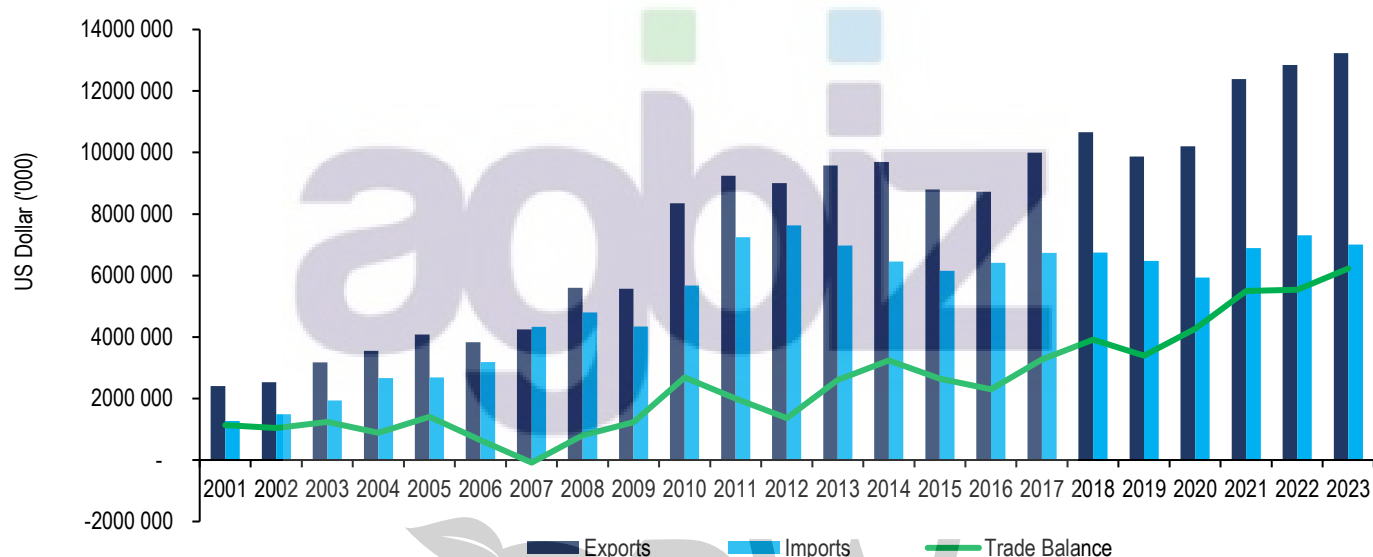


SA agriculture must refresh its export strategy for this new era

- Does South Africa's agriculture have any future in global markets in the face of deepening geopolitical frictions among major economies? It all depends on what the country's leaders do to prepare for an uncertain future. Success is not guaranteed. It is a product of the combination of a clear reading of today's trends and how these will shape the future of global markets, how they envision South Africa's place in this fast-changing global economic order, the choice of policy actions, and daring speed. What made us successful yesterday may not be adequate for the challenges ahead.
- South Africa stands at a crossroads where a bold, export-driven strategy is no longer optional but essential. As the global trade landscape shifts, with nations forging ahead through plurilateral deals and free trade agreements, the urgency for South Africa to secure its place in an uncertain global economy has never been greater. We cannot afford complacency nor expect fortune to favour us without action. Already, half of South Africa's agricultural production by value is exported — a testament to our potential. But to power ahead and secure our prosperity for the long term, we must not only protect our existing agricultural markets but aggressively seek out new opportunities in Asia, the Middle East, and beyond. An overhaul of our trade approach is vital, especially in agriculture, to stay competitive and be attuned to the evolving global economy.
- South Africa has enjoyed great fortunes in the past precisely because it worked hard to sustain the competitiveness of its agriculture and corner vital international markets. South Africa is the only African country in the top 40 global agricultural exporters, ranked 32nd in 2023. Imagine how far we could go if we were to put more effort into honing a robust global competitiveness strategy and diversify our trade relations through well-considered free trade agreements and plurilateral deals. Currently, the African continent accounts for 40% of South Africa's agricultural exports, with the EU making up nearly 20% and the UK making up about 7%. These impressive numbers represent the efforts we made in the past. Yet, we cannot be complacent if we want to sustain our edge. There is nothing currently that we are doing on the global front that suggests we are inventing a better future. This requires that we are bullish, deliberate, and do things differently.
- That geopolitics are driving global trade fragmentation and thus threatening the export success we have enjoyed is a cold reality we must face head-on – not with ideology but pragmatism. This is true for all the export sectors of the economy.
- For its part, the South African agricultural sector should have a refreshed trade strategy, which will guide the country's posture with various regions, especially to broaden the footprint in Asia and the Middle East. Our trade strategy should be let loose on all pillars – free trade agreements, plurilateral engagements, and multilateral trade front.

- Domestic growth strategies must be complemented by a relentless focus on widening our export markets. We cannot do the same things we have been doing in the past and expect different, better results, especially in light of the ongoing shifts in a global economy marked by geopolitical uncertainties.
- We need to immediately refresh and implement the Agriculture and Agro-processing Master Plan, which proposes plans for various commodities and interests and seeks to achieve export growth. The value add of the strategy would be core principles and guidelines that could guide engagements of the country's representatives in the various regions. This would also bring a sense of urgency and coherence to South Africa's seriousness in strengthening its export-led growth in agriculture. This is even more urgent today than in the past, particularly in the changing geopolitical environment that necessitates South Africa to engage with the world in a way that ensures the sustainability of domestic export-led industries. Agriculture is one such industry, and we push for this approach to trade. In the end, the interventions such as the "South Africa-Middle-East Agricultural Trade Strategy" that we recently argued for would be the spinoffs of this broad document.

Exhibit I: South Africa's agricultural trade



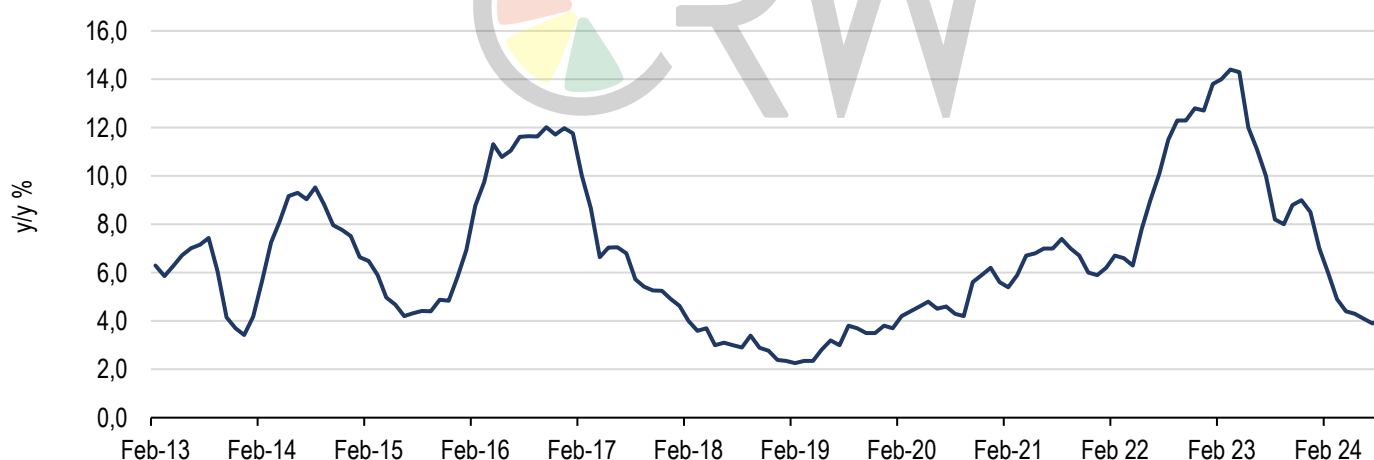
Source: Trade Map and Agbiz Research

WEEKLY HIGHLIGHT

South Africa's consumer food price inflation edged up in August

- After slowing to 3,9% in July 2024, South Africa's consumer food price inflation slightly edged up 4,1% in August. The products underpinning this mild increase were "bread and cereal", "meat", "vegetables", "fish", and "milk, eggs and cheese". While a slight uptick was expected, we remain skeptical that price increases will be significant in the coming months. The significant upside risk we have highlighted for some time is the grain-related products in the food basket because of the poor summer crop harvest due to the recent drought. For example, South Africa's 2023-24 maize harvest is estimated at 13,06 million tonnes, down 21% from last season. This sharp decline in harvest prospects signifies the harsh impact of the mid-summer drought, and the regions most affected were the white maize growing areas, a staple crop that is also scarce in the world market. Thus, white maize prices have rallied in recent months, while yellow maize prices have remained sideways. The primary issue is the potential strong demand for white maize from the Southern Africa region to the first quarter of 2025.
- That said, we don't expect the potential price increase to be substantial as the forecasts from the International Grains Council signal the possible higher global wheat and rice production in the 2024/25 season, estimated at 799 million tonnes (up 0,6% y/y) and 528 million tonnes (up 1,2% y/y), respectively. These grains could help mitigate the supply issues related to white maize, as these are staple substitutes. South Africa, which imports nearly half of its annual wheat consumption (about 1.5 million tonnes) and approximately one million tonnes of rice annually, would benefit from favourable global production conditions and the likely softening of prices. Moreover, the relatively less depreciated domestic currency will also help ease the costs of imported foods.
- The increase in the prices of vegetable products will likely be temporary and mirror the disruptions due to weather-related issues. We have already seen the volume of various vegetable products improving in fresh produce markets. While price inflation has increased somewhat in the case of meat, this may remain mild as the different suppliers are cognisant of the weak consumer demand.

Exhibit 2: South Africa's consumer food inflation

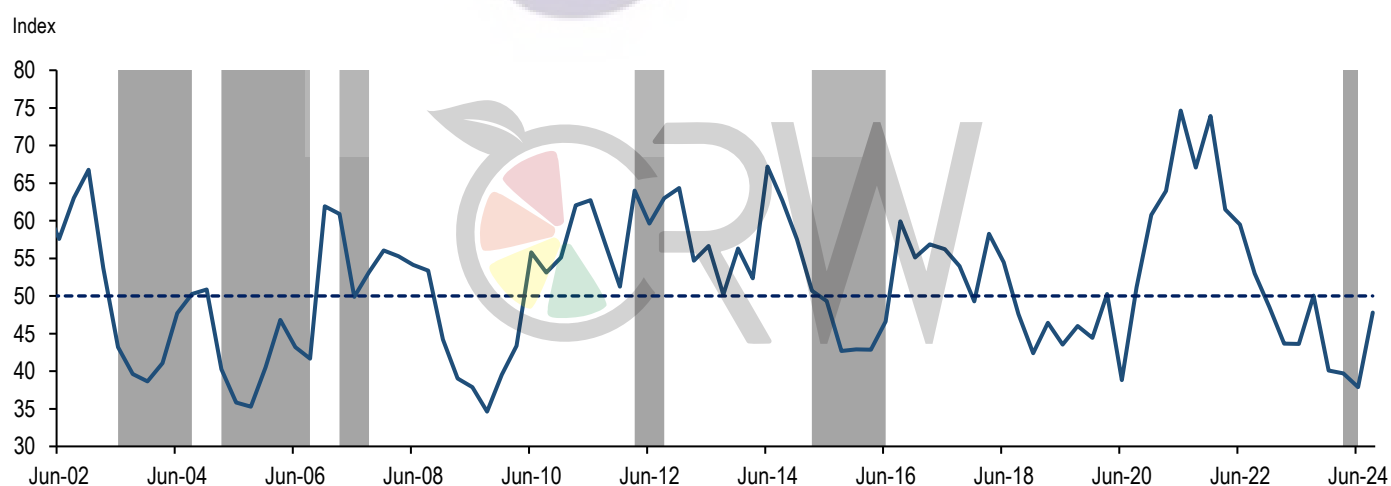


Source: Stats SA and Agbiz Research

Agbiz/IDC Agribusiness Confidence Index recovered slightly in Q3

- After a sharp decline in Q2 2024 to its lowest level since the 2009 global financial crisis, the Agbiz/IDC Agribusiness Confidence Index (ACI) recovered by 10 points to 48 in Q3. The extreme pessimism in the previous survey was partly due to election-related uncertainty. The formation of the Government of National Unity (GNU) appears to have eased that concern. The focus is back on fundamental agricultural matters.
- While the improvement in ACI to 48 points is encouraging, it is below the neutral 50-point mark, implying that South African agribusinesses remain somewhat concerned about business conditions. The recent drought in the 2023-24 summer crop, poorly maintained road infrastructure, weak municipal service delivery, persistent animal disease challenges and heightened geopolitical tensions remain the primary concerns for the sector. Moreover, while organized agriculture continues to build a productive relationship with Transnet, there remains room for improved port efficiency. This survey was conducted in the first week of September, covering businesses operating in all agricultural subsectors across South Africa.
- In essence, the ACI results for Q3 2024 show some improvement in the sentiment in the sector. However, the fundamental challenges confronting the sector even before the elections remain the primary concern for the stakeholders. Although we are moving towards a promising summer season that may bring increased positive activity in the South African farming sector, the long-term growth prospects of the sector, which would also deliver jobs, hinge on the GNU's ability to resolve the challenges of the network industries, improve the functioning of the municipalities and open new export markets.

Exhibit 3: Agbiz/IDC Agribusiness Confidence Index¹



Source: Source: Agbiz Research, South African Weather Service (Shaded areas indicate periods of drought in South Africa.)

¹ The Agbiz/IDC Agribusiness Confidence Index reflects the perceptions of at least 25 agribusiness decision-makers on the 10 most important aspects influencing a business in the agricultural sector (i.e. *turnover, net operating income, market share, employment, capital investment, export volumes, economic growth, general agricultural conditions, debtor provision for bad debt and financing cost*). It is used by agribusiness executives, policymakers and economists to understand the perceptions of the agribusiness sector, and also serves as a leading indicator of the value of the agricultural output while providing a basis for agribusinesses to support their business decisions.

WEEK AHEAD

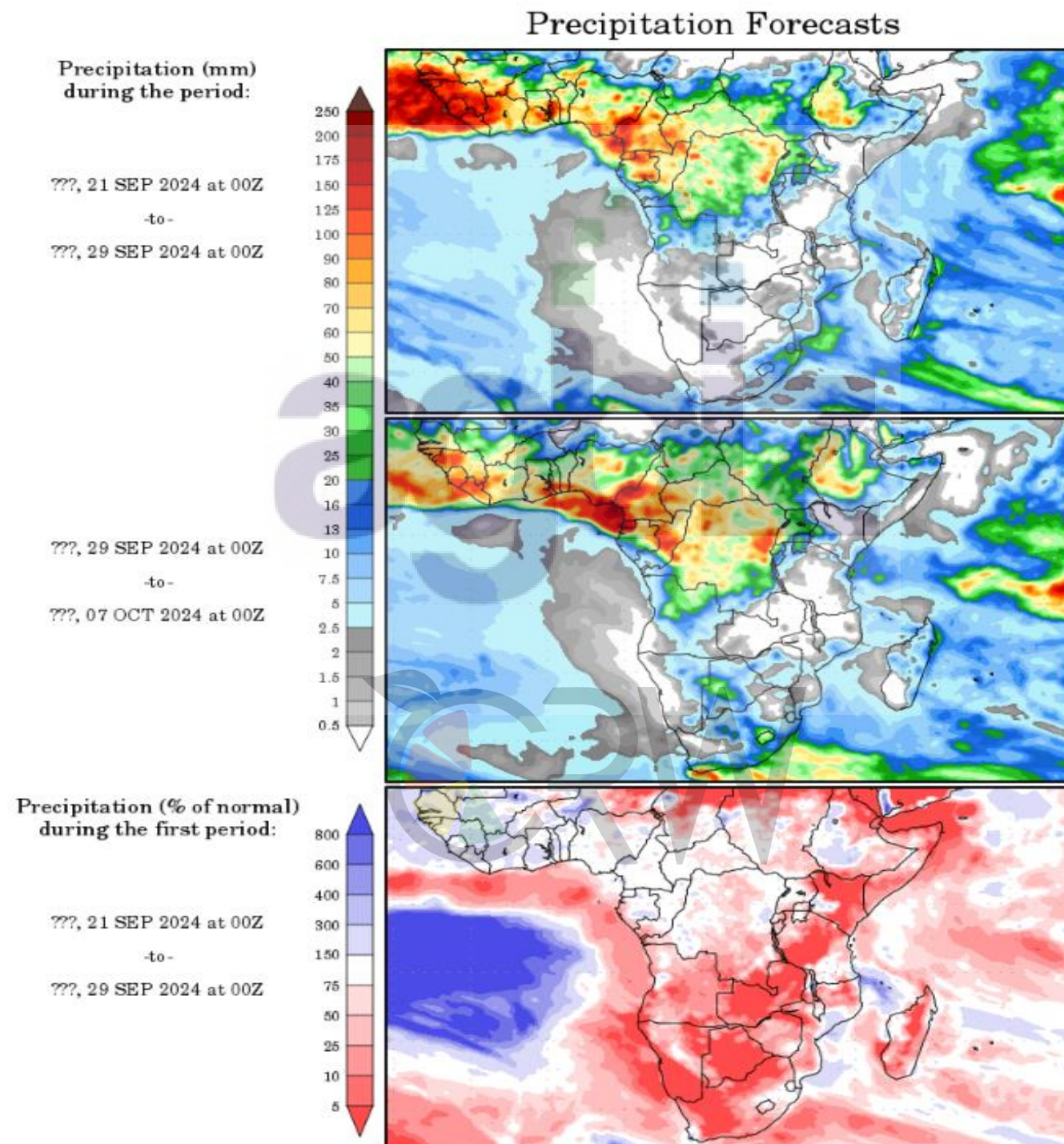
What we are watching this week

- 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 2024-25 crop's growing conditions, and the crop has matured in some regions. In the week of September 15, about 65% of the US maize crop was rated good/excellent (compared with 51% rating at the same time last year). On the same day, about 64% of the US soybean crop was rated good/excellent (compared with the 52% rating at the same time last year). Moreover, the USDA will release its **weekly US Grains and Oilseed Export Sales** data on Thursday.
- On 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 21st week of the new marketing year, 2024-25. In the previous release on September 13, South Africa's weekly maize producer deliveries were about 60k tonnes. This placed the 2024-25 maize producer deliveries at 9,89 million tonnes out of the expected harvest of 13,06 million tonnes. The 2024-25 soybean deliveries in the first 29 weeks of this new marketing year amounted to 1,72 million tonnes out of the expected harvest of 1,78 million tonnes. At the same time, the sunflower seed deliveries amounted to 620k tonnes out of the expected harvest of 649k tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 20th week of the 2024-25 marketing year. In the previous release on September 13, the 20th week of the 2024-25 marketing year, South Africa exported 40k tonnes of maize. Of this volume, 58% was exported to Zimbabwe, and the balance to the neighbouring African countries. This places South Africa's total maize exports in the 2024-25 marketing year at 843k 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 173k tonnes.
- South Africa is a net importer of wheat, and September 13 was the 50th week of the 2023-24 marketing year, with wheat imports totalling 1,77 million tonnes out of the seasonal forecast of 1,80 million tonnes.
- Also, on Thursday, the Crop Estimates Committee will release the **eighth production forecast for summer field crops in 2024**. In August, the Crop Estimates Committee estimated the 2023-24 summer grain and oilseeds production at 15,69 million tonnes, down 22% from the previous season. We don't expect significant adjustments in the current estimates.
- Moreover, the Crop Estimates Committee will release the **second production forecast for winter cereals for 2024**. We will pay close attention to this data as we are in a new season.

South Africa's Precipitation forecast

- The weather forecast for this week shows prospects of light rains in the eastern regions of South Africa. This is ideal for improving soil moisture before the 2024-25 summer crop production season starts next month. Moreover, the Western Cape shows much clearer skies, which is a necessary breather after weeks of heavy rains in the province's winter crop-growing regions.

Exhibit 4: South Africa's precipitation forecast



Source: George Mason University (wxmaps)