Agricultural Equipment in China

Industry Study with Forecasts for 2015 & 2020

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INDUSTRY STRUCTURE
1 Agricultural Equipment Market Share in China by Company, 2010 .......... 137
Demand to register double-digit growth through 2015

Demand for agricultural equipment in China reached ¥135 billion in 2010, accounting for 18 percent of the world market. Demand is projected to grow 10.8 percent annually to ¥225 billion in 2015. Growth will be supported by favorable government policies, improved access to equipment through agricultural machinery co-operatives, and healthy expansion of agricultural activity.

Planting, fertilizing equipment to post fastest gains

Tractors are the most significant type of agricultural equipment in China, accounting for 30 percent of total demand in 2010. Large, high powered tractors have greatly benefited from the Chinese government’s subsidy policies and will continue to see strong growth over the forecast period. However, small tractors, because they are more affordable and practical for the average farming household, will continue to account for an increasing share of demand. The high price of harvesting machinery units has largely been responsible for it having the lowest penetration rate of all agricultural equipment, though the segment will register above average growth through 2015, driven by increases in farmers’ incomes. Planting and fertilizing equipment will register the most rapid gains as Chinese farmers continue to adopt a wider range of farming equipment.

Northeast region to exhibit most rapid demand growth

While all six regions in China will post strong demand growth through 2015, the terrain, climate, and economic condition of each region will play a significant role in relative growth. The core agricultural regions of the Central-North, Central-East and Central South, which together accounted for 74 percent of agricultural equipment demand in 2010, will continue to benefit from higher income levels and better developed infrastructure. Although it is one of the smaller regional markets for agricultural equipment, the Northeast will continue to exhibit the fastest growth in demand through 2015. Part of the reason is that the Northeast -- while representing just over eight percent of China’s total land area -- has nearly 20 percent of sown land. More importantly, the Northeast has one-third of national plain areas. Because many areas of the Northeast are flat, farms have sizable expanses of level land, making the application of large agricultural equipment practical.
The combine harvester is a machine used to harvest grain crops such as wheat, oats, barley, corn, rye and rice. The machine combines the processes of reaping, threshing and winnowing -- which had traditionally been performed separately -- together into a single process, leaving the stems and leaves on the field to be chopped and spread as nutrients or baled for livestock feed.

Combine harvesting machines are the most expensive type of agricultural equipment in China with the average unit price close to ¥133,000 in 2010. Due to their high price, they are also the least purchased type of agricultural equipment in the country in terms of volume. Demand for combine harvesters in 2010 was 190,000 units, three times the number purchased in 2005. Demand is expected to grow 7.7 percent annually to 275,000 units in 2015. Measured by value, demand in 2010 was ¥25.2 billion and will increase to ¥43.8 billion in 2015. The principal reason for the fast growth between 2005 and 2010 was the financial incentive provided by the government subsidy program. However, the subsidy has some extent encouraged farmers to make purchases that they would otherwise have waited on; as a result, and when also taking into account the long lifespan of these products, future demand growth will be somewhat restrained.

Combine harvesters, especially large models, are predominantly purchased by large farms and agricultural equipment co-operatives. Co-operatives will then lease the equipment to farmers or use the equipment themselves on farmland they have leased.

The wheat combine harvester market is relatively mature. As a result, growth will not be as substantial as that for rice or corn combine harvesters. A trend that emerged during the 2005 to 2010 period is farmers favoring wheat combine harvesters, which have a larger feed volume.
Foton Lovol International Heavy Industries Company Limited
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86-536-763-8885
http://www.fotonlovol.com

Sales: ¥14.2 billion [US$2.1 billion] (2010, as reported by company)
Employment: approximately 10,000 (2010, verified by company, 7/11)
Key Products: tractors, combine harvesters and rice transplanters
International Contact: Mr. Hao Wang, Regional Manager

Foton Lovol International Heavy Industries, or Foton Lovol Heavy Industries, manufactures and sells construction machinery, agricultural equipment, motorcycles and electric bicycles. The Company is a state-controlled enterprise.

Foton Lovol had domestic agricultural equipment sales of ¥5.8 billion in 2010, making it the second largest supplier of agricultural equipment to the Chinese market, with 4.3 percent of the total. The Company participates in the Chinese agricultural equipment industry through the manufacture of tractors, combine harvesters and rice transplanters. In 2010, agricultural equipment represented ¥6.4 billion [US$945 million] of Foton Lovol’s total sales. Tractors from the Company comprise LOVOL EUROPAIRD medium- and large-sized types; TS, D and F series compact varieties; and models sold via the TE, TH, TB, TA, TD, TF, TG and TN series. Among the features available with these tractors are large ground clearance, three hitching heights, wet disc brakes and driver’s cabins. In February 2010, Foton Lovol expanded its tractor line with the introduction of the LOVOL EUROPAIRD TQ1904 type.

“Agicultural equipment demand in the Central-South was ¥35.8 billion in 2010, the second largest regional market in the country. Demand for agricultural equipment in the Central-South is projected to grow 11.0 percent annually to ¥60.3 billion in 2015. The regional economy experienced healthy growth between 2000 and 2010, strongly supported by the development of agricultural mechanization. Further growth in the region will predominantly be driven by ...”

--Section V, pg. 122
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