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Agri-industry keeps an eye on Middle East developments

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Wandile Sihlobo, chief economist of the Agricultural Business Chamber of South Africa. Source: Speakers Inc

South Africa's agricultural sector is closely monitoring developments in the Middle East, which is key to the sector for both exports and for its influence on oil and gas prices.

While the industry doesn't trade much with Iran, it does trade with various countries in the region, including the UAE, Qatar and Jordan, says Wandile Sihlobo, chief economist of the Agricultural Business Chamber of South Africa.

"Thus, the extent of the disruption's spread is something we are watching, along with logistical issues."

In terms of oil prices, the next fuel price changes in South Africa, after the recent increases that came into effect on March 4, will only be in April.

"The impact of the higher oil prices will be clearer at that time. But if oil remains above US\$80 per barrel and the rand remains weak, there will be significant increases in fuel prices in April. This is unless the government

steps in, as in 2022, after the Russian invasion of Ukraine and subsidises some of the cost.”

Similarly, he says, the scale of disruption in the oil market, along with logistics in shipments, are under close scrutiny.

“Fuel accounts for roughly 13% of grain farmers’ input costs and a notable share of other value chains’ costs. April onwards is a high-consumption period for farmers preparing to plant winter crops, as well as those about to start early harvest of summer grains and citrus. Therefore, the potential fuel price increase will likely put upward pressure on prices in the sector.”

Sihlobo points out that it’s a slow period of the year for exports.

Fruit exports will gain momentum from May, while grain exports have been generally slow this year due to ample global supplies. Meat exports are also weak, primarily due to challenges with foot-and-mouth disease in South Africa.

“The impact of the war on these will only be clear in the weeks and months to come, depending on the length of the conflict and the extent of the disruption in the region,” he says.

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