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January 13 2025

Narratives shaping SA's agricultural production conditions in 2025

- We are in a tricky crop season. At its start, we expected a recovery from the 2023-24 season characterised by the El Niño induced drought damage. Indeed, various regions of South Africa received much-needed rains in October, permitting the start of the summer grains and oilseeds planting and a recovery in the grazing veld. The farmers were also upbeat, encouraged by the prospects of rain and the moderation of various input costs – fertilisers and agrochemicals. At the end of October 2024, the South African farmers intended to increase the area plantings for summer grains and oilseeds by 1% to 4,47 million hectares in the 2024-25 season, which is broadly inline with the long term average. But from November 2024, soon after some regions finished planting and before others could plant, South Africa struggled with intense heat, affecting crops and the grazing veld. Various areas of Limpopo, Mpumalanga, and the Free State were amongst the most affected by the November heat.

- Encouragingly, it started to rain in most regions of the country from mid-December 2024 to January 2025 and continues to rain at the time of this note's publication. The grazing veld promises to recover, but there remains a worry now that the areas that have not yet completed the planting are struggling to get into the field because of the wet weather conditions. It is already late for planting, as the country's traditional optimal planting window closes at the end of December. Still, there have been many seasons where farmers planted crops at the start of January and went on to have a robust harvest. This year's challenge is that we are at mid-January with still a minimal breather from the heavy showers in some regions. Thus, we fear there could be late planting if farmers proceed even after mid-January.

- The main risk with planting late is the possibility of frost damage later in the season. If the country is fortunate to be spared of frost, as we have seen in recent seasons, the prospects for a better harvest remain even for late plantings. So far, it is challenging to ascertain how much of the summer grains and oilseeds has been planted on time and how much is late. We will better understand the preliminary plantings when the Crop Estimates Committee releases its data on January 28. Still, even this data will be tentative, given the possible late plantings that may be tough to account for. The better view of the actual area that farmers may have planted and the first summer crop production forecast will be released by the Crop Estimate Committee on February 27. We should pay close attention to this particular dataset to gauge the direction of the season.

- We are not worried about the rainfall prospects for the coming months regarding the late-planted regions. The global weather forecasters suggest we have a late arrival of La Niña, which could dominate through February–April.[1] Under such conditions, we gain comfort that even if the crop pollinates in March, there will still be a high chance of sufficient moisture to support production. Sugarcane production will also benefit from this rain.

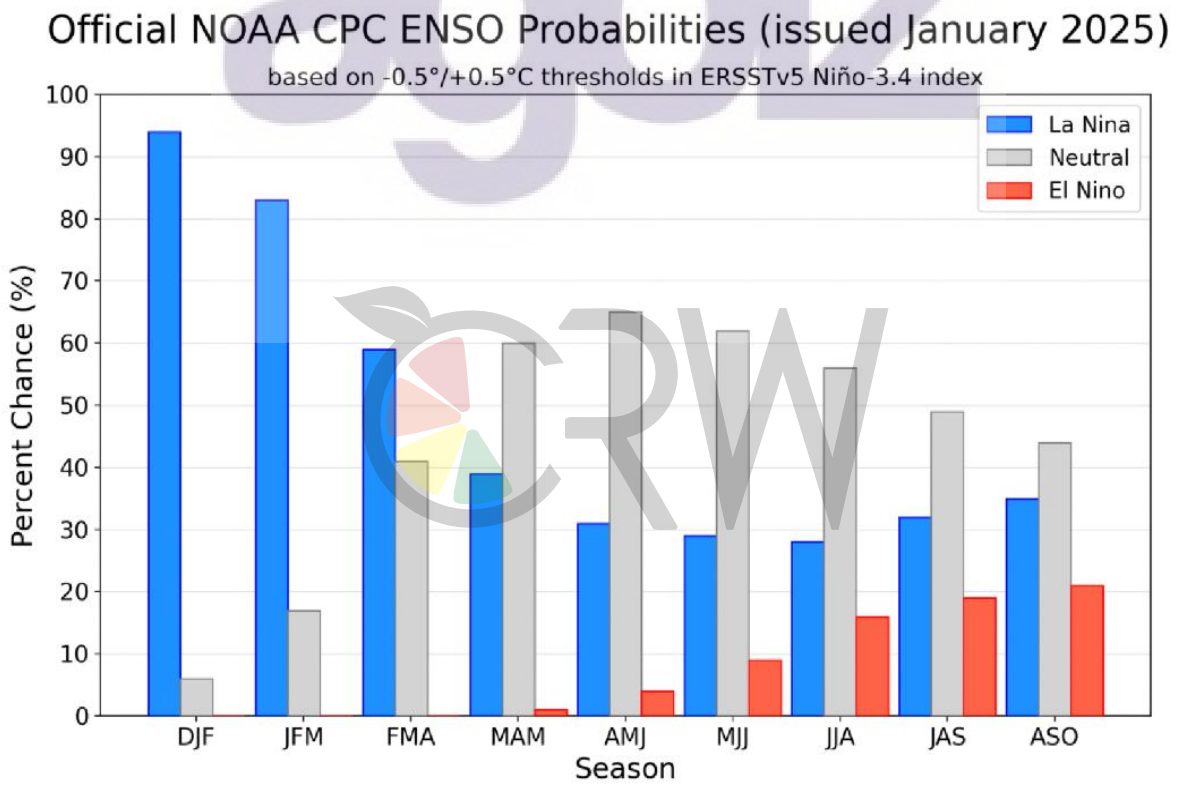
[1] Read more here: https://iri.columbia.edu/our-expertise/climate/forecasts/enso/current/?enso_tab=enso-quicklook

- We are also comforted by the possibility that the grazing veld for the livestock may receive much-needed support. The one aspect we may have to pay close attention to in a wet season is animal diseases. Still, we do not see a specific significant risk, but we are flagging this as an issue worth monitoring.

- Outside the field crops and livestock, the possible improvement in dam levels will support irrigation in horticulture. The fruit industry, wine, grapes, and vegetables already have much better production conditions because of the better dam levels and stable electricity supply. Better rain will only add to the already better production conditions in the summer rain provinces of South Africa. In the Western Cape, a winter rainfall province, the dams remain at better levels to support farm irrigation until the arrival of the winter rains. The major focus for the Western Cape is the port operations as the deciduous fruit export season continues. Agbiz is working with various stakeholders and Transnet to support the Port of Cape Town teams with operations.

- Overall, these narratives demonstrate the tricky season that South Africa is in for 2024-25. Still, from a general agricultural performance perspective, we are optimistic that there will be a recovery this year from the past season. Indeed, various regions of the country and commodities may not enjoy a solid recovery from last season's difficulty and financial burden. Still, the broad national picture promises to be better this year.

Exhibit 1: La Niña prospects (blue bars)



Source: Columbia Climate School at Columbia University

WEEKLY HIGHLIGHT

South African white maize prices may remain high for some time

- Higher white maize prices in South Africa may be a reality in the first quarter of 2025. Relief may start in the second quarter of the year. On January 9, South Africa's white maize spot price traded around R6 724 per tonne, up 55% from the previous year. The fundamental challenge we face is that white maize stocks are tight. If we continue using about 428 667 tonnes of white maize monthly, the 2024-25 marketing year may end with closing stocks of just 277 884 tonnes by April 30, 2025.[2] To understand how tight such closing stocks are, consider the 2023-24 marketing year: the white maize closing stocks were 1.3 million tonnes, and in the 2022-23 marketing year, they were 1.1 million tonnes. The tighter stocks also imply that South Africa must have early deliveries for the 2025-26 marketing year (which corresponds with the 2024-25 production year) starting May 1, 2025. Such early deliveries would ease some market participants' concerns about the supplies.

- The past 2023-24 maize production season (corresponding with the 2024-25 marketing year) was challenging following a mid-summer drought between February and March. The drought resulted in a poor maize harvest across the Southern African region. Zambia lost half of its maize crop, Zimbabwe lost nearly two-thirds of its maize, and other countries, such as Malawi and Lesotho, experienced significant maize losses. South Africa was a slight exception because the impact was less severe than the region. The higher fertilizer usage and improved biotech seed cultivars we use, amongst other things, helped a bit. South Africa's maize harvest fell by 23% to 12,7 million tonnes.[3] About 6,0 million tonnes is white maize, and 6,7 million tonnes is yellow maize. The overall maize harvest of 12,7 million tonnes is slightly above the annual consumption of 11,7 million tonnes.

- The maize harvest (12.7 million tonnes) in the 2023-24 production season, combined with the large carryover stock from the last season (about 2.4 million tonnes), placed South Africa in a relatively comfortable position regarding maize supplies—at least for a moment. Of the previous season's 2.4 million tonnes carryover stock, about 1.3 million tonnes were white maize, and 1.1 million tonnes were yellow maize. Combining the white maize carryover stock with the white maize harvest for the season meant South Africa had just over 7,0 million tonnes of white maize supplies in the 2024-25 marketing year. With the local white maize demand set to decline to about 5,2 million tonnes, we viewed South Africa as better placed to continue to export to the neighbouring countries. There are few white maize producers in the world. The major producers are South Africa and Mexico. With Mexico facing supply shortages due to unfavourable weather conditions, South Africa was left uniquely responsible for serving the Southern Africa region.

- South Africa had sufficient supplies for domestic consumption and exports to the region and continued to export. For example, in the week of January 3, 2024, South Africa exported about 1.6 million tonnes of maize. About 65% is white maize, and the remainder is yellow maize. The overall maize export forecast for the season is 1.9 million tonnes (down from 3.4 million tonnes in the 2023-24 marketing year because of the mid-summer drought). Zimbabwe has been one of the primary beneficiaries, accounting for 57%

[2] Read more here: https://www.namc.co.za/wp-content/uploads/2024/12/Final-November-2024-SASDE-report.-3-Dec-2024.pdf
[3] The data is available here: https://www.sagis.org.za/cec_reports_2024.html

(907k tonnes) of the 1.6 million tonnes exported in the 2024-25 marketing year. The rest is distributed among Southern African countries, and a small volume is sent to Saudi Arabia.

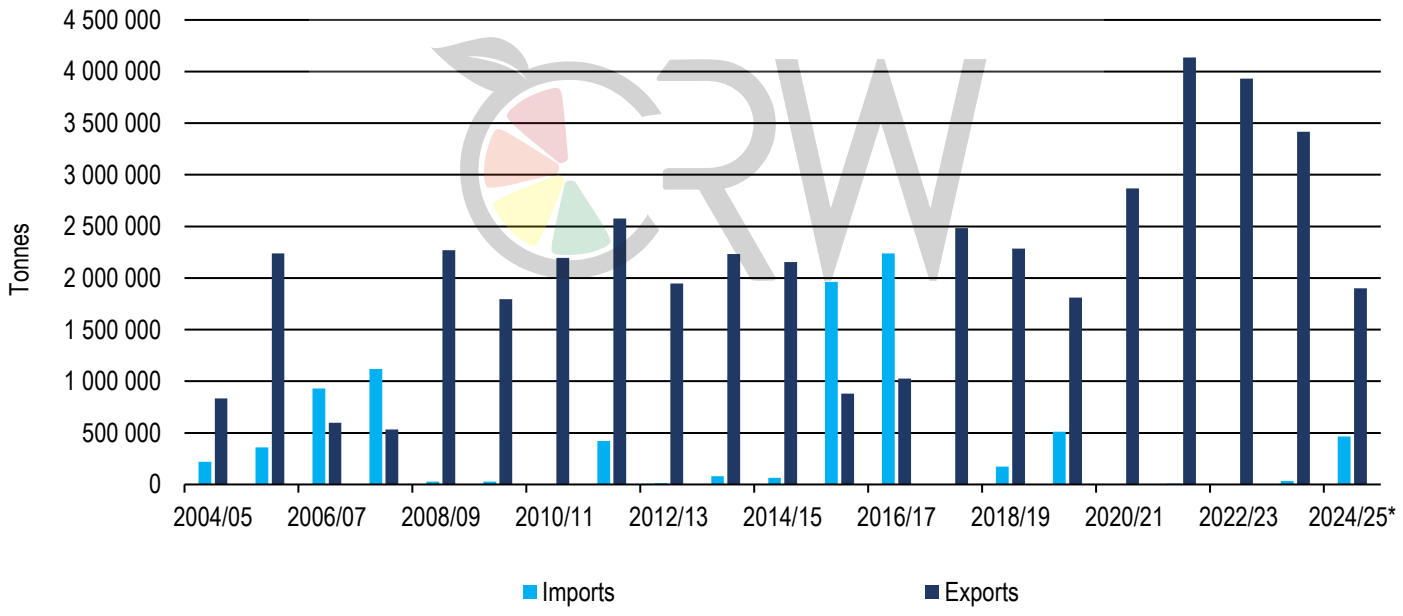
- Moreover, while South Africa will likely remain the net exporter of maize in the 2024-25 marketing year, the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina and Brazil through Cape Town. South Africa's 2024-25 maize imports currently stand at 465k tonnes. The 2024-25 marketing year started on May 1 2024, and will end by April 2025.

Policy considerations

- We anticipated that the 2024-25 market year would have heightened uncertainty in the South African maize market. Still, the South African government should not intervene in the maize trade. Any policy that suggests such a move would put the Southern African countries that depend on South Africa at immense risk. Such a policy would also reduce South African farmers' incentive to plant more in the following seasons. However, market participants and traders must report trading activity promptly and clearly through SAGIS and other platforms so the market can adjust for grain movements through price. The only relief that we see on the horizon is through the new season crop. Still, that will be late because of the delayed plantings. Thus, we suspect that the stocks will remain tight for much of the first quarter and thus continue to present upside price pressures.

- From a consumer perspective, grain-related food product prices will rise in the first part of the year. Of course, there will be three to four months delays before we see the farm-level prices translate to the retail level. But there should be moderation as the year progresses. Substitutes such as rice, wheaten products, and potatoes are also available to ease the pressures on households, and these prices have moderated notably in recent months.

Exhibit 2: South Africa's maize trade



Source: SAGIS and Agbiz Research

WEEK AHEAD

What we are watching this week

- This is a quiet week on the global front, with only one major release. The United States Department of Agriculture (USDA) will release its **weekly US Grains and Oilseed Export Sales** data on Thursday.

- 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, we will receive a data release for the 37th week of the 2024-25 marketing year. In the previous release on January 3, South Africa's weekly maize producer deliveries were about 11 848 tonnes. This puts the 2024-25 maize producer deliveries at 10,7 million tonnes out of the final harvest of 12,7 million tonnes. The 2024-25 soybean deliveries in the first 45 weeks of this new marketing year amounted to 1,78 million tonnes out of the final harvest of 1,84 million tonnes. At the same time, the sunflower seed deliveries amounted to 631k tonnes out of the harvest of 636k tonnes.

- Moreover, the wheat producer deliveries for the first 14th weeks of the 2024-25 marketing year stand at 1,6 million tonnes. The anticipated harvest for the season is 1,9 million tonnes, down from the 2,0 million tonnes of the past season because of the reduced area planted and the poor yields in some parts of the country, specifically in the Free State and Limpopo regions.

- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 37th week of the 2024-25 marketing year. In the previous release on January 3, the 36th week of the 2024-25 marketing year, South Africa exported 33k tonnes of maize. Of this volume, 78% was exported to Zimbabwe, and the balance to the neighbouring African countries. This puts South Africa's total maize exports in the 2024-25 marketing year at 1,6 million tonnes out of the expected 1,9 million tonnes (down from 3,44 million tonnes in the 2023-24 marketing year because of the mid-summer drought).

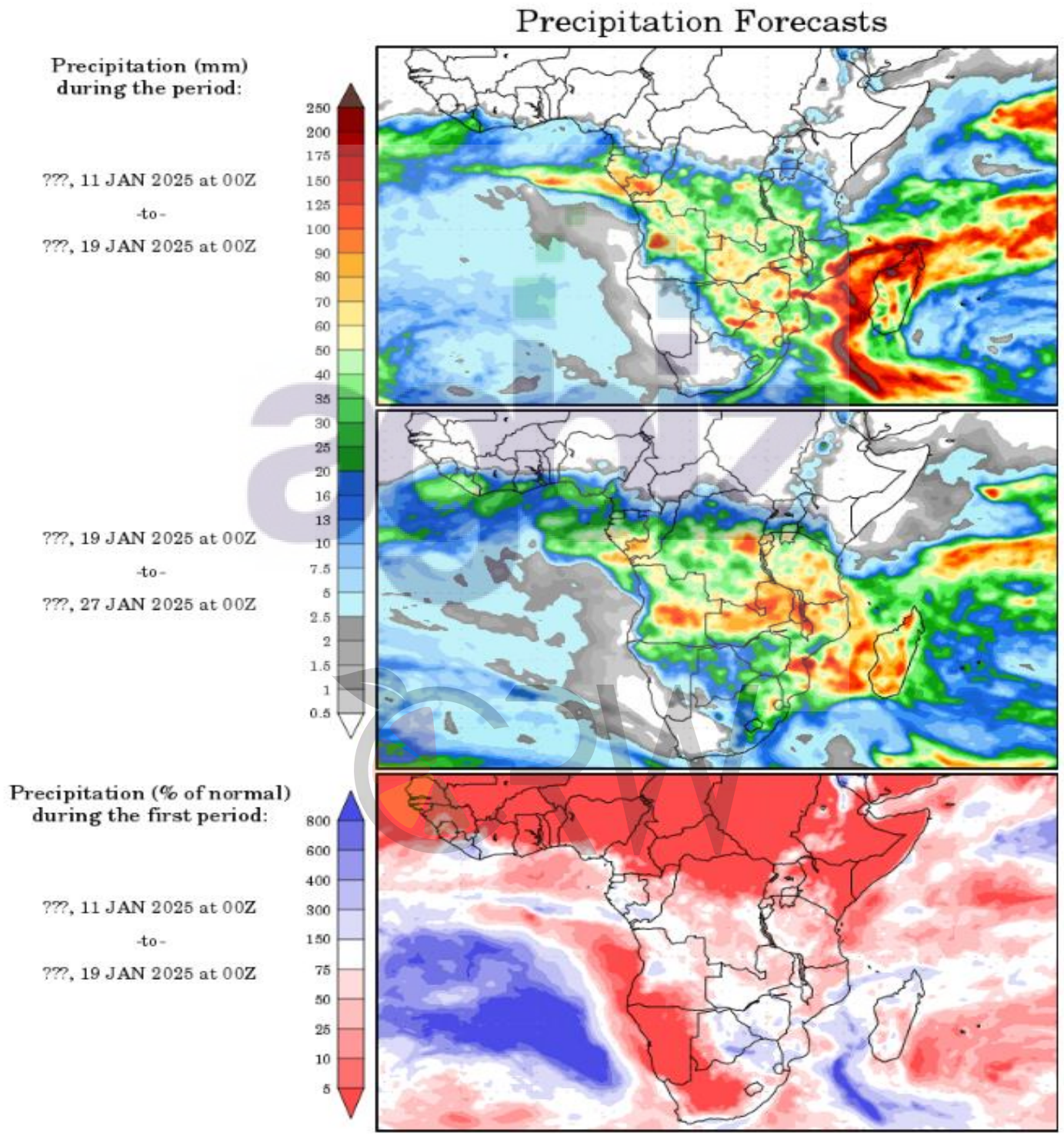
- Moreover, while South Africa will likely remain the net exporter of maize in the 2024-25 marketing year, the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina and Brazil through the Port of Cape Town. South Africa's 2024-25 maize imports currently stand at 465k tonnes.

- South Africa is a net wheat importer, and January 3 was the 14th week in the new 2024-25 marketing year. The imports so far amounted to 449k tonnes. The leading suppliers are Russia, Poland, Lithuania, Latvia and Canada. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season.

South Africa's Precipitation forecast

- The weather forecast for South Africa's summer crop-growing regions shows prospects of rain in the coming two weeks. The rains will help improve the grazing veld but may also slow the planting in areas that have yet to complete the planting process.

Exhibit 3: South Africa's precipitation forecast



Source: George Mason University (wxmaps)