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SA's summer crop production estimates adjusted upwards

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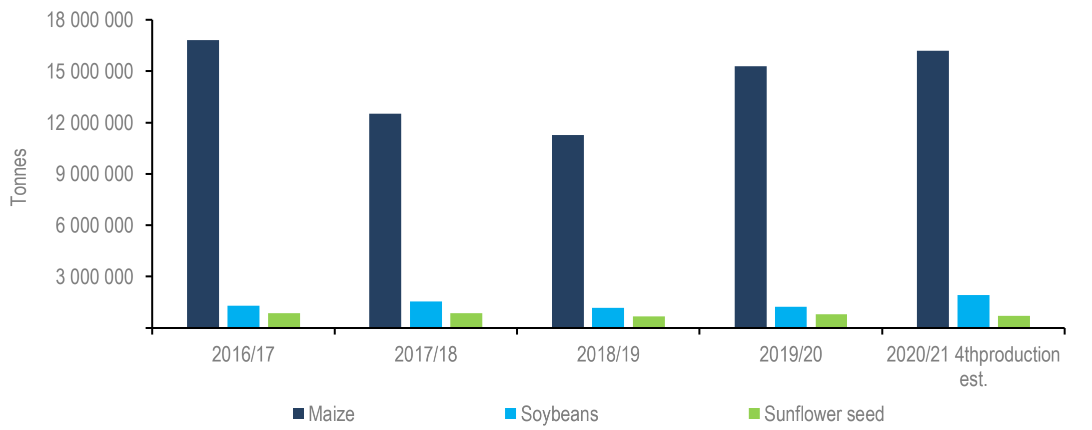
Last week, the South African Crop Estimates Committee (CEC) further lifted, mildly, its forecast for 2020/21 maize, soybeans, sunflower seed and sorghum from the April 2021 estimate to 16,2 million tonnes (up 6% y/y – the second-largest harvest on record), 1,9 million tonnes (up 54% y/y, a record harvest), 716 240 tonnes (down 9% y/y) and 195 035 tonnes (up 23% y/y), respectively. Meanwhile, dry beans and groundnut production estimates were left unchanged from April 2021, at 56 577 tonnes (down 13% y/y) and 57 900 tonnes (up 16% y/y), respectively. The broadly large summer grain and oilseeds production estimate this season is on the back of increased area plantings for summer crops and favourable rainfall since the start of the season.

As in the past month, we generally share the CEC's assessment in these estimates, except for maize. We remain optimistic that further upward adjustments of the maize production estimate are possible in the coming months. The feedback we continue to receive from farmers as harvesting picks up momentum is that maize yields are generally good in several areas. Our view has been that South Africa's commercial maize production estimate could reach 16,7 million tonnes this year. Others such as the Bureau for Food and Agricultural Policy's estimated 17,0 million tonnes. The current maize production data essentially means South Africa would remain a net exporter in the 2021/22 marketing year. South Africa's annual maize consumption is roughly 11,4 million tonnes, which means there will likely be over 2,8 million tonnes of maize available for export markets, all else being equal, which is the largest volume since 1994/95.

As in the previous month, we believe that when harvesting gains momentum, the expected large harvest could also add downward pressure on domestic maize prices, although marginal because the relatively higher global maize market remains supportive of domestic prices. In the soybean case, the price drivers are somewhat similar to maize. Nevertheless, an increase in the soybean harvest will still not change the price direction much because South Africa remains a net importer of soybean meal. However, the imported volume could fall notably this year from the usual half a million tonnes a year because of the large domestic harvest.

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



Source: CEC and Agbiz Research