

The Agriculture and Agro-processing Master Plan needs a clear implementation plan

This month marks a year since South Africa's Agriculture and Agro-processing Masterplan was completed and launched. This plan offers the government and the private sector framework to grow the sector, build competitiveness, attract more investment, improve inclusion, and create jobs. This year should mark the start of the implementation phase. But progress so far remains limited, as the focus shifted to energy security at the beginning of the year because of the intensified load-shedding. With various interventions such as the load-curtailment, extension of diesel rebate, and Agro-Energy Fund under implementation, the sector should refocus its attention on the Agriculture and Agro-processing Masterplan and explore means of implementation. Admittedly, the operating environment in the sector is more challenging than when the plan was drafted. Still, neglecting or delaying implementation will only allow the present challenges to worsen.

The growth constraints such as biosecurity, infrastructure, widening of export markets, registration of new crop protection chemicals, and various commodity-specific and regionalized plans are some of the aspects that the Agriculture and Agro-processing Master Plan reflected on. Notably, the broad sector support behind the plan could wane over time if the implementation is slow, and we may again find ourselves with another "good on paper but not implemented plan". Getting out of this state of inertia requires the Department of Agriculture, Land Reform and Rural Development (DALRRD) to reconvene the social partners with an implementation proposal at hand to propose.

The DALRRD has a few options to utilize to gain momentum. The meeting could start with the energy interventions made thus far to assist the sector and how these will be sustained going to the next season, which may be a drought season, with higher demand for irrigation. This is a crucial step as few businesses would commit to the expansions promised in the Agriculture and Agro-processing Masterplan with no clear sense of the sector energy strategy. Agriculture and agro-processing are intensive energy users.

The second step would be to remind the sector how the existing blended finance initiative between DALRRD and the Land Bank will be broadened to other financing agencies to achieve the required scale to make a positive dent in transforming the sector. This process has been in the works for a few years, and there DALRRD should iron out the areas where there is no alignment yet and bring this in full stream.

Notably, the DALRRD should launch its Agricultural Development and Land Reform Agency, which came into the public view in 2021 and has been at various stages of refinement since that time. The DALRRD should outline the Agency's mandate and working plan for its first five years in collaboration with the private sector. This will be a courageous step to get ahead of new entrant farmers' questions about the need for land. It will also positively demonstrate that the expansion in the agricultural sector will be primarily through "growing the agricultural pie" by bringing into full production underutilized land. Another vital step that will boldly separate the Agency from other land redistribution instruments will be ensuring that the new entrant farmers to the sector have land with title deeds or tradable long-term leases. If the DALRRD fails to launch the Agency sooner, the deliberations in implementing the Master Plan will always go back to land needs as a hindrance. Therefore, the government

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should unlock all these possible stoppages before advocating for a comprehensive implementation of the Master Plan.

As we have previously stressed here before, these implementation steps are vital for building trust in the sector, not only between the government and existing role-players in agriculture but also other South Africans who aspire to join the sector and have followed these programmes from inception with hope for inclusion and economic opportunities. Notably, the sector's stakeholders will also be more appreciative of the seriousness of government programmes and policy if there is a full-scale implementation of all these steps. There may be faults at the starting stages, which provides us with an opportunity to learn and improve policy and programme design along the way.

Agriculture holds the potential for growth and job creation. Still, the long periods between the completion of programmes and implementation could dampen the momentum and confidence. The DALRRD and industry players have a window of opportunity to focus on implementation but should be used speedily before the possible arrival of a harsh drought that some may use to escape from focusing on long-term necessary programme implantation.

Weekly highlights

The CEC lifts South Africa's 2022/23 maize harvest estimate

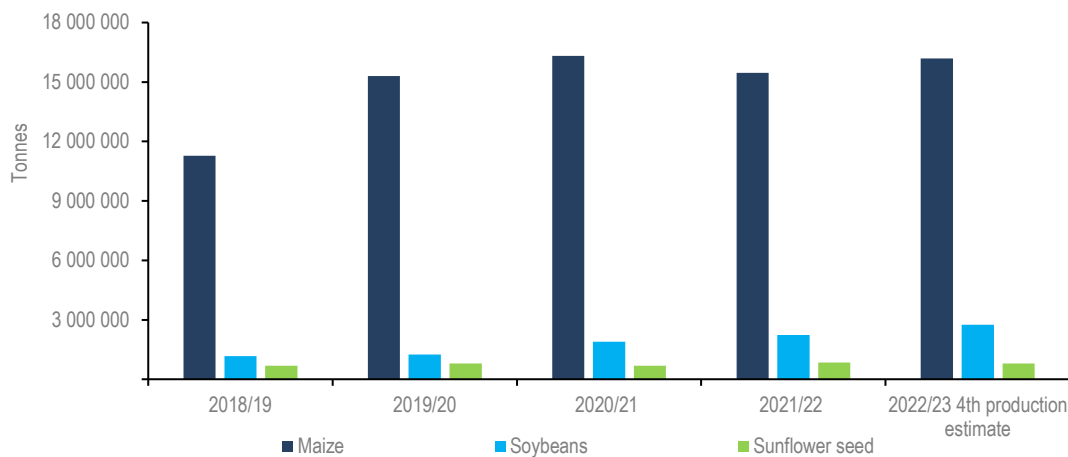
South Africa's Crop Estimates Committee lifted the country's 2022/23 maize production estimate by 2% from last month to 16,1 million tonnes. This crop is 5% more than the 2021/22 season and the third-largest harvest on record. As we stated in the previous notes, the expected large harvest is primarily on the back of large yields, as the area planted is slightly down from the 2021/22 season. About 8,5 million tonnes is white maize, with 7,6 million tonnes being yellow maize. A crop of 16,1 million tonnes implies South Africa will have sufficient supplies to meet domestic maize needs of roughly 11,4 million tonnes and have over 3,0 million tonnes for export markets in the 2023/24 marketing year.

The soybeans harvest was unchanged from April's record estimate of 2,8 million tonnes (up 24% y/y). The crop improvement is due to an expansion in the area planted and the expected higher yields. The ample soybeans harvest means South Africa could meet its domestic demand and remain with over 300 000 tonnes of soybeans for export markets. This soybean export expansion is a new territory for South Africa, which until recently, had been a net importer of soybeans and soybean products, and positive for the agricultural trade balance.

The sunflower seed production estimate remained unchanged from last month at 797 610 tonnes (down 6% y/y). The annual decline in the sunflower seed production forecast mirrors the reduced planted area and yields in some areas. Other small crops, such as groundnuts and dry beans, were lifted from April estimates to 51 510 tonnes (up 6% y/y) and 48 560 tonnes (down 8% y/y), respectively.

Farmers across the country are hard at work harvesting the summer crops at the momentum. The recent rains have not caused quality issues; thus, we anticipate a large harvest of high-quality summer grains and oilseed. From a grains consumer perspective, these data bode well with the already softening maize and oilseed farm prices and reinforce our view of a possible moderation in grains-related food product prices in the food inflation basket.

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



Source: CEC and Agbiz Research

SA consumer food inflation slightly moderates

The data released by Statistics South Africa this past week shows that consumer food inflation moderated at 14,3% in April 2023 from 14,4% in the previous month. The food products prices that underpinned this slight deceleration are meat; oils and fats; and fruit. Meanwhile, other product prices increased mildly.

As stated in our previous notes, we expect consumer food inflation to remain sticky at relatively higher levels for another month or so, and decelerate in the year's second half. Red meat prices, which have started to soften, should continue to moderate in the coming months as we see that trend at the farm level. Fruit prices will likely follow a similar trend as the harvest across South Africa gains momentum and improves domestic supplies. The moderation in the "oils and fats" products is in line with what we are seeing in the global environment, as South Africa still imports its palm oil usage. For example, in April 2023, the FAO's vegetable oil price index was at 130 points, down 45% y/y. Still, the weaker rand exchange remains an upside risk to prices that could reduce the gains for local consumers. The same applies to rice and wheat, as South Africa is a net importer of these products. Moreover, the relatively lower farm-level maize prices will filter into the retail products mainly in the year's second half. There is a lag between three and five months between farm and retail prices of some products.

The impact of load-shedding may continue to influence prices for the next few months. Still, the various interventions to ease the load-shedding burden on farmers, such as load curtailment, expansion of the diesel rebate to the food value chain, and, most recently, the launch of the Agro-Energy Fund, all support the production conditions. Hence, the 2022/23 maize harvest is estimated at 16,1 million, 5% higher than the 2021/22 season's harvest and the third-largest harvest on record. Soybeans harvest could reach a record 2,8 million tonnes.

Other field crops and fruits also show prospects for decent harvest this season. With that said, the effectiveness of these energy support measures differs across farming enterprises and food companies, and the costs to food producers, mainly those not fully benefiting from the above efforts, remain high because of all the necessary mitigation measures.

South Africa's consumer food inflation outlook for the year's second half is reasonably better. The key drivers of the expected moderation will be meat, grain-related products, vegetable oils, and fruits, which comprise roughly two-thirds of the consumer inflation food basket.

Exhibit 2: South Africa's consumer inflation food price



Source: Statistics South Africa and Agbiz Research

Data releases this week

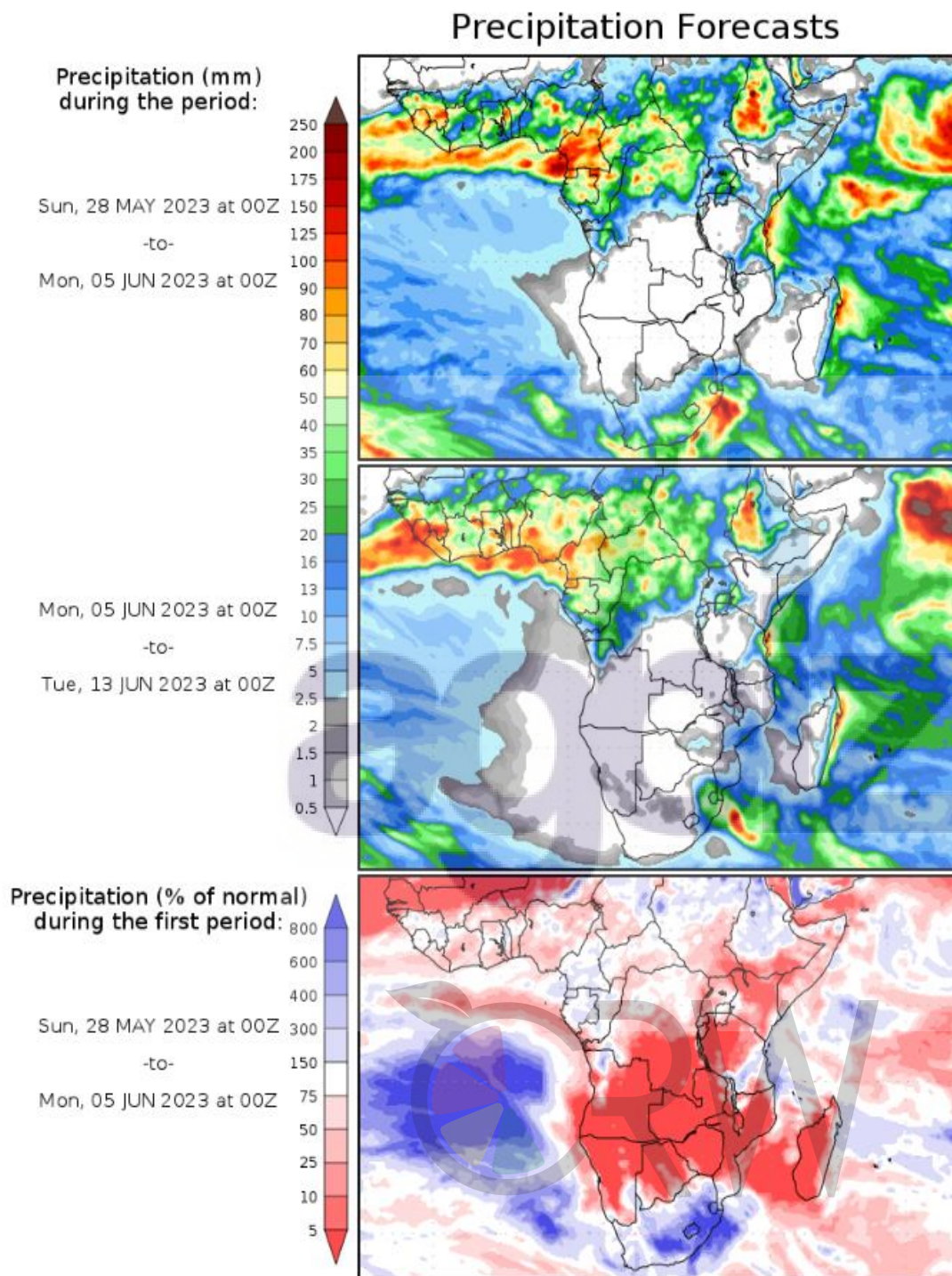
On the global front, on Tuesday, the Department of Agriculture (USDA) will release its weekly update of the **U.S. Crop Progress Report**. The U.S. farmers have advanced with summer crop planting because of favourable weather conditions. For example, on 21 May, about 81% of the maize intended area had been planted compared with 69% in the corresponding period a year ago. Notably, 52% of the planted crop had already emerged, compared with 35% on 21 May 2022. Moreover, about 66% of the soybean intended area had been planted compared with 47% on 21 May 2022. Of this, 36% of the soybean had already emerged, compared with 19% on 21 May 2022. The USDA will release its weekly **U.S. Grains and Oilseeds Exports** data on Friday.

On the domestic front, on Wednesday, SAGIS will release its weekly **South Africa's Grain Producer Deliveries** data for 26 May 2023. In the previous release on 19 May, South Africa's 2023/24 maize producer deliveries were about 253 699 tonnes. This placed the 2023/24 deliveries at 705 905 tonnes out of the expected harvest of 16,1 million tonnes. The soybean harvest activity has progressed more than maize and is now close to completion. On 19 May, about 2,1 million tonnes of soybeans had already been delivered to commercial silos out of the expected harvest of 2,8 million tonnes. On the same day, sunflower seed producer deliveries amounted to 399 681 tonnes out of the expected harvest of 797 610 tonnes.

On Thursday, SAGIS will publish its weekly **South Africa's Grain Trade** data for 26 May. In the previous release on 19 May, the third week of the 2023/24 marketing year, South Africa exported 50 909 tonnes of maize. About 72% of it went to South Korea and the rest to the neighbouring countries. This placed South Africa's 2023/24 maize exports at 145 634 tonnes out of the seasonal export forecast of 3,0 million tonnes (down from 3,64 million tonnes of exports in the 2022/23 season).

South Africa is a net wheat importer, and 19 May was the 33rd week of the 2022/23 marketing year, with 45 630 tonnes, about 85% to Poland and 15% to Lithuania. South Africa's 2022/23 wheat imports currently stand at 925 239 tonnes. The seasonal import forecast is 1,6 million tonnes, roughly unchanged from the previous season.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)

The weather forecast for this week shows prospects of showers over most regions of South Africa.

This is not ideal for summer grains and oilseeds and could lead to harvest delays. Still, we doubt that there will be crop quality issues, and the following week could bring the much needed sunshine.

Positively, the winter crop growing regions will benefit from the expected rainfall.