

SA 2021/22 summer crop harvest at decent levels

The excessive rains during the 2021/22 season have introduced increased uncertainty about the harvest size and quality of the crop. At the start of the season, there were fears that farmers wouldn't be able to meet the usual area plantings. Still, the pause in the rains in January allowed farmers to replant in areas that had experienced crop damages, and thus we ended up with a decent crop area. The harvest size figures also remain encouraging, although we are still trying to understand the impact of the recent disastrous KwaZulu-Natal and Eastern Cape rains on crops. The figures released this afternoon by the Crop Estimates Committee (CEC) about South Africa's 2021/22 summer crop harvest probably don't mirror the impact of these rains. Still, it is worth noting that both provinces combined produce just under a million tonnes of staple grains such as maize at a commercial level. These provinces mainly focus on dairy, horticulture, sugar, and other farming enterprises. Therefore, even if the complete assessment of damages proves significant in the agricultural fields, it won't significantly change the national view of the summer grains harvest.

In its third estimates for the 2021/22 season, the CEC revised its maize, and sunflower seed harvest estimates up by 0,3% and 0,4%, respectively, from March figures to 14,72 million tonnes (down 10% y/y) and 963 000 tonnes (up 42% y/y). Meanwhile, the soybean harvest estimate was unchanged at 1,89 million tonnes (down 1% y/y).

For maize, a harvest of 14,72 million tonnes is decent and well above the 10-year average of 12,8 million tonnes and annual maize consumption of 11,8 million tonnes. About 7,55 million tonnes are white maize, and 7,17 million are yellow maize. The yearly decline is mainly due to reduced area plantings and expected lower yields in some country regions. Notably, South Africa will likely remain a net exporter of over 2 million tonnes of maize in the 2022/23 marketing year, which starts in May.

In the case of soybeans, the expected 1,89 million tonnes crop is the second-largest harvest on record. The major factors underpinning the harvest are the expansion in area plantings and expected better yields in some country regions. The 2021/22 sunflower seed expected production of 963 000 tonnes is also the second-largest harvest, primarily due to an expansion in area plantings and expected better yields in some regions. The improvement in the sunflower seed harvest, and indeed, the entire vegetable oils market, comes at an opportune time when there are worries that there could be supply constraints in the coming months in the global market. The Russian invasion has devastated Ukraine's exports and agricultural activity, thus limiting sunflower oil exports. Moreover, Indonesia's decision to ban palm oil exports also introduced uncertainties about the global vegetable oil supplies. Therefore, the increase in domestic output will slightly lessen South Africa's reliance on imports, although imports will likely still be required to meet our annual needs.

Other crop production estimates were revised from March estimates, such as groundnuts, down by 5%, to 70 400 tonnes (up 9% y/y). Dry beans production estimate is 6% from the previous month, at 55 995 tonnes (down 3% y/y). Sorghum remained unchanged at 137 220 tonnes, down by 36% y/y.

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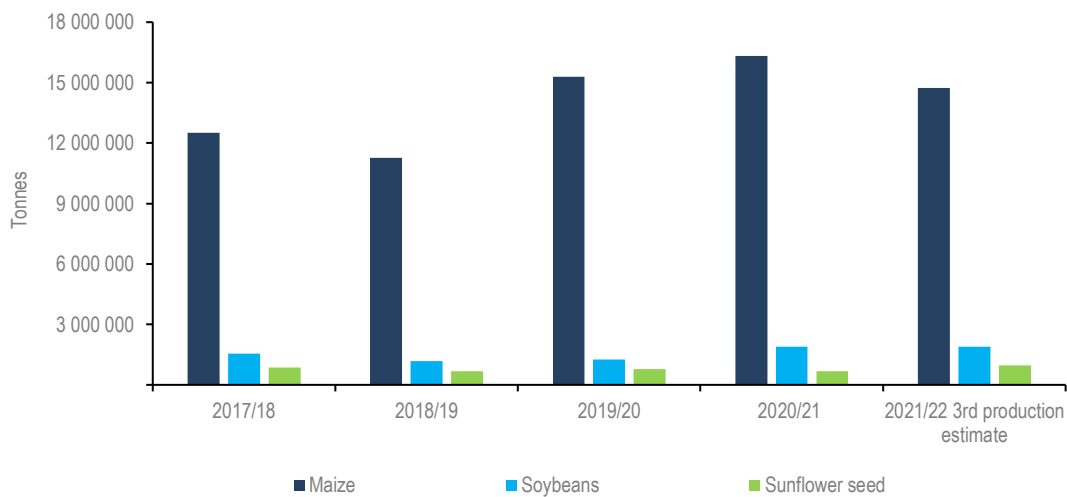
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Overall, these mainly optimistic production data will have minimal impact on prices. As with the previous few years, the domestic grains and oilseeds prices primarily follow the global markets. The Russia-Ukraine war worries continue to present upside pressures on prices, which reflect the South African grains market. Still, the fact that supplies improved provides comfort as far as the availability of essential grains and oilseeds is concerned. The upside price movements bode well for farmers in areas that didn't experience much crop damage. They stand to benefit from slightly higher grains and oilseeds prices. Meanwhile, the consumers, livestock and poultry producers will likely experience increased costs.

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



Source: CEC and Agbiz Research