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The Middle East conflict poses risks to SA's agricultural sector on several fronts

- The South African agricultural sector is approaching yet another busy period. From the end of April 2026, the farmers in the Western Cape and Northern Cape will begin preparing the land for the 2026-27 winter crop season. Other provinces will begin in May. These are mainly wheat, canola, barley and oat plantings. From May, citrus growers will start harvesting, marking the start of the export season for this sector. In other regions of South Africa, we will see the 2025-26 summer grains and oilseed early harvest start at the end of May. This flurry of agricultural activity also means this will be a period of relatively high fuel use. We already saw fuel prices increase at the start of this month.

- The path ahead depends mainly on the direction of Brent crude oil prices and the strength of the domestic currency against the U.S. dollar. With the ongoing conflict in the Middle East and disruptions to logistics, we fear that fuel prices may be elevated by the time the busy period in South Africa's agriculture begins. There are no clear indications that the conflict in the Middle East will end quickly. The near-term outlook for the sector appears concerning from a production-cost perspective. Fuel generally accounts for a notable share of farming input costs. For the average grain farmer, fuel accounts for roughly 13% of production costs, with the highest use typically occurring during planting and harvesting.

- Agribusinesses and agricultural logistics companies are also not insulated from these challenges. About 80% of South African grain and oilseeds are transported by road across the country, from storage to milling and to export facilities. Therefore, the risk of higher fuel prices and their impacts spreads across the sector.

- The pressures on input costs do not end with fuel. It is also worth noting that South Africa imports roughly 80% fertiliser, and its prices typically follow the oil price trend. Therefore, there is a risk of higher fertiliser prices in the coming months. It is probably fair to assume that the impact on fertiliser prices may not be as severe for winter crop farmers who start the season next month, especially those who have already secured their fertiliser for the season. But if the conflict lingers for some time, we may start to see the negative impact of the likely higher fertiliser prices on other commodities.

- Commodities with relatively high fertiliser use are mainly grains, oilseeds, and sugarcane growers. For summer grains and oilseeds, the season will only start in October 2026. We are in the midst of the 2025-26 production season, and our focus will be on fuel usage during the harvest period. But after this period, the fertiliser cost pressures will be our primary focus as we head towards the start of the 2026-27 production season. The challenge is also that fertiliser accounts for a substantial share of the grain farmers' input costs, typically accounting for 35% and a substantial share of other value chains' input costs. All this signals that there are more pressures ahead.

- South Africa's agricultural sector is export-oriented, and higher shipping costs, along with disruptions to trade routes in the Middle East, are a concern. Admittedly, South Africa's fruit exports will gain momentum from May, while grain exports have been generally slow this year due to ample global supplies. Meat exports are also weak, primarily due to challenges with foot-and-mouth disease in South Africa. The impact of the war on these will only be clear in the weeks and months to come, depending on the length of the conflict and the extent of the disruption in the region. South Africa's agriculture doesn't trade much with Iran, but it does trade with various countries in the region, including the UAE, Qatar, and Jordan.

- These challenges in the Middle East further underscore the importance of export diversification. Equally, the current Middle East conflict should not change the view that this region remains important for future export diversification, along with Asia. But as South Africa deepens its engagement in times of peace, we will have to ensure that we retain our access to the existing and vital markets in Africa, the EU, the U.S., the UK, and other parts of the world. The goal is for South Africa's agriculture to have broader access to a range of export markets, as this would support the domestic agenda of growing the sector and creating employment.

WEEKLY HIGHLIGHT

South Africa's agricultural machinery sales continue on a sound footing

- We continue to observe an encouraging start to the year in South African agricultural machinery sales. These strong sales come after a robust 2025, when South Africa's tractor sales totalled 7,668 units, up 19% from 2024, and combine harvester sales totalled 207 units, up 3% from the previous year. The data we received this past week from the South African Agricultural Machinery Association shows that tractor sales amounted to 669 units in February 2026, up 5% year-on-year. The combine harvester sales were 19 units, up 63% from the previous month. These strong monthly sales follow the January 2026 uptick.

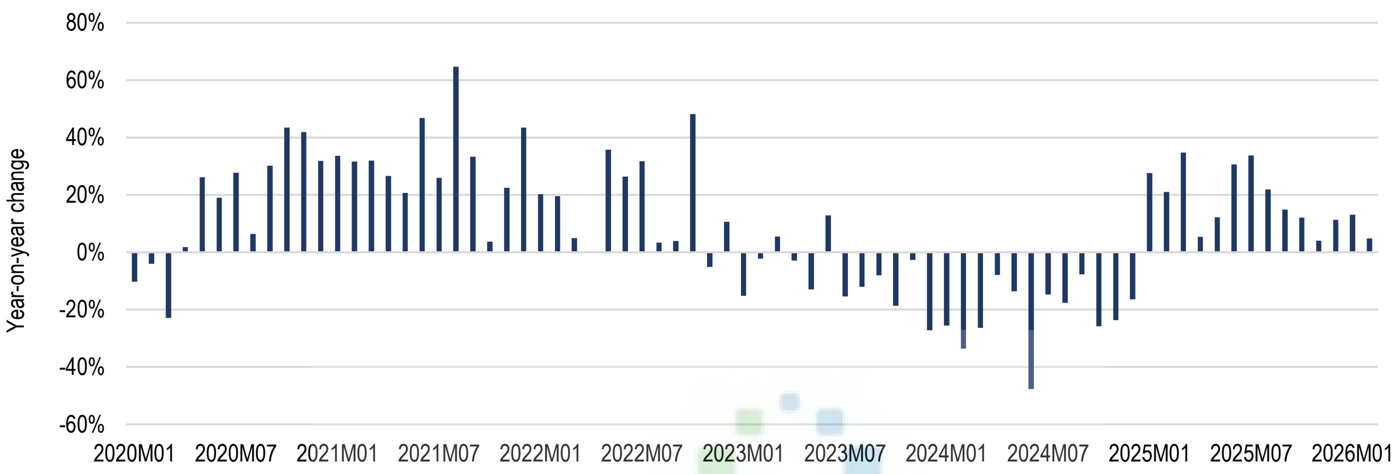
- The expansion in summer grains and oilseeds area plantings in the 2025-26 season, combined with relatively better financial gains from the robust production in the previous 2024-25 agricultural season, particularly in field crops, horticulture, and wine grape harvests, mainly supported these sales.

- South Africa's 2025-26 area plantings for summer grains and oilseeds are 4.62 million hectares, up 4% from the previous season. This comprises maize, sunflower, soybeans, groundnuts, sorghum, and dry beans. Admittedly, we are in the early days of the 2025-26 season, but judging from these planting data and the favourable rainfall in South Africa's major crop-producing regions, we believe that 2025-26 may yet be another better year for South Africa's summer grains and oilseeds, although a slightly lesser harvest than in the 2024-25 season.

- We now have the first production estimate for the 2025-26 season, at 19.82 million tonnes. While this is 3% less than the 2024-25 season, it remains an encouraging estimate. We must not forget that the 2024-25 summer grains and oilseeds were the second-largest on record; therefore, being marginally lower than they were is not cause for concern.

- Ultimately, given such a promising season, agricultural machinery sales are likely to remain strong this year. Bearing in mind the risks in the Middle East and the implications for the South African economy, we still believe that the cost of capital may remain reasonably affordable in the coming months, thus strengthening some farmers' financial positions and underscoring our optimism about this year again.

Exhibit 1: 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, where on Tuesday, the U.S. Department of Agriculture (USDA) will release the **U.S. crop production report.** On Thursday, the USDA will release the U.S. wheat, cotton, wool, and oil crop outlook reports.

- On the domestic front, on Tuesday, Statistics South Africa will release the **fourth-quarter 2025 Gross Domestic Product (GDP) data**. Our focus on these data will be on the agricultural gross value added figures, and we expect reasonably better performance.

- On Wednesday, the South African Grain Information Services (SAGIS) will publish its **weekly data on South Africa's Grain and Oilseed Producer Deliveries**. In the previous release on February 27, 2026, South African farmers delivered 75,937 tonnes of maize to commercial silos. This was the 44th weekly delivery for the 2025-26 marketing year (which corresponds with the 2024-25 production season), bringing the overall maize deliveries so far to 15.48 million tonnes. South Africa's 2024-25 maize harvest is forecast at 16.65 million tonnes, a 28% year-on-year increase, driven by yield improvements.

- The 2025-26 oilseeds marketing year began at the start of March 2025. In the first 52nd weeks, soybean producer deliveries totalled 2.75 million tonnes, accounting for 98% of the harvest of 2.80 million tonnes. In the case of sunflower seeds, the first 52 weeks of the new 2025-26 marketing year's producer deliveries totalled 706,432 tonnes.

- South Africa's 2025-26 winter wheat harvest is complete. Some farmers continue to deliver the crop to commercial silos. In the first 22 weeks of this 2025-26 marketing year, farmers have delivered about 1.73 million tonnes of wheat to commercial silos. This is 92% of the expected season harvest of 1.89 million tonnes (down 2% y/y).

- On Thursday, SAGIS will publish its weekly **South Africa's Grains and Oilseeds Trade data**. In the week of February 27, South Africa exported 39,584 tonnes of maize, with about 52% going to Zimbabwe, 15% to Botswana, 14% to Namibia, and the remainder to other countries in the Southern African region. This placed South Africa's 2025-26 maize exports at 1.6 million tonnes, out of the expected seasonal exports of 2.4 million tonnes. The current marketing year only ends in April 2026. We have seen much softer demand for maize this year, partly due to ample global supplies. It seems unlikely that we will meet the 2.4 million tonnes export target for the season.

- While South Africa has an ample harvest and will remain a net exporter of maize, minor imports of yellow maize from Argentina are expected to continue for South Africa's coastal regions. For example, so far in the 2025-26 marketing year, South Africa has imported 110,448 tonnes of yellow maize for feed in the country's coastal regions. These importers mainly take advantage of the affordable prices of Argentinian supplies.

- South Africa is a net wheat importer, and February 27 marked the 22nd week of the new 2025-26 marketing year. The cumulative imports to date have totalled 626,888 tonnes from the United States, Latvia, Canada, Australia, Brazil, Romania, Lithuania, Russia and Poland. We expect South Africa's 2025-26 wheat imports to reach 1.80 million tonnes, down from 1.84 million tonnes in the 2024-25 marketing year.