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Additional reflections on the U.S. tariffs' impact on agriculture and the possible path forward

- Since the U.S. authorities announced import tariffs on an unprecedented scale against several countries, the confusion about how practically they will apply lingers. We still have insufficient details regarding tariff levels by product as the U.S. authorities have not provided much official guidance. This dearth of detail creates uncertainty and limits the ability of the South African authorities to engage productively with their U.S. counterparts.

- So far, the South African trade authorities have expressed a willingness to engage with the U.S. productively for any possible deals. In a joint statement on April 4 2025, the Ministers of International Relations and Cooperation and Trade Industry and Competition stated, "South Africa will work to secure opportunities, in a context of a rapid withdrawal of favourable arrangements giving our exports preferential access to the United States of America. This might involve securing additional exemptions and favourable quota agreements, ensuring our industries maintain critical access to the U.S. market, including through sectoral cooperation. This aligns with the national interest of promoting economic prosperity and safeguarding the livelihoods of South Africans."

- Agricultural stakeholders can play a constructive role in supporting the government's efforts: they can start gathering a rough assessment of the impact the rise in the U.S. tariffs to 31% would have on their exports, mainly citrus, grapes, wine, and nuts, amongst other products, as well as the impact on jobs in their regions. Most South African competitors in these agricultural products in the U.S. market currently face relatively lower tariffs of around 10%. This will disadvantage South Africa in the U.S. market.

- Moreover, the industry must assess the size of the potential quotas that could be exported to the U.S. under a different quota regime in case the South African authorities successfully negotiate tariff-free or tariff quotas (possibly on a reduced basis) for specific products.

- Further, the industry should assess which U.S. agricultural products South Africa could absorb as part of the reciprocal exchange of concessions in the context of a bilateral deal. Currently, South Africa has just over 70 000 tonnes of tariff-free quota to be utilized by U.S. poultry products. However, U.S. poultry producers have utilized less than 60% of this tariff-free quota in the South African market. One reason for low utilization is the low-quality products that have not met the South African specifications. This exercise will likely extend to other sectors of the South African economy with exposure to the U.S. market. So, there is a scope to provide more flexibility for American products in the South African market, easing current trade tensions.

- The South African authorities have also underscored the urgent need to diversify our export markets. The Ministers of International Relations and Cooperation and Trade Industry and Competition stated, "Efforts will intensify to diversify export destinations, targeting markets across Africa, as well as in Asia, Europe, the Middle East, and the Americas. Moreover, where deemed appropriate, such efforts will also involve bilateral arrangements that allow for the pursuance of our national interest." This export diversification effort is vital in the context of the U.S. trade friction and as part of the South African agricultural growth agenda. The benefits of the effort will be more apparent in the medium term. The negotiations with countries, especially in agricultural products, take time and a scientific part is involved, which also takes time to complete. Thus, we view its benefits as medium-term, while the immediate approach in the U.S. should be to find a deal that permits trade and for businesses to attempt to push more volumes to other regions when possible.

- Importantly, these challenges require government and industry to put more effort into engaging with the rest of the world, especially dynamic markets in the Gulf and Asia. The South African trade authorities must adopt a new approach that embraces reciprocal free trade agreements rather than hesitating. Negotiating free trade agreements should be the mainstay of trade policy as this is vital insurance when the multilateral trading system is convalescing. As such, South Africa must make hard choices over which industries it is prepared to place on the table for possible tradeoffs while building long-term competitiveness in sectors that can be major drivers for growth.

- Trade is about tradeoffs and backing the correct winners. Such calculations will require empirical and data-driven research, a critical input for guiding policymakers. Both organized agriculture and business must work together to define new priorities for the country and how these can be pursued internationally. We also need more effective communication for South Africa's trade policy in these times of economic strain for the country. Crucially, we must act with urgency.

WEEKLY HIGHLIGHT

SA agricultural machinery sales remain strong.

- South Africa's agricultural machinery sales continue to show signs of recovery. For example, tractor sales increased for the third consecutive month, up 35% year-on-year in March 2025, with 671 units sold. The combine harvesters' sales were up 42% year-on-year in March, with 37 units sold. The substantial increase in sales primarily reflects the positive sentiment in the sector about the 2024-25 crop and horticulture harvest based on favourable weather conditions and the base effects following the weak sales in 2024.

- As we recently stated, the poor agricultural machinery sales performance in 2024 resulted from various factors. First, South Africa's agricultural sector had higher machinery sales between 2020 and 2023. Improved farmers' incomes supported higher sales due to ample harvest and higher commodity prices. Thus, there was bound to be some correction, leading to a moderation in sales in 2024.

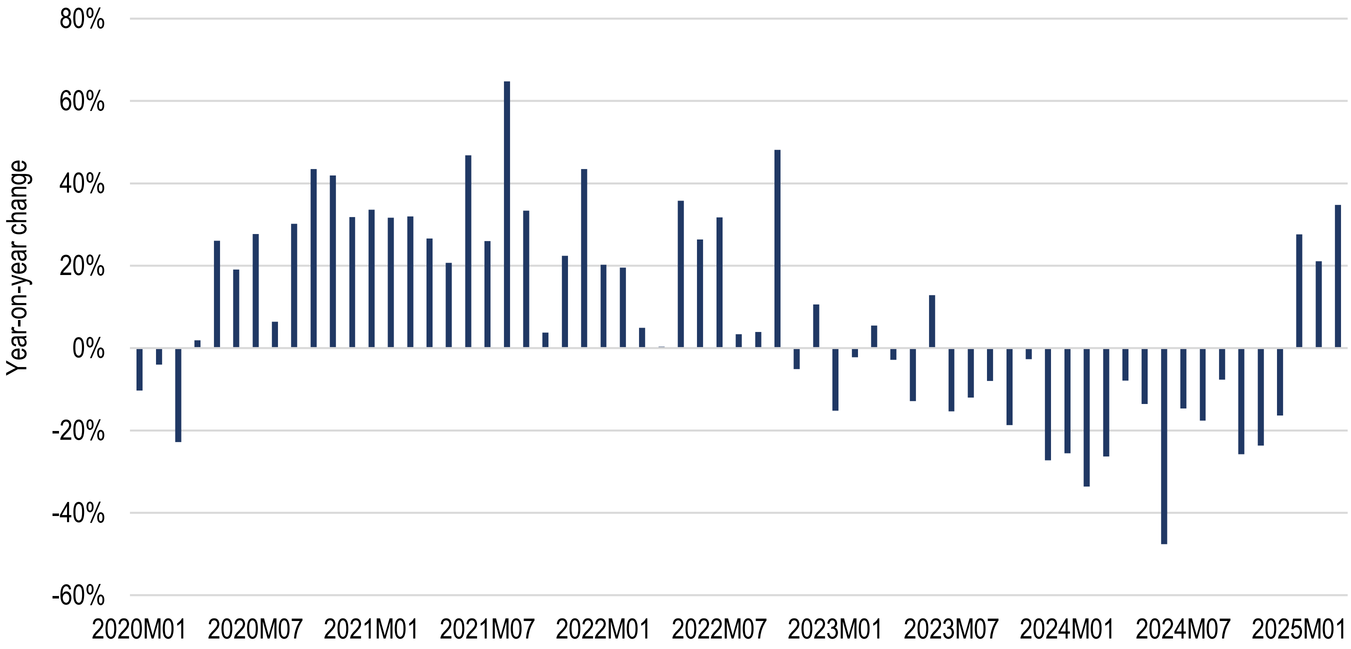
- Second, after a few good agricultural years, we struggled with a mid-summer drought in the 2023-24 season, weighing on farmers' fortunes and worsening sales performance. Farmers were under financial pressure because of the crop losses. For example, the 2023-24 mid-summer drought has led to a 23%

decline in South Africa's summer grains and oilseed production to 15,53 million tonnes. Lastly, the relatively higher interest rates for much of 2024 added to the financial pressures in the sector.

- In 2025, the interest rates have eased somewhat from last year's levels. The favourable agricultural production conditions indicate a rebound in the field crop, horticultural harvest, and other subsectors. These dynamics will likely continue to support the tractors and combine harvesters' sales in 2025, especially if we consider that some farmers may start with machinery replacement.

- The significant risk we are currently monitoring is trade policy, following the widespread tariffs imposed on countries by the U.S. government. South Africa's agricultural exposure to the U.S. market is mainly through horticulture and wine exports.

Exhibit 1: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

WEEK AHEAD

What we are watching this week

- We start the week with a focus on the global front, and this is another relatively quiet week on the data front with only two essential releases. The United States Department of Agriculture (USDA) will release its weekly **U.S. Crop Progress** report, guiding us about the upcoming 2025-26 crop production season in the U.S. Moreover, the USDA will release its weekly **U.S. Grains and Oilseed Export Sales** data on Thursday.

- On the domestic front, the calendar is relatively quiet. 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 49th week of the 2024-25 marketing year (corresponding with the 2023-24 production season). In the previous release on March 28, South Africa's weekly maize producer deliveries were about 75 141 tonnes. This puts the 2024-25 maize producer deliveries at 11,30 million tonnes out of the final harvest of 12,85 million tonnes.

- We are in the new 2025-26 marketing year for oilseeds, which started at the beginning of March 2025. In the first four weeks, the soybean producer deliveries totalled 56 025 tonnes out of the expected harvest of 2,4 million tonnes. In the case of sunflower seed, the first four weeks of the new marketing year's producer deliveries were 60 827 tonnes out of the expected 770 500 tonnes. We expect the early deliveries to remain relatively low and pick up next month because of the season's late start.

- Moreover, the wheat producer deliveries for the first 26 weeks of the 2024-25 marketing year stand at 1,82 million tonnes. The final harvest for the season is 1,92 million tonnes, down from the 2,05 million tonnes of the past season because of the reduced area planted and the poor yields.

- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 49th week of the 2024-25 marketing year. In the previous release on March 28, the 48th week of the 2024-25 marketing year, South Africa exported 30 686 tonnes of maize. Of this volume, 50% was exported to Zimbabwe, 15% to Botswana, 11% to Eswatini, 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 2,1 million tonnes, slightly above the expected seasonal exports (but down from 3,44 million tonnes in the 2023-24 marketing year because of the drought).

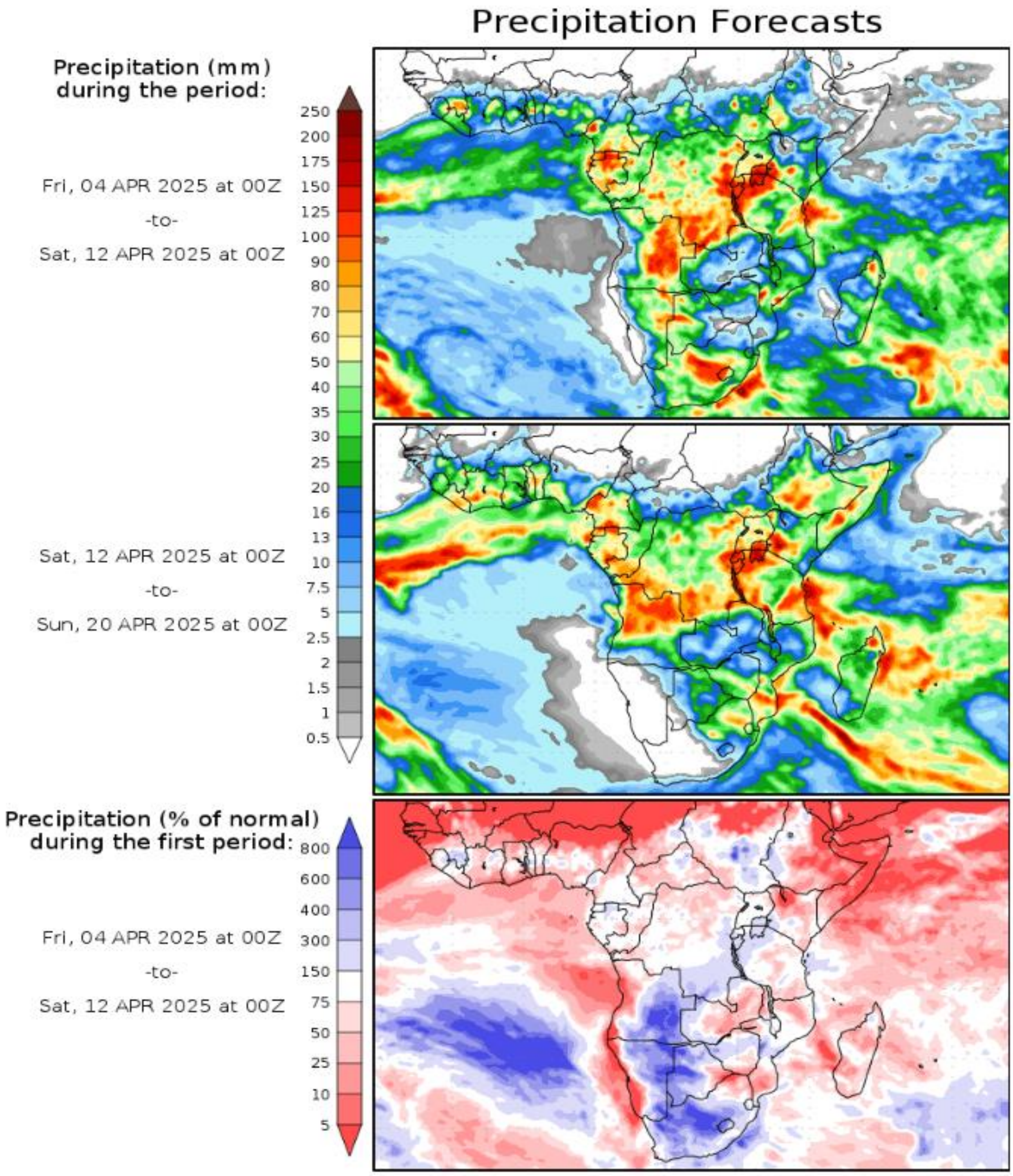
- While South Africa will likely remain the net exporter of maize in the 2024-25 marketing year, the coastal regions will import some volumes of maize as the domestic supplies are tight. We continue to see imports of yellow maize from Argentina and Brazil through the Port of Cape Town and white maize from the United States. South Africa's 2024-25 maize imports stand at 852 088 tonnes.

- South Africa is a net wheat importer, and March 28 was the 26th week in the new 2024-25 marketing year. The imports so far amounted to 881 203 tonnes. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season. So far, Russia (with 42% share), Lithuania (23%), Poland (10%), Latvia (9%), Canada (6%), Romania (5%), and Australia (5%) are the suppliers.

South Africa's Precipitation forecast

- The weather forecast for the week again shows a high chance of rain over most regions – see the coloured parts of the South African map. While we generally welcome the rains, we worry that continuous showers could compromise the crop quality in some regions where it has matured. Still, this isn't an immediate issue, but it would be ideal for the weather to warm up from mid-month.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)