

The USDA lifts its forecasts for 2020/21 grains production

Wandile Sihlobo

June 18, 2020

This past week the United States Department of Agriculture (USDA) released an update of its World Agricultural Supply and Demand Estimates report. Our interest in it is primarily maize, wheat, rice and soybeans, specifically the 2020/21 production season estimate. The agency followed a similar path as the International Grains Council (IGC) and lifted the production estimates of all the aforementioned commodities from levels reported last month, placing maize, wheat and rice at record levels. This suggests that the reports of dryness in parts of Europe and the US might not have been as severe as previously feared. These data also reinforce a point we made in the previous notes, which is that the world is awash with grains supplies. Therefore, countries who had feared for possible shortages at the early stages of the pandemic, and placed export restrictions which were later reversed, should not attempt such policy option again.

To zoom into the details, the USDA forecasts 2020/21 global maize production at 1.2 billion tonnes, which is up 7% y/y. This is underpinned by an expected larger harvest in the US, Brazil, China and the EU, amongst other regions. The planting of this crop has advanced in the northern hemisphere and some countries; the crop has emerged and is in good condition. In the southern hemisphere, however, the 2020/21 season maize planting will only begin around October. The long-term weather forecasts generally look favourable which supports the view of a possible good crop even in southern hemisphere countries that are yet to plant the 2020/21 crop.

In terms of wheat, the USDA forecasts the 2020/21 global wheat harvest at a record 773 million tonnes, which is up 1% y/y. This is underpinned by expected large harvests in various countries which include Canada, Australia, Argentina, China, India and Kazakhstan, amongst others. This will mean that the 2020/21 global wheat stocks could increase by 7% y/y to 316 million tonnes. As previously stated, the wheat-importing countries such as South Africa stands to benefit from large global supplies, assuming there are no further restrictions on exports that will be imposed, as the data shows that there should not be global supply worries.

South Africa's 2020/21 wheat production season is underway, with plantings having largely been completed in the major producing province, the Western Cape. While the recent rains and weather outlook for the coming months paint a favourable picture for wheat production in that province, overall wheat plantings for the country are set to fall by 8% y/y to 495 000 hectares, mainly in the Free State. This means that South Africa will continue to have a large dependence on imports, about 50% of annual consumption.

In the case of rice, the USDA has maintained its production forecast at a record 502 million tonnes, up 2% y/y. Under this production estimate, global rice stocks could also lift by 2% y/y to 185 million tonnes. This would add bearish pressure on prices and, in turn, be beneficial to import countries like South Africa.

In a nutshell, as we stated when the IGC had released its production forecasts, the weather remains a major risk that requires constant monitoring in the global grains market over the coming months. With that said, the available weather-related and production data suggest that this could be a good season. We, therefore, think there is no need for major grain-producing countries to re-consider the restrictive trade policy they had intended to implement at the start of the pandemic when they feared for grain shortages. There are currently large supplies in the market from the 2019/20 season, and the 2020/21 production season promises to be even much better.

Sihlobo is chief economist of the Agricultural Business Chamber of South Africa (Agbiz) and author of [FINDING COMMON GROUND: Land, Equity and Agriculture.](#)