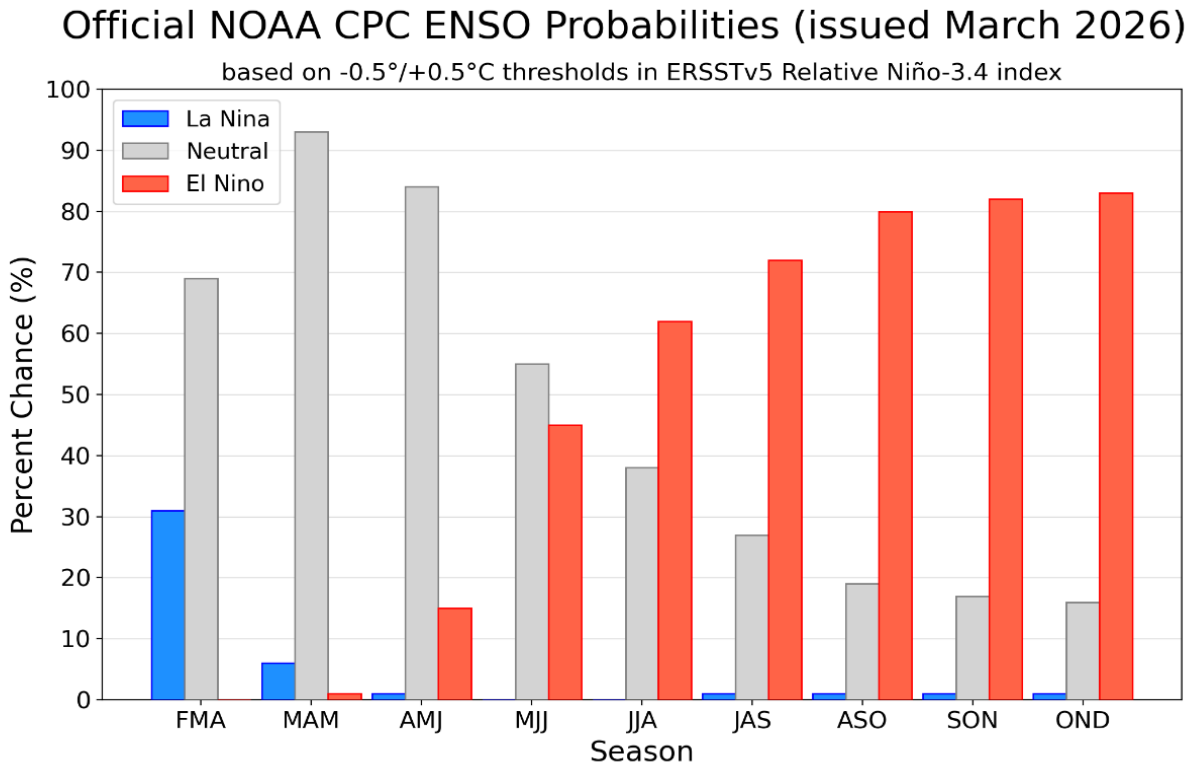


A possible El Niño in the 2026-27 season presents risks for South Africa's agriculture

- Early projections suggest that the La Niña weather phenomenon, which brought above-normal rainfall across the summer crop-growing areas of South Africa and much of Southern Africa, leading to higher crop yields, has ended. What may follow in the 2026-27 summer crop season, which starts in October 2026, presents some risks. The latest projections from the South African Weather Service (SAWS), the Australian Bureau of Meteorology, and the International Research Institute for Climate and Society (IRI) suggest that we are transitioning into an El Niño in late 2026 and through 2027. During such weather events, South Africa and the rest of Southern Africa typically receive below-average rainfall. In extreme cases, an El Niño brings a harsh drought. The impact of such drought conditions on summer grains, oilseeds, fruits, vegetables, and grazing veld, amongst other activities, is typically severe.
- A lot remains unknown about the potential severity of the 2026-27 El Niño at the moment. Still, the IRI estimates suggest a high likelihood of its occurrence, with a probability of over 70%. In the past, IRI estimates have generally been accurate, so we are relying on them as we attempt to understand the season ahead. Farmers typically start their planting season in October. Leading up to that, the SAWS will release monthly updates on how they expect weather conditions to shape the country over the coming months. What we will learn about the weather outlook in South Africa will generally apply to most countries in the Southern African region.
- The El Niño weather event comes after two consecutive seasons of favourable production conditions in South Africa's agriculture. The country has enjoyed ample crop yields, for example, in the 2025-26 season, South Africa's summer grains and oilseeds production is estimated at 20.3 million tonnes, down 1% from the 2024-25 production season. The 2024-25 summer grains and oilseeds were the second-largest on record. Therefore, the 2025-26 is still very strong despite the slight decline from a year earlier. This production figure comprises maize, sunflower seed, soybean, groundnuts, sorghum, and dry beans. We have also seen excellent harvests across various fruits and vegetables, primarily supported by La Niña-induced rains during the 2025-26 summer season and the previous season.
- Depending on how severe the 2026-27 El Niño weather event is and how farmers adjust their planting areas, it is reasonable to expect a decline in the harvest compared to during La Niña rains. If we consider maize as an indicator of the impact of droughts on agriculture, during the 2023-24 season, when a mild mid-summer drought occurred, South Africa's maize harvest fell by 22% from the previous season to 12.9 million tonnes. In the current 2025-26 favourable agricultural season, we expect a maize harvest of 16.5 million tonnes, which provides a perspective of how significant that decline was. In other severe droughts in 2017-18 and 2018-19, South Africa's maize crop fell to an average of 11.8 million tonnes. The notable decline and one of the most memorable droughts occurred in the 2014-15 and 2015-16 seasons, and South Africa's maize harvest in that period fell to around 8.9 million tonnes on average. South Africa's annual maize consumption is about 12.0 million tonnes, and a smaller harvest meant the country had to import to supplement domestic supplies.

- Indeed, the situation in 2026-27 would be different even if South Africa experiences a harsh season. There are ample maize supplies from the previous season, which would cover the domestic needs. Moreover, soil moisture is slightly better following two seasons of excellent rains, which would provide much-needed support for seed germination during the planting season. The dams across the country are generally at healthy levels to support fruits and vegetables, which are 100% planted under irrigation, while field crops are roughly 20% under irrigation.
- Still, these are early days, and more reliable data will be available in the coming months. But the early indications suggest that we are heading into a challenging summer season, rather than the period of abundance we have enjoyed in the past two seasons.
- We will be keeping a close eye on developments in the Middle East and fertilizer supplies/costs. An El Niño and a fertiliser price squeeze would be challenging for the farming sector.

Exhibit I: El Niño forecasts



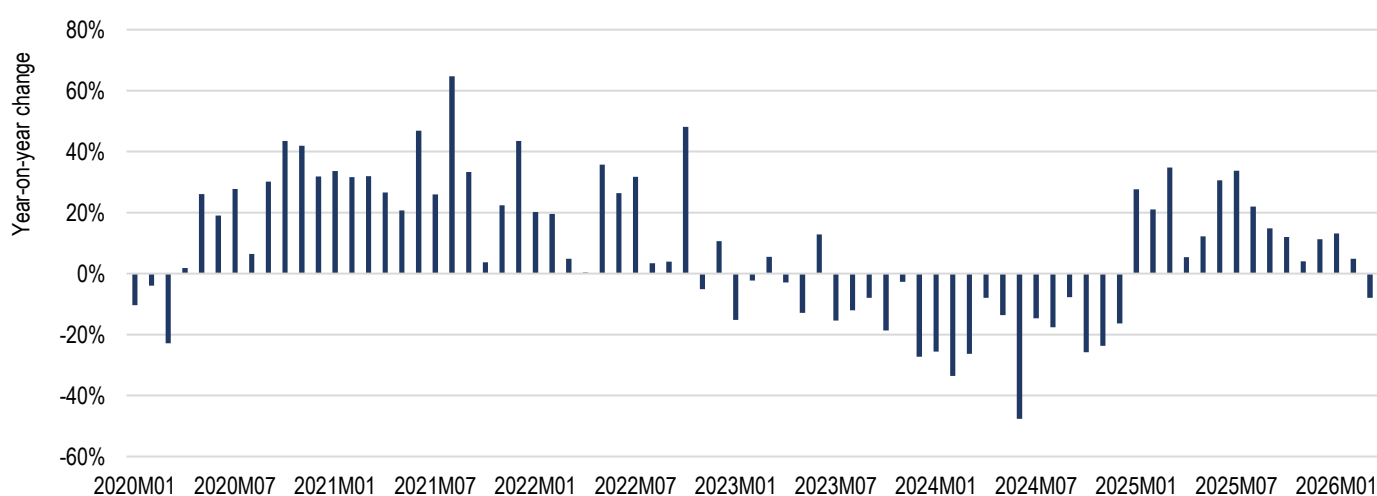
Source: International Research Institute for Climate and Society

WEEKLY HIGHLIGHT

South Africa's tractor and combine harvest sales slowed in March 2026

- After 14 months of positive performance, South Africa's agricultural machinery sales slowed in March 2026. Tractor sales were down 8% year-on-year, to 618 units. At the same time, combine harvester sales fell by 22% from March 2025 to 29 units. We can't read much into the sector's state from a one-month slowdown in agricultural machinery sales. Moreover, the March 2026 tractor and combine harvest sales levels remain well above the long-term averages. Therefore, the base effects are also another factor to consider when interpreting these data. Indeed, the Middle East war and concerns about fuel prices, to an extent, have had a negative impact on the sector, as we saw reflected in the first-quarter results of the Agbiz/IDC Agribusiness Confidence Index. Still, we will need a bit more time to gain a clear understanding of the sales path.
- Importantly, we are in a year where agricultural conditions remain broadly mixed. The cattle industry and pork producers are facing challenges from foot-and-mouth disease and African swine fever, which are negatively affecting their performance. But the field crops, fruits and vegetable production face much better production conditions. For example, South Africa's 2025-26 summer grains and oilseeds production is forecast at 20.3 million tonnes, down 1% from the 2024-25 production season, and is quite decent. We must not forget that the 2024-25 summer grains and oilseeds were the second-largest on record; therefore, being marginally lower than they were is not cause for concern but rather for comfort. This production figure comprises maize, sunflower seed, soybean, groundnuts, sorghum, and dry beans. In fruits, an example of improved production is citrus, where South Africa's total citrus exports across all varieties are expected to increase by about 3% to 5%, reaching a total of 210-215 million 15kg cartons.
- In essence, while the slowdown in tractor and combine harvester sales warrants a closer look at whether the trend continues, we must realise that current sales levels are still well above average. Notably, the agricultural production conditions in field crops and horticulture remain solid, which, to an extent, support the financial conditions in the sector.

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 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. We will watch this data closely, as it will also signal how U.S. farmers are adjusting plantings in light of higher input costs, including fuel and fertiliser.
- 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**. In the previous release on April 3, 2026, South African farmers delivered 66,193 tonnes of maize to commercial silos. This was the 49th weekly delivery for the 2025-26 marketing year (which corresponds with the 2024-25 production season), bringing the overall maize deliveries so far to 15.89 million tonnes. South Africa's 2024-25 maize harvest is at 16.65 million tonnes, a 28% year-on-year increase, driven by yield improvements.
- The 2026-27 soybean marketing year has recently started, and the first 5-week deliveries were at 110,791 tonnes. We are a long way ahead, with the final crop estimate at 2.7 million tonnes, down 4% from the previous year, largely due to expected poor yields in some areas. In the case of sunflower seeds, the first 5 weeks of the new 2026-27 marketing year's producer deliveries totalled 116,201 tonnes. There is still a long way to go, as the forecast harvest for the season is 778,155 tonnes.
- South Africa's 2025-26 winter wheat harvest is complete. Some farmers continue to deliver the crop to commercial silos. In the first 27 weeks of this 2025-26 marketing year, farmers have delivered about 1.79 million tonnes of wheat to commercial silos. This is 95% of the expected season harvest of 1.89 million tonnes (down 2% y/y).
- On Thursday, SAGIS will publish its weekly **South Africa's Grains and Oilseeds Trade data**. In the week of April 3, 2026, South Africa exported 37,676 tonnes of maize, with about 58% going to Zimbabwe, 14% to Namibia, and the remainder to other countries in the Southern African region. This placed South Africa's 2025-26 maize exports at 1.9 million tonnes, out of the expected seasonal exports of 2.4 million tonnes. The current marketing year only ends in April 2026. We have seen much softer demand for maize this year, partly due to ample global supplies. It seems unlikely that we will meet the 2.4 million tonnes export target for the season.
- While South Africa has an ample harvest and will remain a net exporter of maize, we have seen minor imports of yellow maize from Argentina for South Africa's coastal regions. For example, so far in the 2025-26 marketing year, South Africa has imported 110,448 tonnes of yellow maize for feed in the country's coastal regions. These importers mainly take advantage of the affordable prices of Argentinian supplies.
- South Africa is a net wheat importer, and March 27 marked the 27th week of the new 2025-26 marketing year. The cumulative imports to date have totalled 1.0 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.