

A new era for the South African agricultural sector in 2025

By [John Hudson and Wandile Sihlobo](#)

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2024 has been a year of mixed fortunes for the agricultural sector. The mid-summer El Niño-induced drought negatively impacted summer crops, while events like the ongoing animal disease woes, the seemingly endless logistical crisis, high interest rates, and uncertainty about the national government all weighed heavily on the sector.



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The resulting despondency was reflected in the Agbiz/IDC Agribusiness Confidence Index (ACI) for Q2 2024, which slumped to its lowest level in 15 years.

These challenges – and an expected contraction in the sector for the year, which followed a contraction in the previous year – have played out in subdued bank performance, according to data from the Banking Association of SA (BASA) for June 2023 to June 2024.

A period of consolidation was evident with exposure to the sector drifting sideways. Demand for credit was down but deposits were at an all-time high, which suggests that farmers were cautious and delayed capital expenditure over the period.



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Agricultural sector back on track

More recently, though, sentiment began improving. The ACI for Q3 2024, released after the peaceful general election that resulted in the government of National Unity (GNU), rose by 10 points to 48. While this is below the neutral 50-point mark, it indicates a growing sense of optimism, even though many of the challenges experienced earlier in the year haven't changed.

The GNU has brought new energy to the sector and, importantly, there is a commitment to implementing the Agriculture and Agro-processing Master Plan (AAMP).

The weather outlook for 2025 is positive, with a La Niña system predicted, and – while tractor sales are down following record sales over the past two years – seed sales are encouraging, indicating confidence in fortunes ahead.

Importantly, the government continues to prioritise the diversification of export markets for South African agricultural produce. The South African agricultural sector is heavily reliant on exports, with half (by value) of agriproduce being exported. Our biggest export markets are Africa (40%), the Middle East and Asia (23%), the EU (19%) and the UK (7%).

While our export markets are already diverse, agricultural produce will likely expand in the coming years, mainly due to previously underused land. That's why it's vital that the expanded BRICS member nations be pursued as added agricultural export markets – particularly China, India, Saudi Arabia and Egypt.

SA must expand traditionally and explore new markets

The export drive is particularly urgent amid increasing geopolitical tensions. Take, for example, the uncertainty around the stance of the new US administration on US import tariffs, the African Growth and Opportunity Act (AGOA) – and the changes to environmental regulations, particularly in the EU and UK.

Fortunately, a memorandum of understanding with China has recently been signed, which is a significant step towards strengthening agricultural trade relations. Talks are also underway in key regions, including the US, India and Africa to enhance South Africa's agricultural export opportunities.

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Despite the consistent increase in volumes of agricultural goods (which may taper this year due to decreased production caused by the summer drought), 2 factors present a challenge for South African goods: logistics and an increasing focus on sustainability.

Despite our world-class production, logistics remain our Achilles heel. It is making our products less competitive during a time when an increasing global focus on sustainability has the potential to trip us up.

For example, the EU's Carbon Border Adjustment Mechanism, which is likely to come into effect for agricultural products by 2030, could result in a carbon tax being imposed on produce from South Africa. This would have a disastrous effect on something like citrus, which receives the majority of its income from exports, primarily to the EU and UK.

Neither of these challenges can be addressed overnight, so producers must plan and prepare while the government seeks new export markets. It is important, though, that producers don't view sustainability as a compliance issue.

They should rather see it as a competitive advantage and a way to mitigate climate risk (and business risk, given the emphasis on sustainability in many export markets).

The installation of renewable energy, for example, results not only in a reliable supply of energy, but also pegs the cost, which addresses the risk while fixing – or even reducing – a key input cost.

A new plan for land reform

A further exciting development in the agricultural sector is the equitable distribution of land to previously marginalised communities. It has taken some time for the puzzle pieces to fall into place, but we are now at the point where the blended finance scheme is being rolled out and key partnerships – such as Nedbank's collaboration with PALS – are bearing fruit.

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But more importantly, there is now – after the lack of clarity caused by the land expropriation without compensation debate, which negatively impacted investment perceptions in the sector – a push from the government to strengthen property rights, eliminating the issue of title deeds as a threat.

Going forward, the focus will rather be on where land will come from – and selecting the right beneficiaries for that land.

The government owns about 2.4 million hectares that are due to be released to appropriately selected beneficiaries for commercial production. This will be a major step towards eliminating the divide that has burdened South African agriculture historically. The commercial production of these hectares of land helps boost production and create much-needed job creation in rural South Africa.

Overall, while expectations for 2025 are favourable, agriculture remains a cyclical game that is vulnerable to numerous external forces. With limited government support, South African producers – and the entire agricultural value chain – need stakeholders like banks to get involved.

From Nedbank's perspective, our focus from next year will be on deepening our relationships with our clients to better understand the risk drivers of their agribusinesses, so that we can help them navigate the downturns, support them through the cycle and partner with them on the growth of their businesses.

The agricultural sector remains invaluable to the South African economy. It helps to promote job creation and food security. That's why investing in the sector is vital.

ABOUT THE AUTHOR

John Hudson, Head of Agriculture at Nedbank Commercial Banking, and Wandile Sihlobo, Chief Economist at the Agricultural Business Chamber of South Africa (Agbiz)

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