

May 6 2024

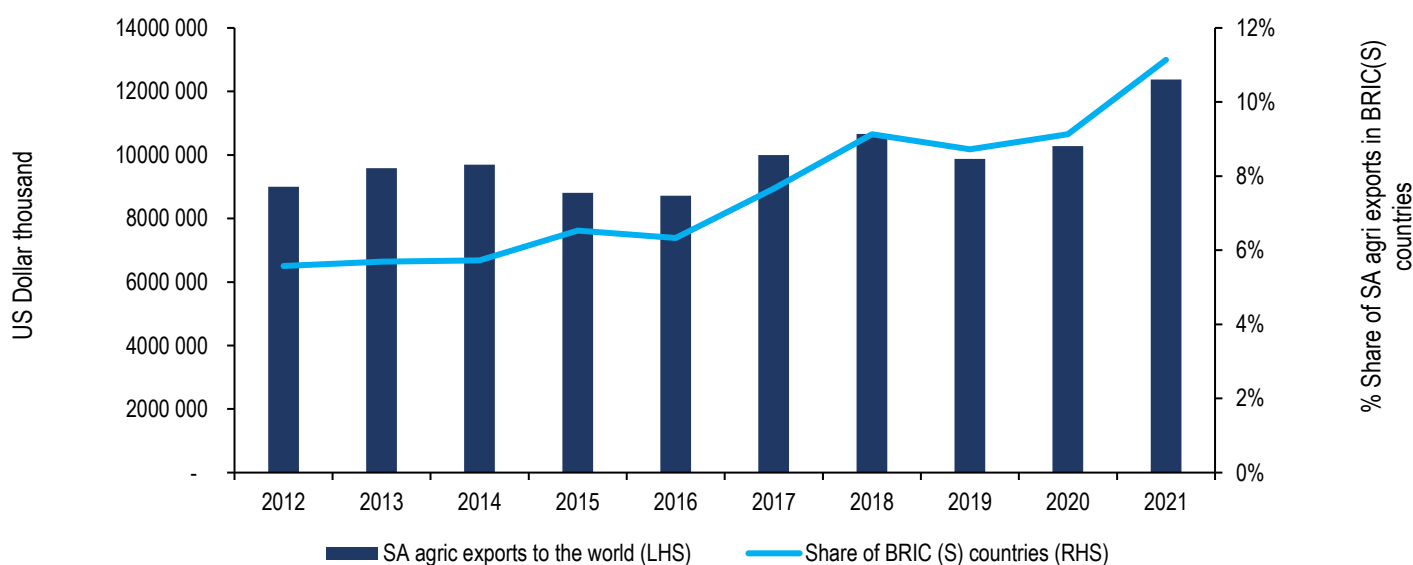
BRICS+ offers an opportunity to lift South Africa's agricultural exports

- Export opportunities for South Africa's agricultural products are opening up within BRICS+ countries. Over the past two years, China, the Kingdom of Saudi Arabia, and Egypt have widened market access for various agricultural products from South Africa. Admittedly, Egypt and the Kingdom of Saudi Arabia have recently joined the BRICS+ grouping, and market access is part of the long-term bilateral engagements with South Africa. South Africa has access to selected fruits, wine, wool, meat and grains.
- However, South Africa aims to broaden market access in BRICS+ for most of the country's agricultural products. For this reason, through the 2023 BRICS Summit in Johannesburg and the prior engagements, South Africa prioritized trade as a significant point on the agenda for discussion. The political principals broadly agreed that deepening trade was necessary for the BRICS countries. Still, each country's trade and agricultural authorities are responsible for taking the lead and seeking market access from member countries. The idea of a BRICS agricultural trade agreement that some argued for has not yet been thoroughly ventilated. The priority so far was for each BRICS member to work to reduce import tariffs and address the phytosanitary constraints for various products that BRICS member countries would present.
- Even before adding the new members, the original BRICS countries were already significant importers of agricultural products. Between 2019 and 2022, this group's agricultural imports averaged US\$255 billion annually, according to Trade Map data. China accounted for 71% of all the agricultural imports into the group, followed by India at 11%, Russia at 11%, Brazil at 4% and South Africa at 3%. Despite these sizeable agricultural import figures, the intra-BRICS agricultural trade remained relatively low.
- The products these countries imported include soybeans, beef, maize, berries, wheat, palm oil, poultry meat, cotton, barley, dairy products, pork, apricots and peaches, sugar, wool, sunflower seed, nuts, sorghum, goat meat, wine, grapes, bananas, avocados, mangos, guavas, and fruit juices, among other products. South Africa produces some of these products in abundance and has surplus volumes for exports. Thus, the country championed a need to deepen trade in the 2023 BRICS Summit.
- Admittedly, the positive reception that South Africa has received from some BRICS countries lately is not entirely because of the groupings' focus on trade. Indeed, some discussions regarding market access to China have been underway for some time. Still, when agricultural trade is prioritized in various political forums, there is naturally urgency to deliver some results.
- With BRICS adding new members to form a bigger BRICS+, the agricultural trade opportunities have increased. The Kingdom of Saudi Arabia and Egypt are some of the newest members. These two countries present enormous opportunities for widening South Africa's agricultural exports. Egypt spends approximately US\$16 billion a year importing agricultural products from the world market. These are

mainly wheat, maize, soybeans, palm oil, beef, apples and pears, dairy, cotton, potatoes and tea, among other products. It is here that South African grain farmers, traders, and beef producers should focus on increasing exports. Egypt even took the initiative of visiting South Africa at the start of this year in search of maize imports. The Department of Agriculture, Land Reform and Rural Development, and the South African Cereals and Oilseeds Traders Association were at the forefront of the engagements.

- Similarly, the Kingdom of Saudi Arabia's agriculture minister and senior leadership in agriculture visited South Africa earlier this year in search of grains and beef imports. The South African government authorities and industry also used the opportunity to showcase the various fruits South Africa could export to the Kingdom. South Africa also raised the investment opportunities in the domestic business community that the Kingdom of Saudi Arabia could explore. In the same view, China is steadily opening its markets for some South African agricultural products. With that said, there have been times when China has unfairly restricted South Africa's wool exports. This issue has now been resolved, and there is a unique protocol for handling wool exports, even during animal disease outbreaks.
- Russia is now the global chair of the agribusiness working group, having taken over from South Africa. Encouragingly, "deepening agricultural trade" amongst the BRICS+ community remains on the agenda for the year. During the year, the newly added members will also add their views on the working agenda of the agribusiness working group, which will later in the year be presented to the political leadership of the grouping. We believe that trade will remain on the agenda. If anything, some member countries will push for widening trade to include agricultural inputs. From a South African perspective, this would remain beneficial as the country imports most of its farming inputs, such as fertilizer and agrochemicals.
- Overall, while BRICS+ remains a political grouping with no formal trade structure, the bilateral agreements between BRICS+ countries for increasing trade are encouraging. South Africa will continue prioritizing the widening of agricultural exports in this grouping. Still, such efforts will not be at the expense of robust markets in Europe, Africa, the Americas, Asia, and the Middle East. South Africa's agricultural sector still has room to grow, and trade is essential to the sector's growth strategy.

Exhibit I: South African agricultural exports and share that goes to the original BRICS countries



Source: Trade Map and Agbiz Research

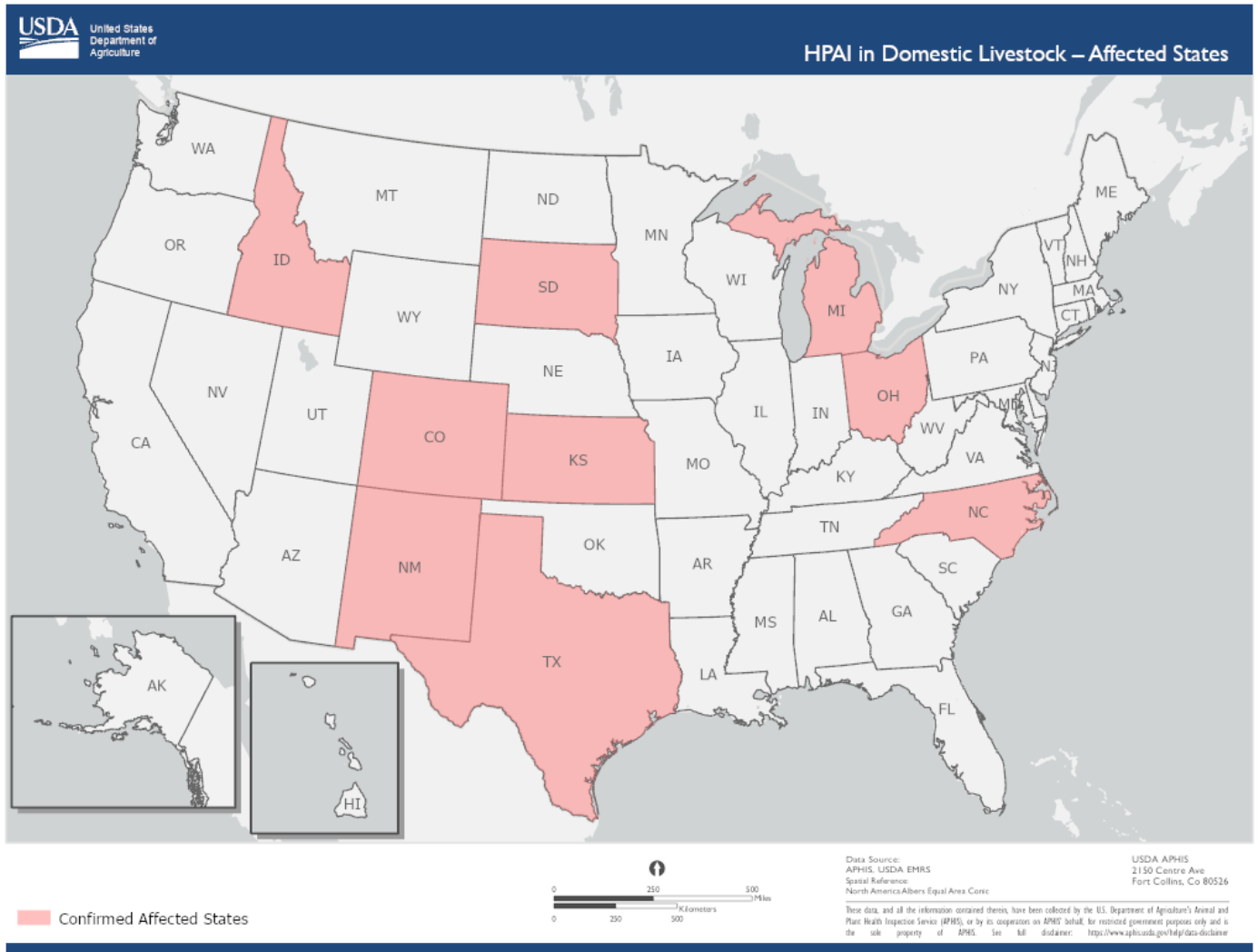
WEEKLY HIGHLIGHT

Animal diseases are increasingly a global challenge

- About a month ago, the United States Department of Agriculture (USDA), the Food and Drug Administration, Centers for Disease Control and Prevention, and State veterinary and public health officials released a report stating that they are studying an illness among dairy cows in various States. This report came after the Highly Pathogenic Avian Influenza (bird flu), which commonly affects poultry farms, was discovered in dairy cows and the subsequent infection of a dairy farm employee.
- The virus has spread to more States since we last commented on this issue.¹ The recent reports suggest that the virus has spread to 36 cattle herds across nine States in the US (from six States in our previous note on April 15).
- There remain concerns in the US about the subsequent transmission to humans and other livestock products. The scientists are currently studying this outbreak and have called for calm amongst the consumers. There are also ongoing discussions about ways of containing its spread and tests of possible vaccines in the US.
- Encouragingly, outside the US, we don't know of any cases where bird flu has transitioned into livestock and people. We have again communicated with South Africa's Department of Agriculture, Land Reform and Rural Development leadership to understand if this matter is under monitoring and the country remains safe. Indeed, South Africa remains secure and vigilant. This issue is primarily in a couple of states in the US.
- Animal diseases are a major global challenge, and we will likely continue to see animal disease outbreak reports in the coming years. Europe, Asia, and the Americas are some regions that typically report disease outbreaks. Therefore, South Africa must strengthen surveillance to ensure an agile response from regulators when there are outbreaks. As part of the long-term planning, South Africa's Department of Agriculture, Land Reform and Rural Development should also increase its spending on animal health-related matters and build local capacity. This is essential to support the subsector, making up nearly half South Africa's agricultural economy.

¹ Highly Pathogenic Avian Influenza (HPAI) Detections in Livestock: <https://www.aphis.usda.gov/livestock-poultry-disease/avian/avian-influenza/hpai-detections/livestock>

Exhibit 2: Highly Pathogenic Avian Influenza (HPAI) Detections in Livestock in the US



Source: United States Department of Agriculture

WEEK AHEAD

What we are watching this week

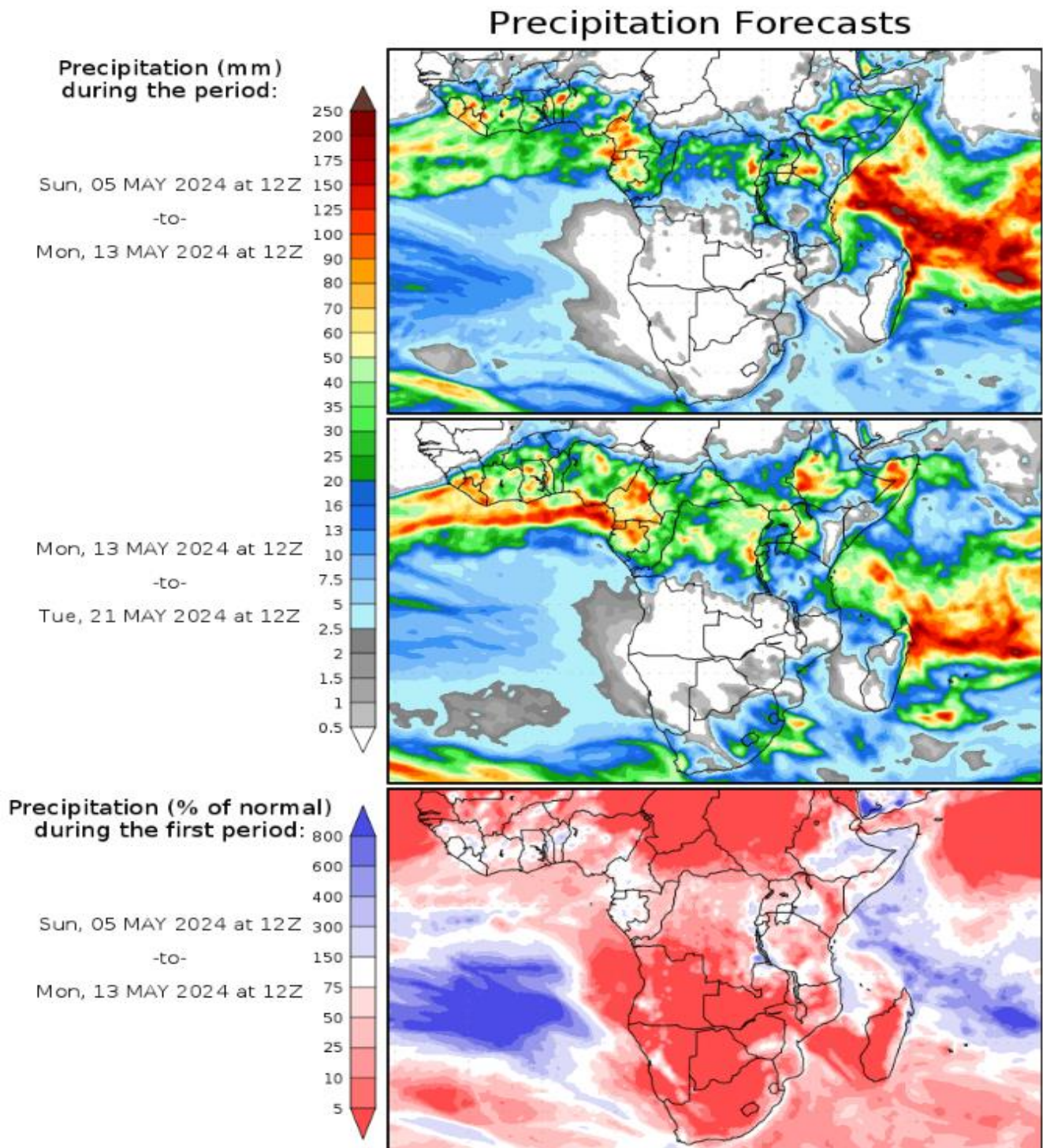
- We start the week with a global focus, and today, the United States Department of Agriculture (USDA) releases its **weekly US Crop Progress** report. This report provides insight into the planting progress in the US as the 2024/25 season has recently started. The planting activity across the US is now gaining momentum. For example, on April 28, US maize plantings were at 27% of the intended area (ahead of last season's pace of 23% in the same week). On the same day, soybean plantings were at 18% of the intended area (ahead of last year's pace of 16%).
- Moreover, the USDA releases its **weekly US Grains and Oilseed Export Sales** data on Thursday.

- On Friday, the USDA will release its monthly update of the **World Agricultural Supply and Demand Estimates** report. This vital report provides insight into crop acreage, yield, and production in major countries worldwide.
- Within the domestic front, on Wednesday, SAGIS will release its weekly **South Africa's Grains and Oilseeds Producer Deliveries** data for the first week of the new marketing year, 2024/25. In the previous release on April 26, South Africa's 2023/24 maize producer deliveries were about 264 499 tonnes. This placed the 2023/24 marketing year's maize producer deliveries at 16,0 million tonnes out of the overall harvest of 16,4 million.
- The focus on oilseeds has shifted to the new 2024/25 marketing year as the harvest gains momentum. The 2024/25 soybean deliveries in the first nine weeks of this new marketing year amounted to 892 260 tonnes out of the expected harvest of 1,8 million tonnes. At the same time, the sunflower seed deliveries amounted to 152 981 tonnes out of the expected harvest of 615 000 tonnes.
- In the case of wheat, last week, 3 215 tonnes of wheat were delivered to commercial silos. This placed the 2023/24 wheat producer deliveries at 1,9 million tonnes out of the harvest of 2,1 million tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the first week of the 2024/25 marketing year. In the previous release on April 26, the 52nd and last week of the 2023/24 marketing year, South Africa exported 38 401 tonnes of maize. Of this volume, 67% was exported to Zimbabwe, and the balance to the rest of the neighbouring African countries. This placed South Africa's 2023/24 maize exports at 3,4 million tonnes. The 2023/24 marketing year ends this month.
- Moreover, the coastal regions of South Africa will likely import small volumes of yellow maize for animal feed in the coming months. About 32 691 tonnes of yellow maize landed in Cape Town port last week from Argentina. This is the first vessel of maize in five years.
- Still, South Africa will continue to export maize to the Southern African region. Suppose the forecast 13,4 million tonnes harvest in the 2023/24 production season materializes. In that case, South Africa will meet the annual consumption of 12,0 million tonnes and still have decent volumes for exports to the region.
- South Africa is a net wheat importer, and April 26 was the 30th week of the 2023/24 marketing year; South Africa's 2023/24 wheat imports totalled 974 530 tonnes out of the seasonal forecast of 1,6 million tonnes.

South Africa's Precipitation forecast

- The weather forecast for the week shows clear skies over much of South Africa. This is conducive to the harvest activity in regions that have started over the summer crop growing areas. The slightly warmer weather conditions will also support winter crop planting activity.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)