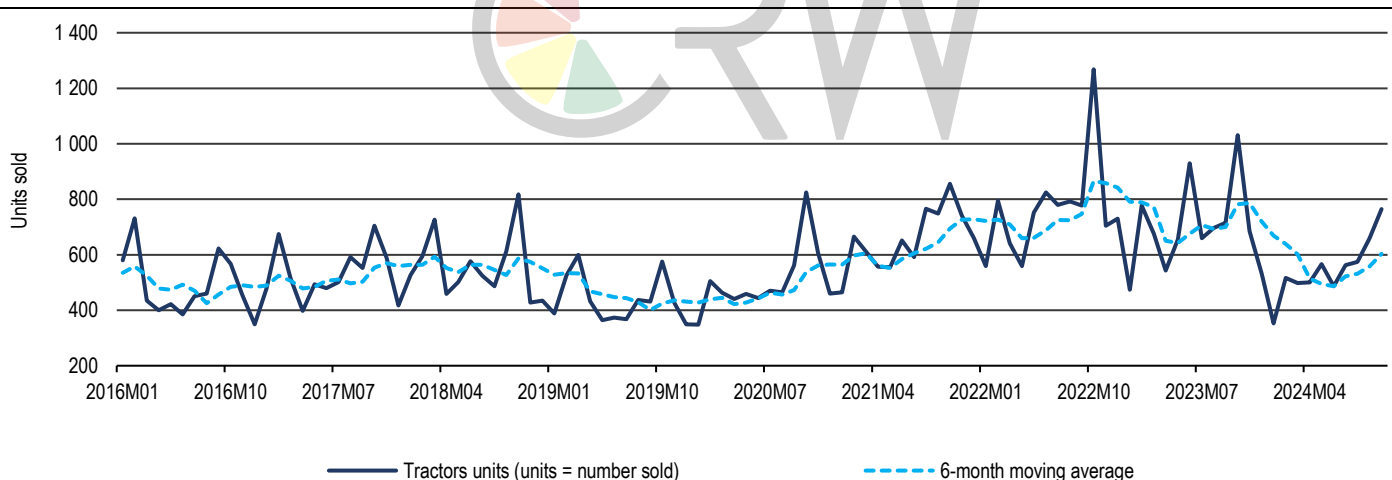


07 November 2024

SA's agricultural machinery sales remained weak in October 2024

- The latest data from the South African Agricultural Machinery Association shows that in October 2024, tractors and combine harvester sales were down by 26% year-on-year and 28% year-on-year to 765 units and 28 units, respectively. This continues the declining trend we have observed since the start of the year, and there are several reasons behind the weak sales.
- First, the agricultural sector has had higher machinery sales in the past three years, supported by improved farmers' incomes due to ample harvest and higher commodity prices. Thus, there was bound to be some correction period, leading to moderation in sales. Second, after a few good agricultural years, we struggled with a mid-summer drought in the 2023-24 season, changing the farmers' fortunes and worsening sales performance. Farmers are under financial pressure because of the crop losses. For example, the 2023-24 mid-summer drought has led to a projected 23% decline in South Africa's summer grains and oilseed production to 15,39 million tonnes. Lastly, the relatively higher interest rates for much of this year added to the financial pressures in the sector, where farm debt is hovering over R200 billion.
- Thus, the latest agricultural machinery sales data is not necessarily a guide for the season ahead but a reflection of the constraining factors in the previous season. There is optimism about the new 2024-25 season. South African farmers intend to plant 4,47 million hectares of summer grains and oilseeds in the 2024-25 season, up by 1% year-on-year. Indeed, most regions of the country have not received any meaningful rains, but it is still early. We believe there could be a late start to the season. The comforting observation is that the major weather forecasters continue to see the active likelihood of the La Niña event this season, and even if the weather shifts to a neutral state, there is still a chance for decent rains.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research