

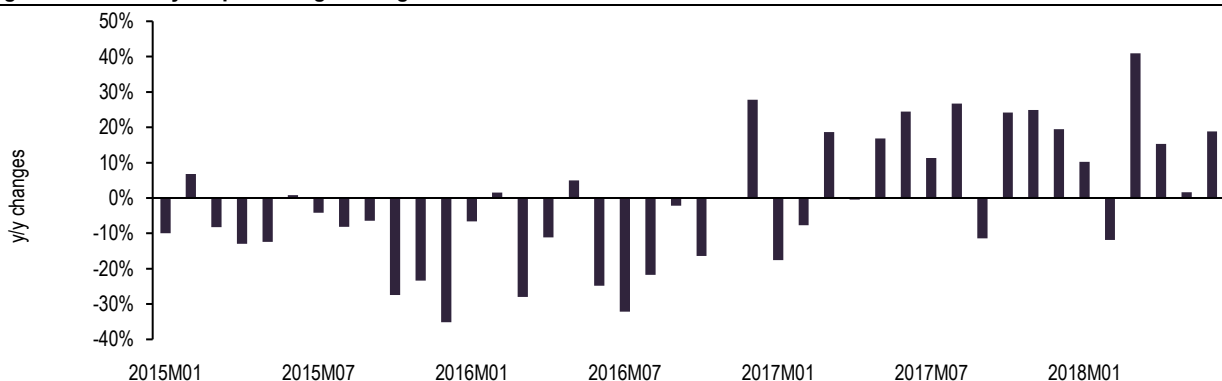
South African tractor sales grew by 19% y/y in June 2018

The South African tractor sales increased by 19% y/y in June, with 569 units sold, which is the highest sales figure for the corresponding month in a dataset starting from 2014. This far exceeds our expectations of modest sales of 471 units, which is a surprise given that June is a fairly quiet month in terms of planting for both summer and winter crop areas. In the same period, the harvester sales were also solid, up by 25% y/y, with 25 units sold. This is largely driven by the ongoing harvest process in the summer crop areas of the country.

- The uptick in last month's tractor sales can partially be attributed to competitive pricing as new players continue to enter the South African agricultural machinery market. Drawing from the historical data, July 2018 tractor sales are likely to remain solid and could potentially reach 578 units.
- The combine harvester sales also increased, coinciding with the summer grain and oilseed harvest period. July 2018 sales are likely to remain strong given the expected large summer crop production. Last month, most summer crop production forecasts were revised up from May 2018 levels, with the exception of sunflower seed, sorghum and dry beans which were left unchanged. Most notable, maize production estimate was lifted by 2% from May 2018 to 13.2 million tonnes, with soybean production estimated at an all-time high of 1.6 million tonnes. Maize harvest process has recently started, while soybean is towards completion. This means that there is still room for a potential uptick in harvester sales for this month.
- Overall, we are fairly optimistic about tractor sales in the near term, but the exchange rate and agricultural commodity prices are important factors to monitor which could potentially influence farmer's purchasing decisions. The harvester sales will likely remain solid due to expected large summer grain and oilseed harvest.

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



Source: SAAMA, Agbiz Research

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.