

What the month of April means for SA agriculture

Each year, the months of April and October are critical periods in the seasonal cycle of South Africa's agriculture. These months correspond with summer and winter crops' planting and harvesting periods. In October, the winter crops are typically maturing and approaching the harvesting stages, while the summer crop regions usually commence plantings around the same time (see Exhibit 1). In April, it is the opposite – typically marked by the planting of winter crops and the approach of the harvesting season for summer crops. Notably, the harvesting period also approaches around this time for major fruits such as citrus. These events make the weather an even more important consideration during this period. The planting regions of winter crops would need increased moisture, whereas the harvesting period of summer crops and horticulture would require cooler and drier weather conditions.

This time around, however, the weather conditions might not be as optimal for harvesting summer crops and planting winter crops. In its Seasonal Climate Watch of 31 March, the South African Weather Service noted that its "multi-model rainfall forecast indicates above-normal rainfall for the north-east of the country and below-normal rainfall for the southwest during late autumn through to early winter." The ideal conditions would be average rainfall to dryness for the northeast regions of the country and slightly above-normal rain in the southwest. The south-western regions of South Africa, specifically the Western Cape are winter crop regions and account for roughly two-thirds of the winter crop plantings.

The current weather forecast does not spell disaster for farming. Rather, a need for farmers to plan the planting activity with the prospects of dryness in the earlier part of the winter crop season. We do not foresee this as a threat to the winter crops, especially if the weather conditions normalize later. The soil moisture in the winter crop growing areas of South Africa is at reasonably better levels following higher rainfall in the past season and the 2021/22 summer. Notably, better soil moisture in provinces such as Free State, Limpopo and Northern Cape could help boost winter crop plantings, specifically for wheat. The current wheat prices, with spot prices up 35% y/y at the end of March at R6 615 per tonne, could also incentivize farmers to increase plantings, in our view. As we discussed in the previous notes, the ongoing Russia-Ukraine war is a major factor behind the increases in wheat prices globally. The Crop Estimates Committee will release the data on farmers' planting intentions for winter crops at the end of this month (26 April). We expect these data to show more robust plantings than the 2021/22 production season, where wheat plantings were at 523 500 hectares, canola at 100 000 hectares, and oats at 36 250 hectares. These plantings were also higher than the 2020/21 season.

At the same time, the summer crop regions are not necessarily at risk of crop damage or deterioration in quality because of the current showers. However, what could happen is a delay in harvesting compared with the previous year's schedule. It is also worth noting that some summer crop regions did not plant during the traditional optimal periods because of excessive rains at the start of the season. Some areas had to replant following damages caused by the rains. This means that the harvesting period or maturing of crops could be slightly behind the normal periods, making the prolonged rains less dramatic on the yield potential. South Africa's summer crop harvest is at relatively good levels when viewed from a long-term basis. As the next section of this note will discuss, the 2021/22 maize harvest is projected at 14,7 million tonnes, which is well above the 10-year average of 12,8 million

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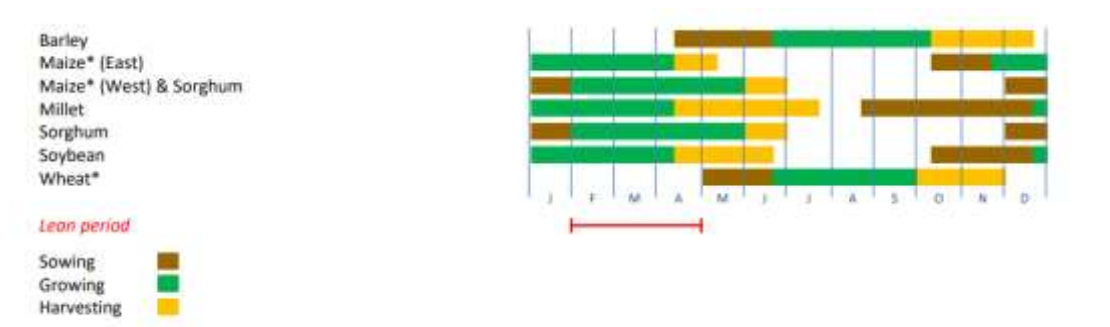
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tonnes and annual maize consumption of 11,8 million tonnes. The sunflower seed and soybeans harvests are projected to be the second-largest on record, at 959 450 tonnes and 1,9 million tonnes, respectively.

In the horticulture industry, the citrus harvest outlook remains positive. The heavy rains during the year caused minimal damage to the industry from a national perspective. The primary focus in the citrus industry is logistics, specifically ports efficiency, and the need to widen export markets as a significant share of the export market, roughly 7% in Russia, has been interrupted by the ongoing war in Ukraine.

In sum, the weather is again a significant focus in agriculture as we get into April. The outlook from the South African weather authorities is not favourable for both planting of winter crops and harvesting of summer crops and fruits. Still, this is not something to worry about, in our view. Instead, it is a major factor to monitor and plan with its uncertainty in mind. We remain optimistic about South Africa's agricultural activity in the coming months.

Exhibit 1: South Africa's crop calendar



Source: The Food and Agriculture Organization of the United Nations

Weekly highlights

The SA summer crop production estimates lifted from February levels

At the end of March, we received further confirmation that South Africa's summer crop is not as bad as some might have feared at the start of the 2021/22 production season when heavy rains threatened the yields. The data released by the Crop Estimates Committee showed overall improvements in most crops production estimates from the February figures.

For example, the maize harvest was lifted by 1% from the February estimate to 14,7 million tonnes (down 10% y/y). This is a decent harvest, well above the 10-year average of 12,8 million tonnes and annual maize consumption of 11,8 million tonnes. About 7,6 million tonnes is white maize and 7,1 million tonnes is yellow maize. The yearly decline is mainly due to a reduction in area plantings and expected lower yields in some country regions. Notably, South Africa will likely remain a net exporter of maize in the 2022/23 marketing year, which starts in May.

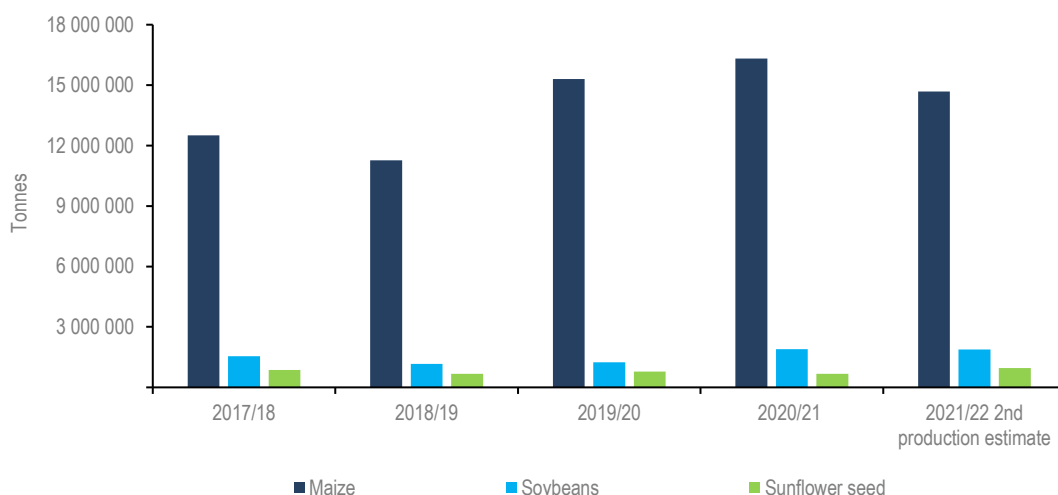
Soybean's 2021/22 crop was lifted by 4% from February, estimated at 1,9 million tonnes, the second-largest harvest (down by 1% y/y). The expansion in area plantings and expected better yields in some country regions are the major factors behind these expected relatively large harvests. The 2021/22 sunflower seed production estimate increased by 5% from the previous month to 959 450 tonnes (up 42% y/y). This is also the second-largest harvest, primarily due to an expansion in area plantings and expected better yields in some regions. The improvement in the sunflower seed harvest, and indeed, the entire vegetable oils market,

comes at an opportune time when there are worries that there could be supply constraints in the coming months in the global market. The Russian invasion has devastated Ukraine's exports and agricultural activity, thus limiting sunflower oil exports. Additionally, there were pre-existing supply challenges in the vegetable oils market caused by a poor palm oil harvest in Indonesia due to dryness. Therefore, the increase in domestic output will slightly lessen South Africa's reliance on imports, although there will likely still be significant volumes of palm oil imports.

Other crop production estimates lifted from February are groundnuts, up 7%, to 74 250 tonnes (up 15% y/y). Meanwhile, dry beans production estimates are unchanged from the previous month, at 59 690 tonnes (up by 4% y/y). Sorghum is one of the only crops that experienced the sharpest decline, with the crop estimated at 137 220 tonnes, down by 36% y/y. This is below the 10-year average harvest of 150 990 tonnes, mainly due to declining area plantings as some hectares were switched to sunflower seeds.

This broadly optimistic production data will, nonetheless, have minimal impact on prices. As with the previous few years, the domestic grains and oilseeds prices primarily follow the global markets, where the Russia-Ukraine war worries continue to present upside pressures on prices, which reflect in the South African grains market. Still, the fact that supplies improved provides comfort as far as the availability of essential grains is concerned. The upside price movements bode well for farmers in areas that didn't experience much crop damage. They stand to benefit from slightly higher grains, and oilseeds prices and the higher prices are negative for consumers. With that said, the scale of the impact of these developments on South Africa's consumer food price inflation is yet to be precise; for now, we keep a close eye on them as upside risks and maintain a view that consumer food price inflation could average at 6,0% y/y (from 6,5% y/y in 2021). The base effects and possibly softer meat and fruit prices over the coming months will also play a constructive role in the consumer food price inflation path.

Exhibit 2: South Africa's major summer grain and oilseeds production



Source: CEC and Agbiz Research

Solid SA agriculture jobs growth in Q4, 2021

Statistics South Africa recently reminded us of the excellent agricultural season we are leaving behind in 2021 when the primary agriculture gross value added expanded by 8,3% y/y (following a year of solid growth of 13,4% y/y). The agency released the Quarterly Labour Force Survey data for Q4, 2021, which showed a similar positive reading of a 7,1% y/y increase in primary agriculture jobs to 868 000, which is well above the long-term agricultural

employment of 780 000. The increased activity on the farms in the last quarter of the year and generally improved financial conditions following excellent harvests were at the core of these robust employment conditions in the sector.

To appreciate the 2020/21 season's output, consider the primary grains such as maize and soybeans, which saw production reaching 16,3 and 1,9 million tonnes, respectively. For maize, this is the second-largest harvest in the history of South Africa and a record soybean harvest. Other field crops also generated large yields in 2020/21. The South African Wine Industry Information and Systems reported the 2021 wine grape crop at 1,5 million tonnes, 9,0% more than the 2020 harvest within the horticulture subsector. Citrus, deciduous fruits and various horticulture products also recorded large harvests and a record export volume in the case of citrus. The livestock industry was hit by biosecurity challenges, such as foot-and-mouth disease outbreaks and high feed costs, towards the end of the year. Still, the livestock subsector held relatively well and benefited from the improvement in the grazing veld. Thus, it is unsurprising that the jobs gains in Q4, 2021 were widespread in crops, livestock, forestry and horticulture. The aquaculture subsector saw a mild decline in employment compared with Q4, 2020.

From a provincial perspective, Limpopo (-9% y/y), KwaZulu-Natal (-6% y/y), and Western Cape (-0,1% y/y) saw marginal job losses in Q4, 2021. These were overshadowed by gains in employment in other provinces. Hence, the overall primary agriculture employment increased by 7,1% y/y, as stated above.

Looking ahead, 2022 might be a break from the two consecutive years of high performance in the sector and possibly a slight decline in employment, specifically seasonal labour. The rising farming input costs such as fuel, fertilizers and agrochemicals will add pressure on farmers. This will also be in a season where field crop harvests could be lower than the 2020/21 season, albeit above the long-term level.

Exhibit 3: South Africa's agriculture employment



Source: Stats SA and Agbiz Research

Data releases this week

We start this week focusing on global data release; today, the United States Department of Agriculture (USDA) will release the **US Crop Progress** data. This will be the first release for the 2022/23 production season and will give us insight into the US grains plantings on the back of the current geopolitics that have disrupted the global agriculture markets. We

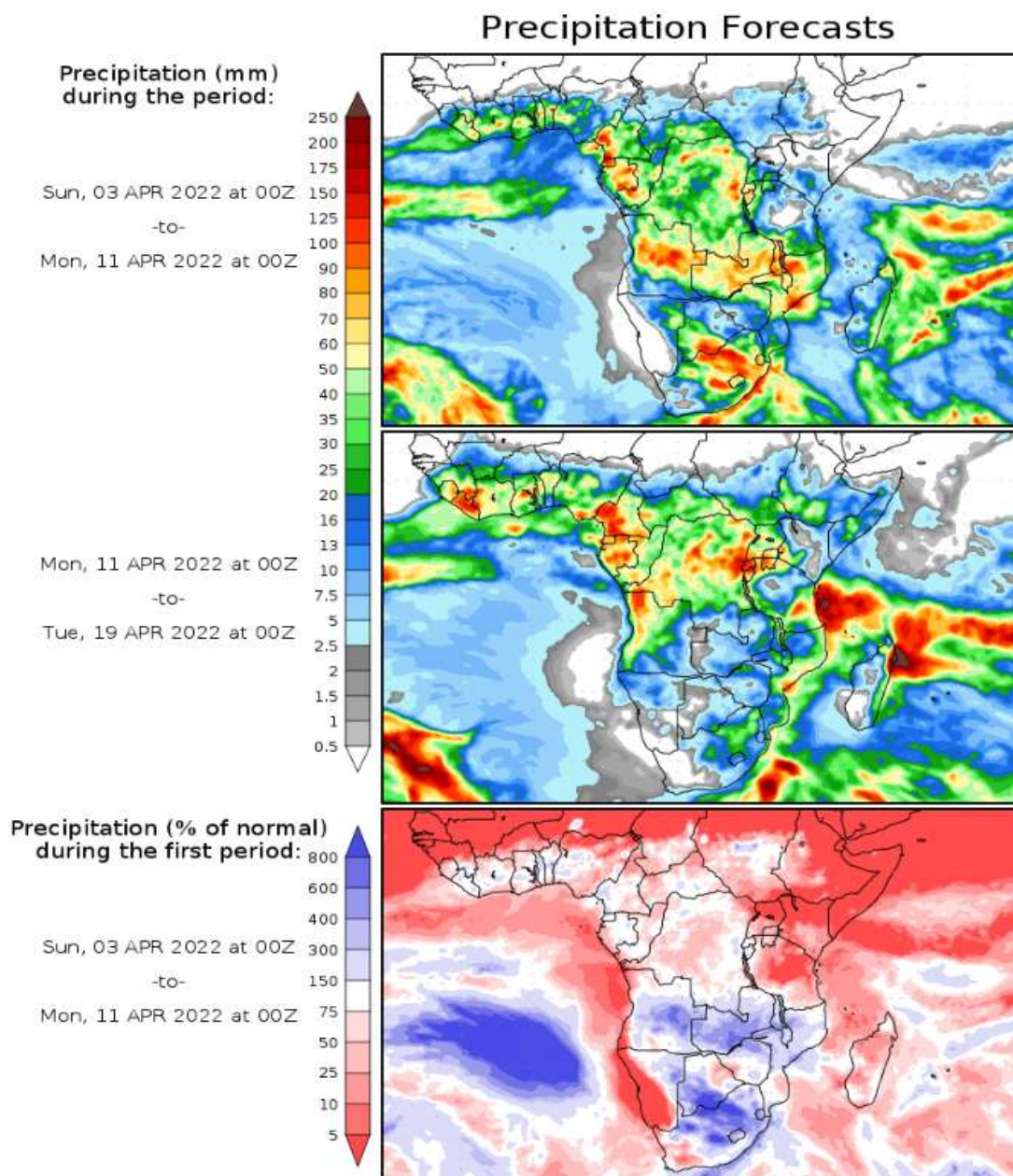
believe that the US farmers will be lifting the area plantings for most grains this season. On Thursday, the USDA will release the **US Weekly Export Sales** data.

Domestically, on Wednesday the SAGIS will release the **Weekly Grain Producer Deliveries** data for 01 April. This data cover summer and winter crops. But our focus is still on winter crops. The summer crops' new season is still at its maturing stages and will begin harvesting soon. Thus, we will focus on the summer crop data closer to harvesting time, towards the end of April. In the previous release of the week of 25 March, about 2,2 million tonnes of wheat had already been delivered to commercial silos. This covered the first 26 weeks of the 2021/22 production season and equated to 96% of the revised harvest estimate of 2,3 million tonnes.

On Thursday, SAGIS will release the **Weekly Grain Trade** data for the week of 01 April. On 25 March, which was the 47th week of South Africa's 2021/22 maize marketing year, total maize exports amounted to 3,4 million tonnes, equating to 87% of the revised seasonal forecast of 3,9 million tonnes (up by 36% y/y). South Africa is a net importer of wheat, and 18 March was the 25th week of the 2021/22 marketing year. The total imports are now at 762 989 tonnes out of the seasonal import forecast of 1,48 million tonnes (slightly below the 2020/21 marketing year imports of 1,51 million tonnes because of a large domestic harvest).



Exhibit 4: South Africa's precipitation forecast



Source: George Mason University (wxmaps)

After weeks of fairly drier weather conditions across South Africa, which was conducive for summer crops that are maturing, the next two weeks could bring showers to most regions of the country.

The forecast rains don't bode well for summer crops.