

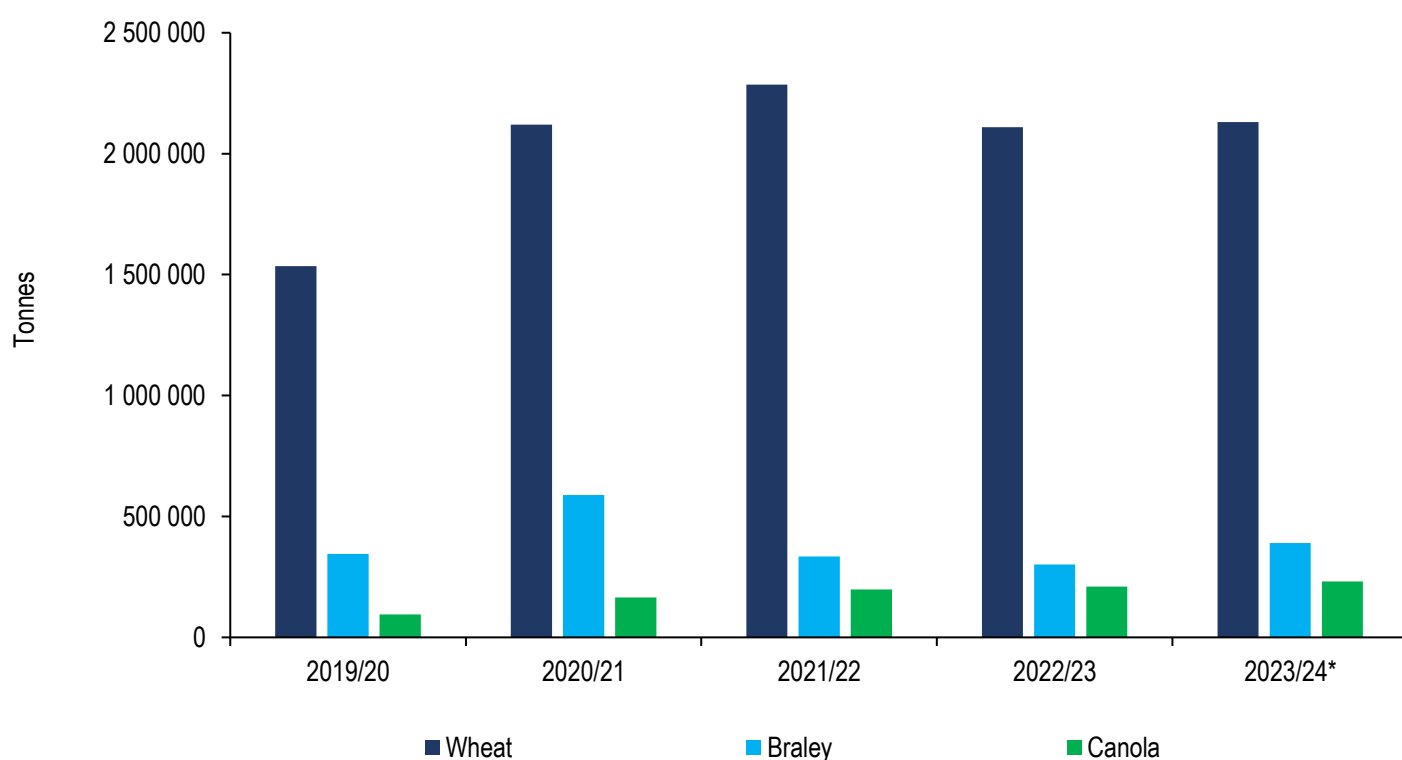
Preliminary views on the impact of the recent floods on the Western Cape's agriculture

- The Western Cape, which accounts for over two-thirds of South Africa's winter crops and a large share of wine grapes and various horticulture products, faced another heavy and destructive flood this past week. The rainfall peak was mainly the Bredasdorp in the Southern Overberg region. Significant damages to farm infrastructure, electricity supply and road networks are reported in various small farming towns of the province, mainly the southern areas. Still, the impact of the floods on wine grapes and table grapes remains unclear as industry horticulturalists continue assessing the fields. We have seen anecdotal evidence of damages in some storage facilities and crop fields in the southern regions of the province. Another challenge caused by wet soils has been the difficulties of tractors spraying herbicides and fertilizers, so some farmers now use drones to spray the fields. Perhaps this is a positive step toward technological advancement accelerated by unfavourable weather conditions.
- Regarding the winter crops, mainly wheat, barley and canola, the focus has been on whether the excessive rains would undermine the yield potential. As best as we can tell, and from various interactions with farmers in the Western Cape, we suspect the impact on crops will be minimal, but the harvest quality may be an issue. The southern regions could have some damage, but its scale remains unclear. We maintain a positive view of South Africa's 2023/24 winter crop harvest. On 27 September 2023, the Crop Estimates Committee (CEC) released its second production estimates for winter crops and kept wheat harvest at 2,1 million tonnes, up 1% from the previous season. Importantly, this is well above the 10-year average harvest of 1,8 million tonnes. This is supported by an expected large crop in the Western Cape and Limpopo, which overshadowed the anticipated decline in the Free State, Northern Cape and other provinces. This means that the crop conditions in the Western Cape are far more consequential for South Africa's winter wheat harvest size. Monitoring crop conditions in the coming weeks remains crucial to us.
- Assuming that there will be no major changes in the crop forecast in the coming months, one can be confident that a wheat harvest of 2,1 million tonnes implies that South Africa will likely need to import about 1.6 million tonnes of wheat to meet domestic consumption in the 2023/24 season (down from the forecast 1.7 million tonnes in the 2022/23 season). Still, we must keep an eye on the CEC report of 26 October, as this would have accounted for the impact of the heavy rains in the Western Cape.
- Moreover, the 2023/24 barley production is estimated at 389 920 tonnes (up 29% y/y). This will be the largest crop in three years and will mainly be supported by an expansion in the area planted and the anticipated better yields. The 2023/24 canola crop is estimated at a record 230 950 tonnes, slightly down from last month (up 10% y/y). The annual uptick is also due to increased plantings and expected

better yields. The following CEC report will also provide further insights into the yield expectations of these crops and whether the recent floods have had a more severe impact than we currently see.

- On the positive side, the Western Cape dams are generally full. The dam improvement will significantly help irrigate the horticulture fields in the coming months. Still, the immediate need for farmers and farming towns is assistance fixing the infrastructure so that commercial activities can resume. The road networks, storage facilities and electricity supplies are probably the most immediate areas to prioritize. The interventions could be made by both the provincial and national governments, while businesses will also focus on fixing the farming infrastructure.
- The recent rains were costly to the farming community, but we don't have a full scale of the impact yet. Notably, we remain optimistic that the province will have a decent harvest. The primary issue is infrastructure, which has taken a significant knock and is vital for storing and transporting products to market. The hardest hit region is the Southern Cape.

Exhibit I: South Africa's winter crop production



Source: CEC and Agbiz Research