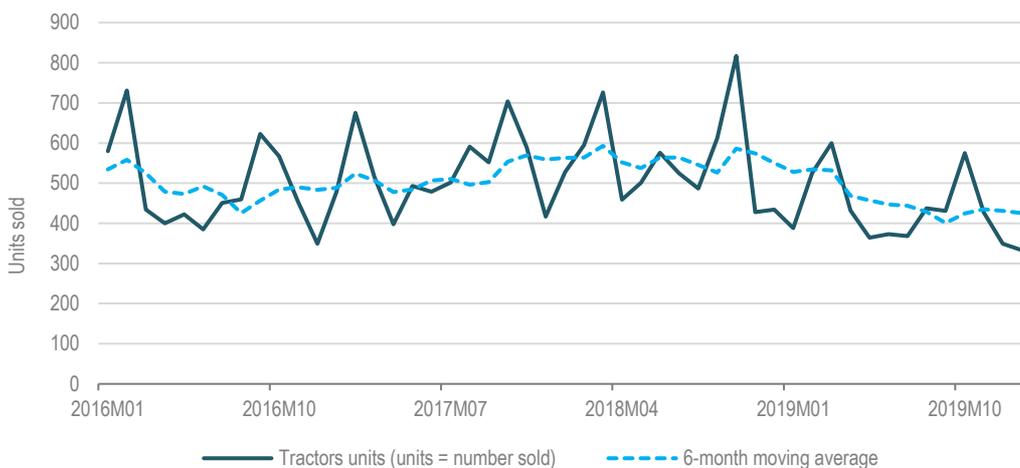


## SA tractor sales down notably in January 2020

The South African agricultural machinery market started the year on a bad footing. Tractor sales were down 14% y/y, with 333 units sold. This is the lowest monthly sales data that has been recorded over the past six years – see Exhibit 1.

### Exhibit1: South Africa's tractors sales



Source: SAAMA, Agbiz Research

This sales data is, however, unsurprising as it is a continuation of the 2019 tractor sales trend. That year, farmers' incomes were constrained because of poor harvests on the back of drought and biosecurity issues, amongst other aspects. As we have consistently pointed out in the previous posts, the drought which led to lower agricultural output in 2019 is not the full story. It's worth remembering that in 2018 South Africa's agricultural machinery sales were relatively robust, which implies that the rate of replacement in 2019 was going to be low<sup>1</sup>.

What's more, there have been questions about whether agricultural policy, which has dominated the headlines in the past few years (certainly between 2017 and 2019), has influenced farmers' attitudes on investments. To this end, we continue to monitor, through the Agbiz/IDC Agribusiness Confidence Index (ACI)<sup>2</sup>, the influence of policy discussions on agricultural investment. Certainly, sentiment in the farming sector has generally been subdued for the past six quarters (counting from Q4, 2019). This is the longest period the ACI has trended below the neutral 50-point mark points since 2010, which implies that agribusinesses are downbeat about business conditions in South Africa.

However, we are yet to have a full picture of the sector's fixed investment numbers for 2019. What we found rather comforting thus far is that fixed investments in the sector did not decline notably in 2018. Be that as it may, the subdued confidence levels suggest a need for urgency in moving the policy levers to ensure that, at least matters that are in the South African policymakers' reach are well addressed in the interest of sustainable growth of the agricultural and agribusiness sector.<sup>3</sup>

<sup>1</sup> South Africa's total tractors and combine harvesters' sales for 2018 amounted to 6 687 units and 200 units, up by 4% y/y and 2% y/y, respectively.

<sup>2</sup> The Agbiz/IDC Agribusiness Confidence Index can be access here: <https://agbiz.co.za/economic-intelligence-1/agribusiness-confidence>

<sup>3</sup> For more context on this, read the Agbiz/IDC Agribusiness Confidence Index statement of Q4, 2019, here <https://agbiz.co.za/economic-intelligence-1/agribusiness-confidence>

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