

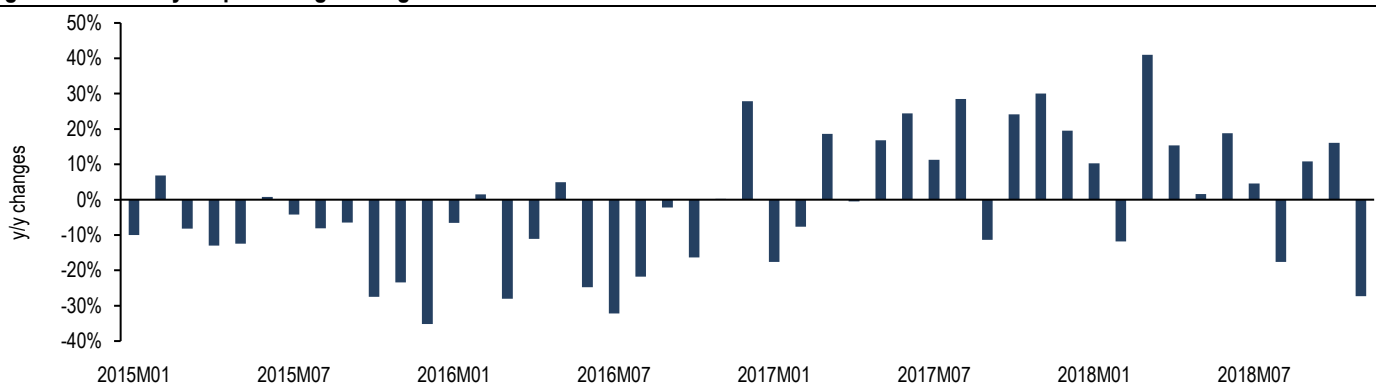
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## South Africa's Agricultural Machinery Sales Slow in November 2018

- The decline in South Africa's tractors and combine harvesters sales to 428 and 9 units, respectively, in November 2018 comes as no surprise as most farmers bought some equipment in the past couple of months. This is evident from South Africa's tractors sales for the first 11 months of this year, which amounted to 6 246 units, up by 4% higher than the corresponding period last year. Over the same period, the combine harvesters' sales amounted to 194 units, up by a percentage point from the first 11 months of 2017. While the annual uptick in agricultural machinery sales signals the potential for increased production in the sector, especially in the case of tractor sales for the year so far, the drier weather conditions in most parts of the country have stalled planting, and have raised concerns about the 2018/19 grains and oilseeds harvest.
- The data released over the weekend by the South African Agricultural Machinery Association showed that tractor sales slowed by 27% y/y in November 2018 to 428 units. (See Figure 1). While the declining trend was unsurprising, the magnitude of it exceeded our expectations of an 11% y/y drop.
- Moreover, the aforementioned 4% annual increase in tractor sales in the first 11 months of the year is supportive of the optimism expressed by farmers in the intentions-to-plant survey data a few months back. South African farmers intended to increase the area planting for summer grain and oilseed by 5% from 2017/18 season to 4.03 million hectares. With that said, it is unclear if this target will materialise due to poor weather conditions. The central and western parts of the summer rainfall area, which mainly produce white maize and sunflower seed, would have planted a large share of the crop by this time of the year, but there is still minimal activity on the ground due to dryness.
- In terms of the combine harvesters sales, the 69% y/y decline to 9 units in November 2018 mirrors the slowing pace in harvesting activity in the winter crop producing areas as farmers in the leading provinces such as the Western Cape have completed the process. But the 1% annual uptick for the first 11 months of this year was due to the fact that the 2018/19 winter crop production is higher than last year. Most notably, the 2018/19 winter wheat and barley harvest are set to be up by 21% y/y and 31% y/y to 1.86 million tonnes and 401 840 tonnes, respectively.

**Figure 1: Year-on-year percentage change in South African tractor sales**



Source: South African Agricultural Machinery Association, Agbiz Research

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