

28 August 2023

What was the Agriculture Agenda at the 15th BRICS Summit?

- One of South Africa's agricultural strategic objectives is the expansion of export markets. And it is with this ambition that organized agriculture, through the BRICS Business Council, went into the 2023 BRICS Summit. The Agribusiness Working Group had four broad focus areas for discussion with BRICS countries, namely (1) a need to improve fertilizer availability and use amongst BRICS countries and the broader African continent, (2) the sharing of best practices on agricultural sustainable development among BRICS countries, (3) outlining the BRICS countries' view on the arbitrary pesticide MRLs followed by some regions such the European Union and the general use of sanitary and phytosanitary (SPS) measures as barriers to trade, and (4) deepening trade and investment amongst the BRICS countries, and broader Africa.
- The BRICS Business Forum's annual general meeting (AGM) adopted all these points, carried on the Annual Report, and presented them to the political principals for consideration. These points also found broad support at the political level, illustrating the alignment of ambition between BRICS countries' political leadership and business interests on these matters. While the conference is over and the work has been presented to the political principals, the technical work only starts from this point. This will be through the Business Councils of each BRICS member country, working directly with their governments to deliver on these broad points presented at the conference.
- From a South African perspective, this would take the form of BRICS Business Council's Agribusiness Working Group engaging with both the Department of Trade, Industry and Competition and the Department of Agriculture, Land Reform and Rural Development to deliver on these broad ambitions, especially the one of trade and investments, as well as the SPS measures barriers in countries that South Africa wants to deepen its trade. The broad trade point mainly refers to lowering import tariffs in BRICS countries where South Africa wants to increase exports, which ties perfectly with the SPS matters. Ideally, this would not be a demanding task as South Africa's Minister of Agriculture, Land Reform and Rural Development chaired a meeting of BRICS Agricultural Ministers ahead of the 15th BRICS Summit and discussed similar matters as the ones presented by the Agribusiness Working Group of the BRICS Council.
- Notably, South Africa remains a chair of the global Agribusiness Working Group until the end of the year, with commanding authority to bring all countries to the table for reflections and implementation of the objectives the Group had adopted. This will be the technical work that should happen between now and the end of the year and hopefully continue under the new chair in 2024. From a South African perspective, these points will remain a priority going into the new year as they will not be resolved overnight and require time.

- The trade and SPS aspect is important because the BRICS countries collectively imported about US\$320 billion of agricultural products from the world market in 2022 (according to data from Trade Map). About 74% of the Group's agricultural imports come from China, 12% from India, 8% from Russia, 4% from Brazil and 3% from South Africa.
- The key agricultural products the BRICS grouping imports are soybeans, palm oil, beef, maize, berries, wheat, cotton, poultry, pork, apricots and peaches, sorghum, rice, and sugar. These are products that are produced at scale by some BRICS countries. Yet the imports to other BRICS members typically originate from suppliers outside the grouping. This is understandable given that importers will search for competitively priced products and not necessarily from countries where they enjoy close cooperation. The lack of competitiveness has mainly been caused by higher import tariffs that BRICS countries face amongst each other compared with their competitors in this market, along with SPS matters. This is undoubtedly the case for South Africa regarding India and China.
- Another noteworthy point emerging from the 15th BRICS Summit was the invitation of the Argentine Republic, the Arab Republic of Egypt, the Federal Democratic Republic of Ethiopia, the Islamic Republic of Iran, the Kingdom of Saudi Arabia and the United Arab Emirates to become full members of BRICS. The membership will take effect from 1 January 2024.
- If we consider the BRICS+ grouping from an agricultural perspective, the opportunities for increasing trade and investment from a South African perspective primarily lie in China, India, and the Kingdom of Saudi Arabia. We already have some form of agricultural trade with these countries. Still, the ambition for South Africa is to increase wine, fruits and beef exports, amongst other products, to these particular countries. Admittedly, deepening agricultural trade would bring challenges as trade is not a one-way approach. Still, we believe that South African agricultural products are of high quality, and with the lowering of tariffs and non-tariff barriers, could remain competitive prices.
- The task now lies on the BRICS Agribusiness Working Group to resume its work and engage with relevant government departments domestically and other agribusiness Working Group chairs from the founding BRICS member countries to take the points mentioned above forward. From early next year, when other BRICS+ members officially join, the BRICS Business Council's Agribusiness Working will extend an invitation to them and update them on the work of the 15th Summit. Overall, we view this Summit as broadly positive for agriculture, which also was robustly spotlighted in this conference at the plenary session of the Business Forum, with all the points we highlight here presented.

Disclaimer: This year, **Wandile Sihlobo** chairs the Agribusiness Working Group of the BRICS Business Council (South Africa) and the global agribusiness grouping.

WEEKLY HIGHLIGHT

South Africa's consumer food inflation decelerated in July 2023

- South Africa's consumer food inflation continued to slow in July 2023, recorded at 10,0% from 11,1% in the previous month. The product prices underpinning this deceleration are primarily bread and cereals; meat; fish; and oils and fats. While there are renewed risks in global agriculture, such as India's decision to ban specific categories of rice exports and the Black Sea Grain Deal Initiative that facilitated grains and oilseeds exports from Ukraine terminated, we are still optimistic that South Africa's consumer food inflation will continue to slow during this second half of the year.
- The products that could underpin the slowing food inflation trend will likely remain similar to those in the past few months. Notably, red meat prices, which have softened at the farm level, should continue on this trend at the retail level in the coming months. Fruit prices should also remain affordable because of improved domestic supplies.
- However, there are some risks in some food product categories. For example, the recent decline in "oils and fats" products in the inflation basket mirrored the softening price trend we saw in the global environment a few months ago. But this trend may change slightly in the coming months as we see the changes already in the global environment. In July 2023, the FAO's vegetable oil price index was at 130 points, up 12% from June. Significantly, this marked the first increase after seven months of consecutive declines. This increase was due to Black Sea concerns, mainly on sunflower oils, and the subdued production conditions on palm oil, a product South Africa imports in large volume. We will keep an eye on the global vegetable oil prices as their price trends, over time, may reflect in South Africa, but not in equal proportion as the global price changes.
- Regarding the "bread and cereals" product prices, the Black Sea Grain Deal challenges and India's rice exports ban remain an upside price risk. With South Africa importing a million tonnes of rice and similarly exposed to wheat imports, the disruption in trade of these commodities and the length of it could have implications on global price and, ultimately, South Africa's "bread and cereals" component of the food inflation basket.
- Still, we have not seen a material change in prices for now, and we should not be alarmed; what is essential to monitor is the extent of price changes and their duration. Importantly, there is roughly a lag between three to five months between the price changes at farm and retail levels. Hence, we expect the prices of grain-related products in the inflation basket to maintain a softening path regardless of the recent disruption in grain prices.
- Beyond the global dynamics, South Africa has a favourable agricultural season. For example, the 2022/23 maize harvest is estimated at 16,4 million, 6% higher than the 2021/22 season's harvest and the second-largest harvest on record. Soybeans harvest could reach a record 2,8 million tonnes. Be that as it may, the prices of these products are influenced by global developments as we are an open economy interlinked to the world markets. Other field crops and fruits also show prospects for decent harvest this season. These increased supplies support the slowing food inflation view we

expressed. However, there are now renewed upside global risks and energy costs issues in the domestic market that needs constant monitoring.

Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research

agbiz



WEEK AHEAD

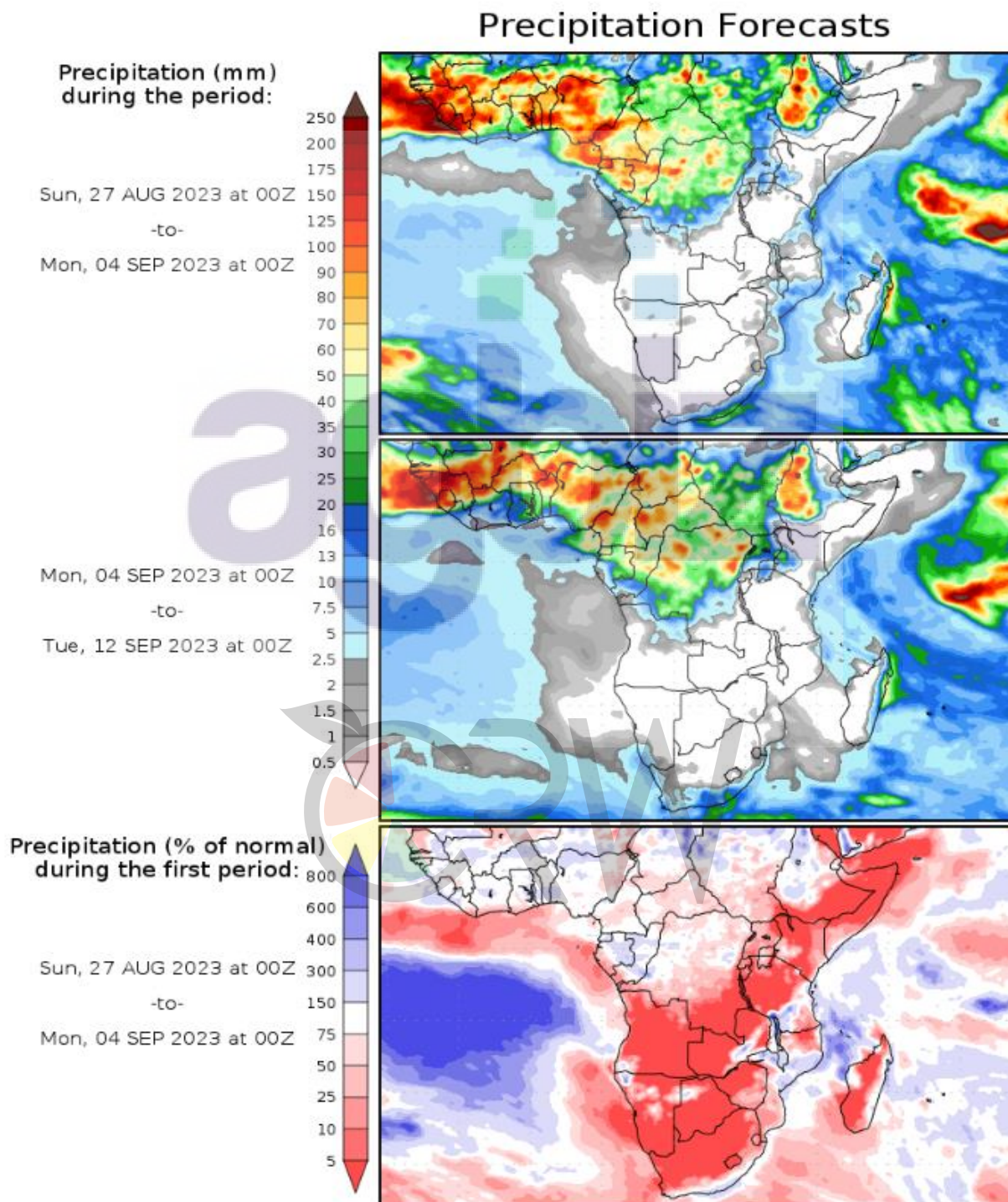
What we are watching this week

- As always, we start the week with a global focus, and today, the USDA will release its weekly update of the **US Crop Progress Report**. After weeks of excessive heat, the US crop growing conditions have improved following good rains in some regions. On 20 August, about 58% of the planted maize crop was rated good/excellent, slightly above 55% in the same week in 2022. In addition, about 59% of the soybean crop was rated good/excellent, also slightly above the 57% rating in the same week in August 2022. The USDA will release its weekly **US Grains and Oilseeds Exports** data on Thursday.
- On the domestic front, on Tuesday the Crop Estimates Committee will release **South Africa's seventh production forecast for summer field crops for 2023**. We don't expect any adjustments from the past month's data as the harvest has progressed and the yields have been quite excellent in most regions. What will be important to monitor is **South Africa's revised area planted estimate and first production forecast for winter cereals for 2023**. The weather conditions have been favourable in the winter crop growing regions, and thus, we expect decent production estimates.
- On Wednesday, SAGIS will release its weekly South Africa's **Grains and Oilseeds Producer Deliveries** data for 25 August. In the previous release on 18 August, South Africa's 2023/24 maize producer deliveries were about 254 502 tonnes. This placed the 2023/24 deliveries at 13,6 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 18 August, 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 710 784 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 25 August. In the previous release on 18 August, the 16th week of the 2023/24 marketing year, South Africa exported 84 305 tonnes of maize. Of this volume, about 63% was exported to South Korea, and the balance was to African countries. This placed South Africa's 2023/24 maize exports at 1,51 million tonnes out of the seasonal export forecast of 3,22 million tonnes.
- South Africa is a net wheat importer, and 18 August was the 46th week of the 2022/23 marketing year, with a weekly import volume of 79 739 tonnes from Lithuania and Poland. This placed South Africa's 2022/23 wheat imports at 1,37 million tonnes. The seasonal import forecast is 1,60 million tonnes, roughly unchanged from the previous season.
- Also on Thursday, Statistics South Africa will release the **Producer Price Index (PPI)** data for July 2023. Our focus on this data will be on the food category.

South Africa's Precipitation forecast

- As with the previous week, there are clear skies over most regions of South Africa this week, which benefits the summer crop harvest process at the final stages in some areas of the country. Meanwhile, the coastal regions of the Eastern and Western Capes could receive light showers, which is conducive for winter crops in the case of the Western Cape.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)