

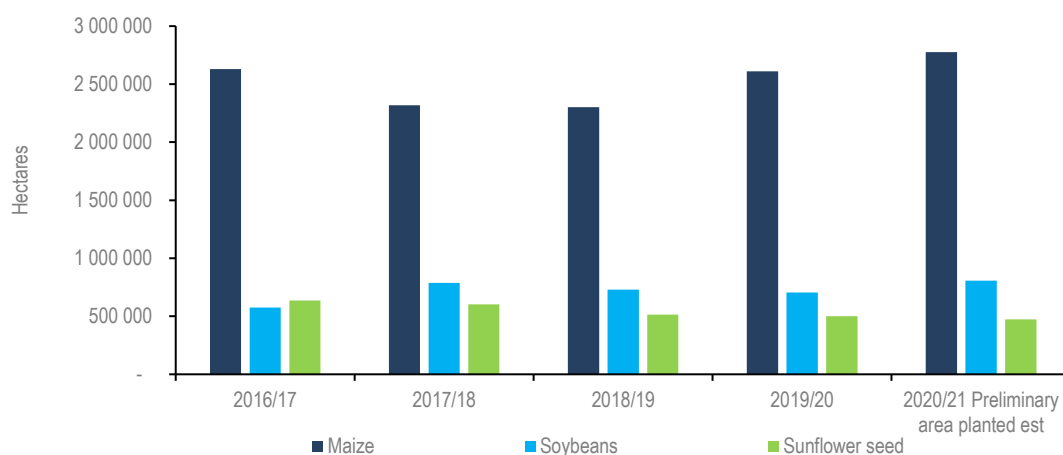
SA summer grains planting data reaffirm positive outlook for 2020/21 production season

The latest data in South Africa's agricultural sector reinforce the view that the 2020/21 production season could potentially deliver one of the largest harvests on record. This past week, the country's Crop Estimates Committee (CEC) released its first planting estimates data, which show total summer grains plantings for 2020/21 at 4.2 million hectares, up by 6% from the 2019/20 season. This dataset comprises maize (white and yellow), soybeans, sunflower seed, groundnuts, sorghum and dry beans. There is an expansion in most crops, except sunflower seeds, whose plantings declined by 5% year on year (y/y) to 473 300 hectares, which would be the smallest area in nine years. This decline is mainly due to some hectares being shifted to white maize plantings in the western regions of South Africa because of favourable prices.

As we have commented in various notes, the weather conditions across South Africa have generally been favourable since the start of the production season in October 2020. Since then, the widespread rains allowed plantings to commence on time, except for a few Limpopo regions, specifically the Springbok plains, which were drier than most areas of South Africa. Nevertheless, the past week's rains have changed fortunes even for those more parched Springbok plains of Limpopo.

In the Free State, where the crop was generally in good condition before the past week's rains, we worry about potential damages, particularly in farms around Bultfontein, Hoopstad and Wesselsbron. In the week ahead, these regions will need sunshine to ensure that waterlogging is minimized and the crop recovers. Aside from the Free State, the crops in other provinces of the country appear in good shape, with expectations of fairly average to above-average yields. Such a prospect on increased area plantings reinforces our view that 2020/21 could be one of the country's best production seasons. After these recent rains, sunshine across the country would do better for the crop than additional showers. Exhibit 1 illustrates plantings in major summer crops, which we will zoom into more details in our analysis about potential harvest.

Exhibit 1: South Africa's summer crop plantings



Source: Crop Estimates Committee and Agbiz Research

01 February 2021

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Maize

Starting with maize, if we apply a five-year average yield estimate of 5,30 tonnes per hectare to an estimated area planting of 2,78 million hectares (up 6% y/y), South Africa could have a harvest of 14,72 million tonnes in the 2020/21 season (15,41 million tonnes in 2019/20). This crop would be the fourth-largest maize harvest on record. However, a realistic high road scenario could also be constructed by assuming a possible yield of 6,00 tonnes per hectare on the back of favourable rainfall which has improved crop conditions. When South Africa received higher rainfall in the 2016/17 production season, the average yield was 6,40 tonnes per hectare. Therefore, a 6,00 tonnes per hectare yield assumption would not be far-fetched. Such a crop yield on an area of 2,78 million hectares would potentially lead to a 16,66 million tonnes harvest. This would be the second-largest maize harvest on record.

The CEC will release its first production forecast on 25 February 2021. It is only then that we will have a better sense of where the crop will be. Still, the favourable crop conditions combined with an area planting of 2,78 million hectares, suggest that South Africa's maize harvest should be within the range of 14,72 and 16,66 million tonnes that we have provided above. This will be measured against an annual maize consumption of 11,47 million tonnes, meaning that South Africa will remain a maize net exporter. However, the implications on maize prices will most likely be evident around the end of February and into March 2021. Over the past few months, the weaker domestic currency, growing demand for South Africa's maize in the Southern Africa region and the Far East, coupled with generally higher global grain prices provided support to the domestic maize prices. We think the domestic crop conditions will matter more for price movements from the end of February than it has been the case over the past few months. Still, the scale of Cyclone Eloise's damage in Southern Africa's maize (Mozambique and Zimbabwe), which is yet to be fully quantified, will likely have implications on the domestic market.

Soybeans

If we assume an average five-year yield of about 1,82 tonnes per hectare and an area of 806 000 hectares that farmers planted, the overall harvest could amount to 1,47 million tonnes. This is up by 18% y/y and would be the second-largest harvest on record. Like maize, we think that a crop of this size is plausible given the favourable agricultural conditions. This, however, would not necessarily result in prices cooling off from current highs of R9 600 per tonne (up 63% y/y). The underlying price drivers are somewhat similar to those underpinning the maize market. Nevertheless, unlike maize, an increase in the soybean harvest will still not change the fact that South Africa imports around half a million tonnes of soybean meal. The country will always be dependent on imports, even at these harvest levels, to meet the growing demand for soybean meal by the poultry sector.

Sunflower seed

If we use a five-year average sunflower seed yield of 1,35 tonnes per hectare with an intended area planting of 473 300 hectares, the harvest could be 638 955 tonnes. This crop would be down by 19% y/y and from the five-year average production.

In sum, South Africa's agricultural production outlook remains buoyant, thanks to increased plantings and favourable weather conditions. What will be crucial this coming week and the week after that, is sunshine over the country's summer cropgrowing regions. Additional rainfall at this point would most likely cause waterlogging which, in turn, would undermine the yields. An essential date for official production estimates is 25 February 2021. The forecast to be published on that day will likely provide a more precise direction for domestic grain prices and food price inflation over the coming months. But the data we have thus far

provides comfort that South Africa could have yet another good summer crop production season in 2020/21.

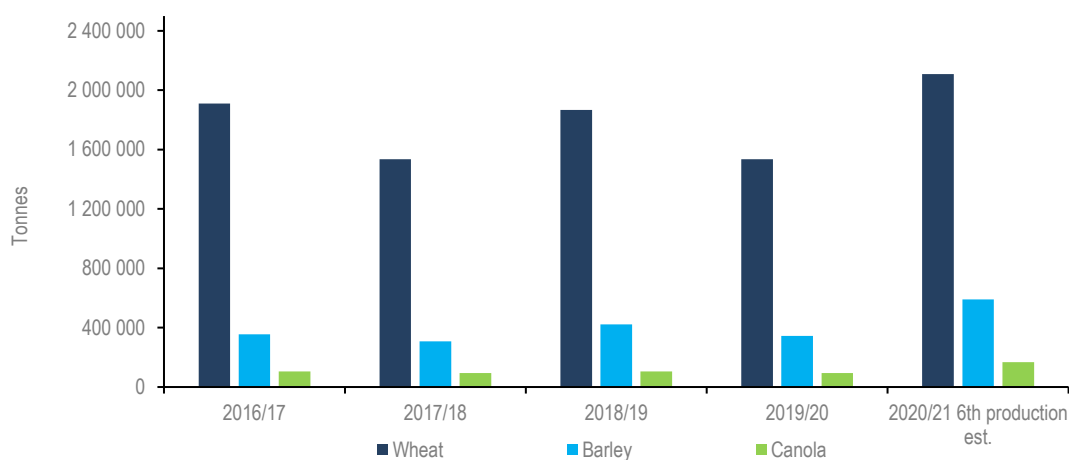
Weekly highlights

South Africa had one of the best winter crop production seasons

In 2020/21, South Africa had one of its best winter crop production seasons. The harvest is virtually complete across the country, and the yields were above average for most regions. Hence, it is not surprising that the sixth production estimates recently released by the CEC, slightly revised down wheat from December 2020 to 2,11 million tonnes; this current estimate is still the largest in a decade. Meanwhile, for barley and canola, there was a further upward revision of the production estimates to 589 846 tonnes and 166 956 tonnes; making these current numbers the largest on record. These estimates reinforce the positive observations and feedback we have received from farmers about the yields during the harvest period.

Nevertheless, the increase in production will have minimal impact on prices, specifically wheat, of which South Africa is a net importer. And thus, wheat prices largely depend on developments in the global market, along with domestic currency movements. Having said that, while South Africa will remain a net importer, the volume will fall notably compared to the previous year. The most recent estimates from the South African Grain and Oilseeds Supply and Demand Estimates Committee suggest that wheat imports could fall by 16% y/y to 1.58 million tonnes, which bodes well for agricultural trade balance. Meanwhile, the recovery in barley production will see South Africa being a net exporter. Canola will mainly be for domestic consumption.

Exhibit 2: South Africa's winter crop production



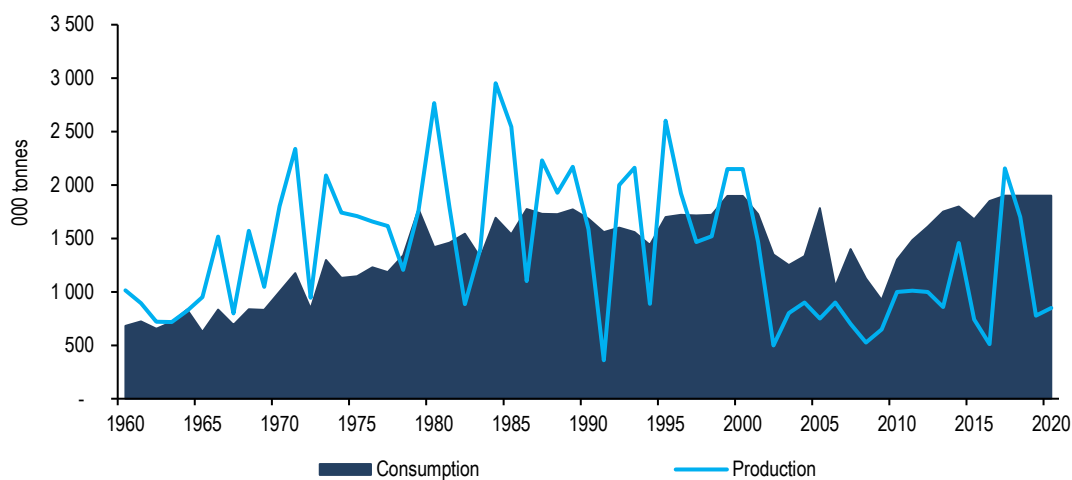
Source: Crop Estimates Committee and Agbiz Research

Zimbabwe will likely remain a significant importer of maize in 2021/22 marketing year

Although the full assessment of the crop damage from Cyclone Eloise is yet to be done, some analysts already maintained a somewhat pessimistic view about crop conditions in countries affected. A case in point is Zimbabwe, where the International Grain Council estimated the 2020/21 maize production at 908 000 tonnes, up by 17% from the previous season. The uptick was attributed to prospects of increased yields. These estimates were released at the start of January, before the heavy rainfall of Cyclone Eloise. Even without accounting for the cyclone, such a harvest would have meant that Zimbabwe would remain an importer of maize as its annual consumption is roughly 1,8 – 2,0 million tonnes. We expect a more updated estimate of crop conditions and potential harvest later this month.

Zimbabwe is one of South Africa's major maize importers in Southern Africa. Hence, if the potential maize import needs become as large as in the 2020/21 marketing year (this corresponds with the 2019/20 production season), there could be a material impact on the South African maize market prices. We will continue to monitor Zimbabwe's situation and provide an update as more information and data becomes available.

Exhibit 3: Zimbabwe's maize market



Source: United States Department of Agriculture and Agbiz Research

Data releases this week

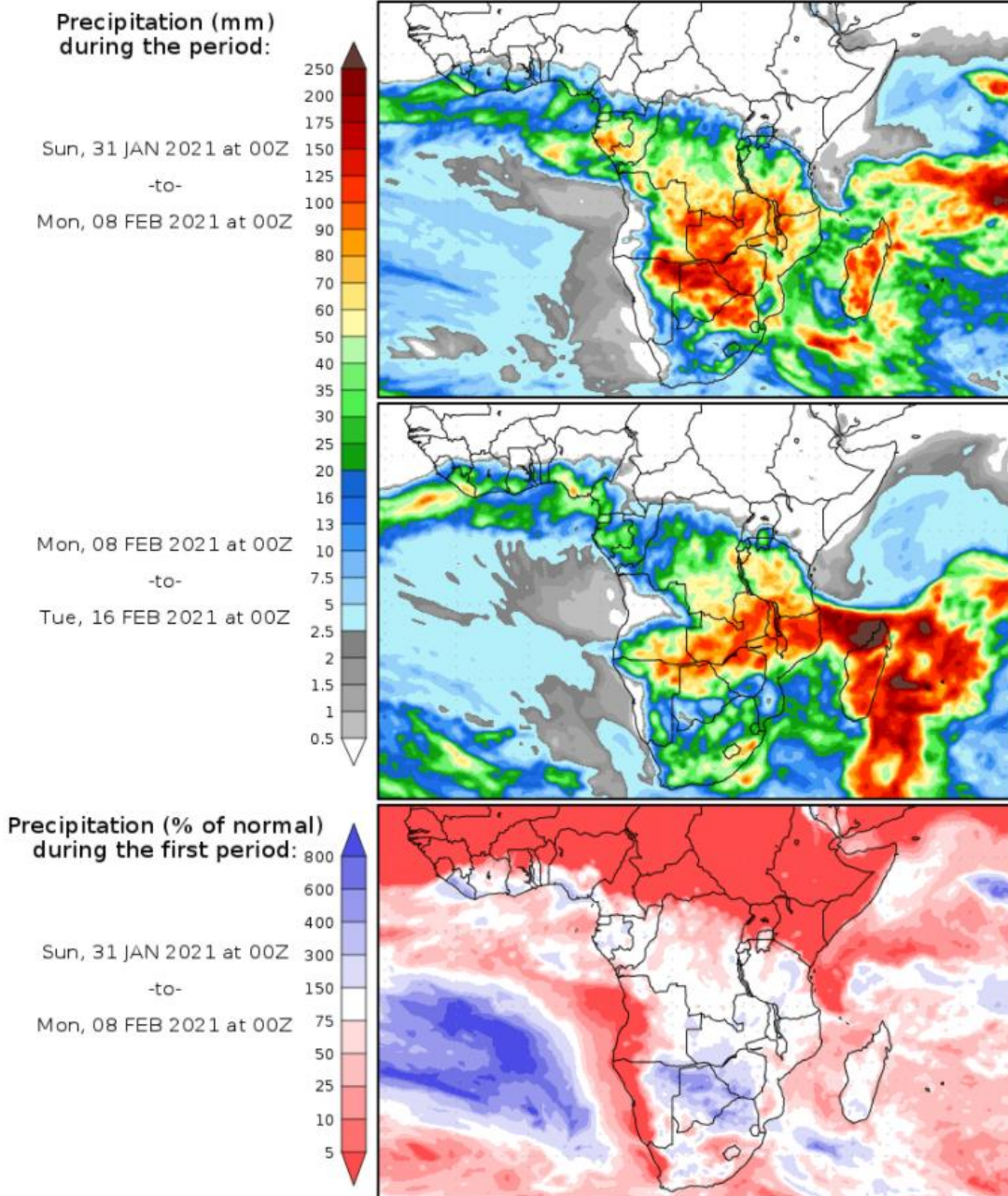
This is a relatively quiet week on the agricultural calendar. Globally, the notable data release will be the **US weekly export sales data** released by the United States Department of Agriculture on [Thursday](#). As we indicated in the previous notes, China has been buying large volumes of US maize and soybeans. The demand is expected to hold for some time as the country continues to rebuild its pig herd devastated by African swine fever in 2019.

On the domestic front, on [Wednesday](#), the South African Grain Information Service (SAGIS) will release the **weekly grain producer deliveries data** for the week of 29 January 2021. This data cover both summer and winter crops, although the focus has shifted towards winter crops whose harvest has recently been completed. On 22 January 2021, about 16 359 tonnes of winter wheat were delivered to commercial silos. This placed the 2020/21 wheat producer deliveries at 1,88 million tonnes, which equates to 89% of the expected harvest of 2,11 million tonnes.

On [Thursday](#), SAGIS will release the **weekly grain trade data** for the week of 29 January 2021. In the previous week of 22 January 2021, South Africa's 2020/21 total maize exports were at 1,99 million tonnes, which equates to 75% of the revised seasonal export forecast (2,64 million tonnes). In terms of wheat, South Africa is a net importer, and in the week of 22 January 2021, imports amounted to 430 009 tonnes. This equates to 27% of the revised seasonal import forecast of 1,58 million tonnes.

Exhibit 4: South Africa's precipitation forecast

Precipitation Forecasts



The next two weeks could bring higher rainfall over the summer crop producing regions of South Africa.

This could be accompanied by heavy and destructive winds in the north-eastern regions of the country as part of the tail-end of tropical cyclone Eloise.

Source: George Mason University (wxmaps)