

July 13, 2026

Geopolitical and weather risks add to long-standing challenges for SA agriculture

- South Africa's agriculture is starting the second half of the year with profound uncertainty about the path ahead. The risks arise from both domestic and global factors. From a global perspective, the ongoing war between Iran and the U.S. and its implications for supply chains dependent on the Strait of Hormuz may continue to put upward pressure on critical input costs, mainly fertiliser and fuel. Just this past weekend, we learned of more hostilities and Iran's declaration that the Strait of Hormuz is closed until further notice. This brings us back to the start of the war, where we face huge uncertainty about supplies of fuel and fertiliser, among other products, due to logistical challenges in the region. Fuel and fertiliser prices are not yet at the levels we saw immediately after the start of this war and may remain more volatile than usual. This is a pain point when considering the operating conditions in the farming sector.
- Moreover, South Africa is in the export period for grains, fruits, and some meat. Therefore, the likely higher shipping costs and logistical challenges in the Middle East have brought us back to the position we were in a few months ago, with fears of export disruption. The Middle East accounts for around 8% of South Africa's agricultural exports, valued at about US\$15.1 billion in 2025. Therefore, current friction risks reducing exports to the region, which would further weigh on South African farmers' finances if the country can't reroute products efficiently to other markets.
- Another challenge, which we have discussed at length in the past, is the likely drought resulting from El Niño during the 2026-27 summer crop season, which starts in October. On this, we believe that South Africa's better soil moisture, higher dam water levels, and improved seed cultivars used by farmers place the country in a slightly better position than other countries in the region. Still, when considering the likely drought and higher input costs, there is considerable pressure on farmers ahead of the new season.
- On the domestic front, we face multiple issues that require both the government and organised agriculture to work collaboratively. One of these issues concerns the government's openness to registering new genetic techniques for seeds. Given the challenges posed by climate change, the sector's long-term sustainability will require nimble decision-making by the government. For the South African agricultural sector to remain competitive and cope with a changing environment, seed breeding must remain a priority. Now, South Africa has adopted a lacklustre approach to the registration of new genetic techniques, and this may prove costly in the medium to long term. The regulators must change this approach and return the country to its long-known position of embracing technology in farming.
- While we are approaching a drought period and are concerned that agricultural output may decline in 2027, South Africa's push to diversify into new markets must not stop. The recognition of this need is well articulated, but material intervention is still lacking. Such an intervention would entail increasing human capital across South Africa's missions globally and placing greater focus on economic diplomacy and trade issues. This would also require that, in Pretoria, the government has essential staff who work well with industry and negotiate new markets for the country. For much of 2025, the South African

government conducted official state visits to various countries, and export issues were discussed. But until we have technical teams that follow up on such visits, we will not succeed. The long-discussed need to review the Southern African Customs Union to give South Africa some flexibility in opening new export markets is part of the necessary trade reconfiguration effort. Logistics, roads, rail, and port efficiency are also vital steps that must remain priorities beyond high-level conversations. Material collaboration between the business and private sectors to increase efficiency in Cape Town is vital.

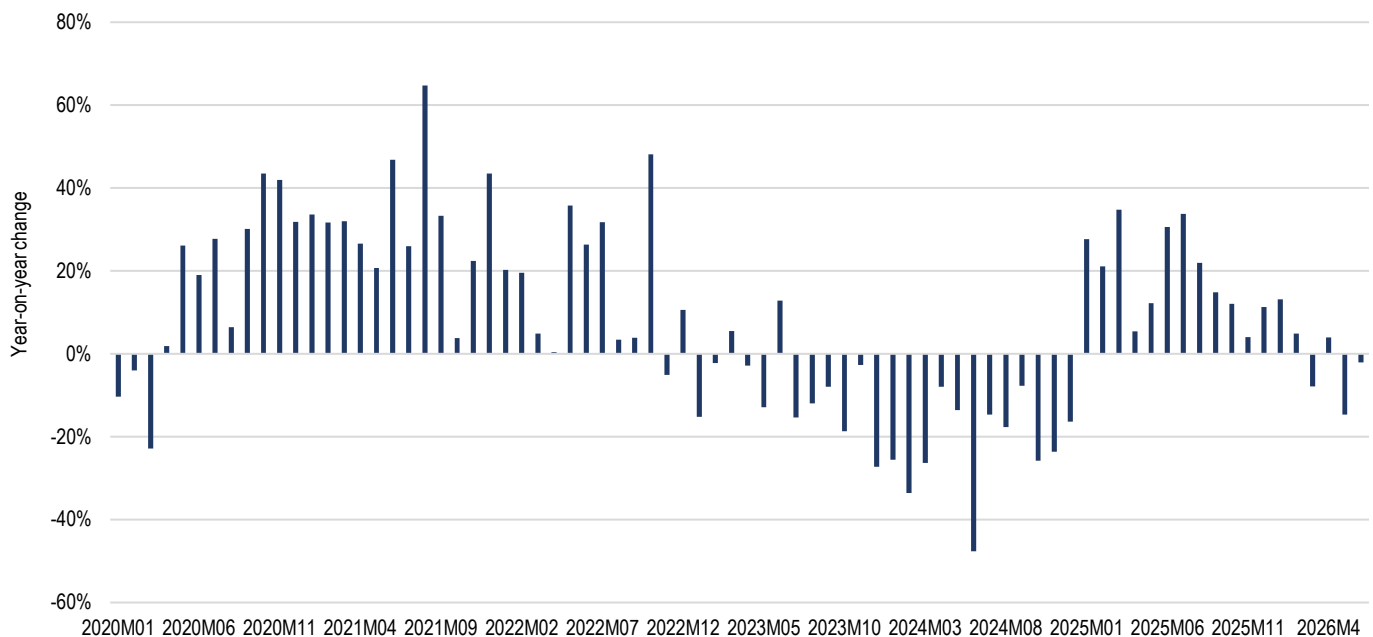
- Beyond these aspects, many aspects of land reform, animal disease, stock theft, and poor municipal performance, amongst other challenges, continue to present difficulties for the sector. Therefore, the work of various government and organised business interventions should continue to focus on these. When geopolitical shifts occur, South Africa's agriculture will have to confront these domestically oriented constraints to propel the sector's growth and create jobs.

WEEKLY HIGHLIGHT

SA's tractor and combine harvester sales fell in June 2026

- South Africa's tractor and combine harvester sales fell in June due to a combination of factors, including the delayed summer crop harvest in the 2025-26 season, uncertainty about the weather outlook heading into the 2026-27 season and relatively higher input costs driven by the war in the Middle East. The data released last week by the South African Agricultural Machinery Association shows that tractor sales fell by 2% year-on-year in June 2026, with 623 units sold, and combine harvester sales declined by 15%, with 11 units sold.
- This decline is unsurprising and marks the change in sales direction for the coming months. South Africa has had a good run, with strong tractor sales for much of 2025 and into the early months of 2026. There was always going to be some normalisation. The robust sales in recent months were driven by the ample harvest in the 2024-25 production season, particularly of grains and oilseeds, which supported farmers' incomes. The horticulture industry also performed well in that period, supporting farmers' incomes. The fact that the interest rates were also relatively low was another important boost to sales.
- In the current 2025-26 production season, South Africa still has an ample harvest, with an expected record summer grain and oilseed harvest of 21.49 million tonnes, up 5% year-on-year. This production figure comprises maize, sunflower seed, soybean, groundnuts, sorghum, and dry beans. But this ample summer grain harvest is unlikely to support future sales. The forecast for an El Niño in the season ahead will likely place additional strain on the farming sector, as farmers face lower commodity prices for harvested crops, particularly grains, oilseeds, and sugarcane, at a time when input costs are somewhat higher than in recent past seasons.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

What are we watching this week?

- As always, 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 July 5, 2026, about 67% of the maize crop was rated good or excellent. While excellent, the crop has taken some strain from the heatwave. Thus, it is rated below the same week last year, when 74% of the maize crop was rated good or excellent. Also worth noting is that 64% of the soybean crop was rated good or excellent on July 5, which is slightly below the 66% rating in the same week last year.
- On Tuesday, the USDA will release the **U.S. Crop Outlook data**. These data will mainly cover wheat, cotton, rice and oilseed crops.
- 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 ten weeks of the new marketing year, the farmers delivered 6.4 million tonnes of maize to commercial silos. This season is running 14% behind last season's pace. 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 17.25 million tonnes of maize, the largest harvest on record.
- The 2026-27 soybean marketing year soybean harvest is towards completion. The first 18-week deliveries were 2.7 million tonnes, a record, out of an estimated crop of 3.04 million tonnes. For sunflower seeds, the first 18 weeks of producer deliveries in the new 2026-27 marketing year totalled 774,706 tonnes. There is still a long way to go, as the forecast harvest for the season is 910,530 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 40 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 66,188 tonnes of maize, with about 77% going to Vietnam and the rest to 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 708,055 tonnes, out of the expected 3.0 million tonnes.
- South Africa is a net wheat importer, and July 3 marked the 40th week of the new 2025-26 marketing year. Cumulative imports to date total 1.5 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.