

PRESS RELEASE

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Demand for Agricultural Machinery Continues at High Level Worldwide

21 December 2011 – While prospects for the global economy are deteriorating, overall the agricultural machinery industry continues to be optimistic that for the year 2012 the most important markets for agricultural machinery and tractors will remain at the present high level. This became clear at the fourth meeting of economic experts of the largest agricultural machinery associations worldwide, held in December at the EIMA Agrimach exhibition in New Delhi, India.

The global production volume of agricultural machinery for the year 2011 increased to €72 billion (USD98 billion), and could rise by another five to eight percent in 2012, according to preliminary estimates. “In the past two years farmers again earned good money, which is largely being reinvested,” explains Gerd Wiesendorfer, market analyst of the German VDMA Agricultural Machinery Association and organiser of the worldwide Economic working group in the Agrievolution network. After all, many newly industrialised countries are working toward a greater degree of agricultural mechanisation, while in the region of Western Europe, which is already very well equipped with machinery, the demand is directed toward new technology for precision farming.

European markets again almost at the record level of 2008

According to preliminary estimates, the agricultural machinery market in the European Union grew in 2011 by at least 15 percent to €24 billion (USD33 billion), thus almost equalling the previous record volume of the year 2008. The outlook for the year 2012 still appears very positive overall, in the light of good revenues from the harvest and higher prices for milk, as well as the fact that financing opportunities for new agricultural machinery can continue to be characterised as good. Nevertheless, following above-average growth in 2011, a few markets are again declining somewhat. For example, this is the expectation for the German market which in 2011, at just under €5 billion, reached a higher level than ever before. As the second major market in Europe, France could remain at its present level. For the Italian market, there are indications that the present downturn will continue.

Over the next two years, the reorientation of European agricultural policy (with a new farm bill coming into force in 2014) may play a role in agricultural machinery investments. Whether the expected reduction in payments for Western Europe will lead to the anticipation of investments, or whether uncertainty will result in restraint on the part of customers, remains to be seen. In contrast, the scenario for the eastern part of the European Union appears clearer: The new Member States still continue to have high investment requirements for agricultural machinery and can probably count on slightly increasing subsidies per hectare in the medium term. Expectations for sales of new and used machinery thus remain high.

High growth rates in emerging markets

Representatives of emerging markets again exhibited impressive growth rates. The Chinese agricultural machinery market, with an estimated volume of USD15 billion for 2010, continued its growth with double-digit rates of increase. For 2012 the Chinese association anticipates growth of ten percent. This trend is assisted by considerable government support.

In Brazil, the great potentials for agricultural expansion are playing a key role in the increase in demand for tractors and implements. In 2011 the number of large tractors and combine harvesters sold rose by ten and 17 percent respectively in comparison to the previous year. The forecast of the Brazilian association for the year 2012 amounts to an increase of ten percent. It is reported that the national development bank is maintaining its favourable credit conditions for the sector.

In the medium term the Indian market will remain a market with local requirements for the machinery used. The agricultural structures are almost exclusively operations with a small area. However there is an increasing demand for large machinery on the part of individual investors and machinery cooperatives which cultivate the parcels of land of entire village communities. Nevertheless, for the foreseeable future, India will remain a market that is served essentially by machinery produced in the country itself. But with a growing tendency: The Indian federation expects the tractor market until the end of the current season to be 20 percent higher than in the previous year.

Following a very strong year in 2010, sales of agricultural machinery in South Korea have declined over the past months. For 2012 a market volume of USD1.5 billion is expected – an increase of seven percent.

An especially dynamic trend can currently be observed in Turkey. Following a severe recession phase in 2008 and 2009, attributable to the drought at that time as well as to the general economic slowdown, presently new records are again being set in sales of new agricultural machinery. The estimate for the 2011 tractor market amounts to 60,000 units. For 2012 a slight cooling of the market is anticipated.

In Japan, following persistently difficult agricultural machinery sales to date, slight growth is again being seen. The forecast for the 2012 tractor market amounts to an increase of seven percent. Due to the appreciation of the yen, imports are more attractive, while Japanese exporters are complaining of lower profit margins on the world market.

The Agrievolution Economic Working Group is currently composed of the managing directors and market analysts of twelve national agricultural machinery associations (from the USA, Brazil, Japan, India, China, South Korea, Russia, Turkey, Germany, Italy, France and the United Kingdom, as well as the European umbrella organisation CEMA). The working group was founded in 2009, and has assumed the responsibility of promoting the exchange of market information for agricultural machinery at an international level, through its own projects. The goal is greater market transparency at a global level, in order to permit the representation of agricultural modernisation requirements on an economic basis.