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CEC lifts South Africa's 2021/22 maize and soybeans harvest estimate further in September data

While our attention is shifting towards the 2022/23 summer crop season for South Africa which starts this month, the updates from the 2021/22 season are worth monitoring as they give us indications of the grains and oilseed supplies. For example, last week, the Crop Estimates Committee (CEC) lifted its estimates for South Africa's 2021/22 maize production by 2% from July to 15,3 million tonnes. About 7,8 million are white maize, with 7,5 million being yellow maize. A harvest of 15,3 million tonnes is down by 6% from the 2020/21 season crop but well above the 10-year average maize harvest of 12,80 million tonnes and annual domestic consumption of 11,80 million tonnes. And thus, this implies that South Africa will remain a net exporter of maize, which we anticipate to be about 3,5 million tonnes in the 2022/23 marketing season (note: this marketing year corresponds with the 2021/22 production season).

Another significant and most welcome adjustment in the data was the 1% increase in South Africa's soybeans harvest from July, estimated to a new record of 2,2 million tonnes. This large soybean harvest will help lessen South Africa's reliance on soybean oilcake imports.

Sunflower seed, unsurprisingly, was lowered for the fourth consecutive month by 3% from July estimates to 845 550 tonnes. Still, this is 25% up from the previous season, owing to both good yields in some regions and the expansion in area plantings. Aside from these major summer crops, other crop forecasts remained unchanged from last month. For example, the sorghum harvest is estimated at 123 700 tonnes, dry beans harvest at 52 590 tonnes, and groundnuts are at 49 000 tonnes.

In sum, as with the previous releases, these domestic production data will have minimal impact on prices. Global events and currency movements mainly influence domestic grains and oilseeds prices. Global agricultural prices have come off the higher levels we saw following the invasion of Ukraine by Russia.

Moreover, the resumption of grain exports in Ukraine has also added downward pressure on global agricultural prices, although marginal. Still, grain prices are unlikely to return to the pre-war levels as various risks in the market remain. For example, we still see the lingering effects of the disruptions caused by the war on grain supply chains and markets. Additionally, the concerns about the impact of the drought in the Northern Hemisphere on the 2022/23 global grains and oilseeds harvest, along with continued demand for grains in Asian markets, remain critical factors in sustaining prices at relatively higher levels than in the pre-war period.

These developments for South Africa imply that farmers who manage to get good yields will be in a somewhat better financial position. Meanwhile, the grain users -- consumers and the livestock and poultry industries -- will likely experience increased costs over the foreseeable future (although better than the level we saw during the first half of the year). For the livestock industry, the higher feed costs come at a time when the industry also faces the effects of foot-and-mouth disease, and reduced trade activity, and thus additional financial pressure on the livestock industry.

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