

Expected large global grain supplies will benefit consumers

This past week the United States Department of Agriculture (USDA) released its monthly flagship report, the *World Agricultural Supply and Demand Estimates* report. The report's focus has shifted from the 2022/23 season to the 2023/24 season, currently underway in the northern hemisphere and starting around October in the southern hemisphere. The past few weeks, specifically in the US, they brought drier weather conditions, leading to fears of a potential downward revision in the crop forecasts. But the latest estimates still present a positive picture of the 2023/24 global agricultural prospects. For example, the 2023/24 global wheat production is forecast at 797 million tonnes, up 1% from the previous season. The larger harvest is anticipated in the EU region, the US, Canada, China, India, and Turkey. As a result of the expected large harvest, the 2023/24 season's global maize stocks could increase by 1% year-on-year to 270 million tonnes.

Moreover, the USDA forecasts 2023/24 global maize production at 1,2 billion tonnes, up 6% from the previous season. The countries underpinning this improvement in production are the US, Brazil, Argentina, China and the EU region. Regarding South America, the El Niño weather event will present much-needed change of a prolonged four years of below-average rain during a La Niña event. (the El Niño event has the opposite effect in Southern Africa, it brings below normal rainfall, while La Niña of the past four seasons presented above normal rainfall and supported agriculture in the region). The ending stocks could also increase by 6% to 314 million tonnes in the 2023/24 season because of the expected robust harvest.

Another important staple crop is rice, whose 2023/24 global harvest is estimated at 521 million tonnes (slightly below the 524 million tonnes estimate by the International Grains Council). This is up by 2% from the previous season. Vietnam, Thailand, the US, Pakistan, China, Indonesia, Bangladesh, the Philippines, and Brazil are the key drivers of this increase in the global rice harvest. Because of the solid consumption, the global stocks could remain roughly unchanged from the previous season at around 170 million tonnes.

Moreover, the 2023/24 global soybean crop is estimated at 405 million tonnes, up 10% from the previous season. The significant recovery in South America's soybean harvest after a few years of drought and an expected large harvest in the US, Brazil, Argentina, China, Russia, Ukraine and Uruguay are the maize drivers of the expected large global soybean crop. Importantly, the 2023/24 global soybean stocks could increase by 18% from the previous season to 121 million tonnes.

While we are still early in the season, and a lot could change depending on the weather conditions over the coming weeks and crop development in the southern hemisphere when the season starts, the current prospects are positive. If this optimistic crop production materializes, we could see a recovery in the global grains and oilseeds stocks, adding downward pressure on the prices.

This would mean a continuation of the already slowing price environment we have observed since the start of the year in the FAO's Global Food Price Index. The major upside risk currently is the anticipated temporary ban on India's rice exports. India is an important global agriculture player, accounting for over a third of global rice exports. Therefore a ban on such

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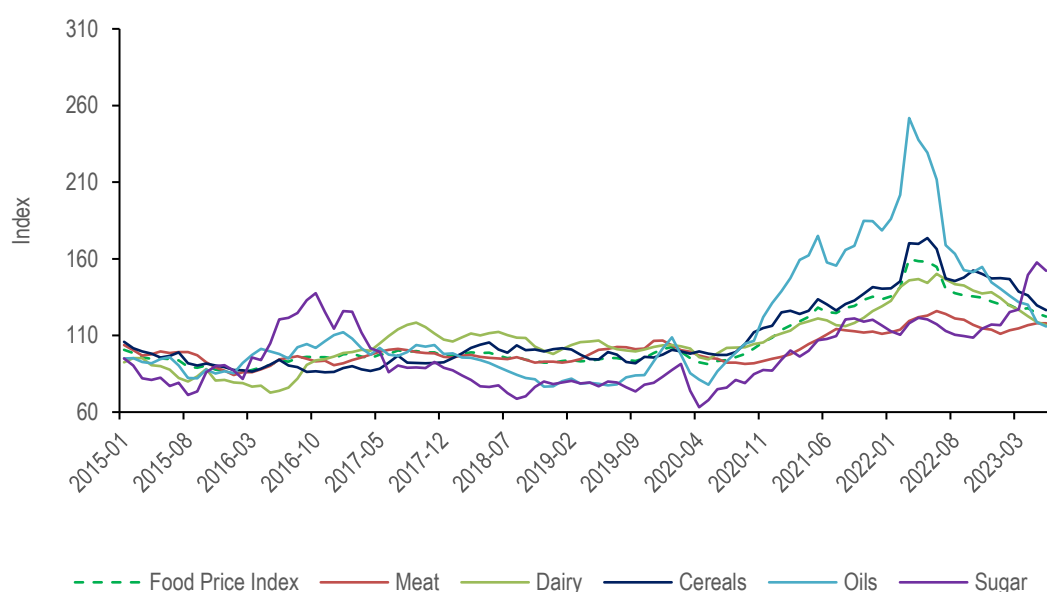
export volume would add upside pressure on prices and limit the gains of the large global harvest by slowing prices to a consumer.

We also need to consistently monitor the crop conditions in the southern hemisphere when the season starts in October. A big part of the positive global crop production forecast assumes a recovery in South America's crop conditions. But this will only be observable towards the end of the year. The current optimism is mainly based on favourable weather forecasts.

The recent USDA's World Agricultural Supply and Demand Estimates presented a comforting picture of global food price direction and the risks we outlined in India and weather aspects in South America that will need consistent monitoring.

All else being equal, the world is far better than last season regarding food supplies. This is positive for the global consumer and South Africans, that are starting to see the benefit of slowing food inflation.

Exhibit 1: Global Food Price Index



Source: FAO and Agbiz Research