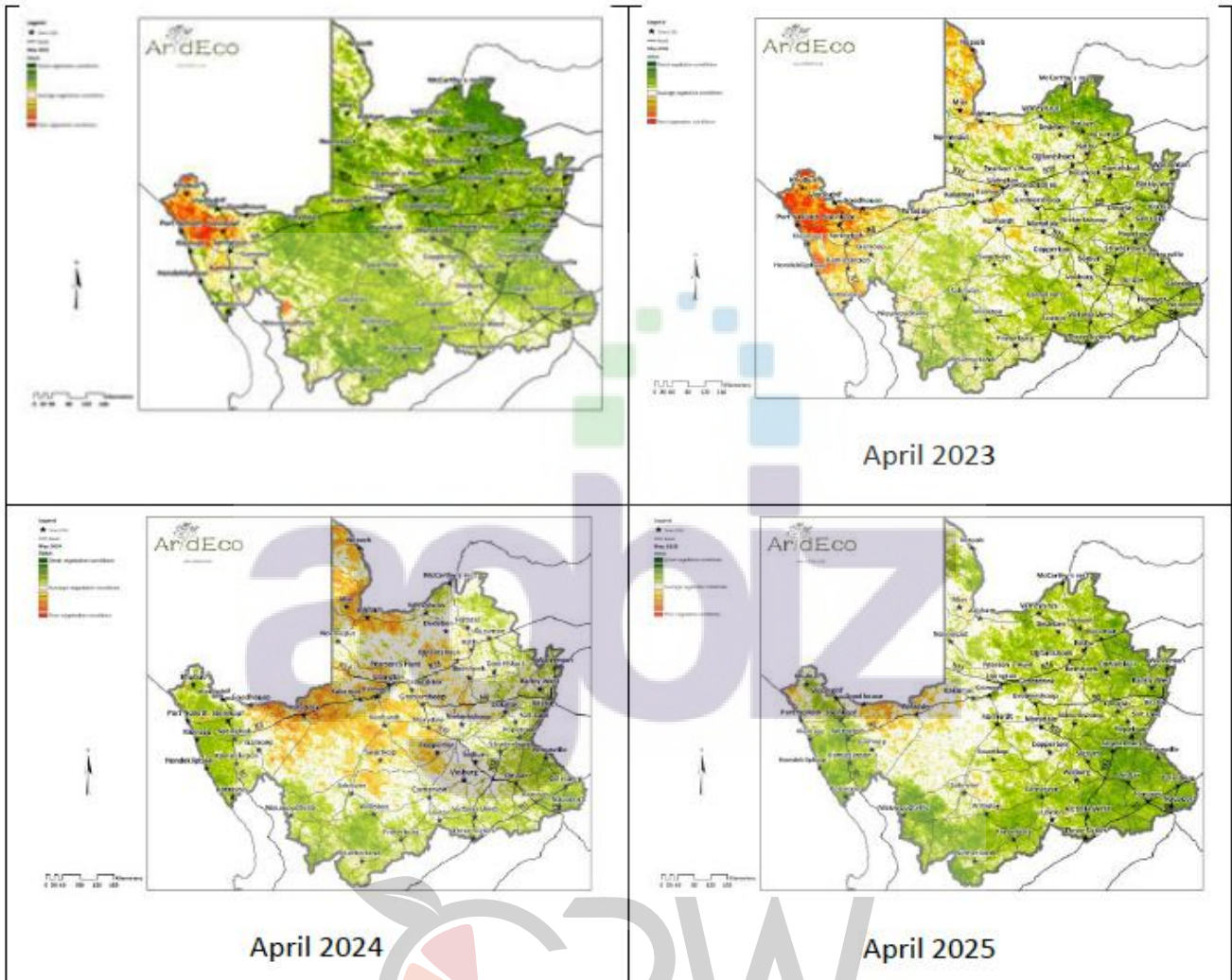


Observations from the Karoo region of South Africa

- South Africa has a diverse agricultural sector, from grains, oilseeds, sugarcane, vegetables, fruits, livestock, and more. In appreciation of the sector's diversity, we decided to place some emphasis on the Karoo region in this offering. Why is this important? Consider the distribution of South Africa's agricultural land and its land potential. Commercial agriculture typically takes place on freehold land in South Africa. Freehold (private title deeds) farmland makes up 77.5 million hectares of South Africa's surface area – or roughly 63%. Of this farmland area, 44.5 million hectares (or 57%) are in the semi-arid Karoo and the Kalahari. It is here that extensive livestock production takes place (mutton, lamb, wool, mohair and cattle – largely in the Kalahari). For this reason, rainfall, the timing of rainfall, and the quality of natural grazing are critical to the financial well-being of farmers in this vast part of South Africa.
- The Karoo and Kalahari do get periods of good rainfall. Still, generally, farming in these areas must cope with regular droughts and the resulting poor grazing, leading to financial hardship for farmers. However, this year, as in much of South Africa, has brought favourable rainfall to the Kalahari, where the Kuruman River has begun to flow after being dry for many years. In the Karoo region, we saw pictures of excessive rainfall in the Koups region (Beaufort-West, Laingsburg), in the Graaff-Reinet and Middelburg area, while the upper Karoo from Britstown to Carnarvon and Victoria-West has also been blessed with record rainfall. Even the Western regions past Williston, to Brandvlei and Sutherland, did not miss out, although rainfall totals are much lower.
- But there is something special about this year's rainfall in the Karoo beyond the record totals that most farmers have highlighted. It was the timing and frequency. Regular (weekly) rainfall between 10 and 25 mm in March, April, May, and June is fantastic and has a much bigger impact on grazing quality than 100mm in January or February. Those months are just too warm, causing much of the moisture to disappear quickly. This is exactly what happened this year – good regular rainfall from March to May and even into June. The benefits are clear in the sheep industry. The ewes are producing many lambs, the udders of the ewes are full, and the lambs gain weight very quickly.
- The only other year in recent history with similar fantastic conditions was 1974/75, which remains the wettest on record. On some farms, we see fountains, springs and rivers running for the first time in the lifetime of these farmers. This is a very interesting observation and suggests that water tables and soil moisture have been replenished beyond previous levels. If we experience an El Niño next year, the farmers in the Karoo should be in a good position and not be dramatically impacted for a while.
- To put these things in a scientific perspective, we have received a report from AridEco. The data used in their report cover the period from the beginning of May 2026 and consist of weather station data, reference farm data, satellite-derived NDVI data, and supporting information. The NDVI (Normalised Difference Vegetation Index) is the most used index in vegetation monitoring. It is a simple graphical indicator that can be used to analyse remote sensing measurements and provides an index of plant "greenness" or photosynthetic activity (see Exhibit 1).

- Vegetation Condition is indicated by the vigour of vegetation cover (as a function of NDVI minimum and maximum) compared to the long-term mean. It splits the short-term weather-related signal from the long-term climatological signal and is an accurate indicator of water stress in vegetation. These images are supported by ground-truthing processes involving physical screening surveys and reference farm data comparing rainfall with NDVI signals.

Exhibit I: Vegetation in the Karoo

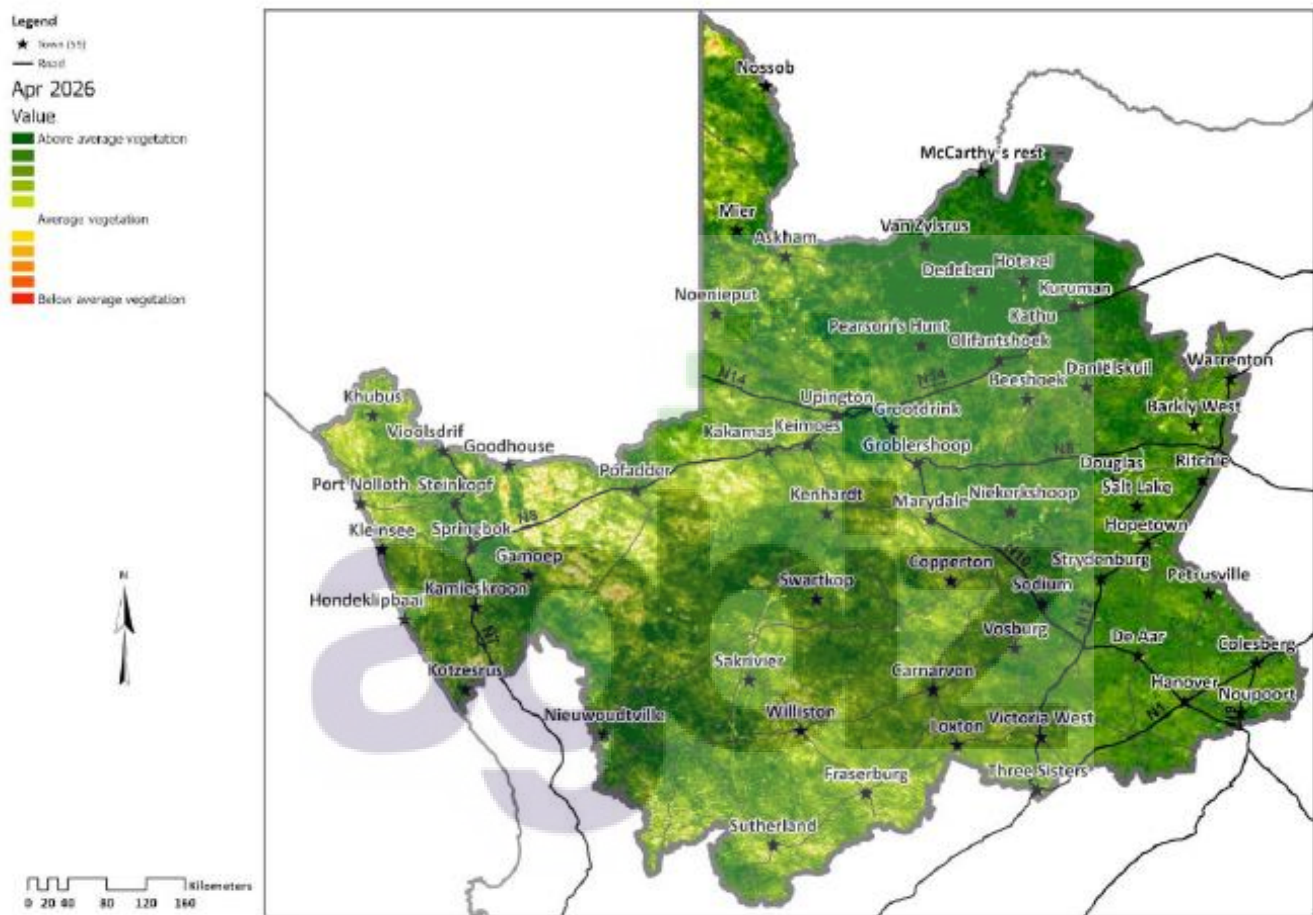


Source: AridEco

- Exhibit I shows the vegetation observed at the end of April from 2022 to 2025. April 2022 seemed to be much better than the following three years. But our earlier point about the rainfall pattern in 2026 is reinforced by Exhibit 2, which shows NDVI for April 2026. This is exceptional, and even more so, since the report was compiled, much more good rain has fallen in May and into June 2026. This is why the farmers are extremely happy and positive, especially with good wool and lamb prices.
- The biggest benefit of such good vegetation conditions is that farmers do not have to buy any feed. Considering the current good wool and lamb prices, we expect farm profits in the Karoo to get a well-needed boost. Something they really need after many years of suffering.
- What is more important is to note that all lambs produced and slaughtered in the Karoo will have natural Karoo veld vegetation only this year. So, every lamb produced in 2026 should automatically have

complied with the requirements for the Karoo Lamb Geographical Indication (Karoo Lamb GI), provided the farm is in the Karoo region and registered with the Department of Agriculture and SAMIC. This is therefore an ideal time for abattoirs in the Karoo to capitalise on the good grazing conditions and make sure their lamb is marketed, sold and labelled as Karoo Lamb.

Exhibit 2: Vegetation in the Karoo



Source: AridEco

- Overall, as with some fruits and field crops, 2026 is going to be a good year for Karoo farmers and Karoo lamb.

WEEKLY HIGHLIGHT

SA's consumer food price inflation is at its lowest level in 17 months

- South Africa's consumer food price inflation continues to slow. The figures released by Statistics South Africa last week show that the consumer food price inflation slowed to 1.6% in May 2026, down from 2.8% in March. This is the lowest level in 17 months.

- There was a broad deceleration across the various food products. At the core of moderating consumer food price inflation are lower prices for grains and oilseeds, fruit, and vegetables, driven by ample domestic and global supplies. We continue to believe that meat poses minimal risks to inflation, and meat price inflation has slowed in recent months. Base effects on meat prices, along with continued cattle slaughter, have helped ease price inflation. Poultry production conditions are also favourable.
- On cereal products price inflation, we are in yet another better grain production year. South Africa's summer grains and oilseeds production is forecast at a record 21.1 million tonnes, up 2% from the 2024-25 season. This figure comprises maize, sunflower seed, soybean, groundnuts, sorghum, and dry beans. This ample harvest adds to already large stocks from the past season, keeping grain prices under pressure. Global grain prices are also under pressure from large harvests, adding to the downward pressure from domestic factors. The expected El Niño will only affect the 2026-27 crop, which comes to market in mid-2027.
- In fruits, while the recent floods are destructive in parts of the Eastern and Western Cape, the country's fruit harvest is ample. We are even seeing strong exports of citrus, table grapes, and stone fruits, among others, due to a large domestic harvest. Solid exports also don't necessarily reduce local supplies; they are key, and the local market remains well supplied. The production conditions for vegetables remain broadly favourable, supporting increased field activity.
- Regarding meat, the pace of cattle slaughter has declined somewhat, though not notably. Another fact worth keeping in mind is that during foot-and-mouth disease outbreaks, the country is typically temporarily closed to some export markets, leading to increased domestic supplies, even if slaughter has declined somewhat.
- Overall, the fundamentals of agricultural supply remain solid and point to a moderation in consumer food price inflation in 2026. The recent U.S.-Iran deal to reopen the Strait of Hormuz will further help in easing fuel costs, which bodes well for food price inflation. Fuel accounts for a substantial share of the distribution costs of food products. Notably, over 80% of staple food products are transported by road.
- Looking ahead, the medium-term risk is the forecast El Niño drought, but this may only affect the direction of 2027 food price inflation, as it affects the next season's crop. For now, we are experiencing moderate food price inflation in South Africa.
- South Africa's headline inflation was 4.5% in May 2026, from 4.0% in April.

What are we watching this week?

- We start the week by looking at the global front, and today, the U.S. Department of Agriculture (USDA) will release its **weekly U.S. crop progress report**, which provides insight into the crop growing conditions, mainly maize, sorghum, soybeans, and other major grains for the 2026-27 production season. The plantings have been mostly complete, and the crops are in good condition. For example, on June 14, 2026, about 67% of the maize crop was rated good or excellent. While excellent, this is slightly below the rating in the same week last year, where 72% of the maize crop was rated good or excellent. Also worth noting is that 65% of the soybean crop was rated good or excellent on June 14, 2026, which is slightly below the 66% rating in the same week last year.

- 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 seven weeks of the new marketing year, the farmers delivered 3.2 million tonnes of maize to commercial silos. This season is running slightly behind last season's pace. Deliveries are 7% behind what was delivered to commercial silos this time last year. 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 17.1 million tonnes of maize, the largest harvest on record.
- The 2026-27 soybean marketing year soybean harvest is towards completion. The first 15-week deliveries were 2.6 million tonnes, a record, out of an estimated crop of 2.9 million tonnes. For sunflower seeds, the first 15 weeks of producer deliveries in the new 2026-27 marketing year totalled 717,307 tonnes. There is still a long way to go, as the forecast harvest for the season is 877,680 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 36 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 57,593 tonnes of maize, with about 74% going to South Korea. 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 493,167 tonnes, out of the expected 3.0 million tonnes.
- South Africa is a net wheat importer, and June 12 marked the 37th week of the new 2025-26 marketing year. Cumulative imports to date total 1.3 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.
- Also on Thursday, Statistics South Africa will release its **Producer Price Index (PPI) data** for May 2026. In these data, our focus will be on the food category.