

La Niña rains herald robust agricultural activity in 2022

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There is heightened uncertainty worldwide in the wake of the new Covid-19 variant, Omicron. The resultant travel bans against several Southern African countries will have a devastating effect on their tourism industries and associated businesses over the summer months, the most important revenue earners for this sector.

From the agricultural side the primary concern is the wine industry, which was in the midst of recovering from successive bans on alcohol sales since the onset of the pandemic. These precipitated the collapse of agritourism and wine route sales.

While there is a lot that remains unknown about the new variant at this stage, I do not foresee it causing major changes in regulations and trading activity for much of the agricultural sector. After all, agriculture has largely been classified as an essential industry and has remained operational since the start of the pandemic.

We will nonetheless monitor the potential impact of the travel bans and the general surge of Covid-19 infections on global supply chains. This is an important area for SA's export-orientated agricultural sector.

Aside from these global factors and the pandemic-related uncertainty, SA's agricultural sector has started the 2021/2022 production season positively. The country is in a full swing La Niña, which is evident from the frequent and above-average rainfalls the country has received since the beginning of October. Consequently, soil moisture has improved considerably across the country.

Last week even regions of the Karoo received favourable rainfall, which will help improve the pastures and benefit livestock in the Eastern Cape, in particular. That said, the western parts of the Free State, Eastern Cape and North West still require additional rainfall to enable planting.

Farmers started planting in October in the eastern regions of SA, and progress has been good thus far. For example, more than 80% of the intended area for maize and soya beans in Mpumalanga has already been planted. Similarly, eastern Free State farmers have planted about 75% of the intended area for maize crops.

Meanwhile, the north-western Free State regions have planted about 30% of the maize area, and the North West only about 5% of the crop. The Eastern Cape and KwaZulu-Natal are also progressing well with plantings. This progress is in line with the traditional planting window.

For provinces west of the north-south national road, the N1, the optimal planting window is usually between November 15 and the end of December, while the optimal window for the eastern regions is between October 15 and November. This means there is sufficient time for plantings to be completed in the regions west of the N1, which have planted a minimal area of the summer crop thus far.

SA farmers intend to plant 4.34-million hectares of summer grains and oilseeds, a 5% increase from the 2020/2021 production area. This area comprises maize, sunflower seeds, soya beans, groundnuts, sorghum and dry beans.

The downside of La Niña weather is the heightened threat of hail, which farmers should consistently monitor because this could damage summer crops, vegetables and fruit. But if the winds and rains remain moderate, with no hailstorms, the country could have yet another good agricultural season in 2021/2022, all else being equal.

The current wave of La Niña, which is favourable for the Southern African region, has brought dryness in regions of South America. We continue to receive reports from analysts on the ground, particularly in Brazil, of crop damage in areas that planted early. Depending on its scale and persistence, the dryness could negatively affect global grain and oilseed supplies, and result in prolonged bullish global prices. Such price trends, combined with possibly higher yields in SA, would be beneficial to farmer finances.

In sum, while SA's tourism industry and associated businesses such as wine will be negatively affected by the reduction in travel and visitors going into the festive season, the broader agricultural sector is likely to remain robust going into 2022.

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