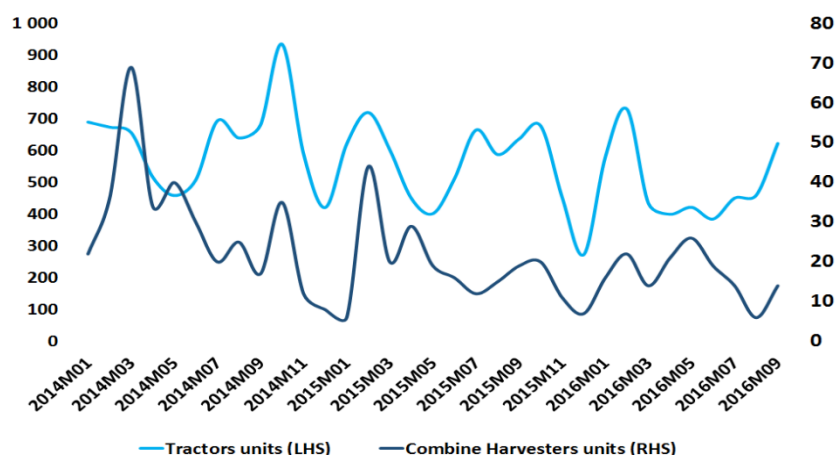


## UPDATE: South Africa's agricultural machinery sales decline – 12 October 2016

- The recent agricultural machinery sales data released by the South African Agricultural Machinery Association indicates that in September 2016, combine harvester sales were down by 26% when compared to September 2015— with only 14 units sold. This is the highest sales level over the past three months and, to some extent, is reflective of reduced harvest activity that follows lower crop production. At the same time, tractor sales were marginally down by 2.2% y/y, with 623 units sold (see **Chart 1**). This is 35% higher than the previous month's sales, and mirrors increased field activity as the agricultural sector approaches the summer crops planting season. In the eastern side of South Africa, optimal planting dates for crops such as maize is 15 October to 15 November. Meanwhile, in western parts of the country, the optimal maize planting window is 15 November to 15 December.
- Looking ahead**, we believe that this tractor sales trend could continue, as sowing activity progresses. That said, we expect the sales to soften towards the end of the year into the first quarter of 2017, in line seasonal activity. Contrary to tractor sales, combine harvester sales could soften in the coming month, but gain traction towards the end of the first quarter of 2017 when summer crops approach the harvest period. With that being said, weather remains a key risk in the near future. Current forecasts present a promising outlook with signs of possible rainfall across the eastern side of South Africa over the next 16 days. Moreover, last week the South African Weather Services indicated that the country could receive above normal rainfall towards the mid-summer and that this could benefit summer crops.
- A key risk is an **escalating farm debt, which increased by 7% to R125 billion in 2016, from R117 billion in 2015**. In future, this could potentially reduce farmers' ability to further invest in machinery and equipment. In addition, the **volatile Rand against the US Dollar also remains a key risk in the agricultural machinery market**.



**Chart 1: South Africa's agricultural machinery sales**

Source: South African Agricultural Machinery Association and Agbiz Research

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