

State of readiness for summer crops planting season of 2021

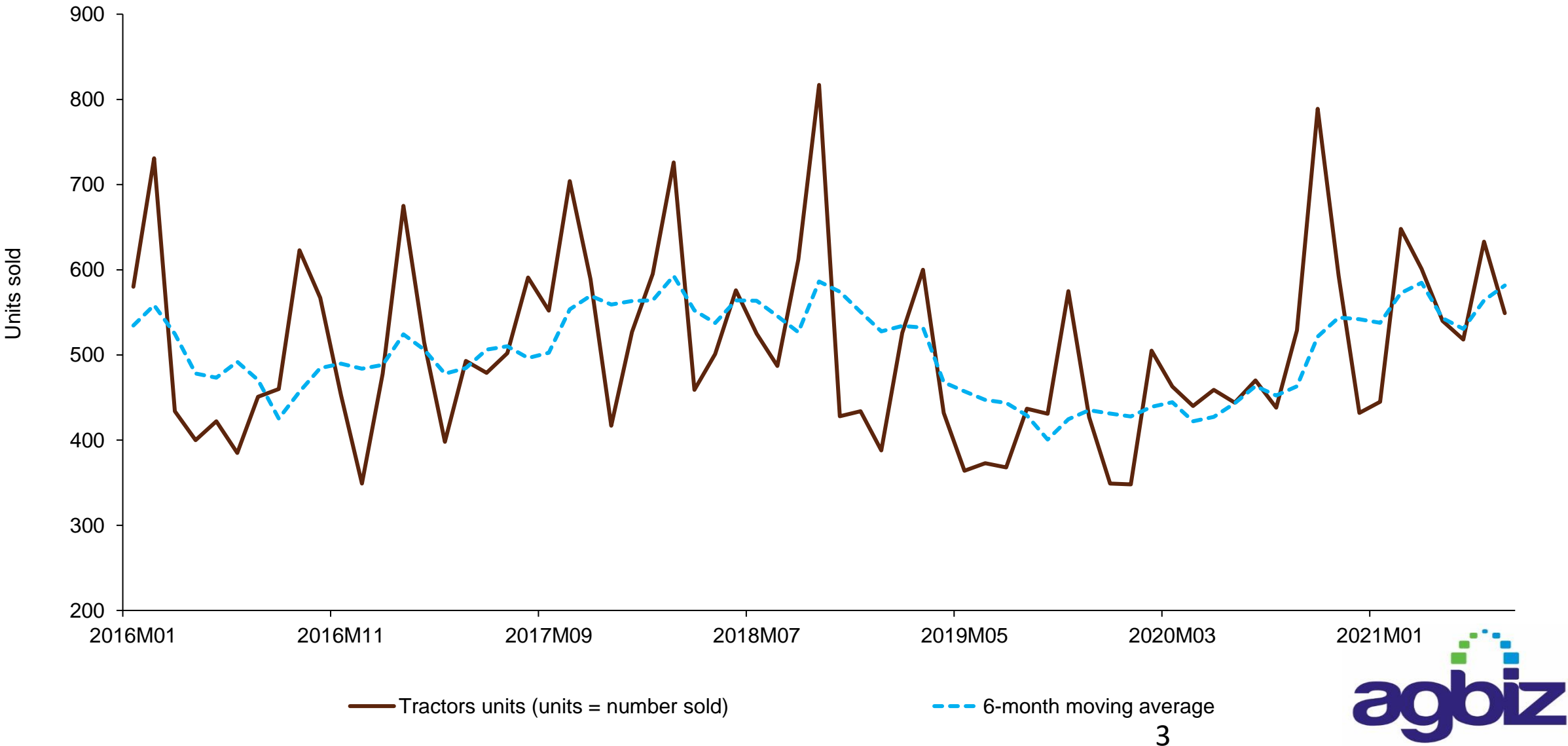
John Purchase

19 August 2021

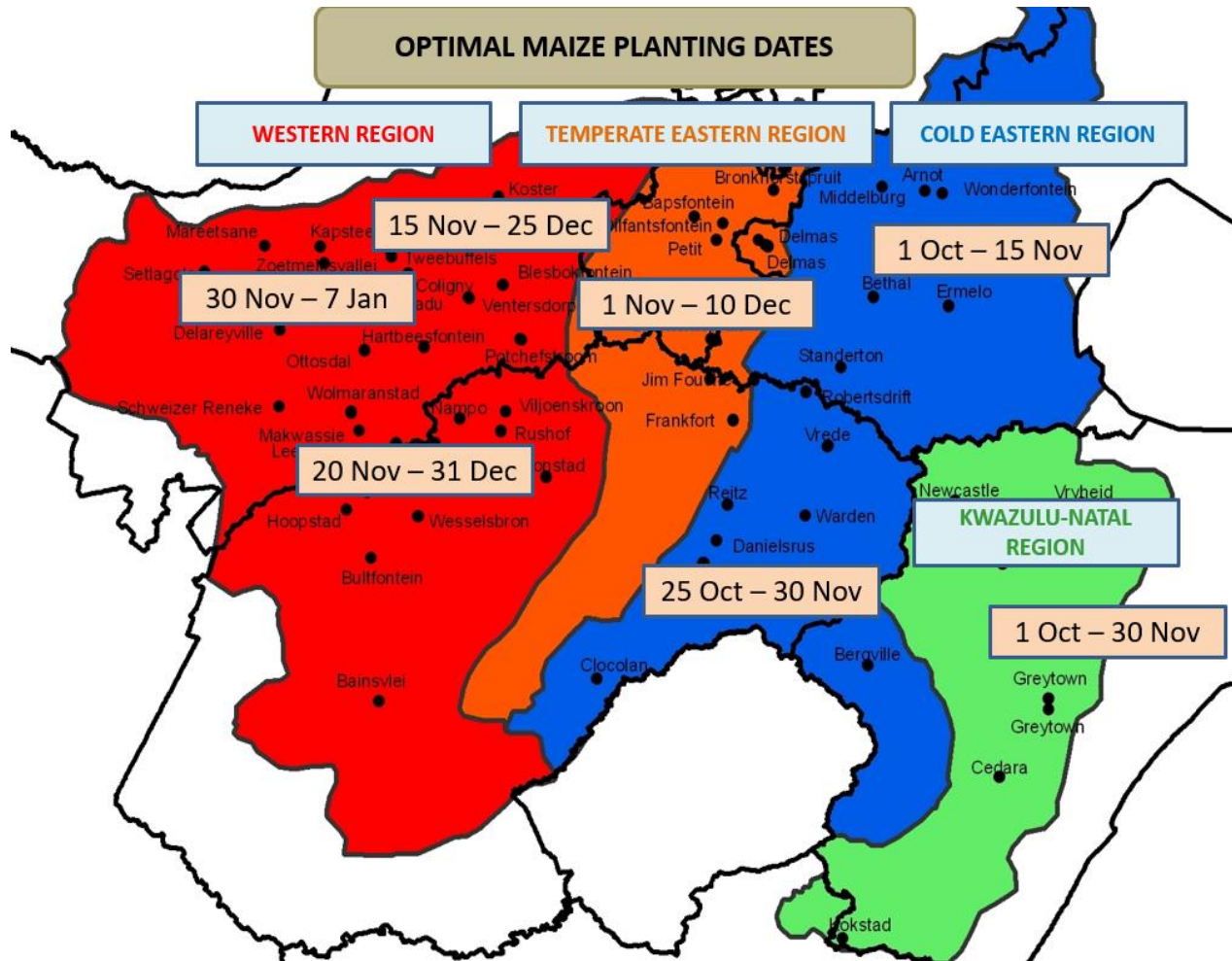
SA could have yet another good season in 2021/22, but....!

- The four positive 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, (4) low interest rates, paint a bullish 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.
 - Second, the weather outlook for the upcoming 2021/22 production season shows encouraging signs with a likely change to a weak La Niña during early-summer.
 - Third, while we 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, at the of (31) July 2021, yellow and white 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.
 - Interest rates remain low with SARB's Repo Rate expected to stay steady at 3,5% throughout season. ~R6,0 billion 'saving' for SA's primary agriculture.

South Africa's tractors sales remain solid and signal optimism about the new season



Early impressions on the 2021/2022 summer crop season



Seasonal Climate Watch

August to December 2021

Date issued: Jul 31, 2021

I. Overview

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 season, ENSO starts playing 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.

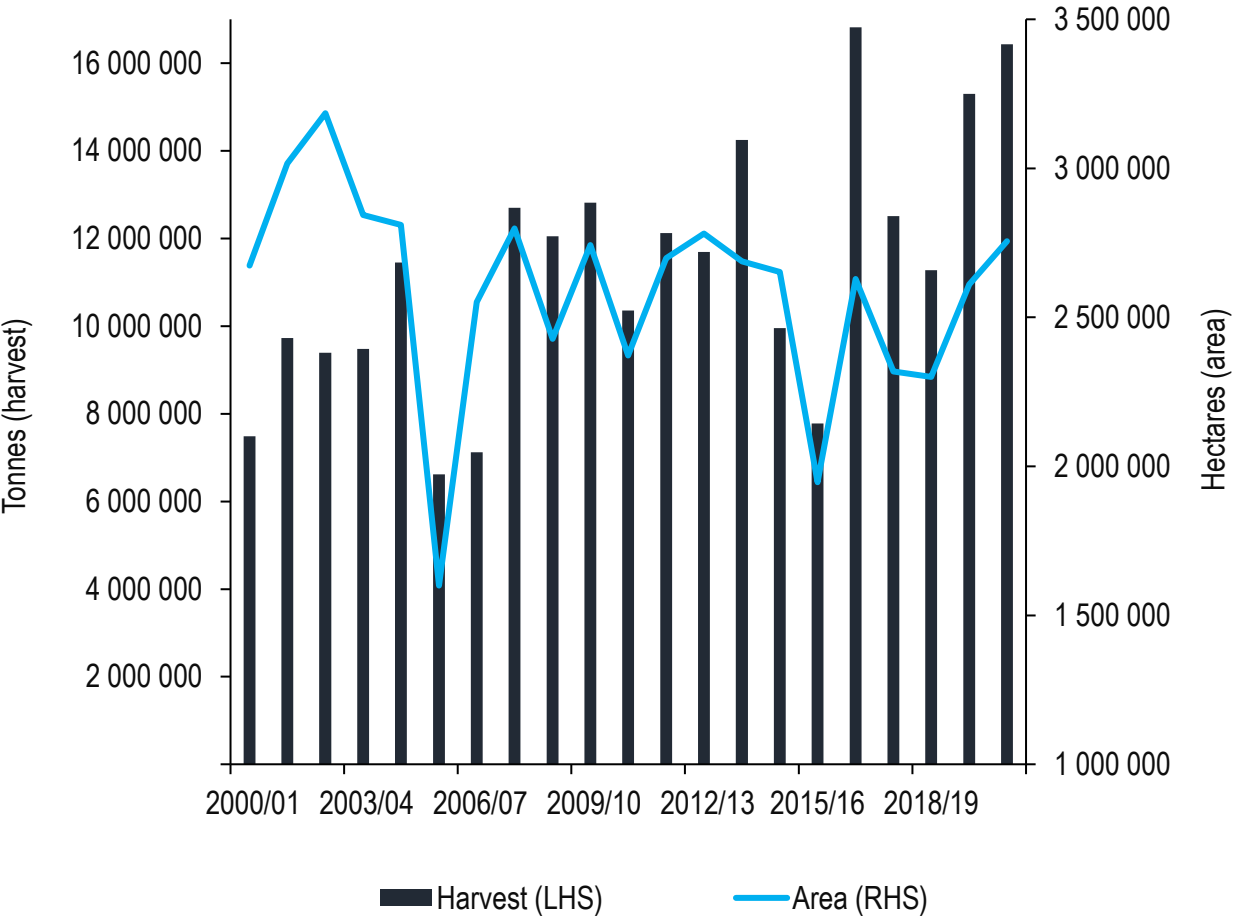
The multi-model rainfall forecast indicates mostly above-normal rainfall for the north-eastern half of the country throughout the spring to early summer seasons (ASO, SON and OND), whereas the south-western half, which falls outside the parts which receive summer rainfall, is mostly expected to receive below-normal rainfall. Above-normal minimum and maximum temperatures are expected across the country.

The South African Weather Service (SAWS) will continue to monitor and provide updates on any future assessments that may provide more clarity on the current expectations for the coming seasons.

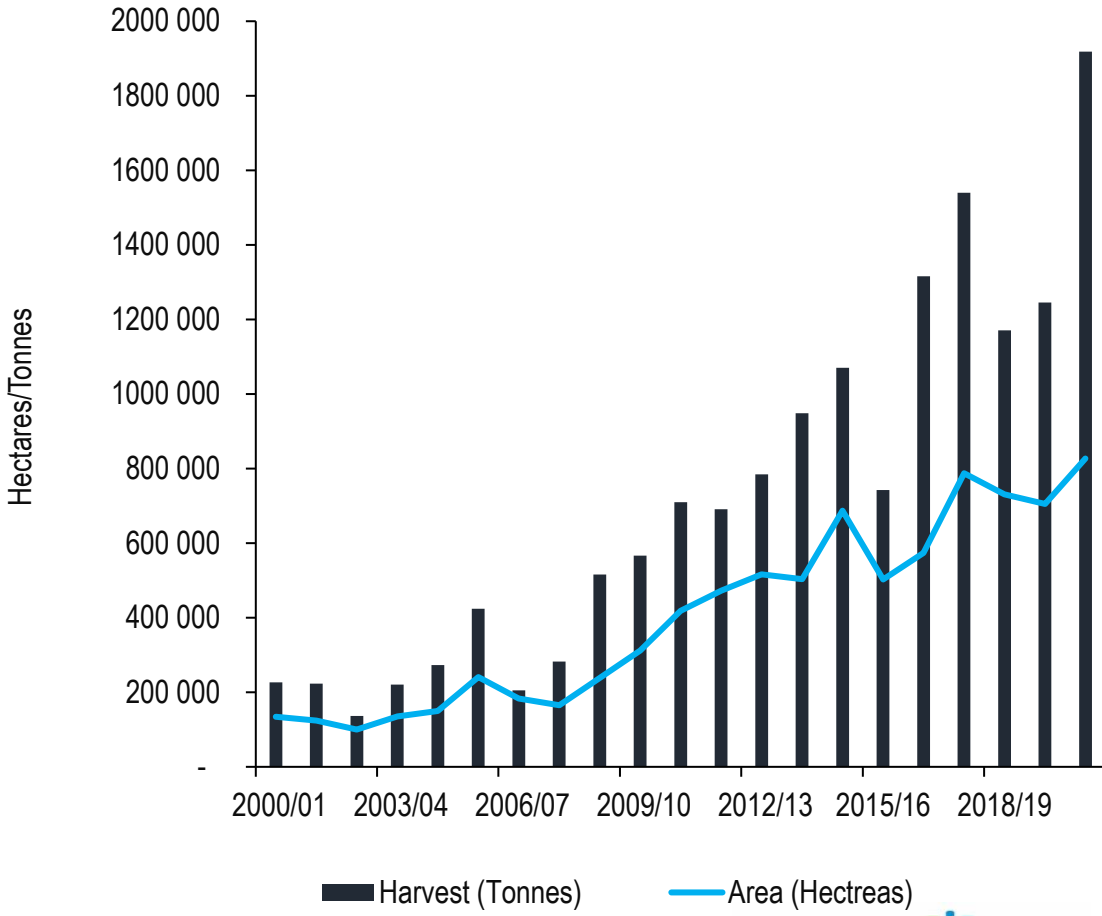


We will build from solid foundation of a large crop

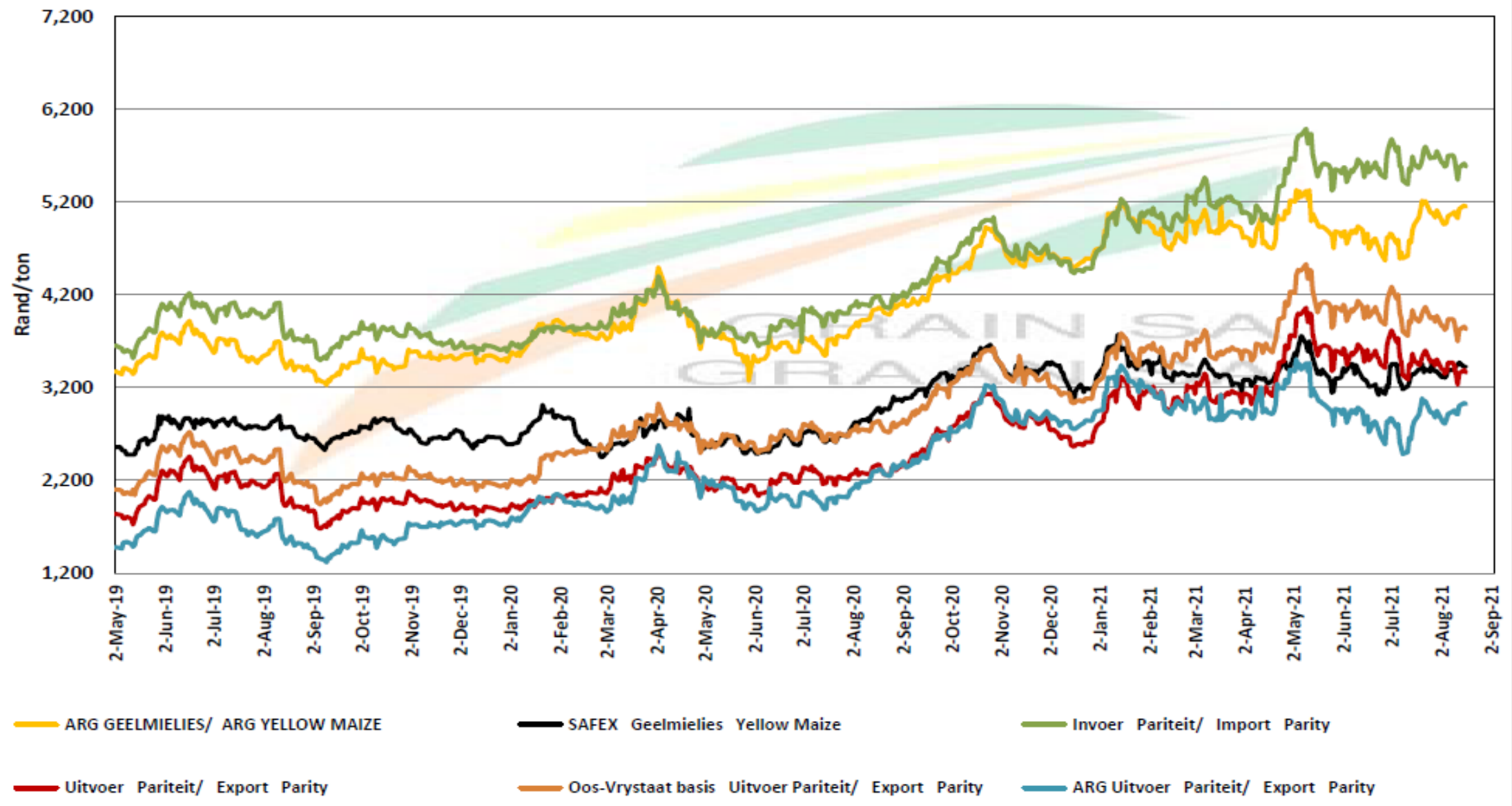
SA maize production



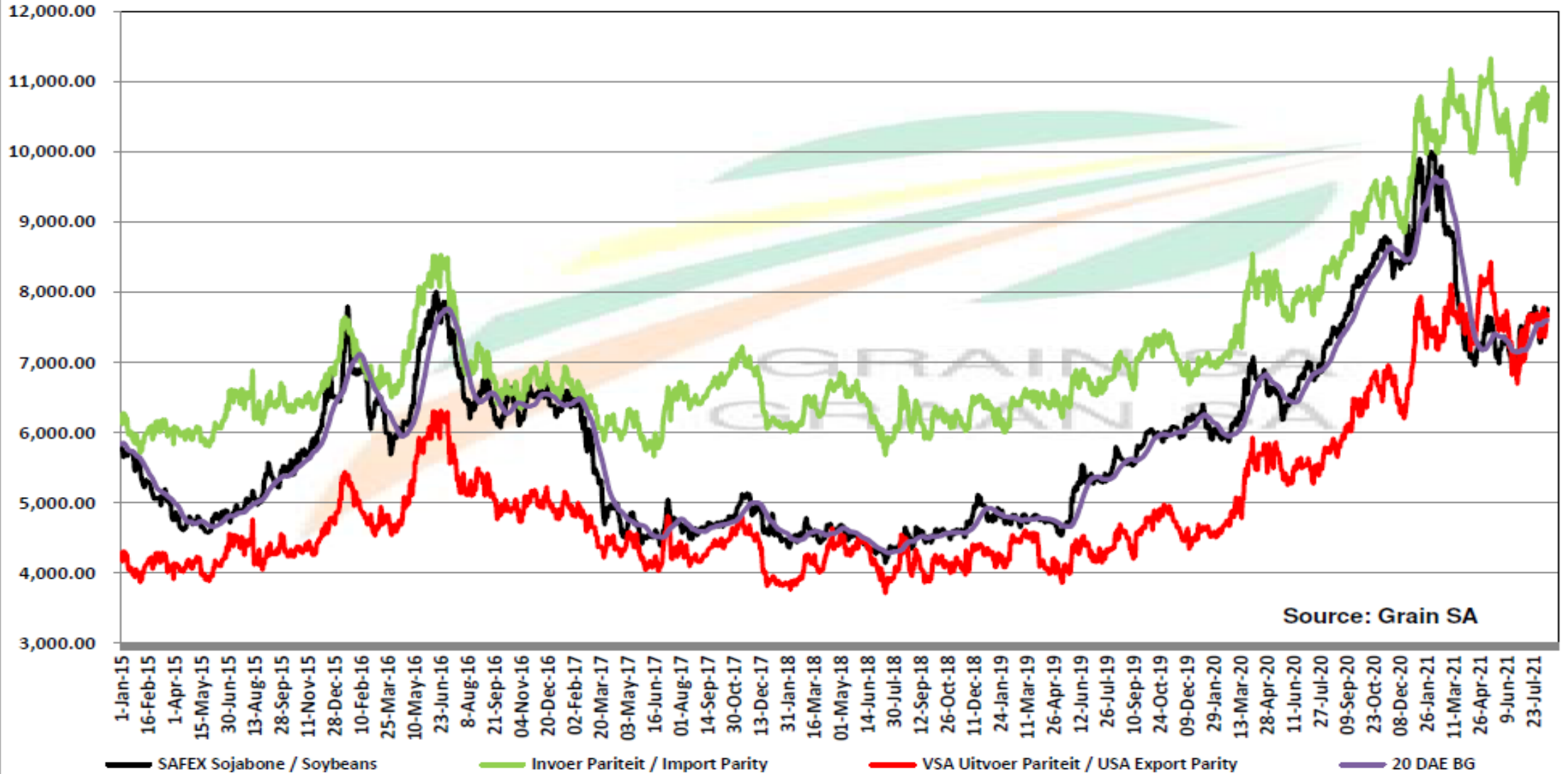
SA soybean production



PRICES OF USA YELLOW MAIZE DELIVERED IN RANDFONTEIN
 PRYSE VAN VSA GEELMIELIES GELEWER IN RANDFONTEIN



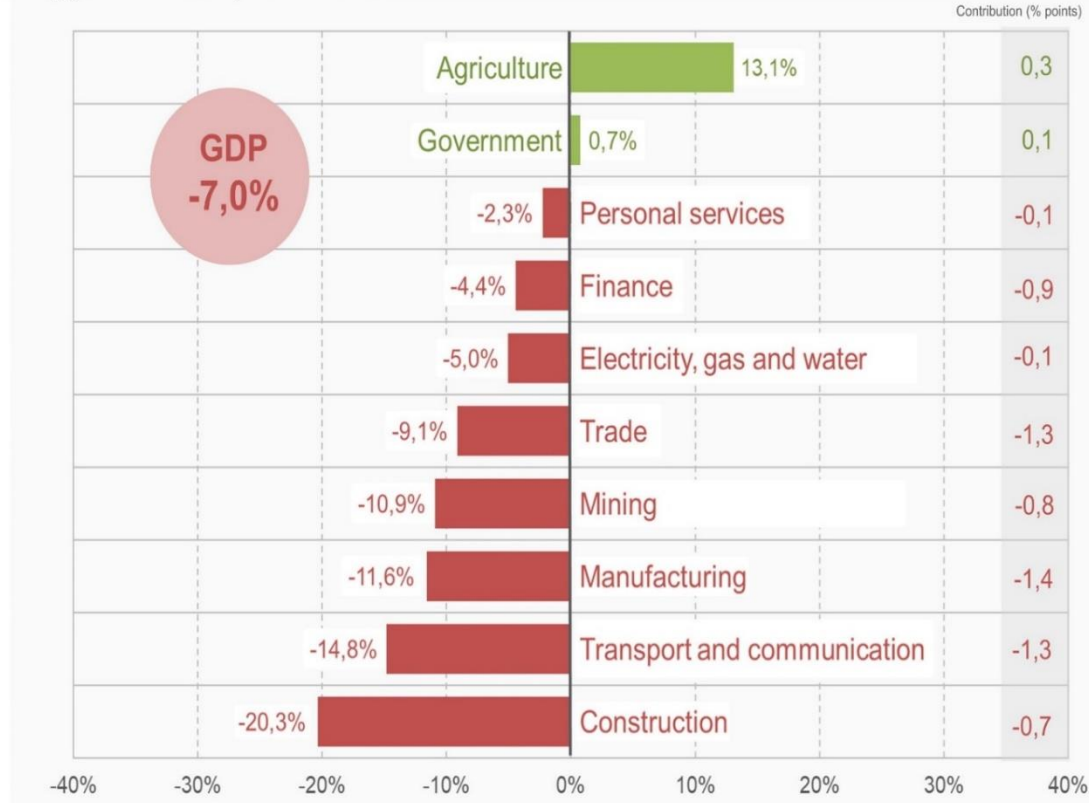
PRICES OF SOYBEAN SEED DELIVERED IN RANDFONTEIN PRYSE VAN SOJABOONSAAD GELEWER IN RANDFONTEIN



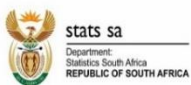
Maize industry was amongst the key drivers of SA farm economy growth

Eight of the ten industries recorded decreased economic activity in 2020

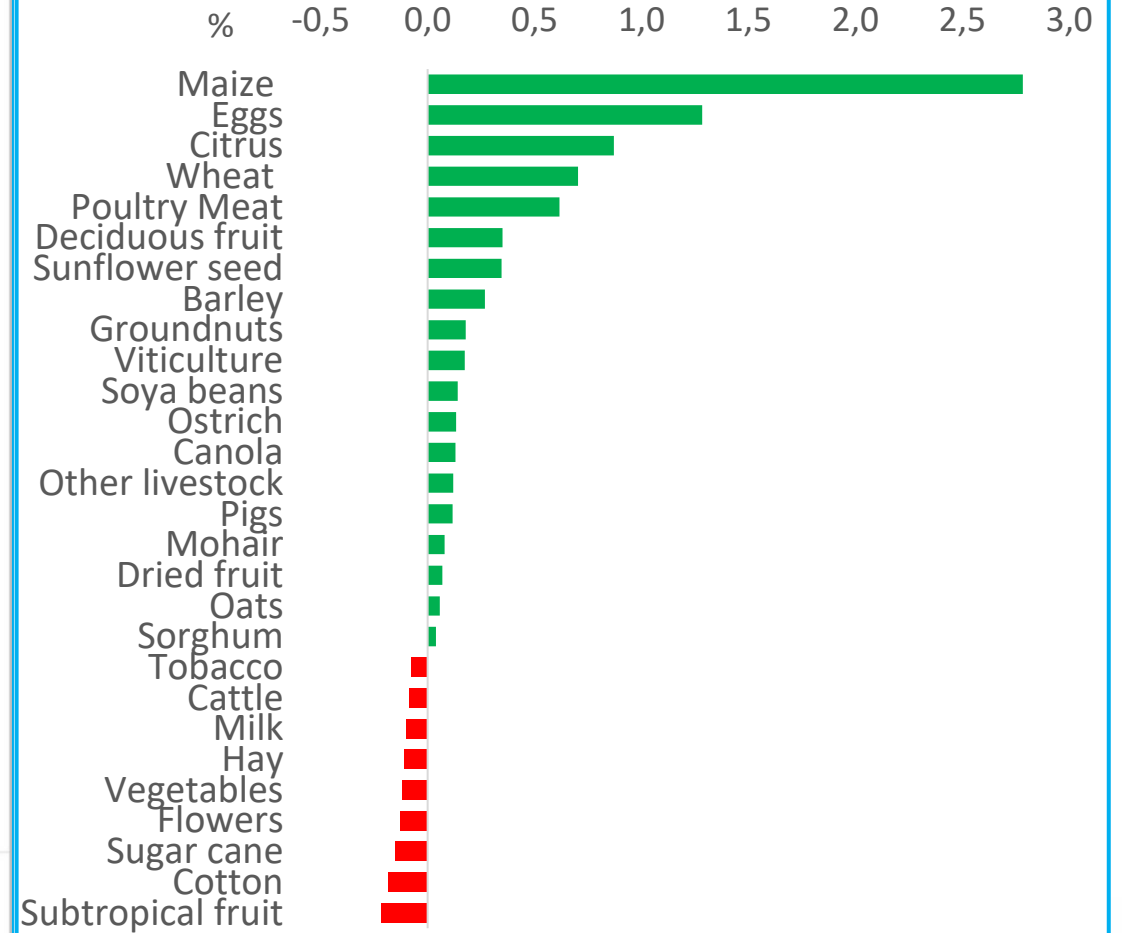
Industry growth in 2020 compared with 2019



Source: Gross domestic product (GDP), 4th quarter 2020



Contribution to AGR-GDP growth



But.... input price increases and logistical constraints weighing heavily on profitability.

Agro-chemicals: Herbicide price movements



| Internasionale onkruidodder pryse – Jaar-op-jaar veranderinge (\$/t) | | | |
|--|---------|---------|----------|
| International herbicide prices - Year to Year change (\$/t) | | | |
| | July-20 | July-21 | % change |
| | USD/t | USD/t | |
| Glyphosate (95%) | 3 328 | 8 354 | +151,0 |
| Acetochlor (92%) | 3 176 | 3 921 | +23,5 |
| Atrazine (97%) | 2 405 | 3 136 | +30,4 |
| Metolachlor (97%) | 3 286 | 4 071 | +23,9 |
| Trifluralin (95%) | 6 518 | 6 832 | +4,8 |
| R/\$ | 16,74 | 14,54 | -13,1 |

| Internasionale onkruidodder pryse – Jaar-op-jaar veranderinge (R/t)/ | | | |
|--|---------|---------|----------|
| International herbicide prices - Year to Year change (R/t) | | | |
| | July-20 | July-21 | % change |
| | R/t | R/t | |
| Glyphosate (95%) | 55 710 | 121 472 | +118,0 |
| Acetochlor (92%) | 53 159 | 57 010 | +7,2 |
| Atrazine (97%) | 40 262 | 45 591 | +13,2 |
| Metolachlor (97%) | 55 001 | 59 195 | +7,6 |
| Trifluralin (95%) | 109 106 | 99 340 | -9,0 |

Agro-chemicals: Insecticide price movements



| Internasionale insekdoders pryse - Jaar-op-jaar veranderinge (\$/t)/ International insecticide prices - Year to Year change (\$/t) | | | |
|---|--------------|--------------|--------------|
| | July-20 | July-21 | % change |
| | USD/t | USD/t | % |
| Imidacloprid (95%) | 13 215 | 22 556 | +70,7 |
| Lambda-cyhalothrin (95%) | 25 356 | 26 257 | +3,6 |
| Carbofuran (99%) | 14 178 | 15 944 | +12,5 |
| Deltamethrin (98%) | 77 094 | 89 317 | +15,9 |
| Acetamiprid (95%) | 14 866 | 18 574 | +24,9 |
| Chlorpyrifos (95%) | 5 857 | 5 830 | -0,5 |
| Cypermethrin (94%) | 12 487 | 13 066 | +4,6 |
| R/\$ | 16,74 | 14,54 | -13,1 |



Some of the reasons for the dramatic increase in agro-chemical prices are as follows; Three major issues: Availability of raw materials, production, and Demand

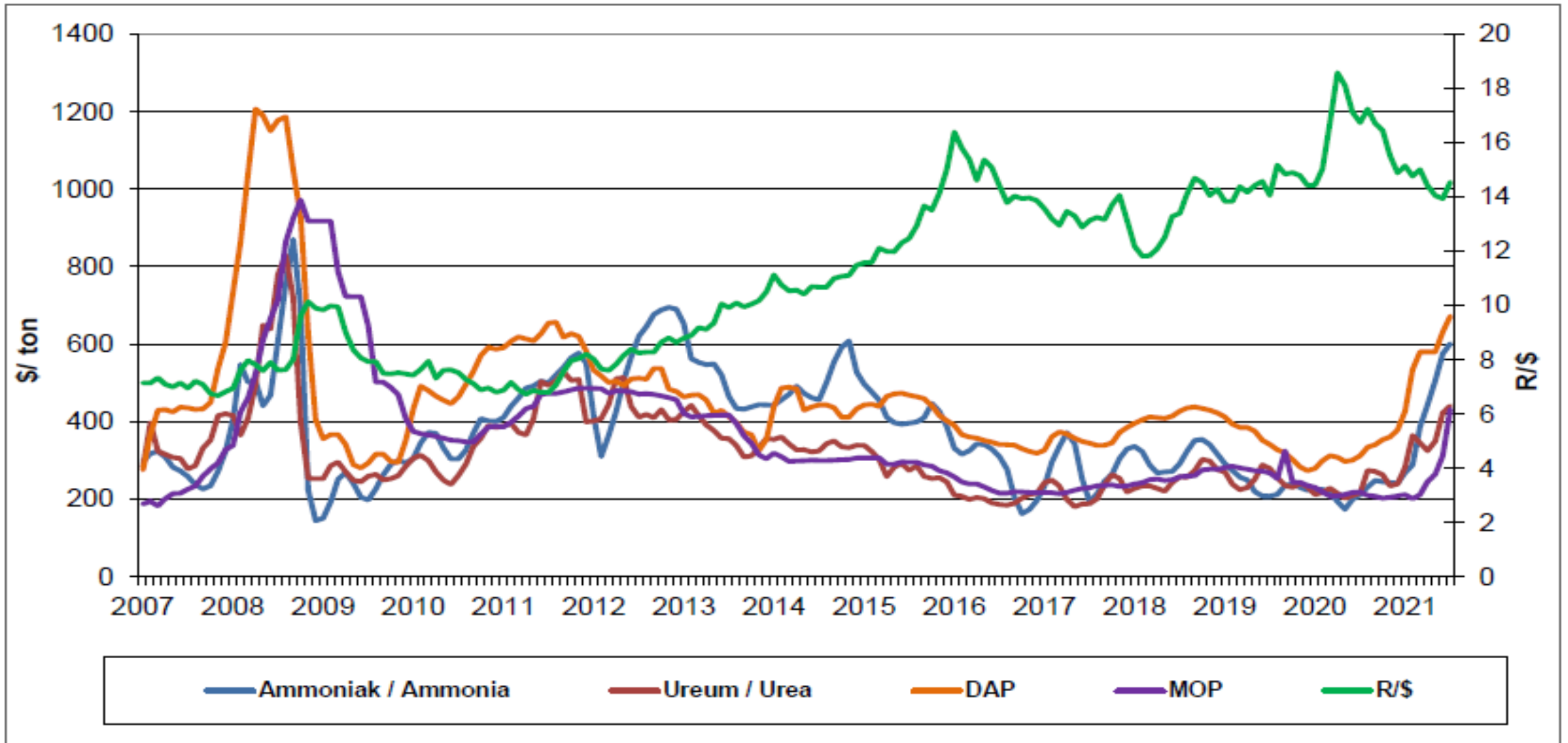
- **Raw material:** shortage of oxygen remains a problem, due to the covid situation.
- **Production:** Leading companies in China are in tight supplies due to issues with water and electricity rationing therefore lowering operating rates. Another big issue is the concentration in the market due to a merger by 2 major producers which will give them the leeway to dictate prices.
- **Demand:** Demand in the coming months will be dependent on purchases from South America, currently takes up over 50% of China's **glyphosate**. Exports expected to decrease due to government regulations (restriction of the use of glyphosate i.e., Mexico will phase out glyphosate by 2024).
- **Another issue:** high Shipping costs and deficiency of shipping capacity remain a problem. Many ports still struggle with issue of backlog.

Fertilizers: International price movements



| Year on year change | July-20 | July-21 | % change |
|----------------------------|------------|------------|----------|
| Kunsmis/Fertilizer | Dollar/ton | Dollar/ton | % |
| Ammonia (Middle East) | 212 | 601 | +183,5 |
| Urea (46) (Eastern Europe) | 216 | 440 | +103,7 |
| DAP (USA Gulf) | 312 | 672 | +115,4 |
| KCL (CIS) | 218 | 431 | +97,7 |
| Rand/Dollar exchange rate | 16,74 | 14,54 | -13,1 |

International fertilizer prices





International fertilizer prices

Some of the contributing factors for the dramatic increase in fertiliser prices are as follows; Two main issues: Disparity between demand and supply as well as increasing transportation costs

- DAP has been rallying on strengthening global agriculture demand, recovering soybean and maize prices
- According to UBS investment bank, fertilizer prices, specifically ammonia and DAP prices, could decline some in the next six months.

Summary and Conclusion

- Number of positive factors:
 - Tractor sales (positive sentiment)
 - Environmental conditions outlook (Residual soil moisture + rainfall outlook + full irrigation dams)
 - Grain prices holding steady at fairly elevated levels
 - Low interest rates and financing/insurance generally available (Land Bank problem very real though and especially for developing farmers access to finance may be problematic)
- Some negative factors
 - Major agro-chemical and fertilizer price increases, even diesel – huge impact on profitability
 - Logistics constraints could lead to delayed delivery – could miss optimum planting dates
 - Logistics constraints also limit exports, putting pressure on local prices.
- Probably see some changes in production patterns – less maize, and more soybeans and sunflower
- Number of other constraining factors, e.g. safety and security, local infrastructure, regulatory matters, etc.
- Each season unique, but generally however, industry is ready for the next season and we don't foresee major problems at this stage.