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Mixed prospects for South Africa's 2024-25 winter crop production

- South Africa's 2024-25 winter crop season is underway, and some regions of the Western Cape (the largest province for winter crops), have received excellent rains so far. Some areas of the Western Cape may have received more rain than ideal earlier in the season, leading to fears of possible poor yields. But we are still early in the season, and there will be clarity about the yield potential only in the coming months.

- We pay close attention to the Western Cape regarding the winter crops because of the province's significant contribution to these crops. For example, about 70% 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 Northern Cape, Free State, and Limpopo, and the production in these provinces is mainly under irrigation. The major challenge for these provinces was the mid-summer drought, which resulted in farmers reducing the area plantings this winter season and conserving moisture for the upcoming summer crop season, which starts in October.

- This past week, the Crop Estimates Committee released its first 2024-25 winter crop production estimates for South Africa. The Committee forecasted a 1,8% year-on-year (y/y) decline in output of all winter crops to 2,67 million tonnes, primarily because of reduced area plantings and expected poor yields in some regions. This estimate comprises wheat, barley, canola, oats and sweet lupines. But the decline is not in all crops. The primary culprit is wheat. Meanwhile, production of other winter crops is expected to increase.

- Wheat production is estimated at 1,90 million tonnes, down by 7% y/y. The harvest is projected to fall across all significant producing provinces. However, the decline of wheat harvest in the Western and Northern Cape provinces will likely be mild relative to what we see in the Free State and Limpopo, where the area planted is also down substantially. The expected harvest of 1,90 million tonnes is the lowest in five years. The winter wheat plantings are in 506k hectares, down 6% y/y, and the lowest area in six years. We are early in the season, and this is the first production estimate, with seven more estimates to follow.

- Still, the current wheat production estimate signals the wheat import requirements will remain significant, possibly around 1,9 million tonnes. Fortunately, there are ample global wheat supplies, and the prices remain relatively moderate. The current global wheat price environment is beneficial for domestic wheat consumers. However, 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, the barley production prospects remain positive. Indeed, the area planted is down 7% y/y, at an estimated 100k hectares. However, the yields are set to improve notably, despite the recent rains, which is the opposite of what we see in wheat. Thus, the 2024-25 barley production is estimated at 415k tonnes, up 10% y/y. If it materialises at the end of the season, this will be the largest barley harvest since 2020-21.

- Moreover, the 2024-25 canola production is forecast at 265k tonnes. This is the largest harvest on record, up 13% y/y. The improvement is underpinned by the 18% y/y expansion in area planted to 154k hectares. Meanwhile, the yields may decline due to excessive moisture in various regions of the Western Cape.

- Also worth highlighting is South Africa's 2024-25 oats production could increase 70% y/y to 69k tonnes. This significant production results from a notable increase in the planted area, combined with positive yield prospects. We see similar improvements in sweet lupines, where production is estimated at 18k tonnes, up by 15% y/y.

- In essence, these first production estimates paint a mixed picture of South Africa's winter crop prospects for the 2024-25 season. However, 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. The wheat import size, however, will be more precise in the coming months when we have some level of confidence about the potential final harvest.