

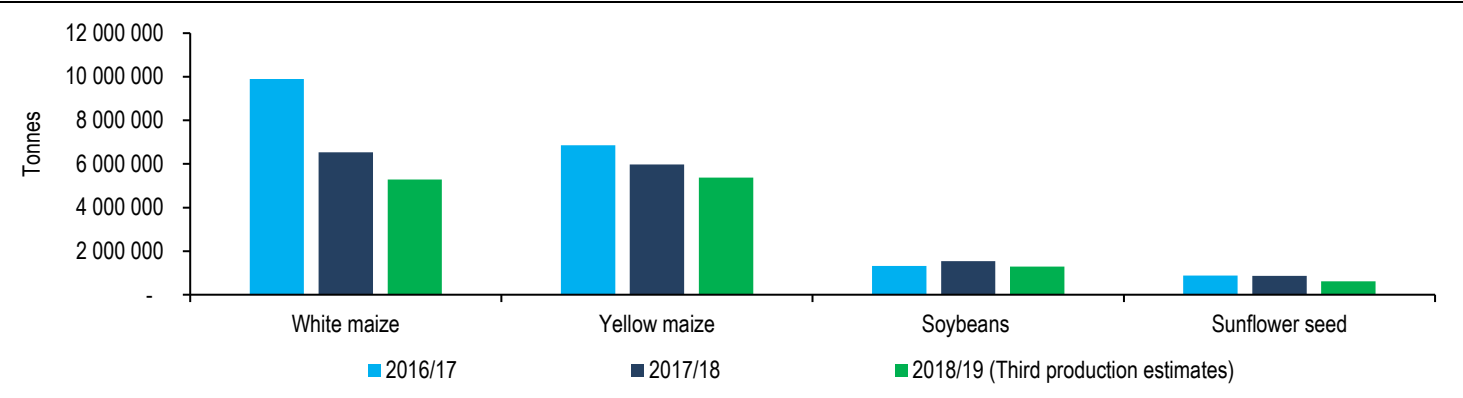
SA summer and winter crop production prospects lifted marginally

Recent figures from South Africa's Crop Estimates Committee (CEC) paint a somewhat positive picture of the country's summer and winter crop prospects. In terms of the summer crop, the CEC lifted its estimates for South Africa's 2018/19 grains and oilseeds production for a third consecutive month by 1.3% from March 2019 to 12.8 million tonnes. There were upward revisions across all summer grains and oilseeds which comprise white and yellow maize, sunflower seed, soybeans, groundnuts, sorghum, and soybeans. With that said, this is still 16% lower than the 2017/18 production season due to a reduction in area planted, and expectations of relatively poor yields in some areas, all underpinned by unfavourable weather conditions earlier in the season. From a winter crops perspective, the planting season will commence soon in most parts of the country, and as such, the CEC has thus far only released farmers' intentions to plant data, which showed a possible 2% year-on-year increase to 711 950 hectares. This includes wheat, barley and canola. But the uptick is mainly on wheat and canola, while barley hectares are set to decline marginally. In this note, we will reflect only on major grains and oilseeds.

Summer grains and oilseeds third production estimates

- South Africa's maize production was lifted by a percentage point from last month to 10.7 million tonnes. This is slightly above Reuters analysts' consensus forecast of 10.6 million tonnes, but well below last year's harvest of 12.5 million tonnes (Figure 1). Yellow maize accounts for roughly 51%, with white maize making up about 49%. The crop has generally matured in most areas of the country, which means that the expected harvest is more likely to materialise. If we account for a potential opening stock of 3.0 million tonnes at the start of the 2019/20 marketing year in May 2019, in addition to the expected harvest, then South Africa could be in a comfortable position in terms of maize supplies, as that will cover the country's annual consumption of about 10.8 million tonnes. Under this scenario, we believe that South Africa could remain a net exporter of maize in the 2019/20 marketing year, although the volume could decline by half from the 2018/19 marketing year to about 1.1 million tonnes.
- While we have generally been positive about South Africa's 2018/19 soybean production prospects due to favourable weather conditions in the eastern parts of South Africa this season, we did not anticipate an upward revision in this month's update. The CEC lifted the production estimate by 2% from last month to 1.3 million tonnes. This is, nonetheless, down by 13% from the 2017/18 production season, partly due to a reduction in area planted. Given South Africa's growing soybean consumption, we suspect that South Africa could be a net importer of soybeans in the 2019/20 marketing year (corresponds with the 2018/19 production season). Other things being equal, we think 2019/20 soybean imports could amount to 7 000 tonnes, which is slightly higher than the 2018/19 marketing year.
- Sunflower seed production estimate was lifted by 8% from last month to 611 140 tonnes. The improvements were specifically on the back of anticipated better than expected yields in the Free State, North West, and Limpopo. It seems that the favourable rainfall in the past few weeks have slightly benefited the late planted areas where the crop was still at early stages of development. Nevertheless, this is still 29% lower than 2017/18 harvest due to both a reduction in area planted this season and expectations of relatively lower yields in some provinces (Figure 1). If we work with these numbers, South Africa could be a net importer of sunflower seed in 2019/20 marketing year. We estimate that imports could amount to 100 000 tonnes, up from 1 324 tonnes in the 2018/19 marketing year.

Figure 1: South Africa's summer crop third production estimates for 2018/19 season

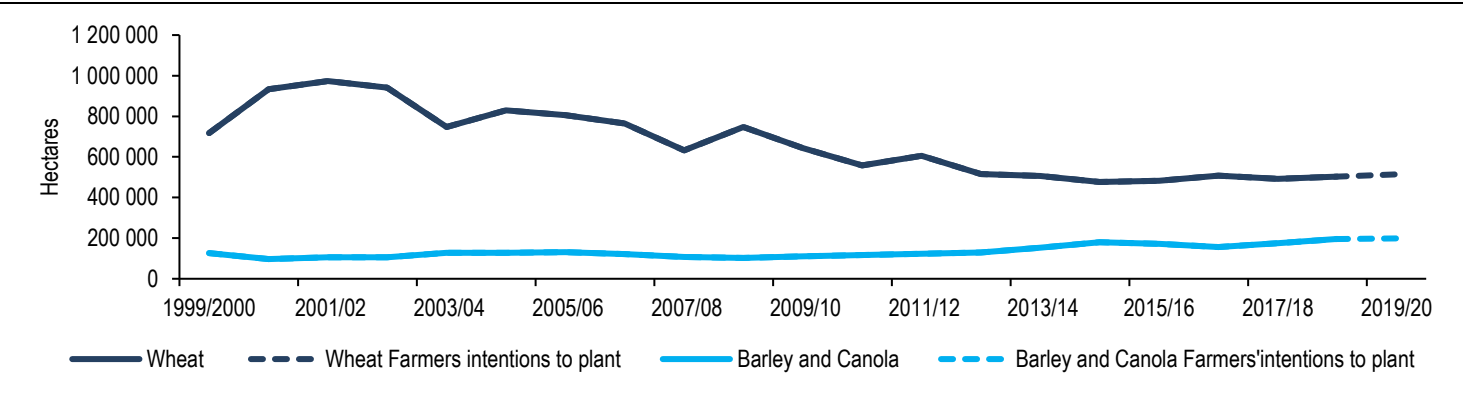


Source: Crop Estimate Committee, Agbiz Research

Winter grains and oilseeds farmers' intentions-to-plant

- The figures released this afternoon by the CEC supported our optimistic view of South Africa's winter grains and oilseeds in the 2019/20 season, particularly on wheat and canola plantings. Farmers intend to increase the area planted to winter wheat by 2% from last year to 513 450 hectares. The upward revision is mainly in the Western Cape, Eastern Cape and Limpopo. In the case of the Western Cape, the weather prospects are supportive of farmers' optimism. On 28 March 2019, the South African Weather Service noted that between April and July 2019, the south-western parts of South Africa could receive above-normal rainfall. This bodes well for the 2019/20 production season. The weather prospects for other provinces are expected to remain fairly favourable, also supportive of the winter crops. While it is still early to be certain of the potential harvest, the possible plantings of the aforementioned area would lead to a potential wheat harvest of 1.8 million tonnes. This is under the assumption of a five-year average yield of 3.4 tonnes per hectare, which is less than the 2018/19 yields of 3.7 tonnes per hectare, thus the overall harvest could also be marginally less. Under this scenario, South Africa could remain a net importer of wheat, with the volume roughly unchanged from the current season where imports could amount to 1.4 million tonnes.
- South Africa's 2019/20 canola plantings could increase by 4% year on year to 80 000 hectares. Assuming favourable weather conditions, as we expect, production could lift marginally to 104 000 tonnes. Meanwhile, barley plantings could decline marginally from the 2018/19 production season to 118 500 hectares (Figure 2).

Figure 2: South Africa's 2019/20 winter crop plantings estimates



Source: SAGIS, Agbiz Research