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# The Development of European Agricultural Machinery Markets in 2006/2007

*Like other branches of the mechanical engineering industry, the agricultural machinery industry is currently booming. Production in Germany recorded growth rates, which were disproportionally high for the last three years. The most important sales market for this domestic industry is Western Europe, with main markets in France and Germany, followed by progressing agricultural nations in Eastern Europe. The Western European market maintained its level in 2006, while there was considerable growth in Central and Eastern Europe.*

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## Keywords

Market development, export markets, Central and Eastern Europe

## Literature

Economic report 2006 of the VDMA Agricultural Machinery Association. This report can be called up under [www.vdma.org/](http://www.vdma.org/) under the sector Agricultural Machinery and Economic Affairs.

In addition to the large locations in North and South America, the agricultural machinery industry, which produces for the world market, is mainly located in Western Europe. The production volume of the approximately 1,000 agricultural machinery manufacturers in the European Union amounted to about € 19.8 billion in the year 2005, which corresponds to 42% of the estimated worldwide production value of € 47 billion. Germany is the largest producer of agricultural machines and tractors in Europe with a share of almost 25% in the year 2005, followed by Italy (22%), France (17%), and the UK (9%). While agricultural machines or at least components of them are manufactured in almost all European countries, tractors are produced or assembled in only nine countries of the European Union. In the past three years, the production volume amounted to approximately 227,000 units. With regard to quantity, Italy is the biggest location. The tractors are mainly produced for the European market. The Western European markets are considered saturated replacement markets. In Eastern Europe, however, many basic investments are still being made. In addition to Europe, exports to the large North American market still play a role with a 10 to 15% export share for the German industry. From the viewpoint of the individual countries, Germany can consider itself export

world champion and has been significantly ahead of the USA in the past years thanks to the high exchange rate of the euro. In Germany, the export share was greater than 70% in the past years. The sum of exports is three times higher than the sum of imports. Thus, Germany is a clear net exporter in contrast to France, for example.

In Western Europe, the industry once again recorded a sales growth of more than 5% in the year 2006 due to a stable domestic market and larger exports. Germany occupied an eminent position given a growth of approximately 12% to € 5.3 billion, which resulted from the considerably better development in the eastward export business. On the main markets Russia and Ukraine, primarily machines for tillage, sowing, and harvesting from Germany and Western Europe are in demand. For most countries in Central and Eastern Europe, Germany is the main supplier of used or new agricultural machinery and accounts for an average share of 35% of the total import of the individual countries. In 2006, however, the exports of France, Italy, and the UK to this region also grew significantly. The great demand for replacements in the machinery parks and the enlargement of existing farms provides a potential, which the German and Western European industry can exploit for years.

Table 1: Tractor production in the European Union (in units)

Land/ Country	2003	2004	2005	%
Italien (I)	79.847	78.141	86.400	10,6%
Deutschland (D)	51.407	59.236	54.590	-7,8%
Frankreich (F)	22.490	27.530	27.280	-0,9%
Großbritannien (UK)	30.408	29.138	26.685	-8,4%
Finnland (FIN)	10.928	9.691	9.945	2,6%
Österreich (A)	8.509	9.856	8.922	-9,5%
Polen, Spanien, Tschechien (PL, E, CZ)*	11.747	15.044	12.313	-18,2%
<b>Summe / Total</b>	<b>215.336</b>	<b>228.636</b>	<b>226.135</b>	<b>-1,1%</b>

Quellen / Sources: VDMA, CEMA, \* inkl. Schätzungen / including estimations

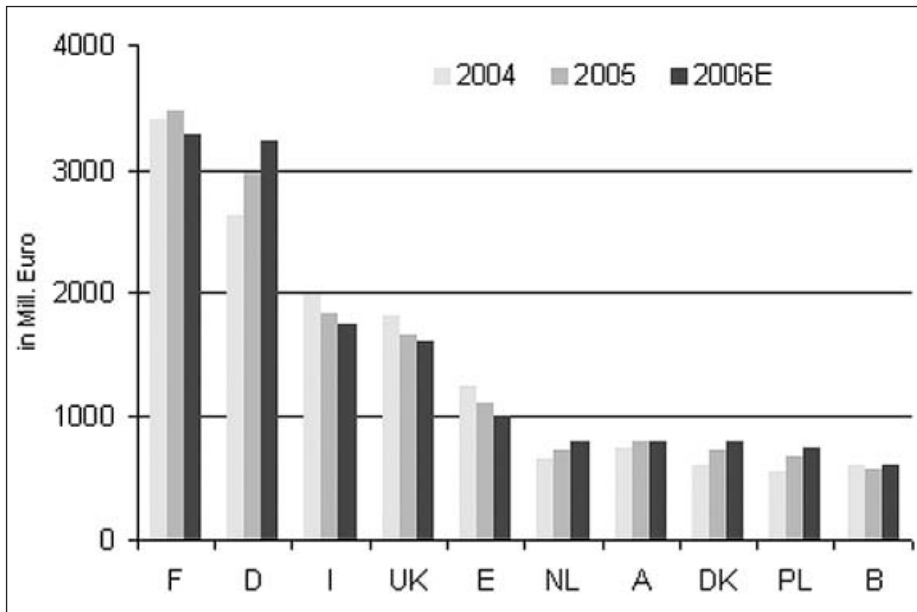


Fig. 1: Development of agricultural machinery sales in the most important European markets

### Positive general conditions

The most important influencing factors on the established Western European market were positive: In addition to high or at least increased producer prices of important agricultural products (meat and grain), which resulted in growing customer incomes, expanding agricultural operations still need to invest, whereas the total number of farms continues to decrease. Within the European Union, agricultural policy was reoriented for the period up until 2012. Since this revised policy was introduced in the Member States in 2005/2006, it has been a relatively reliable factor.

### Market volume

According to present estimates, the market volume in the European Union reached the value of the previous year (€ 17.5 billion) in 2006. With almost 170,000 newly registered tractors, the tractor market forecasts for the end of the year 2006 are also at the level of the year before. Due to the greater size of the new tractors, this means a slight sales increase. The powerhouses of European business in 2006 were Germany with a market growth of ~ 8%, as well as the smaller markets in the Netherlands, Denmark, and Belgium, which also achieved high growth rates. In 2007, the overall development on the Western European market is expected to remain stable because the so-called market indicators are not changing significantly.

After steady growth in the previous years, the volume of the largest European market, France, showed a decline at the end. By October 2006, the number of newly registered tractors was 8% below the previous year. Machines for arable farming and harvesting incurred a similar or even more significant reduction in the past season 2005/2006. An exception was the combine market, which grew for the third consecutive year. The new machinery business in Italy and Spain did not provide any impulses, too. The British market seems to remain just below the level of the previous year after the number of orders had developed more dynamically again in the second half of the year 2006. With € 3.2 billion, the size of the German market was similar to the volume of the French market in 2006. Especially sales of large harvesting machinery were decisive for this development. The combine- and forage harvester market maintained its high level, and the capacity of the new models improved significantly. By October 2006, tractors reached a plus of 16%. Therefore, the forecast for the end of the year 2006 is 27,000 units. According to current expectations, the German market will exhibit a slightly less dynamic development in 2007. Even though no negative circumstances can be discerned so far, farmers and contractors invested more than expected in new machinery. As a result, the demand has decreased, and the number of agricultural machines and tractors sold is decreasing slightly again.