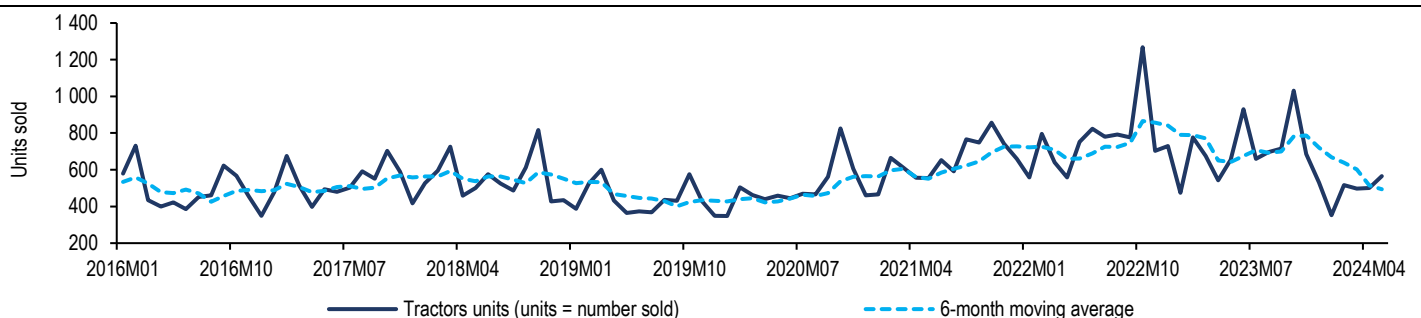


South Africa's tractor sales show a monthly uptick

- We were pleasantly surprised by the upbeat mood amongst the agricultural stakeholders at the NAMPO 2024 in Bothaville. Given the mid-summer drought, which resulted in a 19% drop in South Africa's expected summer grains and oilseed harvest, we anticipated a more sombre atmosphere. However, the South African agricultural stakeholders were out in their numbers at the NAMPO 2024 festival, and the sentiment in Bothaville was as upbeat as the previous years of excellent harvest. We even imagined that South African agricultural machinery sales might start to tick up from the declining trend we had witnessed since the start of the year. Indeed, the tractor sales for May 2024 were the highest monthly figure we have seen since the beginning of the year, at 566 units, up 13% month-on-month. Meanwhile, combine harvester sales were down 4% month-on-month, with 25 units sold.
- Still, this monthly uptick does not change the declining annual sales performance we have witnessed since the start of the year. For example, South Africa's tractor sales were down 14% year-on-year in May 2024, and the combined harvester sales were down 62% year-on-year. We believe this persistent annual decline in sales since the start of the year reflects the normalization of sales after a few years of robust activity. For example, South Africa's tractor sales for 2022 amounted to 9,181 units, up 17% year-on-year. This was the highest annual sales figure in the past 40 years. The combine harvesters also had an excellent performance of 373 units in 2022, up 38% year-on-year. This was the highest yearly sales figure since 1985. In 2023, the tractor sales were down marginally from the previous year, while the combine harvester sales held the last year's momentum. These past few years, the generally strong agricultural machinery sales were primarily supported by ample grains and oilseed harvests when prices were also favourable.
- Moreover, higher interest rates have added pressure to farmers' finances. Although various input costs, such as fertilizer and agrochemicals, have softened since 2023, the prices remain generally well above pre-COVID levels, further straining farmers' budgets.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research