

Favourable weather may boost summer planting season

By [Wandile Sihlobo](#)

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South Africa's 2020/21 summer grain and oilseeds planting season should begin in areas with favourable weather and sufficient soil moisture soon. This will be the start of an optimal planting window in the eastern regions of the country. For the central and western regions of South Africa, the optimal planting window will only open from the beginning of November.



Image source: www.pixabay.com

Commodity prices remain high

As we have previously noted, the two most important indicators to observe to get a sense of producers' potential planting decisions for the season ahead are commodity prices and the weather outlook. Both are generally positive for the 2020/21 season.

Commodity prices remain at higher levels. This might be ironic as the 2019/20 season had large supplies that would have ordinarily put pressure on prices. South Africa had the second-largest maize harvest on record, approximately 15,5 million tons (yellow maize at 6,5 million tons and white maize at nine million tons) and the third-largest soya bean harvest on record (1,26 million tons).

An uptick in global soya bean prices

Yet, by 25 September 2020, South Africa's soya bean spot price traded at R8,100 per ton, up 39% year-on-year. Meanwhile, white and yellow maize spot prices traded at R3,494 per ton and R3,350 per ton, each up by roughly 23%, respectively. These price increases are precipitated by the weaker domestic currency, coupled with growing demand from China and other Asian markets in the case of soya beans.

China is rebuilding its pig herd, the world's largest, which was decimated by African swine fever last year. This process has led to a notable increase in global soya bean imports in the recent month and, in turn, prices. South Africa's soya bean prices tend to follow global soya bean prices, in part, because of the import dependence status. South Africa imports approximately half a million tons of soya bean meal per year. Therefore, the uptick in global soya bean prices has fed into domestic soya bean prices.

Maize exports

In the case of maize, South Africa is a nett exporter, which means that global market developments tend to have a smaller impact than in soya beans. However, the likes of South Korea, Vietnam, Japan and Taiwan, to name a few, have been relentless in buying domestic maize (primarily yellow maize).

During the week of 18 September 2020, South Africa's 2020/21 total maize exports were at 1,46 million tons. This equates to 54% of the seasonal export forecast (2,7 million tons). Yellow maize exports accounted for 75% of the volume already exported, with 25% being white maize.

This growing global demand, coupled with the weaker domestic currency, makes exports more lucrative. Generally, higher global maize prices have added to the aforementioned increase in domestic maize prices.

These dynamics are unlikely to change in the near term. Consequently, soya beans and maize prices could remain at fairly higher levels for some time, at least within the 2020/21 marketing year. This marketing year ends in February 2021 for soya beans and April the same year for maize. This will subsequently lead to sustained higher costs to the users of grain and oilseeds, mainly the livestock and poultry industry.

A positive weather outlook

The weather outlook for the 2020/21 production season remains favourable. In its recent Seasonal Climate Watch released on 25 September 2020, the South African Weather Service noted that “the El Niño-Southern Oscillation is currently in a weak La Niña state. The forecast indicates that it will most likely remain and strengthen towards a moderate La Niña state during early- and midsummer. With this strong likelihood of a moderate La Niña, there are increased chances of above-normal rainfall in the summer rainfall areas during the coming summer season”.

The weather bureau further noted that the summer rainfall season may start with below-normal rainfall around October but change to above-average from November 2020 through February 2021. This is also the period in which summer grain and oilseeds will require moisture the most. Therefore, the forecast rainfall increases the chance of yet another good harvest in 2020/21.

Moreover, the possible higher rainfall is not only conducive for summer grain and oilseeds, but also the entire agricultural sector. The horticulture subsector, which largely relies on irrigation, will benefit from possible increased water levels in dams, while the livestock subsector could also benefit from potentially improved pastures.

A greater incentive for producers to increase plantings

As we started last month, this environment of higher commodity prices and forecast higher rainfall provides a greater incentive for producers to maintain or increase plantings in the 2020/21 grain and oilseeds production season that begins in October 2020. This is particularly the case as we expected the demand for maize in East Africa to remain robust as the La Niña event typically leads to dryness in that region, the opposite of Southern Africa.

The only key challenge is regulations, as imports of genetically modified maize are still prohibited. The Far East countries that have thus far been the major buyers of South Africa's maize are likely to show sustained demand going into 2021, which will help grain producers.

Overall, an important date to look forward to is 28 October 2020, when the national Crop Estimates Committee will be releasing the producers' intentions to plant data. It is only then when we will be certain if producers were indeed persuaded by the high prices and favourable weather outlook.

Source: [Agbiz](#)

ABOUT THE AUTHOR

Wandile Sihlobo is chief economist of the Agricultural Business Chamber of South Africa (Agbiz) and author of *Finding Common Ground: Land, Equity and Agriculture*.

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