10 December 2018

Wandile Sihlobo, wandile@agbiz.co.za

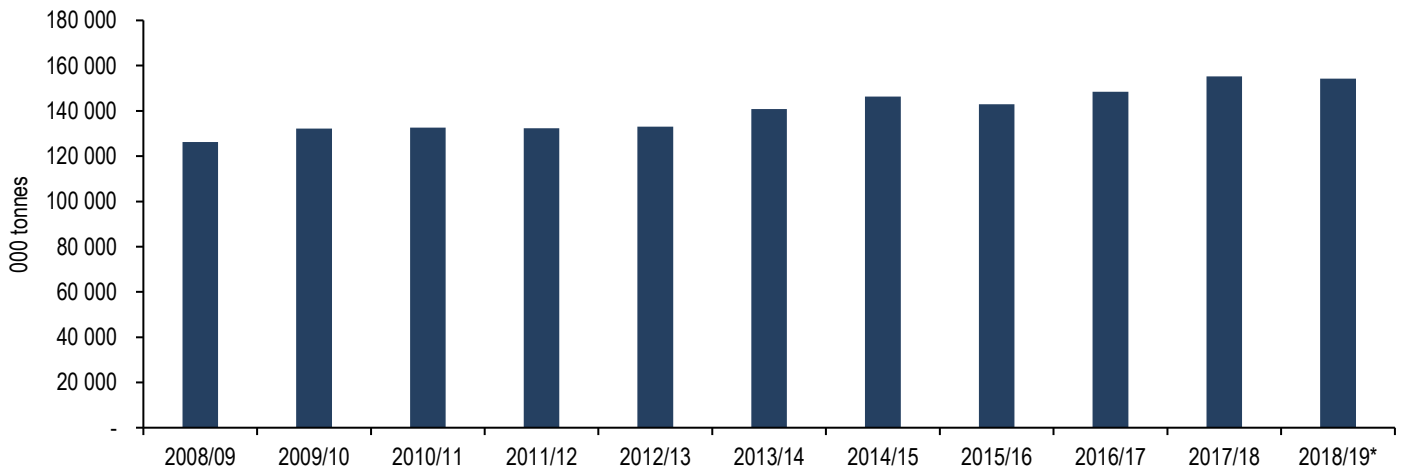
Africa focus – grains and oilseeds prospects into 2019

- It is year-end and therefore an appropriate time to reflect on the African continent's agricultural performance, particularly grains and oilseeds which are staple foods, and key inputs in the animal feed sector. The 2018/19 production season has been confronted by unfavourable weather conditions in the sub-Saharan region which has negatively affected the planting activity and growing conditions of crops and, by extension, the continent expected harvest. The International Grains Council (IGC) forecasts Africa's 2018/19 grains production at 154 million tonnes, down by a percentage point from the previous season (Figure 1). In this context, *grains* include maize, barley, wheat, sorghum and oats, while *oilseeds* refer to soybeans. The continent's 2018/19 soybean production is estimated at 2.7 million tonnes, unchanged from the previous season. Although the import status differs across countries, the African continent will remain a net-importer of major grains and oilseeds such as wheat, maize, soybeans and rice in 2018/19.

- Africa's 2018/19 wheat imports are estimated at 49 million tonnes, down by 6% from the previous season owing to anticipation for a slight uptick in production in countries such as Algeria, Morocco and South Africa, albeit the continent's overall grain production expected to decline. Although volumes differ from the previous season, Algeria, Egypt, Morocco, Tunisia, Kenya, Nigeria, South Africa and Sudan will remain Africa's leading wheat importers in the 2018/19 season, collectively accounting for 74% of the continent's wheat imports, according to data from the IGC. Africa is an important player in the global wheat market as it accounts for nearly a third of imports in 2018/19.

- The African continent's 2018/19 maize imports are estimated at 22 million tonnes, which is slightly above the previous season's harvest. The North African countries, namely, Algeria, Egypt, Morocco and Tunisia are the key importers, accounting for 82% of the expected imports. Within the sub-Saharan region, the leading maize importers in 2018/19 are Kenya and Zimbabwe. In terms of soybeans, Africa's soybean imports could amount to 4.6 million tonnes in the 2018/19 season, up by 12% year-on-year. About 78% could be imported by Egypt and the rest spread across the continent. In addition, Africa's 2018/19 rice imports could amount to 19 million tonnes, up by 12% from the previous season. Benin, Côte d'Ivoire, Nigeria, Senegal, South Africa, Ghana and Mozambique will remain the key importers.

Figure 1: Africa's grain production (maize, barley, wheat, sorghum and oats)



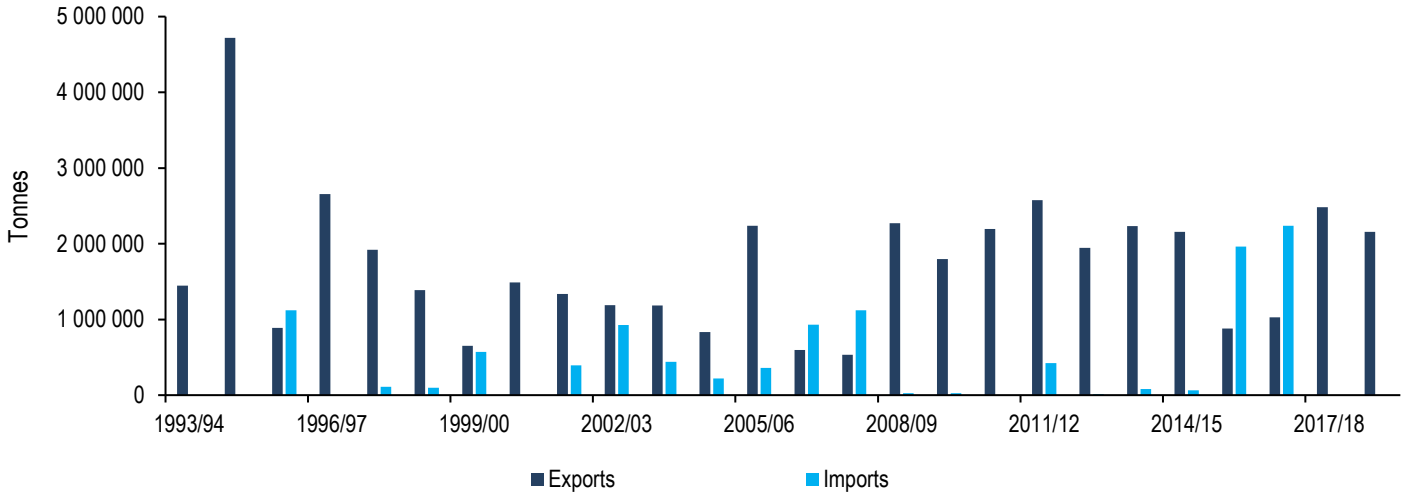
Source: International Grains Council, Agbiz Research

Domestic focus – maize trade; rice market; crop conditions and weather prospects

What role can South Africa play in the continent's maize market?

- While some countries on the continent will have tight maize supplies, South Africa is one of the few countries which could remain a net exporter in the 2018/19 marketing year which ends in April 2019. South Africa has thus far exported 1.6 million tonnes of maize, which equates to 73% of the seasonal export forecast of 2.2 million tonnes (Figure 2). But there have not been any exports to Africa's leading maize importers (Algeria, Egypt, Morocco, Tunisia, Kenya and Zimbabwe) in the 2018/19 marketing year. A large share of maize was exported to Japan, Taiwan, South Korea, Vietnam, Italy and BNLS (Botswana, Namibia, Lesotho and Swaziland) countries. If there are any exports in the coming months, it will probably be to Zimbabwe. In markets such as Kenya, South Africa's presence could be limited partly due to restrictions on the importation of genetically modified maize and competition from Mexico, Uganda and Ukraine. More than 80% of South Africa's maize production is now genetically modified. Also, we do not foresee maize exports to Algeria, Egypt, Morocco and Tunisia as these countries typically import maize from Ukraine, Argentina, Brazil, Romania and the United States, which all currently have sufficient supplies for exports.

Figure 2: South Africa's maize exports and imports



Source: SAGIS, SASDE, Agbiz Research

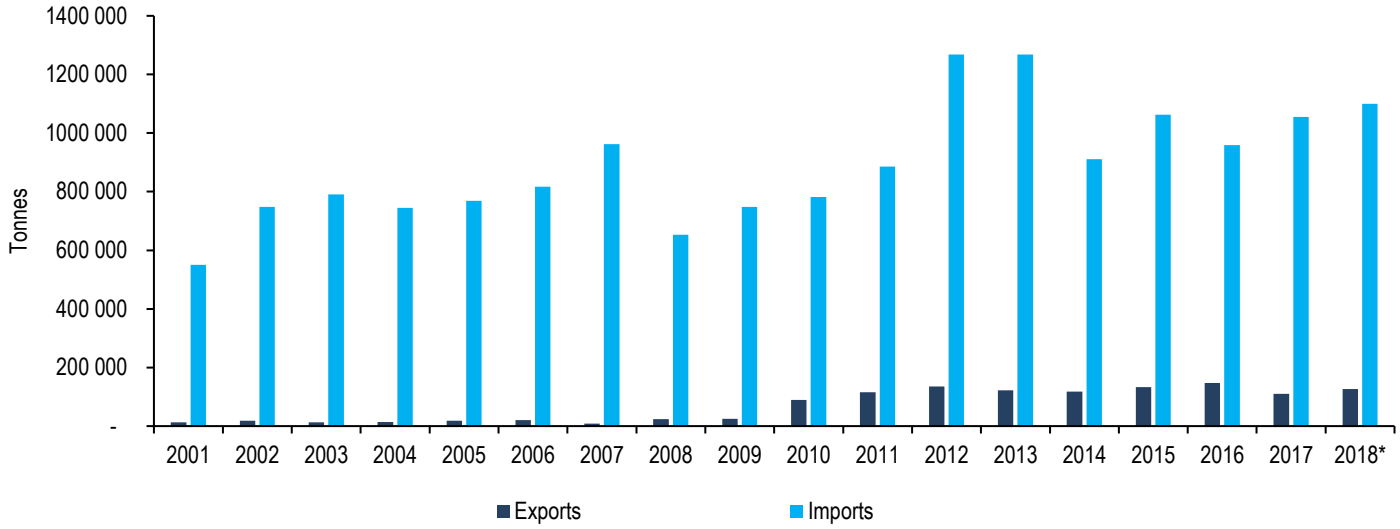
SA rice market

- South Africa accounts for 6% of the expected 19 million tonnes of rice imports into Africa in the 2018/19 season. This is about 1.1 million tonnes, up by 10% from the previous season driven by an uptick in consumption (Figure3). In the first three quarters of this year, about 704 718 tonnes had already reached the South African shores. About 92% of this originated from Thailand and India, and the rest from Italy, Pakistan, Vietnam and Brazil, amongst other suppliers.

- Worth noting is that South Africa does not have a conducive climate for rice production and therefore the country imports all of its rice consumption. The imported rice typically includes; paddy, brown, semi-milled, and broken rice. Similar to what is transpiring this year, in 2017, about 77% of rice was imported from Thailand, with 17% from India and the rest form the United States, China, Vietnam, Pakistan and Uruguay, amongst others. On average, about 101 854 tonnes or 10% of the imported rice every year is re-exported to the neighbouring countries, namely Swaziland, Botswana, Zimbabwe, Lesotho, Namibia and Zambia (Figure 3).

- From a supply perspective, the global rice market is in good shape. The 2018/19 global rice production could reach a record 491 million tonnes, marginally up from the previous season, according to data from IGC. The key contributing countries to the expected increase are India, Vietnam, Thailand, United States, China, Bangladesh and the Philippines. These are same countries that supply to South Africa. The benefit of an uptick in global rice production is clear on prices which have softened in the recent months compared to the beginning of the year across all the aforementioned countries. This is all beneficial to rice importing countries such as South Africa.

Figure 3: South Africa's rice imports and exports



Source: Trade Map, International Grains Council, Agbiz Research

Current crop conditions

- Although this month started with an optimistic message from the South African Weather Service indicating a possibility of above-normal rainfall in the summer crop growing areas of the country between December 2018 and February 2019, most parts of the country are still dry. The expected rainfall last week did not materialise in most regions, thus planting activity has not progressed in the central and western parts of the country. It is only a few areas of the eastern Free State and Mpumalanga that received very light showers, with the highest being 11 millimetres in the Frankfort area.

- Therefore, planting has thus far largely advanced only in the eastern parts of South Africa which received higher rainfall at the beginning of the season. But these areas are not in good condition as the recent heat wave and drier weather conditions started negatively affecting newly planted crops. In terms of crop distribution, these are areas that predominantly produce yellow maize and soybeans. Meanwhile, the western regions of the country which largely produce white maize and sunflower seed have not seen progress in planting due to persistent drier weather conditions. The only crop that has been planted in these areas so far is cotton as it copes somewhat better with drier conditions compared maize, sunflower seeds and other crops.

- Nonetheless, the precipitation outlook for this month shows rainfall between 20 and 70 millimetres in the summer crop growing areas of South Africa (Figure 4). If this materialises, then the aforementioned production conditions

could change, although some areas are already outside the optimal planting window of most crops.[1] We will closely monitor the developments on the weather front but must mention that the past few weeks' predictions proved fruitless.

- Be that as it may, we have not changed our production expectations from what we reported a few weeks back (Table 1). While the harvest is expected to be lower than the previous season in the case of maize and sunflower seed, South Africa's supplies will still be at comfortable levels due to large stocks from the 2017/18 production season, and also the fact that the expected crop is higher than annual consumption in the case of maize.

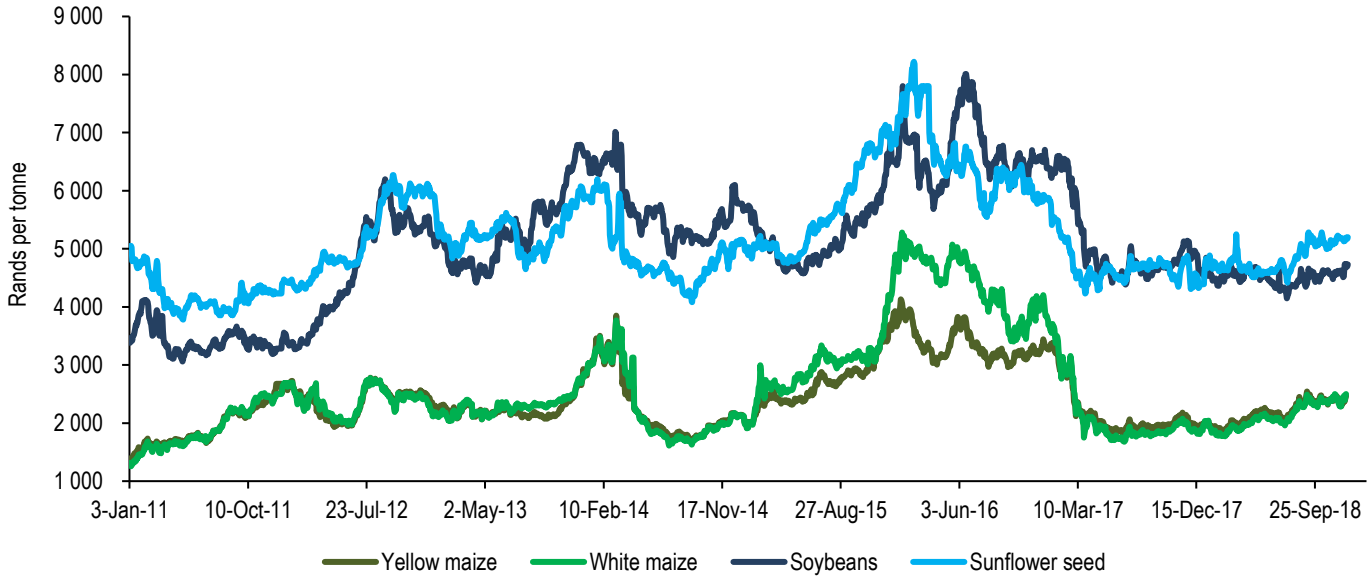
Table 1: South Africa's grain and oilseeds production (tonnes)

Commodity	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*
Maize	12 120 656	11 690 000	14 250 000	9 955 000	7 778 500	16 820 000	12 931 210	12 200 000
Soybeans	691 050	784 500	948 000	1 070 000	742 000	1 316 000	1 550 800	1 570 000
Sunflowerseed	527 110	557 000	832 000	663 000	755 000	874 000	858 605	736 000
Wheat	1 905 280	1 870 000	1 870 000	1 750 000	1 440 000	1 909 540	1 535 000	1 862 400
Canola	58 800	79 650	112 000	121 000	93 000	105 460	93 500	115 500
Barley	300 910	298 000	267 500	302 000	332 000	354 065	307 000	401 840

Source: CEC, Agbiz Research
*Estimates

- Between October and February, which is planting to pollination, the weather becomes an important factor in the South African grains and oilseeds market and, to some extent, amongst the major drivers of prices. This has been the case in the past few weeks, but the exchange rate fluctuation and developments in the global agricultural market also influenced the SAFEX market (Figure 4). Overall, while the activity will possibly slow in the market as the festive season approaches, the above-mentioned factors could remain the key drivers of SAFEX prices in the coming weeks.

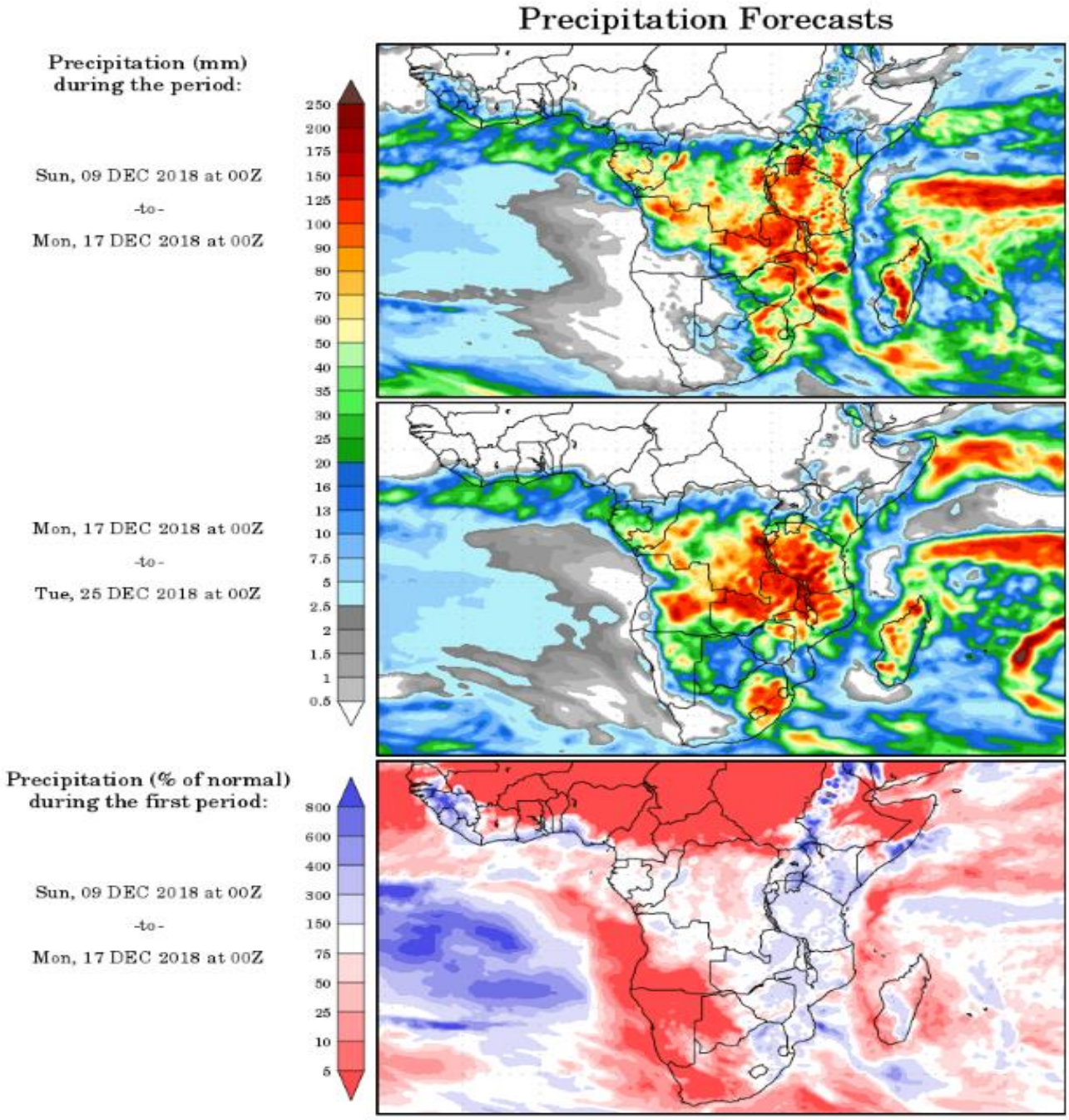
Figure 4: South Africa's maize, soybean and sunflower seed prices



Source: Bloomberg, Agbiz Research

[1] The optimal planting window for maize (yellow) in the eastern parts of South Africa runs between mid-October to mid-November, with the western areas which predominantly produce white maize running from mid-November to mid-December. Soybean optimal planting window generally runs form mid-October to mid-December. Meanwhile, sunflower planting could run until early January.

Figure 5: South Africa's precipitation forecast



Source: wxmaps

Key Data Releases in the Agricultural Market:

- USDA's World Agricultural Supply and Demand Estimates Report: 11/12/2018
- SAGIS producer deliveries data: 12/12/2018
- SAGIS weekly grain trade data: 13/11/2018
- National Crop Estimates Committee's monthly data: 20/12/2018
- SAGIS monthly data: 21/12/2018