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SA's summer grains and oilseed production estimate lifted mildly

- South Africa's summer grains and oilseed harvest is in full swing nationwide, and some crops are nearly complete. Thus, the crop size estimates we have at hand are unlikely to change much and possibly represent an actual picture of the harvest. For example, this afternoon, the Crop Estimates Committee lifted the 2023/24 summer grains and oilseed harvest by 0,6% from last month to 16,0 million tonnes. Still, this is down 20% year-on-year, reflecting the severe impact of the mid-summer drought. The monthly slight upward adjustment of the summer grains and oilseed harvest size is mainly because of the notable uptick in the yellow maize production estimate, while other crops remained roughly unchanged from last month. This again confirms our earlier point that the data we have, which is the fifth production estimate, may not be adjusted much from now on.

Maize

- A closer look at the data shows that white and yellow maize harvest could be 6,3 million tonnes (up 0,1% m/m) and 7,1 million tonnes (up 1,3% m/m). These revisions place the total maize production estimate at 13,4 million tonnes (up 0,7% m/m).

- When viewed annually, white maize harvest is down 26%, with yellow maize down 10% from the 2022/23 season. The disparity in the crop decline is due to regions where each crop variety is planted, with white maize predominantly in the western areas of South Africa while yellow maize is in the east. Moreover, yellow maize is typically planted a month earlier than white maize. Rainfall impacts These regions and timeframes differently, ultimately affecting the expected harvest sizes. The expected harvest of 13,4 million tonnes is down 18% from the 2022/23 season.

- We are optimistic that this harvest may materialize and meet South Africa's annual maize consumption of roughly 12,00 million tonnes, leaving the country with roughly 1,4 million tonnes for exports (there is also support from the carryover stocks from the previous season). About 840 000 tonnes will likely be white maize, with 600 000 tonnes likely to be yellow maize, according to data from the South African Grains and Oilseed Supply and Demand Estimates Committee. Still, the estimated exports of 1,4 million tonnes are down notably from 3,4 million tonnes in the previous season.

- With that said, maize prices will likely remain elevated for some time because of potentially tighter supplies later in the season and into the first quarter of 2025. Admittedly, in recent weeks, white and yellow maize prices have moderated from the levels we saw last month because of the relatively stronger domestic currency and the harvest pressure, amongst other factors. Still, white maize prices are over 30% higher than the levels we saw a year ago. The white maize spot price closed at R5 185 per tonne on June 27, 2024. Meanwhile, the yellow maize prices currently are down roughly 4% from a year ago. The yellow maize spot price was at R3 825 per tonne.

- As highlighted in our previous notes, 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 explains the decline in the yellow maize prices compared with the surge in white maize prices, which is scarce in the world market and primarily produced in Southern Africa and Mexico.

Oilseeds

- The 2023/24 soybean harvest was unchanged from last month to 1,7 million tonnes (down 36% 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. Moreover, the sunflower seed harvest estimate was unchanged from last month at 649 250 tonnes (down 10% 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 the sunflower seed is planted in the western regions.

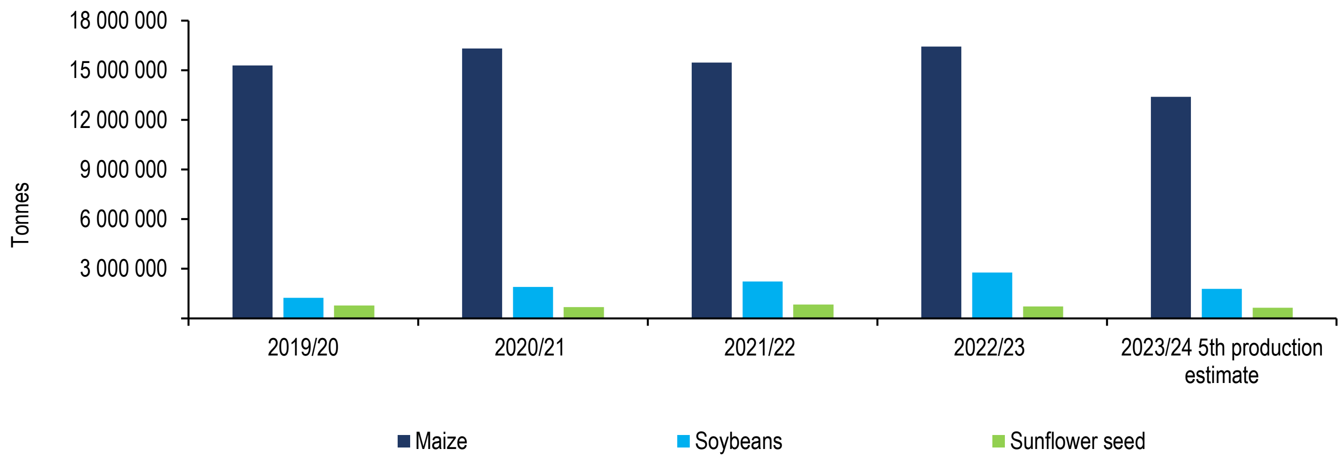
Other grains

- The 2023/24 groundnut harvest estimate is 54 440 tonnes (up 3% y/y), sorghum is at 95 830 tonnes (up 2%), and dry beans are at 52 190 tonnes (up 4%).

Concluding remarks

- This data illustrates the scale of damage caused by the mid-summer drought to the South African summer grains and oilseed harvest. Still, from a consumer perspective, South Africa is not in a crisis regarding supplies of grains and oilseed. With that said, there are upside risks to white maize prices, especially considering the potentially ample demand from the Southern Africa region later in the year and into the first quarter of 2025 when their domestic supplies are depleted.

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



Source: Crop Estimates Committee and Agbiz Research