

25 April 2024

SA's summer crop production estimate lifted mildly from last month

- Many, including ourselves, may have been a bit pessimistic about the 2023/24 summer crop growing conditions when we signalled a potential further downward revision of the harvest estimate this month. The data released this afternoon by the Crop Estimates Committee showed mild upward adjustments in the crop size from last month's figures. South Africa's 2023/24 summer grains and oilseed harvest is estimated at 16,0 million tonnes, up 1% from last month. Indeed, this is not a cause for celebration. The figure does not change the reality that we have been through a challenging season of El Niño-induced drought and heatwave in February and March that weighed on the summer grains and oilseed harvest in various regions of the country. The current estimated harvest of 16,0 million tonnes is down 20% from the 2022/23 production season.

Maize

- A closer look at the data shows that white and yellow maize harvest could be 6,4 million tonnes (up 2% m/m) and 6,9 million tonnes (roughly unchanged from last month). These revisions place the total maize production estimate at 13,3 million tonnes (up 1% m/m).
- When viewed annually, white maize harvest is down 25%, with yellow maize down 13% from the 2022/23 season. The expected harvest of 13,3 million tonnes is down 19% from the 2022/23 season.
- If it materializes, the expected harvest will be sufficient to meet South Africa's annual maize consumption of roughly 12,00 million tonnes, leaving the country with a small export volume. Still, we will likely see prices remaining elevated for some time because of the potentially tight supplies. The Southern African regional demand, particularly for white maize, also remains a significant upside driver of prices. Today, April 25, white maize spot price closed at R5 477 per tonne, up 56% y/y. At the same time, the yellow maize spot price closed at R4 420 per tonne, up 22% y/y.
- Yellow maize prices have not increased much as the supply risk could be manageable through imports. There are ample maize supplies (yellow) in the world market. The International Grains Council (IGC) forecasts the 2023/24 global maize harvest to be 1,2 billion tonnes, up 6% year-on-year. A majority of this expected global maize is yellow. The stocks are also robust, thus keeping the international yellow maize prices moderate. This also partly explains the relatively mild increase in yellow maize prices compared with the surge in white maize prices.
- In the world market, outside the Southern Africa region, the other significant producer of white maize is Mexico. Given that the northern hemisphere is at the start of its 2024/25 production season, it may be helpful in the Southern African countries with poor harvests, such as Zimbabwe and Zambia, to continuously engage with Mexico or even the United States to plant white maize on contract for

export to the region. In our calculation, we think South Africa will not be able to fulfil the regional demand even if the forecast harvest of 6,4 million tonnes of white maize materializes.

Oilseeds

- The 2023/24 soybean harvest remained unchanged from last month, estimated at 1,8 million tonnes (down 35% y/y). This annual decline results from lower yields in various regions of South Africa. We now believe South Africa may not play a robust position in soybean exports like the previous season. If anything, soybean oilcake imports this new season are now a possibility.
- Meanwhile, the sunflower seed harvest estimate was lifted from last month by 4% to 615 000 tonnes (down 15% y/y). The area plantings are moderately down from the previous year, which means the primary driver of the annual decline in the harvest is the expected poor yields, especially as most of South Africa's sunflower seed is planted in the western regions that experienced dryness and heatwave in February and March.

Other grains

- The 2023/24 groundnut harvest estimate is 54 960 tonnes (up 4% y/y), sorghum is at 94 105 tonnes (down 0,2%), and dry beans are at 54 120 tonnes (up 8%).

Concluding remarks

- The recent rains in much of South Africa's summer crop-growing regions are too late. The damage to the crop occurred in February and March during the heatwave and the El Niño-induced dryness. The current crop forecasts reflect this challenge, as the major crops are down notably compared to the 2022/23 production season.
- Still, from a consumer perspective, South Africa is not in a crisis, in our view. The recent drought presents upside risks to food price inflation but not the overall basket (see, [SA consumer food inflation falls to the lowest level since September 2020](#)). The challenge is primarily the white maize, especially considering the potentially more robust regional demand later in the year.
- The favourable supplies of other grains in the world market, mainly yellow maize (also rice and wheat), and the moderating prices mean South Africa could be slightly cushioned in these commodities.
- The IGC forecasts the 2023/24 global wheat harvest at 789 million tonnes, well above the long-term average. There is a lot of rice globally, with the 2023/24 global harvest forecast at 511 million tonnes, well above the long-term average. The 2023/24 global sunflower seed harvest is forecast at 57,9 million tonnes, well above average.
- Still, the exchange rate will be important when assessing the possible imports of wheat and rice (and possibly yellow maize) into South Africa.