

A vertical strip on the left side of the slide features a close-up photograph of a water droplet falling into a pool of water, creating concentric ripples. The background of the entire slide is a solid, dark blue color.

Prospects and Challenges of Large-scale Farming Worldwide - Overview of the Ag Machinery Markets in Russia, North America and Brazil

Ag Machinery International, AGRITECHNICA 2019
November 13th, Hannover

Market Development



Market Volume Development in **real terms** (converted into local currencies and deflated)

	2015	2016	2017	2018e	2019f	2020f
	%-change	%-change	%-change	%-change	%-change	Trend
World	-7	-1	4	3	-1	-1
EU	-2	-4	6	7	-2	-5
NAFTA	-16	-5	1	9	2	⇒
China	2	-4	4	-11	-7	⇒
South America	-15	4	7	9	4	↗
India	-22	18	15	21	-3	↗
Russia	-20	24	14	-3	0	↘
Japan	-9	-5	-2	3	5	⇒
Turkey	14	-5	-1	-41	-30	↘

Legend:

↑	> +10%
↗	+4/+10%
⇒	+/- 3%
↘	-4/-10%
↓	> -10%

Main simplifications and assumptions:

- Converted on the basis of annual average inflation and currency exchange rates
- No de-/inflation and no exchange rate fluctuations in 2019 and 2020 (development in real terms)
- The non-considered rest of the World in 2019 and 2020 with the same development in real terms like the (on market volume shares) weighted average of the regions under consideration

Source: VDMA (status October 2019)

Agriculture



Key facts and figures:

- Grain and oilseed harvest close to a record, but prices are significantly low than a year ago
- Worldwide grain and oilseeds market keeps potential for growth, traded quantities further rising
- Cattle and milk production slightly up, while pork and poultry production getting less profitable

Risk factors:

- Price development varies depending on the region and crop
- Logistics remains a major bottleneck for exports of grain and oilseeds
- Domestic demand for food rather weakening due to lower income, esp. for meat and milk products

Overall situation in Russian agriculture in the 2nd half of 2019 is less favorable than in previous 2 years

A dark teal silhouette map of Russia is positioned in the bottom left corner. An orange rectangular box is overlaid on the map, containing the word 'Russia' in white text.

Russia

Market Expectations by Segments



- Tractors

- With ca. 18.431 units sold in the first 9 months 2019 Russian tractor market is slightly increasing
- Market share of local produced or assembled tractor has gone up to 28%

- Harvesting Machinery

- Some decrease of combine harvester sales of 2% in the first 9th 2019 down to 3.523 units, as well as self-propelled forage harvesters to around 702 units
- Clear downward trend for H&F machinery
- Sales of potato, sugar beet and vegetable harvesting machinery remain on a modest level

- Steady trend for implements, increasing for ag machinery logistics and parts

Significantly decreasing investment of medium-sized farms has already led to higher dealer stocks!

Strategy of the Development of the grain complex of Russia up to 2035



Expected developments:

- Promotion of grain exports, production of animal feed and development of deep processing of grain are key drivers for future growth of the grain complex until 2035
- Higher investments in major segments, including ag machinery (3845 Bn. Roubles for tractors and combine harvesters in 2018-2035)

Goals for ag machinery market:

- Market volume by 2030 should be: 57.900 tractors, 22.600 combine harvesters
- Saturation of agricultural machinery market by 2030 should be: 1 tractor/100 ha, 1 combine harvester/250 ha
- Proposed measures to support grain producers for the purchase of machinery: direct subsidy of up to 25%, as well as subsidizing interest rates on loans

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Russia

North America



Trump calls in to Farm Progress Show

Trump says China targeted farmers to "get to me"

Mindy Ward | Aug 28, 2019
Source: www.farmprogress.com

ON THE LINE: Agriculture Secretary Sonny Perdue takes a call from President Donald Trump during the 2019 Farm Progress Show. Perdue was addressing a crowd of farmers on the ADM stage in the Hospitality Building. The president talked about trade deals with China and Japan.




winters © 2018
wintersrefouling.com

“If President Trump wants to turn American farmers against him, he’s going about it the right way.”
Thanks to his trade war, exports of American soybeans to China fell from \$14.2 billion worth in 2016 to \$3.1 billion worth in 2018.”
Source: www.forbes.com

Agrarhandel und Einkommen

USA/China: Handelskrieg eskaliert - Farmer leiden



ASA would like to see both parties - China and the United States- step up, stop tariffs, and find resolution that does not target soy growers trapped in the middle. Real people—Chinese citizens, the American public, and our soybean farmers—are the ones feeling the effects of this trade war.

Source: www.soygrowers.com

USA factsheet

Agricultural production

Cereals: harvest 2019E, livestock: 2019E

Corn	13.8 billion bu	-4%
Soy	3,6 billion bu	-20%
Wheat	2 billion bu	+4%
Milk	218.2 b lbs	0%
Beef	26,948 m lbs	0%

Agricultural prices

Cereals: 2019/20E, livestock: 2019E

Corn	3.8 \$/bu	+5%
Soy	9 \$/bu	+6%
Wheat	4.7 \$/bu	-9%
Milk	18.4 \$/cwt	+13%
Steers	115.5 \$/cwt	-1%

Specific influencing factors

- Unfavourable weather: flooding, in some places, resulted in late sowing
- Trade dispute with China mainly affecting soy, corn, cotton and pork
- USDA Market Facilitation Program II: 16 billion USD for a wide range of oilseeds and crops + dairy and hogs; pushes incomes into better direction but won't make up for entire losses
- Growing competition from South America

Agricultural machinery market USA

"We would rather have trade over aid."

Market statistics

Retails 01 – 09 2019 in units

Tractors	40-100 HP	45,040	+1%
Tractors	>100HP	13,167	+3%
Tractors	4WD	1,947	+9%
Combine harvesters		3,620	+2%

Indicators

Dealer sales forecast N.A. 10/2019 by Ag Equipment Intelligence

2019	-3%
2020	-1%

Canada factsheet



Agricultural production

Harvest 2019E

Wheat	27.5 m t	+4%
Canola	19.4 m t	-5%
Corn	14.1 m t	+2%
Barley	10 m t	+19%
Soy	6.5 m t	-13%

Agricultural prices

Season 2019/20E

Wheat	230\$/t	-6%
Canola	465\$/t	-6%
Corn	205\$/t	+6%
Barley	225\$/t	-13%
Soy	400\$/t	-1%

Specific influencing factors

- Wet weather caused delayed planting
- Deterioration in export conditions to China, India and Saudi Arabia
- USMCA increasing competition for Canadian dairy farmers

Agricultural machinery market Canada

Market statistics

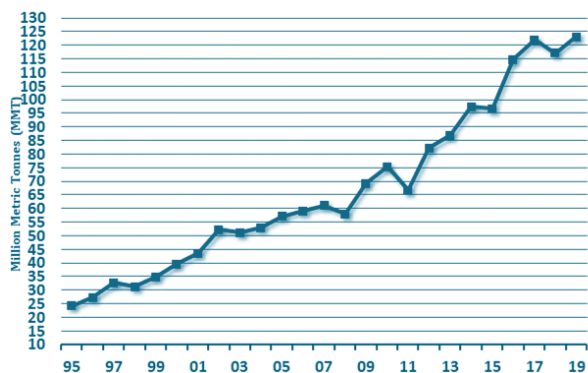
Retails 01 – 09 2019 in units

Tractors	40-100 HP	3,427	-13%
Tractors	>100HP	2,252	-17%
Tractors	4WD	428	-33%
Combine harvesters		1,038	-28%

Brazil

- Another record production expected in 2019/20
- Weak Real supportive effect on agricultural exports
- Subsidies through financing program of State Development Bank BNDES available since mid July (Moderfrota credit line with interest rates 3 – 11%); after last subsidies were available in April
- However, the good export prospects have meanwhile deteriorated due to African swine fever in China and Phase I of US-China Trade Agreement
- Wheel tractor shipments in units
 - 1-10 2019: 28,704 units (-13%)
 - 2018: 38,803 units (+9%)
- Grain combine harvester sales (units)
 - 1-10 2019: 4,334 units (+6%)
 - 2018: 5,759 units (+27%)

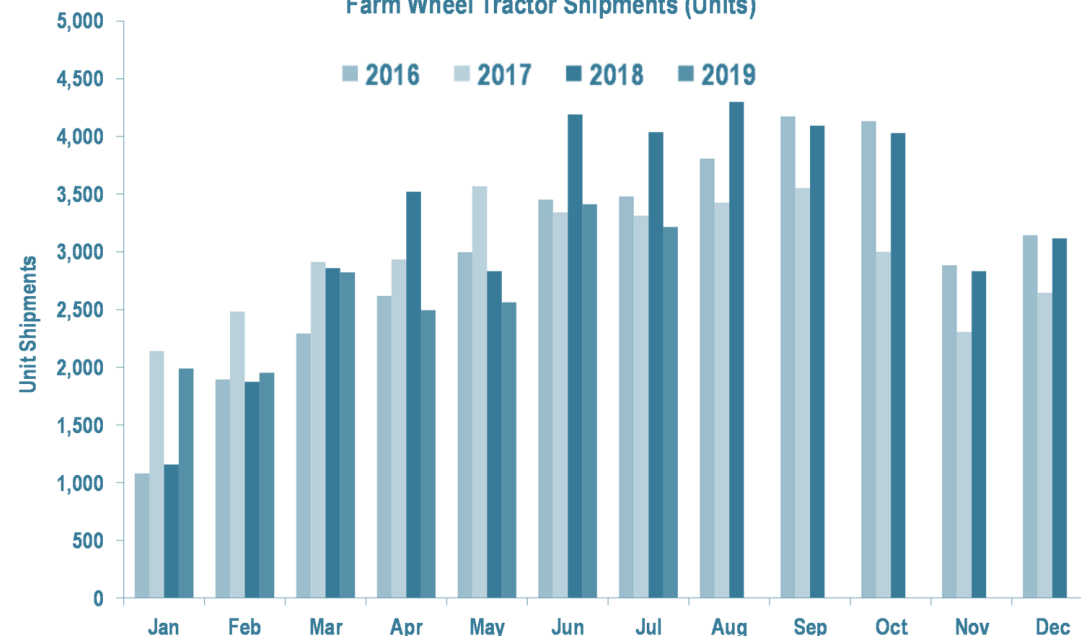
Brazil Soybean - Production



Brazil Corn - Production



Farm Wheel Tractor Shipments (Units)



Source: Anfavea, finanzen.net

EU-Mercosur Trade Agreement / the VDMA View



**Political Agreement realized
28. June 2019 at the G20
summit in Tokyo.**

Broad Scope of issues:

- » tariffs
- » rules of origin
- » technical barriers to trade
- » government procurement
- » intellectual property
- » sustainable development
- » ..

EU Understanding: Free Trade

**Agreement as a political
project: (Lessons learned from
TTIP)**

not only

- » remove trade barriers and help EU firms to export more
- » but also „strengthen worker’s rights and ensure environmental protection, ..uphold high food safety standards“
- » And protect quality EU food and drink products

Results for the Machinery Sector

- » Remove of duties of machinery (taxed 14 to 20%)
- » Gradual reduction of tariffs to zero. (Time table 10 to 15 years)
- » Product specific information not yet available.
- » Rules of origin: a maximum permissible proportion of non-EU input material of 50% of the ex-works price is envisaged, with a few exceptions the figure is only 45%. In the case of most mechanical engineering products, the position change rule is also provided as an alternative to the justification of origin.
- » Technical barriers: Relief by the respective adoption of international technical standards without national adjustments expected
- » VDMA Paper: <https://aussenwirtschaft.vdma.org/viewer/-/v2article/render/39638557>

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