

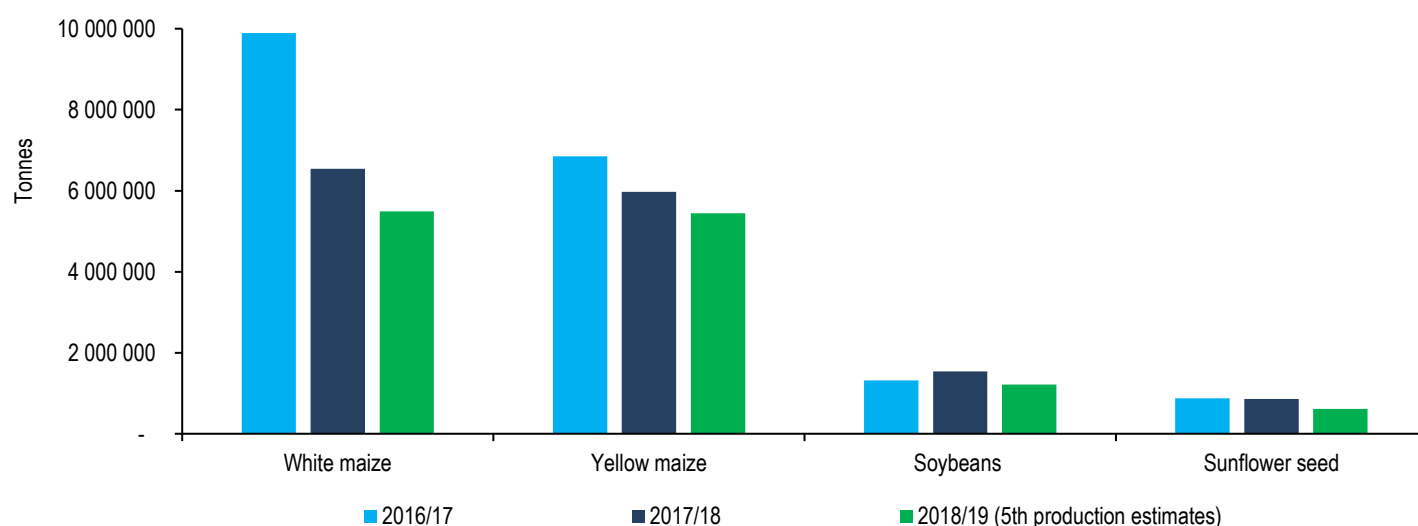
## SA summer crop estimates paint a mixed picture

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- The data released this afternoon by South Africa's Crop Estimates Committee reinforced our view that South Africa's maize supplies for the 2018/19 production year are shaping up better than feared in January 2019. This was when dryness in the western parts of the country threatened to delay and reduce plantings.
- The Committee left its 2018/19 maize harvest estimate data essentially unchanged from last month, at 10.9 million tonnes. About 5.5 million tonnes is white maize, with 5.4 million tonnes being yellow maize (Figure 1). While it is comforting to see that there were no downward revisions, the expected harvest is 13% lower than last season's harvest due to a slight reduction in area planted and poor yields on the back of dryness during the season. The harvesting process, now underway in most parts of the country, and the yields have thus far confirmed our inclination -- generally varied between below-average to average. This is the case across the country, although the eastern regions received better rainfall than the western areas of South Africa.
- As we have consistently pointed out over the past few weeks, with the maize harvest currently expected at 10.9 million tonnes in the 2018/19 production season (which corresponds with the 2019/20 marketing year) added to an available opening stock of 2.8 million tonnes when the 2019/20 marketing year started on 01 May 2019, South Africa should have sufficient maize supplies to cover its annual consumption of about 10.8 million tonnes. Moreover, South Africa is likely to remain a net exporter of maize in the 2019/20 marketing year. The exports, however, could decline by half from the 2018/19 marketing year to about 1.1 million tonnes.
- Overall, we see no reason for today's maize harvest expectations data to have a meaningful impact on prices. The data did not introduce new developments that were unknown among market players. At the core, the major factors that have been driving South African maize prices over the past couple of weeks are rather external developments -- most notably, the slow plantings in the U.S. farm-belt due to excessively wet weather conditions. Although U.S. farmers have now made progress regarding planting, albeit well behind normal schedule, there are indications of possible poor maize yields this year. This could present upward pressures on prices in the coming months.
- The other development that is key to watch, as it could have an implication on South African maize prices, is the looming Southern and East African maize needs. Our calculations suggest that Zimbabwe, Kenya and Mozambique could need at least about 2.5 million tonnes of maize. For weeks, there has been a lack of clarity about where these countries would source the needed supplies. Fortunately, Tanzania indicated earlier this week that it would avail a million tonnes of maize to Kenya within the 2019/20 marketing year. Under such a scenario, South Africa, Zambia, and possibly Mexico, would be key suppliers of maize to Zimbabwe and Mozambique. This would ultimately mean that the maize shortfall in the region would not be as severe as we initially feared. With that being said, there is still a great deal of uncertainty on this matter, and it is something that is worth monitoring over the coming months.
- These dynamics have supported domestic maize prices. On 25 June 2019, the white and yellow maize spot prices were at R2 893 per tonne and R2 862 per tonne, respectively, up by 40% and 32% from the same period last year.

- Aside from maize, the sunflower seed production estimate was left unchanged from last month at 611 140 tonnes, in line with our expectations (Figure 1). The currently expected harvest is down by 29% from the 2017/18 season. If we work with these numbers, South Africa could be a net importer of sunflower seed in the 2019/20 marketing year. The imports could amount to 80 000 tonnes, up from 1 324 tonnes in the 2018/19 marketing year.
- Meanwhile, the soybean production estimate was revised down by 6% from last month to 1.2 million tonnes. This is 21% lower than the 2017/18 harvest. This could trigger a notable increase in imports. Our initial calculations suggest that imports could possibly amount to 70 000 tonnes in the 2019/20 marketing year, which will be well above the 6 945 tonnes imported in the previous year. South Africa last imported a large volume of soybeans in 2016/17 marketing year when there was a drought and production had dropped to levels below a million tonnes – a situation far more dire than where we find ourselves today. Since the start of the 2019/20 marketing year in March 2019, South Africa has imported about 3 356 tonnes of soybeans.<sup>1</sup>

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



Source: Crop Estimates Committee, Agbiz Research

**Disclaimer:**

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<sup>1</sup> The other key summer crops that we did not discuss in this note is groundnuts (peanuts), sorghum, and dry beans, whose production estimates were all revised down from last month's estimate by 9%, 3% and 8%, respectively, to 20 580 tonnes, 161 450 tonnes, and 66 530 tonnes. The downward revisions were largely on the back of expected poor yields due to drier weather conditions during the year.