

15 January 2024

A positive start to the 2023/24 summer crop production season

- When the 2023/24 South Africa's agricultural season started, we feared production conditions would become more challenging than we have seen in the last few seasons. The weather had shifted from a prolonged period of La Niña conditions, which came with a lot of rainfall, to an El Niño, which typically brings drought in Southern Africa. However, the rainfall conditions in early part of the 2023/24 season are looking different compared with earlier expectations. We saw heavy rainfall at the end of 2023 and the beginning of this year throughout most summer rainfall regions of South Africa. The only province that has not received as much rainfall is the North West.
- Against a backdrop of better-than-expected conditions, farmers could plant their usual crops in provinces such as the Free State, Eastern Cape, KwaZulu-Natal, Mpumalanga, and Limpopo. Meanwhile, the North West saw delays in plantings because of slightly delayed rainfall compared with other provinces. The irrigation regions, such as the Northern Cape, also planted on time, benefitted from higher dam levels and reduced loadshedding during the summer holidays to support crop conditions.
- The latest survey done by Grain South Africa shows that crop conditions in provinces that received early rainfall are favourable, and farmers' plantings of most summer crops may have reached the intended area at the start of the season. The farmers in some of these provinces indicated that they expect above-average yields. The significant risk on the horizon that farmers fear is the possibility of hail, especially in areas such as the eastern Free State prone to hail. Still, by mid-January, hail had not caused much damage in these areas, and the crops were in favourable condition.
- Some farmers in these areas also feared that a mid-summer drought would negatively impact crops, particularly the late-planted crops. However, with the South African Weather Service expecting rainfall to continue until March 2024, we are optimistic that a drought won't be a challenge. The crops would need significant rainfall around February, primarily during pollination time. Beyond pollination, we believe the crops would still be in good condition even if rainfall slows. However, this would likely be a reality for the central and the eastern regions. There remains a risk of dryness in the country's western areas, particularly the North West, which already did not receive as favourable rainfall as other provinces.
- In its Seasonal Climate Watch report of 19 December 2023, the South African Weather Services (SAWS) underscored this point of possible dryness in the western regions, stating that the "multi-model rainfall forecast indicates mostly below-normal rainfall over most of the country during January to May, except for the central and eastern coastal areas indicating higher likelihood of above-normal rainfall."

- With that said, the reality has thus far proven to be better than the SAWS's projections as we have continued to see favourable rainfall across the country since the start of this month, and it is not limited to the coastal regions. If the showers could remain favourable for the remainder of this month and through to the end of February across the country, we could confidently expect another ample agricultural harvest.
- At the start of the 2023/24 summer crop production season, farmers intended to plant 4,5 million hectares of land, which is up 2% from the previous season. Given the feedback from the Grain South Africa survey, we feel compelled to believe that farmers met their expected planting area in most provinces. If there are any reductions in area, they will likely be in the white maize regions of the North West. At the end of this month (30 January 2024) the Crop Estimates Committee will release its preliminary area planted estimate for summer grains 2024. This data will give us a better sense of the planted area. The data for the following month will provide us with a view of the possible size of the harvest.
- While we devoted a large share of this note to summer crops, these favourable production conditions also support grazing veld for livestock, vegetable production, fruit production, and other agricultural activities. The cautious view that we started the 2023/24 production season might be proven to have been too pessimistic, and South Africa could have yet another favourable agricultural season. A lot will unfold in the coming months, but there are now some reasons to be more optimistic about the production conditions.

Policy considerations

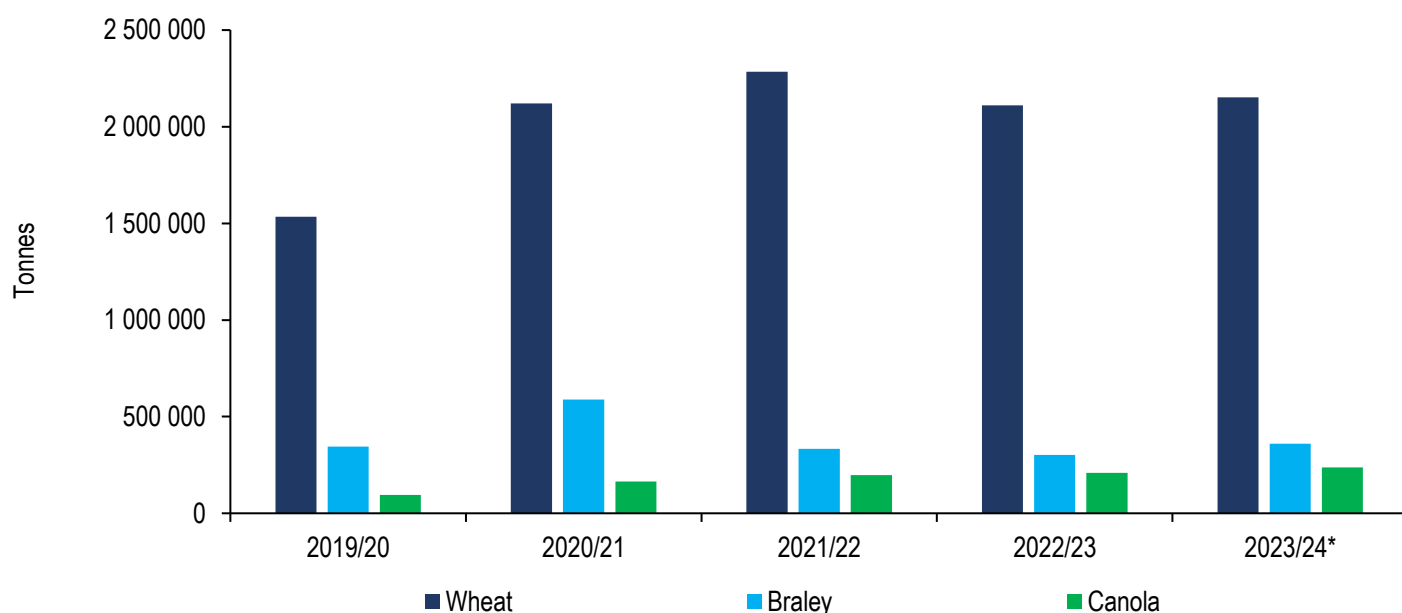
- The favourable production conditions would allow more time to be devoted to long-term policy issues that the sector still needs to resolve. The significant issues that should remain in the policy discussion this year include the need to tackle the problems constraining South Africa's agricultural growth potential head-on. These are the weakening municipalities, deteriorating roads, rising crime, inefficient logistics, animal diseases, lack of progress in registering new agrochemicals and seeds, slow launching of the Land Reform Agency and releasing government land to beneficiaries, and persistent load-shedding.
- The government and private sector should collaboratively work to resolve these constraints to attract investments and boost the long-term growth of the agricultural sector. The sector should focus more on these aspects for the remainder of 2024..

WEEKLY HIGHLIGHT

South Africa's 2023/24 winter crop size is decent

- South Africa's 2023/24 winter crop season has turned out better than some feared. The data released at the end of December 2023 by the Crop Estimates Committee (CEC) painted a positive picture of South Africa's winter crop harvest. In its fifth production estimate for the 2023/24 season, the CEC kept the wheat harvest estimate unchanged from the previous month, at 2,15 million tonnes. This is 2% up from the last season's crop. The only concern some producers had was the crop quality following heavy rains earlier in the season. Still, we have not heard many complaints so far.
- Broadly, the provinces behind the current robust national wheat harvest forecast are the Western Cape (53% of the overall harvest), Northern Cape, Free State and Limpopo. Admittedly, while the Northern Cape and Free State are still amongst the leading wheat producers, their expected harvest is less than the 2022/23 season. The expected large harvest in the Western Cape and Limpopo overshadows the decline in harvest in other provinces. There are also likely decent wheat harvests in KwaZulu-Natal, Eastern Cape and North West regions.
- The harvest of this crop is nearly complete. Farmers had delivered 1,7 million tonnes of wheat to the commercial silos in the first week of January 2024. The rest of the deliveries will likely follow in the coming weeks. The deliveries of other winter crops are also nearly complete.
- The expected winter wheat crop of 2,15 million tonnes is well above the 10-year average harvest of 1,80 million. Suppose there are no significant changes in the crop forecast in the coming months. In that case, South Africa will likely need to import about 1,60 million tonnes to meet domestic consumption in the 2023/24 season (down from the forecast of 1,68 million tonnes in the 2022/23 season).
- Furthermore, the 2023/24 canola crop was unchanged from November estimates and is at a record 237 450 tonnes (up 13% y/y). The annual increase is also due to increased plantings and expected better yields. Regarding barley and oats, however, the CEC also kept their harvest forecast unchanged from last month at 360 220 tonnes and 36 200 tonnes, respectively. The recent floods damaged these crops more than wheat and canola. Notably, barley reportedly has quality issues due to the floods earlier in the season.
- In sum, while the overall crop size is encouraging, and no major wheat quality issues have been reported so far, this remains a significant concern to us and would influence the import requirements for the season we currently have at a consecutive estimate of 1,60 million tonnes. The quality challenges in barley will also present significant financial pressure on farmers, which is worth monitoring, particularly from agribusinesses and financial institutions that have clients in the barley production regions.
- Overall, the South African winter crop season has turned out better from a volume perspective than some may have feared days after the Western Cape floods last year.

Exhibit I: South Africa's winter crop production



Source: CEC and Agbiz Research

WEEK AHEAD

What we are watching this week

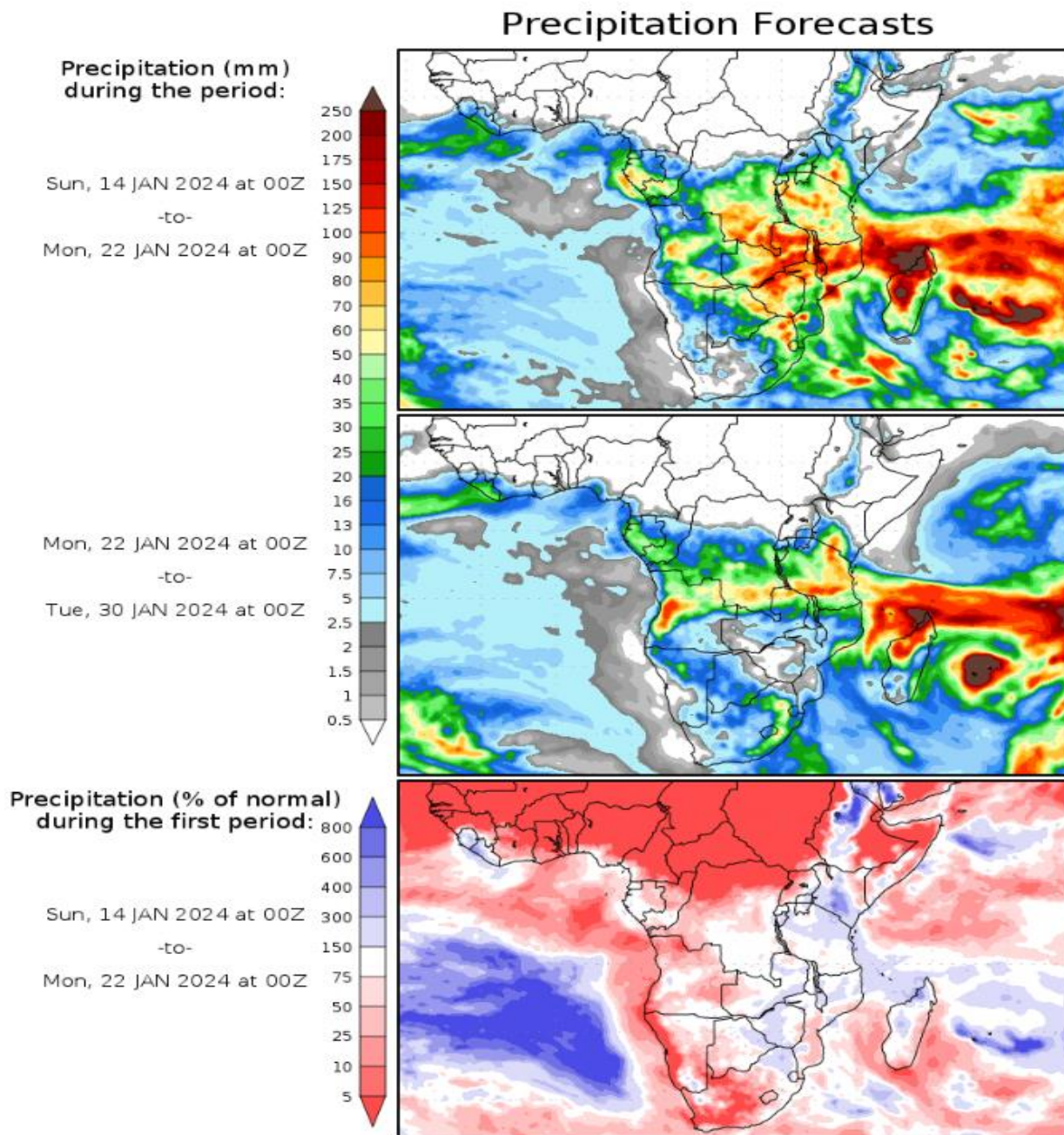
- This is a quiet week on the global front; we only have the United States Department of Agriculture (USDA) **weekly U.S. grains and oilseeds export sales data** due for release on Friday.
- On the domestic front, on Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries data** for January 12. In the previous release on January 5, South Africa's 2023/24 maize producer deliveries were about 11 839 tonnes. This placed the 2023/24 marketing year's maize producer deliveries at 14,7 million tonnes out of the overall harvest of 16,4 million. On the same day, the soybean deliveries were about 2,7 million tonnes of soybeans out of the harvest of 2,8 million tonnes. The sunflower seed producer deliveries amounted to 715 514 tonnes out of the harvest of 724 110 tonnes.
- Also worth noting is that South Africa's winter wheat harvest is towards completion. Last week, 15 904 tonnes of wheat were delivered to commercial silos. This placed the 2023/24 wheat producer deliveries at 1,7 million tonnes out of the expected harvest of 2,2 million tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade data** for January 12. In the previous release on January 5, the 36th week of the 2023/24 marketing year, South Africa exported 29 760 tonnes of maize. Of this volume, 52% 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 2,64 million tonnes out of the seasonal export forecast of 3,33 million.

- South Africa is a net wheat importer, and January 5 was the 14th week of the new 2023/24 marketing year. There were no imports this particular week, and South Africa's 2023/24 wheat import are at 572 196 tonnes out of the seasonal forecast of 1,6 million tonnes (down from 1,7 million tonnes in the 2022/23 season).

South Africa's Precipitation forecast

- The weather forecast for the next two weeks is favourable, showing prospects of rain across most summer crop-growing regions of South Africa. The rain will be beneficial to the 2023/24 summer crops.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)