

Drought is over but recovery will take years

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There may be more water in SA's well this season, but consumers are unlikely to feel the effects until at least the third quarter, agricultural economists say.



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While the El Niño weather pattern that devastated the agricultural industry ended in June last year, its effects will continue to be felt in varying degrees for at least two years, despite the appearance of the La Niña phenomenon, which is associated with wet conditions.

In its Agricultural Outlook 2017 report, Absa says rainfall predictions for the coming season have improved substantially and early indications are that the drought will soon be something of the past. However, Absa says the cumulative effect of the drought will still have a negative effect on the new season "even if good rains fall."

Food inflation

Agricultural Business Chamber head of economic and agribusiness intelligence, Wandile Sihlobo, says food inflation is likely to remain high in the first few months of the year and will slowly start to decline once the first harvests begin in about April.

"Later on, in the third quarter, consumers will really start to benefit. Prices will really start to fall then. Food inflation in November 2016 was at 11.6%. It could come down to between 7% and 9%," says Sihlobo.

Maize production

He says the worst is over and the agricultural sector is "starting to see some green shoots", particularly in the production of maize. The Crop Estimates Committee reported total maize production for the 2014-15 season at 9.96-million tonnes. Production for the 2015-16 season is estimated at 7.2million tonnes.

Sihlobo says forecasts by private bodies for the 2016-17 season are for total maize production of between 11 million and 13-million tonnes.

"The rainfall needs to be maintained until February - that is crucial. At that time, summer crops will be in the flowering stage.

"The government will release official estimates at the end of January," he says.

A good harvest would reinstate SA as a net exporter of maize, which would earn the country about R6bn. It spent R12bn on imports last season.

Independent agricultural economist Fanie Brink says that until the new season's maize is harvested, the country will need to continue to import. "We will need to produce about 10-million tonnes of maize for our own human and animal consumption and to supply our neighbouring countries as well as to build up a carry-over of stock for next year," says Brink. Some countries in need of SA's exports include Swaziland, Lesotho, Mozambique, Namibia, Botswana and Zimbabwe.

Grain SA economist Luan van der Walt says maize production may break even this season, but a reduction in the price for consumers is likely to lag behind the rise in output. Van der Walt says: "The weather patterns are becoming more normal and this has been particularly true for the eastern regions. The maize there is looking great. A break-even scenario means that we would be producing just enough maize to meet demand but not enough for surplus."

Sugar, meat and dairy

In the sugar industry, Sihlobo says, it will take two to three seasons to recover fully following a double-digit fall in production in the last season.

Absa says it will take from two to seven years for the meat and dairy industry to recover. Dry pastures resulted in a sharp decline in the number of cows and replacement heifers. Rebuilding the herds will be a lengthy process.

Source: Business Day