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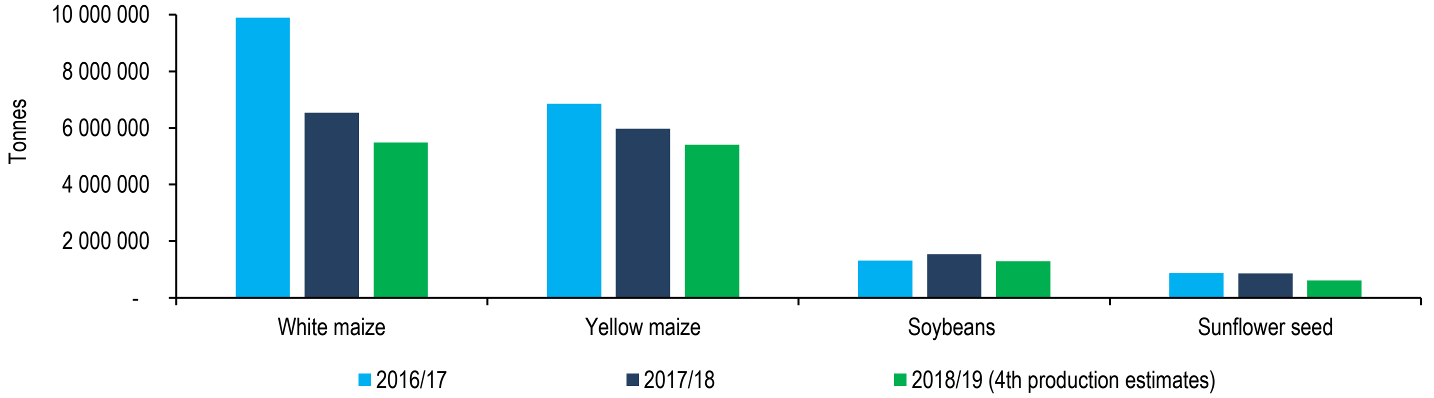
SA maize harvest estimate lifted by 2% from last month

- South Africa's maize supplies for the 2018/19 production year are shaping up better than we previously feared at the beginning of the year when dryness in the western parts of the country led to delayed plantings. Figures released by South Africa's Crop Estimates Committee earlier in the afternoon show that 2018/19 maize harvest could amount to 10.9 million tonnes, which is a 2% increase from last month's estimate. This was underpinned by an improvement in the white maize production expectation, which is now set to reach 5.5 million tonnes, up by 4% from last month's estimate on the back of expected better yields in the Free State. The yellow maize harvest was lifted by 1% from last month to 5.4 million tonnes. The harvest process has started in the eastern parts of South Africa, particularly Mpumalanga and KwaZulu-Natal, where over 40% of the area planted under maize had been completed by the 24th of May 2019. The yields generally varied between below-average to average, although the eastern regions received better rainfall than the western areas of the country where the harvest process has not started.

- With the maize harvest currently expected at 10.9 million tonnes in the 2018/19 production season (which corresponds with 2019/20 marketing year) added to an available opening stock of 2.8 million tonnes when the 2019/20 marketing year started on 01 May 2019, the country should have sufficient maize supplies to cover its annual consumption of about 10.8 million tonnes. Moreover, South Africa is likely to remain a net exporter of maize in the 2019/20 marketing year. The exports, however, could decline by half from the 2018/19 marketing year to about 1.1 million tonnes. These exports will likely be destined to countries in the Southern Africa region.

- We do not think the upward revision in the harvest expectations will lead to a notable decline in prices, which have in any case already moved off the higher levels seen at the beginning of the year when there were still fears of an extremely poor harvest. On 27 May, the white maize spot price was at R2 775 per tonne, which is 10% down from mid-January 2019. Meanwhile, yellow maize was at R2 726 per tonne on the same day, roughly unchanged from levels seen in mid-January. Other things being equal, these price levels could prevail over the near-to-medium term. This bodes well with South Africa's food price inflation which has been subdued over the past few months, averaging 2.3% y/y in April. Aside from maize, all other crop estimates were left unchanged from last month (Figure 1).

Figure 1: South Africa's summer crop fourth production estimates for 2018/19 season



Source: Crop Estimate Committee, Agbiz Research