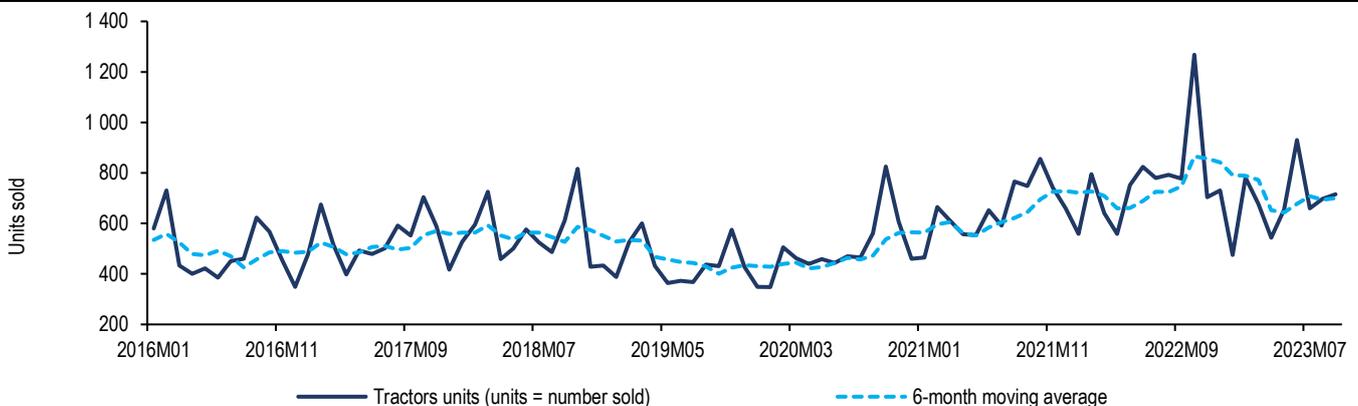


SA agricultural machinery sales slowed in September 2023

- The relatively more robust agricultural machinery sales of the first half of this year were primarily a tail-end benefit of the past season when large harvests and higher commodity prices boosted grain and oilseed farmers' finances. The delivery delays of the orders raised the sales figures for the first half of the year. Over the medium term, the sales will likely remain subdued despite the current 2022/23 large grain and oilseed harvest, but somewhat above long-term average levels.
- The recent months' sales point to this path. For example, South Africa's September 2023 tractor sales were down (-8% y/y), with 715 units sold. Surprisingly, the combine harvester sales remained slightly firm, with 18 units sold, up 6% from September 2022. Still, this comes after a notable decline in the previous months, which again speaks to the moderation in machinery sales.
- Although we have a large grain and oilseed harvest, 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, we don't expect a boost in machinery purchases. Furthermore, the prices of these commodities have declined by roughly 15% y/y, specifically maize. Also worth highlighting is that the agricultural machinery sales have been robust in the past few years; therefore, the replacement rate will be reasonably low.
- With the 2023/24 summer crop production season starting this month, the farmers' focus is on input costs. Although various input cost 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 continue to pressure farmers' finances, thus adding to our downbeat view of South Africa's agricultural machinery sales, although not as low as levels seen in 2017/18.

Exhibit I: South Africa's Tractor Sales



Source: South African Agricultural Machinery Association and Agbiz Research