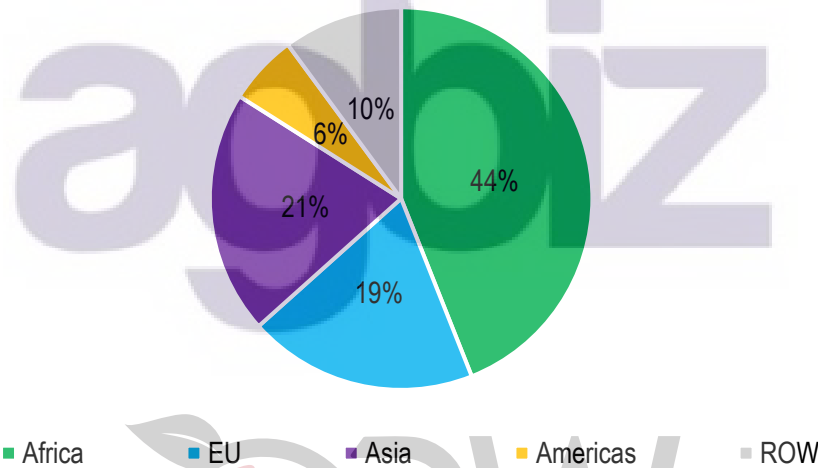


The SADC region must firm up its agricultural trade approach and minimize friction

- The Southern Africa region is a key market for South Africa's agricultural growth prospects. Of the US\$13,7 billion of South Africa's agricultural exports in 2024, about 44% was to the African continent. About 90 cents of every dollar from exports to the rest of the continent was earned from the Southern Africa region. This is partly why South Africa must always seek to resolve diplomatically any challenges and promote stability in this region.
- Over the past few years, we have seen some instances of trade friction in Southern Africa involving South Africa and its neighbouring countries. A case in point is restrictions on vegetable imports into Botswana (now lifted) and Namibia (still in place). The latest issue is with Tanzania, which temporarily restricted South Africa's agricultural imports. The ban was swiftly lifted over the weekend. The common factor in all these import restrictions is that neighbouring countries say they seek to boost their domestic production. Another issue is some incorrectly suggesting that their slow penetration into the South African agriculture and food market is due to some restrictions.
- On the latter, there often are inaccurate statements about the openness of South Africa's agricultural market. South Africa's agricultural market is relatively open, and all these countries are part of the Southern African Development Community (SADC) Free Trade Area. The slow penetration is either because there has not been a formal request for market access, as in the case of Tanzania's bananas, or because some of their products may not be as competitive in the South African market.
- Understandably, the neighbouring countries seek greater market access to South Africa. While a net exporter, South Africa is a major regional agricultural importer of US\$7,6 billion in products in 2024, up by 8% year-on-year, according to data from Trade Map. The uptick resulted from a slightly higher value and volume of major products South Africa imports, like wheat, palm oil, rice, poultry and whiskies.
- However, for the neighbouring countries to participate meaningfully in the South African market, they will need to continuously study the import list of South Africa closely and target those particular value chains, not the ones South Africa already excels on and imports the least on. This is mainly what the likes of Tanzania should primarily target in their attempt to increase regional agricultural trade.
- Regarding various countries' efforts to boost their domestic agricultural production, it remains true that South Africa could provide some necessary technology and know-how. Various South African agribusinesses and commodity associations, such as the Citrus Growers Association, have expanded their operations and membership across the Southern African region to boost regional agricultural production. The goal should be for the area to collectively improve its agricultural output, strengthen various value chains and export to the world while firming intra-regional trade.

- However, regional stability and cooperation are key for such processes to take off. This means minimizing the trade frictions we often encounter, such as the examples we highlight. The only justifiable trade restriction in the region should be when there are animal diseases, and the trade bans are used temporarily to contain the spread of the diseases. We typically see this when cattle outbreaks of foot and mouth diseases and African swine fever in pigs.
- Aside from such cases, the region's approach should encourage cooperation. This should not only be at a private sector level but also be a message embraced by policymakers across the region to strengthen regional agricultural value chains.
- Admittedly, while South Africa may remain with the lion's share initially, various value chains remain strong where other countries succeed, such as livestock for Namibia and Botswana. Moreover, tea, coffee, and other grains may be the starting point for Tanzania. In the current environment of trade friction and heightened geoeconomic tensions, firming up relations at regional levels is key, and agriculture must be a starting point.

Exhibit I: South Africa's agricultural exports by region in 2024



Source: Trade Map and Agbiz Research
(Note: ROW represents the Rest Of the World)

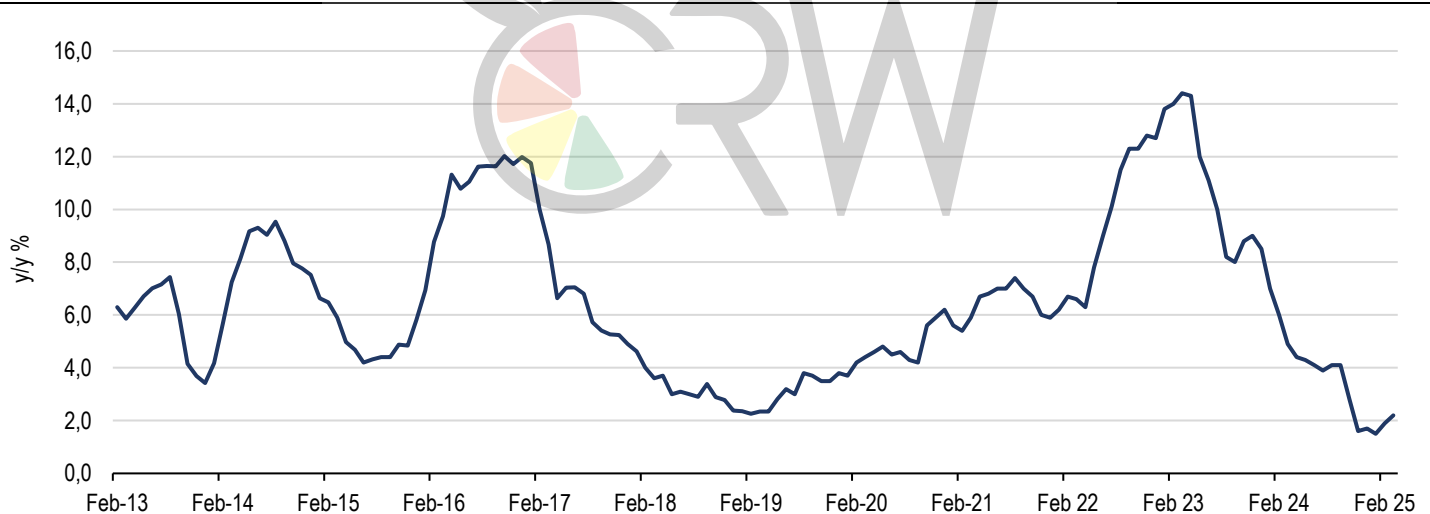
WEEKLY HIGHLIGHT

South Africa's consumer food price inflation ticked up in March 2025

- South Africa's consumer food price inflation nudged to 2,2% in March 2025 from 1,9% in the previous month. Increases in cereal products, meat, fish and other seafood, fruit and nuts, and vegetables primarily underpinned this mild uptick.

- We suspect that the current mild quickening of food price inflation will prevail for much of the year's second quarter as the increases in the farm level of some of the key products, such as grains, continue to pass through to the retail level.
- Grain prices, while having softened recently, were elevated for much of the last quarter of 2024 and into the start of this year because of the tight maize stocks. There is generally a lag of between three and five months before the increases at farmgate start to show at retail levels. Thus, while grain prices have now softened in anticipation of an ample harvest in the 2024-25 season, we will continue to see a different price direction in the food inflation basket for months. Still, we don't anticipate that the increases will be as sharp as the wheat and rice prices, which are other key cereals that have generally seen prices soften in the past few months.
- Regarding vegetables, the recent price increases partly reflect some regions' challenges with harvesting because of extra wet conditions. As such, we expect the prices to normalize in the coming months. Importantly, vegetables and fruits don't have a longer price lag than grains. We also expect fruit prices to soften as the citrus harvest season starts and we see domestic supplies recover. The harvest started this month in most regions.
- In the case of meat products, we expect a moderate lift in price inflation in the coming months, which is partly linked to a slight recovery in consumer demand. In conversations with many red meat producers, we continue to hear an encouraging message about a recovery in demand. Still, one will have to watch the impact of foot and mouth disease in provinces such as KwaZulu-Natal on prices.
- Ordinarily, when there is an outbreak and some export markets temporarily close, we see an artificial supply increase and a mild softening in prices domestically. We will get more clarity on this in the coming months.
- South Africa's headline CPI was 2,7% in March 2025, down from 3,2% in February.

Exhibit 2: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research

WEEK AHEAD

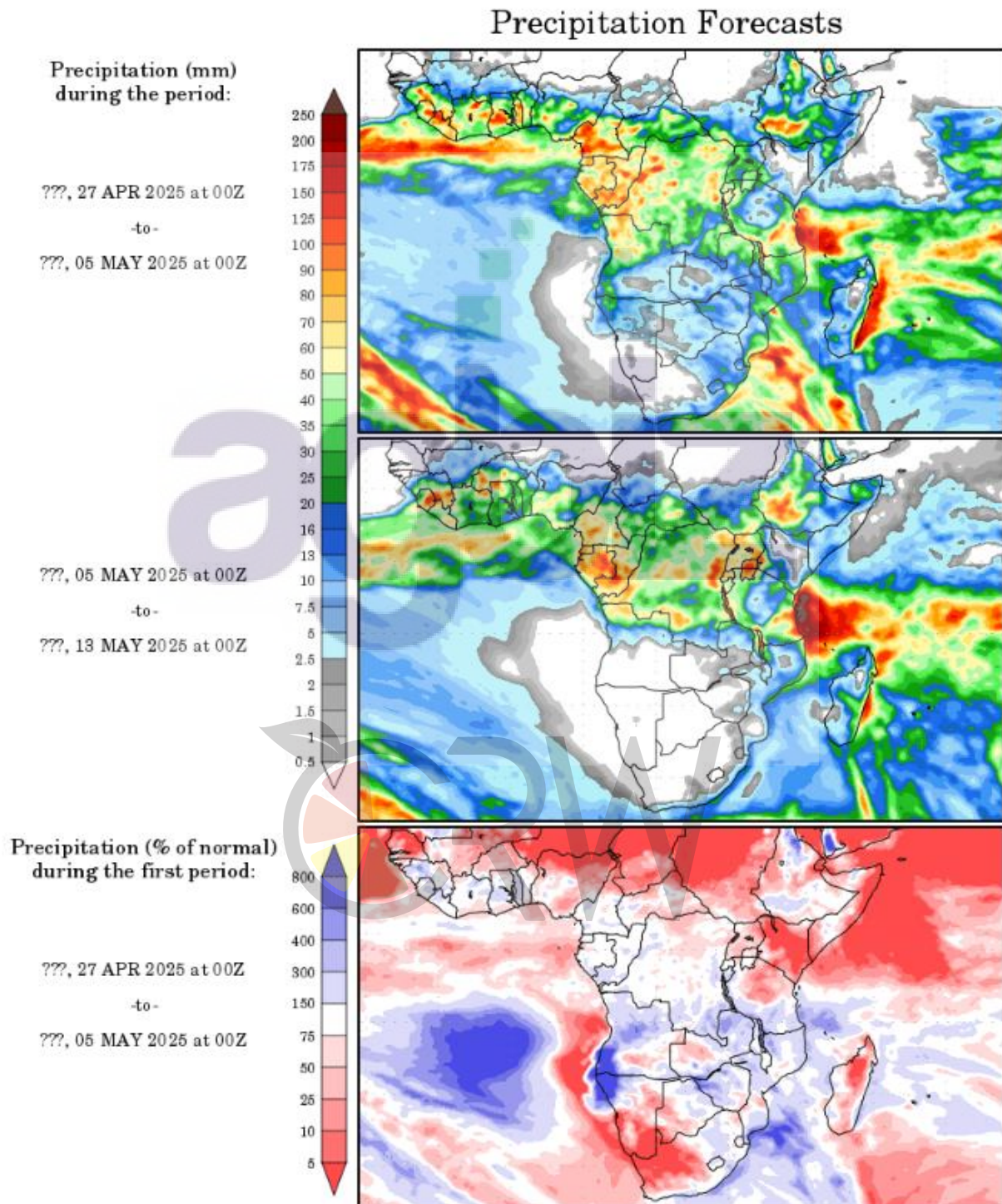
What we are watching this week

- We have two major data releases on the global front this week. We have Thursday's USDA's weekly U.S. Grains and Oilseed Export Sales data. On Friday, the Food and Agriculture Organization of the United Nations will release its monthly flagship report, the **Global Food Price Index**. This measures the monthly change in international prices of a basket of agricultural commodities.
- Because of public holidays, the data calendar is thin on the domestic front. Ordinarily, on Wednesdays, we would receive **weekly South Africa's Grains and Oilseeds Producer Deliveries** data from SAGIS. But the next release will be on May 7. In the case of maize, we will receive a data release for the 52nd week of the 2024-25 marketing year (corresponding with the 2023-24 production season). In the previous release on April 18, South Africa's weekly maize producer deliveries were about 70 697 tonnes. This puts the 2024-25 maize producer deliveries at 11,45 million tonnes out of the final harvest of 12,85 million tonnes. We are in the new 2025-26 marketing year for oilseeds, which started at the beginning of March 2025. In the first seven weeks, the soybean producer deliveries totalled 241 117 tonnes out of the expected harvest of 2,4 million tonnes.
- In the case of sunflower seed, the first seven weeks of the new marketing year's producer deliveries were 142 061 tonnes out of the expected 770 500 tonnes. We expect the early deliveries to remain relatively low and pick up later this month. Moreover, the wheat producer deliveries for the first 29 weeks of the 2024-25 marketing year stand at 1,84 million tonnes. The final harvest is 1,92 million tonnes, down from the 2,05 million tonnes in the 2023-25 season.
- On Thursdays, SAGIS generally publishes its **weekly South Africa's Grains and Oilseeds Trade** data. But the next release will be on May 8 for the 52nd week of the 2024-25 marketing year. In the previous release on April 18, the 51st week of the 2024-25 marketing year, South Africa exported 21 253 tonnes of maize. Of this volume, 61% 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 2,2 million tonnes, slightly above the expected seasonal exports (but down from 3,44 million tonnes in the 2023-24 marketing year because of the drought).
- While South Africa will likely remain the net exporter of maize in the 2024-25 marketing year, the coastal regions continue to import some volumes of maize because of price competitiveness. 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 stand at 939 979 tonnes. The 2024-25 marketing year (corresponds with the 2023-24 production season) ends on April 30.
- South Africa is a net wheat importer, and April 18 was the 29th week in the new 2024-25 marketing year. The imports so far amounted to 983 947 tonnes. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season. So far, Russia, Lithuania, Poland, Latvia, Australia, Canada and Romania are the wheat suppliers to South Africa.

South Africa's Precipitation forecast

- After weeks of excessive rains, the weather forecast for the next two weeks shows prospects for better weather conditions. Importantly, there will be clear skies in the second week of May, which will help the crop mature before the harvest.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)