

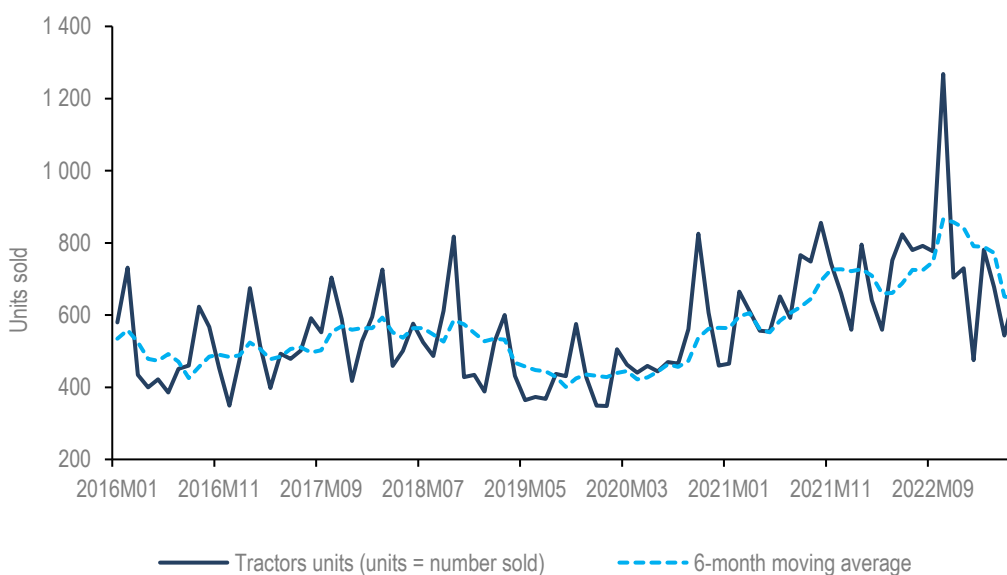
South Africa's agricultural machinery sales will likely soften in the second half of the year

We continue to see a mixed picture in South Africa's agricultural machinery sales. For example, tractor sales were down by 13% y/y in May 2023, with 655 units sold – see the chart. Meanwhile, combine harvester sales were 65 units, up 23% y/y. The robust combine harvester sales reflect the expected large summer crop harvest. As mentioned above, South Africa's 2022/23 maize harvest is estimated at 16,1 million, 5% higher than the 2021/22 season's harvest and the third-largest harvest on record. Soybeans harvest could reach a record 2,8 million tonnes.

That said, we still believe South Africa's agricultural machinery sales will likely cool off this year, following a few years of excellent activity. As we stated a few times, South Africa's tractor sales for 2022 amounted to 9 184 units, up 17% y/y and the highest annual sales for the past 40 years. The combine harvester sales amounted to 373 in the same period, up 38% y/y and the highest yearly sales figure since 1985.

We think this year will likely be a pause, especially in the second half of the year, 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. The relatively weaker rand exchange rates will also negatively influence the farmers' machinery buying decisions. Also worth noting is that 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.

Exhibit 1: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

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