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Glimmers of light in the Western Cape's farming despite trade uncertainty

- The agricultural discussions surrounding the Western Cape province of South Africa have primarily focused on the risks presented by the U.S. trade policy shifts in recent months. This is understandable, as the province has greater exposure to the U.S. market relative to other provinces, mainly through its exports of citrus, wine, table grapes, and ostrich products, among others. Securing better market access in the U.S. with low tariffs is key to maintaining the competitiveness of these industries in that market.
- Still, some encouraging developments in the province's agriculture are worth highlighting, primarily in winter crop production. While it is still early to form a firm view, it seems likely that South Africa will have a decent winter crop season, primarily boosted by the Western Cape's harvest. At the start of the 2025-26 winter crop season, there was some uncertainty about the weather outlook, and the relatively higher input costs also added pressure to the farmers. However, the weather turned out to be a positive surprise, presenting favourable rainfall across most farming regions of the Western Cape. This province accounts for more than two-thirds of South Africa's winter crop production. The favourable rains of the past weeks have enhanced crop growing conditions, providing us with some optimism about the province's potential winter crop harvest.
- While earlier weather forecasts from the South African Weather Service (SAWS) had signaled a more challenging environment, the reality has been positive, with continuous rains. For example, at the start of July 2025, the SAWS stated that "During Late winter and early spring, the south-western parts of the country are still expected to receive below-normal rainfall." Fortunately, the reality for many winter crop-producing regions of the Western Cape was that the weather turned out positively, delivering favourable rainfall that supports crop-growing conditions. Favourable rainfall for the coming months remains critical for maintaining crop-growing conditions through to maturity.
- In other winter crop-growing regions of the country, the longer-than-usual summer rainfall period improved soil moisture and dam levels, all of which are beneficial to winter crops, especially in irrigation regions. There are sufficient water supplies to support the crop through the season. While some input product prices were somewhat elevated when the season started, farmers maintained optimism about the area they would plant. For example, at the end of April 2025, the Crop Estimates Committee reported that the 2025-26 winter crop farmers' planting intentions were at 827,970 hectares, up 1% from the previous season. This comprises wheat, barley, canola, oats, and sweet lupines. A closer look at the major crops reveals some minor deviations, with all crop area plantings increasing, except for barley, which is declining. These data included all provinces, with the Western Cape accounting for the largest share.

- On July 29, we will receive a preliminary view from the Crop Estimates Committee on whether farmers indeed managed to plant the area they intended to grow. Leaning on what we hear from various farmers and our members, we continue to believe that the farmers likely achieved this area, and if there is deviation, it may be minor. Significantly, the rains of the past few months also improved the prospects for better yields. If the weather remains favourable in the coming months, then the optimism regarding the yields will hold even stronger.
- If we look back at the specifics, focusing mainly on the major winter crops, farmers intended to plant the 2025-26 wheat crop on 513,200 hectares, up 2% from the previous season. If we assume relatively favourable weather conditions going forward, as in the past few months, and a decent yield of 3.97 tonnes per hectare, which aligns with the five-year average, South Africa's wheat harvest would be 2.04 million tonnes. This would be up 6% from the 2024-25 production season. In the case of canola, farmers intended to plant 166,500 hectares, up 0.5% from the previous season. Similarly, if we apply a five-year average yield of 1.89 tonnes per hectare, South Africa could harvest 314,685 tonnes, representing a 9% increase from the previous season. There is also broad optimism about the prospects for oats production. Unlike other crops, farmers intended to reduce barley plantings by 8% to 93,050 hectares in the 2025-26 season. If we apply a five-year average yield of 3.58 tonnes per hectare to barley, we will have a harvest possibility of 333,119 tonnes, down 11% from the previous season.
- In essence, while the Western Cape's farming economy faces heightened uncertainty regarding the impact of U.S. trade policy on South Africa, there remain industries that are on a promising path. That said, the farmers won't necessarily be in a far better financial position even if the weather conditions remain favourable. The farmers in the province faced higher input costs, as some regions struggled with snail infestations and had to replant, further increasing production costs. Still, a decent winter crop will help in the current environment.

WEEKLY HIGHLIGHT

SA food inflation rises again, but it is still not a significant concern

- South Africa's consumer food price inflation rose to the highest level in 16 months, at 4.7% in June 2025, from 4.4% in May, underpinned mainly by the recent increases in the meat, oils and fats, and vegetables prices. However, this increase does not alter our assessment of moderate food price inflation in 2025.
- The increase in the meat price inflation was due to two significant factors, which have now somewhat eased. First, the outbreak of avian influenza in Brazil led to South Africa temporarily restricting the imports of poultry products from Brazil, and this caused panic in the market. However, the restrictions have now been lifted, and imports are expected to recover in the coming months.
- Second, South Africa experienced an outbreak of foot-and-mouth disease, which led to concerns about red meat supplies and some panic buying, thus temporarily pushing up prices. Slaughtering has now resumed in the major feedlots, and we are seeing some easing in red meat prices, which should be reflected in the inflation figures of the coming months. Moreover, when there are outbreaks of disease,

South Africa is temporarily restricted from various export markets, which, over time, increases the supply of red meat into the local market.

- Regarding the oils and fats, the local market somewhat mirrored the trades we see globally, and the FAO's Vegetable Oil Price Index has remained elevated in recent times because of the strong palm oil global demand. We expect the decent local sunflower seed crop to help ease any concerns about supplies in the local market in the coming months.
- Overall, we expect food price inflation to moderate in the coming months, as the benefits of ample domestic grains and an expected decent fruit harvest continue to enter the market. We also believe that the worries about meat prices will ease soon as supplies recover. We also view the recent increases in vegetable prices as a temporary blip due to weather issues and expect supplies of various vegetable products to recover significantly in the second half of the year.
- South Africa's headline CPI was 3,0% in June 2025, from 2,8% in the previous month.

Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research

WEEK AHEAD

What are we watching this week?

- We begin with a global focus, and today, the United States Department of Agriculture (USDA) will release its weekly U.S. **Crop Progress** report. American farmers have completed planting, and the crops are now in their early stages of growth. As of July 20, approximately 74% of the maize crop was rated good or excellent, which is significantly higher than the 67% rating at this time last year. Moreover, approximately 68% of the soybean crop was rated as good or excellent, which is aligned with the same

time last year. The USDA will release its weekly **U.S. Grains and Oilseed Export Sales** data on Thursday.

- On the domestic front, on Tuesday, the Crop Estimates Committee will release the **sixth production forecast for summer field crops for 2025**, as well as the **preliminary area planted estimate for winter cereals for 2025**.
- On Wednesday, the South African Grain Information Services (SAGIS) will release its weekly data on South Africa's Grain and Oilseed **Producer Deliveries**. In the previous release on July 18, South African farmers delivered 1.2 million tonnes of the new season maize to commercial silos. This was the twelfth delivery for the new season, bringing the overall maize deliveries so far to 9.8 million tonnes. South Africa's 2024-25 maize harvest is estimated at 14.8 million tonnes, a 15% increase year-on-year, primarily due to expected annual yield improvements.
- The 2025-26 marketing year for oilseeds started at the beginning of March 2025. In the first 20 weeks, the soybean producer deliveries totalled 2.56 million tonnes, out of the expected harvest of 2.65 million tonnes. In the case of sunflower seeds, the first 20 weeks of the new 2025-26 marketing year's producer deliveries totalled 646,611 tonnes, of the expected harvest of 727,800 tonnes.
- Moreover, the wheat producer deliveries for the first 41 weeks of the 2024-25 marketing year stand at 1.87 million tonnes. The final harvest is 1.93 million tonnes, down from 2.05 million tonnes in the 2023-25 season.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data. In the week of July 18, South Africa exported 11,247 tonnes of maize, all of which was destined for the Southern African region. This placed South Africa's 2025-26 maize exports at 357,080 tonnes, out of the expected seasonal exports of 2.0 million tonnes. The current marketing year only ends in April 2026. We will likely see more robust export activity later in the year once farmers have completed the harvest and there is grain in the silos for export.
- Given the recovery in domestic maize production, we don't anticipate imports in the new marketing year; if any are made, they will be small, mainly for the coastal regions that will take advantage of the affordable prices of some supplies.
- South Africa is a net wheat importer, and July 18 was the 42nd week in the 2024-25 marketing year. The imports to date have totalled 1.4 million tonnes. The seasonal import forecast is 1.8 million tonnes, down from 1.9 million tonnes in the previous season. So far, Russia, Lithuania, Poland, Latvia, Australia, Canada and Romania are the wheat suppliers to South Africa.
- Also on Thursday, Statistics South Africa will release the **Producer Price Index (PPI)** data for June 2025. Our focus on this data will mainly be on the food category.