

07 March 2017

SA's agricultural machinery sales show monthly uptick

Recent agricultural machinery sales data show that in February 2017, tractor sales were down by 8% when compared to February 2016 — with 675 units sold. However, this was 41% higher than the previous month's sales. The combine harvester sales followed a similar trend, with February 2017 sales down by 14% from the corresponding period last year, but 19% higher than the previous month – with 16 units sold.

- Although lower than the corresponding period last year, the **tractor** and **combine harvester sales** mirrored the long term trend, as farmers typically make large machinery purchases around February – just before the end of the financial year (see **Chart 1**).
- **Looking ahead** - we believe that **tractor sales** could see a slightly downward trend over the next few months, as summer crops planting activity has been completed. With that said, the tractor sales could gain momentum around mid-2017 when winter crop farmers commence their planting activity. Worth noting is that, the forecast of drier weather conditions across the Western Cape province might negatively affect the winter crop activity. The Australian Bureau of Meteorology highlights that an El Niño weather event could occur in second half of this year. Much about this will unfold as the season progresses.
- The **combine harvester** sales could increase over the coming months due to an expected large summer crop output. South Africa's summer crops are currently in good condition in most areas and set to benefit from forecast favourable weather conditions for the next few weeks. The total summer crop production is estimated at 16.21 million tonnes, which is a 72% annual increase¹.
- While conditions are largely positive in the agricultural sector, we continue to view the escalating farm debt as a key risk that could potentially reduce some farmers' ability to further invest in machinery. In 2015 the total farm debt was at R142 billion – a record level in a database starting from 1980 (see **Chart 2**).

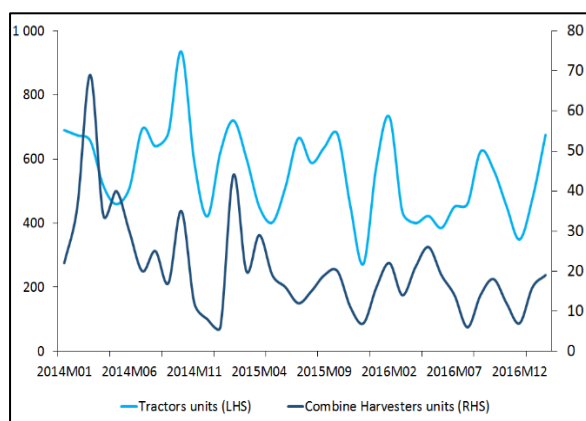


Chart 1: RSA Agricultural Machinery sales

Source: SAAMA, Agbiz Research

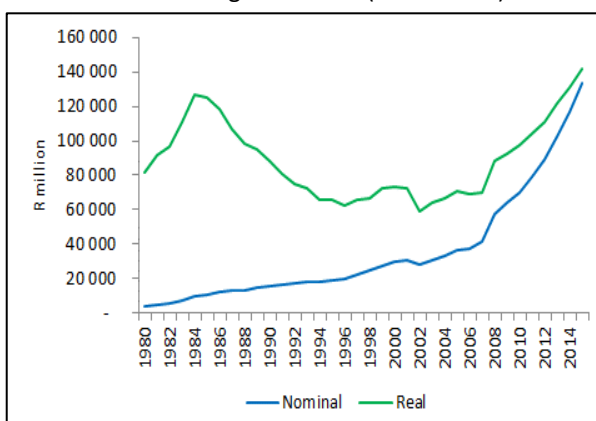


Chart 2: RSA total agricultural/ farm debt

Source: DAFF, Agbiz Research

Wandile Sihlobo (wandile@agbiz.co.za)

Disclaimer: Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any losses or damage incurred due to the usage of this information

¹ Summer crops represents maize, sunflower seed, soybean, groundnuts, sorghum and dry beans