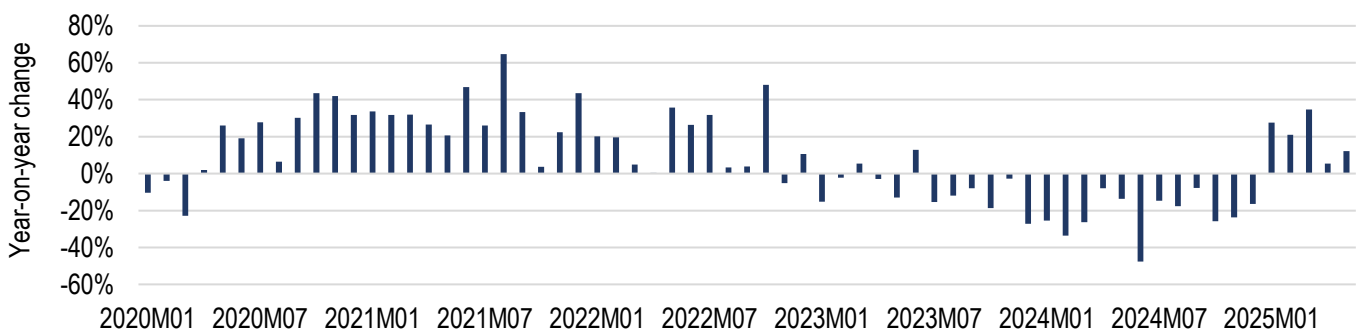


## South African farmers continue to invest in farm machinery

- We continue to see encouraging sales of agricultural machinery in South Africa. For example, tractor sales increased for the fifth consecutive month, up 12% year-on-year in May 2025, with 635 units sold. The sales of combine harvesters were even more encouraging, up 64% year-over-year in May, with 41 units sold. The increase in sales primarily reflects the positive sentiment in the sector regarding the 2024-25 crop and horticulture harvest, driven by favourable weather conditions and base effects following weak sales in 2024. Indeed, the heavy rains in April have caused concerns about the crop quality, and we are seeing challenges in a few areas. Still, there remains optimism about the yields, which supports the robust sales. For example, the Crop Estimates Committee forecasts South Africa's 2024-25 summer grain and oilseeds production at 17.98 million tonnes, 16% higher than the 2023-24 production season, representing a decent recovery from drought.
- If we reflect briefly on the past few years' performance, it is fair to say that the poor agricultural machinery sales performance in 2024 resulted from three major factors. First, South Africa's agricultural sector had higher machinery sales between 2020 and 2023. Improved farmers' incomes led to higher sales, driven by an ample harvest and rising commodity prices. Thus, there was bound to be some correction, leading to a moderation in sales in 2024. Second, we struggled with a mid-summer drought in the 2023-24 season, which weighed on farmers' fortunes and worsened sales performance. Lastly, the relatively higher interest rates for much of 2024 added to the economic pressures on the sector, leading to poor sales.
- This year, however, things are different, as evidenced by the sales for the first five months. Interest rates have eased somewhat from last year's levels, although uncertainty remains about the path ahead, given the renewed risks to the global economy. Also, agricultural production conditions are favourable across most commodities. Also worth noting is that some farmers may start with machinery replacement in the coming months. All this will support the sales of tractors and combine harvesters.

### Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research