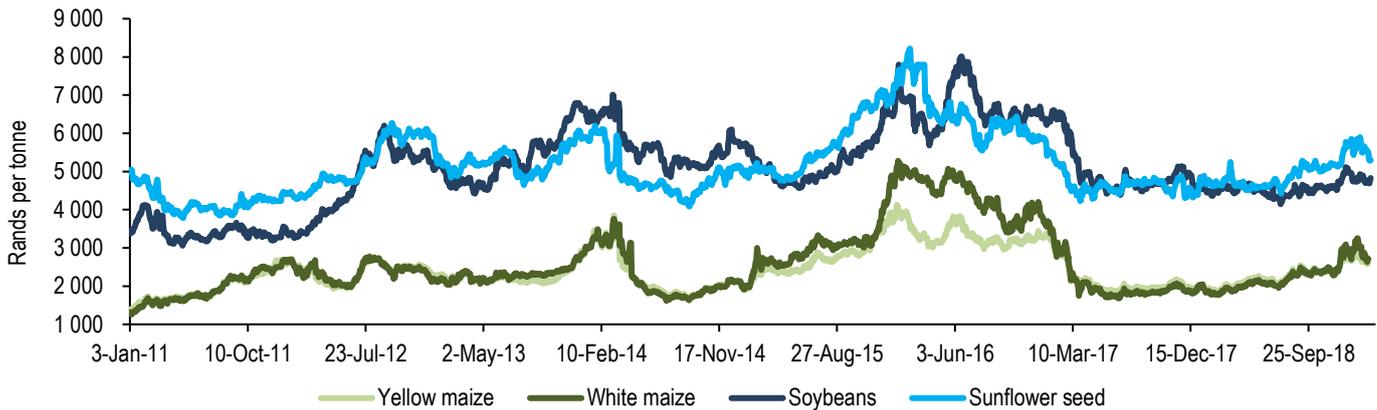


## Weather and climate variability key factors underpinning SA agriculture

---

- The widespread rainfall over the past two weeks has improved summer grain and oilseed crop conditions across the country. The outlook for the next couple of weeks is positive, according to a recent report from the South African Weather Service. The weather bureau noted a possibility of above-normal rainfall over the next two months in summer rainfall areas, which should support the late-planted areas. While this is a welcome development, it is worth noting that this is not a normal rainfall pattern for South Africa. The crop would typically be maturing around April, but this time things are different due to late plantings, on the back of delayed rainfall.
- At the moment, there are two fundamental aspects that underpin the weather factor in South Africa's agricultural sector. Firstly, is the "inter-seasonal variation" in rainfall. The country now receives average annual rainfall that is lower compared to past trends. South Africa has received an average of 526 mm of rainfall per year over the past 60 years. However, the recent past has seen a progressive decline in annual average rainfall, with the post-2010 annual rainfall averaging 7% lower compared to the previous three decades (1970-2010).
- Secondly, is the "intra-seasonal variation" in which the geographic and temporal distribution of rainfall seems to have shifted over time. Anecdotal evidence suggests a delay in the onset of the summer season. For example, the peak rainfall period in South Africa was around early October in the eastern regions and from November in the western regions each year. Recent rainfall patterns have seen a three-to-six-week delay, which translates to a shift in optimal planting dates for summer grain and oilseed, and subsequently the maturing periods.
- These weather shifts have been a continuous challenge for farmers in terms of planning the planting periods so they can coincide with peak rainfall patterns in order for crops to receive sufficient moisture for seed germination and crop development. Moreover, the nature of a change in rainfall pattern is exemplified by this season's weather conditions where rainfall is expected to remain above-normal levels until April, compared to March in a typical season.
- On a positive note, this will support the late-planted crops which will still need moisture for development over the coming months. But the key concern for late-planted areas is a possibility of frost later in the season, as that could negatively affect crop yields. In our interaction with a couple of farmers over the weekend, this was one of the factors that were flagged as a key concern, particularly in late-planted areas of the Free State and North West.
- Overall, the impact of improved weather conditions is illustrated by a widespread decline in SAFEX grain and oilseed prices from levels seen last month when there was no clarity whether farmers will be able to plant a meaningful area, and also the scale of plantings (Figure 1). Looking ahead, the crop could remain in fairly good shape over the coming weeks owing to expectations of rainfall. What will be more important to keep an eye on is the first production estimates data for a summer crop and oilseed which is due for release on 27 February 2019. Some crop observers such as the International Grains Council and the United States Department of Agriculture estimate that South Africa's 2018/19 maize harvest could vary between 10.7 and 11.5 million tonnes.

**Figure 1: South Africa's maize, soybean and sunflower seed prices**

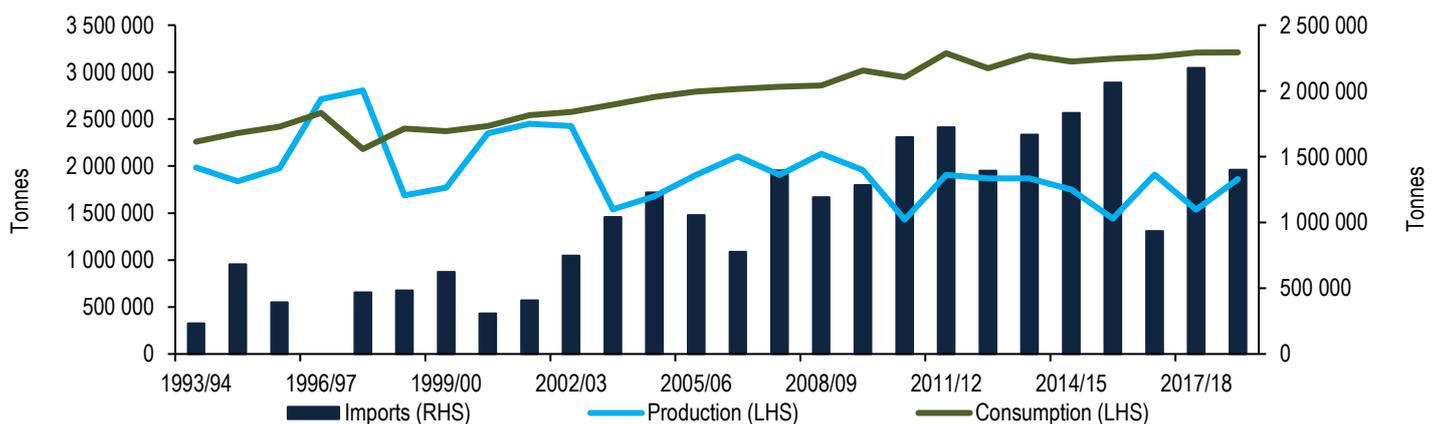


Source: Bloomberg, Agbiz Research

## Update on South Africa's wheat market

- Last month, the Crop Estimate Committee revised its production estimate for South Africa's 2018/19 wheat production down by 2% from December 2018 to 1.8 million tonnes. But this is still 20% higher than the 2017/18 harvest, due to an uptick in the Western Cape harvest as the province recovered from the 2017 drought. The expansion in area planted also contributed to the expected increase in wheat production. As we have highlighted in our previous notes, the annual uptick in wheat production could lead to a 36% year-on-year decline in South Africa's 2018/19 wheat imports to 1.4 million tonnes (Figure 2). In the week of 08 February 2019, about 17% of this had already landed on South African shores. An additional volume will be delivered between this month and September 2019, which is the last month of the 2018/19 marketing year.
- At the end of the week of 15 February 2019, SAFEX wheat prices were up by 29% from levels seen in the corresponding period last year, trading around R4 559 per tonne. This uptick was partly underpinned by higher Chicago wheat prices from levels seen a year ago, as well as the relatively weaker domestic currency. The increase of Chicago wheat prices can partly be explained by the expected lower global harvest on the back of unfavourable weather conditions in parts of the European Union, Australia, and the Black Sea, amongst other regions. The International Grains Council forecasts 2018/19 global wheat production at 737 million tonnes, down by 4% from the previous season. The global wheat ending stocks could subsequently fall by 3% from 2017/18 to 263 million tonnes.

**Figure 2: South Africa's wheat production, consumption and imports**

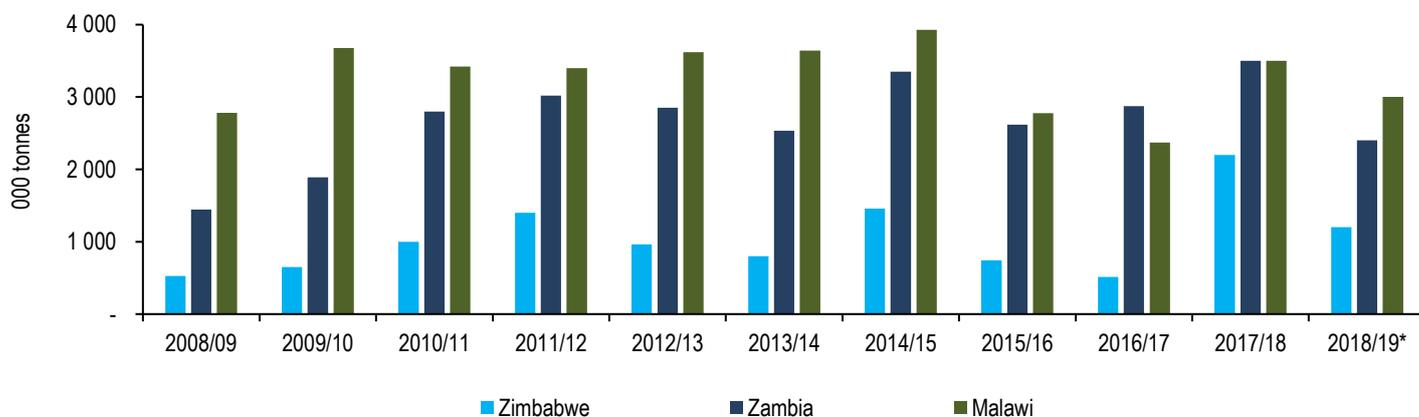


Source: SAGIS, CEC, Agbiz Research

## Update on regional maize market

- Parts of Zambia, Zimbabwe and Malawi received good showers in the past couple of weeks, which led to a slight improvement in maize crop conditions. The recent reports from Zambia suggest that the country's Grain Traders Association currently forecasts the 2018/19 maize harvest at 2.9 million tonnes, which is well above the International Grains Council estimate of 2.4 million tonnes. With that said, this is still 19% lower than the previous season's harvest due to drier weather conditions at the start of the season. Nonetheless, this will not make Zambia a net importer of maize in 2019/20 marketing year (this corresponds with the 2018/19 production season). The country has carryover stocks of about 785 000 tonnes, which will be an opening stock in the new marketing year. This means that Zambia's maize supplies could be about 3.6 million tonnes in 2019/20 marketing year, which is well above the annual maize consumption of roughly 2.5 million tonnes.
- In Zimbabwe, crop conditions have improved somewhat following recent rainfall. But the 2018/19 maize harvest expectations remain fairly unchanged, at 1.2 million tonnes, down by 45% year-on-year, according to data from the International Grains Council. But the local observers such as the Zimbabwe Commercial Farmers Union, paint a slightly gloomier picture, suggesting that 2018/19 maize production could amount to 900 000 tonnes.<sup>1</sup> Given that Zimbabwe's maize carryover stock of roughly 458 000 tonnes from the 2018/19 marketing year will not be sufficient to boost its maize supplies in the 2019/20 marketing year, the country could remain a net importer of maize. If we account for the fact that Zimbabwe's maize consumption typically varies between 1.8 million and 2.0 million tonnes, then maize imports for the 2019/20 marketing year will most likely amount to 700 000 tonnes.
- The cropping conditions across Malawi are favourable and could lead to average yields.<sup>2</sup> The International Grains Council forecasts Malawi's 2018/19 maize production at 3.0 million tonnes, down by 14% from the previous season due to prospects of unfavourable weather conditions. Moreover, the country's maize stocks are tight, estimated at 50 000 tonnes at the end of the 2018/19 marketing year. With that said, the country might not need notable imports to supplement its supplies in 2019/20 marketing year as annual maize consumption is estimated at 3.0 million tonnes.

Figure 3: Malawi, Zambia and Zimbabwe maize production



Source: International Grains Council, Agbiz Research

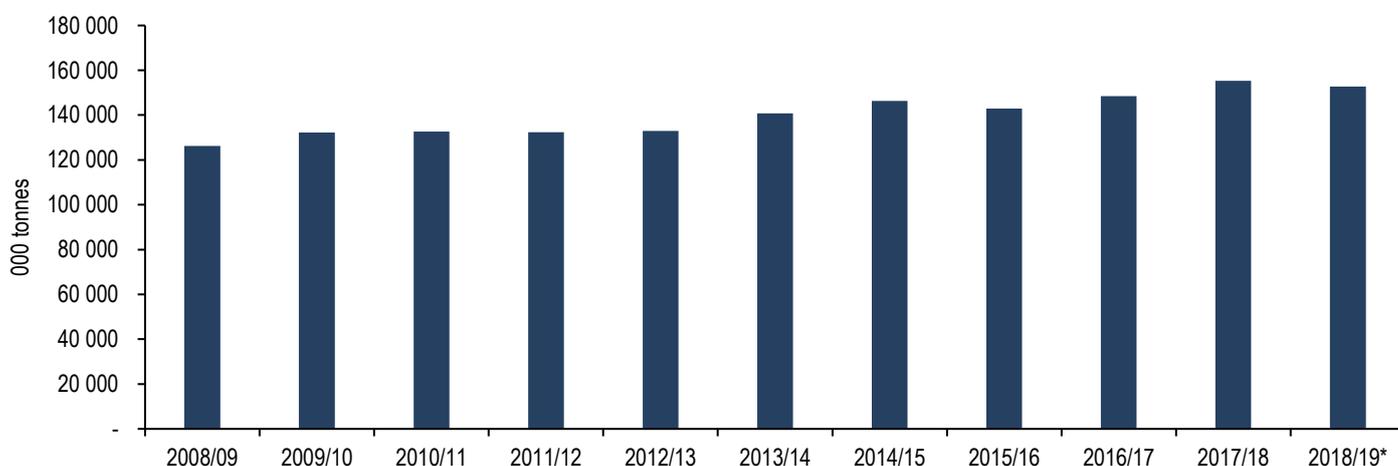
<sup>1</sup> Read more about Zimbabwe's maize production outlook: <https://bulawayo24.com/index-id-news-sc-national-byo-156368.html>

<sup>2</sup> For more information on Malawi maize crop conditions: [https://reliefweb.int/sites/reliefweb.int/files/resources/Southern%20Africa%20-%20Key%20Message%20Update\\_%20Wed%2C%202019-02-13.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/Southern%20Africa%20-%20Key%20Message%20Update_%20Wed%2C%202019-02-13.pdf)

## Update on Africa's grain and oilseed production into 2018/19 production season

- Late last year, we presented Africa's 2018/19 grain and oilseed production outlook, with estimates then pointing to a 154 million tonnes harvest, which is marginally lowered than the previous season's harvest of 155 million tonnes. The recent update shows a downward revision to 153 million tonnes, which is a percentage point lower than the previous season, according to data from the International Grains Council (Figure 4).
- In this context, *grains* include maize, barley, wheat, sorghum and oats, while *oilseeds* refer to soybeans. The continent's 2018/19 soybean production is estimated at 2.7 million tonnes, unchanged from the previous season. This means that the African continent will remain a net importer of grains, although the import status differs across countries.
- Africa's 2018/19 wheat imports are estimated at 49 million tonnes, down by 6% from the previous season despite an anticipation for a slight uptick in production in countries such as Algeria, Morocco and South Africa. Although volumes differ from the previous season, Algeria, Egypt, Morocco, Tunisia, Kenya, Nigeria, South Africa and Sudan will remain Africa's leading wheat importers in the 2018/19 season, collectively accounting for 74% of the continent's wheat imports. Africa is an important player in the global wheat market as it accounts for nearly a third of imports in 2018/19.
- The African continent's 2018/19 maize imports are estimated at 22 million tonnes, which is slightly above the previous season's harvest. The North African countries, namely, Algeria, Egypt, Morocco and Tunisia are the key importers, accounting for 82% of the expected imports. Within the sub-Saharan region, the leading maize importers in 2018/19 are Kenya and Zimbabwe.
- In terms of soybeans, Africa's soybean imports could amount to 4.7 million tonnes in the 2018/19 season, up by 9% year-on-year. About 77% could be imported by Egypt and the rest spread across the continent.
- In addition, Africa's 2018/19 rice imports could amount to 19 million tonnes, up by 12% from the previous season. Benin, Côte d'Ivoire, Nigeria, Senegal, South Africa, Ghana and Mozambique are set to be the key importers.

Figure 4: Africa's grain production (maize, barley, wheat, sorghum and oats)



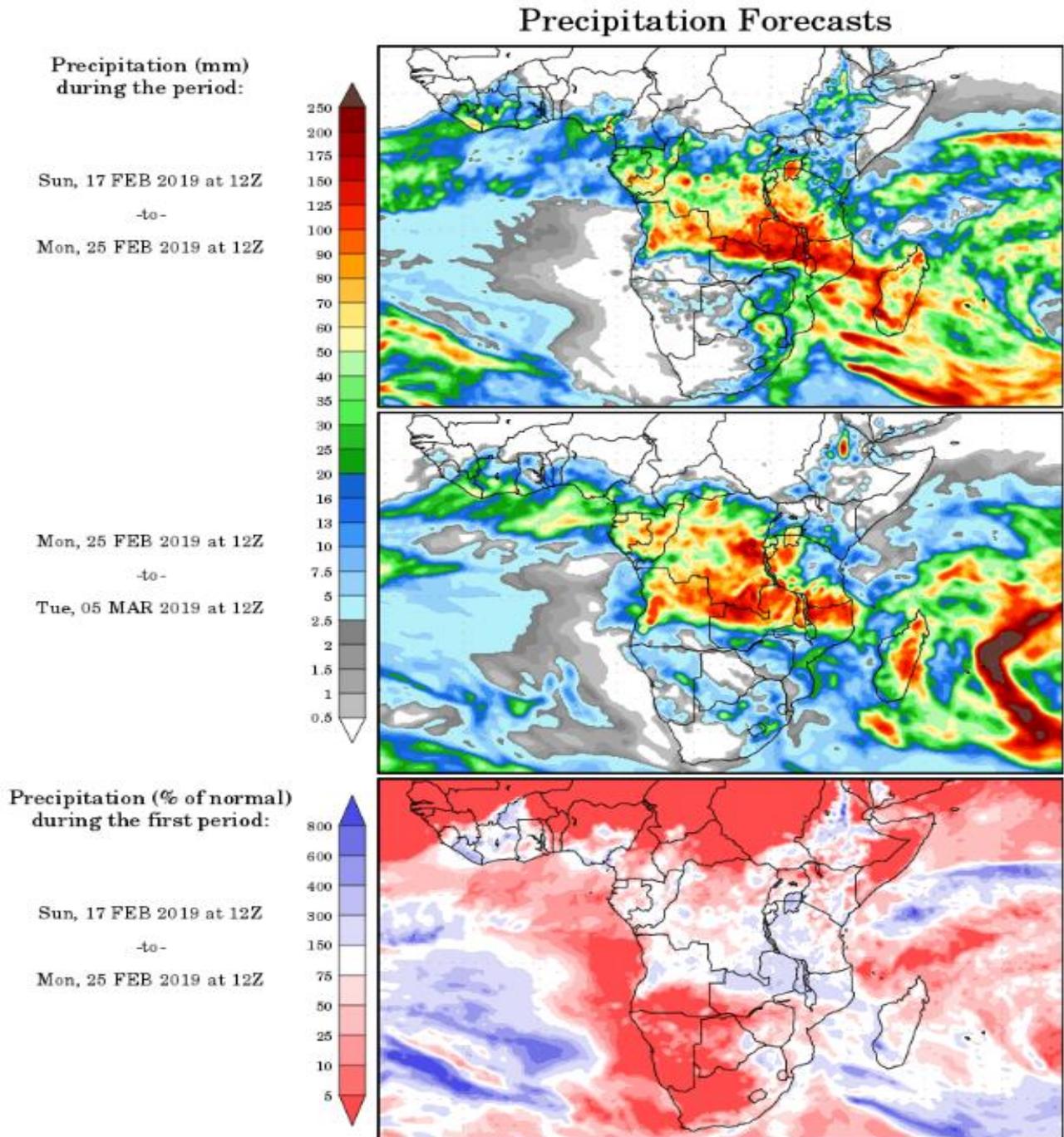
Source: International Grains Council, Agbiz Research

## Our takeaway messages this week

---

- The widespread rainfall over the past two weeks has improved summer grain and oilseed crop conditions across the country. The precipitation outlook for the next couple of weeks is positive, according to a recent report from the South African Weather Service. All this has added pressure on SAFEX grains and oilseeds prices.
- We also discuss weather shifts which have been a continuous challenge for farmers in terms of planning the planting periods.
- Overall, what will be more important to keep an eye on in the near term in the SAFEX grains and oilseed market is the first production estimates data for a summer crop and oilseed which is due for release on 27 February 2019. Some crop observers such as the International Grains Council and the United States Department of Agriculture estimates that South Africa's 2018/19 maize harvest could vary between 10.7 and 11.5 million tonnes.
- From a winter grain perspective, the marginal downward revision of South Africa's 2018/19 wheat production from December 2018 to 1.8 million tonnes does not change the fact that imports could fall by 36% year-on-year to 1.4 million tonnes. In the week of 08 February 2019, about 17% of this had already landed on South African shores.
- Within the region, parts of Zambia, Zimbabwe and Malawi received good showers in the past couple of weeks, which led to a slight improvement in maize crop conditions. But, the outlook for Zimbabwe's maize production remains bleak, while other countries are fairly positive.
- Late last year, we presented Africa's 2018/19 grain and oilseed production outlook, with estimates then pointing to a 154 million tonnes harvest, which was marginally lower than the previous season's harvest of 155 million tonnes. The recent update shows a downward revision to 153 million tonnes, which is a percentage point lower than the previous season.

Figure 5: South Africa's precipitation forecast



Source: wxmaps

**Key Data Releases in the Agricultural Market:**

- SAGIS producer deliveries data: 20/02/2019
- SAGIS weekly grain trade data: 21/02/2019
- National Crop Estimates Committee's monthly data: 27/02/2019

**Disclaimer:**

Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any loss or damage incurred due to the usage of this information.