

28 May 2024

SA's summer grains and oilseed production estimate slightly lowered from last month

- We appreciate that the minds of many South Africans are on tomorrow's national elections, but food matters remain vital in the midst of all. Thus, reflecting on the latest Crop Estimates Committee's (CEC) forecasts for the 2023/24 summer crop production season is valuable. This is a fourth production estimate for the season, and the harvest across the country is underway, so we may put more weight on the accuracy of this figure than our tentative view in the previous estimates.
- The CEC places South Africa's 2023/24 total summer grains and oilseed production forecast at 15,9 million tonnes, down 0,5% from the previous month's forecast and 21% lower than the last season's harvest.

Maize

- A closer look at the data shows that white and yellow maize harvest could be 6,4 million tonnes (down 0,9% m/m) and 6,9 million tonnes (down 0,3% m/m). These revisions place the total maize production estimate at 13,3 million tonnes (down 0,6% m/m).
- When viewed annually, white maize harvest is down 25%, with yellow maize down 13% from the 2022/23 season. The expected harvest of 13,3 million tonnes is down 19% from the 2022/23 season.
- We are optimistic that this harvest may materialize, although we are unsure of the quality. Suppose we are correct; this harvest would meet South Africa's annual maize consumption of roughly 12,00 million tonnes, leaving the country with over a million tonnes for exports.
- With that said, maize prices will likely remain elevated for some time because of potentially tighter supplies later in the season. Admittedly, in recent weeks, white and yellow maize prices have moderated from the levels we saw last month because of the harvest pressure, amongst other factors. Still, white maize prices are over 30% higher than levels we saw a year ago, with yellow maize prices up roughly 7% from a year ago. The white maize spot price closed at R5 005 per tonne today, while the yellow maize spot price was at R4 035 per tonne.
- As highlighted in our previous notes, yellow maize prices have not increased much, as the supply risk could be manageable through imports. There are ample maize supplies (yellow) in the world market. The International Grains Council (IGC) forecasts the 2023/24 global maize harvest to be 1,2 billion tonnes, up 6% year-on-year. A majority of this expected global maize is yellow. The stocks are also robust, thus keeping the international yellow maize prices moderate. This also partly explains the

relatively mild increase in yellow maize prices compared with the surge in white maize prices, which is scarce in the world market and primarily produced in Southern Africa and Mexico.

Oilseeds

- The 2023/24 soybean harvest was lowered by 2% from last month to 1,7 million tonnes (down 36% 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.
- Meanwhile, the sunflower seed harvest estimate was again lifted from last month by 6% to 649 250 tonnes (down 10% y/y). The area plantings are moderately down from the previous year, which means the primary driver of the annual decline in the harvest is the expected poor yields, especially as most of South Africa's sunflower seed is planted in the western regions that experienced dryness and heatwave in February and March.

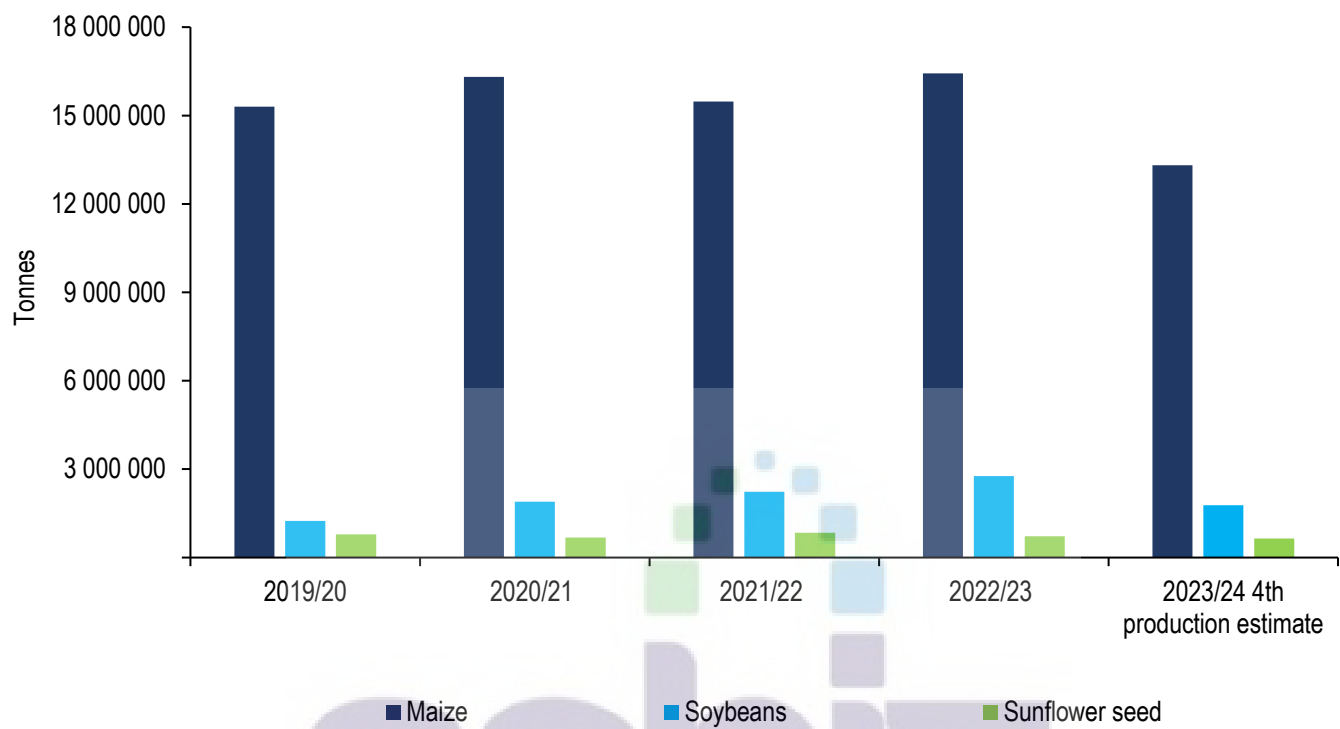
Other grains

- The 2023/24 groundnut harvest estimate is 54 440 tonnes (up 3% y/y), sorghum is at 95 830 tonnes (up 2%), and dry beans are at 52 190 tonnes (up 4%).

Concluding remarks

- The current production data illustrates the scale of damage caused by the mid-summer drought to the South African agricultural sector. The complete scale of the financial impact of this drought on the farming businesses is yet to be clear.
- Still, from a consumer perspective, South Africa is not in a crisis, in our view. The recent drought presents upside risks to food price inflation but not the overall basket. The challenge is primarily the white maize, especially considering the potentially more robust regional demand later in the year.
- The favourable supplies of other grains in the world market, mainly yellow maize (also rice and wheat), and the moderating prices mean South Africa could be slightly cushioned in these commodities.
- As stated in our previous notes, the IGC forecasts the 2023/24 global wheat harvest to be 789 million tonnes, well above the long-term average. There is a lot of rice globally, with the 2023/24 global harvest forecast at 511 million tonnes, well above the long-term average.
- The 2023/24 global sunflower seed harvest is forecast at 57,9 million tonnes, well above average. The prospects for the new season are also comfortable at the global level.
- Still, the exchange rate will be necessary to monitor when assessing the possible imports of wheat, palm oil and rice into South Africa.

Exhibit I: South Africa's major summer grain and oilseed production



Source: Crop Estimates Committee and Agbiz Research