

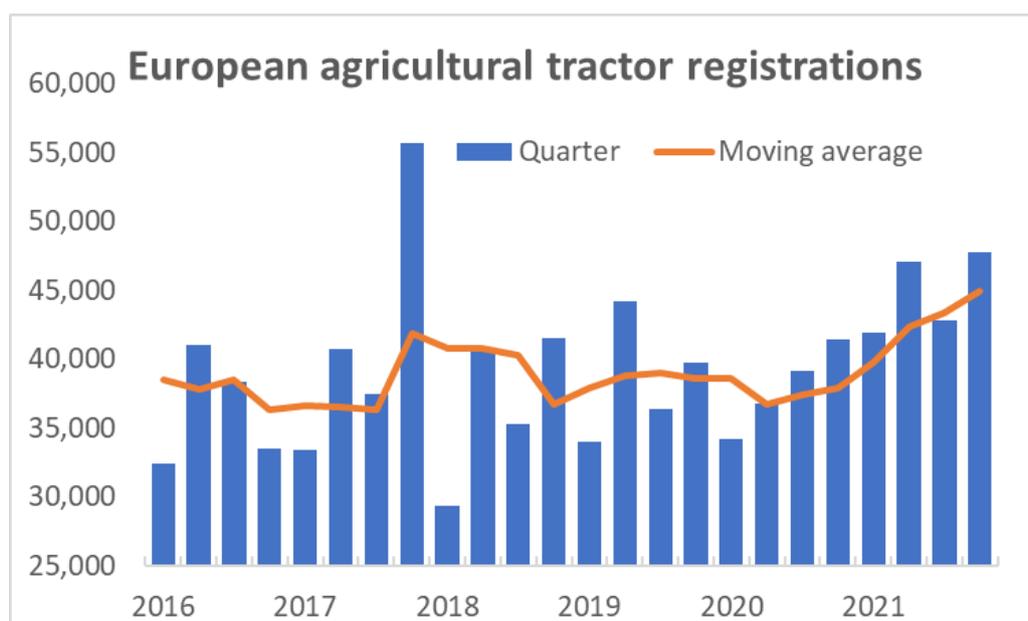
PRESS RELEASE

European tractor market hits new high despite supply chain challenges due to Covid-19; further supply bottlenecks due to war in Ukraine

Registrations of agricultural tractors up 17% on 2020 and at highest for at least a decade.

Brussels, 21st March 2022 – Nearly 230,000 “tractors” were registered across Europe¹ in the full year 2021, according to numbers sourced from national authorities. Of these registrations, just under 30% were of vehicles of 37kW (50 hp) and under and the remainder were 38kW and above. CEMA considers that **just under 180,000 of these vehicles are agricultural tractors**. The rest are made up of a variety of vehicles which are sometimes classified as tractors, which includes quad bikes, side-by-sides, telehandlers or other equipment. An overview of the total tractor registrations can be found in the annex, including an indication of the proportion of registrations in each country which can be classified as agricultural tractors.

Agricultural tractor registrations for the full year 2021 increased by around 17% in comparison with 2020. Even allowing for the fact that the market in 2020 was disrupted due to the Covid-19 pandemic, particularly in the second quarter, this growth represents a significant improvement in market conditions. Indeed, the number of tractors registered was the highest recorded in comparable data which date back over a decade. These strong results were achieved despite widespread disruption to global manufacturing supply chains and staff shortages due to high Covid-19 infection rates.



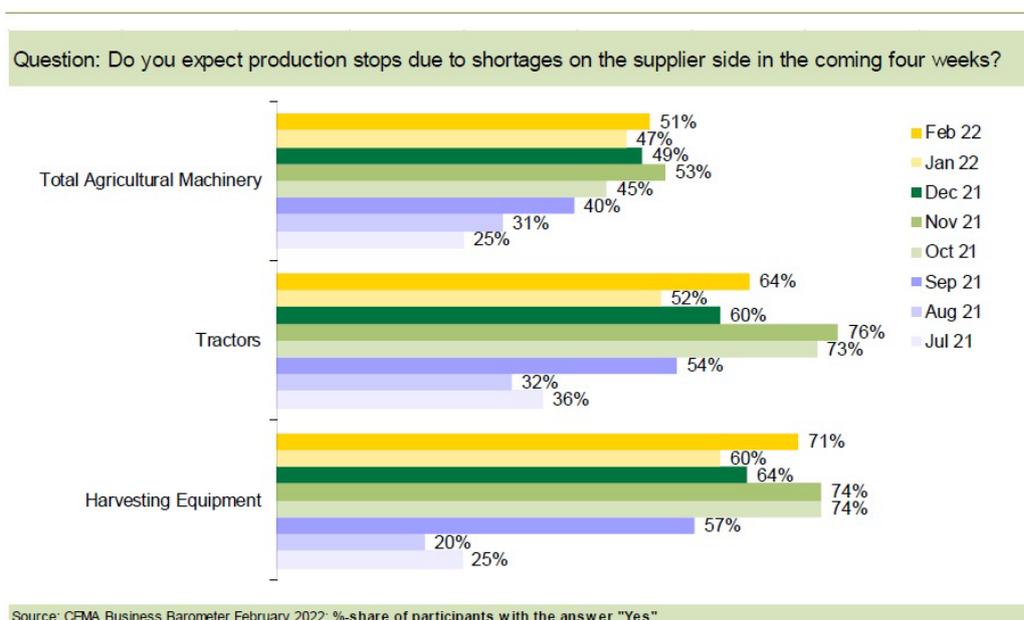
Graph 1 - Source Systematics International, formatted by CEMA

¹ Figures cover most EU markets and some non-EU countries. See Annex for full list of countries included.

Manufacturers warn of continuing production delays

Agricultural machinery manufacturers underline that disruptions to the smooth running of their production activities have multiplied over the last few months. Across the board, the situation has been worsening since the summer of 2021. Even before the crisis in Ukraine, in the February 2022 CEMA Barometer, 51% of the responding manufacturers said they expected some production stoppages due to supplier side shortages in the next four weeks. The issue is even more widespread among manufacturers of tractors and harvesting equipment, with respectively 64% and 71% of respondents reporting that they expected production stoppages (Graph 2). The war in Ukraine has triggered even more supply bottlenecks, as already apparent by early March in the latest CEMA Barometer.

Supplier Side Shortages



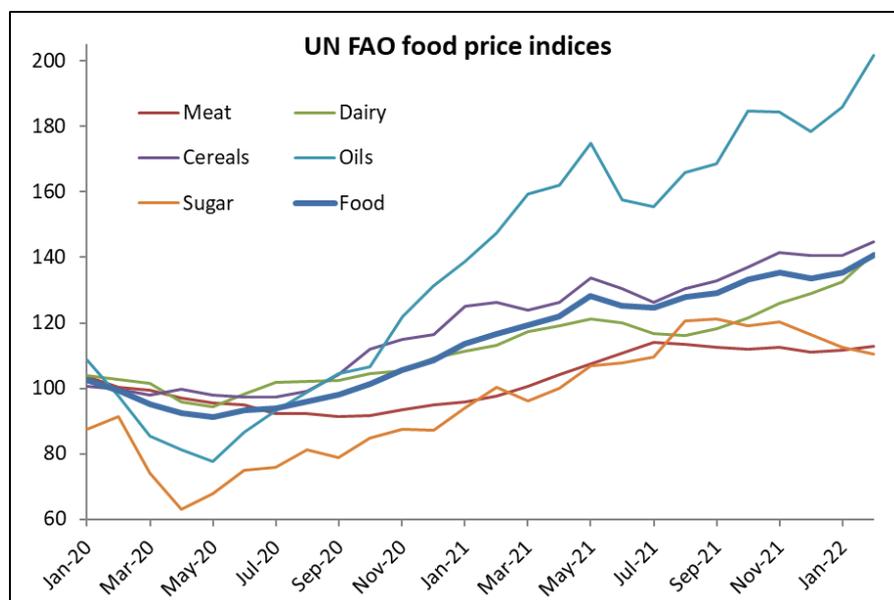
Graph 2 - Source CEMA Business Barometer (February 2022)

These concerns add to other reported disruptions: transport and logistics, where the shortage of containers has caused a decided increase in costs and delays; manpower availability to run plants at full capacity due to the spread of the Covid-19 Omicron variant; rising commodity and energy costs.

As the disruptions further worsen and with the agricultural season of use upon us, manufacturers stress again their concerns regarding the possibility of fulfilling their orders in a timely manner despite all the efforts put in place across the value chain. The full impact of the war remains to be assessed.

Strong agricultural commodity prices support the market

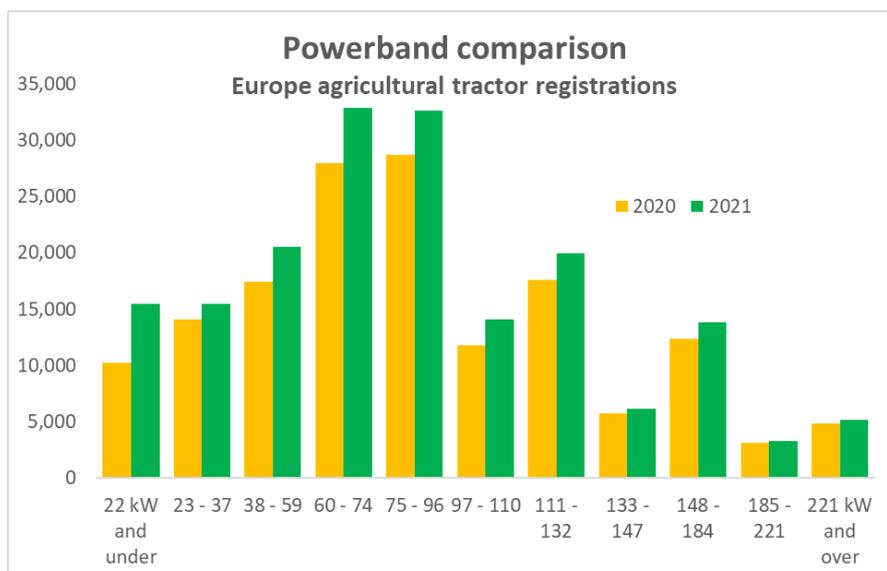
While the tractor market was held back by the production delays, demand was consistently strong throughout 2021. A number of factors contributed to the level of demand but high and rising agricultural commodity prices were perhaps the most important. This is demonstrated by the global food price index published each month by the United Nations Food & Agriculture Organisation (UN FAO). This showed that food prices in 2021 averaged 28% higher than in 2020 and were at their highest level since 2011 (Graph 3). Most farming sectors shared in the strong prices, with each of the component indices – covering meat, dairy, cereals, vegetable oils and sugar – at their highest for at least five years and the vegetable oils index at an all-time high. European prices for most commodities followed similar trends, although farm incomes were also affected by rapidly rising input costs, particularly for fuel and fertiliser.



Graph 3 - Source UN FAO, formatted by CEMA

Registrations grow across the whole tractor power range

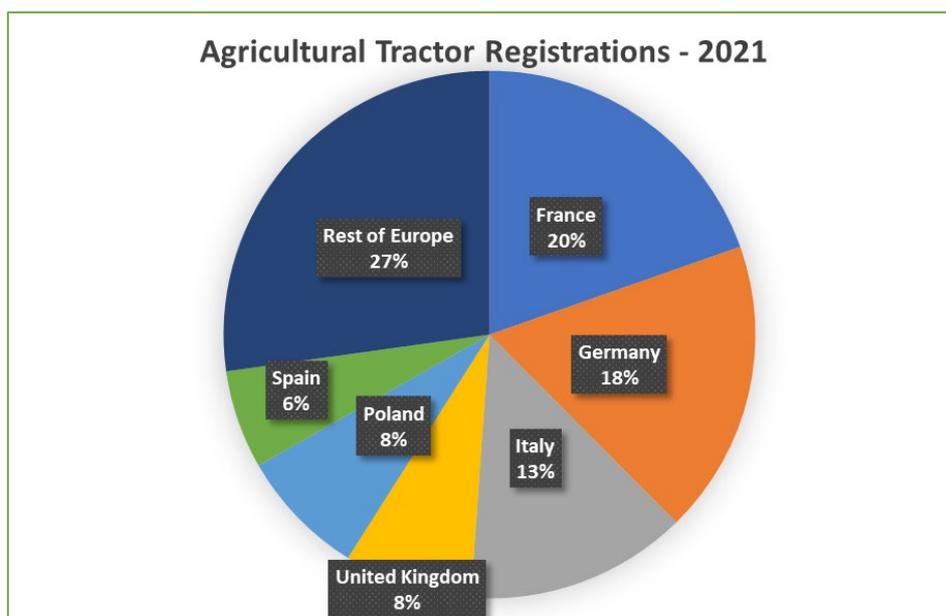
All power categories recorded increased registrations in 2021 but growth was slower for the largest tractors (Graph 4). Among those machines classed as agricultural tractors, there was a 9% rise in the number of machines over 132kW, half the rate of increase which was recorded for machines with lower-powered engines. The strongest growth of all was for tractors of 22kW or below, registrations of which were up by more than half, compared with 2020.



Graph 4 - Source Systematics International, formatted by CEMA

Significant country differences for 2021

The two biggest agricultural tractor markets in Europe remain France and Germany (Graph 4), with those two countries accounting for almost four agricultural tractors out of every ten registered in Europe. Registrations in these two countries grew more slowly than across the rest of Europe in 2021, though, with rises of 10% and 9%, respectively. In contrast, growth in Italy and Poland, the third and fifth largest markets, was particularly strong, at 36% and 42%. Together with the United Kingdom and Spain, these countries account for a further 35% of European registrations. Only just over one in four new agricultural tractors registered in Europe is outside these six leading markets.



Graph 5 - Source Systematics International, formatted by CEMA

In reviewing the Registration numbers across Europe, economic experts from CEMA national associations further commented:

In **Germany**, 34,472 agricultural tractors were newly registered in 2021. This corresponds to an increase of 8.6%, compared to the previous year. Almost three quarters of the registered vehicles were tractors with a power output of more than 50 hp. The increase in this power class is moderate compared to the previous year (+0.2%). Tractors with power below 50 hp, on the other hand, showed a significant increase (+38.4%). The strongest months were March, with a seasonal spring peak also seen in previous years, and December, with a year-end rally.

In **France**, 36,053 tractors were registered for the first time, once all families of tractor are combined. This is the best performance since 2013. After a satisfactory year in 2020, despite line stoppages and partial factory closures, 2021 saw renewed growth with an increase of 9.9% (+3,256) in new tractors registered. The green space tractor category is the one that has progressed the most with growth of 47.1% (+2,136). Registrations of standard tractors increased by 2.7% in 2021, reaching 24,543 units

In **Italy**, data on registrations during the year show a big surge for tractors (about 24,400 units sold, +36%) and for other types of vehicles. Positive effects came from incentives for machinery 4.0, which will remain in force in the new year. Further support will come from EU funds, such as the Rural Development Plans (RDP) and the Next Generation EU (PNRR). At the beginning of the new year the market was still promising. However, the effects of the military crisis in Ukraine and the worsening of the situation along the supply chain will lead to downsizing the good predictions.

In the **United Kingdom**, tractor registrations in the first half of 2021 were up 25% on the same period of 2020 and, more importantly, were 12% above the previous 5-year average for the time of year. In the second half of the year, registrations were only marginally higher than in 2020 and were 2% below average. This comes despite orders for tractors remaining very strong; registrations for the year were on a par with the better recent years but could have been substantially higher if all orders could have been delivered as normal. It was a similar story for other types of farm equipment, with the value of orders for non-mobile machinery up 17% on 2020 but completed sales only 3% higher. The backlog of orders waiting to be delivered at the end of the year was 40% larger than a year before, having also risen at a similar rate during 2020.

In **Spain**, tractor registrations increased by a 10.0% in 2021, but the 10,905 units registered were 1.2% below the previous 5-year average. By type of tractor, 94 are crawlers (+45% and -9%), 5,278 are standard (+10% and -4%), and 5533 are narrow track (+9% and +1%). The constant growth of the second-hand market (+22% and +1%) – though it was seriously hit during lockdown in 2020 – and the negative trend of farm expenses put a brake on the new tractor market in 2021 Q3 and Q4, when it was also affected by supply constraints. On the other side, the good evolution of specialty crops is driving the increases for narrow tractors and ATV registrations (+41% and +88%).

In **Poland**, the number of new tractors registered during the year was 42% higher than in 2021. The last time such a large number of tractors were registered was in 2014. Despite the great concerns about the future that faced entrepreneurs and farmers at the beginning of the pandemic, it was the second consecutive good year for the industry. That also applies to the accompanying machinery market, where growth was estimated to be around 20-25%. There are several reasons for this. First, the last two years have been good for farmers - good crops and the absence of disasters in the form of droughts or floods contributed to an increase in farmers' incomes. In addition, farmers could fully benefit from EU subsidies. Finally, the general economic situation, with a likely increase in machinery prices, brought forward many investment plans.

In **Belgium**, the industrial turnover of agricultural machinery in 2021 recovered and increased by about 23% to reach €1,038 million. Input costs are still weighing on margins, while supply chain difficulties and labour market tightness are hampering production. Enterprises still regard their business environment as favourable, with a guaranteed level of activity further increasing; capacity utilisation is still high despite of a decrease in recent quarter. Regarding the domestic market, tractor registrations increased by 13%, compared to 2020. Overall, there are strong expectations for 2022 due to high prices for agricultural products but the livestock sector is facing problems with the regulation of nitrogen emission and will have to take a series of measures to drastically reduce nitrogen emissions.

In **the Netherlands**, tractor sales in 2021 were slightly up (+5%) compared to 2020. In general, Dutch farmers showed confidence in investing in new machinery but dairy farmers are a bit more careful, due to uncertainties regarding expected new regulations, which might limit their dairy herd, based on exceeding nitrogen standards near Natura 2000 areas. Nevertheless, order intake is positive, with an increase of roughly 20%.

In **Austria**, the market for tractors developed very positively in the first three quarters of 2021. In this period, 28% more tractors were manufactured in Austria than in the same period of the previous year. The year was equally successful in terms of first-time registrations, with an increase of 32.3% achieved, compared to the same period of the previous year. As part of the recovery measures in Austria, a subsidy was created for the purchase of tractors (investment premium), which had a very positive effect on market developments.

In **Denmark**, tractor registrations in 2021 were up 10,6% compared to the same period of 2020. That reflects a similar development in other European countries and must partly be due to food prices in 2021, which averaged 28% higher than in 2020.

In **Turkey**, agricultural tractor registrations for the full year 2021 increased by 32.7%, in comparison with 2020. During this period, 64,070 tractors were registered and the rate of change was 20.7%, compared with the average of the last 5 years. Farmers who were planning to invest in farm machinery over the coming months put their investment plans on a fast track because of the expectation of very high inflation and the low-value of financial instruments. Meanwhile, only a few new model vehicles are available in the second-hand market, which positively affected the demand for new tractors. However, new safety legislation, which came into force in July, caused

planning and production problems, and supply chain distortions also limited the upward tendency in supply.

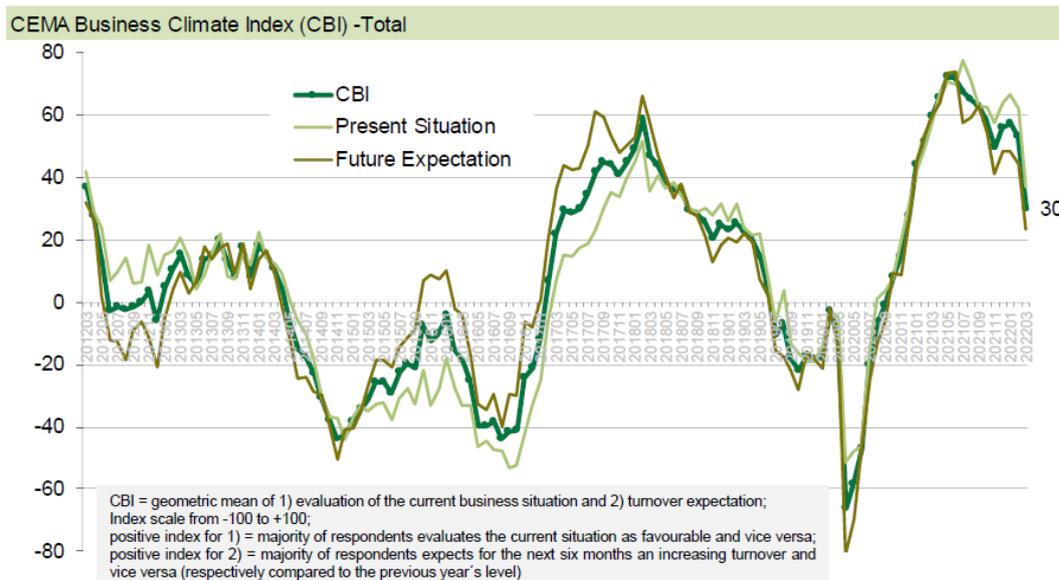
CEMA Barometer shows further supply bottlenecks due to war in Ukraine

According to the latest CEMA Barometer, the general Business Climate Index for the Agricultural Machinery Industry in Europe remains at a high level but dropped sharply with the war in Ukraine. In March, the index decreased from 53 to 30 points (on a scale of -100 to +100).

With regard to the full year of 2022, the European industry representatives still forecast a +5% increase in turnover for their company. According to the survey, the expected lost turnover from Eastern Europe will be more than counterbalanced by further growth in the rest of the world, especially in North and South America, Western Europe, Australia and New Zealand.

For now, the consequences of the Russian war against Ukraine seem likely to harm the industry more on the already constrained supplier side than on the market side. Belarus, Russia and Ukraine together accounted for not even 5% of total turnover of the surveyed companies in 2021, against a remaining backdrop of record order stocks. Rather, it now appears to become even more difficult to realise orders, as supply bottlenecks and price increases tend to intensify as a result of the crisis. This applies, in particular, to combine harvester and tractor manufacturers, where 81% and 70%, respectively, will be forced to temporarily stop production at times in the coming four weeks.

Business Climate Index Development



Source: CEMA Business Barometer

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Annex:

Total Registrations Europe (January to December)				
Country	FY			% of agricultural tractors - 2021
	2021	2020	% Change	
Austria	8730	6539	+33.5%	83%
Belgium	5805	5173	+12.2%	63%
Bosnia Herzegovina	797	690	+15.5%	53%
Croatia	2881	2218	+29.9%	36%
Czech Republic	5815	3642	+59.7%	58%
Denmark	3055	2761	+10.6%	57%
Estonia	1714	1177	+45.6%	32%
Finland	11832	9756	+21.3%	16%
France	35771	32753	+9.2%	98%
Germany	34852	32040	+8.8%	93%
Greece	2788	2110	+32.1%	100%
Hungary	3336	3126	+6.7%	82%
Iceland	580	416	+39.4%	25%
Ireland	3478	2837	+22.6%	68%
Italy	24385	17944	+35.9%	100%
Latvia	782	562	+39.1%	76%
Lithuania	2797	1820	+53.7%	54%
Luxembourg	801	815	-1.7%	36%
Moldova	1641	1085	+51.2%	79%
Netherlands	2848	2715	+4.9%	100%
Norway	2689	2602	+3.3%	98%
Poland	20241	14166	+42.9%	69%
Portugal	3032	2755	+10.1%	100%
Serbia & Montenegro	1885	2429	-22.4%	99%
Slovakia	2891	3332	-13.2%	1%*
Slovenia	1388	1115	+24.5%	100%
Spain	11672	10676	+9.3%	93%
Sweden	12039	10146	+18.7%	25%
Switzerland	4435	4269	+3.9%	57%
United Kingdom	14071	11934	+17.9%	100%
Total Registrations	229031	193603	+18.30%	78%

Agricultural Tractors	179571	153979	+16.62%
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37kW and under	66654	52999	+25.76%
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38kW and over	162377	140604	+15.49%
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* Data received from Slovakia contains a large number of machines whose status could not be determined, so the percentage of agricultural tractors is not an accurate reflection of numbers

Source: Systematics International, formatted by CEMA

Disclaimer: the total number of registrations may include other types of vehicles such as telehandlers and ATVs. Additionally, for certain countries it can include some second-hand registrations. This is still the best data set available to CEMA sourced from national authorities.