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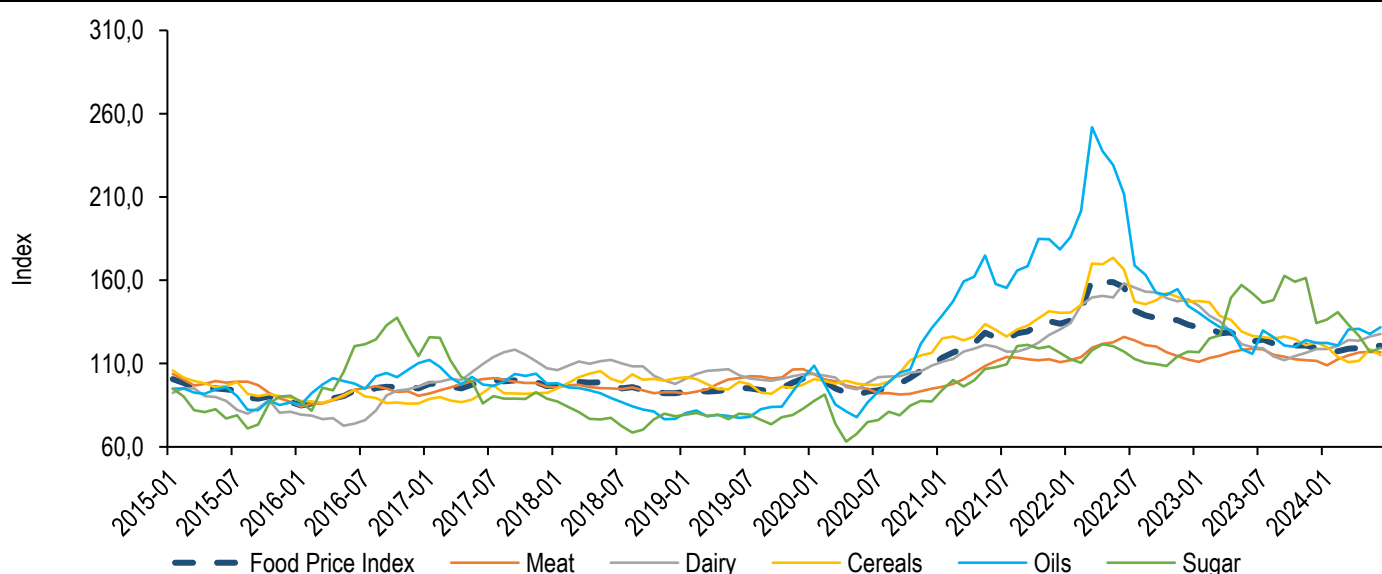
Early indications point to possible ample global grains and oilseed harvest in the 2024/25 season

- While we are still at the start of the 2024/25 global grains and oilseed production season, the International Grains Council (IGC) forecasts a decent harvest. For example, in their latest update, the IGC placed the 2024/25 global grains and oilseed production forecast at 2,3 billion tonnes, up mildly from the previous season. The stocks are expected to be healthy, around 582 million tonnes, although having declined somewhat from 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 increase in the 2024/25 global rice production to 528 million tonnes. This is based on an anticipated large crop 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 tonnes.
- The production prospects for 2024/25 global soybeans are also positive, estimated at 415 million tonnes, up by 6% year-on-year. This is based on the expected large harvest in the US, Brazil, Argentina, India, and Paraguay. Still, given that nearly half of the production is by the southern hemisphere producers, specifically South America, we view these data as tentative until the start of the season in the region in about two months. Assuming the current estimates materialize, the 2024/25 global soybean stocks would lift by 16% year-on-year to 79 million tonnes. Such an increase in the harvest and supplies would add downward pressure on worldwide soybean prices, which is favourable for the animal feed industry.
- A less optimistic view is in the major grains such as wheat and maize, although their supplies will still remain at levels above average. For example, the IGC forecasts the 2024/25 global wheat production at 793 million tonnes, slightly lower than the 2023/24 season's crop of 804 million tonnes. This is due to the expected production declines in the EU, UK, Ukraine and Russia. These 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 tonnes, down 3% year-on-year. 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.
- Moreover, while the southern hemisphere major maize producers will only start the season in October, the IGC's preliminary estimates point to possible large harvests. For example, the 2024/25 global maize production is forecast at 1,2 billion tonnes, down by 0,2% from the previous season and

well above the long-term average production levels. The slight crop decline is due to an expected slight harvest decline in the US, Argentina, Ukraine, and Russia.

- Meanwhile, the harvest for other major maize producers will likely increase. Favourably, South Africa is amongst the countries that will likely have a favourable season and a large harvest. The IGC forecasts a 20% annual increase in South Africa's maize harvest next season to 16,5 million tonnes.
- 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 tonnes, down 2% year-on-year. Still, we doubt this would lead to a price surge and that the current moderation may continue.
- Overall, while we are still in the early stages of the 2024/25 global grains and oilseed season, with some weather-related risks ahead, the data from the IGC and the United States Department of Agriculture, which we didn't explore in this write-up, paint an optimistic view of the harvest. Assuming the expected harvest materializes, we can expect global grains and oilseed prices to remain on the 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 FAO's Global Food Price Index.
- Notably, South Africa imports nearly half of its annual wheat consumption, about 1,5 million tonnes yearly. Furthermore, South Africa imports about a million tonnes of rice each year. Therefore, favourable global grain and oilseed production conditions and subsequent softening in prices would welcome developments. 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 the 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.

Exhibit I: Global food prices



Source: FAO and Agbiz Research