

July 29 2024

## South Africa's 2024/25 winter crop production prospects remain worrying

- South Africa's 2024/25 winter crop season is underway. The start of the season has been somewhat harsh, with drier weather conditions around May and June in the Western Cape, followed by excessive rains since the beginning of July. Fortunately, the damage to the newly planted crop appears to have been minimal throughout the period, at least thus far. The excessive rains have caused disruptions in the infrastructure in some regions of the Western Cape, such as Citrusdal and some residential areas around the province.
- We pay close attention to the Western Cape regarding the winter crops because of the province's significant contribution to these crops. For example, about 70% of the winter wheat plantings for the 2024/25 season are in the Western Cape. The area planted for barley, canola and oats is much more prominent in the province and as a winter rainfall region.
- However, the prospects for the 2024/25 season are not as optimistic as last season, at least from the preliminary planting data. For example, the Crop Estimates Committee (CEC) estimates South Africa's 2024/25 winter crop plantings at 794k hectares, down by 3% year-on-year. The major areas of decline are barley and wheat. Meanwhile, canola, oats, and sweet lupines show increased area plantings but these are insufficient to lift the overall area plantings for the season.
- For wheat, the preliminary area plantings are at 502k hectares, down by 7% from the 2023/24 season. This is the lowest area planting in seven years. Notably, the sharpest declines in area plantings are in the Free State and Limpopo. The Western and Northern Cape provinces show a minor decline in area plantings. Other provinces, which are relatively small producers, such as the Eastern Cape, KwaZulu-Natal and Mpumalanga, also show a mild decrease in area plantings.
- The major decline in winter wheat plantings in the Free State and Limpopo is unsurprising. The northern regions of South Africa experienced a harsh mid-summer drought, which led to significant crop losses. The farmers in some of these regions are under financial strain and, thus understandably reluctant to increase the winter wheat plantings. Moreover, the wheat prices have moderated this year, down by roughly 5% year-on-year. Therefore, in an environment with reduced soil moisture because of the mid-summer drought, lower wheat prices, and some financial pressures, farmers are likely focused on utilizing more area plantings for the 2024/25 summer crop plantings that start in October 2024.
- If weather conditions, particularly in the Western Cape, remain favourable for the rest of the season and we achieve a five-year average yield of 3,78 tonnes per hectare in the area of 502k hectares, then we could have a winter wheat harvest of 1,89 million tonnes. This would also be down 7% year-on-year and well below the five-year average winter wheat harvest of 2,02 million tonnes.

- For barley, the 2024/25 area planting is at 102k hectares, down 5% year-on-year. This is also well below the five-year planting area of 115k hectares. If we consider an average five-year yield of 3,36 tonnes per hectare in 102k hectares, a harvest of 342k tonnes is plausible. This would still be well below the five-year average of 389k tonnes.
- Positively, the 2024/25 canola plantings are estimated at 146k hectares, 11% more than the previous season. This is the largest area on record. There has been a switch from some winter wheat and barley traditional areas to canola because of price competitiveness. If we follow a similar approach of assuming an average five-year yield of 1,8 tonnes per hectare on 146k hectares, the record canola harvest of 263k may materialize at the end of the season.
- Still, we are early in the 2024/25 winter crop season, and these planting data are preliminary. The CEC will release another area planted estimate and first production forecast on 28 August. These data will help shape our view of the possible wheat import size for the next marketing year in South Africa. The current wheat marketing year ends in September. Weather conditions are the most important factor to keep an eye on. If the rains remain moderate, with sufficient days of sunshine, then the prospects for the season may improve. The recent stormy weeks won't be conducive to crop growing conditions in the coming months, although no material damage to winter crop regions has been reported thus far.

## WEEKLY HIGHLIGHT

### South Africa's Crop Estimates Committee mildly lowered the 2023/24 summer grains and oilseed production forecast

- The South Africa's agricultural sector has various institutions, organizations and committees that all play specific roles in supporting the sector's growth and sustainability. One of the vital committees housed at the Department of Agriculture is the Crop Estimates Committee (CEC). This CEC benefits on skills, among others, from government, academia, and the private sector. Its main task is to provide production forecasts for winter and summer grains and oilseed.
- These data are crucial to understanding the country's food security conditions and often influence the market prices of grains and oilseeds in season. For each season, the CEC typically releases about ten reports. From the fourth monthly report, there is generally some certainty about the expected crop.
- We are now at the tail end of the 2023/24 summer grains and oilseed season. This comprises white maize, yellow maize, sunflower seed, soybeans, groundnuts, sorghum and dry beans. Thus, the crop size estimates we have at hand are unlikely to change much and possibly represent an actual picture of the harvest.
- For example, in its sixth production estimate released on July 27, the CEC placed South Africa's 2023/24 summer grains and oilseed harvest at 15,9 million tonnes. This is 0,5% less than last month. The monthly

downward revisions are primarily in yellow maize, groundnuts and dry beans. The expected harvest of 15,9 million tonnes is down 21% year-on-year, signifying the sharp impact of the mid-summer drought on the grains and oilseed production.

## Maize

- A closer look at the data shows that white and yellow maize harvest could be 6,35 million tonnes (unchanged from last month) and 6,99 million tonnes (down 1% m/m). These revisions place the total maize production estimate at 13,34 million tonnes (down 0,53% m/m).
- When viewed annually, white maize harvest is down 26%, with yellow maize down 12% from the 2022/23 season. The disparity in the crop decline is due to regions where each crop variety is planted, with white maize predominantly in the western areas of South Africa while yellow maize is in the east. Moreover, yellow maize is typically planted a month earlier than white maize. Rainfall impacts these regions and timeframes differently, ultimately affecting the expected harvest sizes. The expected harvest of 13,34 million tonnes is down 19% from the 2022/23 season.
- This expected harvest will meet South Africa's annual maize consumption of roughly 12,00 million tonnes, leaving the country with approximately 1,40 million tonnes for exports (there is also support from the carryover stocks from the previous season). In this export forecast, about 840 000 tonnes will likely be white maize, with 600 000 tonnes likely to be yellow maize, according to data from the South African Grains and Oilseed Supply and Demand Estimates Committee. Still, the estimated exports of 1,40 million tonnes are down notably from 3,40 million tonnes in the previous season.
- With that said, maize prices will likely remain elevated for some time because of potentially tighter supplies later in the season and into the first quarter of 2025. The white maize prices are over 40% higher than the levels we saw a year ago, with the spot price closing at R5 490 per tonne on July 26, 2024. At the same time, yellow maize spot prices is about 10% up from a year ago, ending the week at R4 180 per tonne.
- The yellow maize prices have not increased much, as the supply risk could be manageable through imports. There are ample maize supplies (yellow) in the world market. The International Grains Council (IGC) forecasts the 2023/24 global maize harvest to be 1,2 billion tonnes, up 6% year-on-year. The prospects for the 2024/25 season are also positive.
- A majority of this expected global maize is yellow. The stocks are also robust, thus keeping the international yellow maize prices moderate. This also explains the moderate increase in the domestic yellow maize prices relative to white maize prices, which are scarce in the world market and primarily produced in Southern Africa and Mexico.

## Oilseeds

- The 2023/24 soybean harvest was unchanged from last month to 1,7 million tonnes (down 36% y/y). This annual decline results from lower yields in various regions of South Africa. We now believe South Africa may not play a robust position in soybean exports like the previous season. If anything, soybean oilcake imports this new season are now a possibility.

- Moreover, the sunflower seed harvest estimate was unchanged from last month at 649 250 tonnes (down 10% y/y). The area plantings are moderately down from the previous year, which means the primary driver of the annual decline in the harvest is the expected poor yields, especially as most of the sunflower seed is planted in the western regions.

### Other grains

- The 2023/24 groundnut harvest estimate is 53 755 tonnes (up 1% y/y), sorghum is at 95 830 tonnes (up 2%), and dry beans are at 49 560 tonnes (down 1%).

### Concluding remarks

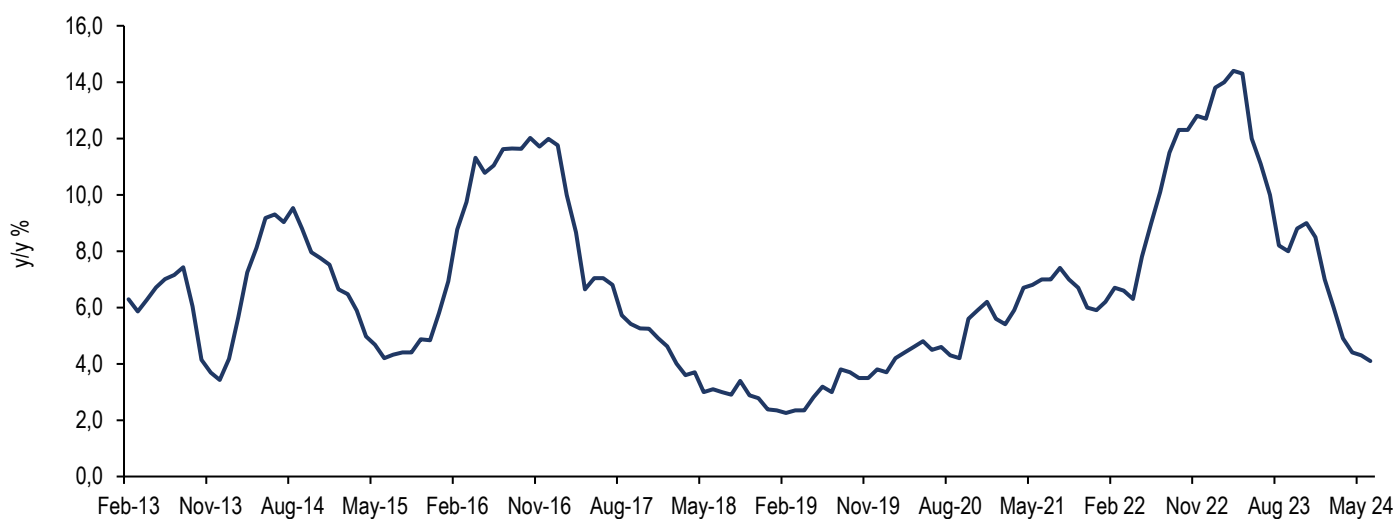
- Overall, we learned from this data the extent of the damage caused by mid-summer drought to summer crops. Still, from a consumer perspective, South Africa is not in a crisis regarding supplies of grains and oilseed.
- A key point worth noting is that there are upside risks to white maize prices, especially considering the potentially ample demand from the Southern Africa region later in the year and into the first quarter of 2025 when their domestic supplies are depleted.

## South Africa's consumer food price inflation slowed in June 2024

- The South Africa's consumer food price inflation slowed to 4,1% in June 2024, from 4,3% in the previous month. There was moderation in price inflation across most products in the food baskets, except for bread and cereal products, as well as meat. The slight uptick in these particular product prices is unsurprising, as we had signalled in our previous note. The prices of bread and cereals mirror the increases we have long observed at the farm level.
- The challenge arises from the mid-summer drought that led to an 19% y/y decline in maize production to an expected 13,34 million tonnes. White maize production is down significantly relative to yellow maize. Given the scale of the decline in the white maize harvest and the expected strong demand from Southern Africa, we expect white maize prices to remain reasonably elevated for some time and thus sustain the increases in the prices of bread and cereal products in the food basket.
- That said, we don't expect the potential price increase to be substantial as the forecasts from the International Grains Council signal the possible higher global wheat and rice production in the 2024/25 season, estimated at 793 million tonnes and 528 million tonnes, respectively. This is well above the long-term production levels. Given that South Africa imports nearly half of its annual wheat consumption, about 1,5 million tonnes yearly. Furthermore, South Africa imports about a million tonnes of rice each year. Therefore, favourable global production conditions of these grains in the 2024/25 season and the possible subsequent price softening would be welcome developments.
- Moreover, we think the meat price increases could be sustained but remain mild in the coming months. Vegetable prices may also show a slight uptick in the coming months following the damage to potato production due to frost in some regions of Limpopo. Still, we expect such to be later in the year, mild

and temporary, as the area affected may not be as significant. Overall, these possible upside risks may change the direction of consumer food price inflation from moderation to a mild uptick.

## Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research

## WEEK AHEAD

### What we are watching this week

- We start the week with a global focus, and today, the United States Department of Agriculture (USDA) releases its weekly **US Crop Progress** report. The focus is on the growing conditions of the 2024/25 crop. In the week of July 22, about 67% of the US maize crop was rated good/excellent (compared with 57% rating at the same time last year). On the same day, the US soybean crop was also rated at 68%, and this crop was rated good/excellent (compared with the 54% rating at the same time last year). Moreover, the USDA will release its **weekly US Grains and Oilseed Export Sales** data on Thursday.
- Within the domestic front, on Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data. In the case of maize, this week, we will see a release of the data for the 13th week of the new marketing year, 2024/25. In the previous release on July 19, South Africa's weekly maize producer deliveries were about 356k tonnes. This placed the 2024/25 maize producer deliveries at 8,9 million tonnes out of the expected harvest of 13,34 million tonnes.
- The 2024/25 soybean deliveries in the first 21 weeks of this new marketing year amounted to 1,69 million tonnes out of the expected harvest of 1,78 million tonnes. At the same time, the sunflower seed deliveries amounted to 606k tonnes out of the expected harvest of 649k tonnes. In the case of wheat,

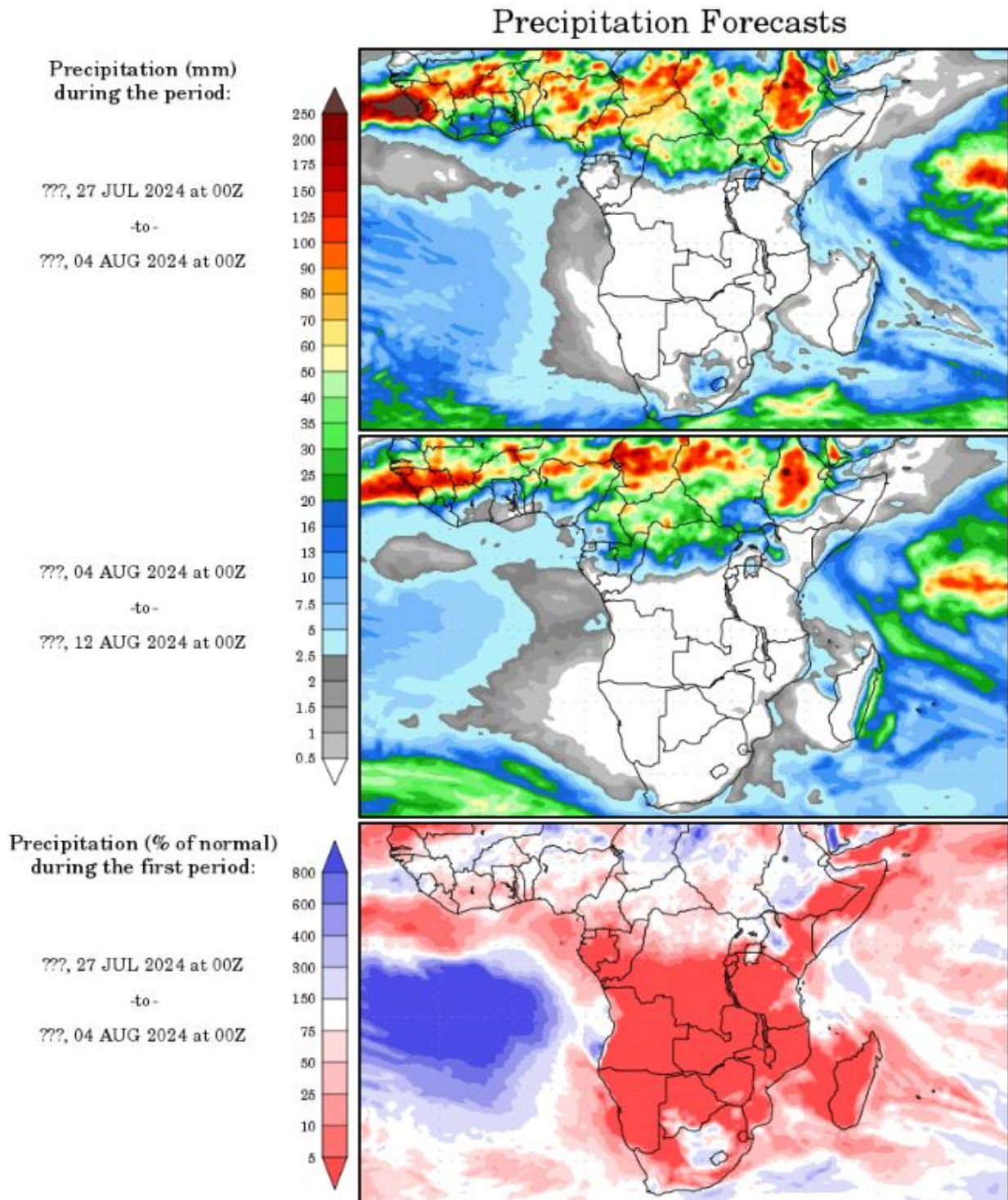
last week, 1 512 tonnes of wheat were delivered to commercial silos. This placed the 2023/24 wheat producer deliveries at 1,98 million tonnes out of the harvest of 2,10 million tonnes.

- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 13th week of the 2024/25 marketing year. In the previous release on July 19, the eleventh week of the 2024/25 marketing year, South Africa exported 46k tonnes of maize. Of this volume, 60% was exported to Zimbabwe, and the balance to the rest of the neighbouring African countries. This places South Africa's total maize exports in the 2024/25 marketing year at 480k tonnes out of the expected exports of 1,4 million tonnes (down from 3,4 million tonnes in the 2023/24 marketing year because of the mid-summer drought).
- Moreover, while South Africa will likely remain the net exporter of maize in the 2024/25 marketing year, the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina through Cape Town. South Africa's 2024/25 maize imports currently stand at 103 497 tonnes.
- South Africa is a net wheat importer, and July 19 was the 42nd week of the 2023/24 marketing year; South Africa's 2023/24 wheat imports totalled 1,56 million tonnes out of the seasonal forecast of 1,60 million tonnes. The major wheat suppliers include Poland, Lithuania, Latvia, Russia, and Australia.

## South Africa's Precipitation forecast

- Similar to the previous week, the weather forecast for this week shows clear skies over most regions of South Africa. This is a much needed relief for after heavy rains in the Western Cape and parts of the Eastern Cape. The fairly warm weather will be conducive for agricultural activity in the provinces.

### Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)