

Agriculture in the ANC policy discussions

We are emerging from a policy-oriented weekend, where the governing African National Congress (ANC) gathered to discuss their policy ideas ahead of the December elective conference. There is a range of economic matters discussed at the conference whose outcomes we will learn more about in the coming days. Ahead of this conference, the ANC released policy discussion papers which noted that "agriculture remains an important sector of the South African economy. It holds the potential to uplift many poor South Africans out of poverty through increased food production, vibrant economic activity, and job creation." This view that Agbiz shares are aligned with empirical research from Luc Christiaensen and Will Martin first published in World Development in 2018, which found that, on average, growth in agriculture is more poverty-reducing than an equivalent amount of growth outside agriculture. This is also consistent with the views expressed in the Agriculture and Agro-processing Master Plan, a social compact approach which broadly aims to boost inclusive growth and job creation in agriculture and agro-processing.

Notably, the ANC papers acknowledge that the growth of the agricultural sector partly depends on effective land reform, which is partly about bringing underutilised land into production. Here, the emphasis was on the Land Reform and Agricultural Development Agency, first announced by President Ramaphosa in 2021 and more recently in the State of the Nation Address in 2022. The details of this agency are yet to be clear, but we understand there is work underway to structure it under the leadership of the Minister of Agriculture, Land Reform and Rural Development.

For land reform to be successful and for South African agriculture to experience inclusive growth it is critical to deal immediately with the deterioration of infrastructure across all provinces – road, rail, water, electricity and ports. Thus, we found the acknowledgement of the challenge and the emphasis on the need to address them in the policy discussion papers as important. To this end, the policy papers noted that "a few critical preconditions need to be in place to advance transformation and support growth in the agricultural sector, which the ANC will prioritise. These include a comprehensive, well-maintained infrastructure, including electricity, water, roads, rail and ports, and well-functioning local municipalities with reliable service delivery." We trust that these issues will not only remain in the policy papers but that there are actions taken speedily. The South African economy is hampered by extreme forms of economic sabotage and vandalism and should immediately be contained through a massive programme to 'protect and rebuild' the infrastructure.

Another growing challenge, which the ANC didn't reflect on at the time of releasing its policy discussion papers, is the need to expand export markets for various agricultural produce while retaining existing ones. This has become ever more important as we continue to see the disruption of South African agricultural exports in the likes of the EU (with citrus exports), and China (with our wool exports). While the political party might not be direct on specific countries and challenges, we would still like to see an emphasis and commitment to the expansion of the export markets. The above-mentioned logistical improvements would help support the facilitation of such exports. Moreover, agricultural finance is another area crucial for supporting agriculture, specifically the new entrants to farming. Thus, the government and governing party supporting the Land Bank, and various financial instruments such as blended finance are critical for the growth of the sector.

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Overall, a lot about the ANC's policy discussions over the weekend is yet to unfold. The most watched aspects will be around the nature of the discussions on land policy and whether there will be an emphasis on supporting government and social parts programmes such as the Agriculture and Agro-processing Master Plan. Moving away from land expropriation, as outlined in the ANC's 2017 policy conference, will be a welcome development and positive for the country. We believe that the focus should be on the Land Reform and Agricultural Development Agency to drive land redistribution. We feel this could be done more effectively provided that the agency is correctly set up and supported with the right skills and budget. This is what we hope to hear from the Minister of Agriculture, Land Reform and Rural Development.

We all look forward to the official documents from the conference. These might align or deviate from the aspects mentioned above that we deduced from the papers published ahead of the summit. Beyond the policy documents from the conference, the focus will be on the December ANC conference, which will further reflect on the policy aspects in addition to the elective matters. For the country, a lot will depend on the implementation of the final policies. Still, it will take time for the discussions of the policy conference and the upcoming December conference to be translated into a government policy, and a lot could change along the way. It is however so that many of the actions needed to promote further growth in the sector do not need to wait for the ANC policy documents. They are all 'low-hanging fruit' which require actions by the government. Some involve the following critical areas:

- Animal health and diseases
- Logistical constraints and ports and rail
- Fix provincial roads
- Deal with backlog in agricultural input regulations
- Non-tariff measures in our major export markets
- Investment in water infrastructure

Weekly highlights

South Africa's 2021/22 maize and soybeans harvest revised up further

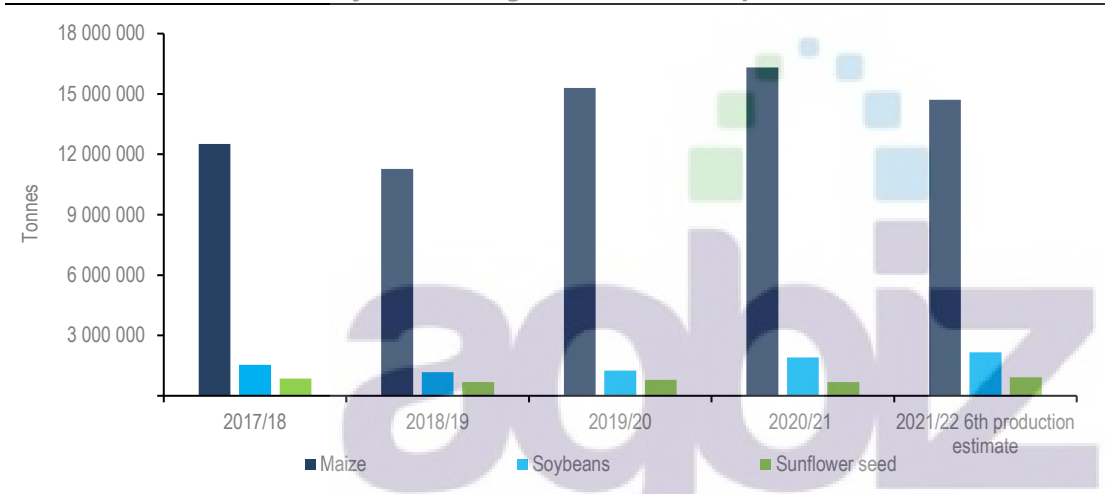
South Africa's 2021/22 summer crop harvest is near completion, as we approach the new season which begins in two months. Still, there were important revisions brought by the Crop Estimate Committee this past week. For example, the 2021/22 maize harvest was lifted by 0,2% from June to 14,71 million tonnes. About 7,47 million tonnes is white maize, with 7,24 million tonnes being yellow maize. Essentially, this is down by 10% from the 2020/21 season crop but well above the 10-year average maize harvest of 12,80 million tonnes and annual domestic consumption of 11,80 million tonnes. Importantly, this means that South Africa will remain a net exporter of maize, which we anticipate to be just over 3,0 million tonnes in the 2022/23 marketing season (note: this marketing year corresponds with the 2021/22 production season).

Another important and most welcome adjustment in the data was the 3% increase in South Africa's soybeans harvest for the 2021/22 season to a fresh high of 2,15 million tonnes. This large soybean harvest will help lessen South Africa's reliance on soybean oilcake imports. In the week of 22 July 2022, about 2,09 million tonnes had already been delivered to commercial silos. Sunflower seed, unsurprisingly, was lowered for the second consecutive month by 4% from June estimates to 922 750 tonnes. This action is partly explained by the slow deliveries in sunflower seed regions. Still, the fact that the plantings started fairly late in these regions is also a factor to consider. For example, on 22 July 2022, about 792 050

tonnes had already been delivered to commercial silos. Aside from these major summer crops, the sorghum harvest is estimated at 136 200 (-3% m/m), dry beans harvest at 51 720 tonnes (-3% m/m), and groundnuts are at 49 000 tonnes (-11% m/m).

In sum, as with the previous releases, these domestic production data will have minimal impact on prices. The domestic grains and oilseeds prices are mainly influenced by global events. The Russia-Ukraine war worries and concerns about 2022/23 global production following reports of heatwaves and drought in the Northern Hemisphere continue to present upside support on prices, which are ultimately reflected in the South African grains market. Still, the fact that domestic grains and oilseeds supplies are at fairly higher levels provides comfort regarding the domestic needs and even exports to our traditional markets. Ultimately, the relatively higher grains and oilseeds prices bode well for farmers in areas that didn't experience much crop damage at the start of the season. Meanwhile, the consumers, livestock, dairy, sheep, goats and poultry producers will likely experience increased costs over the foreseeable future.

Exhibit 1: South Africa's major summer grain and oilseeds production



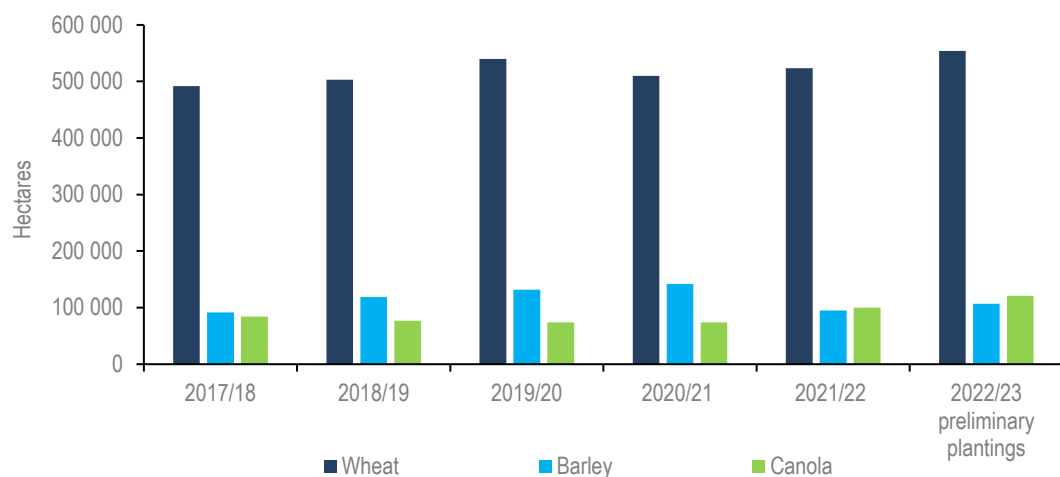
Source: CEC and Agbiz Research

A broad increase in SA winter crop plantings

This past week we received the preliminary estimates for South Africa's 2022/23 winter crop plantings, and most painted a broadly optimistic picture. For example, wheat plantings are estimated at 553 900 hectares, which is up 6% y/y, barley plantings are estimated at 106 600 hectares, up 13% y/y, and canola plantings are at 121 200 hectares, up 21% y/y. In the case of wheat, which is the one winter crop that is planted broadly beyond the Western Cape, a dominant province for winter crops, the expansion in plantings is also in the Free State, Northern Cape, Eastern Cape, North West and Limpopo.

This broad expansion is unsurprising following the current attractive higher wheat prices. Still, these are early days in the season for one to know where the harvest could be this year. In the previous 2021/22 season, we had the largest wheat harvest in two decades. There are hopes for yet another good harvest this season, especially as the soil moisture has generally improved in most regions of the country following the heavy summer rains. Nevertheless, we will all take guidance about the actual harvest when the Crop Estimates Committee releases its revised area planted estimate and first production forecast for winter cereals for 2022 on 30 August.

Exhibit 2: South Africa's winter crop plantings



Source: Crop Estimates Committee and Agbiz Research

Data releases this week

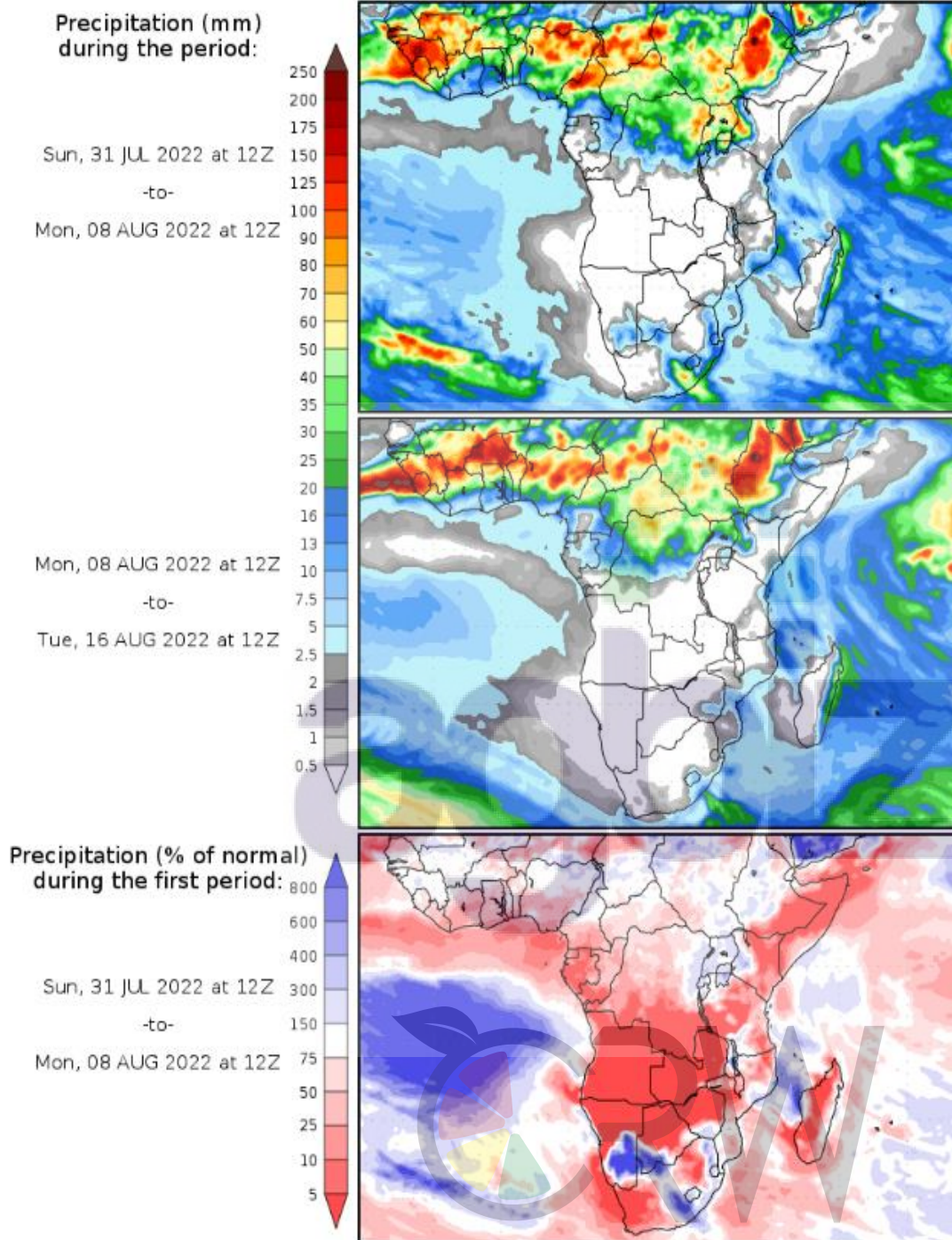
As with the previous weeks, we start the day with a global focus, where, today, the United States Department of Agriculture (USDA) will publish its **weekly US Crop Progress** data. In these data, our focus is on the crop-growing conditions as various regions of the US continue to experience a heatwave that is threatening the crop. In the previous release, in the week of 24 July 2022, about 61% of the maize crop was rated good/excellent, which is down by 3% from the rating in the same week a year ago. Moreover, about 59% of the soybean crop was rated good/excellent, which is still 1% above the previous year's rating in the same week. Moreover, on Thursday, the USDA will release the **US Weekly Export Sales** data.

On the domestic front, on Wednesday, SAGIS will release the **Weekly Producer Deliveries** data for the week of 29 July 2022. This data will help us get insight into the progress of the maize harvesting activity. In the previous release of the week of 22 July, about 8,24 million tonnes of maize had already been delivered to commercial silos, out of the expected harvest of 14,71 million tonnes. Moreover, soybeans and sunflower seed harvest has also advanced as we noted in the section above. This week we will receive an update on these crops as well.

On Thursday, SAGIS will publish the **Weekly Grain Trade** data for the week of 29 July 2022. In the previous release on 22 July 2022, which was the 12th week of South Africa's 2022/23 maize marketing year, the weekly exports amounted to 128 469 tonnes. The key markets were Japan, Vietnam and the Southern Africa region. This brought the total 2022/23 exports to 1,12 million tonnes out of the seasonal export forecast of 3,20 million tonnes. This is slightly down from 4,10 million tonnes in the past season due to an expected reduction in the harvest.

South Africa is a net importer of wheat, and 22 July was the 43rd week of the 2021/22 marketing year. The total imports are now at 1,38 million tonnes out of the seasonal import forecast of 1,48 million tonnes (slightly below the 2020/21 marketing year imports of 1,51 million tonnes because of a large domestic harvest). The major wheat suppliers are now Argentina, Lithuania, Brazil, Australia, Poland, Latvia and the US. As we stated in our previous notes, if one looks into South Africa's wheat imports data for the past five years, Russia was one of the major wheat suppliers, accounting for an average share of 26% a year. This has now been replaced by the above-mentioned suppliers.

Precipitation Forecasts



Source: George Mason University (wxmaps)

We have a relatively good weather forecast this week, clear skies in the central and western regions of South Africa.

These are areas where summer crop harvesting is still underway and there is a need for warm weather. So, the forecast for this week is favourable.

The eastern regions of the country, however, could receive light showers which is good for minimal soil improvement ahead of the new season, and for areas that have planted winter crops.