

March 10 2025

The conundrum of rising agricultural output and worsening food security in South Africa

- South Africa has the contradiction of being the leading agricultural exporter in Africa, and a swelling number of households that is food insecure. Without proper policy engagement of this challenge, the sector face the risk of more waves of misconceptions about its export-driven growth drive while many South Africans are impoverished. We believe that an accurate diagnosis of the problem and its underlying causes is critical to formulating a suitable policy response.
- In February 2025, Statistics South Africa released the Food Security Report for 2019, 2022 and 2023 (COVID-19 affected the ability to collect data in 2020 and 2021). The report utilized data from the General Household Survey (GHS) for those years. The report's most striking observation was that 'the proportion of households in South Africa that experienced moderate to severe food insecurity was estimated at 15,8% in 2019, 16,2% in 2022, and 19,7% in 2023. Over this period, the proportion of households that experienced severe food insecurity was estimated to be 6,4%, 7,5%, and 8,0%, respectively'.
- It is not the lack of supply of nutritious, high-quality food and safe food products, or prices that has caused the deteriorating food security. Access seems to be the fundamental challenge, especially for households with no regular income sources. Therefore, addressing income poverty at the household level must be at the center of any strategy to deal with food insecurity. Clearly, this is not a challenge that can be resolved by the agricultural sector alone but through coordinated efforts to grow the South African economy, lift employment across various sectors and providing appropriate support to vulnerable households.
- Despite the concerning trend in Stats SA's survey, at the national level, South Africa remains food secure and is a net exporter of agricultural products. The exports are necessary for sustaining farming incomes, generating the resources necessary for investment and ultimately the sector's ability to create and sustain jobs. Notably, South Africa does not export its food supplies without appropriately considering the domestic food needs at the national level. Moreover, the country's food prices remain relatively moderate. Despite this, food insecurity will remain a challenge if households have little to no incomes.
- One of the measures some researchers use to evaluate the food security condition of each country relative to the world is The Economist's Global Food Security Index. While slightly dated, if we consider then 2022 results, South Africa ranked 59th out of 113 countries in the index and the most food secure in Sub-Saharan Africa. South Africa ranked the second most food-secure country in the African continent after Morocco. When looking at the index scoring, it becomes clear why South Africa's food security ranking has improved somewhat. South Africa's scoring came in at 61,7, up from 61,4 in the previous

year. The Global Food Security Index comprises four subindices, namely: (1) food affordability, (2) food availability, (3) food quality and safety, and (4) sustainability and adaptation.

- Still, the national level picture may be hard to celebrate in an environment with many households are food insecure. And this means that ensuring the economy grows and creates employment is critical. In agriculture, better support for boosting output, especially labour-intensive value chains, to ensure that more job opportunities in South Africa's small towns will be important. There should also be a stronger focus to revitalizing other sectors of the economy, as South Africa's household food insecurity problems will not be resolved only through agriculture.
- Agriculture will play its role where possible, and the path for agricultural growth has been studied and included in the policy thinking. For example, at a technical level, the ideas of expanding agriculture and agro-processing capacity to boost growth and job creation were well established as far back as in the National Development Plan 2012. They were again highlighted in the 2019 National Treasury paper, in the 2022 Agriculture and Agro-processing Master Plan, and, most recently, in a book titled *A Country of Two Agricultures: The Disparities, The Challenges, The Solutions*.
- Ultimately, South Africa's agriculture has a role in resolving the household poverty challenges. However, the responsibility does not lie solely in the sector. Other sectors of the economy can play an essential role in creating work and general fiscal space that would be used for different social causes to improve the quality of life in South Africa.
- The growing exports of agriculture are not at the expense of the local supply and are essential to growing the South African agricultural sector and ensuring that the over 926k people working in farms across the country retain their jobs and that more jobs are created in the future. Through their income, those employed help improve food security conditions in their communities.

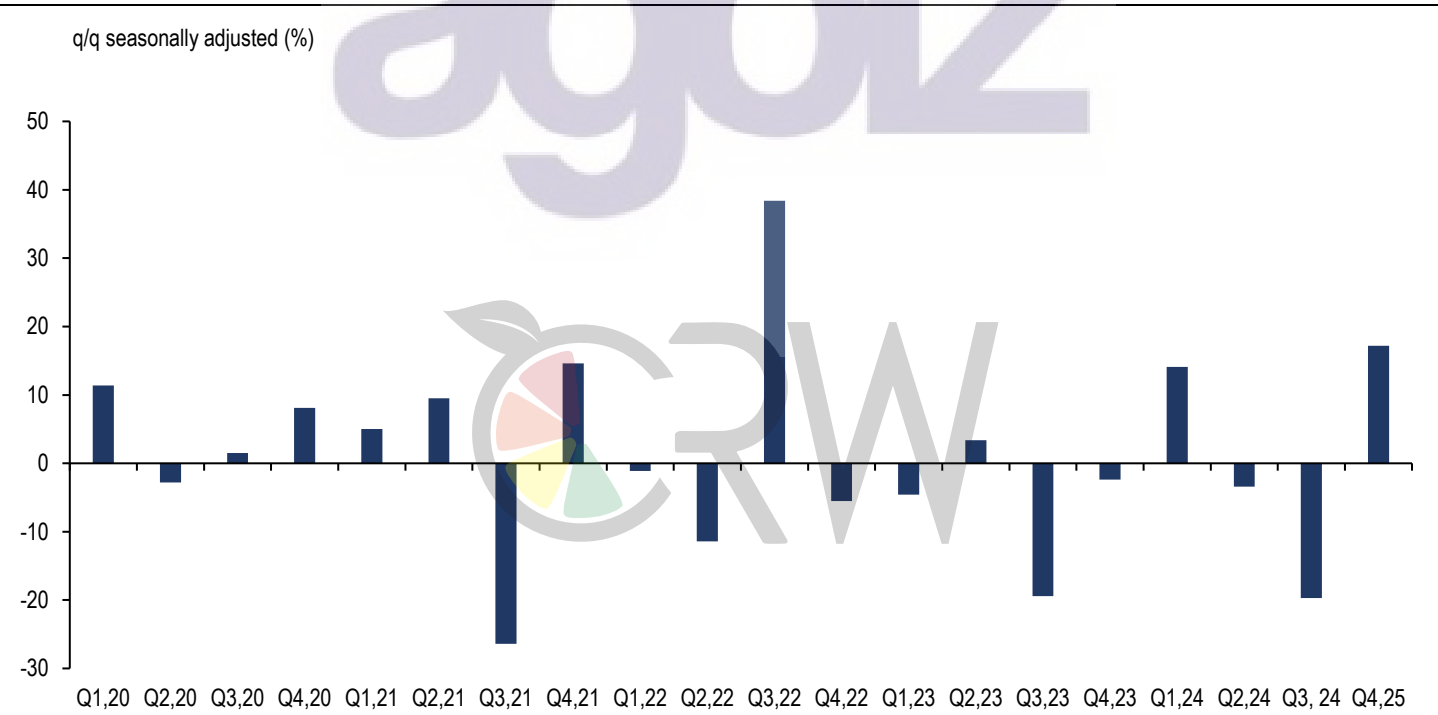
WEEKLY HIGHLIGHT

South Africa's agricultural gross value added bounced back in Q4 2024

- After a sharp contraction of -19,7% in the third quarter of 2024 (revised), South Africa's gross value added expanded by 17,2% quarter-on-quarter (seasonally adjusted) in the last quarter of 2024. This expansion is mainly due to the better performance of some field crops, livestock, and the horticulture subsector (mainly fruits). In essence, the late deliveries of some field crops also helped (because the season was late), along with the recovery of the livestock industry following months of widespread animal diseases. Moreover, the generally excellent fruit production due to better water levels and stable electricity that supported irrigation also added positive momentum to the sector.
- From an annual perspective, the sector contracted by -8% year-on-year in 2024 (from -4,8% in 2023). This annual contraction is broadly in line with market expectations. The primary challenge of South Africa's agriculture in 2024 was the mid-summer drought that weighed on field crop production, combined with the livestock diseases in the first few quarters of the year.

- The recovery in the livestock subsector was only in the last quarter of 2024 when the country finally managed to control the diseases. The good performance of the horticultural subsector was insufficient to change the sector's fortunes more meaningfully, although it lessened the extent of the contraction.
- We believe 2025 will be a year of recovery in the sector. The production conditions of the field crops are favourable, and the early production estimates have already pointed to a recovery. For example, the Crop Estimates Committee forecasts the 2024-25 overall summer grains and oilseeds harvest at 17,2 million tonnes, up 11% from the previous season. This estimate comprises maize, sunflower seed, soybeans, groundnuts, sorghum and dry beans. We think these production estimates may be revised even further with continuous favourable rainfall in the coming months.
- Moreover, we continue to see better production conditions in other fields, such as sugar cane. The livestock and poultry subsector also benefits from favourable weather conditions, a potential decline in feed costs, and better grazing veld. The fruit and wine industry also continues to help form better dam levels, which are key for irrigation. Ultimately, these encouraging production conditions and base effects point to a better agricultural season in 2025 and a potential recovery of the gross value added.
- Overall, the South African economy grew by 0,6% in 2024 (from 0,7% in 2023). The country remains in a troubling low-growth trap.

Exhibit I: South Africa's agricultural gross value added



Source: Stats SA and Agbiz Research

WEEK AHEAD

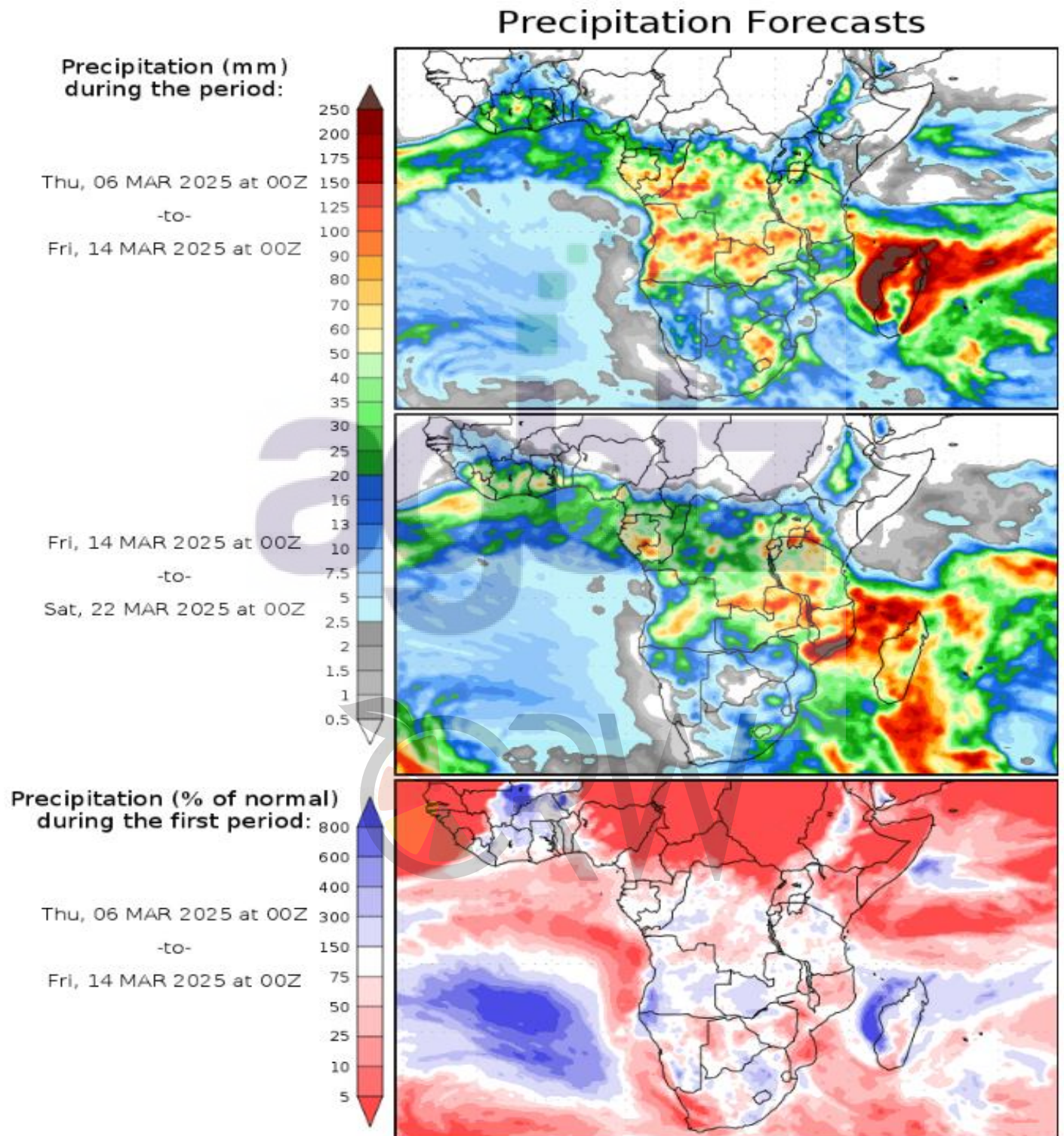
What we are watching this week

- We start the week with a focus on the global front where the United States Department of Agriculture (USDA) will release an update of its monthly flagship report, the **World Agricultural Supply and Demand Estimates Report (WASDE)** on Tuesday. The report provides a valuable update of the grains and oilseeds production conditions globally, and a view on current stock levels, and thus has implications for prices. Moreover, the USDA will release its weekly **US Grains and Oilseed Export Sales** data on Thursday.
- 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 45th week of the 2024-25 marketing year. In the previous release on February 28, South Africa's weekly maize producer deliveries were about 23 057 tonnes. This puts the 2024-25 maize producer deliveries at 11,01 million tonnes out of the final harvest of 12,85 million tonnes. The 2024-25 soybean deliveries in the first 53 weeks of this new marketing year amounted to 1,81 million tonnes out of the final harvest of 1,85 million tonnes. At the same time, the sunflower seed deliveries amounted to 634k tonnes.
- Moreover, the wheat producer deliveries for the first 22 weeks of the 2024-25 marketing year stand at 1,78 million tonnes. The final 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 regions.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 45th week of the 2024-25 marketing year. In the previous release on February 28, the 44th week of the 2024-25 marketing year, South Africa exported 40 029 tonnes of maize. Of this volume, 52% was exported to Zimbabwe, 18% to Botswana, 16% 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 1,98 million tonnes out of the expected 2,0 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 continue to see imports of yellow maize from Argentina and Brazil through the Port of Cape Town and white maize from the United States. South Africa's 2024-25 maize imports currently stand at 726 248 tonnes.
- South Africa is a net wheat importer, and February 28 was the 22nd week in the new 2024-25 marketing year. The imports so far amounted to 704 812 tonnes. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season. Russia (52%), Lithuania (15%), Latvia (12%), Canada (8%), Poland (6%), Romania (6%), and Australia (1%) are the suppliers so far.

South Africa's Precipitation forecast

- South Africa could receive some moderate rainfall over the summer crop growing regions this week, which will continue to support the crop-growing conditions, horticulture and the grazing veld.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)