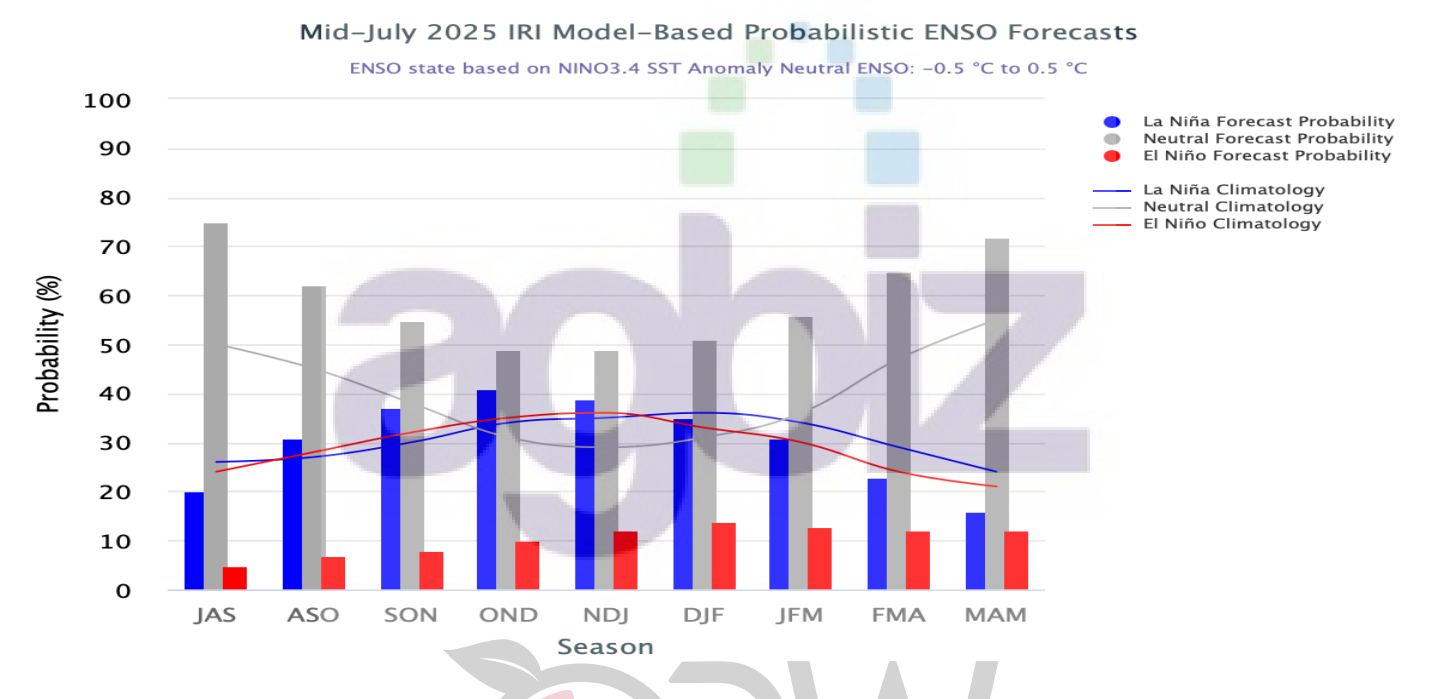


A case for optimism about the upcoming 2025-26 agricultural season in South Africa

- We are about two months away from the start of South Africa's 2025-26 summer crop season. While some regions are still finalising the 2024-25 summer crop harvest process due to a late start to the season, many will soon begin tilling the land for the next season. This also means our interest in weather conditions and outlook will increase.
- One of the primary sources for the medium-term weather outlook is the South African Weather Service (SAWS), which recently signaled a more regular season ahead, which means normal rains. In its Seasonal Climate Watch report of August 5, the SAWS stated that "With the start of the spring and early summer seasons, the eastern parts of the country normally start receiving significant rainfall. During early- and mid-spring, the eastern and south-eastern areas of the country are expected to receive above-normal rainfall, with most other areas expected to be below-normal. During the late-spring season, however, most areas of the country are expected to receive below-normal rainfall." The point about specific regions of the country potentially receiving below normal rainfall in late spring is concerning. Still, it is too early to be sure.
- We also see more comforting projections from other weather forecasters, such as the International Research Institute for Climate and Society (IRI), which noted in its recent update that the weather conditions could be returning to some normality. This provided comfort as we worried about the risk of a change from the La Niña of the last season, which brought much-needed rains, to an El Niño, which would mean an increased chance of below-normal rains. The IRI sees a higher chance of generally normal weather conditions, allocating a probability of 75% for such an outcome, a 20% probability for a La Niña, and a 5% chance for an El Niño.
- There is also better soil moisture from the prolonged summer rains that will help facilitate the planting. It may be more opportune to plant early and benefit from the early rains before any potential unforeseen changes in the weather outlook later in the season. The conditions on the ground support the timely start of the next summer season.
- While we often focus on summer grains and oilseeds, which are the centre of the summer crop season, the better weather conditions benefit all field crops, including the sugar cane, which is predominantly in the eastern regions of South Africa that are set to receive more favourable rainfall. The horticulture subsector, which includes various fruits and vegetables, while generally under irrigation, also benefits from the favourable rainfall. More importantly, the long 2024-25 summer rainy season also meant that the dam levels in the various regions of South Africa improved, which is supportive of the horticulture subsector.

- In the case of the livestock industry, the better grazing veld always helps ease the feed costs to the various farming businesses. We are in an environment where South Africa has a large soybean harvest from the 2024-25 season, and also decent yellow maize supplies, which have already started to add downward pressure on the feed prices, which is all supportive of the livestock industry. The better rainy season, which further enhances the grazing veld, only further improves the operating conditions in the subsector that has gone through a challenging couple of months because of the foot and mouth disease. Any cost relief possible to the livestock industry will be immense in the coming months.
- In essence, there is reason to be optimistic about the 2025-26 agricultural season in South Africa, with the weather conditions likely to be more supportive. A lot, however, will unfold in the coming months as we approach the season.

Exhibit I: ENSO probability forecast



Source: International Research Institute for Climate and Society

WEEKLY HIGHLIGHT

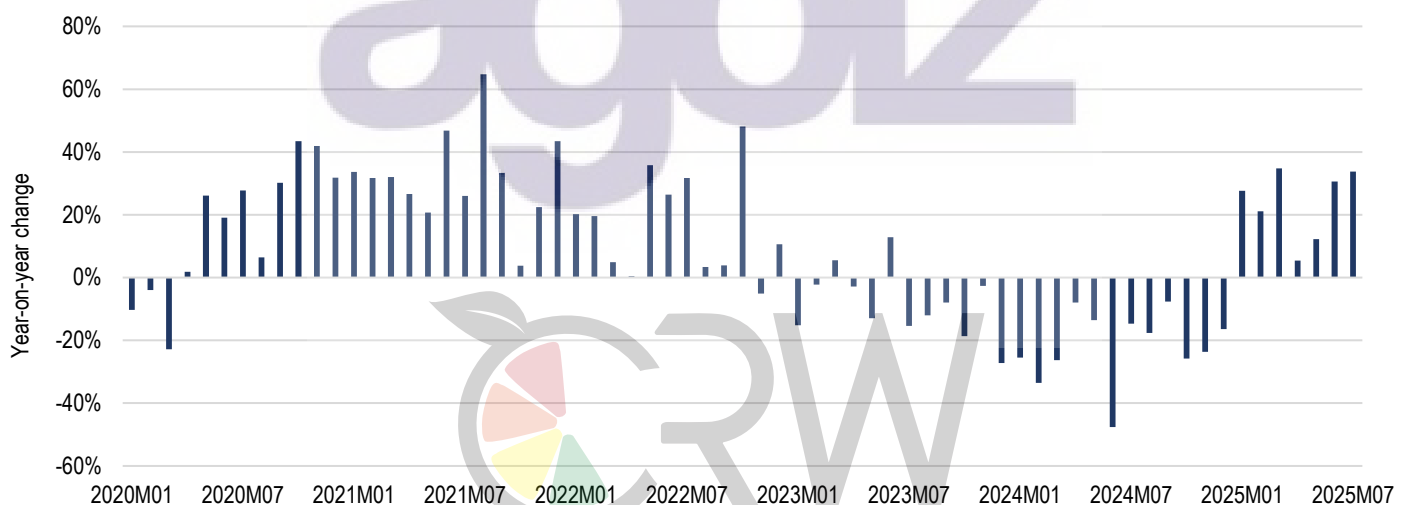
South Africa's agricultural machinery sales are likely to remain strong this year

- South Africa's agricultural machinery sales have remained reasonably robust since the start of 2025, and are likely to continue on this encouraging pace. The tractor sales have increased for the past seven consecutive months, while the combine harvester sales only cooled in the last three months, having started on solid momentum. The recent data for July also paints a mixed picture. For example, the tractor sales are up 34% y/y, with 753 units sold. However, the combine harvester sales are down by

25% y/y, with six units sold. The decline in combine harvester sales is not a significant concern given the higher volume of sales in the past few months. The cumulative combine harvester sales for the first seven months of 2025 are up 27% from the corresponding period in 2024, with 167 units sold.

- The increase in agricultural machinery sales primarily reflects the positive sentiment in the sector regarding the 2024-25 field crop, horticulture, and wine grape harvest, supported by the favourable weather conditions. For example, (1) the Crop Estimates Committee forecasts the 2024-25 summer grains and oilseeds harvest at 18.74 million tonnes, up 21% y/y. (2) South African sugar production for the 2024-25 production season is forecast to recover by 7% y/y to 2.09 million tonnes. (3) South Africa's wine grape harvest was 1.24 million tonnes, an 11% recovery from the exceptionally poor harvest of 2024. (4) The South African Table Grape Industry has also posted some upbeat production figures, indicating that the 2024-25 total harvest inspected is 78.9 million cartons, up 4% y/y. (5) We also see encouraging production data from citrus, various fruits, and vegetables. (6) The 2025-26 winter crop plantings are also fairly decent. Significantly, the base effects following weak sales in 2024 also contributed to the stronger annual recovery in sales.
- We expect South Africa's agricultural machinery to remain strong this year. In addition to the better agricultural production conditions, the interest rates have eased somewhat from last year's levels. Also worth noting is that some farmers may continue with machinery replacement in the coming months, which ultimately supports the sales.

Exhibit 2: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

WEEK AHEAD

What are we watching this week?

- It is a busy start to the week on the global front. Today, the United States Department of Agriculture (USDA) will release its weekly U.S. **Crop Progress** report. As of August 3, approximately 73% of the

maize crop was rated good or excellent, which is significantly higher than the 67% rating at this time last year. Moreover, approximately 69% of the soybean crop was rated as good or excellent, which is slightly above the 68% rating in the same week last year.

- On Tuesday, the USDA will release its flagship monthly report, the **World Agricultural Supply and Demand Estimates Report (WASDE)**, which will provide us with an update about the annual forecasts for supply and use of U.S. and world wheat, rice, coarse grains, oilseeds, and cotton.
- The USDA will release its weekly **U.S. Grains and Oilseed Export Sales** data on Thursday.
- On the domestic front, on Tuesday, Statistics South Africa will release the **Quarterly Labour Force Survey** for the second quarter of 2025. To recap, the primary agriculture employment increased mildly by 1% from the last quarter of 2024 to 930k jobs in the first quarter of 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 August 1, South African farmers delivered 872,824 tonnes of the new season maize to commercial silos. This was the 14th weekly delivery for the new season, bringing the overall maize deliveries so far to 11.81 million tonnes. South Africa's 2024-25 maize harvest is estimated at 15.03 million tonnes, a 17% 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 22 weeks, the soybean producer deliveries totalled 2.59 million tonnes, out of the expected harvest of 2.72 million tonnes. In the case of sunflower seeds, the first 22 weeks of the new 2025-26 marketing year's producer deliveries totalled 669,293 tonnes, of the expected harvest of 708,300 tonnes.
- Moreover, the wheat producer deliveries for the first 44 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 August 1, South Africa exported 32,122 tonnes of maize. About 56% was exported to Venezuela, and the rest to the Southern African region. This placed South Africa's 2025-26 maize exports at 460,431 tonnes, out of the expected seasonal exports of 2.12 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 August 1 was the 44th week in the 2024-25 marketing year. The imports to date have totalled 1.44 million tonnes. The seasonal import forecast is 1.74 million tonnes, down from 1.93 million tonnes in the previous season. So far, Russia, Lithuania, Poland, Latvia, Australia, Canada and Romania are the wheat suppliers to South Africa.