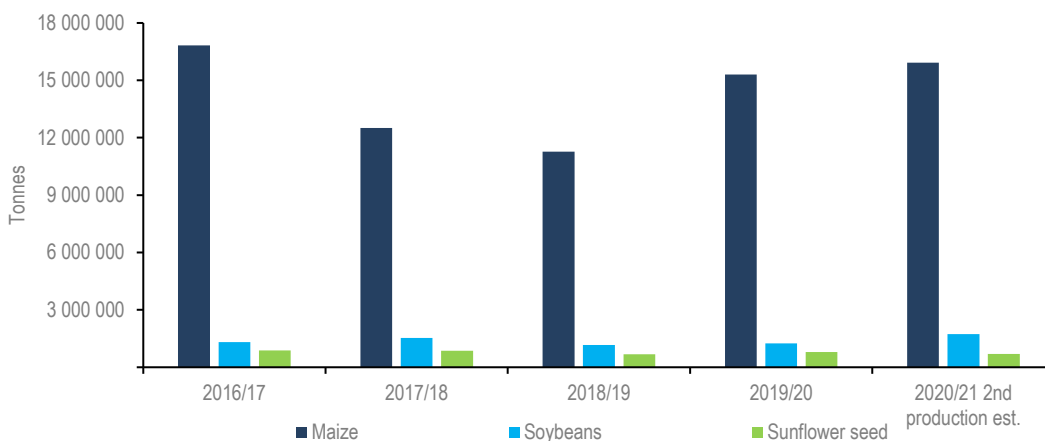


SA's 2020/21 summer grain and oilseeds harvest lifted from February estimates

Last week, the South African Crop Estimates Committee (CEC) mildly lifted its forecast for 2020/21 summer grain and oilseeds production from the previous month by 1% to 18,7 million tonnes (this compared with 17,6 million tonnes in 2019/20 production season). The upward adjustments were on maize, soybeans and sorghum, whereas sunflower seed, dry bean and groundnut production estimates were revised. If we zoom into significant crops, the 2020/21 maize, soybean and sunflower seed harvests are forecast at 15,9 million tonnes (up 4% y/y, and second-largest harvest on record), 1,9 million tonnes (up 39% y/y, a record harvest), and 712 940 tonnes (down 12% y/y), as illustrated in Exhibit 1.

Exhibit 1: South Africa's significant grain and oilseeds production



Source: Crop Estimates Committee and Agbiz Research

The maize production estimate is slightly below our estimated 16,7 million tonnes, and the Bureau for Food and Agricultural Policy's estimated 17,0 million tonnes. Considering the optimistic yield estimates we received from farmers and observations in places we have been in, we are inclined to think that there is still room for the CEC to lift further its maize production estimates in the coming months. Hence, we are not adjusting our view for now from an assessment of 16,7 million tonnes.

The current maize production data essentially mean that South Africa would remain a net exporter in the 2021/22 marketing year, starting in May 2021 (corresponds with the 2020/21 production season). South Africa's annual maize consumption is roughly 11,4 million tonnes, which means there will likely be over 2,0 million tonnes of maize available for export markets, all else being equal.

The expected large harvest could also add downward pressure on maize prices, although marginal as the global maize market remains supportive of prices. This is particularly the case as we forecast an excellent crop in South Africa and across the Southern and East Africa regions, a major importer in the previous year. For example, estimates from the United States Department of Agriculture show that Zambia's maize production could reach 3,4 million

29 March 2021

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tonnes (up 69% y/y). In comparison, Malawi's maize harvest is estimated at 3,8 million tonnes (up 25% y/y), Mozambique's maize crop is estimated at 2,1 million tonnes (up 8% y/y), Kenya's maize is forecast at 4,0 million tonnes (up 5% y/y). There is optimism about the crop in other countries, including Zimbabwe.

Over the past few months, the weaker domestic currency, growing demand for South Africa's maize in the Southern Africa region and the Far East, coupled with generally higher global grain prices, provided support to the domestic maize prices. But we believe that the domestic crop conditions will matter more for price movements in the future than has been the case over the past few months. On 25 March 2021, South Africa's yellow and white maize spot prices were down 18% y/y and 3% y/y, trading at R3 220 per tonnes and R3 123 per tonne, respectively.

In the soybean case, the price drivers are somewhat similar to maize. Nevertheless, an increase in the soybean harvest will still not change much because South Africa imports around half a million tonnes of soybean meal (although this volume will fall notably this year on the back of the large domestic harvest). The country will most likely continue being dependent on imports, even at these harvest levels, to meet the growing demand for soybean meal by the poultry sector. Hence, global soybean market dynamics will continue to influence local prices. On 25 March 2021, the domestic soybean spot price was up 17% y/y, trading around R7 670 per tonne.

In sum, the broadly large summer grain and oilseeds production estimate this season is on the back of increased area plantings for summer crops and favourable rainfall since the start of the season. We expect the maize production estimate to be adjusted somewhat in the coming month as farmers on the ground continue to express optimism about yield prospects. This will likely add downward pressure on maize prices, which bodes well for South Africa's consumer food price inflation for 2021.