

Good performance in SA tractor sales ahead of the planting season

The sustained good performance in the domestic currency over the past few months, coupled with a large domestic grain and oilseed harvest boosted tractor sales in August 2017¹. Although grain and oilseed prices remain depressed, the higher yields per hectare have, to some extent, improved farmers' incomes. The tractor sales were recorded at 583 units – up by 16% from July 2017 and 27% higher than the corresponding period last year. More importantly, this ahead of the new production season which commences next month, thus signalling farmers' readiness for the upcoming season.

- Soil preparations for the 2017/18 summer grain and oilseed production season typically starts in October in the eastern parts of the country. Meanwhile, the western areas only begin in November. Apart from the sales, the upcoming season could be normal with average rainfall, which bodes well for summer crops².
- Contrary to tractor sales, the combine harvester sales fell by 8% m/m, with only 12 units sold in July 2017 (**Chart 1**). This is a lowest sales figure in eight months, not surprising as it a downtime with the farmers preparing for the new summer crop season. The winter production areas are still far away from harvesting.
- **Looking ahead** - We expect the tractor sales to remain stable in the near term ahead of the summer crop planting season. Meanwhile, the combine harvesters' sales could remain weak over the near term and possibly gain momentum towards the end of the year when the winter crop harvest period commences.
- An important factor to monitor in the long term is the cost of servicing the farm debt, as well as the currency performance as these would have direct implications on the agricultural machinery sales³.

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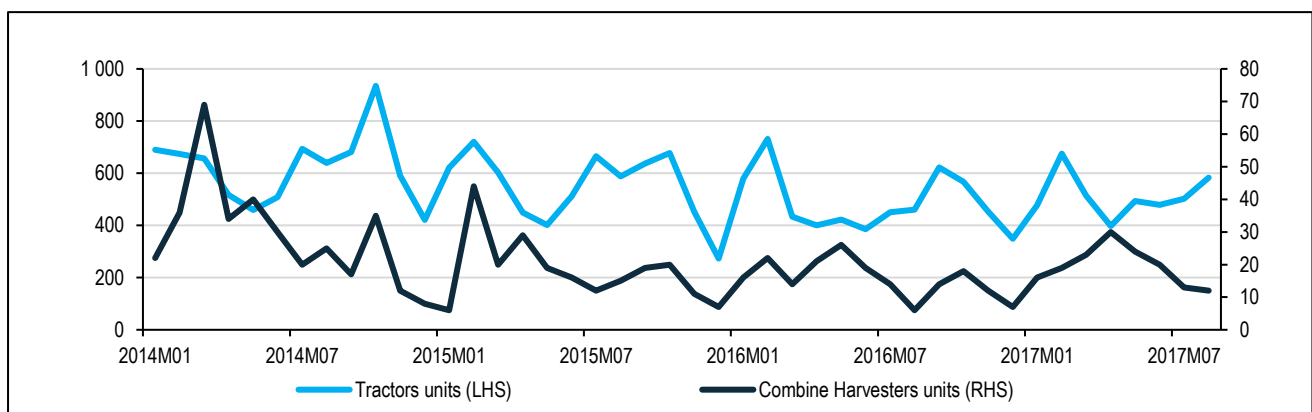


Chart 1: South African Agricultural Machinery Sales

Source: SAAMA, Agbiz Research

¹ The 2017 total summer grains production are estimated at 18.91 million tonnes, double the previous season's volume.

² Please see the link for more details on weather outlook: <http://www.bom.gov.au/climate/enso/outlook/>

³ In 2016, South Africa's total farm debt was at R144.9 billion, which is a record level in a database starting from 1980.