

SA agriculture records a decent trade surplus in Q1,2023

South Africa's agricultural sector had a rough start to the year regarding production and exports. The excessive rains brought production challenges that delayed the summer crop planting activity by roughly a month but later improved. Regarding exports, the slowing agricultural commodity prices reduced profitability from the levels farmers enjoyed a year ago, specifically grains and oilseeds. Moreover, some logistical challenges persisted in Cape Town port and thus negatively affecting the table grapes and various horticultural products exports. Still, this was not as harsh as in the previous years. The cooperation between organized agriculture groups and Transnet has helped improve agricultural export efficiencies somewhat. With that said, there is still room for improvement, which is essential for all the ports as South Africa has an export-oriented agricultural sector.

Against this backdrop, South Africa's agricultural exports fell by 2% y/y in the first quarter of 2023 to US\$2,9 billion. However, when viewed quarterly, the exports are up 5% from the last quarter of 2022. The top exportable products were grapes, maize, apples and pears, wine, wool, apricots and peaches, sugar, fruit juices, and soybeans, amongst other products. We expect some of these products to continue dominating the export list, with the additions being citrus, where harvest and export activity is underway. While the start of the year was rough with excessive rains, improving weather conditions from the end of January supported agricultural activity. South Africa has one of the best agricultural seasons from a production perspective. For example, the 2022/23 maize harvest could reach 16,4 million tonnes, 6% higher than the 2021/22 season's harvest and the second-largest harvest on record. In addition, the soybeans harvest is estimated at a record 2,8 million tonnes. South Africa's sugar cane crop will likely increase by 3% to 18,5 million tonnes in 2023/24. Other field crops and fruits also show prospects for decent harvest this season, which supports better employment prospects in the sector. The one area that continues to worry us is citrus export out of the Western Cape, following the infrastructure damage in Citrusdal because of heavy rains in June 2023. The destruction of the bridge slowed the citrus exports from the region. The impact of this will likely show in the second and third-quarter export data.

Also worth noting is that the impact of load-shedding may continue to influence production conditions as all of South Africa's fruits and vegetables are under irrigation, and roughly a third of field crops are produced under irrigation. 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 production figures we highlight above are robust. 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. Notably, the rainy season also helped ease the pressure to irrigate crops. As we transition to a potentially drier El Niño season in the 2023/24 production season, the need for irrigation may intensify, which will require a reliable energy supply.

From a destination point of view, the African continent remained the largest market for South Africa's agricultural exports in the first quarter of this year, accounting for 39% in value terms. The European Union was South Africa's second-largest market, accounting for 23% of all agricultural exports. Asia and the Middle East combined accounted for 21%. The Americas

03 July 2023

Wandile Sihlobo

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

www.agbiz.co.za

Disclaimer:

Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any loss or damage incurred due to the usage of this information.

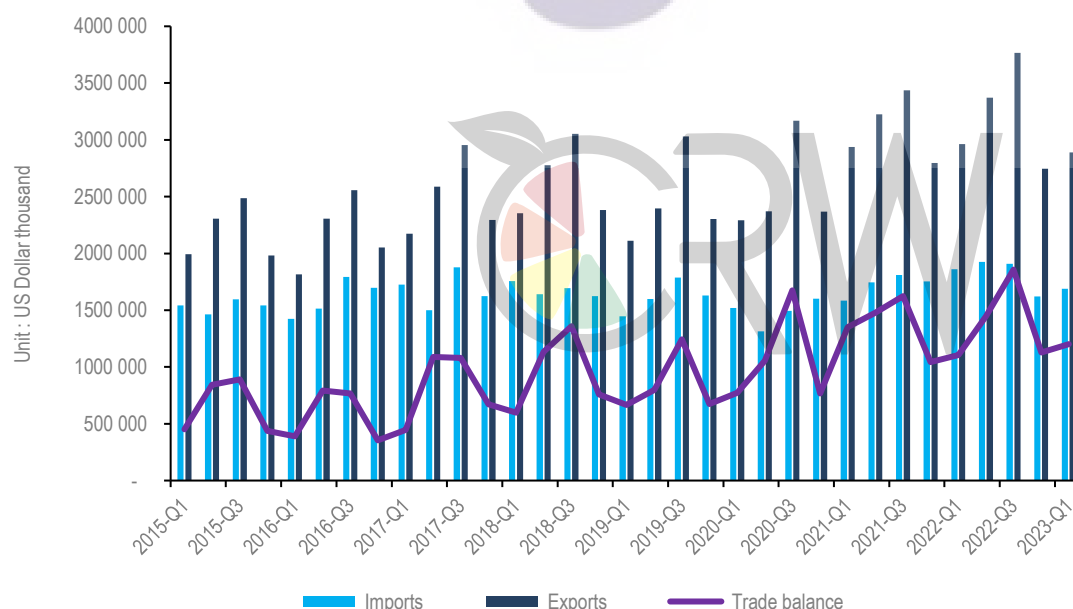
region accounted for 8% of South Africa's agricultural exports. The United Kingdom is one of the most important agricultural markets for South Africa and accounted for 7% of overall exports in the first quarter. The balance of 2% value constitutes other regions of the world.

South Africa's trade approach is not one-sided, perusing only exports. The country imports a significant amount of agricultural products. And thus, in the first quarter of 2023, South Africa's agricultural imports amounted to US\$1,7 billion, down 9% y/y (but up 4% quarter-on-quarter). The imported products are primarily wheat, rice, palm oil, sunflower, and poultry. Because of unfavourable climatic conditions, rice and palm oil cannot be sustainably produced in South Africa. The annual decline in the import bill is mainly because of the relatively lower agricultural commodity prices compared to a year ago. We believe rice, wheat, and palm oil will continue leading the annual agricultural import product list.

Ultimately, South Africa recorded an agricultural trade surplus of US\$1,20 billion in the first quarter of 2023, up 9% from last year's corresponding period. The widening trade surplus is mainly a result of a notable decline in import value, not necessarily a growth in exports, as the figures above illustrate.

From a policy perspective, from now on, the focus should be on improving logistics efficiency (roads, rail and ports) and intensifying the promotion of South African agriculture, food, fibre and beverages to export markets. South Africa is an export-oriented sector, where roughly half of the produce, in value terms, is exported. Therefore, an industry and government approach to promoting South African products in export markets is key. The agriculture and agribusiness role players have identified the countries where the government should prioritize this sector's export expansion. These are China, South Korea, Japan, the USA, Vietnam, Taiwan, India, Saudi Arabia, Mexico, the Philippines and Bangladesh. These efforts should be well-sequenced and complement the ongoing attempts to boost domestic production through various interventions outlined in the Agriculture and Agro-processing Master Plan.

Exhibit 1: South Africa's agricultural trade



Source: Trade Map and Agbiz Research

Weekly highlights

South Africa's 2022/23 maize production estimate is the second largest on record

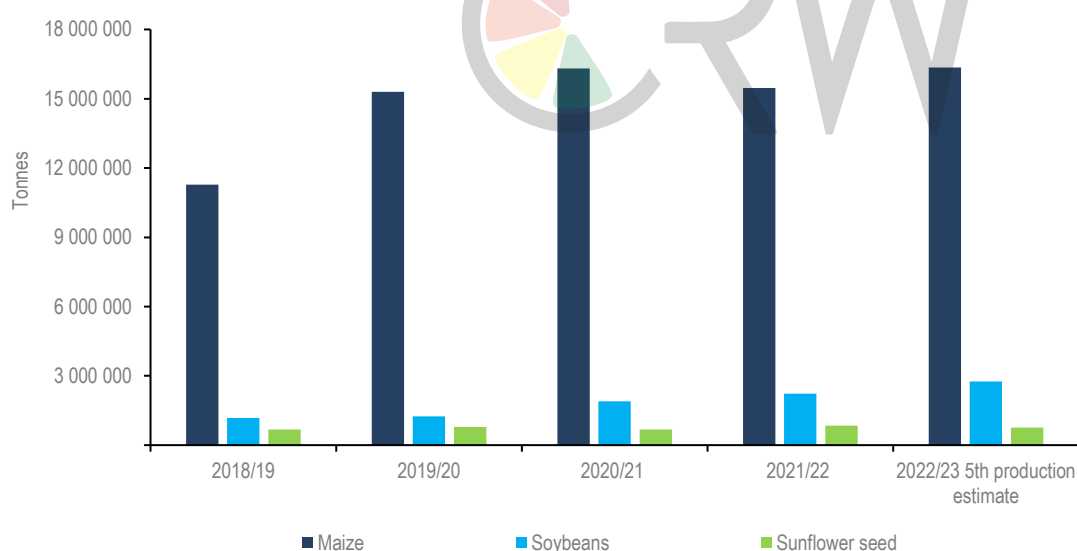
With summer crop harvest underway across South Africa, the recent production estimates are more reliable and reflect the large yields farmers continue to reap. Hence, we were not surprised this past week when South Africa's Crop Estimates Committee lifted the country's 2022/23 commercial maize production estimate by 1% from last month to 16,35 million tonnes. This crop is 6% more than the 2021/22 season and the second-largest harvest on record. The expected ample harvest is primarily on the back of large yields, as the area planted is slightly down from the 2021/22 season. About 8,64 million tonnes is white maize, with 7,71 million tonnes being yellow maize. A crop of 16,35 million tonnes implies South Africa will have sufficient supplies to meet domestic maize needs of roughly 11,40 million tonnes and have over 3,00 million tonnes for export markets in the 2023/24 marketing year.

The soybeans harvest was unchanged from May's record estimate of 2,76 million tonnes (up 24% y/y). The annual crop improvement is due to an expansion in the area planted and 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.

However, the sunflower seed production estimate was lowered by 5% from last month at 758 610 tonnes (down 10% y/y). The annual decline in the sunflower seed production forecast mirrors the reduced planted area and yields in some areas. Sorghum production estimate is down 1% from last month and now estimated at 103 870 tonnes (up 1% y/y). Other small crops, such as groundnuts and dry beans, were left unchanged from last month at 51 510 tonnes (up 6% y/y) and 48 560 tonnes (down 8% y/y), respectively.

Overall, South Africa has big summer grain and oilseed harvest, and the recent rains did not cause quality issues as some may have feared. From a grain consumer perspective, these data bode well with the already softening maize and oilseed prices and reinforce our view of a possible moderation in grains-related food product prices in the food inflation basket.

Exhibit 2: South Africa's major summer grain and oilseeds production



Data releases this week

This week's agricultural data calendar is fairly light. If we start with the global view, today, the USDA will release its weekly update of the **US Crop Progress Report**. The US farmers completed summer crop planting timely, supported by drier weather conditions. The focus has now shifted to crop conditions, which have been poorly rated because of the damage caused by extreme heat in various regions of the US. For example, on 25 June, only 50% of the planted maize crop was rated good/excellent, down significantly from the 67% rating in the same week in 2022. In addition, about 51% of the soybean crop was rated good/excellent, also down significantly from the 65% rating in the same week in June 2022. The USDA will release its weekly **US Grains and Oilseeds Exports** data on Thursday.

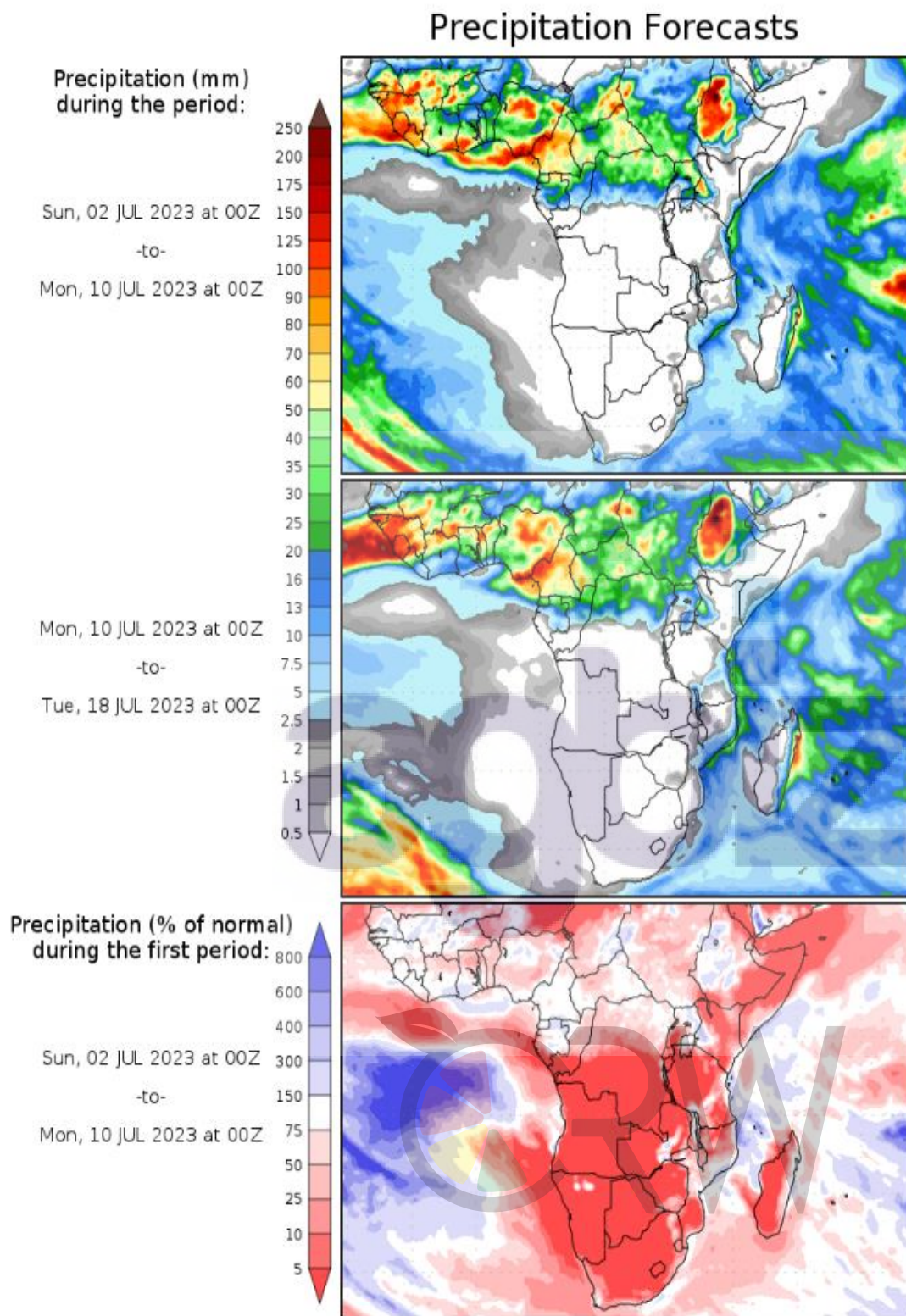
On Friday, the Food and Agricultural Organization of the United Nations (FAO) will release its monthly global **Food Price Index** update. In the previous release, the FAO Food Price Index averaged 124.3 points in May 2023, down 3% from April and as much as 22% from the all-time high it reached in March 2022. The decline in May was underpinned by significant drops in the price indices for vegetable oils, cereals and dairy.

On the domestic front, on Wednesday, SAGIS will release its weekly **South Africa Grains and Oilseeds Producer Deliveries** data for 30 June 2023. In the previous release on 23 June, South Africa's 2023/24 maize producer deliveries were about 1,5 million tonnes. This placed the 2023/24 deliveries at 6,3 million tonnes out of the expected harvest of 16,4 million. The soybean harvest activity has progressed more than maize because it was planted earlier in the season. The harvest is now close to completion, and on 23 June, about 2,6 million tonnes of soybeans had already been delivered to commercial silos out of the expected crop of 2,8 million tonnes. On the same day, sunflower seed producer deliveries amounted to 592 640 tonnes out of the expected harvest of 758 610 tonnes.

On Thursday, SAGIS will publish its weekly **South Africa's Grains and Oilseeds Trade** data for 30 June. In the previous release on 23 June, the eighth week of the 2023/24 marketing year, South Africa exported 128 328 tonnes of maize. Of this volume, about 43% was exported to Vietnam, 19% to South Korea, 16% to Japan, 10% to Taiwan, and the balance to the neighbouring countries. This placed South Africa's 2023/24 maize exports at 655 473 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 23 June was the 38th week of the 2022/23 marketing year, with a weekly import volume of 3 424 tonnes from Lithuania. This placed South Africa's 2022/23 wheat imports at 987 889 tonnes. The seasonal import forecast is 1,6 million tonnes, roughly unchanged from the previous season.

South Africa's 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.



Source: George Mason University (wxmaps)

The weather forecast for the next two weeks show clear skies over South Africa.

This will help support the summer crop harvest process that is currently underway across the country.

This is also supportive of the winter crop growing conditions that need a breather (sunshine) after heavy rains these past few weeks, especially in the Western Cape.