

UPDATE: SA's agricultural machinery sales show a monthly uptick – 07 February 2017

- **Recent agricultural machinery sales data indicates that in January 2017, tractor sales were down by 18% when compared to January 2016 — with 478 units sold. However, this was 37% higher than the previous month's sales. Meanwhile, combine harvester sales were at the same level as for January 2016 – with only 16 units sold (see Chart 1). With that said, this was double the sales seen in December 2016.**
- The month-on-month increase in **tractor sales** reflects a seasonal trend. Moreover, this could also be driven by the late planting activity, particularly in the western parts of the country. A large part of the North West province and western parts of the Free State province received late rainfall, which delayed planting activity to a period of late December 2016 to early January 2017. Moreover, this year South Africa saw a 19% annual increase in summer crops area to 3.88 million hectares¹. In part, the monthly upswing in **combine harvester** sales could be due to late harvest activity around the Free State province wheat producing regions.
- **Looking ahead** - we believe that **tractor sales** could see a slightly downward trend over the next few months, as summer crops planting activity has been completed. 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 an expected recovery in summer crops production. South Africa's summer crops are currently in good condition in most areas and set to benefit from forecast rainfall over the coming weeks. For major crops such as maize, we believe that total production could reach at least 11.9 million tons (compared to 7.5 million tons the previous season). This is under the assumption that the country could receive a normal rainfall pattern throughout the remainder of the season. 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 future².

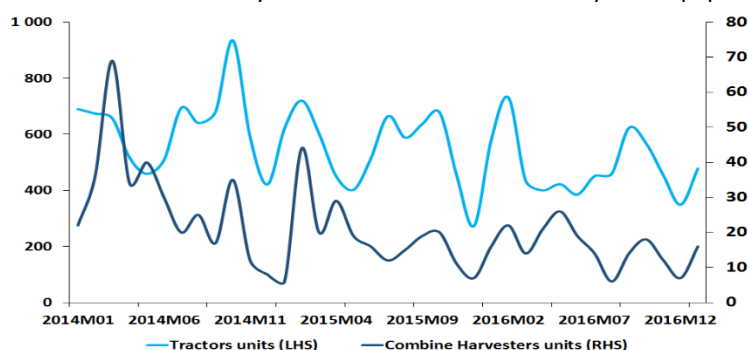


Chart 1: South Africa's agricultural machinery sales

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

² Farm debt increased by 14% to R133 billion in 2015, from R117 billion in 2014.