

April 29 2024

## An end to an El Niño and the possible return of a La Niña in the 2024/25 summer season is positive for SA agriculture

- After a scorching summer season that led to significant crop failure, the El Niño cycle seems to have ended. The major weather forecasters, such as the International Research Institute for Climate and Society and the Australian Bureau of Meteorology, recently confirmed this view. We are currently in a neutral state, where neither El Niño nor La Niña is active.

### *Hope beyond the El Niño – winter cropping season prospects*

- While an end to an El Niño is always welcome development, it comes at a time when the 2023/24 summer crop season is on its tail end. Therefore, this update on weather conditions will not have a material impact on harvest prospects. If anything, ending an El Niño cycle would mean a normal transition into a winter season. Such normal weather conditions would favour the drying up of mature crops in the summer crop-growing regions, as well as improved harvesting conditions. It would also mean normal to favourable weather conditions for the winter crop-growing regions.
- So far, the farmers have witnessed the damage of unfavourable weather conditions during the 2023/24 season and are cautious about the 2024/25 winter crop season. For example, the farmers' intentions-to-plant data released by the Crop Estimates Committee this past week signalled a 3% year-on-year decline in South Africa's 2024/25 winter crop plantings to 798 800 hectares. This figure comprises possible plantings for wheat, barley, canola, oats, and sweet lupines. The decline in the area is primarily in wheat, which is down 3% year-on-year to 520 200 hectares. The barley plantings could also fall 5% year-on-year to 102 000 hectares, and the oats plantings could be at 20 500 (down 26% year-on-year) and sweet lupines at 15 000 hectares (down 6% year-on-year). Canola is the only winter crop whose area plantings could lift 8% year-on-year to 141 100 hectares. Admittedly, it is still too early, and the farmers will adjust their planting decisions in the coming weeks as they progress with the seasonal activity.

### *The need for cautious optimism*

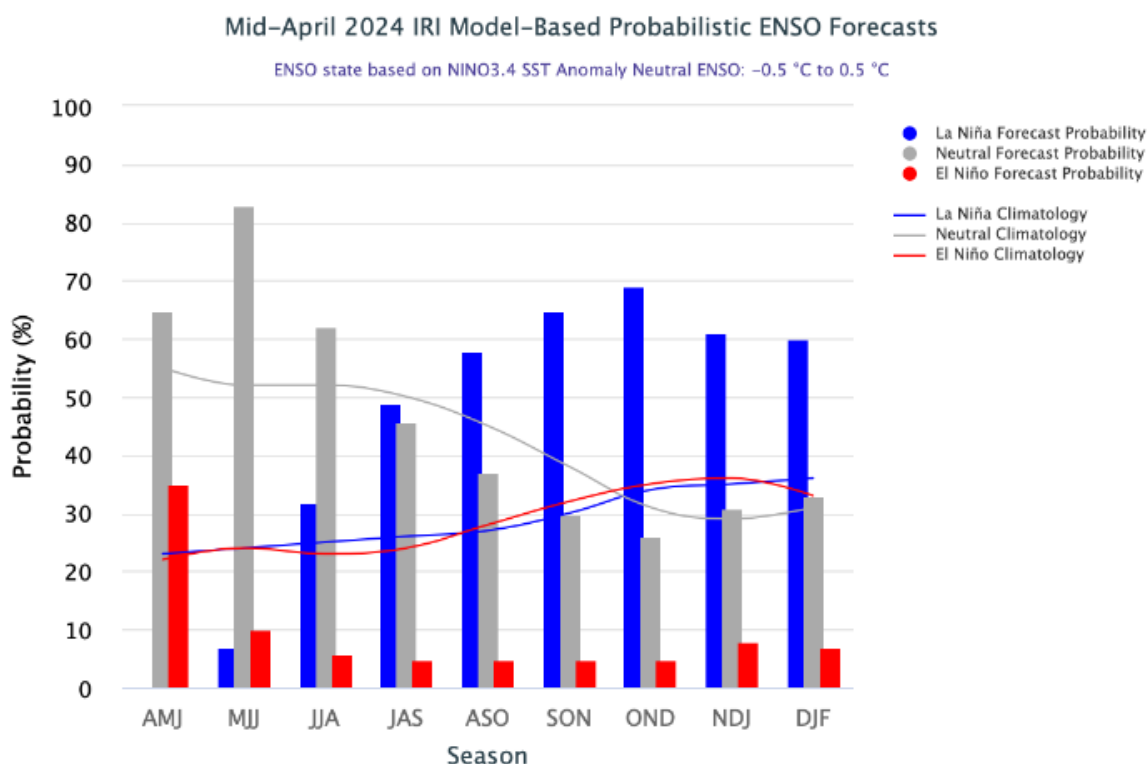
- Beyond the near-term winter crop season, the weather outlook for the 2024/25 summer season is also positive. The International Research Institute for Climate and Society forecasts a return of a La Niña weather phenomenon from May 2024 throughout the year. This means the excessively hot and drier weather conditions of the 2023/24 summer season that resulted in crop failures may have been temporary.

- In the coming months, we could soon transition into a favourable rainy season for South Africa's agriculture. It certainly is too early to be confident about the outlook. Still, the rise in the probability of La Niña occurrence to over 50% from August 2024 throughout the year is a source of optimism. The 2024/25 summer crop season will start in October, and if the current La Niña forecasts hold, South Africa should receive early rains during that period to support the season.
- Admittedly, the farmers across South Africa are focused on the current 2023/24 summer crop season, and the yield prospects are bleak for various regions. The financial impact of the poor 2023/24 summer crop season on farmers will be more evident over the coming weeks and months as the market receives crop deliveries. But certainly, the mood in the sector is downbeat. The Agbiz/IDC Agribusiness Confidence Index in the first quarter of the year illustrated the severity of the negative sentiment in the sector due to crop failures and other longstanding challenges, such as failures in the network industries.
- Therefore, while the weather outlook for the 2024/25 season looks promising, this may be something that farmers will pay attention to after the harvest season of the current crop. By then, we will also better understand whether the La Niña will prolong into 2025 and for how long. The current forecasts only cover until December 2024. The early months of 2025 are vital for summer crops. For example, the 2023/24 summer crop season started well, with favourable rainfall. It was only in February that the problem of dryness and heatwave intensified through to March. This two-month event changed the agricultural fortunes of the country for the worse.

## **Conclusion**

- After a drier February and March, the start of April brought some rainfall in various regions of South Africa, which should support the winter crop planting activity. The soil moisture has improved in some regions. With the typical weather conditions returning, the start of the season may be reasonably favourable. Furthermore, the better water levels in the South African dams because of the start of the year rainfall also supports the winter crop season for regions that produce under irrigation.
- Still, after a challenging 2023/24 summer season, the International Research Institute for Climate and Society and the Australian Bureau of Meteorology signal relief to an end of El Niño. Notably, the return of a La Niña is an even more welcome development for agriculture. While we primarily reflected on crops in this note, the positive weather outlook is for all agricultural activity in the entire Southern Africa region. We will keep monitoring these developments over the coming months.

## Exhibit I: La Niña forecasts (blue bars)



Source: The International Research Institute for Climate and Society

## WEEKLY HIGHLIGHT

### SA's summer crop production estimate lifted mildly

- Many, including ourselves, may have been a bit pessimistic about the 2023/24 summer crop growing conditions when we signalled a potential further downward revision of the harvest estimate this month. The data released last week by the Crop Estimates Committee showed mild upward adjustments in the crop size from last month's figures. South Africa's 2023/24 summer grains and oilseed harvest is estimated at 16,0 million tonnes, up 1% from last month.
- Indeed, this is not a cause for celebration. The figure does not change the reality that we have been through a challenging season of El Niño-induced drought and heatwave in February and March that weighed on the summer grains and oilseed harvest in various regions of the country. The current estimated harvest of 16,0 million tonnes is down 20% from the 2022/23 production season.

#### Maize

- A closer look at the data shows that white and yellow maize harvest could be 6,4 million tonnes (up 2% m/m) and 6,9 million tonnes (roughly unchanged from last month). These revisions place the total maize production estimate at 13,3 million tonnes (up 1% m/m). When viewed annually, white maize

harvest is down 25%, with yellow maize down 13% from the 2022/23 season. The expected harvest of 13,3 million tonnes is down 19% from the 2022/23 season.

- If it materializes, the expected harvest will be sufficient to meet South Africa's annual maize consumption of roughly 12,00 million tonnes, leaving the country with a small export volume. Still, we will likely see prices remaining elevated for some time because of the potentially tight supplies. The Southern African regional demand, particularly for white maize, also remains a significant upside driver of prices. Today, April 25, white maize spot price closed at R5 477 per tonne, up 56% y/y. At the same time, the yellow maize spot price closed at R4 420 per tonne, up 22% y/y.
- Yellow maize prices have not increased much as the supply risk could be manageable through imports. There are ample maize supplies (yellow) in the world market. The International Grains Council (IGC) forecasts the 2023/24 global maize harvest to be 1,2 billion tonnes, up 6% year-on-year. A majority of this expected global maize is yellow. The stocks are also robust, thus keeping the international yellow maize prices moderate. This also partly explains the relatively mild increase in yellow maize prices compared with the surge in white maize prices.
- In the world market, outside the Southern Africa region, the other significant producer of white maize is Mexico. Given that the northern hemisphere is at the start of its 2024/25 production season, it may be helpful in the Southern African countries with poor harvests, such as Zimbabwe and Zambia, to continuously engage with Mexico or even the United States to plant white maize on contract for export to the region. In our calculation, we think South Africa will not be able to fulfil the regional demand even if the forecast harvest of 6,4 million tonnes of white maize materializes.

### **Oilseeds**

- The 2023/24 soybean harvest remained unchanged from last month, estimated at 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.
- Meanwhile, the sunflower seed harvest estimate was lifted from last month by 4% to 615 000 tonnes (down 15% y/y). The area plantings are moderately down from the previous year, which means the primary driver of the annual decline in the harvest is the expected poor yields, especially as most of South Africa's sunflower seed is planted in the western regions that experienced dryness and heatwave in February and March.

### **Other grains**

- The 2023/24 groundnut harvest estimate is 54 960 tonnes (up 4% y/y), sorghum is at 94 105 tonnes (down 0,2%), and dry beans are at 54 120 tonnes (up 8%).

### **Concluding remarks**

- The recent rains in much of South Africa's summer crop-growing regions are too late. The damage to the crop occurred in February and March during the heatwave and the El Niño-induced dryness. The

current crop forecasts reflect this challenge, as the major crops are down notably compared to the 2022/23 production season.

- Still, from a consumer perspective, South Africa is not in a crisis, in our view. The recent drought presents upside risks to food price inflation but not the overall basket (see, [SA consumer food inflation falls to the lowest level since September 2020](#)). The challenge is primarily the white maize, especially considering the potentially more robust regional demand later in the year.
- The favourable supplies of other grains in the world market, mainly yellow maize (also rice and wheat), and the moderating prices mean South Africa could be slightly cushioned in these commodities.
- The IGC forecasts the 2023/24 global wheat harvest at 789 million tonnes, well above the long-term average. There is a lot of rice globally, with the 2023/24 global harvest forecast at 511 million tonnes, well above the long-term average. The 2023/24 global sunflower seed harvest is estimated at 57,9 million tonnes, well above average.
- Still, the exchange rate will be important when assessing the possible imports of wheat and rice (and possibly yellow maize) into South Africa.

## WEEK AHEAD

### What we are watching this week

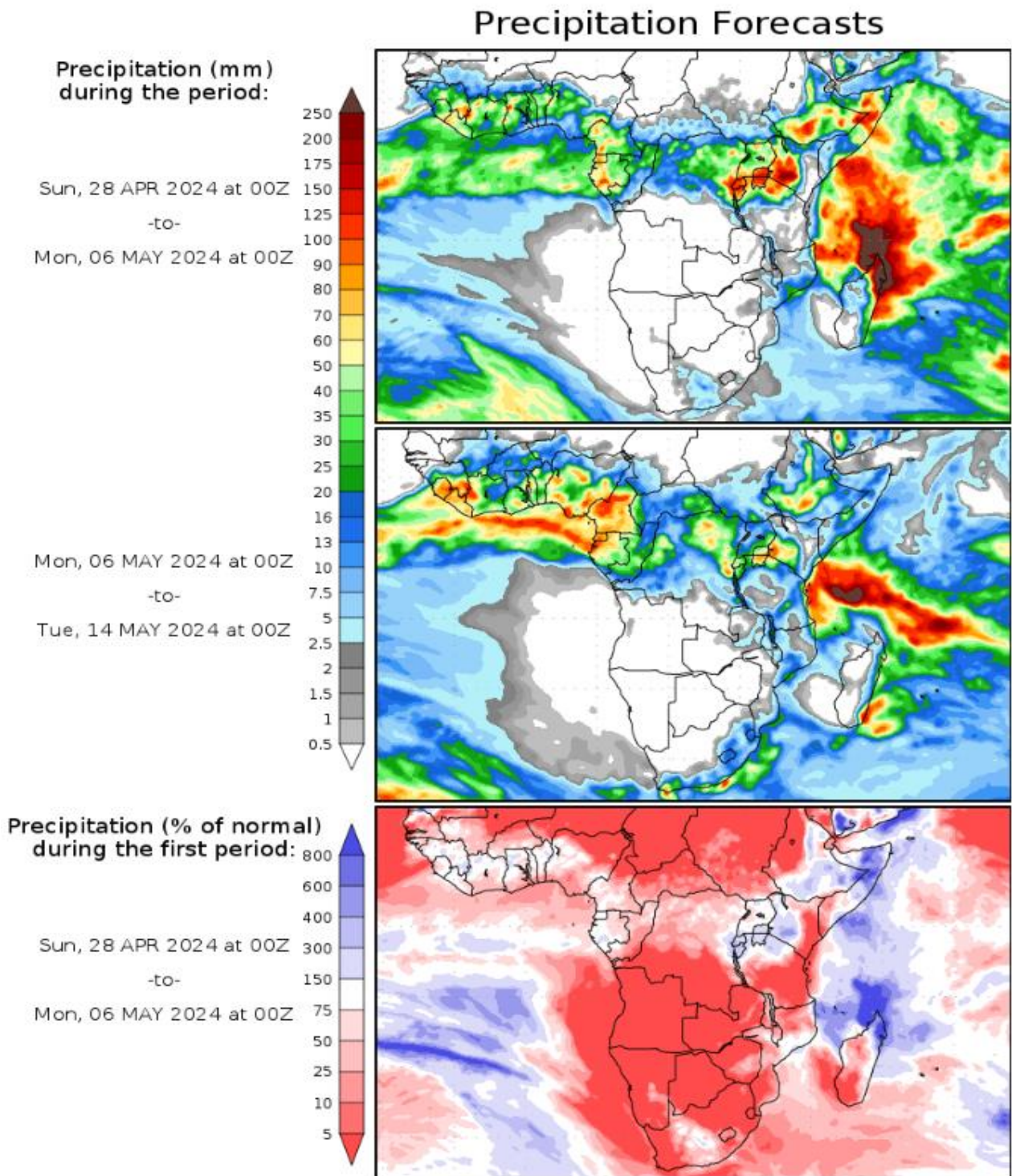
- As always, we start the week with a global focus, and today, the United States Department of Agriculture (USDA) releases its **weekly US Crop Progress report**. This report provides insight into the planting progress in the US as the 2024/25 season has recently started. The planting activity across the US is still in its preliminary stages. For example, on April 21, US maize plantings were at 12% of the intended area (the same progress as the year ago this period), with soybeans at 8% of the intended area (the same progress as the year ago).
- Moreover, the USDA releases its **weekly US Grains and Oilseed Export Sales** data on Thursday.
- Within the domestic front, on Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data for April 26. In the previous release on April 19, South Africa's 2023/24 maize producer deliveries were about 142 520 tonnes. This placed the 2023/24 marketing year's maize producer deliveries at 15,8 million tonnes out of the overall harvest of 16,4 million. In two weeks, we will shift our focus to the 2024/25 marketing year, which starts on 01 May.
- The focus on oilseeds has shifted to the new 2024/25 marketing year as the harvest gains momentum. The 2024/25 soybean deliveries in the first eight weeks of this new marketing year amounted to 525 354 tonnes out of the expected harvest of 1,8 million tonnes. At the same time, the sunflower seed deliveries amounted to 117 638 tonnes out of the expected harvest of 615 000 tonnes.

- In the case of wheat, last week, 3 445 tonnes of wheat were delivered to commercial silos. This placed the 2023/24 wheat producer deliveries at 1,9 million tonnes out of the harvest of 2,1 million tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for April 26. In the previous release on April 19, the 51st week of the 2023/24 marketing year, South Africa exported 27 717 tonnes of maize. Of this volume, 79% 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 3,38 million tonnes, which surpasses the seasonal export forecast of 3,30 million. The 2023/24 marketing year ends this month.
- South Africa is a net wheat importer, and April 19 was the 29th week of the 2023/24 marketing year; South Africa's 2023/24 wheat imports totalled 969 480 tonnes out of the seasonal forecast of 1,6 million tonnes.

## South Africa's Precipitation forecast

- The weather forecast for the next two weeks shows clear skies over much of South Africa. This is conducive to the harvest activity in regions that have started. The slightly warmer weather conditions will also support winter crop planting activity.

### Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)