

SA's agriculture machinery sales remain on a positive path

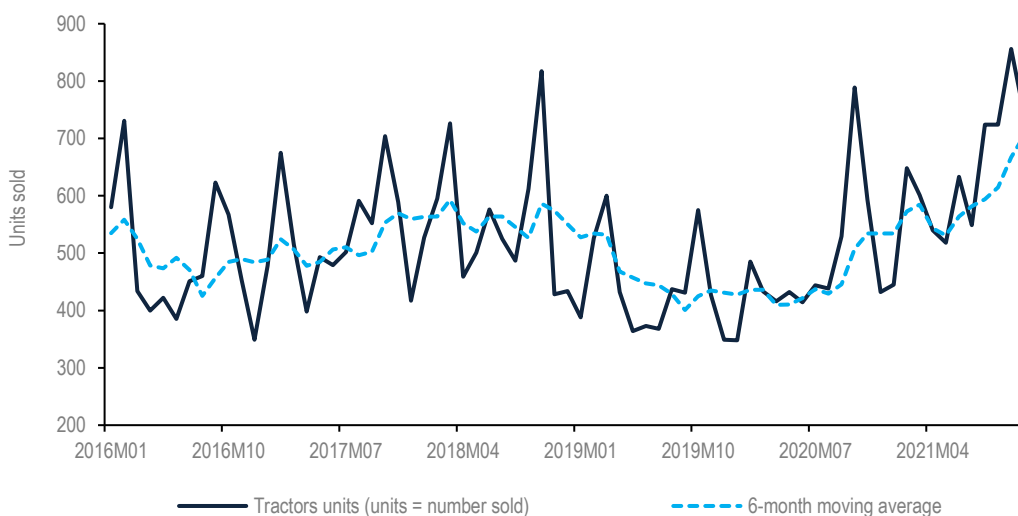
South Africa's agricultural machinery sales have been robust for over a year. In November 2021, the tractor sales of 742 units, up by 22% y/y. Meanwhile, the combine harvester sales of eight units, double the units sold in the same month last year. This placed the total tractor sales for the first 11 months of this year at 6 980 units, up by 25% y/y. The combine harvester' sales increased by 38% y/y over the same period, with 250 units sold.

As noted in the previous commentaries, 2020 was also a good year in South Africa's agricultural machinery sales, so surpassing it means we are witnessing some good momentum this 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.

These robust sales were supported by the large summer grains, and oilseeds harvest in 2019/20. Yet, 2020/21 was another excellent agricultural season and coincided with higher commodities prices boosting farmers' finances and, subsequently, the machinery sales. Importantly, this year's data also points to the farmers' optimism about the 2021/22 summer crop production season, whose planting started in October. Moreover, the favourable weather outlook and attractive grain prices are catalysts for a potentially good season. The farmers intended to plant 4,34 million hectares of summer grains and oilseeds. This is up by 5% from the 2020/21 production season. The winter crops are also poised for a large harvest, although the quality has deteriorated in some regions following excessive rains during the harvest period.

In sum, we had initially thought the sales would cool off in the last two months when plantings have advanced and winter crop harvest also at the tail end, but the recent data for November has proved us wrong. The optimism persists in the sector, and the annual agricultural machinery sales for 2021 will likely be significantly larger than the previous year.

Exhibit 1: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

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