

UPDATE: SA's agricultural machinery sales paint a mixed picture – 12 January 2017

- **Recent agricultural machinery sales data indicates that in December 2016, tractor sales were up by 28% when compared to December 2015 — with 349 units sold. However, this was 23% lower than the previous month's sales. Meanwhile, combine harvester sales were at the same level as for December 2015 – with only 7 units sold (see Chart 1). That said, this was 42% lower than the previous month's sales.**
- The month-on-month decline in **tractor sales** reflects the seasonal trend. Summer crops plantings were virtually over in most areas in December 2016, particularly in the eastern and central parts of South Africa. However, the year-on-year uptick is reflective of the overall increase in summer crops area plantings. The National Crop Estimate Committee indicated that farmers intended to increase 2017 summer crops area by 15% from the previous year to 3.75 million hectares.¹ The **combine harvester** sales data mirror the reduction in field work activity, as winter crops harvest was already at final stages².
- **Looking ahead** - we believe that **tractor sales** could maintain the current trend over the next few months, as planting activity is already at final stages. 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. With planting intentions data suggesting an increase in area plantings, as well as favourable weather conditions, summer crops production could recover and that will later lead to an increase in activity during the harvest period.
- Overall, we continue to view the escalating farm debt as a key risk that could potentially reduce some farmers' ability to further invest in machinery and equipment in the foreseeable future³.

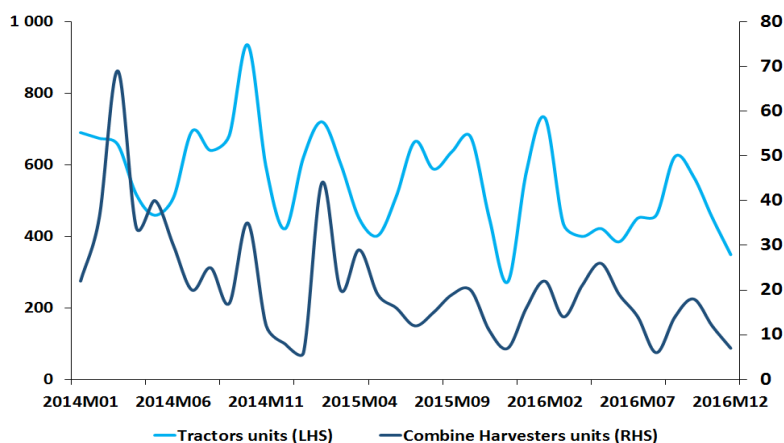


Chart 1: South Africa's agricultural machinery sales

Source: South African Agricultural Machinery Association and Agbiz Research

Wandile Sihlobo (+2712 807 6686, wandile@agbiz.co.za)

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 Summer crops represents maize, sunflower seed, soybean, groundnuts, sorghum and dry beans.

² Winter crops represent wheat, canola and barley.

³ Farm debt increased by 14% to R133 billion in 2015, from R117 billion in 2014.