



## 2016 Ag Equipment Export Trends:

### Strong Growth January to April for Grain & Row Crop Products

*ITA Global Agribusiness Team members with clients that manufacture equipment for cultivating grains, oilseeds, and other row crops (sugar beets, potatoes, etc.) should note that U.S. exports of such products to the EU and Eastern Europe grew strongly in the first four months of 2016, despite continued poor performance globally over the same period.<sup>i</sup> Shipments to the European Union grew 23 percent, January-to-April this year, compared with the same period in 2015. Exports to Ukraine recovered by a remarkable 241 percent, coming back from near collapse in 2012-15. The Russian market also recovered strongly, although not as rapidly as Ukraine.*

This is the first year EU markets as a whole have shown any widespread growth since 2012, following 16 percent/per annum declines from 2013-2015. The growth in exports was geographically widespread—19 out of 28 EU member countries, including major markets Germany and France, as well as numerous others in Central Europe, Scandinavia, Southeastern Europe, and the Baltic.

#### U.S. Exports of Row-Crop Equipment

	<u>2015</u>	<u>2016</u> <u>Jan.-April</u>
<u>Total</u>	\$3,039.1mn	-11.6 percent
<u>EU</u>	573.5mn	23.0 percent
<u>Ukraine</u>	42.1mn	240.7 percent
<u>Russia</u>	32.8mn	72.8 percent

Source: U.S. Bureau of the Census; TPIS.

Historically low European interest rates may help to explain the recovery in U.S. exports. The European Central Bank (ECB) refinancing rate, which determines the basic cost of credit throughout the Eurozone, remained at 0.00 following the ECB's June 2 meeting in Vienna.<sup>ii</sup> Agribusiness enterprises in a position to borrow, in countries with robust domestic agricultural finance institutions, such as Germany's Rentenbank, may be able to receive additional credit support for capital investment, despite continuing low commodity prices.<sup>iii</sup>

#### Overall Decline Continues

Overall, U.S. exports of equipment to cultivate grain, oilseeds, and other row crops continued to fall in the first four months of 2016, down 11.6 percent from the same period last year. This is a slower rate of decline than in the recent past, but cold comfort for U.S. exporters of these products. Of the United States' five largest markets in this sector (by dollar value: Canada, Australia, China, Germany, and Mexico), only Germany grew relative to last year, albeit at a robust rate of 36.2 percent.

From a product standpoint, growth was principally in shipments of high horse-power tractors (180-hp and up) and self-propelled combine harvesters. More modest gains were registered in some parts



categories. Shipments of center-pivot irrigation systems have declined so far this year, but—unlike many other types of equipment—after a period of strong, sustained growth in the lean years 2013 to 2015. Given the relatively narrow product range, it is not clear whether improved export performance so far this year will signal a broader trend in EU markets that will benefit SME exporters, and not just the major “full-line” manufacturers—or, of course, whether it will be sustained for a longer period.

### **Dramatic Recovery in Ukraine**

The recovery in exports to Ukraine has been far more dramatic this year than to EU markets, as well as more diverse in terms of product categories: high-hp tractors, a broad array of implements, center pivot irrigation systems, and parts. Unlike the EU however, the Ukrainian market is recovering from virtual collapse since 2012. As a result of war, economic crisis, and weak commodity prices, U.S. exports of equipment for grains, oilseeds, and other row crops fell at an annual rate of nearly 50 percent from 2013 through 2015. U.S. exporters with customers and business relationships in Ukraine should be reporting improved business there.

Growth in U.S. exports of grain, oilseed, and row-crop equipment to Russia was also quite robust in the first third of the year, although narrower in scope and lower in volume than to Ukraine. Continued Russian sanctions against imports of food products from the EU, the United States, and other Western countries are likely an incentive for further capital investment by Russian agribusiness companies.<sup>iv</sup>

***Note: This document was prepared before the United Kingdom referendum on whether or not to leave the European Union and does not reflect the possible implications of that vote.***

---

<sup>i</sup> Trade Policy Information Service (TPIS); U.S. Department of Commerce.

<sup>ii</sup> “ECB keeps rates unchanged at record low as expected”; June 2, 2016; Reuters.

<http://finance.yahoo.com/news/ecb-keeps-rates-unchanged-record-115642523.html>

<sup>iii</sup> “Kommentar: Verführerisch, Sarah Speicher-Utsch über niedrige Zinsen”; Sarah Speicher-Utsch; May 6, 2016;

***Agrarzeitung.***

<sup>iv</sup> “Russian Dairy Embargo to be Extended”; Anna-Lisa Laca; June 7, 2016; ***Farm Journal’s Milk.***

<http://www.milkbusiness.com/article/russian-dairy-embargo-to-be-extended>