

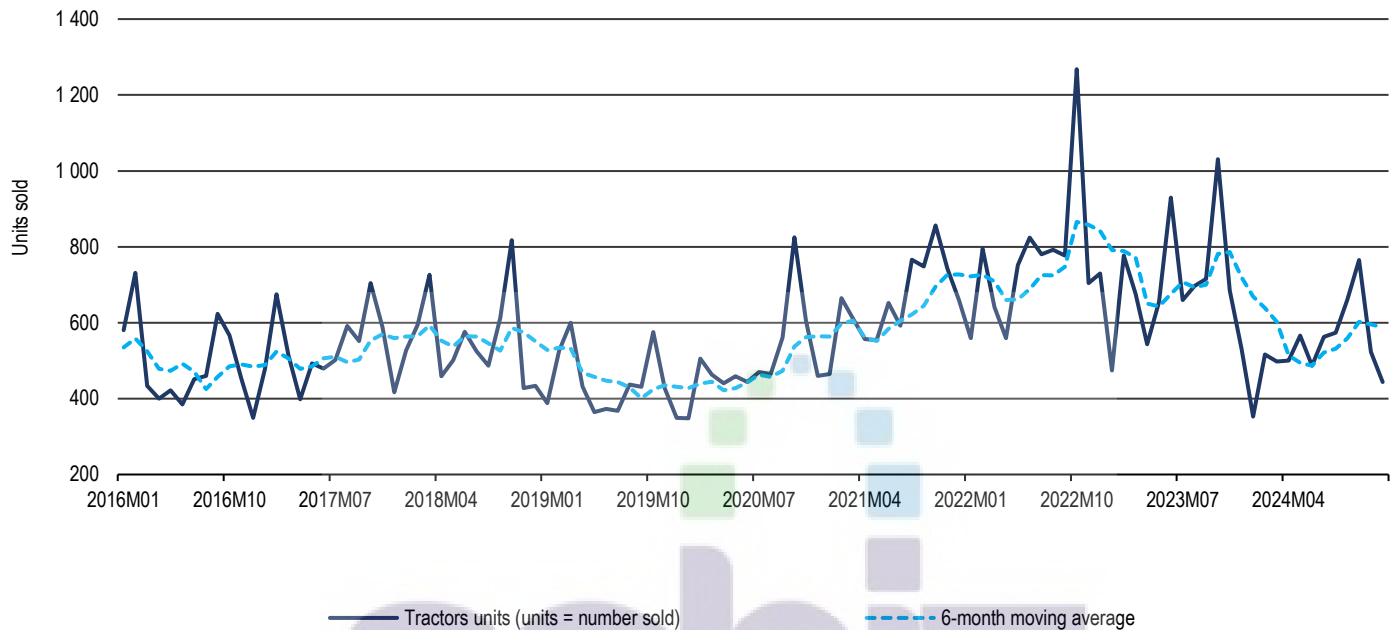
15 January 2025

SA's agricultural machinery sales disappointed in 2024

- We now have the 2024 full year of South Africa's agricultural machinery sales data, and they paint a downbeat picture in line with expectations. The tractors and combine harvesters sales were down by 23% and 60% from 2023, with 6 465 units and 201 units sold, respectively. There are several reasons behind the weak sales this past year.
- First, South Africa's agricultural sector has had higher machinery sales in the past three years (2020-2023), 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, weighing on 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 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, where farm debt is hovering over R200 billion.
- However, looking into 2025, at least from an agricultural production perspective, we remain optimistic. Indeed, the rain has been late in some regions and scant in some. But from mid-December 2024 to January 2025, it has continued to rain. We are in a La Niña period, and it could continue to rain favourably over the next two months in much of South Africa.
- There remains a worry now that the areas that have not yet completed the planting are struggling to get into the field because of the wet weather conditions. It is already late for planting, as the country's traditional optimal planting window closes at the end of December. Still, there have been many seasons where farmers planted crops at the start of January and went on to have a robust harvest. This year's challenge is that we are at mid-January with still a minimal breather from the heavy showers in some regions. Thus, we fear there could be late planting if farmers proceed through to the end of January.
- The main risk with planting late is the possibility of frost damage later in the season. If the country is fortunate to be spared of frost, as we have seen in recent seasons, the prospects for a better grain harvest remain even for late plantings. 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. We will know next month if they managed to plant this area but with more comfort at the end of February 2025.

- The performance of the 2024-25 grains and oilseed production season will be a key determinant of whether we see a recovery in machinery sales or remain at the current levels this year and for 2026.

Exhibit I: South Africa's tractor sales



Source: South African Agricultural Machinery Association and Agbiz Research