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August 28 2024

The Crop Estimates Committee lowered South Africa's 2023-24 summer grain and oilseeds production forecast

- South Africa is on its seventh summer grain and oilseeds production forecast for the 2023-24 season. There are three more monthly reports to follow. Given that we are at the tail end of the season and will soon start planting for the 2024-25 production season in October, there typically are minimal adjustments on the figures at this stage. But this has not been a typical season. We struggled with a mid-summer drought in February and March, undermining crop yield potential in various regions.

- Thus, there is always a risk of potential downward revision of the production figures as more data about the actual harvest delivered to silos becomes available. This afternoon was no different; South Africa's Crop Estimates Committee lowered the 2023-24 summer grain and oilseeds production estimate by 2% from last month to 15,69 million tonnes. The major downward revision was in maize and groundnut harvest. The 2023-24 summer grain and oilseeds harvest is now down 22% from the previous season.

Maize

- If we zoom into maize, the 2023-24 harvest is now estimated at 13,06 million tonnes, down 2% from last month and 21% from last season. This sharp decline in harvest prospects signifies the harsh impact of the mid-summer drought. Of the current estimate, white maize is about 6,19 million tonnes (down 3% m/m), with yellow maize at 6,87 million tonnes (down 2% m/m).

- This expected harvest will meet South Africa's annual maize consumption of roughly 12,00 million tonnes, leaving the country with a sizable volume for export markets. Data from the South African Grains and Oilseed Supply and Demand Estimates Committee suggests that exports could reach 1,85 million tonnes in the 2024-25 marketing year (this corresponds with the 2023-24 production season). This may sound significant following a challenging season with a somewhat poor harvest, but there is a boost in supplies from the carryover stocks from the previous season. In this export forecast, about 1,20 million tonnes will likely be white maize, with 650k tonnes could be yellow maize. Still, the estimated exports of 1,85 million tonnes are down notably from 3,40 million tonnes in the previous 2023-24 marketing year (this corresponds with the last 2022-23 production season).

- These exports will primarily be for the Southern Africa region. In fact, between May and mid-August 2024, South Africa had already exported 655k tonnes out of the expected 1,85 million tonnes. The principal beneficiary is Zimbabwe and a range of neighbouring African countries.

- Also worth noting is that while South Africa will likely remain the net exporter of maize in the 2024-25 marketing year (which corresponds with the 2023-24 production season), the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina through Cape Town.

- South Africa's 2024-25 maize imports currently stand at 134k tonnes. The imports for the year (2024-25 marketing year) could rise to 350k tonnes. Brazil is another potential supplier of yellow maize to South Africa. Notably, after accounting for these potential imports, South Africa will remain a net maize exporter.

- Importantly, these figures are still tentative. There may still be adjustments in the coming months, particularly on white maize export forecasts. We are in a tricky season with a lot of unknowns.

Oilseeds

- The 2023-24 soybean harvest was unchanged from last month to 1,7 million tonnes (down 36% y/y). This annual decline results from lower yields 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.

- Moreover, the sunflower seed harvest estimate was unchanged from last month at 649 250 tonnes (down 10% y/y). The area plantings are moderately down from the previous year, which means the primary driver of the annual decline in the harvest is the expected poor yields, especially as most of the sunflower seed is planted in the western regions.

Other grains

- The 2023-24 groundnut harvest estimate is 52 645 tonnes (down 1% y/y), sorghum is at 95 830 tonnes (up 2%), and dry beans are at 50 495 tonnes (up 0,4%).

Concluding remarks

- In essence, we are at the tail end of a challenging season. The export forecasts may seem reasonably optimistic, given the current unknown risks. The best approach would be to view the data as tentative until there is a sense of comfort about the actual size of the domestic supplies.

- With that said, we could gain comfort in the fact that there are solid supplies for the domestic consumer. The pressure and challenges remain the regional demand, particularly for white maize. Thus, we continue to see upside risks to white maize prices.

- We have comfort about the price direction of other commodities, also because of the abundant supplies in the world market. White maize is the one commodity primarily produced in Southern Africa and Mexico. Outside these regions, the supplies are thin. We anticipate strong regional demand for white maize at the end of this year and into the first quarter of 2025. This will likely be the source of upside price risks to white maize.