

02 October 2023

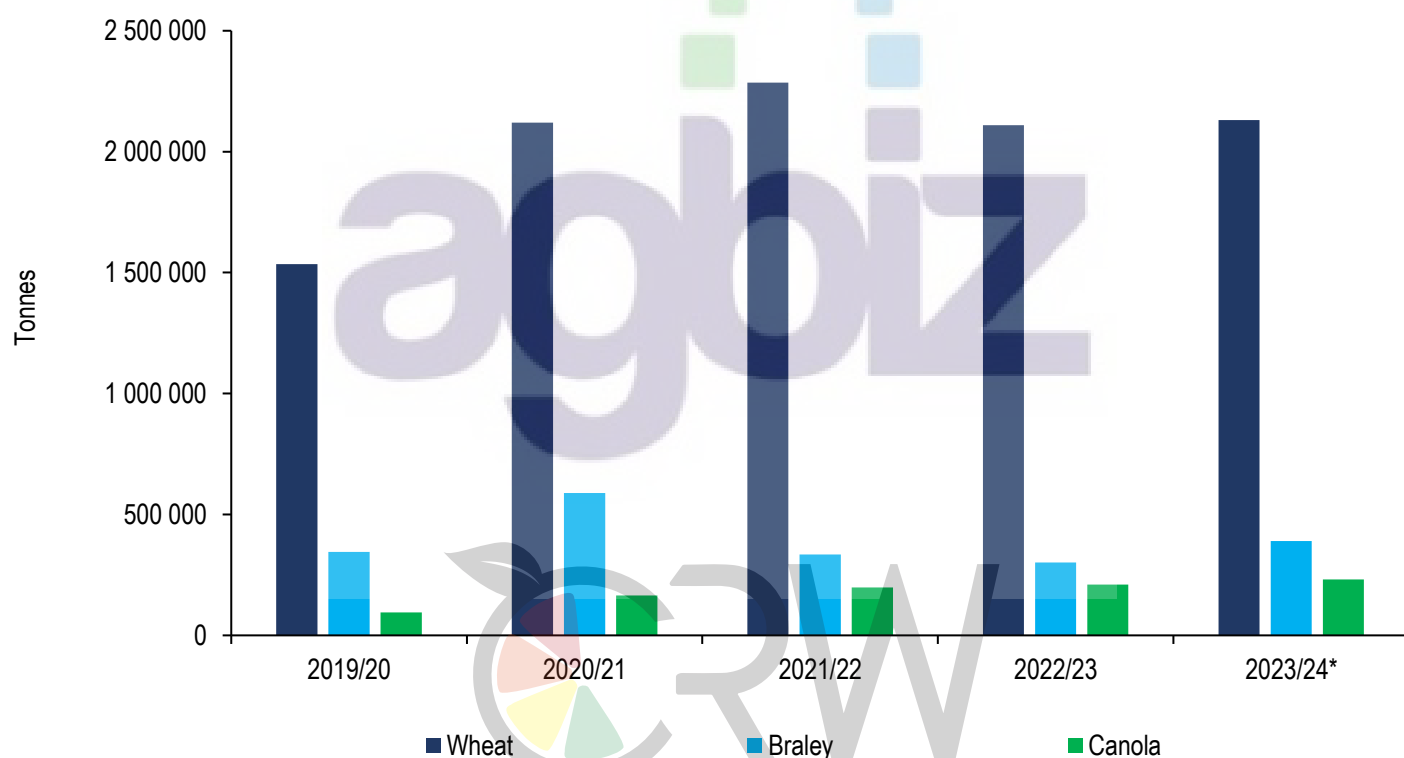
Preliminary views on the impact of the recent floods on the Western Cape's agriculture

- The Western Cape, which accounts for over two-thirds of South Africa's winter crops and a large share of wine grapes and various horticulture products, faced another heavy and destructive flood this past week. The rainfall peak was mainly the Bredasdorp in the Southern Overberg region. Significant damages to farm infrastructure, electricity supply and road networks are reported in various small farming towns of the province, mainly the southern areas. Still, the impact of the floods on wine grapes and table grapes remains unclear as industry horticulturalists continue assessing the fields. We have seen anecdotal evidence of damages in some storage facilities and crop fields in the southern regions of the province. Another challenge caused by wet soils has been the difficulties of tractors spraying herbicides and fertilizers, so some farmers now use drones to spray the fields. Perhaps this is a positive step toward technological advancement accelerated by unfavourable weather conditions.
- Regarding the winter crops, mainly wheat, barley and canola, the focus has been on whether the excessive rains would undermine the yield potential. As best as we can tell, and from various interactions with farmers in the Western Cape, we suspect the impact on crops will be minimal, but the harvest quality may be an issue. The southern regions could have some damage, but its scale remains unclear. We maintain a positive view of South Africa's 2023/24 winter crop harvest. On 27 September 2023, the Crop Estimates Committee (CEC) released its second production estimates for winter crops and kept wheat harvest at 2,1 million tonnes, up 1% from the previous season. Importantly, this is well above the 10-year average harvest of 1,8 million tonnes. This is supported by an expected large crop in the Western Cape and Limpopo, which overshadowed the anticipated decline in the Free State, Northern Cape and other provinces. This means that the crop conditions in the Western Cape are far more consequential for South Africa's winter wheat harvest size. Monitoring crop conditions in the coming weeks remains crucial to us.
- Assuming that there will be no major changes in the crop forecast in the coming months, one can be confident that a wheat harvest of 2,1 million tonnes implies that South Africa will likely need to import about 1.6 million tonnes of wheat to meet domestic consumption in the 2023/24 season (down from the forecast 1.7 million tonnes in the 2022/23 season). Still, we must keep an eye on the CEC report of 26 October, as this would have accounted for the impact of the heavy rains in the Western Cape.
- Moreover, the 2023/24 barley production is estimated at 389 920 tonnes (up 29% y/y). This will be the largest crop in three years and will mainly be supported by an expansion in the area planted and the anticipated better yields. The 2023/24 canola crop is estimated at a record 230 950 tonnes, slightly down from last month (up 10% y/y). The annual uptick is also due to increased plantings and expected

better yields. The following CEC report will also provide further insights into the yield expectations of these crops and whether the recent floods have had a more severe impact than we currently see.

- On the positive side, the Western Cape dams are generally full. The dam improvement will significantly help irrigate the horticulture fields in the coming months. Still, the immediate need for farmers and farming towns is assistance fixing the infrastructure so that commercial activities can resume. The road networks, storage facilities and electricity supplies are probably the most immediate areas to prioritize. The interventions could be made by both the provincial and national governments, while businesses will also focus on fixing the farming infrastructure.
- The recent rains were costly to the farming community, but we don't have a full scale of the impact yet. Notably, we remain optimistic that the province will have a decent harvest. The primary issue is infrastructure, which has taken a significant knock and is vital for storing and transporting products to market. The hardest hit region is the Southern Cape.

Exhibit I: South Africa's winter crop production



Source: CEC and Agbiz Research

WEEKLY HIGHLIGHT

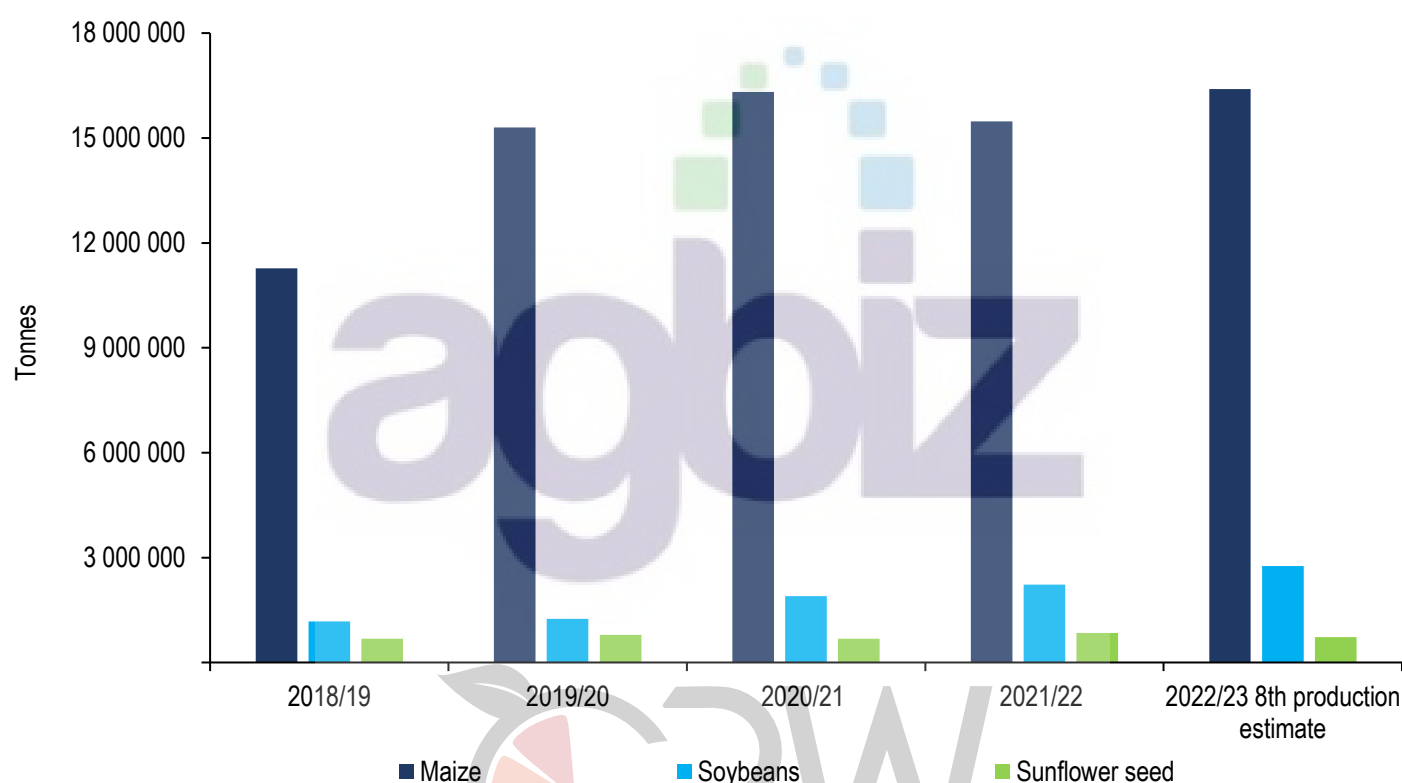
South Africa has a large summer crop, and the attention is now shifting to the upcoming 2023/23 season

- Last week, South Africa's Crop Estimates Committee (CEC) released its 2022/23 8th summer crop production forecasts. In these 2022/23 production estimates, there were no new surprises or significant adjustments to the existing forecasts.
- For example, if we can highlight maize, the 2022/23 commercial harvest is 16,4 million tonnes, roughly unchanged from August figures (-0,09% m/m). This crop is 6% more than the 2021/22 season and the second-largest harvest on record. The expected ample harvest is primarily on the back of large yields, as the area planted is slightly down from the 2021/22 season.
- Notably, a crop of 16,4 million tonnes implies South Africa will have sufficient supplies to meet domestic maize needs of roughly 11,4 million tonnes and have approximately 3,3 million tonnes for export markets in the 2023/24 marketing year (this marketing year corresponds with the 2022/23 production season).
- Furthermore, the soybeans harvest was unchanged from August's record estimate of 2,8 million tonnes (up 24% y/y). The annual crop improvement is due to an expansion in the area planted and higher yields. The ample soybean harvest means South Africa could meet its domestic demand and remain with about 420 000 tonnes of soybeans for export markets (from 277 504 tonnes in the previous season).
- There were, however, 2% month-on-month downward revisions in the sunflower seed harvest. The crop is forecast at 729 110 tonnes (down 14% y/y). The annual decline is due to the reduced area planted and the lower yields in the far western regions of the country. Consequently, South Africa will likely remain a net importer of sunflower seed. The Supply and Demand Estimates Committee forecasts South Africa's 2023/24 sunflower seed imports at 8 000 tonnes, marginally up from last season's 6 805 tonnes. There were no major adjustments in the production forecast for other small grains, such as groundnuts and dry beans.
- Notably, given that we are at the tail end of the season, the attention is shifting to the 2023/24 upcoming summer crop. The primary focus as we approach this season will be the weather outlook. As we stated recently, the uncertainty regarding the intensity of the El Niño weather event and the possible higher temperatures and lower-than-normal rainfall that this could bring is still a concern. However, the latest message from the South African Weather Service (SAWS) through their Seasonal Climate Watch on 28 August 2023 was encouraging, stating that "the multi-model rainfall forecast indicates above-normal rainfall for most of the country during mid-spring (Sep-Oct-Nov) and late-spring (Oct-Nov-Dec)." The Weather Service added that "the early-summer (Nov-Dec-Jan), however, indicates below-normal rainfall over the central parts of the country and above-normal rainfall for the north-east." This means that some regions of the country, mainly central to western, may not have a similar start of the season to the eastern areas. Still, the broad sentiment is that showers will likely

support crop germination during the beginning of the 2023/24 production season. This is also an encouraging message for horticulture and livestock, as the rains will help production conditions in these subsectors.

- Moreover, the central message from the SAWS report is that there are concerns about potentially below-normal rainfall, mainly from the start of 2024, while the current year could have showers in most regions. Aside from the planting and germination, the other critical point of crop development is pollination, which requires moisture and is typically around February if farmers plant crops from mid-October in the eastern regions and mid-November in the country's western areas. Importantly, with improved soil moisture from the last rainy seasons, mainly in east and central South Africa, the expected El Niño will likely have minimal impact on the agricultural conditions.

Exhibit 2: South Africa's selected summer crop production



Source: CEC and Agbiz Research

WEEK AHEAD

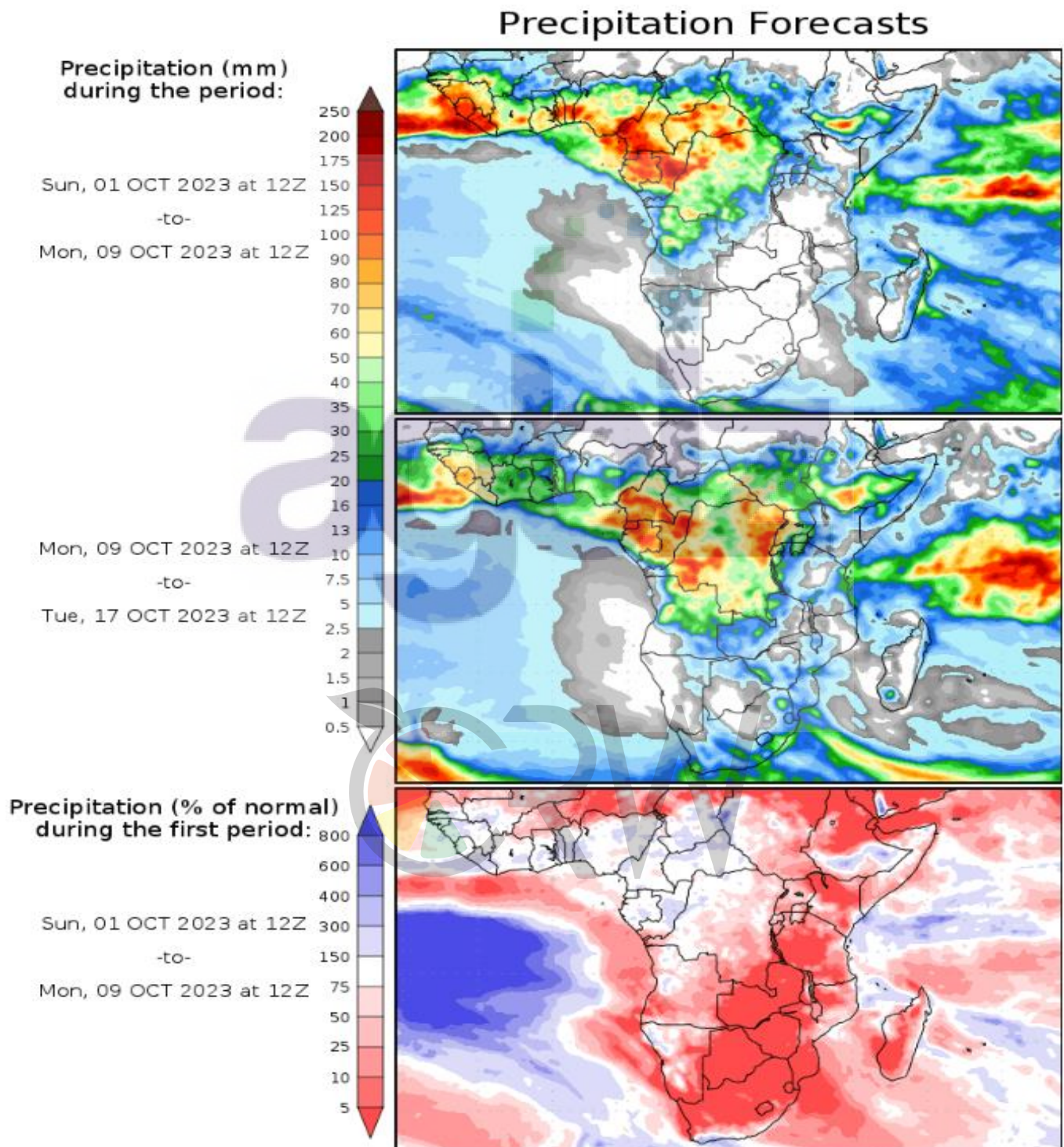
What we are watching this week

- We start the week with a global focus, and today, the USDA will release its weekly update of the **US Crop Progress Report**. The harvest of maize and soybeans is underway in some States that were planted earlier in the season. Regarding crop conditions, on 24 September 2023, about 53% of the planted maize crop was rated good/excellent, slightly above 52% in the same week in 2022. In addition, about 50% of the soybean crop was rated good/excellent, down from 55% in the same week in 2022. Moreover, the USDA will release its weekly **US Grains and Oilseeds Exports** data on Thursday.
- On the domestic front, on Wednesday, SAGIS will release its weekly **South Africa's Grains and Oilseeds Producer Deliveries** data for 29 September 2023. In the previous release on 22 September, South Africa's 2023/24 maize producer deliveries were about 67 054 tonnes. This placed the 2023/24 deliveries at 14,2 million tonnes out of the expected harvest of 16,4 million.
- The soybean deliveries on 22 September 2023 were about 2,7 million tonnes of soybeans out of the expected crop of 2,8 million tonnes. On the same day, sunflower seed producer deliveries amounted to 710 598 tonnes out of the expected harvest of 729 110 tonnes.
- On Thursday, SAGIS will publish its weekly **South Africa's Grains and Oilseeds Trade** data for 29 September 2023. In the previous release on 22 September, the 21st week of the 2023/24 marketing year, South Africa exported 47 363 tonnes of maize. Of this volume, about 49% was to Guatemala, and the balance was to the neighbouring African countries. This placed South Africa's 2023/24 maize exports at 1,87 million tonnes out of the seasonal export forecast of 3,33 million tonnes.
- South Africa is a net wheat importer, and 22 September was the 51st week of the 2022/23 marketing year, with a weekly import volume of 30 862 tonnes from Australia and Poland. This placed South Africa's 2022/23 wheat imports at 1,68 million tonnes, above our seasonal import forecast of 1,70 million tonnes. The 2022/23 marketing year ends this month.

South Africa's Precipitation forecast

- The weather forecast for the week shows clear skies in most regions of the country, except for the east and south coastal areas that may receive light showers. The clear skies, mainly in the Western Cape, are a welcome relief following heavy rains this past week.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)