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SA 2021/22 summer crop first production estimates better than expectations

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The start of South Africa's 2021/22 summer crop production season was challenging for farmers and agricultural role players because of excessive rains that delayed plantings in various regions and threatened crop yields prospects. But the past few weeks were calm with reasonably warm weather conditions in much of the country, thus supporting crops and easing concerns about the possibility of smaller yields due to excessive soil moisture.

The data released by the Crop Estimates Committee this afternoon underscores this optimistic view of crop conditions. For example, while the 2021/22 first production estimate for maize is 14,5 million tonnes, down 11% year-on-year (y/y), this is well above the 10-year average harvest of 12,8 million tonnes and annual maize consumption of 11,8 million tonnes. About 7,54 million tonnes is white maize, and 6,99 million tonnes is yellow maize. The yearly decline is mainly due to a reduction in area plantings, combined with expected lower yields in some country regions. Importantly, this means that South Africa will likely remain a net exporter of maize in the 2022/23 marketing year, which starts in May (this corresponds with the 2021/22 production season).

Soybean's 2021/22 crop is estimated at 1,8 million tonnes, down by 4% y/y, and the second-largest harvest on record. The expansion in area plantings, combined with expected better yields in some country regions, are the major factors behind these expected relatively large harvests. Sorghum is one of the only crops that experienced the sharpest decline, with the crop estimated at 146 590 tonnes, down by 32% y/y. This is slightly below the 10-year average harvest of 150 990 tonnes, mainly due to the decline in area plantings as some hectares were switched to sunflower seeds.

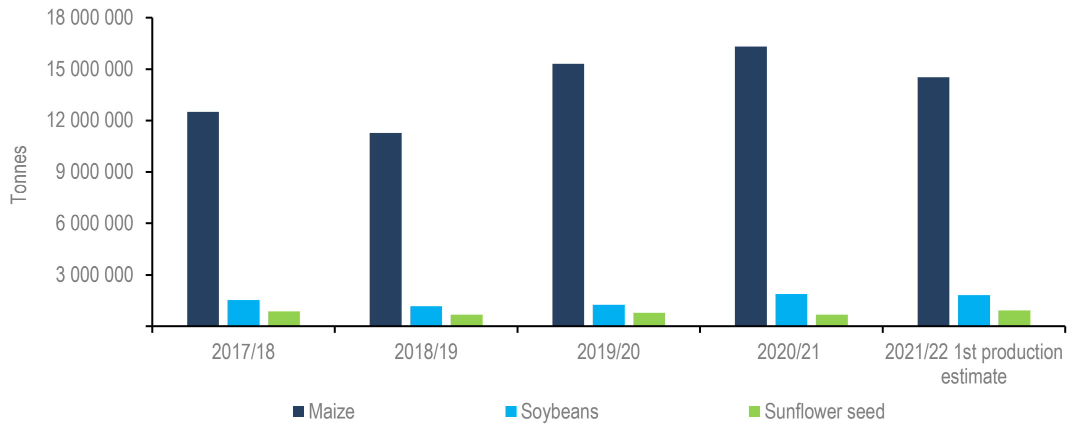
On the upside, the 2021/22 sunflower seed production is forecast at 914 350 tonnes, up by 35% y/y. This is the third-largest harvest on record, primarily due to an expansion in area plantings and expected better yields in some regions. Groundnut's harvest is estimated at 69 200 tonnes, up by 8% y/y, and well above the 10-year average crop. The dry beans harvest is forecast at 59 690 tonnes, up by 4% y/y.

While it is still early for one to be entirely sure about the size of South Africa's summer crops, with nine more monthly crop forecast updates to follow, these data provide comfort that the country will likely have sufficient supplies for the domestic consumption of major crops such as maize, and minimal imports in oilseeds. The harvest is now at pollination stages in some country regions, and if the weather conditions remain favourable, the yields stand to improve.

The data, however, will have minimal implications for crop prices. The drought conditions in South America and Indonesia, combined with rising demand for grains and oilseeds in China and India, remain the major drivers of the global agricultural commodity prices and the South African market. The Russia-Ukraine conflict adds upside pressure on prices, at least in the near term. These price dynamics bode well for farmers in areas that didn't experience much crop damage as they stand to benefit from slightly higher grains and oilseeds prices and negatively for consumers. However, the scale of the impact of these developments on

South Africa's consumer food price inflation is yet to be precise; for now, we keep a close eye on them as upside risks.

Exhibit 1: South Africa's major summer grain and oilseeds production



Source: CEC and Agbiz Research