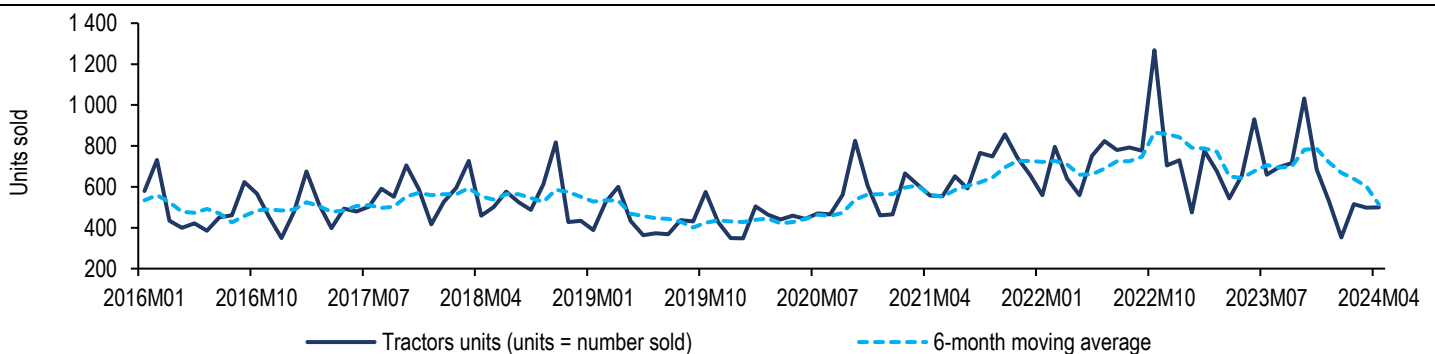


## South Africa's agricultural machinery sales declined in April 2024

- South Africa's tractor sales were down 8% y/y in April 2024, with 500 units sold. The combined harvester sales were down 75% y/y in the same month, with 26 units sold. The persistent decline in sales since the start of the year reflects the normalization of sales after a few years of robust activity.
- For example, South Africa's tractor sales for 2022 amounted to 9,181 units, up 17% y/y. This was the highest annual sales figure in the past 40 years. The combine harvesters also had an excellent performance of 373 units in 2022, up 38% y/y. This was the highest yearly sales figure since 1985. In 2023, the tractor sales were down marginally from the previous year, while the combine harvester sales held the last year's momentum. These past few years, the generally strong agricultural machinery sales were primarily supported by ample grains and oilseed harvests when prices were also favourable.
- Against this backdrop, we believe agricultural machinery sales are on the normalization path this year. Also worth noting is that while in the past, agricultural machinery sales would be read as one of the early indicators of the health of the farming sector, this time around, one should read these sales differently for the reasons we stated above.
- Still, the South African agricultural sector is not in good shape because of the harsh El Niño impact on summer grains and oilseed production. The Crop Estimates Committee, at the end of April 2024, placed South Africa's 2023/24 total grain and oilseeds production at 16,0 million tonnes, which is 20% lower than last season's harvest. This year's overall decline in production prospects is primarily due to poor yields, not the area reduction, as farmers tilled more land than in the 2022/23 season.
- Moreover, the higher interest rates have added pressure to farmers' finances. Also, although various input cost prices, such as fertilizer and agrochemicals, softened since 2023, the prices are still generally well above the pre-COVID levels, thus adding pressure on farmers' finances.

### Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research