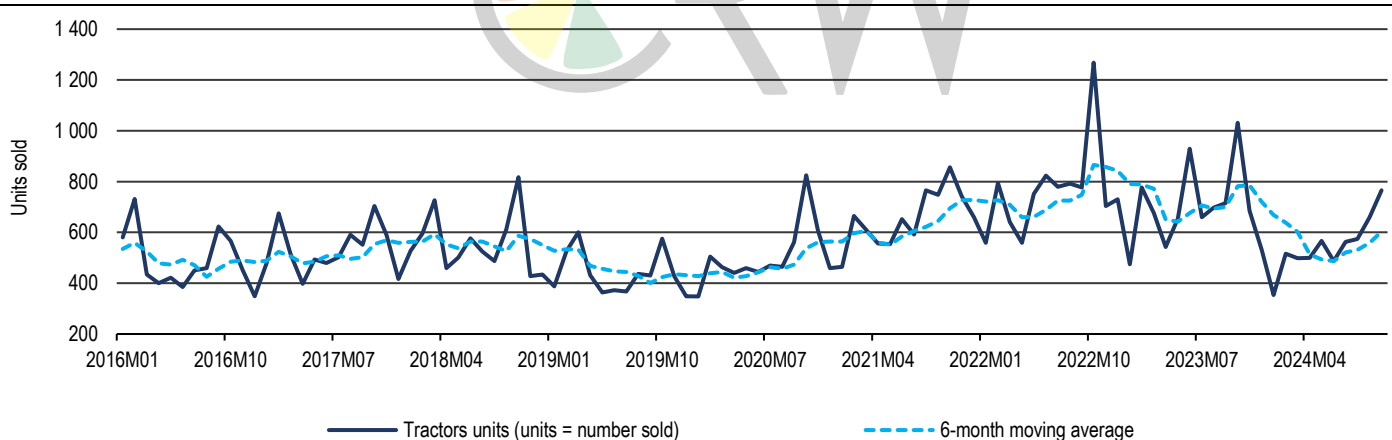


SA's agricultural machinery sales remain weak

- We continue to observe relatively weak agricultural equipment sales in South Africa. However, these weak sales data are not necessarily indicators of the farmers' plantings for the new 2024-25 season. There are distinct factors that underpin poor sales.
- The latest data from the South African Agricultural Machinery Association shows that in November 2024, tractors and combine harvester sales were down by 24% year-on-year and 62% year-on-year to 523 units and 13 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 15,40 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.
- In essence, these agricultural machinery sales data are not necessarily a guide for the season we are starting but a reflection of the constraining factors in the previous season. There is optimism about the new 2024-25 season, and the general mood in the sector is upbeat. 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.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research