

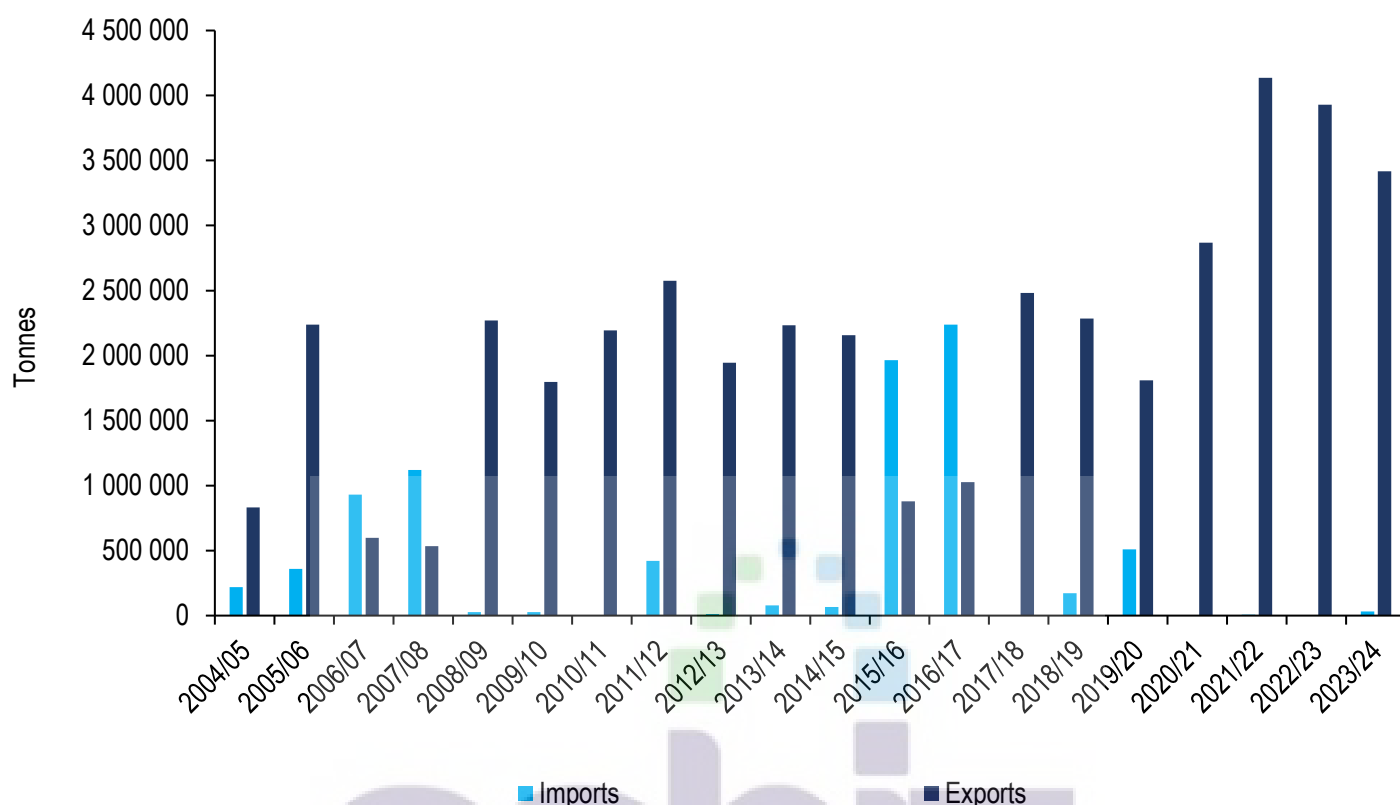
May 13 2024

An excellent year for maize exports ends, and a likely more challenging one begins

- April marked the end of South Africa's 2023/24 marketing year for maize. This marketing year corresponds with the 2022/23 production season, as the crop harvested mid-year in 2023 was marketed from then through to the end of April 2024. According to data from the Crop Estimates Committee (CEC), the 2022/23 production season was characterized by an excellent harvest of 16,4 million tonnes. This was because of large plantings and the favourable summer rainfall that boosted the yields. The ample harvest allowed South Africa to maintain its position in export markets. South Africa is the world's ninth largest maize exporter, trailing the US, Brazil, Argentina, Ukraine, Romania, France, Paraguay and Poland. Data from the South African Grains Information Services shows that in the 2023/24 marketing year, the exports amounted to 3,4 million tonnes, down by 6% from the previous year. About 63% of the exported maize was yellow, with 37% being white maize.
- In the past, South Korea, Japan and Taiwan were the leading markets for South Africa's maize exporters. But in the 2023/24 marketing year, Zimbabwe took the lion's share of the exports, accounting for 18% of the 3,4 million tonnes of exports. The surge in exports to Zimbabwe comes after a few years of modest exports to the country because of decent domestic harvest and the restrictions on genetically modified maize, which the government often used as a barrier to imports in certain seasons. However, the regulations have changed, and Zimbabwe now imports genetically modified maize. Other large maize export markets in the African continent are Botswana and Mozambique, which accounted for 9% and 6% of South Africa's total maize exports, respectively. South Korea, Japan and Taiwan remained significant export markets for South African maize, accounting for 14%, 13% and 13% shares in the total exports, respectively. Another important maize export market for South Africa in the Asian region is Vietnam. Still, its exports were slightly lower than other countries, accounting for a 5% share in the overall export markets.
- While the export season was a success, the coastal regions of South Africa started worrying about the maize supplies at the end of the 2023/24 marketing year, specifically pricing when considering the transport costs from central regions of the country that are the main maize producers. Disappointingly, the excellent 2022/23 maize production season is followed by a less promising season. In the 2023/24 production season (which corresponds with the 2024/25 marketing year), South Africa's maize harvest is forecast to fall by 19% year-on-year to 13,3 million tonnes. This is according to data from the CEC. This decline in harvest is primarily due to unfavourable weather conditions in February and March, where dryness and heatwave caused widespread crop damage in various regions of South Africa. Subsequently, the coastal areas in South Africa worry about tight supplies in the new marketing year. This led to 32 691 tonnes of yellow maize imports from Argentina in the last week of the 2023/24 marketing year. We suspect there will be additional imports in the 2024/25 marketing year, primarily for the country's coastal regions. These imports will help increase supplies for the animal feed industry.

- Notably, while South Africa expects a significantly lower harvest this year, the country could remain a net exporter of maize. With an annual maize consumption of approximately 12,0 million tonnes and a harvest of 13,3 million tonnes, South Africa will have over a million tonnes of maize for exports. We also believe there are decent carryover stocks from the past season, which will help increase the maize supplies for the new marketing year of 2024/25. Still, there remains heightened uncertainty about the actual size of the maize crop this year. The forecast of 13,3 million tonnes is the third estimate by the CEC. In the coming months, the Committee could still adjust the figures depending on their observations of the yields in the various regions of South Africa.
- Moreover, it remains unclear what the impact of the rains in early April, after two months of damaging dryness, mean for the crop size. Many observers, ourselves included, were surprised when the CEC mildly lifted their crop forecast on April 25. The market expectation was a possible downward revision of the crop.
- Another challenge that lingers as we start the 2024/25 marketing year is Southern Africa's maize demand. The major maize producers and consumers in the region, such as Zambia, Zimbabwe, and Malawi, all saw notable crop failures because of dryness at the start of this year. While the limited harvest from the fields could cover the next few months of domestic consumption in each country, these countries' import needs could intensify at the end of the year and into 2025.
- Aside from South Africa, the hope for these countries is that Mexico could export to the region. Still, this will depend on whether Mexico planted sufficient maize. Unlike in the past, South Africa will likely be unable to satisfy the needs of the regional maize. More information about the regional maize needs will be clearer in the coming months. The important thing for South African farmers and traders to do is closely monitor regional maize developments.
- In sum, May is the start of the 2024/25 marketing year for South African maize. Unlike the previous years of high export volumes, this new marketing year will likely see significantly lower export volumes. Still, the regional maize need should remain on the radar of the South African grain traders. Significantly, with all these maize trade difficulties, the South African government will thankfully not intervene in the maize markets. The Department of Agriculture, Land Reform and Rural Development provided this assurance to market participants last month. The tight supply could cause price volatility in the coming months, but this should not be a cause for deviations in the current agricultural policy. What the government has urged, which is already a practice in South Africa, is a timely reporting of the export and import activities. Such data is critical for effective market functioning so that the participants know when the supplies are tight, and price adjustments could help moderate the export activities.

Exhibit I: South African maize exports



Source: SAGIS and Agbiz Research

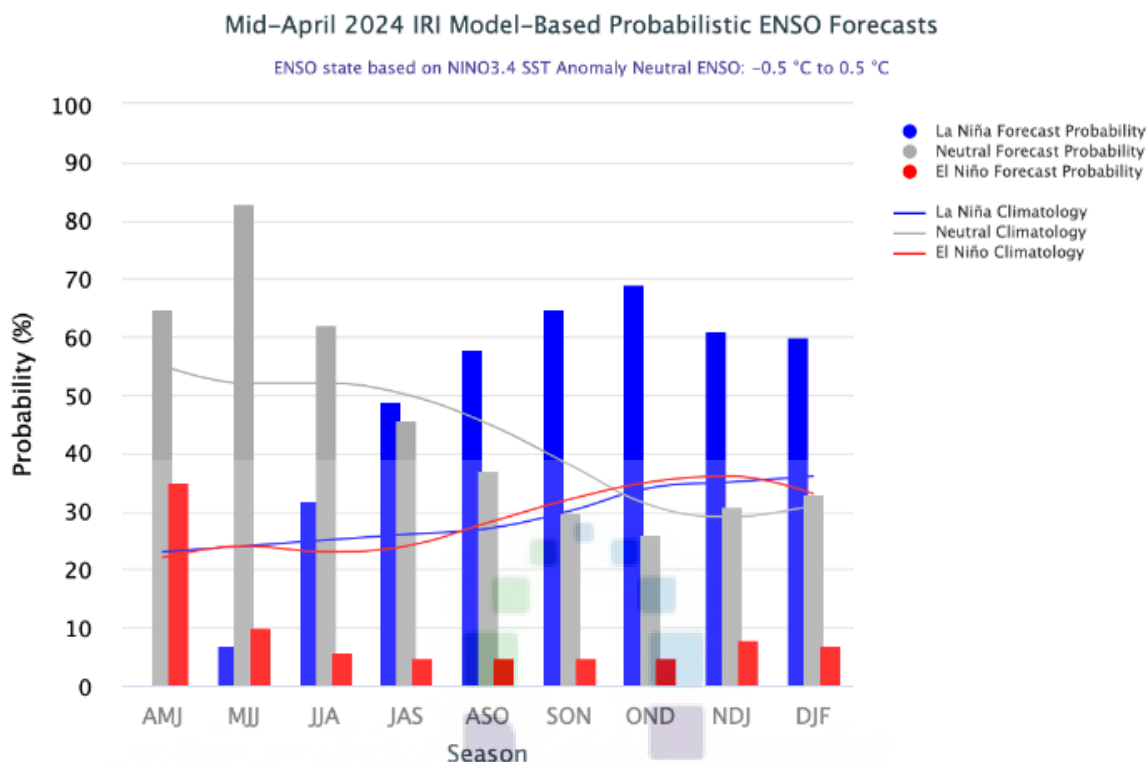
WEEKLY HIGHLIGHT

The preliminary projections for the 2024-25 global grains and oilseed production look promising

- On May 10, the United States Department of Agriculture (USDA) released its flagship monthly report – the World Agricultural Supply and Demand Estimates. This report is keenly observed monthly by the agricultural market participants worldwide. It provides annual forecasts for the supply and use of maize, wheat, rice, soybeans, sunflower seed, cotton and other grains and oilseeds. The report provides insight into these commodities in the US and the world.
- The USDA typically provides their first estimates for each new marketing year in May. We received the first estimates for the 2024/25 season on Friday. However, the observers of the USDA reports typically have to read the first month's data with caution. These data are still preliminary as the season has recently started in the northern hemisphere, and the southern hemisphere is still at the tail end of the 2023/24 season. The 2024/25 season that the USDA is reporting about will only start around October 2024 in the southern hemisphere. So, a lot could change in most countries between now and October.

- Moreover, weather forecasters, such as the International Research Institute for Climate and Society and the Australian Bureau of Meteorology, predict a return of a La Niña weather event in the 2024/25 season. This weather phenomenon typically leads to heavy rains in some regions, such as Southern Africa, while South America could see drier weather conditions. Still, the impact of the weather primarily depends on the intensity of the weather event. We can deduce that there remains major uncertainty about the global grain and oilseed production outlook for the 2024/25 season.
- Be that as it may, the USDA projections paint a broadly positive picture of the harvest. For example, the 2024/25 global maize harvest is projected at 1.2 billion tonnes, well above the long-term average (although down 1% year-on-year). The annual decline is due to an expected shift in area planting in parts of the US from maize to soybeans and somewhat lower harvests in Argentina and Ukraine.
- Moreover, the 2024/25 global wheat harvest is estimated at 798 million tonnes, up 1% from the previous season. The bigger harvests are expected in Canada, Australia, the US, Kazakhstan, and China.
- The 2024/25 global rice production is projected at 527 million tonnes, up 2% from the previous season. This is on the back of the expected large crop in Asia. Also worth noting is that the USDA forecasts the 2024/25 global soybean harvest at 422 million tonnes, up 6% year-on-year. This improvement is due to the expected large harvest in Brazil, Argentina and the US.
- These preliminary estimates paint an optimistic outlook for the 2024/25 global grains and oilseeds. If they were to materialize, the stocks would continue to improve and thus keep global grains and oilseed prices at moderate levels, which is beneficial to the consumers. Still, these are early days, and a lot will depend on the weather outlook.
- So far, the International Research Institute for Climate and Society signalled the return of a La Niña, a welcome development for the Southern Africa region, but less so for other major producing regions such as South America. One will have to keep a close eye on these production data in the coming months and how the USDA assesses the impact of weather.
- Notably, the weather projections through the International Research Institute for Climate and Society are vital in assessing the coming season's production prospects and commodity price expectations. If the La Niña is not strong, the world could still have a decent harvest of grains and oilseeds in the 2024/25 season. Moreover, if these forecasts are communicated carefully, the farmers may not be deterred from planting the typical crop area worldwide. If anything, they will carefully plan season production in various countries to deliver a decent harvest.

Exhibit 2: La Niña forecasts (blue bars)



Source: The International Research Institute for Climate and Society

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. This report provides insight into the planting progress in the US as the 2024/25 season has recently started. The planting activity across the US is gaining momentum but still lagging from last year's pace. For example, on May 5, US maize plantings were at 36% of the intended area (which is behind last season's pace of 42% in the same week). On the same day, soybean plantings were at 25% of the intended area (behind last year's pace of 30%). This year's slight delay in plantings is primarily due to unfavourable weather conditions in some regions these past weeks.
- Moreover, the USDA releases its **weekly US Grains and Oilseed Export Sales** data on Thursday.
- Within the domestic front, on Tuesday, Statistics South Africa releases its **Quarterly Labour Force Survey** data for the first quarter of 2024. In the last quarter of 2023, there were 920 000 jobs in primary agriculture, which is 7% up year-on-year and well above the long-term agricultural employment of 793 000. We are yet to see if the harsh weather conditions that weighed on summer

crop production and the logistical issues that were costly to farmers resulted in a decline in employment.

- On Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data for the second week of the new marketing year, 2024/25. In the previous release on May 3, South Africa's 2023/24 maize producer deliveries were about 437 687 tonnes of the expected harvest of 13,3 million tonnes.
- The 2024/25 soybean deliveries in the first 10 weeks of this new marketing year amounted to 1,2 tonnes out of the expected harvest of 1,8 million tonnes. At the same time, the sunflower seed deliveries amounted to 195 219 tonnes out of the expected harvest of 615 000 tonnes.
- In the case of wheat, last week, 2 667 tonnes of wheat were delivered to commercial silos. This placed the 2023/24 wheat producer deliveries at 1,9 million tonnes out of the harvest of 2,1 million tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the second week of the 2024/25 marketing year. In the previous release on May 3, the first week of the 2024/25 marketing year, South Africa exported 30 860 tonnes of maize. Of this volume, 41% was exported to Zimbabwe, and the balance to the rest of the neighbouring African countries.
- South Africa is a net wheat importer, and May 3 was the 31st week of the 2023/24 marketing year; South Africa's 2023/24 wheat imports totalled 1,03 tonnes out of the seasonal forecast of 1,6 million tonnes.

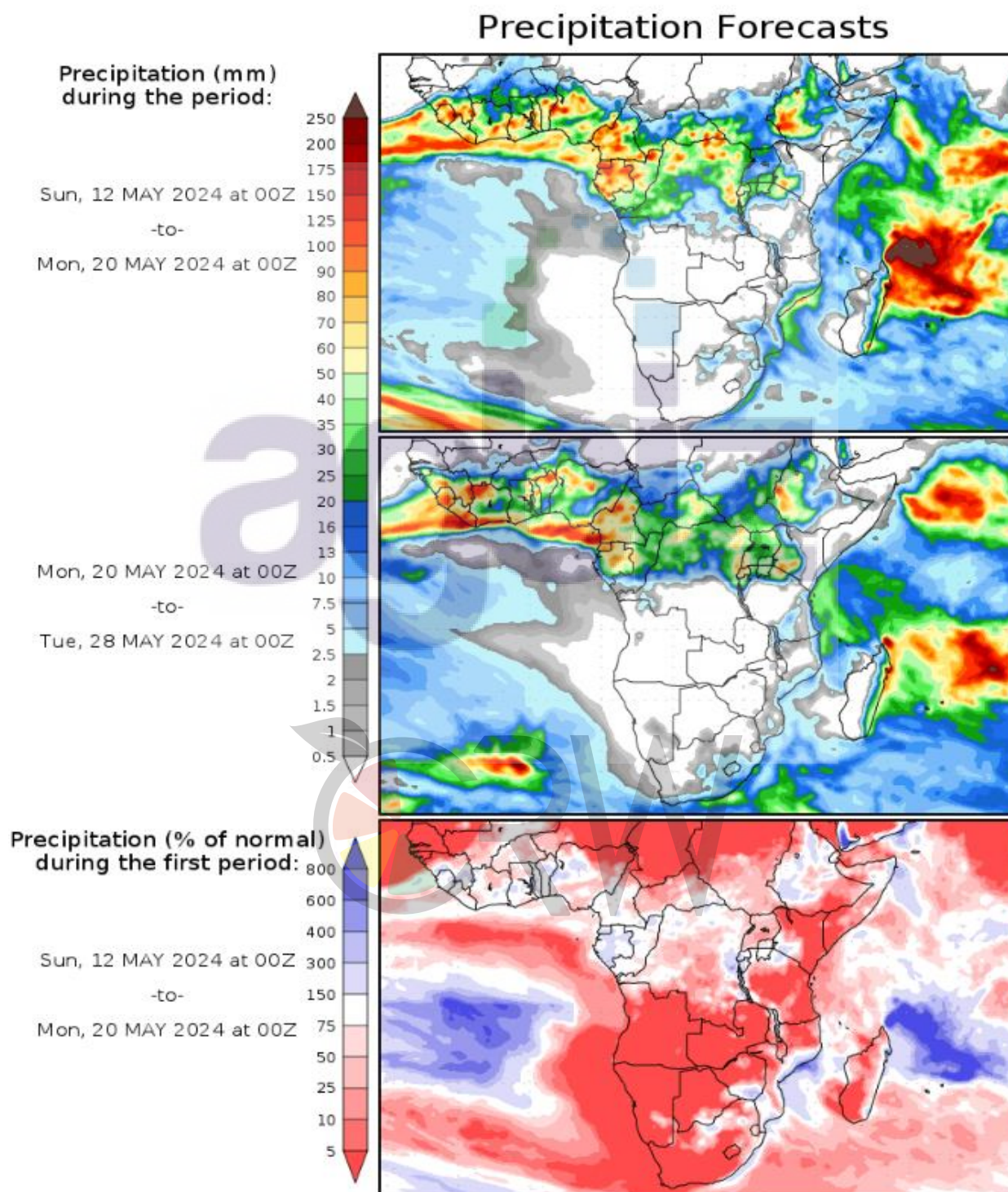
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South Africa's Precipitation forecast

- The weather forecast for the next two weeks shows clear skies over much of South Africa. This is conducive to the harvest activity in regions that have started over the summer crop growing areas. However, the winter crop-growing regions of the country need moisture.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)