

August 12 2024

Quality of municipal service delivery and road networks are vital for agriculture growth

- As the Government of National Unity (GNU) begins with its programme under the various ministries, the growth and competitiveness of the agriculture sector has come under the spotlight. In recent years, the sector has faced numerous challenges. These include animal disease outbreaks, a problem that has laid bare the need for a comprehensive review of South Africa's biosecurity strategy. Equally, efficiency at the ports remains important as the sector is export oriented and must remain competitive in the various markets that South Africa enjoys access into. Also more important is the continuous effort by the South African authorities and the organized agriculture to work on retaining the various export markets, and further work on access the new ones.
- Moreover, the discomforts with the likes of neighboring Botswana about its protectionist approach to agricultural trade require a careful and yet firm approach that emphasizes regional co-existence and shared prosperity while calling out the unfair trade practices. At the same time, there must be an understanding and appreciation of the cost burden all these trade frictions add to the South African farming sector. Even more vital is the agricultural industry's regular engagements with Transnet and various stakeholders, as we continue to observe the inefficiencies at some ports that could pose risk to the sector's exports activity. These engagements must also be supported at the political level by the Department of Agriculture, which has placed export promotion as one of its priorities.
- Beyond these big global themes, there are a lot more local and municipality level issues that continue to constrain the South African farming sector and agribusinesses. In the various towns that we visited and engaged in farmers meetings and engagements with agribusinesses recently, it became clear that the issue of road maintenance is a top priority. The farmers and agribusinesses see an increase in transaction costs because of the failures to improve the road networks across the rural towns of South Africa. While we did not visit all provinces this past week, and were primarily in the Western and Northern Cape provinces, our observations, specifically in the Northern Cape mirror what we regularly see in the likes of the Free State and Eastern Cape, amongst others. For farmers to bring into their farms the much needed inputs, regardless of the commodities they specialize in, the roads must be in a good condition. Equally, to deliver goods to market, the roads must be in a good state.
- Another aspect that continues to linger in conversations with farmers and agribusiness on the ground is the need for better functioning municipalities and clean towns that not only rely on the existing businesses and residents, but can bring tourists. Such requires effective management of the municipalities, service delivery and maintenance of the water infrastructure amongst other interventions. The issue of crime also remains a lingering point, which again shows that there is a lot more work required to get the small towns and the farming villages to be in better position to continue with their operations and

also bring in other activities that would increase employment and demand for various products in each town, and thus increase also job creation.

- In his Opening of Parliament Address, President Ramaphosa noted that the seventh democratic administration would focus on improving municipal service delivery including through the use of the government reform implementation coordinating unit, Operation Vulindela. We believe that this work is urgent.
- Ultimately, as the GNU gets ahead with its work and focus is on the urgent issues of the day and the major global matters, the long standing and yet unresolved issues such as road maintenance and effective management of municipalities remain important matters. We should also emphasize that these issues not only arise from our observations and on-the-ground interactions with stakeholders, but also through the Agbiz/IDC Agribusiness Confidence Index, a sentiment indicator in the sector, that has consistently placed the issue of small towns and municipalities as major issues of concern.

WEEKLY HIGHLIGHT

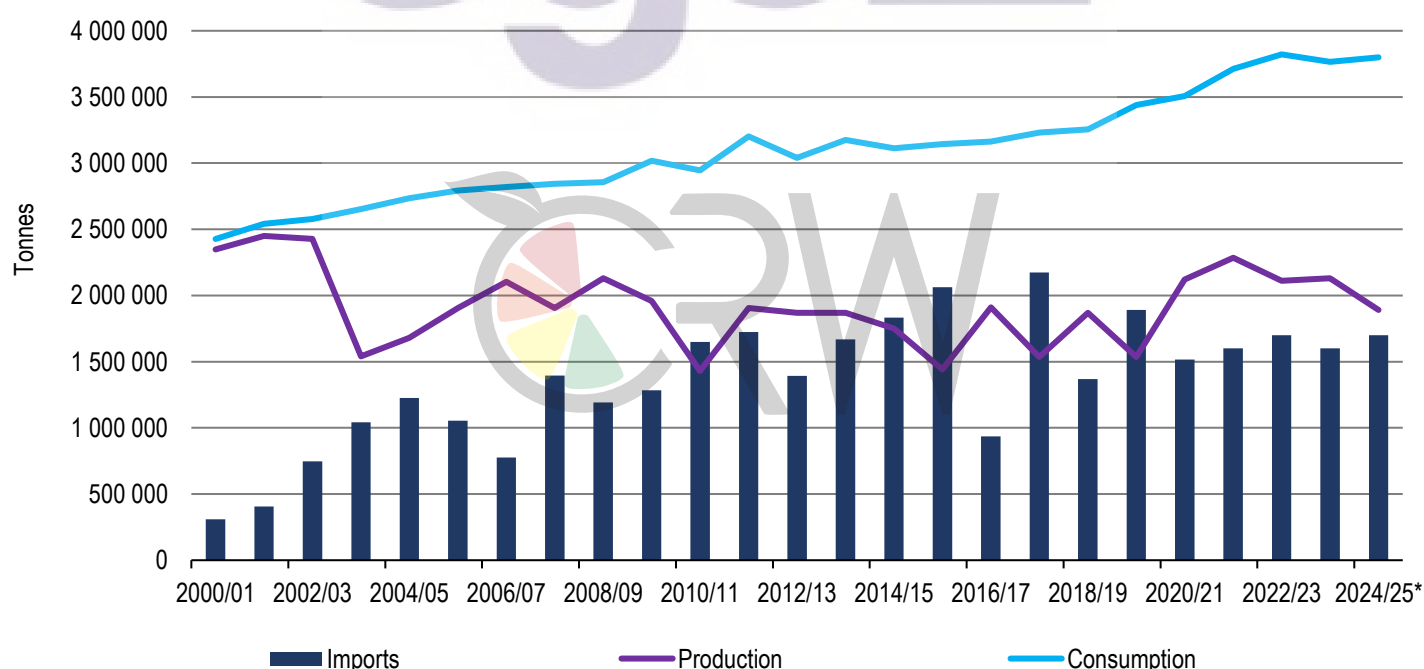
The Western Cape recently received excessive rains, but some regions' wheat crop looks promising

- Over the weekend, we drove across the Swartland region of the Western Cape, and one important aspect we noticed was the promising sight of the winter wheat crop in the region. Indeed, the Western Cape has received excessive rain recently, damaging infrastructure in various regions of the province. In the wheat fields, there are areas where puddles of water are visible from the major roads. Still, the vast sections of the crop look promising. A few exchanges with some of our members suggest that the southern regions of Swartland may be too wet, and the northern areas should do well. We are yet to have a better view of some wheat regions when we visit the province in the coming months.
- Notably, the question of what this means for the national wheat production prospects will also be evident in the coming months. South Africa's Crop Estimates Committee will release the area planted estimate and first production forecast for this season's wheat crop on August 28. The Crop Estimates Committee may adjust these figures during the monthly reviews depending on how the production conditions evolve. The hope is for the Western Cape to have some slightly warmer days to drain the excess moisture so that the crop in puddles of water can recover. The wheat crop in various regions is still in the early growing stages, possibly improving even in excessively wet areas if the weather conditions in the coming weeks warm up somewhat.
- We are emphasizing the Western Cape, not only because this is a province we drove across but because of its dominance in wheat production in South Africa. Over two-thirds of South Africa's winter wheat crop is in the Western Cape. The province is a winter rainfall region. Putting the anecdotal views aside and looking at the data tells a worrying story. The Crop Estimates Committee estimated South Africa's preliminary area plantings for wheat are at 502k hectares, down by 7% from the 2023/24 season. This is the lowest area planting in seven years. The sharpest declines in area plantings are in the Free State and

Limpopo. These two provinces are among the top four major winter wheat-producing provinces in South Africa, including the Western and Northern Cape.

- The Western and Northern Cape provinces show a minor decline in area plantings. Other provinces, which are relatively small producers, such as the Eastern Cape, KwaZulu-Natal and Mpumalanga, also show a mild decrease in area planting prospects. The major decline in winter wheat plantings in the Free State and Limpopo is unsurprising. The northern regions of South Africa experienced a harsh mid-summer drought, which led to significant crop losses. The farmers in some of these regions are under financial strain and, thus, understandably reluctant to increase the winter wheat plantings.
- Moreover, the wheat prices have moderated this year, down by roughly 4% year-on-year. Therefore, in an environment with reduced soil moisture because of the mid-summer drought, lower wheat prices, and some financial pressures, farmers are likely focused on utilizing more area plantings for the 2024/25 summer crop plantings that start in October 2024. If weather conditions, particularly in the Western Cape, improve for the rest of the season and achieve a five-year average yield of 3,78 tonnes per hectare in 502k hectares, we could have a winter wheat harvest of 1,89 million tonnes. This would also be down 7% year-on-year and well below the five-year average winter wheat harvest of 2,02 million tonnes.
- Overall, it will be a while before we know what the 2024/25 wheat harvest will reach. The figures that the Crop Estimates Committee will release at the end of this month will be initial guidance. The observations from our drive already paint a slightly promising picture for some regions of the Western Cape. The improvement in the weather conditions, slightly drier in a few days and moderate rains, would significantly impact the harvest potential.

Exhibit I: South Africa's wheat market



Source: SAGIS and Agbiz Research

WEEK AHEAD

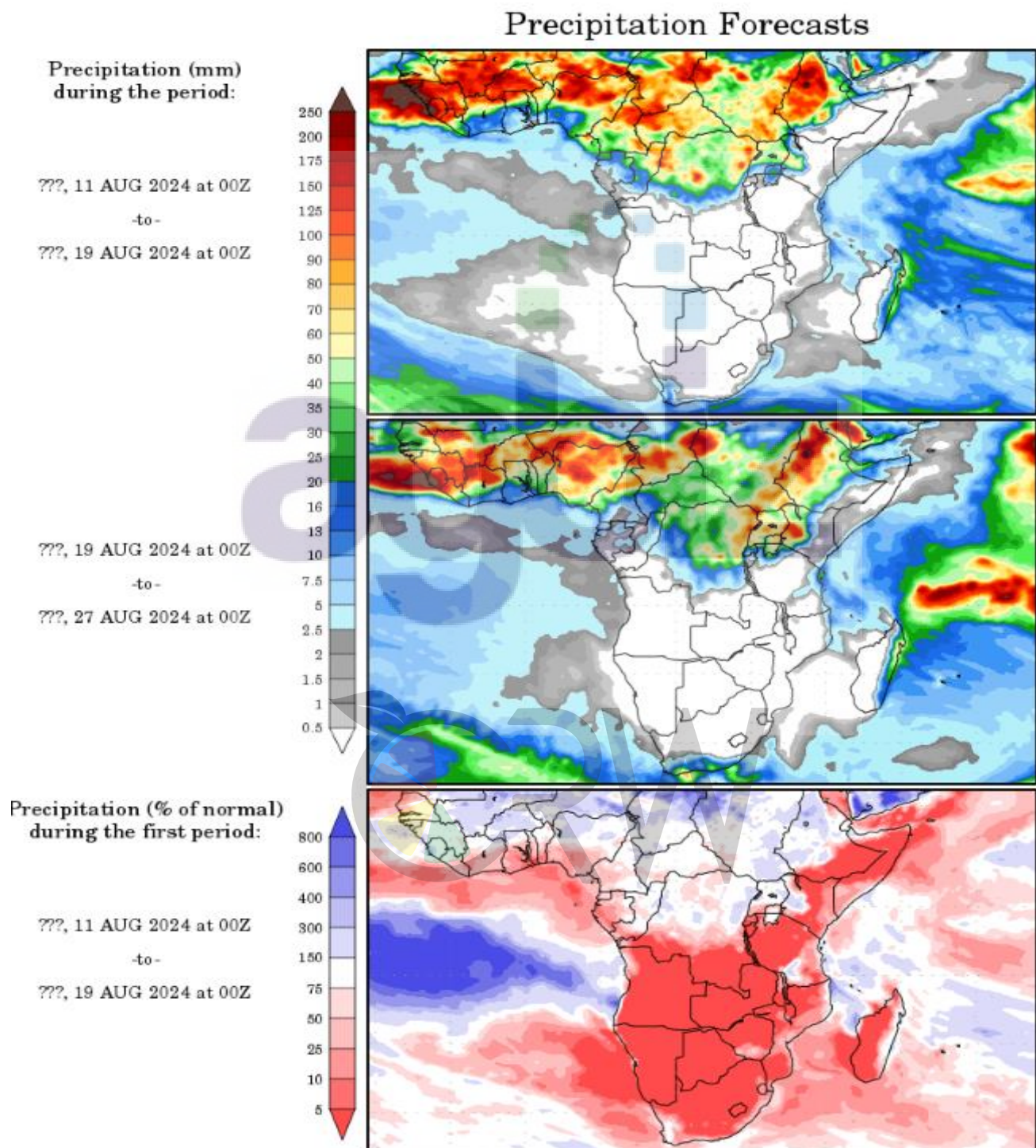
What we are watching this week

- As always, we start the week with a global focus, and today, the United States Department of Agriculture (USDA) releases its weekly **US Crop Progress** report. The focus is on the growing conditions of the 2024/25 crop. In the week of August 04, about 67% of the US maize crop was rated good/excellent (compared with 57% rating at the same time last year). On the same day, the US soybean crop was also rated at 68%, which was rated good/excellent (compared with the 54% rating at the same time last year). Moreover, the USDA will release its **weekly US Grains and Oilseed Export Sales** data on Thursday.
- Within the domestic front, on Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data. In the case of maize, this week, we will see a release of the data for the 15th week of the new marketing year, 2024/25. In the previous release on August 02, South Africa's weekly maize producer deliveries were about 145k tonnes. This placed the 2024/25 maize producer deliveries at 9,34 million tonnes out of the expected harvest of 13,34 million tonnes.
- The 2024/25 soybean deliveries in the first 23 weeks of this new marketing year amounted to 1,69 million tonnes out of the expected harvest of 1,78 million tonnes. At the same time, the sunflower seed deliveries amounted to 612k tonnes out of the expected harvest of 649k tonnes. In the case of wheat, last week, 2 068 tonnes of wheat were delivered to commercial silos. This placed the 2023/24 wheat producer deliveries at 1,98 million tonnes out of the harvest of 2,10 million tonnes.
- Also on Wednesday, the **Bureau for Food and Agricultural Policy (BFAP)** will launch its 2024 Baseline under the theme “South African agriculture: Current realities and future expectations”. The registration and more details are available [here](#).
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 15th week of the 2024/25 marketing year. In the previous release on August 02, the 14th week of the 2024/25 marketing year, South Africa exported 42k tonnes of maize. Of this volume, 53% was exported to Zimbabwe, and the balance to the rest of the neighbouring African countries. This places South Africa's total maize exports in the 2024/25 marketing year at 567k tonnes out of the expected 1,4 million tonnes (down from 3,4 million tonnes in the 2023/24 marketing year because of the mid-summer drought).
- Moreover, while South Africa will likely remain the net exporter of maize in the 2024/25 marketing year, the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina through Cape Town. South Africa's 2024/25 maize imports currently stand at 134k tonnes.
- South Africa is a net wheat importer, and August 02 was the 44th week of the 2023/24 marketing year; South Africa's 2023/24 wheat imports totalled 1,59 million tonnes out of the seasonal forecast of 1,80 million tonnes. The major wheat suppliers include Poland, Lithuania, Latvia, Russia, and Australia.

South Africa's Precipitation forecast

- The weather forecast for this week shows prospects for drier weather conditions across the country. This is a welcome relief for the Western Cape, which has recently received excessive rains. This dry weather is typical winter condition ahead of the new season for the rest of the country.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)