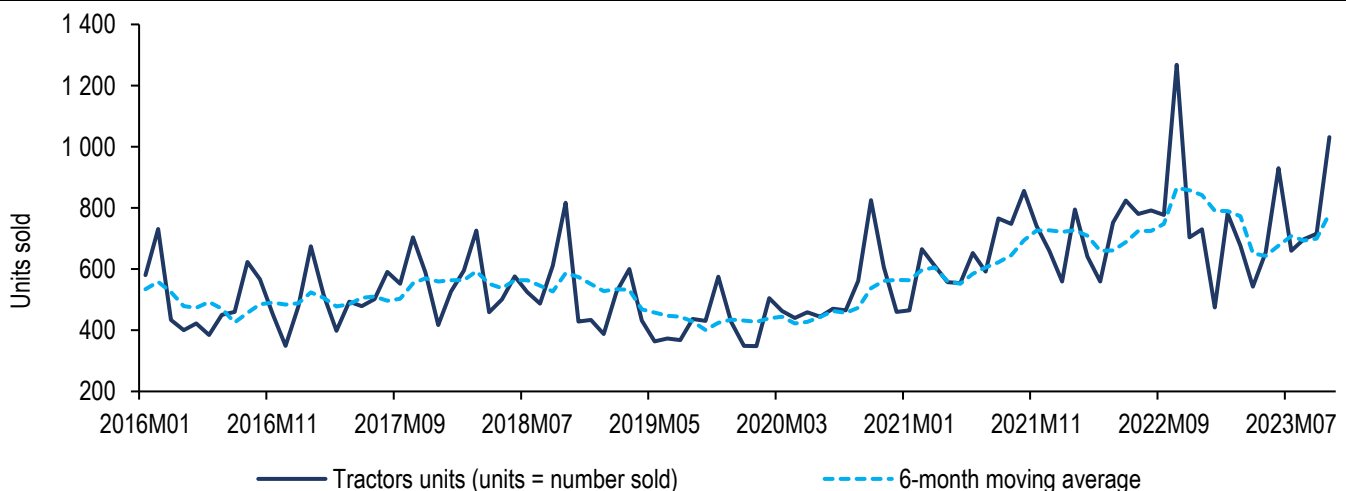


SA tractor sales declined in October 2023

- With South African farmers signalling a 2% y/y increase in the summer crop and oilseeds planting in the 2023/24 season, one would be forgiven in thinking that the tractor sales would probably also show an upturn from the moderately downward path we have been signalling these past few months. Still, we are convinced that the tractor sales will continue to soften in the months ahead. In fact, with the robust expected area planting, the tractor sales in October 2023 were down 19% year-on-year, with 1 031 units sold.
- Notably, the decline in sales is not farmers' pessimism about the 2023/24 summer crop season or fears of the looming El Niño but an adjustment in the tractors market after a couple of years of higher sales. The moderating trend would have probably been shown earlier in the year but was shadowed by the delayed deliveries that were mainly reported in the first half of the year tractor sales. In essence, solid sales of the first half of 2023 were primarily a tail-end benefit of the past season when large harvests and higher commodity prices boosted grain and oilseed farmers' finances, and the deliveries occurred later that order period.
- 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. For example, the 2022/23 maize harvest was estimated at 16,4 million tonnes, the second largest on record, and soybeans at 2,8 million tonnes. Furthermore, the prices of these commodities have declined notably in recent months. 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.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research