

February 3 2025

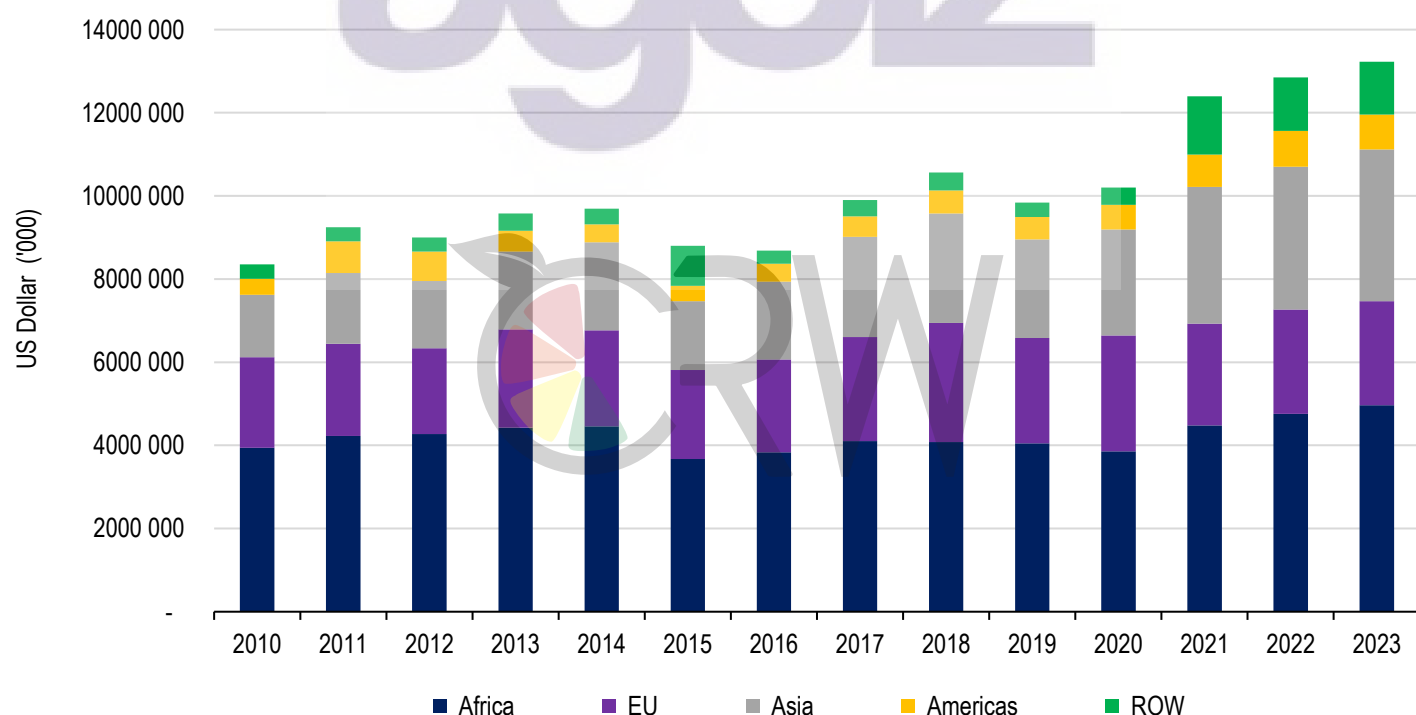
SA organized agriculture and government must focus more on trade matters

- Now that US President Donald Trump has followed through with his election promise to impose tariffs on imports from Canada (25%), Mexico (25%) and China (10%), what can we expect next? And how should organized agriculture businesses and the South African government prepare for this new normal?
- In one sense, there is nothing unexpected about Trump's use of tariffs to pursue America's mercantilist objectives. Similar tariffs were deployed back in 2018, but that was against China, which Western countries had a silent consensus that it was a strategic rivalry. Now, with close allies such as Canada and Mexico, this takes trade frictions to shocking levels.
- In the coming years, as trade friction persists globally, we suspect that there likely will be a change in various regions' trade approaches, with some preferring more protectionism for their markets in general. The EU is one such region. For agriculture, farmers from France and other major EU countries have called for months for restrictions on imports of agricultural products. This is likely to intensify, and in some instances, it may take the form of non-tariff barriers to soften the blow in the public gallery.
- In the past, EU officials have resisted the pressure to impose tariffs, preferring instead to maintain a relatively open market approach. Non-tariff barriers towards some countries have been the EU's preferred instrument to keep some producers happy. An example of this is South Africa's citrus industry, which has a case against the EU at the World Trade Organization.
- If trade fragmentation and economic nationalism intensify, South Africa's agriculture and other exporting industries will be at risk. The South African agricultural sector generated much of its growth over three decades through increased export opportunities. Roughly half of the produce in value terms goes to the export markets. For 2024, these exports likely exceeded the US\$14,0 billion mark for the first time. The higher commodity prices and strong fruit exports are mainly the drivers of South Africa's trade. The actual figures we have so far are for 2023, where South Africa's agricultural exports reached a record US\$13,2 billion, according to data from Trade Map.
- The EU, broader Africa, Middle-East and Asia are part of the large export markets. In value terms, the Americas region was only 6% of South Africa's overall agricultural exports in 2023. Still, the region matters significantly for two reasons.
- Firstly, the exports are concentrated in specific industries, mainly nuts, citrus, wines, grapes and fruit juices. This means while the risks associated with this market are not as significant in proportion to overall agricultural exports, they present challenges to specific industries. Secondly, the negative sentiment arising from any confrontation with the Americas region would have negative effects on South

Africa's agriculture. It is, therefore, vital that South Africa maintains positive agricultural relations with this region.

- South Africa must focus on strengthening and revitalizing relations with its trade partners beyond Europe. For each export-oriented industry, there should be regular engagement between local business representatives, organized businesses, and the government to hone our export strategies. In these times, South Africa must maintain a posture as an open global actor that seeks to build relations across the globe on a pragmatic basis. This openness and pragmatism – rather than ideology and dogma - should be its leitmotif in bilateral and multilateral trade relations.
- Beyond the existing markets, we must urgently widen export markets for various agricultural products. Worryingly, the push to open more export markets at a time when the world is fragmented and looking "inward" also implies that this will be a challenging task and one that requires the sort of economic diplomacy rooted in strategic collaborations between government and industry, and here both the Department of Trade, Industry and Competition (DTIC) and the Department of International Relations and Cooperation have a pivotal role to play. Beyond working together to advance South Africa's economic diplomacy, these departments must build strong capabilities in their bilateral trade desks.
- For South Africa's long-term agriculture growth strategy, export markets are a fundamental part of its success. Thus, agribusiness and farmers should now, more than before, put more emphasis on this matter in their various engagements with government and international stakeholders.

Exhibit I: South Africa's agricultural exports to various regions of the world



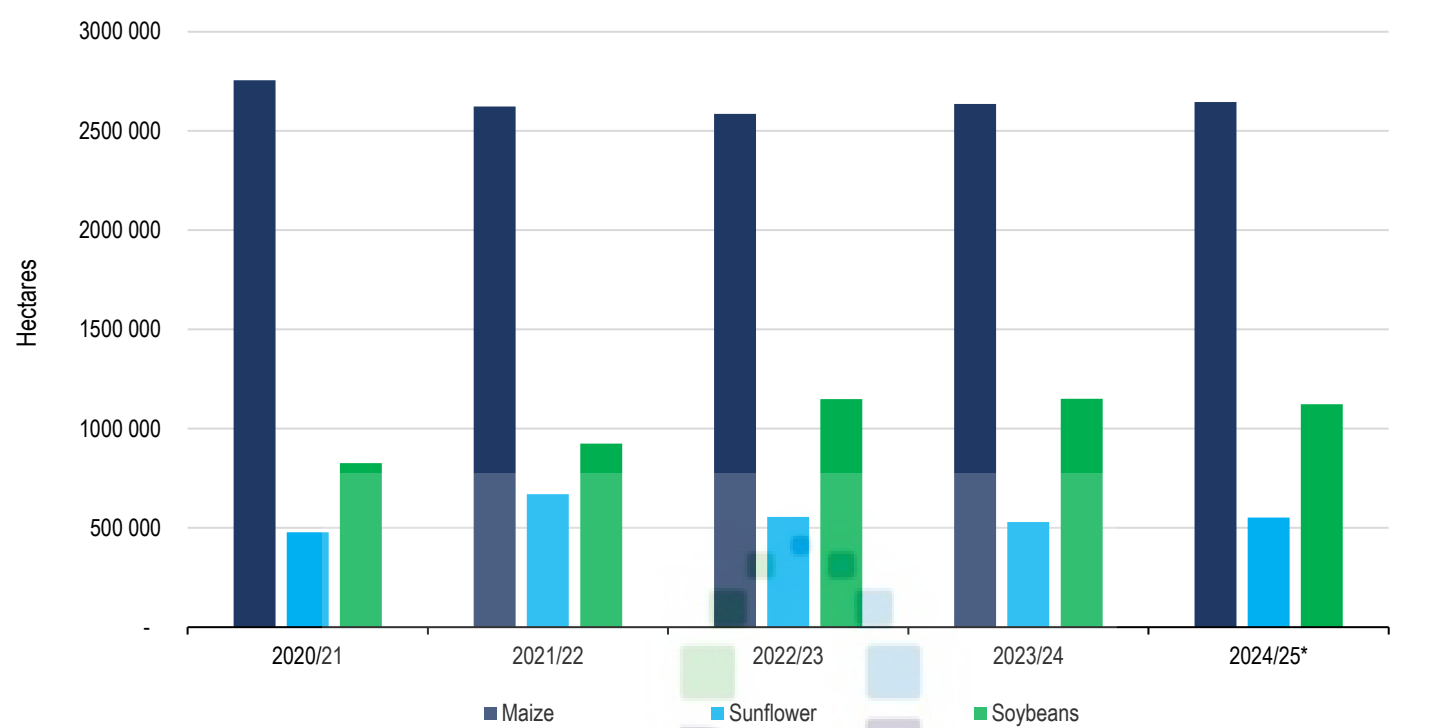
Source: Trade Map and Agbiz Research
ROW represents the Rest of the World

WEEKLY HIGHLIGHT

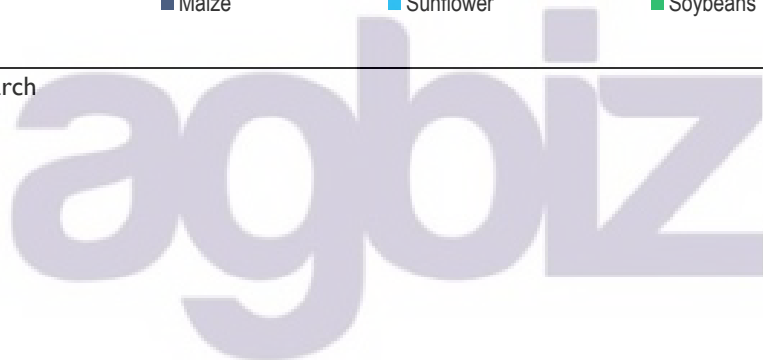
South African farmers likely planted a bigger area in the 2024-25 season

- While the start of South Africa's 2024-25 crop season was tricky, there remains optimism that farmers likely planted more area than the previous season. The preliminary plantings data released by the Crop Estimates Committee last week shows that South African farmers likely planted 4,45 million hectares of summer grains and oilseeds in the 2024-25 season, up mildly by 0,3% from the previous season.
- Some of these plantings likely happen outside the typical optimal window because of some regions' unfavourable weather conditions at the start of the season. In such areas, there will be a need for better rains through to March, when the crops will likely pollinate. Encouragingly, the La Niña prospects suggest we may receive favourable rains during this period. This supports the view that the 2024-25 season could be a recovery period for South Africa's agriculture.
- A closer look at the data places South Africa's 2024-25 maize preliminary plantings at 2,64 million hectares, up by 0,4% year-on-year (y/y). White maize plantings are 1,59 million hectares (up 3% y/y), with yellow maize plantings at 1,05 million hectares (down 3% y/y). The uptick in the white maize area is understandable, given the attractive prices, which have increased by over 50% y/y in recent months, while the yellow maize prices are up roughly 30% from a year ago.
- Moreover, sunflower seed preliminary plantings are 552 000 hectares (up 4% y/y), with groundnuts at 46 175 hectares (up 12% y/y) and dry beans at 45 500 hectares (up 15% y/y). Meanwhile, the soybean preliminary plantings are at 1,12 million hectares (down 2% y/y), and sorghum at 39 500 hectares (down 6% y/y).
- Although, indeed, encouraging, these are preliminary planting data; we will have a more reliable view when the Crop Estimates Committee releases its revised area planting and first production estimates on February 27. The core message that we draw from the current figures is that while some regions of the country received rain far later than usual, they likely pushed through and planted. From now on, the focus will be on the follow-up rains in some regions, especially the western parts of South Africa.
- The main risk with the late plantings is the possibility of frost damage later in the season. Still, if the country is fortunate to be spared of frost, as we have seen in recent seasons, the prospects for a better harvest remain even for late plantings. So far, it is challenging to ascertain how much summer grains and oilseeds harvest will be. We will better understand when the Crop Estimate Committee releases the plantings data and the first production estimates at the end of February.

Exhibit 2: SA's preliminary summer crop plantings (selected crops)



Source: CEC and Agbiz Research



WEEK AHEAD

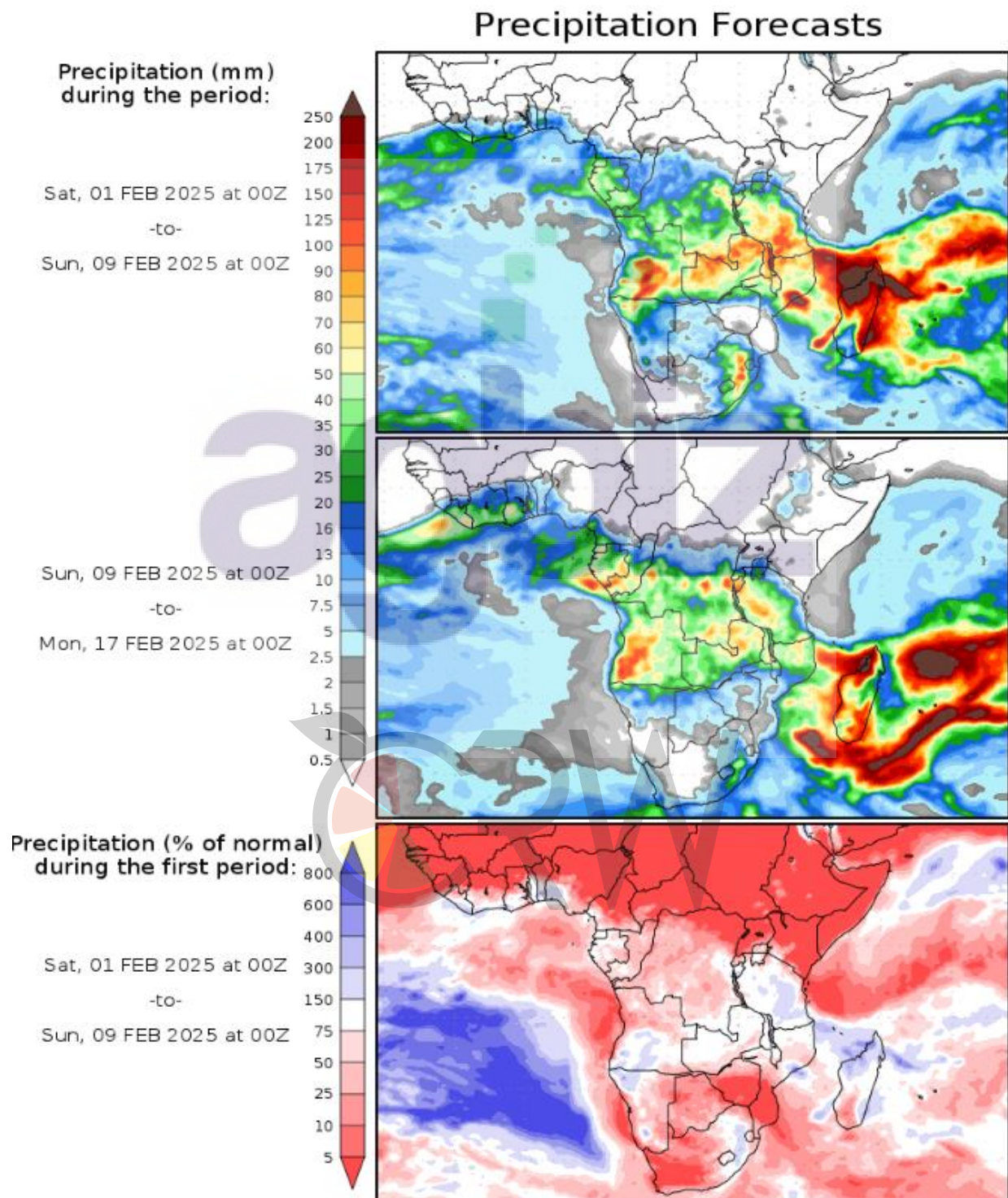
What we are watching this week

- 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. On Friday, the Food and Agriculture Organization (FAO) will release an update of its **monthly Food Price Index** for January 2025. This measures the monthly change in international prices of a basket of agricultural commodities and provides a rough guide to global price levels.
- On the domestic front, 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 40th week of the 2024-25 marketing year. In the previous release on January 24, South Africa's weekly maize producer deliveries were about 32 401 tonnes. This puts the 2024-25 maize producer deliveries at 10,81 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 17 weeks of the 2024-25 marketing year stand at 1,72 million tonnes. The anticipated 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 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 40th week of the 2024-25 marketing year. In the previous release on January 24, the 39th week of the 2024-25 marketing year, South Africa exported 44 097 tonnes of maize. Of this volume, 68% was exported to Zimbabwe, 13% to Namibia, 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 1,76 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 515 367 tonnes.
- South Africa is a net wheat importer, and January 24 was the 17th week in the new 2024-25 marketing year. The imports so far amounted to 485 795 tonnes. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season.

South Africa's Precipitation forecast

- The weather forecast for this week shows prospects of good rains across the summer crop-growing areas of South Africa. This will help improve the crop-growing conditions and the grazing veld. The country's western regions are strained and require increased soil moisture.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)