

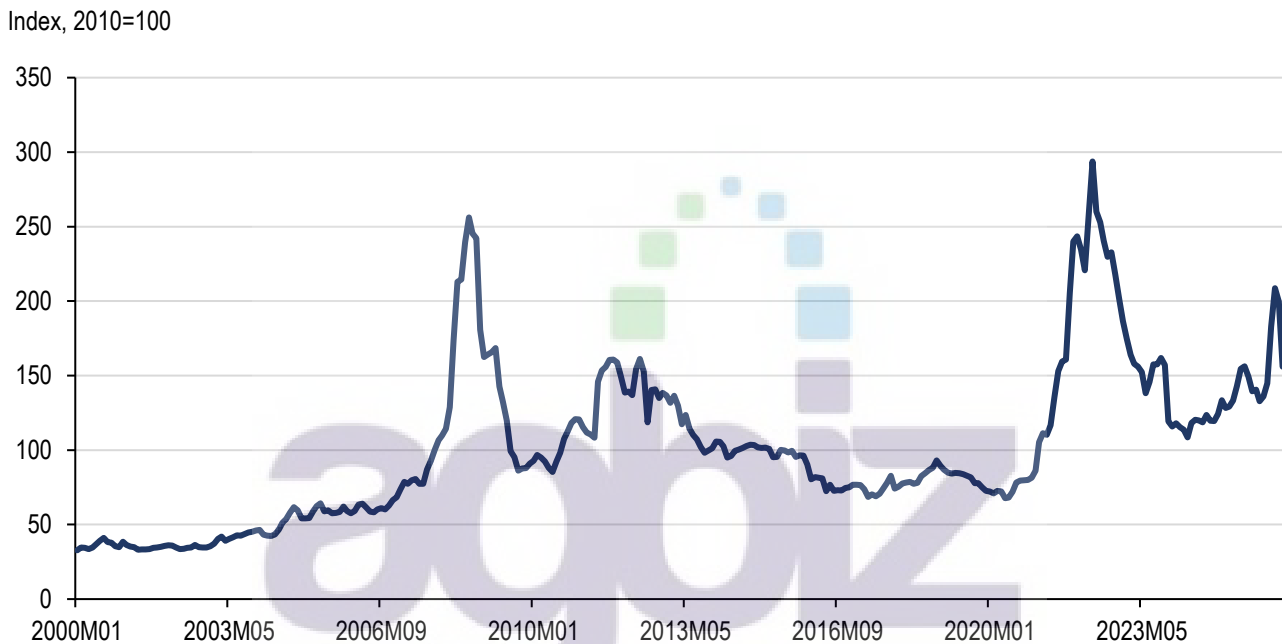
July 6, 2026

Key factors shaping farm input costs ahead of the 2026-27 production season

- We are beginning to see the benefits of the likely peace deal between Iran and the U.S. on agricultural input prices. Fertiliser and fuel prices have declined notably from the levels we saw as recently as May 2026. Indeed, uncertainty remains as the peace talks are underway, but the resumption of ship movements in the Strait of Hormuz has brought some relief to fertiliser and fuel prices. All these developments happen at an opportune time for the South African farming sector as we are still months away from the start of the 2026-27 summer crop season in mid-October 2026. Some farmers typically place input orders well before the start of the season. Still, given that the current 2025-26 summer crop season is over a month late and maize harvest is still underway, the placement of input orders for the next season may also be slightly delayed. This won't be an issue and will benefit farmers if prices continue to soften and there is constructive progress in the peace talks.
- Before this period, there were concerns about the heavy financial burden the farmers would have to shoulder ahead of the 2026-27 season. The combined cost of fuel and fertiliser typically accounts for around half of the input costs in field crops. Having such a substantial share of input costs rising into double digits at a time when commodity prices were falling meant that some farmers would be in a tough financial corner. The possibility of financial pressures led some people to question whether South African farmers would leave some land fallow for a season.
- Admittedly, it remains too early to assess whether the plantings would be reduced. Still, judging by history, South African farmers have consistently maintained roughly the same area under cultivation, even in challenging seasons. If there is anything, there is typically a switch among various summer crops depending on profitability. But farmers rarely substantially reduce the area planted. Thus, we expressed doubts about such possibilities when others raised the point. Also worth noting is that while fertiliser and fuel prices have come down from the recent surge, they remain at relatively high levels compared with a year ago. Therefore, the cost pressures on farmers remain, although not as severe as we feared.
- Moreover, South Africa's largest-ever summer grain and oilseed harvest in the 2025-26 season, at about 21.49 million tonnes, up 5% year-on-year, also meant prices would be under pressure for some time, thereby continuing to weigh on some farmers' financial conditions. For example, at the beginning of July 2026, maize prices were down by roughly 10% from a year ago. Oilseed prices were also mildly lower than a year ago.
- These developments in farm input costs and profitability challenges occur amid uncertainty about the impact of the forecast El Niño on agricultural production in South Africa. Hence, it remains understandable that others are worried about the upcoming season and the impact of these factors on food prices. Still, we believe that the weather challenge may not be as harsh as some fear. Better soil moisture across the country, following a longer rainy season and higher dam water levels, will support agricultural activity and grazing pastures for livestock.

- In addition, the ample grain supplies from the 2025-26 season will help supplement supplies if the 2026-27 harvest is lower. These grain supplies will also help in the Southern Africa region, where we fear the impact of El Niño may be much harsher than in South Africa. We have seen such a situation in previous droughts, where crop losses tend to be severe in the region due to differences, among other things, in seed cultivars. Overall, the realisation of a peace deal in the Iran-U.S. war remains fundamental to the agricultural input cost path, and for now, things look promising for South African farmers.

Exhibit I: Fertiliser price index



Source: World Bank and Agbiz Research

WEEKLY HIGHLIGHT

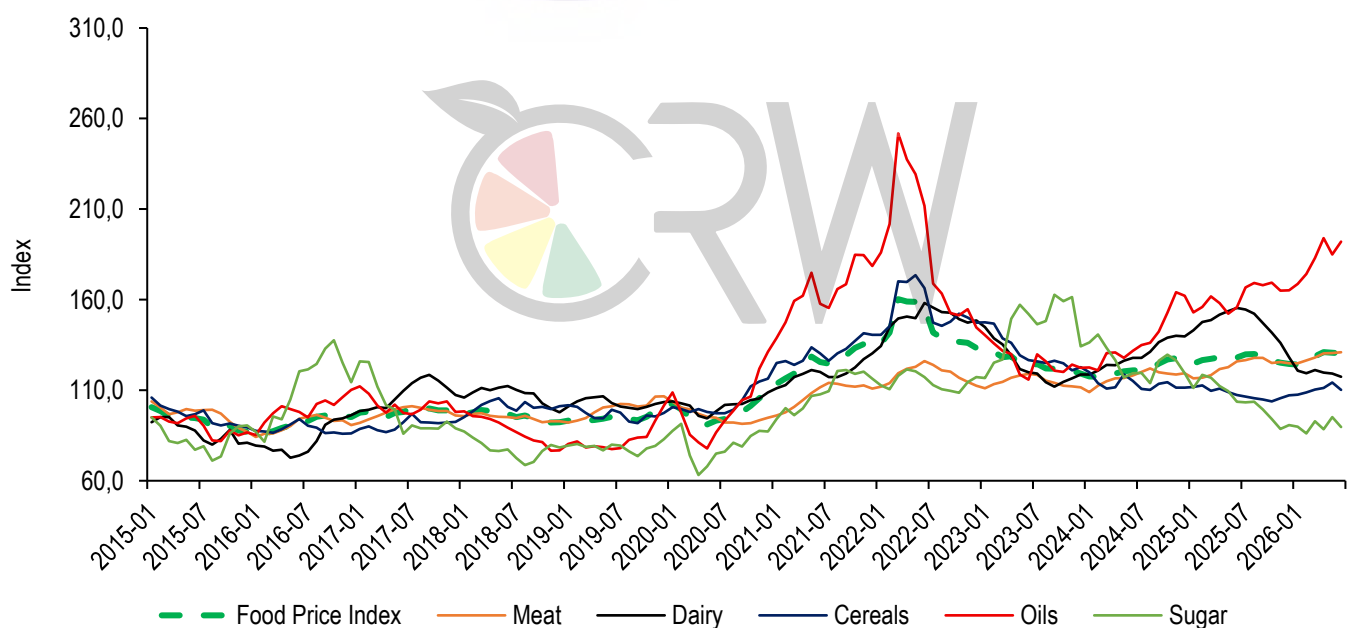
Some slight relief on global food prices

- Global food prices have slightly eased in June 2026, after an uptick over the past few months driven by concerns about the war in the Middle East and a likely drought in some parts of the world. The FAO's Global Food Price Index, a measure of the monthly change in international prices of a basket of food commodities, fell mildly by 0.3% from May, and is now at 130 points. Sugar, grains, and dairy products were the key drivers of the easing in global food prices.
- While the monthly easing is welcome, the Index remains 2% higher than a year ago. With the likely end of the U.S.-Iran war, the environment over the coming months may be much better for food prices. There were concerns that the war would start, which led to upside pressure on global food prices. Still, the Middle East war was not going to cause as much devastation in global food prices as what we saw during the start of the Ukraine-Russia war. In fact, the FAO's Global Food Price Index is 19% below its peak reached in March 2022, when the Russia-Ukraine war started. Two major factors distinguish the

Ukraine-Russia war from the war in the Middle East, shaping their impacts on agriculture and food prices in distinct ways.

- First, there are currently ample global grain supplies, which are adding significant downward pressure on prices. For example, the International Grains Council (IGC) forecasts the 2025-26 global grains and oilseed production at 2.5 billion tonnes, up 9% from a year ago. These include maize, wheat, soybean and rice, among major grains and oilseeds. These are not the only agricultural value chains that saw a robust harvest. We also saw ample harvests of various fruits and nuts across major producing countries worldwide.
- Second, the Middle East is not a major grain-producing region but an importer; therefore, a war at a time when we have ample grain supplies was unlikely to lead to an immediate notable surge in grain prices. Still, the war's impact on the fertiliser market was evident, raising concerns ahead of the 2026-27 agricultural season. The impact of the challenge, however, would have been more apparent in 2027 and into 2028. But with now a likely peace path, we may see fertiliser and oil prices continuously softening, which eases this likely risk for the 2026-27 agricultural season, although not completely, as some countries may have already imported fertiliser at high prices and would pass those costs on to farmers, who would ultimately have final decision-making on area plantings in the 2026-27 agricultural season. A decline in area planting would reduce agricultural supplies. Still, it remains too early to tell how the upcoming season would shape up globally, although the countries in the northern hemisphere have generally completed the planting season.
- In essence, the data released this morning show a slight easing in global food prices, reflecting ample supplies in the world market. But the risks for the seasons ahead remain due to a likely El Niño drought in some parts of the world. The pressures of higher input costs have eased somewhat. Ultimately, the farmers' planting decisions and the harvests of the 2026-27 production season will shape the coming year's global food prices.

Exhibit 2: Global food price index



Source: FAO 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 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 June 28, 2026, about 67% of the maize crop was rated good or excellent. While excellent, this is below the rating in the same week last year, when 73% of the maize crop was rated good or excellent. Also worth noting is that 65% of the soybean crop was rated good or excellent on June 28, 2026, which is slightly below the 66% rating in the same week last year.
- On Friday, the USDA will release the **U.S. Crop Production report**. This is an annual report containing crop production data for the past year for grains and oilseeds, sugar crops, cotton, tobacco, and other 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 nine weeks of the new marketing year, the farmers delivered 5.5 million tonnes of maize to commercial silos. This season is running 11% 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 16-week deliveries were 2.7 million tonnes, a record, out of an estimated crop of 3.04 million tonnes. For sunflower seeds, the first 16 weeks of producer deliveries in the new 2026-27 marketing year totalled 760,696 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 39 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 34,485 tonnes of maize, with about 56% 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 640,480 tonnes, out of the expected 3.0 million tonnes.
- South Africa is a net wheat importer, and June 26 marked the 39th 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.