

27 November 2023

Initial impressions about South Africa's 2023/24 agricultural season

- Over the past few weeks, we travelled across most regions of South Africa for meetings with our members, which was also an opportunity to view the summer crop planting progress. Positively, in the various areas, farmers planted early in the season, with soil preparations having started as early as September, particularly in the eastern and central parts of South Africa. The planting is in full swing in these parts of the country, with mainly the western regions yet to see notable progress. The advantageous part of the season was the favourable soil moisture of the past season. Furthermore, the rains of the past couple of weeks further improved field conditions and added to the already existing optimism about the season.
- Still, the concerns of an El Nino are not lost in the minds of South African farmers. They are watching this, and they are worried about its impact. What has provided comfort so far are the favourable rainfall we have received and the weather forecasts that consistently paint a promising picture that rain may continue until early March 2024, which is when the El-Nino-induced dryness may begin. Be that as it may, the farmers we have interacted with were not deterred by these concerns. They believe that the South African Crop Estimates Committee's estimates that 2023/24 summer grains and oilseed planting would increase by 2% to 4,5 million hectares will likely materialize. Moreover, the view from farm inputs organizations suggests that they also saw reasonably encouraging sales, further supporting the optimistic view about crop planting.
- These promising production conditions are also favourable for broader field crops, horticulture, and livestock and poultry subsectors. For the horticulture industry, all production is under irrigation, and the dam levels have improved notably and above average levels in most areas. Still, with consistent electricity interruptions, rainfall plays a pivotal role in supplementing the irrigation system. So, the expected showers over the next three months will support production conditions in fruit and vegetables.
- The same is true for the livestock industry, where the past rainy seasons improved the grazing veld and thus supported the industry. The next few months' rainfall is vital to further improve the vegetation conditions and thus provide necessary feed when the time of need arises during the winter season and the dry patch of an El Nino. Notably, the livestock and poultry sectors mainly depend on feed availability and affordability, mostly yellow maize and soybeans. Therefore, the conducive production conditions for such crops, in turn, support the livestock and poultry industry.
- The one aspect worth monitoring, as we have communicated previously, is heat levels or temperatures. The South African Weather Service has signalled that "Minimum and maximum temperatures are expected to be mostly above-normal countrywide." Given the challenging conditions

and excessive heat presented to farmers in the northern hemisphere, this will be something livestock and poultry farmers will have to watch and try to find ways to minimize animal heat stress.

- Assuming the positive outlook we have painted above materializes, the fears of an El Nino impact on food prices will be eased in the first quarter of 2024. In recent South African Reserve Bank Monetary Policy Committee communications, this weather phenomenon was rightly outlined as a potential risk to watch. But if it only intensifies from March 2024, as the South African Weather Service recently noted, South Africa would have a good agricultural season, with ample supplies, which should help to ease the food price inflation concerns. While constant risk of weather will be top of mind over the coming months, it is also important to keep a close eye on geopolitics and their impact on global agriculture. South Africa is a small, open economy, and agricultural prices mainly follow the global trend. So, in addition to domestic production conditions, global factors are also worthwhile monitoring.
- Overall, all else being equal, we remain optimistic about South Africa's 2023/24 agricultural production performance.

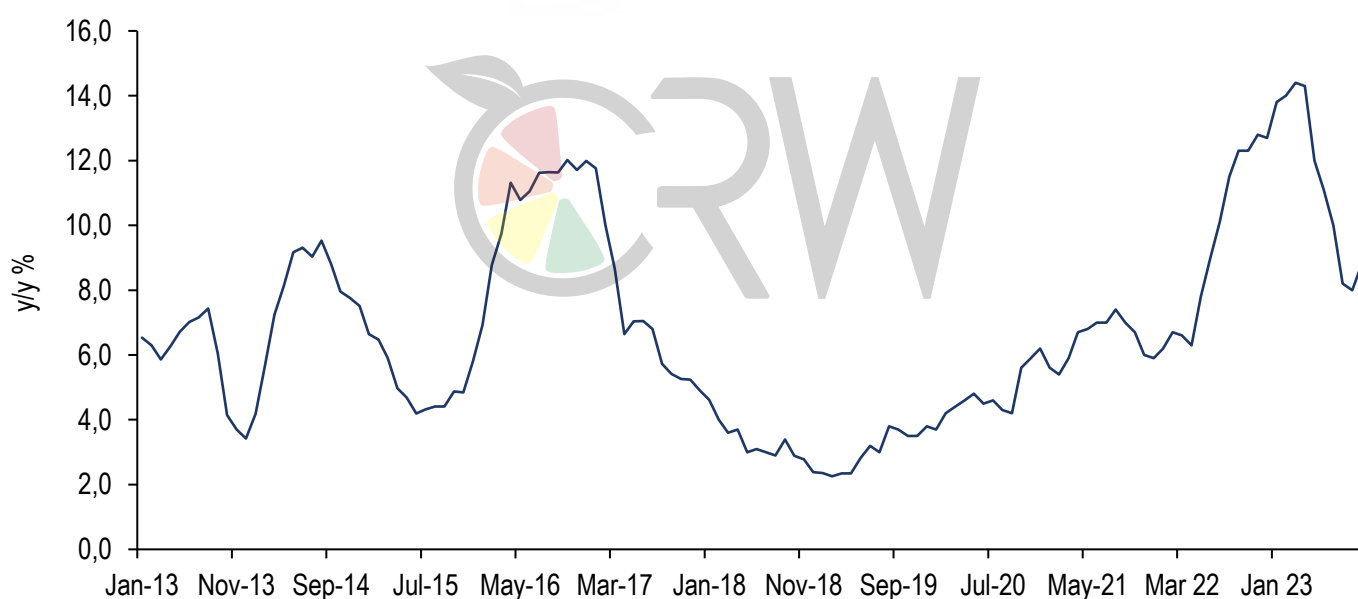
WEEKLY HIGHLIGHT

South Africa's consumer food inflation accelerated mildly in October 2023

- After slowing for six consecutive months, South Africa's consumer food inflation quickened to 8,8% in October 2023, from 8,0% in the previous month. The product prices underpinning this increase were mainly milk, eggs and cheese; fruit; and vegetables. For all these products, the recent price rises will likely be a temporary blip. They are a reaction to brief supply constraints in the past few months.
- The avian influenza was the main issue behind the eggs supply constraints, which remain a challenge although not as acute as we saw in September and October. Regarding the vegetables, potatoes were mainly the driver of the prices in the basket as the harvest was limited following quality challenges caused by irrigation disruptions in some fields due to load-shedding in much of the year's first half.
- But with interventions underway in the poultry sector, such as importing fertilized eggs to rebuild the parental bird stock lost from avian influenza, importing table eggs (powder and liquid eggs that would help in the baking process and free the whole eggs for human consumption), and the ongoing processes about the possible vaccinations to curb the spread of the disease, we are hopeful that the prices will likely normalize in the coming months. Furthermore, the eggs have a lower weight within the food inflation basket, at 0.4%, which means their impact may not be as pronounced in an overall inflation figure.

- We expect a similar recovery in vegetable and fruit supplies in the coming months, which will help ease the current upside price pressures. The load-shedding has reduced somewhat, and farmers have invested in alternative energy sources, which is helpful for production conditions.
- Overall, we remain optimistic that South Africa's consumer food price inflation will return on a moderating path going into 2024. Some products that will likely drive such a price trend include grain-related products, as well as fats and oils. The farm-level grains and oilseed prices remain reasonably lower than a year ago because of improved global and domestic supplies, notwithstanding the trade risks. This is a catalyst behind the slowing price of grain-related products, fats, and oils and the expected favourable trend for the coming months. Notably, these are also products with a higher weighting in the food basket. Favourably, meat price inflation has also continued to slow. However, given the anticipated festive season demand and potential slight price increase, the meat price trend could slightly change for the festive season months.
- Also crucial for the food inflation outlook going into 2024 is highlighting that El Nino's forecast in the upcoming 2023/24 summer crop season is another aspect to keep an eye on, although we remain optimistic that it will have a mild impact on the sector and thus keep production at decent levels and, by extension, sustain moderating food prices. There are good soil moisture levels across South Africa following several rainy seasons. Furthermore, the weather forecast remains reasonably favourable for the year, with El Nino expected to intensify from March 2024. Farmers are busy planting across the country, and they hope the summer grains and oilseeds area planting will increase from a year ago.
- Still, the prices of these products are influenced by global developments as we are an open economy interlinked with the world markets. So, monitoring global agricultural developments, geopolitics, and energy markets remains essential.

Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research

WEEK AHEAD

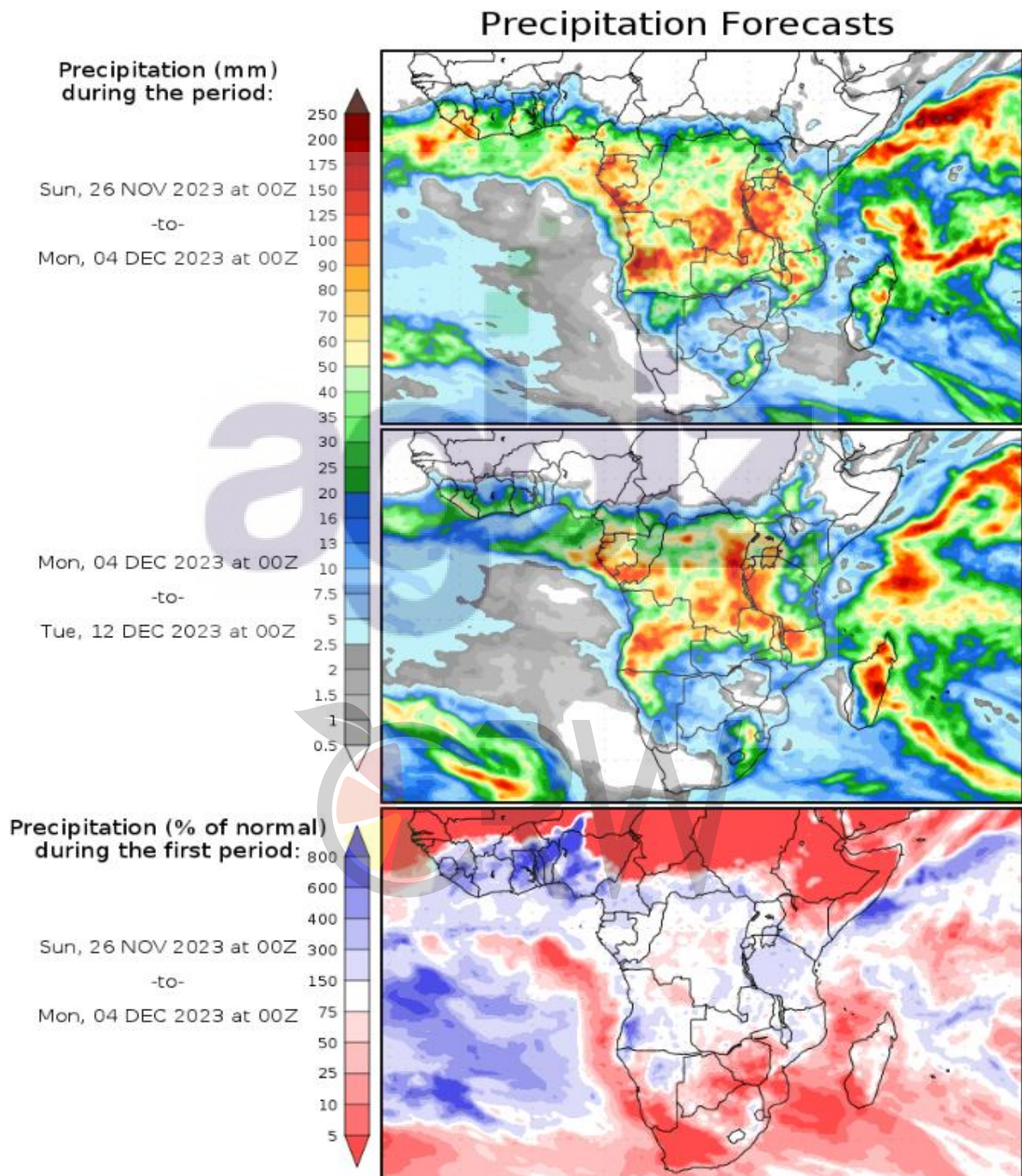
What we are watching this week

- We start the week with a global focus, and today, the United States Department of Agriculture (USDA) will release its weekly update of the **U.S. Crop Progress Report**. The harvest of maize and soybeans is nearing completion across the U.S. On November 19, about 96% of the maize crop had already been harvested, which is ahead of last season's pace of 93% and above the five-year average harvest pace of 91%. At the same time, 94% of the sunflower seed crop had already been harvested, which was also above last season's pace of 78%. The soybean harvest has been completed. Importantly, the crop harvest is mainly of good quality. Moreover, USDA will release its weekly **U.S. grains and oilseeds export sales** data on Thursday.
- On the domestic front, the Crop Estimates Committee (CEC) will release the **final production estimate for summer field crops for 2023** on Tuesday. We don't expect any changes on the current harvest estimates, and the attention has now shifted to the 2023/24 production season, which we discussed in the opening section of this note. The CEC will also release the **fourth production forecast for winter cereals for 2023** on the same day. There are concerns about crop quality in the Western Cape following the recent heavy rains, but the size of the crop is not a major issue at the moment. Thus, we also do not expect major adjustments from the current estimates of the notable harvest of 2,2 million tonnes of wheat, 380 120 tonnes of barley, 237 450 tonnes of canola, and 41 600 tonnes of oats.
- On Wednesday, SAGIS will release its weekly **South Africa's Grains and Oilseeds Producer Deliveries** data for November 24. In the previous release on November 17, South Africa's 2023/24 maize producer deliveries were about 28 000 tonnes. This placed the 2023/24 marketing year's maize producer deliveries at 14,5 million tonnes out of the expected harvest of 16,4 million. On the same day, the soybean deliveries were about 2,7 million tonnes of soybeans out of the expected crop of 2,8 million tonnes. The sunflower seed producer deliveries amounted to 713 852 tonnes out of the expected harvest of 729 110 tonnes.
- Also, on Wednesday, Statistics South Africa will release the country's **Agricultural survey for 2022**.
- On Thursday, SAGIS will publish its weekly **South Africa's Grains and Oilseeds Trade** data for November 24. In the previous release on November 17, the 29th week of the 2023/24 marketing year, South Africa exported 34 952 tonnes of maize. Of this volume, 43% was exported to Zimbabwe, and the balance to the rest of the neighbouring African countries. This placed South Africa's 2023/24 maize exports at 2,33 million tonnes out of the seasonal export forecast of 3,33 million.
- South Africa is a net wheat importer, and November 17 was the seventh week of the new 2023/24 marketing year. There were weekly import volumes of 43 742 tonnes from Poland and Russia. This placed South Africa's 2023/24 wheat import at 384 533 tonnes out of the seasonal forecast of 1,6 million tonnes (down from 1,7 million tonnes in the 2022/23 season).

South Africa's Precipitation forecast

- Similar to the previous week, the weather forecast for the next two weeks shows prospects of light showers across the summer crop regions of South Africa. This will help further improve soil moisture and benefit the 2023/24 summer crop-growing regions of South Africa.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)