

## SA summer and winter crops data paint a mixed picture

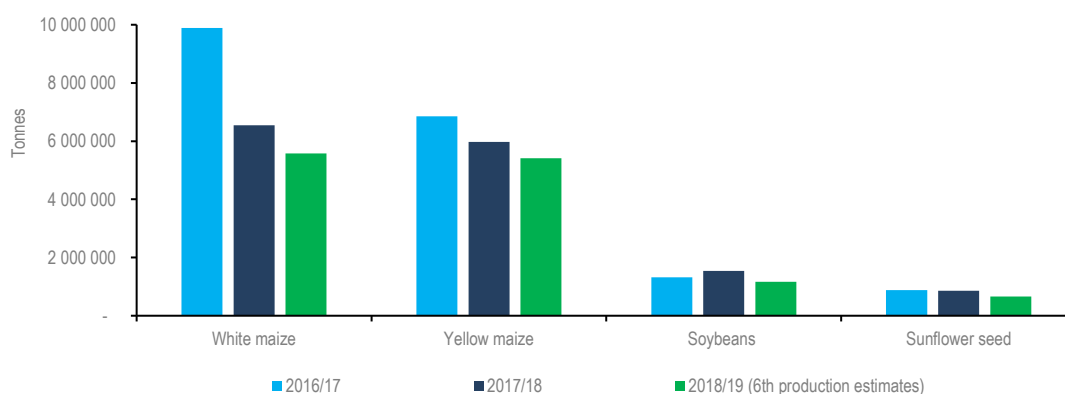
Today's data from South Africa's Crop Estimates Committee (CEC) is important from both the summer and winter crops perspective. This is particularly the case in seasons such as the current one where there has been lingering uncertainty about the potential summer crop yields, and winter crop plantings.

### Summer crops

We see today's data as a good indication of where the actual summer grains and oilseeds harvest could be, as there will be only one more update before the final harvest estimate. Moreover, the harvest process has advanced, which means the yield estimates are indicative of the situation on farms.

To zoom into the major grains, South Africa's maize production estimates were lifted by 0.42% from last month to 10.98 million tonnes. This, however, was boosted by an uptick only on white maize production estimates, which is now estimated at 5.57 million tonnes. Meanwhile, yellow maize production estimates declined marginally from last month to 5.41 million tonnes. We had feared that the white maize production estimate would be revised down somewhat due to reports of poor yields in parts of the North West – a province that produces 23% of South Africa's white maize. But Gauteng saved the day, as it saw its white maize production estimate lifted from last month, while that of North West remained unchanged.

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



Source: Crop Estimates Committee, Agbiz Research

In terms of maize supplies, today's numbers do not change our view that South Africa will be a net exporter of maize despite the estimated 10.98 million tonnes harvest being 12% less than the 2017/18 production season (corresponding with 2018/19 marketing year). At the start of the 2019/20 marketing year in May, South Africa had an opening stock of 2.8 million tonnes. If we add the stocks to the expected harvest, the country 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

25 July 2019

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exports, however, could decline by half from the 2018/19 marketing year to about 1.1 million tonnes. These exports will likely be destined to countries in the Southern African region.

We think the monthly upward revision in the harvest expectations was marginally, and thus, not think it will lead to a notable decline in prices. On 24 July, the white and yellow maize spot prices were at R2 906 per tonne and R2 788 per tonne, which is respectively up by 39% and 31% from levels seen a year ago. The price increases are a reflection of the expected lower harvest compared to the 2017/18 production season.

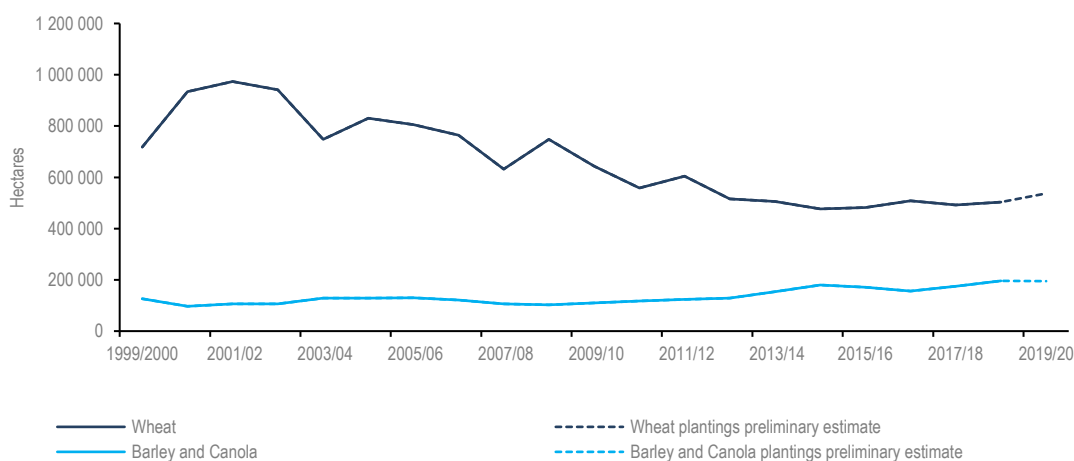
The notable developments in other summer crops were the 7% improvement in the sunflower seed production estimate from last month to 655 640 tonnes (Figure 1). This was underpinned by improved yield prospects in the Free State and North West. While this is an encouraging development, it is still 24% lower than the previous season and implies that South Africa will be a net importer in the 2019/20 marketing year (corresponds with 2018/19 production year).

In the case of soybeans, production was revised down by 4% from last month to 1.17 million tonnes (Figure 1). This was mainly due to lower than anticipated yields in parts of Mpumalanga and the Free State. The current estimate is now 24% lower than the previous season and implies that South Africa will be a net importer of soybeans and its by-products (oilcake) in 2019/20 marketing year which ends on February 2020.

## Winter crops

The CEC released its preliminary estimates of South Africa's 2019/20 wheat, barley, canola and oats plantings. The data paints a positive picture for all the aforementioned crops, as plantings are higher than the 2018/19 season. This is with the exception of canola, which registered a decline in area plantings estimate.

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



Source: SAGIS, Crop Estimates Committee, Agbiz Research

South Africa's 2019/20 wheat plantings are estimated at 536 950 hectares, up by 7% from the 2018/19 season. If we take the preliminary area estimate for wheat and assume an average yield of 3.45 tonnes per hectare, which would be lower than the 2018/19 yields, South Africa's wheat production could amount to 1.85 million tonnes. This is marginally lower than the previous season, despite the increase in area plantings. Overall, this would mean that South Africa's wheat imports could remain roughly unchanged from the current marketing year, at 1.4 million tonnes in the 2020/21 season.

The crop is generally in good condition in the Western Cape – a leading producing province – as weather conditions have generally been favourable. Going forward, it will be important to monitor weather conditions, as this will influence the crop-growing conditions. The other

*Sunflower seed harvest lifted by 7% from last month to 655 640 tonnes.*

*Soybeans harvest revised down by 4% from last month to 1.17 million tonnes.*

*These are still preliminary plantings data, an important date to keep an eye on is 27 August 2019 when the first planting estimates will be released.*

provinces have a fair share of the wheat crop under irrigation and should benefit from generally healthy dam levels, above 55% full in the week of 22 July 2019.

As encouraging as this data is, we think it will have minimal implications on wheat prices. South Africa remains a net importer of wheat, therefore global wheat production developments and currency movements often matter more in terms of price movements than the marginal adjustment in plantings locally.

South Africa's 2019/20 preliminary barley plantings are estimated at 120 500 hectares, up by 12% year-on-year. Canola plantings are estimated at 74 000 hectares, down by 4% from the 2018/19 season. The decline in the area is partly due to farmers switching to other crops – wheat and barley. Oats plantings are estimated at 22 000 hectares, up by 14% from the 2018/19 production season. As it's the case in wheat, the weather will be an important factor to monitor over the coming months in order to get a sense of whether the increased plantings will translate to an uptick in production.

Most importantly, an update of all winter crop plantings estimates will be released on 27 August 2019. This will be important data, as plantings would have been completed across the country then.

*Canola is the only winter crop that is set to experience a decline in plantings.*