

## CEC lifts South Africa's 2021/22 maize and soybeans harvest estimate further

While our attention is shifting towards the upcoming 2022/23 summer crop season for South Africa, monthly updates from the 2021/22 season are worth monitoring. For example, this afternoon, the Crop Estimates Committee (CEC) lifted its estimates for South Africa's 2021/22 maize production by 2% from July to 15,0 million tonnes. About 7,6 million are white maize, with 7,4 million being yellow maize. A harvest of 15,0 million tonnes is down by 8% 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 3,0 million tonnes in the 2022/23 marketing season (note: this marketing year corresponds with the 2021/22 production season). On 19 August 2022, about 12,0 million tonnes of the expected 15,0 million tonnes harvest had already been delivered to commercial silos. We expect further deliveries to continue in the coming weeks. The weather is favourable, with clear skies over South Africa over the next two weeks.

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. On 19 August 2022, about 95% had already been delivered to commercial silos. We could see further deliveries in the coming weeks.

Sunflower seed, unsurprisingly, was lowered for the third consecutive month by 5% from July estimates to 876 050 tonnes. Still, this is the third largest sunflower seed harvest on record. We suspected there would be a further monthly downward revision of the sunflower seed estimate because of the relatively lower (weekly) producer deliveries over the past few weeks. On 19 August, about 94% of the expected harvest was delivered.

Aside from these major summer crops, the sorghum harvest is estimated at 123 700 (-9% m/m), dry beans harvest at 52 590 tonnes (+2% m/m), and groundnuts are at 49 000 tonnes (unchanged from last month).

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.<sup>1</sup> Moreover, the resumption of grain exports in Ukraine has also added downward pressure on global agricultural prices, although marginal. Still, the 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 oilseed 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.

<sup>1</sup> For more information on global prices, please see the latest FAO report here: <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

30 August 2022

**Wandile Sihlobo**  
Chief Economist  
+27 12 807 6686  
wandile@agbiz.co.za

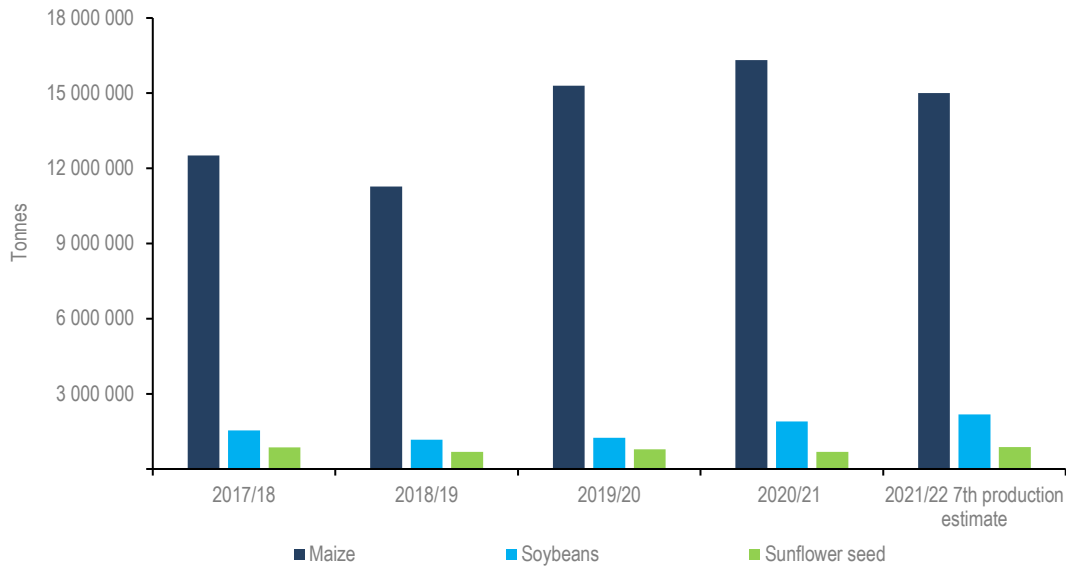
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These developments for South Africa imply that farmers who manage to get good yields will be in a somewhat better financial position. Meanwhile, the grain users -- consumers and the livestock and poultry industries -- will likely experience increased costs over the foreseeable future (although better than 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, which has led to a ban on the movement of cattle domestically and also exports in various markets, all additional financial pressure on the industry.

### Exhibit 1: South Africa's major summer grain and oilseeds production



Source: Crop Estimates Committee and Agbiz Research