

## SA wheat production set to recover from last year's lows whilst summer grain estimates remain steady

Following a notable decline last year on the back of Western Cape drought, South Africa's wheat production could increase by 18% y/y to 1.8 million tonnes in 2018/19 production season. This is on the back of an expansion in area planted and improvement in yield prospects, particularly in the Western Cape province. This means the import requirements in the 2018/19 season could soften to levels around 1.6 million tonnes, from the estimated level of 1.9 million tonnes in the 2017/18 season. Most summer crop production estimates remain unchanged from last month with the exception of sunflower seed and sorghum, which were lifted by 8% and 27% from July 2018 estimates, respectively.

- The improvement in South Africa's wheat production was unsurprising following expansion in area plantings and also good rainfall in parts of the Western Cape province, particularly Swartland and Overberg region. This is also in line with the International Grains Council estimate for this season. This improvement, however, was not widespread across the country. Most provinces registered an uptick with the exception of the Northern Cape, KwaZulu Natal, Mpumalanga and Limpopo provinces. Most importantly, this is still the first estimate for the season, the National Crop Estimates Committee will provide further updates over the coming months.
- Moreover, the seventh summer crop production forecasts confirmed that South Africa's grain and oilseed supplies are in good shape, with most estimates left unchanged from last month (see Figure 1). This generally bodes well for trade and food inflation dynamics, as production volumes of major crops such as maize are set to be well above domestic consumption needs. At the same time, the higher soybean production will benefit the animal feed industry. Considering the domestic annual maize need of roughly 10.8 million tonnes, at the back of expected 13.2 million tonnes of commercial production, coupled with an opening stock of 3.7 million tonnes, South Africa could see exports exceeding 2.5 million tonnes in the 2018/19 marketing year.

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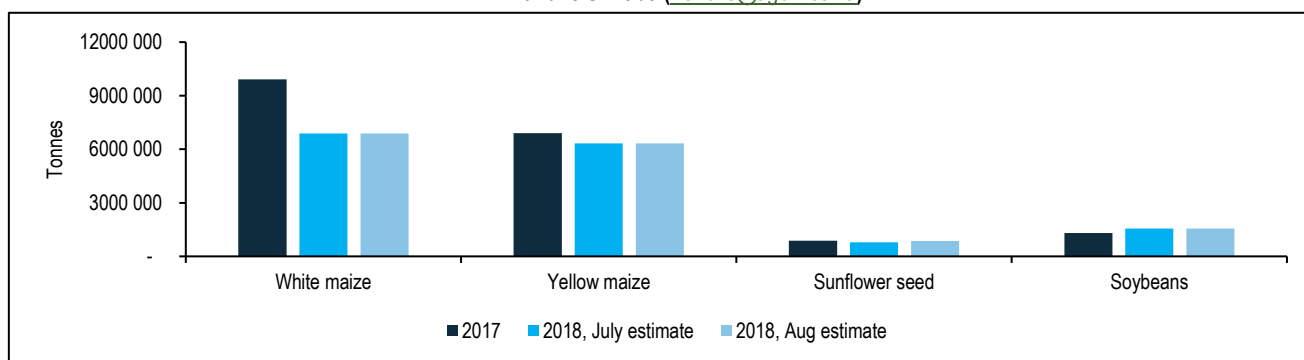


Figure 1: South Africa's 2017/18 seventh summer crop production estimates

Source: CEC, Agbiz Research

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