

UPDATE: South Africa's agricultural machinery sales see slight uptick – 12 December 2016

- **Recent agricultural machinery sales data indicates that in November 2016, tractor sales were up by 0.2% when compared to November 2015 — with 453 units sold. However, this was 20% lower than the previous month's sales. At the same time, combine harvesters sales were up by 9% year-on-year (y/y), but 33% lower than the previous month's sales – with only 12 units sold (see Chart 1).**
- The **tractor sales** results are in line with the seasonal trend. Summer crops plantings are virtually over in most areas, particularly the eastern and central parts of South Africa. Therefore, the results mirror the reduced activity in the fields. Similarly, the **combine harvesters'** sales data mirror the reduction in field work activity, as winter crops¹ harvest has been completed in most areas of the country.
- **Looking ahead** - we believe that **tractor sales** could maintain the current trend, as planting activity is already at final stages and few farmers will potentially make purchases in the coming months. With that said, the tractor sales could gain momentum around mid-2017 when winter crops farmers commence their planting activity. The **combine harvester** sales could increase 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.
- We view the escalating farm debt as a key risk as it could potentially reduce farmers' ability to further invest in machinery and equipment in the foreseeable future². Lastly, the volatile Rand against the US Dollar also remains a key risk in the agricultural machinery market.

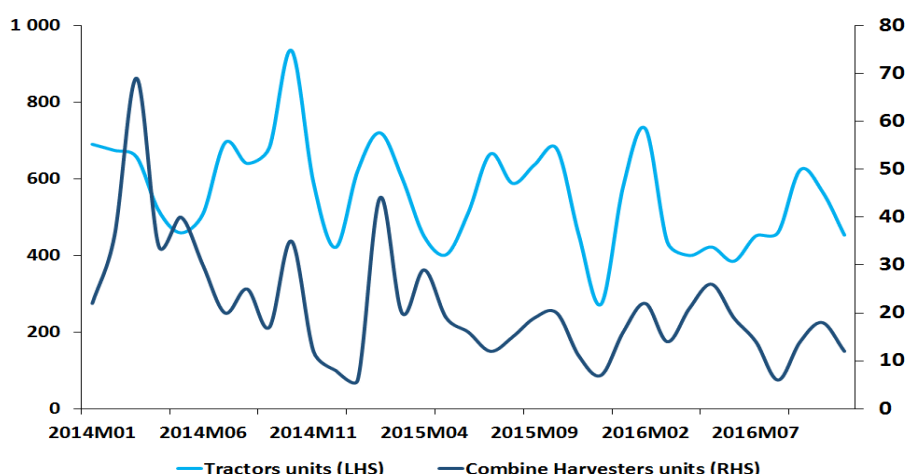


Chart 1: South Africa's agricultural machinery sales

Source: South African Agricultural Machinery Association and Agbiz Research

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Disclaimer: Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any losses or damage incurred due to the usage of this information

¹ Winter crops represent wheat, canola and barley.

² Farm debt increased by 7% to R125 billion in 2016, from R117 billion in 2015.