

SA farmers optimistic about the 2019/20 production season

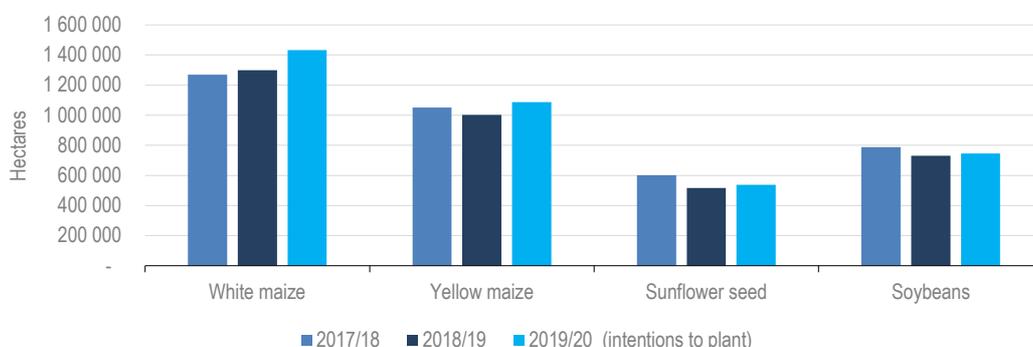
South Africa's summer crop farmers are upbeat about the 2019/20 production season as is evident in the farmers' intentions data released by the Crop Estimates Committee (CEC) this afternoon. The data showed a potential 7% y/y increase in area plantings to 3.9 million hectares.¹ The crops underpinning this potential uptick in area plantings are maize (white and yellow), sunflower seed, soybeans and groundnuts, partly because of relatively attractive domestic market prices. On 23 October 2019, sunflower seed, soybeans, yellow maize and white maize prices were up by 10% y/y, 29% y/y, 17% y/y and 21% y/y, respectively. Meanwhile, sorghum and dry beans hectares could decline notably from the area planted in 2018/19 production season.

At the farm level, however, there is still very limited activity and we are already in the usual optimal planting period for maize in the eastern regions of South Africa. The optimal planting dates for maize runs from 15 October to 15 November for the central to eastern regions. Meanwhile, the western regions' optimal planting dates are between 15 November to 15 December. The delays in plantings thus far are because of lower soil moisture as summer rains have not yet started. While this is not an ideal situation, the country is not in a panic mode. There is still sufficient time for plantings.

Most importantly, there are prospects for good rainfall in the first week of November 2019. In fact, the next three months might bring sufficient moisture in most parts of the summer growing areas of South Africa. The South African Weather Service forecasts above-normal rainfall in the central to eastern regions of South Africa between November 2019 and January 2020. This could help boost soil moisture and thereafter plantings and crop-growing conditions. The weather is an important factor which is worth monitoring over the next couple of months as it will be a key determinant of whether the farmers' optimism of raising the area plantings materialises.

Looking ahead, aside from monitoring weather conditions, an important date to keep diarised is 29 January 2020, because on this day the CEC will release its preliminary plantings estimates. In the case of major crops such as maize, the last time South Africa planted a large number of hectares close to the 2.5 million hectares intended by farmers this season, was in the 2016/17 production season. This was accompanied by a record harvest of 16.8 million tonnes. While we are not suggesting that these are levels that South Africa will attain in the 2019/20 production season, an increase of the currently intended planting size, accompanied by good rainfall, would lead to a good harvest and a decline in commodities prices. This would subsequently bode well for consumers in 2020 to begin of 2021.

Figure 1: South Africa's major summer crop plantings



Source: CEC, Agbiz Research

¹ Summer crops encompass yellow maize, white maize, sunflower seed, soybeans groundnut, sorghum and dry beans.

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Wandile Sihlobo
Chief Economist
+27 12 807 6686
wandile@agbiz.co.za

www.agbiz.co.za

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