

Weather is key to monitor as the 2022/23 summer crop season approaches

We are about a month away from the start of the 2022/23 summer crop season. Farmers in the eastern regions of South Africa, which includes the eastern Free State, Mpumalanga, KwaZulu-Natal and Eastern Cape, will start planting by mid-October. This will primarily be summer grains and oilseed plantings. The Northern Hemisphere has experienced extreme heat and drought these past few months, prompting us to wonder if the Southern Hemisphere could experience similar extremes in the upcoming 2022/23 summer season. We are in a La Niña cycle, which means the typical weather conditions would be higher rainfall for Southern Africa, and drought for East Africa and South America. Therefore, extreme weather events could mean excessive rains in Southern Africa, while other regions would remain dry. This remains a concern for us as South Africa experienced episodes of excessive rains at the start of the 2021/22 summer season, which proved disastrous for crop plantings and vegetables in some places. The livestock industry also saw increased disease incidences due to wet weather conditions. Fortunately, to our knowledge, there are no clear signs pointing to yet another season of dangerous rains, but this is a risk that cannot be ruled out.

The South African Weather Service (SAWS) sees a strong likelihood of a weak La Niña state, which we suspect would bring moderate rains favourable for agricultural production. The weather agency states that the forecasts indicate that a weak La Niña state will likely remain during the remainder of 2022 and return to a neutral state in early 2023. We view such forecasts as somewhat comforting and pointing to a season of above-average rainfall but within the levels at which agricultural activity could continue. The SAWS states that "rainfall conditions are predicted to improve further during the early-summer (Oct-Nov-Dec) into the start of the mid-summer months (Nov-Dec-Jan)." This is a favourable time for summer grains and oilseed planting, as these crops typically need high moisture between October to February of the following year. After that, the warmer weather conditions naturally aid crop maturation. These are also ideal and favourable conditions for the livestock industry that depends on natural grazing.

The prospects of a La Niña are not only reported by the domestic weather agency. In its most recent update, the Australian Bureau of Meteorology estimates that "the chance of La Niña forming in the coming months is at least 70%. This is around three times the normal likelihood of an event forming in any year". The only aspect we are all watching is the intensity of this weather phenomenon. And to this end, the South African Weather Service provides comfort that we could have moderate rain. Importantly, if we have a harsh La Niña weather event, the global agricultural community would also feel the impact, specifically through a potential poor crop in South America, which would be under drought. Brazil and Argentina collectively account for 14% and 50% of global maize and soybean production, respectively.

The current 2022/23 maize production estimates from the International Grains Council suggest that Brazil and Argentina maize production could increase by 7% and 6% from the 2021/22 season to 123 million tonnes and 61 million tonnes, respectively. Moreover, Brazil and Argentina's 2022/23 soybeans production is estimated at 145 million tonnes and 48 million tonnes, up by 17% and 14% from the previous season, respectively. This crop

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Wandile Sihlobo

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

www.agbiz.co.za

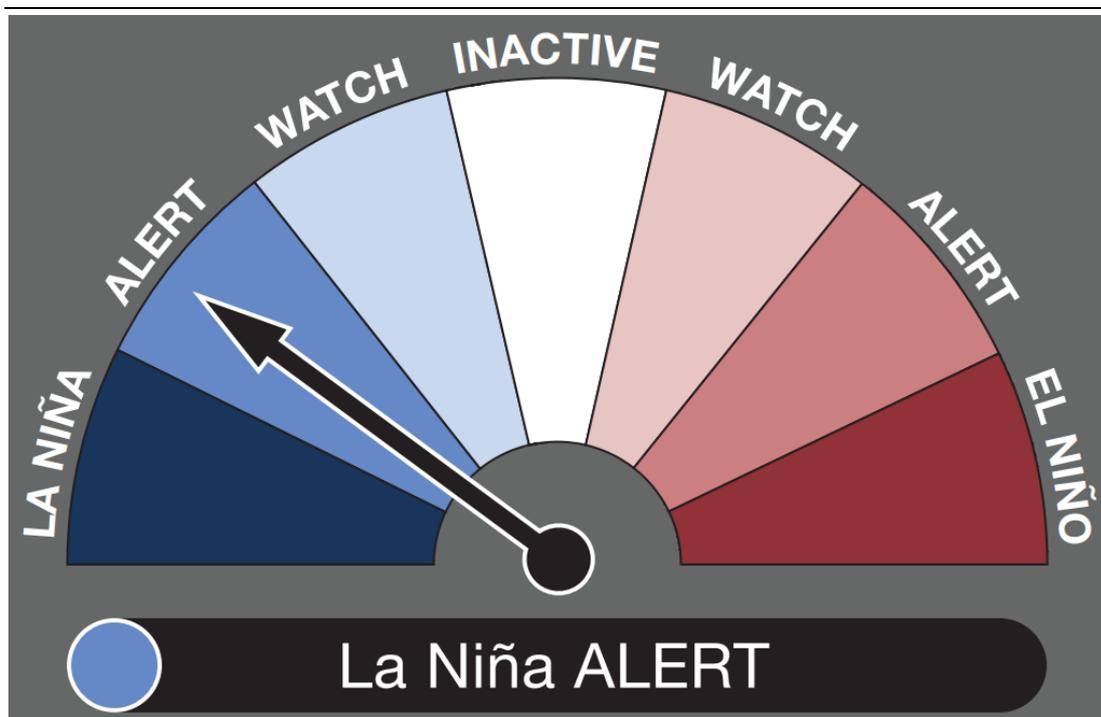
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improvement is on the back of an expected expansion in area plantings and favourable rains. Importantly, these countries will also start planting around the same time as South Africa. Therefore, if the weather conditions prove more extreme than currently expected, the challenge won't only be felt in South Africa, but also globally. The expected improvement in global soybeans production, and stability in maize production, largely depends on the outcome of South America's production in the upcoming 2022/23 season.

In essence, the Southern Hemisphere is a month away from entering the "weather market", a period where weather conditions matter a lot for farmers' planting decisions and market prices of agricultural products. So far, the weather forecasts broadly point to a more forgiving summer season than we initially feared. Still, this will require close monitoring, especially during the crop and veld-growing periods between October and February of next year. We will get a clearer picture of how much area farmers planted on the 26th of October 2022, when the Crop Estimates Committee releases its farmers' intentions to plant data. We think the area will roughly remain unchanged from the previous seasons, which is around 4,1 million hectares for all summer crops.

Exhibit 1: La Niña ALERT



Source: Australia's Bureau of Meteorology