What will SA's BRICS chairpersonship bring for agribusinesses?

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This year South Africa assumed the role of chair of the BRICS grouping of countries, taking over from China, which chaired in 2022. While South Africa previously chaired the grouping in 2018, each tenure is different and brings a new opportunity to influence the agenda within this economically influential grouping of countries. While the group is not a formal economic or trade block, the business communities from each country typically look for ways to deepen trade and investments with other BRICS partners. The South African BRICS Business Council is one grouping with various working groups that engage with other member states on equal footing. This year, the South African BRICS Business Council will also lead the agenda in the same form as the political principals chairing BRICS. The agriculture and agribusiness role players are appropriately represented through Agbiz, which chairs the agribusiness working group in the Business Council.

The main interests of South African agriculture and agribusiness in the grouping are advancing agricultural exports, specifically to China and India. These are countries that have relatively solid economic growth prospects and large populations (and therefore markets). Brazil tends to be a competitor with South Africa in major agricultural commodities, while Russia is an important market for South African fruit and a major supplier of wheat. Still, since Russia invaded Ukraine, advancing commerce with the country is generally risky. With that said, the posture some businesses have taken has been to follow the national policy on matters concerning the Russia-Ukraine war.

This year is another opportunity for South Africa to push for increased agricultural exports into the BRICS countries. As things stand, the BRICS countries account for a relatively small share of South Africa's agriculture exports – an average of 8% over the past 10 years in total agricultural exports of US$9,9 billion. China is the leading market, accounting for an average of 5% of South Africa's agricultural exports to the world. The top products were wool, citrus, beef, nuts and grapes. The second-largest market of South African agribusinesses within BRICSS was Russia, accounting for an average of 2% over the past decade. Citrus, apples, pears, grapes and wine were some of the top agricultural products South Africa exported to Russia during this period. India and Brazil were negligible importers of South African agricultural products.

While the BRICS countries imported an average of US$764 million of agricultural products from South Africa, a small share in the nearly US$10 billion South Africa exported over the past decade annually, the grouping imported an average of US$196 billion worth of agricultural products from the world market. This data excludes South Africa to provide a view of the size of the agricultural market that South Africa is part of within BRICS. The US$764 million the BRICS countries imported from South Africa over the past 10 years makes South Africa a small player in the agricultural trade of this grouping. China is the largest importer accounting for 67% of the total BRICS agriculture import of US$196 billion, followed by Russia (16%), India (12%), and Brazil (5%).

These realities imply that within the agribusiness stream of the BRICS Business Council and the broader political grouping, the South African representatives should continue to advocate for lowering import tariffs for agricultural products, specifically within India and

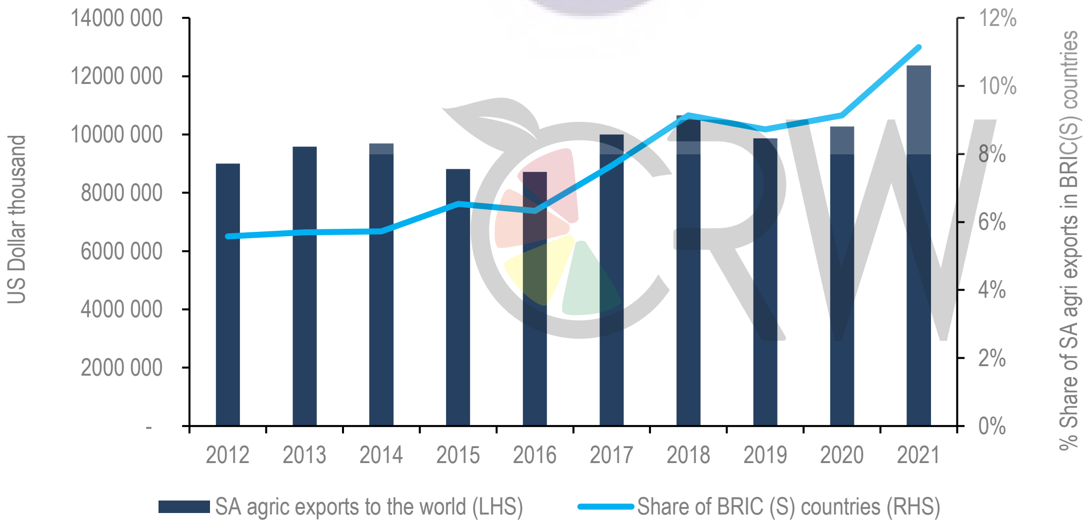
China. At the same time, the business community will have to actively promote the "proudly South African" agriculture (and broadly food, fibre and beverages) products in this grouping of countries.

Regarding the import tariffs with BRICS, consider the case of wine trade in China. The likes of Australia and Chile access the Chinese market at 0% preferential tariffs. Meanwhile, South African producers face duties of as high as 14%. This is understandable as Australia, New Zealand, Peru, and Chile have a bilateral agreement with China. South Africa does not have such agreements and thus faces higher duties. Still, the involvement in BRICS, while a political grouping and not a trade bloc, should provide an opportunity to lobby for lower duties on food, fibre and beverages products.

Such engagements, however, will not be smooth as China and India would most likely want a reciprocal engagement with South Africa. This will put South Africa in a challenging position as the country is also pushing its localization strategy, particularly in the manufacturing space, which will likely interest China and India. This is also a challenge that industry players should consider when engaging with the local authorities about the export market aspirations to these countries. Still, South African policymakers will also need to make necessary trade-offs, weighing both our export ambitions and the localization strategy. Trade policies and sector development strategies will need to be calibrated in ways that take advantage of new market opportunities presented by South Africa's term of chairmanship in BRICS.

In addition to the aspect of deepening trade, other areas South African agribusinesses will most likely explore within BRICS Business Council are fertilizer trade and production, as well as a deepening knowledge sharing and investment in agricultural technology and finance. It is still early in the year, and the results of these engagements will be evident as the year progresses. Still, these are some of the points that, from an Agbiz perspective, we will table in this grouping on behalf of the South African agribusinesses.

Exhibit 1: South African agricultural exports and share that goes to BRIC(S) countries



Source: Trade Map and Agbiz Research

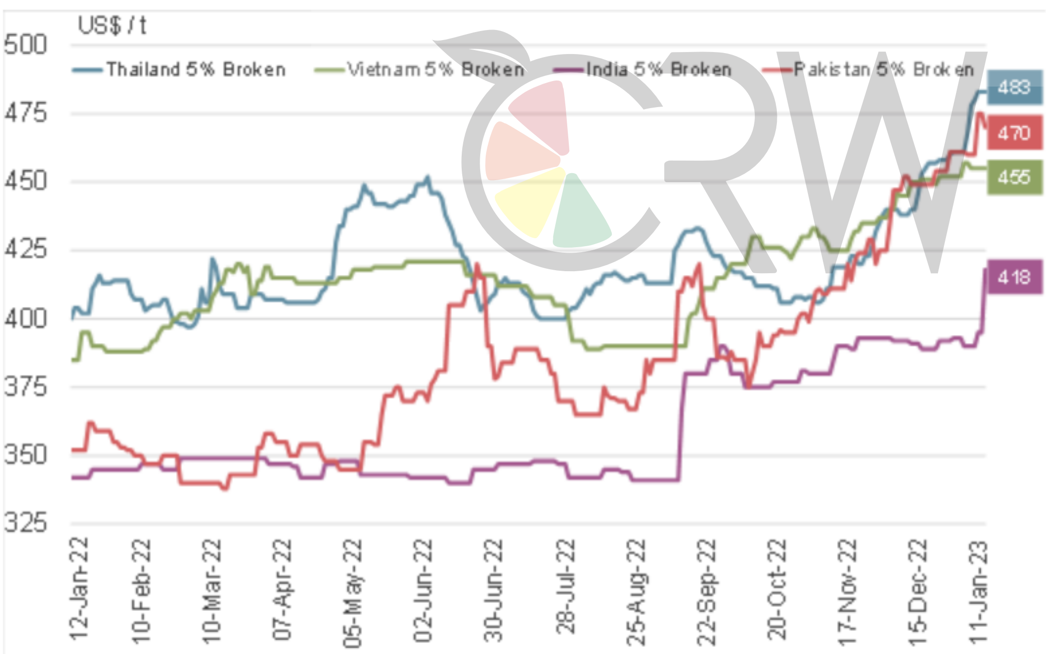
South Africa's rice imports to remain at stable levels as of 2022, but global prices will present new challenges

After a year of generally subdued global rice prices, this year started with a notable increase in prices from various origins. With South Africa being a net importer of rice, the worldwide surge of prices presents upside risks to consumer food price inflation. The comforting part, however, is that South Africa will likely import the same volume of rice as the previous year. The International Grains Council (IGC) forecasts South Africa's 2023 rice imports at 1,1 million tonnes. This is roughly unchanged from 2022, when about 73% of the imports originated from Thailand, 23% from India, and the rest from various countries, including India, Pakistan, Brazil, and Vietnam. These origins will likely remain the same in 2023.

Regarding supplies, the outlook is slightly downbeat compared to the previous season. IGC forecasts 2022/23 global rice production at 504 million tonnes, down by 2% year-on-year. This is mainly because of an expected decline in the harvest in India, Vietnam, the US, Pakistan, China, Bangladesh, the Philippines and Brazil. The unfavourable weather conditions and the reduction in planted area is the main driver behind this expected decline in rice harvest in these countries. Notably, they have overshadowed the forecast improvement in rice production in Thailand and Indonesia. Because of solid consumption levels and this expected decline in production, the global stocks are forecast at 168 million tonnes, down by 6% from the previous season.

These production dynamics are supportive of rice prices. Thailand (5% broken), Pakistan, and Vietnam rice prices are already trading at over US$450 per tonne. These are the highest levels in nearly two years. The price trend is unlikely to change in the medium term as the supplies will remain reasonably tight this year. Ultimately, rice-importing countries such as South Africa will face an environment of relatively elevated prices this year compared to 2022, when rice was the anomaly from the general rise in agricultural commodity prices, especially in the months after the start of the Russia-Ukraine war.

Exhibit 2: Global rice prices



Source: International Grains Council

Data releases this week

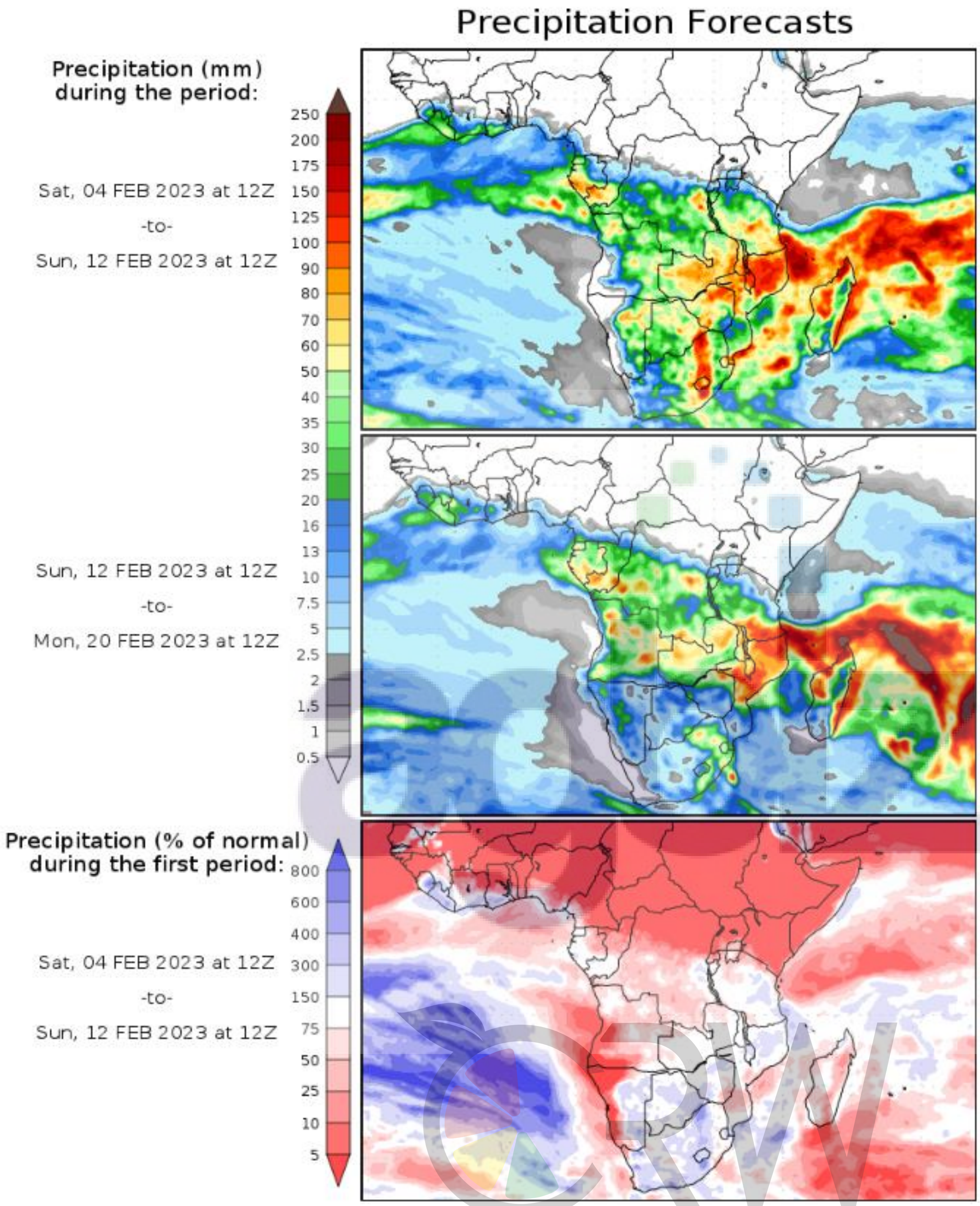
As always, we start the week's note with a global focus, and on Wednesday, the United States Department of Agriculture (USDA) will release the **Grains and Oilseeds World Markets and Trade**. The USDA will release the **World Agricultural Supply and Demand Estimates** report on the same day. This is a flagship report that provides an update on the size of the global grains and oilseed supplies for the 2022/23 season. On Thursday, USDA will release the **US Weekly Grains and Oilseeds Exports**.

On the domestic front, on Wednesday, SAGIS will release the **Weekly Producer Deliveries** data for 03 February. In the previous release of 27 January, about 14,3 million tonnes of maize had already been delivered to commercial silos, out of the harvest of 15,4 million tonnes. In the same week, about 2,2 million tonnes of soybeans had already been delivered to commercial silos, roughly the same size as the harvest for the season. Moreover, 839 733 tonnes of sunflower seed had already been delivered on the same day out of the harvest of 845 550 tonnes. The 2022/23 wheat producer deliveries amounted to 1,83 million tonnes in the same week, out of the expected harvest of 2,18 million tonnes.

On Thursday, SAGIS will publish the **Weekly Grain Trade** data for 03 February. In the previous release on 27 January, which was the 39th week of South Africa's 2022/23 maize marketing year, the weekly exports amounted to 71 465 tonnes, about 70% to Mexico and the rest to Southern Africa region. This brought the total 2022/23 exports to 2,57 million tonnes out of the seasonal export forecast of 3,25 million. This is slightly down from 3,73 million tonnes in the past season due to an expected reduction in the harvest.

South Africa is a net wheat importer, and 27 January, was the eighteenth week of the 2022/23 marketing year, and there were no weekly imports. South Africa's 2022/23 wheat imports currently stand at 504 210 tonnes. The seasonal import forecast is 1,60 million tonnes, roughly unchanged from the previous season. The major wheat suppliers in the 2021/22 season are Argentina, Lithuania, Brazil, Australia, Poland, Latvia and the US. As we stated above and in the previous notes, if one looks into South Africa's wheat import data for the past five years, Russia was one of the major wheat suppliers, accounting for an average share of 26% yearly. Argentina and Brazil replaced this in the 2021/22 season. We will closely monitor Russia's presence in the 2022/23 season, as the country is again one of the major wheat suppliers to South Africa.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)

After a week of good showers over some regions of South Africa, this week could bring continuous showers across the country.

This is broadly a welcome development after weeks of heatwave, that have weighed on the crop conditions.

In the Western Cape, however, the showers could slightly delay the harvest in the wine grape areas.