SA crops could struggle, judging by the weather

By Wandile Sihlobo, Business Day, 06 December 2018

SA's recent agricultural GDP figures, which show that the sector escaped the recession in the third quarter, expanding 6.5% on a quarter-on-quarter (seasonally-adjusted annualised) basis, are no call for celebration.

The recovery could be temporary and weak as the weather outlook, which initially painted a positive picture, now turns out to be a key challenge that could once again negatively affect the performance of the sector in 2019.

It is still early days, but the optimistic outlook at the opening of the season has changed. To recap, the 2018/19 production season started on a sound footing, with farmers aiming to lift their summer grain and oilseed planting activity by 5% from the previous season to 4.03-million hectares. These plans were followed by real action, as tractor sales surged 9% to 5,818 units in the first 10 months of 2018 compared to the same period during 2017.

At the time, good rainfall in the eastern parts of the country enabled farmers to start planting. However, the rainfall turned out to be erratic and not widespread. Therefore, yellow maize and soybean plantings, which predominantly take place in this area, have not yet been completed — particularly in the eastern Free State. It is only in Mpumalanga and KwaZulu-Natal that farmers have made good progress.

Meanwhile, the central and western parts of SA have not received much effective rainfall since the start of the 2018/19 summer season. As a result, there is still limited activity in the fields in the western Free State and all the way across the North West. These are mainly white maize and sunflower seed growing areas.

At the moment, the key issue is that the optimal planting window for yellow maize in the eastern parts of SA has closed, as it runs from mid-October to mid-November. Any plantings beyond this period could suffer lower yields. This is likely to be the reality in the maize fields in the eastern Free State and parts of the Eastern Cape. In the case of white maize, sunflower seed and soybean, there is still time to plant until early January.

The big question is whether there will be sufficient moisture in the ground then to support the planting activity. On November 30, the SA Weather Service presented an optimistic outlook, pointing to the possibility of above-normal rainfall between December 2018 and February 2019. But this remains to be seen, as there has been little evidence of an improvement in rainfall on the ground. Moreover, there are fears of an El Niño later in the 2019 summer season. This implies that the summer crop growing areas could experience more acute dryness from the end of February 2019 onwards.

My back-of-the-envelope calculations, taking into account the aforementioned weather outlook and expected area planted, suggest that the output of major crops such as maize could fall by 5% year-on-year to 12.2-million tons in the 2018/19 production season. Fortunately, this might have minimal implications for food price inflation due to a large buffer stock from the previous season, and the fact that the output could still be higher than annual consumption — particularly in the case of maize.

There could, however, be implications for the growth of the sector. Field crops are not the biggest contributor to the SA agricultural economy in terms of value added as nearly half is consumed by the livestock sector. But the growth of the livestock sector depends on field crops, which play a key role as feed.

The views I am expressing here are mirrored in the Agbiz/Industrial Development Corporation Agribusiness confidence index results for the fourth quarter of 2018, which fell to the lowest levels since 2009. While there are a number of reasons that were cited as a cause for despondency in the sector, the weather impact featured prominently.

Therefore, it would be right to say that the weather remains a key factor that will determine the growth prospects of the SA agricultural economy in the coming year.