

The International Grains Council maintained a roughly unchanged picture of 2022/23 grains and oilseeds from October forecasts

Last week, the International Grains Council (IGC) released its monthly update of the 2022/23 global grains and oilseeds production forecast. The numbers remain roughly unchanged from October estimates, with the exception of wheat and soybeans. Wheat production estimates were revised down marginally, while soybeans were lifted. On balance, this left the overall grain production volumes unchanged from the estimate released at the end of October. In this now, we briefly highlight the estimates.

The IGC maintained a broadly optimistic view of the 2022/23 global grains and oilseeds production, estimated at 2,26 billion tonnes, which is roughly unchanged from October data. This harvest is only 1% lower than the 2021/22 season but still the second-largest crop on record.

If we focus on details, the 2022/23 global maize production is unchanged from October, estimated at 1,17 billion tonnes. This is down by 4% year-on-year, mainly on the back of an expected smaller crop in the US, Ukraine, EU and India. The US and the EU experienced drought and heatwaves during the summer, damaging crops in some regions. Meanwhile, India received heavy rains these past few months, leading to poor yields in some regions. Ukraine is still at war with Russia, which has reduced activity in the fields. The decline in these countries overshadows the relatively good crop in China, Brazil, Russia, Argentina and South Africa. The IGC forecasts South Africa's 2022/23 maize harvest at 15,7 million tonnes, which is unchanged from their previous season estimate.

This expected decline in global maize production is at a time when consumption is also falling mildly. Consequently, the 2022/23 global maize stocks were estimated at 257 million tonnes, down by 8% y/y. Such data will likely keep global maize prices at relatively elevated levels in the coming months, although lower than in the months following Russia's invasion of Ukraine. South Africa is interlinked with the global market and will likely also see higher maize prices in the foreseeable future, despite the optimistic forecasts of the domestic harvest. This means that consumers and the livestock industry may not receive much relief on maize prices as some might have anticipated. These are still early days, and the data will be reviewed as the season unfolds in the Southern Hemisphere.

About wheat, the 2022/23 global harvest is estimated at 791 million tonnes, down marginally from October estimate, but still up by 1% y/y. This improvement is supported by expected large yields in Russia, the US, Canada, Kazakhstan, China, Turkey and the UK. The large harvest in these countries overshadowed the expected decline in the harvest in the EU, Australia, Ukraine, Argentina, and India. Except for Ukraine, which continues to defend its land against the Russian assault, the forecast wheat production decline in other countries is primarily caused by poor weather conditions. Still, the overall higher production, when consumption is relatively stable at 784 million tonnes, means an improvement in stocks. The IGC forecasts 2022/23 global wheat stocks at 282 million tonnes, up by 2% y/y. The increase in stocks should add mild downward pressure on prices, which will benefit wheat-importing countries such as South Africa and its consumers.

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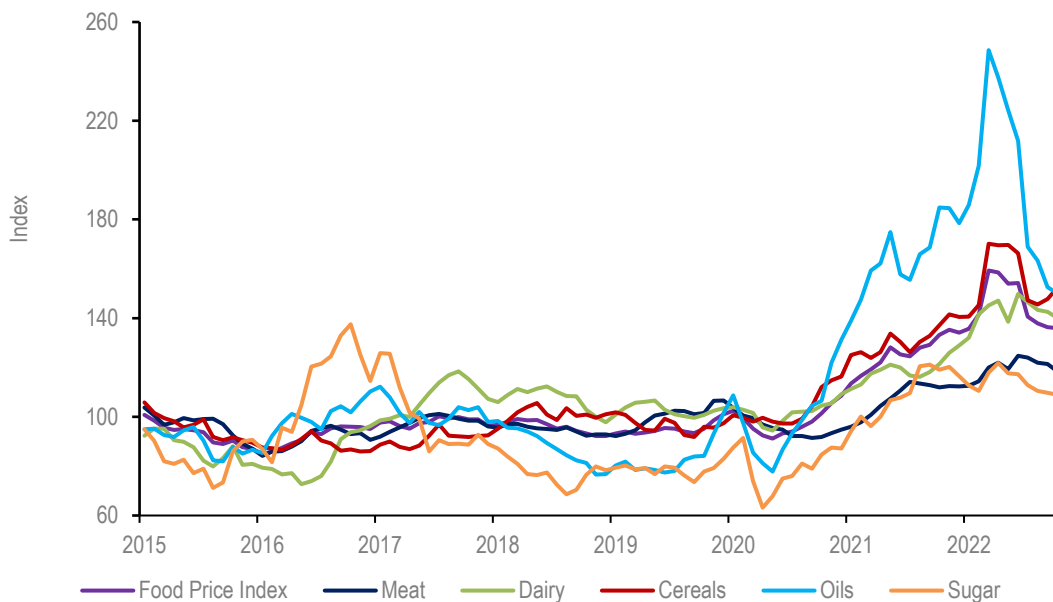
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Regarding soybeans, the 2022/23 global harvest is estimated at 388 million tonnes, an improvement from last month and up by 9% y/y. The anticipated large harvest in Brazil, Argentina, China, Paraguay, Canada, Russia and Ukraine compensates for the expected decline in the US, India and Uruguay's harvests. These deviations in crop expectations are a function of weather and area plantings variations. While global soybean consumption will increase to support the growing global livestock sector, the stocks will remain significant. The 2022/23 global soybeans stock estimate is 54 million tonnes, up 19% y/y. Such an improvement in stocks should help keep global soybeans prices in check over the foreseeable future and thus benefit the livestock industry. As with maize, South Africa is interlinked to the worldwide market and will likely also see softening soybean prices.

Rice has become more prominent, with increased demand, especially as some started to substitute wheat products with rice in the wake of the Russia-Ukraine war, which interrupted the global wheat trade. The 2022/23 global rice harvest is unchanged from last month and down 2% y/y, estimated at 505 million tonnes. The unfavourable weather forecasts in much of Asia, mainly in India, Vietnam, Bangladesh, and the Philippines, are the major reason for the lower harvest. With consumption reasonably high, this means that global stocks will take a knock. IGC currently forecasts 2022/23 global rice stocks at 169 million tonnes, down by 5% y/y.

Overall, the 2022/23 global grains and oilseeds season is roughly unchanged from October 2022 and presents an encouraging picture of supplies. Still, the price moves of the commodities will likely differ in the coming months because of the variations in the production levels compared with the 2021/22 season. The current forecasts will probably be sufficient to provide relief from the levels the prices were at in the weeks after the start of the Russia-Ukraine war (see Exhibit 1).

Exhibit 1: Global Food Price Index



Source: FAO and Agbiz Research