

# Whether we will have surplus wheat in the global market hangs on the weather

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As we continue to learn to live in the Covid-19 era, the business of agriculture has to go on and provide much-needed food to the world. The focus for many countries is now on the wheat production prospects for the 2020/2021 season. The inherent uncertainty around weather conditions is a major risk to global wheat production in the foreseeable future.

Whether one looks at Europe, North America or Southern Africa, there are increasing reports of drier weather conditions. If the dryness that is now reported persists, it could threaten wheat yields. This, in turn, could lead to a downward revision to the optimistic outlook of 2020/2021 global wheat production, now estimated by the US department of agriculture at a record 768-million tonnes.

Over the past week, Romania, Russia and Ukraine are among the countries that have seen their 2020/2021 wheat production forecasts revised downwards because of expected poor yields in some spring wheat-growing regions. The same is true with the US, where analysts now have doubts that wheat yield forecasts will materialise if there aren't sufficient rains in the coming days or weeks.

For a broader update of the 2020/2021 global wheat production estimates we look forward to the US department of agriculture's world agricultural supply and demand estimates report, which will be released on June 11. In the meantime, various crop forecast analysts suggest the department might have to revise its optimistic record estimate downwards in the next release. The magnitude of such revisions will, however, largely depend on the unfolding weather conditions.

In the Southern Africa region, SA is the major wheat producer. The winter wheat planting activity in the country commenced at the start of April and will continue until the end of this month, which is when the optimal planting window closes. By the week of May 24 nearly two-thirds of the estimated 495,000ha (down 8% year on year) for the 2020/2021 season had been planted. Various regions of the major wheat-producing province, the Western Cape, have experienced persistent dryness, which slowed planting activity.

SA's crop estimates committee will release its first winter wheat production forecast on August 27. It is then that we will have a sense of how big the 2020/2021 wheat crop could be. The preliminary estimates from the International Grains Council (IGC) paint an optimistic picture of a 22% year-on-year increase in SA's 2020/2021 wheat production to 1.8-million tonnes. While it is still early to make a concrete judgment, I doubt this will materialise under the expected area plantings and reported dryness.

On April 30, the local weather bureau estimated an increased chance of above-normal rainfall in the south-western regions of SA between May and August 2020. This hasn't materialised. However, the rainfall forecast for this week promises widespread

showers over most parts of the Western Cape as a cold front moves in. This could be conducive for planting activity, and perhaps the IGC based its projections on the forecasts of the SA Weather Service.

In a nutshell, the weather remains a major risk factor that requires constant monitoring in the global wheat market. So, while the fears of global wheat supplies have been allayed after the release of the 768-million tonne production estimate for 2020/2021, a lot will depend on weather conditions over the coming weeks. Nevertheless, there is no need for panic or for major wheat-producing countries to reimpose the restrictive trade policies they implemented at the start of the pandemic when they feared wheat shortages.

The current weather forecasts suggest that though global production might not break any records, it could very well still be above the long-term average. As such there aren't signs of potential wheat shortages. This also implies that minimal risks are anticipated in terms of food price inflation for wheat products.

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