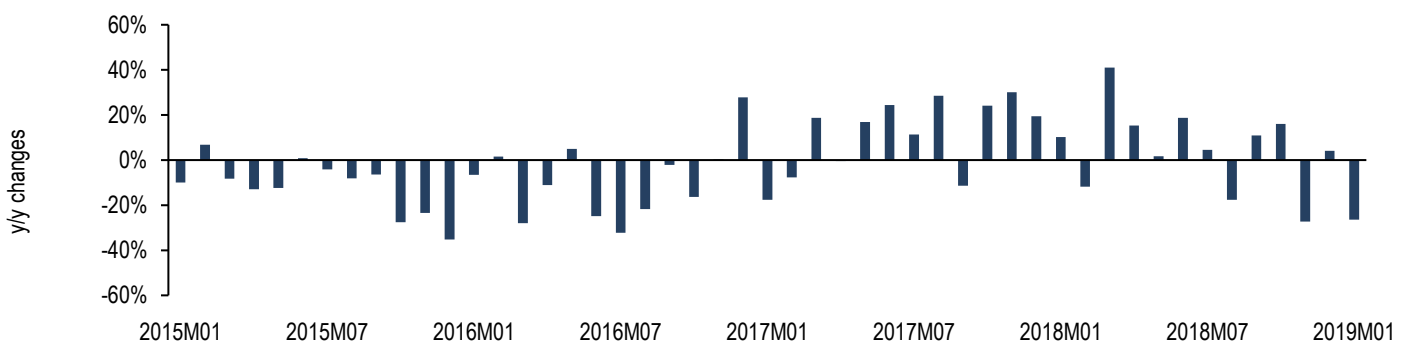


SA agricultural machinery sales had a poor start into 2019

- South Africa's agricultural machinery industry experienced a rough start of the year with tractor and harvester sales down by 26% y/y and 50% y/y in January 2019. While we didn't anticipate the magnitude of a decline in sales, the trend is not surprising as some farmers made notable purchases of equipment in the past few months, and also the fact that the 2018/19 summer crop production season has not been favourable due to dryness in the western parts of the country. In the near term, we don't expect any recovery in sales as production prospects remain bleak for major summer grains and oilseeds.**
- Figures released this morning by the South African Agricultural Machinery Association show that tractor sales fell by 26% y/y to 388 units in January 2019. This is the lowest sales volume for this particular month in a dataset starting from 2014, albeit unsurprising following robust sales in the past few months (see Figure 1), as well as the fact that summer crop area planting for 2018/19 production season is down by 7% y/y, at 3.6 million hectares.¹
- In terms of combine harvesters' sales, January 2019 sales fell by 50% y/y to four units, which is also the lowest sales figure for the corresponding month in a dataset for the past five years. Similarly to tractors, some farmers made notable harvester sales over the past few months, hence there is a decline in last month's sales. Moreover, the winter crop harvest process had generally been completed in major winter crop growing areas last month.
- Overall, while we cannot deduce much about the agricultural machinery investment path from one month's data, we suspect that the sales this year will generally be subdued due to expectations of a poor harvest on the back of unfavourable weather conditions and a reduction in area planted.

Figure 1: Year-on-year percentage change in South African tractor sales



Source: South African Agricultural Machinery Association, Agbiz Research

¹ Summer crops refers to white maize, yellow maize, sunflower seed, soybeans, groundnuts, sorghum and dry beans.

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.