

The USDA's latest views on the 2022/23 global grains and oilseeds harvest

This past week the United States Department of Agriculture (USDA) released its monthly flagship report, the World Agricultural Supply and Demand Estimates report. This report provides insight into the global production conditions of the major grains and oilseeds. Although there have been some changes in production conditions in various countries, such as Argentina and Brazil, the overall estimates continue to paint a broadly positive picture, with slight downward revisions in maize and rice harvest estimates.

For example, the 2022/23 global maize production is forecast at 1,15 billion tonnes, down by 0,4% from January estimate and 5% less than the 2021/22 season crop. This is mainly due to an expected smaller crop in the US, Ukraine, and the EU. Subsequently, the 2022/23 global maize stocks are down by 4% from the prior season, estimated at 295 million tonnes.

Moreover, the 2022/23 global rice production is estimated at 503 million tonnes, roughly unchanged from January estimates, but this is down by 2% from the 2021/22 season due to anticipated poor yields in parts of rice-producing regions of Asia. Because of stable consumption and this decline in production, the USDA currently forecasts an 8% annual decline in global rice stocks, now estimated at 169 million tonnes.

Positively, the USDA forecasts 2022/23 global wheat production at 783 million tonnes, marginally up from January estimates and 1% higher than the previous season, supported by expected large yields in Russia, the US, Canada, Kazakhstan, China, Australia, and the UK, amongst others. However, because of strong consumption, the 2022/23 global wheat stocks are set to decline by 3% from the previous season to 269 million tonnes.

The 2022/23 soybeans production prospects remain favourable, although having slashed from the January estimates because of a poor crop in Argentina. The 2022/23 global soybean harvest is now estimated at 383 million tonnes, up 7% from the previous season. The anticipated large harvest in Brazil, Paraguay, Russia and China compensates for the expected decline in the US, India, and Uruguay. These deviations in crop expectations are a function of weather and area plantings variations.

Overall, we positively view the 2022/23 global grains and oilseeds season. The expected global production will probably be sufficient to provide relief from the prices levels grains and oilseeds reached in the weeks after the start of the Russia-Ukraine war. Still, the tighter maize and rice stocks will likely keep prices at reasonably higher levels than the long-term averages. For example, the FAO's Cereal Price Index averaged 147 points in January, marginally up from December levels and 5% higher than the corresponding period a year ago (see Exhibit 3). This uptick in global grain prices is primarily underpinned by maize and rice, whose stocks are tight, while wheat prices continue to soften in response to improved global harvest.

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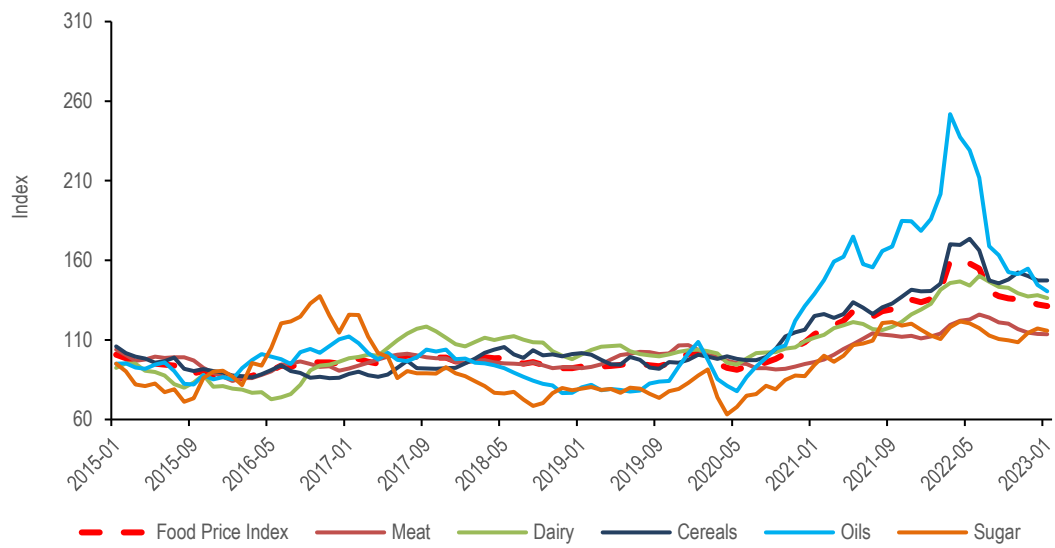
Wandile Sihlobo
Chief Economist
+27 12 807 6686
wandile@agbiz.co.za

www.agbiz.co.za

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Exhibit 1: Global Food Price Index



Source: FAO and Agbiz Research