

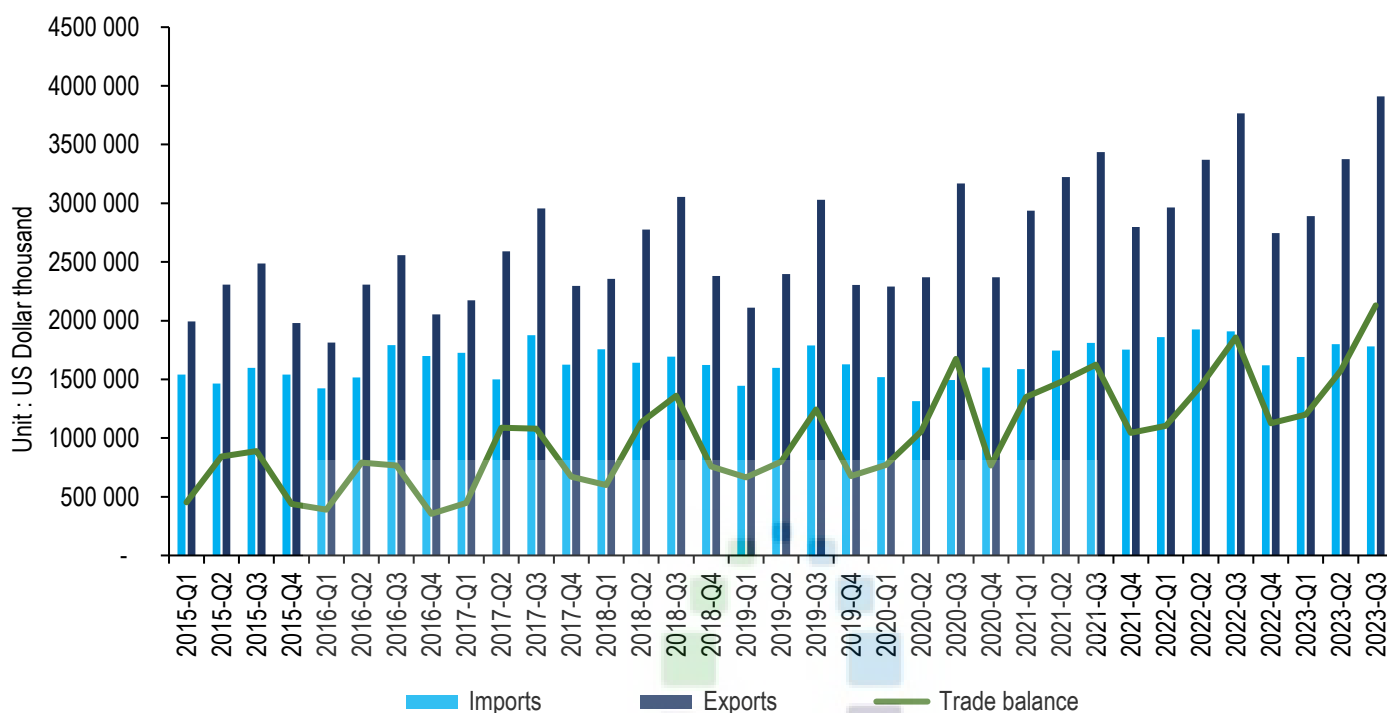
S.A.'s agricultural exports were robust in Q3, 2023

- South Africa's agricultural exports amounted to US\$3.9 billion in the third quarter of this year, up by 4% y/y (according to data from Trade Map). This quarter, the products that dominated the export list were citrus, maize, apples and pears, nuts, wine, soybeans, sugar, and fruit juices. This solid export activity was both a function of improvement in volumes and prices, specifically of fruits. This more than offsets the effects of lower grains and oilseed prices, which have declined notably from their 2022 levels. Overall, South Africa's agricultural exports amounted to US\$10,2 billion in the first nine months of the year, up 1% from the same period in 2022.
- This export activity was mainly before the intensified challenges at the South African ports. Given that the inefficiency challenges at the ports and in railway lines are not new, the agricultural export's success resulted from continued collaboration between the industry and Transnet to improve the logistics at the ports. The South African agricultural industry has established forums to continuously engage with Transnet and enhance communication about problems at the ports so that the response could be swift to drive the exports of high-value and perishable products. Still, as evidenced by the worsened logistical efficiency since the start of the fourth quarter of this year, more work and investment are needed to improve the efficiencies.
- From a regional perspective, the African continent remained the largest market for South Africa's agricultural exports, accounting for 32% of the exports in the third quarter of 2023. Asia and the Middle East were the second largest regions, with a 31% share. The E.U. was the third largest region, accounting for 19% of the agricultural exports, with the Americas region at 7%. The U.K. is also one of the largest single markets for South Africa's agricultural exports, accounting for 6% of the exports in the third quarter. The remaining 5% was spread to other various regions of the world.
- Regarding imports, South Africa's agricultural imports fell by 7% y/y in the third quarter of this year to US\$1,8 billion (This is according to data from Trade Map). As with the previous quarters, the products that still dominate the import list are wheat, rice, palm oil, whiskeys, sunflower oil and poultry. Wheat and palm oil were the main drivers of the decline in the value of imports. South Africa's agricultural imports amounted to US\$5,3 billion for the first nine months of the year, down by 7% from the same period in 2022.
- Positively, South Africa had an agricultural trade surplus of US\$2,1 billion in the third quarter of 2023, up 15% y/y.

The path ahead and policy considerations

- While South Africa's agricultural exports remain encouraging, we think export earnings will likely soften this year from the 2022 record exports of US\$12,8 billion. The relatively lower commodity prices and volumes in various products and the intensified logistical constraints in the last quarter of the year may weigh on the export value this year.
- Beyond these near-term challenges, South Africa is on an export market expansion mission for the agricultural sector. This means there is a need to work hard to retain the existing markets in the E.U., African continent, Asia, Middle East, and the Americas. In an increasingly divided world where geopolitics are fragile, South Africa must walk a careful path so its foreign policy approach does not result in a negative approach to trade or growing protectionism by traditional trading partners. This is critical for South Africa's agricultural growth, sustainability, and job creation.
- Notably, South Africa should expand market access to some of the key BRICS+ countries, such as China, India, and Saudi Arabia. Other strategic export markets for South Africa's agricultural sector include South Korea, Japan, Vietnam, Taiwan, Mexico, the Philippines and Bangladesh. This export market expansion ambition is shared by both the private sector and the South African government. The Department of Trade, Industry and Competition and the Department of Agriculture, Land Reform and Rural Development should lead the way for export expansion in these agricultural strategic markets.
- The outcome of the 15th BRICS conference in agriculture also focused on the need to deepen trade within the BRICS+ countries while retaining other markets outside this grouping. This was anchored on the emphasis for BRICS members to lower import tariffs and address SPS barriers that currently hinder deeper trade within this grouping. The trade and SPS aspect is vital 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 because of the tariffs and SPS barriers.
- Ultimately, while we reflect on the excellent near-term agricultural trade performance, the focus going forward should remain on market development and maintenance of the existing markets. This is a matter that should also be well appreciated by the political leadership in the foreign policy space within the South African government.

Exhibit I: South Africa's agricultural trade



Source: Trade Map and Agbiz Research

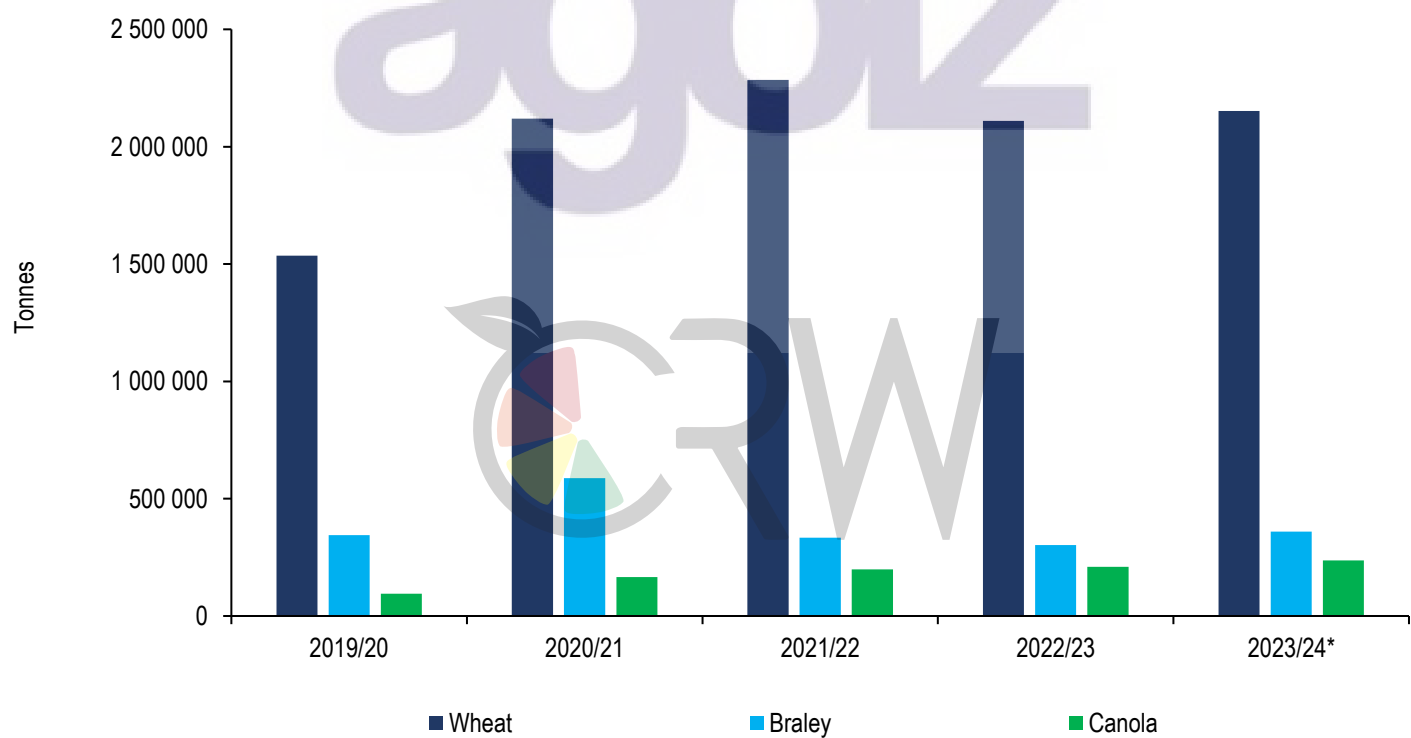
WEEKLY HIGHLIGHT

South Africa's winter crop size is decent, but quality concerns remain

- The data released this past week by the Crop Estimates Committee continue to paint a reasonably positive picture of South Africa's winter crop harvest, albeit with minor downward monthly revisions of the crop size. The primary issue on farmers' minds is perhaps not crop size but the deterioration in quality following heavy floods in the Western Cape in September. The Western Cape is a significant producer of winter crops, accounting for roughly two-thirds of South Africa's total winter crop output.
- The Crop Estimates Committee, in its fourth production estimates for the 2023/24 season, lowered the wheat harvest by 0,7% from October to 2,15 million tonnes. The marginal downward revision was mainly on the Western Cape's crop. Still, this projected overall harvest is 2% up from the last season.
- Broadly, the provinces behind the current robust national wheat harvest forecast are the Western Cape (53% of the overall harvest), Northern Cape, Free State and Limpopo. Admittedly, while the Northern Cape and Free State are still amongst the leading wheat producers, their expected harvest is less than the 2022/23 season. The expected large harvest in the Western Cape and Limpopo overshadows the decline in harvest in other provinces. There are also likely decent wheat harvests in other provinces such as KwaZulu-Natal, Eastern Cape and North West.

- The current expected crop of 2,15 million tonnes is well above the 10-year average harvest of 1,80 million tonnes. If there are no significant changes in the crop forecast in the coming months, South Africa will likely need to import about 1,60 million tonnes to meet domestic consumption in the 2023/24 season (down from the forecast 1,68 million tonnes in the 2022/23 season).
- Furthermore, the 2023/24 canola crop was unchanged from October estimates and is at a record 237 450 tonnes (up 13% y/y). The annual increase is also due to increased plantings and expected better yields. Regarding barley and oats, however, the Crop Estimates Committee lowered its production forecasts by 5% and 13% from last month to 360 220 tonnes and 36 200 tonnes, respectively. The recent floods damaged these crops more than wheat and canola. Notably, there are reportedly quality issues in barley, and the extent of it will be clear in the coming weeks.
- Overall, while the overall crop size is encouraging, and no major wheat quality issues have been reported so far, this remains a major concern to us and would influence the import requirements for the season that we currently have at a consecutive estimate of 1,60 million tonnes. Still, it is too early to formulate a strong view on this matter. It will be some time before we start having a better sense of the wheat quality across the Western Cape's major wheat-producing regions. For now, one could consider this matter a potential downside risk worth monitoring.

Exhibit 2: South Africa's winter crop production



Source: CEC and Agbiz Research

WEEK AHEAD

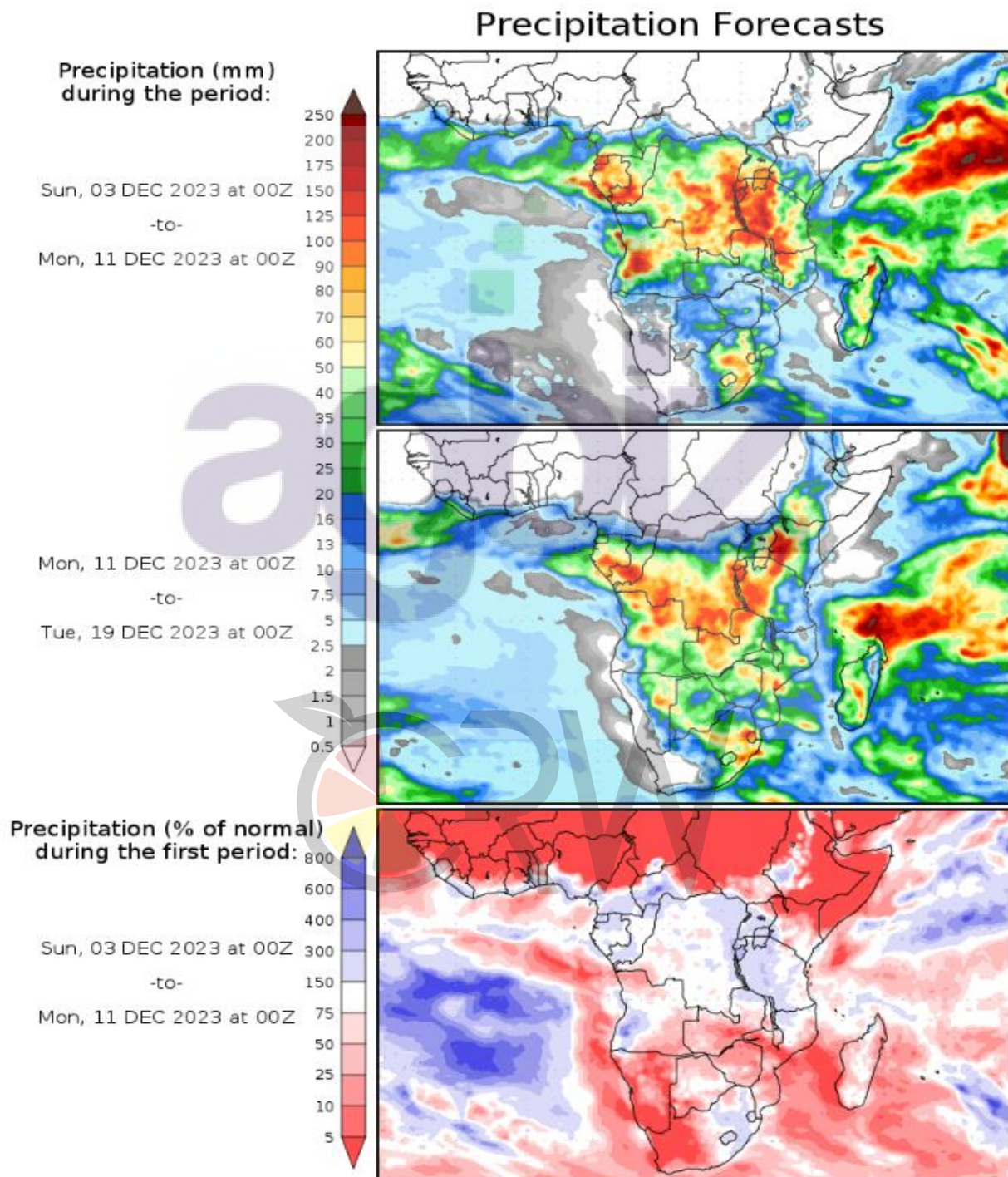
What we are watching this week

- As always, we start the week with a global focus. On Thursday, the United States Department of Agriculture (USDA) will release its **weekly U.S. grains and oilseeds export sales** data update. On Friday, the Food and Agriculture Organization of the United Nations (FAO) will release its monthly update of the global Food Price Index, a measure of the monthly change in international prices of a basket of food commodities.
- In October 2023, the FAO Food Price Index averaged 120.6 points, down 0,5% from September. The slight drop in October reflects declines in the price indices for sugar, cereals, vegetable oils and meat. Notably, the Index was 11% below its corresponding value a year ago.
- On the domestic front, on Tuesday, Statistics South Africa will release the **Gross Domestic Product (GDP) for the third quarter of 2023**. Our focus on this data will primarily be on the agricultural sector, and we expect positive performance in the sector. To recap, South Africa's agricultural gross value added grew by 4,2% in the second quarter. This improvement is based on the robust production conditions of various field crops and horticulture, which weren't reflected in the first quarter data because of a delayed start to the 2022/23 production season and the base effects.
- On Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data for December 1. In the previous release on November 24, South Africa's 2023/24 maize producer deliveries were about 27 830 tonnes. This placed the 2023/24 marketing year's maize producer deliveries at 14,6 million tonnes out of the overall harvest of 16,4 million. On the same day, the soybean deliveries were about 2,7 million tonnes of soybeans out of the harvest of 2,8 million tonnes. The sunflower seed producer deliveries amounted to 714 706 tonnes out of the harvest of 724 110 tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for December 1. In the previous release on November 24, the 30th week of the 2023/24 marketing year, South Africa exported 38 005 tonnes of maize. Of this volume, 41% was exported to Zimbabwe, and the balance to the rest of the neighbouring African countries. This placed South Africa's 2023/24 maize exports at 2,37 million tonnes out of the seasonal export forecast of 3,33 million.
- South Africa is a net wheat importer, and November 24 was the eighth week of the new 2023/24 marketing year. There were weekly import volumes of 69 386 tonnes from Latvia, Poland and Russia. This placed South Africa's 2023/24 wheat import at 453 288 tonnes out of the seasonal forecast of 1,6 million tonnes (down from 1,7 million tonnes in the 2022/23 season).

South Africa's Precipitation forecast

- After a week of higher temperatures in various regions of South Africa, which were starting to cause concerns for the newly planted regions of summer crops, we could receive showers within the next two weeks. The rain will help further improve soil moisture and benefit the 2023/24 summer crop-growing regions of South Africa.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)