



## Tractor Market Report

1<sup>st</sup> half 2014

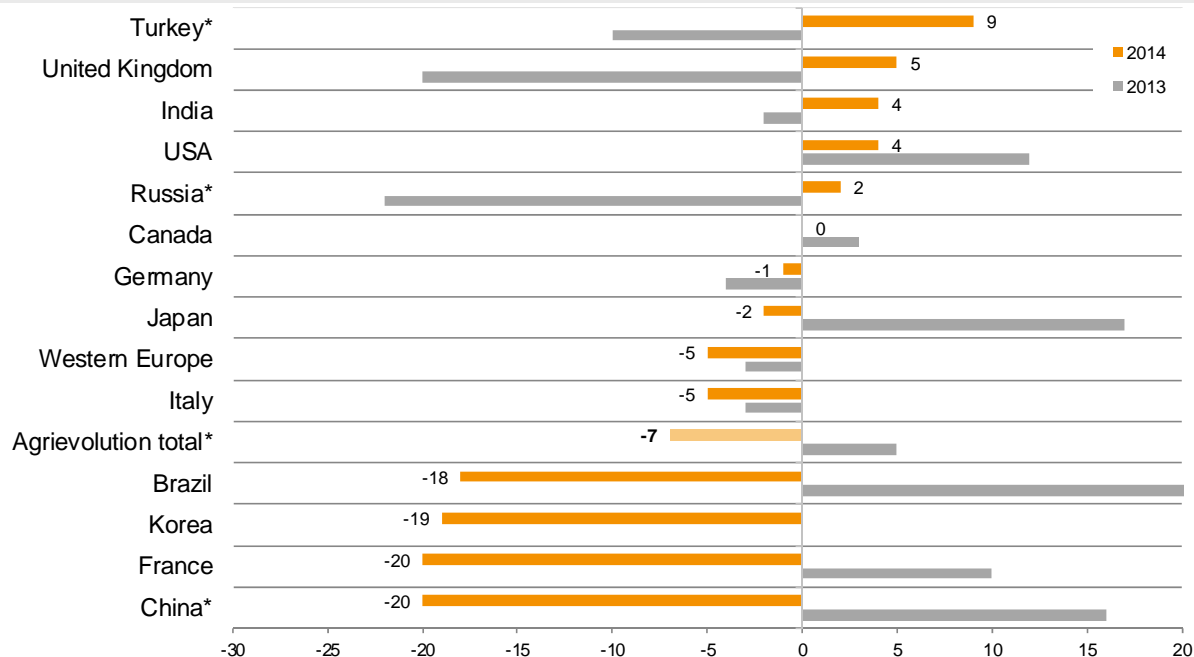
### Global trend

Following a new record year in 2013, with an estimated production volume von 2.15 million units of tractors, the trend for 2014 is “bearish”, as major markets have reached a considerably lower performance in the first half of this year. Not surprisingly, there is a high variation from country to country. Sales in North America have even surpassed the high level of the previous years, while the downswing in Brazil, France or China is evident.

The total trend for the countries represented in the Agrievolution network was a 7% decrease from January to June 2014, compared to a 5% growth in the corresponding period of the last year. For the full (calendar) year 2014, this downward trend is expected to be rather more pronounced on the background of weaker perspectives in India and Europe during the past weeks.

### Tractor Market Development January to July

% change for unit sales / registrations of tractors > 30 hp



\* estimation

Our regional analysis and interpretation:

### **The Americas**

For years now, expectations for lower number of tractor unit sales have been postponed from year to year. In the past two years, as major reasons for a still high demand that were mentioned was the introduction of new exhaust emission stages and tax incentives through a full depreciation possibility in the year of purchase. The assumption is that these arguments have lost their validity in 2014. On the one hand, total number of tractor sales increased in the **USA** again until June, but on the other hand it is important to distinguish the size categories: While the “hobby” segment below 40 hp has become stronger again, sales to the professional farmers with tractors exceeding an engine power of >100 hp went down by 10%. Despite of this decline, the unit sales in this power range still remains above the long-term average. In **Canada**, market conditions seem to be continuously favorable, with “flat” sales on the very high 2013 level.

In the Southern hemisphere of the continent, with **Brazil** being the major (and leading) agricultural machinery market, the situation is somewhat depressed. In 2013, the Brazilian agricultural machinery market reached a new record high. More than 8,500 new combine harvesters and over 65,000 tractors were sold. This reflects a need for investment attributable to the ongoing mechanisation, not yet completed, of the mostly small-scale farms, as well as to the expansion of cultivated areas by large-scale farms in particular. Recent harvests also produced good yields, which boosted purchasing power. In the first six months of 2014, sales of tractors fell considerably below the very high level of last year. The lack of logistics infrastructure is an obstacle to the use of agricultural machinery and to further investment in machinery fleets, because it eliminates the benefits of efficiency gained in the fields. Nevertheless, the framework conditions for 2014/2015 remain basically positive. A weaker real is increasing the income of farmers who invoice in US dollars, and the credit loans are still subsidized. So perspectives for sales might improve again in the second half of 2014.

### **Europe**

European markets in total are currently performing weaker than global average. This is reflected also in a less optimistic business climate of the machinery manufacturers representing the “old continent”. New registrations of tractors in **Western European** in the first six months 2014 declined by 5% to 72,000 units. The Agrievolution members France, Germany, Italy and the UK represent more than 70% of the tractor sales in this region. A stronger 1<sup>st</sup> quarter period was followed by a weaker demand from April to June. Much attention is drawn to the French market at the moment, where sales dropped drastically by more than one fifth. Although a general decline was expected on the background of the high sales in the past two years, this exceeds the forecast of most manufacturers. Tractor registrations in Germany, UK and Italy were more or less on the previous year’s level, while some marginal markets (e.g. Iberian Peninsula) have recovered quite strongly this year. For the second half of 2014, forecast is a slightly higher decline of the total market than in the first six months.

The biggest market in **Central Europe** is Poland, with a further drop of tractor registrations by 7% until June 2014. This negative trend is only partly balanced out by a very high increase in Hungary and a more moderate growth in the Czech Republic.

A quite robust trend could be observed in the **Russian Federation** with 40,000 units sold in 2013. 2014 is slightly stronger, with an increase by 4% over the first half of the year. But much of the dynamics comes from the small scale farms, while tractor sales with more than 100 hp were 2% lower.

## **Asia**

The two countries of the Asian continent, which represent a high percentage of world population, also stand for a considerable production and sales market for tractors. Unfortunately, statistics availability in both countries still has potential for improvement. **Chinese** tractor figures are not available on a complete and regular basis for the Agrievolution network, but the trend this year is a clear downswing. After years of strong growth, 2014 will definitely not set a new peak value for the market. At the end of the calendar year, a 10% drop seems realistic.

**India**, in unit terms the biggest tractor market worldwide, mainly represents the small scale agriculture. At around 50% share, the 41 to 50 hp category is the strongest segment for tractors. Sales of tractors above 50 hp declined in 2013. The Indian market for agricultural machinery is broadening but the development towards the high-tech end of the market is moving at a very slow pace. 2014 started well for tractor sales in general, but the past recent months were already weaker, and the bad monsoon results put great pressure on both the mood and economic conditions of farmers to invest in tractors for the rest of the year.

The **Korean** market stands for a volume of ca. 13,000 units. The reported figures indicate a very weak development in 2014, reaching one of the highest drops within the Agrievolution countries.

The **Japanese** tractor sales grew very much in 2013, so that the current flat development is not surprising, indicating a certain saturation of the market. But the short-term volatility is quite challenging for both manufacturers and dealers.

Editor and contact:  
Agrievolution Economic Committee  
Gerd.Wiesendorfer@vdma.org  
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