

January 27 2025

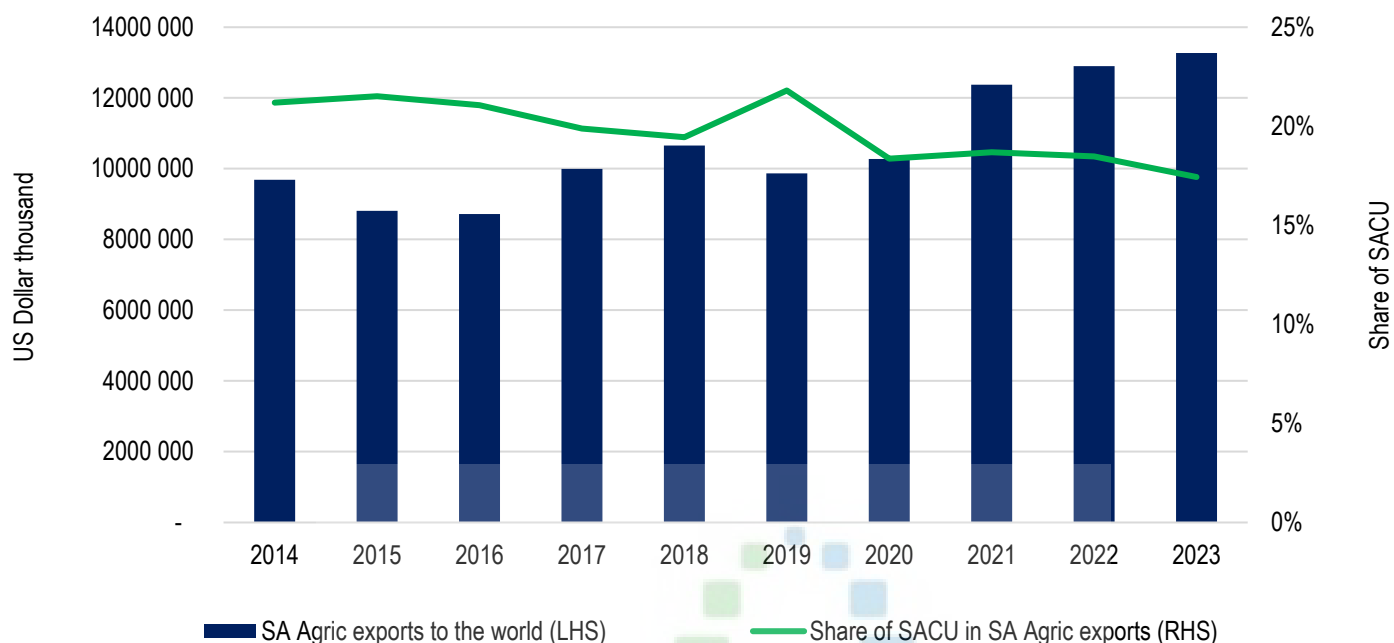
The SACU region remains a crucial market for South Africa's agricultural exports

- With the return of Donald Trump as US President, trade relations have become a top-of-mind issue and likely will be for some time to come. Trump has indicated plans to impose import tariffs against various countries. One week into his term, Trump is still to announce concrete measures in this regard. However, in this world of potential trade disruptions, it is important for countries with strong trade ties to strengthen relations. For South Africa's agricultural sector, the African continent is the largest trading partner, accounting for roughly 40% of South Africa's agricultural exports of around US\$13,2 billion in 2023. While prospects for growth of this market remain uncertain because of higher saturation presently, with much faster growth in exports likely to be in Asia and the Middle East, retaining the current export markets, such as the African continent, is critical for South Africa's agriculture.
- In the recent past, some trade friction in South Africa's trade relations with the African continent has mainly been within the SACU region, a customs union that is a free trade zone, which includes Botswana, Namibia, Lesotho and Eswatini. From around 2021, Botswana banned imports of vegetables from South Africa, which continued until its removal by the new administration of President Duma Boko in December 2024.
- Namibia's ban, which started around the same time as Botswana, on imports of South Africa's vegetables remains in place. Each country's rationale for banning vegetable imports was that they were building their domestic industries and required cushioning. These bans on imports of agricultural products add uncertainty and weigh on business. Moreover, they have fueled a lingering political sentiment in some quarters that SACU needs a review.
- On January 16 2025, there was once more friction as Botswana banned the imports of grains from South Africa, including maize, sorghum, and wheat. The ban extended to pawpaw, kiwi, and coconut, amongst other products. The reason for this was the detection of the Goss's wilt in a few maize-growing regions of Free State, North West, Gauteng, and Eastern Cape. Even then, the South African scientists were still studying the bacteria. Notably, Botswana banned imports of a wide range of products while the research showed that the risk was mainly in maize seeds for planting, and the bacteria would not be transferred to maize for feed or human consumption. There was no scientific evidence of risks to other products. This decision again raised the question of why SACU is not cooperating better on these scientific questions. Fortunately, on January 24 2025, after the authorities from South Africa and Botswana deliberated on the issue, Botswana removed the ban and allowed trade to resume.
- Namibia also followed Botswana's actions and banned the imports of South African grains and various agricultural products, as we list above in Botswana's case. This added to Namibia's current ban on importing vegetables from South Africa. At the time of writing this note, Namibia had not followed the

same approach as Botswana to remove restrictions. Both Botswana and Namibia are maize export markets for South Africa's agricultural exports to SACU.

- Botswana and Namibia's trade policy approach has weighed negatively on South Africa's agricultural exports. Putting everything aside and reviewing purely from an agricultural trade, the SACU region is vital to South Africa. According to our calculations using data from Trade Map, the region accounted for about 20% of South Africa's agricultural exports of US\$13,2 billion in 2023. This equals the same value as South Africa's agricultural exports to the EU. The only difference between the EU and SACU is the products in the export basket. The EU tends to import more fruits and wines, while the SACU basket is heavy on grains and beverages.
- South Africa imports under a billion dollars of products from SACU, averaging at US\$769 million over the past five years. This is about an 11% share of South Africa's agricultural imports, on average, in the past five years. The imports are mainly live animals (cattle) and sugar. The major exports to South Africa in SACU are Eswatini and Namibia.
- Given that this is a huge export market for South Africa and an essential one for SACU nations, the logical steps should be to preserve trade and reduce the frequent occurrence of export bans targeted at South Africa. The policy ambitions of the SACU members to increase their domestic production could focus on leveraging scientific advancements and investments from South Africa, which has mature agriculture and food, fibre, and beverage value chains. Ideally, collaboration should be the path forward rather than confrontations.
- Indeed, South Africa's SACU market does not represent much growth potential beyond what exists. Still, exports are vital for regional food security and stability. Diversifying export markets to other regions to ease risk in the future is key, but it should be viewed as part of the long-term market development and not a replacement of the market currently existing in SACU. Over time, SACU may have to export to the world and promote products from a regional perspective.
- In a global environment that appears likely to have more inward-looking trade policies, countries with long-standing trade relations, such as those in SACU, need to strengthen their partnerships and avoid the allure of antagonistic trade policy approaches that we see in various regions of the world.
- Therefore, South Africa's Department of Agriculture, Trade, Industry and Competition and the Department of International Relations and Cooperation should work collectively to strengthen trade ties with South Africa's existing partners. The SACU relationship should also be maintained, and the focus must not be primarily on the EU, US, BRICS, and others. It is through such an approach that South Africa's agricultural sector will secure lasting export markets. The export markets are essential to South Africa's plans to grow the domestic agricultural sector, as South Africa already has an export-oriented agricultural sector.

Exhibit I: South Africa's agricultural exports



Source: Trade Map and Agbiz Research

WEEKLY HIGHLIGHT

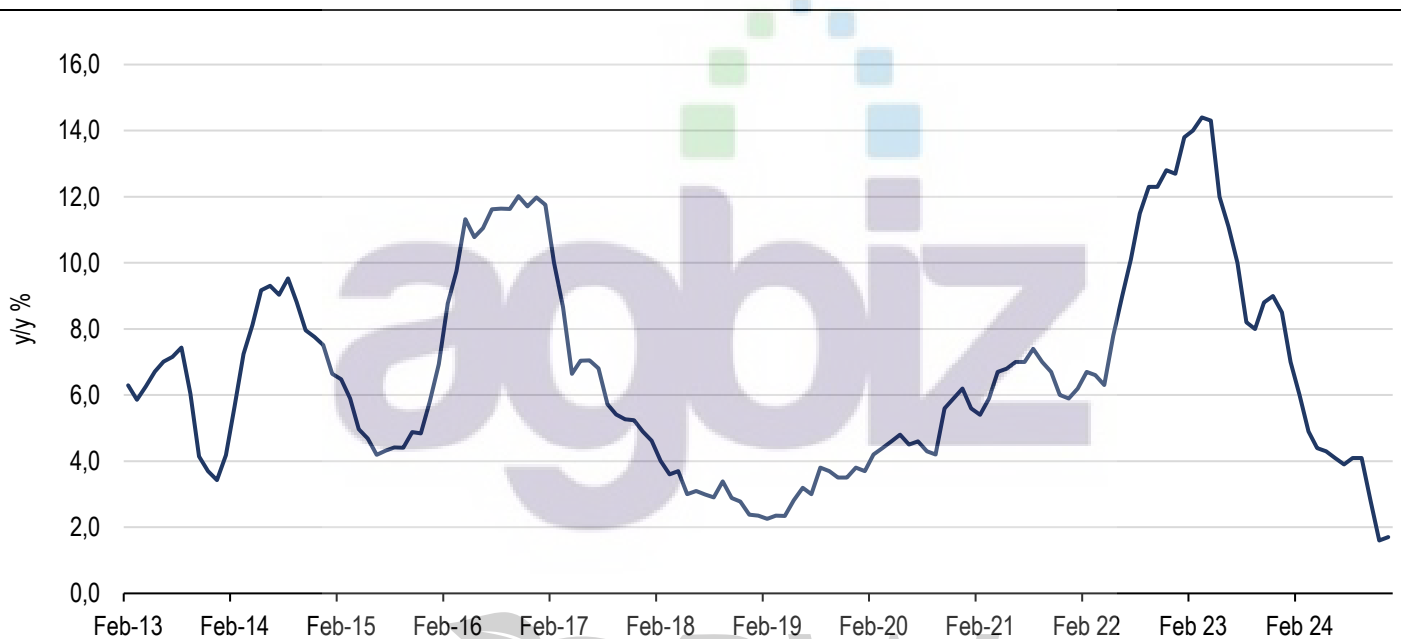
SA ended 2024 with lower consumer food price inflation

- South Africa ended 2024 with lower consumer food price inflation. After slowing to 1,6% in November 2024, the lowest level since October 2010, South Africa's consumer food price inflation slightly nudged to 1,7% in December. The products that underpinned the mild uptick in December 2024 were "oils & fats", "fruit", "vegetables", and "sugar, sweets, and dessert". Still, the price uptick in all these products was mild. The price inflation of other food products was roughly unchanged from the moderate levels we saw in November. The 2024 food price inflation averaged 4,1%, down from 11,0% in 2023.
- South Africa's headline consumer price inflation was at 3% y/y in December 2024, from 2,9% y/y in November.
- The broad story of the second half of 2024, when food product price inflation moderated notably, was the base effects and the recovery in supplies of various products. For example, in the second half of 2023, vegetable prices were elevated because of supply constraints due to load-shedding-related disruptions in some fields. Moreover, the avian influenza outbreak constrained egg supplies, exacerbating price risks. This was also the case with meat. In 2024, these challenges had eased, and the supply

improved. For this reason, both vegetables and meat were deflated in November 2024 and remained low in December.

- Also worth noting is that grain prices faced upward pressure in 2023 following India's rice export ban. In 2024, India resumed rice exports, and prices slowed generally. The generally lower wheat prices also added to the moderation of grain-related product prices.
- For the first half of 2025, grain-related products remain the upside risk to consumer inflation following a surge in white maize prices in recent months because of the poor crop harvest due to the drought. For example, South Africa's 2023-24 maize harvest was 12,72 million tonnes, down 23% year-year. The strong demand from Southern Africa presented additional upside pressure on prices. From the second half of the year, prices should moderate as grain supplies recover because of favourable La Niña rains.

Exhibit 2: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research

WEEK AHEAD

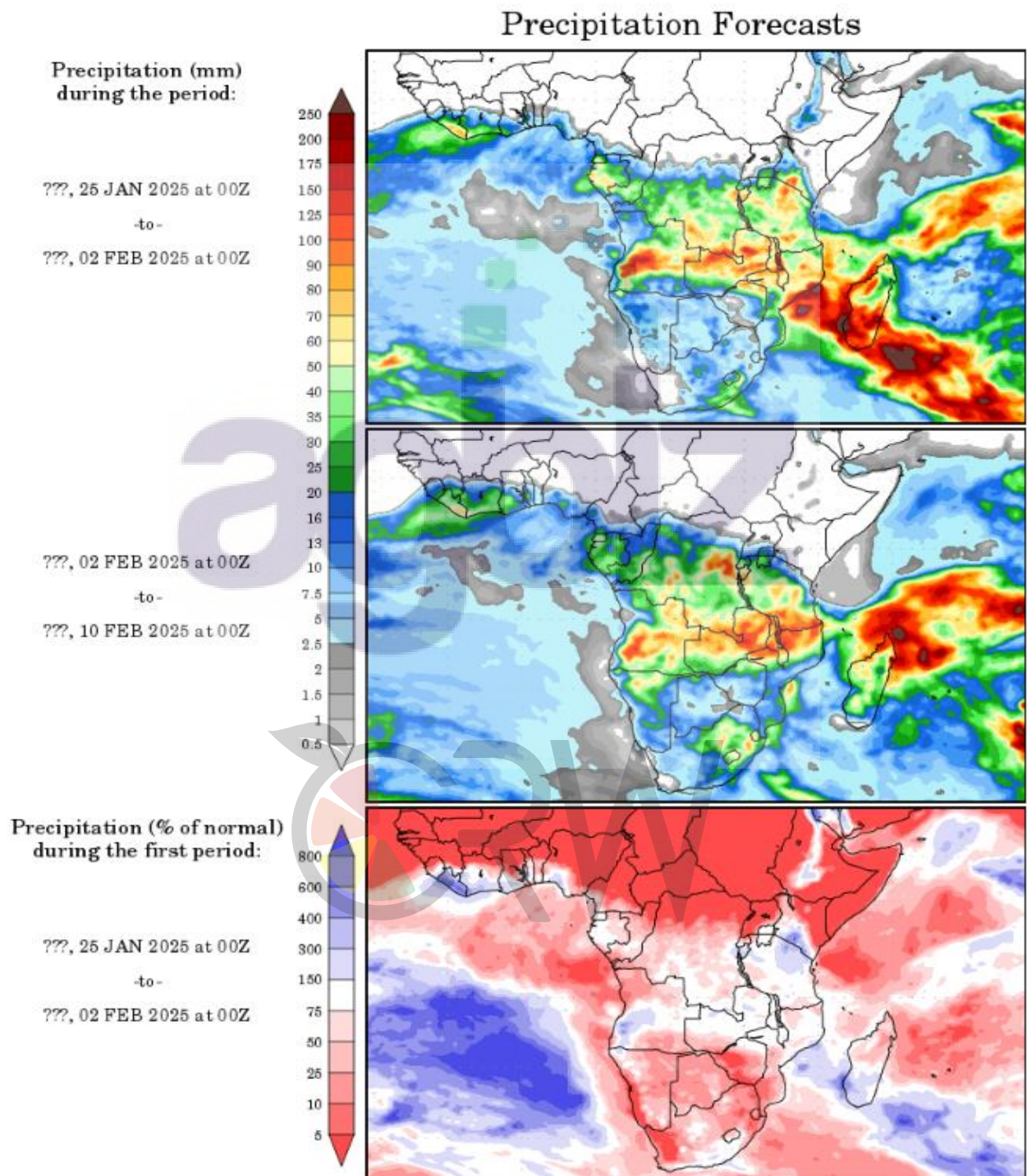
What we are watching this week

- We have another quiet week on the global front, with only two major releases. On Thursday, the United States Department of Agriculture (USDA) will release its weekly **US Grains and Oilseed Export Sales** data and the **Citrus' World Markets and Trade report**. In a citrus report, we will see if Brazil and the broader South American citrus production are recovering, and an update on the orange juice market matters.
- On the domestic front, Statistics South Africa will release the **Consumer Price Index (CPI) 's Weights** report for 2023 on Tuesday. On the same day, Statistics South Africa will also release the **Food and Beverages** report for November 2024.
- 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 39th week of the 2024-25 marketing year. In the previous release on January 17, South Africa's weekly maize producer deliveries were about 31 212 tonnes. This puts the 2024-25 maize producer deliveries at 10,77 million tonnes out of the final harvest of 12,70 million tonnes. The 2024-25 soybean deliveries in the first 45 weeks of this new marketing year amounted to 1,79 million tonnes out of the final harvest of 1,84 million tonnes. At the same time, the sunflower seed deliveries amounted to 631k tonnes out of the harvest of 636k tonnes.
- Moreover, the wheat producer deliveries for the first 15 weeks of the 2024-25 marketing year stand at 1,70 million tonnes. The anticipated harvest for the season is 1,93 million tonnes, down from the 2,05 million tonnes of the past season because of the reduced area planted and the poor yields in some parts of the Free State and Limpopo regions.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 38th week of the 2024-25 marketing year. In the previous release on January 17, the 38th week of the 2024-25 marketing year, South Africa exported 56 267 tonnes of maize. Of this volume, 51% was exported to Zimbabwe, 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 1,70 million tonnes out of the expected 1,90 million tonnes (down from 3,44 million tonnes in the 2023-24 marketing year because of the mid-summer drought). 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 and tight domestic supplies. We have recently seen the imports of yellow maize from Argentina and Brazil through the Port of Cape Town and a consignment of white maize from the United States. South Africa's 2024-25 maize imports currently stand at 505 122 tonnes.
- South Africa is a net wheat importer, and January 17 was the 16th week in the new 2024-25 marketing year. The imports so far amounted to 466 062 tonnes. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season.
- Also, Statistics South Africa will release the **Producer Price Index (PPI)** data for December 2024 on Thursday.

South Africa's Precipitation forecast

- After a week of relatively warm weather, this week and next may bring moderate rains over most regions of South Africa. This will support the summer crop-growing regions and the grazing veld. The warm weather this past week was key to permitting the areas that hadn't been planted to proceed.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)