

26 March 2024

South Africa's summer crop production prospects remain bleak

- Since the release of the previous report of South Africa's Crop Estimate Committee (CEC) at the end of February 2024, the weather conditions across the country have remained unfavourable. Thus, we are not surprised that the CEC further lowered its production forecasts for South Africa's summer grain and oilseeds this afternoon.
- The CEC now forecasts South Africa's 2023/24 total grain and oilseeds production at 15,8 million tonnes, down 9% from last month and 21% lower than last season's harvest. This year's overall decline in production prospects is primarily due to poor yields, not the area reduction, as farmers tilled more land than in the 2022/23 season.

Maize

- A closer look at the data shows that white and yellow maize harvest could be 6,3 million tonnes (down 25% y/y) and 6,9 million tonnes (down 13% y/y). This places the total maize production estimate at 13,2 million tonnes (down 20% y/y). This is the lowest maize harvest in five years. As with other crops, the challenge for maize is the possible poor yield in some regions, as the area plantings are higher than in the 2022/23 season.
- While this expected harvest could still meet South Africa's annual maize consumption of roughly 12,00 million tonnes, leaving the country with a small export volume, the figure remains tentative. The weather conditions have not improved in most regions of South Africa. We worry that there could be a further downward revision of the crop forecasts in the coming months as farmers and analysts continue to assess the extent of the heatwave damage.
- In the event of a further downward revision of the crop forecasts in the coming months, South Africa would be most vulnerable to white maize supplies, which are also scarce in the world market. Yellow maize could be reliably imported if needs were to arise. There are ample maize supplies (yellow) in the world market. The International Grains Council forecasts the 2023/24 global maize harvest to be 1,2 billion tonnes, which is up 6% year-on-year. The stocks are also robust, thus adding downward pressure on international yellow maize prices.
- For this reason, there is a large spread between yellow maize and white maize prices in South Africa. For example, today, South Africa's white maize spot price closed at R5 260 per tonne, while yellow maize was R4 192 per tonne. This signifies the challenge with white maize supplies and the fact that drought has been more severe in the western regions.

Oilseeds

- The 2023/24 soybean harvest is estimated at 1,8 million tonnes, down 35% y/y. This decline results from a decline in yield in various regions of South Africa. We now believe South Africa may not play a robust position in soybean exports like the previous season. If anything, soybean oilcake imports this new season are now a possibility.
- The sunflower seed harvest estimate is 589 000 tonnes, down 18% y/y. The area plantings are moderately down from the previous year, which means the major concern is the poor yields, especially as most of South Africa's sunflower seed is planted in the western regions that have remained dry for some time.

Other grains

- The 2023/24 groundnut harvest estimate is 57 610 (up 9% y/y), sorghum is at 89 630 tonnes (down 5%), and dry beans are at 54 120 tonnes (up 8%).

Concluding remarks

- In essence, while we started the 2023/24 summer crop season with optimism and even estimated that harvest would be decent at above-average levels, the outlook is now challenged by the excessive heat and limited rainfall across the major crop-growing regions.
- Notably, this week marks nearly two months since some regions of South Africa last received adequate rainfall. Throughout February and March, the rainfall has been scant across South Africa, with an intense heatwave that made the summer crop growing conditions difficult. These months are also critical for crop pollination, a growth stage that typically requires higher moisture levels. We have gone through pollination with limited moisture, reinforcing fears of a potentially bad summer crop in South Africa this year.
- Another challenge of the 2023/24 season is the difficulty of forecasting the size of the summer crop as we face a moving target and continuous unfavourable weather conditions. The crop forecasts for later in the year will likely show a more realistic picture of the crop conditions.
- From a consumer perspective, the current drought presents upside risks to food price inflation. But the major issue is white maize. The favourable supplies of other grains in the world market, mainly yellow maize (also rice and wheat), and the moderating prices mean South Africa could be slightly cushioned in these commodities.
- Still, the exchange rate will be an important consideration when assessing the possible imports of wheat and rice (and possibly yellow maize) into South Africa, assuming we see further downward revision of the crop forecasts.
- The Southern African maize-producing countries such as Zambia, Zimbabwe and Malawi are also under pressure because of the drought. This means tight white maize supplies in South Africa could also face regional demand, further presenting upside price risks.