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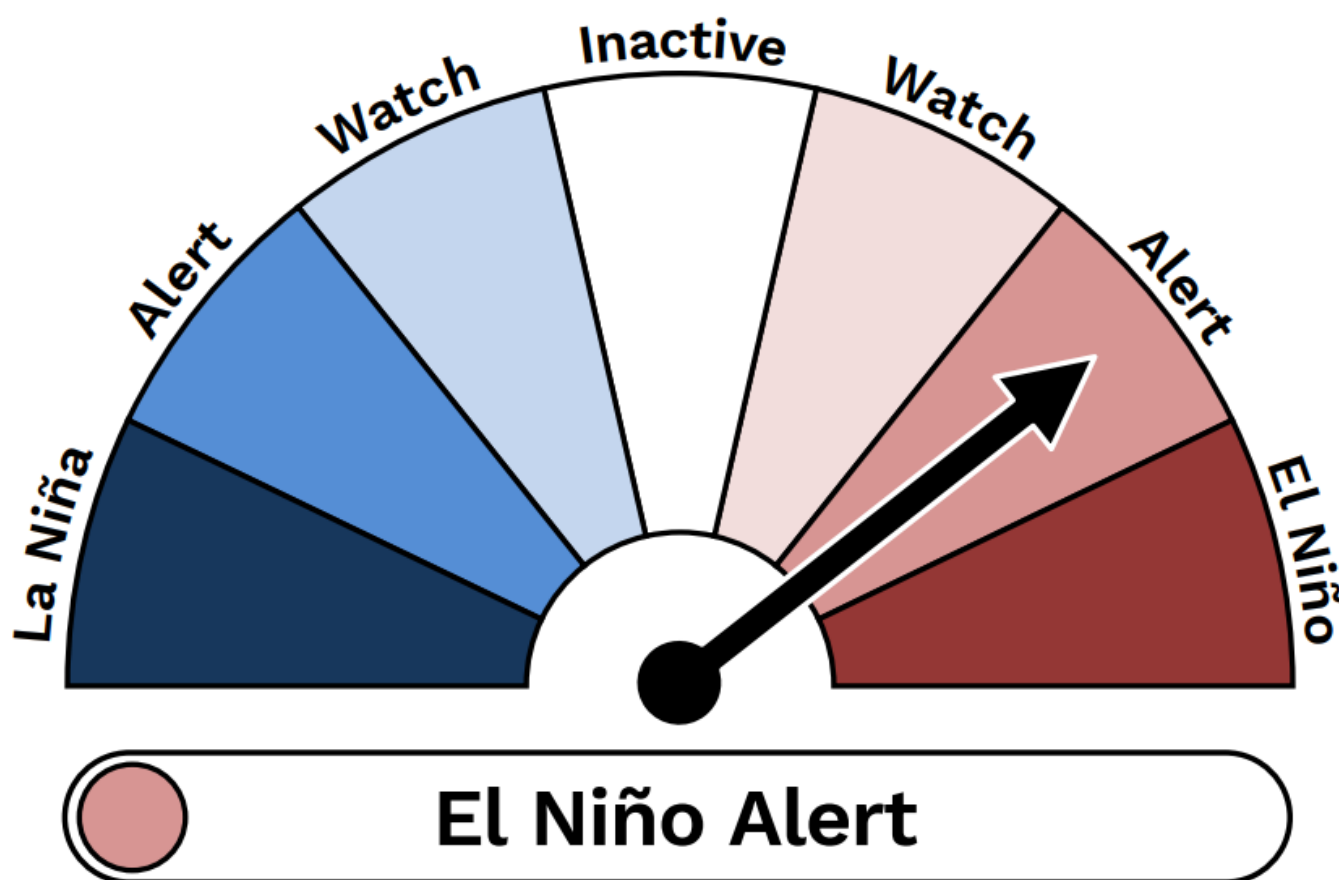
Brief thoughts ahead of the start of SA's 2023/24 summer crop season

- We are three weeks into the start of South Africa's 2023/24 summer crop production season. The uncertainty regarding the intensity of the El Niño weather event as well as the, possible higher temperatures and lower-than-normal rainfall that this could bring is still a concern. However, the latest message from the South African Weather Service (SAWS) through their Seasonal Climate Watch on 28 August 2023 was encouraging, stating that "the multi-model rainfall forecast indicates above-normal rainfall for most of the country during mid-spring (Sep-Oct-Nov) and late-spring (Oct-Nov-Dec)." The Weather Service added that "the early-summer (Nov-Dec-Jan), however, indicates below-normal rainfall over the central parts of the country and above-normal rainfall for the north-east." This means that some regions of the country, mainly central to western, may not have a similar start of the season to the eastern areas. Still, the broad sentiment is that showers will likely support crop germination during the beginning of the 2023/24 production season. This is also an encouraging message for horticulture and livestock, as the rains will help production conditions in these subsectors.
- The central message from the SAWS report is that there are concerns about potentially below-normal rainfall, mainly from the start of 2024, while the current year could have showers in most regions. Aside from the planting and germination, the other critical point of crop development is pollination, which requires moisture and is typically around February if farmers plant crops from mid-October in the eastern regions and mid-November in the country's western areas. Importantly, with improved soil moisture from the last rainy seasons, mainly in east and central South Africa, the expected El Niño will likely have minimal impact on the agricultural conditions. With that said, we remain concerned about the far western regions of South Africa. Firstly, there is anecdotal evidence that soil moisture in these regions is not as conducive as in the other regions of South Africa because of drier weather conditions towards the end of the 2022/23 production season. Secondly, the SAWS indicates stronger prospects of rainfall in the coming months in the northern and eastern regions of South Africa, with less emphasis on the far western areas. The production conditions in these regions requires constant monitoring.
- The northern hemisphere countries experienced excessive heat during their summer season. Thus, we remain concerned about whether this could be a reality for South Africa in the coming season. There is no clarity about this thus far, but it will need constant monitoring. The SAWS's view is also unclear, stating that "minimum and maximum temperatures are expected to be mostly above-normal countrywide for the forecast period." The possibility of maximum temperatures in an environment where moisture is already constrained would not be ideal for crop production.
- On balance, this could still be a decent agricultural season, with above average harvest on key crops. The upcoming season will likely not be as harsh as the 2015/16 production season, which may still be

fresh in people's memory. Agricultural input prices are much better than the last season, although not fully back to pre-COVID-19 levels. For example, South African farmers this year will likely plant with fertilizer prices that are down, on average, by roughly 52% from a year ago. Given that fertilizer accounts for about a third of grain farmers input costs, such price declines will positively impact their finances. Moreover, the fungicides and insecticides prices are down, on average, by roughly 30% from a year ago. We see similar price declines in herbicides prices.

- Admittedly, the commodity prices have also declined from levels we saw a year ago, which means there aren't necessarily large profits to be made in crop farming. Still, this input cost environment is more forgiving than a year ago. It underscores the enthusiasm we see in some regions of the country that are already preparing for the start of the season in three weeks.

Exhibit I: El Niño forecasts



Source: The Australian Bureau of Meteorology