

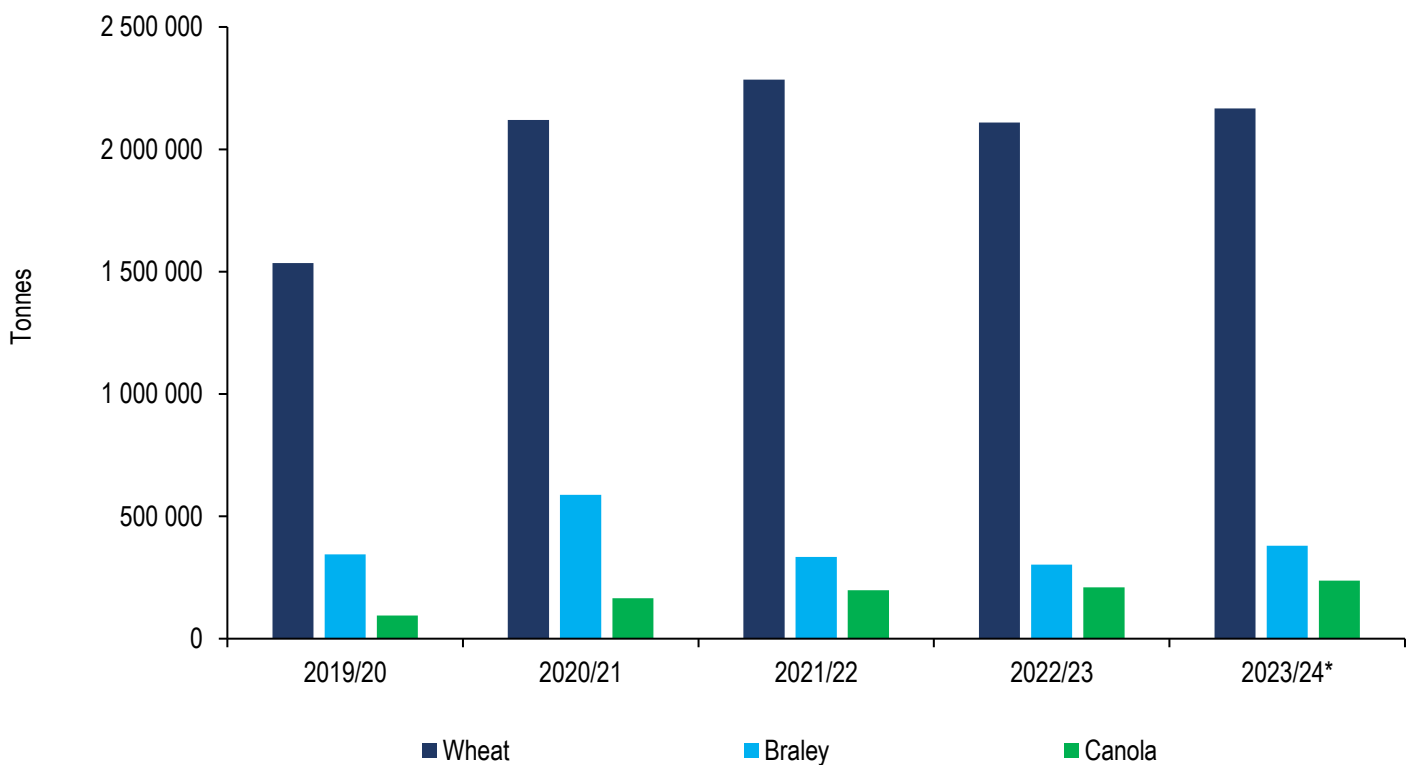
Taking stock of winter crops a month after the devastating floods

- This past week, we received comprehensive data about South Africa's winter crop conditions for the first time since the devastating floods in the Western Cape in September. The Western Cape is a significant producer of winter crops, accounting for roughly two-thirds of South Africa's total winter crop output. As such, we were concerned that the damages caused by the floods in the province would have a notable impact on national level output.
- But the data released by the Crop Estimates Committee (CEC) this past week paints a comforting picture. The CEC released its third production estimates for winter crops and lifted wheat harvest projection by 2% from September, estimated at 2,17 million tonnes. The current expected crop is up 3% from the previous season. This was a positive surprise as we had expected that the crop size could be lowered, especially if one considers the severity of the floods in the southern regions of the Western Cape.
- The provinces behind this robust national wheat harvest forecast are the Western Cape (53% of the overall harvest), Northern Cape, Free State and Limpopo. Admittedly, while the Northern Cape and Free State are still amongst the leading wheat producers, their expected harvest is less than the 2022/23 season. The expected large harvest in the Western Cape and Limpopo overshadows the decline in harvest in other provinces. There are also likely decent wheat harvests in other provinces such as KwaZulu-Natal, Eastern Cape and North West.
- Notably, the expected 2,17 million tonnes is well above the 10-year average harvest of 1,80 million tonnes. If there are no significant changes in the crop forecast in the coming months, one can be confident that the current estimated wheat harvest implies that South Africa will likely need to import about 1.60 million tonnes to meet domestic consumption in the 2023/24 season (down from the forecast 1.70 million tonnes in the 2022/23 season).
- Furthermore, the 2023/24 canola crop was lifted by 3% from the previous month to a record 237 450 tonnes (up 13% y/y). The annual increase is also due to increased plantings and expected better yields. Regarding barley and oats, however, the CEC lowered its production forecasts by 3% and 19% to 380 120 tonnes and 41 600 tonnes, respectively. It appears that the floods damaged these crops more than wheat and canola. Still, barley and oats are well above the 2022/23 harvest level, mainly supported by an expansion in the planted area and the anticipated better yields in some regions.
- As encouraging as the overall winter crop picture is, there remain concerns about the quality of the crop, particularly wheat. Given that the Western Cape accounts for over half of South Africa's wheat production, if the quality has deteriorated notably, then the import figured that we have, at 1,60

million tonnes, may need to be revised. Still, it is too early to formulate a strong view on this. It will be some time before we start having a better sense of when farmers start harvesting. For now, one could consider this as a potential downside risk. The available data shows that the harvest is in better shape and that the floods had minimal impact on the winter crops.

- Beyond the crops, there is significant damage to infrastructure within the southern regions of the Western Cape, which is vital for storing and transporting agricultural products to the market. This includes the road networks, storage facilities and electricity infrastructure. But some of this is now under rebuilding phases as the communities recover from the floods. The fruits and winegrape-producing regions are among the areas that reported such damage over the past couple of weeks and are now rebuilding.
- Overall, while the severe flood have left damage across various communities and for many businesses that will take some time to recover from, one positive aspect is that the winter crops remain reasonably good. Additionally, dams in the Western Cape are generally full. The dam improvement will significantly help irrigate the horticulture fields in the coming months, all supporting agricultural activity in the province.

Exhibit I: South Africa's winter crop production



Source: CEC and Agbiz Research