

Factors shaping the state of South African agriculture

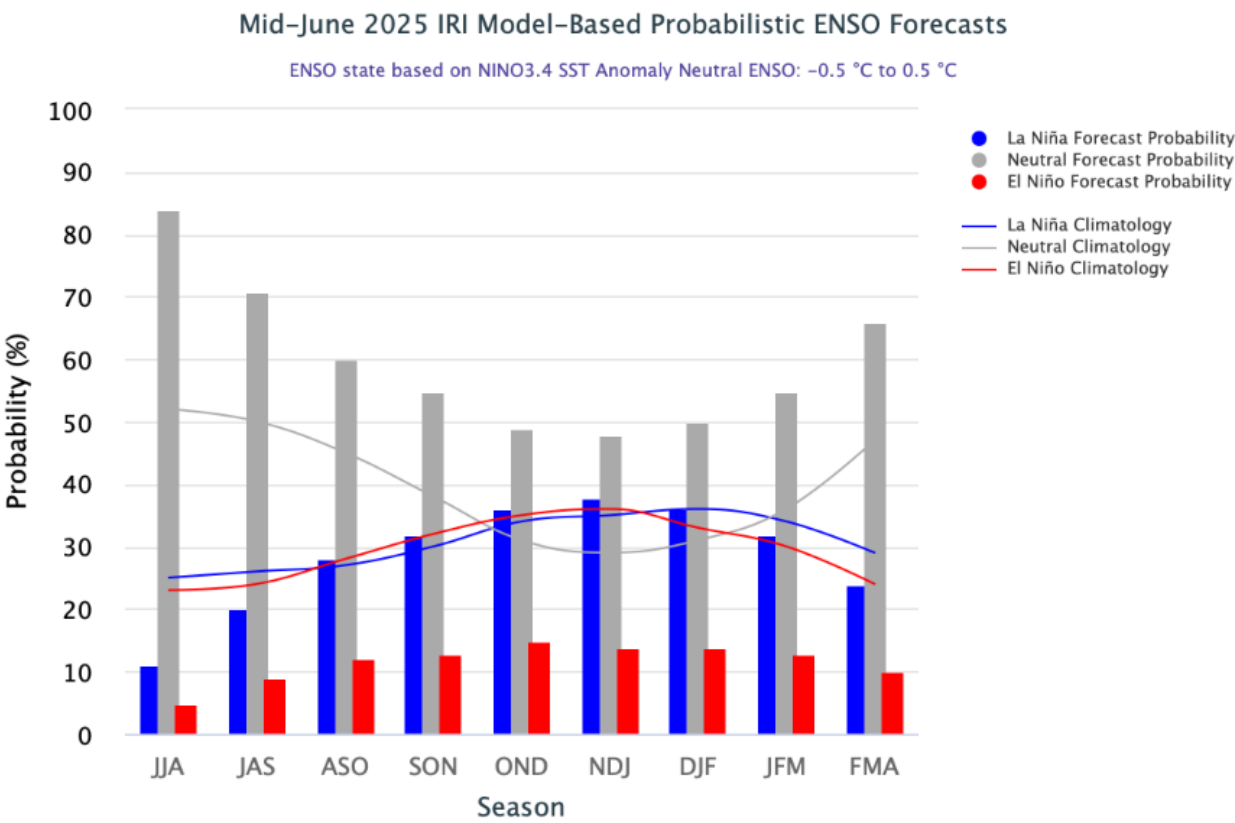
- Various factors, both positive and negative, continue to shape South Africa's agricultural sector. Starting on a positive note, early signs suggest a high likelihood that the upcoming 2025-26 summer season may also present favourable rainfall conditions across South Africa. Current forecasts indicate a neutral season, which would be generally favourable and with average rainfall.¹ But the occurrence of La Niña rains also remains a possibility, which helps to ease the worries of a swing from a La Niña rainy season in 2024-25 to the opposite, an El Niño.
- Admittedly, South African farmers will only start looking into these prospects with greater intensity in October, when the 2025-26 summer crop season begins. For now, the focus remains on the harvest activities of summer grains, oilseeds, and citrus, among other crops. The summer crop harvest is progressing well and nearing completion for oilseeds. The feedback we are hearing is that the crop quality is not as disappointing as some may have feared, especially in the soybean regions. The maize harvest remains far behind its typical schedule due to delayed plantings and prolonged rains through April, which have somewhat slowed the crop's maturity.
- Looking at the harvest coming into the commercial silos so far, we remain concerned about the quality of white maize, and less so in the yellow maize regions. The quality issues are generally a cost factor for farmers. However, from a consumer perspective, there should be no concerns about food supply difficulties, as the country's grain supplies remain intact. We see the agricultural output and the commodity prices as supportive of a moderating food price inflation path in the second half of 2025.
- We also continue to closely monitor winter crop conditions in the Western Cape province, which has been receiving excellent rainfall. The major crops currently grown during this winter season are wheat, barley, canola, and oats. The Western Cape produces over two-thirds of the crops, and therefore is a focus province for South Africa's winter crops. The crop conditions are generally favourable in the province, although farmers incurred much higher costs than usual in some regions due to the snail challenge for canola. Still, they seem to be managing well at the moment. In other provinces, the winter crop is benefiting from higher dam levels following a prolonged summer rain season in 2025.
- For the citrus industry, the harvest is proceeding well, and the focus remains on export markets, particularly the U.S. market. July 8 marks the end of the 90-day suspension period for the U.S. reciprocal tariffs announced in early April. It is unclear whether South Africa will continue to benefit from the 10% duties or if they will be readjusted back to the 31% duties we faced at the onset of the Liberation Day tariffs. The South African government, alongside organized agricultural groups such as Agbiz and other

¹ More information is available here: <https://iri.columbia.edu/our-expertise/climate/forecasts/enso/current/#:~:text=The%20onset%20of%20El%20Ni%C3%Bl o,Nov%2DJan%2C%202023>).

groupings, including BUSA, among others, has been engaged with the matter and is pushing for better market access in the U.S., along with the formulation of a trade offer for a long-term trade agreement. These deliberations may take longer than desired, resulting in additional costs to businesses. The hope is for an extension of the current access while the discussions are underway.

- Many agricultural industries are at risk if the talks do not yield a favourable outcome. These include the table grapes, nuts, and wine, amongst others. Indeed, the conversation about the potential diversification of export markets has been tabled by some. However, it has limitations in the near term, as businesses cannot switch to new regions overnight. There must be market development work.
- Moreover, other regions, such as China and India, also continue to present various limitations to South African agricultural products, including higher tariffs and phytosanitary barriers, despite recent pronouncements by China regarding its willingness to reduce tariffs on products from Africa. This suggests that the South African authorities and businesses will have to continue engaging with the U.S., while also exploring new markets for future diversification. However, this approach cannot be viewed as a replacement for the U.S., but rather as an extension of it.
- The logistics at the ports have not been as challenging as they were in past years. The ongoing collaboration among Transnet, business, and government is helping to improve planning and operations, enabling better service to the sector. Still, we are far from achieving the desired efficiency, and improvements will require increased investments.
- Beyond the trade and harvest matters, biosecurity remains a challenge in South Africa. The foot-and-mouth disease continues to present increasing costs to businesses. The recent vaccination campaign is a crucial step towards resolving the current crisis, and it is being adequately managed by both the government and the private sector. The next critical step is the revival of domestic capacity for vaccine manufacture. This step must ensure that the process no longer relies solely on the state but also includes select private sector labs that can help boost capacity. We are in a new era of increased animal and plant disease outbreaks, and South Africa must apply all its capacity to confront this challenge.
- We also require agility in registering new vaccines, as disease outbreaks occur at a rapid pace. Another industry that will increasingly be in the spotlight is the poultry industry, particularly concerning avian flu outbreaks. South African authorities will need to assess a possible vaccine with speed, drawing on lessons learned from the past outbreak in 2023, which was costly to the industry and raised concerns about food security in the country.
- Overall, the challenges are immense, but there are also bright spots in the sector. The 2024-25 harvest of various field crops, horticulture, and wine is looking promising, with ample harvests expected. The upcoming 2025-26 season also looks promising, potentially facilitating this growth. Still, there should be no complacency on both animal and plant diseases, as these remain the major threats to South Africa's agricultural growth prospects and export potential.

Exhibit I: La Niña prospects



Source: The Columbia Climate School, Columbia University