

The BRICS opportunity for SA agribusiness and agricultural communities

This past week, the Business Councils of the BRICS Group gathered virtually to discuss a range of priorities for the year in preparation for the 15th BRICS Summit in August 2023. This business grouping works collaboratively with the political heads, focusing primarily on commercial opportunities within BRICS. As chair of the BRICS group this year, South Africa led the conference and proposed the focus areas for the year. Within the Agribusiness Working Group, which Agbiz chairs, there are five priority areas for the year, namely:

- **Best Practices on Agricultural Sustainable Development among BRICS countries** — All the BRICS countries are major agricultural role-players, and climate change presents a significant long-term challenge for agricultural production. This workstream will build on the work started by the China chapter in 2022. There will also be a focus on information sharing about climate change initiatives. Moreover, BRICS countries will prioritize knowledge sharing on agri-technology. With the growing adoption of various technologies to improve farming efficiencies and productivity, there is a need for BRICS countries to continuously share information about the available technologies in their countries that could benefit other members. This will also be a business opportunity for exporting services.
- **Improve fertilizer availability and use amongst BRICS countries and the broader African continent** — This theme will explore ways of boosting fertilizer production and trade among BRICS countries. This theme also aligns with the African Union strategy of Agriculture, which recognizes that fertilizer usage has increased agricultural productivity and reduced poverty. All BRICS countries will share their expertise on soil health, fertilizer usage and trade information.
- **Agricultural finance** — The drive towards smart climate agriculture and the adoption of new farming methods, such as the EU's Green Deal, requires new ways of production and investments in global agriculture. This requires innovative ways of financing. Given that some BRICS members are more advanced in their agricultural sectors than others, information sharing about agricultural finance and domestic experiences would be valuable.
- **Trade and Investment** — Although the BRICS countries are agricultural powerhouses, there is still room to improve trade, with a specific focus on market access issues. Through this workstream, there could be business facilitation and sharing of information about export opportunities in each country. This workstream could also assist in connecting businesses with government officials when trade-related challenges require urgent attention.
- **Academic interactions for private sector benefit** — The working group will explore the academic interaction/programmes to align research and collaboration between academic and private sector role-players.

08 May 2023

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These workstreams were adopted by the BRICS global teams this past week and will be the primary work areas for the agriculture and agribusiness sectors. The expected outcome or model of delivery in each of the work streams will include business facilitation, seminars, and research papers. Importantly, BRICS is a political grouping, not a free trade agreement. Therefore, there will remain some limitations in facilitating trade, although the group offers the opportunity to highlight the hindrances that each country experiences regarding trade. The South African agribusinesses will be represented in these discussions through Agbiz, and some can join the South African working group to help deliver these priorities.

In all these priority areas, the most urgent point for South Africa is trade and investment, as well as the improvement of fertilizer availability. On trade, the main interests of South African agriculture and agribusiness in the grouping are advancing exports, specifically to China and India. These countries 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.

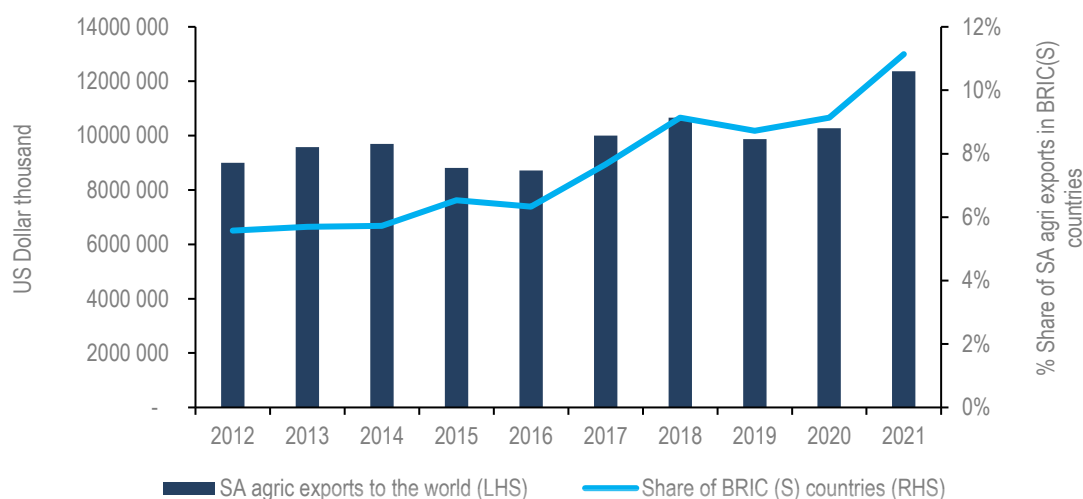
As things stand, the BRICS countries account for a relatively small share of South Africa's agriculture exports – an average of 8% over the past ten years in annual average agricultural exports of US\$9,9 billion. These calculations are based on data from Trade Map. China is the leading market, accounting for an average of 5% of South Africa's agricultural exports worldwide. The top products were wool, citrus, beef, nuts and grapes. The second largest market of South African agribusinesses within BRICS 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 as importers of South African agricultural products.

While the BRIC (with South Africa excluded in this calculation) countries imported an average of US\$764 million of agricultural products from South Africa per annum, a small share in the nearly US\$10 billion South Africa exported over the past decade annually, the grouping imported an annual 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 BRIC(S). The US\$764 million the BRIC(S) countries imported from South Africa over the past ten 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 BRIC(S) 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.

Overall, there is progress within BRICS regarding identifying critical areas of focus, which the Business Councils of various countries have now adopted. The next step will be to focus on the delivery methods in these points and ensure that each country's business benefits. For South Africa, the eye will primarily be on the trade and investment aspects and fertilizer availability matter, which serves South Africa and the broader African continent. The coming months will be seized with work on these issues ahead of the August 2023 conference, which will be led by the political principals of all the BRICS countries under the chairpersonship of South Africa.

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



Source: Trade Map and Agbiz Research

Disclaimer: Through Agbiz, I am currently the Chair of the BRICS Agribusiness Working Group, and I express these updates partly from that capacity. This role covers both domestic and global responsibilities.

Weekly highlights

Global Food Price Index rebounded slightly in April due to rising meat prices

The FAO Food Price Index, a measure of the monthly change in international prices of a basket of food commodities, rebounded by 1% in April 2023 from March to 127 points. This uptick is due to the increases in the sugar and meat prices. Meanwhile, the cereals, dairy and vegetable oil prices continued to drop.

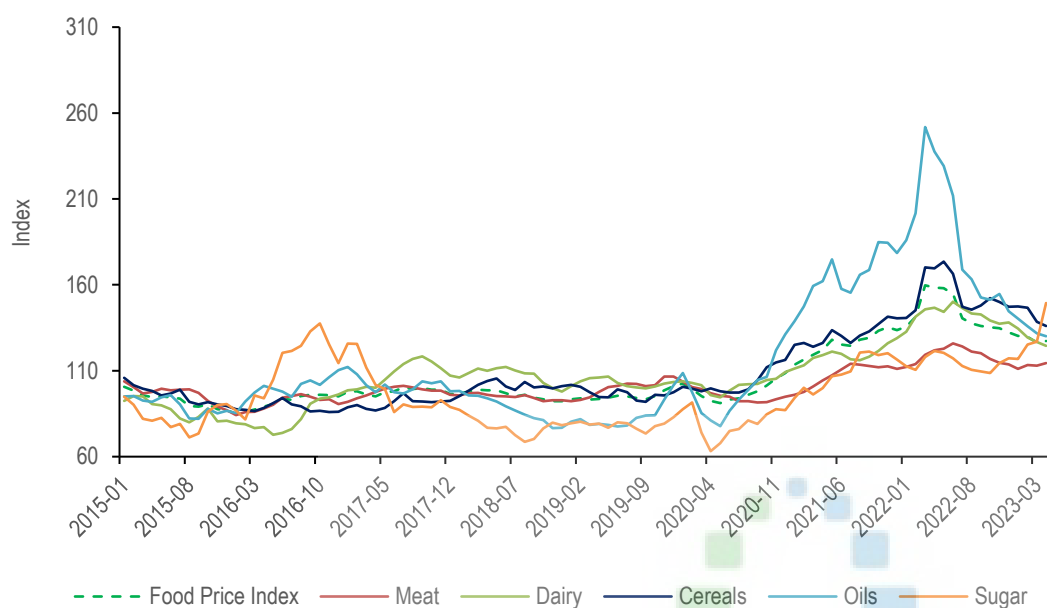
The price surge in sugar reflects the concerns about the tight global supplies in the 2022/23 season. This uptick is caused by the downward revisions to the sugar production forecasts for India and China, along with lower-than-earlier-expected outputs in Thailand and the European Union. Moreover, the meat price index increase was underpinned by the firm demand in Asian countries for pork. The pork supply limitations in several leading exporters due to high production costs and animal health issues also increased prices. Additionally, the solid Asian demand extended to poultry meat; hence the price rebounded following nine months of continuous declines. The supply limitations arising from widespread avian influenza outbreaks in various regions also increased the price.

Still, the FAO Food Price Index is 20% lower than in April 2022, primarily driven by the softening prices of the cereals, dairy and vegetable oil price indices. These price trends will likely overshadow the impact of the rising sugar and meat prices in the near to medium term and thus keep the headline global food price index at relatively lower levels compared to a year ago.

As stated, South Africa is part of the global agricultural market. Therefore, this anticipated price trend will likely be a reality also in the domestic market. In essence, this means that agricultural commodity prices will likely continue to soften from last year's levels, although not to the extent that we are back at pre-covid-19 levels. Still, this will be sufficient to

moderate consumer food price inflation. We will monitor the global meat price direction and its impact on South Africa, as this would influence the current food inflation view.

Exhibit 2: Global Food Price Index



Source: FAO and Agbiz Research

Data releases this week

We start the week with a global focus, and today, the Department of Agriculture (USDA) will release its weekly **US Crop Progress** report. The US farmers have advanced with summer crop planting. For example, on 30 April, about 26% of the maize intended area had been planted compared with 13% in the corresponding period a year ago. Moreover, about 19% of the soybean intended area had been planted compared with 7% on 30 April 2022. This impressive progress speaks to favourable weather conditions that have enabled the US farmers to proceed with plantings with minimal interruptions. The USDA will release its weekly **US Grains and Oilseeds Exports** data on Thursday.

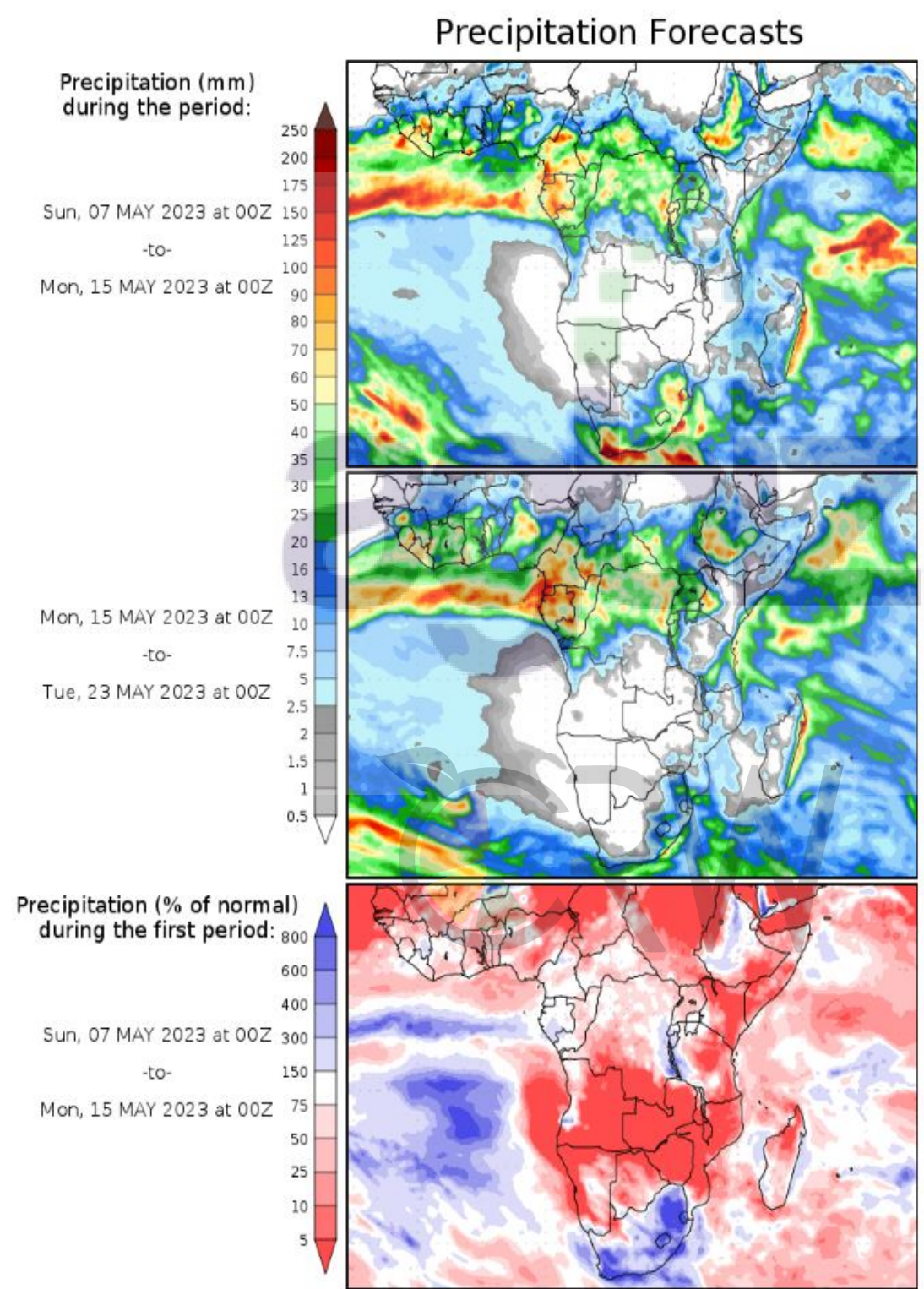
On the domestic front, on Wednesday, SAGIS will release its weekly **South Africa's Grain Producer Deliveries** data for 05 May 2023. In the previous release on 28 April, the deliveries were about 4 139 tonnes. This placed South Africa's 2022/23 wheat producer deliveries at 2,0 million tonnes, out of the expected harvest of 2,1 million tonnes. We will report on the 2023/24 summer grains and oilseeds next week, as we will receive the first seasonal data later this week.

On Thursday, SAGIS will publish its weekly **South Africa's Grain Trade** data for 05 May. In the previous release on 28 April, the 52nd week of South Africa's 2022/23 maize marketing year, the weekly exports amounted to 80 975 tonnes. About 40% to Taiwan, 31% to South Korea, and the balance to the neighbouring countries. This brought the total 2022/23 exports to 3,64 million tonnes, out of the revised seasonal export forecast of 3,93 million tonnes.

South Africa is a net wheat importer, and 28 April was the 30th week of the 2022/23 marketing year, with 5 290 tonnes, all from Poland. South Africa's 2022/23 wheat imports currently stand at 818 442 tonnes. The seasonal import forecast is 1,6 million tonnes, roughly unchanged from the previous season.

The major wheat suppliers in the 2021/22 season were Argentina, Lithuania, Brazil, Australia, Poland, Latvia and the US. 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.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)

The weather forecast for the week shows prospects of rainfall over most regions of South Africa.

Such weather conditions will likely slow the harvest activity, but we don't think the crop quality will be negatively affected.

Positively, the expected rainfall will be beneficial to the winter crop growing regions. Increased soil moisture will benefit the seed germination as the planting has recently started.