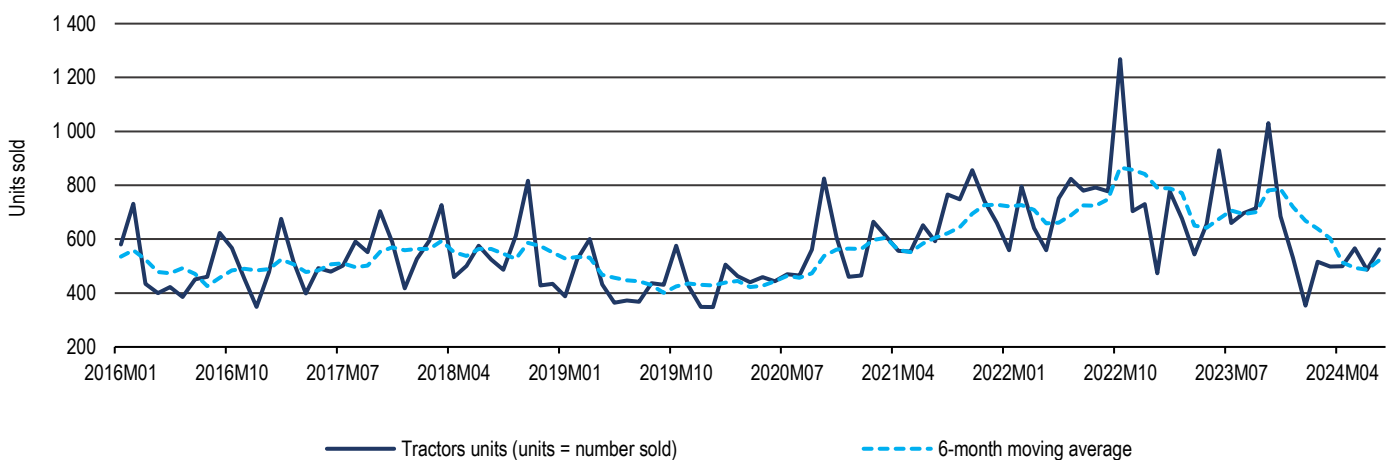


South Africa's agricultural machinery sales remain weak

- Following a few years of robust sales, South Africa's agricultural machinery industry is normalizing. Thus, the sales have been relatively weak since the start of this year. The replacement rate of new machinery was bound to slow, even temporarily. The latest data is no different. For example, tractor sales were down 15% year-on-year in July, with 563 units sold. The combine harvester sales are down 75% year-on-year, with eight units sold.
- The persistent decline in sales since the start of the year is unsurprising and aligned with our expectations. We have long anticipated that there would be some correction after a long period of strong tractors and combine harvesters sales. The sales of the past few years were a function of both years of ample grain and oilseed harvest that coincided with high commodity prices and boosted farmers' incomes. For example, we have previously stated that South Africa's tractor sales for 2022 amounted to 9,181 units, up 17% year-on-year. 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% year-on-year. 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 prior year's momentum.
- However, this year, we think the correction in the market and weakened farmers' financial positions because of the poor crop have impacted their machinery procurement decisions. South Africa's 2023/24 summer grain and oilseed harvest was hit by a harsh mid-summer drought, resulting in a 21% year-on-year decline to an expected harvest, now at 15,9 million tonnes. Furthermore, the higher interest rates have added pressure to farmers' finances.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research