

Revisiting key recommendations of the Biosecurity Task Team of 2022

- The persistent concerns about animal diseases in South Africa's agriculture today appear to be unabated. The latest crisis, with various cases of foot-and-mouth disease outbreaks, has once again brought the issue of animal biosecurity in South Africa into the spotlight. South Africa must work to find long-term solutions for our biosecurity challenges. The constant occurrence will ultimately reduce earnings and export opportunities to high-value markets. Such a possibility would lead to financial pressures on cattle farming businesses, and they may struggle to meet all their financial commitments.
- Correctly, organized agriculture groups, such as the Red Meat Industry Services and the Department of Agriculture, are collaborating to contain the disease and restore the industry to its productive level.
- The fact that we have, over the years, been unable to resolve the animal disease crisis suggests that we have not done enough as a country to address the key issues and implement the necessary measures to bring about long-lasting solutions. Both the government and farmers have a role and responsibility in this effort. There are various actions that the State can take to resolve this impasse, and it is unclear whether the Department of Agriculture has already taken all the key steps and managerial decisions required.
- It is, therefore, an opportune time to review the implementation of some of the very logical and essential recommendations contained in the report issued by the Task Team appointed by former Minister Thoko Didiza of the then Department of Agriculture, Land Reform, and Rural Development, which was completed in 2022. The Minister appointed the Task Team at the time, following the major spread of foot-and-mouth disease to extreme levels, where, for the first time, six of our nine provinces had cases.
- Admittedly, the Department of Agriculture has begun implementing some of the recommendations, particularly those related to vaccination in the affected areas and maintaining constant communication with provincial authorities and the public, among other measures. The focus should now be on consistently addressing the ten points below and continuing with the ones already underway. The Task Team recommended at the time that:
 - 1) A meeting should be held between the Minister of Agriculture and the MECs of all provinces to discuss interim measures, including the establishment of the chain of command, allocation of funding, movement control, and designation of responsibilities.
 - 2) Urgently establish an animal health biosecurity plan, which should include alternative options to ensure biosecurity, such as vaccination to control the spread of disease.
 - 3) Activate Animal Health Biosecurity awareness programmes for livestock owners and handlers across the value chain, including regulatory compliance requirements.

- 4) Actively enforce regulatory compliance for disease management throughout the value chain.
 - 5) Activate public-private partnership agreements and market access during disease emergencies for each commodity impacted by diseases.
 - 6) Re-activate the process to establish an animal disease emergency fund. This could be done by reserving a specified share of the national annual animal health budget in a contingency reserve. The necessary regulations will need to be developed, and approval from the National Treasury will likely be required.
 - 7) Reinstate a rigorous and practical system to control the movement of animals out of disease control areas. In the case of communal areas, a mechanism should be established to collaborate with traditional leaders.
 - 8) Immediately repair the fences nationwide that were erected to control the movement of animals in the foot-and-mouth disease protection zone.
 - 9) Review the structural arrangements across several Directorates within the national Department, particularly in the Branches of Agricultural Production, Health, Food Safety, Natural Resources, and Disaster Management, to eliminate duplication and strengthen human and financial resources.
 - 10) Evaluate and assess the management and leadership of key staff in the provincial veterinary offices and implement changes in key personnel.
- Some of these recommendations will require collaboration with other departments, such as Public Works, the Border Management Agency, the South African Police Service, and traditional leaders. Therefore, the Department of Agriculture must continuously engage with these stakeholders as it bolsters its work alongside the commodity associations. We view this as vital, as the livestock and poultry industries account for nearly half of our agricultural fortunes, with significant contributions by black farmers as part of the inclusive growth agenda.
 - Some argue that the Department of Agriculture appears reluctant to collaborate with private companies in vaccine manufacturing despite the dysfunction of Onderstepoort Biological Products (OBP), which renders the country vulnerable. The inefficiencies of the OBP and Agricultural Research Council's vaccine production facility pose a serious challenge to the safety of animals and our food system. Thus, the new leadership in these two organizations is the first encouraging step towards rebuilding. There should now be a greater focus on improving the efficiency of vaccine production, particularly at OBP.
 - While we now struggle with foot-and-mouth disease, what we have learned from recent experience is that this may not be the last outbreak, and there may be future outbreaks of various diseases in other value chains. This means South Africa, more than before, should increase its investment in animal health. We also need a similar focus on plant health. This means biosecurity is entirely more important than ever and is at the heart of any thriving farming economy.

WEEKLY HIGHLIGHT

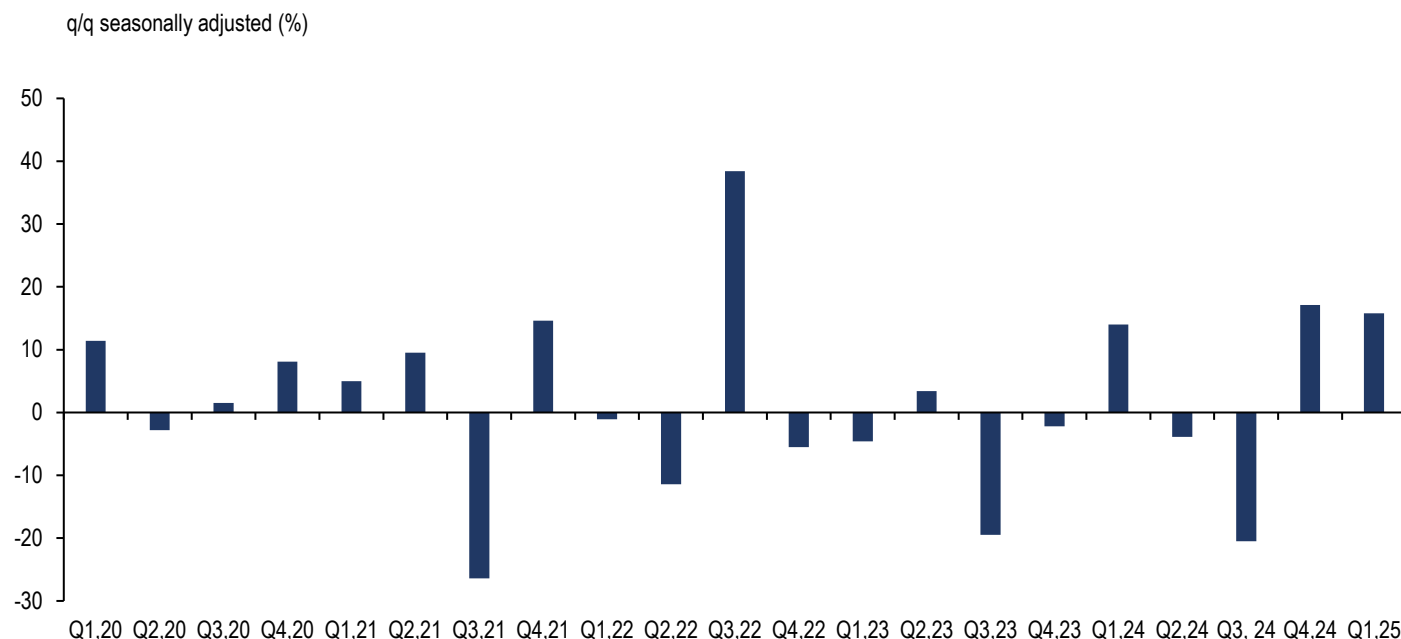
South African agriculture recovers, but the overall economy remains stuck in a low-growth trap

- South Africa's agriculture sector is in recovery mode, although the recovery is uneven, as some subsectors, mainly livestock, are facing challenges that will become apparent later in the year. The data released last week by Statistics South Africa shows that South Africa's agricultural gross value added expanded by 15,8% quarter-on-quarter (seasonally adjusted) in the first quarter of 2025. This expansion is primarily due to the improved performance of the horticulture subsector.
- The improved production performance of field crops and other fruits, as well as wine, among other value chains, will support the sector further in the coming quarters. The harvest in these value chains started only in the second quarter of the year. The production data at the farm level remain encouraging. For example;
 - 1) We have an excellent summer grains and oilseeds season, with the latest production forecasts by the Crop Estimates Committee suggesting a harvest of 17.98 million tonnes, up by 16% from the 2023-24 drought season. Favourable rains and decent area plantings support this.
 - 2) South African sugar production for the 2024-25 production season is forecast to recover by 7% year-on-year to 2.09 million tonnes. This is also due to favourable weather conditions and the availability of sufficient water for irrigation.
 - 3) We have also received encouraging production data from SA Wine and Vinpro, forecasting South Africa's wine grape harvest at 1.244 million tonnes, an 11% recovery from the exceptionally poor harvest of 2024.
 - 4) The South African Table Grape Industry has also posted some upbeat production figures, indicating that the 2024-25 total harvest inspected is 78.9 million cartons, 4% higher year-on-year. (5) We also see encouraging production data from citrus, various fruits, and vegetables. (6) In poultry production, the moderating prices of maize and soybeans should help the industry in its ongoing recovery.
- On the downside, the one area that remains a concern is the livestock industry, primarily due to the recent outbreak of foot-and-mouth disease. We have already seen various trading partners temporarily banning South Africa's beef exports due to the foot-and-mouth disease outbreak. Given the sizable share contribution of the livestock industry to South Africa's agricultural gross value added, its challenges are something worth reflecting on when considering South African agricultural performance. It is due to the challenges in the livestock industry that we have consistently discussed the potential "uneven" recovery of agriculture in 2025.
- Now, the quarterly agricultural gross value-added figures tend to be quite noisy. However, considering the annual performance, it is reasonable to believe that agriculture will recover robustly from the 2024 contraction (-8.7% y/y in 2024 and -4.6% in 2023). The base effects, combined with encouraging

production in field crops, horticulture, and poultry, are enough to support the annual recovery of the sector. Still, from a subsector perspective, we will likely see an uneven performance, with challenges more in the livestock industry.

- Overall, the South African economy grew by 0,1% quarter-on-quarter (seasonally adjusted) in the first quarter of 2025. The country remains in a low-growth trap.

Exhibit I: South Africa's agricultural gross value added



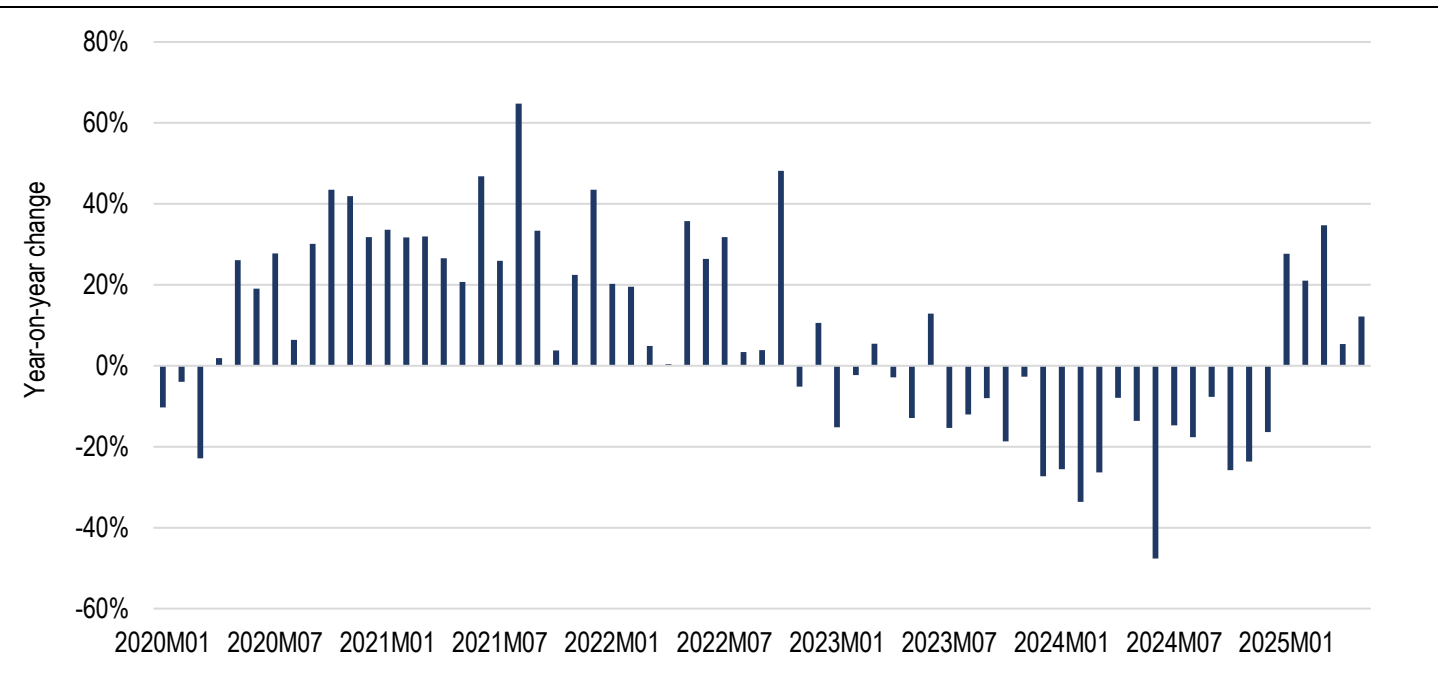
Source: Stats SA and Agbiz Research

South African farmers continue to invest in farm machinery

- We continue to see encouraging sales of agricultural machinery in South Africa. For example, tractor sales increased for the fifth consecutive month, up 12% year-on-year in May 2025, with 635 units sold. The sales of combine harvesters were even more encouraging, up 64% year-over-year in May, with 41 units sold. The increase in sales primarily reflects the positive sentiment in the sector regarding the 2024-25 crop and horticulture harvest, driven by favourable weather conditions and base effects following weak sales in 2024.
- Indeed, the heavy rains in April have caused concerns about the crop quality, and we are seeing challenges in a few areas. Still, there remains optimism about the yields, which supports the robust sales. For example, the Crop Estimates Committee forecasts South Africa's 2024-25 summer grain and oilseeds production at 17,98 million tonnes, 16% higher than the 2023-24 production season, representing a decent recovery from drought.

- If we reflect briefly on the past few years' performance, it is fair to say that the poor agricultural machinery sales performance in 2024 was largely due to three major factors. First, South Africa's agricultural sector had higher machinery sales between 2020 and 2023. Improved farmers' incomes led to higher sales, driven by an ample harvest and rising commodity prices. Thus, there was bound to be some correction, leading to a moderation in sales in 2024. Second, we struggled with a mid-summer drought in the 2023-24 season, which impacted farmers' fortunes and negatively affected sales performance. Lastly, the relatively higher interest rates for much of 2024 added to the economic pressures on the sector, leading to poor sales.
- This year, however, things are different, as evidenced by the sales for the first five months. Interest rates have eased somewhat from last year's levels, although uncertainty remains about the path ahead, given the renewed risks to the global economy. Also, agricultural production conditions are favourable across most commodities. Also worth noting is that some farmers may start with machinery replacement in the coming months. All this will support the sales of tractors and combine harvesters.

Exhibit 2: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

WEEK AHEAD

What are we watching this week?

- We begin with a global focus, and today, the United States Department of Agriculture (USDA) will release its weekly U.S. **Crop Progress** report. The U.S. farmers have made significant progress in planting the new season crop. For example, as of June 1, approximately 93% of the intended maize area

had already been planted, compared with 90% at the same time in 2024. Moreover, about 84% of the soybean area had already been planted, compared with 77% in the same week in 2024.

- Also worth noting is that the USDA will release its weekly **U.S. Grains and Oilseed Export Sales** data on Thursday. Also, on Thursday, the USDA will release an update of its monthly flagship report, the **World Agricultural Supply and Demand Estimates Report (WASDE)**. The report provides a valuable update on global grains and oilseeds production conditions, as well as an overview of current stock levels, and thus has implications for prices.
- On the domestic front, on Wednesday, we will receive the **weekly South Africa's Grains and Oilseeds Producer Deliveries** data from SAGIS. In the previous release on May 30, the South African farmers delivered 561 844 tonnes of the new season maize to the commercial silos. This was the fifth delivery for the new season, bringing the overall maize deliveries so far to 1,5 million tonnes. If you compare this with the overall volume delivered during the same period in the previous season, the volumes are down 64% due to the season's slow start. We are roughly a month behind schedule. South Africa's 2024-25 maize harvest is estimated at 14,64 million tonnes, a 14% increase year-on-year, primarily due to expected annual yield improvements.
- The 2025-26 marketing year for oilseeds started at the beginning of March 2025. In the first 13 weeks, the soybean producer deliveries totalled 2,2 million tonnes out of the expected harvest of 2,3 million tonnes. In the case of sunflower seed, the first 13-weeks of the new 2025-26 marketing year's producer deliveries were 459 938 tonnes out of the expected 727 800 tonnes.
- Moreover, the wheat producer deliveries for the first 35 weeks of the 2024-25 marketing year stand at 1,86 million tonnes. The final harvest is 1,93 million tonnes, down from the 2,05 million tonnes in the 2023-25 season.
- On Thursdays, SAGIS generally publishes its **weekly South Africa's Grains and Oilseeds Trade** data. In the first five weeks of the 2025-26 marketing year, which started in May, the total maize exports amounted to 91 021 tonnes, out of the seasonal export forecast of 2,0 million tonnes. Approximately 45% of the exports went to Zimbabwe, with the remainder distributed among the neighbouring countries.
- We will likely see more robust export activity later in the year once farmers have completed the harvest and there is grain in the silos for export. Given the recovery in domestic maize production, we don't anticipate imports in the new marketing year; if any are made, they will be small, mainly for the coastal regions that will take advantage of the affordable prices of some supplies.
- South Africa is a net wheat importer, and May 23 was the 35th week in the 2024-25 marketing year. The imports so far amounted to 1,13 million tonnes. The seasonal import forecast is 1.80 million tonnes, down from 1.93 million tonnes in the past season. So far, Russia, Lithuania, Poland, Latvia, Australia, Canada and Romania are the wheat suppliers to South Africa.