

Some brief comments on the ongoing grain export issues in the Black Sea region

Today Russia halted the Black Sea Grain Deal, brokered by the United Nations and Turkey in July 2022, to combat a global food crisis. The implications of this decision will be clear over the coming days and weeks.

Still, one has to appreciate that one of the major contributors to the current slowing global agricultural commodities prices (food prices) is the Black Sea Grain Deal, which allowed for a safe grain movement from Ukraine and Russia since July 2022.

Therefore, Russia's refusal to renew the Black Sea Grain Deal presents an upside risk to global grain prices, which may undermine the gains we were all starting to enjoy from the slowing grain prices, specifically in the major importing regions.

While the majority of grain from the Black Sea was primarily exported to Europe, the Middle East, and North Africa, the availability of grain and the decline in prices indirectly benefited the global community.

Regarding South Africa, we are not directly at risk as we have large domestic grain supplies. Our maize harvest is at 16,35 million tonnes. This crop is 6% more than the 2021/22 season and the second-largest harvest on record. This means South Africa will have over 3 million tonnes of maize for exports in the 2023/24 marketing year.

With that said, we still import roughly half of our annual wheat usage, but most of this for the 2022/23 season is already on our shores. For example, On July 07, South Africa's 2022/23 wheat imports were at 1,1 million tonnes out of the seasonal import forecast is 1,6 million tonnes.

South Africa's major wheat suppliers in the 2021/22 season were Argentina, Lithuania, Brazil, Australia, Poland, Latvia and the US. If one looks into South Africa's wheat import data for the past five years, Russia was one of the significant wheat suppliers, accounting for an average share of 26% yearly. Argentina and Brazil replaced this in the 2021/22 season. However, Russia is back on the suppliers' list in the 2022/23 season and is again one of the significant wheat suppliers to South Africa thus far.

Still, this doesn't mean South Africa will be insulated from this disruption. We think the price reaction to the news of Russia's refusal is worth monitoring and could impact South African consumers if no solution is found in the near term regarding the grain movement from this region. But the extent of that will depend on how global grain markets react to this current glitch caused by Russia. Importantly, Russia has large wheat supplies that must be exported in the 2023/24 season, so monitoring if those shipments won't face any issues will be important.

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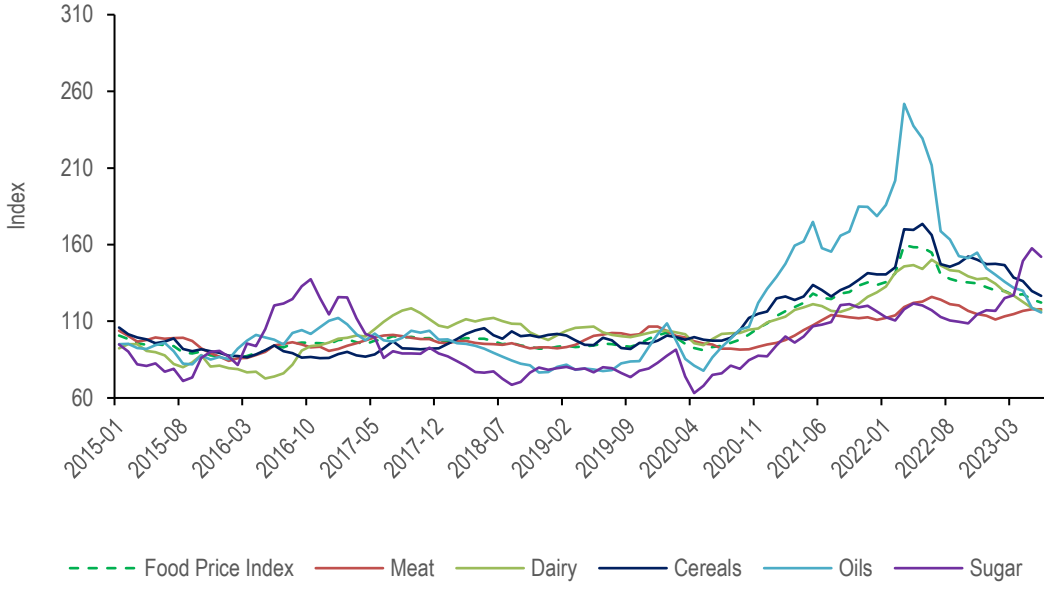
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Exhibit 1: Global Food Price Index



Source: FAO and Agbiz Research