricots and cherries. The rest of the world, including the United Kingdom, accounted for the remaining 10% of the exports.
- However, South Africa doesn't engage in one-way trade – the country imports various agricultural products. In the first quarter of the year, South Africa's agricultural imports amounted to US\$1,6 billion, down 4% year-on-year, according to data from Trade Map. The decline resulted from slightly lower volume and prices of major products that South Africa imports, like wheat and rice, whose prices cooled off at the start of this year from the rally we saw last year. The major products South Africa imported in the first quarter are similar to what the country imports yearly. These are wheat, rice, palm oil, poultry products, and whiskies, amongst other products.

- South Africa lacks favourable climatic conditions to grow rice and palm oil and thus relies on imports of these products. In the case of wheat, South Africa imports nearly half of the annual consumption because of unfavourable climatic conditions to expand domestic wheat production beyond the regions that South Africa already cultivates for winter wheat. In the Free State province, which used to be amongst the major wheat-growing regions of the country, production has declined notably over time because of the unfavourable weather conditions and profitability challenges of wheat relative to other crops. Meanwhile, imports are around 20% of the annual domestic consumption of poultry.
- Subsequently, when we account for the exports and the imports, South Africa's agriculture recorded a trade surplus of US\$1,4 Billion. This is up by 20% from the first quarter of 2023. The sharp increase resulted from the decline in imports, while the exports lifted slightly.

Policy considerations

- These first quarter exports are encouraging. Still, the subsequent quarters may show a mild performance due to a decline in grain exports, a major part of the exports in the first quarter and much of last year. The grain and oilseed production suffered from the mid-summer drought in South Africa, which resulted in major yield losses. Beyond the quarterly activities, there are some policy considerations for South African policymakers to support this sector continuously.
 - South Africa should stay focused on improving the logistical infrastructure efficiency and on the export market expansion mission for the agricultural sector. There is a need for increased investment in port and rail infrastructure and improving roads in the farming towns that continue to constrain the sector's growth.
 - South Africa must work hard to retain the existing markets in the EU, the African continent, Asia, the Middle East, and the Americas. Importantly, in an increasingly divided and fragile world, South Africa must walk a careful path so that its foreign policy approach does not result in a negative trade policy response from its traditional trading partners. This is fundamental for South Africa's agricultural growth, sustainability, and job creation.
 - Moreover, South Africa should expand market access to some of the key BRICS+ countries, such as China, India, and Saudi Arabia. Other strategic export markets for South Africa's agricultural sector include South Korea, Japan, Vietnam, Taiwan, Mexico, the Philippines and Bangladesh. The private sector and the South African government share this ambition for export market expansion.
 - The Department of Trade, Industry and Competition and the Department of Agriculture, Land Reform and Rural Development should lead the way for export expansion in these agricultural strategic markets. The outcome of the 15th BRICS conference in agriculture also focused on deepening trade within the BRICS+ countries while retaining other markets outside this grouping. This was anchored on the emphasis for BRICS members to lower import tariffs and address SPS barriers hindering deeper trade within this grouping.

Exhibit I: South Africa's agricultural exports



Source: Trade Map and Agbiz Research

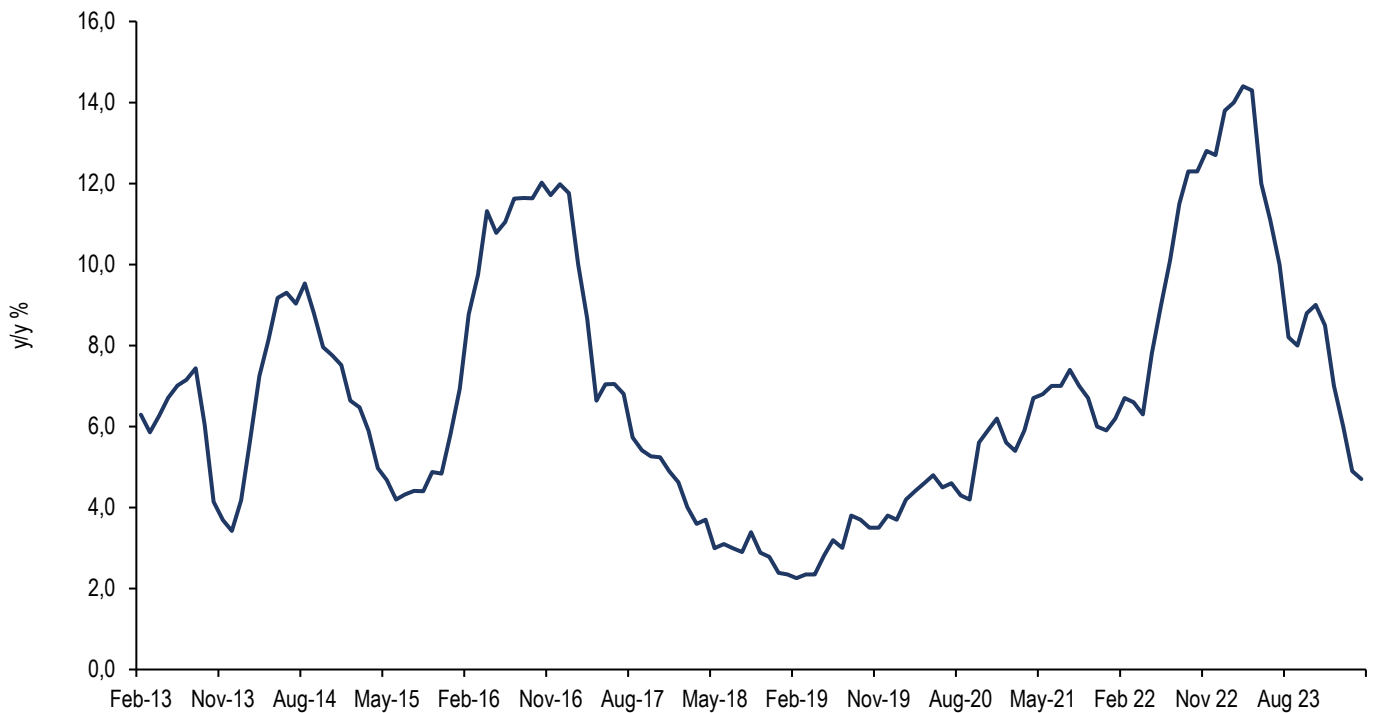
WEEKLY HIGHLIGHT

South Africa's consumer food inflation decelerates further

- 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.
- A closer look at other major food products in the food basket shows the moderation in meat prices. This reflects an improvement in meat supplies after some constraints at the end of 2023 because of avian influenza. There is now anecdotal evidence that the restocking process is underway, and there is improvement in poultry product supplies nationwide.
- Moreover, the prices of rice and vegetable oils have continued to moderate due to increased global supplies, and South Africa is a significant importer of these products. Still, the exchange rate will also matter much in the months ahead, as South Africa imports ample wheat, rice, and palm oil.

- Overall, there remains increased uncertainty about South Africa's consumer food inflation path for 2024, with some upside risks in various products. Still, the underlying factors are not all one-sided, and one has to reflect on the price movements and weighting of multiple products when considering their food price forecast.
- Our primary concern remains the grains-related products in the food basket because of the domestic poor white maize harvest and the potential upside pressure on prices. South Africa's white maize harvest is down 25%, estimated at 6,4 million tonnes in the 2023/24 season. The risks of other food products are less pronounced, and recent price developments reflect this view.

Exhibit 2: South Africa's consumer food inflation



Source: Statistics South Africa and Agbiz Research

WEEK AHEAD

What we are watching this week

- As always, we start the week with a global focus, and on Tuesday, the United States Department of Agriculture (USDA) releases its **weekly US Crop Progress** report. This report provides insight into the US planting progress for the 2024/25 season. The planting activity has been lagging behind last year's pace because of unfavourable weather conditions in some regions over the past few weeks. For example, on May 19, US maize plantings were at 70% of the intended area (which is behind last

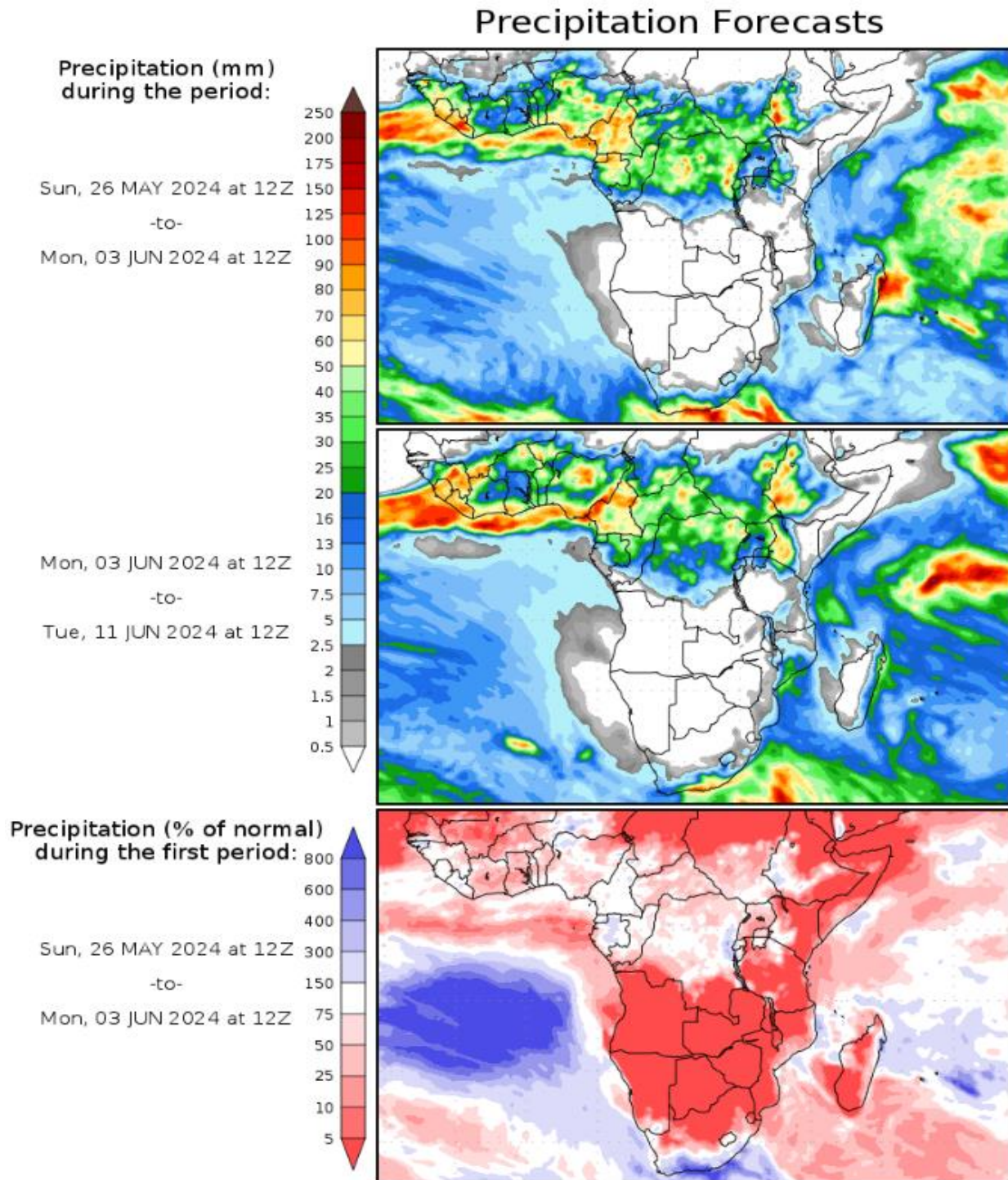
season's pace of 76% in the same week). On the same day, soybean plantings were 52% of the intended area (behind last year's pace of 61%).

- Moreover, the USDA releases its **weekly US Grains and Oilseed Export Sales** data on Friday.
- Within the domestic front, 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 fourth week of the new marketing year, 2024/25. In the previous release on May 17, South Africa's 2023/24 maize producer deliveries were about 976 961 tonnes of maize to the commercial silos. This placed the overall deliveries at 2,1 million tonnes out of the expected harvest of 13,3 million tonnes.
- The 2024/25 soybean deliveries in the first 12 weeks of this new marketing year amounted to 1,5 million tonnes out of the expected harvest of 1,8 million tonnes. At the same time, the sunflower seed deliveries amounted to 325 051 tonnes out of the expected harvest of 615 000 tonnes.
- In the case of wheat, last week, 1 347 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.
- Also, Statistics South Africa will release the **Producer Price Index (PPI)** data for April 2024 on Thursday.
- On Friday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the fourth week of the 2024/25 marketing year. In the previous release on May 17, the third week of the 2024/25 marketing year, South Africa exported 36 800 tonnes of maize. Of this volume, 46% 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 99 361 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 already seen the imports of yellow maize through Cape Town, with 38 694 tonnes landed from Argentina last week.
- South Africa is a net wheat importer, and May 17 was the 33rd week of the 2023/24 marketing year; South Africa's 2023/24 wheat imports totalled 1,2 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 weeks shows clear skies over much of South Africa, which is conducive to the harvest activity in regions that have started over the summer crop growing areas. Still, the southwestern regions of South Africa could receive much-needed rainfall, which will improve soil moisture and aid winter crop plantings.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)