

Sentiment around wheat does a U-turn after favourable rains

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As SA's summer crop — which includes maize — is set to be one of the best on record, focus now shifts to the outlook for winter crops, specifically wheat. Alas, for wheat farmers the 2020/2021 season had a bad start because of dry weather conditions, and production forecasts looked bleak.

The Western Cape, which typically accounts for two-thirds of SA's winter wheat plantings, experienced a delay of about three weeks in plantings. Ahead of the start of the season the crop estimates committee projected that plantings could fall by 2% year on year in the province. And after accounting for unfavourable weather conditions in other provinces, the committee estimated an overall 8% year-on-year decline in national winter wheat plantings for the 2020/2021 season.

But that dim view is quickly changing after early rains enabled farmers to accelerate plantings in the Western Cape and other provinces. The various interactions we have had with farmers in the Western Cape suggest the area planted under wheat could be the same as in 2019/2020. We will have a clearer view of this when the crop estimates committee releases its preliminary area estimate data for winter crops on July 29.

What is clear at the moment is that sentiment about the 2020/2021 winter wheat has improved notably since the start of the season. The recent rains in the Western Cape were particularly important in improving soil moisture. Provided there are good follow-up rains in the coming month it is reasonable to assume this could be a strong production season for winter wheat farmers in the province. There is certainly a case for such optimism if one considers the latest reports from the SA Weather Service, which forecasts increased chances of above-normal rainfall over the south-western regions of SA between July and October. The late start of the season means crops will require moisture for a longer period than usual, hence the forecasts are a positive signal for winter wheat.

It will be a month until we have a sense of how much the latest rains will contribute to overall output, as the committee will release its first production forecast on August 27. For background, in the 2019/2020 production season SA harvested 1.5-million tonnes of wheat, which was down 18% year on year. The country had to increase the volume of imports by 32% to about 1.8-million tonnes to meet the required annual domestic consumption. Average annual imports of wheat are usually about 1.6-million tonnes. About 85% of this has thus far landed on SA shores, and the rest could arrive before the end of the marketing year on September 30.

The import requirements for the 2020/2021 marketing year, which starts on October 1, will be clearer once we have a reliable estimate of the potential harvest. If weather conditions remain favourable, as the aforementioned forecasts suggest, we could see an increase in domestic wheat production. Under such a scenario wheat imports could be lower than the estimated 1.8-million tonnes of the 2019/2020 season.

Fortunately, the global wheat market, on which SA remains dependent, is in good shape. The US department of agriculture forecasts 2020/2021 global wheat production at a record 769-million tonnes, up 1% year on year. There are, however, reports of dryness in parts of Europe and the US, which will need close monitoring in the coming weeks.

In a nutshell, SA's 2020/2021 winter wheat production conditions have improved notably from the worrying outlook at the start of the season because of beneficial rains, specifically in the Western Cape. But the country will remain dependent on global wheat supplies for half of its annual consumption. The indications on the global front are positive for the 2020/2021 wheat harvest, though dryness could become a challenge for parts of Europe and the US.

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