

The USDA maintained a fairly positive outlook on SA's 2022/23 maize production for both commercial and subsistence farmers

The United States Department of Agriculture (USDA) 's Pretoria office is a key institution and it is worthwhile to keep an eye on their views. This past week they released an updated view of South Africa's 2022/23 maize production season, leaning strongly towards the views of South Africa's Crop Estimates Committee (CEC). They forecast the country's commercial maize plantings at 2,60 million hectares in the 2022/23 season, broadly aligned with the CEC, whose data points to a possible area of 2,59 million hectares. This area is slightly below the 2021/22 season of 2,62 million hectares. Still, it is well above the long-term average. Considering the USDA's yield forecast of 5,70 tonnes per hectare, South Africa's maize harvest could amount to 15,00 million tonnes in the 2022/23 season, marginally down from 15,33 million tonnes of the 2021/22 season. Still, this will be well above the annual consumption of 11,80 million tonnes and maintains South Africa as a net exporter of maize. Under such conditions, South Africa's maize exports could be above 3,00 million tonnes.

The usual export destinations for South Africa include Taiwan, Japan, Vietnam, South Korea, Botswana, Italy, Namibia, Eswatini, Mozambique, Spain, Lesotho, Angola and Zimbabwe, amongst others. These markets, especially the offshore ones, will likely remain dominant in South Africa's export list. The countries whose imports could decline, depending on how widespread the favourable rains are, are the southern African countries. In the La Niña years, the whole region receives higher rainfall which should support crop production. The major issue that farmers in some southern African countries could struggle with is the higher input costs. In the 20221/22 season, the likes of Tanzania saw a decline in fertilizer usage because of higher prices, which reflected in lower yields in some regions. With the fertilizer prices still over 20% higher than last year, although having softened from the months after Russia invaded Ukraine, the current levels are still relatively high and costly to farmers.

Regarding the subsistence farmers, the USDA forecasts an area of 300 000 hectares, down from 379 000 hectares in the previous season. With a yield expectation of 2,00 tonnes per hectare, subsistence farmers' production could amount to 600 000 tonnes in the 2022/23 season. This is also down from 657 000 tonnes in the previous season. Still, this is a decent harvest and will help cover the household needs in various communities.

The general decline in area plantings on commercial and subsistence farmers is due to a possible switch in the area to soybeans because of profitability. The CEC already signalled a possible 16% increase in soybean planting to a record 1,08 million hectares. In the process, the white maize area will likely take the knock, while yellow maize could hold a generally large area. This is not a worry as the possible decent maize harvest in southern Africa also means that the demand for white maize could fall somewhat. The exports to various offshore countries are primarily yellow maize, whose area plantings are set to increase this new season.

Ultimately, when aggregating the commercial and substance farmers' efforts, the USDA forecasts South Africa's total maize area plantings at 2,90 million hectares, down by 3% from the 2021/22 season. The production could amount to 15,6 million tonnes, also 3% down

09 November 2022

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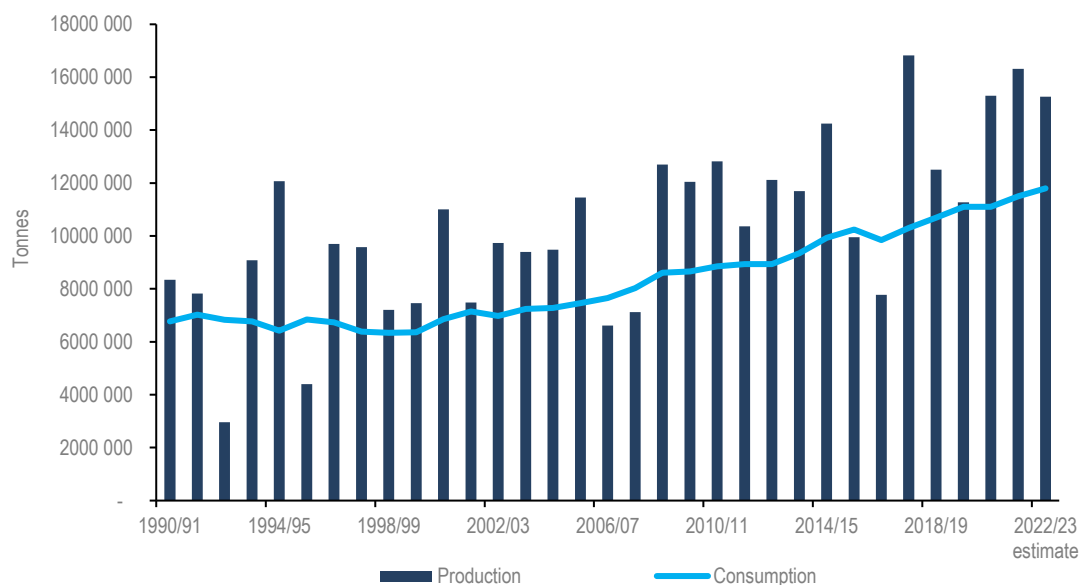
from the previous season. This decent harvest keeps South Africa firmly in the export markets.

Admittedly, it is still early in the season to make a firm view on the size of the harvest for the coming season. Still, these data from the USDA are plausible, and the planting data is aligned with the farmers' intentions-to-plant data shared by the CEC. We will know if there will be any significant changes when the CEC releases its preliminary plantings data on 26 January 2023. We believe the numbers will possibly show minor upgrades from the expected area.

The favourable weather forecasts and possibilities of La Niña rains through to early 2023 and somewhat higher maize prices are incentives for farmers to increase maize planting even in the current environment of higher input costs. On 28 February 2023, the CEC will release its first production forecast, enabling us to compare it with the views recently released by the USDA.

Broadly, these data will continue to have a minimal impact on prices. While South Africa is in a weather market, where domestic weather conditions tend to influence prices, global events will likely continue to dominate the market. The instability in the Black Sea region due to the Russia-Ukraine war, combined with possible dryness in South America and currency fluctuations, will continue to underpin the price movements. The comforting part for the consumers and the maize users, mainly the livestock industry, is that there will likely be sufficient supplies domestically to meet the needs.

Exhibit 1: South Africa's maize market



Source: CEC and Agbiz Research