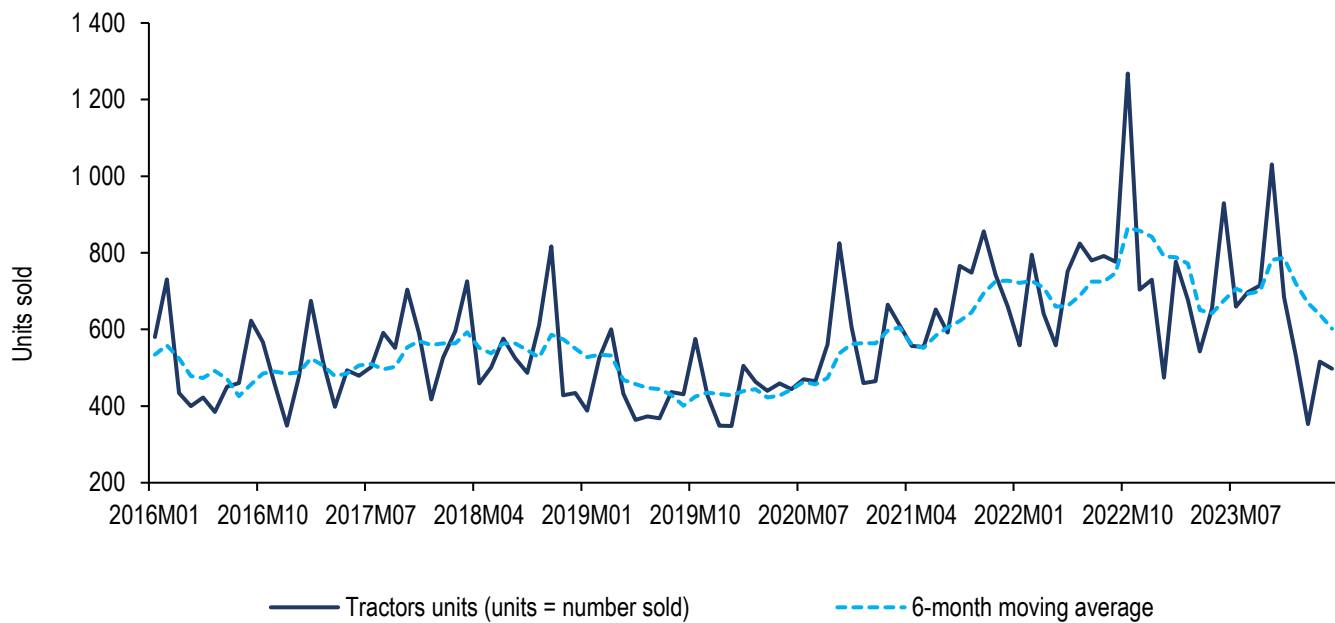


08 April 2024

South Africa's agricultural machinery sales remain weak

- We continue to see relatively weak sales in South Africa's agricultural machinery market. In March 2024, the tractor sales were down 26% y/y, with 498 units sold. The combine harvester sales were down 33% y/y, with 26 units sold. As we stated in our previous notes, the decline in sales since the start of the year probably reflects the normalization of sales after a few years of robust activity.
- For example, South Africa's tractor sales for 2022 amounted to 9,181 units, up 17% y/y. This was the highest annual sales figure in the past 40 years. The combine harvesters also had an excellent performance of 373 units in 2022, up 38% y/y. This was the highest yearly sales figure since 1985. In 2023, the tractor sales were down marginally from the previous year, while the combine harvester sales held the last year's momentum. These generally strong agricultural machinery sales these past few years were primarily based on ample grains and oilseed harvests when prices were also favourable.
- Against this backdrop, we think the agricultural machinery sales are now on the normalization path this year.
- Also worth noting is that while in the past, agricultural machinery sales would be read as one of the early indicators of the health of the farming sector, this time around, the sales should be read differently for the reasons we stated above.
- Still, the South African agricultural sector is not in good shape because of the persistent heatwave and dryness associated with the El Niño cycle. The Crop Estimates Committee, at the end of March 2024, placed South Africa's 2023/24 total grain and oilseeds production at 15,8 million tonnes, which is 21% lower than last season's harvest. This year's overall decline in production prospects is primarily due to poor yields, not the area reduction, as farmers tilled more land than in the 2022/23 season.
- We are yet another busy time of the year, with the winter crop planting season set to start at the end of this month. Still, the weak agricultural machinery sales data should not necessarily indicate what is to come when the Crop Estimates Committee releases the farmers' intentions to plant data on 25 April.
- In addition to the general normalization of agricultural machinery sales, we think the relatively higher interest rates have added pressure to farmers' finances. Also worth noting is that while other input cost prices, such as fertilizer and agrochemicals, softened since 2023, the prices are still generally well above the pre-COVID levels, thus adding pressure on farmers' finances. Furthermore, the poor summer crop harvest of the 2023/24 production season will also be a constraining factor in the months ahead, as farmers' finances will be under pressure.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research