

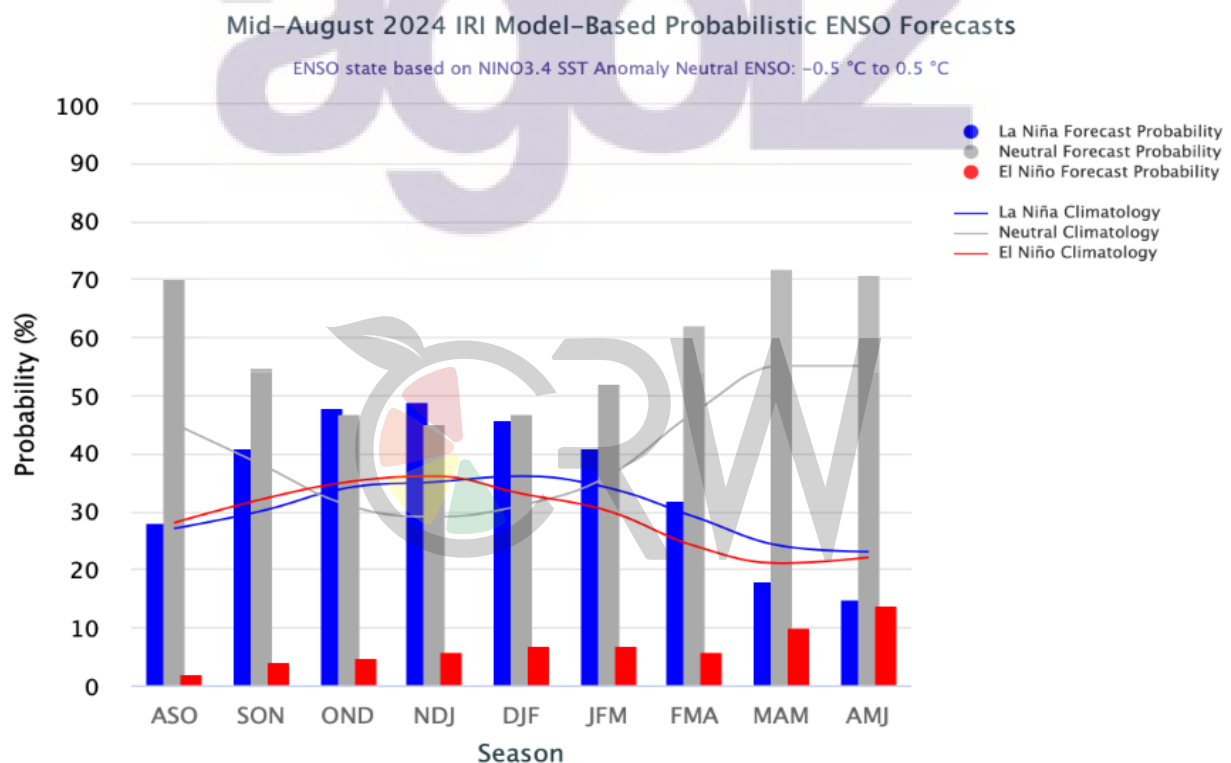
Will the 2024-25 season be a recovery period for SA agriculture?

- By this time next month, the fields across the eastern regions of South Africa will likely be busy. Farmers will be tilling the land for the 2024-25 summer grains and oilseed production season in mid-October. It will be another month before the country's western regions start till the land, from mid-November. The variation in the optimal planting windows is mainly due to the differences in rainfall patterns.
- From now on through the season, the weather outlook will remain a primary focus for the agricultural stakeholders. We are, after all, emerging from a challenging 2023-24 summer grains and oilseed season that resulted in major crop losses. The latest figures from the Crop Estimates Committee show that the 2023-24 summer crop may have fallen as much as 22% from the previous season to 15,69 million tonnes.
- The 2024-25 season seems likely to be a recovery period. So far, global weather forecasters such as the International Research Institute for Climate and Society at Columbia Climate School (IRI) continue to indicate an optimistic outlook about rainfall prospects. For example, the IRI sees a possibility of La Niña occurrence from this month to April 2025. This weather event typically brings above-normal rainfall for South Africa and the entire Southern Africa region.
- The critical period for rainfall for South Africa's summer grains and oilseed is between October and the end of February the following year. This is a period between planting and pollination of the crop. The months after are essential, but the crop could still have decent yields even if there is less rain after the pollination.
- In the 2023-24 season, the drought was at its harshest as the crop started the pollination period from February to the end of March. Had this been delayed by roughly a month, the outcomes would have differed greatly for the better. The summer grains and oilseeds encompass yellow maize, white maize, sunflower seeds, soybeans, groundnuts, sorghum, and dry beans, and these are the crops whose planting season will start soon.
- Also worth noting is that other forecasters, such as the Australian Bureau of Meteorology, also see a possibility of the La Niña occurrence, although still without a firm view. For example, on September 3, the Australian Bureau of Meteorology indicated that "The El Niño-Southern Oscillation Outlook is currently at La Niña Watch, meaning there are some signs that a La Niña may form in the Pacific Ocean later in 2024. A La Niña Watch does not guarantee that a La Niña will develop."
- This cautious view by the Australian weather authorities is similar to what we see in South Africa. On August 31, the South African Weather Service (SAWS), in its monthly Seasonal Climate Watch, indicated that "The El Niño-Southern Oscillation is currently 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." SAWS further added "It is advised to monitor the ENSO system, as significant changes in the system may occur after the winter period due to increased prediction skill. Current predictions focus on the spring and early summer seasons and indicate wetter conditions along the south-eastern coastal areas during spring as well as the central parts in early summer."

- This suggests the likelihood of La Niña in the 2024-25 season and potentially favourable rainfall. How South African farmers will factor these weather prospects into their planting decisions is unclear. We will have an idea of their view on October 29, when the Crop Estimates Committee releases the 2024-25 season's farmers' planting intentions data. We believe the weather outlook, input costs, and commodity prices will be significant considerations for farmers ahead of the season.
- The improvement of weather conditions is not only for crops but also for the horticulture and livestock industry. The dam levels that horticulture relies on will benefit from improved rainfall. Equally, the grazing veld for the livestock industry will also benefit from better rainfall.
- From now on, we will closely monitor these weather patterns and attempt to assess their implications for agriculture. So far, the data presented continues to support a view of a potential recovery in South Africa's agriculture in the 2024-25 season.

Exhibit I: The prospects of La Niña in the 2024-25 season (blue bars)



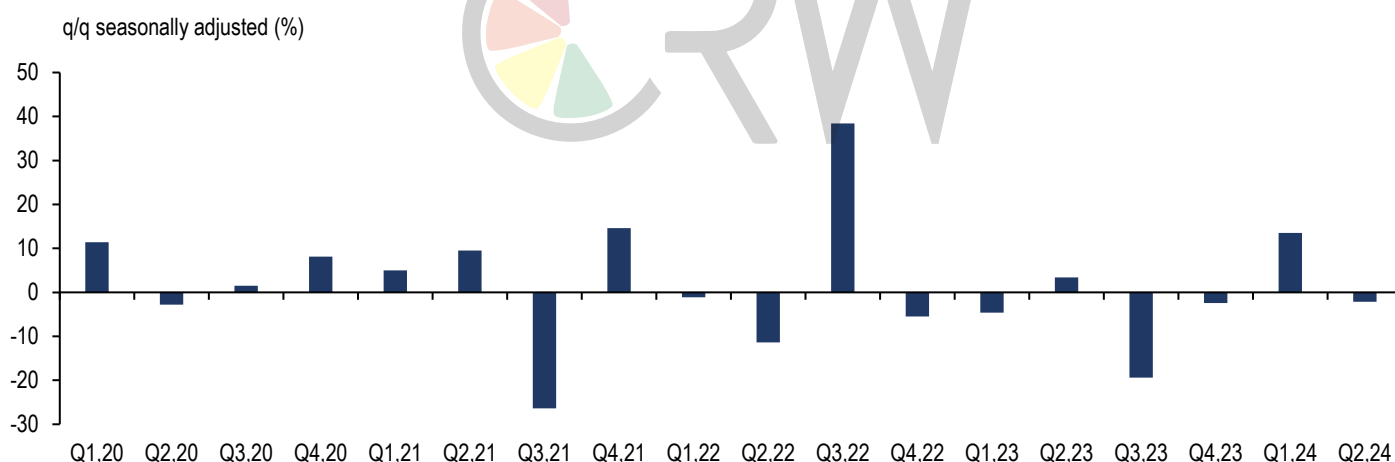
Source: International Research Institute for Climate and Society at Columbia Climate School

WEEKLY HIGHLIGHT

South Africa's agricultural fortunes contracted in Q2, 2024

- After a robust expansion of 13,5% quarter-on-quarter (seasonally adjusted) in the first quarter of 2024, South Africa's agricultural gross value added contracted by 2,1% in the second quarter. This is unsurprising. South Africa's agriculture has gone through the severe impact of the El Niño-induced drought in February and March, which weighed on crop yield. For example, South Africa's 2024-25 summer crop harvest is down 22% from the previous season, estimated at 15,69 million tonnes. Moreover, the livestock industry, which accounts for nearly half the sector's value, faces relatively higher feed costs and lingering animal diseases (particularly foot-and-mouth disease), which all explain the underperformance this quarter.
- The drought impact has already weighed on sentiment in the sector. For example, the Agbiz/IDC Agribusiness Confidence Index (ACI) remained depressed in the second quarter of 2024, reaching 38 points from 40 points in the previous quarter. This is the lowest level since 2009, which was the global financial crisis, and implies that agribusinesses were downbeat about business conditions in the country at the time. The mid-summer El Niño induced drought's impact on summer grains and oilseed production is one of the major factors that weighed on the sentiment. The drought coincided with the long-standing challenges of inadequate road and rail infrastructure and inept municipal service delivery. The lingering animal disease challenges and heightened geopolitical tensions were also the major concerns.
- The mid-summer drought did not severely affect the horticultural industry because the production is under irrigation. Also, the dam levels across South Africa had benefitted from heavy rains at the end of 2023 and into the start of 2024 before we experienced a mid-summer drought. These better dam levels and more reliable energy supply catalyzed the excellent production in the horticulture subsector.
- Overall, these driving factors of the sector's fortunes in the second quarter will likely shape the broader performance for the year, with a likely strong recovery in 2025.

Exhibit 2: South Africa's agricultural gross value added



Source: Stats SA and Agbiz Research

WEEK AHEAD

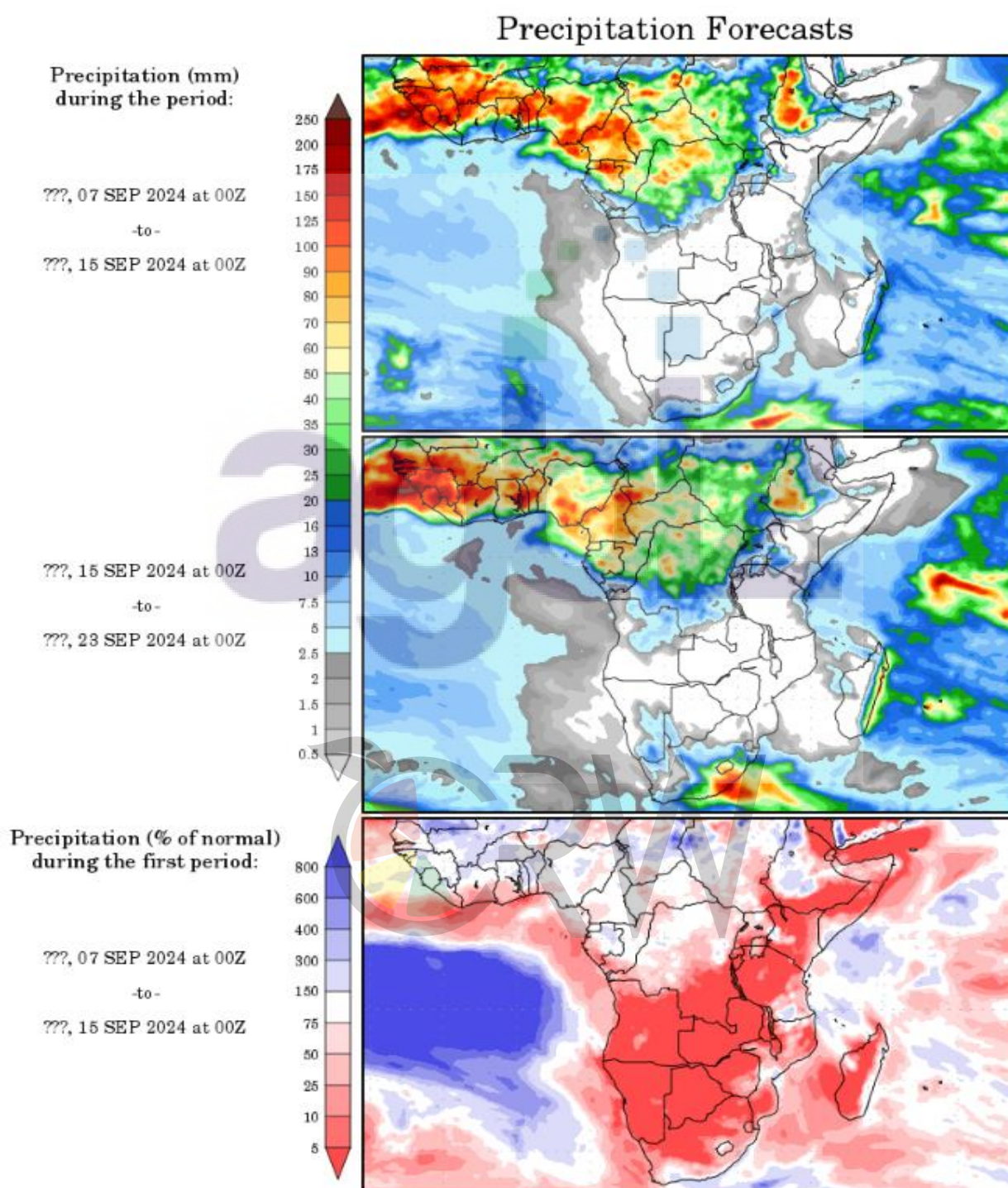
What we are watching this week

- As always, we start the week with a global focus, and today, 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 September 1, about 65% of the US maize crop was rated good/excellent (compared with 53% rating at the same time last year). On the same day, the US soybean crop was also rated at 65%, which was rated good/excellent (compared with the 53% rating at the same time last year). Moreover, the USDA will release its **weekly US Grains and Oilseed Export Sales** data on Thursday.
- 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 19th week of the new marketing year, 2024-25. In the previous release on August 30, South Africa's weekly maize producer deliveries were about 64k tonnes. This placed the 2024-25 maize producer deliveries at 9,76 million tonnes out of the expected harvest of 13,06 million tonnes. The 2024-25 soybean deliveries in the first 27 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 619k tonnes out of the expected harvest of 649k tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 19th week of the 2024-25 marketing year. In the previous release on August 30, the 18th week of the 2024-25 marketing year, South Africa exported 39k tonnes of maize. Of this volume, 62% was exported to Zimbabwe, 15% to Botswana, and the balance to the neighbouring African countries. This places South Africa's total maize exports in the 2024-25 marketing year at 738k 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 30 was the 40th 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 most regions of South Africa. This is except for the coastal areas that may receive light showers. The week after may bring decent rains in most areas of the country, ideal for the start of the 2024-25 planting period.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)