

SA agribusiness should keep a close eye on the rest of Africa

Although we continue to argue that South Africa should expand its agricultural export markets to new frontiers such as India, China, Bangladesh, Saudi Arabia, and South Korea, amongst others, the export drive should not be at the expense of the existing markets. We should actively engage with existing markets to stimulate the continued expansion of South African agricultural exports. The engagement should focus on the EU and Asia, both crucial regions for export growth, and the rest of the African continent.

The African continent remains the largest export market for South Africa's agriculture. In the record agricultural exports of US\$12,8 billion in 2022, the African continent accounted for 37%. Importantly, this was not an anomaly. The continent has accounted, on average, for 38% of South Africa's agricultural exports by value per annum over the past five years. Unlike the other regions South Africa exports to, where the composition of products is predominantly fruits, beef, wool and wine, maize is the leading export product in the African continent. Other products exported to the rest of the African continent include apples, wheat, animal feed, prepared foods, wine, fruit juices, soybean oil, sunflower oil, alcoholic beverages, and soybean oilcake. The leading markets were Botswana, Namibia, Mozambique, Zimbabwe, Lesotho, Eswatini, Zambia, Angola, Nigeria, and Mauritius. Except for Nigeria, these markets are within the Southern African Development Community's Free Trade Area, which has benefited South Africa greatly. Moreover, the infrastructure and proximity advantage of these markets contribute to the concentration of South African agricultural exports to this region.

As we advance this trade relationship with the Southern African Development Community and the rest of the African continent, there will need to be various industry and government engagements to keep warm relations. Such an approach would help to avoid erroneous policy decisions, such as what Namibia and Botswana did in 2022 by blocking vegetable imports from South Africa. This policy action negatively affected the South African farmers that had increased production in anticipation of the regional demand. Simultaneously, the consumers in Botswana and Namibia were also left with little choice as their typical supplies were suddenly unavailable on the shelves. Through close collaboration with the regional business community and government, we would address trade concerns without drastic steps by the neighbouring countries, which understandably want to prioritise the interests of local producers and consumers.

Aside from the long-term trade policy direction, the demand for South African agricultural products will likely increase in the 2023/24 marketing year within the African continent. The 2023/24 marketing year corresponds with the 2022/23 production season. In the previous season, countries such as Zimbabwe, Zambia, and Tanzania had decent supplies of grains and other foodstuffs on the back of a reasonably good harvest (although lower than the bumper crops of the previous season). Reports from FEWS NET suggest that dry and hot weather conditions in the earlier part of the 2022/23 production season negatively impacted crops in southern Angola, Zimbabwe, Mozambique, and northern and eastern Madagascar.¹ Moreover, there are growing concerns that the higher fertilizer prices have led to lower usage by farmers in these countries, which would ultimately undermine the yields.

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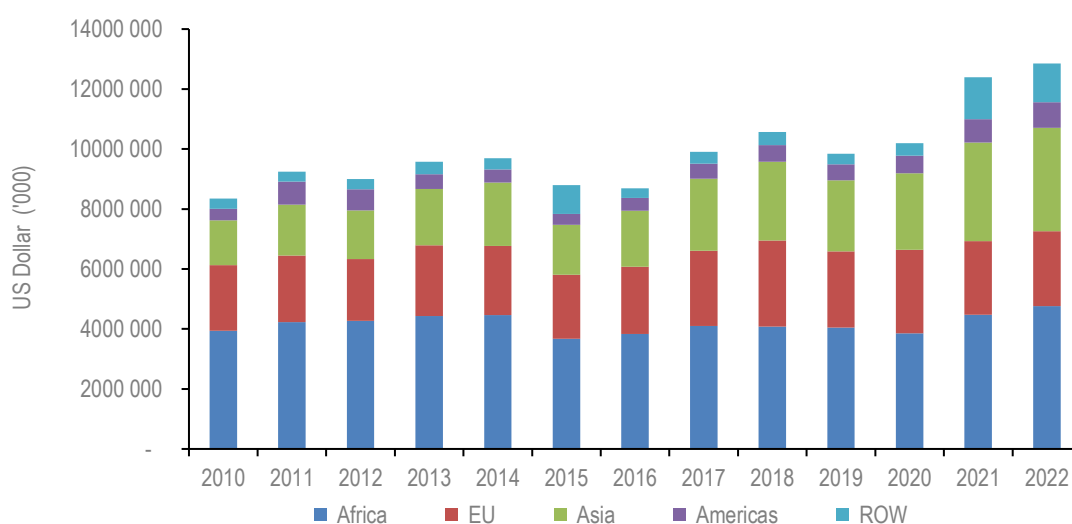
¹ <https://reliefweb.int/report/madagascar/southern-africa-key-message-update-prolonged-dry-spells-conflict-and-high-input-prices-impact-agricultural-production-southern-africa-february-2023>

The first glimpse of these countries' crop conditions and import needs will be through maize production data from the United States Department of Agriculture (USDA) in the coming months. For Zimbabwe, production forecasts are yet to be made available. Still, Zimbabwe would require sizeable imports if the crop drops below the previous season's harvest of 1,6 million tonnes, given its annual maize needs of 2,1 million tonnes. The possible suppliers to Zimbabwe will be Zambia and South Africa. Zambia's maize production forecasts are yet to be released. Still, there is an expected 15,6 million tonnes for South Africa, up 1% y/y, which should enable South Africa to export at least 3 million tonnes of maize in the 2023/24 marketing year.

Another country that is worth keeping an eye on is Kenya. The latest estimates from the USDA place Kenya's 2023/24 marketing year maize imports at 750 000 tonnes.² This is up mildly from the previous season's maize imports of 700 000 tonnes. The primary hope for Kenya is to import maize from Tanzania and Zambia, which collectively accounted for 98% of Kenya's maize imports in the 2021/22 marketing year. South Africa has minimal participation in the Kenyan maize market because of the prohibitive anti-genetically modified crop regulations. The new Kenyan administration under President William Ruto attempted to clear genetically modified white maize for imports and cultivation. But in February 2023, lobby groups took legal action to block genetically modified white maize seeds planned for release to farmers by the Kenya Agricultural and Livestock Research Organisation (KALRO) in March and April 2023.

We used maize as an example, but if maize crops faced production challenges, then one can assume that there are similar challenges in other crops and vegetables. This means South African producers should closely monitor the African market and increase supplies where market conditions allow. Beyond these near-term seasonal matters, the South African agribusiness community, as the major exporters of the produce from South African farms, along with the government officials, should maintain close engagement with counterparts across the rest of the African continent as this is not only a diplomatic consideration but also a commercial matter.

Exhibit 1: South Africa's agricultural exports by region



Source: Trade Map and Agbiz Research
 Note: ROW represents the Rest of the World.

² https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?FileName=Grain%20and%20Feed%20Annual_Nairobi_Kenya_KE2023-0002.pdf