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

September 14, 2026

Recounting some factors worth remembering as the 2026-27 season approaches

- Conversations in the South African farming sector are shifting toward the 2026-2027 season outlook. The path ahead is more uncertain than usual. Many factors are worth watching as we approach the start of the new season in mid-October. The war between the U.S. and Iran remains unresolved, and the supply constraints on the Strait of Hormuz continue to put upward pressure on farm input costs.

- For example, at the end of August 2026, local fertiliser prices were up, on average, 20% from a year ago. Fuel prices are also up from a year ago, although they have moderated from the sharp increases in the months after the U.S.-Iran war started. As Brent crude prices hover above US$100/bbl, fuel prices may see further upside pressure, especially in the diesel market, where refining margins have risen more sharply.

- In the Black Sea region, conditions also do not support global food security as Russia continues to destroy infrastructure in various exporting areas in Ukraine, adding upward pressure on commodity prices. For wheat-importing countries such as South Africa, the price increases in recent weeks are worrying for consumers.

- As farmers contend with higher and volatile input costs, weather conditions also look uncertain. The expectations of an El Niño remain a major concern. However, the start of the season may be good, as high soil moisture may support seed germination and keep grazing fields productive longer. But concerns remain about how severe the El Niño will be as the season continues, and whether the country will experience a damaging heatwave. These are all the issues the farming community must contend with.

- While we typically focus our comments on the grain industry, these issues worry all farmers. We single out the grain industry as an indicator since roughly 80% of the crop is planted on rainfed areas and thus exposed to these likely harsh climatic conditions. Commercial fruits and vegetables are produced under irrigation.

- Another agricultural subsector equally exposed to these climatic shocks, but less discussed, is the livestock industry. In times of drought, feed becomes the main challenge as the pastures dry up, and feed prices also increase notably. As a result, livestock farmers tend to manage their herds by increasing slaughter during these times. While this is not ideal, it is common, and farmers often export some meat. But the challenge now is that South Africa is heading toward an El Niño at a time when the country cannot export to some typical markets because of foot-and-mouth disease challenges.

- Only a few Middle Eastern markets have remained open for exports. This means the Department of Agriculture must work harder to revive access to more Middle Eastern markets so that, if culling increases, farmers have a market for the beef and can maintain profitable farming enterprises. Increasing cattle slaughter to manage herds while markets are limited would put downward pressure on red meat prices.

- Indeed, in the near term, this would look ideal for consumers, as it would mean that meat prices would continue to decline. But for the cattle industry, that would strain farmers financially and undermine commercial viability. Fiscal room to support the farming sector during a drought may be limited. But the government can explore other ways to support the agricultural sector. For the livestock industry, the main priority should be boosting export markets, especially in countries that aren't as strict on vaccinated livestock. Work on this should start immediately, not in 2027, when the industry may already be under pressure.

- These economic challenges will not be limited to the agricultural sector; interlinked industries will also feel the impact of drought. For example, in the favourable agricultural seasons, farmers spend more on vehicles and agricultural machinery. These industries may also experience a slump in 2027. In fact, tractor sales have already signalled a slowdown. For example, South Africa's tractor sales have declined for four consecutive months to 606 units in August 2026, down 13% from a year ago, according to recent data from the South African Agricultural Machinery Association. The combine harvester sales are also weak for similar reasons. In August 2026, combine harvester sales were down 20% year on year, with just 4 units sold.

- Overall, we are heading into a likely challenging season. The challenge is not only El Niño, but also geoeconomic pressures and their impact on farm input costs.

WEEKLY HIGHLIGHT

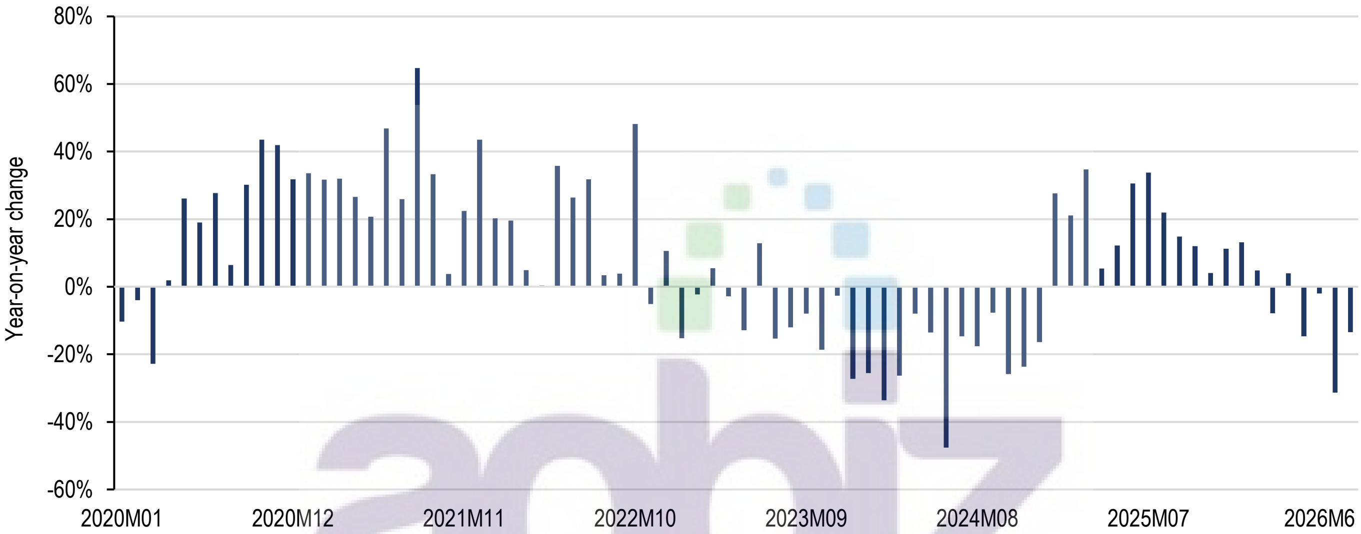
SA tractor sales continued to slow in August 2026

- We continue to see some cooling in South African tractor sales. Sales have declined for four consecutive months to 606 units in August 2026, down 13% from a year ago, according to recent data from the South African Agricultural Machinery Association. 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 contributing to the sales decline. At its core, this moment came after a long period of strong sales, so a cooling period was expected, with the tractor replacement rate slowing. We also see weak combine harvester sales for similar reasons. In August 2026, combine harvester sales were down 20% year on year, with just 4 units sold.

- Indeed, for the near term, the agricultural conditions are broadly favourable for the 2025-26 season in some crops. In fact, the Crop Estimates Committee forecasts the 2025-26 summer grain and oilseed harvest at 21.6 million tonnes, up 5% y/y. This ample harvest is supported by expanded cultivated area and high yields from favourable La Niña summer rains. We see strong harvests also in fruits.

- Overall, 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. High fertiliser and fuel prices, driven by Middle East instability, further weaken 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

SA's farming sector registers modest growth in Q2 2026

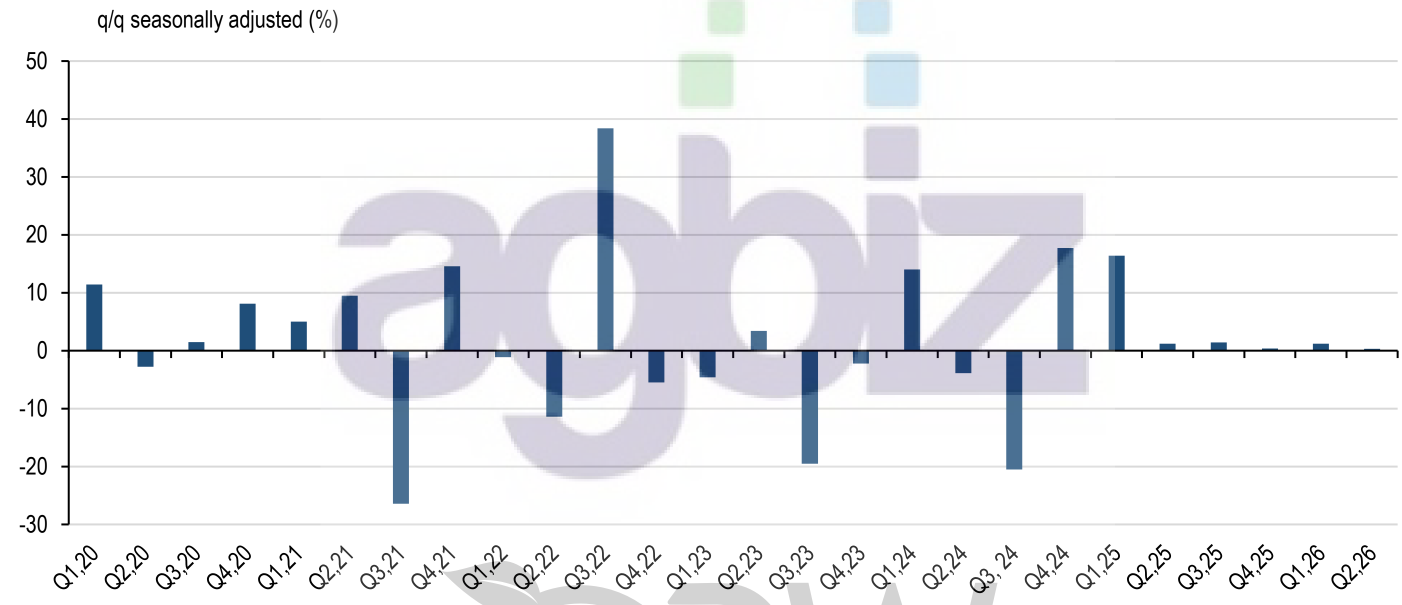
- The farming economy remains on a growth path, although the second-quarter uptick was more modest than expected. Data released by Statistics South Africa last week show that agricultural gross value added expanded by 0.3% quarter-on-quarter (seasonally adjusted), down from a revised 1.2% in the first quarter. The season for most field crops was delayed by roughly a month and a half, so harvests and deliveries also shifted to the third quarter. We saw some delays in harvesting fruits, whose fortunes may also fall in the third quarter. Thus, the growth figures were more modest than expected and do not quite mirror the ample harvests we have been writing about. The country also continues to struggle with foot-and-mouth disease in the cattle industry, although the vaccination programme is progressing.

- The generally ample agricultural harvest for the year is clear in the trade figures. For example, South Africa's agricultural exports totalled US$4.1 billion in the second quarter of 2026, up 10% from the same period a year ago. This again reflects both higher export volumes and better commodity prices. For the first half of 2026, South Africa's agricultural exports amounted to US$7.8 billion, up 11% from the first half of 2025. The products that dominated the exports list in the second quarter of 2026 were mainly citrus, apples and pears, maize, wine, dates, figs, pineapples, avocados, guavas, mangoes, wool, sugar, fruit juices, grapes, and nuts, amongst other products.

- The sector sentiment is generally positive, although fears of a likely drought in the coming season remain. For example, after remaining below the 50-neutral mark for two consecutive quarters, the Agbiz/IDC Agribusiness Confidence Index (ACI), a sentiment indicator in the sector, increased by 8 points in the third quarter of 2026 from the second quarter to 53 points. The current ACI level indicates that South African agribusinesses are optimistic about business conditions.

- Looking ahead, we expect much stronger growth in the third quarter and the last quarter of the year, as gains from ample harvests will likely be captured in these periods. But the outlook for 2027 is concerning because of the higher input costs from the Middle East war and the expected El Niño drought.

Exhibit 2: South Africa's agricultural gross value added



Source: Stats SA and Agbiz Research

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., heatwaves are straining crops, and conditions are slightly worse than a year ago during this period. For example, on September 8, 2026, about 56% of maize crops were rated good or excellent, well behind last year's 68% in the same week. Also worth noting: 58% of the soybean crop was rated good or excellent on September 8, 2026, slightly below last year's 64% in the same week. On Tuesday, the USDA will release its **U.S. Oil Crops Outlook data for September 2026**.

- 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 19 weeks of the new marketing year, farmers delivered 14.6 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. In the first 27 weeks, deliveries totalled 2.8 million tonnes against an estimated crop of 3.01 million tonnes. For sunflower seeds, the first 27 weeks of producer deliveries in the new 2026-27 marketing year totalled 823,000 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 49 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 52,451 tonnes of maize; 41% went to South Korea, 27% to Mauritius, and the remainder to 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, supported by robust production. South Africa’s maize exports so far in the 2026-27 marketing year total 1.1 million tonnes, out of the expected 3.0 million tonnes.

- South Africa is a net wheat importer, and September 4, 2026, marked the 49th week of the new 2025-26 marketing year. Cumulative imports to date total 1.81 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.