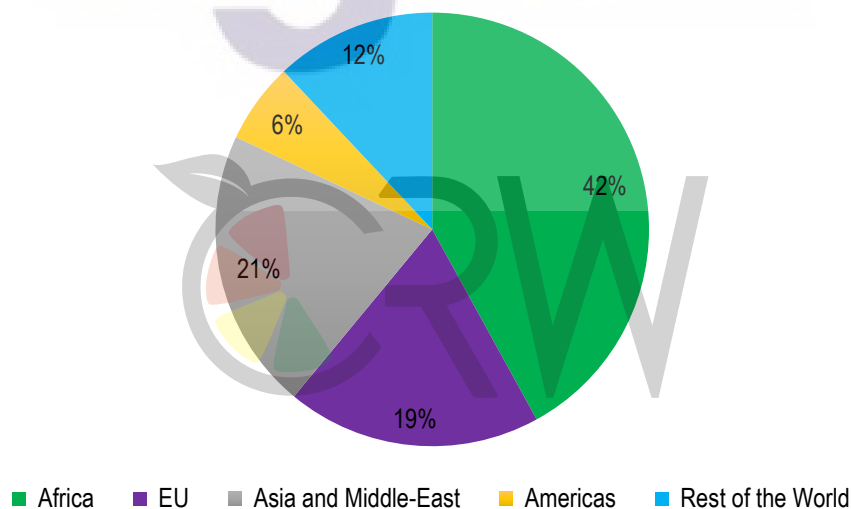


August 19 2024

South Africa's agricultural export growth cooled off in the second quarter of 2024

- After the sharp increase in the first quarter of 2024, South Africa's agricultural exports fell slightly on a year-on-year (y/y) basis in the second quarter. According to data from Trade Map, the country's agricultural exports were at US\$3,37 billion in the second quarter, a 0,1% decline relative to the same period last year. This comes after growth of 6% y/y in the first quarter of the year. The slight decrease in the second quarter reflects the moderation in the prices of some agricultural products and the decline in the volumes. The top exported products by value include citrus, apples and pears, maize, wine, dates, pineapples, avocados, sugar, grapes, fruit juices, nuts, and wool.
- Notably, while the value of the exports is down mildly from the second quarter of 2023, the efficiency at the ports this year was arguably much better than what the stakeholders experienced in 2023. This again shows that the decline in export value is largely due to lower prices of some commodities and a decline in volumes after a challenging domestic production environment, specifically in grains and oilseed.

Exhibit I: South Africa's agricultural exports by region in Q2, 2024



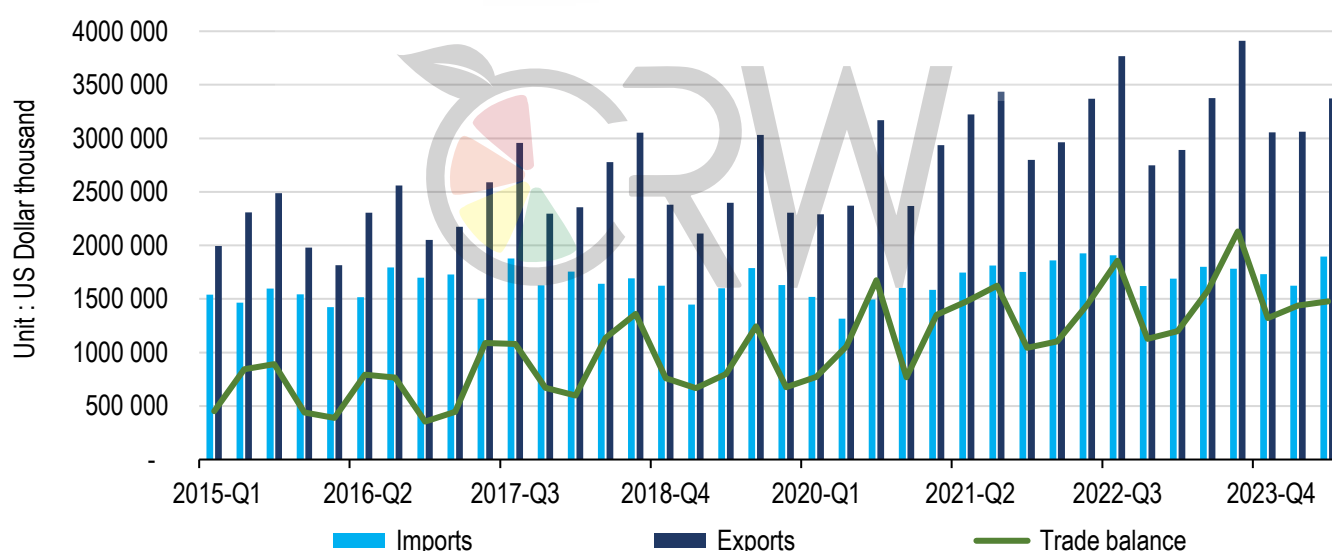
Source: Trade Map and Agbiz Research

- From a regional perspective, the African continent maintained the lion's share of South Africa's agricultural exports, accounting for 42% of the total value. The products leading the exports list in the African continent were maize, maize meal, sugar, apples and pears, wheat, soybean oil, fruit juices, ciders and wine, amongst other products. As a collective, Asia and the Middle East were the second-largest

agricultural market, accounting for 21% of the share in overall agricultural exports in Q2 2024. The exports to this region were mainly citrus, apples and pears, wool, nuts, sugar, beef, sheep and goat meat, berries, wine, and maize.

- The EU was South Africa's third-largest agricultural market, with a share of 19%. Citrus, dates, avocados, figs, mangos, guavas, apples, pears, wine, grapes, fruit juices, wool, and nuts were amongst the primary agricultural products South Africa exported to the EU in the second quarter of 2024. The Americas region accounted for 6% of South Africa's agricultural exports in the year's second quarter. The main exported products include citrus, wine, fruit juices, grapes, apples, pears, and nuts. The rest of the world, including the United Kingdom, accounted for 12% of the exports.
- Of course, South Africa doesn't engage in one-way trade. The country imports various agricultural products. In the second quarter of 2024, South Africa's agricultural imports amounted to US\$1,89 billion, up by 5% year-on-year, according to data from Trade Map. The uptick resulted from a slightly high volume of major products that South Africa imports, like wheat, palm oil, rice, and poultry. The major products South Africa imported in the second quarter are similar to the country's yearly imports.
- South Africa lacks favourable climatic conditions to grow rice and palm oil and thus relies on imports of these products. In the case of wheat, South Africa imports nearly half of the annual consumption.. In the Free State province, which used to be amongst the major wheat-growing regions of the country, production has declined notably over time because of the unfavourable weather conditions and profitability challenges of wheat relative to other crops. Meanwhile, imports are around 20% of the annual domestic consumption of poultry.
- Subsequently, when we account for the exports and the imports, South Africa's agriculture recorded a trade surplus of US\$1,47 billion. This is down by 6% from the second quarter of 2023.

Exhibit 2: South Africa's agricultural exports



Source: Trade Map and Agbiz Research

Policy considerations

- While the exports have cooled off somewhat, these second-quarter trade figures remain encouraging. Beyond the quarterly activities, there are some policy considerations for South African policymakers to support this sector in its export growth ambition:
 - South Africa should maintain focus on improving the logistical infrastructure efficiency and on the export market expansion mission for the agricultural sector. There is a need for increased investment in port and rail infrastructure and improving roads in farming towns.
 - South Africa must work hard to retain the existing markets in the EU, the African continent, Asia, the Middle East, and the Americas. Importantly, in an increasingly divided and fragile world, South Africa must walk a careful path so that its foreign policy approach does not result in a negative trade policy response from its traditional trading partners.
 - The Department of Trade, Industry and Competition, the Department of International Relations and Cooperation, and the Department of Agriculture should lead the way for export expansion in these agricultural strategic markets.
 - Moreover, 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. The private sector and the South African government share this ambition for export market expansion.
 - The outcome of the 15th BRICS conference in agriculture also focused on deepening 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 hindering deeper trade within this grouping. This must remain on the agenda, and South Africa must work to persuade other BRICS+ members to prioritize resolving this trade-threatening issue.



WEEKLY HIGHLIGHT

South Africa's primary agricultural employment slowed in Q2 but remains well above long-term levels

- The effects of the recent El Niño-induced mid-summer drought are starting to show in South Africa's agricultural jobs data. For example, the figures released by Statistics South Africa last week show that employment in primary agriculture was down 5% quarter-on-quarter to 896k in the second quarter of 2024. From an annual basis perspective, the performance is also weak, although up 0,2% from the second quart of 2023. Still, the primary agricultural employment of 896k people remains well above the long-term jobs of 799k and generally reflects the harsh summer season we are leaving behind.
- Some subsectors showing a decline in employment include field crops, livestock, and forestry. The job performance in these subsectors is unsurprising as the mid-summer drought has notably impacted them, specifically field crops. Moreover, the livestock industry faces relatively higher feed costs and lingering animal disease, which all explain these subdued job data in the subsector.
- The Western Cape, Northern Cape, North West, and Gauteng are the provinces that showed significant quarterly job losses. Meanwhile, other provinces showed a mild improvement, which was insufficient to change the overall picture of a decline in employment in South Africa's agriculture. The Western and Northern Cape provinces do not have significant summer crop production, which means that the quarterly job losses in these particular provinces mirror the generally financially constrained environment in the farming businesses. The mid-summer drought primarily added pressures in the country's northern regions.
- Beyond these high-frequency data, the agricultural sector remains crucial for employment creation in South Africa's rural communities. But, the sector must be on a positive growth path to sustain and create new job opportunities. In the near term, a range of constraining factors for businesses require policymakers' attention to resolve for the sector to grow.
- These include continuing the positive momentum in resolving the port inefficiencies. The sector also struggles with poor rail and road infrastructure and worsening municipal service delivery. This must be an area of focus for the Government of National Unity. The improvement in this area would add much-needed positive momentum in South Africa's agriculture. Rising incidents of crime, lingering animal disease challenges, and increased geopolitical uncertainty remain top-of-mind challenges for agribusinesses, as illustrated in the recent results of the [Agbiz/IDC Agribusiness Confidence Index](#).
- In a [survey](#) we conducted in June 2024, covering some agribusinesses and farming enterprises operating in all agricultural subsectors across South Africa, the respondents raised the above challenges as the most troubling issues they face. Therefore, the South African government and the private sector should work collectively to address these growth-constraining factors, particularly those on the domestic policymakers' reach, to support long-term agricultural sector prosperity and job creation.

Exhibit 3: South Africa's agricultural jobs

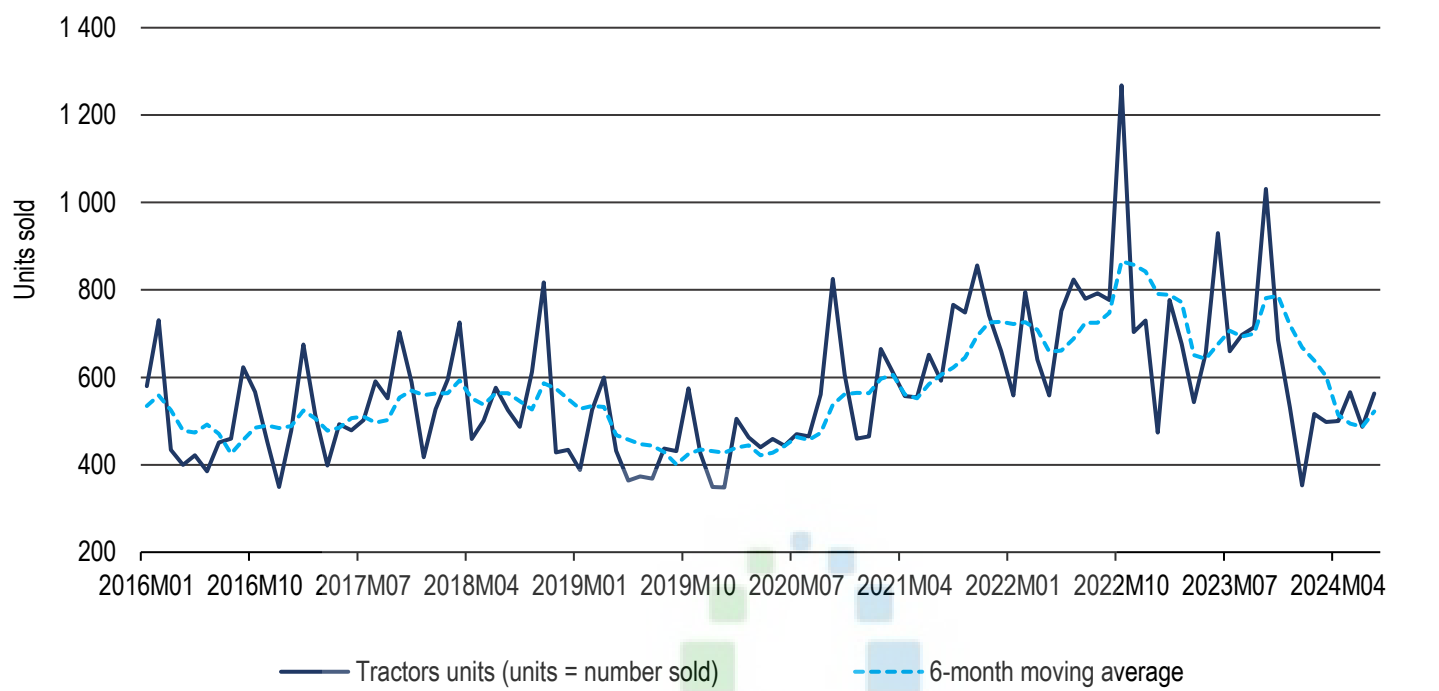


Source: Statistics South Africa and Agbiz Research

South Africa's agricultural machinery sales remain weak

- Following a few years of robust sales, South Africa's agricultural machinery industry is normalizing. Thus, the sales have been relatively weak since the start of this year. The replacement rate of new machinery was bound to slow, even temporarily. The latest data is no different. For example, tractor sales were down 15% year-on-year in July, with 563 units sold. The combine harvester sales are down 75% year-on-year, with eight units sold.
- The persistent decline in sales since the start of the year is unsurprising and aligned with our expectations. We have long anticipated that there would be some correction after a long period of strong tractors and combine harvesters sales. The sales of the past few years were a function of both years of ample grain and oilseed harvest that coincided with high commodity prices and boosted farmers' incomes. For example, we have previously stated that South Africa's tractor sales for 2022 amounted to 9,181 units, up 17% year-on-year. This was the highest annual sales figure in the past 40 years. The combine harvesters also had an excellent performance of 373 units in 2022, up 38% year-on-year. This was the highest yearly sales figure since 1985. In 2023, the tractor sales were down marginally from the previous year, while the combine harvester sales held the prior year's momentum.
- However, this year, we think the correction in the market and weakened farmers' financial positions because of the poor crop have impacted their machinery procurement decisions. South Africa's 2023/24 summer grain and oilseed harvest was hit by a harsh mid-summer drought, resulting in a 21% year-on-year decline to an expected harvest, now at 15,9 million tonnes. Furthermore, the higher interest rates have added pressure to farmers' finances.

Exhibit 4: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

agbiz



WEEK AHEAD

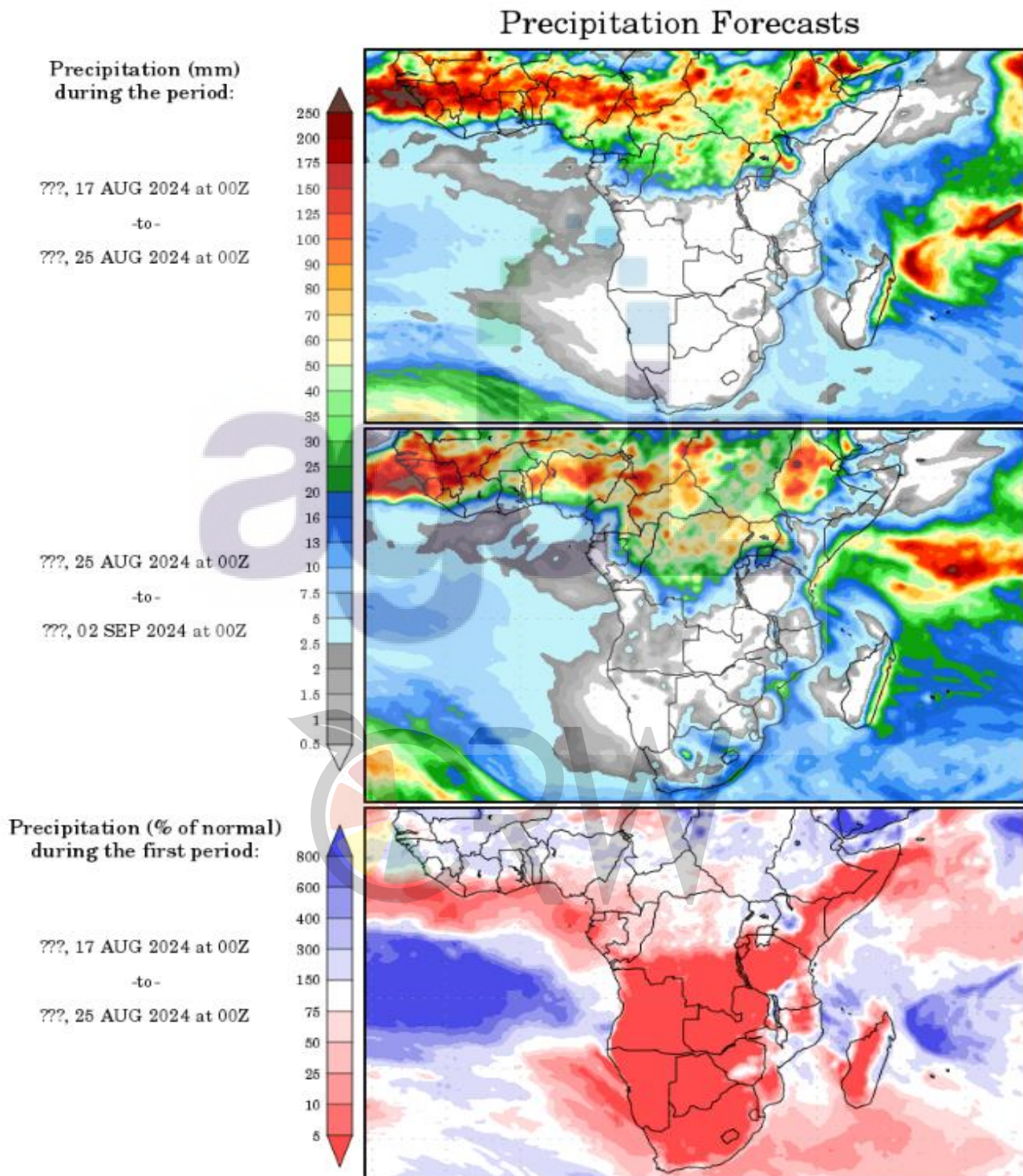
What we are watching this week

- 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 11, about 67% of the US maize crop was rated good/excellent (compared with 59% 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 59% 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, Statistics South Africa will release the **Consumer Price Index (CPI)** data for July 2024. As a recap, South Africa's consumer food price inflation slowed to 4,1% in June 2024, from 4,3% in the previous month. There was moderation in price inflation across most products in the food baskets, except for bread and cereal products, as well as meat
- Also 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 16th week of the new marketing year, 2024/25. In the previous release on August 09, South Africa's weekly maize producer deliveries were about 96k tonnes. This placed the 2024/25 maize producer deliveries at 9,47 million tonnes out of the expected harvest of 13,34 million tonnes.
- The 2024/25 soybean deliveries in the first 24 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 614k tonnes out of the expected harvest of 649k tonnes. In the case of wheat, last week, 1 062 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.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 16th week of the 2024/25 marketing year. In the previous release on August 09, the 15th week of the 2024/25 marketing year, South Africa exported 38k tonnes of maize. Of this volume, 53% was exported to Zimbabwe, 17% to Botswana, 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 606k tonnes out of the expected 1,85 million tonnes (down from 3,44 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 09 was the 45th week of the 2023/24 marketing year; South Africa's 2023/24 wheat imports totalled 1,66 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

- There will likely be clear skies across South Africa this week, which is a welcome relief, particularly for the Western Cape, after weeks of heavy rains. Elsewhere in the country, this dry weather outlook is typical winter condition ahead of the new season in the next few month.

Exhibit 5: South Africa's precipitation forecast



Source: George Mason University (wxmaps)