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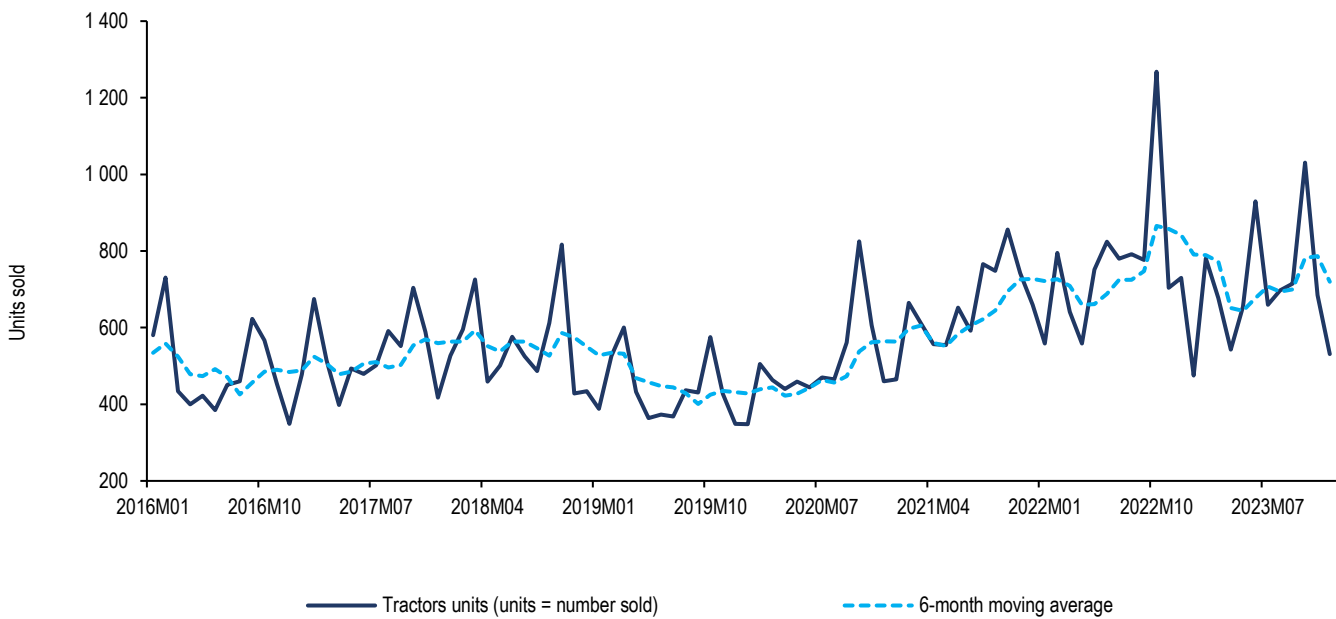
## What underpinned the mixed performance of South Africa's 2023 agricultural machinery sales?

- South Africa's field crop harvest was excellent in the 2022/23 season. For example, the 2022/23 maize harvest amounted to 16,4 million, 6% higher than the 2021/22 season's harvest and the second-largest harvest on record. Soybean harvest is at a record 2,8 million tonnes. South Africa's sugar cane crop was 18,5 million tonnes in 2023/24, up 3% y/y. Other field crops and fruit harvests were also decent in 2023.
- Still, this excellent performance did not translate into overall robust agricultural machinery sales as it has been in the past. South Africa's agricultural machinery sales painted a mixed picture in 2023. Tractors amounted to 8 380 units, down by 9% from 2022.
- The decline in tractor sales is unsurprising, as we expected the sales to cool off following a few years of excellent activity. For example, South Africa's tractor sales for 2022 amounted to 9,181 units, up 17% y/y and the highest annual sales for the past 40 years.
- Meanwhile, the combine harvesters amounted to 505 units, up notably by 35% y/y. This follows an excellent performance of 373 units in 2022, up 38% y/y and the highest yearly sales figure since 1985. These strong combine harvester sales are primarily on the back of large grain and oilseed harvest.
- There are several factors behind the slight decline in tractor sales. Chief amongst them is the lower replacement rate of older tractors, as the past three years saw increased new machinery sales. Moreover, the rising interest rates added pressure to farmers' finances.
- The relatively weaker rand exchange rates also negatively influenced the farmers' machinery buying decisions.
- Also worth noting is that while other input cost prices, such as fertilizer and agrochemicals, have softened in 2023, the price levels were still well above long-term levels, thus adding pressure on farmers' finances.
- Over the medium term, the sales will likely remain subdued despite the promising agricultural season in 2023/24. The same factors underpinning the agricultural equipment market will likely prevail in the 2023/24 season.
- Still, the agricultural conditions are excellent. The weather conditions have remained reasonably favourable across South Africa, thus benefiting the crops. At the start of the 2023/24 summer crop

production season, farmers intended to plant 4,5 million hectares of land, which is up 2% from the previous season.

- Given the optimistic feedback about crop growing conditions from the Grain South Africa survey, we feel compelled to believe that farmers met their expected planting area in most provinces. If there are any reductions in area, they will likely be in the white maize regions of the North West.
- At the end of this month (30 January 2024), the Crop Estimates Committee will release its preliminary area planted estimate for summer grains 2024. This data will give us a better sense of the planted area and potential harvest size. The large combine harvester sales of 2023, will likely be put into good use in the 2023/24 season as the harvest could be ample as in the previous years.

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



Source: South African Agricultural Machinery Association and Agbiz Research