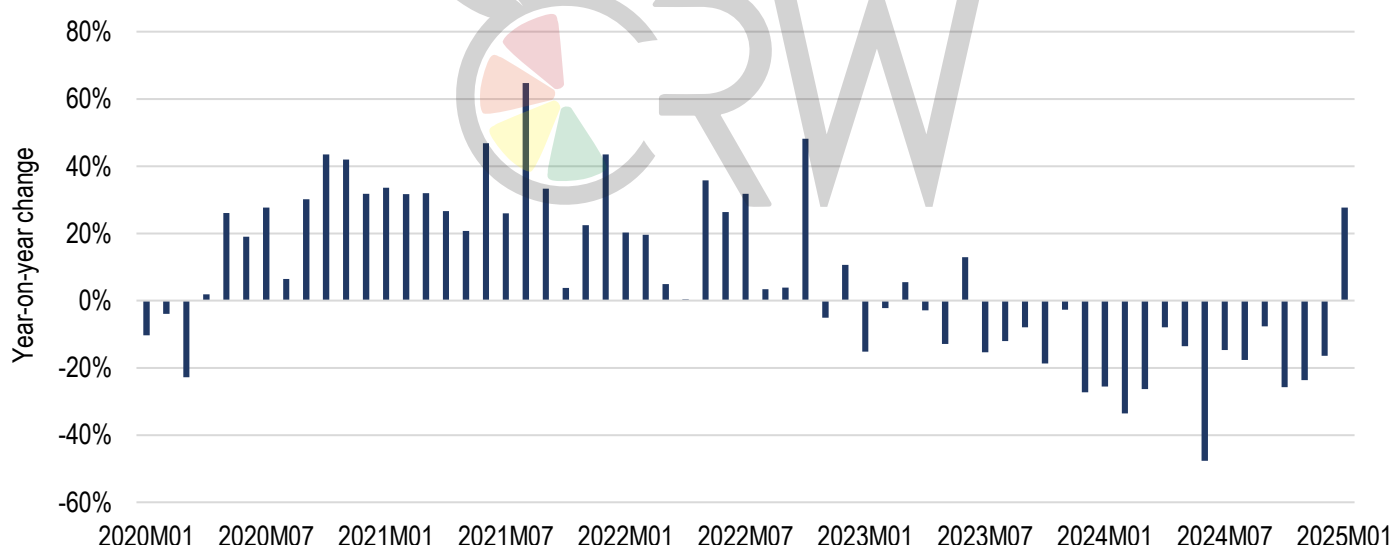


SA's tractor sales lifted notably in January 2025

- After 21 months of negative sales, South Africa's tractor sales increased by 27% year-on-year in January 2025 (up 3% month-on-month) to 457 units. This increase reflects both the positive sentiment in the sector and the base effects. While encouraging, the sales of 457 units remain below the past two years' monthly average sales of 617 units. Still, 2025 may present a positive path in machinery sales.
- The weak performance in agricultural machinery sales in 2024 resulted from various factors. First, South Africa's agricultural sector had higher machinery sales between 2020 and 2023. Improved farmers' incomes supported the higher sales due to ample harvest and higher commodity prices at the time. Thus, there was bound to be some correction, leading to a moderation in sales in 2024.
- Second, after a few good agricultural years, we struggled with a mid-summer drought in the 2023-24 season, weighing on farmers' fortunes and worsening sales performance. Farmers were under financial pressure because of the crop losses. For example, the 2023-24 mid-summer drought has led to a 23% decline in South Africa's summer grains and oilseed production to 15,40 million tonnes. Lastly, the relatively higher interest rates for much of 2024 added to the financial pressures in the sector.
- In 2025, the interest rates have eased somewhat from last year's levels. The agricultural production conditions also promise a recovery, although there are differences region by region in the potential pace of recovery. These dynamics will likely support the tractors and combine harvesters' sales in 2025, especially if we consider that some farmers may again possibly start with machinery replacement.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research