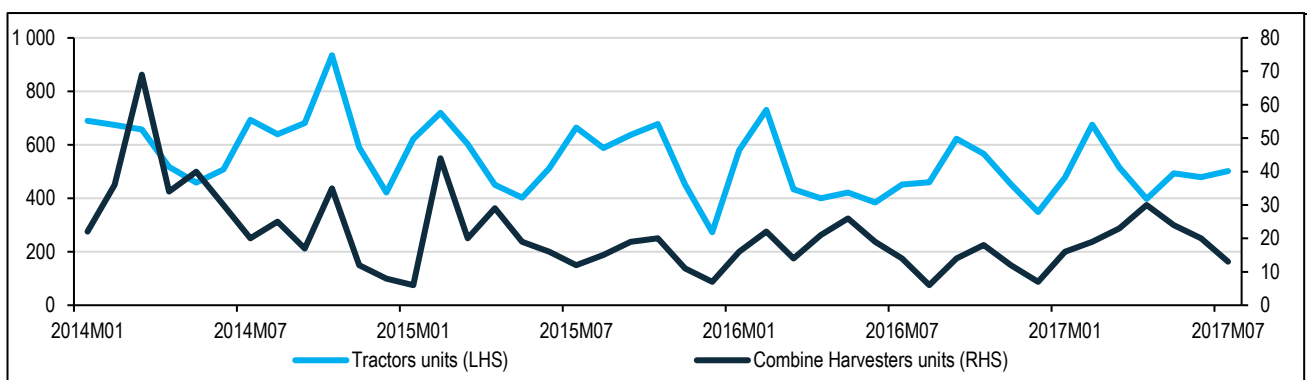


## SA tractor sales saw a notable uptick in July 2017

The good performance in the domestic currency in June and early part of July, coupled with expected large domestic grain and oilseed harvest boosted the tractor sales in July 2017. The sales were recorded at 502 units – up by 5% from June 2017 and 11% higher than the corresponding period last year. Although grain prices are under pressure, the higher yields per hectare have, to some extent, boosted farmers' incomes.

- As noted in our previous reports, South Africa has had a good run this year in terms of production. The 2017 summer grain and oilseed harvest is estimated at 18.44 million tonnes, which is a 96% annual increase<sup>1</sup>. The favourable summer rainfall, higher yields and an increase in area plantings are the key drivers of this rebound.
- Contrary to tractors, the combine harvester sales declined by 7% m/m and 35% y/y, with only 13 units sold in July 2017 (see **Chart 1**). This is lowest sales figure since December 2016. Furthermore, this decline came after five consecutive months of solid performance in harvester sales, owing to a good harvest. With that said, the decline in July 2017 figures is not surprising as the summer harvest process is virtually over across the country.
- Looking ahead** - We expect the tractor sales to remain stable in the near term, ahead of the new planting season which starts in October 2017. The combine harvesters' sales could remain weak in the near term and possibly gain momentum towards the end of the year when the winter crop harvest period commences. In the short-to-medium term, the key risk to the aforementioned is the weaker exchange rate.
- An important factor to monitor in the long term is the cost of servicing the farm debt, as it would have implications on the agricultural machinery sales performance<sup>2</sup>.

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**Chart 1: South African Agricultural Machinery Sales**

Source: SAAMA, Agbiz Research

<sup>1</sup> Summer grain and oilseed represent maize, sunflower seed, soybean, groundnuts, sorghum and dry beans.

<sup>2</sup> In 2016, South Africa's total farm debt was at R144.9 billion, which is a record level in a database starting from 1980.