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More reasons to be optimistic about the 2025-26 agricultural season in SA

- There are early indications that 2025-26 may yet be another strong production season for South Africa's agriculture. This is as we emerge from a solid 2024-25 season characterized by ample harvests in various crops, fruits and vegetables, and a better grazing veld, supported by the favourable La Niña-induced rains. Looking to the upcoming season, the International Research Institute for Climate and Society (IRI), which we have long leaned on for forecasts, released its monthly update on September 19, indicating an increased possibility of La Niña occurrence from October through to early next year. The IRI forecast indicates a moderate probability (56%) of La Niña conditions developing during September to November 2025. These La Niña conditions are expected to persist through December 2025 to February 2026, and weaken from March 2026 onwards. Ordinarily, La Niña brings above-normal rainfall in South Africa and the entire Southern Africa region, which would support agricultural activity.

- In the past, a La Niña has typically been followed by an El Niño, which brings below-normal rainfall and negatively impacts the agricultural sector. But more recently, we have witnessed some prolonged periods of La Niña rains. A case in point is the period from 2020 to 2023, during which South Africa and the entire Southern Africa region experienced La Niña rains. The early projections suggest that we are on a path to experiencing a second consecutive season of La Niña rains. But as is the case with any forecast, there is some uncertainty around the timing and intensity.

- Across South Africa, farmers will start preparing the land for various crops in the coming weeks. One that typically receives much attention is grains and oilseeds, as they are mainly rainfed (90%), with the rest under irrigation. The promising weather outlook will likely encourage farmers to plant a decent area for crops. In the 2024-25 season, which is on its tail end, farmers planted 4.44 million hectares of summer grains and oilseeds. This was slightly higher than the previous season. Because of the above-average rainfall, the sector was able to have an estimated summer grains and oilseeds harvest of 19.55 million tonnes (up 26% year-on-year).

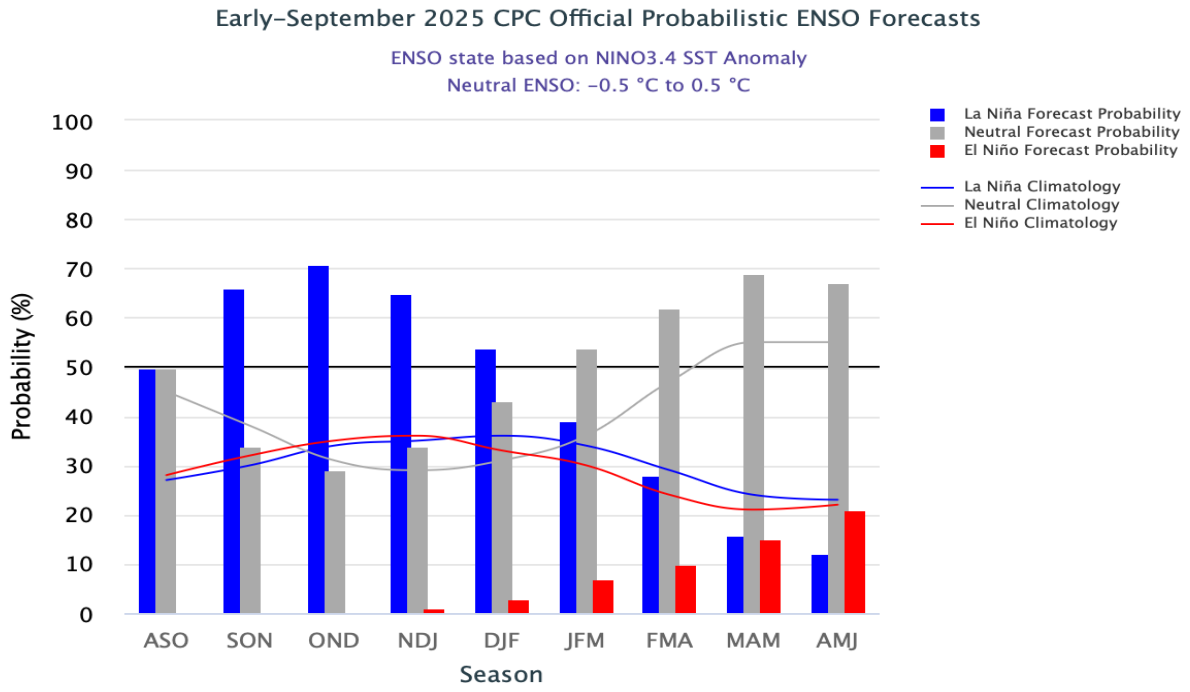
- It does appear to us that farmers are gearing up for the next season. One of the indicators we monitor to assess the readiness for the upcoming season is tractor sales. We have observed that South Africa's tractor sales have increased for the past eight consecutive months. The recent data for August also paints an upbeat picture. For example, the tractor sales are up 22% year-on-year, with 700 units sold. Indeed, the increase in tractor sales partly reflects the positive sentiment in the sector regarding the 2024-25 field crop, horticulture, and wine grape harvest. Still, we cannot discount the likelihood that farmers are buying more tractors because they are upbeat about the upcoming season. Indeed, the

interest rates have eased somewhat from last year's levels, which also helps to boost the sales, amongst other factors.

- The one aspect that remains a concern to us is the higher input costs, particularly fertilizer. In August 2025, the prices of various fertilizer products, in rand terms, were generally up by over 10% from a year ago. This reflects the global environment of supply constraints in some key producing regions. Input costs will matter in planting decisions, and the shifts in various crops that farmers will plant, as they will have to assess the profitability levels.

- Still, having considered these factors, we remain upbeat that South Africa may be in for yet another favourable agricultural season in 2025-26. These are still early days, but the weather outlook and the robust tractor sales provide sufficient comfort for us to maintain an optimistic view about the season ahead for the various grains, oilseeds, fruits, vegetables and the grazing veld for the livestock subsector.

Exhibit 1: La Niña forecasts



Source: The International Research Institute for Climate and Society (IRI)