Wandile Sihlobo | Chief Economist | Tel: +27 12 807 6686 | Email: wandile@agbiz.co.za

September 26 2024

The impact of the mid-summer drought on South Africa's 2023-24 crop continues to bite

- South Africa is on its eighth summer grain and oilseeds production forecast for the 2023-24 season. There are two more monthly reports to follow. Given that we are at the tail end of the season and will soon be in the optimal planting window for the 2024-25 production season from mid-October, we thought there would be no major revisions of the production figures at this late stage. But this has not been a typical season, and the lower producer deliveries we have been observing over the past few weeks are not only a function of on-farm storage but a poor harvest. Indeed, we struggled with a mid-summer drought in February and March, undermining crop yield potential in various regions.

- This afternoon, South Africa's Crop Estimates Committee lowered again the 2023-24 summer grain and oilseeds production estimate by 2% from last month to 15,45 million tonnes. The major downward revision was in maize, sunflower seed, and groundnut harvest. The 2023-24 summer grain and oilseeds harvest is now down 23% from the previous season.

Maize

- If we zoom into maize, the major staple, the 2023-24 harvest is now estimated at 12,80 million tonnes, down 2% from last month and 22% from the previous season. This sharp decline in harvest prospects signifies the harsh impact of the drought. Of the current estimate, white maize is about 6,08 million tonnes (down 2% m/m), with yellow maize at 6,72 million tonnes (down 2% m/m). The current maize crop of 12,80 million tonnes is the lowest in six years, again showing the sharp impact of the drought.

- We believe the expected harvest and carryover stocks from last season will meet South Africa's annual maize consumption of roughly 12,00 million tonnes. This will still leave the country with a sizable volume for export markets. The data from the South African Grains and Oilseed Supply and Demand Estimates Committee suggests that South Africa's maize exports could reach 1,85 million tonnes in the 2024-25 marketing year (this corresponds with the 2023-24 production season). In the week of September 13, about 843k tonnes had already been exported (the 2024-25 marketing year started on May 1).

- In this export forecast, about 1,20 million tonnes will likely be white maize, with 650k tonnes could be yellow maize. Still, the estimated exports of 1,85 million tonnes are down notably from 3,40 million tonnes in the previous 2023-24 marketing year (this corresponds with the last 2022-23 production season). With the further downward revision of the harvest, we suspect that the export figure may have to be revised somewhat, particularly the white maize component.

- Also worth noting is that while South Africa will likely remain the net exporter of maize in the 2024-25 marketing year (which corresponds with the 2023-24 production season), the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina through Cape Town.

- South Africa's 2024-25 maize imports currently stand at 173k tonnes. The imports for the year (2024-25 marketing year) could rise to 350k tonnes. Brazil is another potential supplier of yellow maize to South Africa. Notably, after accounting for these potential imports, South Africa will likely remain a net maize exporter.

- Importantly, these figures are still tentative. There may still be adjustments in the coming months, particularly on white maize export forecasts. We are in a tricky season with many unknowns, and the recent downward revision of white maize has further complicated an already challenging season.

Oilseeds

- Unlike other crops, South Africa's 2023-24 soybean harvest is up 2% from last month to 1,8 million tonnes (down 35% y/y). This annual decline results from lower yields in various regions of South Africa. We now believe South Africa may not play a robust position in soybean exports like the previous season. If anything, soybean oilcake imports this new season are now a possibility.

- Regarding the sunflower seed, the harvest estimate is down 2% from last month at 635 750 tonnes (down 12% y/y). This is on the back of poor yields and reduced area plantings.

Other grains

- The 2023-24 groundnut harvest estimate is 51 745 tonnes (down 2% y/y), sorghum is at 95 830 tonnes (up 2%), and dry beans are at 50 495 tonnes (up 0,4%).

Concluding remarks

- Ordinarily, at this time of the season, we would not be reflecting in depth on a season we are closing. Our focus would be on the upcoming season as plantings would have already started in some areas, and the optimal planting window opens in mid-October in the country's eastern regions for grain and oilseeds, mainly yellow maize and soybean plantings. However, the lower producer deliveries in recent weeks and further downward revision of the summer grain and oilseeds worry us about potentially tighter supplies at the end of this year and into the first quarter of 2025.

- Moreover, the export forecasts seem reasonably optimistic, given the current unknown risks and the downward revision of the harvest. Thus, we believe it may be slightly lowered, especially the white maize export figure.

- The implication for the consumer is that white maize prices may remain elevated over the near term. On September 26, the white maize spot price traded around R5 505 per tonne, roughly 38% up year-on-year. Meanwhile, yellow maize was at R4 240 per tonne, up 10% year-on-year. The price difference is because of the abundant yellow maize supplies in the world market relative to scarce white maize. The regional demand for white maize will also continue to present upward price pressures, especially towards the end of the year and going into the first few months of 2025.