



Association of Equipment Manufacturers

US Country Report

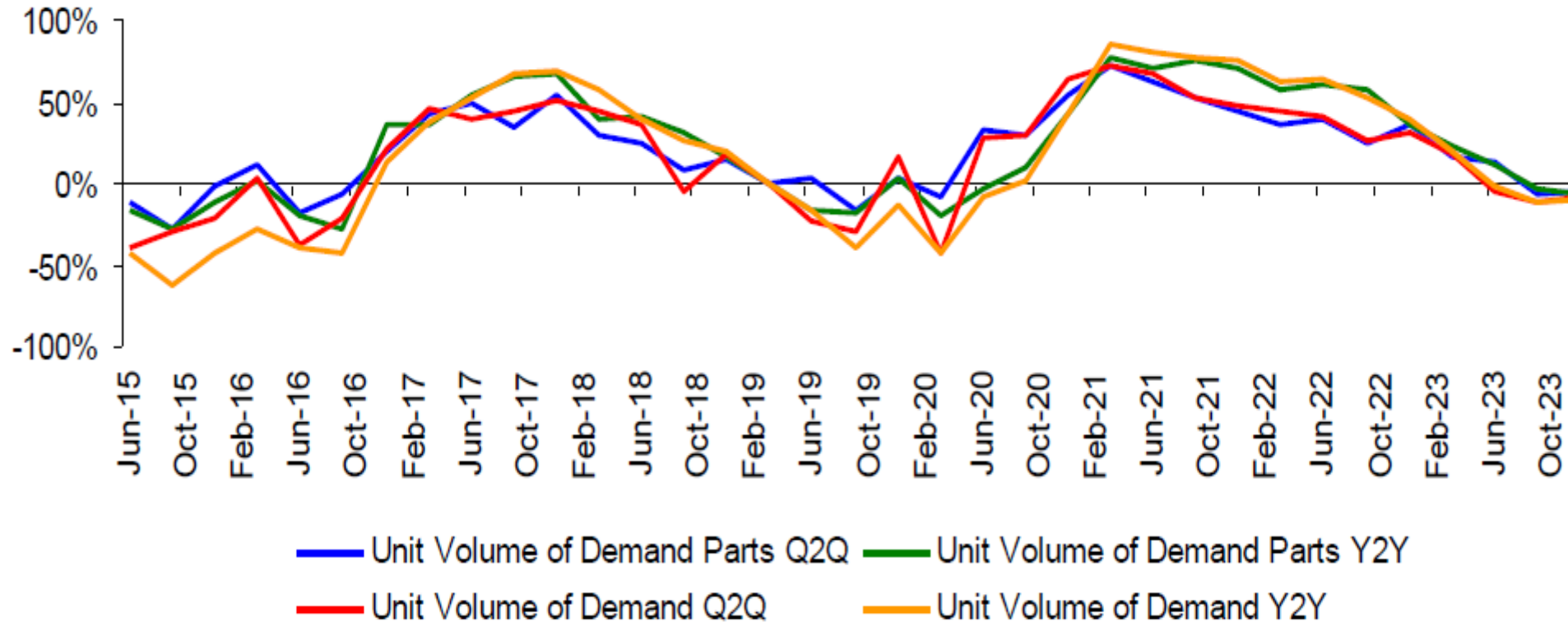
Agrievolution Economic Committee

Al Melhim

16 April 2024

Equipment Demand Outlook: *Bear Market*

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling



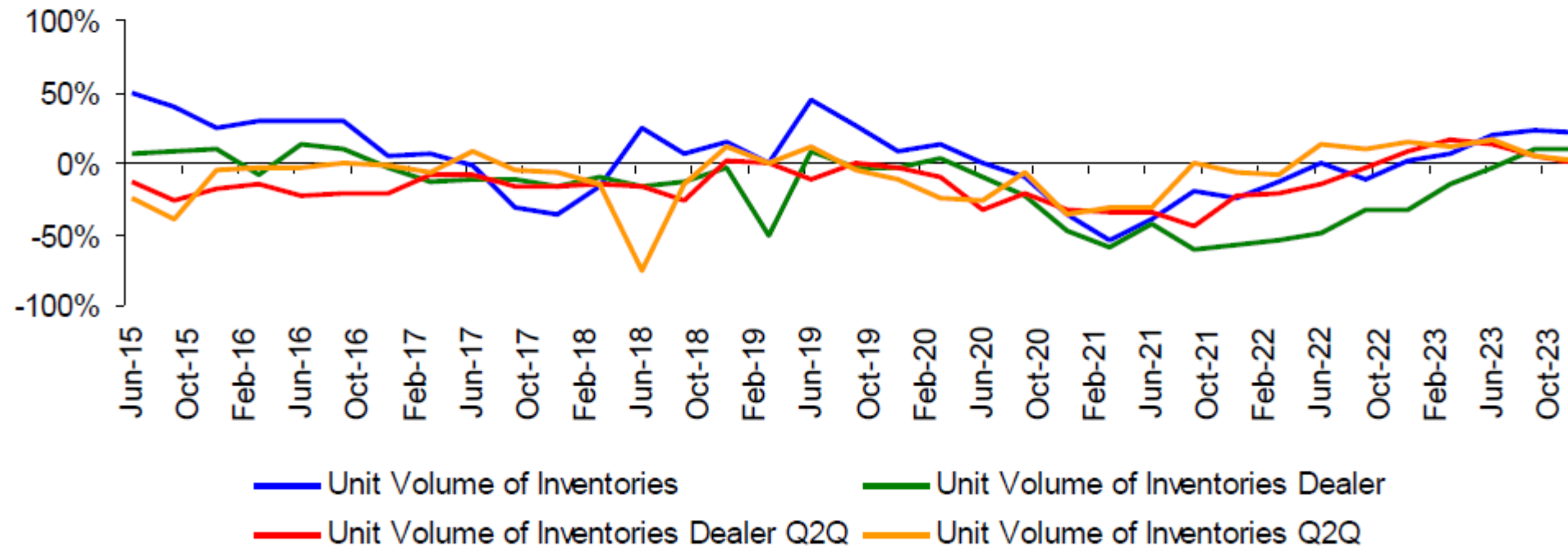
Source: AEM ICS, 2024



Inventory Outlook: *Surplus*

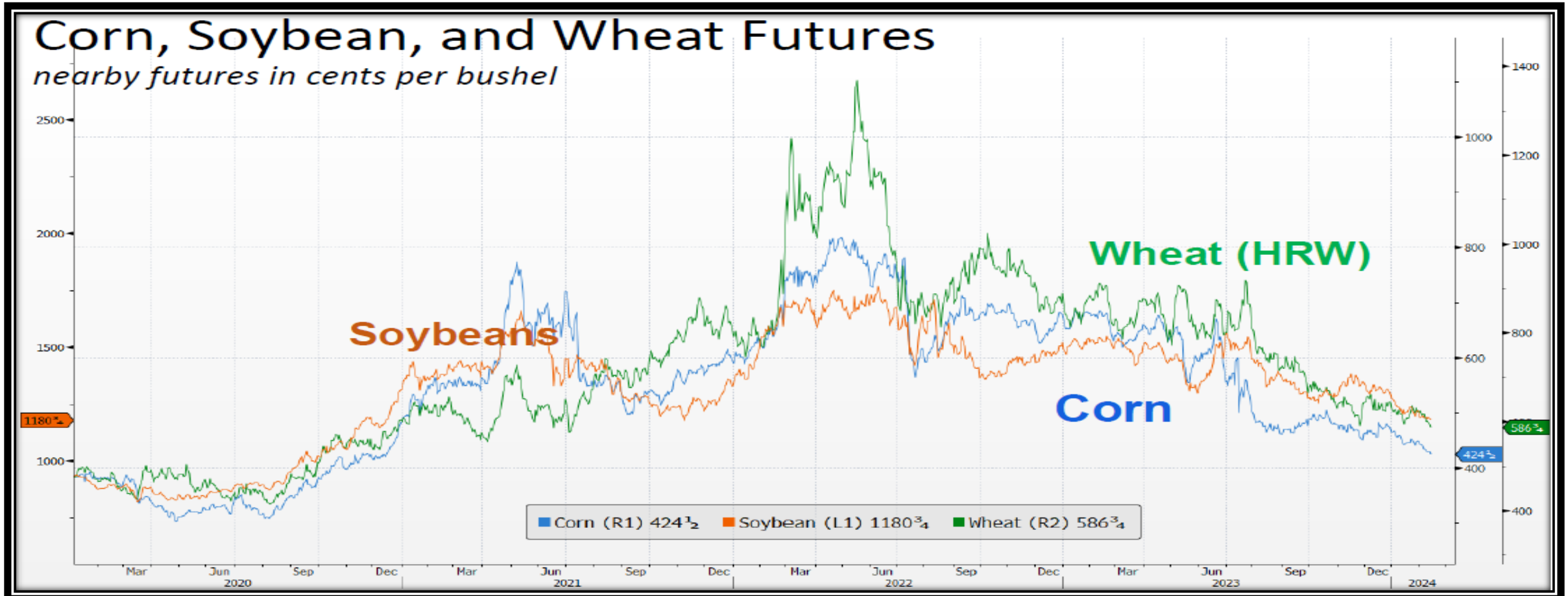
Weak demand outlook expected to raise inventories

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling



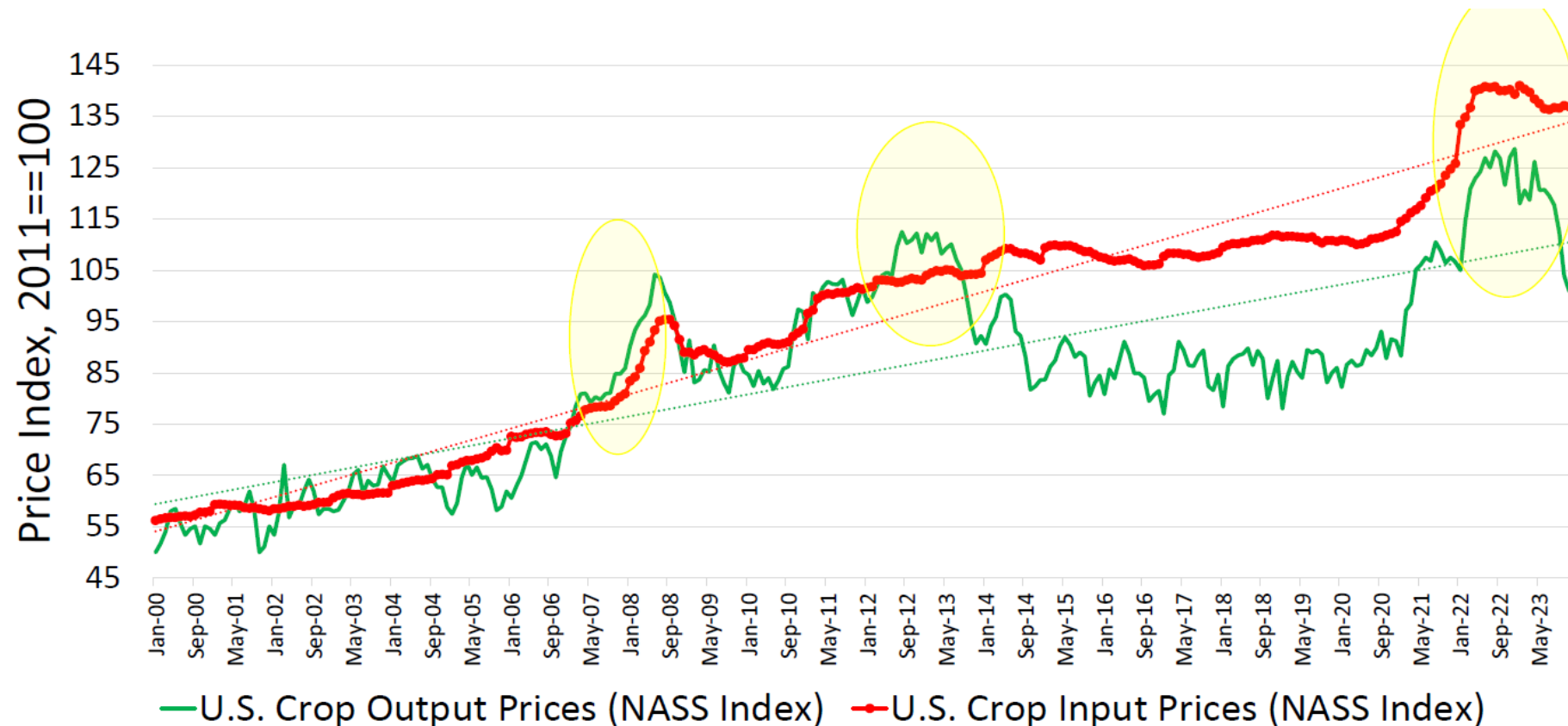
Signs of Cyclical Downturn

Supply has finally rebounded, outpacing demand and softening prices



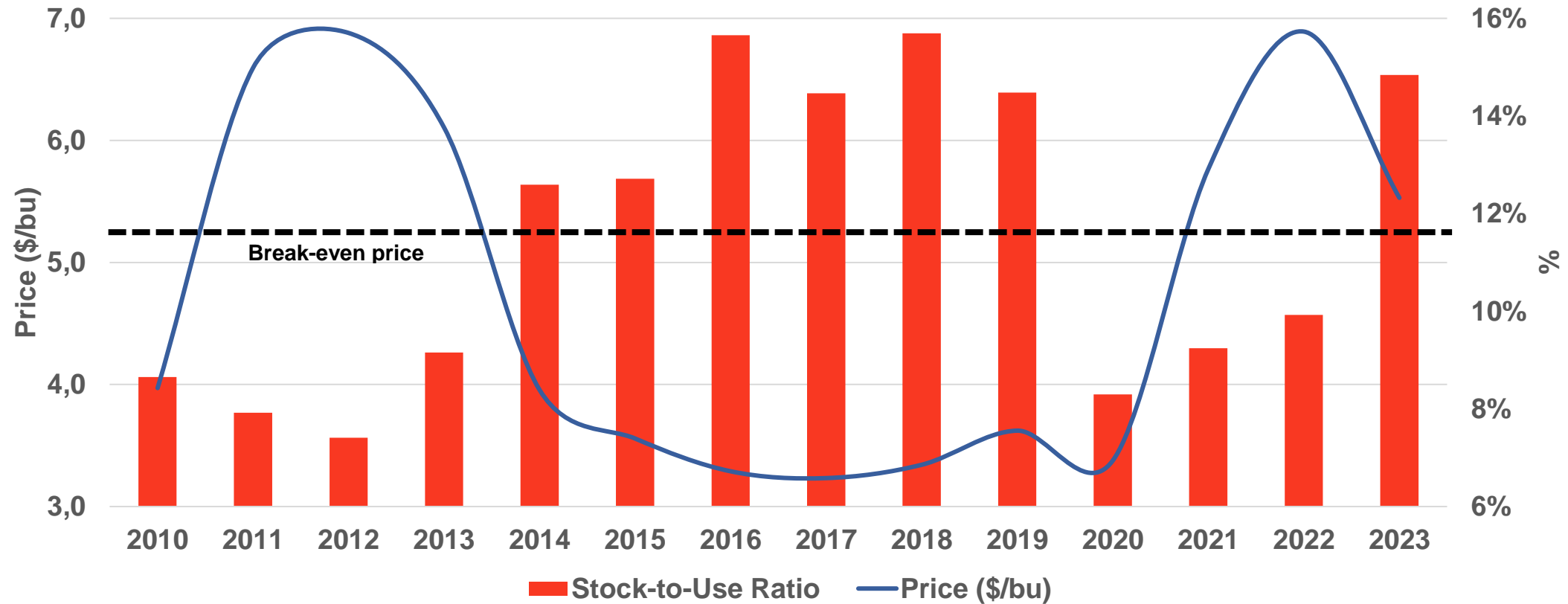
Sticky Input Prices

- Received commodity prices drop faster than paid input prices



Corn: Bumper US Crop

Swelling stocks pressure corn price

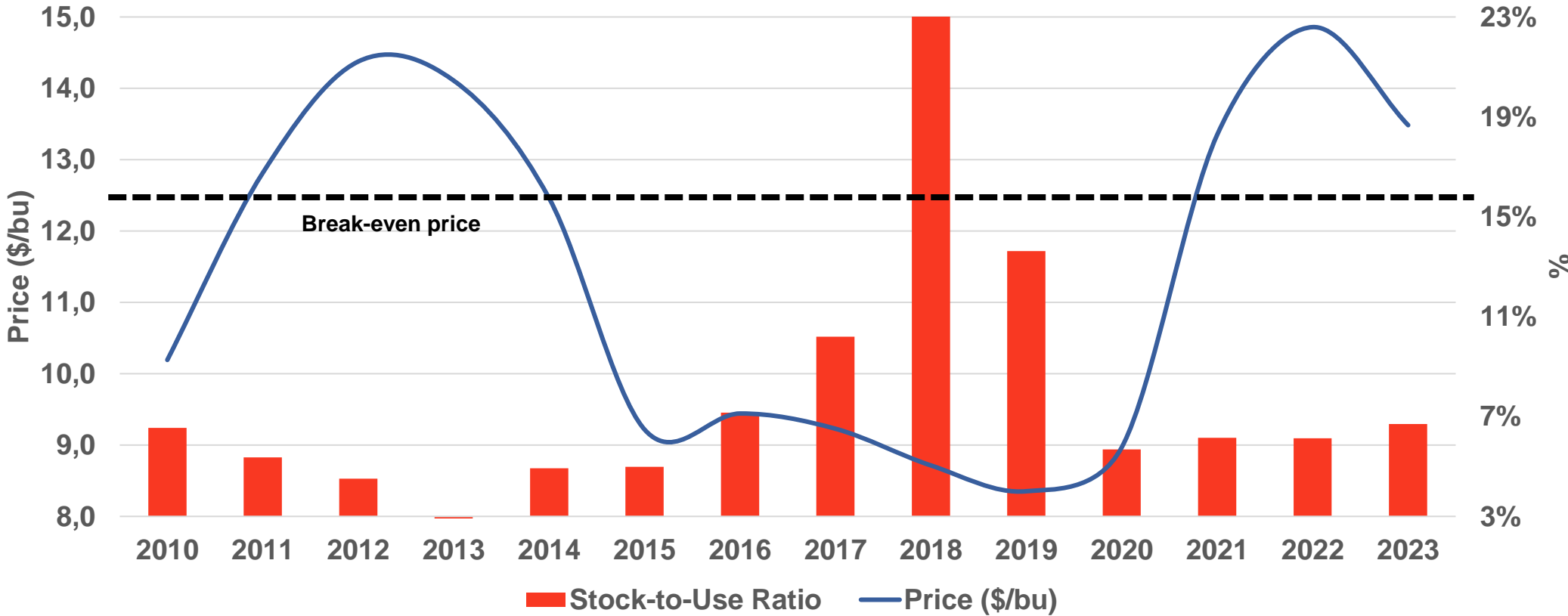


Source: USDA, 2024



Soybeans: Record South America Crop

Despite lower stocks, price falls due to higher global supplies

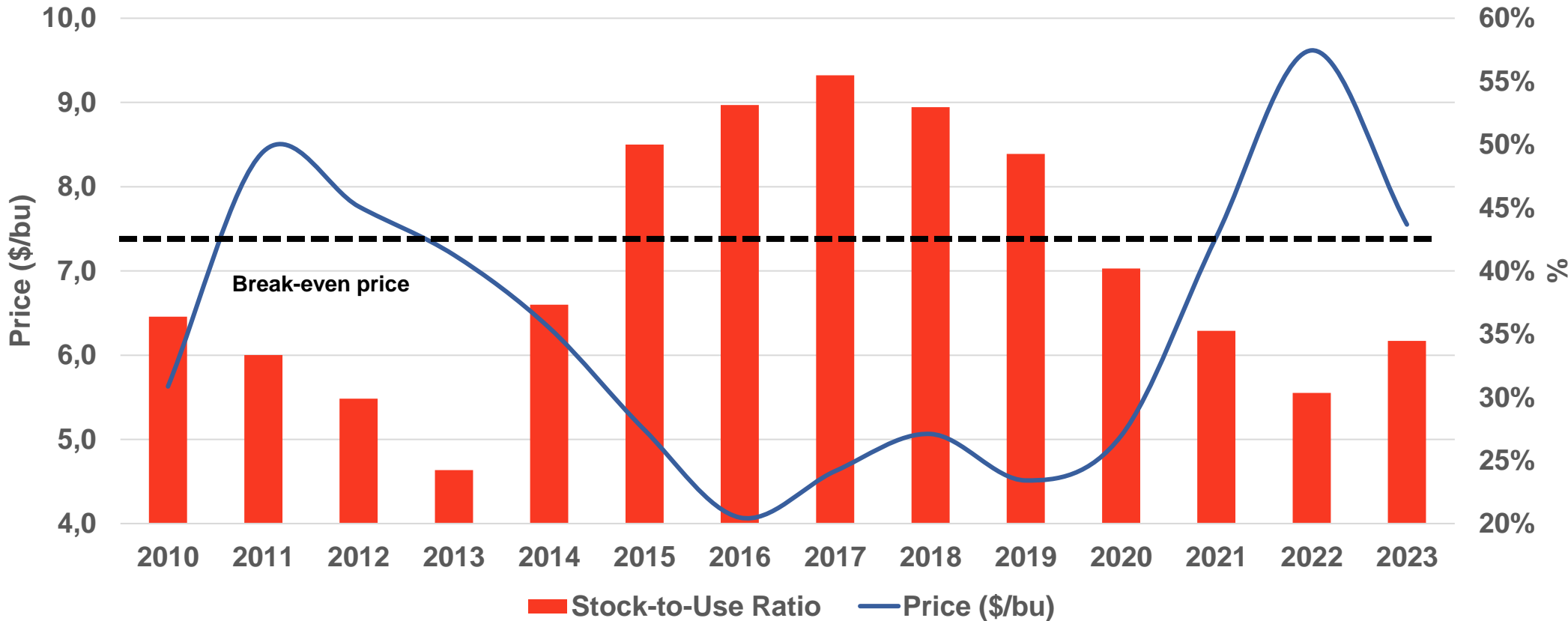


Source: USDA, 2024



Wheat: Plenty Available

Supply replenishes stocks - pressuring wheat price

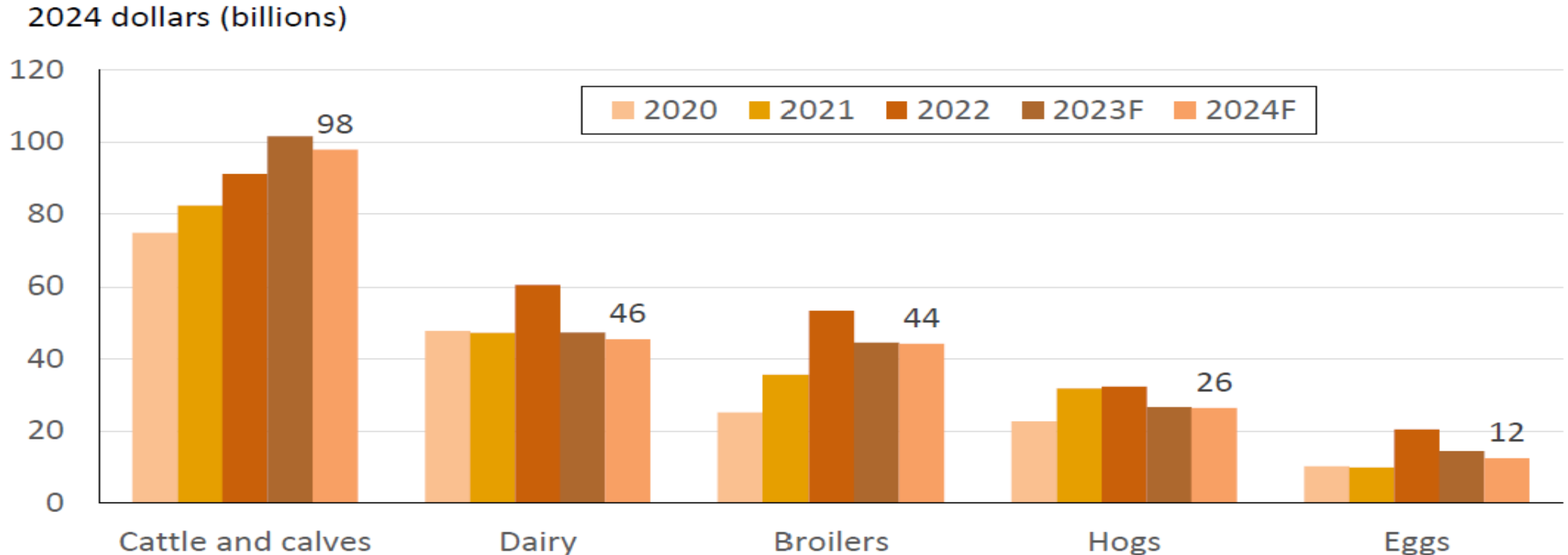


Source: USDA, 2024



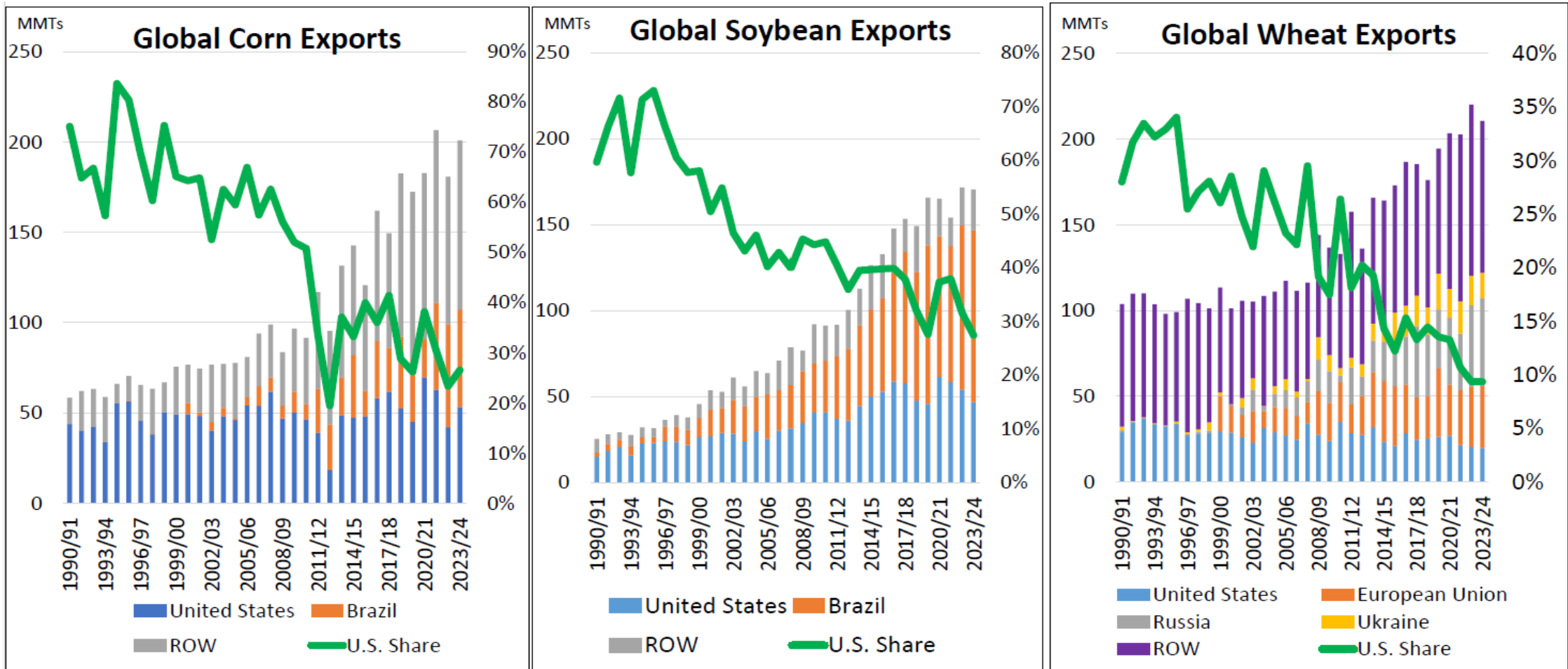
Smaller Dairy and Cattle Herd Hurts Farm Revenue

Cash receipts for all animal products forecast to decrease in 2024



Increased Export Competition

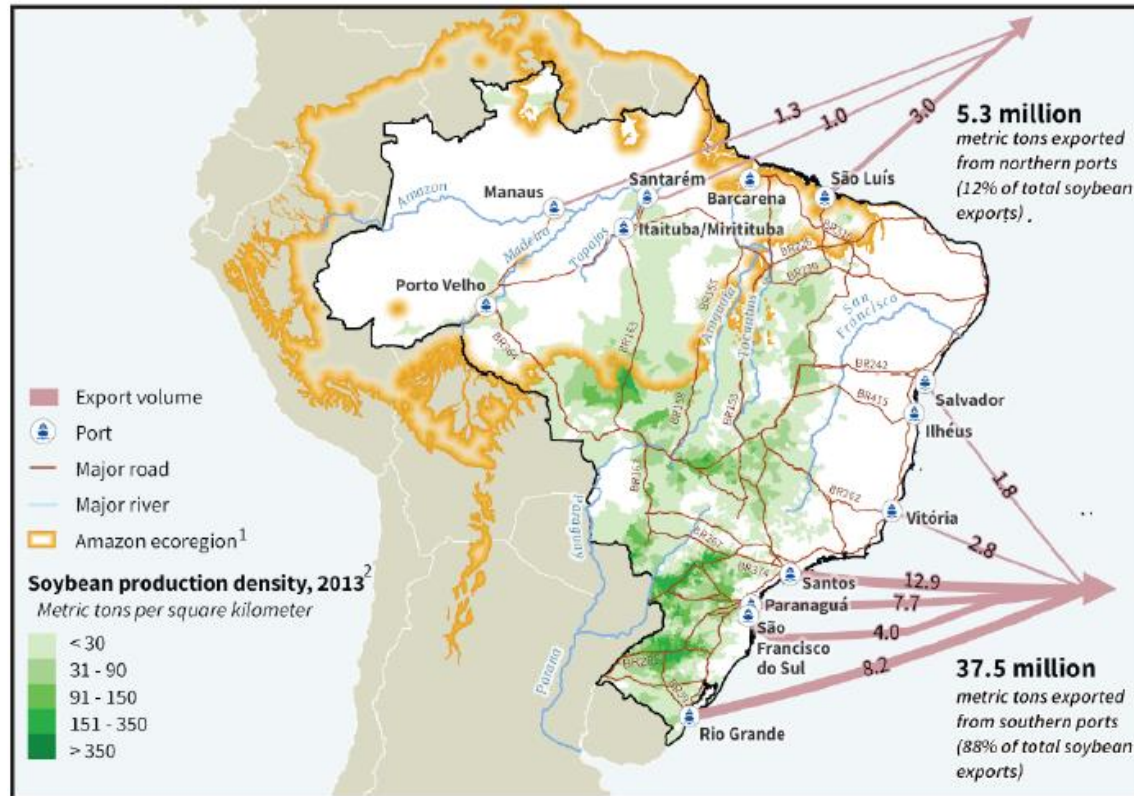
Long term declining trend of U.S. export share



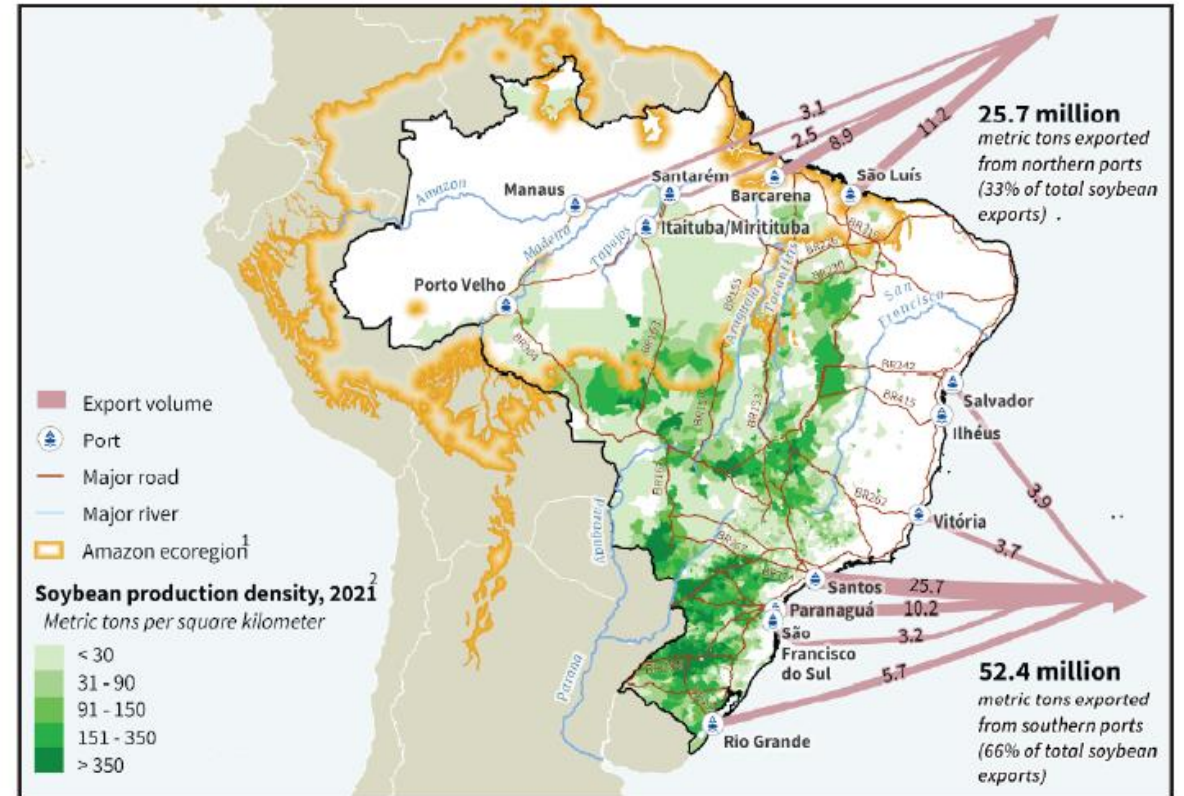
Brazil: A Force To Reckon With

Expanding area and port improvements fuel grain and oilseed production and exports

Brazil soybean exports: 2013

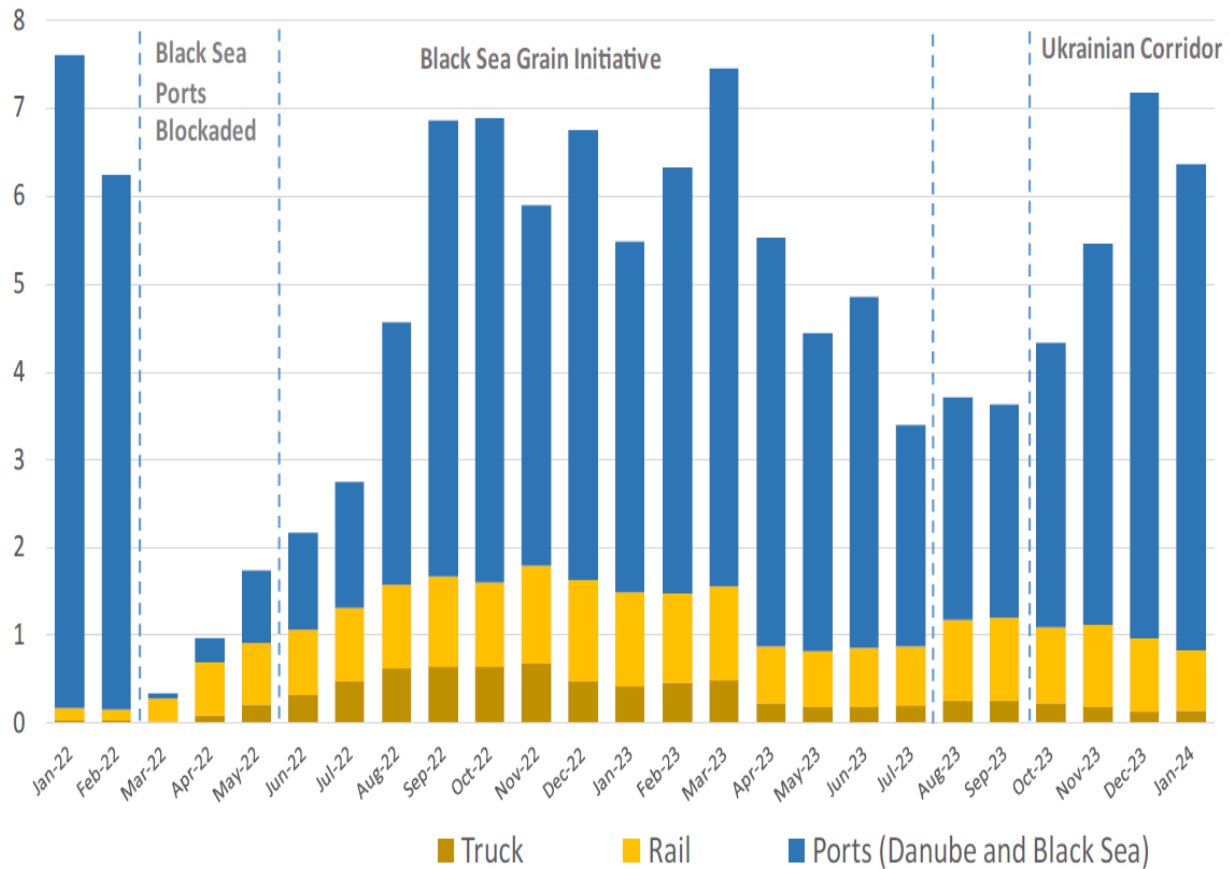


Brazil soybean exports: 2022



Black Sea Exports Recover

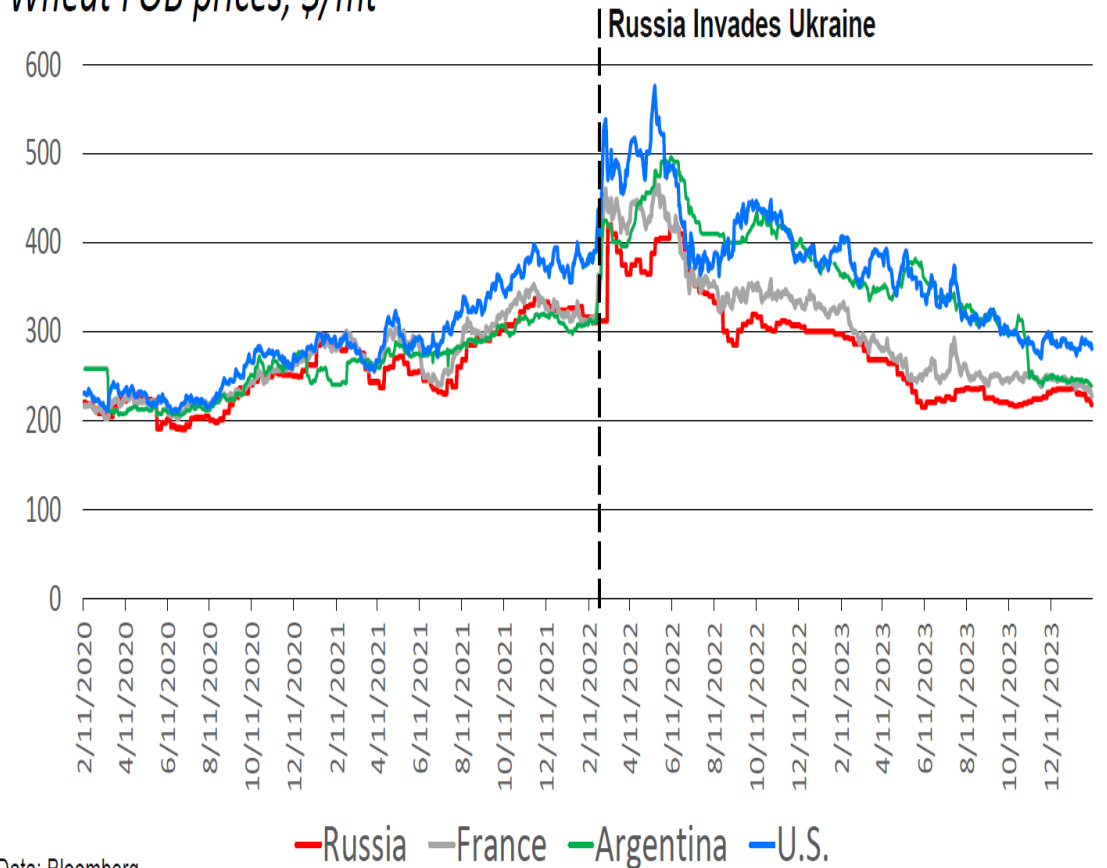
Ukraine's corn exports find a way out



Source: USDA, 2024

Cheap Russian wheat slashes prices

Wheat FOB prices, \$/mt

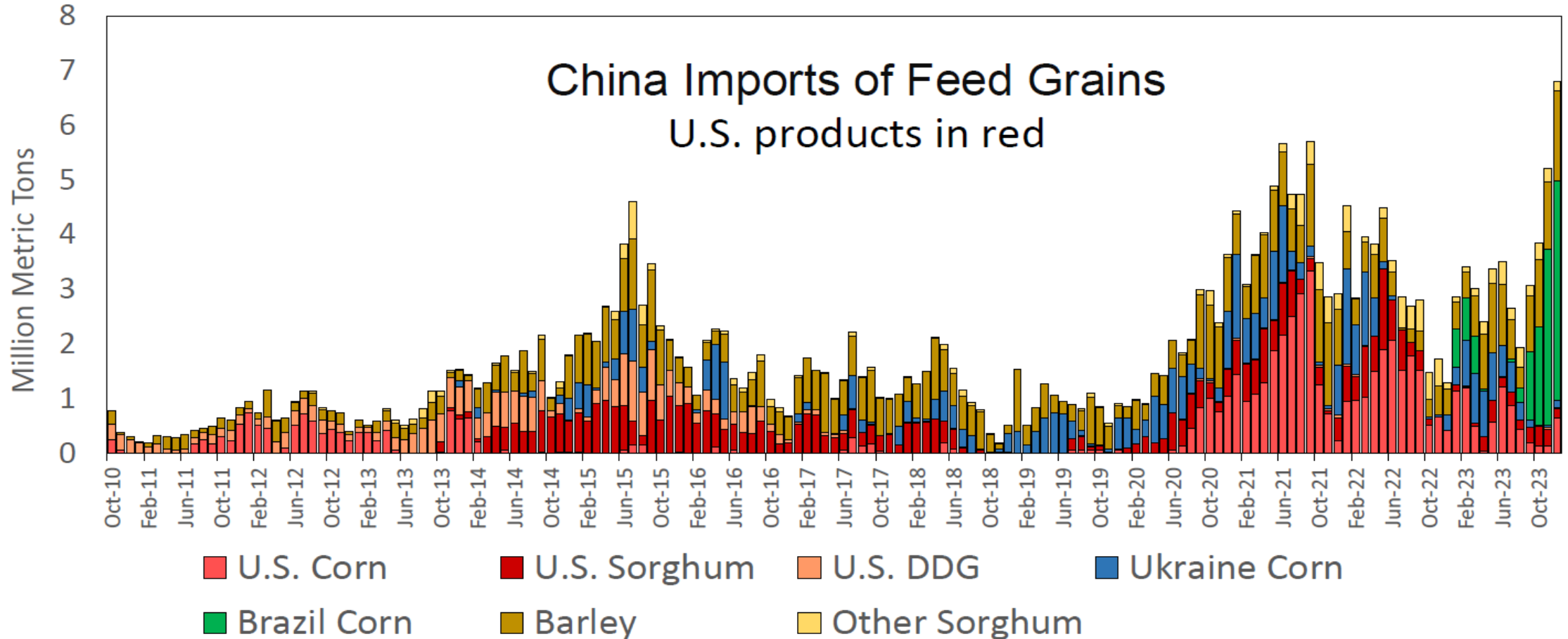


Data: Bloomberg

—Russia —France —Argentina —U.S.

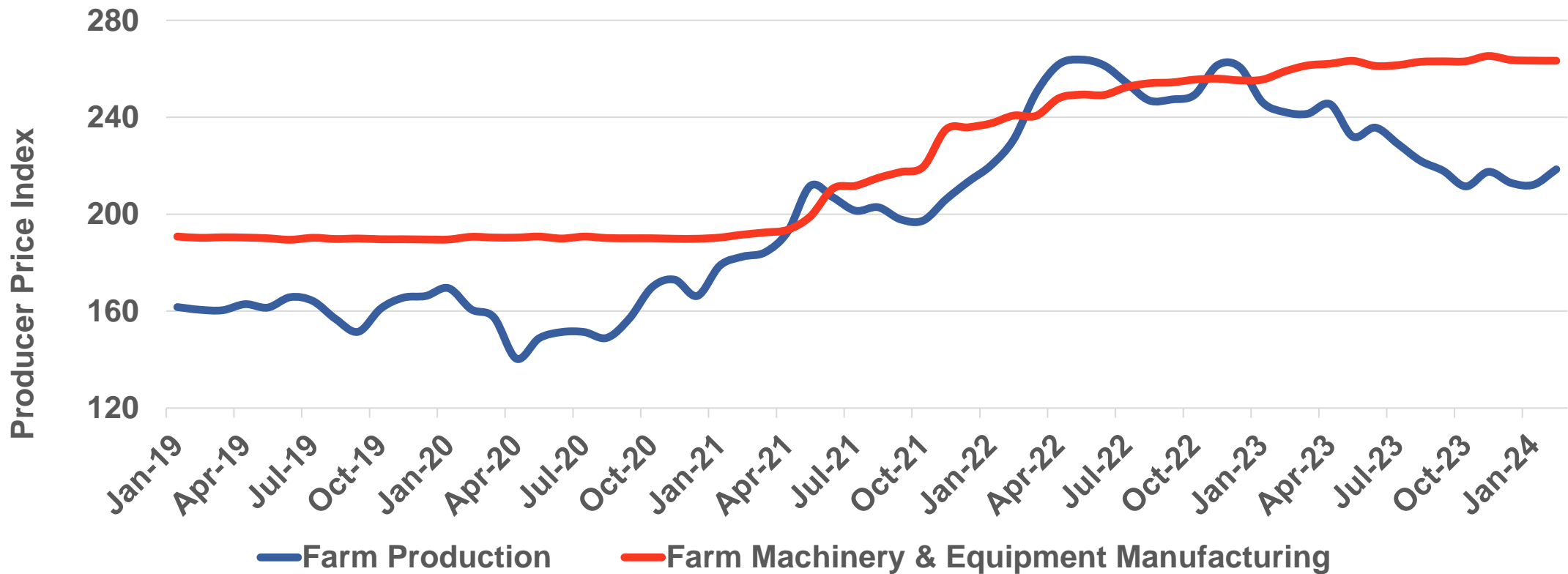
China's Demand From U.S. Falters

Brazil is becoming China's favorite source of corn



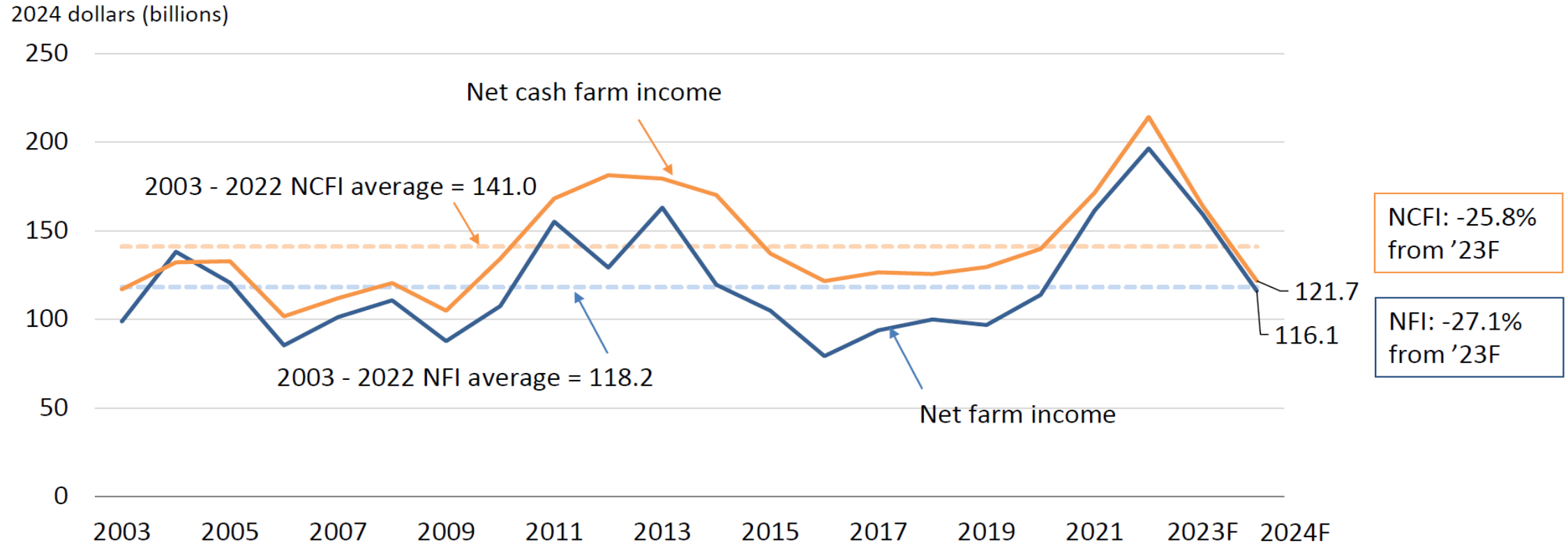
Less Affordable Farm Equipment

Divergence between farm output and machinery PPI has increased



Farm Sector Profits Decline Further in 2024

Net farm income drops 27% YOY, but remains above average



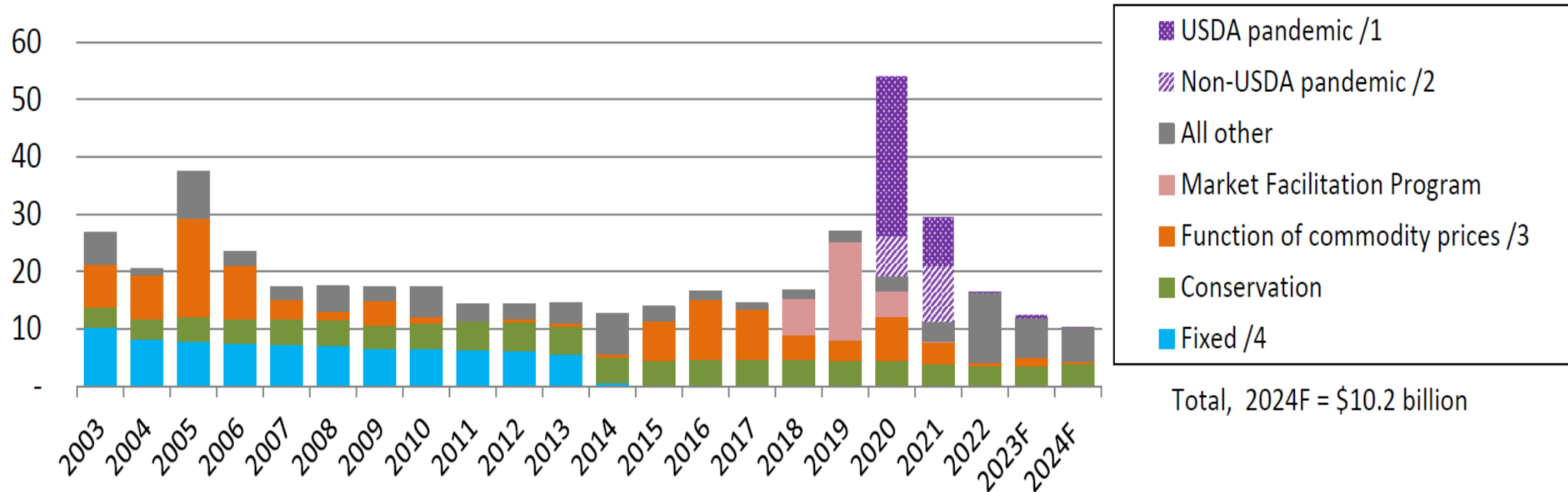
Source: USDA, 2023



Government Support Declines

Direct payments expected to continue to decline in 2024, dropping below long-term average

2024 dollars (billions)



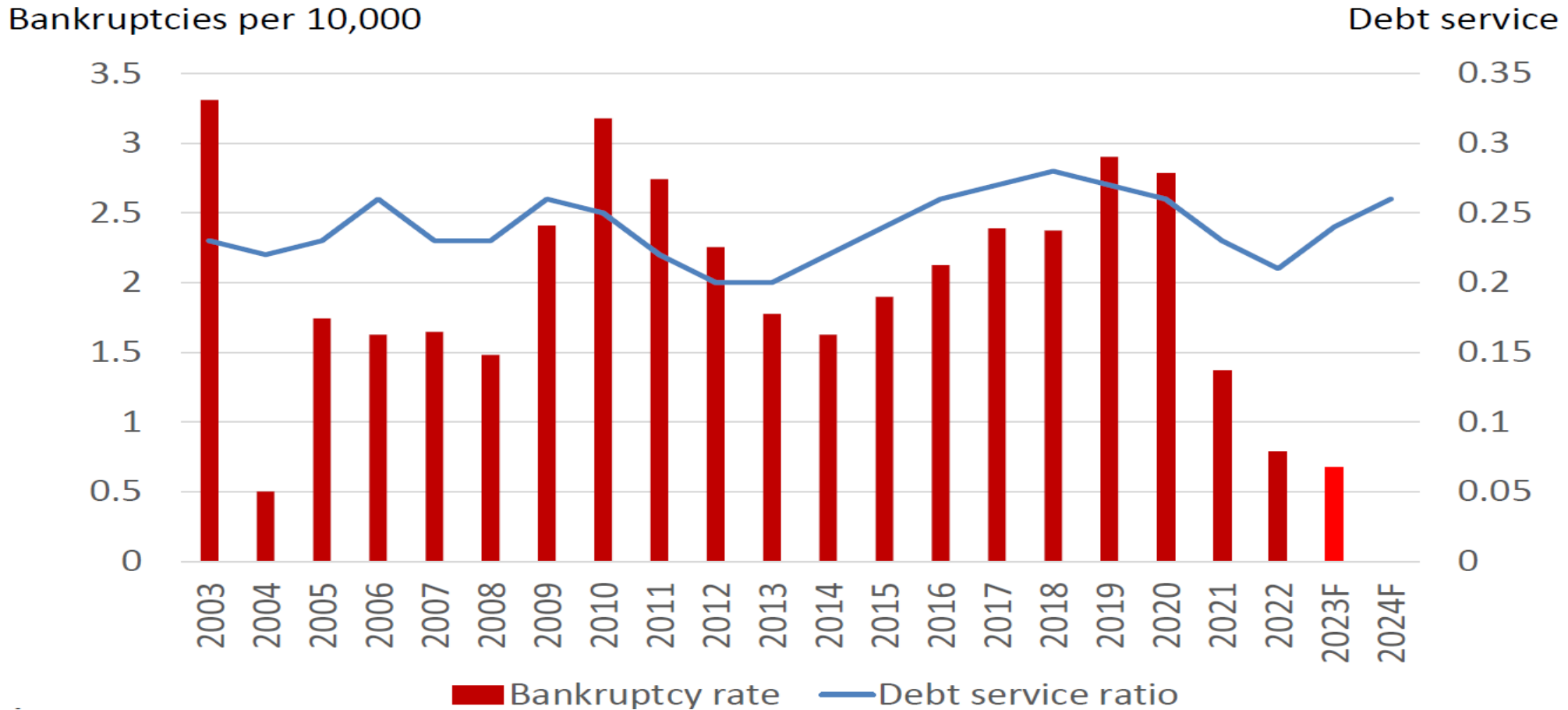
Total, 2024F = \$10.2 billion

Source: USDA, 2023



Resilient Financial Performance

Despite rising debt, farm sector's financial indicators sound no alarm yet

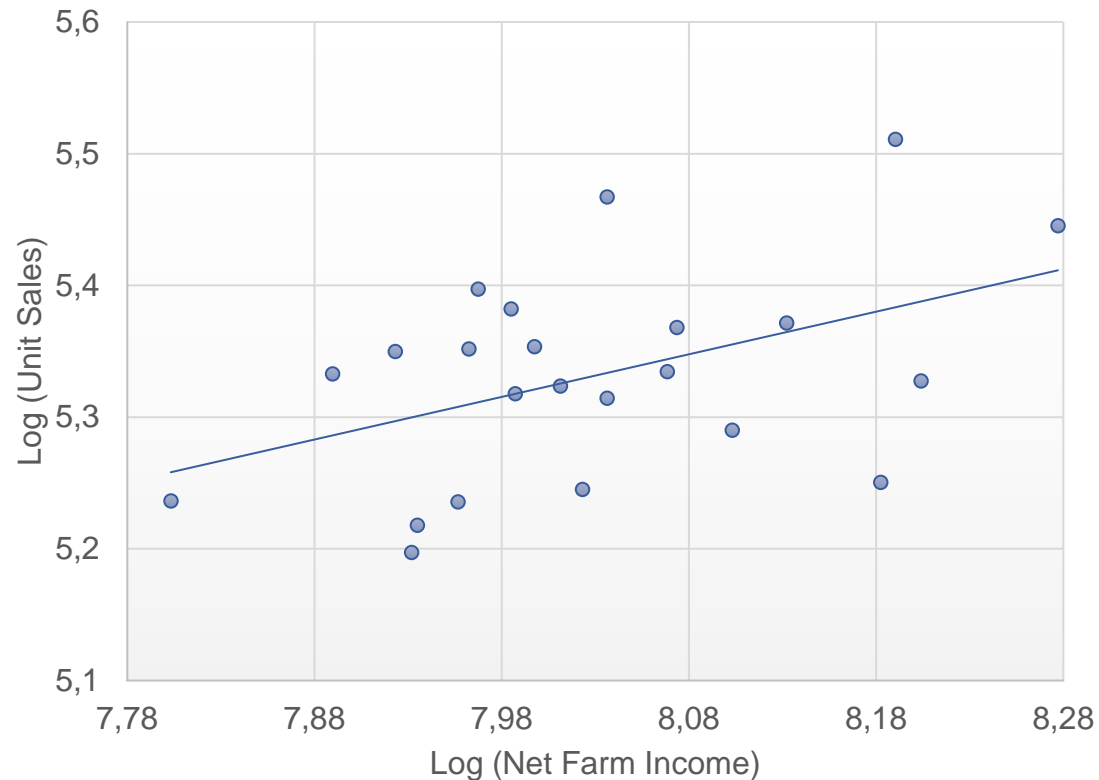


Source: USDA, 2024



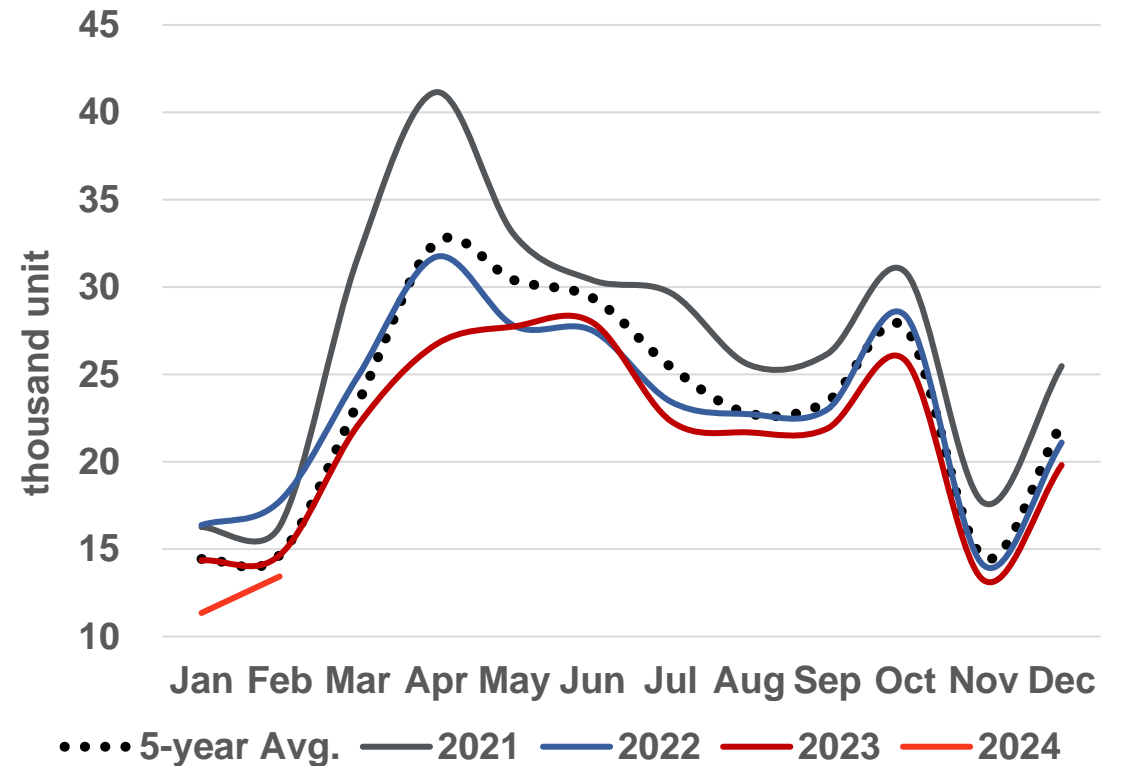
2024 US Tractors & Combines Unit Sales Drop

Lower net farm income is a big factor



Source: USDA, AEM, 2024

YTD Sales trend below 2023 and 5-year average



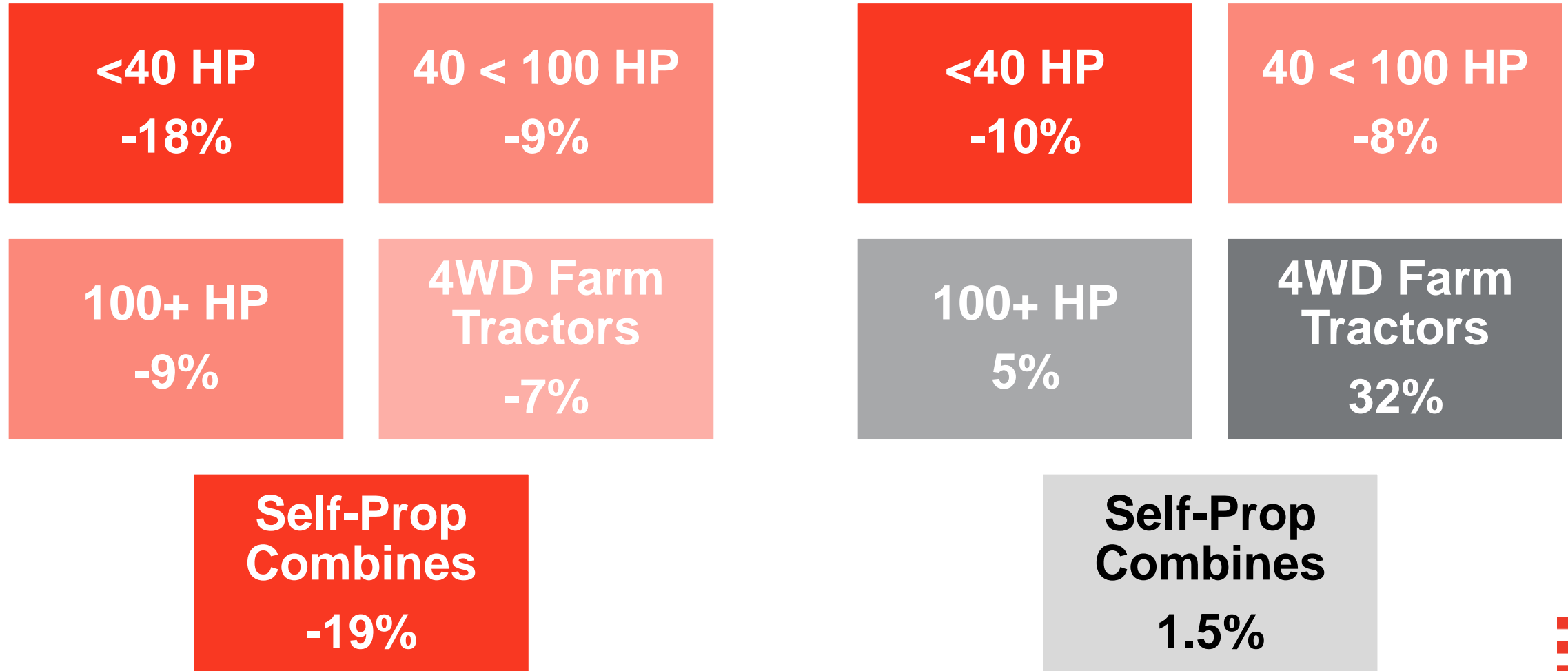
Source: AEM, 2024



YTD Sales Drop Across All HP Sizes

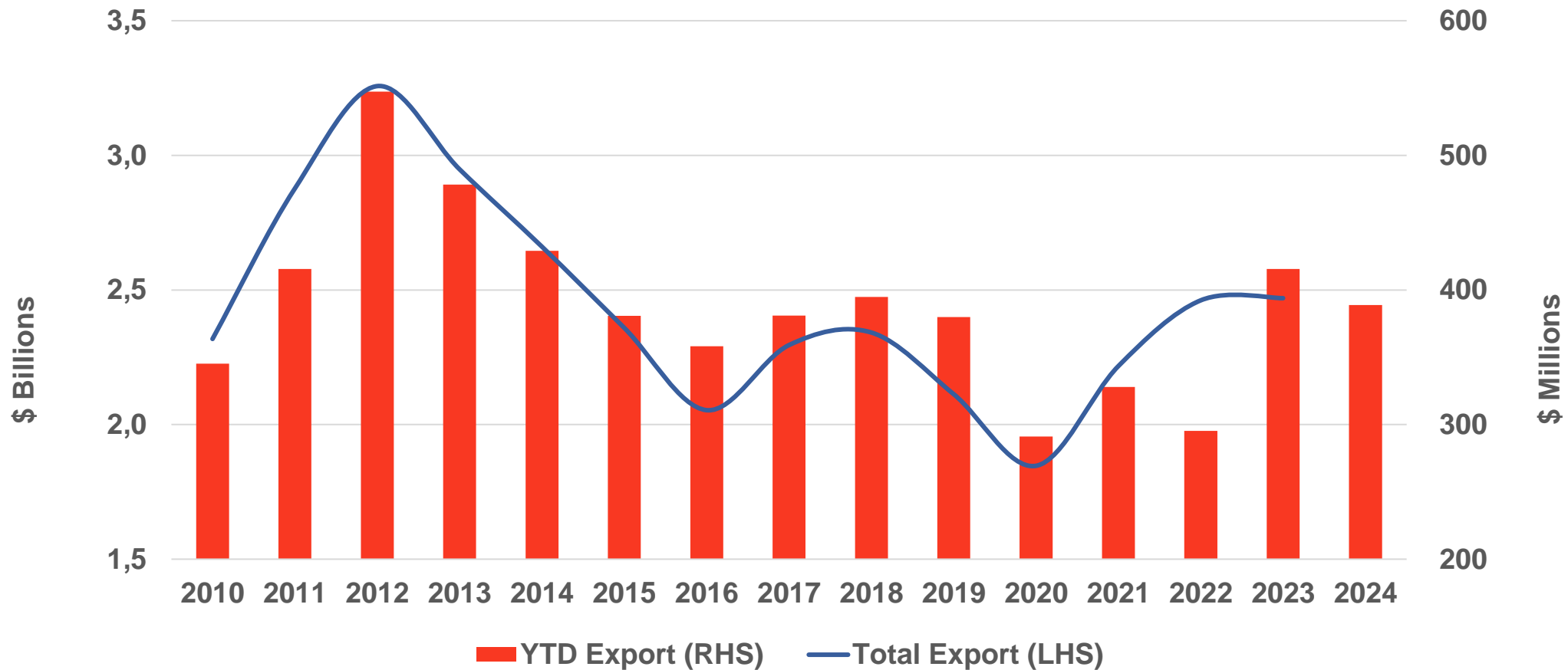
YTD 2023/2024 % Change

2022/2023 %Change



Exports Likely To Drop

Inflation adjusted YTD export value is lower YOY



Equipment Bear Market

Demand factors have the upper hand

The **most** influential factors behind declining equipment sales in the U.S.:

- **Farm Profit Decline** as commodity prices slide against sticky input prices and high capital cost, livestock cash receipts drop due to smaller herds, and exports struggle due to increased competition, logistical bottlenecks, and strong dollar
- **Government Payments Decline** to their lowest level in 15 years
- **Equipment** have increasingly become relatively **more expensive**



Thank you!

