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Some optimism about South Africa's 2024-25 winter crop production

- South Africa's agricultural sector is currently in what some would consider a relatively quiet period before we start the busy period again in a few weeks. Farmers will soon be tilling the land for summer crops from mid-October. Towards the end of November, the table grape industry will also start with its harvesting period, and there will be more activities from that period onwards. The winter crop is the main crop currently in season, with farmers starting the season in May.

- Indications are that the winter crop is in reasonably good condition in some regions of South Africa, although the start of the season was challenging. On September 26, the Crop Estimates Committee (CEC) lifted South Africa's 2024-25 winter crop by 2% from August to 2,72 million tonnes. This placed the projected harvest only negligibly (i.e., 0.04%) less than the previous season. This winter crop encompasses wheat, barley, canola, oats and sweet lupines. The upward revisions in the CEC's latest projections were mainly on wheat, canola and sweet lupines.

- Much of this positive activity is in the Western Cape, a major province in the production of winter crops. For example, about 73% of the winter wheat plantings for the 2024-25 season are in the Western Cape. The area planted for barley, canola, and oats is much more prominent in the province as a winter rainfall region. Other major winter crop-producing provinces are the Free State, Northern Cape, Limpopo, and North West, but the production in these provinces is mainly under irrigation.

- If we zoom into wheat, the production is estimated at 1,94 million tonnes, up 2% from last month. The upward revision was mainly in the Western Cape, benefitting from favourable weather conditions. Importantly, it appears that the excessive rains at the start of the season may not have caused much damage in the province's wheat production, at least in most regions. The provincial crop is projected to be up 2% from the 2023-24 season, at 1,1 million tonnes of the national expected wheat harvest of 1,94 million tonnes. Still, yearly, the current national wheat crop of 1,94 million tonnes is down 5% from the previous season, indicating lower production outside of the Western Cape.

- The production in other provinces is down notably from the previous season. We suspect that the mid-summer drought has weighed on the production in the Free State, Limpopo and Northern Cape provinces. Farmers were financially constrained after they lost their summer crop. Moreover, some may have opted to conserve the soil moisture for the start of the 2024-25 summer crop production.

- Thus, South Africa will remain a net wheat importer in the 2024-25 marketing year. Fortunately, there are ample global wheat supplies and prices have remained broadly contained. The International Grains Council forecasts 2024-25 global wheat production at 798 million tonnes, up 0,4% year-on-year. The improved global wheat production prospects have kept global wheat prices at a moderate level, thus benefiting consumers and importing countries like South Africa, especially with the much stronger exchange rate. Still, the wheat import tariff typically reduces the potential gains for the wheat consumers while equally providing some level of support to the domestic producers.

- Aside from wheat, barley production prospects remain positive annually, although down on a monthly revision. The CEC lowered the barley harvest prospect by 4% from August to 398k tonnes. Still, this is 6% higher than the 2023-24 season. With the barley plantings down 7% year-on-year, at an estimated 100k hectares, the improved annual harvest prospects are supported by better yield prospects in some regions of the Western Cape.

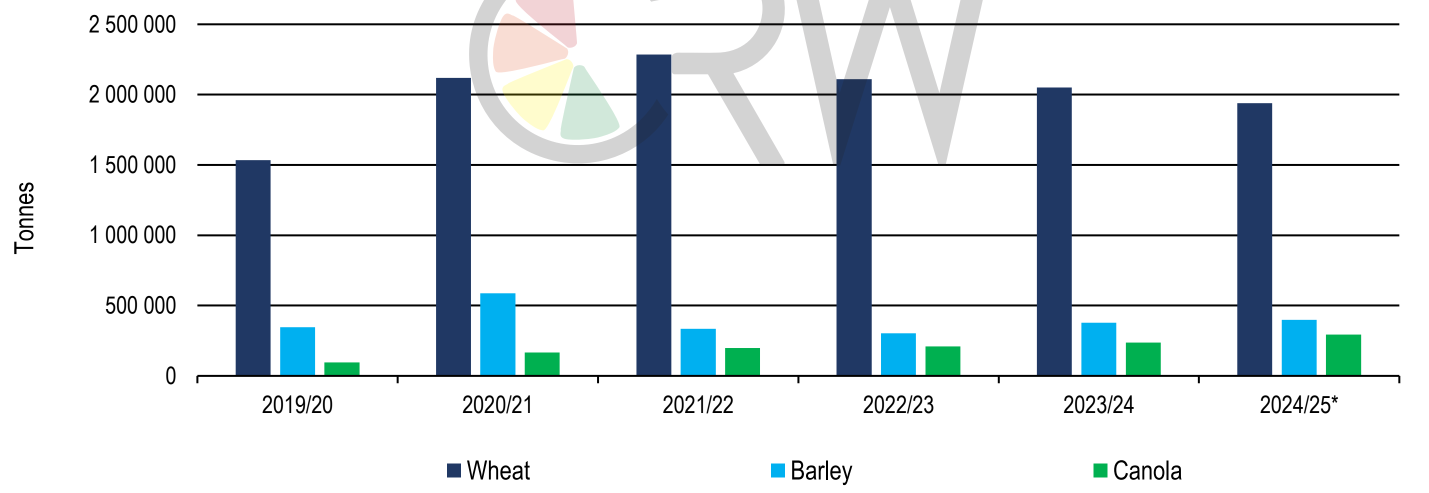
- The 2024-25 canola production is forecast at 294k tonnes. This is the largest harvest on record, up 25% year-on-year. An expansion in the area underpins the improvement planted and prospects for better yields. Indeed, in our recent visit to the Western Cape, the canola plantings were visibly in good condition in most regions of the province. These figures confirm our anticipation that the province will have a decent canola crop.

- Also worth highlighting is that South Africa's 2024-25 oats production could increase 67% year-on-year to 68k tonnes according to CEC. This significant production results from a notable increase in the planted area and positive yield prospects. We see similar improvements in sweet lupines, where production is estimated at 19k tonnes, up by 20% year-on-year.

- The winter crop season is shaping slightly better than the challenging summer crop season. Admittedly, we are early in the season, and a lot could change depending on the weather conditions in the coming months. But the figures we have at this point provide some comfort about the size of the supplies. Where production prospects are down notably, the large global wheat production will provide much-needed cushion to the domestic wheat processors and food companies.

- In the coming months, there will also be more activity in other crops and value chains in agriculture. Perhaps at the end of the year, the focus on logistics will be a priority again as the horticulture industry will gear up again for an export season.

Exhibit 1: South Africa's winter crop production



Source: Crop Estimates Committee and Agbiz Research
**2024/25 represents the latest forecasts from the Crop Estimates Committee*

WEEKLY HIGHLIGHT

The impact of the mid-summer drought on South Africa's 2023-24 crop continues to bite

- South Africa is on its eighth summer grain and oilseeds production forecast for the 2023-24 season. There are two more monthly reports to follow. Given that we are at the tail end of the season and will soon be in the optimal planting window for the 2024-25 production season from mid-October, we thought there would be no major revisions of the production figures at this late stage. But this has not been a typical season, and the lower producer deliveries we have been observing over the past few weeks are not only a function of on-farm storage but a poor harvest. Indeed, we struggled with a mid-summer drought in February and March, undermining crop yield potential in various regions.

- On September 26, the CEC lowered again the 2023-24 summer grain and oilseeds production estimate by 2% from last month to 15,45 million tonnes. The major downward revision was in maize, sunflower seed, and groundnut harvest. The 2023-24 summer grain and oilseeds harvest is now down 23% from the previous season.

Maize

- If we zoom into maize, the major staple, the 2023-24 harvest is now estimated at 12,80 million tonnes, down 2% from last month and 22% from the previous season. This sharp decline in harvest prospects signifies the harsh impact of the drought. Of the current estimate, white maize is about 6,08 million tonnes (down 2% m/m), with yellow maize at 6,72 million tonnes (down 2% m/m). The current maize crop of 12,80 million tonnes is the lowest in six years, again showing the sharp impact of the drought.

- We believe the expected harvest and carryover stocks from last season will meet South Africa's annual maize consumption of roughly 12,00 million tonnes. This will still leave the country with a sizable volume for export markets. The data from the South African Grains and Oilseed Supply and Demand Estimates Committee suggests that South Africa's maize exports could reach 1,85 million tonnes in the 2024-25 marketing year (this corresponds with the 2023-24 production season). In the week of September 13, about 843k tonnes had already been exported (the 2024-25 marketing year started on May 1).

- In this export forecast, about 1,20 million tonnes will likely be white maize, with 650k tonnes could be yellow maize. Still, the estimated exports of 1,85 million tonnes are down notably from 3,40 million tonnes in the previous 2023-24 marketing year (this corresponds with the last 2022-23 production season). With the further downward revision of the harvest, we suspect that the export figure may have to be revised somewhat, particularly the white maize component.

- Also worth noting is that while South Africa will likely remain the net exporter of maize in the 2024-25 marketing year (which corresponds with the 2023-24 production season), 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 173k tonnes. The imports for the year (2024-25 marketing year) could rise to 350k tonnes. Brazil is another potential supplier of yellow maize to South Africa. Notably, after accounting for these potential imports, South Africa will likely remain a net maize exporter.

- Importantly, these figures are still tentative. There may still be adjustments in the coming months, particularly on white maize export forecasts. We are in a tricky season with many unknowns, and the recent downward revision of white maize has further complicated an already challenging season.

Oilseeds

- Unlike other crops, South Africa's 2023-24 soybean harvest is up 2% from last month to 1,8 million tonnes (down 35% y/y). This annual decline results from lower yields in various regions of South Africa. We now believe South Africa may not play a robust position in soybean exports like the previous season. If anything, soybean oilcake imports this new season are now a possibility.

- Regarding the sunflower seed, the harvest estimate is down 2% from last month at 635 750 tonnes (down 12% y/y). This is on the back of poor yields and reduced area plantings.

Other grains

- The 2023-24 groundnut harvest estimate is 51 745 tonnes (down 2% y/y), sorghum is at 95 830 tonnes (up 2%), and dry beans are at 50 495 tonnes (up 0,4%).

Concluding remarks

- Ordinarily, at this time of the season, we would not be reflecting in depth on a season we are closing. Our focus would be on the upcoming season as plantings would have already started in some areas, and the optimal planting window opens in mid-October in the country's eastern regions for grain and oilseeds, mainly yellow maize and soybean plantings. However, the lower producer deliveries in recent weeks and further downward revision of the summer grain and oilseeds worry us about potentially tighter supplies at the end of this year and into the first quarter of 2025.

- Moreover, the export forecasts seem reasonably optimistic, given the current unknown risks and the downward revision of the harvest. Thus, we believe it may be slightly lowered, especially the white maize export figure.

- The implication for the consumer is that white maize prices may remain elevated over the near term. On September 26, the white maize spot price traded around R5 505 per tonne, roughly 38% up year-on-year. Meanwhile, yellow maize was at R4 240 per tonne, up 10% year-on-year. The price difference is because of the abundant yellow maize supplies in the world market relative to scarce white maize. The regional demand for white maize will also continue to present upward price pressures, especially towards the end of the year and going into the first few months of 2025.

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) releases its weekly **US Crop Progress** report. The US's 2024-25 maize harvest process has recently started in some States, with so far only 13% of the crop harvested as of September 22, 2024. This is roughly in line with the harvest pace in 2023, where by this time, 14% of the crop had been harvested. We also continue to monitor the crop conditions in the US, as this will inform the yield prospects. In the week of September 22, about 65% of the US maize crop was rated good/excellent (compared with 53% rating at the same time last year). Also worth noting is that 10% of the US soybeans had been harvested on September 22, 2024, compared with 13% in the same time last year. Regarding the soybean growing conditions, about 64% of the US soybean crop was rated good/excellent (compared with the 50% rating at the same time last year).

- Moreover, the USDA will release its **weekly US Grains and Oilseed Export Sales** data on Thursday.

- On Friday, the Food and Agriculture Organization of the United Nations (FAO) will release its **Global Food Price Index** for September 2024. This is a measure of the monthly change in international prices of a basket of agricultural commodities. The FAO Food Price Index stood at 120.7 points in August 2024, which is 1% lower than its corresponding value one year ago and 25% below its peak in March 2022.

- On 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 22nd week of the new marketing year, 2024-25. In the previous release on September 20, South Africa's weekly maize producer deliveries were about 57k tonnes. This placed the 2024-25 maize producer deliveries at 9,96 million tonnes out of the expected harvest of 12,80 million tonnes. The 2024-25 soybean deliveries in the first 30 weeks of this new marketing year amounted to 1,73 million tonnes out of the expected harvest of 1,81 million tonnes. At the same time, the sunflower seed deliveries amounted to 621k tonnes out of the expected harvest of 636k tonnes.

- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 21st week of the 2024-25 marketing year. In the previous release on September 20, the 21st week of the 2024-25 marketing year, South Africa exported 42k tonnes of maize. Of this volume, 57% was exported to Zimbabwe, 15% to Namibia, and the balance to the neighbouring African countries. This places South Africa's total maize exports in the 2024-25 marketing year at 891k 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).

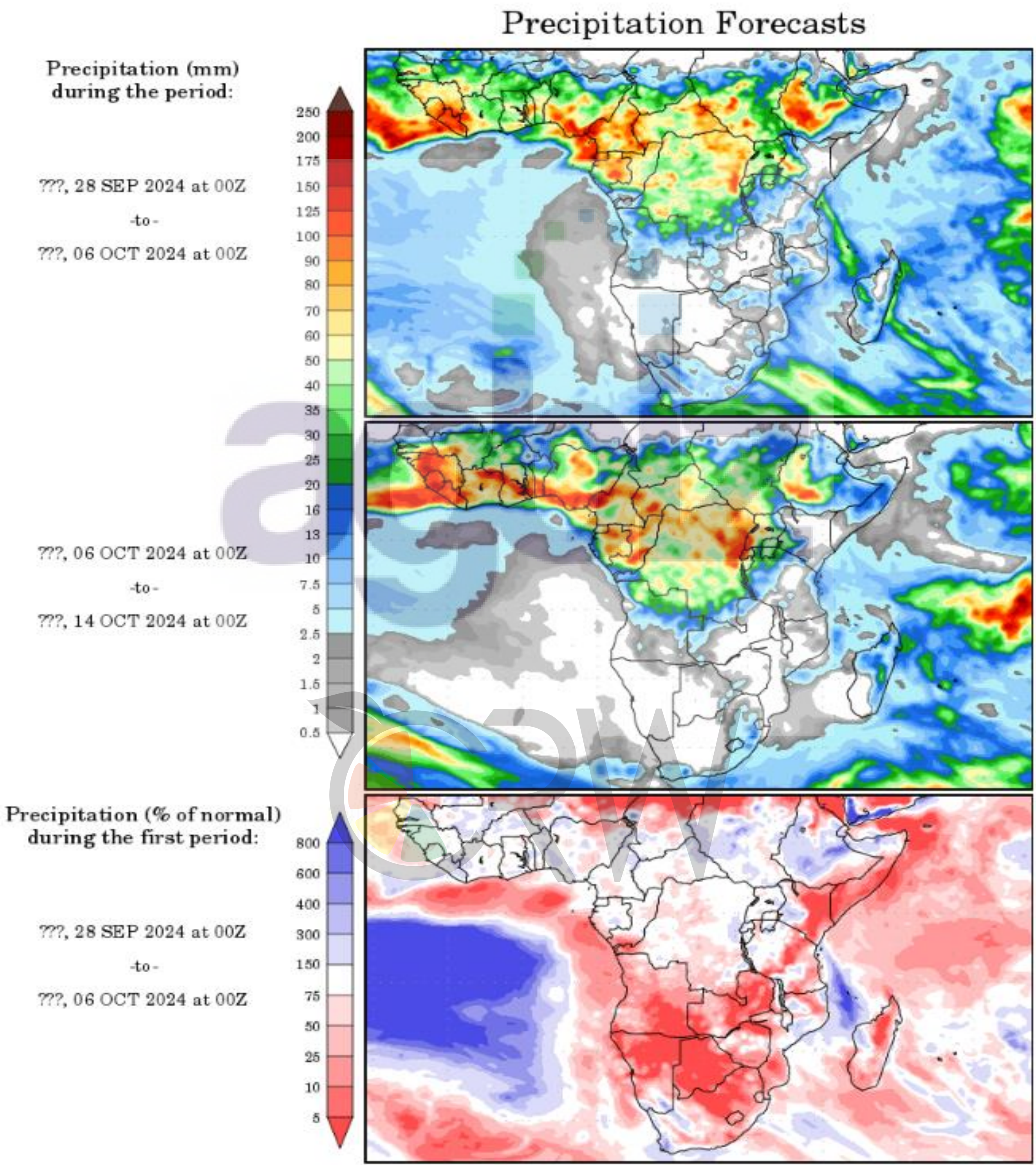
- Moreover, while South Africa will likely remain the net exporter of maize in the 2024-25 marketing year, the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina through Cape Town. South Africa's 2024-25 maize imports currently stand at 173k tonnes.

- South Africa is a net importer of wheat, and September 20 was the 51st week of the 2023-24 marketing year, with wheat imports totalling 1,81 million tonnes. There will be one more week before the closure of this marketing year, and a start of the 2024-25 marketing year on October 1st.

South Africa's Precipitation forecast

- The weather forecast for this week shows prospects of light rains in the eastern, and south-western regions of South Africa. This is ideal for improving soil moisture before the 2024-25 summer crop production season starts, and equally supports the winter crop growing regions of the country.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)