World Agricultural Equipment

Industry Study with Forecasts for 2016 & 2021

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Global demand to reach $175 billion in 2016

World demand for agricultural equipment is expected to grow 6.8 percent per year through 2016 to $175 billion. Growth will be driven primarily by sales gains in rapidly developing nations -- particularly China, Brazil, and India -- as these countries continue to mechanize their agricultural sectors. Population expansion and strong economic growth in these nations -- and in other developing nations -- will put increasing pressure on their farm sectors to become more efficient and productive, resulting in growth in machinery sales.

Agricultural machinery demand in the Asia/Pacific region was more than twice that of any other region in 2011. China and India will be the primary nations fueling future market advances in the region, although other smaller markets, including Thailand and Indonesia, will also expand rapidly. Central and South America will post strong sales gains as well, powered by growth in Brazil and other countries with large, increasingly mechanized agricultural sectors, such as Argentina.

Sales in industrialized countries to moderate

Throughout the industrialized world, sales of farm equipment will be determined largely by demand for replacement machinery. North America and Western Europe will both record below-average growth through 2016. Demand in these regions will be driven by technological advances, as the efficiency gains afforded by new, technologically sophisticated equipment will make it economically feasible for farmers to replace their machinery more frequently. However, many farmers in developed regions delayed replacing their older machinery during the 2008-2010 economic crisis, avoiding major purchases of new machinery because of an uncertain economic environment. As a result, 2011 saw the beginning of a spike in demand for agricultural machinery, as better economic conditions prompted farmers to finally replace older machines. Since an average replacement cycle is generally eight to nine years, high demand in 2011 will mean many farmers will not be looking to replace machinery in 2016, constraining agricultural equipment demand.

Plowing, cultivating machinery to grow fastest

Farm tractors accounted for the largest share of product sales in 2011, representing 30 percent of all agricultural machinery sales. Plowing and cultivating machinery is expected to be the fastest growing product type through 2016, expanding 9.1 percent per year to $10.7 billion as farmers in developing nations purchase larger and more complex tilling equipment to increase the productivity of their land. Aftermarket parts and attachments demand is projected to increase at the slowest rate, climbing 5.5 percent per year to $27.8 billion in 2016 as the durability of new machinery continues to improve, thus limiting repair and maintenance spending.

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Asia/Pacific

South Korea: Agricultural Equipment Supply & Demand

Demand for agricultural machinery in South Korea totaled $2.4 billion in 2011, accounting for four percent of the regional total. While the country covers a relatively small land area and, consequently, can only cultivate a limited area of land, South Korea features a high level of agricultural value added due to an intensely mechanized farming sector.

The South Korean market for farm equipment advanced 1.0 percent per year from 2006 to 2011, trailing the regional average by a wide margin and posting the fourth slowest growth rate worldwide after Spain, the UK, and Italy. This was primarily due to credit constraints on many farmers, which limited farm machinery demand. The small haying machinery product segment expanded at the fastest pace during the 2006-2011 period, rising 2.7 percent annually to $80 million as meat and dairy products continued a several-decades-long trend of increasing importance in the South Korean diet.

Shipments of agricultural machinery from facilities in South Korea were $2.5 billion in 2011, representing five percent of all production in the Asia/Pacific region. From 2006 to 2011, production expanded 2.2 percent per year, outpacing domestic demand while trailing the regional average. This growth was driven by strengthening export sales, particularly to other Asian nations. However, sluggish advances in the domestic market dampened equipment output gains. The country’s shipments of farm machinery increased 2.2 percent per year from $1.45 billion, equivalent to 5.6 percent of world market output, to $1.8 billion in 2011. Shipments of farm machinery from South Korean facilities were valued at a minimum through 2016 to $2.5 billion and a maximum through 2021 of $3.9 billion in the regional market. Nevertheless, accelerating national demand will fuel South Korean production of farm equipment, while increasing foreign competition will temper these gains. The nation’s trade surplus will widen.

<table>
<thead>
<tr>
<th>Item</th>
<th>2001</th>
<th>2006</th>
<th>2011</th>
<th>2016</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million)</td>
<td>47.3</td>
<td>48.2</td>
<td>48.9</td>
<td>49.5</td>
<td>49.9</td>
</tr>
<tr>
<td>$ GDP/capita</td>
<td>20910</td>
<td>25850</td>
<td>30270</td>
<td>36260</td>
<td>43390</td>
</tr>
<tr>
<td>Gross Domestic Product (bil 2010$)</td>
<td>989</td>
<td>1246</td>
<td>1480</td>
<td>1795</td>
<td>2165</td>
</tr>
<tr>
<td>% agriculture</td>
<td>3.4</td>
<td>2.8</td>
<td>2.5</td>
<td>2.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Agricultural Value Added (bil 2010$)</td>
<td>33.5</td>
<td>34.7</td>
<td>36.9</td>
<td>42.2</td>
<td>45.4</td>
</tr>
<tr>
<td>$ ag equip/000$ value added</td>
<td>56.9</td>
<td>64.4</td>
<td>63.7</td>
<td>69.0</td>
<td>76.7</td>
</tr>
<tr>
<td>Agricultural Equipment Demand</td>
<td>1905</td>
<td>2235</td>
<td>2350</td>
<td>2910</td>
<td>3480</td>
</tr>
<tr>
<td>net exports</td>
<td>-40</td>
<td>--</td>
<td>145</td>
<td>300</td>
<td>450</td>
</tr>
<tr>
<td>Agricultural Equipment Shipments</td>
<td>1865</td>
<td>2235</td>
<td>2495</td>
<td>3210</td>
<td>3930</td>
</tr>
<tr>
<td>% South Korea</td>
<td>9.3</td>
<td>7.5</td>
<td>4.6</td>
<td>3.7</td>
<td>3.1</td>
</tr>
<tr>
<td>Asia/Pacific Agriculture Equip Shpts</td>
<td>20150</td>
<td>29780</td>
<td>54100</td>
<td>87100</td>
<td>128000</td>
</tr>
</tbody>
</table>

Note: All data is in millions of U.S. dollars.
Sample Profile, Table & Forecast

COMPANY PROFILES

AMAZONEN-Werke H. Dreyer GmbH & Company KG
Am Amazonenwerk 9-13
49205 Hasbergen
Germany

http://www.amazone.net

Sales: $549 million (2011, as reported by company)
Employment: 1,600 (2011, as reported by company)

Key Products: spreaders, sprayers, soil tillage implements, rollers, seed drills, and precision air seeders

AMAZONEN-Werke is a manufacturer of agricultural, and lawn and garden equipment. The privately held company sells its products worldwide through a network of independent dealers.

The Company’s agricultural equipment includes spreaders, rollers, sprayers, soil tillage implements, seed drills, and precision air seeders. Spreaders encompass ZA-M, ZA-M PROFIS, ZA-M ULTRA, ZA-X PERFECT, ZA-XW PERFECT, and ZG-B centrifugal broadcasters, which are designed for spreading fertilizer. AMAZONEN-Werke’s sprayers include UF mounted, UG and UX trailer mounted, and PANTERA 4001 self-propelled units.

Among the soil tillage implements the Company offers are CATROS and CATROS+ compact disc harrows, CENIUS mulch cultivators, CENTAUR disc cultivator/harrow units, KE rotary harrows, and TL deep looseners. For example, CATROS compact disc harrows are produced in mounted and trailed models, and have working widths from 3 to 7.5 meters. AMAZONEN-Werke’s rollers comprise SW cage, PW tooth packer, KW wedge ring, and knife ring types. Seed drills

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“Sales of farm equipment in South Korea are projected to expand 4.4 percent per year to $2.9 billion in 2016, accelerating from the 2006-2011 period but trailing the regional average. Since the country has a highly mature and mechanized agricultural sector, market growth potential is limited. The lion’s share of new equipment sales going forward will be determined by replacement cycles, and ...”

--Section VI, pg. 168
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