

SA agricultural machinery sales remain subdued

- This has not been a good year for South Africa's agricultural machinery market. Tractor and combine harvester sales have been subdued since January, as illustrated in Figure 1. Nevertheless, this is unsurprising owing to a combination of factors. First, there were robust sales in 2018, which implies that the rate of replacement will likely be down this year. To illustrate this point; South Africa's total tractor sales for 2018 amounted to 6 680 units, up by 4% from the previous year. In terms of combine harvester sales, the year 2018 presented good performance, with 200 units sold, up by 2% from 2017. Second, the reduction in summer grains and oilseeds plantings due to unfavourable weather conditions have also contributed to the poor agricultural machinery sales this year as it weighs on farmers' finances. Lastly, the relatively weaker domestic currency to the US dollar might have also influenced the farmers purchasing decisions.**
- To dive into the details of May 2019 performance, figures released this morning by the South African Agricultural Machinery Association show that tractor sales fell by 27% y/y in May, with 364 units sold (Figure 1). This far exceeded our expectations of a 9% y/y decline, and can partly be explained by a combination of the aforementioned factors.
- In terms of combine harvesters, May 2019 sales were up by 69% from the corresponding period in 2018. This might be a temporary blip, as we suspect that farmers were making replacements ahead of the summer crop harvest activity which started last month in the eastern regions of South Africa. Going forward, we don't think there will be good activity in the coming months due to expectations of a poor summer grains and oilseeds harvest. To elaborate on this point, maize, soybean and sunflower seeds harvests are set to be down by 13% y/y, 16% y/y and 29% y/y to 10.9 million tonnes, 1.3 million tonnes, and 611 140 tonnes, respectively. This means that there will be reduced activity in the fields in the coming months, compared to 2018.

Figure 1: South African agricultural machinery sales

