

## South Africa could have yet another good season in 2021/22

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As the harvest for the 2020/21 summer grains and oilseeds draws to a close, the focus is increasingly shifting towards the 2021/22 production season, which commences in October. The preliminary insights suggest that South Africa could have another good season, although rainfall might not be as abundant in the 2020/21 season. The three critical indicators we have thus far, i.e., (1) the tractor sales, (2) weather outlook for the next five months, and (3) grains and oilseed prices, paint a positive outlook.

First, South Africa's tractor sales for the first half of 2021 are up [27% year on year \(y/y\), at 3 385 units](#). Admittedly, the improved farmers' finances following a large harvest and higher commodity prices in 2020/21 have been a key support factor. Still, the positive sentiment about the upcoming 2021/22 production season is also an essential factor behind the higher levels of tractor sales.

As I recently highlighted in [this column](#), the optimism in the sector is also clear from the results of the agribusiness confidence levels in the second quarter of the year. The [Agbiz/IDC Agribusiness Confidence Index](#), which measures the sentiment amongst agribusinesses and major farming entities, reached a record high (since its inception in 2001) of 75 in the second quarter of this year from 64 in the first quarter of 2021. While these results reflected favourable conditions for all subsectors of agriculture, with various crops set to reach record output levels in the 2020/21 season, the next season will benefit from the positive momentum.

Second, the weather outlook for the upcoming 2021/22 production season shows encouraging signs. In its Seasonal Climate Watch for August to December 2021, the [South African Weather Service](#) noted that "the El Niño-Southern Oscillation (ENSO) is currently in a neutral state and the forecast indicates that it will most likely remain in a neutral state for spring, with a likely change to a weak La Niña during early-summer. As we move towards the spring and summer seasons, ENSO plays an important role in our summer rainfall. As such, the increased likelihood of a weak La Niña during early summer is expected to be favourable for above-normal rainfall in that period."

Importantly, the expected higher rainfall would most likely be a reality in the central to eastern regions of South Africa throughout December, while the country's western areas will most likely receive normal rains. The outlook from January onwards is unclear at this stage. Still, I think if the forecast weather outlook materializes, it could set favourable production conditions for yet another season. The 2020/21 summer season brought higher rainfall which improved soil moisture across the country. This sets a good starting point for sowing for the next season. This is conducive not only for the major grains and oilseeds, which are the primary focus in this note, but also for the entire agricultural sector.

Third, while I [expect](#) South Africa's maize, soybeans and sunflower seed prices to soften somewhat in the second half of the year compared to the previous one, these are still and will remain attractive levels which should incentivize farmers to maintain sizable plantings in 2021/22 season. [For example](#), on 29 July 2021, yellow and maize prices were up 26% and 23% y/y, trading at R3 373 per tonne and R3 227 per tonne, respectively. On the same day,

sunflower seed and soybeans spot prices were 50% y/y and 13% y/y up, trading around R9 285 per tonne and R7 727 per tonne, respectively.

We will only know the farmers' intentions to plant for the 2021/22 summer grains and oilseeds on 27 October 2021 when South Africa's Crop Estimates Committee is [scheduled to release the data](#). The [preliminary estimates](#) from the United States Department of Agriculture (USDA) point to a somewhat pessimistic outlook for South Africa's 2021/22 maize area plantings, placing it at 2,5 million hectares, down 9% y/y.

The USDA attributes this potential decline in maize area plantings to a possible reduction in maize prices towards the end of the year. This is on the back of an expected decline in global maize prices, at a time where Southern African regional demand for maize will also weaken following large harvests across the region. However, the yield estimates are set to be roughly in line with the 2020/21 season, at around 5,9 tonnes per hectare, because of anticipated favourable weather conditions.

Although I am not entirely convinced that an area of plantings for maize could fall to 2,5 million hectares in the 2021/22 season, such an area would be in line with 10-year average plantings for commercial maize in South Africa.

Importantly, such a decline would also mean that the area switches from maize to sunflower seed and soybeans, which in sum would still lead to an improvement in South Africa's 2021/22 summer grain and oilseed production.

In sum, the higher tractors sales, attractive prices and favourable weather forecasts suggest that South Africa is set for another favourable agricultural season in 2021/22. With that said, it is still early, and we wait for more data, especially weather-related data, to formulate a firm view. South Africa will need favourable rains primarily between October 2021 and February 2022 for this upcoming season, not only for field crops, but also livestock and horticulture. For now, the available indications are encouraging.

Against this backdrop, I am inclined to believe that South Africa's consumer food price inflation could [continue to moderate](#) in the second half of the year from the higher levels of 7% y/y in June 2021, and remain contained at relatively lower levels in 2022.

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