

Some Upswing in South Africa's Grain Production Estimates

South Africa is in for a fairly good harvest in 2017/18 production season. This was confirmed by the third production forecasts released by the National Crop Estimate Committee this afternoon. All summer crop production estimates were revised up from previous month's levels, with the exception of dry beans. In the same vein, winter crop farmers intend to increase the area plantings this upcoming season. This bodes well for trade and food inflation dynamics, as production volumes of major crops such as maize are set to be well above domestic consumption needs. Considering the domestic annual maize need of roughly 10.5 million tonnes, at the back of expected 12.8 million tonnes of production, coupled with a carryover stock of 4.1 million tonnes, South Africa could see exports exceeding 2.2 million tonnes in the 2018/19 marketing year which starts on 01 May 2018.

- South Africa's commercial maize production estimate was lifted by 3% from last month to 12.8 million tonnes. Of this, 6.6 million tonnes are white maize, with yellow maize at 6.2 million tonnes. Given the aforementioned supply and demand dynamics, this suggests that maize prices could remain under pressure for some time.
- Soybeans production estimate was also revised upwards from last month by 3% to a new record level of 1.4 million tonnes, underpinned by a large area planted, as well as expected higher yields on the back of favourable weather conditions (see Chart 1). Moreover, sunflower seed production estimate was raised by 6% from March 2018 to 792 255 tonnes (although down by 9% from 2016/17 harvest).
- It is also worth noting that South African winter wheat farmers intend to increase the area planting by 2% from 2017/18 production season to 500 500 hectares. The area plantings for barley could also be lifted by 5% y/y to 95 700 hectares. The planting process is still at initial stages, but this optimism follows the local Weather Service's Seasonal Climate Watch which indicated that parts of the south-western cape regions could receive above-normal rainfall between the end of this month and June 2018.

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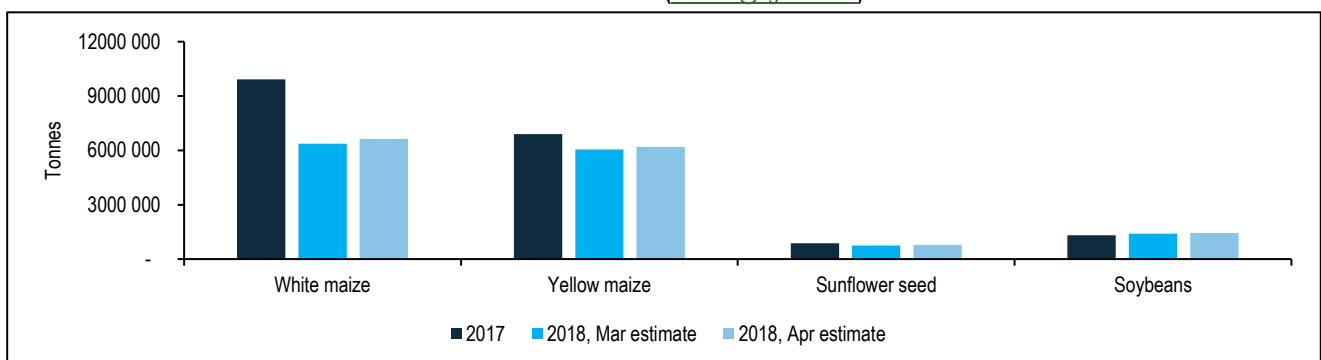


Chart 1: South Africa's 2017/18 third production estimates

Source: CEC, Agbiz Research

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