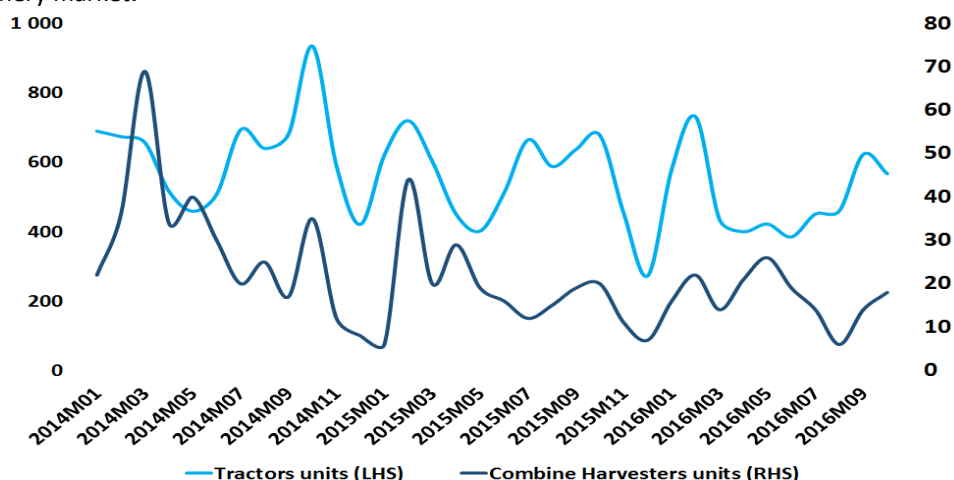


## UPDATE: South Africa's agricultural machinery sales decline – 16 November 2016

- Recent agricultural machinery sales data indicates that in October 2016, **tractor sales** were down by 16% when compared to October 2015 — with only 567 units sold. Moreover, this was 9% lower than the previous month's sales. Although this is a disappointing figure for a planting season, it is the fifth highest sales level over the past thirteen months and, to some extent, reflective a potential recovery in the agricultural sector.
- At the same time, **combine harvesters** sales were down by 10% year-on-year (y/y), with only 18 units sold (see **Chart 1**). However, this was 29% higher than the previous month's sales, and mirrors an increased field activity around winter crops growing areas. South Africa's 2016 wheat production is estimated at 1.73 million tons which is 20% higher than the previous season's harvest. Moreover, 2016 canola production is estimated at 108 860 tons, up by 17% from the previous season.
- Looking ahead**, we believe that **tractor sales** could maintain the current trend, as sowing activity is already in full swing and few farmers will potentially make purchases in the coming months. That said, tractor sales could again see traction around mid-2017 when winter crops farmers commence their planting activity.
- Combine harvester** sales could gain momentum over the coming months due to expected recovery in summer crops production. Recent planting intentions data indicated that South African farmers could plant 3.75 million hectares of summer crops this year, up by 15% y/y. Subsequently, production is likely to follow a similar trend if weather conditions remain favourable throughout the season.
- Overall, 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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