

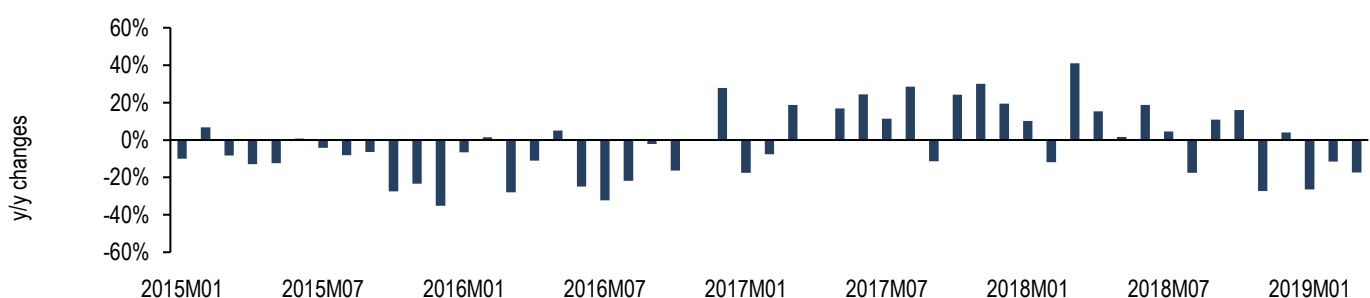
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Decline in March 2019 SA agricultural machinery sales unsurprising

- **The notable annual decline in South Africa's agricultural machinery sales in March 2019 is unsurprising, and mainly a function of base effects. March 2018 was an exceptional month, particularly for tractor sales, which reached a record level of 726 units in a dataset starting from 2014. According to the South African Agricultural Machinery Association, the uptick in sales then was boosted by government tenders.**
- To dive into the details, South Africa's tractor sales fell by 17% y/y in March 2019 to 600 units. Nonetheless, this is 2% higher than the average tractor sales for the corresponding month in the past six years. This partly shows that the annual decline is mainly due to higher base effects in March 2018, which was supported by unconventional government purchases. But, given that March 2019 sales were above the average levels, we suspect the optimism in the market partly stems from expectations of favourable weather conditions of the 2019/20 winter crops planting season, which commences at the end of this month in parts of the Western Cape.
- Our view is that South Africa's 2019/20 winter wheat plantings could, at least, be about 530 000 hectares, which would be 5% higher than the 2018/19 plantings. Canola is also another crop that we believe could show about 4% year-on-year improvement in plantings to roughly 80 000 hectares if weather conditions remain favourable as the current forecasts suggest. Meanwhile, barley planting could decline marginally or remain stable from the 2018/19 area of 119 000 hectares. Overall, the official data will be released by the Crop Estimates Committee on 25 April 2019.
- In terms of combine harvesters, March 2019 was an improvement from the previous month's dismal sales, although 8% lower than the corresponding period last year, with about 23 units sold. Unlike tractor sales, this is 23% lower than the average sales for the corresponding month in the past six years. The softening in harvester sales can partly be explained by expectations of lower summer grains and oilseeds harvest compared to the 2017/18 season.
- Looking ahead, while we expect favourable production conditions of winter crops this year, we suspect that South Africa's agricultural machinery sales will largely be subdued this year due to expectations of poor summer grains and oilseed harvest which will weigh on farmers' financials.

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



Source: South African Agricultural Machinery Association, Agbiz Research

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