

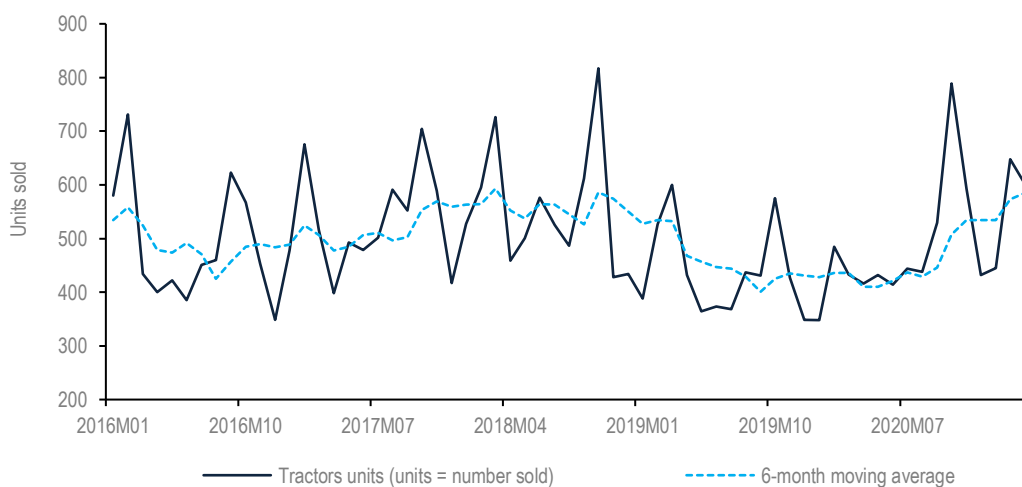
## South Africa's agricultural machinery sales remained on a solid footing in March 2021

The growth in South Africa's agricultural fortunes has benefited the allied industries. This is true in the agricultural machinery sales, which have been on a positive footing for a while. The sale has been supported by improved farmers' finances on the back of the large harvest in 2019/20 and prospects for yet another good agricultural season in 2020/21. The figures released by the South African Agricultural Machinery Association last week show that tractors and combine harvesters' sales were up by 30% y/y and 4% y/y in March 2021, with 601 and 27 units sold respectively.

To recap on the year's agricultural prospects, the South African Crop Estimates Committee forecasts 2020/21 summer grain and oilseeds production at 18,7 million tonnes, up 6% y/y. The upward adjustments were on maize, soybeans, sorghum and groundnuts, whereas sunflower seed and dry bean production are lower than the 2019/20 production season. Viewed from these data, South Africa is looking at its second-largest harvest on record. If weather conditions remain reasonably dry in the next few months, the crop quality could also be good, which will potentially bode well for farmers' incomes.

Nevertheless, we are not as optimistic about the agricultural machinery sales outlook in the coming months. The expected large harvest in the 2020/21 production season might not lead to sustained sales and another year of higher agricultural machinery sales. Typically, a relatively good sales year, such as 2020, is likely to be followed by a somewhat lower sales period. The replacement rate of machinery with new ones would usually be down from the previous years. Moreover, there will likely be pressure from weak exogenous macroeconomic fundamentals such as the weaker domestic currency, which will likely lead to higher prices for imported agricultural machinery and discourage sales.

### Exhibit 1: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research

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**Wandile Sihlobo**

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

www.agbiz.co.za

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