

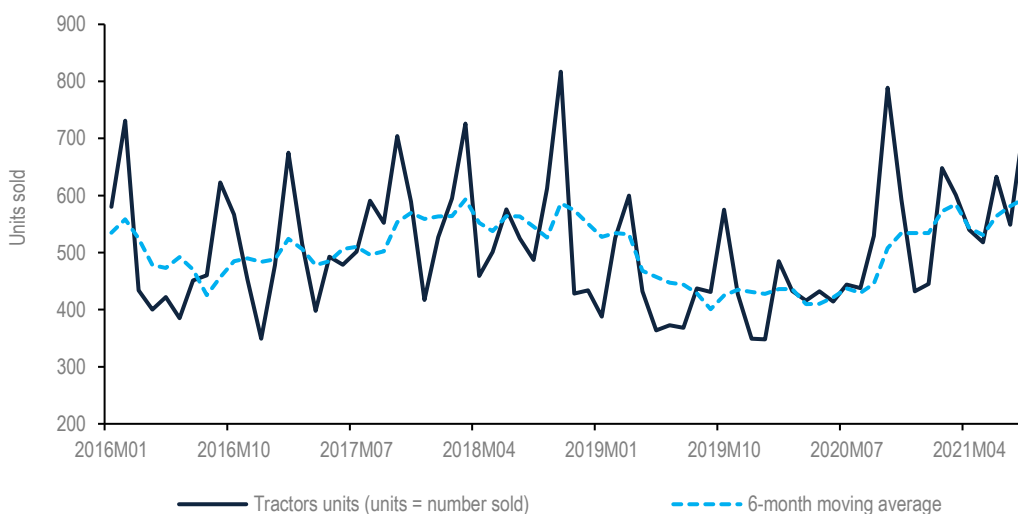
South Africa's agriculture machinery sales were robust in the first nine months of the year

This past week, the South African Agricultural Machinery Association indicated that tractor and combine harvesters sales were up by 29% and 91% in September 2021 compared with the corresponding period last year, with 724 and 21 units sold. This placed total tractor sales for the first eight months of this year at 5 382 units, up by 30% year-on-year (y/y). Combine harvester sales were also up 30% y/y over the same period with 197 units sold. As we 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 were up 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 point to the farmers' optimism about the 2021/22 summer crop production season, whose planting has recently started in the country's eastern regions. Moreover, the favourable weather outlook, prospects of a La Niña, and attractive grain prices are another catalyst for a potentially good season with decent area planted in 2021/22.

Looking ahead, we think the agricultural machinery sales will cool off in the last quarter of the year. We fear that the rising input costs, such as fertilizers, herbicides and fuel, could add pressure on farmers' finances and thus lead to a change in machinery-buying decisions. Also, the planting will be in full swing, and there will be little incentive to invest in new machinery. Still, the pace of sales in the first nine months of the year convinces us that, in aggregate, the annual sales for 2021 could still be 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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