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Global wheat prices have increased too late for SA plantings

- Global wheat prices have risen in recent weeks due to damage and disruptions at Ukrainian ports and fuel shortages in parts of Russia. But the timing of the price increases will not incentivise increased planting domestically, as it is already too late in the season. When the season started in May 2026, many factors were working against South African wheat farmers. First, global wheat prices were under pressure due to ample global supplies, which led to lower domestic prices at the start of the planting season. This discouraged an increase in the area under cultivation. South African farmers called for an increase in the wheat import tariff to provide some level of protection. But the policymakers decided not to increase the tariffs. We can understand their logic, among other things, by appreciating that import tariffs always entail a trade-off, as policymakers must balance farmers' and consumers' welfare when choosing a path.

- Second, input costs, mainly fuel and fertiliser, were high at the start of the planting period in May 2026, as the U.S.-Iran war disrupted the production and transportation of these key farm inputs in the Middle East. For a typical wheat farmer, fertiliser accounts for around 35% of the input costs, with fuel accounting for around 13%. With these key inputs increasing sharply, farmers were under financial strain as the season began.

- Consequently, the farmers reduced the area they planted for wheat. In the preliminary planting data from the Crop Estimates Committee (CEC), the early signal was that plantings would fall to their lowest level in nearly a hundred years, with an estimated 473 900 hectares. But when the CEC released its updated planting estimate at the end of August, the planting figure was slightly raised to 479 500 hectares, the lowest area in 13 years.

- That said, the decline in plantings indicates challenges in the domestic wheat industry. From an annual perspective, plantings are down 7% from the previous season. The decline in plantings is mainly in the Western Cape, a province that accounts for two-thirds of South Africa's wheat area plantings. The Free State, Limpopo, North West, and KwaZulu-Natal are also among the provinces that saw a decline in the area under cultivation.

- Notably, the wheat plantings in the Western Cape, the major producing province, are rainfed. This means that if the weather conditions were broadly favourable, despite all the challenges weighing on plantings, the harvest would still be decent. But that is not what we have experienced. Over the past few months, the Western Cape has experienced drier-than-usual weather conditions. As a result, the wheat crop in the various regions of the province is not in good condition. Thus, it was unsurprising when the CEC placed its first South Africa 2026-27 winter wheat production estimate at 1.8 million tonnes. This is down 8% from the previous season and is the lowest expected harvest in eight years.

- The major challenge is the expected lower harvest in the Western Cape. Notably, other provinces, while primarily under irrigation, are also not expected to see an uptick in production. There is an expected mild decline in the winter wheat harvest in all major provinces, even the ones with decent plantings. In addition to weather issues, high input costs may also have led to a slight decline in input use in some regions, which would subsequently negatively affect yields.

- It is still early days in the 2026-27 winter wheat production season. But it is already clear that the South African wheat industry is under pressure. Indeed, global prices are no longer as low as they were at the start of the season in May. We have seen a surge in prices because of the Black Sea war and the destruction of shipping infrastructure in Ukraine. For some farmers, the price increase will help, but it doesn't change the fact that planting has already been reduced.

- From a consumer perspective, these figures indicate that South Africa will likely see an increase in wheat imports to around 2.0 million tonnes, up from 1.8 million tonnes in the past season. Sourcing supplies won't be an issue, as there are ample wheat supplies on the world market. But prices will be slightly higher than a few months ago due to disruptions in global markets.

WEEKLY HIGHLIGHT

Ending a year of grain abundance and heading into a challenging one

- While the focus of South Africa's agriculture is already on the upcoming 2026-27 season and the expected El Niño drought, the data remind us that we are closing one of the periods of production abundance. The Crop Estimates Committee released its 7th production estimate for the 2025-26 season last week, slightly nudging up the expected harvest by 0.02% from the previous month to 21.6 million tonnes. This is up 5% from the 2024-25 production season, setting a record. The figure comprises maize, sunflower seed, soybeans, groundnuts, sorghum, and dry beans. We generally see ample harvests across most of these crops.

- If we zoom in on the major grains, the 2025-26 maize production estimate is 17.4 million tonnes, up 4% from last season, and the largest harvest on record. About 9.5 million tonnes of white maize, with 7.9 million tonnes being yellow maize. Such a maize crop, combined with likely large carryover stocks from the current season, signals that South Africa will once again be a net exporter of maize in the 2026-27 marketing year (corresponding to the 2025-26 production season). South Africa's annual maize consumption is 12.0 million tonnes. There are over 3.0 million tonnes for exports and ample carryover stocks for next year. Notably, the harvest is still underway across the country due to the season's late start, and crop quality in harvested areas is decent.

- The 2025-26 soybean harvest is estimated at a record 3.0 million tonnes, largely due to higher yields in some regions and large-area plantings (up 9% y/y). The sunflower seed crop is estimated at 874,805 tonnes, up by 23% y/y. There is also a decent harvest of small grains, such as groundnuts, sorghum, and dry beans.

- From a consumer perspective, the large harvest has, over the past few months, added downward pressure on prices, supporting our view of a moderating path of consumer food price inflation in 2026. South Africa's consumer food price inflation has slowed to 0.6% in July 2026, the lowest level since 2010. There was a broad deceleration across various food products, and grains were in deflation, among the key products underpinning the deceleration in consumer food price inflation.

- Looking ahead, the medium-term risk is the forecast El Niño drought, but it will affect the 2026-27 summer grain crop, which will only be planted from October 2026. This harvest will only enter the market in mid-2027. If the heatwaves we see in the Northern Hemisphere are any indication, then the upcoming summer crop season may be profoundly challenging for South Africa's agriculture. Notably, the expected El Niño drought also poses an upside risk to consumer food price inflation. Another major risk is the ongoing war in the Middle East and its impact on fertiliser and fuel prices.

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 the **weekly U.S. crop progress report**, which provides insight into crop growing conditions, primarily for maize, sorghum, soybeans, and other major grains, for the 2026-27 production season. In some regions of the U.S., crops are strained by heatwaves and are ranked slightly worse than a year ago during this period. For example, on August 23, 2026, about 57% of maize crops were rated good or excellent, well behind last year's 71% in the same week. Also worth noting is that 60% of the soybean crop was rated good or excellent on August 23, 2026, which is slightly below the 69% rating in the same week last year. On Tuesday, the USDA will release its **U.S. Oilseed Crushings, Production, Consumption and Stocks data**. This report covers the crush of oilseeds and production of crude oil for selected states and the U.S., as well as U.S. production and consumption of selected fats and oils for edible and inedible uses.

- On Friday, the Food and Agriculture Organisation of the United Nations will release an update of its **monthly Food Price Index** for August 2026. The Index is mainly a measure of the monthly change in international prices of a basket of food commodities.

- 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**. The harvest for the 2025-26 production season is nearing completion. In the first 17 weeks of the new marketing year, farmers delivered 14.0 million tonnes of maize to commercial silos. 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 nearing completion. The first 25 weeks of deliveries were 2.8 million tonnes out of an estimated crop of 3.01 million tonnes. For sunflower seeds, the first 25 weeks of producer deliveries in the new 2026-27 marketing year totalled 819,101 tonnes out of the expected crop 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. Moreover, the weather conditions in the Western Cape, the major-producing province, have not been favourable. Still, some farmers continue to deliver small volumes of the old crop to commercial silos. In the first 47 weeks of this 2025-26 marketing year, farmers have delivered about 1.85 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 75,564 tonnes of maize; 67% of it went to Japan, and the remainder to the neighbouring countries. In the 2026-27 marketing year, which started in May 2026, South Africa could export roughly 3.0 million tonnes of maize. This would be up from 2.4 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 1.01 million tonnes, out of the expected 3.0 million tonnes.

- South Africa is a net wheat importer, and August 21 marked the 47th week of the new 2025-26 marketing year. Cumulative imports to date total 1.78 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.