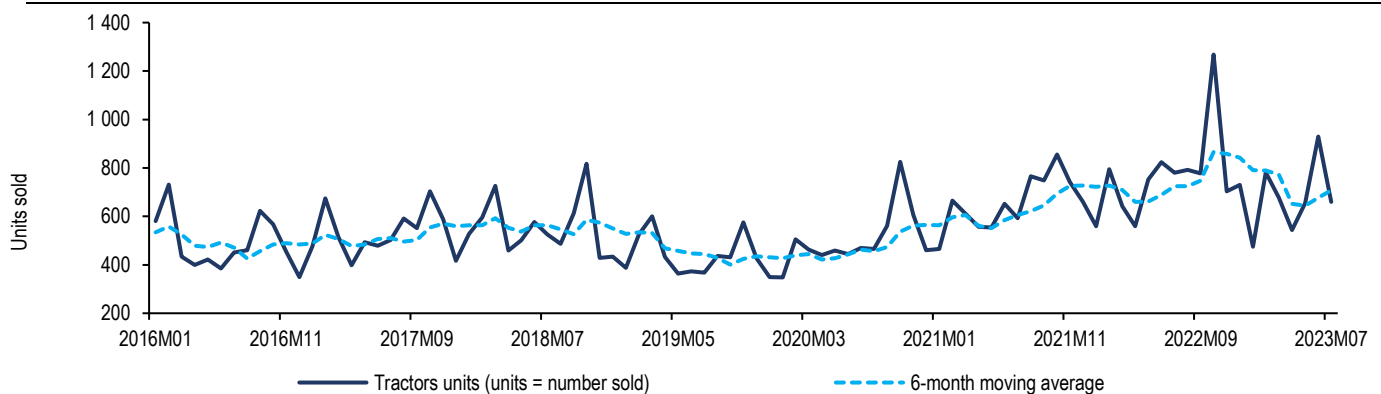


SA agricultural machinery sales declined in July 2023

- **We think the relatively more robust agricultural machinery sales of the first half of this year are a tail-end benefit of the past season when large harvests and higher commodity prices boosted grain farmers' finances.** Thus, we suspect that the delivery delays of the orders boosted the sales report for recent months.
- **July 2023 tractor sales were the sharpest annual decline this year, down 15,4% y/y, with 660 units. The combine harvester sales were down by 11% y/y, with 32 units sold.** Still, one will have to watch the sales of the next few months to understand whether we are now on a downturn in machinery sales or there will still be a continuation of the past few months delayed orders.
- **Our baseline view is that South African farmers have probably slowed agricultural machinery purchases.** While we have a large grain harvest on the horizon, with the 2022/23 maize harvest estimated at 16,4 million tonnes, the second largest on record, and soybeans at a record 2,8 million tonnes, the prices of these commodities have declined by roughly 13% y/y. Moreover, agricultural machinery sales have been robust in the past few years, so the replacement rate will be reasonably low for the next season.
- As we approach the 2023/24 summer crop production season, which starts in October, the farmers' focus will be the input costs. Although various input costs 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 in an environment where commodity prices have declined somewhat. Moreover, the higher interest rates also continue to pressure farmers' finances, thus adding to our downbeat view that agricultural machinery sales will likely be in the coming months.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research