

Initial impressions on the impact of the early summer rains on SA agriculture

The start of South Africa's 2022/23 summer season has brought heavy rains across most regions with varied agricultural implications. For the horticultural industry, specifically fruit, we have been keenly watching whether the heavy rains would damage the orchards. Fortunately, there hasn't been any significant damage thus far to our knowledge. This is with the exception of damage in banana and macadamia fields in some areas of Mpumalanga following heavy winds and rains. Positively, the rains have improved the dam levels, which will be helpful for irrigation.

In the livestock industry, however, there is an increased risk of diseases with heavy rains that tend to be followed by significantly warm temperatures. Tick and insect populations are likely to flourish during the summer season. Hence, there is a relatively higher possibility of tick and insect-borne diseases such as redwater, heartwater, anaplasmosis, RVF, blue tongue, horse sickness, etc. This means the livestock farmers will have to remain alert during this period and apply vaccines where possible.

Within the field crops, the sugarcane-growing regions of KwaZulu-Natal and Mpumalanga have also broadly benefited from increased moisture, supporting the growing conditions. This is notwithstanding the business challenges that the Tongaat Hulett financial difficulties brought to the industry.

The 2022/23 summer grains and oilseeds planting season started in October in the country's eastern regions. The heavy rains have delayed planting in some areas. For example, Mpumalanga, which would typically be nearing the completion stages of soybeans planting, is estimated to have grown only roughly 40% of its soybean fields thus far, according to surveys by Grain SA. The province's optimal planting window for soybeans ends this week, so the additional hectares will be planted outside the window. Still, this should not be a major problem or something we haven't seen before. In the 2021/22 season, the excessive rains meant that most of the summer crops were planted a month behind the optimal window. However, that season still achieved record yields in soybeans and decent harvests in maize and other crops. Typically, the fear is that crops planted outside the planting window would be at risk of frost later in the season. But in the recent past, we haven't seen such occurrences of frost, which gives us hope for yet another good soybean production year.

In KwaZulu-Natal, roughly 80% of the intended area for soybeans planting is complete, and maize is 50% complete. The delays here are also caused by the heavy rains of the past few weeks. The Eastern Cape has also made good progress but has not yet been completed planting. In the eastern Free State, about 40% of soybeans and maize have thus far been planted. The fields are exceptionally wet in this region. We will have to get some days of drier weather conditions for planting activity to resume.

For the western regions of the country, the optimal planting window for grains and oilseeds is roughly between mid-November to mid-December. There is still sufficient time for planting in these areas, especially if we get more days of sunshine, as the recent rains have improved soil moisture. The western Free State is currently very wet and will need to dry up

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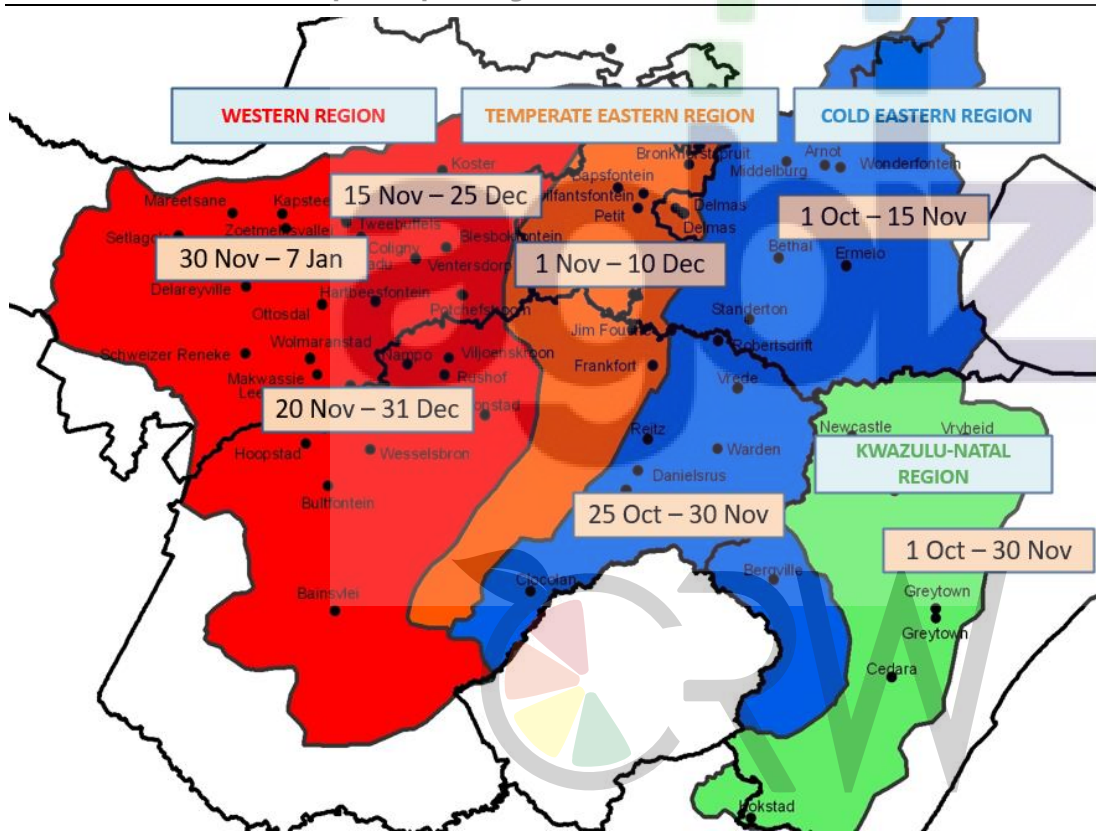
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for maize and soybeans planting to gain momentum. In the North West, farmers are still preparing the land for planting in most regions.

Overall, while the early part of the 2022/23 summer season has brought heavy rains over some regions of South Africa, we still view it as broadly favourable. The delays we see in summer grains and oilseed plantings are not a unique or particularly worrying development. The 2021/22 season, which delivered large yields, was one such season that had an excessively wet start, and some areas had to replant. Even if plantings are a month behind the optimal window, we are still optimistic that yields could be strong given recent trends. With higher input costs this time, however, replanting is an increasingly costly exercise for farmers. Thus, in some areas, farmers may have to delay planting until there is some clarity that the early season heavy rains have passed or at least moderated. The horticulture industry also needs to remain vigilant, especially the vegetable growers, who could struggle with wet conditions similar to the grains and oilseed farmers. The same is true for the livestock industry, especially in the current environment, where there are also constraints with the production of some vaccines in entities such as the Onderstepoort Biological Products (OBP), a risk for the sector. With all that said, we are still in a broadly favourable season in South Africa's agriculture.

Exhibit 1: South Africa's optimal planting dates for maize



Source: Grain SA and Agbiz Research

Weekly highlights

The International Grains Council maintained a roughly unchanged picture of 2022/23 grains and oilseeds from October forecasts

Last week, the International Grains Council (IGC) released its monthly update of the 2022/23 global grains and oilseeds production forecast. The numbers remain roughly unchanged

from October estimates, with the exception of wheat and soybeans. Wheat production estimates were revised down marginally, while soybeans were lifted. On balance, this left the overall grain production volumes unchanged from the estimate released at the end of October. In this now, we briefly highlight the estimates.

The IGC maintained a broadly optimistic view of the 2022/23 global grains and oilseeds production, estimated at 2,26 billion tonnes, which is roughly unchanged from October data. This harvest is only 1% lower than the 2021/22 season but still the second-largest crop on record.

If we focus on details, the 2022/23 global maize production is unchanged from October, estimated at 1,17 billion tonnes. This is down by 4% year-on-year, mainly on the back of an expected smaller crop in the US, Ukraine, EU and India. The US and the EU experienced drought and heatwaves during the summer, damaging crops in some regions. Meanwhile, India received heavy rains these past few months, leading to poor yields in some regions. Ukraine is still at war with Russia, which has reduced activity in the fields. The decline in these countries overshadows the relatively good crop in China, Brazil, Russia, Argentina and South Africa. The IGC forecasts South Africa's 2022/23 maize harvest at 15,7 million tonnes, which is unchanged from their previous season estimate.

This expected decline in global maize production is at a time when consumption is also falling mildly. Consequently, the 2022/23 global maize stocks were estimated at 257 million tonnes, down by 8% y/y. Such data will likely keep global maize prices at relatively elevated levels in the coming months, although lower than in the months following Russia's invasion of Ukraine. South Africa is interlinked with the global market and will likely also see higher maize prices in the foreseeable future, despite the optimistic forecasts of the domestic harvest. This means that consumers and the livestock industry may not receive much relief on maize prices as some might have anticipated. These are still early days, and the data will be reviewed as the season unfolds in the Southern Hemisphere.

About wheat, the 2022/23 global harvest is estimated at 791 million tonnes, down marginally from October estimate, but still up by 1% y/y. This improvement is supported by expected large yields in Russia, the US, Canada, Kazakhstan, China, Turkey and the UK. The large harvest in these countries overshadowed the expected decline in the harvest in the EU, Australia, Ukraine, Argentina, and India. Except for Ukraine, which continues to defend its land against the Russian assault, the forecast wheat production decline in other countries is primarily caused by poor weather conditions. Still, the overall higher production, when consumption is relatively stable at 784 million tonnes, means an improvement in stocks. The IGC forecasts 2022/23 global wheat stocks at 282 million tonnes, up by 2% y/y. The increase in stocks should add mild downward pressure on prices, which will benefit wheat-importing countries such as South Africa and its consumers.

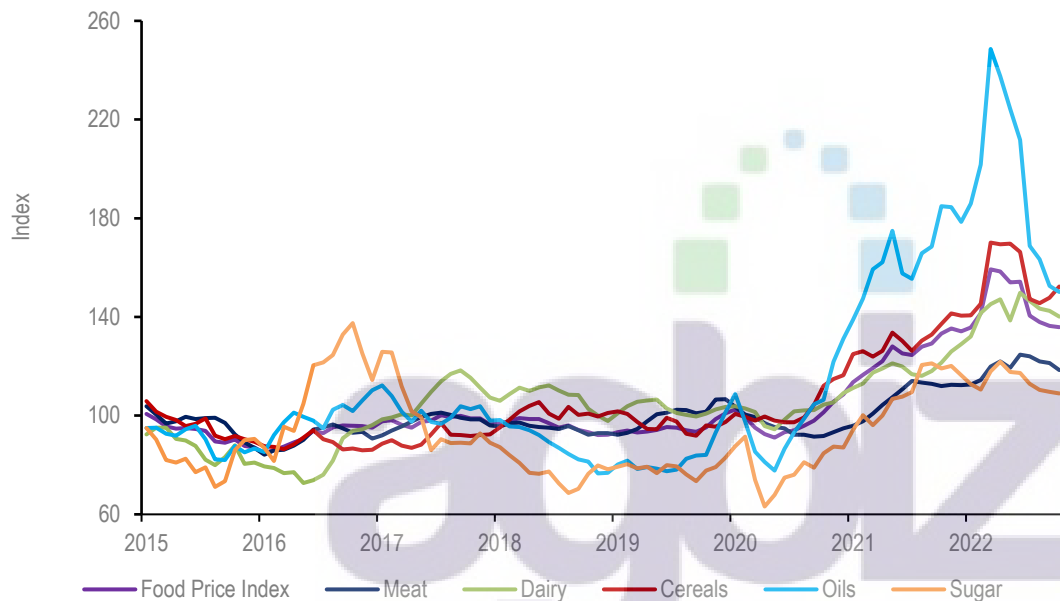
Regarding soybeans, the 2022/23 global harvest is estimated at 388 million tonnes, an improvement from last month and up by 9% y/y. The anticipated large harvest in Brazil, Argentina, China, Paraguay, Canada, Russia and Ukraine compensates for the expected decline in the US, India and Uruguay's harvests. These deviations in crop expectations are a function of weather and area plantings variations. While global soybean consumption will increase to support the growing global livestock sector, the stocks will remain significant. The 2022/23 global soybeans stock estimate is 54 million tonnes, up 19% y/y. Such an improvement in stocks should help keep global soybeans prices in check over the foreseeable future and thus benefit the livestock industry. As with maize, South Africa is interlinked to the worldwide market and will likely also see softening soybean prices.

Rice has become more prominent, with increased demand, especially as some started to substitute wheat products with rice in the wake of the Russia-Ukraine war, which interrupted the global wheat trade. The 2022/23 global rice harvest is unchanged from last month and

down 2% y/y, estimated at 505 million tonnes. The unfavourable weather forecasts in much of Asia, mainly in India, Vietnam, Bangladesh, and the Philippines, are the major reason for the lower harvest. With consumption reasonably high, this means that global stocks will take a knock. IGC currently forecasts 2022/23 global rice stocks at 169 million tonnes, down by 5% y/y.

Overall, the 2022/23 global grains and oilseeds season is roughly unchanged from October 2022 and presents an encouraging picture of supplies. Still, the price moves of the commodities will likely differ in the coming months because of the variations in the production levels compared with the 2021/22 season. The current forecasts will probably be sufficient to provide relief from the levels the prices were at in the weeks after the start of the Russia-Ukraine war (see Exhibit 2).

Exhibit 2: Global Food Price Index



Source: FAO and Agbiz Research

Data releases this week

As always, we start the week with a global focus, and today the United States Department of Agriculture (USDA) will publish its **Weekly US Crop Progress** data. In these data, our focus is on the US grains, and oilseeds harvest progress, specifically maize and soybeans. In the previous release, in the week of 13 November 2022, about 93% of the maize crop had already been harvested. This is slightly ahead of last year's pace of 90% in the same week. At the same time, the soybeans harvest is nearly complete, with 96% of the crop already collected on 13 November 2022. This is way ahead of last year's pace of 91% in the same week because of drier weather conditions earlier in the season, accelerating the crop's maturity. Moreover, the USDA will release the **US Weekly Export Sales** data on Thursday.

On the domestic front, on Wednesday, SAGIS will release the **Weekly Producer Deliveries** data for 18 November 2022. In the previous release of the week of 11 November, about 13,9 million tonnes of maize had already been delivered to commercial silos, out of the expected harvest of 15,3 million tonnes. In the same week, about 2,1 million tonnes of soybeans had already been delivered to commercial silos out of the expected harvest of 2,2 million tonnes. Moreover, 835 173 tonnes of sunflower seed had already been delivered on the same day out of the expected harvest of 845 550 tonnes.

Also on Wednesday, Statistics South Africa will release the **Consumer Price Index (CPI)** for October 2022. To recap, in South Africa's consumer food price inflation accelerated further to 12,3% year-on-year (y/y) in September 2022, from 11,5% y/y in the previous month. The products behind this monthly increase were mainly "bread and cereals", "meat", "milk, eggs and cheese", and "vegetables".

The general consumer food price increase mirrors the surge in agricultural commodity prices over the past few months. The agricultural commodities price increase emanates from various factors such as the drought in South America, higher shipping costs, strong agricultural product demand in China, and, most recently, the Russia-Ukraine war. Moreover, the higher fuel price inflation since the start of the war is an additional cost driver of food prices.

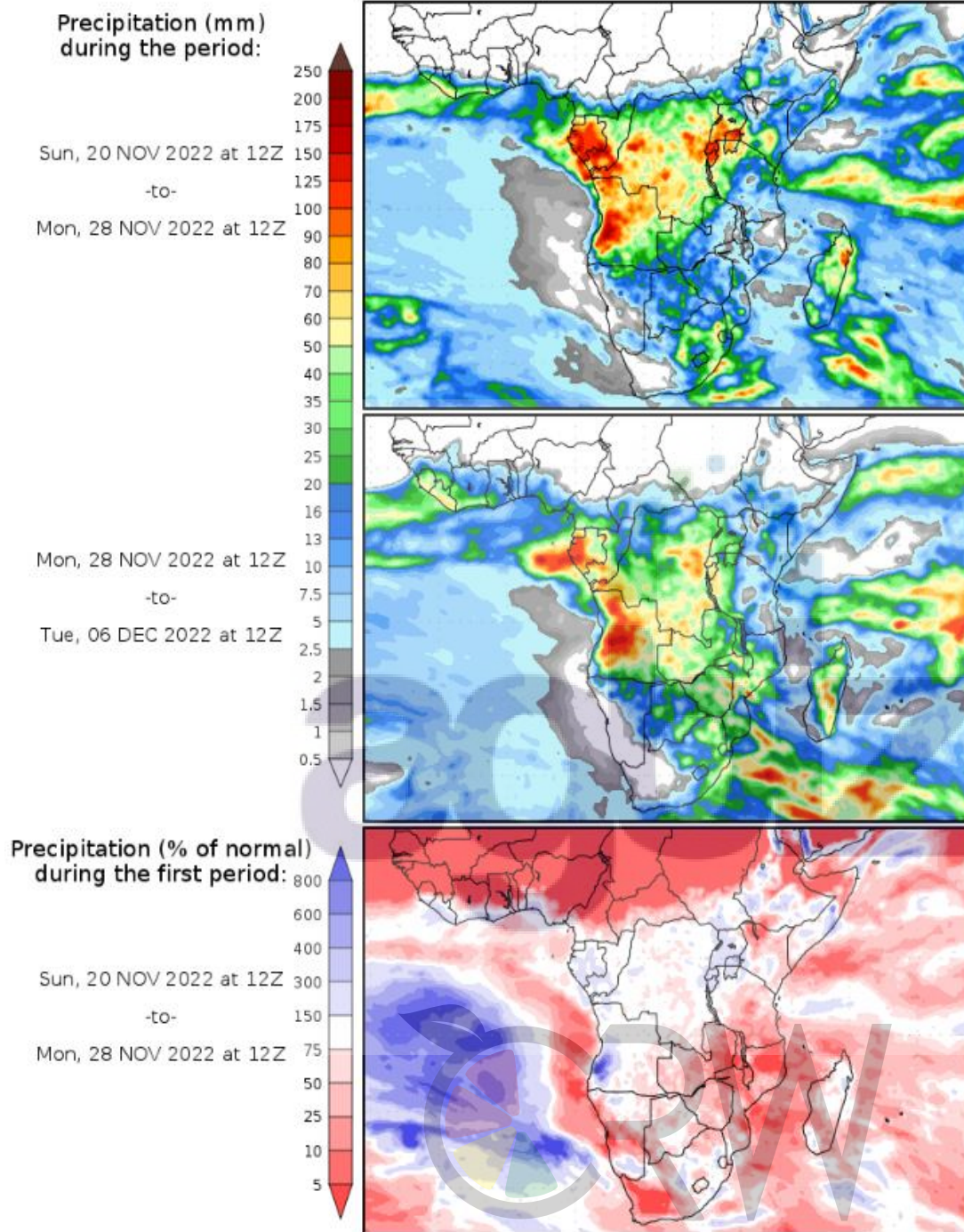
On Thursday, SAGIS will publish the **Weekly Grain Trade** data for 18 November 2022. In the previous release on 11 November 2022, which was the 28th week of South Africa's 2022/23 maize marketing year, the weekly exports amounted to 14 043 tonnes, all to the Southern Africa region. This brought the total 2022/23 exports to 2,10 million tonnes out of the revised seasonal export forecast of 3,40 million. This is slightly down from 4,14 million tonnes in the past season due to an expected reduction in the harvest.

South Africa is a net wheat importer, and 11 November was the sixth week of the 2022/23 marketing year. The weekly imports amounted to 54 493 tonnes, from Germany and Latvia. This puts the total imports for the 2022/23 season at 274 314 tonnes. The seasonal import forecast is 1,53 million tonnes, slightly down from 1,58 million tonnes in the previous season. In the 2021/22 season, the major wheat suppliers are Argentina, Lithuania, Brazil, Australia, Poland, Latvia and the US. As we stated in our previous notes, if one looks into South Africa's wheat imports data for the past five years, Russia was one of the major wheat suppliers, accounting for an average share of 26% yearly. This was replaced by Argentina and Brazil in the 2021/22 season.

Also on Thursday, Statistics South Africa will release the **Producer Price Index (PPI)** for October 2022.



Precipitation Forecasts



Source: George Mason University (wxmaps)

The weather forecast for the next two weeks show prospects of light showers over the summer crop growing areas of South Africa.

With the fields largely wet in most regions of the country, the rains are not idea for now. Farmers need a couple of days of drier weather conditions that could drain off water and allow for planting.

With that said, the expected rains are broadly light, and should not be destructive.