

SA could see the biggest wheat harvest in a decade

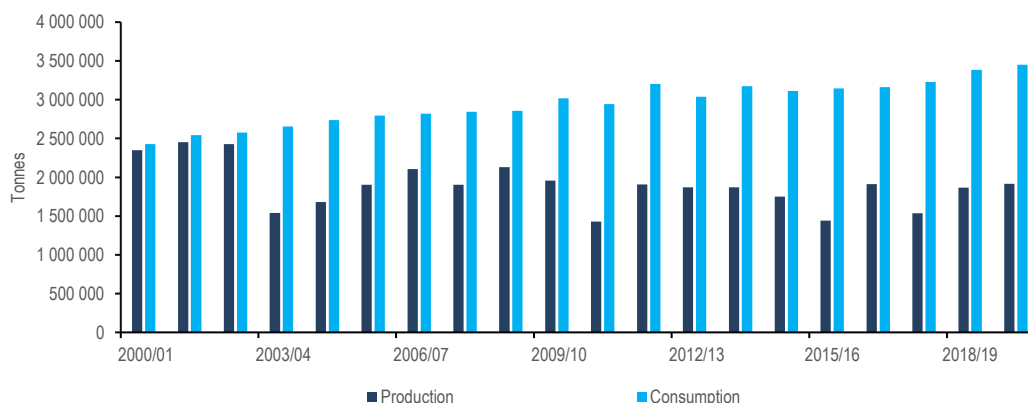
Preliminary data from South Africa's Crop Estimates Committee (CEC) suggest that the country could harvest 1.92 million tonnes of wheat in the 2019/20 production season. If this materialises, it would be the biggest harvest in a decade. The catalyst for the optimistic outlook is both the increase in area planted and also prospects for good weather conditions, which in turn would potentially boost the yields.

The CEC forecasts South Africa's wheat plantings at 537 000 hectares, up by 7% from the 2018/19 production season. The gains are mainly in the Western Cape, a province that accounts for 61% the country's wheat plantings. The Eastern Cape, KwaZulu-Natal, Mpumalanga and Gauteng, which are not major wheat producers, also saw an uptick in plantings, which ultimately boosted the headline plantings number for this season.

The rainfall that was experienced over the past few weeks in parts of the Western Cape, and also healthier dam levels in the province where production is under irrigation have also raised optimism for potentially good yields this season. At the moment the winter wheat crops are in good condition in most parts of South Africa but there is a need for follow-up rainfall before crop conditions deteriorate, specifically in the Western Cape. On this end, the South African Weather Service had positive news to report on 30 July 2019. The agency sees a possibility of above-normal rainfall conditions between August and October 2019 over the Western Cape. Appreciating that the 1.92 million tonnes is still a first estimate and a lot could change over the coming months, the expected rainfall will be a key deciding factor of the direction South Africa's wheat harvest takes.

But if we assume that the expected harvest materialises, South Africa's wheat imports for 2019/20 could fall to levels around 1.3 million tonnes from 1.4 million tonnes estimate in the current marketing year. This will balance the shortfall shown in Figure 1. From a pricing perspective, we think today's data will have minimal impact as South Africa remains a net importer of wheat. And thus, the domestic wheat prices are likely to trade sideways at levels around R4 500 per tonne as we've seen over the past few months. Essentially, the global wheat market developments still matter a lot for price direction of the domestic market.

Figure 1: South Africa's wheat production and consumption



Source: SAGIS, CEC, Agbiz Research

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Table 1: Other crop production estimates

Production season	Summer crops (tonnes)			Winter crops (tonnes)	
	Maize	Soybeans	Sunflower seed	Barley	Canola
2000/01	7 486 840	226 210	638 320	142 350	21 229
2001/02	9 731 830	223 000	928 790	156 800	25 750
2002/03	9 391 450	136 520	642 610	178 900	37 975
2003/04	9 482 000	220 000	648 000	240 000	40 770
2004/05	11 450 000	272 500	620 000	189 365	32 000
2005/06	6 618 000	424 000	520 000	225 000	44 200
2006/07	7 125 000	205 000	300 000	236 000	36 500
2007/08	12 700 000	282 000	872 000	222 500	39 840
2008/09	12 050 000	516 000	801 000	192 000	30 800
2009/10	12 815 000	566 000	490 000	216 000	40 310
2010/11	10 360 000	710 000	860 000	194 000	36 900
2011/12	12 120 656	691 050	527 110	300 910	58 800
2012/13	11 690 000	784 500	557 000	298 000	79 650
2013/14	14 250 000	948 000	832 000	267 500	112 000
2014/15	9 955 000	1 070 000	663 000	302 000	121 000
2015/16	7 778 500	742 000	755 000	332 000	93 000
2016/17	16 820 000	1 316 000	874 000	354 065	105 460
2017/18	12 510 000	1 540 000	862 000	307 000	93 500
2018/19*	11 016 660	1 170 345	655 640	421 500	104 500
2019/20**				401 640	103 600

Source: SAGIS and CEC

Notes:

*Seventh summer crop production estimate

**Winter crop first production estimate