

SA summer crop plantings data paint a more positive picture than many initially feared

The excessive rains since the start of South Africa's 2021/22 summer crop production season in October 2021 raised concerns that farmers might not have been able to till the initially planned area of 4,34 million hectares (up by 3% from the 2020/21 production season).¹ The preliminary plantings data released this afternoon by the Crop Estimates Committee proved this point to be accurate. Still, the actual plantings are a relief as many analysts, with ourselves included, thought we would see a much smaller area. Farmers are estimated to have planted 4,21 million hectares, which is 3% less than their intentions at the start of the season. The slight declines are in maize, soybeans, groundnuts, sorghum and dry beans. Meanwhile, sunflower seed plantings are up from the initial intentions.

But the best way to view this data is by comparing it with the area planted in the 2020/21 production season, and from this perspective, farmers planted 0,4% more hectares. The increase is on sunflower seed (up 21% y/y with 580 000 hectares) and soybeans (up 10% y/y, with 910 000 hectares). For these crops, the estimated area is well above the 10-year average plantings, and in fact, a record area for soybeans.

Other crops area declined, specifically maize whose plantings fell by 5% y/y with 2,61 million hectares. Still, this is well above the 10-year average area planting of 2,53 million hectares. Moreover, the groundnuts area is down by 12% y/y, with 34 000 hectares, which is well below the 10-year average of 43 348 hectares. Sorghum and dry beans plantings are down 29% y/y and 10% y/y, with 35 000 hectares and 42 450 hectares planted, well below the 10-year average.

Now that we have the plantings data, the discussion will likely shift to yields, a crop tonnage per hectare. Considering the major grains and oilseeds, such as maize, soybeans, and sunflower seed, the yields in the past 10-years averaged 5,02 tonnes per hectare (t/ha), 1,78 t/ha and 1,30 t/ha, respectively. The 2014/15 production season was one of the lowest yields, especially maize, as this was a drought year. The yield was 3,75 t/ha. It is unclear where the yields will be in the 2021/22 production season. Still, various industry surveys and our general observations suggest that the areas such as the western regions of the Free State, North West, and parts of the KwaZulu Natal and the Eastern Cape, which received heavy flooding, could realize lower yields than the previous season.

South Africa will need at least an average national yield of 4,60 t/ha to have a maize harvest of 12,01 million tonnes in the current area planting if we have sufficient maize supplies for domestic consumption. Such a yield estimate is possible given that the floods that caused the damage were not a nationwide challenge but certain regions of some provinces. Still, it will be a month until we have official first production estimates from the Crop Estimates Committee. The current plantings data provides some comfort that plantings didn't decline as notably as some might have feared and are marginally above the 2020/21 production season.

¹ <https://www.moneyweb.co.za/news/south-africa/sas-heaviest-rain-on-record-causes-destructive-floods/>

27 January 2022

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Notably, while this data is comforting, and we base our views on this note on it, we caution the reader that on 28 February 2022, when the Crop Estimates Committee releases its first production estimates, there might be some revisions on it.

For now, we doubt that the planting information will have a notable impact on the domestic grains and oilseeds prices. First, the grain market participants will now focus on possible yields and weather conditions; this will be more evident over time. Secondly, the domestic grains and oilseeds market is still primarily influenced by global events such as crop conditions in South America, a significant producer in the global market, grains and oilseed demand in China, and most recently, the geopolitics in the Black Sea region. All these global factors present a temporary upside pressure on prices.

With that said, the global production estimates remain relatively robust, which signals that the medium-term price trend of global grains could be sideways, which could be a reality here in South Africa. The International Grains Council and the United States Department of Agriculture forecast 2021/22 global maize production forecast at 1,2 billion tonnes, up by 7% y/y. Subsequently, the 2021/22 global maize stocks at 287 million tonnes, up by 3% y/y.² This bodes well for a sideways to slight downward price trend over the coming months.

² <https://www.agbiz.co.za/blog/details/what-should-we-watch-in-the-global-grains-and-oilseeds-market>