

Overseas Market Information



Market Survey on Agricultural Machinery in USA

Full Country Name : United States of America
 Population : 298 million (February 2006 est.)
 Capital City : Washington, District of Columbia
 Ethnic Groups : White 81.1%, Black 12.9%, Asian 4.2%
 Currency : Dollar : 1 US Dollar or 100 cents.
 Government : Constitution-based Federal Republic
 Climate : Mostly temperate, but semi-arid in the great plains west of the Mississippi River.

Basic Economic Facts

GDP : Purchasing power parity - \$ 11.6 trillion (2006)
 GDP per head : Purchasing power parity - \$ 39,496 (2006)
 Annual GDP Growth : 3.5% (2006)
 Inflation : 4.0% (January 2006)
 Unemployment : 4.7% (January 2006)
 Major Industries : Highly diversified and technologically advanced industry - petroleum, steel, motor vehicles, aerospace, telecommunications, chemicals, electronics, food processing, consumer goods, lumber, mining.
 Major Trading Partners : The US is a global trader with global markets. Its main trading partners are Canada, Mexico and China.
 Exports : \$ 1.3 trillion (2005)
 Exports - commodities : Capital goods, automobiles, industrial supplies and raw materials, consumer goods, agricultural products.
 Imports : \$ 2.0 trillion (2005)
 Imports - commodities : Crude oil and refined petroleum products, machinery, automobiles, consumer goods, industrial raw materials, food and beverages.
 The Market : It has an integrated economy and every major industry is represented. With the exceptions of a few import quotas and some strategic industry ownership restrictions, there are no limitations on foreign firms seeking to do business in the US.

Trade in goods : The total US import market in 2004 was \$ 1,525 billion, an increase of 16.9% over 2003.
 Balance of Trade : The trade deficit at the end of 2004 was \$ 23 billion as against \$ 19 billion in 2003.
 Investment : FDI in the US reached \$ 1,526 billion in 2004. Although the US restricts FDI in some sectors foreign investors are generally treated on par with domestic business. There are no restrictions on moving capital or profits.
 Current Economic Situation : In the third quarter of 2005, GDP growth was 4.1% on the back of strong consumption and government spending. The forecast for 2006 growth is 3.4%. However, Hurricane Katrina has increased the risk of higher inflation. CPI inflation increased by 3.6% year-on-year in August 2005 due to higher energy prices.

Brief Economic Review

US GDP growth is projected to grow at 3.7% in 2006. World GDP growth is projected at 3.25 per cent in 2006. Thus it is seen that there has been strong, continuing US and world growth in spite of slow growth in Europe, modest growth in Japan, and crude oil prices which are projected to remain high into the foreseeable future. High oil and natural gas prices will add significantly to US farm fuel and fertilizer costs in 2006.

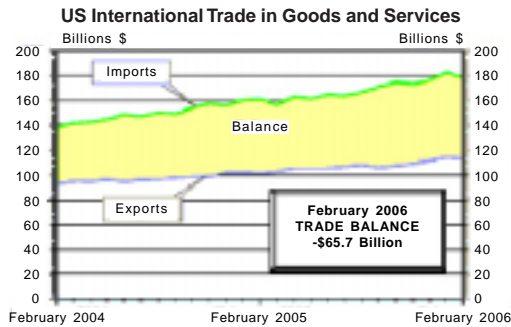
As the US economy expanded at a healthy 3.5 per cent pace in 2005, U.S. agricultural imports more than kept pace. Total import value for fiscal year 2006 is projected at \$ 63.5 billion, up \$ 2 billion from \$ 61.5 billion in the November 2005 forecast. The dollar's exchange rate has recovered closer to its 2004 levels after depreciating in early 2005, helping Americans' purchasing power remain relatively strong.

Current factors affecting current US economic conditions are – Rising petroleum costs have had a ripple affect on virtually every market segment. With no relief in sight, future market conditions are uncertain. Coupled with inflation rising to a nearly four year record high, the US economy is in a somewhat sluggish growth cycle. Industrial output was 4.5% at annual rate, and manufacturing indicators show expansion. Moreover, consumer confidence is at a four year high.



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Long-term US interest rates continue to rise in 2006 from the near-record lows of 2004 and the first half of 2005, reflecting increased world credit demand and higher short-term US interest rates. The Federal Reserve Board is expected to continue to raise short-term interest rates to prevent future run-ups in inflation. While consumer price index (CPI) faces inflation, largely due to higher energy and industrial commodity prices, was 3.6 per cent in 2005.



The agricultural trade-weighted dollar for high-valued products depreciated around 20 per cent from February 2002 to April 2005, but appreciated 5 per cent between April and November 2005. The dollar is expected to appreciate against the euro and yen in 2006. However, we anticipate that the dollar will weaken against developing country currencies in 2006. The net result is likely to be a modest depreciation of the trade-weighted dollar in 2006. The value of the dollar will continue to support US farm and manufacturing export growth in 2006.

Introduction to Local Markets

From the nation’s earliest days, farming has held a crucial place in the American economy and culture. Farming has been particularly valued in the United States. In fact, farm products made up 82 per cent of the country’s exports in 1860. In a very real sense, agriculture powered America’s economic development.

Early in the nation’s life, farmers were seen as exemplifying economic virtues such as hard work, initiative, and self-sufficiency.

American farmers owe their ability to produce large yields to a number of factors. For one thing, they work under extremely favourable natural conditions. The American Midwest has some of the richest soil in the world. Rainfall is modest to abundant over most areas of the country; rivers and underground water permit extensive irrigation where it is not. Large capital investments and increasing use of highly trained labour also have contributed to the success of American agriculture.

Technological advances, such as the introduction of gasoline and electric-powered machinery and the widespread use of pesticides and chemical fertilizers, meant production per hectare was higher than ever.

It is not unusual to see today’s farmers driving tractors with air-conditioned cabs hitched to very expensive, fast-moving plows, tillers, and harvesters. Biotechnology has led to the development of seeds that are disease and drought resistant. Fertilizers and pesticides are commonly used (too commonly, according to

some environmentalists). Computers track farm operations, and even space technology is utilized to find the best places to plant and fertilize crops. New inventions such as the steel plowshare (needed to break tough Midwestern soil), the reaper (a machine that harvests grain), and the combine (a machine that cuts, threshes, and cleans grain) allowed farms to increase productivity.

Just as an industrial enterprise might seek to boost profits by becoming bigger and more efficient, many American farms have gotten larger and larger and have consolidated their operations to become leaner as well. In fact, American agriculture increasingly has become an “agribusiness,” a term created to reflect the big, corporate nature of many farm enterprises in the modern US economy. Agribusiness includes a variety of farm businesses and structures, from small, one-family corporations to huge conglomerates or multinational firms that own large tracts of land or that produce goods and materials used by farmers.

Current US Department of Agriculture predictions forecast, above average annual retail sales of combine and tractors in the US Surveys indicate the largest factor influencing the buying decision making process being price of new equipment.

Agricultural Machinery – includes

1. Tractors
2. Land Reclamation
3. Primary Tillage
4. Secondary Tillage
5. Sowing and Planting
6. Chemical Spraying
7. Chemical Fertilizing
8. Grain Harvesting
9. Vegetable/Root Crop Harvesting
10. Other Crop Harvesting
11. Balers and Straw Handling
12. Grassland/Forage Harvesting
13. Crop Transport and Handling
14. Crop Drying
15. Crop Storage
16. Crop Processing
17. Crop Cleaning, and Grading
18. Irrigation
19. Land Drainage
20. Dairy Farming
21. Beef Farming
22. Poultry Farming
23. Sheep and Goat Farming
24. Pig Farming
25. Orchard/Fruit Farming
26. Fish Farming
27. Farm Buildings



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- 28. Farm Power
- 29. Animal Waste Handling/Storage
- 30. Farmland Maintenance
- 31. Farm Water Supply
- 32. Horticultural/Greenhouse Equipment
- 33. Forestry Machinery
- 34. Vineyard Machinery
- 35. Replacement Parts
- 36. Workshop Tools and Equipment
- 37. Wheels, Tracks and Tyres
- 38. Veterinary Equipment
- 39. Miscellaneous Equipment
- 40. Machinery Storage and Shelter

Local Manufacturers

Some of the top manufacturers of the agricultural equipment are -

- Deere & Company - www.deere.com - one of the world's two largest makers of farm equipment (CNH Global is the other), is also a leading producer of industrial, forestry, and lawn-care equipment. Its farm equipment includes tractors, tillers, harvesting machinery, and soil-preparation machinery. The construction equipment includes backhoes and excavators. Deere also makes drive train components, diesel engines, chain saws, and leaf and snow blowers.
- Ingersoll-Rand Company Limited - www.irco.com - known for its tools and machinery. With about 130 plants worldwide, the company makes refrigeration equipment (Thermo King, Hussmann) used mostly in trucks and supermarkets, locks and security systems (Schlage, Kryptonite), construction equipment (pavers, light towers, portable compressors), industrial equipment (generators, turbines, and the like), and heavy equipment and golf carts (Compact Vehicle Technologies). Since 2003 Ingersoll-Rand has sold its Torrington and Dresser-Rand subsidiaries, which included the manufacture of precision bearings and fluid-control devices, respectively.
- CNH Global N.V. - www.cnh.com - CNH Global is one of the world's two largest makers of agricultural equipment (Deere & Company is the other). Its farm equipment includes tractors, harvesters, sprayers, and hay balers. The company also makes light-industrial and construction equipment such as include backhoes, excavators, forklifts, mini loaders, and telescopic handlers. Based in the United States, CNH has operations in 16 countries and sells its products in 160 markets. CNH was created in November 1999 through the business merger of Case Corporation and New Holland N.V. and had combined 1999 revenues of nearly \$ 11 billion.
- AGCO Corporation - www.agcocorp.com - AGCO's annual harvests might be smaller than those of larger rivals John Deere (# 1) and CNH Global (# 2), but it's still able to reap profits worldwide. AGCO sells its tractors, combines, hay tools, sprayers, forage equipment, and replacement parts

through a global network of 8,400 dealers and distributors. Brand names include Massey Ferguson, GLEANER, and Fendt. It has acquired Caterpillar's high-tech MT series tractor line as part of its strategy to expand its product line.

- Caterpillar Inc. - www.cat.com - Caterpillar is the world's # 1 maker of earthmoving machinery and a leading supplier of agricultural equipment. The company makes construction, mining, and logging machinery; diesel and natural gas engines; industrial gas turbines; and electrical power-generation systems. Caterpillar has plants worldwide and sells its equipment globally via a network of about 180 dealers in 3,500 locations.

Some more prominent names in the field are -

Wheel Tractor

Tractor Vehicles LLC - www.tractor.com

Zetor Tractors - www.zetor.com

Hand Tractors/Power Tillers

Barreto Manufacturing Inc - www.barretomfg.com

Honda Power Equipment Group - www.hondapowerequipment.com

Tractor Linkages and Attachments

Brandt Mfg., Inc - www.brandtmfg.com

California Push-Pull Inc - www.push-pull.com

Schuck Metal Fabrication & Design - www.schuckhitches.com

Special Products Company - www.speeco.com

Tractor Components

ABL Lights Inc - www.abllights.com

Pioneer Quick Couplings - www.pioneerquickcouplings.com

Market Forecast

The Farm Equipment Manufacturers Association (FEMA) prepared market forecast for various agricultural equipments, based on the survey of its members for the year 2006. If the trend of actual sales for 2005 continues through year end, it is estimated that the overall market for tractors and combines to trend down in 2006. However, to put this in perspective, this comes after two years (2003/2004) of historically high sales. The forecast is based on the responses provided by the Industry in the survey -

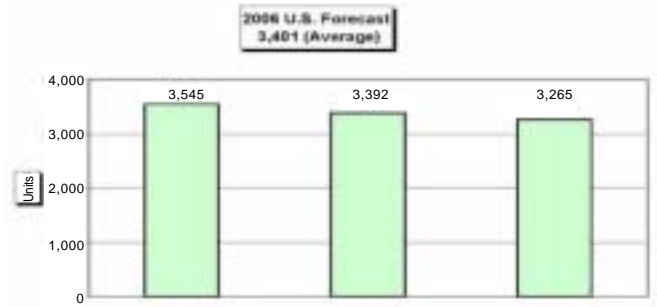
2WD Farm Tractors under 40 PTO HP





4WD Farm Tractors All Sizes

Unit Retail Sales



Disk Harrows (All)

Unit Retail Sales



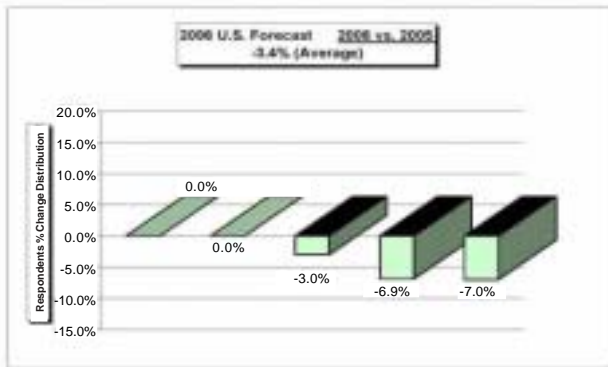
Self-Propelled Combines

Unit Retail Sales



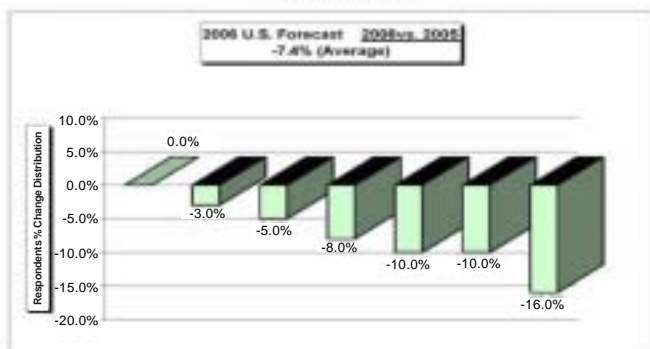
Rectangular Balers

Unit Retail Sales



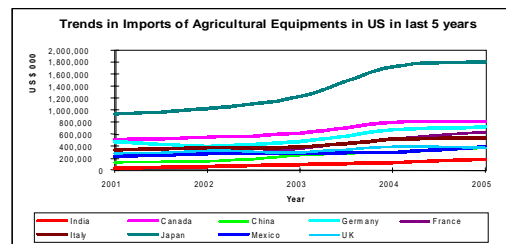
Field Cultivators (All)

Unit Retail Sales

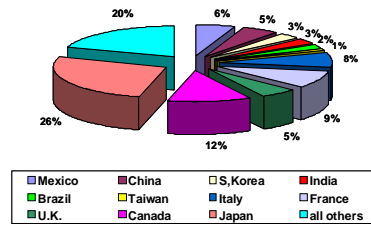


Global Imports

US Imports of agricultural Equipments

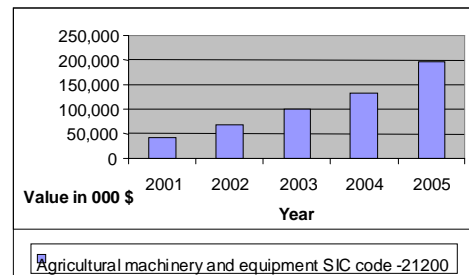


Country wise Imports into US (2005)



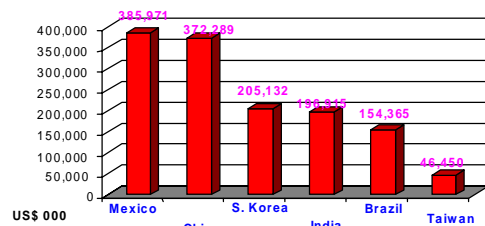
Imports from India

Imports from India in last 5 years



Major Competitors

Imports from competing countries to the US (2005)



(Source : EEPC Chicago Office)

(To be continued at next issue)