

UK report to CEMA Economic Experts (Oct 2015)

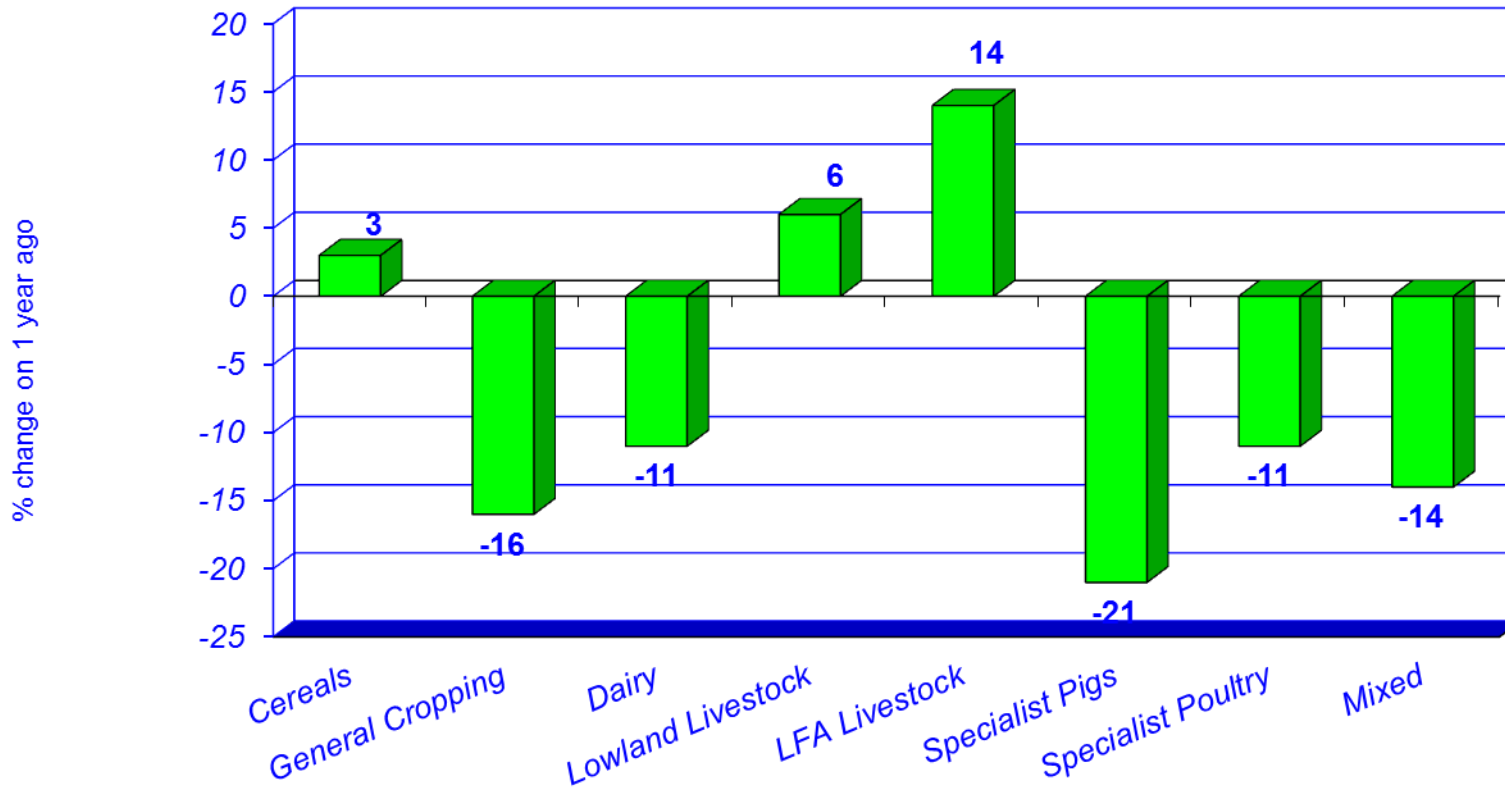


1. Agricultural situation

- A slow harvest with final weeks relatively cool and damp.
- Cereals yields have been above 5 year averages.
- A continued fall in cereal prices to below production costs.
- Milk prices have continued to slide to below costs of production.
- Livestock prices have been weak with plentiful supply and subdued demand.
- Input costs have mostly fallen but at a lesser rate than commodity prices.
- The forage grass harvest has been good whilst lower cereal prices have improved feed costs.
- There is little confidence throughout farming, with all sectors suffering.



Real Farm Business Income (England) 2014/15 v. 2013/14



2. Registrations/sales

- Tractor registrations in the first 9 months fell by 17% on a year earlier.
- Sales of combine harvesters tracked at over 20% down throughout the season to finish near 600 units.
- Sales of other equipment in the first 8 months showed a 9% decrease in money terms.

3. New orders

- Tractor orders have continued to remain weak in recent months with little sign of improvement.
- Outstanding orders for other equipment at the end of August were over 12% below the level a year earlier.
- New orders for general equipment in August were some 7% below a year earlier. The situation is less strong than in earlier months.
- Dealers reported some enquiries through the summer show period but again had difficulty in translating these into firm orders. For a few grass related products there was some late demand due to wet crop encouraging replacement.

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4. Forecast

- The value of the domestic market for tractors expressed in euros is expected to fall by at least 10%. The unit decrease is presently seen at around 15%. Increased size and currency factors account for the spread.
- The value of the market for other machinery is expected to fall 10-15% in euro terms.
- Forecasts made by members in Q2 were slightly weaker still than those made in Q1, and the market in 2015 is expected to be down 15% in money terms (in sterling).
- Whilst the grass season has been satisfactory and a few grassland products have benefitted, demand remains weak.
- Prospects for cereal farmers have deteriorated although for some producers higher yields may partially offset lower grain prices.



5. Special topics

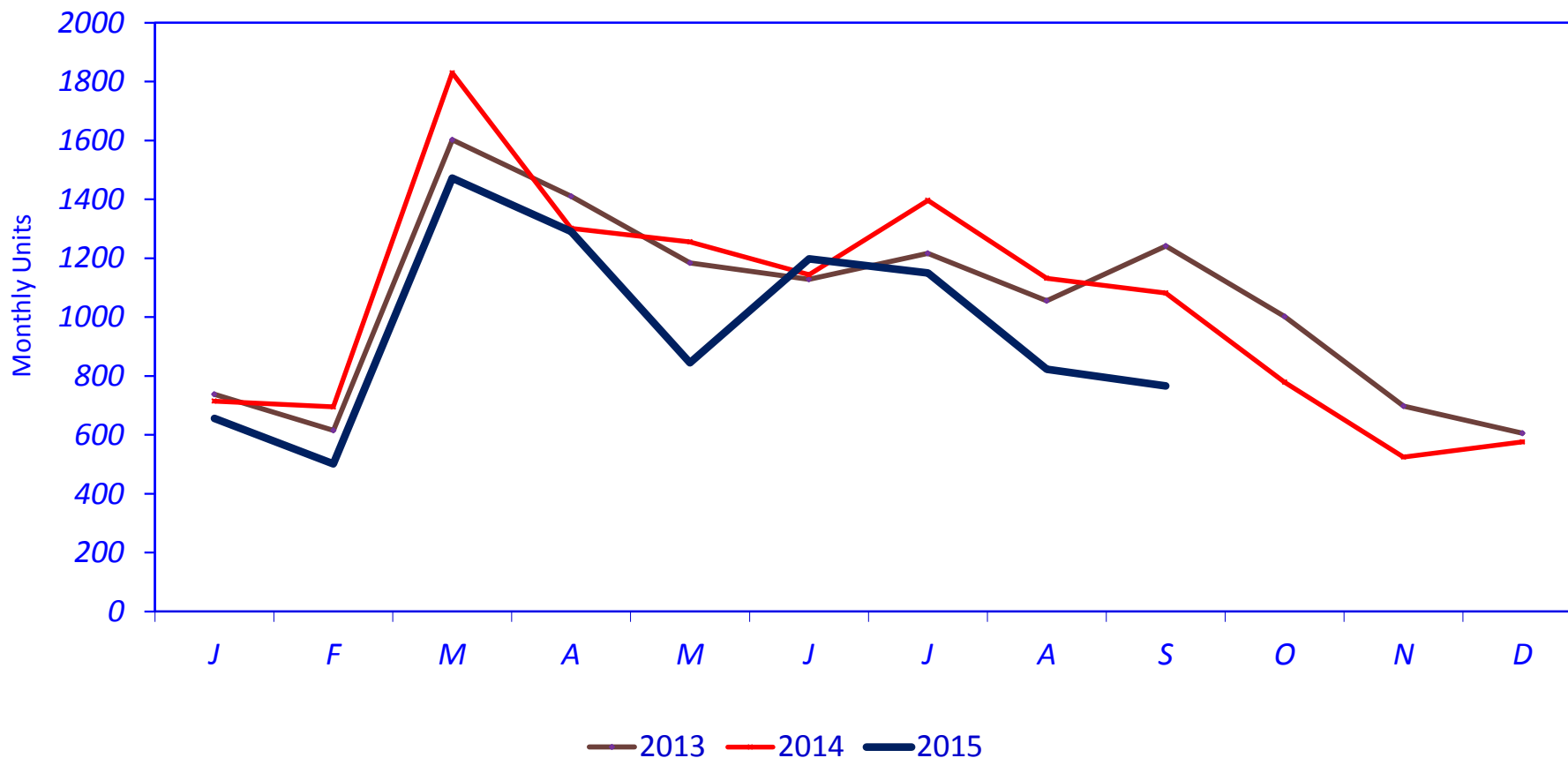
- The Annual Investment Allowance for taxation purposes remains at a very generous level of £500k until the end of 2015 but this remains unlikely to result in any significant boost, given the conditions.
- The new arrangements for the CAP have not proved a major consideration – rather the concerns have related to low commodity prices.
- The support payments will gain in importance this year but these will reduce consistently over time and for 2015 there will be a further loss in national currency terms due to the sterling strength against the euro.
- It remains possible that support payments may exceed UK Farm Income this year, meaning that national farming activity in aggregate will be unprofitable.



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Ag tractor registrations (over 50 hp)

2013 - 2015

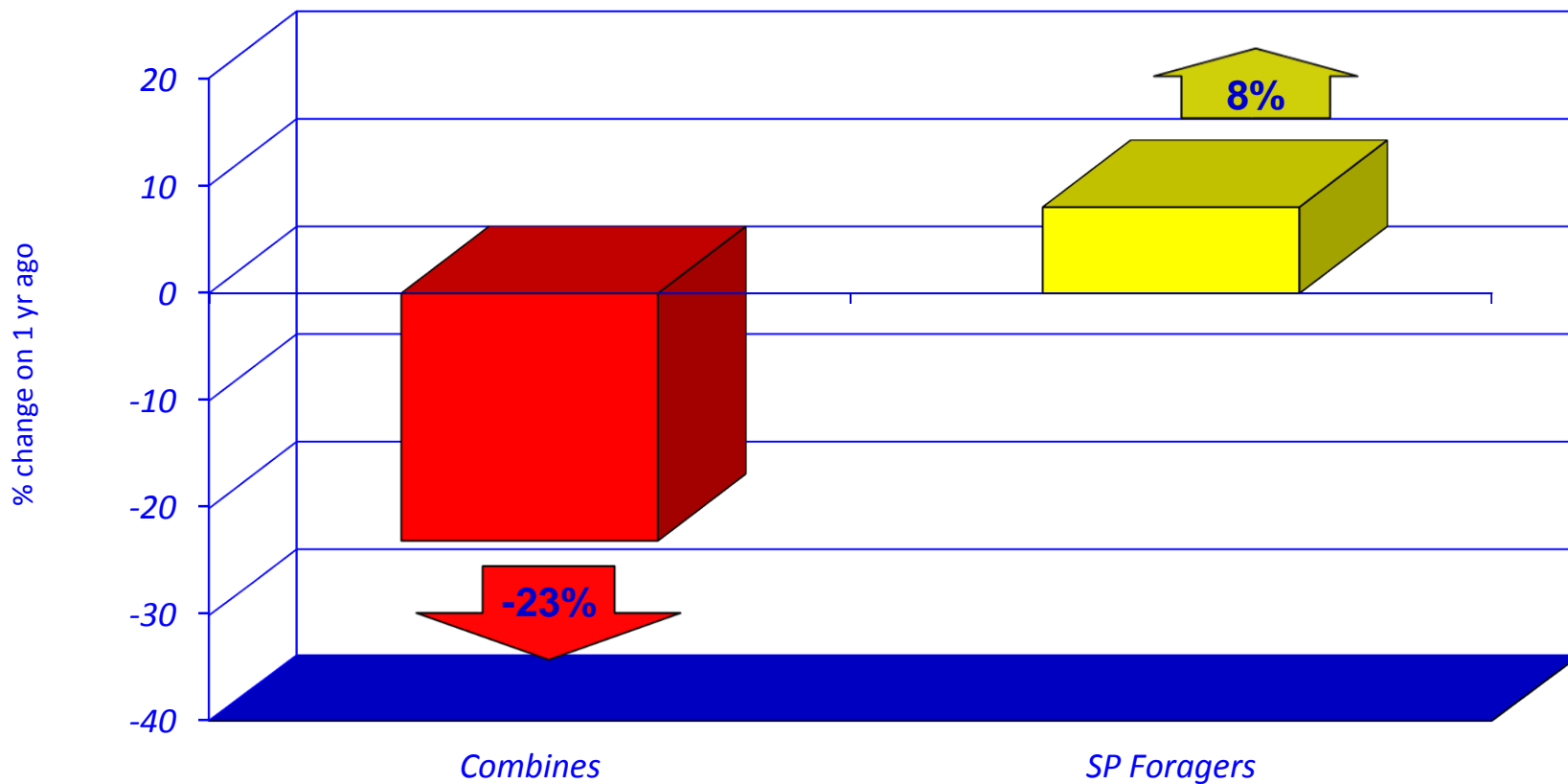




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Harvesting Machinery

2014/15 September-August Retails





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Agricultural Machinery

2015

