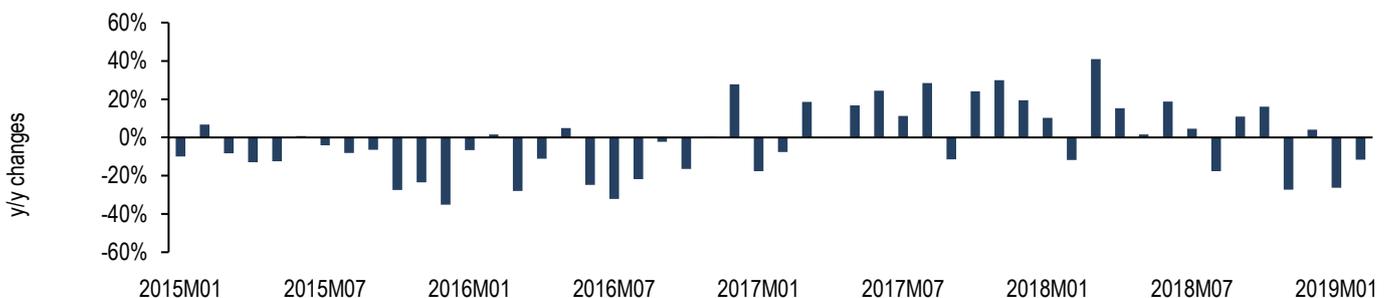


Recovery in agricultural machinery sales speaks to increased plantings

- South Africa's agricultural machinery sales data confirms the Crop Estimates Committee's view of increased summer grain and oilseed plantings between January and February 2019 in the western parts of the country.**
- To recap, last month the Crop Estimates Committee lifted its estimate for South Africa's 2018/19 summer grain and oilseed plantings by 3% from January 2019 to 3.7 million hectares. While this data present all summer grains and oilseeds, the notable upward revisions in plantings were on white maize, sunflower seed, and sorghum – crops that are predominantly planted in the western parts of South Africa. ¹
- Therefore, the recently released data by the South African Agricultural Machinery Association which shows that tractor sales recovered by 36% m/m in February 2019 to 526 units provides further evidence of increased plantings in the fields. With that said, this is still 12% lower than the levels seen in February 2018, and 23% lower than the long-term average tractors sales for the month of February. The annual decline can somewhat be explained by the fact that South African farmers made notable tractor purchases in 2018, where the annual sales were up by 4% y/y. In addition, the area planted to summer grains and oilseeds is 3% lower than the 2017/18 production season, although the estimates were lifted from levels seen in January 2019.
- In terms of combine harvesters, February 2019 sales increased to 15 units from 4 units the previous month. This, however, was still 29% lower than the levels seen in February 2018, and 46% lower than the long-term average sales for the corresponding month. The softening in harvester sales is unsurprising as this is a quiet period in the fields, with the winter crop harvest process having been completed, and the summer crop harvest still months ahead.
- Going forward, we suspect that South Africa's agricultural machinery sales will generally be subdued this year due to expectations of a poor harvest on the back of unfavourable weather conditions and a reduction in area planted.

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



Source: South African Agricultural Machinery Association, Agbiz Research

¹ Summer crops refers to white maize, yellow maize, sunflower seed, soybeans, groundnuts, sorghum and dry beans.

Disclaimer:

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