

May 18, 2026

Recent floods are another headwind for SA agriculture growth

- The year is shaping up to be another period of mixed fortunes for South Africa's agriculture. At an aggregate level, we believe that the sector is likely to see some growth this year. However, the subsector view will show significant divergence, as various parts of the sector face an array of pressures. One of these is the ongoing spread of animal diseases, which remains a big risk for livestock farmers. Another source of strain is the recent floods, which will put pressure on some industries. That said, conditions remain favourable for some subsectors. For example, field crops, vegetables, sugarcane, and fruit harvests are likely to increase in the near term, and some of these harvests may reach record levels in the 2025-26 season. The La Niña rains, combined with the expansion of area plantings, are the core catalysts for the expected better outputs.
- The one issue that now lingers on some farmers' minds is crop quality. Recent months have seen higher rainfall for a much longer period than usual, through to the start of May 2026. Ordinarily, the rains taper off from the end of March, allowing summer crops to mature before the winter season. Despite the concerns, anecdotal evidence suggests the crop may remain in good condition and that any damage from the recent rains may be minimal, particularly in maize. It also helps that some maize regions were planted later than the typical start of the season, which is mid-October in the eastern parts of the country and mid-November in the western parts. The late-planted maize is still at the maturing stage, and harvest will likely only begin in June. For soybean and sunflower seeds, there may be areas where quality could be affected by the recent rains. Still, this should be at a minimum, and South Africa remains well positioned to have an ample summer grains and oilseed harvest in the 2025-26 season. For example, the data released by the Crop Estimates Committee at the end of April 2026 showed that South Africa's 2025-26 summer grain and oilseed harvest was 20.8 million tonnes, up 1% year-on-year.
- In the fruit industry, the harvest for citrus this year started slightly later than usual in some regions. In fact, in some regions, the harvest is not yet in full swing. Given the heavy rains in parts of the Eastern and Western Capes, we will be closely monitoring the progress of these harvests. Some farms have experienced infrastructure damage and crop losses. But the scale of the losses is unclear, as the assessment remains underway across the various regions. There are some regions, for example, Patensie in the Eastern Cape province, where farmer estimates suggest that citrus crop losses may be between 15 and 20% of their harvest. These regions were closer to the harvest stages when they experienced the floods.
- Another major challenge is the destruction of public infrastructure, particularly roads and bridges. This will also strain the transportation of produce to key local and export markets as operations resume at some farms. The table grape industry has also experienced damage, particularly in areas of the Hex River valley, where orchards and farm infrastructure have been flooded in some farms. The excessive rains in the Western Cape, in addition to infrastructure damage and destruction in some fields, will also slow wheat, canola and barley plantings in some regions, as they need to dry up a bit before the start of planting. The ostrich industry has also been affected by floods in some regions of the Southern Cape,

but the scale of the damage to these farms remains unclear at the moment and appears to be more localised.

- These weather-induced challenges add pressure on the fruit industry, winter crops, and other farming sectors in the Eastern and Western Cape. Still, the national picture in terms of aggregate agricultural growth should not change much. We remain of the view that South Africa's total agricultural sector will continue to grow in 2026, albeit more unevenly across subsectors. The difference between 2026 and last year is that the weather's impact on fruits and field crops will be more pronounced in some regions.
- The reconstruction following the recent destructive floods is key to facilitating a better recovery in the affected areas, and the local government will need to lead the efforts, working collaboratively with farming communities. The speedy improvement of roads and connecting bridges is crucial for ensuring that perishable agricultural produce reaches markets.

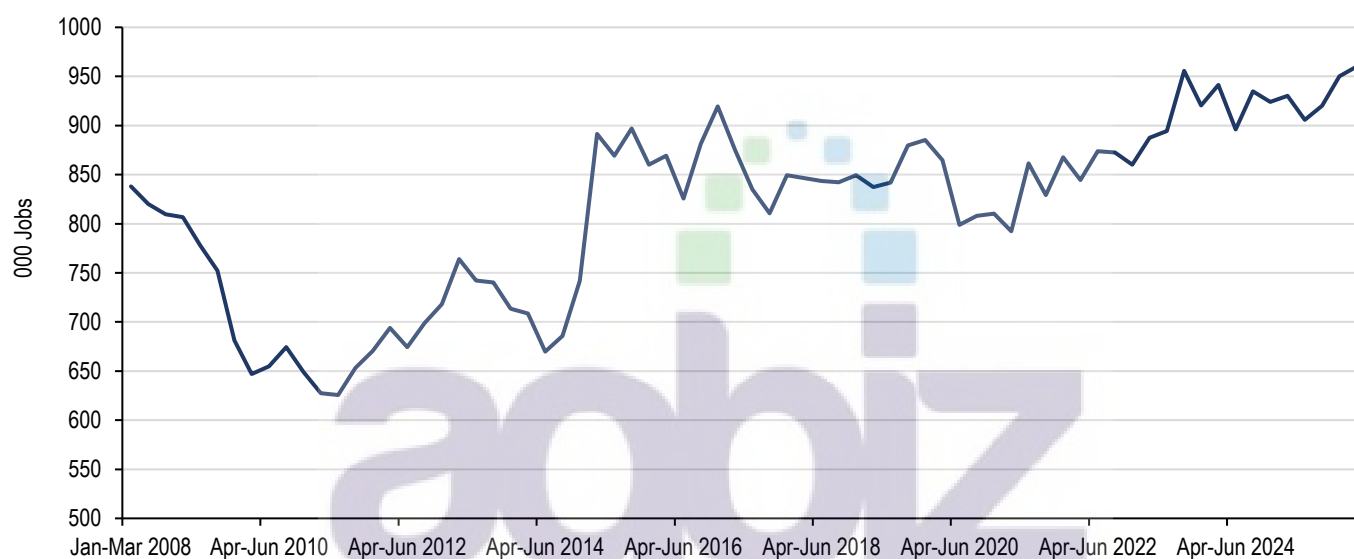
WEEKLY HIGHLIGHT

South Africa's agriculture starts the year with strong jobs gains, but there are risks ahead

- The South African agricultural sector continues to create more jobs. In the first quarter of 2026, farm jobs increased by 3% from the same period a year earlier to 960k jobs (up by 1% from the last quarter of 2025), according to the Quarterly Labour Force Survey from Statistics South Africa. This uptick in agricultural employment is unsurprising as the sector has generally enjoyed favourable production conditions in 2025 through to the start of this year. The industries that have faced challenges are beef, dairy, and pork producers due to foot-and-mouth disease, and the pork industry due to African swine fever.
- Other subsectors have generally experienced favourable production conditions, partly due to La Niña-induced rains and the expansion of agricultural activity. The provinces that have shown annual job growth are the Western Cape, Eastern Cape, Free State, North West, and Limpopo. The job gains in these provinces helped to overshadow the decline registered in other provinces of the country.
- Aside from the cattle and pork industries, which face various challenges, activity in field crops, horticulture, and wine has generally been upbeat, and expected harvests are plentiful. For example, the data released by the Crop Estimates Committee at the end of April 2026 showed that South Africa's 2025-26 summer grain and oilseed harvest was 20.8 million tonnes, up 1% year-on-year. This yearly improvement in the overall harvest is underpinned by upward revisions to major grains and oilseeds, particularly maize, soybeans, and sunflower seed.
- We also saw strong performance in the various fruit products. For example, the stone fruit and pome industries' export volumes have increased by 12% year on year, driven by a large harvest. Also, the figures recently released by the South African Table Grape Industry show that the final figures for the 2025-26 table grape season inspected for export were 81.25 million cartons (4.5 kg cartons), a 3% year-on-year increase. The production conditions for vegetables remain broadly favourable and have supported increased field activity. The poultry industry also had a better start to the year, supported by lower feed prices (maize and soybeans).

- Overall, the start of 2026 shows strong job figures in the sector, and much of the year could maintain these generally better job figures, which are well above the sector's average of 799k. But going into 2027, there are risks ahead. The higher input costs, fuel and fertiliser, because of the Middle East war, along with expected El Niño drought, are some of the risks that could weigh on the sector and on employment conditions from now on.
- We also see pressures in the sector from rising electricity prices, which add financial strain on farmers in irrigation regions that produce all of South Africa's fruits and vegetables and roughly 20% of the field crops.

Exhibit I: South Africa's agricultural jobs



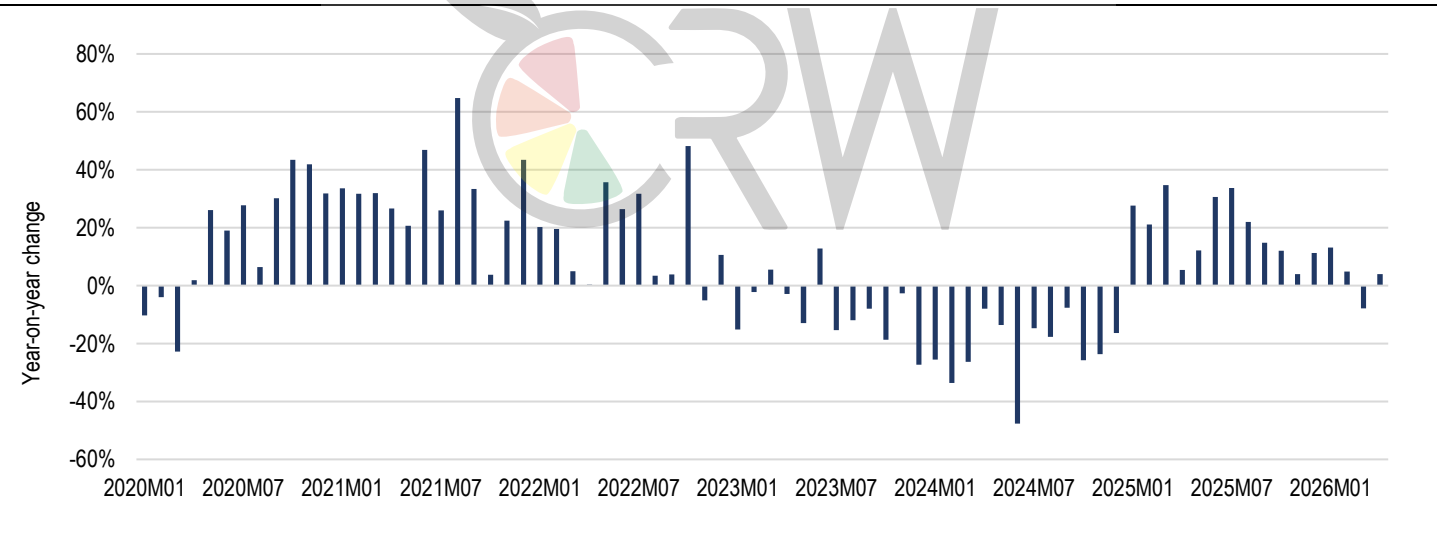
Source: Statistics South Africa and Agbiz Research

South Africa sees strong agricultural machinery sales in April, but the path ahead is uncertain

- Agricultural machinery sales remain robust in South Africa, supported by orders some farmers likely placed before the current global challenges. The farmers' finances over the past few months were boosted by the ample harvest in the 2024-25 season, on the back of beneficial La Niña rains. Therefore, in our interpretation of these recent sales, we ought to be careful not to view the data as an indication that the agricultural sector is unaffected by rising input costs, lower agricultural commodity prices, and lingering uncertainty about the weather outlook heading into the 2026-27 season.
- Admittedly, the 2025-26 production season is reasonably better in terms of output for various summer grains, oilseeds, sugarcane, fruits, nuts, wine, and vegetables. The summer grains and oilseeds harvest is at record levels. But the downside is lower commodity prices, with maize down 20 to 30% and soybean prices down 10 to 15% from a year ago. This context is valuable as we consider the long-term perspective of agricultural machinery sales.

- In April, tractor sales totalled 548 units, up 4% from the same period a year ago, according to data from the South African Agricultural Machinery Association. The combine harvest sales amounted to 52 units, up by 13% from April 2025. This uptick in sales comes after a slight slump in March 2026 sales, a change from a 14-month period of strong tractor sales on the back of better harvests in the past few seasons.
- What makes us worry more about the path ahead is not necessarily a poor harvest. The harvest is ample. For example, the data released by the Crop Estimates Committee at the end of April 2026 showed that South Africa's 2025-26 summer grain and oilseed harvest was 20.8 million tonnes, up 1% year-on-year. This yearly improvement in the overall harvest is underpinned by upward revisions to major grains and oilseeds, particularly maize, soybeans, and sunflower seed.
- If we zoom in on the major grains, the 2025-26 maize production estimate is 16.8 million tonnes, up 1% from last season, and the largest harvest on record. This is due to the back of expansion in area plantings and the expected large yields. The 2025-26 soybean harvest is estimated at a record 2.8 million tonnes, largely due to expected higher yields in some regions and large area plantings. In other field crops, the South African sugar industry is anticipating a recovery in production compared to 2025.
- We also saw strong performance in the fruit products. For example, the stone fruit and pome industries' export volumes have increased by 12% year on year, on the back of a large harvest. The production conditions for vegetables remain broadly favourable.
- The source of our concern is the ongoing war in the Middle East and the subsequent surge in fertiliser and fuel prices. These two inputs account for only about half of input costs in some field crops, and when prices surge, farmers feel financial strain. Moreover, forecasts of an El Niño in the season ahead will likely place additional strain on the farming sector, as farmers face lower commodity prices for harvested crops, specifically grains, oilseeds, and sugarcane.
- Ultimately, while near-term machinery sales may remain encouraging, linked to orders placed before the current disruptions, we worry about the path ahead. This year may mark a shift from the period of strong agricultural machinery sales we observed at the beginning of 2025.

Exhibit 2: 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, and this is a quiet week with one major data release. Today, the U.S. Department of Agriculture (USDA) will release its **weekly U.S. crop progress report**, which provides insight into planting activity in maize, rice, sorghum, soybeans, and other major grains for the 2026-27 production season. The planting has progressed notably in the various parts of the U.S. For example, about 57% of the intended maize area had already been planted by May 10, which is slightly ahead of the five-year average planting progress. Moreover, about 49% of the intended soybean area had already been planted, which is ahead of the five-year average progress.
- On the domestic front, on Wednesday, Statistics South Africa (Stats SA) will release the **Consumer Price Index (CPI)** data for April 2026. In these data, our focus will be on the food category. In the recent release, the consumer food price inflation slowed to 3.4% in March 2026, down from 3.7% in February. There was a broad deceleration across the various food products. The major upside risks currently are higher fuel prices due to the Middle East war.
- Also 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 season, and the harvest is still in its early stages. In the first two weeks of the new marketing year, the farmers delivered 199,151 tonnes of maize to commercial silos. We are far from the end of the season and are expecting an ample crop, with the latest production estimate suggesting we could see a record harvest of 16.8 million tonnes of maize.
- The 2026-27 soybean marketing year has recently started, and the first 10-week deliveries were at 706,567 tonnes. There is a long way ahead, with the final crop estimate at a record 2.8 million tonnes. In the case of sunflower seeds, the first 10 weeks of the new 2026-27 marketing year's producer deliveries totalled 390,068 tonnes. There is still a long way to go, as the forecast harvest for the season is 821,630 tonnes.
- South Africa's 2025-26 winter wheat harvest is complete. Some farmers continue to deliver the crop to commercial silos. In the first 32 weeks of this 2025-26 marketing year, farmers have delivered about 1.82 million tonnes of wheat to commercial silos. This is 96% 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. We are in a new marketing year: 2026-27. In the first two weeks of the new marketing year, South Africa exported 85,677 tonnes of maize. About 45% of the maize exports went to Zimbabwe, and the remainder to other countries in the Southern African region. South Africa's maize exports for the 2026-27 season are forecast at 2.90 million tonnes (up from 2.40 million tonnes). The current marketing year only ends in April 2027.
- South Africa is a net wheat importer, and May 1 marked the 32nd week of the new 2025-26 marketing year. The cumulative imports to date have totalled 1.2 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.