AXEMA

APRIL
2024

COUNTRY **REPORT**

AXEMA – DIRECTION DES AFFAIRES ECONOMIQUES ET INTERNATIONALES

➢ Economic growth

French economic growth is anemic. Over the last three quarters, GDP growth has been close to zero. The outlook for 2024 is bleak. Growth is expected to be 0.5% in 2024. This quasi-recessionary situation is linked to the lack of vigor in household consumption and business investment. In addition, public spending slipped in 2023, forcing the French government to announce budget cuts.

➢ Inflation rate

The disinflation trend continues in 2024. The inflation rate was 2.3% in March, compared with 5.7% a year earlier. The forecast for 2024 is +2.5%. European Central Bank could cut its interest rates in June.

➢ The general climate in France

The mood in France at the start of the year is gloomy. The big topic for the past few weeks has been the public deficit, which is much higher than expected. The first savings announcements have already been made; others will probably follow after the European elections or the Olympic Games. Even if these measures are necessary, they will probably not be accepted and understood by part of population. The risk of social tensions and strikes is real by the end of this year.

- **Agricultural production in value**

-1% en 2023

This decline is attributable to prices (-4.9%), rather than volumes, which increased in 2023 (+3.9%).The livestock sector had a good year, particularly pig and dairy farms. By contrast, the situation was difficult for cereal and oilseed farms, whose revenues fell by between 20% and 25%.

- **Agricultural net income**

-17% en 2023

Farm income fell overall in 2023, while expenses rose by an average of +2 to +3%. As a result, margins and earnings fell. In value terms, however, they were equivalent to those of 2021, which were considered good. Nothing catastrophic, then. However, the financial situation has deteriorated sharply for field crop farms, which are the biggest investors in equipment in France.

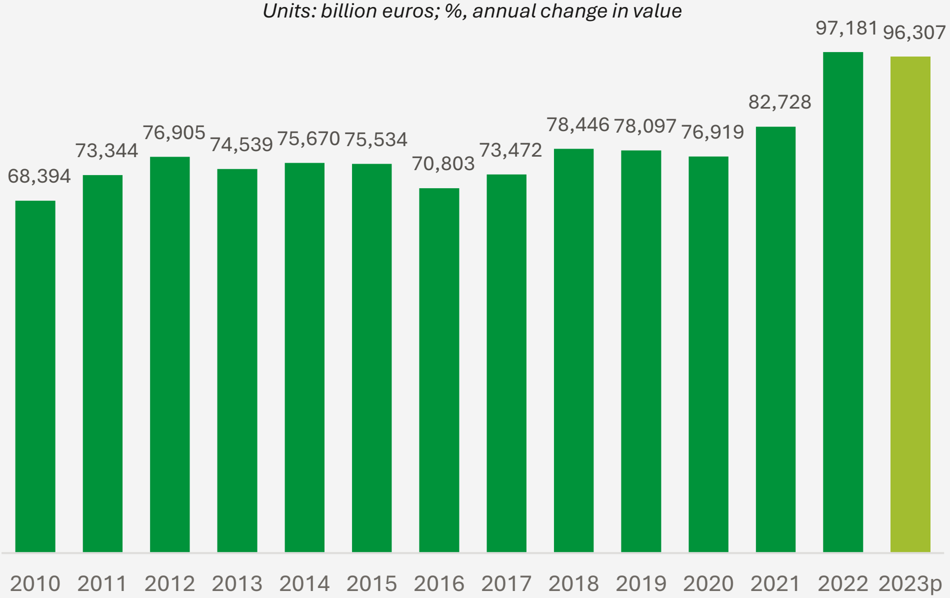
General climate in French Agriculture

In France, as in many other European countries, there was an uprising of farmers at the beginning of the year. French farmers' demands focused on (1) excessive European regulations, particularly on environmental protection, (2) the complexity of administrative tasks, and (3) the sector's lack of protection against competition from Ukraine or Brazil in particular.

French agricultural production stabilised in 2023, the result of opposing forces between crop production, which fell by -4.7%, and animal production, which rose by +5.1% in value terms.

French agricultural production excluding subsidies

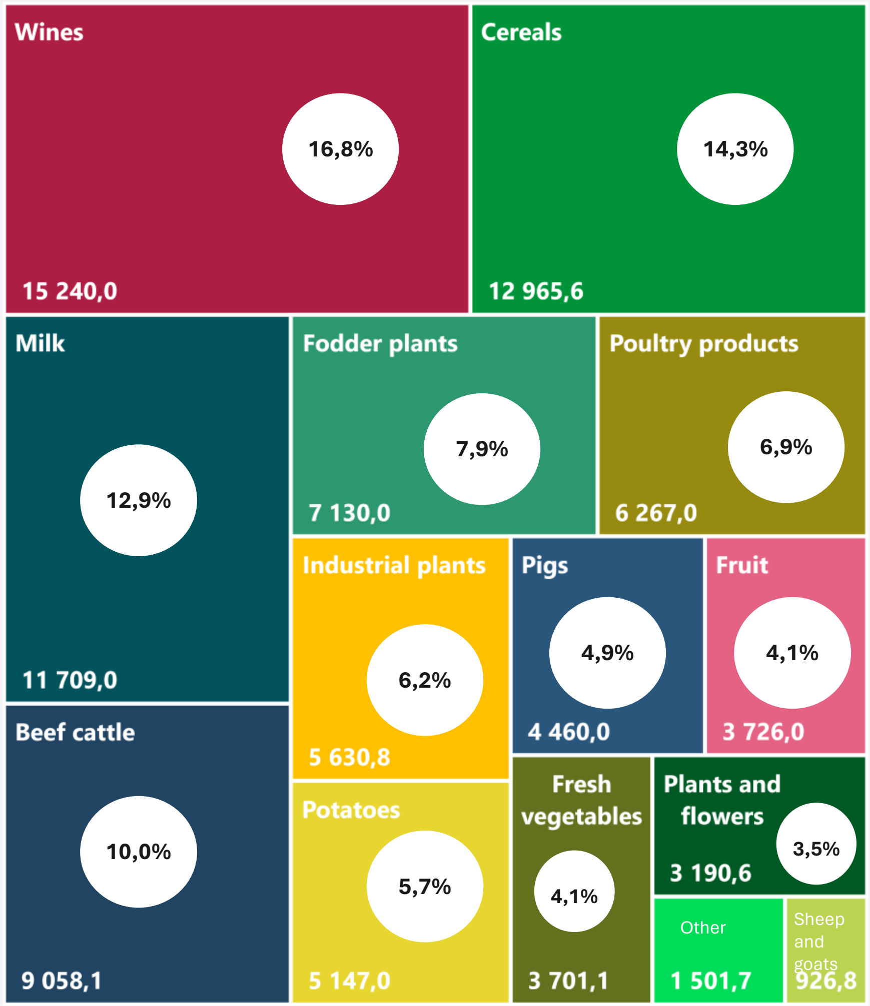
Units: billion euros; %, annual change in value



	TOTAL PRODUCTION	GROWTH	OF WHICH PROD. VEGETAL	GROWTH	OF WHICH PROD. ANIMAL	GROWTH	INCLUDING SERVICES	GROWTH
2017	73,472	3,8%	41,987	2,8%	26,775	5,7%	4,710	1,5%
2018	78,446	6,8%	46,844	11,6%	26,736	-0,1%	4,867	3,3%
2019	78,097	-0,4%	45,628	-2,6%	27,357	2,3%	5,113	5,1%
2020	76,919	-1,5%	44,527	-2,4%	27,185	-0,6%	5,207	1,9%
2021	82,728	7,6%	49,831	11,9%	27,618	1,6%	5,279	1,4%
2022	97,181	17,5%	59,526	19,5%	32,291	16,9%	5,364	1,6%
2023p	**96,307**	**-0,9%**	**56,731**	**-4,7%**	**33,923**	**5,1%**	**5,654**	**5,4%**

Breakdown of French agricultural production by product in 2023

Units: million euros; %, weight in total production



(*) Industrial plants (oilseeds, protein crops, sugar beet, tobacco, textile plants, etc.) - Source: INSEE, provisional agricultural accounts; (p) provisional data.

Production account, generation of income account, entrepreneurial income account of the agricultural sector at current prices

Units: million euros; index base 100 = value of production at basic price and %, annual variation in value.

	2019	2020	2021	2022	2023P	WEIGHT IN PROD.	CHANGE 2023 / 2022	CHANGE 2023 / AVG. 2019-2022
Production at basic price	78 097	77 058	83 723	97 414	96 595	100,0	-0,8%	14,9%
(-) Intermediate consumption	46 438	46 018	48 223	55 776	57 182	59,2	2,5%	16,4%
dt:animal feed intraconsumed	7 028	6 890	7 269	8 966	9 514	9,8	6,1%	26,2%
dt:animal feed purchased	8 136	8 063	8 921	10 384	10 027	10,4	-3,4%	13,0%
dt:energy and lubricants	4 122	3 715	4 236	5 718	5 610	5,8	-1,9%	26,1%
dt:fertilisers and soil improvers	3 738	3 660	3 675	5 748	5 683	5,9	-1,1%	35,1%
dt:pesticides and agrochemicals	2 970	2 743	2 762	2 807	3 052	3,2	8,7%	8,2%
dt:veterinary expenditure	1 441	1 445	1 435	1 446	1 521	1,6	5,2%	5,5%
dt:seeds and seedlings	2 589	2 700	2 631	2 669	2 852	3,0	6,9%	7,7%
dt: equipment maintenance	3 817	3 885	4 130	4 350	4 688	4,9	7,8%	15,9%
dt:building maintenance	351	390	389	409	426	0,4	4,0%	10,7%
dt: agricultural works services	4 889	5 034	5 012	5 190	5 282	5,5	1,8%	5,0%
dt:other intermediate consumption	7 359	7 495	7 766	8 090	8 527	8,8	5,4%	11,1%
(=) Gross value added	31 659	31 040	35 500	41 638	39 414	40,8	-5,3%	12,7%
(+) Operating subsidies	8 265	8 100	9 005	8 241	8 391	8,7	1,8%	-0,1%
(-) Other taxes on production	1 667	1 579	1 669	1 788	1 885	2,0	5,4%	12,5%
(=) Gross value added at factor cost	38 257	37 560	42 836	48 090	45 920	47,5	-4,5%	10,2%
(-) Employee remuneration	8 137	7 829	8 227	8 484	9 077	9,4	7,0%	11,1%
(=) Gross operating profit	30 120	29 731	34 609	39 607	36 843	38,1	-7,0%	9,9%
(-) Interest excluding sifim	483	420	381	544	657	0,7	20,8%	43,7%
(-) Net rental expenses	2 436	2 494	2 536	2 635	2 730	2,8	3,6%	8,1%
(=) Gross agricultural profit	27 201	26 816	31 692	36 428	33 456	34,6	-8,2%	9,6%
Net income from agriculture	**16 425**	**15 920**	**20 125**	**24 042**	**19 940**	**20,6**	**-17,1%**	**4,2%**

Source: INSEE, provisional agricultural accounts; (p) provisional data

Agricultural prices 2M2024 vs 2M2023: -9,0%↘.

Cereals	Oilseeds	Potatoes	Wine	Vegetables
-30,6%↓	-24,4%↓	+10,1%↑	-14,4%↓	+5,9%↗
Milk	Beef	Pork meat	Poutry	Fruits
-6,3%↘	-2,7%↘	-8,4%↘	-9,3%↘	+6,8%↗

Source : Agreste

Agricultural good prices vs production costs (2M2024vs2M2023)

Sector	Price trend	Cost trend	Balance
All type of farms	-9,0%	-9,4%	=
Cereal and oilseed farms	-30,6%	-13,8%	- - -
Wine farms	-14,4%	-3,9%	- -
Dairy farms	-6,3%	-8,2%	+
Beef farms	-2,7%	-8,2%	+
Pig farms	-8,4%	-11,7%	+
Market gardening	+5,9%	-5,0%	++

Source : Agreste

- **2023: another record year for billings…**

9,1 Mds€
+11,5% in 2023

The French agricultural equipment market has grown in double figures for the third year running in 2023, taking the market (new equipment, wholesale sales) to €9.1 billion, an all-time record. In volume terms, growth was only +3.5%.

- **… but new orders fell sharply**

-14% in 2023

Order intake had already begun to fall by the end of 2022. In 2024, they plunged by an average of 14% compared with 2022. Among the equipment tracked, only the combine harvester segment showed a positive trend.

- **Forecasts for 2024 and 2025**

-15% in 2024
-5% in 2025

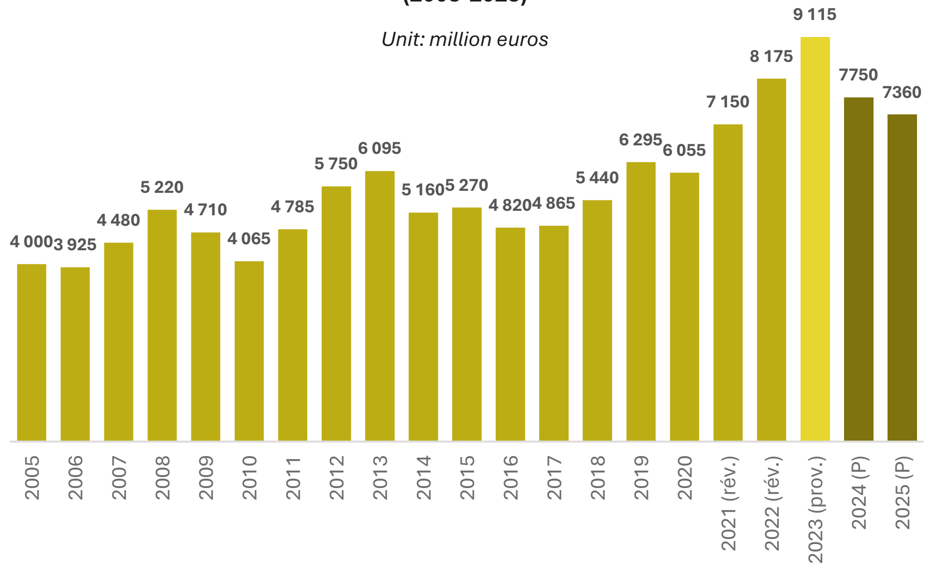
These forecasts are based on historical orders and on forecasts of income and margins for French agriculture in 2024 and 2025, assuming that 2024 and 2025 will be 'normal' years, i.e. in line with the average of the last five years in terms of production and yield. Regarding agricultural prices, we have assumed price stability.

(T4) - **Axema's forecast scenario for 2024 and 2025**

	2022	2023	2024p	2025p
Agricultural price trends	+15,1%	-3,9%	-4,5%	+1,0%
Agricultural production in volume	+0,8%	+2,9%	-4,1%	-0,8%
Change in the value of agricultural production	+17,5%	-0,9%	-8,5%	+0,2%
Changes in production costs	+21,9%	+4,4%	-1,5%	-0,5%
Change in net income for the agricultural sector	+14,9%	-17,1%	-10,0%	+6,0%
Trends in agricultural equipment prices	+12,0%	+7,5%	+1,0%	+1,0%
Volume of sales of agricultural equipment	+2,1%	+3,7%	-16,0%	-6,0%
Agri-equipment sales by value (apparent market)	+14,3%	+11,5%	-15,0%	-5,0%

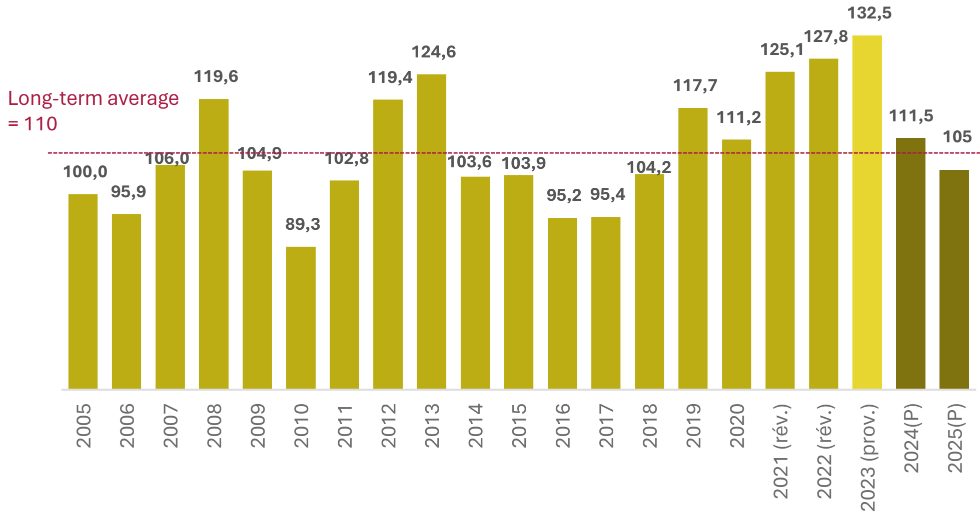
(F4) - **The new agricultural equipment market in France (2005-2025)**

Unit: million euros



(F5) - **The new agricultural equipment market in France in volume (2005-2025)**

Unit: index, base 100 in 2005

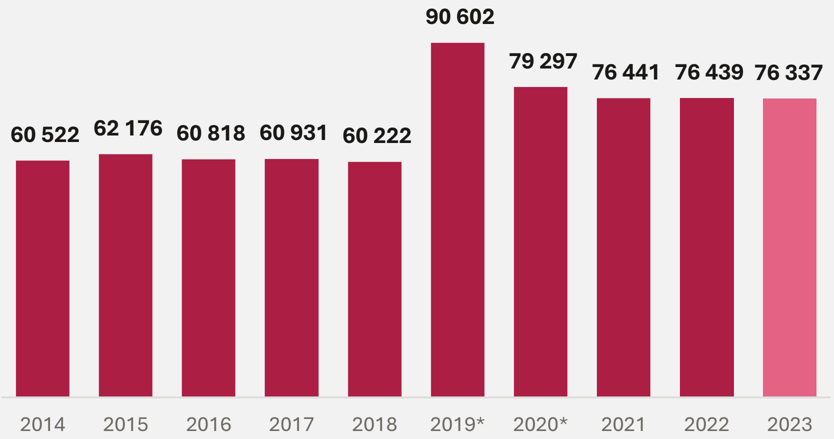


(Rev.) Revised data; (Prov.) Provisional data; (P) Forecasts - Source: Axema

First registrations of agricultural vehicles were stable overall in 2023.

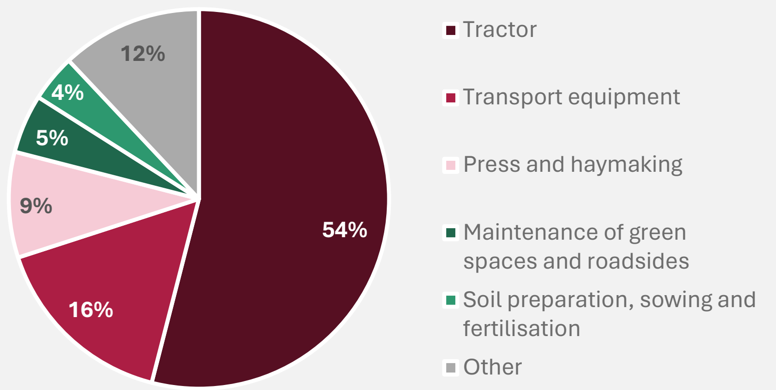
The first registrations of agricultural vehicles in France (2014-2023)

Unit: number of first registrations



Breakdown of first registrations of agricultural vehicles by product family in 2023

Unit: %, share of total first registrations



by type of véhicules in 2023 :

- Trailed sprayers : 1 524/ +45,0%
- Self-propelled sprayers: 385/ +35,0%
- Water tankers: 558 /+9,4%
- Livestock carriers: 805/+9,1%
- Combine harversters : 1 695 /+6,6%
- Standard tractors: 26 200 /+4,2%
- Telehandlers: 5 161 /+3,7%
- Disc harrows/cover crops: 1 202/+3,7%
- Rollers : 1 004/+3,4%
- Green space tractors: 6 154 / +1,8%
- Square ballers: 504 / -4,0%
- Tippers: 4 608 / -7,5%
- Manure spreaders: 1 045 / -9,6%
- Slurry tankers: 725/ -9,9%
- Vineyard and orchard tractors: 3 303 / -10,6%
- Round balers: 2 940 / -16,8%
- Seed drills : 445 / -20,1%
- Grape harversters: 356 / -25,8%
- Forage harvesters: 244 / -28%

(*) 2019 and 2020 were atypical years marked by the registration of a large number of old vehicles due to the entry into force of the decree of 19 December 2016 - Source: AXEMA, SIV-DIVA.

First registrations of agricultural vehicles in the first quarter 2024 : -6,8%↘.

6 171
First registrations of tractors
-8,5%↘

1 037
First registrations of telescopic handlers
-13,3%↓

157
First registrations of combine harvesters
-38,7%↓

1 012
First registrations of ag. tippers
-9,4%↘

637
First registrations of round balers
+2,4%↗

84
First registrations of square balers
-12,5%↓

510
First registrations of self-propelled and trailed sprayers
+3,0%↗

244
First registrations of disc harrows
-23,8%↓

Source: AXEMA, SIV-DIVA.

After a strong cycle lasting 6 years, from 2017 to 2023, we are now entering a market downturn. Ag equipment sales will decline in France by 15% in 2024 and 5% 2025. Nevertheless, the first quarter of 2024 was below our forecast scenario in terms of billings and orders. If this trend continue, we may revise our expectations downwards.

Nevertheless, French manufacturers and importers remain optimistic. They see the current situation more as a return to normality than as a "crisis". However, they are concerned about the poor start to the year and the weather conditions (a lot of rain) that are preventing work in the fields in the north part of France.

Competitive tensions have intensified since the beginning of the year. While public tariff prices are rising slightly, net prices (including discounts) are currently very tight and could fall on average compared with 2023, accentuating the market's downward trend.