

26 October 2023

SA farmers' intentions to plant data point to prospects of a decent grain and oilseed crop in the 2023/24 season

- Although El Niño is on our doorstep, we have generally held an optimistic view about South Africa's 2023/24 summer grains and oilseed production season. The excellent soil moisture from the past rainy seasons and prospects of rainfall throughout 2023 have convinced us that there may still be decent summer grain and oilseed plantings. The South African Weather Service expects the El Niño induced dryness or below-normal rainfall to mainly be a reality from the start of 2024 and the current year to bring favourable showers still. Furthermore, farmers in our various engagements across the country have generally signalled that they would still plant the typical summer grain and oilseed area.
- The data released by the Crop Estimates Committee (CEC) this afternoon reaffirmed our positive view. The CEC indicates that South African farmers intend to plant a total area of 4,47 million hectares of summer grain and oilseed in the 2023/24 season, up 2% y/y
- A deep dive into the numbers shows that 2023/24 maize planting intention is 2,63 million hectares, up 2% y/y, and well above the 10-year average area of 2,53 million hectares. About 1,58 million hectares is white maize (up 4% y/y), and 1,05 million hectares is yellow maize (down 1% y/y). The sunflower seed planting could increase by 15% y/y from the 2022/23 season to 640 000 hectares, which is also well above the 10-year average.
- Sorghum area could lift by 12% y/y to 38 000 hectares (which is still below the 10-year average of 51 102 hectares). The groundnut area will likely increase significantly by 36% y/y to 42 550 hectares (slightly lower than the 10-year average of 43 143 hectares). The dry beans planting intentions are up by 15% y/y, estimated at 42 300 hectares. Surprisingly, the soybean area plantings could fall 7% y/y to 1,07 million hectares.
- It is still early in the season, and we will only have a preliminary area planting estimate for the 2023/24 season at the end of January 2024. Still, these intentions to plan paint an encouraging picture. From now on, we will be watching the rainfall and the temperature conditions across the country.
- Our baseline view is that 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 areas of South Africa because of drier weather conditions towards the end of the 2022/23 production season. Secondly, the South African Weather Service indicates stronger prospects of rainfall in the coming months in the northern, central and eastern regions of South Africa, with less emphasis on the

far western areas. The production conditions in these regions require constant monitoring, and any harsh conditions would mainly negatively affect white maize and sunflower seed plantings, the predominant crops in these areas.

- Also worth noting is that farmers are planting in the 2023/24 season with relatively better agricultural input prices than the last season, although not fully back to pre-COVID-19 levels. For example, in September 2023, fertilizer prices were down, on average, by roughly 50% from a year ago. Since 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 20% from a year ago. We see similar price declines in herbicide 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, and the weather conditions are not as harsh as some may have feared. All this is a recipe for yet another decent agricultural season.