

## South Africa's agriculture machinery sales have reached the highest levels since 2014

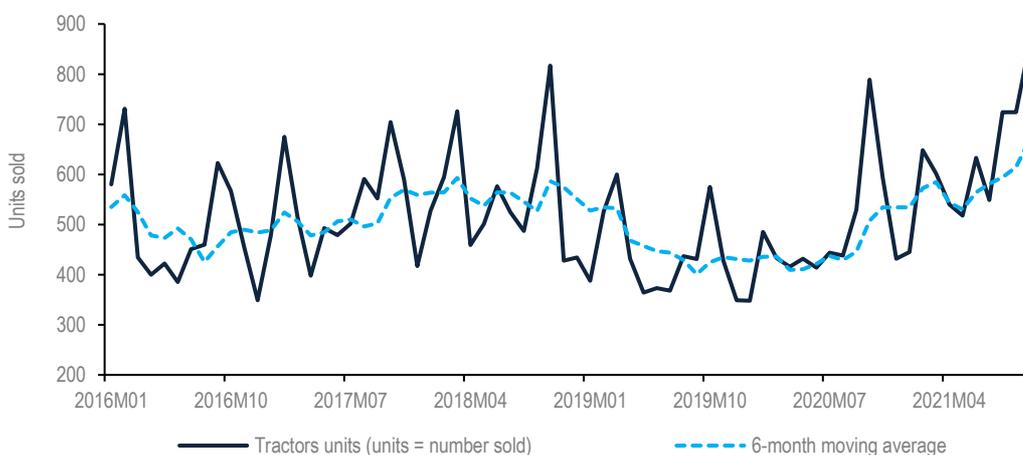
South Africa's agricultural machinery sales have been robust for over a year now. In October 2021, the tractors sales of 856 units, up by 4% y/y, were the highest monthly volume since October 2014. Meanwhile, the combine harvesters' sales of 45 units, up by 73% y/y, were the highest monthly sale since March 2014.

This placed the total tractors sales for the first ten months of this year at 6 238 units, up by 25% y/y. The combine harvesters' sales increased by 37% y/y over the same period, with 242 units sold. As we noted in the previous commentaries, 2020 was also a good year in South Africa's agricultural machinery sales, so surpassing it means we are witnessing some good momentum this year. In 2020, the tractor sales amounted to 5 738 units, up by 9% from 2019. The combine harvesters were up 29% from 2019, with 184 units sold in 2020.

These robust sales were supported by the large summer grains and oilseeds harvest in 2019/20. Yet, 2020/21 was another excellent agricultural season and coincided with higher commodities prices boosting farmers' finances and, subsequently, the machinery sales. Importantly, this year's data also points to the farmers' optimism about the 2021/22 summer crop production season, whose planting started in October. Moreover, the favourable weather outlook, prospects of a La Niña, and attractive grain prices are another catalyst for a potentially good season with the farmers' intended area planting of 4,34 million hectares of summer grains and oilseeds. This is up by 5% from the 2020/21 production season.

Looking ahead, we still think the agricultural machinery sales will cool off in the last two months of the year. We fear that the rising input costs, such as fertilizers, herbicides and fuel, could add pressure on farmers' finances and thus lead to a change in machinery-buying decisions. Also, the planting will be in full swing, and there will be little incentive to invest in new machinery. Still, the pace of sales in the first ten months of the year convinces us that, in aggregate, the annual sales for 2021 could be significantly larger than the previous year.

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



Source: South African Agricultural Machinery Association and Agbiz Research

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**Wandile Sihlobo**

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

www.agbiz.co.za

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