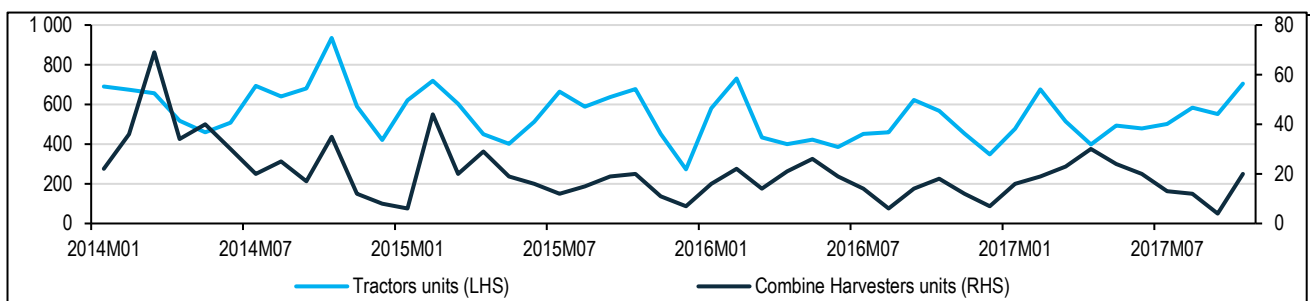


## UPDATE: SA tractor sales at the highest level in 20 months

After declining by 5% m/m in September 2017, the South African tractor sales increased by 28% m/m in October 2017, recorded at 704 units - the highest monthly sales since February 2016. This is somewhat unsurprising given that it is a planting season and farmers need reliable tractors. With that said, we believe that the monthly sales will soften in the near term, towards completion of the planting season when activity is reduced in the fields.

- The planting activity for the 2017/18 production season is underway in the summer rainfall areas of the country. South African farmers intend to increase the total area plantings by 1% from the 2016/17 production season to 4.03 million hectares. The optimal planting window for maize in the eastern parts of the country closes in mid-November. The western areas only begin planting maize in mid-November, with the optimal planting window closing at the end of December. For oilseeds, the optimal planting window closes in early January.
- As we set out in our previous reports, there is optimism regarding the 2017/18 production season. The South African Weather Service suggests that the summer crop growing areas of the country could receive above normal rainfall between November 2017 and February 2018, which will benefit the crops.
- The combine harvester sales were up five folds from the previous month and 11% y/y, with 20 units sold in October 2017 (**Chart 1**). This is in line with an increase in activity in winter crop growing areas as harvest process commences, particularly wheat growing areas of the Western Cape province.
- **Looking ahead** - We expect the tractor sales to soften in the near term as summer grain and oilseed planting process approaches the completion stages. The combine harvesters' sales could remain solid over the near term as winter crop harvest process continues. An important factor to monitor in the long term is the cost of servicing the farm debt as that would have direct implications on the agricultural machinery sales<sup>1</sup>.

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**Chart 1: South African Agricultural Machinery Sales**

Source: SAAMA, Agbiz Research

<sup>1</sup> In 2016, South Africa's total farm debt was at R144.9 billion, which is a record level in a database starting from 1980.