



South African tractor sales for January 2018 up 10% y/y

After the solid performance of 19% y/y increase in December 2017, the South African tractor sales were again up by 10% y/y in January 2018, with 527 units sold. This was somewhat surprising given that the area planted with summer crops declined in the 2017/18 production year. With that said, we believe that the uptick was due to a fairly stronger domestic currency, as well as late plantings in the western parts of the country. As expected, the combine harvester sales fell by 50% y/y with only 8 units sold, due to reduced activity and poor yields in the winter crop growing areas. Overall, the agricultural machinery sales are likely to soften in the near term due to reduced activity in both the summer and winter fields.

- The uptick in January 2018 tractor sales came as a surprise because, given that the National Crop Estimates Committee placed its preliminary area planting estimates for South Africa's 2017/18 summer crops at 3.70 million hectares, down by 7% y/y. White maize, sunflower seed, groundnuts and sorghum plantings are the key reason for this overall downswing owing to dry and warm weather conditions experienced in the western parts of South Africa in the end of 2017 and the start of 2018. However, the recent rainfall in the western parts of the country has changed the sentiment to a slightly more positive one, which is supportive of tractor sales. Evidently, some farmers in the western parts of the Free State and North West provinces went back to the fields for additional sunflower seed planting after recent showers improved soil moisture.
- The decline in combine harvester sales can be explained by both lower winter crop output, particularly in the Western Cape and Free State provinces, as well as the fact that harvesting is totally over across South Africa.
- Above all, 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 sales¹.

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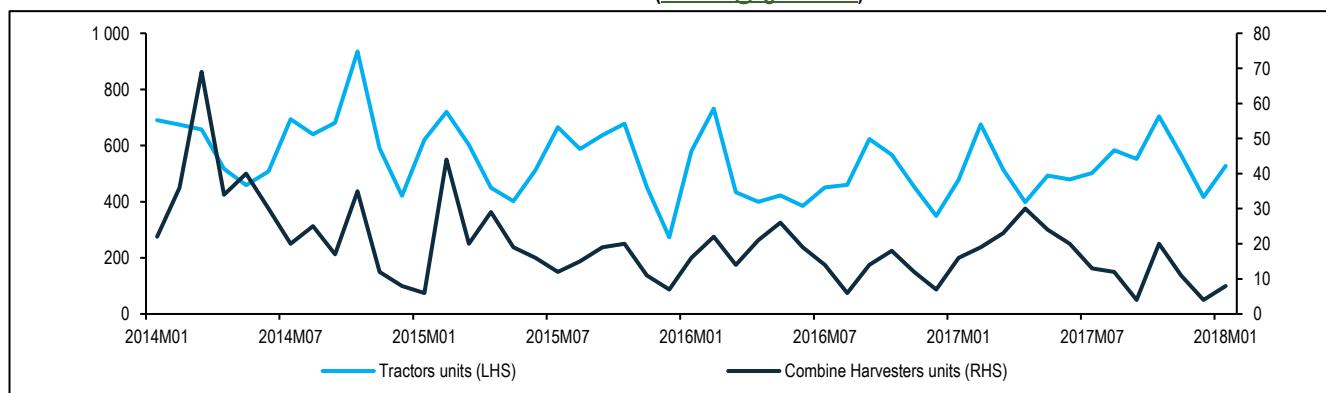


Chart 1: South African Agricultural Machinery Sales

Source: SAAMA, Agbiz Research

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