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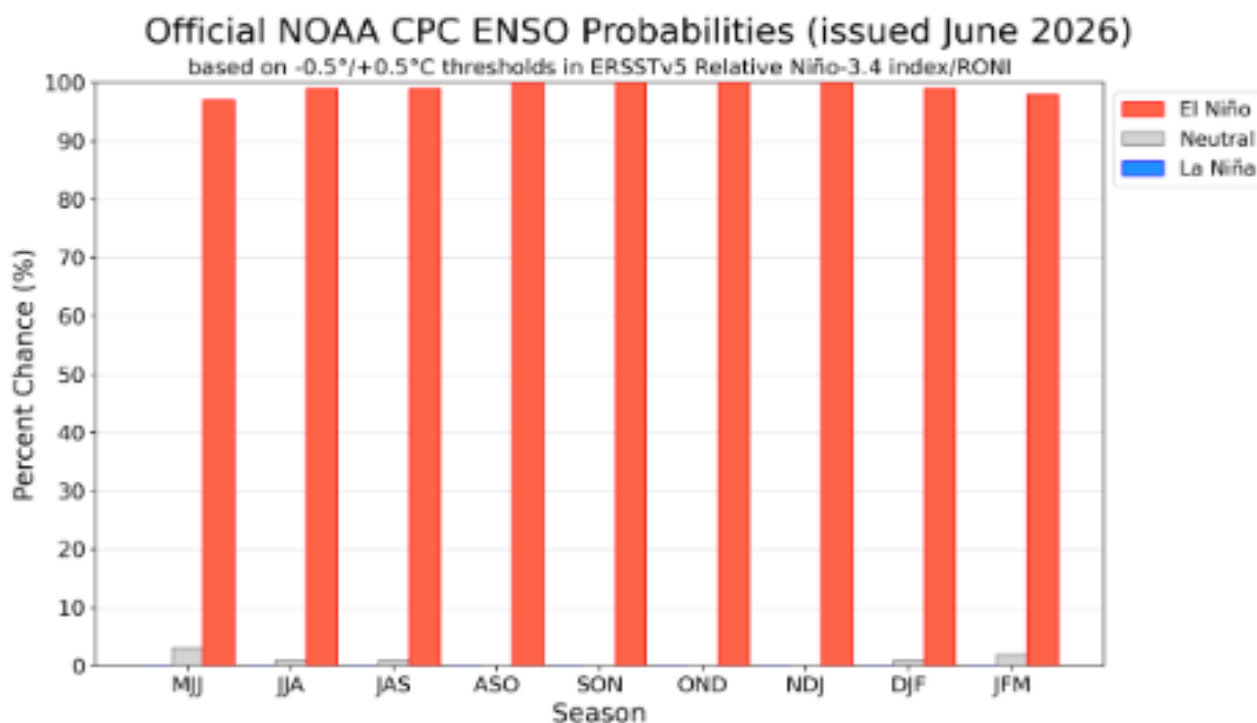
Key factors that may shape the impact of El Niño on food price inflation in 2027

- One of the major points of discussion amongst other analysts and economists this past week was the likely impact of the expected El Niño on South Africa's agriculture and consumer food price inflation in 2027. The concerns are understandable, as the latest weather forecasts continue to signal that we are heading towards a severe El Niño (see Exhibit 1). Its arrival will coincide with South Africa's 2026-27 summer crop season, which starts in mid-October. But in examining the likely impact of this El Niño on crop production and, subsequently, on consumer food price inflation, we need to consider two major factors.
- First, South Africa has benefited from a prolonged La Niña, which has supported the agricultural sector over the past few years. Importantly, the rainfall periods have also been much longer than the typical periods. For example, in the 2024-25 season, the summer rains continued through April 2025. This is longer than the typical summer rains, which normally end in March. In the 2025-26 season, the rains continued into May 2026, far longer than the typical rainfall cycles that end in March. Ordinarily, such longer rainfall periods would raise concerns about crop quality. But in the areas that harvested the 2025-26 crops, we haven't seen many quality issues. In fact, the Crop Estimates Committee's latest projections were revised higher and still point to a record summer crop harvest for 2025-26.
- The longer rainfall season benefited the country by improving soil moisture and the water table ahead of the 2026-27 summer crop season. When the planting period starts in October 2026, farmers across South Africa will have better-than-normal soil moisture to begin with. Therefore, there may be sufficient soil moisture to support seed germination and crop development across the country, even as El Niño conditions likely result in below-normal rainfall. Importantly, if we do experience some rain, even if it's below the typical level, it may still support the crops, given that soil moisture is already better. That said, the timing of the rain is what will matter most for crop development.
- In the irrigation areas, the La Niña rains over the past few years have improved dam water levels and the overall water table. This will assist with fruits and vegetables, as all these are planted under irrigation. In the case of field crops, roughly 20% of South African crops are under irrigation, with the rest rainfed, which will depend mostly on available soil moisture and the timing of showers going into the 2026-27 season, even if they are below normal levels.
- For the livestock industry, the grazing veld across the country is in a fair condition, having benefited from the longer rainy periods in the 2025-26 season. The country will enter next summer with better grazing veld, and the improved water table will continue to support pastures across various parts of the country.
- The second key factor to keep in mind is that South Africa has its largest-ever summer grain and oilseed crop in the 2025-26 season. The Crop Estimates Committee places the 2025-26 summer crop at a record 21.49 million tonnes, 5% up year-on-year (y/y). Notably, if we zoom in on the major grains, the

2025-26 maize production estimate is 17.25 million tonnes, up 4% from last season, and the largest harvest on record. This ample grain harvest adds to already large carryover stocks from the previous season. This puts South Africa in an opportune position regarding grain supplies heading into next year. In the case of staple maize, South Africa consumes about 12.0 million tonnes a year. The expected harvest is 17.25 million tonnes, and when added to last season's stocks, it further improves the country's available maize supplies, even with large exports. There is a strong chance that we will enter the new season and year with large supplies.

- Ultimately, while it is understandable that many people worry about the expected El Niño, forecasts of higher food price inflation may miss some of the fundamental issues that will shape the season ahead, such as improved soil moisture and available grain supplies. Indeed, the drought is not ideal and may impose costs on farmers, but we can't view it the same way as previous droughts. There are clear factors here that may shape this upcoming season more than the last droughts did.

Exhibit I: El Niño forecasts going to 2027



Source: The Columbia Climate School