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SA farmers will likely plant a slightly bigger area for grains and oilseeds in the 2024-25 season

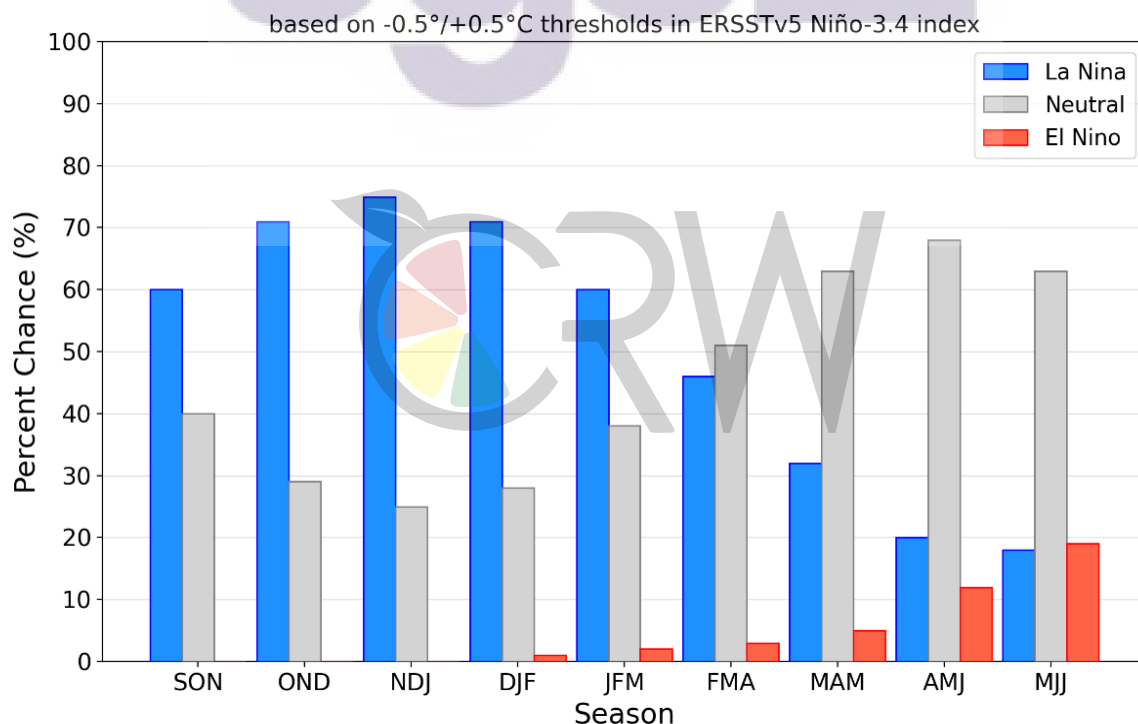
- After a challenging 2023-24 summer crop season, which saw South Africa's grains and oilseeds production falling by 24% year-on-year to 15,39 million tonnes, the recovery period may be in sight. The data released by the Crop Estimates Committee this afternoon shows that South African farmers intend to plant 4,47 million hectares of summer grains and oilseeds in the 2024-25 season. This is up mildly by 1% from the previous season.
- The planting intentions for white maize are at 1,58 million hectares (up 1% y/y), and yellow maize is at 1,06 million hectares (down 2% y/y). The overall maize planting intentions are at 2,64 million hectares (up 0,2% y/y), which aligns with the five-year average area. The planting intentions for soybeans are at 1,2 million hectares (up by 0,2%), the largest area on record. The sunflower seed planting intention is 540k hectares (up 2,1% y/y), slightly below the average planting of 554k hectares. The planting intentions for groundnuts are 40k hectares (down 2,9% y/y), sorghum at 54k hectares (up 28% y/y), and dry beans at 45k hectares (up 14% y/y).
- We think there are three primary drivers of this optimism. First, the relatively higher grains and oilseed prices on the back of the poor harvest in the past season provide an incentive for increased planting in the 2024-25 season. Second, the season starts with relatively better-priced input costs than the past season. For example, in rands terms, most fertilizer product prices were down by roughly 10% year-on-year in September 2024 compared with the previous year. Since fertilizer accounts for approximately a third of the grain farmers' input costs in South Africa, such a price decline significantly improves farmers' finances.
- Also worth noting is that in rands terms, herbicide prices were down by around 20% in August 2024 compared with the same period last year. The prices of insecticides were down by roughly 15% year-on-year in August 2024. Since herbicides and insecticides comprise about 10% of grain farmers' input costs, declining prices help with operational costs. The stronger domestic currency, combined with the decline of these prices in the international market, is a significant factor behind the decrease in domestic prices. The recent easing in fuel prices at a time of high usage during planting is another positive factor regarding the operating conditions in the farming sector.
- Lastly, the prospects of a La Niña-induced rainfall in the 2024-25 summer season is another additional factor to be optimistic about the agricultural outlook in South Africa. Indeed, most regions of the country have not received any meaningful rains, but it is still early, and we suspect there could be a late start to the season. The comforting observation is that the major weather forecasters continue to see the likelihood of the La Niña event this season. For example, on October 15, the Australian Bureau of Meteorology noted, "The ENSO Outlook is currently at La Niña Watch, meaning there remain some

signs that a La Niña may form later in 2024". The Columbia Climate School at Columbia University sees the probability of La Niña occurrence at over 60% between October 2024 and January 2025. From February, the prospects slow to below 50%, with normal weather conditions dominating throughout the summer season.

- An important point to underscore here is that "normal" weather conditions in a summer season imply regular rainfall, not drought or "El Niño". Therefore, the normalizing weather prospects from February should not be a significant worry.
- Admittedly, the South African Weather Service (SAWS) has been more cautious than its peers to make a bold call on where we are regarding the weather prospects. On October 5, in its monthly Seasonal Climate Watch, the SAWS stated, "The El Niño-Southern Oscillation (ENSO) is still in a Neutral state and is predicted to weaken further. Current predictions indicate the development of a La Niña state during the start of the summer season; however, there is still significant uncertainty in the predictions. It is advised to monitor the ENSO system during the start of the summer season, as it may change the rainfall outlook for the summer rainfall regions if and when the La Niña materializes."
- Overall, these are intentions to plant, not an actual area. The preliminary area planting will only be out at the end of January 2025. Over the coming weeks, our focus will be on rainfall conditions and the progress of plantings across the country. We remain optimistic that we may recover, but the season will be delayed than usual.

Exhibit I: La Niña prospects

Official NOAA CPC ENSO Probabilities (issued October 2024)



Source: Columbia Climate School at Columbia University