

## OPINION PIECE:

### Climate change adds to uncertainty over global maize supplies

By Wandile Sihlobo, [Business Day](#), 10 July 2019

Erratic weather conditions and more frequent droughts and floods are exacerbating uncertainty in the agricultural sector. While these have largely been a phenomenon of sub-Saharan Africa and Asian countries, the Americas are also starting to experience these harsh conditions.

The hallmark of changing climate in 2019 has been the prolonged excessive wet weather conditions in the US, which led to delayed plantings in a number of areas. By mid-June 2019 there were fears of possible tight global maize supplies, which saw maize prices rally because of slow plantings.

But the US department of agriculture's acreage report of June 28 soon brought some relief, with what appeared to be the realisation that the market misread the situation on the farms. The US government indicated that farmers might have planted 37.1-million hectares in the 2019/2020 season, up 3% year on year. It appears farmers switched a few soya-bean hectares to maize due to uncertainty over the trade war with China and partly due to attractive maize prices in June 2019. As a result, soya-bean plantings are down 10% year on year to 32.4-million hectares in the 2019/2020 season.

Since this data came out on June 28, US maize prices have retracted from levels seen over the past few weeks when there were still concerns over slow plantings. By the end of the week ending July 5, the US maize spot price was about \$200 a ton, down marginally from levels seen in June. That said, this price level is still 23% higher than July 5 2018, which means there is still some nervousness in the market about the global maize supplies.

For those of us observing agricultural markets from SA, developments in the US market are important and have strong influences on our local market, which is generally linked to global agricultural markets. In line with developments in the US, SA yellow-maize prices also pulled back somewhat from levels seen over the past few weeks, when there was a "sugar rush" from the US maize market. Most important, Southern and East Africa regions have tight maize supplies in 2019 due to a poor harvest in Mozambique, Kenya and Zimbabwe. Therefore, the global maize market development could have a direct implication for these markets, specifically the importing countries I have just noted.

I should point out, however, that I am not overly convinced that the world has escaped the worst in terms of volatility in the maize market. Estimates from private analysts suggest the US agriculture department might have overstated maize area plantings, which will likely be revised down later in 2019.

My sense is that yields and the actual area that will be harvested at the end of the season are key things to watch over the coming months. Planting is one thing, but it is yields that are key. On July 7 only 57% of US maize was rated as being in good or excellent growing conditions, compared with 75% in the corresponding period in 2018. This alone tells us that all is not rosy in the US maize belt.

While weather conditions have improved somewhat and allowed US farmers to complete their maize plantings, there is still a great deal of uncertainty in the market about the potential size of the harvest and this will underpin prices over the next couple of months. For me to be convinced of a possible big US maize harvest, as the market seems to anticipate, I will have to see a sustained improvement in maize growing conditions. This data point gives us hints about yield expectations, which will be a key determinant of the harvest size.

As unsettling as these developments are, they are just the tip of the iceberg of challenges a changing climate presents to the world.

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