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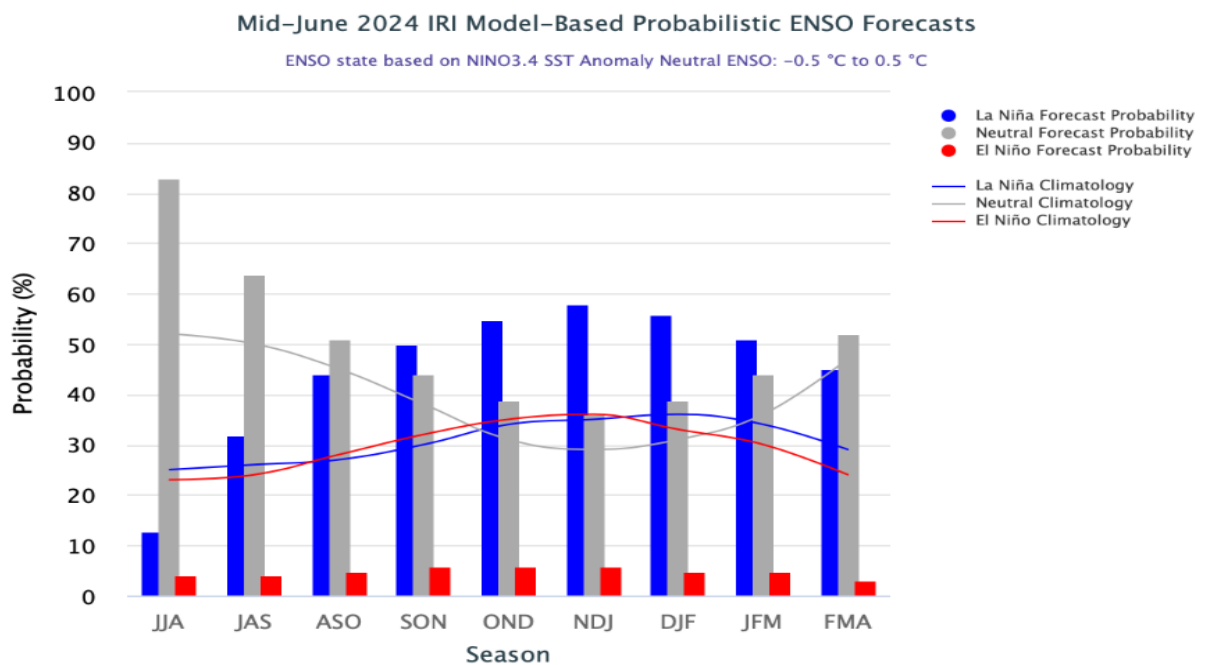
La Niña prospects in the upcoming 2024/25 season are a welcome development

- We are two months away from the start of the 2024/25 summer crop season. Early indications of weather prospects are encouraging, showing a firm likelihood of a La Niña occurrence. The International Research Institute for Climate Change and Society at Columbia University places the probability of a La Niña occurrence at over 50% between now and April 2025. Such weather events typically bring above-average rainfall across South Africa and the entire Southern region. There is hope that after a challenging 2023/24 summer production season, South Africa could transition into a favourable agricultural season, similar to what we experienced four seasons before the 2023/24 season. Given that South Africa had one of the most prolonged periods of La Niña induced rains, from the 2019/20 season to the 2022/23 season, the news of an end to the 2023/24 season El Niño is a welcome development.
- Notably, the South African Weather Service (SAWS) has maintained a cautious view and not yet declared the start of the La Niña event, as we see with the International Research Institute for Climate Change and Society's latest reports. In its update on July 5, the SAWS stated that "The El Niño-Southern Oscillation (ENSO) is currently still in a Neutral state and is predicted to weaken further. However, predictions are mixed in whether it will weaken towards a La Niña state during our next summer season." We see a similar view by the Australian Bureau of Meteorology, as they highlight in their update of June 25 that "The ENSO Outlook is currently at 'La Niña Watch', meaning there are some signs that a La Niña might form in the Pacific Ocean later in 2024. A La Niña Watch does not guarantee a La Niña will develop."
- Given that we are early in the season, such cautious optimism is understandable from the South African and the Australian weather authorities. Still, this does not take away from the fact that the El Niño weather event has at least ended, and we are now moving towards a favourable agricultural production environment. Moreover, these reports mirror the pattern we have seen in the past, where only in September does one get a clearer view of the possible weather outlook. With the summer grains and oilseed season only intensifying from mid-October in the eastern regions of South Africa and around mid-November in the western areas, a firm view of the weather outlook in September is still a valuable insight for farmers to plan their planting appropriately.
- Indeed, South Africa's 2023/24 summer grains and oilseed were devastated by the El Niño induced mid-summer drought, particularly from February to March. This is at a time when farmers had planted slightly bigger areas for summer grains and oilseeds from the previous season. The impact was severe in various regions because roughly 20% of maize, 15% of soybean, and 34% of sugarcane are under irrigation. The majority of the crop areas are rainfed and exposed to drought stress. Thus, it is unsurprising that South Africa's 2023/24 summer grains and oilseed production is projected to be down 20% year-on-year, at

16 million tonnes. This comprises white maize, yellow maize, sunflower seed, soybeans, groundnuts, sorghum and dry beans.

- Still, South Africa is in far better condition than much of the South African region. Zambia and Zimbabwe, among others, lost over half of their grain harvest because of the 2023/24 mid-summer drought. The possibility of a La Niña, provided it brings sufficient and favourable rains, would help improve the agricultural outlook and food security conditions in 2025 the Southern Africa region.
- Aside from field crops, South Africa saw better production conditions in horticulture because of better water levels in the dams. All of South Africa's fruit and vegetables are produced under irrigation.
- The financial impact of the drought on the farming enterprises will be evident in the coming months. Still, given that the country had four consecutive seasons of good rains and ample harvest when commodity prices were also elevated, the financial stress may not be as severe as in previous droughts. Thus, we remain optimistic that South African farmers may be eager to plant, yet again, a sizable area in the 2024/5 summer grains and oilseed season, especially with promising weather prospects.
- While the South African and Australian weather authorities have not officially declared a La Niña occurrence, there is growing evidence of its possibility. This is welcome news in South Africa and, indeed, in much of the Southern Africa region, where the 2024 mid-summer drought has been intense, leading to significant crop failures and rising worries of shortages and higher prices.

Exhibit I: La Niña occurrence prospects are at over 50%



Source: International Research Institute for Climate Change and Society