

Mixed prospects for South Africa's 2024-25 winter crop production

- South Africa's 2024-25 winter crop season is underway, and some regions of the Western Cape (the largest province for winter crops), have received excellent rains so far. Some areas of the Western Cape may have received more rain than ideal earlier in the season, leading to fears of possible poor yields. But we are still early in the season, and there will be clarity about the yield potential only in the coming months.
- We pay close attention to the Western Cape regarding the winter crops because of the province's significant contribution to these crops. For example, about 70% of the winter wheat plantings for the 2024-25 season are in the Western Cape. The area planted for barley, canola, and oats is much more prominent in the province as a winter rainfall region. Other major winter crop-producing provinces are the Northern Cape, Free State, and Limpopo, and the production in these provinces is mainly under irrigation. The major challenge for these provinces was the mid-summer drought, which resulted in farmers reducing the area plantings this winter season and conserving moisture for the upcoming summer crop season, which starts in October.
- This past week, the Crop Estimates Committee released its first 2024-25 winter crop production estimates for South Africa. The Committee forecasted a 1,8% year-on-year (y/y) decline in output of all winter crops to 2,67 million tonnes, primarily because of reduced area plantings and expected poor yields in some regions. This estimate comprises wheat, barley, canola, oats and sweet lupines. But the decline is not in all crops. The primary culprit is wheat. Meanwhile, production of other winter crops is expected to increase.
- Wheat production is estimated at 1,90 million tonnes, down by 7% y/y. The harvest is projected to fall across all significant producing provinces. However, the decline of wheat harvest in the Western and Northern Cape provinces will likely be mild relative to what we see in the Free State and Limpopo, where the area planted is also down substantially. The expected harvest of 1,90 million tonnes is the lowest in five years. The winter wheat plantings are in 506k hectares, down 6% y/y, and the lowest area in six years. We are early in the season, and this is the first production estimate, with seven more estimates to follow.
- Still, the current wheat production estimate signals the wheat import requirements will remain significant, possibly around 1,9 million tonnes. Fortunately, there are ample global wheat supplies, and the prices remain relatively moderate. The current global wheat price environment is beneficial for domestic wheat consumers. However, the wheat import tariff typically reduces the potential gains for the wheat consumers, while equally providing some level of support to the domestic producers.

- Aside from wheat, the barley production prospects remain positive. Indeed, the area planted is down 7% y/y, at an estimated 100k hectares. However, the yields are set to improve notably, despite the recent rains, which is the opposite of what we see in wheat. Thus, the 2024-25 barley production is estimated at 415k tonnes, up 10% y/y. If it materialises at the end of the season, this will be the largest barley harvest since 2020-21.
- Moreover, the 2024-25 canola production is forecast at 265k tonnes. This is the largest harvest on record, up 13% y/y. The improvement is underpinned by the 18% y/y expansion in area planted to 154k hectares. Meanwhile, the yields may decline due to excessive moisture in various regions of the Western Cape.
- Also worth highlighting is South Africa's 2024-25 oats production could increase 70% y/y to 69k tonnes. This significant production results from a notable increase in the planted area, combined with positive yield prospects. We see similar improvements in sweet lupines, where production is estimated at 18k tonnes, up by 15% y/y.
- In essence, these first production estimates paint a mixed picture of South Africa's winter crop prospects for the 2024-25 season. However, we are early in the season, and a lot could change depending on the weather conditions in the coming months. But the figures we have at this point provide some comfort about the size of the supplies. Where production prospects are down notably, the large global wheat production will provide much-needed cushion to the domestic wheat processors and food companies. The wheat import size, however, will be more precise in the coming months when we have some level of confidence about the potential final harvest.

WEEKLY HIGHLIGHT

SA's 2023-24 summer grain and oilseeds production forecast lowered

- South Africa is on its seventh summer grain and oilseeds production forecast for the 2023-24 season. There are three more monthly reports to follow. Given that we are at the tail end of the season and will soon start planting for the 2024-25 production season in October, there typically are minimal adjustments on the figures at this stage. But this has not been a typical season. We struggled with a mid-summer drought in February and March, undermining crop yield potential in various regions.
- Thus, there is always a risk of potential downward revision of the production figures as more data about the actual harvest delivered to silos becomes available. August 28 was no different; South Africa's Crop Estimates Committee lowered the 2023-24 summer grain and oilseeds production estimate by 2% from last month to 15,69 million tonnes. The major downward revision was in maize and groundnut harvest. The 2023-24 summer grain and oilseeds harvest is now down 22% from the previous season.

Maize

- If we zoom into maize, the 2023-24 harvest is now estimated at 13,06 million tonnes, down 2% from last month and 21% from last season. This sharp decline in harvest prospects signifies the harsh impact

of the mid-summer drought. Of the current estimate, white maize is about 6,19 million tonnes (down 3% m/m), with yellow maize at 6,87 million tonnes (down 2% m/m).

- This expected harvest will meet South Africa's annual maize consumption of roughly 12,00 million tonnes, leaving the country with a sizable volume for export markets. Data from the South African Grains and Oilseed Supply and Demand Estimates Committee suggests that exports could reach 1,85 million tonnes in the 2024-25 marketing year (this corresponds with the 2023-24 production season). This may sound significant following a challenging season with a somewhat poor harvest, but there is a boost in supplies from the carryover stocks from the previous season.
- 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).
- These exports will primarily be for the Southern Africa region. In fact, between May and mid-August 2024, South Africa had already exported 655k tonnes out of the expected 1,85 million tonnes. The principal beneficiary is Zimbabwe and a range of neighbouring African countries.
- 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 134k 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 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 a lot of unknowns.

Oilseeds

- The 2023-24 soybean harvest was unchanged 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.
- Moreover, the sunflower seed harvest estimate was unchanged from last month at 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 the sunflower seed is planted in the western regions.

Other grains

- The 2023-24 groundnut harvest estimate is 52 645 tonnes (down 1% y/y), sorghum is at 95 830 tonnes (up 2%), and dry beans are at 50 495 tonnes (up 0,4%).

Concluding remarks

- In essence, we are at the tail end of a challenging season. The export forecasts may seem reasonably optimistic, given the current unknown risks. The best approach would be to view the data as tentative until there is a sense of comfort about the actual size of the domestic supplies.
- With that said, we could gain comfort in the fact that there are solid supplies for the domestic consumer. The pressure and challenges remain the regional demand, particularly for white maize. Thus, we continue to see upside risks to white maize prices.
- We have comfort about the price direction of other commodities, also because of the abundant supplies in the world market. White maize is the one commodity primarily produced in Southern Africa and Mexico. Outside these regions, the supplies are thin. We anticipate strong regional demand for white maize at the end of this year and into the first quarter of 2025. This will likely be the source of upside price risks to white maize.



WEEK AHEAD

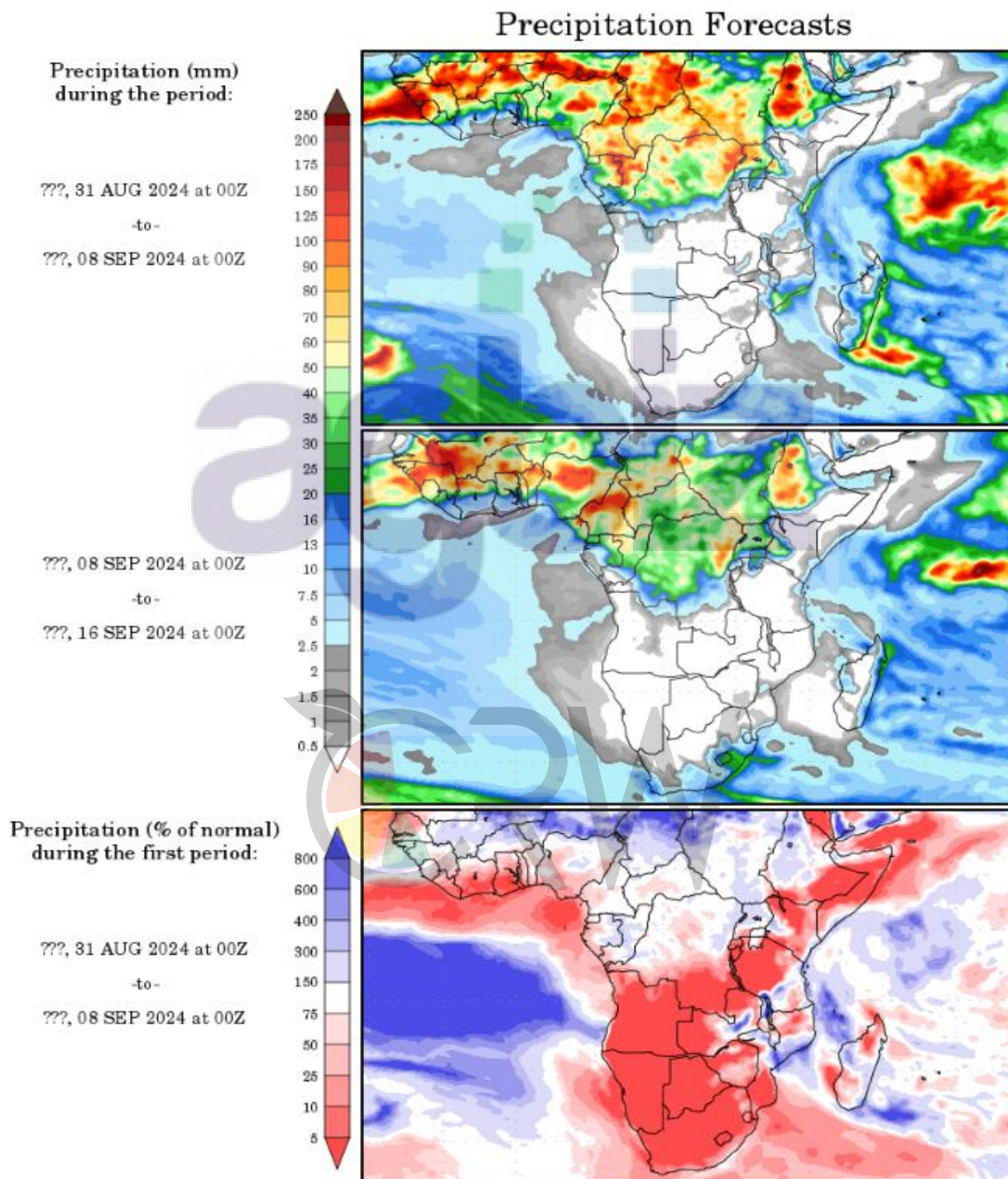
What we are watching this week

- We start the week with a global focus, and on Tuesday, the United States Department of Agriculture (USDA) releases its weekly **US Crop Progress** report. The focus is on the growing conditions of the 2024-25 crop. In the week of August 25, about 65% of the US maize crop was rated good/excellent (compared with 57% rating at the same time last year). On the same day, the US soybean crop was also rated at 67%, which was rated good/excellent (compared with the 58% rating at the same time last year). Moreover, the USDA will release its **weekly US Grains and Oilseed Export Sales** data on Friday.
- Moreover, on Friday, the Food and Agricultural Organization of the United Nations (FAO) will release its monthly global **Food Price Index** data for August 2024. This measures the monthly change in international prices of agricultural commodities.
- Within the domestic front, on Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data. In the case of maize, this week, we will see a release of the data for the 18th week of the new marketing year, 2024-25. In the previous release on August 16, South Africa's weekly maize producer deliveries were about 72k tonnes. This placed the 2024-25 maize producer deliveries at 9,68 million tonnes out of the expected harvest of 13,06 million tonnes. The 2024-25 soybean deliveries in the first 26 weeks of this new marketing year amounted to 1,71 million tonnes out of the expected harvest of 1,78 million tonnes. At the same time, the sunflower seed deliveries amounted to 617k tonnes out of the expected harvest of 649k tonnes.
- Also, on Wednesday, Statistics South Africa will release the **Gross Domestic Product (GDP)** data for the second quarter of 2024. South Africa's agricultural gross value added grew by 13,5% quarter-on-quarter (seasonally adjusted) in the first quarter of 2024. This improvement is based on the robust production conditions of various horticulture products, the livestock and poultry industry recovery after a few challenging months of animal diseases that weighed on production, and the base effects.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 18th week of the 2024-25 marketing year. In the previous release on August 23, the 17th week of the 2024-25 marketing year, South Africa exported 43k tonnes of maize. Of this volume, 56% was exported to Zimbabwe, and the balance to the rest of the neighbouring African countries. This places South Africa's total maize exports in the 2024-25 marketing year at 698k tonnes out of the expected 1,85 million tonnes (down from 3,44 million tonnes in the 2023-24 marketing year because of the mid-summer drought).
- Moreover, while South Africa will likely remain the net exporter of maize in the 2024-25 marketing year, 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 145k tonnes.
- South Africa is a net wheat importer, and August 23 was the 39th week of the 2023-24 marketing year, with wheat imports totalling 1,69 million tonnes out of the seasonal forecast of 1,80 million tonnes.

South Africa's Precipitation forecast

- The weather forecast for the week shows clear skies across South Africa. There is little agricultural activity in the summer crop-growing regions, and the planting will only start in October. The Western Cape, a winter crop region, will also benefit from slightly warmer weather after a few weeks of heavy rains in some areas of the province.

Exhibit I: South Africa's precipitation forecast



Source: George Mason University (wxmaps)