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Wandile Sihlobo | Chief Economist | Email: wandile@agbiz.co.za

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Export expansion is crucial for the long-term growth of SA agriculture

- Recent developments within the Southern African Customs Union (SACU) region and announcements out of the U.S. have once again reminded us that trade matters remain important. For South Africa's agricultural sector, opening new export markets is one of the most important issues organised agriculture and various stakeholders continue to raise on various industry engagements. The government recognises the importance of trade for the growth of the sector.

- Export expansion has also remained a central point of discussion for the Ministers in the economic cluster. But recognition alone will not help. South Africa must build its capabilities and increase human capital in its trade portfolios. The over 100 missions and embassies the country has abroad should also be equipped with staff who focus on maximising economic opportunities for the country. These efforts should be at the heart of the country's economic diplomacy strategy. Without a clear focus on expanding external growth opportunities, South African businesses may be constrained and lag some competitors in export markets where the country does not yet have free trade agreements.

- Trade is important not just for agriculture but for other export-oriented sectors of the economy. For us in agriculture, trade is profoundly important. Already, about half of the agricultural products South Africa produces go to export markets. As the country works to expand agricultural production through various programmes such as the Agriculture and Agroprocessing Master Plan, and the government's intention to release state-owned land to beneficiaries with title deeds, export opportunities will become even more urgent. We cannot increase agricultural production without matching this with efforts to open new markets. Failure to progress in opening markets will jeopardise the success of new entrant farmers. The local market is somewhat saturated with a range of agricultural products, and we must create new markets.

- Recent developments highlighting an increasingly unsettled global trade environment make the task of a focused economic diplomacy strategy even more urgent. Within the Southern Africa region, neighbouring countries such as Mozambique and Botswana have signalled that they want to limit imports of some agricultural products from South Africa to boost local production. This is not a new and isolated development, as Namibia, Botswana, and recently Mozambique have signalled an intention to limit the imports of vegetables and fruits from South Africa.

- Ordinarily, when there are plant or animal disease outbreaks, the suspension of imports would be an appropriate response. But these restrictions are typically implemented to protect local farmers and undermine the spirit of the SACU and the African Continental Free Trade Area (AfCFTA).

- The U.S. has yet again reminded the world that the policy the current administration started with of reorientating global trade remains its focus. The U.S. raised import tariffs against various countries, and for South Africa, from 10% to now 12.5%. While an increase in tariffs is never desirable for exporting countries, the 12.5% level remains far lower than the 30% tariffs that South African exporting businesses had to contend with before the U.S. Supreme Court ruled them illegal.

- What also makes this moment more tolerable is that South Africa's competitors face the same tariff levels, making the playing field even. This means that South African agricultural exports may still compete relatively well within the U.S. market and likely maintain their existing market share. Still, lower tariffs and a more predictable trade framework would be the preferred path ahead.

- Essentially, what these developments remind us yet again is that South Africa must move beyond the rhetoric and place focus on measurable action when it comes to trade. Within the SACU region, a comprehensive review of the existing framework is essential. South Africa's ultimate goals should be to have the flexibility to sign bilateral trade agreements and not always be tied up in SACU issues.

- Equally, having human capital across South Africa's missions that drives economic diplomacy and supports South African businesses seeking expansion into new markets is vital. The long-term growth areas remain in the greater Asia region and the Middle East. At the same time, we must work to retain existing export markets across the greater African continent, the EU, the Americas, the UK, and other parts of the world. Exports are key to the long-term growth of South Africa's agriculture.

WEEKLY HIGHLIGHT

A mild rise in tariffs in the US

- The U.S. government has raised tariffs against several countries under *Section 301 of the Trade Act of 1974, on the Acts, Policies, and Practices of 60 Economies Related to the Failure of Each Economy to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labour*[1]. The South African government, private sector, and organised agriculture made submissions to the U.S. authorities against this rise in tariffs. **But that message and clarification didn't find a fertile ear.**

- A rise in tariffs that South Africa faces in the U.S. from 10% to 12.5% is not ideal, but the agricultural sector could still do better given where we are coming from: a 30% tariff. Importantly, the US has raised tariffs for a range of countries, including some of South Africa's agricultural competitors, such as Australia, Peru, and Chile, which are also at these levels. Notably, oranges, fruit juices, and nuts are still exempt from these tariffs.

[1] Actions by the United States in the Investigations under Section 301 of the Trade Act of 1974 of the Acts, Policies, and Practices of 60 Economies Related to the Failure of Each Economy to Impose and Effectively Enforce a Prohibition on the Importation of Goods Produced with Forced Labor – The White House

- The U.S. remains an important market for South Africa's agriculture, accounting for about 4% of our agricultural exports of US$15.1 billion in 2025. The main exported products include citrus, berries, grapes, wine, fruit juices, apples, pears, apricots, and nuts.

- At the time of the higher "Liberation Day Tariffs", some South African agricultural exporters took advantage of the 90-day pause on the higher tariffs in the second quarter of 2025 and exported more volume than usual during the second quarter. After this pause, we saw some cooling in exports in the third and fourth quarters of 2025. Notably, South Africa's agricultural exports to the U.S. decreased by 11% in the third quarter of 2025, compared to the same period in 2024, at US$144 million. In the last quarter, South Africa's agricultural exports to the U.S. fell sharply by 39% to US$81 million.

- Still, from an annual perspective, South Africa's agricultural exports to the U.S. in 2025 totalled US$504 million, down 3% from the previous year. This slight annual decline doesn't suggest that the previous 30% "Liberation Day tariffs" didn't harm our agricultural sector; we benefited from substantial exports in the second quarter.

- We believe that in 2026, we may see better agricultural export activity as tariffs are far lower than the 30% we faced in much of 2025. The new 12.5% tariff is not desirable, but it is still much better and more aligned with some of our competitors.

South Africa's consumer food price inflation continues to slow

- The figures released by Statistics South Africa last week show that consumer food price inflation slowed to 1.4% in June 2026, from 1.6% in May. There was a broad deceleration across the various food products. At the core of moderating consumer food price inflation are lower prices for grains, fruit, vegetables, and meat, driven by ample supply.

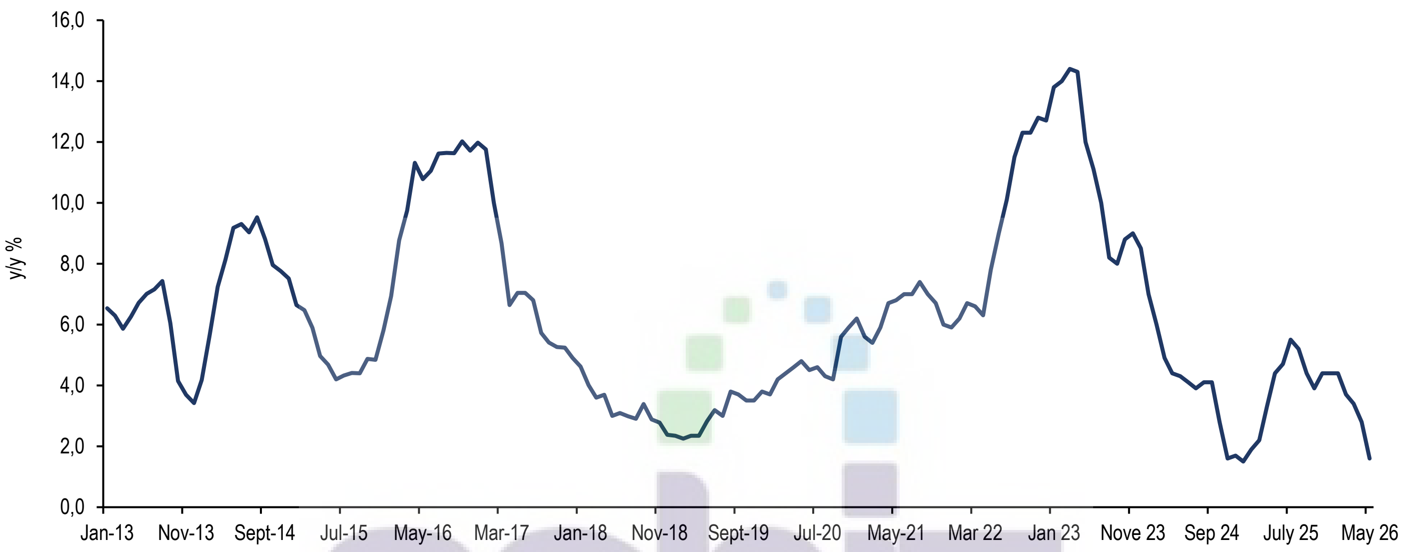
- Cereal products are in deflation as we are in yet another better grain production year. South Africa's summer grains and oilseeds production is forecast at a record 21.5 million tonnes, up 5% from the 2024-25 season. This figure comprises maize, sunflower seed, soybean, groundnuts, sorghum, and dry beans. This ample harvest adds to already large stocks from the past season, keeping grain prices under pressure. Similarly, fruits and vegetables are in deflation. Clearly, while the recent floods are destructive in parts of the Eastern and Western Cape, the country's fruit harvest is ample, thus continuing to add downward pressure.

- The production conditions for vegetables remain broadly favourable. Regarding meat, the pace of cattle slaughter has declined somewhat, though not notably. Another fact worth keeping in mind is that during foot-and-mouth disease outbreaks, the country is typically temporarily closed to some export markets, leading to increased domestic supplies, even if slaughter has declined somewhat. Base effects on meat prices, along with continued cattle slaughter, have helped ease price inflation. Poultry production conditions are also favourable.

- Overall, the fundamentals of agricultural supply remain solid and point to a moderation in consumer food price inflation in 2026. The renewed U.S.-Iran war and risks in the Strait of Hormuz are the major risks in the near term, likely leading to an increase in fuel costs. Fuel accounts for a substantial share of the distribution costs of food products. Notably, over 80% of staple food products are transported by road. Looking ahead, the medium-term risk is the forecast El Niño drought, but this may only affect the direction of 2027 food price inflation, as it affects the next season's crop.

- South Africa's headline inflation was 5.0% in June 2026, from 4.5% in May.

Exhibit 1: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research

What are we watching this week?

- As always, we start the week by looking at the global front, and the calendar is fairly quiet. Today, the U.S. Department of Agriculture (USDA) will release its **weekly U.S. crop progress report**, which provides insight into the crop growing conditions, mainly maize, sorghum, soybeans, and other major grains for the 2026-27 production season. Planting is mostly complete, and the crops are in good condition. For example, on July 19, 2026, about 67% of the maize crop was rated good or excellent. While excellent, the crop has taken some strain from the heatwave. Thus, it is rated below the same week last year, when 74% of the maize crop was rated good or excellent. Also worth noting is that 66% of the soybean crop was rated good or excellent on July 19, 2026, which is slightly below the 68% rating in the same week last year.

- On the domestic front, on Wednesday, the South African Grain Information Services (SAGIS) will publish its **weekly data on South Africa's Grain and Oilseed Producer Deliveries**. We have recently started the new 2026-27 marketing year, and the harvest for this new year is still in its early stages. In the first twelve weeks of the new marketing year, the farmers delivered 9.3 million tonnes of maize to commercial silos. This season is running 6% behind last season's pace. The delays in the start of the season and the longer rainfall period are among the key reasons for this. Still. South Africa is poised to harvest an ample 17.25 million tonnes of maize, the largest harvest on record.

- The 2026-27 soybean marketing year soybean harvest is towards completion. The first 20-week deliveries were 2.7 million tonnes, a record, out of an estimated crop of 3.04 million tonnes. For sunflower seeds, the first 20 weeks of producer deliveries in the new 2026-27 marketing year totalled 794,644 tonnes. There is still a long way to go, as the forecast harvest for the season is 910,530 tonnes.

- South Africa's 2025-26 winter wheat harvest is complete. Some farmers continue to deliver the small volumes of the crop to commercial silos. In the first 42 weeks of this 2025-26 marketing year, farmers have delivered about 1.84 million tonnes of wheat to commercial silos. This is 97% of the expected season harvest of 1.89 million tonnes (down 2% y/y).

- SAGIS will also publish its weekly **South Africa's Grains and Oilseeds Trade data** only on Thursday. Last week, South Africa exported 20,813 tonnes of maize, with about 27% to Botswana, 22% to Zimbabwe, and the rest to neighbouring countries. In the 2026-27 marketing year, which we recently started in May 2026, South Africa could export roughly 3 million tonnes of maize. This would be up from 2 million tonnes in the past season. South Africa has ample maize supplies on the back of robust production. South Africa's maize exports so far in the 2026-27 marketing year total 809,283 tonnes, out of the expected 3.0 million tonnes.

- South Africa is a net wheat importer, and July 17 marked the 42nd week of the new 2025-26 marketing year. Cumulative imports to date total 1.5 million tonnes from Germany, the United States, Latvia, Canada, Australia, Brazil, Romania, Lithuania, Russia, and Poland. We expect South Africa's 2025-26 wheat imports to reach 1.85 million tonnes, roughly the same as the 2024-25 marketing year.

- Also on Thursday, Statistics South Africa will release the **Producer Price Index (PPI) data** for June 2026.