

SA agriculture machinery sales remained on a firm footing in October 2020

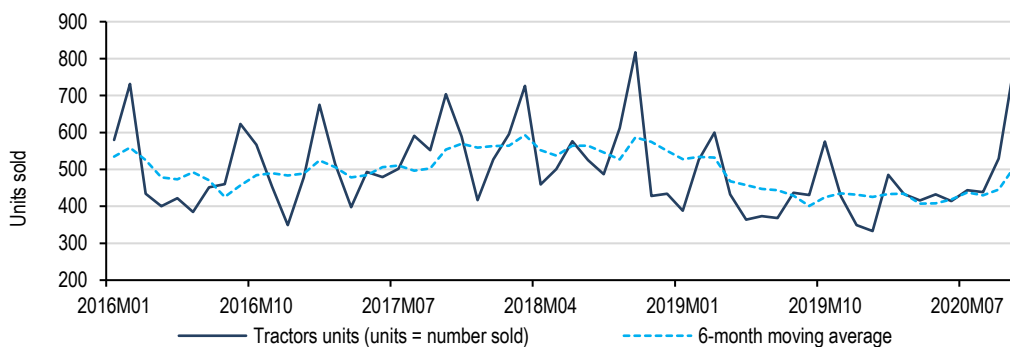
South Africa's agricultural machinery sales remained solid in October 2020. Tractor and combine harvester sales were up by 37% y/y and 136% y/y, with 789 units and 26 units sold, respectively. The tractor sales were boosted, to a certain extent, by improved farmers' financial position following a large summer grains harvest in the 2019/20 production season, combined with higher commodity prices. South Africa's 2019/20 maize, sunflower seed, and soybeans production was up 37% y/y, 16% y/y and 8% y/y, estimated at 15.4 million tonnes, 785 910 tonnes and 1.3 million tonnes, respectively.

In the case of combine harvester sales, the expected large winter crop has, in part, also contributed to the notable increase in sales in October 2020. South Africa's 2020/21 winter wheat, barley and canola harvest are estimated at 2.1 million tonnes (up by 39% y/y), 526 706 tonnes (up by 53% y/y) and 137 356 tonnes (up by 45% y/y), respectively. This large winter crops harvest is also supported by favourable weather conditions that were experienced in most regions of the country, primarily the Western Cape, which is the largest producing province of winter crops in South Africa.

The data for the first ten months of the year already show that the agricultural machinery sales performance will be much better than we anticipated at the start of the year and in 2019. This is, in part, because of the aforementioned large harvest. South Africa's tractor sales between January and October 2020 amounted to 4 713 units, up by 5% y/y. Meanwhile, the combine harvester sales in the same period amounted to 177 units, up by 24% y/y.

Looking ahead, we think South Africa's agricultural machinery industry could be subdued in 2021. There will likely be pressure from weak exogenous macroeconomic fundamentals such as the weaker domestic currency, which will lead to higher prices for imported agricultural machinery. Moreover, a year of relatively good sales is likely to be followed by a fairly lower sales period as the rate of replacement of machinery with new ones would ordinarily be down from the previous years.

Exhibit 1: South Africa's tractor sales



Source: South African Agricultural Machinery Association (SAAMA), Agbiz Research

09 November 2020

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.