Wandile Sihlobo | Chief Economist | Email: wandile@agbiz.co.za

August 11, 2026

South Africa may struggle from the expected El Niño, but the Southern Africa region faces more risks

- In recent notes, we have reflected on the possible impacts of the expected El Niño on South Africa. But El Niño is, of course, a global phenomenon and creates serious risks across the Southern Africa region and other parts of the world. The case of South Africa looks slightly hopeful for a few reasons. First, the start of the 2026-27 season will likely be better than the recent severe El Niño drought of the 2015-16 summer season. Better soil moisture and higher water levels in the dams, following a rainy La Niña period, will support agricultural production at the start of the season. However, if the season presents what we are observing in various regions of Europe and the Americas, then the improved soil moisture and the better water levels in the dams may not provide a lasting cushion for some agricultural activities.

- Another supporting factor for South Africa is that we are closing a robust agricultural season that brought record harvests in grains and oilseeds. Ample grain supplies will help provide a base for the upcoming season and ensure that, while commodity prices may increase, the country doesn't face shortages of agricultural supplies in the near term. In the case of fruits and vegetables, the commercial fields are all under irrigation, and the dams may help, provided we don't experience the extreme heat that various regions in the Northern Hemisphere are experiencing now. On balance, these factors place South Africa in a better position than at the start of the 2015-16 season, when these factors were not as supportive.

- But South Africa's starting conditions are not uniformly shared across the continent. The greater part of the sub-Saharan African region may not have nearly as good starting conditions going into the upcoming production season as South Africa does. Most countries in the region haven't enjoyed the robust grain production that South Africa has. Thus, we already continue to see countries such as Zimbabwe, Botswana, and Namibia, amongst others, importing grains from South Africa. These countries are importing at a time when they are also completing the 2025-26 production season and would ordinarily have had some domestic supplies. The imports illustrate that the domestic harvests are not sufficient for their annual needs. Therefore, it seems unlikely that these countries would have grain supplies to supplement their needs at the start of the 2026-27 season should it present a poor yield.

- Clearly, the pressures and demand for grain and other agricultural products will likely be strong in 2027 in the sub-Saharan Africa region. The only region where EL Niño may generate a different set of conditions is East Africa. Ordinarily, when there is an El Niño, the Southern Africa region is mainly hard hit by drought, while the likes of Kenya may receive higher-than-normal rains. However, because Kenya is not a major grain producer, it seems unlikely that the country would utilise the favourable weather outlook to lift grain production and export to the needy areas of Southern Africa. In the recent 2015-

16 harsh El Niño drought, the maize imports to support the region came from Mexico. This may be the case again, depending on the severity of this expected El Niño and its impacts.

- Also worth noting is that in the past, the World Food Programme (WFP) would step in and assist in importing grain in areas that require it in times of crisis. Now, it remains unclear whether the WFP would be able to provide support to needy countries as in the past, given that its funding may have been affected by changes and reductions in aid initiatives by the U.S. government. The WFP received some of its funding through the various U.S. government programmes. Still, the test for the WFP's strength and focus on the African continent will be clear in the coming year if indeed the sub-Saharan Africa region runs into difficulty.

- Overall, while we have mainly focused on South Africa in our recent comments about the expected El Niño, there are bigger challenges in other countries in the region that don't have as favourable starting conditions for the 2026-27 summer season as South Africa. In South Africa, the coming year may be challenging for households, businesses and farmers. Still, the country may be in a far better position than many countries in the Southern Africa region. Importantly, the country will need to manage its resources better ahead of what could be a challenging summer season.

WEEKLY HIGHLIGHT

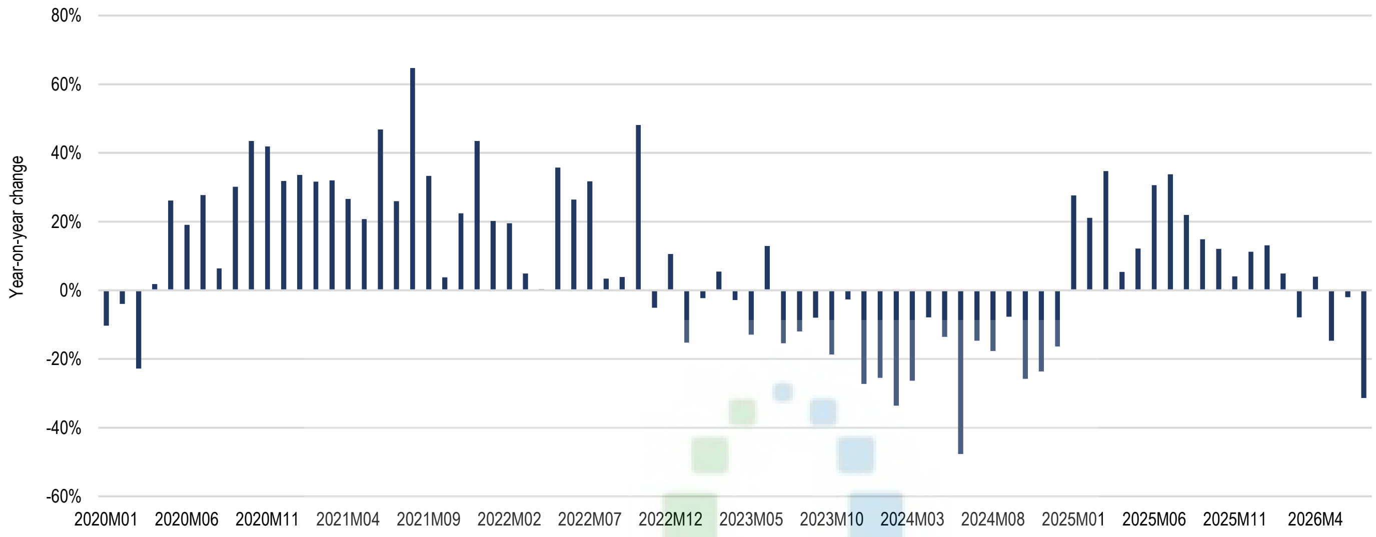
SA tractor sales continued to slow in July 2026, and the path ahead remains challenging

- The South African farming sector has slowed its tractor purchases. For a third consecutive month, tractor sales have continued to fall. The latest data from the South African Agricultural Machinery Association shows that tractor sales fell by 31% year-on-year (y/y) in July 2026, with 517 units sold. Higher input costs, driven by the U.S.-Iran war and the expected El Niño drought heading into the 2026-27 agricultural production season, are among the factors that have added to the decline in sales and the general pessimism in the sector. But at the core, this moment was going to happen following a long period of strong sales. There was going to be a cooling period where the rate of tractor replacement was going to slow. We think this coincides with the above factors that have dampened machinery sales.

- Indeed, for the near term, the agricultural conditions are favourable for the 2025-26 season. In fact, the Crop Estimates Committee forecasts the 2025-26 summer grain and oilseed harvest at 21.5 million tonnes, up 4% y/y. This ample harvest is on the back of the expansion of the area under cultivation and the high yields from favourable La Niña summer rains. For this reason, combine harvester sales have remained strong, up 83% y/y, with 11 units sold in July 2026. We also see generally good production of various fruits and vegetables for the current year.

- Ultimately, we think this year's tractor sales will remain decent, as the first part of the year was relatively strong. The challenge started closer to mid-year, when we saw some cooling. For the rest of the year and going into 2027, the expected drought will weigh on farmers' finances and ultimately the machinery sales. The fact that fertiliser and fuel prices are also high because of Middle East instability also adds to the challenging sales prospects for the coming year and into 2027.

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, and this is a quiet week. On Wednesday, the U.S. Department of Agriculture (USDA) will release the **U.S. Crop Production data.** This annual report contains crop production data for the past year for grains and oilseeds, sugar crops, cotton, tobacco, and others. Moreover, on Friday, the USDA will release the U**.S. Oil Crops Outlook** update for August 2026.

- On the domestic front, on Tuesday, Statistics South Africa will release its **Quarterly Labour Force Survey data** for the second quarter of 2026. Looking back at the recent data, 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). 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.

- On Wednesday, the South African Grain Information Services (SAGIS) will publish its **weekly data on South Africa's Grain and Oilseed Producer Deliveries**. The harvest for the 2025-26 production season is towards completion. In the first 14 weeks of the new marketing year, farmers delivered 11.9 million tonnes of maize to commercial silos. This season is 1% behind last season's pace. The delays at 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 17.4 million tonnes of maize, the largest harvest on record.

- The 2026-27 soybean marketing year soybean harvest is towards completion. The first 22 weeks of deliveries were 2.8 million tonnes, a record, out of an estimated crop of 3.04 million tonnes. For sunflower seeds, the first 22 weeks of producer deliveries in the new 2026-27 marketing year totalled 808,021 tonnes out of the expected harvest of 874,805 tonnes.

- South Africa's 2025-26 winter wheat harvest is complete, and the focus is on the new 2026-27 season, which is worrying with the lowest area planted in nearly a hundred years. Still, some farmers continue to deliver small volumes of the old crop to commercial silos. In the first 44 weeks of this 2025-26 marketing year, farmers have delivered about 1.84 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 14,771 tonnes of maize, all to the neighbouring countries. In the 2026-27 marketing year, which 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 895,521 tonnes, out of the expected 3.0 million tonnes.

- South Africa is a net wheat importer, and July 31 marked the 44th week of the new 2025-26 marketing year. Cumulative imports to date total 1.6 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.