

## A further decline in SA agricultural machinery sales

- The South African agricultural machinery sales painted a slightly negative picture in April 2019. Tractor sales were down by 6% y/y and combine harvesters down by 21% y/y, both exceeded our expectations of a 3% respective decline. We think that May sales could show a further decline as factors that underpinned last month's agricultural machinery sales performance still prevail. In the case of tractors, farmers made higher purchases over the past few months, and unlikely to increase this month as winter crops plantings have, in any case, advanced in the major producing province, the Western Cape. In terms of combine harvesters, we doubt that there could be a pickup in sales on the face of expected poor summer grain and oilseed harvest.**
- To dive into the details, figures released this morning by the South African Agricultural Machinery Association show that tractor sales fell by 6% y/y in April, with 432 units sold (figure 1). This can partly be explained by the fact that some farmers have already purchased a large number of tractors in the past couple of months. In fact, March 2019 tractors sales were the highest this year, with about 600 units. In addition, this comes after robust tractor sales in 2018, which amounted to 6 680 units, up by 4% from the previous year. Also, to elaborate on the point mentioned in the introductory section of this note regarding planting activity; the major producing province, Western Cape, has planted over 40% of the intended area for winter crops – wheat, barley and canola – and the area intended to be planted in other provinces around midyear might not be sufficient to stimulate an increase in tractors sales.
- In terms of combine harvesters, April 2019 sales were down by 21% from the corresponding period last year, with 23 units sold (Figure 1). Amongst a number of factors driving this was an expected poor summer grain and oilseed harvest in 2018/19 production season. Last month, the Crop Estimate Committee placed South Africa's 2018/19 summer grains and oilseeds production estimate at 12.8 million tonnes, down by 15% from the previous season. This is on the back of a reduction in area planted, and expectations of relatively poor yields in some areas, all underpinned by unfavourable weather conditions earlier in the season.

**Figure 1: South African agricultural machinery sales**

