

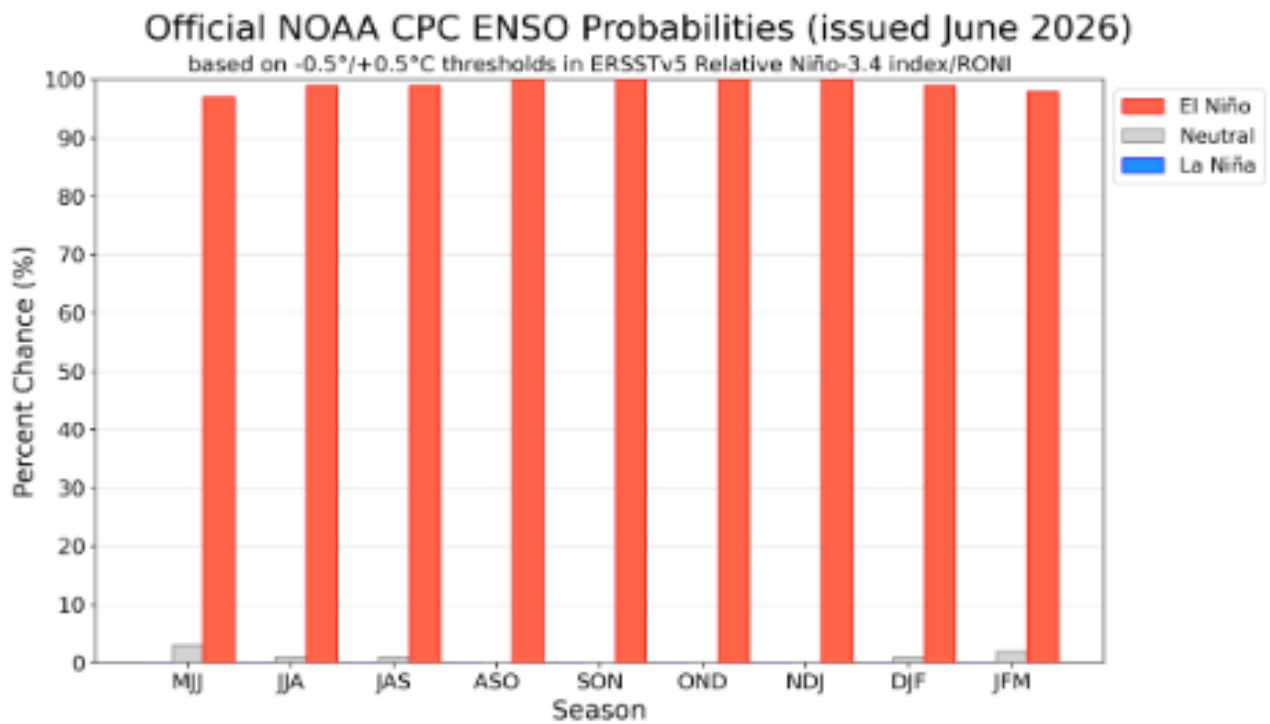
Key factors that may shape the impact of El Niño on food price inflation in 2027

- One of the major points of discussion amongst other analysts and economists this past week was the likely impact of the expected El Niño on South Africa's agriculture and consumer food price inflation in 2027. The concerns are understandable, as the latest weather forecasts continue to signal that we are heading towards a severe El Niño (see exhibit 1). Its arrival will coincide with South Africa's 2026-27 summer crop season, which starts in mid-October. But in examining the likely impact of this El Niño on crop production and, subsequently, on consumer food price inflation, we need to consider two major factors.
- First, South Africa has benefited from a prolonged La Niña, which has supported the agricultural sector over the past few years. Importantly, the rainfall periods have also been much longer than the typical periods. For example, in the 2024-25 season, the summer rains continued through April 2025. This is longer than the typical summer rains, which normally end in March. In the 2025-26 season, the rains continued through to May 2026, which is far longer than the typical rainfall cycles that end in March. Ordinarily, such longer rainfall periods would raise concerns about crop quality. But in the areas that harvested the 2025-26 crops, we haven't seen many quality issues. In fact, the Crop Estimates Committee's latest projections were revised higher and still point to a record summer crop harvest for 2025-26.
- The longer rainfall season benefited the country by improving soil moisture and the water table ahead of the 2026-27 summer crop season. When the planting period starts in October 2026, farmers across South Africa will have better-than-normal soil moisture to begin with. Therefore, there may be sufficient soil moisture to support seed germination and crop development across the country, even as El Niño conditions likely result in below-normal rainfall. Importantly, if we do experience some rain, even if it's below the typical level, it may still support the crops, given that soil moisture is already better. That said, the timing of the rain is what will matter most for crop development.
- In the irrigation areas, the La Niña rains over the past few years have improved dam water levels and the overall water table. This will assist with fruits and vegetables, as all these are planted under irrigation. In the case of field crops, roughly 20% of South African crops are under irrigation, with the rest rainfed, which will depend mostly on available soil moisture and the timing of showers going into the 2026-27 season, even if they are below normal levels.
- For the livestock industry, the grazing veld across the country is in a fair condition, having benefited from the longer rainy periods in the 2025-26 season. The country will enter next summer with better grazing veld, and the improved water table will continue to support pastures across various parts of the country.
- The second key factor to keep in mind is that South Africa has its largest-ever summer grain and oilseed crop in the 2025-26 season. The Crop Estimates Committee places the 2025-26 summer crop at a

record 21.49 million tonnes, 5% up year-on-year (y/y). Notably, if we zoom in on the major grains, the 2025-26 maize production estimate is 17.25 million tonnes, up 4% from last season, and the largest harvest on record. This ample grain harvest adds to already large carryover stocks from the previous season. This puts South Africa in an opportune position regarding grain supplies heading into next year. In the case of staple maize, South Africa consumes about 12.0 million tonnes a year. The expected harvest is 17.25 million tonnes, and when added to last season's stocks, it further improves the country's available maize supplies, even with large exports. There is a strong chance that we will enter the new season and year with large supplies.

- Ultimately, while it is understandable that many people worry about the expected El Niño, forecasts of higher food price inflation may miss some of the fundamental issues that will shape the season ahead, such as improved soil moisture and available grain supplies. Indeed, the drought is not ideal and may impose costs on farmers, but we can't view it the same way as previous droughts. There are clear factors here that may shape this upcoming season more than the last droughts did.

Exhibit I: El Niño forecasts going to 2027



Source: The Columbia Climate School

WEEKLY HIGHLIGHT

SA’s 2025-26 summer grain and oilseed harvest reaches a fresh high

- For a month now, South Africa’s summer grain and oilseed production estimates have been consistently lifted. It is now at a fresh high due to the expansion of the area under cultivation and the high yields from favourable La Niña summer rains. The data released by the Crop Estimates Committee last week places South Africa’s 2025-26 summer grain and oilseed harvest at 21.49 million tonnes, up 2% from the

previous month and 5% year-on-year (y/y). This monthly and yearly improvement in the overall harvest is underpinned by upward revisions to major grains and oilseeds, particularly maize, soybeans, dry beans, and sunflower seed.

- If we zoom in on the major grains, the 2025-26 maize production estimate is 17.25 million tonnes, up 4% from last season, and the largest harvest on record. This is due to the back expansion in area plantings and the expected large yields. About 9.28 million tonnes of white maize, with 7.97 million tonnes being yellow maize. Such a maize crop, combined with likely large carryover stocks from the current season, signals that South Africa will once again be a net exporter of maize in the 2026-27 marketing year (corresponding to the 2025-26 production season). South Africa's annual maize consumption is 12.00 million tonnes. There are over 3.0 million tonnes for exports and ample carryover stocks for next year.
- The 2025-26 soybean harvest is estimated at a record 3.04 million tonnes, largely due to higher yields in some regions and large-area plantings (the harvest is up 9% y/y). The sunflower seed crop is estimated at 910,530 tonnes, up by 28% y/y. There is also a decent harvest of small grains, such as groundnuts, sorghum, and dry beans.
- Admittedly, the season is far delayed than usual, and harvest has not started in many areas, particularly for maize. For example, on 19 June 2026, farmers had only delivered about 4.60 million tonnes of maize to commercial silos. We expect to see further progress in the harvest this month and next, as the weather is dry and favourable. Notably, the quality of the crops in the harvested areas remains excellent.
- From a consumer perspective, these grain and oilseed production data will continue to put downward pressure on prices, supporting our long-standing view of a moderating path of consumer food price inflation in 2026. South Africa's consumer food price inflation has slowed, at 1.6% in May 2026, down from 2.8% in March. This is the lowest level in 17 months.
- Looking ahead, the medium-term risk is the forecast El Niño drought, but it will affect the 2026-27 summer grain crop, which will only be planted from October 2026, and come into market in 2027. The expected El Niño drought in 2027 also poses an upside risk to consumer food price inflation.

What are we watching this week?

- We start the week by looking at the global front, and on Tuesday, the U.S. Department of Agriculture (USDA) will release the **U.S. crop acreage report**. The report presents acreage by planted and/or harvested areas by state for corn, soybeans, wheat, oats, barley, rye, sorghum, rice, peanuts, sunflower, flaxseed, canola, rapeseed, safflower, mustard seed, cotton, dry beans, potatoes, sweet potatoes, sugar beets, alfalfa hay, tobacco, and sugarcane.
- On Friday, the Food and Agriculture Organisation of the United Nations will release its monthly flagship report, the FAO Food Price Index report for June 2026. The Index measures the monthly change in international prices for a basket of food commodities.
- On the domestic front, on Wednesday, 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 eight weeks of the new marketing year, the farmers delivered 4.6 million tonnes of maize to commercial silos. This season is running slightly behind last season's pace. 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 17.25 million tonnes of maize, the largest harvest on record.

- The 2026-27 soybean marketing year soybean harvest is towards completion. The first 16-week deliveries were 2.6 million tonnes, a record, out of an estimated crop of 3.04 million tonnes. For sunflower seeds, the first 16 weeks of producer deliveries in the new 2026-27 marketing year totalled 746,830 tonnes. There is still a long way to go, as the forecast harvest for the season is 910,530 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 38 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 Thursday. Last week, South Africa exported 113,775 tonnes of maize, with about 76% going to Vietnam, 11% to South Korea, and 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 607,228 tonnes, out of the expected 3.0 million tonnes.
- South Africa is a net wheat importer, and June 19 marked the 38th week of the new 2025-26 marketing year. Cumulative imports to date total 1.4 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.