

OPINION AND ANALYSIS

Bountiful harvests and healthy stock levels are good news for consumers in importing countries

AGRIBUSINESS PERSPECTIVE by Wandile Sihlobo



While we are still at the start of the 2024/25 global grain and oilseed production season, with the Southern Hemisphere yet to plant in about two months, the International Grains Council (IGC) forecasts a decent harvest.

For example, in its latest update, the IGC placed the 2024/25 global grain and oilseed production forecast at 2,3 billion tons, up slightly from the previous season. The stocks are expected to be healthy – around 582 million tons – although slightly lower than the 2023/24 season because of the expected increase in the industrial use of grains.

A closer look at the figures shows that the IGC forecasts a 1% year-on-year (y/y) increase in the 2024/25 global rice production to 528 million tons.

This is based on anticipated large crops in all the major rice-producing regions, such as India, Vietnam, Thailand, the US, China, Pakistan, Indonesia, Bangladesh and the Philippines. Subsequently, the stocks could also increase by 1% to 175 million tons.

SOYA BEAN

The production prospects for 2024/25 global soya beans are also positive, estimated at 415 million tons, up by 6% y/y. This is based on the expected large harvests in the US, Brazil, Argentina, India and Paraguay. Still, given that nearly half of the production is by Southern Hemisphere producers, specifically South America, we view this data as tentative until the start of the season in the region later in the year.

Assuming the current estimates materialise, the 2024/25 global soya bean stocks would lift by 16% y/y to 79 million tons. Such an increase in the harvest and supplies would add downward pressure on worldwide soya bean prices, which is favourable for the animal feed industry.

WHEAT

There is a less optimistic view for major grains like wheat and maize, although their supplies will remain at above-average levels. For example, the IGC forecasts the 2024/25 global wheat production at 793 million tons, slightly lower than the 2023/24 season's crop of 804 million tons.

This is due to the expected production declines in the EU, UK, Ukraine and Russia. Overly wet weather conditions in these countries during the season are the reason for the anticipated poor yields.

With food and industrial use of wheat expected to remain strong, the IGC placed the 2024/25 global wheat stocks at 261 million tons, down 3% y/y.

Be that as it may, international wheat prices have not reacted to these expectations and have remained on a moderating path in recent weeks, which is a welcome development from a consumer perspective.

MAIZE

While the Southern Hemisphere's major maize producers will only start the season in October, the IGC's preliminary estimates point to possible large harvests.

For example, 2024/25 global maize production is forecast at 1,2 billion tons, down 0,2% from the previous season and well above the long-term average production levels. The slight decline is due to an expected slight drop in the harvest in the US, Argentina, Ukraine and Russia.

Subsequently, after considering the slight decline in global maize production and strong usage, the IGC forecasts the 2024/25 global maize stocks to be at 281 million tons, down 2% y/y. Still, we doubt this would lead to a price surge, so the current moderation may continue.

Overall, while we are still in the early stages of the 2024/25 global grain and

oilseed season, with some weather-related risks ahead, data from the IGC and the US Department of Agriculture, which we didn't explore in this column, paint an optimistic view of the harvest.

Assuming the expected harvests materialise, we can expect global grain and oilseed prices to remain on a moderating path, which is positive for importing countries like South Africa. The moderating global food price path is precisely what we continue to observe in the Food and Agriculture Organization of the UN's Global Food Price Index.

Notably, South Africa imports nearly half of its wheat consumption, which amounts to about 1,5 million tons yearly.

WE CAN EXPECT GLOBAL GRAIN AND OILSEED PRICES TO REMAIN ON A MODERATING PATH

Furthermore, South Africa imports about a million tons of rice each year. Therefore, favourable global grain and oilseed production conditions and the subsequent softening of prices would be a welcome development.

Still, a lot is yet to unfold in the coming months. We will monitor the monthly updates to ascertain our view of prices and the food inflation path in South Africa. For now, the indications remain reasonably optimistic.

The risk factor to remember is the impact of a possible La Niña in the 2024/25 summer season on South America's crop.

This weather phenomenon, while it brings rain in Southern Africa, typically leads to below-average rains in South America.

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