World Tractors

Industry Study with Forecasts for 2016 & 2021

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World demand to rise 6.8% annually through 2016

World demand for tractors is expected to increase 6.8 percent per year through 2016 to $122 billion, growing at the same pace as during the 2006-2011 period. A moderation in sales growth in many large, developing countries -- particularly Brazil, China, and India -- after an extended period of rapid gains will counterbalance a strong recovery in the US, Western Europe, and Japan from the effects of the 2009 global economic recession.

Asia/Pacific region to remain dominant market

Demand for tractors in the Asia/Pacific region will be more than twice that of any other region in 2016, with China alone comprising 31 percent of the global total. Healthy population expansion and economic growth in China and other developing Asian nations such as India and Thailand will drive an expansion in construction activity in these countries and place heightened pressure on their agricultural sectors to become more efficient and productive, boosting associated tractor sales. Central and South America will post strong sales gains as well, due primarily to the large and increasingly mechanized agricultural sectors in Brazil and Argentina.

In the mature markets of the industrialized world, sales of tractors will continue to be largely determined by demand for replacement machinery and the efficiency gains provided by newer, more sophisticated equipment. During the 2008-2009 economic crisis, many tractor operators in the agriculture, construction, and mining sectors delayed replacing older machinery, and the inherent time lag in each of these markets in response to improving economic circumstances will govern tractor sales growth patterns going forward. While the construction and mining sectors tend to respond more slowly to changes in economic conditions due to the large amounts of capital that must be committed, the agricultural sector typically responds much more quickly. This release of pent-up demand will act as a restraint on market growth for a number of years, until the start of a new replacement cycle.

Construction and mining markets to see strong gains

Agricultural tractors will continue to account for the largest share of product sales in 2016, followed by tractors for construction and mining applications. However, due primarily to high 2011 levels of demand and the timing of replacement cycles in the US, Western Europe, and Japan, global agricultural tractor sales growth will slow through 2016. Increased construction expenditures and mining output in many areas of the world will drive healthy gains in these market segments. On the other hand, demand for commercial and consumer tractors will be hindered by limited opportunities for sales growth in the US.

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Brazil: Tractor Outlook & Suppliers -- Demand for tractors in Brazil is expected to climb 7.9 percent annually to $3.2 billion in 2016, posting healthy growth but slowing from the rapid expansion registered during the 2006-2011 period. Growth is expected at an accelerating pace through 2016, driven by gains in economic output, per capita income and strong export growth for Brazilian farm products, which will stimulate sales of agricultural tractors. Brazil’s intensity of farm tractor use (relative to agricultural value added) is higher than nearly every other developing country worldwide, yet it is quite low compared to most developed nations, and there exists significant potential for productivity and efficiency gains in the agricultural sector stemming from increased mechanization.

However, expansion in the market for tractors used in construction and other uses will moderate from gains recorded from 2006 to 2011, owing primarily to elevated demand levels over the 2013-2015 period as the country prepares for the 2014 FIFA World Cup and the 2016 Summer Olympics. This will cause a buildup in the stock of tractors, particularly those used in infrastructure projects and at transportation hubs like airports, and by 2016 operators will be seeking ways to utilize their currently owned tractors and there is likely to be a glut of used units for sale, limiting demand for new machinery going forward. Additionally, Brazil will find attracting foreign investment and construction project funding more difficult going forward because of increasing competition from countries in Asia, Eastern Europe, and the Middle East.

Tractor shipments from manufacturing plants in Brazil are projected to advance 9.3 percent per annum through 2016 to $4.2 billion, outpacing both local demand and regional industry output. Growth in the domestic market will bolster advances in production. Additionally, inflows of capital from foreign multinationals will contribute output gains as these suppliers establish new tractor assembly facilities.
Tractors and Farm Equipment Limited
35 Nungambakkam High Road
Nungambakkam, Chennai 600034
India
91-44-6691-9000
http://www.tafe.com

Sales: $1.7 billion (FY 2012, as reported by company)
Employment: 2,500 (estimated)

Key Products: wheeled tractors and related implements, diesel engines, and related components

Tractors and Farm Equipment (TAFE) is a leading manufacturer of tractors. The privately held company also has subsidiaries and divisions engaged in the production of diesel engines, gears, panel instruments, engineering plastics, and hydraulic pumps. In addition, TAFE has business interests in the plantation and passenger car distribution sectors. The Company is part of Amalgamations Group (India), one of the largest engineering conglomerates in India. Furthermore, TAFE is 23 percent owned by AGCO Corporation (Duluth, Georgia).

The Company participates in the world tractors industry via the manufacture of wheeled tractors and related implements, diesel engines, and related components. TAFE reports that it is the third largest tractor manufacturer in the world and the second largest tractor producer in India by volume. The Company markets its products under such brand names as TAFE, EICHER, and MASSEY FERGUSON.

Wheeled tractors made by TAFE include models equipped with three cylinder engines that feature power ratings of 30- to 58-horsepower (hp), and the TAFE 30 DI unit, which has a two cylinder, 30-hp...
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