

SA agriculture exports up modestly in the first quarter of 2022

The impact of the recent floods in Durban, which have destroyed the infrastructure and interrupted trade activity, will likely appear in the second quarter trade figures. The first quarter of the year faced similar constraints to the past quarters such as delays at the ports and rail, and deteriorating road infrastructure. This is true for exporting sectors of the economy, including the agricultural sector. In the first quarter of the year, the approach for agriculture was to engage in more coordination with Transnet, agriculture industry groups, and transport organisations, which helped improve the flow of information about various challenges and functions at the ports. This was specifically true for the Port of Cape Town, where there were long delays at the start of the year due to numerous infrastructure constraints and weather-related difficulties. The primary external event in the first quarter was the invasion of Ukraine by Russia, which disrupted trade with the Black Sea region. For South Africa, this is important, especially for the horticulture subsector. Russia accounts, on average, for 7% of South Africa's citrus exports in value terms. And it accounts for 12% of South Africa's apples and pears exports. Hence, we feared that the impact of the war would instantly show in the trade figures.

We now have the trade data for the first quarter of 2022, and positively, exports are up, modestly, by 1% y/y to US\$2,96 billion. This is also up by 6% quarter-on-quarter. The top exportable products were grapes, maize, wine, apples and pears, peaches, cherries and apricots, wool, and fruit juices, amongst other products. We expect some of these products to continue dominating the export list over the remainder of the year, with possible additions being citrus, where harvest activity has recently started, as well as nuts and sugar. The significant factors underpinning this robust export value are the sizeable agricultural output in the 2021/22 production season, combined with general solid global demand, even at higher agricultural commodity prices for maize.

Still, the heavy rains and floods in April in KwaZulu-Natal possibly had a notable impact on trade activity, although the response to rebuild by Transnet and other organisations was speedy. As such, it won't be surprising to see a possible decline in trade activity in the second quarter, given the importance of the Port of Durban for both exports and imports of agricultural products and other goods.

From a destination point of view, the African continent remained the largest market for South Africa's agricultural exports in the first quarter of this year, accounting for 41% in value terms. The European Union and Asia each accounted for a 24% share of total exports in value terms, respectively. The United Kingdom is one of the most important agricultural markets for South Africa and accounted for 9% of overall exports in the first quarter. The balance of 2% value constitutes the Americas and other regions of the world. Russia was still a noteworthy export market in the first quarter, accounting for 1% of South Africa's total agriculture, food and beverages exports, and the 21st largest export market. We expect this volume to decline notably in the second quarter data.

Efficient logistics are also vital for imports as South Africa still relies on other countries for crucial food products such as wheat, rice, palm oil, sunflower oil and poultry products. These products dominated the food import bill in the first quarter. Some, such as rice, and palm oil,

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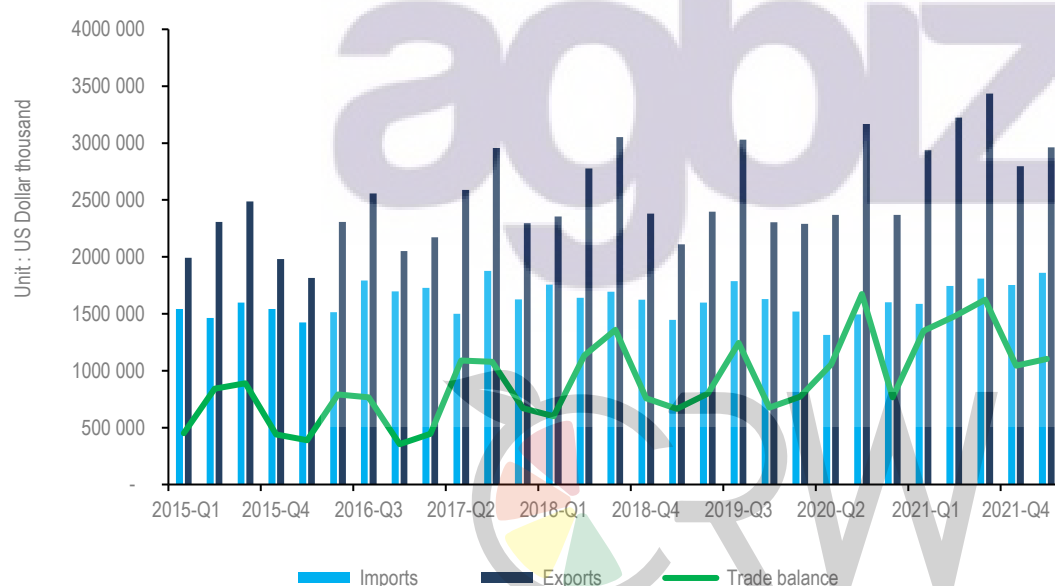
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cannot be sustainably produced at scale in South Africa because of unfavourable climatic conditions. As such, in the first quarter of 2022, agricultural imports increased by 17% y/y to US\$1,86 billion. Aside from the increase in volumes of imports, the higher agricultural commodity prices also contributed to the high import bill. We believe rice, wheat, and palm oil will continue leading the agricultural import product list throughout the year. In sum, South Africa recorded an agricultural trade surplus of US\$1,10 billion in the first quarter of 2022, which is down by 18% from the corresponding period last year. The narrowing of the trade surplus is not only caused by modest exports, as we noted above, but rather the increase in imports value and the higher commodity prices.

Overall, the increased collaboration amongst industry stakeholders and service providers has helped sustain the agricultural trade in the past quarter. The same collaborative approach should be maintained in searching for and promoting South African agriculture, food, and beverages to new export markets. We are an export-oriented sector, where roughly half of the produce, in value terms, is exported. Therefore, an industry and government approach to promoting South African products in export markets is key. The agriculture and agribusiness role players have already identified the countries the government should prioritise this sector's export expansion. These are China, Japan, India, Saudi Arabia and Bangladesh. These efforts should be well sequenced and complement the ongoing attempts to boost domestic production through various interventions outlined in the recently launched Agriculture and Agro-processing Master Plan.

Exhibit 1: SA agricultural trade



Source: Stats SA and Agbiz Research

Weekly highlights

SA's 2021/22 summer crops in good shape

South Africa's 2021/22 summer crop harvest activity is underway and the initial yields reports are positive. Thus, we welcome the positive picture painted by the Crop Estimates Committee's fourth production estimate released this past week. The Crop Estimates Committee kept most production estimates unchanged from last month except for soybeans. The soybeans 2021/22 production estimates was lifted by 2% from last month to 1,93 million tonnes. If this materialises at the end of the season, it will be the largest harvest on record. The major factors underpinning the harvest are expansion in area plantings and expected better yields in some regions.

The expected 2021/22 sunflower seed production was kept unchanged from last month, at 963 000 tonnes. This is the second-largest harvest, primarily due to an expansion in area plantings and expected better yields in some regions. The improvement in the sunflower seed harvest, and indeed, the entire vegetable oils market, comes at an appropriate time when there are worries that there could be supply constraints in the coming months in the global market. The Russian invasion has devastated Ukraine's exports and agricultural activity, thus limiting sunflower oil exports. Moreover, the uncertainty about Indonesia's exports of palm oil exports, following the recent ban and suspension of it, is also an additional risk to the global vegetable oil supplies. Therefore, the increase in domestic output will slightly lessen South Africa's reliance on imports, although imports will likely still be required to meet our annual needs.¹

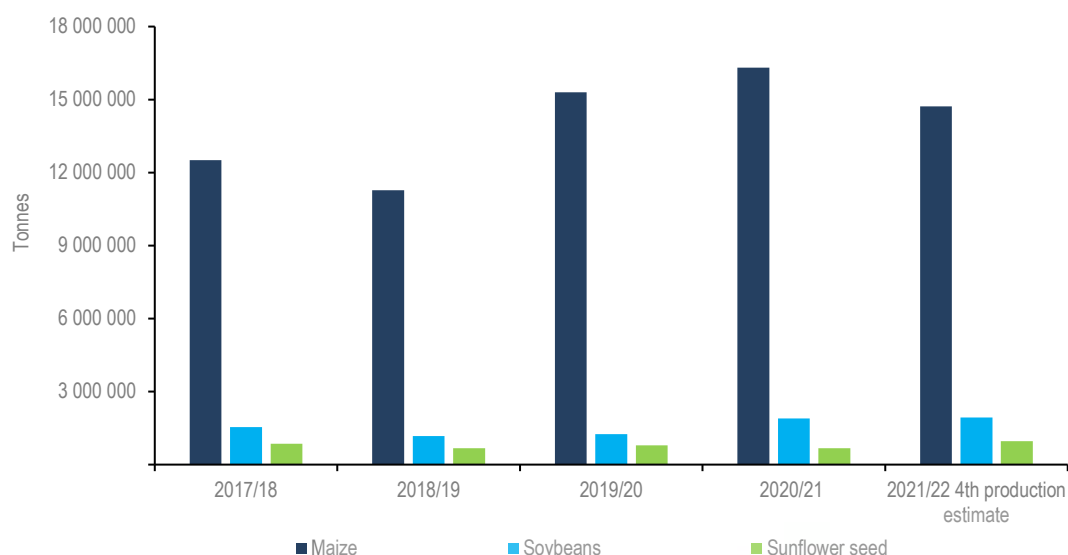
In the case of maize, the Crop Estimates Committee kept the production estimate unchanged from last month at 14,72 million tonnes. A harvest of this size, 14,72 million tonnes, is decent and well above the 10-year average of 12,8 million tonnes and annual maize consumption of 11,8 million tonnes. About 7,55 million tonnes are white maize, and 7,17 million are yellow maize. The yearly decline from 16,32 million tonnes in the 2020/21 season is mainly due to reduced area plantings and expected lower yields in some regions. Notably, if this harvest materialises, South Africa will likely remain a net exporter of over three million tonnes of maize in the 2022/23 marketing year, which started this month, May 2022.

Other crop production estimates were slashed from April estimates, such as groundnuts, whose production is at 70 400 tonnes (up 9% y/y). Dry beans production estimate is at 55 995 tonnes (down 3% y/y). Sorghum also remained unchanged at 137 220 tonnes, down by 36% y/y.

Overall, these mainly optimistic production data will have minimal impact on prices. As with the previous few years, the domestic grains and oilseeds prices primarily follow the global markets. The Russia-Ukraine war worries continue to present upside pressures on prices, reflected in the South African grains market. Still, the fact that supplies improved provides comfort as far as the availability of essential grains and oilseeds is concerned. The upside price movements bode well for farmers in areas that didn't experience much crop damage. They stand to benefit from slightly higher grains and oilseeds prices. Meanwhile, the consumers, livestock and poultry producers will likely experience increased costs.

¹ There are also expectations of an increase in the 2021/22 canola plantings in the winter crop growing regions of the country this year.

Exhibit 2: South Africa's major summer grain and oilseeds production



Source: CEC and Agbiz Research

Data releases this week

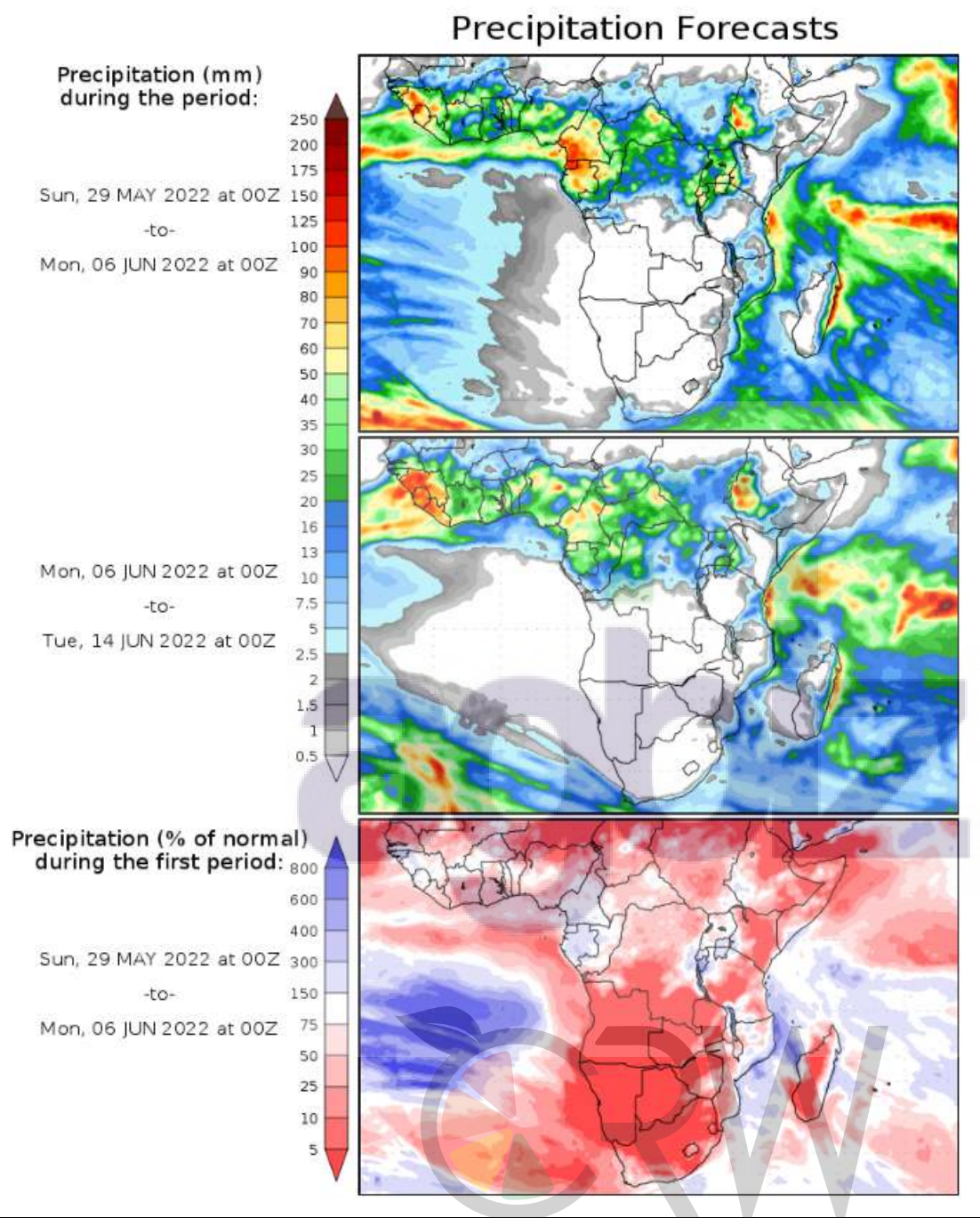
We start the week with a global focus, where on Tuesday the United States Department of Agriculture (USDA) will publish its weekly **US Crop Progress** data. In the previous release, in the week of 22 May 2022, maize and soybean plantings were still behind the 2021 pace because of dryness in some regions of the US. For example, about 72% of the US maize hectares had been planted compared with 89% on 15 May 2021. Moreover, 50% of the soybeans had been planted compared with 73% in the corresponding period last year. On Friday, the USDA will release the **US Weekly Export Sales** data.

Domestically, on Tuesday, Statistics South Africa will release the **Quarterly Labour Force Survey** for the first quarter of the year. In the last release of the fourth quarter of 2021, the Quarterly Labour Force Survey data showed a positive reading of a 7,1% y/y increase in primary agriculture jobs to 868 000, which is well above the long-term agricultural employment of 780 000. The increased activity on the farms in the last quarter of the year and generally improved financial conditions following excellent harvests were at the core of these robust employment conditions in the sector.

On Thursday, SAGIS will publish the **Weekly Grain Trade** data for the week of 27 May. In the previous release on 20 May, which was the third week of South Africa's 2022/23 maize marketing year, the weekly exports amounted to 45 565 tonnes. The key markets were Taiwan, Portugal and the Southern Africa region. This brought the total 2022/23 exports to 171 614 tonnes out of the seasonal export forecast of 3,2 million tonnes. This is slightly down from 4,1 million tonnes in the past season due to an expected reduction in the harvest.

South Africa is a net importer of wheat, and 20 May was the 34th week of the 2021/22 marketing year. The total imports are now at 1,04 million tonnes out of the seasonal import forecast of 1,48 million tonnes (slightly below the 2020/21 marketing year imports of 1,51 million tonnes because of a large domestic harvest).

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)

The weather forecast for the next two weeks shows clear skies over most regions of South Africa. This should help support the summer crop harvesting activity in areas where the process has commenced.