

SA agriculture must build on the current optimism in the sector

- South Africa must build on the positive sentiment currently evident in agriculture and agribusiness by implementing long-standing plans and tackling the long-term growth constraints in the sector. The path ahead for the sector remains clear through the Agriculture and Agro-processing Master Plan (AAMP), which took the collaborative efforts of all stakeholders to draft. The AAMP's core objective is to drive inclusive growth in the sector by addressing constraints across commodities and cross-cutting matters such as land reform. In early February, the U.S. President cited misleading claims about South Africa's land reform in his Executive Order against South Africa. Amid these headlines, we worried there would be a sense of pessimism about business conditions in the sector.
- Positively, the Agbiz/IDC Agribusiness Confidence Index, a sentiment indicator in South Africa's agriculture and agribusiness, registered a notable 11-point uptick from Q4 2024 to the 70-point mark in Q1 2025. This is the highest level since the end of 2021, a La Niña year that brought favourable rains across the country. Moreover, at the time, most subsectors of agriculture operated openly while the government placed restrictions on others to control the spread of COVID-19. The current optimism in agriculture emanates mainly from the La Niña rains, which have supported the crop, fruit and vegetable production conditions.
- We also see a welcome improvement in the grazing veld, which benefits the livestock industry. Moreover, the decline in maize prices, while not always a welcome sight for a grain farmer, benefits the poultry industry and the broader livestock. The recent moderation in prices is a welcome relief for poultry producers and livestock who have struggled with higher feed costs. Notably, the ample global maize and soybean production harvest for the new season also adds to the moderation in prices, which benefits the industry.

Poultry farmers' needs

- In such an environment, it is vital that South Africa builds on this optimism and implements the programmes that are within domestic control. For example, within the poultry industry, we continue to hear from our members about the need for South African authorities to accelerate the bird flu vaccine registration. The feedback from the regulators about this issue has not been encouraging so far.
- Given what we are currently observing in the U.S., where the bird flu has worsened, South Africa must prepare itself for such possible challenges in future. In years where we have experienced the bird flu, the challenge goes far beyond the farms to jobs and higher food prices in the country. Therefore, ensuring that we do whatever is possible, within the limits of regulation, to accelerate this registration process for vaccines is vital.

Horticulture and wine producers

- An important issue for horticulture and wine producers is accelerating the opening up of key export markets. While this has been a long-running talking point in the sector, South Africa cannot keep moving at a pedestrian pace on trade matters during heightened geoeconomic tension. There is a need for renewed energy and urgency from the government officials' side.
- The BRICS region remains crucial in this endeavour, amongst other regions. Here, the South African government, particularly the Departments of Trade, Industry and Competition, along with the Department of Agriculture, must have a sharper focus on lowering import tariffs and phytosanitary barriers in countries such as China, India, Saudi Arabia, with the latter one mainly for fruits. Moreover, the continuous effort to retain access to markets South Africa already exports to is also vital.
- South Africa must also rethink its agricultural marketing or promotion approach in this export effort. Presenting South African agricultural products as a pack under the "South Africa Inc" approach may be key. The government will also have to focus on various new markets, promoting this sector as a pack and emphasizing the supreme quality of South African products.

Livestock

- The livestock industry is also geared to promote its exports. Thus, there is a need to market and promote South African products as a pack. For this export effort to be a success for the livestock industry, the sector, collaboratively with the government, must continuously address animal diseases. Notably, the provincial authorities should appreciate that they must apply regulations to control the spread of animal diseases like Foot and Mouth without choking the industry.
- Also worth emphasizing is that serious engagements with domestic vaccine manufacturing is also crucial and requires government and private sector collaborative efforts. If South Africa is to build a strong livestock products and red meat exports industry, biosecurity will have to receive necessary attention along with domestic vaccine development.

Closing remains

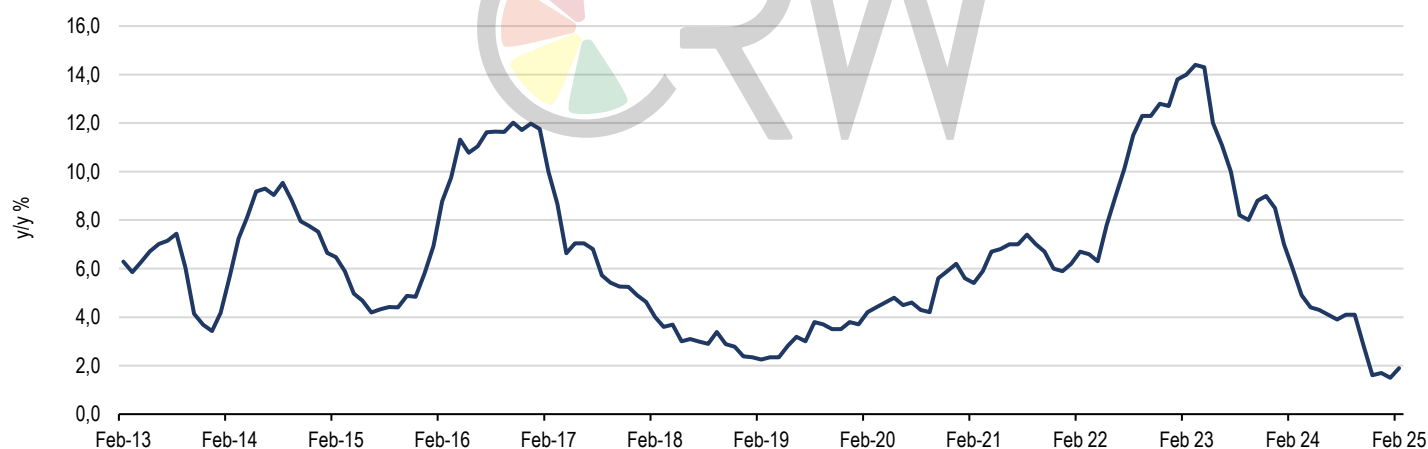
- For the export drive to succeed, the logistics must also improve. Therefore, the collaborative work with Transnet and other stakeholders to improve the efficiency of the ports remains vital and should continue. We are already seeing the gains of these collaboration through increasing exports. Still, more work is required, and collaboration is key in the process. Road infrastructure is another matter this sector must continuously emphasize to provincial and local authorities as it remains at the heart of the sustainability of agriculture.
- Ultimately, there is now a window of opportunity for agricultural stakeholders to refocus on these matters and escape from the absorbing geopolitical engagements. The positive sentiment of the moment offers the right space for this engagement, and the sector must lean on it.

WEEKLY HIGHLIGHT

SA consumer food price inflation ticked up mildly in February 2025

- South Africa's consumer food price inflation ticked up to 1,9% in February 2025 from 1,5% in January. This was underpinned by mild increases in cereal products; fish and other seafood; fruits and nuts; and vegetables. We believe this mild uptick in food inflation is the start of the change in the trend we have been anticipating, mirroring the price path at the commodity level. The excessive rains, while broadly positive for agriculture, caused a minor disruption in the vegetable markets, thus contributing to the price increase in February. The jump in fruit and nuts inflation also mirror to the broader price trend we are observing at farmgate, resulting partly from the strong global demand.
- As with our previous note, we continue to believe that the South African agricultural outlook for 2025 remains promising, and consumer food price inflation could be relatively benign despite the price trend change. The rains across South Africa have benefitted agricultural production, and farmers planted a decent area, and crop production expectations are encouraging. For example, the Crop Estimates Committee forecasts the 2024-25 overall summer grains and oilseeds harvest at 17,2 million tonnes, up 11% from the previous season. This comprises maize, sunflower seed, soybeans, groundnuts, sorghum and dry beans. This figure could be lifted in the coming months as production conditions remain favourable across South Africa. With that said, for the first half of 2025, grain-related products remain the upside risk to consumer inflation following a surge in white maize prices in recent months because of the poor crop harvest due to the drought.
- Moreover, while generally under pressure, we suspect that poultry products and other red meat prices could increase moderately in the coming months because of higher feed costs, mainly soybeans and yellow maize prices, which are elevated as the country awaits a new crop season. Still, these product price increases are unlikely to be notable as the consumer is also broadly under pressure, and the demand may still be relatively weak.
- South Africa's headline CPI was 3,2% in February 2025, unchanged from the previous month.

Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research

WEEK AHEAD

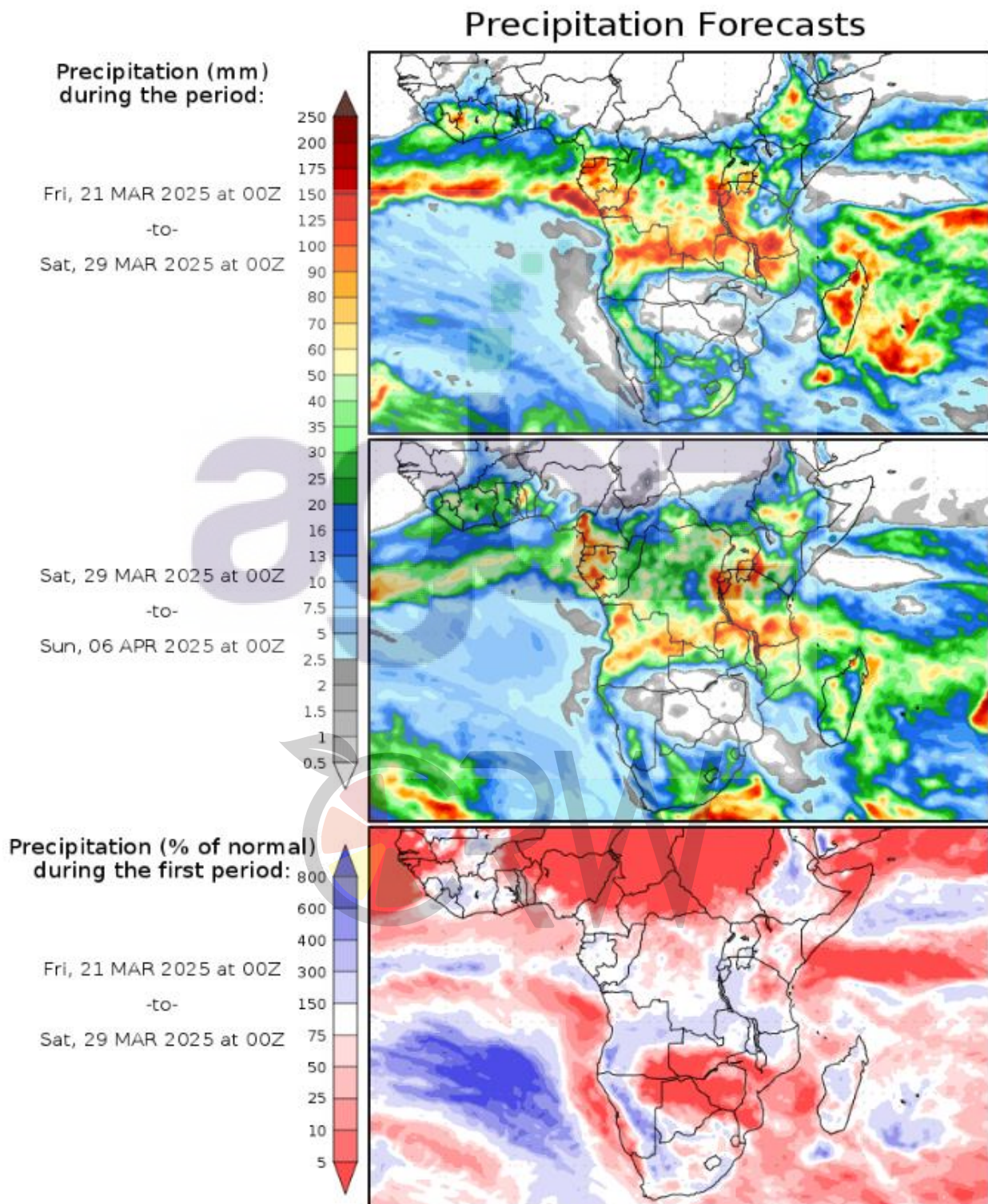
What we are watching this week

- We start the week with a focus on the global front, and this is a quiet week, with only the United States Department of Agriculture's weekly **U.S. Grains and Oilseed Export Sales** data due for release on Thursday.
- On the domestic front, the Crop Estimates Committee will release its **second production forecast for 2024-25 summer grains and oilseeds** on Wednesday. We believe the current production forecast of 17,2 million tonnes (up 11% year-on-year) could be lifted. The weather forecast has been favourable since the last estimate, and the crop conditions are good nationwide.
- Also, on Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data. In the case of maize, we will receive a data release for the 47th week of the 2024-25 marketing year (corresponding with the 2023-24 production season). In the previous release on March 14, South Africa's weekly maize producer deliveries were about 76 693 tonnes. This puts the 2024-25 maize producer deliveries at 11,12 million tonnes out of the final harvest of 12,85 million tonnes.
- We are in the new 2025-26 marketing year for oilseeds, which started at the beginning of March 2025. In the first two weeks, the soybean producer deliveries totalled 6 069 tonnes out of the expected harvest of 2,3 million tonnes. In the case of sunflower seed, the first two weeks of the new marketing year's producer deliveries were 19 118 tonnes out of the expected 720 050 tonnes. We expect the early deliveries to remain relatively low and pick up next month because of the late start of the season. Moreover, the wheat producer deliveries for the first 23 weeks of the 2024-25 marketing year stand at 1,79 million tonnes. The final harvest for the season is 1,92 million tonnes, down from the 2,05 million tonnes of the past season because of the reduced area planted and the poor yields.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 47th week of the 2024-25 marketing year. In the previous release on March 14, the 46th week of the 2024-25 marketing year, South Africa exported 40 621 tonnes of maize. Of this volume, 58% was exported to Zimbabwe, 13% to Namibia, 11% to Botswana, and the balance was distributed to the neighbouring African countries. This puts South Africa's total maize exports in the 2024-25 marketing year at 2,1 million tonnes, which is slightly above the expected exports for the season (but down from 3,44 million tonnes in the 2023-24 marketing year because of the drought that led to a poor harvest).
- While South Africa will likely remain the net exporter of maize in the 2024-25 marketing year, the coastal regions will import some volumes of maize as the domestic supplies are tight. We continue to see imports of yellow maize from Argentina and Brazil through the Port of Cape Town and white maize from the United States. South Africa's 2024-25 maize imports currently stand at 811 609 tonnes.
- South Africa is a net wheat importer, and March 14 was the 24th week in the new 2024-25 marketing year. The imports so far amounted to 801 259 tonnes. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season. Russia (46%), Lithuania (21%), Latvia (10%), Canada (7%), Poland (6%), Romania (5%), and Australia (5%) are the suppliers so far.

South Africa's Precipitation forecast

- South Africa could again receive light rainfall over the summer crop-growing regions this week, supporting summer crop-growing conditions, horticulture and the grazing veld.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)