

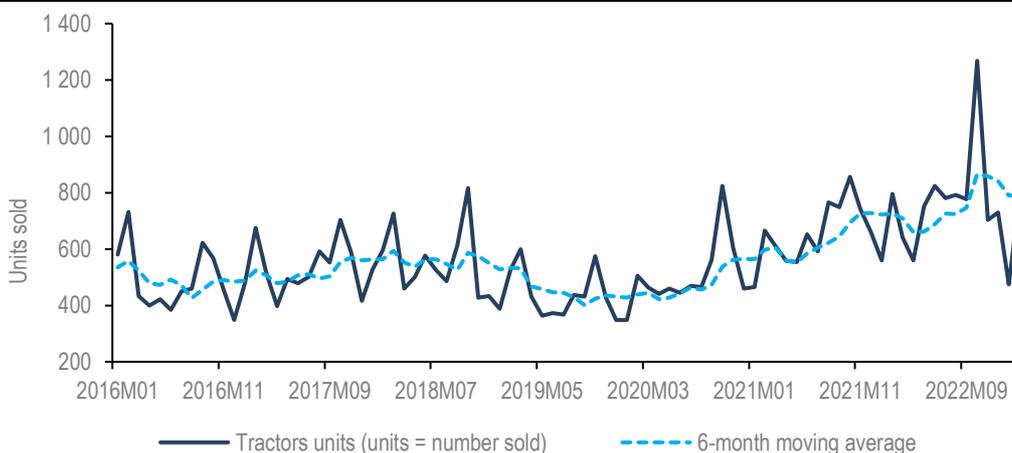
## South Africa's agricultural machinery sales likely to moderate in 2023

We are emerging from years of exceptionally higher agricultural machinery sales in South Africa. For example, South Africa's tractor sales for 2022 amounted to 9 184 units, up 17% from the previous year and the highest annual sales for the past 40 years. The combine harvester sales amounted to 373 in the same period, up 38% from 2021 and the highest yearly sales figure since 1985. This year will likely be a pause from this robust sales period, for several reasons. Chief amongst them is that the possible replacement rate of older machinery will likely be lower this year as the past three years saw increased new machinery sales. Moreover, the rising interest rates will continue to pressure farmers' finances. While other input cost prices, such as fertilizer and agrochemicals, have softened in recent months, the current price levels are still well above long-term levels, thus adding pressure on farmers' finances.

The data for the first two months of 2023 already signal this moderation, with January tractor sales down by 16% y/y and February sales down by 2% y/y, with 781 units sold. That said, the combine harvester sales have remained positive for this year's first two months. There were 16 units sold in January 2023, from four in the same month a year ago. In February, there were 39 units sold, from 19 units in the same period in 2022. This could partly be explained by the fact that there are expectations of large summer grains and oilseeds in the 2022/23 season, which farmers are likely preparing for. The Crop Estimates Committee forecasts South Africa's 2022/23 summer crop production at 19,3 million tonnes, up 3% from the previous season.

Still, the factors we highlighted as risks to tractor sales apply in the combine harvester market and could weigh on sales in the coming months. Admittedly, one shouldn't conclude on two months' data points. Still, given the broad factors we note above, which will underpin the market conditions this year, we continue to see softening in the momentum of tractor sales in 2023. With time, the combine harvester sales will likely follow the same path.

### Exhibit 1: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

20 March 2023

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