

South African farmers intend to increase summer crop hectares in 2018/19

The 'intentions to plant' data provided tentative evidence that South Africa could have another good production season, which might keep the country's grain supplies in good shape at least until 2020. This is under the assumption that the expected El Niño, which we cautioned about in our previous notes, could be fairly weak and potentially occur later in the summer season as some forecasters already suggest. Figures released this afternoon by the national Crop Estimate Committee shows that South African farmers intend to increase the area planting for summer grain and oilseed by 5 percent from 2017/18 season to 4.03 million hectares. Most summer crops showed an uptick, with the exception of sunflower seed and groundnuts. This is partly driven by the favourable agricultural commodity prices.

- To dive into the details of the aforementioned summary, South African farmers intend to plant 2.4 million hectares of maize, up by 6% from the 2017/18 production estimate. This was in line with our and Bloomberg's consensus forecast of 6% y/y uptick in area plantings. About 1.3 million hectares is white maize with 1.1 million hectares being yellow maize, both up from levels planted in the 2017/18 production season. Soybeans continue to surprise us, pleasantly, as farmers intend to lift the area planting to a new record of 851 800 hectares, up by 8% y/y. This is supported by growing demand in the domestic animal feed market. On the downward side, the area intended for sunflower seed plantings could fall by 4% y/y to 575 000 hectares.
- The planting activity has begun in the eastern and central parts of South Africa following recent rainfall which somewhat improved soil moisture. The South African Weather Service forecasts higher rainfall over summer crop growing areas between November 2018 and January 2019, which bodes well with the new season crop. However, the period thereafter could experience dryness associated with expected El Niño, albeit some weather forecasters arguing that it could be fairly weaker. We worry about the potential impact of this on crops as it could coincide with pollination stages of development. We will keep a close eye on this in the coming months.

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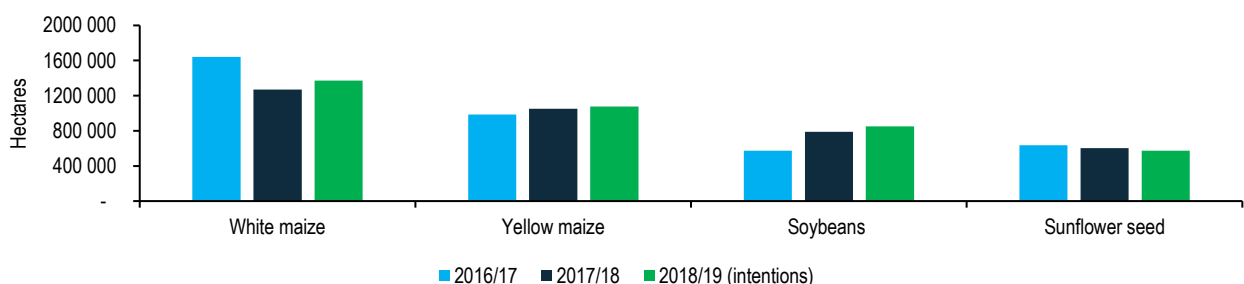


Chart 1: South Africa's summer crop intentions to plant for 2018/19 season

Source: CEC, Agbiz Research

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