



## Tractor Market Report

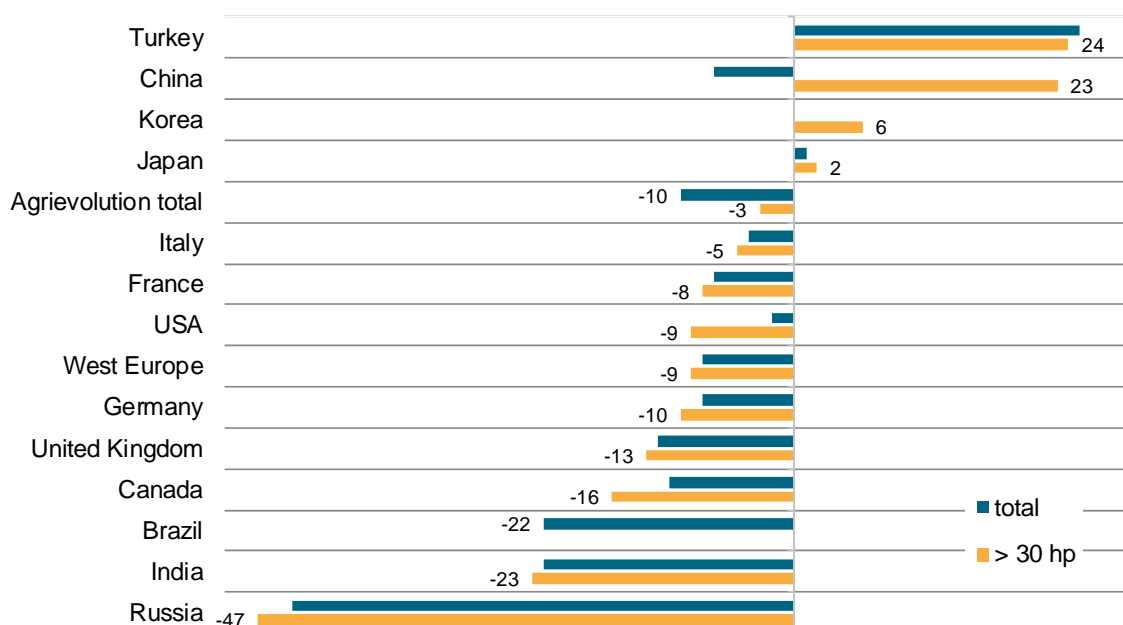
1<sup>st</sup> half 2015

### Global trend

After four strong years, global tractor sales have become weaker. Most markets are affected by saturation (in conjunction with attractive second-hand machinery prices) and lower purchasing power of the customers. Sales in the segment > 30 hp have dropped by 17% in the first half 2015 (excluding China) respectively by 3% (including China). The difference between these two numbers illustrates which great impact the Chinese figures have on the world total now, as the country has become the number one market in the world with regards to unit terms. It might not be surprising that the trend is still so much weaker for smaller than for bigger tractors in China. On the other hand, the development is currently reverse in the USA and (to a lower extent) in Canada, where “hobby farmers” spend their money for new equipment, while professional farmers are much more hesitant after a long period of extensive investment. The global sales trend for the second half is not supposed to be more promising. Crop commodity prices might experience a certain push, but quantities will counterbalance this effect for total farm profit.

### Tractor Market Development January to June 2015

% change for unit sales / registrations of tractors



China > 25 hp, USA and Canada > 40 hp  
 Source: Agrievolution, VDMA (incl. estimations)

Our regional analysis and interpretation:

### **The Americas**

In unit terms, the North American market peaked only recently - in 2014 - with a total number for the USA of 207,800 and 28,000 for Canada. But in the high power (arable) segment, the market turned already in the past year, with a decline of approximately 15%. The trend continues in the same way. **US** sales declined by 18% from January to June 2015 in the power range of > 100 hp. As a consequence, the market might come down to pre-2013 long-term average volumes in this power segment of around 26,000 units.

Similar situation in **Canada**: Sales of > 100 hp tractors declined by 16% in the first half of the year. With the small tractor segment playing a minor role compared to the neighbour market in the South, the total market result was -10%.

The currently very weak, but major market in South America, **Brazil**, might not be representative for development on the entire subcontinent, as there are some markets (Chile, Paraguay, Colombia) with rather stable or even higher agricultural machinery investment. The Brazilian market started to decline at the beginning of 2014 and has become smaller and smaller since then. A tremendous 22% decline is the result on the tractor market for the first half of 2015. Sales of other type of agricultural machinery dropped even more, e.g. by 32% for combine harvesters and by 36% for tillage equipment. The recent past has shown that the agribusiness industry in Brazil strongly relied on the financing subsidies, which have been cut back now. Together with lower profitability of the farmers, their investment might remain sluggish for the months ahead. VDMA expects the Brazilian tractor market to reach 47,000 units in 2015, which would be 18% below the average of the past five years, but still 7% above the past 10-years-average volume.

### **Europe**

The European markets currently follow more or less the global market trend. But development within the continent remains quite heterogeneous, with some smaller markets recovering from their previous weakness (e.g. Baltic States, Portugal, Greece) or still maintaining their strong performance (e.g. Switzerland, Czech Republic, Romania). Sales in **Western Europe** dropped by around 10% in the first half of the year, while the trend in **Central Europe** in total was more stable, but also slightly declining.

For the two major markets, France and Germany, which represent 40% of sales in the European Union, the 2015 first half year results showed the similar trend. On the other hand, one has to consider that the French market comparison is taken from a lower level than in Germany, where farmers had kept their investment on a very strong level until summer 2014. As a consequence, the German tractor market had become the biggest European in 2014, with 34,611 units in 2014, while France moved to the second position with 33,127 units. But for 2015, sales volumes of 32,000 units seem achievable in both markets, which would mean that the trend in France gets slightly more solid in the second half of the year compared to Germany, where no stronger impulses are expected. The UK market showed a below average trend in the first half of 2015, with a decline by 12% to 6,500 units, and the perspectives remain

unchanged. The Italian market started weak into 2015, but the drop has got less in the recent months. In Poland – the 5<sup>th</sup> biggest tractor market in Europe – the decline was 13% for the first five months.

One of the currently biggest drops on the worldwide tractor market can be reported for the **Russian Federation**. Following an only moderate decline in 2014, sales decreased by 44% from January to June to 12,000 units only. The weakness of the market refers to all power segments (and probably to all brands, independent from their origin).

The **Turkish** market is an exception this year. According to the national association, the tractor sales have been increased by 25% from January to June, after an already impressive move in 2014. So it seems realistic that the previous all-times high of 2011 (60,500 units) will be surpassed this year.

### **Asia**

As mentioned at the beginning, **China** really matters (and might make the difference) for the global market trend. Statistics generally come from the government, which thus has an impact on their quality and interpretation. The result for the first half of 2015 was 376,000 units (> 30 hp), an increase of 23%. Sales of the small tractors continued to decline, which leaves the total number of “tractor equipment” sold on the Chinese market (> 1 million in the first half of 2015) by 7% below the 2014 level. More detailed information for the 1<sup>st</sup> quarter 2015 shows that especially in the segment from 100 to 180 hp, sales were clearly above the correspondent previous year’s figures (17,000 units against 12,000 one year before).

**India**, in unit terms the second biggest tractor market worldwide after China, currently produces a high pressure on the global market trend. From January to June 2015, sales dropped by 22% to 240,000 units. 80% of the new tractors sold on the market range from 30 to 50 hp. The tractors with more than 50 hp currently show a more solid demand, but they only represent 5-7% of total market. There are expectations that the farmers’ investment tendencies will switch in the second half of this year.

The **Korean** market ended with 11,000 units last year. Development in 2015 has been rather positive, with a 6% growth until June. On the other hand, the market shows high volatility from month to month. Sales in **Japan** were “flat” for the first half 2015, but might bring some growth rates in the second half of the year, as the 2014 comparison level is much lower (-27% and -40% in the third and second quarter of 2014).

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Frankfurt, 24 July 2015