

The 2026-27 production season seems likely to be challenging for SA farmers

- As we sat in Gqeberha in the Eastern Cape on 2 June, preparing for the start of the Agricultural Business Chamber of South Africa (Agbiz)'s 2026 Congress the following day, the South African Weather Service (SAWS) released its monthly Seasonal Climate Watch report. The latest report did not offer any new comforting insights for the agricultural community, which has long known that the upcoming 2026-27 production season is likely to be an El Niño period. The SAWS report further affirmed the likelihood that it would be more severe. In practice, this means that weather conditions may shift from the rainy seasons we have enjoyed, which delivered excellent crops, fruits, vegetables, and grazing veld, to a more challenging path ahead.
- Amongst other things, the SAWS stated that “current seasonal predictions for South Africa extend towards the transition from winter to spring, so the impact on South Africa for the coming summer can only be estimated from typical El Niño events, which is for a drier and warmer summer season.” It is this potentially drier summer season that has prompted some in South Africa to worry about food prices and agricultural performance in the coming months. Such concerns are legitimate, but the timing is key in such considerations. Moreover, it is important to note a few critical factors that may help.
- For 2026 and the first part of 2027, South Africa's agricultural supplies will remain solid. The 2025-26 summer season experienced favourable rains, which supported large harvests of grains, oilseeds, sugarcane, fruits, and vegetables, and excellent grazing veld, amongst other benefits. For the current season, the favourable rains ensured that the country realised ample harvests. Thus, we have seen the 2025-26 summer grain and oilseed harvest reach a record 21.1 million tonnes, with various fruits also realising excellent harvests. These supplies will carry the country through to mid-2027, after which the country will rely on the crop planted in the 2026-27 season.
- The dam levels across the country are also good, which will help irrigate fruit and vegetable crops in 2027. All of South Africa's fruits and vegetables are produced under irrigation, while roughly 20% of field crops are under irrigation, with the majority rainfed. The rainfed section of the field crops will be most exposed to drier weather conditions during the 2026-27 summer season.
- We must also remember that the 2026 summer rainfall season was more prolonged than usual, with some regions of the country receiving rain through to May. Such areas will enter the upcoming production season with better-than-usual soil moisture, which will benefit the start of the 2026-27 summer crop season.
- Moreover, because of the large harvests in the current 2025-26 season, we see crop prices down notably from last year. For example, maize prices are down by 20-30% from last year, while soybean prices are down by 10-15%. Some fruit and vegetables are also under pressure. These lower prices benefit consumers. It is partly this reason that South Africa's consumer food price inflation slowed to 2.8% in

April 2026, down from 3.4% in March. This is the lowest level in 14 months. There was a broad deceleration across the various food products.

- The projections of an El Niño are a serious concern for the farming community and a risk for food prices. However, its impact on food supplies in South Africa may be more pronounced in 2027. Even so, it is still too early to know how severe the damage may be. For now, we lean on ample supplies from the past season. The farmers will also have to make tough decisions from October 2026, when the planting period starts, about which area to plant for the 2026-27 season. An added factor in the minds of many will also be the higher input costs resulting from the war in the Middle East. Therefore, after a few seasons of sustained gains in agricultural production, SAWS has once again reminded us that the path ahead will likely be challenging for the sector.

WEEKLY HIGHLIGHT

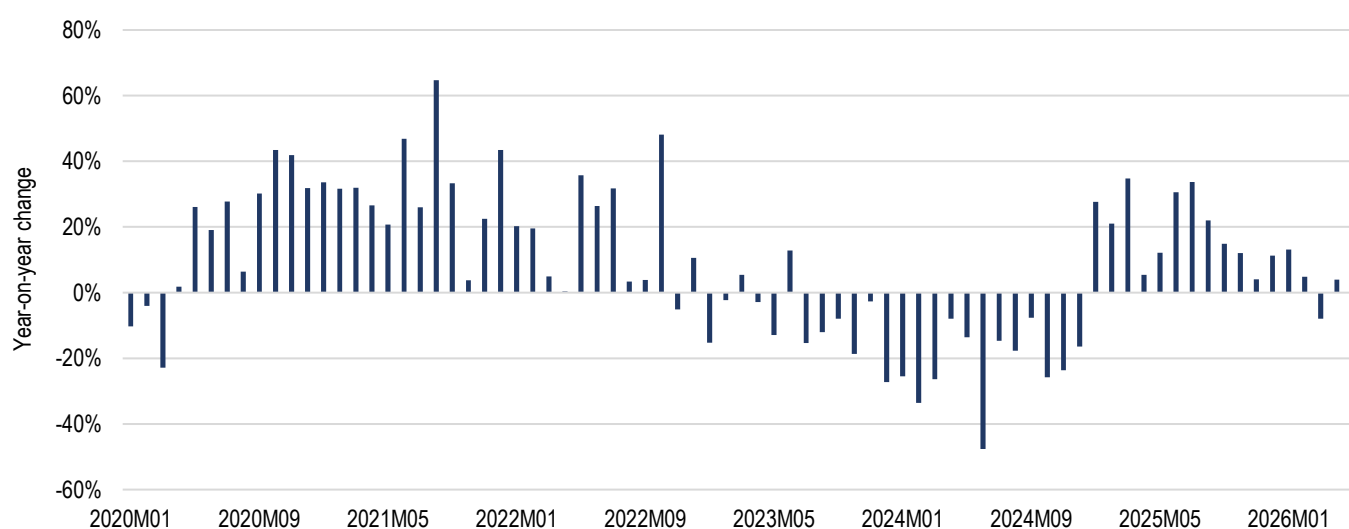
SA's farming fortunes are positive at the start of 2026

- The South African farming sector had a broadly positive start to 2026. This is notwithstanding the challenges posed by foot-and-mouth disease in cattle, African swine fever in the pig industry, and floods in the northeastern regions of South Africa at the start of the year. Still, higher economic activity across field crops and horticulture sufficiently supported growth in the sector.
- The figures released last week by Statistics South Africa show that the country's agricultural gross value added expanded by 3.9% quarter-on-quarter (seasonally adjusted) in the first quarter of 2026, from a 0.4% in the last quarter of 2025. These robust growth figures also align with the strong trade figures for the first quarter. For example, in the first quarter of 2026, South Africa's agricultural exports totalled US\$3.7 billion, up 11% from the same period a year ago, according to data from Trade Map. Better exports were a function of both higher export volumes across various products and higher commodity prices.
- If we zoom in on field crops, we will likely continue to see encouraging figures in agriculture over the coming quarters due to the ample harvest this year. In the current 2025-26 production season, South Africa still has an ample harvest, with an expected record summer grain and oilseed harvest of 21.1 million tonnes, up 3% up year-on-year (y/y). This production figure comprises maize, sunflower seed, soybean, groundnuts, sorghum, and dry beans.
- The poultry industry is also performing well and benefiting from affordable feed (maize and soybean prices are down by 10-30% from a year ago). We also see robust volumes in fruits and vegetables, although in the second quarter of the year, we may see a slight impact of the recent floods on growth figures.
- Overall, the agricultural sector's start of the year is encouraging from an economic activity perspective. Still, this overshadows some of the underlying challenges, such as the lingering impact of foot-and-mouth disease, which we hope will soon ease as vaccination progresses. The African swine fever in the pork industry is another challenge.
- Looking ahead, higher input costs due to the Middle East war, along with the expected El Niño drought, will weigh on the sector heading into 2027. This year, the impact of these factors may remain limited. The season most exposed is 2026-27, which starts in October 2026 for summer grains and oilseeds.

SA's tractor and combine harvester sales declined in May 2026

- After months of strong performance, South Africa's tractors and combine harvester sales fell in May 2026 due to a combination of factors, including uncertainty about the weather outlook heading into the 2026-27 season and elevated input costs driven by the war in the Middle East. The data released last week by the South African Agricultural Machinery Association shows that tractor sales fell by 15% year-on-year in May 2026, with 542 units sold, and the combine harvester sales declined by 34%, with 27 units sold.
- This decline is unsurprising and may be a mark of a change in sales going forward. South Africa has had a good run, with strong tractor sales for much of 2025 and into the early months of 2026. There was always going to be some normalisation. The robust sales in recent months were driven by the ample harvest in the 2024-25 production season, particularly of grains and oilseeds, which supported farmers' incomes. The horticulture industry also performed well in that period, supporting farmers' incomes. The fact that the interest rates were also relatively low was another important boost to the sales.
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- Overall, we worry about the path ahead for tractor and combine harvester sales. This year may mark a shift from the period of strong agricultural machinery sales we observed at the beginning of 2025.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

What are we watching this week?

- We start the week by looking at the global front, and today, the U.S. Department of Agriculture (USDA) will release its **weekly U.S. crop progress report**, which provides insight into planting activity in maize, rice, sorghum, soybeans, and other major grains for the 2026-27 production season. Planting is nearly complete across the U.S. For example, about 97% of the intended maize area had already been planted by June 7, which is mildly ahead of the five-year average planting progress. Moreover, about 92% of the intended soybean area had already been planted, ahead of the five-year average.
- On Thursday, the USDA will release the **U.S. Cost of Production Forecast report data**. This report contains cost and returns estimates for the U.S. and major production regions for maize, soybeans, wheat, cotton, grain sorghum, rice, peanuts, oats, barley, milk, hogs, and cow-calf.
- On the domestic front, on Wednesday, Statistics South Africa will release its **Consumer Price Index (CPI) data** for May 2026. In these data, our focus will be on the food category. If we look at recent data, South Africa's consumer food price inflation slowed to 2.8% in April 2026, down from 3.4% in March. This is the lowest level in 14 months. There was a broad deceleration across the various food products.
- On Thursday, the South African Grain Information Services (SAGIS) will publish its **weekly data on South Africa's Grain and Oilseed Producer Deliveries**. We have recently started the new 2026-27 marketing year, and the harvest for this new year is still in its early stages. In the first six weeks of the new marketing year, the farmers delivered 2.0 million tonnes of maize to commercial silos. This season is running slightly behind last season's pace. Deliveries are 17% behind what was delivered to commercial silos this time last year. The delays in the start of the season and the longer rainfall period are among the key reasons for this. Still, South Africa is poised to harvest an ample 17.1 million tonnes of maize, the largest harvest on record.
- The 2026-27 soybean marketing year soybean harvest is towards completion. The first 14-week deliveries were 2.4 million tonnes, a record, out of an estimated crop of 2.9 million tonnes. For sunflower seeds, the first 14 weeks of producer deliveries in the new 2026-27 marketing year totalled 681,145 tonnes. There is still a long way to go, as the forecast harvest for the season is 877,680 tonnes.
- South Africa's 2025-26 winter wheat harvest is complete. Some farmers continue to deliver the small volumes of the crop to commercial silos. In the first 35 weeks of this 2025-26 marketing year, farmers have delivered about 1.83 million tonnes of wheat to commercial silos. This is 97% of the expected season harvest of 1.89 million tonnes (down 2% y/y).
- SAGIS will also publish its weekly **South Africa's Grains and Oilseeds Trade data** only on Friday. Last week, South Africa exported 85,890 tonnes of maize, with about 81% going to Vietnam. The rest went to the neighbouring countries. In the 2026-27 marketing year, we recently started, in May 2026, South Africa could export roughly 3 million tonnes of maize. This would be up from 2 million tonnes in the past season. South Africa has ample maize supplies on the back of robust production. South Africa's maize exports so far in the 2026-27 marketing year total 430,184 tonnes, out of the expected 3.0 million tonnes.
- South Africa is a net wheat importer, and June 5 marked the 36th week of the new 2025-26 marketing year. Cumulative imports to date total 1.3 million tonnes from Germany, the United States, Latvia, Canada, Australia, Brazil, Romania, Lithuania, Russia, and Poland. We expect South Africa's 2025-26 wheat imports to reach 1.85 million tonnes, roughly the same as the 2024-25 marketing year.