

SA agriculture's recovery in 2025 may be varied across regions and sub-sectors

- Over the past few weeks, we have driven across various regions of the country, visiting some of our members. What we continued to observe from these drives reaffirms our view that South Africa's agricultural performance will likely improve in 2025 after the harsh mid-summer drought of 2024. However, the recovery may not be uniform across all regions. Some farmers will continue to face a financially challenging environment for some time, and crop production could only recover mildly in some regions.

Field crops

- Broadly, the farmers have managed to plant well in most regions, although the timing of the planting seems to differ vastly in some areas, partly because of the erratic rains at the start of the season. The grazing veld also has improved from its worrying state at the end of last year. However, regional dynamics present some nuances worth highlighting. While the crop fields are visibly green and mainly in good condition, some regions were evidently strained by the heat of November to the beginning of December 2024. In such regions, while the crop has recovered from the recent rains, it is not in its usual health state for this stage of the season. We saw this mainly around various small towns of the eastern Free State. We suspect that the North West Province, the western regions of Mpumalanga and the northern parts of Limpopo may have similar experiences. These areas saw erratic and late rains.
- The forecasting of the 2024-25 summer grains and oilseeds production will again likely be tricky, especially the first few estimates, as the Crop Estimates Committee deepens its understanding of the extent of the late planted crop and the early plantings that may have lower yield potential as a result of the heat in November. This, however, is mainly a challenge for summer grains and oilseeds.
- Unlike the northern and central regions of South Africa, which had these challenging weather conditions, the far eastern areas of the country had better rains. This has benefited the sugarcane and general production prospects of the sugar industry. The one aspect this industry struggles with is the costs associated with the Health Promotion Levy and, at various times, imports. The National Treasury should also consider the challenging seasons the industry is emerging from and the financial strain that additional increases in the Health Promotion Levy would likely present. We believe that a moderate approach is necessary to support the industry's recovery.

Fruits and vegetables

- Improvement in dam levels will further support the production of fruits and vegetables under irrigation and even the irrigated veld for the dairy industry. Market prices for fruit farmers look promising, and with eased delays at the South African ports so far, the sector will likely also benefit from the exports. In citrus, we remain optimistic that juice prices may be high for a while, which could support the farmers

in the new season. For the vegetable farmers, removing the export ban in Botswana will also help this year from a demand perspective. The focus during the year will also be on Namibia, which has maintained restrictions on the imports of vegetables from South Africa.

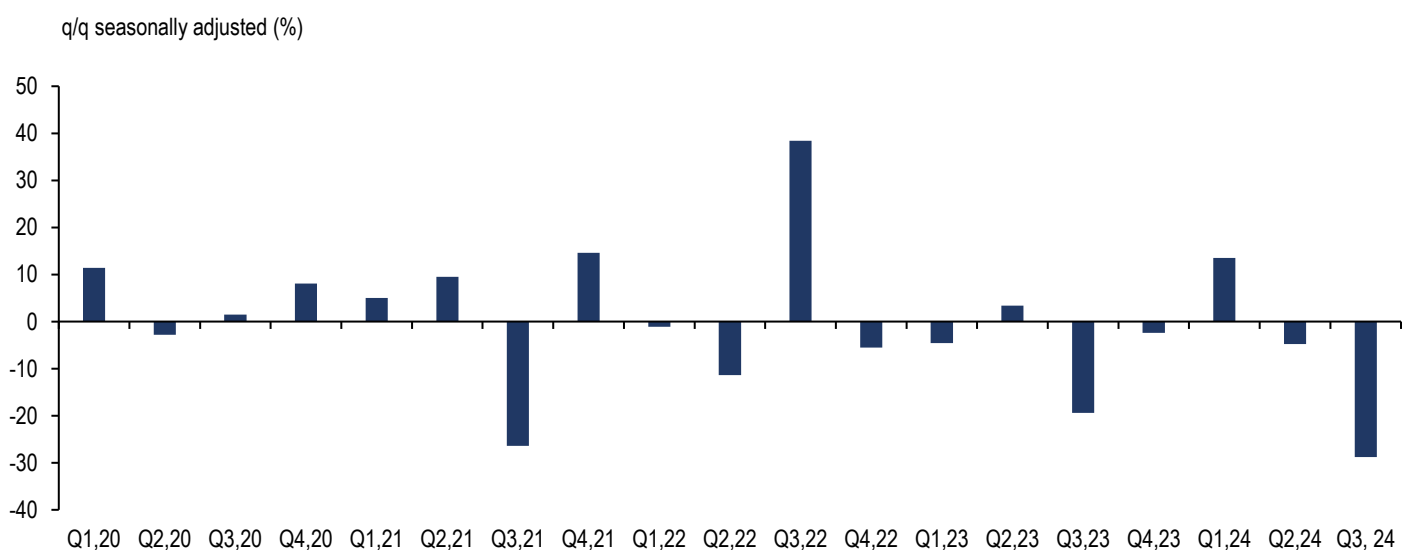
Livestock

- Regarding the livestock industry, meat producers and dairy farmers have endured higher input costs, moderate milk prices, and animal diseases. Therefore, improving the grazing veld due to better rains may help. Unfortunately, international dairy prices remain under pressure, suggesting that South African farmers must contend with a challenging market environment for some time. Positively, the resumption of the export markets for South African red meat exports following the success the country is making in controlling the spread of animal diseases is a positive factor for this year's outlook. The potential recovery in domestic household income and spending may also help to support the local demand, which has been under pressure for much of last year.

Wine

- The wine industry also faces better production prospects after a few years of a decline in output and the lingering aftereffects of the ban on sales of wine during the COVID-19 pandemic. As the sector recovers, it would be ideal for the National Treasury to spare it from increasing excise duties. The wine industry is one of the major job creators in rural South Africa, and easing financial strain from it during this crucial recovery period would be valuable for its sustainability.
- Overall, South Africa's agriculture will likely see a mixed and slow recovery in 2025. The erratic rains and the season's late start are some challenges. Fortunately, the rainfall outlook through March is optimistic and will support crops, fruits, and grazing veld. Still, the policymakers' actions can also help, especially in the wine and sugar industries, by taking a more moderate approach to increasing the excise duties of the Health Promotion Levy. The continued work of opening more export markets and addressing port challenges will also help the industry broadly.

Exhibit I: South Africa's agricultural gross value added



Source: Stats SA and Agbiz Research