

SA agribusiness should keep a close eye on the rest of Africa

Although we continue to argue that South Africa should expand its agricultural export markets to new frontiers such as India, China, Bangladesh, Saudi Arabia, and South Korea, amongst others, the export drive should not be at the expense of the existing markets. We should actively engage with existing markets to stimulate the continued expansion of South African agricultural exports. The engagement should focus on the EU and Asia, both crucial regions for export growth, and the rest of the African continent.

The African continent remains the largest export market for South Africa's agriculture. In the record agricultural exports of US\$12,8 billion in 2022, the African continent accounted for 37%. Importantly, this was not an anomaly. The continent has accounted, on average, for 38% of South Africa's agricultural exports by value per annum over the past five years. Unlike the other regions South Africa exports to, where the composition of products is predominantly fruits, beef, wool and wine, maize is the leading export product in the African continent. Other products exported to the rest of the African continent include apples, wheat, animal feed, prepared foods, wine, fruit juices, soybean oil, sunflower oil, alcoholic beverages, and soybean oilcake. The leading markets were Botswana, Namibia, Mozambique, Zimbabwe, Lesotho, Eswatini, Zambia, Angola, Nigeria, and Mauritius. Except for Nigeria, these markets are within the Southern African Development Community's Free Trade Area, which has benefited South Africa greatly. Moreover, the infrastructure and proximity advantage of these markets contribute to the concentration of South African agricultural exports to this region.

As we advance this trade relationship with the Southern African Development Community and the rest of the African continent, there will need to be various industry and government engagements to keep warm relations. Such an approach would help to avoid erroneous policy decisions, such as what Namibia and Botswana did in 2022 by blocking vegetable imports from South Africa. This policy action negatively affected the South African farmers that had increased production in anticipation of the regional demand. Simultaneously, the consumers in Botswana and Namibia were also left with little choice as their typical supplies were suddenly unavailable on the shelves. Through close collaboration with the regional business community and government, we would address trade concerns without drastic steps by the neighbouring countries, which understandably want to prioritise the interests of local producers and consumers.

Aside from the long-term trade policy direction, the demand for South African agricultural products will likely increase in the 2023/24 marketing year within the African continent. The 2023/24 marketing year corresponds with the 2022/23 production season. In the previous season, countries such as Zimbabwe, Zambia, and Tanzania had decent supplies of grains and other foodstuffs on the back of a reasonably good harvest (although lower than the bumper crops of the previous season). Reports from FEWS NET suggest that dry and hot weather conditions in the earlier part of the 2022/23 production season negatively impacted crops in southern Angola, Zimbabwe, Mozambique, and northern and eastern Madagascar.¹ Moreover, there are growing concerns that the higher fertilizer prices have led to lower usage by farmers in these countries, which would ultimately undermine the yields.

27 March 2023

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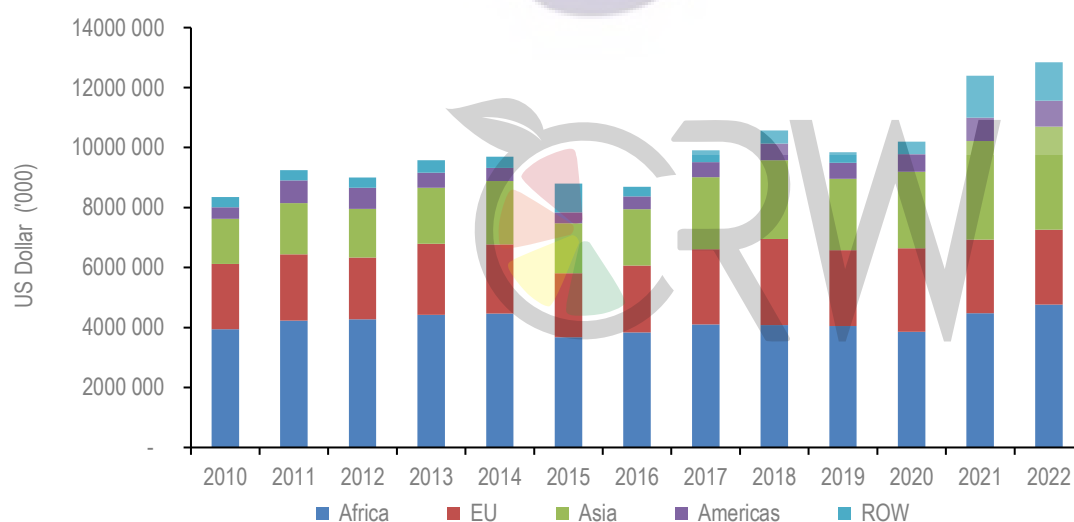
¹ <https://reliefweb.int/report/madagascar/southern-africa-key-message-update-prolonged-dry-spells-conflict-and-high-input-prices-impact-agricultural-production-southern-africa-february-2023>

The first glimpse of these countries' crop conditions and import needs will be through maize production data from the United States Department of Agriculture (USDA) in the coming months. For Zimbabwe, production forecasts are yet to be made available. Still, Zimbabwe would require sizeable imports if the crop drops below the previous season's harvest of 1,6 million tonnes, given its annual maize needs of 2,1 million tonnes. The possible suppliers to Zimbabwe will be Zambia and South Africa. Zambia's maize production forecasts are yet to be released. Still, there is an expected 15,6 million tonnes for South Africa, up 1% y/y, which should enable South Africa to export at least 3 million tonnes of maize in the 2023/24 marketing year.

Another country that is worth keeping an eye on is Kenya. The latest estimates from the USDA place Kenya's 2023/24 marketing year maize imports at 750 000 tonnes.² This is up mildly from the previous season's maize imports of 700 000 tonnes. The primary hope for Kenya is to import maize from Tanzania and Zambia, which collectively accounted for 98% of Kenya's maize imports in the 2021/22 marketing year. South Africa has minimal participation in the Kenyan maize market because of the prohibitive anti-genetically modified crop regulations. The new Kenyan administration under President William Ruto attempted to clear genetically modified white maize for imports and cultivation. But in February 2023, lobby groups took legal action to block genetically modified white maize seeds planned for release to farmers by the Kenya Agricultural and Livestock Research Organisation (KALRO) in March and April 2023.

We used maize as an example, but if maize crops faced production challenges, then one can assume that there are similar challenges in other crops and vegetables. This means South African producers should closely monitor the African market and increase supplies where market conditions allow. Beyond these near-term seasonal matters, the South African agribusiness community, as the major exporters of the produce from South African farms, along with the government officials, should maintain close engagement with counterparts across the rest of the African continent as this is not only a diplomatic consideration but also a commercial matter.

Exhibit 1: South Africa's agricultural exports by region



Source: Trade Map and Agbiz Research

Note: ROW represents the Rest of the World.

² https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Grain%20and%20Feed%20Annual_Nairobi_Kenya_KE2023-0002.pdf

Weekly highlights

Reflections on SA's consumer food price inflation data for February 2023

South Africa's consumer food price inflation accelerated mildly to 14% y/y in February 2023 from 13,8% in the previous month. The food product prices that increased notably were meat; milk, eggs and cheese; vegetable; and sugar, sweets and desserts. These elevated levels of South Africa's consumer food price inflation are unsurprising and illustrate an environment where there are still tail-end effects of generally higher agricultural commodity prices.

Moreover, the results of load-shedding, which intensified in January 2023, will likely underpin prices for a few months and dissipate as the new measures taken by the Finance Minister and the Department of Agriculture, Land Reform, and Rural Development starts to gain momentum. The measures include the diesel rebate and load curtailment possibilities, amongst others. These are mainly at the production level and do not include retailers.

Positively, the agricultural commodity price trend has changed globally, now softening. This will soon be a reality in South Africa. Notably, South Africa has a favourable agricultural season following adequate rainfall. For example, the Crop Estimates Committee forecasts 2022/23 summer grains and oilseeds production at 19,2 million tonnes, up 3% from the previous season. The favourable rainfall also benefited fruits and vegetables, whose increasing output will add downward pressure on prices in the coming months. The sharp vegetable price increases observed in February were temporary and influenced by heavy rains that disrupted activity in the fields and deliveries. Moreover, the meat prices, which underpinned the uptick in February, could also soften in the coming months, and we see that already in red meat prices. This results from increasing supplies and softening red meat consumer demand.

Taking all these aspects together, we should see South Africa's consumer food price inflation softening from around May into the year's second half as the energy measures taken by the government accelerate and the supply of agricultural production increases. Overall, South Africa's annual consumer food price inflation should average around 7% (from 9,5% in 2022), assuming notable decelerations in bread, cereals, meat, oils, fats, and fruit. This assumes a marked slowdown in the year's second half and the base effects from 2022 elevated inflation levels.

Exhibit 2: South Africa's consumer food price inflation



Source: Stats SA and Agbiz Research

Data releases this week

We start the week with a global focus. The United States Department of Agriculture (USDA) will release the **Oil Crops Yearbook** today. This file covers the U.S.'s oilseed, oil meal, and fats and oils supply and use statistics. The USDA will release the **U.S. Weekly Grains and Oilseeds Exports** on Thursday.

On the domestic front, on Tuesday, the Crop Estimates Committee will release the **second production forecast for South Africa's 2022/23 summer grains and oilseeds** and the **intentions to plant winter cereals for the 2023/24 season**.

On Wednesday, SAGIS will release the **Weekly Producer Deliveries** data for 24 March. In the previous release of 17 March, the 2022/23 wheat producer deliveries amounted to 1,9 million tonnes in the same week, out of the expected harvest of 2,1 million tonnes. We will report on the 2022/23 summer grains and oilseeds when the harvest gains momentum in the coming months.

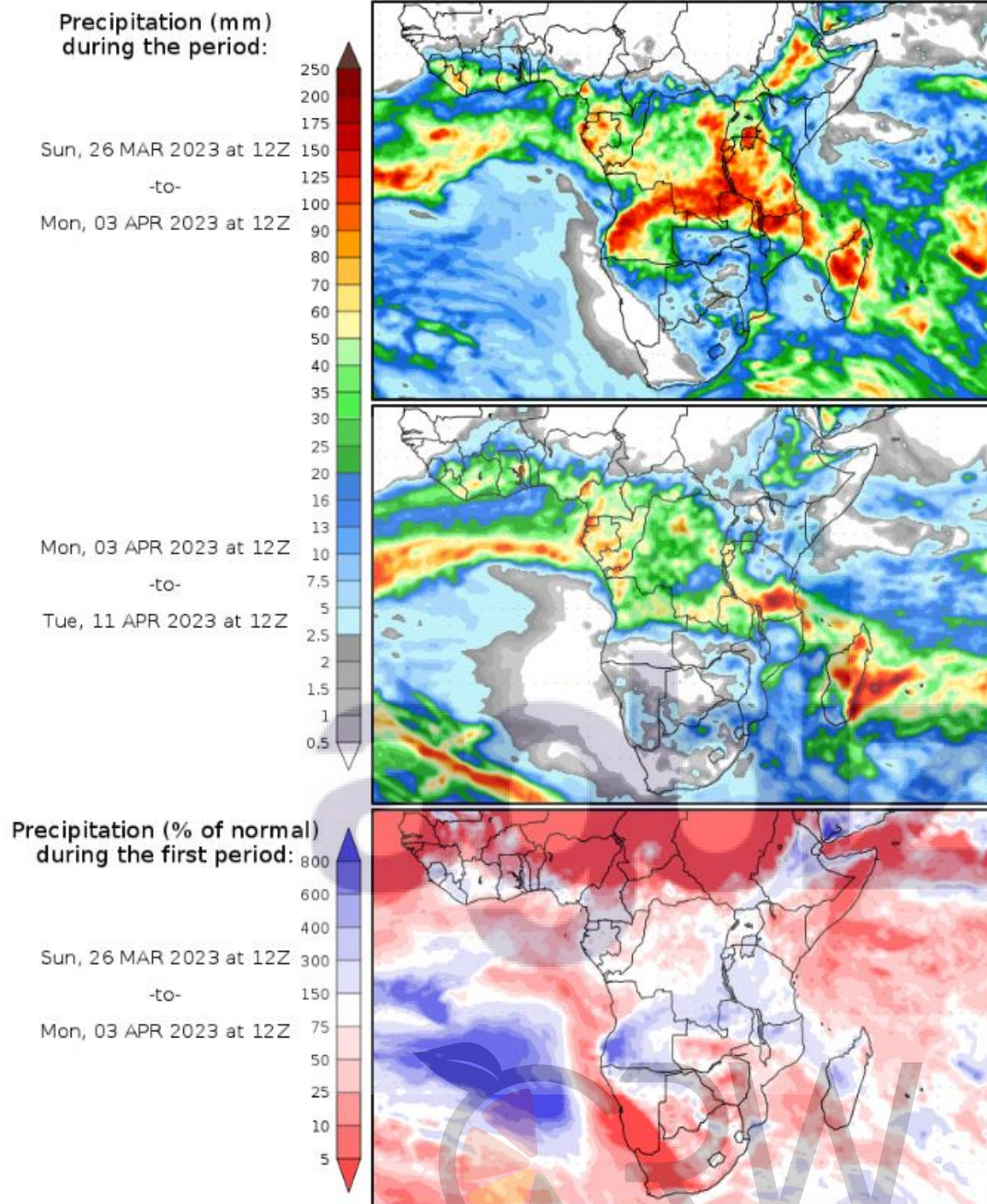
On Thursday, SAGIS will publish the **Weekly Grain Trade** data for 24 March. In the previous release on 17 March, the 46th week of South Africa's 2022/23 maize marketing year, the weekly exports amounted to 77 855 tonnes. About 61% went to Italy and the remainder to the rest of Africa. This brought the total 2022/23 exports to 3,1 million tonnes out of the seasonal export forecast of 3,3 million (slightly down from 3,7 million tonnes in the past season due to an expected reduction in the harvest).

South Africa is a net wheat importer, and 17 March was the 24th week of the 2022/23 marketing year, with 46 429 tonnes, all from Russia. South Africa's 2022/23 wheat imports currently stand at 663 310 tonnes. The seasonal import forecast is 1,6 million tonnes, roughly unchanged from the previous season.

As we stated in our earlier notes, the major wheat suppliers in the 2021/22 season were Argentina, Lithuania, Brazil, Australia, Poland, Latvia and the U.S. If one looks into South Africa's wheat import data for the past five years, Russia was one of the significant wheat suppliers, accounting for an average share of 26% yearly. Argentina and Brazil replaced this in the 2021/22 season. However, Russia is back on the suppliers' list in the 2022/23 season and is again one of the significant wheat suppliers to South Africa thus far.

Also, on Thursday, Statistics South Africa will release the **Producer Price Index (PPI)** data for February 2023.

Precipitation Forecasts



Source: George Mason University (wxmaps)

The weather forecast for the next two weeks shows broadly clear skies over most regions of South Africa, which is conducive for maturing summer crops and some regions approaching early harvests.

With that said, the eastern and central regions of the country could still receive light and scattered showers this week and warm up in the first two weeks of April.