

SA agriculture machinery sales could cool off in 2022

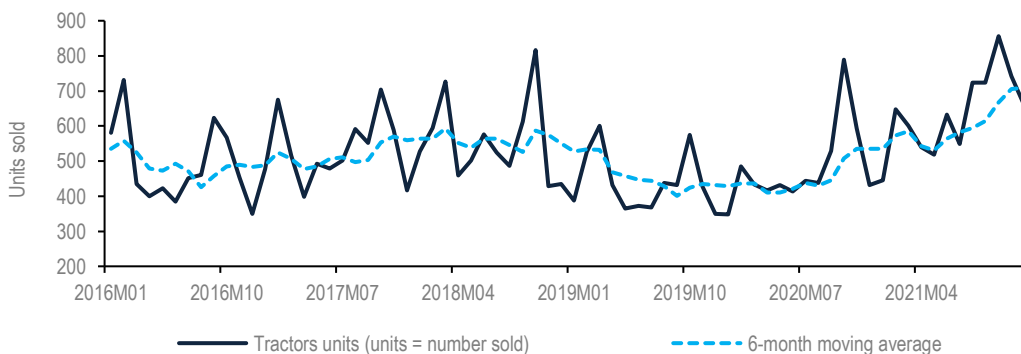
The year 2021 was generally a good agricultural season for particular subsectors such as the grain industry, and the interlinked industries like the agricultural machinery industry also benefited. South Africa's tractor sales for 2021 amounted to 7 680 units, up by 26% from the previous year. The combine harvester sales amounted to 268 units in the same period, up by 46% from 2020. Notably, 2020 was also an excellent year in South Africa's agricultural machinery sales, so surpassing it means 2021 was indeed an exceptional year. In 2020, the tractor sales amounted to 5 738 units, up by 9% from 2019. The combine harvester sales increased 29% from 2019, with 184 units sold in 2020.

The ample crop harvest of the 2020/21 production season (and the 2019/20 season), combined with generally higher commodity prices, specifically grains and oilseeds, helped boost farmers' incomes and, after that, their ability to procure the new and much needed agricultural machinery. The optimism at the start of the 2021/22 production season, supported by favourable weather conditions, also encouraged farmers to buy new agricultural machinery. Farmers planned to increase the area plantings at the start of the 2021/22 season by 3% from the 2020/21 production season to 4,3 million tonnes.¹

However, the excessive rains across the country since October 2021 have delayed plantings in some regions. Some areas that planted on time have experienced crop losses because of the flooding. The true impact of the rain on planting and yields will be clear on 27 January 2022 in terms of plantings data and 28 February in the case of area plantings. All available indications point to a possibly poorer season than 2020/21, which was the backbone of the robust tractors and combine harvester sales.

Hence, we are inclined to believe that the 2022 agricultural machinery sales will likely be more muted than the previous season. Moreover, the possible replacement rate of older machinery will likely be lower in 2022 as the past two years saw increased sales of the new machinery. Therefore, 2022 will, in all likelihood, not be a repeat of robust agricultural machinery sales, even if commodity prices could remain elevated for some time, as it could be the case from the preliminary indications in the global grains and oilseeds market.

Exhibit 1: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

17 January 2022

Wandile Sihlobo

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

www.agbiz.co.za

Disclaimer:

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

¹ Crop Estimates Committee, 2021. *The intentions of producers to plant summer crops for 2022*. Pretoria: DALRRD.