

# Farm machinery sales forecasts point to hard year

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Initial forecasts for agricultural equipment sales in 2014 point to a tough year for dealers such as JSE-listed Invicta Holdings and over-the-counter-traded Senwes, according to Vunani Securities analyst Anthony Clark.



Sales of farm machinery are likely to be subdued this year according to analysts. Image: Wiki Images

The South African Agricultural Machinery Association said that tractor sales in 2013, of 7,516 units, were about 5% down on total sales in 2012. Meanwhile, combine harvester sales were up 3% on at 352 units.

According to the association, early predictions of sales for the 2014 indicate that tractor sales are likely to be flat or lower compared with 2013 sales.

Clark said that if these initial estimates proved correct, it would be a challenging year for dealers notwithstanding the higher prices being seen for selected commodities.

"The rand's recent weakness may see some pre-buying before price rises hit the system, but again much depends on farm incomes for 2014," said Clark.

"Initial chats with my agri-companies suggest 2014 will be a much more subdued year with regard to revenue and profitability," Clark added.

## Demand drops

Invicta's chief executive Arnold Goldstone said in November that in the six months ended September demand for agricultural

machinery had declined.

Goldstone said there were no signs of a pick-up in agricultural machinery sales, which meant the group may have been overstocked in agricultural equipment.

Nevertheless, Invicta, which distributes capital equipment, spare parts and engineering consumables, achieved an 18% rise in diluted headline earnings per share to 351c for the six months ended September.

Boosted by recent acquisitions, such as the purchase of Kian Ann Engineering in Singapore, revenue grew 46% to R5.1bn, while operating profit jumped 57% to R492.7m.

Invicta is looking to grow its operations outside of South Africa, but Goldstone said this would be done without neglecting the South African market.

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